



Latest Trends in Asia Pacific Where can Investors Look to for Growth and Find Value



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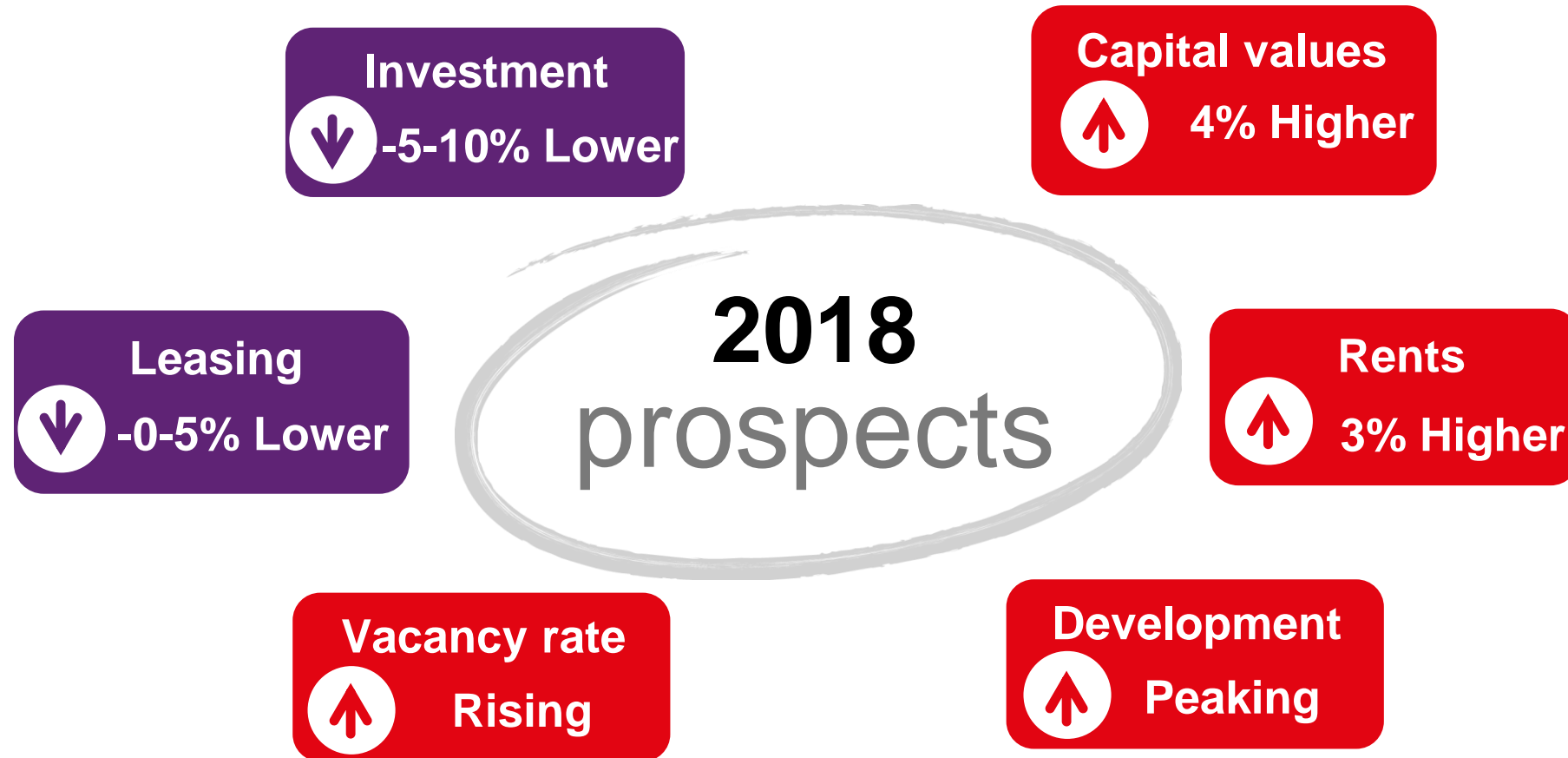
Latest Trends in Asia Pacific

Where can Investors Look to for Growth and Find Value

Dr. Megan Walters, PhD FRICS
Head of Research, Asia Pacific
July 2018



Global commercial real estate market prospects, 2018



Where can investors find value?



Australia

- Top choice for international investors – all sectors particularly office



China

- Retail to office conversions for older malls – competition from domestic capital



Hong Kong

- Demand from mainland investors for office space, weak retail on fewer visitors



Japan

- Suburban office in demand from international investors, logistics and multi family



Singapore

- Office market in recovery; residential attractive in a global context



South Korea

- Activity in core assets, sale and lease back potential; refurbishment activity and conversion



India

- Core asset portfolios in demand, foreign financing in residential and core money in retail

IMF sees emerging Asia as top global growth engine

Yahoo Singapore News 17 April 2018

WORLD ECONOMY

IMF chief optimistic on growth, but flags fading fiscal stimulus and rising rates

© THU, APR 12, 2018 - 5:50 AM

THE BUSINESS TIMES



The International Monetary Fund (IMF) is optimistic on the outlook for global growth but warned darker clouds are looming due to fading fiscal stimulus and rising interest rates, the fund's managing director Christine Lagarde said on Wednesday. PHOTO: REUTERS

Source: The Business Times, IMF, Reuters

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India fastest growing economy at 7.4 percent in 2018: International Monetary Fund

The IMF's Asia and Pacific Regional Economic Outlook report said that India was recovering from the effects of demonetisation and the introduction of the GST.



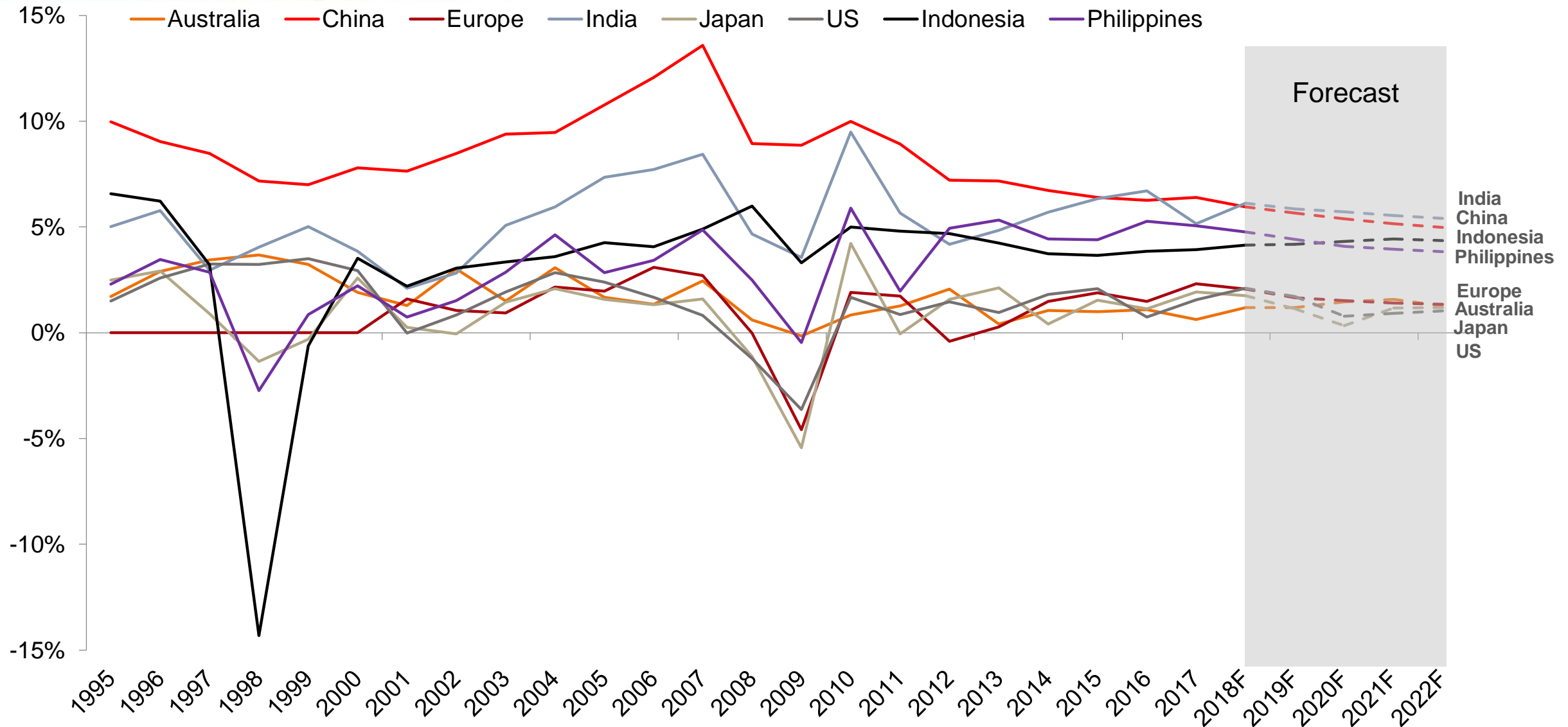
Published: 09th May 2018 09:17 AM | Last Updated: 09th May 2018 09:55 AM

Fed raises rates, signals confidence in strengthening economy

REUTERS March 22, 2018

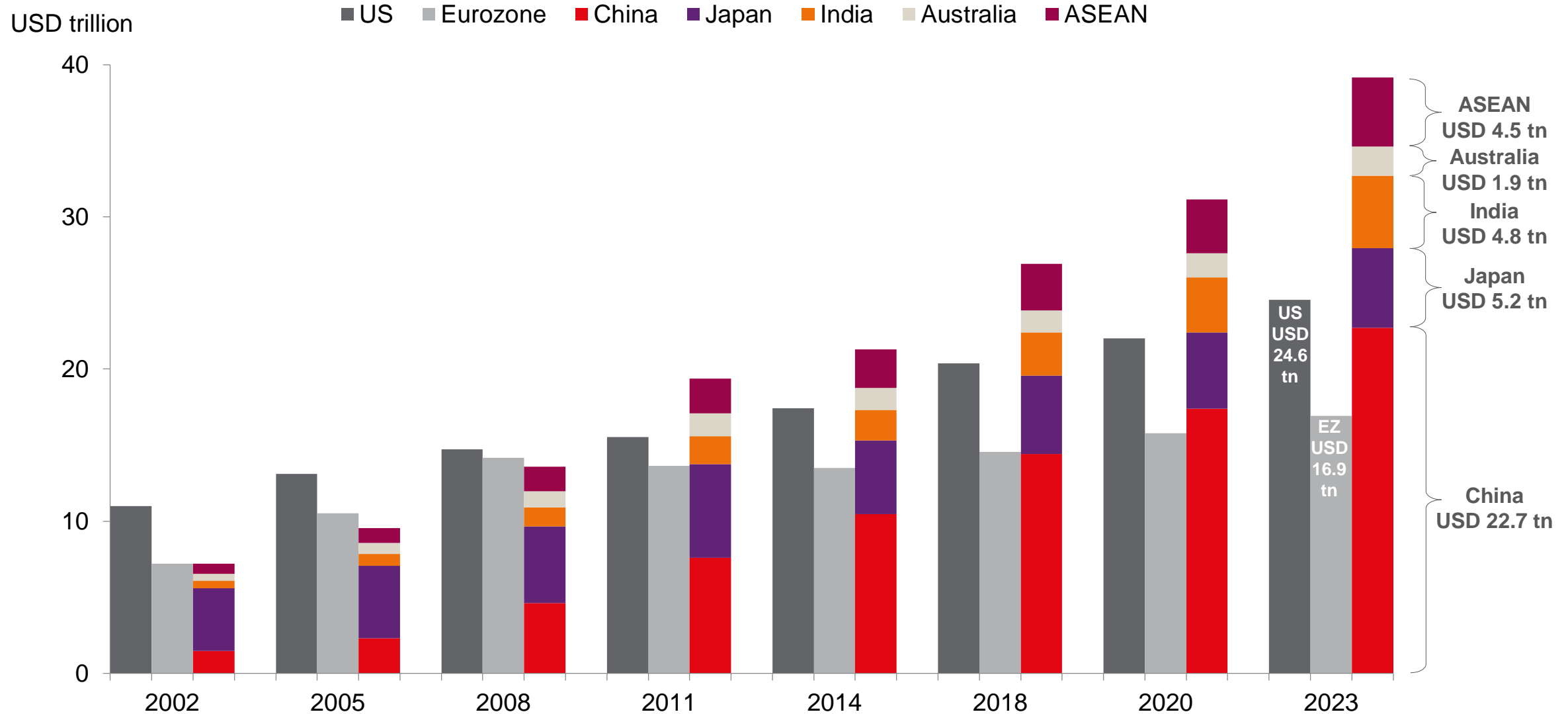
Asia Pacific remains the engine of global growth

Real GDP growth outlook (%)



AP now exceeds the US as the global market

Asia Pacific vs. US and Euro area nominal GDP



New era in Asia Pacific politics?



Risks for 2018 growth – trade friction

Global trade frictions as US steps up protectionist policies

US-China trade war fears rise after Trump's new tariffs

Published June 18

CNBC.com



WORLD NEWS APRIL 9, 2018 / 3:49 AM / UPDATED 5 HOURS AGO

Matt Spetalnick, David Brunnstrom

North Korea tells U.S. it is prepared to discuss denuclearization: source



Trump defends 'mission accomplished' after strike on Syria

- President Donald Trump on Sunday defended his use of the phrase "Mission Accomplished" to describe a U.S.-led allied missile attack on Syria's chemical weapons program, saying "it is such a great Military term, it should be brought back."

Published Apr 15

CNBC.com



Immigration reform
Domestic programme cuts
Trade tariffs / boarder tax
Financial deregulation
Policy uncertainty

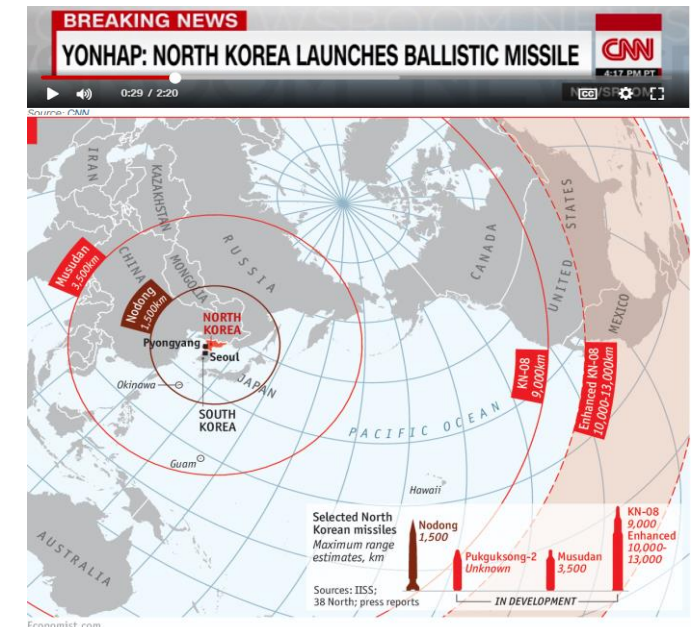
China – greater focus on reforms and market opening



- Growth to moderate as China's economy continues to **rebalance**. Greater focus on slowing of credit growth and reducing excess capacity in some heavy industry.
- The **new leadership team** is likely to make decisions more quickly and efficiently.
- China pledges to allow more foreign investment in financial sector by year-end.
- China may be a crucial player in North Korea's denuclearization talks.



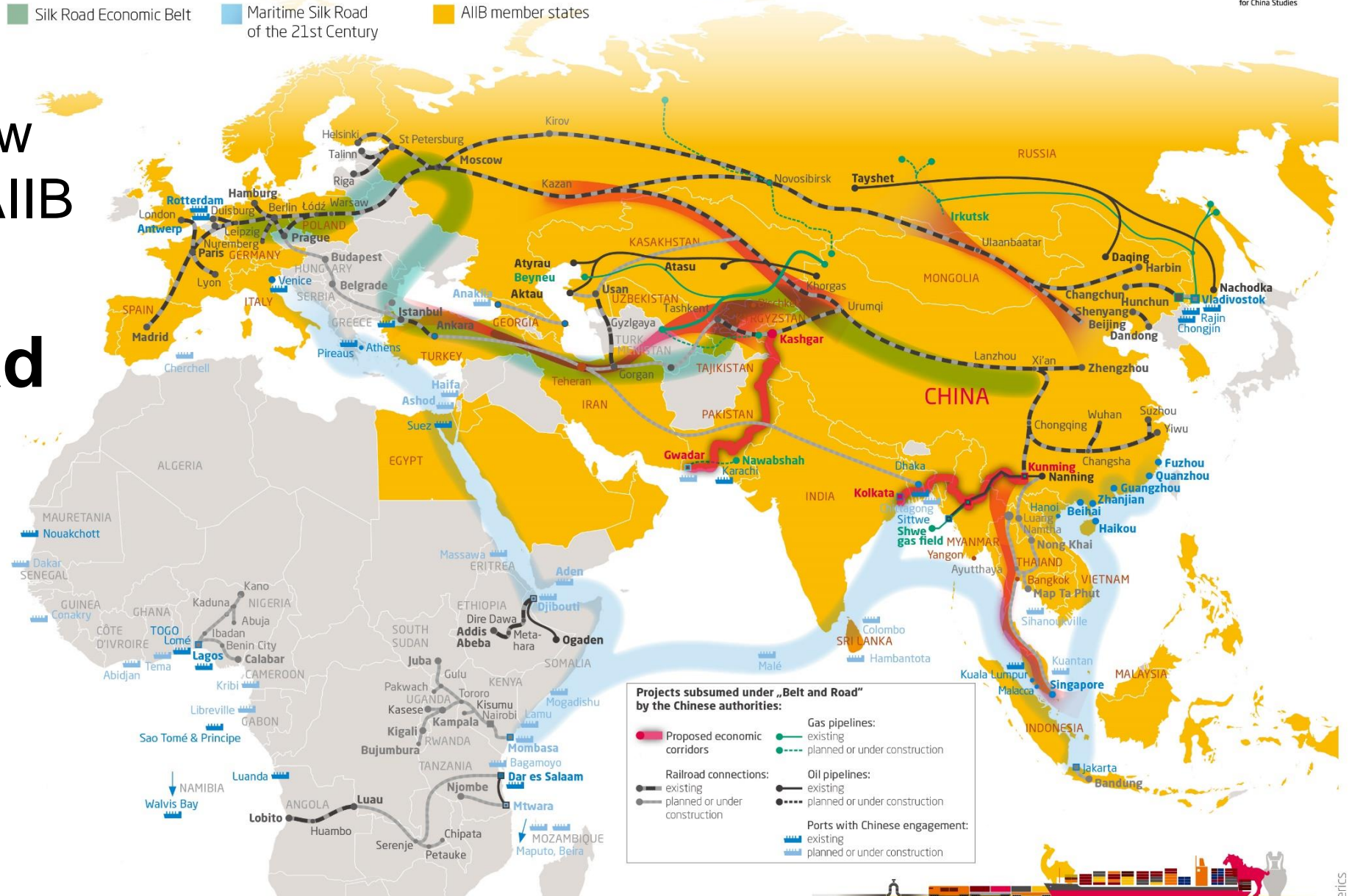
Source: CNBC, Reuters



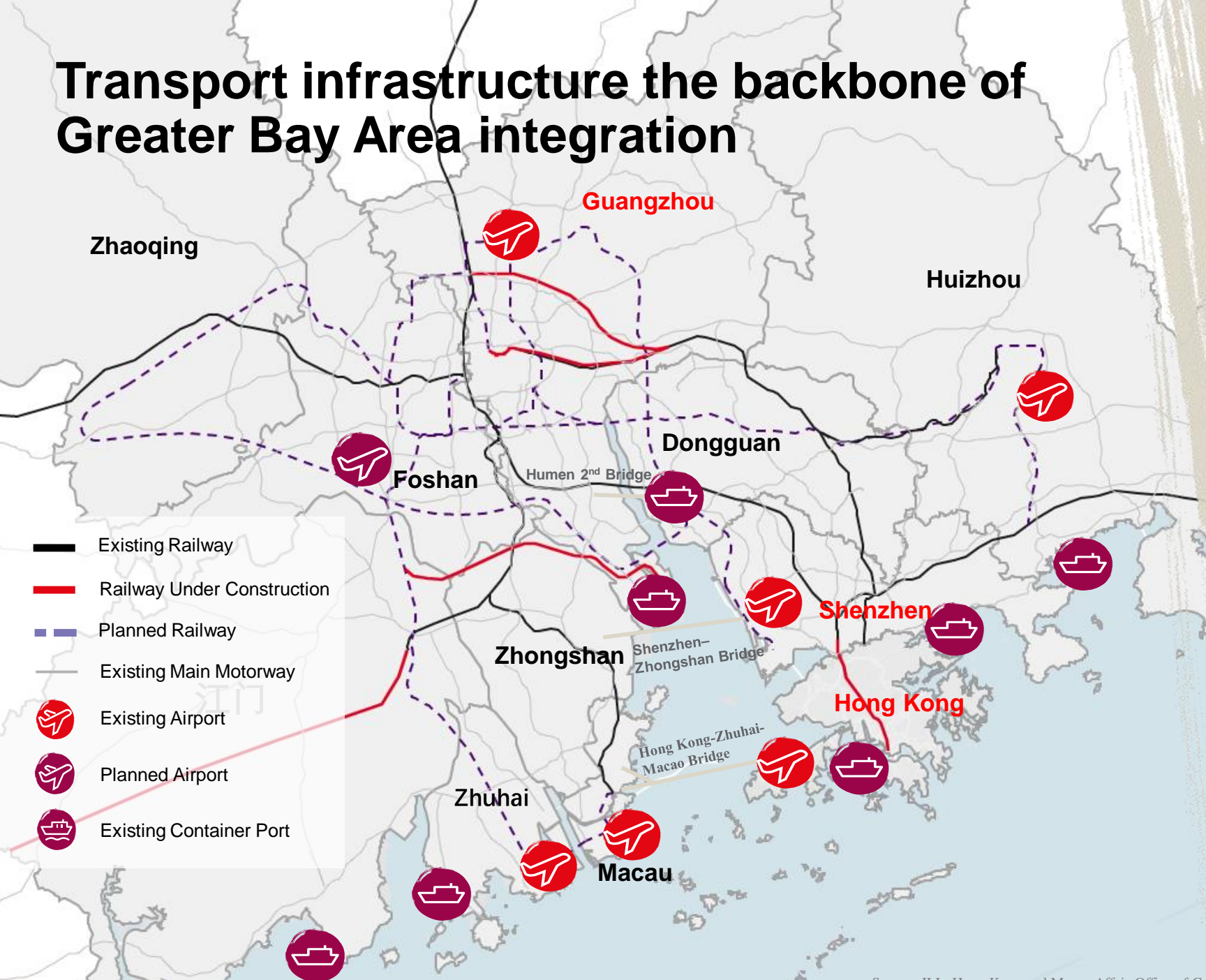
China aims to build a global infrastructure network
 "Belt and Road" infrastructure projects, planned and completed (March 2017)

Countries in yellow
 are members of AIIB

Belt and Road Initiative



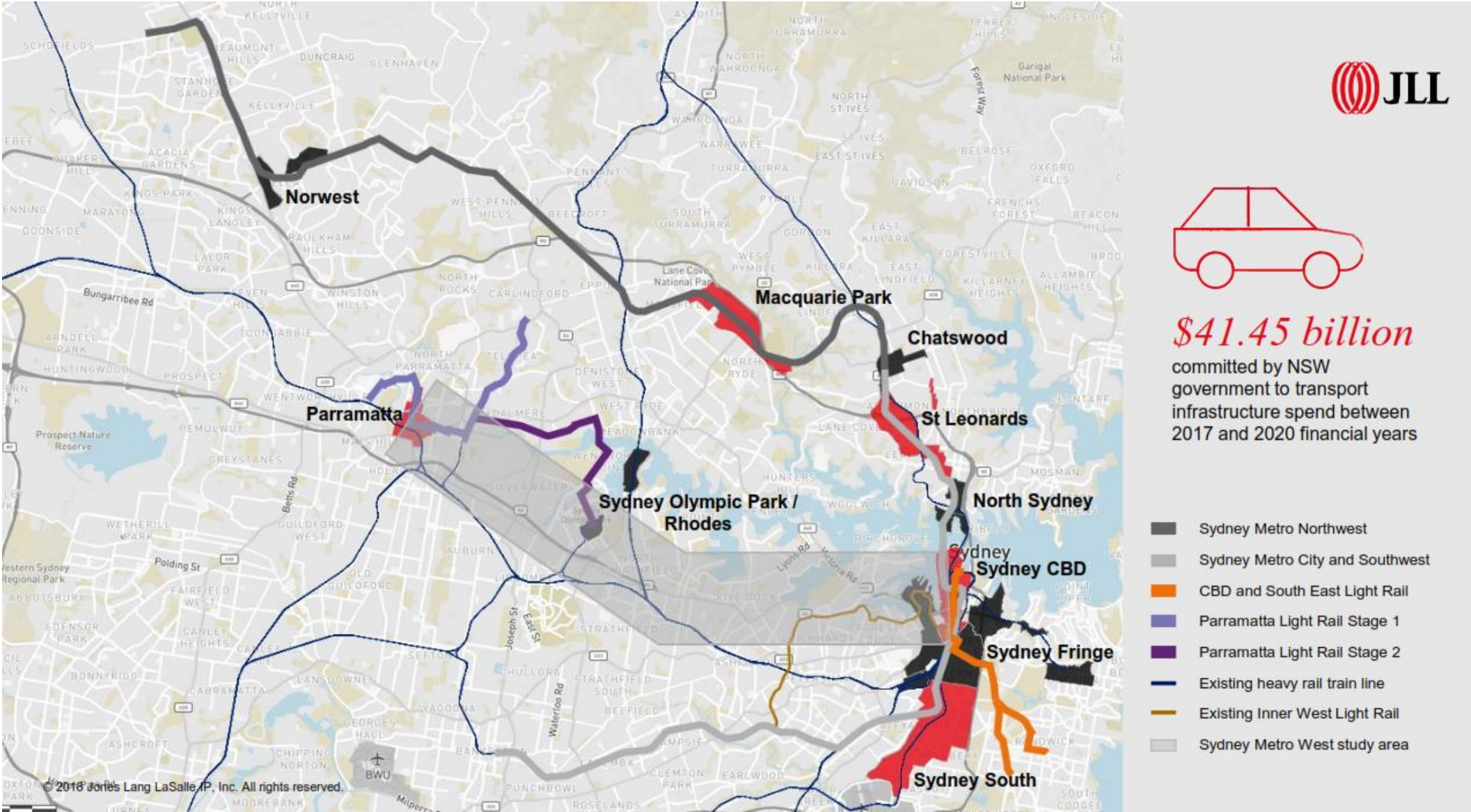
Transport infrastructure the backbone of Greater Bay Area integration



- **Bridges:** The Hong Kong-Zhuhai-Macao Bridge (2018), Shenzhen-Zhongshan Bridge (2024) and Humen Second Bridge (2019) to reduce travelling time across the Pearl River Delta region.
- **Container Ports:** The port of Hong Kong, Shenzhen and Guangzhou, collectively are the world's largest port cluster in terms of container throughput.
- **Airports:** A total of six airports (two international, one regional and three smaller airports) collectively handled 202 million passengers and 8 million tonnes of cargo throughput in 2017.

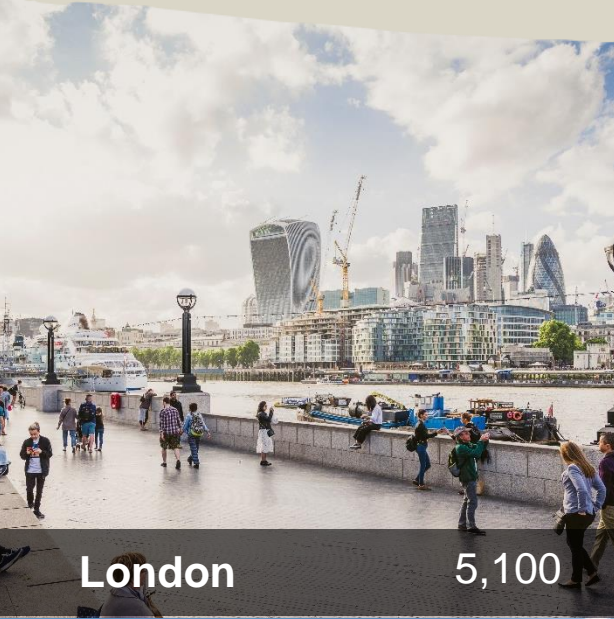
Improved connectivity with the Sydney CBD

NSW major infrastructure projects



Crowded cities and a lot of people!

People per sq. km



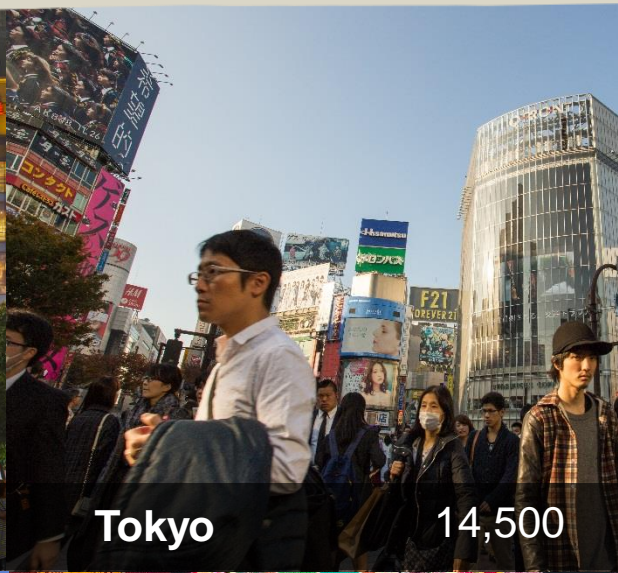
London

5,100



Shanghai

13,400



Tokyo

14,500



Amsterdam

5,135



Mumbai

29,650



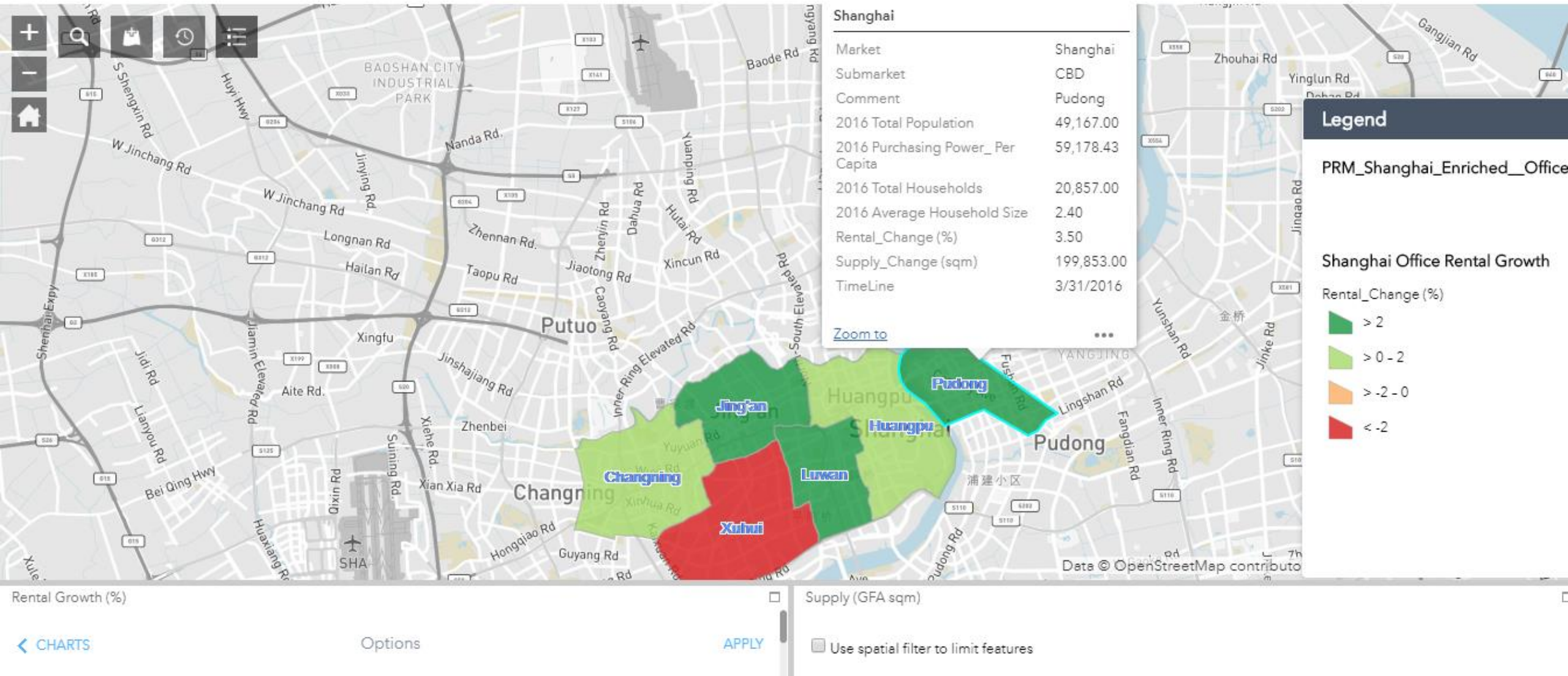
Singapore

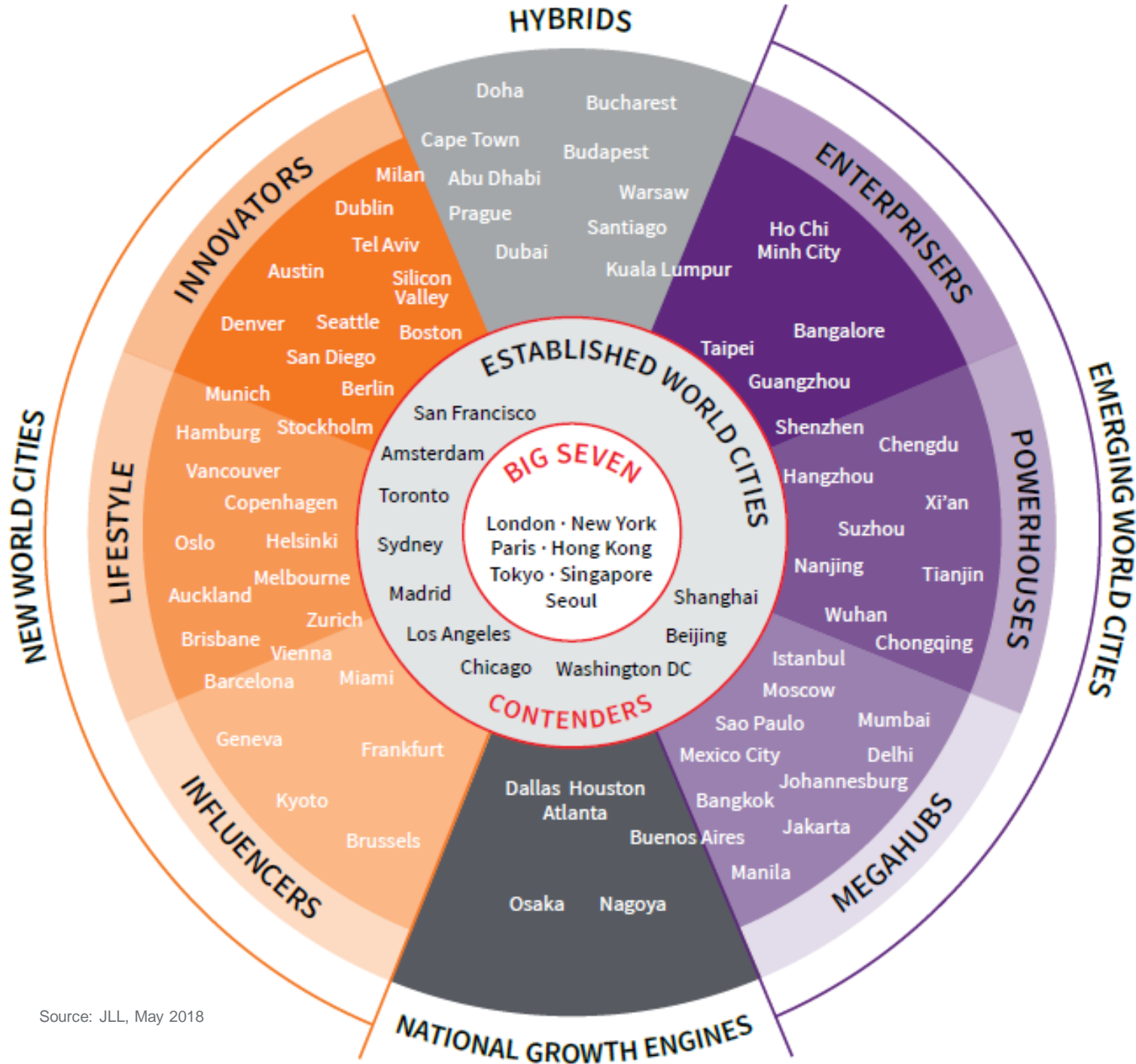

8,300



Hong Kong up to 130,000

Shanghai – sub markets on JLL Mapping platform



Achieve Ambitions

The Universe of City Indices 2018

World Cities: Mapping the Pathways to Success

JLL and The Business of Cities

ANREV 2018 Investment Intentions Survey



Note: Based on a sample of 109: 38 investors, 2 funds of funds managers and 69 fund managers.

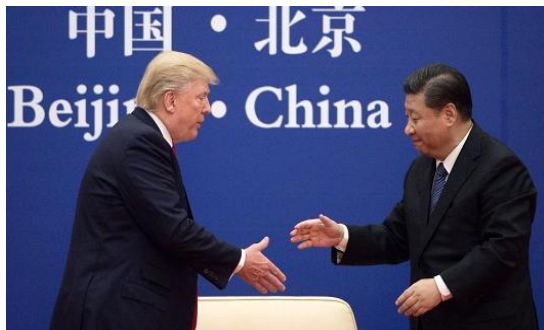
Where to look for growth?

Economic and real estate outlook



Economic conditions

- Global growth resilient to protectionist concerns
- Eurozone upturn continues and US solid following the Trump tax cuts.
- China pledges to further open its markets, and India's new tax regime improves productivity.
- Growth robust in the ASEAN economies
- Kim / Trump successful summit



Real Estate outlook

- Diversification as risk mitigation will drive activity real estate
- Opportunities are both structural and cyclical
- Rents improving across most AP markets
- Appetite for investment assets in real estate from cross-border capital

Round the region growing employment

Employment cumulative aggregate growth rate (%), 2018 to 2021F

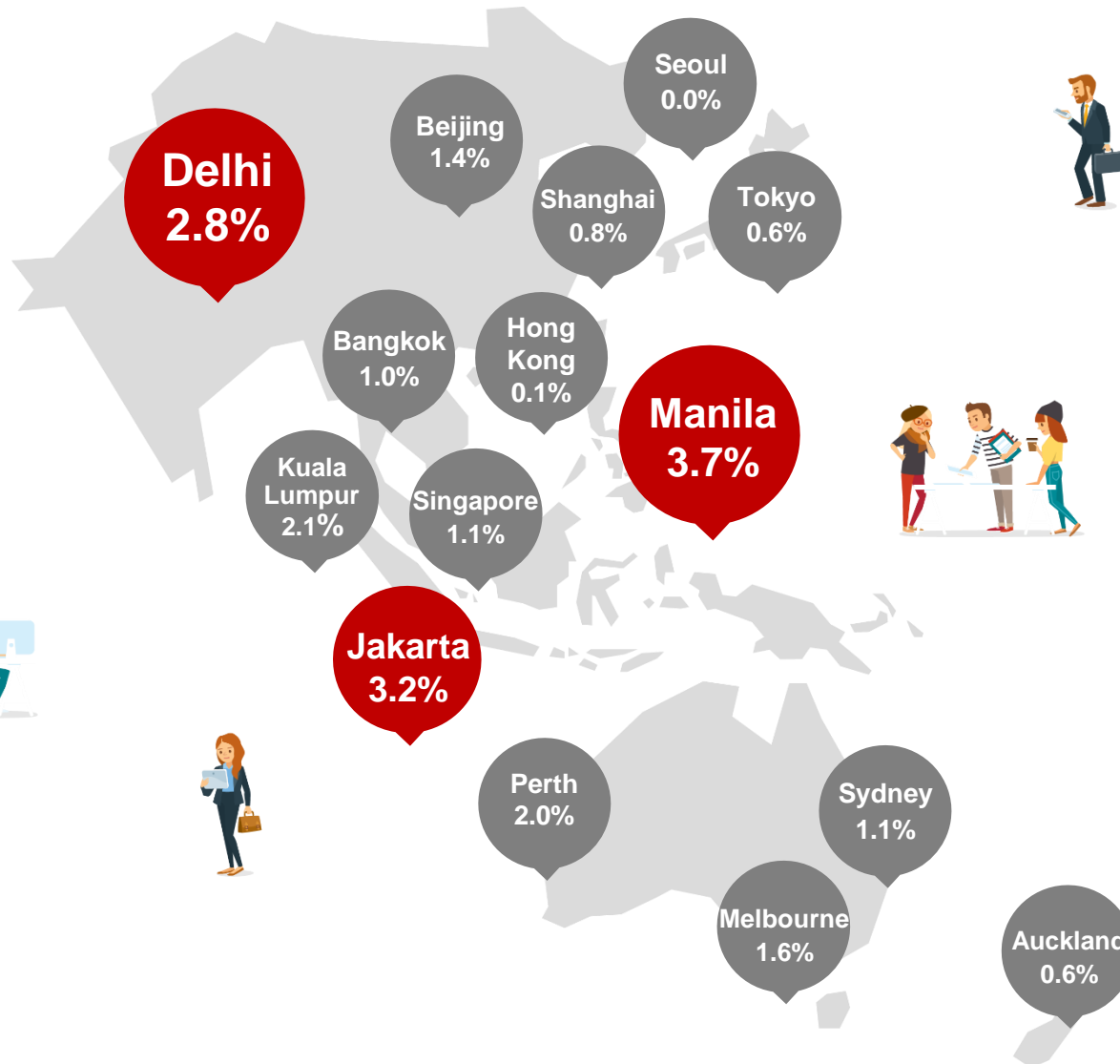


Young Workers Herald the Rise of Southeast Asia

By **Sterling Wong**

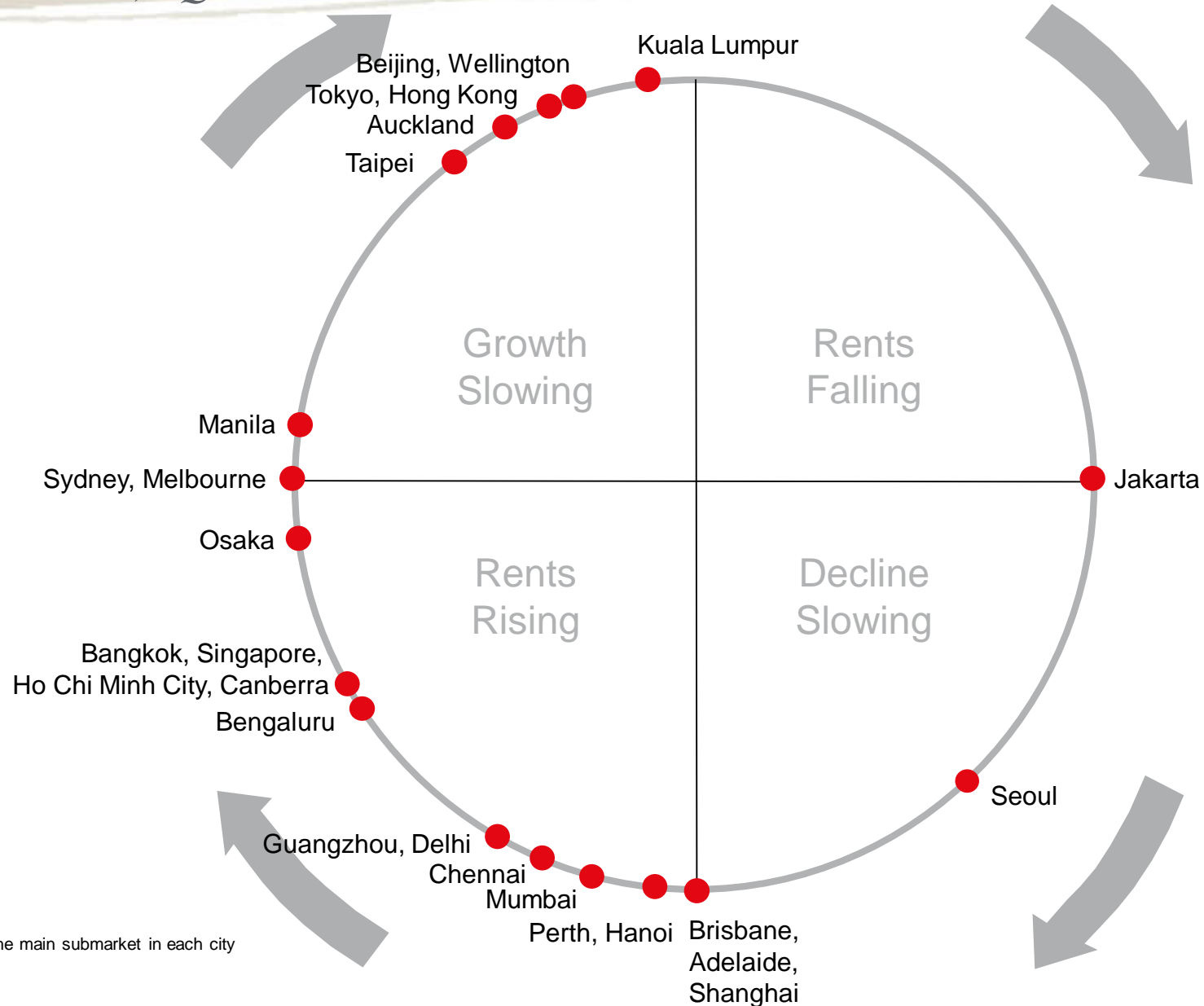
May 10, 2017, 5:00 AM GMT+8

- Southeast Asia's working-age population to expand until 2020
- Large ambitious infrastructure projects to bolster economies



AP Grade A office rental clock

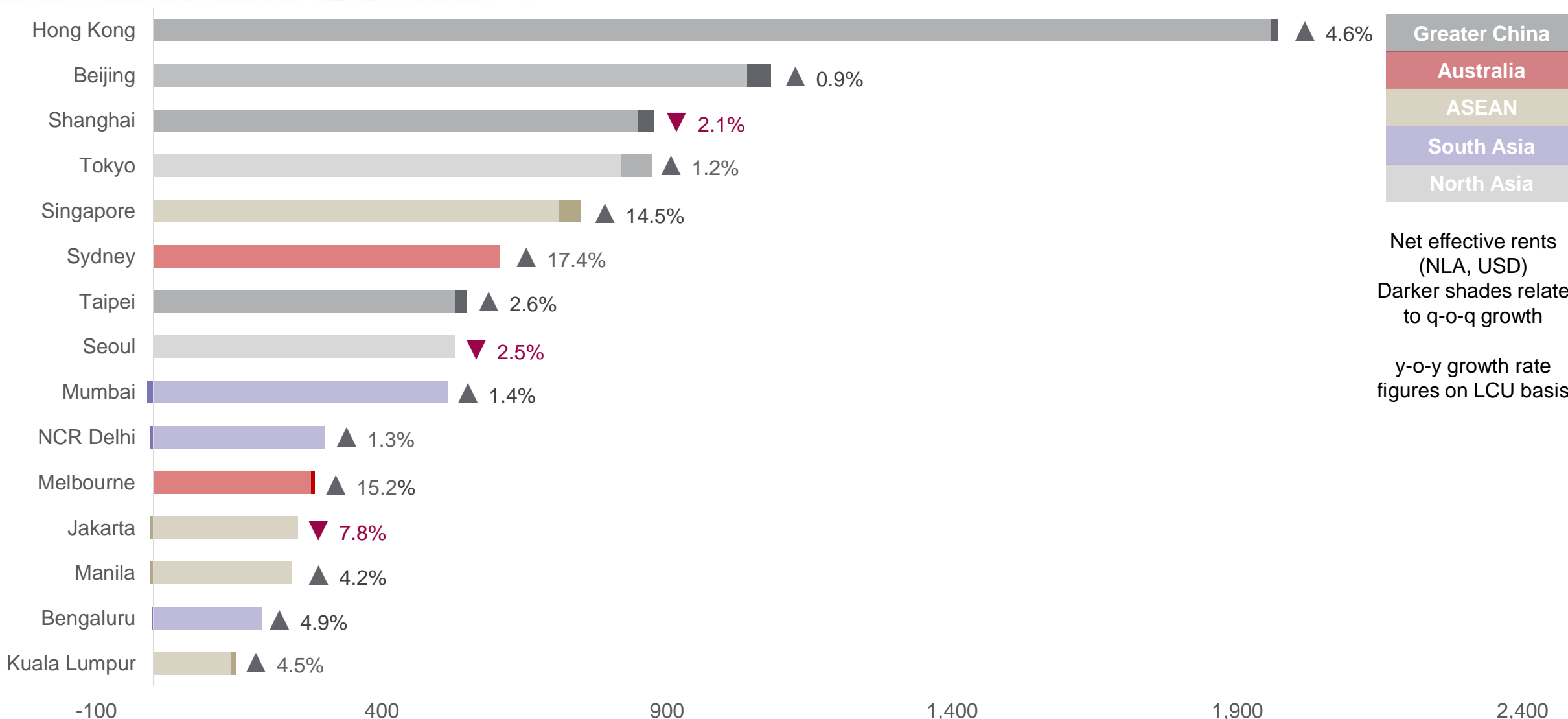
AP prime office rental clock, 1Q18



*Clock positions for the office sector relate to the main submarket in each city
Source: JLL, 1Q18

Rental performance across Asia Pacific

Y-o-y % change, 1Q18

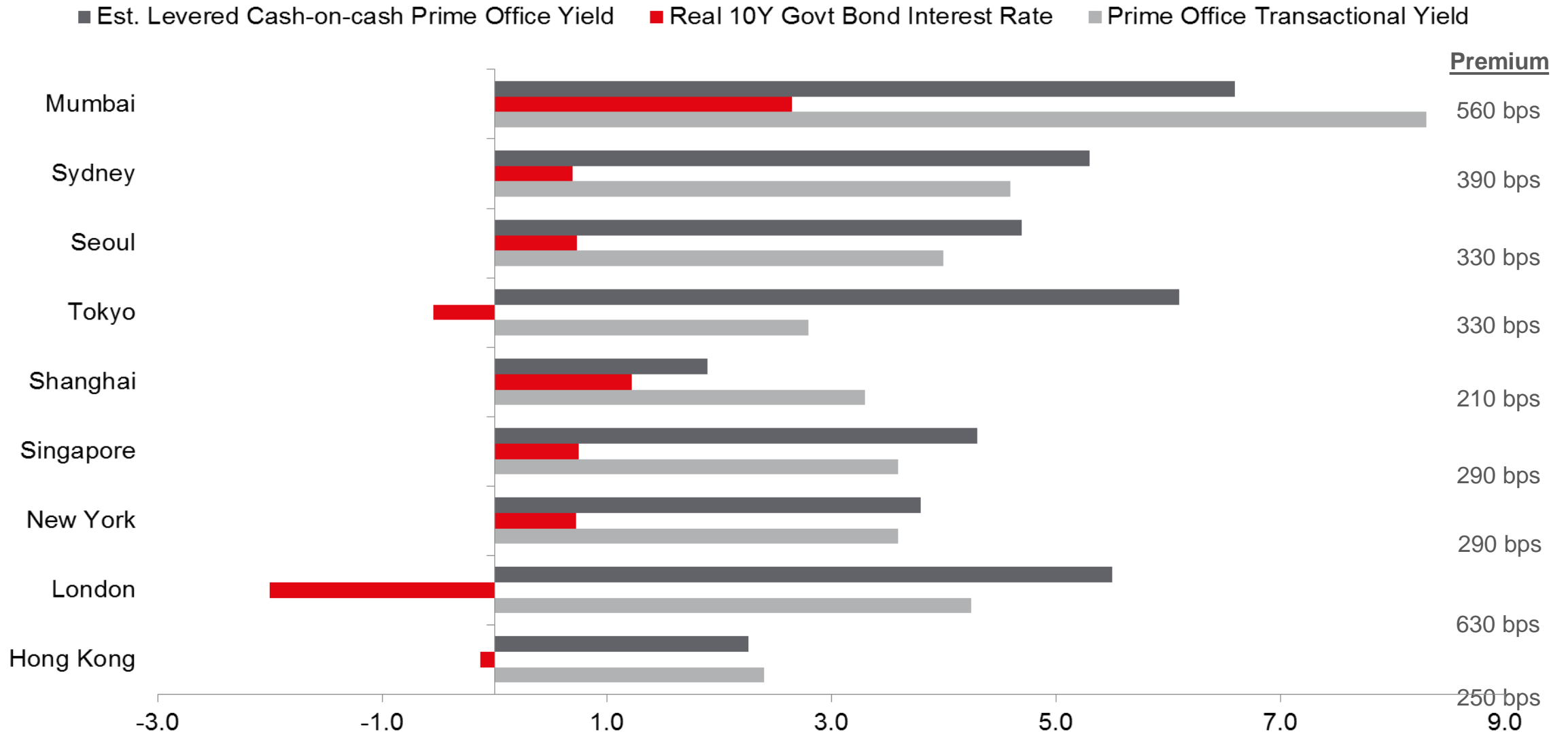


*Figures relate to major submarkets in each city. NLA, psm p.a. basis

Source: JLL, 1Q18

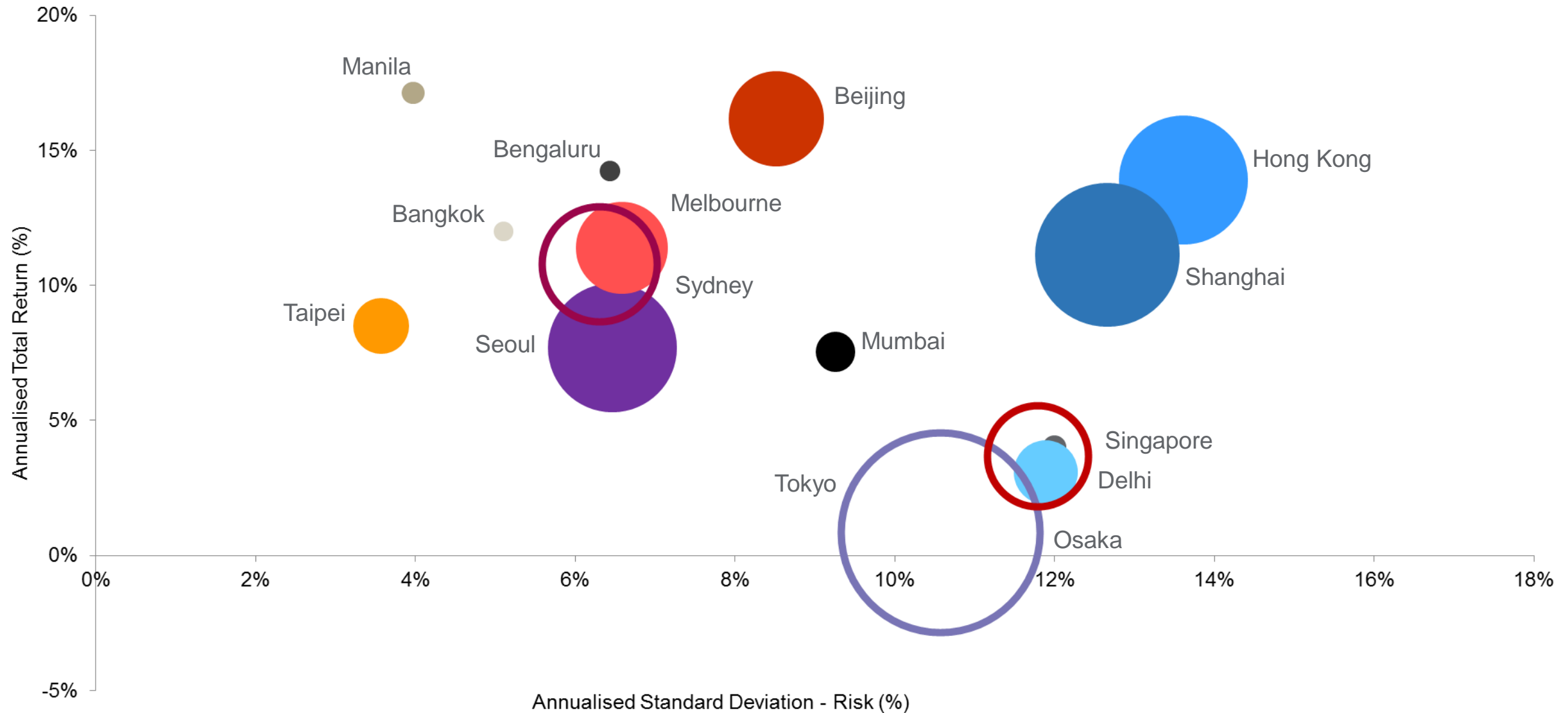
Spreads continue to make real estate attractive

Prime office yields, real bond rates, levered cash-on-cash yields (%)



Range of risk-adjusted returns

Prime office annualised risks & total returns, 2008 – Q1 2018

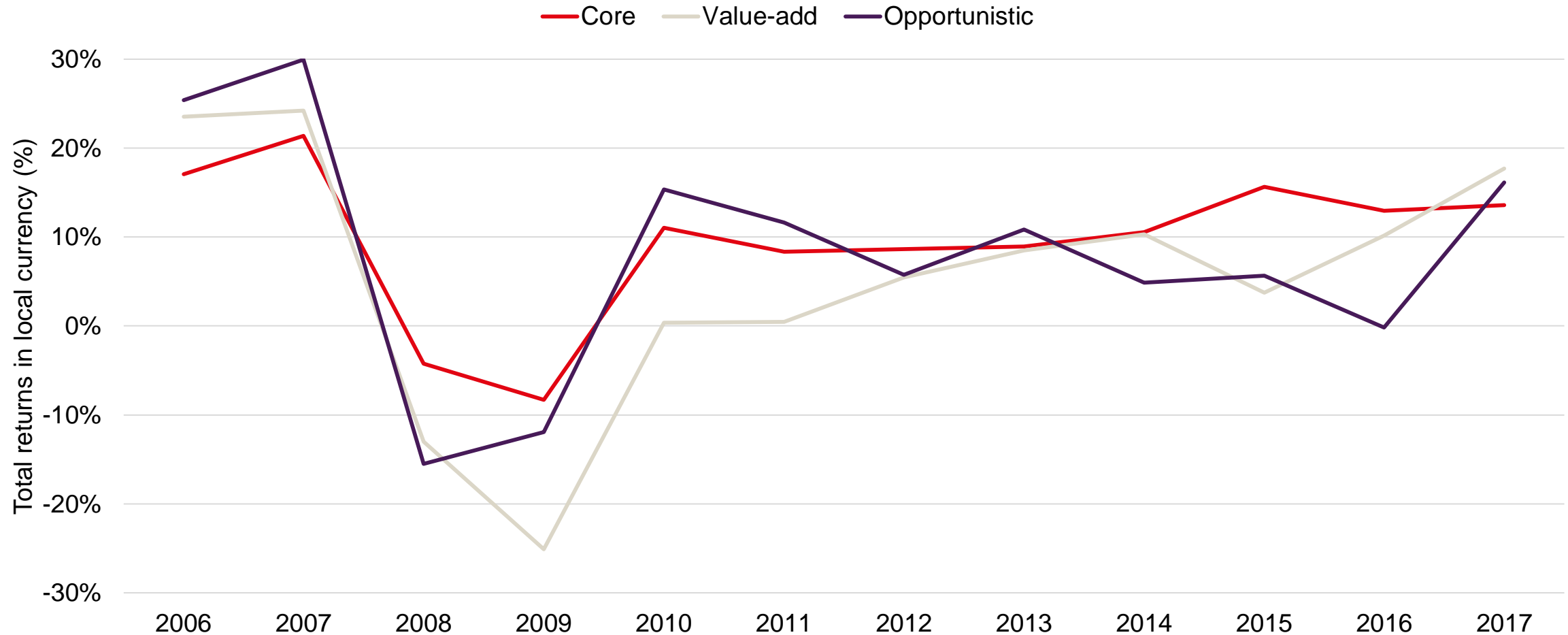


AP Core returns perform well in index

Returns from ANREV Annual Index by style



Total Returns of Asia Pacific PERE indices, by strategy



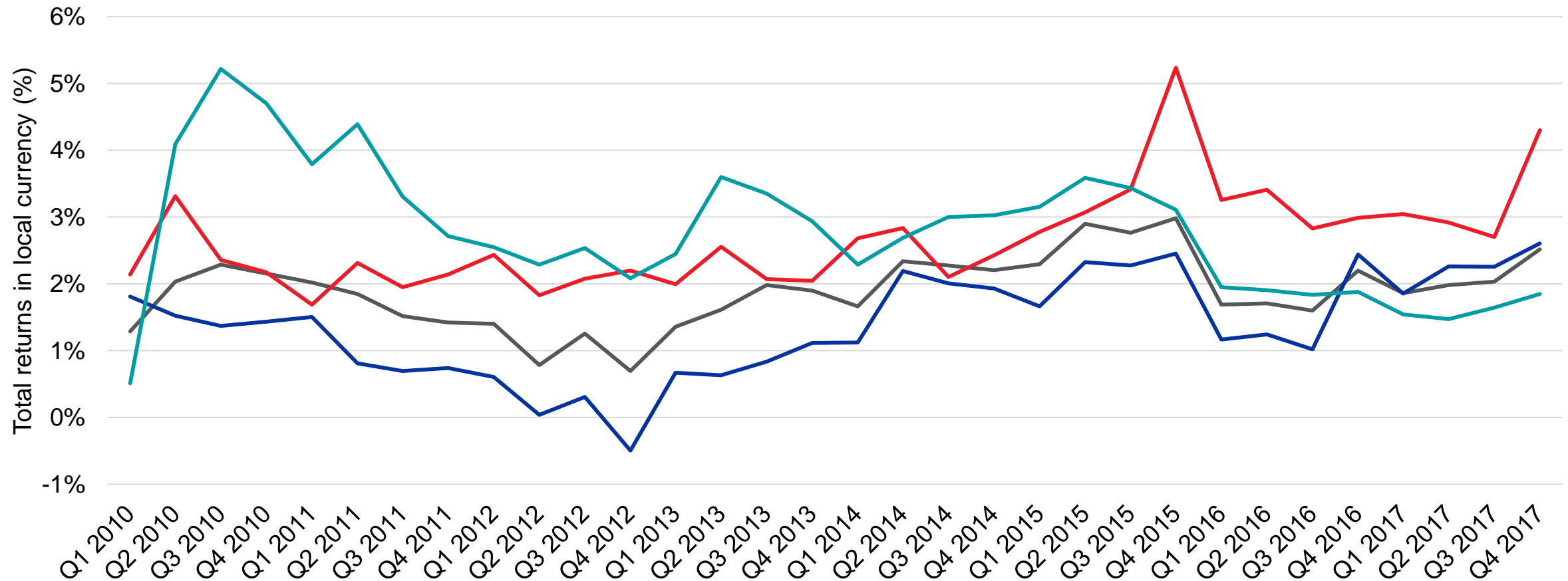
AP core returns compare well on global basis

Total Returns quarterly basis of Core funds indices



Total quarterly returns of core funds indices, by region

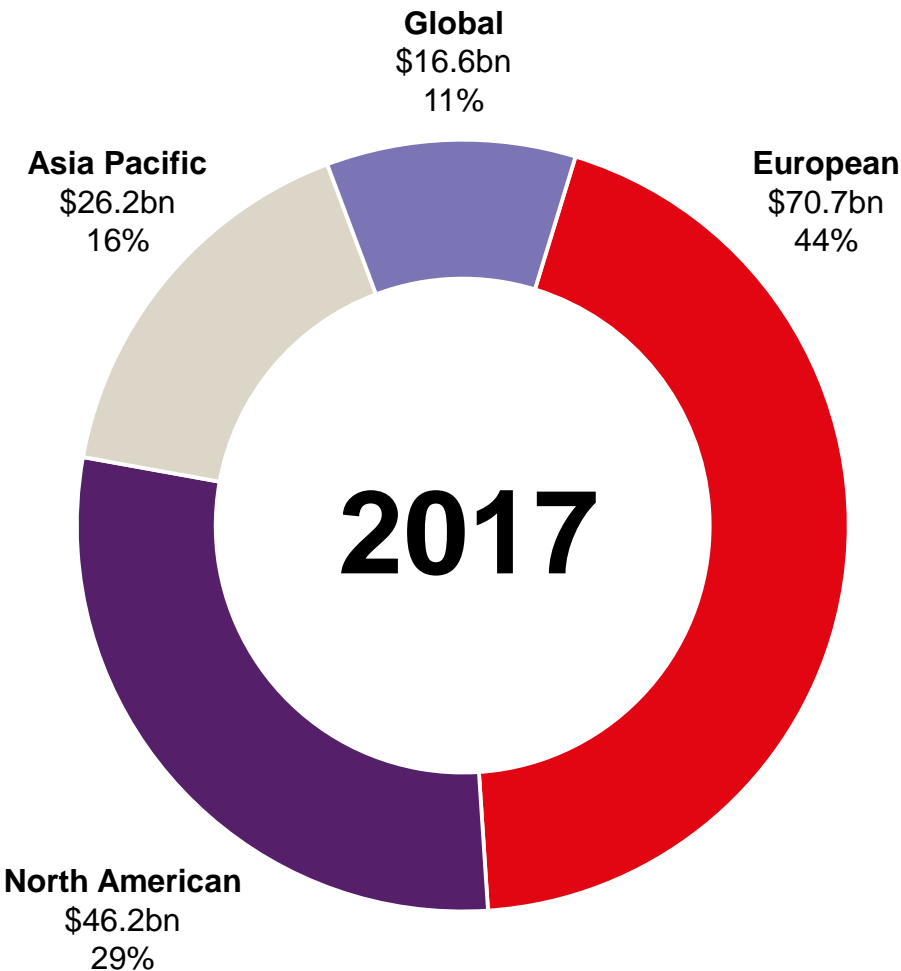
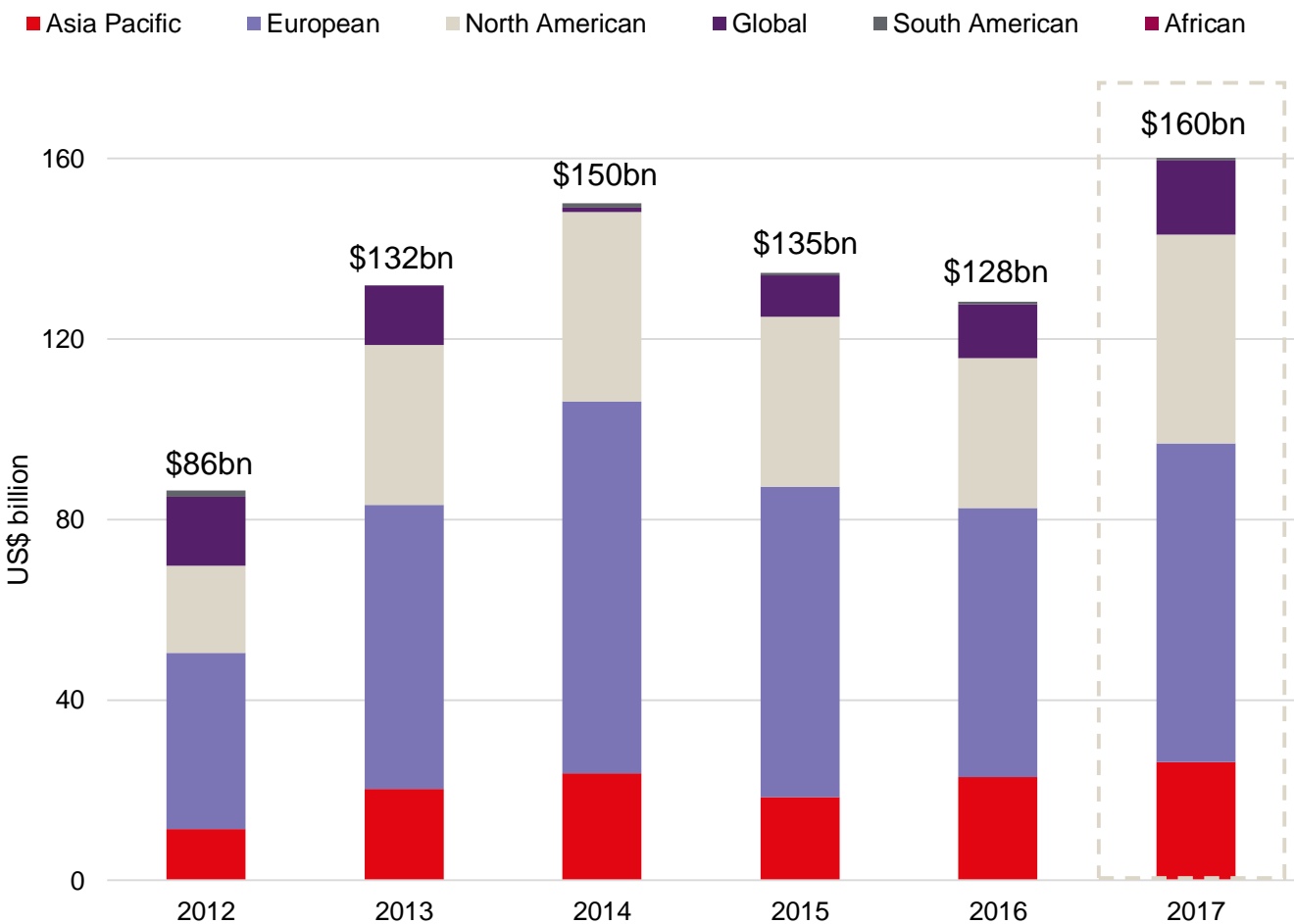
— GREFI — Asia Pacific — Europe — US



Global Capital Raised for Private Real Estate Funds



Equity raised between 2012 and 2017, by regional strategy








Source: ANREV/INREV/NCREIF Capital Raising Survey 2018

Prime Offices – Projected Change in Values, 2018



Rental Values

 10 - 20%	Singapore
 5 - 10%	Sydney, Toronto, Sao Paulo, Hong Kong Moscow, Berlin, Amsterdam, Madrid
 0 - 5%	Brussels, Milan, Stockholm Frankfurt, Dubai, Boston, Chicago, Los Angeles New York, San Francisco, Washington DC Tokyo, Seoul, Paris, Shanghai, Delhi, London
 0 - 5%	Mumbai, Beijing, Mexico City
 5 - 10%	Jakarta

Capital Values

Moscow, Amsterdam, Sao Paulo Hong Kong, Brussels, Singapore
Milan, Sydney, Toronto, Berlin, Madrid
Shanghai, Stockholm, Dubai, Boston Chicago, Los Angeles, New York San Francisco, Washington DC, Paris, Tokyo Seoul, Delhi, Frankfurt, Mumbai, London
Beijing, Mexico City
Jakarta

Four shifts are

transforming office markets ...



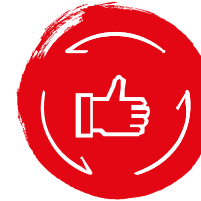
ASPACE



Liquid workforce



Digitization

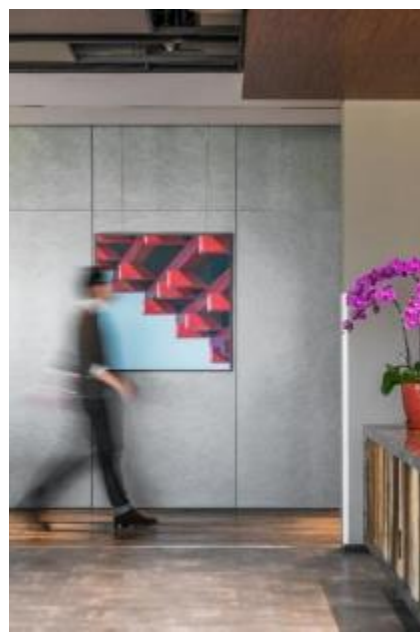
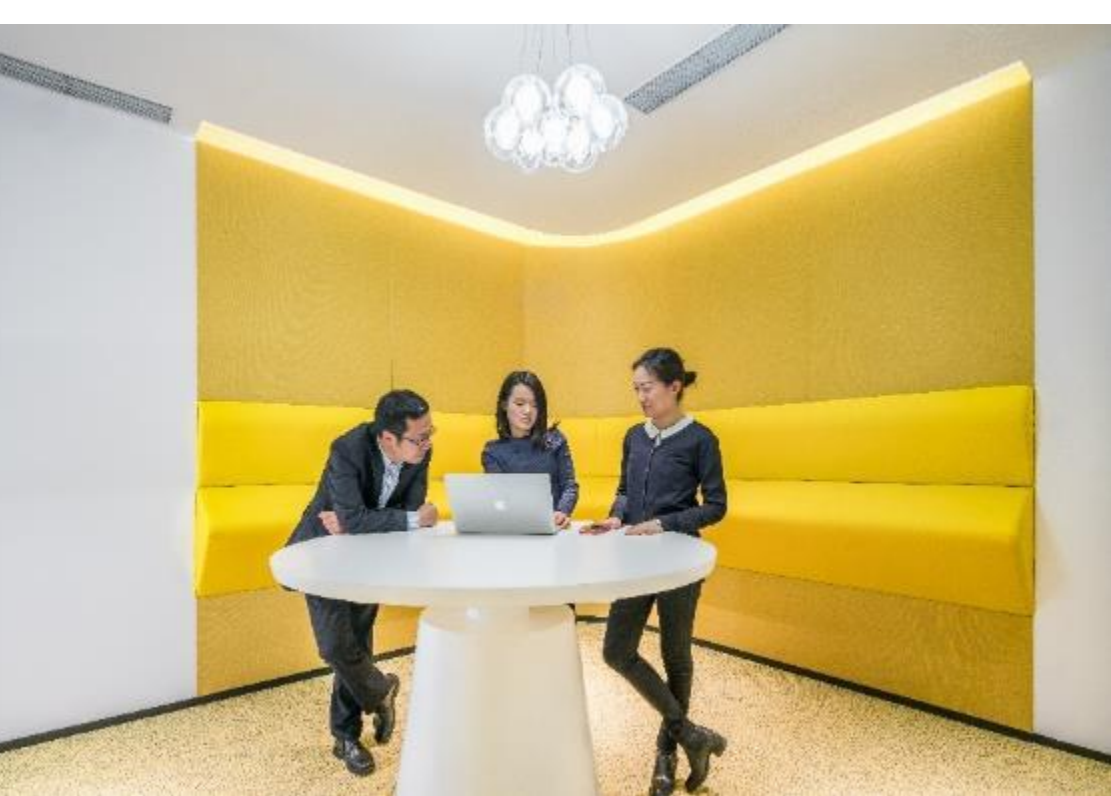


Human experience



Flexibility



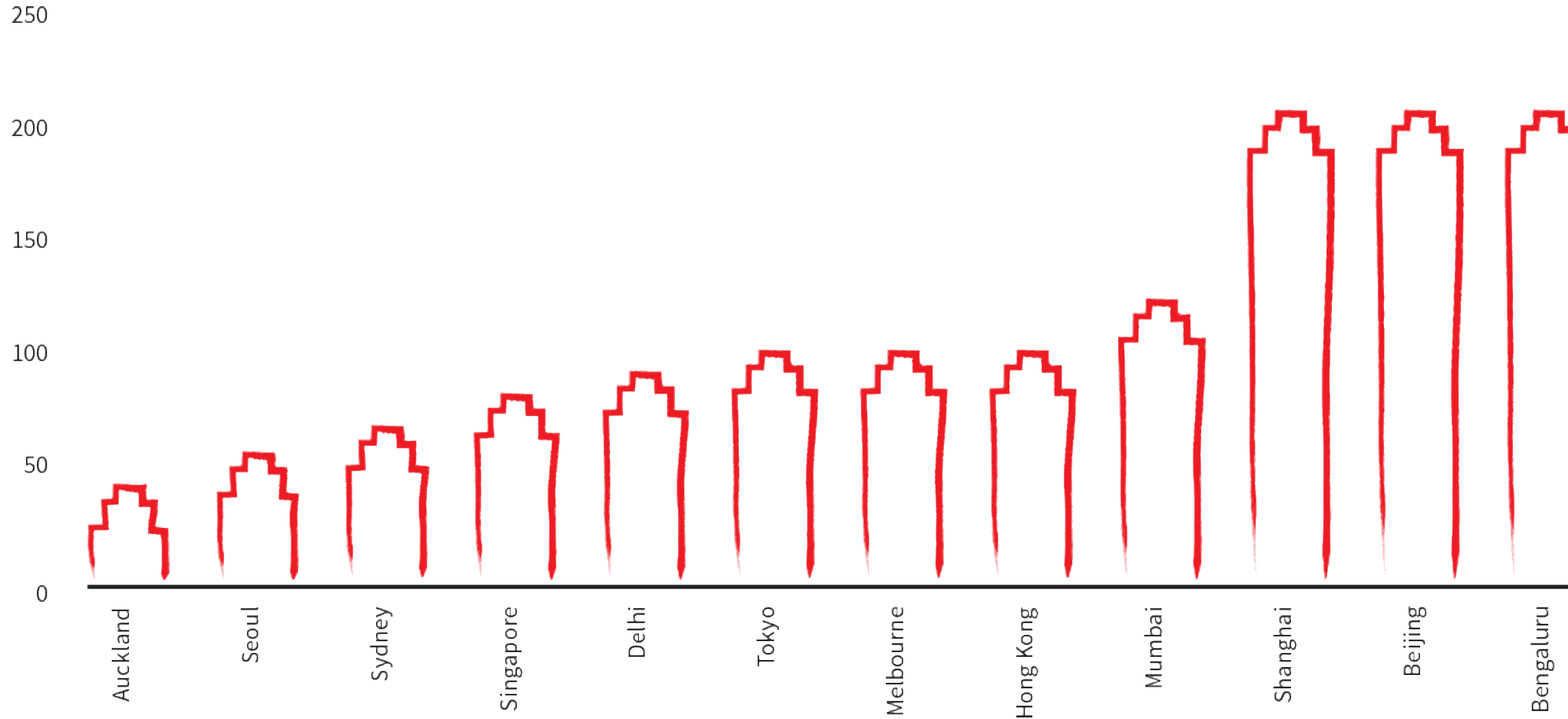


Foot Print for Flex space still fairly small



Flexible space stock

Net lettable area (thousand sqm)



* Note: Penetration rates are in comparison to Grade A office stock. Flexible space operators often lease space in lower quality buildings and non-office formats such as shop houses and shopping centres

Source: JLL Research

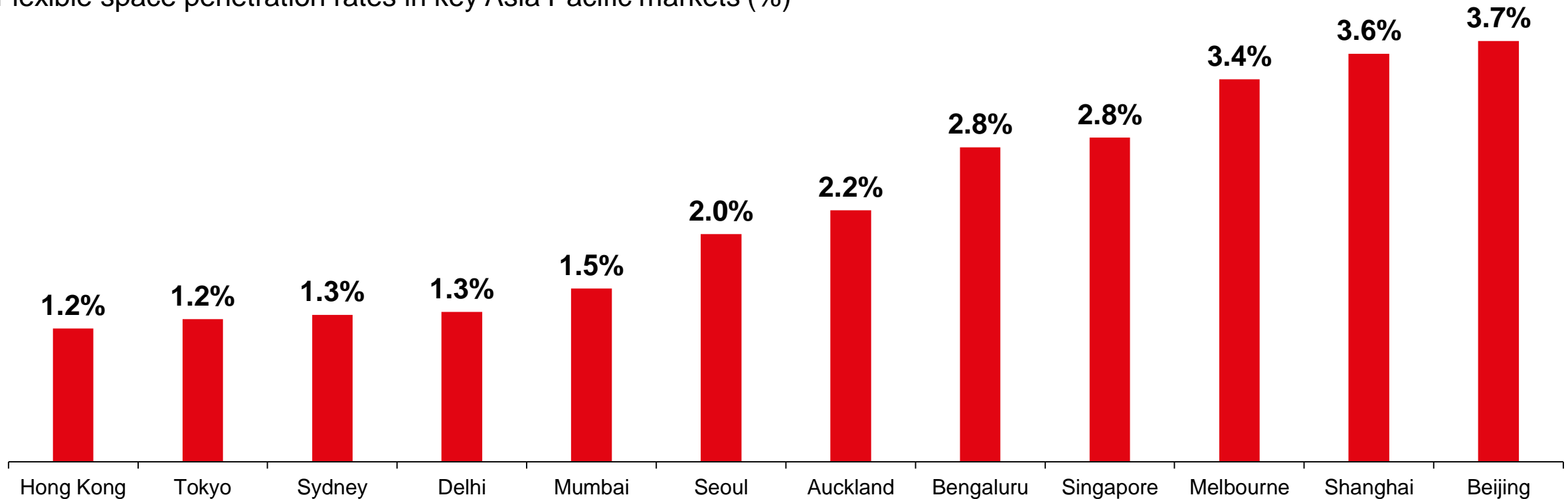
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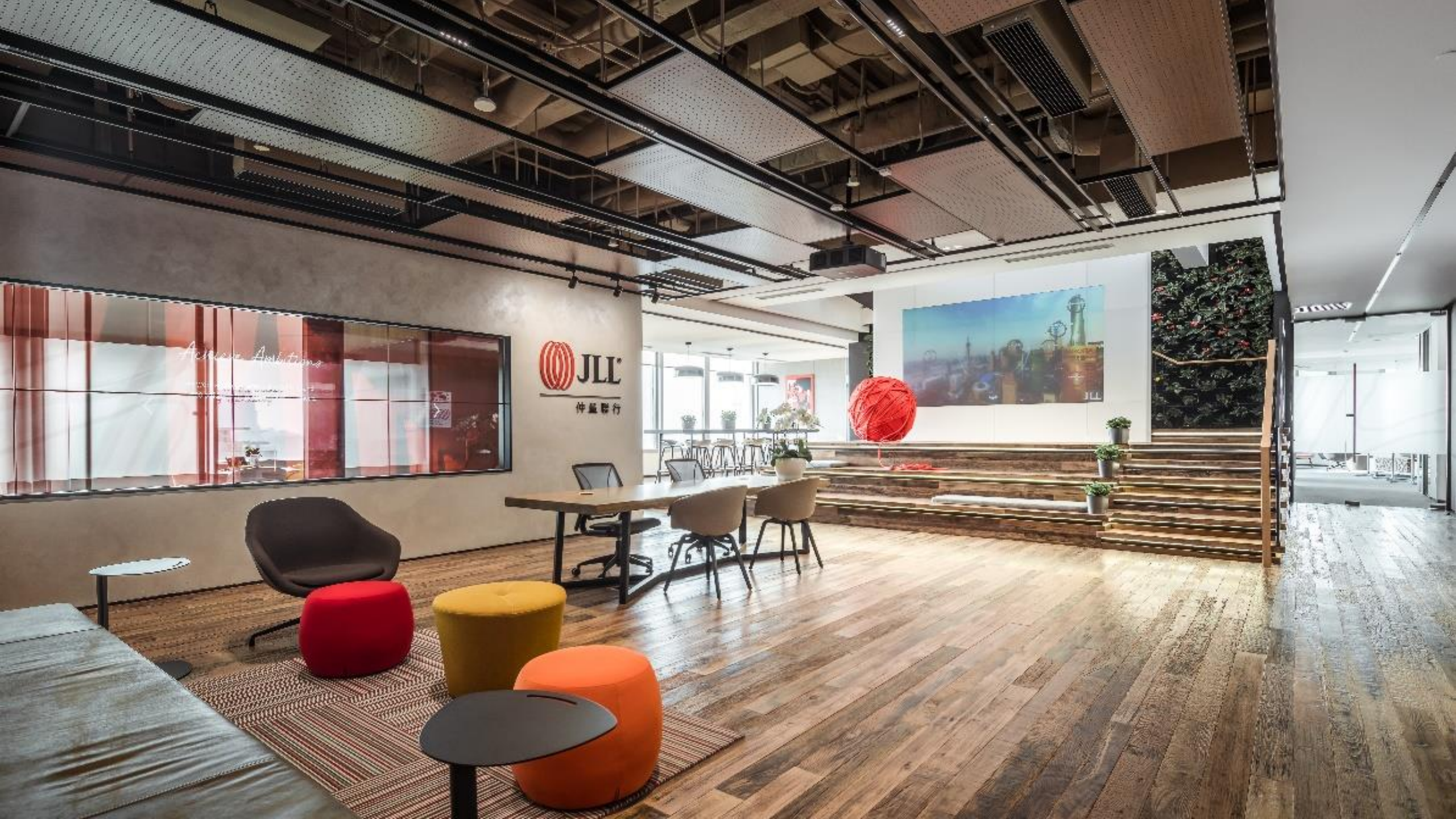
Foot Print for Flex space still fairly small



Low penetration rates across the region – regional average of 2.1%

Flexible space penetration rates in key Asia Pacific markets (%)





Acknowledge Ambitions



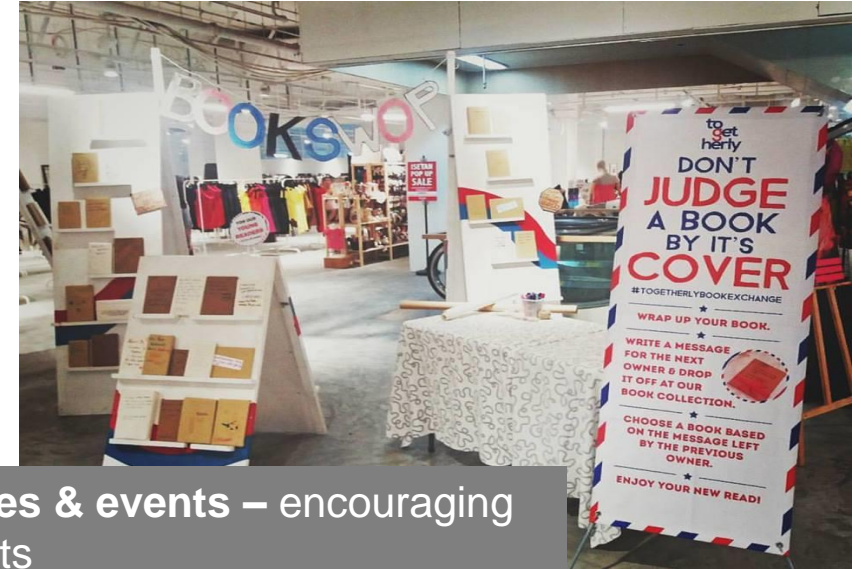
仲量聯行



Creating experiences in retail – Asia Pacific



Legoland Discovery Centre, Chadstone
– cultivating social experiences



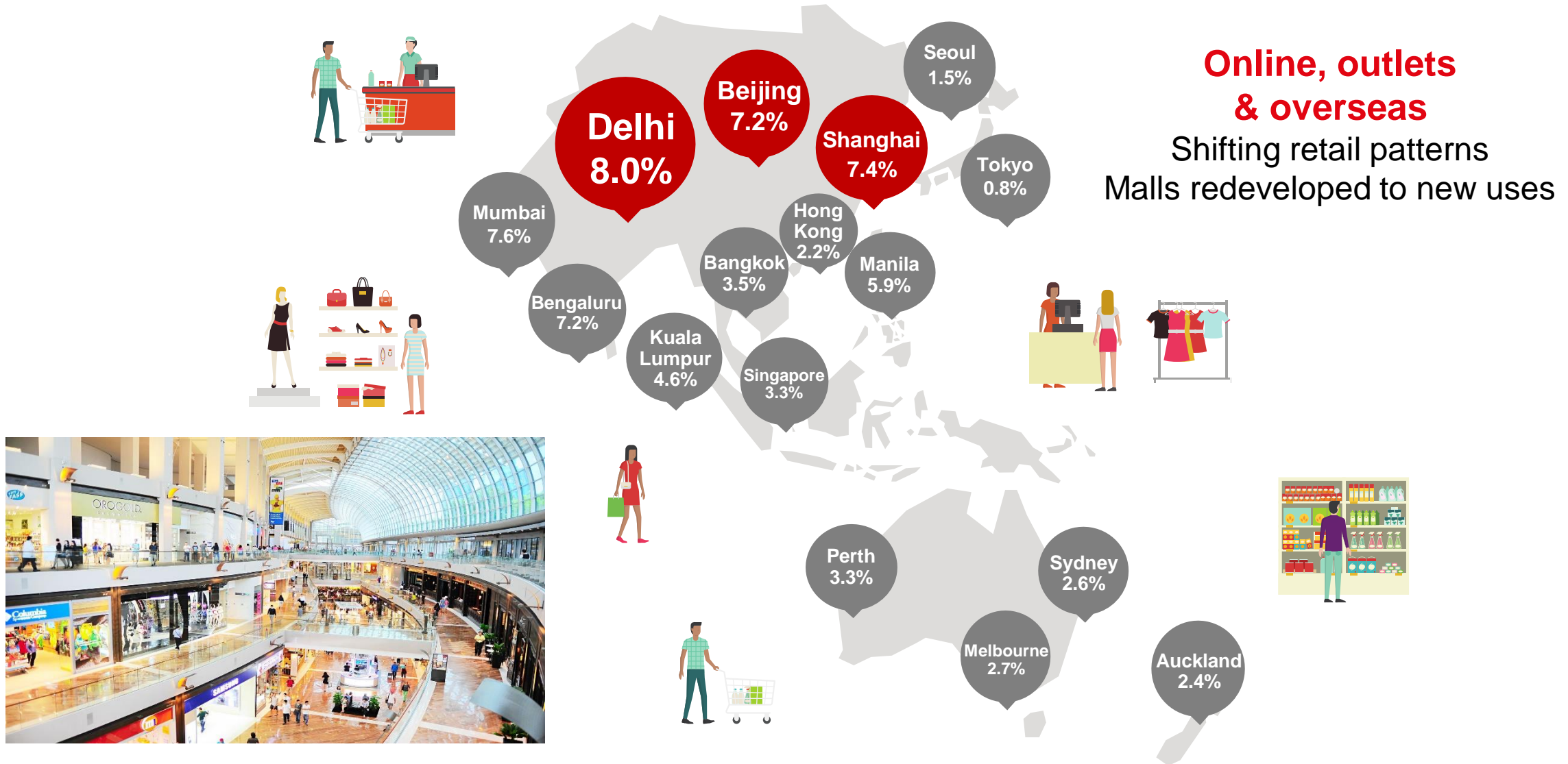
Pop-up stores & events – encouraging fresh concepts



Apple's first store in Taiwan – a more interactive experience for customers

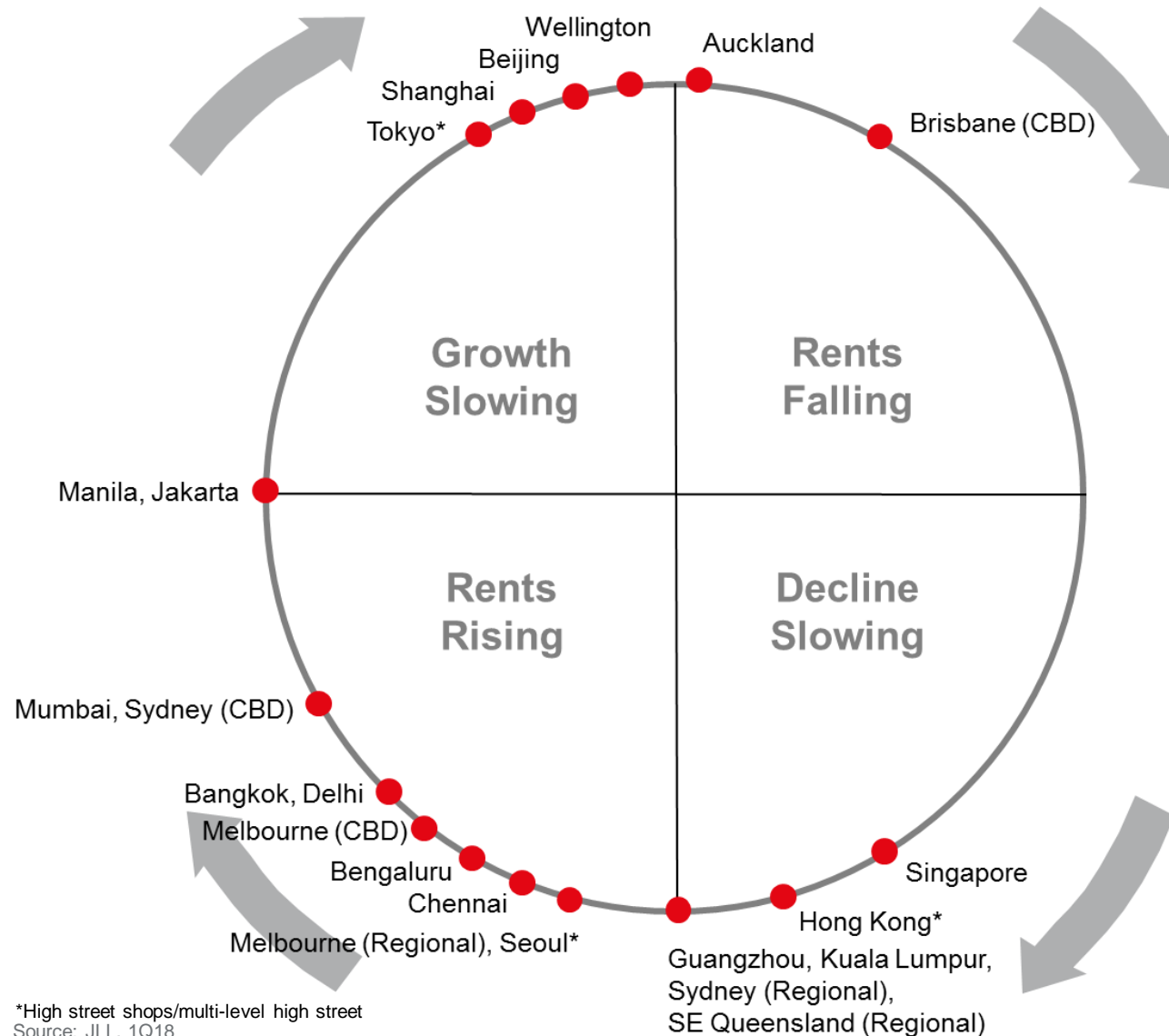
Consumer spending outpaces population growth

Consumer spending cumulative aggregate growth rate, 2018 – 2021F



Experience, F&B & e-commerce driving change

AP prime retail rental clock, 1Q18



Department stores of yesteryears

Undaunted by retail blues



CLICK & COLLECT

A new shopping experience, defined by you.

FairPriceOnline
www.fairprice.com.sg

CLICK & COLLECT

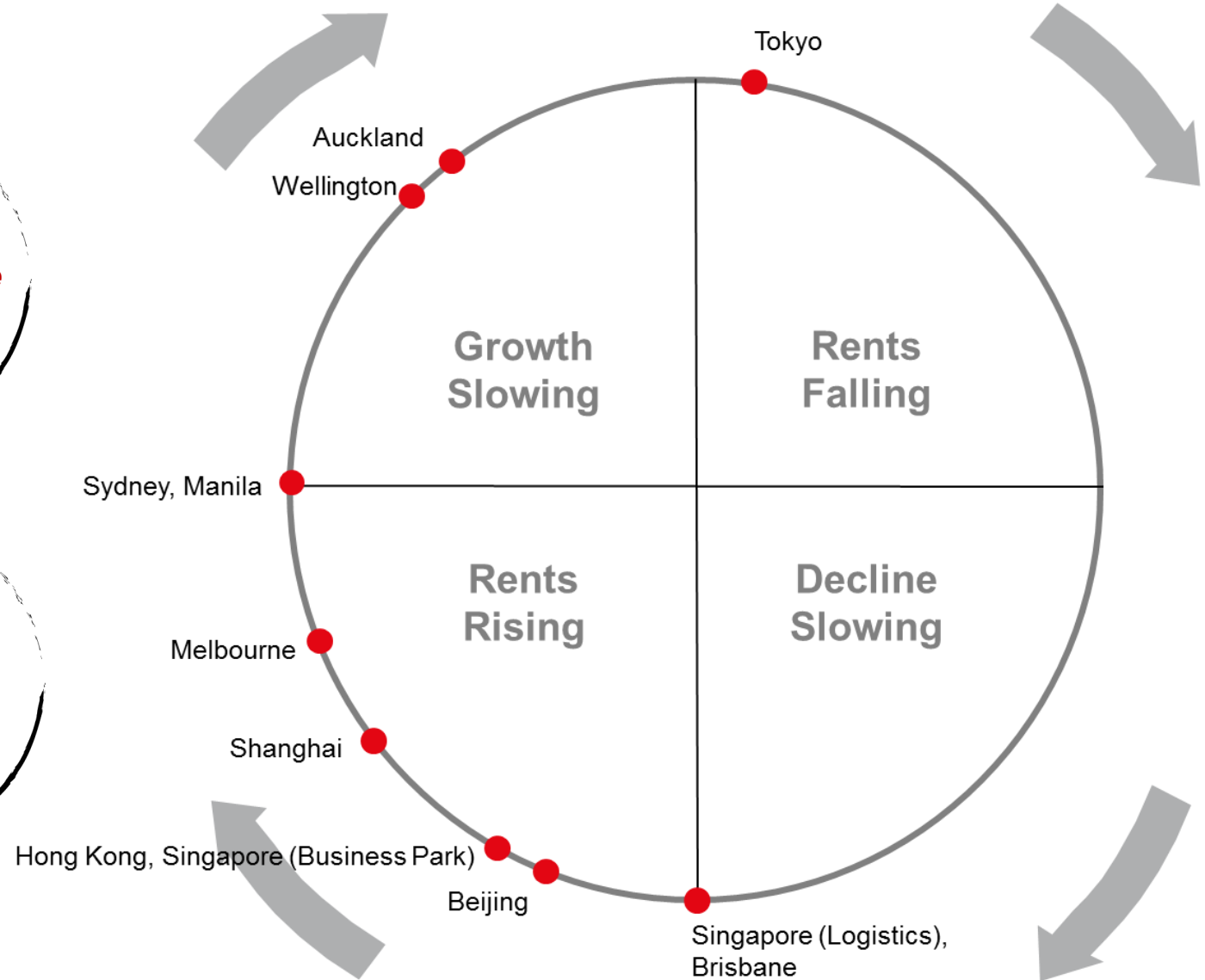
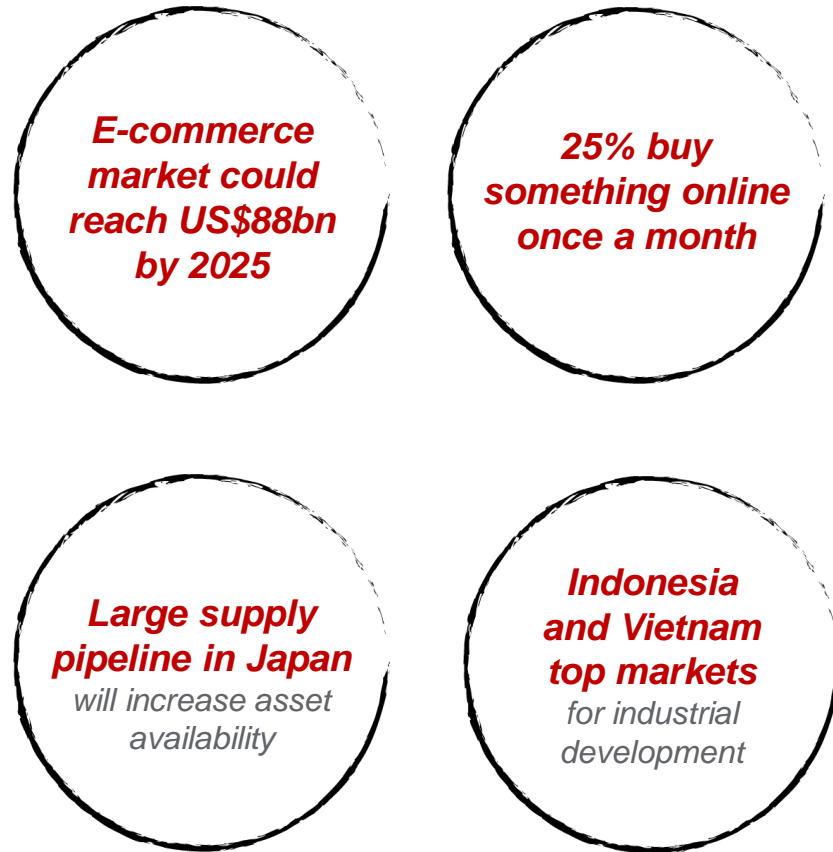


Last mile delivery – integrated into supply chain



Industrial & logistics rents growing but SG in late downturn

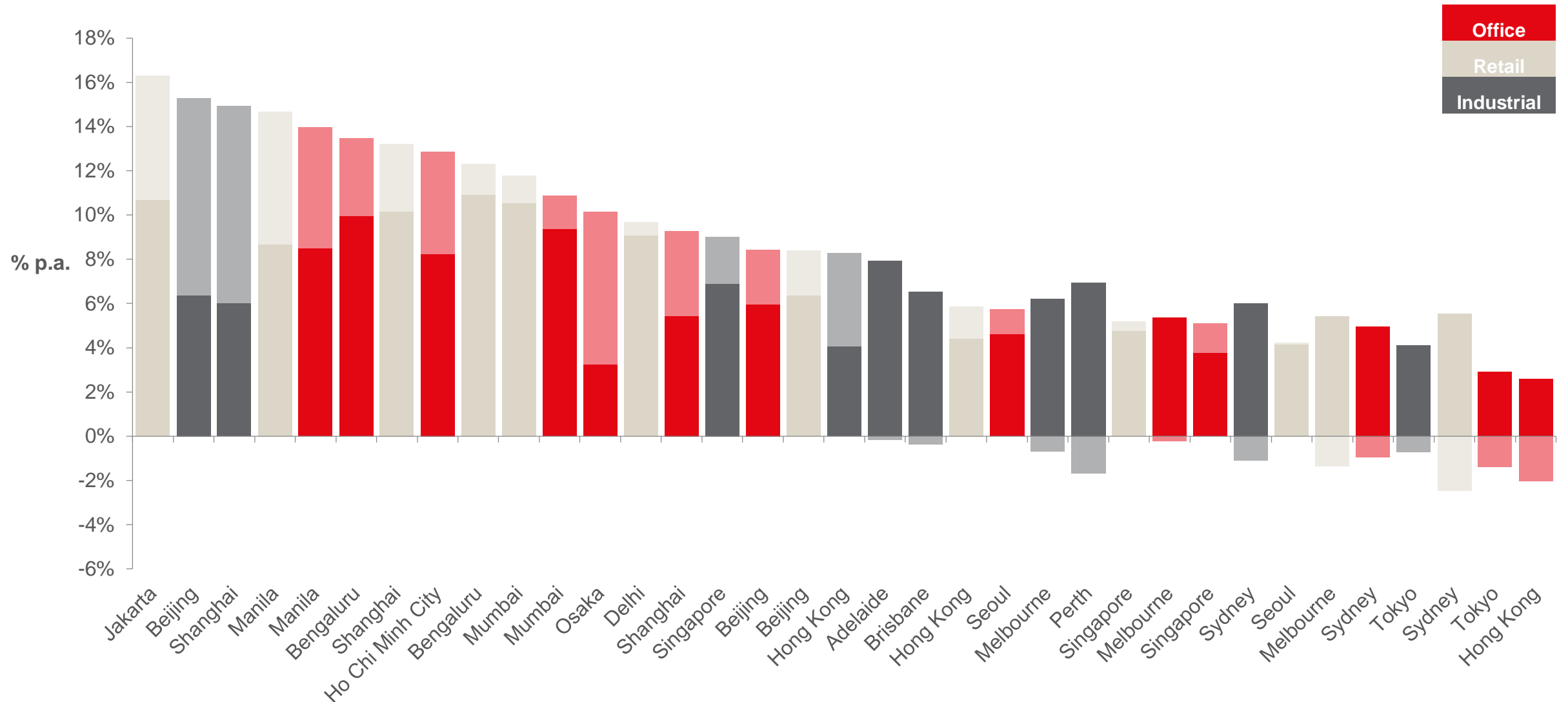
AP prime industrial / logistics rental clock, 1Q18



* Logistics space (Hong Kong, Shanghai, Beijing, Greater Tokyo)
Source: JLL, 1Q18

Asia Pacific total return expectations 4Q18-4Q21

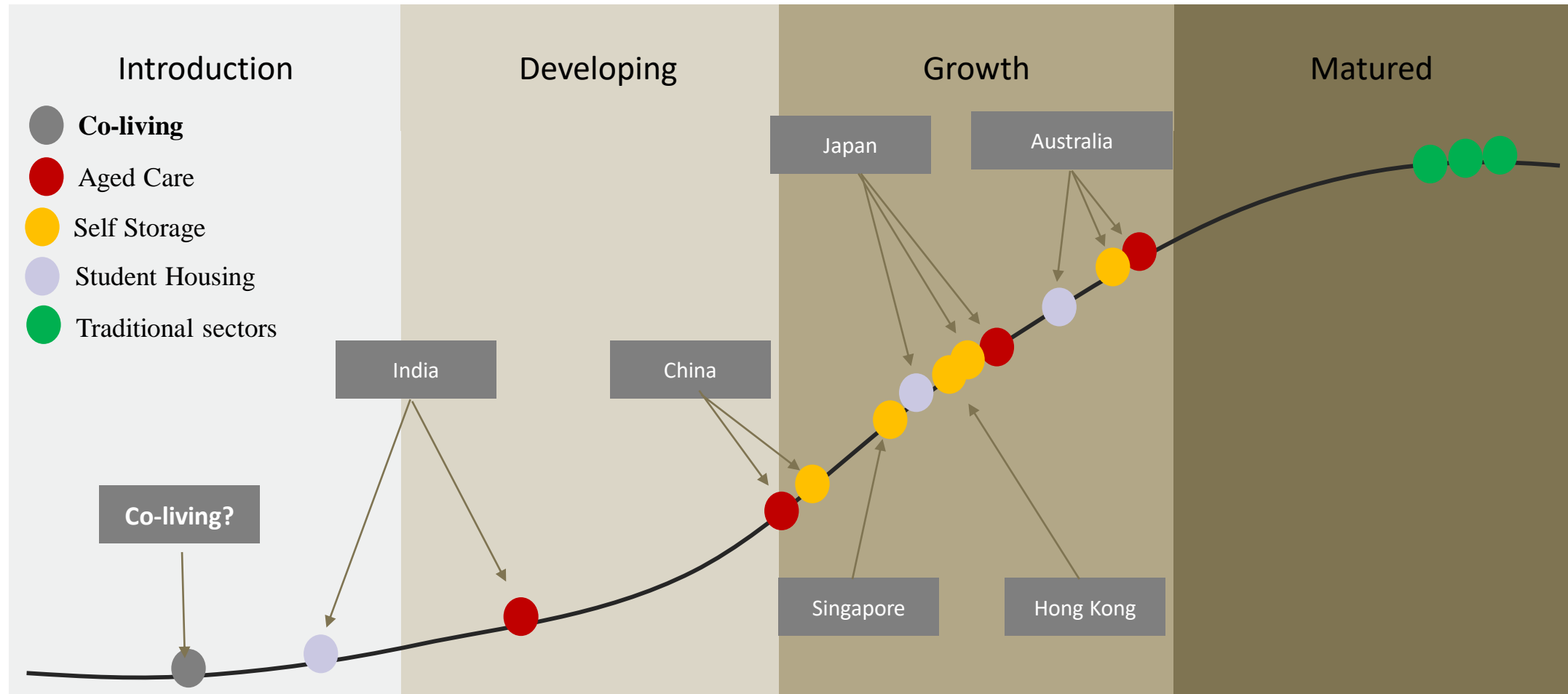
Asia total returns to remain positive – but lower than the previous 3 years



*Figures for HCMC Office, Tokyo Industrial, Beijing Industrial and Hong Kong Industrial relate to total returns 4Q18-4Q20..

Source: JLL, 1Q18

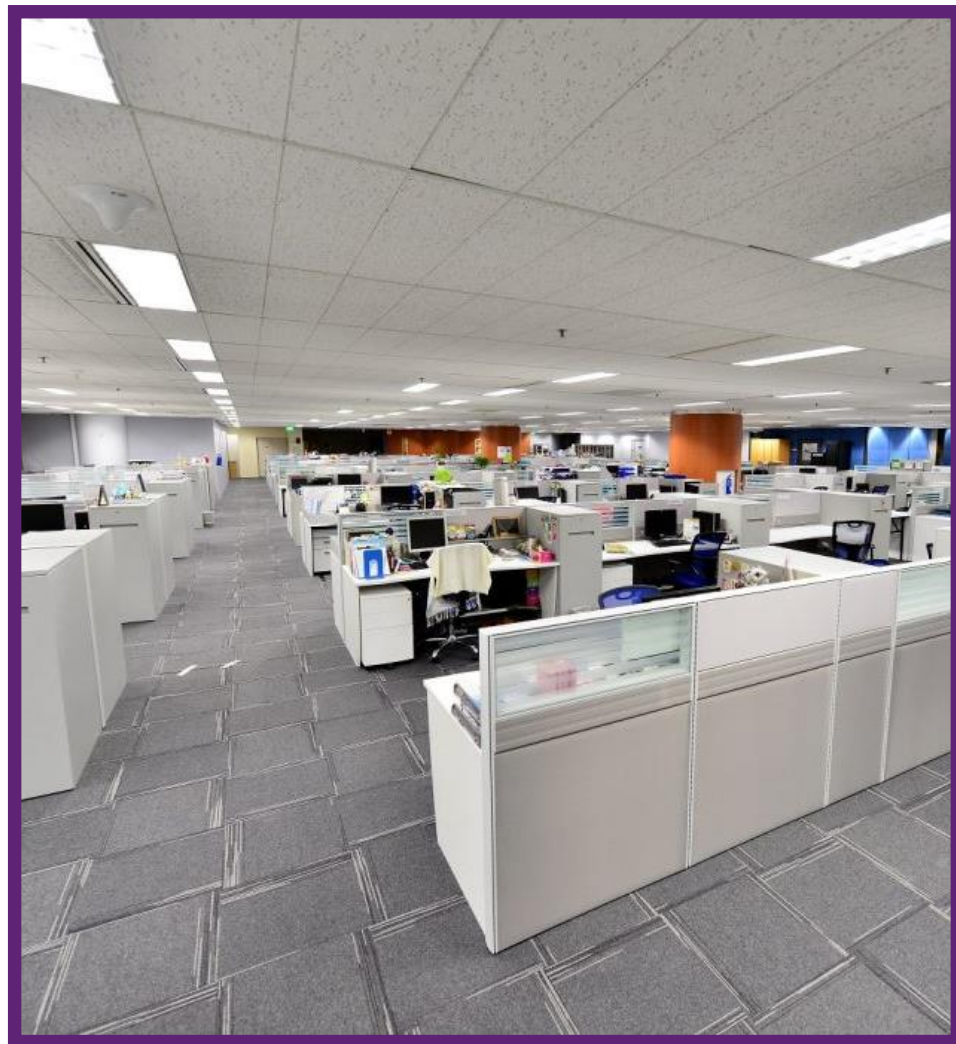
Catching up with other alternative real estate assets?



An extension of the co-working trend



Offices then...

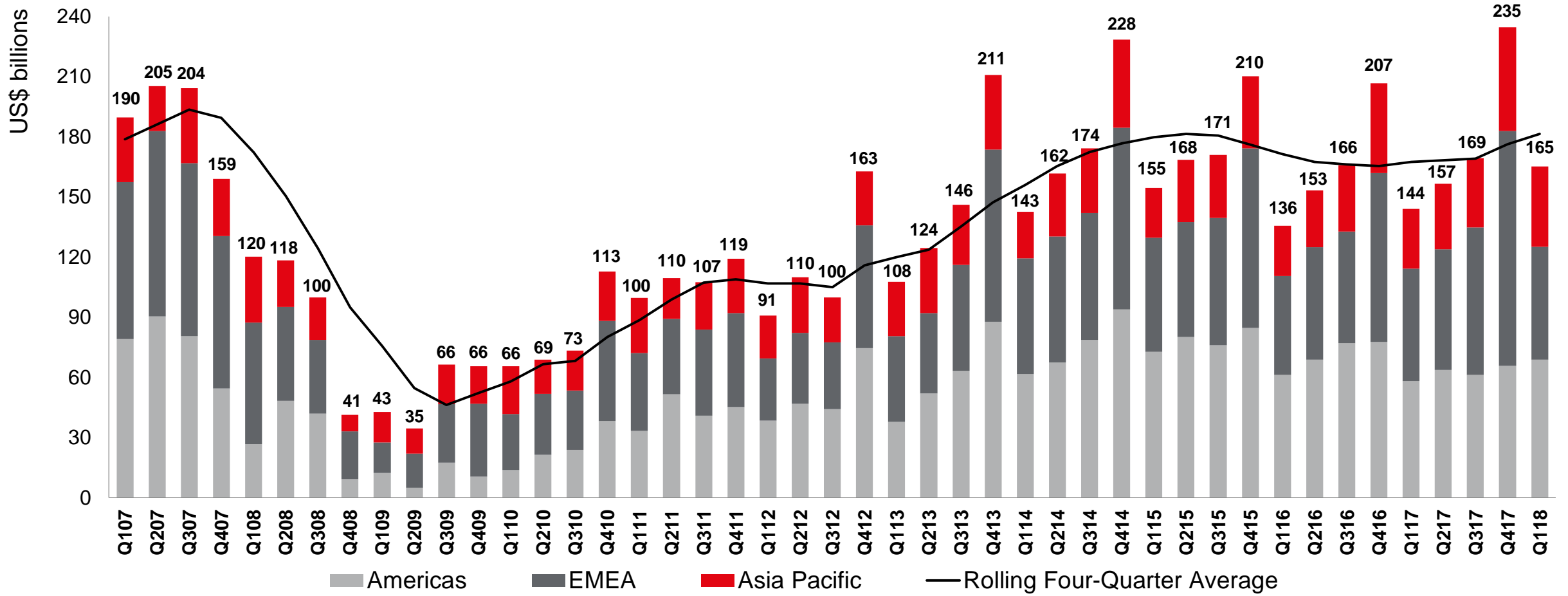


Offices now?



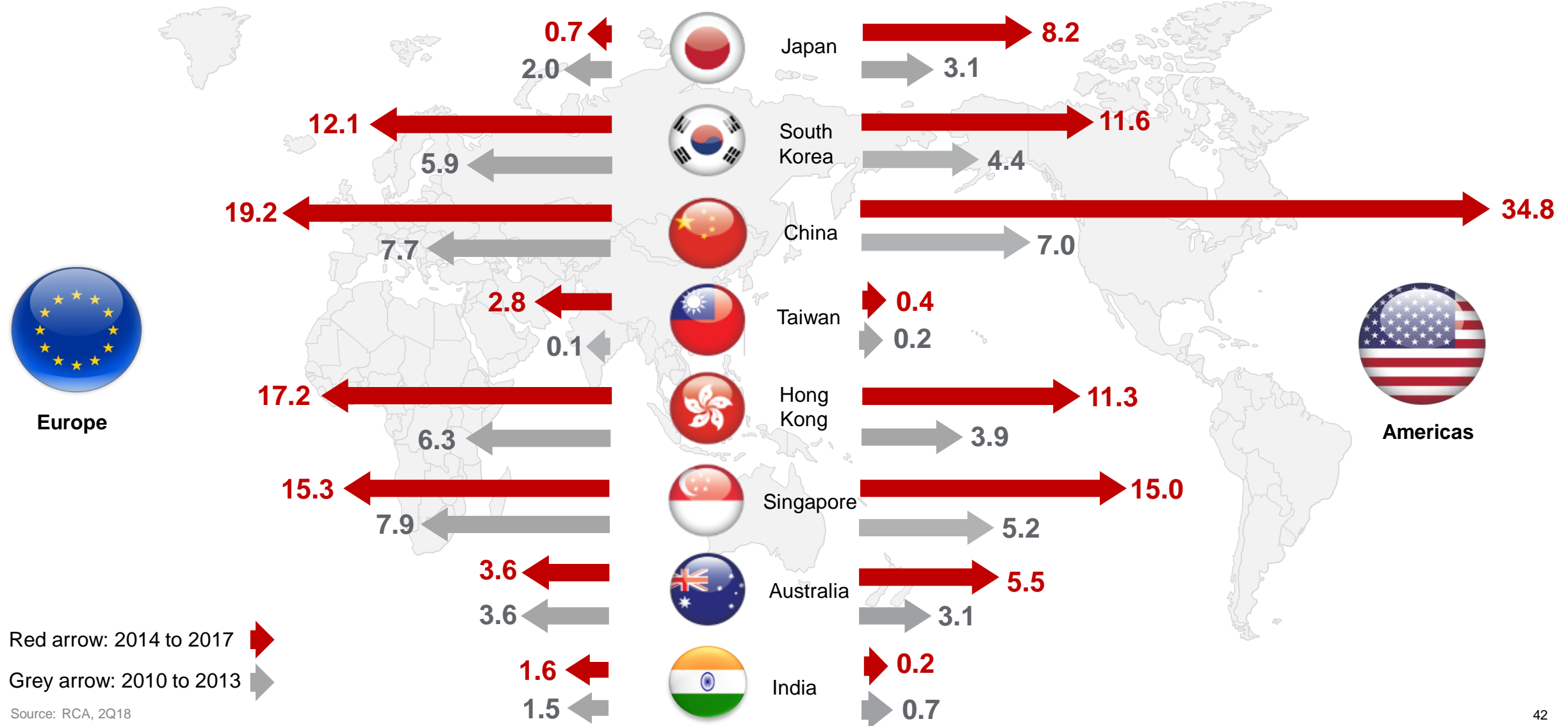
Deals pick up at start of the year – momentum upturn

Quarterly Direct Commercial Real Estate Investment, 2007 – 2018



China leading outbound total volumes

Purchaser flows, 2010-2017 (US\$ billion)



Red arrow: 2014 to 2017
 Grey arrow: 2010 to 2013

Source: RCA, 2Q18

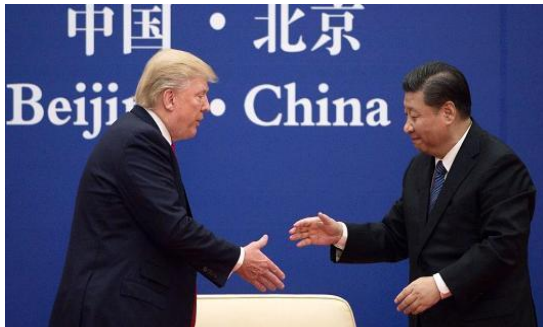
Outlook for the real estate industry

Economic and real estate outlook



Economic conditions

- Global growth resilient to protectionist concerns
- AP remains global growth hub based on domestic populations and consumption.
- Growth robust in China and ASEAN
- New Era in AP politics



Real Estate outlook

- Change in style and format of office space
- Attract talent and aid productivity
- Reuse of space to new ways of working
- Shift to logistics
- Experiential retail
- Co living as next big alts opportunity

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Thank you

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