Asia Pacific **Capital Tracker**

Q3 2024

JLL SEE A BRIGHTER WAY

From Defense to Offense

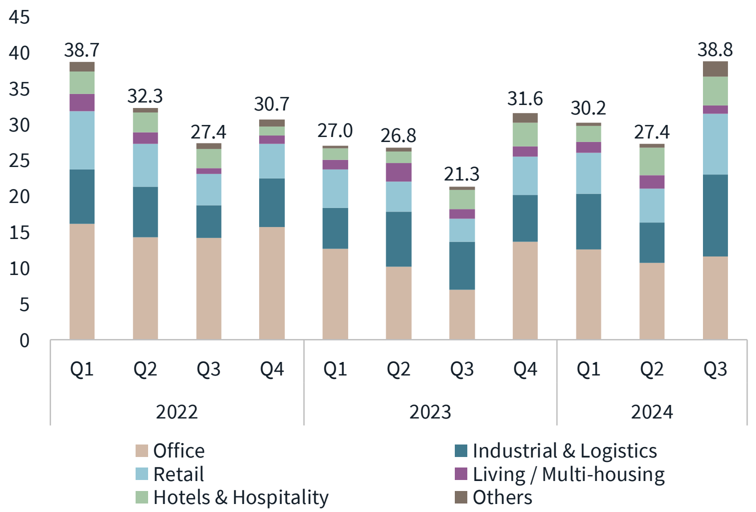
October 2024

Highest quarterly volume in APAC since rate-hike cycle began

- Asia Pacific investment volumes totalled **USD 96.3bn** YTD (Q3: USD 38.8bn), rising 28% YoY (Q3: +82%) and marking the fourth consecutive quarter of annualised growth. All major property sectors, except living, recorded volume growth.
- **Japan** recorded USD 25.7bn YTD (Q3: USD 8.4bn), rising 28% YoY (Q3: +103%). Domestic REITs remained active buyers, making large hotel portfolio acquisitions. While base rates are likely to rise marginally in the future, its impact on real estate pricing is expected to be minimal due to strong competition.
- **South Korea** garnered USD 16.2bn YTD (Q3: USD 8.4bn), rising 31% YoY (Q3: +102%). Mega office trades re-emerged, while senior loan costs came down, narrowing bid-ask gaps for prime office buildings. Foreign buyers showed conviction in logistics.
- **Singapore** posted USD 8.2bn YTD (Q3: USD 4.4bn), rising 52% YoY (Q3: +118%). Institutional investors, including REITs and global private equity firms, injected capital into the logistics, retail and life sciences sectors.
- **Australia** registered USD 13.1bn YTD (Q3: USD 4.7bn), rising 23% YoY (Q3: +22%). Overseas investors were interested in office and logistics assets. Domestic REITs remained active sellers.
- **China** volumes reached USD 16.7bn YTD (Q3: USD 6.2bn), rising 3% YoY (Q3: +32%). Local insurers continued to acquire assets offloaded by overseas investors and domestic developers. Corporate occupiers remained an important source of capital. Overseas capital targeted retail assets.
- **Hong Kong** volumes were USD 3.1bn YTD (Q3: USD 1.3bn), dropping 3% YoY (Q3: +58%). There were more logistics transactions, while office and retail volumes remained low.
- **India** reported USD 2bn YTD (Q3: USD 0.4bn), rising 30% YoY (Q3: +216%). Domestic and global institutional investors remained interested in business park assets in major cities, such as Mumbai and Chennai.

Investment volume by sector

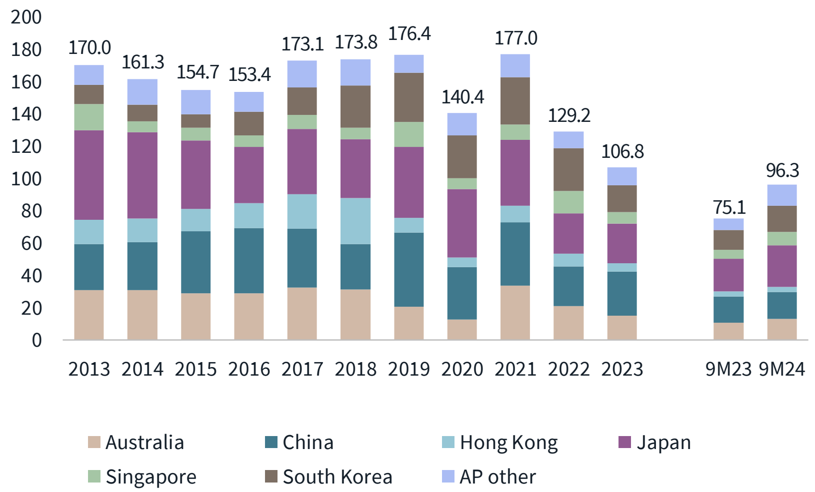
USD bn



Source: JLL Research, as at Q3 2024

Investment volume by market

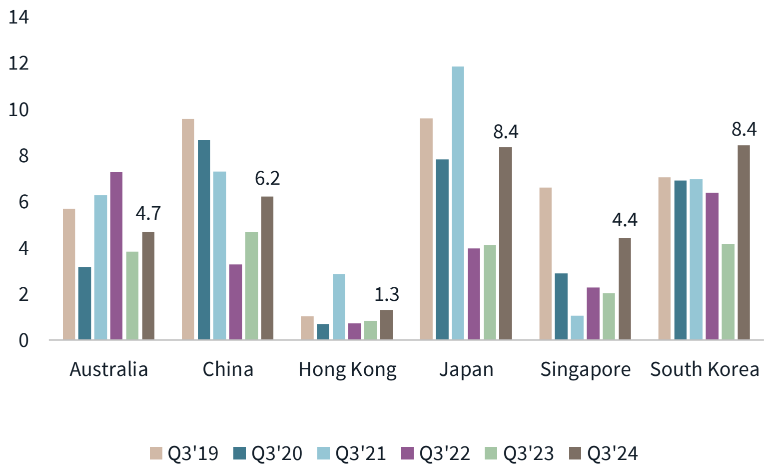
USD bn



Source: JLL Research, as at Q3 2024

6-year Q3 volume comparison in major markets

USD bn



Source: JLL Research, as at Q3 2024

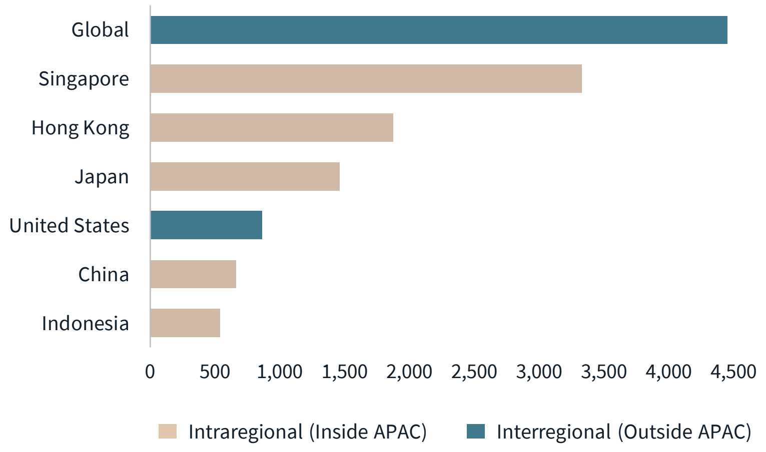
Cross-border activity returns with a vengeance

- Cross-border investment volumes* into Asia Pacific registered **USD 14.5bn** YTD (Q3: USD 7.5bn), rising 6% YoY (Q3: +199%). Overseas investors mostly targeted office and logistics assets.
- Amongst the various capital sources, **Singaporean** investors were the most active in Q3 as **GIC** made acquisitions in Japan and China. **Global** capital was mainly deployed into Singapore and Australia.
- **Singapore** attracted a diverse range of foreign investors as usual. For instance, sovereign wealth fund **Brunei Investment Agency** and investment manager **PGIM Real Estate** both made acquisitions this quarter.
- **China** volumes rebounded as offshore investors, such as **Swire Properties**, acquired retail assets in Tier 1 cities.
- **Australia** became more appealing to foreign investors with the view that interest rates have seemingly peaked. Overseas investors acquired office and industrial assets in Sydney and Melbourne.
- Offshore capital invested in the hotel and industrial sectors in **South Korea** as the sectoral performance has improved.
- Overseas investors were interested in multiple asset classes in **Japan** despite rate hikes. There were transactions involving logistics, data center, co-living, hotel and serviced apartment assets in Q3.
- **Hong Kong** wooed Chinese investors as the market undergoes a price correction phase.

*Cross-border investment volumes refer to transactions which the purchaser source of capital is foreign.

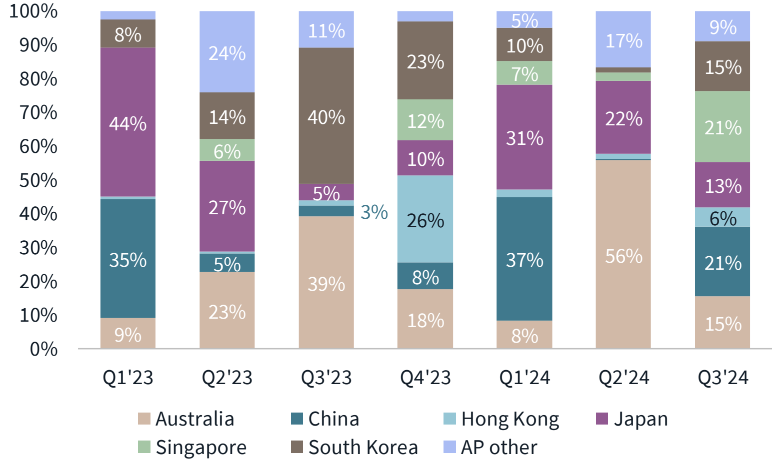
Sources of cross-border capital to APAC, 9M 2024

USD mn



Source: JLL Research, as at Q3 2024
Note: Global refers to capital with >30% coming from multiple geographies and is regarded as interregional

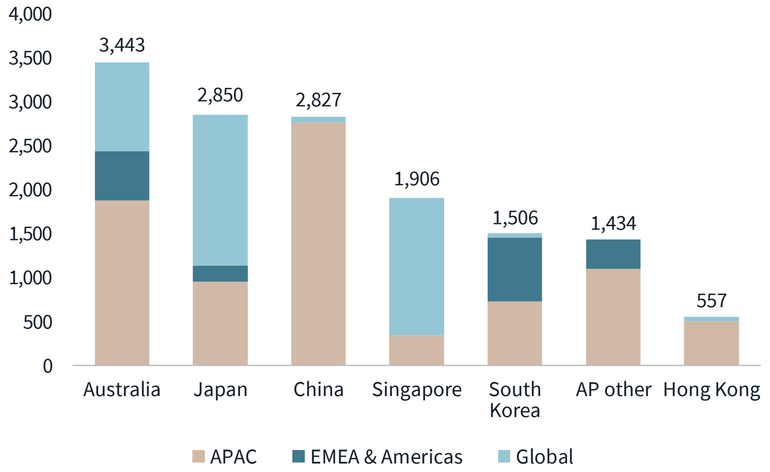
Share of APAC cross-border investment volumes by market



Source: JLL Research, as at Q3 2024

Cross-border volumes to APAC markets by capital source, 9M 2024

USD mn

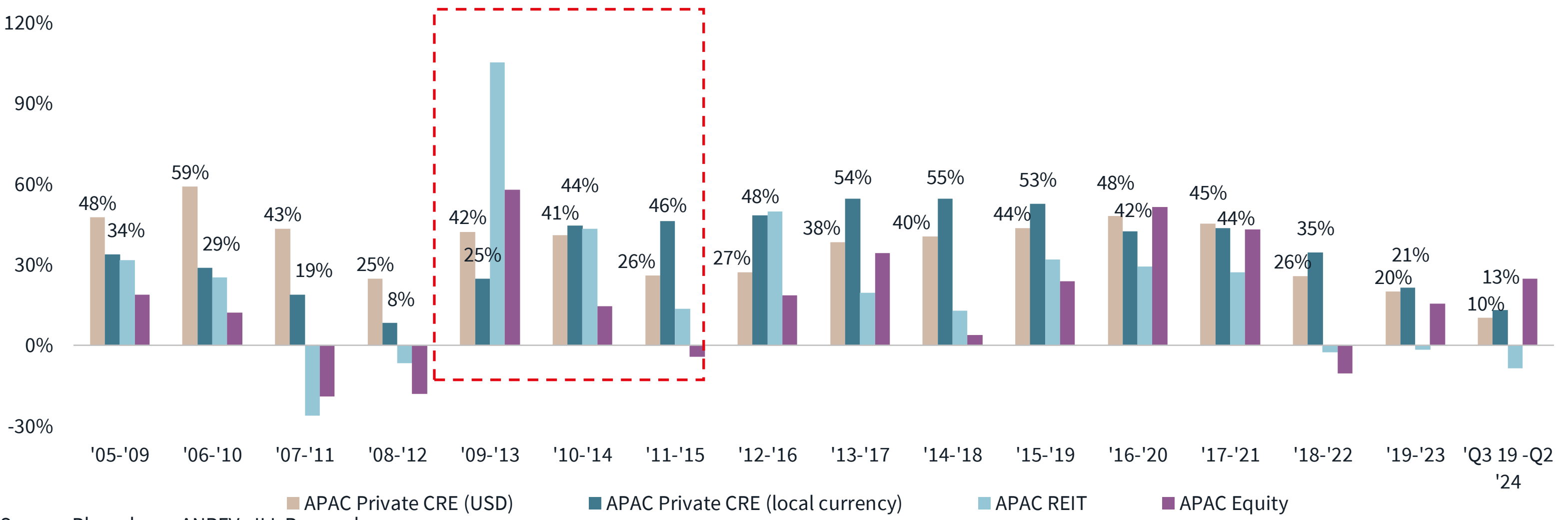


Source: JLL Research, as at Q3 2024

Ambidextrous: conviction in times of uncertainty

- CRE has a long track record of generating alpha, adding stability and diversification to investment portfolios. Looking at 5-year holding periods, Asia Pacific CRE has not posted negative total returns since 2005. Furthermore, private CRE outperforms APAC equities in more than 80% of the instances.
- Historically, REITs tended to outperform private CRE returns in the period immediately following a downturn as interest rates declined and the distribution yields looked more attractive, but private CRE has provided more consistent returns over the longer term.
- Bottoming out real estate valuations coupled with loosening monetary policy across central banks will make 2025 a strong vintage for market entry. Early movers are likely to face less competition from other investors.
- Allocations will prioritize markets where capital values are perceived to near bottom, where rental growth forecasts can be underwritten with confidence. Predictability of declining debt costs will also be an influencing factor.
- Sector-wise, investors looking at total returns will deploy capital to alternatives or living with higher growth potential. The living sector benefits from strong demographic tailwinds. Meanwhile, investors maximizing income returns will focus on proven free cash flow generation, a high initial yield and rental growth such as retail and industrial.
- A major undertaking for real estate investors in the coming quarters will be to balance financial and asset management challenges within their existing portfolios, while making decisions with conviction in a still uncertain climate.

APAC 5-year total returns, 2005 – Q2 2024



Source: Bloomberg, ANREV, JLL Research
Note: APAC Private CRE: ANREV Quarterly Index Cash Based Returns Index; APAC REIT: FTSE EPRA Nareit Developed Asia Index (Dividend+ Net Total Return USD); APAC Equity: MSCI AC Asia Pacific Index (USD)
Note: Red box highlights the post-GFC rebound in CRE returns, which may be used as a reference for the current post-downturn period.

APAC Private CRE returns

Hold Period	APAC Private CRE (USD)	APAC Private CRE (Local Currency)
Last 12M (3Q '23 to 2Q '24)	-6.12%	-6.35%
2020 to 2Q '24	6.52%	9.18%

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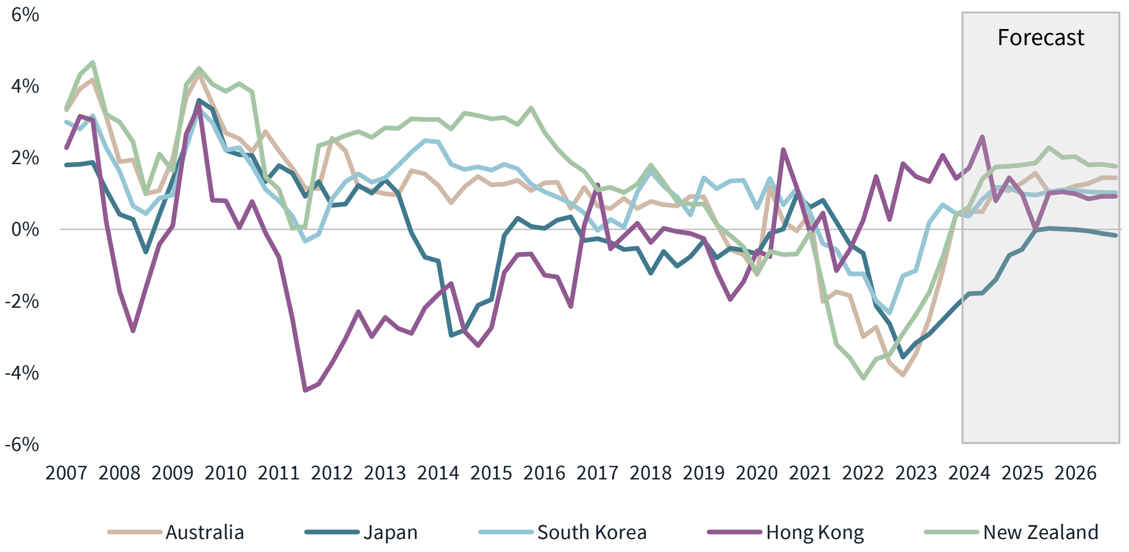
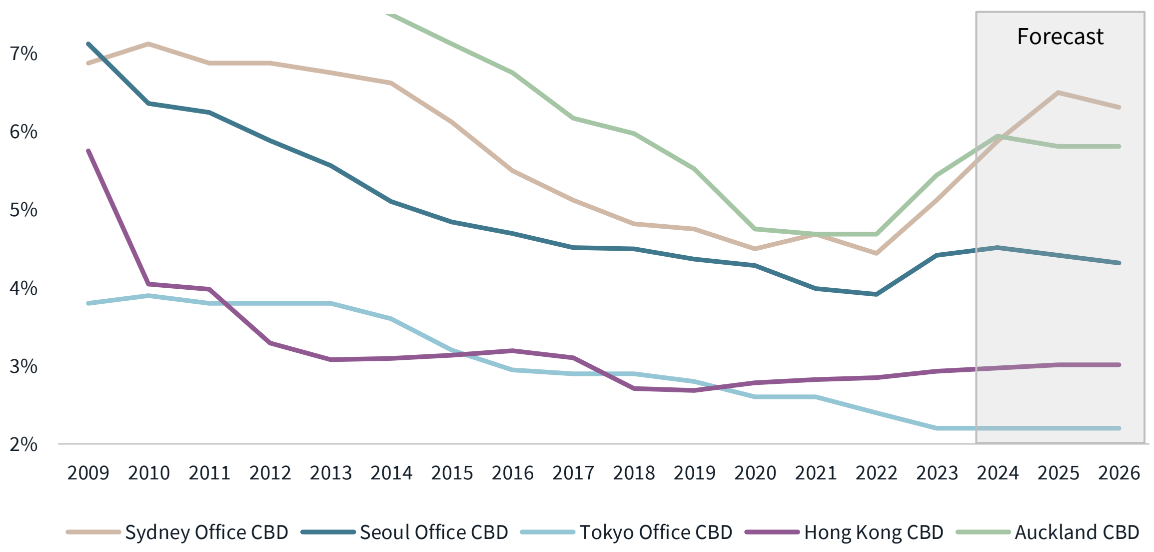
Will positive real rates bring yields back down?

- As inflation across the region begins to moderate and policy interest rates adjust to lower price pressures, real interest rates have started to move back into positive territory for most of the advanced economies across the region.
- The spike in inflation triggered by the Russia-Ukraine conflict resulted in real interest rates plunging into negative territory as central banks hesitated to raise rates further; with the resulting surge in short term central bank policy rates pushing property yields higher and slowing transactional markets globally.
- After a decade of benign inflation following the GFC, investors could rely on favorable tailwinds to boost returns without significant erosion from higher prices or financing costs. However, despite inflation trending downwards in recent quarters it is likely to settle at longer term average levels rather than post-GFC levels.
- In many locations the higher interest rates have had a negative effect on valuations and a corresponding shift in higher entry yields. This is despite the higher inflation rates assisting in landlords raising rental rates.
- With lower inflation allowing central banks to start the rate cutting cycle we could see property yields follow a similar trend; however, a lot will depend on how real estate is viewed compared to other similar investments with the expectation that long-term interest rates are likely to stay higher than we have seen over the last decade.
- Those office markets that have seen yields adjust the most, such as Sydney and Auckland, are best placed to see the quickest yield compression as capital markets move towards a more normalized situation. For those cities that have seen less outward yield movements, such as Tokyo, further yield compression looks less likely despite favorable financing costs.

Real Long-Term Interest Rates, 2007-2026F



CBD Office Market Yields, 2009-2026F

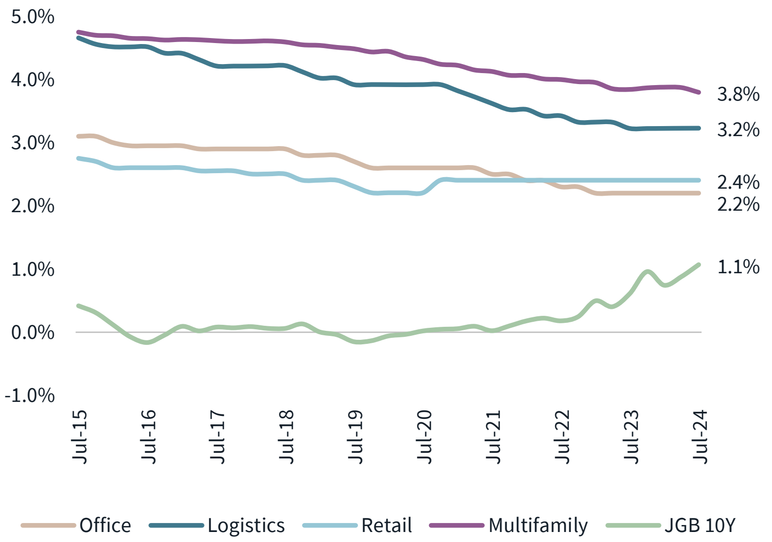


Source: JLL Research, Oxford Economics

Japan's accommodative spreads unlock stakeholder value

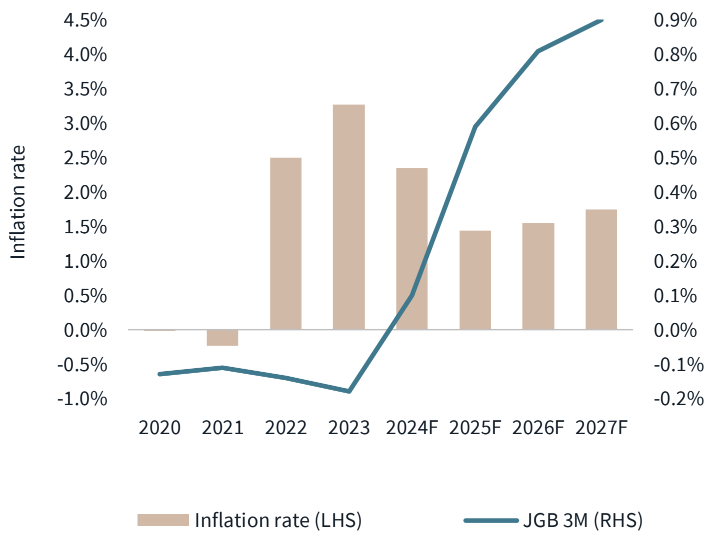
- While the Bank of Japan (BOJ) normalizes monetary policy by ending an era of ultra-low interest rates and moderating its massive bond buying program which started back in 2001, Japan's long-term interest rate remains low. Its positive yield spreads across all property types is highly attractive.
- The emergence of price growth means investors can view property as an inflation hedge, rather than a substitute for fixed income. Japan's real estate fundamentals are also in general equilibrium with little to no speculative building, adding to its attractive investment thesis.
- Despite being some of the lowest yielding property sectors globally, investors have continued to benefit from accretive cash-on-cash in Japan. Additionally, the lending intentions of Japanese financial institutions and lenders continue to be robust, offering accommodative access to credit for investors.
- The BOJ's surprise rate hike in July strengthened the yen and caused significant currency and equity market volatility as carry trade positions were liquidated. Subsequently, the BOJ kept rates steady in September and reiterated further rate rises would be data dependent on sustained inflation at the 2% target level.
- A recent catalyst for transactions has been local companies divesting non-core assets, including property holdings. Corporate governance reforms and higher wages have prompted top grade towers to change hands.
- Overseas investors are influenced by the currency factor to an extent. While the yen is still cheap, the anticipated narrowing interest rate differential may drive the yen to appreciate further against other currencies, potentially boosting overall investment returns.

Tokyo property yields and 10-year bond yields



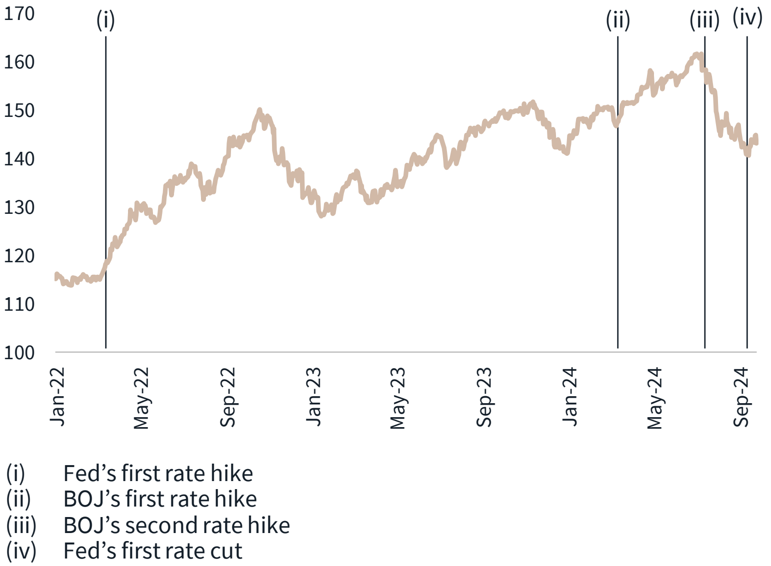
Source: JLL Research, ARES, as at Q3 2024

Inflation and 3-month bond yield forecasts



Source: Oxford Economics, as at Q3 2024

USD/JPY exchange rate



Source: JLL Research, Bloomberg, as at Q3 2024

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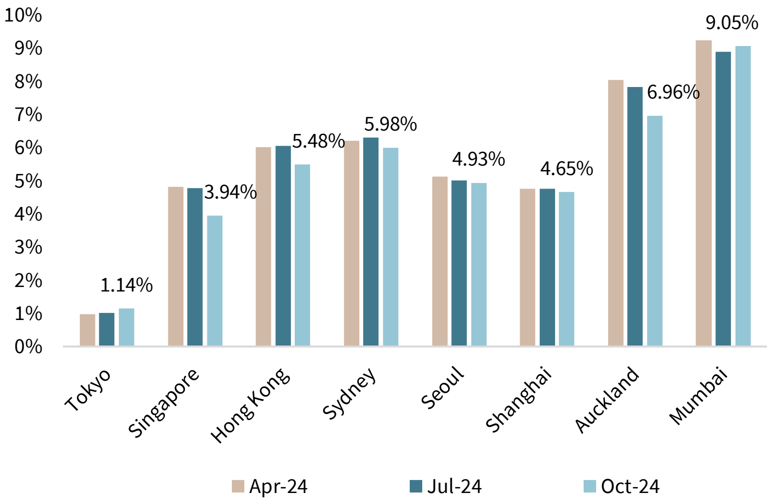
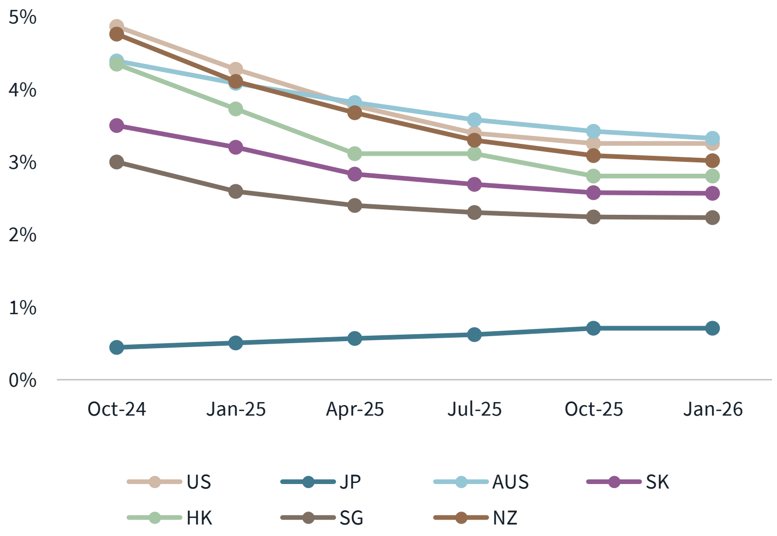
Cost of debt eases: A welcome sign for capital markets

- At the September 2024 FOMC meeting, the Fed lowered interest rates by 50bps to a range of 4.75% to 5%, justified by inflation moving towards the 2% target and weaker than expected employment gains in August.
- However, post-meeting jobs report showed that payrolls rose 254k in September (highest in six months) and hourly earnings increased 4% (highest in four months). Due to strength in labor market economists are expecting downsized cuts of 25bps each in the next two policy meetings in 2024.
- In APAC, the indicative cost of debt has declined 20-90bps since the beginning of the year in all major markets, except Japan where it has increased 36bps YTD.
- APAC central banks have also begun its rate reduction cycle. Starting with two cuts totaling 75bps in **New Zealand** to 4.75%. **South Korea** cut policy rates by 25bps for the first time in four and a half years to 5.25%. **Hong Kong** moves in tandem as usual with the Fed with a 50bps cut to 5.25%.
- In **Singapore**, inflation has cooled to 2.7% YoY in August and is expected to ease further. The MAS will likely keep exchange rates, used to stabilize prices, unchanged for the remainder of 2024 to stem imported inflation. The 3M SORA is at the lowest level since March 2023.
- In **Australia**, rates are on hold at 4.35% since November 2023 with the RBA waiting for clear evidence of inflation moving towards the 2-3% target band. Forward rate curves suggest that Australia will be one of the last APAC markets to make rate cuts, swaps imply below 50% probability of cuts in December 2024.
- While more rate cuts are on the horizon, there are risks to this base case. Notably, global geopolitical shocks that may impact oil prices and the return of inflation. Recently, there have been layoffs in APAC, such as Samsung's employees in SEA and ANZ, TikTok in Malaysia, and Volkswagen in China, if labor conditions deteriorate it will also affect the speed/size of cuts.

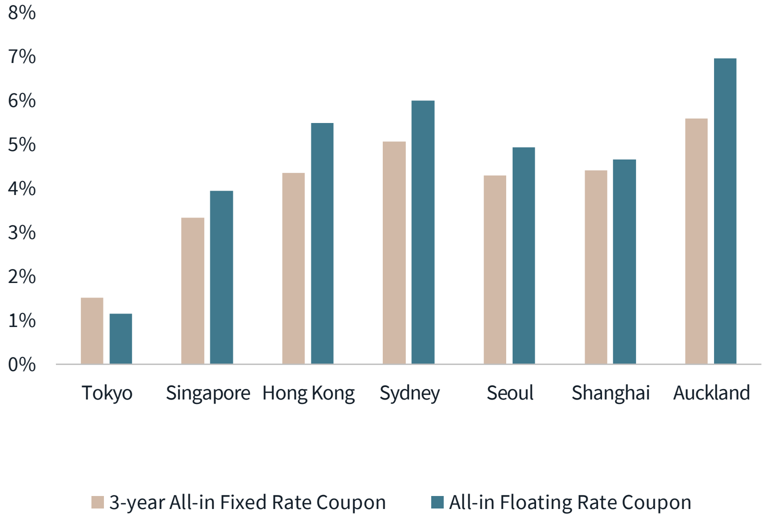
APAC 3-month indicative floating rate for senior loan (core assets)



3M forward rates between 2024 and 2026



APAC 3-year fixed senior loan vs 3-month floating

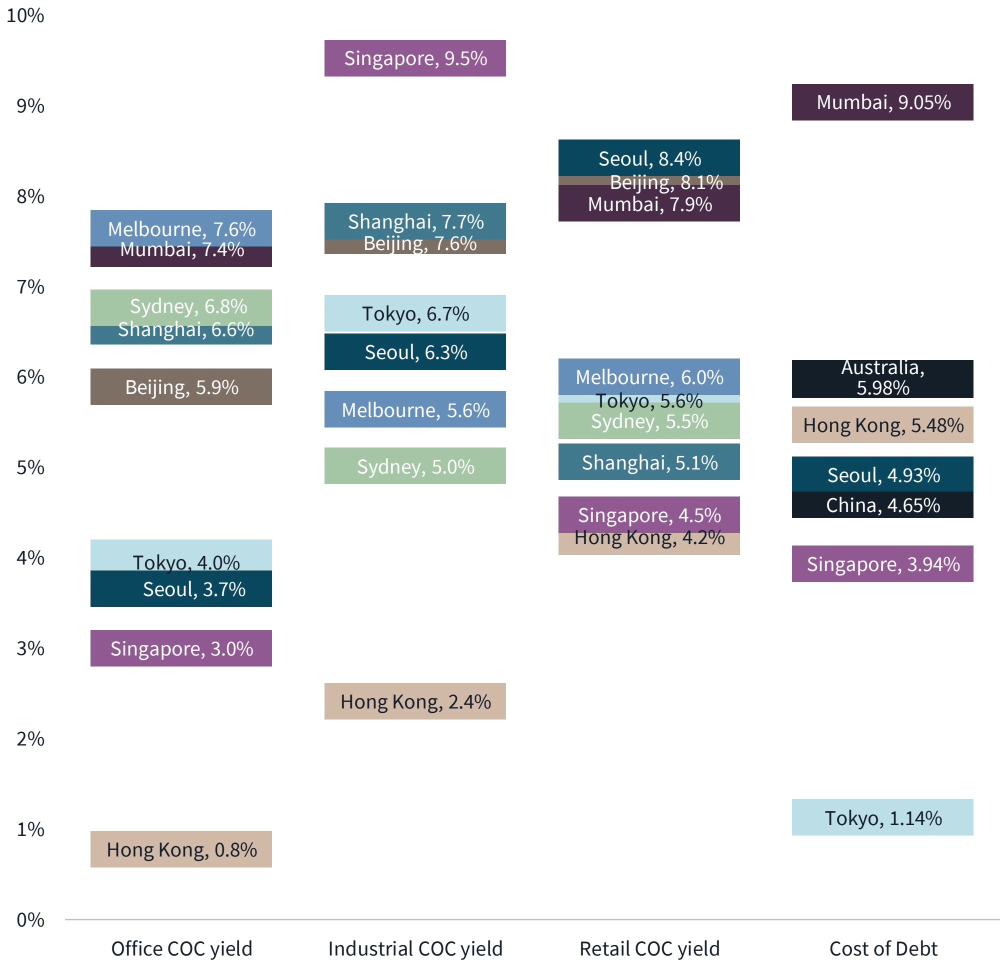


Source: Bloomberg, JLL Debt Advisory, JLL Research, as at Oct 2024

Debt's decline reshapes cash returns

- Despite rising bond yields over the past two years, cap rate increases have not moved to a similar degree in most markets, resulting in negative leverage situations, where cash returns are lower than debt service. As the rate cut cycle begins, the gap between cost of debt and yields will narrow, more assets will be debt-accretive and cash-on-cash yields will be attractive again.
- Office: Notably, office market yields in **Sydney** and **Melbourne** are now marginally above cost of debt, resulting in COC yields above 6%, making it attractive to core investors once again. While positive carry can also be achieved in **Shanghai** and **Beijing**, investors remain cautious due to the huge supply overhang, where office vacancies are at roughly 16%, asset transactions are mainly by developers, with cap rates expected to expand further.
- Industrial: **Shanghai** and **Beijing** COC yields remain elevated amidst higher going-in yields due to leasing risk - huge supply pressure will persist in Shanghai where vacancies are over 20% and Beijing vacancies elevated as at Q3. As demand recovery lags substantially, further yield expansion is expected despite the PBoC's attempts to lower financing costs. Due to strong investor demand from core investors (onshore and offshore), **Tokyo** logistics yields are expected to compress further.
- Retail: For all APAC markets, retail transactions are now dominated by domestic players, – thus, investors in retail assets tend to compare COC yields between sectors. While **Seoul** retail COC yields are highest in APAC, there are a lack of investment opportunities as large landlords are unwilling to sell. Further, strength in Seoul office has cannibalized interest from the retail sector. As a relatively active retail market, COC yields for **Singapore** retail is low at 4.5% and further yield compression is limited.

Cash-on-cash yield and cost of debt



Source: JLL Research, as at Q3 2024
Note: Market yields from JLL REIS and cost of debt from JLL Debt Advisory used to calculate COC yield. Cost of debt assumed as same within country. Leverage ratio differs by market, cost of debt assumed for core asset type that commands the best pricing in market.

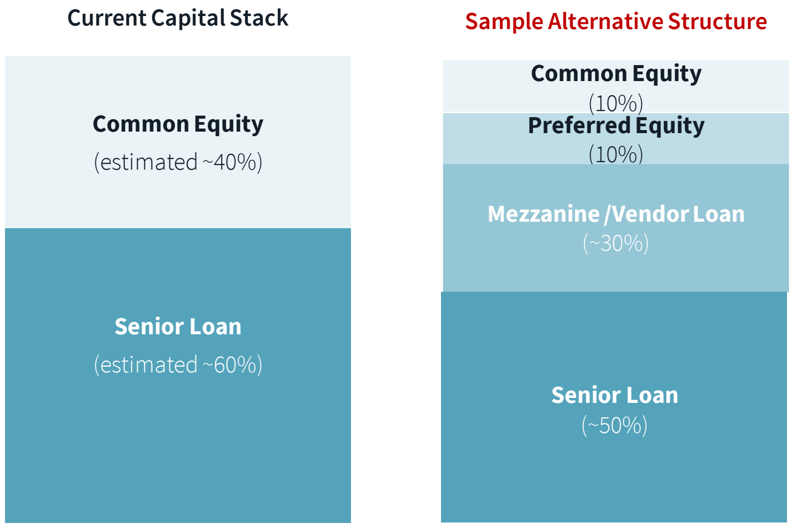
Vendor debt sweetens deals

- Sourcing capital for larger transactions is more difficult at present as higher yields must be offered and local banks have taken a cautious approach. Traditional lenders have lowered loan-to-value (LTV) ratios to 30-50%, from 40-60% in early 2022. Lower leverage and higher cost of capital continues to put downward pressure on capital values.
- Sellers looking to dispose of assets have been exploring alternative capital structures to get deals closed in today's market. These include preferred equity, vendor financing and price adjustment mechanisms. From a lender's perspective, return profiles are beginning to look more attractive relative to risk.
- Vendor debt financing occurs when a loan is offered by the seller to the buyer at below-market terms. This impacts a buyer's levered returns, which can improve pricing, execution certainty, and speed. By making it easier for buyers to raise bids, the seller can command the best possible price and even achieve a premium in some instances. Such agreements are common in the US.
- Another non-interest form of vendor financing is deferred consideration, which can be very accretive for buyers. However, the seller is taking risk that the buyer may not fulfill payment obligations. While not common in APAC, there has been cases in Australia where vendor financing was offered on large office transactions. Vendors are experiencing extended due diligence processes on deals where syndicators are subject to fundraise.

Alternative capital structures

Preferred Equity		Seller leaves some equity in the transaction and offers a preferred return to the buyer
Vendor Finance	Deferred Consideration	Consideration is deferred for a period, typically from 3-24 months, where initial payment is followed by periodic payments thereafter
Vendor Finance	Seller Loan	Seller accepts part of the consideration as a loan to their buyer on favourable terms to get a deal concluded
Price Adjustment Mechanisms	Price Adjustment before closing	Agreed movement in the price between exchange and completion based on swap/interest rate movements, indices movements, etc.
Price Adjustment Mechanisms	Earn-out / Contingent Consideration	Part of the purchase price is only payable to the extent certain profit or other targets are achieved during the period after closing

Example of vendor financed capital structure



Source: JLL Equity Advisory, JLL Debt Advisory, JLL Research

New capital sources: Infra funds invest in CRE alternatives

- Capitalizing on the momentum of digital infrastructure, renewables and energy security, big bets are being placed on infrastructure which overlaps with CRE alternatives (data centers, hospitals, PBSA etc). Earlier this year, **BlackRock** acquired **Global Infrastructure Partners (GIP)** in a deal valued at USD 12.5bn.
- APAC-focused infrastructure fundraising had a strong showing in H1 2024, amounting to USD 13.2bn – driven by the closing of **KKR** Asia Pacific Infrastructure Investors II (USD 6.4bn), **Stonepeak** Asia Infrastructure Fund (USD 3.3bn) and **GIP** Australia II (USD 2.6bn).
- Specifically, pension funds have stepped up allocations since 2020. Australia's **Colonial First State** is looking to boost private infra holdings, particularly data-related offshore investments. **CDPQ**'s infra exposure in Australia now total CAD 6.5bn, and is projected to rise to CAD 10bn, with opportunities in decarbonization and social/critical infra assets.
- Currently, renewables and energy account for 66% of sector-specific funds globally. While EMEA is ahead of the curve, activity in APAC is getting started. **PAG** raised USD 550mn for an Asian renewable energy fund and **KKR** launched Aster Renewable Energy in Asia.
- According to International Renewable Energy Agency, APAC is leading the renewable energy supply surge, with 70% of new renewable electricity capacity added globally in 2023 coming from APAC. As cities shift to cleaner energy solutions, there will be higher demand for renewable energy real estate assets, i.e. solar, wind farms, hydroelectric, geothermal power plants, energy storage facilities, and green data centers.

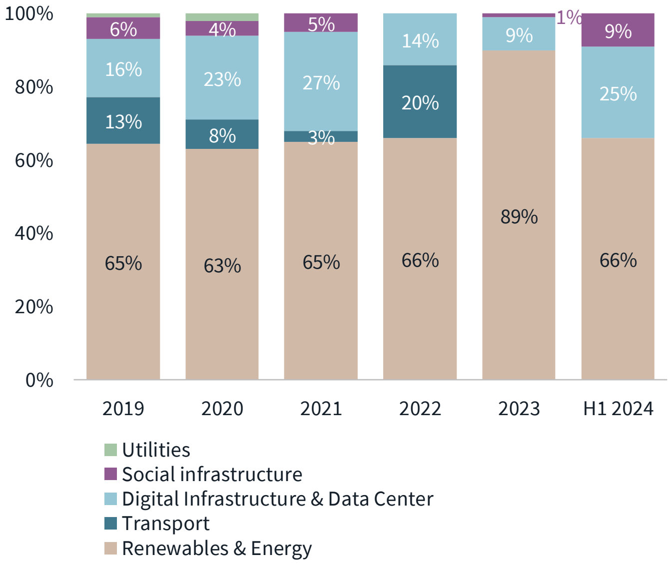
For more info, Renewables in the built environment

Top 20 largest allocators to infrastructure

Institution Name	Headquarters	USD million
Caisse de dépôt et placement du Québec (CDPQ)	Quebec City	45,134
Abu Dhabi Investment Authority (ADIA)	Abu Dhabi	44,280
CPP Investments	Toronto	35,131
National Pension Service of Korea (NPS)	**Jeolla-bukdo**	**32,874**
APG Asset Management	Amsterdam	29,805
Ontario Teachers' Pension Plan	Toronto	29,598
AustralianSuper	**Melbourne**	**27,355**
Ontario Municipal Employees Retirement System	Toronto	27,182
Allianz Group	Munich	23,734
PSP Investments	Ottawa	22,170
BCI	Victoria	19,858
Australian Retirement Trust	**Brisbane**	**19,672**
CalPERS	Sacramento	15,194
Pensioenfonds Zorg en Welzijn	Zeist	14,026
Alberta Investment Management Corporation (AIMCo)	Edmonton	13,715
Australia Future Fund	**Melbourne**	**12,715**
Teacher's Retirement System of Texas (TRS)	Austin	12,600
Aware Super	**Sydney**	**12,146**
Manulife Financial	Toronto	11,516
CalSTRS	Sacramento	11,105

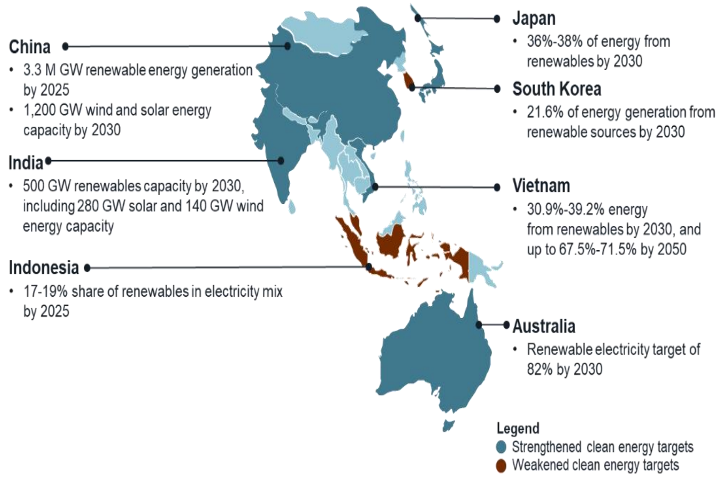
Source: Infrastructure Investor, JLL Research

Proportion of sector-specific infrastructure funds



Source: Infrastructure Investor, JLL Research

Renewable energy targets across APAC



Source: JLL APAC ESG Research, country-specific government sources

Progress made on transparency in Asia Pacific markets

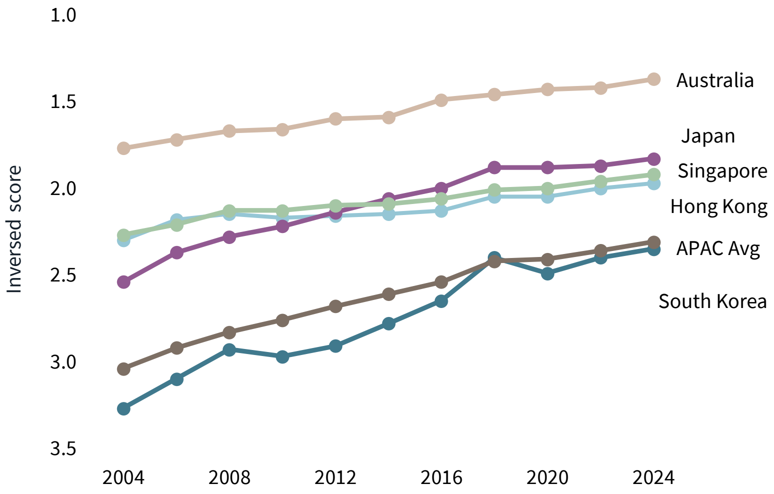
- Transparency encourages higher investment – used as a market screening filter to understand the risk profile for potential transactions. Often used as an input in calculating hurdle rates, risk premiums and pricing, and to evaluate exit opportunities. In JLL's 2024 Global Real Estate Transparency Index (GRETI), the UK, France and the US topped the index as the most transparent markets.
- **Australia** emerged as the best performer in APAC due to progress towards implementing a public beneficial ownership register and legislation on mandatory ESG disclosure for large listed companies. For the first time, **Singapore** moved into the "highly transparent" category due to its sustainability standards (ISSB-aligned disclosure requirements for listed companies) and integration of tech and digital services.
- **India** was the most improved market globally due to greater data coverage and quality across both traditional and niche sectors as the market becomes more institutionalized. A more proactive financial regulator, new climate risk disclosure guidelines, streamlined building regulations and digitized land records contribute to India's 'Tier-1' cities entering the transparent tier.
- Globally, there has been a reallocation of capital towards alternatives and living sectors. Yet, transparency on operating and pricing fundamentals in niche sectors still lacks reliable data. 'Highly Transparent' countries account for most stock and highest-quality data, positioning them to capture an outsized share of diversification benefits.
- Sustainability transparency will accelerate as new or expanded requirements for companies to disclose emissions and climate risks are implemented, e.g. **Tokyo**'s cap-and-trade scheme requires buildings to meet emissions reductions targets through energy efficiency measures or a credit purchasing scheme.
- Other key themes that will shape the industry going forward:
  - RE debt market transparency as investment strategies mature
  - AI will push the boundaries of market analytics but will be associated with regulatory, compliance and privacy risks

For more info, Global Real Estate Transparency Index 2024

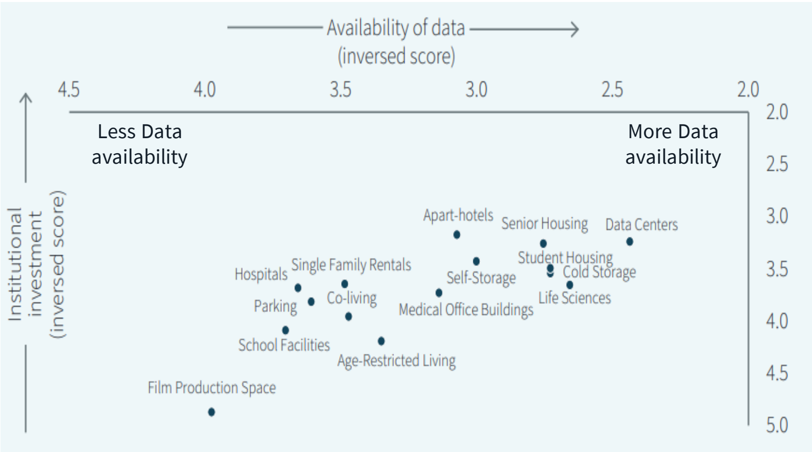
APAC Transparency Rankings

Transparency Level	2024 Rank	Market	2024 Score
High Transparency	4	Australia	1.37
	7	New Zealand	1.59
	11	Japan	1.83
	13	Singapore	1.92
Transparent	15	Hong Kong SAR	1.97
	26	Chinese Taipei	2.34
	27	South Korea	2.35
	30	China – Tier 1	2.42
	31	India – Tier 1	2.44
	32	Thailand	2.53
Semi-Transparent	33	Malaysia	2.57
	40	Indonesia	2.81
	45	Philippines	2.95
	49	Vietnam	3.25
	54	Macao SAR	3.42
Low Transparency	63	Sri Lanka	3.69

APAC Transparency improvements



Global institutional investment vs market data availability for emerging sectors



Source: Global Real Estate Transparency Index 2024, JLL Research. Scores are inversed, with lower score indicating higher transparency

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Sectors

1. Office
2. Logistics
3. Retail
4. Living
5. Alternatives
6. Hotels
7. REITs

Cross-border buyers revive office deal activity

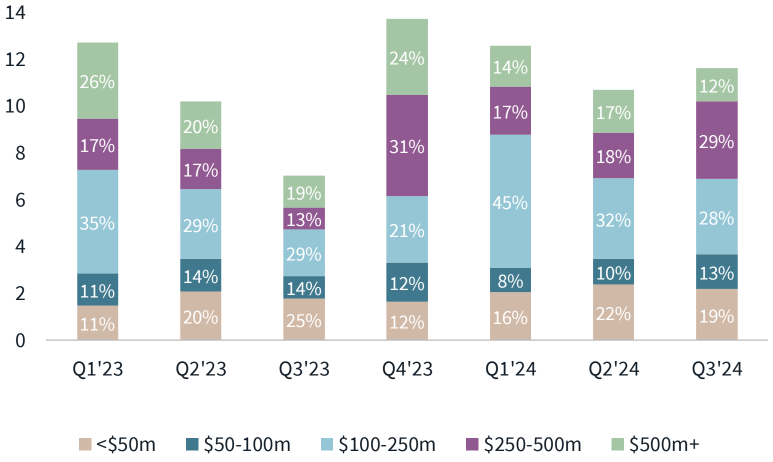
- APAC office volumes reached **USD 34.9bn** YTD (Q3: USD 11.6bn), increasing 17% YoY (Q3: +66%). While domestic investors remained the major group of purchasers, more transactions involving overseas buyers have been observed during the quarter.
- **South Korea** office volumes topped the region in Q3 amid narrowing bid-ask gaps and lower senior loan rates for prime office buildings. Several significant transactions were closed, on the back of strong market fundamentals exhibited by rental growth and low vacancy rate.
- **Australia** attracted foreign investors while domestic REITs remained active sellers. **Deka Immobilien** and **PAG** made office acquisitions in Sydney and Melbourne respectively.
- **China** saw more diverse types of capital acquiring office assets besides domestic corporate occupiers, including Indonesian developer **Sinar Mas**, investment manager **DNE Group** and insurer **AIA**.
- **Japan** remained a domestic market as J-REITs and developers continued to acquire office buildings in Tokyo and Osaka. Foreign investors, such as **PAG** and **Gaw Capital**, have offloaded office assets recently.
- **Singapore** had an active strata-title office market with private investors and occupiers acquiring office floors in freehold properties. Institutional investors remained cautious as interest rates were still elevated.
- **Hong Kong** was still in an investment slump with most investors staying on the sidelines during market downturn.

333 George Street
Location: Sydney
Price: USD 265mn
Vendor: Charter Hall
Purchaser: Deka Immobilien

Stamford Court
Location: Singapore
Price: USD 100mn
Vendor: Singapore Land
Purchaser: PGIM Real Estate & Elevate Capital

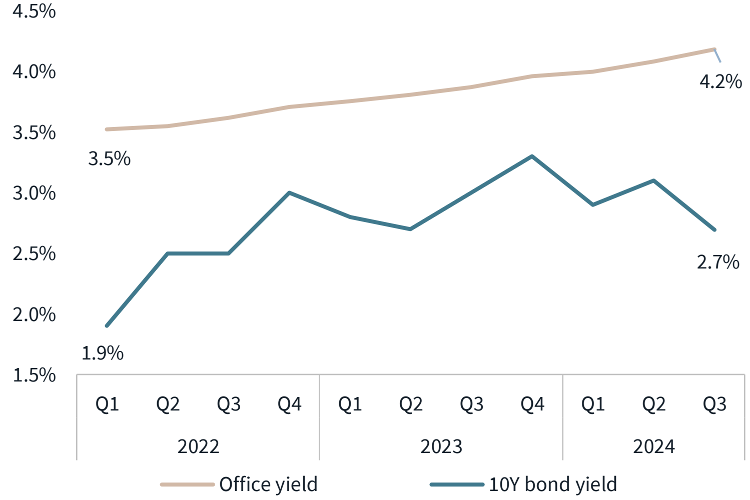
Office volumes by deal tranche size

USD bn



Source: JLL Research, as at Q3 2024

APAC office yield spreads against 10-year bond yields



Source: JLL Research, Oxford Economics, as at Q3 2024
Note: Averages of Australia, China, Hong Kong, Japan, Singapore and South Korea

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JLL

Tale of two cities: Seoul and Tokyo

- Both Seoul and Tokyo stand out in APAC for their sound office fundamentals. Rental growth continues to exceed inflation rate in Seoul due to strong demand. With no grade-A office supply in the pipeline in 2025, rental growth is expected to stay positive but moderate from double digit figures. In Tokyo, Grade-A office vacancy hovers near ~3% and rents rising for three consecutive quarters as at Q3. However, there are very limited core acquisition opportunities available on the market.
- Thus, foreign investors have been entering the market mainly through value-add and opportunistic plays. An offshore opportunistic investor, purchased Harumi Island Triton in Tokyo from **Nomura** Master Fund, with plans to inject capital and refurbish the asset. Similarly, **GIC** acquired a nearly vacant One Sentinel building in Yeouido to reposition it.
- **Japan:** Investors are looking outside Tokyo, with more interest in Kansai and Osaka. The cap rate difference between Tokyo and Osaka is now around 20-30 bps. For example, **Gaw Capital** sold a 100% vacant Osaka office building, the former Toyobo Headquarters Building, to **Kanden Realty & Development** for USD 201mn.
- **Korea:** There has been improved liquidity from domestic institutional investors leading to narrowing bid-ask prices. Foreign capital reviewing core office opportunities has also risen. Despite difficulty in obtaining project financing for offices, **LaSalle IM** acquired an office land site in Gangnam for USD 115mn. However, asset acquisitions are more common than land acquisitions. More institutional investors may once again consider equity investments, in contrast to early-2024 when debt opportunities were heavily preferred.

Korea Q3 notable office deals:

Hanssem Sangam Office
Location: Seoul
Price: USD 235mn
Vendor: Hanssem
Purchaser: Gravity Asset Management (Hines)

Icon Samseong (previously Golden Tower)
Location: Seoul
Price: USD 325mn
Vendor: Koramco REITs and Trust
Purchaser: Capitaland Investment

Japan Q3 notable office deals:

Harumi Island Triton
Location: Tokyo
Price: USD 153mn
Yield: 3.2% cap rate
Vendor: Nomura Master Fund
Purchaser: Opportunistic buyer

Former Toyobo HQ Building
Location: Osaka
Price: USD 201mn
Vendor: Gaw Capital Partners
Purchaser: Kanden Realty & Development

Source: JLL Research, as at Q3 2024

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Largest office transaction in Singapore in two years

Mapletree Anson

60 Anson Rd | Singapore

Overview

- 100% interest in Mapletree Anson was sold following a targeted off-market process to a select group of pre-qualified investors.
- The deal reflects a SGD 10mn or 1.3% premium to valuation of the assets, as at March 2024. It is also a SGD 95mn premium to the acquisition price in Feb 2013.
- Net proceeds from the divestment will be utilized to reduce MPACT's aggregate leverage levels from 40.5% to 37.6%.

Profile

- Completed in July 2009, Mapletree Anson comprises a 19-storey office building with ancillary retail in Tanjong Pagar, a precinct undergoing significant rejuvenation to a live-work-play destination and in strategic proximity to the Greater Southern Waterfront.
- WALE by gross rental income is 3.8 years, with 17 tenants occupying 100% of the area. Key tenants include WeWork, Goldman Sachs and Hubspot Asia.
- The BCA Green Mark Platinum asset enjoys prominent triple frontage at a corner junction with a 75m frontage along Anson Road.

Key Metrics

Location	Singapore	Price (USD)	574 million
Property Type	Office	Net Yield	3.8%
Gross Floor Area	329,487 sqft	Vendor	Mapletree Pan Asia Commercial Trust
Occupancy	100%	Purchaser	Private Fund

> "The certainty of interest rate reductions and a brightening occupier outlook is expected to drive demand for office space in the medium term alongside Singapore's status as a business-friendly global hub.

Ting Lim
Head of Capital Markets, Singapore

- Singapore office rent growth plateaued in Q3 2024 as occupiers' resistance to rent hikes intensified amid a vacancy uptick. Shaw Tower's completion has been delayed from 2025 to 2026 due to construction delays, which will alleviate near-term supply pressure.
- Investors in Q3 2024 maintained a conservative approach to bidding, however sentiment has improved amid Fed rate cuts. Thus, capital values could rebound next year.

JLL

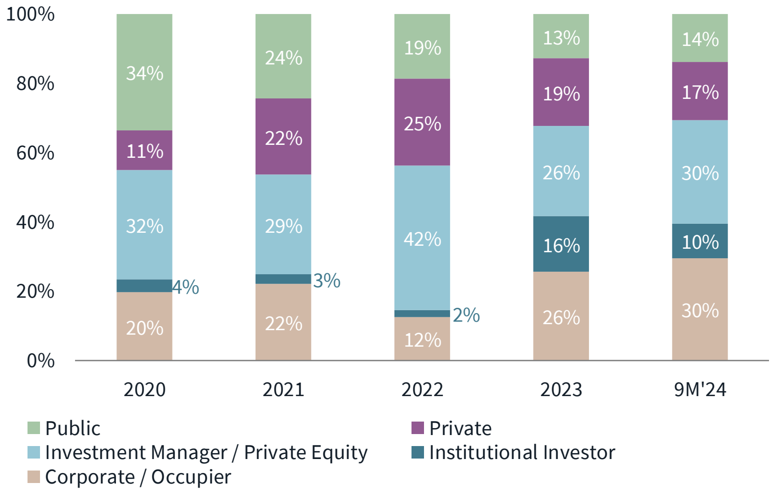
Logistics trades supported by portfolio deals

- APAC logistics and industrial volumes reached **USD 24.8bn** YTD (Q3: USD 11.5bn), growing 24% YoY (Q3: +72%). The market was buoyed by large portfolio transactions.
- Both domestic and overseas investors are bullish about **Japan** logistics due to favourable rental prospects. However, multi-tenant properties with ramp access, which are in high demand, are scarce. Assets currently available from developers and investors are limited to small to mid-sized properties.
- **Australia** logistics volumes rebounded, particularly in gateway markets Sydney and Melbourne. The largest quarterly transaction was the purchase of a 99-hectare business park and intermodal terminal in Melbourne by superannuation fund **Aware Super** and investment manager **Barings**.
- Investment sentiment towards **China** logistics remained subdued. The majority of quarterly volumes was attributed to the sale of a 9-asset portfolio from **ESR** to local insurer **Taikang Insurance Group**.
- Overseas investors returned to the logistics market of **South Korea** in Q3 after two quarters of inactivity. **LaSalle Investment Management** and **Partners Group** both acquired logistics facilities in Gyeonggi-do.
- Institutional investors were interested in logistics assets in **Singapore** as **ESR-Logos REIT** acquired a high-specifications manufacturing facility and ramp-up logistics warehouses.
- **Hong Kong** recorded the largest logistics transaction so far this year as **JD Property** acquired a building from **M&G Real Estate**.

20 Tuas South Ave 14
Location: Singapore
Price: USD 636mn
Vendor: ESR
Purchaser: ESR-Logos REIT & Logos TSA Venture SPV 2 Pte Ltd

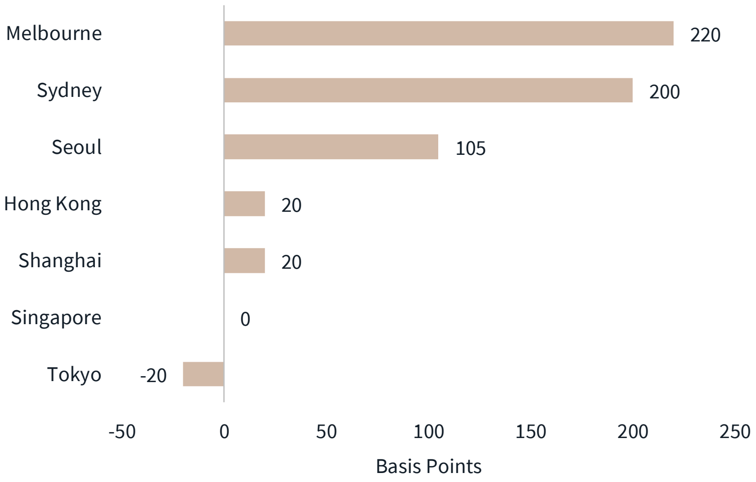
2-34 Davidson Street
Location: Sydney
Price: USD 77mn
Vendor: Fife Capital
Purchaser: Gateway Capital Urban Logistics Partnership

APAC logistics purchaser composition



Source: JLL Research, as at Q3 2024

Estimated prime logistics yield movements since Q1 2022



Source: JLL Research, as at Q3 2024

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Largest industrial factory transaction in Greater Taipei in a decade

41 Section 3 Chengtai Road

41 Section 3 Chengtai Road, New Taipei City | Taiwan

Overview

- Numerous Taiwanese companies relocated their operations from Mainland to Taiwan following trade tensions between US and China, spurring Taiwanese industrial demand.
- Large industrial land parcels are rare in the heavily urbanized Greater Taipei area making this plot highly coveted

Profile

- Situated in the major industrial cluster of New Taipei City, the property has operated since 1969. The vendor decided to terminate its operation and dispose the property.
- The front of the site is adjacent to a private road. The purchaser needs to negotiate building line designation with private landowner.
- The surrounding area has evolved from industrial manufacturing to a mixed-use semi-residential zone. The site qualifies for redevelopment incentives.

Key Metrics

Property Type	Industrial Factory	Price (USD)	98.4 million
Land Area	19,821 sqm	Gross Floor Area	11,868 sqm
Purchaser	Ihwa Industrial	Vendor	Taiwan Riken Industrial

USD1=NTD31.5

> “ Taiwan’s industrial assets are experiencing strong demand propelled by the AI boom. With limited high-quality industrial asset opportunities on the market, investors are turning to assets with redevelopment potential. Developers, optimistic about future derived demand, are acquiring these properties for their capital appreciation potential.

Sherry Wu
Head of Capital Markets, Taiwan

- YTD 2024, manufacturing assets accounted for 44% of transaction volumes and overall industrial (including distribution/logistics) transactions account for over 60% of CRE transactions.
- Tech firms continue to purchase assets for owner-occupation, which remains the dominant purpose of acquisitions. However, acquisition for redevelopment is increasing - Taichung BMW service center and Washington Kindergarten, both slated for redevelopment. The continued expansion of IT product exports is expected to further drive industrial transactions.

Retail trades predominately made by domestics in most APAC markets

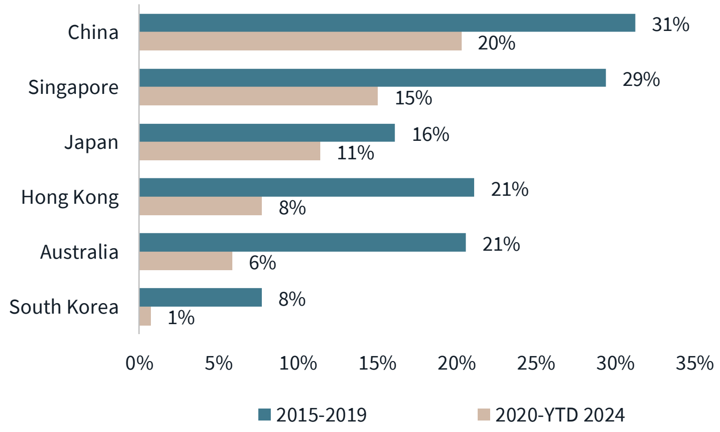
In Q3 2024, APAC retail volumes rose 161% YoY (YTD: +50%) to **USD 8.4bn** (YTD: USD 18.9bn). In all APAC markets, except for mainland China and Hong Kong, retail assets were purchased only by domestic groups in Q3, indicating strong home country bias in the sector. Mainland China saw inbound capital from Hong Kong and Singapore.

- **Australia:** Regional centers comprised 52% of transaction volumes and were the most transacted sub-sector of the quarter. Transactions around AUD 200mn (USD 135mn) has seen the most liquidity. On-market opportunities remain low as institutional owners near the completion of their divestment programs. Retail yields have likely troughed for the current cycle.
- **Singapore:** Bid ask gap remains and sellers are willing to wait for the right offer. Opportunities on the market are mostly for core assets but investors are looking for opportunities with a value-add angle. As such, transactions have been more occupiers buying their own retail space – rather than institutional investors. Rents of prime retail across all sub-markets rose QoQ in Q3 2024 for the 12th consecutive quarter. Positive yield spread over funding costs and scarcity of quality retail assets should drive capital allocation and drive capital values higher.
- **South Korea:** In Q3, retail volumes were the highest since Q4 2021, majority were small quantum high street retail strata deals purchased by occupiers. Amid a REITs boom in South Korea, more REITs may be looking to incorporate retail assets in their portfolio for diversification. ie, **Shinsegae** is launching its first REIT, which will be anchored by the fully occupied Starfield Hanam mall.
- **Japan:** Retail investment volumes continues to lag other core sectors; assets are mostly changing hands between domestic developers and J-REITs. More than 70% of transactions are below USD 50mn, with only one deal above USD 100mn. This is despite strong leasing demand and rental growth, supported by the continued arrival of tourists and increase in employee wages.
- **Hong Kong:** Weak consumer and tourist spending persists, prompting retail landlords to extend lease incentives. Investment volumes remain very weak and dominated by strata deals.

U-Square Cultural Center
Location: Gwangju, Korea
Price: USD 346mn
Vendor: Kumho Asiana
Purchaser: Shinsegae

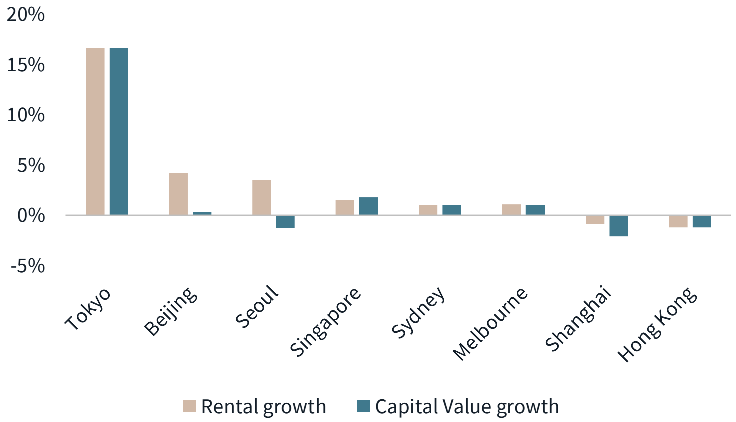
Lakeside Joondalup
Location: Perth, Australia
Price: USD 281mn
Vendor: Australian Government Future Fund
Purchaser: Vicinity

Retail cross-border volume as % of total retail volume, by country



Source: JLL Research, as at Q3 2024

Prime retail rental and capital value growth, Q3 2024 vs Q3 2023



Source: JLL Research, as at Q3 2024

JLL

Stimulus hopes to revitalize China's retail sector

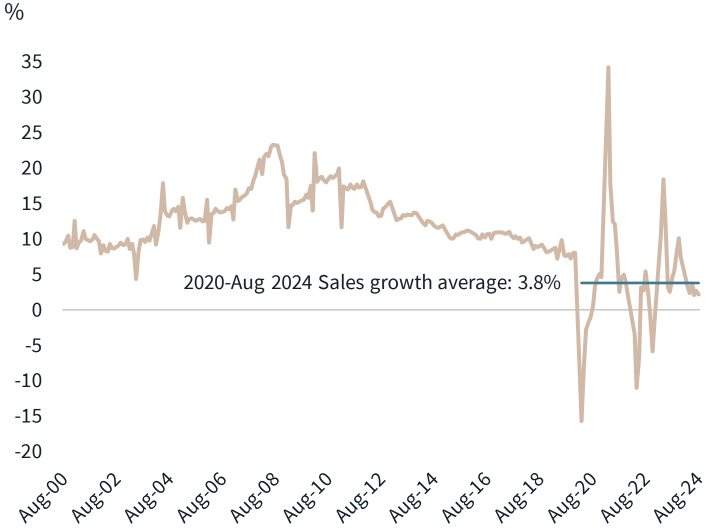
- Year to date 2024, China retail transaction volumes recorded USD 3.6bn, a growth of 105% over the same period last year.
- China retail sales growth has tapered to 2.1% yoy growth in Aug 2024 due to weak consumer demand. Shopping mall rents have declined with rising vacancies, particularly in tier-2 tier-3 cities. They adopt a "fill-first, adjust later" leasing strategy, leading to downward pressures on retail asset pricing.
- Though domestics predominantly active, offshore groups have picked up trophy assets at deep discounts. Hong Kong's **Link REIT** acquired the remaining 50% stake it doesn't own in Qibao Vanke Plaza from troubled developed **Vanke** for USD 332mn, at a 33% discount to latest appraised value. **GIC** bought a 48% stake in Shanghai Nanxiang InCity Mega Mall and Songjiang Incity Mega Mall from **Vanke** for USD 268mn and USD 201mn, respectively.
- Earlier this year, **Dalian Wanda** gave up control of its shopping mall unit in a deal worth USD 9bn to investors led by **PAG** (including **ADIA, Mubadala, CITIC**) who will hold a combined 60% in the newly formed holding company, Newland Commercial Management – managing 496 large malls across 230 Chinese cities. This suggests international investors see a trough in pricing and near term rebound in China's retail market.
- In Sep 2024, China launched its boldest monetary stimulus since COVID-19 to boost economic growth. This may have trickle effects for the retail sector through encouraging consumer consumption and support lending.

For more info, 1H 2024 China Retail Market Report

Nanxiang Incity Mega Mall
Location: Shanghai
Price: USD 267mn (48% stake)
Vendor: Vanke
Purchaser: GIC

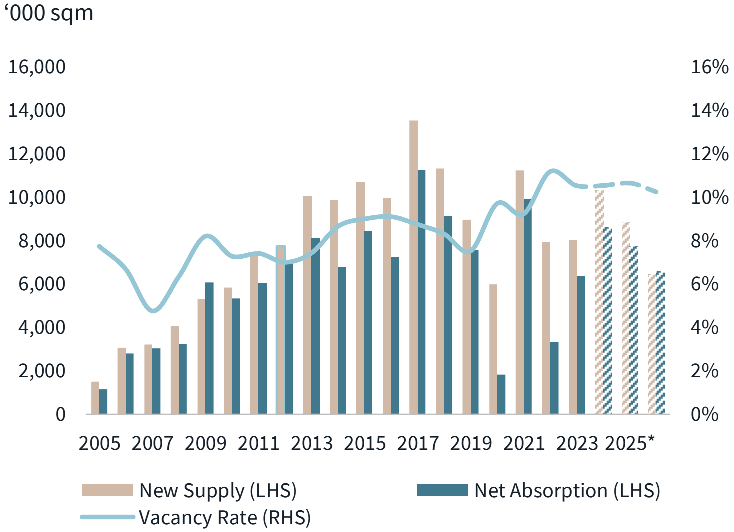
Beijing Jiugong Vanke Plaza
Location: Beijing
Price: USD 169mn
Vendor: Vanke
Purchaser: Taikang Insurance Group, CITIC Securities Co Ltd

China monthly retail sales growth YoY



Source: Bloomberg, JLL, as at Q3 2024

China prime retail demand and supply, 2005-2026F



Source: JLL Research, as at Q3 2024

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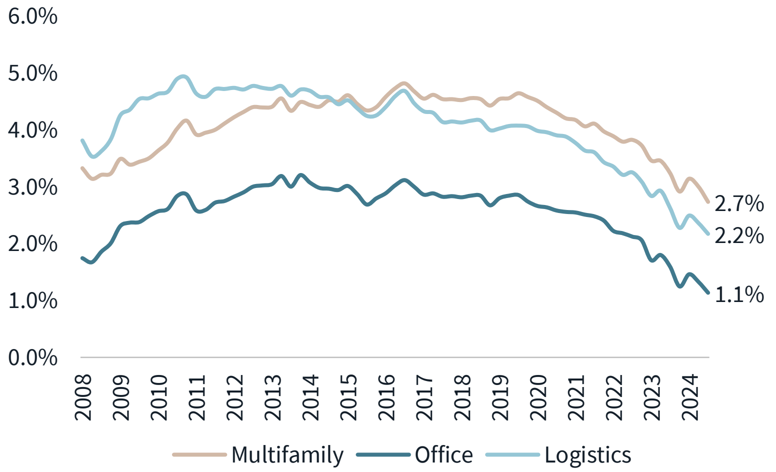
Japan multifamily: resilient demand and cash flows provide strategic hedge against inflation

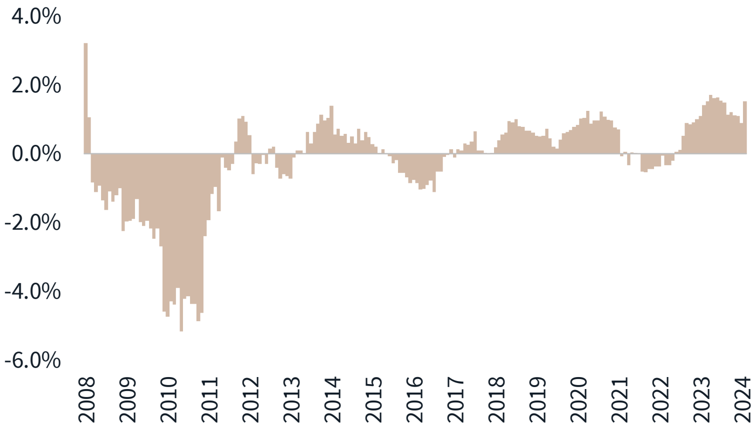
- After two rate hikes delivered by the BOJ, positive property yield spreads to 10-year bonds remain for Tokyo assets. Multifamily assets offering better returns than other core real estate sectors.
- Due to wage growth and continued urban migration, multifamily rents in major cities have seen steady post-pandemic growth, while occupancy rates have remained high at about 97%.
- Japan is facing construction labor shortage problems, as the revised labor law caps annual overtime at 720 hours for construction workers. The industry is trying to mitigate this problem by adapting to longer project schedules, which could lead to completion delays and disturb housing supply in the near term.
- As the BOJ commences policy normalization amid inflation, rising mortgage rates would make home buying less affordable and push more housing demand towards the rental market.
- Overseas investors have been buying multifamily assets in Japan recently, attracted by the positive rental growth outlook and strong demand-supply fundamentals:
    - A **Manulife-Kenedix JV** acquired a portfolio of 9 multifamily assets in Greater Tokyo and Osaka for USD 160mn. The portfolio comprises 564 rental units across 29,000 sqm GFA and has an average age of less than a year. This purchase brings the JV's portfolio to 1,200 units across 19 assets, which has maintained an average occupancy rate higher than 95%.
    - **Goldman Sachs** acquired a portfolio of 8 multifamily assets in Greater Tokyo for USD 80mn. The portfolio comprises more than 500 apartment units, has an average age of 6 years and caters to young professionals and couples.

Tokyo property yield spreads to 10-year bonds by sector



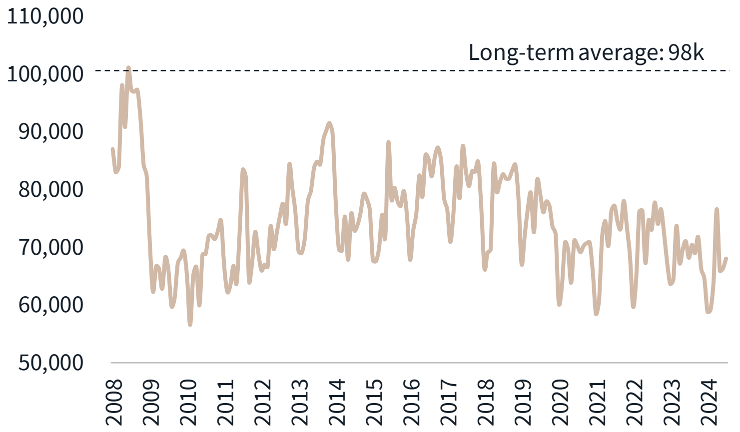
Source: JLL Research, ARES, Oxford Economics, as at Q3 2024

Japan multifamily rental growth YoY



Source: JLL Research, ARES, as at Q3 2024

Japan monthly housing starts



Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan, as at Q3 2024

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Co-living on the rise

Lyf Ginza Tokyo

Kyobashi, Tokyo | Japan

Overview

- The purchaser is Singapore-based Invictus Developments, the developer and property investment firm owned by a HNWI, who was drawn to Japan's hospitality sector amid robust tourism growth and Japan's status as a premier destination.
- The vendor is Ascott Serviced Residence Global Fund, a USD 600mn vehicle, it is a 50:50 JV between CapitaLand Investment's Ascott hospitality unit and the Qatar Investment Authority.

Profile

- The asset is a green-certified 140-room property in Kyobashi. Originally developed by S.O.W Holdings and completed in 2019, it was acquired by Ascott in Q3 2022 as part of Ascott's 'lyf' brand of city hotels and co-living spaces.
- It underwent asset enhancement initiatives (AEI) under the Lyf co-living brand and launched in Nov 2023. Within three months, the property exceeded the target average daily rate and occupancy rate, highlighting the strengths of a value-add strategy through AEI.

Key Metrics

Property Type	Hotel/Co-living	Price (USD)	70 million
Est. ADR (JPY/month)	Confidential	Vendor	Ascott Serviced Residence Global Fund
Occupancy	Confidential	Purchaser	Invictus Developments

> "Japan continues to be attractive for domestic and foreign capital. Beyond multifamily, well-located and highly accessible hotel/co-living assets are garnering investor interest.

James Abe
Head of Investment Sales, Japan Hotels & Hospitality

- Co-living is gaining traction across Asia, particularly in markets where housing supply is constrained and housing affordability is a concern, such as Japan, Korea, Hong Kong and Singapore.
- Housing requirements are shifting due to delayed marriages and young people moving out of family homes for independence. Young professionals and digital nomads have been driving this market, enticed by its communal spaces that create community and facilitate collaboration.
- Co-living assets tend to be well-located and offer convenience as they are fully furnished and professionally managed, setting them apart from Japan's "gaijin" ('foreigner") houses which cater more to lower income earners. Prime co-living caters towards both foreign and domestic professionals.

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JLL

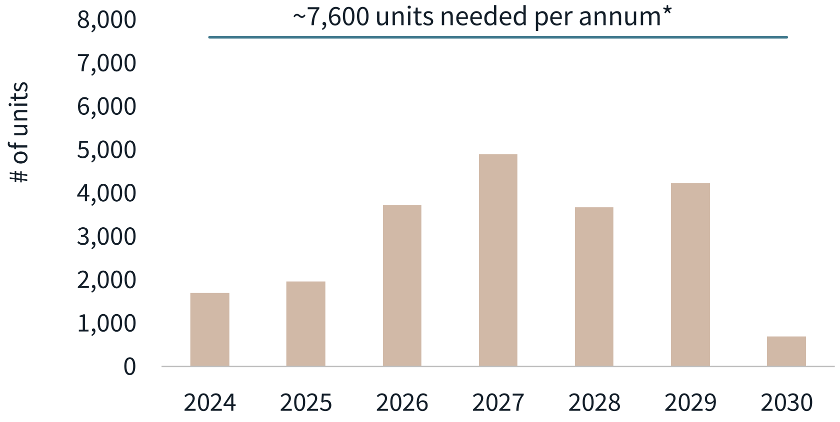
Australia Senior Living: Demand-Supply mismatch

- Amidst strong occupancy levels that reached 95% in 2023, an all-time high since 2014, Australia's senior living sector has delivered strong total returns, averaging 12.8% per annum between 2013-2023.
- There is growing demand for retirement units driven by an ageing population, where the 65+ age cohort is expected to account for 23% of Australia's population by 2040. There is also decreasing stigma towards the sector due to development of luxury retirement villages and shifting social norms.
- The relative unaffordability in the broader private residential market owing to low residential supply also boosts sector demand. The number of independent living unit (ILU) sales increased 16% in 2023 when compared to 2022
- JLL has identified ~20,800 units in the pipeline at various development stages across the retirement sector due for completion by 2030. As most of the pipeline is in approval stages, current supply forecast is highly unlikely to meet growing demands. Until 2030, 46,000 units will be required to maintain the current penetration rate of 5.7%, equating to 7,600 completions per annum on average.
- These facilities are attractive for income-focused investors. Mature aged village (20+ years) typically have a diverse mix of residents leading to an annuity style cash flow compared to new villages which are exposed to lumpier income streams. The stability in cash flows allows for reliable revenue projections, making it easier to plan for expenses, investment returns and overall financial sustainability.

For more info, Seniors living – one piece of the living puzzle

Brookfield-owned Aveo is selling its 13 retirement homes portfolio in South Australia to **Uniting Church** for USD 83mn – reportedly at 10% premium to book

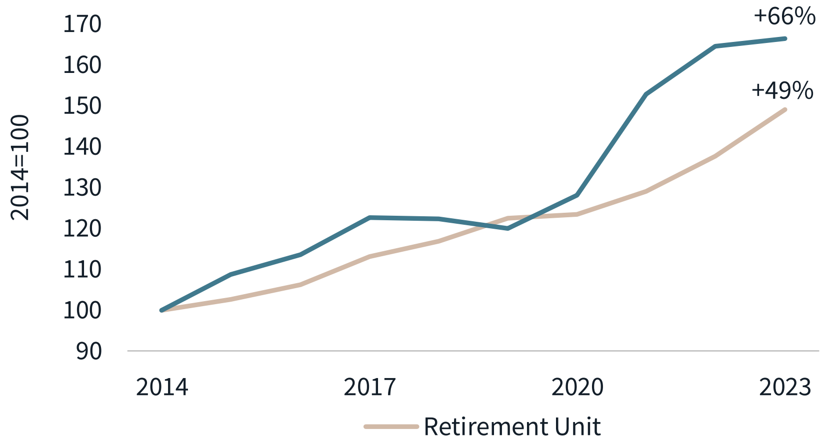
Australia Retirement supply pipeline



*Key assumptions:
- *Stable seniors average household size of 1.2 over forecast periods*
- *Mid-range population growth rates for 65+ cohort selected from latest (2023) ABS projections*
- *Stable penetration rate of 5.7%*

Source: JLL Research, Cordell, ABS, Property Council of Australia, as at Q2 2024

National average price of 2-bedroom ILU vs general residential market Index



Source: JLL Research, PWC/ Property Council Retirement Census, ABS as at Q2 2024

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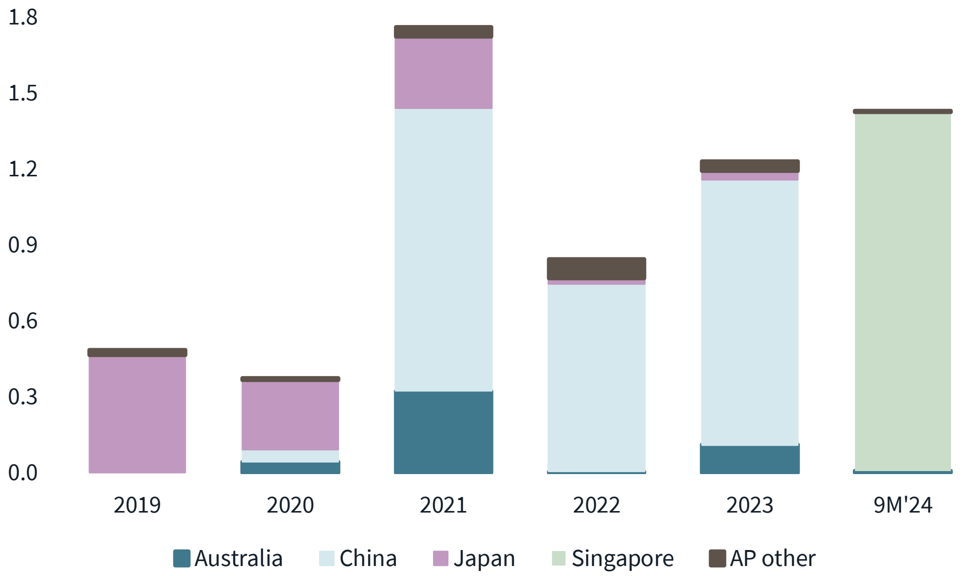
Singapore emerges as Life Sciences hub

- Singapore has witnessed more life sciences activities as its government is encouraging development of the sector. Recently, Brunei's sovereign wealth fund **Brunei Investment Agency** acquired a 49% stake in **Ho Bee Land**'s Elementum, a life sciences complex in One-North anchored by Singapore's health technology agency Synapxe, for USD 206mn, at an estimated net initial yield of 4%.
- An APAC life sciences and R&D real estate-focused JV platform, jointly established by **Warburg Pincus** and **Lendlease**, acquired a 7-asset portfolio, comprising high quality business parks and specialist facilities situated within established designated precincts across Singapore, from a private vehicle owned by **Blackstone** and **Soilbuild**'s Lim family, for USD 1.2bn. The portfolio is tenanted to life sciences, technology, advanced manufacturing and logistics companies.
- Singapore is ranked as a global leader for both innovation output and talent concentration by JLL*, displaying the highest levels of connectivity, talent breadth, economies of scale, headquarters presence and access to capital. Singapore is a desirable location for multinational life sciences corporations to establish regional headquarters for R&D, manufacturing and corporate office operations owing to its business-friendly regulatory environment and various funding initiatives. Nevertheless, there is an undersupply of high-quality life sciences and R&D space amid growing occupier demand. Investors can consider converting industrial assets into specialised lab facilities or explore sale and leaseback arrangements to enter the tightly held market.

*For more info, Innovation Geographies 2024

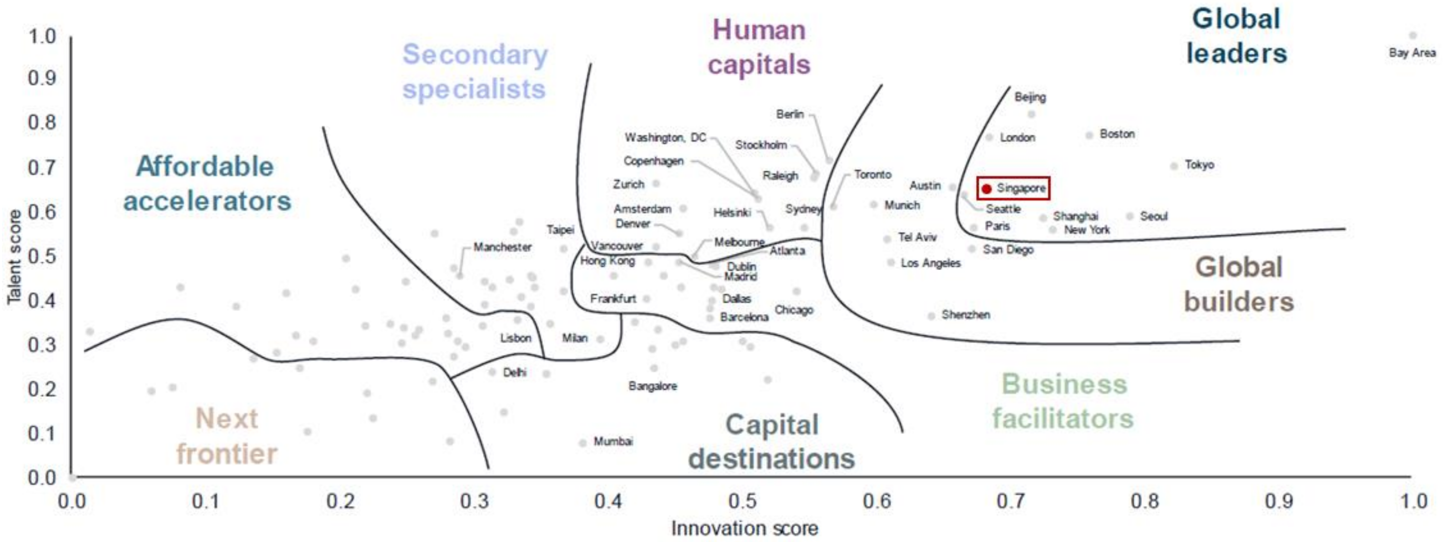
Life sciences investment volume

USD bn



Source: JLL Research, as at Q3 2024

Top geographies for innovation and talent



Source: JLL Research, as at 2024

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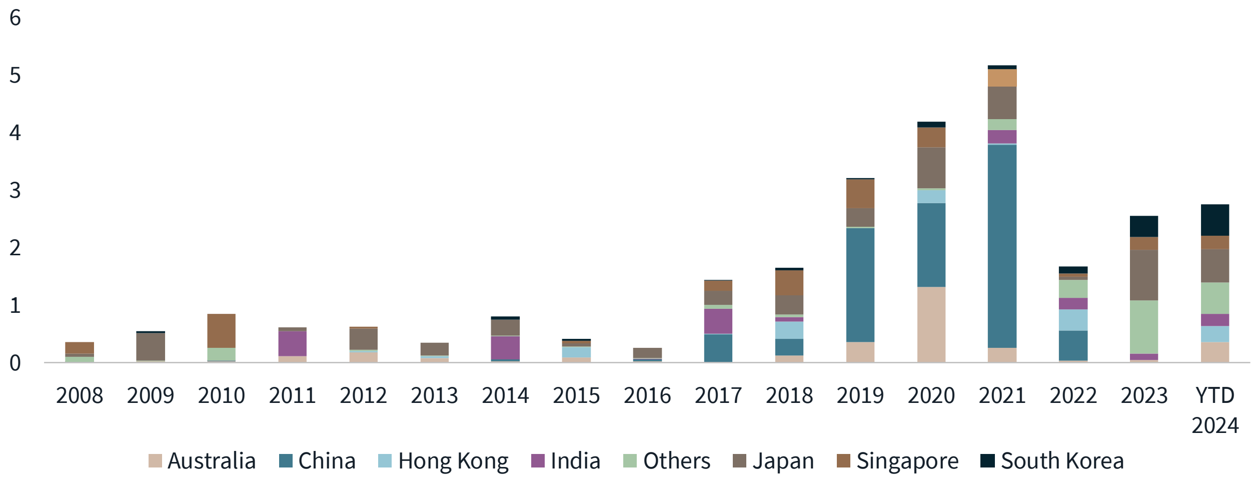
Buyouts and mergers shaping APAC data centers' investment landscape

- YTD 2024, APAC data center investment volumes reached USD 2.8bn, exceeding full-year 2023 volumes. A major transaction closed over the quarter was Hanam Data Center which was purchased by Macquarie Asset Management from IGIS for USD 530mn.
- Data center operators continue to expand across the region to achieve scale to meet the flood in DC demand, fuelled by AI. Due to limited acquisition opportunities in stabilised assets available for a direct deal and limited expertise in construction and new development, institutional buyers are looking towards JVs and M&A. Thus, more consolidation is expected and will lead to large developer-operator-investor platforms.
- Notable activity in Q3 was the largest-ever data center company acquisition. **Blackstone** and **CPP Investments** are acquiring an 88% stake in Airtrunk owned by **Macquarie** and **PSP Investments** (and part of founder Robin Khuda's stake) for AUD 24bn (USD 16bn). Airtrunk owns 11 data centers with a committed capacity of 800MW and land that can support more than 1GW of future growth. Blackstone's equity will come from four separate strategies – BX real estate, BX infrastructure, BX tactical opportunities and BX private equity. This deal may serve as reference to owners and developers on DC valuations.

AP data center investment volume 2008-YTD Q3 2024

USD bn



Source: JLL, as at Q3 2024
Note: Includes entity deals. "Others" includes Southeast Asia and New Zealand. Airtrunk deal not included in volumes because it is not closed.

Princeton Digital Group acquired SG3 from Yahoo, aligned with its SG+ (SG, Batam, Johor) strategy.

EQUINIX

Equinix acquired three data centers in the Philippines from local tech solutions provider, Total Information Management.

Tricon Group acquired 184-200 Broadway, a Telstra DC in Sydney for AUD 68mn in a five-year sale-leaseback deal.

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JLL

Mega DC deal

Hanam Data Center

607-2 & 607-3, Pungsan-dong, Hanam-si, Gyeonggi do| Korea

Overview

- 100% freehold interest of the land and the building. The target buyer pool was CORE capital given its 99% stabilized lease with one of the top IT companies in Korea
- A total of 4 bids received during the bidding process after launch in Q3 2023. Interest mainly came from offshore buyers
- Purchaser is a global asset manager, utilizing their domestic listed infrastructure vehicle
- It is the first stabilized data center trade in Korea

Profile

- Construction completed in November 2023, A stabilized 40 MW (gross power capacity) data center with power fully secured
- The Property is managed by LG CNS, one of Korea's top domestic data center operators. LG CNS is a subsidiary of the LG Group which is Korea's fourth largest multinational conglomerate
- 99% of the total IT load has been secured with no conditions to terminate included in the pre-lease with one of the top IT companies

Key Metrics

Location	South Korea	Price (USD)	530 mn
Property Type	Data Center	Est. stabilisation yield	5.7%
Gross Floor Area	41,919 sqm	Vendor	IGIS
Occupancy	99%	Purchaser	Macquarie Asset Management

> "Though investor demand for DC is strong, trades have been mostly land acquisitions. This makes Hanam Data Center a significant milestone in the Korean DC market, as it marks the first recorded sale of a stabilized hyperscale data center.

Suhee Min
Senior Director, Korea

- Greater Seoul's data center colocation market is expected to grow at a CAGR of 22% over the next four years, with hyperscale taking an increasingly large share.
- The government's 2023 Data Center Decentralization Plan will further restrict the supply of new data centers across Seoul's Capital Area with many developments encountering delays, potential future upside to colocation pricing appears well-supported.

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Japan: A core data center hub

- Currently, 57% of data center supply is concentrated in Tokyo and Osaka. This is despite the two cities accounting for only 7% of Japan's proportion of clean energy supply. To ensure resilience, Japan's DC development strategy includes developing Hokkaido and Kyushu as core DC hubs and using decarbonized power sources for development.
- On the supply side, recent hikes in construction and development costs, land and electricity prices and labor wage hikes are impacting developers' plans. Coupled with strong demand, occupancy is expected to increase from 2024 to 2028 in Greater Tokyo, raising colocation prices. Greater Tokyo rents are expected to accelerate from 5.1% YoY (2024) to 5.8% YoY (2025).
- As the investment market is in its infancy, investment-grade projects are sparse. There has been forward purchases and transaction yields have generally trended downwards due to high domestic and foreign investor interest.

For more info, Japan Data Center Market Perspective

Notable Japan DC activity in 2024

Keppel DC REIT and **Keppel Capital** acquired MFIP Tama, a shell and core Tokyo DC with a 7-year WALE from **Mitsui Fudosan**, for USD 145mn at a 3% cap rate

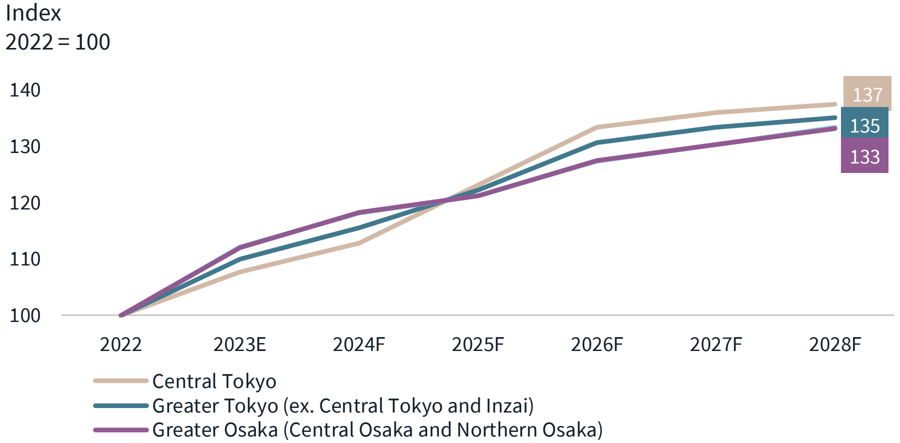
Keppel Data Center Fund II agreed on a forward purchase of a freehold DC in Western Tokyo with a 2027 completion date from **Mitsui Fudosan**

Digital Core REIT acquired another 10% stake in KIX11, a Kansai DC from **Mitsubishi Corp**, for USD 51.4mn

Japan DC market characteristics

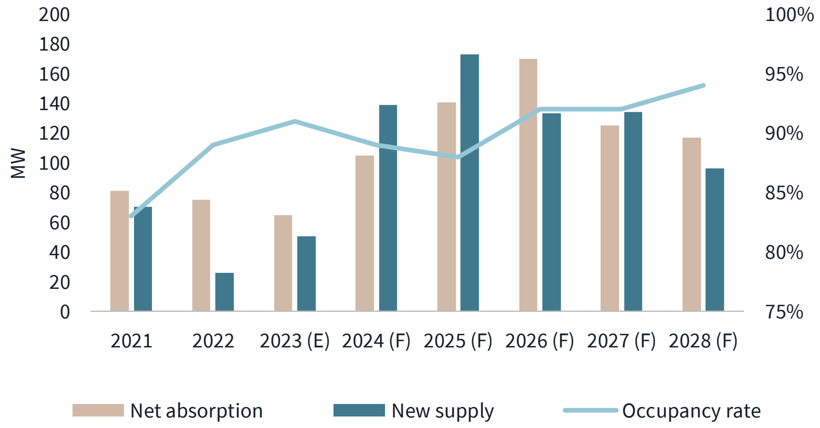
Strengths	Challenges
• Politically stable + Govt support • Preparedness for natural disasters (seismic design and flood prevention) • Fibre optic installation rate • Relatively low power outage	• Long lead time for connection to high voltage zone • Increase in construction costs • Labour supply-demand imbalance in construction • High electricity prices in APAC

Colocation rent trends and forecast



Source: Fuji Chimera Research Institute, "Data Center Business Market Research Overview 2024 Edition.
Note: The base time of the index is annual.

Physical Indicators in Greater Tokyo



Source: Structure Research, JLL Research

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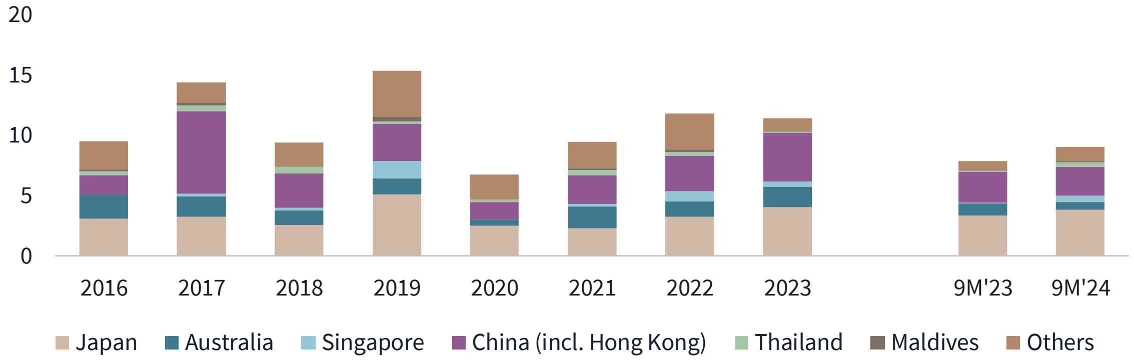
Private equity fuelling Hospitality deals

- Hotel liquidity across Asia Pacific increased YoY as the region recorded more than USD 9bn of hotel transactions YTD. In Q3, more than USD 3bn was transacted in the region, driven by sales in Japan, China and South Korea.
  - **Japan**: Sentiment remains high with investors focused on Tokyo, Osaka and Kyoto. Other cities such as Fukuoka and Sapporo are emerging destinations for investment. Opportunities tend to be midscale with larger full-service hotels expected to trade in late 2024.
  - **China**: Shanghai and Beijing remain the most actively traded. Notably, distressed assets sold through liquidation auctions remain active.
  - **South Korea**: Recent cap rates on hotels are typically 150-200bps higher than office yields. Relatively lower price per key in Seoul and the return of Chinese travellers adds appeal to local and international PE, owner-operators, and property development firms.
- PE (private equity) investors historically represented the largest proportion of hotel investment volumes in the region and this trend continues post-pandemic, albeit slowing in favour of corporates, REITs, operators, HNWIs, and institutional investors.
- APAC is anticipated to record USD 12.2bn worth of hotel transaction for FY 2024.

For more info, Hotel Investment Highlights APAC 2H 2024

Asia Pacific hotel investment volumes

USD bn



Source: JLL Research, as at Q3 2024
Note: Data pertains to transactions ≥USD5mn, excluding casino properties, pubs/licensed leisure, development sites and non-arm's length transactions

Breakdown of 9M 2024 hotel investment volumes in Asia Pacific by main investor type

USD base

Private Equity 21% -17pp YoY	Corporate 19% +3pp YoY	Developer 9% -6pp YoY	REIT 7% +2pp YoY
Hotel / SA Operator 7% +4pp YoY	HNWI 7% +4pp YoY	Institutional Investor 6% +5pp YoY	Others 25% +6pp YoY

Source: JLL Research, as at Q3 2024
Note: Data pertains to transactions ≥USD5mn, excluding casino properties, pubs/licensed leisure, development sites and non-arm's length transactions

Hilton Fukuoka Sea Hawk

Location: Fukuoka, Japan
Price: USD 436mn
Vendor: GIC
Purchaser: ML Estate

Langham Place Guangzhou

Location: Guangzhou, China
Price: USD 196mn
Vendor: Nan Fung Development
Purchaser: Guangzhou Haizhu Urban Construction Development Group

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Cross-border transaction; one of the largest hotel deals on record in Korea

Conrad Seoul

10 Gukjegeumyung-ro, Yeongdeungpo District, Seoul, South Korea

Overview

- JLL's Hotels & Hospitality Group advised Brookfield Asset Management ("Brookfield") on the sale of the marquee Conrad Seoul for about USD 300mn. The transaction will represent the largest single-asset hotel sale in South Korea in 2024 and the largest hotel sale by JLL in South Korea since the Grand Hyatt Seoul in 2019.
- Centrally located in the financial hub of Seoul with views of the Yeouido Park and the Han River, the 434-key luxury hotel spans 37 floors, and features seven dining points, wellness facilities, a spa, and 2,752 sqm of event space. The hotel is part of the IFC Seoul, a 5.4 million sq ft landmark mixed-use complex. Brookfield acquired IFC Seoul in 2016 and since then has successfully completed a repositioning of the entire complex resulting in full occupancy with the office towers and retail shopping center today.

Key Metrics

Location	Seoul	Price (USD)	c. 300 million
Property Type	Hotel	Vendor	Brookfield Asset Management
Closing Date	30 Aug 2024	Purchaser	ARA Korea REF

> "The Conrad Seoul transaction reaffirms our confidence in the continued interest in the Korean hospitality market as the hotels' performance stabilises robustly. We have seen global cross-border hotel investment volumes surge in 2024 and should continue to accelerate further, including in the Korean market.

Nihat Ercan
CEO Asia Pacific, JLL Hotels & Hospitality Group

- Institutional investors view Korea as one of the few markets in Asia, alongside Singapore and Japan, with developed market characteristics suitable for capital deployment.
- International visitors are just below 2019 levels, but RevPAR for the luxury and upper-upscale segments exceeded pre-Covid peak by nearly 70%, led by strong ADR growth. Midscale and economy segments also crossed 2019 levels.
- We anticipate the Korean lodging market to attract more interest from international investors in 2025, as further rate cuts and continued performance growth driven by favourable supply demand dynamic and recovery of international visitors.

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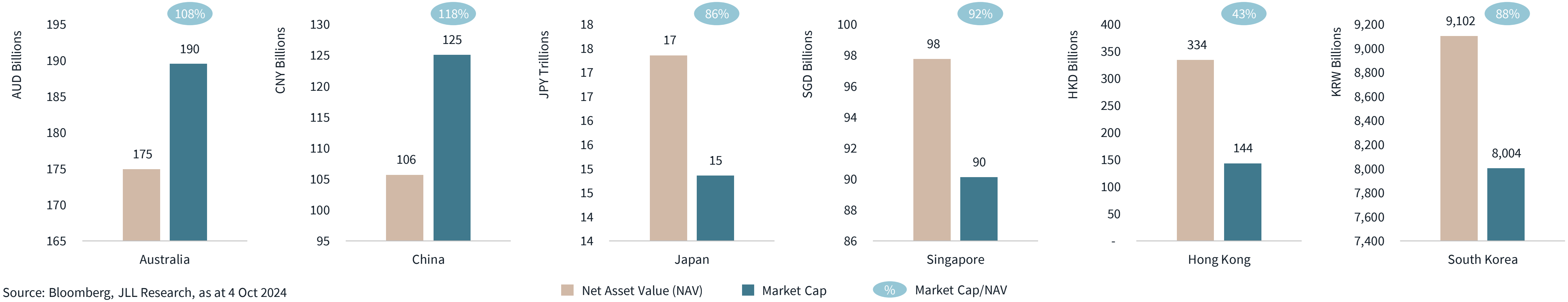
Prospect of REIT privatization

- The Market cap/Book value ratio reflects the market's perception of REIT value, with a multiple >100% signalling investors' positive sentiment due to the premium placed over net asset value (NAV).
- Amid real estate's pricing dislocation, NAV has fallen due to valuations being marked down, Market caps have also declined due to weakened sentiment around real estate. Many REITs are trading at discounts to their NAV, with extent of market cap decline exceeding NAV's drop. For large well-capitalised private equity groups, this offers an attractive opportunity to take-private a REIT.
- Recently, **Starwood Capital** agreed to acquire Balanced Commercial Property Trust, a UK-listed diversified REIT, for USD 883mn – at an 8.7% discount to Jun 2024 NAV. Similarly, **Blackstone** acquired Apartment Income REIT, a US-listed multifamily REIT, for USD 10bn. Although no privatisations have occurred in APAC this quarter, the NAV discounts are comparable to the US and Europe.
- Among APAC markets, **Hong Kong** REIT sentiment seems to be weakest – total market cap is 43% of total REIT NAVs. All Hong Kong-listed REITs are trading at a discount to NAV, notably **LINK**'s retail REIT and **Champion**'s office REIT.
- In **Singapore**, when lending rates pre-emptively moved down in expectation of the Fed's Sep decision, REIT market caps were quick to rise. REITs that have lower market cap relative to NAV tend to be weighed down by their office portfolio. For example, **Suntec REIT**, has pointed to higher financing cost and vacancies at 55 Currie Street in Adelaide and The Minster Building in London as affecting operating performance.
- In **Australia**, the overall REIT market capitalisation exceeds NAV buoyed by **Goodman**'s REIT trading at a significant premium due to its data center tilt. However, 75% of A-REITs have NAV > market cap, including **Dexus** office REIT (DXS AU), **Charter Hall**'s shopping center REIT (CQR AU) and **Centuria**'s office REIT (COF AU).
- In **China**, REIT markets are benefitting from the strong rally in the broader China equities market, the MSCI China Index has risen more than 30%, since the stimulus package was announced.

APAC REIT markets: Net Asset Value vs Market Capitalization



Source: Bloomberg, JLL Research, as at 4 Oct 2024

Geographies

1. China
2. Hong Kong
3. South Korea
4. Japan
5. Singapore
6. Australia
7. India

Investment sentiment remains subdued amid market uncertainties

Landmark Center
Shanghai

Key trends

- **Government policy:** The recent stimulus package, including interest rate cut, have boosted market confidence slightly, with some offshore investors making a return. However, a large supply pipeline and slow leasing activity continue to dampen sentiment. Deal sizes remain small.
- **Capital sources:** Market activities are mainly driven by domestic investors from a diverse range of industries, namely corporate occupiers. Core assets are preferred by institutional investors. Opportunistic investors are interested in small-sized assets, while high-net-worth individuals seek opportunities in foreclosure auctions.
- **Sector preference:** Office assets remain the dominant tradable property type, while stabilized retail assets are preferred by institutional investors.

Outlook

- **Subdued sentiment:** The large supply pipeline and slow leasing demand will continue to weigh on sentiment. Domestic owner occupiers and opportunistic investors will drive the market. Institutions will remain cautious and seek high-quality stable assets amid uncertain market environment.
- **Repricing pressure:** Driven by the downward rental pressure, capital values will likely decrease further as cap rates expand. The central bank's decisions to cut interest rate and lower reserve requirements may stimulate the return of larger institutional investors.
- **Fiscal stimulus:** The market anticipates fiscal stimulus to defuse local debt risks and stabilize the property market.

Key deals	Asset	Price (USD mn)	Unit price	Vendor	Purchaser
Q3 2024	Shanghai Landmark Center (40% stake)	406	USD 6,428 psm	State Grid Corporation of China	Sinar Mas
Q3 2024	Nanxiang Incity Mega Mall (48% stake)	268	USD 3,000 psm	Vanke	GIC

Impact of mild rate cut still waiting to be shown

Li Fung center
Hong Kong

Key trends

- **Macro conditions:** Real GDP growth was 3.3% YoY in Q2, with export growth stabilizing while retail sales declining. The prime lending rate was lowered by 25bps by the end of Q3.
- **Buy low:** Some cash-rich investors are more willing to commit to large-sized transactions to capitalize on the falling values of commercial properties, especially retail assets with existing tenancy offering 4-6% yields, before a potential rebound in property prices after further rate cuts. However, this type of investors only constitutes a minority of the investment market, and the overall sentiment remains subdued.
- **Industrial sales:** The two most notable transactions happened this quarter are from the industrial sector, with the disposal of the majority of One Vista by Jiayuan International being a distressed sale.

Outlook

- **Interest rates:** A visible sentiment improvement is less likely in the near future, given the benchmark interest rate HIBOR is still at a high level even after the rate cut. The timeline for recovery depends on how much further interest rates will go down in the coming quarters.
- **Yield expansion:** Market yields are broadly stable and may be subject to mild expansion as the current level of rate cut is not strong enough to stimulate more investment activities.
- **External factors:** China's fiscal and monetary policy measures, geopolitics, and the pace and magnitude of Fed's rate cuts will markedly affect the real estate market of Hong Kong.

Key deals	Asset	Price (USD mn)	Unit price	Vendor	Purchaser
Q3 2024	Li Fung center	231	USD 5,097 psm	M&G Real Estate	JD Property
Q3 2024	Majority of One Vista	179	USD 7,975 psm	Jiayuan International	TBC

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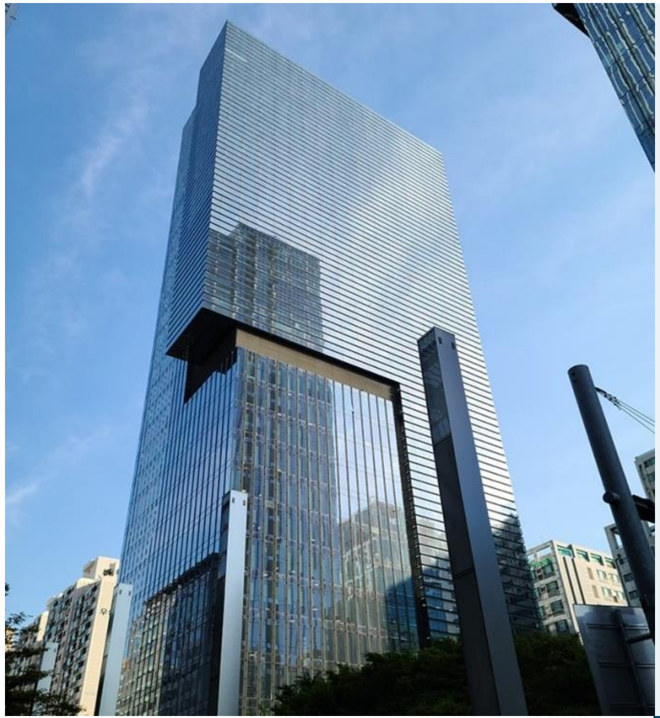
Dovish policy reinvigorates the investment market



The Asset

Seoul

Key trends

- **Positive fundamentals:** Seoul's office vacancy rate has remained low but rose marginally, owing to the relocation of several anchor tenants. The logistics vacancy rate has dipped due to new supply delays and strong take-up.
- **Office trades:** There is an increasing number of new office deals as the senior loan rate for Grade A offices is coming down to around 4.0%-4.5%. Samsung SRA Asset Management's acquisition of The Asset is the largest office transaction in South Korea so far this year. Meanwhile, an increasing number of office assets are coming to market due to maturing funds.
- **Data center:** The market has witnessed the first institutional transaction of a data center in South Korea, with IGIS Asset Management successfully selling IGIS Hanam IDC Data center to Macquarie Asset Management.

Outlook

- **Better sentiment:** Improved investor sentiment and increasing liquidity from domestic institutional investors are poised to revitalise the real estate investment market.
- **Rate cut:** Following the Fed's rate cut in September, the Bank of Korea cut its base rate 25bps in October, the first reduction since May 2020. Expectations for a positive turn in the investment market are growing, yet transactions are still primarily focused on prime assets with high quality.
- **Unstable supply:** Construction delays are occurring frequently amid prolonged elevated construction costs and persistent project financing risks. As construction permits expire, forecasts for new supply volumes, particularly in the logistics sector, may experience significant fluctuations.

Key deals	Asset	Price (USD mn)	Unit price / NOI yield	Vendor	Purchaser
Q3 2024	The Asset	814	USD 10,031 psm / 3.4%	Koramco REITs and Trust	Samsung SRA Asset Management
Q3 2024	Icon Samseong (previously Golden Tower)	325	USD 8,025 psm / 3.5%	Koramco REITs and Trust	CapitaLand Investment (KB Kookmin Bank)

Strong investment demand for hotels and logistics facilities

World Business Garden

Tokyo

Key trends

- **Interest rates:** Long-term and short-term interest rates have risen recently, making further yield compression difficult. However, positive yield spreads are maintained across real estate sectors.
- **Robust demand:** There is strong real estate investment demand from domestic and regional investors in APAC, targeting both traditional and alternative asset classes.
- **Hotel boom:** Hotel deals have transacted all over Japan. Besides metro areas like Tokyo, Osaka and Nagoya, there are also activities in Fukuoka, Hokkaido and Okinawa, as investors vie to benefit from the country's tourism revival.

Outlook

- **Active market:** With the return of office transactions and a strong future deal pipeline, investment volumes are expected to increase significantly for the remainder of 2024 and into 2025.
- **Rate hikes:** While interest rates will continue to edge up, the impact of further rate hikes on the real estate investment market is predicted to be limited when banks are actively lending.
- **Offshore investors:** A growing number of new offshore investors, especially those from APAC, will support Japan's real estate investment market.

Key deals	Asset	Price (USD mn)	NOI yield	Vendor	Purchaser
Q3 2024	World Business Garden (90% stake)	411	4.5% (estimated)	PAG	GK SF1 (Chiba Bank)
Q3 2024	DPL Yokohama Totsuka	389	3.5% (estimated)	Daiwa House Industry	GIC

Industrial and retail property deals drive investment sales

ION Orchard
ION Orchard Link
Singapore

Key trends

- **Flattish rents and capital values:** Office and logistics/warehouse rents plateaued in Q3, with capital values holding steady for both asset classes. Rents and capital values of prime floor retail space continue to post marginal quarterly growth over the reporting period.
- **Strong demand for industrial and retail assets:** Institutional investors make large acquisitions of industrial and retail assets. Conversely, most institutional investors opt to stay away from office deals, given cautious occupier sentiment and high interest rates.
- **Strata commercial sales:** Private investors and occupiers are active in acquiring shophouses as well as strata-title office and retail assets.

Outlook

- **Selective buying:** Investors are going to be interested in retail, industrial and hospitality properties, as well as assets with value-add and/or conversion potential. More stock could emerge from investors taking the opportunity to exit and recycle their capital amidst the softer interest rate outlook.
- **Cautious optimism**: Office, logistics/warehouse and retail rents are poised to rise in 2025, along with improving macroeconomic prospects. Yields of logistics/warehouse and retail assets could tighten YoY, while office yields should stabilise.
- **Macro uncertainties:** Some prospective buyers could stay on the sidelines as they await further interest rate cuts, but recent stronger-than-expected nonfarm payroll employment print and stable unemployment level in the US could tilt the balance.

Key deals	Asset	Price (USD mn)	Gross yield	Vendor	Purchaser
Q3 2024	ION Orchard & ION Orchard Link (50% stake)	1,401	7.1%	CapitaLand Investment	CapitaLand Integrated Commercial Trust
Q3 2024	Warburg Pincus-Lendlease Portfolio (7 assets)	1,212	N/A	Soilbuild Business Space REIT	Warburg Pincus & Lendlease

Uplift in investor sentiment

Austrak Business Park
Melbourne

Key trends

- **Improving sentiment:** Investor sentiment and transaction activity in Australia have been improving mainly driven by the imminent stabilisation of valuations and a peak in the interest rate cycle.
- **Liquidity drivers:** Major liquidity drivers are opening up and leading to more activity as institutions manage balance sheets conservatively through divestments, re-weight across sectors and as third-party capital gains greater conviction around entry timing and the market outlook.
- **Mega deals:** The top transactions by value this year have been dominated by superannuation fund and offshore buyers. Scale is also becoming less of a hurdle, with more large-scale transactions YTD compared with the same period last year.

Outlook

- **New growth drivers:** Investors are likely to pivot to strategies that can deliver the strongest growth potential to outperform in the next phase of the investment cycle.
- **Peaked cash rate:** While Australia is likely to be more delayed than some global counterparts, the official cash rate has peaked at a lower level (4.35%) and the futures market pricing currently suggests around 125 basis points of RBA cash rate cuts by February 2026 to 3.1%.
- **Rental growth:** Strong population growth and challenges in delivering new supply are creating conducive market dynamics for above-trend rental growth over the medium term across most commercial property sectors.

Key deals	Asset	Price (USD mn)	Unit price	Vendor	Purchaser
Q3 2024	Austrak Business Park	402	N/A	GPT Group & Austrak	Aware Super & Barings
Q3 2024	338 Pitt Street	335	N/A	Hans Group	Billbergia Group

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Investment volumes grow as the Indian market matures

One Paramount
Chennai

Key trends

- **Economic growth:** India's economy grew by 6.7% YoY in Q2, continuing to be the fastest-growing large economy in the world albeit external uncertainties. The favourable demography and an emerging tech industry are major growth drivers.
- **Direct investment:** The volume of direct real estate investment in 2024 has already exceeded the full-year 2023 figure, indicating investor confidence in the maturing Indian market.
- **Capital inflows:** Besides direct investment, foreign institutional investors also participate in the Indian market by way of construction finance and entity investment, predominantly in the residential sector.

Outlook

- **Active market:** Given the current trend of institutional capital flows, it is estimated that institutional investment across all types of deals will be higher than USD 6bn in 2024, the highest level since 2018.
- **Sector diversification:** Investors will actively leverage emerging trends and employ opportunistic strategies across diverse asset classes, such as data centers, warehouses, student housing, life sciences and healthcare.
- **Yield spread:** The narrowing gap between the 10-year government yields and property rental yields may potentially impact the capital allocation into real estate.

Key deals	Asset	Price (USD mn)	Unit price / NOI yield	Vendor	Purchaser
Q3 2024	One Paramount	263	USD 1,178 psm	CPPIB & RMZ Corp	Keppel
Q3 2024	Malad IT Park	40	USD 2,928 psm	IT Park 4th Dimension	Clear Bridge Ventures

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Direct deals

Transaction	Date	Sector	Price (USDmn)	Vendor	Purchaser	Remarks
China						
ESR RMB Income Fund Portfolio	Aug-24	Industrial	809	ESR	Taikang Insurance Group	9 assets
Guangzhou Culture center, Guangzhou	Aug-24	Retail	293	Guangzhou Culture, Radio, Television and Tourism Bureau	Swire Properties	For conversion
Zhangjiang Online Economic Ecological Park, Shanghai	Sep-24	Office	287	Zhangjiang Group	DNE Group	
Orstar City Tower 1, Shanghai	Sep-24	Office	206	Yuyuan Inc	Henan Investment Group	
Songjiang Incity Mega Mall, Shanghai	Sep-24	Retail	201	Vanke	GIC	48% stake
Hong Kong						
Retail Podium and Public Car Park, Alto Residences	Jul-24	Retail	69	Lai Sun Group & Empire Group	China Resources Longdation	
Camelpaint center	Sep-24	Industrial	53	Private investor	Private investor	
17/F, NCB Innovation center	Jul-24	Office	42	New World Development	Allied Hope Ltd	
South Korea						
Hanwha Janggyo Building, Seoul	Aug-24	Office	595	Hanwha Life Insurance	Hanwha Asset Management	
City Square, Seoul	Jul-24	Office	315	Hangang Asset Management	Shinhan REITs Management	
L7 Hotel Gangnam Tower, Seoul	Sep-24	Hotel	243	Mastern Investment Management	Lotte REIT	
Jisan Logistics Center B, Gyeonggi-do	Aug-24	Industrial	234	Jisan Co	LaSalle Investment Management	
Hana Financial Group Building (Grace Tower), Seoul	Aug-24	Office	208	Hana Alternative Asset Management	Hana Trust	
Japan						
Invincible Investment Corporation Hotel Portfolio	Jul-24	Hotel	700	Fortress Investment Group	Invincible Investment Corporation	12 assets
Japan Hotel REIT Hotel Portfolio	Jul-24	Hotel	377	Various	Japan Hotel REIT	4 assets
Star Asia REIT Hotel Portfolio	Aug-24	Hotel	233	Various	Star Asia Investment Corporation	4 assets
Kolet Living Portfolio	Jul-24	Living	139	TBC	Kenedix	462 assets
Aeon Mall Sapporo Naebo, Hokkaido	Aug-24	Retail	62	Japan Metropolitan Fund Investment Corporation	Aeon Hokkaido	
Singapore						
L9 & L10, Tong Building	Sep-24	Office	52	See Hoy Chan Realty & See Hoy Chan Land	The Hour Glass Limited	
Sceneca Square	Sep-24	Retail	48	MCC Singapore, Ekovest Bhd & The Place Holdings	8M Real Estate	
Australia						
Optus center, Melbourne	Jul-24	Office	211	Mirvac Group	PAG	
Willows Shopping center, Brisbane	Sep-24	Retail	142	Dexus Wholesale Property Fund	Fawkner Property	
Claremont Quarter, Perth	Aug-24	Retail	139	QIC	Hawaiian Property Group	
Westfield Whitford City, Perth	Aug-24	Retail	131	GIC	JY Group	
Westfield West Lakes, Adelaide	Jul-24	Retail	117	Dexus Wholesale Property Fund	Scenter Group & Barrenjoey Private Capital	

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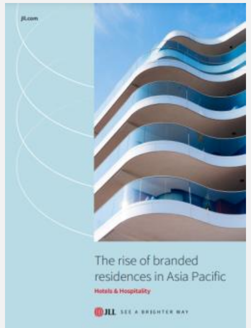
JLL thought leadership compendium

APAC Investor Intel
(Sep 2024)

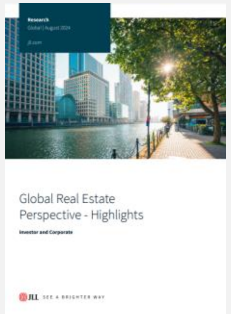
2024 APAC Property Investment Guide

Beyond China: Asia's next manufacturing powerhouse



The rise of branded residences in APAC

APAC office market dynamics Q2 2024



Global Real Estate Perspective
(Aug 2024)

Global Capital Outlook 2024

Low carbon buildings create economic value

APAC Capital Tracker Q2 2024

APAC retail market dynamics Q2 2024

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