Investment Quarterly

Q3/2010

Image (from left to right): W Hotel (still under construction), President International Tower and Taipei 101, Xinyi District, Taiwan

Highlights

Policy risk in China, Hong Kong and Singapore remains significant as governments get to grips with overheated markets. Generally, though, Asia Pacific investment activity levels during the third quarter were higher than during the second, but are still far from peak levels. Availability of institutional grade assets is limited as owners are well aware of the problems of reallocating capital to more productive uses. Cap rate compression is a feature of most sectors. Attention is currently focused on defensive assets including neighbourhood retail centres and logistics facilities, as well as offices where occupier cycles have bottomed out. ■

- Simon Smith

Savills
Research

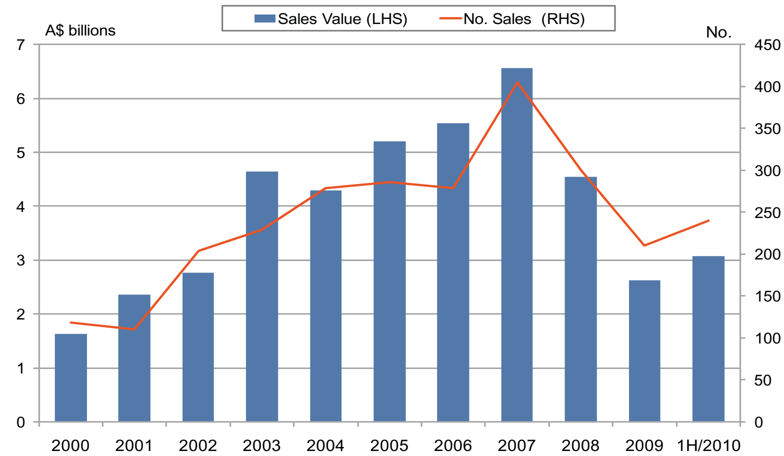
www.savills.com

Australia

In times of economic uncertainty retail property is largely regarded as a defensive investment due to the large percentage of non-discretionary spending supporting income streams. The retail property sector has therefore proven to be a most resilient commercial property sector during the current global credit crisis.

Over the past decade, shopping centres have been increasingly acquired by institutional owners who could actively manage, develop and maintain these centres. The global credit crisis severely curtailed the purchasing power of institutions and allowed other buyers to enter the market.

Retail Property Transactions by Value and Number, 2000 - 1H/2010



Source: Savills Research & Consultancy

Savills recorded approximately A$3.1 billion worth of retail property transactions nationally in the year to June 2010, up from A$2.6 billion in the previous year. The 'Private Investor' purchaser category was the most active in the investment market for the year ended June 2010, purchasing 42 per cent of stock sold.

Major Investment Transactions, July - September 2010

Property	Location	Price (A$ million)	Buyer	Usage
Santos Place, 32 Turbot Street	Brisbane	287	Permodalan	Office
Birkenhead Point Shopping Centre	Drummoyne	174	Denis Jen	Retail
485 Latrobe Street	Melbourne	141	CLSA	Office
77 King Street	Sydney	116	K-REIT	Office
233 Castlereagh Street	Sydney	103.5	GDI Property Group	Office
35 Clarence Street	Sydney	99.3	AMP Capital Investors / Sunsuper	Office
179 Elizabeth Street	Sydney	95	LaSalle Investment Management	Office

Source: Savills Research & Consultancy

The lack of construction in the pipeline means vacancy will only be dictated by shrinking tenant demand rather than a wave of new building. Once tenant demand recovers (in the medium term) we may be faced with a lack of supply similar to the situation faced in late 2007.

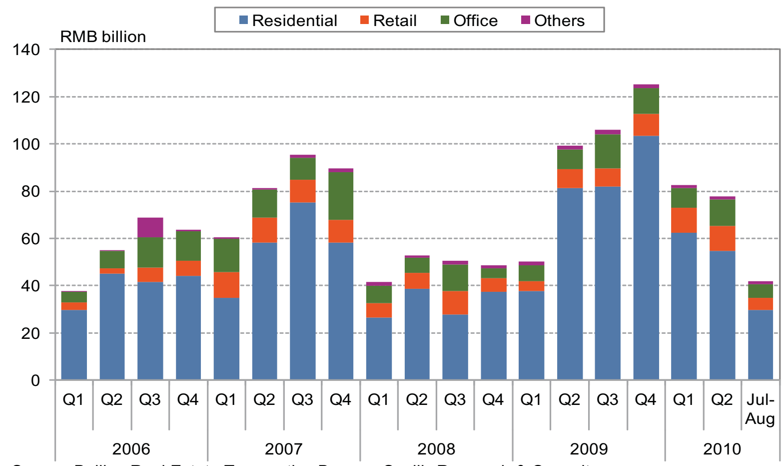
For purchasers, interest costs have reduced significantly while yields have expanded. In some cases quality property may be acquired with a positive spread to debt costs, the first time this has occurred in a decade. For vendors, the global credit crisis is now a reality accepted by all. Those finding it necessary to sell in order to meet capital requirements or debt obligations are more accepting of prevailing market rates. ■

Paul McLean
Chief Executive Officer
+61 2 8215 8801
pmclean@savills.com.au

China - Beijing

Beijing's real estate market was quiet in the third quarter with strata-title transaction volumes and considerations falling compared with the second quarter while no en-bloc deals were reported. Average transaction prices continued to rise in the third quarter with Grade 'A' office and prime retail prices rising by 1.6 per cent and 1.1 per cent respectively. Meanwhile, Grade 'A' apartment and the high-end villa prices rose by 9.2 per cent and 4.7 per cent respectively.

First-Hand Strata-Title Sales Transactions, Q1/2006 - Aug 2010



Source: Beijing Real Estate Transaction Bureau, Savills Research & Consultancy

Grade 'A' apartment transaction prices exceeded an average of RMB50,000 per sqm in the third quarter. This, in conjunction with a slower, although still healthy, improvement in rents resulted in gross yields further compressing to 2.4 per cent and 3.9 per cent for the Grade 'A' apartment and high-end villa markets respectively.

Grade 'A' office gross yields increased in the third quarter however, thanks to a rapid rise in rents in the second and third quarters. With the widening divide in yields for different property types investors are likely to turn their attention increasingly towards the office market.

Insurance companies have been one of the most active players in the en-bloc investment market over the last few years acquiring many projects primarily for end-use. In the future, insurance companies are expected to be more active as new rules issued by the China Insurance Regulatory Commission (CIRC) in September allow insurance companies to acquire real estate projects for investment purposes.

Under the new rules, insurance companies are allowed to invest up to 10 per cent of their total assets (as recorded at the end of the previous quarter) in real estate projects but are still prohibited from developing real estate themselves. By the end of the second quarter, domestic insurance companies held a combined total of RMB4,524 billion of assets, and hence the scope for investment in the real estate market stands at approximately RMB452 billion. With this in mind, domestic insurance companies are expected to play an increasingly important role in a now predominately domestic investor dominated property market. ■

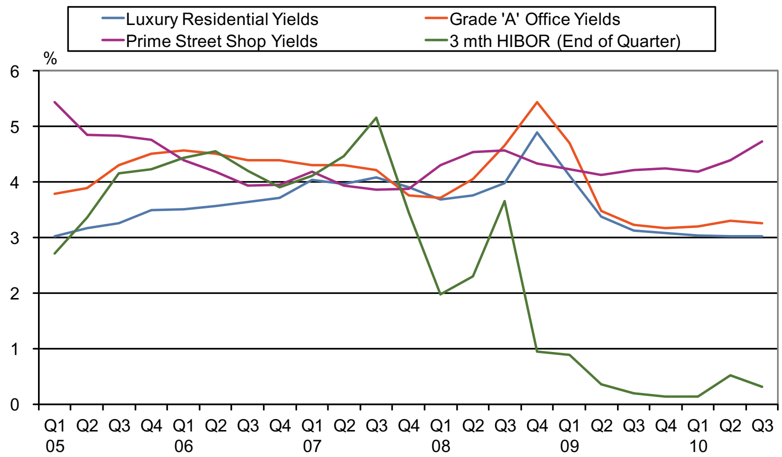
Matthew Brailsford
Deputy Managing Director
+86 10 5925 2002
mbrailsford@savills-bj.com

China - Hong Kong

Modest deal volumes have been noted as potential sellers are well aware of the difficulty of re-allocating capital to more productive assets while potential buyers remain wary of the possibility of future government measures to cool the market (both in Hong Kong and Mainland China) as well as future interest rate rises. Dramatic cap rate compression has ensured that institutions have been sidelined while a lack of investment grade stock is also helping to keep turnover in check.

With mortgage rates of 1 to 2 per cent, limited new supply in the luxury residential segment and active buying by Mainlanders, residential prices have continued to rise over Q3. With Government examining the few policy options open to them, some drop-off in volumes has been evident ahead of the October 13th Policy Address. In the leasing market expats continue to flood in to Hong Kong attracted by low tax rates and brighter job prospects, putting upward pressure on luxury rents which rose by 4 per cent over Q3.

Property Yields vs Hibor, Q1/2005 - Q3/2010



Source: HKMA, Savills Research & Consultancy

In the office market, a chronic lack of available space is already evident in Central while vacancy rates in other districts have begun to fall rapidly. In Kowloon East, where a majority of new supply has come on stream over the past 2 years, take up has been brisk and vacancy now stands at 8 per cent with landlords raising rents aggressively in response. Savills is forecasting a 20 per cent rise in Grade 'A' office rents this year, followed by a 25 per cent increase in 2011.

Major Investment Transactions, July - September 2010

Property	Location	Price (HK$/US$)	Buyer	Usage
Vicwood Plaza	199 Des Voeux Road Central, Sheung Wan	HK$4.1 bil / US$526.99 mil	Lee Kam Kee	Office
22-24 Russell Street	22-24 Russell Street, Causeway Bay	HK$1.1 bil / US$141.39 mil	Emperor Group	Retail
88 Gloucester Road	88 Gloucester Road, Wanchai	HK$948 mil / US$121.85 mil	TBC	Office
22 floors, Neich Tower	124-131 Gloucester Road, Wanchai	HK$828 mil / US$106.43 mil	TBC	Office
Matheson Centre	3 Matheson Street, Causeway Bay	HK$700 mil / US$89.97 mil	Fast Glory Investment Ltd	Retail
MK1, Bell House	525-543A Nathan Road, Yaumatei	HK$696 mil / US$89.46 mil	Sunlink Holdings (HK) Ltd	Retail
House, 11 Headland Road	11 Headland Road, Southside	HK$660 mil / US$84.83 mil	Wealth Development Ltd	Residential

Source: Savills Research & Consultancy

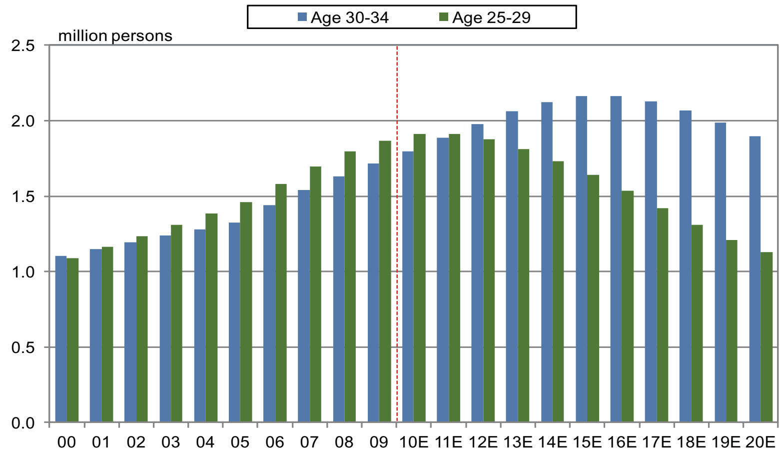
Buoyant tourist numbers and lacklustre home markets is ensuring that international retailers are targeting Hong Kong and China as never before. Competition for prime sites has been fierce especially among luxury fashion brands and jewelers and rents of HK$1,000 per sq.ft. plus (US$130) are becoming more common. We note that tourists are moving beyond traditionally popular malls, to target first tier centres which have not traditionally appealed and this is requiring some adjustment in trade and tenant mix. A heavy focus among retailers on prime-prime streets is opening up a significant differential between primary and secondary locations in terms of pricing. ■

Peter Yuen
Deputy Managing Director
+852 2842 4436
pyuen@savills.com.hk

China - Shanghai

China's residential real estate prices have been under the microscope in Q3/2010 as government initiatives to cool the market have returned baffling results. In the beginning of 2010, the central government responded to the escalating real estate prices by implementing a series of cooling policies including increasing down payment requirements to a minimum of 30 per cent for first time buyers and 50 per cent for second time buyers, while restricting bank lending to third time buyers. On the supply side, the government put pressure on developers to hurry development of idle land.

Shanghai Population Aged 25-29 & 30-34, 2000 - 2020E



Source: Economic Intelligence Unit, Savills Research & Consultancy

Although the realisation of these initiatives showed initial promise, results in August left market watchers baffled as the average transacted price for commodity housing in Shanghai appreciated a total of 10 per cent month-on-month. Underpinning these results appears to be demographic data. The number of people aged to buy property in Shanghai is on the rise and they seem to have little patience for a price reversal. Given that these demographic trends are expected to continue for a good portion of the next decade, real estate prices are expected to be supported by end user demand. This is expected to result in either further appreciation or stricter cooling policies.

In addition to the residential market, the commercial sector has also been in a buzz. As of September 2010, new regulations now permit domestic insurance companies to invest in commercial real estate. The new policy could potentially open a RMB475 billion investment channel into real estate; a substantial amount compared to Shanghai's total real estate investment of RMB15.8 billion in August 2010. Considering insurers represent a comparatively greater share of institutional real estate investment in more mature markets around the world, it is prudent to assume that much of this capital will be invested in real estate as the market matures. ■

Major Investment Transactions, July - September 2010

Property	Location	Price (RMB/US$)	Buyer	Usage
Pinnacle Century Park	99 Dongxiu Road, Pudong	RMB1.2 bil / US$178.6 mil	JP Morgan	Residential
Cross Tower	318 Fuzhou Road, Huangpu	Undisclosed	Ascendas	Office

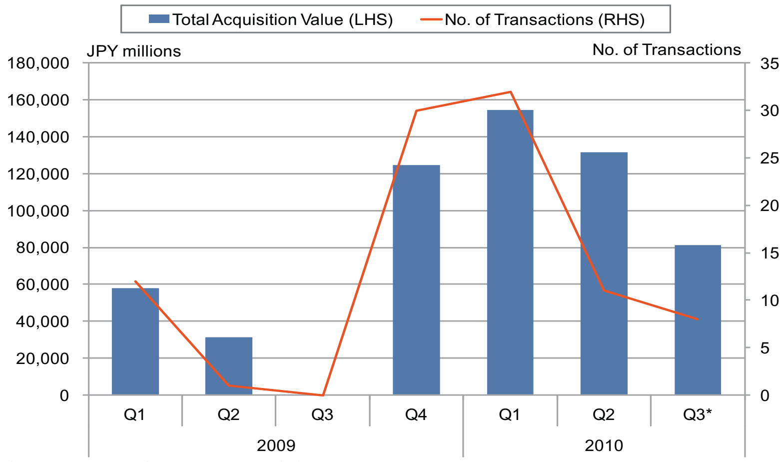
Source: Savills Research & Consultancy

Albert Lau
Managing Director
+86 21 6391 6688
alau@savills-sh.com

Japan

Despite uncertainty about the sustainability of the nascent economic recovery, healthy levels of investment activity have been seen in Japan through the third quarter. Along with large domestic companies and some blue-chip J-REITs, overseas investors have been active in acquiring small-to-mid sized investment assets in prime locations as well as non-core properties offering stable long-term returns.

J-REIT Transaction Activity, Q1/2009 - Q3/2010



Source: J-REITs, Savills Research & Consultancy

* Data for Q3/2010 relates to transactions between 1 July and 15 September 2010

Q3 witnessed a marked increase in demand for retail assets. Central Tokyo transactions included Mori Hills REIT's JPY21.82 billion acquisition of the Laforet Harajuku shopping centre site from its sponsor company, Mori Building. This followed the purchase of the Ginza Glasse building by another J-REIT, Frontier Real Estate Investment Corporation (FRI), at a yield of approximately 4.0 per cent. Two out-of-town outlet malls were also transacted; Lalaport Iwata in Shizuoka Prefecture was purchased by FRI for JPY15.2 billion, whilst Nasu Garden Outlet in Tochigi Prefecture was acquired by LaSalle Investment Management for JPY15.38 billion.

Major Investment Transactions, July - September 2010

Property	Location	Price (JPY / US$)	Buyer	Usage
Shinjuku Subaru Building	Nishi-shinjuku, Shinjuku Ward, Tokyo	JPY34.0 bil / US$393.3 mil	Odakyu Electric Railway	Office
Laforet Harajuku (Land Only)	Jingumae, Shibuya Ward, Tokyo	JPY21.82 bil / US$258.2 mil	Mori Hills REIT	Retail
Ichikawa Logistics Center II	Ichikawa , Chiba	JPY19.35 bil / US$229.0 mil	Japan Logistics Fund Inc.	Industrial
Nasu Garden Outlet	Nasushiobara, Tochigi	JPY15.39 bil / US$178.0 mil	LaSalle Investment Management	Retail
Ginza Glasse	Ginza, Chuo Ward, Tokyo	JPY13.6 bil / US$154.2 mil	Frontier Real Estate Investment Corp.	Retail

Source: JREITs, Real Capital Analytics, Savills Research & Consultancy

The largest transaction recorded in Q3 comprised the JPY34 billion sale of the 20,385 sqm Shinjuku Subaru Building to Odakyu Electric Railway. Two other office acquisitions were also completed at over JPY10 billion, involving Japan Prime Realty Investment (a J-REIT) and developer/owner Mori Building. The logistics market was also active through the quarter. REIT Japan Logistics Fund acquired 90 per cent ownership of a 73,900 sqm facility in Chiba from Prologis, whilst Singapore-based Mapletree Logistics Trust acquired three logistics facilities in Greater Tokyo for around JPY13 billion from a local 3PL company.

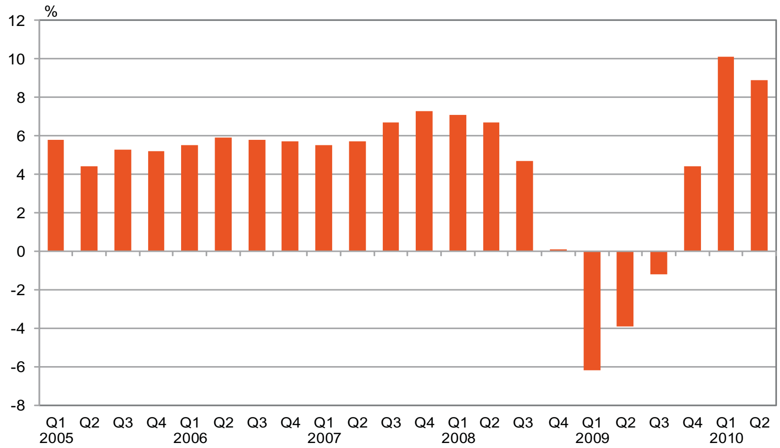
Activity is expected to remain robust over the coming months, especially for J-REITs with strong sponsorship relations, as the funding environment continues to improve and planned consolidations progress. Historically low pricing and the availability of cheap debt is also anticipated to attract heightened overseas investment, particularly from Asia, going forward. ■

Christian Mancini
Chief Executive Officer
+81 3 5562 1717
cmancini@savills.co.jp

Malaysia

The Malaysian economy recovered quickly after a bad year in 2009. Bank Negara raised the overnight policy rate (OPR) to 2.75 per cent on 8th July as local economic indicators continued to show robust growth. This is the third time that rates have been increased this year.

Malaysia GDP Growth, 2005 - Q2/2010



Source: Department of Statistics Malaysia, Rahim & Co Research

A public open day took place on 21st September to hear more about the Economic Transformation Programme for the country. A scale model of Greater Kuala Lumpur was unveiled. The plan for Kuala Lumpur includes being among the global top-20 most liveable cities by 2020 and multinational companies will be encouraged to locate their headquarters in Greater KL. Regional connectivity will be accelerated with a high speed rail system connecting Greater KL and Singapore. Greater KL will require a cumulative funding of RM172 billion from 2010 to 2020.

The owners of Pavilion KL shopping centre re-opened the former KL Plaza (now known as Farenheit 88) after a RM100 million refurbishment and also purchased development land of 29,127 sqft opposite for a record price of RM 7,209 per sqft. Qatar Investment Authority (QIA) owns 49 per cent of the Pavilion KL shopping centre nearby. In Q2/2010, QIA also signed a Memorandum of Understanding with 1Malaysia Development Bhd to facilitate investment cooperation.

Other major investment news concerns Kuala Lumpur City Centre made famous by the iconic Petronas Twin Towers. It was reported that a 14,300 sqft penthouse apartment at Binjai On The Park was sold to a high net worth individual for a record RM2,657 per sqft. Also, the architect of the Petronas Twin Towers is said to be designing a mixed use development for a joint venture company formed between KLCC (Holdings) Sdn Bhd and Qatar Investment Authority. ■

Major Investment Transactions, July - September 2010

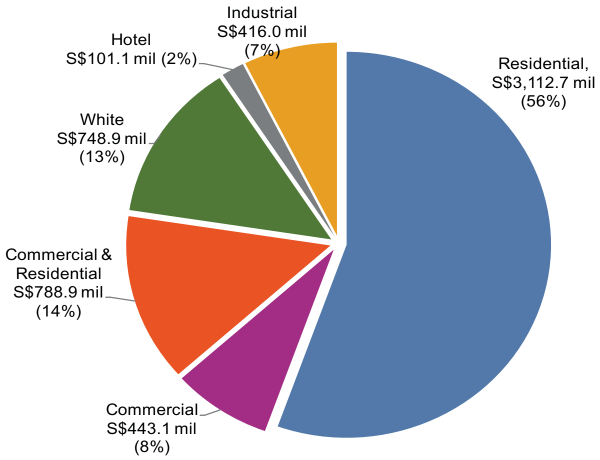
Property	Location	Price (RM/US$)	Buyer	Usage
Development Land (29,127 sq.ft.)	Kuala Lumpur Golden Triangle (Bukit Bintang)	RM210 mil / US$68 mil	Urusharta Cemerlang (KL) Sdn Bhd	Commercial
Tesco	Johor Bahru	RM75.6 mil / US$24.5 mil	Axis REIT	Hypermarket
Wisma Time	Jalan Tun Razak, Kuala Lumpur	RM78 mil / US$25.2 mil	Johor Land Bhd	Office
Binjai On The Park (14,300 sq.ft. penthouse apartment)	Jalan Binjai, Kuala Lumpur	RM38 mil / US$12.3 mil	Confidential	Residential

Source: Savills Research & Consultancy

Robert Ang
Managing Director
+60 3 2691 9922
robertang@savillsrahim-co.com

Singapore

Lands Awarded Under the Government Land Sales Programme, 2010



Source: URA, HDB, Savills Research & Consultancy

Buying activity in the CBD office market picked up with four deals worth a total of S$1.46 billion in the reviewed period, accounting for about 73 per cent of the total transaction value of CBD office buildings in the first nine months of 2010. Notably, Overseas Union Enterprise (OUE) bought DBS Towers One and Two for S$870.5 million or nearly S$986 per sqft on net lettable area, inking the largest office purchase since 2008. In terms of unit price, the most expensive office sold year to date was a stack of four office floors at Samsung Hub which Ho Bee sold to Sun Venture Invesco for S$111.4 million or S$2,125 per sqft. In addition, office buildings with redevelopment potential continue to attract keen interest as evidenced by the S$380 million recently paid by Frasers Centrepoint Ltd for StarHub Centre at Cuppage Road. The buyer, who owns the adjacent Centrepoint Shopping Centre, is likely to redevelop the StarHub Centre into a residential (60-80 per cent of GFA) cum commercial (20-40 per cent of GFA) development.

Given the upbeat outlook of the tourism industry, investment activity in the hotel sector has also picked up in recent months. Two hotels changed hands in August: one was Park Regis located in the Singapore River area which was sold just ahead of its scheduled opening in September for S$218 million, whilst the other was Ibis Singapore on Bencoolen which was bought by a Singaporean private investor for just over S$200 million. Under the government land sales programme, a hotel site located at the junction of Clemenceau Avenue and Havelock Road was put up for public tender and attracted 13 bidders. The top bid of S$101.1 million or S$813 per sqft per plot ratio came from RB Capital.

Major Investment Transactions, July - September 2010

Property	Location	Price (S$/US$)	Buyer	Usage
Government Land	New Upper Changi Road / Bedok North Drive	S$788.9 mil / US$590.3 mil	A joint venture between CapitaLand Residential Singapore and CapitaMalls Asia	Commercial & Residential
DBS Towers One and Two	Shenton Way	S$870.5 mil / US$651.3 mil	Overseas Union Enterprise	Office
Park Regis Singapore	Merchant Road	S$218.0 mil / US$163.1 mil	Indonesian mining magnate Yusuf Merukh	Hotel
Ibis Singapore on Bencoolen	Bencoolen Street	>S$200.0 mil / US$149.6 mil	A Singaporean private investor	Hotel
Starhub Centre	Cuppage Road	S$380.0 mil / US$284.3 mil	Frasers Centrepoint Ltd	Office & Retail
Chinatown Point (283 retail strata units and four office strata units)	New Bridge Road	S$250.0 mil / US$187.1 mil	Perennial Chinatown Point LLP	Office & Retail

Source: Savills Research & Consultancy

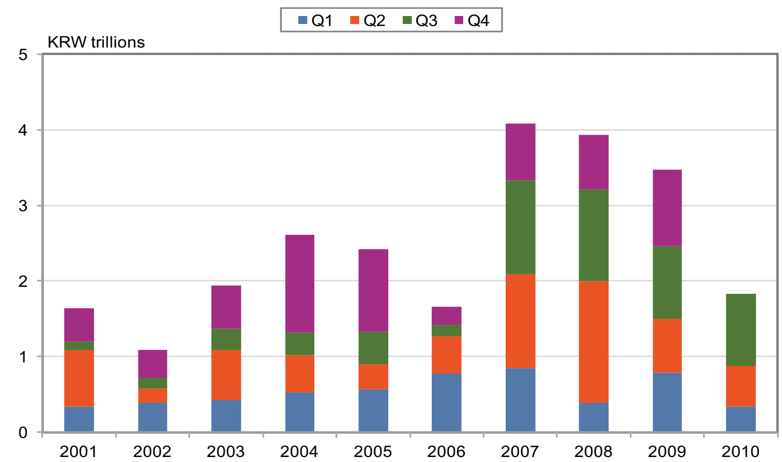
With the better-than-expected economic growth, the Ministry of Trade and Industry upgraded its full year economic forecast for 2010 to between 13 and 15 per cent, despite headwinds from the US and Europe's economic uncertainties. We therefore expect that the investment market could see more transactions, especially in the office market with the renewed positive sentiment. ■

Christopher J Marriott
CEO, South East Asia
+65 6415 3659
cjmarriott@savills.com.sg

South Korea

After 17 months, the Bank of Korea announced in July that it would increase the base interest rate from 2.0 to 2.25 per cent, considering the global economic recovery and the growth rate of the domestic economy. The BOK has left the rate at this level for the last two months, expressing concern over the economic recovery of some of Korea's major trading partners offset by still robust domestic activity. Nevertheless, the outlook for this year has continued to improve with the IMF raising its growth estimate for the economy in early September to 6.1 per cent up from the previous 5.75 per cent. The forecast also calls for inflation to remain under control, but a moderation in the trade surplus from last year's record level. Further out, current estimates point to 4-4.5 per cent growth in 2011.

Major Seoul Office Building Transaction Volumes, Q1/2001 - Q3/2010



Source: Savills Korea

Consistent with the underlying economic strength, the Seoul prime office leasing market improved in Q3. For the third consecutive quarter, net absorption remained in positive territory while the vacancy rate, after rising last quarter from Q1, declined by 150bps from Q2 to 5.7 per cent reflecting a lack of new supply and a notable recovery in CBD. Face rents also rose, ticking up 30bps from Q2. Favorable economic conditions should continue to support the market in Q4, although a key factor affecting the outlook is a large number of expected completions due in 2011, estimated at 12 per cent of June 2010 stock.

Major Investment Transactions, July - September 2010

Property	Location	Price (KRW/US$)	Buyer	Usage
Twin Tree	CBD	KRW284 bil / US$239 mil	Pramerica, Kyobo	Office
Prime Tower	CBD	KRW142 bil / US$119 mil	RREEF	Office
Gateway	CBD	KRW140 bil / US$118 mil	Dongbu Fire & Marine	Office
Alpha	CBD	KRW70 bil / US$59 mil	RREEF	Office
Cosmo Tower (Dosundong)	Others	KRW60 bil / US$50 mil	JR AMC	Office
HI Investment & Securities Building	YBD	KRW55 bil / US$46 mil	Kochem Co Ltd	Office

Source: Savills Research & Consultancy

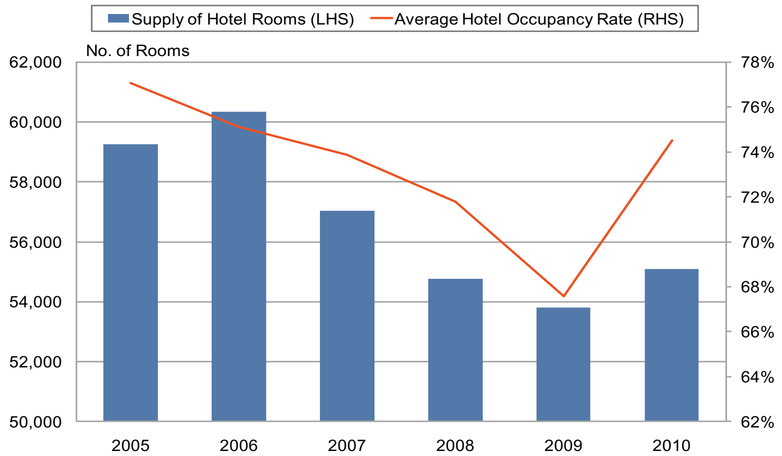
Transaction volumes in the Seoul office market recovered sharply in Q3 from the levels seen earlier in the year, with volume actually exceeding the total in 1H/2010. Despite the relatively notable turnaround, volumes year to date are still tracking ~25 per cent below the same period last year due in part to limited opportunities in the market. Meanwhile, pricing held relatively steady with last quarter supported by the lack of supply and current leasing market conditions. Cap rates were seen in the mid 5 per cent to low 6 per cent range in Q3. Investors broadly are conscientious of the increase in supply in 2011 referenced above, and some appear to be waiting to see if this presents an opportunity. ■

Gyehwan An
Senior Vice President
+82 2 2124 4203
ghan@savills.co.kr

Taiwan

Taiwan's investment market displayed few signs of decelerating in the third quarter as domestic investors continued to demonstrate a preference for assets which offer exposure to the burgeoning number of Mainland arrivals. The year-to-date aggregate value of commercial deals stood at US$2.09 billion (NT$66.94 billion), which represents a 12 per cent advance on the same period in 2009, although still 12 per cent shy of the benchmark established in the first three quarters of 2007.

Taipei City 'Tourist' Hotel Market, 2005 - Sep 2010



Source: Taiwan Tourism Bureau, Savills Research & Consultancy

The Wanhua District surrounding Taipei's Main Station has emerged as the investment market du jour as investors seek to capitalize on the area's popularity with Mainland tourists. Given the scarcity of vacant land in the neighbourhood, one of the only available options for hotel development is through redevelopment projects, which typically convert dated retail or office stock into hotel use.

Major Investment Transactions, July - September 2010

Property	Location	Price (NT$/US$)	Buyer	Usage
Neihu Lake Square	No. 180, Sec 4, Chenggong Road, Neihu Dist., Taipei	NT$6.00 bil / US$187.5 mil	Highwealth Construction Co.	Retail
Galaxy Department Square	No. 52 Hanzhong Street, Wanhua Dist., Taipei	NT$3.05 bil / US$95.3 mil	Asia Pacific Land	Retail
Chinfon Commercial Bank HQ	No. 1 Nanyang Street, Zhongzheng Dist., Taipei	NT$2.56 bil / US$80.0 mil	Taiwan life Insurance Co.	Office
Shen Enterprise Building	No. 149, Sec 2, Minsheng E. Road, Zhongshan Dist., Taipei	NT$2.00 bil / US$62.5 mil	Yuanta Construction Co.	Office
Taipei Financial Centre	No. 88 Dunhua N. Road, Songshan Dist., Taipei	NT$1.86 bil / US$58.1 mil	Lung Yen Life Service Co.	Office

Source: Savills Research & Consultancy

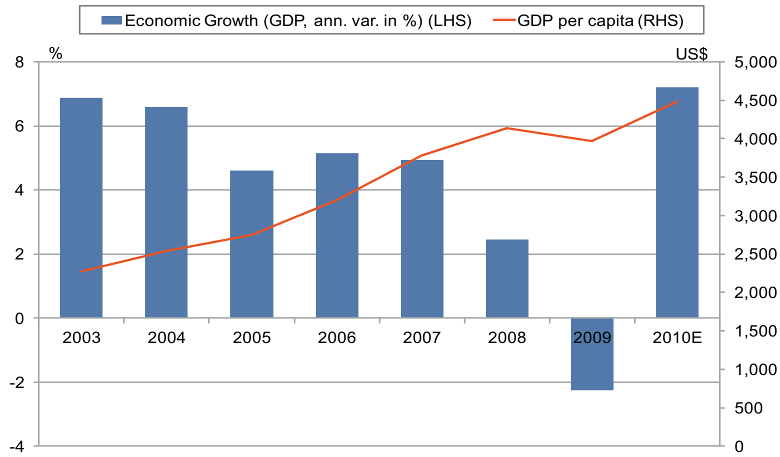
In Q3/2010, our records suggest two acquisitions were concluded for subsequent hotel conversion, bringing the total number to 13 since the beginning of 2009. In examining data provided by the Tourism Bureau, the current status of supply and demand fundamentals is less than conclusive. Although the number of hotel rooms in Taipei has actually contracted during the past five years, while arrivals are at record levels, occupancy rates are lower, which raises the question of what market share motels are capturing. Nonetheless, there is an obvious spike in occupancy from 2009; although this could be attributed to regional recovery, we are of the opinion that it is a mute point going forward, as demand will keep pace with supply. ■

Cynthia Chu
Managing Director
+886 2 8789 5828
cchu@savills.com.tw

Thailand

Both the Thai economy and the general political environment have seen a very positive period of stabilization and growth following the cessation of protests in the capital in the second quarter of this year. The economy has benefited from foreign currency movements as the Thai baht has gained significantly compared with the US Dollar. The differential between the two currencies has grown from THB 45: 1 US Dollar to its current level of THB 30.5: 1 US Dollar during the last three years. The Baht is now showing a 13 year high against the US dollar and other major currencies, and is now fast approaching levels not seen since before the 1997 Asian Crisis.

GDP Growth and GDP per capita, 2003 - 2010E



Source: Focus Economics, Savills Research & Consultancy

Whist Thai exporters are enjoying this period of improved profitability, the strength of the Baht has impacted foreign investment demand for real estate in Bangkok and the resort markets. On the flip side, Thai investors are showing increased interest in investing overseas with London at the top of the list. Residential developers in Bangkok have seen a strong trend towards lower priced housing units and condominiums priced from one million to 2.3 million baht. This shift by most large developers towards the mass market one bedroom sector has led to approximately 80 per cent of new supply now being targeted within this price range. This trend has led to a gradual decline in the new supply of high end luxury housing and condominium developments in Bangkok. New residential development in the key resort markets of Phuket, Pattaya and Koh Samui has declined sharply as sales remain subdued. New hotel supply remains strong and is supported by a robust tourism sector which has seen a moderate shift from European visitors to growth from China and India this year. The Thai stock market has risen by over 26 per cent in the last 12 months on the back of the strong local economy and a surge of foreign investors in to the market during the second half 2010. ■

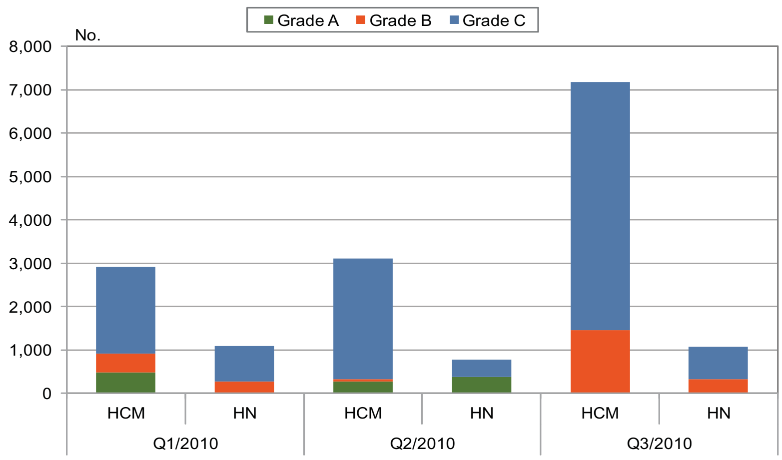
Robert Collins
Chief Executive Officer
+66 2 636 0300
rcollins@savills.co.th

Vietnam

Despite a continuing improvement in the Vietnamese economy, transaction volumes have remained low. The GDP growth rate reached a high of 7.16 per cent in the third quarter against 6.4 per cent in Q2/2010 and 4.6 per cent in Q3/2009. Disbursed FDI remained strong at US$8 billion for the first nine months, up 4.8 per cent year-on-year. However, inflation is still a concern as CPI hit 6.46 per cent year-to-date and 8.64 per cent year-on-year. Controlling inflation continues to be an issue for the government, although the outlook is better for 2011.

The improving economic climate has supported the growth of Hanoi's commercial office sector, resulting in a substantial 11 per cent increase in supply in the third quarter of 2010. Despite this the average occupancy dropped by only 1 per cent across the market. Rental rates also held up well, with little change during the quarter. Grade 'A' offices achieved an average occupancy rate of around 87 per cent, with rents unchanged at approximately US$39 per sqm per month.

Newly Launched Apartments for Sale, HCMC and Hanoi, Q1/2010 - Q3/2010



Source: Savills Research & Consultancy

The development of Grade 'C' quality apartments for sale has prevailed in both Hanoi and Ho Chi Minh City. In Hanoi, among more than 1,000 apartments launched during the quarter, 69 per cent came from Grade 'C' projects. This figure in Q1/2010 and Q2/2010 stood at 75 per cent and 52 per cent respectively.

In Ho Chi Minh City, new apartment-for-sale launches saw a record high of approximately 16,600 units during the quarter, up by 48 per cent against the last quarter. Grade 'C' dominates the primary market with a 76 per cent market share. The market absorption also increased considerably to approximately 4,400 apartments, equal to the total absorption over the first six months of this year. Grade 'C' apartments accounted for 80 per cent of the total market absorption. As a result, oversupply at the top end of the market continues to be a concern for foreign developers.

Hanoi's villa/townhouse-for-sale sector saw an average price increase of around 5 to 6 per cent quarter-on-quarter. Demand for this asset class has been significant, supporting further development of villa/ townhouse projects and a corresponding increase in supply. ■

Neil MacGregor
Deputy Managing Director
+84 8 3823 4754
nmacgregor@savills.com.vn

For further information, please contact:

research & consultancy

Simon Smith
Senior Director
+852 2842 4573
ssmith@savills.com.hk

australia

Paul McLean
Chief Executive Officer
+61 2 8215 8888
pmclean@savills.com.au

china - beijing

Matthew Brailsford
Deputy Managing Director
+86 10 5925 2288
mbrailsford@savills-bj.com

china - shanghai

Albert Lau
Managing Director
+8621 6391 6688
alau@savills-sh.com

hong kong

Peter Yuen
Deputy Managing Director, Head of Investment & Sales
+852 2842 4518
pyuen@savills.com.hk

japan

Christian Mancini
Managing Director, CEO
+81 3 5562 1717
cmancini@savills.co.jp

malaysia

Robert Ang
Managing Director
+60 3 2691 9922
robertang@savillsrahim-co.com

singapore

Christopher J Marriott
CEO, South East Asia
+65 6415 3659
cjmarriott@savills.com.sg

south korea

Gyehwan An
Senior Vice President
+82 2 2124 4203
ghan@savills.co.kr

taiwan

Cynthia Chu
Managing Director
+886 2 8789 5828
cchu@savills.com.tw

thailand

Robert Collins
Managing Director
+66 2 636 0300
robertc@savills.co.th

vietnam

Neil MacGregor
Deputy Managing Director
+84 8 3823 4754
nmacgregor@savills.com.vn

corporate finance

Kelly Hayes
Director
+81 3 5562 1760
khayes@savills.co.jp

regional enquiries

Frank Marriott
Senior Director, Real Estate Capital Markets, Asia Pacific
+852 2842 4475
fmarriott@savills.com.hk

corporate website

www.savills.com

Savills
Research

www.savills.com

savills