



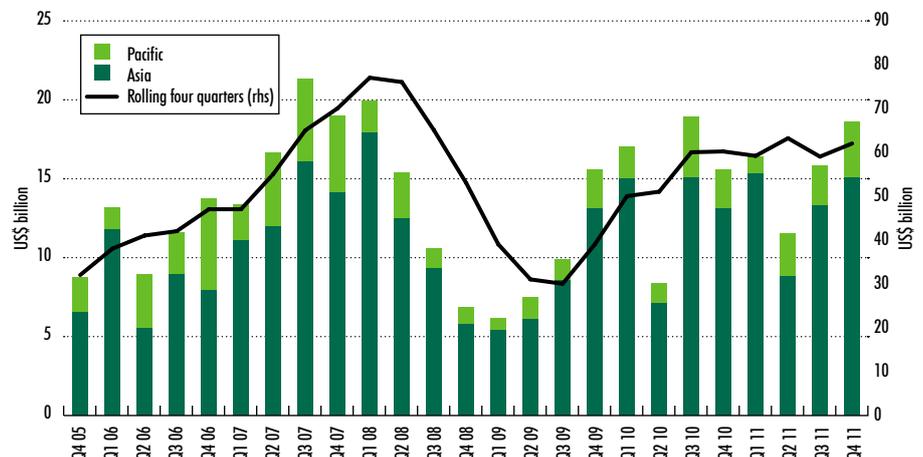
Contents

- Overview 1
- China..... 2
- Hong Kong 3
- Taiwan..... 4
- Japan 5
- Korea 6
- Philippines..... 7
- Vietnam 8
- Thailand..... 9
- Malaysia..... 10
- Singapore 11
- India 12
- Australia 13
- New Zealand 14
- CBRE Offices..... 15

Investors turn more cautious amid slowing global economy

- Market sentiment deteriorated over the fourth quarter as investors grew increasingly concerned over the unresolved Eurozone debt crisis and the uncertain global economic environment. Investment volume rose over the quarter, however, primarily due to the completion of a number of isolated larger sized deals and several related party transactions.
- Australia remained the standout market in the region as offshore groups continued to acquire office properties and domestic superannuation funds re-emerged as buyers in the same sector. China also recorded a number of sizable transactions and development deals. Other active markets across the region included Malaysia and Korea where domestic groups remained in buy mode.
- Activity in Hong Kong remained muted whilst activity in Singapore also turned quieter. In Japan sentiment was generally weaker with a smaller volume of deals but this market still recorded the most noteworthy deal of the period, which saw Global Logistic Properties and China Investment Corporation form a 50-50 joint venture to acquire the LaSalle Investment Management portfolio of 15 warehouses across the country for a total of JPY 122.6 billion (US\$1.6 billion).
- Investors in most markets will continue to be cautious in the first quarter of 2012 as the global economic outlook remains uncertain and office occupier demand weakens. There is a reasonable pipeline of deals, particularly in Australia and Japan, whilst China should continue to witness steady activity. Buyers are expected to become more selective and are likely to focus on assets with long-term strategic importance or a discount in value.

Total Commercial Real Estate Investment Turnover in Asia Pacific (US\$ > 20 million)



Source: CBRE Research

Note: \$10m and above, office, retail, industrial and mixed use properties only



Market Insight

By **Greg Penn**
Executive Director
Investment Properties
Asia

greg.penn@cbre.com.hk

The China real estate investment market remained reasonably positive in the fourth quarter and there continued to be a lot of foreign and domestic money looking for a home. Banks turned even more cautious towards providing financing, however, with offshore lenders becoming more cautious and domestic lenders still restrained from real estate lending.

Retail remained the standout sector for investors as domestic retail sales continued to surge and international retailers competed to secure prime space in tier I and tier II cities, which is driving up rents. In October Singapore-listed Perennial China Retail Trust's acquired a 50% stake in the Chengdu Longemont Mall for US\$357.7 million.

Domestic developers remain starved of liquidity and will continue to endure a rough ride in the first half of 2012. Some continue to look for opportunities to form joint venture partnerships with foreign investors in order to gain access to much needed capital, although completing such deals is a long drawn out process and not without its challenges. Many small and medium-sized domestic developers not listed in Hong Kong are struggling to stay afloat and may well be forced to begin offloading projects to larger players in order

to raise cash. However there have been no reports of widespread bankruptcies among developers to date.

Other trends likely to emerge in the first half of this year will see State Owned Enterprises acquiring en bloc office buildings for self use in all cash transactions. There are also likely to be more deals involving private equity investors more or less acting as banks and providing financing to developers, particularly to Hong Kong-listed entities in need of cash. A number of such investors from overseas are understood to be looking at distressed Hong Kong-listed China-based developers and possibly providing them with mezzanine financing for residential projects.

Cash rich buyers without the need for financing will be active going forward, as reflected by New World Development Co's RMB 1.46 billion (US\$229 million) acquisition of the 42,000 sq. m Channel 1 shopping mall in Shanghai from Blackstone Group in October, in a deal brokered by CBRE.

- **Soho China purchases stake in Bund site**

Media has reported that Soho China has agreed to pay a total of RMB 4.0 billion (US\$632 million) to acquire a 50% stake on Shanghai's historic Bund from Greentown China Holdings Ltd and Shanghai Zendai Property Ltd.

- **Hui Xian REIT acquires Shenyang project**

Hui Xian Real Estate Investment Trust, which is sponsored by Cheung Kong, has agreed to buy a 70% interest in a hotel project in Liaoning for RMB 980 million (US\$154.57 million) from a Cheung Kong affiliate.

- **Bank reserve ratio cut**

China's Central Bank announced on November 30 that it would reduce the bank reserve ratio from 21.5% to 21.0% effective December 5.



Market Insight

By **William Liu**
 Director
 Investment Properties
 Hong Kong

william.liu@cbre.com.hk

Investment activity in Hong Kong remained muted during the fourth quarter due to the tight lending environment and growing concern over the shaky global economic environment. Some companies were still looking to acquire commercial property for self-use but investors largely stayed on the sidelines. Most deals recorded involved isolated transactions in the strata-titled office and street shop market sectors.

Investors remained concerned over the softening of office rents in core business locations, although the shortage of future supply should limit downward rental momentum in such areas. Vendors were nevertheless under little pressure to offload their assets at a discount, particularly as replacing stock could be challenging in the future. Investor interest in office assets is gradually shifting to decentralised areas as prices per sq. ft. are much lower and cheaper rents are attracting companies looking to relocate from core districts.

The price correction in the residential sector became more evident during the period as market liquidity continued to dry up, a trend which is not expected to improve substantially, at least during the first half of 2012. Retail assets remain the subject of strong interest as rents continue to surge

whilst the government's policy of revitalising old industrial buildings is stimulating enquiries in that sector.

H-REIT portfolios have remained static over the past few years but the quarter saw two H-REITs acquire retail assets at yields nearing 5.0%. Link REIT purchased Maritime Bay Shopping Mall from Sino Land after acquiring Nan Fung Plaza in the same precinct in July, while Fortune REIT acquired two shopping centres in the New Territories from its sponsor firm Cheung Kong. It should be noted, however, that these deals should not be taken as an indication that H-REITs will turn more active in acquiring new assets in 2012.

Foreign investors were inactive aside for a few strata-titled office deals completed by end users. The tight financing environment and low yield levels continue to make it difficult for foreign funds to make additional purchases in Hong Kong. Overall it was a quiet period and the outlook for the first few months of 2012 is for more of the same, with little change in the present market dynamics.

- **Chinachem to develop Tsuen Wan site**

Chinachem Group has won the tender to develop a site next to its Tsuen Wan headquarters for HK\$2.6 billion (US\$334.7 million).

- **Sun Hung Kai wins Nam Cheong tender**

Sun Hung Kai Properties Ltd. has secured a tender to develop a residential project on top of the Nam Cheong MTR station with a bid of HK\$11.8 billion (US\$1.5 billion), a figure which was below market expectations.

- **Government to create second CBD in Kowloon East**

The government has unveiled plans to turn Kowloon East, which includes the site of the city's former Kai Tak Airport, into a new core business district.



Market Insight

By **Kristy Hwang**
Senior Director
Agency Services & Investment Properties
Taiwan

kristy.hwang@cbre.com

Transaction volume in the Taiwan real estate investment market declined slightly in the fourth quarter on a q-o-q basis largely due to less activity in the land sales market. Large domestic investors retained a strong appetite for quality income producing properties although there remained a shortage of suitable stock available for sale. Corporate occupiers also remained in buy mode but the bulk of such buyers began to adopt a more cautious attitude towards the end of the quarter.

The period saw Trident REIT and Kee Tai Star REIT liquidate their assets at an auction which attracted a number of bidders, most of which were local insurance companies. Mercuries Life Insurance purchased two buildings in the Trident REIT portfolio with a winning bid of NT\$5.64 billion (US\$186 million), a 46.8% premium over the base price, while Shin Kong Life purchased the remaining asset in the Kee Tai Star portfolio.

Industrial assets were the subject of strong demand from local end users during the review period with companies engaged in the manufacturing and electronics sectors accounting for the majority of transactions. Notable deals included Delta Electronics purchasing E-TEN Neihu Building in Neihu for NT\$2.53 billion (US\$83 million) and

St. Shine Optical Company acquiring four floors in New Taipei City for NT\$964 million (US\$31.8 million).

Overseas investors remained inactive as current yield levels of just 2.0-3.0% are not attractive enough to justify investment. The lack of quality prime assets available for sale is another factor inhibiting foreign activity in the real estate sector. During the period a global investment management company purchased one floor of the Ding Hao Commercial Building for self use.

Investment sentiment is expected to weaken in the first half of 2012 due to the uncertain global economic outlook. Further upside potential in price is very limited at the current low yield levels and deal flow will shrink further as a result. Nevertheless the re-election in mid-January of incumbent President Ma Ying-jeou is expected to provide some support to market sentiment. Domestic investors will continue to dominate for the foreseeable future.

- **Far Glory plans new projects in PRC**

Taiwanese developer Far Glory Land Development has signed an agreement with Henderson Land Development and Shimao Group to form a joint venture company to be known as Straits Construction Investment Ltd. The JV plans to begin work on two major real estate development projects in Fujian and Nanjing this year.

- **Land Bank of Taiwan raises interest rates**

The Land Bank of Taiwan, the country's largest provider of construction and housing loans, has raised its interest rates by 0.25 of a percentage point to 2.75% per annum, starting in 2012. The move is in line with the government's policy of cooling the real estate market.



Market Insight

By **Tom Moffat**
Associate Director
Investment Properties
Tokyo

tom.moffat@cbre.co.jp

The fourth quarter saw the largest deal of 2011 and a number of other significant related and third party transactions. However, sentiment was generally weaker with a smaller volume of deals. Foreign investor appetite was somewhat limited towards year-end as the Eurozone economic crisis weighed on sentiment. Whilst many foreign buyers have been looking to Japan with renewed interest given the limited downside compared to other markets, these groups are selective in terms of the assets they will pursue.

The most noteworthy deal of the period saw Global Logistic Properties and China Investment Corporation form a 50-50 joint venture to acquire the LaSalle Investment Management portfolio of 15 warehouses across Japan for a total of JPY 122.6 billion (US\$1.6 billion). The deal was hailed as positive news for the market and evidence of increased interest in logistics assets. Investor interest in this sector remains firm as demand for high quality modern storage rebounds following the March quake. Other major foreign investors are currently finalising major logistics deals and we can expect these to be concluded shortly.

The wider market continued to be dominated by domestic capital with J-REITs particularly active,

although a number of these groups were more cautious towards the end of the quarter. Major office deals included the related party sale of the Akasaka Park Building from Mitsubishi Estate to Japan Real Estate Investment for JPY 60.8 billion (US\$790 million) and the acquisition by Sapporo Real Estate Development of a 15% stake in the Yebisu Garden Place complex from Morgan Stanley for JPY 40.5 billion (US\$525 million).

There were also a number of residential trades during the period, mostly completed by J-REITs, the largest of which was a portfolio acquisition by Nomura Real Estate Residential Fund for JPY 11.59 billion (US\$160 million). Although prices have now recovered to a level that makes the sector less attractive for some investors, a number of J-REITs have significant acquisitions planned before the end of this financial year. More interest is also returning to the retail sector particularly for prime assets in major markets.

The outlook for the first quarter of 2012 is steady leading up to the end of the financial year on March 31 which is a traditionally a busy period. Whilst the quarter should see a steady flow of deals we anticipate fairly stable pricing.

- **Premier Investment REIT purchases office portfolio**

Premier Investment REIT has acquired a portfolio of predominantly office properties with a total value of JPY 33.1 billion (US\$430 million). These were mostly sold by NTT Urban which is one of Premier's sponsors.

- **Yodobashi store sells for JPY 28 billion**

Hulic has sold the Yodobashi store in Kichijoji, Tokyo for JPY 28 billion (US\$365 million) to GK Kichijoji YCM Funding.

- **Japan Hotel & Resort Inc. announces merger plan**

The Japan Hotel & Resort Inc. REIT has said it will merge with Nippon Hotel Fund Investment Corp. to boost its asset size and share performance.



Market Insight

By **Steve Y. K. Kim**
 Managing Director
 South Korea

steve.kim@cbrekorea.com

Korea recorded a steady fourth quarter as domestic buyers completed several notable transactions. The largest deal was completed by Koramco on behalf of the Korean National Pension Service (NPS) which acquired a 175,540 sq. m office project under construction in the CBD for KRW 1.2 trillion. The deal was structured with 10% of the total consideration paid in December 2011 and the remainder due in 2015 upon completion. The NPS continues to pursue potential investment opportunities both in Korea and abroad.

Other completed deals included Intrus' purchase of a 17,740 sq. m mixed-use office and retail building in Bundang, a satellite city 30 km from Seoul, for KRW 49 billion. This deal will be packaged as a REIT vehicle. The period also saw the closing of one major land deal in which Samsung Fire and Marine Insurance acquired a 5,855 sq. m site in the CBD from Daesung Industrial for KRW 140 billion. The deal demonstrates the breadth of the market in Korea despite transaction volume being less than in some of the other markets.

Heading into the New Year, whilst foreign institutional buyers remain inactive from a transaction standpoint, there continue to be a number of major funds from other parts of Asia and

the United States with a strong interest in securing office and other assets for potential conversion purposes. Concerns regarding oversupply seem to have diminished somewhat in recent months given the strong take-up recorded in the fourth quarter. Consequently, domestic investors, including Korean REITs, are expected to continue to seek opportunities to acquire office assets over the course of the coming year. As a result, pricing in this sector remains stable.

Retail and hospitality assets also continue to be the subject of strong investor interest given the ongoing boom in the tourism sector, specifically with year-round occupancy levels approaching nearly 100% in Grade B and business hotels in core areas.

Investor sentiment in the real estate sector remains broadly neutral overall and the market continues to be less affected by the uncertain economic situation in the United States and Eurozone. However, some outbound Korean investors have adopted a wait-and-see attitude with respect to some of these overseas markets as they do not feel they need to rush in to do a deal at this point. Nevertheless, this year should see the market continue to recover and build on some of the momentum gained in 2011.

- **Domestic real estate funds record rapid growth**

The Korea Finance Investment Association has said that local real estate funds have drawn a total of KRW 13.2 trillion (US\$11.4 billion) as of the beginning of 2012, up from KRW 7.0 trillion recorded in September 2008.

- **KIC purchases London office building**

The Korea Investment Corporation has acquired an office block in London opposite the Bank of England for about GBP 75 million (US\$116 million), its first such deal in the British capital.



Market Insight

By **Rick Santos**
Chairman
Philippines

rick.santos@cbre.com.ph

The Philippines real estate investment market recorded a quiet fourth quarter in what is traditionally a slow period. Although export values fell to a two year low in November there is a belief that the economy will fare reasonably well in 2012 despite concerns over the Eurozone debt crisis and sluggish growth in the United States. Market sentiment remained reasonably positive during the period and domestic developers and investors continued to pursue existing projects and schemes. Most developers remained in planning mode and continued to add to their land banks, with a particularly keen interest in plots suitable for condominiums and other residential projects.

Investment in Manila continued to be focused on the Makati CBD and Fort Bonifacio with domestic investors focusing on the acquisition of development sites and foreign funds mostly seeking to purchase income generating assets or older buildings for refurbishment. Credit for real estate development remained easy to obtain.

In December the Stock Exchange of the Philippines announced it would relocate to Fort Bonifacio to a new headquarters building to be constructed by Ayala Land. This news is expected to further stimulate growth and expansion in the area,

which saw land values steadily rise during 2011 and is gradually establishing itself as a secondary business district. Investors also remained on the lookout for better value opportunities in the Makati CBD.

Other major highlights from the period included the government's awarding of its first Public-Private Partnership (PPP) project to Ayala Corp to construct a toll road linking the Daang Hari road in Cavite to the South Luzon Expressway (Slex). The Group said it believes the project will provide potential synergies with Ayala Land as the road will reduce travel time to its residential and commercial projects in the city.

Developers continue to construct office buildings to meet demand from the booming BPO sector. Some observers believe the Philippines will benefit from a global economic downturn as more companies in the West will look to outsource business functions and services. However, proposals currently being considered by the United States Congress to remove tax incentives to outsourcing companies in an attempt to "insource" more jobs are a cause for concern, although some analysts view it as a political move by President Obama ahead of the upcoming Presidential election.

- **Korean developer announces Pampanga project**

Koregon Villas, a Korean-based developer, has signed an agreement with the state-owned Clark Development Corporation to construct a US\$49 million residential project in Pampanga, north of Manila.

- **Developer plans big investment in Cebu**

Cebu Landmasters Inc. has announced plans to invest PHP 4.0 billion (US\$92.6 million) in constructing 2,400 mid-market residential units in Cebu over the next five years.



Market Insight

By **Marc Townsend**
 Managing Director
 Vietnam

marc.townsend@cbre.com

The fourth quarter saw inflation slowing and the economy beginning to stabilise after what was for the most part a tough 2011 for Vietnam. The real estate sector also endured a challenging year and the government's implementation of Resolution 11 in March 2011, which successfully limited lending to so-called "non productive sectors" including real estate, continued to reverberate across the industry during the fourth quarter.

Local residential developers remained under severe pressure owing to the limitations on lending and pre-sales drying up as buyer confidence remained low. Opportunities for foreign investors began to emerge as local developers adjusted their pricing for land and in some cases began offloading land in order to raise cash. Consequently the period saw growing interest from new-to-market foreign investors, mostly from Japan, Korea, Malaysia and Singapore, seeking to capitalise on these emerging opportunities.

In December Malaysian group WCT announced it had received approval to develop a residential and commercial project on a site in the Saigon South area of Ho Chi Minh City, in partnership with local entity Southern Land Corp (SLC). Such deals are a typical entry route for foreign investors

and usually involve forming a joint venture to develop a project with a Vietnamese party, which uses land as equity. This year should see similar opportunities for international investors to enter into such agreements as pricing from domestic land and project owners falls to more rational levels.

In early January media reported that Japanese listed developer Daibiru had agreed to purchase Saigon Tower, an 18-storey office building in District 1 of Ho Chi Minh City. Other deals completed by institutional investors over the past year include Mapletree's purchase of Pacific Place in Hanoi and Japan Asia Land's acquisition of Centre Point in Ho Chi Minh City. Until recently local developers would build and hold but these deals appear to have kick started a trend and further en bloc transactions are likely to be seen in 2012 as domestic groups adjust their strategies.

One further noteworthy talking point from the period was the opening of a tunnel linking the CBD in District 1 and District 4 with Thu Thiem district. The improved connectivity should facilitate the long term development of Thu Thiem over the coming years and the area will provide numerous long term opportunities for investors going forward.

- **Vietnamese developer to build SEZ in Lao PDR**

Media has reported that Vietnamese real estate developer Long Thanh Golf Investment and Trade Joint Stock Company has received approval from the Lao government to upgrade its golf course and real estate complex into an exclusive economic zone.



Market Insight

By **James Pitchon**
Executive Director
Thailand

james.pitchon@cbre.co.th

The flooding which swamped parts of Bangkok in October and November was the main talking point in the fourth quarter. Whilst the full effect of the floods has yet to play out, the events of this period will undoubtedly have a major impact on real estate across the board, although the extent will vary depending on the sector. Nevertheless, tourism has recovered quickly, office rents remain firm and retailers have resumed trading as usual.

In the residential sector the floods will have a strong psychological impact on buyers' purchase decisions and will result in changes to demand patterns in terms of preferred locations and products. The growth trend in the single detached housing market and reduced focus on condominiums witnessed in 2011 will likely be reversed in 2012. End user demand for condominiums is returning and will generate demand for quality sites, but mainly for those that are priced at a level suitable for developers to construct affordable / mid-priced units.

Several new housing estates have been flooded and buyers of units in these projects may back out of deals. In the longer term, buyers of houses and townhouses will become more selective in terms of location and avoid flood-prone areas, and

will also pay more attention to flood protection measures. Developers will also need to ensure flood prevention measures and features are incorporated in new projects.

The industrial sector has been the hardest hit, with serious disruption caused to the manufacturing and distribution chain. Nevertheless, recent weeks have seen a steady flow of enquiries from manufacturers looking to expand or relocate their operations in Thailand, and a few even looking at market entry. Thailand will continue to benefit from Japanese companies seeking to diversify and cut costs by relocating manufacturing capacity to South East Asia, and the limited number of attractive alternative options within the region to do so. In the long term there is likely to be a geographical shift in demand for industrial facilities to the Eastern Seaboard.

Overall the country is generally on the way to recovery although much depends on the economic picture elsewhere in the world, particularly in China. For the northern Bangkok industrial and low rise housing sector ultimately much will rest on the government's long term response to the floods and whether it can implement effective prevention measures to avert a similar crisis in the future.

- **Real Estate Trust Fund rules expected soon**

The Securities and Exchange Commission (SEC) has said it expects to finalise new rules governing the establishment of Real Estate Investment Trust Funds (REITs) in the first half of this year. The new REIT regime will provide greater flexibility to landlords compared to the existing Property Fund for Public Offering system.

- **CDL unit buys Thai real estate firm**

A unit of City Developments Ltd has acquired Thailand Shareholder Investments for US\$157.6 million (S\$202.9 million). Thailand Shareholder Investments has interests in retail and hotel properties in Bangkok and Phuket.



Market Insight

By **Christopher Boyd**
Executive Chairman
Malaysia

chris.boyd@cbre.com.my

Market sentiment in Malaysia was broadly positive in the fourth quarter and the period witnessed a steady flow of small and medium sized transactions along with a number of sizable land deals. Investors remain generally upbeat although they are keeping an eye on the global economic picture and the outcome of the General Election which is likely to be held in the first quarter. The market for development sites remained competitive across the Klang Valley and developers continued to add to their landbank where possible.

The office sector continued to be the subject of interest from domestic and foreign investors although some buyers were becoming more aware of potential oversupply in the sector, mostly likely in 2014. Yields which are currently at around the 6.0% to 6.5% mark could well come down but capital values are not likely to come under pressure.

Retail remains a hot sector for long-term investment with M-REITs and foreign funds retaining a strong appetite for quality assets given the attractive yields presently available on retail property in Malaysia compared to other regional markets. However there remains a shortage of quality stock available for sale and opportunities

to develop new retail product in the Klang Valley are limited.

The government's 2012 Budget unveiled in October contained several key measures directed at real estate including proposals to increase real property gains tax from 5% to 10% on properties held and disposed of within two years, effective January 2012. The move is unlikely to significantly deter speculative activity in the residential sector although the market should cool slightly and value increases will moderate somewhat.

In the industrial sector two major deals involving Japanese manufacturers looking to relocate production from Thailand were reported to have been signed during the quarter. Other major talking points from the period included proposals in the 2012 Budget to provide incentives to accelerate the development of the Kuala Lumpur International Financial District (KLIFD), which is scheduled to begin construction this year.

- **AmFIRST REIT completes Cyberjaya deals**

AmFIRST REIT has completed the acquisition of Prima 9 and Prima 10, its first investments in Cyberjaya. The two properties, which are presently occupied by multinational companies on long-term leases, were acquired for combined total of RM133 million.

- **Hektar REIT acquires retail assets**

Hektar REIT trustee AmTrustee Bhd has entered into conditional sale and purchase agreements for the acquisition of two shopping malls from Sri Awona Sdn Bhd and Awona Land Sdn Bhd for a total of RM181 million.

- **Cheung Kong Group purchases suburban mall**

ARA Asia Dragon Fund has acquired The Citta, a new suburban mall in Ara Damansara, for an estimated RM245 million.



Market Insight

By **Jeremy Lake**
Executive Director
Investment Properties
Singapore

jeremy.lake@cbre.com.sg

Market sentiment in Singapore remained largely subdued in the fourth quarter of 2011 with the government's introduction of the Additional Buyer's Stamp Duty (ABSD) in December dampening investor interest in the luxury residential sector. The period nevertheless witnessed the completion of a number of medium sized office deals whilst the market for strata-titled office units remained active. The continued growth of the tourism sector ensured hospitality assets also remained the subject of strong interest.

Noteworthy deals completed during the period included Alpha Investment Partners' sale of its 20-storey Robinson Centre office building to a Taiwanese buyer for S\$292 million in a deal brokered by CBRE. Elsewhere, an offshore fund controlled by a number of high-net-worth individuals acquired a 50% stake in a company called Robinson Land, which owns the 12-storey Finexis Building at 108 Robinson Road. The Royal Group was also active during the quarter, purchasing One Phillip Street and Commerce Point in Raffles Place for a combined total of S\$283 million from the Aviva Group.

On December 7 the government imposed the ABSD with immediate effect on certain categories

of residential property purchases, with foreigners and corporate entities hit particularly hard with an extra 10% levy, a move that will undoubtedly impact the number of transactions in this sector going forward.

Developers have also been hit with an additional stamp duty if they fail to complete the sale of all units in a residential project within five years of acquiring a site. Developers nevertheless retain a strong interest in GLS sites for residential development although prices for land may soften in view of the more cautious outlook.

In the office sector private investors from Singapore and elsewhere around Asia will continue to comprise the bulk of demand together with selective S-REIT activity. The short term outlook in the office occupier market is somewhat gloomy although there are a couple of sizable deals in the pipeline.

Demand for strata titled office units will remain firm over the next 12 months and buyers will continue to comprise smaller investors, end-users and buyers switching from the residential sector following the introduction of the new cooling measures,

- **Keppel Land sells Ocean Financial Centre stake to K-REIT**

Keppel Land is selling its 87.5% stake in Ocean Financial Centre to its own real estate investment trust, K-REIT Asia, for S\$1.57 billion. K-REIT will obtain the stake for 99 years after which Keppel Land has the right to buy it back for S\$1.

- **Suntec City to receive major revamp**

Suntec REIT has announced a S\$410 million asset enhancement initiative for its flagship asset, Suntec City, scheduled to begin in mid-2012.

- **CapitaLand JV acquires property for StorHub facility**

CapitaLand has announced the signing of a sale and purchase agreement by StorHub Holding Pte Ltd with AIMS AMP Capital Industrial REIT to acquire an industrial property at 31 Admiralty Road for S\$16.5 million.



Market Insight

By **Rami Kaushal**
Head
CBRE Consulting
India

rami.kaushal@cbre.com

The fourth quarter was a quiet period in India although the period saw the completion of a number of deals. Investors turned more cautious amid signs that sluggish growth in the United States and the Eurozone debt crisis were beginning to exert a more significant impact on the domestic economy. GDP projections continue to slide and exports are dipping due to weak demand from key markets in the West. Political instability is also weighing on investor sentiment, particularly after proposals to permit FDI in multi-brand retail were delayed amid protests from opposition groups.

Banks remain reluctant to provide financing to the real estate sector and developers continue to look for new funding options. Private equity has been one such source with US\$1.65 billion worth of private equity investment in real estate recorded in the first nine months of 2011, a figure greater than that which was recorded in 2010.

It has been reported that a number of private equity exits are lined up for this year by funds which entered the market in 2005/6. Private equity firms will nevertheless remain on the lookout for opportunities in 2012 to partner with reputable developers with a strong track record. Whilst some developers may consider pursuing IPOs should

market conditions improve, private equity will continue to be the primary source of funding for developers for least the first six months of this year.

The business park sector witnessed some activity by foreign investors as buyers sought to take advantage of attractive valuations and flexible developers looking to raise cash. Mapletree India China acquired a 100% stake in Assetz Global Technology Park (AGTP) in Bangalore for US\$151 million, in what was the largest private equity real estate deal recorded in the city for three years. Elsewhere, Blackstone purchased DLF Akruti Info Park, an IT special economic zone in Pune, for US\$153 million.

In the residential sector the repeated interest rate hikes witnessed during 2011 have made credit unaffordable, which has impacted buyer sentiment and demand. Developers generally remain unwilling to cut their prices to attract buyers as their input costs have risen. As a result, there is now a sizable quantum of vacant residential stock still on the market. However, it is anticipated that the central bank may reverse its present monetary policy and reduce base rates. This could rejuvenate demand and buyer activity in the residential sector.

- **Milestone Capital Advisors to launch new real estate fund**

Private equity firm Milestone Capital Advisors has raised close to US\$100 million from a range of domestic high net worth individuals and mid-size corporates for a real estate fund, according to reports.

- **Brookfield forms fund joint venture with Peninsula Land**

Canadian firm Brookfield Asset Management has entered into a joint venture with local group Peninsula Land to float a US\$111 million realty fund. The fund, to be launched by April 2012, will focus on investing in projects in tier I cities.



Market Insight

By **Rick Butler**
Senior Managing Director
International Investments
Australia

richard.butler@cbre.com.au

Investor interest in Australia remained firm in the fourth quarter and the market continued to witness a steady flow of noteworthy deals. Offshore groups from Asia and Europe remained active whilst the period also saw increased competition from domestic groups including superannuation funds, wholesale funds and unlisted property trusts, which began to increase acquisitions as more substantial assets reached the market, particularly from the A-REIT sector.

The quarter saw some big local purchases with Australian Reward Alliance's acquisition of a 50% interest in the landmark QV1 Tower in Perth for around AU\$310 million from Dexu Property Group one of the most notable transactions. The deal was brokered by CBRE. Another active super fund was the Industry Superannuation Property Trust, which acquired a 25% share in 161 Castlereagh Street in Sydney for AU\$200 million.

Offshore investors continued to pour into the market over the quarter. Yields remain high by global standards whilst the reasonably good economic outlook and ease in doing property deals make Australia an obvious destination for core purchasers from overseas. One of the more interesting deals completed during the period

was the AU\$84 million sale of 140 Sussex Street in Sydney to a client of RREEF, with the ultimate investor mandate being the first German pension fund to buy directly in Australia.

Asia continues to comprise the dominant source of foreign capital and remains predominantly driven by fund managers and Sovereign Wealth Funds working out of Singapore, along with some big-hitting private investors from the same city. The period saw the AU\$185 million sale of the ASX Building at 20 Bridge Street in Sydney to Kwap, a Malaysian pension fund. Most foreign purchasers who come into the market continue to utilise all equity.

Demand from offshore parties should remain firm in 2012 whilst domestic investors will continue to turn more active. News in January that Charter Hall Office REIT, which owns properties valued at AU\$1.84 billion, had agreed to sell all of its units to an international consortium of PSP and GIC could be a sign of things to come, with investors looking for opportunities to acquire assets from listed and unlisted groups suffering from financial stress.

- **Stockland offloads Melbourne office tower for AU\$201.5 million**

Stockland has sold its Riverside Plaza office tower in Melbourne to Dexu Wholesale Property Fund for AU\$201.5 million.

- **Cromwell acquires Fortitude Valley office tower**

Property fund manager Cromwell has paid AU\$186 million for Leighton Properties' HQ North Tower in Brisbane's Fortitude Valley. The deal was brokered by CBRE.

- **Ascendas signs MoU for hotel purchases**

Listed property trust Growthpoint has spent AU\$290 million on three Brisbane office properties and an office development site on Sydney's north shore.



Market Insight

By **Warren Hutt**
 Director
 Investment Properties
 New Zealand

warren.hutt@cbre.co.nz

The fourth quarter was a quiet period for real estate investment in New Zealand as buyers defocused to a certain extent during the Rugby World Cup in October and the General Election in November, opting to remain on the sidelines until the New Year. Big deals completed during the period were few and far between and transactions for properties NZ\$20 million and over were well down over the quarter.

Investors remained mindful of the slow recovery in the United States and the Eurozone debt crisis but the domestic economy remained in reasonably good shape and market sentiment was still broadly positive. Interest rates remain low and banks are reasonably aggressive in lending for real estate

Major deals completed during the quarter included a Mainland Chinese investor paying NZ\$34 million for St Laurence House, formerly known as the Ports of Auckland building. The asset is a high profile waterfront office property in the CBD and the initial yield is estimated at 9.54%.

Elsewhere, local private investor Robert Jones Holdings acquired the Nielsen Centre at 129 Hurstmere Road in Auckland for NZ\$18 million whilst 396 Queen Street in the same city was sold

at a receivership sale for NZ\$19 million. Further receivership sales were also completed during the period.

Singaporean and other Asian buyers were active in the market and continue to regard New Zealand as very attractive at present in terms of yields. These buyers continue to focus on assets in the NZ\$20 million – NZ\$25 million range. Local high-net worth individuals were also in buy mode, mainly in the receivership sales market where they can obtain discounts to market value, but other domestic buyers were inactive. There continued to be strong interest from European funds for properties in the region of NZ\$60 million. Australian investors remained net sellers.

As 2012 gets underway investors will be looking to acquire quality office assets given the lack of new developments in major CBDs across the country and falling vacancy rates. The hospitality sector also remains the focus of much attention given the strong growth recorded by the sector over the past year and the lack of new supply in the pipeline.

- **Developer launches new retail fund**

Lend Lease has launched a New Zealand shopping centre fund with four malls valued at a combined NZ\$197 million (US\$153 million) it acquired via its takeover of the ING Retail Property Fund in 2010.

CBRE Research Asia Pacific Contacts

Nick Axford

Head of Research for Asia and
Senior Managing Director of
Global Research
Hong Kong
T: (852) 2820 8198
nick.axford@cbre.com.hk

Kevin Stanley

Executive Director Pacific
Sydney
T: (61) 2 9333 3490
kevin.stanley@cbre.com.au

Ada Choi, CFA

Director Asia
Hong Kong
T: (852) 2820 2871
ada.choi@cbre.com.hk

Kim Mercado

Director Asia Pacific
Hong Kong
T: (852) 2820 2876
kim.mercado@cbre.com.hk

Jonathan Hills

Associate Director Asia
Hong Kong
T: (852) 2820 2881
jonathan.hills@cbre.com.hk

©2012 CBRE Group, Inc. We obtained the information above from sources we believe to be reliable. However, we have not verified its accuracy and make no guarantee, warranty or representation about it. It is submitted subject to the possibility of errors, omissions, change of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice. We include projections, opinions, assumptions or estimates for example only, and they may not represent current or future performance of the property. You and your tax and legal advisors should conduct your own investigation of the property and transaction.



Asia Pacific Offices

HONG KONG

4/F Three Exchange Square
8 Connaught Place, Central
Hong Kong
T: (852) 2820 2800
F: (852) 2810 0830

Suite 1201-03 & 14, 12/F Tower 6
The Gateway, 9 Canton Road
Tsimshatsui, Kowloon, Hong Kong
T: (852) 2820 8100
F: (852) 2521 9517

MACAU

The Executive Centre, Level 20
AIA Tower, 251A-301
Avenida Comercial De Macau
T: (853) 2857 5722
F: (853) 2857 5720

BEIJING

11/F Tower 2, Prosper Centre
5 Guanghua Road, Chaoyang District
Beijing 100020
People's Republic of China
T: (86) 10 8588 0888
F: (86) 10 8588 0899

SHANGHAI

11/F Wheelock Square
1717 West Nanjing Road
Shanghai 200040
People's Republic of China
T: (86) 21 2401 1200
F: (86) 21 5403 7519

GUANGZHOU

Suite 804, R&F Center
10 Hua Xia Road, Pearl River New City
Tianhe District, Guangzhou 510623
People's Republic of China
T: (86) 20 2883 9200
F: (86) 20 2883 9248

SHENZHEN

Suite 1601, Tower 2, Kerry Plaza
1 Zhongxinsi Road, Futian District
Shenzhen 518048
People's Republic of China
T: (86) 755 8271 8999
F: (86) 755 2399 5370

HANGZHOU

Suite 703, South Tower
Anno Domini Plaza, 8 Qiu Shi Road
Hangzhou 310013
People's Republic of China
T: (86) 571 2880 6818
F: (86) 571 2880 8018

CHENGDU

Suite 704A-706, Office Tower at
Shangri-La Centre Chengdu, Block B
9 Bin Jiang East Road, Chengdu 610021
People's Republic of China
T: (86) 28 8447 0022
F: (86) 28 8447 3311

TIANJIN

Suite 903, Tower A, The Exchange
189 Nan Jing Road, Heping District
Tianjin 300051
People's Republic of China
T: (86) 22 8319 2178
F: (86) 22 8319 2180

DALIAN

Suite 2104, 21/F
Tian An International Tower
88 Zhong Shan Road, Zhongshan District
Dalian 116001
People's Republic of China
T: (86) 411 3980 5855
F: (86) 411 3980 5866

QINGDAO

Suite 501-502, Office Tower
Shangri-La Centre
9 Xiang Gang Middle Road
Qingdao 266071
People's Republic of China
T: (86) 532 6887 7222
F: (86) 532 6887 7234

WUHAN

Suite 3308, 33/F, Block 1
New World International Trade Centre
568 Jian She Avenue, Jiangnan District
Wuhan 430022
People's Republic of China
T: (86) 27 8555 8277
F: (86) 27 6885 0506

SHENYANG

Suite 2102-2103
North International Media Centre
167 Qingnian Street, Shenhe District
Shenyang 110014
People's Republic of China
T: (86) 24 2318 2688
F: (86) 24 2318 2689

CHONGQING

Suite 2005-2006, 20/F
Chongqing International Trade Centre
38 Qingnian Road, Yuzhong District
Chongqing 400015
People's Republic of China
T: (86) 23 6310 7070
F: (86) 23 6310 7171

TAIPEI

13F/A, Hung Tai Centre
170 Tun Hua North Road
Taipei 105, Taiwan
T: (886) 2 2713 2266
F: (886) 2 2712 3065

SINGAPORE

6 Battery Road #32-01
Singapore 049909
T: (65) 6224 8181
F: (65) 6225 1987
Agency Licence No.: L30021631

168 Jalan Bukit Merah
Tower 3 #01-09
Singapore 150168
T: (65) 6854 8688
F: (65) 6271 2583
Agency Licence No.: L3010008E

Tokyo 105-0013, Japan
T: (81) 3 5470 8711
F: (81) 3 5470 8715

Tokyo 105-0013, Japan
T: (81) 3 5470 8800
F: (81) 3 5470 8801

*15 offices throughout Japan

TOKYO, JAPAN

5/F JEI Hamamatsucho Building
2-2-12 Hamamatsucho, Minato-ku
Tokyo 105-0013, Japan
T: (81) 3 5470 8800
F: (81) 3 5470 8711

1/F JEI Hamamatsucho Building
2-2-12 Hamamatsucho, Minato-ku
Tokyo 105-0013, Japan
T: (81) 3 5470 8800
F: (81) 3 5470 8801

*15 offices throughout Japan

SEOUL, KOREA

12/F SC First Bank Building
100 Gangpyeong-dong, Jongno-gu
Seoul, Korea 110-702
T: (82) 2 2170 5800
F: (82) 2 2170 5899

PHNOM PENH, CAMBODIA

9/F Hyundai Phnom Penh Tower
445 Monivong Blvd
Sangkat Boeung Pralit
Khan 7 Makara, Phnom Penh
Cambodia
T: (855) 23 964 099
F: (855) 23 964 088

NEW DELHI, INDIA

19/F DLF Square, M Block
Jacaranda Marg, DLF City Phase II
Gurgaon 122 002, India
T: (91) 124 465 9700
F: (91) 124 465 9800

MUMBAI, INDIA

#202/203, 2/F Naman Centre
G-block, Bandra Kurla Complex
Bandra (E), Mumbai 400 051, India
T: (91) 22 4069 0100
F: (91) 22 2652 7655

BANGALORE, INDIA

Hulkul Brigade Centre
G/F, No. 82 Lavelle Road
Bangalore 560 001, India
T: (91) 80 4074 0000
F: (91) 80 4112 1239

CHENNAI (MADRAS), INDIA

2H, 2/F Gee Gee Emerald 2C & 2D
151 Village Road, Nungambakkam
Chennai 600 034, India
T: (91) 44 2821 4599/4571
F: (91) 44 2821 4607

HYDERABAD, INDIA

211, Maximus 2B, Mindspace Cyberabad
Survey No: 64 (Part)
APLIC Software Layout, Madhapur
Hyderabad 500 081, India
T: (91) 40 4033 5000
F: (91) 40 4033 5050

PUNE, INDIA

705-706, 7/F Nucleus Mall
Nucleus Church Road
Pune 411 001, India
T: (91) 20 2605 5437/5367
F: (91) 20 2605 5405

KOLKATA, INDIA

4/F, S B Towers
37 Shakespeare Sarani
Kolkata 700 016, India
T: (91) 33 4008 4811-13
F: (91) 33 4008 4814

KUALA LUMPUR, MALAYSIA

#9-1, Level 9, Menara Millenium
Jalan Damanlela, Bukit Damansara
Kuala Lumpur 50490, Malaysia
T: (60) 3 2092 5955
F: (60) 3 2092 5966

JOHOR, MALAYSIA

Unit 7.6, Level 7, Menara Pelangi
Jalan Kuning, Taman Pelangi
Johor Bahru 80400, Johor, Malaysia
T: (60) 7 331 8118
F: (60) 7 331 8119

PENANG, MALAYSIA

#9-B, Tingkat 9, Menara BHL Bank
51 Jalan Sultan Ahmad Shah
Penang 10050, Malaysia
T: (60) 4 226 4888
F: (60) 4 226 4111

MANILA, PHILIPPINES

Suite 1002-1005, 10/F
Ayala Tower One & Exchange Plaza
Ayala Avenue, Makati City
Metro Manila 1226, Philippines
T: (63) 2 752 2580
F: (63) 2 752 2571

10/F, National Life Building
Ayala Avenue, Makati City
Philippines
T: (63) 2 893 9325 / 2 894 5120

Suite 2, 2nd Level
Waterfront Hotel, Lahug
Cebu City, Philippines
T: (63) 32 318 0070

BANGKOK, THAILAND

46/F CRC Tower, All Seasons Place
87/2 Wireless Road, Lumpini
Pathumwan, Bangkok 10330
Thailand
T: (66) 2 654 1111
F: (66) 2 685 3300-1

PHUKET, THAILAND

12/9 Moo 4, Theprasattri Road
Kohkaew, Muang, Phuket 83000
Thailand
T: (66) 76 239 967
F: (66) 76 239 970

HO CHI MINH CITY, VIETNAM

Suite 1201, Me Linh Point Tower
2 Ngo Duc Ke Street, District 1
Ho Chi Minh City, Vietnam
T: (84) 8 3824 6125
F: (84) 8 3823 8418

HANOI, VIETNAM

6/F, BIDV Tower
194 Tran Quang Khai Street
Hoan Kiem District
Hanoi, Vietnam
T: (84) 4 2220 0220
F: (84) 4 2220 0210

DANANG, VIETNAM

6/F, Indochina Riverside Towers
74 Bach Dang Street, Hai Chau
Danang, Vietnam
T: (84) 511 2222 111
F: (84) 511 2222 100

AUSTRALIA

Level 26, 363 George Street
Sydney NSW
T: (61) 2 9333 3333
F: (61) 2 9333 3330

*25 offices throughout Australia

NEW ZEALAND

Level 14, 21 Queen Street
Auckland 1140
T: (64) 9 355 3333
F: (64) 9 355 3330

*6 offices throughout New Zealand