ASIA-PACIFIC 2018 WRAP UP

While the region's economy has faced some headwinds in 2018, the majority of real estate markets remain dynamic with investors and occupiers both continuing to be active. Heading into 2019, cooling measures, rising interest rates and slowing sentiment is likely to weigh on residential markets, while trade tensions could influence decision making for corporates looking at office space. Structural changes are also likely to continue as co-working and co-living become more commonplace across the APAC markets.

INDIA

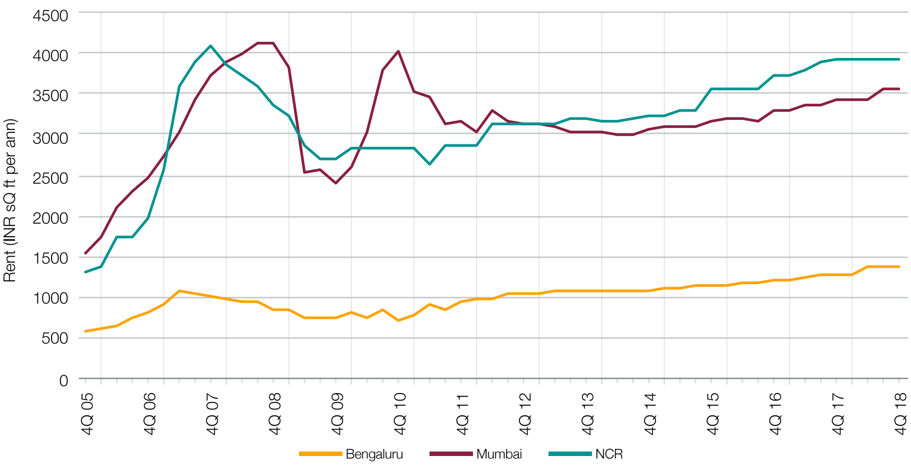
Office

India's office markets continue to be supported by broad-based economic growth and stable demand not only from the traditional finance and IT sectors but also co-working operators who have been aggressively expanding. Prime rents in Bengaluru rose 7.4% to INR1,373 per square foot per annum as firms in India's Silicon Valley rapidly expanded their headcount amidst a market that lacked suitable, quality space; vacancy levels are currently at 3.2% for the city's office market. With most upcoming supply in the city already pre-committed, our expectations are for vacancy to remain low and rents to continue seeing strong growth. Mumbai prime rents rose 4% to INR3,568 per square foot per annum in 2018 as the city benefited from increased demand from co-working operators. NCR rents remained flat in 2018 at INR3,906 per square foot per annum. However, 2019 should see positive rental growth due to a lack of quality space in the market.

Residential

The prime housing market in India has remained stable in 2018, with prices having risen between 0% to 1% across its major markets of Bengaluru, Mumbai and NCR as the market continues to digest its unsold inventory and developers focus on repricing their projects at lower ticket prices to cater to a wider audience. As the Reserve Bank of India maintains its dovish stance on interest rates and with the economy expected to expand the second fastest globally (7.3% in 2019 by the IMF's estimates), we expect improved buyer sentiment to drive volume growth but prices could correct by 0 to 5% as developers clear existing inventory.

FIG 1
India Prime Office Rents



A typical co-working setup

*first 9 months of 2018

GREATER CHINA

Office

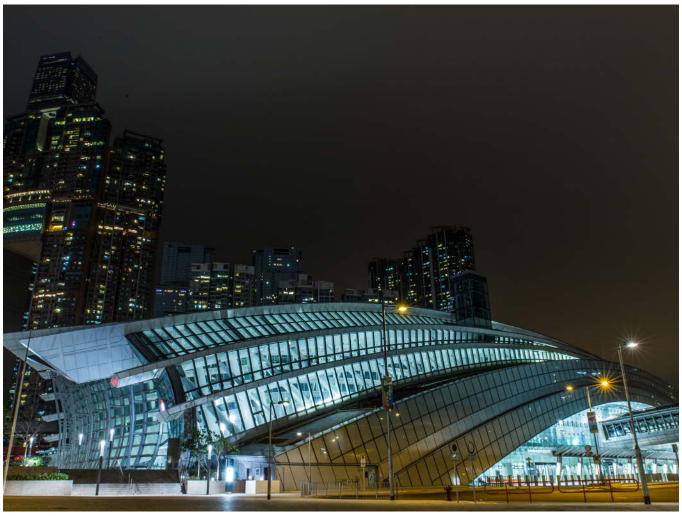
Hong Kong's prime office rents rose 7.9% to HK$164 per square foot per month in 2018* as the world's most expensive office market remains in a state of near full occupancy with no foreseeable supply in sight. However, with the global economy now full of uncertainties, much of which has been reflected in the stock market, companies are slowing their expansion plans and are now more unwilling to pay rents at current levels - especially in Central. In 2019, we believe rents could see a 1 to 4% decrease over the year.

Prime office rents in Shanghai have fallen by 2.1% to RMB289 per square meter per month in 2018* as supply headwinds continue weigh on occupier sentiment and the situation is expected to remain unchanged in 2019. Beijing prime office rents were up 3.8% to Rmb385 per square meter per month in 2018*, reflecting firm demand from the city's growing technology sector.

Residential

Hong Kong's prime housing prices rose 3.9% in 2018* to HK$33,956 per square foot, decelerating from 2017's 7.3% rise as the market starts to fragment into a two-speed market. A primary market where prices are held up by attractive in-house financing options and a secondary where owners cut asking prices in the face of rising mortgage rates. Going forward, we believe 2019 will be an adjustment year for housing prices in Hong Kong as Government policies, economic and political headwinds blow harder. Next year could see prices correct 0 to -5% in the super luxury and 0 to -10% in the luxury market.

*first 9 months of 2018



Hong Kong High Speed Rail Station

Prime housing prices rose 2.4% in Shanghai to RMB122,564 per square meter this year* following steady demand and a manageable flow of supply from developers. Beijing prime housing prices were up 3.1% to RMB101,264 per square meter on similar grounds. Guangzhou saw prime prices up 6.1% to RMB73,879 as the city benefited from the opening of large infrastructure projects within China's Greater Bay Area. Looking at the overall mainland residential market in 2019, prices in first-tier cities are expected to rise 2 to 3% on average with those in the Greater Bay Area expected to increase a little faster at 5 to 7% due to the improved connectivity.

Hong Kong

JAPAN

Office

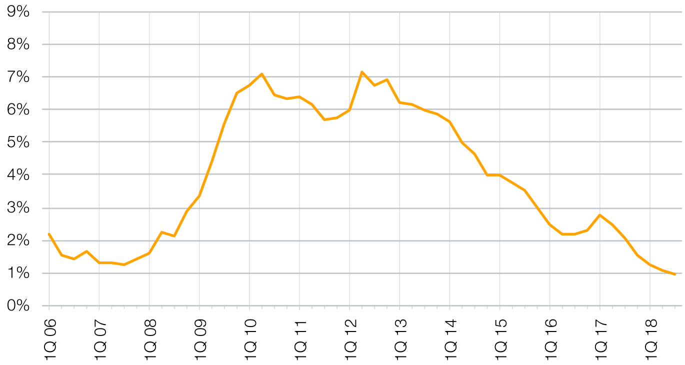
The prime Grade A office market in Tokyo was active in 2018* as rents rose 12.7% to JPY39,003 per tsubo per month. This was largely driven by improved demand from corporates on expectations for the country's monetary policy to remain accommodative following the re-election of Prime Minister Shinzo Abe, and a tight supply situation within the city. The vacancy rate in Tokyo's Central 5 Wards currently stand at 0.95%*, a low not seen prior to the financial crisis.

Residential

Tokyo's prime housing market had a solid year in 2018* as prices rose 5.7% to JPY1.61 million per square meter as low mortgage rates and a healthy labour market supported buyer demand; Japan's unemployment rate fell to 2.3% in Q3 2018 – the lowest level seen in 25 years. With current demand and a manageable supply outlook in 2019, prices are expected to rise between 3 and 5% next year.

FIG 2

Tokyo Central 5 Wards Vacancy



Shinjuku Business District

ASEAN

Office

Prime office rents in Singapore have seen significant movement this year rising 21%* in 2018 as the city's limited supply outlook favoured landlords. However, heading into 2019, rental growth is expected to be more muted as the visibility of 2020's supply looms ever closer.

Moving into 2019, the Kuala Lumpur office sector will remain firmly tenant-led as there is no immediate catalyst to boost demand. Although the rise of the shared office / co-working segment provides a breather to a market with oversupply, with additional stock expected, there are further headwinds ahead. Both rental and occupancy levels will remain under pressure as landlords continue to offer attractive leasing options to attract new occupiers and retain existing tenants.

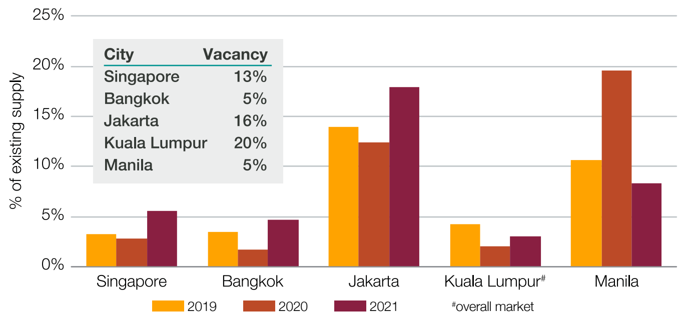
Strong demand drove prime rents up 4.4%* to THB1,045 per square meter per month in Bangkok as occupiers sought out higher quality space within this sub-market. However, with new supply coming onstream from 2020 onwards, the pace of increases could be kept in check.

Manila's prime rents rose 7.4% to PHP1,024 per square meter per month as demand from the BPO sector continues to grow. However, global uncertainties could stifle demand as many MNCs adopt a wait-and-see stance on their BPO expansions, and rental growth should slow in 2019.

Prime office rents in Jakarta fell 5.9% to IDR4.7 million per square meter per annum. In 2019, rents are expected to soften further with Indonesia's GDP expected to stay in the low 5% range, increasing supply from 2020 onwards and the business pause their space consumption plans until after the Presidential Elections in April.

FIG 3

Upcoming ASEAN Prime Office Supply



*first 9 months of 2018

Residential

Prime residential prices in Singapore have risen 9.1% in 2018* to S$3,480 per square foot following a strong performance in H1 2018 as buyers returned to the market in force. However, this trend was abruptly cut short in July when the government introduced new cooling measures. While the market has come to a standstill, a severe price correction in 2019 is unlikely given the city's stable economic fundamentals.

Prices in Kuala Lumpur's prime housing market are generally holding firm and we expect to see more property launches amid improved market sentiment. The slight upward revision in stamp duty and real property gains tax (RPGT) rates as announced in the Government's Budget 2019 is unlikely to have significant impact on the market although the growing mismatch in supply and demand coupled with rising financing costs will continue to impinge on price growth as the market finds its equilibrium. In contrast, the exemptions and initiatives, in particular the waiver of stamp duty on the instrument of transfer and loan agreement for residential homes valued up to RM300,000 for a 2-year period and the 6-month waiver of stamp duty charges for properties priced from RM300,001 to RM1.0 million, are expected to kick-start the housing market moving into 2019 and beyond.

The prime housing market in Jakarta rose 0.7% to IDR61.7 million per square meter as the market entered a traditionally quiet period prior to Indonesia's Presidential elections in 2019. In the near term, the market will remain quiet up until H2 2019 from the April elections and May Ramadan season before picking up in H2 2019 as long-term fundamentals remain sound; infrastructure growth and improving domestic consumption.

Prime housing prices in Manila rose 11.1% this year to PHP290,000 per square meter following strong take up as developers capitalise on the government's aggressive infrastructure spending policy dubbed – "Build! Build! Build!", by launching more product into the market. Going forward, sentiment is expected to remain supportive on further infrastructure spending and improving economic conditions; IMF forecasts 6.7% 2019 GDP growth – one of the fastest in the region.

Bangkok's prime housing market saw prices fall 0.6% to THB353,889 per square meters this year* as the market took a breather in H2 2018 following the government's introduction of tighter lending rules. In 2019, we believe the latest policy will have a greater impact on the lower to mid-market segments compared to the high-end luxury given the latter's buyer composition have stronger balance sheets.

President Joko Widodo at a campaign rally

AUSTRALIA

Office

Prime office rents across Australia's major markets continued to grow in 2018 on solid fundamentals. Prime rents in Sydney have risen 11% to an average A$1,106 per square meter per annum in the first nine months of 2018 as the city continues to wrangle with a supply crunch. The city's vacancy rate currently stands at 4.6%, a low not seen since before the financial crisis, and our expectations are for vacancy to contract further in 2019 given the outlook for another year of very limited development completions. In Melbourne, rents have risen 7%* to A$601 per square meter per annum, driven by persistently high levels of absorption off the back of rapid population and employment growth. For some time, Sydney and Melbourne have stood out as the strongest performing markets, but sentiment in Brisbane and Perth is now beginning to improve, and rents have returned to growth, with rents in Brisbane up by 2.9% to A$585 over the past year. Overall, economic conditions in Australia remain supportive of its major office markets, and we expect performance to gradually become more balanced across the markets as sentiment improves outside of Sydney and Melbourne

FIG 4

Australia Prime Office Rents

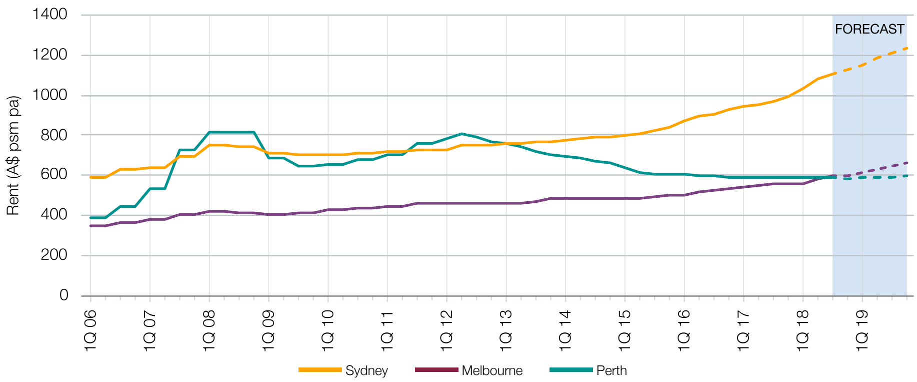
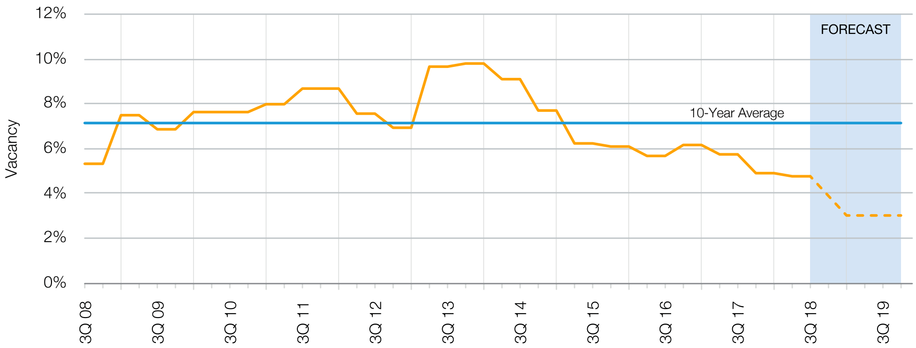


FIG 5

Sydney Prime Office Vacancy



*first 9 months of 2018

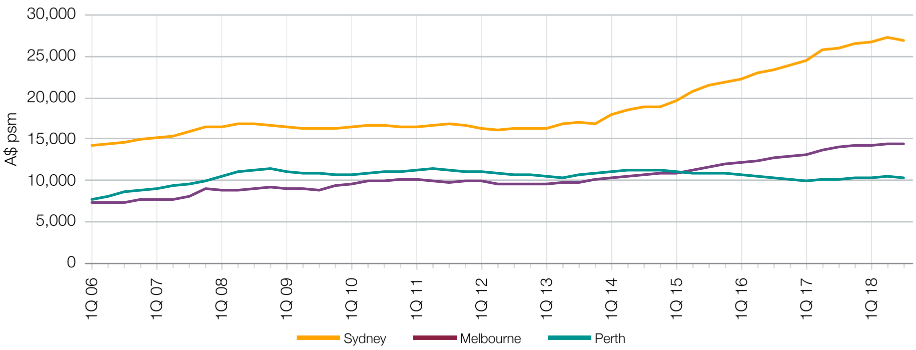
Residential

After a strong showing in 2017 with prime residential prices up 10.7% and 9.8% year on year in major markets Sydney and Melbourne respectively, housing prices have starting to slow in 2018 with prices having only risen 1.9%* and 0.8%* respectively. The slowdown has been attributed to tighter lending conditions for buyers, foreign purchase restrictions and capital controls in China; mainland buyers were a major investor base in recent years. In Perth, prices remain subdued with a 0.7%* rise see in 2018 compared to 1.3% rise seen in 2017. However, sustained recovery in the commodity sector and the city's relative cheaper housing prospects to its East Coast peers is starting to gain more attention. While overall residential price growth is cooling across the mainstream markets along the Australian East Coast, the prime residential market has continued to attract the wealthy population with demand for prime property outweighing the limited supply being brought to market in both the established and new supply markets; expectations for average price growth of 0 to 3% in 2019.

*first 9 months of 2018

FIG 6

Australia Prime Residential Prices



Perth, Australia

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