RESEARCH

PRIME ASIA DEVELOPMENT LAND INDEX

APRIL 2014

- Knight Frank's inaugural Prime Asia Development Land Index derives the price of prime residential (apartment or condominium) and commercial (office) development land in 13 major cities across Asia. It is the first index of its kind to track development land prices across the region.
- The results show that in the two years from December 2011, 24 of the 26 Asian markets (13 residential and 13 office) saw an increase in their indices, reflecting increasing prime land prices amid tight supply and strong demand.
- Emerging Southeast Asian markets dominate the top of the rankings, with Jakarta and Bangkok both seeing significant price increases. The mature markets of Hong Kong, Singapore and Tokyo saw the lowest price growth.
- With competition for prime development sites remaining as strong as ever, increasing numbers of developers and investors are looking overseas for opportunities.

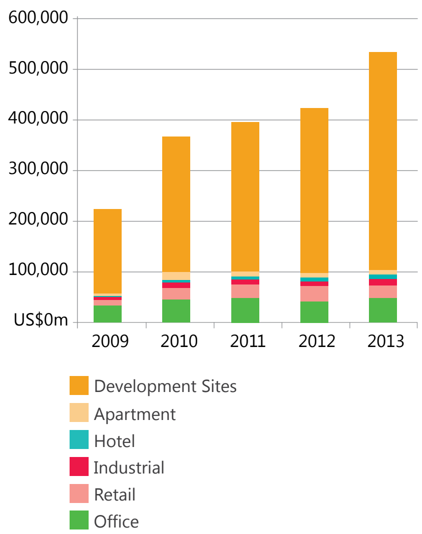
CONTENTS

INTRODUCTION

KNIGHT FRANK RESEARCH HAS PRODUCED THE FIRST COMPREHENSIVE SET OF PRIME DEVELOPMENT LAND INDICES, TRACKING RESIDENTIAL AND OFFICE LAND PRICES ACROSS KEY ASIAN CITIES

Figure 1

Investment volumes in Asia (US$ million)



Source : Real Capital Analytics, Knight Frank Research

There is undoubtedly a gap in Asian property research when it comes to the development market. Currently, no comprehensive regional tracking of development land exists and there is little literature out there to help inform developers, investors, financers or policy makers.

Yet the importance of development land markets across Asia is undeniable. Development sites make up, by far the largest proportion of investment volumes across the region (**see fig. 1**), and we are seeing investors and developers of all stripes increasingly looking at development opportunities in their home markets and abroad.

In order to help bridge the gap in current literature, Knight Frank's research teams across Asia have been working over the last two years, to produce the **Knight Frank Prime Asia Development Land Index**, which we are proud to present for the first time in this report.

The results of this research, displayed over the coming pages, produce some interesting findings (**for an overview see pages 4-5**). Perhaps the most outstanding result comes from Indonesia, where prime land prices in Jakarta have seen triple digit increases, while at the other end of the scale, Hong Kong has seen its land prices soften over the last 12 months – a consequence largely of a cooling market and higher construction costs.

We consider the results and some of the key themes impacting Asian land prices, including the maturity of the market, the rise in recent years of cross-border development activity, the importance of China and the difficulties in pricing land in parts of developing Asia (**see pages 6-7**).

Following this thematic analysis, our experts from across the region then provide a localised analysis of the development market, identifying key recent transactions, major trends, opportunities and risks and provide an outlook for the year ahead (**see pages 8-20**).

When faced with the task of tracking development land price changes over time, across multiple markets with differing levels of transparency, the challenge is substantial. Setting up a robust methodology was essential to ensure the credibility of our indices. A full explanation of the index methodology is provided on **page 21**.

Knight Frank provides expert advice on the acquisition and disposal of land, the consultancy, research and feasibility in relation to potential projects, and project sales and leasing services in order to ensure maximum returns for the developer. We are seen by many developers and land owners as the consultancy of choice.

We hope that you enjoy the report's findings and it provides you with some new insights into the prime development land markets in the region. Please do not hesitate to contact me or any member of Knight Frank's team if we can be of assistance.

Nicholas Holt
Asia Pacific Head of Research

RESULTS AT A GLANCE

KNIGHT FRANK PRIME ASIA DEVELOPMENT LAND INDICES BY CITY
12-MONTH % CHANGE (DECEMBER 2012 - DECEMBER 2013)

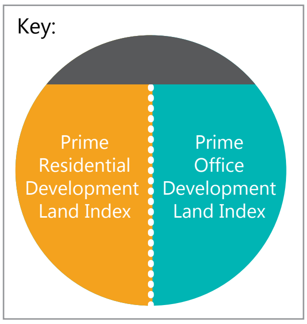


Figure 2
Land Price Ranking*

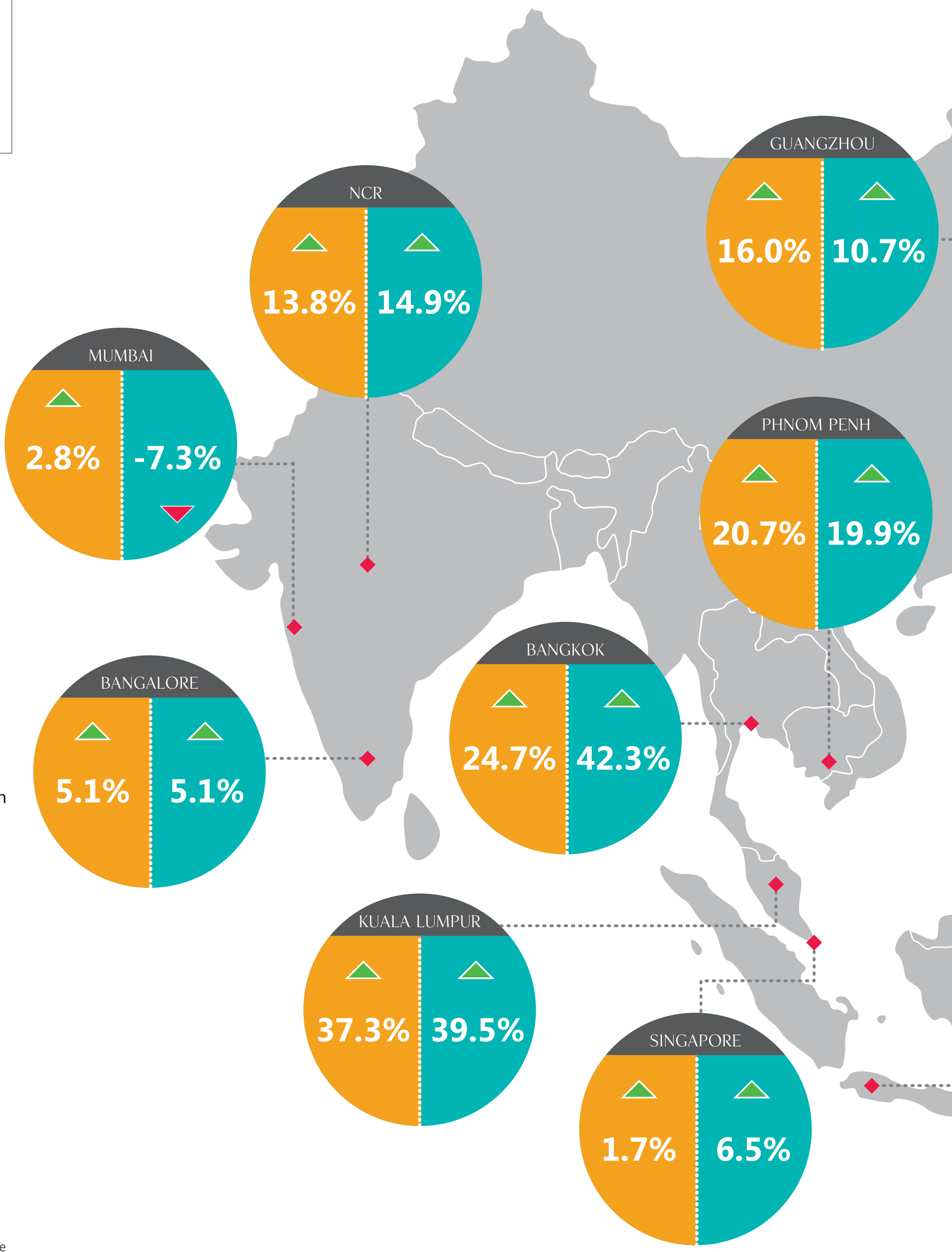
MOST EXPENSIVE

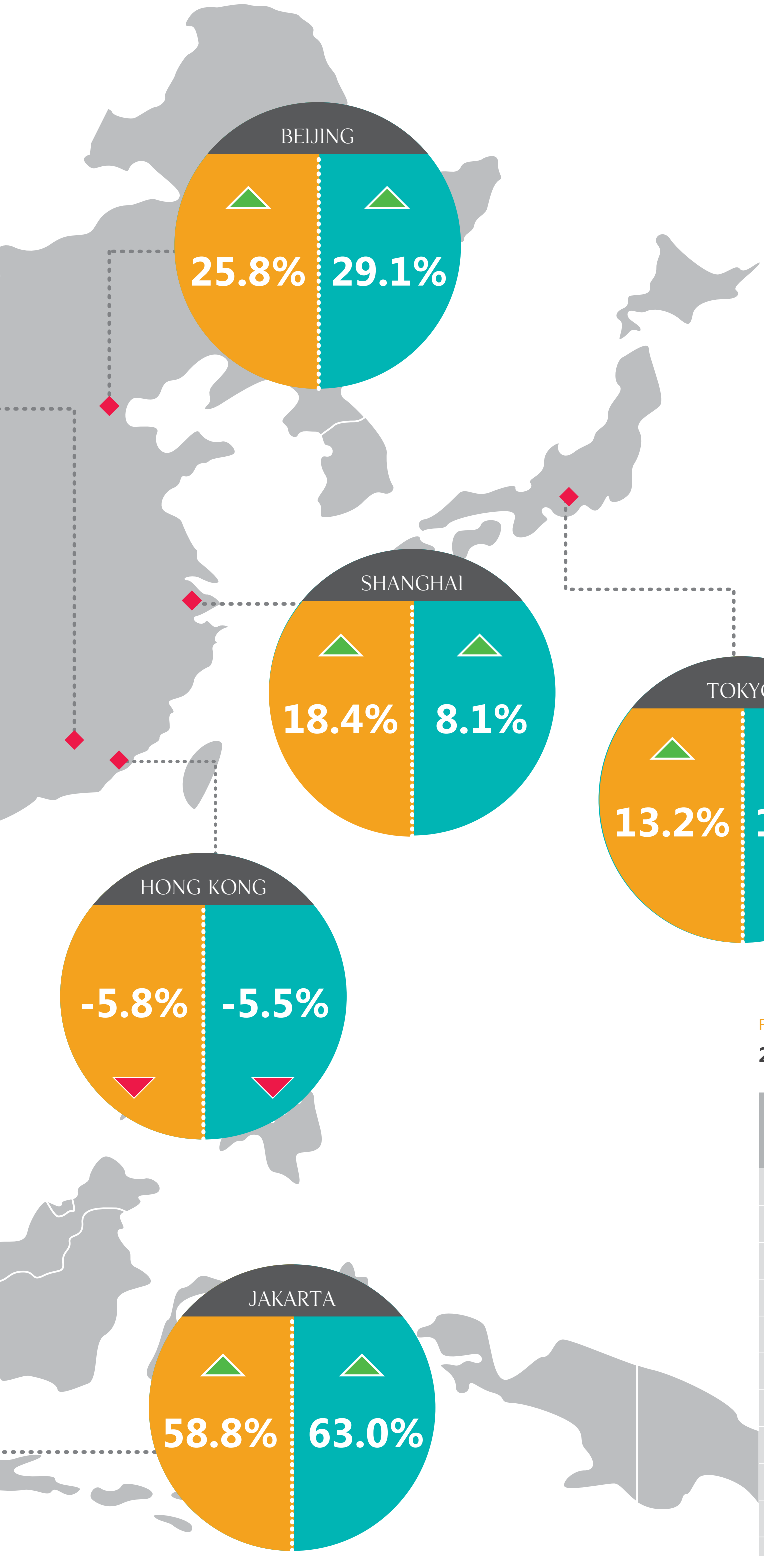
- Hong Kong
- Singapore
- Tokyo
- Shanghai
- Guangzhou
- Beijing
- Mumbai
- National Capital Region (NCR)
- Bangkok
- Jakarta
- Kuala Lumpur
- Phnom Penh
- Bangalore

LEAST EXPENSIVE

Source : Knight Frank Research

*Based on the average value of the prime residential and commercial (office) sites tracked

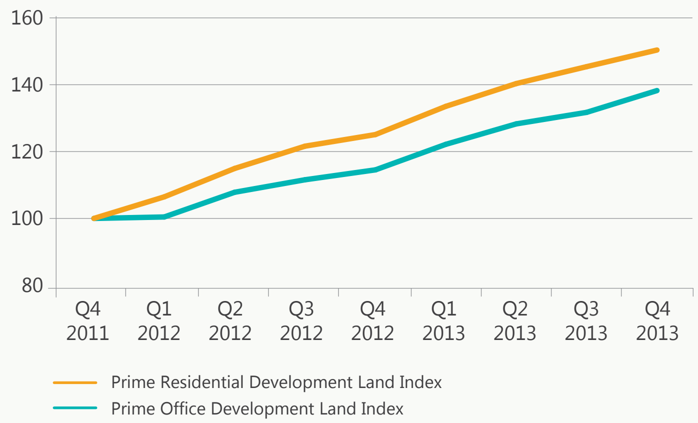




Source : Knight Frank Research

Figure 3

Prime Asia Development Land Index (unweighted)



Source : Knight Frank Research

Figure 4

24-month % change (December 2011 - December 2013)

	Prime Residential Development Land Indices by City	Prime Office Development Land Indices by City
Bangkok	190.7%	52.6%
Jakarta	184.0%	192.3%
Kuala Lumpur	67.2%	64.9%
Beijing	37.0%	53.1%
Phnom Penh	35.7%	35.3%
Mumbai	35.2%	-13.1%
Guangzhou	30.8%	28.7%
Bangalore	26.1%	12.9%
NCR	24.9%	16.3%
Shanghai	20.0%	19.4%
Tokyo	4.7%	7.0%
Hong Kong	0.1%	8.7%
Singapore	-1.4%	19.1%

Source : Knight Frank Research

ANALYSIS – DEVELOPMENT IN DEMAND

THE RESULTS OF KNIGHT FRANK'S INAUGURAL PRIME ASIA DEVELOPMENT LAND INDEX SHOW SOUTHEAST ASIAN OUTPERFORMANCE, SLOWER PRICE GROWTH IN DEVELOPED MARKETS AND AN INCREASE IN CROSS BORDER ACTIVITY ACROSS THE REGION. NICHOLAS HOLT EXPLORES THESE AND OTHER TRENDS IN MORE DETAIL.

> "On a pure pricing level, whether on a land or plot ratio basis, prime development land remains highest in the developed markets of Hong Kong, Singapore and Tokyo."

Knight Frank's Prime Asia Development Land Index increased by 50.4% and 38.3% for residential and office respectively over the two years to Q4 2013 (20.2% and 20.7% over the last 12 months). Although these unweighted average figures indicate strong regional performance for development land, our analysis must be nuanced, as in each market; performance, characteristics and indeed drivers can differ significantly.

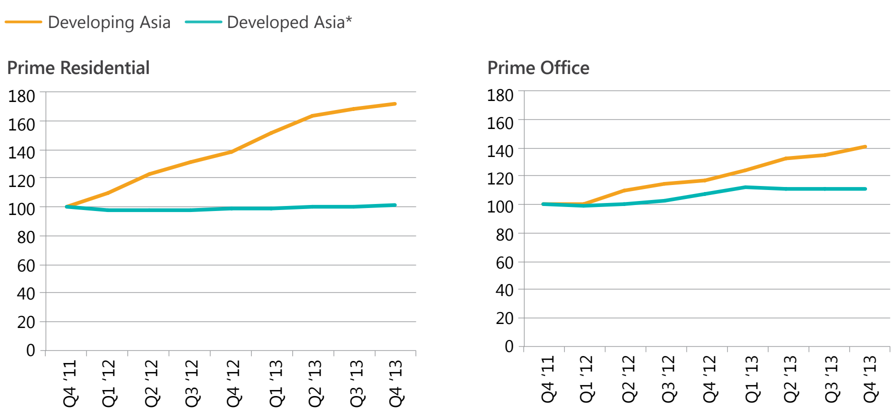
A first look at the index shows that out of the 13 markets tracked, Southeast Asian locations make up four of the top five cities when ranked by the growth in land prices – for both residential and office development land.

The stand out market amongst these is Jakarta, where the prime residential index showed a massive increase of 184.0% over the last two years, edged slightly by the prime office index which increased 192.3% (see page 18). Transformed over the last 15 years into a relatively open, stable and democratic country, and fuelled by a growing middle class, demand for both high end condominiums and premium office space in Indonesia's capital has shot up over the last two to three years. Recent deals in the city suggest that Jakarta land values are catching up with other countries in Asia.

A similar story is occurring in Bangkok (see page 22), where the huge increase in the price of residential development land in central Bangkok is reflected in the highest increase over two years in any of our indices (190.7%). Kuala Lumpur (see page 20), despite a mixed performance in its real estate markets, has seen the price of prime development sites in a very tight market increase significantly. Phnom Penh, the final

Figure 5

Developing vs. Developed Asia Prime Asia Development Land Index (unweighted)



Source : Knight Frank Research
**Developed Asia refers to Hong Kong, Singapore and Tokyo*

Southeast Asian market in the top grouping (see page 10) saw both its indices increase rapidly, driven by increasing demand from domestic and international players.

The absence of our other key Southeast Asian market, Singapore, from this top grouping, points us to another interesting trend across the region. The level of maturity of the market, which seems not only to have been a factor in price performance, but is also an indicator of the characteristics of the markets – leads us to make some more general observations as to land markets.

In developing Asia we are seeing low liquidity and rapid land price appreciation, while in developed Asia (HK, SG and Tokyo) we see the highest land prices and redevelopment opportunities.

Perhaps not surprisingly, developing Asia is seeing a much larger magnitude of growth in its indices than developed Asia (see fig. 5). This is down to the strong growth in the value of prime residential and commercial property over the last two years and the lower price bases these markets were coming from.

These developing Asian markets are seeing their prime residential markets being fuelled by the creation of wealth, and the growth in number of High Net Worth Individuals (HNWIs). Meanwhile, prime office capital values in leading developing Asian cities are catching up with the values that we see in Hong Kong, Singapore and Tokyo as local and multinational occupiers drive up rents in and around the CBD, while prime yields continue to compress.

For developers in many parts of developing Asia, the rapidly appreciating price of land and its scarcity has provided incentives to land bank i.e. buy up land and sit on it until a more profitable time to develop. Total returns (or a development's IRR) for many developers in less mature markets are not highly leveraged using capital markets, as we see in the west – but more reliant on increasing land values and traditional funding sources.

It must be noted however that on a pure pricing level, whether on a land or plot ratio basis, prime development land remains highest in the developed markets of Hong Kong, Singapore and Tokyo (see fig. 2, page 4). In these mature markets, the lack of prime development land has led to more emphasis on redevelopment opportunities, while given the higher cost of land and in some cases high holding taxes, there is often more pressure to develop quickly. Although we generally see more liquidity in these mature cities - land price growth has been weaker. In these markets, the past two years has seen the Prime Asia Development Land Index increase by an average of 1.1% and 11.6% for residential and office land respectively (see fig. 5).

ASIAN CROSS-BORDER DEVELOPMENT ACTIVITY ON THE INCREASE...

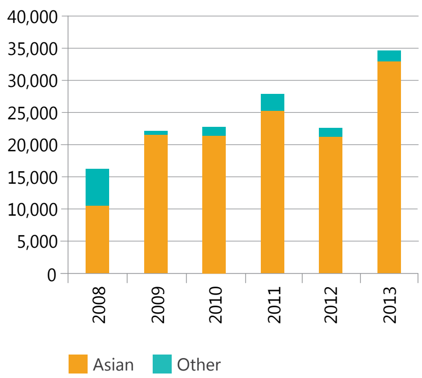
The lack of prime income producing assets on the market has led to many investors increasingly looking at taking on development risk, not just in their home markets, but also offshore. While the western markets of Australia, UK and US have been the recipients of significant amounts of Asian developer's capital, intra-Asian capital flows are also on the increase.

The motivation to go into foreign markets is not only diversification, but brand

Figure 6

Intra-Asian developer activity

Origin of cross-border investment volumes in Asia (US$ million, development sites>US$ 10 million)



Source : Real Capital Analytics, Knight Frank Research

> "The motivation to go into foreign markets is not only diversification, but brand building, growth and learning prospects."

“While intuitively, a change in construction costs should have an impact on land prices, this is not always the case as prices are often more “sticky downwards”.”

building, growth and learning prospects. In the destination markets, the chance to partner with an experienced foreign developer, to benefit from the branding and to tap into foreign expertise has been a key motivator. We expect this movement of developers going offshore into joint ventures to increase, not only due to the factors mentioned – but also due to push factors in local markets.

...ENCOURAGED BY COOLING MEASURES IN THE RESIDENTIAL MARKETS

The last few years have seen numerous rounds of cooling measures introduced, most notably into the Chinese, Singaporean, Hong Kong and Malaysian residential markets. The aims of the interventions are broadly the same across all of the key markets; control price inflation, reduce the role of speculators and help support first-time buyers. The tools used being a mixture of fiscal policy, supply side intervention, home buyers regulations and financing restrictions. The impacts of these cooling measures have started to really be seen in the Hong Kong, Singapore and Malaysian markets – with profits getting squeezed, prompting developers to increasingly look overseas for opportunities.

CHINA DOMINATES

Taking a wider view of the region, over the last two decades, the conversion of agricultural land in China to urban land has been an unprecedented phenomenon. The Chinese state is the most significant vendor of development land (land use rights) in the region by far (see fig. 7). Tier 1 cities have seen their population continue to grow, increasing the demand for residential and commercial space. The importance of revenue from land sales to local authorities' balance sheets has also led to potential conflicting interests in terms of the state government's actions to try and cool the markets.

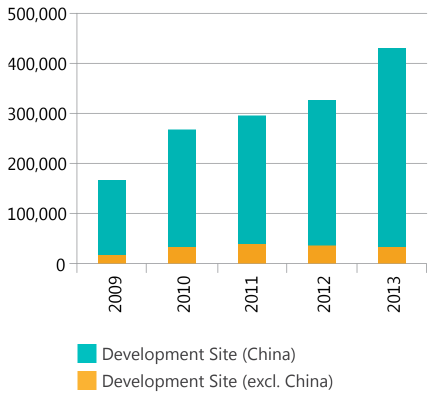
The performance of the Chinese economy, which has been significantly speculated upon over the past 24 months, has remained robust, despite a slowdown as the economy starts to rebalance. While slower growth will impact the real estate market, the continued urbanisation and demand for quality product will ensure demand for prime land remains strong.

The Chinese development market, while dominated by domestic players, has also seen foreign developers from countries including Hong Kong, Singapore, Taiwan, Japan and the US gain some exposure over the last two years.

Figure 7

Investment volumes in Asia

(US$ million, development sites>US$ 10 million)



Source : Real Capital Analytics, Knight Frank Research

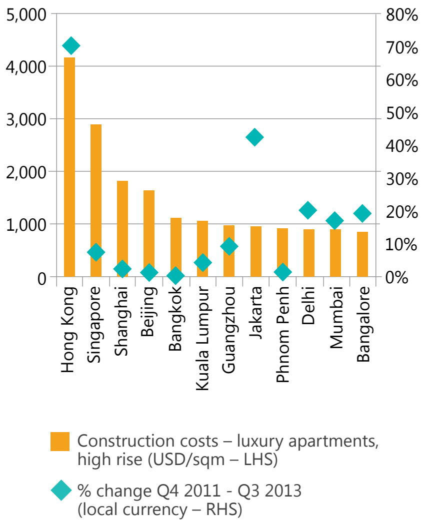
INPUT COSTS MAKE A DIFFERENCE

Coming back to the results of our indices, according to data provided by Langdon and Seah, an international quantity surveyor, construction costs have increased across most markets during the period of analysis (see fig. 8). While intuitively, a change in construction costs should have an impact on land prices, this is not always the case as prices are often more “sticky downwards”. Nevertheless, in certain markets, sharp changes in construction costs have undoubtedly had an impact.

In Hong Kong for example, the dramatic 70% increase in construction costs (Q4 2011 to Q3 2013), has been a significant factor in the subdued land price performance, given the rapid rise in property prices of the last few years. In Jakarta, cost push inflation has likely been passed on to the end users in the form of price or rental increases – with land prices seemingly shrugging off a significant increase in the cost of developing end product.

Figure 8

Construction costs for high rise, luxury apartments



Source : Langdon and Seah

COST OF DEBT AND EQUITY CAN ACCOUNT FOR PRICING DIFFERENTIALS

The cost of capital will also have an impact on the amount a developer is willing to pay for land, and this ultimately accounts for a large proportion of pricing differentials we see. While the development industry in the west has traditionally been highly leveraged, with bank debt the most common funding source, in parts of Asia, equity rich developers often have much lower costs of capital and are therefore willing to pay more. Additionally, a developer's expectation of future growth – will all vary slightly from one to another, leading to pricing differences. This is the key reason as to why modelling price changes can be so tricky.

While Knight Frank's Prime Development Land Indices reflect the price that land would be expected to be exchanged, this may not always be the reality. More generally, although the land price should be a function of the end value, in certain markets, this is not always the case; and we sometimes witness a two-tier market for land, whereby local developers or investors are willing to pay a significant premium (above what a reasonable foreign purchaser would maybe pay) for various reasons. This is especially apparent in developing markets such as Cambodia and Vietnam.

CONCLUSION

Knight Frank's inaugural Prime Asia Development Land Index shows significant land price appreciation in developing Asian markets with more mixed results in developed Asia. Competition for prime development land continues to be high in most markets with opportunities limited. Fundamentally, this will underpin solid future price performance.

Looking forward into 2014, residential development land markets, which have generally outperformed office (or commercial) development land markets, in part due to growth in wealth but also through loose monetary policy, are expected to be under some pressure. The impact of cooling measures in a number of markets and the looming risk of rising monetary costs are the most significant risks to the sector. Prime office land markets on the other hand, will be more sensitive to the macro economic climate, demand and supply dynamics and their respective positions on the economic cycle.

“In parts of Asia, equity rich developers often have much lower costs of capital and are therefore willing to pay more.”

PHNOM PENH

ROSS WHEBLE
Country Manager
Knight Frank Cambodia

INTRODUCTION

Knight Frank's Prime Residential Development Land Index registered an increase of 20.7% over 2013 in Cambodia's capital city, whilst the Prime Office Development Land Index registered an increase of 19.9% over the same period.

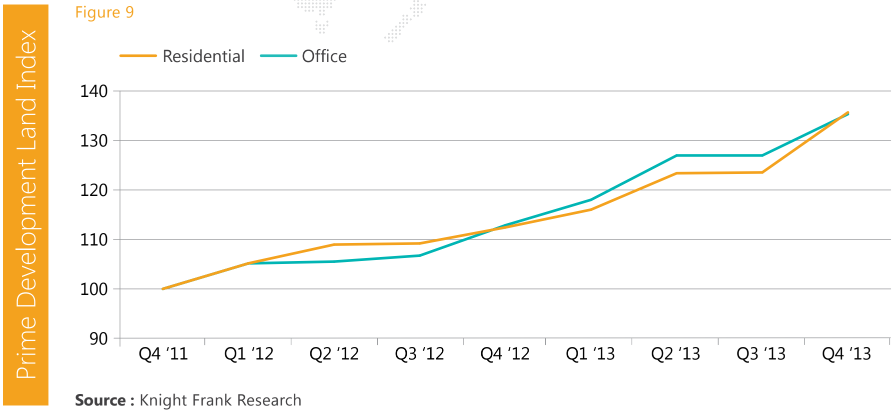
ACTIVITY

This rapid growth in land prices has been underpinned by renewed interest from both international and local developers subsequent to the Global Financial Crisis (GFC). Prior to the onset of the GFC, Cambodia experienced somewhat of a property boom and land prices increased significantly between 2003 and 2008, with local speculators driving up land prices to unsustainable and unjustifiable levels. Several international developers also entered the market with ambitious mixed use development projects yet to be introduced to Cambodia, including Malaysia's Sunway Group, South Korea's Yon Woo (Cambodia) and World City Co. Ltd, and a joint venture between Indonesia's Ciptura and Cambodia's YLP Group.

However, Cambodia's economy was heavily impacted during the GFC and land and property prices declined by as much as 50% between 2008 and 2010. Many of the developments that had been undertaken by foreign developers stalled, a number of which have yet to be revived.

In an attempt to stimulate the market, the Cambodian Government introduced two key pieces of legislation; in 2009 a sub-decree for the Management and Use of Co-owned Buildings which allowed building owners to obtain strata titles, thus enabling purchasers to obtain a hard title for individual units, and in 2010 the Law of Foreign Ownership which enabled foreign purchasers under certain conditions to acquire freehold property (only 1st floor and above).

Figure 9



Source : Knight Frank Research

> "Rapid growth in land prices has been underpinned by renewed interest from both international and local developers subsequent to the Global Financial Crisis."

These policies helped reverse the decline in land prices towards the second half of 2010, supported by increasing demand from foreign purchasers of condominiums and rising office rents due to a limited supply of Grade A office space. Both development land indices registered an impressive growth of between 15% and 20% per annum between 2011 and 2013; although prices have yet to reach levels achieved at the peak of the market in 2008.

OUTLOOK

The growth momentum in the Prime Residential Development Land Index is expected to continue into 2014, albeit at a more moderate rate. The Prime Office Development Land Index is expected to enter a period of consolidation as the completion of Vattanac Tower will put downward pressure on existing office rents and the 112 hectare Boeung Kak Lake development on the fringe of the CBD brings an unprecedented amount of new supply to the market.

Development Market

Figure 10

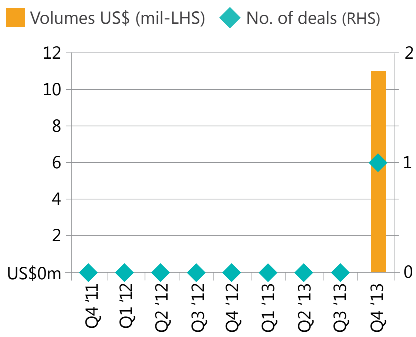
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
Street 84	Residential	Oxley Holdings Limited	11.3	1,700	A redevelopment opportunity suitable for residential	Nov-13
National Assembly Street	Commercial	Oxley Holdings Limited	49.2	4,098	1 .2 ha. site in proximity to the under construction Aeon shopping mall	Pending
Lot 19 Village 13	Commercial	Oxley Holdings Limited	4.1	1,800		Pending

Source : Knight Frank Research

Figure 11

Development Volumes & Deals



Source : Real Capital Analytics

BEIJING

JINGJING ZHANG
Associate Director
Knight Frank China

INTRODUCTION

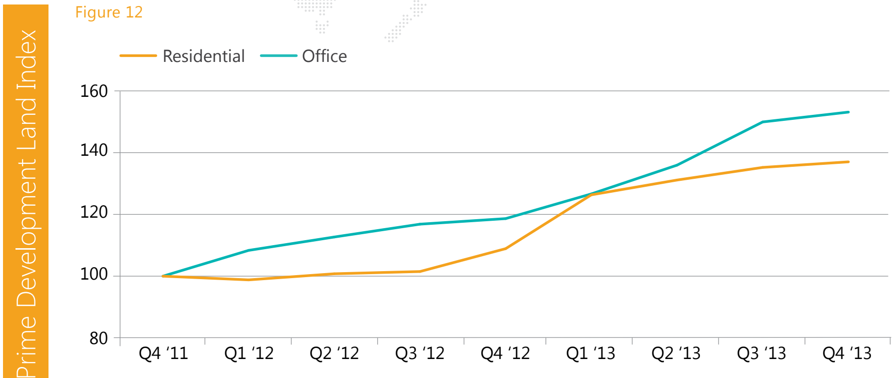
In China's capital city, Knight Frank's Prime Residential Development Land Index registered an increase of 25.8% over 2013, whilst the Prime Office Development Land Index registered an increase of 29.1% over the same period.

ACTIVITY

The land market in Beijing was extremely active in 2013, with both transaction volumes and prices increasing significantly. According to the Beijing municipal land reserve centre, there were 198 land lots transacted in Beijing in the first 11 months, with a total gross floor area (GFA) of 21.1 million sqm, an increase of 47.5% year on year. The total land transaction value reached RMB164.6 billion in the first 11 months, surging 188% compared to the same period of last year.

In the residential land market, the total GFA transacted achieved 11.9 million sqm, up 24.2% year on year. The average selling price stood at RMB9,478 per sqm, soaring 46.2% compared to the average selling price of RMB6,484 per sqm in 2012. In particular, land area for commodity housing was sold for 8.7 million sqm, accounting for 102% of the annual land supply target. It is the first time in Beijing to complete annual land supply target on commodity housing in three years, while the annual target was only accomplished by 32% in 2012, and 50% in 2011. After the government rolled out "self-use commodity housing" policies, more residential land plots were transacted with requirements of certain areas for self-use commodity housing. These self-use commodity housing will be sold at a price of 30% less compared to the market price, which will squeeze profits from developers and result in rising of selling price of other commodity homes.

Figure 12



Source : Knight Frank Research

"With more real estate developers expecting strong growth potential in Beijing, the land auction market is becoming more and more competitive, pushing up land prices."

With economy growing steadily in Beijing, real estate market demand remains strong, encouraging developers to acquire lands boldly. In the first 11 months. Vanke (000002.SZ) bought 10 land parcels in Beijing, amounting to a total GFA of 1.2 million sqm, by paying RMB10.3 billion. Evergrande (03333.HK) spent RMB12.7 billion to acquire 1.0million sqm.

OUTLOOK

With more real estate developers expecting strong growth potential in Beijing, the land auction market is becoming more and more competitive, pushing up land prices. The increase in land price will eventually be transferred to the selling price of properties, signalling the continued growth trend in the Beijing property market.

Development Market

Figure 13

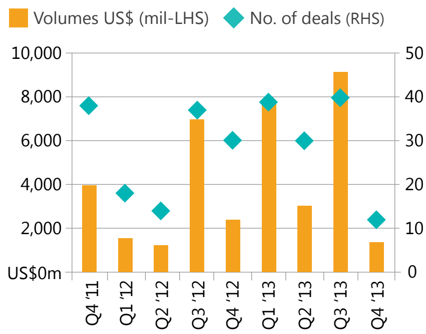
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
1105-655,657, Dongba South, Chaoyang	Residential	Beijing Urban Construction Group Co.Ltd	354.5	7,309	US$3,850/ sq m GFA	Nov-13
Plot in Lize Business District, Beijing	Commercial	SOHO China	315.0	21,845	US$2,540/ sq m GFA	Sep-13
0304-622,No. 8 Agricultural Exhibition Hall North Road, Chaoyang	Residential	Sunac China Holdings Limited	347.1	13,769	59,152 GFA (including construction of a hospital covering a GFA of 278,000 sq m elsewhere)	Aug-13

Source : Knight Frank Research

Figure 14

Development Volumes & Deals



Source : Real Capital Analytics

GUANGZHOU

OCEAN RUAN
Senior Manager
Knight Frank China

INTRODUCTION

In the fourth quarter of 2013, Knight Frank's Prime Residential and Office Development Land Indices increased by 16.0% and 10.7% year on year respectively, mainly due to the rising prices of residential property and increasing office capital values.

ACTIVITY

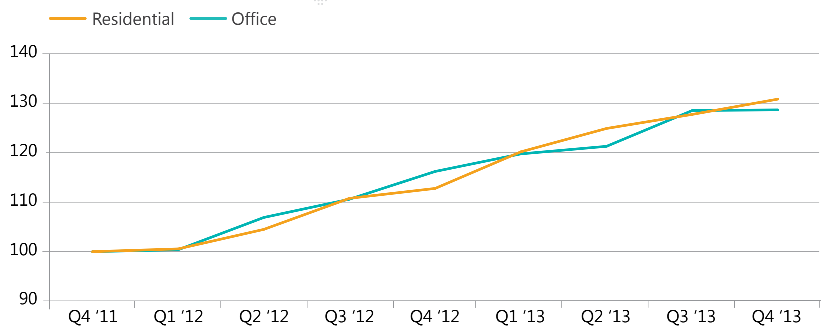
During the first 11 months of 2013, the government received a total land premium of approximately RMB62 billion, a 50% increase over last year's total. As significant amount of transaction occurred in Q2 and Q3 2013, as a number of residential and commercial purposes were granted, with a number of plots resetting the record for the highest land premiums in Guangzhou. For example, in May 2013, a plot designated for residential purpose on Nanzhou Road in Haizhu District was acquired by Guangzhou Yuexiu, a developer, at an accommodation value of RMB35,000 per sq m (excluding affordable housing), a city record.

In terms of purchasers, the land for residential purpose is mainly acquired by major developers from mainland China and Hong Kong, while the land for commercial purpose is sought by financial institutions and domestic developers.

In 2013, Guangzhou re-planned its land in many areas, including the International Financial Town, the Nansha New District and the New Eastern District. Among them, the International Financial Town might be considered the most attractive area, located to the east of the Pearl River New Town (new CBD in Tianhe District). With a total land area of 7.5 sq km, this area is set to become a regional financial centre with plans being made for new financial and office buildings. 2013 saw the city complete seven land transactions for plots in this area (for financial and office purposes), representing a total transaction value of RMB17 billion.

Prime Development Land Index

Figure 15



Source : Knight Frank Research

> "The government has implemented policies to tighten its control of land transactions, cautiously making land available for residential and commercial purposes."

Owing to the active state of the land market, the municipal government has imposed new regulations on land transactions, in order to cool the market. Specifically, a policy that decrees "fixed land prices, but allowable bidding for the subsidised housing supply" was issued, whereby land premiums should not exceed 145% of the reserved price. Once the price ceiling is reached, other indicators such as the subsidised housing supply shall prevail.

OUTLOOK

Along the traditional trends that we have seen for trading in the Guangdong land market in the past few years, the government has implemented policies to tighten its control of land transactions, cautiously making land available for residential and commercial purposes. As such, in the coming year, land supply is unlikely to see a considerable increase, while land prices will also maintain an upward momentum, in line with housing prices, which are expected to keep rising.

Development Market

Figure 16

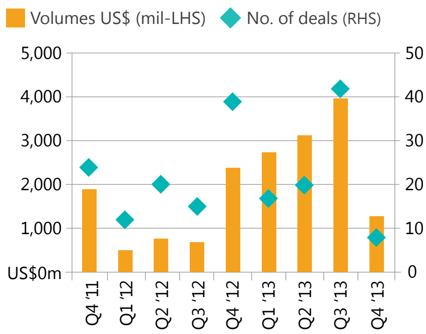
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
Plot AT0909030 in Guangzhou International Financial City	Commercial	Guangzhou Nanyue Bank	298.0	35,384	US$3,122/ sq m GFA	Aug-13
Plot 20 in Meihuayuan, Shatai Road, Baiyun District, Guangzhou	Residential	Kaisa Group	130.8	6,648	US$2,373/ sq m GFA	May-13
Plot 1026 in Nanzhou Road, Haizhu District, Guangzhou	Residential	Yuexiu Property	402.8	17,799	US$3,560/ sq m GFA	May-13

Source : Knight Frank Research

Figure 17

Development Volumes & Deals



Source : Real Capital Analytics

SHANGHAI

REGINA YANG
Director
Knight Frank China

INTRODUCTION

In 2013, Shanghai's land market made a comeback after hitting lows in the first half of 2012, boosted by strong performance in both the office and residential sub-markets. The highest land price records were refreshed repeatedly and the total land transaction value also hit a record high as a number of prime plots were transacted.

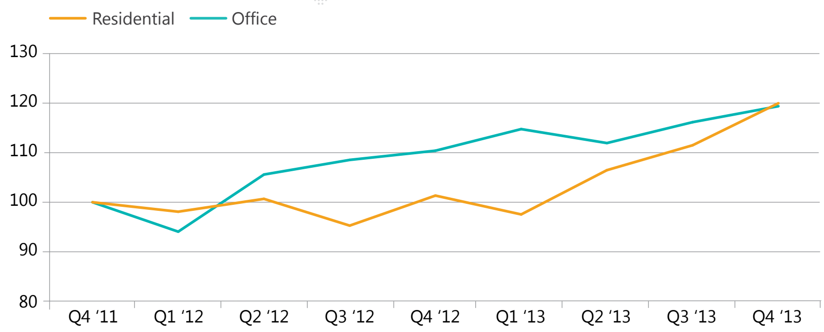
In the fourth quarter of 2013, Knight Frank's Prime Residential and Office Development Land Indices increased by 18.4% and 8.1% year on year respectively, both outperforming the city's prime residential and Grade-A office growth of 10% and 6% respectively.

ACTIVITY

Shanghai's land transaction value doubled from RMB96.4 billion in 2012 to over RMB200 billion in 2013 with a significant uptick in land transactions in prime and core areas compared to 2012. This benefited major and state-owned enterprises and squeezed out small to medium sized developers. One example is Sun Hung Kai Properties (0016.HK) which acquired the Xujiahui Centre project plot for a total consideration of RMB21.77 billion or a floor value of RMB37,264 per sqm, refreshing the total consideration record in Shanghai this year. In addition, Guangzhou-based Evergrande Group (03333.HK) acquired four residential plots in early December for a total consideration of RMB4.176 billion, marking its first entry to the Shanghai real estate market.

Prime Development Land Index

Figure 18



Source : Knight Frank Research

> "Shanghai's land transaction value doubled from RMB96.4 billion in 2012 to over RMB200 billion in 2013 with a significant uptick in land transactions in prime and core areas."

The land markets in emerging business districts were active, included Hongqiao CBD, Xuhui Binjiang and the Post-Expo area. In 2013, 700,000 sqm of land in these three areas was transacted for a total consideration of over RMB29 billion. Amongst them, 10 plots covering a total site area of 442,000 sqm were transacted in Hongqiao CBD, whilst another 10 with a total site area of 100,000 sqm were transacted in the Post-Expo area. In particular, the average land floor value of Hongqiao CBD and the Post-Expo area reached RMB20,000 and RMB40,000 per sqm respectively, both 50% higher than their surrounding areas. Major players who acquired lands in these emerging areas included Taiwan-based Far Eastern New Century Corporation, US-based Tishman Speyer and Hong Kong-based K. Wah Group.

OUTLOOK

Given strong demand compared to the limited supply in the luxury residential market, we expect the Prime Residential Development Land Index to increase another 10% in the coming 12 months, whilst the growth of Prime Office Development Land Index will slow down and remain stable due to the huge amount of new supply in 2014 and 2015.

Development Market

Figure 19

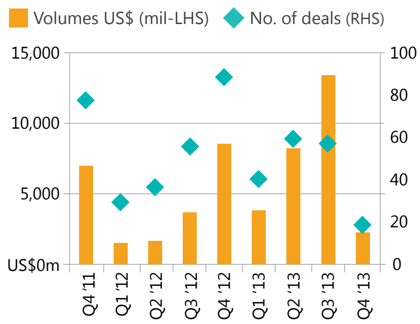
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
Plot17/2, Block45, Huaihai Middle Road Sub-district, Huangpu	Office and retail	WINMINE INVESTMENT PTE.LTD (subsidiary of Wing Tai Holdings)	180.7	21,025	US$3,122/ sq m GFA	Nov-13
Plot 7-7, Area e18 along Huangpu River, Weifang New Town Sub-district, Pudong	Residential	K.WAH Group	93.0	16,410	US$6,564/ sq m GFA	Oct-13
Plot a09b-02, Shanghai Post-Expo A area, Pudong	Office and retail	Far Eastern New Century Corporation	160.1	26,240	US$6,560/ sq m GFA	May-13

Source : Knight Frank Research

Figure 20

Development Volumes & Deals



Source : Real Capital Analytics

HONG KONG

THOMAS LAM
Director
Knight Frank China

INTRODUCTION

In the fourth quarter of 2013, Knight Frank's Prime Hong Kong Residential and Office Development Land Indices decreased -5.8% and -5.5% year-on-year respectively.

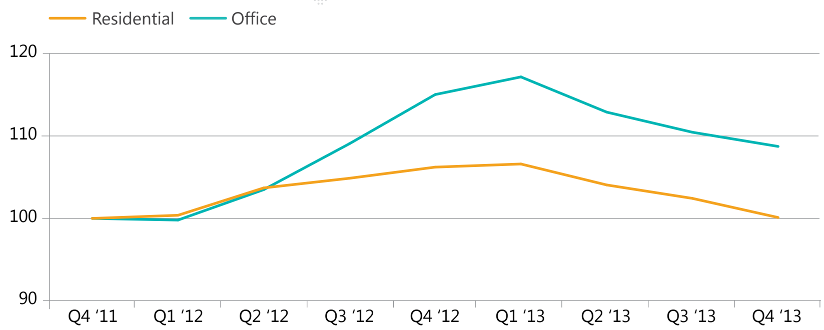
ACTIVITY

On 28 February 2013, the Secretary for Development announced the government's decision to abolish the land sale by application system. This has allowed the government to take full lead in putting up government sites for sale depending on the market demand, instead of waiting for developer's applications. Since the introduction of the Government-initiated Sale Mechanism in 2010, the Government has in practice resumed the lead in supplying government land. In fact, in 2011-12 and 2012-13, the Government sold 51 residential sites in total. Among them, only three were triggered by developers, and 48 are initiated by the Government, exceeding 90%. The 2013-14 Land Sale Programme comprises 46 residential sites capable of providing about 13,600 flats, nine commercial/business sites and one hotel site which could provide about 330,000 sqm gross floor area (GFA) and 300 hotel rooms respectively.

Measures to promote revitalisation of older industrial buildings through encouraging redevelopment and wholesale conversion of vacant or underutilised industrial buildings came into operation on 1 April 2010. During the 2011 mid-term review, the end of the application period was extended from 31 March 2013 to 31 March 2016 in view of greater demand for office and commercial spaces in meeting Hong Kong's business and social needs. As of November 2013, the government had received 116 applications for the revitalisation of industrial buildings, of which 100 applications were for wholesale conversion and 16 were for redevelopment. 86 applications have been approved.

Prime Development Land Index

Figure 21



Source : Knight Frank Research

"In 2013, although a number of major land sale transactions were registered, only a few of them were witnessed in core districts due to the limited land supply in prime districts."

In 2013, although a number of major land sale transactions were registered, only a few of them were witnessed in core districts due to the limited land supply in prime districts. A hotel site in Cotton Tree Drive, Central was sold for a total consideration of HK$4,400 million (HK$145,695 per sqm) in November 2013. Most major land deals were recorded in sub-urban and emerging districts. A residential site in Tseung Kwan O was sold for a total consideration of HK$3,670.8 million, or an accommodation value of HK$46,161 per sqm in July.

OUTLOOK

As announced in the 2014 Policy Address, the Hong Kong government aims to increase the future supply of residential and office units by accelerating land sales. As office and residential prices could go down slightly in 2014 due to the continual implementation of various property market cooling policies, we expect land prices to experience further dips in the coming year.

Development Market

Figure 22

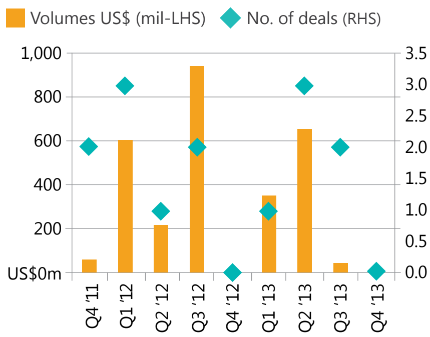
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
Lot No.2640 in demarcation district No.92	Residential	Henderson	372.6	25,996	US$671/sq ft GFA	Nov-13
Junction of Wang Chiu Road and Lam Lee Street, Kowloon Bay, Kowloon, Hong Kong	Office	Swire Properties	340.0	79,215	US$613/sq ft GFA	Nov-13
Town Lot No.126, Tseung Kwan O	Residential	Wheelock Properties	473.7	17,274	US$554/sq ft GFA	Jul-13

Source : Knight Frank Research

Figure 23

Development Volumes & Deals



Source : Real Capital Analytics

BENGALURU

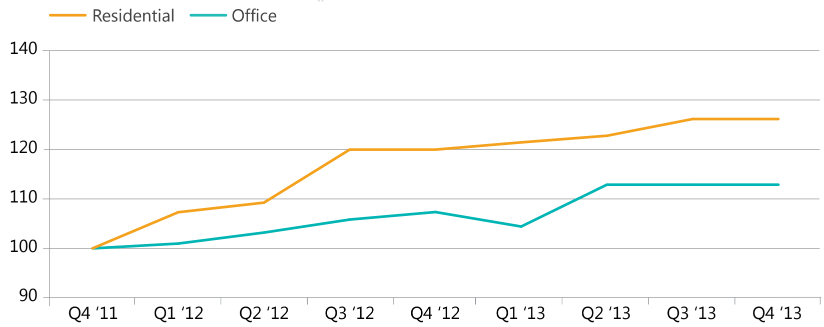
SANGEETA SHARMA DUTTA
Lead Research Consultant
Knight Frank India

INTRODUCTION

Bengaluru has come a long way from being known as 'Pensioner's Paradise' to a preferred destination for the IT/ITeS sector as well as a residential hotspot in the southern part of the country. Bengaluru is today known for its quality IT Parks, SEZs and campuses, with consistently high office space absorption year-on-year. Housing in Bengaluru ranges from apartments at economic prices to high-end penthouses and villas with attractive waterfront residential layouts.

Prime Development Land Index

Figure 24



Source : Knight Frank Research

ACTIVITY

The city has a radial structure and the growth corridors have been major arterial roads which originate from the central part of the city. The development regulations determine the floor space index (FSI) on the basis of factors like property size, adjoining road width and land use. FSI for residential & commercial development properties ranges from 2.5 to 4 within the city. However, the availability of land in suburban and peripheral locations has restricted drastic hike in land prices.

In the last two years since inception (2011 Q4 to 2013 Q4), the Prime Residential Development Land Index for Bengaluru has witnessed an appreciation of 26.1%. This can be primarily attributed to the increase in prime property price and steady job growth in Bengaluru. 2013 saw a lower level of growth when compared to 2012 (down from 20.0% in 2012 to 5.1%), on account of a global economic slowdown that impacted the residential market, thereby keeping price growth at constant rates. However, several developers with premium product offerings continue to evince interest in developable land in the city.

"Areas with land crunch, such as the CBD, will maintain premium land pricing while demand would also be imminent around locations like Yeswanthpur in the west, Hebbal in the north and Sarjapur Road in the south."

The Prime Office Development Land Index has witnessed a steady growth of 12.9% over the last two years (2011 Q4 to 2013 Q4). The leasing market in Bengaluru has shown an upward bias in rental growth and leasing to non-IT/ITeS sector has also increased.

OUTLOOK

The prime development market in 2014 is expected to remain stable in Bengaluru with developers continuing to launch their projects at fair price appreciation. Despite the dearth of land parcels around developed zones of the city, including the recently developed micro-markets along the ORR, developers will continue to hold interest in launching their office and residential projects there. Areas with land crunch, such as the CBD, will maintain premium land pricing while demand would also be imminent around locations like Yeswanthpur in the west, Hebbal in the north and Sarjapur Road in the south. However, the state of social infrastructure and factors like distance from the city centre will play an important part in attracting occupiers and buyers. As a result, land prices at far-flung areas are expected to remain stable.

Development Market

Figure 25

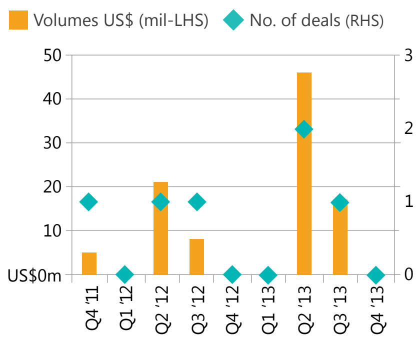
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
Vittal Mallya Road	NA	Sobha Developers	6.01	4,012	0.37 acre site	Aug-13
NH-7 Devanahalli	Residential	Lee Kim Tah Holdings JV Woh Hup Private Limited	18.88	184	25.39 acre site	May-13
Whitefield Main Road	Residential	Brigade Group JV GIC (Govt of Singapore)	21.48	562	9.45 acre site	Jun-12

Source : Knight Frank Research

Figure 26

Development Volumes & Deals



Source : Real Capital Analytics

MUMBAI

VIVEK RATHI
Lead Consultant
Knight Frank India

INTRODUCTION

The status of being the financial capital of the country, makes Mumbai a sought after real estate destination. Besides concentration of the financial sector intermediaries and regulators, the city is also favoured by India Inc. for its corporate headquarters. Being the political and administrative headquarters of the state of Maharashtra and home to the wealthiest Indians further adds to the appeal of its property market. These factors at play also make it the most expensive property market in the country.

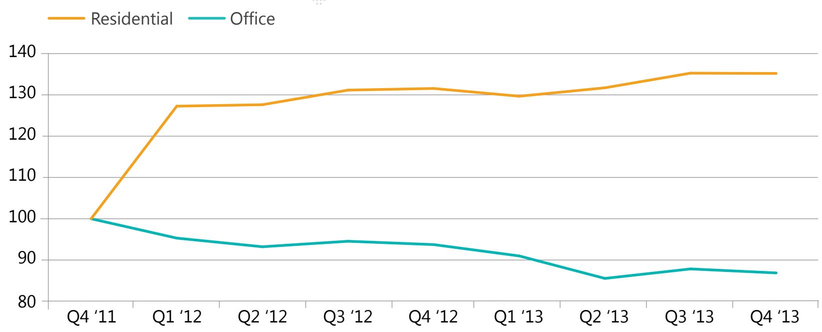
ACTIVITY

The inherent characteristics of the city combine with the fact that it is a peninsula. The development regulations allow a floor space index (FSI) of just 1.33 in the city and 1 in suburbs. Further, Mumbai's connectivity to the larger metropolitan region has languished on account of a lackadaisical pace of infrastructure development. These factors in effect make land in Mumbai expensive, yet much sought after.

In the last two years since its inception (Q4 2011 to Q4 2013), the Prime Residential Development Land Index for Mumbai has witnessed an appreciation of 35.2%. The most significant contributors for this performance were change in development norms and increase in prime property price. The change in development norms allowed additional compensatory development potential for land. During last year (Q4 2012 to Q4 2013) the index was up by a marginal 2.8% on account of a residential market slump, which stunted price growth.

Prime Development Land Index

Figure 27



Source : Knight Frank Research

Notwithstanding the muted growth in end product price, land suitable for prime residential development witnesses unabated interest. Real estate developers with a reputation for luxury residential projects offering apartments priced over USD 2 million are the foremost contenders. The land also evinces interest from high net worth individuals looking to develop their abode by paying a princely sum.

> "Notwithstanding the muted growth in end product price, land suitable for prime residential development witnesses unabated interest."

In terms of the Prime Office Development Land Index, with a decline of 13.1%, the last two years (Q4 2011 to Q4 2013) have been a lost opportunity. A weak economic scenario that impacted office space absorption combined with large quantum of office supply. Such a scenario exerted pressure on office rents even as the cost of construction continued to inch up during this period. The slide continued during last year (Q4 2012 to Q4 2013) taking the index down 7.3%.

OUTLOOK

The prime residential development market would continue to remain sluggish for a major part of 2014 on account of stretched affordability and an uncertain political and economic scenario. However, paucity of prime residential land would ensure continued buyer interest for such land parcels. From the perspective of a prime office development market, an overbearing supply pipeline in 2014 coupled with a marginal improvement in demand will keep rentals in check. As a result, demand for prime office land will remain sluggish.

Development Market

Figure 28

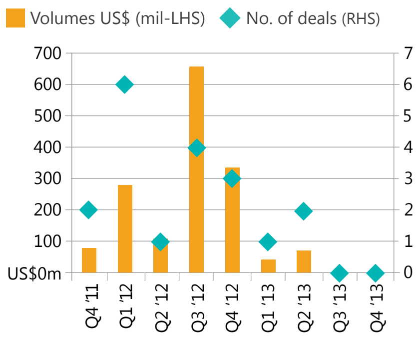
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
Altamount Rd	NA	Rana Kapoor	23	16,728	0.34 acre site	May-13
Worli	Residential	Runwal	46	5,636	2 acre site	May-13
Altamount Rd	Residential	Lodha	63	23,237	0.67 acre site	Dec-12

Source : Knight Frank Research

Figure 29

Development Volumes & Deals



Source : Real Capital Analytics

NATIONAL CAPITAL REGION (NCR)

ANKITA NIMBEKAR
Consultant
Knight Frank India

INTRODUCTION

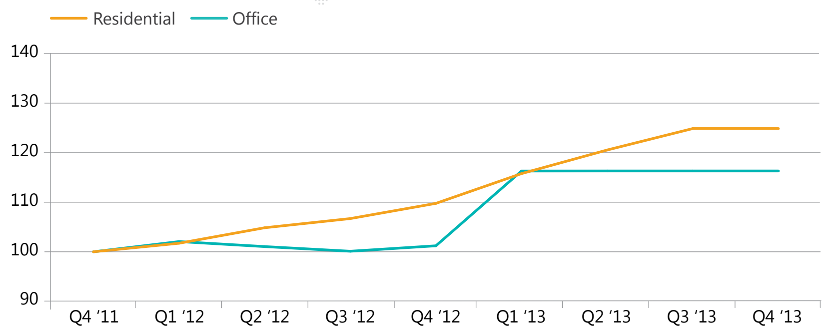
The National Capital Region is one of the most sought after real estate destination in the country. The region has experienced large scale development in the last few years. Real estate opportunities in the region have transformed the fate of planned satellite towns of Gurgaon and Noida. Most of the new development took place in these sub cities primarily due to limited land availability in Delhi. Both Gurgaon and Noida are now self-sustaining markets comprising all asset classes' residential, commercial and retail. On the other hand Ghaziabad and Faridabad are important industrial towns with growth in the residential asset class. Availability of developable land is still a constraint in the Delhi market.

ACTIVITY

Knight Frank's Prime Residential Development Land Index has seen a 24.9% increase since inception (Q4 2011 to Q4 2013) in the NCR, while the Prime Office Development Land Index registered a 16.3% increase during the same period. This upward movement in the Prime Residential Index is majorly driven by the increase in prime property prices and consistent demand. The NCR has witnessed ample project launches in both residential and commercial asset classes in the last two years. Demand for land suitable for prime residential development has been consistent with developers the primary contenders. Although the Prime Residential Index shows a 13.8% increase year-on-year, a deeper look reveals that the emerging prime residential market (Golf Course Road, Gurgaon) have witnessed much higher appreciation in land values. Whereas established prime markets have not seen much movement in land values especially during the past one year.

Prime Development Land Index

Figure 30



Source : Knight Frank Research

> "Dearth of land in prime locations and consistent demand is expected to push the rentals and capital values further.."

In terms of the Prime Office Development Land Index, a 14.9% year-on-year increase is a result of improved capital values. Office space take-up has shown some improvement this year leading to rental appreciation, hence contributing exceedingly to the increase in land values. Similar to the residential index, emerging markets of Gurgaon illustrate a much higher rise in land values compared to the established markets of Connaught Place and Saket.

OUTLOOK

Recently announced land pooling policy is expected to have a substantial impact on the real estate market in the NCR. As per recent estimates about 40,000 acres of land is expected to enter the market. The prime residential market is expected to remain steady going forward majorly driven by strong demand. Dearth of land in prime locations and consistent demand is expected to push the rentals and capital values further. Hence the Prime Office Development Land Index will also edge upwards.

However, the state of social infrastructure and factors like distance from the city centre will play an important part in attracting occupiers and buyers. As a result, land prices at far-flung areas are expected to remain stable.

Development Market

Figure 31

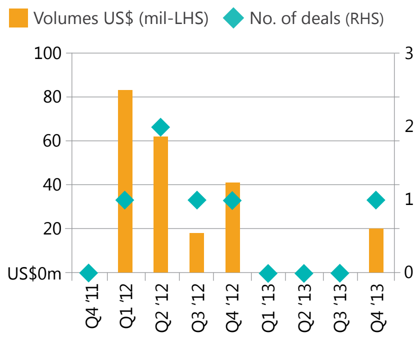
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
Hailey Road	Residential	Tata Housing	41	10,187	Residential Development Site of size 1 acre	Oct-12

Source : Knight Frank Research

Figure 32

Development Volumes & Deals



Source : Real Capital Analytics

JAKARTA

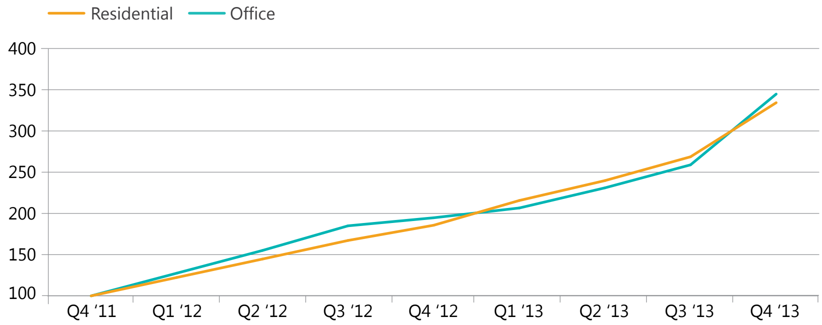
WILLSON KALIP
Country Head
Knight Frank Indonesia

INTRODUCTION

Despite an uncertain global economic backdrop, the Indonesian property market has continued to perform remarkably well on an international level. Stable and resilient economic growth, controlled inflation, stable politics and a rising middle class that needs housing continued to consistently support the property growth since the beginning of 2010. Supply has not been able to catch up with rising demand in the past three years. As a result, Knight Frank's Prime Residential and Office Development Land Indices have increased 184.0% and 192.3% respectively over the last two years.

Prime Development Land Index

Figure 33



Source : Knight Frank Research

ACTIVITY

With opportunities on the rise and supported by conducive economy and rising demand, developers have continued to launch new projects in a rapid pace for landed housing, condominiums, office, retail, serviced apartments and hotels throughout Indonesia.

The high demand for housing not only comes from direct users, but also from investors; given the price fluctuations in stocks, bonds, gold and currency. With the growing economy, lower interest rates and rising purchasing power from middle income earners, developers continued to expand their business by launching new landed residential clusters and condominium towers in Jakarta and outside of Jakarta.

It is not only for local developers who have been very active in the land banking activity, but also for international developers, including investors coming from Singapore, Malaysia, Japan, South Korea, Thailand, Australia, China, Middle East and some others. Typically, foreign investors prefer to do a joint-venture scheme with local developers or land owners, due to the lack of local market knowledge and experience, very limited land availabilities in strategic locations and local regulation/tax issues. In exchange, foreign investors will bring well-known brands and strong construction and design expertise as value-added benefits to local partners.

“Foreign investors will bring well-known brands and strong construction and design expertise as value-added benefits to local partners.”

Ultimately, three key factors have triggered the significant land price hikes since early 2010: firstly, limited buildable land with proper permits and zoning, secondly, the poor legal and regulatory framework governing land and urban planning and development policies and finally a lack of infrastructure, especially the public transport system and roads. Unequal job opportunities create a high level of rural-urban migration in Indonesia.

OUTLOOK

Land prices are expected to stay high over the next 12 months despite the softening demand across property sectors and a slower growth in prices. Additionally, buyers and investors are likely in a wait and see fashion due to the upcoming 2014 Presidential Election. Performance after this will depend on the outcome of the election and the performance of the economy, which could greatly affect the perception and confidence of buyers and investors.

Development Market

Figure 34

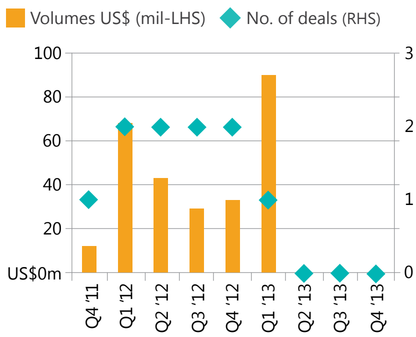
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
Sudirman 52-53 Lot 10 Senayan Villa	Office	Pacific Century Premium Developments	184	19,834	Hong Kong developer	Pending

Source : Knight Frank Research

Figure 35

Development Volumes & Deals



Source : Real Capital Analytics

TOKYO

DAISUKE NAOI
Asia Pacific Manager
Knight Frank Japan Desk

INTRODUCTION

While the full impact of Abenomics is yet to be realised, Tokyo's real estate market has undoubtedly been given a shot in the arm, reflected in a year-on-year increase in the Prime Residential and Office Development Land Indices of 13.2% and 10.6% respectively.

ACTIVITY

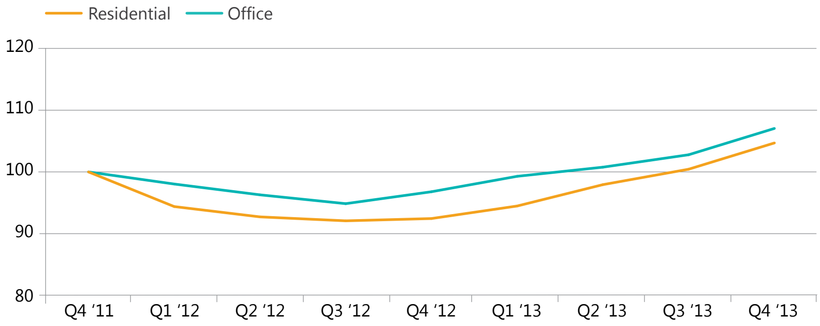
The prime office and residential markets have both seen a pickup in activity over the last year that is underpinning these results. In the office market, 2013 saw little new supply come to the market, while for demand, the area of rented space rose significantly as the economy continue to recover. There are strong expectations that rents will soon bottom out and start to rise due to falling vacancy rates, while prime yields have started to compress, leading to an increase in capital values.

Demand for centrally located luxury apartments has been improving due to the depreciation of the yen which has stimulated foreign interest and demand from the wealthy class in Japan which is enjoying the wealth effect associated with higher stock prices.

The investment market, including the development land market, also saw an increase in transactions through 2013. The prolonged low- interest rate environment due to monetary easing is believed to have held down financing costs, which continued to encourage domestic players, especially JREITs, to acquire properties and land.

Prime Development Land Index

Figure 36



Source : Knight Frank Research

The official land prices announced in September 2013 show that land prices have risen, not just in Tokyo, but Osaka and Nagoya, confirming the findings of Knight Frank's Prime Development Land Indices..

> "The lack of investment destinations has become noticeable, and is reflected in the rising land and investment-grade property prices."

OUTLOOK

Looking forward, due to the effects of the Abe administration's policy, expectations of a recovery in corporate earnings (Cash flow growth) are forming, and inflation expectations are emerging, driven by the government and the Bank of Japan. There is growing demand among investors both in Japan and overseas to diversify investments, and that trend is unlikely to change in a short term. In this environment, the lack of investment destinations has become noticeable, and is reflected in the rising land and investment-grade property prices.

We expect that the vacancy rate in the Tokyo office market to decline with rents rising in 2014, which will lead to a full-scale recovery, given an expected increase in demand associated with a recovery in corporate earnings and limited new supply in 2013 and 2014. We expect, however, that the consumption tax hike as planned, the economy will slow and the office market will weaken in 2015. If the slowdown is mitigated by the steady execution of growth strategies under Abenomics and the 2020 Tokyo Olympics, the real estate market is expected to grow steadily, given stable economic growth.

Development Market

Figure 37

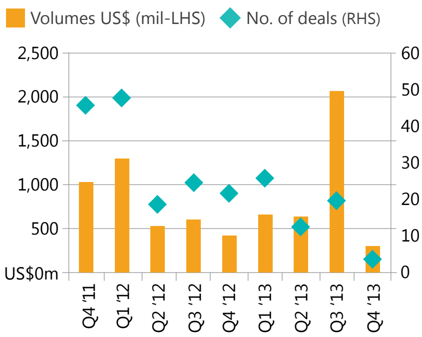
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
5-7 Kojimachi Chiyoda-ku	Office/ Residential	Sumitomo Realty & Development	N/A	N/A	Former Kioicho TBR. Prime site in Chiyoda ward, suitable for office or high end residential	Dec-13
3-3-18 Ginza Chuo-ku	Office	Yomiuri Shimbun	240	30,296	Redevelopment of existing office building – Tepco Ginza	Sep-13
2-5-3 Akasaka Minato-ku	Office	Sankei Building Co.	N/A	N/A	Redevelopment of existing Nikko Sanno office building	Aug-13

Source : Knight Frank Research

Figure 38

Development Volumes & Deals



Source : Real Capital Analytics

KUALA LUMPUR

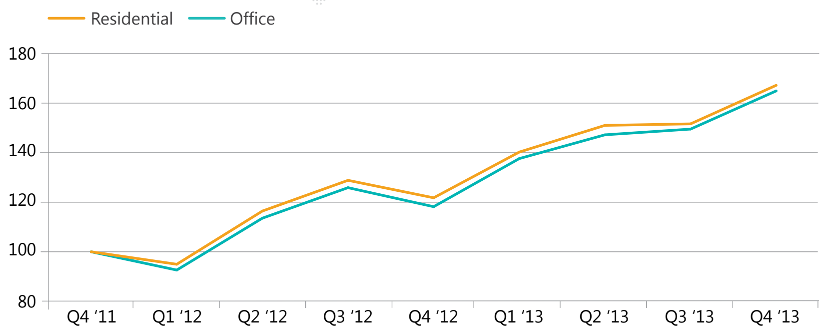
JUDY ONG
Executive Director
Knight Frank Malaysia

INTRODUCTION

Knight Frank's Prime Residential Development Land Index rose by 37.3% year-on-year, while the Prime Office Development Land Index increased 39.5% over the same period. Both indices have grown steadily since inception, indicating strong demand for development land in the city amid a tight supply pipeline with limited privately-owned sizeable land available for development / regeneration.

Figure 39

Prime Development Land Index



Source : Knight Frank Research

ACTIVITY

Overall property market performance in Kuala Lumpur softened in 2013, with market activity across all sub-sectors trending downwards. In the first half of 2013, Kuala Lumpur Town recorded a total of 55 transactions in the Development Land category with a total value of RM634.44 million (1H2012: 64 transactions valued at RM861.08 million and 2H2012: 81 transactions valued at RM915.44 million).

With a prevailing low interest rate environment supported by a stable economy and encouraging domestic consumption, there appears to be renewed interest in the high end residential market in Kuala Lumpur, evident from the slew of launches recently, comprising more upscale and branded residential developments.

However, in the office sector, amid a challenging leasing market environment with a high supply pipeline, several developers are known to have adopted a cautious stance by deferring the construction of their projects, with works to commence only when they have secured pre-leasing commitment from potential anchor tenants.

> "Both indices have grown steadily since inception, indicating strong demand for development land in the city amid a tight supply pipeline."

OUTLOOK

With the impending implementation of more cooling measures aimed to curb speculative activities, the residential market is expected be challenging going forward amid softening demand and the expectation of interest rate hike which will dampen sentiment.

The office market is expected to remain stable supported by the rapid expansion of the Oil and Gas sector and the concerted efforts by InvestKL to attract MNCs to set up their regional hubs in Kuala Lumpur. As at November, nine MNCs have committed to set up or expand their operations in Malaysia. InvestKL is in talks with more MNCs from the US, Europe and Japan to make Kuala Lumpur their business hub.

Notable incoming developments in Kuala Lumpur City include Tun Razak Exchange (TRX) and its twin project of Bandar Malaysia, Menara Warisan Merdeka, Bukit Bintang City Centre, and revival of the long abandoned of Plaza Rakyat project.

With the scarcity of prime development land in Kuala Lumpur, land prices are expected to continue rising. However, the recent hike in assessment rates, effective January 1, 2014 as well as potential interest rate hike next year leading to higher property taxes and borrowing costs may put pressure on the development land indices.

Development Market

Figure 40

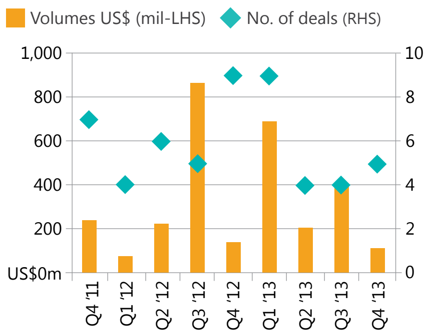
Recent Transactions

Address	Development	Buyer	US$ (mil)	US$/ sqm	Comments	Date
149 to 159 Jalan Ampang	Mixed Use	Oxley Rising Sdn Bhd (subsidiary of Oxley Holdings Ltd)	137.8	10,960	Freehold land erected with six bungalows. Located within the golden triangle of KL.	Nov-13
Lot 20000 Jalan Conlay	Residential	KSK Land Sdn Bhd (subsidiary of KSK Group Bhd)	175.3	10,960	Freehold land approved for condominium development. Located within the golden triangle of KL.	Nov-13
Lot 242, Jalan Changkat Kia Peng	Mixed Use	I-Marcom Sdn Bhd	40.7	9,580	Freehold land approved for 127 units of SoHo and 315 units of serviced apartments. Permitted plot ratio of 1:10. Located within the golden triangle of KL.	Oct-13

Source : Knight Frank Research

Figure 41

Development Volumes & Deals



Source : Real Capital Analytics

SINGAPORE

ALICE TAN
Associate Director
Knight Frank Singapore

ACTIVITY

Investment sales performance in the residential sector was anaemic in 2013, stemming from the confluence of multiple property cooling measures and the Total Debt Servicing Ratio (TDSR) ruling. Collective sales activities in the private residential market were subdued as total private residential investment fell significantly to a 3-year low of S$1.3 billion in 2013.

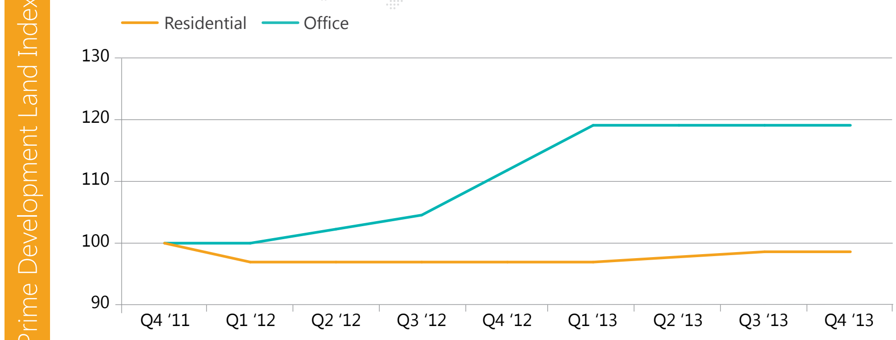
The most notable private residential land sale in the prime areas was the purchase of Ultra Mansion located in District 11 at a transacted price of S$149.1 million or S$1,170 per sq ft (psf) per plot ratio. The purchaser was Fantasia (Novena) Pte Ltd, a subsidiary of listed Hong Kong group Fantasia Holdings.

The only plum residential site which was launched for sales under the Government Land Sales (GLS) programme was at Mount Sophia in prime district 9. It drew a nine-party tender with a top bid of S$442.3 million or $1,157 psf per plot ratio.

Developers' interest in the public residential market remained strong as they turned towards the GLS programme to shore up their land bank. The proportion of GLS residential sites with more than 10 bidders increased from 22.9 per cent in 2012 to 35.3 per cent in 2013.

The commercial investment sales market saw strong performance in 2013 as it was the only sector that is unaffected by the cooling measures so far. Investments in the total private commercial sales market jumped by 36.5 per cent from S$7.8 billion in 2012 to S$10.6 billion in 2013. This was largely attributed to strong interest in mixed-use commercial sites which garnered a total of S$4.97 billion in 2013. One of the big-ticket sales in the private commercial office market was the purchase of the freehold Robinson Point on Robinson Road by Tuan Sing Holding Limited, for S$348.90 million or S$2,571 psf.

Figure 42



Source : Knight Frank Research (based on DC rates from URA – see Methodology on page 23)

> "Developers' interest in the public residential market remained strong as they turned towards the GLS programme to shore up their land bank."

For the public commercial office sales market, there was only one prime commercial site which was launched for sales under the GLS Programme. Fraser Centrepoint Limited won the four-party tender for a commercial site on Cecil Street/Telok Ayer Street with a winning bid of S$923.95 million or S$1,112 per sq ft per plot ratio.

OUTLOOK

Investment sales in the residential sector is likely to remain subdued in 2014 as property developers take a more cautious approach in light of the TDSR ruling and fall in transaction volume of private homes. As for the commercial office market, it is expected to show resilience given the continual growth in rental rates for Grade A office spaces and improving market sentiment on the economic outlook for Singapore.

Development Market

Figure 43

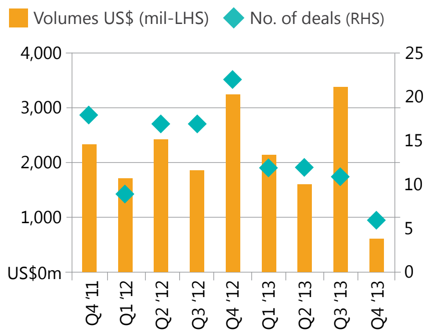
Recent Transactions

Address	Development	Buyer	US$ (mil)	US$/sq m land	Comments	Date
Mount Sophia	Residential	Joint Venture between Hoi Hup Pte Ltd, Sunway Development Pte and S C Wong Holdings Pte Ltd	347	14,511	99-year leasehold land in District 9. US$763/sq ft GFA	Sep-13
Cecil Street/ Telok Ayer Street	Office/Mixed	Fraser & Neave	727	95,539	99-year leasehold land. US$872/ sq ft GFA	Aug-13
Kim Tian Road	Residential	Keppel Land	443	40,278	In proximity to Tiong Bahru MRT Station	Apr-13

Source : Knight Frank Research

Figure 44

Development Volumes & Deals



Source : Real Capital Analytics

BANGKOK

RISINEE SARIKAPUTRA
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INTRODUCTION

Land prices in the prime Bangkok downtown locations have shifted dramatically over the past decade, due to the very limited availability of freehold development land in the most desirable locations in central Bangkok. With initial land acquisition costs at these historically high levels, retail/commercial developers are finding themselves pushed to the CBD peripheral areas for opportunities, whilst residential developers are forced to provide a level of product that must achieve unprecedented condominium selling price values in order to make a project viable.

ACTIVITY

As a result of competition between major residential and retail/commercial developers for land within the core of Bangkok (including the major thoroughfares of Sathorn Road, Wireless Road, Ratchadamri, Ploenchit and early Sukhumvit Road), the latest transactions have reflected selling prices of up to Baht 375,000 per square metre (USD 12,000 per square metre).

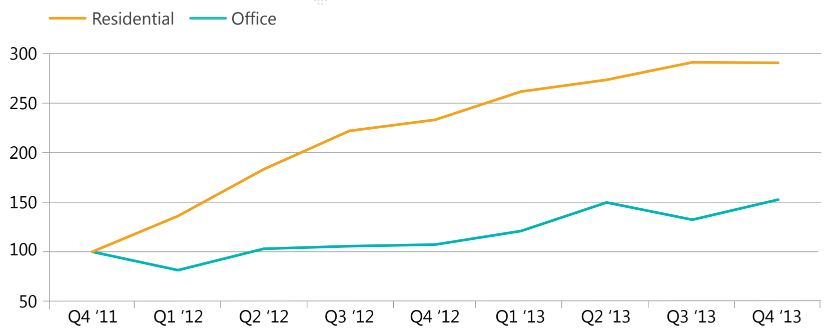
A development site on Sathorn Road was purchased four years ago by a major developer at the price of Baht 100,000 per square metre (USD 3,000 per square metre). Subsequently, in early 2012, a similar land plot on Sathorn Road was sold to a competing major developer at the price of Baht 300,000 per square metre, (USD 10,000 per square metre). Based on the recent high land prices of over Baht 1,000,000 per Thai square wah (equates to 4 square metres), coupled with rising construction materials and worker costs, the feasibility of many condominium projects is in jeopardy, as the selling prices of individual condominiums must be beyond Baht 200,000 per square metre (USD 6,500 per square metre). These condominium prices can still be seen for premium quality buildings in the prime sections of the Bangkok CBD and inner areas, but the level of demand from both the domestic and international purchaser markets to maintain these levels remains to be proven.

OUTLOOK

The number of new launches of condominium projects in prime Bangkok CBD areas will continue to decrease due to the scarcity of suitable freehold development land, as evidenced by the 20% decline in unit launch numbers between 2012 to 2013. Notwithstanding, prime land prices are expected to continue to rise to over Baht 500,000 per square metre (USD 16,000 per square metre) within the next two years. As a result, commercial constructors will continue to seek out alternative development zones in order to avoid competing with residential developers for land acquisitions, at more affordable levels that make office and retail development viable.

Prime Development Land Index

Figure 45



Source : Knight Frank Research

> "With initial land acquisition costs at these historically high levels, retail/commercial developers are finding themselves pushed to the CBD peripheral areas."

Development Market

Figure 46

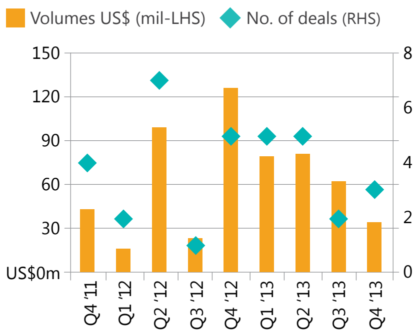
Recent Transactions

Address	Development	Buyer	US$(mil)	US$/sqm	Comments	Date
Praram 9 Road Huai Kwang	Residential	Grand Canal	5	6,961	Off prime residential	Pending
Ideo Bangkok	Residential	Ananda Development	16	6,166	Proximity to CBD	Jun-13

Source : Knight Frank Research

Figure 47

Development Volumes & Deals



Source : Real Capital Analytics

METHODOLOGY

The land prices in all data sets (with the exception of Singapore – see below) are derived using a repeat residual valuation methodology.

This commonly adopted methodology in the valuation and development industry essentially looks at what a reasonable developer would be expected to pay for development land, given the gross development value of the potential scheme, costs (construction, professional, contingencies, and financial), required profit, acquisition costs and relevant taxes.

For each market, a number of prime sites have been selected for which we carry out the exercise. These are existing sites within the prime districts of the market. They are perhaps selected as they have recently transacted land plot, or a plot that is currently on the market, however most importantly, they accurately represent the prime development market for each sector.

If over the coming quarters, the sites undergo development, and are built upon, we will continue the exercise assuming the land was clear and development was possible. The exercise will be based on existing planning parameters; plot ratios, height restrictions, site coverage or prevailing market norms if these are not available. However if any of these change over time, the models will be adjusted to reflect this.

For the residential development land indices, 100% residential apartment (condominium) developments have been assumed; with car parking provision in accordance with local development guidelines. For the office development land index, we have assumed a 100% commercial development in the CBD or other prime office areas. For the purposes of this exercise we are assuming usage to be primarily office, with a smaller element of retail usage on the ground floor or as a podium depending on local market and environmental considerations.

For our calculations of the gross development value, we have used our proprietary databases that track the prime residential and office markets, prices, rents and yields (cap rates). For construction costs, we have relied on quarterly data supplied by Langdon and Seah. Finance costs are based on the prevailing cost of development finance in the local market.

A check procedure with our valuation teams has also been adopted, whereby we analyse any recent transactions in the market (if there have been any) to ensure that our indices are reflecting the land market.

SINGAPORE METHODOLOGY

The above methodology has been adopted in order to provide regional consistency across many markets that sometimes lack transparency or liquidity (regular land deals to analyse). Singapore, on the other hand, has a comprehensive development charge rate compilation covering various areas in Singapore, comprising 118 geographical sectors for 9 different use groups, which is updated half yearly by the Singapore government.

The development charge (DC) rates are reviewed every 6 months (on 1 March and 1 September), in consultation with the Chief Valuer at the Inland Revenue Authority of Singapore (IRAS). The DC rates serve as an appropriate indicator on land price movements in Singapore at various stipulated sector boundaries.

According to the Urban Redevelopment Authority (URA):

Development charge is a tax that is levied when planning permission is granted to carry out development projects that increase the value of the land. For instance:

- *rezoning to a higher value use*
- *increasing the plot ratio*

For the purposes of this report, the tracking of land price movements for Singapore is based on average development charge rates of selected geographical sectors, which are the best available estimate of land price changes for prime residential and office locations.

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