REPORT

Savills Research

Asia Pacific – Q2 2020

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 62 regional offices comprising over 29,000 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

Australia

In the first quarter of 2020, the Australian economy contracted by 0.3%, with the annual rate of growth slowing to 1.4% in the 12 months to March 2020. The June IMF World Economic Outlook outlined forecasts that Australia's economy will contract by -4.5% in 2020 as a result of COVID-19, with the outlook of a recovery in 2021 which would see GDP growth of 4.0%. Positively, Australia was one of the few countries where GDP growth for 2020 was revised upwards (from the April outlook) as a result of effective containment measures that helped to keep transmission rates and in turn case numbers low. With the Federal Government's AUD259 billion economic support package helping to keep many Australians employed, it is evident that we are yet to feel the full impact on the unemployment figures. The unemployment rate in Australia was recorded at 7.1% in May 2020 however the effective rate is believed to be over 13%.

Despite the current economic climate, assets in Australia continued to trade over the first half of 2020 with strong investor demand still apparent particularly from domestic institutional groups. In the 12 months to June 2020, Savills tracked AUD31.8 billion of sales (AUD5m+) across office, retail and industrial asset classes. This was driven by high volumes of office transactions, contributing AUD18.7 billion.

Latest Morgan Stanley Capital International data (March 2020) indicates that industrial property was the best performing asset class, surpassing the office sector last quarter. Total returns were recorded at 11.8% which consisted of income returns of 5.8% and capital returns of 5.7%. Office returns followed closely behind at 11.1%, driven by capital returns of 5.7%. Melbourne CBD office recorded the strongest return of all office locations, however given that Victoria is currently the worst impacted by the pandemic with the State now back in strict lockdown, it is likely that this will be a different story next quarter. State Government advice to work from home where possible has meant that office occupancies are at all-time lows, particularly in Melbourne where building occupancy currently stands around 5%, and Sydney and Brisbane at circa 20%. With many businesses anticipating that employees may not return to the workplace full time in the short to medium term, they are re-assessing their current space requirements and we expect to see an increase in sublease space as a result of this.

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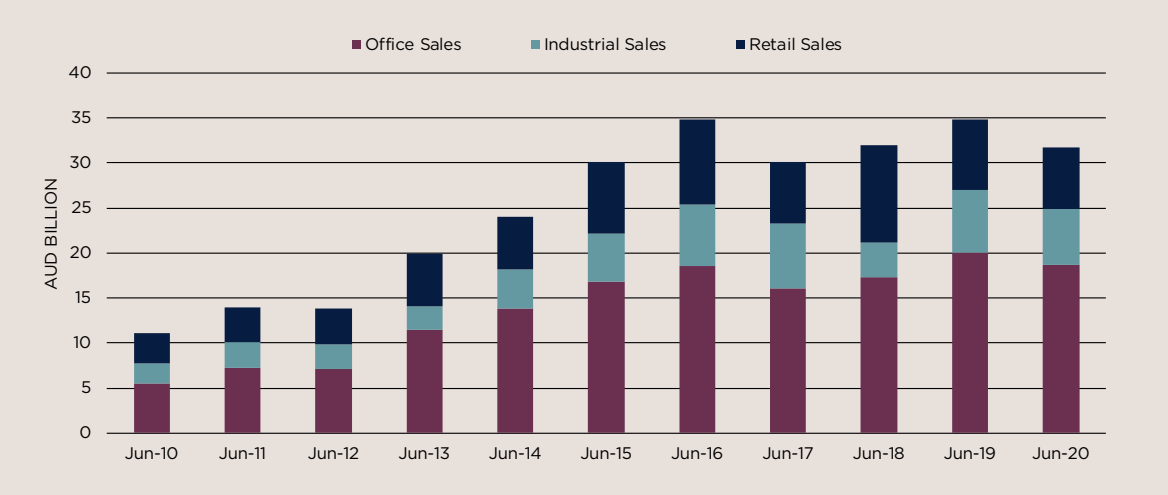
Australia Property Transaction Volumes (AUD5m+) By Sector, June 2010 to June 2020



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
45 Clarence Street	Sydney, NSW	AUD530.0 mil/ US$369.49 mil	Peakstone	Office
Aldi Distribution Centres Portfolio (4 assets)	NSW, VIC, QLD	AUD648.0 mil/ US$451.75 mil	Charter Hall/Allianz (JV)	Industrial
40-66 Lockwood Road	Erskine Park, NSW	AUD115.0 mil/ US$80.17 mil	Charter Hall	Industrial
Mount Ommaney Shopping Centre (75% interest)	Mount Ommaney, QLD	AUD285.0 mil/ US$198.69 mil	YFG Shopping Centres	Retail
David Jones Bourke Street	Melbourne, VIC	AUD121.0 mil/ US$84.36 mil	Newmark Capital	Retail

Source Savills Research & Consultancy

China (Northern) - Beijing

COVID-19 was effectively contained in Q2/2020, though repercussions remained in the citywide sales market, both for strata-title and en-bloc. A total of two en-bloc investment deals were concluded during Q2/2020, registering a combined consideration of RMB4.96 billion. A total of nine en-bloc investment deals were concluded during 1H/2020, registering a combined consideration of RMB24.1 billion. The two major transactions in Q2 were:

- China Orient Assets Management Co., Ltd acquired Zhonghong Plaza by judicial sale for a total consideration of RMB3.3 billion. The project is in CBD Vicinity, Chaoyang District.

- A joint venture between Beijing Investment Group Co., Ltd. and Aegean Group purchased Grand Canal Centre retail podium, located in Tongzhou Grand Canal Core Area, for a total consideration of RMB1.6 billion.

The first-hand strata-title office market remained stagnant due to COVID-19 in Q2/2020. The market saw 269,500 sq m of new supply in Q2/2020, down 13.8% quarter-on-quarter (QoQ), but up 54.0% year-on-year (YoY). Total transaction area reached 115,800 sq m during the quarter, down 60.6% QoQ and 43.3% YoY. Total consideration reached RMB3.8 billion, down 56.9% QoQ and 42.6% YoY. Average transaction prices reached RMB33,128 per sq m, up by 9.4% QoQ and 1.3% YoY.

New supply in the first-hand strata-title retail market reached 37,900 sq m in Q2/2020, down 63.3% QoQ and 27.2% YoY. Total transaction area reached 135,400 sq m, down 11.6% QoQ and 26.6% YoY. Total consideration reached RMB4.8 billion, up 96.3% QoQ and 32.2% YoY. Average transaction prices reached RMB29,900 per sq m, up by 39.0% QoQ and 12.8% YoY.

COVID-19 severely impacted the global economy in 1H/2020, and the domestic economy and investment market were no different. Investors have adopted a wait-and-see approach to the market and hope for a turning point that will relieve the current economic and market uncertainties. Some landlords may lower expectations toward their asset values, leading them to undersell to alleviate some of their financial pressure. Beijing's investment market is expected to see brisk negotiating activities between sellers and buyers for better capital values and returns on investment in 2H/2020.

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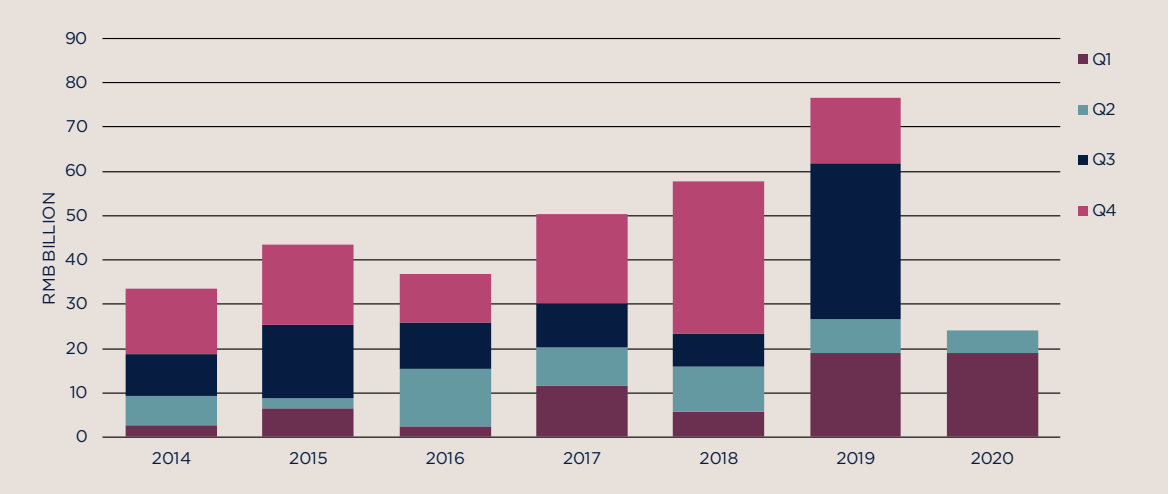
En-Bloc Investment Volumes, 2014 to Q2/2020



Source Savills Research

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Zhonghong Plaza	CBD Vicinity	RMB3.31 bil/ US$473 mil	Zhonghong Holdings	Office
Grand Canal Centre Retail	Tongzhou	RMB1.65 bil/ US$236 mil	Beijing Investment Group Co., Ltd./Aegean Group	Retail

Source Savills Research

China (Northern) - Tianjin

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Work resumption citywide has gradually accelerated since COVID-19 was effectively contained nationwide in Q2/2020. Tianjin's land market saw its new supply and transaction volumes both increase quarter-on-quarter (QoQ) since the pandemic's short-term impact has been largely mitigated.

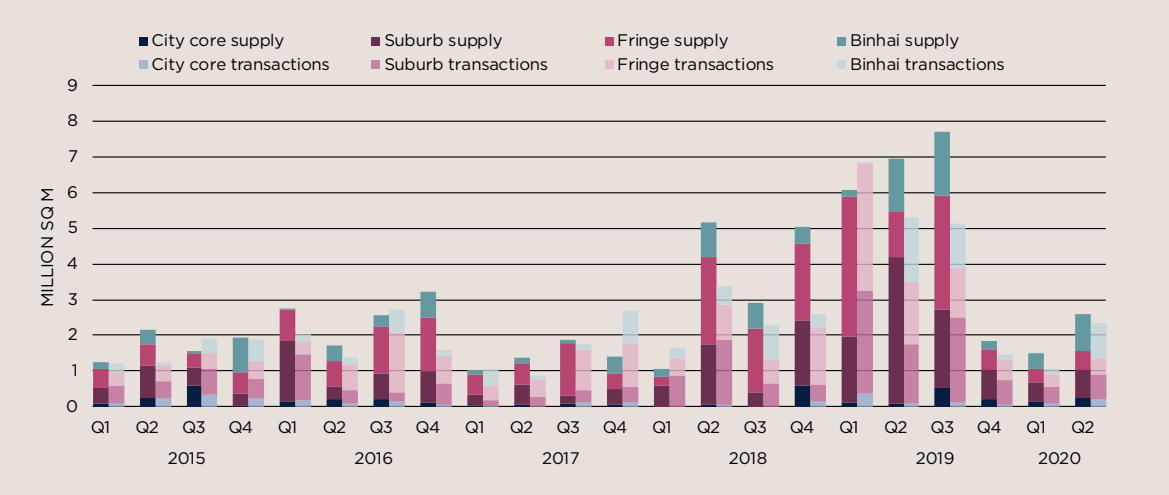
Citywide land supply increased 71% QoQ to 2.58 million sq m, but still registered a decrease of 63% year-on-year (YoY). Total transaction volumes reached 2.35 million sq m, an increase of 123% QoQ, but a decrease of 56% YoY. In terms of land supply, Binhai New Area contributed the highest volume, constituting 39.3% of the citywide total; suburban areas and fringe districts ranked 2nd and 3rd in volume, accounting for 30.2% and 21%, respectively, while the city core market saw the lowest proportion, 9.5%, due to land scarcity. Regarding transaction volume, Binhai New Area and suburban areas hit the highest combined share, reaching 73% of the total—among which Binhai New Area made up 42.6%, ranking top citywide. Four city core land plots of 199,142 sq m in total were acquired in Q2/2020. Citywide deals include:

- Two adjacent land plots located in New Meijiang area, Hexi District, were obtained by China Overseas Property for a total consideration of RMB4.7 billion, at an accommodation value of RMB16,205 per sq m, equivalent to a premium of 2.2%. The two land plots with a total area of 147,000 sq m are zoned for mixed-use development, including residential, commercial and education.

- Poly Real Estate Group acquired a land plot in suburban Xiqing District for a total RMB4.0 billion, with an accommodation value of RMB11,324 per sq m. The plot, totalling 187,000 sq m, was titled for mixed-use development, including residential, commercial and education.

After the sluggishness of Q1/2020, Tianjin's land market witnessed a rebound in Q2/2020, but it still lagged on a YoY basis. Some developers intended to ease cash flow pressure by destocking in 1H/2020, resulting in less land acquisition activities. The citywide land market is expected to see a resurgence later this year as the threat from the pandemic continues to subside. The government may increase the scale of land supply to meet its designated annual target, leading to the relaxation of land policies to some extent, such as payment terms, overdue fees and construction timelines, to help accelerate the recovery of Tianjin's land market.

Land Supply And Transactions By Area, Q1/2015 to Q2/2020



Source Savills Research

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Plot 2019-23(JXQ)	Xiqing	RMB4.0 bil/ US$564 mil	Poly (Tianjin) Real Estate Development Co., Ltd.	Residential and commercial
Plot 2019-126(JXJF)	Hexi	RMB1.2 bil/ US$167 mil	China Overseas Property (Tianjin) Co., Ltd.	Residential and commercial
Plot 2019-127(JXJF)	Hexi	RMB3.5 bil/ US$496 mil	China Overseas Property (Tianjin) Co., Ltd.	Residential and commercial

Source Savills Research

China (Western) - Chengdu

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After the severe impact of COVID-19 on Chengdu's retail market from the beginning of the year, the market has seen green shoots of recovery since March. Retail sales of consumer goods in Chengdu reached RMB299.2 billion from January 2020 to May 2020, down 8.9% year-on-year (YoY), 4.6 percentage points (ppts) lower than the national average rate, showing the dramatic effect of the epidemic on western China's premier retail city. Chengdu's GDP reached RMB384 billion in Q1/2020, a decrease of 3.0% YoY. The growth value of the tertiary industry reached RMB265 billion, a 2.8 ppts YoY decrease and the total citywide investment in fixed assets decreased by 7.2% YoY.

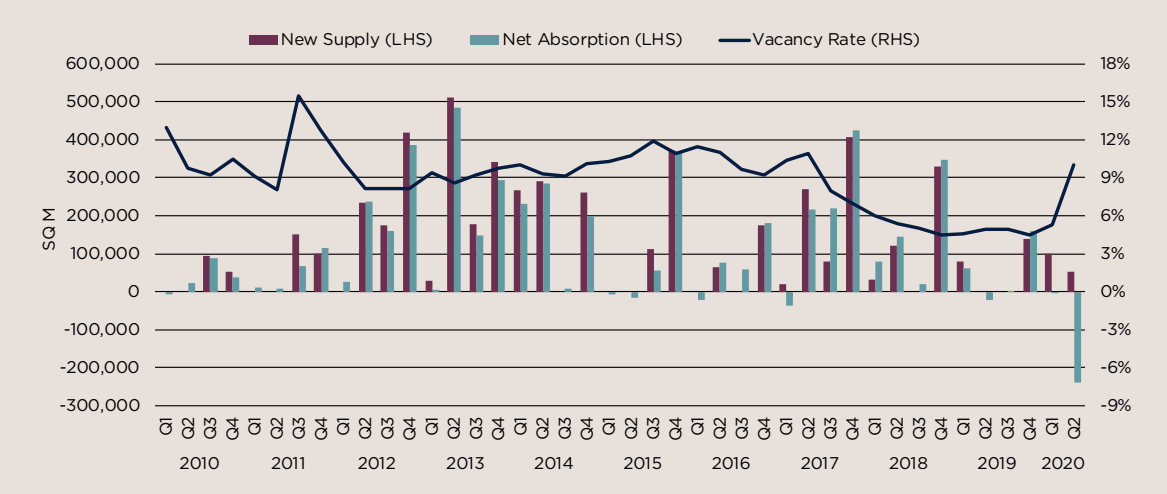
Chengdu shopping malls' average vacancy rate continued to rise in 1H/2020, reaching a three-year high. Due to the COVID-19 epidemic, Chengdu's retail market demand fell, and leasing activity decreased in Q1/2020. The epidemic continued to weaken market demand in Q2/2020, and net absorption dropped significantly to -238,580 sq m while the citywide average vacancy rate increased by 4.8 ppts quarter-on-quarter (QoQ) to 10.1%—exceeding 10% for the first time in three years.

There are two reasons for such high vacancy rates; one is brands' increasing capital pressure. The average first-floor rent of Chengdu shopping malls rose steadily before 2020, and then COVID-19 seriously impacted sales in 2020. Many brands had to change their expansion plans, reducing their expenses on opening new stores or adjusting the number and area of existing stores while putting more emphasis on online retail. The other reason is that some malls have started to adjust and upgrade their tenant structure since the epidemic has changed consumers' habits and expectations.

High vacancy rates mean that many shopping malls saw several tenant withdrawals in Q2/2020. The percentage of withdrawn F&B and service sector brands increased from last year. Specifically, a larger portion of education and training brands withdrew, and casual dining brands accounted for a higher percentage of all withdrawn brands compared with last year.

The rising vacancy rate in Q2/2020 has had some positive effects on Chengdu retail market, however. On the one hand, the rising vacancy rate has accelerated market competition—only those brands with stronger risk management ability and better adaptability can survive the current conditions. On the other hand, the high market vacancy made many brands, especially those that had expanded rapidly in previous quarters, reconsider their expansion plans and pay more attention to consumers' needs. It also made retail property owners reflect on their current operation models and strategy.

Chengdu Retail Property Market New Supply, Demand And Vacancy Rate, Q1/2010 to Q2/2020



Source Savills Research

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
No.127&129 Shuanglin North Horizontal Rd	Chenghua	RMB1,149 mil/ US$163.8 mil	Shenzhen Terra Holdings Co., Ltd	Residential
Group 4, Gaofandian Village, Wan'an Street	Tianfu New District	RMB2,189 mil/ US$311.9 mil	China Aoyuan Group Limited	Mixed-use
West of Fuxin North Rd, North of Baohe East Rd, Shiling Street	Longquanyi	RMB947 mil/ US$135.0 mil	Kaisa Group Co. Ltd.	Residential

Source Savills Research

China (Southern) - Shenzhen

Due to the negative impact of the COVID-19 pandemic, Shenzhen's retail sales decreased by 16.5% year-on-year (YoY) in the first five months of 2020. The F&B sector was the hardest hit, showing a sharp decrease of 27.1% in sectoral revenue, according to the Shenzhen statistics bureau. Fortunately, China's GDP rebounded by 3.2% YoY during Q2/2020. In Shenzhen, most of the city's economic indicators, including retail sales, started to recover from March, supported by work resumption.

Nevertheless, financially stressed retailers had to forgo renewal of leasing contracts and some even had to terminate their tenancy agreements. On the other hand, those with confidence in the consumption rebound and potential growth in their market share continued to look for entry or expansion opportunities in Shenzhen. Overall, the former cases were more common than the latter, leading to market volatility during Q2/2020, compared with Q1/2020, when leasing activities were nearly stalled. Consequently, the citywide average vacancy rate increased by 2.9 percentage points (ppts) quarter-on-quarter (QoQ) to 7.3%. The citywide average ground-floor rent fell by 1.1% QoQ on a rental index basis to RMB679.5 per sq m per month.

Amidst market volatility and growing uncertainties, investors turned more cautious with higher risk premiums when scrutinising investment opportunities. Considering the scarcity of saleable quality retail properties in Shenzhen and the twin impacts of larger lump-sum prices and pressure on tenant-mix adjustments under the pandemic, investors appeared to show a stronger interest in community retail properties, including retail podiums and small-to medium-sized shopping malls. The types of properties proved popular because of smaller lump-sum prices and more stable and resilient performances—primarily supported by their neighbouring residents—amidst the epidemic. In addition, a longer residual land tenure of these community retail assets implied a higher flexibility for investors to implement AEIs (asset enhancement initiatives) for potential capital value appreciation. A good example during Q2/2020 was a private investor purchased the retail podium with a GFA of 10,264 sq m and a 70-year term for land use at The Village from Vanke Group for a total consideration of RMB339 million.

Looking forward, the negative impact of the pandemic is expected to last the rest of 2020, facilitating the correction of capital values and possibly yield expansion. In addition, Shenzhen will continue to enjoy political and policy support and outstanding development in demographics and economics. This, in turn, will support further growth in investment interest in Shenzhen's retail property market.

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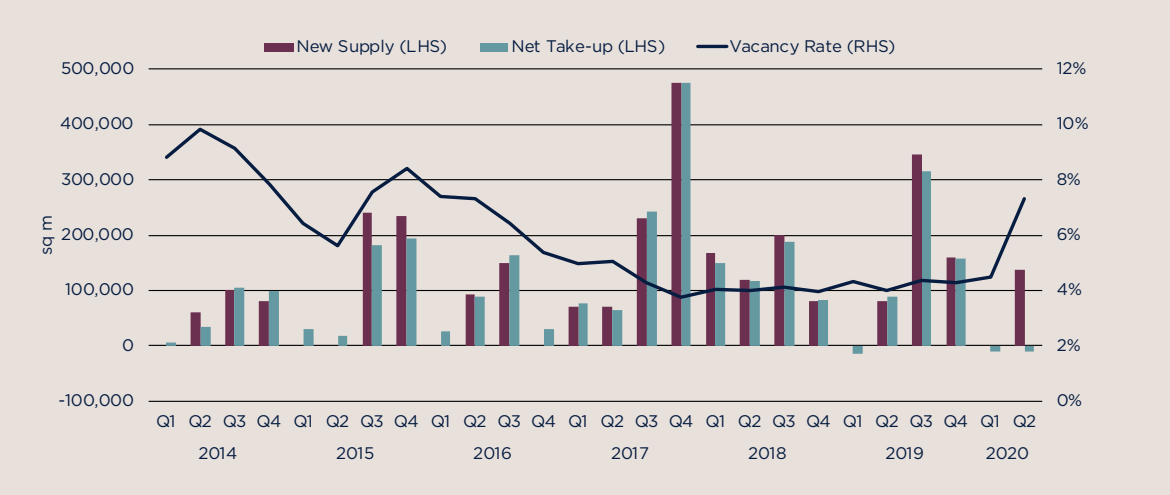
Retail Property Market New Supply, Net Take-up And Vacancy Rate, Q1/2014 to Q2/2020



Source Savills Research

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Retail Podium at The Village of Vanke	Longgang	RMB339.0 mil/ US$47.8 mil	Private Investor	Retail
Retail Podium at Jingui Mansion	Futian	RMB226.0 mil/ US$31.9 mil	Futian District Government	Retail

Source Savills Research

China (Eastern) - Shanghai

On 30 April 2020, the China Securities Regulatory Commission (CSRC) and the National Development and Reform Commission (NDRC) published two documents regarding the trial policy for China infrastructure Real Estate Investment Trusts (REITs). The pilot program is viewed as a milestone for the China REIT market as until now China has only allowed privately sold quasi-REITs which are essentially debt products. Under the new guidelines, China is expected to see its first publicly sold and traded REITs.

The policy announcement comes at a time when China's economy and property markets have come under significant downward pressure due to COVID-19. However, the establishment of a REIT regime had been long anticipated as a way of weaning the real estate sector off increasing debt loads. The pilot scheme, however, still has many limitations, unanswered questions and points of difference with more established overseas markets such as Singapore and Hong Kong.

Underlying assets in the REITs are limited to infrastructure projects and explicitly exclude residential and commercial developments. Assets must have more than three years of operations and have generated sustained, stable cash flow, with a good return on investment. These rules will exclude some good projects that have not been in operation for three years but have already generated healthy income streams.

The REITs must be managed by mutual funds, omitting many respected investment managers who are not licensed as mutual funds. Furthermore, the qualifying criteria for sponsors are very stringent and may exclude many respected companies from participating in the pilot REIT program and only leave state-owned enterprises. Meanwhile, China REIT sponsors are also required to retain a 20% stake in the REIT for at least five years, potentially creating share price volatility when sponsors eventually exit at the end of that period.

The guidelines fail to elucidate on tax policy with regards to the REIT, with no supplementary advice published by the Ministry of Finance. Taxation is integral to the success of REITs in mature international markets. Inefficient tax policies could undermine the economic viability of REITs and therefore discourage sponsors from bringing assets to the market.

While the announcement of China's first pilot REIT regime is greatly encouraging, and a sign that reforms have not stalled and authorities are still pushing forward, it is obvious that there is still a lot more to do and a lot more opportunities to unearth.

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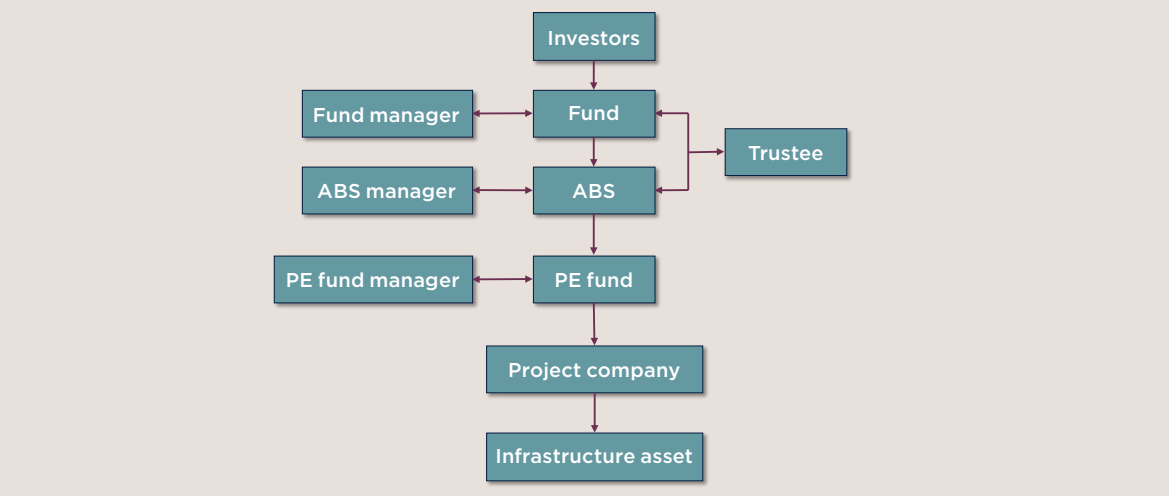
Structure For Infrastructure China REIT Pilots



Source Savills Research

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Greenland Bund Central Plaza T2	Huangpu	RMB4.85 bil/ US$683.9 mil	Bank of Shanghai	Office
Gopher Center	Huangpu	RMB4.28 bil/ US$603.5 mil	Ping An Insurance	Office
Shanghai Guoman Hotel	Putuo	RMB1.45 bil/ US$204.5 mil	Dahua Group	Hotel
Shanghai Int'l Shipping Service Centre Building 2	Hongkou	RMB1.36 bil/ US$191.8 mil	CFC	Office

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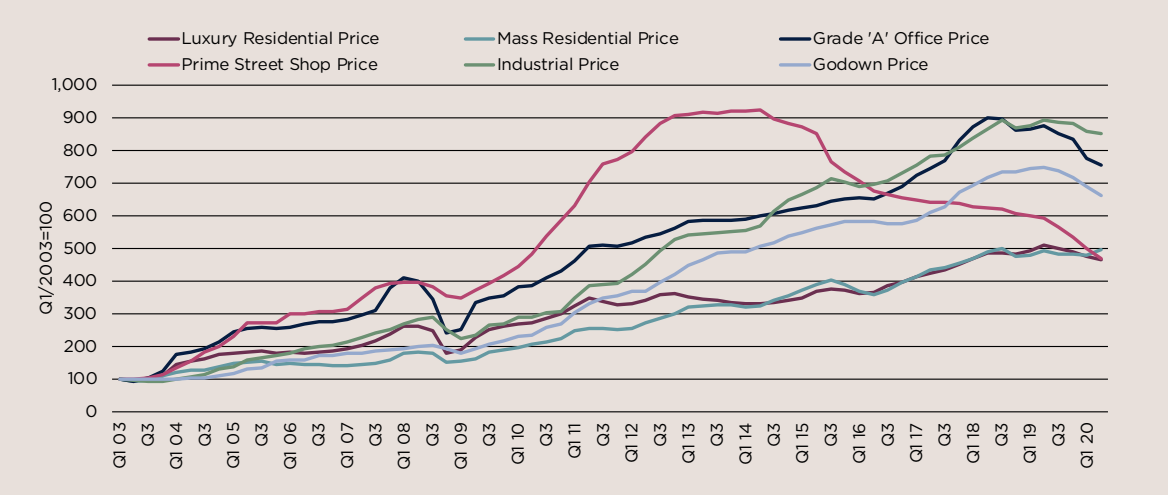
In light of the economic downturn, Hong Kong's economy has experienced an unprecedented collapse with the unemployment rate climbing to 6.2% in April, the highest it has been in more than 15 years. Government has provided several economic support packages to soften the impact on individuals and businesses, while retailers have provided more discounts to drive domestic consumption. The epidemic eased significantly from mid-April, and the commercial sector appeared to have stablised.

Grade A offices recorded a decline in rental values for four consecutive quarters in Q2/2020 as landlords were more willing to lower their rental expectations to keep tenants. There are signs of recovery as the rate of both rental and price declines has slowed. Overall Grade A office rents and prices fell by only 3.8% and 2.8% QoQ respectively, compared with a decline of 5.2% and 5.4% QoQ in Q1/2020. Positively, there are several IPOs in the pipeline as a number of mainland Chinese companies embark on secondary listings in Hong Kong. Chinese tech firms, together with ancillary finance and business services are expected to lead a pickup in leasing demand in the second half.

Prime street shop and shopping mall rents seem to have found a floor, falling by only -1.7% and -0.8% respectively over Q2/2020. Prime street shop prices on the other hand continued to fall by 6.5% QoQ in Q2/2020, the same rate as the first quarter. Foot traffic in shopping malls showed some signs of improvement in May and June. Retail categories such as lifestyle brands, health-related products and affordable family-friendly retailers which appeal to domestic shoppers are beginning to have a stronger presence in the market. Japanese lifestyle retailer Muji opened a flagship stores spanning 24,000 sq ft in Telford Plaza in Kowloon Bay in June, and Japanese grocer Don Don Donki is opening two more stores in Causeway Bay and Central later this year.

The industrial and logistics sector is being adversely affected by the drifting trading and retail performance, with warehouse rents and prices dropping by 4.1% and 3.8% QoQ in the second quarter. Some logistics end-users, 3PLs and freight forwarders have opted to relocate or downsize, while some distressed firms decided to surrender their space midway through their leases, leading to an increase of both warehouse and modern warehouse vacancy to 3.3% and 2.7% respectively in the second quarter. Nonetheless, the accelerated rate of digital transformation is driving demand for data centres. Digital Realty, a US-based data centre REIT, announced that it will start development of its second data centre and anticipates commencing pre-leasing of the 226,000 sq ft facility in early 2021. Data Zone Company, a subsidiary of China mobile, has agreed to pay a record price of US$723 million for a 94,792 sq ft industrial site with a 50-year lease in Shatin, and it is expected that it may use it for high-end logistics or data centre facilities.

Savills Hong Kong Price Indices By Sector, Q1/2003 to Q2/2020



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
181-183 Sai Yee Street	Mong Kok	HK$310.0 mil/ US$39.8 mil	TBC	Residential
Podium on G/F-3/F & 7 car parks, Cosco Tower, 183 Queen's Road Central	Sheung Wan	HK$500.0 mil/ US$64.3 mil	Get Nice	Retail
286 Queen's Road Central	Sheung Wan	HK$475.0 mil/ US$61.1 mil	Lucky Harbour Int'l Ltd	Hotel
On Lee Commercial Building	Tsim Sha Tsui	HK$448.0 mil/ US$57.6 mil	Creative Profit Dev Ltd	-

Source Savills Research & Consultancy

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India is no exception when it comes to experiencing the complete assault of COVID on its social and economic landscape. In an all-out fight against the pandemic, India enforced one of the most stringent lockdowns in living memory, starting in March 2020.

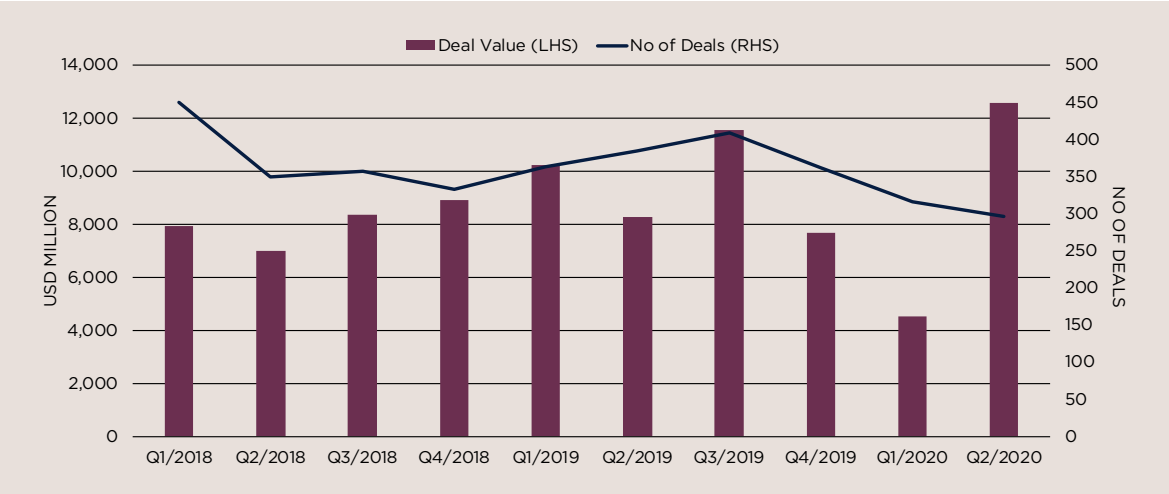
As anticipated, there was collateral damage to supply chains and multiple businesses. Aggravated by waves of unanticipated reverse migration of labour, occasionally defying the lockdown, the economy took a clear hit. The early signs of economic revival from the pre-COVID period dissipated swiftly, as the lockdown extended to nearly 50 days. At the height of the lockdown – which remained in place for a major part of the second quarter, Ecommerce also took a hit, as it mainly handled essential supplies and daily needs. The easing up of restrictions began gradually in the latter part of May 2020. Transportation and logistics bottlenecks have been progressively cleared and realigned since then, in keeping with the new norms. As projected by various international organisations including rating agencies, India will brace for a contraction in GDP. The magnitude, however, is yet to be fully ascertained, since the ground situation remains dynamic and evolving.

The hope has come from action on the policy front. Taking cognizance of the sudden and deep loss of growth momentum, the government and the Reserve Bank of India announced a series of historic measures – conventional as well as unconventional. The aim, clearly, was to boost the financial system and to protect the core of the economy. A systematic and all-encompassing economic package of approximately USD265 billion was unveiled by the government. At approximately 10% of the country's GDP, this is among the largest financial support announced anywhere. It has tried to enhance liquidity, boost consumption and hasten reforms. The motto of being "Self-Reliant" or "Atma-Nirbhar" has been prominently propagated as well, given the difficult geopolitical situation along the country's international borders and emerging disputes.

The real estate sector, one of the key components of the Indian economy, has remained in the limelight during these testing times. Public as well as private sector banks have transmitted the benefits of lower benchmark lending rates to consumers, especially homebuyers to bolster home sales. This was in a pleasant contrast to pre-COVID times, when the opposite was mostly true. Regulatory relaxations in terms of adherence to timelines, have also been permitted in both residential and commercial real estate. Of the different classes of real estate, manufacturing, industrial warehousing and data centres are expected to remain resilient and bounce back robustly in the post-COVID period. The only REIT in the market has remained positive while the benchmark BSE Sensex as well as the realty index posted negative returns in the second quarter.

Although traditional investment avenues are being affected, the crisis has presented fresh opportunities for global capital to flow into the country. As per our estimates, approximately USD17 billion of investments were announced in the first half. It is important to note that more than 55% of the investment has gone to Reliance Industries owned Jio Platforms.

Major Investment Transactions In Real Estate, Q1/2018 to Q2/2020



Source Savills Research & Consultancy

Major COVID-19 Related Government Measures

ECONOMY	REAL ESTATE SPECIFIC
• Reduction in benchmark lending rates • All-encompassing mega stimulus package (~10% of GDP) aimed at self-reliance with focus on land, labour, liquidity and law • Food grain distribution and cash transfer to economically weaker sections of society • Provision of collateral free loans for medium, small and micro enterprises	• Relaxation in project timelines under the Real Estate Regulatory Act • Extension of credit linked subsidy scheme for housing sector • Credit guarantee scheme for housing finance companies • Extension of scheduled date of commercial operation of offices • Policy on rental housing and data centres expected to be finalised soon

Source Savills Research & Consultancy

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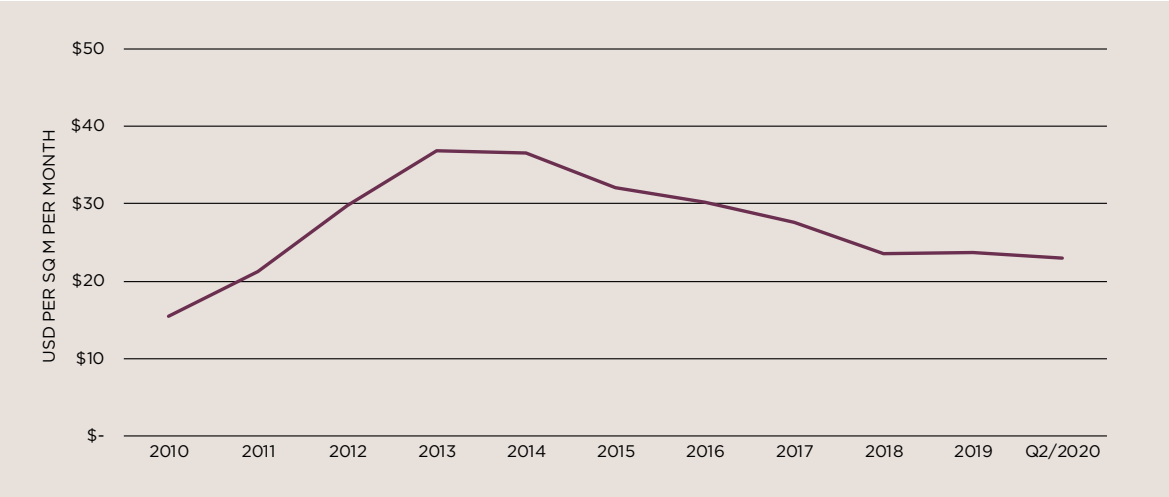
The pandemic has caused significant economic disruption globally, and in Indonesia has not been exempt. This year, the country's economy is anticipated to contract by 1.0% according to the Asian Development Bank (ADB), while the government expects full-year growth of 1% under the baseline scenario. So far, over 3 million Indonesians have either been laid-off or furloughed as of May, based on Labor Ministry data. The government expects around 5 million of the country's workforce to lose their jobs this year amid slowing business activity. However, most analysts predict that the economy is likely to bounce back to around 5-7% growth next year on the back of stronger household discretionary spending, an improved investment climate and a recovery in the global economy.

The pandemic is also affecting the property sector. In the retail sector, several mall openings scheduled for this year in Jakarta could be delayed until next year as retail tenants are still struggling to keep their operations up and running during the pandemic. Meanwhile, a significant drop in tourist arrivals has pushed some hotel owners in Bali to close their businesses and sell properties at distressed levels, while others are taking advantage of the current quiet period to conduct refurbishment work on buildings and facilities.

In the residential sector, apartment sales in Jakarta weakened considerably entering the second quarter. At the same time, construction activity at some projects slowed, which is likely to lead to further delays in project completions. Surprisingly, a few major housing projects in the Jakarta outskirts managed to perform well under current market conditions. These developments mostly focused on affordable housing targeting first-home buyers particularly new families and young professionals. Their consistency in project delivery and quality combined with a strong track record helped to boost sales even during the pandemic. These include Ciputra with their project in Maja and Sinarmas Land and their latest cluster developments in BSD. Both are located in western Jakarta.

In the commercial office sector, rents in both CBD and non-CBD areas continued to weaken on the back of high vacancy and strong pressure from tenants. Limited new enquiries as a result of muted corporate expansion have provided landlords with no other option than to retain their existing occupiers rather than seeing them move out to other buildings. However, we continue to see tenant relocations (from non-CBD or old CBD buildings) to new developments in the CBD which offer better quality space at lower rents. This strategy from landlords of new buildings was adopted in order to fill-up their premises during the current unprecedented period of disruption. We expect this situation to continue over the next 12 months along with the influx of new supply which is likely to maintain office vacancy in Jakarta CBD at around 25%.

Jakarta CBD Office Rent, 2010 to Q2/2020



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Land – Rancasari	Bandung, West Java	IDR184.8 bil/ US$12.5 mil	PP Properti (SOE)	Residential
Land - Maja	Maja, Banten	IDR1.85 tri/ US$125 mil	Hutama Karya (SOE)	Residential

Source Savills Research & Consultancy

Japan

Japan's top metropolitan areas experienced a "soft" lockdown through April and May, leading to partial business closures and a significant reduction in outings. Although a full lockdown has been avoided, the country has fallen into a technical recession – ending one of its longest economic expansions since World War II. In response to the disruption, the government has approved two generous stimulus packages that are worth over US$2 trillion combined.

The national unemployment rate stands at 2.9% as of May 2020 – the second month of the lockdown – only 0.7ppts higher than the historic low of 2.2% achieved in December 2019. Listed domestic corporates entered the year with over JPY500 trillion in cash, and labour laws tend to prevent layoffs. Overall labour demand still appears fairly sound under the circumstances. As of May, the job-to-application ratio in Tokyo stands at 1.55x, well below pre-COVID levels but still encouragingly high. That said, the Tankan survey as of mid-June reveals very bleak market sentiment across the board.

Small-to-medium sized enterprises in general, and the hospitality and food service industries specifically, are bearing the brunt of the crisis. The communications and logistics industries, however, appear to be performing well. Looking ahead, overall labour demand could very well deteriorate if the pandemic-induced economic slump drags on, further weighing on the world economy, as well as domestic consumption.

To be sure, stormy seas will likely persist for some time even after COVID-19 comes under a measure of control, though, for property investors, the impact will vary by sector. Inbound tourism has been an important demand catalyst for the hospitality and retail sectors, and overseas visitors are unlikely to return anytime soon. The residential and logistics sectors, on the other hand, appear to be among the most poised to weather the pandemic and its aftermath, the former being a defensive bet and the latter arguably being a net beneficiary of the current environment.

According to preliminary data from Real Capital Analytics (RCA), year-to-date investment volume in Japan totalled JPY2.2 trillion, down 22% compared to the same period last year. Even in the midst of a lockdown, a number of large deals in the office, logistics, and multifamily sectors managed to reach closing. Uncertainty abounds, though core property markets are maintaining sound fundamentals and we continue to observe strong interest from investors, many of whom appear ready to play catch-up after a quiet quarter.

Within the Tokyo central five wards (C5W), Grade A office market vacancy rates increased slightly to 0.4% during Q2/2020. Meanwhile, rents have risen to JPY37,840 per tsubo following growth of 0.2% QoQ and 4.8% YoY. Despite COVID-19's paralysing effect on the broader economy, the Grade A office sector has displayed resiliency thus far. However, signs of fragility have– emerged among lower-grade offices. Indeed, the true test for the market might be just around the corner.

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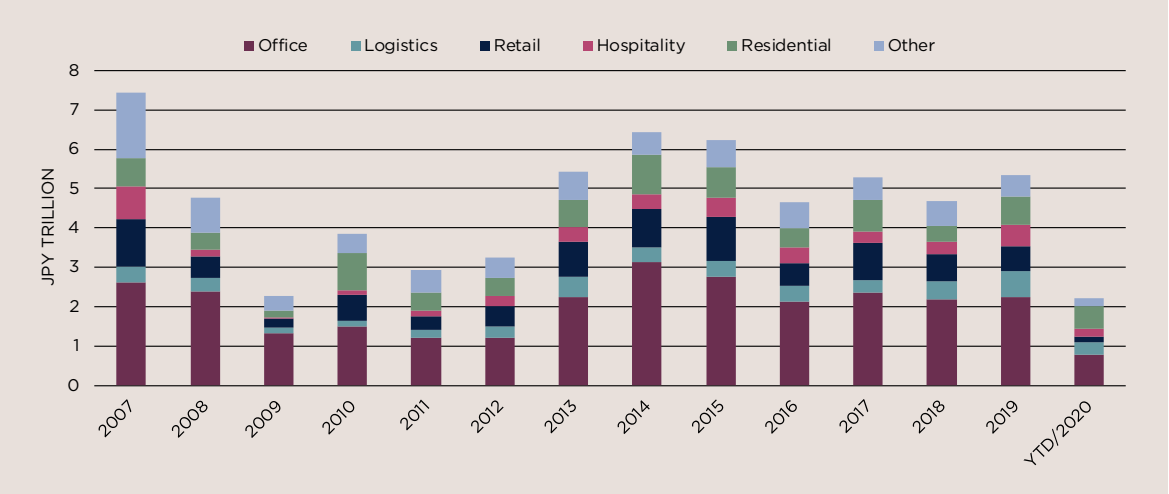
Property Transactions By Sector, 2007 to Q2/2020*



Source RCA, Savills Research & Consultancy
*Q2/2020 volume is preliminary and tends to be lower than the finalised amount.

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Matsushita IMP Building	Osaka	JPY39.0 bil/ US$360 mil	Gaw Capital Partners	Office
Blue Logistics GK & Higashi-Ogishima Portfolio (Four Properties)	Various	JPY38.4 bil/ US$350 mil	GLP J-REIT	Industrial
Kojimachi Odori Building	Chiyoda, Tokyo	JPY35.0 bil/ US$320 mil	GK Nozomi Investment (SPC of Bentall GreenOak)	Office
Midosuji Front Tower	Osaka	JPY33.0 bil/ US$310 mil	M&G Real Estate	Office
Royal Parks ER Sasashima	Nagoya	JPY20.0 bil/ US$180 mil	AXA Investment Managers	Residential

Source Nikkei RE, RCA, Savills Research & Consultancy
*This transaction table is, in principle, prepared based on information available in the public domain. Additional large-scale transactions in Q2/2020 may be disclosed after the publication of this report.

Macau

The pandemic has eased in Macau since the last confirmed case on 8th April, until almost the end of Q2/2020 and only one imported case was recorded on 26th June. The Governments of Macau, Hong Kong and China are cooperating closely to re-open borders between the two special administration regions and China.

The local economy is highly reliant on the China market and losing the tourism market for months has caused many industries to suspend commercial activity or close down completely. Many citizens have been forced to take unpaid leave or lose their jobs, although the Macau Government has implemented several measures to relieve the financial pressures on both local citizens and enterprises. Many citizens have claimed the aid available from the Government but are still under considerable financial pressure.

Surprisingly, the property market statistics tell a slightly different story. The number of residential transactions has shown an upward trend since April, recording 443 transactions in that month, while the number increased to 624 in May. And for June, 957 transactions were recorded. Comparing the transaction numbers from 2019, there was an average of 645 transactions per month during that year, which means that transaction numbers are actually exceeding pre-pandemic levels. However, the sustainability of such remarkable activity levels will depend on the progress of the pandemic in the coming months.

One of the possible factors driving the market is the number of pre-sales or first-hand new residential projects launched in recent months. The developers are offering many different kinds of favorable promotions to potential buyers, including extra-long settlement periods of three to four years, subsidies for non-first-time buyers' stamp duty or extra-low down payments among many others such incentives. With the prevailing low interest rate environment and the promise of plenty of generous incentives, large crowds of potential buyers have been attracted to new residential projects every time they are launched.

From the 14th July the Macau Government announced a further relaxation of border restrictions between Macau and mainland China, as the pandemic has gradually come under control. The measures allow mainland Chinese citizens to enter Macau and stay for seven days, by providing a valid nucleic acid amplification test result. It is believed the restrictions will be further relaxed in the coming months, and if this is the case, the economy of Macau is expected to recover steadily.

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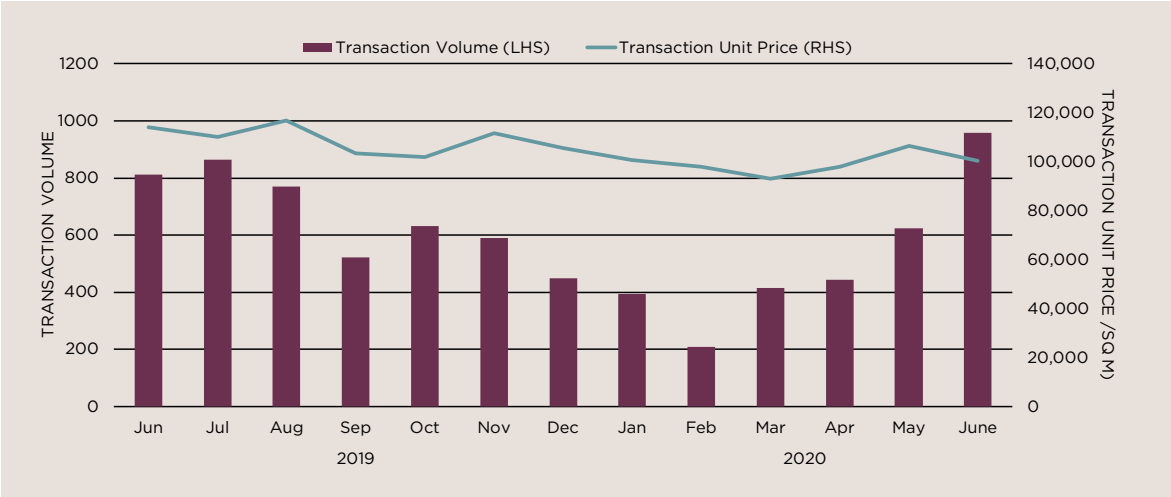
Macau Residential Transaction Volumes And Transaction Unit Price, June 2019 to June 2020



Source DSF Macau, Savills Macau

Malaysia

As the Malaysian economy slowly begins to reopen in phases after a lockdown to slow the spread of the coronavirus, the government has announced initiatives/ economic stimulus packages to alleviate the impact of the lengthy shutdown on the economy. The most recent, and fourth, economic stimulus package is known as the PENJANA Stimulus Package, which focuses primarily on providing financial assistance for small medium businesses, new tax incentives, job protection initiatives and incentives for the property sector, with a total estimated value of RM35 billion.

To support the domestic property market, the government has re-established the Home Ownership Campaign (HOC) under the PENJANA Stimulus Package, including exemption of stamp duty on instruments of transfer (applicable to the first RM1 million of home price) and a full exemption on loan agreements. The stamp duty exemption is applicable to residential homes priced between RM300,000 to RM2.5 million, and must be accompanied by a 10% discount on the property price, courtesy of the developer. Another measure introduced under HOC is the exemption of Real Property Gains Tax (RPGT) on any gains arising from disposal of residential property by Malaysian citizens, and is restricted to three properties per individual. Lastly, the gearing limit of 70% on third housing loans has been lifted for residential property valued at RM600,000 and above.

The real estate market showed greater life during Q2/2020, with total transactions up by 13% QoQ, although YoY there was a 6% decline. Among noteworthy transactions, Petronas disposed of a 170acre industrial yard, for RM320 million (RM43 per sq ft) to Serba Dinamik Holdings. The property is located in Kota Tinggi, Johor and is expected to provide Serba Dinamik Holdings a good foothold in the offshore upstream fabrication space.

Also in Johor, KUB Malaysia has decided to dispose of the 6,564 acre Kubah Estate Plantation in Kluang to Beradin Plantation for an agreed sum of RM158 million. One of the largest glove manufacturers in the world, Kossan Rubber Industries entered into a sale and purchase agreement with Grand Fortress Global to dispose of a 96.5-acre vacant freehold industrial site in Kuala Langat, Selangor for RM153 million. Funds raised from the disposal will be utilised to finance the group's expansion of rubber glove production facilities.

Elsewhere, Ivory Properties Group acquired two parcels of land sized at 4.9 acre for RM143 million across from Queensbay Mall, the largest shopping mall in the state of Penang, for future development of commercial space and service residences. Other commercial land transactions include the sale of a 2.9-acre piece of land in Cheras, Kuala Lumpur, by Boustead Holdings to Binastra Land for a sum of RM138 million; the site, which sits adjacent to the Mytown Shopping Centre, is earmarked for the development of serviced residences and a hotel.

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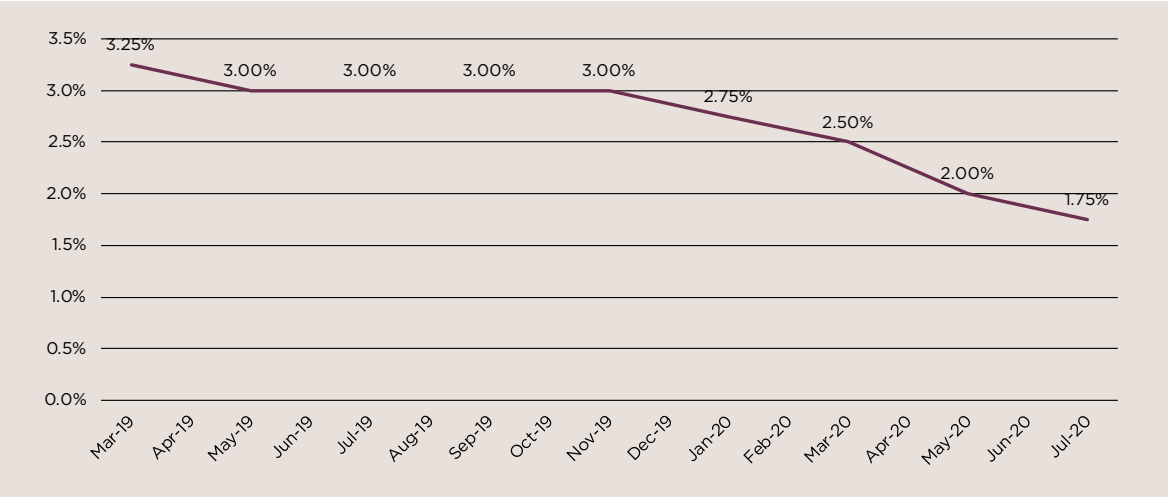
Overnight Policy Rate (OPR), March 2019 to July 2020



Source Bank Negara Malaysia

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
A 170-acre industrial land	Johor	RM320 mil/ US$75.2 mil	Serba Dinamik Holdings	Industrial
A 6,564-acre agriculture land	Johor	RM158 mil/ US$37.1 mil	Beradin Plantation	Agriculture
A 96-acre industrial land	Selangor	RM153.4 mil/ US$36.1 mil	Grand Fortress Global	Industrial
A 4.9-acre commercial land	Penang	RM143 mil/ US$33.6 mil	Ivory Properties Group	Commercial
A 2.9-acre commercial land	Kuala Lumpur	RM138 mil/ US$32.4 mil	Binastra Land	Commercial

Source Company announcements, Savills Research & Consultancy

Philippines

As the Philippine economy continues to adjust to the 'new normal', regulatory changes are forcing capital markets to innovate and undertake initiatives to ensure cost-effective and efficient compliance to keep businesses afloat. In the first quarter of the year, we saw GDP growth contract by 0.2%, and the country's first economic contraction since 1997's Asian Financial Crisis. The outlook remains muted through the coming quarters as the impact of one of the world's strictest lockdowns remains.

Despite the challenges brought about by the pandemic, the Bangko Sentral ng Pilipinas (BSP) remains dedicated to reducing any inflationary shock on the country's growth prospects. Inflation was recorded at 2.5% in the month of June, lingering in the mid-end of the government's forecast of 1.75% to 3.75% for the full year. Year-to-date, inflation also stands at 2.5% at quarter end. While the environment is ripe for investment, credit flow into the country has been severely constrained. Recent data released show lending for production activities slowing to a single-digit level of 9.8% YoY to PHP8.17 trillion in May from PHP7.44 trillion in the same month last year. In total, loans extended by universal and commercial banks increased by 11.6% YoY in May, slower than the 12.7% YoY recorded in April.

Given these circumstances, liquidity in the commercial real estate investment market has been adversely affected during the quarter. Investor appetite was lackluster with not a single closed transaction for the quarter. On the other hand, the residential market experienced price growth in Q1/2020 with the nationwide average rising by 12.4% YoY. Residential property prices rose across all dwelling types with condominium units leading the upswing at 23.6% YoY. As we get a clearer picture of headline economic figures, it is apparent that with the surge in unemployment, business closures, wage cuts and job uncertainties, residential purchases for the rest of the year will weaken.

As such, we foresee capital values following this trend – especially land prices. Currently, the absence of transactions has put market players on a wait-and-see footing; although we expect valuations to start slipping if current economic conditions linger. Despite the BSP's proactive actions earlier in the pandemic, fiscal stimulus is still lacking with just one package approved in March – amounting to only USD5.4 billion. For the second half of the year, growth forecasts by the government and several multilateral agencies point to a worst-case scenario of -2.0% to -3.8%.

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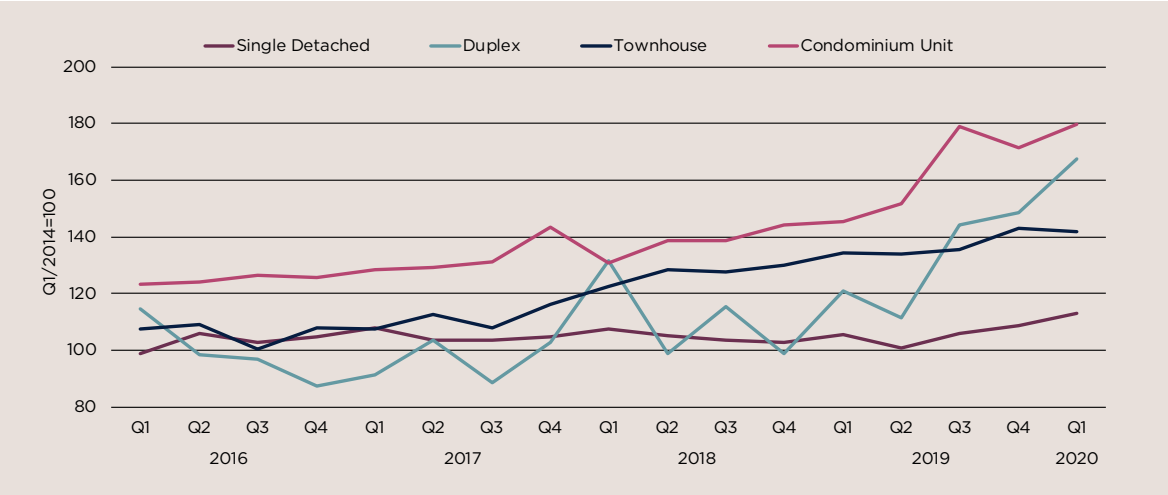
Residential Real Estate Price Index (RREPI), Q1/2016 to Q1/2020



Source Bangko Sentral ng Pilipinas

Stimulus Package (Accelerated Recovery and Investments Stimulus for the Economy of the Philippines or ARISE Philippines Act)

INTERVENTION	ALLOTTED AMOUNT	IMPLEMENTING AGENCIES	BENEFICIARIES
Wage Subsidies	PHP10 billion	Department of Labor and Employment	Critically-impacted business Freelancers & self-employed Repatriated OFWs
Assistance to tourism industry	PHP43 billion	Department of Tourism	Primary tourism enterprises
Assistance to export and import industries	PHP66 billion	Board of Investments	Business entities in exports and imports
Enhanced infrastructure program	PHP650 billion	House of Congress	-
Establishment of National Emergency Investment Corporation	PHP300 billion	Department of Finance	Business entities
Credit mediation and refinancing services	PHP128 billion	Department of Finance, Central Bank	Business entities
Interest-free loans	PHP200 billion	Department of Finance, Central Bank, Department of Budget and Management	MSMEs, Non-essential businesses, other affected sectors
Assistance to COVID-19 victims	PHP1 billion	SSS, GSIS	-
Loan program	PHP10 billion	ACPC	Agri-fishery enterprise
Grants on improving business resiliency	PHP10 billion	Department of Trade and Industry	MSMEs
Bridging loans	PHP25 billion	Small Business Corp	MSMEs

Source KMC Savills, inc

Singapore

Real estate investment sales in Singapore slowed further in the second quarter of 2020 and came in at a total of S$2.14 billion worth of deals for the three months from April to June, recording a 25.7% decline from the S$2.88 billion recorded in a quarter ago.

In order to prevent an increasing number of local transmissions of COVID-19, the Singapore government has implemented a so called 'circuit breaker' - a heightened set of safe distancing measures, such as halting all non-essential business activity, from April 7. Since then, all developers' sales galleries have had to close and physical property viewings were not permitted during most of the second quarter. This has clearly dampened market sentiment and put the brakes on investment activity, especially in the private sector. Meanwhile, the authorities have extended the public tender period for Government Land Sale (GLS) sites from the traditional six-eight weeks to six months under the current circumstances. As a result, except for one industry site, there were no GLS sites awarded.

In Q2, investment sales in the residential segment fell 82.7% quarter-on-quarter (QoQ) to S$344.4 million, all from the sales of individual units. Similarly, the industrial segment recorded S$235.3 million in investment sales, plunging by some 59.3% from the previous quarter. In contrast, the commercial segment was the star performer in the reviewed quarter. The total tally of investment sales in this segment reached S$1.56 billion, almost five times the S$314.4 million recorded in Q1. The strong showing was mainly backed by some big-ticket deals – a 50% stake of AXA Tower (S$840.0 million), a 30% stake of 111 Somerset (S$342.0 million) and three commercial and retail strata lots at 30 Raffles Place (S$315.0 million). However, it was noted that deals such as AXA Tower had been in the works for some time and 111 Somerset is an internal transfer.

Nevertheless, there were still some bright spots in Q2's market. For example, there were two bulk purchases of high-end private non-landed residential units inked in the quarter - 14 units at Marina One Residences (about S$60.0 mil) and eight units at V On Shenton (about S$24 million). Both buyers were foreigners, with the former coming from Mainland China. The market was of the view that these buyers still see Singapore as a safe haven. In addition, buying interest in logistics facilities and data centres has increased further since the pandemic, as the advent of 5G, work from home, wider use of video conferencing and e-commerce has ratcheted up demand for such industrial properties.

As Singapore entered Phase Two of its reopening on June 19th, market activity has begun to resume with a few properties put up for sale. Although still cautious, there are numerous investors who have cash on hand and are willing to buy in the prevailing low interest rate environment.

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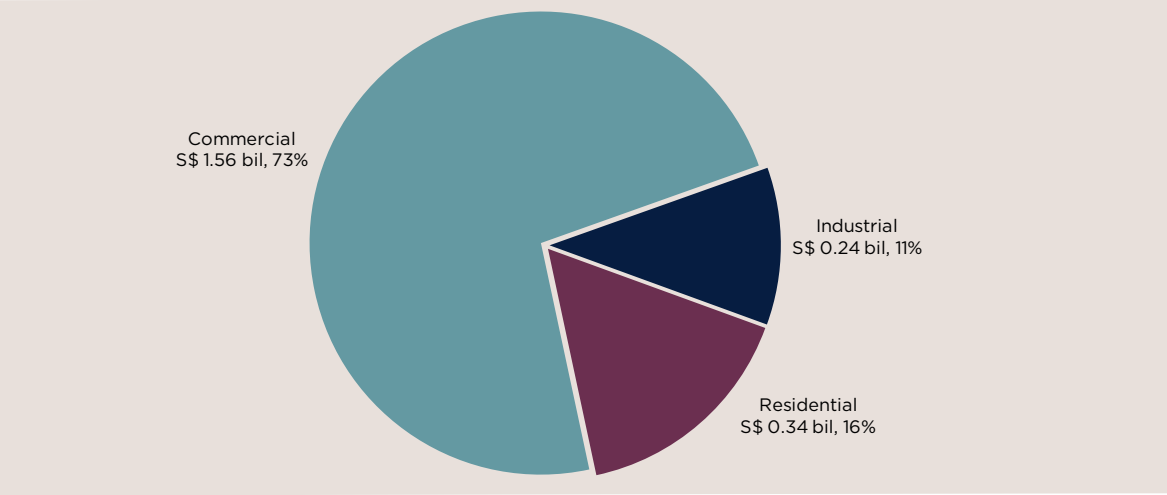
Investment Sales Transaction Volumes By Property Type, Q2/2020



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
AXA Tower (50% stake)	8 Shenton Way	S$840.0 mil/ US$607.2 mil	Alibaba Group Holding Ltd	Commercial
111 Somerset (30% stake)	111 Somerset Road	S$342.0 mil/ US$247.2 mil	Shun Tak Holdings Ltd	Commercial
Change Alley Mall	30 Raffles Place	S$192.7 mil/ US$139.3 mil	Siriti R Pte Ltd	Commercial
Commercial strata lots	30 Raffles Place	S$122.3 mil/ US$88.4 mil	Siriti C Pte Ltd	Commercial
A warehouse	11 Sunview Way	S$75.0 mil/ US$54.2 mil	DWS, Deutsche Bank's asset management arm	Industrial

Source Savills Research & Consultancy

South Korea

In June, the International Monetary Fund (IMF) lowered its growth forecast for South Korea`s economy this year to -2.1% amid the global economic slowdown. This figure is the second lowest growth rate in the country's history after the -5.1% contraction recorded in 1998. In response, the Bank of Korea lowered the base rate twice on March 16th and May 28th to a historic low of 0.5%.

The Seoul prime office transaction volume for Q2/2020 totaled KRW1.5 trillion. The quarterly volume declined quarter-on-quarter despite end-users and institutional investors actively reviewing new opportunities as many closings were postponed to the next quarter. However, the annual transaction volume is likely to edge up above levels reached in previous years, given ample liquidity, historically low interest rates and limited outbound investment opportunities.

A notable transaction is the acquisition of Glass Tower (Share of 34.24%) and SEI Tower by Pacific AMC in an aggregate transaction for a total of KRW404.3 billion. Glass Tower traded below the GBD average as only a stake was sold. The equity investor, Woomi Construction, is reported to have participated in the funding to use SEI Tower as its new Seoul headquarters.

D&D Investment purchased Young City from Fountain Valley PFV established by Actis for KRW545.8 billion (KRW18.2 million/pyeong). Young City is located in Mullae-dong of Yeongdeungpo, the southwestern area of Seoul, with a vacancy rate below 3% on the move-in of SK Telecom and Citibank earlier this year. D&D Investment has announced plans to include the asset in its upcoming public REIT offering.

In Q3/2020, KOREIT will conclude its purchase of Hyundai Marine & Fire Gangnam HQ (GBD) at a reported price of KRW358.0 billion (KRW33.8 million/pyeong) through a REIT structure. If successful, this will be the highest per pyeong price previously established by Samsung C&T Seocho HQ. Additionally, the closing of Parc.1 Tower 2 (YBD), Pine Avenue (CBD), Yusu Holdings Bldg. (YBD), Twin City Namsan (CBD) among others is forecast to push the total annual volume near or above the figure reached in 2019.

The market cap rate in the second quarter stood at 4.4%, similar to the previous quarter, while the effective cap rate – considering leasing concessions and actual occupancy rates – is estimated at below 4%. The average five-year treasury yield for the quarter fell to 1.2%, resulting in a prime office cap-rate spread of approximately 320 bps.

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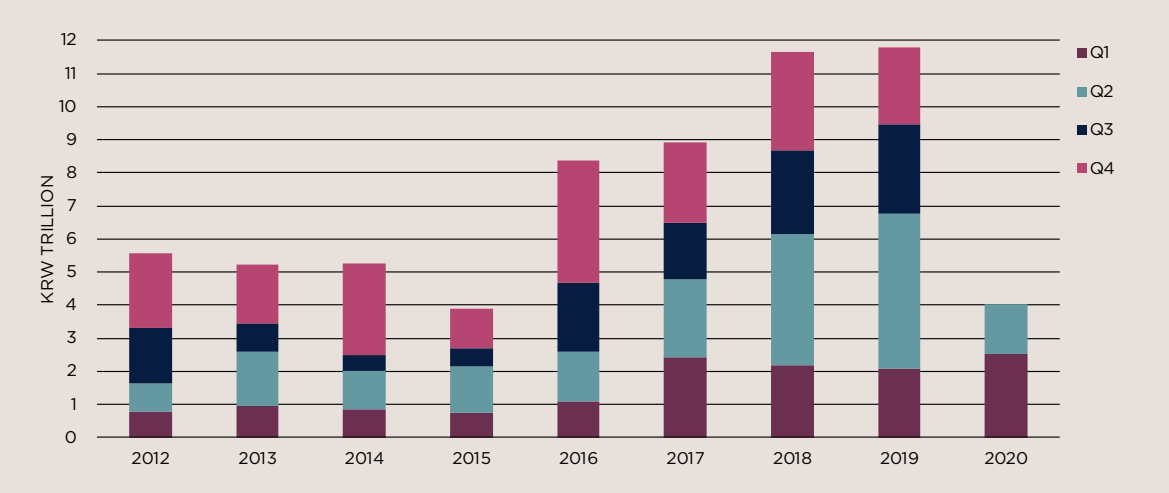
Office Transaction Volumes, Q1/2012 to Q2/2020



Source Savills Korea

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Glass Tower (34.24% Share)	GBD	KRW133.0 bil/ US$109 mil	Pacific AMC	Office
Udeok Bldg (Former Hanil Cement HQ)	GBD	KRW181.0 bil/ US$148.3 mil	The Gangnam 832 PFV	Office
Hansol Education Bldg	DMC	KRW77.0 bil/ US$63.1 mil	KOREIT AMC	Office
Young City	Others	KRW545.8 bil/ US$447.1 mil	D&D Investment	Office
SEI Tower	Others	KRW271.3 bil/ US$222.2 mil	Pacific AMC	Office
Hite-Jinro Seocho HQ	Others	KRW220.0 bil/ US$180.2 mil	KB AMC	Office

Source Savills Korea

Taiwan

Taiwan's COVID-19 situation improved significantly from mid-May and had reported only 477 infections and 7 deaths by the end of June. As the pandemic has been brought under control, Taiwan's government has gradually removed travel restrictions. Since June, business travelers from 11 countries, including New Zealand, Australia, Hong Kong, South Korea and Singapore are allowed entry into Taiwan with the option of applying for shortened quarantine periods while international travelers can start transferring through Taiwan.

While Taiwan's businesses and society in general have operated as normal in the first half of 2020, the weakened global economy has inevitably had a negative impact. Reflecting this, the Directorate-General of Budget, Accounting and Statistics revised Taiwan's GDP growth in 2020 down by 0.7 ppt to 1.67%. Fortunately, the trend for manufacturing to move back to Taiwan and the introduction of 5G technology encouraging technology companies, including the semiconductor, ICT and electronic components sectors to expand has helped to support the domestic economy. A total worth of NT$1.05 trillion of stimulus measures, equivalent to approximately 5% of GDP have been launched by the government, including low-interest rate loans and subsidies for individuals and industries affected by the pandemic. In the next quarter, the government will further provide NT$3,000 worth of cash-equivalent coupons per person and a total of NT$6 billion aimed at boosting domestic consumption and travel demand which is expected mitigate pressures building in the retail and hotel markets.

Property market activity recovered in May while the outbreak was contained. Following the reduction of the benchmark interest rate, which sits at an unprecedented 1.125%, the mortgage rate now stands in a range of 1.3% to 1.4% boosting residential market sentiment. As end-users and investors returned to the residential market, the total number of transferred units in six major cities recorded a 15% growth quarter-on-quarter (QoQ) and a 3.4% growth year-on-year (YoY) in July. Developers maintained an appetite for land acquisitions while several large-scale development sites were purchased by insurance companies who have shifted their focus from income producing properties to development projects in recent few years. Land transaction volumes reached NT$79 billion in Q2/2020, registering an increase of 2.4% YoY as a result.

In terms of the commercial property market, transaction activity languished with total volumes registering a 42% decline YoY in Q2. Demand for industrial properties, such as factories and industrial offices was relatively strong and accounted for 44% and 41% of the total in Q2. In certain lower price areas, industrial land price rose by around 2% to 3% in the first six months of 2020.

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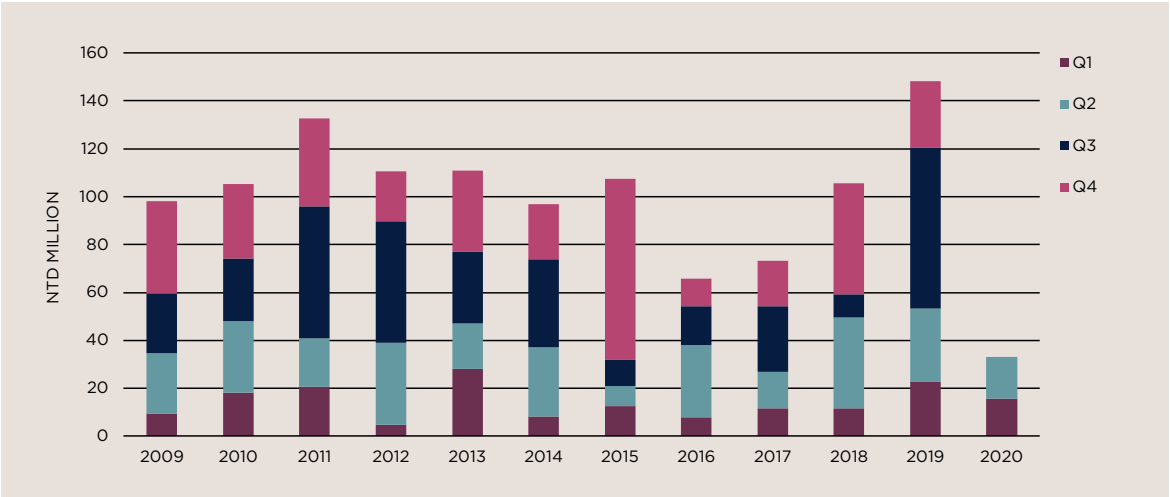
Significant Transactions By Quarter, Q1/2009 to Q2/2020



Source Savills Research & Consultancy

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Commercial land in Nankang district	Taipei City	NT$28.2 bil/ US$942 mil	Fubon Life	Commercial
Industrial land in Nankang district	Taipei City	NT$3.1 bil/ US$105 mil	Hung Sheng Construction	Industrial
Commercial Land in Shongshan district	Taipei City	NT$9.7 bil/ US$326 mil	TransGlobe Life	Superficies Land
New Era Technology Building	Taipei City	NT$2.3 bil/ US$74 mil	Wan Hai Lines	Industrial office

Source Savills Research & Consultancy

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Following the declaration of the emergency decree as a result of the COVID-19 pandemic in March, Thailand entered a severe lockdown. Lockdown restrictions began to lift from May, following the successful reduction in cases, though the emergency decree remains in place. Thailand's GDP forecast, by the Bank of Thailand, has been updated to a -8.1% contraction at the end of 2020, down by -2.8 percentage points (ppts) from the previous forecast in the first quarter. The Thai economy is now anticipated to be the worst performer among ASEAN peers and 2020 is expected to be th worst year for the Thai economy since the Asian Financial Crisis in 1997.

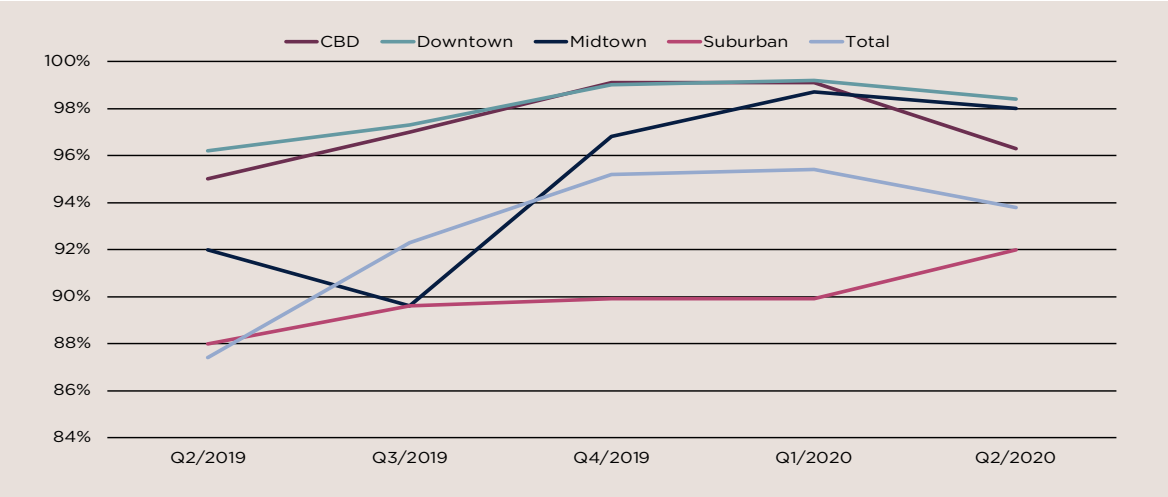
The trade sector has been severely hit and in May the value of total exports fell to US$16.28 billion, representing a -22.50% fall y-o-y, the weakest data of the past four years and a direct result of poor global demand and the local lockdown. Similarly, in the tourism industry, the number of tourist arrivals in the second quarter dropped dramatically due to the travel ban. The number of tourists was forecast in the first quarter to drop from 39.8 million in 2019 to 33.8 million, however, following the announcement of the travel ban, the number of visitors has been projected to fall to only 14 million at the end of 2020 the lowest level in 14 years. This drop has had a severe impact on the retail and hospitality sectors, and also on real estate investment activity, as many domestic and international owners and investors have postponed deals and delayed their decisions. Moreover, during the lockdown, many businesses, especially hotels, closed completely in order to minimize operational expenses.

Some business activities were allowed to resume from May, due to Thailand's relative success in containing the spread of the virus and flattening the local infection rate. Domestic tourism has started to improve with a positive performance noted at some hotels such as the Hua Hin Marriott resort and spa which has recorded an average occupancy rate of over 80% on weekends. International guests are expected to begin their return to Thailand in October, which marks the beginning of the high season, though overall numbers are expected to be low as some countries will not be permitted access if they have high local infection rates.

Regardless of the current difficulties, the development market has seen some activity; two new hotel developments have been announced in the Sukhumvit and Rama 4 areas, which are being developed under the Four Points by Sheraton brand and the Grande Centre Point brand, respectively.

In the retail sector, the average occupancy rate in Bangkok dropped by 1.6 ppts to 93.8% in Q2/2020, mainly due to the closures of small independent stores which typically lack the financial liquidity required to survive through extended downturns. Additionally, Q2 witnessed the opening of Siam Premium Outlet – the second outlet village in Bangkok, reflecting the belief among large retail developers that consumer spending will recover.

Bangkok Retail Occupancy Rate, Q2/2019 to Q2/2020



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

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Marvel Hotel Bangkok	Bangkok	n/a	n/a	Hotel
Grande Centre Point Lumpini by LH	Bangkok	n/a	Land & House	Hotel

Source Savills Research & Consultancy

Vietnam

Vietnam's gross domestic product (GDP) increased by 1.81% during the first half of the year, its lowest growth rate since 2011, according to the General Statistics Office (GSO). Pandemic effects meant that registered foreign direct investment (FDI) fell 15% year-on-year (YoY) to US$15.7 billion.

Low primary supply alongside heightened uncertainty saw the Ho Chi Minh City residential sector recording its weakest first half performance for five years, dropping -52% year on year (YoY). However, 51% average absorption in Q2, up 16% YoY, reflected the fact that underlying demand was still positive even with the impact of COVID-19. Key developers, Vinhomes, Phu My Hung and Sunshine Group were quick to adapt to the new environment, changing sales channels to feature rich online trading platforms to enhance the user experience and build digital ecosystems.

The EU-Vietnam Free Trade Agreement (EVFTA) unanimously approved by the National Assembly on 8th June 2020 will start to come into effect as early as August. Ratification will boost two-way trade and the local logistics industry. As U.S-China trade tensions drag on, Vietnam continues to benefit from multi-nationals looking to relocate or reroute shipments. Apple moved 30% of its AirPod production from China in Q2/2020; up to 4 million units will now be produced in Vietnam each year. Panasonic also announced that it will appliance production from Thailand to Vietnam to reduce costs.

Capital markets saw significant transactions in Q2/2020 despite COVID-19. Singapore state-owned investment company Temasek Holdings, alongside US private equity manager KKR are part of a group of investors who purchased a 6% stake in property developer Vinhomes for VND15.1 trillion (US$650 million) from parent Vingroup. The third-largest South Korean conglomerate - SK Group - has become a large shareholder of Imexpharm (ticker: IMP), adding to its considerable portfolio of shares in Vingroup, Masan, and PV Oil. On 29th May 2020, subsidiary SK Investment III, acquired 12.32 million shares, equivalent to 24.9% of Imexpharm Corporation.

Focus Economics earlier forecast economic growth slowing to 2.6% in 2020. However, the more optimistic central government aims to keep GDP growth above 5%. The highest positive 2020 GDP growth forecast has Vietnam set for the strongest rebound in ASEAN from 2021 to 2024. The economic outlook is therefore relatively bright.

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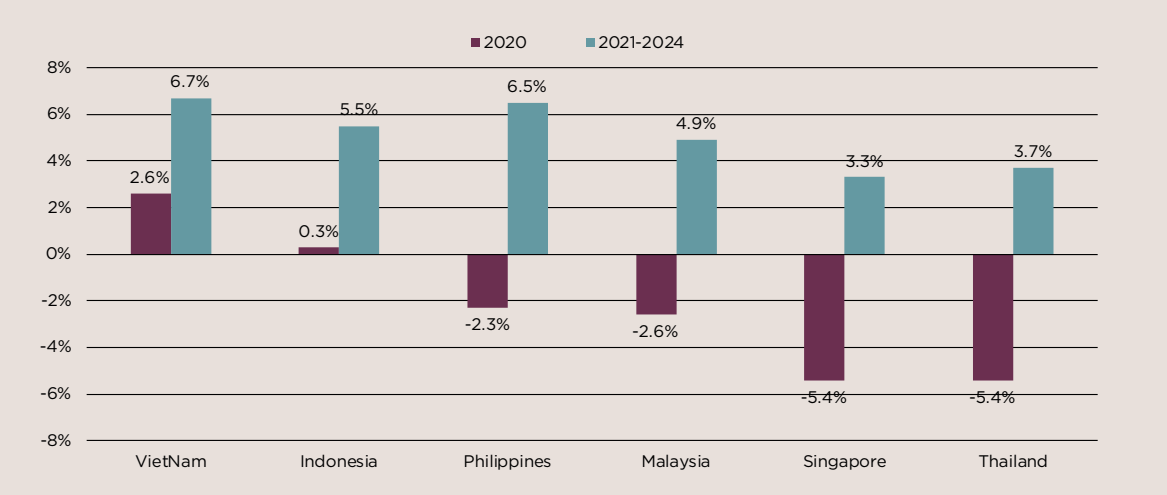
Vietnam vs ASEAN GDP Growth, 2020 to 2021-2024



Source FocusEconomics, June 2020

Major Investment Transactions, Q2/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Saigon First House	257 Dien Bien Phu, District 3, HCMC	n/a	Tokyu Development Co Ltd	Office

Source Savills Research & Consultancy

Australia

◀ **The W Hotel**
Melbourne, VIC
AU$223.0M/US$163.5M
in June

66 Eagle Street ▶
Brisbane, QLD
AU$380.0M/US267.4M
in May

475 Victoria Avenue (50%) ▶
Chatswood, Sydney
AU$120.0M/US$84.5M
in May

◀ **45 Clarence Street**
Sydney, NSW
AU$530.0M/US373.0M
in June

▼ **The Gables,**
121 Old Pitt Town Road
Box Hill, NSW
AU$415.0M/US$292.0M
in April

Rialto Tower (50%),
525 Collins Street ▶
Melbourne, VIC
AU$644.0M/US$453.2M
in June

◀ **40-66 Lockwood Road**
Erskine Park, NSW
AU$115.0M/US80.9M
in June

Beijing

◀ **Zhonghong Plaza**
CBD Vicinity
RMB3.31B/US$473.0M
in Q2

Grand Canal Center Retail ▶
Tongzhou
RMB1.65B/US$236.0M
in Q2

Guangzhou/Shenzhen

◀ **Dongshan Square**
Yuexiu District, Guangzhou
RMB200.0M/US$28.6M
in Q2

STARLITE Factory ▶
Baoan, Shenzhen
RMB319.2B/US$45.7M
in Q2

◀ **Retail Podium, JINGUI Building**
Futian, Shenzhen
RMB226.0M/US$31.9M
in May

▲ **Retail Podium, The Village, Vanke**
Longgang, Shenzhen
RMB339.0M/US$47.8M
in May

UDC City Center ▶
Nanshan, Shenzhen
RMB168.0B/US$24.0M
in Q2

◀ **SEG ECO Center**
Futian, Shenzhen
RMB1.28B/US$183.1M
in Q2

Shanghai

▲ **Gopher Center**
Huangpu
RMB4.28B/US$603.5M
in Q2

Shanghai Guoman Hotel ►
Putuo
RMB1.448B/US$204.5M
in Q2

◄ **Hongqiao R&F Center**
Minhang
RMB752.0M/US$107.6M
in Q2

Jindu Mansion Complex (84% stake) ▲
Xuhui
RMB794.0M/US$113.6M
in Q2

◄ **Greenland Bund Central Plaza T2**
Huangpu
RMB4.854B/US$683.9M
in Q2

Shanghai Interntional Shipping Service Centre ►
Hongkou
RMB1.36B/US$191.8M
in Q2

Hong Kong

▲ **181-183 Sai Yee Street**
Mong Kok
HK$310M/US$39.8M
in June

Podium on G/F-3/F & 7 car parks, Cosco Tower ►
Sheung Wan
HK$500M/US$64.3M
in May

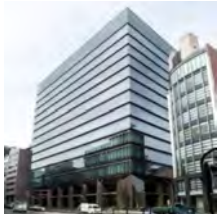
◄ **286 Queen's Road Central**
Sheung Wan
HK$475M/US$61.1M
in April

On Lee Commercial Building ▲
Tsim Sha Tsui
HK$448M/US$57.6M
in May

Japan

Royal Parks ER Sasashima ►
Nagoya, Aichi
JPY20.0B/US$180M
in June

◄ **CRE Saitama-Hokkaido Logistics Portfolio**
Various locations
JPY17.9B/US$160M
in July



◄ **Kojimachi Odori Building**
Chiyoda, Tokyo
JPY35.0B/US$320M
in April

Blue Logistics GK Portfolio ►
Various locations
JPY36.0B/US$328M
in July

Malaysia

A 96.5-acre industrial land
Kuala Langat, Selangor
RM153.4M/US$36.1M
in April

A 2.9-acre commercial land
Wilayah Persekutuan, Kuala Lumpur
RM138M/US$32.4M
in June

A 170-acre industrial land
Pengerang, Johor
RM320M/US$75.2M
in June

A 4.9-acre agriculture land
Bayan Lepas, Penang
RM143M/US$33.6M
in June

Singapore

AXA Tower (50% stake)
Shenton Way
S$840.0M/US$607.2M
in May

Commercial strata lots at #03-03, #04-01 and #05-01, 30 Raffles Place
Raffles Place
S122.3M/US$88.4M
in June

Change Alley Mall
Raffles Place
S$192.7M/US$139.3M
in June

South Korea

Young City
Fringe YBD
KRW545.8B/US$447.1M
in Q2

SEI Tower
Fringe GBD
KRW271.3B/US$222.2M
in Q2

Glass Tower
GBD
KRW133.0B/US$109M
in Q2

Hitejinro HQ
Fringe GBD
KRW220.0B/US$180.2M
in Q2

Taiwan

Haojet Douliu Factory
Yunlin County
TWD490M/US$16M
in June

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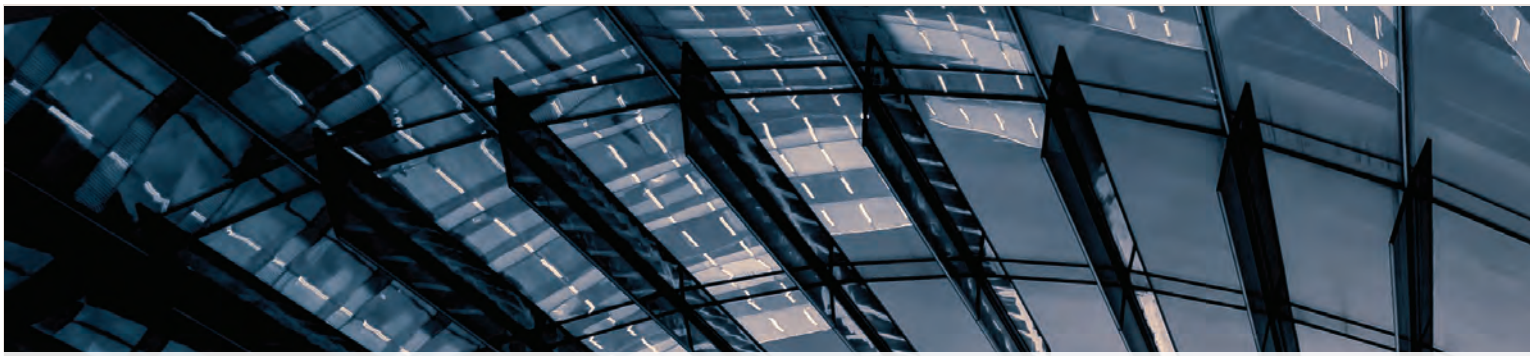

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