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Asia Pacific
Investment Quarterly

Q3 2016

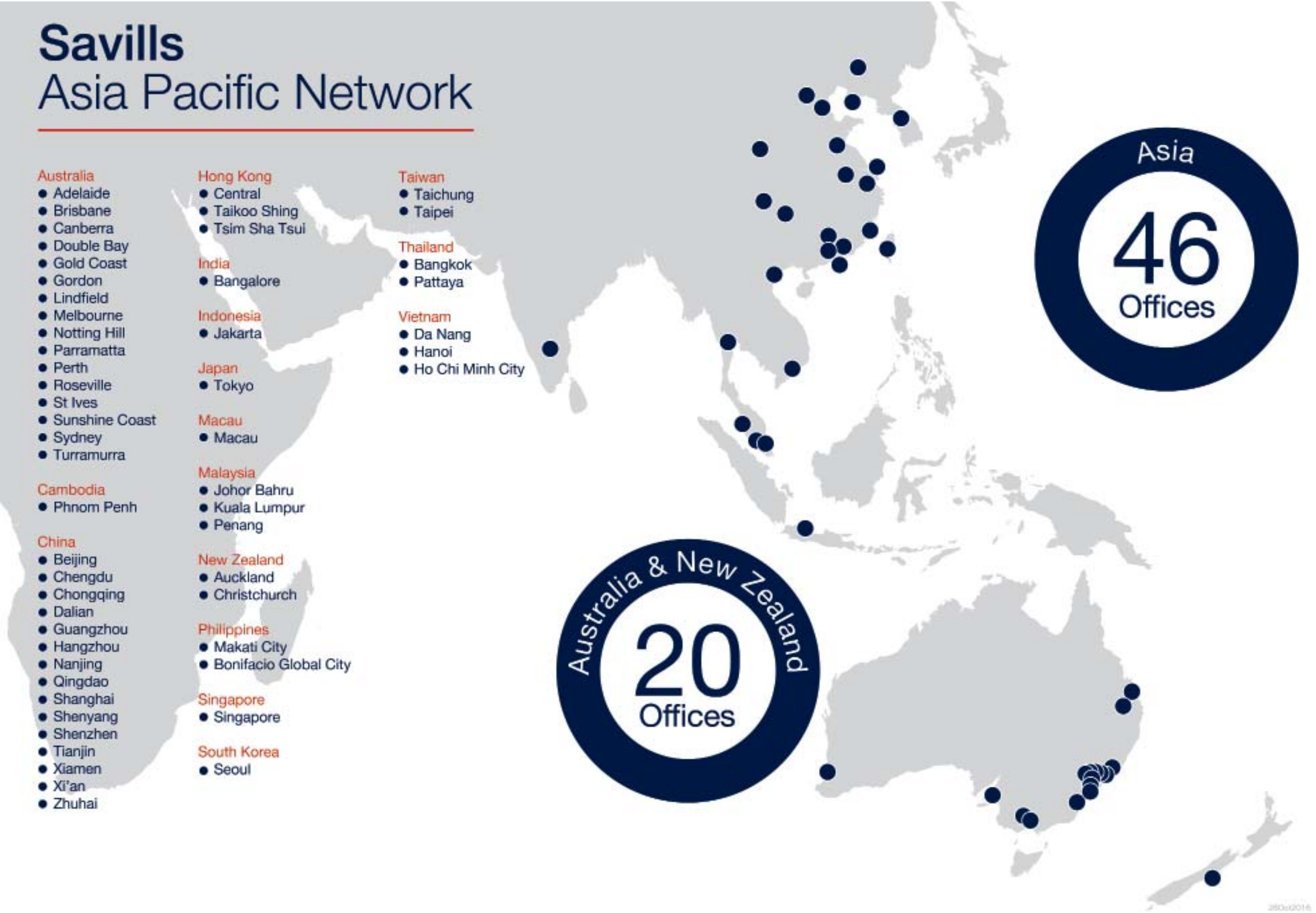
Image: Singapore

HIGHLIGHTS

In China, domestic investors continue to acquire office developments for record prices, while international investors are looking for better returns in the less fiercely contested retail market while exploring opportunities in niche sectors and debt / NPL markets. In Japan, continued cap rate compression has weighed on transaction volumes, though net yields are still healthy. An upward revision in Q2 GDP and low but continuing core-core inflation are small positives. The BOJ is seeking to stimulate inflation with new policy tools. In Australia, foreign capital continues to scour the market for assets keeping pricing firm. Economic fundamentals remain strong. Pricing in the residential market has consolidated at high levels. In Viet nam, good macro conditions continue to promote outperformance across most asset classes. In South Korea, a couple of prime building investment deals have been closed in the quarter and pushed both Q3 investment volumes and unit prices to an historical high. As a couple more deals are waiting to be closed in the next quarter, 2016 is likely to prove an active year. In Singapore, investment interest is stirring but deals are likely to be concentrated at the top end of the market. In Hong Kong, a recent uptick in investment activity is being driven by PRC buyers and, in the office market, the hope of further rental growth.

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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Real estate capital appears to have a more global focus than it did even a decade ago. Following the liquidity crisis of the Global Financial Crisis (GFC), global capital flows in real estate have recovered, and in many cases exceeded pre-GFC levels. This recovery demonstrates not only the improvement in confidence, but also the willingness and need for global investors to diversify across economies, currencies and asset classes.

Both 2014 and 2015 saw real estate investment capital outflow from Asia exceed the inflow. Approximately US$23 billion was invested into Asia, whilst approximately US$58 billion was invested from Asia into the rest of the world. The capital is looking to exploit the uncorrelated property cycles of Europe, the Americas and Asia to reduce risk. Crowded and expensive property markets in Asia have also boosted the need to look abroad, and the loosening of restrictions on foreign investment has also contributed to an increase in capital flows. In essence, Asian capital is looking to diversify away from emerging markets by investing in core assets in stabilised, developed markets. The first half of 2016 has seen almost US$5 billion flow into the Australian commercial property market from overseas. North America (the United States and Canada) has had a strong appetite for Australian property, as has money in the Asia Pacific region. Undoubtedly, the currency will have an important role to play as well as the availability, type and scale of investment opportunities.

There are new patterns of demand for real estate emerging around the region, and we note that investor demand exceeds occupier demand in many geographies and sectors, driving down capitalisation rates not only in Australia, but globally. A new wave of liquidity is being driven by sovereign wealth funds, developers, state-owned enterprises, conglomerates, developers and ultra-high net worth individuals, among others, as Asian institutions begin to invest in overseas markets, especially Australia.

Asian capital is seeking mature markets, capital security and long-term core value assets, while European and North American funds are often looking for growth markets and exceptional returns in Asia.

Asian developers are hungry for land in western markets, and the two-way flow of capital from east to west/west to east can often involve a search for joint venture partners and require knowledgeable intermediaries at both ends.

GRAPH 1

Cross-border capital inflow to Australia*, 1H/2016

Source: Real Capital Analytics
* All analysis based on properties and portfolios US$2.5 million and greater. Not all property deals are included in aggregate statistics (such as entity-level transactions). Estimated prices are not posted, but are used in aggregate volume.

TABLE 1

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
3 Southgate Avenue	Southbank, Victoria	AU$578.0 mil/US$439.28 mil	ARA Asset Management	Office
77 Market Street	Sydney, NSW	AU$360.0 mil/US$277.20 mil	Cbus JV Scentre Group	Office/retail
28 Freshwater Place	Southbank, Victoria	AU$286.0 mil/US$217.36 mil	JP Morgan Asset Management	Office
271 Queen Street	Campbelltown, NSW	AU$197.0 mil/US$151.70 mil	Charter Hall	Retail
114 William Street	Melbourne, Victoria	AU$175.0 mil/US$133.0 mil	Confidential	Office
210-220 George Street	Sydney, NSW	AU$160.0 mil/US$123.20 mil	Poly Real Estate	Office
197-201 Coward Street	Mascot, NSW	AU$143.4 mil/US$110.40 mil	Ascendas	Industrial
800 Toorak Road	Hawthorn, Victoria	AU$140.5 mil/US$106.78 mil	Charter Hall	Office

Source: Savills Research & Consultancy

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With more money now chasing assets in short supply, the growing popularity of the asset-light development model is expected to continue.

The en-bloc investment market remained robust, with both institutional investors and developers actively seeking opportunities in the city. A total of eight deals for an aggregate consideration of RMB10.4 billion were recorded during the quarter, bringing year-to-date (YTD) total consideration to RMB23.7 billion.

Core assets in prime office precincts such as the CBD remained the favourable investment targets of institutional investors, with demand largely fuelled by the limited availability of stock in these locations. For instance, seven whole floors of BEA Tower were acquired by Huaxia Insurance for a total consideration of around RMB1.27 billion, reflecting a transaction price of RMB74,500 per sq m. This trend was also supported by the recent transaction of Merchant Tower in the CBD in Q2/2016, which saw nine floors with a GFA of 17,500 sq m purchased by a domestic investment firm.

Meanwhile, there is growing demand from private investors looking for riskier opportunities in the distressed asset market. For example, ZRiver Capital, a domestic fund, purchased a 100% equity share of New Century Grand Hotel Beijing in the Xicheng District. The fund plans to secure capital gains through undertaking renovations on the project.

The market also saw more developers actively introduce partnership structures to facilitate their asset-light strategies. The most significant deal of the quarter saw Joy City, a domestic commercial developer, agree to sell a 49% equity stake of six mixed-use projects across mainland China for a total consideration of RMB9.3 billion to a private equity group comprised of GIC and China Life as the limited partners. Four of the projects are located in Beijing: Joy City-Xidan (西单大悦城); Joy City-Chaoyang (朝阳大悦城); COFCO Plaza (中粮广场); and Andingmen Development (北京安定门商业地产项目). The Beijing Hualian Group reached the advanced negotiation stages to sell a 51% equity share of two malls in Beijing to an entity under CITIC Industrial Fund for RMB594 million.

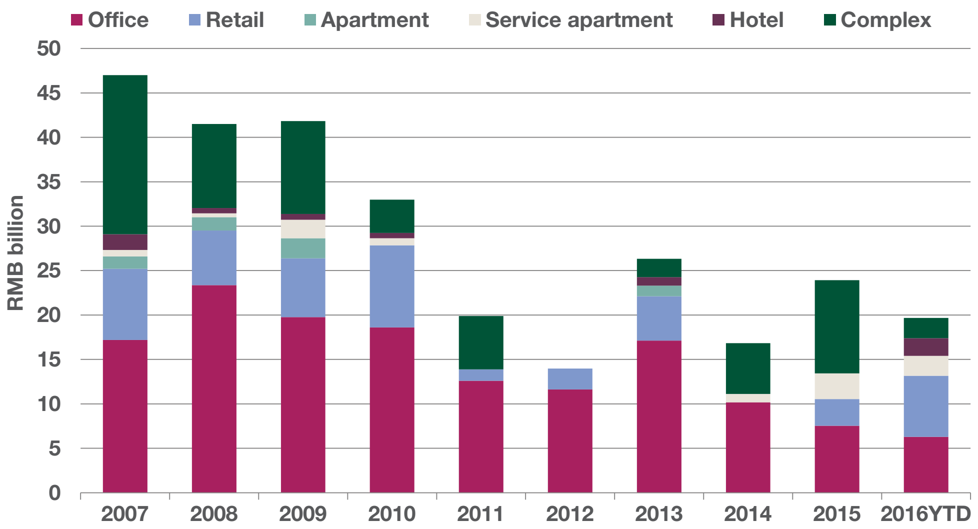
Asset securitisation began to emerge as another important means for developers to secure financing for their projects during the quarter. Notable examples include:

- China Jinmao issued the first Commercial Mortgage-Backed Securities (CMBS) product in China for about RMB4.0 billion, with the Chemsunny Plaza as the underlying asset.
- Yintai Center Asset Backed Securities, which is a quasi-REIT product with Yintai Center in CBD as the underlying asset, formally listed with a total consideration of RMB7.5 billion.

Due to limited land supply, some developers are seeking to enter the Beijing market through equity transactions for land development. For instance, Agile acquired a 51% equity share of a commercial development in the Yanqing District for a total consideration of RMB232 million.

GRAPH 2

En-bloc investment volumes by property type, 2007–Q3/2016



Source: Savills Research & Consultancy
* Historical data in Q2/2016 has been modified.

TABLE 2

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
BEA Tower (东亚银行大厦)	CBD	RMB1.27 bil/US$190 mil	Huaxia Insurance	Office
Ascendas Z-Link (腾飞科技园)	ZGC	RMB760 mil/US$114 mil	Kailong REITs	Industrial
Beijing Sun Palace Parkson (百盛太阳宫店)	Lufthansa	RMB2.32 bil/US$348 mil	ZRiver Capital	Retail

Source: Savills Research & Consultancy

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Tianjin's land market remained hot in the third quarter, as the upswing in sales activity witnessed since the beginning of this year continued. Land supply increased by 47% quarter-on-quarter (QoQ) and 63% year-on-year (YoY) to 2.55 million sq m in Q3/2016, with the majority located in fringe areas, followed by suburban areas.

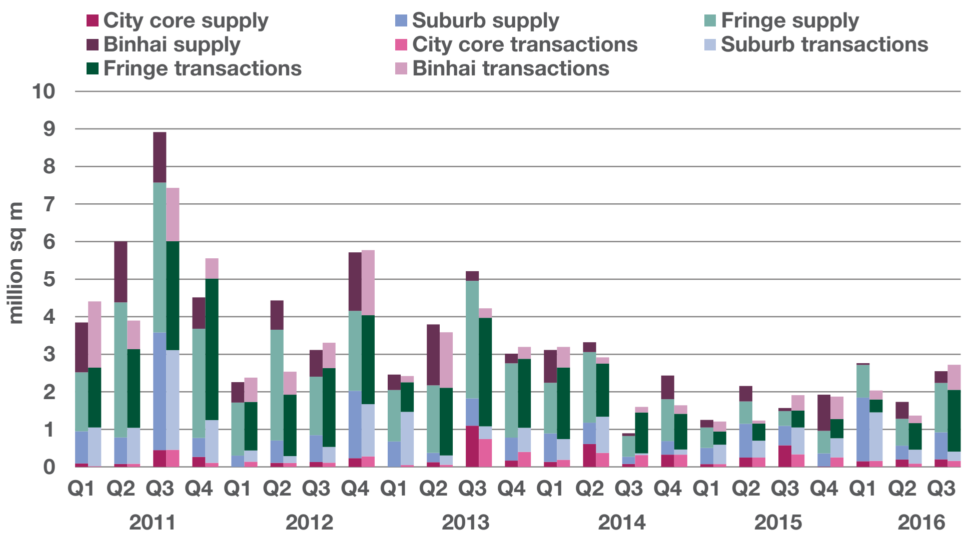
More developers joined the competition for land during the same period in order to increase their land reserves, resulting in a spike in land transactions. Total land transactions reached 2.72 million sq m, up 99% QoQ and 42% YoY. Fringe areas accounted for 60.3% of land transactions, while the city centre recorded the least, due to the scarcity of land resources.

In late August, two land plots zoned for residential and commercial use located on Jinbin Road between the city centre and the Binhai New Area were acquired by Sunac China for a total consideration of RMB6.1 billion, a premium of approximately 200%. The Jinbin Road area has seen a surge in land transactions since last year, pushing land prices upwards. Rising land values are expected to catalyse a new wave of development for the surrounding residential market.

In the same month, a local developer acquired a piece of land titled for mixed-use in the Hongqiao district for RMB4.8 billion, setting a new record for the highest consideration and accommodation values in the district. Housing prices in the Hongqiao district are expected to rise further as recent improvements to the environment and infrastructure of the area have encouraged development of new residential projects.

Rising land transaction volumes have resulted in higher housing prices. This trend, seen in the residential markets of first-tier and some major second-tier cities, namely Nanjing, Suzhou and Hangzhou, has caused the central government to roll out a new round of housing regulations to cool the market in fear of a growing property bubble. It is anticipated that Tianjin will follow suit, intensifying supervision of both the land and residential markets so as to maintain the healthy development of the real estate sector.

GRAPH 3
Land supply and transaction volumes by area, Q1/2011–Q3/2016



Source: Savills Research & Consultancy

TABLE 3
Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Plot 2016-099 (JNH)	Nankai district	RMB1.81 bil/US250.6 mil	Tianjin Zhengrong Real Estate Development Co., Ltd.	Mixed-use development site
Plot 2016-104/105 (JDL)	Dongli district	RMB3.1 bil/US$125.7 mil	Sunac China	Mixed-use development site
Plot 2016-105 (JDL)	Dongli district	RMB3.0 bil/US$125.7 mil	Sunac China	Mixed-use development site
Plot 2016-111(JHJ)	Hongqiao district	RMB4.8 bil/US$56.7 mil	Sunac China	Mixed-use development site
Plot 2016-106 (JHX)	Heping district	RMB680 mil/US$106.3 mil	Tianjin Sairui Real Estate Development Co., Ltd.	Commercial development site

Source: Savills Research & Consultancy

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The retail sector has seen increasing competition from e-commerce. In addition, Chengdu retail projects are faced with the added pressure of an oversupplied retail market. In order to stand out against competitors, retail projects have adopted a variety of methods, a notable one being the provision of culture and entertainment focused events which have their own loyal fan base.

Shopping malls and stores have begun to host these one-off events in an attempt to encourage footfall. These events are typically held for a limited time period, are situated in the shopping mall and can be independent or linked to a retailer in the mall.

Chengdu Joy City, which opened in December 2015, incorporated a World of Warcraft exhibition into their grand opening in an effort to boost opening day foot count figures. This event proved extremely popular, especially amongst younger consumers. Opening day recorded over 300,000 visitors, with turnover reaching over RMB10 million. In addition, the first four days saw an average daily foot count of 212,500.

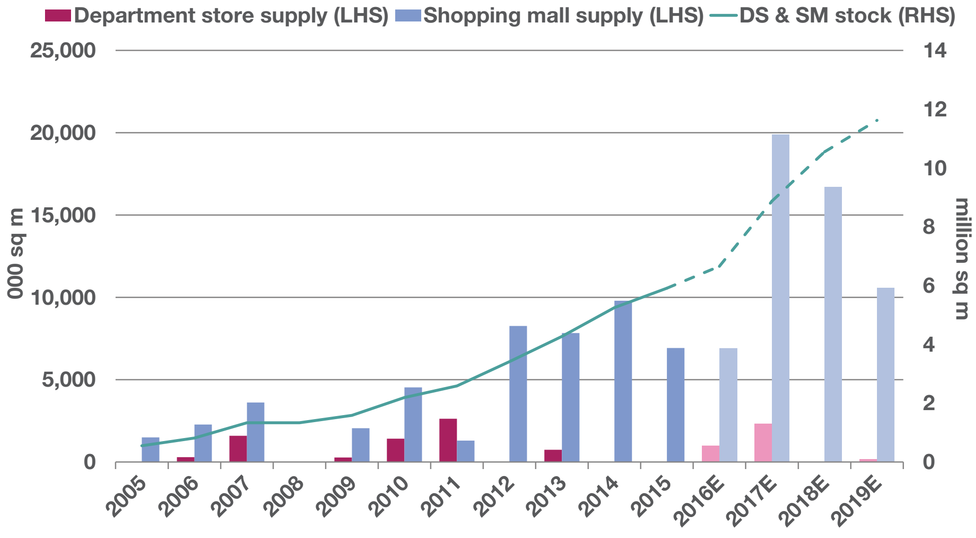
In 2016, the concept began to gain more popularity in the city. In April, IFS held a Monet exhibition, which displayed images of over 400 paintings. This exhibition incorporated multi-media, lighting, sound effects and various alternative display arrangements. The exhibition managed not only to attract visitors but also became a hot topic on social media, further promoting IFS and their Monet exhibition to other like-minded consumers.

In July 2016, the first Line Friends Café & Store opened in south-west China in Taikoo Li, Chengdu. The store is divided into two parts – a dining area and shopping area. The store launch included live appearances by the faces of Line – Brown Bear and Cony the Bunny. This saw many consumers flock to the store opening and take photographs with the two characters. A limited edition in-store sneaker co-produced with well-known brand Vans proved extremely popular and sold out on the opening day.

Due to the success experienced by existing projects, as detailed above, it is expected that this method of attracting consumers to retail projects will become more common in the city in the future. As these popular brands have their own steadfast following, it makes sense to collaborate on events where consumers who are eager to interact with and experience these brands are given an opportunity to do so, thus creating a mutually beneficial relationship for the brand and retail project.

GRAPH 4

Shopping mall and department store supply and stock, 2005–2019E



Source: Savills Research & Consultancyy

TABLE 4

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
GX2016-10(251/211)	Gaoxin district	RMB1.19 bil/US$178.11 mil	Land & Team	Residential
GX2016-13(252)	Gaoxin district	RMB2.14 bil/US$321.04 mil	PKU Resources	Residential
LQ12(252/211)	Longquanyi district	RMB1.05 bil/US$157.12 mil	Baiyue Group	Residential

Source: Savills Research & Consultancy

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The Pazhou area, located in south-western Guangzhou across the Pearl River from Zhujiang New Town, has become the centre of the city's e-commerce industry, prompting a new wave of construction. Under the 13th Five Year Plan, the "Golden Triangle" cluster, which includes the Pazhou area, Zhujiang New Town and Guangzhou International Financial Town, is expected to receive strong government support and development opportunities.

With 10 sq km of total useable land, the Pazhou area has been recently promoted as an exhibition, commercial trade and corporate headquarters zone. The area is sub-divided into four zones serving different functionalities. The development plan for the Pazhou area has changed several times. The most recent development plan was issued in 2010, calling for the area to consolidate its position as a new commercial district, owing to the fact it had a relatively small residential market. Nonetheless, the rate of development of the Pazhou area accelerated in 2011, leading to a rapid rise of prices in the land auction market. The area's office market remains active, with the handover of Wan Sheng Plaza, now headquarters to Guangzhou Metro, in Q1/2016, and approximately 10 office projects currently under construction.

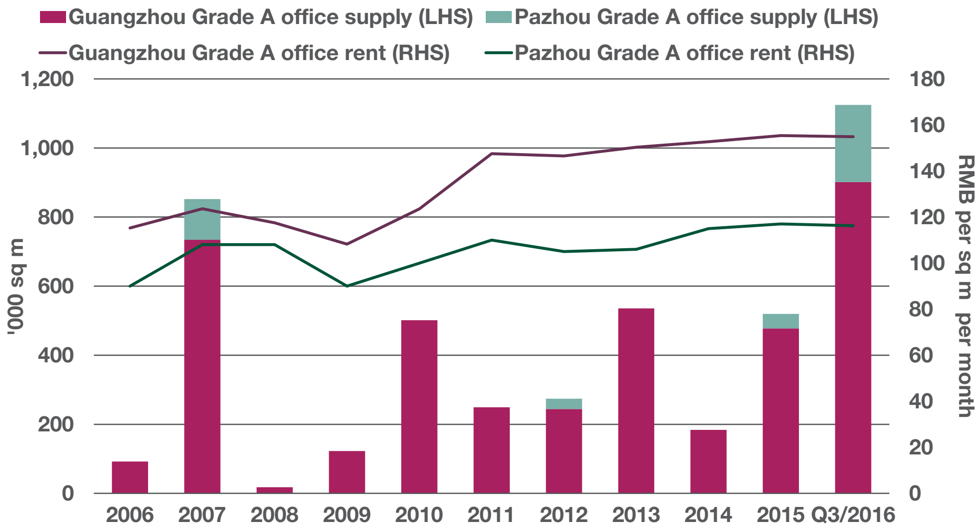
Pazhou E-commerce Headquarters Zone, the western section of the Pazhou area, witnessed one land transaction this quarter. As the government is determined to develop this area as a hub for internet-related companies, the type of buyer and the auction price are strictly controlled. All successful land bidders in recent years have been top e-commerce and internet companies, namely Tencent, Vipshop and Alibaba, while the average unit price of commercial titled land has remained stable, between RMB13,000 and RMB18,000 per sq m.

Over the next three years, the Pazhou area will launch approximately 450,000 sq m of Grade A office space, accounting for approximately 20% of city-wide supply each year. Unlike the high density property market of Zhujiang New Town, the Pazhou area is planned as an environmentally friendly, low-density zone.

Although the accessibility of the Pazhou area needs improvement, this will change with the completion of Metro Line 19 and the Haizhu Transit-Island Light Rail in the near future. Additionally, Pazhou E-commerce Headquarters Zone will receive several light rail stations. Once the transportation network has been improved, the Pazhou area will be 25 minutes from Guangzhou Baiyun International Airport, 10 minutes from Guangzhou South Railway Station, and only one hour from Hong Kong.

GRAPH 5

Supply and rents of Grade A office market, Pazhou area vs Guangzhou, 2006–Q3/2016



Source: Savills Research

TABLE 5

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Tianlun Garden (1-4F)	Yuexiu district	RMB210 mil/US$31.5 mil	Gongqingcheng Anjian Investment	Retail
Guangzhou AF010734	Liwan district	RMB2.17 bil/US$325.8 mil	Agile Property	Residential
Guangzhou CPPQ-A2-1	Huangpu district	RMB3.67 bil/US$551.6 mil	MCC Real Estate	Residential
Guangzhou 2016NJY-3	Nansha district	RMB277 mil/US$41.5 mil	China Railway Tunnel Group	Commercial
Guangzhou AH040243	Haizhu district	RMB986 mil/US$147.8 mil	Gome & Pengkang Property	Commercial

Source: Savills Research

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On 26 August 2016, China Merchants Shekou Holdings and OCT Group acquired 11 commercially-zoned land plots with a total area of 528,183.95 sq m and total GFA of 1.54 million sq m for RMB31 billion, breaking the record for the highest total land price in China.

A 700,000-sq m commercial apartment complex will be built, of which 100,000 sq m will be acquired by the government and leased out as affordable housing. Retail will take up 370,000 sq m of the total GFA, and 260,000 sq m will be office buildings. In addition, four hotels will also be built on the land with a total GFA of about 250,000 sq m. Furthermore, it has been declared that the winner of the construction tender will also be awarded the contract for construction of the second Convention & Exhibition Centre in Shenzhen. Construction of this project will start in late 2016.

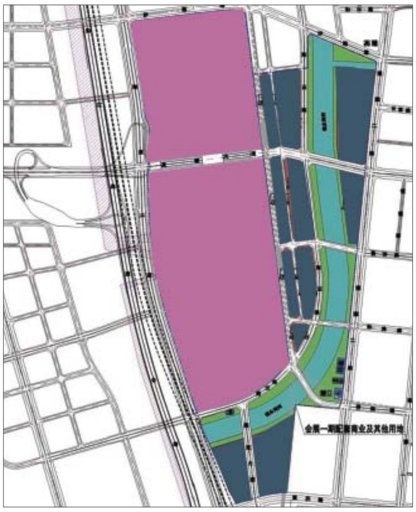
The new Convention & Exhibition Centre is expected to be one of the largest in the world once completed, bringing a large influx of people and income. The area is currently still undeveloped; however, the planned MICE centre will form part of the Greater Bao'an International Airport Area.

The Shenzhen Urban Planning Municipality has earmarked the Greater Bao'an International Airport Area as the city's main development area. Close to Qianhai, it is located in the strategic core area of the Pearl River Delta, with easy access to Guangzhou, Zhongshan, downtown Shenzhen and Hong Kong. In addition, the new Shenzhen-Zhongshan Bridge, which will connect Shenzhen with the west of Guangdong, will be located in Bao'an Xixiang, very close to the Greater Bao'an International Airport Area.

Construction on a third runway at the Bao'an International Airport is expected to start later this year, and a fourth terminal is being planned. This extension is expected to see passenger volumes increase to 63 million people per year. The Greater Bao'an International Airport Area will be only 3 km away from the new Terminal 4, and 7 km away from Terminal 3. Equipped with an upgraded airport, the Shenzhen International Convention & Exhibition Centre will have the capacity to accommodate millions of people. In addition, the development of this area is expected to assist in the appreciation of property in the surrounding areas.

TABLE 6

Land plots transacted in the Great Bao'an International Airport Area



Convention & Exhibition Centre

Transacted land plots

Project	GFA	
1.54 million sq m land for commercial land	Apartment	Around 700,000 sq m
	Retail	Around 370,000 sq m
	Office	Around 260,000 sq m
	Hotel	Around 250,000 sq m
Shenzhen New Convention & Exhibition Centre	910,000 sq m	

Source: Shenzhen Land & Real Estate Exchange Centre

TABLE 7

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Plot T201-0092	Nanshan Qianhai	RMB4.21 bil/US$630.7 mil	New World Development Company Limited and Chow Tai Fook Jewellery Group Limited	Commercial
Shenzhen Bay Project	Nanshan district	RMB6.24 bil/US$934.8 mil	China Resources (Holdings) Company Limited	Commercial and residential
Plots A222-0268, A222-0270–A222-0279	Bao'an district	RMB31.0 bil/US$4.45 bil	China Merchants Shekou Holdings and OCT Group	Commercial

Source: Savills Research

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Tourism, and its related industries, is one of the fastest-growing sectors of China's economy, thanks to rising incomes and consumer spending. It is also a key government priority to catalyse the services sector and wean the country off manufacturing and fixed asset investment. As one of the country's key travel destinations and home to the country's first Disney Resort, Shanghai is expected to see a growth in overall tourist numbers, generating new demand for the city's rapidly maturing services sector.

In the first month following its soft opening in May this year, Shanghai Disney Resort (SDR) attracted over 600,000 visitors. The 3.9 sq km resort is expected to attract approximately 15 million visitors during its first 12 months of operation, making it the most popular theme park in the Greater China region.

The influx of visitors to SDR is anticipated to boost the city's tourism and services sectors. Though city-wide tourism revenues have more than doubled over the past 10 years, from RMB150 billion in 2005 to RMB350 billion in 2015, revenue growth has been volatile, with revenues still down from a high of RMB357 billion recorded in 2012. Since the majority of SDR visitors are expected to come from outside Shanghai, the resort will buoy city-wide tourist numbers, which grew by 4% per annum over the past few years (2011-2015) after recording double-digit growth between 2005 and 2010.

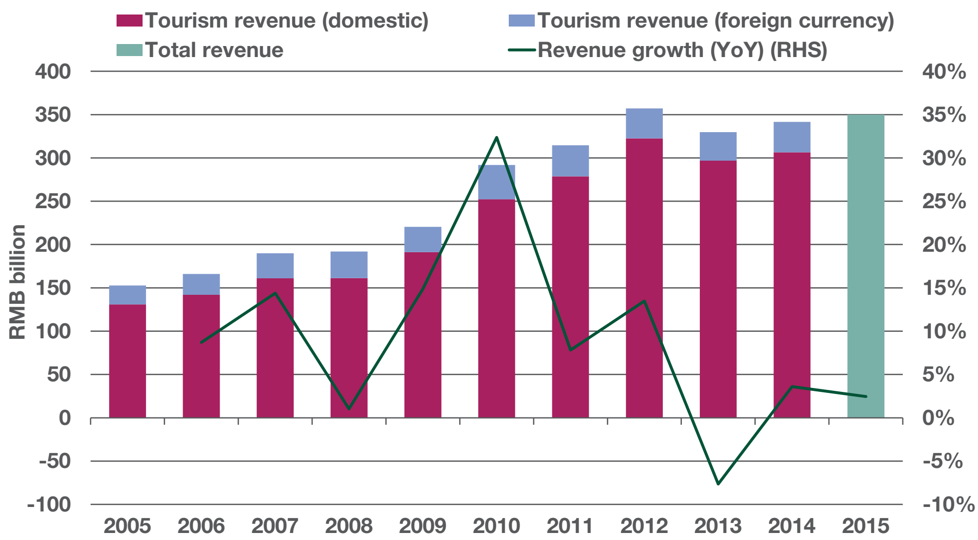
The city hotel sector is primed to capitalise on the number of visitors to the SDR each year. While SDR already hosts two brand new hotels – the 420-room Shanghai Disney Hotel, and the 800-room Toy Story Hotel – there is still plenty of demand for new hotels ranging in price and quality in the surrounding area.

While SDR is located outside the main tourist districts, many existing hotels will reap the rewards of rising tourist numbers; hotels in areas surrounding the park have the most to gain as there will be some spillover effect. Additionally, many visitors to SDR may decide to combine their trip with a few days stop-over in Shanghai city proper. In order to cater to these theme park visitors, existing hotels will have to adjust their strategies, such as becoming more family-friendly and offering services such as family-sized rooms, babysitting services, and discounted rates for larger families and groups.

With 15 million more tourists looking to shop and dine, there is also huge potential for existing and future retail developments in the area. In addition to the theme park, the Tourism Resort Zone currently has two retail facilities, Disney Town, a 46,000-sq m open-plan project adjacent to the park operated under a JV between Disney and Shendi, and Shanghai Village, a 50,000-sq m outlet mall operated by Value Retail. However, the spillover effect Disney will have on the local retail market will also be pronounced, especially in key tourist retail destinations such as Xintiandi, the Bund and Nanjing Road (E).

GRAPH 6

Shanghai tourism revenue and revenue growth, 2005–2015



Source: Shanghai Ststistics Bureau, Savills Research

TABLE 8

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Upper Riverside	Pudong	RMB1.4 bil/US$210 mil	Jingrui Holdings	Serviced apartment
SOHO Century Plaza	Pudong	RMB3.22 bil/US$482 mil	Guohua Life Insurance	Office
WiseLogic International Center	Jing'an	RMB829 mil/US$124 mil	Sino-Ocean Land	Office
Hongqiao Zhenrong Center, Building#2	Minhang	RMB430 mil/US$64 mil	Glodon Company Ltd	Office
Jinqiao Life Hub (80%)	Pudong	RMB3.41 bil/US$511 mil	Chongbang Group	Retail and office
Haoshi Plaza	Jiading	RMB500 mil/US$75 mil	Keppel Land China	Retail

Source: Savills Research & Consultancy

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The office market proved to be unexpectedly active during the third quarter, particularly on Hong Kong Island where several substantial deals were closed including three floors in Convention Plaza for HK$1.4 billion (HK$28,000 per sq ft). Grade A offices in Sheung Wan/Central/ Admiralty were a focus of investors, targeting 2.7-3.0% yields on a promise of modest rental growth. End user demand, so prominent in previous quarters, lagged behind more nimble investment demand which was quicker to deploy capital.

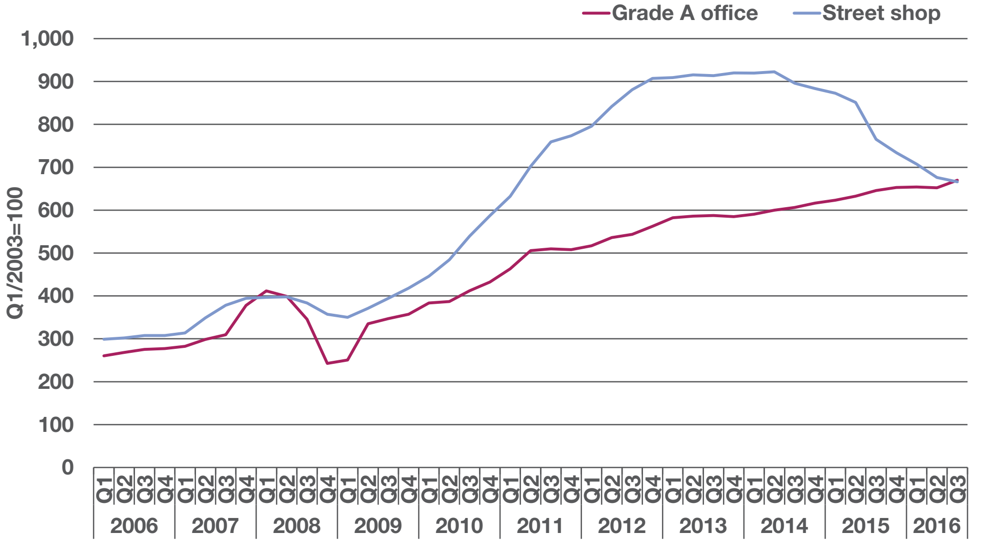
In Kowloon attention returned to the office market after a two-year drought as the retail sector continued to retrench following years of growth fuelled by PRC spending. Investors, both local and PRC, were looking for Grade A offices in almost any location, although new supply in Kowloon East next year is a cause for concern for some. The active market could find momentum into the first quarter of 2017 if low interest rates and competitive mortgage deals (140 bps above HIBOR or 1.7% apr) prevail.

Some recent site sales have helped to buoy sentiment across the market, particularly the sale of the ex-fire station on Yip Kan Road in Wong Chuk Hang on the south side of Hong Kong Island which attracted 23 bidders and sold for an AV of HK$8,872 per sq ft. Once the up-and-coming area had achieved such a high rate, the immediate effect was to reprice other more established districts. The market focus is currently on the upcoming government tender sale of Murray Road Carpark Building in Central (earliest in Q1/2017) which is expected to attract a particularly high price. The site has the capacity to provide a maximum GFA of approximately 450,000 sq ft upon redevelopment.

The retail investment market also saw improved sales volumes compared with the first and second quarters and yields have pushed out even for prime premises. The days of sub-2% returns are now behind us and investors are expecting to earn 3.0-3.5%. Recent buyers have mostly been wealthy locals who are ready to accept the new reality of a landscape no longer dominated by watches and jewellery and more focused on local fashion, international fast fashion and F&B. Suburban areas have attracted the lion's share of interest while core locations continue to suffer from a lack of availability as mortgage-free owners with few exceptions are prepared to absorb rental declines but will not cut prices. The result has been much lower sales volumes in these areas while vacancy rates have shown a marginal decline.

GRAPH 7

Savills property price indices, Q1/2006–Q3/2016



Source: Savills Research & Consultancy

TABLE 9

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Golden Centre	Sheung Wan	HK$4.37 bil/US$563 mil	TBC	Office
21/F-23/F Convention Plaza Office Tower	Wanchai	HK$1.39 bil/US$179 mil	Tactic Ally Ltd & Dunhan Ventures Ltd	Office
Continental Place (major portion)	Sheung Wan	HK$1.13 bil/US$146 mil	AEW Capital Management	Retail
EIB Centre	Sheung Wan	HK$1.0 bil/US$129 mil	TBC	Office
One HarbourGate-East Tower	Hung Hom	HK$4.5 bil/US$580 mil	Cheung Kei Center Ltd	Office

Source: EPRC, Savills Research & Consultancy

Japan

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Japan's economy has weathered Brexit and the July Upper House elections well, and macro fundamentals are stable. High asset prices are weighing on transaction volumes, but J-REIT acquisitions have increased from their Q2 trough.

Japan's real GDP growth for Q2/2016 came in at 0.2% quarter-on-quarter (QoQ) and 0.7% year-on-year (YoY), revised upward from zero on the back of higher consumption and public investment than initially reported. Core inflation was down half a per cent in July, despite a 0.3% increase in core-core CPI (all items less food and energy), continuing a pattern of divergence that began in March and illustrating that low energy prices remain the major driver of minimal inflation in Japan.

A possible market backlash from Brexit now appears more manageable. The UK's June 23 vote to leave the EU has not noticeably affected investment in Japanese real estate, and even currency effects appear somewhat muted as the yen continued to hover between 100 and 103 to the US$, very close to its level at the end of June. Some market participants believe that Brexit may ultimately drive more investors toward the stability of Japanese real estate.

The BOJ is reaching deeper into its playbook to try and stimulate additional inflation. Rather than push rates deeper into further negative territory or intensify its asset purchases, the bank instead on September 20 began targeting a yield of zero on 10 year government bonds. The bank also relaxed its timeframe for achieving 2% core inflation and its hard commitment to purchase an explicit 80 trillion yen of assets, although the bank indicates that asset purchases should continue at the same level for the time being.

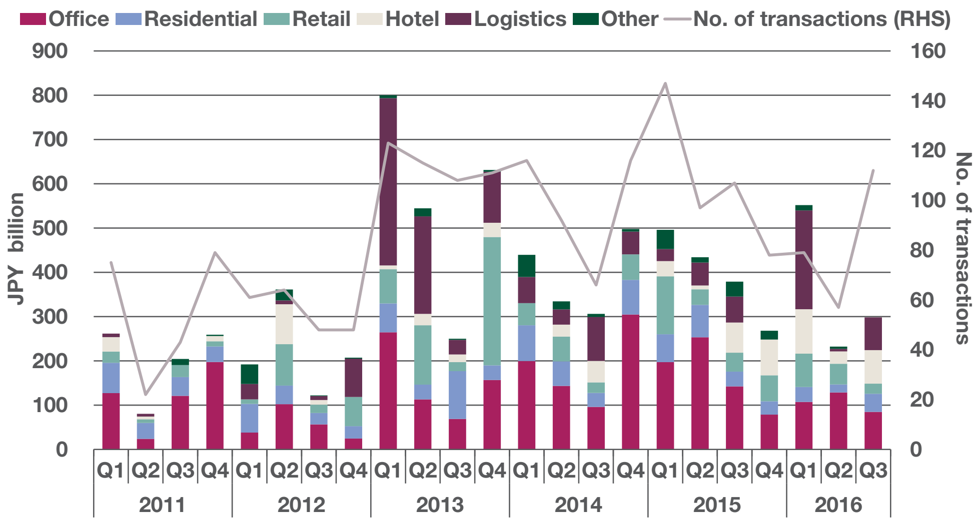
The BOJ's YTD J-REIT purchases amount to JPY66.0 billion as of the end of September, implying that the central bank is indeed for now still maintaining its previous goal of JPY90 billion annually. The TSE J-REIT index has trended gradually downward over the quarter, ending at 1,826 or about 1% off its June close of 1,844.

In the real estate sector, high prices appear to be weighing on transaction volumes. J-REIT property acquisitions rose by 28% QoQ to 298 billion yen in the third quarter but still remain below 2015 levels as excess liquidity chases fewer opportunities. Office yield spreads are still healthy at more than 3% over 10 year JGBs, which are nearly zero, but several deals have nevertheless been cancelled as sellers refinance on attractive terms while buyers grow more cautious in the face of compressed cap rates and uncertain prospects.

Japan's inbound tourism continues to impress. Recent explosive growth has shown few signs of letting up. 16.1 million visitors have arrived in Japan YTD as of the end of August, a 24.7% increase over the same period in 2015. This continues to spur further investment in hotel property – there are currently 50,000 hotel rooms in the pipeline nationwide, more than at any other point in the past ten years.

GRAPH 8

J-REIT property acquisitions by sector, Q1/2011–Q3/2016



Source: Japan REIT, Savills Research & Consultancy

TABLE 10

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Harumi Island Triton Square Office Tower Y	Chuo Ward, Tokyo	JPY50.0 bil/US$470 mil	Idera Capital Management	Office
Hotel Vista Grande Osaka	Chuo Ward, Tokyo	JPY27.0 bil/US$260 mil	Japan Hotel REIT	Hotel
Umeda Gate Tower (5-20F)	Kita Ward, Osaka	JPY19.0 bil/US$180 mil	Activia Properties	Office
Mitsui Shopping Park LaLaport (50%)	Misato City, Saitama	JPY15.1 bil/US$140 mil	Frontier REIT	Retail
Shinjuku Higashiguchi Building (73.5%)	Shinjuku Ward, Tokyo	JPY13.0 bil/US$120 mil	Undisclosed domestic company	Retail

Source: J-REIT disclosures, Real Capital Analytics, Savills Research & Consultancy

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We are seeing signs of stabilization in Macau residential prices after three years of steep declines in average values. Our Macau mid-to-high end residential index rose by 6.0% in Q3/2016, after a 6.0% price recovery in the second quarter. Meanwhile government figures show that the average overall residential transacted price grew by 7.6% in Q2/2016.

The rebound in prices was supported by a stabilization in the gross gaming revenue on the back of a lower base and the opening of the new entertainment complex ‘Parisian Macau’ in September. After 26 months of yoy declines in gaming revenue since Jun 2014 which ranged from 0.1% to 48.5%, gaming revenue in August 2016 increased by 1.0% yoy.

The GDP contraction slowed to 7.1% yoy in Q2/2016, the lowest since Q3/2014 and partly reflecting a low base effect. The residential sales volume grew as well and the number of residential units transacted from January to August 2016 increased by 41.3% yoy to 5,717.

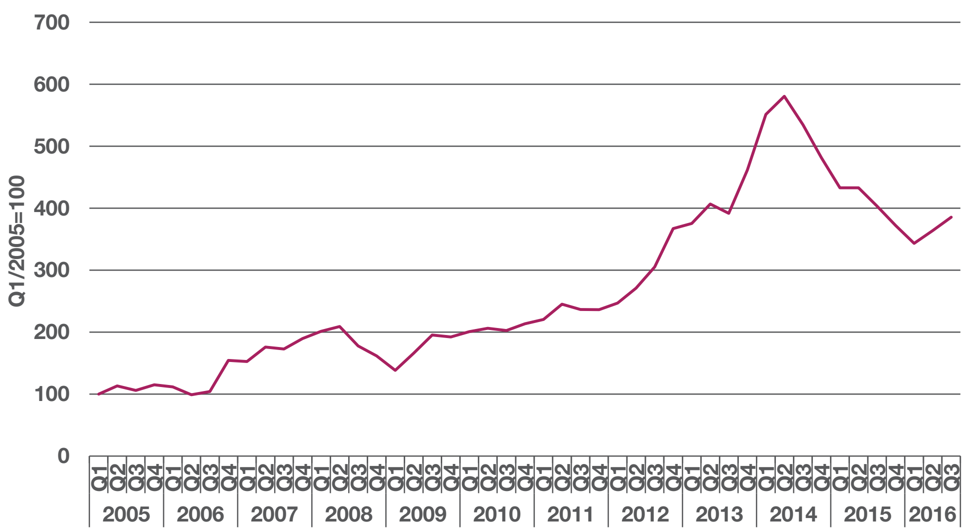
Domestic consumption and the unemployment situation seem to have remained unaffected by the contraction and median employment income in Q2/2016 stood at a record level of MOP15,000, due to the stable pipeline of infrastructure investment and the opening of the new entertainment complex.

We see a shift of focus from gaming facilities to retail concepts with entertainment elements such as cinemas and tourist attractions (a Ferris wheel) in the new entertainment complexes. This shift is helping to transform Macau into a diversified regional tourism and entertainment hub in accordance with the master planning of the government. Famously, Las Vegas has adopted a similar approach to broadening its sources of revenue, not necessarily to families but to nightlife and entertainment. The shift is notoriously difficult to engineer.

Looking ahead, we maintain our view on the residential market, that prices and activity levels will continue to recover over the remainder of the year. We expect the fortunes of residential prices to improve alongside a slowly recovering economy - according to the latest forecast by the International Monetary Fund the economy will grow by 0.2% to 2.6% per annum from 2017 to 2021 after a 4.7% decline in 2017. This view does not discount the fact that China's anti-corruption campaign with its more recent focus on junket operators, will continue to weigh heavily on the enclave. Measures limiting the length of stay of mainlanders and restrictions on the number of gaming tables are still in play.

GRAPH 9

Mid-to-high end residential price index, Q1/2005–Q3/2016



Source: DSCE, Savills Research & Consultancy

TABLE 11

Recent mid- to high-end residential transactions over HK$20 million, Jul–Sep 2016

Property	Unit	Size (sq ft)	Location	Price
The Residencia	High-floor unit B, Block 2	2,439	Macau Peninsula	HK$20.0 mil/US$2.58 mil
Lake View Tower	Mid-floor unit N, Block 1	3,231	Macau Peninsula	HK$21.0 mil/US$2.71 mil
One Central Residences	Mid-floor unit B, Block 2	2,267	Macau Peninsula	HK$22.2 mil/US$2.86 mil
Windsor Arch	Mid-floor unit B, Block 5	3,843	Taipa	HK$30.7 mil/US$3.97 mil
Windsor Arch	Mid-floor unit A, Block 5	4,339	Taipa	HK$33.5 mil/US$4.32 mil

Source: EPRC, Savills Research & Consultancy

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Q3/2016 recorded a lower investment property transaction volume, but a higher total transaction value compared to the previous quarter. There were 12 major transactions, totalling RM1.92 billion in Q3/2016. Six transactions were in Selangor, one in Kuala Lumpur, three in Johor and the last two in Sabah, East Malaysia.

In the only notable transaction in Kuala Lumpur, IGB Corporation Berhad divested its interest in the 910-room Renaissance Kuala Lumpur Hotel to Ventura International Sdn Bhd for RM765 million, approximately RM840,000 per key.

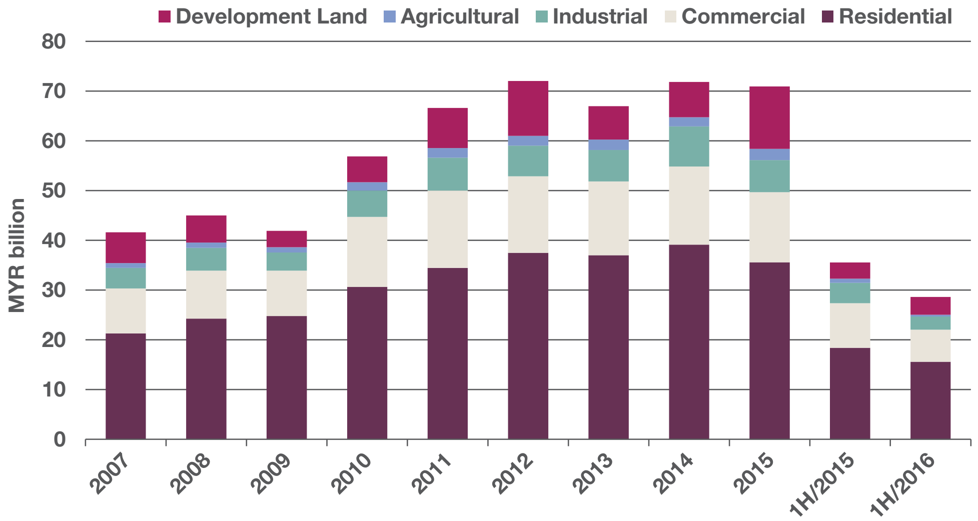
In Selangor, Bertam Alliance Berhad disposed of two freehold land parcels in Batu 9, Cheras for RM128 million. The larger parcel, measuring 9.12 acres, is categorised for building usage while the smaller 2.71-acre lot is agricultural land. Japanese-held Daikin Industries acquired two industrial facilities at Shah Alam across 10.01 acres from a local steel manufacturer for RM69.5 million. Daikin plans to construct a factory to manufacture commercial air-conditioning equipment. Top Glove subsidiary TG Medical Sdn Bhd acquired a freehold industrial facility from Star Shine Marketing Sdn Bhd for RM51.5 million. Tropicana Corporation disposed of its 1,519 car-parking bays in PJ Damansara Intan for RM24.9 million. MyEG Services Berhad, which had previously acquired 22 storeys for its new headquarters in the 45-storey Block N at Empire City, has committed to an additional seven storeys, measuring 72,284 sq ft, for RM44.29 million, or approximately RM558 per sq ft. Scomi Engineering Berhad undertook a sale and leaseback of its industrial premises in Ulu Selangor to Axis REIT for RM42 million. The leaseback offers 7.3% net yield for a term of 15 years, with an additional five years of renewal option.

In Johor, Tropicana Corporation Berhad divested its 18 parcels of freehold development land in Mukim Pulai. The China developer, Tiarn Oversea Group, offered RM569.87 million, or RM52 per sq ft, for the 251.58 acres. Iskandar Waterfront City Berhad acquired two adjoining freehold development land parcels approximately 10km north-west of Johor Bahru city centre for RM90 million. The first land parcel, 1.72 hectares, was acquired for approximately RM210 per sq ft, whereas the second parcel measuring 2.17 hectares was RM218 per sq ft. Chin Hin Group Berhad, a building materials manufacturer, acquired a 20.37-hectare freehold industrial site in Kota Tinggi, Johor for its new factory premises for RM21.93 million, or approximately RM10 per sq ft.

Meanwhile in Sabah, Hap Seng Consolidated Berhad disposed of two leasehold properties located in Tawau and Kota Kinabalu. In Tawau, a 24.88-acre leasehold parcel of land was sold to Supergreen Development Sdn Bhd for RM54.18 million, approximately RM50 per sq ft. The Kota Kinabalu property, a 53.72-acre leasehold land parcel, was sold to Primary Goldennet Sdn Bhd for RM60.84 million, approximately RM26 per sq ft.

GRAPH 10

Total value of property transactions per subsector in Greater Kuala Lumpur, 2007–1H/2016



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

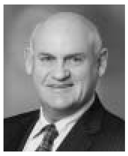
TABLE 12

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Renaissance Kuala Lumpur Hotel	Kuala Lumpur	RM765.0 mil/US$181.82 mil	Ventura International Sdn Bhd	Hotel
18-pieces of freehold land with development area	Pulai, Johor	RM569.9 mil/US$135.48 mil	Tiarn Overseas Group Sdn Bhd	Industrial & agriculture
2-parcels of freehold land	Cheras, Selangor	RM128.0 mil/US$30.43 mil	Tujuan Optima Sdn Bhd	Commercial & agriculture
2-parcels of freehold unconverted commercial development land	Johor Bahru, Johor	RM90.0 mil/US$21.40 mil	Iskandar Waterfront City Bhd	Commercial
All pieces of leasehold land	Petaling, Selangor	RM69.5 mil/US$16.52 mil	Daikin Malaysia Sdn Bhd (fka O.Y.L Manufacturing Company Sdn Bhd)	Industrial

Source: Company announcements and news, Savills Research & Consultancy

New Zealand



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Foreign Investment, Tourism and Immigration continue to stimulate the New Zealand economy and property sector. Population growth has placed supply pressure on property markets in high growth locations within the country with the greatest effect being in Auckland

Low vacancy rates, rising rentals, strong occupier demand and falling yield are the trends characterising the market leading from 2015 to mid 2016.

Investors chasing yield is being driven by continually falling interest rates.

New Zealand's economy grew in line with market expectations i n the June 2016 quarter, increasing by 0.9%.

Growth in economic activity came from a sharp rise in construction and by rising demand for services from rapidly growing population.

Factors that are likely to support economic growth includes:

- Inflation is continuing to trend below market expectation. This combined with falling economic growth may result in further softening in monetary policy settings during 2016;

- Lower than average interest rates are supporting growth in economic activity;

- Stronger population growth, particularly in Auckland as a result of increased positive overseas net migration, is expected to continue to support growth. Net overseas migration is now projected to peak near a net gain of 69,000 per annum in mid-2016 before gradually easing;

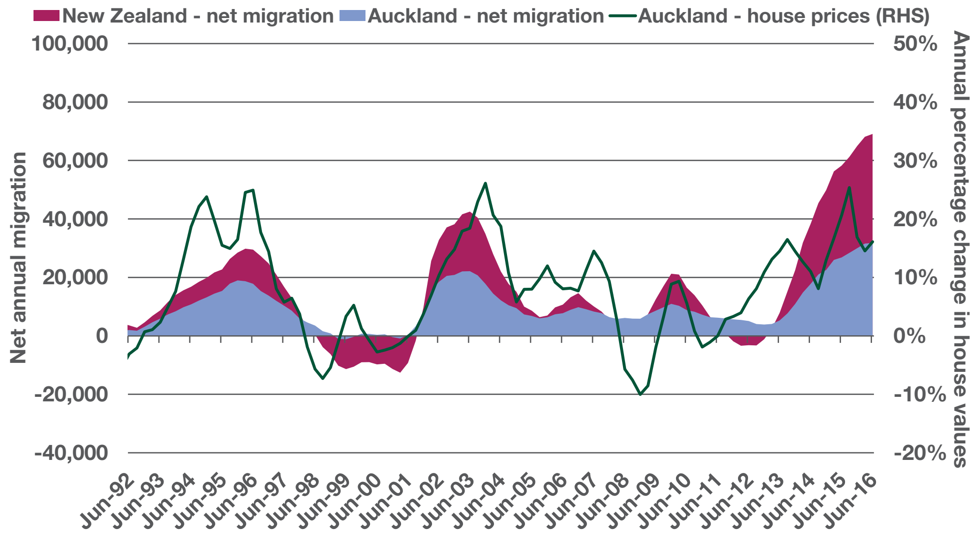
- Strong growth in the number of overseas visitors, up 10% over the last year to 3.2 million visitors is supporting growth across the country. Tourism is one of our largest earners of overseas income;

- The momentum in construction activity, particularly in the Auckland residential market, the strengthening of earthquake prone commercial buildings around the country and the remediation of leaky buildings are continuing to have a positive impact on the sector. However, the rate of growth from this sector is expected to slow due to capacity constraints.

The Auckland region continues to be one of the fastest growing economies in the country. A combination of factors is driving the region's strong growth. Growth in both domestic and overseas tourism is benefiting the retail and hospitality sectors. Strong population growth of almost 3% 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 which will underpin the local property markets. However in the longer term regional economic growth is likely to moderate.

GRAPH 11

Net migration gain and residential house price growth, Jun 1992–Jun 2016



Source: Statistics New Zealand, Corelogic

TABLE 13

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Karori Mall	Karori, Wellington	NZD21.9 mil/US$15.71 mill	Institutional	Retail
Three Kings Shopping Centre	Three Kings, Auckland	NZD37.0 mil/US$26.55 mil	Private	Retail
SCA Nationwide Supermarket Portfolio	Various	NZD261.74 mil/US$191.79 mil	Institutional	Retail

Source: Savills Research & Consultancy

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Despite concerns over the uncertainty of policymaking from the newly elected Duterte administration, optimism on the country's growth trajectory is still high. GDP growth is on track to hit the government's target of 6-7% this year after reaching 6.9% growth in the first half of 2016. Robust domestic consumption still drove growth which was also supported by the resurgence of investments. Furthermore, all three credit rating agencies recently maintained the country's sovereign credit rating at investment grade, reflecting strong economic fundamentals. Thus all signs point to healthy growth in the real estate market, and this is evident in Q3/2016 when we recorded most active quarter for the year in terms of transaction volumes, particularly in the office sector.

Much of the activity was concentrated in the country's two main CBDs with the largest transaction coming from the sale of the AccraLaw Tower, a Grade A office building in BGC for a consideration of around US$75 million, representing a cap rate of 5.4%. The asset achieved a lot of interest, mainly from local sources, and ended up being bought by a local family. After acquiring the property in 2014, Baring Private Equity refurbished and repositioned the property before the sale which is understood to have delivered a 30% IRR.

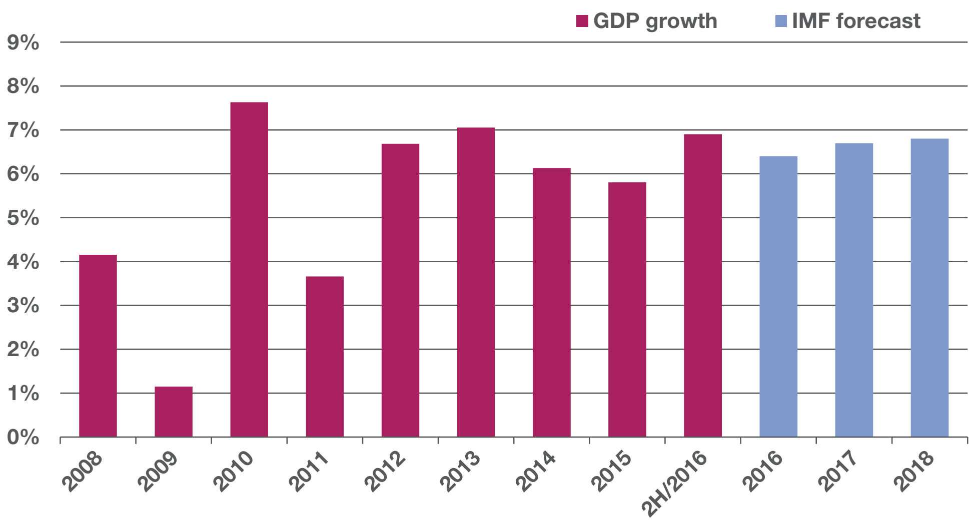
Another notable transaction last quarter was the sale of ING Real Estate's 20% stake in the premium grade Enterprise Center building along Ayala Avenue in Makati CBD. Shang Properties, Inc. and A. Soriano Corporation were the buyers in this deal which is estimated to amount to Php2.3 billion.

There were also a number of land transactions during the period, most notable being Innoland's purchase of a 6,000-sq m lot for a consideration of around Php2.0 billion in Makati, while outside of Metro Manila, Arthaland successfully acquired an 8.1-hectare property in Laguna with a total purchase price of Php306.8 million.

Although concerns of the current administration's policies have not wavered investor appetite, we still do not discount the possibility that it may negatively affect sentiment in the capital markets. Despite the debt watchers affirming the current credit ratings, they have noted the unpredictability of the current government, which may cause them to downgrade the ratings in the future. In such scenario, the risk premiums are likely to increase, putting pressure on downward revisions in valuations. The sustainability of the country's positive economic conditions is still reliant on the government's ability to deliver the needed reforms it promised during the election period.

GRAPH 12

GDP Growth and IMF forecast, 2008–2018F



Source: PSA, IMF

TABLE 14

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Accralaw Tower	BGC	PHP3.57 bil/US$75.0 mil	Private investor	Office
Enterprise Center (20.1% partial interest)	Makati	PHP2.29 bil/US$48.92 mil	Shang Properties (17.2%) & A. Soriano Corp (2.9%)	Office
Malugay Lot	Makati	PHP2.02 bil/US$43.18 mil	Innoland	Development site
Laguna Property	Laguna	PHP306.83 mil/US$6.59 mil	Arthaland	Development site
Canlubang Property	Laguna	PHP377.25 mil/US$8.11 mil	Canlubang Gateway, Inc.	Industrial

Source: KMC MAG Group, Savills Research & Consultancy

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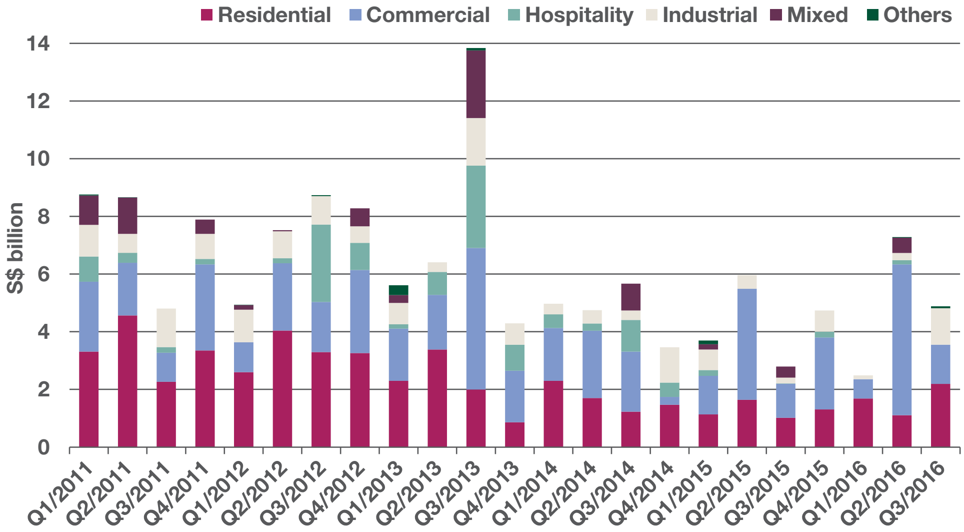
The investment sales market in Singapore performed better than expected in the third quarter of 2016, with a total transaction value of S$4.88 billion. Although this was 33.0% lower than Q2/2016's S$7.28 billion, the second quarter included large ticket items like Asia Square Tower 1; nevertheless, it is still 74.9% higher than the same period of last year.

In Q3/2016, 23.1% of the total investment sales was from the public sector. Five state land parcels, comprising three residential sites and two industrial sites, were sold for S$1.13 billion under the Government Land Sales (GLS) programme. On a quarterly basis, it rose a hefty 176.4% from the previous quarter's S$408.4 million. In contrast, transaction values for the private sector amounted to S$3.76 billion, or 76.9% of Q3's total investment sales. The value was down 45.4% on a quarter-on-quarter (QoQ) basis. The biggest deal was Mapletree Commercial Trust's S$1.78 billion acquisition of Mapletree Business City (Phase 1), comprising an office tower and three business park blocks. Other major deals in the private sector included: Wing Tai's sale of its half share in its joint venture company Summervale Properties, which developed the 156-unit freehold residential development Nouvel 18, to City Developments Limited (CDL) for S$410.96 million; and the sale of The Verge to a joint venture of Lum Chang Holdings and LaSalle Investment Management Asia for S$273.0 million.

The residential property segment led the investment sales market, with S$2.19 billion of sales, making up 44.8% of the overall transaction value. This is almost double the S$1.09 billion recorded a quarter ago. Three land parcels were awarded under the GLS programme. Two were non-landed private residential sites at Martin Place (S$595.1 million) and Fernvale Road (S$287.1 million), with the third an executive condominium site at Anchovale Lane (S$240.95 million). High participation levels amongst developers and higher-than-expected top bids continued to be the common features for all of the three tenders, reflecting developers' eagerness to replenish their depleting land banks due to the limited supply from the government side. The private sector also saw some transactions of residential sites sealed in the reviewed quarter. In Aug 2016, OUE Limited won the tender for two prime sites on Nassim Road with a top bid of about S$56.6 million. In the same month, Roxy-Pacific Holdings acquired the freehold Harbour View Gardens at Pasir Panjang Road for S$33.25 million in Aug 2016. In September, Roxy-Pacific Holdings bought another freehold site at Jalan Eunos for nearly S$11.0 million. Owing to the lukewarm sales rate of private residential homes, developers still generally prefer smaller sites with bite-size investment commitment. This could be because they are trying to control the risk from the various penalties, which developers will have to pay if they can't complete construction of their developments within five years and sell all units within two years following the issue of its Temporary Occupation Permit.

GRAPH 13

Transaction volumes of investment sales by property type, Q1/2011–Q3/2016



Source: Savills Research & Consultancy

TABLE 15

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Mapletree Business City (Phase 1)	Pasir Panjang Road	S$1.78 bil/US$1.30 bil	Mapletree Commercial Trust	Office & industrial
Government land	Martin Place	S$595.1 mil/US$433.05 mil	First Bedok Land Pte Ltd	Residential
Nouvel 18 (50% stake)	Anderson Road	S$411.0 mil/US$299.10 mil	City Developments Ltd	Residential
Government land	Fernvale Road	S$287.1 mil/US$208.89 mil	Sing Development (Private) Limited and Wee Hur Development Pte Ltd	Residential
The Verge	Serangoon Road	S$273.0 mil/US$198.63 mil	Columba Holdings Pte Ltd, a joint venture of Lum Chang Holdings and LaSalle Investment Management Asia	Retail

Source: URA, Savills Research & Consultancy

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The Bank of Korea maintained the base rate at 1.25%, after lowering it 25 basis points (bps) in June 2016. Under this low interest rate environment, institutional investors have increased fund allocations to alternative investment sectors, resulting in increased demand for real estate. In addition to increasing appetite for a range of real estate sectors, some previously-delayed development projects have resumed and are being reviewed by investors. Overseas investors continue to show high levels of interest for Korean real estate. In 2015, 20% of office deals were bought by overseas investors, and the trend looks set to continue this year.

As regulation on registering asset management companies (AMCs) has eased, a number of newly-established real estate AMCs have entered the market, resulting in strong competition to secure assets. Established AMCs with strong track records are expanding their business as they target individual investors chasing yields through public fundraising. This new source of capital will contribute to increases in both volumes and the number of transactions.

Total office transaction volume for Q3/2016 was around KRW2 trillion, which is 80% of the total volume recorded in 1H/2016. Assets with stable occupancy rates are highly favoured by Korean institutional investors, and this has led to record pricing. On the other hand, assets with leasing risk are currently taking longer to sell.

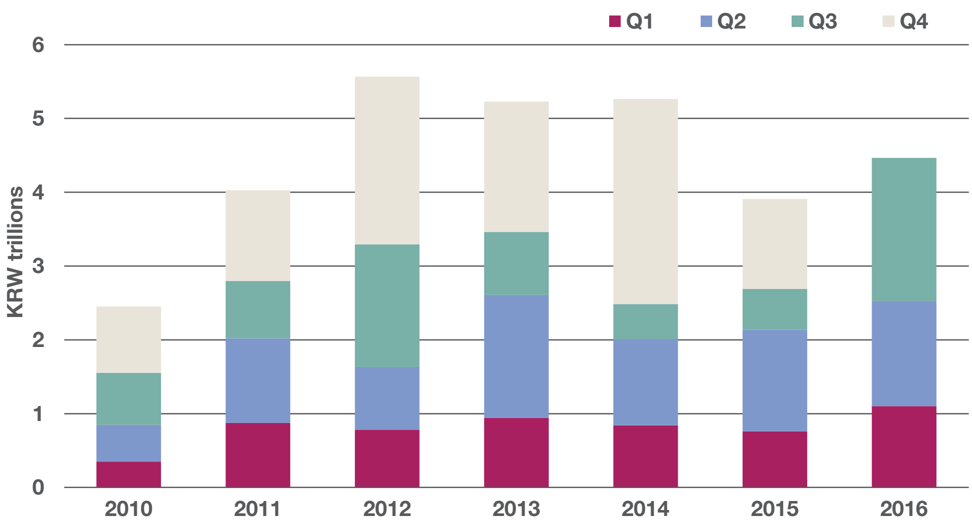
Koramco REIT & Trust purchased Centrepoint Gwanghwamun, majority-let to Kim & Chang, one of the top law firms in Korea, for KRW307 billion (KRW26.1 million/3.3 sq m), setting a new record for unit price. The vendor, Mastern AMC, banked a capital gain of almost KRW100 billion based on their forward purchase acquisition price.

Insurance companies continue to offload assets. Samsung Life Insurance sold their headquarter office in Taepyungro to Booyoung, a Korean construction company, for KRW571.7 billion (KRW21.56 million/3.3 sq m). Samsung Fire & Marine Insurance have also selected Booyoung as a preferred bidder on their own headquarters building.

Due to prolonged high market vacancy rates, the tenant-friendly leasing environment of generous incentives will continue for the foreseeable future. In general, between 2-3 months rent-free per year is provided to tenants, with even more aggressive leasing packages available in certain assets suffering high vacancies. Prime office cap rates based on face rents and 95% occupancy are in the high 4%-5% range; however, allowing for current rent-free periods, prime NOI's are in the low 4s. Prime offices show a yield spread of 250-300 bps above the five-year Treasury bond, which was 1.3% as of the end of September 2016. Typical LTVs are 55%, with financing costs in the high 2% to low 3% range.

GRAPH 14

Office transaction volume, 2010–Q3/2016



Source: Savills Research & Consultancy

TABLE 16

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Booyoung Taepyeongno Building	CBD	KRW571.7 bil/US$509.9 mil	Booyoung	Office
Centre Point Gwanghwamun	CBD	KRW307.0 bil/US$273.8 mil	KORAMCO Reits & Trust	Office
STX NamSan Tower	CBD	KRW299.0 bil/US$266.6 mil	LG Corporation	Office
Times Square (2 Office Towers)	Non-core	KRW193.5 bil/US$172.6 mil	NH-Amundi Asset Management	Office
Prime Tower	CBD	KRW170.8 bil/US$152.3 mil	Pebblestone Asset Management	Office

Source: Savills Research & Consultancy

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After a large rise in Q2/2016, the investment market fell into a trough in the third quarter. NT$9.84 billion worth of deals was recorded in Q3, down by 14.5% year-on-year(YoY), compared with -69.4% by Q2; this is the second lowest transaction figures recorded in Q3 since 2008.

The total amount of transactions of commercial property has reached NT$47.2 billion so far this year. Even if the market activity recovers in the fourth quarter, it will be difficult to push the full-year transaction amount up to NT$90 billion, with the average transaction volume in the final quarter usually ranging between NT$25 billion and NT$35 billion. The commercial property market is expected to experience the coldest year since the global financial crisis.

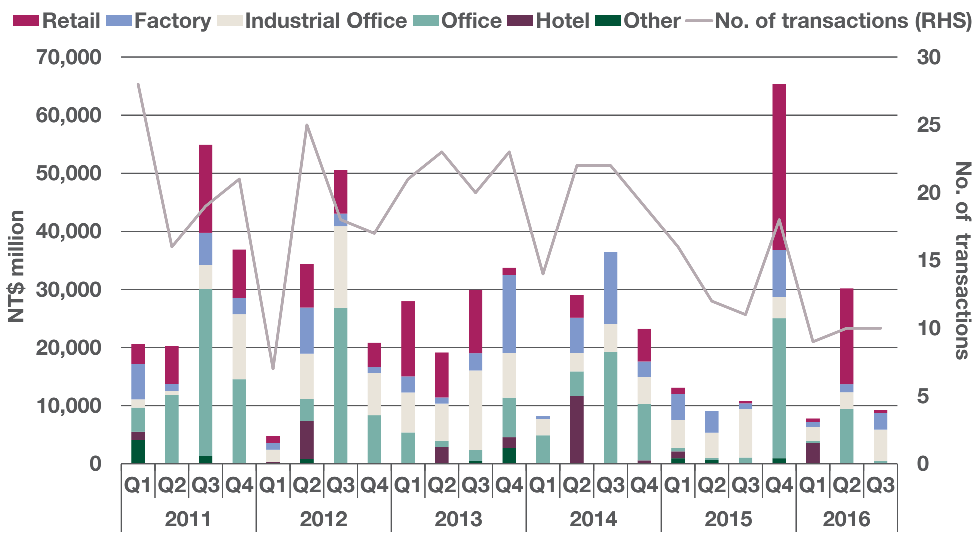
Life insurance companies returned to the Taiwan property market to mitigate the risk of currency fluctuations in the light of Brexit and the US presidential election this November. In the first three quarters of 2016, NT$25.7 billion worth of property, including land and buildings, were purchased by insurance companies. Following TransGlobal Life and Taiwan Life, Fubon Life acquired Tokyo Technology Headquarters, a whole block industrial office building in Neihu Technology Park, for NT$4.08 billion. Nanshan Life purchased a parcel of development land in Taichung City for NT$973 million this quarter, representing NT$1.01 million per ping.

Tokyo Technology Headquarters was disposed of by Gaw Capital, a Singapore fund which purchased the building for NT$3.5 billion in 2012. Within three years, the price increased by 16.5%. With a proper tenant mix, the property could provide a 3% yield, which is higher than the current minimal yield requirement of property investment for insurance companies. As for Nanshan Life, they continued to expand their investment in Taichung, purchasing NT$10.3 billion worth of property since 2012. As for the land acquired this quarter, Nanshan Life plans to build a serviced apartment complex or student accommodation, to generate a stable rental income.

In the office market, prices are feeling downward pressure given the shrinkage of transactions and purchase demand. In the first three quarters, only three office deals over NT$300 million were concluded. Corporations tend to rent instead of buying premises, due to the high price level and potential price correction in the future. In the first six months, we have seen the average office price decline by 4.9% in Taipei City. Stable leasing demand, coupled with the declining of prices, will lead the office yield to return to a healthier territory.

GRAPH 15

Significant transactions, Q1/2011–Q3/2016



Source: Savills Research & Consultancy

TABLE 17

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
J-Three International Taoyuan Factory	Taoyuan City	NT$1.29 bil/US$41 mil	National Aerospace Fasteners Corporation	Factory
Tokyo Technology Headquarters (A)	Taipei City	NT$4.08 bil/US$130 mil	Fubon Life	Industrial office

Source: Savills Research & Consultancy

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In the third quarter of 2016, the Vietnam property investment market remains robust with multiple transactions across sectors and across the country, showing bullish prospects for the market. Early in the quarter, VinaCapital, a Vietnam-based investment fund, successfully acquired the International Centre Building in central Ha Noi from Keppel Land for approximately US$13.8 million. In Danang, Kajima Corporation has acquired Indochina Riverside Towers, a mixed-use property in Danang's CBD from Indochina Capital for a total consideration of approximately US$17.5 million. At the end of September, CapitaLand acquired a prime 0.5 hectare site in District 1 Ho Chi Minh City for approximately US$51.9 million. This will be the 9th residential project and 19th serviced residence operated by the Singaporean group in Vietnam. In the hospitality sector, Bitexco Group has completed the acquisition of 63% stake in Huong Giang Tourist which owns and operates multiple hotels and resorts in Central Vietnam. Through this transaction, Bitexco has increased their holding in the state-owned hospitality business to 70.5%, marking their further penetration into the hospitality market.

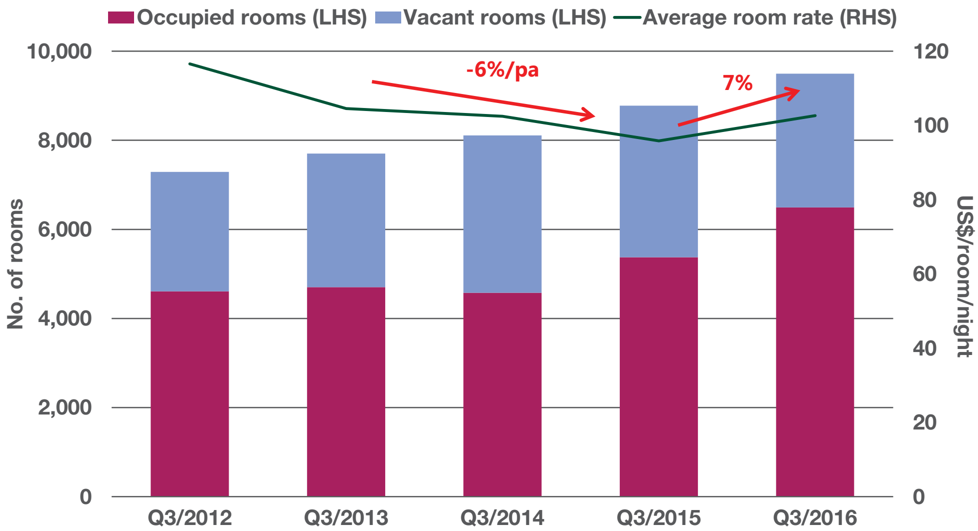
The last quarter also saw significant cooperation among foreign and local developers and investors for investment in Vietnam. Tokyo-based Mitsubishi Corporation has joined hands with Bitexco to develop a US$300 million residential project which is part of the mixed-use 90-hectare The Manor Central Park in Hanoi. Indochina Capital and the Japanese contractor and real estate developer Kajima Corporation have also sealed a US$1 billion joint venture partnership named ICC-Kajima in September to invest in the Vietnamese real estate arena, initially focusing on residential and hospitality sectors. The joint venture will initially focus in the residential and hospitality segments in major locations in Vietnam including Hanoi, Ho Chi Minh City and Danang.

Vietnam has been going through a period of rapid urbanization which has in turn boosted the demand for real estate. At the same time, infrastructure development is therefore crucial for sustainable growth. Significant improvement in infrastructure development has been witnessed during the last few years.

The government has been striving toward completion of many projects in major cities including a metro rail system in both Hanoi and Ho Chi Minh City, highways connecting provinces and cities in the central region, as well as new international airport terminals throughout the country. Both inner-city and inter-city accessibility is improving and this opens up opportunity to invest in other seemingly less popular locations as infrastructure development projects are underway.

GRAPH 16

HCMC hotel market performance for four- to five-star hotels, Q3/2012–Q3/2016



Source: Savills Research & Consultancy

TABLE 18

Major investment transactions, Jul–Sep 2016

Property	Location	Price	Buyer	Usage
Cau Kho, District 1 Site	HCMC	VND1.16 tri/US$51.9 mil	CapitaLand	Residential
International Centre Building	Hanoi	VND307.83 bil/US$13.8 mil	VinaCapital	Office
Indochina Riverside Towers	Danang	VND390.36 bil/US$17.5 mil	Kajima	Mixed-use
Huong Giang Tourist's Portfolio	Various cities	N/A	Bitexco	Hospitality

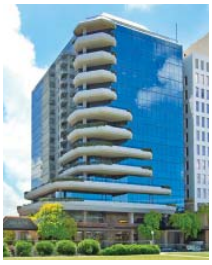
Source: Savills Research & Consultancy

Australia

114 William Street
Melbourne
AU$175.0M/US$133.0M
in September

485 Dohertys Road
Truganina
AU$102.5M/US$77.9M
in September

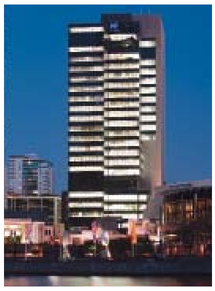
3 Southgate Avenue
Southbank
AU$578.0M/US$439.28M
in August

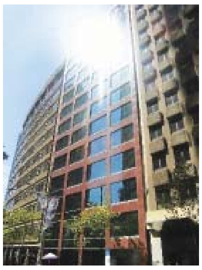


Kimberly-Clark House
Milsons Point
AU$130.0M/US$100.1M
in July

800 Toorak Road
Hawthorn
AU$140.5M/US$106.78M
in September

77 Market Street
Sydney
AU$360.0M/US$277.2M
in August





210-220 George Street
Sydney
AU$160.0M/US$123.2M
in July

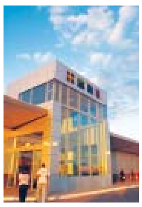
197-201 Coward Street
Mascot
AU$143.4M/US$110.4M
in September

28 Freshwater Place
Southbank
AU$286.0M/US$217.36M
in August

Edgecliff Centre
Edgecliff
AU$138.8M/US$106.8M
in September

140 Sussex Street
Sydney
AU$130.0M/US$100.1M
in September

271 Queen Street
Campbelltown
AU$197.0M/US$151.7M
in September



Beijing/Shenzhen

◄ **BEA Tower (17F-23F)**
Chaoyang, Beijing
RMB1.27B/US$190M
in July

New Century Grand Hotel Beijing ►
Xicheng, Beijing
RMB2.0B/US$296.99M
in August

Fangheng Times Square #3 (2F-18F) ►
Chaoyang, Beijing
RMB1.13B/US$167.80M

▲ **Pretty Shopping Center**
Chaoyang, Beijing
RMB1.5B/US$222.74M
in September

Ascendas Z-Link ▼
ZGC, Beijing
RMB760.0M/US$114M

Beijing Sun Palace Parkson ▲
Chaoyang, Beijing
RMB2.32B/US$348M
in September

Shenzhen Bay and car park projects ►
Nanshan, Shenzhen
RMB6.24B/US$934.8M
in August

◄ **Kingkey Timemark**
Futian, Shenzhen
RMB200M/US$29.71M
in September

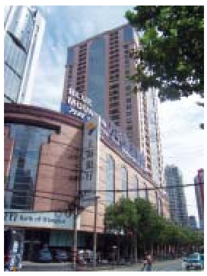
Shanghai

◄ **Jinqiao Life Hub (80%)**
Pudong New Area
RMB3.41B/US$511M
in September

◄ **Hongqiao Zhenrong Center Building #2**
Minhang
RMB430M/US$64M
in September

◄ **Starway Parkview South Station Hotel (70%)**
Xuhui
RMB50.4M/US$7.49M
in September

▲ **SOHO Century Plaza**
Pudong
RMB3.22B/US$482M
in July



Wiselogic International Center ▲
Jingan
RMB829M/US$124M
in July

▲ **Upper Riverside**
Pudong
RMB1.4B/US$210M
in July

▼ **SCB Tower (49%)**
Pudong
RMB1.25B/US$185.51M
in July

Hong Kong

◄ **One HarbourGate - East Tower**
Hung Hom
HK$4.5B/US$580M
in July

◄ **Golden Centre**
Sheung Wan
HK$4.37B/US$563M
in September

◄ **EIB Centre**
Sheung Wan
HK$1.0B/US$129M
in August

Convention Plaza Office Tower (21/F-23/F) ▲
Wanchai
HK$1.39B/US$179M
in September

Continental Place (major portion) ►
Sheung Wan
HK$1.13B/US$146M
in September

Japan

Harumi Island Triton Square Office Tower Y (70%) ►
Chuo Ward, Tokyo
JPY50.0B/US$470M
in July

◄ **Hotel Vista Grande Osaka**
Chuo Ward, Osaka
JPY27.0B/US$260M
in August

Mitsui Shopping Park LaLaport (50%) ►
Misato City, Saitama
JPY15.1B/US$140M
in August

◄ **Umeda Gate Tower (5-20F)**
Kita Ward, Osaka
JPY19.0B/US$180M
in September

Shinjuku Higashiuchi Building (73.5%) ►
Shinjuku Ward, Tokyo
JPY13.0B/US$120M
in September

Singapore

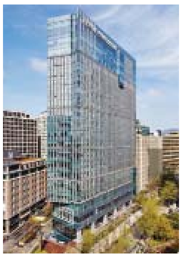
▼ Mapletree Business City (Phase 1)
Pasir Panjang Road
S$1.78B/US$1.3B
in July

Four HDB shops ▶
Ang Mo Kio Avenue 6,
Bukit Merah Central,
Clementi Avenue 3 and
Lor 4 Toa Payoh
S$151.0M/US$108.87M
in July

The Verge ▶
Serangoon Road
S$273.0M/US$198.63M
in September

Nouvel 18 (50% stake) ▶
Anderson Road
S$411M/US$299.10M
in July

South Korea



◀ Centre Point Gwanghwamun
CBD
KRW307.0B/US$273.8M
in September

Booyoung Taepyeong Building ▶
CBD
KRW571.7B/US$509.9M
in September

Times Square
(2 Office Towers) ▼
Non-core
KRW193.5B/US$172.6M
in August

◀ Sunhwa
CBD
KRW130.4B/US$116.3M
in August

◀ Samsung Finance Plaza
GBD
KRW150.9B/US$134.6M
in August

◀ HSBC
CBD
KRW122.7B/US$109.4M
in August

Prime Tower ▶
CBD
KRW170.8B/US$152.3M
in August

STX NamSan Tower ▲
CBD
KRW299.0B/US$266.6M
in September

Taiwan

◄ **Tokyo Technology Headquarters (A)**
Taipei City
NT$4.08B/US$130M
in July

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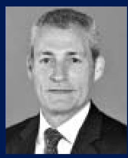

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