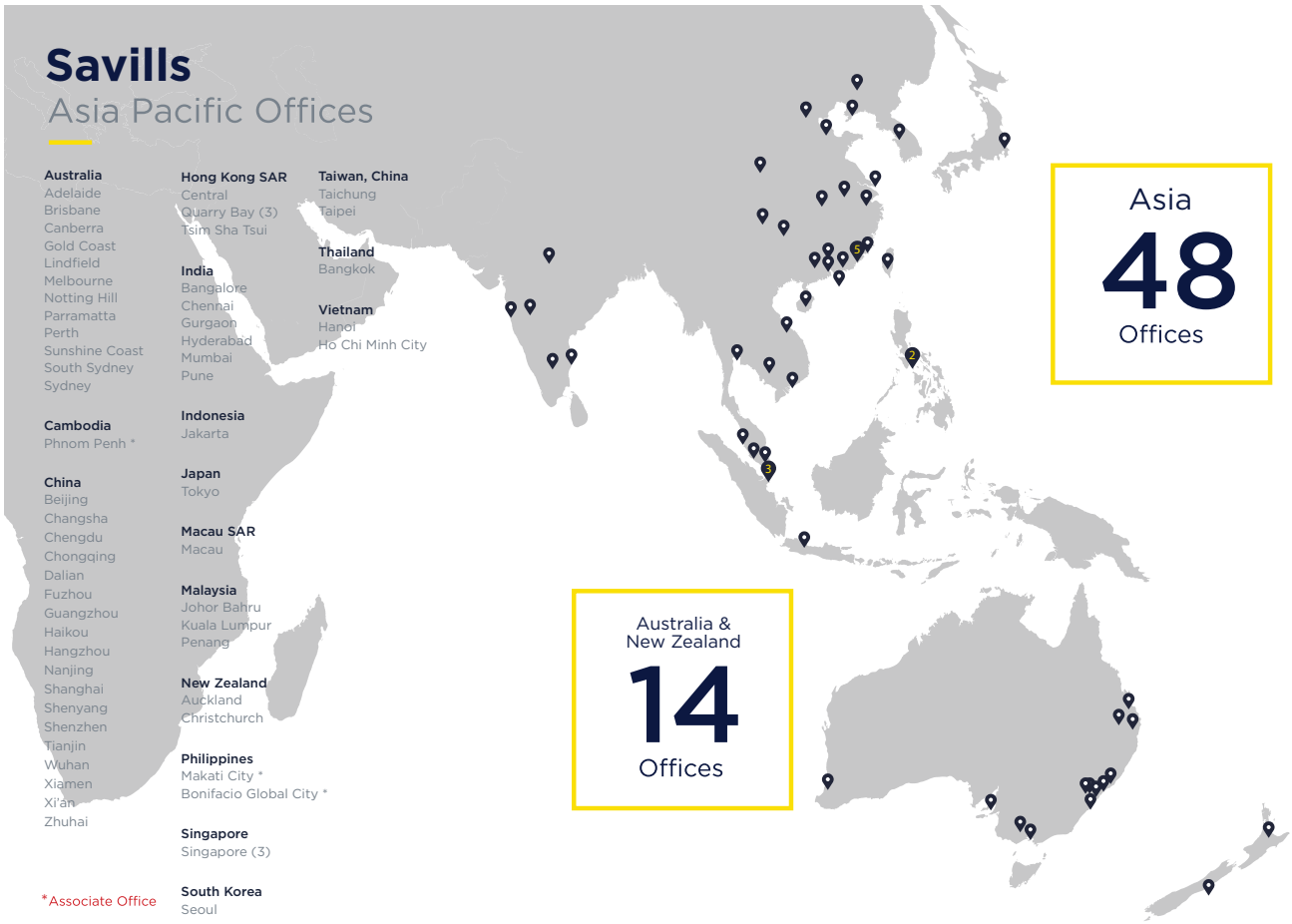
REPORT
Savills Research

Asia Pacific – Q3 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.

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Australia

The Australian economy contracted by 7.0% (on seasonally adjusted terms) in the June quarter, meaning Australia is officially in recession after two quarters of negative GDP growth. The annual rate of growth slowed to -6.3% in the 12 months to June 2020. The categories that recorded growth over the quarter were 'Imports', 'Government Consumption' and 'Public Capital Formation'. The household savings ratio increased to 19.8% up from 6.0%, following a period of low savings ratios where it has sat at sub 5% for the last four years. The International Monetary Fund World Economic Outlook is forecasting for Australia's economy to 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%. This was positively revised upwards from the April outlook. 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 surprisingly fell in August to 6.8% as 111,000 Australians reported finding work. Estimates from the University of Melbourne have found that without Government support the figure would be sitting at around 12%. The recent announcement of the federal budget revealed further stimulus and support for individuals, small business' and large corporations that will help mitigate the impact of COVID-19 on the broader economy and in turn the commercial property sector.

In the 12 months to September 2020, Savills tracked AUD24.17 billion of sales (AUD5m+) across office, retail and industrial asset classes. This figure was down 37% on the previous 12 months, however with a large number of quality assets currently on the market or in due diligence it is expected that there will be a strong finish to the end of the year. Throughout the pandemic, there has been continued demand for quality assets (particularly industrial and office) with long WALE and secure tenant covenants, with investors seeking both on and off market opportunities.

Latest Morgan Stanley Capital International data (June 2020) indicates that industrial property was again the best performing asset class, surpassing the office sector earlier in the year. Total returns were recorded at 11.6% which consisted of income returns of 5.8% and capital returns of 5.5%. Office returns followed at 8.0%, driven by income returns of 5.1%. A key indicator that has been monitored closely throughout the pandemic is office occupancy levels, with data from the Property Council of Australia indicating that there has been a recovery since reaching all-time lows in May (~5%). With the exception of Melbourne which still remains at around 10%, all other states have seen improvements over the last quarter. Unsurprisingly, retail returns fell further into negative territory as a result of store closures, reduced foot traffic and weak consumer spending. Total returns for the sector were recorded at -9.4%, with capital growth falling -13.1%.

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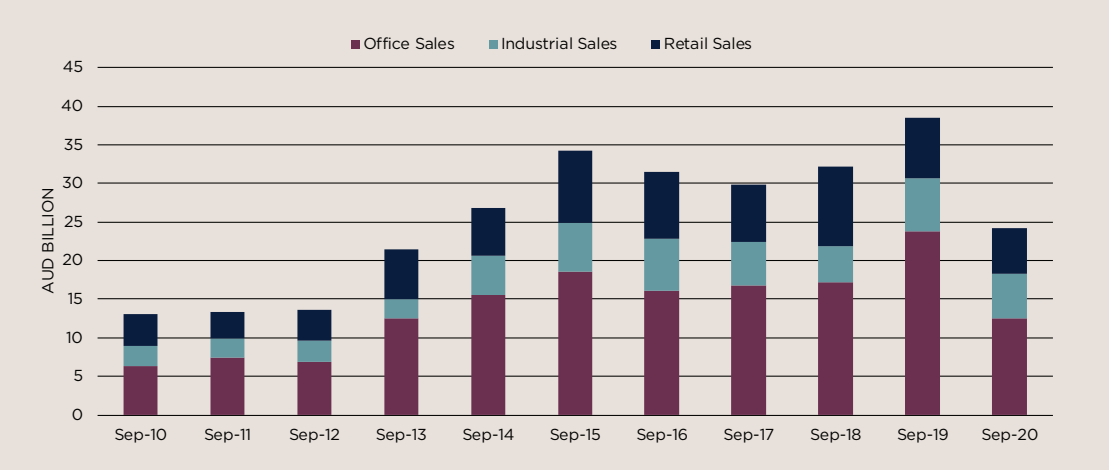
Australia Property Transaction Volumes (AUD5m+) By Sector, September 2010 to September 2020



Source Savills Research & Consultancy

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
452 Flinders Street	Melbourne, VIC	AUD452.0 mil/ US$320.92 mil	Deka Immobilien	Office
Pinnacle Office Park	Macquarie Park, NSW	AUD306.0 mil/ US$217.26 mil	Keppel REIT	Office
5 Culverston Road	Minto, NSW	AUD203.3 mil/ US$144.34 mil	Charter Hall	Industrial
99 Sandstone Place (50%)	Parkinson, QLD	AUD152.5 mil/ US$108.28 mil	ACREF Australian Trust (DWS Deutche Bank)	Industrial (Cold Storage)
Glenmore Park Town Centre	Glenmore Park, NSW	AUD150.0 mil/ US$106.5 mil	HomeCo	Retail

Source Savills Research & Consultancy

China (Northern) - Beijing

Beijing's investment market witnessed less transaction volume in the citywide commercial real estate market year-on-year (YoY) in 2020 due to significant declines in rental levels and occupancy rates from COVID-19. Multiple data centres were acquired in Q3/2020, bringing non-traditional assets into the market spotlight. A total of five en-bloc investment deals were concluded during Q3/2020, registering a combined consideration of RMB13.85 billion. Major transactions included:

- A joint venture between GDS Holdings Limited and CITIC PE acquired GDS Tongzhou Data Centre Campus BJ13 for a total consideration of RMB 2.6 billion.
- China Great Wall Asset Management Co., Ltd. sold the Great Wall Assets Management Project Tower 1, located in Lize, Fengtai District, to China Communications Services Corporation Limited for a total consideration of RMB3.36 billion.
- A joint venture between GIC, AEW and SDP Investment purchased U-Show in the South 2nd Ring Road in Fengtai District from Eagle Holdings Group for a total consideration of RMB2.6 billion.
- A joint venture between Pins International Financial Holdings Limited and Jinquan Yuanhe Investment acquired Dr Peng Beijing Data Centre Portfolio, with projects in multiple locations in Beijing, for a total consideration of RMB1.49 billion.
- CITIC PE sold the Shunyi Data Centre Campus BJ14 to GDS Holdings Limited for a total consideration of RMB3.8 billion.

The first-hand strata-title office market was up slightly in Q3/2020. The market saw 199,500 sq m of new supply in Q3/2020, down 26.0% quarter-on-quarter (QoQ) but up 7.5% YoY. Total transaction area reached 229,200 sq m during the quarter, up 97.9% QoQ but down 2.8% YoY. Total consideration reached RMB5.67 billion, up 47.7% QoQ but down 13.0% YoY. Average transaction prices reached RMB24,723 per sq m, down 25.4% QoQ and 10.6% YoY.

New supply in the first-hand strata-title retail market reached 75,100 sq m in Q3/2020, up 98.1% QoQ but down 41.1% YoY. Total transaction area reached 134,400 sq m, down 37.8% QoQ but up 14.1% YoY. Total consideration reached RMB3.66 billion, down 24.0% QoQ and 19.1% YoY. Average transaction prices reached RMB27,234 per sq m, down 8.9% QoQ and 29.1% YoY.

Beijing's investment market was relatively quiet in 2020 after witnessing brisk transaction activities in 2019, mainly due to COVID-19 and the global economic uncertainties. Most assets saw their yields and values trend downwards in the citywide commercial real estate market, leading to more wait-and-see approaches and longer decision-making processes from institutional investors. The citywide investment market is expected to remain relatively flat and witness fewer major transaction deals concluded in Q4/2020 compared with past years, though investors will still actively look for assets with better-guaranteed yields.

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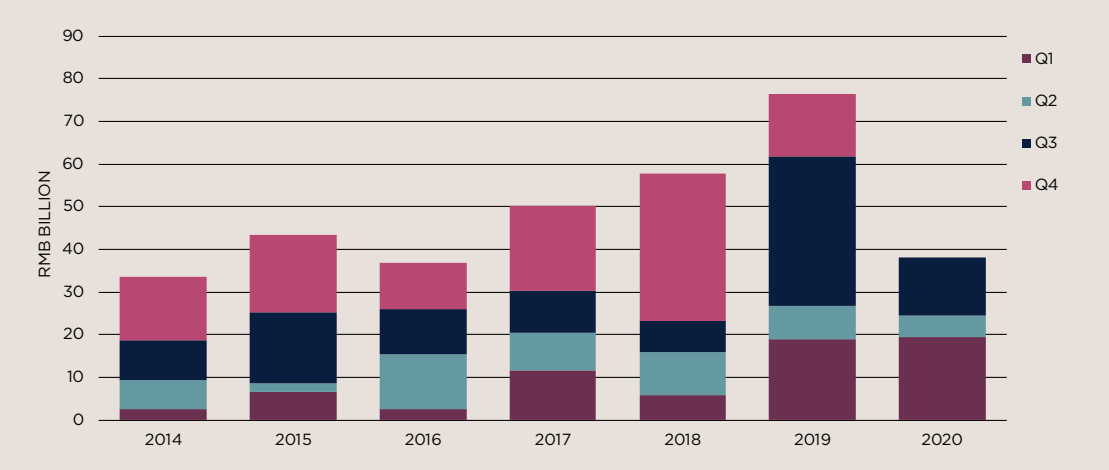
En-Bloc Investment Volumes, 2014 to Q3/2020



Source Savills Research

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
GDS Tongzhou Data Center Campus BJ13	Tongzhou	RMB2.6 bil/ US$382 mil	GDS Holdings Limited/ CITIC PE	Industrial
Great Wall Assets Management Project Tower 1	Lize	RMB3.36 bil/ US$494 mil	China Communications Services Corporation Limited	Office
U-Show	South 2nd Ring Road	RMB2.6 bil/ US$382 mil	GIC/AEW/ SDP Investment	Retail
Dr Peng Beijing Data Center Portfolio	Multiple Locations	RMB1.49 bil/ US$219 mil	Pins International Financial Holdings Limited/ Jinquan Yuanhe Investment	Industrial
GDS Shunyi Data Center Campus BJ14	Shunyi	RMB3.8 bil/ US$559 mil	GDS Holdings Limited	Industrial

Source Savills Research

China (Northern) - Tianjin

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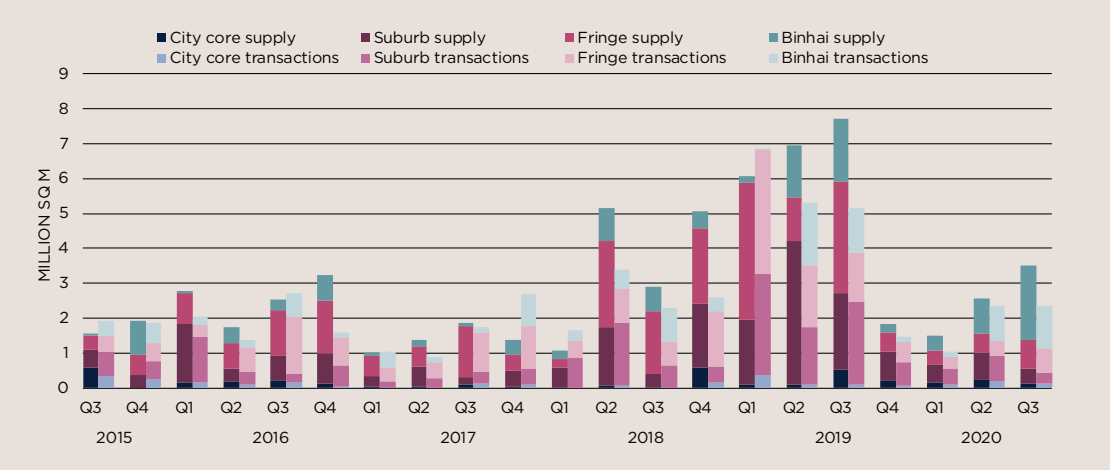
After COVID-19 was effectively contained nationwide in Q3/2020, work resumption in Tianjin has returned in full force. Tianjin's land market saw an increase quarter-on-quarter (QoQ) in its new supply, and transaction volumes were flat from Q2/2020.

Citywide land supply increased 37% QoQ to 3.52 million sq m, but this was still a decrease of 17% year-on-year (YoY). Total transaction volumes reached 2.35 million sq m, flat QoQ, but still marked a decrease of 22% YoY. In terms of land supply, Binhai New Area contributed the highest volume, constituting 61% of the citywide market. Fringe districts and suburban areas ranked second and third by volume, accounting for 23% and 12.8%, respectively, while the city core market saw the lowest proportion, 3.3%, down by 6.3 percentage points (ppts) due to land scarcity. Regarding transaction volumes, Binhai New Area also ranked at the top, reaching 51.9% of the total, followed by fringe districts at 29.4% and suburban areas at 13.8%, for a combined 43.2% of the total transactions. Three city core land plots covering 115,441 sq m in total were acquired in Q3/2020. Citywide deals include:

- Luneng Real Estate Group acquired a land plot in Hexi District in the city core for RMB3.6 billion, with an accommodation value of RMB30,548 per sq m, a premium of 25%. This plot, totalling 79,485 sq m, is titled for residential development.
- Another plot located in Binhai New Area was obtained by Tianjin Tianbao Real Estate for a total consideration of RMB1.74 billion, at an accommodation value of RMB7,840 per sq m. The land plot has a total area of 300,462 sq m and is zoned for mixed-use development, including residential, commercial and education.

Tianjin's land market showed signs of fatigue in Q3/2020, with land supply witnessing slower growth, and transaction volumes recording a flat performance on a quarterly basis. In view of the increasingly tightened government policies and regulations, real estate developers have become conservative toward land acquisitions in Tianjin under the restricted overall financing environment. These policies are expected to continue in Q4/2020, causing land acquisition to stay flat citywide at the end of 2020.

Land Supply And Transactions By Area, Q3/2015 to Q3/2020



Source Savills Research

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Plot 2020-012(JXT)	Hexi	RMB3.6 bil/ US$540 mil	Tianjin Luneng Taishan Real Estate Development Co., Ltd.	Residential
Plot 2020-14(JBB)	Binhai New Area	RMB1.74 bil/ US$260 mil	Tianjin Tianbao Real Estate Development Co., Ltd.	Residential, commercial and education
Plot 2020-011(JBC)	Beichen	RMB1.7 bil/ US$246 mil	Tianjin Jinyu Jinchen Real Estate Development Co., Ltd.	Residential and commercial

Source Savills Research

China (Western) - Chengdu

Chengdu's GDP reached RMB830 billion in 1H/2020, an increase of 0.6% year-on-year (YoY). The growth value of the tertiary industry reached RMB552 billion, a 0.2 of a percentage point (ppt) YoY decrease. In addition, the total citywide investment in fixed assets increased by 4.1% YoY.

Net absorption improved in Q3/2020, but the whole office market in 2020 has been much less active than in 2019 due to pandemic. Some office operators have implemented promotional strategies such as offering lower rents and rent-free period extensions to attract customers to their buildings. After experiencing a downward shift in the first half of 2020, Chengdu's office market average rent continued to decrease in Q3/2020.

No new supply entered the office market in Q3/2020, leaving Chengdu's Grade A office stock at approximately 3.3 million sq m. There was better office demand this quarter and citywide net absorption area was 35,000 sq m, helping the overall vacancy rate drop by 1.1 ppts quarter-on-quarter (QoQ) to 22.9%. Finance, information technology and real estate generated the most demand, occupying 26%, 22% and 13% of the total new leasing area, respectively.

Being under pressure from the outbreak, some landlords reduced their rent and lowered their expected transaction price in Q2/2020. In Q3/2020, the total rental level kept steady despite high-quality tenants seeing their bargaining power increase. The average rent of Grade A offices in Chengdu decreased slightly by 0.2% QoQ to RMB101.0 per sq m per month.

Beneficial policies and strategies have been implemented by both the provincial and municipal governments to encourage the development of insurance services in Chengdu. Chengdu plans on becoming a leading insurance market centre, so the insurance industry is showing significant leasing demand. With insurance enterprises becoming a new force supporting Grade A office demand in 2020, their composition of total leases by area has more than doubled from 9% in Q1 to 23% in Q3.

A total of 100,000 sq m is expected to enter the citywide Grade A office market in Q4/2020. Notably, the entry of the Fengde Chengda Centre in CBD is expected to bring new vitality to the traditional, high-quality office area. Also, insurance, healthcare, online services and IT services industries are expected to see new opportunities, which should raise office demand appropriately.

The central and provincial governments are expected to continue to promote various policies to help boost the citywide economy and thereby foster a more robust office market in Chengdu in Q4/2020.

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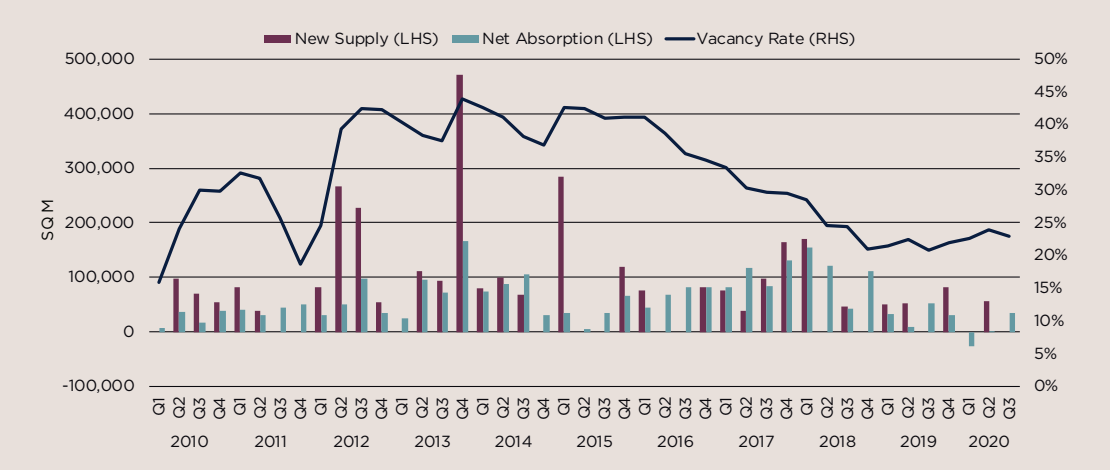
Chengdu Grade A Office Market New Supply, Demand And Vacancy Rate, Q1/2010 to Q3/2020



Source Savills Research

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Group 5, Paomageng Village, Xinglong Street	Tianfu New Area	RMB2.25 bil/ US$331.19 mil	Tianfu New Area Group Limited	Mixed-use
Donghong Group 4, Baohe Street	Chenghua	RMB1.95 bil/ US$286.21 mil	China Overseas Limited	Residential
Group 2, 5, 6, Chadianzi Village, Yinmenkou Street	Jinniu	RMB1.46 bil/ US$213.89 mil	Rongqiao Property Development Co., Ltd	Mixed-use

Source Savills Research

China (Southern) - Guangzhou

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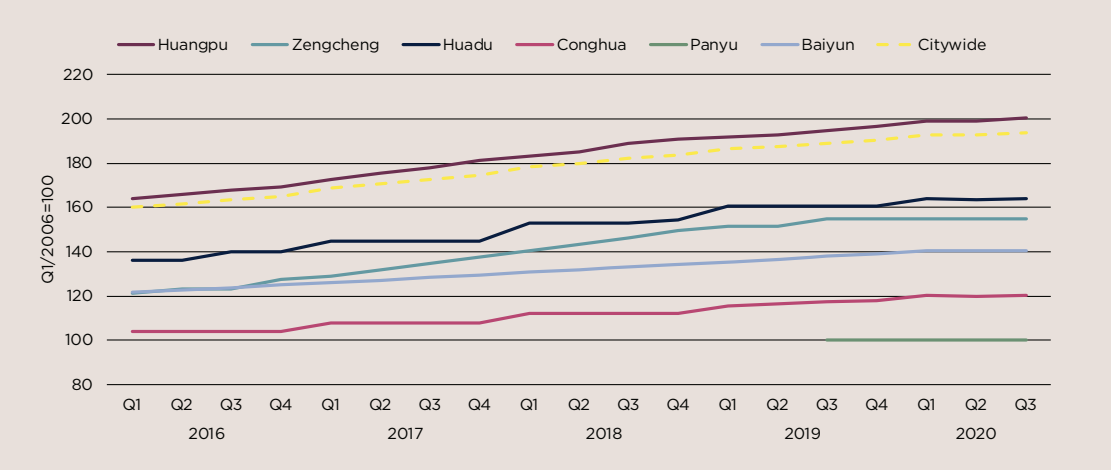
The manufactory industry in China rebounded notably during the post-epidemic period, especially during Q3/2020. According to the National Bureau of Statistics, China's manufacturing PMI stood at 51.5% in September. The total industrial output in Guangzhou grew consecutively in the last five months, increasing by 7.7% year-on-year (YoY) in August. Meanwhile, online retail sales continued to grow, and its proportion in the city's total retail sales increased to 21.1%, up 8.3 percentage points (ppts) YoY in August. With these positive macroeconomic indicators and the upcoming Double Eleven shopping festival, e-commerce and 3PLs companies showed a strong commitment to growing their business, generating stronger leasing demand for Grade A logistics facilities in Guangzhou during Q3/2020. The citywide vacancy rate of the Guangzhou logistics property market decreased by 2.7 ppts YoY to 15.0%, while the average occupancy cost increased by 1.8% YoY to RMB39.9 per sq m per month by the end of Q3/2020.

The recovering economy, positive leasing market performance and prospects of the logistics property market incubated strong investor sentiment, confidence and interest in the Guangzhou logistics property market. Although market yields compressed during the past decade, it remained 1.1 ppts and 2.5 ppts higher than that of the office and retail sectors, respectively, resting at 5.5% by the end of Q3/2020. Investment activities by both overseas and domestic institutional investors showed a strong recovery during Q3/2020, and opportunities for new land development, income-producing assets or value-added properties in this sector continued to be sought-after. This can be demonstrated by a recent major investment transaction. On 6 July 2020, a new core joint venture launched by Manulife and ESR announced the acquisition of four Grade A logistics assets from Rosewood China Logistics Fund. The acquired portfolio consists of four properties located in Guangzhou, Dongguan, Kunshan and Wuxi with a total combined net lettable area of more than 0.2 million sq m.

Looking ahead, the logistics property market's macro policy environment will continue to favour the sectoral property market development for the foreseeable future. The National Development and Reform Commission and the China Securities Regulatory Commission jointly published a circular on the pilot programme of the China infrastructure REITs in April 2020. According to this document, warehouses are allowed in the issuance of REITs, enabling the market to access and enjoy longer-term liquidity and offering developers and investors more options to exit. On a micro level, the market nature of short-of-supply, scarcity of industrial land, in conjunction with the aforementioned policy environment, should continue to warrant a positive outlook for the Guangzhou logistics property market.

Guangzhou Logistics Rental Indices By Submarket, Q1/2016 to Q3/2020



Source Savills Research

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
ESR Guangzhou Logistics Park	n/a	n/a	Core JV between Manulife and ESR	Industrial

Source ESR, Savills Research

China (Eastern) - Shanghai

The investment market has taken a significant interest in community retail centres over the last year or so with several en-bloc project deals having closed or being in the final stages of closing. These projects include Zhangjiang Jade Park, Yuqiao Haishang Chuanqi, Sanlin Vanke Wujiefang and a small retail asset on Baotou Road. There isn't a universal definition of what a community retail project is, though. Generally speaking, projects tend to be under 30,000 sq m and serve local communities that live within 1.5 km. The retail generally supports residents' daily needs, including groceries, kids' activities, restaurants and general services such as dry cleaning and cosmetics. In recent years, we have also seen the entry of several brands that previously only focused on shopping malls or city-centre locations.

Community retail is thought to have significant growth potential not just in overall scale but also the management professionalisation of existing facilities that can raise revenues, rents and values. In many developed overseas markets, the proportion of retail that is community retail projects is much higher than in China's first-tier cities. Having regularly-used services and retail offering near population centres reduces commute time and helps to decarbonise the economy.

The government is also supporting community retail and services, with the central government publishing more than 20 policies since 2004 supporting its expansion in China. In 2012, for example, the State Council required newly built residential communities to allocate at least 10% of the total GFA to community retail and service facilities.

Community retail has also outperformed many other property sectors since the outbreak of COVID-19. While COVID-19 initially had an enormous impact on footfall, traffic recovered swiftly, and many community retail projects have seen footfall return to 80% to 90% of pre-COVID levels. Changes in consumer behaviour may also have a positive impact on demand for community retail space as individuals stay closer to home and avoid more crowded city centres.

Community retail is attractive to investors as it can provide a relatively stable cash flow, asset management is more straightforward and returns can be higher than city-centre locations. 30,000-50,000 sq m shopping centres in first-tier cities currently generate cap rates of 4.0-4.5%, while community retail could go as high as 4.5-5.5%. Additionally, several developers are looking to dispose of these assets as they look to streamline operations and pay down debt.

There are drawbacks—the typical tenant profile is relatively cost-sensitive, and significant rent escalation can be challenging with the key strategy being to lower operational costs. At the same time, each asset is a relatively small lump sum and, for bigger funds, to deploy capital will require portfolios to create scale and lower transaction and operation costs.

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Different Retail Formats In First Tier Cities

	STREET RETAIL	COMMUNITY RETAIL	DISTRICT LEVEL RETAIL	CITY LEVEL RETAIL
SIZE (SQ M)	< 10,000	10,000 - 30,000	30,000 - 50,000	> 50,000
CATCHMENT AREA (KM)	< 0.5	0.5 - 1.5	1.3 - 3.0	> 3.0
CAP RATE	1.2%	4.5% - 5.5%	4.0% - 4.5%	4.0% - 4.5%
MANAGEMENT DIFFICULTY	Low	Mid	Mid-to-high	High

Source Savills Research

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Greenland Bund Center C1	Huangpu	RMB1.38 bil/ US$202.86 mil	Guohai Securities	Office
Central Garden	Putuo	RMB1.02 bil/ US$149.94 mil	Blackstone	Serviced apartment
TE Centre	Xuhui	RMB580.0 mil/ US$85.26 mil	Karrytech	Business park

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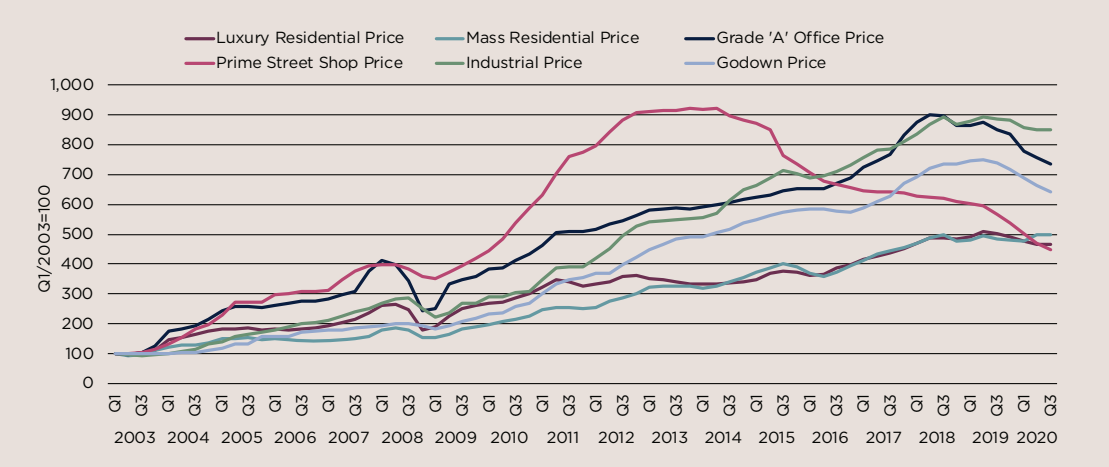
While the third wave of COVID cases delayed the anticipated recovery, commercial transaction volumes in the office and retail markets actually rebounded slightly in July and August (261 transactions, compared with 237 transactions from April to June), with more vendors willing to accept price reductions. En-bloc commercial volumes staged a modest rebound in Q3/2020 with seven transactions registered totalling around HK$4 billion, as both local and Mainland investors returned for either high-yielding properties or older buildings with redevelopment potential. The most eye-catching deal was the sale of Peak Castle, a refurbished office building in Cheung Sha Wan, by Hanison and PAG to a Mainland investor for HK$1.8 billion yielding around 3%.

Grade A office rents are now in their longest downcycle since the Global Financial Crisis, with overall and Central rents down by 3.4% and 5.0% QoQ respectively in Q3/2020. The overall Grade A office vacancy rate rose sharply to 6.82% in September (4.03 million sq ft net) from 6.02% in June (3.55 million sq ft net), with the Central vacancy rate rising from 5.6% in Q2 to 6.8% in Q3. More end users were evident in the Grade A office market on Hong Kong Island, but most were looking for discounted stock, with few vendors facing financial difficulties prepared to entertain offers as yet.

High-end retail continued to suffer, but retailers in the F&B, mid-priced cosmetics and health products segments have been active in the market as core retail landlords have slashed rents by 40-50% compared to lease rates agreed three years ago. Transactions in core retail areas have been rare with prices adjusting slightly by 4.7% in Q3/2020. In particular, suburban retail performed well with its necessity focus. In the hotel sector, as more landlords proved willing to offload their holdings, investors rediscovered their appetite for this segment with two boutique hotels changing hands over the quarter.

Local logistics demand was buoyed by escalating demand for necessities and online retailing. We saw an increasing number of renewals and consolidation of leases in modern warehouses as landlords became more flexible in rental negotiations. More long-term investors are entering the market because of the relatively high and stable yields offered by industrial properties and sales volumes continued to rebound with 336 transactions registered in July and August, already 15% higher than those registered in Q2. Prices for flatted factories, I/O buildings and warehouses only declined moderately by 0.2%, 0.1% and 3.1% respectively in Q3/2020.

Savills Hong Kong Price Indices By Sector, Q1/2003 to Q3/2020



Source Savills Research & Consultancy

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Tung Chiong Commercial Building	Tsim Sha Tsui	HK$510.0 mil/ US$65.6 mil	TBC	Office
37 Shouson Hill Road	Southside	HK$2.566 bil/ US$329.8 mil	Henderson Properties	Residential
Peak Castle	Cheung Sha Wan	HK$1.80 bil/ US$231.4 mil	TBC	Office
Kader Industrial Building	Fanling	HK$820.0 mil/ US$105.4 mil	China Resources Beer (Holdings) Company Ltd	Industrial

Source Savills Research & Consultancy

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India has been particularly badly affected by the novel corona virus infection. Varying degrees of restrictions have been imposed by state governments, aimed at curbing the spread of the virus, and these have inevitably decelerate GDP growth rates for fiscal 2021. India enforced lockdown spanning close to 50 days in the April-June quarter of 2020 and as a result, the country's real GDP contracted by 23.9% in the second quarter compared with Q2/2019.

Although most restrictions have eased, and stimulus packages have been announced, the path of recovery is expected to be gradual. Unlock guidelines have been announced and implemented with increasing effectiveness in Q3/2020, keeping in mind the overall objective of revival in domestic consumption to pre-COVID levels. Recent geopolitical tensions have put the spotlight on the country's increasing desire for self-sufficiency in most sectors, a greater reliance on local manufacturing and an eventual reduction in imports.

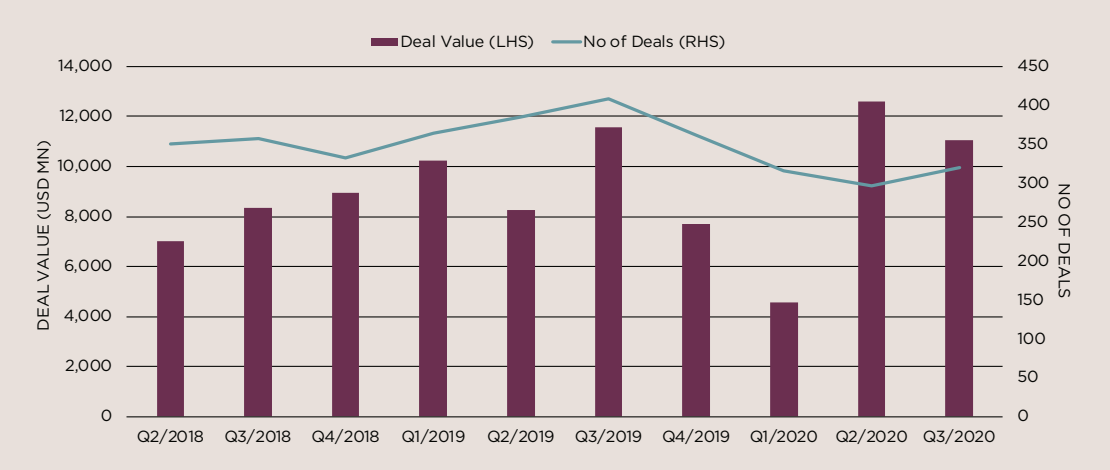
On the real estate front, there were certain notable events and announcements in the third quarter. Interestingly, Mindspace Business Parks Real Estate Investment Trust (REIT) listed on the stock exchange to become India's second REIT. The REIT owned by K Raheja and Blackstone debuted with a premium of nearly 11% against the issue price. The performance of both the listed REITs namely Embassy and Mindspace even during these unusual times is expected to encourage more real estate developers to consider investment trusts.

Notwithstanding, the blip in leasing activity in 1H/2020, the demand and supply of quality Grade A office space is projected to recover swiftly. The office markets have clearly mirrored the economic patterns emerging in the country. As far as the top six commercial real estate markets are concerned, 1H/2020 registered leasing activity and additional supply of 13.7 million sq ft and 13.5 million sq ft respectively.

The residential real estate segment also witnessed a major policy announcement with specific guidelines under the Affordable Rental Housing Complexes (ARHCs) scheme. Under the scheme, existing vacant government-funded housing complexes across major cities will be converted into ARHCs and offered to concessionaires for 25 years to rent out the units to urban poor and migrant workers. Private and public entities will be incentivised to develop such housing complexes on their own available vacant land also. The guidelines provide a much-needed shot in the arm for the EWG and LIG segment, which has been worst hit by the ongoing pandemic. Effective implementation of the policy is expected to bring back investors who have been shying away from the housing sector in recent years. The ARHCs are expected to appeal to investors with a low risk appetite and long-term horizon in mind. Given the demand and scope of rental housing in urban centres of the country, consistent returns spread across a longer tenure will be a pivotal aspect capable of roping in greater private participation into the affordable housing segment. In an attempt to boost the purchase of homes by the general public, stamp duty reductions have also been announced across housing categories by various state governments.

Global capital, against a backdrop of easing movement restrictions and a government focus on economic revitalisation through a slew of fiscal and monetary measures, has remained confident about the investment opportunities in the country. As per our estimates, approximately US$10 billion of investments including the real estate sector were announced in Q3/2020.

Quarterly Private Equity Investment In India, Q2/2018 to Q3/2020



Source VCCEdge

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Multiple Business Parks	Mumbai, Hyderabad, Pune, Chennai	INR11.0 bil/ US$149.5 mil (Pre-IPO Institutional Investment)	GIC Pvt Ltd, Fullerton Financial Holdings Pte Ltd, FMR LLC, Capital Group, NTUC Income Insurance Co-operative Ltd	Office

Source Savills Research & Consultancy

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Seven months since the first COVID-19 case was announced, the impact on Indonesia's economy has worsened with second quarter GDP growth falling to -5.32% YoY. With the number of cases now surpassing 300,000, it is anticipated that subsequent economic growth will remain at negative levels, putting the country into technical recession by Q3/2020.

Given strict social distancing, activity levels across most business sectors in the capital including real estate have dropped quite considerably since March. The easing of restrictions (PSBB Transisi) which began in June provided some relief for companies and business owners but before normal business could resume, Jakarta's Governor decided to pull the emergency brake and return to stricter measures (PSBB Ketat) in mid-September on the back of a rising second wave of cases.

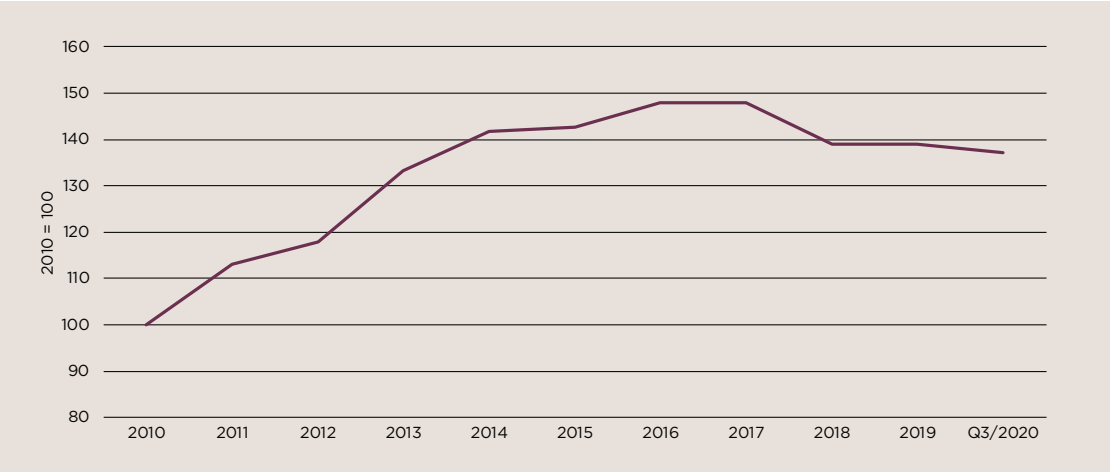
Retail landlords who had already picked up the additional costs for new normal procedures in their malls, continued to suffer as their traffic dropped further to only around 10%-20% of pre-COVID levels. Meanwhile, residential developers now depend on online platforms and social media to market their projects. Some of them have achieved good results such as Ciputra who have reportedly collected total sales of around IDR250 billion (US$16 million) from their housing project online sales in the past six months. While affordable landed house developments are still performing, apartment sales have remained very quiet, which has caused some developers to offer their projects for bloc sale at higher discounts to willing buyers and investors.

Aside from apartment projects, various asset types are currently being offered at distressed values particularly landbanks and hotels but also retail malls – this is quite unusual considering that Jakarta is historically seen as an 'illiquid' and 'tightly held' market compared to others in this region. This will provide a window of opportunity for investors to acquire good assets at attractive prices with robust long-term prospects.

Meanwhile, the long-awaited 'omnibus' law has finally been approved by Parliament (DPR) in early October. The law (UU Cipta Kerja), proposed by the Jokowi administration, is aimed at strengthening Indonesia's monetary and fiscal policy framework, in order to accelerate infrastructure spending by creating a more conducive investment climate. The new law rectified around 80 laws (UU) related to investment, permits, labour, land for infrastructure development, taxation and government administration as part of an effort to cut red tape and simplify new investment procedures. Despite protests and opposition from a number of labour organizations, many believe that the omnibus law will enhance Indonesia's competitiveness in the regional and global economy.

One aspect of the new law related to the property sector is the relaxation of foreign property ownership restrictions. Under the new law, foreigners with work permits are now allowed to own apartments on a strata-tile basis and this is expected to boost the luxury apartment market which target expatriates.

Jakarta High-end Shopping Mall Rental Index (Avg. Specialty Tenant), 2010 to Q3/2020



Source Savills Research & Consultancy

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Land – Tangerang	Tangerang, West Java	IDR238.1 bil/ US$16.2 mil	Gajah Tunggal (GT Group)	Industrial
Mall – Lippo Puri	Puri Indah, West Jakarta	IDR3.53 tri/ US$240 mil	LMIR Trust	Retail

Source Savills Research & Consultancy

Japan

Against the gloomy backdrop of a pandemic, Japan has witnessed a smooth transition of leadership – one which could be long lasting thanks to Prime Minister Suga's currently sound approval rating. In the meantime, his predecessor's major policies look likely to be maintained, alongside some additional structural reforms. Specifically, digitalisation and decentralisation will take on added importance, with the former aimed at increasing the country's productivity, whilst the latter is intended to strengthen regional Japan.

As of August, the national unemployment rate stands at 3.0% – only 0.8ppts higher than the historic low of 2.2% achieved in December 2019 – and the job-to-applicant ratio is 1.04x. That said, unemployment amongst irregular workers has risen and is predicted to continue. At the same time, signs of an economic recovery notwithstanding, the Tankan survey as of September 2020 continues to paint a bleak picture across the board, with the figures still firmly in negative territory. Indeed, with weaker manufacturing capex, the recovery for Japanese manufacturers may take longer considering the higher exposure to machinery production.

With the onset of COVID-19, offices have come to be regarded with more caution, creating a growing disparity between buildings based on a combination of quality and location. In contrast, the logistics and residential sectors have been in demand. The introduction of the "Go To" campaign in July 2020, meanwhile, should provide a much-needed boost to the hospitality and retail sectors, and as such, there is hope for a recovery of sorts.

As for the REIT market, the broader TSE REIT index is down around 20% year-to-date (YTD). In contrast, the TOPIX index, whilst similarly negative, has lost less than 5% of its value over the same period. Indeed, capital market participants appear to be predicting a longer recovery in hard assets compared to Japanese corporates.

According to preliminary data from Real Capital Analytics (RCA), YTD investment volume in Japan totalled JPY3.3 trillion – around a quarter lower compared to the same period last year. The most vulnerable sectors, namely hospitality and retail, recorded a fall of around 25% and 50%, respectively, between the two periods. The more resilient sectors, meanwhile, have performed well, with residential transaction volumes increasing by over 60%. Looking ahead, when considering its political and social stability, as well as the manageable impact of COVID-19, Japan appears relatively more attractive, particularly compared to global peers. Hence, a large amount of international capital is expected, with the estimated JPY2 trillion investment planned by PAG and BentallGreenOak within the next four years being case in point.

Within the Tokyo central five wards, Grade A office market vacancy rates slightly increased to 0.7% during Q3/2020. Meanwhile, rents fell 1.1% QoQ, but maintained growth of 2.8%YoY and now stand at JPY37,421 per tsubo per month. Even so, the effects of COVID-19 on the Tokyo office market have surfaced. Given the cash holdings and short-term financial forecasts of established Japanese corporates, however, average rents should hold somewhat steady over the next six months or so.

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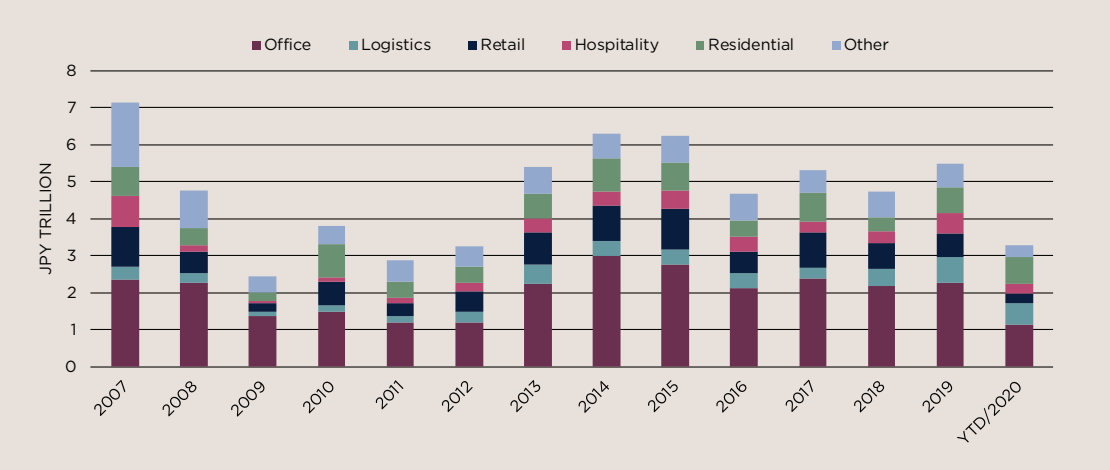
Property Transactions By Sector, 2007 to Q3/2020*



Source RCA, Savills Research & Consultancy
*Q3/2020 volume is preliminary and tends to be lower than the finalised amount.

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Shinjuku Mitsui Building, Gran Tokyo South Tower*	Tokyo	JPY217.0 bil/ US$2.0 bil	Nippon Building Fund REIT	Office
Mitsui Fudosan Logistics Portfolio	Various	JPY77.4 bil/ US$710 mil	Mitsui Fudosan Logistics Park REIT	Logistics
Logistics Portfolio	Various	JPY76.5 bil/ US$700 mil	LaSalle Logiport REIT	Logistics
Daiwa House Logistics Portfolio	Various	JPY55.0 bil/ US$500 mil	Blackstone Group	Logistics
Mitsui Fudosan Office Portfolio	Various	JPY40.2 bil/ US$370 mil	Nippon Building Fund REIT	Office

Source Nikkei RE, RCA, Savills Research & Consultancy
*This transaction was announced in October 2020

Macau

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Since the pandemic took hold in early 2020, all attention has been focused on the number of diagnosed cases in each regional city. As one of the earliest cities to recover, with nearly zero new diagnosed cases since April, there have been many optimistic predictions for the future of the local economy, with tourist numbers expected to rebound sharply after restrictions are finally lifted.

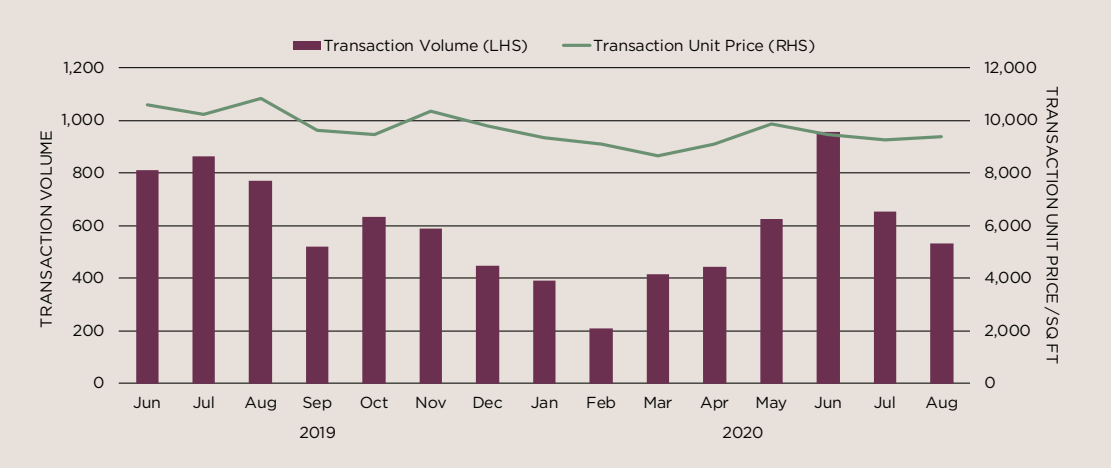
Applications for travel visas for all citizens of Guangdong province reopened on 26th August, and since then the number of tourists has rebounded to levels seen just prior to the border closure. Arrivals totaled 227,113 in August, an increase of over 200% compared with July, but still dramatically lower by over 93% compared with the same month in 2019. Restrictions on travel visas to Macau were further eased on 23rd September for citizens from all provinces to coincide with "Golden Week", a seven-day China-wide holiday starting on 1st October. Data on the performance of "Golden Week" has yet to be released, but once it is, it may well affect sentiment among both local homebuyers and investors.

Despite the good news uncertainties elsewhere are multiplying, particularly in one of the closest tourism partnership cities to Macau – Hong Kong, where sanctions have been implemented by the United States, cancelling the city's special status which has existed since 1997, as relations between the two super powers have become more strained. Another important factor is the pandemic nature of COVID-19 which has hit global economies and had a particularly negative impact on externally orientated cities such as Macau.

As a result of the uncertain environment, both the number of transactions and average unit prices of residential units fluctuated in July and August, totaling 654 and 532 transactions in July and August respectively while average unit prices of MOP9,285 and MOP9,400 per sq ft were recorded in July and August (salable area) respectively, according to the latest release from DSF Macau. These figures also indicate that there was a fall in unit prices of 9.2% in July, and 13.4% in August compared with the same months last year. A wide gap between buyers and sellers still exists, as buyers expect a lower price because of the challenging economic environment, while sellers are hoping for a rebound in the near future, causing the market to fluctuate without a clear direction.

The Macau Government released a draft Masterplan for Macau on 4th September, with the content heavily focused on land use and land zoning particularly with respect to the positioning of the city within the Greater Bay Area. There were several unexpected initiatives including the change of use of the industrial buildings located in the "Morais" zone to commercial use, and the change of the "Vale das Borboletas" located in Coloane from industrial to residential usage. The draft Masterplan is under consultation until November, and it is expected that a clearer picture will be provided once this stage is completed.

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



Source DSF Macau, Savills Macau

New Residential Projects, Q3/2020

PROPERTY	LOCATION	GFA (SQ FT)	BEDROOM	UNIT PRICE (MOP PER SQ FT)
The Avenida	Macau Peninsula	473 - 1,575	Studio - 3 bedrooms	$9,200 - $11,400
Trust Legend	Macau Peninsula	451 - 2,201	Studio - 3 bedrooms	$11,000 - $15,600
Nova Grand	Taipa	505 - 1,698	Studio - 3 bedrooms	$8,300 - $12,300
Co-Tai Star Prestige	Cotai	361 - 1,683	Studio - 3 bedrooms	$11,500 - $15,400
The Praia Park	Coloane	500 - 2,980	Studio - 4 bedrooms	$7,800 - $9,700

Source Savills Macau

Malaysia

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As expected, Malaysia's GDP saw a substantial decline during the quarter under review, as the effects of Covid-19 and the longer-term recovery from the three-month lockdown earlier in the year continued to impact economic activity. Combined with continued political uncertainty, this meant the greatest GDP decline since the AFC, but the government has taken additional measures to support the economy, most notably through additional assistance and initiatives in the form of a RM10 billion PRIHATIN Supplementary Initiative Package (KITA PRIHATIN). This initiative aims to assist the B40 group, the M40 group, local workers and micro traders in various fields.

Encouragingly, there was a significant increase in transactional activity during the period, as the total transaction value rose by 70% year-on-year to a total of RM2 billion. The largest deal in the reviewed quarter was Sarawak Economic Development Corporation's acquisition of two parcels of land in Kamena Land District of Bintulu, Sarawak for RM340 mil, which are intended to be used for the development of a petrochemical hub in the region and prove to be supportive of economic growth in the state.

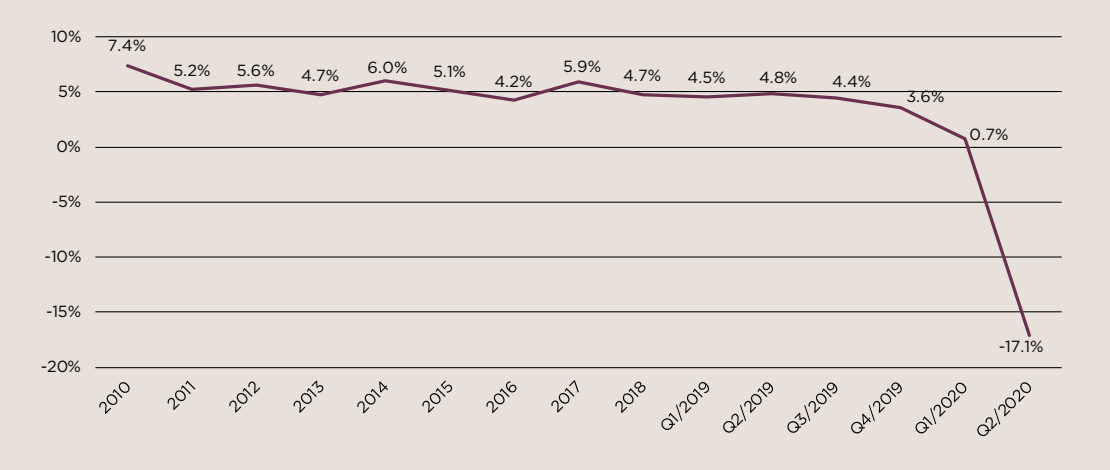
The industrial sector has seen the most action during the period, led by Hartalega NGC Sdn Bhd's purchase of 60.6 acres of industrial land in Selangor in order to expand their glove manufacturing facilities. The global increase in demand for medical and other gloves has created a situation where most manufacturers are unable to meet demand, and we expect to see similar acquisitions going forward. In this case, the purchase is doubly attractive as the land acquired is adjacent to their existing headquarters in Sepang where all the necessary infrastructure is readily available.

In Jasin, Melaka, Scientex Bhd, a large manufacturer of industrial stretch film as well as a property developer of affordable homes, entered into agreements to acquire 1,358 acres of land from Guocoland (Malaysia) Berhad for RM260.2 mil and 202 acres of agricultural land in Johor from Lee Pineapple Co. (Pte) Ltd. for RM185 mil. The acquisitions will increase and their existing landbank in order to achieve Scientex's goal of building 50,000 affordable homes nationwide by 2028, helping to redress the significant shortage of such properties available today.

The most significant deal within KL city during this period has been the acquisition by Paramount Corporation Bhd of Lanson Place and Kondominium 8 from Singapore-listed Wing Tai Holdings Ltd., for a total value of RM243.8 mil. The buildings, sitting on a combined 4.54 acres of prime commercial and residential freehold land on the corner of Jalan Ampang and Jalan Ampang Hilir in the heart of the city's Embassy Row, has been rumored to have been available for purchase in the months leading up to the transaction; it appears that the onset of Covid-19, plus the ensuing lockdown, accelerated the sale on more affordable terms. Paramount plans to redevelop the land into a premium high-rise residential development with a GDV of approximately RM860 mil, to be completed in five years.

Going forward, we expect activity to be healthy, driven by the industrial sector, which alone accounted for RM780 mil worth of transactions during this period; we are also aware of a number of potential transactions in advanced stages, which are expected to be completed by year-end.

Malaysia GDP, 2010 to 2020F



Source Bank Negara Malaysia

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
A 1,002-acre industrial land	Sarawak	RM340.0 mil/ US$82.0 mil	Sarawak Economic Development Corporation	Industrial
A 1,358-acre agriculture land	Melaka	RM260.2 mil/ US$62.7 mil	Scientex Bhd	Agriculture
4.5-acre Lanson Place & Kondominium 8	Kuala Lumpur	RM243.8 mil/ US$58.8 mil	Paramount Corporation Bhd	Commercial and residential
A 202-acre agriculture land	Johor	RM185.0 mil/ US$44.6 mil	Scientex Quatari Sdn Bhd	Agriculture
A 60.6-acre industrial land	Selangor	RM158.3 mil/ US$38.2 mil	Hartalega NGC Sdn Bhd	Industrial

Source Company announcements, Savills Research & Consultancy

Philippines

The gradual reopening of more advanced economies has brought a spark of hope for the Philippines which is reflected in the sustained rise in net foreign direct investments (FDI) that flowed into the country in Q2/2020. Latest figures released by the Bangko Sentral ng Pilipinas (BSP) show that FDI inflows posted an increase of 7.6% YoY to US$481 million for the month of June. The monthly figure was buoyed by net equity capital investments which expanded almost five times from a year ago. Albeit the second consecutive month of recovery, year-to-date figures remain depressed by 18.3% YoY at just US$3 billion.

Due to the uncertainties gripping the real estate sector, transaction volumes fell by 16.7% YoY in Q3/2020; although this was a stark improvement from the previous quarter. A notable deal during the quarter was local developer DMC Urban Property Developers, Inc's acquisition of a prime property along Ayala Avenue in the premier Makati CBD. The listed telecom giant, PLDT, sold its building with an aggregate land area of 2,400 sq m and a total gross floor area (GFA) of around 26,200 sq m. The building is currently occupied by PLDT's fully-owned subsidiary, Smart Communications, Inc. Based on our computation, total proceeds would amount to PHP3.8 billion (USD77.8 million), while we estimate land value at around PHP920,100 per sq m. While the deal was approved by the regulatory body this year, details of the transaction may have been finalized before the onset of the pandemic.

Looking ahead, the administration's economic managers - from the development authority to the central bank - are expecting the recovery to begin in 2021 as the government continues to support the economy with monetary stimulus. Interest rates may remain at favorably low levels which could support capital flows to commercial real estate. As such, valuations may remain stable despite increasing vacancies in the office, retail, and residential sectors. It remains to be seen if the drop in rents in the coming quarters will be compensated by the low interest rate environment.

Although non-real estate players (i.e. banks) have begun planning to dispose of their non-performing assets and try to reposition, the direction of capital infusion in real estate means that prices may not fall significantly even with other economic indicators turning south this year. We do note that any structural change in the market brought by the COVID-19 aftermath could lead to a slow erosion in prices in the long run.

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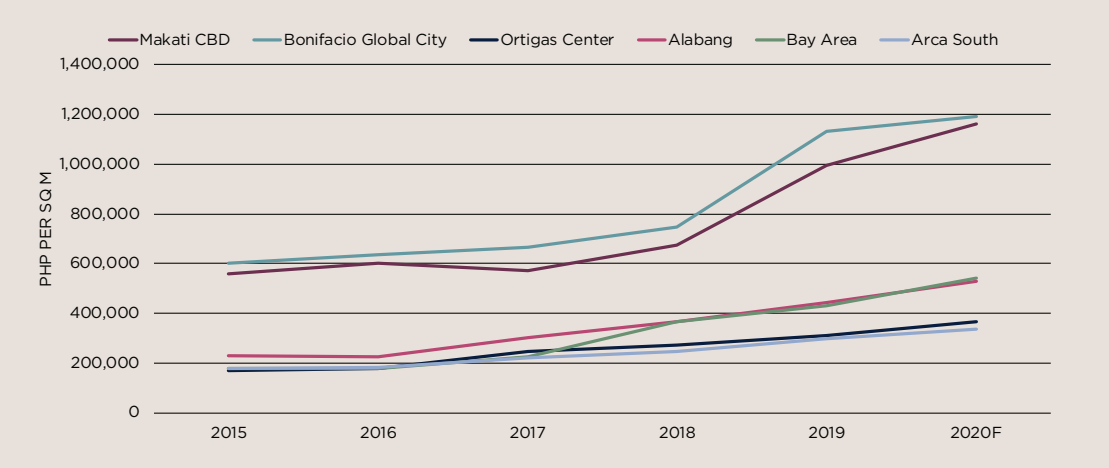
Land Value By Submarket, 2015 to 2020F



Source KMC Savills, inc

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Teleperformance Cebu	Cebu City	PHP1.45 bil/ US$29.92 mil	Ayala Land REIT	Office
Smart Tower I and II	Makati City	PHP3.77 bil/ US$77.79 mil	DMC-Urban Property Developers Inc	Office
Century Diamond Tower	Makati City	PHP4.69 bil/ US$96.67 mil	Century Properties	Office
Land at Magalang	Magalang	-	Mitsubishi, Century Properties	Development site
Main Hotel Casino Project	Paranaque	-	Suncity Group	Hospitality and casino

Source KMC Savills, inc

Singapore

Although we are still in the midst of the pandemic, the investment sales market in Singapore has been in recovery mode since the economy reopened in June 2020. A total of S$2.77 billion worth of deals was recorded in Q3/2020, up 29.3% from a quarter ago.

The sales volume in the residential segment amounted to S$966.7 million in Q3, representing a sharp 180.1% rise from Q2's S$345.2 million. As physical viewings of property have been allowed since the Phase Two reopening on June 19, sales momentum, particularly for landed houses, has picked up in recent months. According to Savills' statistics, there were 40 bungalows, each worth no less than S$10 million which changed hands in Q3. In contrast there were just seven similar transactions in Q2 and 25 in Q1. Prospective buyers for such properties still prefer to view the physical property before making a purchase, especially given that this is for their own use.

Separately, Q3 saw the first successful en-bloc sales in the year – the freehold Yuen Sing Mansion at Geylang Lorong 13 which was sold for S$15.2 million through a private treaty in August. Developers are cautiously optimistic on the outlook and are looking to replenish their land banks in view of reviving new home sales, however, collective sales of private residential sites have yet to appear on the horizon.

Although investment sales of commercial properties fell 11.0% quarter-on-quarter (QoQ) to S$1.39 billion in Q3, buying interest in this property segment remains resilient. For example, shophouses continued to attract the attention of private investors and family offices. Four transactions were concluded in Q3, up from two each in Q1 and Q2. On the other hand, the lack of big-ticket transactions is mostly due to a dearth of assets available for sale. Nevertheless, there were still three block transactions sealed in the quarter. They are the S$550.0 million sale of a 50% share in Northpoint City (South Wing), Tuan Sing's S$500 million divestment of Robinson Point for S$500.0 million and the S$200.0 million acquisition of ABI Plaza by Artemis Ventures, which is linked to a private fund managed by CapitaLand Fund Management.

Along with the further relaxation of control measures, it is expected that investment activity should pick up. As more workers return to offices, investors will have a better idea of the future spatial needs of office users, thereby providing them greater confidence to underwrite an investment.

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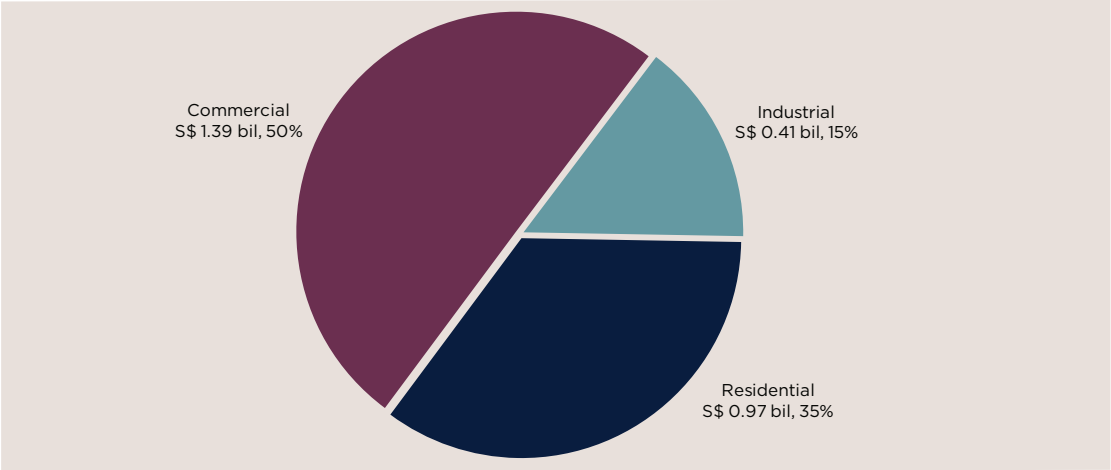
Investment Sales Transaction Volumes By Property Type, Q3/2020



Source Savills Research & Consultancy

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Northpoint City (South Wing) (50% share)	930 Yishun Avenue 2	S$550.0 mil/ US$405.6 mil	Bright Bloom Capital Limited	Retail
Robinson Point	39 Robinson Road	S$500.0 mil/ US$368.7 mil	One South Bay Group Company Limited	Office
ABI Plaza	11 Keppel Road	S$200.0 mil/ US$147.5 mil	Artemis Ventures	Office
7 Bulim Street	7 Bulim Street	S$129.6 mil/ US$95.6 mil	AIMS APAC REIT	Industrial
Equinix Singapore SG3	26A Ayer Rajah Crescent	S$125.0 mil/ US$92.2 mil	Equinix Singapore Pte Ltd	Industrial

Source Savills Research & Consultancy

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In August, the Bank of Korea sharply lowered its 2020 economic forecast from +0.2% to a contraction of -1.3%. This sharp reduction from the previous February estimate is largely influenced by the extensive spread of COVID-19 in August and resulting government measures to contain the virus. Based on the pessimistic outlook, the Bank of Korea maintained its accommodative monetary policy stance and left the Base Rate unchanged at the historical low of 0.50%.

Investment activity in the Seoul office market picked up significantly in Q3/2020. Total volumes for the quarter totaled KRW4.7 trillion, surpassing the KRW4.2 trillion posted during the first half of 2020. The heightened interest in stable prime office investment is in line with growing risk sentiment arising from macroeconomic uncertainties. The uptrend in market pricing is clear as both CBD and GBD witnessed new unit transaction price peaks in Q3.

CBD accounted for 44% of total transaction volume on completion of new buildings with forward commitment. SG Tower, developed by a PFV, was sold for KRW939.3 billion (KRW24.8 million/pyeong) to Pinetree AMC. Domestic institutions including Korea Teachers Credit Union and Public Officials Benefit Association are known to have provided equity funding. Also, Center Point Donuimun, a new development in the fringe-CBD, was acquired by Mastern IMC for KRW666.3 billion (KRW25.6 million/pyeong) and has already secured Daerim Industrial and its subsidiaries as key tenants.

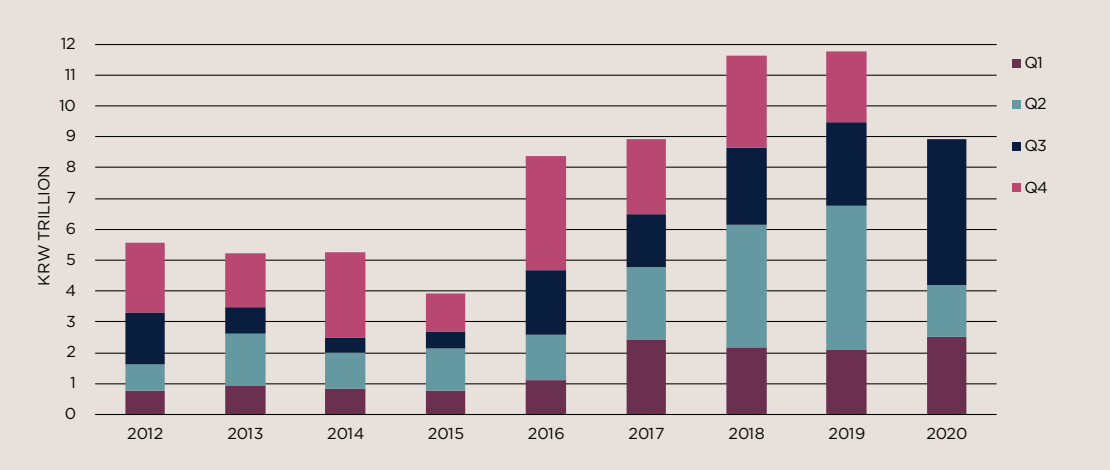
In addition to the two development projects, Shinhan L-Tower, a core office building in CBD fully leased to Shinhan Life, was transacted at KRW279.8 billion (KRW30.0 million/pyeong). The confidence in the high-credit tenant backs the new high CBD unit price that exceeds KRW29.1 million/pyeong of State Tower Namsan in Q2/2019.

In GBD, Hyundai Marine & Fire Insurance disposed its Gangnam HQ for KRW360.5 billion (KRW34.1 million/pyeong) to Korea Land Trust. The sales decision is mainly based on real estate portfolio restructuring of insurers ahead of insurance accounting reforms (IFRS-17 and K-ICS) to be implemented in 2023. The transaction concluded at a historical-high GBD unit price, and the new owner has announced plans to consolidate its subsidiaries.

Heading into Q4, more major transactions are likely to close before year-end. Ongoing large deals such as Parc.1 Tower 2 (YBD), Pine Avenue B (CBD), Yusu Holdings Building (YBD) and the Pinnacle Gangnam (Others) are expected to contribute to an annual total near the sum reached in 2019.

The average five-year treasury yield in Q3/2020 fell to 1.1%, compressing the prime office cap-rate spread to approximately 320 bps. The market cap rate in Q3/2020 was 4.3%, while the effective cap rate – considering leasing concessions and actual occupancy rates – is estimated at below 4%. Typical LTV rates in Korea remained at approximately 55%.

Office Transaction Volumes, Q1/2012 to Q3/2020



Source Savills Korea

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Center Point Donuimun	Seodaemun	KRW666.3 bil/ US$579.9 mil	Mastern IMC	Office
SG Tower	CBD	KRW939.3 bil/ US$817.5 mil	Pinetree AMC	Office
Hyundai M&F Insurance Gangnam HQ	GBD	KRW360.5 bil/ US$313.8 mil	Korea Land Trust	Office
CJ Cheil Jedang Center	CBD	KRW583.6 bil/ US$508.0 mil	IGIS AMC	Office
Shinhan L Tower	CBD	KRW279.8 bil/ US$243.5 mil	Shinhan REITs Management	Office

Source Savills Korea

Taiwan

Real estate market sentiment recovered significantly in the third quarter as the continued successful containment of Covid-19 improved investors' confidence with only 514 cases confirmed so far this year. Total sales of commercial property reached NT$74.2 billion in Q3, three times the NT$17.4 billion record in the previous quarter and the year-to-date transaction volume has surpassed annual sales in the period from 2016 to 2018. Deal size has also increased, with seven of the top ten largest deals of 2020 closed this quarter.

The industrial property segment has been active since the trade war between China and the US began in 2018 and end-users from the technology sector continue to expand their domestic capacity in light of the rising issue of a US-China tech war, growing demand for semiconductors as well as the implementation of 5G. A total of NT$67 billion worth of factories and industrial offices were transacted in the first three quarters, accounting for 62% of total sales and up 50% compared with last year. Several big-ticket deals were closed in the middle and south of Taiwan, one by TSMC, a leading semiconductor company which contributed 4.46% of Taiwan's GDP in 2019, who acquired three factories in the Tainan Science Park for NT$9.35 billion in mid-August. Following the firm's move, we expected the shift in TSMC's supply chain to boost industrial demand in southern Taiwan. In addition, the data center sector is also attracting investors as Google purchased a 20-hectare industrial land lot in Yunlin County for NT$3.6 billion this quarter to develop their third data center with the first data center located in Changhua and the second in Tainan.

Investors returned to the market to look for income producing properties in prime areas or en-bloc buildings with the potential to be redeveloped. Because of the steady increase in office rents and the fact that work from home is less common than in the West, investors hold a more optimistic view of the local office sector. Office sales have remained at low levels because only a few good quality properties are listed for sale, recording a total worth of NT$8.7 billion deals so far this year. Several deals have been concluded recently, however, reflecting improving confidence. A notable deal is a whole office floor in President International Tower, a Grade A office building in the Xinyi area, which was sold for NT$1.79 million per ping to a local investor, recording a 16% growth in unit price compared with another floor sold last year and reflecting a yield compression of 0.3 percentage points to 2.1%. The current unprecedented low interest rate will continue to attract funds into the market and investment demand is expected to become more rise in the fourth quarter.

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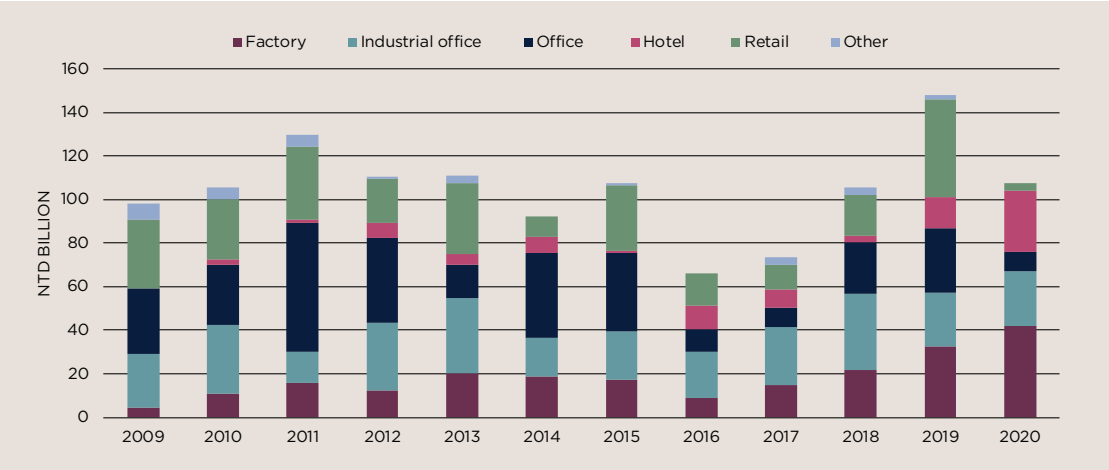
Significant Transactions By Property Type, 2009 to Q3/2020



Source Savills Research & Consultancy

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Factory in Tucheng Industrial Park	New Taipei City	NT$6.10 bil/ US$204 mil	Chong Hong Construction	Factory
Sunworld Dynasty Hotel	Taipei City	NT$26.80 bil/ US$839 mil	Fubon Life	Hotel
Optimax Technology Tainan Factory	Tainan City	NT$3.65 bil/ US$122 mil	Taiwan Semiconductor Manufacturing	Industrial office
HannStar Display Tainan Factory	Tainan City	NT$4.84 bil/ US$161 mil	Taiwan Semiconductor Manufacturing	Industrial office

Source Savills Research & Consultancy

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The Thai economy has seen a steady weakening through the year, as the pandemic continued to wreak havoc on global trade and economic activity. Thailand's GDP forecast, by FocusEconomics, has been revised to a -7.4% contraction at the end of 2020, which represents a slight increase from the previous forecast made in the second quarter. One of the few positive signs in the economy was the rise in the Consumer Confidence Index, which had risen to 51 in August, up from a low of 47.2 in April, representing an 8% increase. This increase can be attributed to Thailand successfully preventing local transmissions for over three months; though as long as the risk of a second wave remains, it's unlikely that we will see any further substantial increase in confidence.

The Thai Government approved a plan to allow 1,200 tourist per month to visit Thailand on a long-stay visa program, though they would be required to undergo a 14-day quarantine upon arrival. Some hotels are offering accommodation as alternatives to the state quarantine, though ultimately this small number of tourists will be of limited aid to the struggling hospitality sector.

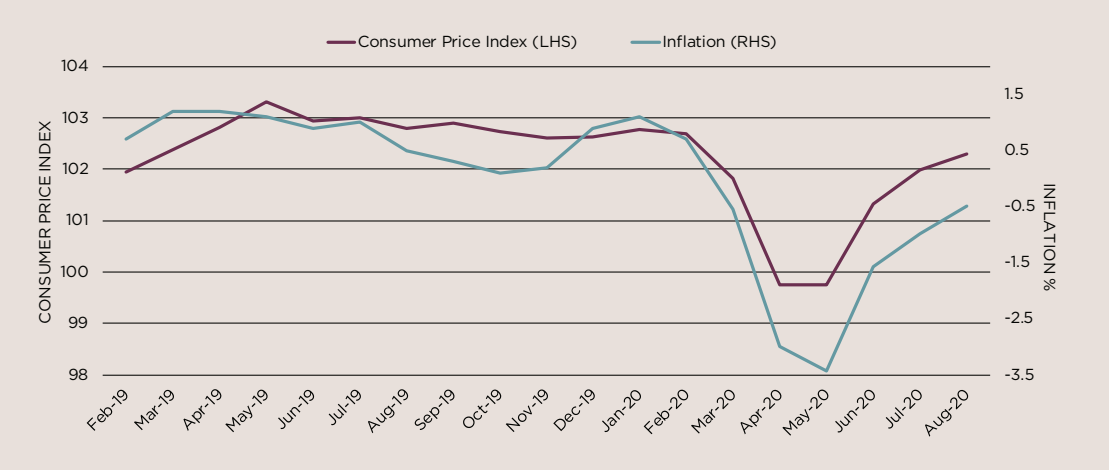
There are increasing concerns of bankruptcies and closures particularly in the retail and hospitality sectors; notable closure of F&B retailers includes Vanilla Cafeteria, The Coffee Bean & Tea Lead and Ladurée. The hospitality sector to date has seen comparatively few permanent closures, though as time continues it is becoming increasingly likely.

Regardless of the dire situation, Asset World Corporation (AWC), is proceeding with their planned development of the 2nd phase of Asiatique, which includes three luxury hotels, all of which are to be managed by Marriott. AWC has also confirmed the development of a new hotel in Pattaya; the four hotels under development have a combined 3,184 keys. AWC's CEO & President Wallapa Traisorat is confident in the long-term outlook for Thai tourism and the firm is in a fortunate position to have the means to continue expansion through the recession.

Sansiri PLC, the notable residential developer, announced that they had closed a deal in Q2/2020 for a freehold land site located beside Lumpini Park for THB3.9 million per sq wah, making it the most expensive land purchase in Thailand. The high price is remarkable in that it was achieved in the midst of the COVID-19 pandemic; it is likely that Sansiri will launch an ultra-luxury condominium on the site sometime after the market's recovery.

The current situation remains challenging, with further hardship anticipated in the short to medium term. However, some firms appear bullish on the prospects for a full recovery in the major real estate sectors, with a number of large developers committing to future projects which will reach the market post-pandemic as normality returns. Exactly when that will be remains uncertain with 2021 likely to face further challenging conditions.

Inflation and Consumer Price Index, February 2019 to August 2020



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

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
A Ritz-Carlton Reserve branded hotel	Charoen Krung Road	n/a	AWC	Hotel
JW Marriott Marquis Hotel Asiatique Bangkok	Charoen Krung Road	n/a	AWC	Hotel
The Asiatique Bangkok, Autograph Collection	Charoen Krung Road	n/a	AWC	Hotel
Aquatique Pattaya, Autograph Collection	Pattaya	n/a	AWC	Hotel
A development site	Sarasin Road	THB3.9 million per sq wah or THB15.6 million per sq m	Sansiri	Residential

Source Savills Research & Consultancy

Vietnam

Vietnam General Statistics Office (GSO) reports that gross domestic product (GDP) grew by 2.12% year-on-year in the first nine months of 2020, the lowest nine-month growth since 2011. However, against the backdrop of COVID-19 continuing to negatively affect world markets, Vietnam's efforts at pandemic containment continue to be exemplary, setting the scene for a strong economic recovery and further rapid development growth.

Ministry of Planning and Investment data shows foreign direct investment (FDI) in the first nine months of 2020 fell by 18.9% year-on-year (YoY) to US$21.2 billion while FDI disbursement dropped -3.2% YoY to around US$13.76 billion. During the nine months, among the 111 countries and territories investing in Viet Nam, Singapore leads with US$6.77 billion, accounting for 32% of the total, South Korea was next with US$3.17 billion representing 15%, and China by investing US$1.87 billion or 8.8% of the total was third.

The HCMC People's Committee has proposed an "Innovation City" to the Government by merging eastern districts of Thu Duc, 2 and 9. The vision is for an innovation hub for industry, scientific research and services. Temporarily named "Thu Duc City", it is expected to sit on a site of over 211 km2. After establishment, the "City Within A City" is expected to contribute fully 33% of the HCMC economy and 7% of national GDP.

The Prime Minister, by agreeing to commercial flights resuming from September 15, has provided the Tourism Industry with a very welcome boost. Vietnam Airlines safely operated the first scheduled international commercial flights from Ha Noi to Tokyo (Japan) on September 19 and from Seoul (Korea) to Hanoi on September 25. Vietnam plans to reopen a further four routes to Taiwan, China, Laos and Cambodia in the near future. It is expected that 20,000 inbound tourists will be welcomed during the first month of reopening.

The Real Estate market in the south has seen some impressive mergers and acquisitions (M&A). In Ho Chi Minh City, LDG Group recently announced their successful acquisition of the 2.8 ha Song Da Riverside Luxury Apartments development in Thu Duc district from Quoc Cuong Gia Lai Investment JSC. Total investment amounting to VND4.153 trillion (US$180 million) will see the project renamed LDG River Luxury Apartment Building. In September 2020, LDG held a further signing ceremony announcing their partnership with Saigon Asset Management (SAM). SAM will support approaches to potential domestic and international investors for future LDG Group projects.

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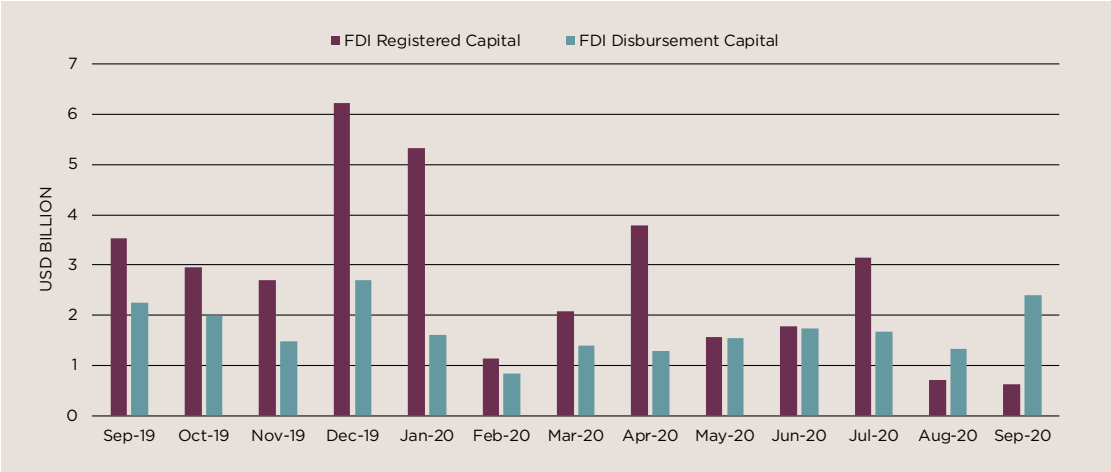
Vietnam's FDI Registered Capital And FDI Disbursement Capital, September 2019 September 2020



Source Vietnam General Statistic Office

Major Investment Transactions, Q3/2020

PROPERTY	LOCATION	PRICE	BUYER	USAGE
Song Da Riverside	623 QL13, Hiep Binh Chanh, Thu Duc District, HCMC	n/a	LDG Group	Residential
Givnflow Warehouse	No 10, Vsip II, Street 7 Ben Cat, Phu Hoa Ward, Thu Dau Mot City, Binh Duong Province	n/a	SNP Co Ltd	Industrial

Source Savills Research & Consultancy

Australia

452 Flinders Street ▶
Melbourne, VIC
AU$453.3M/US$321.9M
in September

37 Wentworth Street ▶
Greenacre, NSW
AU$100.0M/US$71.0M
in July

◀ 50 Flinders Street
Adelaide, SA
AU$175.0M/US$124.2M
in August

Telstra Data Centre Clayton
1822 Dandenong Road ▶
Clayton, VIC
AU$416.7M/US$295.9M
in August

▲ 2 Imperate Close
Kemps Creek, NSW
AU$131.4M/US93.3M
in August

◀ 299 Bourke Street
Melbourne, VIC
AU$121.0M/US85.9M
in August

Beijing

◀ Dr Peng Beijing Data Center Portfolio
Various locations, Beijing
RMB1.49B/US$219.0M
in Q3

U-Show Plaza ▶
Fentai, Beijing
RMB2.60B/US$382.0M
in Q3

GDS Tongzhou Data Center
Campus BJ13 ▶
Tongzhou, Beijing
RMB2.60B/US$382.0M
in Q3

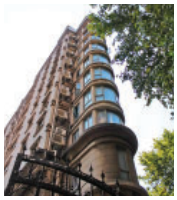
◀ Great Wall Assets Managmenet Project Tower 1
Lize, Beijing
RMB3.36B/US$494.0M
in Q3

Guangzhou

Poly Plus ▶
Huangpu District, Guangzhou
RMB575.0M /US$84.5M
in July

◀ Ascott Guangzhou
Tianhe District, Guangzhou
RMB780.0M/US$114.7M
in July

Shanghai



▲ **Gaozi Tower**
Huangpu
RMB201.0M/US$29.5M
in Q3

North Sichuan Road 818 Store ▶
Hongkou
RMB220.0M/US$32.34M
in Q3

◀ **Greenland Bund Center C1**
Huangpu
RMB1.38B/US$202.9M
in Q3

Central Garden ▼
Putuo
RMB1.024B/US$150.5M
in Q3

Hong Kong/Macau

▲ **37 Shouson Hill Road**
Southside, Hong Kong
HK$2.566B/US$329.8M
in September

◀ **Tung Chiong Commercial Building**
Tsim Sha Tsui, Hong Kong
HK$510.0M/US$65.6M
in July

Rua Do Dr. Pedro Jose Lobo No. 29 Man Seng ▶
Macau
HK$190.0M/US$24.4M
in Q3

▲ **Kader Industrial Building**
Fanling, Hong Kong
HK$820.0M/US$105.4M
in August

Peak Castle ▲
Cheung Sha Wan,
Hong Kong
HK$1.80B/US$231.4M
in July

India

Salsette 27 ▶
Mumbai
INR4.1756B/US$56.81M
in July

◀ **Imperial Address (Phase 1) and County Address (Phase 2)**
Bangalore
INR600M/US$8.2M
in September

Japan

Mitsui Duson Office Portfolio ▶
Various locations
JPY40.2B/US$370M
in August

◀ Daiwa House Industry Logistics Portfolio
Various locations
JPY55.0B/US$500M
in July

◀ Logistics Portfolio
Variouis locations
JPY76.5B/US$700M
in August

Mitsui Fudosan Logistics Portfolio ▶
Various locations
JPY77.4B/US$710M
in September

Malaysia

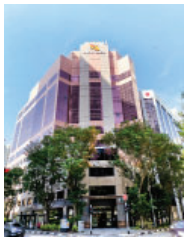
◀ A 1,002-acre industrial land
Bintulu, Sarawak
RM340.0M/US$82.0M
in July

A 1,357-acre agriculture land ▶
Jasin, Melaka
RM260.0M/US$62.7M
in August

A 202-acre agriculture land ▶
Pulai, Johor
RM185.0M/US$44.6M
in September

◀ A 4.5-acre Lanson Place and Kondominium 8
Wilayah Persekutuan, Kuala Lumpur
RM244.0M/US$58.9M
in July

Singapore



◀ ABI Plaza
11 Keppel Road
S$200.0M/US$147.5M
in September

Robinson Point ▶
39 Robinson Road
S$500.0M/US$368.7M
in August

◀ Northpoint City (South Wing) (50% share)
930 Yishun Avenue 2
S$550.0M/US$405.6M
in July

South Korea

SG Tower
CBD
KRW939.3B/US$817.5M
in July

Center Point Donuimum
CBD
KRW666.3B/US$579.9M
in July

CJ Cheil Jedang Center
CBD
KRW583.5B/US$508.0M
in August

Hyundai M&F Insurance Tower Gangnam
Gangnam (GBD)
KRW360.5B/US$313.8M
in August

Shinhan L Tower
CBD
KRW279.8B/US$243.5M
in September

Taiwan

HannStar Display Tainan Factory
Tainan City
TWD4.84B/US$161M
in August

President International Tower
Taipei City
TWD1.24B/US$41.3M
in August

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