

CHINESE OUTBOUND REAL ESTATE INVESTMENT: NEW WAVES, NEW DESTINATIONS

Presented by

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TWO KEY QUESTIONS

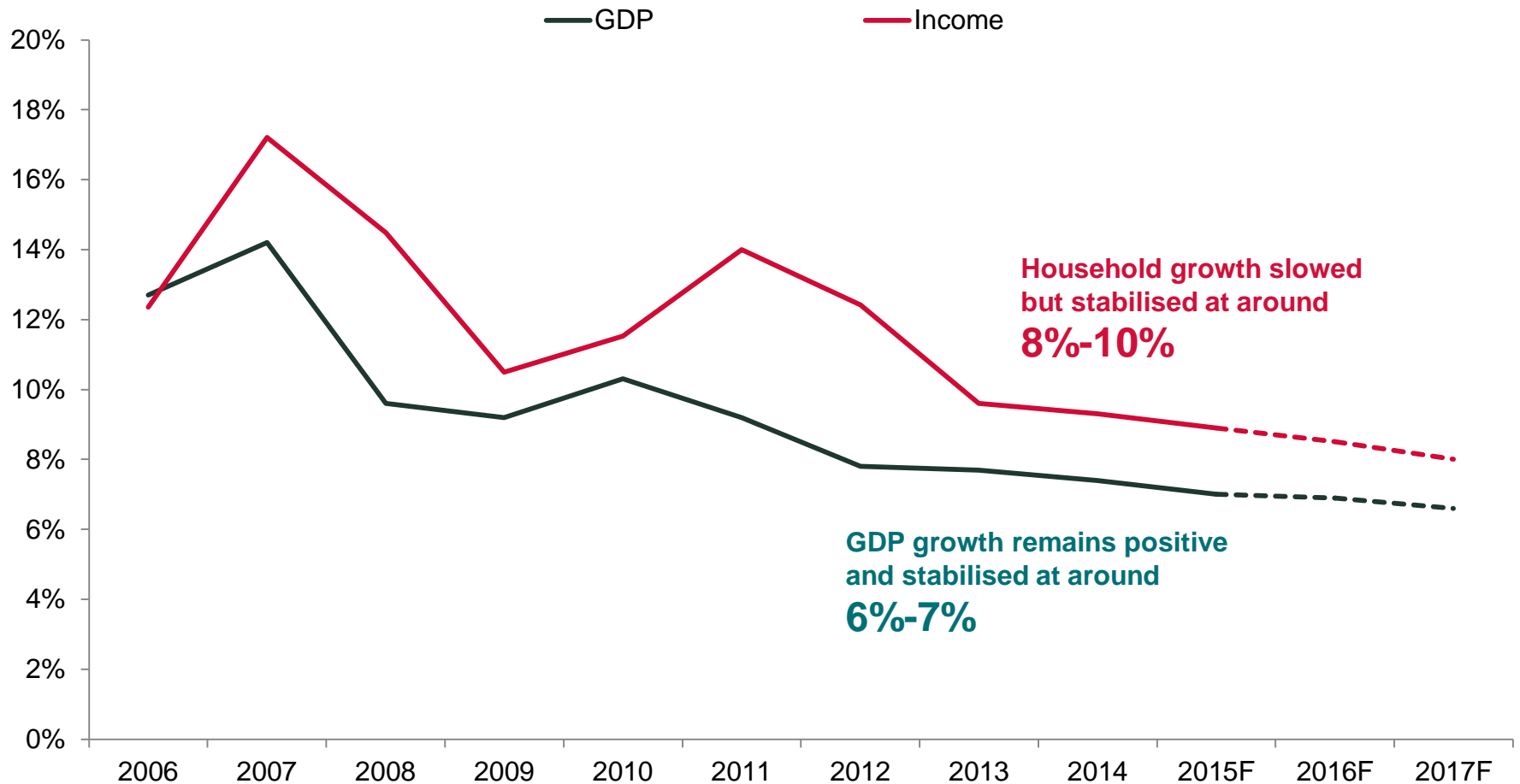
- ◆ Given the market uncertainties, will there be a reduction of investment from China?
- ◆ What factors bring investors to the market?

TO ANSWER THESE QUESTIONS WE WILL LOOK AT...

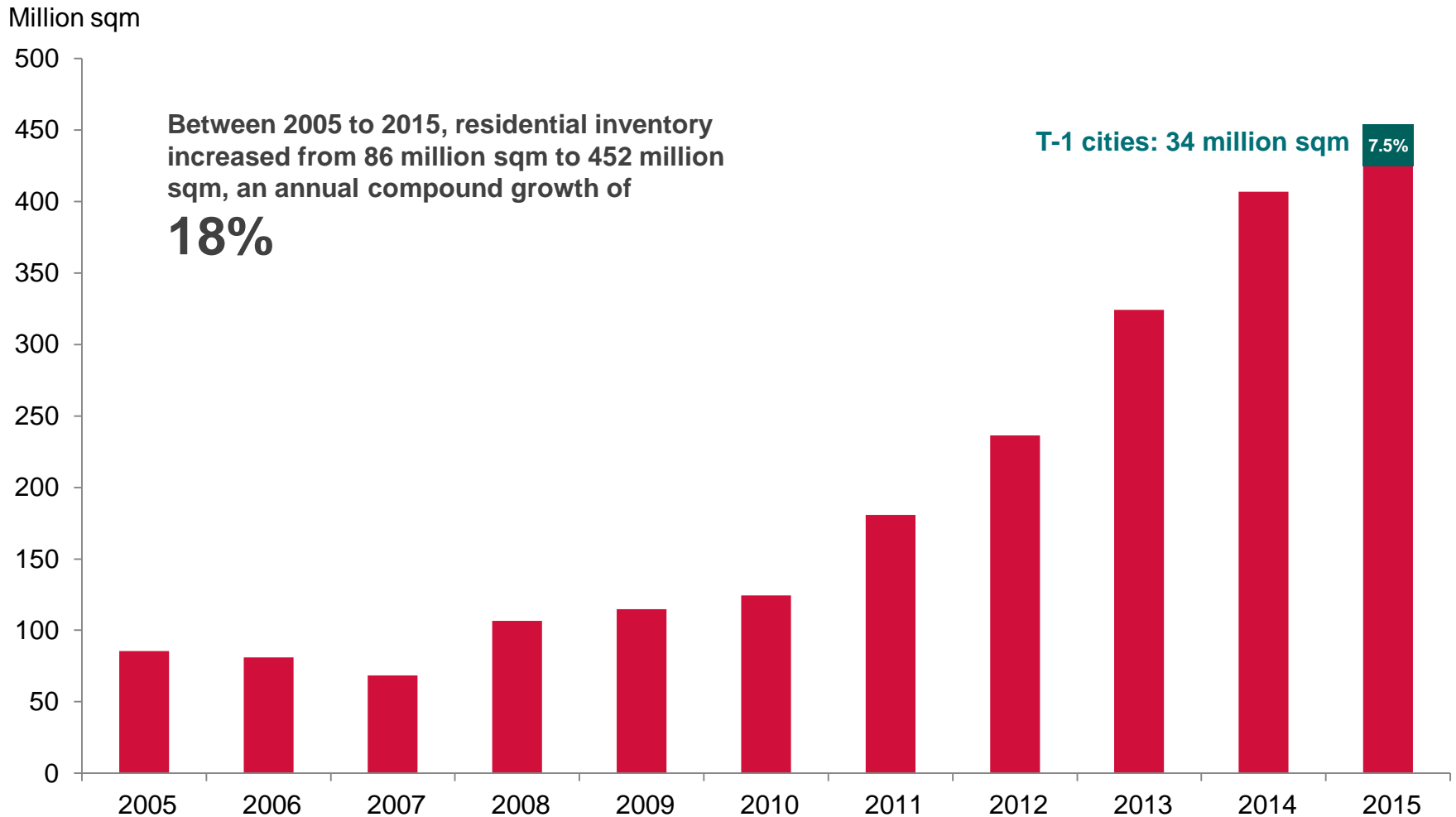
- ◆ Domestic factors that drives outbound capital
- ◆ Global movement of Chinese capital – Who, where and what?
- ◆ Future trends and conclusion

HOW CHANGES IN THE CHINESE MARKET DRIVE OUTBOUND CAPITAL

SLOWDOWN IN THE GROWTH OF CHINA'S GDP & HOUSEHOLD INCOME

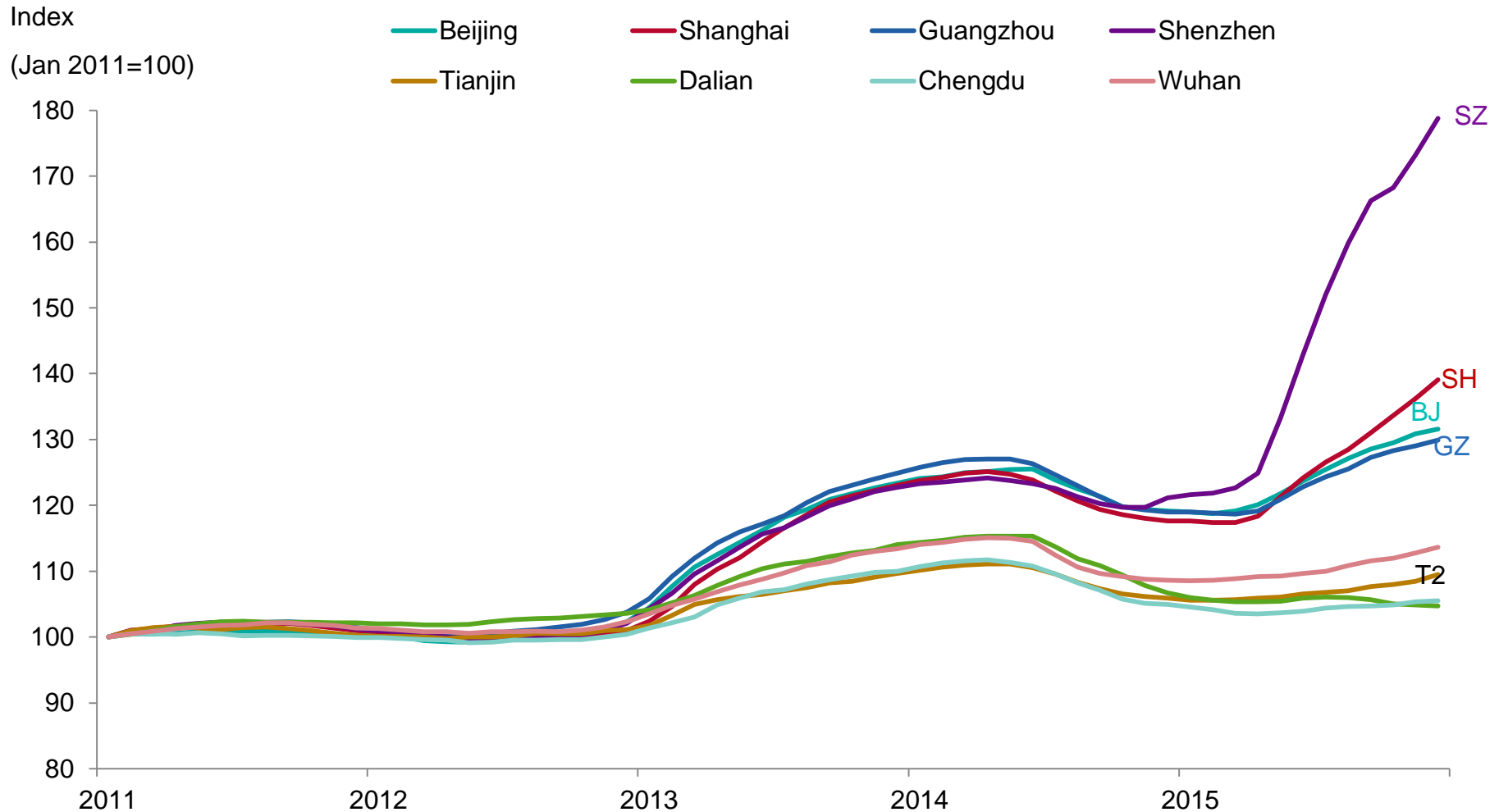


CHINESE RESIDENTIAL INVENTORY GLUT



Source: National Bureau of Statistics, Knight Frank Research

HOME PRICE DIVERGENCE BETWEEN FIRST & SECOND-TIER CITIES



Source: National Bureau of Statistics, Knight Frank Research

“Belt and Road” initiative, Asian Infrastructure Investment Bank

Chinese policies aimed at channelling investment abroad

US trade law

Latest move to remove legislative restrictions on foreign pension funds investing in US properties and REITs will raise interest.

Sino-British, Sino-Australian ties

Capitalise on bilateral relationship improvement to drive investment

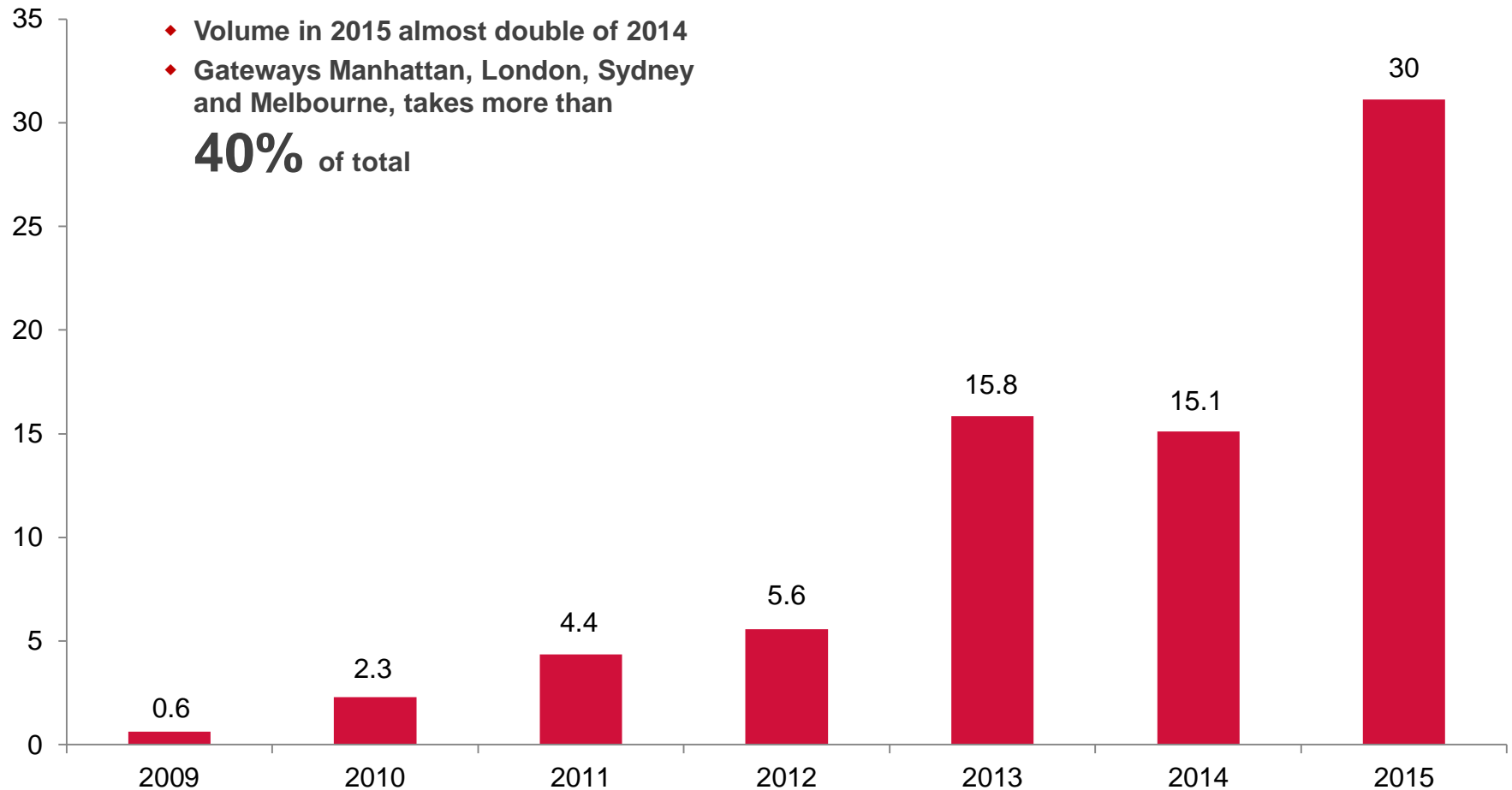
China’s 13th Five Year Plan

Likely impact of changes in foreign-investment policies?

WHO, WHERE & WHAT

CHINESE OUTBOUND GLOBAL REAL ESTATE INVESTMENT

US\$ billion



Source: RCA, Knight Frank Research

Note: Data as at end 2015

OUTBOUND INVESTMENT STATUS OF DEVELOPERS & INSURERS



Top 20 players who made offshore investments

	2014	2015
Developers	10	14
Insurance companies	4	6

An analysis of the top 10 deals

	2014	2015
Developers	3	2
Insurance companies	2	6
SWF, Banks, Funds	5	2

DEVELOPERS MORE ACTIVE BUT
INSURANCE COMPANIES ARE FOCUSED ON
BIGGER DEALS

TOP 10 CHINESE OUTBOUND INVESTMENT DEALS IN 2015



Date	Purchaser	Property Name	Location	Property Type	Consideration (US\$ million)
Feb	Anbang Insurance	Waldorf Astoria	Manhattan	Hotel	1,950
Aug	Anbang Insurance	Heron Tower	London	Office	1,172
Jan	China Investment Corp (JV LaSalle Investment)	Meguro Gajoen	Tokyo	Office	1,170
Jul	Taiping Life Insurance	111 Murray Street	Manhattan	Dev site	820
Jan	Greenland Group	Tebrau Bay Waterfront City	Malaysia	Dev Site	683
May	Bank of China	7 Bryant Park	Manhattan	Office	600
Jan	Ping An Insurance	Tower Place	London	Office	506
Oct	China Life Insurance (JV Qatar Investment Authority)	99 Bishopsgate	London	Office	420
May	Anbang Insurance	Merrill Lynch Financial Center	Manhattan	Office	414
Jul	Fosun International Ltd	Palazzo Broggi	Milan	Office	384

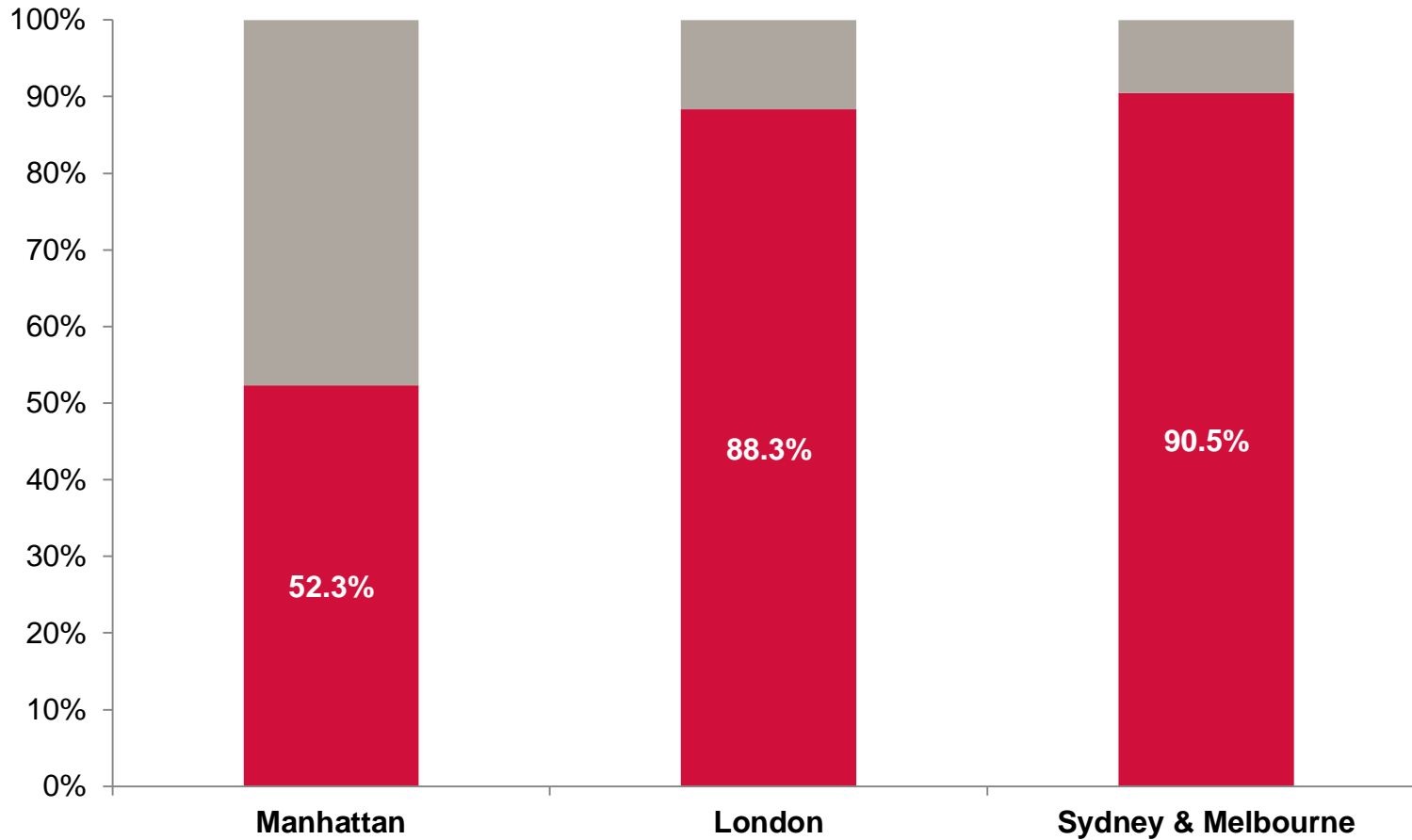
Source: RCA

Note: Data as at end 2015

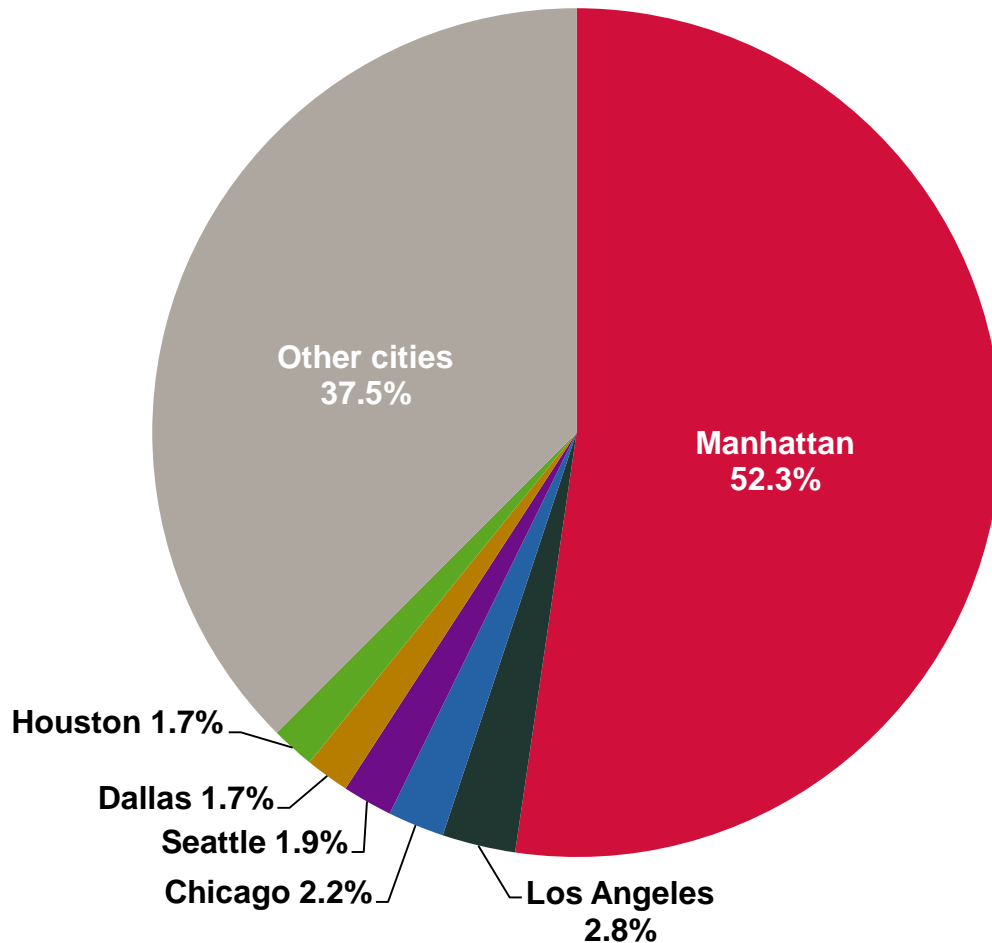
CHINESE OUTBOUND INVESTMENT IN GATEWAYS



CHINESE INVESTMENT HEAVILY FOCUSES IN GATEWAYS

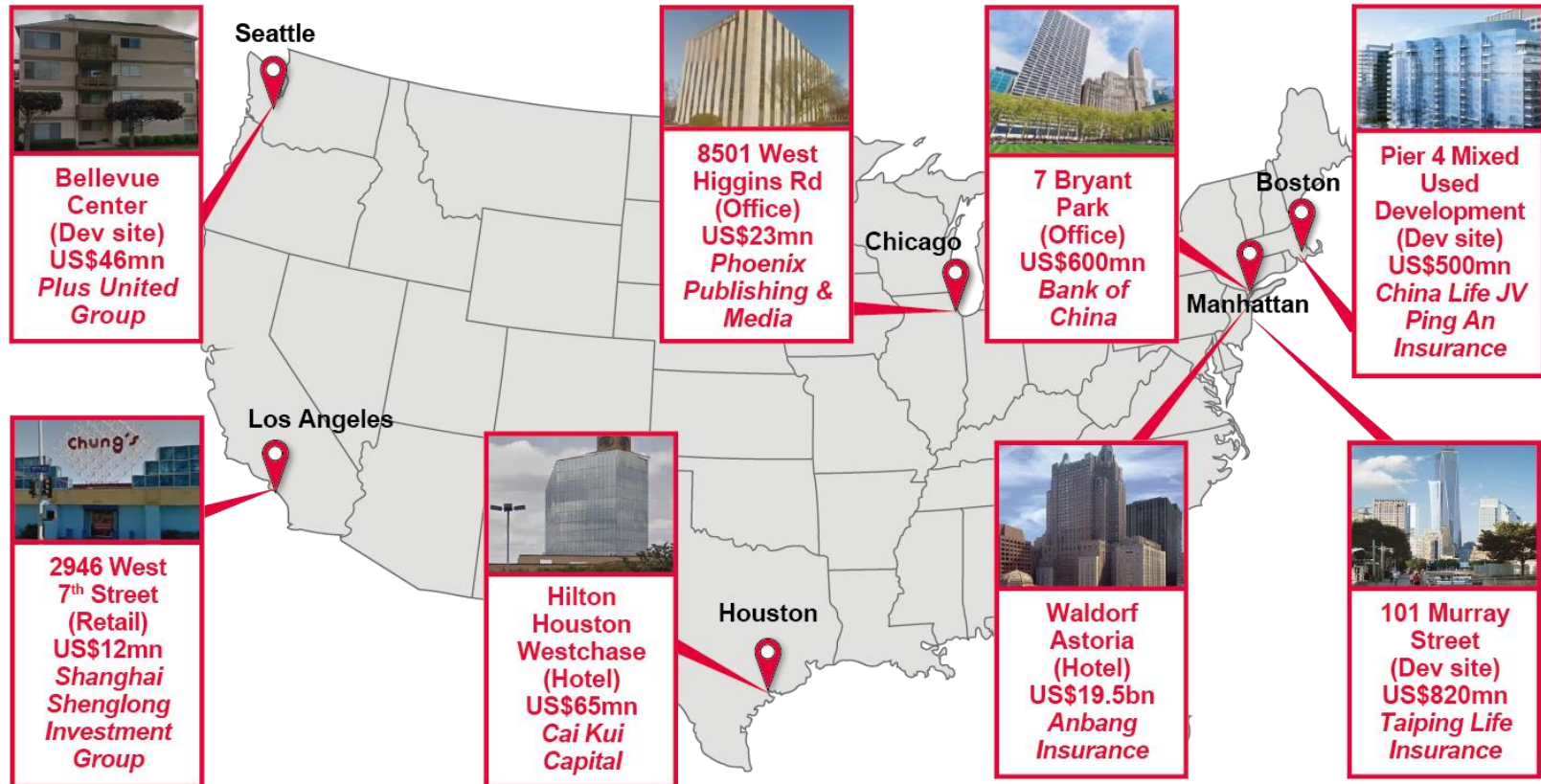


CHINESE INVESTMENT IN THE US IN 2015

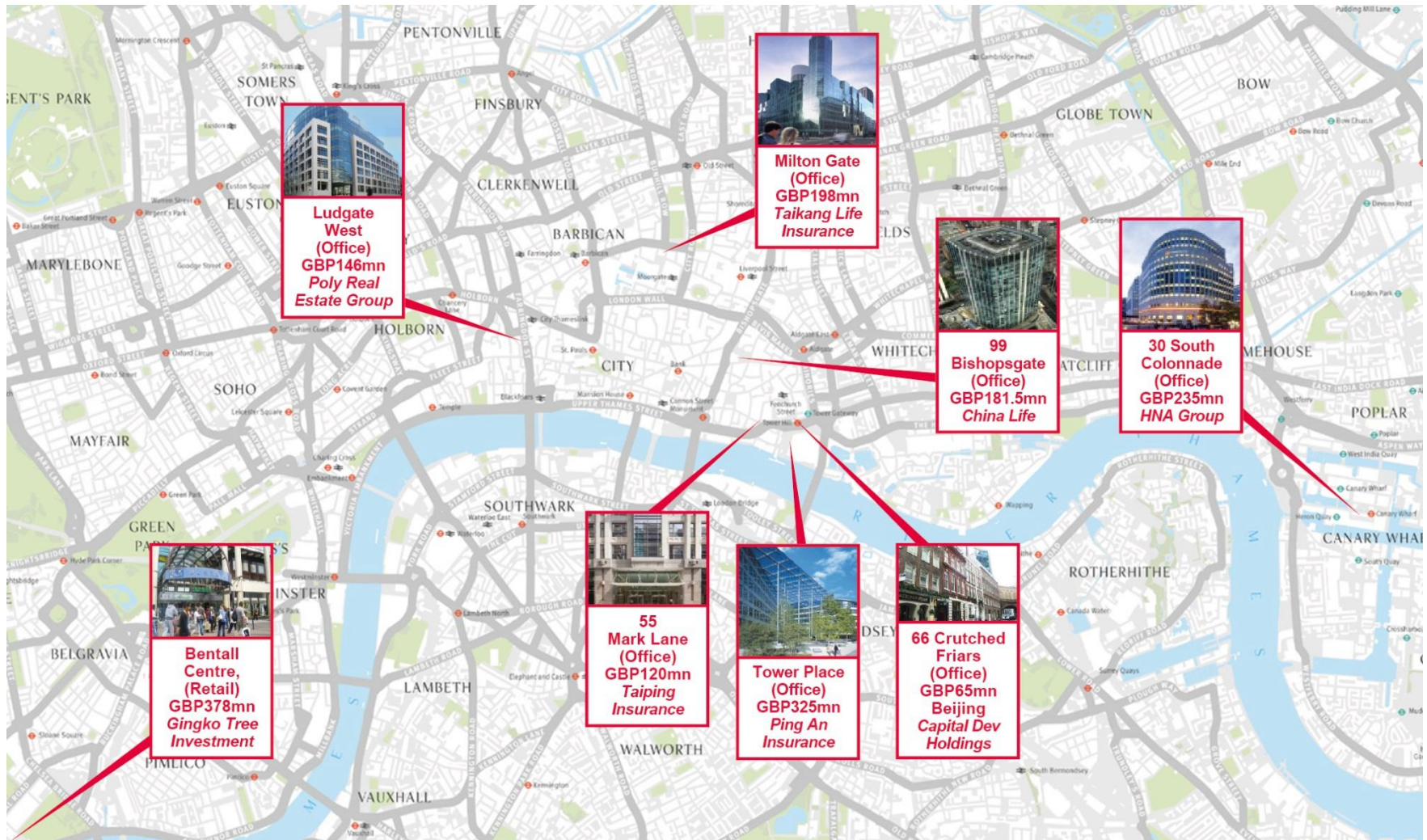


The majority of
US\$5.78 billion
Chinese capital flowed into Manhattan

CHINESE PURCHASES IN US: KEY TRANSACTIONS IN 2015



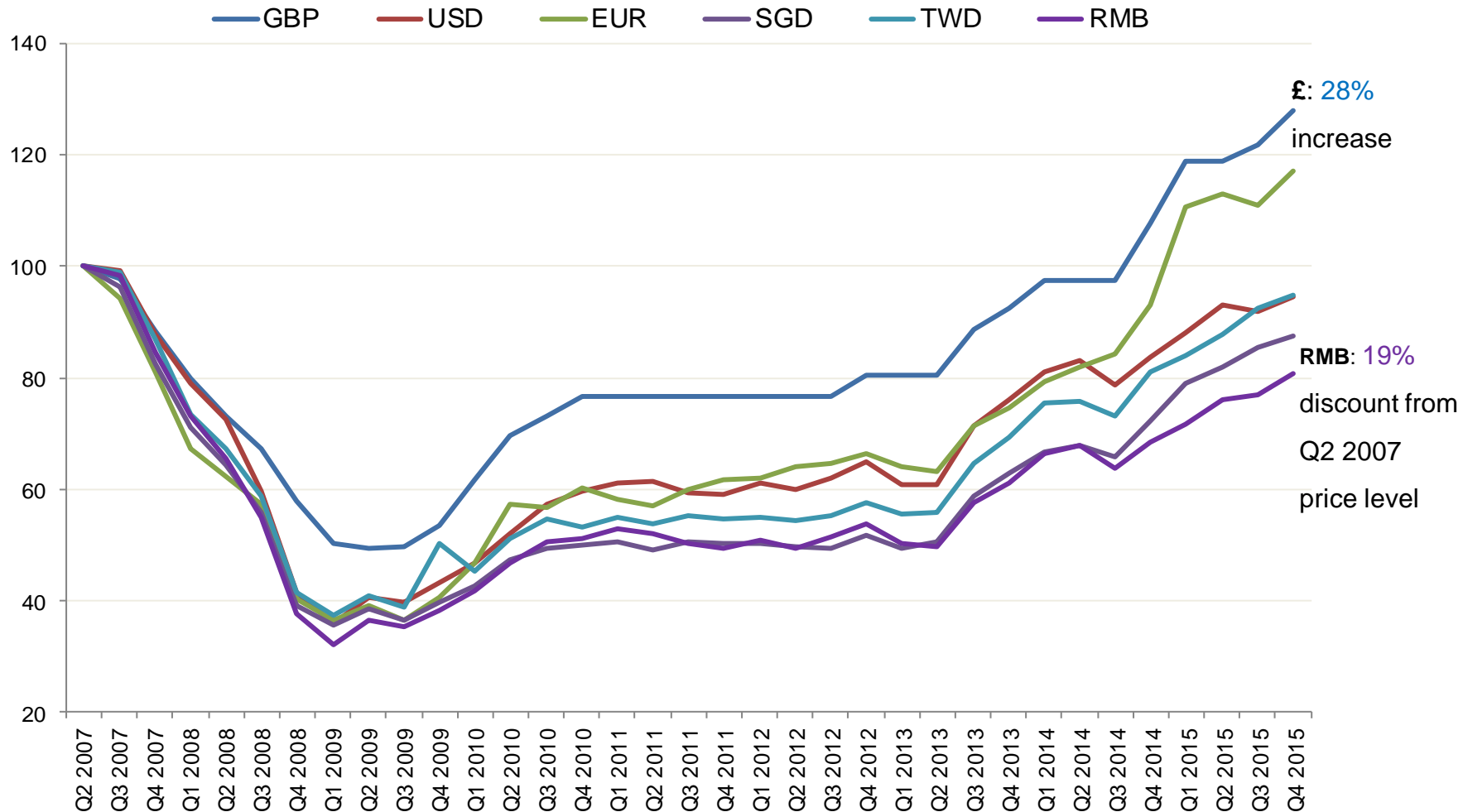
CHINESE PURCHASES IN LONDON: KEY TRANSACTIONS IN 2015



ADVANTAGES ENJOYED BY CHINESE PURCHASERS OVER OTHERS



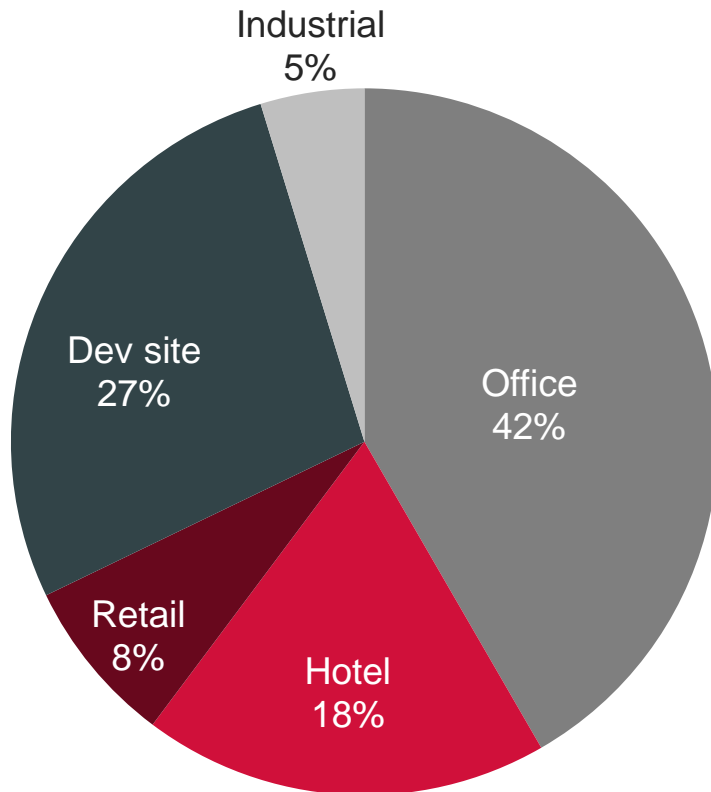
Commercial price index in the City of London



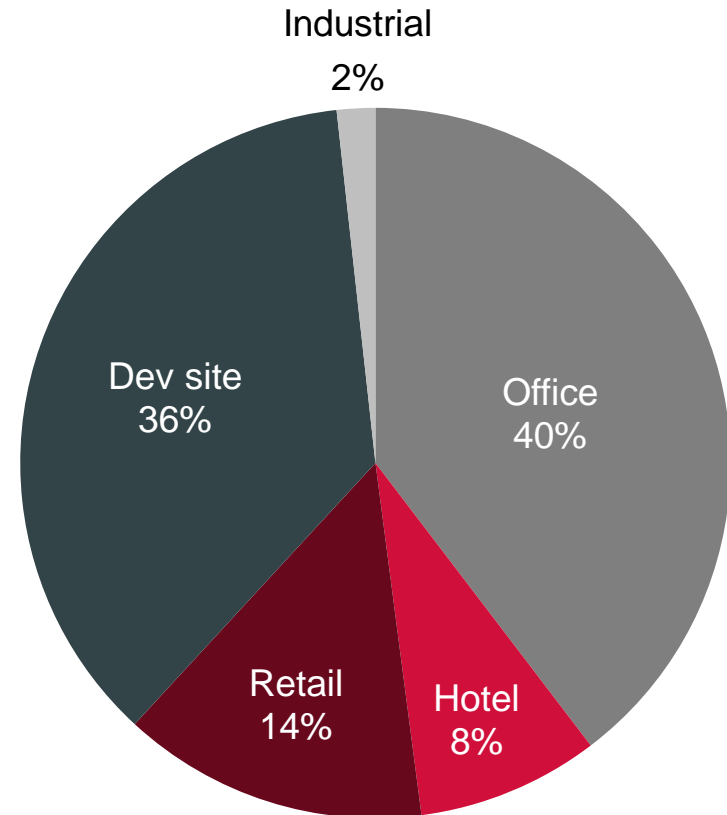
Source: Knight Frank Research

CHINESE OUTBOUND INVESTMENT BY SECTOR GLOBALLY

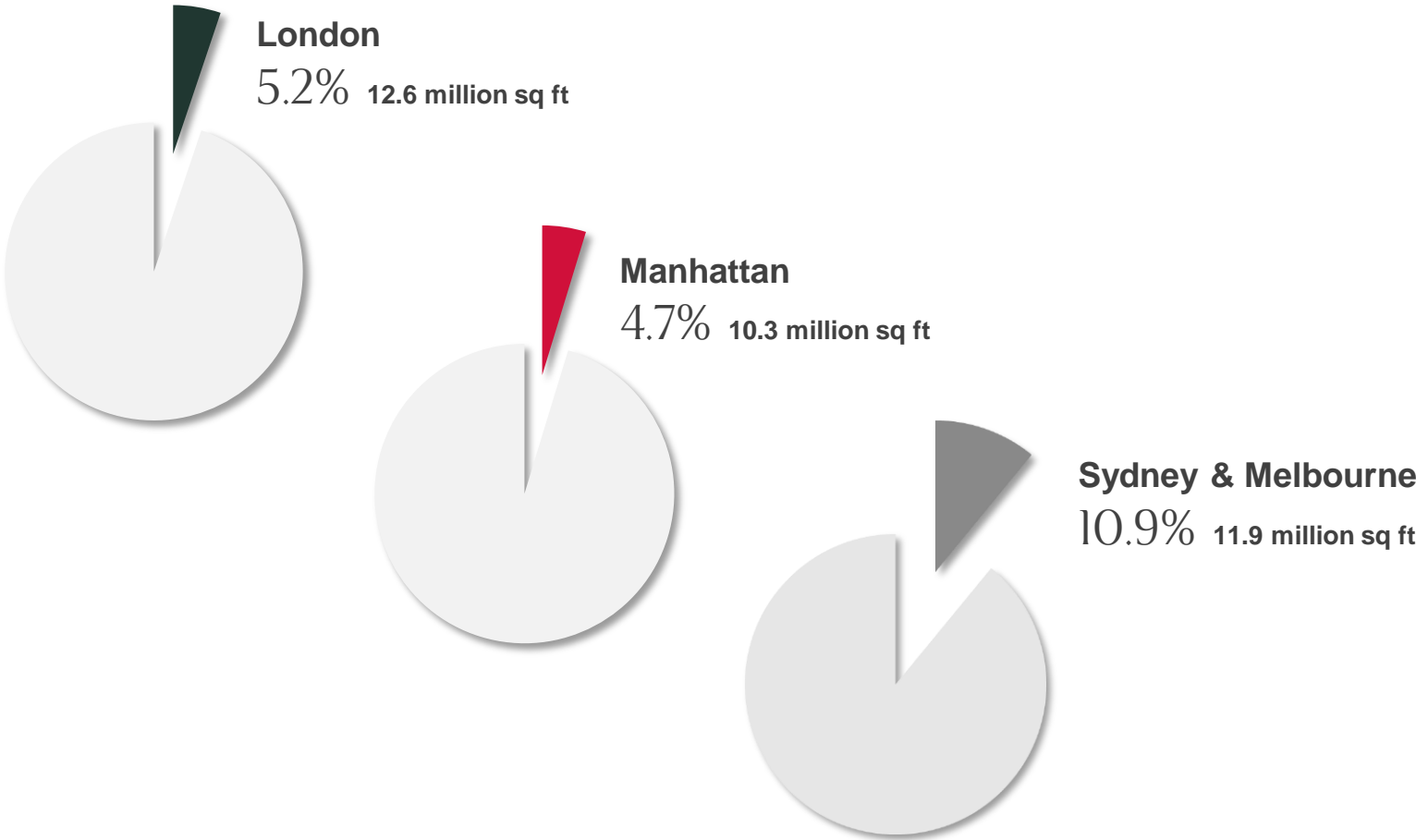
2015



2014



NEW SUPPLY'S RELATIVE SIZE TO TOTAL STOCK (2016-2019)



Source: NGKF, Knight Frank Research

HONG KONG MARKET

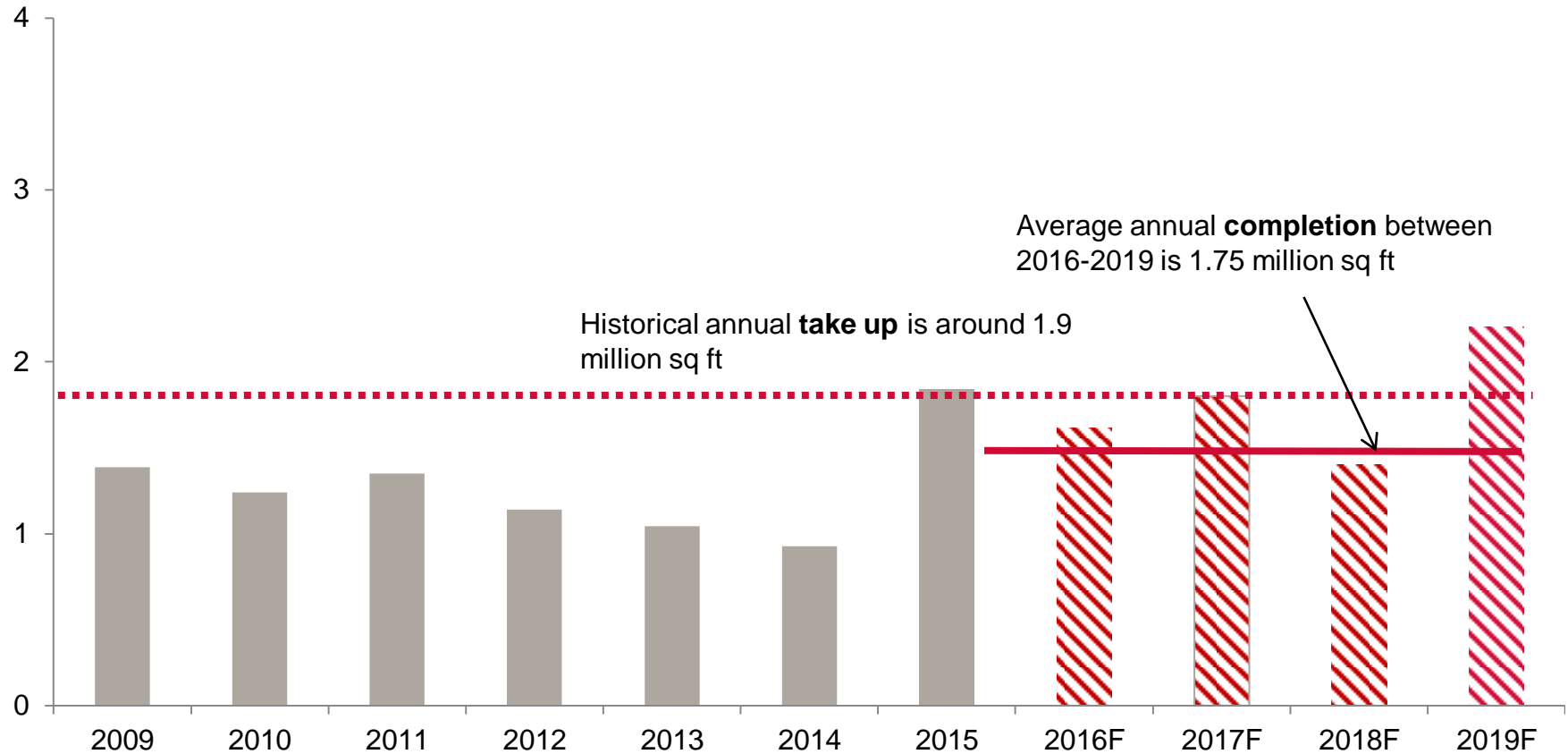
MAJOR DEALS COMPLETED BY CHINESE INSTITUTIONS IN HONG KONG IN 2015



Date	Purchaser	Property Name	Property Type	Consideration (US\$ million)
Nov	Evergrande Group	MassMutual Tower	Office	1,612.8
Sep	Shimao Property	New Kowloon Inland Lot No. 6542	Dev Site (Residential)	905.8
Nov	China Life Insurance	One HarbourGate	Office	755.1
Sep	China Poly Group	Tuen Mun Town Lot No. 542 Castle Peak Road	Dev Site (Residential)	223.2
May	CITIC Pacific	Sha Tin Town Lot No. 605	Dev Site (Residential)	189.5
Sep	Centralcon Group	11 Au Pui Wan Street	Dev Site (Mixed)	144.5
Dec	Chinalco Overseas Holdings Limited	Far East Finance Centre	Office	48.0

WHY THE OFFICE SECTOR: SUPPLY & DEMAND 2009-2019

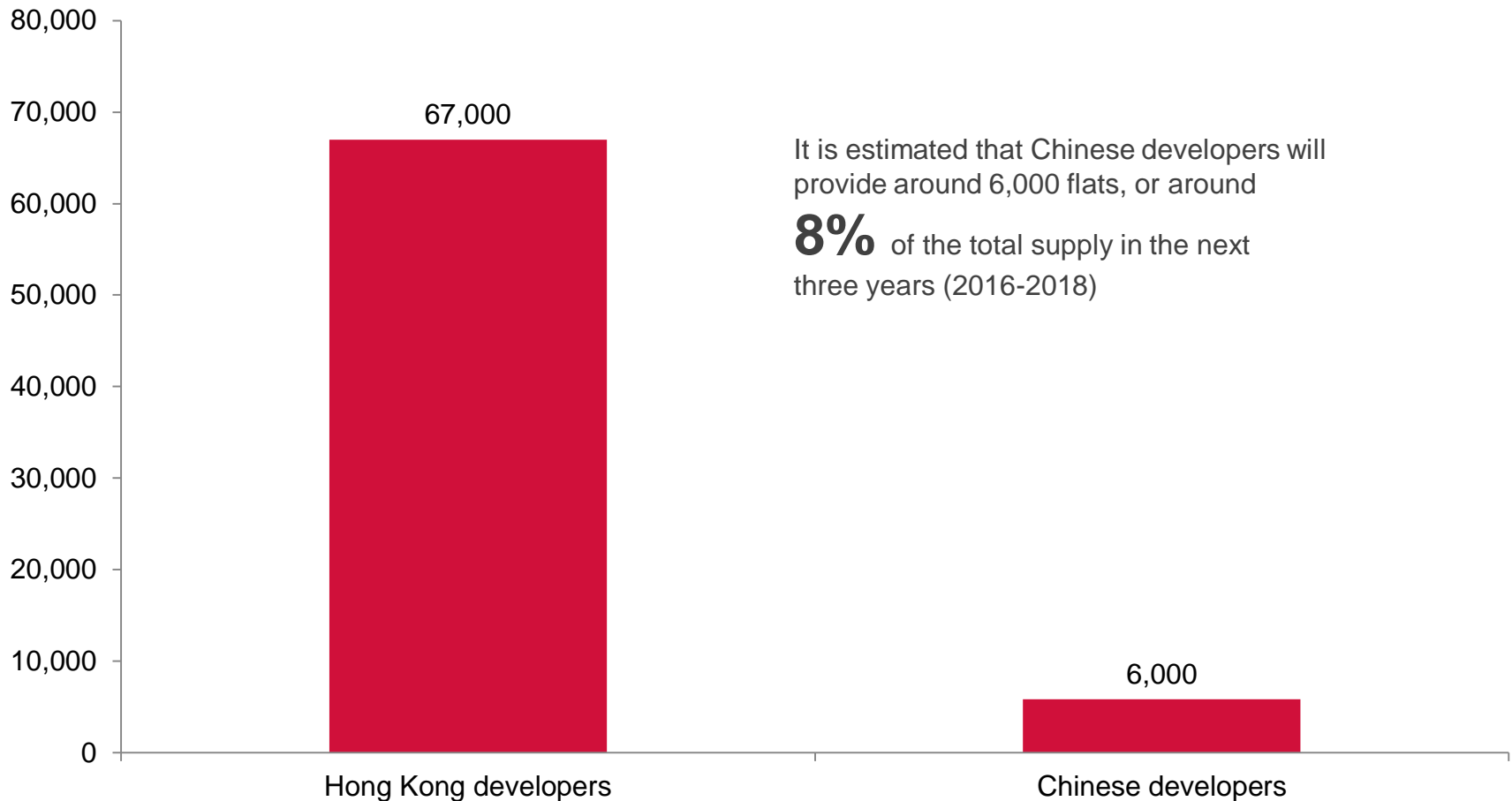
Grade-A office completion
(million sq ft)



CHINESE DEVELOPERS IN HONG KONG



No of flats



It is estimated that Chinese developers will provide around 6,000 flats, or around **8%** of the total supply in the next three years (2016-2018)

FUTURE TRENDS AND CONCLUSION

OUTBOUND INVESTMENT STATUS OF MAJOR CHINESE DEVELOPERS



Rank	Developer	2014 Property sales (US\$ billion)	Outbound investment status (2014)	Outbound investment status (2015)
1	Greenland Group	37.7	◆	◆
2	Vanke Group	33.7	◆	◆
3	Wanda Group	25.1	◆	◆
4	Poly Real Estate	21.4	◆	◆
5	Evergrande Group	20.6	◆	◆
6	Country Garden	20.2	◆	◆
7	China Overseas Land & Investment	17.6	◆	◆
8	Greentown China	12.4	◆	◆
9	Sunac China	11.2	◆	◆
10	Shimao Property	11.0	◆	◆

- ◆ In 2014, six of the top 10 developers invested off shore, by 2015, this rose to eight
- ◆ Looking at the next 10 in the ranking six also invested in 2015

Rank	Insurance company	2014 Premium income (US\$ billion)	Outbound investment status (2014)	Outbound investment status (2015)
1	China Life Insurance	58.2	◆	◆
2	PICC	51.9	◆	◆
3	Ping An Insurance	49.6	◆	◆
4	China Pacific Insurance	30.0	◆	◆
5	New China Life Insurance	17.2	◆	◆
6	China Taiping	12.3	◆	◆
7	Taikang Life	10.6	◆	◆
8	Anbang Insurance	9.1	◆	◆
9	Sunshine Insurance	6.1	◆	◆
10	Sino Life	5.7	◆	◆

- ◆ In 2014, four of the top 10 insurers invested off shore, by 2015, this rose to six
- ◆ None of the smaller insurers invested offshore

- ◆ Already made investment offshore
- ◆ No investment offshore

INSURERS' INVESTMENT IN DEVELOPERS GIVES DUAL EXPOSURE



	China Life Insurance*	Ping An Insurance*	New China Life Insurance	Anbang Insurance*	Sino Life Insurance	Foresea Life Insurance	Hexie Health Insurance
China Vanke*				7.01%		24.26%	
Greenland Group*		20.14%					
Country Garden*		9.91%					
Sino Ocean Land*	29.99%			29.98%			
China Jinmao			9.50%				
Gemdale Corporation*				14.60%	27.63%		
Financial Street Holdings				13.35%			15.88%
Landsea Group*		9.90%					

* The firm has also invested in overseas property markets

“FOURTH WAVE” INVESTORS LOOK AT REGIONAL HUBS

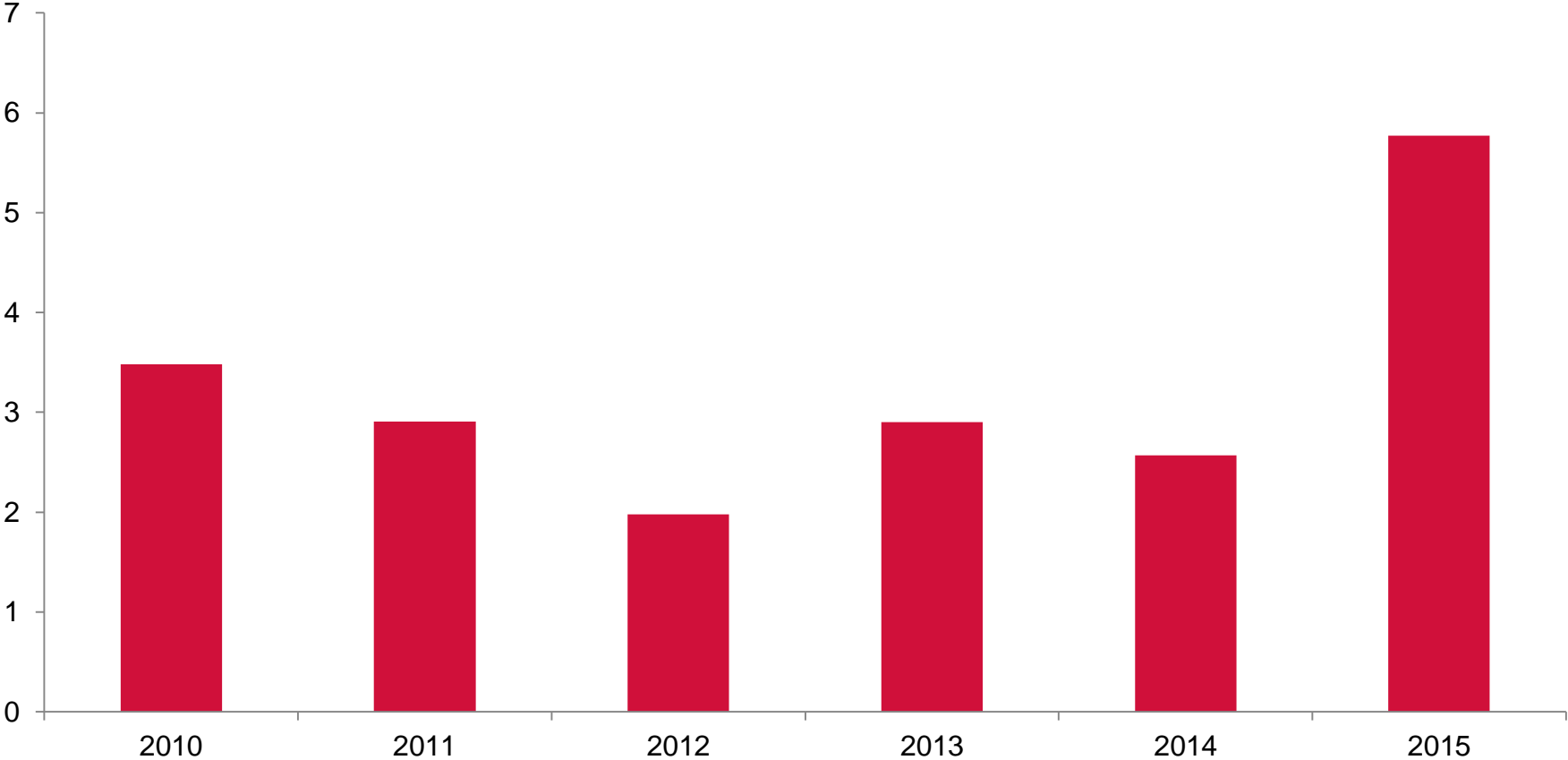


- ◆ “Fourth Wave” investors - a mixed group of investors consisting of lesser known small- to mid-cap companies and developers, private equity funds and individuals, who were increasingly active in overseas markets.
- ◆ These “Fourth Wave” investors are after quality stock available in primary and secondary locations, especially in the US and Australia.
- ◆ For example:
 - ◆ **Kuafu Properties**, a New-York based developer backed by a Chinese private fund, acquired four US properties within one year of entering the market, spending over US\$500 million.
 - ◆ **Landsea Group**, a small specialized developer, teamed up with Miami-based homebuilder Lennar to develop a condominium tower in Manhattan.
 - ◆ **Wanxiang Group**, an auto parts manufacturer, has invested in more than 60 US properties since 2010, including office, retail, industrial, hotel and development sites.
 - ◆ **Macrolink Group**, an international trader engaged mining, chemicals and financial investment acquired several plots in the Iskandar Development Region in Malaysia, where it plans to develop tourism-related projects.
 - ◆ **Nanshan Group**, a private-owned Chinese conglomerate, acquired the Pullman hotel at Sydney Airport for US\$61 million.

INBOUND PROPERTY INVESTMENT FOR SHANGHAI



US\$ billion



Source: RCA
Note: Excluding development site deals

TOP 10 SHANGHAI INBOUND DEALS IN 2015



Date	Purchaser	Seller	Property Name	Property Type	Consideration (US\$ million)
Aug	The Link REIT	Shui On Land Limited JV Brookfield Property Partners	Corporate Ave 1 & 2	Office	1,031
Dec	Lee Kum Kee JV China Vanke	Shui On Land Limited	Corporate Avenue 3	Office	891
Sep	ARA Asset Management Group	CSI Properties	Platinum Tower	Office	448
Aug	Yuexiu REIT	Carlyle Group JV CLSA Capital (Citic)	Hongjia Tower	Office	423
Dec	ARA Asset Management Group	Gaopeng Shanghai RE	BEA Finance Tower	Office	422
Aug	Blackstone	LVMH JV Arnault family	L'Avenue	Office	403
Aug	PAG JV Goldman Sachs	Gaw Capital JV He Xiaoqiong	Ciro's Plaza	Office	330
Jun	Mapletree Commercial Trust	Morgan Stanley	Sandhill Plaza	Office	303
Jan	AVIC Joy Holdings (HK) Ltd	Franshion Properties JV Shanghai International Port Group Co Ltd	Shanghai Intl Shipping Service Center (Bldg 17)	Office	252
Oct	Carlyle Group	Yuchang Property Group	Manpo International Plaza	Office	233

Source: RCA

Note: Excluding development site deals. Preliminary data as at December 2015.

- ◆ Chinese outbound investment is expected to be strong in 2016, supported by a growing need of diversification from the cooling domestic market.
- ◆ Going forward, the US, given its market depth and diversity, will remain the most important destination for Chinese investors. Large institutions will continue to target major gateways where there is quality pipeline and strong rental and capital value growth prospects. Meanwhile, small- to mid-cap (so-called “Fourth Wave”) investors will seek opportunities in regional hubs.
- ◆ Chinese insurance companies will remain as the key investor in the next few years. They will also continue to take an interest in developers who have extensively expanded overseas.
- ◆ Open, business friendly, and with sufficient supply of quality commercial property, Shanghai has become the focus for inbound investment into China.
- ◆ In contrast to recent curb on outflow of individual funds, the Chinese government’s various initiatives, such as “Belt and Road” and Asian Infrastructure Development Bank, are going to encourage Chinese firms and their investment expand overseas.

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