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Asia Pacific
Investment Quarterly

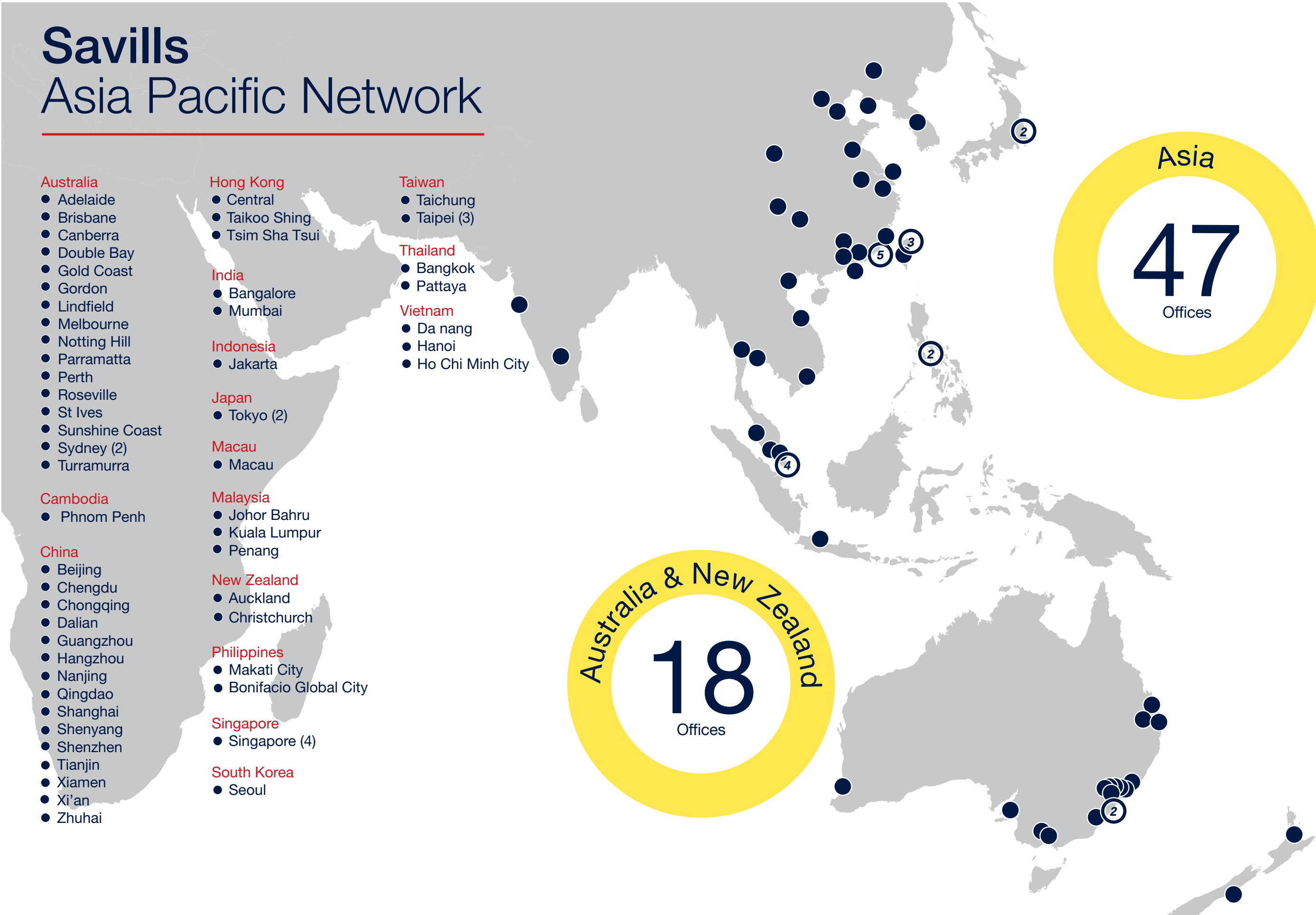
Q3 2017

HIGHLIGHTS

Japan's macroeconomy remains strong. Office rental growth has been robust in the face of heavy supply, and pre-leasing for large new projects is proceeding much better than originally expected. PM Abe's victory in an October snap election is supporting current market momentum. In Singapore, the enthusiasm of developers to replenish their residential land banks and the continued hunger for large investible grade commercial assets drove investment sales numbers towards levels not seen since 2013. Even at historically rich valuations, Hong Kong's office market is extremely active while investors in the retail market are waiting for clearer signs of a turnaround before committing. Investment activity in Korea continues to thrive despite the geopolitical headwinds and the economy grew at its fastest rate in more than seven years in the third quarter, which could be a factor in the central bank deciding to raise interest rates soon. In China, developers and investors are exploring multifamily development opportunities as the government changes tack on the residential affordability issue.

Simon Smith, Savills Research

An introduction to Savills



Source: Savills Research & Consultancy

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. The company now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

In Asia Pacific, Savills has 66 regional offices comprising over 25,000 staff. Asia Pacific markets include Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Macau, Malaysia, New Zealand, Taiwan, Thailand, Singapore and Viet Nam, with associate offices in Cambodia and the Philippines. Savills provides a comprehensive range of advisory and professional property services to developers, owners, tenants and investors. These include consultancy services, facilities management, space planning, corporate real estate services, property management, leasing, valuation and sales in all key segments of commercial, residential, industrial, retail, investment and hotel property.

A unique combination of sector knowledge and entrepreneurial flair gives clients access to real estate expertise of the highest calibre. We are regarded as an innovative-thinking organisation supported by excellent negotiating skills. Savills chooses to focus on a defined set of clients, offering a premium service to organisations and individuals with whom we share a common goal. Savills is synonymous with a high-quality service offering and a premium brand, taking a long-term view of real estate and investing in strategic relationships.

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The Australian economy has been a dichotomy for a number of years, as one sector fires another seems to falter - a fact that has moderated performance and famously led to 26 years without a recession. Now, two factors that should be working in tandem, retail trade and population growth, are moving in opposite directions which poses questions and challenges for the industry.

Over the past 12 months Australia's population grew by 1.6%, almost 390,000 people in total, split fairly evenly between natural increase (births less deaths) and overseas migration. This is a world-class growth rate and figures just released from the IMF expect Australia's population to grow 8.0% in the coming five years – a level more than double the 3.8% average expectation for the world's top 30 economies and faster that all bar Saudi Arabia and Nigeria.

Despite this strong 'free kick' for the economy, GDP growth over the year to June was just 1.83% … so circa 0.2% per capita and retail trade (which includes inflationary upside) grew just 3.1% over the rolling year to August – well below its 4.5% 15 year average. Many domestic commentators have focussed on the minor fall seen in retail trade on a monthly basis, while Savills believe this is an overly volatile way to view the statistic, the numbers do raise legitimate questions about future spending patterns.

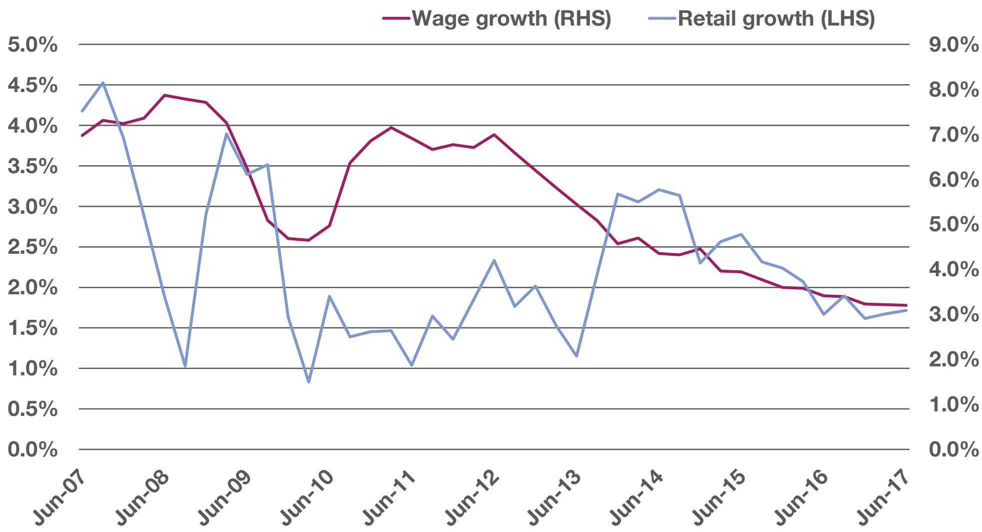
With the economic impact of the downturn in the mining sector over recent years largely offset by a housing and construction boom across NSW and Victoria, driven by record low interest rates from the RBA, household indebtness has increased materially; to 190% of disposable income. With housing capital gains now moderating, the concern is that consumers, which have also been met with stagnant wage growth, will focus on servicing this debt in coming years and that may prove a drag on the economy and retail sector in particular.

For retailers and investors this question is further compounded by the uncertainty over the disruption the imminent arrival of Amazon will create. This uncertainty toward the sector played a major part in the A-REIT index, which is heavily weighted to retail landlords, losing favour and generating a negative total return over FY-17. Yet at the same time overall direct property returned 11.9% for the year and retail assets 10.3%; strong numbers in an environment with 10yr bonds yielding just 2.70%, so whether current fears turn out to be a buying opportunity remains to be seen.

Clearly some investors hold this view and $5.4bn of major retail assets changed hands over the year to September-17. While this number is down materially from the $8.5bn seen the 12 months prior, this is largely due to fewer assets being offered as opposed to buyer demand. Time will tell, but in an environment where the cash rate sits at just 1.5%, should the standard growth expectation still sit around 4%?

GRAPH 1

Wage growth vs retail trade growth, Jun 2007–Jun 2017



Source: RBA, Savills Australia

TABLE 1

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
Westralia Square	Perth	AU$216.25 mil/US$169.85 mil	GDI Property Group	Office
Quadrant	Perth	AU$175.0 mil/US$137.45 mil	GIC Private Ltd	Office
45 Pirie Street	Adelaide	AU$105.0 mil/US$82.47 mil	AEP Investment Management / HNA Group	Office

Source: Savills Research & Consultancy

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The en-bloc sales market recorded four deals in Q3/2017, recording an aggregate consideration of RMB7.03 billion. Demand was dominated by domestic buyers, particularly for self-use and long-term investment.

Faced with a scarcity of land resources and strict land auction rules governing price cap setting, developers continued to access favourably located land plots in the secondary market through equity purchases, including:

- Thaihot Group acquired a 49% equity share in the Qiaoxi Project in Fengtai district for a total consideration of approximately RMB518 million, which also includes debt repayment. The deal transacted at an average price of RMB44,200 per sq m. The project consists of five mixed-use land plots, with a total site area of 117,600 sq m.

Due to a scarcity of available stock in core locations, investors are looking for potential opportunities in non-prime areas. Growing demands, particularly from IT and high-tech sector, were seen in Zhongguancun and Wangjing districts since the beginning of 2017. Industrial parks and office buildings, with more affordable transaction prices, built on industrial land in the vicinity have gained attention from self-users and investment buyers.

Major transactions during the quarter included:

- A domestic technology self-user acquired Technology Park C2-B in Wangjing district for a total consideration of approximately RMB380 million. The deal transacted at an average price of RMB29,000 per sq m.

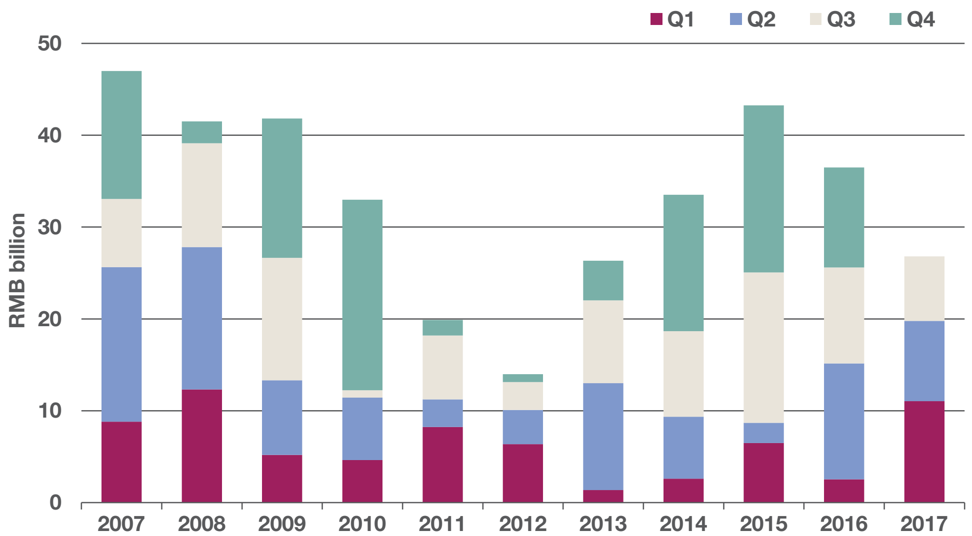
- Another building located in the same technology park in Wangjing district was purchased by a domestic finance company for a total consideration of RMB340 million, at an average transaction price of RMB26,700 per sq m. The premises is also intended for self-use.

Sino-Ocean Group recently announced that it acquired a portfolio consisting six commercial properties with a total GFA of 200,000 sq m from BOCGI. Two out of the six commercial properties are located in Beijing – Silicon Valley Bright City Building 4 and Zuanshi Building. Both office buildings, located in an industrial park in the vicinity of Zhongguancun, have high occupancy rates. However transaction prices are not disclosed.

Recent trends show that purchasers favoured portfolio investment as they can own well-operated projects in favourable locations at better preferred prices than acquiring through single asset transaction. Equity transaction also benefits existing owners as it effectively helps to adopt light-asset strategy.

GRAPH 2

En-bloc investment volumes by property type, 2007–Q3/2017



Source: Savills Research & Consultancy
* Historical data in 2014-2016 has been updated.

TABLE 2

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
Technology Park C2-B	Chaoyang	RMB380 mil/US$57 mil	Domestic technological self-user	Industrial
Technology Park C3-B	Chaoyang	RMB341 mil/US$51.5 mil	Domestic financial self-user	Industrial
Hualian Anzhen	Chaoyang	RMB1.13 bil/US$170.7 mil	BHG	Retail
Beijing Qiaoxi Project	Fengtai	RMB5.183 bil/US$783.0 mil	Thaihot	Development site

Source: Savills Research & Consultancy

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Land transaction volume remained active in Q3/2017 despite the continuous effects of the tighter land auction model on other aspects of the market. Differing from the traditional auction model where the highest bidder acquires the land, the new regulations have set a ceiling price. Once the ceiling price is reached, the winning bidder will be determined by the proportion of developer-owned space for rent.

The quarter saw an increase in land supply by 37% quarter-on-quarter (QoQ) to 1.872 million sq m. However, this meant a year-on-year (YoY) drop of 27%. Total transaction volumes doubled, reaching 1.751 million sq m, down 36% YoY. Fringe areas has the greatest level of activity, with supply and transaction volume accounting for 77.9% and 63.5% of the city-wide total respectively. The city centre remained the smallest contributor due to land scarcity, recording 7.3% of total transactions.

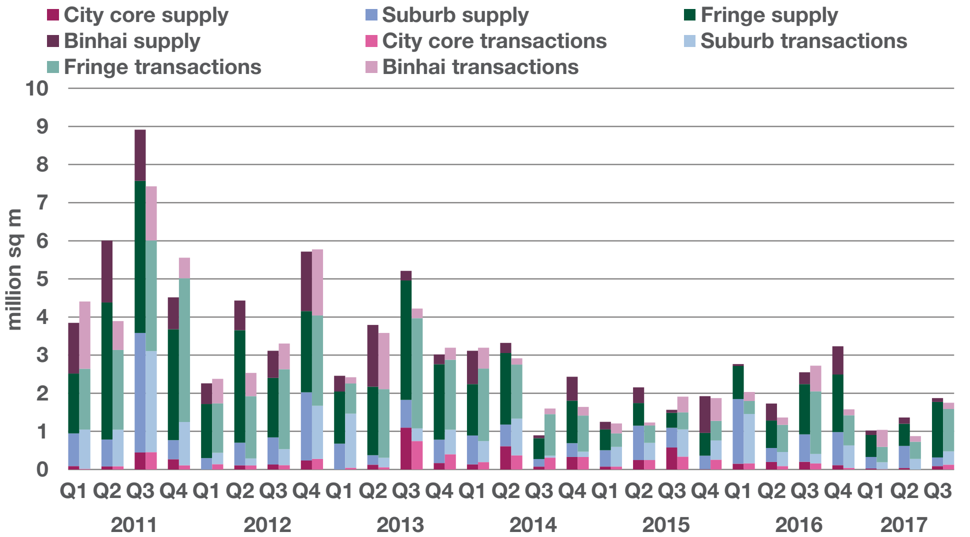
Ping'an Real Estate acquired one land plot located in Binhai New Area for a total of RMB1.96 billion, with an accommodation value of RMB28,157 per sq m and a premium of 42% in late July. The 37,290 sq m plot is titled for mixed use, including residential, commercial and education. Attributed by surrounding residential areas and public infrastructures, the land plot recorded the highest accommodation value in the Binhai New Area.

Two adjacent land plots located in Nankai district were acquired by Poly (Tianjin) Real Estate Development Co. Ltd and an affiliate of Tianjin Realty Development Group respectively. Poly purchased a land plot for RMB5.65 billion, with an accommodation value of RMB37,000 per sq m, and a premium of 28%. The 60,300 sq m land plot is zoned for mixed-use development, including residential, commercial and education. The other land plot, totalling 29,427 sq m with total self-holding area of 7,000 sq m, was acquired by Tianjin Realty Development. The land's total consideration is RMB3.07 billion with a premium of 45%. Its accommodation value of RMB48,000 per sq m hits a new high in Tianjin.

Developers' willingness to construct housing on self-holding land, incited by new regulations, will be material in auction outcomes in the foreseeable future. This encourages the market, especially developers to focus more on for-lease residential properties, and may lead to more stable development of the local real estate market.

GRAPH 3

Land supply and transaction volumes by area, Q1/2011–Q3/2017



Source: Savills Research & Consultancy

TABLE 3

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
Plot 2017-095 (JNY)	Nankai	RMB3.07 bil/US$461 mil	Tianjin Realty Development	Mixed-use development site
Plot 2017-094 (JNY)	Nankai	RMB5.65 bil/US$849 mil	Poly Real Estate	Mixed-use development site
Plot 2017-084 (JHX)	Hongqiao	RMB2.45 bil/US$367 mil	Beijing Capital Land	Residential development site
Plot 2017-01 (JBK)	Binhai	RMB1.96 bil/US$295 mil	Ping'an Real Estate	Mixed-use development site
Plot 2017-092 (JDC)	Dongli	RMB3.15 bil/US$473 mil	China Jinmao	Mixed-use development site

Source: Savills Research & Consultancy

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Chengdu's government released "The White Paper on Chengdu's Industrial Development" in July 2017 aiming to further develop Chengdu as one of China's National Central Cities (国家中心城市). It plans to do this by modernising industrial systems, redistributing industrial land use and improving the industrial land use provision system, while also improving the infrastructure and resources needed for economic advancement. The strategy is expected to greatly influence urbanisation of the city, bringing significant opportunities to real estate market.

National Central Cities were first proposed by the Ministry of Housing and Urban-Rural Development (MOHURD) in 2005. When first established in 2010 it initially include five cities: Beijing, Tianjin, Shanghai, Guangzhou and Chongqing. Chengdu was later added in 2016. The cities are intended to take the lead in the development of the political, economic, and cultural societies.

Office market
The new policies will help to facilitate the development of the financial services, modern services, and hi-tech and advanced manufacturing industries. These industries are expected to be key drivers of the services sector as well as facilitating the development of other adjacent industries help to grow the overall economy and therefore contribute directly and in-directly to the demand for office space in Chengdu.

The office market in the city centre is already fairly mature with relatively limited scope for further development given the rising land prices and increasing congestion levels. The government is therefore focusing on new office developments more towards the edge of urban core areas, namely the eastern and southern area of Chengdu.

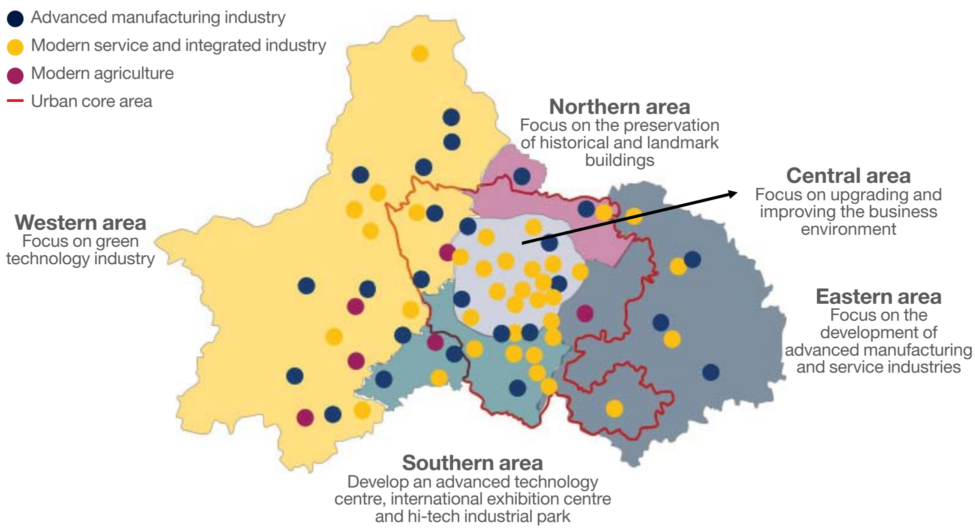
Retail market
As business and talent are attracted to Chengdu, population and incomes are expected to continue to rise supporting consumption levels in the city. Along with the overall increase in consumption will come a change in spending patterns requiring mall landlords to adjust positioning and tenant mix to meet the needs of the local population. A more vibrant retail environment will be created in Chengdu in the mid- to long-term.

Similar to office market, it is expected that the areas outside of the urban core will see more rapid development, especially in emerging retail areas such as Longquangyi, Shuangliu and Tianfu New Area.

Residential market
Housing land supply for the next five years is expected to be around 3,916 hectares, 13% higher than the planned supply over the last five years. This new land supply will be located in the areas surrounding the urban core and key industrial areas.

Demand is forecast to continue to grow at a strong pace as job opportunities mean that more people will come to call Chengdu their home. Continued home purchase restrictions will help to keep more speculative demand in check while an increase in residential land supply will help to meet the needs of the burgeoning citizenship. Average prices in the city are expected to continue to rise in the coming years in response to strong fundamental demand from end users and improving affordability.

MAP 1
Chengdu's industrial zones



Source: Savills Research & Consultancyy

TABLE 4
Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
The Palazzo	Chenghua	RMB8.768 bil/US$1.327 bil	Overseas Chinese Town	Residential
Gaopeng Road land site	Wuhou	RMB526 mil/US$79.6 mil	BRC Real Estate	Development site
Huaming Empire Building	Jinjiang	NA	Sino-Ocean Capital	Office

Source: Savills Research & Consultancy

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The central government recently listed Guangzhou city as one of 12 trial cities for residential leasing development. The goal of the trial is to accelerate and improve the residential leasing market, striking a healthier balance between leasing and purchasing. The Guangzhou city government issued a response to the central government's trial by releasing its own market stipulations, which state the Guangzhou government will:

- protect and cultivate public facilities, rights and interests of both the renter and landlord;
- increase the rental housing supply by converting commercial properties to "rental-only properties" and increase self-maintenance proportions;
- accelerate the overall development of the modern leasing industry and form a new economic growth model.

The previous purchase restrictions helped slow real estate inflationary prices and halt speculation, but have also limited a vast majority of non-local people from buying a home in Guangzhou. Thus, policy to balance local city rights between renter and landlord should create a more prosperous residential leasing market in the medium- to longer-term.

Residential prices continued to increase in 1H/2017. Guangzhou first-hand residential transaction prices increased 5.3% year-on-year (YoY) to RMB19,302 per sq m, while downtown areas[1] increased 26.9% YoY to RMB36,958 per sq m. Although prices continued to increase, residential transaction volumes fell sharply against the backdrop of a fiercely regulated market.

The number of transactions dropped 70.1% YoY in downtown districts and 34.4% YoY city-wide.

Developers should benefit from more flexible leasing policy and arrangements, as commercial properties will now be allowed to change to "rental-only" properties, which should assist developers' destocking efforts. Additionally, if developers follow the government guidelines as expected, they will be able to exit existing stock more easily and create diversified rental and property management businesses, adding new income streams to their business models. For example, Vanke and Longfor set up 'long-term rental apartment' business lines and updated their business strategies from building and selling homes, to building and managing properties. If developers transfer more available stock to the rental-only market, it should help cool city-wide rental prices (Downtown districts[2] residential rents reached RMB3,800 per sq m, increasing 4.3% YoY).

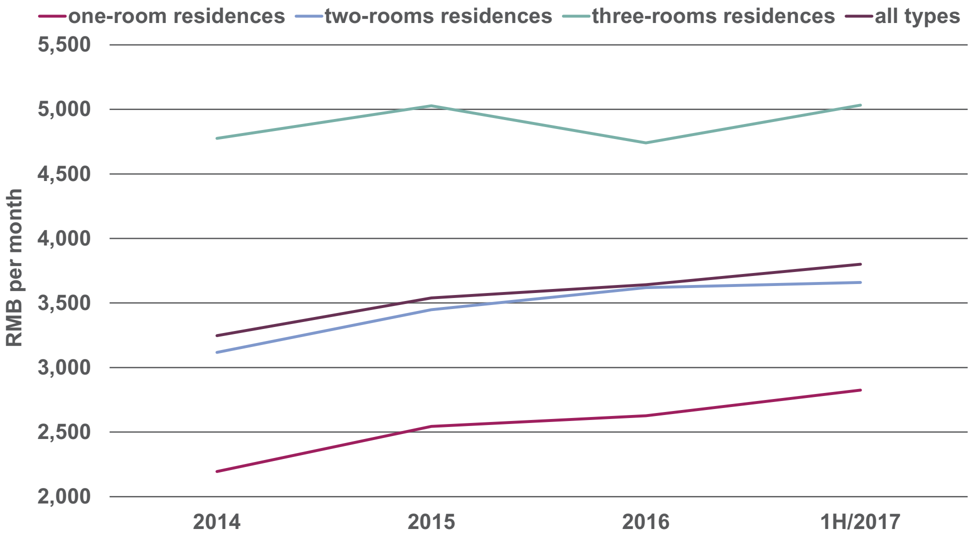
Initial guidance and stipulations were released at the end of August. As more specific stipulations are released, the market will be able to operate with more confidence. In the meantime, Guangzhou government could optimise its leasing register system to regulate leasing markets or it could examine strategies being implemented by Shanghai and Shenzhen. Shanghai recently released the rental-only residential land policy in July, aiming to provide nearly 1,900 residential rental only apartments in Pudong, Zhangjiang and Jiading New Town, while Shenzhen set regulations to require residential land plots have at least 20% of gross floor area for leasing purposes.

1 Yuexiu district, Tianhe district, Liwan district, Haizhu district, Panyu district

2 Yuexiu district, Tianhe district, Liwan district, Haizhu district, Panyu district, Huangpu district.

GRAPH 4

Guangzhou downtown district residential market rents, 2014–1H/2017



Source: National Bureau of Statistics, Savills Research

TABLE 5

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
Tianhe Residential Development Site Portfolio	Tianhe district	RMB3.185 bil/US$483.4 mil	YanGo Holding Group	Residential
Espring Hotel	Nansha district	RMB199.26 mil/US$30.24 mil	Yuexiu Group	Hotel
An industrial warehouse	Nansha district	RMB131.0 mil/US$19.88 mil	Charmacy Pharmaceutical	Industrial
Guangzhou 2017NJY-6	Nansha district	RMB1.85 bil/US$283 mil	Wangxiang Property	Residential
Guangzhou 2017NJY-4	Nansha district	RMB1.68 bil/US$258 mil	Pear River Enterprise Group	Commercial & residential

Source: Savills Research

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The Shenzhen government signalled a potentially significant policy reform in Q3/2017. The draft policy reform stipulates the need to increase city rights for renters of residential properties. This type of reform is significant because it would grant renters public services rights that were previously only available to homeowners.

The reasoning behind the motivation is clear – residential for-sale prices in several tier-one and tier-two cities have appreciated beyond reasonable affordability. For the majority of China's middle class or recent university graduates, it has become increasingly difficult to reside in a big city and not receive similar rights as property owners of that city. In Shenzhen, around 70% of residents rent homes, implying a significant difference between rights of residential renters and those of homeowners.

According to Shenzhen government's policy draft, the tenant(s) should have "the same rights as the landlord". These rights shall include access to similar local education institutions, local healthcare centres and hospitals, and other local social resources. The rental apartments will be overseen by state-owned companies to regulate the rental market and solve social issues.

Within the confines of the draft, the government's first task would be to increase the supply of Shenzhen residential rentals. This would be accomplished by:

- Converting vacant commercial buildings into rental apartments
- Taking up one million apartments from urban villages
- Increasing the various types of support housing and commercial apartment land (for rent only) supply
- Raising the proportion of rental apartments owned by developers.

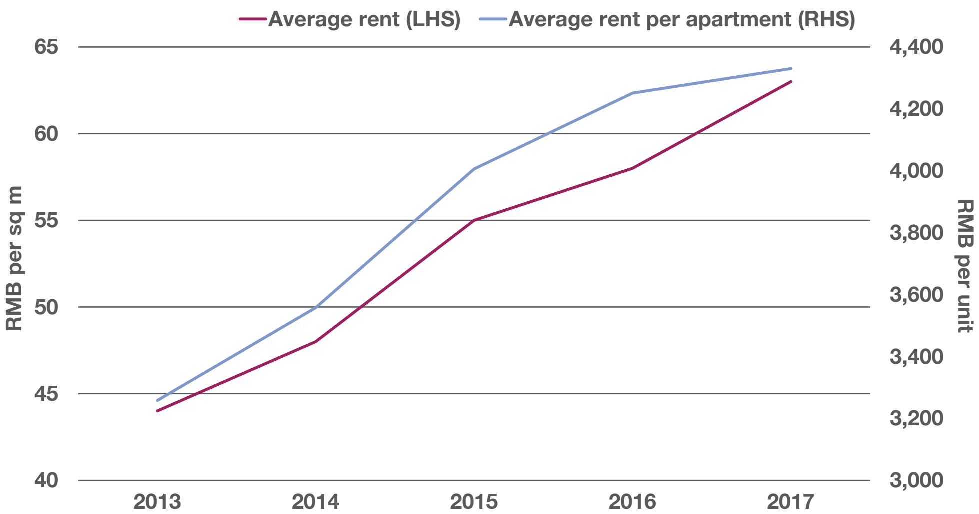
Government support for converting commercial properties to residential rental units is in contrast to previous policy, which halted the conversion of industrial land to residential "for sale" properties[1]. The current and more open political stance should emphasise the government's desire to add more residential rental supply to the city and assist the residential rental market development.

From a macro market perspective, supporting the residential rental market represents opportunity for big developers and young Shenzhen working professionals. Previous central policies aimed at cooling the market and limiting demand have created tough environments for most developers. The shift to favour residential leasing is just what developers have been waiting for; they will now be able to diversify their business models by focusing on long-term lease management services and tenant property management services. Young professionals should also benefit as greater supply will bring more flexible rental choices with regard to price, location, contract duration and other household services. Shenzhen offers the highest number of technology service jobs in the Guangdong Province, thus the ability to work and conveniently live in Shenzhen is vitally important for the young white-collar community.

1 http://www-qc.nasdaq.com/article/shenzhen-says-vacant-commercial-buildings-can-be-converted-into-rental-apartments-20170829-00091;

GRAPH 5

Shenzhen residential rents, 2013–2018



Note: Apartments include studios, one-bedroom apartments, two-bedrooms apartments and three-bedroom apartments.
Source: Leyoujia Research Centre

TABLE 6

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
A002-0061	Bao An district	RMB1.373 bil/US$204.4 mil	Zhen Ding Tech	Commercial
Kaisa Shenzhen Development Site Acquisition Portfolio 2017	Bao An district	RMB4.197 bil/US$624.7 bil	Kaisa Group Holdings	Mixed-use
Futian FTZ Plot B105-92	Futian district	RMB1.022 bil/US$152.2 mil	Hubei Fuxing Science	Mixed-use
Taizi Bay Commercial Plaza Tower E	Nan Shan district	RMB491 mil/US$72.5 mil	Leoch International Technology Limited	Office
Bao Cheng Urban Regeneration Project 2	Bao An district	RMB470 mil/US$72.2 mil	Shenzhen Centralcon Investment Holding	Mixed-use

Source: Savills Research

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The real estate industry in China is extremely capital intensive. Real estate developers have historically raised capital from banks, trusts and asset management companies, as well as by issuing bonds and equity finance. According to figures released by the People's Bank of China (PBOC) at the end of 2016, real estate developers had outstanding loans for real estate development totalling RMB5.66 trillion. This numbers is up 12.2% year on year (YoY), meanwhile loans for individual purchases jumped 35% YoY to RMB19.14 trillion.

The Chinese government had indicated concern about inflation in the real estate sector, partly due to rapidly rising land values as well as increasingly unsustainable debt levels and irrational investment decisions. Therefore from October 2016, they began to rein in developer financing. Following this, the government has not only halted loans to finance land purchases but also increased the difficulty to borrow from trust companies as well as tightening domestic bond issuance rules and restricted offshore bond issuances, by real estate developers.

Narrower financing channels, together with the PBOC's tightening of monetary policy has resulted in a significant increase in financing costs for developers. According to Xinhua Finance, real estate developers have seen their financing costs rise two to three percentage points during the 1H/2017, with some seeing rises as high as eight percentage points.

Tighter credit and more expensive debt, combined with slower sales volumes, resulting from government house purchase restrictions and rising mortgage rates, are becoming considerable problems for real estate companies, with signs of distress likely to emerge in the coming quarters.

Faced with the tougher financing conditions, enterprises may be reassessing their business by disposing of non-core assets, liquidating portfolios or, in some more extreme cases, selling down to better financed peers. This has resulted in a series of portfolio deals and could result in increased M&A activity and more generally an accelerated consolidation of the developer market space.

While yields of core assets remain stubbornly low and the cost of debt rises, investors will have to look to riskier investments and add value opportunities in order to achieve their investment targets through leveraged capital value growth.

TABLE 7

Real estate company corporate bond coupon rate, Q1/2017–Q3/2017

	Q1			Q2			Q3		
Bond issuance level	AAA	AA+	AA	AAA	AA+	AA	AAA	AA+	AA
Sample size	6	8	2	9	10	4	9	5	2
Rate range (%)	4.64-5.50	4.50-6.49	5.30-5.57	4.89-5.80	5.25-7.00	7.00-8.20	4.50-5.50	4.65-7.50	8.00-8.50
Average issuance rate (%)	4.91	5.49	5.44	5.37	5.93	7.50	4.86	6.08	8.25
Spreads	2.08	2.61	2.56	2.15	2.74	4.29	1.38	2.84	4.79

Source: United Ratings

TABLE 8

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
Eco City	Jing'an	RMB6.4 bil/US$970.2 mil	Ting Hsin International Group	Office
49% of KIC Properties & YPU Properties	Yangpu	RMB2.9 bil/US$436.9 mil	China Life	Mixed-use
International Metropolis Plaza Building 3	Pudong	RMB2.5 bil/US$379.0 mil	Tiancheng Group	Office
Greenland Huangpu Binjiang Building 1	Huangpu	RMB2.1 bil/US$318.4 mil	Sinopharm Group	Office

Source: Savills Research & Consultancy

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The office sales market has been particularly active this year with overall prices up by 15% year-to-date and plenty of positive factors remain in play. Real interest rates are in negative territory, outside Kowloon East supply is tight, and (as two major recent deals highlight) mainland buyers have shown no inclination to desert the local market. Price growth did slow in the third quarter, however, as did rental growth, while average yields hit an historical low.

Some activity this year has been driven by opportunistic local buying, particularly buildings of over 50 years old with redevelopment potential and a reasonably consolidated ownership structure for example. PRC buying meanwhile has targeted development sites as well as looking for high profile office buildings for owner-occupation - signage and naming rights are highly desirable.

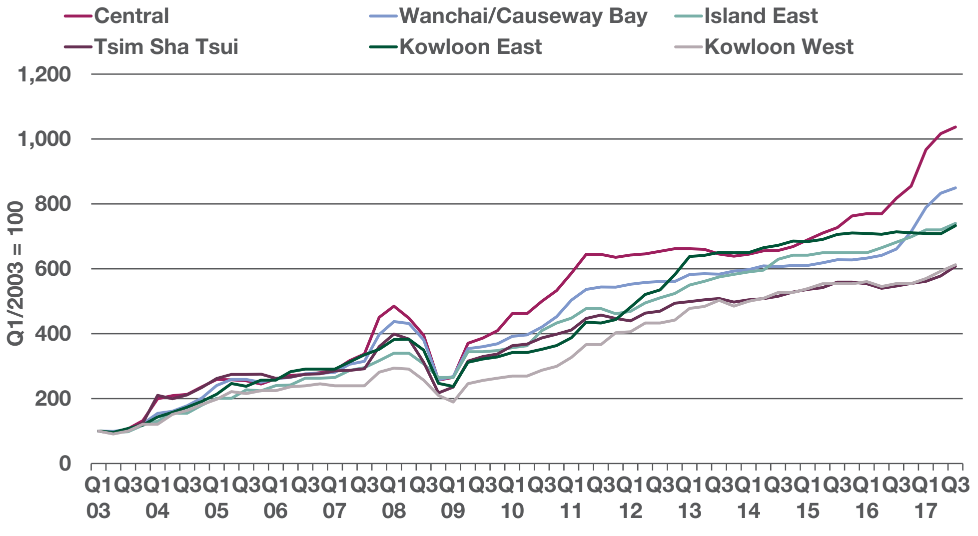
One such significant deal was the purchase of 8 Bay East, a 23-storey office building under construction by Wharf Holdings in Kwun Tong. The purchaser was by LVGEM, a Mainland developer who paid HK$9 billion for the project, or an average price of HK$15,095 per sq ft, the largest en-bloc commercial transaction in Kowloon to date. In another major transaction, Li Ka-shing's firm CK Asset Holdings Limited sold a 75% interest in The Center for HK$40.2 billion to a Mainland led consortium. The Mainland entity is believed to be an energy firm but details are sketchy. The deal involved offices from 19/F-78/F and 402 car parking spaces and equates to HK$33,000 per sq ft.

In the retail market the gentle downtrend in prices continued over the third quarter even as sales volumes rose marginally. Small and medium sized units valued at between HK$10 million and HK$20 million have been most active while trades above HK$50 million remain extremely rare in the current environment. What deals there are often result from local investors recycling capital from one premises to the next, generally chasing better returns.

The New Territories retail sales market is still hot with areas such as Sheung Shui, Yuen Long and Fanling firmly in investor's sights. The rise in same-day visitors and the popularity of parallel trading are reasons behind the active market so proximity to the border is key. Prime retail prices saw an end to a declining trend which began in 2014, on the back of recovering retail sales as well as stabilizing street shop rents. Yields remained flat at around 2.6% during the third quarter.

GRAPH 6

Grade A office price indices by district, Q1/2003–Q3/2017



Source: Lands Department, Rating & Valuation Department, Savills Research & Consultancy

TABLE 9

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
The Wave, Thai Kong Building (G/F-3/F) and Eastpoint Centre (G/F & B/F)	Kwun Tong, Causeway Bay and Quarry Bay	HK$3.10 bil/US$397 mil	Bank of China	Office and retail
Shatin Town Lot No. 601 (60% share)	Shatin	HK$2.24 bil/US$287 mil	TBC	Development site
Tin Fung Industrial Mansion (83% share)	Wong Chuk Hang	HK$1.80 bil/US$231 mil	Empire Group	Industrial
BT Centre	Wong Chuk Hang	HK$1.40 bil/US$179 mil	TBC	Industrial

Source: EPRC, Savills Research & Consultancy

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Japan's real GDP grew at an annualised rate of 2.5% year-on-year (YoY) in Q2/2017, marking the economy's sixth consecutive quarterly expansion and the highest figure in over two years. Household consumption accounted for over half of this growth, while pubic investment accounted for most of the remainder. The BOJ's September "tankan" survey, a widely followed barometer of business conditions, reached its highest level in a decade for almost all categories. Unemployment has fallen to 2.8%, and labour shortages are affecting some industries. Price growth is still elusive.

The ruling Liberal Democratic Party (LDP) scored a landslide victory in snap elections on 22 October. The result has solidified PM Abe's power for the time being, though his cabinet's approval rating remains below previous peaks. Unexpectedly tense manoeuvring between the LDP and its two new opponents has sidelined policy implementation. The election's outcome will likely have a minor effect on real estate markets, but certain key pieces of legislation such as Integrated Resort legalisation could be delayed.

Borrowing costs remain near record lows, but rates could increase very gradually over the medium term. 10-year JGBs ended September yielding 0.06%, similar to Q2's ending figure of 0.09%. Yields briefly dipped negative after North Korea's missile test on August 29 but quickly rebounded. The BOJ is maintaining its dovish stance and is on track to purchase its annual commitment of 90 billion yen's worth of J-REIT shares.

The JPY ended the quarter at 112.5 yen to the USD, slightly weaker after fluctuating around 110 for much of the past nine months. The weakness is primarily due to USD strength, which started to materialise as the Fed announced plans to finally pare its balance sheet and continue with rate hikes. The BOJ appears to be continuing with its easing policy even as other developed countries consider tightening.

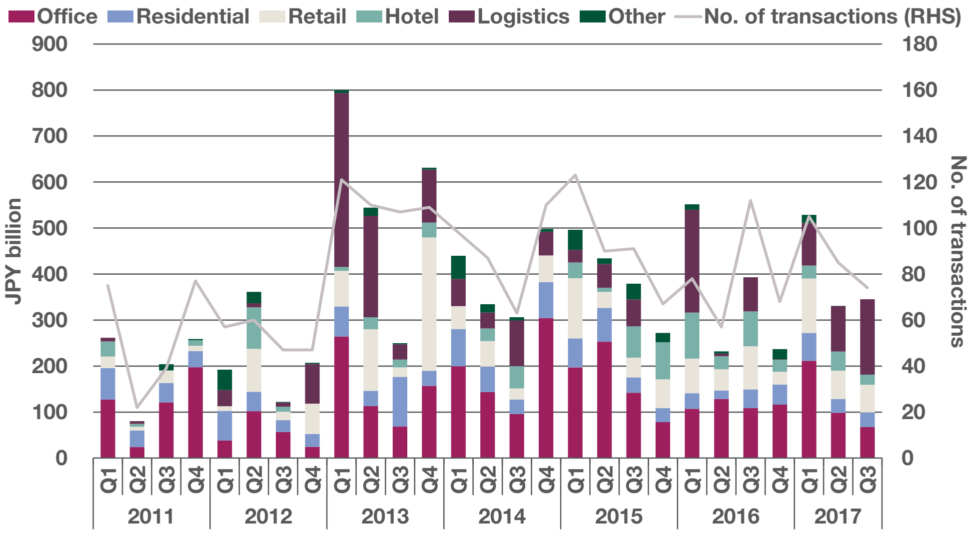
The TSE J-REIT index stood at 1,654 at the end of September, down 11% from 1 January and continuing its gradual decline since the beginning of the year. The decline continues to be driven by outflows from multiple mutual funds and a lack of large rental upside.

J-REIT investment volumes totalled 350 billion yen in Q3/2017, 11% down YoY but up 6% QoQ. Almost half of the total came from logistics properties, partially due to the launch of Mitsubishi Estate's new J-REIT and a few large transactions. Volumes otherwise continue to be fairly subdued due to high ticket property prices and continuous weak momentum for J-REIT units. Office volumes in particular are low, seeing the smallest figure since 2012.

Tokyo's office market fundamentals continue to be strong despite a large supply pipeline. Average Grade A office rents rose to JPY32,612 per tsubo in Tokyo, up by 0.7% QoQ and 3.1% YoY. Vacancy sits at an ultra-tight 1.7%, and pre-leasing for new projects is going well. Certain submarkets are facing a large influx of new supply over the coming years, but fundamentals have thus far performed well.

GRAPH 7

J-REIT property transactions by sector, 2011–Q3/2017



Source: Japan REIT, Savills Research & Consultancy

TABLE 10

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
Sheraton Grande Tokyo Bay	Urayasu, Chiba	JPY97.8 bil/US$870 mil	GIC, Invincible J-REIT	Hotel
Prologis Park Ibaraki	Ibaraki, Osaka	JPY38.3 bil/US$330 mil	Nippon Prologis REIT	Logistics
Yokohama Machida Logistics Center	Machida, Tokyo	JPY25.5 bil/US$230 mil	Japan Logistics Fund	Logistics
J Tower	Fuchu, Tokyo	JPY25.2 bil/US$223 mil	Domestic SPC	Office
Takashimaya Times Square (60% of site)	Shibuya, Tokyo	JPY21.0 bil/US$180 mil	Takashimaya	Retail

Source: Nikkei Real Estate, Real Capital Analytics, Savills Research & Consultancy

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The Malaysian property market has seen a growth of investment activities in Q3/2017, achieving a total transaction value of RM3.2 billion. The Q3/2017 figures has outperformed Q3/2016 figures by 68%.

Notable transactions of office buildings in Q3/2017 include Amanahraya REIT's acquisition of Vista Tower, the sole component in the Intermark development along Jalan Ampang still remaining under BlackRock ownership, for RM455 million (RM850 psf). Elsewhere, EPF acquired full ownership of The Ascent in Petaling Jaya, for RM347 million from a development JV that included EPF (30%) and was led by WCT Holdings Berhad (70%).

In other states, trade in large development sites continued. In Johor, IWCity and the State Government of Johor entered into an agreement where the state government will compulsorily acquire six plots of agricultural land measuring 121.58 acres in Plentong from IWCity for RM223 million. In return, the state government will alienate plots of underwater land measuring 228.78 acres to IWC for RM531.92 million. The difference in value of RM309 million will be satisfied by IWCity. Up north, SP Setia finally completed the proposed acquisition of a 1,675-acre development land in Seberang Perai Utara, Penang, for RM620 million (about RM8.50 psf), pursuant to the Sale and Purchase Agreement in December 2016.

Notable development land transactions within Greater Kuala Lumpur are Mah Sing Group's acquisition of the shares in an 8.5-acre development site in Sentul for RM55 million (RM148 psf); they also secured an 11.2-acre development site in Cheras for RM82 million (RM168 psf). This focus on mid-market locations was shared by LBS Bina, as they acquired an 8-acre development site in Seri Kembangan for RM63 million (RM181 psf).

With General Elections set for some time in 2018, we expect an interesting few months ahead for the economy and property markets. Macro-economic indicators remain positive, as the country's GDP grew by 5.8% in Q2 2017 while the targeted GDP for 2017 is 4.0% to 5.0%.

Going forward, major projects such as KLIA Aeropolis, which is targeted to attract RM7 billion potential investments into the country from the logistics and aeronautical sectors, and which has seen Alibaba Group along with MDEC launching the world's first Free Trade Digital Zone, provide hopes for a longer-term improvement in sentiment. There is much debate around the effects of the growing e-commerce and logistics sector, especially in a country such as Malaysia where most demand is domestic, but the industry remains hopeful, with major players such as Mapletree gearing up their warehousing offerings.

GRAPH 8

Foreign direct investment in Malaysia by sector, 2011–Q2/2017

Source: National Property Information Centre (NAPIC)

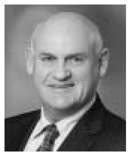
TABLE 11

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
1,675 acres of land	Seberang Perai Utara, Penang	RM620.12 mil/US$146.44 mil	SP Setia	Development site
Vista Tower	Jalan Tun Razak, Jalan Ampang	RM455 mil/US$107.7 mil	Amanahraya REIT	Office
Four Seasons Resort Langkawi	Jalan Tanjung Rhu, Langkawi Island	RM384.35 mil/US$91 mil	Hotel Properties Ltd	Hotel
The Ascent	Petaling Jaya, Selangor	RM347 mil/US$82.2 mil	Employees Provident Fund	Office
A reclamation land	Johor Bahru, Johor	RM309.12 mil/US$73.0 mil	IWCity	Development site

Source: Company announcements, Savills Research & Consultancy

New Zealand

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New Zealand has just had an election and the country's Mixed Member Proportional representation system ensures that no one party has a mandate to govern on its own. A new Labour led government has been formed replacing 9 years of conservative rule. As such there is some political uncertainty hanging over markets, which has also been compounded by a slow-down in the residential market, as it comes off its peak. However all sectors of the economy continue to do well where foreign investment, tourism and immigration continue to stimulate the economy and the property sector. Population growth has placed supply pressure on property markets in high growth locations within the country, with the greatest effect witnessed in Auckland.

Low vacancy rates, rising rentals, strong occupier demand and stabilised yields are the trends characterising the market. Investors chasing yield are being driven by historically low interest rates. Some uncertainty has crept into investors considering current low yields, particularly with institutional buyers.

New Zealand's economy grew above expectation for the June quarter, increasing by 0.8%. The growth outlook remains positive, supported by an accommodative monetary policy, strong population growth, and robust expansion in the tourism sector.

Factors likely to support economic growth include:

- Continued emergent growth in inflation is encouraging RBNZ's monetary policy settings to, likely, remain accommodative in the short to medium term

- Lower than average interest rates are supporting growth in economic activity, however the cost of fixed interest rate debt has started to increase and lenders have tightened lending criteria ;

- Stronger population growth, particularly in Auckland, as a result of increased positive overseas net migration, however it appears that the net migration of 72,100 per annum, has peaked;

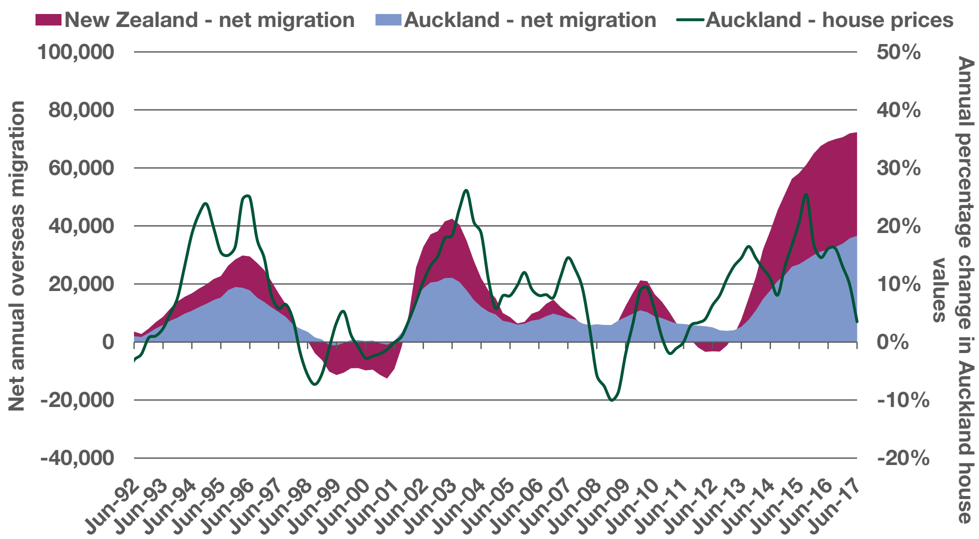
- Strong growth in the number of overseas visitors, up 9% YoY to 3.7 million visitors, is supporting growth across the country. Tourism is one of the largest sources of overseas income;

- Increased levels of construction activity. The number of new residential consents appears to have peaked at approximately 10,000 in Auckland, notably short of that required to match the growth in demand.

Strong population growth of almost 3.0% per annum is driving uplift in both commercial and residential activity, which in turn also supports above average retail sales growth. In the short term, barring external shocks, it is hard to see a change in local economic conditions. Although the poor affordability of Auckland housing stock and the increased risk of a market correction may weigh on the local economy. Strong regional economic growth, combined with accommodative monetary policy settings, will continue to underpin the region's property markets.

GRAPH 9

Net migration gain and residential house price growth, Jun 1992–Jun 2017



Source: Statistics New Zealand, Corelogic

TABLE 12

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
16 Waterloo Quadrant	Auckland Central	NZD11.0 mil/US$8.0 mill	Private	Development site
100 Carbine Road	Mt. Wellington, Auckland	NZD36.8 mil/US$26.8 mil	Owner occupier	Industrial development site
3 Monahan Road	Mt. Wellington, Auckland	NZD10.5 mil/US$7.65 mil	Private	Development site

Source: Savills Research & Consultancy

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The Philippine's growth story continues as it registered GDP growth of 6.5% in Q2/2017. This is backed by the sustained expansion in household consumption and investment. Government spending rebounded to 7.1% from the flat growth in Q1/2017. We expect fiscal spending to continue its pace in the coming quarters, but concerns have risen over the sustainability of the administration's fiscal stimulus.

The Duterte government's tax reform program entitled, "Tax Reform for Acceleration and Inclusion" (TRAIN), stalled in the Senate, as legislators try to protect the value added tax (VAT) exemptions for certain sectors while watering down the new excise taxes. The initial package of TRAIN consists of cutting the personal income tax (PIT) rate while expanding the VAT base and introducing excise taxes on automobiles, petroleum and sugar. The incremental yield of the proposal is estimated to hit PHP157.2 billion, but the Senate's version is forecasted to dilute this to a third of the said amount.

In general, higher disposable incomes are expected to benefit the property sector. However, lifting VAT exemptions on affordable housing is alarming for both developers and legislators alike given that housing becomes more expensive to the majority. In addition, overseas Filipino workers (OFW) have a PIT exemption on their salaries earned abroad which doesn't benefit from the tax rate reduction. Together, we expect these factors to adversely affect the residential segment once the tax package is passed.

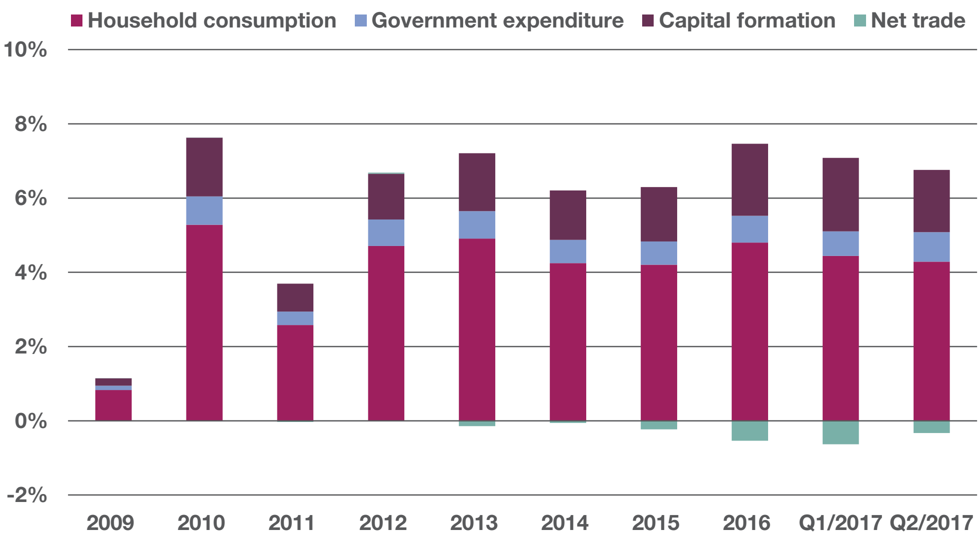
Similar concerns were aired by the offshoring and outsourcing (O&O) industry which have enjoyed tax perks while located in special economic zones. These fears have been mitigated after finance officials announced not to eliminate tax perks and incentives on one of the country's key export industries.

On the other hand, investor sentiment has remained relatively positive despite the potential risks posed by TRAIN. One of the notable investment transactions in Q3/2017 include the acquisition of 19,686 sq m of office space in Petron Megaplaza in the Makati CBD. Arch Capital purchased the property at around PHP83,000 per sq m, while strata office prices in the CBD have averaged around PHP260,000 per sq m. Furthermore, development site acquisitions in the provinces have also been active.

In the long run, infrastructure should play a key role on the expansion of the real estate industry, but funding this aggressive spending program is highly dependent on the passed tax reform. With TRAIN mainly targeting consumption spending, it is still unclear what the long-term effects on demand will be vis-à-vis the investments market.

GRAPH 10

GDP growth contribution by expenditure, 2009–Q2/2017



Source: KMC Savills Research

TABLE 13

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
Petron Megaplaza	Makati CBD	PHP1.64 bil/US$31.29 mil	Arch Capital	Office
Velmiro Heights	Cagayan de Oro	PHP133.42 mil/US$2.66 mil	Cebu Landmasters Inc	Development site
Mesatierra Garden Residences	Davao City	PHP117.63 mil/US$2.35 mil	Cebu Landmasters Inc	Development site
Daiichi Industrial Park Lot	Silang, Cavite	PHP124.24 mil/US$2.48 mil	Miyoshi Limited	Industrial

Source: KMC Savills Research, Savills Research & Consultancy

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Based on Savills figures, S$9.84 billion of real estate investment sales were recorded in Q3/2017. This was a strong 9.2% increase from last quarter and is the most active quarter on record since Q4/2013. A few highly prominent deals, such as CapitaLand Commercial Trust's acquisition of Asia Square Tower 2's office and retail space at S$2.094 billion, ExxonMobil's S$1.971 billion purchase of Jurong Aromatics Corporation's Jurong Island plant – one of the world's biggest aromatics facilities - and the S$970 million enbloc sale of privatised HUDC estate Tampines Court to Sim Lian Group, fuelled the market.

In the reviewed quarter, the transaction volume for residential sites and properties totalled S$4.24 billion or 43.1% of the total investment value. Developers continued to demonstrate enthusiasm for land by acquiring a dozen residential sites in the third quarter. Under the Government Land Sales (GLS) programme, the two 99-year private residential housing sites along Woodleign Land and Serangoon North Avenue 1, attracted 15 and 16 bids respectively and were awarded to the highest bidder at S$700.7 million and S$446.3 million. Regarding the private market, there were eight collective sales worth slightly over S$2.1 billion. Besides Tampines Court, the others were The Albracca, Serangoon Ville, Toho Green, Sun Rosier, Jervois Gardens, Nanak Mansions and six townhouses at Sembawang Hills Estate. The prices offered by the successful developers were well above what the owners had been expecting, with some even 15-16% higher, such as Serangoon Ville (16.0%) and Sun Rosier (15.3%).

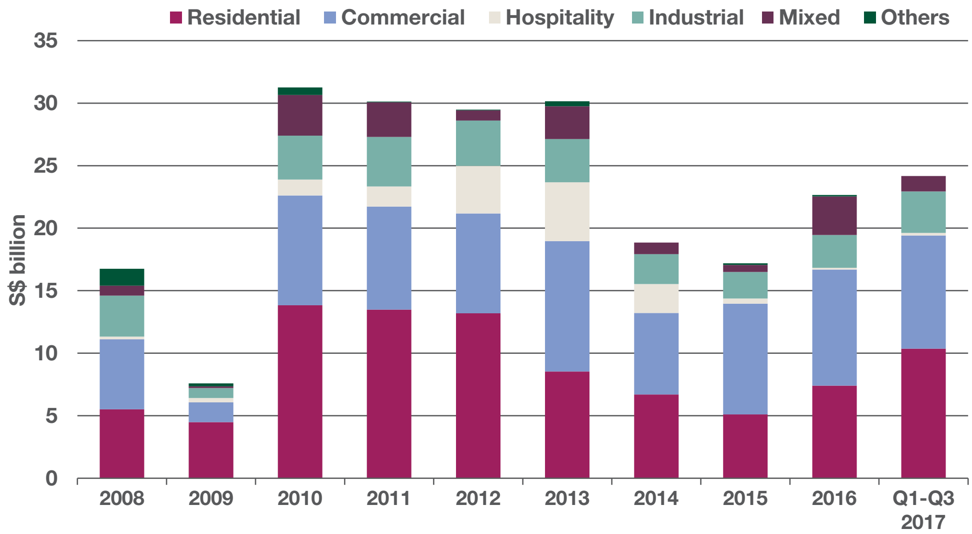
This activity has reinforced that the collective sale market in Singapore is gaining strong momentum. Aggressive bids have now become the market norm driven by improving confidence levels from developers. 'Deep-pocket' developers are now urgently trying to replenish land banks to maintain businesses continuity. The cutback in the number of sites on the GLS programme has also increased pressure on them to look to en-bloc sites for development land. This has in turn intensified competition for en-bloc sites, rapidly pushing up land prices. However, the bullish prices paid for these collective sale sites has raised some concerns about the unsustainability of rapid land price increases.

Although the overall market is showing signs of price recovery, with URA's flash estimate of the private residential price index posting a first uptick in Q3 after 15 straight quarters of decline, land prices are rising well ahead of current end product prices. The sustainability of developers' sales numbers and buyers' affordability for future launches, on these recently sold en-bloc sites in the next year, will decide how long this collective sale fever and aggressive land prices can last.

In the first three quarters of 2017, the investment sales market has already registered S$24.2 billion in transaction value, surpassing the entire value of last year, that totaled approximately S$22.7 billion. The full year's numbers will almost for sure come close to, or even exceed S$30.0 billion; this includes the award of Beach Road commercial site and the 99-leasehold residential site on Jiak Kim Street on the GLS programme, as well as collective sales of more residential developments and mixed-use buildings.

GRAPH 11

Transaction volumes of investment sales by property type, 2008–Q3/2017



Source: Savills Research & Consultancy

TABLE 14

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
Asia Square Tower 2	Marina View	S$2.094 bil/US$1.55 bil	CapitaLand Commercial Trust	Commercial
Jurong Aromatics Complex	Tembusu Road	S$1.971 bil/US$1.45 bil	ExxonMobil	Industrial
Tampines Court	Tampines Street 11	S$970.0 mil/US$718.0 mil	Sim Lian Group Limited	Residential
Government land	Woodleigh Lane	S$700.7 mil/US$541.48 mil	CEL Unique Development Pte Ltd	Residential
Serangoon Ville	Serangoon North Avenue 1	S$499.0 mil/US$369.0 mil	Oxley Serangoon Pte Ltd	Residential

Source: URA, Savills Research & Consultancy

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Despite slightly heightened volatility in the financial markets, due to geopolitical risks, abundant liquidity resulted in an active prime office transaction market in Seoul. The office building transaction volume for Q3 was approximately KRW1.5 trillion, which pushed the total transaction volume for the first three quarters to about KRW6.3 trillion.

IGIS AMC acquired V-PLEX (formerly NC Tower 2) from NC Soft for KRW177 billion; backed by investments from NPS' blind fund and other institutional investors. IGIS AMC attracted Fast Five, a shared office service provider, to fill part of the vacancy created by the exit of former anchor tenant Coupang. V-PLEX is earmarked for a value-add strategy via a large-scale remodeling and further lease up.

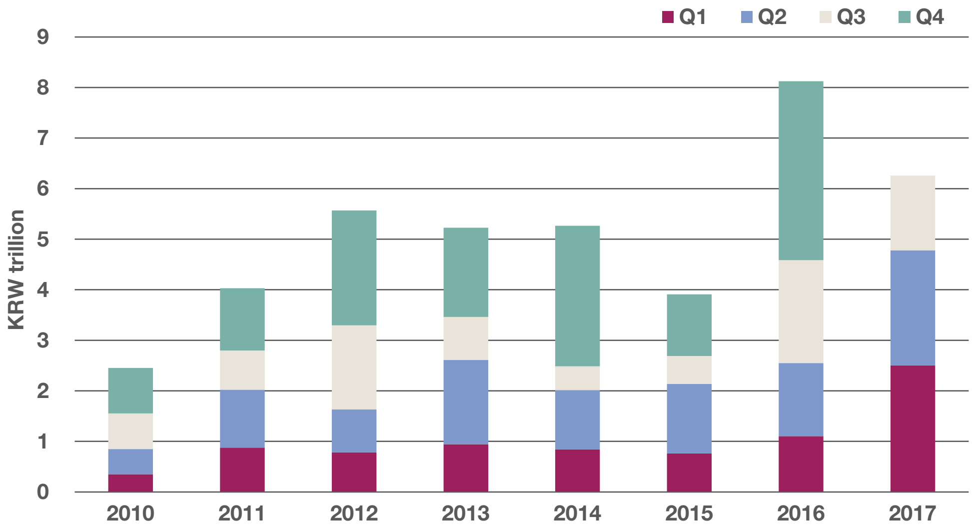
Koramco REITs & Trust was the purchaser of Majestar City Tower 2 for KRW206 billion, in a deal that was completed at the end of June. It is reported that Korea Investment & Securities will acquire and resell a share of the building, in the form of an equity commitment worth KRW75 billion. With the exception of the residential component and part of the retail that sold to individuals under strata titles, the conclusion of the Tower 2 deal means Majestar City has mostly been acquired by institutional investors (Office Tower 1 previously sold to IGIS AMC c/o INVESCO). Currently 80% of Office Tower 1 is leased out, whilst Tower 2 has attracted tenants for 50% of its office space, including the area master-leased by the seller. The retail portion, currently leased to Lotte Mart, previously sold to Ryukyung PSG AMC.

AEW sold its beneficiary certificates issued for City Plaza in Yeouido to JP Morgan in July 2017. AEW, after acquiring the property in Q4/2015, converted the lower floors (1F–3F) of the building into retail space and attracted the F&B company Sikgaekchon under a master-lease. AEW also successfully lowered the vacancy rate of the office section to sub 2% as part of their value-add asset management strategy.

The Bundang area recently saw its vacancy rate stabilize with tenants overflowing from Pangyo. Q3/2017 saw two major office buildings in the area change hands. Koramco AMC is reported to have purchased Bundang Square's office section and the Vision World parkade for KRW100 billion; via its blind fund and investment from the Korea Fire Officials Credit Union. Naver's affiliate, Line, is a major tenant in Bundang Square, which currently enjoys a low vacancy rate of 6%. Bundang M Tower, which is located near Ori Station and rented to Naver and Samsung Welstory, sold to Kclavis AMC for KRW100 billion.

GRAPH 12

Office transaction volumes, Q1/2010–Q3/2017



Source: Savills Research & Consultancy

TABLE 15

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
City Plaza	YBD	KRW90 bil/US$79.5 mil	IGIS AMC	Office
V-PLEX (formerly NC Tower 2)	GBD	KRW177 bil/US$156.3 mil	IGIS AMC	Office
Majestar City Tower 2	Seocho	KRW206 bil/US$181.5 mil	Koramco AMC	Office
Bunadang Square	BBD	KRW100 bil/US$88.3 mil	Koramco AMC	Office
Bundang M Tower	BBD	KRW100 bil/US$88.3 mil	Kclavis AMC	Office

Source: Savills Research & Consultancy

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The commercial property market experienced a strong recovery in Q3/2017 and recorded the largest quarterly transaction volume in five quarters, with the total amount increasing by 57% year-on-year (YoY) to NT$25.5 billion. Recovery in the real estate market is fragile, due to several unchanging negative factors, such as the new capital gains tax, elevated holding costs and tension in cross-strait relations. The total transacted volume in the first three quarters was NT$52.4 billion, slightly lower than the same period in 2016. The commercial property market could possibly face a decline in two consecutive years.

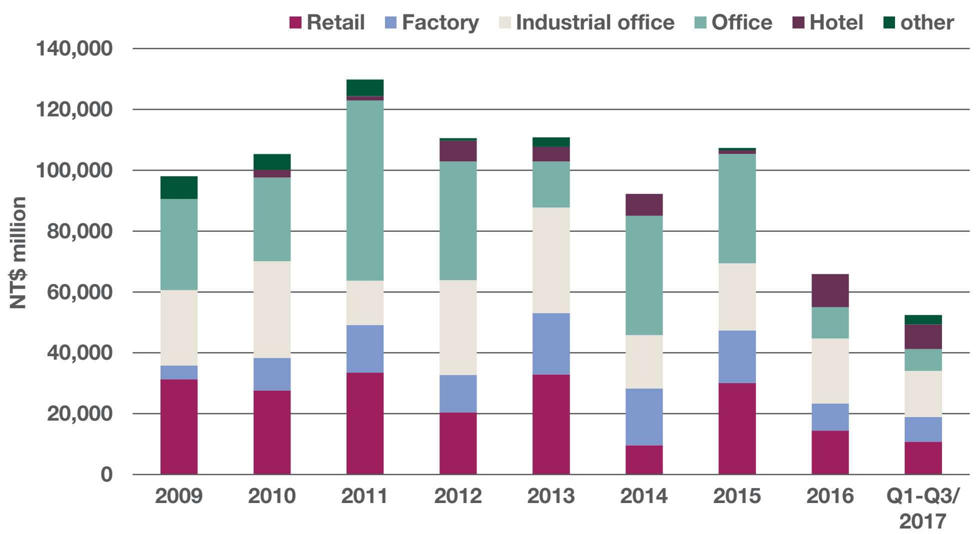
The hotel and office markets were two major transacted property sectors in Q3, accounting for 32% and 17% respectively. Three hotels, totalling NT$8.1 billion, changed ownership in Q3. The tourism market suffered from a significant decrease in Chinese tourists, with visitor figures dropping by 34% in the first eight months of 2017. Hotel investment has been considered risky in the past two years. Bellezza Taipei Hotel, the largest commercial property transaction in 2017, was acquired by a BVI company for NT$55.8 billion. With only 107 rooms and 5,349 sq m of land lot, the investor likely focused on the value of the land and may consider to redevelop in the mid to long term. The other notable hotel transaction is Nice Prince Hotel in Chaiyi City. Fubon Life Insurance disposed of this complex project, which included a 245-room international tourist hotel and a 56,198-sq m department store, to the previous owner at a transaction value of NT$4.83 billion, with the sale price increasing by 12.3% in eight years.

Transactions of industrial property slowed down this quarter, with the total amount reaching NT$5.6 billion and only two factories over NT$1 billion sold. The price of industrial property has increased for several years and the relative high price level is going to make for longer decision times by potential buyers. However, growing exports, which increased by 12.5% YoY in the first eight months, may lead the IT industry and manufacturing companies to continue to expand their factories over the next six to nine months.

The land market remained active, with transaction volumes this quarter increasing by 59% quarter-to-quarter (QoQ) and 38.9% YoY in the first three quarters. Developers are more willing to expand their land holdings, as the residential market stabilises and owner-occupiers begin to enter the market. During Q1 to Q3, owner-occupiers purchased a total of NT$39.8 billion of land, which surpassed their annual purchase amount in 2016 (NT$34.5 billion) and 2015 (NT$28.6 billion). Local governments were the major land provider, selling NT$10.6 billion worth of land through public tender, predominantly in Kaohsiung City, Taichung City and New Taipei City.

GRAPH 13

Significant transactions by property type, 2009–Q3/2017



Source: Savills Research & Consultancy

TABLE 16

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
President International Tower (4 floors)	Taipei City	NT$3.51 bil/US$116 mil	CTBC AMC	Office
Ching-Cheng Building (42% share) (under construction)	Taipei City	NT$2.71 bil/US$90 mil	PUJEN Land Development	Hotel
Nice Hotel and Nice Plaza	Chiayi City	NT$4.8 bil/US$160 mil	Nice Plaza	Hotel and department store
Bellezza Taipei Hotel	Taipei City	NT$5.6 bil/US$185 mil	Sprinta Inc	Hotel

Source: Savills Research & Consultancy

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Record luxury residential prices continued to draw investment over Q3, with developers showing sustained interest in prime Bangkok land sites and condominium projects.

Despite an overall subdued economy, Foreign Direct Investment (FDI) in real estate increased by 29% Year-on-Year (YoY) over 1H/2017, reaching a total of US$1.1 billion. Real Estate FDI from China and ASEAN countries increased by 55% and 53% respectively, according to the Bank of Thailand (BoT).

Listed property developer Supalai PLC acquired the former Australian Embassy for THB4.6 billion (USD138.76 million), with plans to develop a scheme comprising luxury residences and Grade A office space. The sale follows a trend of western embassies selling off prime Bangkok CBD sites, with the UK and France having sold parcels to developers in 2007 and 2011 respectively.

Cautious domestic bank lending, coupled with growing overseas interest in Thai real estate, led to further joint ventures between prominent Thai developers and foreign partners. SET- listed All Inspire Development PLC announced a Joint Venture with Japan's Hoosiers Holdings to develop a 772 unit condominium scheme, with Sansiri PLC disclosing details of a second venture with Tokyu Corporation, following their first joint condominium project due to launch later this year.

Origin Property PLC forged a joint venture with Japanese developer Nomura Real Estate Development Co, releasing details of four new condominium projects reportedly worth a combined THB8.6 billion (US$259 million).

Property Perfect sold its entire 65% stake in Dara Harbour to commercial developer Central Pattana for THB291.75 million (US$8.6 million), as Property Perfect repositions to focus on residential development moving forward.

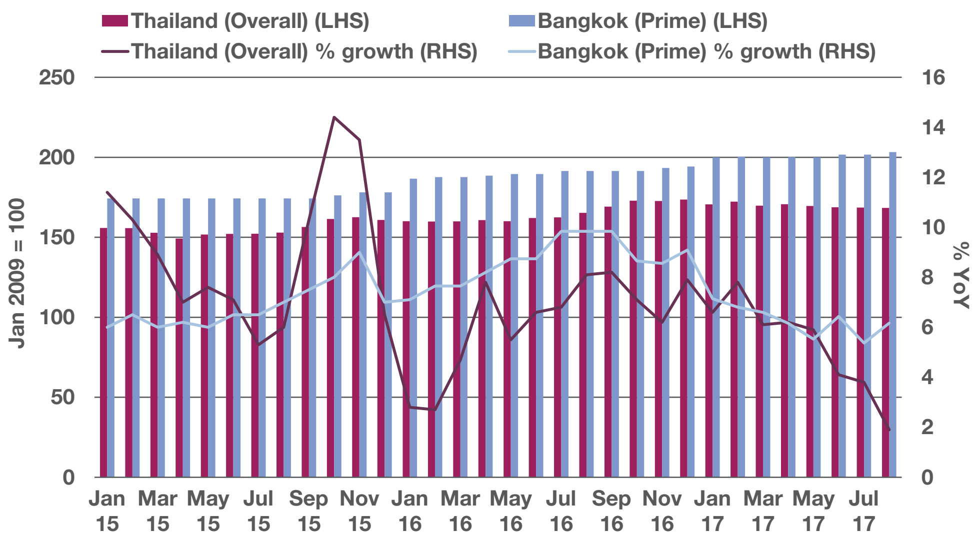
Outside Bangkok, CP Land PLC, the property arm of Charoen Pokphand Group, acquired a 400 key, non-performing hotel in Chiang Rai, with plans to relaunch in Q1/2018.

Thailand Real Estate Investment Trusts (REITs) performed strongly over Q3/2017, with the S&P REIT Country Indices placing YTD growth for Thailand at 15.1%, outpacing the wider S&P Emerging REIT index by 4.6ppt.

Ticon Industrial Connection PLC (TICON) released plans to convert three of its property funds into the country's single largest REIT, due to comprise total assets of THB32 billion (US$964 million).

GRAPH 14

Thailand condominium price index, Jan 2015–Aug 2017



Source: Bank of Thailand, Savills Research & Consultancy

TABLE 17

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
Development site (former Australian Embassy)	Bangkok	THB4.6 bil/US$138.76 mil	Superlai PLC	Residential and office
Development portfolio (49% stake)	Bangkok	THB788.96 mil/US$23.55 mil	Nomura Real Estate Development Group	Residential
Hotel (non-performing, 400 keys)	Chiang Rai	THB500 mil/US$15.10 mil	CP Land	Hotel

Source: Company announcements, Savills Research & Consultancy

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In Q3/2017, Vietnam continued to see strong interest from developers for large scale mixed-use projects with a residential component in major cities. In September, VinaLand Limited, the real estate investment fund by Vietnam-based asset manager VinaCapital, transferred their stake in VinaSquare, a mixed-use 3.1-hectare development site, in a prime District 5 location in Ho Chi Minh City, which they had acquired around a decade ago, to Tri Duc Real Estate for a total consideration of US$41.2 million. In addition, their 182-hectare My Gia Project, one of the largest township projects in Nha Trang, Central Vietnam, also changed hands for over US$11 million from VinaLand to a local developer.

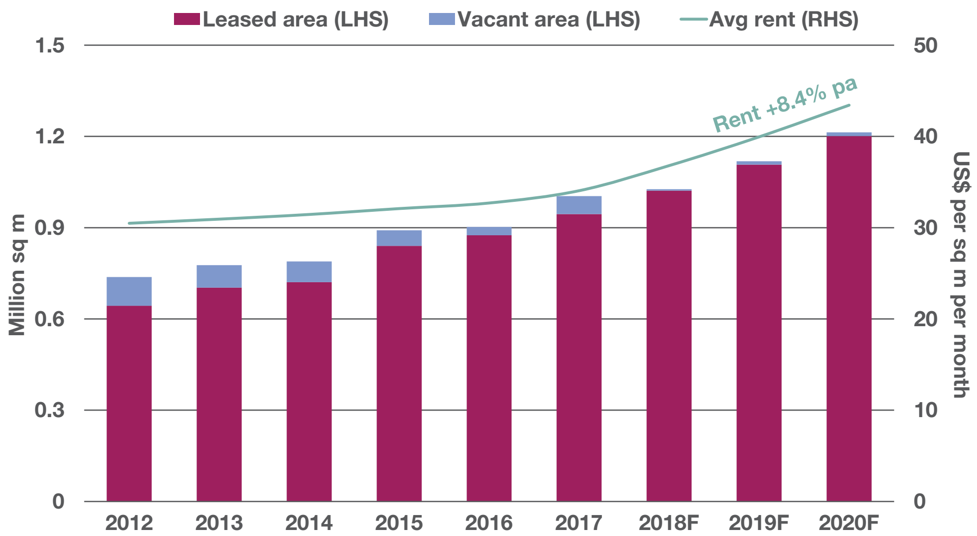
In August, Anpha Holdings, a Vietnamese real estate development firm, acquired Novaland's 99.98% stake in Nova Galaxy, a subsidiary of the listed developer. Galaxy 9 project, located in District 4, Ho Chi Minh City with over 500 apartments, is part of this recently acquired company.

In Hanoi, Growing Sun Investment picked up the prime 4.2-hectare Diamond Rice Flower complex project from Kinh Bac City Group, a well-known listed company. Similarly, FLC Group, won the bid for the land use rights of the 6.4-hectare DM1 land plot, located in Nam Tu Liem District, for nearly US$38 million, to build townhouses, villas and apartments.

The overall Vietnam property market is trending upward, across all sectors, with a particularly positive outlook for the office market. Despite an 8% increase YoY in new supply, Ho Chi Minh City continued its robust trend with high average occupancy at approximately 95% and average grade A rents up 8% YoY. Hanoi has also started to catch up with significant improvements in net effective rents and occupancy rates for Grade A and B buildings. The total office stock in Hanoi was approximately 1.6 million sq m with occupancy rates at 93%, an increase of 6% YoY. Market rental rates for both Grade A and Grade B have increased slightly at approximately 2% and 9% QoQ respectively. With continued strong demand on the back of healthy FDI and robust GDP growth, we expect to see an extremely low vacancy rate across all office grades and an average rental growth of approximately 8.4% per annum in the next three years.

GRAPH 15

Ho Chi Minh City Grade A and B office market performance and forecast, 2012–2018F



Source: Savills Research & Consultancy

TABLE 18

Major investment transactions, Jul–Sep 2017

Property	Location	Price	Buyer	Usage
VinaSquare	Ho Chi Minh City	Approx. VND936 bil/US$41.2 mil	Tri Duc Real Estate	Mixed-use development
My Gia Township	Nha Trang, Khanh Hoa Province	Approx. VND259 bil/US$11.4 mil	N/A	Township development
Diamond Rice Flower	Hanoi	N/A	Growing Sun Investment	Mixed-use development

Source: Savills Research & Consultancy

Australia

◄ Quadrant
Perth
AU$175.0M/US$137.45M
in August

1 Pacific Highway ►
North Sydney
AU$114.5M/US$85.84M
in September

45 Pirie Street ►
Adelaide
AU$105.0M/US$82.47M
in August

◄ Westralia Square
Perth
AU$216.25M/US$169.85M
in August

10 Spring Street ►
Sydney
AU$270.1M/US$202.5M
in September

Beijing/Shenzhen

◄ BEZ IT Park C2-B
Chaoyang, Beijing
RMB380M/US$57.7M
in August

◄ Hopson International Plaza North Tower
Dongcheng, Beijing
RMB3.665 B/US$556.6M
in September

◄ BEZ IT Park C3-B
Chaoyang, Beijing
RMB341M/US$51.8M
in August

Prince Bay Business Plaza Tower E ►
(under construction)
Nanshan, Shenzhen
RMB491M/US$74.5M
in July

Anzhen Hualian Mall ►
Chaoyang, Beijing
RMB1.12B/US$170M
in September

Major transactions Q3 2017

Shanghai

49% stake of KIC properties and YPU properties
Yangpu
RMB2.9B/US$436.9M
in September

Greenland Huangpu Binjiang Building 1
Huangpu
RMB2.1B/US$318.4M
in August

Eco City
Jiang'an
RMB6.4B/US$970.2M
in September

International Metropolis Plaza Building 3
Pudong
RMB2.5B/US$379.0M
in August

Hong Kong & Macau

Shatin Town Lot No. 601 (60% share)
Shatin, Hong Kong
HK$2.241B/US$287M
in September

BT Centre
Wong Chuk Hang,
Hong Kong
HK$1.4B/US$179M
in July

Tin Fung Industrial Mansion (83% share)
Wong Chuk Hang,
Hong Kong
HK$1.8B/US$231M
in August

The Wave, Kwun Tong
Eastpoint Centre (G/F & B/F),
Quarry Bay
Thai Kong Building (G/F-3/F),
Causeway Bay
Hong Kong
HK$3.1B/US$397M
in September

Site TN20 and TN24
Taipa, Macau
HK$3.51B/US$450M
in September

Japan

Prologis Park Ibaraki
Ibaraki, Osaka
JPY38.3B/US$330M
in August

Sheraton Grande Tokyo Bay
Urayasu, Chiba
JPY97.77B/US$870M
in October

Takashimaya Times Square (60% of site)
Shinjuku, Tokyo
JPY21.0B/US$180M
in September

J Tower
Fuchu, Tokyo
JPY25.2B/US$223M
in October

Yokohama Machida Logistics Center
Machida, Tokyo
JPY25.45B/US$230M
in September

Malaysia

The Ascent
Petaling Jaya, Selangor
RM347M/US$82.2M
in July

Vista Tower
Jalan Tun Razak, Jalan Ampang
RM455M/US$107.7M
in September

Four Seasons Resort Langkawi
Jalan Tanjung Rhu, Langkawi Island
RM384.35M/US$91M
in September

Singapore

▼ Asia Square Tower 2
12 Marina View
S$2.094B/US$1.55B
in September

◀ Tampines Court
Tampines Street 11
S$970.0M/US$718M
in September

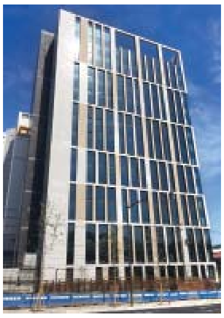
Serangoon Ville ▶
Serangoon North Avenue 1
S$499.0M/US$369M
in July

South Korea

▼ M Tower
BBD
KRW100.0B/US$88.3M
in September

NC Tower 2 ▲
GBD
KRW177.0B/US$156.3M
in August

City Plaza ▶
YBD
KRW90.0B/US$79.5M



◀ Majestar City Tower Two
Seocho
KRW205.5B/US$181.5M
in August

◀ Bunadang Square
BBD
KRW103.0B/US$91.0M
in August

Taiwan

◀ **President International Tower (4 floors)**
Taipei City
NT$3.51B/US$116M
in August

Nice Plaza ▶
Chiayi City
NT$4.8B/US$160M
in September

◀ **Ching Cheng Buidling (42% share)**
Taipei City
NT$2.71B/US$90M
in September

◀ **Headquarters of les enphants**
Taipei City
NT$1.3B/US$43M
in September

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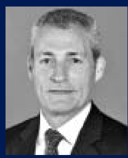

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