Emerging Trends in Real Estate®

Asia Pacific 2017

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Singapore downturn continues, but investors begin to look for deals says Emerging Trends in Real Estate® Asia Pacific 2017

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Singapore (November 21, 2016) –Although a soft economy and weak fundamentals continue to affect Singapore, investors are now beginning to look for a turnaround in a market with an abundance of the type of core assets that are currently in demand across the region, according to Emerging Trends in Real Estate® Asia Pacific 2017, a real estate forecast jointly published by the Urban Land Institute (ULI) and PwC. The beaten-down core space in Singapore has seen revived interest, although prices have yet to fall enough to attract serious buyers. As the only major market in Asia currently in a down cycle, funds are looking for reasons to invest there. A single big purchase has boosted transacted values from an otherwise low base, while Chinese investors were rumored to be looking in Singapore and may be early buyers given their relatively low level of price sensitivity.

On a total-return basis, benchmarks are proving more resilient across the region, although they have registered significant declines in China, Hong Kong (where mainland capital is active), and Singapore. Several experts predict that the city state will see moderate, if any, upward rent adjustments in the next 12 months.

"Singapore's low ranking in this year's report has been attributed to various factors including overcapacity in office space, falling retail sales and a residential market correction " said Dr. Seek Ngee Huat, Chairman of ULI Asia Pacific, and Chairman, Global Logistic Properties. "However, the report findings indicate that Investors still believe in the long term fundamentals of Singapore and are on the look out for investment opportunities."

“Singapore's decline in ranking, largely due to over-capacity and decline in demand, is not unexpected. Focusing on the positive, we could be close to the bottom of the cycle and we are seeing opportunities to invest. I hope, given the uncertainties in local and global economy, there will be an increase in transactions across asset classes over the next twelve months,” said Yeow Chee Keong, Real Estate and Hospitality Leader, PwC Singapore.

This year’s Investment Prospects survey shows a strong shift away from last year’s favorites, which featured core markets in Japan and Australia, in favor of emerging-market destinations, with two Indian cities topping a list which also includes Vietnam and the Philippines and Shenzhen in 5th position.Other major survey findings include steep declines in the popularity of gateway cities with the exception of Shanghai which has seen a resurgence in foreign investment over the last couple of years, despite high prices.This overarching shift reflects the difficulty in sourcing core assets in an environment where owners have few other places to invest their capital if they sell, together with the growing urgency of investors' 'quest for yield' as returns are squeezed ever lower.

The top five markets for investment and development in 2017:

- **Bangalore (first in investment and development)** –The big story for investors has long been the city's role as India's main hub for the business process outsourcing (BPO) and IT industries. There is huge demand for space as both domestic and international companies flock to open both call-in and research-and-development centers.

- **Mumbai (second in investment, third in development)** – Mumbai's geography has prevented easy expansion of the city's metropolitan area, which has made it both the most expensive city in India and the slowest growing, but a major road and rail infrastructure program will allow easier access to the center from outlying areas, with most construction scheduled for completion before 2019.

- **Manila (third in investment, fourth in development)** –The Philippines continues to attract positive comments, with its vibrant economy led by a booming BPO market and strong remittances from overseas workers. Today, the fundamentals appear as strong as ever. Demand is resilient and vacancies remain low, and office capital values and rents continue to show good growth.

- **Ho Chi Minh City (fourth in investment, second in development)** –Vietnam is one of the fastest-growing economies in Southeast Asia and is probably the most popular real estate investment destination, with capital arriving from numerous sources but in particular from Japan, Singapore, and Hong Kong.

- **Shenzhen (fifth in investment, fifth in development)** – The major recent talking point for Shenzhen has been its residential sector,

> where prices have soared more than 40 percent year-on-year in the first three quarters of 2016—the fastest in the world. On the commercial side, office rents have been on a steady upward trajectory for years and are now double their level of 2009.

Other findings from the report include the following:

• Core assets continue to be the favored asset class, although product is becoming increasingly hard to source. One way around this is for investors to assume development risk by pursuing "build-to-core" projects. Although these are not traditionally considered a core strategy, many core investors are now willing to adopt this approach, especially when it involves buyers such as insurance companies that are likely to be long-term holders of the end product.

• Investors with a mandate for higher return strategies continue to migrate up the risk curve, both in terms of sectors—pursuing niche strategies such as sub-logistics facilities or data centers—and geographically, with emerging markets such as India drawing increasing attention.

• Investments in metropolitan areas have become a popular theme given ongoing trends of urbanization, land shortages in city centers, and low returns from central business district projects. Cities across the Asia Pacific including Sydney, Shanghai, Mumbai, and Jakarta are engaged in major transportation construction projects that link suburbs or satellite towns to city centers.

• In line with markets in the West, Asia is embracing the shared economy. The last 12 months have seen huge growth in the adoption of shared workspaces, either as standalone businesses that rent open-plan office facilities to individual or corporate users, or on a corporate basis, as large companies scrap conventional office layouts and embrace hot-desking and collaborative working environments. On the residential side, shared spaces are also becoming more prominent as rising prices continue to shrink apartment footprints.

Emerging Trends, which is being released at a series of events across Asia over the next several weeks, provides an outlook on Asia Pacific real estate investment and development trends, real estate finance and capital markets, and trends by property sector and metropolitan area. It is based on the opinions of 604 internationally renowned real estate professionals, including investors, developers, property company representatives, lenders, brokers and consultants.

The full report is available on: http://asia.uli.org/wp-content/uploads/sites/2/2015/09/ET_AP-2017_v8-TEXTCOVER.pdf

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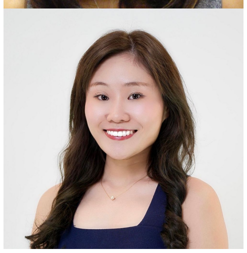

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