



Real value in a changing world

OUTLOOK **2014**: *What is in store for us next year?*

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DECEMBER 2013



Global outlook encouraging signs for 2014

Global Economy – Brighter Outlook

- Any US Fed tapering will be in conjunction with clear signs of economic growth
- China's economic reforms towards more sustainable growth

Investment – Momentum Continues

- Further 10% growth in volumes to circa **US\$550 billion**
- **Structural increases** in allocations to direct RE to continue
- Weight of money into prime will put a **ceiling on yield softening**

Office Leasing – Recovery Resumes

- Major markets becoming **more landlord-favourable**
- Rents accelerating – **potential for spikes**

Welcome to Asia Home to half of the world



Half the world's fastest growing large cities are in Asia

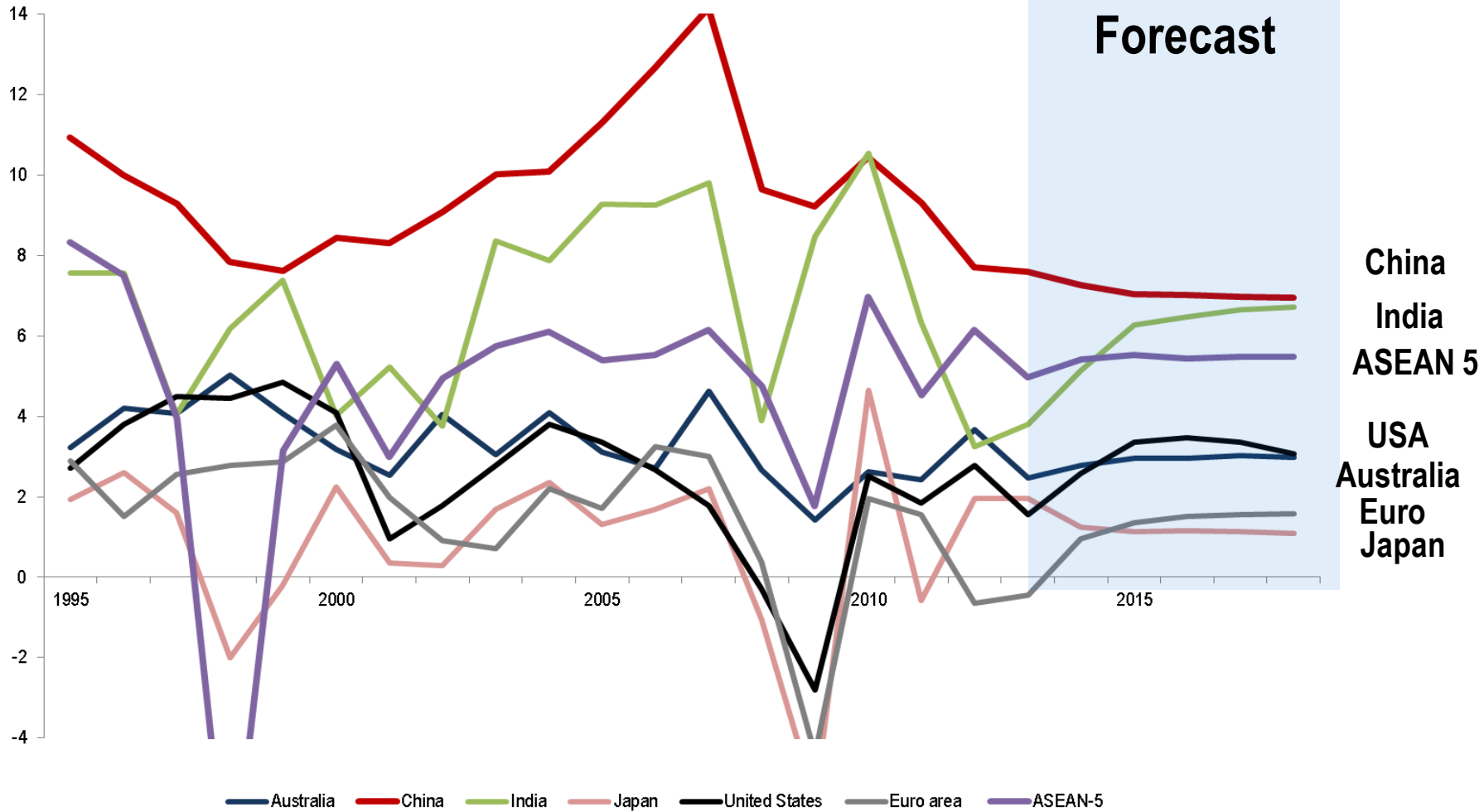
Top 30 Cities by Absolute GDP Growth (PPP), 2010-2020



Short term global growth-mixed forecasts

Real GDP growth outlook

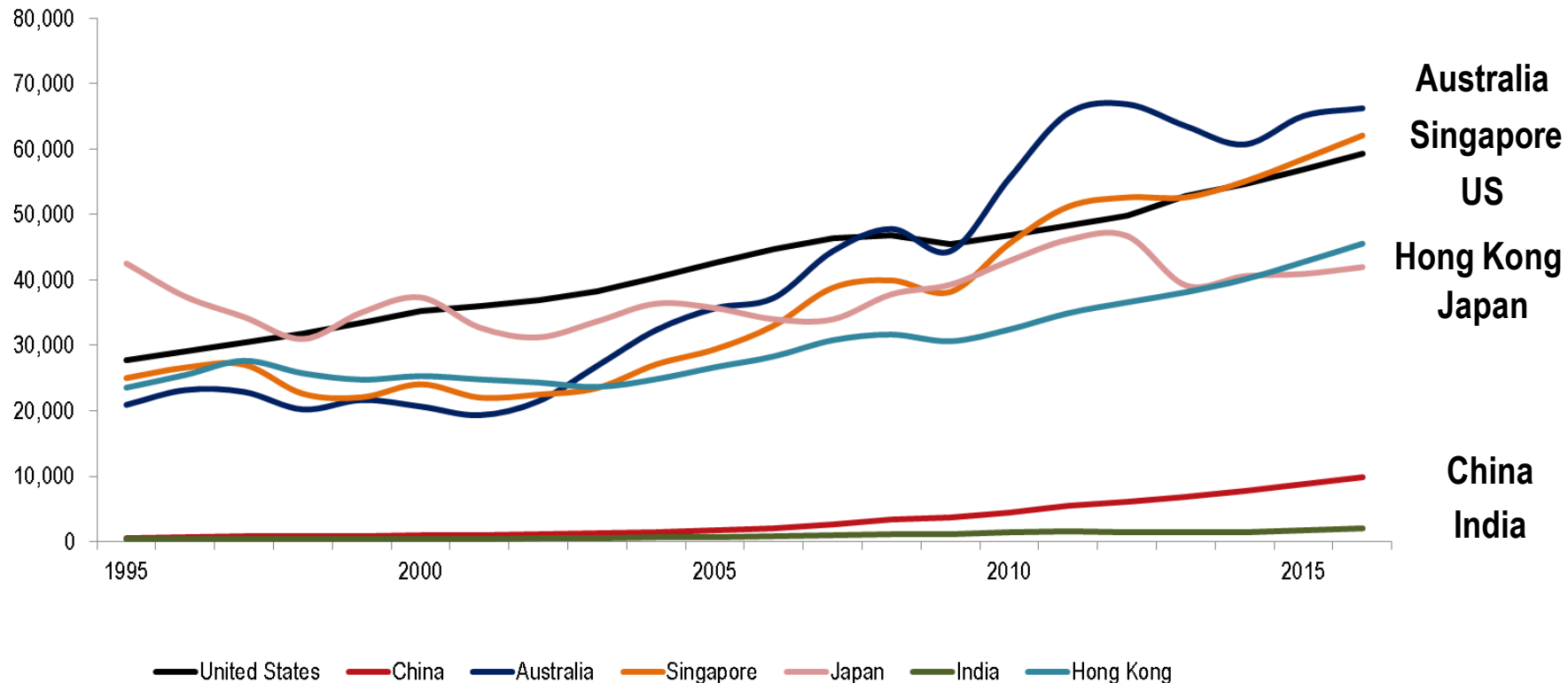
% Real GDP Growth



Source: IMF World Economic Outlook October 2013 Database

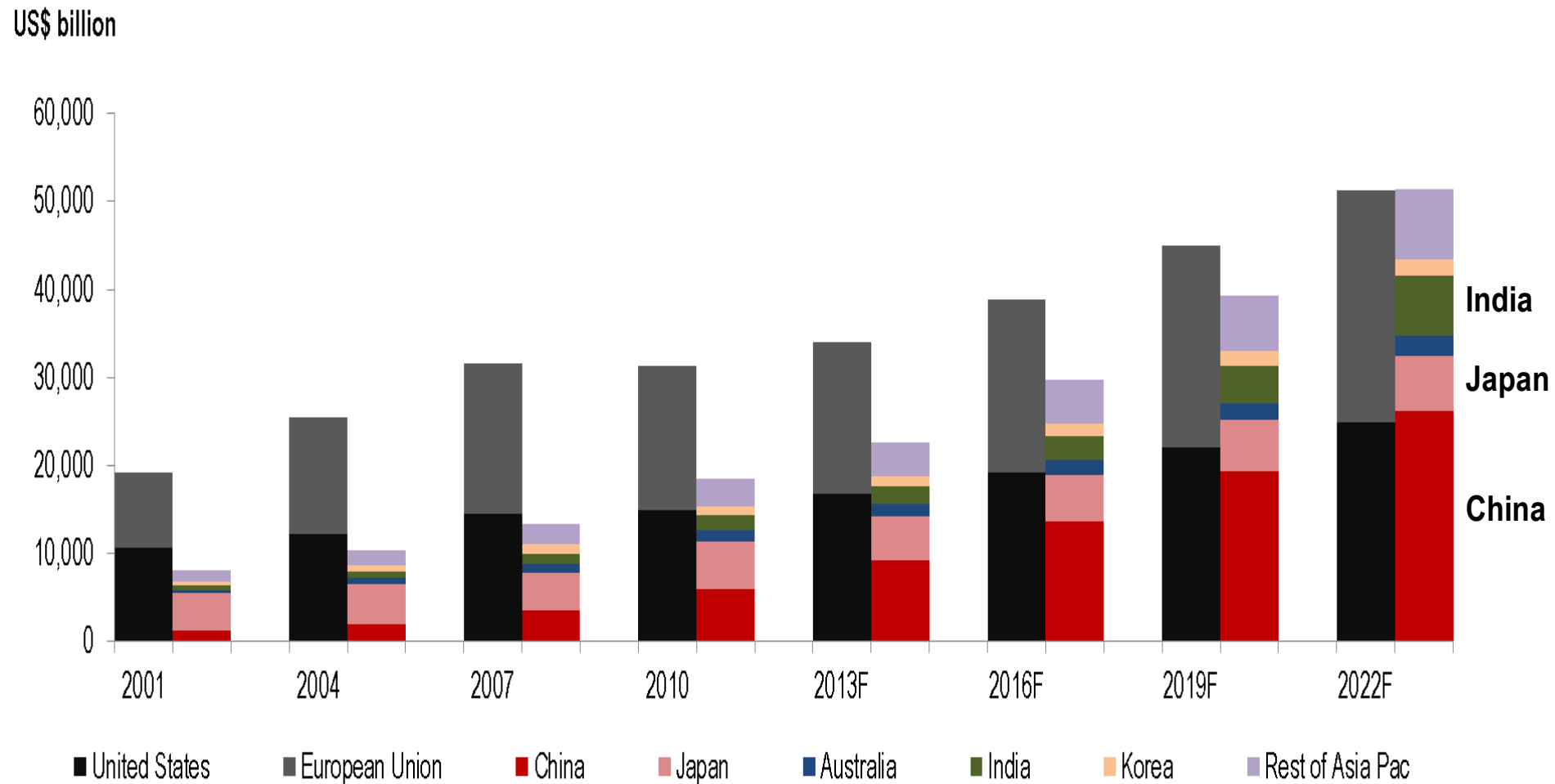
On a per capita basis- slightly different picture

Nominal GDP per capita (US\$)



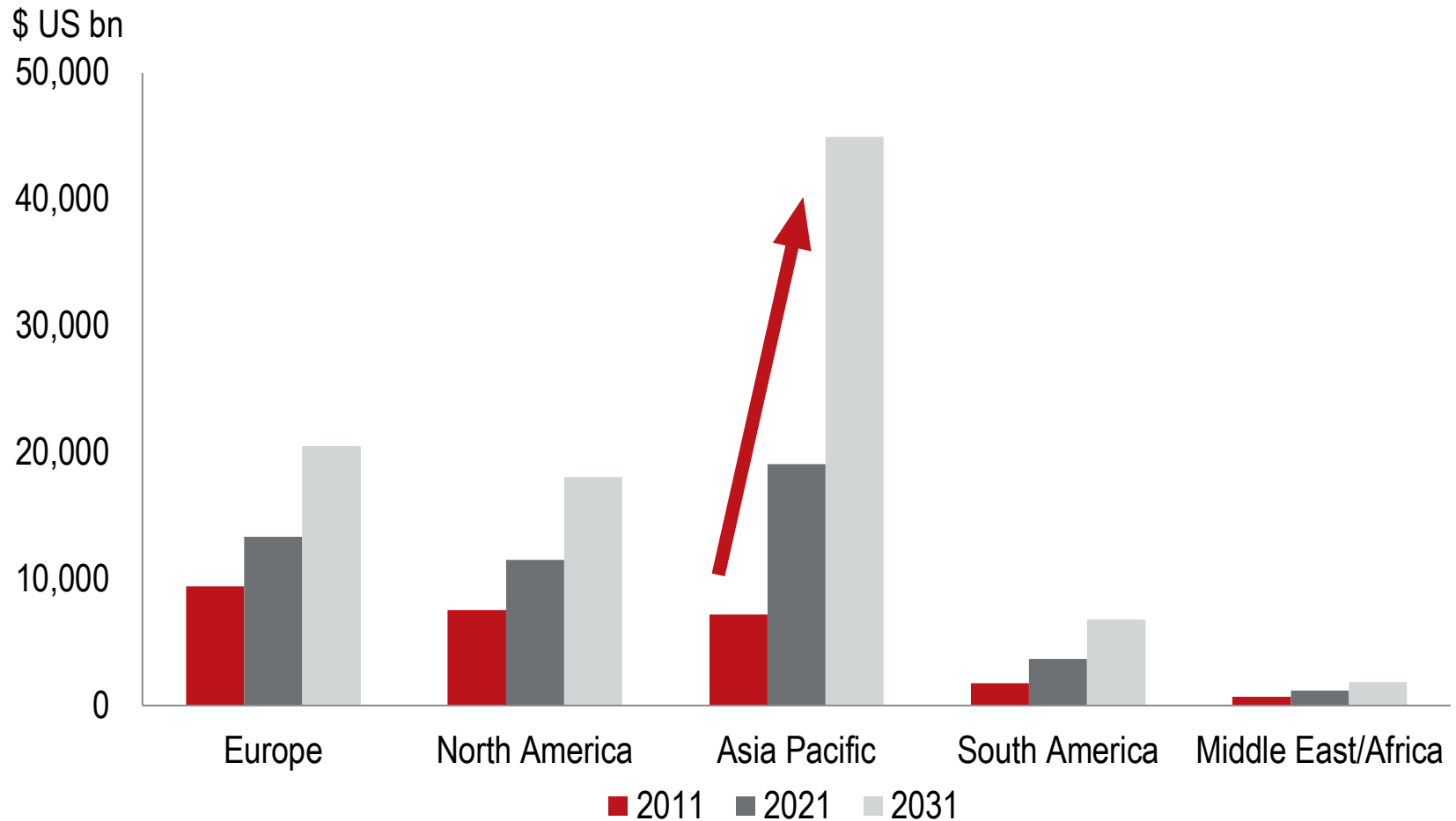
Asia has now exceeded the US as a global market

Core Asia Pacific markets nominal GDP has exceeded the US



Shift in the balance of power – longer term

Commercial real estate markets by value



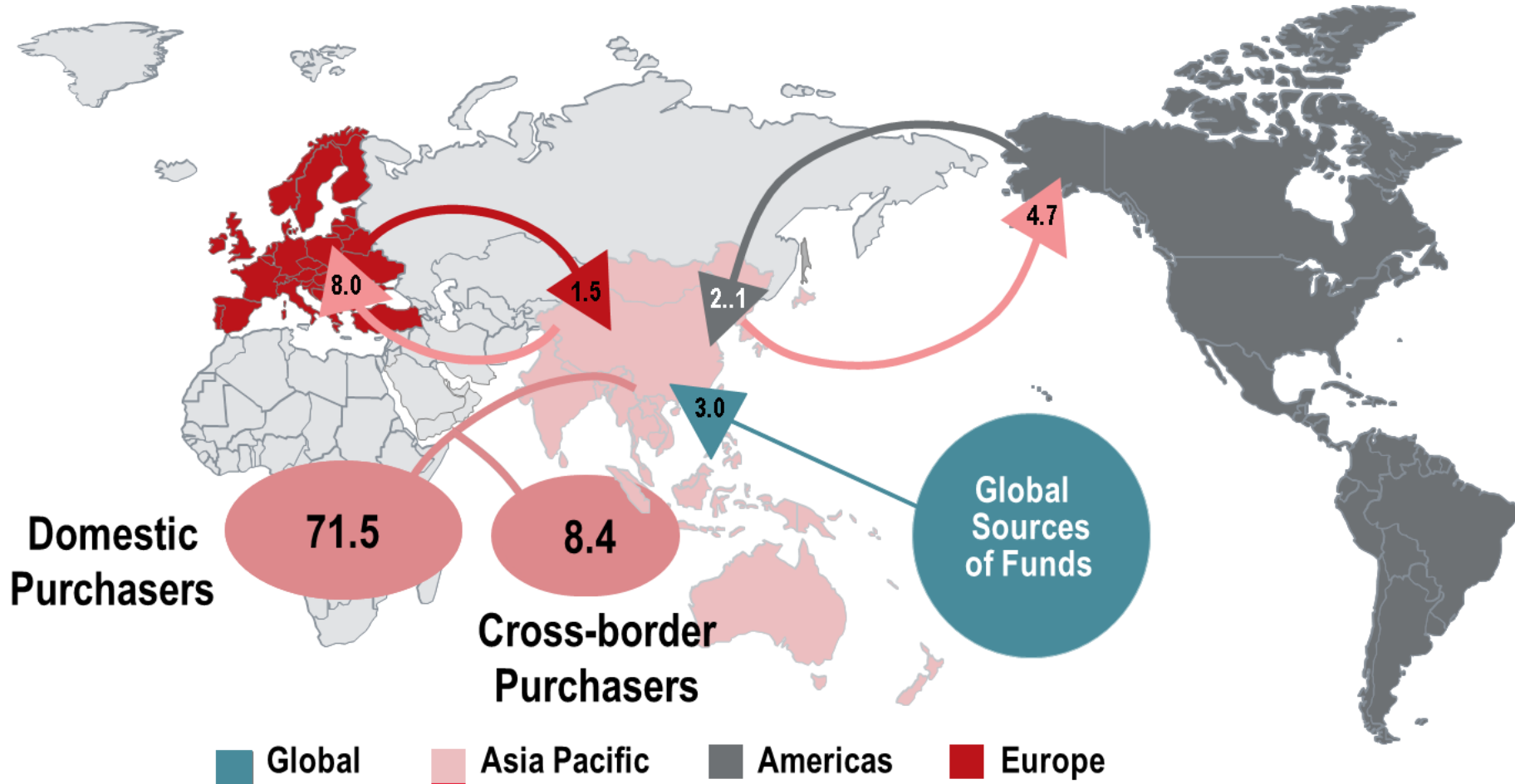
Where is the money going?

Top 30 cities for direct commercial real estate investment 2010 – 2012



Cash rich investors are buying

Purchaser flows into Asia Pacific YTD 2013



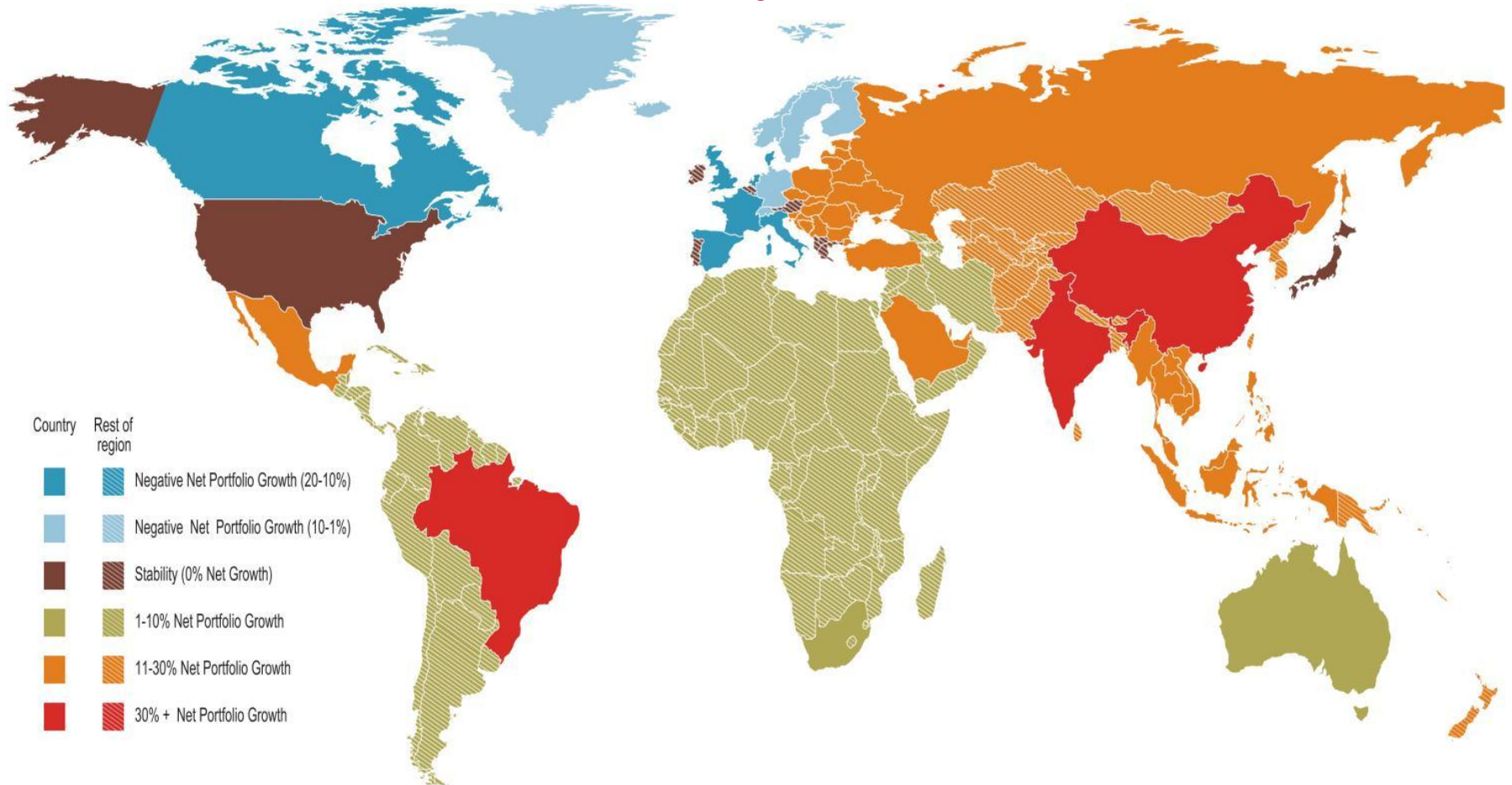
Most liquid cities providing the opportunities

Most Active Cities, Total transaction volumes 2012 & YTD 2013

Global Rank	City	2012-2013 USD billion	% of Overseas Buyers (2012)	Jones Lang LaSalle Transparency Score	
1	New York	49.0	31%	1	
2	London Metro	44.2	63%	2	
3	Tokyo	34.0	10%	25	★
4	Hong Kong	29.5	16%	11	★
5	LA Metro	27.2	18%	1	
6	Paris	22.6	46%	7	
7	SF Metro	21.6	26%	1	
8	Chicago	15.0	16%	1	
9	DC Metro	13.8	28%	1	
10	Sydney	12.1	42%	3	★
11	Seoul	12.0	3%	41	★
12	Singapore	10.8	8%	11	★
13	Shanghai	9.9	35%	32	★
14	Moscow	9.7	23%	37	
15	Seattle	9.5	21%	1	

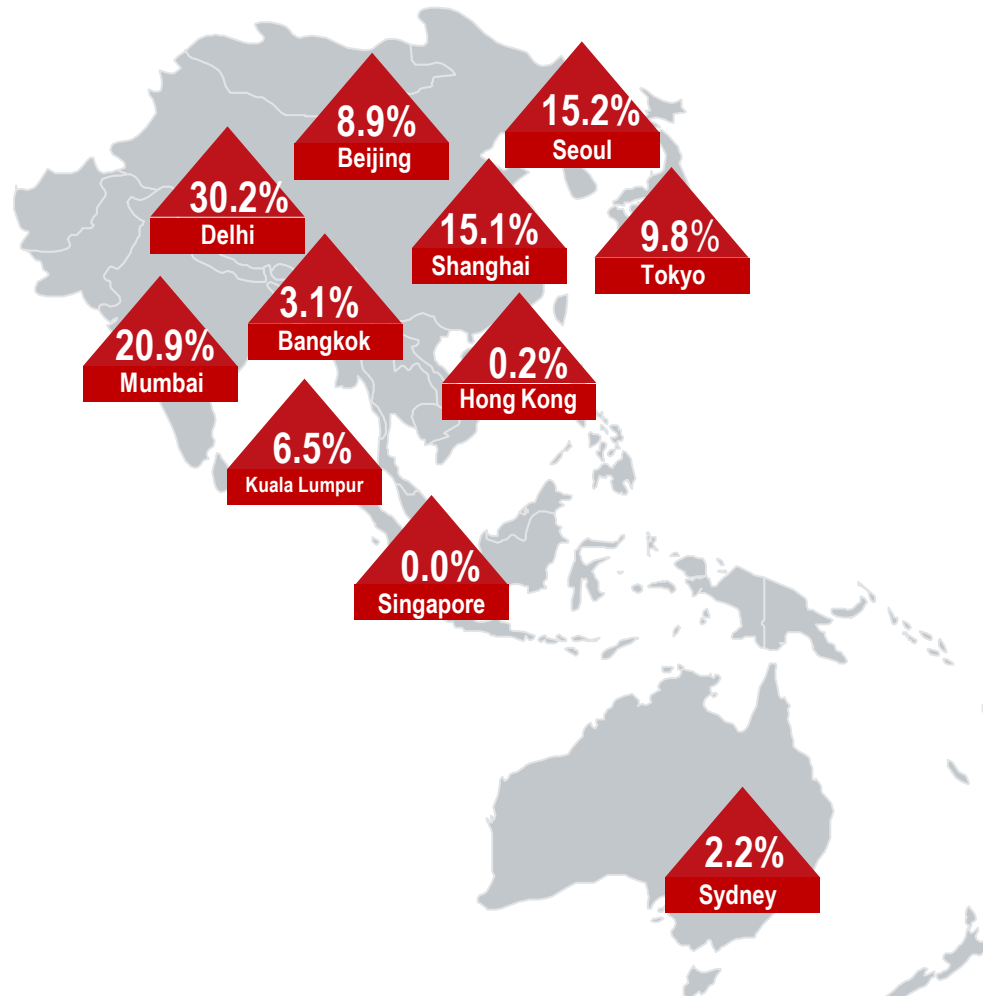
MNCs expect to expand their portfolios +30% China, India

JLL Global corporate occupier survey



Asia Pacific office supply

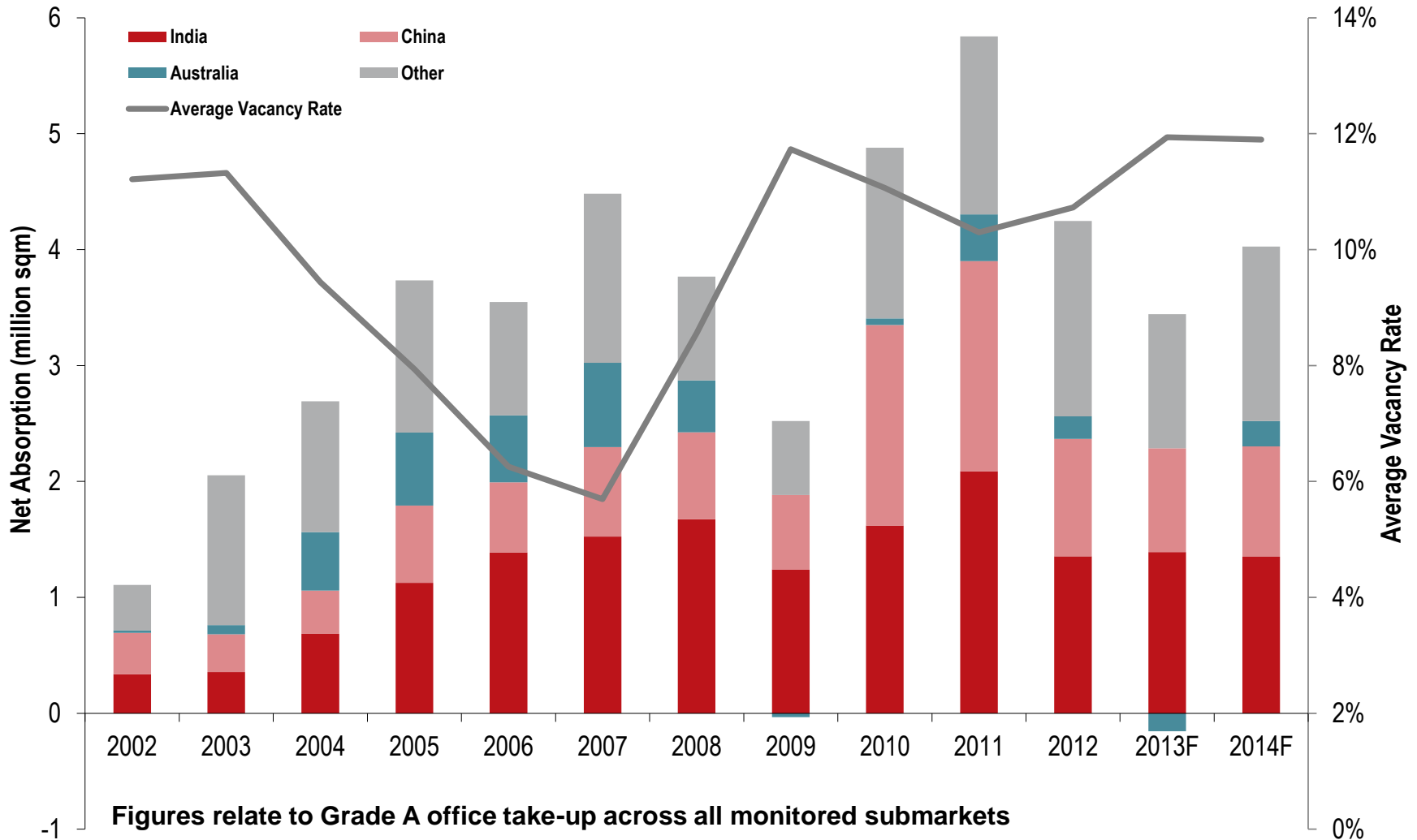
Projected additions to office stock in 2013 & 2014 as % of existing stock



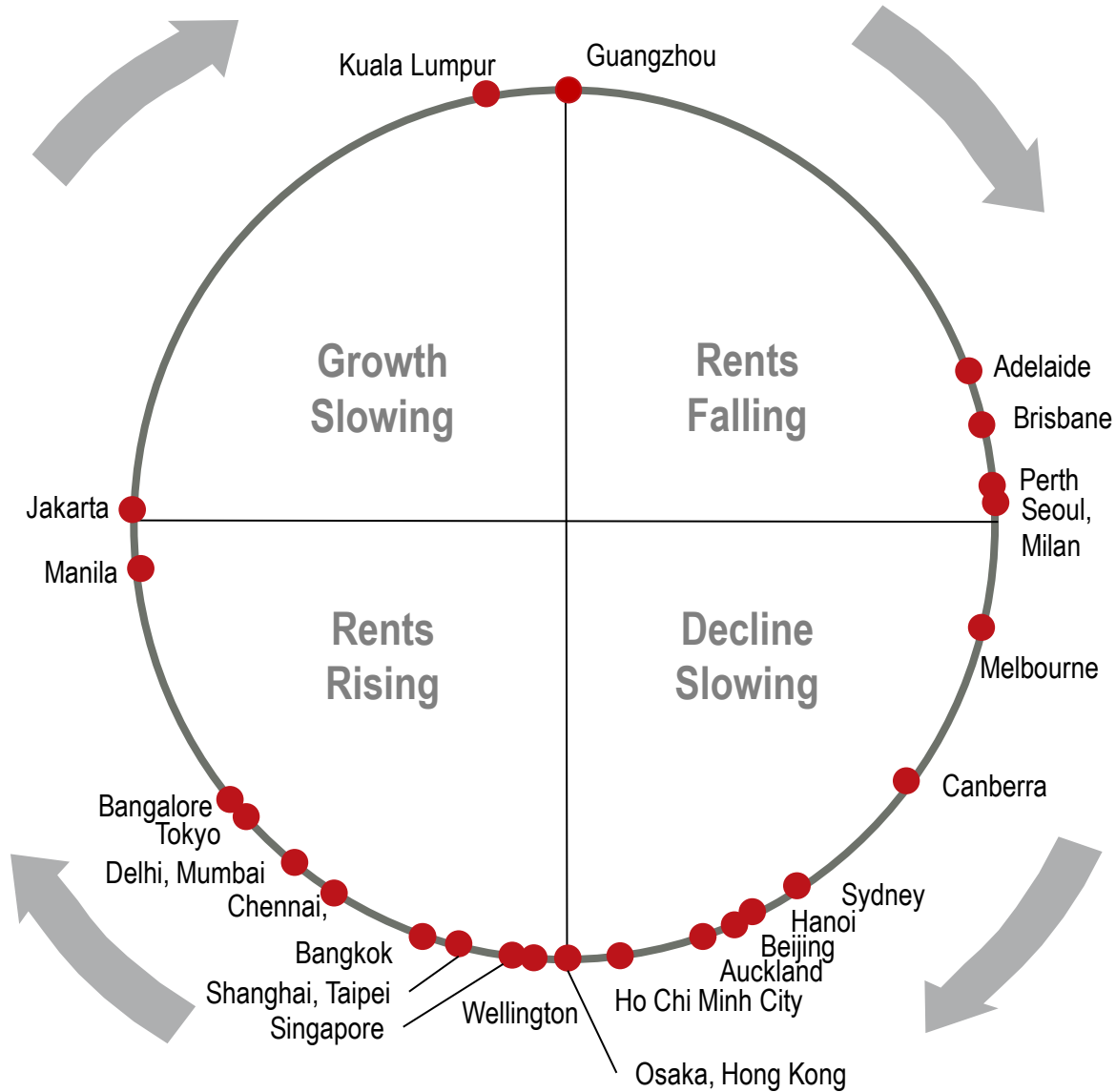
Figures relate to grade A overall market, except Tokyo (5 kus). Sydney, prime grade for actual and all grades for forecast.

More subdued leasing across Asia Pacific

Grade A office net absorption

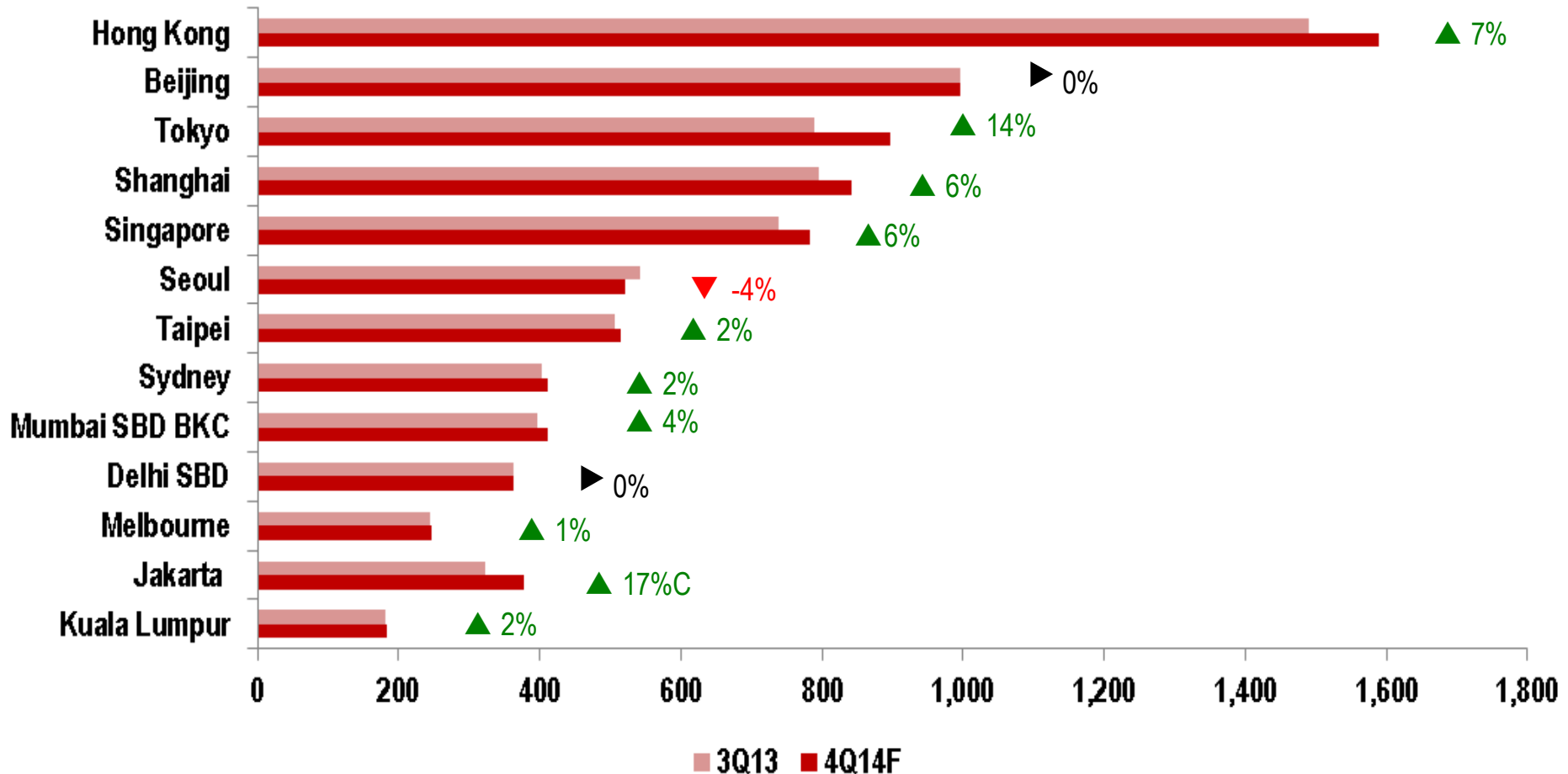


Asia Pacific Grade A office rent clock



Hong Kong – remaining most expensive rent in AP

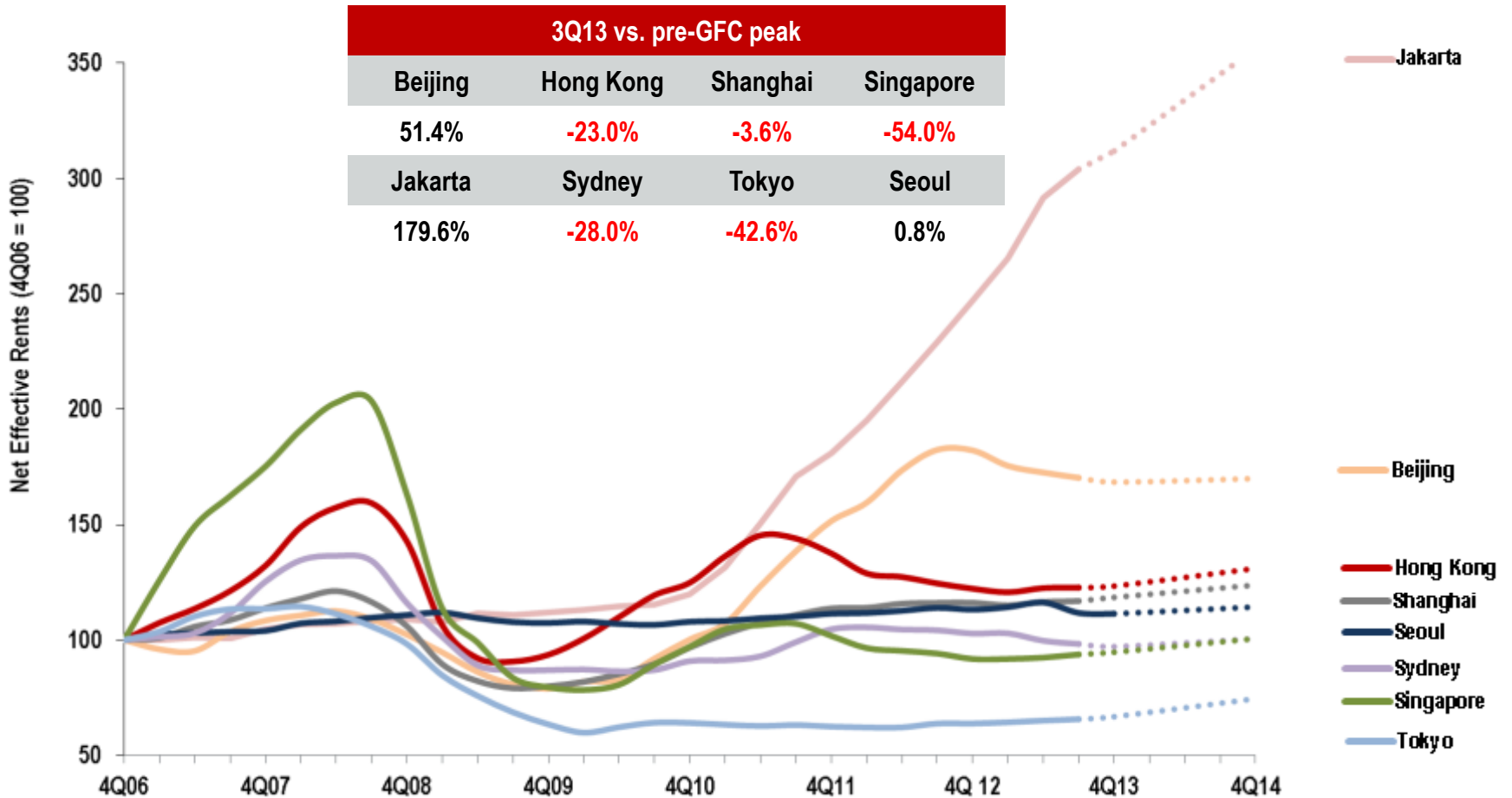
Comparison of net effective rents, 3Q13 vs. 4Q14 forecast



Figures relate to the major prime submarket in each city; 4Q14 figures as forecasted in 3Q13 on a psm/pa basis.

Office rent levels remain below their peak

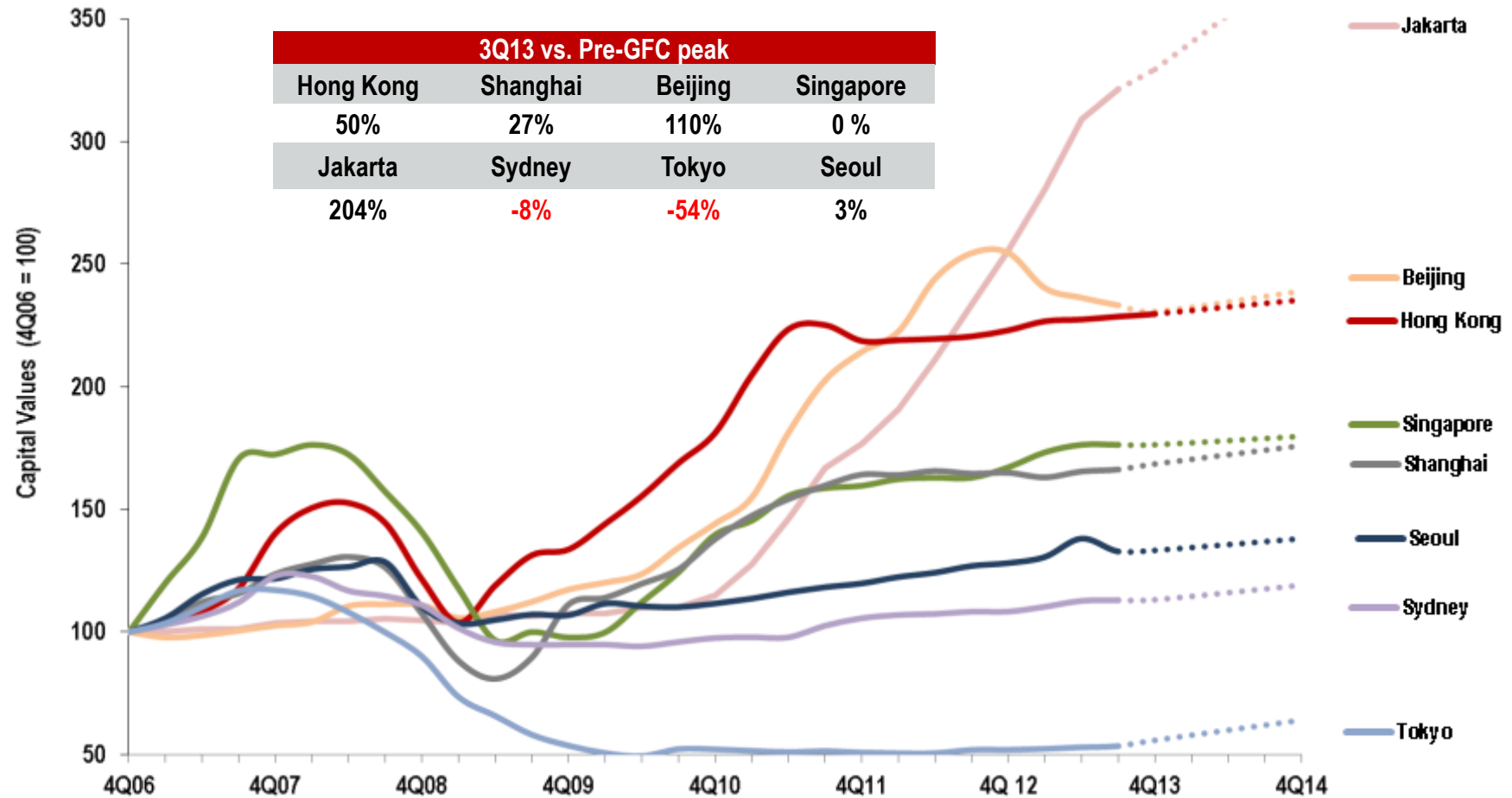
Rental value changes, key Asia Pacific markets



Figures relate to the major submarket in each city and represent the trough to 3Q13 rental change

With capital values moving ahead of rents

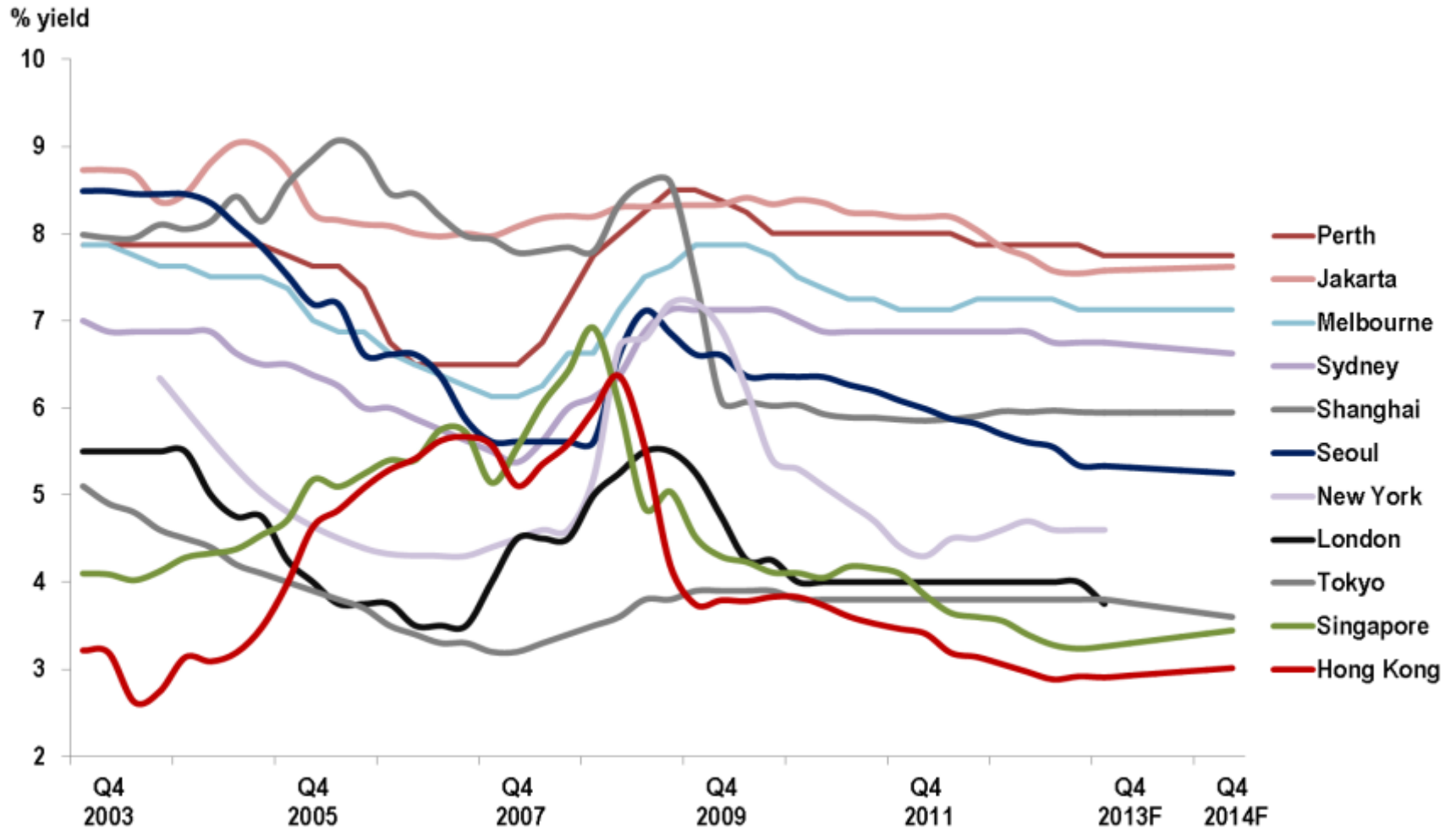
Capital value changes, key Asia Pacific markets



Figures relate to the major submarket in each city and represent the trough to 3Q13 capital value change

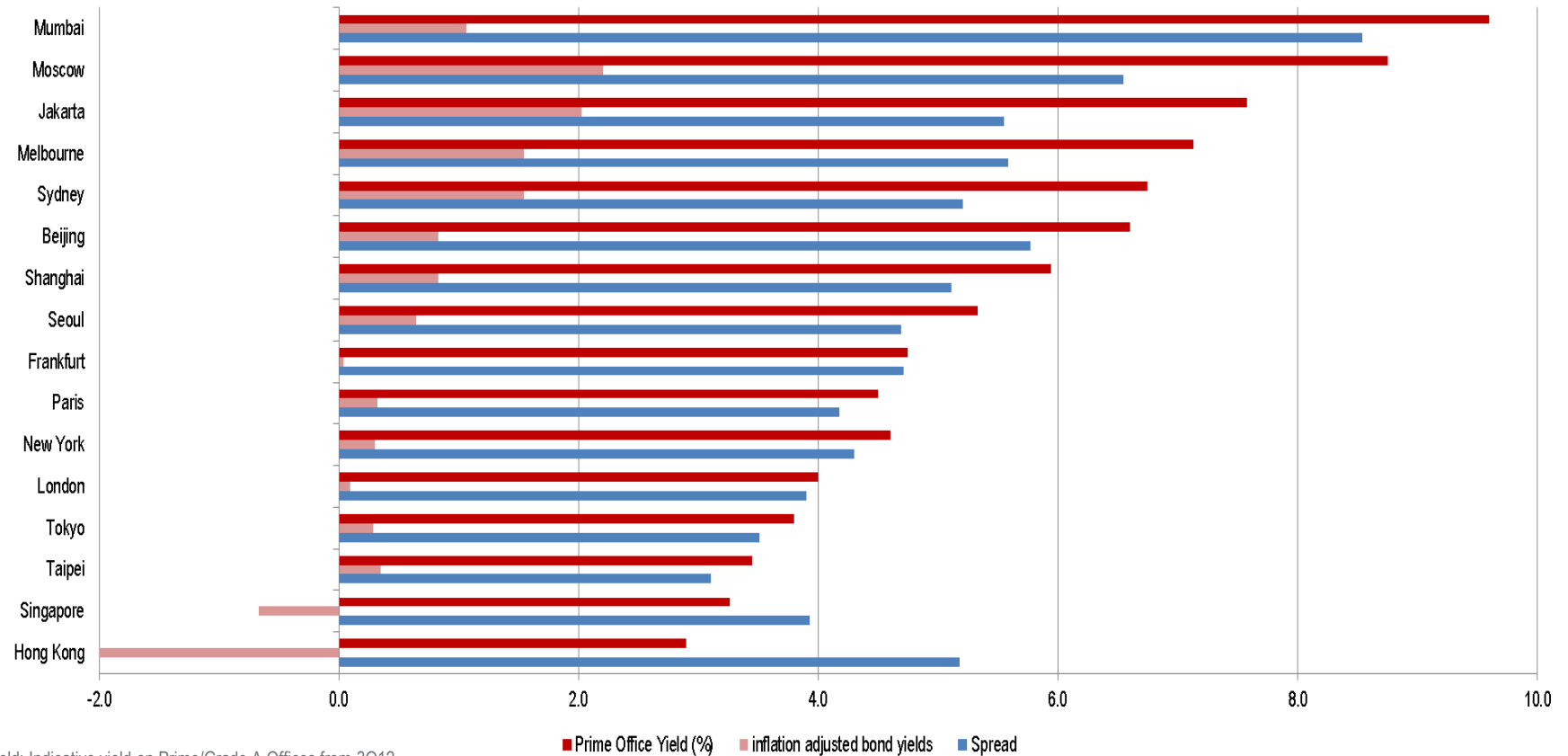
Yield compression from weight of money

Capital rates by market 2003-2014F



Yield spreads over real bond rates

Comparison of prime yields for office vs. implied real 10 year government bonds

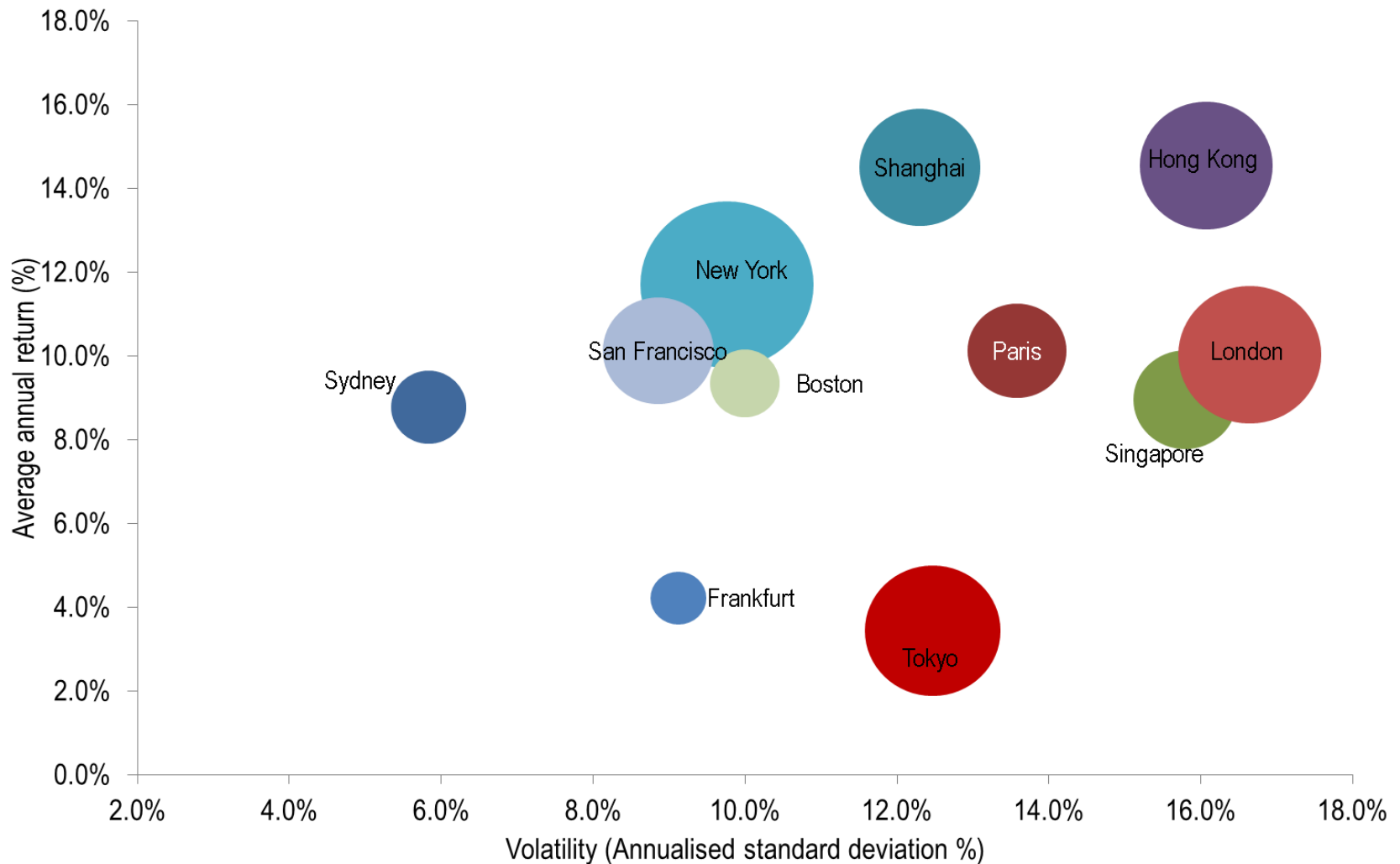


Prime yield: Indicative yield on Prime/Grade A Offices from 3Q12

implied real 10 year government bonds: Yield rates calculated using the Fisher equation $1+r=(1+i)/(1+p)$
 where i = nominal interest rate, r = real interest rate and p = expected inflation rate (forecast over 10 years)

Office risk – return profile and liquidity by market

Total Return Analysis (Core Office Markets), 1998 to 2013



Key financing terms and cash-on-cash yields

Indicative average funding costs and returns for core assets – November 2013

Market	3-month interbank rate	Lending Margin (bps)	Avg Est. all-in Lending borrowing cost (stabilized asset)		Effective Passing Yield (%)	Cash-on-cash yield (%)
			Typical	LVR		
Hong Kong	0.4%	260	3.00%	45%	3.0%	3.0%
Singapore	0.4%	240	2.8%	60%	3.4%	4.3%
Shanghai (RMB)	4.9%	200-300	c.7.0%	50%	4.7%	2.4%
Shanghai (USD)	0.3%	350	3.8%	60%	4.7%	6.1%
Seoul	2.6%	210	4.7%	50%	5.3%	6.0%
Sydney	2.6%	220	4.8%	50%	6.75%	8.7%
Tokyo	0.2%	100	1.2%	65%	4.0%	9.2%

Source: Jones Lang LaSalle Estimates – November 2013

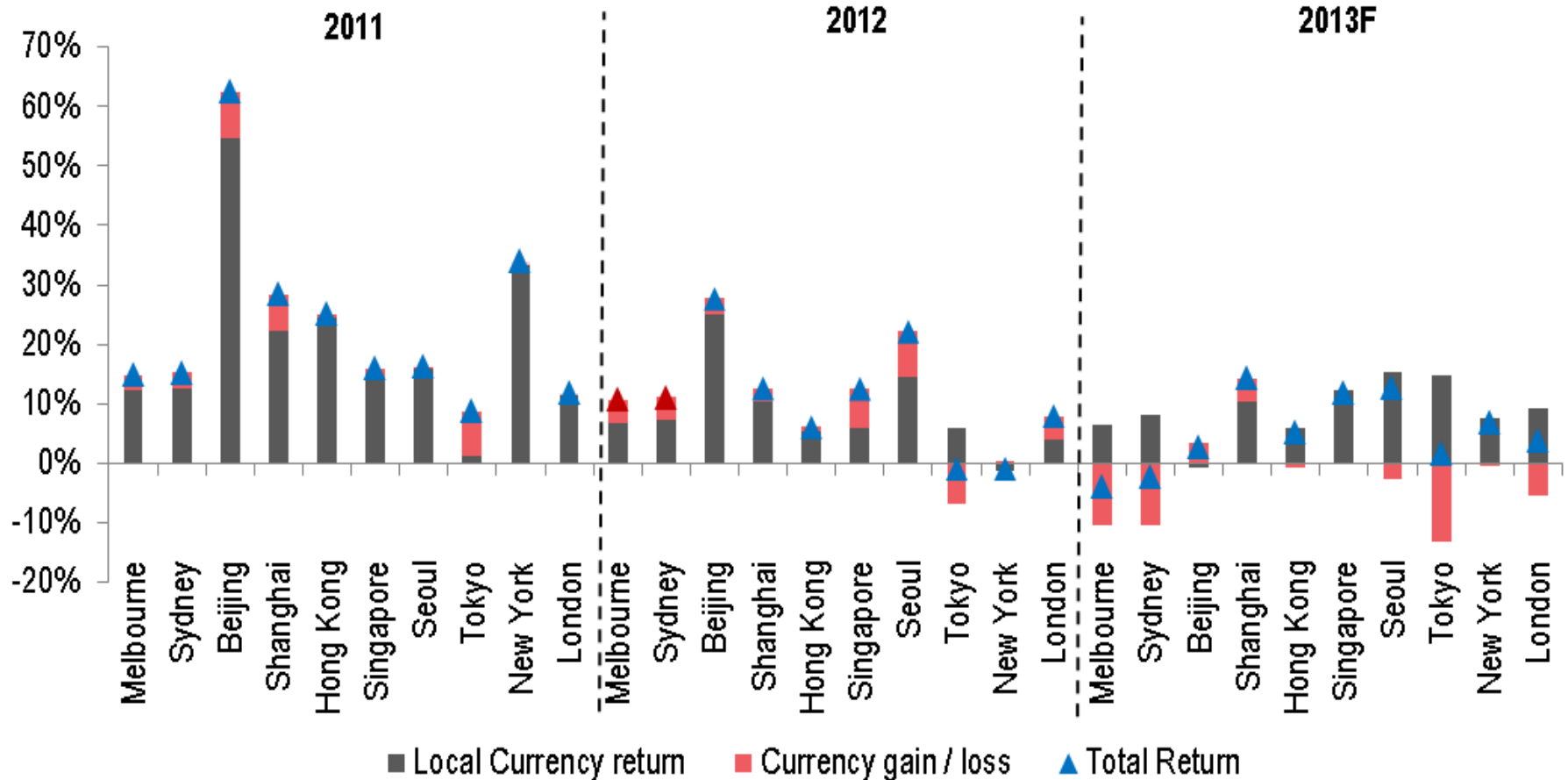


Assumes investment grade borrowers on stabilized assets based on average lending term by market and stated LVR. Lending margins can move significantly based on the above characteristics. Stated lending terms are estimated market averages

Euro investor returns by market and component

Weakness in JPY – buying opportunity for global investors

Euro Investor one year total returns 2010-2012



Singapore

Financial & Business Hub of ASEAN



Singapore & ASEAN Facts

Countries	Population in mil (2012)	Urban population, %	Nominal GDP Euro € bn (2012)	GDP per capita Euro €	2013 GDP growth rate %
Singapore	5.3	100	205	38,586	2.6
Brunei	0.4	76	12	30,442	1.8
Cambodia	14.9	20	10	700	7.2
Indonesia	245	51	650	2,657	6.4
Laos	6.7	35	6.8	1,035	7.7
Malaysia	29.3	73	225	7,676	5.3
Myanmar	52.8	33	38.6	731	6.5
Philippines	96.5	49	185	1,921	6.0
Thailand	69.9	34	271	3,878	4.9
Vietnam	89.7	32	105	1,168	5.2
ASEAN	610.5	44.8	1,708	2,798	5.4
Eurozone	333	74	9,500	28,528	-0.3
Italy	59.4	68	1,469	24,729	-1.8

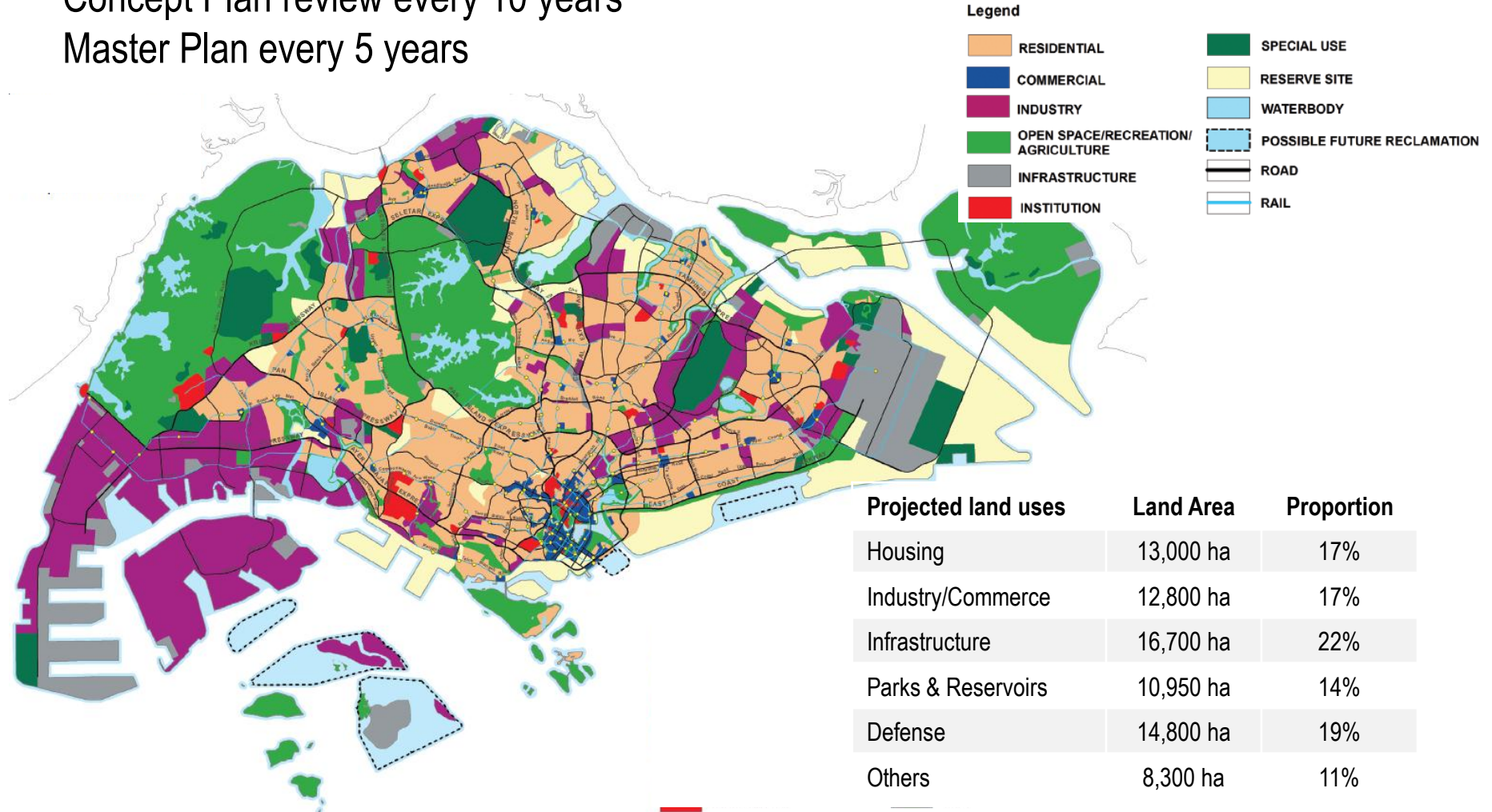
Singapore

Long term strategic planning for a diverse economy

Concept Plan review every 10 years

Master Plan every 5 years

Land Area: 715.8 sq km



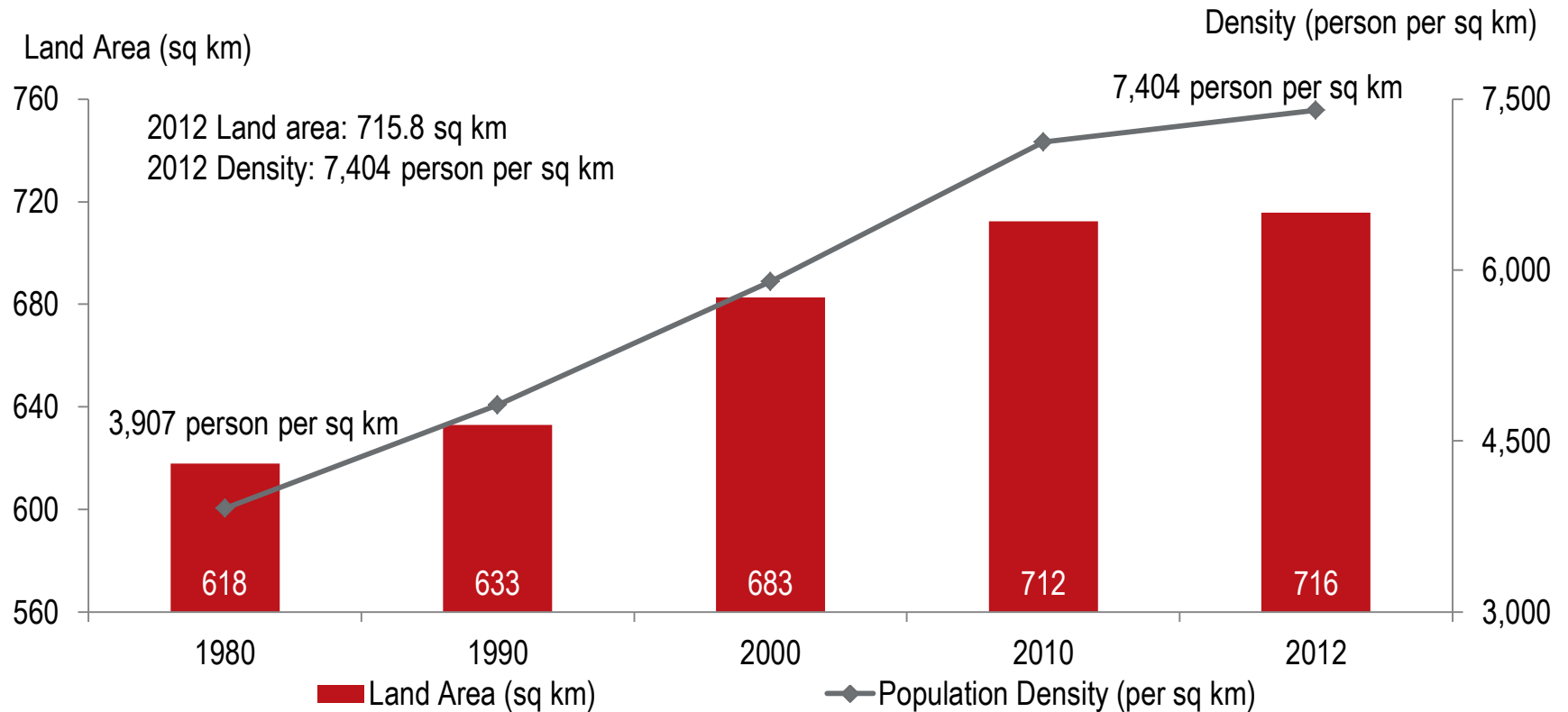
Singapore

Population density increased 90% since 1980

Land reclamation has increased land supply

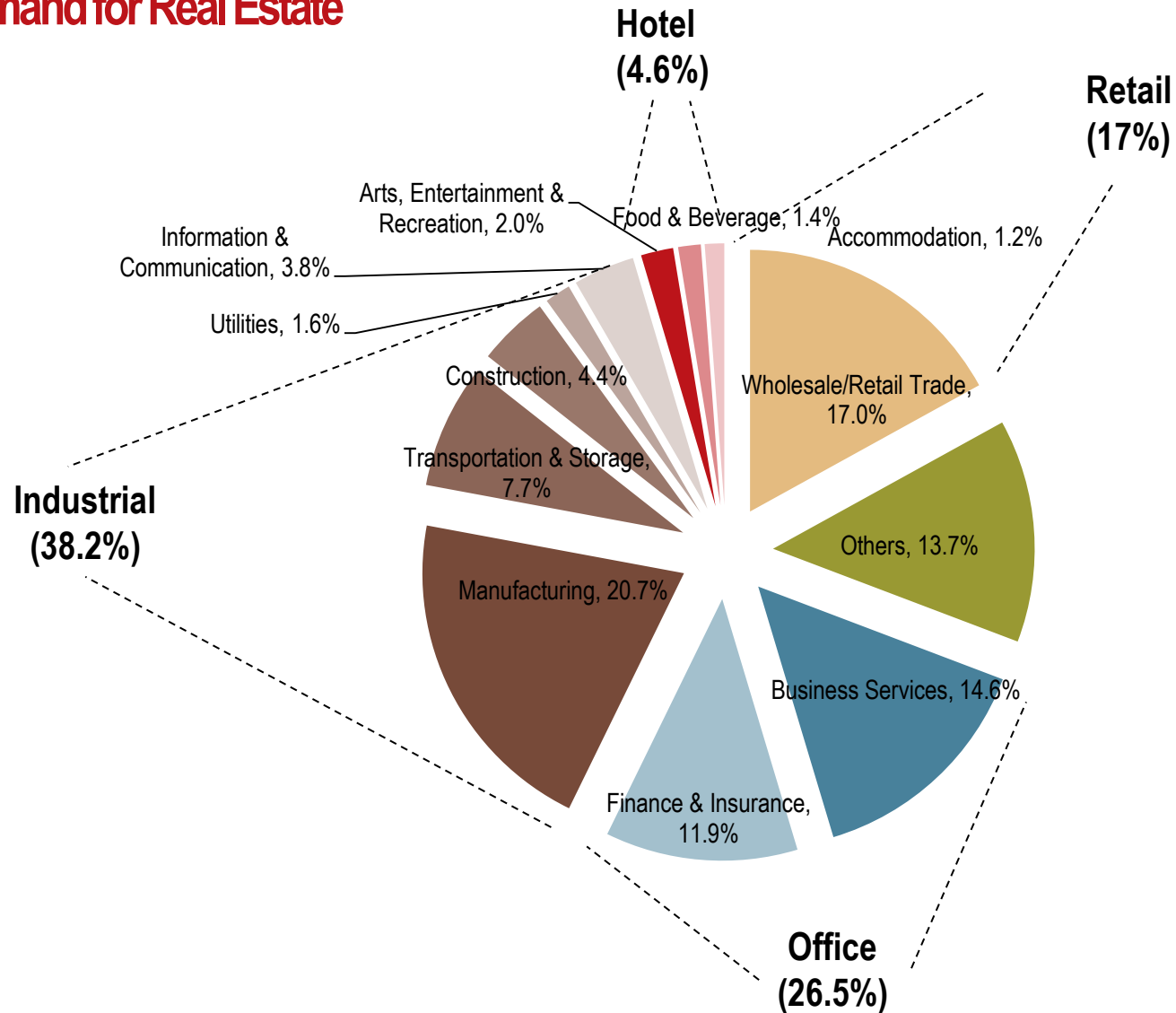
Plot ratio increases for more intensive development

- Commercial plot ratios have been raised to **13 – 25** in Marina Bay
- Residential plot ratios have been raised above **8.0** in the city



Singapore Economy

Demand for Real Estate



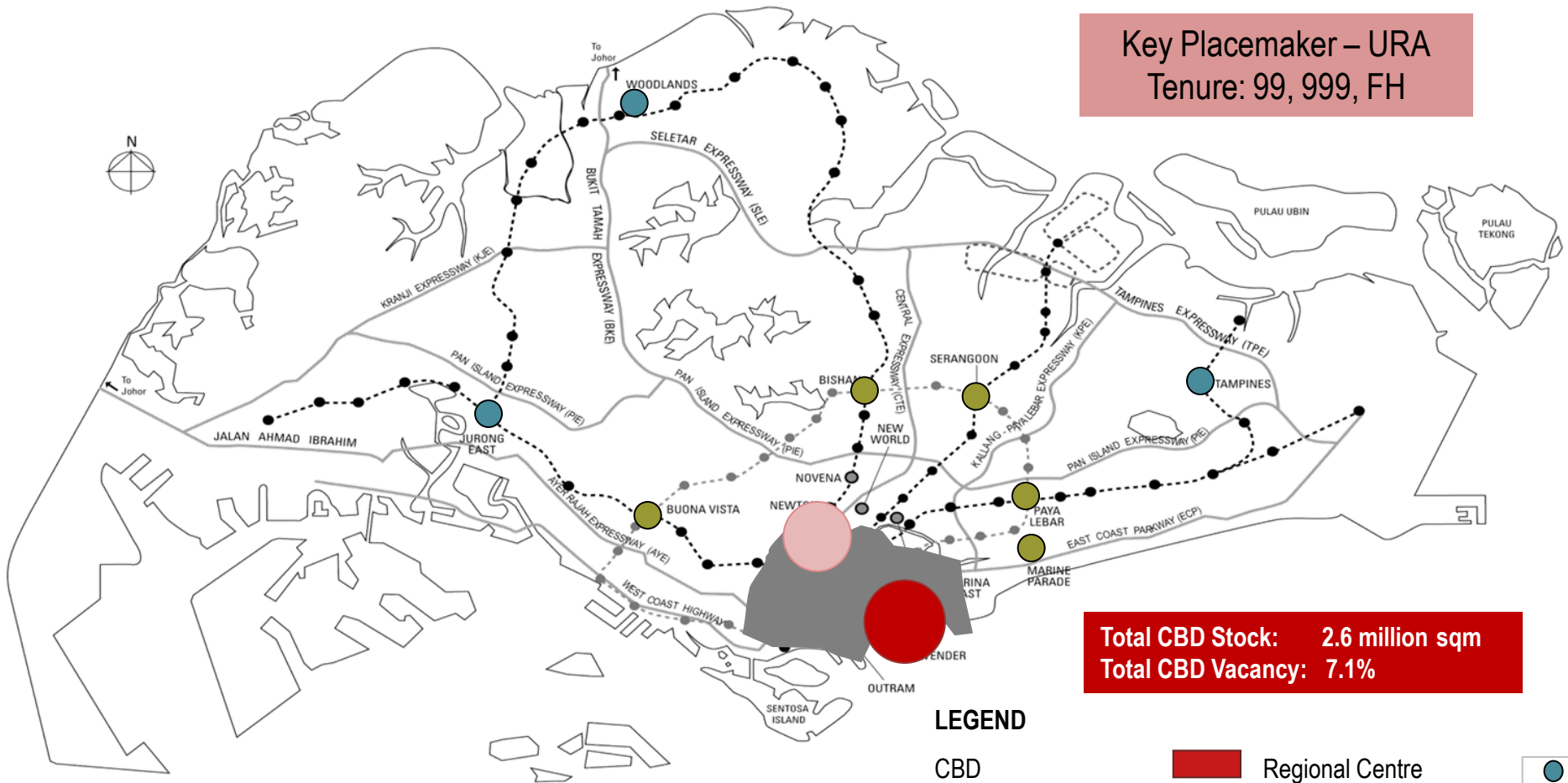
Key Office Locations in Singapore

Key Placemaker – URA
Tenure: 99, 999, FH

Total CBD Stock: 2.6 million sqm
Total CBD Vacancy: 7.1%

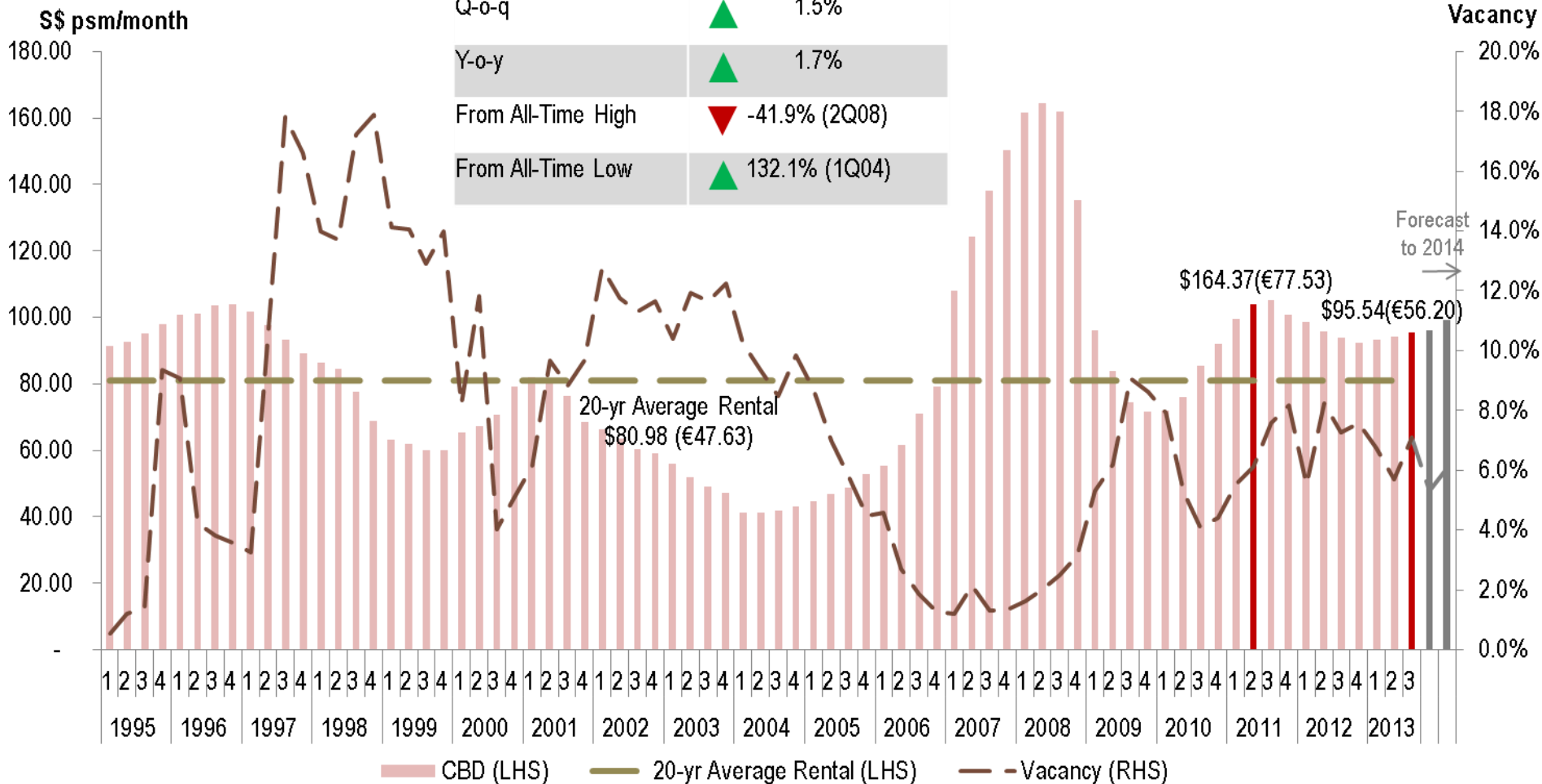
LEGEND

- CBD Regional Centre
- Orchard Road Corridor Sub-regional Centre
- Rest of Central

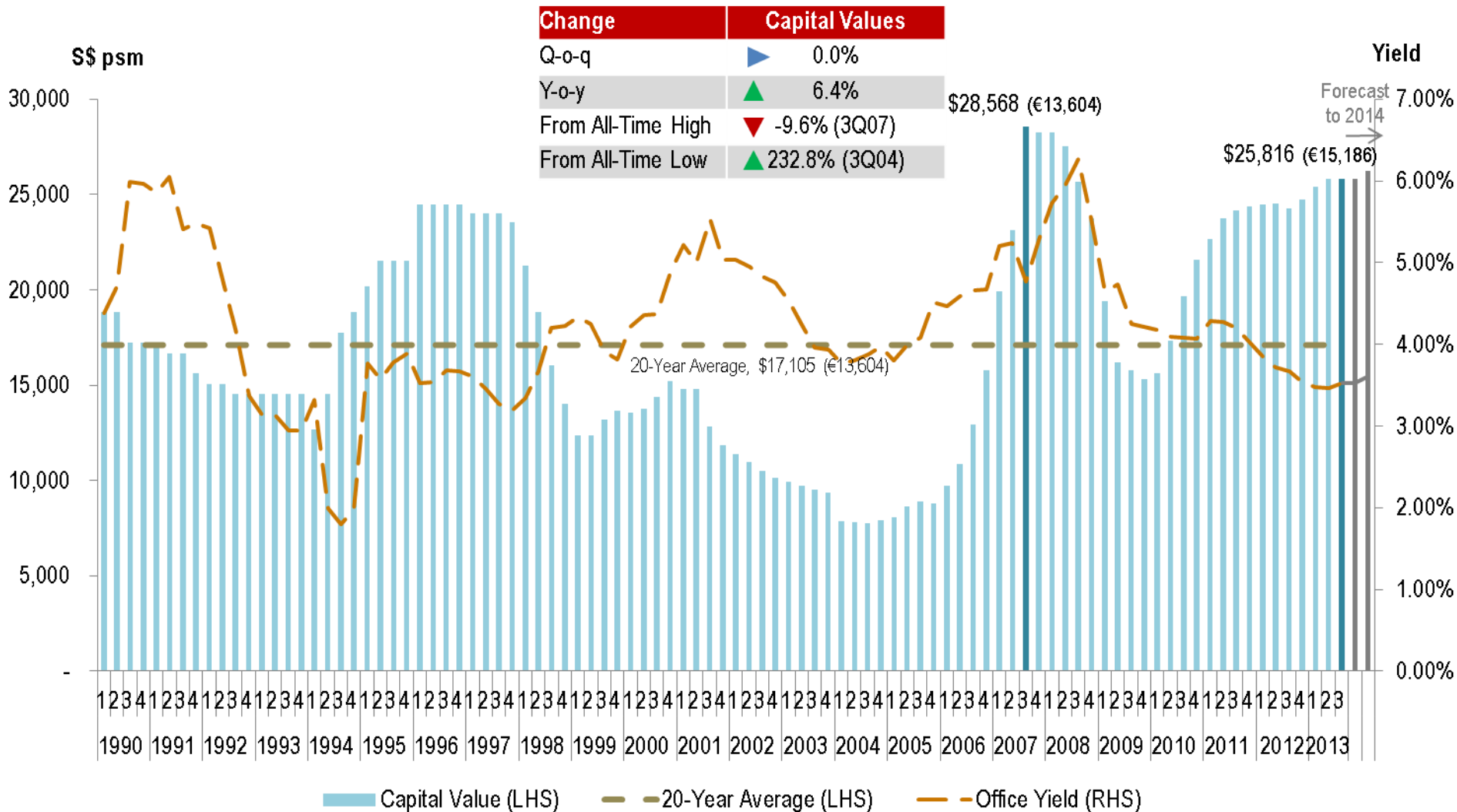


Singapore CBD office rents have stabilised

Change	CBD	
Q-o-q	▲	1.5%
Y-o-y	▲	1.7%
From All-Time High	▼	-41.9% (2Q08)
From All-Time Low	▲	132.1% (1Q04)

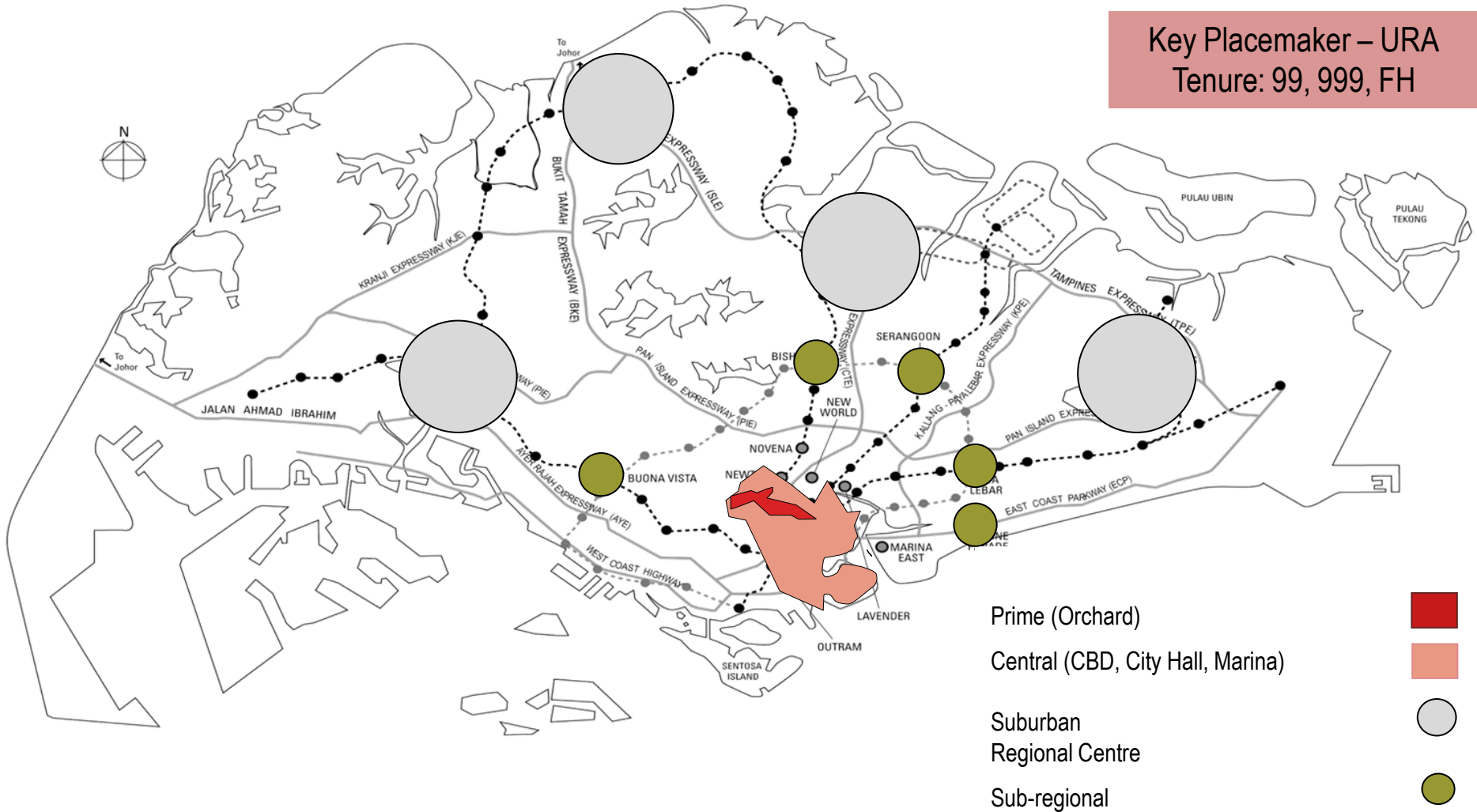


Singapore CBD office capital values have been rising



Retail Submarkets in Singapore

Key Placemaker – URA
Tenure: 99, 999, FH

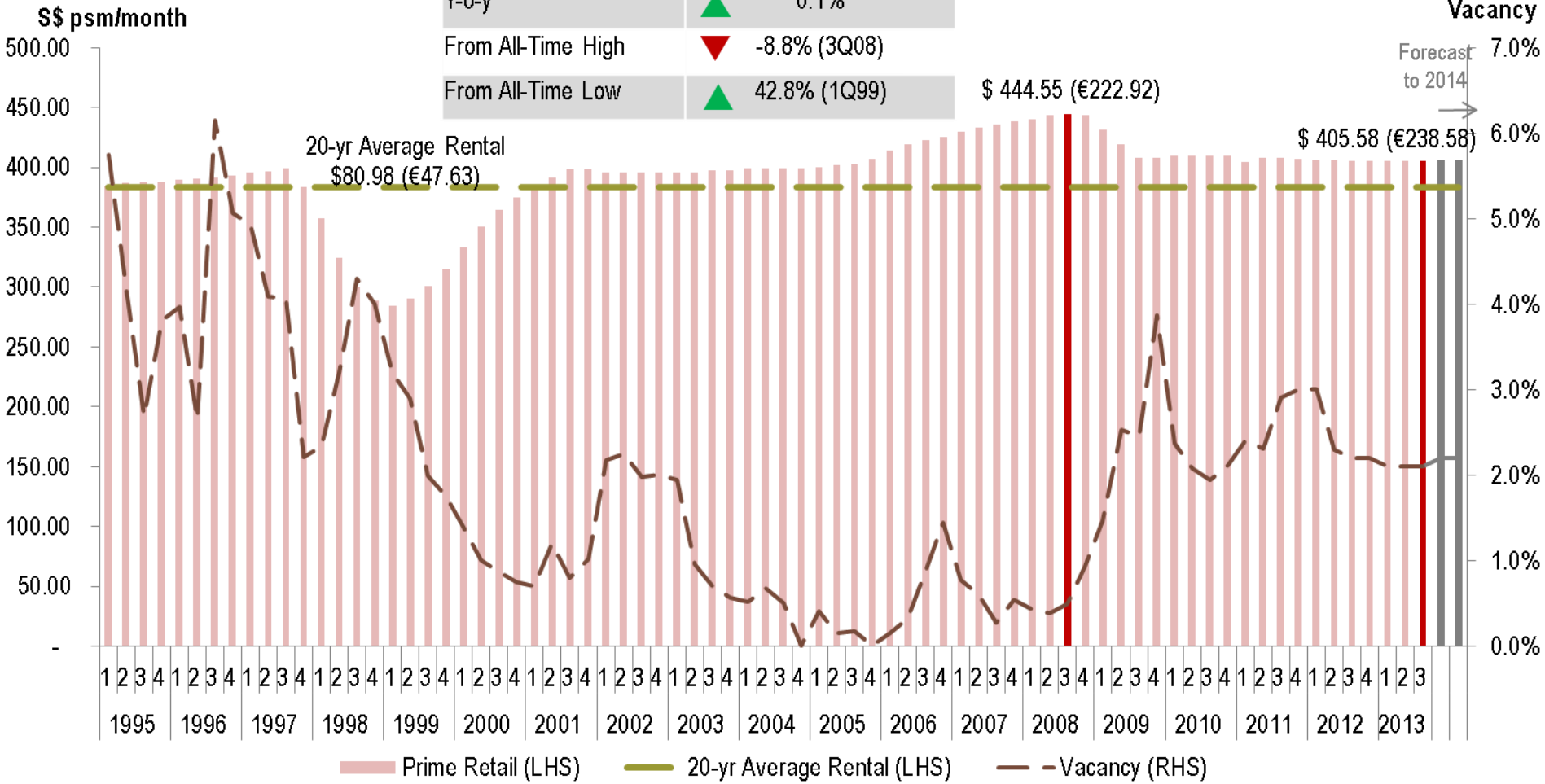


Singapore prime retail rents have been stable

Change	Prime Grade A	
Q-o-q	▲	0.1%
Y-o-y	▲	0.1%
From All-Time High	▼	-8.8% (3Q08)
From All-Time Low	▲	42.8% (1Q99)

\$ 444.55 (€222.92)

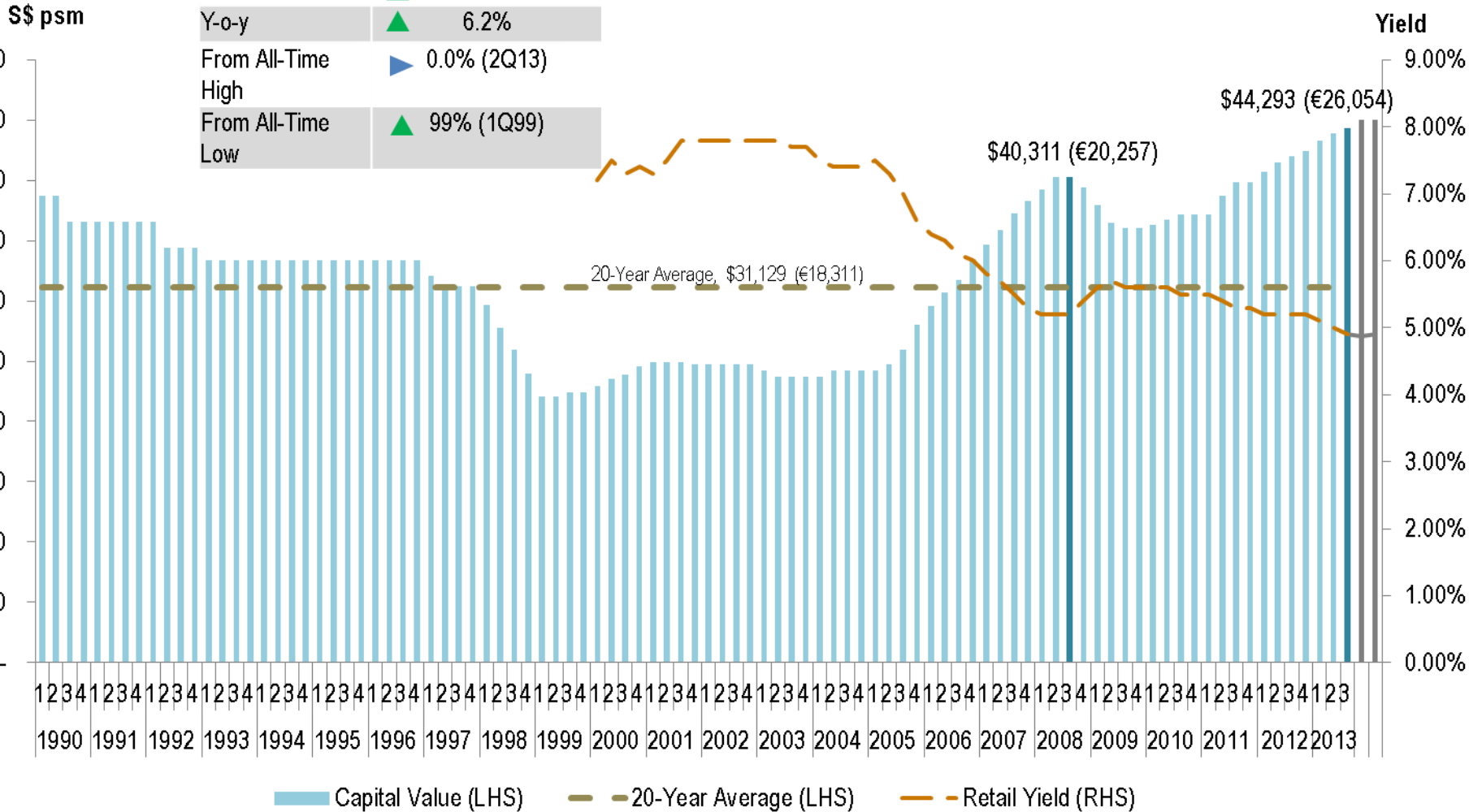
\$ 405.58 (€238.58)



Historical average is based on data from 1995 to 2012
Source: Jones Lang LaSalle Research, 2013

Singapore prime retail values have been rising

Change	Capital Values
Q-o-q	▲ 1.0%
Y-o-y	▲ 6.2%
From All-Time High	▼ 0.0% (2Q13)
From All-Time Low	▲ 99% (1Q99)



Singapore residential market

5.399 million
people living in Singapore

3.31 million
Singapore Citizens

0.53 million
Permanent Residents

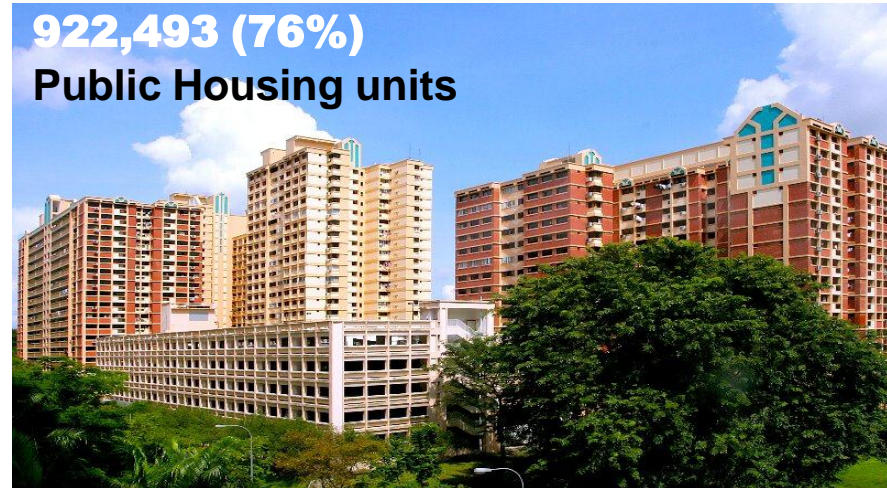
1 out of 4
is a foreigner

1.2 million
housing units island-wide

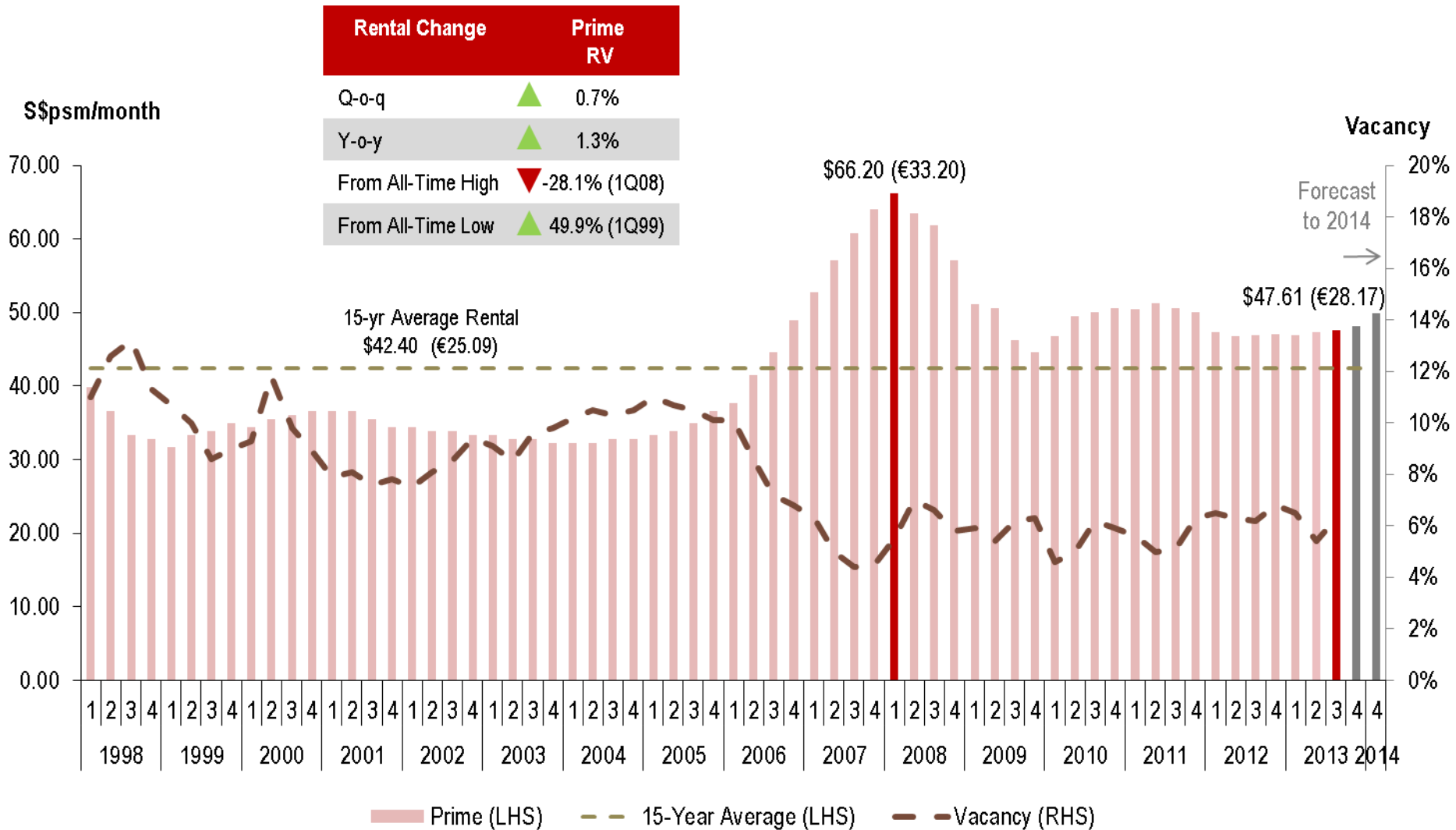
286,006 (24%)
Private Housing units



922,493 (76%)
Public Housing units

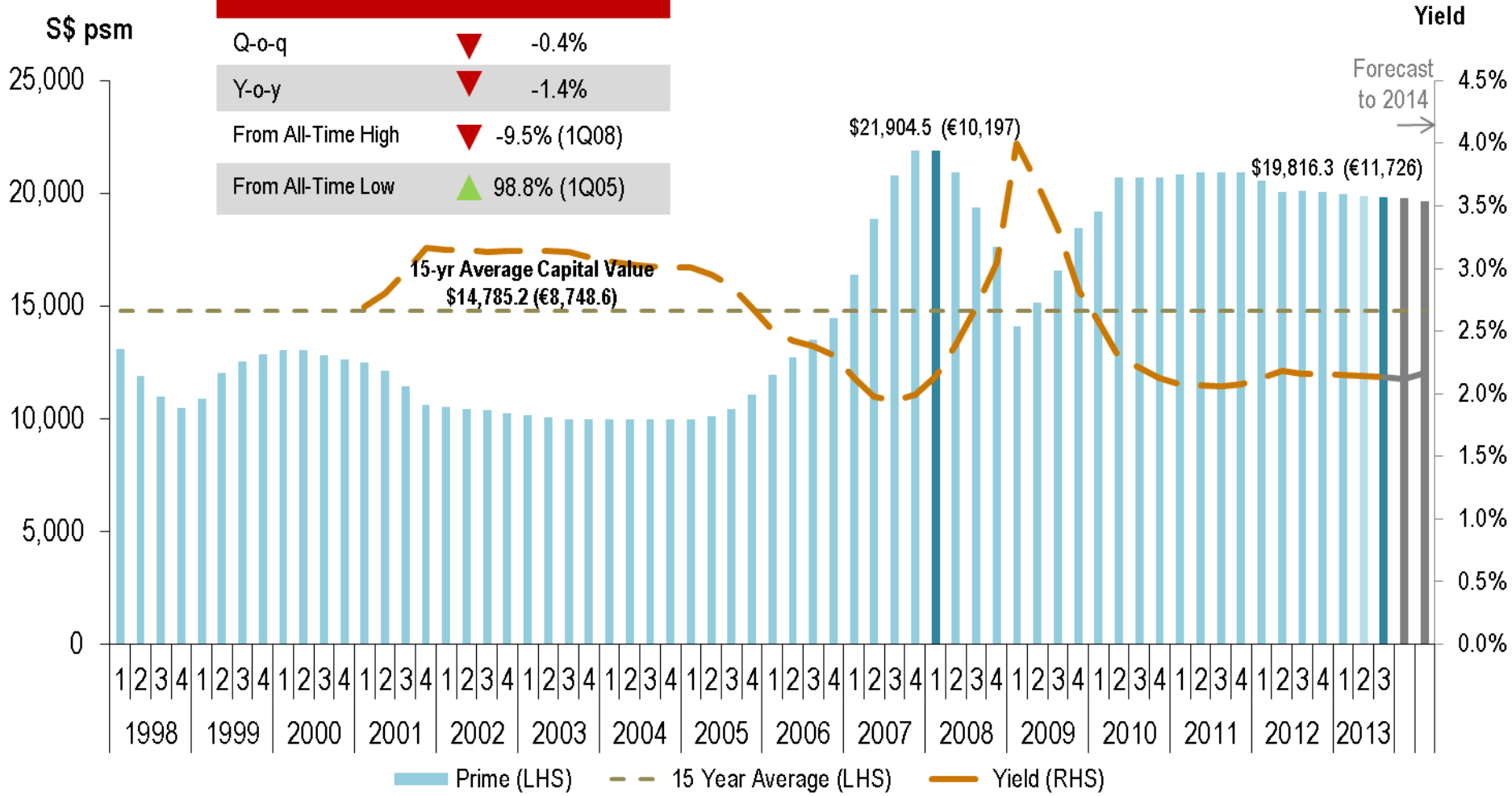


Singapore prime residential rents have been stabilising












Singapore prime residential Capital Values continue to decline

Price Change		Prime CV
Q-o-q	▼	-0.4%
Y-o-y	▼	-1.4%
From All-Time High	▼	-9.5% (1Q08)
From All-Time Low	▲	98.8% (1Q05)



Singapore Real Estate 12-month outlook

Sector	Comments	Capital Values	Rents	Occupancy	Additional Stock completing over next 12-months (% of existing stock)	Typical Annual Absorption
Office	<ul style="list-style-type: none"> Demand expected to remain flat Rents likely to be stable Capital values growth expected to flatten with loan tightening 				0.0%	1.9%
Retail	<ul style="list-style-type: none"> Sustained demand from retailers to continue underpinning prime retail rents Loan tightening expected to prevent capital values from rising 				2.0%	2.5%
Residential	<ul style="list-style-type: none"> Rents in prime residential market softening due to reduced demand from foreigners and higher completions Capital values easing due to weaker sentiments and sales, dampened by cooling measures 				5.3%	4.5%

Recent Major Sales Transactions 2012-2013

Hotel and Retail



Grand Park Orchard Hotel & Knightsbridge

SGD 1,150 million
(€ 680.5 million)

Seller: Park Hotel, Hong Kong

Buyer: Bright Ruby Resources,
China

3Q 2013

Price psm: Retail: SGD 102,258
(€ 60,508) Hotel: SGD 1.5mil
per room (€ 887,600)

Initial yield: 4%

Office



Robinson Point

SGD 348.9 million
(€ 206.4 million)

Seller: Sun Venture,
Singapore

Buyer: Tuan Sing
Holdings, Indonesia

2Q 2013

Price psm: SGD 27,760
(€ 16,426)

Initial yield: 3%

Office



2 Havelock Rd

SGD 282.9 million
(€ 167.4 million)

Seller: AEW, USA

Buyer: Guthrie GTS,
Indonesia

1Q 2013

Price psm: SGD 17,513
(€ 10,363)

Initial yield: 3.15%

Office



30% interest in MBFC Tower 3

SGD 1,035 million
(€ 638.9 million)

Seller: JV - Hutchison
Whampoa, Cheung Kong,
Hong Kong

Buyer: DBS Group,
Singapore

4Q 2012

Price psf: SGD 27,502
(€ 16,976)

Initial yield: 3.0%

Recent Major Sales Transactions 2012-2013

Office



87.5% interest in Ocean Financial Centre

SGD 2.01 billion
(€ 1.18 billion)

Seller: Keppel Land,
Singapore

Buyer: K-REIT,
Singapore

4Q 2011

Price psf: SGD 27,800
(€ 16,560)

Initial yield: 2.8%

Office



12.4% interest in Ocean Financial Centre

SGD 262 million
(€ 161.7 million)

Seller: Keppel Land,
Singapore

Buyer: K-REIT,
Singapore

4Q 2012

Price psf: SGD 25,618
(€ 15,814)

Initial yield: 2.8%

Office



NOL Building, Singapore

SGD 380 million
(€ 234.6 million)

Seller: Neptune Orient
Lines ("NOL"), Singapore

Buyer: Fragrance
Group, Singapore

4Q 2012

Price psf: SGD 19,709
(€ 12,166)

Initial Yield: 3.9%

Retail



50% interest in Nex, Singapore

SGD1,650 million
(€ 1,018.5 million)

Seller: Fund managed
by Pramerica, USA

Buyer: Mercatus
Co-operative, Singapore

2Q 2012

Price psf: SGD 28,750
(€ 17,747)


Initial yield: 5.0%

Prime Offices – Projected changes in values, 2014

	Rental Values	Capital Values
+ 10-20%	Tokyo	Tokyo
+ 5-10%	San Francisco, Dubai, London* Hong Kong, Singapore, New York	San Francisco, Dubai, London* New York, Mumbai, Moscow
+ 0-5%	Mumbai, Beijing, Los Angeles Brussels, Shanghai, Moscow Washington DC, Mexico City, Toronto Seoul, Sydney, Chicago, Boston Madrid, Paris*, Stockholm, Frankfurt	Madrid, Brussels, Boston, Chicago Los Angeles, Washington DC, Toronto Mexico City, Beijing, Hong Kong, Singapore Seoul, Shanghai, Sydney Paris*, Stockholm, Frankfurt
- 0-5%	Sao Paulo	Sao Paulo
- 5-10%		

*New York – Midtown, London – West End, Paris - CBD. Nominal rates in local currency.

What to look out for

- 
- The rise of the 'super city' and 'super-prime' assets
 - 2014 office leasing demand slight rebound, retail demand steady
 - Office and retail remains central to investor portfolios
 - Rising interest rates in Asia Pacific, usually reflected in rising rents
 - Weight of capital likely to underpin capital values
 - Widening spreads between core and non-core. Latter attracting new investors



Thank You

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