Asia Pacific
Investment Quarterly

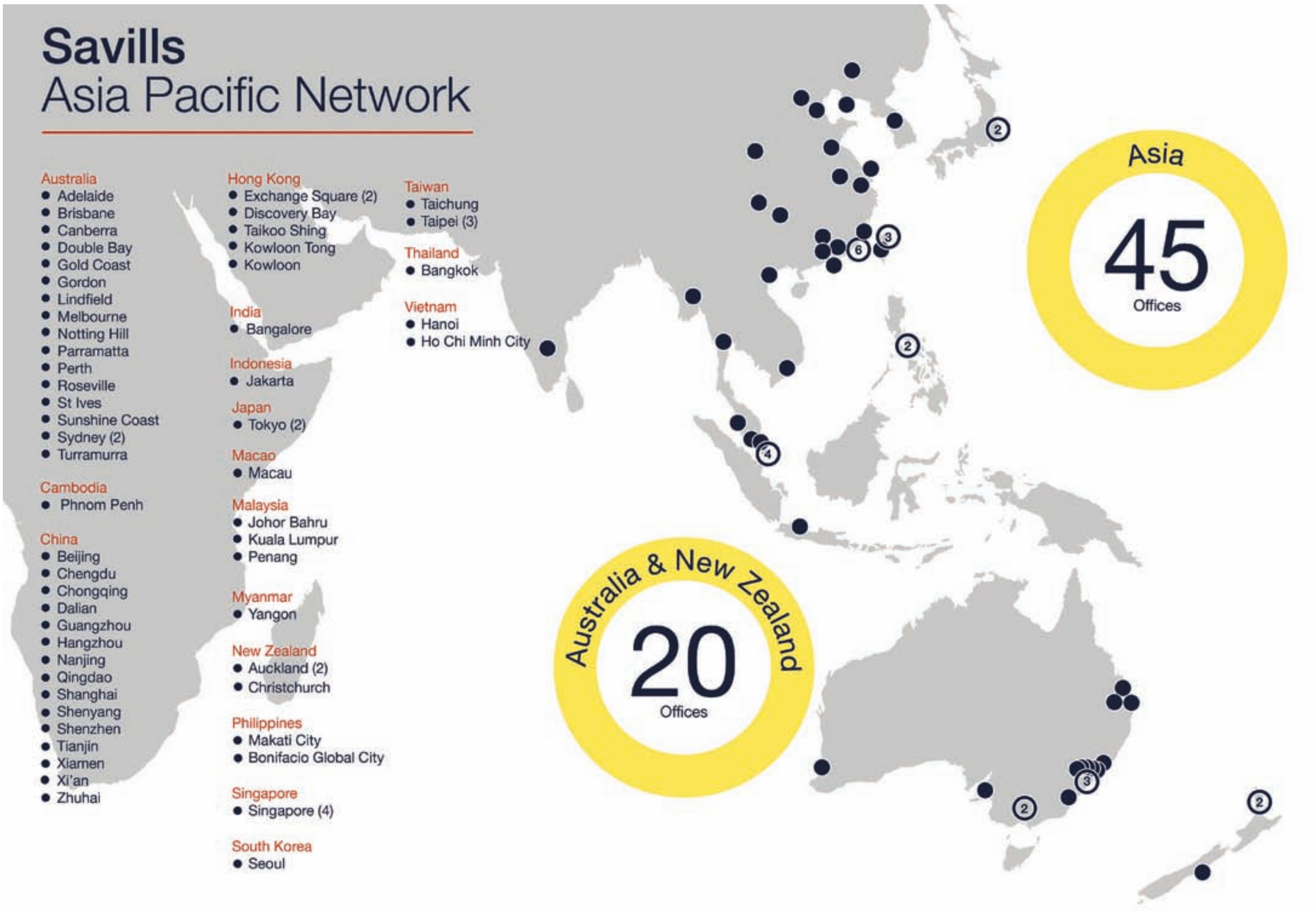
Q4 2015

HIGHLIGHTS

In China well documented concerns over debt levels and currency fluctuations as well as economic fundamentals are clouding prospects for the property market. In Japan, 2015 saw moderate GDP growth while Abenomics continued to make hesitant gains. Real estate investment interest remains, much of it predicated on a continuing rental recovery. Despite this, property sellers are currently more bullish than buyers, which may limit transaction volumes in 2016. Vietnam is witnessing its best macro economic conditions in a decade. All property asset classes are performing strongly with stand outs including HCMC offices, coastal villas and apartments. Look out for further strength in 2016 following the numerous FTA, TPP and AEC implementations. In Australia, record levels of investment supplemented by foreign buyers are forcing prices up. Fundamentals are improving in Melbourne and Sydney. Tepid markets persist in Hong Kong and Singapore across all sectors as slowing growth in China, volatile stockmarkets and concerns over corporate debt levels continue to cloud sentiment.

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 65 regional offices comprising over 25,000 staff. Asia Pacific markets include Australia, China, Hong Kong, 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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The calendar year 2015 marked another year of strong performance in property investment markets. Weakness in the currency, high relative yields and economic growth (however below trend) attracted record amounts of foreign capital to commercial property markets. Domestic institutions, recovering from the GFC and replacing private investors as competitive buyers once again, suddenly found themselves outbid. The large amount of capital from overseas has encouraged many investors to dispose of property, reweight portfolios and change exposures. This led to a record year of approximately A$30 billion of turnover in commercial property. Conversely, many market fundamentals demonstrated the two-tone nature of the Australian economy – some indicators deteriorated in Perth and Brisbane, many showed substantial improvement in Melbourne and Sydney. Brisbane appears to have reached a base whilst Melbourne and Sydney continue to improve.

Capital markets exhibited greater degrees of volatility throughout the year and have finished the year largely unchanged with the ASX200 returning around 1%, the Australian dollar down over 10% against the US dollar and 10 year bonds yielding approximately 2.8%.

Investment yield s firmed across the board – a theme we have been writing about for several years now. We do not believe it has fully run its course. In some markets, fundamentals are improving rapidly. We believe this will lead to further tightening in yields as investment capital starts to price in expectations of future NOI growth. This part of the yield cycle is just beginning.

Savills recorded approximately A$17.2 billion worth of office transactions in the 12 months to December 2015 nationally. This is up 3% on the A$16.7 billion reported in the previous year.

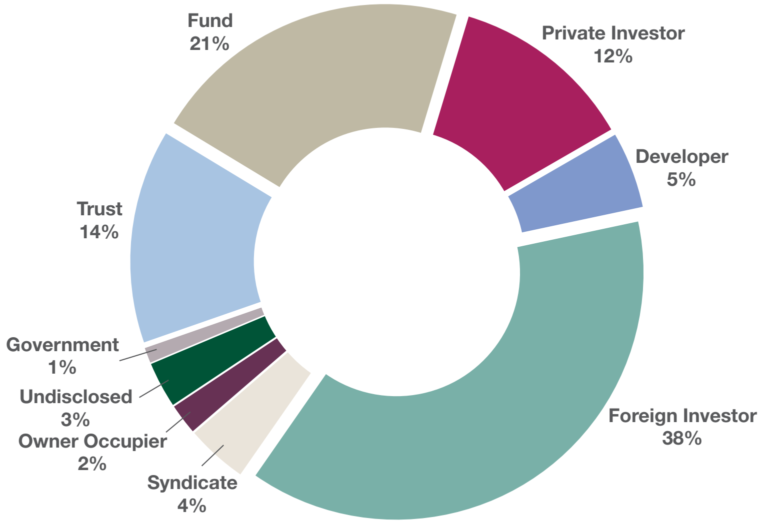
The 'Foreign Investor' purchaser category was the most active in the national office investment market for the 12 months to December 2015, purchasing 45% of the stock sold.

Savills recorded approximately A$4.8 billion worth of industrial transactions in the 12 months to December 2015, down from A$5.55 billion in the previous year. Australian institutional investors (Funds, Trusts and Syndicates) are increasingly active as flows to superannuation continue unabated purchasing 41%. Foreign investors continue to be attracted to industrial property investments nationally due to the high yields and generally long leases to single tenants in simple buildings purchasing 36%.

Savills recorded approximately A$8.5 billion worth of retail property transactions nationally in the 12 months to December 2015, up from the A$7.2 billion in the previous year. The 'Foreign Investor' purchaser category was the most active in the investment market for the year ended December 2015, purchasing 26% of stock sold.

GRAPH 1

Australian property – Commercial property sales buyer profile, 12 months–Dec 2015



Source: Savills Research

TABLE 1

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Southern Cross, Bourke Street (part)	Melbourne, Victoria	AU$675.0 mil/US$486.0 mil	Blackstone	Office
60 Margaret Street	Sydney, NSW	AU$279.5 mil/US$201.2 mil	PAG (50%)	Office
161 Collins Street	Melbourne, Victoria	AU$258.0 mil/US$185.8 mil	Pembroke	Office
680 George Street	Sydney, NSW	AU$248.0 mil/US$178.6 mil	ISPT (50%)	Retail
600 Bourke Street (part)	Melbourne, Victoria	AU$243.0 mil/US$175.0 mil	AMP Capital	Office
The Shops at Ellenbrook	Ellenbrook, WA	AU$220.0 mil/US$158.4 mil	Vicinity Centres	Retail
Dandenong Plaza Shopping Centre	Dandenong, Victoria	AU$197.0 mil/US$141.8 mil	Armada Funds	Retail
206 Bourke Street	Melbourne, Victoria	AU$118.3 mil/US$85.2 mil	ISPT	Retail

Source: Savills Research & Consultancy

China (Northern) - Beijing

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On the back of policies by the government aimed at stimulating the local economy, followed by the loosening of housing loans and the cutting of interest rates five times this year, Beijing's mass-residential market remained positive in the last quarter of 2015. Both supply and transaction volumes put in a strong performance in the fourth quarter, with supply reaching approximately 2.4 million sq m, while transaction volumes reached around 2.2 million sq m. Supported by growing demand, the first-hand residential price index registered an increase of 1.4% quarter-on-quarter (QoQ) and 7.9% year-on-year (YoY) by the end of November 2015.

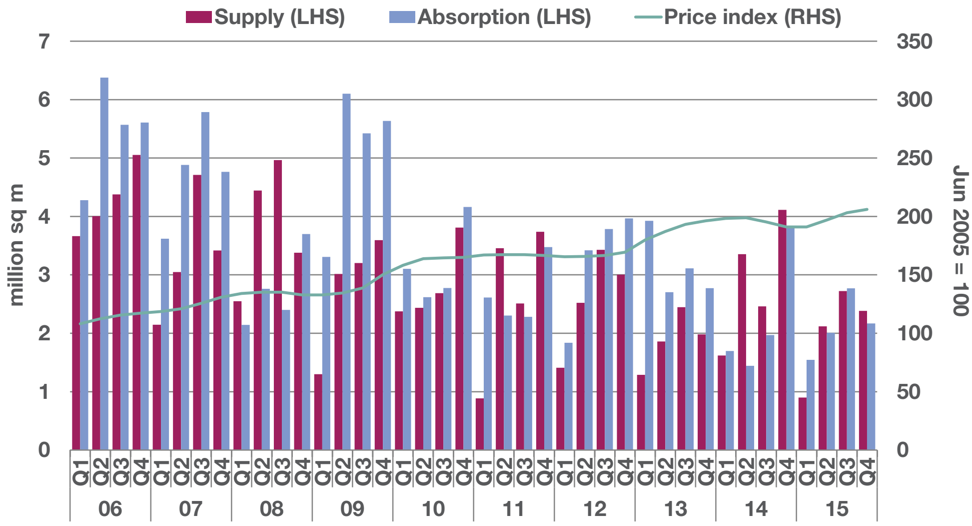
The fourth quarter of 2015 saw the high-end market welcome an influx of new supply. Nine Grade A apartments (including new phases for existing projects) and seven high-end villas (including new phases for existing projects) entered the sales market, contributing a total of 914 units and 357 units, respectively. Pushing by developers to achieve sales targets resulted in Grade A apartment transaction volumes increasing during the period, up 17.8% QoQ to 530 units. Meanwhile, the entry of a number of high quality projects saw average prices rise significantly to RMB84,700 per sq m, representing a 12.6% QoQ and 23.9% YoY growth.

The Beijing land market witnessed a large number of transactions, particularly for residential usage, in the fourth quarter of 2015. As a result, Beijing land transactions increased to RMB96.7 billion in Q4/2015, accounting for 48% of the total year's consideration. Significant deals of the quarter included: a residential plot in the Huaxiang Fanjiacun area of the Fengtai district which sold for RMB75,000 per sq m; a plot in the Changying area of the Chaoyang district transacted for RMB67,000 per sq m; and a plot in the Nanyuan area of the Fengtai district sold for RMB56,000 per sq m. Residential land transactions are expected to continue to fetch high prices, which in effect will continue to support price appreciation in the high-end residential market.

With the government having outlined that resolving issues within the real estate industry is a key priority, it is expected that the coming year will continue to see the loosening of policies previously aimed at colling the market. As a result, it is forecast that transaction volumes in the first-hand mass market will continue to pick up and prices will grow slightly throughout 2016. Meanwhile, supported by heavy demand, it is anticipated that the high-end market will remain active.

GRAPH 2

First-hand mass-market residential supply, absorption and price index, Q1/2006–Q4/2015



Source: Savills Research & Consultancy

TABLE 2

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Huaxiang Fanjiacun plot	Fengtai district	RMB4.95 bil/US$752.6 mil	China Gezhouba Real Estate Group	Residential
Changying plot	Chaoyang district	RMB3.3 bil/US$501.7 mil	Poly Real Estate & Beijing Capital Development	Residential
Nanyuan plot	Fengtai district	RMB8.34 bil/US$1.27 bil	Shenzhen OCT Group, China Merchants Real Estate & China Resources	Residential

Source: Savills Research & Consultancy

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A review of the key transactions in 2015 in Tianjin's land market suggests that the government has played a more prominent role in directing the real estate market. At the beginning of the year, the government unveiled 31 high quality land plots scattered across all districts in the city centre, with the majority in the Hexi and Nankai districts. In Q4/2015, 44 land plots were launched onto the market, totalling 1.92 million sq m, with the Binhai New Area accounting for almost a half of the total supply.

The last quarter saw 36 land plot transactions, totalling 1.87 million sq m, contributing RMB14.7 billion to the total annual transaction amount of RMB54.2 billion. Throughout the year, 145 land plots were launched onto the market, with accommodation values averaging RMB5,072 per sq m. Although the total number of transactions dropped, particularly in the fringe areas, transaction prices increased, predominantly due to the contribution of highly valued land in the city centre.

The hot spot for transactions in 2015 shifted from Hexi to the Nankai district. Two plots, both in the Nankai district, achieved "land king" status, the first for its consideration value and the second for accommodation value. An increase in housing prices is expected in the Nankai district when these two land king projects are launched onto the market.

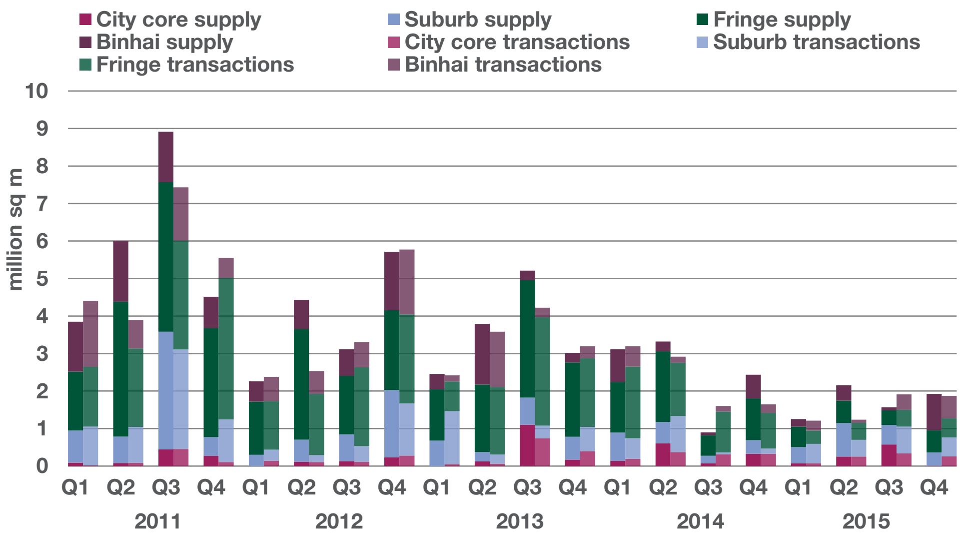
The most active player in the market was Tianjin Realty Development (Group) Co. Ltd., who acquired ten high quality land plots for a total consideration of RMB20.4 billion in 2015 alone. The well-known local residential developer was nicknamed "Tuhao" – a very popular name, loosely translated as 'nouveau riche'.

On 30 December 2015, Sunac acquired a land plot located along the Jinbin Road in the Dongli district, for a total consideration of RMB4.6 billion, with a premium of 51%. This beat the current record for both the highest total consideration and premium values. The bidding has attracted many renowned developers including Vanke, China Merchants and Tianjin Realty Development Group.

Key land plots which will be listed in 2016 are mostly zoned for mixed-use developments. This shows the growing demand for development of complex projects. The expected hot areas for future transactions include JieFangNan Road in Hexi district, Haihe Riverside in Heping district, and the TianTuo area in Nankai district.

GRAPH 3

Land supply and transaction volumes by area, Q1/2011–Q4/2015



Source: Savills Research & Consultancy

TABLE 3

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Plot 2004-049 (JLZ)	Dongli district	RMB4.6 bil/US$699.2 mil	Sunac Group	Mixed-use
Plot 2015-111 (JNH)	Nankai district	RMB4.3 bil/US$653.6 mil	Tianjin Realty Development (Group) Co., Ltd	Mixed-use
Plot 2015-118 (JBCS)	Beichen district	RMB1.1 bil/US$167.2 mil	CMST Development Co., Ltd	Mixed-use
Plot 2015-114 (JXJ)	Hexi district	RMB535 bil/US$81.3 mil	Tande Ltd. Co.,	Mixed-use

Source: Savills Research & Consultancy

China (Western) - Chengdu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Chengdu has made the Global Times list for most attractive Chinese city for investment every year since its incarnation in 2013; this year, it came in first place.

The award ranks each city's attraction by evaluating indicators such as GDP, overall investment rate and the city's development potential. Also taken into account was entrepreneur and investor feedback.

The city not only attracts investors and entrepreneurs looking to invest, but also brands looking to enter into the retail market.

Recently, Chengdu placed first out of five cities (the others were Xiamen, Shenzhen, Shanghai and Beijing), in the China Fashion Index, a publication produced by the Trends Group and Tsinghua University. The award is based on a comprehensive study of approximately 10,000 people, and evaluates indicators from different perspectives including social media, branding, designers and the overall economic situation in the city. Chengdu placed first due to consumers' attitudes towards fashion and their willingness to spend, combined with the overall steady economic growth currently experienced by the city, and the current comfortable living standard.

Chengdu has proven itself as a city with strong potential as it is currently the centre of trading, logistics, and transportation in mid-western China. In 2014, the city's GDP exceeded RMB1 trillion. A well-developed economy, friendly living environment, and a receptive business community have made Chengdu attractive to both foreign companies and investors. Currently, 268 of the global Fortune 500 companies have opened branches in Chengdu while Shuangliu International Airport's passenger handling capacity has exceeded 40 million per year, with more than 85 international flights in operation. In addition, Chengdu has the largest number of foreign consulates among the mid-western cities.

The government is currently implementing their new strategy of 'One Belt and One Road', which integrates multiple infrastructure routes with a number of countries and aims for joint international development. The implementation of this strategy is expected to bring new development opportunities to the area.

GRAPH 4

Comparison between GDP and social fixed asset investment between Chengdu and other major cities in Western China, 2014

	GDP (RMB billion)	Total social fixed asset investment (RMB billion)
Chengdu	10,057	6,620
Xi'an	5,475	5,904
Kunming	3,713	3,138
Guiyang	2,497	2,336
Chongqing	14,265	13,224

Source: Savills Research & Consultancy

TABLE 4

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Plot JJ09 (252):2015-079	Jinjiang district	RMB652.2 mil/US$100.5 mil	New Hope Group	Mixed-use
Plot GX2015-41 (252)	High-tech district	RMB989.5 mil/US$152.5 mil	Longji	Mixed-use
Plot LQ04 (252/211)	Longquanyi district	RMB711.9 mil/US$109.7 mil	Baiyue	Mixed-use

Source: Savills Research & Consultancy

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Currently challenged by a large amount of new supply, e-commerce and a slow sales growth rate, the retail market in Guangzhou is witness to an increasingly competitive environment. Therefore, project management, which consists of operator experience, project position and service quality, is considered to be the key differential for shopping malls. Out of all first-tier cities in the country Guangzhou, the traditional retail centre in southern China, saw top retail sales growth rates and per strong capita consumption expenditure. However, the retail market is hardly in an optimistic frame of mind.

From the first batch of new stock in 2011, retail market stock has now reached 4.89 billion sq m in 2015. The main supply areas are Tianhe Bei and Zhujiang New Town, which account for 37% of the total. In 2016, six shopping malls will enter the retail market, adding 384,000 sq m of space, followed by an additional 470,800 sq m and 550,000 sq m in 2017 and 2018 respectively.

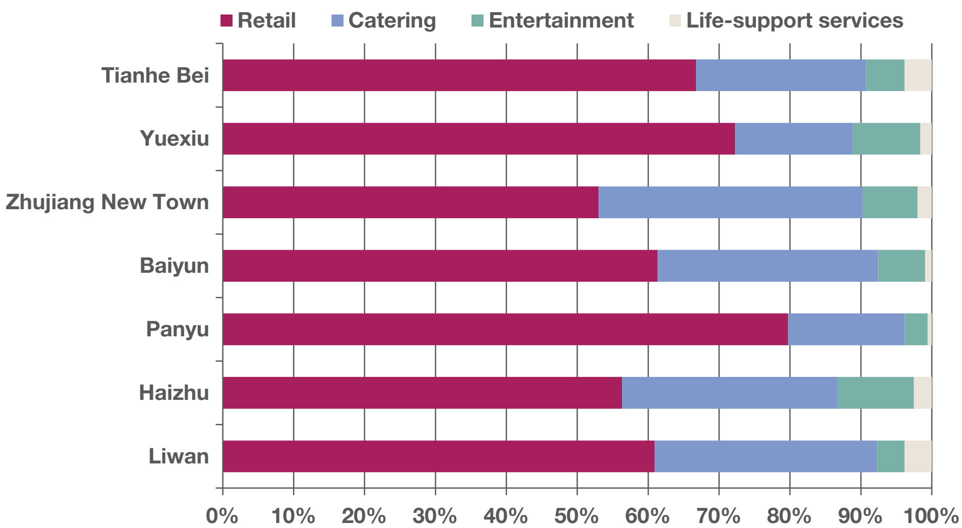
The primary option for surviving the competitive environment will be revising the current tenant mix in shopping malls. Retail stores still dominate the structure in shopping malls, reaching 67%. Clothing stores, exceeding 30%, occupy the highest percentage of this. Additionally, lifestyle stores, including catering and entertainment, are increasing in proportion from their current 30%. Emerging areas are seeing a growth in lifestyle stores, 4% higher than in the prime areas.

Catering has increased its market share in shopping malls, accounting for more than 30% in emerging areas (except the Panyu district). Restaurants showed an increase in market share and now hold 20% of the market in Zhujiang New Town, Haizhu district and Baiyun New Town. Together with the popularity of lifestyle stores, the catering sector is now considered a significant draw and has the ability to maintain stable footfall. Therefore, by introducing more restaurants, shopping malls are expected to increase their popularity and attract more consumers.

In many shopping malls, new tenants have already been brought in to attract higher footfall. For example, during the fourth quarter of 2015, a Mini Concert Hall was introduced to Happy Valley and Grandview Mall and the first indoor Ocean Park will open for business in Grandview Mall this January. It's believed these new tenants have the ability to attract new audiences to the malls and ultimately assist in upgrading the retail market ahead of competitors.

GRAPH 5

Guangzhou shopping mall structure by district, 2015



Source: Savills Research & Consultancy

TABLE 5

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Zhuang Shi Tower	Tianhe district	RMB178 mil/US$27 mil	China Information Technology Development Ltd	Office
Yun Shan Yu Jing	Tianhe district	RMB1.92 bil/US$291.7 mil	Lan Xinde (private)	Mixed-use
Poly World Trade Centre retail podium	Haizhu district	RMB535.4 mil/US$81.3 mil	Guangdong Advertising Group	Retail
Guangzhou plot AF040233	Liwan district	RMB2.67 bil/US$405.7 mil	China Gezhouba Real Estate Corp	Residential
Guangzhou plot AH040246	Haizhu district	RMB719.5 mil/US$109.3 mil	Guangzhou Daily	Office
Guangzhou plot 2015NJY-13	Nansha district	RMB623.6 mil/US$94.7 mil	China Railway Construction Nansha	Office

Source: Savills Research & Consultancy

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The international hotel industry weathered changeable conditions in Q4/2015. On November 16, Marriott International, Inc. and Starwood Hotels & Resorts made an agreement to merge. After the deal is done, Marriott International will become the largest hotel management company in the world. Soon after that, Accor Hotels Group made an announcement to buy FRHI Hotels & Resorts.

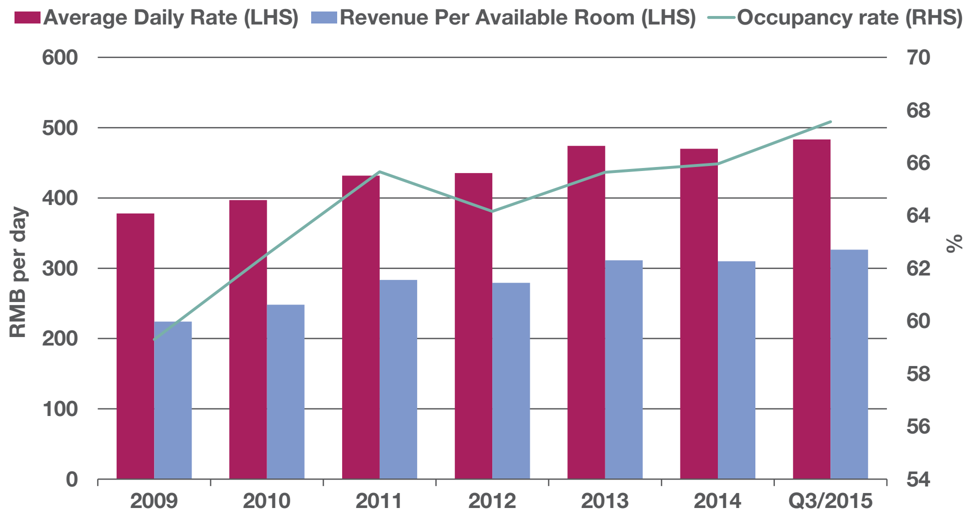
Similar events took place in the Chinese hotel industry. Beijing Tourism Group (BTG) and Home Inn Hotel Group reached a final acquisition deal on 6 December 2015. BTG will purchase all stock shares that Home Inn issued on NASDAQ, worth nearly RMB11.05 billion. This will result in BTG becoming the second largest hotel group in China, and the only listed company which owns hotels of all levels. The Chinese hotel market will form a new pattern, with BTG dominating in the north and Jin Jiang International dominating southern China. Jin Jiang International Holdings Co. Ltd. recently became the largest hotel company in China, merging with Plateno Hotels Group by acquiring 81% of its shares on 19 September 2015.

The hotel industry is going through a number of changes, especially with the large mergers and acquisitions which have taken place. This will result in hotel groups needing to reshuffle their existing and newly acquired brands, thus creating new investment opportunities albeit in an already saturated market.

The development of the hotel industry relies greatly on the condition of the tourism industry. According to the National Bureau of Statistics, the increase of overnight guests in China has been declining since 2010. The number of overnight guests directly relates to the demand for hotels in a certain area and 2013 saw a decrease in the growth rate of overnight visitors. In addition, the number of star-rated hotels in China decreased from 14,237 in 2010 to 11,180 in 2014. The reduction in demand and number of high-quality hotels inspired cooperation between the larger hotel brands.

Compared with the national hotel market, Shenzhen faces an easier situation. The number of domestic overnight visitors in Shenzhen has been increasing at a stable rate since 2003. The increased rate remains relatively constant at between 10% and 20% per annum. Meanwhile, the number of overseas visitors, including those from Hong Kong, Macau and Taiwan, also went up. The overall performance of Shenzhen hotels has been stable, with the average daily rate (ADR) and occupancy rate remaining either stable or increasing with slight fluctuations. The Shenzhen hotel market seems to be favoured by investors, with several luxury hotel projects launching in the next few years.

GRAPH 6
Shenzhen star-rated hotel performance and occupancy rate, 2009–Q3/2015



Source: National Tourism Bureau

TABLE 6
Major investment transactions, Oct–Dec 2015

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
Manjinghua Yiluan Building	Bao'an district	RMB30 mil/US$4.8 mil	Princeton Technology Corp.	Office

Source: Savills Research & Consultancy

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Significant changes are afoot with regard to developer financing in China. Over the last year, following the reopening of the domestic bond market to developers, Chinese developers have begun issuing increasing volumes of domestic bonds. According to a report by Moody's, at the beginning of November, domestic bond issuance for the first ten months of the year had jumped to US$28 billion from US$1.9 billion for FY2014. Over the same period offshore issuance fell from close to US$22 billion in FY2014 to US$8 billion for the first ten months of 2015.

Expectations are that issuance will continue to increase in 2016, with CITI recently forecasting that total issuance would rise RMB350 billion by the end of 2016, accounting for roughly 20-25% of listed developers total debt.

Coupon rates for onshore bonds tend to be significantly lower than offshore. According to Du Jinsong, Head of Asia Property Research at Credit Suisse, this is because domestic rating agencies give Chinese developers better ratings than offshore ratings do.

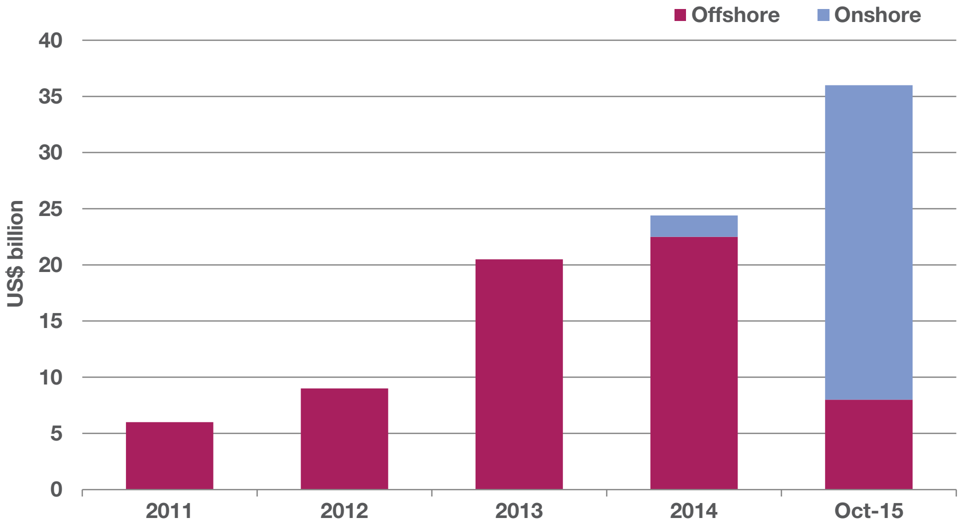
With interest rates also having fallen by 125 basis points (bps) since the initial cuts in November 2014, developers have been able to significantly reduce financing costs. Again CITI have forecasted that finding costs for listed developers has fallen steadily from 7.3% for FY2013, to 6.3% for FY 2015, and will fall by another 60 bps over the next year. Added to this the destocking that has taken place as a result of a recovering residential sales market in leading cities which has gradually spread to lower tier cities as well as more conservative land purchases, and developers are looking in much better shape than they were just 12 months ago.

In addition to lower financing costs, developers have also recently become investment targets of insurance companies.

The introduction of more insurance money into the sector is a sign of their positive expectation for the outlook of the property market as well as the possible scope for business cooperation; while at the same time providing some much needed yield generation as insurance companies expand their reach.

GRAPH 7

Chinese property developers' offshore and onshore bond issuance, 2011–Oct 2015



Source: Savills Research & Consultancy

TABLE 7

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Corporate Avenue 3	Huangpu	RMB5.7 bil/US$865 bil	Lee Kum Kee JV Vanke	Office
BEA Finance Tower	Pudong	RMB2.7 bil/US$410 mil	ARA	Office
#5, Star Bund	Hongkou	RMB2.3 bil/US$346 mil	China Science & Merchants Investment Management Group	Office
One Prime	Hongkou	RMB2.2 bil/US$338 mil	Shanghai Chengli Properties	Office & retail
Manpo International Plaza	Changning	RMB1.5 bil/US$222 mil	Carlyle	Office

Source: Savills Research & Consultancy

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The investment market was dominated by en-bloc deals in 2015 with both developers and local families eager to offload their holdings at the right prices. Of the 65 major transactions (over HK$100 million) recorded in 2015 (with a total transaction value of HK$62.9 billion), 37 of them were en-bloc transactions with a total consideration of HK$46.6 billion.

Interest in en-bloc offices heated up in Q4/2015 with two record breaking deals transacted in November in quick succession. Chinese Estates sold MassMutual Tower in Wanchai to Evergrande for HK$12.5 billion or HK$36,290 per sq ft, breaking the lump sum record for en-bloc deals in Hong Kong. The West Tower and West Retail Villa of One HarbourGate in Hung Hom was sold to mainland SOE China Life for HK$5.85 billion (HK$14,885 per sq ft) making this the most expensive en-bloc office deal in Kowloon to date. Both premises were bought by Mainland companies and both offer unobstructed sea views and large and visible signage, typical of the types of trophy asset which appeal to mainland entities.

The investment market will be challenging this year with interest rate hikes imminent (caused by a possible capital outflow from the local banking system rather than interest rate rises in the U.S.) and a very uncertain Mainland economy as well as a volatile stock market. Most local investors (and some developers as well) are expected to adopt a cautious approach to property investment as their businesses may be adversely affected.

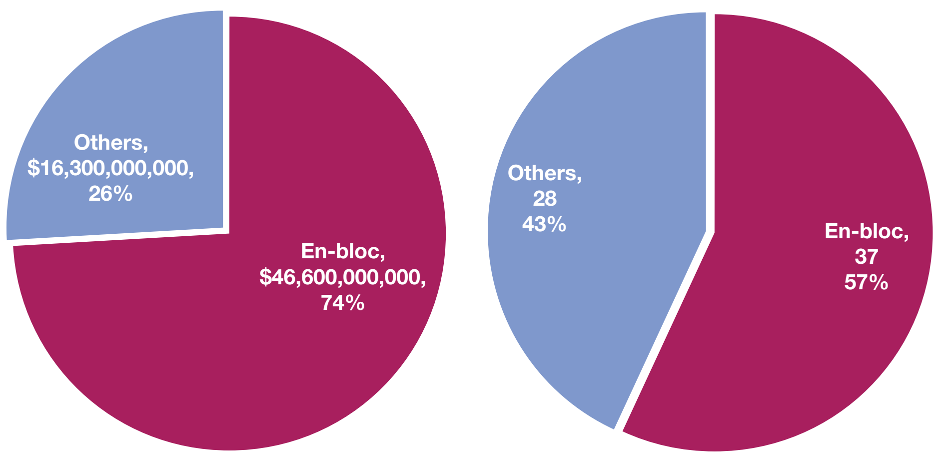
Nevertheless, we still see some investment hot spots this year, the first one the en-bloc investment market: While there is an increasing tendency for landlords of en-bloc buildings to sell, no matter they are local families, developers or investors, there exists a pool of cash rich buyers, such as local developers, end users and investment funds and more recently, Chinese corporations, looking for opportunities to invest in the en-bloc market, especially those located in prime locations or newly-built with harbour views and signage potential.

Mainland corporations, especially those who already have business operations in Hong Kong or are locally listed, are expected to be more active looking for en-bloc opportunities for owner-occupation. Cash rich local families are also expected to be active, but more on the sell side as many of them may consider divesting some of their long-term holdings and reinvesting in different property types (or asset classes) to rebalance their investment portfolios.

The suburban retail market primarily serving a local catchment should also be highly sought after this year with local daily retail spending relatively unscathed in the recent retail downturn. These centres should provide investors with relatively stable returns alongside limited downside risk.

GRAPH 8

Major transactions (over HK$100 mil) by type, 2015



Source: Savills Research & Consultancy

TABLE 8

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
MassMutual Tower	Wanchai	HK$12.5 bil/US$1.6 bil	Evergrande	Office
West Tower and West Villa, One HarbourGate	Hung Hom	HK$5.85 bil/US$754.8 mil	China Life	Office
Cargo Consolidation Complex	Kwai Chung	HK$1.4 bil/US$180.6 mil	PAG	Warehouse
Chivas Godown	Chai Wan	HK$1.55 bil/US$200.0 mil	Apollo Luck Limited	Warehouse
4 floors, Enterprise Square Three	Kowloon Bay	HK$918 mil/US$118.5 mil	Phoenix Property	Office

Source: EPRC, Savills Research & Consultancy

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Indonesia's economic situation remained challenging in the fourth quarter of 2015 and the effect of the slow down was felt by the property market.

Throughout 2015 all property sectors suffered a drop in demand, however, the office market is facing the biggest challenge due to a significant rise in supply. By the end of December 2015, total existing stock in the Jakarta CBD had reached 5,187,114 sq m, representing around a 10% increase year-on-year (YoY).

The spike in supply has alarmed landlords causing some anxiety regarding the level of competition they will have to face going forwards. Moreover, developers are also paying close attention and bracing themselves for lower rents and a difficult and protracted battle to attract occupiers as the market is expected to favour tenants for quite some time.

The downward pressure on rents can be seen across all office grades. In 2H/2015 the average rental rate (average for all grades) stood at IDR220,231 per sq m per month representing a drop of 4.2% compared with 1H/2015. The greatest drop in rents took place in the Premium Grade and Grade A segment, where the decline in rents reached 7% and 7.9% on a half-on-half (HoH) basis, repectively. Furthermore, with the large number of Premium and Grade A buildings entering the market in the future, office rents for these two grades are expected to decline further.

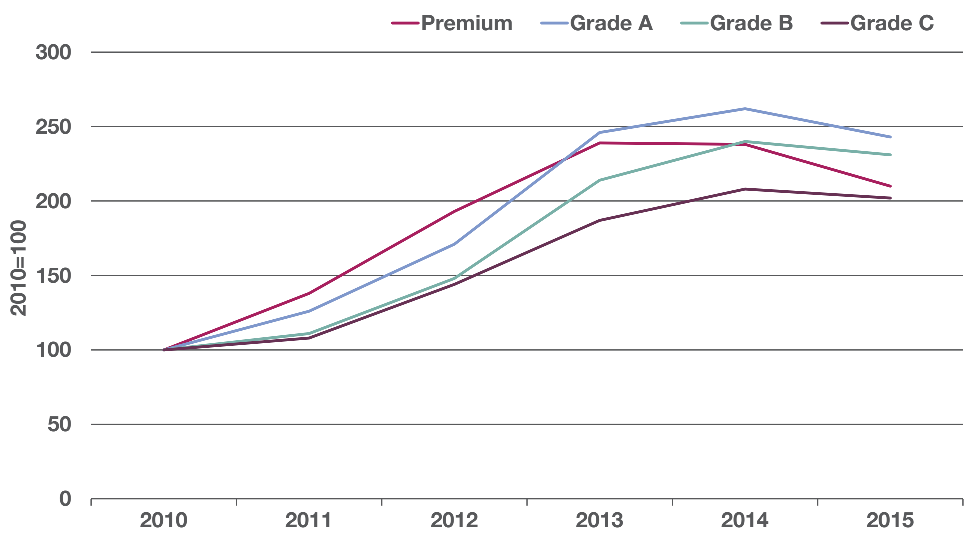
Meanwhile, the domestic credit growth in 2015 slowed amid the nation's overall slowdown. The slower loan growth resulted in a softening property market, especially in the residential sector, as consumers and investors were detered by the high interest rate environment. The Central Bank's benchmark interest rate remained at 7.5% throughout Q4/2015. Loan disbursement in the country's property market grew 12% in 2015 YoY to IDR620 trillion, lower compared to 2014's growth rate of 17% YoY. The lower credit growth was caused by weak demand in the construction sector as well as a weak mortgage demand.

In addition to the tight credit conditions, the residential market was also negatively impacted by the government's decision to impose strict tax measures on the luxury segment.

A similar story played out in the retail market. This sector faces real challenges as general consumer spending remains weak and the country's buying power was eroded further in the last quarter of 2015. Responding to the slower economic growth, most retailers chose to be caution, postponing or scaling back on expansion plans. The challenging conditions lead to a lower absorption rate during Q4/2015. Nevertheless, despite the decrease in demand, mall occupancy remained healthy at around 92%, which performed better compared to other property sectors. In contrast to the office market, the limited amount of new supply as a result of the strict issuance of government permits to build new malls in town is keeping new competition in check.

GRAPH 9

Rental index by grade, 2010–2015



Source: Savills Research & Consultancy

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Whilst the original Abenomics policies have somewhat stalled, there was some recovery in economic activity in 2015. The Japanese economy in 2016 looks fair, but should be viewed with some caution. In politics, the House of Councillor Election is to be held in July 2016, possibly the House of Representatives, too. No announcements have been made yet, but the double election could result in the re-shuffling of the Cabinet, which whilst it could help to boost the Japanese economy, it may also cause a delay in implementing policies.

The Bank of Japan (BOJ)'s purchase of J-REITs for Q4/2015 was JPY15.5 billion, and the 2015 total stands at JPY92.1 billion. Therefore, the planned annual purchase of JPY90.0 billion has been fully achieved. In December, the BOJ announced an additional purchase policy for J-REITs: The BOJ can now own up to 10% of J-REIT units (previously 5%). This implies that the BOJ has more firepower and it can additionally purchase more than JPY400 billion J-REIT units.

The closing price of the TSE REIT index on 30 December (1747.54) was higher than the end of Q3/2015 (1,677.60). The J-REIT unit price has steadily recovered from the trough in early September. The 10-year Japanese Government Bond yield steadily fell from 0.348% on 30 September to 0.267% on 30 December, which also helped increase the price of J-REITs as yield products.

The slow but steady rental recovery story for the Japanese market has captivated investor interest. 2015 saw market entry by mega-funds including German pension fund BVK, Malaysian public pension fund EPF, Azerbaijan State Oil Fund SOFAZ, and Norges Bank Investment Management (NBIM). These new (and also existing) investors look set to remain active in 2016.

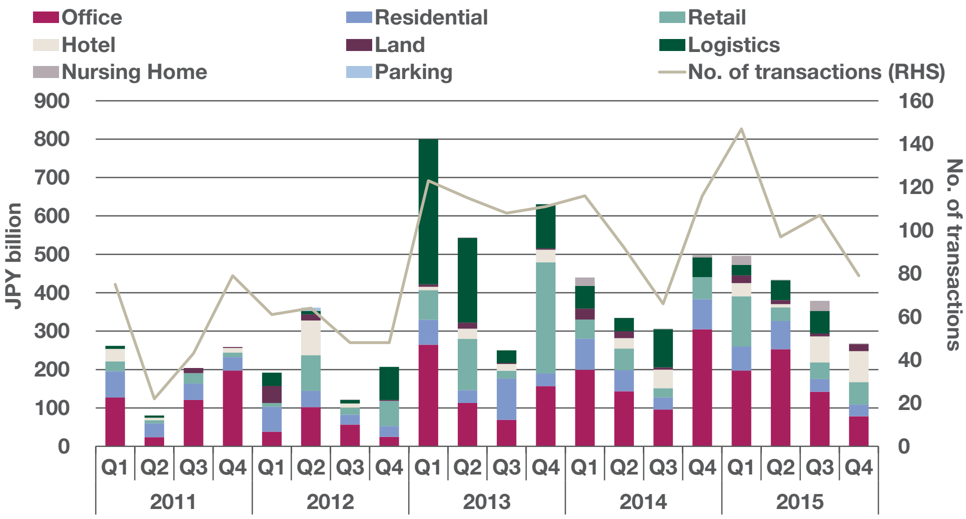
There were 97 property acquisitions by J-REITs in Q4/2015, totalling JPY268 billion. Particularly noticeable were nine hotel transactions for JPY20.4 billion by Ichigo Hotel REIT Investment Corporation upon its IPO, and the disposition of five shopping malls for JPY68.5 billion by the Japan Retail Fund.

Vacancy rates for both Tokyo's central five wards' Grade A and large-scale Grade B office space in Q4/2015 stood at 2.2%. By ward, Grade A office vacancy in Chiyoda and Chuo was 1.7% and 1.4% respectively. Minato's Grade A office vacancy also improved to 3.4%.

Occupancy rates of J-REIT residential properties in the central five wards continued to be well above 95%. Furthermore, rents increased by approximately 1.1% on quarter-on-quarter (QoQ) on average. In particular, monthly rents in Chiyoda increased by more than 3.5% QoQ on average.

GRAPH 10

J-REIT property acquisitions by sector, Q1/2011–Q4/2015



Source: Savills Research & Consultancy

TABLE 9

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Portfolio of five AEON malls	Greater Tokyo, Regional cities	JPY68.5 bil/US$560 mil	GK Double O5	Retail
Ark Hills South Tower (25% co-ownership interest)	Minato-ku, Tokyo	JPY22.0 bil/US$183 mil	Orix JREIT	Office
Hoshino Resorts Tomamu	Hokkaido	JPY18.3 bil/US$149 mil	Shanghai Yuyuan Tourist Mart	Resort
Active-Inter City Hiroshima (Sheraton Hiroshima Hotel)	Higashi-ku, Hiroshima City	JPY17.3 bil/US$142 mil	Japan Hotel REIT	Hotel
Hulic Toranomon Building (70% quasi-co-ownership interest)	Minato-ku, Tokyo	JPY12.7 bil/US$104 mil	Hulic REIT	Office

Source: Savills Research & Consultancy

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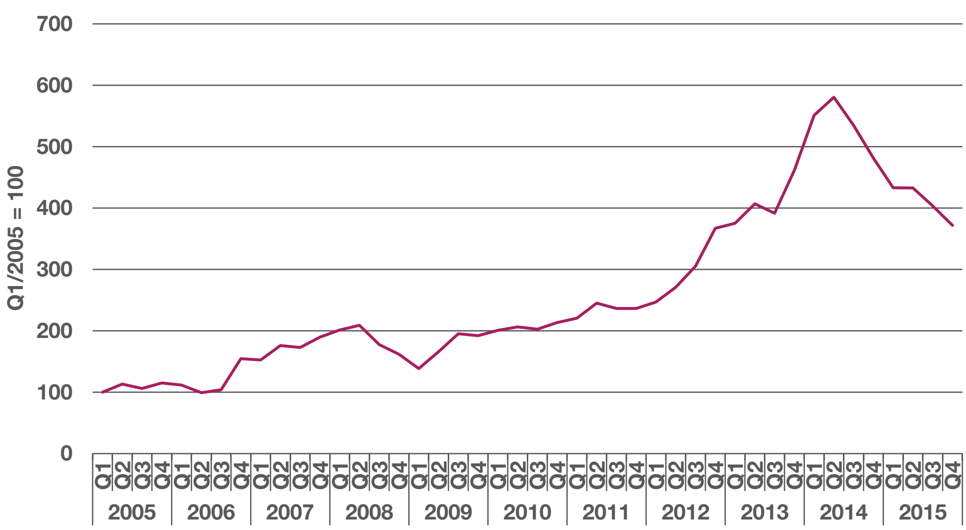
Macau residential market experienced a significant correction in 2015. The anti-corruption campaign in Mainland China has hit the gaming sector badly since 2014, with monthly gaming revenue showing a negative year-on-year growth for 19 consecutive months. The shrinkage of the gaming sector has translated into economic contraction, with Q3/2015 real GDP falling by 24.2% year-on-year.

Our mid-to-high end residential property price index also showed a 22.7% decline in 2015, on the back of weaker leasing demand in the top tier market and a reduction in the number of mainland buyers. Some luxury primary projects cut their asking price by over 40% from the peak in 2014 to a level close to 2012, from some HK$18,000 per sq ft to only HK$8,000 per sq ft in order to boost sales. Despite this there are some other signs that the local spending and employment situation is still relatively healthy with median employment income in Q3/2015 standing at the record level of MOP 15,000 and the unemployment rate at a low of 1.9%. There has been, however, some evidence of selective layoffs which could be a cause for concern. Fortunately, a number of new casinos and hotels will begin operations in the coming years, easing pressure on the unemployment rate brought about by slower economic growth.

Over recent years Macau has strived to diversify its economy by developing new infrastructure and fostering greater cooperation within the Pearl River Delta. The expansion of Pac On Ferry Terminal and Macau International Airport and the establishment of the Light Rail Transit system and the Hong Kong-Zhuhai Macau Bridge not only create job opportunities but also increase connectivity internally and externally. Meanwhile, the ongoing development of Hengqin will increase the capacity of Macau's economy by providing more commercial space while helping to diversify the city's economic base.

Looking ahead, although the economy is likely to regain some momentum in 2016 (according to The Economist Intelligence Unit (EIU) forecasts, GDP will fall by 24% in 2015 then rebound by 6.7% in 2016 in real terms due to the base effect as well as the opening of new casinos), we expect a further 10% decline in the mid-to-high end residential property price on the back of a depreciating Renminbi and low transaction volumes brought about by the government's cooling measures. In the longer term, the State Council of China has approved plans to expand the territory administrated under Macau to 85 sq km. This will promote the longer term development of Macau and help to stabilize the labour market with the construction of new commercial and residential developments as well as supporting infrastructure.

GRAPH 11
Mid-to-high end residential price index, Q1/2005–Q4/2015



Source: DSCE, Savills Research & Consultancy

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The last quarter of 2015 saw 15 major land transactions with a total consideration of RM11.284 billion. The purchasers were predominantly local developers, with seven sites in Kuala Lumpur, five in Selangor, two in Penang and one in Johor.

The largest transaction was the sale of a 60% stake in Bandar Malaysia by TRX City for RM583 per sq ft (a total value of RM7.41 billion) to a consortium comprised of China Railway Engineering Corporation and Iskandar Waterfront Holdings in December 2015. Bandar Malaysia is the proposed redevelopement of the Sungai Besi Airport, home to KL's first international airport, spanning 486 acres in Sungai Besi, Kuala Lumpur and includes the end terminus for the proposed KL-Singapore High Speed Rail Project.

Other major transactions include MRCB being awarded a RM1.632 billion mandate to regenerate the Bukit Jalil National Sports Complex into a fully-integrated sports hub with sports training facilities, a Sports Museum, Youth Hostel, Convention Centre and retail centre; WCT purchasing a 1.65 acre piece of commercial land in Tun Razak Exchange for RM223 million; and KWAP, the civil servant retirement fund, purchasing a 0.72 acre parcel of development land located at Jalan Changkat Kia Peng for RM87.92 million.

In Selangor, the largest land deal was the sale of 680 hectares of agricultural land in Sepang by Guocoland (Malaysia) to Putrajaya Holdings in October 2015, for RM475 million.

Around the same period, CSB Development Sdn Bhd acquired 53.37 acres of land for a mixed development site known as Cyberjaya City Centre Development Area No. 1, transacting for a sum of RM348.75 million or RM150 per sq ft. CSB Development Sdn Bhd is a joint-venture between MRCB Land Sdn Bhd and Cyberview Sdn Bhd that will undertake the development of Cyberjaya City Centre (CCC) which comprised residential units, retail, hotels and a convention centre.

In Penang, Hunza Properties Berhad acquired 9.7 acres of residential land in Bayan Baru for RM57.02 million in October 2015, reportedly for an affordable residential development. Ewein Zenith II Sdn Bhd proposed to acquire 4.43 acres of land in Section 1 Bandar Tanjong Pinang in Penang for a sum of RM162.00 million.

In Johor, 33.6 acres of development land in Zone C of Medini, Iskandar Malaysia was acquired by BCB Berhad for a sum of RM58.53 million or RM40 per sq ft in early October 2015, for the development of commercial shop-offices.

The property investment market was also active in Q4/2015. In November, AXIS-REIT acquired four units of single-storey detached factories, along with some office space (all currently tenanted at a net yield of 7.1% per annum), within i-Park Industrial Park, Indahpura, Johor for RM61 million.

In December, AmFirst REIT disposed of the 13-storey AmBank Group Leadership Centre to Techvance Properties Management for RM36 million or RM623 per sq ft on net lettable area, while Blackrock's Intermark Mall, part of the Intermark integrated development, was sold to Pavilion REIT for RM160 million or RM711 per sq ft on NLA. The mall enjoys an occupancy rate of 74% as of September 2015, and is the second shopping mall acquired by the Pavilion REIT in 2015, da:men USJ Shopping Centre being the other.

GRAPH 12

Total values of property transactions in Greater Kuala Lumpur, 2007–Q3/2015

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 10

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
A 60% stake of Bandar Malaysia land bank	Sungai Besi, Kuala Lumpur	RM7.41 bil/US$1.73 bil	China Railway Engineering Corporation & Iskandar Waterfront Holdings	Mixed-use
A 92.5-acre of land	Bukit Jalil, Kuala Lumpur	RM1.63 bil/US$380.21 mil	MRCB Land Sdn Bhd	Mxied-use
A 679.2-ha of agricultural land	Sepang, Selangor	RM474.99 mil/US$110.67 mil	Putrajaya Properties Sdn Bhd	Agriculatural
A 2.06-acre of school land	Jalan Imbi, Kuala Lumpur	RM388.0 mil/US$90.40 mil	Debao Properties Development (HK) Ltd	Mixed-use (TBC)
A 53.37-arce of land for mixed development known as Cyberjaya City Centre Development Area No. 1	Cyberjaya, Selangor	RM348.75 mil/US$81.26 mil	CSB Development Sdn Bhd	Mixed-use

Source: Company announcements and news, Savills Research & Consultancy

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Key drivers in the New Zealand economy in the fourth quarter of 2015 were strong population growth, cheap credit, a lack of new supply and capital flowing out of Asia.

Net migration is exceeding 60,000 people annually, pushing annual population growth above 2.0% with GDP growth around that similar 2.0% level. More people means more houses, factories, offices and supporting retail which is under pinning the market going into 2016.

The lack of suitably zoned land in New Zealand's major city Auckland where most of the growth is occurring is seeing bottlenecks in the construction of new residential and commercial development with Auckland's cost structures amongst the highest in Australasia.

Inflation like in most developed nations is trending below market expectation and this combined with falling economic growth has seen a continuation of a softening in the monetary policy settings with the official cash rate now set during this quarter at 2.5% and average residential landing rates around 5%. Lower margins on commercial landing means significant arbitrage on debt as commercial yields still range in the 6.0% to 7.0%.

House price inflation in Auckland remains strong with residential building escalating to correct the supply shortfall due to historic under construction and growing migration is seen in the graph.

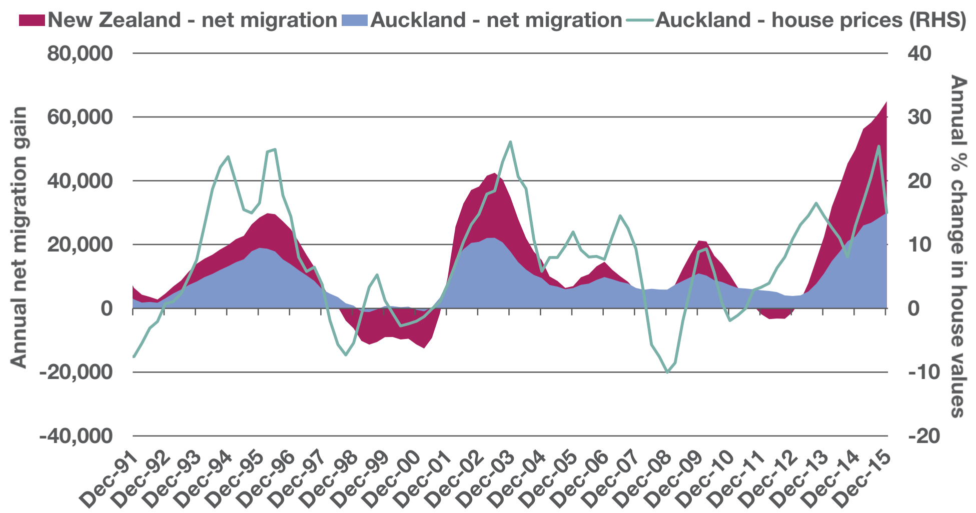
A fall in the value of the New Zealand dollar is having a significantly positive impact on our export and tourism sectors as well as making the purchase of New Zealand property less expensive for foreign nationals.

Investment is focussed on two areas – the Christchurch rebuild following the catastrophic earthquake four years ago and the strong migration flows into the Auckland Region.

Negative factors effecting growth are the softening of commodity prices and slower economic growth in key export markets such as China and Australia, but overall we expect a continuation of a strong performance in the local property markets for the foreseeable future.

GRAPH 13

Net migration gain and residential house price growth, Dec 1991–Dec 2015



Source: Statistics New Zealand, Corelogic

TABLE 11

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
9 Holloway Place	Penrose, Auckland	NZD16 mil/US$10.4 mill	NZ private investor	Industrial
18 Amersham Way	Manukau, Auckland	NZD5.6 mil/US$3.7 mil	NZ private investor	Office
2-6 Gilmer Terrace	Wellington	NZD18-20 mil/ US$11.7-13.0 mil	Private	Hotel

Source: Company announcements and news, Savills Research & Consultancy

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Regardless of the uncertainties in the global economy, particularly in China, 2016 seems promising for the Philippines. We expect that the country's GDP growth will be within the same range as 2015 at around 6.0%, which will in turn, sustain the strong activity in the real estate sector as well.

As for the capital markets, the previous year ended on a high note. The last quarter of 2015 saw a wide range of capital markets transactions that illustrate the current market trends rather well. Among these, the most notable activity was the asset consolidation of Starmalls under Vista Land by the Villar family. The estimated PHP33.6-billion deal included 12 properties, mainly malls, adding the retail component to Vista Land’s portfolio, and transforming it into a fully integrated property development company and one of the largest property developers in the country. This deal also highlights the ongoing trend of local developers pushing their business models to focus more on recurring income from residential sales, as the residential market has started to show some signs of saturation.

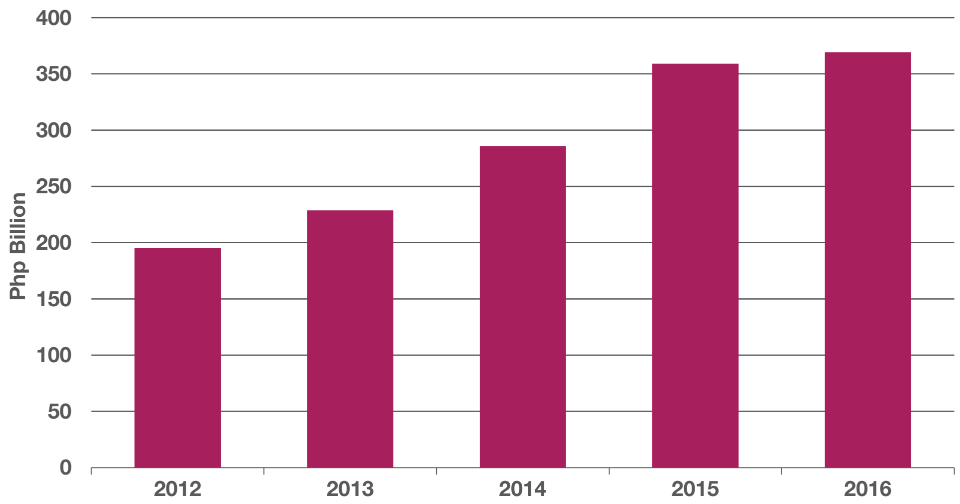
Another notable deal which pushed through was the USD150-million debt facility to finance five office buildings in Clark Freeport Area, highlighting the increased flow of foreign capital into the Philippine property markets. Dubbed the new Bonifacio Global City, this transaction will definitely add some momentum to the transformation of the Clark area. After ten years of speculation, Clark seems to be starting to capitalize on the momentum. Currently, the area already hosts some multinational occupiers engaged in manufacturing and Business Process Outsourcing.

Aside from the Clark deal, the quarter witnessed several other deals involving foreign investors. Hong Kong Land announced two joint venture development deals; one with D.M. Wenceslao group in Aseana City and another in Cebu with Taft Properties. In the hotel sector, as part of an internal consolidation, a partial interest of New World Makati was transferred to New World Development from the parent company. Meanwhile, Ascott REIT exited from the 71-room Salcedo Residences for PHP240 million.

Looking beyond 2016, much remains to be decided in the presidential elections in May. From a real estate point of view, the most interesting topic of discussion has been whether there will be amendments to the foreign ownership restrictions to capitalize on the high foreign interest in the country. Once completed, these amendments could translate to increased volumes and ease the deal execution by foreigners, supporting the growth trajectory of the country.

GRAPH 14

Estimated capital expenditure plans of major developers, 2012–2016



Source: BSP, KMC MAG Group, Savills Research & Consultancy

TABLE 12

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Global Gateway Logistics City (Debt facility)	Clark	PHP7.0 bil/US$150.0 mil	Baring Private Equity & ADM Capital	Office development site
Vertis North (Lots 7A1, 7A2 and 4)	Quezon City	PHP2.0 bil/US$42.9 mil	Sureste Properties	Development site
Tipo Valley Realty (97.6% interest)	Hermosa, Bataan	PHP299.1 mil/US$6.3 mil	Anglo Philippine Holdings Corp.	Development site
Salcedo Residences	Makati CBD	PHP240.0 mil/US$5.1 mil	Infinity Primetowers Makati	Hotel
Aseana City (26 ha)	Aseana City	N/A	Hongkong Land JV DM Wenceslao	Residential development site

Source: KMC MAG Group, Savills Research & Consultancy

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In the last quarter of 2015, S$5.02 billion worth of investment transactions was recorded, representing a 79.9% increase from last quarter. In the public sector, Q4's transaction value surged by 223.7% quarter-on-quarter (QoQ), as three residential sites, three industrial sites under the government land sales (GLS) Programme, and the sale of the CPF building added another S$1.58 billion to the pool from the first three quarters of the year. Similarly, the private sector recorded a total of S$3.44 billion worth of deals done in the last quarter, a rise of 49.5% from Q3's S$2.30 billion. At the end of 2015, the structured deal between City Developments and Alpha Investment Partners and the share swap transaction between Keppel Corporation and Mapletree Investment contributed S$1.48 billion, 42.9% of the total investment value in the private sector.

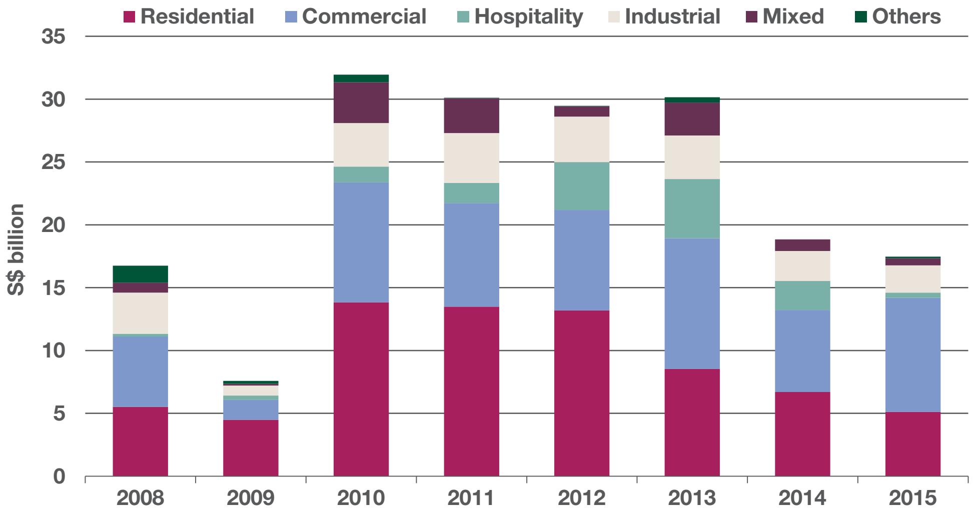
Although the full-year figure came in at a respectable S$17.5 billion, nevertheless, it still represented a decline of 7.3% from 2014's S$18.8 billion. This was the second lowest figure since 2008. Of the total, the public sector contributed S$5.81 billion for 2015, mainly from the sale of government land. This was a drop of 12.7% year-on-year (YoY). On the other hand, the private sector's investment sales totalled S$11.7 billion, down 4.3% from S$12.2 billion in the preceding year.

2015's lacklustre performance in the investment sales market is within market expectations, as unfavourable conditions, which have reined in investment momentum since 2014, persisted throughout the year. These include economic uncertainties, property cooling measures (especially those related to the ABSD and TDSR), expectations of a hike in US interest rates which pervaded the year, high asking prices and compressed yields, as well as a cautious outlook in some property sectors. In addition, the reduced number of sites under the GLS Programme also played a part.

Savills expects S$15-17 billion of deals for 2016. Challenges such as near-term growth prospects and further interest rate rises will increase yield expectations for short- to mid-term investors, leaving them out of contention for many of the competitive tenders. The silver lining is that this creates opportunities for equity-rich, longer-term investors with a lower cost of capital – such as SWFs and insurance funds – to make a foray.

GRAPH 15

Investment sales transaction volumes, 2008–2015



Source: Savills Research & Consultancy

TABLE 13

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Central Mall Office Tower, Tampines Grande and Manulife Centre	Magazine Road, Tampines Grande and Bras Basah Road	S$1,071.5 mil/US$744.2 mil	Golden Crest Holdings Pte Ltd, a joint venture by City Developments Ltd and Alpha Investment Partners Ltd	Commercial
CPF Building	Robinson Road	S$550.0 mil/US$382.0 mil	Ascendas-Singbridge	Commercial
One@Changi City	Changi Business Park Central 1	S$420.0 mil/US$291.8 mil	A-REIT	Business Park (Industrial)
Government land	Alexandra View (Parcel A)	S$376.9 mil/US$261.9 mil	Tang Skyline Pte Ltd	Residential
Government land	Lorong Lew Lian	S$321.0 mil/US$223.0 mil	Verwood Holdings Pte Ltd., Intrepid Investments Pte Ltd and TID Residential Pte Ltd	Residential

Source: URA, Savills Research & Consultancy

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Eight office buildings were sold in Q4/2015, with a combined transaction volume of KRW1.15 trillion. Total volume of transactions concluded in 2015 did not even reach KRW4 trillion, falling short of the KRW5 trillion level which has been maintained since 2012. There were some cases of transactions which were dropped or delayed after preferred bidder selection. This was largely due to fund-raising difficulties and leasing issues with the high vacancy rate in 2015. Despite this, the sale price per pyeong continued to rise in 2015 as it has done in recent years.

Korea has kept its benchmark interest rate at an historical low of 1.5% for more than six months. As of December 2015, the yield of five-year government bonds was 1.90% and ten-year government bonds 2.17%. The US is expected to raise its benchmark interest rate gradually, starting with the interest rate increase announced on December 17. This is likely to lead to a phased interest rate increase in Korea in the medium term. However, the pace of any rate increases will be slow due to continuing domestic pressure to boost the economy.

Prime office buildings continue to attract continued interest from investors. In the current market with a high vacancy rate, office buildings which are well-let and offer secure tenants are preferred. Meanwhile, buildings with a high vacancy risk are sold to value-add investors looking to undertake asset management strategies including change of building use, remodelling or building expansion.

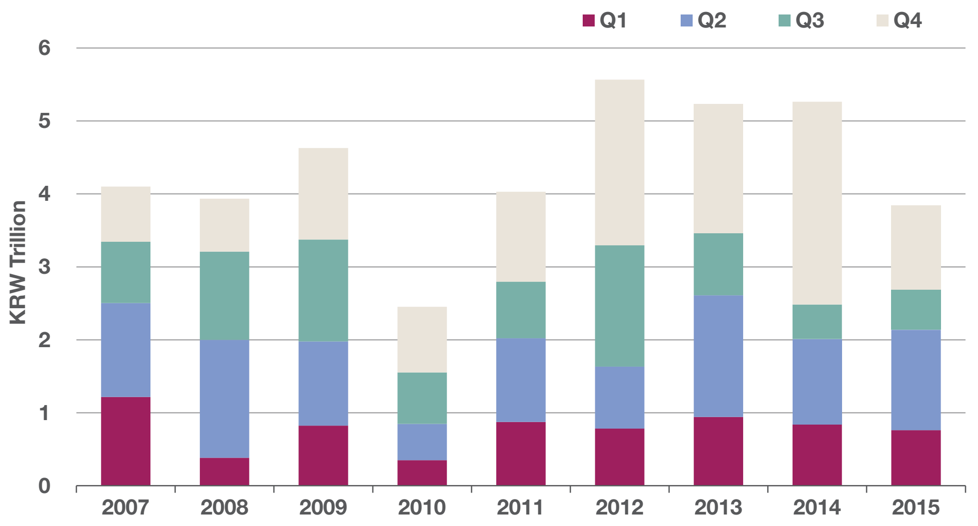
The major transaction in the quarter was the Hana Daetoo Securities Building in the YBD. The building, which will continue to be occupied by Hana Daetoo Securities following the sale, was sold to Koramco REIT & Trust for KRW400 billion (KRW18.9 million per pyeong). Besides this building, Jongno Place traded to Ascendas for KRW231.7 billion and NH Capital Tower sold to Vestas AMC for KRW102.1 billion.

In 2015 there were a number of cases of large domestic companies selling their real estate properties. The reasons for sale include strategic disposals or to enhance the financial position of the firms. More transactions of corporate properties are expected in 2016.

Samsung Life Insurance, which is liquidating five properties, had completed sales for two of its five current disposals by year end – Samsung Life Insurance's building in East Yeouido and Susong Tower. Furthermore, Samsung Life Insurance is proceeding with disposals of Jongno Tower and its office building in Donggyodong. Lastly, in December 2015, an SPA was executed for the sale of Samsung Life Insurance's headquarters building in Taepyeongno to Booyoung Group.

GRAPH 16

Seoul office market transaction volumes, 2007–2015



Source: Savills Research & Consultancy

TABLE 14

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Susong Tower	CBD	KRW255.0 bil/US$210.7 mil	IGIS Asset Management	Office
Jongno Place Tower	CBD	KRW231.7 bil/US$191.4 mil	Ascendas	Office
Hana Daetoo Building	YBD	KRW400.0 bil/US$330.5 mil	KORAMCO	Office
NH Capital Building	YBD	KRW102.1 bil/US$84.3 mil	Vestas Investment Management	Office
Samsung Life Insurance East Yeouido Building	YBD	KRW60.8 mil/US$50.2 mil	IGIS Asset Management	Office

Source: Savills Research & Consultancy

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In 2015, Taiwan's GDP growth could possibly be less than 1% due to a double-digit decline in exports. A weak economy and a string of changes to tax regulations in recent years, including luxury tax, building tax and capital gains tax, have caused investors to lose confidence in the property market. During the first 11 months of 2015, total property transaction numbers in Taiwan dropped by 16% compared with the same period last year. In Taipei City, the number of property acquisitions totalled approximately 24,000, 60% lower than in 2009.

The total transaction volume of commercial property over NT$300 million in 2015 stood at NT$98.4 billion, a 1.5% increase year-on-year (YoY). Over 66% of transactions (NT$65.4 billion) concluded in the fourth quarter and two larger deals, CTBC Xinyi Headquarters and Shin Kong Mitsukoshi A8, contributed a total of NT$42.1 billion. In terms of the number of concluded deals, however, this declined by 25% YoY to 57 and market activity remained slow in general.

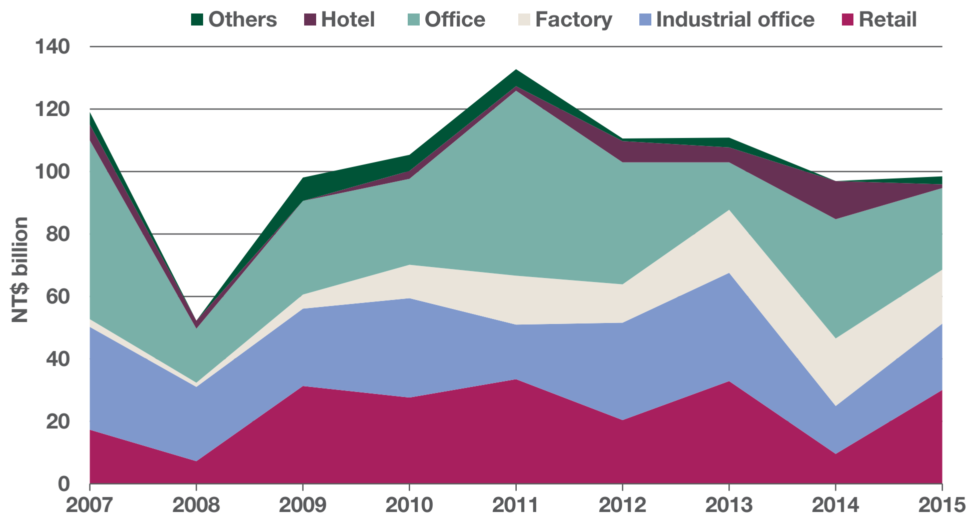
Shin Kong Life Insurance Company disposed of the Shin Kong Mitsukoshi A8 department store for NT$27 billion in December. This was the largest transaction deal ever in Taiwan's commercial property market. It has a long-term lease of 12 years and a minimum of NT$690 million in rental income every year. The open tender for the A8 department store (for NT$2.8 billion) this August failed. Fortunately, with the threshold of minimum property investment yields for insurance companies revising down to 2.555% and the price marked down slightly, this property was successfully sold to Fubon Life Insurance Company.

CTBC Xinyi Headquarters, another notable deal, was sold to Green Heaven Investments Limited and the Sho-he Development Company for NT$15.1 billion in October. With a land lot of 1,963 ping in an extraordinary location, the new owners plan to build a mixed-use project including offices and hotels. In this deal, the seller asked to retain 5% of the property ownership, and therefore a part of the retail component of the new development will still belong to the seller.

In terms of land transactions, total volumes decreased slightly by 3.3% YoY to NT$86.8 billion in 2015. Even though the land transaction market has remained stable, developers have already had to reduce land investment since 2014. The volume of land acquisitions by developers in 2015 totalled NT$27.7 billion, a drop of 70% on 2013 figures. Faced with a down-cycle, developers are increasingly entering into joint-ventures with land owners. In this way, developers do not need to commit capital to land. Meanwhile, they can ease the inventory pressure from new projects after sharing profits with land owners. More and more developers are diversifying their business by operating retail malls, hotels and postpartum care centres, etc.

GRAPH 17

Commercial real estate transaction volumes, 2007–2015



Source: Savills Research & Consultancy

TABLE 15

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
CTBC Xinyi Headquarters	Xinyi district, Taipei City	NT$15.12 bil/US$458 mil	Green Heaven Investments Ltd & Sho-he Development Company	Office
Shin Kong Mitsukoshi A8	Xinyi district, Taipei City	NT$27.03 bil/US$819 mil	Fubon Life Insurance Company	Retail
Cameo Headquarters	Neihu district, Taipei City	NT$2.03 bil/US$61.5 mil	Edimax Technology Co., Ltd	Industrial office
HTC Taoyuan Factory	Taoyuan district, Taoyuan City	NT$6.06 bil/US$183.6 mil	Inventec Corporation	Factory
Yuanta Financial Headquarters	Songshan district, Taipei City	NT$4.4 bil/US$133 mil	Yuanta Commercial Bank	Office

Source: Savills Research & Consultancy

Viet Nam

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In 2015, Vietnam's economy developed at the fastest pace of the last five years, supported by a robust industrial performance, strong exports and high foreign direct investment (FDI). Gross Domestic Product (GDP) grew at 6.7%, surpassing the official target of 6.2% and the 2014 rate of 6.0%. As a result, Vietnam now has the highest GDP growth in Southeast Asia, a promising sign for the nation's booming economy. Much of this growth has been fuelled by increasing interest from international enterprises with strong foreign investment. Total registered FDI reached US$22.76 billion, up 12.5% year-on-year (YoY) while FDI disbursement gained 17.4% YoY, totalling US$14.50 billion. The domestic real estate market received approximately US$2.39 billion in FDI inflow, almost double that of 2014.

Amendments to the Housing Law, the establishment of the ASEAN Economic Community (AEC) and new free-trade agreements with the European Union, South Korea and China have made Vietnam's real estate market an attractive investment environment. The agreement of most importance is the Trans Pacific Partnership (TPP), a free trade zone encompassing various countries which together account for nearly 40% of the world's economy. According to Vietnam's Minster of Industry and Trade, the TPP is expected to increase Vietnam's GDP by US$23.5 billion in 2020 and US$33.5 billion by 2025.

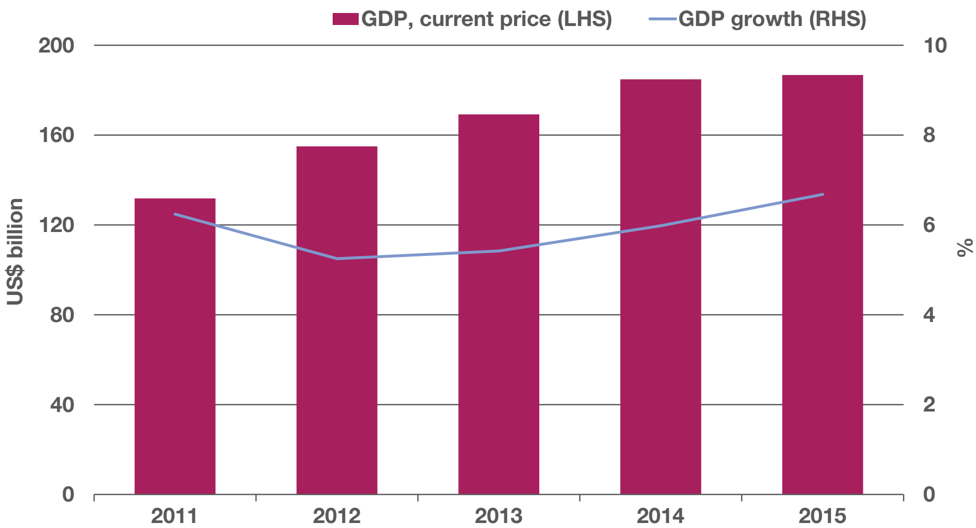
A major deal this quarter was the acquisition of the South Hoi An integrated casino resort by Chow Tai Fook Enterprises from VinaCapital. This US$4 billion project comprises five-star hotels, villas and a casino aimed at the foreign tourist market. Another significant deal was the auction of the Kim Lien Hotel in Ha Noi. State Capital Investment Corporation auctioned 3.65 million shares of Kim Lien Tourism JSC, equivalent to 52.4% of its charter capital. It was sold at a bidding price of US$12.19 per share, totalling US$44.5 million.

In the residential sector, Genesis Global Capital closed a cooperation agreement with Phuc Khang, a local developer, to invest US$300 million. The agreement includes The Diamond Lotus, a US$56.25 million condo project in District 8, Ho Chi Minh City (HCMC). CapitaLand, in a joint venture with a Vietnamese company, has committed to invest in a US$55 million project in District 2, HCMC. Emaar Properties PJSC, together with local property developer Bitexco, has been granted approval for a US$1.37 billion urban area. The development will incorporate infrastructure, housing facilities, hotels and ecological parks and is located in the Binh Thanh District of HCMC. The 427-hectare project will commence in 2016, with the final phase to be completed in 2030.

Given the current positive sentiment in Vietnam's property market, it is expected that 2016 will continue to witness increased transaction activity across all real estate sectors.

GRAPH 18

Vietnam's gross domestic product, 2011–2015



Source: GSO

TABLE 16

Major investment transactions, Oct–Dec 2015

Property	Location	Price	Buyer	Usage
Nam Hoi An Casino project	Quang Nam	VND89.4 tri/US$4.0 bil	Chow Tai Fook Ltd	Casino & Resort
Binh Quoi - Thanh Da project	HCMC	VND30.6 tri/US$1.4 bil	Emaar Properties PJSC	Mixed-use
Kim Lien Hotel	Ha Noi	VND992.7 bil/US$44.4 mil	Thaigroup	Hotel
Diamond Lotus	HCMC	VND1.3 tri/US$56.3 mil	Genesis Global Capital	Residential
A project in District 2	HCMC	VND1.2 tri/US$55.0 mil	CapitaLand	Residential
Que Vo Industrial Zone	Bac Ninh	VND199.0 bil/US$8.9 mil	Keysheen (Cayman) Holdings Co., Ltd	Industrial

Source: RCA, Press releases

Australia

◄ **600 Bourke Street (43%)**
Melbourne
AU$243.0M/US$175.0M
in December

206 Bourke Street ►
Melbourne
AU$118.3M/US$85.2M
in December

◄ **Dandenong Plaza Shopping Centre**
Dandenong, Victoria
AU$197.0M/US$141.8M
in December

◄ **313 Adelaide Street**
Brisbane
AU$125.4M/US$90.3M
in November

▼ **60 Margaret Street**
Sydney
AU$279.5M/US$201.2M
in November

The shops at Ellenbrook ▲
Ellenbrook
AU$220.0M/US$158.4M
in December

78 Waterloo Road ▲
Macquarie Park
AU$106.0M/US$76.3M
in November

East Village ▲
Zetland
AU$154.7M/US$111.4M
in October

▲ **World Square Shopping Centre (50%)**
Sydney
AU$248.0M/US$178.6M
in December

◄ **Forestway Shopping Centre**
Frenchs Forest
AU$112.0M/US$80.6M
in November

Guangzhou/Shanghai

Zhuangshi Building
Tainhe district, Guangzhou
RMB178M/US$27M
in November

#5, Star Bund
Hongkou, Shanghai
RMB2.3B/US$346M
in November

One Prime
Hongkou, Shanghai
RMB2.2B/US$338M
in October

Corporate Avenue 3
Huangpu, Shanghai
RMB5.7B/US$865M
in December

Manpo International Plaza
Changning, Shanghai
RM1.5B/US$222M
in October

BEA Finance Tower
Pudong, Shanghai
RMB2.7B/US$410M
in November

Hong Kong

◄ MassMutual Tower
Wanchai
HK$12.5B/US$1.6B
in November

◄ One HarbourGate - West Tower and West Villa
Hung Hom
HK$5.9B/US$754.8M
in November

The Parkside ►
Tseung Kwan O
HK$510M/US$65.8M
in December

◄ Ka Fuk Shopping Centre & Carparks
Fanling
HK$588.3M/US$75.9M
in October

◄ Riviera Plaza
Tsuen Wan
HK$830M/US$107.1M
in October

Optimall ►
Tsuen Wan
HK$790M/US$102.0M
in October

◄ Sun Kwai Hing Plaza
Kwai Hing
HK$503M/US$64.9M
in December

◄ Tower 535 (50%)
Causeway Bay
HK$3.5B/US$446.5M
in November

Cargo Consolidation Complex ►
Kwai Chung
HK$1.4B/US$180.6M
in December

◄ King Kong Commercial Center
Western
HK$600.7M/US$77.5M
in October

Japan

◀ **Hulic Toranomon Building**
Minato-ku Tokyo
JPY12.7B/US$104M
in December

Ark Hills South Tower ▶
(25% co-ownership interest)
Minato-ku, Tokyo
JPY22.0B/US$183M
in October

◀ **Aeon Mall Yachiyo Midorigaoka**
Yachiyo City, Chiba
JPY28.0B/US$233M
in October

Singapore

▼ **One@Changi City**
1 Changi Business Park Central 1
S$420.0M/US$291.8M
in December

CPF Building ▶
79 Robinson Road
S$550.0M/US$382.0M
in November

▲ **Manulife Centre**
51 Bras Basah Road
◀ **Central Mall (Office Tower)**
1 Magazine Road
▶ **Tampines Grande**
7 & 9 Tampines Grande
S$1,071.5M/US$744.2M
in December

Major transactions Q4 2015

South Korea

Jongno Place
CBD
KRW231.7B/US$191.4M
in November

NH Capital Building
YBD
KRW102.1B/US$84.3M
in December

Susong Tower
CBD
KRW255B/US$210.7M
in October

Samsung Life Insurance East Yeoido Building
YBD
KRW60.8B/US$50.2M
in October

Hana Securities Building
YBD
KRW400B/US$330.5M
in October

Taiwan

CTBC Xinyi Headquarters
Taipei City
NT$15.12B/US$458M
in October

Cameo Headquarters
Taipei City
NT$2.03B/US$61.5M
in December

Yuanta Financial Headquarters
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NT$4.4B/US$133M
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NT$27.03B/US$819M
in December

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