REPORT

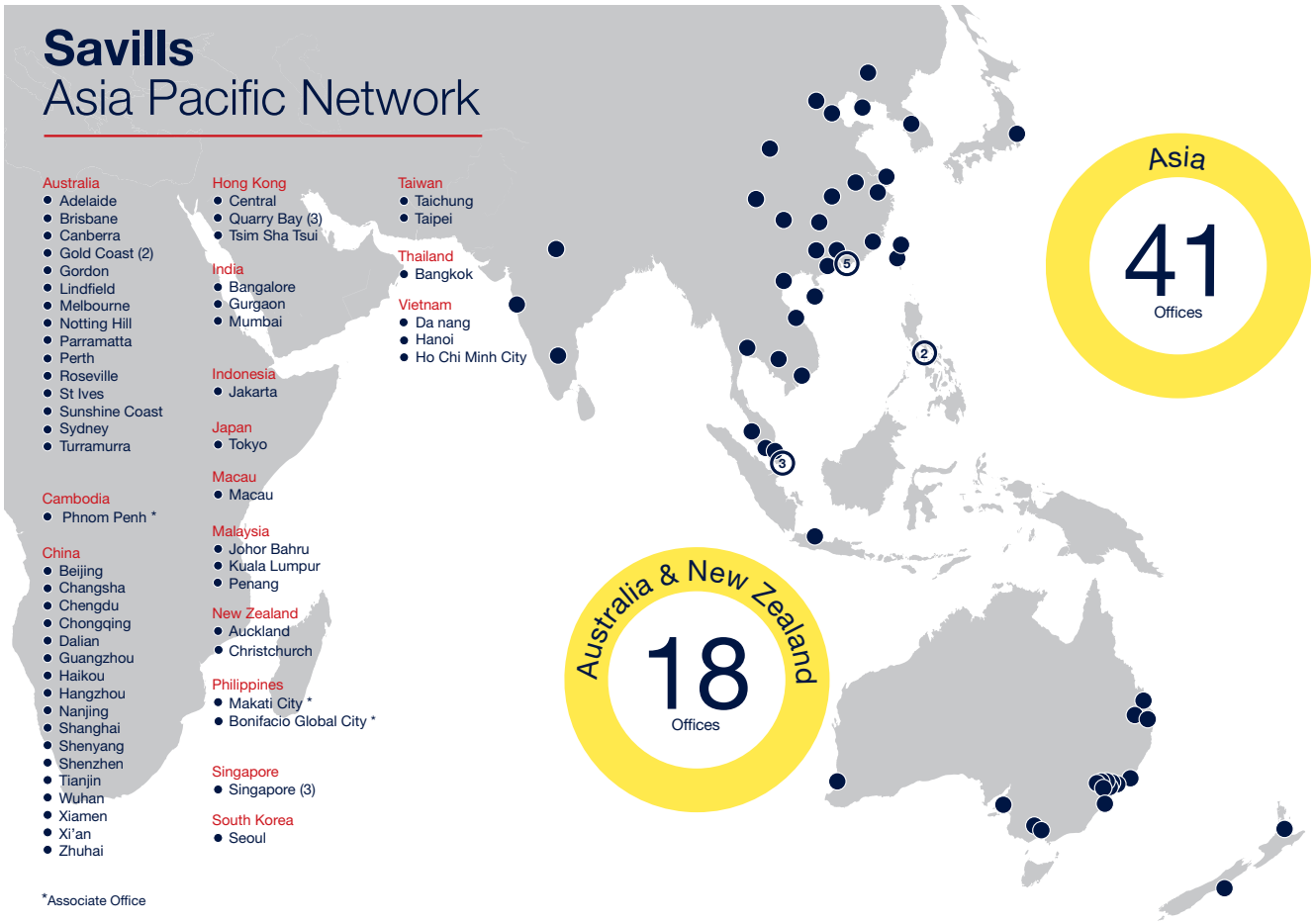
Savills Research

Asia Pacific – Q2 2019

Investment Quarterly

savills

Asia Pacific Network



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 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

In Asia Pacific, Savills has 59 regional offices comprising over 25,000 staff. Asia Pacific markets include Australia, China, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand and Viet Nam. 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.

Content

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The en-bloc investment market posted a stable performance in Q2/2019, with a total of five deals concluded for a combined consideration of RMB4.28 billion. Activity was scattered across multiple asset classes and included office, department store, hotel, development site and cloud data storage centre acquisitions. Domestic buyers and sellers accounted for all deal activity during the quarter. Equity transactions were the most popular deal structure. Major transactions included:

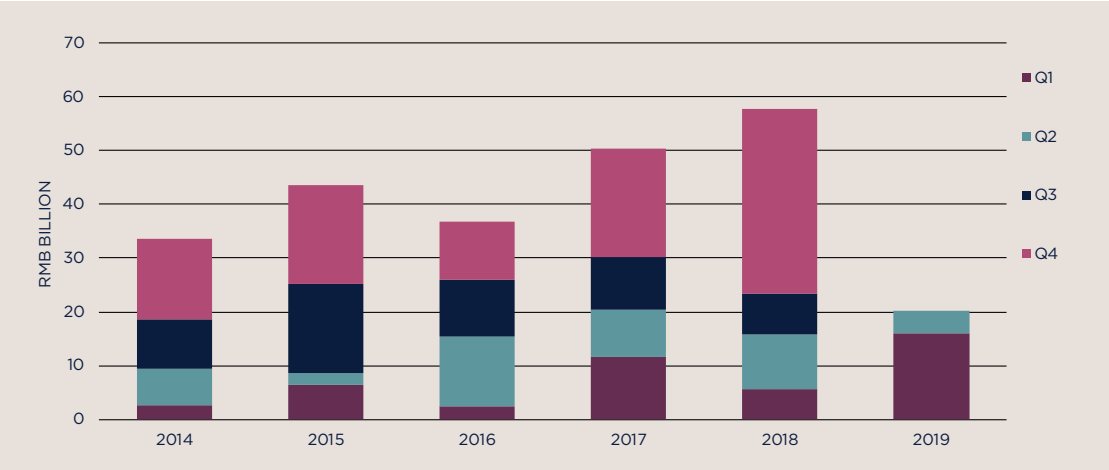
- Bank of China Group Investment Limited purchased the Grand Royal Canal C-01 Tower in Tongzhou district. The office asset traded hands for a total consideration of RMB2.956 billion.
- People.cn, a state-owned news website, acquired a 100% equity share of the Atecsys Data Center in Shunyi district for a total consideration of RMB252 million.
- COFCO Property acquired a 49.91% equity share in development site COFCO Jingxi Xiangyun Project. The equity stake was purchased from Minmetals Land for RMB1.076 billion.
- Landsea Green Group and Sunshine Insurance jointly acquired a 100% equity share of Plaza Hotel from China Shipbuilding Industry Co Ltd. While consideration for the deal remains undisclosed the project is expected to be refurbished and converted to office usage.

The first-hand strata-title office market received 175,000 sq m of new supply in Q2/2019, marking a significant upward surge of 268% quarter-on-quarter (QoQ) and 152% year-on-year (YoY). Total transaction area reached 178,800 sq m during the quarter, up 6.3% QoQ though this was down 24.7% YoY. Total consideration reached RMB5.96 billion, up 15.1% QoQ and 6.3% YoY. Average transaction prices continued to rise by 8.3% QoQ and 41.1% YoY to RMB33,319 per sq m.

New supply in the first-hand strata-title retail market reached 52,100 sq m in Q2/2019, up 94% QoQ and 48.4% YoY. Total transaction area reached 176,900 sq m in Q2/2019, up 68% QoQ though this was down 15.6% YoY. Total consideration registered RMB4.52 billion in Q2/2019, up 37% QoQ, although marginally down 2.2% YoY. Average transaction prices were down by 18.5% QoQ to RMB25,545 per sq m, though this was up by 15.8% YoY.

Impacted by the current urban planning policies, the new supply of commercial assets in prime districts in Beijing will be very limited in the future. While traditional asset classes such as the office, retail and hotel markets will continue to remain popular investment targets, a lack of tradable assets will see astute investors expanding their investment horizons and focus. It is expected that institutional investors will continue to shift away from acquiring new supply to targeting the acquisition of existing stock to achieve increasing rental returns and improved asset values through project conversion or refurbishment.

En-Bloc Investment Volumes, 2009 to Q2/2019



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Grand Royal Canal C-01 Tower	Tongzhou	RMB2.956 bil/ US$430 mil	Bank of China Group Investment Limited	Office
COFCO Jingxi Xiangyun Project	Fangshan	RMB1.076 bil/ US$156 mil	COFCO Property	Development site
Atecsys Data Center	Shunyi	RMB252 mil/ US$37 mil	People.cn	Data Centre

Source Savills Research & Consultancy

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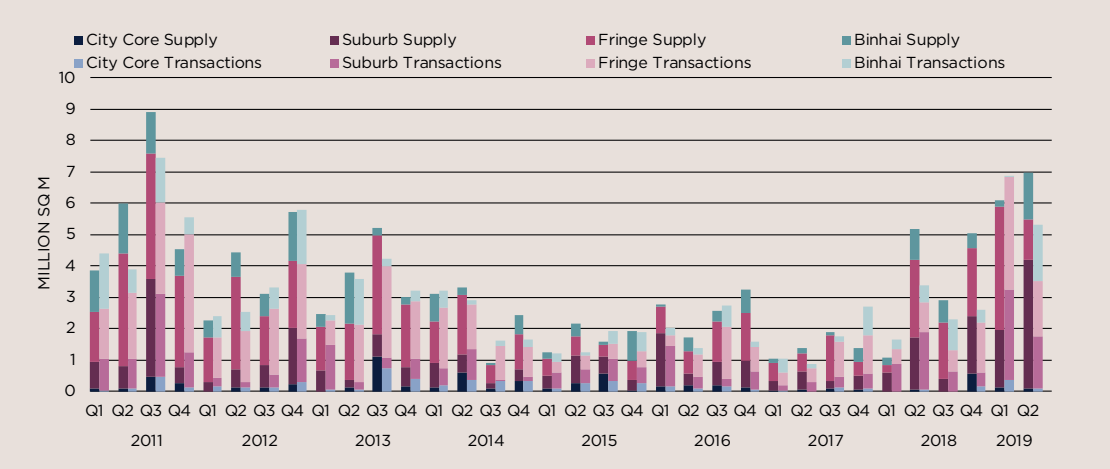
Supply levels of new land in Tianjin rose by 15% quarter-on-quarter (QoQ) and 35% year-on-year (YoY) to 6.96 million sq m by the end of Q2/2019. In line with the decentralisation trend in the market, the majority of new land parcels continued to be located in fringe and suburban areas, which accounted for 59% and 19% of total new supply, respectively. The supply level in Binhai New Area spiked significantly compared to previous quarters and accounted for 21.5% of the total. Meanwhile, the city core area continued to see a supply drought, with only one plot of 95,522 sq m—which accounted for 1.5% of the total—released on the market during Q2/2019.

Total transaction volume reached 5.3 million sq m during Q2/2019. While this reflected a 23% drop-off in buyer demand from the previous quarter, it should be noted that this was up a significant 57% YoY. Buyers displayed an even appetite for all locations in the city, with fringe, suburban and Binhai New Area accounting for 31%, 33% and 34% of total transaction volume, respectively. As expected, the rare allocation of new supply in the city core was met with eager demand and was acquired during the same quarter. Plots positioned for commercial or residential usage continued to represent the majority of transactions. Major transactions included:

- Two neighbouring land plots in Haihe Education Park were put to auction in May 2019. The two plots were put to market as a package with a hard floor price set at RMB2.55 billion and a ceiling of RMB3.53 billion. The winning bid went to Huayu for a total consideration of RMB2.89 billion and an accommodation value of RMB8,830 sq m.
- A residential plot, located in Xiqing district, was acquired in June 2019. The plot covers a total area of 60,564 sq m and is positioned for low-density residential usage with a plot ratio ranging from 1:0 to 2:0. China Merchants Property won the bid paying the ceiling price of RMB1.34 billion, reflecting an accommodation value of RMB11,038 sq m.

Following the trend seen in 1H/2019, the market is expected to see robust buyer demand and consequently significant transaction volumes in the latter half of the year. Fringe and suburban areas will continue to receive the greatest allocation of new supply and, as a result, market prices are expected to remain largely stable, given their decentralised locations. Comparatively lower pricing points on these plots is likely to garner increased interest from small- and medium-sized developers in the future.

Land Supply And Transactions By Area, Q1/2011 to Q2/2019



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Plot 2019-08 (JXQ)	Xiqing	RMB1.34 bil/ US$195 mil	China Merchants Property	Residential
Plot 2019-062/63 (JBH)	Jinnan	RMB2.89 bil/ US$421 mil	Chongqing Huayu Group	Residential and commercial
Plot 2019-2 (JBS)	Binhai	RMB3.60 bil/ US$524 mil	Shanghai Fuyi Industrial	Residential and commercial
Plot 2018-11 (JBS)	Binhai	RMB704.8 mil/ US$103 mil	China Railway Construction Bridge Engineering Bureau	Residential
Plot 2019-050 (JHS)	Hongqiao	RMB1.45 bil/ US$211 mil	Tianjin Runsheng Property	Residential and commercial

Source Savills Research & Consultancy

China (Western) - Chengdu

In the past few months, the Chengdu retail market's prime area rental index —which is divided into the Chunxi Road-Yanshikou area and other non-Chunxi Road areas—has decreased for the first time since 2015. The Chunxi Road-Yanshikou area is the prime retail area in Chengdu due to its location and traditional reputation. Last year, projects in Chunxi Road performed well and average rent rose steadily in the area. Non-Chunxi Road projects did not perform well due to unsuccessful adjustments with vacancy rates rising and rents falling for several quarters, which led to a slight drop-off in the overall rental level in prime areas.

The polarisation of Chunxi Road retail projects and non-Chunxi Road projects has become more and more obvious. One reason is that Chunxi Road is the only pedestrian street within a larger retail area in Chengdu. As a traditional commercial street, it draws a large flow of people. When IFS and Taikoo Li opened in 2014, Chunxi Road quickly became the most popular shopping area and tourist destination. While more and more people are attracted to Chunxi Road, non-Chunxi Road areas have cooled down. Many brands withdrew from retail properties in non-Chunxi Road areas and, as a result, the vacancy rate of shopping malls in the area rose considerably. Last year, 80% of closed department stores in the prime area were located in non-Chunxi Road areas.

Additionally, projects in Chunxi Road exerted a positive interactive effect on one another. Chunxi Road is more spatially concentrated, with the average walking distance between projects only around 200 meters, an advantage as retail projects seek to attract people and build popularity. The sector makeup of each project in Chunxi Road also is quite diverse, which means projects in the area are targeted at different consumer groups, making their interaction mutually beneficial rather than competitive.

Despite the challenges stated above, there still remain many opportunities for projects in other prime areas to adjust themselves and stand out. Chunxi Road projects will continue to reinforce their existing strengths; for example, projects there can introduce a first store or flagship store to further enhance their overall brand level or boost popularity by making full use of projects' public space to set up pop-up stores or theme exhibitions. Non-Chunxi Road projects could seek to attract more consumers by introducing new retail brands, and also may consider extending their sectors to meet rapidly changing consumer needs that have become more diverse and specialised.

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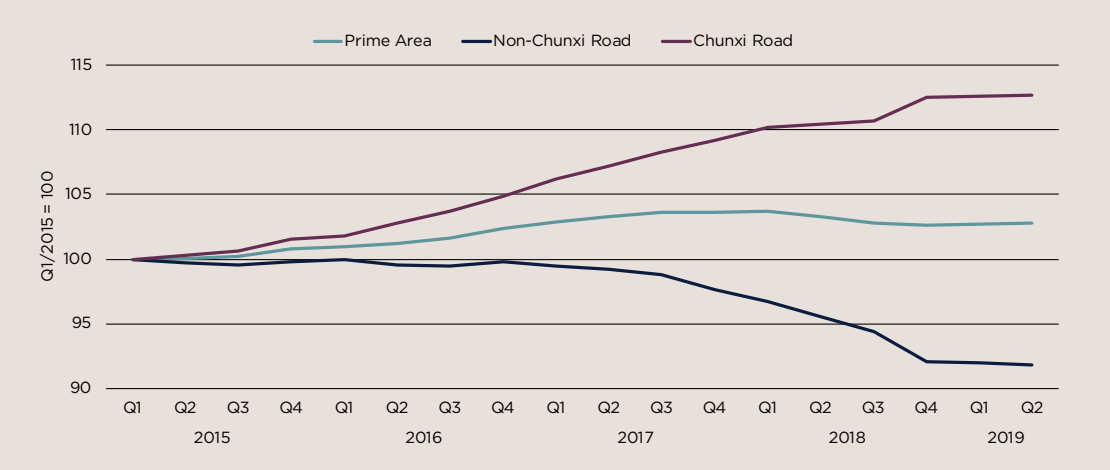
Retail Prime Area Rental Index, Q1/2015 to Q2/2019



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
No.139 Zhaojue Temple South Road	Chenghua	RMB676 mil/ US$98.1 mil	Country Garden	Residential
East of Heping Road, South of Nongping Road	Longquanyi	RMB1.775 bil/ US$257.8 mil	China Resources Land Ltd	Mixed-use
Group 1, 2, 4, 5, 6 Dengta Village, Shiyang Street	High-tech	RMB152 mil/ US$22.1 mil	Chengdu Hi-tech Investment Group Co., Ltd	Commercial

Source Savills Research & Consultancy

China (Southern) - Guangzhou

Demand in Grade A office leasing market in Guangzhou remained stable during Q2/2019 in spite of some growing concerns over external economic factors such as the Sino-US trade dispute and their potential impact on economic performance at both state and local levels.

A clear trend appeared in the market where, in many circumstances, leasing demand from some large-scale American firms tended to be more subdued, reflecting a more cautious attitude towards potential changes in the economic and business climates. Among these organisations, freezing headcount or postponing hiring plans were the stories most often heard in the market after the Chinese New Year. By contrast, as business relationships and cooperation between China and some European countries further improved, several European MNCs showed greater interest in investing in Guangzhou, with plans for expanding their offices in the locality and thereby increasing office leasing demand.

Compared to the mixed behaviour from overseas office occupiers, leasing demand from their domestic peers continued to be buoyant, supported by upbeat business growth and domestic consumption—one of the significant factors underlying China's economic growth—as evidenced by a number of new office leases in the market during the quarter. This activity offset the impact of demand contraction among some MNCs on the Guangzhou Grade A office property market.

In general, office leasing demand came primarily from several sectors during the quarter: TMT, banking, biotechnology and fintech. In addition, some sizable domestic companies focusing on the real estate business were also very active in the leasing market, taking up a significant amount of new office space. This resulted in much faster-than-expected market digestion in submarkets such as Pazhou—the average vacancy rate decreased noticeably by 5.1 ppts quarter-on-quarter (QoQ) to 3.6% at the end of Q2/2019.

Demand contraction from some industries, such as P2P, continued to have a negative impact on the asset performance of notable office premises within Zhujiang New Town, pushing landlords to review and adjust their leasing strategies and become more accepting of a wider range of tenants with higher rent thresholds. As a result, take-up in Zhujiang New Town was relatively slow, with some sizable office spaces in several prominent premises remaining vacant since the beginning of the year. As a result, the average vacancy rate of Zhujiang New Town increased by 0.1 of a ppt QoQ to 4.9%.

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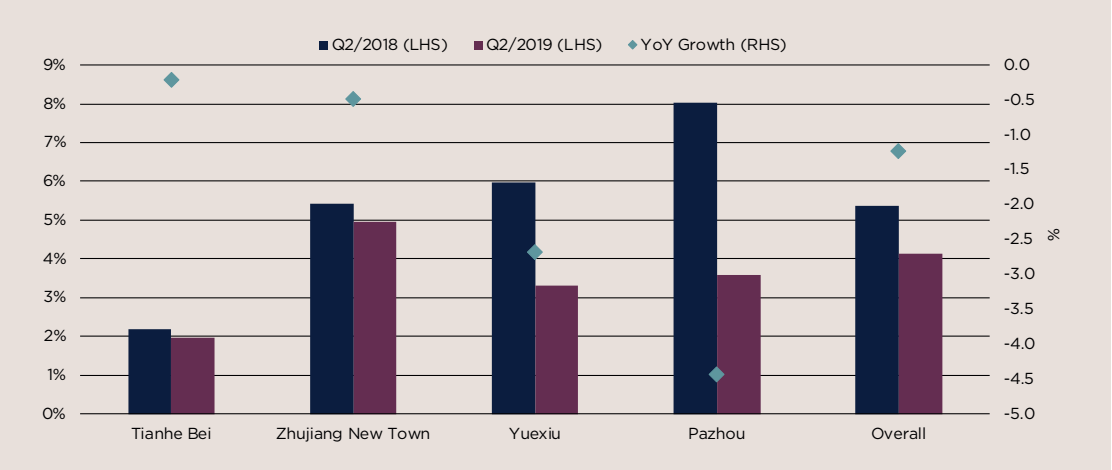
Net Absorption By Submarket, Q2/2019 VS Q2/2018



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Guangzhou Jiasheng Project	Yuexiu	RMB2.5 bil/ US$364.6 mil	Shimao Group	Residential
Guangzhou Swanbay Phase 2	Haizhu	RMB2.8 bil/ US$405.5 mil	Shimao Group	Residential
Tahoe Guangzhou Garden (51% equity)	Zengcheng	RMB2.3 bil/ US$334.1 mil	Tahoe Group	Residential
Tahoe Guangzhou Garden (29% equity)	Zengcheng	RMB1.3 bil/ US$189.6 mil	Minmetals International Trust Co., Ltd	Residential

Source Savills Research & Consultancy

China (Southern) - Shenzhen

Investment activity in the Shenzhen office property market increased significantly from 2015 to present, supported by the following factors: growing economic momentum; the creation of the Greater Bay Area (GBA) concept back in 2015; the subsequent formal establishment of the GBA in 2017; and the release of The Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area in February 2019 as part of the policy initiatives to sustain growth in the region. During the period from 2015 to Q2/2019, major sales transaction volume of office properties with a minimum GFA of 10,000 sq m each in Shenzhen increased by 170% compared to the period from 2010 to 2014. Total volume rose to 1.17 million sq m, with investment accounting for approximately 55.2%. Notably, the profile of purchasers became more international too. Four major sales transactions were concluded by overseas purchasers during the period from 2015 to Q2/2019 compared to a vacuum of sales transactions by overseas purchasers from 2010 to 2014. In addition, some local government agencies in Shenzhen were also active in purchasing office properties to attract and subsidise some preferred corporations to settle in the locality. This strategy served as one of the key initiatives for supporting and achieving the local economic transformation and industry upgrade, which in turn bolstered purchasing demand for the local office property market and supported growth in capital values to some extent.

Although there were no major sales transactions announced during Q2/2019, either for en-bloc sales or sales with a minimum GFA of 10,000 sq m, the market continued to see some positive signs nurtured by the increased volume of investment inquiries and deal sourcing activities. Investing interest in the Shenzhen office property market from a wide range of institutional investors rose on par with increased availability of wholly-owned investment opportunities as well as the further promotion of the GBA by the central and local governments. However, it should be noted that the strong new supply pipeline, combined with the current environment for tenant-favoured office leases and the expected decline in rents in the short term (1-2 years), has inevitably resulted in a growing concern for achieving growth in rents, discounting the total returns on the asset at exit. In addition, the lower rental yields in comparison with peer cities such as Beijing and Shanghai has dented the courage of institutional investors entering the market. Therefore, policymakers in the locality should be aware of and advised on the potential risks of the disequilibrium of supply and demand as well as the excessive growth in capital values which could not be sufficiently underwritten by rental growth, and should come out with more meaningful incentives to help with market digestion. In this regard, the Authority of Qianhai, a dispatched agency established by the Shenzhen Municipal Government, is expected to take the lead in the foreseeable future in terms of creating an attractive policy deck—covering tax rebates/exemptions, rental subsidies, housing facilities, etc.—to entice both corporations and targeted highly skilled workers to relocate to the area. With these being said, the Qianhai is expected to become one of the most important investment areas in Shenzhen in the near term.

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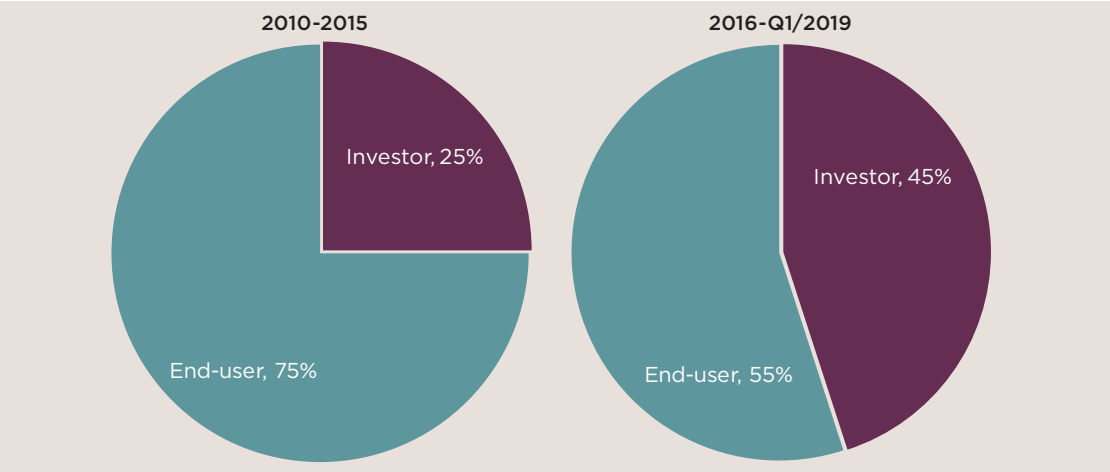
Shenzhen Office Market En Bloc Transaction Investor & End-use Change, 2010 to Q1/2019



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
G14316-0113	Pingshan	RMB50 mil/ USD7.44 mil	AiKang Medtech Co., Ltd	Industrial
G14316-0114	Pingshan	RMB25 mil/ USD3.72 mil	Shenzhen KTJ Dental Laboratory Co., Ltd	Industrial
G14304-0293	Pingshan	RMB51.12 mil/ USD7.61 mil	Shenzhen New Industries Biomedical Engineering Co., Ltd	Industrial

Source Shenzhen Land and Real Estate Exchange Center, Savills Research & Consultancy

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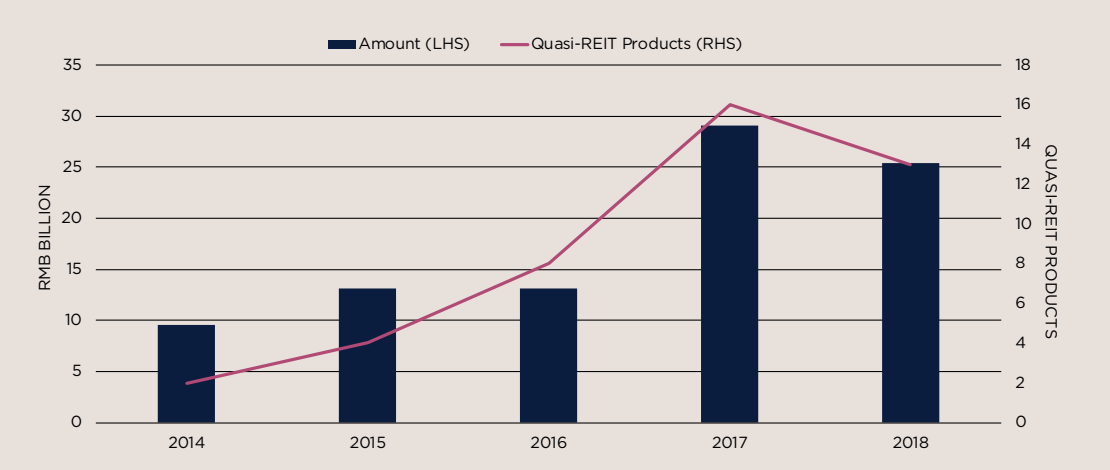
China has been buzzing with stories of the eventual arrival of the REIT sector ever since the end of last year when there was talk that REITs would make their debut in the master planned city of Xiong'an New City. More excitement followed with the announcement of the Shanghai STAR market tech board and the securitisation of multifamily property debt. This was all heightened further by a report in the South China Morning Post claiming that GIC and Grandjoy Holdings had been selected for a pilot programme that would allow individuals to buy shares in rent-yielding properties.

The REIT industry exists in close to 40 countries throughout the world and, in many cases, the business was born or grew rapidly out of financial distress or crises, which often come hand-in-hand with high levels of debt in property companies that have grown rapidly in a red-hot market. Developers finding it difficult or too expensive to roll over debt or further extend credit lines are faced with selling assets or spinning them off into REITs. China's real estate market has grown at an exponential rate over the last decade and developers have borrowed heavily to capitalise on this boom and to defend or steal market share from their competitors. A government campaign to reduce debt levels has vexed developers who are now looking at alternative financing channels. Also, as development opportunities become scarcer, less profitable and more risky, some developers are looking to enhance and grow their asset management capabilities and change their business model to an asset-light version of the build-and-hold strategy by retaining control and generating fees through asset management.

Currently, China still faces challenges relative to releasing REITs. The biggest one is that REITs under the current taxation regime will incur a heavy tax burden which hurts yields. In addition, China needs a specific REIT code to create an ecosystem for REITs as, according to existing laws and regulations, the Law of PRC on Partnerships, Trust Law and Law on Securities Investment Fund do not allow publicly traded funds to hold commercial properties, which is why quasi-REITs are set up as private funds. Furthermore, China's commercial real estate market is still driven more by capital value growth than by rental income; current yields are comparatively unattractive. Developers also prefer quasi-REITs as they would not lose control of their properties and can continue to profit from potential capital value appreciation.

One potential solution to this dilemma is to launch the REIT market with welfare and infrastructure projects which could be afforded tax breaks as they serve the public good. Additionally, the government could initiate pilot programs in special areas where special tax regimes already exist. REITs could also focus on modern logistics facilities in coastal cities where yields are higher, Grade A offices in first-tier cities, and stabilised prime malls that have good potential to be injected into subsequent REITs. Finally, educating the general public on the benefits of REITs is necessary as they will be the eventual buyers of the REITs should the products eventually come to market.

China Quasi-REIT Issuance, 2014 to 2018



Source Research Center for Real Estate Investment Trusts, Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Greenland Huangpu Centre	Huangpu	RMB10.57 bil/ US$1.537 bil	Brookfield	Mixed-use
Greenland Rainbow Bay	Hongkou	RMB1.6 bil/ US$232.6 mil	Brookfield	Retail
70% equity of Shanghai Hongqiao Sincere Center Phase2	Minhang	RMB1.2 bil/ US$174.5 mil	CDL	Mixed-use

Source Savills Research & Consultancy

Hong Kong

The local office and retail investment markets had a bumpy ride over the first half of the year. After hitting a peak in early 2018, average office prices are still 2.7% below that level even if the first half of 2019 saw modest gains across most districts. The retail market remains soft and prices continue to drift down and are now a full 35.5% below their 2013 peak. Reasons for the slowdown are not hard to fathom as US/China trade tensions remain unresolved, local interest rates have started to rise and the proposed Extradition Bill and resulting unrest added to uncertainties. If these factors continue to play out in the third quarter of the year, we can expect further consolidation, with bargain hunters looking for distressed assets and potentially, some recovery in volumes which were heavily hit between January and May. Equally, a reversal of some or all of these factors could cause a year-end rally sending office prices into record territory and reversing falling retail values.

In the industrial market volumes were also down as falling cargo throughput and weak retail sales hit sentiment. Despite the headwinds, however, prices and rents held their ground and vacancy rates continued to hover at around 2% overall and 0.8% in modern warehouses. Government remains committed to encouraging redevelopment, offering a 20% plot ratio relaxation which saw 10 applications from interested parties. Overall though, investment sentiment is decidedly cautious and will remain so until the trade dispute is resolved and retail sales recover. We believe that prices will probably hold up over the next few months as limited availability and redevelopment opportunities continue to support the market. With weakening air and sea cargo throughputs, 3PLs will bear the brunt of the trade disruption but as yet, no large-scale contractions have taken place.

The residential sales market also saw a listless second quarter where volumes were supported heavily by primary launches. Rising local interest rates in addition to slower economic growth and a volatile stock market were behind the change in sentiment. The super-luxury segment saw some price adjustment with both Mainland and local HNWIs sitting on the sidelines. Given current uncertainties, buyers were looking for bargains, but landlords are generally standing firm and are under no pressure to discount. The sale of a site at Kai Tak for a price below market expectations could suggest a degree more caution among developers but Mainland interest remains firm and we expect to see further purchases of larger and more prime sites over the second half.

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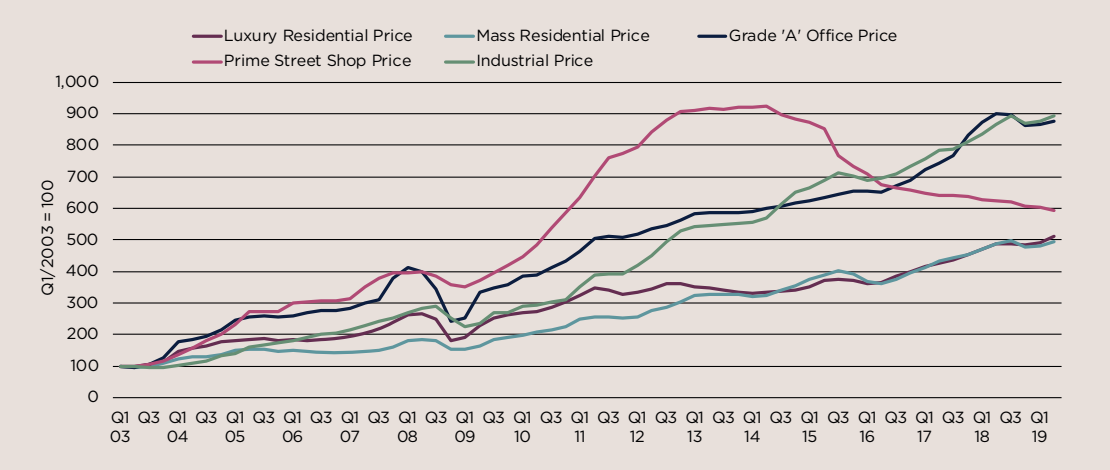
Savills Hong Kong Price Indices By Sector, Q1/2003 to Q2/2019



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
625 King's Road	North Point	HK$4.75 bil/ US$609.0 mil	Gaw Capital	Office
21/F-23/F, Convention Plaza Office Tower	Wanchai	HK$1.8 bil/ US$230.8 mil	TBC	Office
The Parkside	Tsueng Kwan O	HK$780 mil/ US$100.0 mil	TBC	Retail
State Theatre Building	North Point	HK$737 mil/ US$94.5 mil	Orint Sea Investments Ltd	Retail

Source Savills Research & Consultancy

India

Indian capital markets have gone through a roller coaster in the last one year. The supply side had been excessively dependent on Non-Banking Financial Companies (NBFCs) for sustaining operations. Indian real estate dynamics changed with the establishment of Real Estate Regulatory Authority (RERA) in mid-2016, as the primary source of funding, namely customer advances, became unviable for residential developers. As PEs progressively moved away from the sector, NBFCs began filling the gaps. The other advantage with NBFCs was relatively lower cost of funds compared to PEs.

However, with the unexpected and sudden sinking of NBFCs, led by the default from IL&FS[1], a leading NBFC player in the third quarter of 2018, real estate capital markets changed drastically. A full-scale crisis was averted by intervention from the government, but it is apt to say that the funding scenario has remained extremely stressed over the last 10-12 months. This persists during the second quarter of 2019.

With the government now taking several measures to regulate lending environment for real estate companies, such as changing the regulator from National Housing Bank (NHB) to Reserve Bank of India (RBI, the Central Bank), as well as allowing a one-time partial loan-loss guarantee to banks that acquire high-quality pooled assets of up to INR1,000 trillion (approximately USD14.28 trillion) from NBFCs, managing the flow of funds has become high priority.

There is another side to the picture as well. The PEs should be able to play a key role once again. It is expected that the domestic and foreign private capital will start bridging the gaps once more. Indian markets have witnessed a reversal in the patterns of PE fund strategies over the years. During the early years of the current decade, the focus of private capital had been residential developments, which changed almost completely in favour of commercial developments over the last few years. This has worked well for office markets in recent times. With the current crunch in residential markets, the PEs are likely to step up their efforts to grab the opportunity in residential sector. This also means that the better performing developers will find access to such capital, while those at the bottom-end will be compelled to undergo consolidations. Indeed, the trend has begun to manifest itself. Ivanhoe Cambridge, along with domestic Piramal Enterprises Limited, committed INR5 billion (approximately US$71.43 million) for Lodha Developers' smart city project on the outskirts of Mumbai[2]. Further, policy tailwinds and consumer-demand are likely to create opportunities for funds in affordable housing, logistics and warehousing, built-to-core office spaces, co-living, etc.

1 Infrastructure Leasing and Financial Services (https://en.wikipedia.org/wiki/Infrastructure_Leasing_%26_Financial_Services

2 https://www.moneycontrol.com/news/business/real-estate/piramal-ivanhoe-cambridge-to-invest-rs-500-crore-in-lodhas-palava-city-3487401.html

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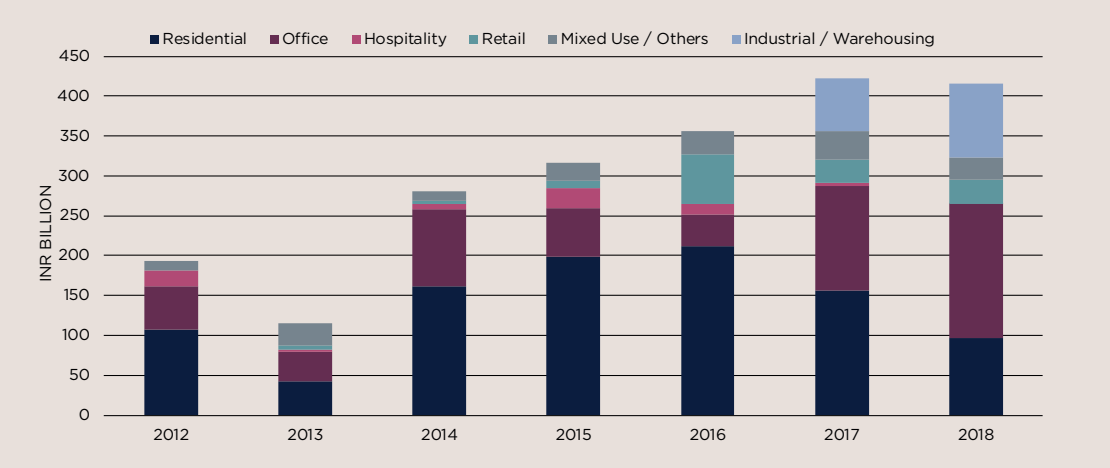
PE Investments In India, 2012 to 2018



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019*

PROPERTY	LOCATION	PRICE	BUYER	USAGE
One BKC	Bandra Kurla Complex, Mumbai	INR2,500 cr/ US$358 mil	Blackstone	Office

Source Savills Research & Consultancy

Indonesia

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Indonesia recently concluded what was considered the world's biggest single-day election to choose its President and Parliamentary members. Despite fears of social unrest and political turmoil during the vote-counting process, the country's election committee managed to resolve any disputes and release the result, with the incumbent President Jokowi victorious and set for a second term in office. The peaceful outcome sent positive vibes through the business community and helped to restore investor confidence.

During the first three months of 2019 (when the election took place), Indonesia posted 5.07% GDP growth. Despite slightly lower growth compared to the previous quarter, the recent figure affirms the country's economic stability despite a weak global outlook on the back of US-China trade tensions.

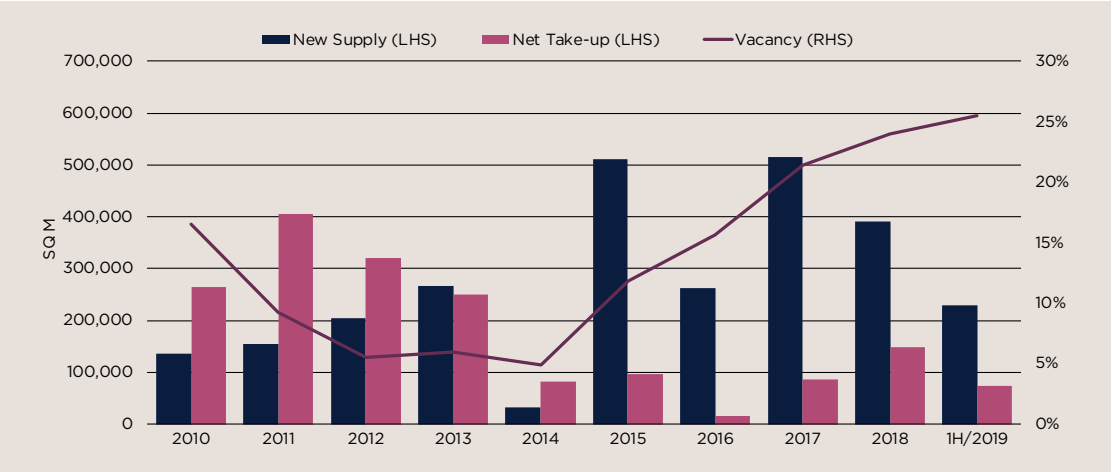
The general optimism post-election is seen as a boost for the market to grow stronger in the coming years. Furthermore, government efforts to accelerate business recovery in the property sector can be seen in the new tax regulation for luxury residential properties as well as the overall push to provide a low interest rate environment. We expect to see the impact from these incentives in both sales and new launches in the apartment market beginning in the second half of 2019.

In the office sector, demand in both Jakarta CBD and outside CBD areas continued to grow. Driven by the expansion of e-commerce and tech companies as well as co-working space providers, CBD net take-up rebounded exponentially from its lowest point three years ago. During the first half of 2019, the positive take-up trend continued while new supply growth leveled off. We expect this dynamic to continue, thus helping to ease high vacancy rates in the market. In the meantime, we anticipate leasing activity to remain robust—from both companies looking to expand (such as co-working space providers and e-commerce) as well as tenants capitalising on their strong bargaining position in the current market as they renew or renegotiate.

Furthermore, we continue to see investment activities dominated by joint ventures, mostly between new foreign companies and major local developers. Japanese and Singaporean companies have been the most active in addition to Chinese developers. Recent deals include: a joint venture between Sinarmas and Mitsubishi in BSD to develop another residential project; CFLD's new industrial estate project with Samanea from Singapore; and a JV between two SOEs (Patrajasa and Wika) to develop a landmark office tower in the CBD.

On another note, the market also witnessed increased activity in the data centre sector. Following the expansion of Google and Alibaba, GIC and Amazon (AWS) recently announced their plans to establish major data centres in Indonesia. Lured by the prospect of online services and e-commerce sites catering to a population of over 260 million, this sector has developed into a fast-growing industry, which contributes to the growth of various other businesses including the property sector.

Jakarta CBD Annual Supply, Take-up And Vacancy, 2010 to 1H/2019



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Lippo Mall Puri	West Jakarta	IDR3.7 tri/ US$53.7 bil	LMIR Trust	Retail
A development land	Undisclosed	IDR1.0 tri/ US$14.5 bil	Amazon	Data Center
A development land	West Java	IDR20.7 bil/ US$300 mil	CFLD	Industrial

Source Savills Research & Consultancy

Japan

GDP grew by an annualised 2.2% in Q1/2019, beating estimates, though transient factors, which are unlikely to persist into Q2/2019, were the largest contributors. The IMF forecasts solid growth for both 2019 and 2020 as the Olympics and easy monetary policy should encourage consumption, and the government has introduced countermeasures in preparation for the planned increase in consumption tax due in October 2019. The unemployment rate has registered between 2.2% and 2.5% for 16 consecutive months, recording 2.4% as of May, and core CPI has been positive for 28 consecutive months, sitting at 0.7% in May.

The US Federal Reserve has walked back some of its hawkish stance, and the Bank of Japan (BOJ) has confirmed it will keep monetary policy loose until 2020. Japanese government bonds continue to trade at negative yields. Purchases of J-REIT units by the BOJ picked up somewhat in Q2/2019, rising from JPY9.6 billion to JPY14.4 billion, though the total for 1H/2019 is still well below that of 1H/2018, which came in at JPY37.2 billion.

An Asahi Shimbun semi-annual survey of 100 major companies revealed that nearly 60% felt the economy was at a standstill, up from just under a third only six months ago, with most companies citing the US-China trade conflict as a concern. The Tankan survey of large manufacturers confirmed this sentiment, dropping to +7 in June from +12 in March. Further, after softening to 110.99 per at the end of last the quarter, JPY strengthened to 107.79 per USD as of the end of Q2/2019. Although these concerns may be weighing on investment in Japanese companies, investors appear to have more confidence in real estate: while the TOPIX index rose 5.4% year to date to 1,574.5 as of the end of Q2, the J-REIT index rose 10.7% to 1,938.82.

Investment volumes in Japan for 1H/2019 were JPY1.92 trillion according to preliminary data from Real Capital Analytics (RCA), a decrease of 16% YoY. Despite this drop in overall transaction volumes, cap rates compressed in early 2019 and large deals are still being announced. Concerns over volatility in capital markets may have made investors somewhat nervous, but the stable, defensive nature of Japanese real estate remains attractive, despite relatively high valuations.

Average Grade A office rents in the central five wards (C5W) of Tokyo grew to JPY36,100 per tsubo, up 2.4% QoQ and 7.3% YoY. The average vacancy rate in the C5W was 0.3%, 0.1ppts tighter QoQ and 0.5ppts tighter YoY. Although domestic business sentiment is tepid, global macroeconomic risks seem unlikely to influence the office market over the short term, as pre-leasing demand is sound out to 2020 and vacancy remains extremely low as tenants compete for what limited space is available.

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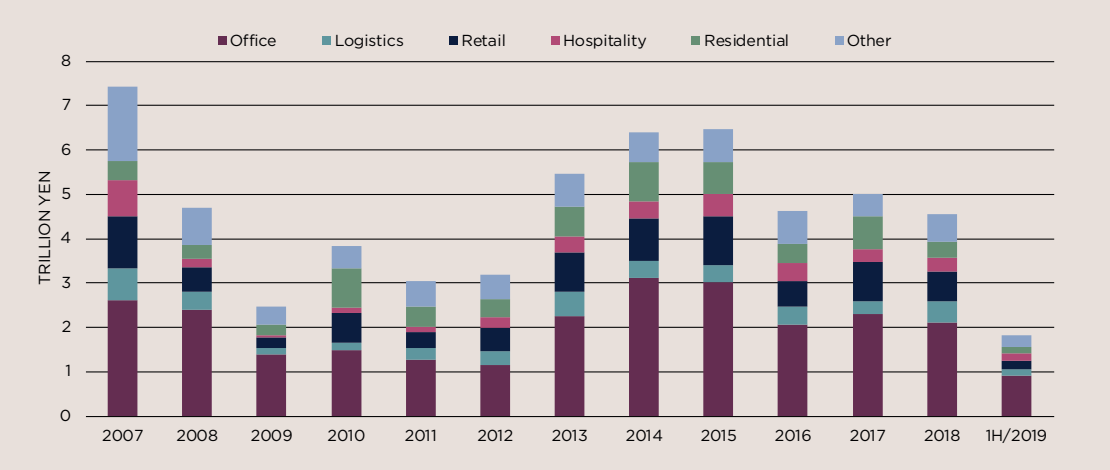
Property Transactions By Sector, 2007 to 1H/2019*



Source RCA, Savills Research & Consultancy
*1H/2019 volume is preliminary and tends to be lower than the finalised amount.

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Prologis Park Kyotanabe	Kyotanabe, Kyoto	JPY35.8 bil/ US$315 mil	Nippon Prologis REIT	Logistics
DNP Gotanda Building	Shinagawa, Tokyo	JPY30.0 bil/ US$260 mil	Undislosed (Domestic Company)	Office
Akasaka Garden City (65%)	Minato, Tokyo	JPY28.7 bil/ US$250 mil	Sekisui House REIT	Office
Royal Parks Tower Minami-Senju	Arakawa, Tokyo	JPY27.7 bil/ US$240 mil	Undisclosed (Domestic SPC)	Residential
Hulic Toyosu Prime Square	Koto, Tokyo	JPY21.0 bil/ US$184 mil	Global One REIT	Office

Source Nikkei RE, RCA, Savills Research & Consultancy

Macau

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According to the latest research from Savills Macau, in Q2 the vacancy rate in Macau's major office buildings was approximately 8.1%, slightly higher than Macau's overall residential vacancy rate but lower than its overall retail vacancy rate. Over 70% of the vacant office units are single units with a GFA of approximately 1,000 sq ft, suitable mostly for small companies to lease and seldom offered for sale. Macau's supply of office units is relatively scattered, with only a small proportion of units available for large enterprises. Large enterprises are more likely to purchase offices for their own use than are most small companies.

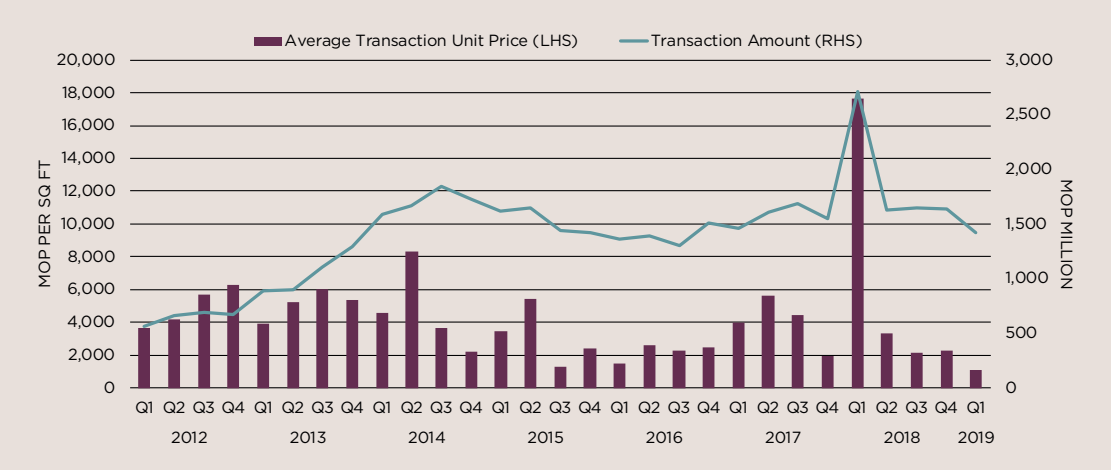
Grade A office buildings, including FIT, FBC and AIA, offer units which are relatively large with a rental range of MOP30-MOP35 per sq ft, excluding management fees, higher than the Macau average and usually applied only by stable and long-standing large enterprises. Therefore, owners are keen to let units and maintain occupancy at relatively high levels, while receiving rental income and preserving their ability to sell when the market rises. Negatively affected by the overall economic environment, the transaction amount of office units has dropped in recent years while transaction prices are relatively stable, with one major cause the scarcity of office units for sale.

In December 2018, Macau's legislative council approved the repeal of the Legal Regime of the Offshore Service Law, which had allowed the Macau government to terminate all subsidies provided to offshore companies, including tax-exempt status. The recent repeal of the government' right to terminate subsidies for offshore companies has a transition period until the end of 2020. According to the Macau government, there were over 350 offshore companies in Macau with over 1,700 employees. More than 15 offshore companies applied for company cancellation, or indicated they planned to do so, in the month following the new law's implementation.

As a consequence, many office units rented by those offshore companies are forecast to be released within the transition period. According to Savills Macau research, there are over 200,000 sq ft GFA of office units occupied by offshore companies, mostly single and small units with an average GFA of 900 sq ft. These units are predicted to be released onto the market thus increasing the supply of small units.

Meanwhile, a new form of office rental which has emerged in recent years has become a strong competitor to the traditional office market especially for small or start-up companies. According to our research, more than 10 serviced or shared-office providers in Macau, mainly located in major business zones, offer small office units from 50 to 400 sq ft, some open plan. The units are furnished well with office equipment, and offer administrative support and flexible rental periods, gaining market share by satisfying the demands of small business owners and providing benefits unavailable in the traditional market. The trend appears likely to continue in the coming years.

Macau Office Transaction Amount and Average Unit Price, Q1/2012 to Q1/2019



Source DSEC, Savills Macau

Malaysia

Market sentiment appears to be gradually improving after a muted start to 2019. While total transaction value is up by 27% over the previous quarter, the year-on-year (YoY) value is lower than 2018, measuring a -28% decrease. We attribute this to higher-than-expected transactions during 2Q/2018 when parties rushed to close certain deals before the new government came into power.

Land-banking activities in the Central and Northern regions led activity this quarter. Scientex Group, a plastics manufacturer that has diversified into affordable home development, acquired a combined 317 acres of land in Selangor and 180 acres in Penang for considerations of RM234 million and RM110 million respectively through wholly owned subsidiaries. Penang was particularly active this quarter, with two local developers standing out: Aspen Vision, a joint-venture company between Aspen Group Holdings and Oxley Holdings, acquired seven parcels of freehold land for a total consideration of RM165 million, while Tambun Indah purchased 27 parcels of land totalling 210 acres for an aggregate consideration of RM131 million.

In the East Coast Region, Far East Holdings Bhd acquired a 5,250-acre palm estate in Pahang, inclusive of an on-site mill, from Harn Len Corporation Bhd.

Mapletree and its related companies continues to be active in the Malaysian logistics market, building on its earlier Q4/2018 acquisition of a 39-acre industrial site. In this quarter Mapletree, through its wholly owned subsidiary Symphony Warehouse Sdn Bhd, acquired a 15.2-acre factory and warehouse facility from Advance Synergy Bhd for a total consideration of RM124 million.

On an administrative front, the Pakatan Harapan coalition government announced several key initiatives this quarter. In line with its election manifesto, a formal bid has been launched to take over the highway toll concessions for four major arterial expressways in the Klang Valley. Two mega-projects, the East Coast Rail Line (linking the major cities on the east of the peninsula to Port Klang), and Bandar Malaysia (potentially the largest master-planned development ever in Kuala Lumpur) have recently been restarted after lengthy negotiations with stakeholders to reduce cost levels. Looking forward, it does appear that development will continue to play a significant role in the administration's strategy to steer the domestic economy.

Local investors view this as good news, since these government-backed projects will spur construction activity, a major component (5%) of Malaysia's GDP. We envisage transactional activity picking up through the remainder of the year as confidence continues to build.

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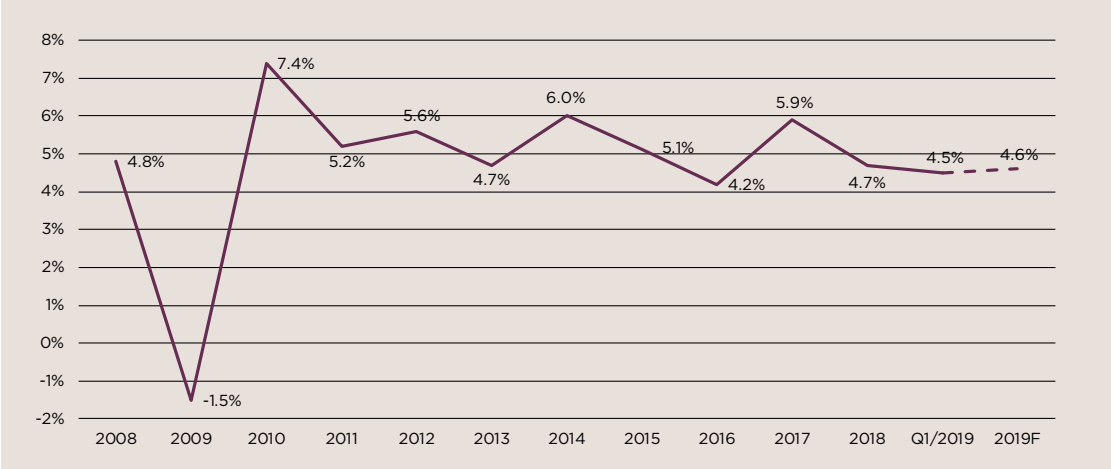
Malaysia GDP Growth, 2008 to 2019F



Source Bank Negara

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
15.2-acre Industrial land & warehouse	Selangor	RM124 mil/ US$30.13 mil	Mapletree Investments	Industrial
167-acre development site	Selangor	RM123.3 mil/ US$29.95 mil	Scientex Group	Development land
150-acre development site	Selangor	RM111.2 mil/ US$27.02 mil	Scientex Group	Development land
29-acre development site	Penang	RM165.0 mil/ US$40.09 mil	Aspen Group Holdings, Oxley Holdings	Development land
210-acre development site	Penang	RM131.0 mil/ US$31.83 mil	Tambun Indah Land	Development land
5,250-acre agriculture site	Pahang	RM183.0 mil/ US$44.46 mil	Far East Holdings Bhd	Farmland

Source Company announcements, Savills Research & Consultancy

Philippines

The Philippine tourism industry ranked third among the country's best performing sectors in 2018, after miscellaneous services and semiconductors. It accounted for 12.7% of gross domestic product (GDP), amounting to PHP2.2 trillion in nominal terms. Given the outstanding performance of tourism as well as its potential to generate employment, the sector has become one of the government's priority development areas, offering numerous local and foreign investment opportunities.

Foreign arrivals in Q1/2019 reached a total of 2.2 million visitors, posting a 7.6% growth year-on-year (YoY). Korea continues to be the largest source market with around 519,600 Korean tourist arrivals in the quarter. Although China came in second at about 463,800 visitors, it tracked the highest YoY growth rate at 24.9%. The influx of Chinese visitors is mainly attributed to the warmer ties between the Philippines and China. This relationship has in turn opened up opportunities for Chinese gaming firms to capitalise on the country's liberal gaming environment, hence the recent increase in the number of Philippine Offshore Gaming Operators (POGO). In this regard, the Bay Area remains a favoured location for operators, with its clustering of integrated casinos and resorts.

The improved government relations with China have also resulted in a strong pick-up in Chinese investments and construction contracts. Infused capital from China amounted to USD198.7 million last year, more than five times higher than the previous year. In Q2/2019, International Entertainment Corporation (IEC) acquired a minority share of New World Bay Hotel and Casino and its neighbouring residential apartment complex located in downtown Manila. The company is taking advantage of the steady growth of the tourism industry and the booming gaming business in the country.

While the offshore and outsourcing (O&O) sector is still largely driving the office market, POGOs are becoming a key player—taking up about half of new office supply in the Bay Area in 2018. In conjunction with the influx of Chinese workers, demand for residential space surged alongside a stream of new residential developments in areas where POGOs operate. We still consider the POGO sector as a wild card in the property space given the risk of a China clamp-down. However, developers are making the most of what the sector can offer as it has been a critical component of the country's drive for increased tourist arrivals. Nonetheless, we believe demand in the property sector will remain in high gear for the coming quarters despite headwinds (e.g. trade tensions) along the way.

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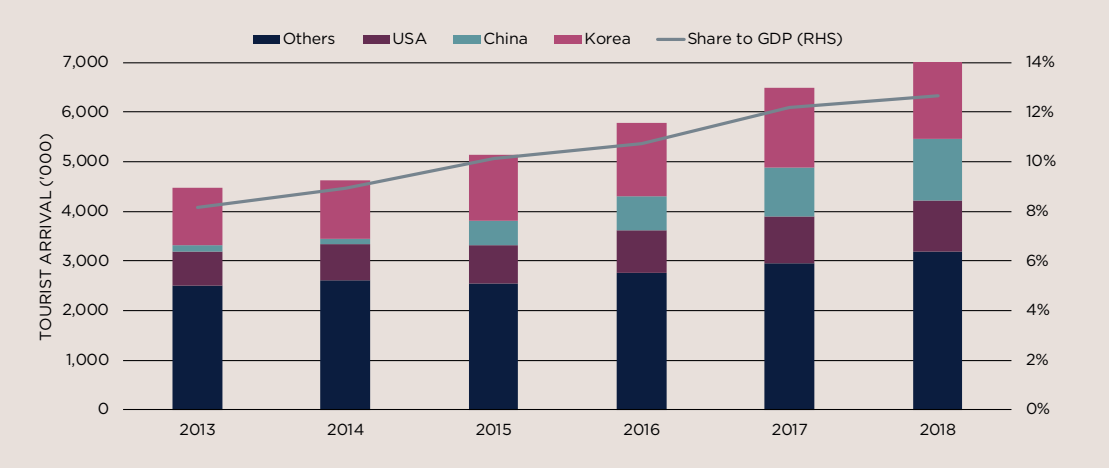
Tourist Arrival Growth And Tourism Share To GDP, 2013 to 2018



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Marina Residential Suites	1588 M M H Del Pilar St Malate, Manila	-	International Entertainment Corporation	Apartment
Lot 4-A & 4-B, Blk 362	Romero Salas St Brgy 668 Zone 072, Manila	-		Development site
New World Manila Bay Hotel	1588 M M H Del Pilar St Malate, Manila	-		Hotel

Source Savills Research & Consultancy

Singapore

Real estate investment sales rose 49.0% quarter-on-quarter (QoQ) to S$7.25 billion in the second quarter of 2019. The strong showing was mainly due to the commercial property sector which contributed S$3.84 billion or nearly 53.0% of Q2's total investment sales.

In recent months, the market has been witnessing the efforts of institutional investors, private equity funds or corporate entities, to deploy capital into the Singapore office market. Therefore, after a relatively quiet Q1, a few big-ticket office block transactions were concluded in the April-June quarter. The largest deal was AEW Asia's S$1.025 billion acquisition of Chevron House, a 32-storey commercial development at Raffles Place comprising 27 levels of office space and a five-storey retail podium. The second-biggest transaction was for Frasers Tower, a newly completed 38-storey premium Grade A office development with a three-storey adjacent retail podium at Cecil Street. A 50% interest in the property, which is worth S$982.5 million based on the agreed property value, was divested by Frasers Property to South Korea's National Pension Services. Other major deals include the S$395.0 million sale of 7 & 9 Tampines Grange and the collective sales of Realty Centre for S$148.0 million.

In the retail sector, there were also two major block transactions recorded in Q2; the purchase of Chinatown Point Mall at S$520.0 million by a joint venture between Mitsubishi Estate Co. and CLSA, along with Frasers Centrepoint Trust's S$433.3 million acquisition of a one-third stake in Waterway Point at Punggol.

Another bright spot in Q2/2019 was luxury non-landed private properties. A total of 34 condominium and apartment units (each worth at least S$10 million) found buyers in the reviewed quarter, the highest quarterly number since Q3/2008. Among these, 29 units were priced above S$3,000 per sq ft (psf), the minimum price for what we term "super-luxury". The most expensive sale was for the 21,108-sq ft triplex super penthouse at Wallich Residence in Tanjong Pagar. This penthouse, the largest in Singapore, was acquired by billionaire inventor Sir James Dyson for S$73.8 million, or S$3,496 psf of strata area. A check of URA's statistics for buyers' nationality, as well as ground information from agents, suggested that there is a strong return of foreign buyers (including permanent residents), especially those from China, in the super-luxury segment. Non-landed residential units with high absolute prices in the Core Central Region (CCR) have seen a predominance of Chinese buyers.

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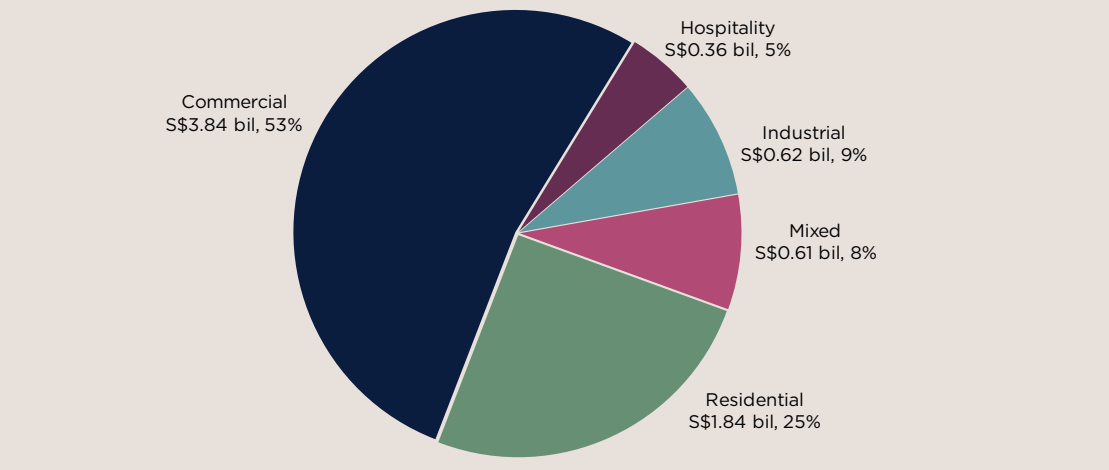
Investment Sales Transaction Volumes By Property Type, Q2/2019



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Chevron House	Raffles Place	S$1.025 bil/ US$754.5 mil	AEW Asia	Commercial
Frasers Tower (50% interest)	Cecil Street	S$982.5 mil/ US$723.2 mil	South Korea's National Pension Services	Commercial
Chinatown Point Mall and four strata office units above the mall	New Bridge Road	S$520.0 mil/ US$382.8 mil	A joint venture between Mitsubishi Estate Co and CLSA	Commercial
Government land	Middle Road	S$492.0 mil/ US$362.1 mil	Wingcharm Investment Pte Ltd	Residential
Marina Square retail and commercial complex (24.27% interest)	Raffles Boulevard and Raffles Avenue	S$485.3 mil/ US$357.2 mil	United Industrial Corporation Limited	Commercial and hotel

Source Savills Research & Consultancy

South Korea

Total volumes for the first half of this year were recorded at KRW6.65 trillion, exceeding the KRW6.1 trillion figure posted in 2018 for the same period when annual total investment volume hit a record high. Despite concerns about a slowdown in the economy, the transaction volume for Q2/2019 stood at KRW4.6 trillion, thanks to abundant liquidity and low interest rates.

Transactions were especially active in YBD, where five deals closed in this quarter and four more deals are scheduled to close soon. Sellers are offloading their assets to hedge against uncertainty and improve capital efficiency, for example through the sale of the headquarters of financial services firms, while others are selling before the expected completion in 2020 of several large-scale projects including Parc.1, Yeouido Post Office and KB Finance Town. On the other hand, investors are acquiring assets with plans to improve profitability by altering use to retail or accommodation, especially in places where costs are low relative to other districts or there is demand to use the acquisition as company headquarters.

In CBD, the total transaction volume for Q2/2019 was KRW2.4 trillion, including the newly completed Eulji Twin Tower (formerly Summit Tower), Jongno Tower, T Tower, and Citibank's Dadong headquarters. Mirae Asset AMC acquired State Tower Namsan (STN) for KRW588.6 billion from CBRE GI. The transaction concluded with a CBD unit price of KRW29.1mil/3.3sqm, despite the large-scale vacancies caused by the relocation of law firm Shin & Kim to D Tower in the first quarter. KIC, a tenant in STN, and a blind fund from Korea Post are known to be the major equity holders. Mirae Asset Daewoo was reported to underwrite the remainder.

In GBD, recent sales concluded only after the buildings' vacancy rates were stabilised through securing coworking offices as anchor tenants. After securing WeWork on all floors, Tong Yang AMC disposed of Mitta Tower for KRW120 billion (KRW26.3mil/3.3sqm) in a sale to Shinhan REITs Management. Shinhan Capital and Shinhan Bank participated in the deal as equity investors with the public funding partial amounts.

Recent reports indicate that an asset in GBD transacted at under 4%. The average five-year treasury yield in Q2/2019 decreased to 1.7%, indicating a prime office cap-rate spread of approximately 290 bps. Typical LTV rates in Korea remained at approximately 55%. The Bank of Korea lowered its base rate by 25 bps to 1.5% on July 18th 2019. This was the first adjustment of the benchmark rate since November last year and the bank's first rate cut in three years. The move came amid efforts to spur economic growth on the back of rising global uncertainties which follow a trade dispute with Japan and the ongoing tariff war between US and China.

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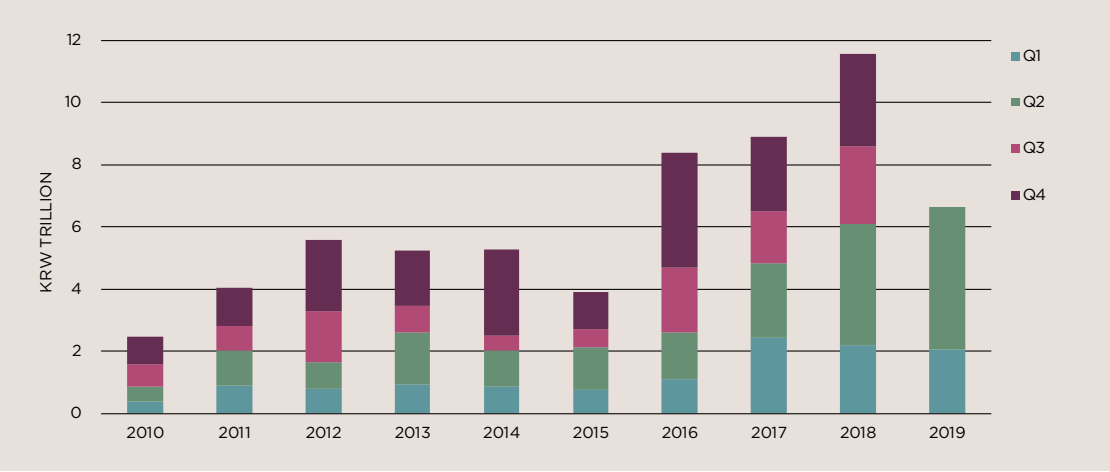
Office Transaction Volumes, 2010 to Q2/2019



Source Savills Korea

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
State Tower Namsan	CBD	KRW588.6 bil/ US$504.8 mil	Mirae Asset AMC	Office
Jongno Tower	CBD	KRW463.7 bil/ US$397.7 mil	KB AMC	
Eulji Twin Tower (formerly Summit Tower)	CBD	KRW857.9 bil/ US$735.8 mil	KT AMC (West), BC Card (East)	
Samsung Life Insurance Samseong-dong Building	GBD	KRW233.2 bil/ US$200.0 mil	Saengbo Real Estate Trust	
WeWork Tower (formerly Mitta Tower)	GBD	KRW120.1 bil/ US$103.0 mil	Shinhan REITs Management	
Yeouido Finance Tower	YBD	KRW232.2 bil/ US$199.2 mil	Keppel Investment Management	

Source Savills Korea

Taiwan

Investment sentiment continued to improve this year, with total transaction volumes in the first half of 2019 increasing by 6.9% year-on-year (YoY) to NT$52.9 billion. Purchase demand was active across the office, factory and industrial office asset classes, especially in the office sector, which accounted for 37% of total transaction in 1H/2019 and witnessed significant demand from both end-users and investors.

Three out of the five largest transactions in 1H/2019 fell in the office sector. The largest deal was concluded by IBF Financial Holding which acquired 6,000 ping of office space in HuaKu Asia Landmark, a pre-sale office project in Taipei City, for a total of NT$5.67 billion, equivalent to NT$850,000 per ping. IBF Financial Holding will schedule a move into this new headquarters in 2020. Rising demand from office end-users has stimulated investors' interest as well. Taian Insurance purchased 5,630 ping of strata Grade B offices for NT$3.77 billion, writing down its first property investment over NT$300 million since then, with the yield ranging between 2.4% and 2.5%.

The rebounding transaction activity didn't result in a quick price rise, however. Several public office tenders witnessed less than a 1% of premium over reserve prices. In Q2, two deals occurred in President International Tower, a Grade A office building in Xinyi district, which recorded a unit price of NT$1.53 million per ping and 1.58 million per ping, respectively, both of which did not exceed the previous price level set in 2015. Both deals were concluded by investment institutes that are looking for stable income, with yields of around 2.3% to 2.4%, and value appreciation opportunities in the future.

Developers noticed opportunities in the office sector and enlarged their industrial and commercial land banks aggressively. In the first six months, total land volumes acquired by developers for commercial property development, especially for office and industrial office use, totalled NT$36.1 billion, significantly higher than the NT$13.1 billion seen in the whole last year.

Industrial sites in the fringe areas of Taipei City and New Taipei City are currently on the radar for developers. Several developers, including Highwealth, Farglory, and Chong Hong, have announced plans to enhance investment in the office sector.

The outlook for the office market is generally positive for the next two to three years. Limited new supply coupled with the growing trend of urban revitalisation and aggressive expansion of co-working brands should provide a strong foundation to office prices and rental growth in the short- to medium-term.

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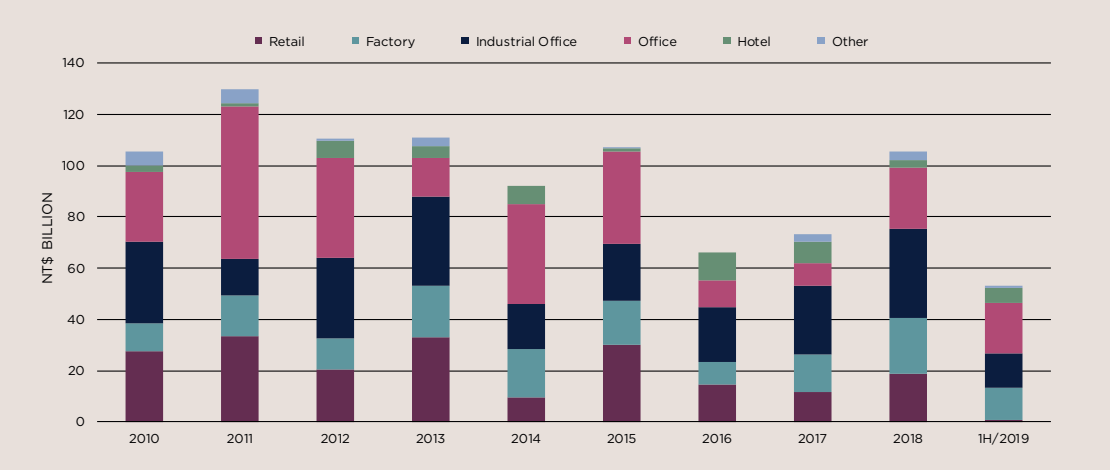
Significant Transactions By Sector, 2010 to 1H/2019



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
3F-10F & 17F, HuaKu Asia Landmark	Taipei City	NT$5.67 bil/ US$183 mil	IBF Financial Holding	Office
Kenmec Mechanical Engineering Zhongli Factory	Taoyuan City	NT$2.57 bil/ US$83 mil	Delta Electronics	Factory
V building, Phase Eight, Tai Yuen Hi-Tech Industrial Park	Hsinchu City	NT$3.69 bil/ US$119 mil	Novatek Microelectronics Corp	Industrial office
Changchun Financial Building	Taipei City	NT$3.76 bil/ US$121 mil	Taian Insurance	Office

Source Savills Research & Consultancy

Thailand

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The second quarter witnessed notable transactions across Thailand's hospitality sector, with largely Bangkok-based schemes drawing investment spurred by healthy hotel market fundamentals and long-term sector confidence.

Shangri-La acquired a 2,630 sq m site on Sukhumvit 55, in Bangkok's popular Thonglor district, announcing plans to develop a new hotel under their upscale 'Jen' brand. The plot was reportedly purchased from Sriview International for around US$60 million (THB1.9 billion), representing the highest price achieved for Bangkok hotel development land on a per square metre basis.

SET-listed property investment firm U City, a subsidiary of BTS Group Holdings, released plans to spend THB3 billion (US$97.1 million) redeveloping the Old Customs House on Bangkok's Chao Phraya riverbank. Planned improvements include extensive restoration of the original 130-year-old building and a new accommodation wing, with overall completion of the hotel-focused scheme due by 2025.

Dusit Thani acquired 97 units within Anantara Baan Rajprasong, rebranding the overall building as Dusit Suites Hotel Ratchadamri, becoming the group's first all-suite property. Dusit Thani has further highlighted their intentions to increase the group's international holdings, with 2-3 European acquisitions reportedly currently under consideration.

Although overall tourist arrivals are broadly forecast to surpass 40 million over 2019, authorities have expressed disappointment at first quarter figures, which recorded a moderate 1.75 % increase year-on-year.

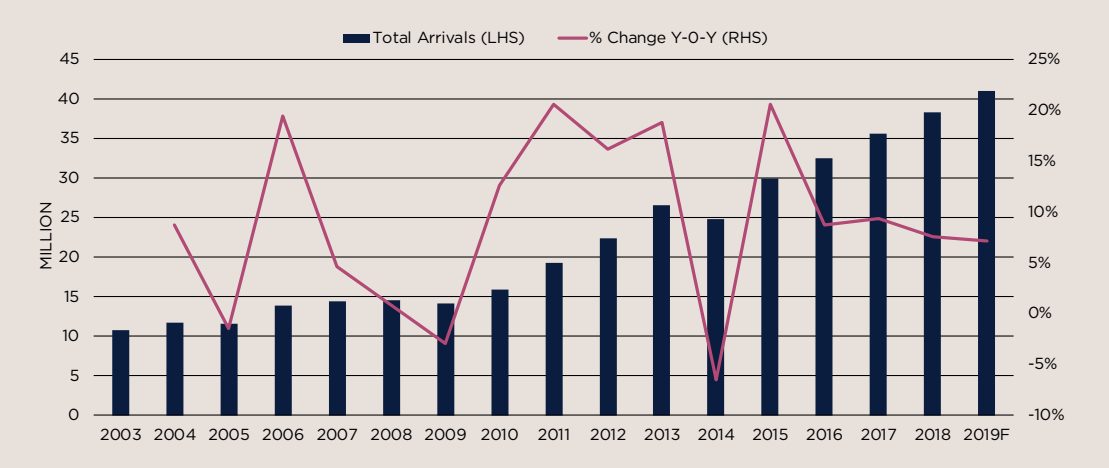
Bangkok's commercial property sector remained active over Q2, with transactions taking place relating to several high profile planned projects. Sino-Thai Engineering & Construction PLC (STECON) completed the purchase of an 11 rai (17,600 sq m) development site near Mo Chit BTS station from U City PLC for THB4.3 billion (US$138.7 milion). STECON plans to redevelop the site into an office-focused complex, comprising 36 storeys across two towers.

SET-listed Singha Estate completed the THB5.7 billion (US$183.6 million) sale of Grade B office complex, Sun Towers, to S Prime Growth Leasehold Real Estate Investment Trust (SPRIME), its sponsored REIT.

In May, Raimon Land and Japan's Mitsubishi Estate Group released plans to jointly develop One City Centre, a new Grade A office building due to comprise 65,000 sq m of leasable space and slated for completion by 2023. The scheme represents Mitsubishi's first Bangkok-based non-residential joint venture, with the firm having previously undertaken a series of condominium projects in conjunction with prominent residential developer AP (Thailand) PLC.

While there remains interest from international developers in forging new residential joint ventures, we expect concerns surrounding weakening condominium sales, coupled with tighter mortgage controls taking effect over the second quarter, to reduce the volume of residential project investment over 2019.

Thailand Total Tourist Arrivals, 2003 to 2019F



Source Ministry of Tourism and Sports (Thailand), Savills Research & Consultancy

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
A 2,630 sq m development site – Planned Hotel Jan	Bangkok	THB1.852 bil/ US$60.0 mil	Shangri-La	Hotel
Old Customs House, Bangrak	Bangkok	THB1.608 bil/ US$52.0 mil	U City	Mixed-use - hotel focused
Anantara Baan Rajprasong (97 units)	Bangkok	THB721.5 mil/ US$23.3 mil	Dusit Thani	Hotel
A development site – Planned Mo Chit Complex	Bangkok	THB4.212 bil/ US$136.2 mil	STECON	Mixed-use - commercial

Source Company announcements, Savills Research & Consultancy

Vietnam

The second quarter ended positively with the June 30th signing of the European-Vietnam Free Trade Agreement (EVFTA) and the European-Vietnam Investment Protection Agreement (EVIPA). The EVFTA is expected to boost exports to the EU by 20% by 2020 and see 99.2% of import tariffs gradually removed over the next seven years. With this agreement, Vietnam gains market access to 28 member countries of the EU and greater integration into global markets.

A GDP growth rate of 6.76% year-on-year (YoY) signaled a strong first half to the year. FDI disbursement increased nearly 8% while the industrial market anticipated further growth. In early 2019, Hong Kong-based Gaw Capital Partners and local company NP Capital Partners reached an agreement to launch Gaw NP Industrial, a joint logistics and industrial investment entity. The US$200-million platform will strive to capture increasing demand across the country for high-quality logistics warehouses, ready-built-factories and built-to-suit facilities in key cities and industrial clusters. Geleximco recently partnered with ITC Corporation to propose development of a US$1.3 billion seaport and logistics center in Cai Mep, Ba Ria Vung Tau in southern Vietnam. The project aims to expand capacity and streamline international shipment services.

In Q2/2019, capital markets saw increased M&A activity between overseas businesses and leading local companies. In May, South Korea's SK Group acquired a 6.1% stake in Vingroup for US$1 billion. Through this strategic partnership, SK Group expanded its foot print in Vietnam and will be investing in new businesses and infrastructure development. In the same month, local developer Phat Dat announced an investment partnership with Samty Corporation of Japan. The new venture will see Phat Dat funded up to US$22.5 million to develop real estate projects in Vietnam.

Following a new high of 15.5 million international arrivals in 2018, the first half of 2019 welcomed approximately 8.5 million foreign visitors, up 7.5% YoY. As hospitality demand increases, investor interest does too. In April, local developer Crystal Bay Group broke ground on the Sunbay Park Hotel & Resort project in Ninh Thuan, central Vietnam. The US$190-million project is the first to implement the 'Apart-Hotel' model, an alternative accommodation approach offering private apartments supported by hotel level services and amenities. Further south, local developer NovaLand is making moves in the vacation home market and aims to capture interest in tourism-linked real estate investment products with the announcement of the 1000-ha NovaWorld Phan Thiet.

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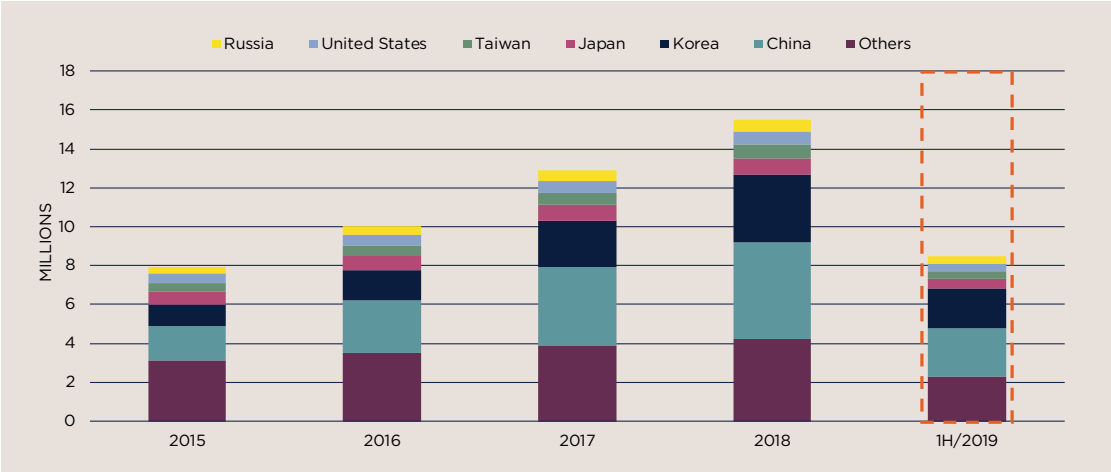
International Visitors To Vietnam By Nationality, 2015 to 1H/2019



Source General Statistics Office of Vietnam

Major Investment Transactions, Q2/2019

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Land at Lien Chieu	Da Nang	VND561.68 bil/ US$24.2 mil	Maxtrix Holdings Ltd	Industrial
Hoa Khanh Tay Water Plant & Duc Hoa III Water Plant (40% interest)	Long An	VND232.10 bil/ US$10 million	Rohas Tecnic Berhad	Industrial

Source Savills Research & Consultancy

Australia

◀ **Westfield Burwood** (50%)
Burwood, NSW
AU$575M/US$404.54M
in May

Zenith Centre ▶
Chatswood, NSW
AU$438.18M/US$308.26M
in June

80 Collins Street ▶
Melbourne, VIC
AU$1.476B/US$1.038M
in May

◀ **MLC Centre** (50%)
Sydney, NSW
AU$800M/US$562.68M
in April

▲ **737 Bourke Street**
Docklands, VIC
AU$192M/US$135.07M
in May

▲ **201 Charlotte Street**
Brisbane, QLD
AU$126.7M/US$89.12M
in May

Rockdale Plaza ▶
Rockdale, NSW
AU$142M/US$99.87M
in Apr

◀ **Makerston House**
Brisbane, QLD
AU$103M/US$72.45M
in May

Beijing/Guangzhou

Atecsys Data Center ▶
Shunyi, Beijing
RMB250M/US$37M
in April

Grand Royal Canal C-01 ▶
Tongzhou, Beijing
RMB2.96B/US$430M
in April

◀ **Anzhen Hualian Mall**
Chaoyang, Beijing
in May

◀ **Plaza Hotel**
Chaoyang, Beijing
RMB730M/US$106M
in May

Westmin Plaza ▶
Zhongshan, Guangzhou
RMB910M/US$132M
in Q2

COFCO Jingxi Xiangyun Project ▶
Fangshan, Beijing
RMB1.076B/US$156M
in June

Shanghai

Belvedere Serviced Apartment ▶
Changning
RMB1.624B/US$236M
in Q2

Greenland Huangpu Center ▲
Huangpu
RMB10.57B/US$1.537B
in Q2

◀ **International Metropolis Plaza Building 4**
Pudong
RMB400M/US$58M
in Q2

Caohejing Pujiang Hi-Tech Center (Block No. 21) ▼
Minhang
RMB483M/US$70M
in Q2

▲ **Hexing Building**
Putuo
RMB805M/US$117M
in Q2

◀ **Hongqiao Innovation Center (Zpark)**
Changning
RMB450M/US$65M
in Q2

Xingxing Building (Oriental Enterpirse Center) ▶
Jing'an
RMB368M/US$54M
in Q2

Hong Kong

Convention Plaza Office Tower (3 floors, 21/F-23/F) ▶
Wanchai
HK$1.8B/US$230.8M
in April

State Theatre Building ▲
North Point
HK$737M/US$94.5M
in June

◀ **625 King's Road**
North Point
HK$4.75 B/US$609.0M
in May

Japan

◀ **Akasaka Garden City** (65%)
Minato, Tokyo
JPY28.7B/US$250M
in May

Royal Parks Tower Minami-Senju ▶
Arakawa, Tokyo
JPY27.7B/US$240M
in May

Malaysia

◀ **210-acre development site**
Seberang Perai, Penang
RM130M/US$31.83M
in April

29-acre development site ▶
Paya Terubong, Penang
RM165M/US$40.09M
in June

Advance Synergy Factory ▲
Shah Alam, Selangor
RM124M/US$30.13M
in June

Singapore

Chevron House ▼
30 Raffles Place
S$1.025B/US$754.5M
in April

▲ **Chinatown Point Mall**
133 New Bridge Road
S$520.0M/US$382.8M
in April

▼ **Frasers Tower** (50% interest)
182 Cecil Street
S$982.5M/US$723.2M
in June

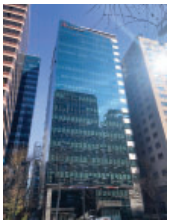
Marina Square retail and commercial complex (24.27% stake) ▲
River Valley Road
S$485.3M/US$357.2M
in April

South Korea

▲ **State Tower Namsan**
CBD
KRW588.6B/US$504.8M
in April

◀ **Jongno Tower**
CBD
KRW463.7B/US$397.7M
in June

Eulji Twin Tower
(formerly Summit Tower) ▶
CBD
KRW857.9B/US$735.8M
in June



◀ **Samsung Life Insurance**
Samseong-dong Building
GBD
KRW233.2B/US$200M
in June

◀ **Yeouido Finance Tower**
YBD
KRW232.2B/US$199.2M
in May

WeWork Tower
(formerly Mitta Tower) ▶
GBD
KRW120.1B/US$103M
in May

Taiwan

◀ **Huaka Asia Landmark**
Taipei City
TWD5.67B/US$183M
in May

Changchun Financial Building ▶
Taipei City
TWD3.76B/US$121M
in April

Kenmec Mechanical
Engineering Zhongli Factory ▶
Taoyuan City
TWD2.57B/US$83M
in April

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