Asia Pacific
Investment Quarterly

Q3 2018

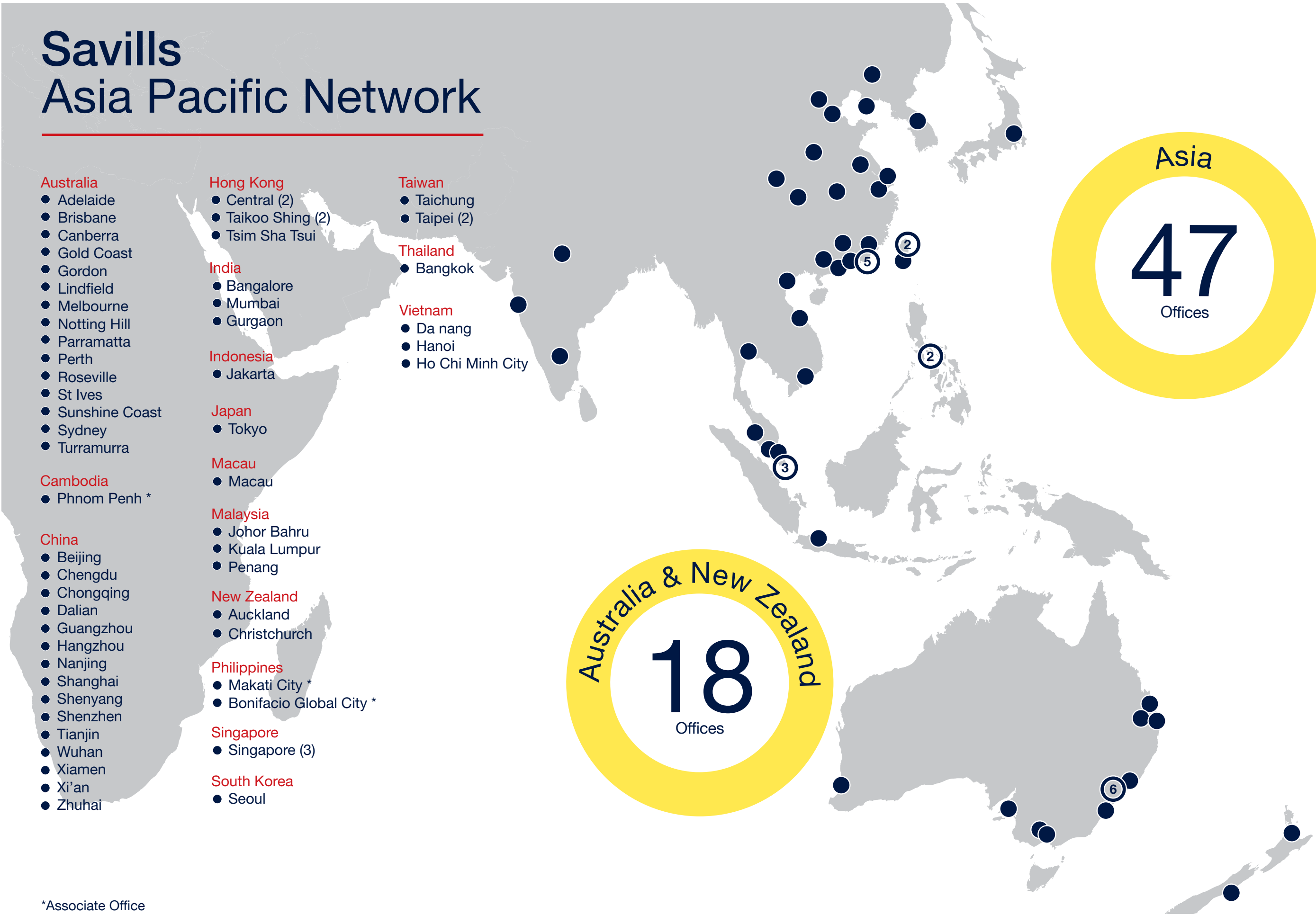
Australia
China (Northern) - Beijing/Tianjin
China (Western) - Chengdu
China (Southern) - Guangzhou/Shenzhen
China (Eastern) - Shanghai
Hong Kong | Indonesia | Japan
Malaysia | New Zealand | Singapore
South Korea | Taiwan
Thailand | Vietnam
Major Transactions

HIGHLIGHTS

Japan remains attractive for investment, as Abe's continued leadership reduces the likelihood of unexpected changes in policy and the BOJ has confirmed monetary policy will remain somewhat stimulative. Japan's GDP rebounded strongly in Q2/2018, reflecting healthy economic momentum. In China, financial deleveraging, the trade war and a stock market rout have conspired to subdue market activity levels while some international institutions see a window of opportunity if the right assets emerge at more realistic valuations. In Korea, transactions volumes are close to last year's record highs and abundant liquidity has meant that asset values have set new records. Demand in Australia for non-residential property remains near record highs, as a normalisation across sectors and states drives investor sentiment to post-GFC highs.In Singapore, stamp duty changes in July knocked the wind out of the residential sector and introduced a note of caution into commercial investment markets. In Hong Kong rising interest rates, US/China trade friction and record low cap rates undermined sentiment and many sectors recorded a tepid third quarter as a result.

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

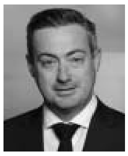
In Asia Pacific, Savills has 65 regional offices comprising over 25,000 staff. Asia Pacific markets include Australia, China, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand and Viet Nam. Savills provides a comprehensive range of advisory and 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.

Contents

Australia



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Australia's appeal as a prime investment destination, particularly for direct property, remains strong, with its stable and mature financial markets and strong real estate fundamentals keeping it a standout among global peers. Australian direct property returned 11.7% over the year to June 2018, according to latest available data, aided by notable outperformance across East Coast office markets. Total returns for the office sector were reported at 14.7% over the year to June 2018 nationally, (the highest recorded figure since March 2008), driven by outperformance of Sydney's office markets. The Sydney CBD returned 17.6% on the back of near record high capital returns (12.1%), as recent growth was accounted for in valuations. It was clear that the ongoing yield compression cycle in the CBD spurred investor activity in Sydney's fringe office markets, with total returns in these markets exceeding those in other national CBDs.

On the other hand, the Hayne Banking Royal Commission and growing macro-prudential policies from regulatory authorities and tightening financial conditions has had a dampening effect on Australia's residential property prices, with these effects more pronounced in Sydney and Melbourne. According to latest available data from the ABS, median house prices fell 12.1% and 1.7% across Sydney and Melbourne respectively over the 12 months to June 2018, following record growth in recent years.

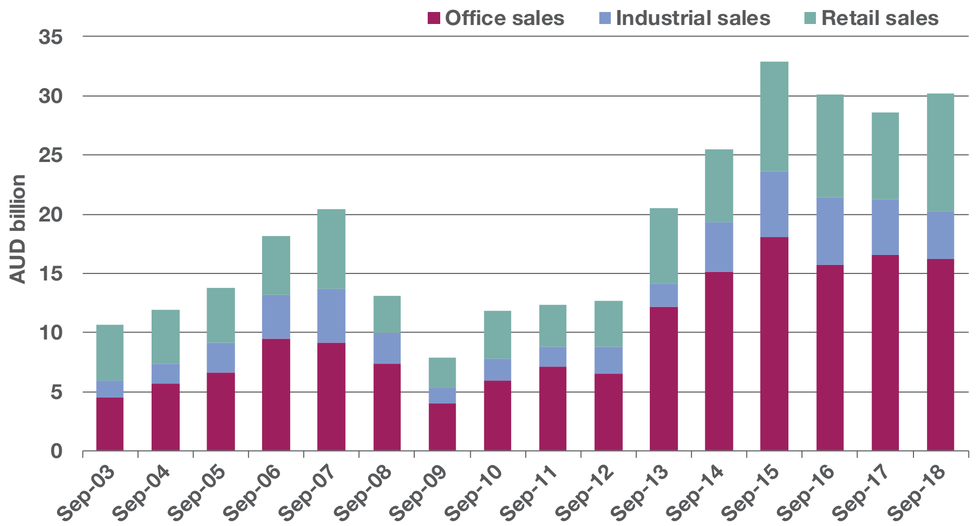
Sales activity across Australia's office, industrial and retail sectors remained strong, with over $30 billion of transactions recorded in the 12 months to September, the second highest figure on record. Overall sales activity was buoyed by record high sales volumes in the retail sector, with close to $10 billion of retail assets being transacted over the period.

Whilst foreign investor demand for Australian real estate assets remained strong, there was a notable shift in the direction of foreign capital, with a shift away from Sydney toward Melbourne and Brisbane in search of yield and more affordable investment options. We expect a continuation of this trend, with a resurgence in economic fundamentals in WA likely to drive capital to Perth.

The next 12-18 months will be monitored closely by investors as opposing forces in the Australian economic landscape may lead to very different outcomes. On the one hand, property industry sentiment (across both residential housing and commercial property), whilst still positive, has been steadily falling since the start of 2018. However, economic fundamentals remain strong for Australia, with forward looking indicators supporting ongoing growth. The past year has also seen the rise of alternate property classes (e.g. child care and medical centres) as investors look to diversify. Whether this goes on to temper demand for more traditional property assets remains to be seen.

GRAPH 1

Australia property sales, Sep 2003 – Sep 2018



Source: Savills Research & Consultancy

TABLE 1

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
Westfield Eastgardens	Eastgardens, NSW	AU$720.0 mil/US$511.2 mil	Scentre Group	Retail
80 Ann Street	Brisbane, QLD	AU$418.0 mil/US$296.8 mil	M&G Real Estate	Office
60 Station Street (Eclipse Tower)	Parramatta, NSW	AU$277.6 mil/US$197.1 mil	GPT	Office
1 Sussex Street (Daramu House)	Sydney, NSW	AU$250.0 mil/US$177.5 mil	Hong Kong Monetary Authority, Lendlease's Australian Prime Property Fund	Office
275 George Street	Sydney, NSW	AU$240.0 mil/US$170.4 mil	Daibiru Corporation	Office
Homemaker The Valley	Fortitude Valley, QLD	AUS170.0 mil/US$120.7 mil	Arkadia Capital	Retail

Source: Savills Research & Consultancy

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The en-bloc investment market witnessed the closing of four deals in Q3/2018, registering a total consideration of RMB3.57 billion. Traditional asset classes proved popular during the quarter with deals concluded in both the office and retail markets. Major transactions included:

- ZLink in Zhongguancun Software Park, located in Haidian district, was acquired by Allianz for a total consideration of RMB1.34 billion.

- Fangheng Fashion Centre, also located in Haidian district, was acquired by Toutiao for a consideration of RMB2.2 billion.

- China Life Investment Holding Company purchased a 100% equity share in both the podium at Tongtai Plaza and the podium at No.25 Longze West Mansion for an undisclosed consideration.

A tightened regulatory environment saw the first-hand strata-title office and retail markets continue to post poor performances in Q3/2018.

The first-hand strata-title office market saw 382,500 sq m of new supply come online in Q3/2018, up 45.3% quarter-on-quarter (QoQ) and 65.7% year-on-year (YoY). Total transaction area was down 8.0% QoQ to 160,400 sq m during Q3/2018, although up 85.1% YoY. Meanwhile, total consideration was up by 17.3% QoQ and 61.2% YoY to RMB4.17 billion. Average transaction prices were down 3.7% QoQ and 12.9% YoY to RMB26,013 per sq m.

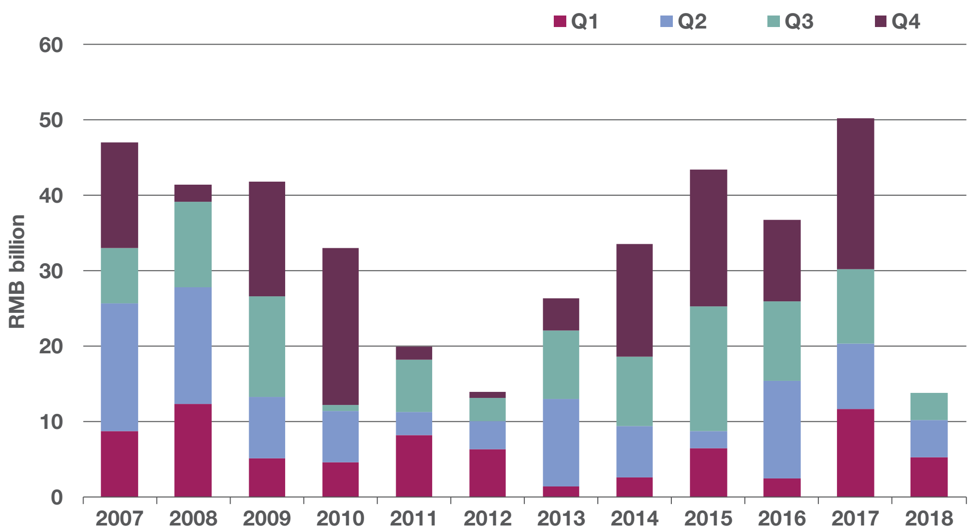
New supply in the first-hand strata-title retail market reached 76,000 sq m in Q3/2018, up 103% QoQ and 4.4% YoY. Total transaction area decreased by 19.8% QoQ and 1.6% YoY to 105,000 sq m by the end of Q3/2018. Total consideration recorded was RMB3.61 billion, down 4.1% QoQ although slightly up 0.7% YoY. The average transaction price registered RMB34,284 per sq m, up 19.5% QoQ and 26.8% YoY.

With no loosening of the regulatory framework foreseeable in the near future, it is expected that transaction volumes of strata-title commercial projects will remain low and will focus on existing stock in the market. Companies with actual investment needs for assets are expected to be the main drivers of transactions, while there will continue to be a shift away from speculative activity.

Meanwhile, the recent policy adjustment will likely halt the further supply of new commercial land in the main urban areas of Beijing. The move is expected to push up capital values and rental expectations of current stock in the market, particularly in mature business districts.

GRAPH 2

En-bloc investment volumes, 2007 – Q3/2018



Source: Savills Research & Consultancy

TABLE 2

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
Tongtai Plaza Podium	Xicheng	Undisclosed	China Life Investment Holding Company Ltd	Retail
No.25 Longze West Mansion Podium	Changping	Undisclosed	China Life Investment Holding Company Ltd	Retail
Fangheng Fashion Center	Haidian	RMB2.23 bil/US$322 mil	Toutiao	Office
ZLink	Haidian	RMB1.34 bil/US$194 mil	Allianz	Office

Source: Savills Research & Consultancy

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The residential land market experienced a downward trend in both supply and transaction volume in Q3/2018 after the traditional peak season in Q2/2018.

Land supply declined by 44% quarter-on-quarter (QoQ) to 2.90 million sq m, but up 55% year-on-year (YoY) in Q3/2018. Total transaction volume decreased by 33% QoQ to 2.28 million sq m, up 30% YoY. The city centre offered no new land supply, while the fringe areas contributed the highest volume (61.9%) of land supply. The suburban areas and Binhai New Area supplied 14% and 24.1% of land plots, respectively. Despite accounting for around a quarter of new land supply, Binhai New Area accounted for 43% of total land transactions. The suburban and fringe areas closed 28% and 29% of total transactions, respectively.

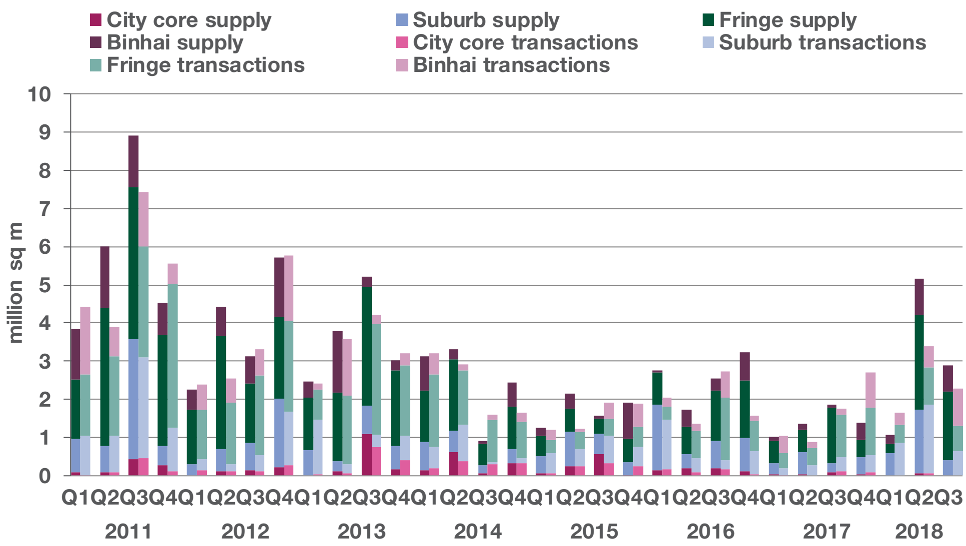
Due to the scarcity of land resources in the city centre, the suburban areas are increasingly becoming the focus for investors. The land market in Beichen district has been showing strong performances since early 2018. Many developers, including Sunac, Greenland and Tianfang Group (a local developer), entered the Beichen residential market in 1H/2018. One land plot in Beichen district was acquired in August 2018 by Beijing Radiance Group for a total consideration of RMB640 million, with accommodation value at RMB 12,681 per sq m. The 25,235 sq m land plot is zoned for residential and commercial development. A few residential projects with high accommodation values, including those developed by Vanke and Sino-Ocean, are located close to this land plot. Thus it is expected that this project will experience a pricing advantage in the future.

Two land plots located in Haihe Education Park were purchased by PK Properties and Agile, respectively. Both land plots come with titles for mixed-use development, including residential and commercial, and were acquired at opening prices. PK Properties purchased the 71,942 sq m land plot for a total consideration of RMB1 billion, with accommodation value at RMB9,929 per sq m. Agile acquired the 45,709 sq m land plot for a total consideration of RMB780 million, with accommodation value at RMB10,038 per sq m.

The local government recently released a new regulation on developer-owned residential units for rent. The new regulation is intended to improve the situation in the housing system both in terms of sales and rentals. Additionally, developers continued to show a decreased desire for purchasing land due to capital constraints. Activity in the residential land market is expected to remain slow in the foreseeable future.

GRAPH 3

Land supply and transaction volumes by area, Q1/2011 – Q3/2018



Source: Savills Research & Consultancy

TABLE 3

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
Plot 2018-158 (JBH)	Beichen	RMB640 mil/US$93 mil	Beijing Radiance Group	Mixed-use development site
Plot 2018-161 (JBH)	Jinnan	RMB1.0 bil/US$145 mil	PK Properties	Mixed-use development site
Plot 2018-162 (JBH)	Jinnan	RMB780 mil/US$113 mil	Agile	Residential development site
Plot 2016-063 (JW)	Wuqing	RMB1.59 bil/US$230 mil	A local developer	Mixed-use development site
Plot 2018-08 (JXQ)	Xiqing	RMB1.0 mil/US$145 mil	Vanke	Mixed-use development site

Source: Savills Research & Consultancy

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The old city[1] has long been Chengdu's traditional retail centre. In recent years, however, the southern high-tech area, stretching southward from the South Railway Station, has been regarded as the new engine of Chengdu's economy and has risen to be another core area for the retail market. Since IKEA opened its first store in southwestern China in 2006 near the South Railway Station (quickly followed by Suning and CapitaLand), this area has developed into a mature retail submarket called Xinnan Tiandi. Owing to the overall southward industrial agglomeration and population growth, Xinnan Tiandi has gradually expanded and spread further south.

In 2012, the total retail property stock in the southern high-tech area was barely 25% of that in the old city; by 1H/2018, the ratio had increased to almost 75%. The stock percentage gap has narrowed from 60 percentage points (ppts) to 11 ppts. The increasing migration of industry and population towards the south has prompted the rapid development of the retail market in the southern high-tech area.

Opened in 2017, Intime In99 is the first high-end shopping mall in the southern high-tech area and houses several luxury brands as well as the first NIO store in Chengdu. The development has greatly enhanced the quality of retail projects in the southern high-tech area. When U Fun, a shopping mall located in the Financial City, opened in 2018 it introduced 20 new brands to Chengdu along with the first stores for over 40 brands in the southern region of the city. Combined with Nine Square, New Century Global Centre and other popular shopping malls, the southern high-tech area has surpassed traditional commercial districts like Chunxi Road-Yanshikou and Jianshe Road to become the largest retail submarket, with total property stock of 1.6 million sq m. Furthermore, the area is increasingly challenging the old city in terms of project quality and diversity.

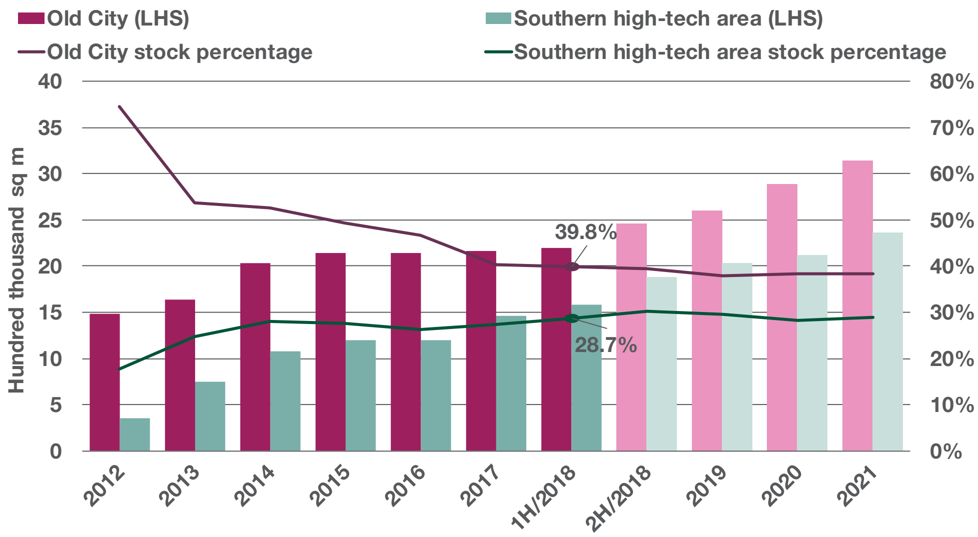
In terms of demand, the southern high-tech area's falling vacancy rate—lower than the city-wide average—indicates strong leasing demand. Although there is a considerable gap in terms of the penetration level of major brands—especially luxury brands and premium brands—the southern high-tech area is fast becoming the first choice for brand expansion.

As the southern high-tech area develops, its location advantage will become more and more significant. With new supply and the ever-improving consumption power of its residents, the retail market in the southern high-tech area is sure to expand and develop and as one of the new retail centres for Chengdu.

1 Old city: The area along and within the 2nd Ring Road, which includes the whole Chunxi Road-Yanshikou submarket, and parts of Jianshe Road, City East, City South and City North submarkets.

GRAPH 4

Retail property stock comparison, 2012 – 2021



Source: Savills Research

TABLE 4

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
Group No. 4, 5, 6, Quanzi Village, Chenglong Road	Jinjiang district	RMB779 mil/US$112.9 mil	Sichuan Province Commercial Construction Co. Ltd	Residential
Group No. 7, 8, Haibinwan Community, Qinglong Road	Chenghua district	RMB328 mil/US$47.5 mil	Shenye Aoran Ltd	Residential
Group No. 7, 9, 12, Congshu Community, Longtan Road	Chenghua district	RMB708 mil/US$102.7 mil	Chengdu Aoshan Property Ltd	Residential

Source: Savills Research

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The Guangzhou Housing and Urban-Rural Committee took action in July to regulate the residential property sales registration and purchasers' funding procedures. In conjunction with the stringent home purchase restrictions that have been in place since 2017, the new measures have dampened many buyers' purchasing sentiment, resulting in a sluggish market. Against this backdrop, the residential property market has witnessed a growing number of potential property purchasers turn to the residential leasing market for either investment or occupancy—underpinning a strong asset performance, increasing investment return and outperformance for the serviced apartment market in Guangzhou.

The positive performance of the serviced apartment property market was reinforced by a vacuum of new supply during Q3/2018. Some of the new projects still under construction postponed their completion dates to the end of this 2018 or early 2019 (as was the case with Jumeirah and Rosewood). As a consequence, the total stock remained at 3409 units by the end of Q3/2018.

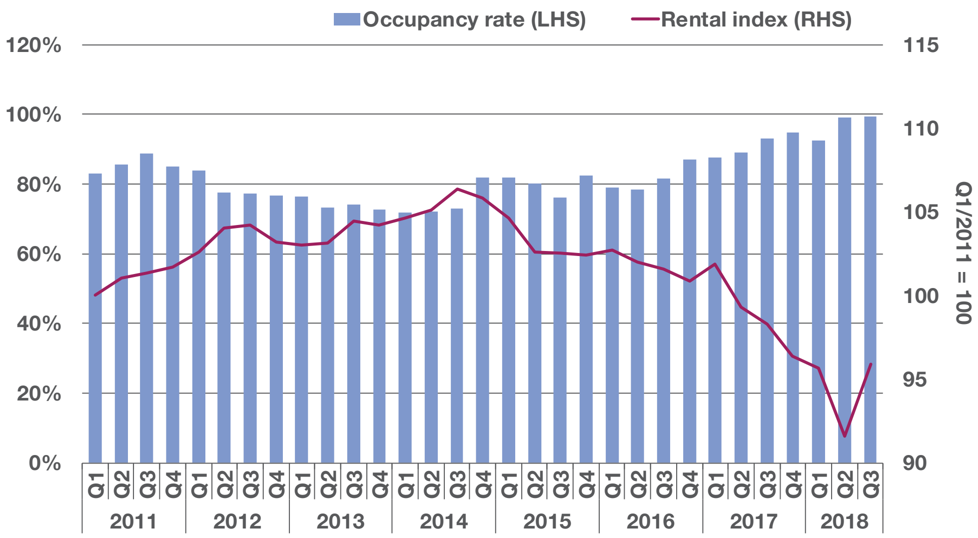
Following on from Q2/2018, the serviced apartment market, (and to a greater extent, the residential property market), has entered a high season. The average vacancy rate of the serviced apartment market decreased by 0.1 percentage points (ppts) quarter-on-quarter (QoQ), to 0.7% by the end of Q3/2018 due to the lack of new completions and strong leasing demand. The decrease in vacancy was primarily attributed to the stable demand from expatriates and senior executives of MNCs and some leading domestic companies from the manufacturing and IT industries. The new demand is being generated by these business elites and younger tenants with strong financial backgrounds who are preferring independent accommodations, instead of living with their families. In addition, the continued growth in the capital value of residential properties has prevented some potential buyers from purchasing properties, resulting in additional demand for the leasing market.

Rents for the serviced apartment property market in Guangzhou increased by approximately 5% QoQ to RMB203.1 per sqm per month during Q3/2018 as a result of robust demand and decreasing vacancy rates. Raising rents to counter the growing inflation is another realistic approach among many landlords. These all combined together brought about a yield softening effect for the serviced apartment property market in Guangzhou during Q3.

With Jumeirah and Rosewood entering the market in 2019, the citywide total stock of serviced apartment will increase by 15% to approximately 4,000 units. Although both properties are located in Tianhe, the impact of which on rental growth and vacancy rate is expected to be limited due to the strong leasing demand for Guangzhou serviced apartments.

GRAPH 5

Serviced apartment rental index, 2011 – Q3/2018



Source: Savills Research

TABLE 5

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
Zengcheng Plots 110 and 111	Zengcheng	RMB2.1 bil/US$299.8 mil	Capitaland China	Mixed-use development
Dongshan Plaza (166 office units)	Yuexiu	RMB665.0 mil/US$97.3 mil	Shenzhen Hou Feng	Office

Source: Savills Research

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With its strategic location and proximity to Hong Kong, Shenzhen has become one of the country's core cities, playing an important role in the development of the Guangdong-Hong Kong-Macau Greater Bay Area. According to the Shenzhen Statistics Bureau, Shenzhen's GDP grew by 8.8% year-on-year (YoY) to approximately RMB2,243.8 billion, making it the third largest economy by city in China. Meanwhile, Shenzhen's industrial development structure continued to optimise, with tertiarisation leading the trend. By the end of 2017, tertiary industry output accounted for 58.7% of the city's GDP, up 9.7 percentage points (ppts) from 49% in 2003. The strong economic fundamentals have underpinned a healthy development of the city's Grade A office property market.

Shenzhen's office property market has developed in three major stages. From 1984 to 2002, the market was in an infant stage, with Renmin South, Caiwuwei and Huaqiang North being the main business districts. Subsequently, the market entered a high-speed development cycle from 2002 to 2015, with the Futian CBD emerging as a star location. Starting from 2015, with city master planning underway, the Shenzhen office market shifted into a multiple-centre development stage, with business districts decentralising and moving east and west from the city centre. The campaign encouraged the rise of new business areas such as Nanshan and Bao'an districts. In a few short years, some of these emerging business districts have matured, making the city a multiple-centre market landscape.

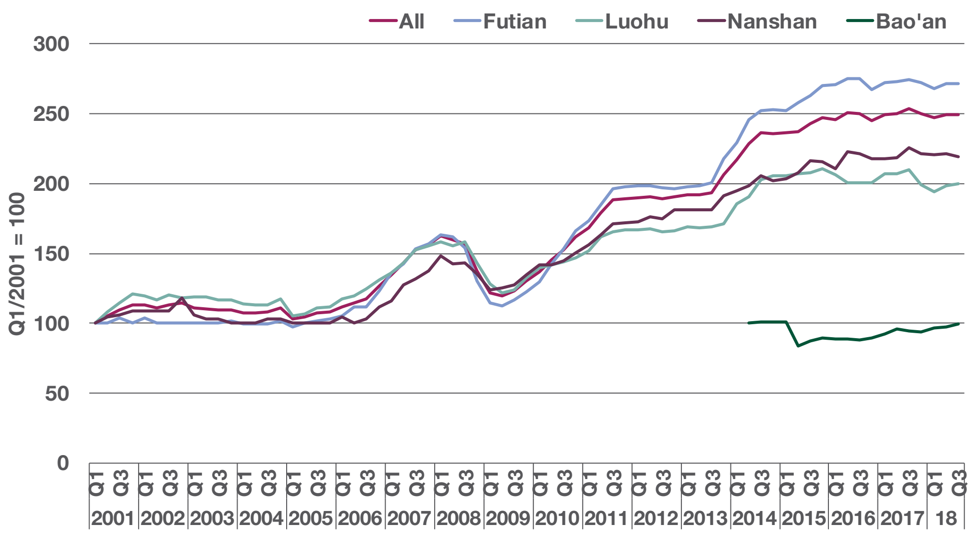
Supply in the Shenzhen Grade A office property market grew rapidly from 500,000 sq m during 2002 to 7.32 million sq m by the end of 1H/2018, an increase of 14.6 times during the period. In the years 1999-2008, compared with the first half of 2009-2018, the average annual net absorption of Shenzhen Grade A office property increased 3.8 times, from 145,000 sq m in 2009 to 5,554,750,000 sq m in 1H/2018. By the end of 1H/2018, the vacancy rate for Shenzhen Grade A office property had decreased to 9.7%. Rents for Shenzhen Grade A office property have grown consistently in the past decades. The average rent of citywide Grade A office property rose from RMB114.2 per sq m in 2002 to RMB230.7 in 1H/2018, with a CAGR of 4.49%.

The Shenzhen office property investment market has attracted a wider spectrum of investors in recent years. As this investor interest shows is a strong sign of the collective impact of the city's economic growths, the continued investment in infrastructure developments, and most recently, the central and local governments' initiatives for developing and promoting in developing the Greater Bay Area economics. From 2009 to 2013, the profile of office property buyers was rather simple, with many being state-owned enterprises (SOEs). From 2015 to the present, the office property investor profile became has more diversified, with domestic private enterprises and some government-related business entities gradually becoming the main demand source in the Shenzhen Grade A office property investment market.

In the short term, finance, high-tech industry, IT, professional services, and TMT will continue to be the main drivers of the Grade A office leasing demand.

GRAPH 6

City-wide Grade A office rental index, 2001 – Q3/2018



Source: Shenzhen Land & Real Estate Exchange Centre

TABLE 6

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
The Central Times	Sungang, Luohu district	RMB1.0 bil/US$145.0 mil	Local investment company	Office
The Central Times	Sungang, Luohu district	RMB1.1 bil/US$165.9 mil	Local investment company	Residential

Source: Savills Research

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China and the US have been engaged in a tit-for-tat trade war since early July this year. The latest salvo in the ongoing dispute was the US's announcement of a further tariff on US$200 billion of Chinese goods effective September 2018. Protectionist measures neglect the risk of a domino effect that could increase the international fragmentation of production in global value chains. In addition, the trade war has already started to impact products, but if it accelerates, the effects could extend to the service industry as well.

The trade war could directly hurt Chinese companies as well as China-based US businesses operating in sectors subject to tariffs. Multinational corporations are likely to review their China strategies and delay occupancy decisions until the impact of the trade war is clear, while manufacturers might consider relocating factories to countries like Vietnam. As a result, China's office and industrial sectors are expected to suffer from weaker leasing demand. However, companies in sectors subject to tariffs account for only a very small part of Grade A office space occupiers in China. In the long run, China's vast and strong domestic demand base and comparatively high growth prospects will continue to attract foreign companies.

Interest rates in the US were raised several times in Q3 and created volatility in the foreign exchange market. The renminbi (RMB) has been weakening since mid-June, and in October it dropped to its lowest level versus the dollar since the end of 2016. In this context, Chinese developers who issued offshore bonds denominated in US dollars are now facing the rising costs of overseas debt caused by a weaker yuan. It is expected that the value of the yuan will continue to drop in the coming months. Developers will need to reconsider issuing offshore bonds if they do not have income from overseas operations. Meanwhile, for international investors, the softening of the currency could hurt the value of their investments over the holding period and when they exit, requiring international investors to hedge the RMB to mitigate the risks. Though capital controls are still in place, the weakness of the RMB is expected to create a potential outflow of Chinese currency.

Since the end of 2016, the Chinese government has introduced a series of measurements to reduce risk in the economy including clamping down on the shadow-banking sector and raising the bar for onshore bond issuance. However, as the trade war intensifies, signs point towards Beijing softening its tone on deleveraging. In a Q2 briefing issued by the Monetary Policy Committee (MPC), a couple of changes in wording were observed including the removal of "effectively rein in macro leverage" from a stated objective. The change indicates that Beijing is being cautious with its global economic outlook, and might change its tone to adapt to "reasonably adequate" liquidity.

GRAPH 7

RMB to USD month end exchange rate, 2005 – 2018

Source: The People's Bank of China

TABLE 7

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
Crystal Plaza one building	Pudong	RMB1.5 bil/US$218 mil	Comac	Office
Greenland Jinchuang Building	Changning	RMB908 mil/US$132 mil	Unidentified buyer	Office
Poly Greenland Plaza	Yangpu	RMB850 mil/US$123.6 mil	Unidentified buyer	Office
Bay Valley C6	Yangpu	RMB554 mil/US$80.6 mil	Alpha and Allianz	Business Park

Source: Savills Research

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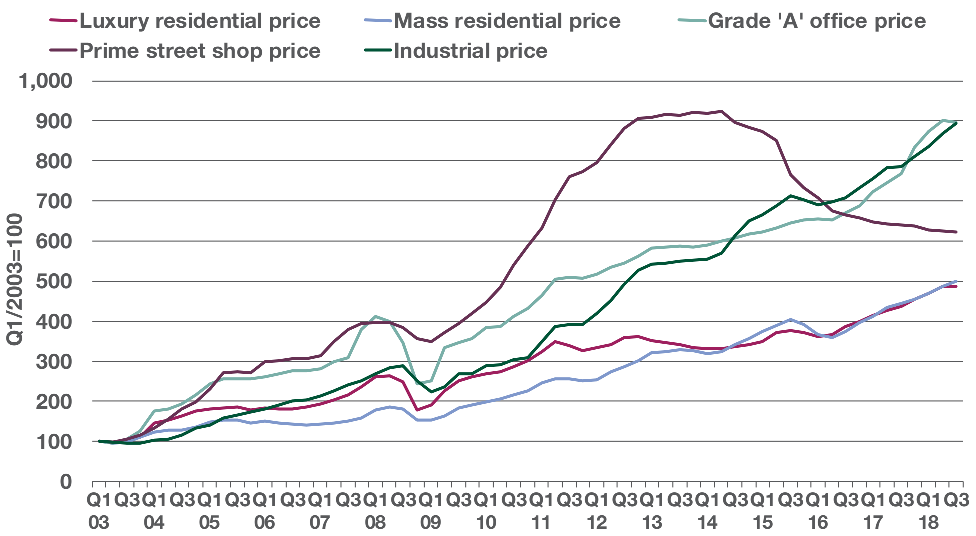
The third quarter was a period of growing uncertainty in the Hong Kong property markets as the city faced a number of negative cross-currents. Because of the territory's peg to the US Dollar any Federal Reserve tightening puts pressure on local interest rates and this has been the case recently as most major banks started to increase mortgage rates from late September. It is highly likely that more rate hikes lie ahead with implications for borrowing costs and the city's property markets where values sit at record highs across most sectors. Our latest third quarter indices have already picked up a sharp moderation in prices and rents, although not yet a dive into negative territory.

If rising rates were not enough, the widely reported US/China trade war piled on further negative pressure and GDP figures have already begun to fall short of analyst's expectations. Just as the retail sector began to look like it was pulling out of a two-year slump, visitor spending is showing signs of weakening again and recovery has almost certainly been delayed. While mainland visitor numbers are up, per capita spending is weakening and new transport infrastructure such as the recently opened Express Rail Link to Shenzhen and Guangzhou has not been enough to offset the effects. Price cycles in both the office and retail markets meanwhile look long in the tooth although the industrial sector continues to benefit from government's revitalization measures as well as demand for logistics services. How much longer this can last in the context a trade war will depend a lot on its depth and duration.

Looking ahead, 2019 is already shaping up to be a turbulent year in global markets with the IMF citing 'dangerous undercurrents' in its October Financial Stability Report and warning of complacency. Asia Pacific's emerging, export-reliant markets, although better defended than they were before the Asian Financial Crisis could still feel the headwinds of rising rates and a stronger US Dollar while capital outflows are always a risk. Any slowdown in China's economy as a result of trade friction with the US in a region which has become increasingly trade dependent on this regional economic power will also have negative consequences for emerging markets generally and for real estate values in particular.

GRAPH 8

Savills property price indices by sector, Q1/2003 – Q3/2018



Source: Savills Research & Consultancy

TABLE 8

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
The Center	Central	HK$762 mil/US$97.7 mil	TBC	Office
Kwong Loong Tai Building	Cheung Sha Wan	HK$680 mil/US$87.2 mil	First Group Holdings	Office
Mee Wah Factory Building	San Po Kong	HK$1.25 bil/US$160.3 mil	TBC	Industrial
13-15 Mercury Street	Tin Hau	HK$570 mil/US$73.1 mil	TBC	Hotel
Commercial podium, Nob Hill Square	Lai Chi Kok	HK$888 mil/US$113.8 mil	TBC	Retail
8 Observatory Road	Tsim Sha Tsui	HK$4.0 bil/US$512.8 mil	TBC	Office
37 Barker Road	The Peak	HK$3.0 bil/US$384.6 mil	Mainland developer	Residential

Source: EPRC, Savills Research & Consultancy

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Concerns for Indonesia's economy loomed as the country's rupiah continued to weaken against a stronger dollar and rising US interest rates. By the end of September, the rupiah had edged close to IDR14,929 per USD, very near to a 20-year low. This prompted the Bank of Indonesia to take aggressive, coordinated action, and it has raised the benchmark interest rate a total of five times since mid-May 2018 in order to ensure sufficient foreign exchange reserves were available to cushion any unforeseen external shocks.

Despite growing external tensions, the internal economy remains fundamentally sound, with inflation figures kept under control for the moment and wages actually rising. In fact, Fitch Ratings has affirmed the country's credit rating at BBB with a stable outlook, as the market continues to display resilience.

Nonetheless, while the economy has continued on its upward trajectory, the market has remained unable to stimulate a significant volume of domestic demand. The strata office sector, for example, performed relatively similar to the sluggish leasing market, where investors were more inclined to take a wait-and-see approach ahead of the national election in 2019.

Although the asking price for strata offices remained largely stable, a slow demand market has led to vendor discounting across the board, with achieved prices slightly lower than the preceding half year. As per the end of the first half of this year, the CBD market recorded an average price of IDR45,580,000, about 2% lower than the price recorded at the end of last year.

While this currently slow market may be seen as a hindrance, some notable investors, particularly from overseas and especially from Singapore, have viewed this period as an opportunity to enter the market early and settle before any possible recovery. In July, UOL Group from Singapore announced its acquisition of 180 apartments at Thamrin Nine's Tower 2 in Jakarta, purchased for US$56.2 million from Putragaya Wahana. These apartments were intended to be developed into a 180-key Parkroyal Serviced Suites.

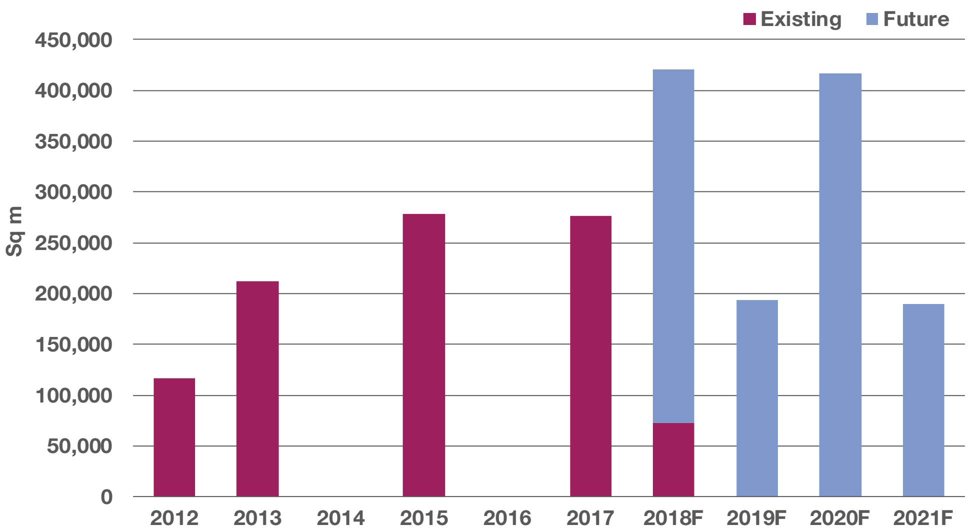
Just recently, the market also witnessed the investment by Ascott, Singaporean CapitaLand's wholly-owned, serviced-residence business unit, of a 70% stake in Green Oak Hotel Management, the holding company for Indonesian-based TAUZIA Hotel Management. Through this investment, Ascott will gain an additional 12,000 hotel units across key Indonesian cities such as Jakarta, Bali and Bandung.

As regulations on asset transactions and ownership remain complicated, partnerships in the form of joint venture agreements might be the best option for foreign companies looking to enter the Indonesian market.

This year, a notable number of partnerships formed between local and foreign companies. The most recent partnerships include a joint operation agreement between Crown Group (from Australia) and PT Pembangunan Jaya Ancol to develop a mixed-used project in Ancol, Jakarta as well as a joint venture (JV) deal between Perennial Real Estate Holdings (from Singapore) and PT Cipta Harmoni Lestari for the development of a residential township in Bogor.

GRAPH 8

Strata office supply growth - Jakarta, 2012 – 2021F



Source: Savills Research & Consultancy

TABLE 9

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
Logios Apartment	Margonda, Depok	IDR880 bil/US$63.1 bil	PT Waskita Karya Realty	Residential
Thamrin Nine Tower 2 (180 apartments)	Thamrin, Jakarta	IDR811 bil/US$56.3 bill	UOL Group Ltd	Serviced apartment
Land site at Jakarta CBD	Sudirman, Jakarta	IDR1.63 til/US$112.36 bil	OUE Pte. Ltd	Development land

Source: Savills Research & Consultancy

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Japan's real GDP grew an annualised 3.0% QoQ in Q2/2018, revised up from an initial reading of 1.9%, marking the strongest quarter in two years. In August, the unemployment rate ticked down a further 10 basis points (bps) to 2.4%. Core inflation recovered somewhat in August, registering at 0.9%. Looking further ahead, the planned October 2019 consumption tax hike slowly draws nearer.

Shinzo Abe was re-elected as leader of the governing LDP party, securing a third term until September 2021, which is likely to make him Japan's longest-serving prime minister. Abe's cabinet achieved a 55% approval rating in a September poll by the Nikkei. His continued service should limit surprises in political and fiscal policy.

At the end of July, the Bank of Japan (BOJ) confirmed it would allow yields for the 10-year JGB to fluctuate around 0% within a range of 20bps, giving itself more flexibility and sustainability. The 10-year yield has risen slightly, averaging 0.13% in September. Throughout Q3/2018 the BOJ purchased just 7.2 billion yen's worth of J-REIT units, bringing the YTD total up to JPY44.4 billion, far below the annual JPY90 billion target, perhaps signalling a possible change in execution.

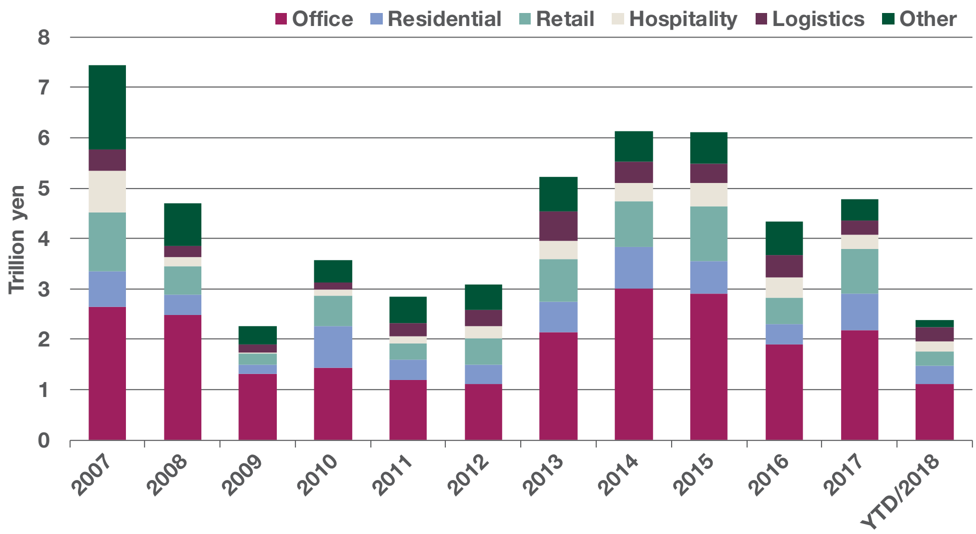
The Tankan survey registered at +19 as of September 2018, suggesting business conditions for large manufacturing firms have declined for three consecutive quarters. The reading for Real Estate and Construction enterprises remains strong, however. JPY weakened in Q3/2018, rising from 110.5 per USD at June end to 113.6 at the end of September, a depreciation of 2.7%. Large manufacturers have not adjusted their forecasts, expecting an average of 107.4 for 2018, so the current environment should help companies beat forecasts. The TOPIX index was up 5.0% over the quarter, while the TSE J-REIT index stood at 1,777.18 at the end of September, up just 0.7% QoQ. In the wake of recent multiple public offerings, logistics REITs have underperformed.

Investment volumes were thin in Q3/2018, according to preliminary data, following in the footsteps of the previous quarter. Sellers remain bullish and inflexible on pricing, while low cap rates and concerns over global rises in interest rates may be leading buyers, who are still interested, to be less aggressive in negotiations. Despite headwinds, Japan's macroeconomic fundamentals are strong and the outlook is relatively stable.

Average Grade A office rents grew to JPY34,106 per tsubo in the central five wards (C5W) of Tokyo, up 1.3% QoQ and 4.6% YoY. Shibuya Grade A office rents posted impressive gains of 2.8% QoQ and 7.3% YoY. Vacancy rates in the C5W tightened by 10bps QoQ and 1.1ppts YoY to end the quarter at 0.6%. Demand for office space is strong and extremely low vacancy continues to drive exceptional pre-leasing volumes, somewhat quelling concerns over robust supply volumes.

GRAPH 9

Property transactions by sector, 2007 – Q3/2018



Source: RCA, Savills Research & Consultancy

TABLE 9

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
GLP Osaka	Suminoe, Osaka	JPY36.0 bil/US$321 mil	GLP J-REIT	Logistics
Matsushita IMP Building	Chuo, Osaka	JPY27.0 bil/US$241 mil	Undisclosed	Office
Toranomon Hills Mori Tower (partial)	Minato, Tokyo	JPY26.1 bil/US$233 mil	Mori Hills J-REIT	Office
Yokohama i-Land Tower	Naka, Yokohama	JPY22.1 bil/US$197 mil	MCUBS MidCity J-REIT	Office
GLP Shinsuna	Koto, Tokyo	JPY18.3 bil/US$163 mil	GLP J-REIT	Logistics

Source: Nikkei Real Estate, RCA, Savills Research & Consultancy

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The total transaction value of real estate investment in Q3/2018 dropped 23% from Q3/2017 to RM2.46 billion. The reduction is due to market inactivity as the newly-appointed administration set about their reform agenda, with major reviews of various government units being undertaken. It wasn't all bad news, however; total investment value during the quarter exceeded that of Q2/2018 figures by 54%, as investors took advantage of a short-lived tax holiday which ended on 31 August.

While land-banking activities appeared to bear the brunt of this reduction, elsewhere investors were still trading. Thailand's SH REIT acquired Hilton Garden Inn KL from Royal Group for RM240 million (RM571,000 per key). The REIT is bullish on continued tourism growth in KL, with the previous decade showing a 4.8% growth in international tourist arrivals and 12.3% in local tourist arrivals.

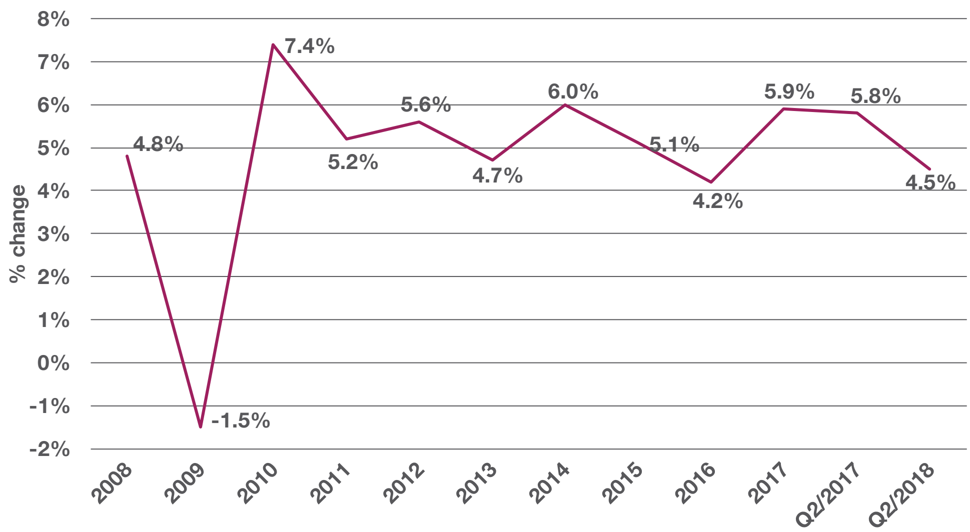
PNB Development has acquired not only Media Prima's flagship 3.5-acre office complex in Bangsar, through a sale and leaseback agreement for RM119 million with a lease term of at least six years, but also Media Prima's 20-acre freehold industrial land in Bukit Jelutong Industrial Park for RM161 million through a similar type of arrangement. It is reported that the two transactions offer an approximate yield of 6.2% per annum. During the same period, PNB Development divested itself of a 213-acre industrial site located in Banting, Selangor in a sale to AREA Management Sdn Bhd for RM320 million. AREA Management has plans to develop an RM4 billion GDV automated integrated industrial logistics hub on this site.

Also in Greater KL, JKG Land Bhd acquired a 2.6-acre site in Mont Kiara from Paragon Globe Bhd for RM41 million.

Moving forward, apart from a proposed waiver on sales tax related to sales of residential properties, the new government has promised a revamped Housing Policy focusing on affordable housing and a supportive home loan approval environment. The new policy is expected to be unveiled in Q4/2018 along with the 2019 Malaysia Budget. Looking ahead, we are encouraged by the government's reform agenda, and note a slow-but-steady improvement in both market sentiment and investor enquiries, as we head into what is shaping up to be a very critical 2019 for the Malaysian economy and property sector.

GRAPH 11

Malaysia's GDP growth, 2008 – Q2/2018



Source: Bank Negara

TABLE 11

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
Hilton Garden Inn, Kuala Lumpur	Jalan Tunku Abdul Rahman, Kuala Lumpur	RM240.0 mil/US$57.43 mil	SHREIT	Hotel
213-acre industrial land	Banting, Selangor	RM320.0 mil/US$76.57 mil	AREA Management Sdn Bhd	Industrial
20-acre industrial land	Shah Alam, Selangor	RM161.0 mil/US$38.52 mil	PNB Development Sdn Bhd	Industrial
Two blocks of 6-storey office complexes	Bangsar, Kuala Lumpur	RM119.0 mil/US$28.47 mil	PNB Development Sdn Bhd	Office
2.6-acre development land	Mont Kiara, Kuala Lumpur	RM41.0 mil/US$9.8 mil	JKG Land Bhd	Development land

Source: Company announcements, Savills Research & Consultancy

New Zealand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New Zealand's economy expanded by 1% in the second quarter of 2018, recording the highest quarterly growth since September 2016. This robust result came from strong performances across 15 of the 16 industrial sectors, with the largest increase recorded in agriculture (up 4%) via increased milk production and a rebound in the forestry sector after a poor first quarter. A 1% increase in all service industries, such as wholesale trade, retail trade, telecommunications and transportation, was the largest contributor to GDP growth. Overall the strong second quarter has helped to offset a weak first quarter, with annual GDP growth showing a steady 2.7% rise.

Annual inflation rate rose from 1.1% in Q1/2018 to 1.5% in Q2/2018, in part due to increasing petrol prices. However, inflation was projected to stay close to the 2% target for the year with lower interest rates continuing to support growth.

A strong migration-led population rise is continuing to be a major driver of aggregate economic growth. Annual net migration this year to August has fallen by 12% from its peak of one year ago, however, levels remain some of the highest ever recorded with net migration figures in excess of 60,000 for New Zealand as a whole and 30,000 for Auckland specifically. Net migration will likely continue on a slight downward trend over the next two years.

The outlook for the national economy is broadly positive, especially for the Auckland region. Auckland's economy is forecast to continue to grow at above national levels, supported by infrastructure development, ongoing construction activities and a thriving tourism market. However, with global growth easing and ongoing trade tensions overseas there is potential for a negative impact on the New Zealand economy.

■ The housing market remained strong, as indicated by the REINZ House Price Index (HPI) of September 2018 which rose 4% from September 2017. The increase was mainly driven by the higher rate of growth from regions outside of Auckland with the HPI for New Zealand outside Auckland increasing 7.4% year-on-year (YoY) while Auckland's HPI showed growth of 1%.

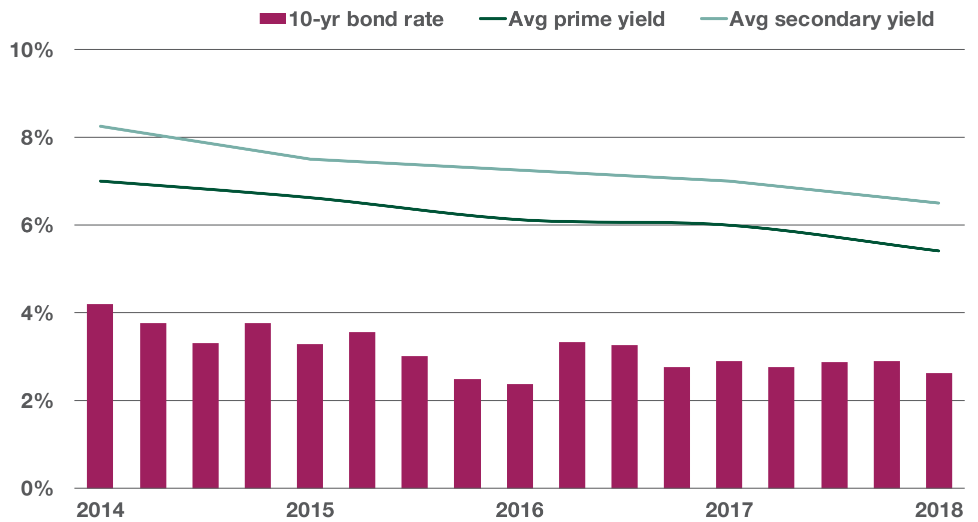
■ This quarter witnessed the acquisition of the Foodstuffs Distribution Centre in Auckland by Goodman Property Trust for NZ$93 million, reflecting a passing yield of 5%. This price set a new record for a single asset transaction in the Auckland industrial market. We also found evidence of prime industrial properties reflecting sub-5% cap rates in Auckland during this quarter.

Over the next 12 months we believe industrial investment will remain relatively strong as investors seek out investment opportunities in this sector.

■ The office transaction market in Auckland was also active during the quarter. Deals included prime office transactions in the city centre, such as at ANZ Centre (50% share purchased) and 22 Fanshawe Street as well as suburban office transactions like 20-22 Pollen Street, Public Trust Building. Most of the property was sold to foreign purchasers who are on the lookout for investments in Auckland's commercial property sector.

GRAPH 12

Auckland industrial yield spread to bond rate, Sep 2014 – Sep 2018



Source: RBA, Savills Research & Consultancy

TABLE 12

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
ANZ Centre (50% interest)	Auckland CBD	NZD181 mil/US$118 mill	Invesco Group	Office
22 Fanshawe Street	Auckland CBD	NZD50 mil/US$33 mil	Conrad Properties Group	Office
Foodstuffs Distribution Centre	Greater Auckland	NZD93 mil/US$60 mil	Goodman Property Trust	Industrial
20-22 Pollen Street	Greater Auckland	NZD37.9 mil/US$25 mil	VennCap Real Estate	Office
Public Trust Building	Greater Auckland	NZD17.5 mil/US$11.4 mil	-	Office

Source: Savills Research & Consultancy

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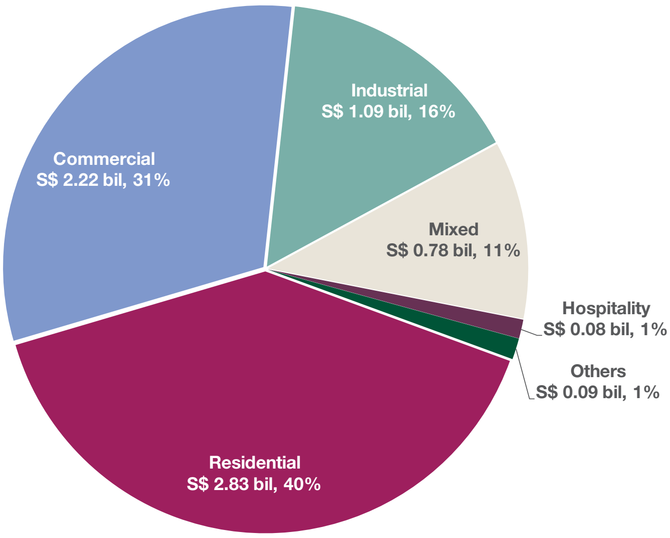
For the first half of 2018, the collective sales market for private residential developments was in play, accounting for 47.0% of the total volume of investment sales, which came in at S$20.7 billion. However, the revised Additional Buyer's Stamp Duty (ABSD) that came into force on 6 July 2018 has put the brakes on the number of collective sales transactions. As developers now face a heftier 25% ABSD (compared to the previous 20% rate) and an additional, non-remittable 5% ABSD for purchasing residential properties for housing development, their appetite for collective sales has waned. Only two en-bloc deals worth approximately S$353 million were concluded in the third quarter: Casa Meyfort at Meyer Road and Phoenix Heights in Bukit Panjang. The former escaped the new ABSD rates as the deal was inked before 6 July. Meanwhile, most developers have adopted a prudent and cautious stance for Government Land Sales (GLS) tenders. For example, private residential sites at Dairy Farm Road and Jalan Jurong Kechil received just five and three bids respectively, while the offering prices were less bullish compared to those achieved in the market before the cooling measures. On the front of a high-end, private non-landed unit worth at least S$10 million, transaction volume also dropped sharply to six units in Q3/2018, down 68.4% from the 19 recorded a quarter ago. The tighter financing rules and increased ABSD of up to 20% for foreign buyers have also sent foreigners scurrying from the market. Consequently, investment sales generated in the residential segment plummeted by 59.2% quarter-on-quarter (QoQ) to S$2.83 billion in Q3.

On the other hand, investment sales of commercial and industrial properties showed strong growth in Q3. On a quarterly basis, commercial property transactions rose 43.0% to S$2.22 billion, while the sales volume for industrial properties surged 63.8% to S$1.09 billion. Notable deals came mainly from Real Estate Investment Trusts' (REITs) acquisitions. These included the S$908.0 million paid by OUE C-REIT for the office component in OUE Downtown at Shenton Way; the S$789.6 million outlay made by CapitaLand Mall Trust for a 70% stake in Westgate Mall at Jurong East; and the S$730.0 million paid by Mapletree Logistics Trust for five logistics properties. Given the high level of funds being raised globally that are in search of investible assets, in the near term, investment attention will turn towards the commercial and industrial sectors, where regulations on the purchase and sale of properties are not as onerous as those applied to the residential sector.

Overall, Singapore's real estate investment sales in Q3 reversed the strong momentum that started in Q2/2017 and ended the quarter at S$7.10 billion, down 33.4% QoQ.

GRAPH 13

Investment sales transaction volumes by property type, Q3/2018



Source: Savills Research & Consultancy

TABLE 13

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
OUE Downtown (office component)	Shenton Way	S$908.0 mil/US$658.1 mil	OUE Commercial Real Estate Investment Trust (OUE C-REIT)	Commercial
Westgate (70% stake)	Gateway Drive	S$789.6 mil/US$572.3 mil	CapitaLand Mall Trust (CMT)	Commercial
Government land	Sengkang Central	S$777.8 mil/US$563.7 mil	Siena Residential Development Pte Ltd and Siena Trustee Pte Ltd (as Trustee-Manager of Siena Commercial Trust)	Commercial & residential
Government land	Hillview Rise	S$460.0 mil/US$333.4 mil	Intrepid Investments Pte Ltd and Garden Estates (Pte) Limited	Residential
Government land	Dairy Farm Road	S$368.8 mil/US$267.3 mil	UED Residential Pte Ltd	Residential

Source: URA, Savills Research & Consultancy

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The office investment market in Seoul continued its strong momentum in Q3/2018. Total office transaction volumes from Q1/2018-Q3/2018 were 8.6 trillion won, reaching a level of 97% of last year's transaction volume, which was already a record. Transactions in the GBD increased and included the Samsung C&T megadeal, Gangnam N Tower, Gangnam P Tower and Platinum Tower.

With abundant liquidity, overall asset prices rose, while the unit price also set a new record. With domestic securities firms actively underwriting deals, the portion of overseas investors through Q3 was 13%, a lower percentage than last year. After the close of the Centropolis deal in October, worth an estimated KRW1.1 trillion, the percentage of overseas investors is expected to be similar to last year.

A KORAMCO–NH Investment Securities consortium acquired the Samsung C&T Seocho building located in Samsung Town (Samsung Town consists of three buildings near Gangnam Station: Samsung Life Insurance, Samsung C&T, and Samsung Seocho Building) for KRW748.4 billion. With Samsung Fire & Marine Insurance as the master tenant until 2021, the building traded at KRW30.5 million per pyeong. NHUF(National Housing and Urban Fund), NH Investment & Securities and NACF(National Agricultural Cooperative Federation) participated in the investment.

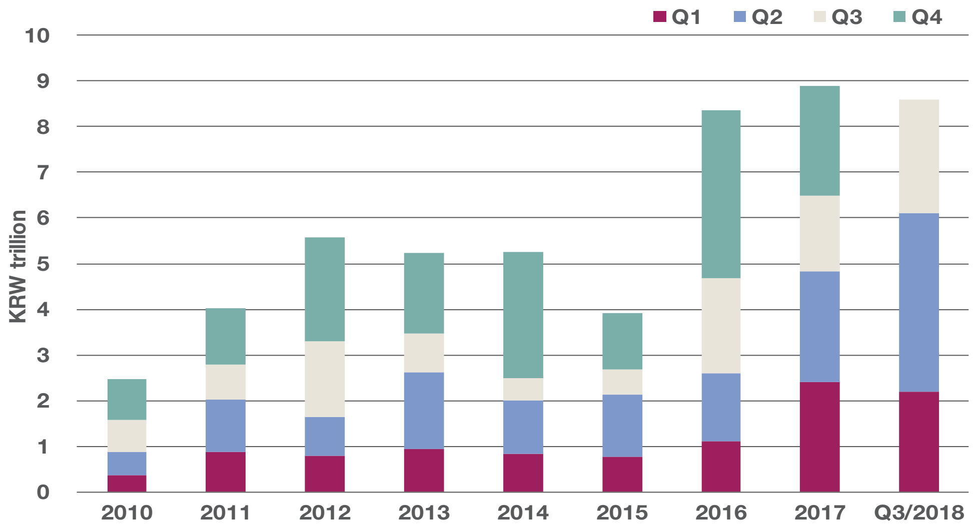
Gangnam N Tower, developed by Yeoksam PFV, was acquired by KB Real Estate Trust for KRW452.5 billion. The seller, Yeoksam PFV, will guarantee rental revenue of KRW24 billion for one year at most. Yeoksam PFV will also provide tenant incentives worth KRW2 billion as well as marketing expenses. The office leasing contract ratio at the time of completion was 12%, but the rate increased to 40% as of the end of September 2018. Blue Bottle Coffee plans to open its first Korean store in the building's first floor.

A consortium of KB Securities, Hana Financial Investment and Yuanta Securities acquired Gangnam P Tower, located in Yangjae-dong for KRW318.0 billion through Hangang Asset Management. Hangang Asset Management acquired the entire stock of the KOCREF Yangjae REIT.

In Q3/2018, the average prime office cap rate stood at 4.7%; calculated using face rent and 90% occupancy. However, considering certain leasing concessions (such as rent-free periods and tenant improvement incentives) and actual occupancy rates, the effective cap rate is in the low to mid 4% range. At the end of September, the 5-YR treasury yield increased to 2.18%, meaning a prime office cap rate spread of approximately 250 bps. Typical LTV rates in Korea remain at approximately 55%.

GRAPH 14

Office transaction volumes, 2010 – Q3/2018



Source: Savills Korea

TABLE 14

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
Platinum Tower		KRW214 bil/USD190.8 mil	Mirae Asset Global Investments (Orion Partners)	
Gangnam N Tower	GBD	KRW452.5 bil/USD403.4 mil	KB Real Estate Trust	Office
Samsung CNT Seocho Building		KRW748.4 bil/USD667.3 mil	Koramco REITs and Trust	
Gangnam P Tower	Yangjae	KRW318 bil/USD283.5 mil	Hangang Asset	

Source: Savills Research & Consultancy

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Owing to limited supply for tradable commercial properties in Taipei's CBD areas and many large investors shifting their focus to development projects, transaction volumes dropped by 67% year-on-year (YoY) to NT$9.06 billion in the third quarter of 2018. Purchasers of two notable deals that concluded this quarter are focused on redevelopment potential. One deal was for an en-bloc office building in Dunhua North office district, purchased by a local developer for NT$2.25 billion. The location is suitable for residential and office use. The other involved a 691-ping strata-title office space, which was purchased by Nan Shan Life Insurance for NT$1.1 million per ping. Nan Shan have been aggressive in consolidating ownership of this office building.

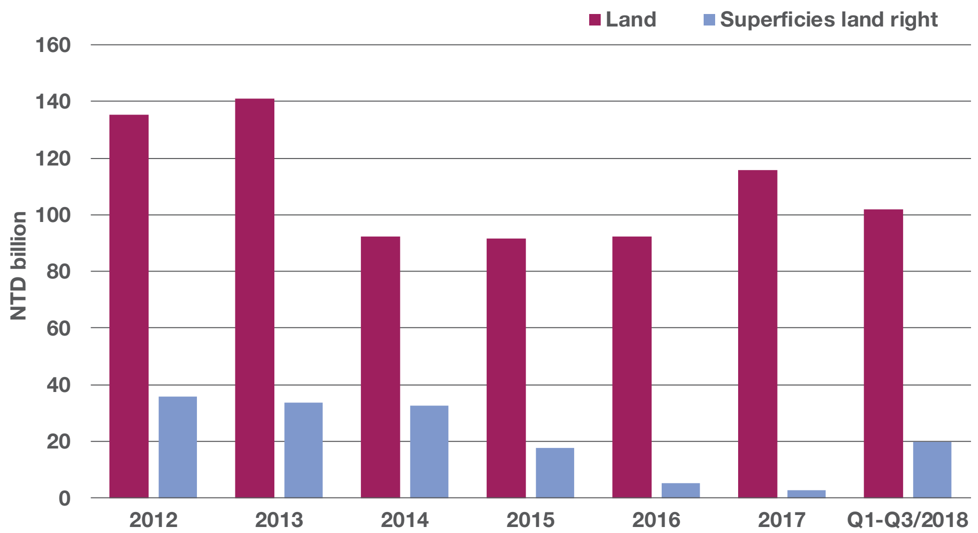
Taiwan's land market remained active with total transaction volumes in Q3/2018 reaching NT$26.6 billion. Ever since the residential market's 2017 recovery, which spurred demand for two- to three-bedroom units, developers have become hungry for development land. Land deals totaling NT$82.9 billion were completed by developers in the first three quarters of 2018, an amount 30% higher than the NT$62.3 billion transacted throughout the whole of 2017. Several public tenders for land held by the government received good responses from the market, especially in Kaohsiung, Taichung and New Taipei City.

In addition to residential land, superficies land saw renewed interest from large investors, such as insurance companies and banks, after the government reviewed and then lowered the reserve price and rents for superficies land. The difficulty in acquiring large development sites and large-sized commercial properties is another reason for the shift. In the first three quarters, transaction volumes in superficies land reached NT$20.4 billion, up an impressive 611% YoY. Early this year, Fubon Life and Shin Kong Life both successfully bid on superficies land for investment purposes in Kaohsiung (NT$7.8 billion) and Taipei City (NT$1.77 billion), respectively.

This September, a 1,140-ping plot of superficies land in Taipei City's CBD attracted five bidders, including Nan Shan Life, Shin Kong Life, Fubon Life and Transglobe Life. Eventually, Yuanta Bank won the tender for NT$8.7 billion in royalty price, recording a 123% premium. This development project is positioned to become Yuanta's headquarters. According to the loyalty price, future office rents in this development project are estimated to reach NT$3,500 to NT$4,000 per ping per month, which is almost the rent level for premium office buildings in the Xinyi district and double the rent of Grade B offices nearby. The recent positive response from large investors hints at their confidence in the future of the office leasing market.

GRAPH 15

Significant transactions in the land market, 2011 – Q1-Q3/2018



Source: Savills Research & Consultancy

TABLE 15

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
United Oriental Glass Taoyuan Factory	Taoyuan City	NT$922 mil/US$29.7 mil	Full Wang International Development	Factory
Farglory Dunhua N. Building	Taipei City	NT$2.25 bil/US$72.5 mil	Local developer	Office
Factory in Taichung Industry Park	Taipei City	NT$800 mil/US$25.8 mil	LARGAN Precision	Factory
5/F, Wanguo Building	Taipei City	NT$760 bil/US$24.5 mil	Nan Shan Life Insurance	Office

Source: Savills Research & Consultancy

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The third quarter witnessed significant domestic investment activity, with developers undertaking a number of large-scale acquisitions predominantly focused on Bangkok-based land and income producing properties.

Central Pattana PLC (CPN) announced the acquisition of Grand Canal Land PLC (GLAND), via its wholly-owned subsidiary Central Pattaya Co., Ltd, in a deal valued at THB20.14 billion (US$617.10 million). The purchase comprised Grade A office building G Land Tower, a portfolio of three 'Shoppes' branded retail centres, a development site on Phaholyothin Road in addition to the under construction Super Tower project. The latter broke ground last year and, if completed as planned, would become Thailand's largest tower, standing at 615m tall.

Siamese Asset Co., Ltd acquired a 41-unit apartment building, Above Sukhumvit 39, for THB787.76 million (US$24.1 million) and Raimon Land PLC announced the purchase of high-end planned condominium developments S19 and S28 from KPN Land. The latter are reportedly worth a combined THB7.7 billion (US$236.1 million) and scheduled for completion in 2023. Raimon Land PLC further acquired the remaining inventories of Diplomat 39 and Diplomat Sathorn condominium projects.

Bangkok land acquisitions remained active over Q3, with SET-listed developer LPN purchasing an approximately 5,500 sq m site on Ratchada-Narathiwas Road, announcing plans to develop around 400 condominium units. Karmarts PLC purchased around 8,250 sq m of land in Banglumpoo-Lang, reportedly with a view to undertaking a commercial development.

The overall value of land sales nationally increased by 25.1% year-on-year and 16.3% quarter-on-quarter, as of Q2, reaching around THB135 billion (US$4.15 billion) according to the REIC. The notable increase was largely driven by sales within the Bangkok Metropolitan Region (BMR) and centrally located provinces.

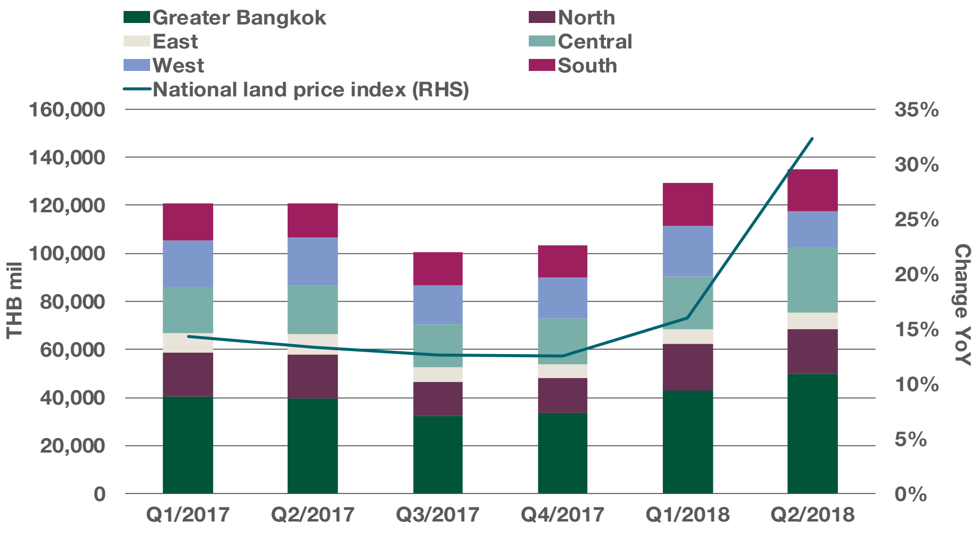
While we expect demand for prime Bangkok land sites to remain strong short-term, rising land prices, a slowdown in off-plan condominium sales and a considerable office supply pipeline, may lead to a decline in acquisitions over 2019.

Foreign investors are demonstrating a growing interest in alternative sectors, most notably senior housing, sighting anticipated demand driven by an aging, and increasingly affluent, domestic population. There is also rising interest in exploring the viability of resort-based senior living schemes aimed at expatriate retirees.

Kasikorn Research Centre, the research arm of one of Thailand's leading domestic banks, estimates that investment in large retirement community projects between 2018 and 2020 will reach approximately THB6 billion (US$183.84 million), leading to accumulated investment of around THB27 billion (US$612.79 million) by 2020.

GRAPH 16

Thailand land sales value by region and land price index % change, Q1/2017 – Q2/2018



Source: Land Department, REIC, Savills Research & Consultancy

TABLE 16

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
c.5,500 sq m land plot, Ratchada-Narathiwas Road	Bangkok	THB808.64 mil/US$24.74 mil	LPN Development	Development land
41-unit apartment building, Above Sukhumvit 39	Bangkok	THB787.76 mil/US$24.10 mil	Siamese Asset Co., Ltd	Residential
c.8,250 sq m land plot, Banglumpoo-Lang	Bangkok	THB741.84 mil/US$22.69 mil	Karmarts PLC	Development land

Source: Company announcements, Savills Research & Consultancy

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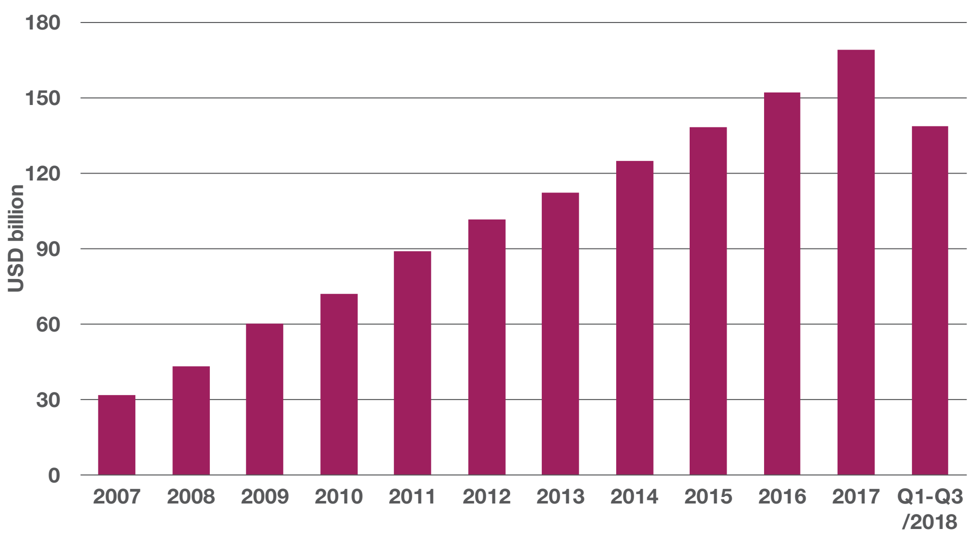
Vietnam's GDP grew 6.88% YOY in the third quarter, keeping the economy on track to remain among the world's best performers. Within the service sector, tourism continued to be one of the key pillars of growth, up 5.89% YOY in Q3, and as a result driving hospitality developments. Early in the quarter, the local developer Novaland opened their first resort - Arezai Can Tho, an "affordable luxury" resort in the Mekong Delta, marking their first move outside the residential sector. Meanwhile, ICC-Kajima secured a prime site situated on Tran Hung Dao Street along Han River, Danang to develop a Wink Hotel, a "luxury and value-for-money" hotel concept tailored towards young and aspirational travelers. This was the third site to be developed for the international-standard hotel chain in Vietnam, following their first two sites located at 75 Nguyen Binh Khiem, Ho Chi Minh City and 178 Tran Phu, Danang City.

On the residential side, the eastern areas of Ho Chi Minh City remain one of the most exciting districts to investors, given strong infrastructure development. In August, CapitaLand set their 13th residential development in Vietnam with the acquisition of a prime site in District 2 for approximately US$60 million. Measuring over 60,000 square metres in land area, the project is planned to yield more than 100 landed residential units, targeted for completion by 2021. Earlier in July, Frasers Property announced their acquisition of 75% interest in a residential-cum-commercial project in Linh Trung Ward, Thu Duc District for over US$34 million. In the same month, local developer Khang Dien transferred Phase 1 of a 90-ha residential development project in District 9 to another Vietnamese investor for a total consideration of approximately US$12.4 million.

Seeing the increasing demand for urban developments in emerging Asia, Mitsubishi Corporation and Singapore-based Surbana Jurong joined hands to establish a 50:50 joint venture to build transportation infrastructure and develop urban real estate solutions for some target markets, including Vietnam. This US$500m JV is expected to resolve the shortages in private investment for infrastructure and be a boost for the region's urban projects. Another announcement by Mitsubishi Corporation in this quarter is with Fast Retailing, to launch and develop Uniqlo's retail business in Vietnam, following Thailand, Indonesia, and Russia. With the cooling of China's economy, players are now looking to change focus to smaller Asian markets, most notably Vietnam, which since joining the World Trade Organisation (WTO) in 2007 has been gradually liberalising its retail sector, leading to a new wave of foreign investment.

GRAPH 17

Retail sales in Vietnam, 2007 – Q3/2018



Source: Savills Research & Consultancy

TABLE 17

Major investment transactions, Q3/2018

Property	Location	Price	Buyer	Usage
6 ha development site (100% interest)	District 2, Ho Chi Minh City	VND1,380 bil/US$60 mil	CapitaLand	Residential development
Development site (75% interest)	Thu Duc District, Ho Chi Minh City	VND799 bil/US$34 mil	Frasers Property	Mixed-use development
Phase 1 of 90 ha development site (100% interest)	District 9, Ho Chi Minh City	VND284 bil/US$12.4 mil	Cuu Long Real Estate	Residential development

Source: Savills Research & Consultancy

Major transactions Q3 2018

Australia

◀ **1 Sussex Street**
Sydney, NSW
AU$250M/US$177.5M
in Q3

Westfield Eastgardens ▼
Eastgardens, NSW
AU$720M/US$511.2M
in Q3

60 Station Street ▲
Parramatta, NSW
AU$277.6M/US$197.1M
in Q3

80 Ann Street ▶
Brisbane, QLD
AU$418M/US$296.8M
in Q3

Beijing/Shanghai/Shenzhen

▲ **Fire Temple Mall**
Daxing district, Beijing
RMB2.0B/US$290M
in Q3

Retail podium of Longzeyuan Western District ▶
Changping district, Beijing
in Q3

Podium of Tongtai Mansion ▲
Xicheng district, Beijing
in Q3

Fangheng Fashion Center ▲
Chaoyang distrct, Beijing
RMB2.229B/US$322M
in Q3

◀ **Hainan Airlines Mansion**
Chaoyang district, Beijing
RMB1.3B/US$188.5M
in Q3

◀ **Silicon Vally Bright City T4**
Haidian district, Beijing
RMB422M/US$61M
in Q3

Crystal Plaza ▲
Pudong, Shanghai
RMB1.517B/US$220.0M
in August

Central Times Apartment ▲
Luohu district, Shenzhen
RMB1.144B/US$165.9M
in July

▲ **Bay Valley C6**
Yangpu, Shanghai
RMB554M/US$80.3M
in Q3

Poly Greenland Plaza ▼
Yangpu, Shanghai
RMB850M/US$123.3M
in August

Hong Kong

◄ **Kwong Loong Tai Building**
Cheung Sha Wan
HK$680M/US$87.2M
in September

19/F The Center ►
Central
HK$762M/US$97.7M
in August

Mee Wah Factory Building ▲
San Po Kong
HK$1.25B/US$160.3M
in August

◄ **13-15 Mercury Street**
TIn Hau
HK$570M/US$73.1M
in July

Japan

◄ **Toranomon Hills Mori Tower (partial)**
Minato, Tokyo
JPY26.1B/US$233M
in July

Malaysia

◄ **Hilton Garden Inn**
Kuala Lumpur
RM240M/US$57.4M
in July

Singapore

OUE Downtown (office component) ▲
Shenton Way
S$908.0M/US$658.1M
in September

▼ **Westgate (70% stake)**
Gateway Drive
S$789.6M/US$572.3M
in August

South Korea

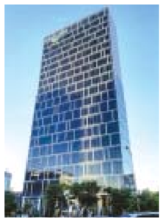
▼ **Platinum Tower**
GBD
KRW214B/US$190.8M
in July

Gangnam Finance Plaza ▶
GBD
KRW183B/US$163.2M
in August

◀ **Samsung C&T Seocho**
GBD
KRW748.4B/US$667.3M
in September

◀ **Gangnam N Tower**
GBD
KRW452.5B/US$403.4M
in August

Gangnam P Tower ▶
Yangjae
KRW318B/US$283.5M
in August



Taiwan

◀ **United Oriental Glass Taoyuan Factory**
Taoyuan City
NT$922M/US$29.7M
in July

Farglory Dunhua N. Building ▶
Taipei City
NT$2.25B/US$72.5M
in August

◀ **Wanguo Building**
Taipei City
NT$760M/US$24.5M
in September

Factory in Taichung Industrial Park ▶
Taichung City
NT$800M/US$25.8M
in August

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