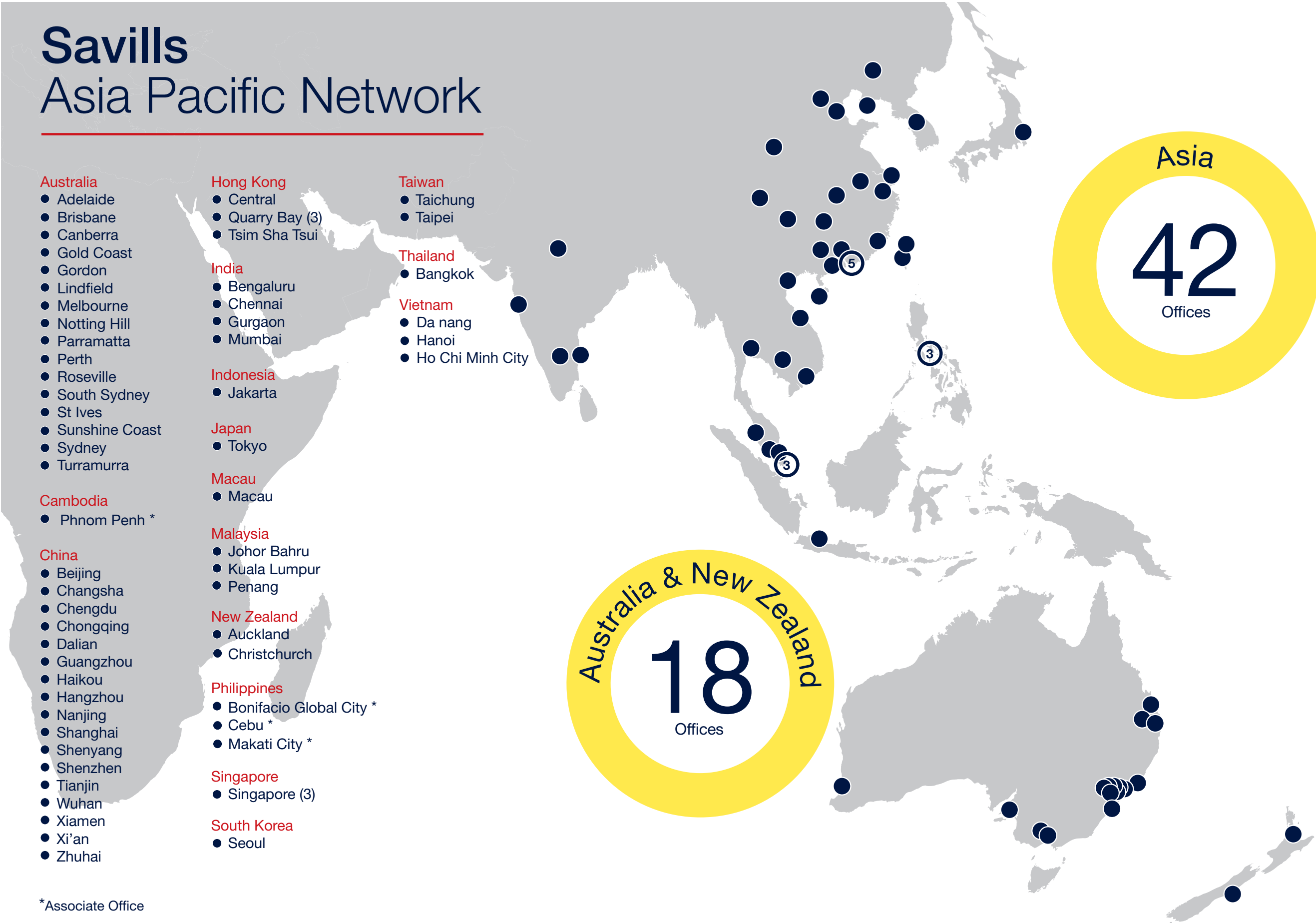
REPORT
Savills Research

Asia Pacific – Q1 2019

# Investment Quarterly

savills

# Asia Pacific Network




Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. The company now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

In Asia Pacific, Savills has 60 regional offices comprising over 25,000 staff. Asia Pacific markets include Australia, China, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand and Viet Nam. Savills provides a comprehensive range of advisory and professional property services to developers, owners, tenants and investors.

These include consultancy services, facilities management, space planning, corporate real estate services, property management, leasing, valuation and sales in all key segments of commercial, residential, industrial, retail, investment and hotel property.

A unique combination of sector knowledge and entrepreneurial flair gives clients access to real estate expertise of the highest calibre. We are regarded as an innovative-thinking organisation supported by excellent negotiating skills. Savills chooses to focus on a defined set of clients, offering a premium service to organisations and individuals with whom we share a common goal.

Savills is synonymous with a high-quality service offering and a premium brand, taking a long-term view of real estate and investing in strategic relationships.

# Content

# Australia

Investment activity in Australian commercial property remained buoyant in the 12-month period to March 2019, with approximately $28.63 billion of assets transacted nationally. Though this was down on the near record high transaction levels recorded in the prior 12 month period, it still a strong result, cementing Australia's place on the global stage as an attractive investment destination.

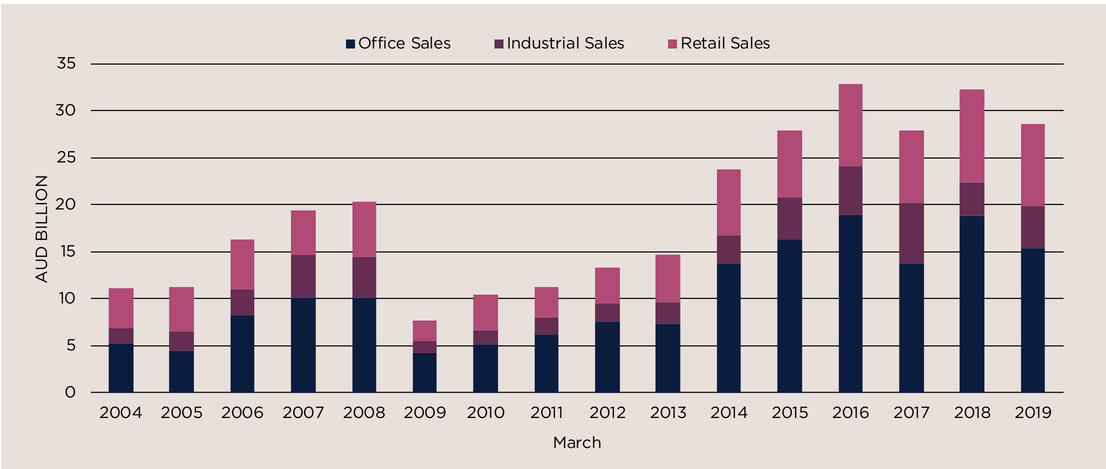
According to the latest MSCI data, total returns for the office sector were recorded at 13.7% (December 2018), which was primarily driven by strong returns within the fringe markets, which outperformed their respective CBDs. The Parramatta office market recorded the highest total return, at 20.5%. Notably, total returns in the industrial sector (14.8%) surpassed the office sector for the first time since September 2016, on the back of significant growth in capital values, which was more pronounced on East Coast markets. We saw the growth in online retailing (which is still relatively in its infancy) have a profound impact on demand for industrial property, particularly in those precincts, which are well connected to prime consumer bases. There is a growing demand for industrial facilities that facilitate on last mile delivery opportunities, which will keep demand for industrial assets strong. In addition, we are seeing a lack of developable industrial land in Sydney and Melbourne driving up land values. On the other hand, the proliferation of ecommerce in Australia has had a tempering effect on the retail sector. In spite of this, long-term risk adjusted returns in the retail sector remained higher than in the industrial and office sectors in December 2018, though not at the same premium as they were in the prior quarter, in signs that investors are now more cautious about retail investments.

Despite a level of uncertainty surrounding the current retail climate in Australia, retail sales volumes remained above historical averages with $8.83 billion worth of transactions recorded in the 12 months to March 2019. Domestic institutional groups were the most prominent purchaser type accounting for 53.9% of total sales volumes. Whilst, total retail trade grew at a rate of 2.9% over the 12 months to February 2019, which was below long-term averages, total growth was driven by non-discretionary retailing categories such as Supermarkets (4.9%) and Food (4.4%); a clear reflection of strong population growth continuing to drive these retail sectors. Non-discretionary retailing growth in turn drove total returns for Neighbourhood shopping centres, outperforming other centre types at 15.4% in the 12 months to December 2018. Not surprisingly, discretionary retailing continues to record subtle growth on the back of low wage growth, with capital value growth across sub-regional and regional centres notably muted.

**Paul Craig**
CEO
+61 2 8215 8888
pcraig@savills.com.au

**Shrabastee Mallik**
Director
Research & Consultancy
+61 2 8215 8880
smallik@savills.com.au

**Australia Property Sales, March 2004 to March 2019**




**Source** Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| 19 Martin Place (50% Interest) | Sydney, NSW | AUD720.0 mil/ US$511.2 mil | Dexus | Office |
| 2 Southbank Boulevarde (50% Interest) | Southbank, VIC | AUD342.0 mil/ US$242.8 mil | GPT Group | Office |
| 11 Talavera Road | Macquarie Park, NSW | AUD231.2 mil/ US$164.2 mil | Goodman Group | Office |
| Rockdale Plaza | Rockdale, NSW | AUD142.0 mil/ US$100.8 mil | Charter Hall | Retail |
| 288 Edward Street | Brisbane, QLD | AUD115.0 mil/ US$81.7 mil | Heitman & Marquette Properties | Office |
| Stockland Cleveland | Cleveland, QLD | AUD103.0 mil/ US$73.1 mil | Haben Property Fund | Retail |

**Source** Savills Research & Consultancy

# China (Northern) - Beijing

Beijing's en-bloc investment market witnessed the closing of six deals in Q1/2019, registering a total consideration of RMB11.28 billion. Purchasing demand was diverse with deals closed across the office, hotel and development site asset classes. Both domestic and foreign buyers were active during the quarter. While individual buyer arrangements represented the majority of transactions, a foreign-led consortium closed out the largest transaction in terms of consideration during the period. Major transactions included:

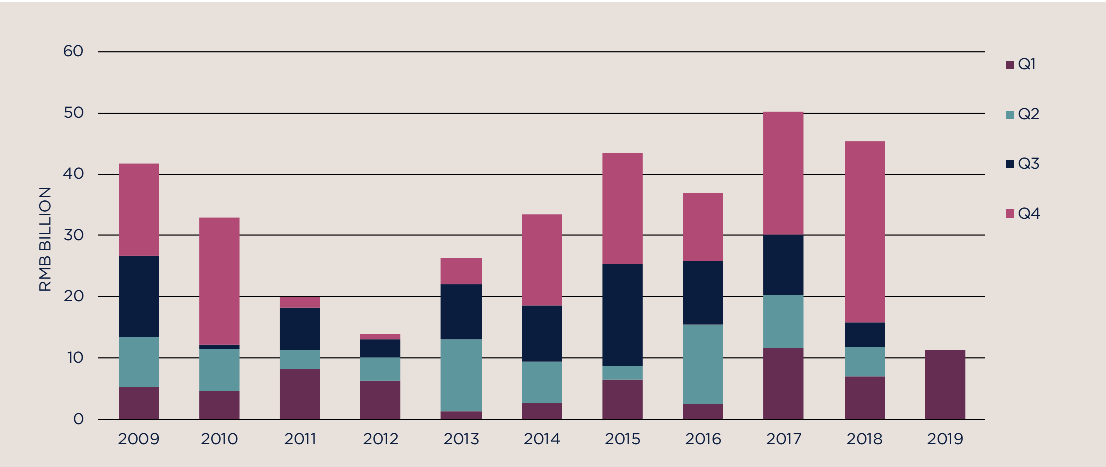
- Keppel Land China acquired the Besunyen Building in Zhongguancun district. The deal was closed for an aggregate consideration of RMB555 million.
- Sunac China acquired a development site from China Oceanwide Holdings for an undisclosed sum. The site is located next to Chaoyang Park and is approved for a total of 668,500 sq m of residential, retail, office and hotel development space.
- Domestic e-commerce giant JD Group acquired the Jade Palace Hotel for a total consideration of RMB2,700 million. The aging project will be converted into a new office building and innovation centre.
- GLP purchased Vantone's remaining stake in the CBD Core Plot Area Z-03. The development site, which has yet to commence construction, was acquired for a total consideration of RMB758 million.
- State-owned dairy giant Yili Group acquired Noble Center Phase III in Fengtai district. The office building was acquired via an asset transaction for a total consideration of RMB1,546 million.
- Partners Group acquired a majority equity stake in Dinghao Plaza, a large mixed-use office and retail complex in Zhongguancun district. The purchase was made through a consortium agreement with Ascent Real Estate Investors, Sigma Delta Partners Investment, Partners Group Holding AG and the Family Office Company. The off-market acquisition registered a total consideration of RMB5,720 million.

Institutional investors are expected to continue to diversify their acquisition targets. While traditional asset classes such as the office, retail and hotel markets will continue to remain popular investment targets, a lack of tradable assets will see astute investors expand their Beijing investment horizons. There will continue to be a shift away from speculative activity, and  mature assets, which offer potential for value-add, greater asset appreciation and return on investment, will be increasingly targeted.

**Spring Cao**
Senior Director, Investment
Savills Northern China
+8610 5925 2048
spring.cao@savills.com.cn

**Jack Xiong**
Head of PDC, Director
Research
+86 10 5925 2042
jack.xiong@savills.com.cn

**En-Bloc Investment Volumes, 2009 to Q1/2019**




**Source** Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Besunyen Building | Haidian | RMB555 mil/ US$83 mil | Keppel Land China | Office |
| Beijing Oceanwide International Project Land Lot 1 | Chaoyang | Undisclosed | Sunac China Holdings Limited | Development site |
| Jade Palace Hotel | Haidian | RMB2.7 bil/ US$402 mil | JD Group | Hotel |
| CBD Core Plot Area Z-03 | Chaoyang | RMB758 mil/ US$113 mil | GLP | Development site |
| Noble Center Phase III | Fengtai | RMB1.546 bil/ US$230 mil | Yili Group | Office |
| Dinghao Plaza | Haidian | RMB5.72 bil/ US$852 mil | Ascent Real Estate Investors / Sigma Delta Partners Investment / Partners Group Holding / The Family Office Co. | Office and retail |

**Source** Savills Research & Consultancy

# China (Northern) - Tianjin

Tianjin's land market showed a steady rise in supply and a sharp increase in transaction volume during Q1/2019, with most of the closed deals requiring developers to own and lease the properties.

Land supply increased by 20% quarter-on-quarter (QoQ) to 6.0789 million sq m, up 470% year-on-year (YoY) in Q1/2019. Total transaction volume rose by 165% QoQ to 6.874 million sq m, up 318% YoY.

The only land supply available in Tianjin's city centre during the quarter was a fraction of total supply—105,000 sq m. Suburban and fringe areas shared 95% of the total land supply, accounting for 64.6% and 30.6% respectively, while the city centre and Binhai New Area accounted for 1.7% and 3% of land supply, respectively. The suburban and fringe areas also dominated transaction volume, with 94% of total deals, accounting for 51.9% and 42%, respectively. The city centre and Binhai New Area accounted for 5.3% and 0.7%, respectively.

CIFI Group successfully bid for plot 2019-04 (JXQ) in Jingwu Town, Xiqing District. The plot is designated for mixed-use development including residential and commercial, with housing making up 86% of the total buildable area. The bidding started with a floor price of RMB3.032 billion, with CIFI Group acquiring it at the ceiling price of RMB3.638 billion. The developer is required to hold a total of 38,100 sq m in commercial area and 3,600 sq m in residential area, accounting for 14.6% of the total construction area. The average accommodation value was RMB12,736 per sq m.

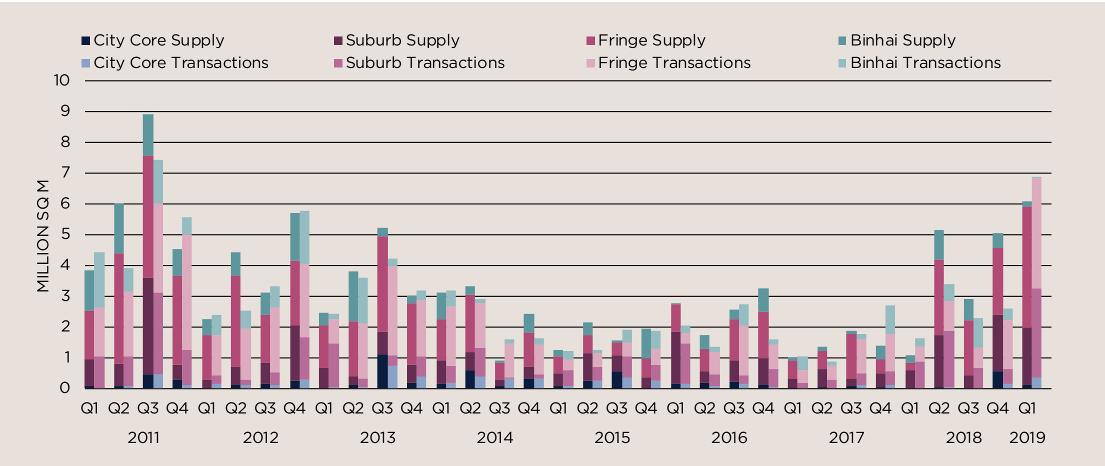
Sunac won the bid for Xiqing District's plot 2018-229(JXQ), a 40,000 sq m plot with residential and commercial use, and a plot ratio ranging from 1.0 to 2.5. The total planned construction area is 99,000 sq m, with most reserved for housing, and commercial covering an area of more than 1,000 sq m. Total consideration was RMB2.05 billion, and the accommodation value was RMB20,621 per sq m. The developer is required to hold 4,000 sq m, equivalent to 4% of all residences to be built.

With a total of 58 land plot sales announced during Q1/2019, Tianjin's land supply reached another peak. Similarly, transaction volume also saw a turnaround during the quarter, with the transacted area totalling more than supply for the first time. This turnaround in transaction volume after sluggish volume levels over the three previous quarters—despite significant land supply—indicates that the Tianjin real estate market is warming up and that developers' confidence is rising. We expect land transactions volume to show an upward trend in the near future.

**Andy Chee**
Senior Director
Savills Tianjin
+86 22 5830 8888
andy.chee@savills.com.cn

**Jack Xiong**
Head of PDC, Director
Research
+86 10 5925 2042
jack.xiong@savills.com.cn

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




**Source** Savills Research & Consultancy

### Major Investment Transactions, Q1/2019

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Plot 2019-01 (JXQ) | Xiqing | RMB732 mil/ US$109 mil | China SCE | Residential |
| Plot 2018-019 (JCZ) | Beichen | RMB354 mil/ US$53 mil | Tianjin New City Yilong | Residential, commercial and green space |
| Plot 2018-229 (JXQ) | Xiqing | RMB2.05 bil/ US$305 mil | Sunac | Residential and commercial |
| Plot 2019-09 (JXQ) | Xiqing | RMB2.23 bil/ US$343 mil | Tianjin Zheng Ro Rong Tai | Residential |
| Plot 2019-025 (JBJ) | Hebei | RMB785 mil/ US$117 mil | Tianjin Hong | Residential and commercial |

**Source** Savills Research & Consultancy

# China (Western) - Chengdu

**Suzie Qing**
Director
Savills Western China
+86 28 8658 7418
suzie.qing@savills.com.cn

**Dahuang Chen**
Associate Director
Research
+86 23 6370 3388
dahuang.chen@savills.com.cn

In Chengdu, the total grade A office stock was approximately 3.25 million sq m—fifth in the nation—by the end of 2018. New supply volume was about 220,000 sq m and net absorption of Grade A office hit a record high of approximately 430,000 sq m, pulling the vacancy rate for 2018 down to 21.0%, the lowest level since 2012. Average rent was RMB102.5 per sq m per month while three new projects opened in 2018: Pinnacle One, World Financial Center Tower A and Lanrun ISC.

Real estate, finance and information technology comprised the dominant industries in terms of demand, accounting for 60% of the total new leasing space, though the proportion of finance and TMT (represented by IT) tenants decreased significantly in 2018. By contrast, the proportion of retail & trade and commercial & professional services increased rapidly. At the same time, co-working spaces and other third parties were brought into the Grade A office market in hopes of upgrading the customer experience and the overall Grade A office market in Chengdu.

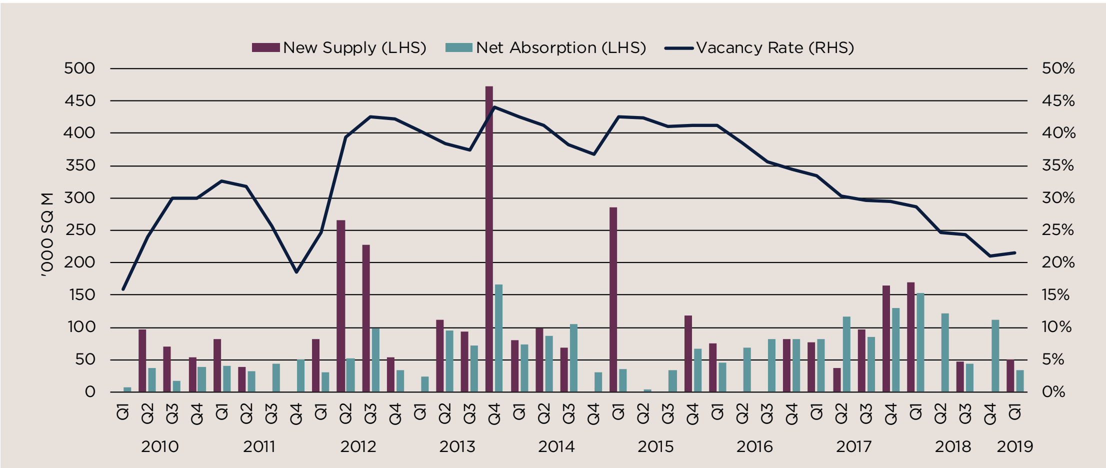
Activity in the office market at the beginning of 2019 has not been as optimistic as it was in 2018. Slow domestic economic growth has had an impact on the expansion plans of numerous companies as well as the overall office market in Chengdu. In Q1/2019, office market demand remained stagnant; the net absorption of Grade A office space was only 33,000 sq m, a drop not seen since the depressed market performance in the beginning of 2016. In terms of new supply, China Overseas International Center (Tower D) entered the market, adding 50,000 sq m, which brought the total stock to 3.15 million sq m. The vacancy rate increased slightly to 21.5% as of the end of Q1/2019. The average rent was RMB103.5 per sq m per month, a slight rise of 0.3% quarter-on-quarter (QoQ).

In a reversal from 2018, demand from finance enterprises was the strongest during Q1/2019, activated by a relaxation in both credit lines and capital. The proportion of operators of co-working spaces and other third parties is already at 6.8%, though demand from this sector is expanding slower than expected.

It is worth noting that many Grade A office buildings raised their property management fees in Q1/2019 because of higher labour costs and more tenant demands for upgraded services. This has lead to higher overall costs for companies to enter the Grade A office building market.

Slow economic growth and limited company expansion plans caused a decline in demand for office space in Q1/2019. With market conditions unlikely to change, demand is expected to remain sluggish for the rest of 2019.

**Grade A Office Market Supply And Demand, 2010 to Q1/2019**




**Source** Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| 5th Chadianzi and 4th Huazhao Yin Menkou Street | Jinniu | RMB12.3 bil/ US$1.83 mil | Embrace Fortune Limited | Office |
| 2th, 5th Banbianjie, 3th Baifo, Jitouqiao Street | Wuhou | RMB10.2 bil/ US$1.52 bil | Xingcheng Renju Real Estate | Residential |
| Construction Committee Land Site, Chadianzi Street | Shuangliu | RMB17.2 bil/ US$2.56 bil | Desung Group | Mixed-use |

**Source** Savills Research & Consultancy

# China (Southern) - Guangzhou

**Alvin Lau**
Managing Director, Guangzhou
Deputy Managing Director,
Southern China
+86 20 3665 4888
alvin.lau@savills.com.cn

**Carlby Xie**
Head of Research
Southern China
+86 20 3665 4874
carlby.xie@savills.com.cn

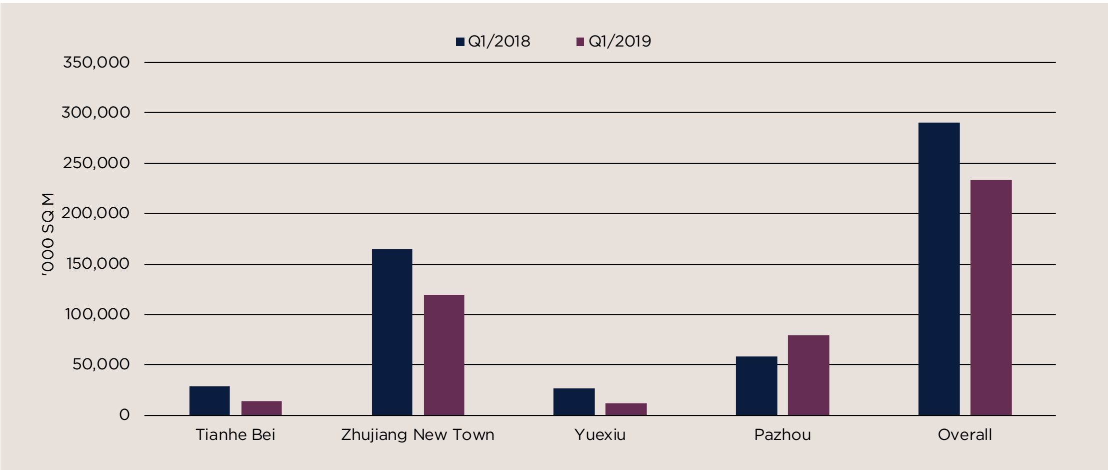
As a result of the collective impact of the economic slowdown, the elevated financial regulations, and the seasonality issue, demand in the Guangzhou office property leasing market softened during Q1/2019. By the end of the quarter, the city-wide net absorption fell by 33.2% QoQ to 53,321 sq m, with the overall vacancy rate increasing by 0.2 ppts QoQ to 4.9%.

This was most obvious in Zhujiang New Town where the net absorption plummeted to -11,195 sq m during Q1/2019, increasing the vacancy rate of the submarket by 0.4 ppts QoQ to 4.8%. Constrained by the rental threshold, some small- to medium-sized office occupiers from the finance and professional services industries chose to relocate for cost-saving purposes from Zhujiang New Town to other submarkets, such as Pazhou and Panyu, where occupational costs were considerably lower. The average rent of RMB206.6 per sq m per month by the end of Q1/2019 for Zhujiang New Town—which was 13% higher than the city-wide average—was a significant factor to these kinds of occupiers regardless of the additional considerations on CAPEX and staff commuting costs. In the light of this market trend, though it is not obvious, many landlords in Zhujiang New Town became more prudent and realistic in stabilising their asset performance through offering more renovated financial approaches and incentives to retain existing and attract prospective occupiers.

On the contrary, Pazhou, as one of the fast-growing emerging office submarkets, attracted some leading overseas and local property investors and developers, as well as office occupiers from the artificial intelligence, TMT and e-commerce industries for its potential growth in both rental and capital values. In addition, incentive policies created by the local district government and the improved transportation accessibility enabled some demand to diverge from established submarkets like Zhujiang New Town. The rise of the Pazhou submarket was best defined and exemplified by the decrease of 20.4 ppts in vacancy rate from 29.1% at the end of Q1/2016 to 8.7% at the end of Q1/2019. Meanwhile, rental values for Pazhou remained comparatively competitive, although it grew from a lower base by 22% during the period from Q1/2016 to Q1/2019. By comparison, the rent of RMB148 per sq m per month in Pazhou was still 19% and 28% lower than that of the city-wide average and Zhujiang New Town, respectively.

While it is expected that the Zhujiang New Town will remain one of the most preferred office submarkets and location by many organisations, it will irresistibly face a growing amount of challenges from other peers which may draw a significant amount of office occupiers for their competitive edges and the changing market landscape.

**Net Absorption By Submarket, Q1/2019 VS Q1/2018**




**Source** Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| 196 Kezhu Road Plant | Huangpu | RMB194.7 mil/ US$28.9 mil | GLP (Nesta) | Industrial |

**Source** Savills Research & Consultancy

# China (Southern) - Shenzhen

**Woody Lam**
Managing Director
Southern China
+86 20 3665 4777
woody.lam@savills.com.cn

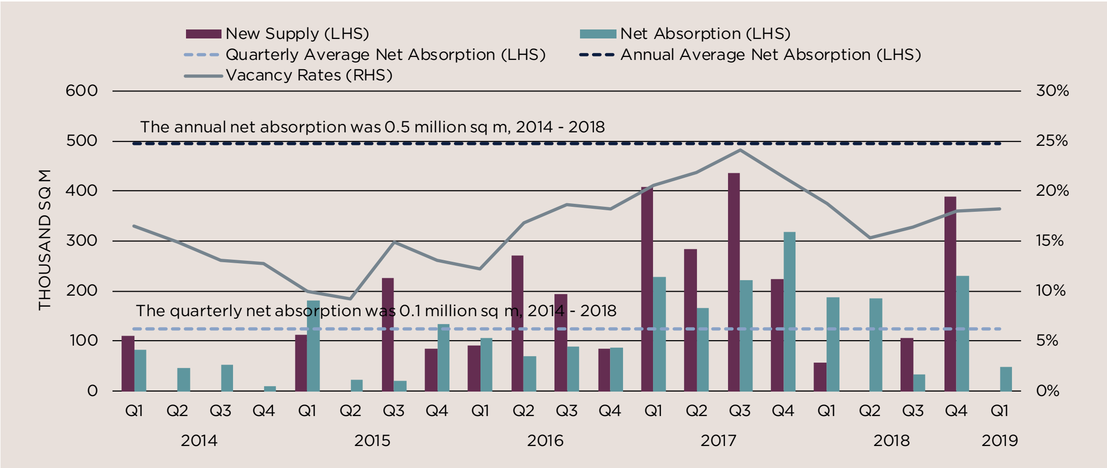
**Carlby Xie**
Head of Research
Southern China
+86 20 3665 4874
carlby.xie@savills.com.cn

Economic growth for Shenzhen slowed in 2018 as a reflection of China's broader economic slowdown, after its decades-long rapid growth, and the continued Sino-US trade war. Correspondingly, Shenzhen's GDP growth rate decreased by 1.2 percentage points (ppts) year-on-year (YoY) to 7.6%, with GDP totalling RMB2,422 billion by the end of 2018, according to the Shenzhen Statistics Bureau. Although the output of the tertiary industry increased by 8.2% YoY to RMB1,424 billion, as of the end of 2018, the growth rate decreased by 4.2 ppts from 2017's level. Meanwhile, elevated financial regulations released by the People's Bank of China brought more challenges to the Chinese economic environment, intensifying the consolidation backdrop for small- to medium-sized companies as well as the overall cautious sentiment in the market. On the back of this, the Shenzhen office property market witnessed sluggish market digestion and softened asset performance in Q1/2019.

With this macroeconomic backdrop, leasing demand—especially from small- to medium-sized financial companies—for the Shenzhen office property market softened during Q1/2019. Specifically, this was a result of the abovementioned companies' changed economic and business outlook from positive to conservative combined with their plans to save real estate costs by slowing one-off CAPEX investment to stay competitive and ahead of the curve. In some more extreme cases, office occupiers some office occupiers directly cut their budgets for corporate real estate to counter the expected compressing of profit margins for 2019. This was most apparent in the finance industry, particularly companies located in Futian district. In response to shifting market conditions, many landlords in Shenzhen's office property market offered more financial incentives, including cutting rents or providing longer rent-free periods and higher commission rates in exchange for stable or higher occupancy rates.

The leasing market in the Shenzhen office property sector is set to be even more competitive in the rest of 2019 as 15 Grade A office developments with a total combined GFA of approximately 1.09 million sq m are scheduled for completion during the period. While demand is expected to be subdued, the excessive supply will put pressure on many landlords' shoulders. From an occupier's perspective, ongoing economic uncertainties coupled with cautious sentiments towards corporate real estate strategies will continue to reduce rental thresholds for office real estate occupancy, therefore leading to further constraint in average net effective rental growth across the board. It is expected that the citywide average rent for the Shenzhen Grade A office market will edge down by approximately 3% YoY for 2019.

**New Supply, Net Absorption And Vacancy Rates, 2014 to Q1/2019**




**Source** Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Central Walk | Futian | RMB6.6 bil/ USD1.0 bil | Link REIT | Retail |

**Source** Savills Research & Consultancy

# China (Eastern) - Shanghai

Faced with slower economic growth, the Chinese government may have started to step back—but not necessarily turn away from—its campaign to financially de-risk the economy. In addition to the government's continuing encouragement of banks to finance small- and medium-sized enterprises, the beginning of 2019 saw a marked increase in developer bond issuances. Onshore bond issuance by real estate developers reached RMB93 billion in January, the highest level since April 2016.

Nevertheless, it is important to keep in mind the enormous repayment pressure developers are facing in 2019. Just in the first quarter, a record US$23 billion worth of bonds came to maturity. Most of the issuing companies of new bonds noted that when they issued bonds, they intended to use the proceeds to rollover existing debt. This certainly seems to be in line with a National Development and Reform Commission (NDRC) statement that was published last June requiring Chinese developers to use the proceeds of offshore bonds to refinance their maturing bonds and avoid default, rather than for investments into new domestic or overseas real estate projects or using them to bolster cash flow.

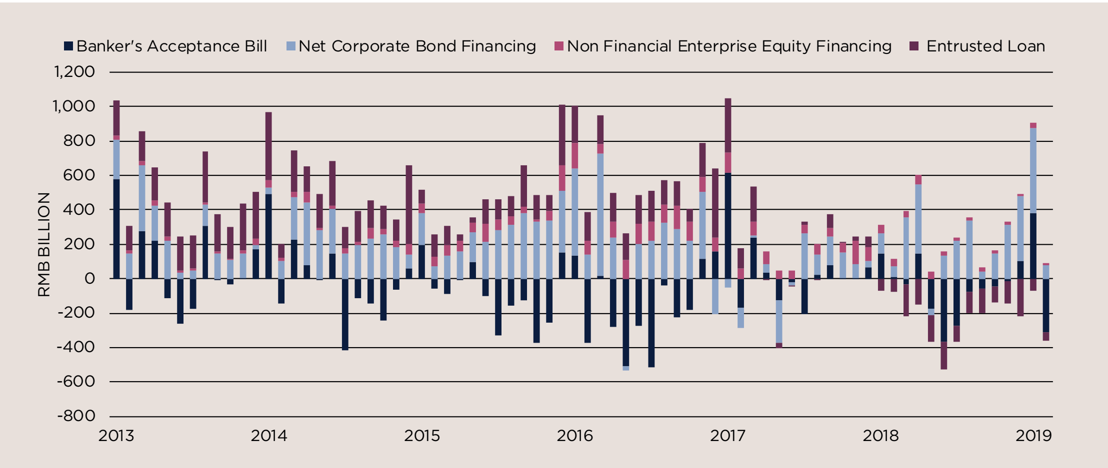
Financing costs remain elevated for developers. In January 2019, onshore borrowing costs for developers averaged 6.98%, down just 0.17% month-on-month (MoM), with offshore borrowing averaging 7.86%, up by 0.32% MoM. Smaller developers with lower ratings faced even higher interest rates—Modern Land issued US$150 million senior notes due in 2020 at a face rate of 15.5%. While some developers may look to issue new debt to pay off old debt, others are asking creditors to extend expected maturity dates—typically at much higher rates of interest.

The government is walking a fine line between increasing the availability of financing to stabilise markets and stave off more widespread defaults and undoing a lot of the hard-won progress in controlling debt levels that they have been able to achieve to date. The relaxation of the bond market should be seen as providing companies and developers enough time and breathing space to acclimatise their businesses to the much leaner, less-credit fuelled times ahead. Developers and investors alike would do well to heed their advice and plan accordingly.

**Siu Wing Chu**
Managing Director
Central China
+86 21 6391 6688
siuwing.chu@savills.com.cn

**James Macdonald**
Head of Research
China
+86 21 6391 6688
james.macdonald@savills.com.cn

**Aggregate Financing (Newly Increased), 2013 to February 2019**




**Source** PBOC, Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Pudong Financial Square Building 2 | Pudong | RMB2.35 bil/ US$350 mil | Ant Finance | Offce |
| Yifang Tower | Hongkou | RMB4.6 bil/ US$685 mil | Keppel Capital | Office |
| LCMetropolis | Pudong | RMB1.2 bil/ US$179 mil | GLP Capital | Retail |
| 50% of Dongjiadu land blocks 13 & 15 | Huangpu | RMB12.0 bil/ US$1.79 bil | Greenland Group | Development land |

**Source** Savills Research & Consultancy

# Hong Kong

Hong Kong's irrepressible investment market posted a strong first quarter even as yields remain near decade lows. After a subdued last quarter of 2018 several factors turned sentiment around including a rebounding stock market, optimism surrounding the outcome of the US/China trade dispute and a dovish Fed signally an end to the current interest rate hike cycle. Indicators suggest that, alongside local investors, the first quarter also witnessed an influx of capital from overseas looking for investment opportunities.

Cooling office prices late last year attracted bargain hunters and end-users, giving support to values over the first quarter. Transactions evidence suggests that some buyers enjoyed slightly below market deals but landlords were quick to harden their negotiating position as interest picked up. On Hong Kong Island most districts saw flat prices while small gains were registered in Kowloon.

In contrast to the office market, the retail sector continued to flounder with lacklustre sales figures and wary investors unconvinced by the prospects for the core retail market. The result was a shift in focus to suburban areas better supported by local spending and in some instances by new residential developments. The opening of the Hong Kong-Zhuhai-Macau Bridge and the imminent completion of the Tuen Mun-Chek Lap Kok Link in 2020 continued to boost values in Tuen Mun in particular, with new residential projects attracting higher spending consumers to the district.

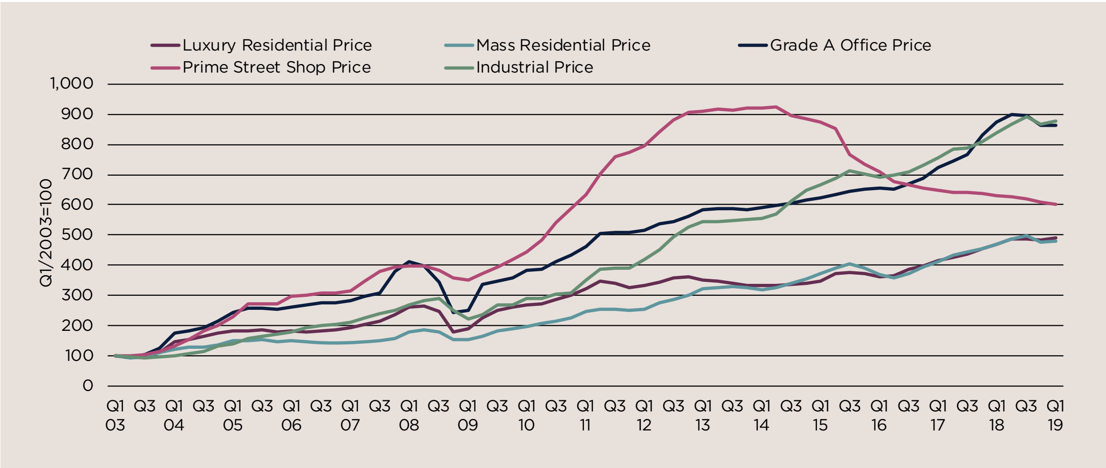
In the local warehouse market, a lack of available space has forced many tenants to renew existing leases as landlords have become more bullish in rental negotiations. The lower-for-longer interest rate environment and the reintroduction of the revitalization policy allowing for easier change of use prompted demand from investors looking for redevelopment or conversion opportunities. Values and volumes both rebounded over the first quarter by 5% and 67% respectively QoQ.

The investment outlook is generally positive over the next three to six months although much will hinge on the outcome of the US/China trade negotiations and the possible impact on the mainland economy and the local Hong Kong stock market. In the US, despite low unemployment and healthy growth, weak inflation suggests a benign outlook for interest rates over much of this year providing a safety net to Hong Kong investors should sentiment falter.

**Peter Yuen**
Managing Director
Head of Sales
+852 2842 4436
pyuen@savills.com.hk

**Simon Smith**
Senior Director
Head of Research
+852 2842 4573
ssmith@savills.com.hk

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




**Source** Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Mapletree Bay | Kwun Tong | HK$8.6 bil/ US$1.1 bil | PAG | Office |
| Centre Hollywood | Sheung Wan | HK$700 mil/ US$89.7 mil | HKICIM Group | Office |
| 28/F The Center | Central | HK$824 mil/ US$105.6 mil | Gale Well Group | Office |
| Lake Silver | Shatin | HK$653 mil/ US$83.7 mil | TBC | Retail |

**Source** Savills Research & Consultancy

# Japan

GDP grew by 1.9% on an annualised basis in Q4/2018, as consumer spending and capital expenditure rebounded from natural disasters that disrupted corporate activity in the previous quarter. The consumption tax hike in October 2019 may weigh on activity somewhat, but both the Japanese government and the IMF forecast moderate yet steady growth for 2019 and 2020. The unemployment rate has remained at or below 2.5% since the beginning of 2018 and hit 2.3% in February. Core CPI, though positive, registered at just 0.7% YoY as of February.

The US Federal Reserve has postponed additional rate hikes. Meanwhile, the Bank of Japan (BOJ) continues to affirm that policy will remain loose, though has kept reducing purchases of Japanese government bonds as yields moved into negative territory this quarter: the 10-year yield was above zero on just three occasions in February and March, and ended the quarter at -0.08%. Purchases of J-REIT units by the BOJ continue to taper, with the total for Q1/2019 amounting to JPY9.6 billion, less than half the JPY22.8 billion seen during the same period last year. While it does not directly impact the economy, May 1st marked the start of the new “Reiwa” era by welcoming a new emperor, which might give positive momentum.

In March, the manufacturing PMI index recorded 49.2, slightly up from February’s 48.9 reading which had marked the first contraction since August 2016. The Tankan survey of large manufacturers dropped to +12 in March from +19 in December 2018, as machinery companies tempered their optimism. After strengthening to 107.66 on the first business day of the year, JPY softened to 110.99 per USD at the end of the quarter, virtually the same as last quarter’s exchange rate. The TOPIX index rose 6.6% over the quarter to 1,592, with the real estate sector up an impressive 12.6%. The J-REIT index rose 7.5% to 1,907, and a basket of twelve office-focused J-REITs was up 10.1%, more than any other sector basket, though all sectors rose steadily, due to strong interest, especially from international investors.

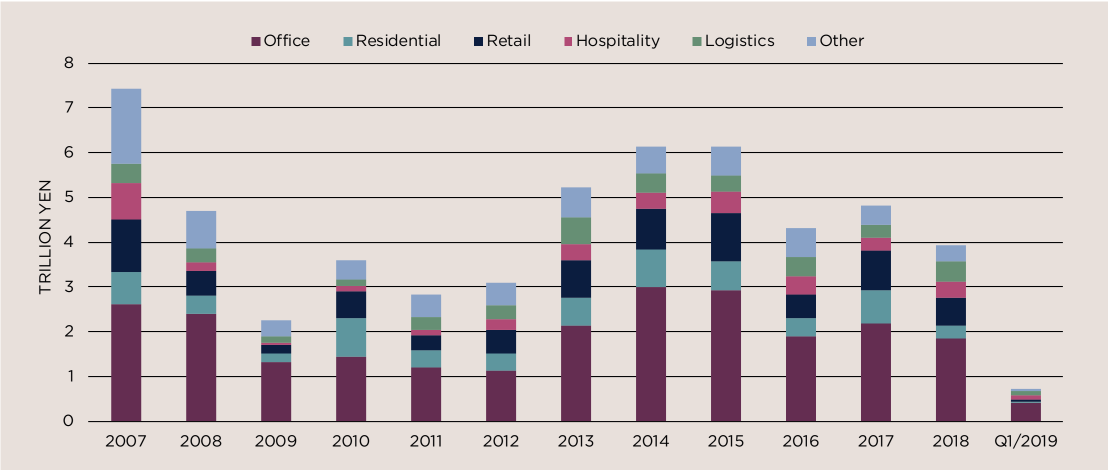
Preliminary estimates put transaction volumes for Q1/2019 at JPY809 billion, a little over half that seen in Q1/2018, though finalised numbers are expected to be somewhat higher. Investors are interested in securing exposure to the Japanese market, with its wide yield spread and stable politics and economy, but are a tad cautious over transacting at cyclically high prices and available opportunities are limited. Hotel volumes were the most resilient, down 18% YoY, though if the exceptionally large Hilton Odaiba transaction, which completed in Q2/2019 but was announced in Q1/2019, were to be included, volumes would have grown 61% YoY.

Average Grade A office rents in the central five wards (C5W) of Tokyo rose to JPY35,257 per tsubo, up 1.9% QoQ and 5.6% YoY. The average vacancy rate in the C5W was 0.4%, 0.1ppts tighter QoQ and 0.4ppts tighter YoY. Pre-leasing demand is sound out to 2020, quelling concerns over a large volume of supply, and rents look set to rise steadily through 2019 unless an external shock occurs.

**Christian Mancini**
CEO, Asia Pacific
(excl Greater China)
Savills Japan
+81 3 6777 5150
cmancini@savills.co.jp

**Tetsuya Kaneko**
Director
Research & Consultancy
+81 3 6777 5192
tkaneko@savills.co.jp

**Property Transactions By Sector, 2007 to Q1/2019***




**Source** RCA, Savills Research & Consultancy
*Q1/2019 volume is preliminary and tends to be lower than the finalised amount.

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Aoyama Building | Minato, Tokyo | JPY84.0 bil/ US$750 mil | GAW Capital Partners | Office |
| Hilton Tokyo Odaiba | Minato, Tokyo | JPY62.4 bil/ US$560 mil | Japan Hotel REIT | Hotel |
| G-BASE Tamachi | Minato, Tokyo | JPY28.2 bil/ US$259 mil | Nippon Building Fund | Office |
| The Ritz-Carlton, Kyoto (40%) | Nakagyo, Kyoto | JPY17.8 bil/ US$160 mil | Sekisui House REIT | Hotel |
| MFLP Inazawa | Inazawa, Aichi | JPY16.2 bil/ US$150 mil | Mitsui Fudosan Logistics Park REIT | Logistics |

**Source** Nikkei RE, RCA, Savills Research & Consultancy

# Macau

The Macau residential market showed signs of a slight rebound at the end of Q1/2019 after a decline that began in October 2018. For the three months prior to March 2019, less than 500 transactions per month were concluded. This dip in activity was most dramatic in the holiday month of February when the market recorded only 279 transactions, nearly breaking the lowest single-month record of 268 transactions, which was set also in February, in 2016.

After some relief from unfavorable factors and some concessions from sellers, market sentiment warmed up in March. At the same time, developers released new residential units to the market while also providing tailor-made payment plans and large discounts for both first-time homebuyers and non-first-time homebuyers. Residential projects such as Grand Oasis and Pride Oceania provided extended payment periods, rebate packages and other incentives to successfully draw the interest of potential buyers, and their moves encouraged the second-hand market to follow suit as well.

A similar situation took place in the rental market. The supply side made concessions, more discounted units were released to the rental market, and the demand side took advantage, thereby facilitating more rental deals. Activity was especially strong for newly completed residences located in Taipa and Cotai, where the majority of recent rental deals occurred. Owners of newly completed units faced relatively severe competition for renters due to the large amount of supply and lack of tenants, not to mention the subsequent decrease in rent. However, the situation is expected to change after this initial period, when there will be less available units and rents are likely to return to previous levels.

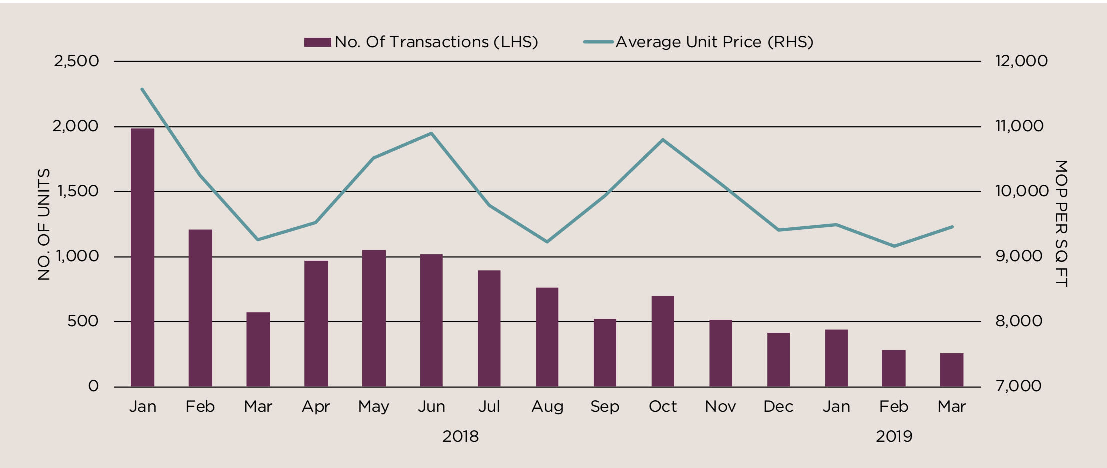
As of the first half of March 2019, 253 transactions had been recorded, with an average unit price of MOP9,451 per sq ft. Driven by the strong performance of second-hand residence transactions, the average is 2.2% higher than 2018's unit price and 10.8% higher than in 2017, when comparing the same months. However, it's still 18% lower than the market's last peak of MOP11,569 per sq ft, recorded in January 2018.

The prevailing market trend in late Q1 has been a confidence booster for both potential buyers and sellers, indicating that the residential market might have already hit bottom and could now be on an upswing. Signs of a real estate rebound were seen not only in Macau, but in other adjacent regions such as Hong Kong and southern China. Yet not all the negative factors have been fully settled, and the advantages enjoyed by the demand side are predicted to remain in Q2/2019. In general, pressure still exists on the overall performance of the residential market—in terms of number of transactions, unit prices and rents—but the risk of a downturn in the market is slightly less than in previous months.

**Franco Liu**
Managing Director
Savills Macau
+853 2878 0623
fliu@savills.com.mo

**Cindy Liu**
Senior Director and
Head of Valuation (Macau)
+853 2878 0623
cliu@savills.com.mo

**Macau Residential Sales Transactions and Average Unit Price, January 2018 to March 2019**




**Source** Financial Services Bureau, Government of the Macao Special Administrative Region, Savills Macau

# Malaysia

**Datuk Christopher Boyd**
Executive Chairman
Savills Malaysia
+ 603 2092 5955 ext 149
chris.boyd@savills.com.my

**Nabeel Hussain**
Senior Director
Capital Markets
Savills Malaysia
+603 2092 5955 ext 126
nabeel.hussain@savills.com.my

Q1/2019 saw a rather muted Chinese New Year period, with total transaction value down by 49% from the previous quarter and year-on-year (YoY) value seeing a 78% decrease. That being said, general sentiment appears to be improving ever so slightly, and we hope that this improvement will lead to greater transactional activity in the coming months.

During the quarter, we witnessed the sale of two notable commercial assets, in the form of Royale Chulan Bukit Bintang and Wisma MPL. The former asset was acquired by SGX-listed hotelier Hotel Royal Limited from Boustead Holdings for RM197 million. Malaysia Pacific Corporate Berhad and its associated companies have successfully divested Wisma MPL to Asia New Venture Capital for a total consideration of RM189 million, slightly above the most recent valuation for the asset. During the same period, Royal Group was rumoured to have acquired Wisma KFC from the Malaysian Employee Provident Fund for a total consideration of RM130 million.

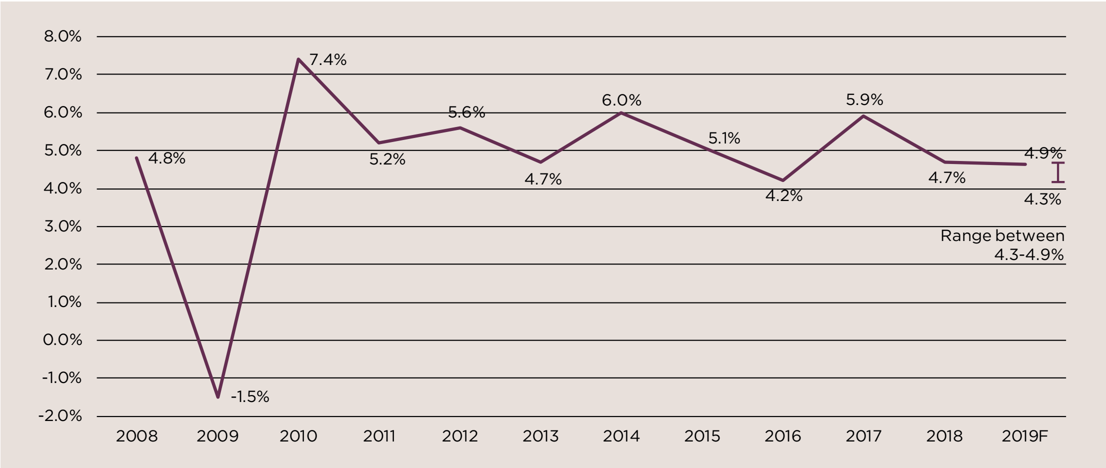
In terms of land sales, Mah Sing acquired a 4.63-acre development site in Salak South, an established suburb of Greater KL, for a residential development with a proposed GDV of RM500 million. The site was sold for RM90.3 million, with this sum being inclusive of development charges and improvement service fund contributions.

United Malacca Berhad has closed a collective sale of 2,523-acres of agricultural land in Melaka and Negeri Sembilan to wholly-owned subsidiaries of Huat Lai Resource Berhad for a consideration of RM175 million.

On the political front, the restructuring of GLCs and government agencies appears to be slowly coming into focus, as the administration focuses on implementation of their reform agenda. There has been pick-up in domestic institutional activity, which we anticipate will continue over the coming quarters as they look to rebalance their portfolios and undertake numerous divestments and acquisitions. Key movements this quarter included: 1) signs of greater willingness from domestic funds to engage with professional external asset managers for the funds' domestic holdings; 2) PNB's review of key investment strategies i.e.: with prioritization on portfolio diversification as well as liquidity and risk management; and 3) Khazanah's restructuring and rebalancing of portfolio for sustainable and long-term gains.

Following the government's 'detoxification' and subsequent RM2.8 billion injections related to infrastructure of Tun Razak Exchange (TRX) development, this quarter Lendlease secured RM2.15 billion of funding from a lending consortium led mainly by foreign lenders for the 17-acre Lifestyle Quarter JV within TRX.

**Malaysia GDP Growth, 2008 to 2019F**




**Source** Bank Negara

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Wisma KFC | City Centre, Kuala Lumpur | RM130 mil/ US$31.46 mil | Royal Group | Office |
| Royale Chulan Bukit Bintang | City Centre, Kuala Lumpur | RM197 mil/ US$47.67 mil | Royal Group | Hotel |
| Wisma MPL | City Centre, Kuala Lumpur | RM189 mil/ US$45.74 mil | Asia New Venture Capital | Office |
| A 4.63-acre development land | Suburban, Kuala Lumpur | RM90.3 mil/ US$21.85 mil | Mah Sing Group | Development land |
| A 876-acre agricultural land | Melaka | RM61.0 mil/ US$14.76 mil | Huat Lai Resources Berhad | Farmland |

**Source** Company announcements, Savills Research & Consultancy

# New Zealand

**Paddy Callesen**
Head of Industrial Sales and Leasing
Commercial Sales
+64 (0) 9 951 5911
pcallesen@savills.co.nz

**Shrabastee Mallik**
Director
Research & Consultancy
Savills Australia
+61 2 8215 8880
smallik@savills.com.au

In 2018, we saw an increasing number of key international institutional players enter the New Zealand property market including Invesco's purchase of a 50% stake of the ANZ centre in Auckland for NZ$181 million and Blackstone's NZ$636 million acquisition of the VXV portfolio, comprising 7 office buildings in the Viaduct, establishing New Zealand as a global investment destination. With similar economic driver as Australia, it is likely that we will begin to see greater levels of foreign investor activity over 2019, as investors increasingly view New Zealand as a safe investment destination in the Asia Pacific region.

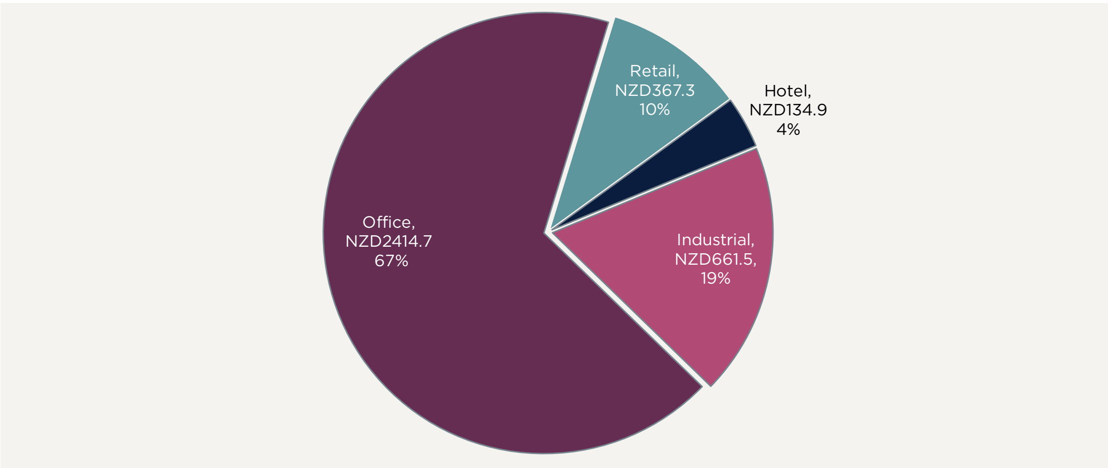
Despite the Reserve Bank of NZ suggesting that interests rates will stay low for a period of time with the potential to even fall further, investments into residential property have tapered out somewhat, due to tight lending restrictions combined with low rental yields.

We have begun to see greater levels of transactional activity in the office sector over the past 12 months. Whilst yields remain comparatively high (compared to Australia), it is evident that a yield compression cycle is underway, with competition for assets still strong. There has been a notable increase in the demand for quality office assets, evidenced by the sale of The Spark building in Wellington, which sold for close to NZ$200 million, making it the most expensive office transaction in the capital.

New Zealand's retail sector remains positive on the back of a strong tourism sector, with retail sales recording a year on year growth rate of 3.0% in the 12 months to May 2018. With tourism helping to boost New Zealand's economy, we are beginning to see an increase in luxury retail with various retail and mixed-use developments currently underway particularly throughout Christchurch and Auckland. This includes Scentre Group's Westfield Newmarket who have already secured tenants including Louis Vuitton and Gucci.

Turning to the industrial sector, growth in the ecommerce sector continues to drive demand for industrial space in New Zealand, particularly in those industrial precincts with good road connectivity and proximity to key consumer bases. With little developable land left within Auckland's industrial precincts, industrial property values in this area have continued to rise at historically high rates, accompanied by falling vacancy rates and increasing rents. The growth in ecommerce will likely continue to support demand for industrial assets and help to support rental and capital value growth.

**Sales Breakdown By Sector, 12 months to March 2019**




**Source** Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| 1 Radcliffe Rd | Christchurch | NZD78.5 mil/ US$54.9 mil | Miles Middleton | Retail |
| 8 Gilmer Ter | Wellington | NZD26.8 mil/ US$18.7 mil | - | Office |
| 56-68 St Asaph St Christchurch Central | Christchurch | NZD23.6 mil/ US$16.5 mil | Box 112 | Office |
| 620 Karamu Rd N | Hastings | NZD18.8 mil/ US$13.2 mil | - | Retail |
| 51-61 Spartan Rd | Takanini | NZD16.5 mil/ US$11.6 mil | Property For Industry (PFI) | Industrial |

**Source** Savills Research & Consultancy

# Philippines

Despite a challenging 2018, the Philippines economy was able to clock in GDP growth of 6.2% year-on-year (YoY)—supported by government spending which compensated for weaker household consumption and fixed capital investment. However, higher inflation and interest rate hikes in late 2018 adversely affected capital market performance in the beginning of 2019. The Philippine stock index dropped by 12.8% YoY in 2018, a turnaround from the 25.1% YoY gain in 2017.

During the quarter, the local real estate investment market experienced a similar outcome as we saw only one major transaction. MetroPac Movers, Inc., a subsidiary of Metro Pacific Investments (MPI), consolidated and acquired parcels of land in the province of Bulacan for its warehouse operations as it anticipates a rapid buildup in volume in the coming years.

In addition to MPI, several listed companies have started positioning themselves in the logistics industry: Ayala Land increased its stake in warehousing developer Prime Orion Philippines; SM Investments acquired a substantial ownership in parcel delivery firm 2GO Group in 2017; while Udenna's logistics and shipping arm is pushing to acquire Trans-Asia Shipping Lines. Other than capitalizing on a domestic demand-driven economy, large players are betting on the government's massive infrastructure program, which should be able to address the industry's biggest barrier to entry—poor infrastructure quality amidst a fragmented geography. With public investments focused on rural areas, overall bottlenecks in the country's distribution channels should slowly dissipate over time.

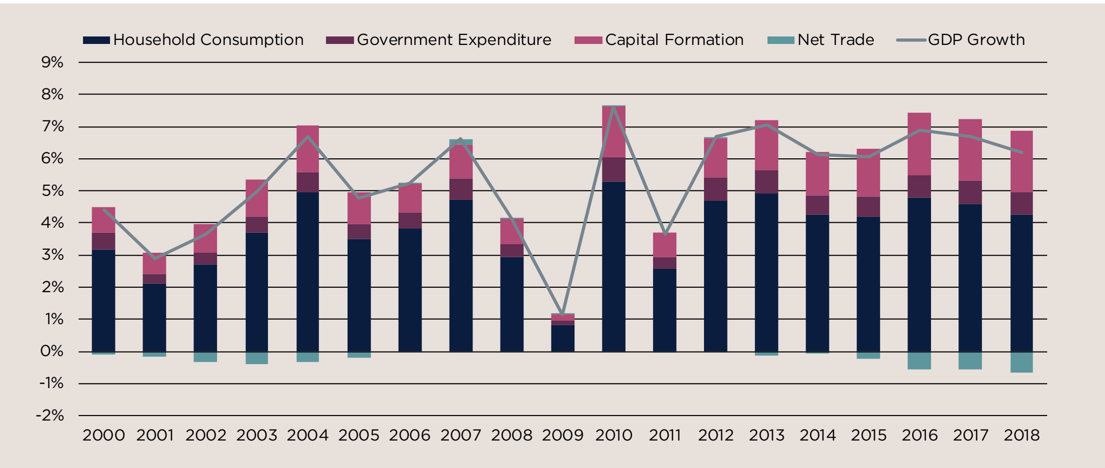
Improvements in this network should also bode well for the manufacturing sector, which increased output by 4.9% YoY in 2018—buoyed by growth in electronics, food and beverages, and fuel products. In addition to sustained domestic demand, the sector's growth is expected to be helped by the rise in foreign and local investments. Total approved investments from promotion agencies stood at PHP1.1 trillion last year, a growth of 19.3% YoY. Foreign investment pledges for manufacturing took the largest share at PHP444.4 billion while transportation and storage amassed PHP125.1 billion.

In the coming months, household consumption should recover as inflation normalises back to Bangko Sentral ng Pilipinas's (BSP) target range, after dropping to a 15-month low of 3.3% in March. Together with the uncertain global economic backdrop, the central bank is expected to continue to reduce the banks' reserve requirement in the near term and subsequently cut policy rates. As such, we expect domestic demand to be buoyed by these factors, which should support both the manufacturing and logistics sectors.

**Michael McCullough**
Managing Director
KMC Savills, Inc
+632 217 1730
michael@kmcmaggroup.com

**Fredrick Rara**
Research Manager
KMC Savills, Inc
+632 403 5519
fredrick.rara@
kmcmaggroup.com

**GDP Growth, 2000 to 2018**




**Source** Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| San Rafael land | Bulacan | PHP204.78 mil/ US$3.92 mil | MetroPac Movers, Inc | Industrial |

**Source** Savills Research & Consultancy

# Singapore

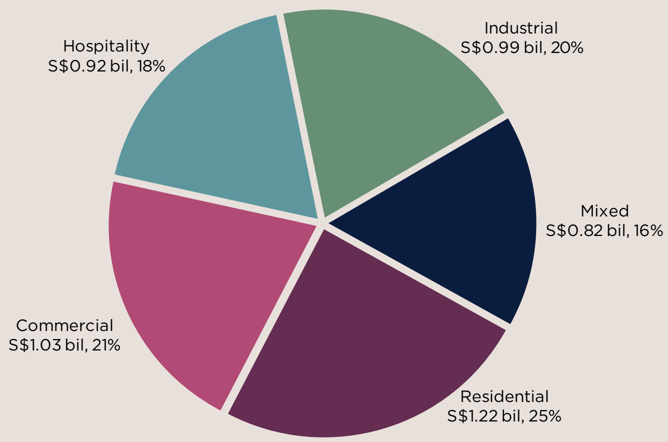
**Christopher J Marriott**
CEO
Southeast Asia
+65 6415 3888
cjmarriott@savills.asia

**Alan Cheong**
Executive Director
Research
+65 6415 3641
alan.cheong@savills.com.sg

Arising from the award of a few big sites under the Government Land Sales (GLS) programme, investment sales in the public sector came in at S$2.13 billion in Q1/2019, significantly higher than the S$44.1 million recorded in the previous quarter. Market sentiment in the residential segment remained cautious due to the lasting impact from the July 2018 private residential revised cooling measures. This restraint could be seen in the tender results for both the private residential site at Kampong Java Road and the white site at Pasir Ris Central. Located in District 9 and within walking distance to Newton MRT Station, the Kampong Java Road site was clinched by Chip Eng Seng Corp's unit, CELH Development, with a bid of S$418.4 million, which works out to a land rate of S$1,192 per sq ft per plot ratio (psf ppr). The winning bid indicated a clear step down from other GLS sites in the Core Central Region (CCR) that sold in the past two years. These included sites at Jiak Kim Street, Fourth Avenue, Handy Road and Cuscaden Road. After the July 2018 revised cooling measures, developers adopted a cautious land-bidding stance in conjunction with subdued buying of residential homes. All through the dual-envelope concept and price tender, the number of tenderers for the Pasir Ris Central white site was much lower than for two other sites, at Sengkang Central and Holland Village, whose tenders closed before July last year. The winning bid of nearly S$700.0 million or S$684 psf ppr, from a joint venture between Allgreen Properties and Kerry Properties, was more realistic under the current market situation. On the other hand, an executive condominium (EC) site at Tampines Avenue 10 attracted a top bid of S$434.5 million (or S$578 psf ppr) from Hoi Hup Realty and Sunway Developments, which was basically on par with EC sites at Anchorvale Crescent, Canberra Link and Sumang Walk, which were awarded in 2018. Limited supply and strong demand for this class of "sandwich" flats have supported developers' confidence in this market segment, therefore land prices have held firm.

After a wave of big-ticket block transactions concluded in Q4/2018, investment activity in the private sector slowed down significantly. Investment sales fell 35.9% quarter-on-quarter (QoQ) to S$2.86 billion in the period Jan-Mar 2019. The biggest deal closed was the S$585.0 million sale of an integrated industrial and warehouse facility at Tuas South Avenue 14 to logistics property specialist LOGOS. Built on a 25-ha site, the property has a total gross floor area (GFA) of 1.6 million sq ft and will be leased back to the vendor, solar firm REC, for 20 years. In the meantime, two shopping malls changed hands. The first was Liang Court, a shopping mall located beside the Clarke Quay riverside area, which was sold to CapitaLand and City Developments Limited for S$400.0 million, while the other was Rivervale Mall in Sengkang, which was purchased by SC Capital Partners for S$230.0 million.

**Investment Sales Transaction Volumes By Property Type, Q1/2019**




**Source** Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Government land | Pasir Ris Central | S$700.0 mil/ US$517.5 mil | Phoenix Residential Pte Ltd & Phoenix Commercial Pte Ltd | White |
| 20 Tuas South Avenue 14 | Tuas South Avenue 14 | S$585.0 mil/ US$432.5 mil | LOGOS | Industrial |
| Government land | Club Street | S$562.2 mil/ US$415.7 mil | Midtown Development Pte Ltd | Hotel |
| Government land | Tampines Avenue 10 | S$434.5 mil/ US$321.2 mil | Hoi Hup Realty Pte Ltd and Sunway Developments Pte Ltd | Residential |
| Government land | Kampong Java Road | S$418.4 mil/ US$309.3 mil | CELH Development Pte Ltd | Residential |

**Source** Savills Research & Consultancy

# South Korea

Total transaction volumes for the Seoul Office Market in Q1/2019 stood at KRW2.04 trillion, a comparable level to the same period last year (KRW2.2 trillion in Q1/2018). In 2018, transactions for large core assets in prime locations were prevalent, and included such deals as Centropolis (CBD), Yeouido SK Securities Building (YBD), and Samsung C&T Seocho (GBD). On the other hand, there has also been a recent increase in the number of transactions involving assets with high-quality covenants, that are conversely located outside of Seoul's three major business districts, in locations such as Jamsil, Yongsan, DMC and Mapo etc.

In Q1/2019 ARA Korea AMC acquired Seoul Square from Alpha Investment Partners for KRW988.3 billion (KRW24.6 mil/3.3 sqm). NH Securities & Investments together with ARA Korea AMC are the principal investors in Seoul Square, with NH Securities & Investments expected to sell down its shares to investors. Previously, major occupiers such as LG affiliates relocated to nearby HQs from Seoul Square, causing the vacancy rate to rise to about 50% for almost a year. However, recent moves by WeWork, SK Planet and other tenants to the building lowered the vacancy rate to below 5%. As a result, the occupancy rate at the time of the sale was understood to be around 97%.

NH Investment & Securities, in cooperation with Ryukyung PSG AMC, purchased Samsung SDS Tower, located near Jamsil Station, from Samsung SRA AMC for KRW628 billion (KRW20.9 mil/3.3 sqm). Reports suggest that NH Investment & Securities has agreed to sell-down to its affiliates and other institutional investors. Currently, the building is 100% occupied by Samsung SDS and acts as their headquarters, with the lease due to expire after six years.

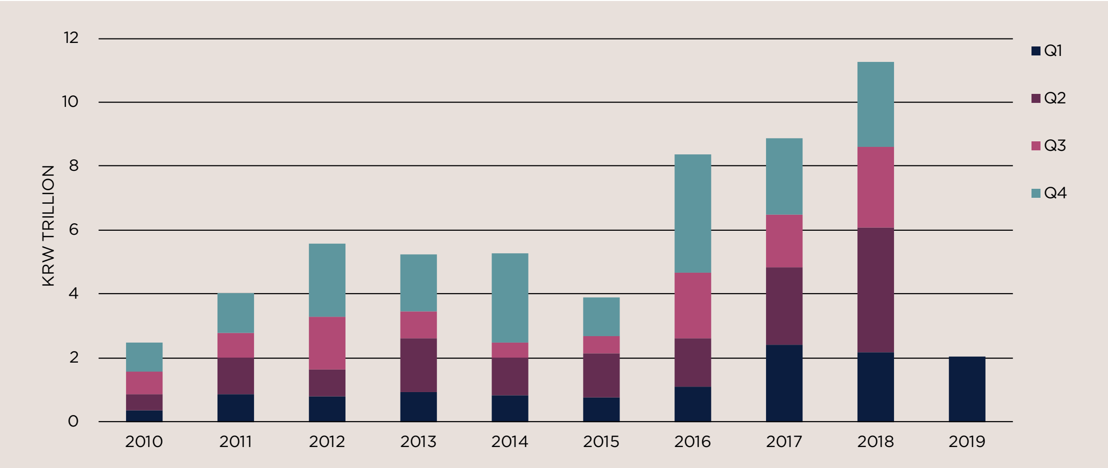
JS AMC acquired WeWork Tower (former PCA Life Tower), located in Yeoksam-dong, for KRW140.5 billion (KRW23.6 mil/3.3 sqm) via a share deal. In Q4/2017, following the merger of PCA Life with Mirae Asset Life Insurance, the amalgamated organization relocated to Yeouido, causing the vacancy rate of the building to soar to 55%. However, after WeWork took over 13 floors in Q2/2018 and the remaining vacant space was leased, the building was aptly rebranded as WeWork Tower.

In Q1/2019, the average prime office cap rate stood at mid-4%, calculated using face rent and 90% occupancy. However, considering leasing concessions (such as rent-free periods and tenant-improvement incentives) and actual occupancy rates, the effective cap rate is at low 4%. The average five-year treasury yield in Q1/2019 decreased to 1.9%, meaning a prime office cap-rate spread of approximately 280 bps. The borrowing rate on core assets declined this quarter to 3.2%, compared to 3.5-3.6% in the previous quarter, and the average LTV remains 55%.

**Crystal Lee**
CEO
Savills Korea
+82 2 2124 4163
csjlee@savills.co.kr

**JoAnn Hong**
Director
Research & Consultancy
+82 2 2124 4182
jhong@savills.co.kr

**Office Transaction Volumes, 2010 to Q1/2019**




**Source** Savills Korea

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Seoul Square | CBD | KRW988.3 bil/ US$878.4 mil | ARA Korea AMC (NH Investment & Securities) | Office |
| WeWork Tower (formerly PCA Life Tower) | GBD | KRW140.5 bil/ US$124.9 mil | JS AMC | Office |
| Samsung SDS Tower | Jamsil | KRW628.0 bil/ US$558.2 mil | Ryukyung PSG AMC (NH Investment & Securities) | Office |
| Hanjin Heavy I&C Seoul HQ | Yongsan | KRW161.8 bil/ US$143.8 mil | Koramco REITs & Trust | Office |

**Source** Savills Korea

# Taiwan

**Ricky Huang**
General Manager
Savills Taiwan
+886 2 8789 5828
rhuang@savills.com.tw

**Erin Ting**
Director
Research
+886 2 8789 5828
eting@savills.com.tw

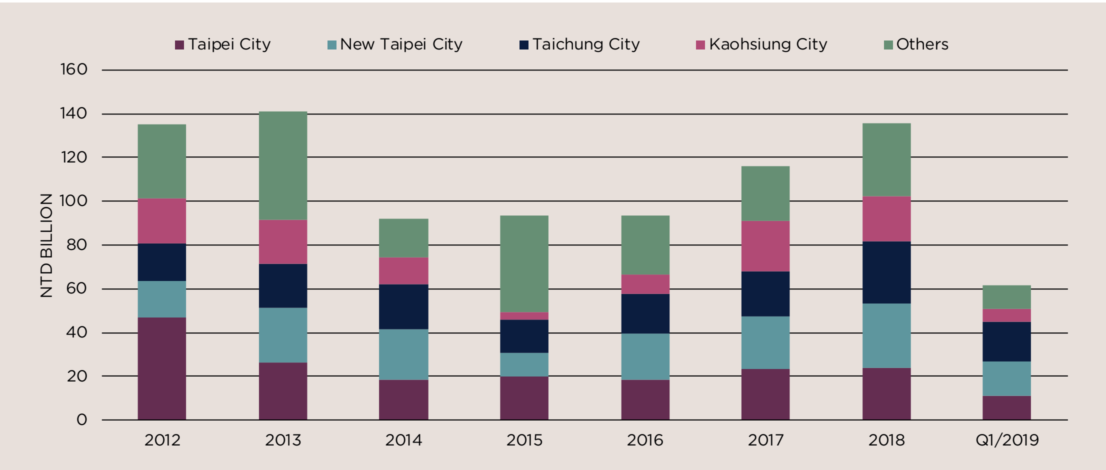
The land market continued to record notable growth with total transaction volume in Q1/2019 reaching NT$61.7 billion, an increase of 103% compared with last year. This total—the highest quarterly volume in nine years—reflected a strong appetite amongst developers, even though residential market sales have been recovering at a slower pace. In 2018, there was a 32% increase in the number of approved residential building permits, but that activity significantly exceeded the growth of annual residential transactions, which rose by only 4% over the same period.

Developers dominated the land market and accounted for 85% of transactions this quarter, equivalent to NT$52.5 billion and approximately 30% higher than the total land purchased by developers during the previous residential transaction peak in 2013. The mass market, such as New Taipei City and Taichung City with their lower housing prices, was especially favored by developers. Several land tenders also received good responses from the market. A 6,000-ping plot of residential land in the fringe area of New Taipei City attracted 16 bids and eventually sold for NT$7 billion, closing at a 49% of premium. Taichung City government sold development land by public tender for a total of NT$4.5 billion, marking an 11% of premium on average.

Aside from residential projects, developers moved aggressively into office and industrial office development with 30% of their land acquisitions falling into these sectors. Several developers, including Highwealth, Huaku, King's Town and Hong Pu, were keen for commercial land and industrial land in Taipei City and New Taipei City. One notable deal involved Highwealth Construction, which has plans to launch 30 office building projects in the next ten years. The company purchased a 456-pings commercial land plot in Taipei City for NT$5.1 billion and will build a 27-floor office building on the site; the deal is equivalent to NT$11 million per ping, amounting to the second highest land unit price in market history.

In the coming few quarters, we expect two factors to continue to drive demand in the land market. First, new mayors, who took office last December and are eager to promote their local economies, will continue to court investors, especially in the commercial property sector. For example, HPW Group acquired a foreclosure strata title building for NT$5.4 billion in Kaohsiung City this March. Second, developers will be motivated to launch residential projects this year in order to avoid any impact from the 2020 Taiwan presidential election.

**Significant Land Transactions By City, 2012 to Q1/2019**




**Source** Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Land in Tucheng District | New Taipei City | NT$7.08 bil/ US$236 mil | Maw Der Property Development | Residential development site |
| Land in Zhongshan District | Taipei City | NT$5.1 bil/ US$170 mil | Highwealth Construction | Commercial development site |
| Land in Nantun District | Taichung City | NT$6.65 bil/ US$221 mil | Fong-Yi Group | Commercial development site |
| Land in Xinzhuang District | New Taipei City | NT$4.6 bil/ US$153 mil | Maw Der Property Development | Residential development site |

**Source** Savills Research & Consultancy

# Thailand

**Robert Collins**
CEO
Savills Thailand
+66 2636 0300
robertc@savills.co.th

**Chris Hobden**
Associate Director
Research & Consultancy
+66 2636 0300
chobden@savills.co.th

Interest in Thailand's industrial sector, coupled with growing confidence in key government initiatives, drove first quarter investment activity, with large-scale transactions taking place across greater Bangkok and the eastern seaboard.

Thailand's Eastern Economic Corridor (EEC), a 13,285 sq km zone spanning Chachoengsao, Chonburi and Rayong provinces, gained pace over Q1. The zone was bolstered by clarity surrounding big-ticket infrastructure commitments, with projects collectively worth a reported THB650 billion (US$20.37 billion) scheduled to be agreed with private companies over the coming quarter. These projects include the THB224 billion (US$ 7.02 biliion) high-speed rail line connecting Bangkok to Rayong, the THB200 billion (US$ 6.27 billion) U-Tapao airport scheme, in addition to projects valued at THB84 billion and (US$2.63 billion) THB55 billion (US$1.72 billion) for the third phases of Laem Chabang and Map Ta Phut ports, respectively.

Q1 continued to see China-based companies announce plans to set-up operations within the EEC, with SET-listed WHA Corporation launching a joint venture with JD.com, registered as WHA-JD Alliance Co., Ltd, to operate a logistics centre in Chachoengsao. The scheme will include a 60,000 sq m fully-automated warehouse, located on a 55-rai (8.8 ha) site, with WHA holding 51% of shares and JD.com, via its subsidiary JD Future Explore I, holding the minority stake.

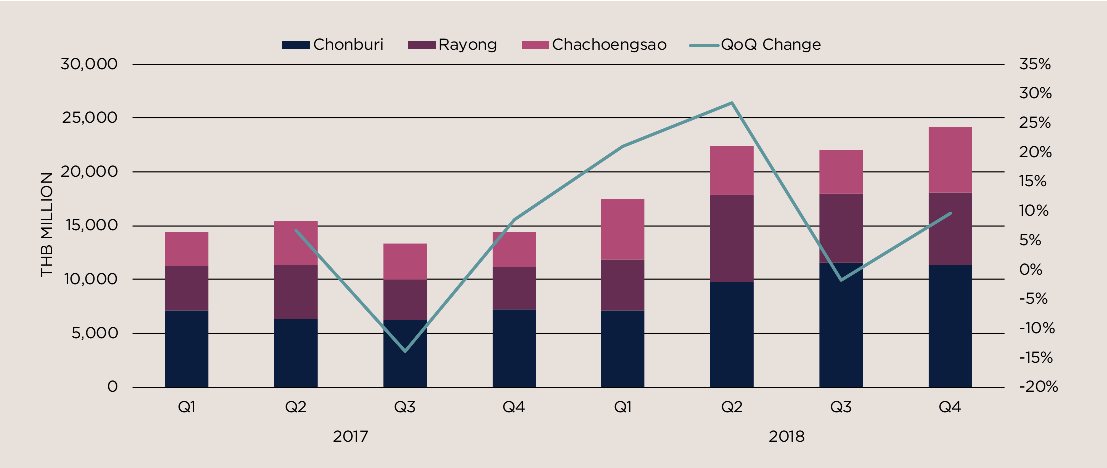
While opinion is divided on the overall impact of the ongoing trade dispute between the United States and China, a number of China-based manufacturers have cited concerns about tariffs as a key factor when considering establishing production facilities in Thailand.

ECC provinces collectively saw an increase in total land transaction value of THB2.32 billion over Q4/2018, a rise of 9.71% from the third quarter.

In Bangkok, SET-listed LPN Development formed a new joint venture with NYE Estate to undertake an office building on Rama IV Road. The scheme is due to comprise around 21,000 sq m of leasable office space, in addition 1,600 sq m of supporting retail. The project, with a reported investment value of THB3.79 billion (US$ 118.76 million), will be developed on a leasehold plot within the Kluay Nam Thai area. LPN and NYE Estate will each hold a 49% stake in the joint venture, with the remaining 2% held between LPN's chief financial officer and NYE Estate's chief executive.

Pre-built PLC acquired an approximately 4,100 square metre site on Ramkhamhaeng Road, north-east of central Bangkok, announcing plans to develop a 344-unit condominium building. With planned rezoning of Bangkok's outer areas due to take effect next year, widely viewed as likely to permit greater development density, we expect to see an increase in acquisitions of development sites across city fringe locations over 2019.

**Eastern Economic Corridor (EEC) Land Sales Value By Province, Q1/2017 to Q4/2018**




**Source** REIC, Savills Research & Consultancy

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| 688 ha land plot at Bang Na-Trad KM32 | Samut Prakan | THB9.12 bil/ US$285.19 mil | Asia Industrial Estate, TICON, Rojana Industrial Park | Commercial/Industrial |
| 48 ha land plot at Nong Yai | Chonburi | THB825.09 mil/ US$25.7 mil | Prinx Chengshan (Cayman) Holding Limited | Industrial |
| c. 0.48 ha land plot on Rama IV Road | Bangkok | THB2.39 bil/ US$74.8 mil | NYE Estate, LPN Development | Office/Retail |
| c. 4,100 sqm land plot on Ramkhamhaeng Road | Bangkok | THB766 mil/ US$24 mil | Pre-Built PLC | Residential |

**Source** Company announcements, Savills Research & Consultancy

# Vietnam

**Neil MacGregor**
Managing Director
Savills Vietnam
+84 8 3823 7454
nmacgregor@savills.com.vn

**Troy Griffiths**
Deputy Managing Director
Advisory Services
+84 8 3823 9205
tgriffiths@savills.com.vn

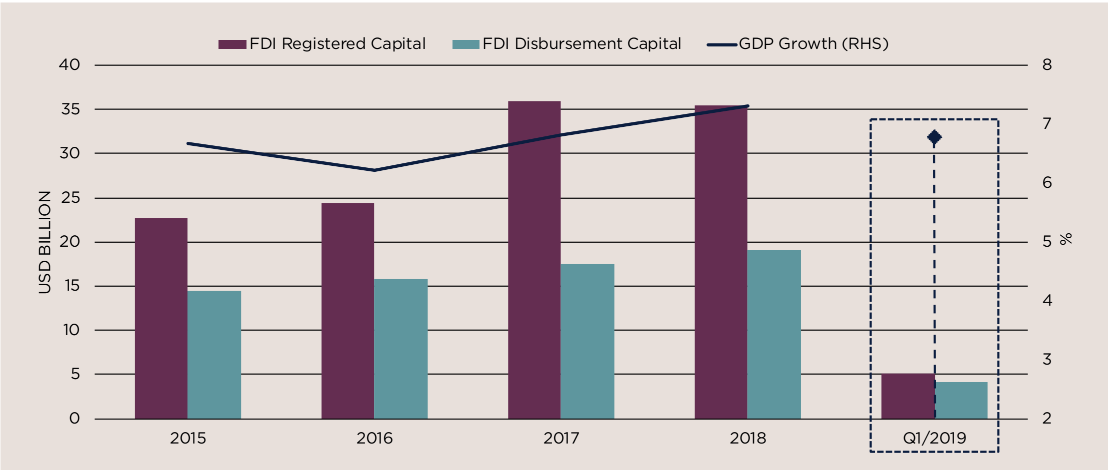
As host for the second Trump-Kim Summit, held in February, Vietnam continued to elevate its standing in international affairs, catching global attention for the successful transformation of its economy over the last 30 years. From one of Asia's least-developed countries in the 1980s, Vietnam has transformed into a booming middle-income economy with GDP growth amongst the fastest worldwide in recent years.

In the first quarter of 2019, Vietnam's GDP grew 6.79% year-on-year (YoY) and is anticipated to be the highest in ASEAN from 2019-2023, whilst the Vietnam dong (VND) remains one of the region's most stable currencies. This economic growth has been reinforced by abundant FDI inflow, in which the manufacturing and processing industries dominated, accounting for 75% of newly registered capital. In January, Vietnam's first aircraft engine parts factory, Hanwha Aero Engines (Korea), began shipping products following a US$200 million investment. In March, Universal Alloy Corporation, the world's leading manufacturer of aerospace products, began construction of a 17-ha factory in Da Nang Hi-tech Park with an estimated total investment capital of US$170 million.

Privately funded investments into infrastructure have been contributing more to the economy, currently comprising the largest component of total investment. In late December last year, Van Don International Airport opened in Van Don District, Quang Ninh Province, which is a planned Special Economic Zone focusing on logistics, tourism and luxury entertainment. The airport was developed by Sun Group—a local real estate developer—under a private-public partnership structure with total investment of US$324 million. Another privately funded aviation project was Cam Ranh Airport's new international terminal. Total current capacity is 4.5 million passengers per annum, but this number is expected to reach eight million by 2030.

In the real estate capital market, there were two big transactions in the first quarter of 2019. Hanoi Hotel Tourism Development acquired 75% interest of InterContinental Hanoi West Lake Hotel for approximately US$53 million, while Nam Long Group announced the acquisition of a 70% interest in Dong Nai Waterfront City project for approximately US$100 million from Portsville Pte. Ltd, a subsidiary of Keppel Land Limited. The 170-ha township development project is situated near the crossroads of Ho Chi Minh City, Binh Duong and Dong Nai provinces, an important economic hub in southern Vietnam.

**Vietnam's FDI Registered Capital, FDI Disbursement and GDP Growth, 2005 to Q1/2019**




**Source** Vietnam General Statistics Office, Ministry of Planning and Investment

**Major Investment Transactions, Q1/2019**

| PROPERTY | LOCATION | PRICE | BUYER | USAGE |
|---|---|---|---|---|
| Dong Nai Waterfront (70% interest) | Dong Nai Province | VND2.313 tri/ US$100 million | Nam Long Group | Township development |
| InterContinental Hanoi West Lake Hotel (75% interest) | Hanoi | VND1.245 tri/ US$53 million | Hanoi Hotel Tourism Development Ltd Liability Company | Hotel |

**Source** Savills Research & Consultancy

# Australia


◀ **Cleveland Shopping Centre**
Cleveland, QLD
AU$103M/US$81M
in March

# Beijing/Shenzhen/Shanghai

◀ **Beijing Oceanwide International Project Land Lot 1**
Chaoyang, Beijing
in Q1

◀ **Jade Palace Hotel**
Haidian, Beijing
RMB2.7B/US$402M
in Q1

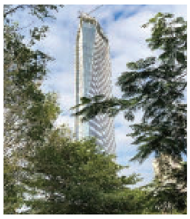
**Dinghao Plaza** ▼
Haidian, Beijing
RMB5.72B/US$852M
in Q1

▼ **CBD Core Area Z-03**
Chaoyang, Beijing
RMB758M/US$113M
in Q1

◀ **Noble Center Phase III**
Fengtai, Beijing
RMB1.546B/US$230M
in Q1

**Zhongkun Plaza** ▶
Haidian, Beijing
RMB9.0B/US$1.34B
in Q1

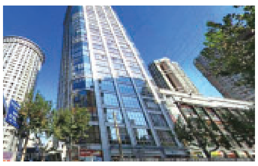
**The Besunyen Building** ▶
Haidian, Beijing
RMB555M/US$82.7M
in Q1



◀ **OCT Tower**
Nanshan, Shenzhen
RMB11.0B/US$1.64B
in Q1

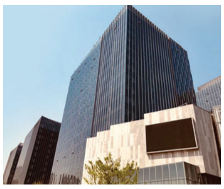

◀ **Central Walk**
Futian, Shenzhen
RMB6.5B/US$968.3M
in Q1

**Ascendas Plaza** (45%) ▼
Xuhui, Shanghai
in Q1

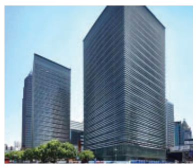


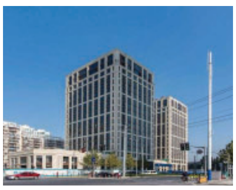
◀ **Ascendas Innovation Place** (45%)
Huangpu, Shanghai
in Q1

**LCMetropolis** ▶
Pudong, Shanghai
RMB1.2B/US$179M
in Q1



**Pudong Financial Square Building 2** ▼
Pudong, Shanghai
RMB2.352B/US$350M
in Q1

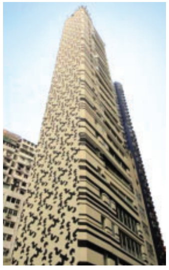




◀ **Yifang Tower**
Hongkou, Shanghai
RMB4.6B/US$685M
in Q1

## Hong Kong

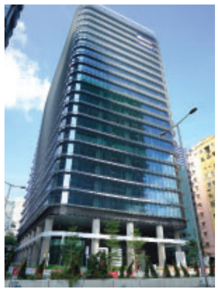
▲ **28/F The Center**
Central
HK$824M/US$105.6M
in January



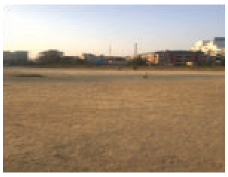
◀ **Centre Hollywood**
Sheung Wan
HK$700M/US$89.7M
in February

**Lake Silver** ▶
Sha Tin
HK$653M/US$83.7M
in January

**Mapletree Bay** ▶
Kwun Tong
HK$8.6B/US$1.1B
in February

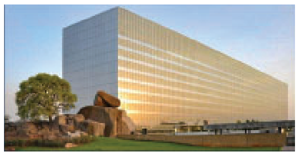


## India



◀ **Horizon on the Highway** (49% stake) (**Hines**)
Udyog Vihar, Gurgaon
INR8.96B/US$128M
in March

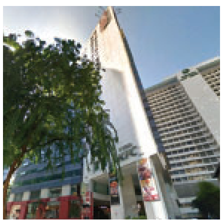
**Waverock** ▶
Hyderabad
INR19.95B/US$285M
in March



## Japan

◀ **G-BASE Tamachi**
Minato, Tokyo
JPY28.2B/US$259M
in February

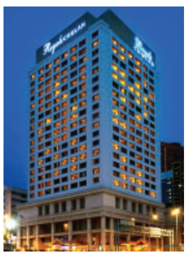
## Malaysia



◀ **Wisma KFC**
City Centre, Kuala Lumpur
RM130M/US$31.46M
in February

**Wisma MPL** ▶
City Centre, Kuala Lumpur
RM189M/US$45.74M
in March

**Royal Chulan Bukit Bintang** ▼
City Centre, Kuala Lumpur
RM197M/US$47.67M
in March




**A 4.63-acre development land** ▲
Suburban, Kuala Lumpur
RM90.3M/US$21.85M
in March

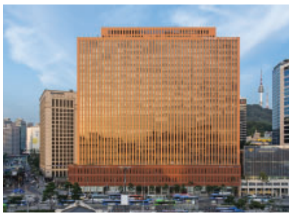
## Singapore

**Ascott Raffles Place Singapore**
Finlayson Green
S$353.3M/US$259.4M
in January

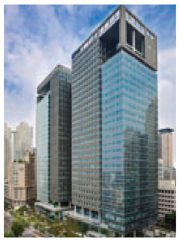
**Liang Court**
River Valley Road
S$400.0M/US$293.6M
in March

**Rivervale Mall**
Rivervale Crescent
S$230.0M/US$168.8M
in March

## South Korea



**Seoul Square**
CBD
KRW988.3B/US$878.4M
in March



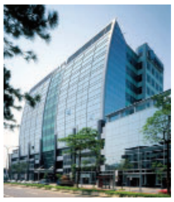
**Samsung SDS Tower**
Jamsil
KRW628B/US$558.2M
in January

**WeWork Tower (former PCA Life Tower)**
GBD
KRW140.5B/US$124.9M
in February

## Taiwan

**Leadwell Taichung Factory**
Taichung City
TWD1.82B/US$60M
in January

**Nasa Technology Building** (7/F-10/F)
Taipei City
TWD2.16B/US$72M
in February



**85 Sky Tower** (34/F, 35/F, 37/F-85/F)
Kaohsiung City
TWD5.44B/US$181M
in March

**Next TV D Building**
Taipei City
TWD1.45B/US$48M
in March

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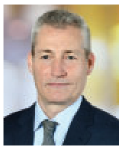
NOTES PAGE

# Savills Regional Investment Advisory, Asia Pacific

savills

**Regional Investment Advisory**
Frank Marriott
Email: fmarriott@savills.asia
Tel: +852 2842 4475
23/F, Two Exchange Square, Central, Hong Kong



**Regional Research and Consultancy**
Simon Smith
Email: ssmith@savills.com.hk
Tel: +852 2842 4573
1202-04, Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong

## ASIA

### Greater China

**Hong Kong SAR**
Raymond Lee
Email: rlee@savills.com.hk
Tel: +852 2842 4518
23/F, Two Exchange Square, Central, Hong Kong

With offices in Tsim Sha Tsui and Taikoo

**Central China**
Wing Chu
Email: siuwing.Chu@savills.com.cn
Tel: +8621 6391 6689
Unit 2501-13, Two ICC, No. 288 South Shanxi Road, Shanghai 200031, PRC

**Northern China**
Anthony Mcquade
Email: anthony.mcquade@savills.com.cn
Tel: +8610 5925 2002
Unit 01, 21/F East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang, Beijing 100022, PRC

**Southern China**
Woody Lam
Email: woody.lam@savills.com.cn
Tel: +8620 3665 4777
Suite 1301, R&F Center, No. 10 Hua Xia Road, Zhujiang New Town, Guangzhou 510623, PRC

**Western China**
Eric Wo
Email: eric.wo@savills.com.cn
Tel: +8628 8658 7828
Room 2106, Yanlord Landmark Square, No. 1 Section 2, Renmin South Road, Jinjiang District, Chengdu, PRC

With offices in Chongqing, Dalian, Hangzhou, Nanjing, Shenyang, Shenzhen, Tianjin, Wuhan, Xiamen, Xi'an and Zhuhai

**Macau SAR**
Franco Liu
Email: fliu@savills.com.mo
Tel: +853 2878 0623
Suite 1309-10, 13/F Macau Landmark, 555 Avenida da Amizade, Macau

### India

Anurag Mathur
Email: anurag.mathur@savills.id
Tel: +91 22 4090 7300
WeWork Forum, DLF Cyber City, Phase 3, Sector 24, Gurgaon, Haryana 122002

With offices in Bengeluru, Chennai and Mumbai

### Indonesia

PT Savills Consultants Indonesia
Jeffrey Hong
Email: jeffrey.hong@savills.co.id
Tel: +62 21 293 293 80
Panin Tower - Senayan City, 16th floor, Unit C, Jl. Asia Afrika Lot. 19, Jakarta 10270, Indonesia

### Japan

Christian Mancini
Email: cmancini@savills.co.jp
Tel: +81 3 6777 5150
15/F Yurakucho ITOCiA, 2-7-1 Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan

### Korea

Crystal Lee
Email: csjlee@savills.co.kr
Tel: +822 2124 4114
13/F, Seoul Finance Center, 84 Taepyungro-1-ga, Chung-gu, Seoul 100-768, Korea

### Malaysia

Christopher Boyd
Email: chris.boyd@savills.com.my
Tel: +60 3 2092 5955
Level 9, Menara Milenium, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia

With 2 branches throughout Malaysia

### Phillipines

KMC MAG Group
Michael McCullough
Email: michael@kmcmaggroup.com
Tel: +632 403 5519
8/F Sun Life Centre, 5th Ave, Bonifacio Global City 1634, Philippines

### Singapore

Christopher Marriott
Email: cjmarriott@savills.asia
Tel: +65 6415 7582
30 Cecil Street, #20-03 Prudential Tower, Singapore 049712

### Taiwan

Ricky Huang
Email: rhuang@savills.com.tw
Tel: +886 2 8789 5828
21F, Cathay Landmark, No. 68, Sec. 5, Zho ngxiao E. Road, Xinyi District, Taipei City 110, Taiwan

With an office in Taichung

### Thailand

Robert Collins
Email: robertc@savills.co.th
Tel: +66 2 636 0300
26/F, Abdulrahim Place, 990 Rama IV Road, Bangkok 10500, Thailand

### Viet Nam

Neil MacGregor
Email: nmacgregor@savills.com.vn
Tel: +84 8 3823 9205
18/F, Ruby Tower, 81-85 Ham Nghi Street, District 1, Ho Chi Minh City, Viet Nam

With an office in Ha Noi

## AUSTRALASIA

### Australia

Paul Craig
Email: pcraig@savills.com.au
Tel: +61 2 8215 8888
Level 25, 1 Farrer Place, Sydney, Australia

Offices throughout Sydney, Parramatta, Canberra, Melbourne, Notting Hill, Adelaide, Perth, Brisbane, Gold Coast and Sunshine Coast

### New Zealand

Paddy Callesen
Email: pcallesen@savills.co.nz
Tel: +64 0 9 951 5911
Level 6, 41 Shortland Street, Auckland, NZ 1010, New Zealand

## NORTH AMERICA

Savills Studley
Woody Heller
Email: wheller@savills-studley.com
Tel: +1 212 326 1000
399 Park Avenue, 11th Floor, New York, NY 10022

## UNITED KINGDOM & EUROPE

Phillip Garmon-Jones
Email: pgarmonjones@savills.com
Tel: +852 2842 4252
23/F Two Exchange Square, Central, Hong Kong

Offices throughout the United Kingdom, Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Spain and Sweden Associate offices in Austria, Greece, Norway, Portugal, Russia, Turkey and South Africa

23/F, Two Exchange Square
Central, Hong Kong