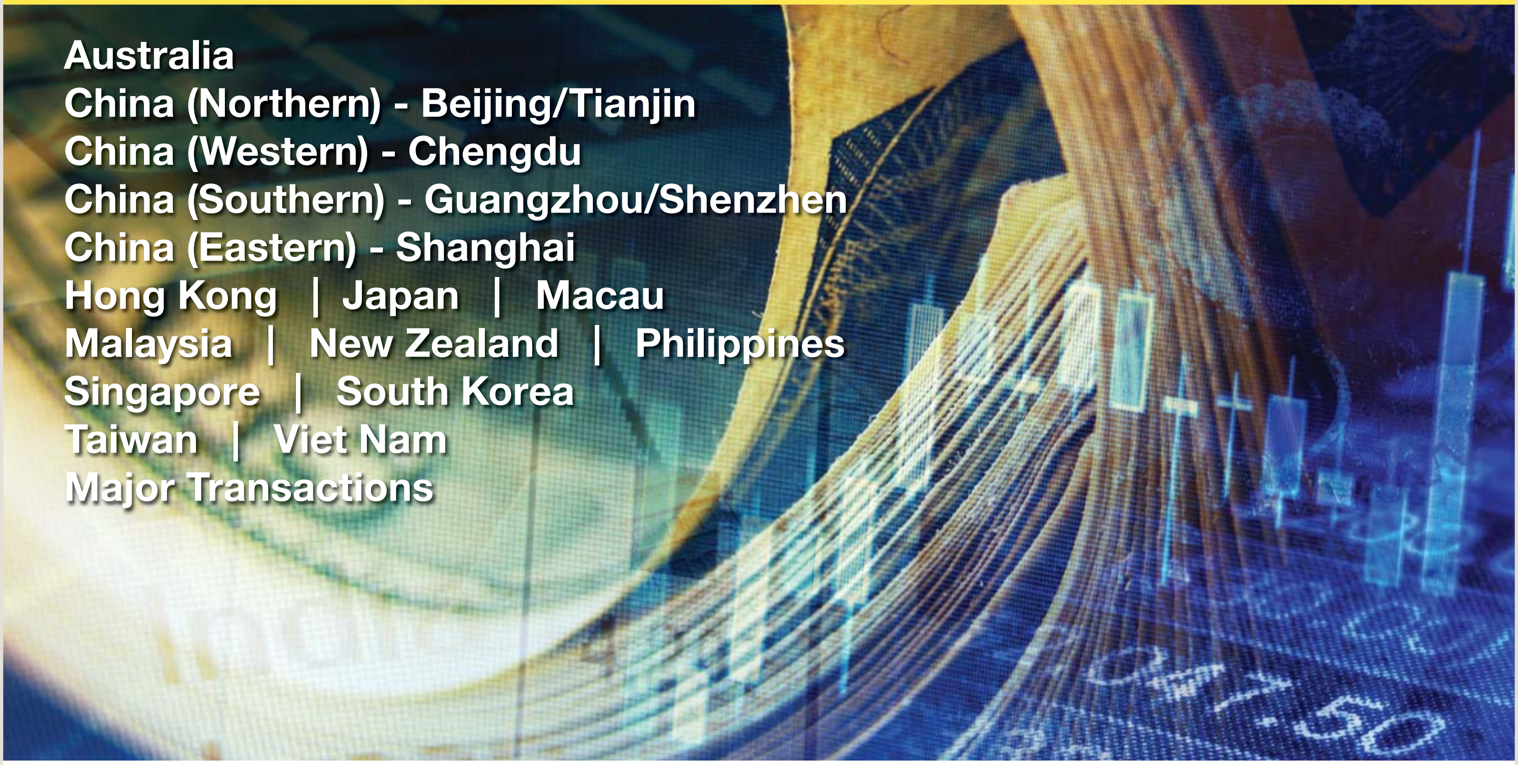
Savills World Research
Asia Pacific

Asia Pacific
Investment Quarterly

Q1 2016



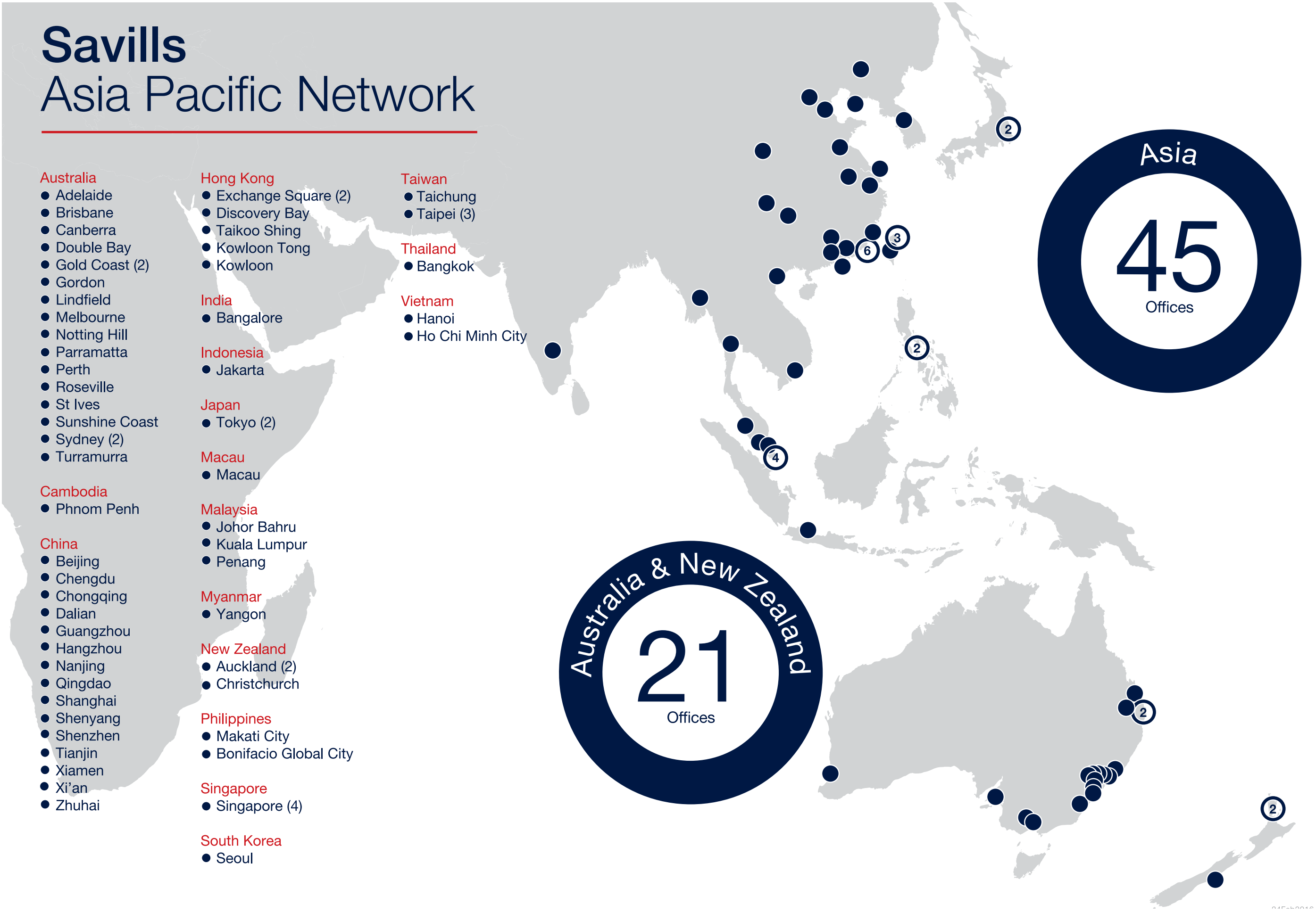
Australia
China (Northern) - Beijing/Tianjin
China (Western) - Chengdu
China (Southern) - Guangzhou/Shenzhen
China (Eastern) - Shanghai
Hong Kong | Japan | Macau
Malaysia | New Zealand | Philippines
Singapore | South Korea
Taiwan | Viet Nam
Major Transactions

HIGHLIGHTS

In Australia, macro prudential controls are beginning to take the froth off the residential investment market. Business confidence remains strong and a federal election has been announced for July 2. In China policies are being rolled out to cool overheating first-tier cities and shore up struggling markets in lower-tier cities by limiting land sales and introducing buy-side supportive measures. Macro economic conditions in Japan softened slightly in Q1/2016, although fundamentals held steady. Record-breaking tourism could act as a strong tailwind for the relevant retail and hospitality sectors, while low funding costs are keeping yield spreads high. While the investment market in Singapore remains lacklustre, there are institutions, overseas corporates and high net worth individuals looking at a pool of assets which have been on the market for some time. The Bank of Korea maintained low interest rates for a tenth consecutive month in April. Several properties which started sales marketing in 2015 finally changed hands in Q1/2016, and the total investment volume in Q1 was over KRW1 trillion, the highest first-quarter volume since 2007. Vietnam's macroeconomic environment continues to provide all real estate asset classes with favourable conditions.

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, Myanmar, 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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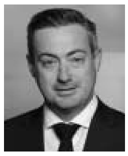
Australia



Paul Craig
CEO
+61 2 8215 8888
pcraig@savills.com.au

Tony Crabb
National Head
Research
+61 3 8686 8012
tcrabb@savills.com.au

Sydney is a global city, and the largest state capital in Australia. Home to four of the five wealthiest residential regions in Australia, it has an internationally-recognised luxury residential market.

Sydney's luxury and off-the-plan residential markets are primarily being driven by international demand and, more specifically, Asian demand. With its close ties to Asia for business, together with personal investment, the wider benefits such as education and migration make Sydney compelling.

Sydney's recent population figures have only served to highlight the existing shortfalls in housing supply, where the undersupply gap continues to grow.

Sydney currently has a resident population of some 4.8 million people, housed in approximately 2.2 million dwellings. As the population of Sydney grows towards 10 million residents over the next 30 years, apartments are forecast to make up a larger proportion of total dwelling stock (currently, about 10% of all dwellings in Sydney are apartments).

Melbourne has a resident population of some 4.5 million people, housed in approximately 1.9 million dwellings. The City of Melbourne currently contains approximately 122,000 residents in just over 58,000 dwellings.

In light of these numbers, and the dynamics of supply and demand, it is Savills firm belief that a city the size of Melbourne can cope with, and will demand, further additions to its inner city residential market, which covers approximately 5% of the total housing market.

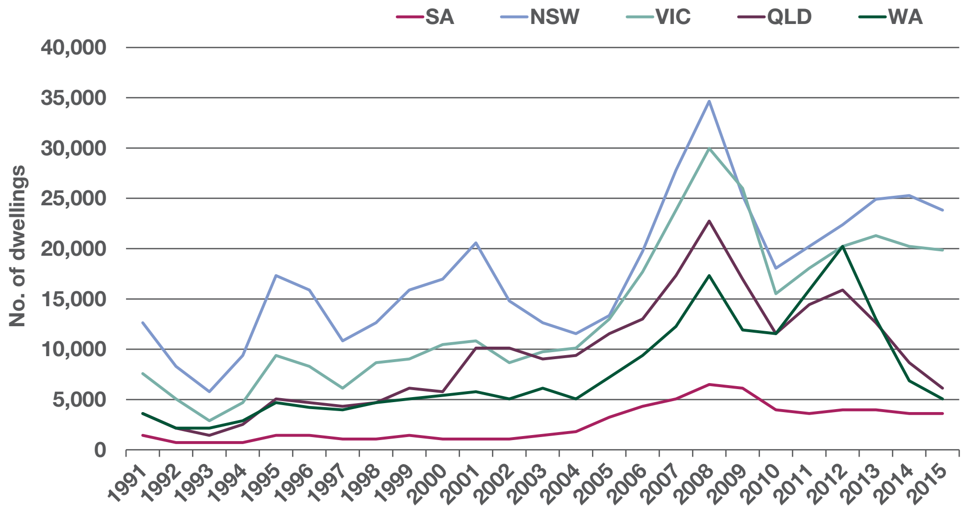
While the natural increase in the population can generally be accommodated in the existing housing stock, overseas migrants generally require a new dwelling. Over the last decade, new arrivals have demanded a total of 750,000 new dwellings in Melbourne. This is about 50% of all new housing stock built in that period.

It is little wonder that construction has struggled to keep up with demand and that a combination of investor- and owner-occupied-driven solutions to supply have been required.

Government statistics predict that both Sydney and Melbourne will need to create an additional 625,000 homes over the next 25 years, just to keep up with the population influx. Both Sydney and Melbourne are falling well below required annual supply, and Savills believes that the limited additional supply will underpin the fundamentals of residential property in the foreseeable future in terms of both rents and capital values.

GRAPH 1

Australian residential – Dwellings requred by immigrants*, 1991–2015



Source: ABS, Savills Research
* Formation rate 2.77

TABLE 1

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
1 Collins Street	Melbourne, Victoria	AU$125.0 mil/US$95.0 mil	Stamoulis	Office
1 Hume Road	Laverton North, Victoria	AU$205.9 mil/US$156.5 mil	Logos Property Group	Industrial
77 King Street	Sydney, NSW	AU$160.0 mil/US$121.6 mil	Invesco	Office
1 Woolworths Way	Bella Vista, NSW	AU$336.5 mil/US$255.7 mil	Millennium	Office
420 George Street (75%)	Sydney, NSW	AU$442.5 mil/US$336.3 mil	Investa Property Group	Office
The Exchange, 2 The Esplanade (50%)	Perth, WA	AU$113.5 mil/US$86.3 mil	Primewest	Office
Rundle Place, 80 Grenfell Street*	Adelaide, SA	AU$400.0 mil/US$304.0 mil	The Blackstone Group	Office/retail
Stockyards Industrial Estate, Lot 402 Bushmead Road	Hazelmere, WA	AU$240.0 mil/US$182.4 mil	Charter Hall	Industrial
Mineral House, 41 George Street	Brisbane, QLD	AU$159.8 mil/US$121.5 mil	AEP Investment Management	Office

Source: Savills Research & Consultancy
* Pricing split is unavailable – sale price includes both the retail and office component

China (Northern) - Beijing

Nick Wang
Associate Director
Investment
+86 10 5925 2092
nick.wang@savills.com.cn

Jack Xiong
Head of PDC, Director
Research
+86 10 5925 2042
jack.xiong@savills.com.cn

Beijing's retail sector is more fragmented and less mature than either Hong Kong or Shanghai, with prime retail areas generally characterised by shopping mall projects rather than clusters of on-street retail. When taking into consideration other factors, which include increasing pressure from online competition and overseas buying, during a prolonged period of economic growth, it quickly becomes easy to understand how challenging Beijing's retail market has become.

Retail sales increased 1.0% year-on-year (YoY) to RMB161.7 billion in the first two months of 2016, however, the growth rate declined 6.8 percentage points (ppts) YoY. Meanwhile, urban disposable incomes per capita grew 8.9% YoY by the end of 2015, while expenditure per capita registered growth of 8.7% YoY over the same period. A generally weak retail market, combined with some projects undertaking branding adjustment strategies during the period, saw city-wide vacancy rates increase slightly, up 0.3 of a ppt to 5.5% by the end of Q1/2016. First-floor shopping mall rents remained stable, increasing by only 0.2% quarter-on-quarter (QoQ) to an average of RMB897.5 per sq m per month.

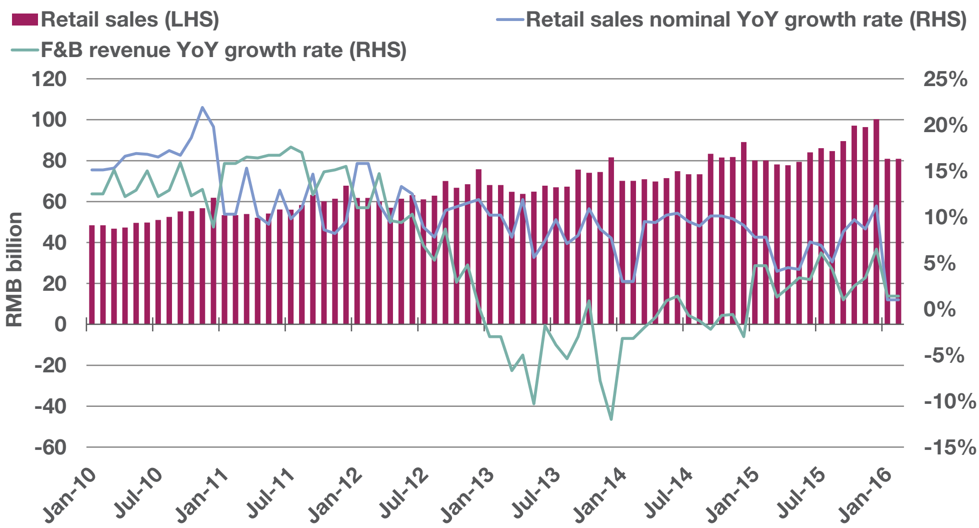
Looking for opportunities in an increasingly competitive environment, landlords have begun to actively target decentralised locations. A burgeoning middle-class, with increasing disposable incomes and a rapidly developing brand awareness, have quickly garnered the attention of astute developers.

One new project entered the retail market in the first quarter of 2016, BHG Shopping Mall (华联平谷购物中心) in Pinggu district, adding 59,000 sq m of retail GFA to the market. As a result, overall stock increased to 10.47 million sq m. The remainder of 2016 will see the market receive an influx of supply, with eight mid- to high-end shopping malls scheduled to be launched, contributing a total retail GFA of approximately 590,000 sq m. Daxing district will receive the majority of this new supply, with Zhuzong Vanke Plaza (住总万科广场) and Longfor Time Walk (龙湖大兴天街) adding a total of approximately 250,000 sq m of retail GFA to the market. This provides further evidence of the growing trend of experienced developers exploring decentralised markets for new opportunities.

The launch of high-quality projects in non-prime locations will continue to contribute to the decentralisation of the retail market. Supported by large residential populations and rapidly developing transportation networks, as well as being operated by experienced landlords, projects in non-prime areas are expected to help new locations accelerate towards maturity. However, fierce competition from online retailers, combined with a scheduled influx of new supply, is expected to see first-floor rental growth largely constrained. It will be essential for landlords to focus on targeted tenant-mix strategies and additional service innovation to attract consumers and improve mall performance.

GRAPH 2

Retail sales, Jan 2010–Feb 2016



Source: Beijing Statistics Bureau, Savills Research & Consultancy

TABLE 2

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Beitucheng plot	Chaoyang district	RMB4.15 bil/US$640.4 mil	BUCID & Beijing Inno-Olympic Group	Commercial
Longquan plot	Mentougou district	RMB3.95 bil/US$609.6 mil	SCE	Commercial / Residential / Educational
Huangcun plot	Daxing district	RMB3.9 bil/US$601.9 mil	Greenland Group	Commercial / Residential / Educational

Source: Savills Research & Consultancy

China (Northern) - Tianjin

Andy Chee
Senior Director
Savills Tianjin
+86 22 5830 8886
andy.chee@savills.com.cn

Jonathan Wang
Manager
Research
+86 22 5830 8877
jonathan.wang@savills.com.cn

The growth of the city's land market remained stable in 2015, while 2016 has so far seen a steady rise in the transacted area and average prices. Thirty three land plots were launched onto the market in Q1/2016, totalling 2.77 million sq m, up 44% quarter-on-quarter (QoQ). The suburban area was the largest contributor, accounting for 61.3% of total supply, while the Binhai New Area saw a big fall in available supply. There were 31 land plot transactions city-wide in Q1/2016, totalling 2.03 million sq m, with a total value of RMB20.9 billion, a 42% increase QoQ. The Spring Festival holiday did not seem to cause any disruption in land transactions.

The city centre witnessed the biggest increase in transaction prices, while transaction volumes rose by 28% QoQ, despite a 36% drop in total transacted area, mainly due to the appreciation of scarce land resources in the downtown area. The Hedong and Heping districts became the hot spots for land transactions in the city centre as fewer land plots remain available in Nankai and Hexi districts.

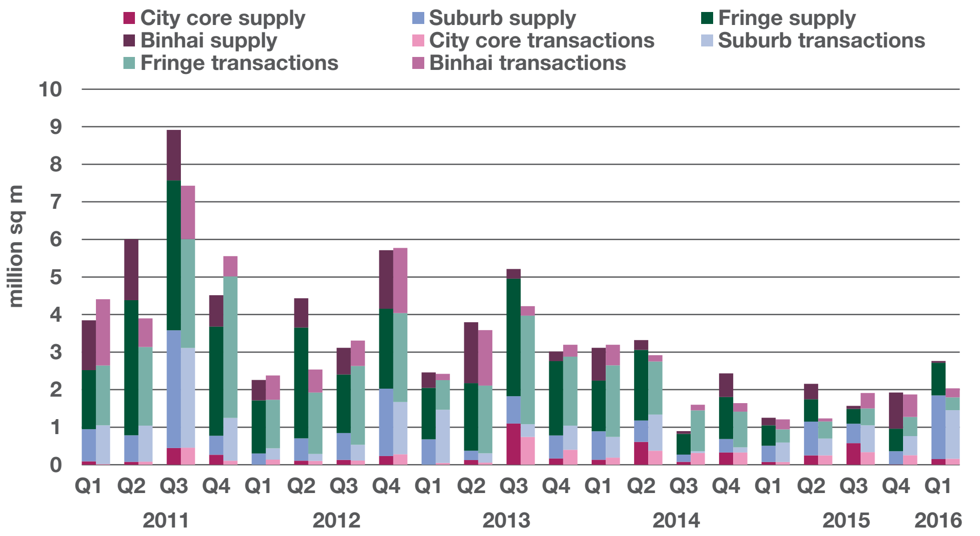
In the first deal of the year, Tiancheng Land, a non-local developer, purchased a land plot in Heping district for RMB990 million – RMB38,976 per sq m and a premium of 135%. The high price is attributed to scarcity in the district, where no new residential land has been available over the past four years.

On 10 March 2016, China Jinmao, a real estate affiliate of the Sinopec Group, acquired a land plot located on the Haihe riverside in Hedong district for RMB4.1 billion, making it the most expensive land purchase so far this year. Located near metro line 9 and possessing a scenic view of the Haihe River, the land plot, which was one of the 31 plots launched by the municipal government last year, attracted the attention of many renowned developers, including COFCO, Sunac and China Merchants Property Development Co.

Due to the direct relationship between the land and housing markets, the current activity in Tianjin's land market indicates that housing prices could rise in 2016.

GRAPH 3

Land supply and transaction volumes by area, Q1/2011–Q1/2016



Source: Savills Research & Consultancy

TABLE 3

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Plot 2016-018 (JDL)	Hedong district	RMB4.1 bil/US$633.5 mil	China Jinmao	Mixed-use
Plot 2015-020 (JDW)	Hedong district	RMB1.3 bil/US$200.9 mil	Tianjin WanFang Dong'an Realty Development Co., Ltd.	Mixed-use
Plot 2016-018 (JBCH)	Beichen district	RMB2.6 bil/US$401.7 mil	Sunac	Mixed-use
Plot 2015-147 (JXJ)	Heping district	RMB990 mil/US$152.9 mil	Tiancheng Land	Mixed-use

Source: Savills Research & Consultancy

China (Western) - Chengdu

Eric Wo
Managing Director
Savills Western China
+86 28 8658 7828
eric.wo@savills.com.cn

Dave Law
Director
Project & Development Consultancy
+86 28 8665 7375
dave.law@savills.com.cn

Co-working is a style of operating which involves a shared office space or working environment. Individuals or small groups work in these shared spaces for a number of reasons, the greatest one being to reduce acommodation overheads. Typically, the tenants are from different backgrounds and include freelancers and small start-up companies. Although they are working independently, they are able to build up a network and community with others who are utilising the space. Compared with traditional offices, co-working spaces offer a more open and shared method of communication.

In 2015, Daqing Mao left the Vanke Group as executive vice-president and founded the Chinese version of co-working space WeWork, called UR Work. The central government has emphasised innovation and entrepreneurship, and included incentives for this sector in the 2016 Government Work Report. Due to the growth of entrepreneurial endeavours, co-working spaces are gaining popularity throughout China.

Due to these developments, the second half of 2015 saw many co-working spaces begin to emerge in Chengdu, such as Hi-coffice, MFG Creator Commonwealth, Working, Walnut, and Founder. Compared with traditional offices, the development concept, target market, services, layout plan and design brings a set of all-new challenges.

Co-working spaces are often targeted at start-up enterprises which have limited access to finance and are sensitive to rents. Hence, co-working spaces are usually located in more cost-effective buildings, such as old factories or industrial premises, villas or even an ordinary office building which has been renovated. In addition to providing cost-effective office space, conference rooms, receptions and other basic business facilities, a whole suite of additional services are often also provided, including leisure spaces such as a gym, kitchen, and even a pet community. Some co-working spaces will also provide recruitment, financial support, entrepreneurship training and other business services. Of course, compared with traditional offices, the biggest difference is that co-working spaces have strengthened the concept of community, and regularly organise various themed activities, fostering open and free communication within the office environment.

In January 2016, the Chengdu government enacted the “Chengdu 2016 Innovative City Construction Annual Plan”. This strives to further promote the development of innovation-driven development, and in addition, is expected to further promote the development of co-working spaces.

TABLE 4

Selected co-working projects, 2015

Project	GFA (sq m)	Location
Hi-coffice	2,000	Gaoxin district
Founder	1,000	Gaoxin district
MFG Creator Commonwealth	+/- 1,500	Jinjiang district
Walnut	2,500	Jinniu district
Working	2,000	Qingyang district

Source: Savills Research & Consultancy

TABLE 5

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
JN01(252):2016-010	Jinniu district	RMB283.9 mil/US$43.4 mil	COFCO Property	Mixed-use
WH01(252):2016-002	Wuhou district	RMB214.4 mil/US$32.8 mil	BRC	Mixed-use
QY04(252):2016-006	Qingyang district	RMB377.6 mil/US$57.7 mil	SUNNC	Mixed-use

Source: Savills Research & Consultancy

China (Southern) - Guangzhou

Woody Lam
Managing Director
Savills Southern China
+86 20 3892 7168
woody.lam@savills.com.cn

Sam He
Senior Manager
Research
+86 20 3892 7350
sam.he@savills.com.cn

Government stimulus policies gained further traction in the real estate sector, encouraging buyers and investors to re-enter the residential market, thereby increasing residential transaction volumes. As a result, the land auction market witnessed an increase in competition between developers, resulting in higher average transaction prices.

The city saw an increase in land transactions activity in 2015, with 33 more deals than 2014 and an increase of 3.61% year-on-year (YoY) in total transacted area. Additionally, the average transaction price rose by 14% YoY to a new record high, while total transaction value reached RMB96.0 billion. Following the growth of the residential sales market, competition for new land plots has become fiercer, especially in urban residential areas such as Guanggang New Town in the Liwan district and the Guangzhi area in the Hazhi district.

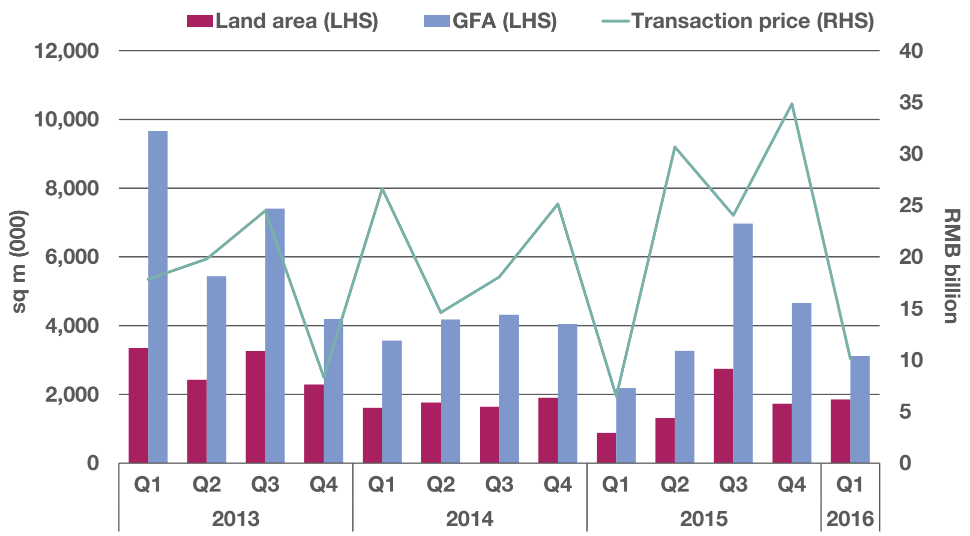
The commercial and industrial land market, with stricter land transaction conditions than the residential land market, was not as active. However, nearly all land deals in the Pazhou E-commerce Zone and Guangzhou International Financial Town were finalised at the reserve price; three commercial land plots in Baiyun New Town witnessed a 1.82% premium rate. While a decrease in industrial and commercial land transactions mean less revenue for the municipal government, such restrictions could boost the future economy by encouraging sustainable, city-wide planning, and diverting investment into older infrastructure projects in need of improvement. Strict restraints on industrial and commercial land transactions mean only those enterprises which meet the requirements can purchase those plots, which should decrease transaction prices but simultaneously lower revenues for the municipal government. However, these restrictions could boost the economy and help to perfect the planning of special zones by guiding similar industries to certain areas, for example, the Pazhou E-commerce Zone aggregates domestic IT companies.

In Q1/2016, the city's land market was disrupted by Chinese New Year, witnessing eight fewer land plot transactions than Q1/2015. However, transaction prices saw a huge increase, up 56.3% YoY to RMB10.1 billion, although 92.8% of them were finalised at the reserve price. Real estate enterprises seem to have become increasingly conscious of rising land prices, resulting in more cautious bids at land auctions. Developers are also paying attention to future government development plans, especially as the municipal government has sought to bring more consistency to its urban development plan by enforcing land development restrictions.

The government is expected to launch 241 land plots this year, 27.4% of which are slated for commercial use. Guangzhou International Financial Town and Pazhou West will witness the greatest influx of new supply, with 19 and 20 plots becoming available in each area, respectively, indicating that they will be the key locations for development over the next few years.

GRAPH 4

Land transactions, Q1/2013–Q1/2016



Source: Savills Research

TABLE 6

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Guangzhou plot 2015NGY-5	Nansha district	RMB432.1 mil/US$66.9 mil	Toyota	Industrial
Guangzhou plot AT1003043	Tianhe district	RMB1.67 bil/US$259.2 mil	Guangdong Radio	Office
Guangzhou plot AH040245	Haizhu district	RMB1.51 bil/US$234.8 mil	Southern Media Corporation	Office
Guangzhou plot AH040163	Haizhu district	RMB2.15 bil/US$333.2 mil	Commercial Union and another 17 companies	Office

Source: Savills Research

China (Southern) - Shenzhen


Woody Lam
Managing Director
Savills Southern China
+86 20 3892 7168
woody.lam@savills.com.cn

Sam He
Senior Manager
Research
+86 20 3892 7350
sam.he@savills.com.cn

The Shenzhen Planning and Land Resource Committee released "The Planning List of Shenzhen's First Group of Urban Renewal Units in 2016" on 18 February 2016. The majority of land on the urban renewal list is in central districts and is earmarked for industrial development. A total of 20 units were listed for urban renewal in the plan.

Ranking by administrative division

Central districts

Eight units were listed in the central districts[1] – five in Futian and three in Nanshan. One unit (7,736 sq m) located in Huaqiang North, in Futian district, has been set aside for commercial use while the other four units have all been earmarked for industrial use. In Nanshan, three units have been set aside for industrial use, and are located in the Shekou, Nantou and Yuehai areas.

Non-central districts

Longhua has three units set aside for urban renewal, including a mixed-use commercial and residential plot with a large site area of 13,000 sq m in Dalang.

Three units set for redevelopment in the industrial sector are in the Longgang and Baoan districts. Yantian, Pingshan and Dapeng are isolated districts each with one unit earmarked for residential renewal.

Ranking by project distribution

According to project distribution, the planned renewal land is mainly located in the south and middle of the city, namely in the Futian, Nanshan and Longhua districts.

Outlook

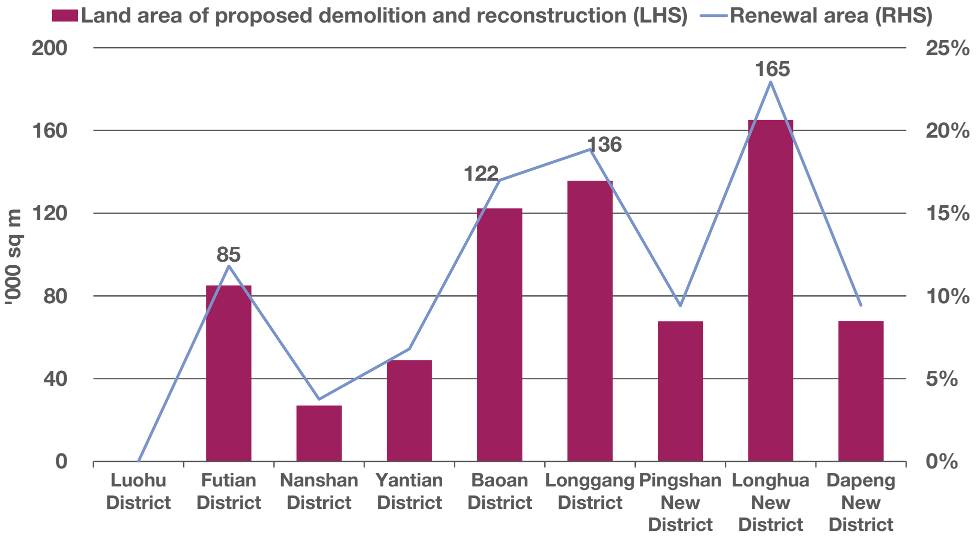
As seen from the Shenzhen urban renewal list, Futian, Nanshan and Longhua districts have been earmarked as key areas of future city development. These central areas remain the most viable to renew, however, costs are high. The new pattern of industrial-zoned land accounts for the majority of the urban renewal process and it is predominantly in non-central areas.

The residential renewable land is expected to extend to the liveable costal area, namely Dapeng and Yantian districts. This, combined with the completion of metro phases III and IV, is expected to lead to the population spilling out from central areas and moving into non-central locations.

1 Excluding Luohu

GRAPH 5

Planning list of Shenzhen's first group of urban renewal units, 2016



Source: Shenzhen Planning and Land Resource Committee, Savills Research

TABLE 7

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Tairan Building C (24F)	Futian district	RMB75 mil/US$11.8 mil	Sinosun Technology	Office
Kingkey Banner (Unit 6206)	Futian district	RMB38.1 mil/US$6.0 mil	TBC	Office
Lot B405-0029 N Ring Road	Futian district	RMB611 mil/US$95.5 mil	COFCO Group	Retail
Bay 1979 (Unit 1A)	Nanshan district	RMB30.6 mil/US$4.8 mil	TBC	Office
Changfu Jinmao Building (Unit 5501)	Futian district	RMB55 mil/US$8.5 mil	TBC	Office

Source: Savills Research

China (Eastern) - Shanghai

Steve Chen
Head of Investment, China
Deputy Managing Director,
Shanghai (Investment)
+86 21 6391 6688
steve.chen@savills.com.cn

James Macdonald
Director
Research
+86 21 6391 6688
james.macdonald@savills.com.cn

Shanghai recorded one of its greatest investment volumes in recent years in 2015, accounting for more than half of all investment activity on the mainland. The majority of deals focused on the office and business park market, although a number of serviced apartments were also traded.

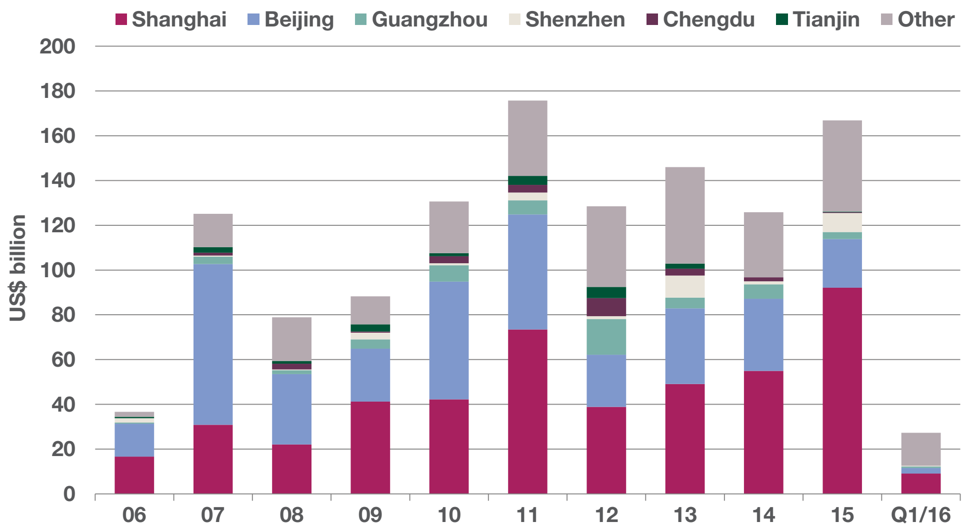
New sources of capital have emerged over the last year, with REITs and ABSs becoming more active. Financing costs have fallen over the past year and a half alongside developer bond coupon rates and yields. REIT investors, especially those with exposure to the Hong Kong and Singaporean markets and with average yields of less than 3%, view the rapidly maturing Shanghai market, with yields for core assets at roughly 4.0-4.5%, as a significant trade up.

Despite the significant volume of new supply expected to enter the market over the next three years, Shanghai's office market remains attractive when viewed from a regional perspective and compared with different asset classes. Rents in Shanghai remain lower than in Singapore and Hong Kong and have less room to fall. Tenant industry structure is also much more diversified in Shanghai than in Singapore and Hong Kong, and local companies also make up a larger percentage of the tenant mix (domestic companies tend to be more stable than fair-weather international tenants). The rising trend of end-user buyers will also favourably impact the investment market, especially as Shanghai, as one of the leading business centres in China, continues to attract many domestic companies looking to relocate their national headquarters from current locations in second- and third-tier cities.

Shanghai has arguably the largest office market in Greater China and aims to become a leading international financial services and shipping capital while also developing into the country's leading technology and innovation hub. The municipal government has already passed many favourable policies, regulations and incentives, such as the recent establishment of the Shanghai Free Trade Zone, designed to achieve the goals set for the development of the business community. New demand generated from these policies is expected to generate substantial new demand for office space in Shanghai.

Shanghai's market is not without its risks. China's economy, while expected to grow at 6.5%+ over the next few years, is mired by increasing debt levels and overcapacity that can affect business profit margins, forcing companies to downsize and lower costs (real estate being one of them). At the same time, it will take time to absorb new supply, putting pressure on occupancy rates and rents in the short term. However, China's long term prospects and Shanghai's place as a leading city remain positive and will undoubtedly continue to attract investment capital.

GRAPH 6
China investment volumes by city, 2006–Q1/2016*



Source: Savills Research & Consultancy
* Q1/2016 data is provisional

TABLE 8
Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
H88 Plaza	Xuhui	RMB1.58 bil/US$244 mil	Everbright Ashmore	Office
Rainbow Plaza	Changning	RMB1.35 bil/US$209 mil	Fuxing Group	Serviced apartment
Waterfront Place	Putuo	RMB800 mil/US$124 mil	Pramerica Asia Fund	Office
Grand Pujian Residence	Pudong	RMB573 mil/US$89 mil	Top Spring	Serviced apartment

Source: Savills Research & Consultancy

Hong Kong

Peter Yuen
Managing Director
Head of Sales
+852 2842 4436
pyuen@savills.com.hk

Simon Smith
Senior Director
Head of Research
+852 2842 4573
ssmith@savills.com.hk

The en-bloc investment market continued to heat up over the past three months with China Everbright purchasing Dah Sing Financial Centre for HK$10 billion (HK$24,993 per sq ft) for end-use, the third Mainland corporation to buy into the local office market over the past six months. For these Mainland giants, other factors such as securing long term space, unobstructed sea views, visible signage, naming rights etc. often outstrip the importance of rental yield.

The Link REIT announced the disposal of another nine shopping centres from its portfolio in April for a total consideration of HK$3,690 million, with the selling prices of the nine centres at 18% to 81% premiums over their respective valuations at the end of March. The strong response reflected robust investment interest in suburban retail premises, even though the latest retail sales figure showed an across-the-board decline (-13.6% year-on year (YoY) over the first two months of 2016), including both tourist items (such as jewellery, watches and clocks which declined by 24.2% YoY) and local spending items (foodstuffs -2.0%, consumer durables -25.9% and department store sales -12.3%).

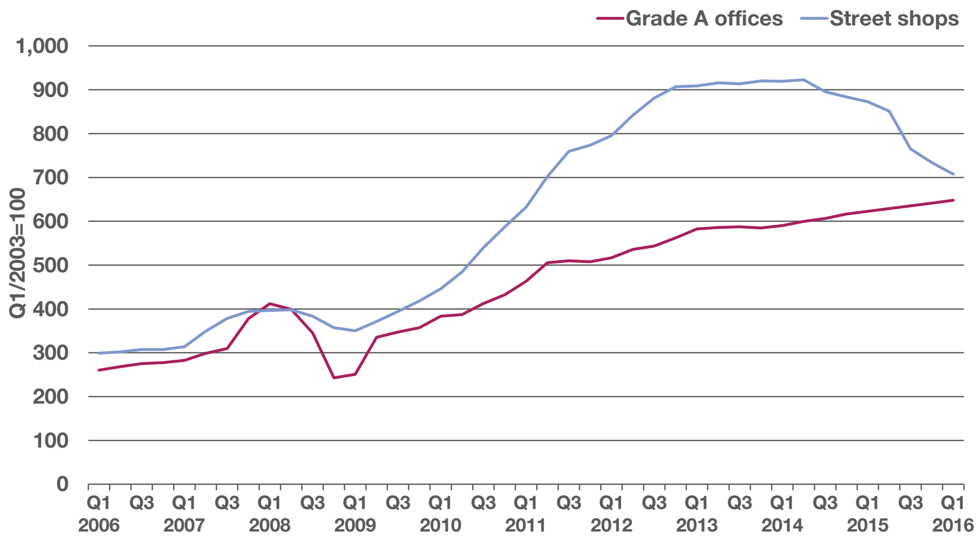
The buyer profile also indicates a shift in buyer preference: while the largest two centres were bought by seasoned investors with prior involvement in the suburban retail sector, the remaining assets attracted interest from new investors to either suburban retail or to the Link REIT portfolio, or both. Investors well stocked with suburban premises may have adopted a more cautious stance given the current retail market status, while other newcomers were keen to jump on the bandwagon.

En-bloc office deals should continue to dominate headlines over the next three to six months, with big-name Mainland corporations with a business presence in Hong Kong the front-runners to land the next iconic building(s). The stratified office sector may remain quiet over the next few months given weak investment sentiment, but we anticipate office prices may be reasonably well insulated with less new supply earmarked for stratification over the next five years.

The suburban retail market looks set to continue to attract interest from yield-hungry investors looking for a stable income return, with a pipeline of projects expected over the next few months, including residential retail podiums in Tseung Kwan O and Fanling, as well as large restaurant and general retail space in fringe Kowloon, all with initial yields of 3.5% or higher. The prime street market may see more restructuring of trade and tenant mix before more landlords accept offers below their original asking prices. With more suburban transactions likely to be concluded and more prime street landlords willing to negotiate, we anticipate that transaction volumes will gradually pick up from Q2 onwards.

GRAPH 7

Office and retail price indices, Q1/2006–Q1/2016



Source: Savills Research & Consultancy

TABLE 9

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Dah Sing Financial Centre	Wanchai	HK$10.0 bil/US$1.29 bil	China Everbright	Office
54-58 Des Voeux Road Central / 4 Pottinger Street	Central	HK$1.58 bil/US$203.7 mil	Lee Kam Kee	Office
Trust Tower	Wanchai	HK$1.0 bil/US$131.5 mil	Viewbest Investments	Office
House at 2 Headland Road	Southside	HK$1.0 bil/US$131.5 mil	Golden Sea	Residential
Shek Yam Shopping Centre	Kwai Chung	HK$880 mil/US$113.5 mil	Yan Yan Motors	Retail

Source: EPRC, Savills Research & Consultancy

Japan

Christian Mancini
Representative Director, CEO
Savills Japan
+81 3 6777 5150
cmancini@savills.co.jp

Tetsuya Kaneko
Director
Research & Consultancy
+81 3 6777 5192
tkaneko@savills.co.jp

Japan's real GDP growth for Q4/2015 was revised up to -0.3% quarter-on-quarter (QoQ) compared to an initial estimate of -0.4%, indicating that growth contracted less than initially predicted. Capital expenditure was flat QoQ but remained up by 8.5% year-on-year (YoY). Machinery orders fell slightly in February 2016 but less than expected, indicating that capex may also stay stable into Q1/2016. Core CPI (all items less food and energy) was up 0.8% YoY and 0.2% MoM in February, showing level inflation.

Stability in machine orders and capex provides some room for optimism, but investors are taking a more cautious attitude going into 2016. Unexpected yen strength versus the USD has raised questions about the effectiveness of the Bank of Japan's (BOJ) negative interest rate policy, and market players are watching closely for signs that the government may announce a delay in its consumption tax hike scheduled for April 2017. A delay could help boost consumption and spur short-term investor sentiment. A July 2016 election in the House of Councillors, and possibly even the House of Representatives may speed political reform or introduce some uncertainty in policy implementation.

Real estate has remained resilient in light of this uncertain macro environment. Rental growth has paused in some sectors, but domestic investment volumes remain strong. LaSalle, for example, launched its logistics-focused Logiport J-REIT in February with an initial portfolio of JPY161.4 billion.

Japan's impressive inbound tourism figures have spurred a flurry of investment in the hospitality and retail sector. The country welcomed almost 20 million visitors in 2015 – a third consecutive all-time high – meeting the government's goal of 20 million by 2020 five years early and prompting it to raise its target to 40 million.

The BOJ's J-REIT purchases for Q1/2016 amount to JPY20.4 billion, implying that the BOJ is maintaining its stated goal of JPY90.0 billion annually.

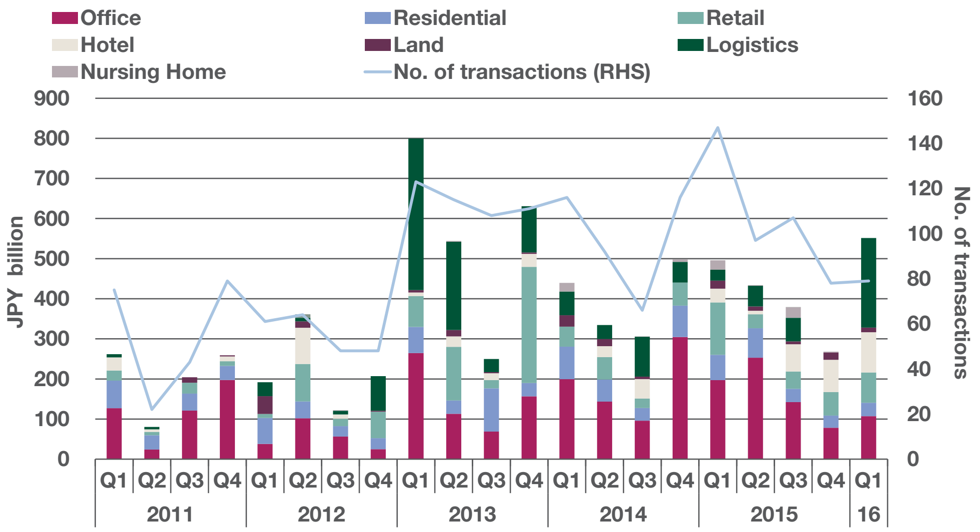
The TSE J-REIT index moved in a volatile manner but gained 8.5% over Q1/2016 to close at 1896.40, only 4.8% down from its 10-year high of 1993.00 in January 2015 and easily outperforming the Nikkei, which was down -12.0% over the same period. The 10-year Japanese Government Bond yield fell drastically after the BOJ reduced its rate for new deposits to -0.1% in January, and ended March in negative territory at -0.029%.

Slow but steady rental recovery and wide yield spreads over funding costs have kept markets active. J-REITs were the biggest buyers, announcing 79 transactions totalling JPY552 billion.

Vacancy rates for Tokyo's Central Five Ward Grade A and large-scale Grade B Office spaces in Q1/2016 stood at 1.8% and 1.9% respectively. By ward, Grade A office vacancy rates for Chiyoda and Chuo were 0.9% and 1.5% respectively. Minato's Grade A office vacancy rate also improved to 3.2% as tenants continued to absorb a recent large influx of supply.

GRAPH 8

J-REIT property acquisitions by sector, Q1/2011–Q1/2016



Source: Savills Research & Consultancy

TABLE 10

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Roppongi Hills Tower (four floors sectional ownership)	Minato-ku, Tokyo	JPY46.1 bil/US$370 mil	Mori Hills REIT	Office
Portfolio of four AEON malls and one logistics facility	Greater Tokyo and Regional Cities	JPY55.4 bil/US$450 mil	AEON REIT	Retail/ logistics
Portfolio of four hotels and one residence	Tokyo, Fukuoka, Tochigi	JPY66.7 bil/US$580 mil	Invincible Investment Corporation	Hotel/ residential
East Ueno Tower (60% co-ownership)	Taito-ku, Tokyo	JPY21.6 bil/US$190 mil	Nippon Building Fund	Office
NTT Makuhari Building	Chiba City	JPY21.5 bil/US$186 mil	Undisclosed SPC	Office

Source: Savills Research & Consultancy
*Table does not include the LaSalle Logiport REIT IPO, which consisted of eight properties totalling JPY161.4 billion. Five properties exceeded JPY20.0 billion, with the largest reaching JPY26.6 billion.

Macau

Franco Liu
Managing Director
Savills Macau & Southwest China
+853 2878 0623
fliu@savills.com.mo

Ron Mak
Manager
Research & Consultancy
+852 2842 4287
rclmak@savills.com.hk

Macau's mid-to high-end residential prices softened further by 7.7% in Q1/2016, to a level similar to 2012. Although gross gaming revenue in January and February declined by 11.8% year on year (YoY), visitor arrivals started to stabilise and declined by only 1.0% during the period. GDP in Q4/2015 contracted to 14.4% YoY, the lowest since Q4/2014, under a low base effect.

Although the economy continued to contract, domestic consumption and unemployment have remained stable. Median employment income in Q1/2016 stood at the record level of MOP15,000, and the unemployment rate at a low level of 1.9%. Compared with last quarter, where there were some layoffs in the gaming industry, this quarter's employment market is relatively quiet.

Apart from a quiet property market, the government is taking the initiative to plan ahead for better utilisation of land and an optimisation of the enclave's economic structure. According to the consultation paper, for the country's first five-year plan, the government will manage land resources by speeding up zoning coverage, as well as reclaiming unused and expired land. To enhance Macau's economic structure, the growth rate of the number of gaming tables has been limited to 3% per annum. By 2020, the industry is expected to increase its non-gaming element with an emphasis more on leisure, sports, business and MICE elements, so that the ratio of non-gambling revenue to overall revenue of the casino groups will rise from 6.6% in 2014 to 9%. The plan, if successful, will help to stabilise national income by reducing reliance on the gaming sector.

Macau's economy is expected to contract by a further 7.2% this year, then grow at a rate of 0.7% to 3.0% per annum at an increasing speed, according to the International Monetary Fund. Although gaming revenue is expected to contract again this year, the strategy of casino operators to diversify their business with an emphasis more on entertainment and shopping rather than gaming appears to have begun to take effect. This is evidenced by the fact that the March 2016 visitor arrival figures grew by 4.2% YoY; this was largely due to improved long-haul visitor numbers, and despite a decline in Mainland visitors. Residential prices appear to have stabilized, with the average transacted price in February at MOP6,850 per sq ft, 0.9% above January's average. In addition, the recent improvement in the Hong Kong stock market is likely to unlock market activity in the short term.

GRAPH 9

Mid-to-high end residential price index, Q1/2007–Q1/2016

Source: DSCE, Savills Research & Consultancy

Malaysia

Christopher Boyd
Executive Chairman
Savills Malaysia
+603 2092 5955 ext 149
chris.boyd@savills.com.my

Nabeel Hussain
Associate Director
Savills Malaysia
+603 2092 5955 ext 126
nabeel.hussain@savills.com.my

2015 GDP growth decelerated slightly to 5.0%, due to the weak external environment. Bank Negara Malaysia (the central bank) projects growth to be slightly lower than this in 2016, supported mainly by domestic demand.

RM1.40 billion worth of investment transactions were recorded in Q1/2016. Of the 20 transactions recorded, 12 involved land acquisitions, with the remainder being investments in existing properties such as hotels, factories/warehouses, and office buildings.

Local property developers continued to acquire land. Six land transactions were in Greater Kuala Lumpur, two in Kedah and one each in Johor, Penang, Negeri Sembilan and Melaka. The total value of these land transactions equalled RM649.50 million.

Notable land transactions in Greater Kuala Lumpur included 10.12 acres of land in Gombak purchased by Selangor Dredging Berhad for RM153 per sq ft; 2.67 acres of land in Kuala Lumpur acquired by Eupe Corporation Berhad for RM278 per sq ft; and 1.298 acres of land at Jalan Batai, Kuala Lumpur acquired by Selangor Properties Berhad for RM569 per sq ft. All these lands have been earmarked for condominium developments.

Perbadanan Kemajuan Negeri Selangor (PKNS) sold its 12.018 acres of industrial land in Kota Damansara with a lease period of 60 years to a local SME for RM105 per sq ft. In the same review quarter, Sunway Berhad acquired 6.35 acres of industrial land in Kampung Baru Subang for an average of RM118 per sq ft, in line with its recent plans to grow its industrial property development offerings.

Outside Greater Kuala Lumpur, notable land transactions included Hua Yang's acquisition of 73.16 acres of freehold development land in Plentong, Johor for RM17 per sq ft and LBI Capital Berhad's disposal of its development land in Batu Ferringhi, Penang Island, for RM256 per sq ft.

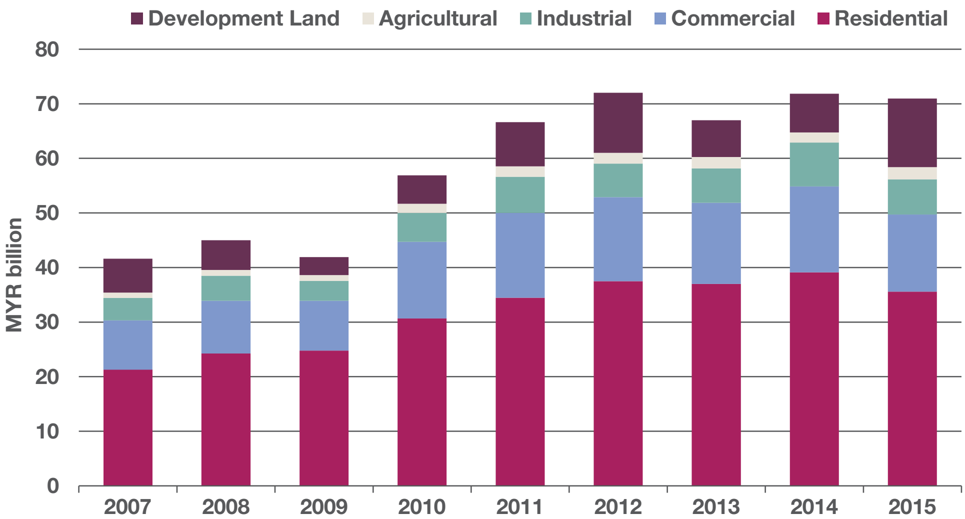
Q1/2016 saw eight property investment deals concluded, with a total sales value of RM753.32 million. The transactions included five factories/warehouses, two hotels and a purpose-built office building.

In January 2016, Tropicana Corporation Berhad disposed of the 10-storey Sky Express Hotel located at Jalan Pudu, Bukit Bintang in Kuala Lumpur for a purchase consideration of RM55.00 million, or approximately RM322,000 per key. In the same month, Tropicana Corporation Berhad disposed of its office building, inclusive of 322 car parking bays, known as “Dijaya Plaza”, which is located along Jalan Tun Razak, Kuala Lumpur, for RM140.00 million, or RM895 per sq ft on net lettable area to Kenanga Investment Bank Berhad.

The major transaction of the quarter, however, was the sale of Aloft Kuala Lumpur Sentral Hotel to Prosper Group Holdings Ltd. for a purchase consideration of RM418.70 million, or RM869,000 per key, in late March 2016. Developed by Aseana Properties Ltd, a London-listed property developer, Aloft Kuala Lumpur Sentral Hotel is strategically located in KL Sentral, with a total of 482 rooms, and is generally regarded as one of the best performing hotels in the city.

GRAPH 10

Total value of property transactions per subsector in Greater Kuala Lumpur, 2007–2015



Source: NAPIC
* In this chart, Greater Kuala Lumpur consists of the State of the Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

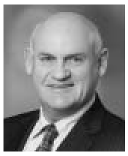
TABLE 11

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Aloft Kuala Lumpur Sentral Hotel	KL Sentral, Kuala Lumpur	RM418.7 mil/US$106.8 mil	Prosper Group Holdings Ltd	Hotel
767.73-acre of freehold agricultural land in Rantau	Seremban, Negeri Sembilan	RM145.0 mil/US$37.0 mil	OSK Holdings Berhad	Agricultural
Dijaya Plaza	Jalan Tun Razak, Kuala Lumpur	RM140.0 mil/US$35.7 mil	Kenanga Investment Bank Bhd	Purpose-built office
45.922-acre of leasehold commercial land in Melaka Tengah	Melaka	RM83.5 mil/US$21.3 mil	Arah Menang Holdings Sdn Bhd	Commercial development land
10.12-acre of agricultural land in Ulu Kelang	Gombak, Selangor	RM67.5 mil/US$17.2 mil	Selangor Dredging Berhad	Residential

Source: Company announcements and news, Savills Research & Consultancy

New Zealand



Paddy Callesen
Joint Managing Director
Commercial Sales
+64 (0) 9 951 5911
pcallesen@savills.co.nz

Harold McCracken
Associate Director
Commercial Sales
+64 (0) 27 445 1201
hmccracken@savills.co.nz

Strong underlying market fundamentals have boosted investor confidence in direct property investment. Auckland's prime vacancy rates are at or near historical lows (1.0% for office buildings and 2.8% for industrial space). The shortage of vacant space is resulting in upward pressure on rents as occupiers compete for the limited options available on the market. Prime office rents increased by 8% over the last year while industrial rents increased by 7%.

Developer activity levels have started to rise in response to the improved market fundamentals. The level of speculative building in the industrial market has increased and there are two large prime office towers planned for the CBD which have nearly achieved the pre-leasing targets required for construction to commence. Yields for prime investments are now approaching the levels last experienced in 2007, prior to the Global Financial Crisis. Prime office yields currently range between 6.25% and 7.0%, and prime industrial from 5.75% to 6.5%.

Investor demand for direct property investments continues to outstrip the supply of buildings available for sale. Syndicators, in particular, have been active in the market, buying properties to be packaged and resold to retail investors as units or shares in single property companies/trusts. Current low interest rates provide syndicators with an opportunity to leverage these transactions to provide their retail clients with attractive returns.

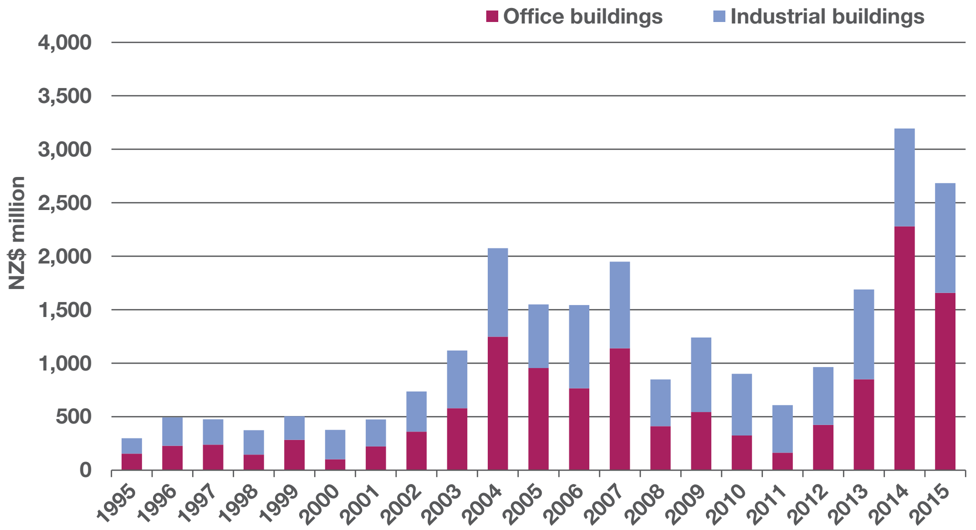
Although there has been some overseas activity in the market, they have primarily focused on larger office buildings and shopping centres. The majority of investment activity has been dominated by New Zealand-based institutional and private investors.

The fall in activity was due to a lack of buildings for sale rather than a fall in investor demand or access to credit. The challenges associated with sourcing sufficient, good quality property investments in Auckland has increased investor interest in Wellington and provincial centres.

The short term outlook for the investment market is strong. New Zealand's and Auckland's economies continue to grow at a steady pace, driven by population growth of over 3% per annum, historical highs in the number of overseas visitors and robust construction activity. Auckland's economy is expected to continue to grow faster than the national average. Low interest rates and readily available credit are also boosting both the rate of economic growth and investment activity in the property market.

GRAPH 11

Value (over NZ$2 mil) of Auckland's office and industrial building sales, 1995–2015



Source: Statistics New Zealand, Savills Research & Consultancy

TABLE 12

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Building A, 151 Victoria Street	CBD Auckland	NZD115.8m/US$81.0 mill	Augusta Funds Management Ltd	Office
Cider Building	Parnell Auckland	NZD93.0 mil/US$65.1 mil	Oyster Funds Ltd	Mixed-use retail & office
Portfolio of three buildings (34 Shortland, Grant Thornton House & NZ Invest House)	CBD Auckland	NZD91.2 mil/US$63.8 mil	Morgan Stanley Real Estate Investment Fund	Office
127 Pikington Road	Glen Innes, Auckland	NZD30.3 mil/US$21.2 mil	Goodman Property Trust	Industrial
Connect Business Park	Penrose Auckland	NZD40.9 mil/US$28.6 mil	Local investor	Suburban office

Source: Company announcements and news, Savills Research & Consultancy

Philippines

Michael McCullough
Managing Director
KMC MAG Group
+632 217 1730
michael@kmcmaggroup.com

Antton Nordberg
Head of Research
KMC MAG Group
+632 403 5519
antton.nordberg@kmcmaggroup.com

While the last quarter of 2015 ended on a high note, the first three months of 2016 have been relatively quiet. With only a few direct investment deals recorded, the transaction volume remained low, possibly reflecting trends seen in the global economy which started the year facing rather uncertain conditions, particularly in the capital markets. In addition, the upcoming presidential election has made some players exercise caution and hold back investment decisions.

In the past six months, surprisingly, Clark Freeport Area has remained as the focal point of investment demand, with two deals pushing through this quarter. Seemingly, Filinvest is the most bullish on Clark after the company secured another large-scale land deal in the area. The Filinvest consortium won the bidding for the 202-hectare Mimosa Leisure Estate property through a 75-year lease agreement as a lone bidder with a consideration of PHP800 million. Prior to this transaction, last year, Filinvest also committed to a joint venture with BCDA to develop some 288 hectares of land in Clark Green City, increasing its land bank in the area to almost 500 hectares.

Another notable transaction in Clark this quarter was the acquisition of Hotel Stotsenberg and Casablanca Casino by Frontier Capital Group for a consideration of PHP1.2 billion. The property includes 239 hotel rooms, 190 slot machines, and 36 gaming tables. Upon full takeover, the foreign investor has announced its intentions to expand the casino property, given the robust growth of the gaming industry in the country.

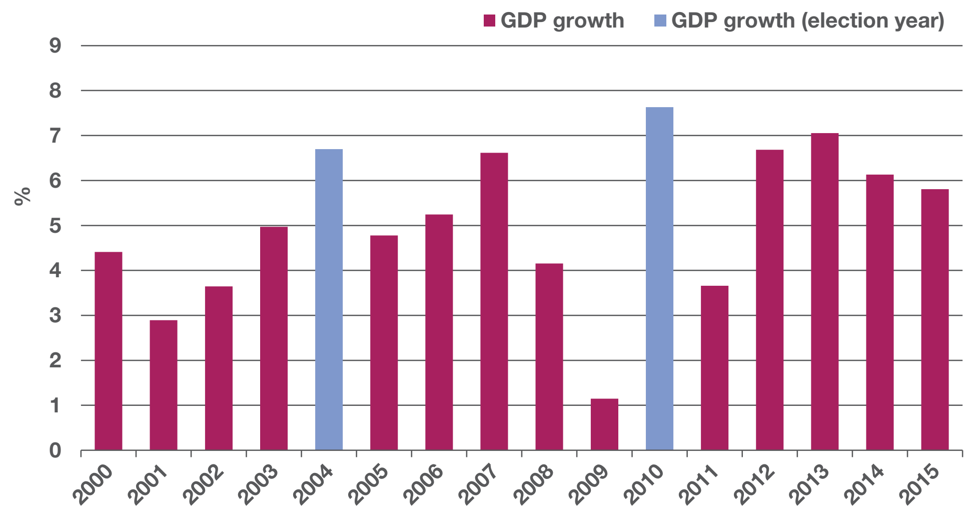
However, the most active player this quarter was Sta. Lucia Land. The low-cost housing developer announced the acquisition of 13 sites totalling 97 hectares in various locations across the country. Its aggressive growth strategy is focused on tapping the underserved economic housing sector, which, according to the Subdivision and Housing Developers Association (SHDA), currently has a backlog of 4 million units.

On the development side, two new joint ventures were announced in the first three months of 2016. The latest addition to Metro Manila's township map is the partnership between Ayala Land and Eton Properties in co-developing a 35-hectare property into a mixed-use township. On the other hand, boutique developer ArthaLand announced a joint venture with overseas investor Arch Capital for a mixed-use development on an 8,400-sq m property in Cebu.

Despite the sluggish start, 2016's investment market is expected to pick up in the coming months. We expect the transaction activity to reach similar levels to 2015, supported by positive economic conditions and the aggressive expansion plans of local developers.

GRAPH 12

GDP growth, 2000–2015



Source: National Statistics Coordination Board (NSCB)

TABLE 13

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Mimosa Leisure Estate	Clark	PHP800.0 mil/US$16.7 mil	Filinvest (95%) JV Clark Development Corporation (5%)	Development site
Stotsenberg Hotel and Casablanca Casino	Clark	PHP1.2 bil/US$26.0 mil	Frontier Capital Group	Hotel
30-ha Dasmarinas Property	Cavite	N/A	Sta. Lucia Land	Development site
32-ha Calamba Property	Laguna	N/A	Sta. Lucia Land	Development site
Salinas Drive	Cebu	N/A	ArthaLand JV Arch Capital	Development site
ALI&Eton Township	Pasig	N/A	LT Group JV Ayala Land	Development site

Source: KMC MAG Group, Savills Research & Consultancy

Singapore


Christopher J Marriott
Chief Executive Officer
Southeast Asia
+65 6415 3888
cjmarriott@savills.asia

Alan Cheong
Senior Director
Research
+65 6415 3641
alan.cheong@savills.com.sg

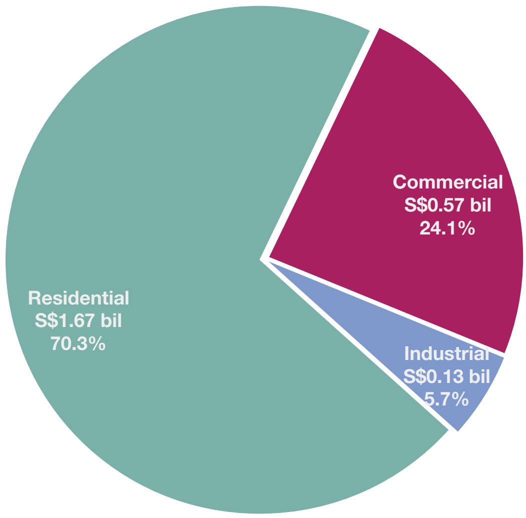
In the first quarter of 2016, S$1.23 billion worth of private funds were invested into real estate in the public sector. This accounted for 51.6% of the market share. The bulk of investment sales came from three residential sites under the Government Land Sales (GLS) Programme: Siglap Road (S$624.2 million); New Upper Changi Road/ Bedok South Avenue 3 (Parcel B) (S$419.4 million); and Yio Chu Kang Road (executive condominium) (S$183.8 million). Developers' participation in these three GLS sites has been high, with successful bids (measured in terms of per sq ft per plot ratio), coming in on the high end or above market expectations. Aside from the merits of the locations and the need for developers to replenish land banks, the high prices may also reflect developers' optimism for 2017, when the projects are expected to be marketed. By that time they expect the global economy to have taken a turn for the better, and some property cooling measures to have been relaxed by the government.

Investment sales in the private sector raked in a total of S$1.15 billion, 66.5% lower than the S$3.44 billion recorded in Q4 last year. The main reason for the sharp quarter-on-quarter contraction was a lack of big ticket transactions in the commercial property segment. The biggest deal was the sale by Alpha Investment Partners of a 50% stake in 78 Shenton Way for S$301.5 million, or S$1,665 per sq ft net lettable area. The transaction was done through the sale of shares in the special purpose vehicle which held the office development, which has two towers with a balance lease term of 66 years. The second biggest deal was done in January, in which a unit of the Asia-Pacific arm of Scor Reinsurance purchased 27,351 sq ft of office space in the SBF Center for S$85.5 million, or S$3,125 per sq ft of strata area.

Ten high-end, non-landed units were transacted, more than the five in Q3/2015 and three in Q4/2015. These units include three at Boulevard Vue, two at The Ritz-Carlton Residences Singapore, and one each at Bishopsgate Residences, Twentyone Angullia Park, Urban Resort Condominium, St Regis Residences and Seven Palms Sentosa Cove. Based on caveats recorded in the Urban Redevelopment Authority's (URA) REALIS, the transacted prices per sq ft in most of these nine deals showed significant discounts from the historical peaks achieved in these projects; this could have lured potential buyers back to the high-end residential segment.

GRAPH 13

Transaction volumes of investment sales by property type, Q1/2016



Source: Savills Research & Consultancy

TABLE 14

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Government Land	Siglap Road	S$624.2 mil/US$459.9 mil	FCL Topaz Pte Ltd, Sekisui House, Ltd and KH Capital Pte Ltd	Residential
Government Land	New Upper Changi Road/Bedok South Avenue 3 (Parcel B)	S$419.4 mil/US$309.0 mil	CEL Residential Development Pte Ltd	Residential
78 Shenton Way (50% stake)	Shenton Way	S$301.5 mil/US$222.2 mil	A property fund managed by Alpha Investment Partners	Commercial
Government land	Yio Chu Kang Road	S$183.8 mil/US$135.4 mil	Hoi Hup Realty Pte Ltd	Residential
SBF Center (levels 29 and 30 and eight units on levels 27 and 28)	Robinson Road	S$85.5 mil/US$63.0 mil	A unit of the Asia-Pacific arm of Scor Reinsurance	Commercial

Source: URA, HDB, Savills Research & Consultancy

South Korea

K.D. Jeon
CEO
Savills Korea
+82 2 2124 4101
kdjeon@savills.co.kr

JoAnn Hong
Director
Research & Consultancy
+82 2 2124 4182
jhong@savills.co.kr

In Q1/2016, 14 small- to mid-sized office buildings were transacted. The total investment volume was over KRW1 trillion. As some deals have taken longer to close, most of the transactions were from assets which were marketed last year.

Samsung continued restructuring their real estate portfolio, liquidating not only non-core assets but also prime buildings such as the Samsung Life Headquarters in the core CBD. Further disposals are expected from them over the course of this year. West Gate Tower in the CBD fringe sold to Hyundai Investments for KRW149.7 billion (KRW16.4 million per 3.3058 sq m). Invesco purchased the Samsung Life Insurance building in Hongdae, which is a growing retail area with increasing Chinese tourist numbers, plus a thriving university student community. We understand they plan to redevelop and increase the retail portion of the scheme.

Alpha Investment Partners purchased 82% of Jongno Tower, which was owned by Samsung Life Insurance, and have signed an SPA for the remaining 18% share with its owner Youngbo. Alpha are expected to close the deal for the outstanding 18% for KRW103 billion in Q2/2016.

M&G is also expected to complete the sale of the Nara building for KRW208.4 billion in April to Koramco, one of the major fund management companies in Korea.

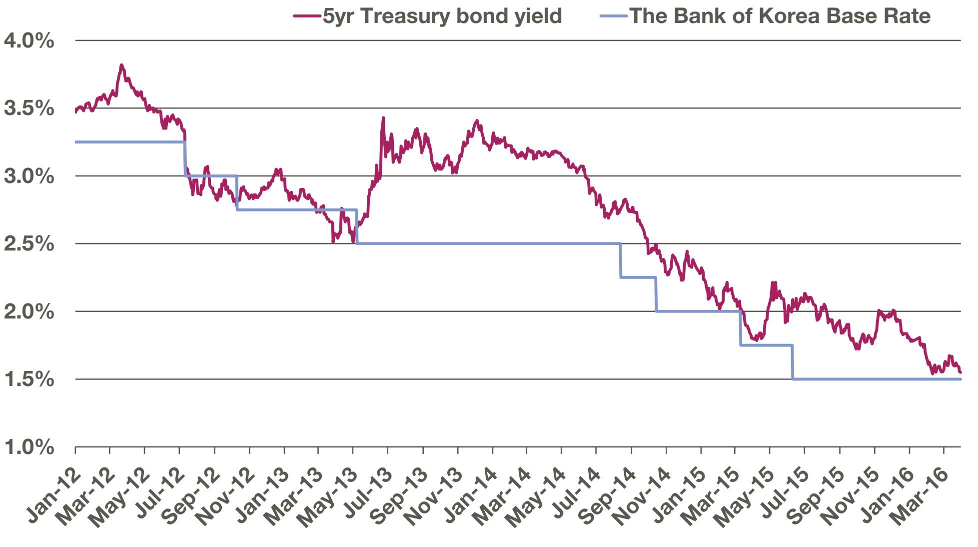
On April 19, the Bank of Korea (BOK) decided to freeze the Base Rate at 1.5%. It has held this lowest-ever level for 10 consecutive months. The five-year Treasury bond rate decreased to 1.6% from 1.8% at the beginning of this year. BOK announced their intention to sustain low base rates to offset diverse risks, including emerging market instability, further possible increases in the U.S. base rate, and global financial market volatility.

The retail and logistic investment markets continue to grow. M-Plaza (previously owned by Invesco), a landmark mixed-use asset comprising retail and a hotel situated in Myeong-dong, Korea's most popular retail destination, was sold to a privately-owned property company at a unit price of KRW55 million per 3.3058 sq m. The cap rate is estimated to be in the mid-4% range. ZARA and Forever21 are the anchor retail tenants and have leases until 2023, whilst 7/F and above are leased to the Solaria Nishitetsu Hotel, owned by West Japan Rail Way Company, until 2027.

Many investors have been attracted to the relatively higher yielding logistics sector. Halla Logistics' cold storage (owned by RREEF, now DeAWM), located near Pyeongtaek, sold to Mirae Asset for KRW89.2 billion with a cap rate in the mid-7% range. The current tenant, Halla Holdings, have seven years remaining on their master lease.

GRAPH 14

Trend in the five-year national bonds yield and base rate, Jan 2012–Mar 2016



Source: Bank of Korea

TABLE 15

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Jongno Tower (82%)	CBD	KRW281.0 bil/US$241.1 mil	IGIS Asset Management	Office
West Gate Tower	Non-core	KRW149.7 bil/US$128.5 mil	Hyundai Investment	Office
Samsung Life Insurance Donggyodong	Non-core	KRW59.2 bil/US$50.8 mil	Vestas Investment Management	Office
M-Plaza	CBD	KRW450.0 bil/US$386.1 mil	Privately-owned property company	Retail and hotel
Ssamzigil	CBD	KRW82.0 bil/US$70.4 mil	IGIS Asset Management	Retail
Halla Fresh Logistics	Non-core	KRW89.2 bil/US$76.6 mil	Mirae Asset Management	Logistics

Source: Savills Research & Consultancy

Taiwan

Cynthia Chu
Managing Director
Savills Taiwan
+886 2 8789 5828
cchu@savills.com.tw

Erin Ting
Manager
Research
+886 2 8789 5828
eting@savills.com.tw

Poor export performance in the first quarter of 2016 means Taiwan's GDP growth this year is expected to stand at 1.47%, according to Executive Yuan. Foreign, as well as local investors are cautious about investing in Taiwan, with the total amount of foreign direct investment decreasing by 17% year-on-year (YoY) to US$4.8 billion in 2015. In terms of local investors, the consumer confidence index at the end of Q1/2016 dropped to 81.3, 9.8 percentage points (ppts) lower than 12 months ago. The recent decline is mainly being driven by the pessimistic outlook for durable goods investment and the stock market; it follows that investors have a generally pessimistic outlook on the real estate market.

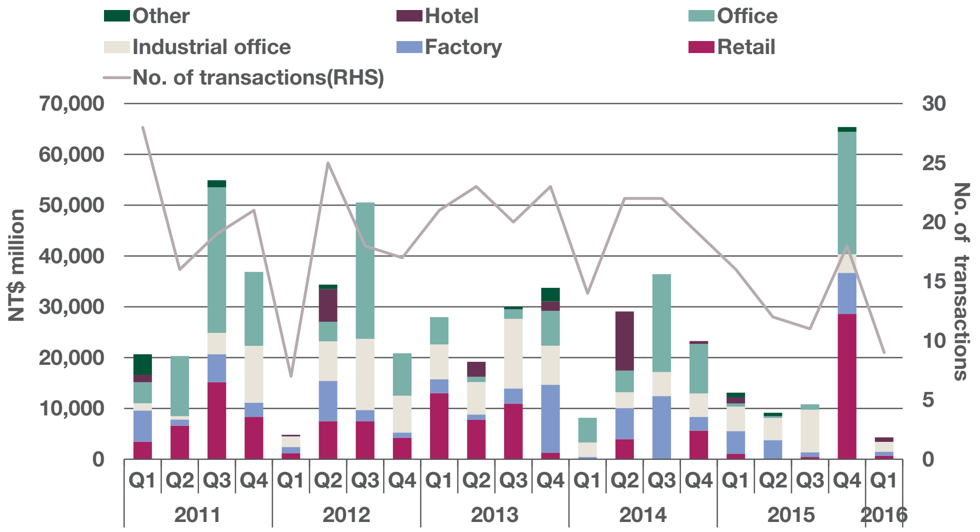
At the end of March 2016, Taiwan's central bank cut the benchmark interest rate by 1.25 basis points (bps) to 1.5% for the third time since September 2015, opting to support the weak economy. The mortgage rate decreased accordingly and the average rate of the top five lending banks decreased to 1.835% in February. Because transactions have declined significantly in the past three years, the central bank loosened its monetary control policy for the real estate market at the same time. Aside from luxury residential, the limitation of down payments for buyers who own more than three residential units, residences purchased by corporations, and land loans have been eliminated. However, with the mortgage rate already at low levels, the looser monetary policy is not expected to stimulate the market further.

The commercial property market shrank significantly in Q1/2016, with nine deals totalling NT$4.3 billion concluded. This is the lowest quarterly total since 2007. Currently, owner occupiers are dominating the market, and industrial property, such as factory and industrial offices, account for 64% of market share. Technology and traditional industries are the major buyers who are enjoying relatively stable demand for production expansion. As for the office sector, due to the mature leasing market and relatively higher prices, corporations are tending to rent instead of buying business premises. This trend means that the number of transactions in the office market declined significantly.

The land market remained slow in the first quarter of 2016, with total volumes falling by 66.7% YoY to NT$9.6 billion. Industrial land accounted for 61%, replacing residential land as the most popular asset class. The largest deal in Q1 was purchased by Largan Precision Co. Ltd, a leading precision optical component company for NT$1.93 billion through public tender, with a 112.7% premium. This land is located in the Taichung Precision Machinery Innovation Technology Park and next to Largan Precision's headquarters, so it could be used for further expansion.

GRAPH 15

Significant commercial property transaction by sector, Q1/2011–Q1/2016



Source: Savills Research & Consultancy

TABLE 16

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Epistar Hsinchu Factory	Hsinchu City	NT$736 mil/US$23 mil	MediaTek	Industrial office
Integrated Silicon Solution Hsinchu Factory	Hsinchu City	NT$432 mil/US$13.5 mil	Chingis Technology Corporation	Industrial office
Eastern Hotels & Resorts Yangmei	Taoyuan City	NT$890 mil/US$27.8 mil	Local Hotelier	Hotel
Sumagh High Tech Hsinchu Factory	Hsinchu City	NT$457 mil/US$14.3 mil	Not Disclosed	Factory

Source: Savills Research & Consultancy

Viet Nam

Neil MacGregor
Managing Director
Savills Viet Nam
+84 8 3823 4754
nmacgregor@savills.com.vn

Troy Griffiths
National Director
Research & Valuation
+84 8 3823 9205
tgriffiths@savills.com.vn

In light of various integration opportunities, economic reforms and booming foreign investment, Viet Nam will have a stellar 2016, with targeted gross domestic product (GDP) growth of 6.2%. Newly-registered foreign direct investment (FDI) reached US$2.7 billion in Q1/2016, up 125% year-on-year (YoY); FDI disbursement gained 15% YoY, totalling US$3.5 billion. The real estate sector ranked second, with US$240 million registered, or 6% of the total registered FDI. There are regional competitive advantages also, plus a strong investment climate which appeals to foreign investors, especially property investors.

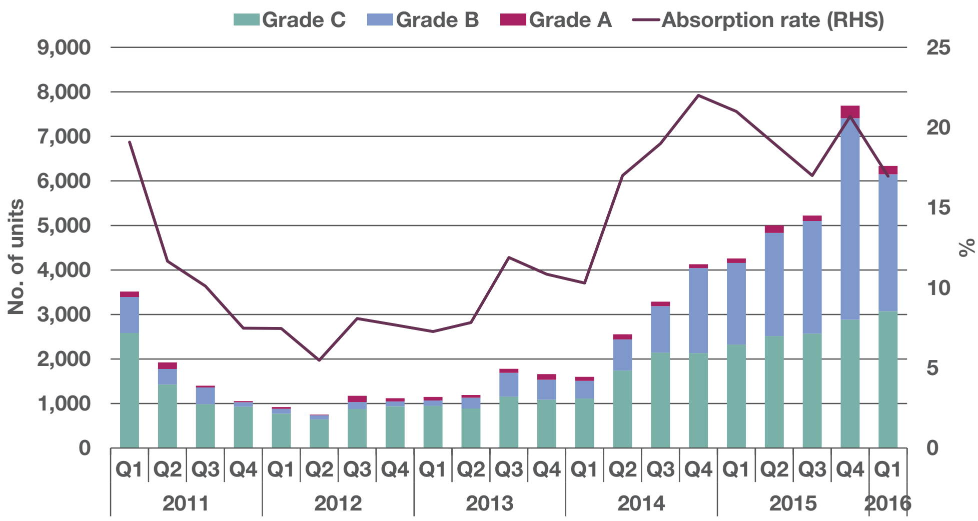
Foreign investors from Japan, Hong Kong, South Korea, and Singapore are still the most active. In Ho Chi Minh a US$500 million deal was struck between the Tokyo-based Creed Group and two local players, Phat Dat Real Estate Development and An Gia Investment, to develop The River City, a mixed-use development comprising 8,000 apartments, officetels and shophouses in district 7. Keppel Land, a Singapore-based developer, committed to a 40% stake in Empire City, which is a mixed-use project including Viet Nam's tallest tower, for approximately US$94 million. CapitaLand, another Singaporean developer, purchased an additional 10% stake (worth US$4.65 million) from its local partner, Thien Duc Trading Construction, to increase its ownership in The Vista to 90%.

At the corporate level, the property market has had increased activity. Keppel Land has entered into a subscription agreement with Nam Long Investment Corporation, a leading affordable housing developer in Ho Chi Minh City, via a subscription of VND500 billion (approximately US$22.4 million) in convertible bonds due in 2020, with a coupon rate of 7% per annum. If the bonds are executed, Keppel will hold approximately 15% of Nam Long's share capital, following its subscription last year of 7.1 million new ordinary shares, representing approximately a 5% shareholding in the company. Thu Duc House, another well-known local developer, with their strategic partner Pavo Capital, will raise funds for their seven projects including an office building and a mixed-use project in Ho Chi Minh City's CBD.

The competition for land is accelerating and local developers are proving as active as foreign investors. Over the last three years, Novaland has acquired 25 residential projects in Ho Chi Minh City and continue to expand their portfolio. FLC Group has also acquired several projects, notably Alaska Garden City, Ion Complex Tower, The Lavender, and 265 Cau Giay in Ha Noi. Vingroup has continued investing in large-scale prime projects across the country, as well as in other companies with good land banks. The Viet Nam real estate market is set for a bumper 2016 with investment activity across all sectors.

GRAPH 16

HCMC apartment transaction volumes and absorption rate, Q1/2011–Q1/2016



Source: Savills Research & Consultancy

TABLE 17

Major investment transactions, Jan–Mar 2016

Property	Location	Price	Buyer	Usage
Empire City (40% interest)	HCMC	VND2.1 tri/US$94.0 mil	Keppel Land	Mixed-use
TNR Tower	Ha Noi	VND2.5 tri/US$110.0 mil	TNR Holdings	Mixed-use
Sedona Suites Ha Noi (70% interest)	Ha Noi	VND490.5 bil/US$22.0 mil	BRG Group	Serviced apartment
The Vista (10% interest)	HCMC	VND103.7 bil/US$4.65 mil	CapitaLand	Mixed-use

Source: RCA, Savills Investment

Major transactions Q1 2016

Australia

1 Collins Street
Melbourne
AU$125.0M/US$95.0M
in February

1 Woolworths Way
Bella Vista
AU$336.5M/US$255.7M
in January

Rundle Place (office & retail combined)
Adelaide
AU$400.0M/US$304.0M
in January

420 George Street (75%)
Sydney
AU$442.5M/US$336.3M
in March

77 Kings Street
Sydney
AU$160.0M/US$121.6M
in January

Mineral House
Brisbane
AU$159.8M/US$121.5M
in February

Oxford Cold Storage
Laverton North
AU$205.9M/US$156.5M
in February

The Exchange (50%)
Perth
AU$113.5M/US$86.3M
in March

Beijing/Shenzhen

Embassy House
Chaoyang district, Beijing
RMB2.23B/US$342.9M
in January

Sky Park
Futian Central District, Shenzhen
RMB1.17B/US$180.0M
in January

Somset ZGC
ZGC, Beijing
RMB730.0M/US$112.3M
in January

Shanghai

Grand Pujian Residence
Pudong
RMB573M/US$89M
in March

Waterfront Place
Putuo
RMB800M/US$124M
in February

Hongqiao Plaza
Changning
RMB1.35B/US$209M
in March

H88 Plaza
Xuhui
RMB1.58B/US$244M
in February

Hong Kong

Shek Yam Shopping Centre
Kwai Chung
HK$880M/US$113.5M
in March

2 Headland Road
Southside
HK$1.0B/US$131.5M
in January

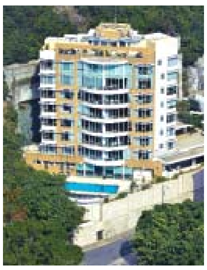
Mount Nicholson
The Peak
HK$830M/US$107M
in February

54-58 Des Voeux Road Central
Central
HK$1.58B/US$203.7M
in February

Trust Tower
Wanchai
HK$1.0B/US$131.5M
in January

New Method College
Ho Man Tin
HK$673M/US$86.8M
in February

Wan Tau Tong Shopping Centre
Tai Po
HK$810.3M/US$104.5M
in March



3 South Bay Close
Southside
HK$668M/US$86.1M
in March

Dah Sing Financial Centre
Wanchai
HK$10B/US$1.29B
in February

Japan

NTT Makuhari Building ►
Mihama-ku, Chiba City
JPY21.5B/US$186M
in March

◄ Hotel Mystays Gotanda Station
Shinagawa-ku, Tokyo
JPY24.67B/US$230.9M
in March

◄ Hulic Kamiyacho Building
Minato-ku, Tokyo
JPY16.65B/US$155.9M
in March

Nittochi Toranomon Building ►
Minato-ku, Tokyo
JPY15.55B/US$145.6M
in March

Singapore

▼ 112 Katong (22.4% stake)
112 East Coast Road
S$51.4M/US$37.9M
in January

SBF Centre (Levels 29 & 30 and eights units on Levels 27 & 28) ►
160 Robinson Road
S$85.5M/US$63.0M
in January

► 78 Shenton Way (50% stake)
S$304.5M/US$222.2M
in March

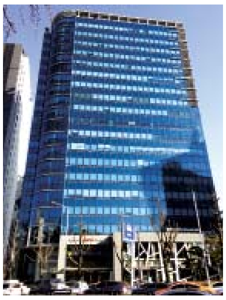
◄ Harper Kitchen
25 Harper Road
S$51.1M/US$37.7M
in February

South Korea

Jongno Tower
CBD
KRW281.0B/US$241.1M
in March

M-Plaza
CBD
KRW450.0B/US$386.1M
in February

Halla Logistics Center
Gyeonggi-do
KRW89.2B/US$76.6M
in March



West Gate Tower
Saedaemun
KRW149.7B/US$128.5M
in March

Ssamzigil Shopping Mall
CBD
KRW82.0B/US$70.4M
in January

Taiwan

Eastern Hotels & Resorts Yangmei
Taoyuan City
NT$890.0M/US$27.8M
in March

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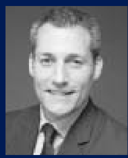
Savills Real Estate Capital Markets Asia Pacific

savills

Regional Head, Capital Markets
Frank Marriott
Email: fmarriott@savills.com.hk
Tel: +852 2842 4475
23/F, Two Exchange Square, Central, Hong Kong



Regional Research and Consultancy
Simon Smith
Email: ssmith@savills.com.hk
Tel: +852 2842 4573
23/F, Two Exchange Square, Central, Hong Kong

ASIA

China
Raymond Lee
Email: rlee@savills.com.hk
Tel: +852 2842 4518

Albert Lau
Email: albert.lau@savills.com.cn
Tel: +8621 6391 6696
20/F, Shanghai Central Plaza,
381 Huai Hai Middle Road, Luwan District,
Shanghai 200020, PRC

Steve Chen
Email: steve.chen@savills.com.cn
Tel: +8621 6391 6688
20/F, Shanghai Central Plaza,
381 Huai Hai Middle Road, Luwan District,
Shanghai 200020, PRC

With offices in Chengdu, Chongqing, Dalian, Guangzhou, Hangzhou, Nanjing, Qingdao, Shenyang, Shenzhen, Tianjin, Xiamen and Zhuhai

Hong Kong SAR
Raymond Lee
Email: rlee@savills.com.hk
Tel: +852 2842 4518
23/F, Two Exchange Square, Central, Hong Kong

With offices in Tsim Sha Tsui and Kowloon Tong

Macau SAR
Franco Liu
Email: fliu@savills.com.mo
Tel: +853 2878 0623
Suite 1309-10, 13/F Macau Landmark,
555 Avenida da Amizade, Macau

Indonesia
PT Savills Consultants Indonesia
Jeffrey Hong
Email: jeffrey.hong@savills.co.id
Tel: +62 21 293 293 80
Panin Tower - Senayan City, 16th floor, Unit C, Jl. Asia Afrika Lot. 19, Jakarta 10270, Indonesia

Japan
Christian Mancini
Email: cmancini@savills.co.jp
Tel: +81 3 6777 5150
15/F Yurakucho ITOCiA, 2-7-1 Yurakucho,
Chiyoda-ku, Tokyo 100-0006, Japan

Korea
K. D. Jeon
Email: kdjeon@savills.co.kr
Tel: +822 2124 4101
13/F, Seoul Finance Center, 84 Taepyungro-1-ga, Chung-gu, Seoul 100-768, Korea

Malaysia
Christopher Boyd
Email: chris.boyd@savills.com.my
Tel: +60 3 2092 5955
Level 9, Menara Milenium, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia

With 2 branches throughout Malaysia

Myanmar
Richard Emerson
Email: remerson@savills.asia
Tel: +95 1 122 3341
192 Bo Myat Htun Street (Middle Block),
Pazundaung Township, Yangon, Myanmar

Phillipines
KMC MAG Group
Michael McCullough
Email: michael@kmcmaggroup.com
Tel: +632 403 5519
8/F Sun Life Centre, 5th Ave,
Bonifacio Global City 1634, Philippines

Singapore
Christopher Marriott
Email: cjmarriott@savills.asia
Tel: +65 6415 7582
30 Cecil Street, #20-03 Prudential Tower,
Singapore 049712

Taiwan
Cynthia Chu
Email: cchu@savills.com.tw
Tel: +886 2 8789 5828
17F-1, Exchange Square, 89 Sung Ren Road,
Xin-Yi District, Taipei, Taiwan

Thailand
Robert Collins
Email: rcollins@savills.co.th
Tel: +66 2 636 0300
26/F, Abdulrahim Place, 990 Rama IV Road,
Bangkok 10500, Thailand

Viet Nam
Neil MacGregor
Email: nmacgregor@savills.com.vn
Tel: +84 8 3823 9205
18/F, Fideco Tower, 81-85 Ham Nghi Street,
District 1, Ho Chi Minh City, Viet Nam

With an office in Ha Noi

AUSTRALASIA

Australia
Paul Craig
Email: pcraig@savills.com.au
Tel: +61 2 8215 8888
Level 7, 50 Bridge Street, Sydney, Australia

Offices throughout Sydney, Parramatta, Canberra, Melbourne, Notting Hill, Adelaide, Perth, Brisbane, Gold Coast and Sunshine Coast

New Zealand
Doug Osborne
Email: dosborne@savills.co.nz
Paddy Callesen
Email: pcallesen@savills.co.nz
Tel: +64 9 951 5910/+64 9 951 5911
Level 8, 33 Shortland Street, Auckland,
NZ 1010, New Zealand

NORTH AMERICA
Savills Studley
Borja Sierra
Email: bsierra@savills-studley.com
Tel: +1 212 326 1006
399 Park Avenue, 11th Floor, New York,
NY 10022

LATIN AMERICA
Javier Kutz
Email: jkutz@savills.com
Tel: +52 55 5282 0926
Newton 186, Ph 2, Palanco, Mexico D.F 11560

UNITED KINGDOM & EUROPE
Rasheed Hassan
Email: rhassan@savills.com
Tel: +44 020 7409 8836
33 Margaret Street, London W1G 0JD,
United Kingdom

Offices throughout the United Kingdom, Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Spain and Sweden
Associate offices in Austria, Greece, Norway, Portugal, Russia, Turkey and South Africa