
The Asian Real Estate Market 2015

Viewpoints from Japan, China, Korea, Taiwan, Singapore and India

August 2015

Nomura Research Institute

Marunouchi Kitaguchi Bldg. 1-6-5 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

*To create a transparent real estate market in Asia,
to enhance business activities among real estate firms.*

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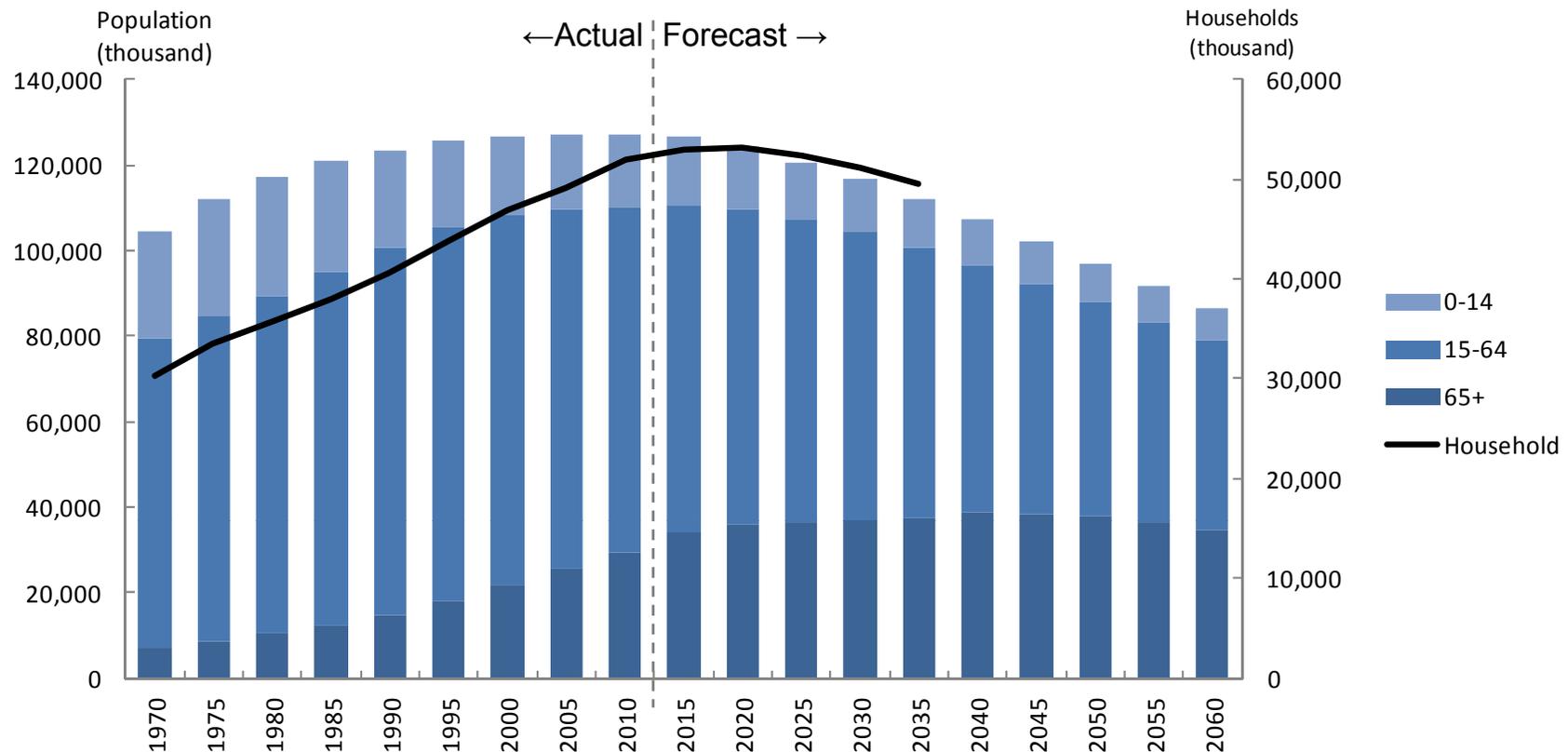
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Population Movements in Japan

Japan's population is aging and shrinking due to a low birth rate.
The number of households will also be decreasing soon.

- Total population peaked out in 2005. The number of households is increasing for now, but it is projected to decrease after 2019.
- The population of 65 years or older is expected to level off in 2025 and head downwards in 2040.

Population and Households in Japan



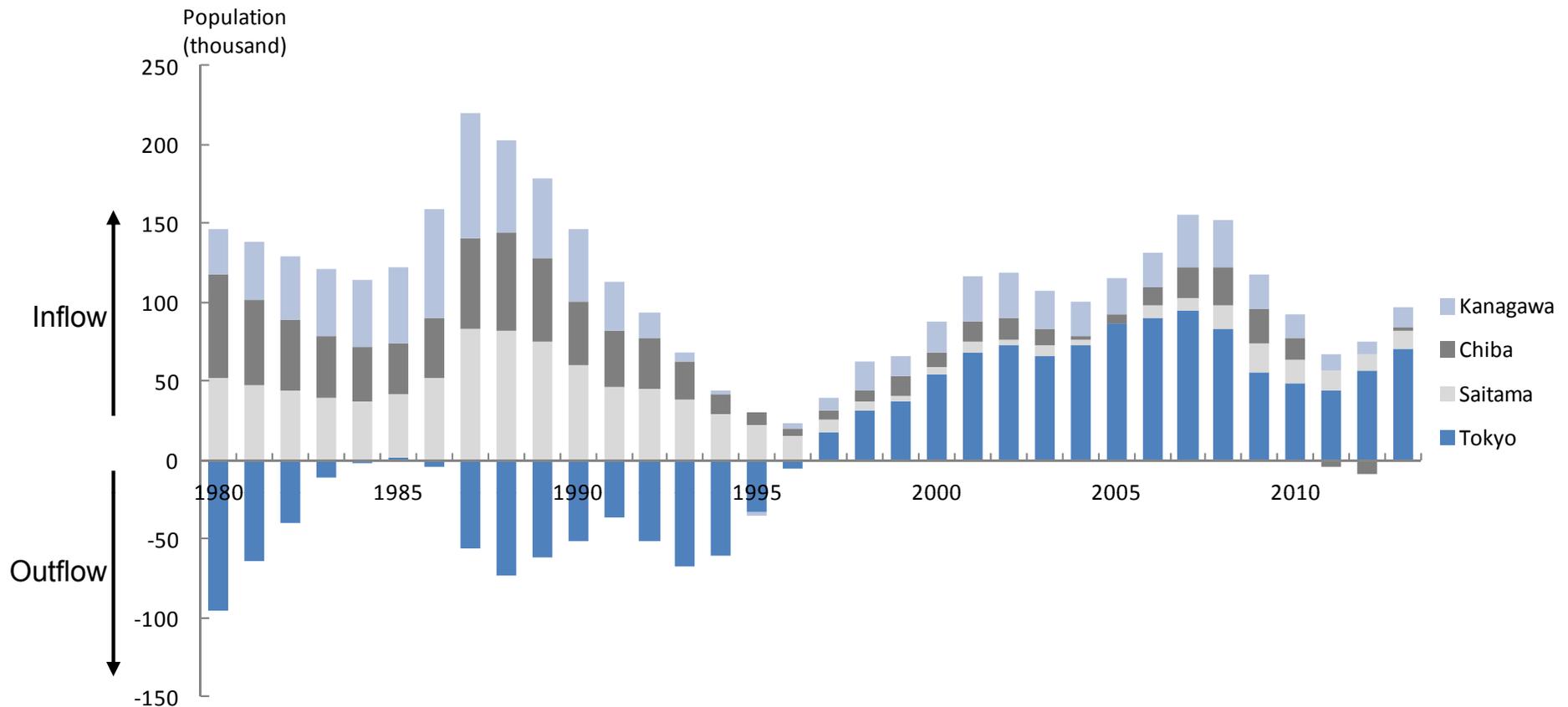
Source: NRI based on National Institution of Population and Social Security Research

Note: Medium-fertility (medium-mortality) projection

Population continues to increase in Greater Tokyo.

■ Population inflow into Tokyo is expected to continue.

Net Population Inflow into Greater Tokyo



Source: NRI based on Basic Resident Register Population Migration Report

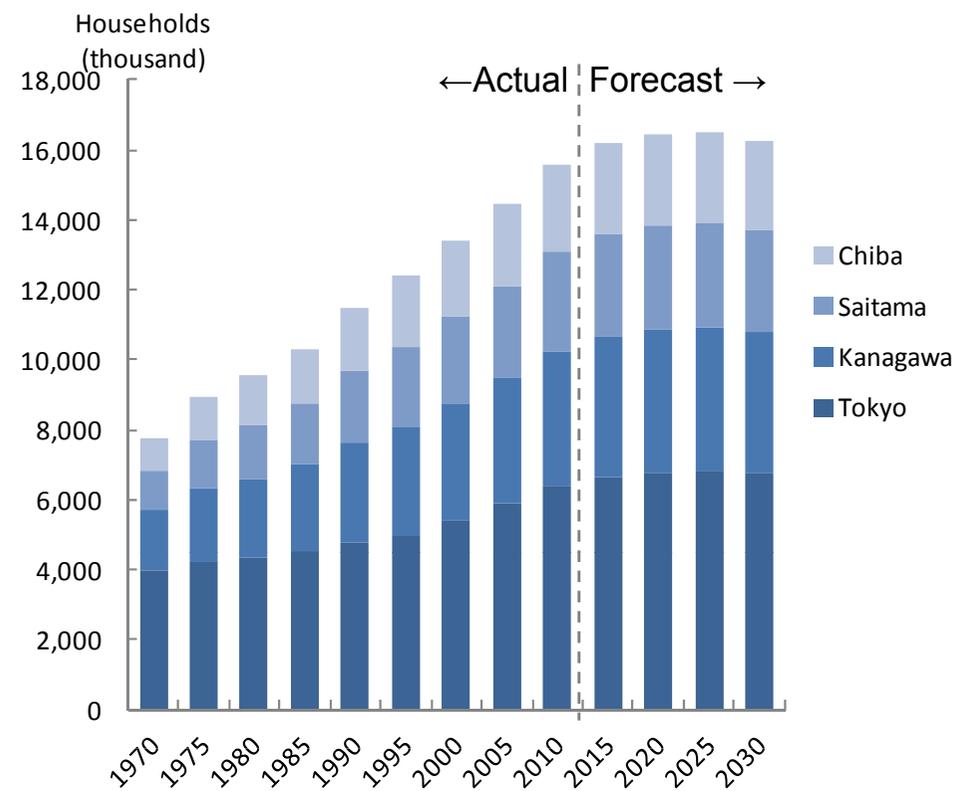
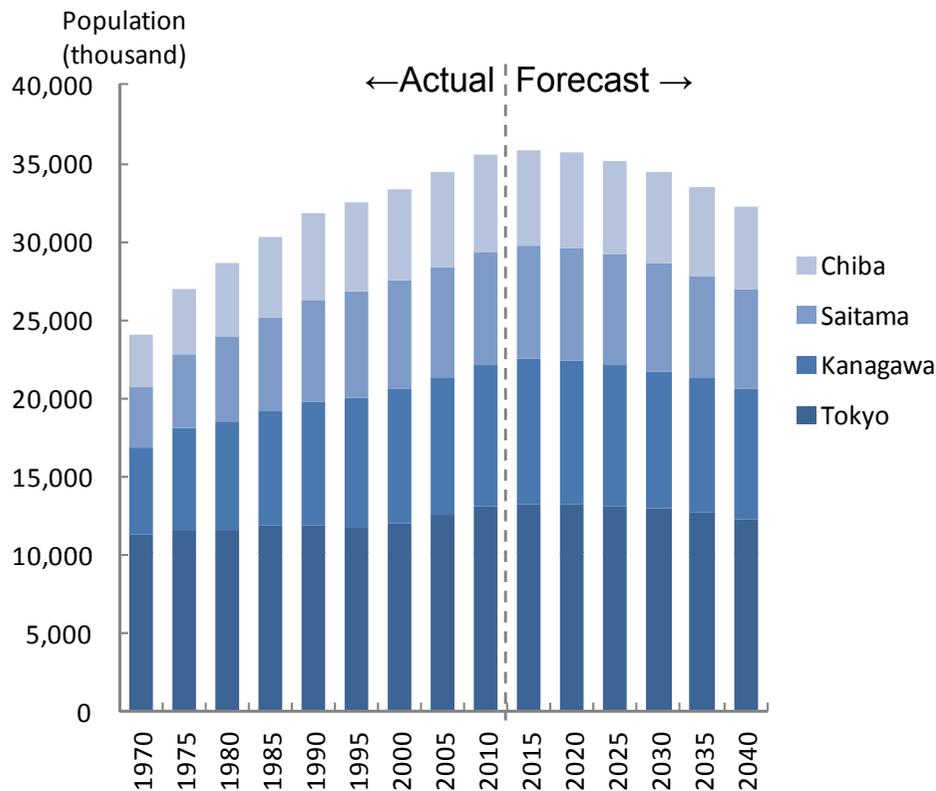
Population Movements in Tokyo

Population and households are projected to decrease in Tokyo in 5 to 10 years time.

- In the Tokyo metropolitan area, total population and number of households are projected to peak out in 2015 and 2025, respectively.

Population in Greater Tokyo

Households in Greater Tokyo



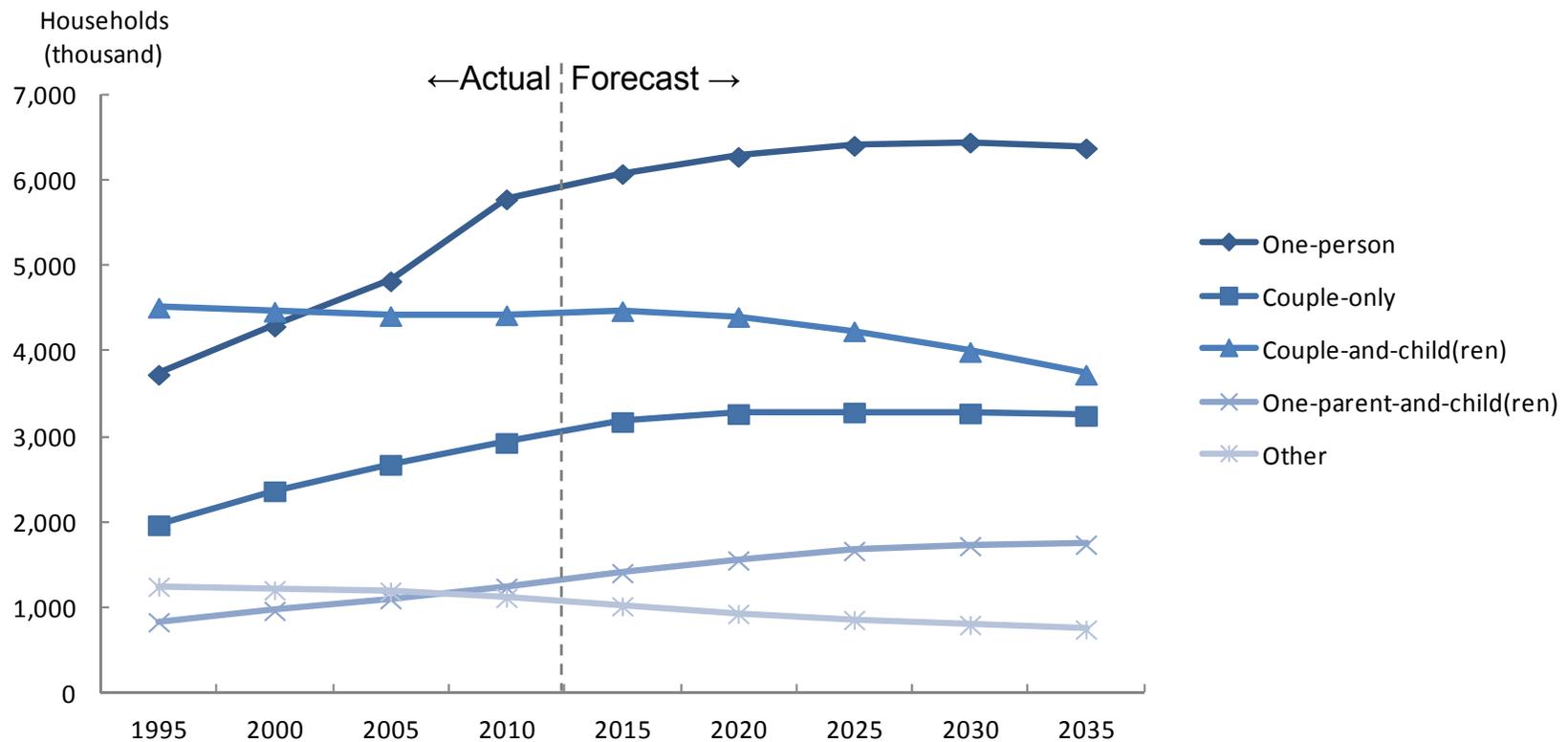
Source: NRI based on National Institution of Population and Social Security Research

Note: Medium-fertility (medium-mortality) projection

Households in Tokyo are expected to increase over the medium term owing to the strength of one-person households.

- The number of single-person households is expected to peak out in 2030.

Number of Households by Family Composition



Source: NRI based on National Institution of Population and Social Security Research

Note: Medium-fertility (medium-mortality) projection

Population in Tokyo is predicted to increase over the long term only in the three wards along Tokyo Bay.

- Population is expected to increase in the Chuo, Koto and Minato wards.
- In seven wards, the population is projected to decrease by over 10% between 2010 and 2040.

Population Trends in Tokyo (2010=100)

Ward	2010	2015	2020	2025	2030	2035	2040
Chuo	100.0	112.9	115.3	116.6	116.8	116.1	114.4
Koto	100.0	102.7	104.4	106.8	108.2	108.8	108.5
Minato	100.0	105.0	107.0	107.9	107.8	107.0	105.2
Shinjuku	100.0	103.3	104.4	104.8	104.4	103.4	101.6
Nerima	100.0	103.8	105.1	105.3	104.5	102.9	100.6
Sumida	100.0	100.8	101.7	102.6	102.7	102.0	100.6
Arakawa	100.0	102.4	103.0	102.8	102.2	101.2	99.7
Chiyoda	100.0	106.9	106.9	106.1	104.6	102.2	99.3
Setagaya	100.0	102.1	102.7	102.4	101.5	100.0	97.9
Shinagawa	100.0	102.4	102.9	102.7	101.7	100.0	97.8
Edogawa	100.0	101.5	101.7	101.1	99.8	98.2	96.2
Bunkyo	100.0	101.8	101.9	101.3	100.1	98.2	95.7
Toshima	100.0	107.3	106.1	104.5	102.2	99.2	95.3
Ota	100.0	101.6	101.6	100.8	99.4	97.5	95.1
Itabashi	100.0	100.9	100.5	99.1	97.2	94.7	91.8
Meguro	100.0	100.8	100.2	98.8	96.8	94.1	91.1
Taito	100.0	100.6	99.5	97.7	95.4	92.6	89.4
Shibuya	100.0	100.3	98.8	96.6	93.9	90.9	87.4
Nakano	100.0	99.4	97.7	95.5	92.9	89.8	86.2
Kita	100.0	99.4	97.6	95.1	92.2	89.0	85.5
Suginami	100.0	99.4	97.6	95.1	92.0	88.5	84.5
Katsushika	100.0	98.2	95.7	92.4	88.7	84.8	80.8
Adachi	100.0	98.0	95.2	91.6	87.5	83.1	78.7

Source: NRI based on National Institution of Population and Social Security Research

Note: Medium-fertility (medium-mortality) projection

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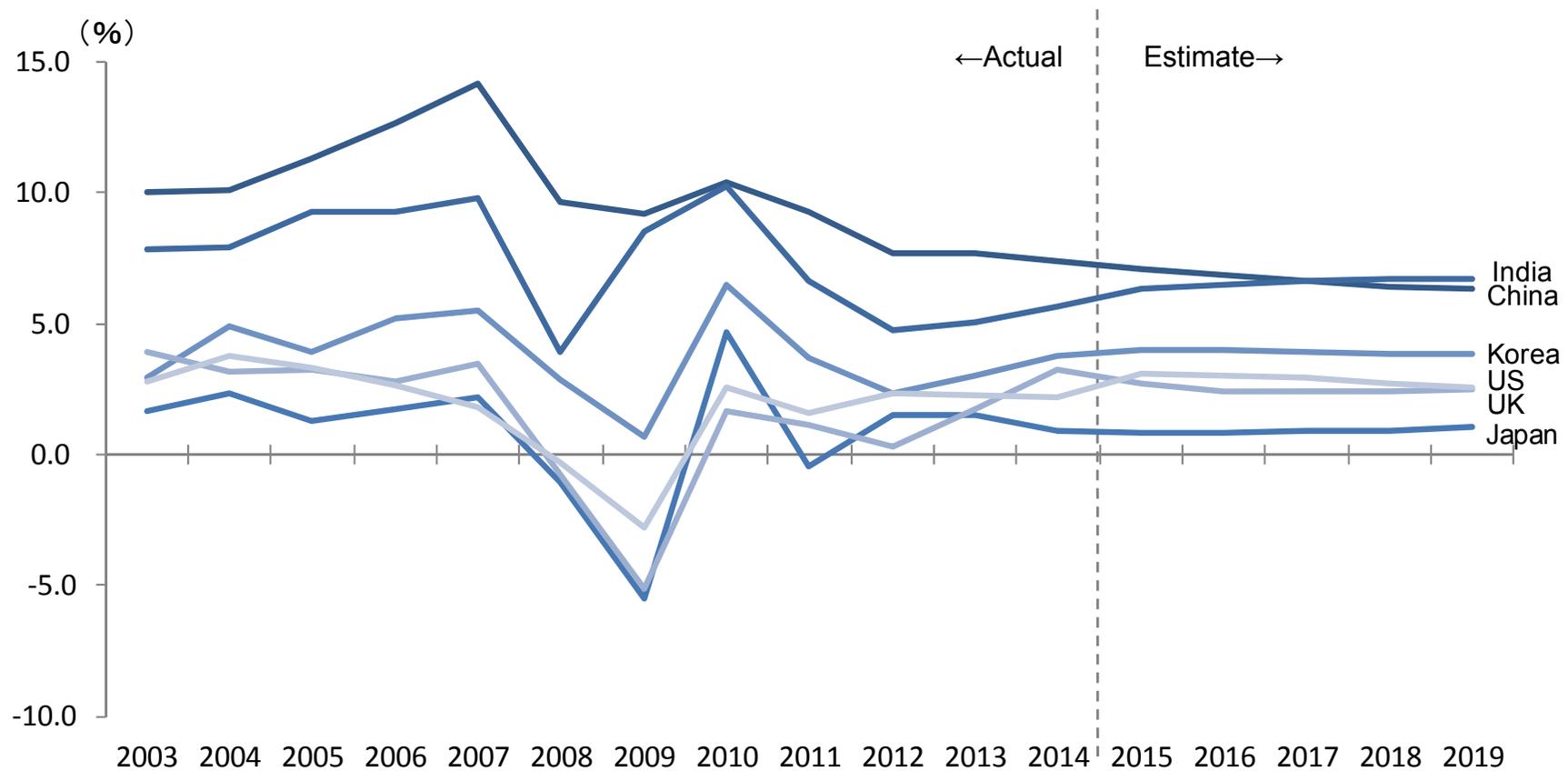
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Japan's economic growth is the lowest compared to other major economies with low forecasts for future growth.

- IMF forecasts estimate Japan's GDP growth rate at 1% for the next 5 years.

Real GDP growth rate of major economies

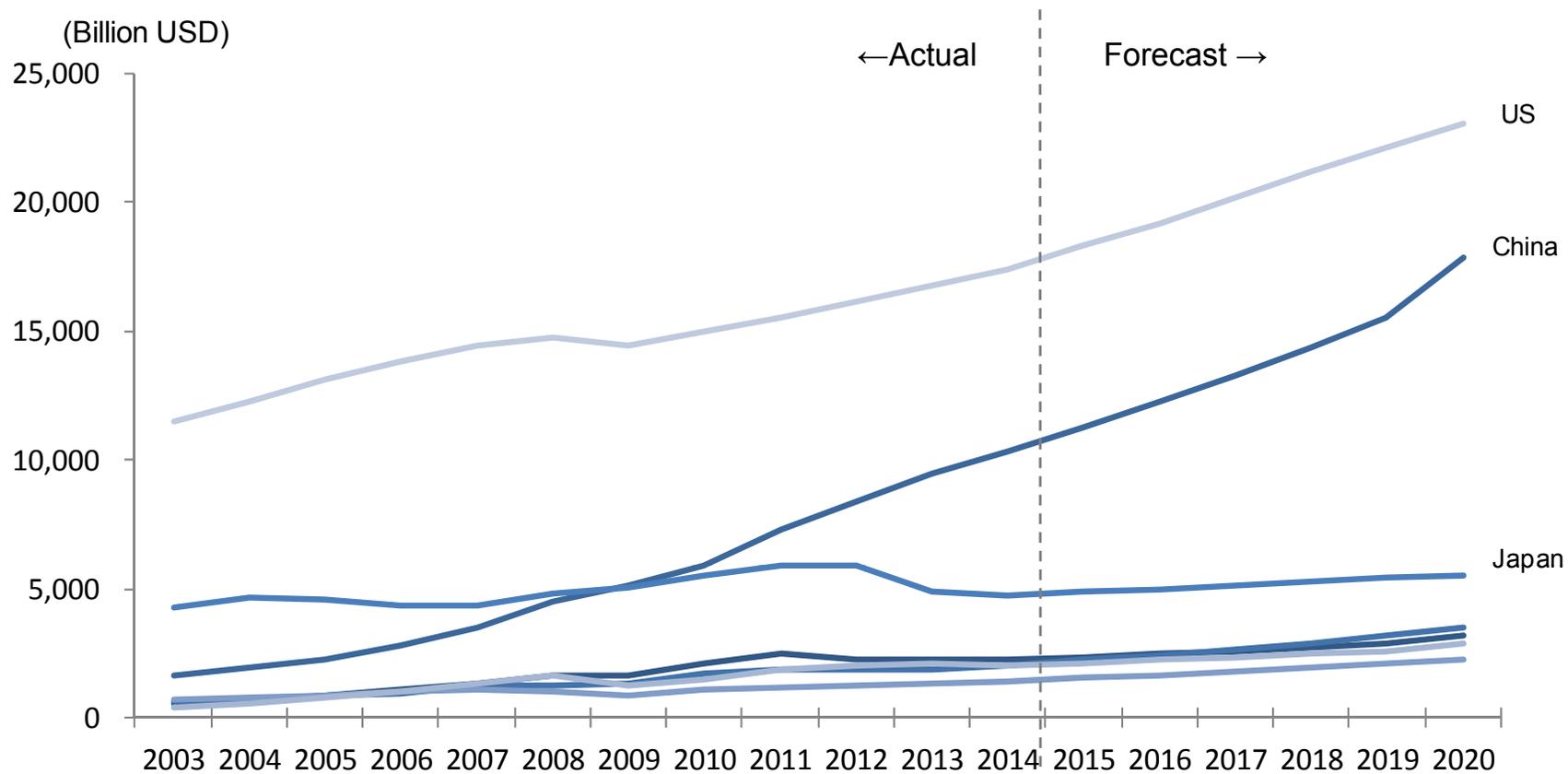


Source: NRI based on IMF data (2014 Oct. and 2015 Update)

Despite the weak growth, Japan remains one of the largest economies in the world.

- Although Japan was overtaken by China and fell to the third place in world nominal GDP, India, Brazil and Russia will still remain behind Japan by 2020, assuming current growth rates continue.

Nominal GDP of Major Countries



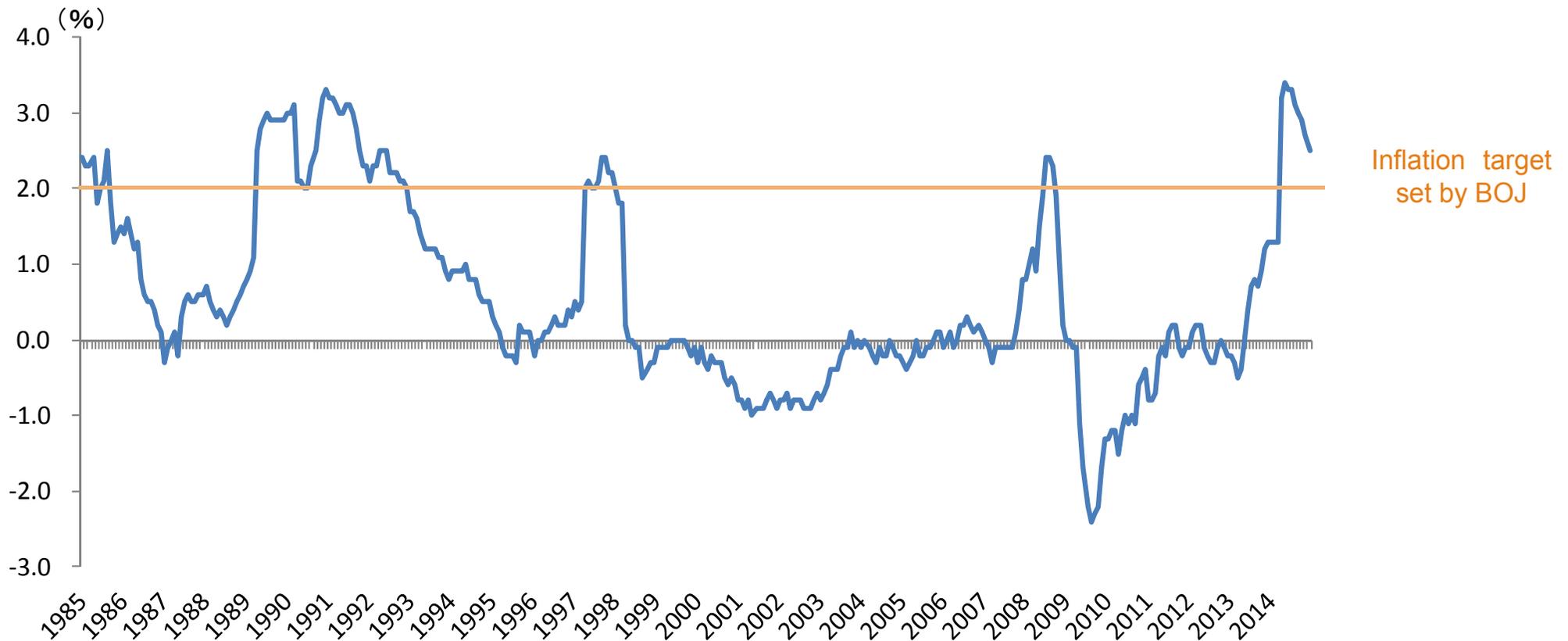
Source: NRI based on IMF (2014 Oct.)

Note: Figures up to 2019 are IMF forecasts and those up to 2020 are calculated with the assumption that the CAGR from 2014 to 2018 will be maintained.

Consumer price index became less active, despite the rise in price due to the consumption tax increase.

- With consumer sentiment depressed due to the consumption tax increase, the growth of consumer price index began to slow down.

Year-on-Year Change in Japan's Consumer Price Index (excluding fresh foods)



Source: NRI based on Japan Ministry of Internal Affairs data

Yen still continues to decline.

- Large-scale monetary easing, the “first arrow” of Abenomics, has rapidly lowered the yen from the end of 2012.

USD-JPY exchange rate

(USDJPY=X)



Source: NRI based on Bloomberg data

Trade deficit is expanding, while the current account surplus is shrinking.

- Japan's trade balance recorded deficit for four consecutive years from 2011, while the current account surplus fell to a record low in 2014.

Japan's Current Account

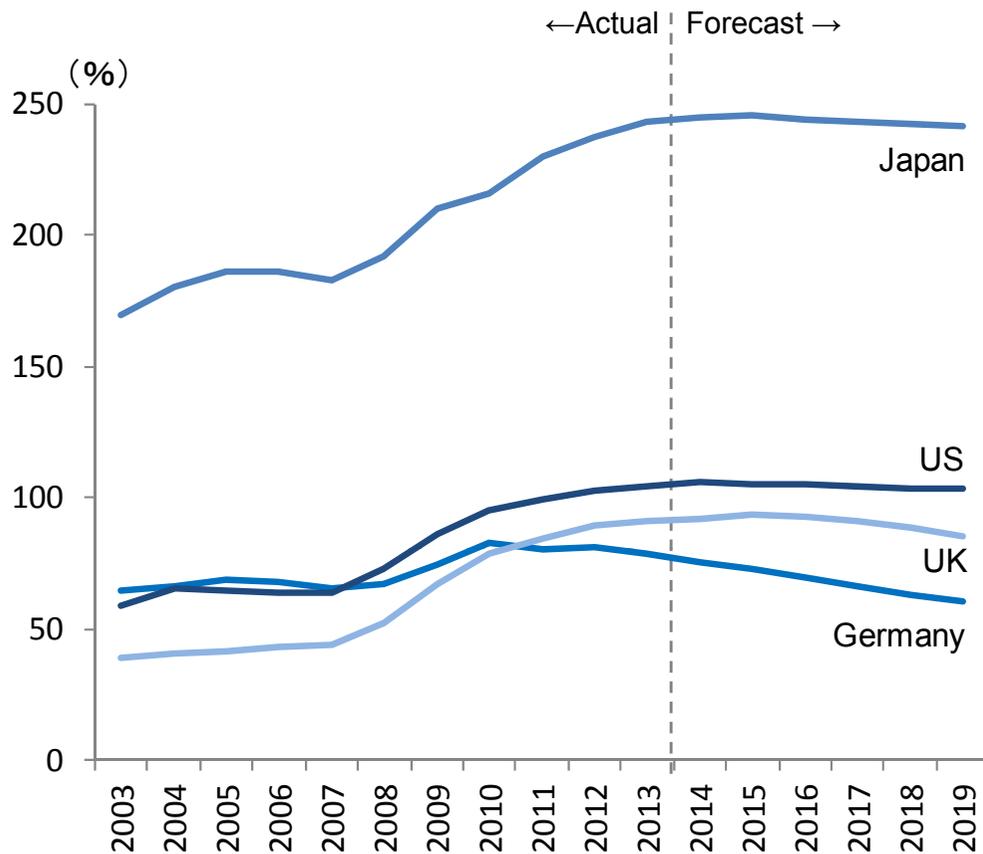


Source: NRI based on Japan Ministry of Finance data

Government debt has mounted, raising concerns about a potential financial collapse.

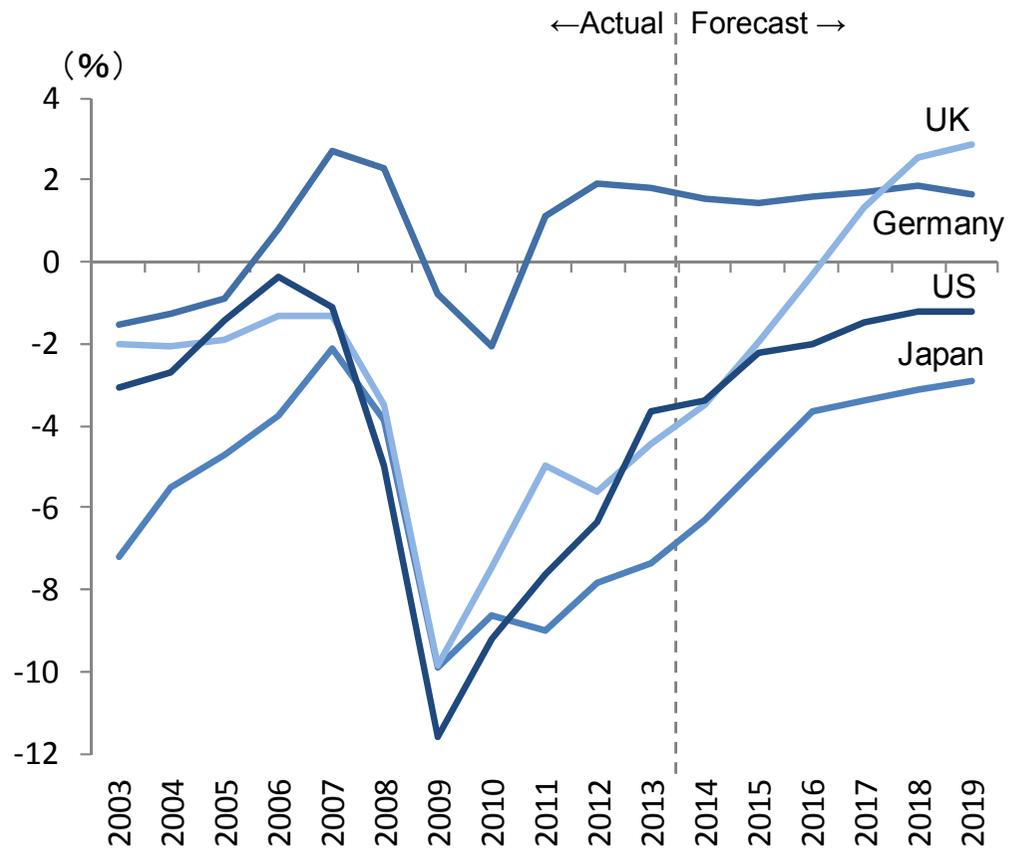
- The IMF forecasts that Japan's ratio of government debt to GDP will peak out but still remain high.
- A surplus in the primary balance, which is one of the conditions for preventing financial collapse, is expected to be difficult to achieve at least for the next several years.

Ratio of Government Debt to GDP



Source: NRI based on IMF data (2014 Oct.)

Ratio of Government Primary Net Lending/Borrowing to GDP

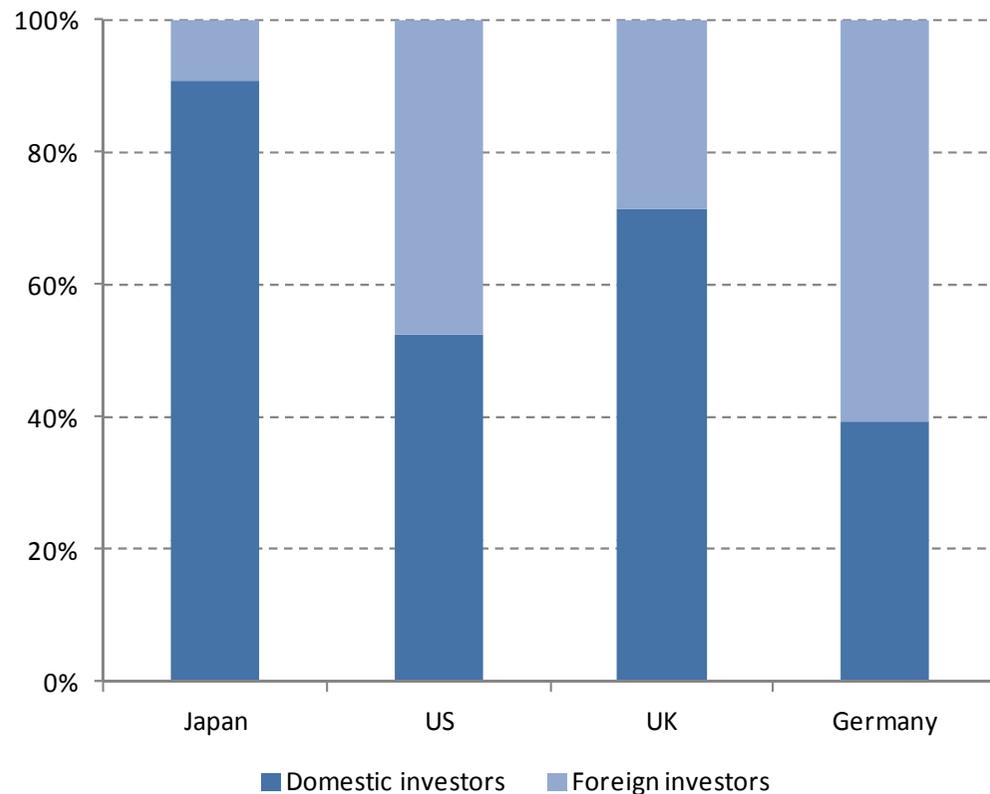


Source: NRI based on IMF data (2014 Oct.)

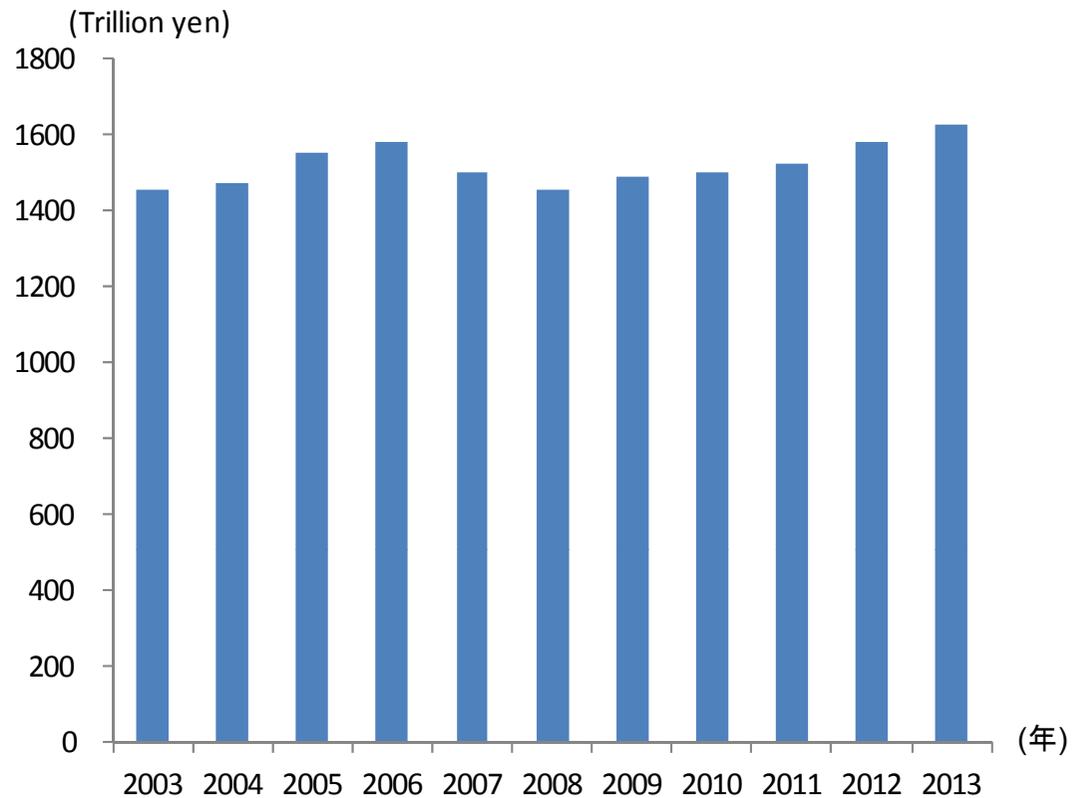
A financial collapse is unlikely as long as domestic capital remains in Japan and continues to circulate.

- The possibility of Japanese government bonds collapsing is seen to be small since more than 90% of the bonds are held by domestic investors.
- Household financial assets, which are a resource for government bond purchases, have increased due to rising stock prices in recent years.

Government Bond Investors



Household's Financial Assets in Japan



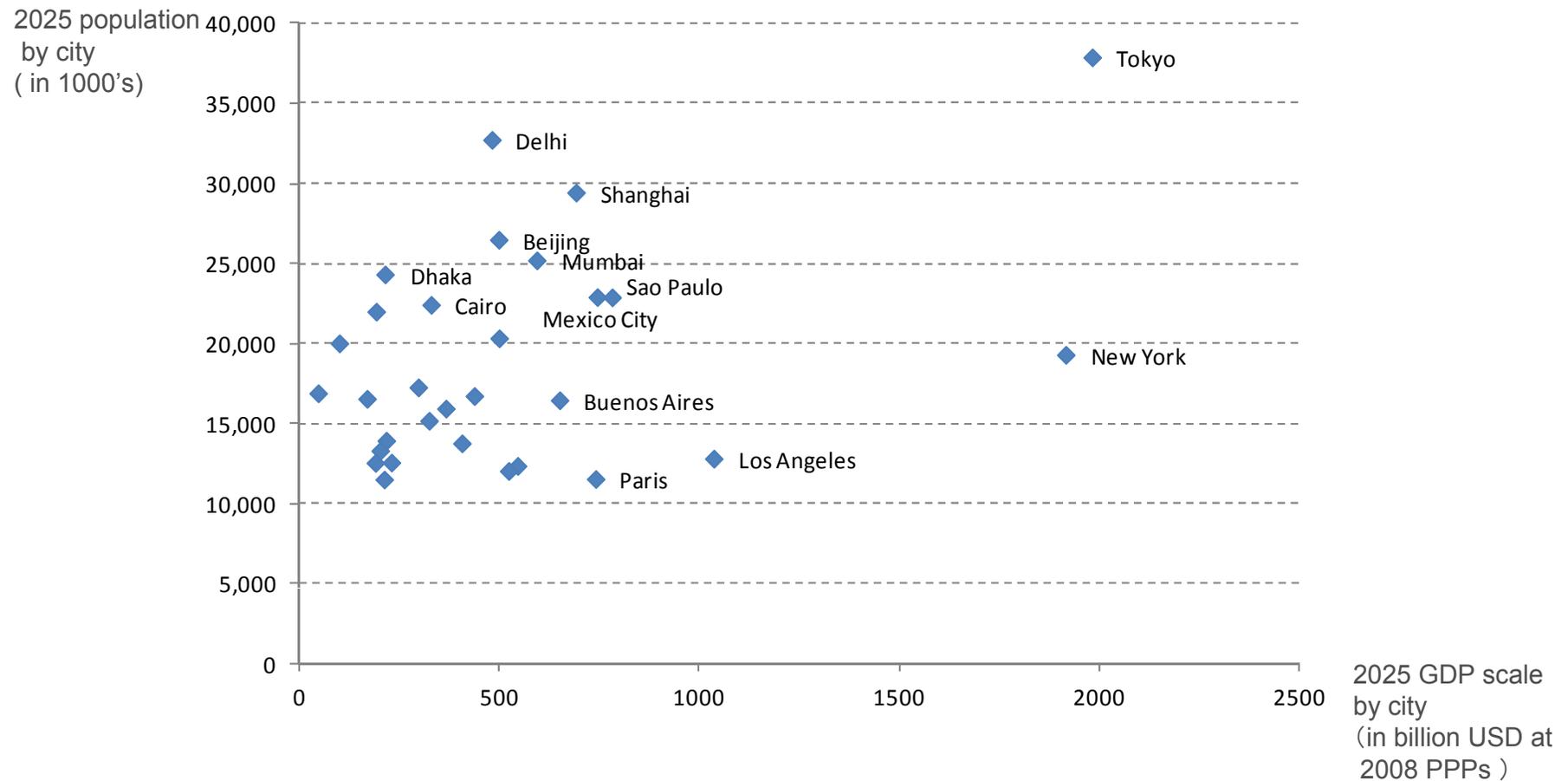
Note: Figures for Japan and US are from Dec 2014; for UK and Germany, from 2014 Q3.

Source: NRI based on Bank of Japan data

Source: BoJ, FRB, ONS, Bundesbank

Tokyo continues to be the world's largest city in terms of population and GDP.

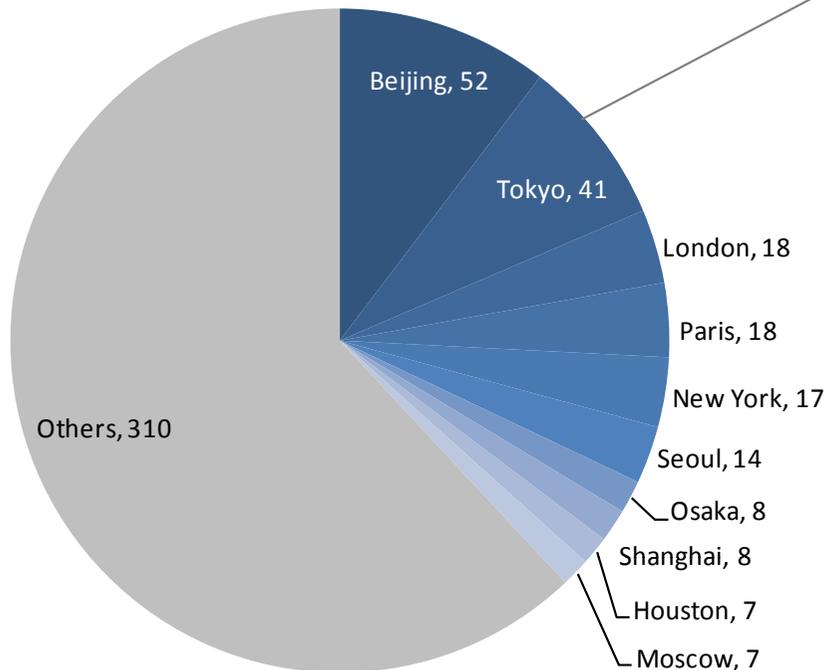
GDP/population estimation in 2025 (Top 30 cities of population)



Source: NRI based on PricewaterhouseCoopers and UN data

Tokyo has the second largest concentration of world-class enterprises.

Number of Fortune Global 500 companies by city (2014)



Fortune Global 500 companies in Greater Tokyo (within top 200)

Rank	Company	Revenue(Mil\$)
23	Japan Post Holdings	152,125
45	Honda Motor	118,210
51	JX Holdings	111,014
53	Nippon Telegraph & Telephone	109,054
61	Nissan Motor	104,635
78	Hitachi	95,988
105	Sony	77,532
108	Mitsubishi	75,755
124	Marubeni	70,429
135	Softbank	66,546
139	Tokyo Electric Power	66,194
145	Toshiba	64,907
148	AEON	64,240
164	Dai-ichi Life Insurance	60,340
173	Mitsui	57,302
176	Seven & I Holdings	56,572
184	Nippon Steel & Sumitomo Metal	55,062
199	Mitsubishi UFJ Financial Group	51,667

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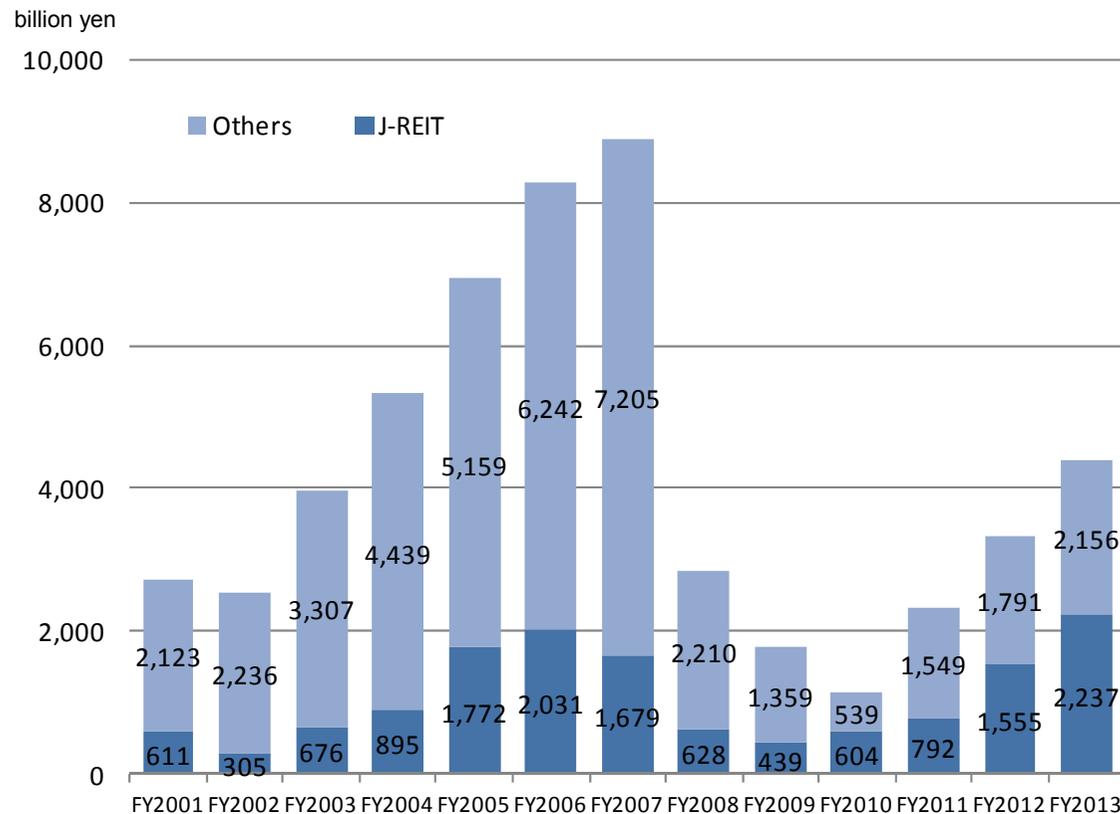
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Investors' activities has been recovering to the 2005-2006 level.

- In 2013, J-REIT, the most powerful real estate buyer in Japan, acquired assets of more than 20 billion USD. In 2014, however, J-REIT lost its dominance to other investors such as private-REITs, high-net-worth individuals and corporations with more aggressive attitude towards acquiring assets. Other professional investors are also being ousted from the Tokyo market.

Acquisitions of Securitized Real Estate

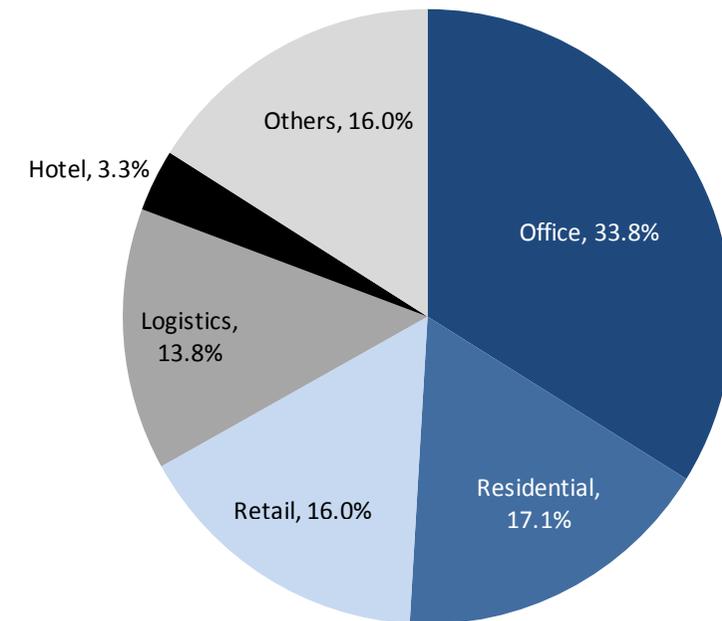
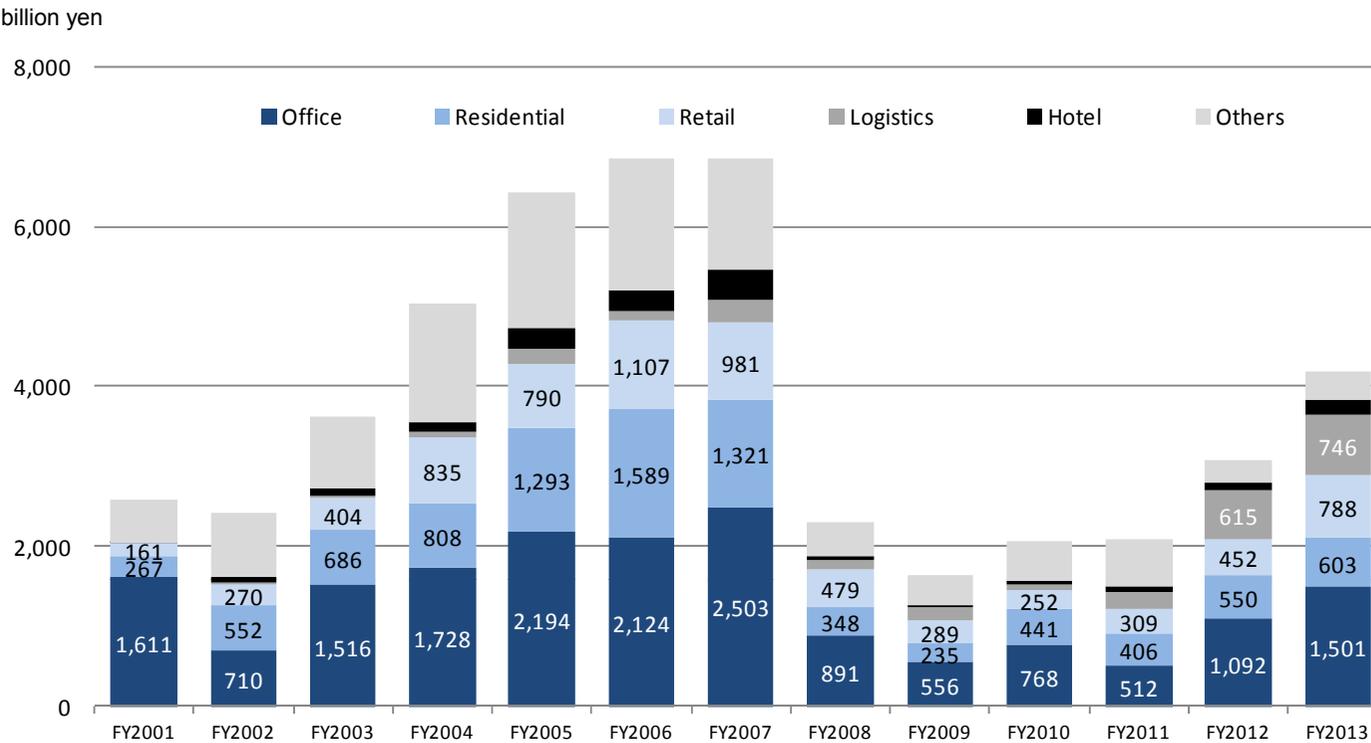


Hotel deals has been increasing amongst other key segments, i.e. office, residential, retail and logistics properties.

- Factors such as the 2020 Olympic game in Tokyo, weak JPY currency, and strong macro economy in Japan have helped to push the demand in hotels, attracting more investors to hotel investment.

Acquisitions of Securitized Real Estate by Asset Class

Allocation of Securitized Real Estate by Asset Class in 5 years (2009-2013)



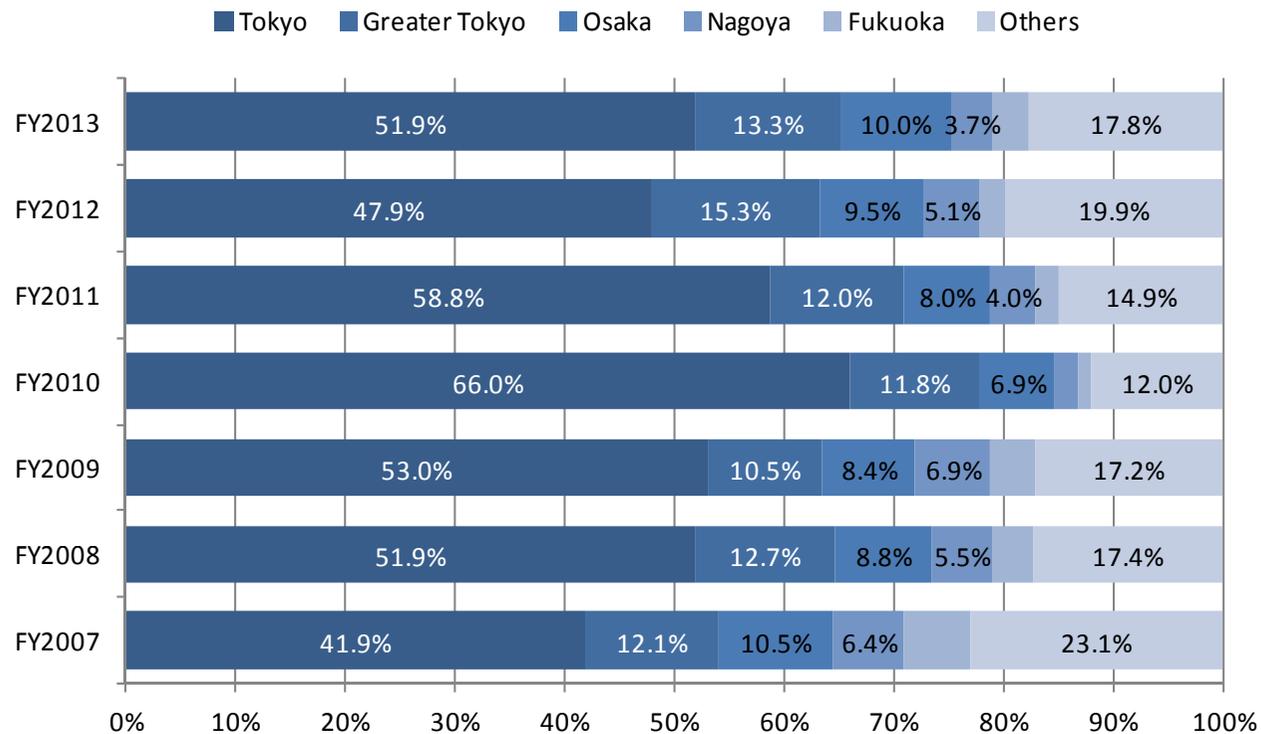
Note: Because the utility of securitizations that require actual TMK is unclear, they have not been included after 2001. Because of this, the yearly totals and amounts will not match up with the documents cited for this entry.

Source: NRI based on Ministry of Land, Infrastructure, Transport and Tourism's "Survey of the Current State of Real Estate Securitization"

Lack of assets in Tokyo is likely to cause investment money to head to other regions.

- For last few years, it has been extremely difficult for investors to find investment opportunities in Tokyo. In 2014 and 2015, transactions in the ex-Tokyo area are expected to increase significantly in a trend similar to the one seen in pre-global financial crisis era.

Number of Properties Securitized by Region

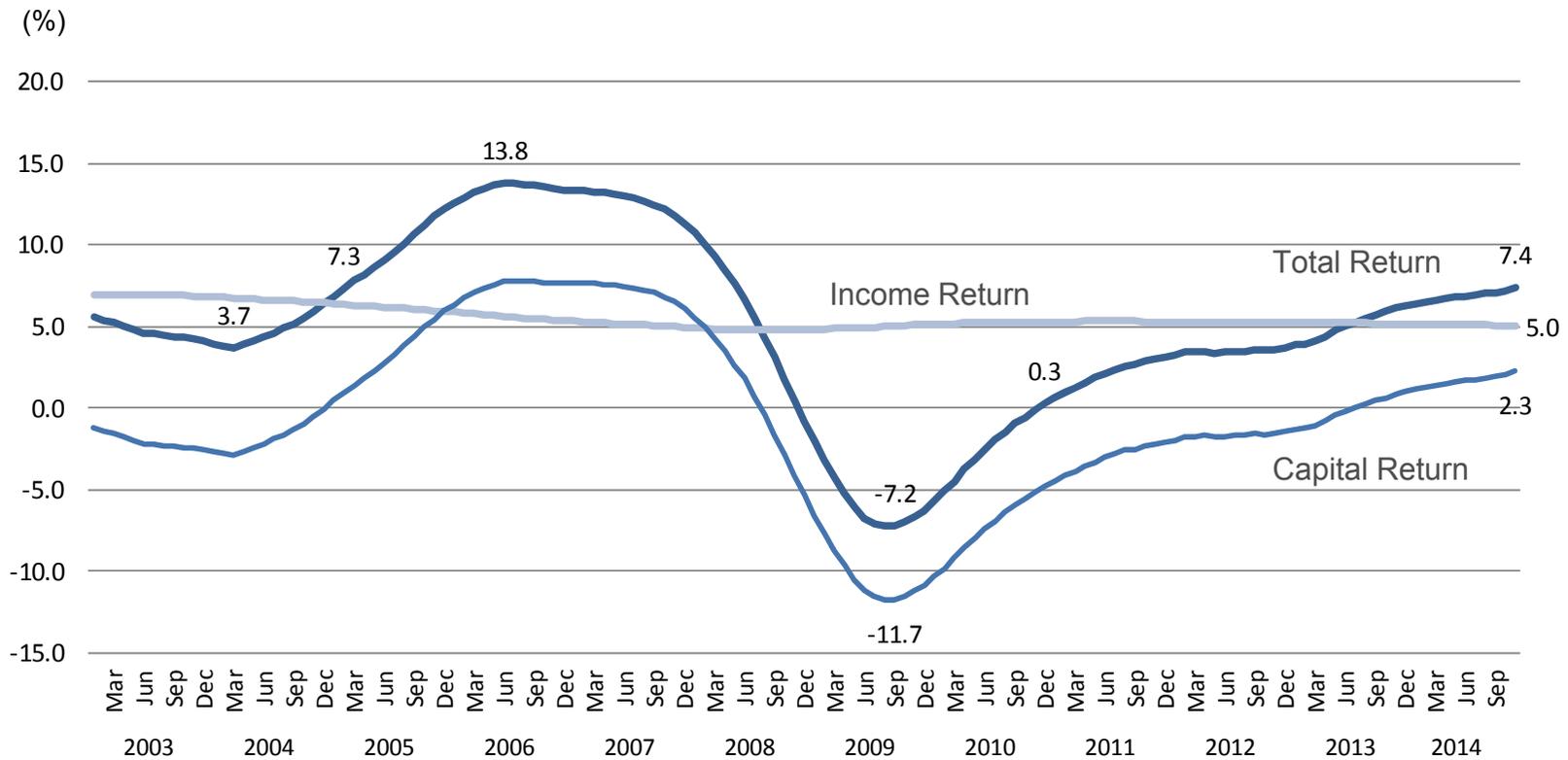


Note: not including securitization of real estate of SPC
Source: NRI based on MLIT

Total return recovered to 7%, the 2005 Q1 level.

- Prior to the global financial crisis, the total return reached to 7% in 2005 Q1, and hiked till 2006 Q2.
- Total return maintained the rate over 10% until 2007 Q1.

Performance Trend in Japan

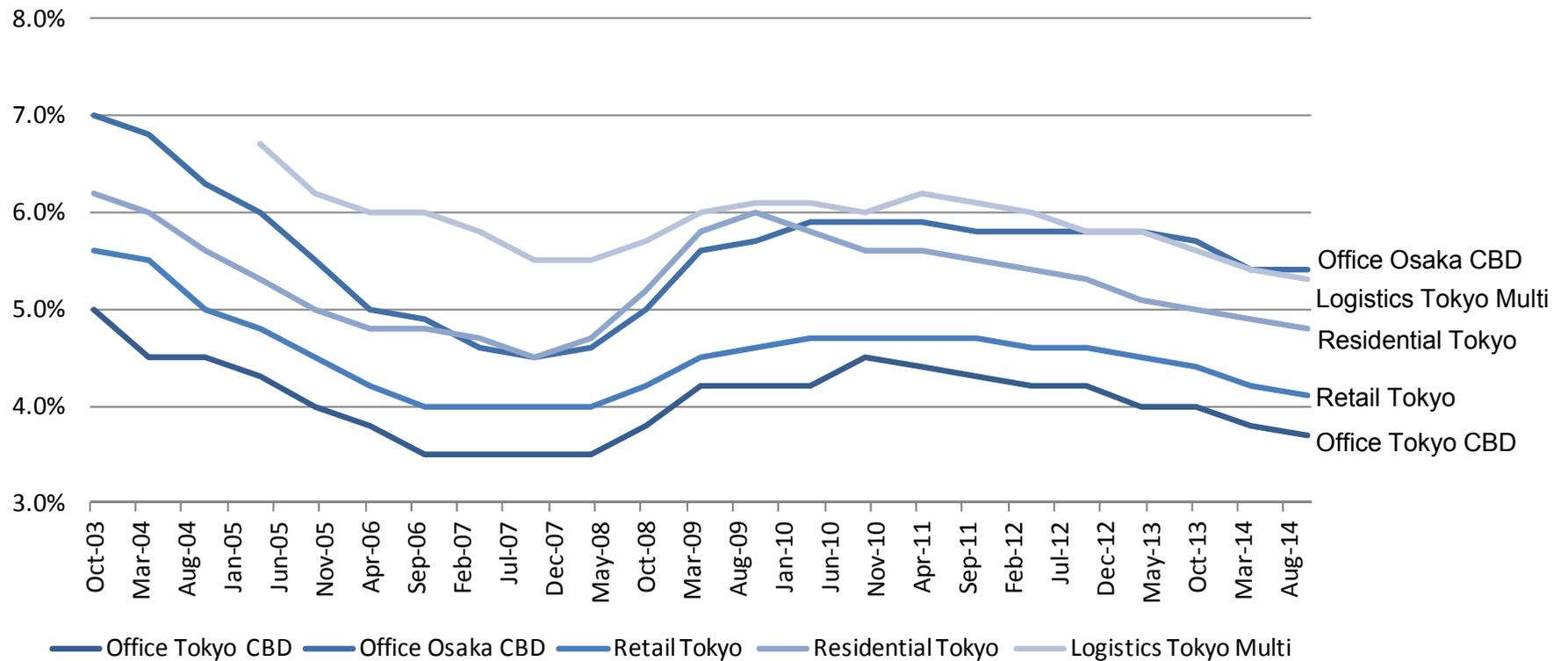


Source: MSCI Real Estate IPD

Cap rates fell sharply and by 2014 most likely reached the 2007 level.

- In the Tokyo market, an increasing number of real estate deals have cap rates of 3-4%. Some investors believe that arguing cap rates is futile as one can expect higher rents. Such market players consider timing and level of rent increase more important rather than cap rate compression.

Cap Rate Trend in Japan



Mega deals of over one billion USD have increased.

Transaction Month/Year	Dec, 2013	Mar, 2014	Aug, 2014	Oct, 2014	Nov, 2014
Asset	Land next to the Hamamatsucho Station	Otemachi Tower (Ratio of Acquisition: 17%)	Meguro Gajoen	Pacific Century Place Tokyo (Office floors)	GE's Residence Portfolio (200 properties)
Property Type	Land	Office	Office・Hotel	Office	Residence
Area	Minato, Hamamatsucho	Chiyoda, Otemachi	Meguro, Meguro	Chiyoda, Marunouchi	All parts of the country
Seller	Kokusai Kogyo	Tokyo Tatemono's SPC	Lone Star	Secured Capital Japan (PAG)	GE Real Estate Japan
Buyer	Nippon Life Insurance Obayashi	Mizuho Bank	Mori Trust	GIC	Blackstone
Transaction Amount	800 million USD	1,782 million USD	1,300 million USD	1,700 million USD	2,000 million USD
Gross Floor Area	7,205㎡	34,200㎡ (Floor Area of Acquisition)	155,820㎡	38,840㎡ (Floor Area of Acquisition)	NA

Source: NRI based on Nikkei Real Estate Market Report and others

Money from investors with different perspectives have caused real estate prices to rise and capital to diversify in various market segments.

- Properties that domestic investors do not favor due to risk concerns have been purchased by foreign and non-professional (e.g. high-net-worth) investors with different goals, causing real estate prices to rise in the ex-Tokyo area. The trend is undoubtedly due primarily to the fact that such investors cannot find any good investment opportunities in Tokyo.

Transaction Month/Year	Jun, 2014	Sep, 2014	Oct, 2014	Nov, 2014	Nov, 2014
Asset	Shinbashi Park Place	Nihonbashi Tomihisa Daini Building	Parel Royale Shoto	Ginza Granvia Bldg 2	Seiko BldgH
Property Type	Office	Office	Residence	Retail	Office-Retail
Area	Minato, Shinbashi	Chuo, Nihonbashi-Honcho	Shibuya, Shoto	Chuo, Ginza	Osaka, Kita Shinchi
Seller	NA	Ascott	NA	Hulic	NA
Buyer	high-net-worth	high-net-worth (Taiwanese)	high-net-worth	high-net-worth	high-net-worth
Transaction Amount	NA	NA	NA	NA	NA
Gross Floor Area	2,646m ²	1,310m ²	2,873m ²	1,340m ²	3,342m ²

Source: NRI based on Nikkei Real Estate Market Report and others

Because of the lack of investment opportunities at Tokyo metropolitan area, equity heads to the Tokyo neighboring part and ex-Tokyo area.

- Many investors are seeking investment opportunities in Osaka, Nagoya and other regions other than Tokyo, repeating a similar trend seen between 2004 and 2007. How to build good relations with regional banks is one of the key issues for real estate investors at present.

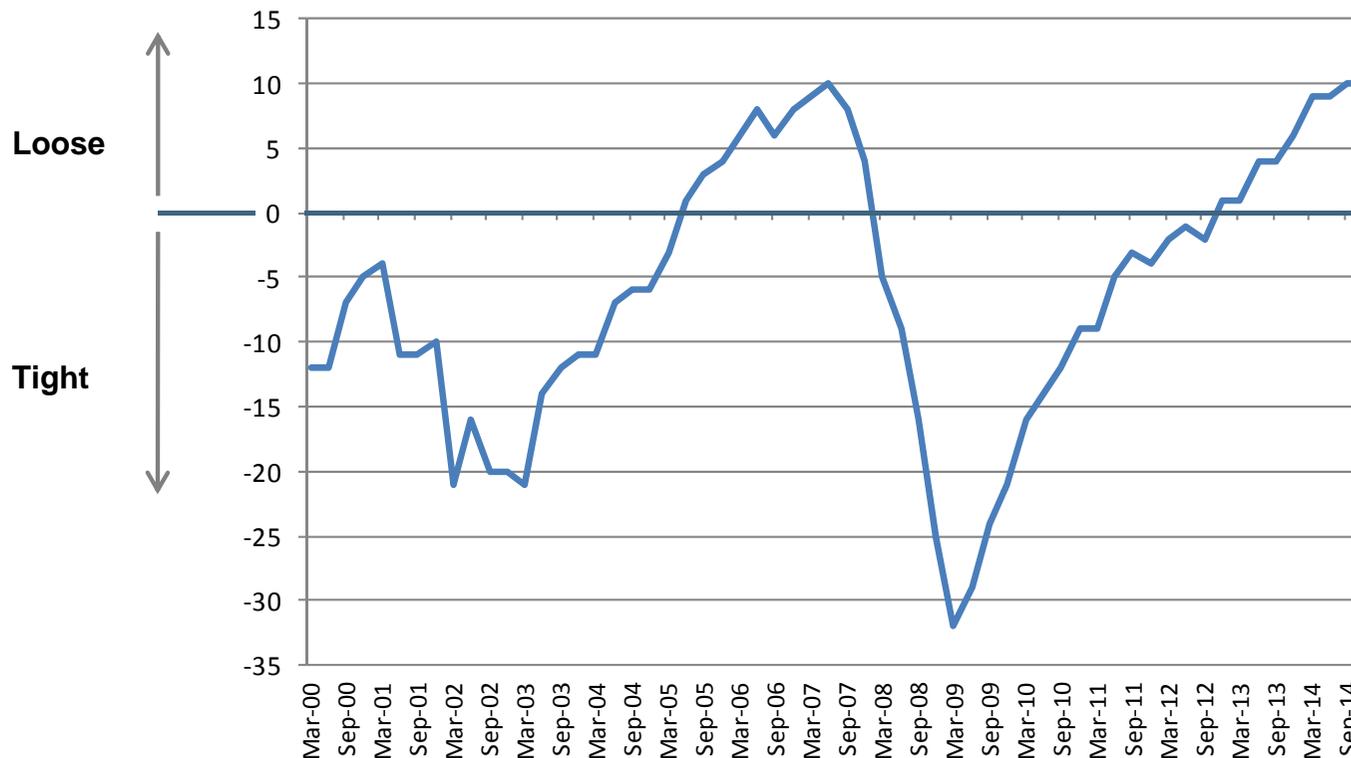
Transaction Month/Year	Jul, 2014	Oct, 2014	Oct, 2014	Oct, 2014	Jan, 2015
Asset	Renaissance Resort Okinawa	Shinagawa Seaside (3 properties)	Sumitomo Life Sendai Bldg	Beppu Kamenoi Hotel	Maebashi Daiichi Life Bldg Oyama Daiichi Life Bldg
Property Type	Resort Hotel	Office	Office	Hotel	Office
Area	Okinawa	Shinagawa	Miyagi, Sendai	Oita	Mebashi, Oyama
Seller	Ishin Hotel Group	Japan Tobacco	Sumitomo Life	AZ Hotel Chain	Daiichi life
Buyer	Green Oak Real Estate	Idera Capital Management Lone Star Elliott Management	Goldman Sachs	Fortress Investment Group	KAISER ASSET
Transaction Amount	130 million USD	600 million USD (for 3 properties)	NA	40 million USD	8.5 million USD
Gross Floor Area	40,195m ²	140,000m ²	20,411m ²	19,422m ²	12,000m ²

Source: NRI based on Nikkei Real Estate Market Report and others

Fierce competition among commercial banks help boost prices.

- Banks' lending attitude toward the real estate industry is nearly the most lenient since 2000 and almost as lenient as in 2006. Many people in Japan believe that there are too many banks, and competition among lenders is quite fierce. Along with major banks, regional mid-size banks are trying to reduce spreads and loosen covenants. One big difference from the last peak we saw in 2006, however, is the non-participation of foreign lenders. One reason why foreign lenders are staying away from the Japanese debt market is the fact that the CMBS market has been frozen since 2009.

Financial Institutions' Lending Attitude DI toward Real Estate Industry



Source: NRI based on BOJ

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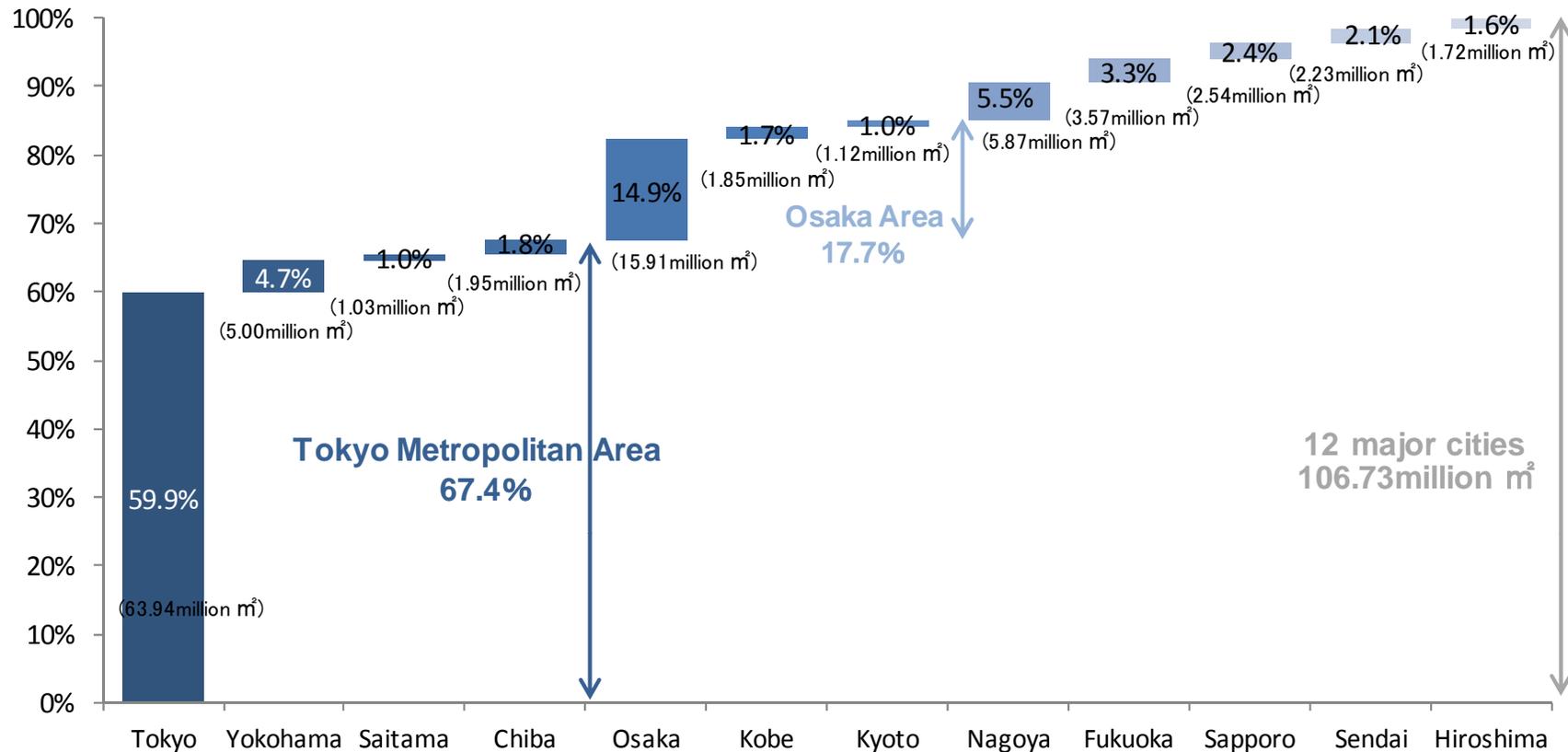
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Tokyo Area holds 60% of Japan's office rental market.

- Japan has a stock of around 106 million m² of available office rental space. The Tokyo area holds an overwhelming share of the market at 64 million m², comprising 60% of the total.

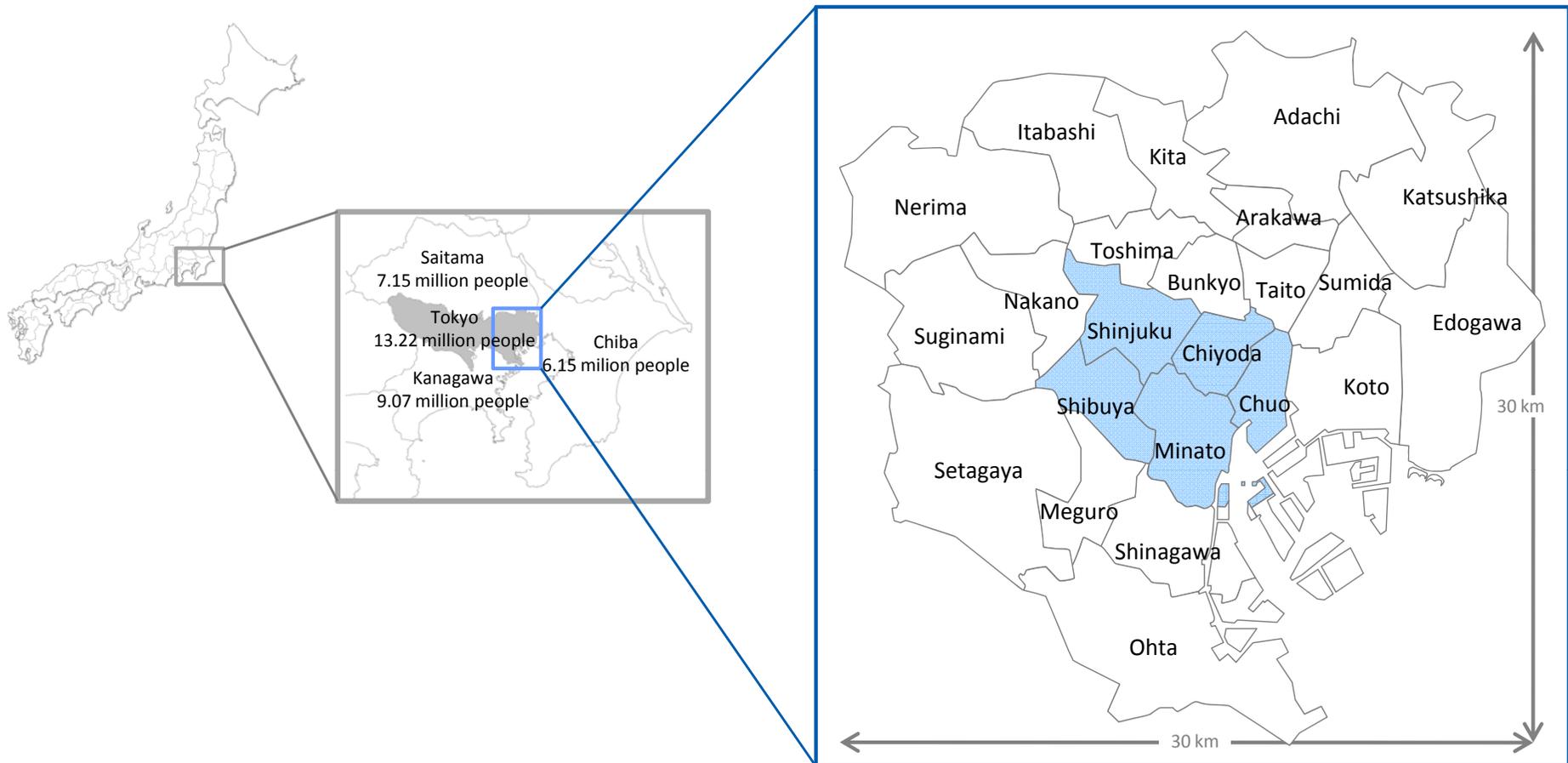
Office Floor Space Shares by Major City



Source: NRI based on JREI As of Jan.2014
 The investigation focus on central area of each city.
 The investigation object which are smaller than 3,000 square meter are excluded

There are five sub sectors in Tokyo's Central Business District.

- Tokyo's Central Business District(CBD) has an accumulation of office buildings and is concentrated in an area of 5km wide.

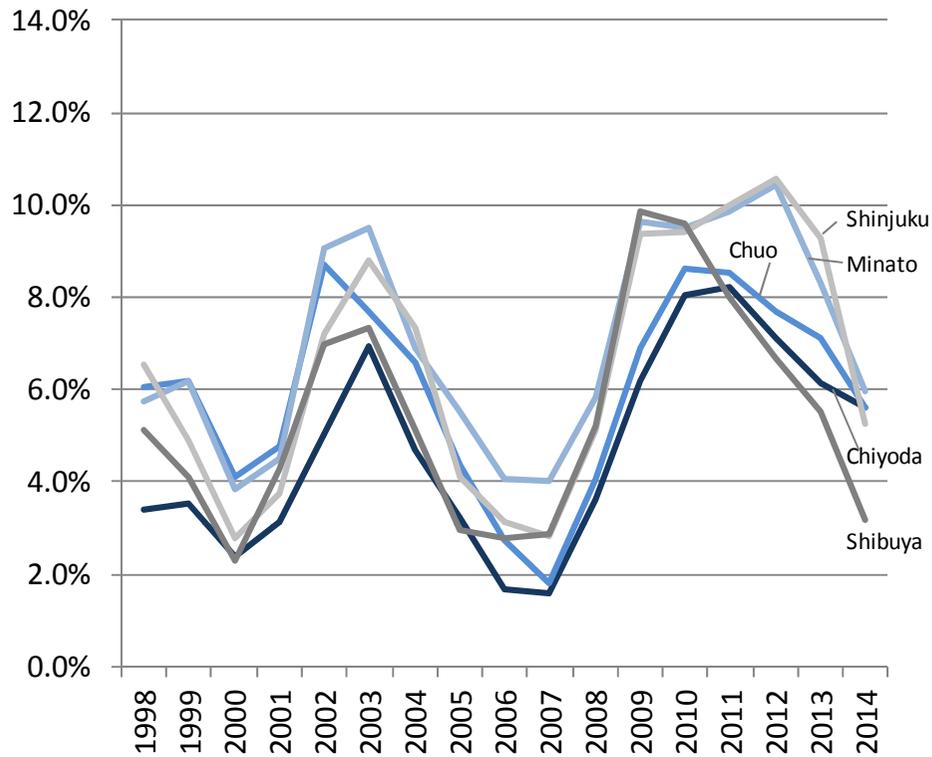


Vacancy rates in the Tokyo office market have been improving for two consecutive years.

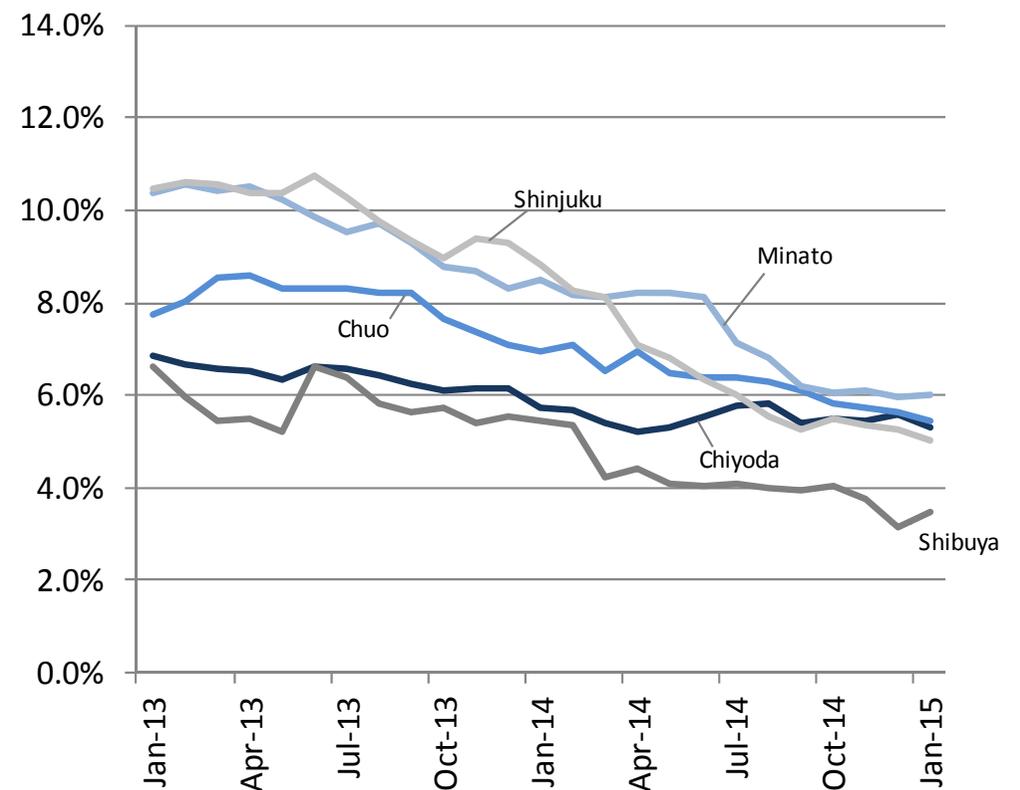
- Retrospectively, vacancy rates have been experiencing regular ups and downs.

Vacancy rate movement in Tokyo CBD

Yearly(1998 - 2014)



Monthly(Jan 2013 –Jan 2015)



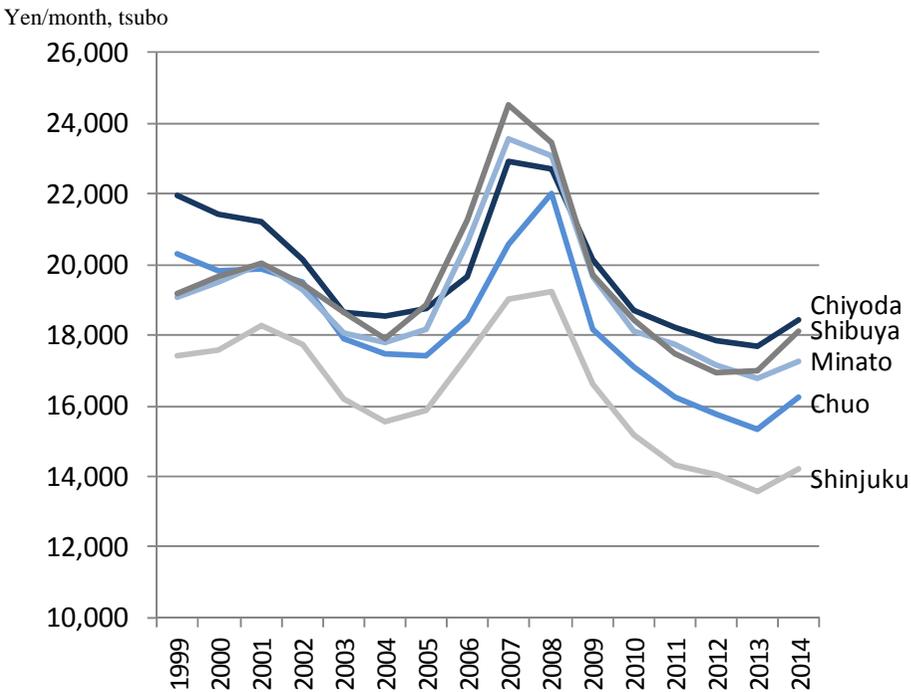
Source: NRI based on Miki Shoji Co., Ltd. data

Although rent increase is slow, there has been a clear reversal in the rent trend.

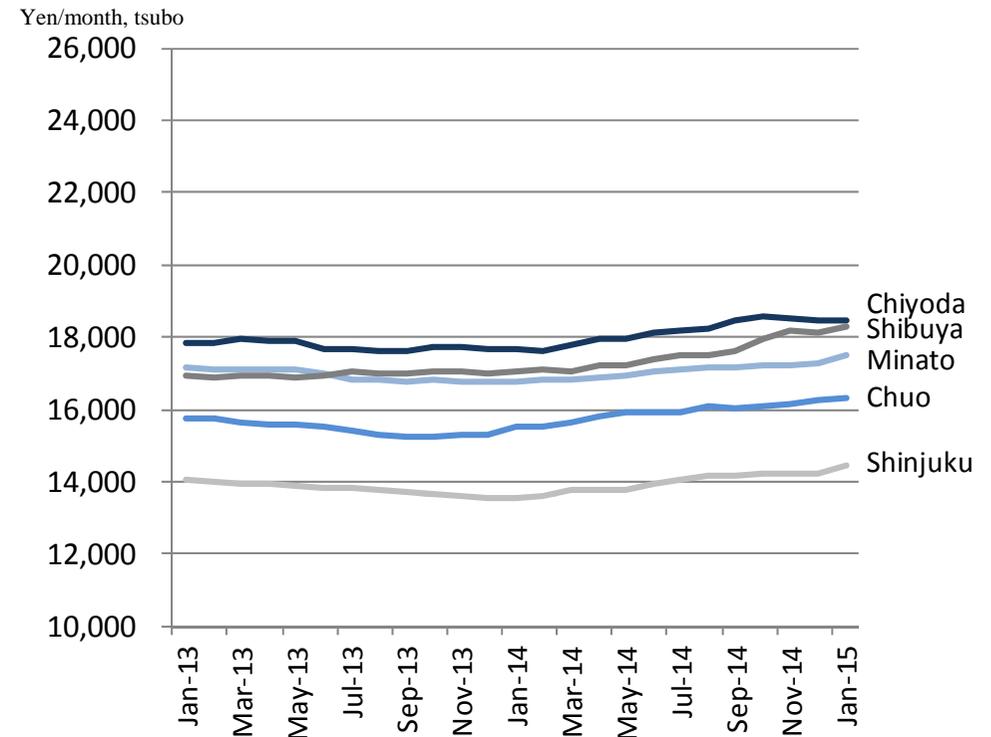
- Retrospectively, the high rent period have been short, making office owners' negotiation power weaker than that of tenants.

Rent trends in Tokyo CBD (yen/tsubo per month)

Yearly(1999 - 2014)



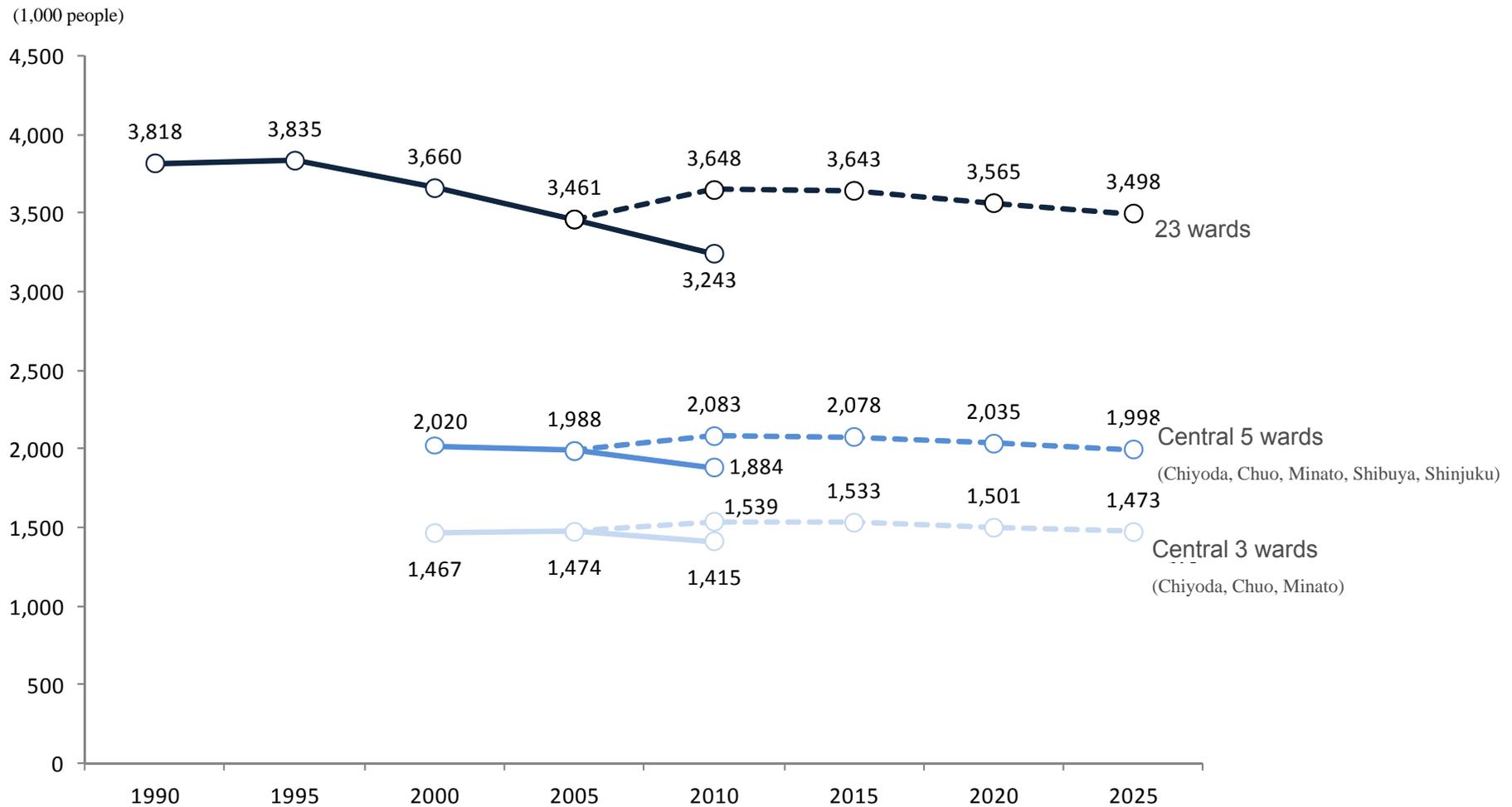
Monthly(Jan. 2013 – Jan. 2015)



Note: One tsubo is 3.3 square meters
Source: NRI based on Miki Shoji Co., Ltd. data

The number of Tokyo's office workers is declining at a fast rate than the published forecast.

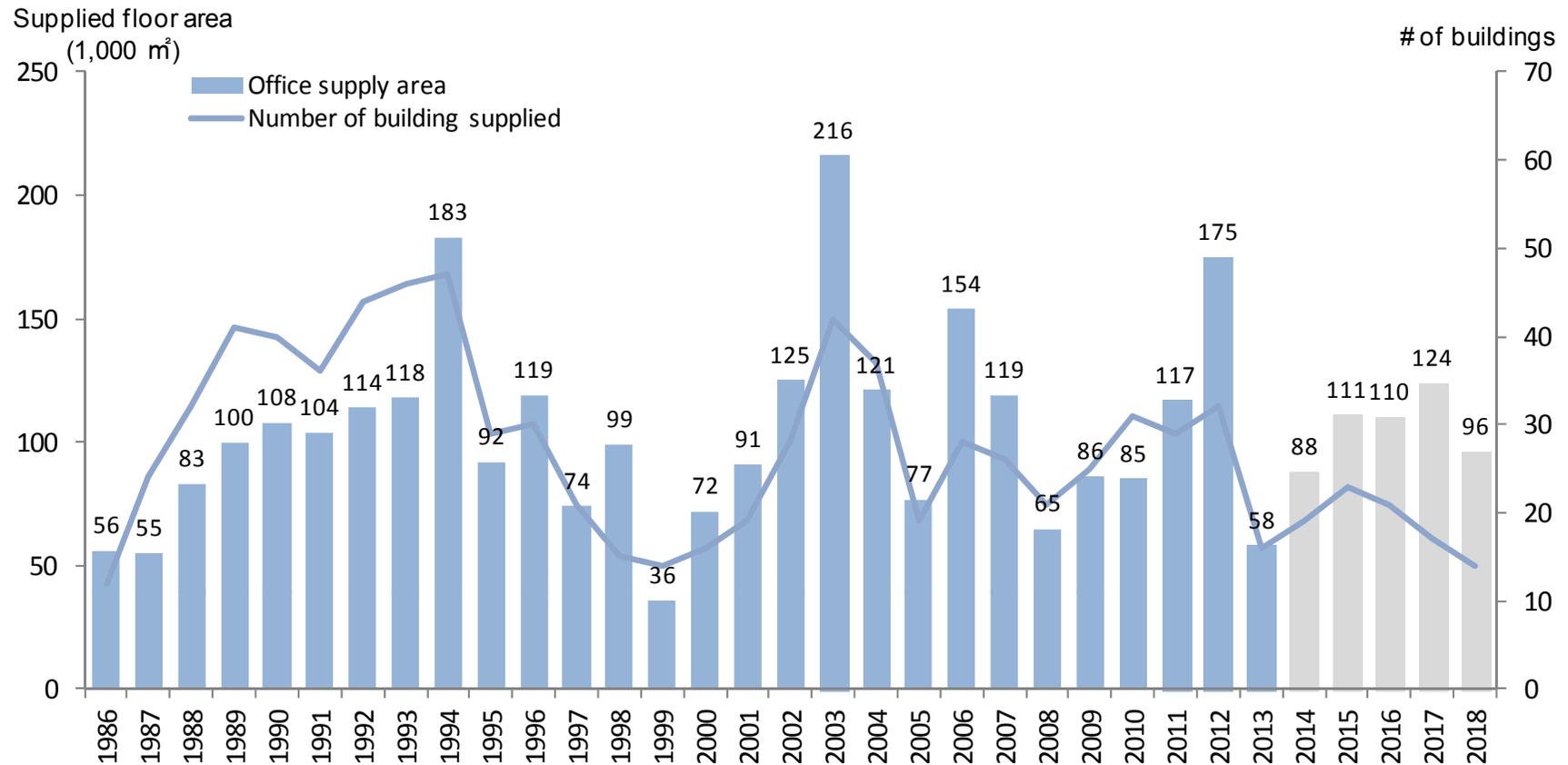
Trend and Forecast of Office workers in Tokyo



Source: NRI based on Population Census of Japan, Tokyo Metropolitan Government

Despite the dwindle in the number of office workers, new office supply will continue to grow.

Office Space Supply in Tokyo's 23 districts

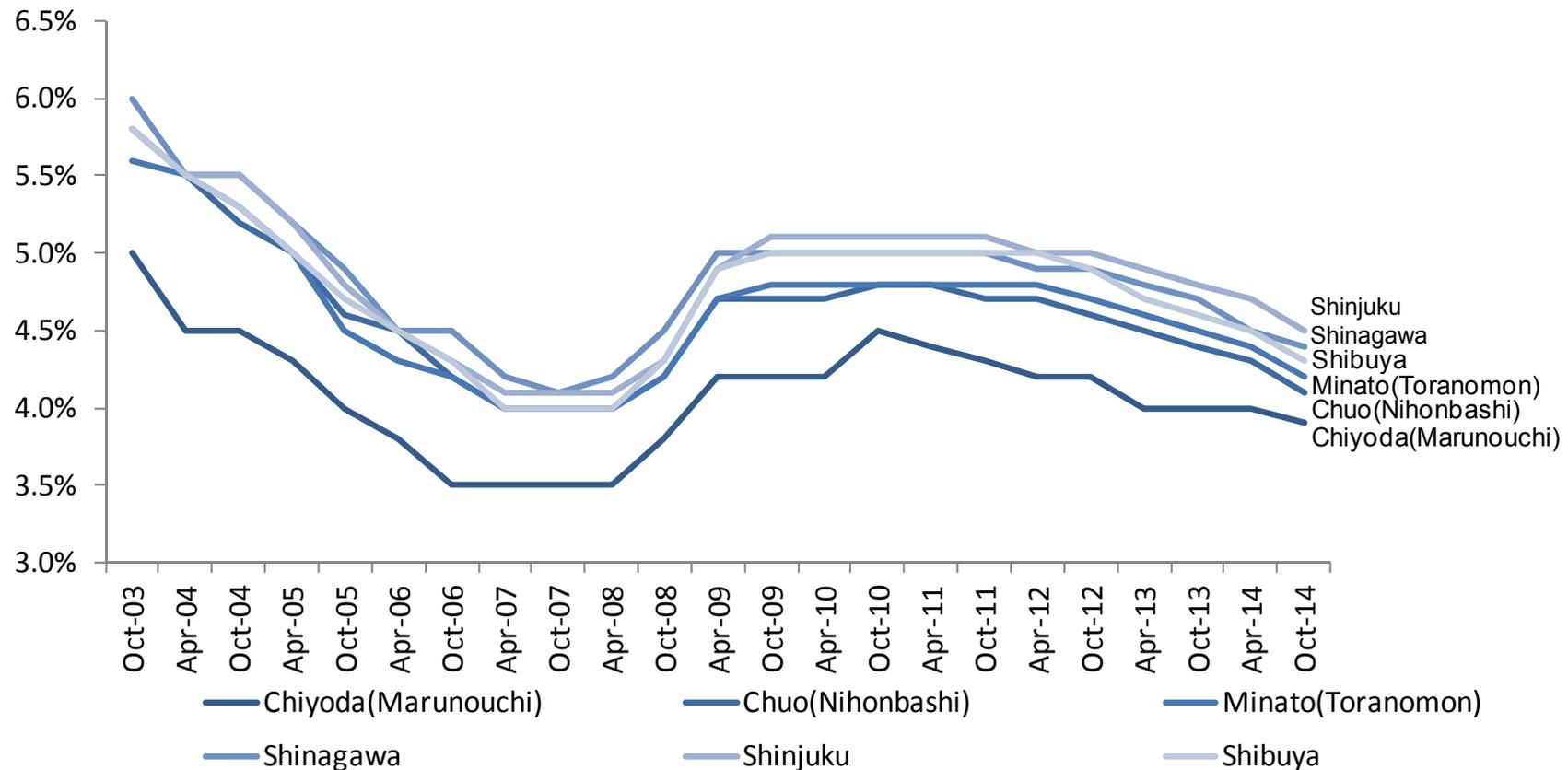


Source: NRI based from Mori Building Company's "Mega Office Building Market Trends Survey (Preliminary figure)" dated October 22, 2014

Cap rate has been dropping for three consecutive years since 2012.

- As of March 2015, office deals with cap rates of 3-4% are commonly carried out, resting on investors' expectations for higher rent and NOI, henceforth.

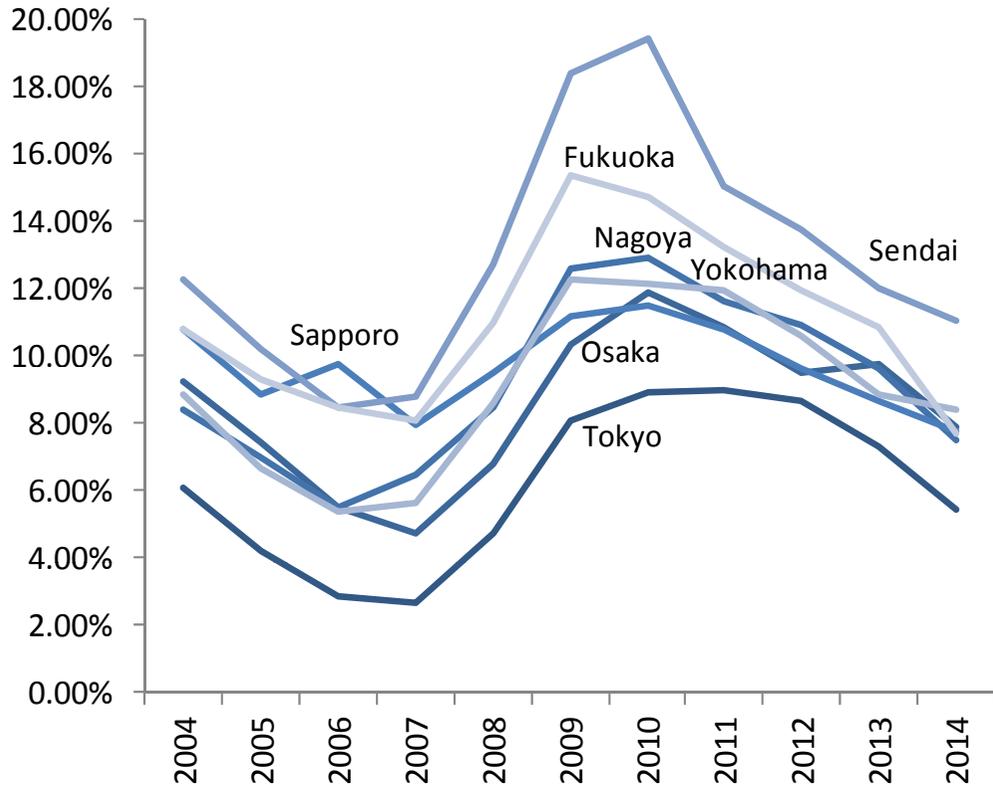
Tokyo office market cap rate trend



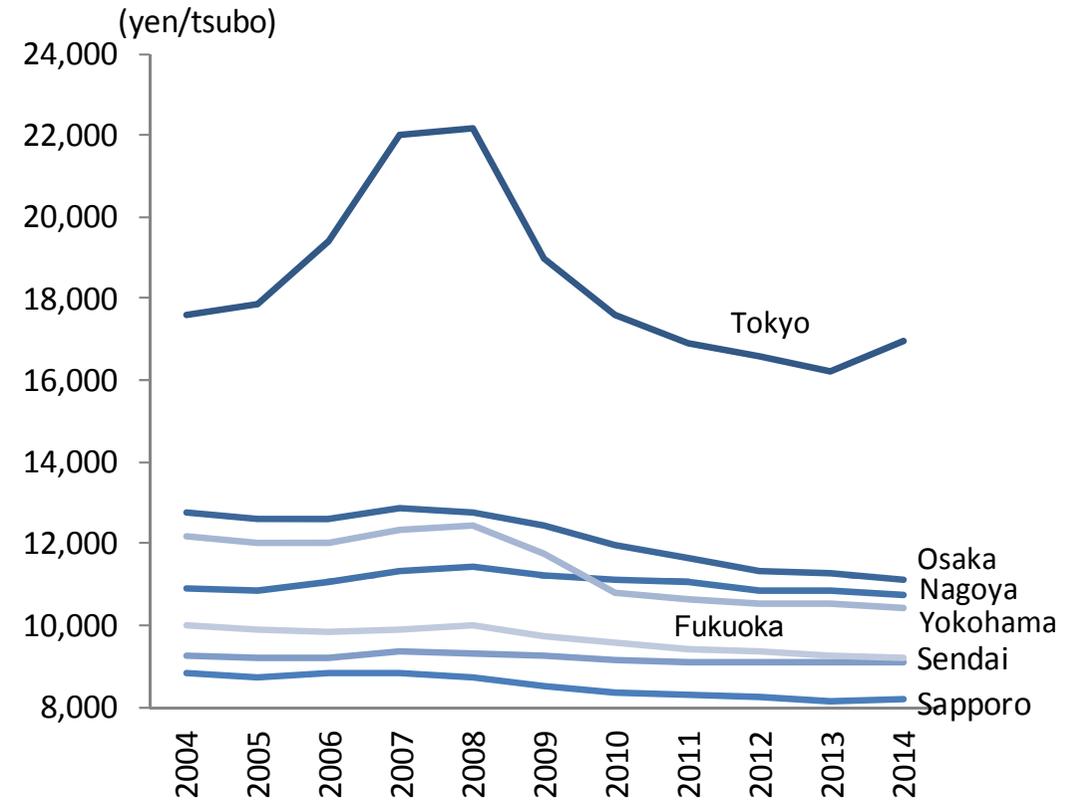
Source: NRI based on Japan Real Estate Institute's "Real Estate Investor's Survey"

The improvement of the vacancy rate is not leading to the recovery of rents in the ex-Tokyo office market.

Office Vacancy Trend in ex-Tokyo Market



Office Rent Trend in ex-Tokyo Market

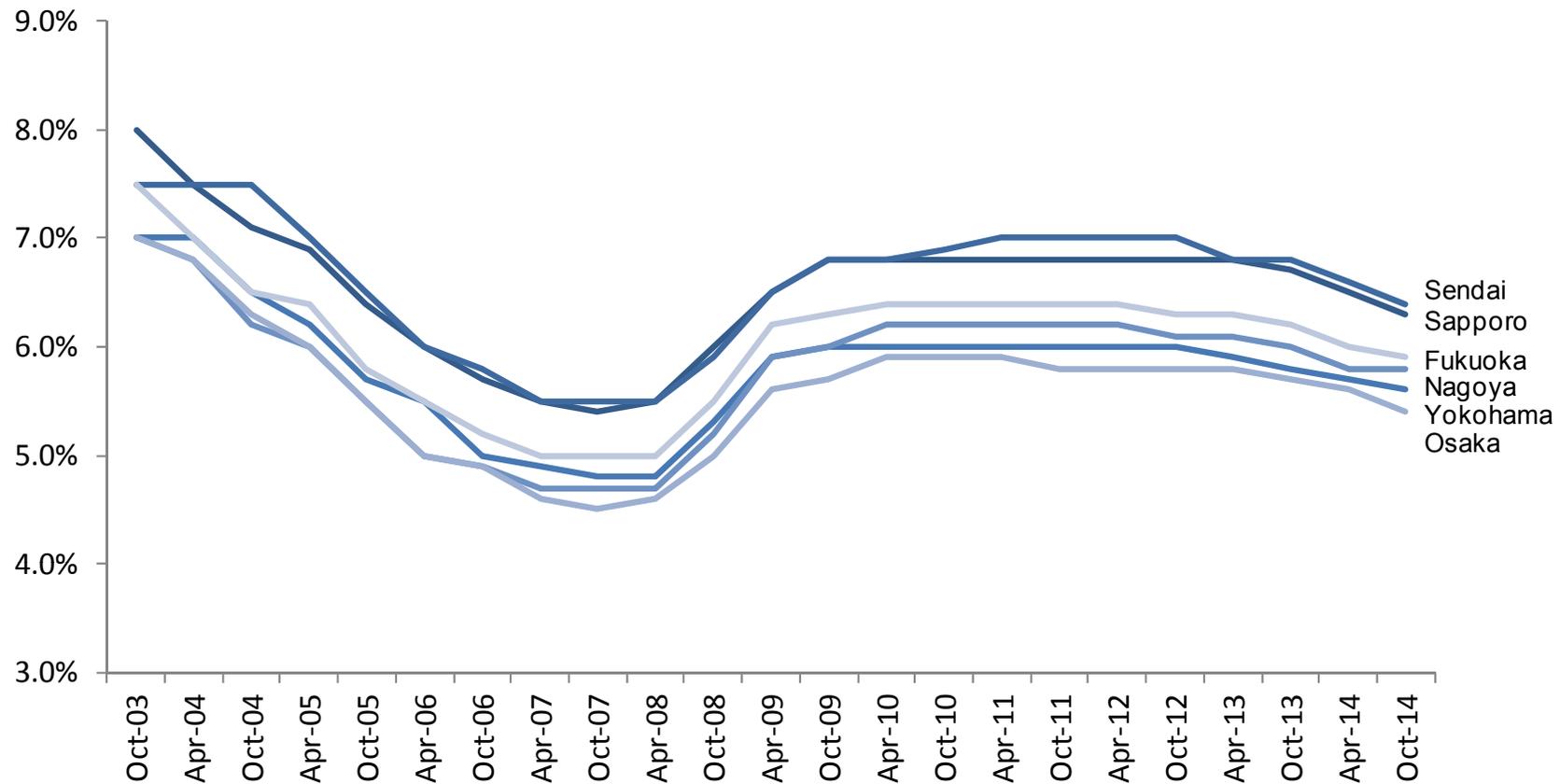


Source: NRI based on Miki Shoji Co., Ltd. data

Liquidity is growing as real estate prices rise in ex-Tokyo office market.

- Office cap rates in most major cities have decreased due to investors' strengthening interest in opportunities outside of Tokyo.

Ex-Tokyo Office Market Cap Rate Trend



Source: NRI based on Japan Real Estate Institute's "Real Estate Investor's Survey"

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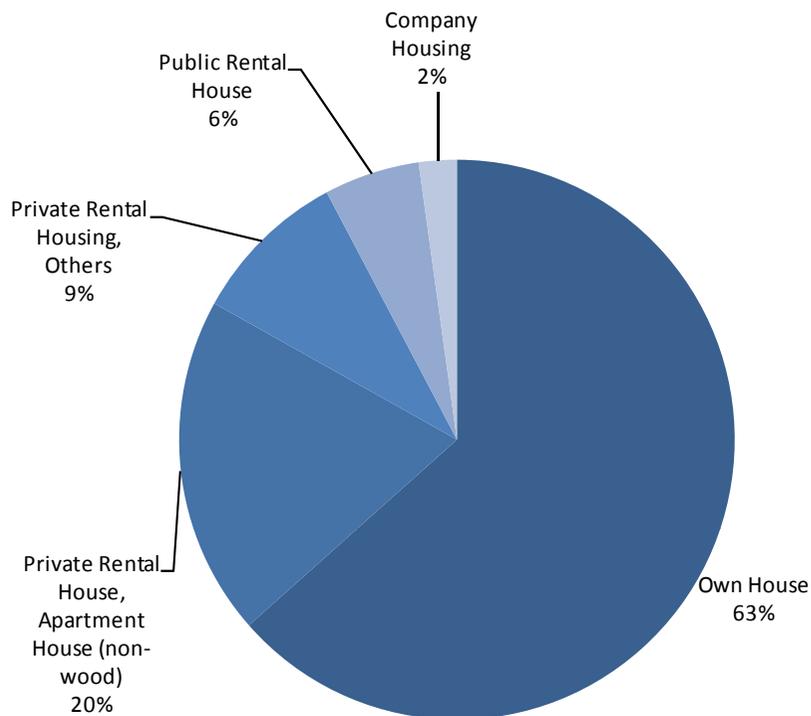
7 Logistics Property Market

8 Real Estate Investment Products

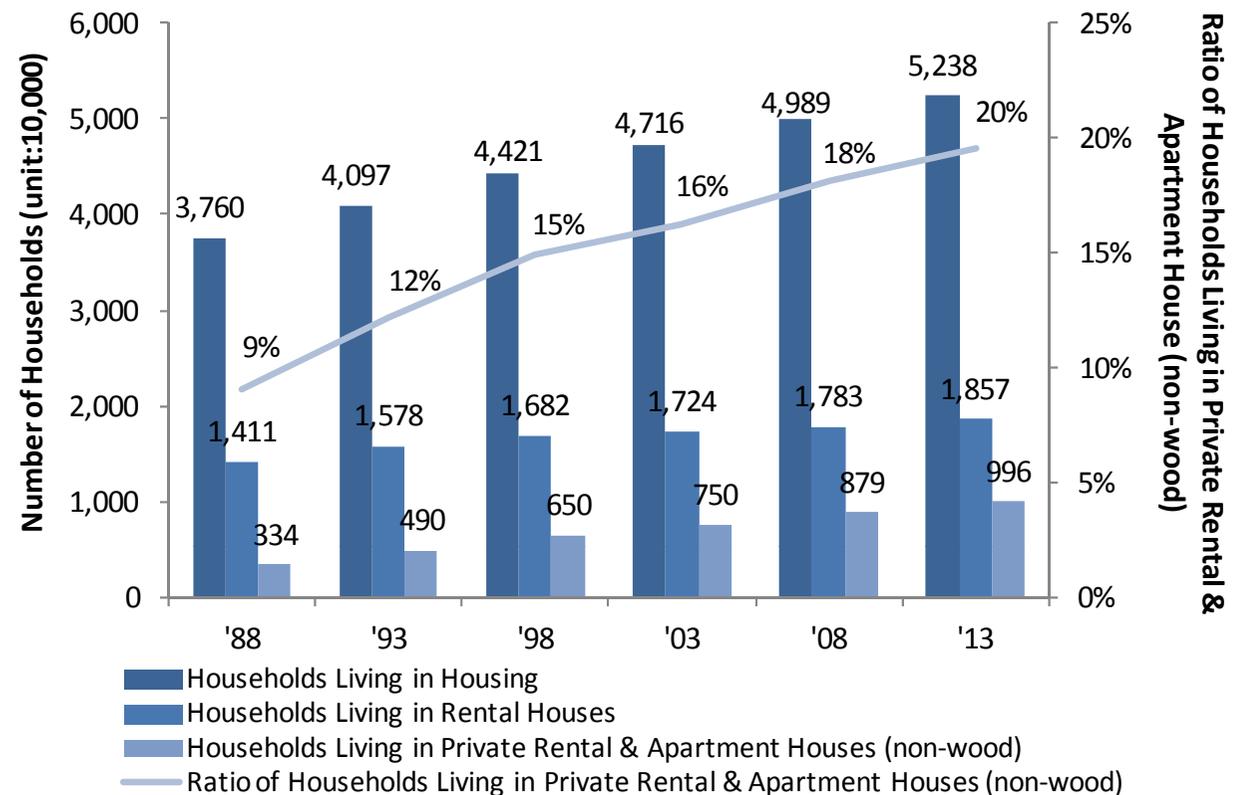
About 20% of all households in Japan are living in non-public rental apartments, and the percentage is trending upwards.

- Households living in non-public rental apartments (excluding wooden apartments; hereafter the same in this section), which numbered 3.34 million in 1988, increased by about 2.6 times to 9.96 million (about 20% of all households) in 2013.

Breakdown of All Households by Housing Type (2013)



Number of Households by Housing Type 1988 - 2013

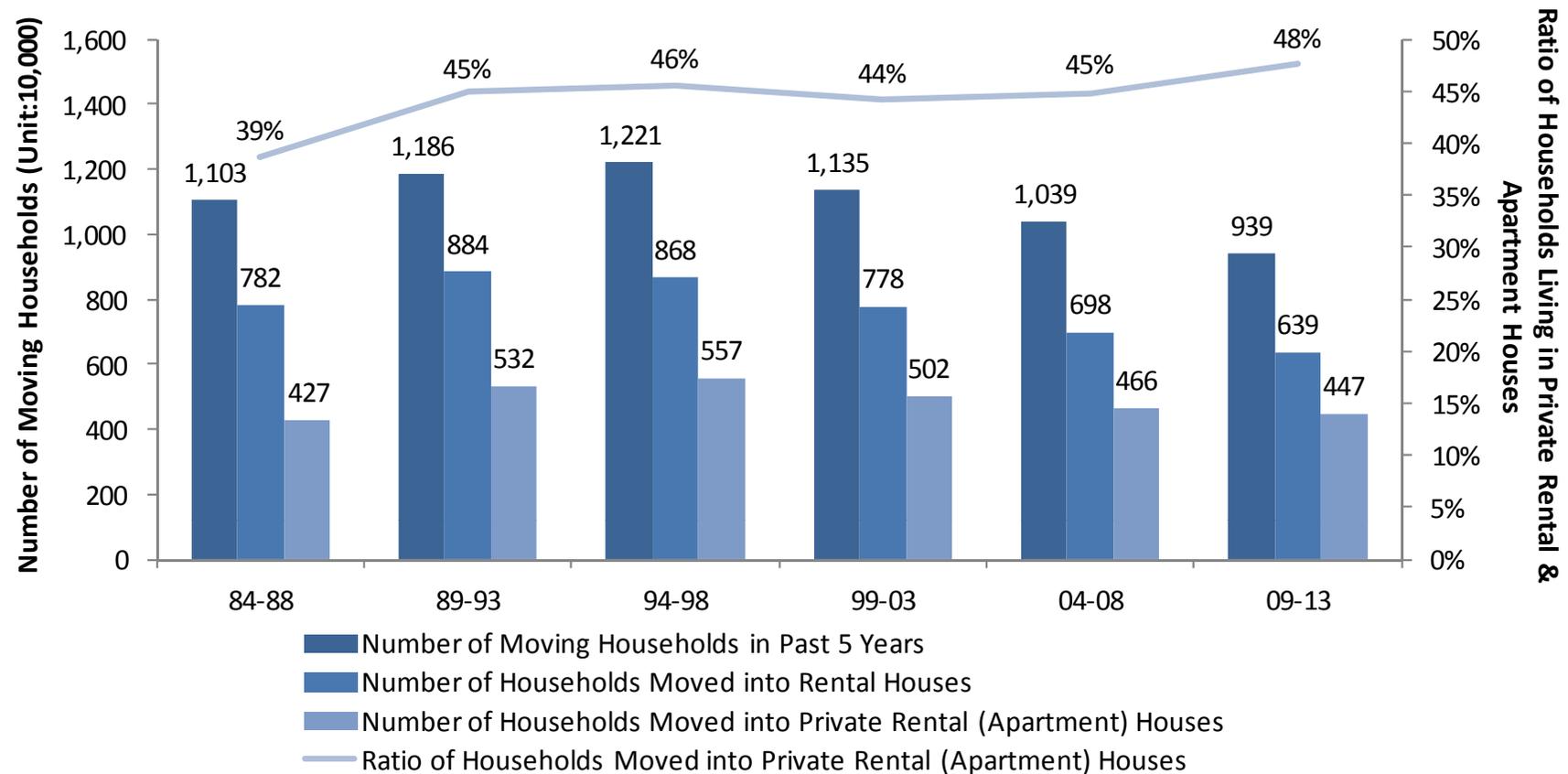


Source: NRI based on data from "Housing and Land Survey", Ministry of Internal Affairs and Communications of Japan.

The total number of moving households has decreased, but the ratio of households moving to non-public rental apartments is trending upwards.

- The number of moving households peaked out in 1994-98 and decreased to about 77% of the peak-time level in 2009-13 .
- The number of households moving to non-public rental apartments is also on a decreasing trend, although its ratio to the total number of moving households is trending upwards.

Housing Choices of Moving Households 1984 - 2013

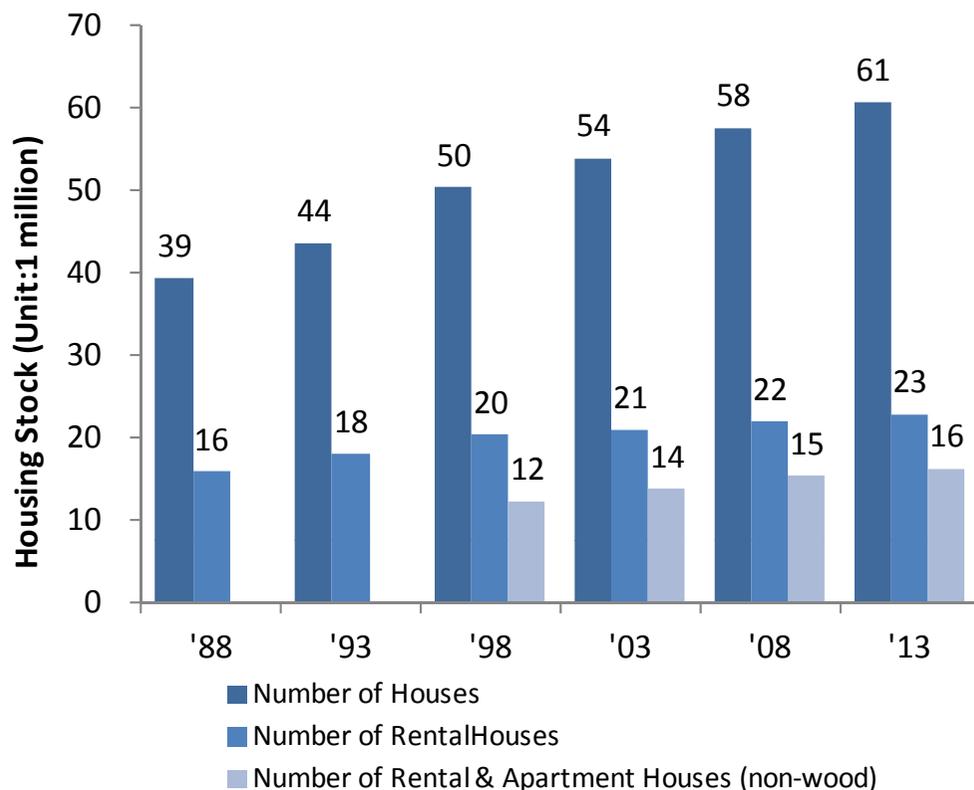


Source: NRI based on data from "Housing and Land Survey", Ministry of Internal Affairs and Communications of Japan.

The supply of non-public rental apartment units has increased more sharply than total housing stock.

- The growth of rental apartments (public and non-public combined) outpaced the growth of overall housing as well as the more modest rise of rental housing in general.
- As a result, the ratio of rental apartments to total rental houses increased from 60 to 70%.

Housing Stock by Type 1988-2013



Housing Growth Rates by Type

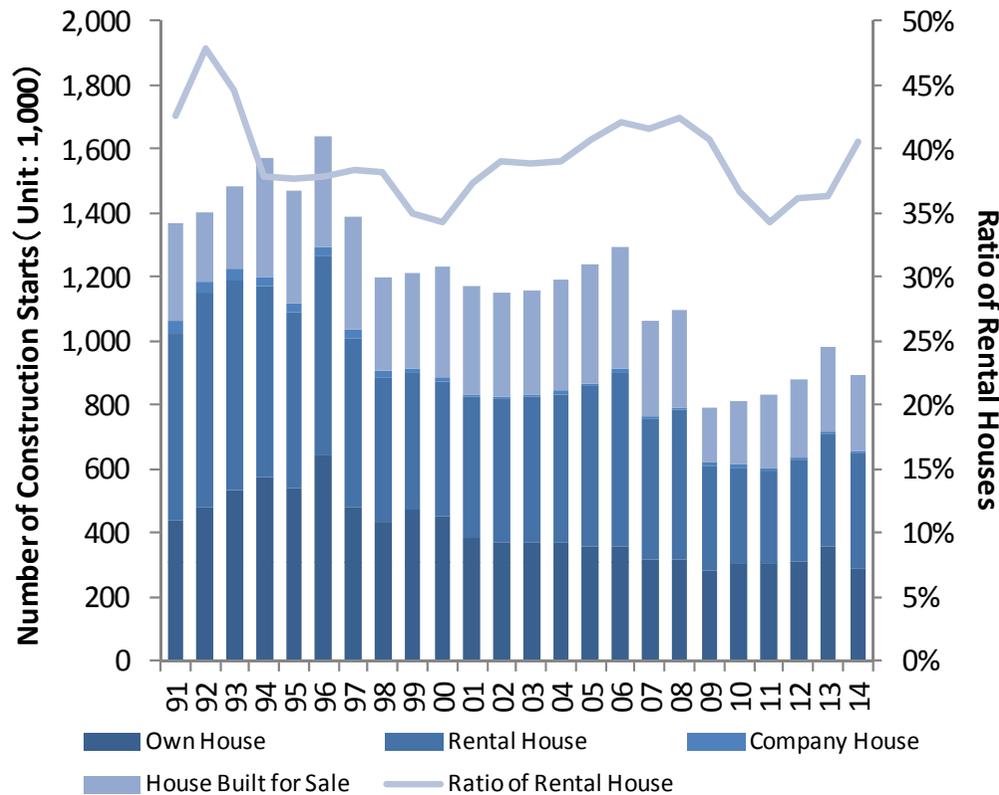


Source: NRI based on data from "Housing and Land Survey", Ministry of Internal Affairs and Communications of Japan.

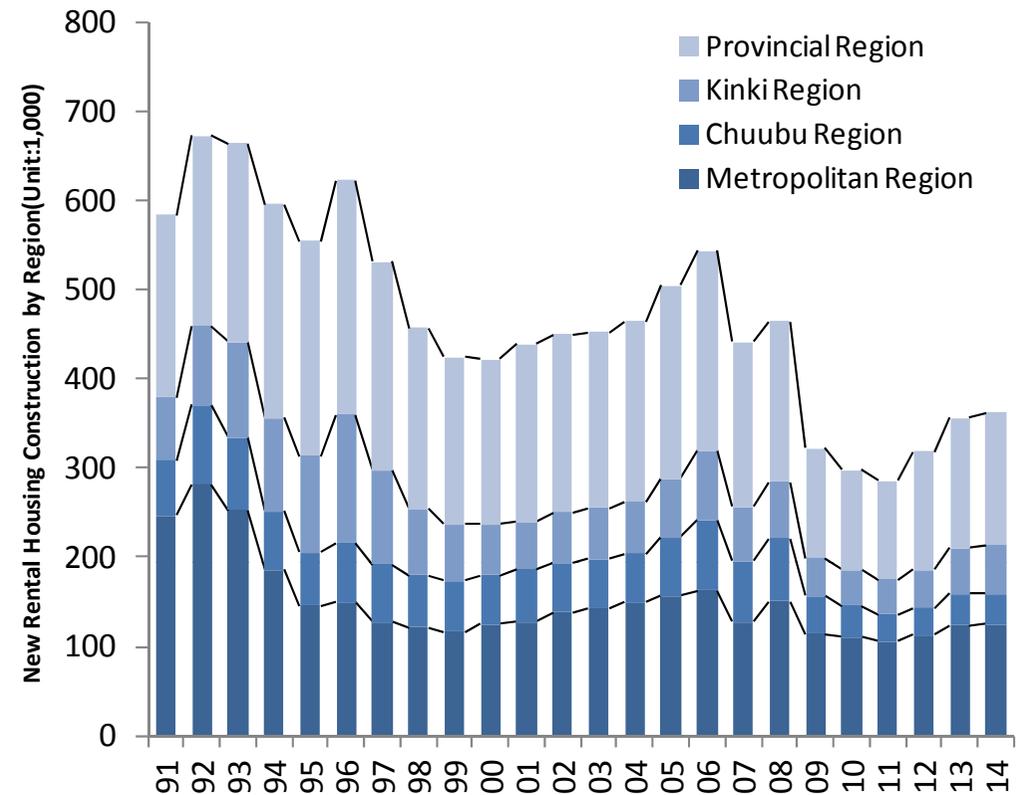
Construction of new rental housing declined in 2009 but is now on a recovery path.

- The number of new constructions decreased in 2014 as a reaction to last minute surge in demand prior to the tax increase.
- The ratio of rental house has increased as the number of new rental housing has leveled off while the total number of new construction has declined.

New Housing Supply Trend: 1991-2014



Breakdown of New Rental Housing Construction by Region

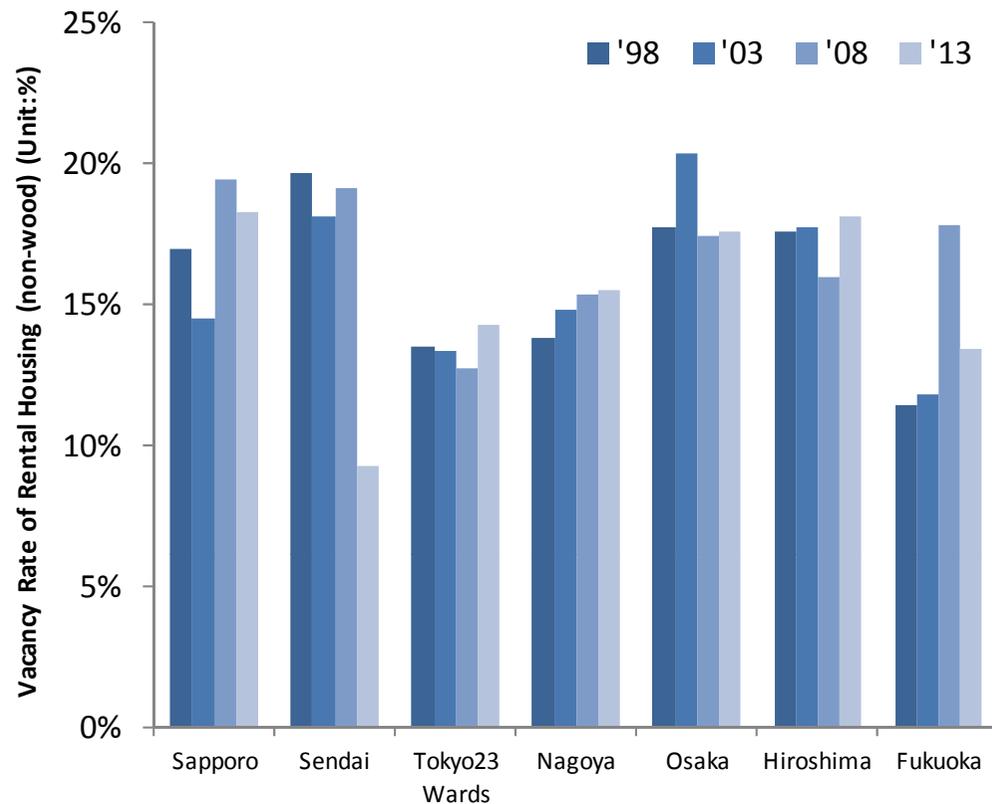


Source: NRI based on data from "Survey of Construction Work Started", Ministry of Land, Infrastructure, Transport and Tourism of Japan.

Vacancy rates are rising in all of Tokyo's 23 wards.

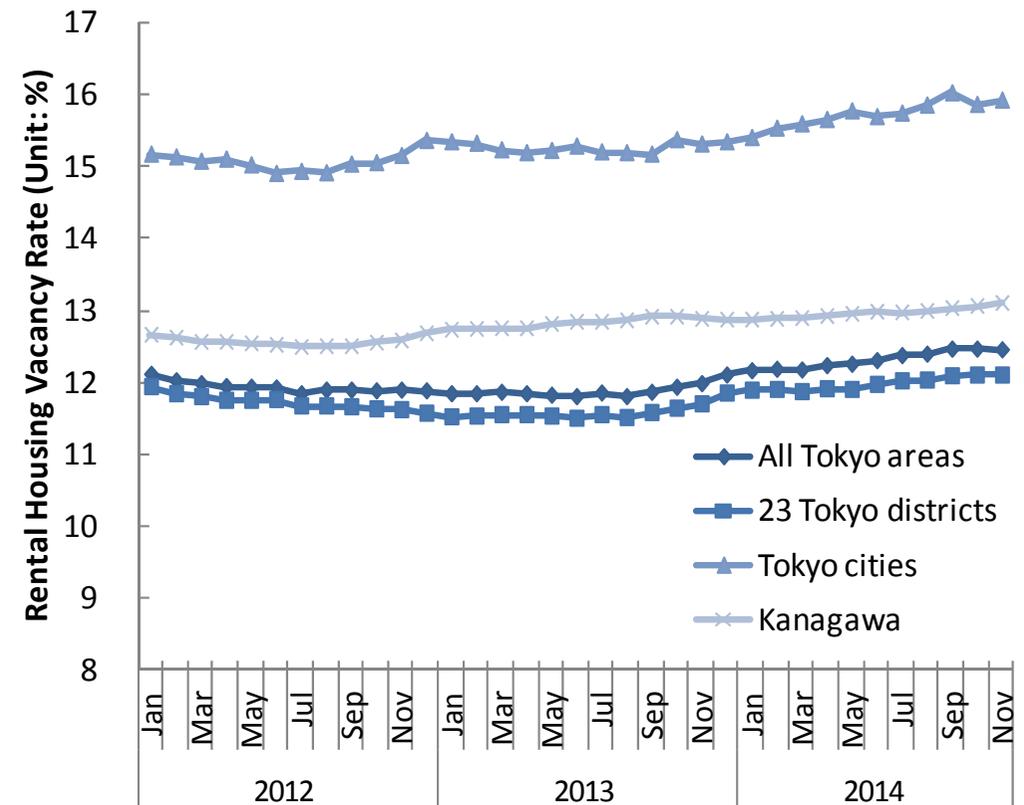
- Vacancy rate in the metropolitan Tokyo has continued to decline for the past decade.
- In the recent years, however, Tokyo has seen an upward trend of vacancy rates, especially in the 23 wards.
- Affected by the Great East Japan earthquake in 2011, vacancy rates in Sendai has seen a significant shrinkage.

Vacancy Rates of Rental Housing (non-wood) in Major Cities



Source: NRI based on data from Data from "Housing and Land Survey", Ministry of Internal Affairs and Communications of Japan.

Vacancy Rates of Rental Housing in Tokyo Metropolitan Area

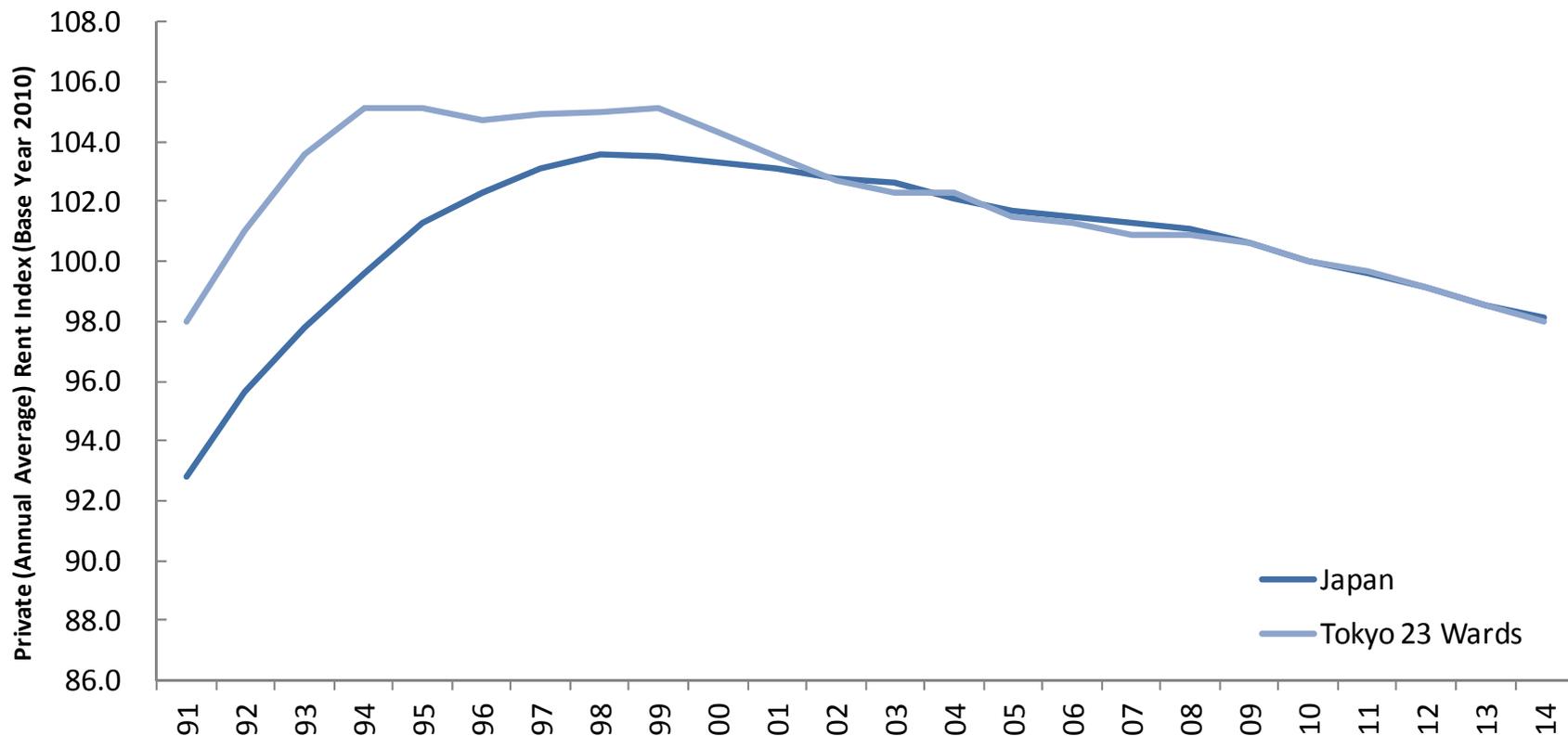


Source: NRI based on data from "Report on Rental Housing Market", TAS Corp. (Analyzed by TAS Corp. Data Supplied by At Home Co., Ltd.).

The rent level of non-public rental housing continues to fall.

- The rent level of non-public rental housing rose steadily from 1990 to 2000, after which it gradually declined. The rent level downward trend continued in 2013.

Rent in the Private Sector (Annual Average) – Nationwide and Central Tokyo

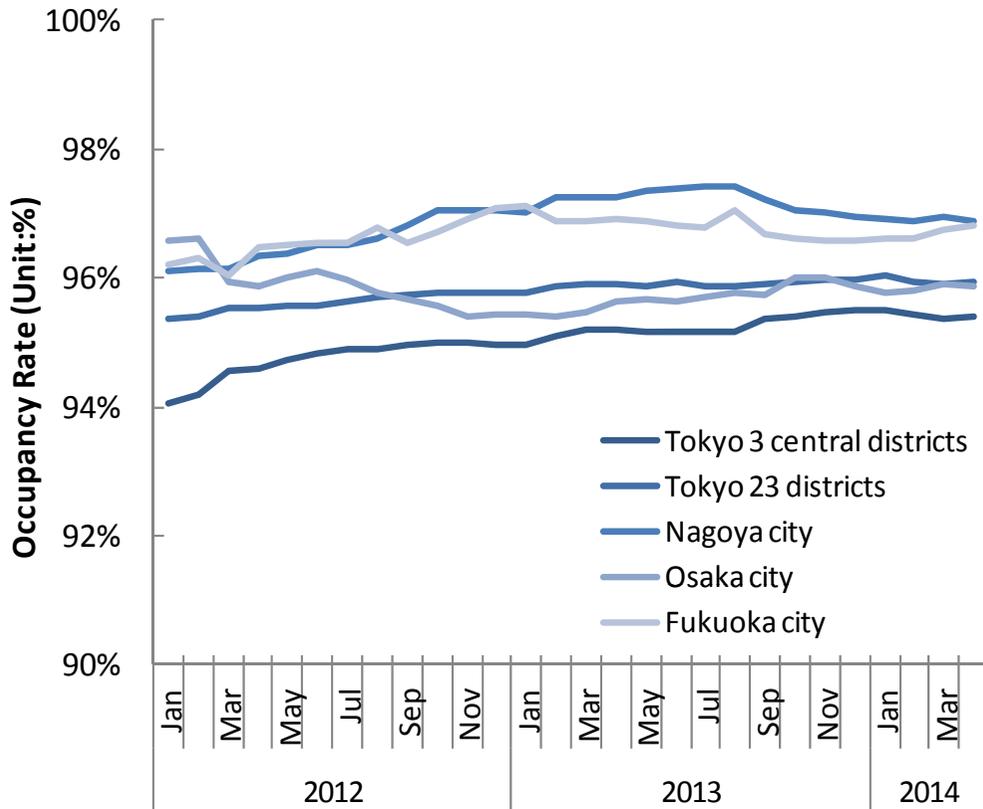


Source: NRI based on data from "Consumer Price Index", Ministry of Internal Affairs and Communications of Japan.

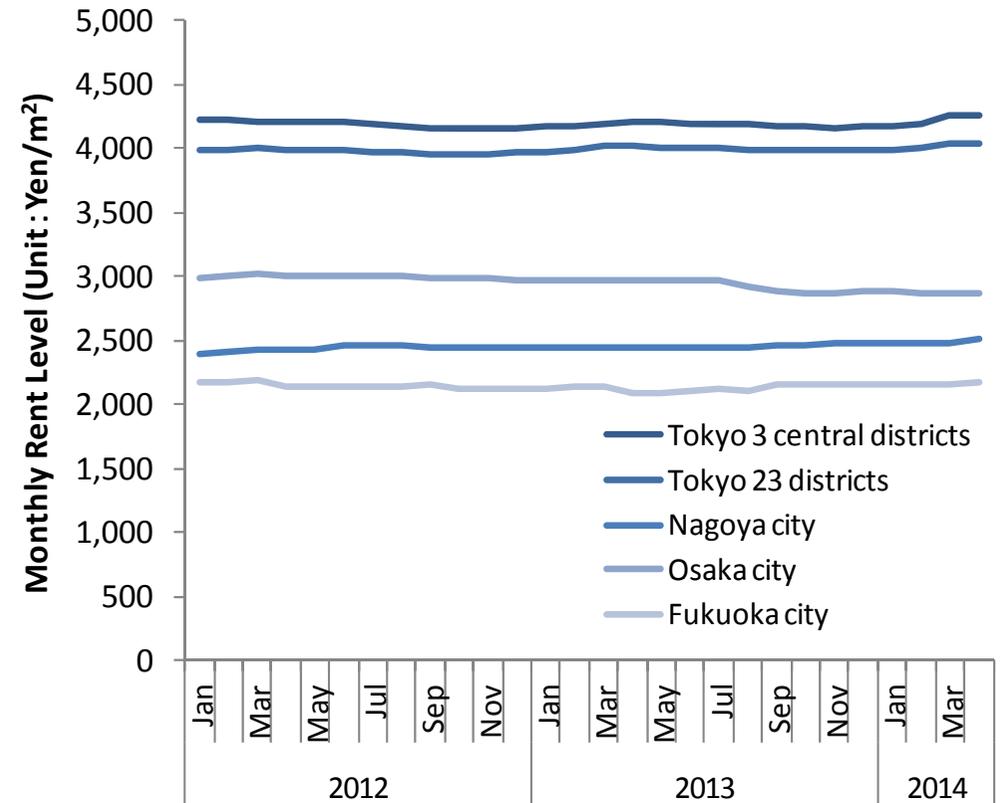
Occupancy rates of REIT-owned and private fund-owned properties are rising, while their rent levels remain stable.

- Looking at the changes in the REIT-owned and private fund-owned occupancy rate and monthly rent, the monthly rent level has remain stable although the occupancy rate in Tokyo's 3 central districts and its 23 districts has been on an uptrend since 2012.

Occupancy Rates of REIT-owned and private fund-owned Properties



Monthly Rents of REIT-owned and private fund-owned Properties



Source: NRI based on data from "ARES J-REIT Property Database", Association for Real Estate Securitization of Japan.

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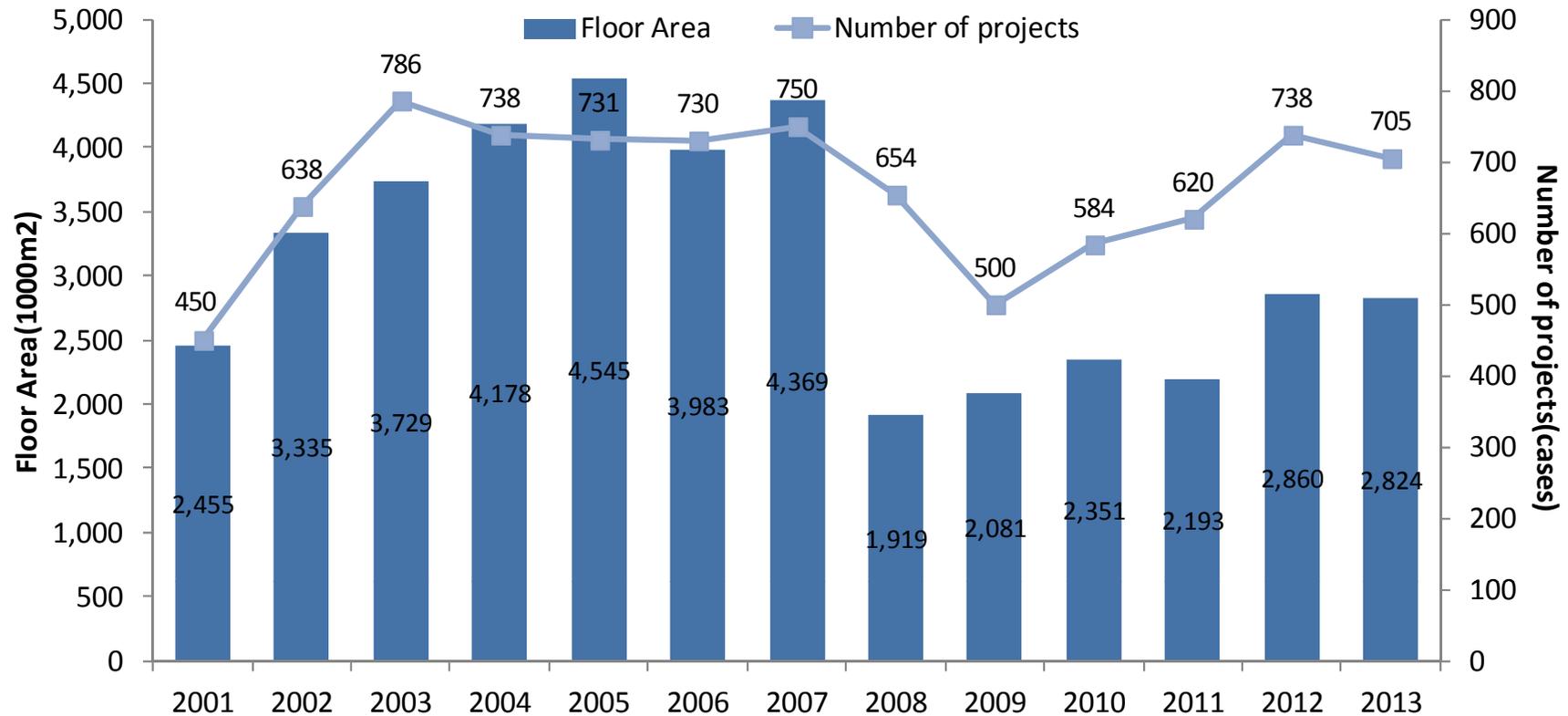
6 Retail Property Market

7 Logistics Property Market

8 Real Estate Investment Products

Development of large-scale retail stores has started to recover since 2009.

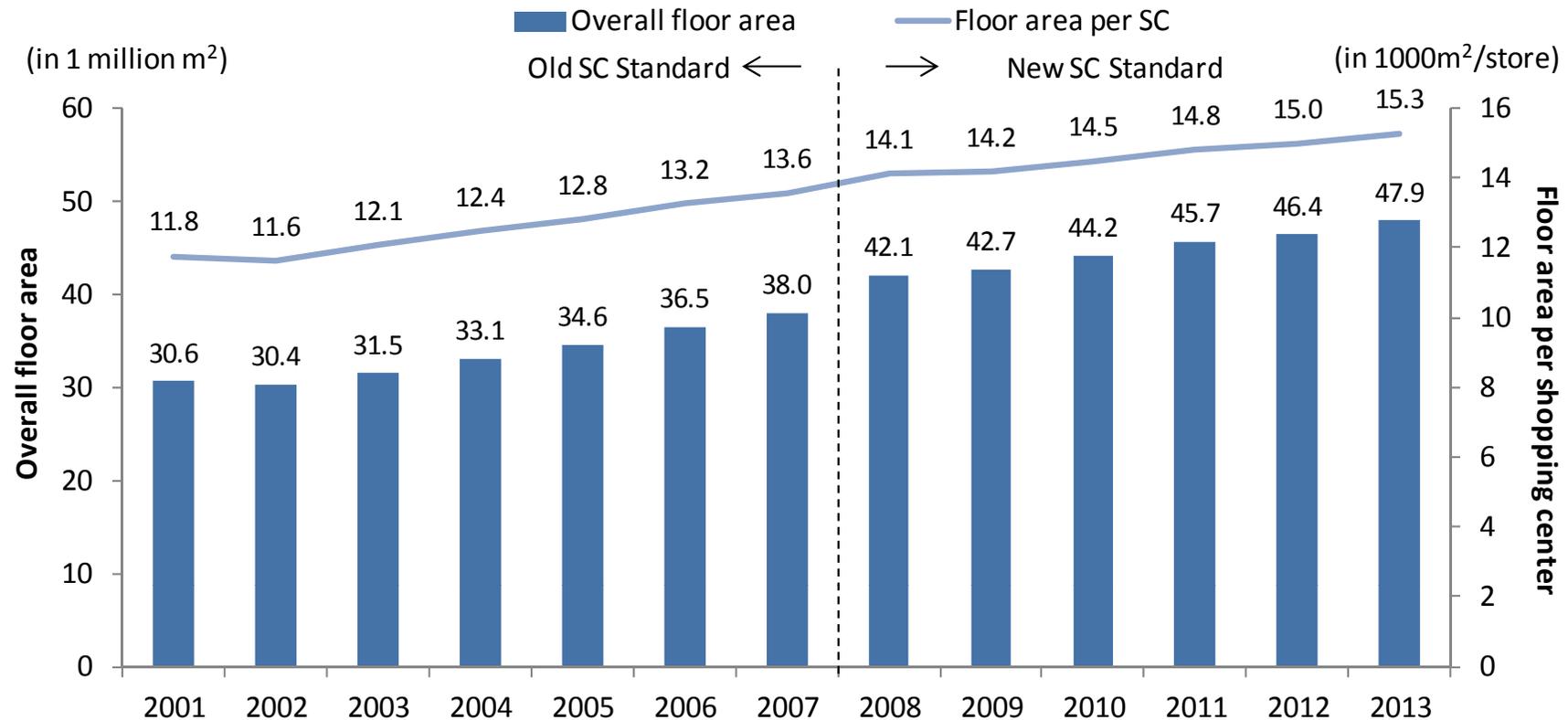
New Retail Space Supply vs. Number of Development Projects



Note: The reported numbers for the fiscal years 2002 and 2008 include stores without floor space indication.
 Source: NRI based on data from the Ministry of Economy, Trade and Industry's "Large-scale Retail Chain Site Expansion Report"

For shopping centers, the total floor area for all stores and the floor area per store are both on the rise.

Overall floor area and per-store floor area for shopping centers



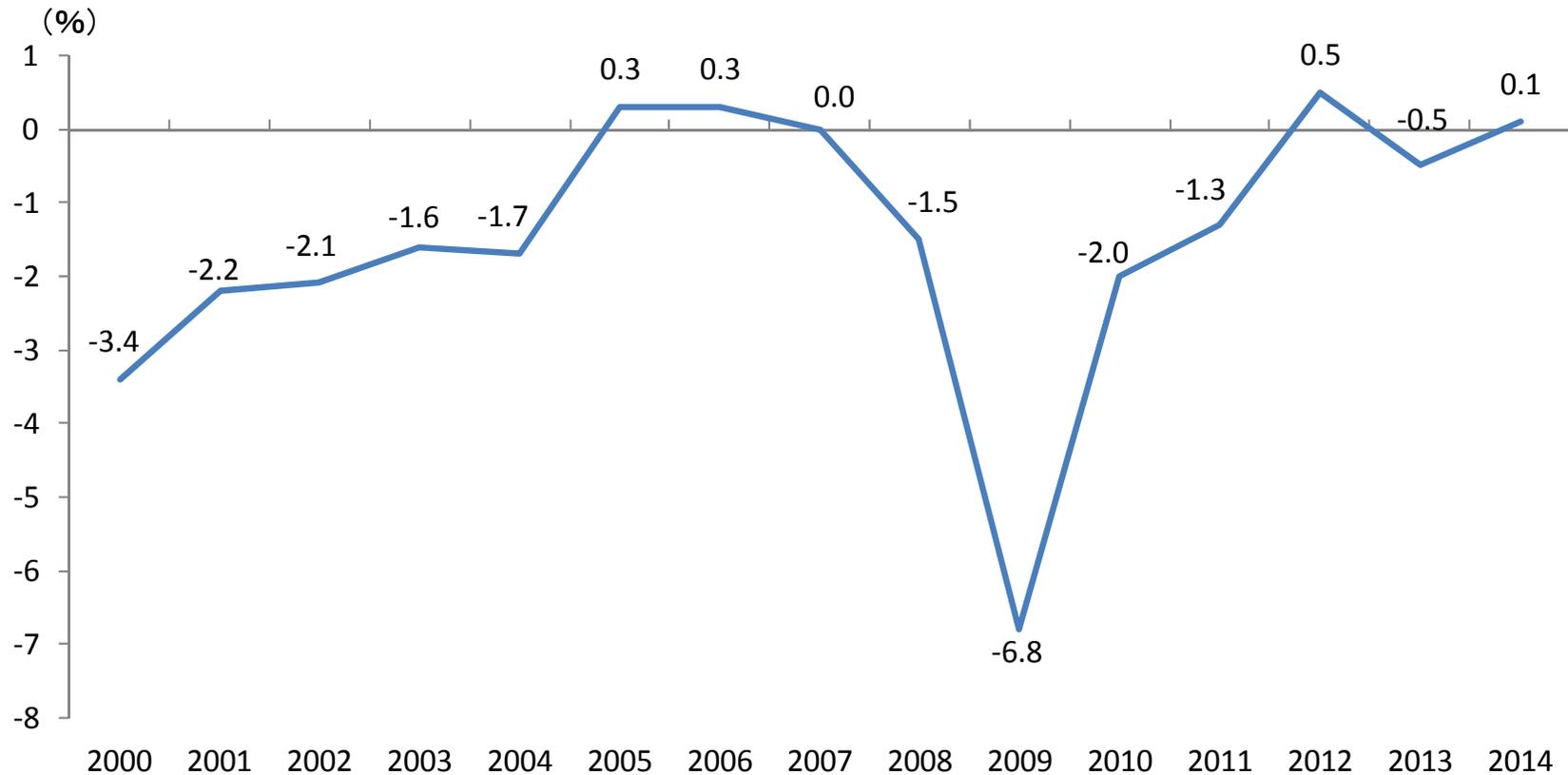
NB: In the old SC standard, only shopping malls with more than 10 retail tenants were considered.

In the new SC standard, the shopping center must have more than 10 tenants including food stalls, service centers and retail outlets.

On the same note, the shopping center must have more than 1,500 m² retail space.

Declining tendency of shopping center's sales is mitigating.

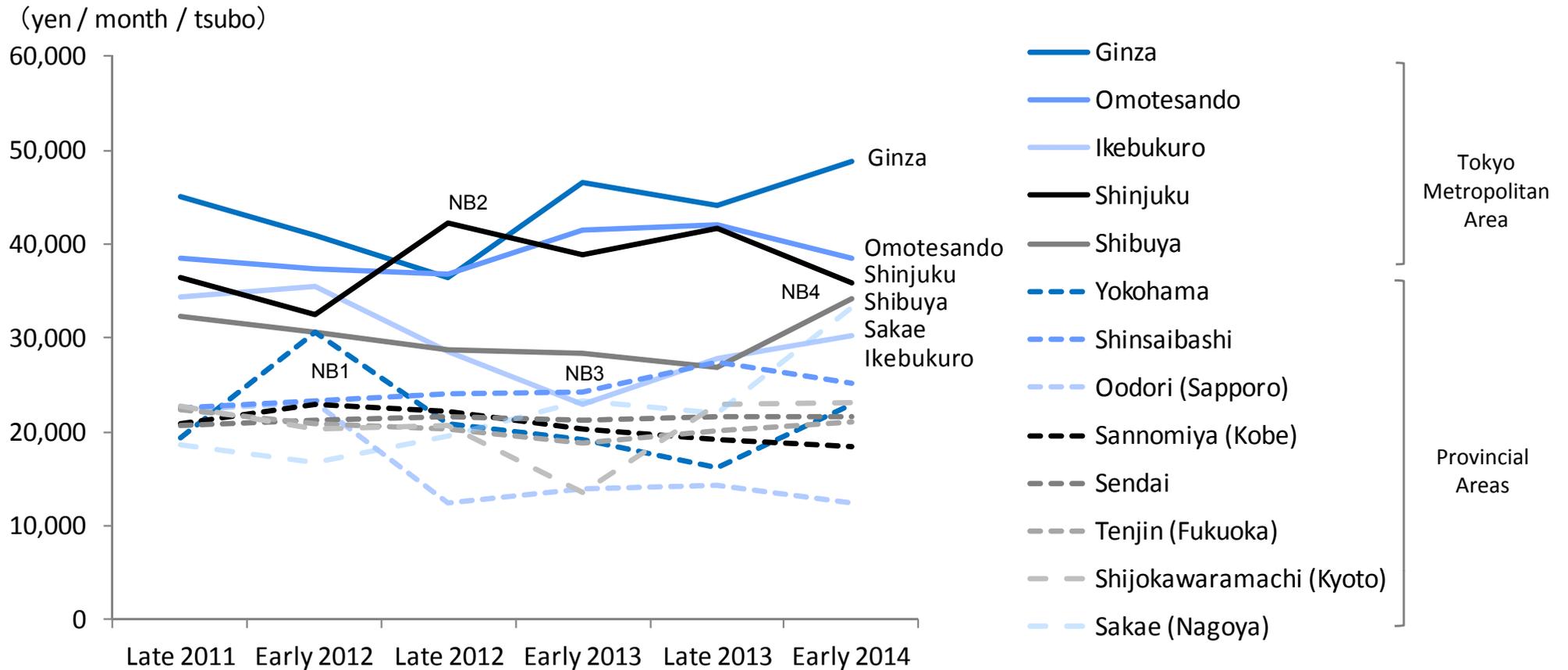
Yearly comparison of existing shopping centers' sales



Source: NRI based on the Japan Council of Shopping Centers' "Overall Sales Statistics Report

Compared to other areas, rent level of Ginza, Omotesando and Shinjuku are still high.

1st floor rent ranking in 13 principal business areas (yen/month/tsubo)



NB1: Rent in Yokohama is shown to have spiked in the early half of 2012, but this can be attributed to the extremely small sample size

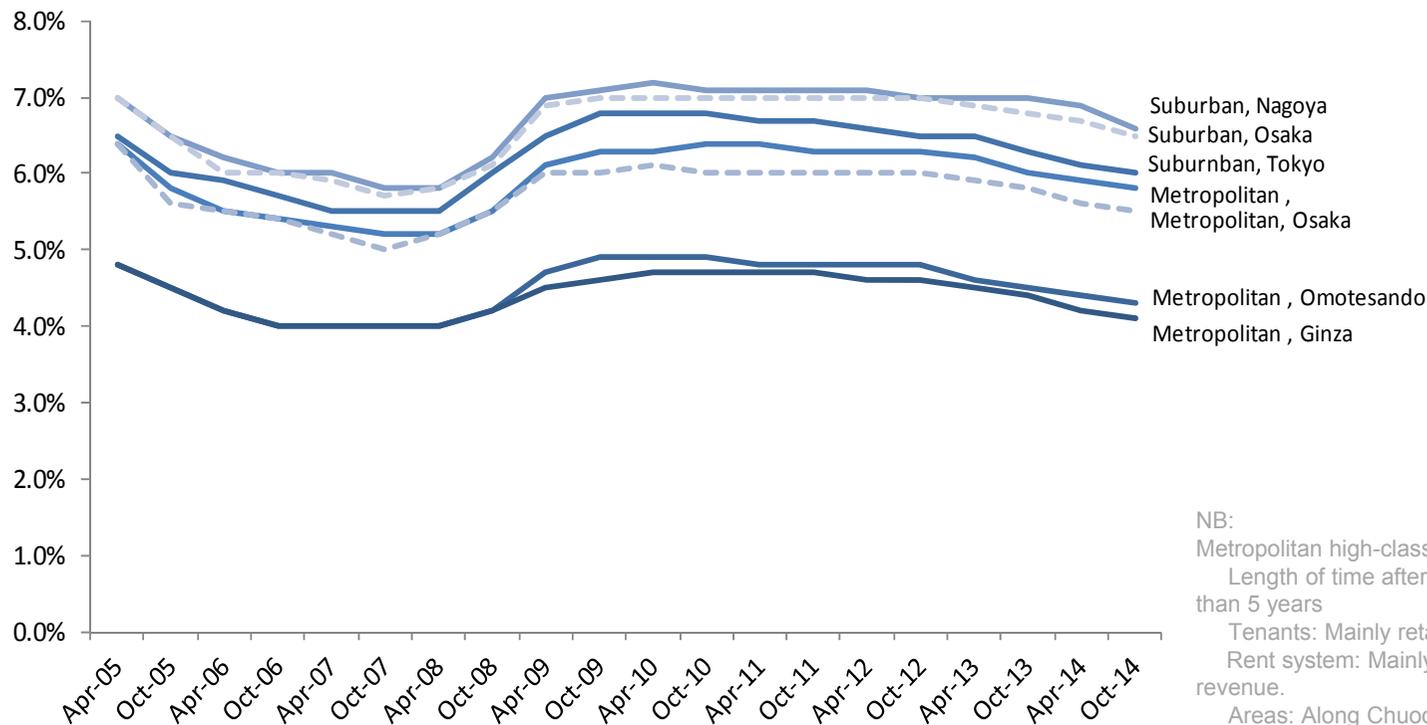
NB2: Rent in Shinjuku is shown to have spiked in the late half of 2012, but this can be attributed to a sample bias toward small, high-rent properties

NB3: Rent in Ikebukuro is shown to have dived in the early half of 2013, but this can be attributed to a sample bias toward low-rent properties in unfavorable locations

NB4: Rent in Shibuya, Sakae and Ikebukuro are shown to have spiked in the early half of 2014, which can be attributed to a sample bias towards a small number of properties with high rent

Cap rates have been falling since 2011. In the Tokyo Metropolitan Area, cap rates are approaching the all-time low.

Commercial establishment cap rates (expected yield)



NB:
 Metropolitan high-class specialty stores:
 Length of time after construction -or- large-scale repair/improvement: less than 5 years
 Tenants: Mainly retailers of high-class brands.
 Rent system: Mainly fixed-term, variable rental schemes based on the revenue.
 Areas: Along Chuo-dori in Ginza's Chuo district.
 Along Omotesando in Omotesando's Shibuya district.

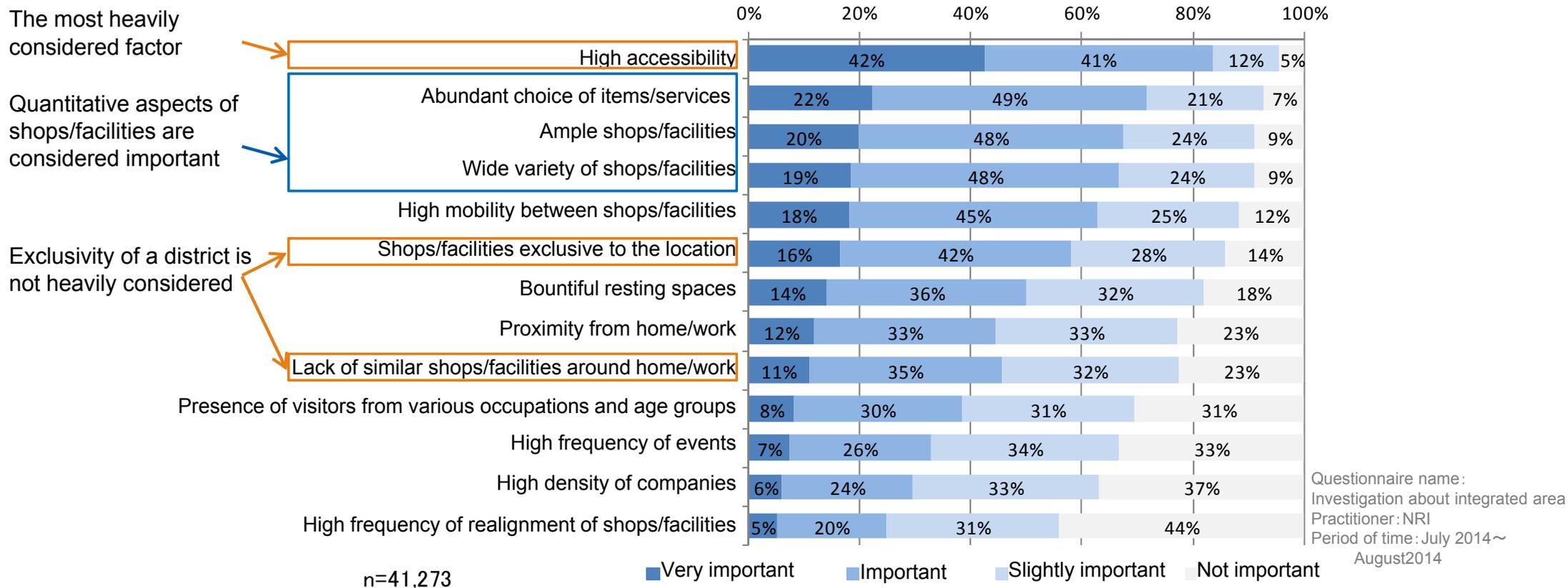
Suburban shopping centers:
 Sales floor area: around 20,000m²
 Key tenants: Prominent general merchandise stores (GMS)
 Rent system: Mainly fixed-term, fixed-charge rental schemes
 Areas: 1-hour *Shinkansen* ride along key stations to Tokyo's Metropolitan District

Stores for areas outside Tokyo follow similar locational conditions as above.

Accessibility and density level of commercial facilities are the important factors in selecting locations.

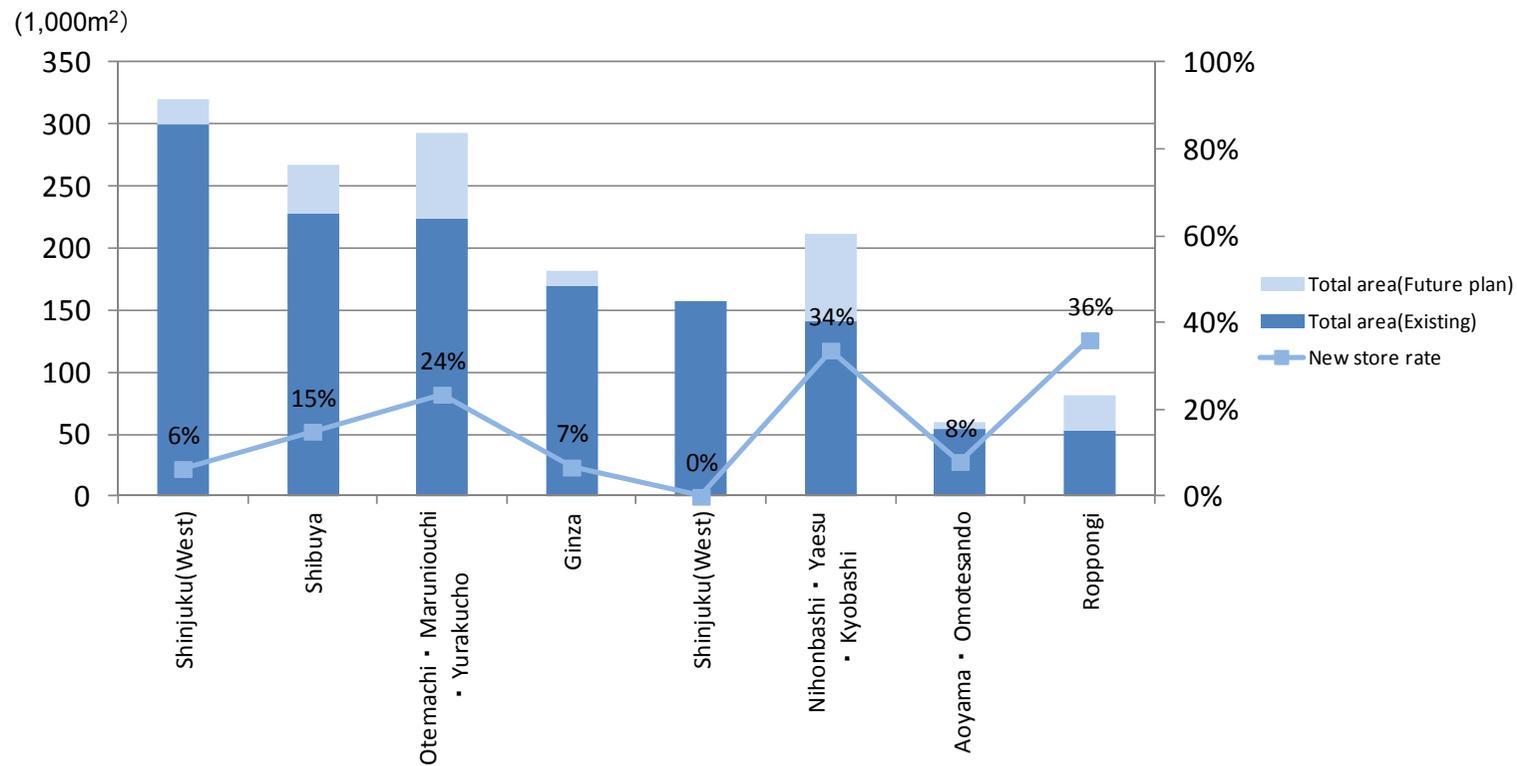
- In evaluating a commercial district, the most heavily considered factor is its accessibility (i.e. inter-district factors), followed by quantitative aspects such as choice of items/services and number of shops/facilities within a district.
- Intra-district factors are also regarded important (i.e. mobility between shops/facilities). On the other hand, exclusivity of a district is not heavily considered (i.e. presence of shops/facilities exclusive to the location, lack of similar shops/facilities around home/work).

Important Factors in Selecting Commercial Districts by General Consumers (in Metropolitan Area)



Large scale development of commercial buildings will proceed mainly around Tokyo station.

Total store area of commercial buildings in metropolitan Tokyo



NB)

Total area(Existing) includes department stores and specialty stores. Data as of May 2014

Total area(Future plan) is calculated via following formula: Total area(Future plan) = Site area × Floor area rate × Commercial building rate × Shop floor rate

Note that the above-calculation is based on a presupposition that floor area rate, commercial building rate and shop floor rate to be 700%, 20% and 60%, respectively.

Source: NRI based on the Sangyo-Times "Commercial Facilities Schedule Guide", Toyo Keizai Shinposha "National Supermarket Guide 2015"

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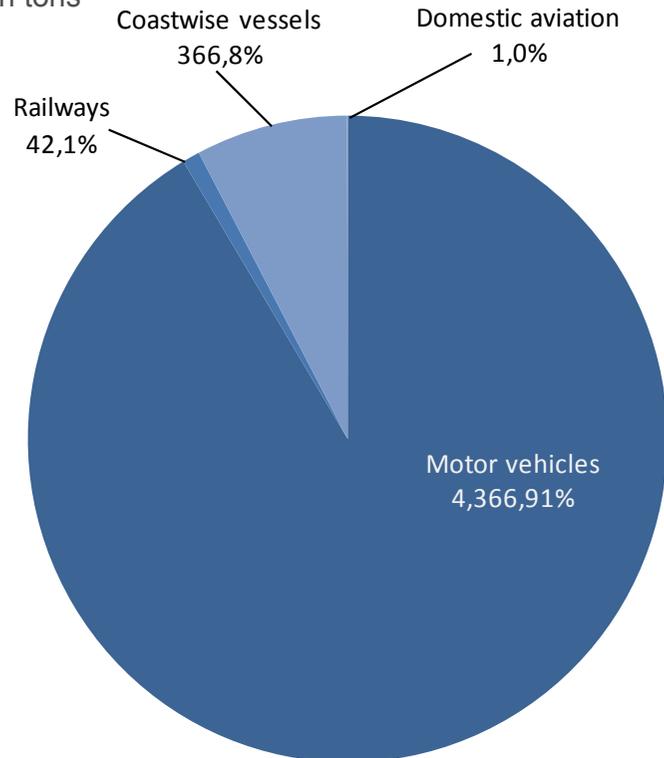
8 Real Estate Investment Products

The truck-based transport volume (in tons), which forms the bedrock of Japan's cargo industry, has continued to decline in recent years.

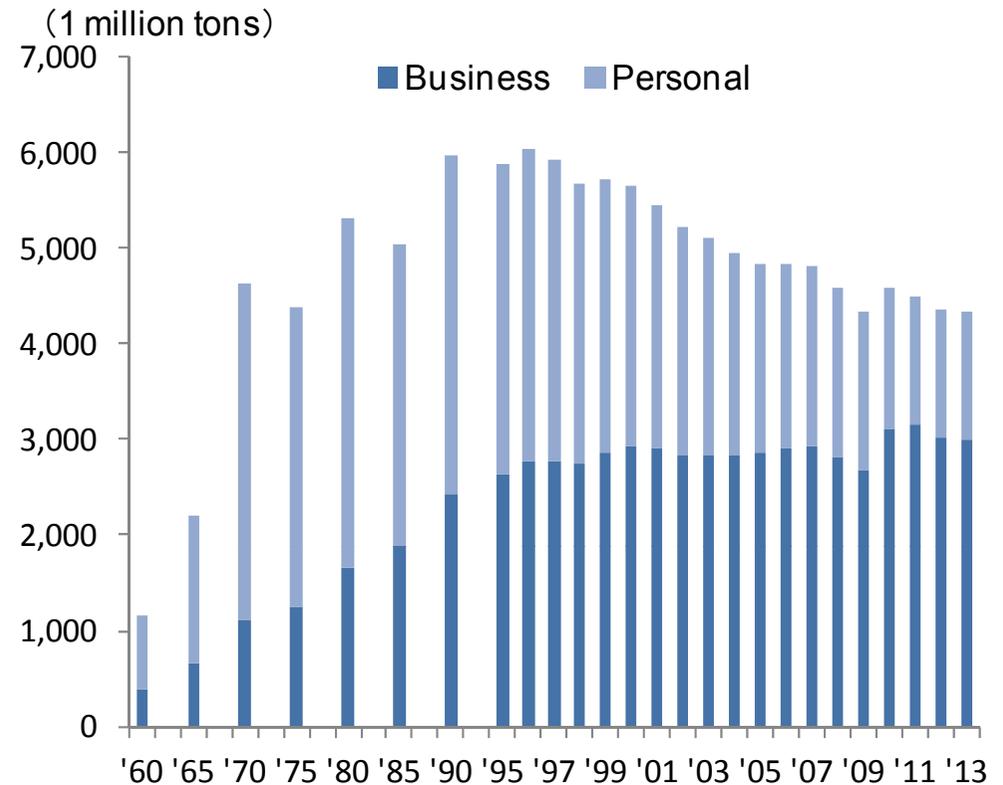
- Truck-based (automobile) transport is the primary transport method that constitutes a large share of Japan's freight traffic.
- In recent years, the volume of cargo transported via automobile has declined due to the downturn in the quantity of trucks sold for private use.

Cargo quantity by transport method (FY2012)

Unit: 1 million tons



Automobile cargo quantity movement

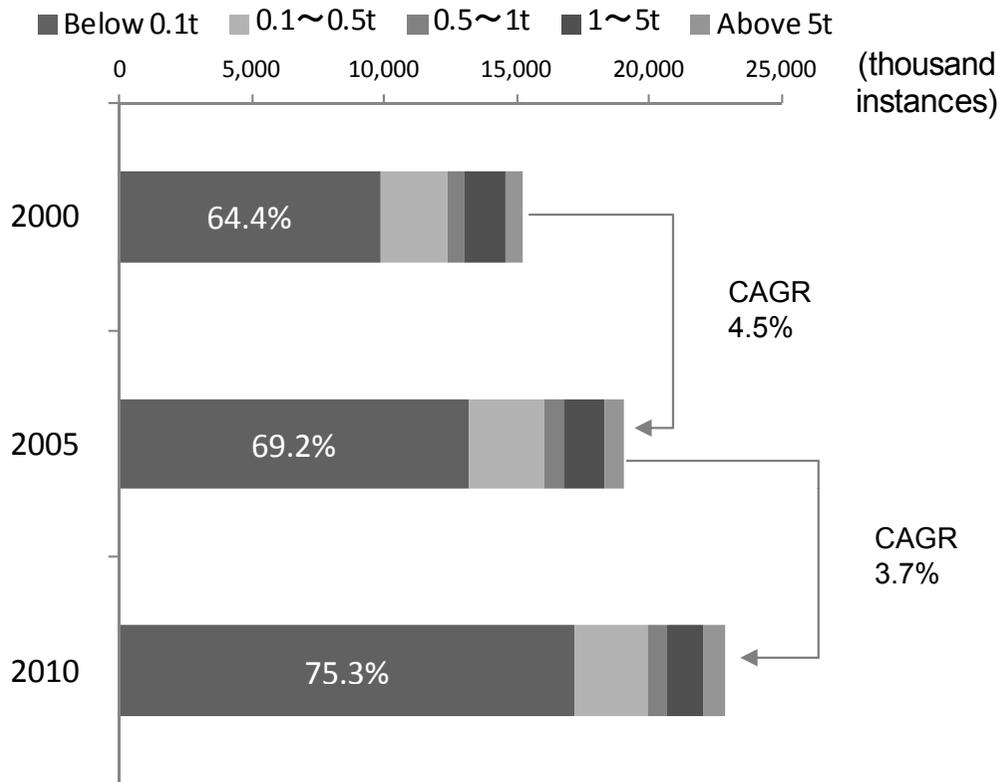


NB: The chronological continuity of data from prior to 2009 could not be guaranteed due to the changes made to the tallying methodology in the middle of 2010.

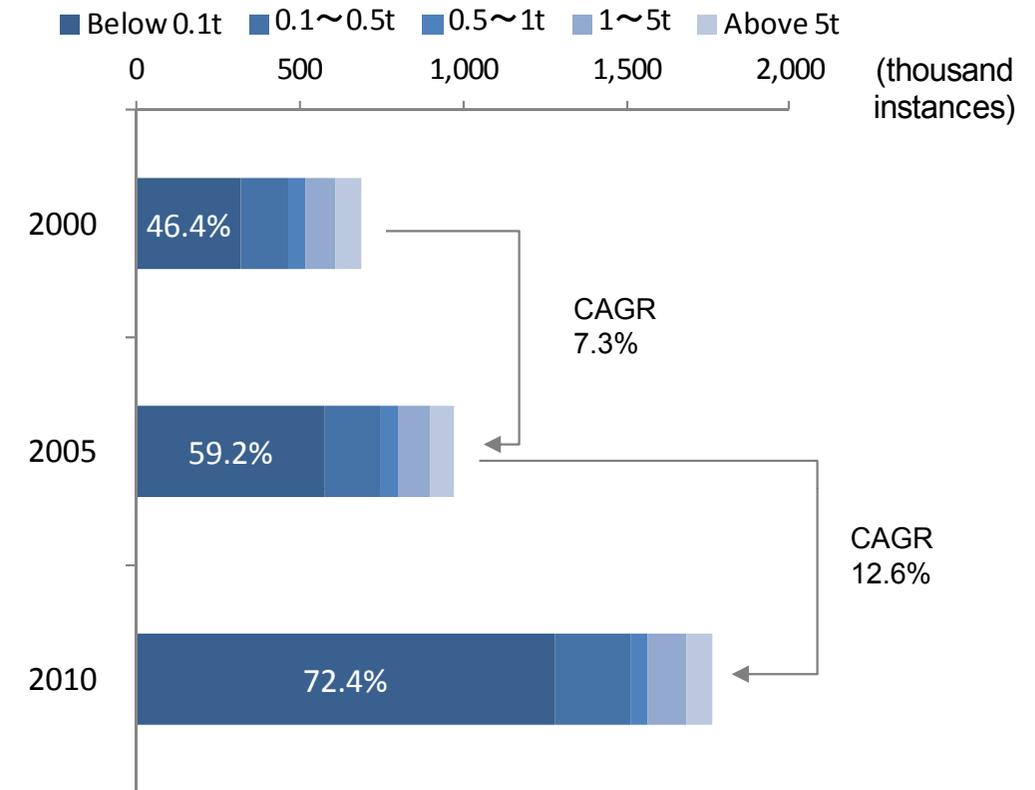
As the movement to smaller logistics lots progresses, the quantity distributed in such lots appears to be in upward trend based on the number of instances.

- As the movement to smaller logistics lots progresses across the whole industry, the quantity distributed has increased to a yearly rate of 4.0% based on the number of reported instances.
- The increased quantity of distribution in warehouses is remarkably high. This increase is propelled by the increase in distribution quantity using small lots that are less than 0.1 tons.

Industry-wide (except warehousing) distribution quantity by lot size (unit: number of instances)



Warehousing distribution quantity per lot size (number of instances)

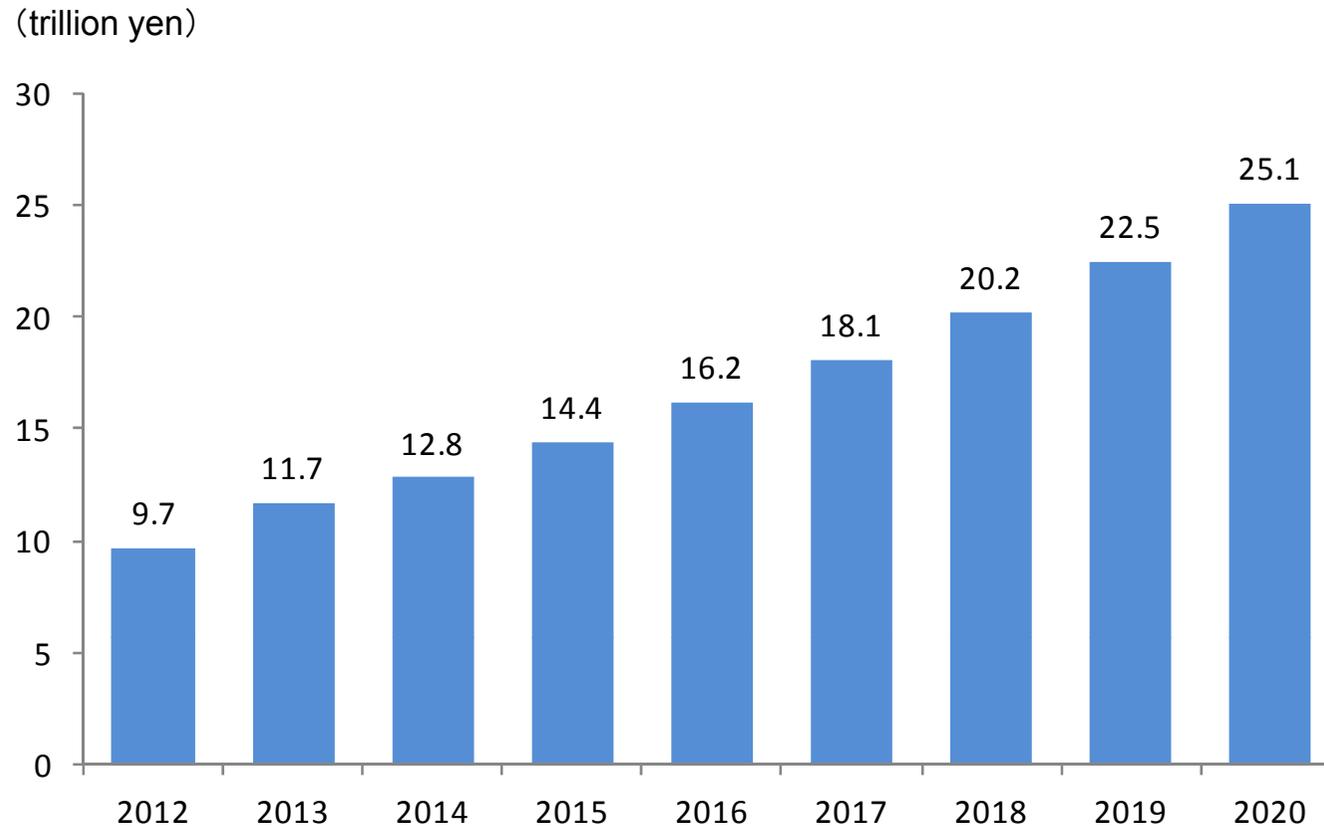


Source: NRI based on the Ministry of Land, Infrastructure, Transport and Tourism's "Logistics Census"

Small-lot consignments increase, due partly to the expansion of e-commerce, which is expected to continue growing hereafter.

- Market size of Business-to-Consumer e-Commerce is expected to surpass 20 trillion yen in 2018.

Market Size of Business-to-Consumer e-Commerce

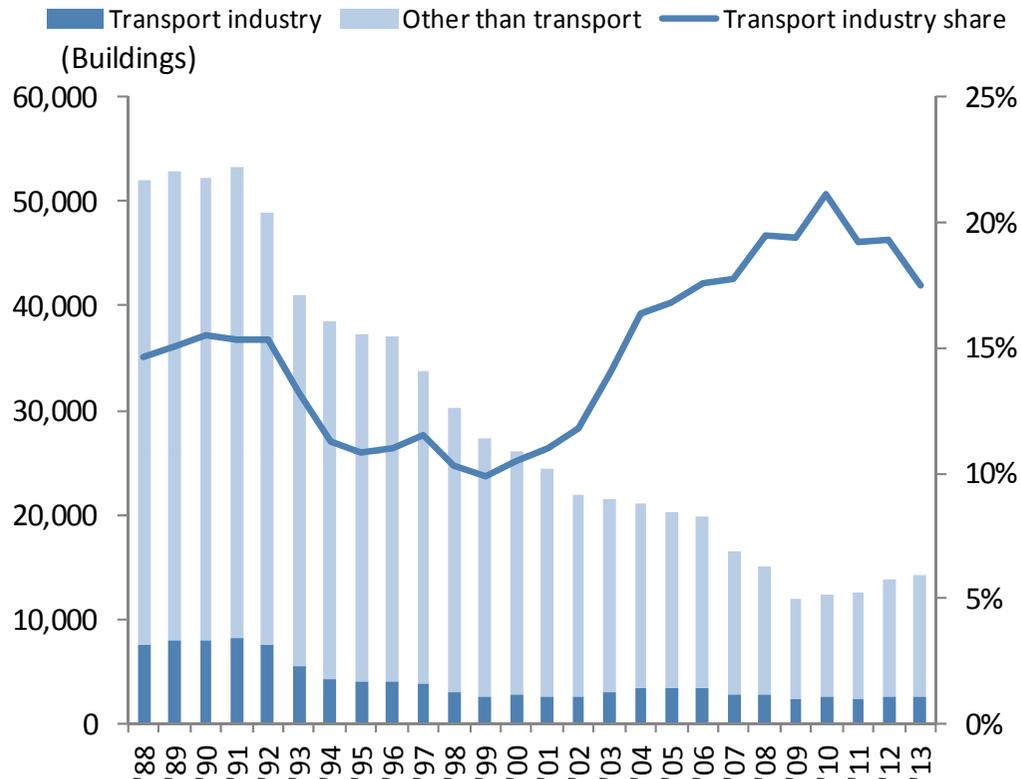


NB: Business –to-consumer e-commerce: sale of products and services to consumers in general via the Internet
Source: NRI

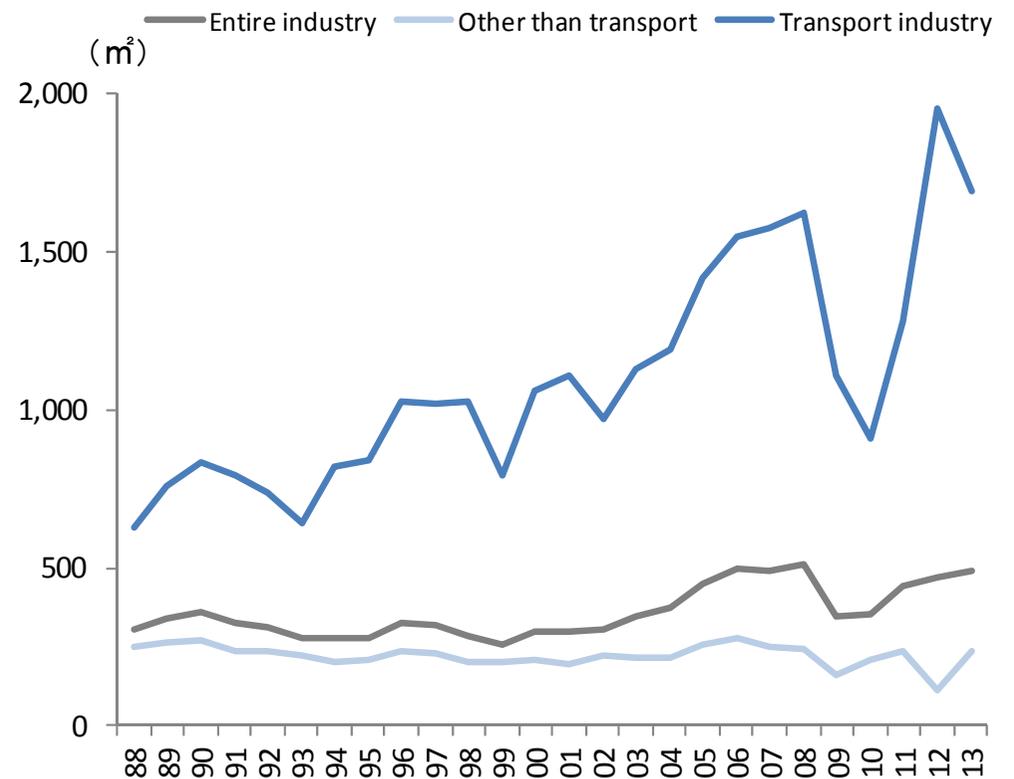
While new supply has stopped dwindling, facilities are growing larger due to businesses consolidating their logistics capabilities.

- The number of supplied warehouse buildings fell to roughly 23% of the peak level in 1991 (12,000 buildings/year) which has stabilized in recent years.
- The number of supplied warehouse buildings for the transport industry is dwindling at a more relaxed pace compared to the rest of the industry (see figure below left), but the floor space per building is on an upward trend (below right).
- This explains the increased need for SCM support for generic enterprises and new/large-scale logistics facilities for logistics consolidation.

Nationwide number of supplied warehouses including warehouses for transport and transport industry share

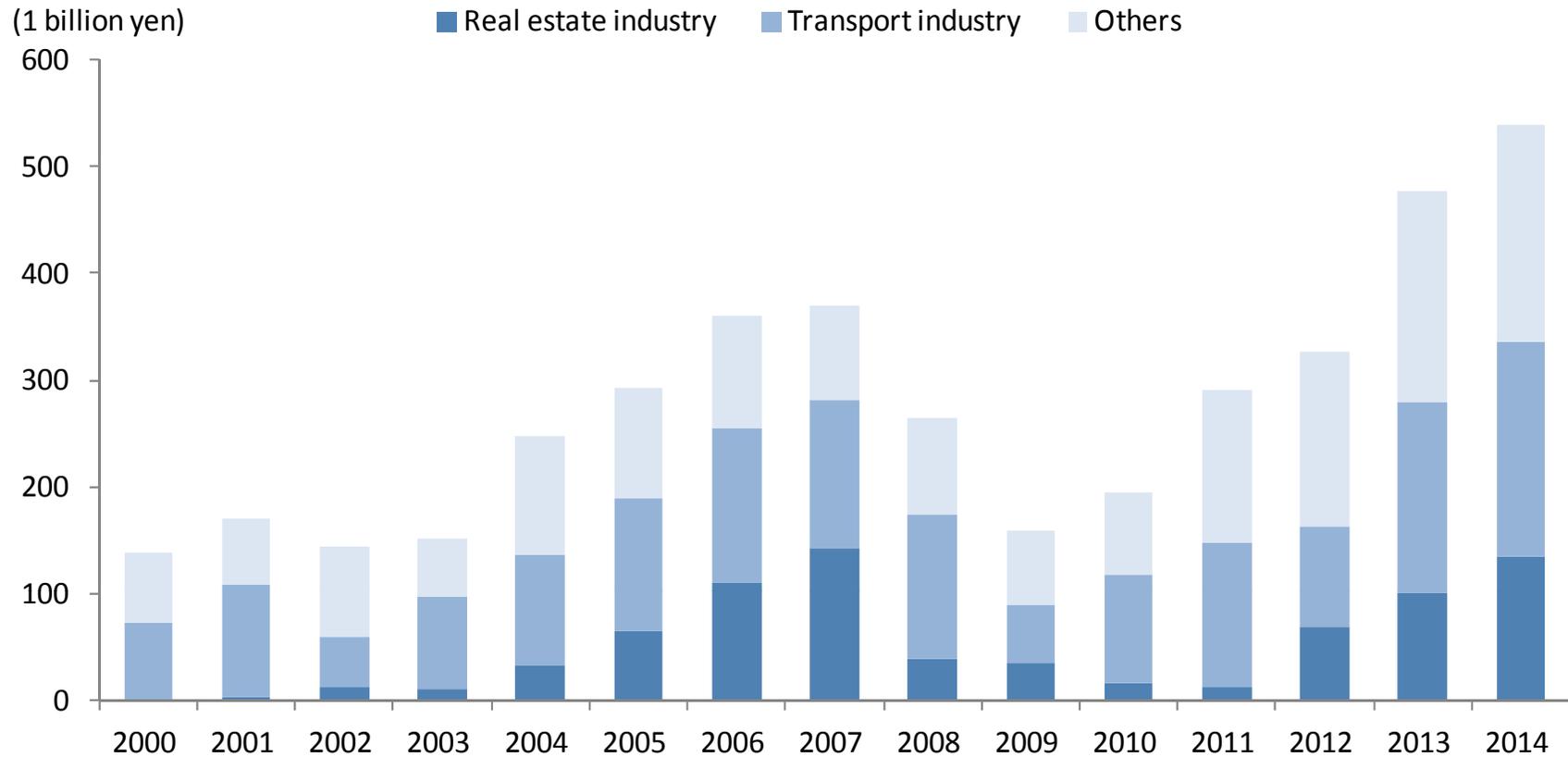


Floor space per warehouse building



Development of logistics real estate, which had been shrinking since the Lehman shock, is now back in full swing.

Order volume for construction of warehouses/logistics facilities by ordering industry

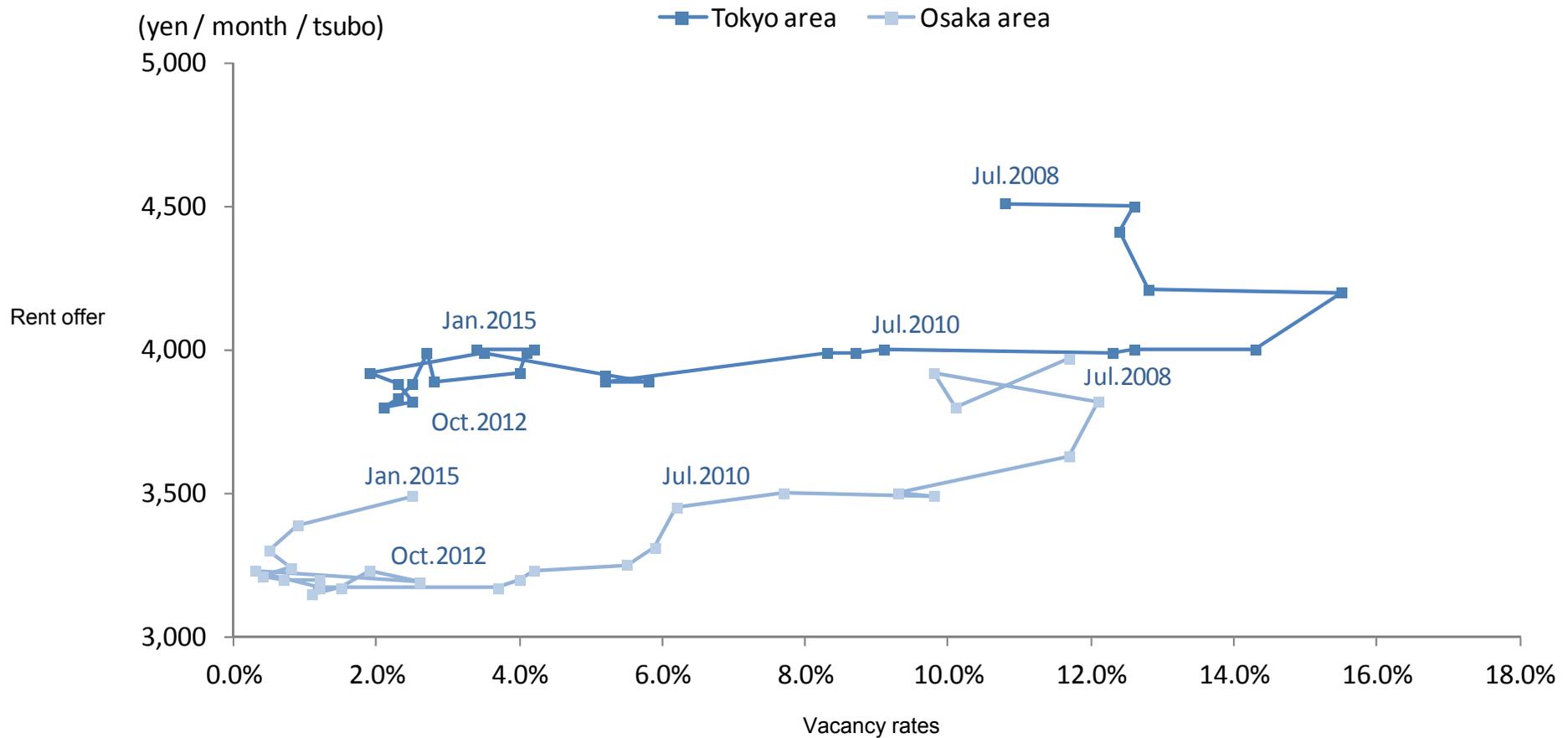


Note: Only contracts worth 5 billion yen above are included

Source: NRI based on Ministry of Land, Infrastructure, Transport and Tourism's "Construction Order Trends, Statistics and Survey"

Vacancy rate in Tokyo area, which was on a rise, has diverted downwards.

Monthly rent offers and vacancy rates of logistics real estate

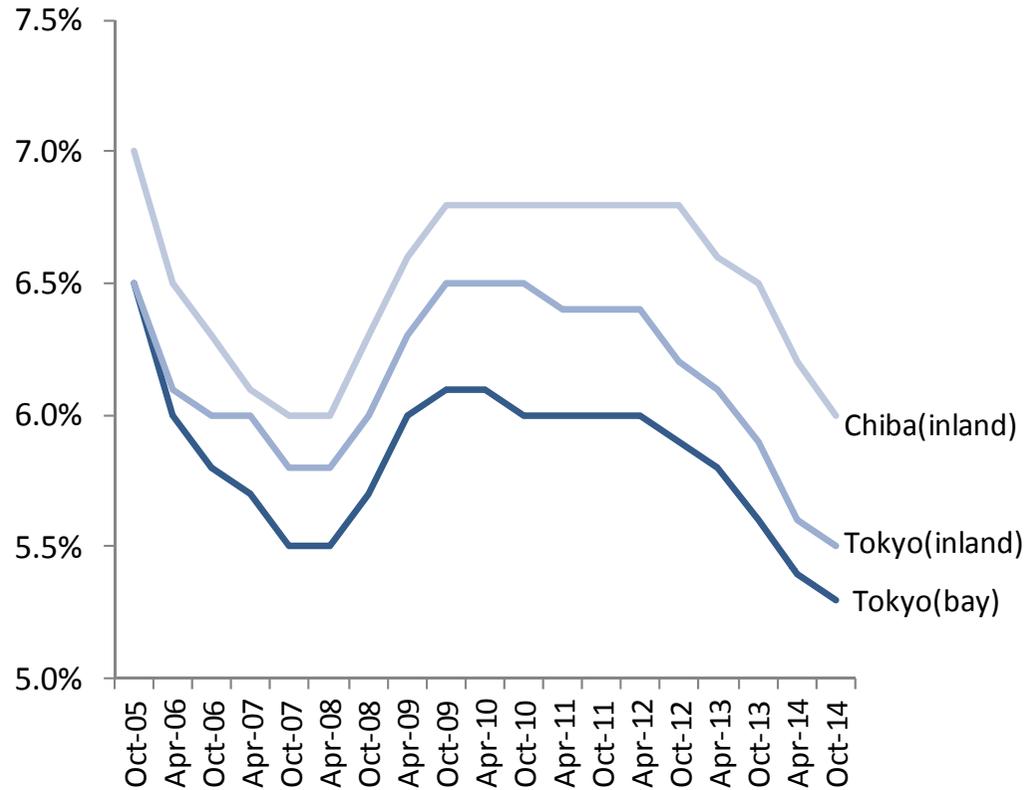


NB: Logistics facilities which have a total lot area or total floor area of 10,000m²
 Source: NRI based on data from Ichigo Real Estate Information Service's "Survey on the Logistics Facilities Rental Market"

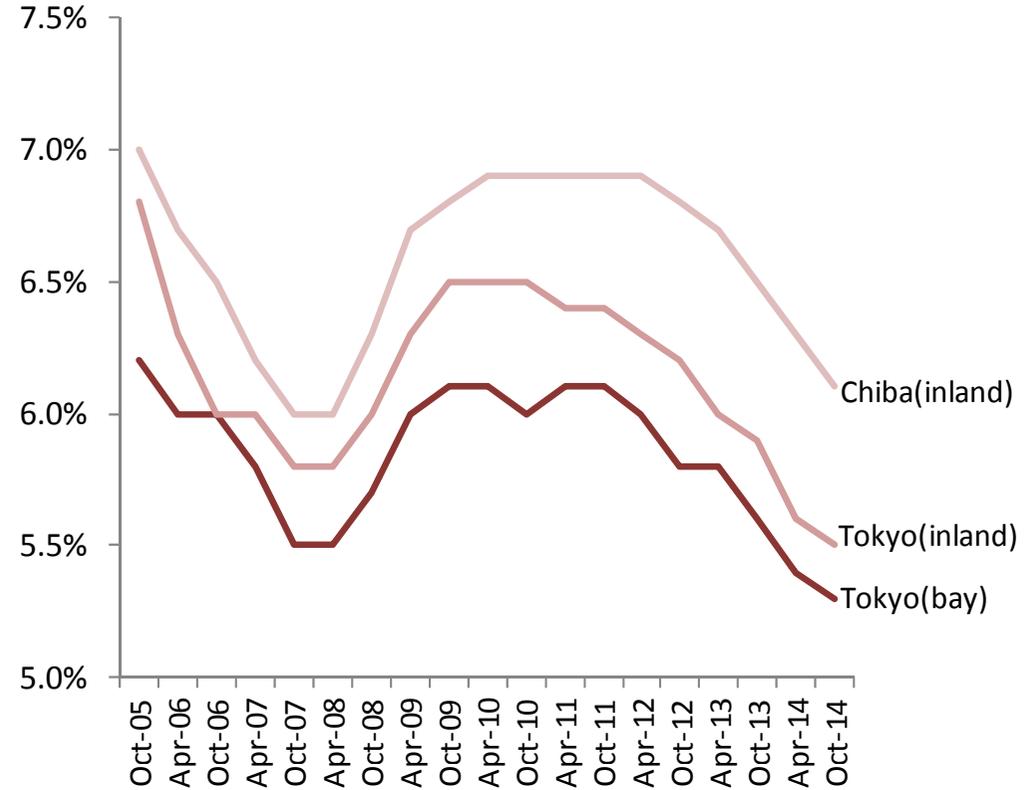
Cap rates have been falling since 2012, with Tokyo hitting all-time low.

Logistics real estate cap rate (expected yield)

Single tenant



Multi-tenant



NB: Single tenant: 2-3 floors; total floor area of around 10,000m²

NB: Multi-tenant: 3-4 floors; total floor area of around 50,000m²

Source: NRI based on Japan Real Estate Institute's "Real Estate Investor's Survey"

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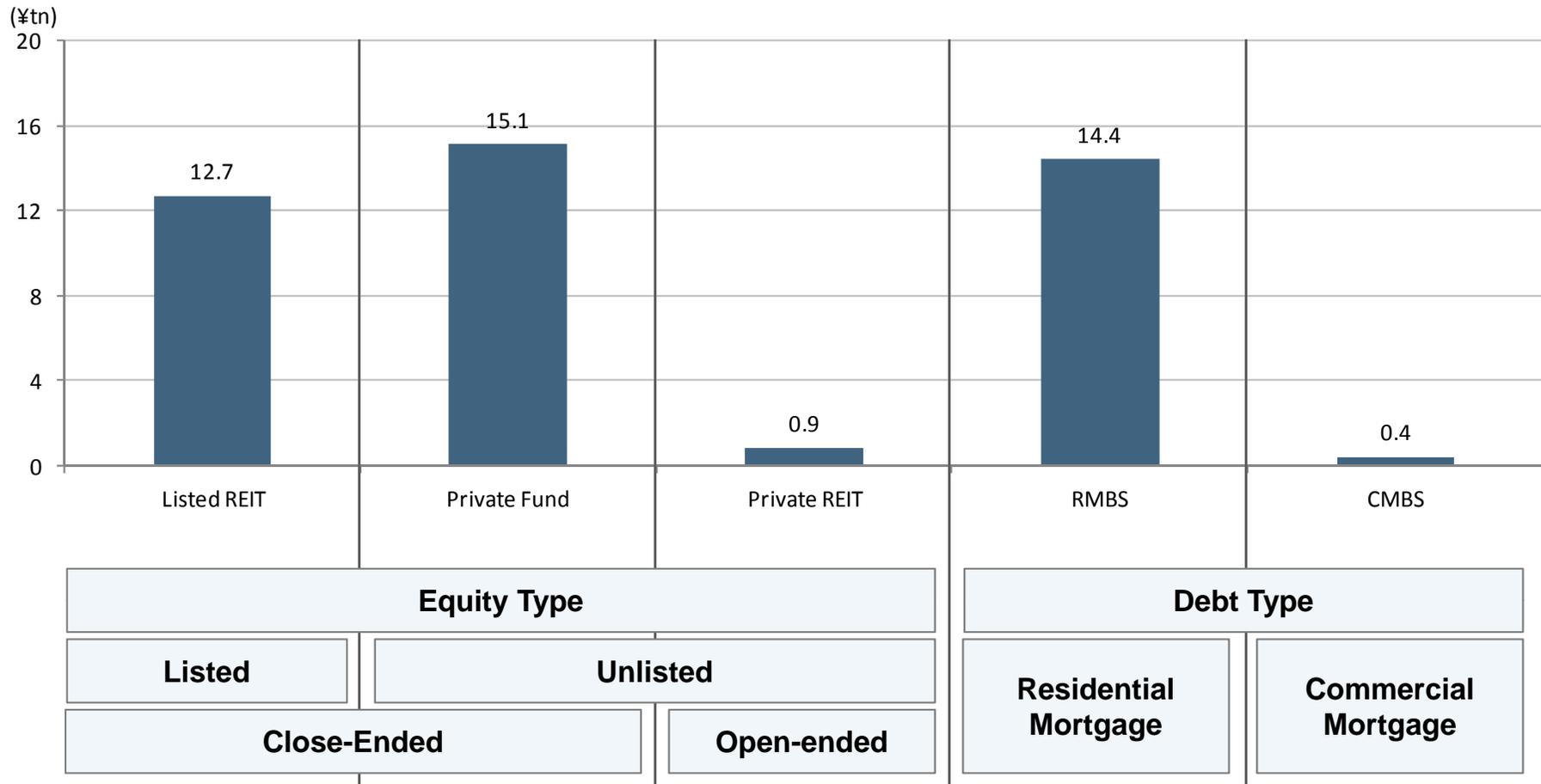
7 Logistics Property Market

8 Real Estate Investment Products

An overall perspective of the Japanese real estate market

- Unlisted open-ended private REITs was offered in November 2010, and the size of private REITs market is growing rapidly.

Overview of the Real Estate Investment Instruments in Japan



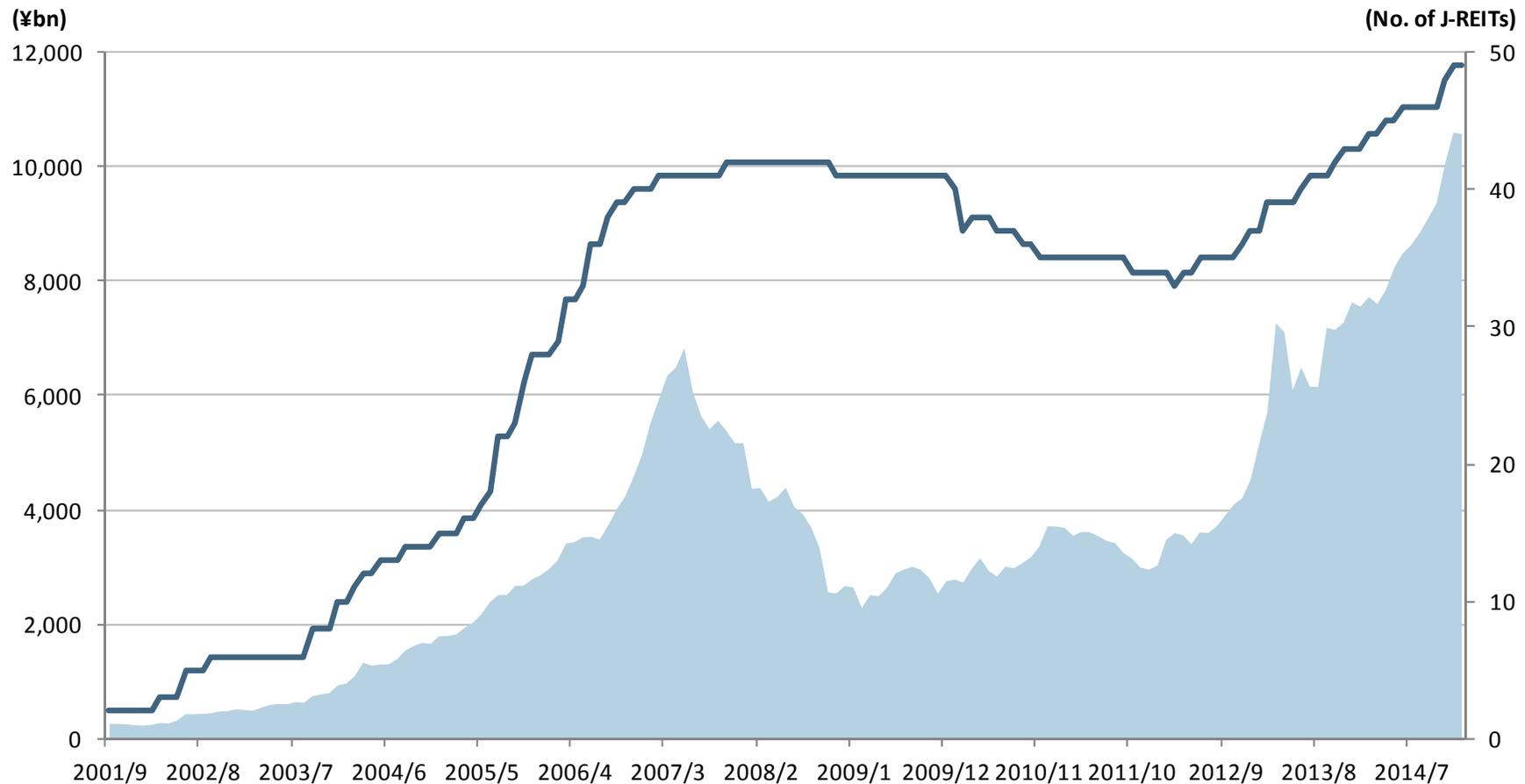
NB: Listed REIT figure is updated as of end of Jan 2015, private fund figure is updated as of end of Dec 2014, unlisted REIT is an estimated figure as of end of Oct 2014, RMBS/CMBS figure is updated as of end of Sept 2014.

Source: NRI based on the Association for Real Estate Securitization, Sumitomo Mitsui Trust Research Institute Co., Ltd., and the Japan Securities Dealers Association

The J-REIT market capitalization has reached approximately 10 trillion yen.

- The J-REIT market began trading on the stock market in Sept 2001 with 2 companies traded and a market capitalization of 2.5 trillion yen.
- As of the end of January 2015, there are 49 companies traded worth approximately 10 trillion yen.

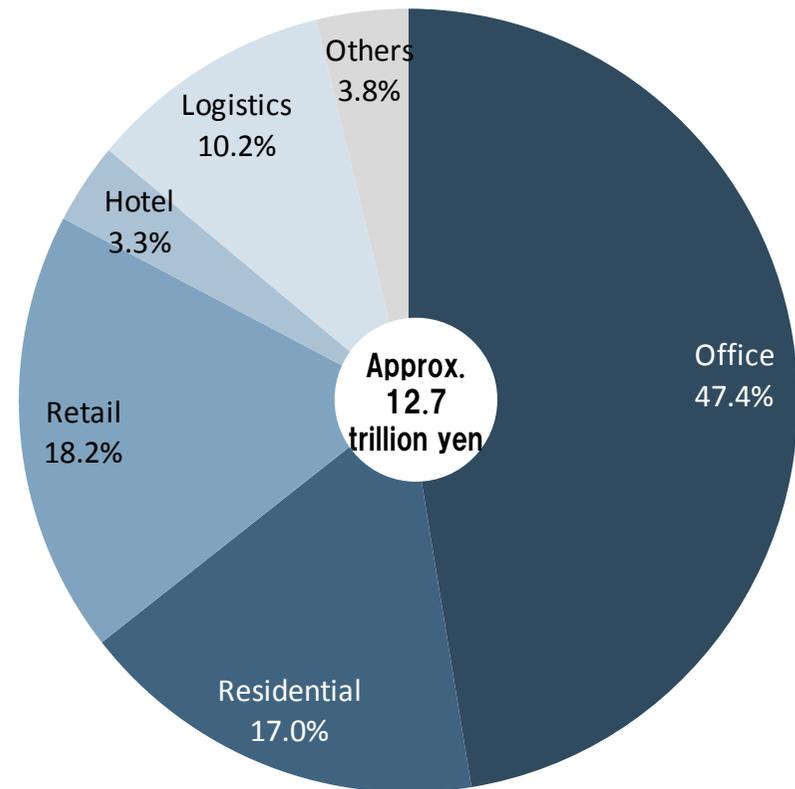
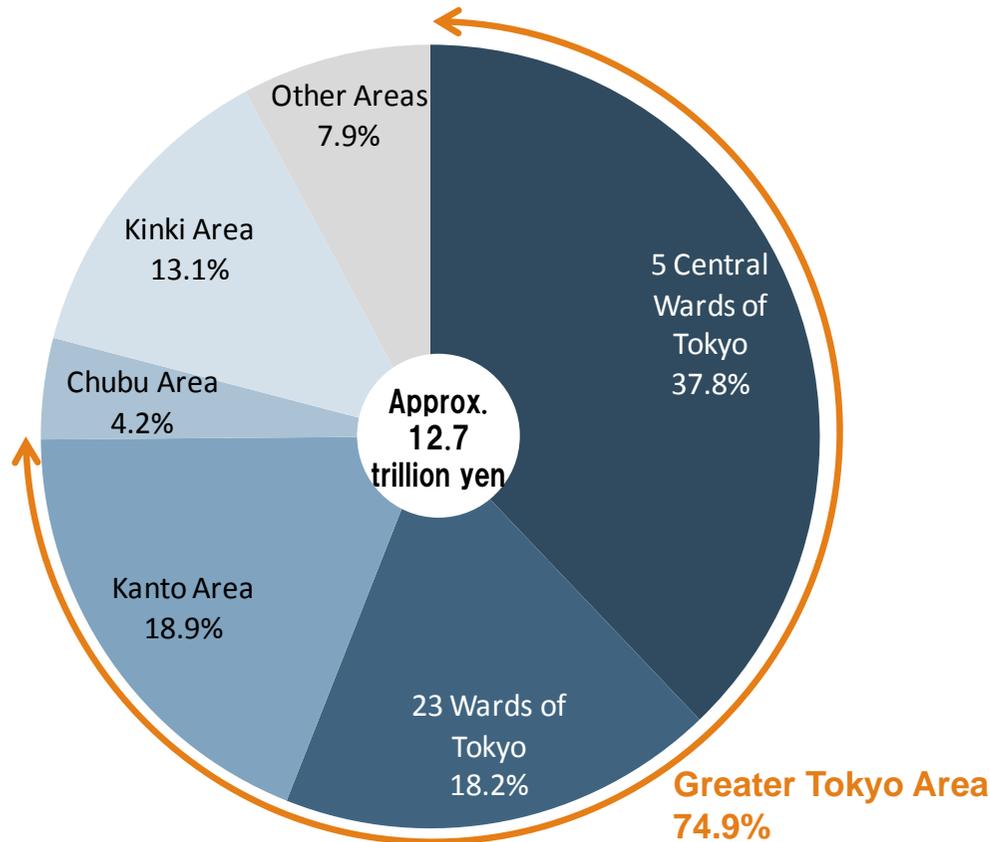
J-REIT Market Capitalization and Number of J-REITs



Approximately 75% of J-REITs assets are located in the Tokyo Metropolitan Area, and approximately 50% of J-REITs assets are office properties.

- Approximately 75% of real estate owned by J-REITs is in the Tokyo Metropolitan Area.
- In recent years, J-REITs have become more diversified in type of property, and Healthcare REIT has started in November 2014.

Asset Mix of J-REITs by Area and Asset Class



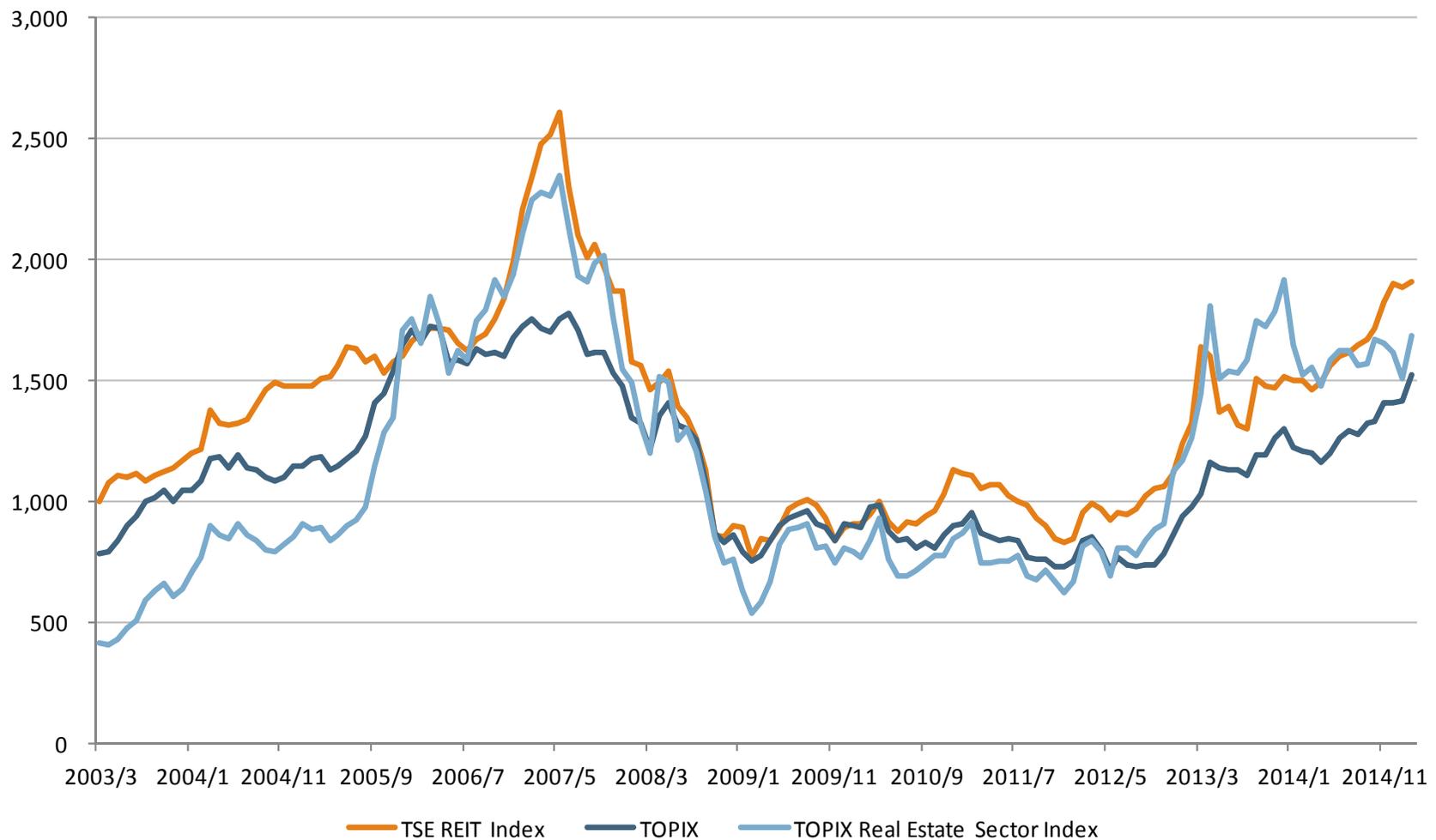
* As of the end of January 2015

Source: NRI based on ARES

The Tokyo Stock Exchange (TSE) REIT Indices have recovered from 2013.

- The TSE REIT Indices has dropped sharply from its peak in May 2007, and has recovered rapidly from 2013.

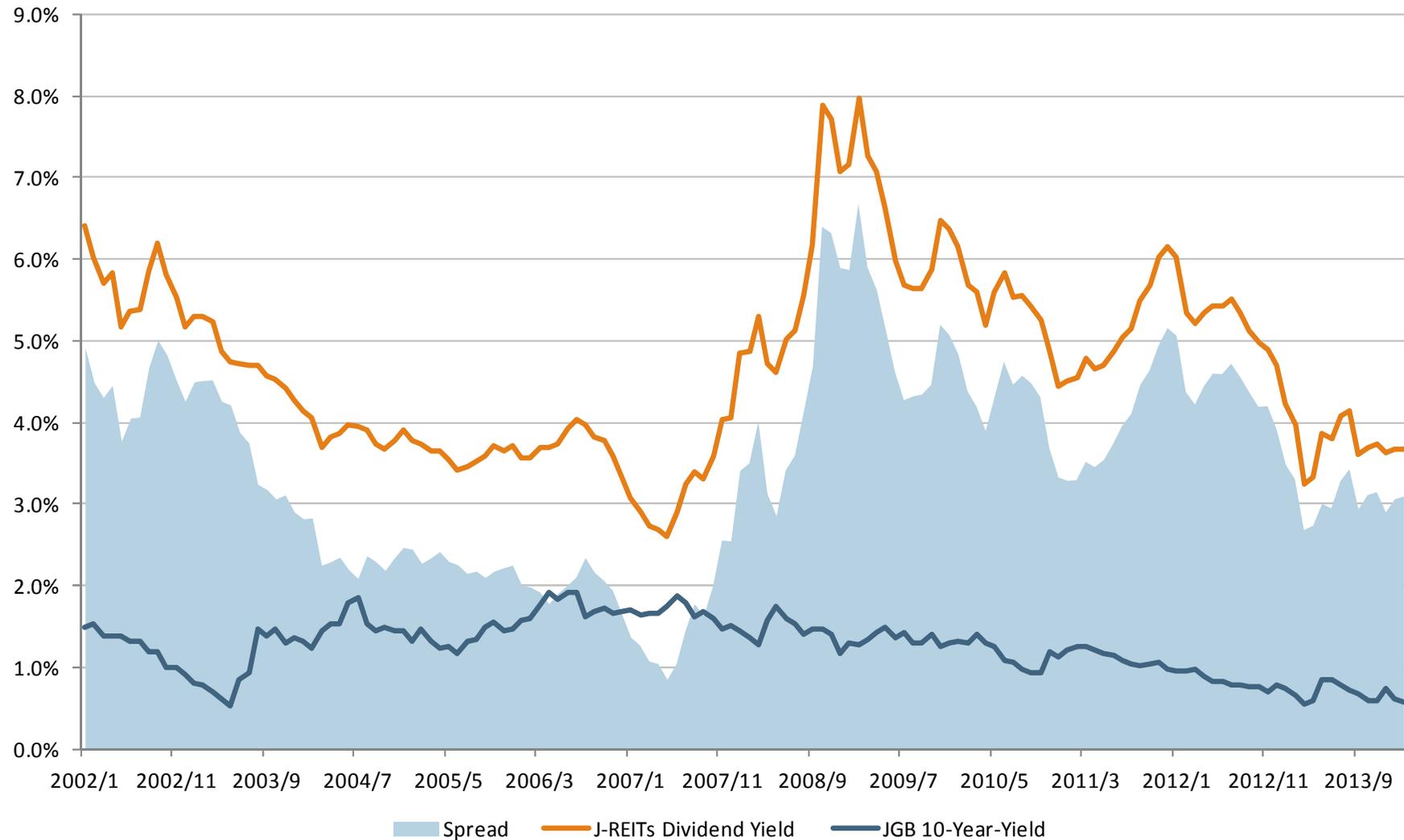
TSE REIT Index, TOPIX, and the Listed Real Estate Industry Index



J-REIT dividend yields are currently down to around 3%.

- J-REIT dividend yields rapidly increased to around 8%, but are currently down to around 3%.

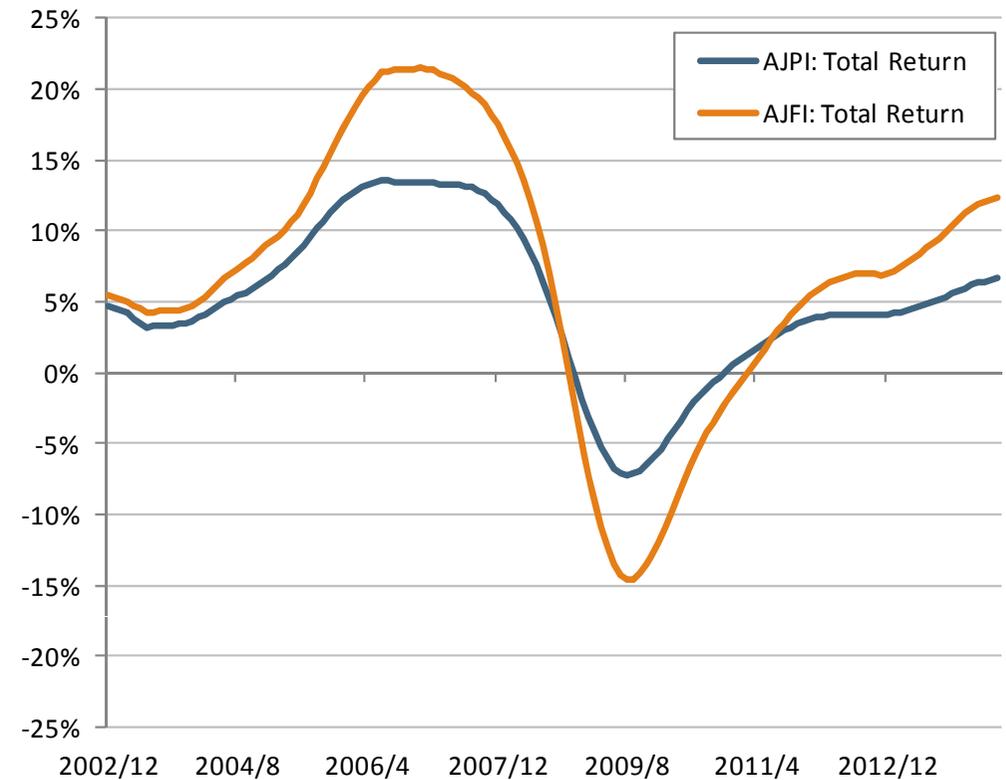
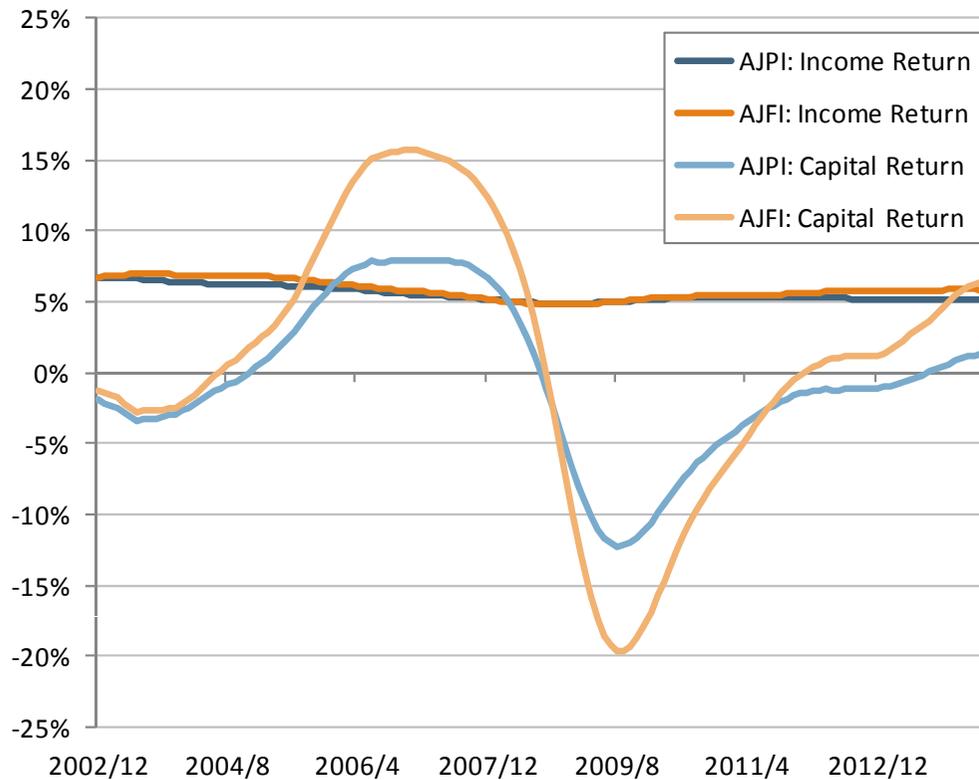
J-REIT dividend yield and Japanese Government Bond 10-year yield



The performance recovered to positive in the capital return.

- According to the index based on actual performance of core funds invested in domestic real estate, the performance of real estate investments in Japan recovered to positive in the capital return.

ARES Japan Property Index (AJPI) and ARES Japan Fund Index (AJFI)

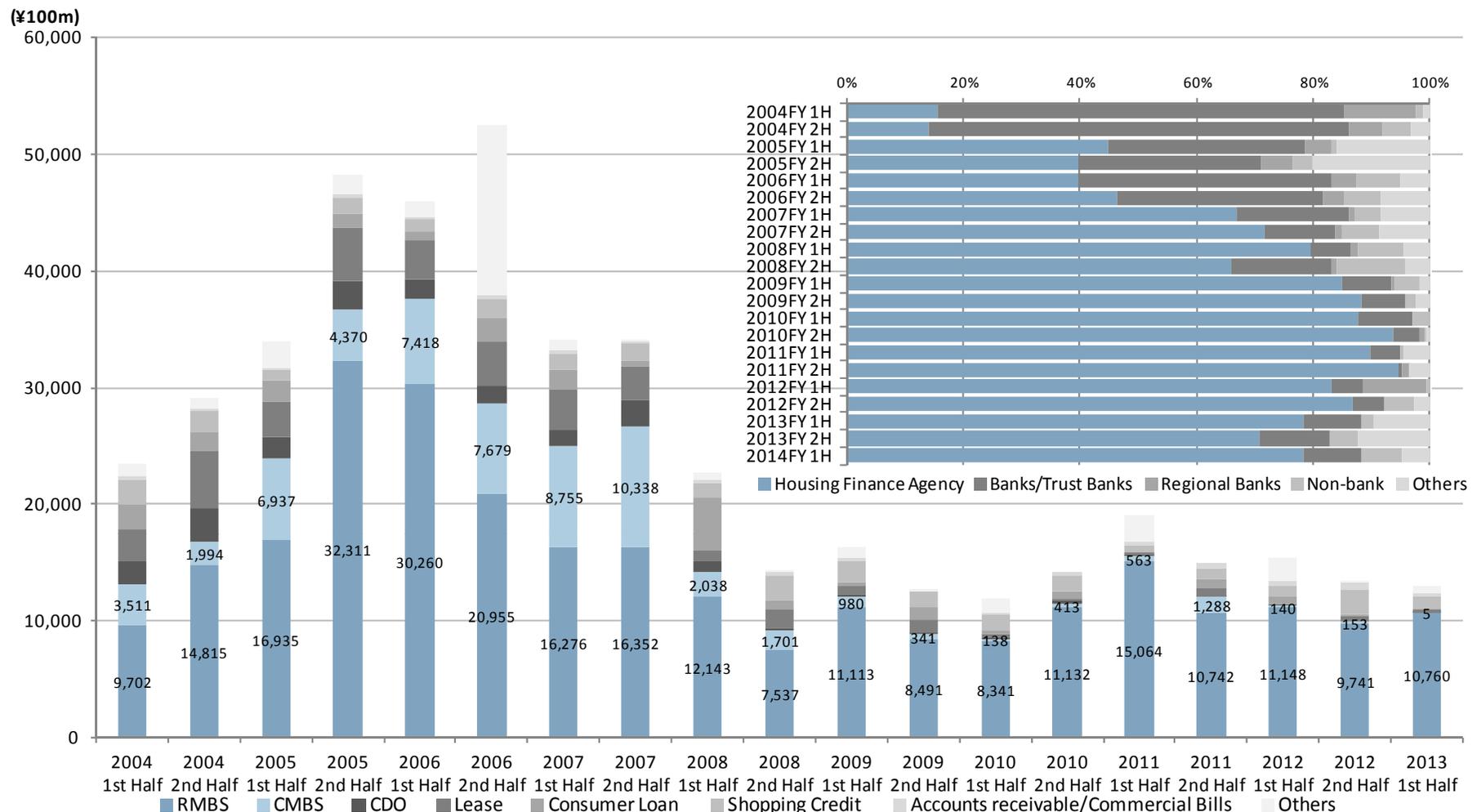


Source: NRI based on The Association for Real Estate Securitization (ARES) "ARES Japan Property Index" and "ARES Japan Fund Index"

CMBS issuance has decreased drastically since 2008, and at present only RMBS is issued at a constant pace.

- Most recently, about 80% of residential mortgage-backed securities were originated by the Japan Housing Finance Agency.

Asset Backed Securities Breakdown by Type of Backing and RMBS Breakdown by Originator



Japan	Japanese Real Estate Investment Market
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China	China's market entering an adjustment period
-------	--

Korea	Increase of liquidity within slow economic growth
-------	---

Taiwan	Overview of Office, Residential and Hotel Markets
--------	---

Singapore	Domestic real estate market reaching its peak
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India	Real Estate Market in India – Residential, Office, etc.
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China China's market entering an adjustment period

1 Macro Economy and Real Estate Investment

2 China's Real Estate Investment

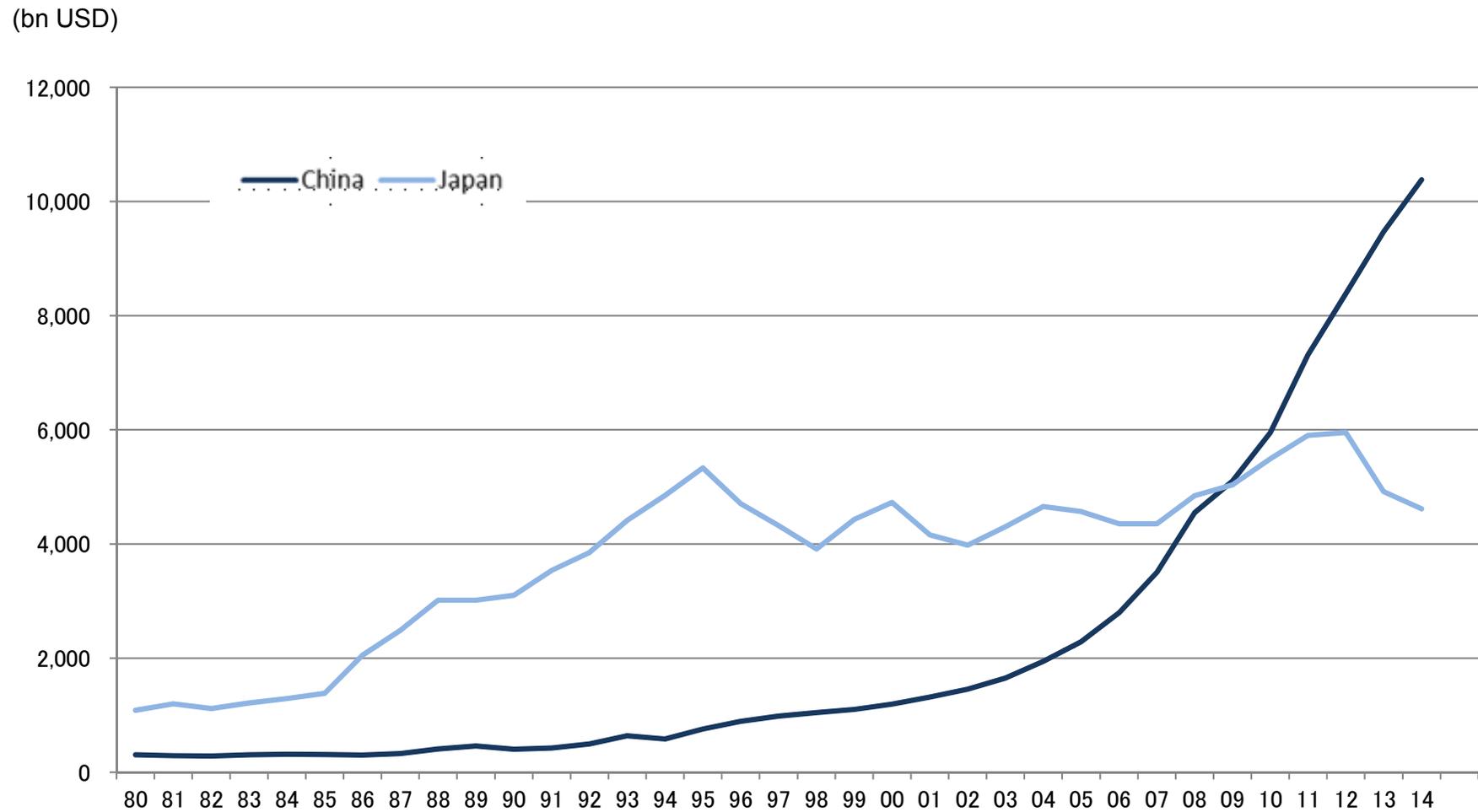
3 Residential Market

4 Commercial Development and Office Market

5 Movements of Chinese Real Estate Developers

China's GDP overtook Japan in 2010.

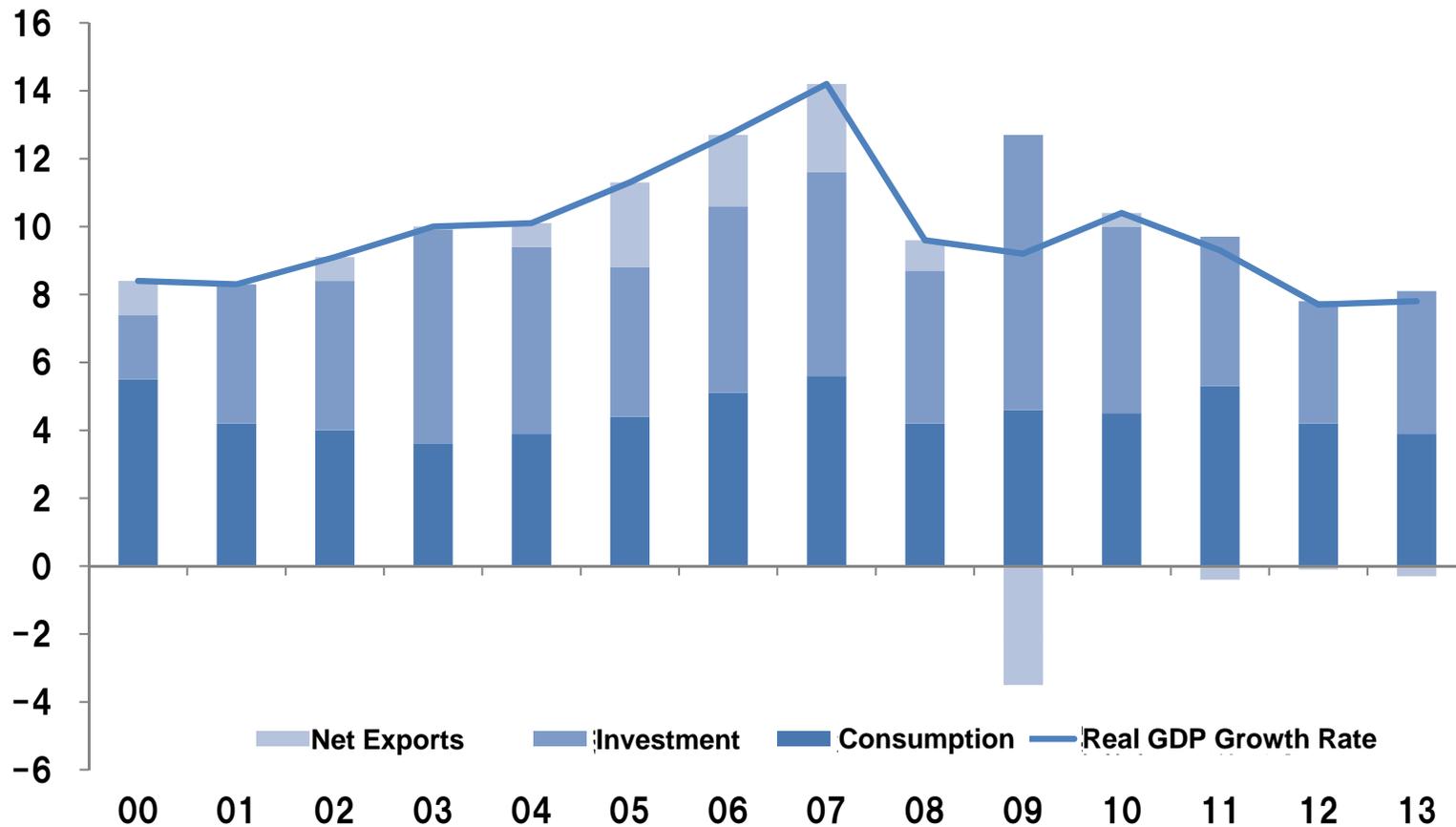
Japan and China's nominal GDP



Source: IMF

Real GDP growth rate declined in 2007 and reached below 8% in 2012 and the following years.

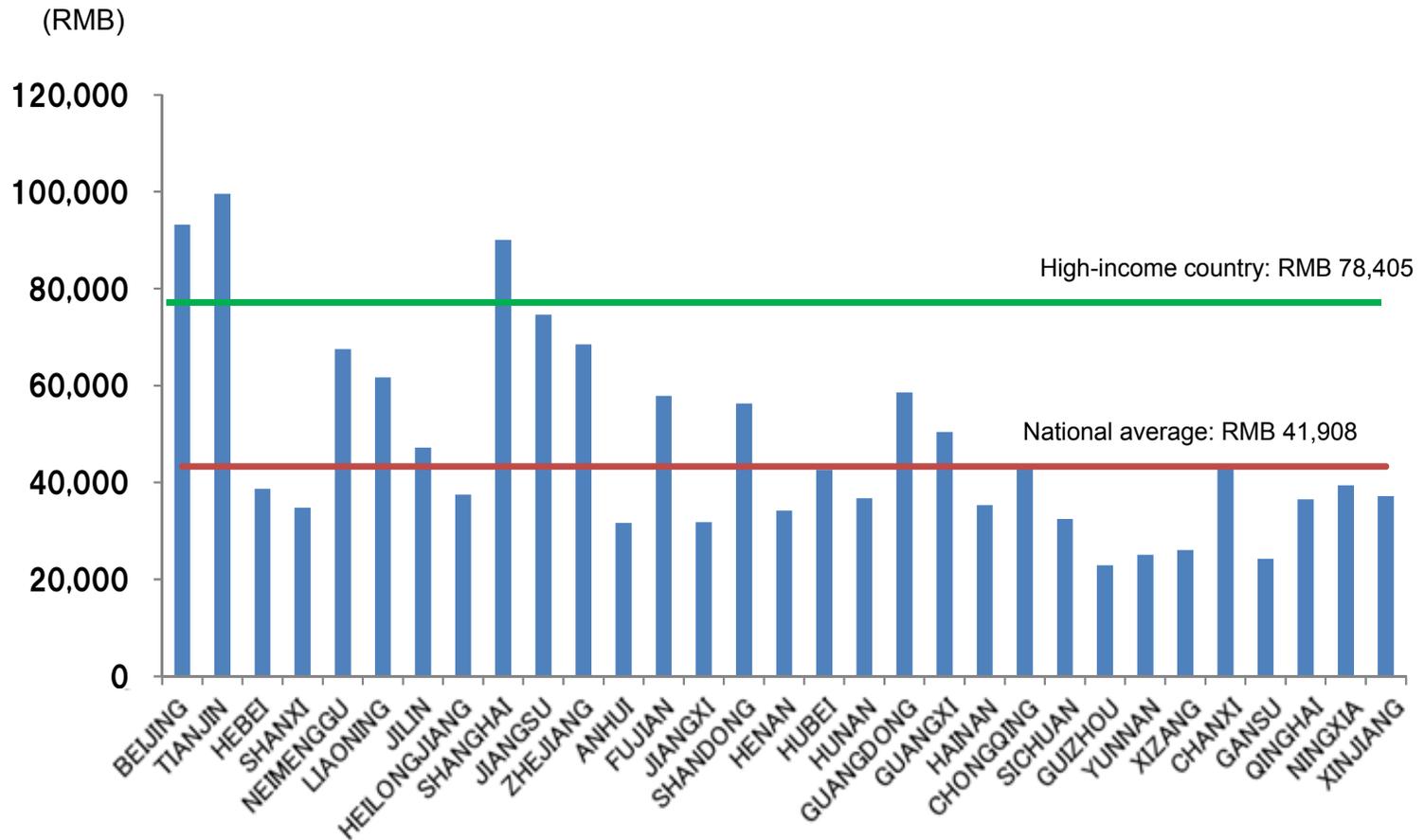
Changes in real GDP growth rate of China and sectoral contribution



Source: The National Bureau of Statistics of China

GDP per capita of Beijing, Tianjin, and Shanghai has reached the criteria set for high-income nation, i.e. 12,616 USD.

GDP per capita (by province/municipality directly under the central government(2013)

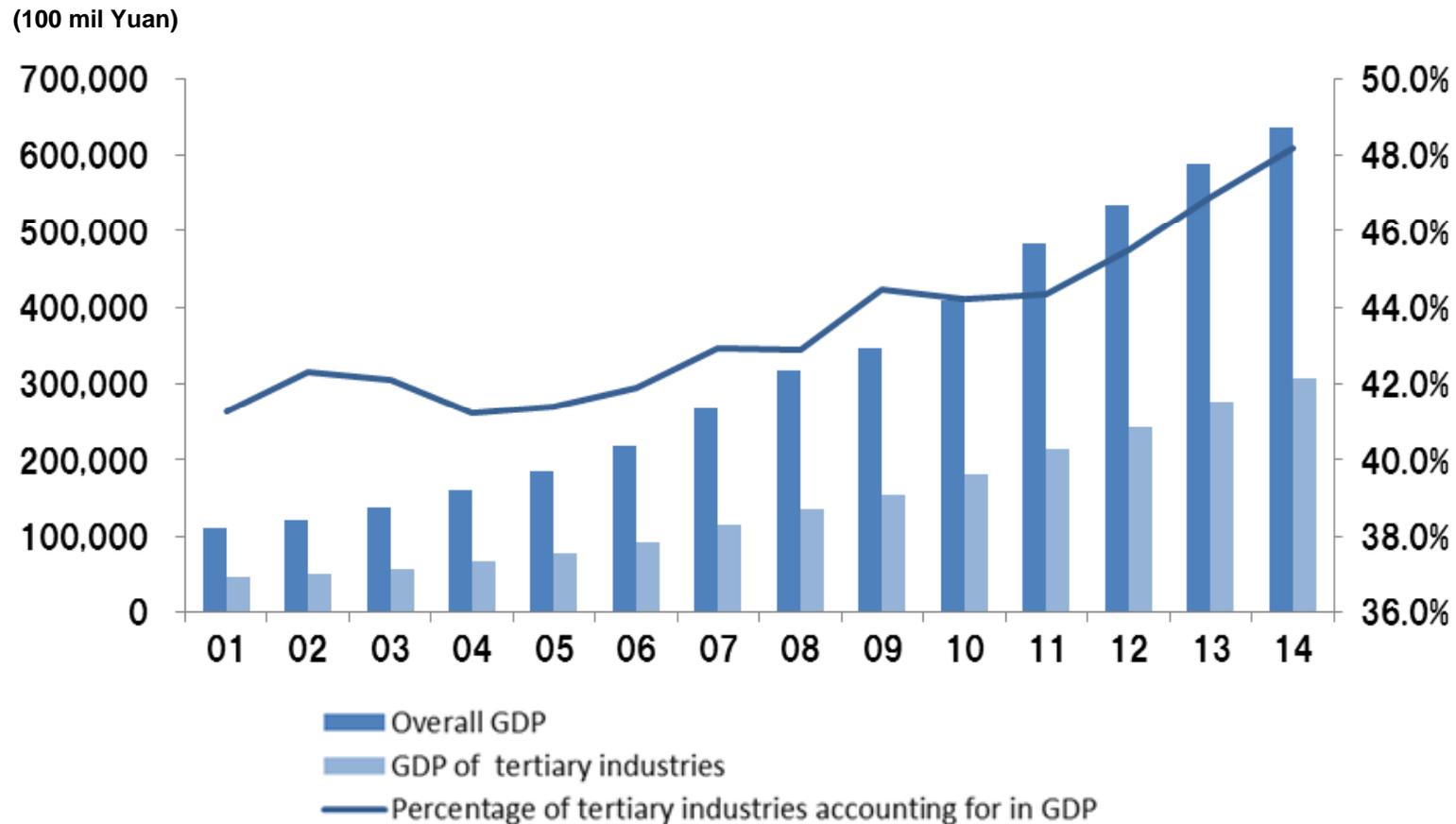


Note: IMF definition of high-income country: GDP per capita ≥ USD 12,616 (about RMB 78,405 according to the rate on Friday, May 1, 2015)

Source: National Bureau of Statistics, China

Tertiary industries has been growing with its contribution to GDP growth reaching approx. 50% in 2014. This growth became the main factor for increasing real estate investment in urban areas.

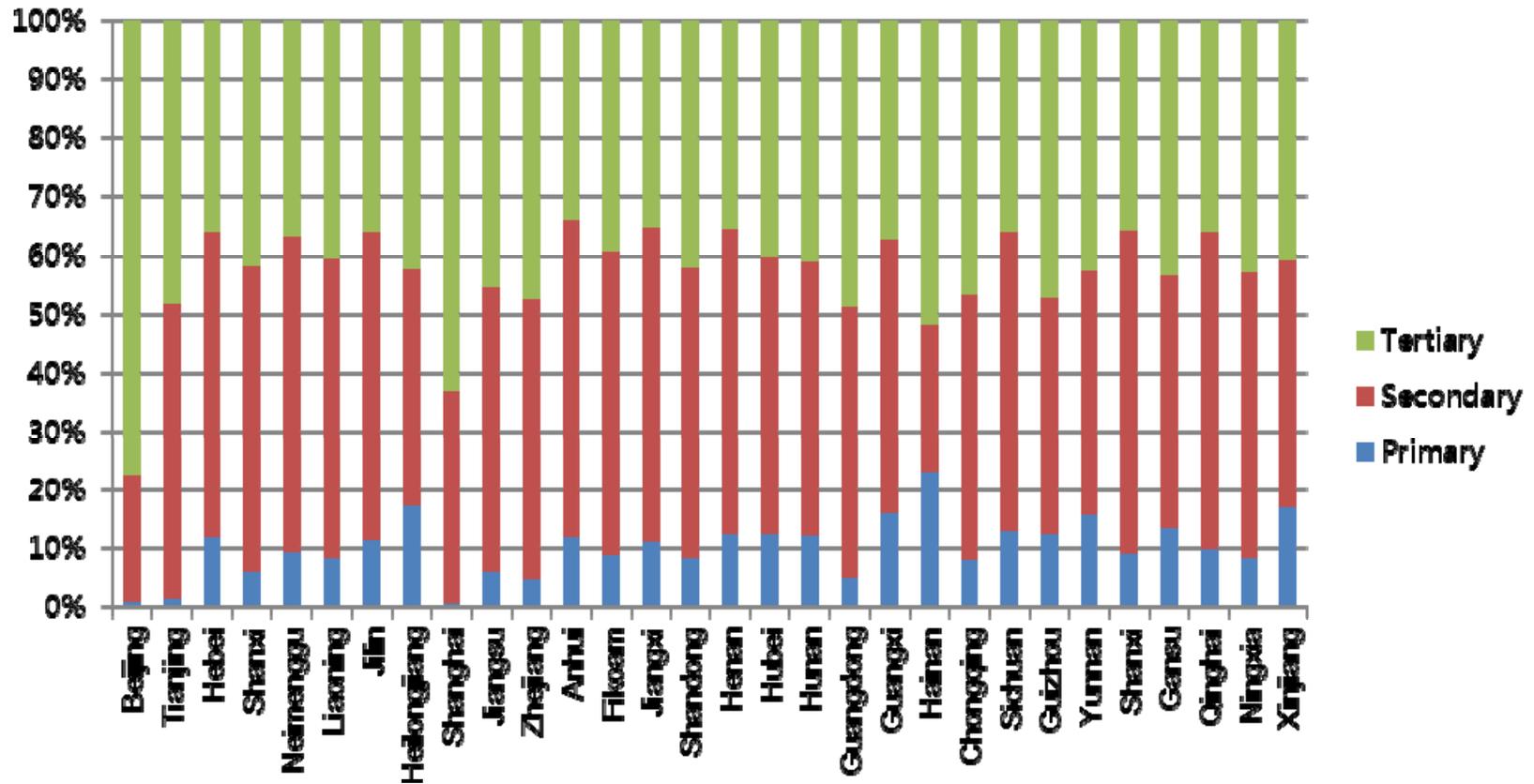
Trends of Percentage of Tertiary Industries Accounting for in GDP



Source) National Bureau of Statistics of China

Beijing has the highest percentage of tertiary industrial contribution, followed by Shanghai Xizang, Hainan, Tianjin, Guangdong, Guizhou and Zhejiang, all of which far exceed the national average.

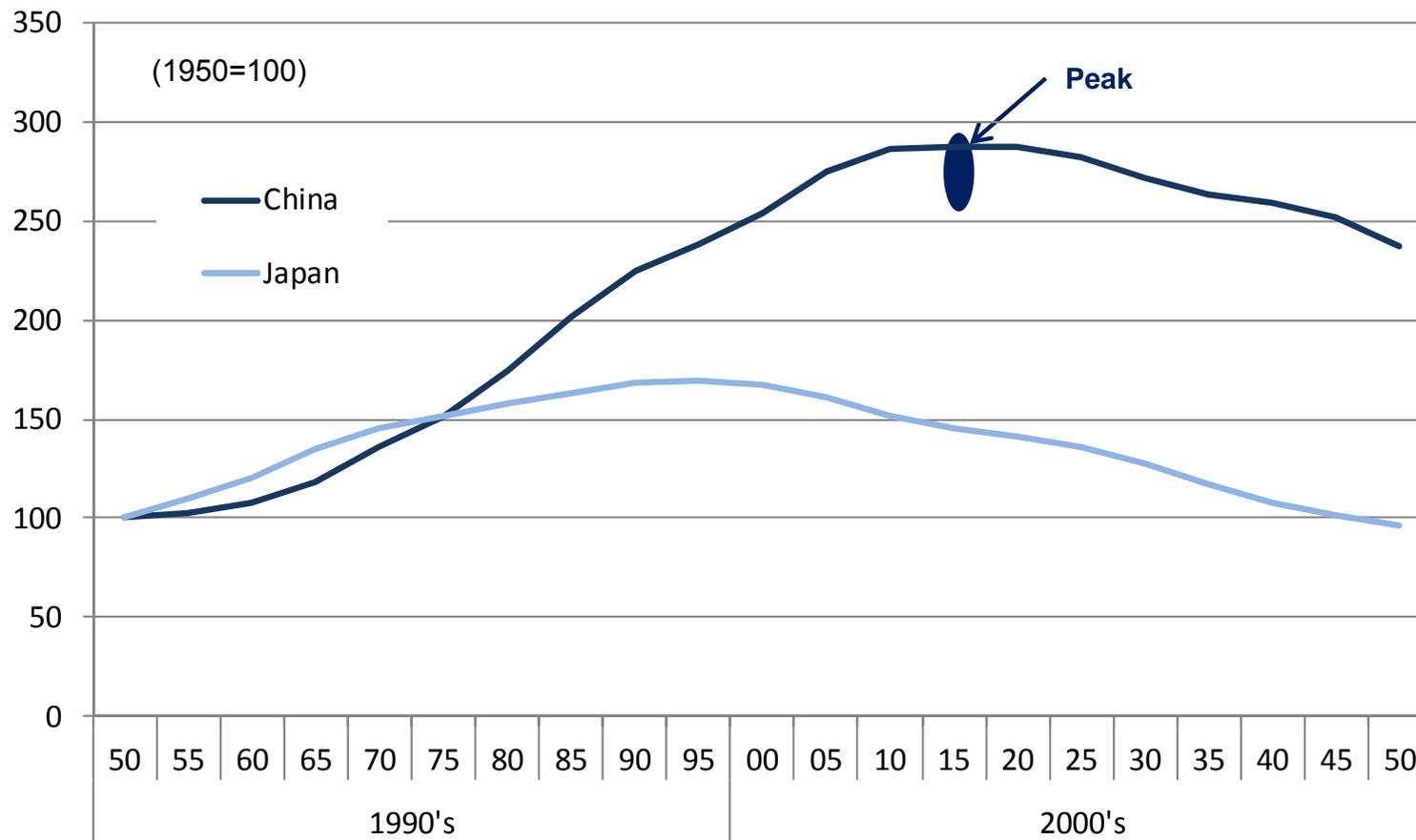
Contribution of GDP from different industrial sectors by region in 2013



Source) National Bureau of Statistics of China

The productive-age population is expected to peak out by 2015.

Productive-age population of China and Japan



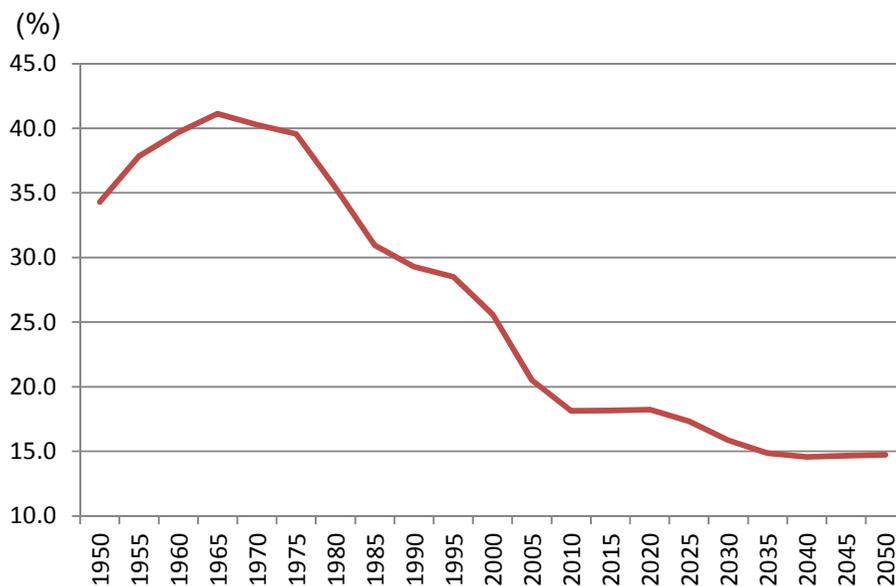
Source: United Nations

China's macro-economic environment: Demographic changes

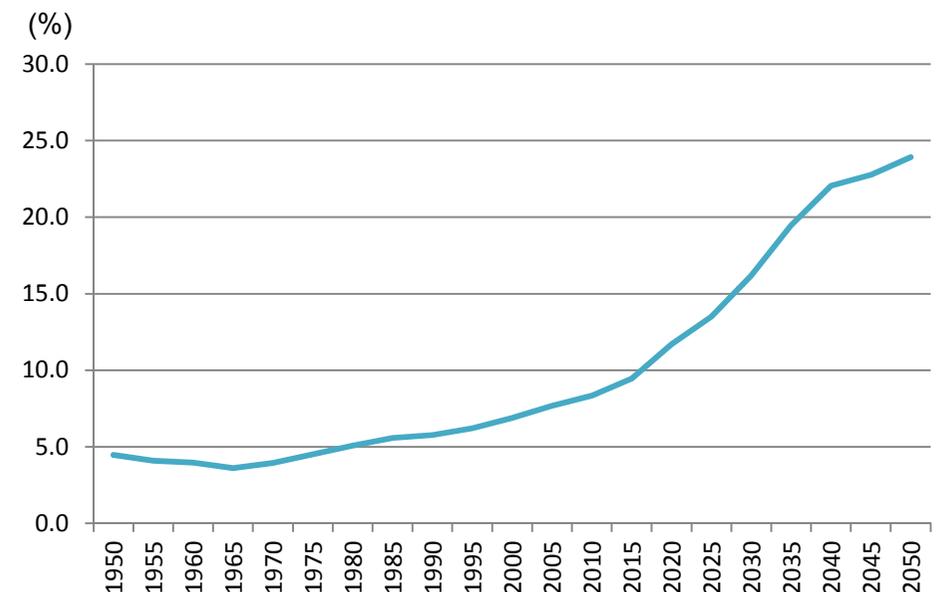
When demographic dividend of China disappears in 2015, the country has to face increased financial burden, decrease of labor force, consumption slump, etc due to decreased proportion of young population and high population aging rate.

- After 2015, when it is estimated China's demographic dividend disappears, the government has to face increased financial burden, decrease of labor force, consumption slump and other problems due to declining birthrate and aging population.
- As a countermeasure, the government announced a policy that aims to ease the one-child policy at the end of December 2013.
 - The one-child policy was implemented in China in 1979. To solve the problems of aging population and decrease in labor force, the government announced an easing policy, two-child policy, which allows couples to have one more child if any one of them is the only child in their parents family, at the end of December 2013.
 - In 2014 and after announcement of the two-child policy by the central government, local governments of Beijing, Shanghai, and Guangdong province announced detailed regulations to "allow couples to have one more child if any one of them is the only child in their parents family" and started receiving applications for approval of birth of the second child.
 - It is believed the two-child policy will be implemented throughout China in the future.

Change in proportion of young population (<15)



Change in proportion of 65+ population

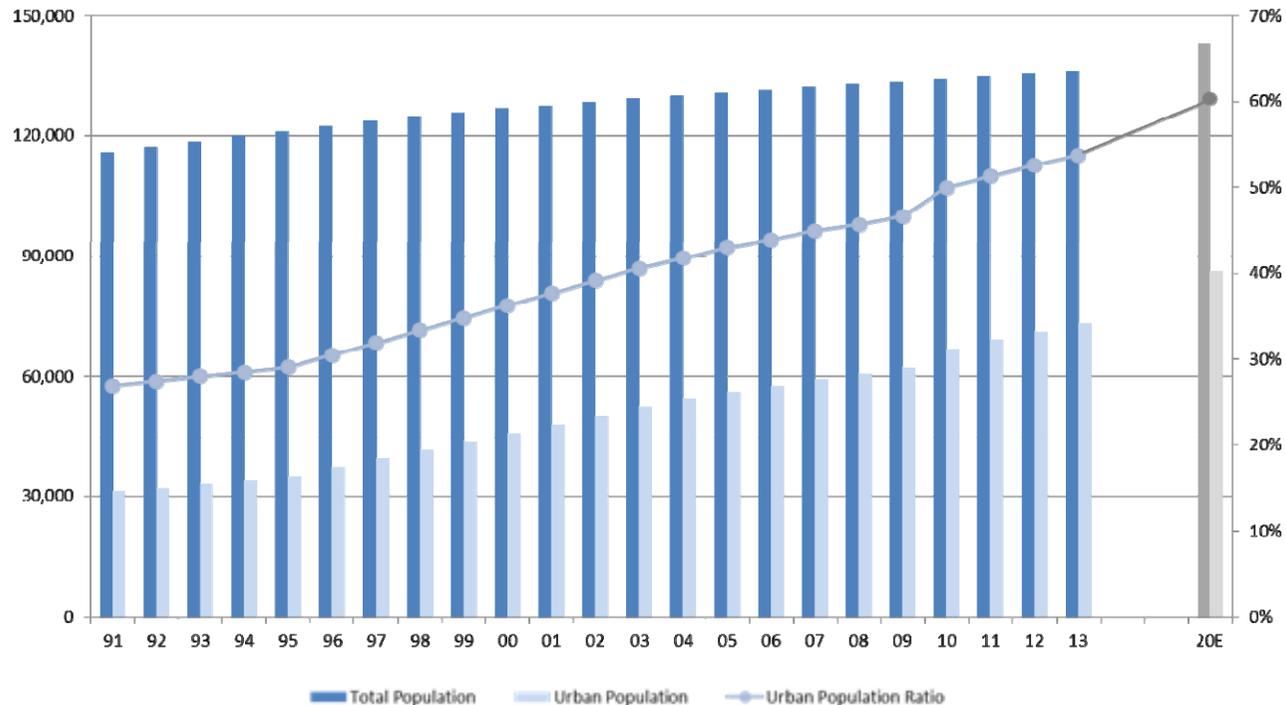


Urbanization has proceeded rapidly in China, with its urban population ratio over 50% in 2013. It is expected that China's permanent urban residents will reach 60% of the population by 2020.

- China's urbanization rate* has risen by more than 26.8% points during the past 22 years.
- The National New-type Urbanization Plan (2014-2020) was issued by the State Council of China on 16th March 2014. The plan highlights that it is essential to raise the quality of urbanization that comes in line with the Chinese approach to urbanization. The plan also underlined that by 2020, permanent urban residents will reach approx. 63% of the population, while residents with city hukou will account for approx. 45% of the total population, with 100 million rural residents settling down in the urban areas.

Population and urbanization rate in china

(10,000 People)

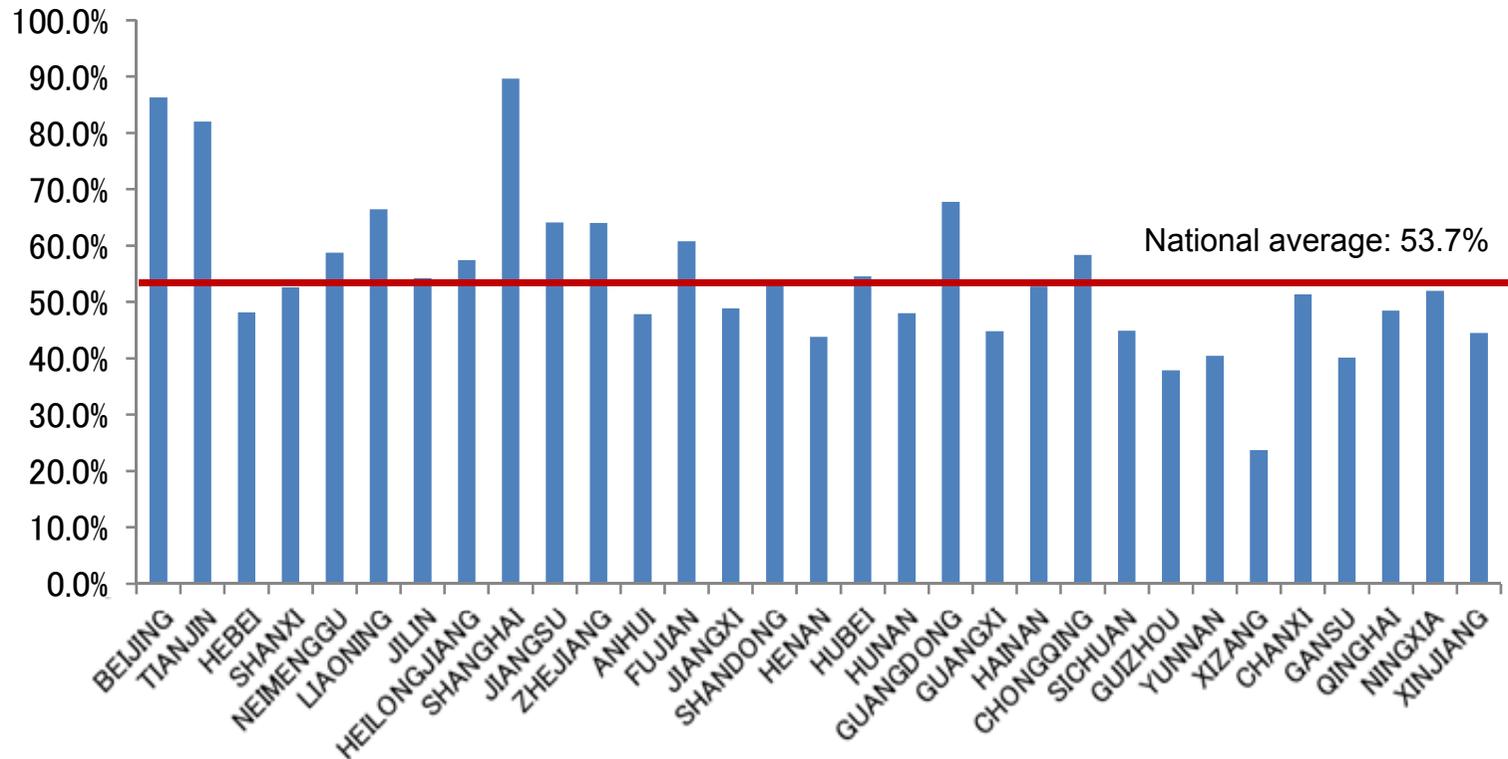


Note) Urban population in 2020 is the target value stated in government policy

Source: China Statistical Yearbook

Urbanization is not only seen in coastal areas, but also in Inner Mongolia, Hubei, Chongqing and other cities in hinterland and northeastern China.

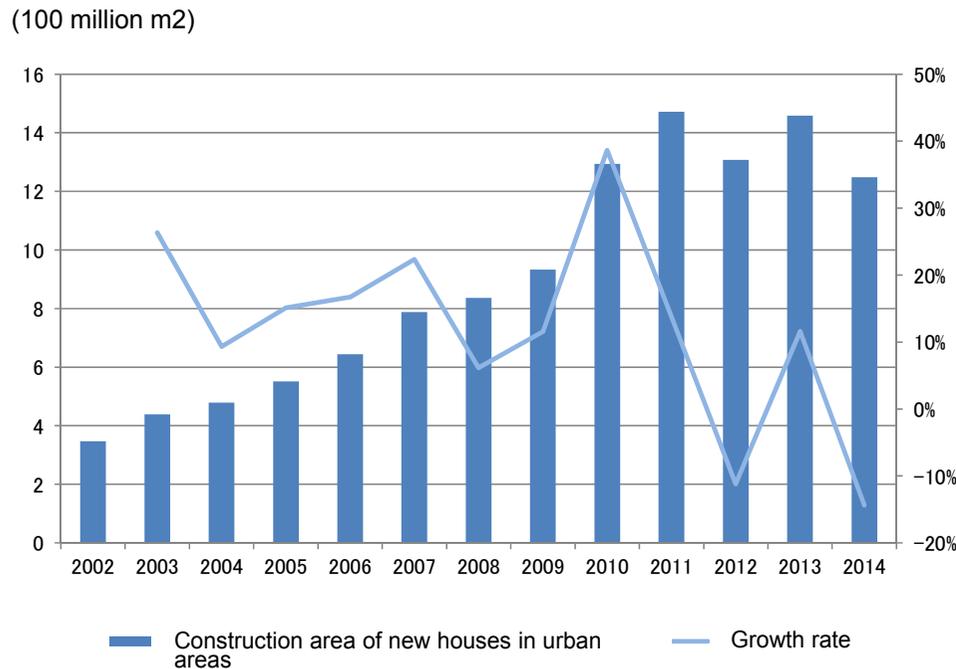
Urbanization rate of China by area (2013)



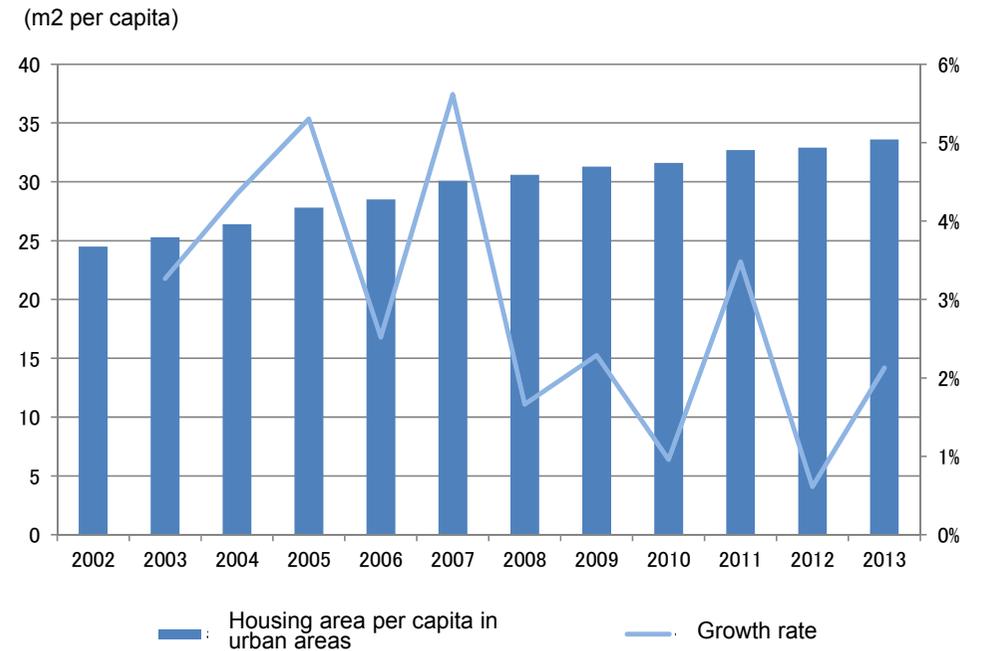
Source: National Bureau of Statistics, China

Between 2002 and 2011, the construction area of new houses in urban areas increased by 18% annually, although decreased after 2011 when the real estate suppression policy was implemented.

Changes in construction area of new houses in urban areas



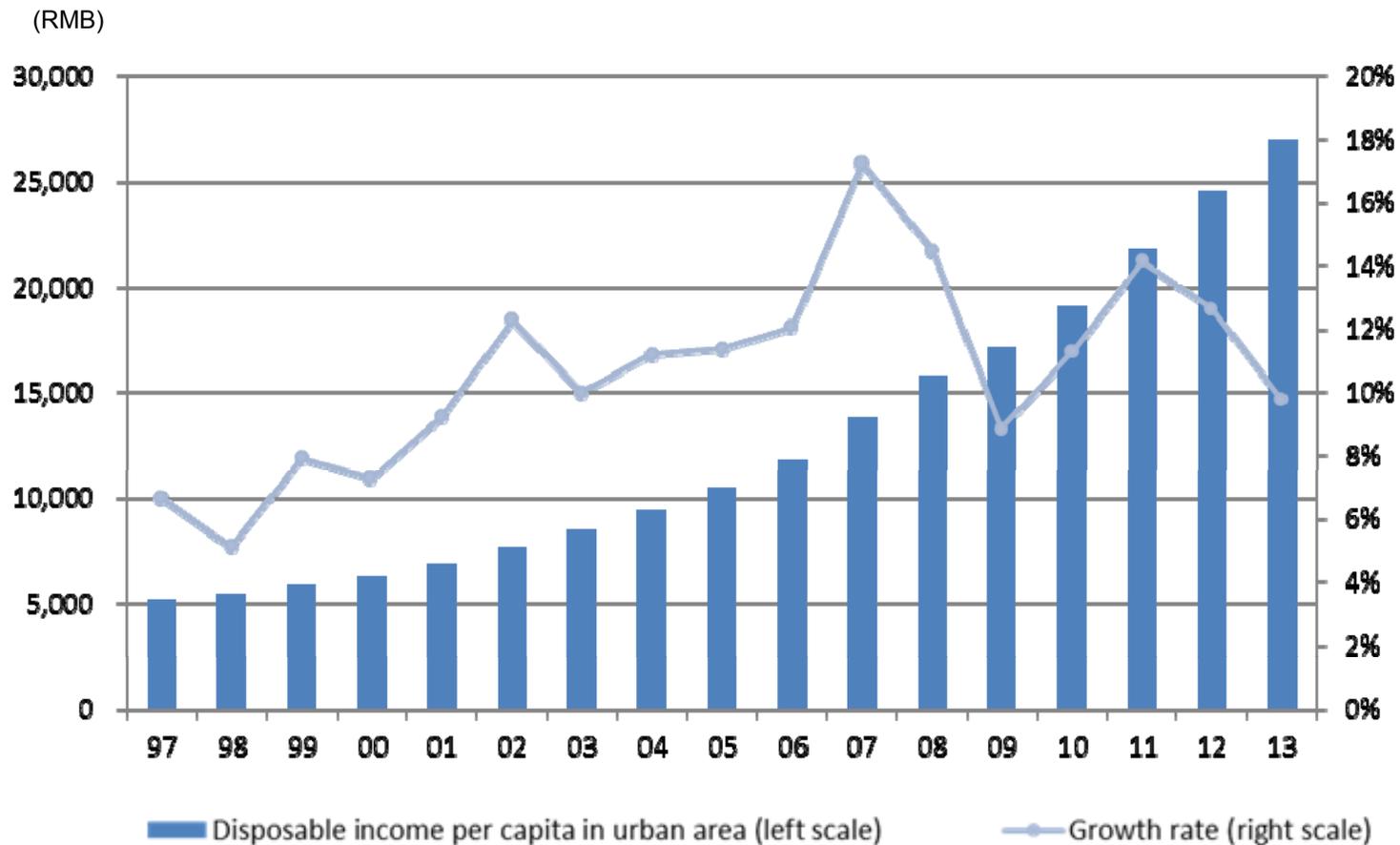
Changes in housing area per capita in urban areas



Source: National Bureau of Statistics, China

Average growth rate of disposable income per capita has maintained 11% for the last 16 years, with this indicating robust consumer spending.

Disposable Income per capita and Growth Rate in Urban Areas

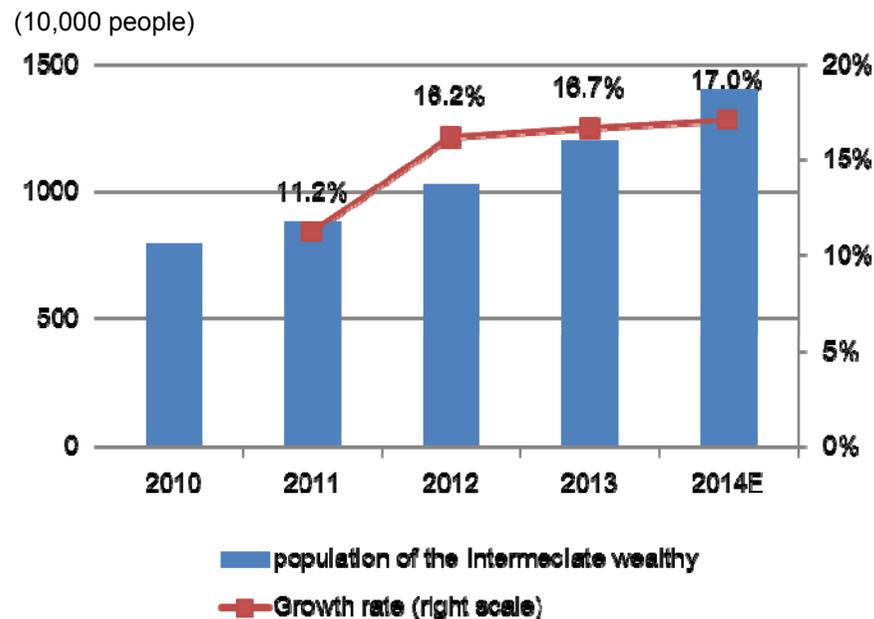


Source) National Bureau of Statistics of China

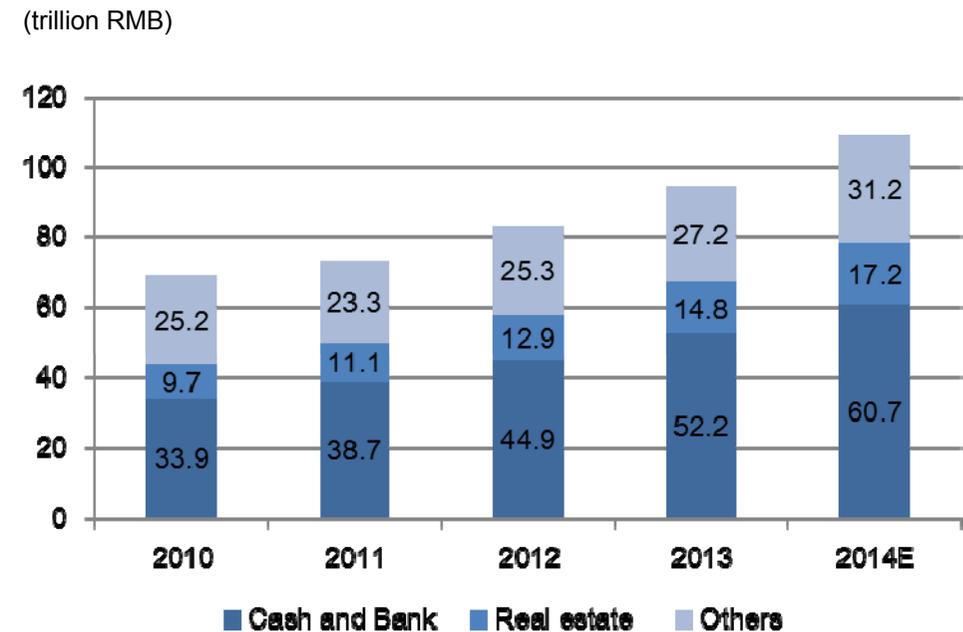
Population of Intermediate Wealthy has been on a rise and approx. 15% of their assets are related to real estate investment.

- In 2013, the Population of Intermediate in China was 11.97 million, about 1% of the total population.
- About 15% of the assets of the affluent population is related to real estate investment. This figure may increase in the future.

Changes of affluent population



Changes of asset structure of affluent population

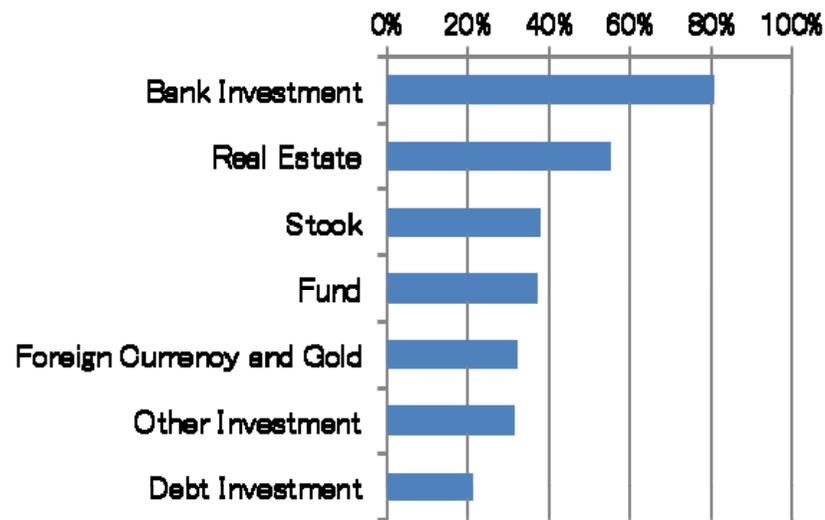


Note: "Population of Intermediate Wealthy" is defined as people whose disposable assets are RMB 600,000 to 6 million (which is 11.77 ~117.774 million Yen according to exchange rate as of Friday, May 1, 2015)

Source: 2014 China People Wealth White Paper (Hurun Research Institute)

More than half of the affluent population (especially those in Pearl River Delta, Guangdong) are willing to continue investment in real estate.

Investment targets of the population of intermediate wealthy in China



Real estate investment willingness of the population of intermediate wealthy by region



Note: Jing-jin area: Beijing and Tianjin.
Yangtze River Delta: Shanghai, Jiangsu, and Zhejiang provinces.
Pearl River Delta: Guangdong province.

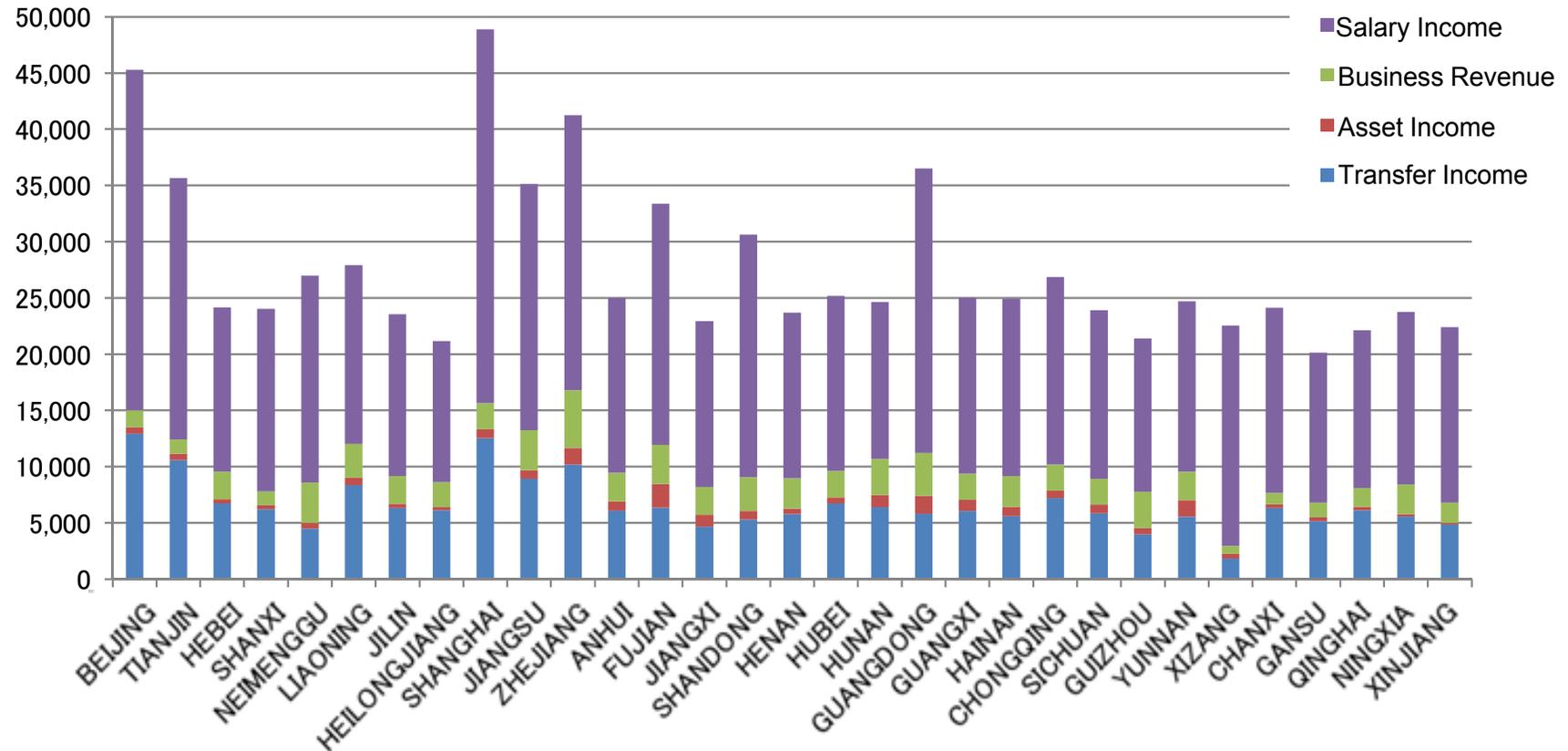
Source: 2014 China People Wealth White Paper (Hurun Research Institute)

China's macro-economic environment: Consumption trend

Salary income and transfer income are 64% and 24% of average household income per capita, respectively. Zhejiang and Yunnan show relatively higher property income (including real estate income).

Source of annual household income per capita of urban population (2013)

(RMB)



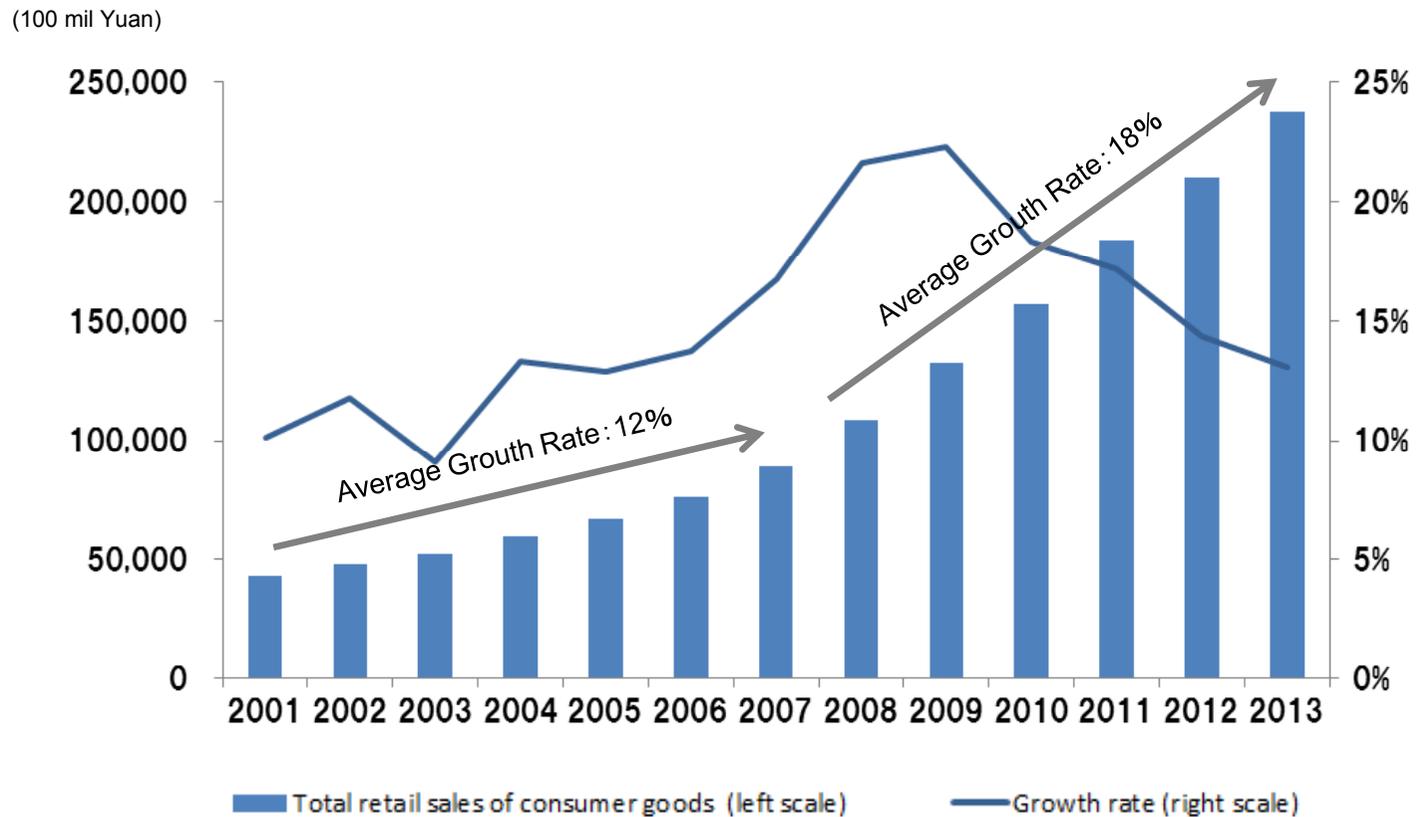
Note: Salary income: wage income. Business revenue: revenue from commercial buying and selling activities.
 Asset income: revenue from moveables and real estate. Transfer income: income from severance pay, pension etc.

Source: National Bureau of Statistics, China

China's macro-economic environment: Consumption trend

Total retail sales of consumer goods has increased by more than 4.5 times between 2001 and 2013, and the average growth rate after 2008 reached 18%, which stimulated the demand for construction of commercial facilities.

Total Retail Sales of Consumer Good and Its Growth Rate



Source: National Bureau of Statistics, China

China China's real estate market has entered an adjustment period

1 Macro Economy and Real Estate Investment

2 China's Real Estate Investment

3 Residential Market

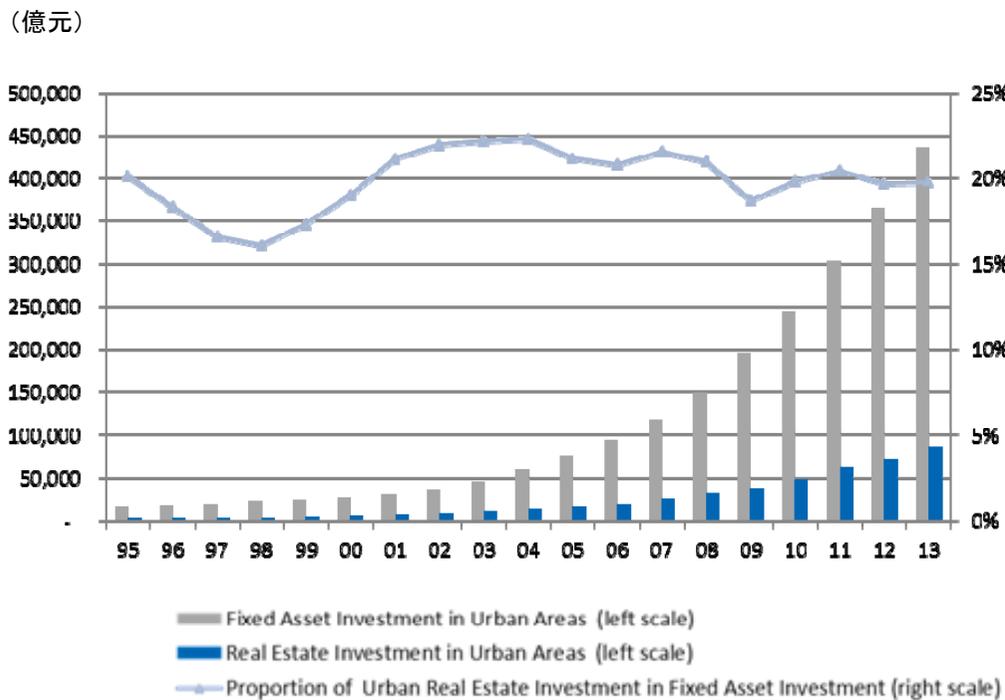
4 Commercial Development and Office Market

5 Movements of Chinese Real Estate Developers

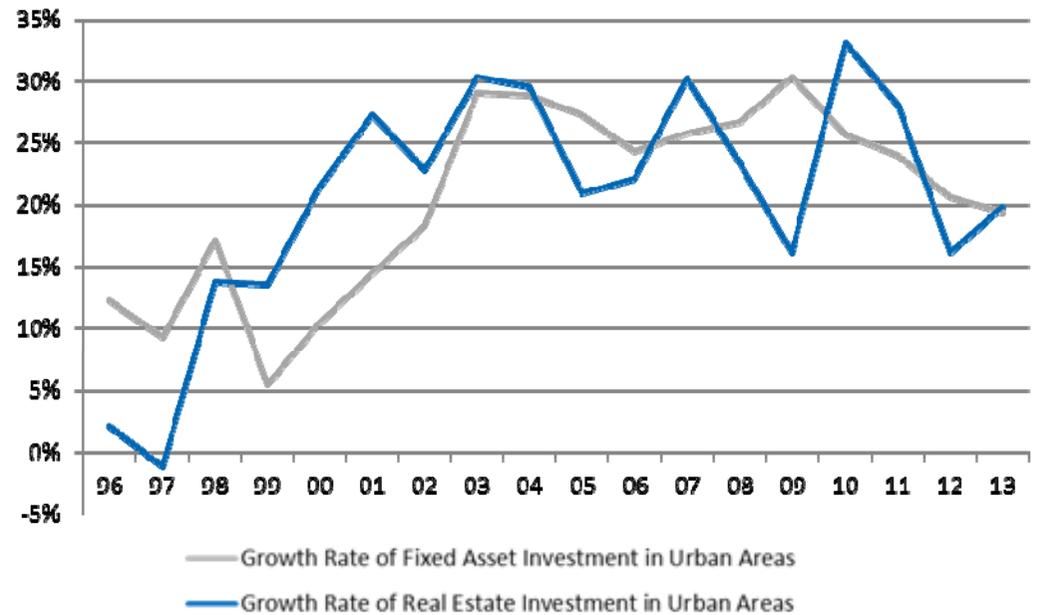
China's Real Estate Investment

Urban fixed asset investment comprises approx. 20% of the entire real estate investment, with its growth rate reaching approx. 20% since 2000.

Changes of Fixed Asset Investment and Real Estate Investment in Urban Areas



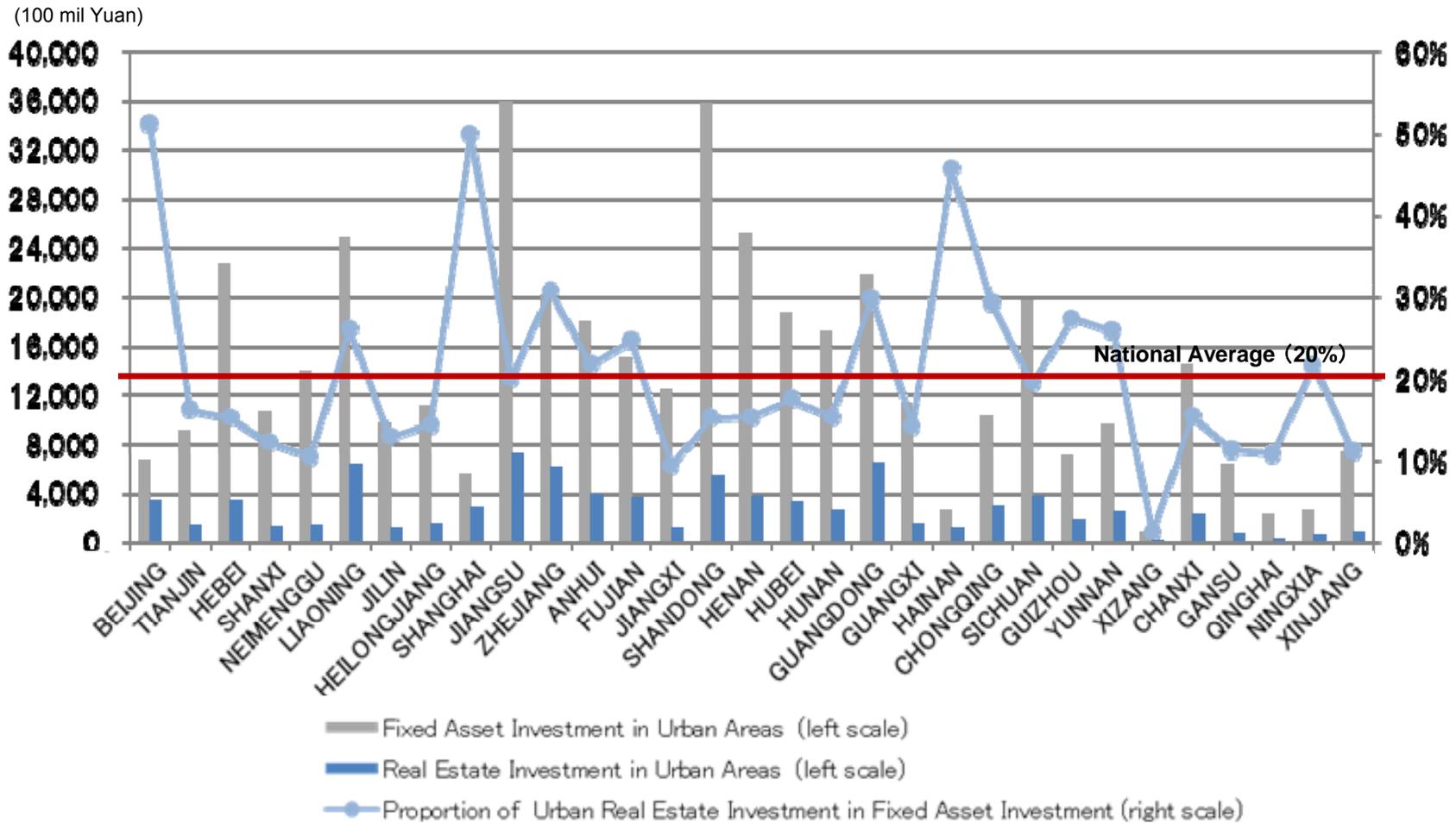
Growth Rate Comparison of Fixed Asset Investment and Real Estate Investment in Urban Areas



Source) National Bureau of Statistics of China

Ratio of real estate investment over urban fixed asset investments has scored over 50% in Beijing followed by Hainan Zhejiang and Guangdong, which far exceed the national average.

The Ratio of Real Estate Investment in Urban Fixed Asset Investment by Region in 2013

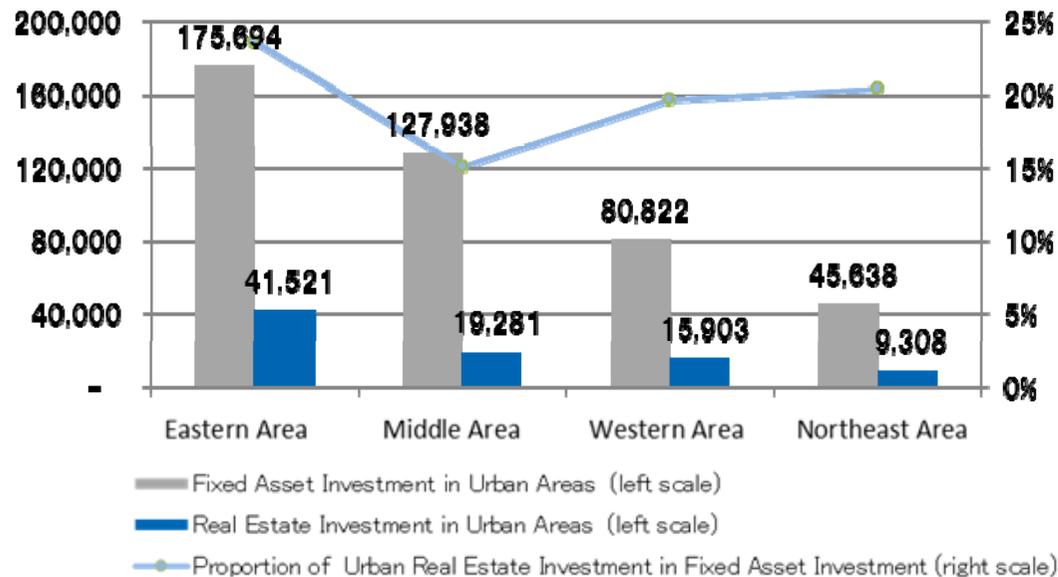


Source) National Bureau of Statistics of China

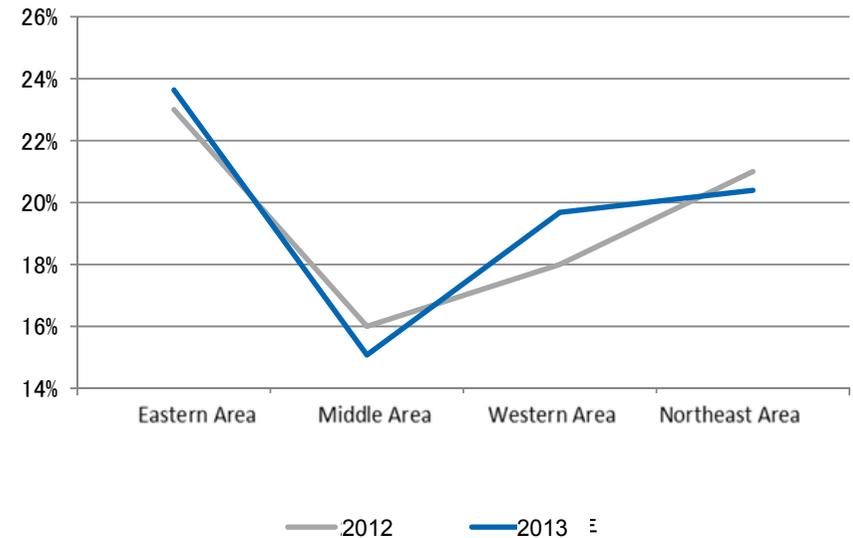
The most vibrant region for real estate investment is Eastern Area, accounting for half of the total investment in China, while the Western Area started to be vibrant as well in recent years.

Fixed Asset Investment and Real Estate Investment by Region in 2013

(100 mil Yuan)



Growth Rate of Proportion of Fixed Asset Investment in Real Estate Investment by region

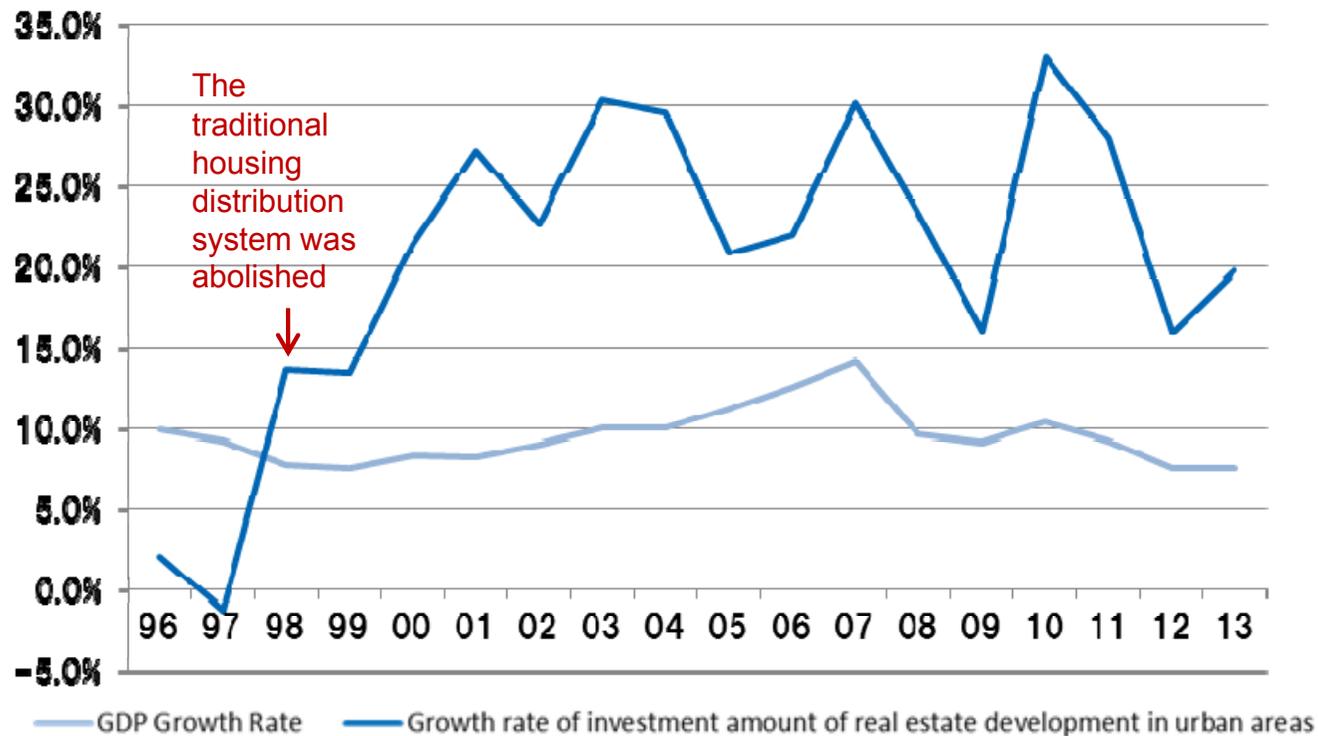


※ Eastern Area: Beijing, Tianjin, Shanghai, Hebei, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Hainan
 Middle Area: Shanxi, Anhui, Jiangxi, Henan, Hubei, Hunan
 Western Area: Sichuan, Guizhou, Yunnan, Shanxi, Gansu, Qinghai, Neimenggu, Guangxi, Xizang, Ningxia, Xinjiang, Chongqing
 Northeast: Heilongjiang, Jilin, Liaoning

Source) National Bureau of Statistics of China

Since the Housing Distribution System was abolished in 1998, the volume of real estate investment in urban areas has increased, rigorously stimulating the country's GDP growth.

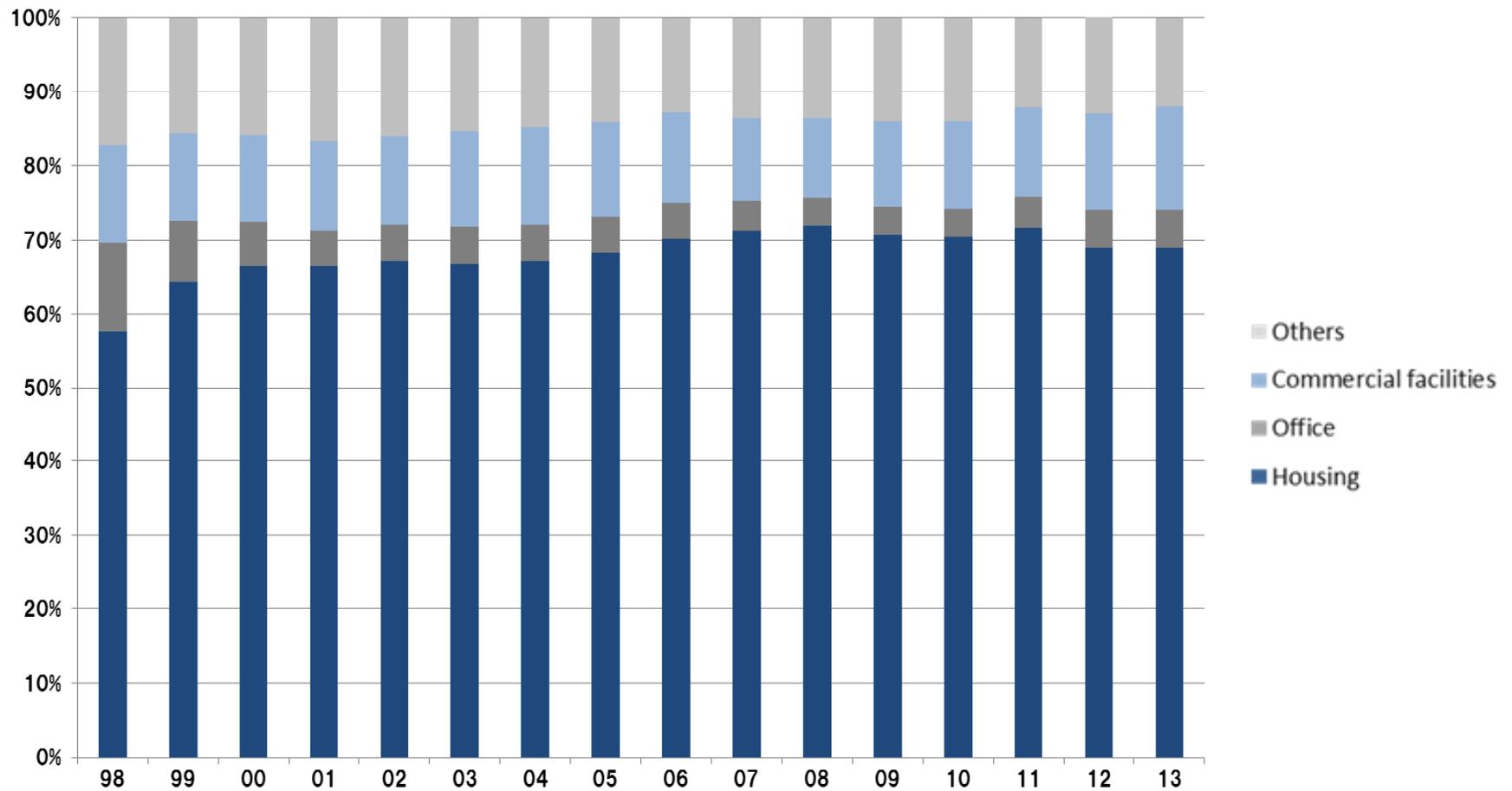
Change in Growth Rates of GDP and of Real Estate Investment



Source) National Bureau of Statistics of China

Housing investment comprises approx. 70% of the entire real estate investment.

The Percentage of Housing/Commercial/Office Investments in Real Estate Investment

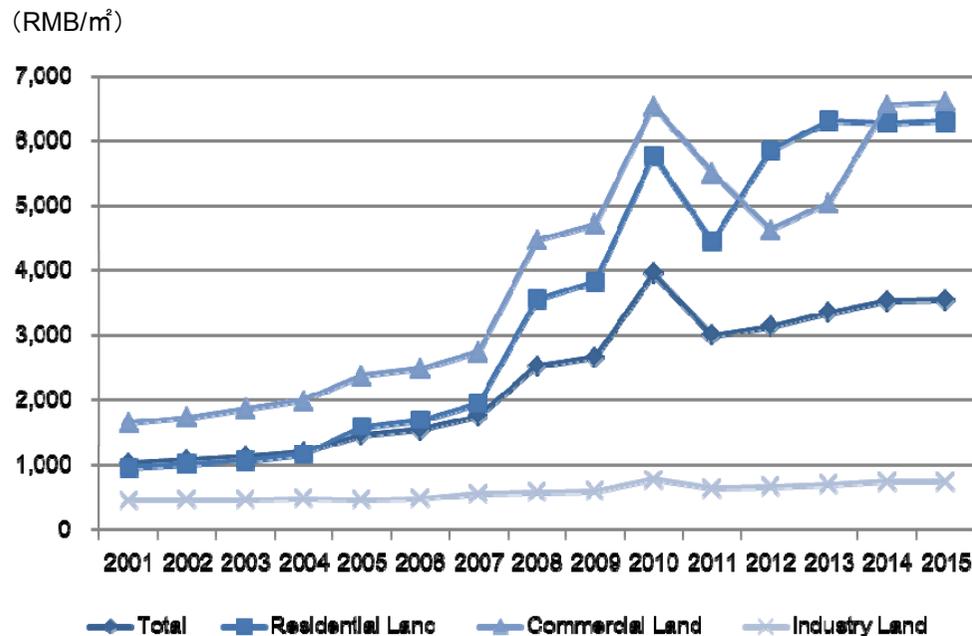


Source) National Bureau of Statistics of China

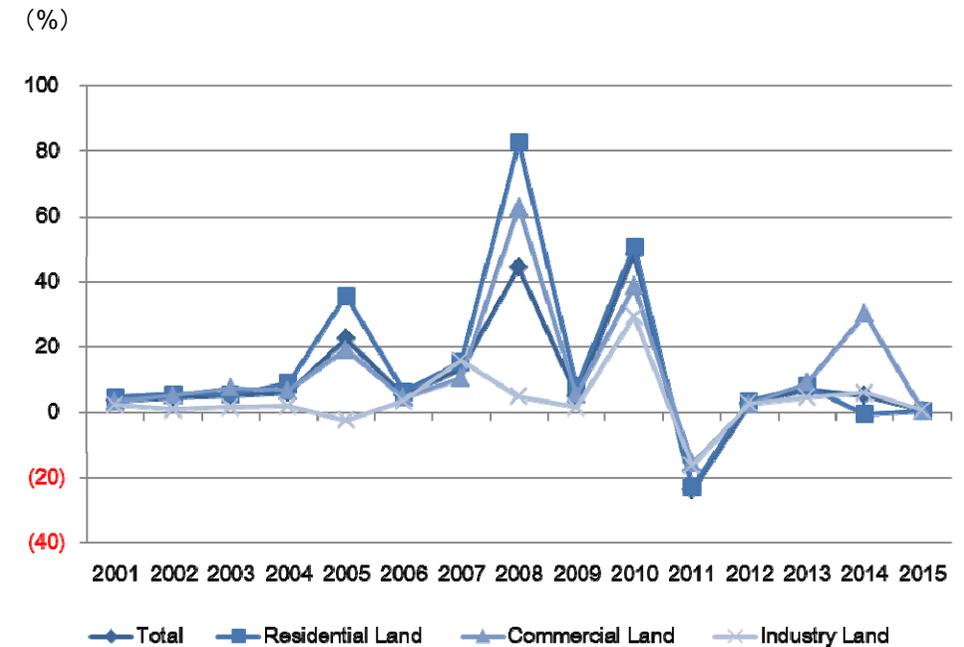
Due to policies on restraining the real estate market, the land price once decreased in 2011, followed by a gradual rise afterwards, which is a significant cause of the upsurge in property prices.

- Land is owned by Government in China although its management is lead by local governments. As citizens are permitted to land rights during a certain period, they can possess the ownership of buildings for a maximum of 70 years only if they purchase its land use rights through local governments.
- Except 2012 and 2013, immediately after the restraining policies being released, the residential and commercial land prices have been showing similar trends, significantly exceeding the overall average.

Change in Land prices in urban areas of China



Change in Land price appreciation rates in urban areas of China

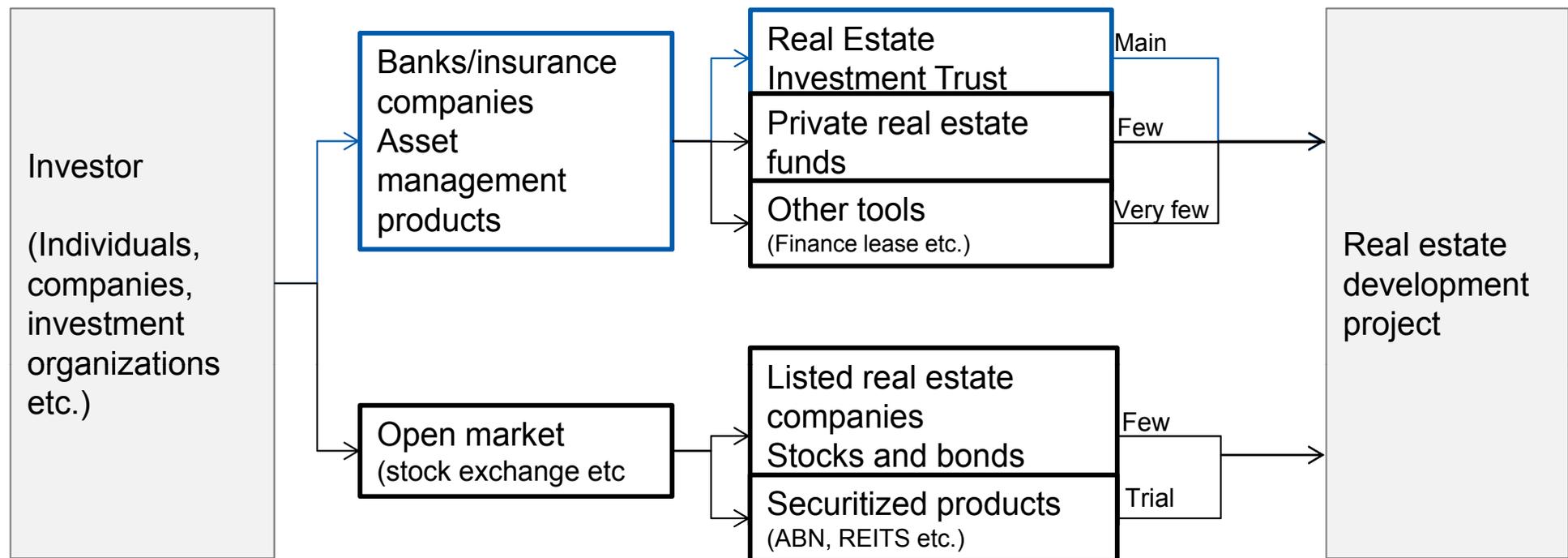


Source :China urban land price monitoring data

In most cases, real estate investment projects in China are financed by Real Estate Investment Trust through banks.

- The current real estate finance market in China features of an extremely large primary market of housing loan but very small second market. i.e. securitization market of mortgage loan that supports the primary market.
- Although there are almost 200 listed real estate development companies, few of them are utilizing private real estate funds or REIT.
- In 2010, the central government reviewed its policies on real estate market and limited direct financing from banks. As a result, real estate investment trust and other tools became the main route for investment in real estate projects.

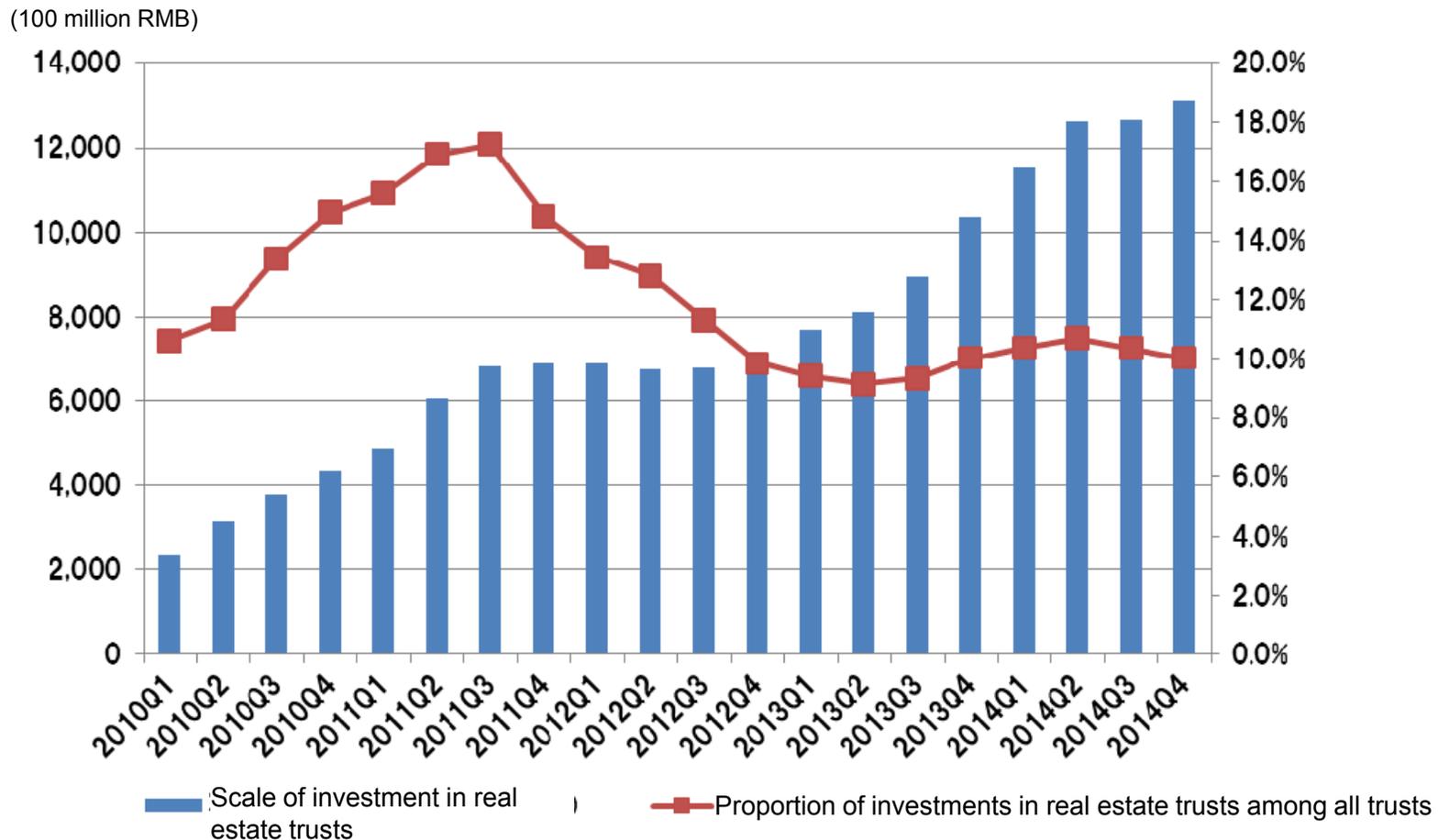
Investment structure of Real estate finance in China



The scale of Real estate investment trust in China reached RMB 1.3 billion at the end of 2014.

- The proportion of investments in real estate trusts among all trusts in China reached the peak in 2011 and maintained at about 10% after 2013.

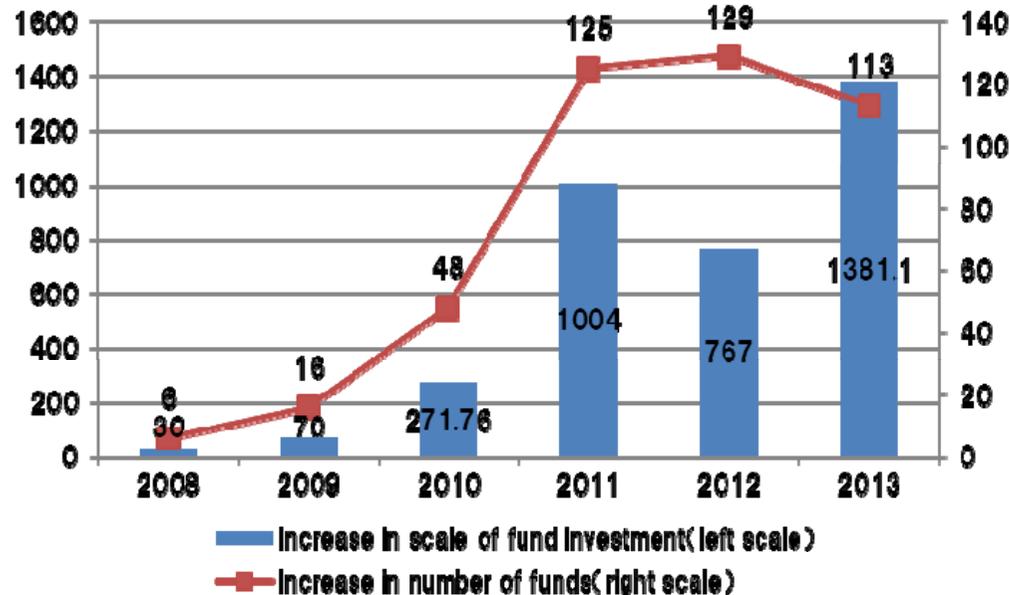
Changes in the scale of Real estate finance in China (2010~2014)



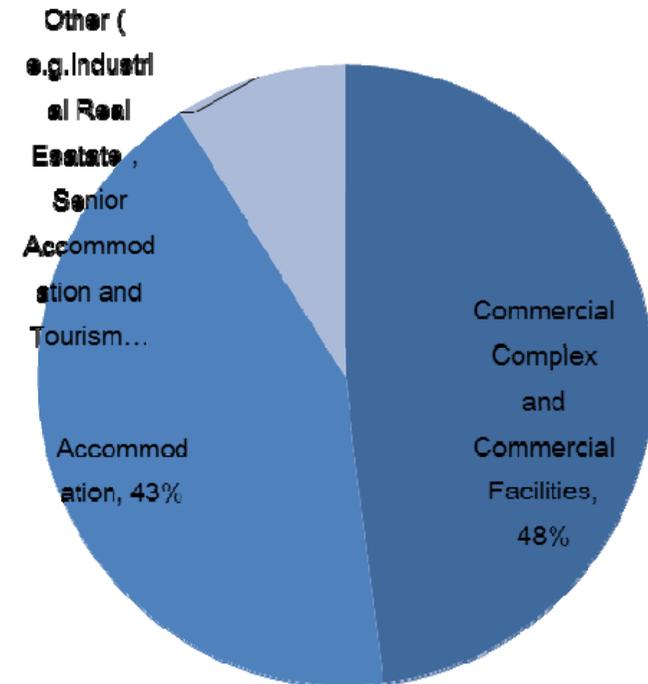
By the end of 2013, the scale of private real estate funds in China was estimated to be RMB 25~30 billion and the investment areas expanded from housing to comprehensive commercial development.

- Overseas private real estate funds basically focus on equity investment, but their counterparts in China focus on debt investment in real estate companies.
- Since private real estate funds in China are still in the start-up stage, in most cases they would identify investment target projects first and then recruit funds for potential LP.
- In details, private real estate funds are involved in land acquisition and then they work with real estate companies and establish SPC (project development companies). After selling of at least 80% of the real estate products, real estate development companies re-purchase stock and the fund is withdrawn. This kind of fund operation is unique and can only be seen in China.

Scale and number of private real estate funds(RMB)



Main investment fields of private real estate funds(RMB)



The first equity REITs was listed in May 2014. Since it was limited to a few institutional investors, it had many problems in liquidity, fairness and openness.

- In May 2014, China Securities Regulatory Commission (CSRC) approved a sale that was equivalent to RMB 5.2 billion REIT products by CITICS, the largest securities company in China. The sale was targeted to qualified institutional investors for blocking trading mainly in Shenzhen Stock Exchange. Investors can obtain dividends from the lease income of two buildings (in Beijing and Shenzhen) owned by CITICS. This was the first equity REITs in China.
- On September 30, 2014, the central bank and CBRC issued a "Notice for Promoting Housing Finance Service", which aimed to promote REITs in China. In details, the policy aimed to expand market financing tools and support issuance of debt financing products by real estate companies satisfying certain conditions.
- In 2015, although there are products that are similar to REITS, they have problems in liquidity, fairness, and openness.

The first equity REITs in China



Source: Made by NRI Based on "Qi Hang" Special Assets Management Plan of CITIC

China China's real estate market has entered an adjustment period

1 Macro Economy and Real Estate Investment

2 China's Real Estate Investment

3 Residential Market

4 Commercial Development and Office Market

5 Movements of Chinese Real Estate Developers

Low-income housing consists of a)resalable “Affordable” and “Price-limited” housings, and b)unresalable “Public rental” and “Low price public” housings.

- “Affordable” and “Price-limited” housings can be resold only in cases where conditions set on the resale of each housing types are met.

Overview of low-income housing

Classification	Description	Resalable or not
Affordable housing	<ul style="list-style-type: none"> • In order to achieve an affordable price, Government provides developers with various preferential treatments such as providing land at preferential price, diminishing their tax, contribution for urban infrastructures development and various administrative business expenses. • Sizes are strictly controlled; e.g. medium-sized: around 80 m², small-sized: around 60 m². • Families with the right to purchase are those with a household register as well as with income of 60,000 Yuan or less. 	<ul style="list-style-type: none"> • Houses are resalable but only after five years have passed since the purchase. • Purchaser possesses its limited ownership.
Price-limited housing	<ul style="list-style-type: none"> • Used as one of the Government ‘s measures to control real estate development market and to adjust the housing supply for a certain period. • State-owned companies take responsibility in its construction. • Its selling prices are determined by the government and are usually 20–25% lower than commercial residences. 	
Public rental housing	<ul style="list-style-type: none"> • Leased by Government or institutions in its commission to low and middle-income families at market prices • Government provides a certain amount of housing allowance to its occupant families every month. 	<ul style="list-style-type: none"> • Houses cannot be resold and only can be leased. • Occupant does not possess its ownership.
Low price public housing	<ul style="list-style-type: none"> • Leased to low-income families at the lowest lease price determined by Government. • Provided sizes: 35 m² for 1LDKs, 45 m² for 2LDKs, and 55 m² for 3LDKs. 	

Affordable housings can be provided at drastically cheaper price than ordinary commercial housings as the price is set according to costs.

- It should be noted that affordable housing is sold under “Allocated land usage rights,” which does not require the payment of land grant charges to the government, and that the percentage of profit allocated to developers from its development is politically controlled under 3% or less.

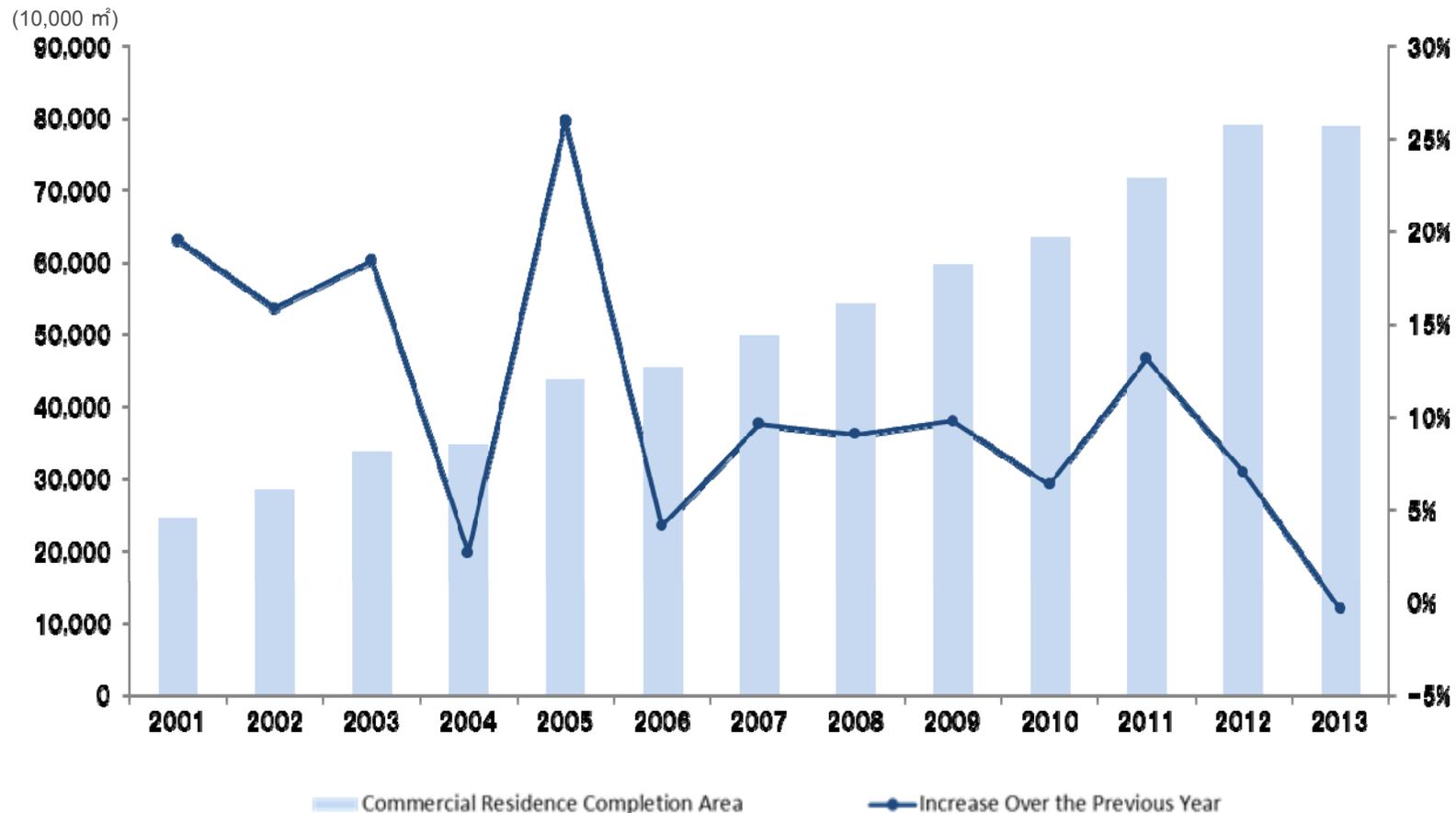
Comparison of price structure between ordinary commercial housing and affordable housing

Cost structure item	Ordinary commercial housing	Affordable housing
Eviction/compensation costs	○	○
Planning/designing costs	○	○
Construction costs for infrastructure within the housing	○	○
Construction work costs for buildings and equipment	○	○
SG&A	○	○
Tax	○	○
Profit	Unlimited	3% or less
Land grant charge	○	×
Land right type	Land grant usage rights	Allocated land usage rights

Due to urbanization, the housing demand in urban areas is hovering at a high level, resulting in an increasing trend over the supply of commercial residences.

- Supply of commercial residences slowed down at times due to policy adjustments and fiscal tightening, although the volume of both housing demand and construction area have been on the rise during recent 12 years.

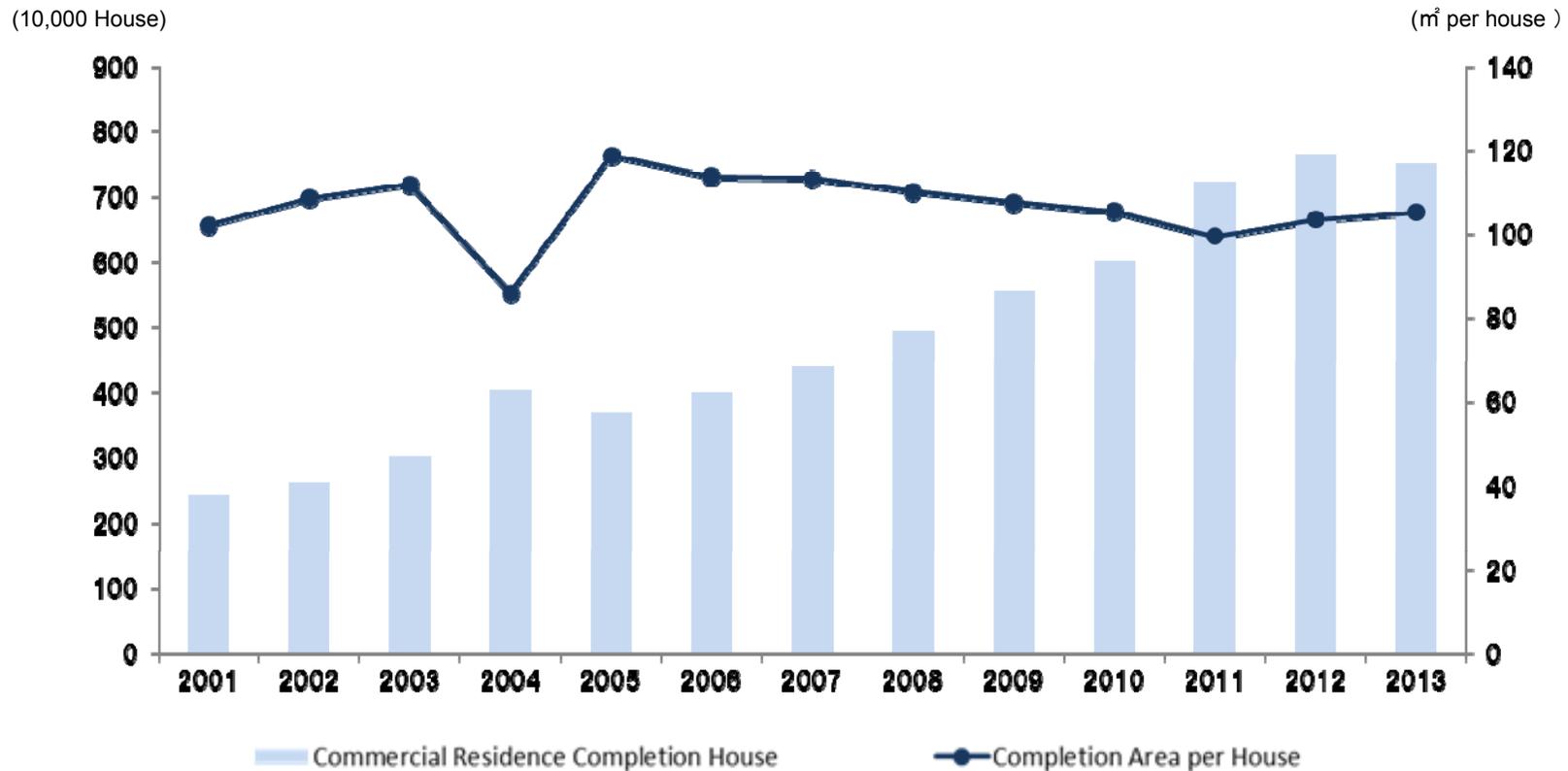
The area of commercial residences' completion in China



7.64 million commercial units are supplied annually in China's urban areas, with this being 30 times larger than the number of houses built annually for sale in Japan.

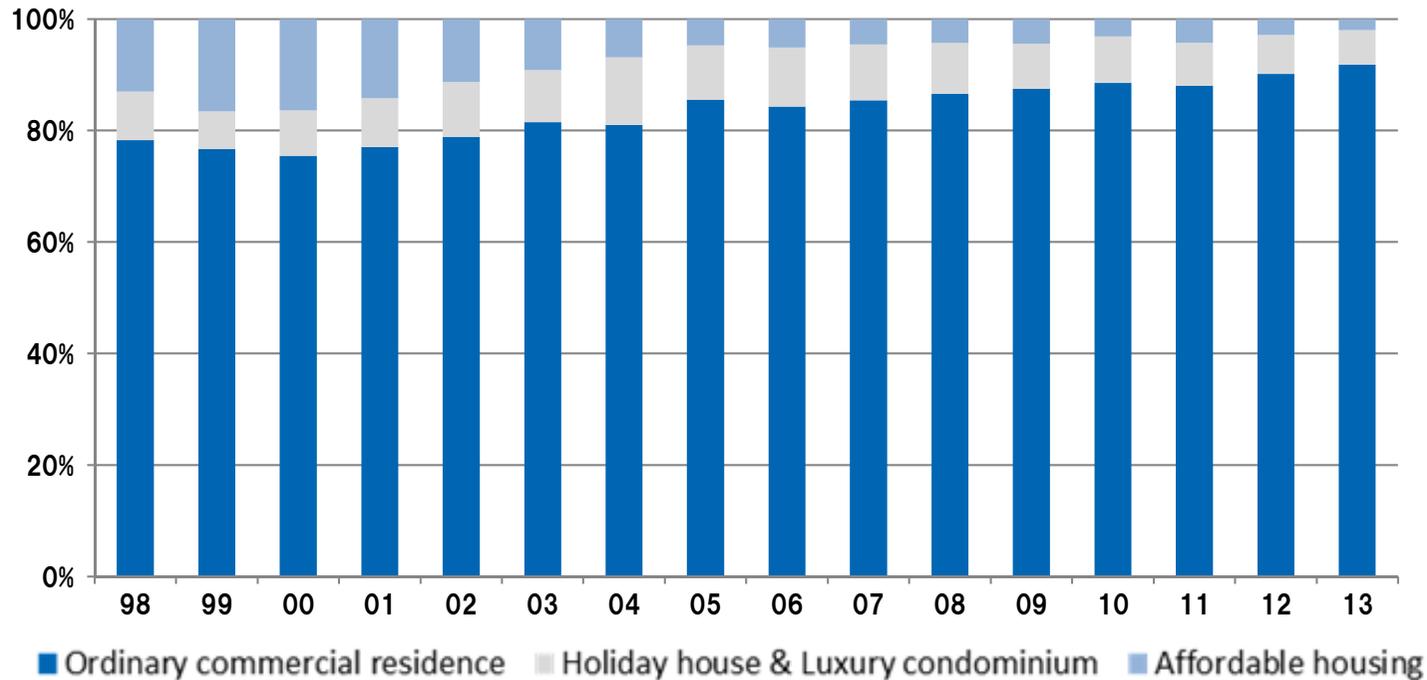
- The number of newly completed commercial residences in China in 2013 was 7.49 million; approx. 3 times larger than that of 12 years ago (2.14 million in 2000) and 30.9 times larger than the supply of houses built for sale in Japan(2.47 million) in 2013.
- Typical commercial houses have a layout of 2LDK or 3LDK with a completion area of approx. 110 m².

The number of commercial residence completions and its average completion area



Approx. 90% of commercial housing is general residential property while the investment towards the “Affordable housings” for low and middle income class is in extremely short supply.

Changes of the Ratio of Housing Investment by types



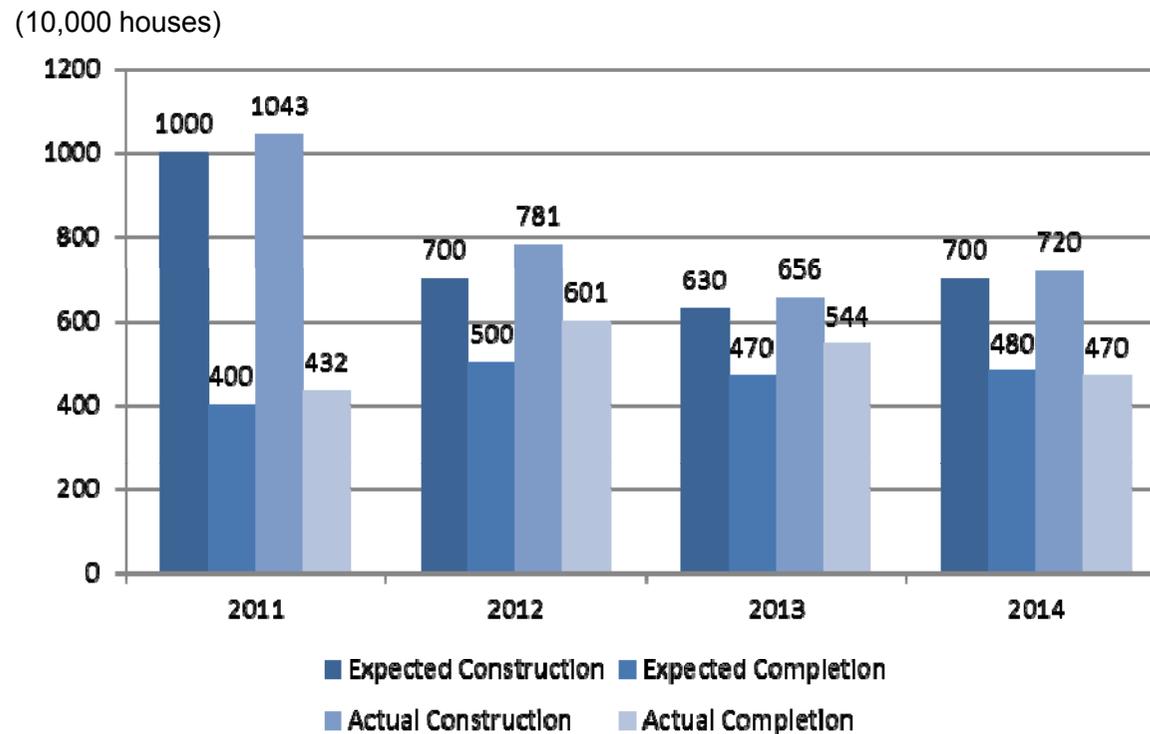
Note: Since numbers related to affordable housing after 2010 is not provided in the China Statistical Yearbook, the data here was calculated from selling price and actual construction household

Source) National Bureau of Statistics of China

To improve housing conditions of low-income population, the government accelerated provision of affordable housing in 2011.

- In its 12th five-year planning, the Chinese government plans to build 36 million new and affordable houses. The purpose is to accelerate provision of public housing. The government aims to build more low-rent houses and economically affordable houses for low-income population and increase supply of low-cost housing.
- According to public data of China Index Research Institute, 60% (20.47 million) of 32 million affordable houses have been completed by September 2014. Quite an accomplishment within such a short period of time.

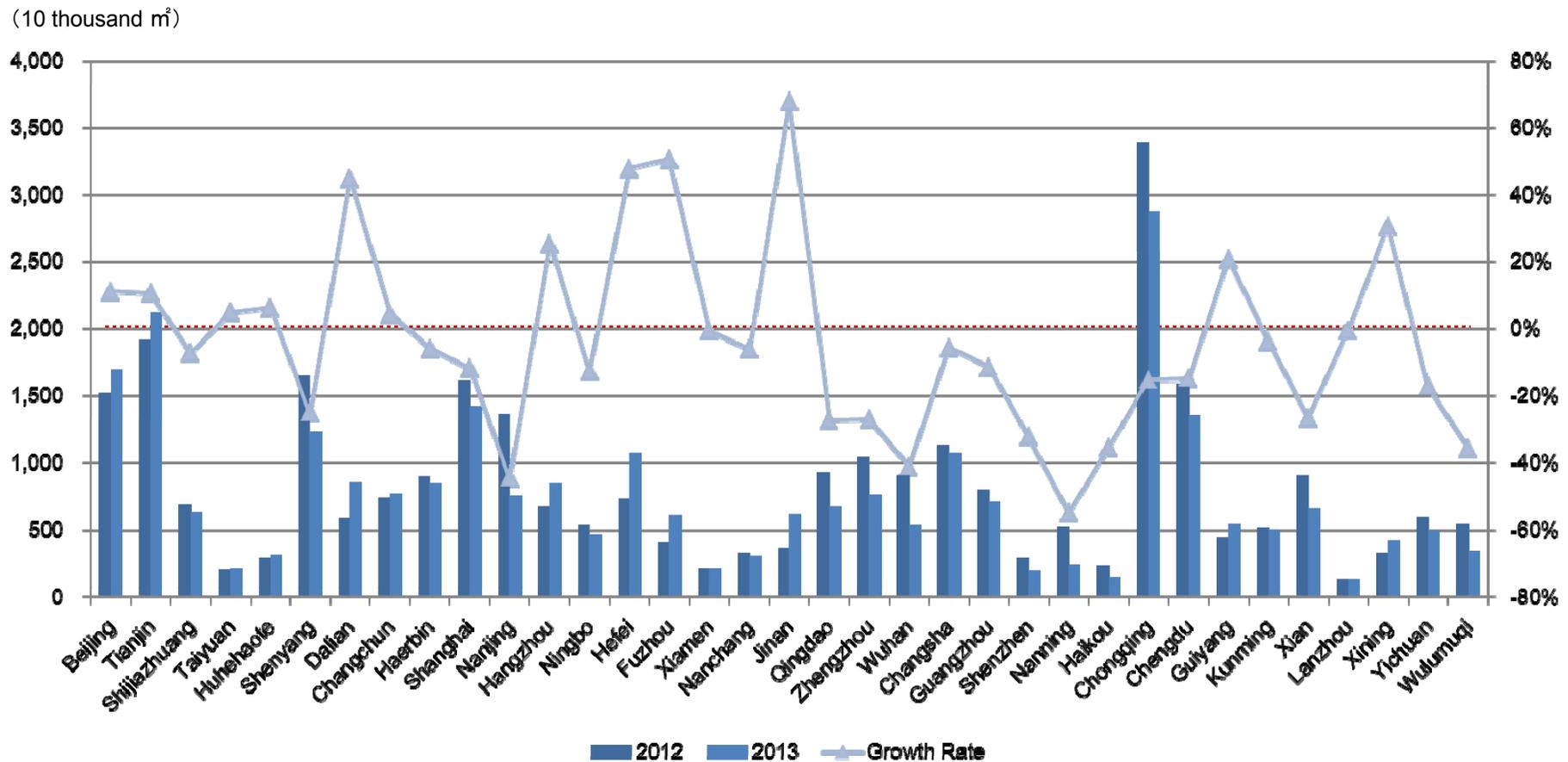
Construction plan and completion of affordable housing (2011~2014)



Housing Market in China

Approx. 30% of the entire housing supply is concentrated in Chongqing, Tianjin, Shenyang, Shanghai, Chengdu and Beijing. The growth of second-tier cities such as Xian, Nanjing and Qingdao is also attracting attention.

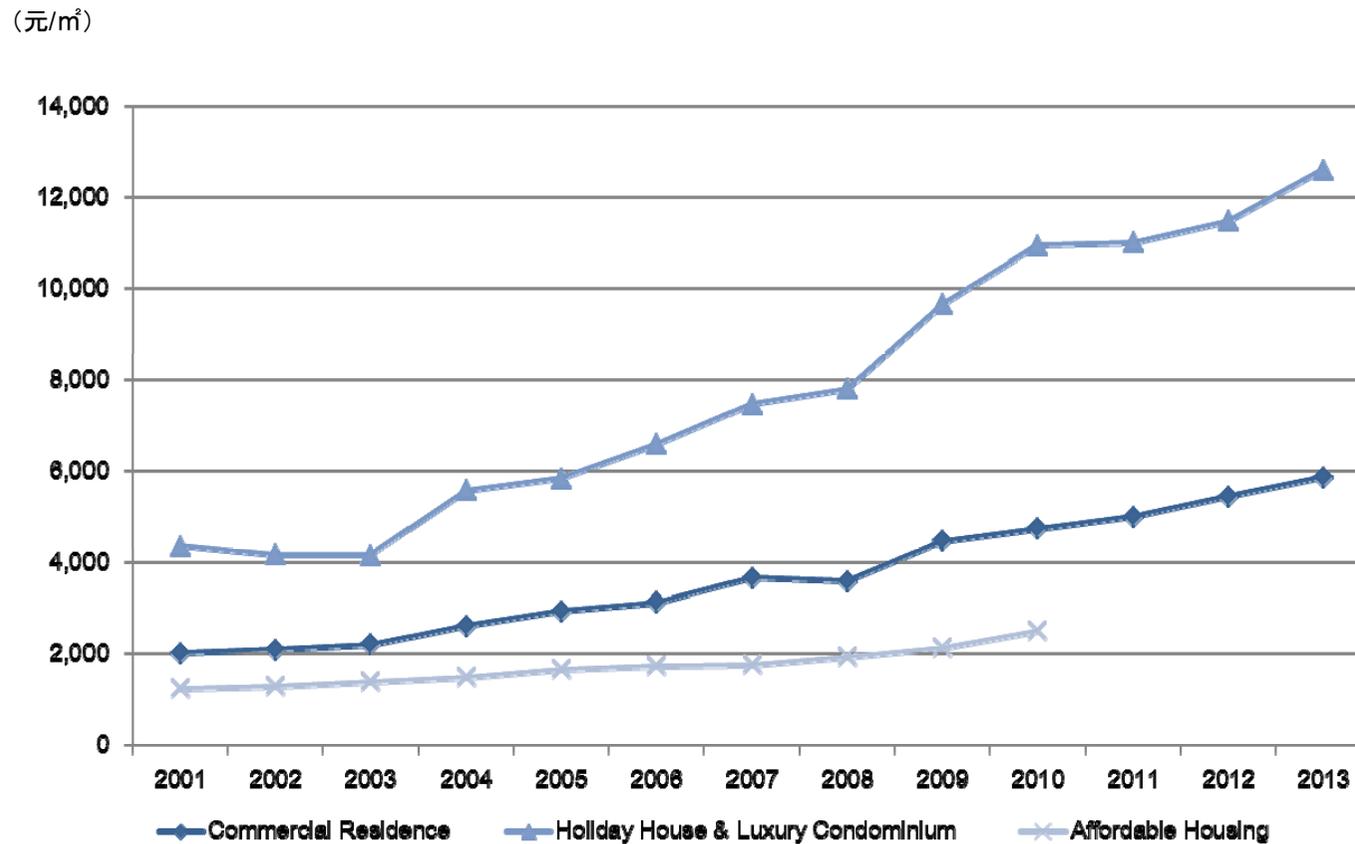
Comparison of Spaces of Completed Residential Properties among Major Cities



Source) National Bureau of Statistics of China

Selling price of homes has risen by 2.9 times during the last 12 years, with this trend being especially evident among luxury properties.

Selling price of commercial residences in China

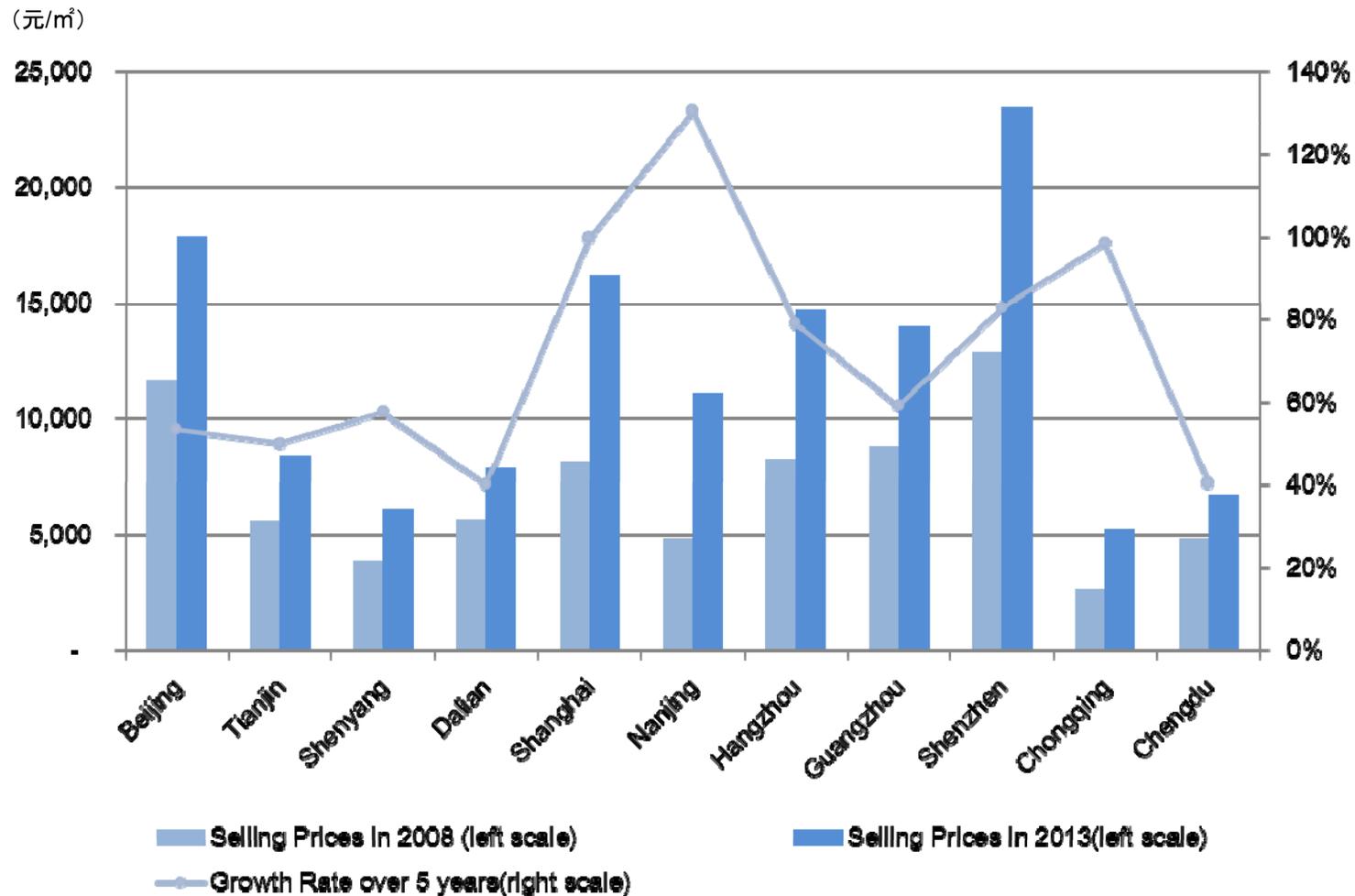


*Since sales prices of the economical housing for low-and-middle income earners in 2011 were not reported in China Statistical Yearbook 2012, the data here was calculated on the basis of data in 2010 by 110% growth rate.

Source) National Bureau of Statistics of China

Sale price of residential properties has been rising at growth rate more than 40% in the last 5 years with the second-tier cities demonstrating this tendency

Sale Price of Commercial Housing in Major Cities (Comparison between 2008 and 2013)

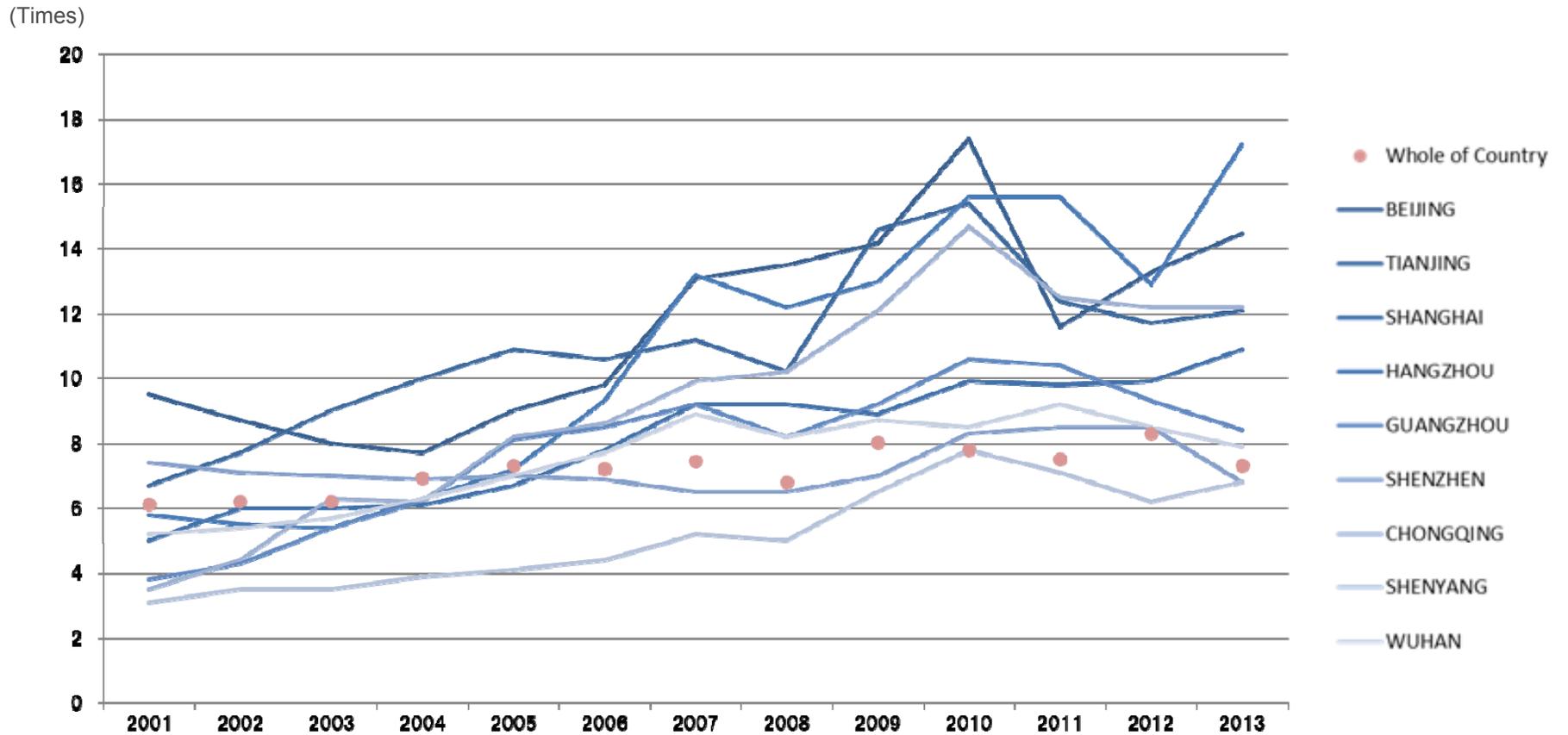


Source) National Bureau of Statistics of China

Housing price to income ratio is 12 times larger in coastal metropolis, such as Shenzhen, Hangzhou and Shanghai, significantly exceeding the national average.

- Housing price to income ratio has risen by 6 to 8 times compared to 11 years ago,
- Ratio in metropolises has risen significantly, with Shenzhen seeing a rise from 5.8 times to 12.9 times.

The housing selling prices to income ratio



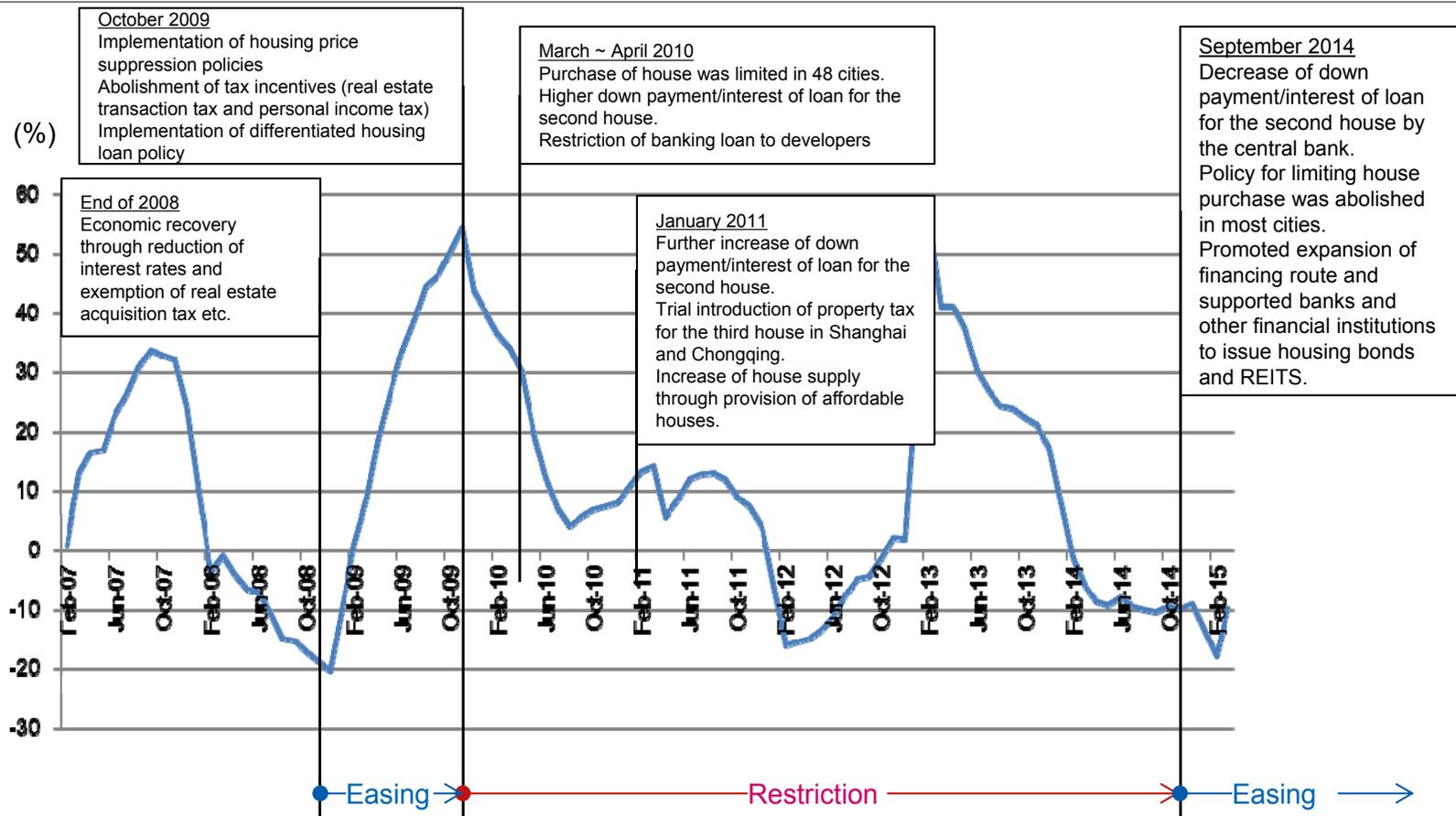
Source: Statistical material by the Ministry of Land and Resources and the National Bureau of Statistics

House supply policy of China

Although the policy implemented by the government in 2009 had some effects in reducing housing price, it caused increase of stock of houses and deterioration of the overall market conditions. This is why the government implemented easing policy in 2014.

- Monetary easing policies implemented after the Lehman shock resulted in skyrocketing housing price in Beijing, Shanghai, and other major cities in China. As a countermeasure, the Chinese government implemented a series of policies that made it more difficult for acquisition of houses after October 2009.
- However, since such policies resulted in increase of stock of houses and deterioration of the overall market conditions, the government had to cancel the housing restriction policies implemented in 43 cities (but not including Beijing, Shanghai, Shenzhen, and Sanya).

Monthly sales area of commercial housing compared with the previous year (after 2007)

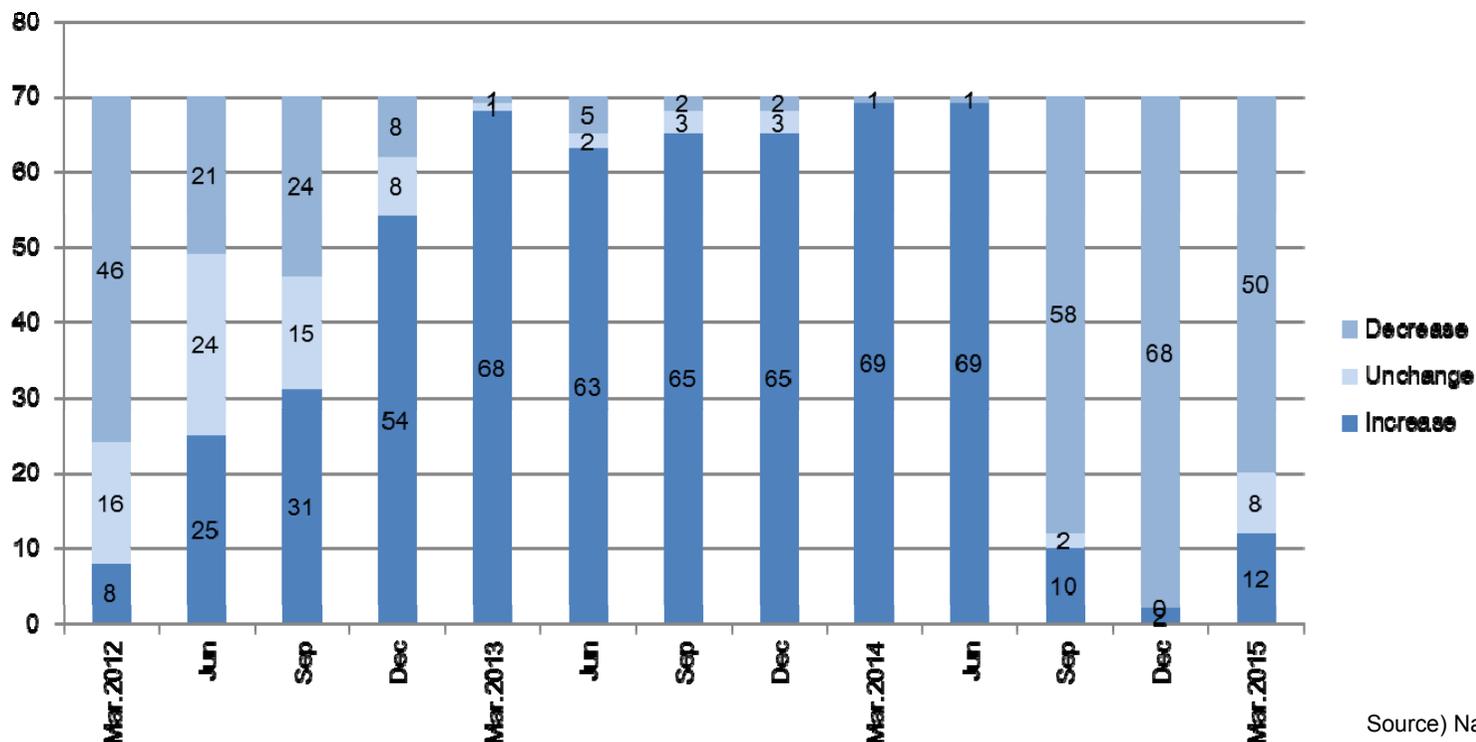


Government Housing Policy in China

Excessive housing stock became a significant problem due to real estate suppression policy. In September 2014, the government announced a real estate easing policy, and housing price plummeted in many cities.

- Since the issuing of the regulatory plan, the property developers were lead to cut the housing prices to encourage sales and increasing number of cities witnessed a decline of housing prices since September 2011. This demonstrates that the government's restrictions have been effective in bringing down housing prices.
- However, housing prices began to rise in more than 90% of the major cities in 2013. The growth rate is more than 20% in the four major cities, Beijing, Shanghai, Guangzhou and Shenzhen, with the rate being highest in the history. There lies an acute risk of bubbles.
- After the government announced a real estate easing policy that encourages but not limits housing purchase, more and more cities experienced declination of housing price and worried about how to "digest" the existing housing stock.

The change of cities' number with the housing price's deviation at the link relative ratio in the 70 major cities of China (2011-2015)



Source) National Bureau of Statistics of China

Unlike the past, the housing market in China in 2015 will be "consumer centered" instead of "developer centered", and the main stream will be provision of houses that can satisfy consumers' rigid demand.

Directions of China's housing market in 2015

1 Change from "investment" to "rigid demand"
For increase of house sale

Affordable houses with high quality and habitability

2 Higher demand for better house that satisfy needs in higher life stage

Aging population and two-child policy result in further segmentation and diversification of house supply market

3 Release of house purchase limit in tier 1 and 2 cities
Excessive house supply in tier 3 and 4 cities

Unlike tier 1 cities where land supply is limited and tier 3 and 4 cities with high stock of houses, tier 2 cities will become the main fighting field of housing market.

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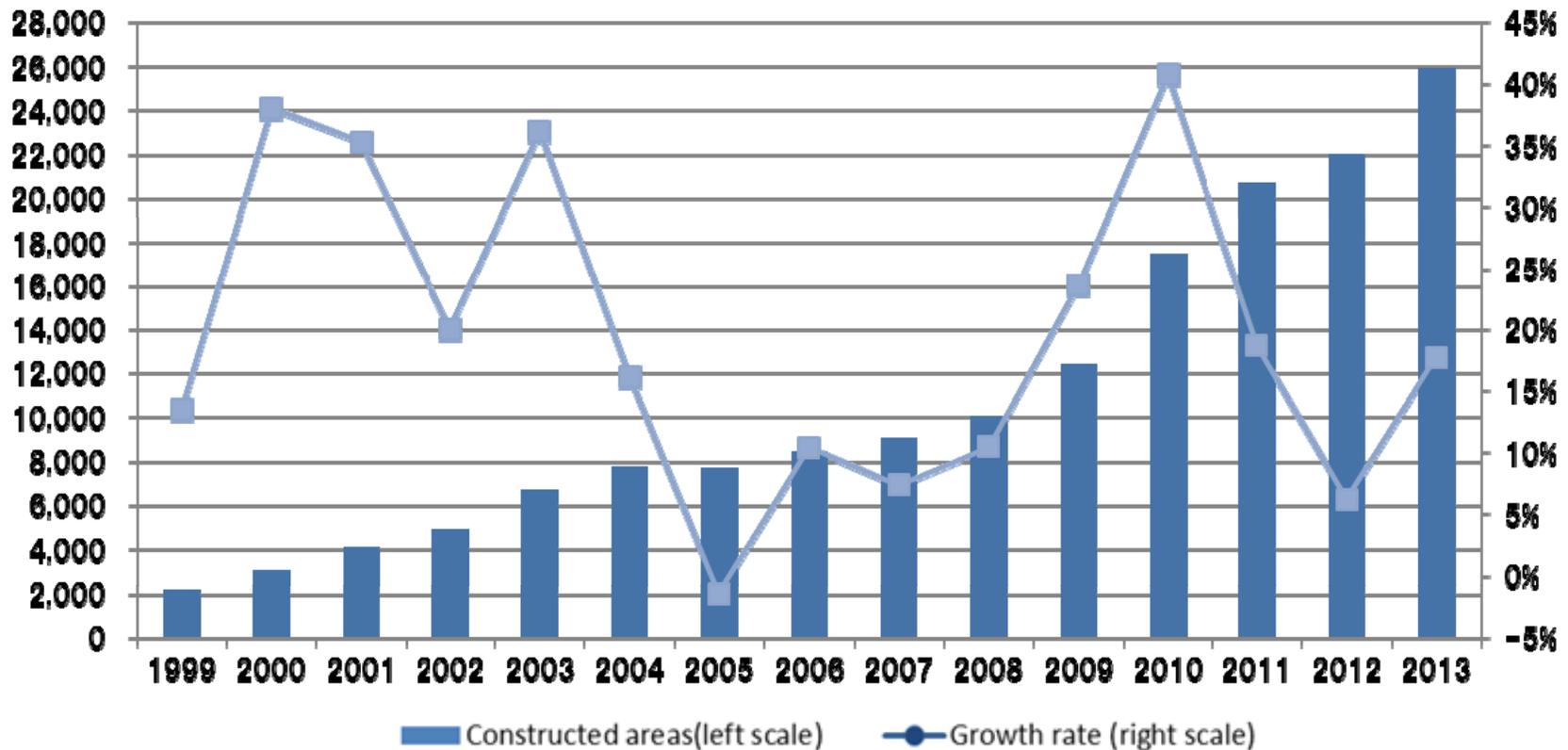
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Commercial development boom in large cities has started since 2008 and the supply of commercial facilities has dramatically increased.

Change In Nationwide Commercial facilities Supply

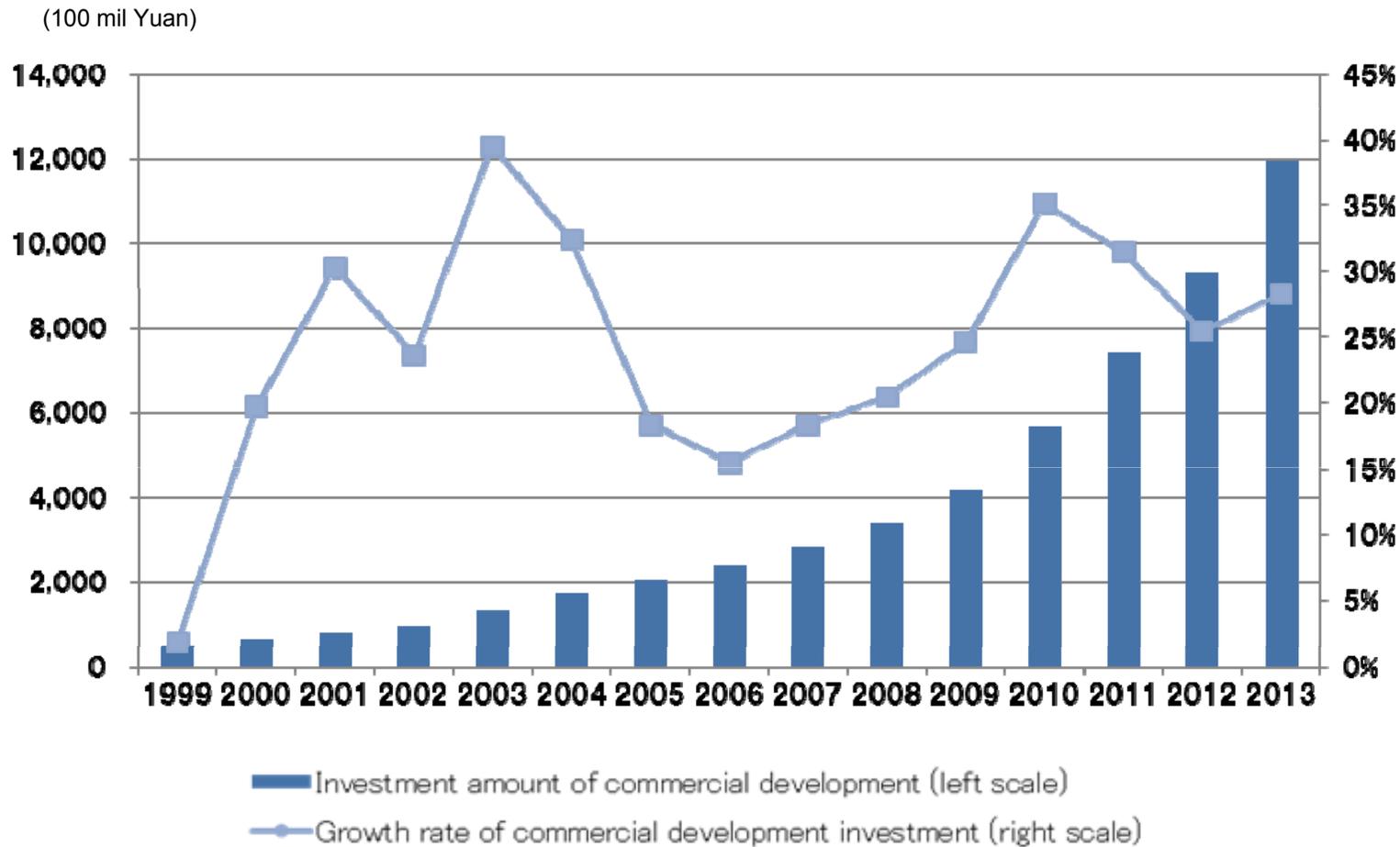
(10 thousand m²)



Source) National Bureau of Statistics of China

Investment for commercial development has been rapidly growing at an annual rate of 26% on average since 2000. The volume of investment in 2013 was 20 times larger than that of 2000.

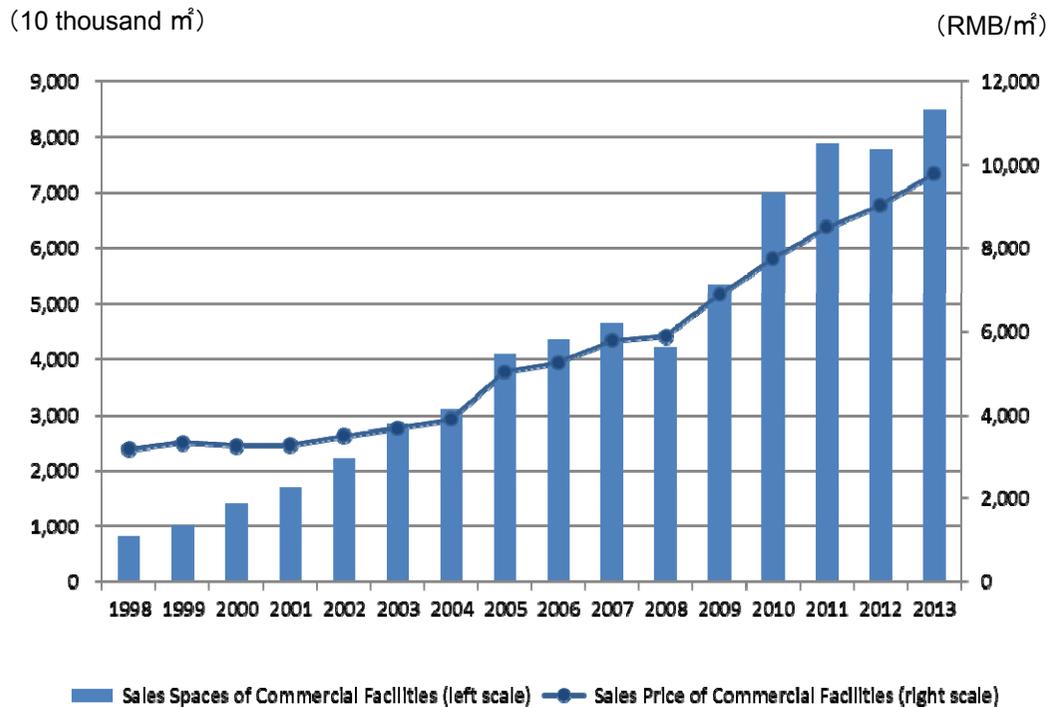
Change in Investment Amount and Growth Rate of Commercial Facilities



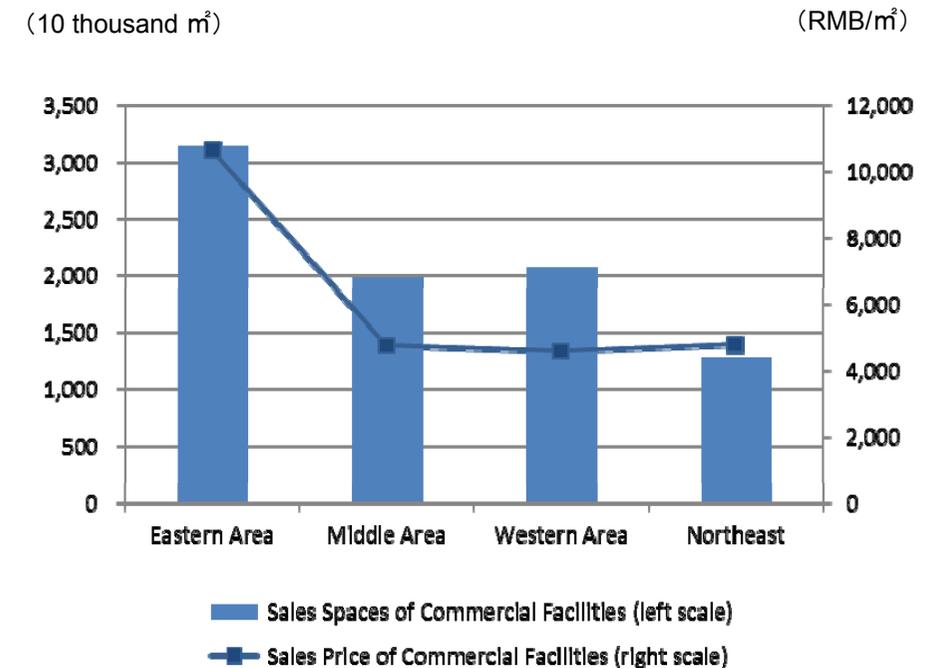
Source) National Bureau of Statistics of China

Average unit sales price of offices in 2013 has risen by 3 times of that in 1998, and about 40% of the sales volume are concentrated in the eastern part of China, where it is economically developed.

Changes in Sales Spaces/Unit Sales Price of Commercial Facilities in China



Changes in Sales Spaces/Unit Sales Price of Commercial Facilities by Region (2012)

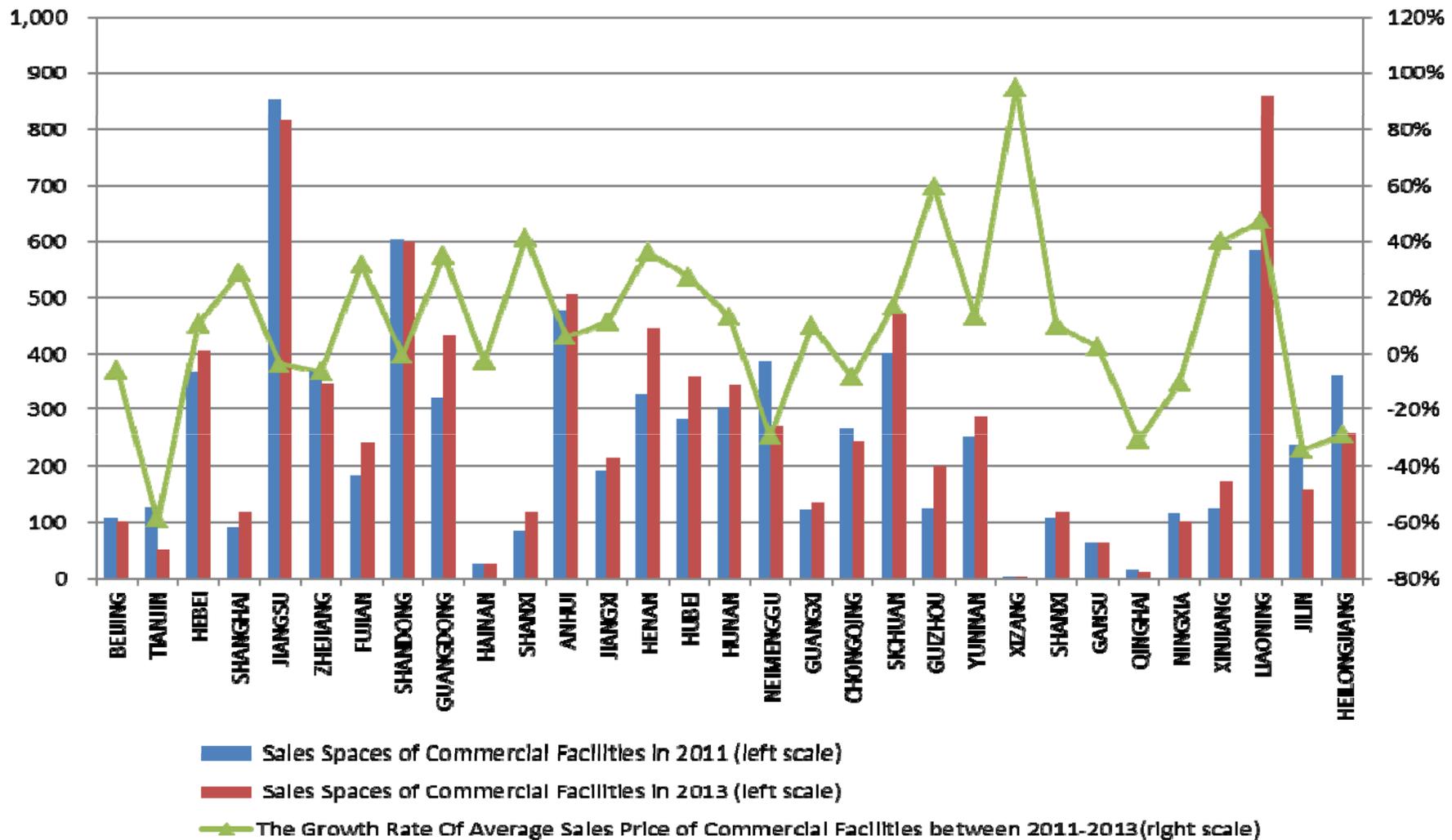


※ Eastern Area: Beijing, Tianjin, Shanghai, Hebei, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Hainan
 Middle Area: Shanxi, Anhui, Jiangxi, Henan, Hubei, Hunan
 Western Area: Sichuan, Guizhou, Yunnan, Shanxi, Gansu, Qinghai, Neimenggu, Guangxi, Xizang, Ningxia, Xinjiang, Chongqing
 Northeast: Heilongjiang, Jilin, Liaoning

Commercial development in developing areas such as Henan, Guizhou, Xizang, Xinjiang, Liaoning etc has been especially buoyant in the last 3 years.

Comparison of Sales Spaces of Commercial Facilities by Region

(10 thousand m²)

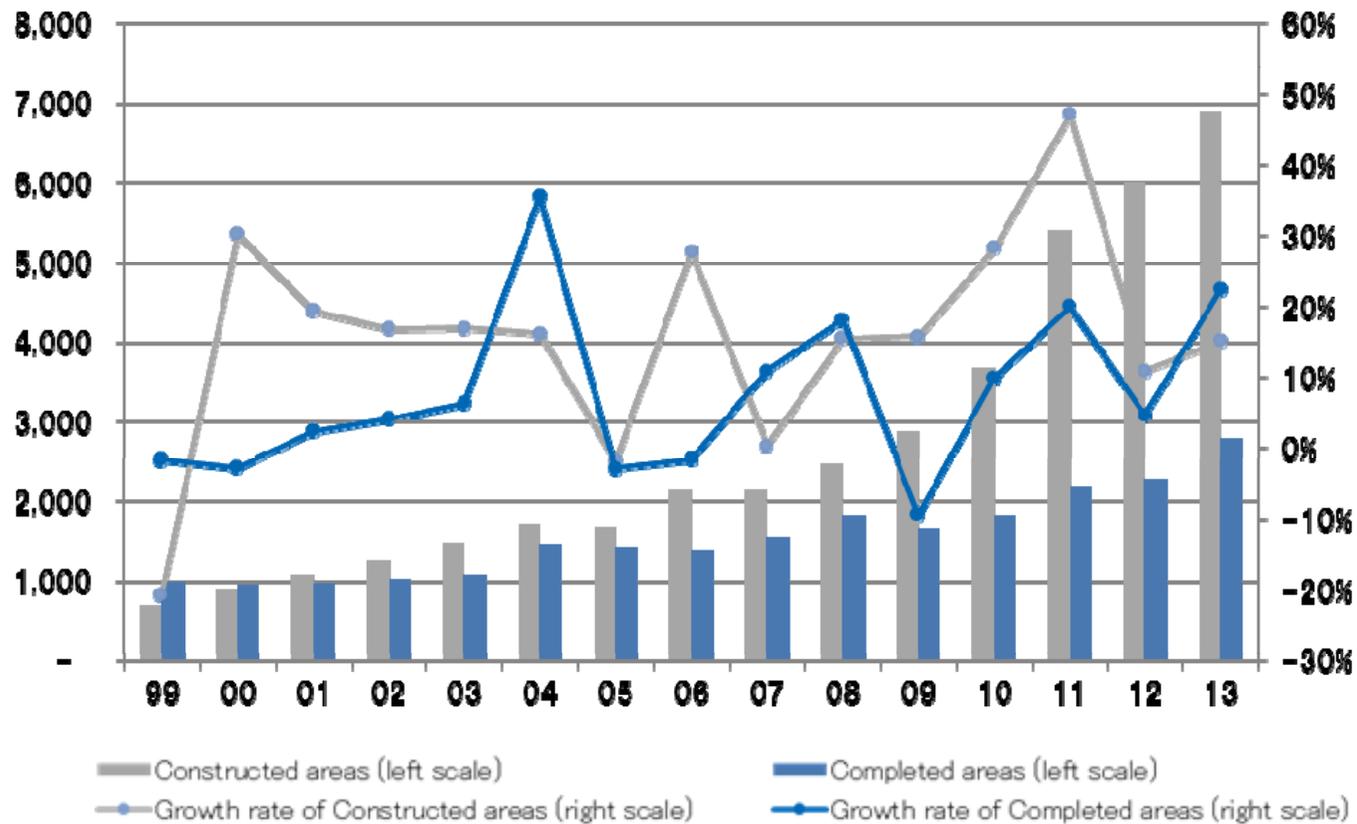


Source: China Statistical Yearbook

Office supply in urban areas in China has experienced a downturn after the failure of Lehman Brothers in 2008, however, a growing trend continues as a whole.

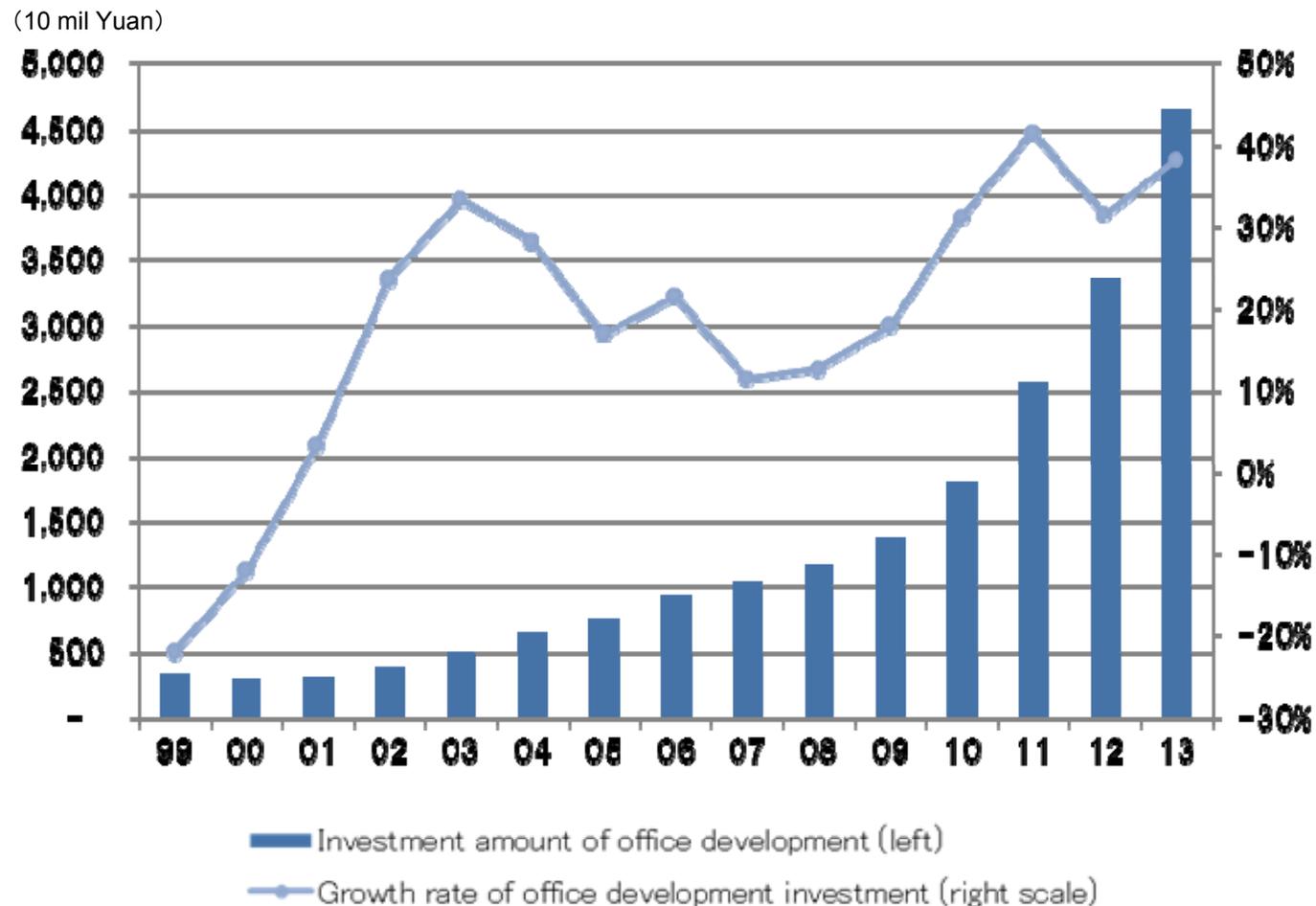
Change in Nationwide Office Supply

(10 thousand m²)



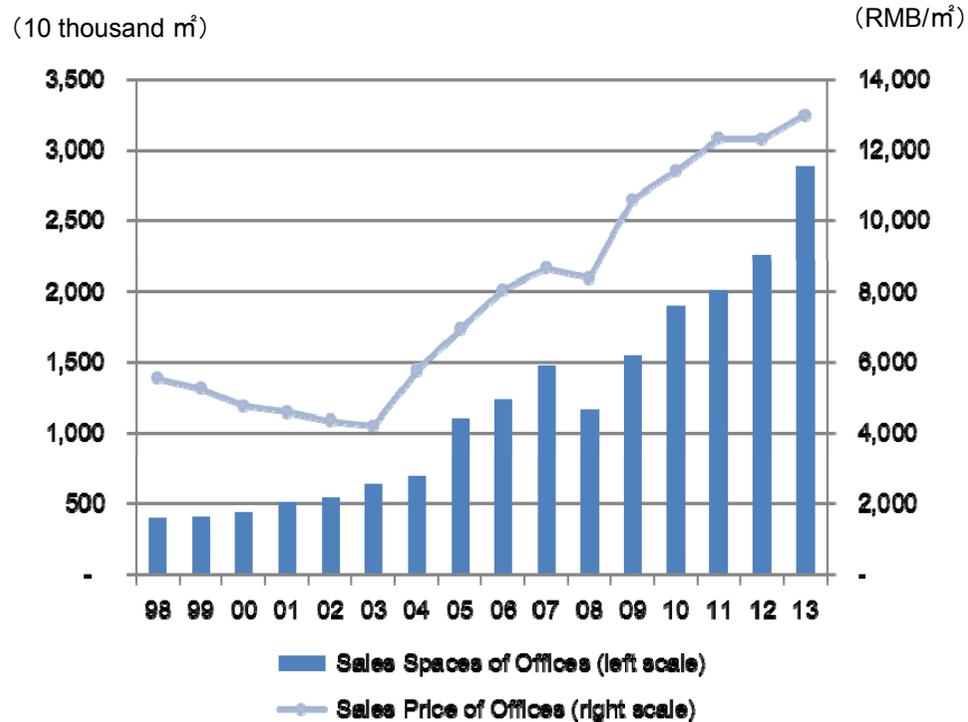
Investment towards office development has been expanding at an annual growth rate of more than 18% on average in the last 14 years.

Changes in Investment Amount/ Growth Rate of Office Development

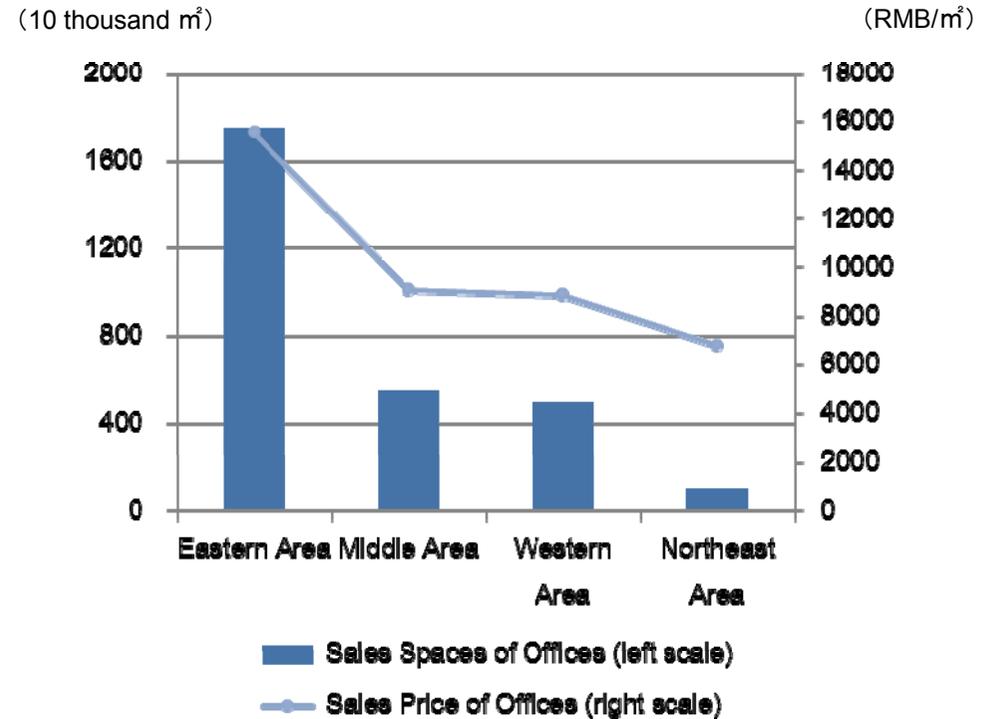


Average unit sales price of offices have doubled between 1998 and 2013, with more than 60% of the office sales concentrating in the eastern part of China where economy is rapidly developing.

Changes in Sales Spaces/Unit Sales Price of Offices in China



Sales Spaces/Unit Sales Price of Offices by Area (2013)

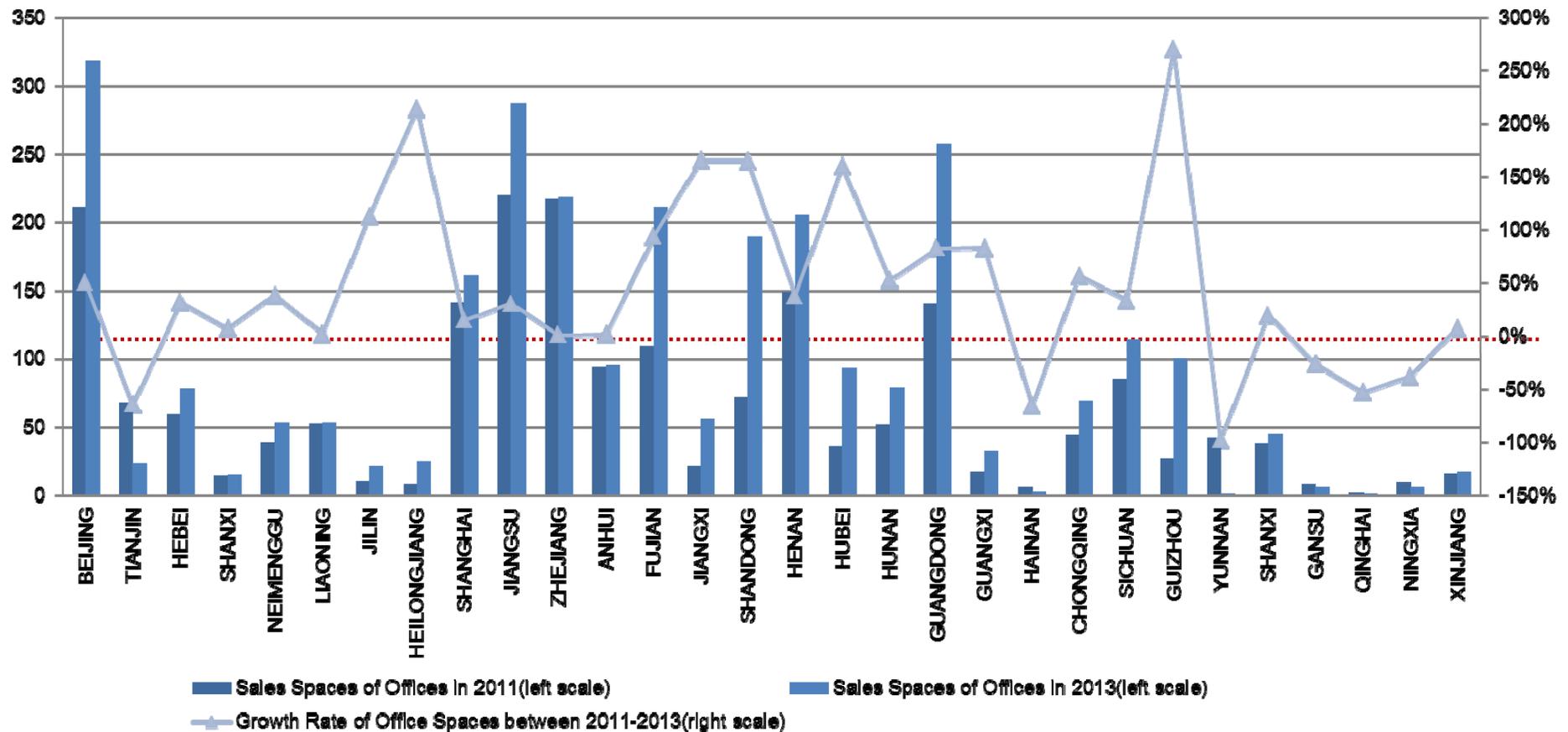


※ Eastern Area: Beijing, Tianjin, Shanghai, Hebei, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Hainan
 Middle Area: Shanxi, Anhui, Jiangxi, Henan, Hubei, Hunan
 Western Area: Sichuan, Guizhou, Yunnan, Shanxi, Gansu, Qinghai, Neimenggu, Guangxi, Xizang, Ningxia, Xinjiang, Chongqing
 Northeast: Heilongjiang, Jilin, Liaoning

Approx. 30% of office sales in 2013 was concentrated in Yangtze River Delta Area (Shanghai, Jiangsu and Zhejiang). Office sales in regions such as Heilongjiang and Guizhou have dramatically increased.

Comparison of Office Sales Spaces by Region

(10 thousand m²)

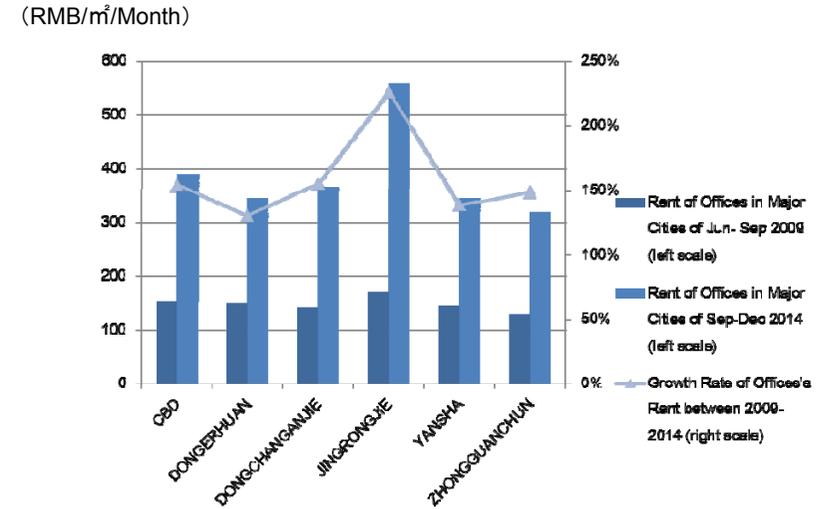


Demand for offices in central Beijing has been increasing in the last 2 years. This has created low vacancy rate, and accordingly, the office rent has risen.

Map of Central Beijing

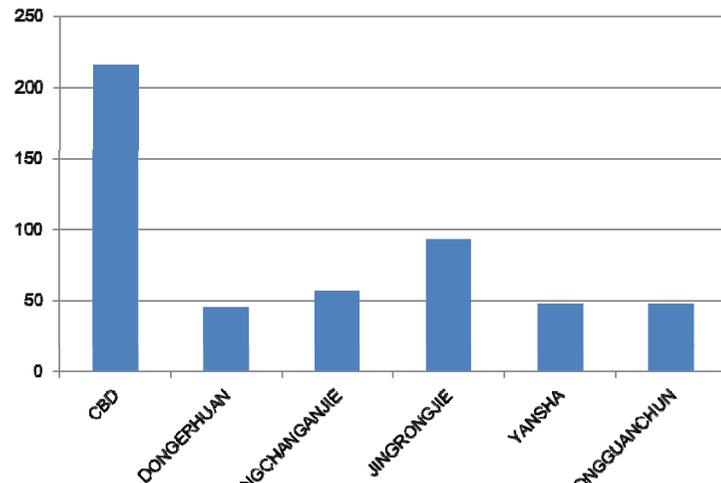


Changes in Office Rent in Each District of Central Beijing



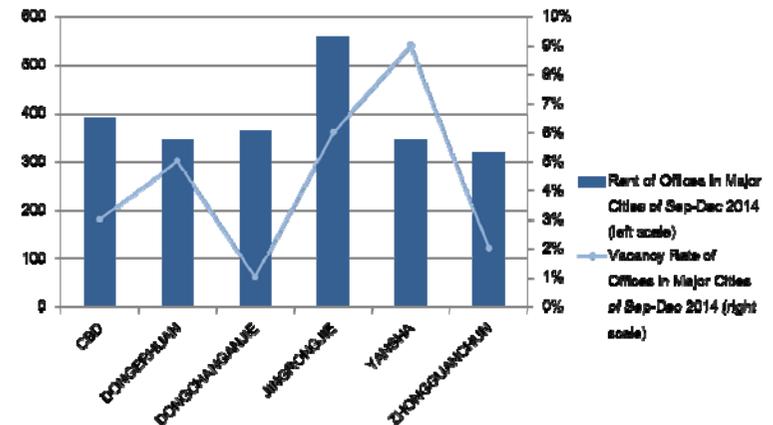
Office Stock in Central Beijing as of Dec 2014

(10 thousand m²)



Rent/Vacancy Rate of Offices in Central Beijing of Sep-Dec 2014

(RMB/m²/Month)

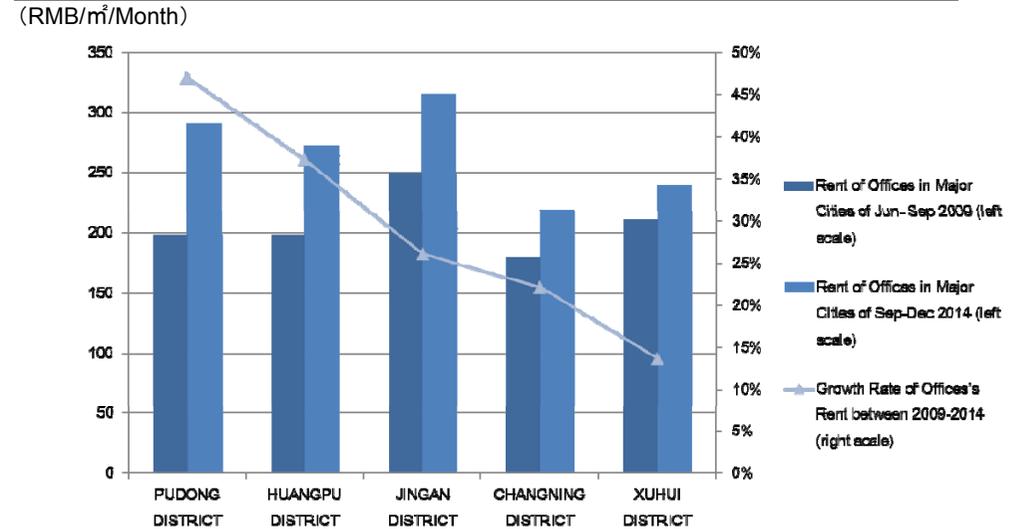


Vacancy rate is low in 3 districts of Shanghai, Jingan, Huangpu and Pudong where the high-rise office buildings are concentrated and the rent is high.

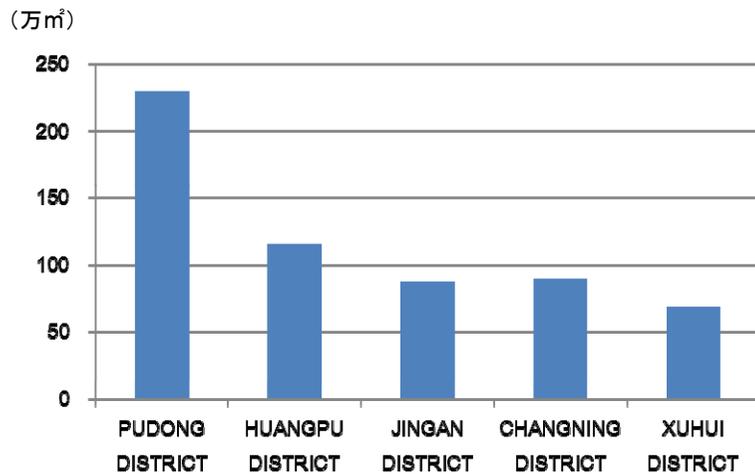
Map of Central Shanghai



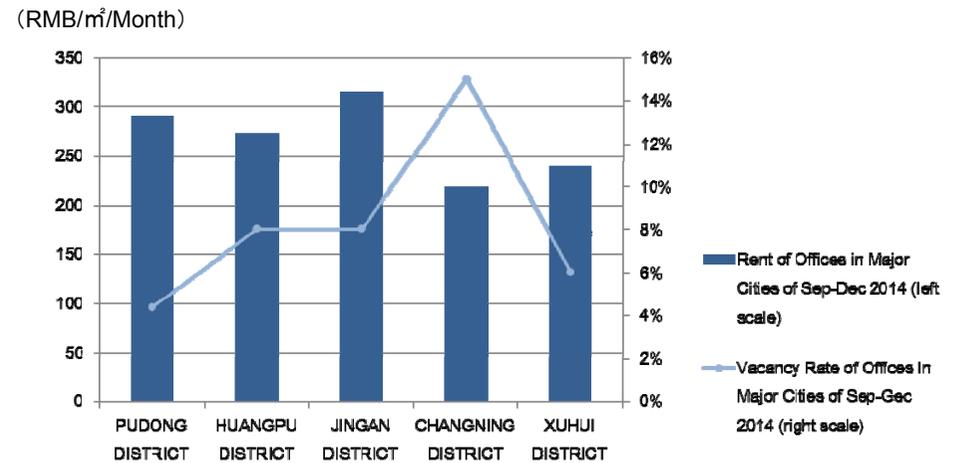
Changes in Office Rent in Each District of Central Shanghai



Office Stock in Central Shanghai as of September 2013



Rent/Vacancy Rate of Offices in Central Shanghai of Sep-Dec 2014

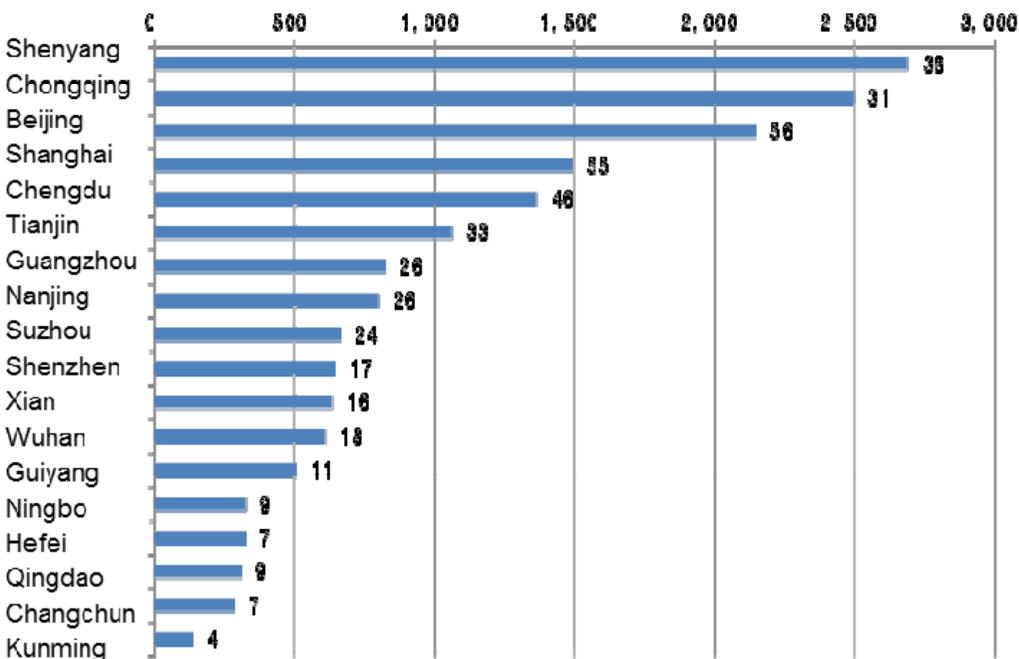


Commercial property market in China: Trend of large-scale comprehensive development

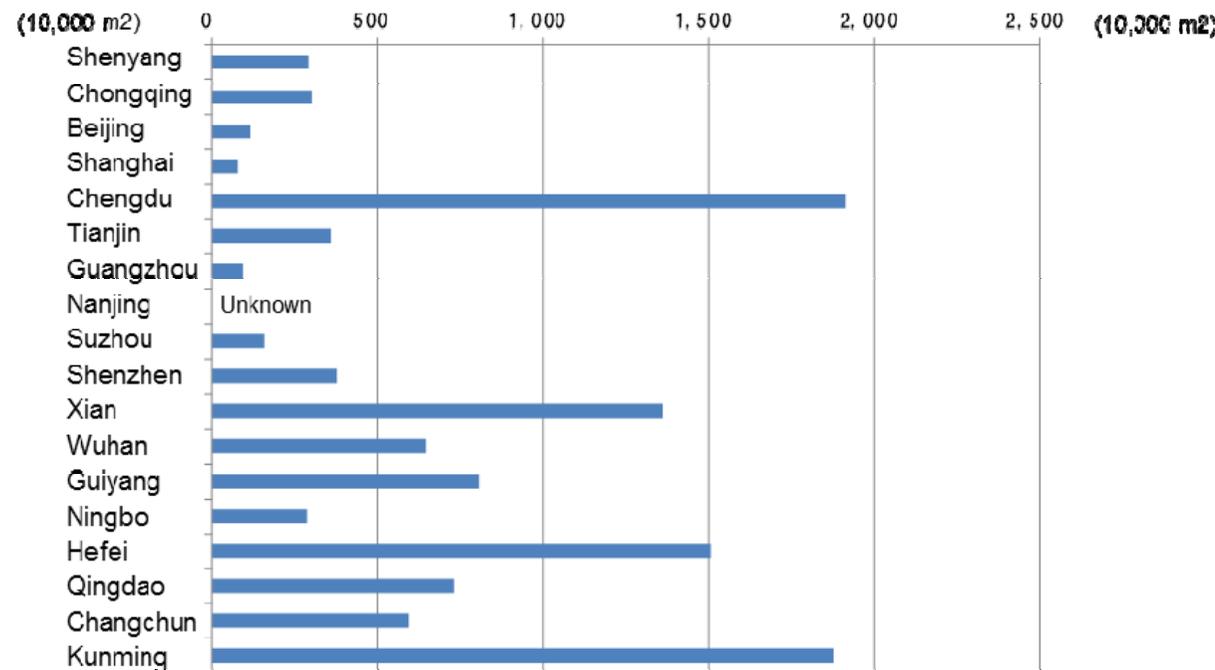
Large-scale and comprehensive development of commercial properties was seen in many cities in China in recent years, particularly in tier 2 and inland cities. There is a risk of excessive construction.

- In recent years, there was a fast development of "urban complex", which is a large-scale commercial building that includes houses, stores, offices, hotels, and entertainment facilities, in many cities in China. Chengdu, Shenyang, and Chongqing are top three cities in terms of existing and future development volume.

Development of urban complexes in major cities in China (as of end of 2013)



Development of urban complexes in major cities in China (Estimated development volume from 2014 to 2016)

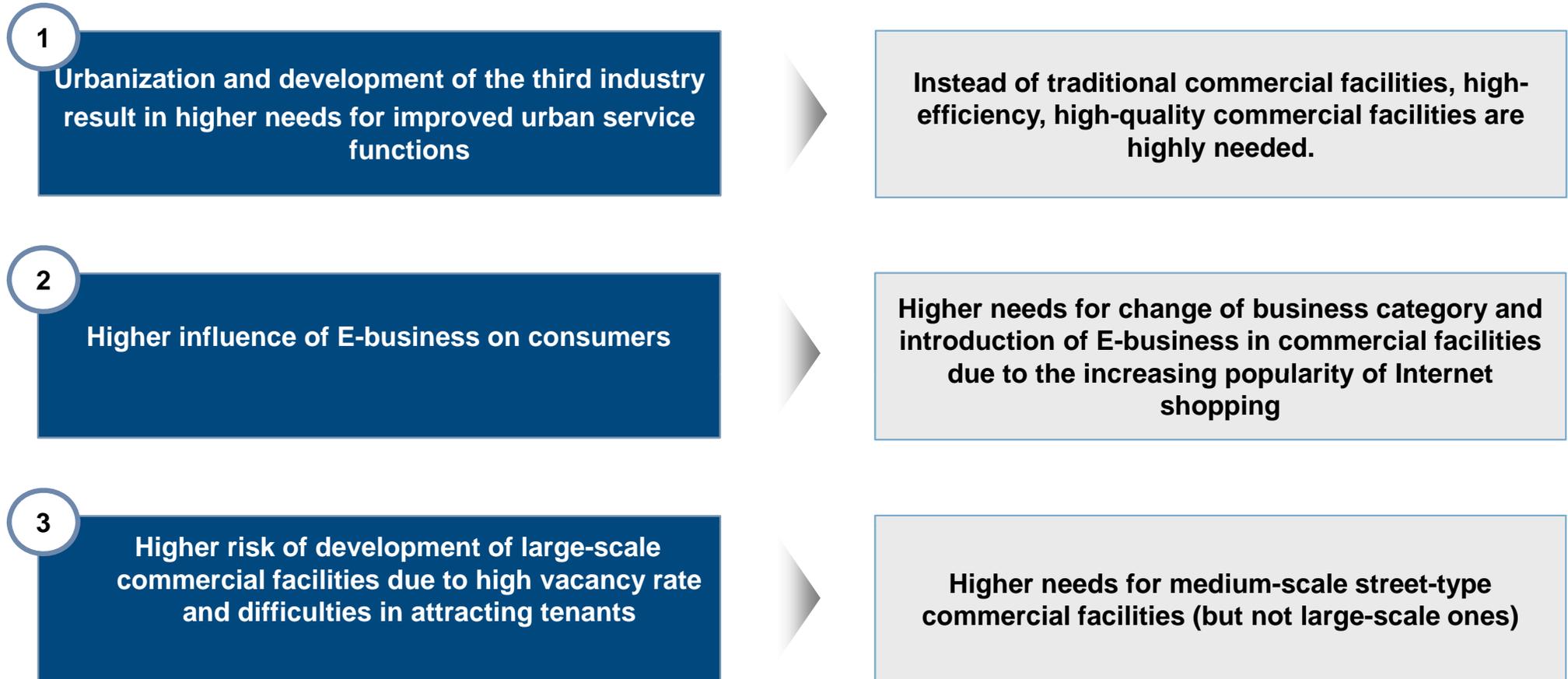


Note: The label number is the number of urban complexes.

Source: Public information of Qianzhan Industry Research Institute.

In 2015, there will be higher needs for high-quality and efficient commercial facilities, including E-business, which goes beyond comprehensive and large-scale complexes.

Directions of China's real estate market in 2015



China China's real estate market has entered an adjustment period

1 Macro Economy and Real Estate Investment

2 China's Real Estate Investment

3 Residential Market

4 Commercial Development and Office Market

5 Movements of Chinese Real Estate Developers

Movements of Chinese Real Estate Developers

Despite of the housing suppression policy, top 10 players in housing development in tier 1 and 2, and even tier 3 and 4 cities grew significantly and are enjoying higher market share.

Comparison of Developers Top 10(2010~2014)

Rank	2010		2011		2012		2013		2014	
	Company Name	Total Sales (100 mil Yuan)	Company Name	Total Sales (100 mil Yuan)	Company Name	Total Sales (100 mil Yuan)	Company Name	Total Sales (100 mil Yuan)	Company Name	Total Sales (100 mil Yuan)
1	Vanke Group	1,026	Vanke Group	1,215	Vanke Group	1,452	Vanke Group	1,776	Vanke Group	2,120
2	Poly Group	660	Dalian Wanda Group	953	Poly Group	1020	Shanghai Greenland Group	1,625	Shanghai Greenland Group	2,080
3	Shanghai Greenland Group	650	Evergrande Group	804	Shanghai Greenland Group	1013	Poly Group	1,251	Dalian Wanda Group	1,501
4	China Overseas Land	578	Shanghai Greenland Group	770	China Overseas Land	945	China Overseas Land	1,103	Evergrande Group	1,376
5	Evergrande Group	527	Poly Group	732	Dalian Wanda Group	938	Evergrande Group	1,073	Poly Group	1,362
6	China Greentown	522	China Overseas Land	708	Evergrande Group	925	Country Garden	1,068	Country Garden	1,250
7	Dalian Wanda Group	369	Country Garden	432	China Greentown	547	Dalian Wanda Group	844	China Overseas Land	1,152
8	Longfor Group	336	Longfor Group	383	Crland China	505	Crland China	688	Shimao Property Holdings	708
9	Country Garden	330	China Greentown	353	Country Garden	491	Shimao Property Holdings	683	Crland China	700
10	R&F Properties	321	Crland China	330	Shimao Property Holdings	461	China Greentown	660	Sunac China	658
Total Sales of Developers Top 10		5,319		6,680		8,297		10,771		12,907
The Percentage of Developers Top 10		10.1%		11.3%		12.9%		13.3%		16.9%
Forge Ahead Cities (Average of Developers Top 10)		30.6Cities		40.5Cities		53.1Cities		67.2Cities		73.7Cities

Most major real estate developers in China have switched from house development to commercial complex development and are conducting diversified businesses in silver industry, culture, tourism etc.

Vanke (No.1)

- 2011: Commercial development and house development for the silver population.
- 2013: The "80% residential + 20% commercial" strategy. Entry in overseas real estate markets in the US, Hong Kong, Singapore, etc.
- 2014: Started "real estate + network" business through cooperation with information service providers.
- Real estate developers aimed to become urban service providers and implemented "asset-light" strategy.

Green Land (No.2)

- 2012: Started business in overseas real estate market.
- 2013: Expanded commercial property business. The target was "more than 50% commercial property by 2015".
- 2014: Started subway business.
- 2015: Accelerated business activities in overseas markets (including Japan).

Wanda (No.3)

- 2007: Established Wanda Department Store. The target was to "open 110 stores and become the largest department store chain in China by 2015".
- 2009: Culture and tourism industry was positioned as the next major business area.
- 2011: Established a film-making company.
- 2014: Introduced E-business in operation of commercial facilities.
- 2015: New policy: "35% real estate business and 65% service business by 2020". Also, the company aimed to make the proportion of overseas business to be higher than 20% by 2020.

Hengda (No.4)

- 2010: Started commercial property business.
- 2013: Started consumer goods businesses such as mineral water, cooking oil, and dairy products.
- 2014: Started retail business such as department store and super market.
- 2015: Started financing business.

Poly (No.5)

- 2011: Started resort development and house development for the silver population.
- 2012: "70% residential and 30% commercial" strategy.
- 2014: Expanded overseas real estate investment and promoted silver, tourism, and commercial property businesses.

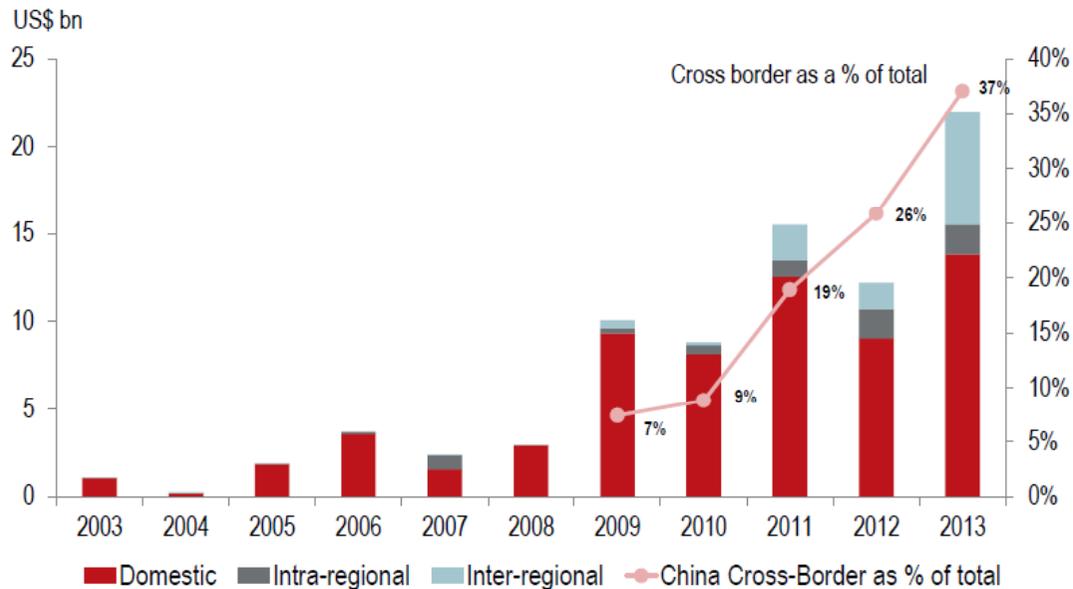
Note: Numbers in parentheses are sales ranking of real estate companies in 2014.

Movements of Chinese Real Estate Developers: Overseas investment

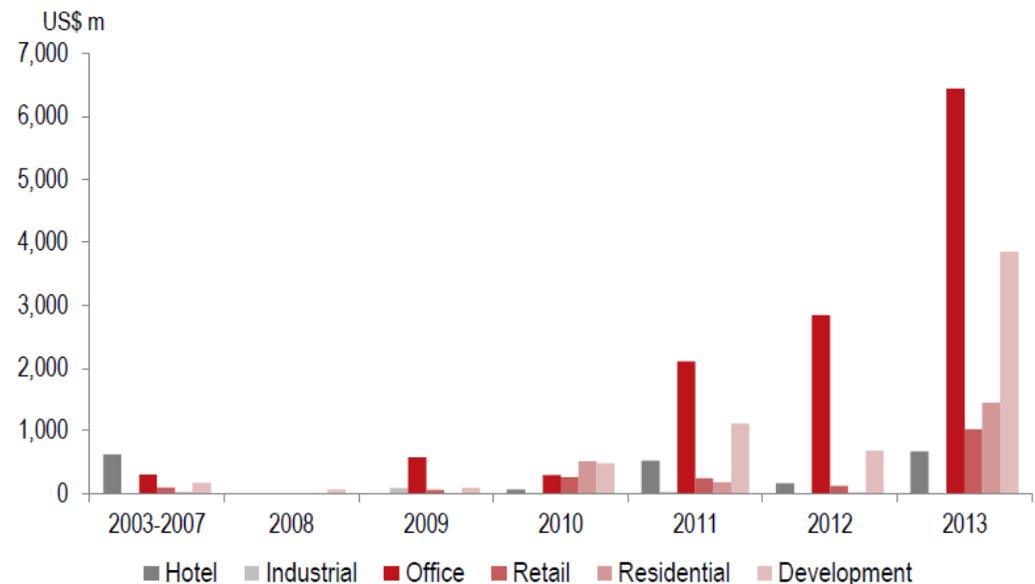
Real estate is the third popular overseas business for Chinese companies. Other two are energy and mining businesses.

- Looking at large-scale overseas investment projects (USD 100 million above) of Chinese companies from 2005 to 2013, it is able to see that 12.3% (67) of 545 projects were related to real estate development. The figure was 30.1% for energy and 22.8% for mining industry.
- Although insurance companies, commercial banks, and investment funds were also investing in overseas real estate. Major Chinese real estate developers are main players.
- Most Chinese investors focus on overseas commercial properties, but not residential properties.

Overseas real estate investment of Chinese companies (2003-2013)



Overseas investment of China's real estate companies (2003-2013)



Source: NRI analysis of open information.

Movements of Chinese Real Estate Developers: Overseas investment

Major Chinese Real Estate Developers started overseas investment in 2012. Popular destinations are North America and Europe where markets are mature and legal environment is well established.

- In 2012, major Chinese Real Estate Developers such as Vanke, Green Land, Wand, and Poly started investment in overseas real estate markets.
- Popular destination of overseas investment are North America and Europe where markets are mature and legal environment is well established. In Asia, popular destination of investment are Taiwan, Singapore, Korea, and Japan recently.

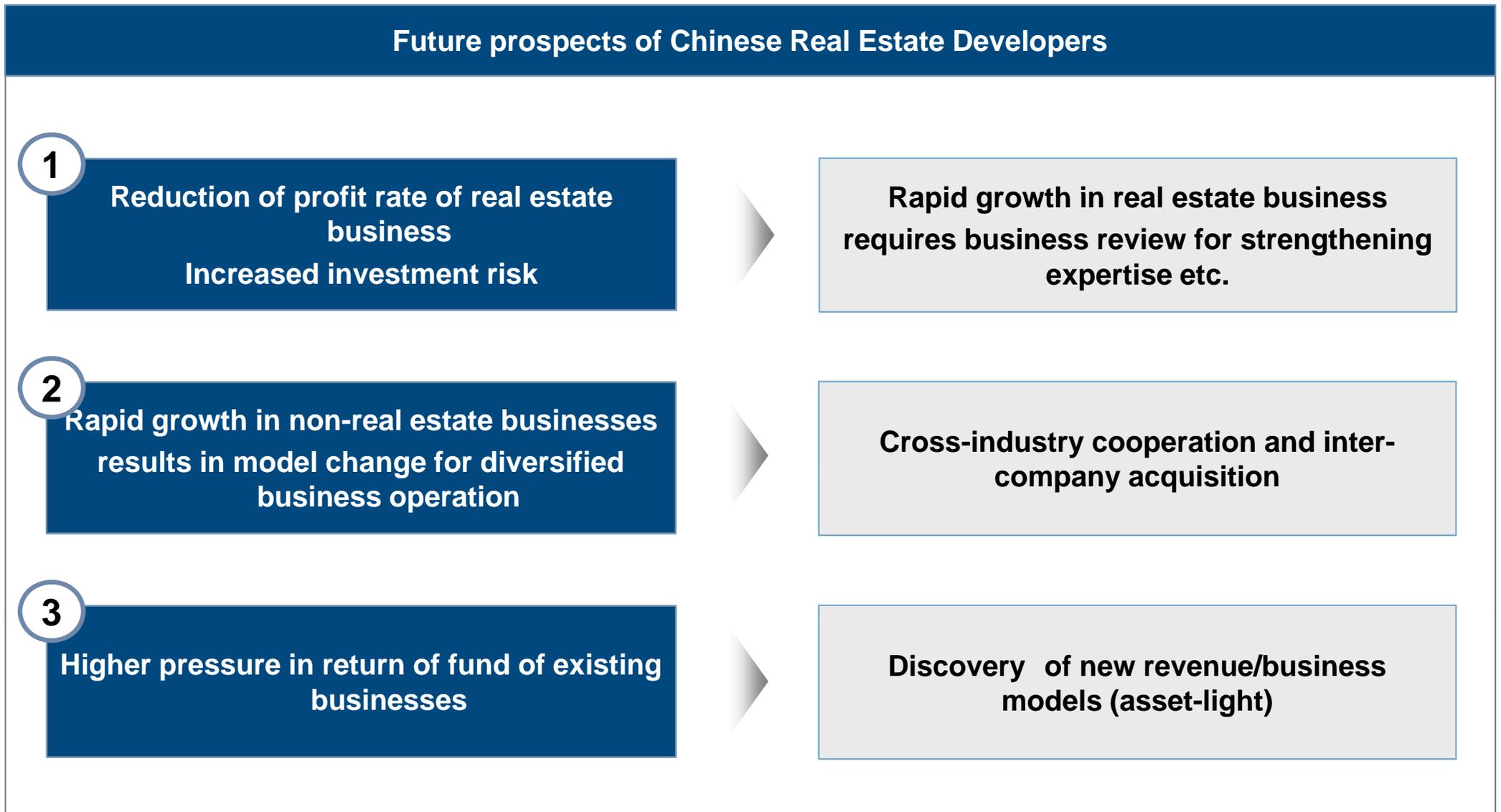
Overseas businesses of major Chinese real estate companies (partial data)



	Overseas investment area	Chinese real estate developers
North America	New York (US)	SOHO, Xinyuan, Wantong, Wanda
	San Francisco (US)	Vanke, Green Land
	Los Angeles (US)	Vanke, Poly, Wangtong, Green Land, Zhongkun
	Toronto (Canada)	Green Land
Europe	France	Shouchuang, Green Land
	Frankfurt (Germany)	Green Land
	Iceland	Zhongkun
	London (UK)	Wanda, COHI
Asia	Taiwan	Vanke, Wantong
	Singapore	Vanke, Huashan
	Malaysia	Country Garden
	Jeju Island (Korea)	Green Land, Guangyao
	Tokyo (Japan)	Fuxing
Others	Sri Lanka	AVIC
	Barcelona (Spain)	Green Land
	Madrid (Spain)	Green Land
	North Caucasus	Wanda, Fanhai Lianhe
	North Africa	Poly
	Sydney (Australia)	Green Land, Yihe

Source: NRI analysis of open information.

Future prospects of Chinese Real Estate Developers



Japan	Japanese Real Estate Investment Market
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China	China's market entering an adjustment period
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Korea	Increase of liquidity within slow economic growth
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Taiwan	Overview of Office, Residential and Hotel Markets
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Singapore	Domestic real estate market reaching its peak
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India	Real Estate Market in India – Residential, Office, etc.
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Korea Increase of liquidity within slow economic growth

1 Business trends and Office Market Trends

1-1 Business Trends

1-2 Office Market Trend

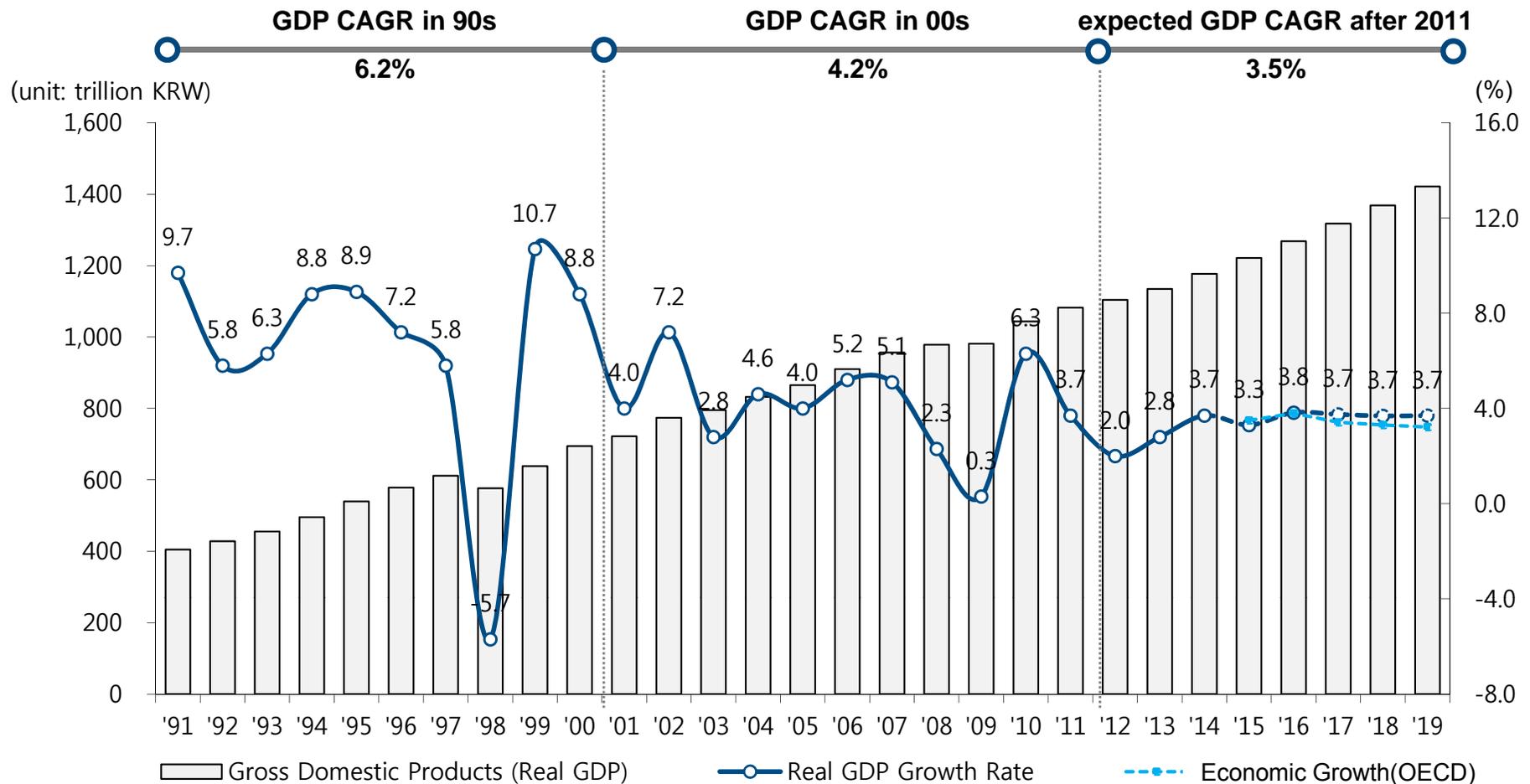
2 Household Economy and Housing market trends

3 Hotel Market trends

4 Indirect Investment Market Trends

Slow economic growth is expected to linger in Korea. Economic growth rate of Korea is estimated as 3%.

The trend and forecast of GDP and economic growth rate in Korea



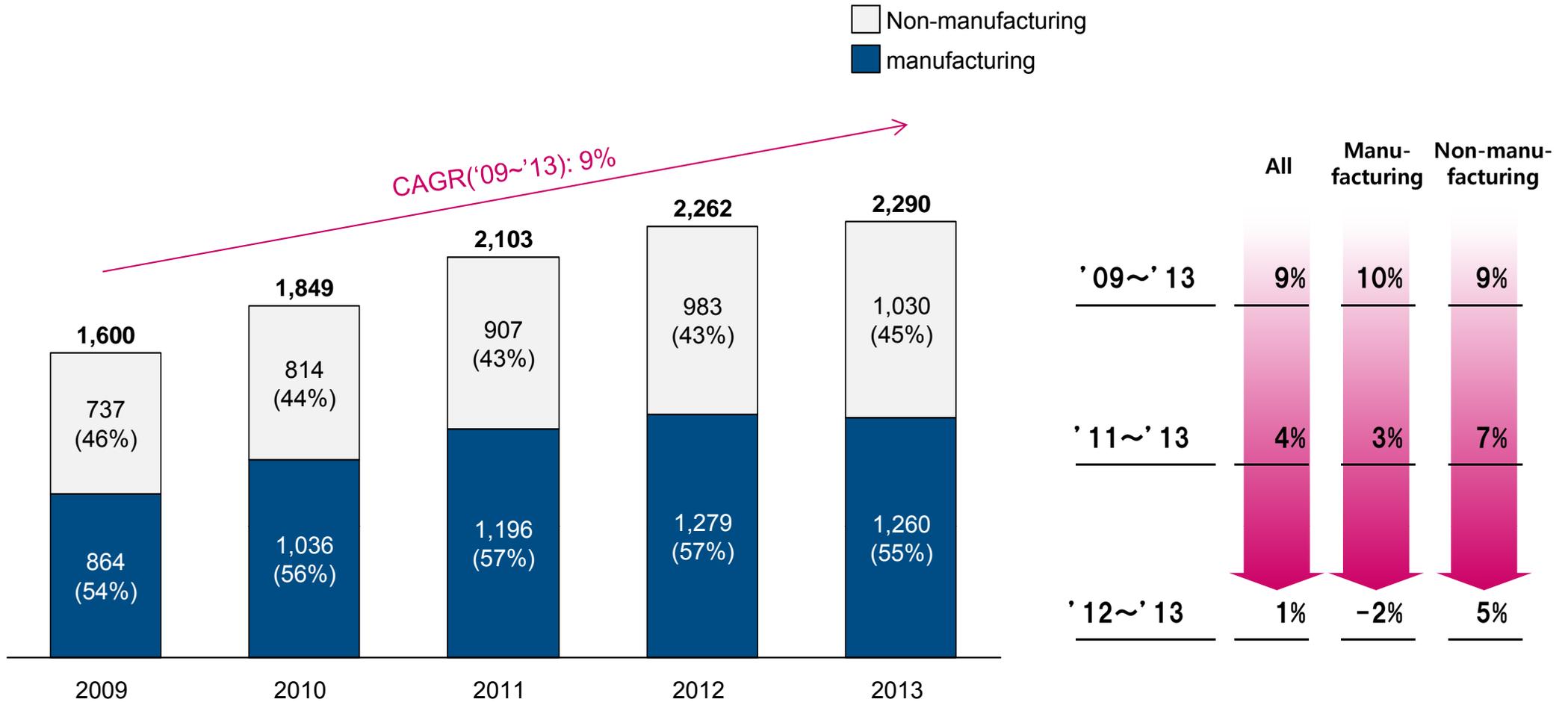
Source: NRI based on IMF, OECD, The Bank of Korea, Media Research

Business trends

Total industry revenue in Korea is 2,290 trillion KRW, with manufacturing industry comprising 55% of the total. Growth rate in all industries have been slowing down.

Total domestic industry sales ('11-'13)

(unit: trillion KRW, %)



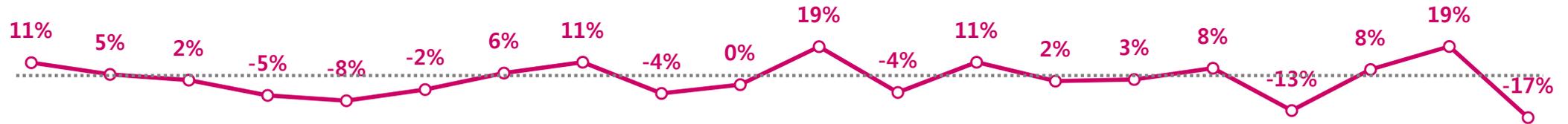
Source: NRI based on National Statistical Office(KOSTAT)

Sales of Electronic components and communication equipment comprises 26% of total manufacturing industry revenue.

Sales of Domestic Manufacturing Industries ('11-'13)

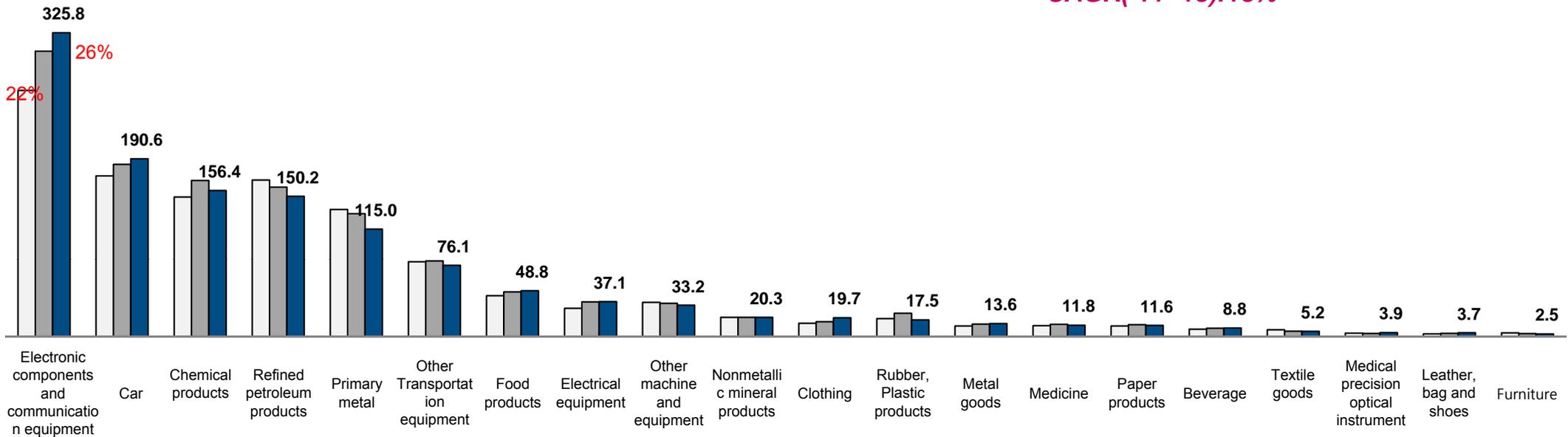
(unit: trillion KRW, %)

CAGR('11-'13)



□ 2011 ■ 2012 ■ 2013

**Total sales of Domestic Manufacturing Industries(Average)
CAGR('11-'13):+3%**



Source: NRI based on National Statistical Office(KOSTAT)

Sales of Distribution industry is 317 trillion KRW, comprising 30% of total sales of non-manufacturing industry.

Sales of Domestic non-manufacturing industries ('11-'13)

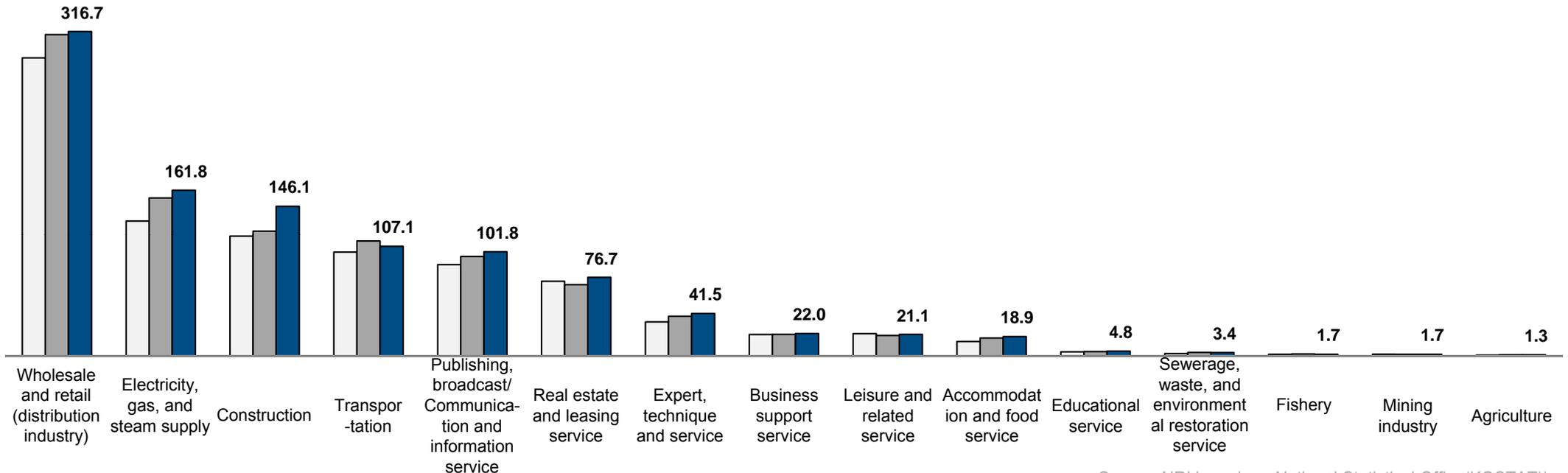
(unit: trillion KRW, %)

CAGR('11-'13)



□ 2011 ■ 2012 ■ 2013

**Total sales of Domestic Non-manufacturing Industries(Average)
CAGR('11-'13):+6.5%**

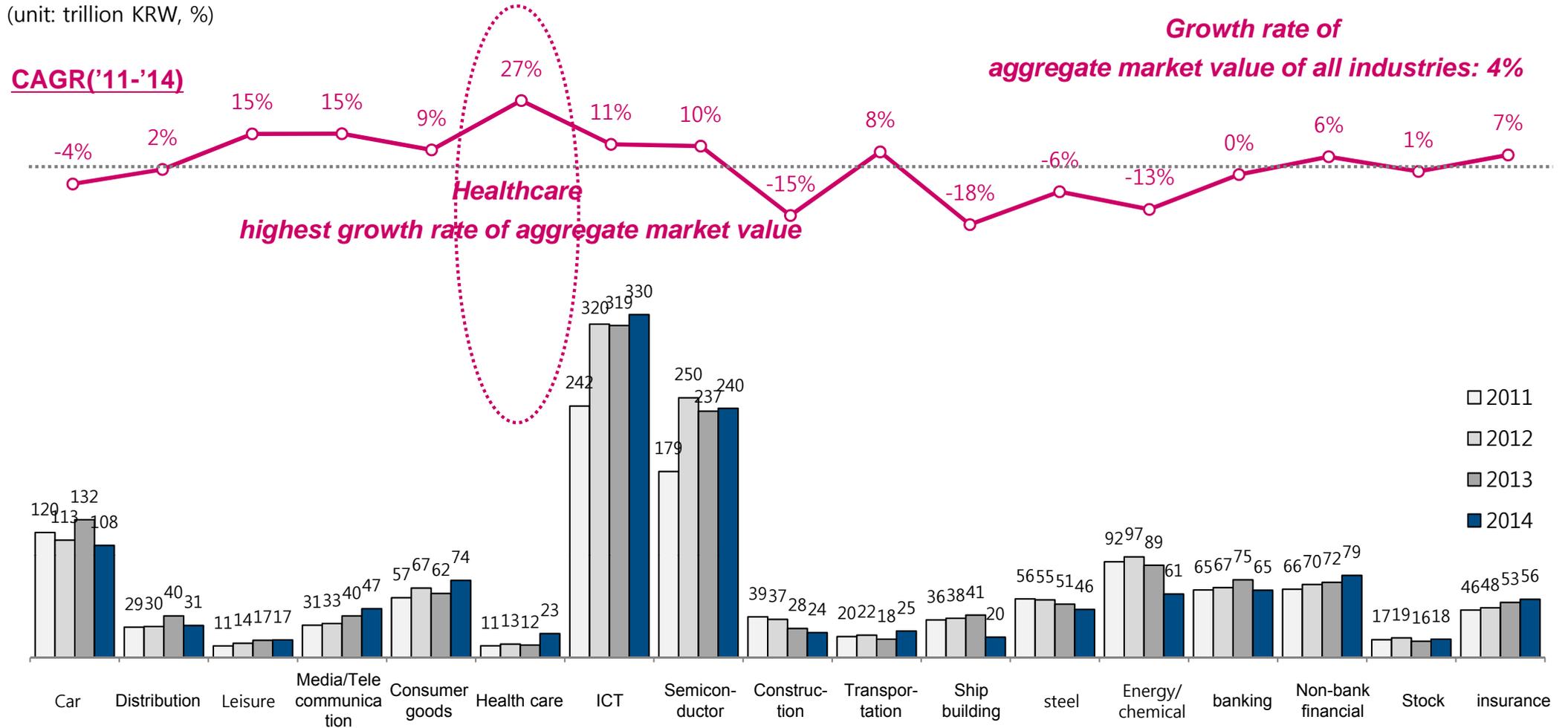


Business trends

In terms of aggregate market value of listed companies, information and communication, and semiconductor industry accounts for the highest. That of healthcare industry in past 3 years demonstrates the highest growth rate at approx. 27%.

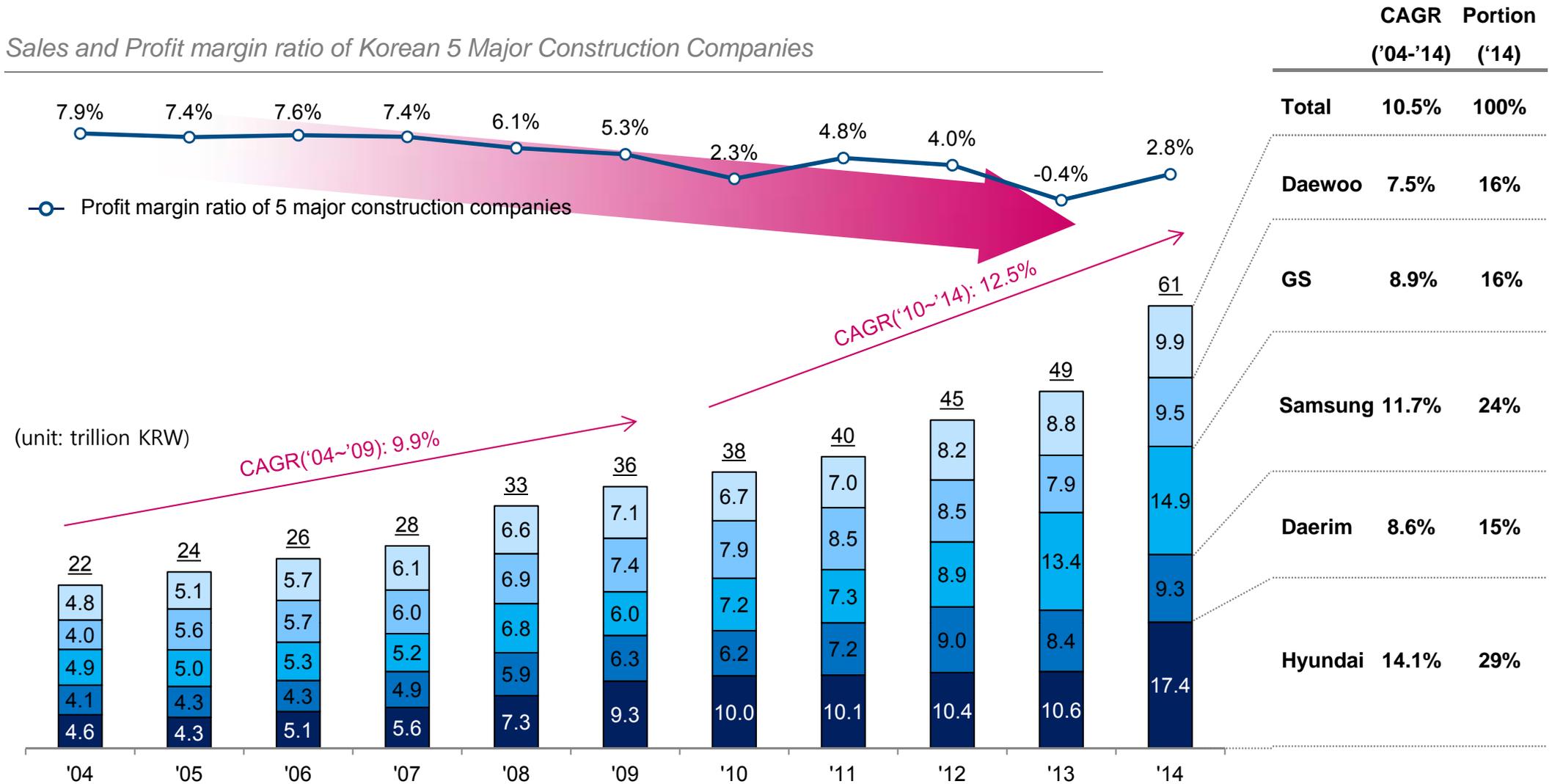
Aggregate Market Value by industry (KRX, '11-'14)

(unit: trillion KRW, %)



Source: NRI based on Financial Supervisory Service

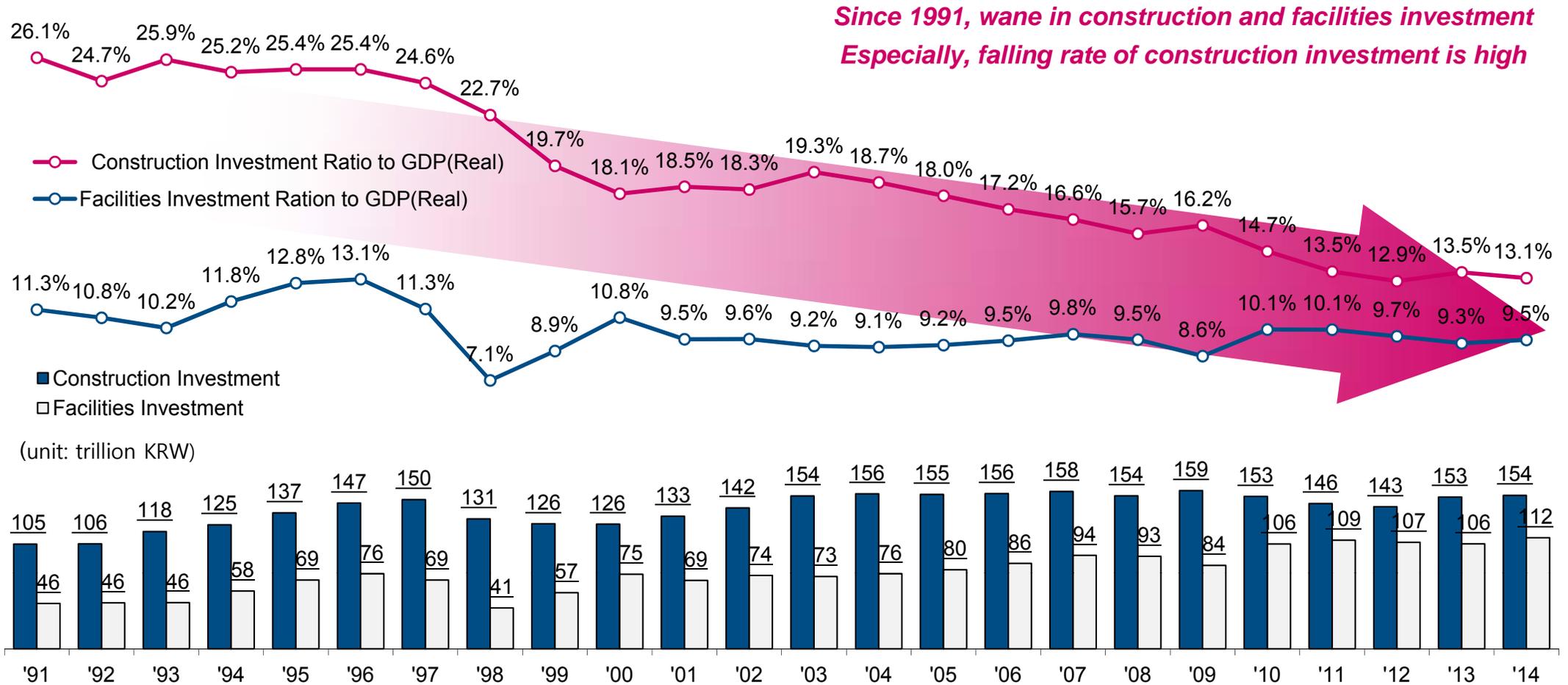
5 Major construction companies' sales and operating profit margin ratio have slightly risen, but cannot be expected to grow at a year-on-year basis.



Source: NRI based on Financial Supervisory Service

Investment in construction and facilities and its ratio to GDP has topped out in 2011.

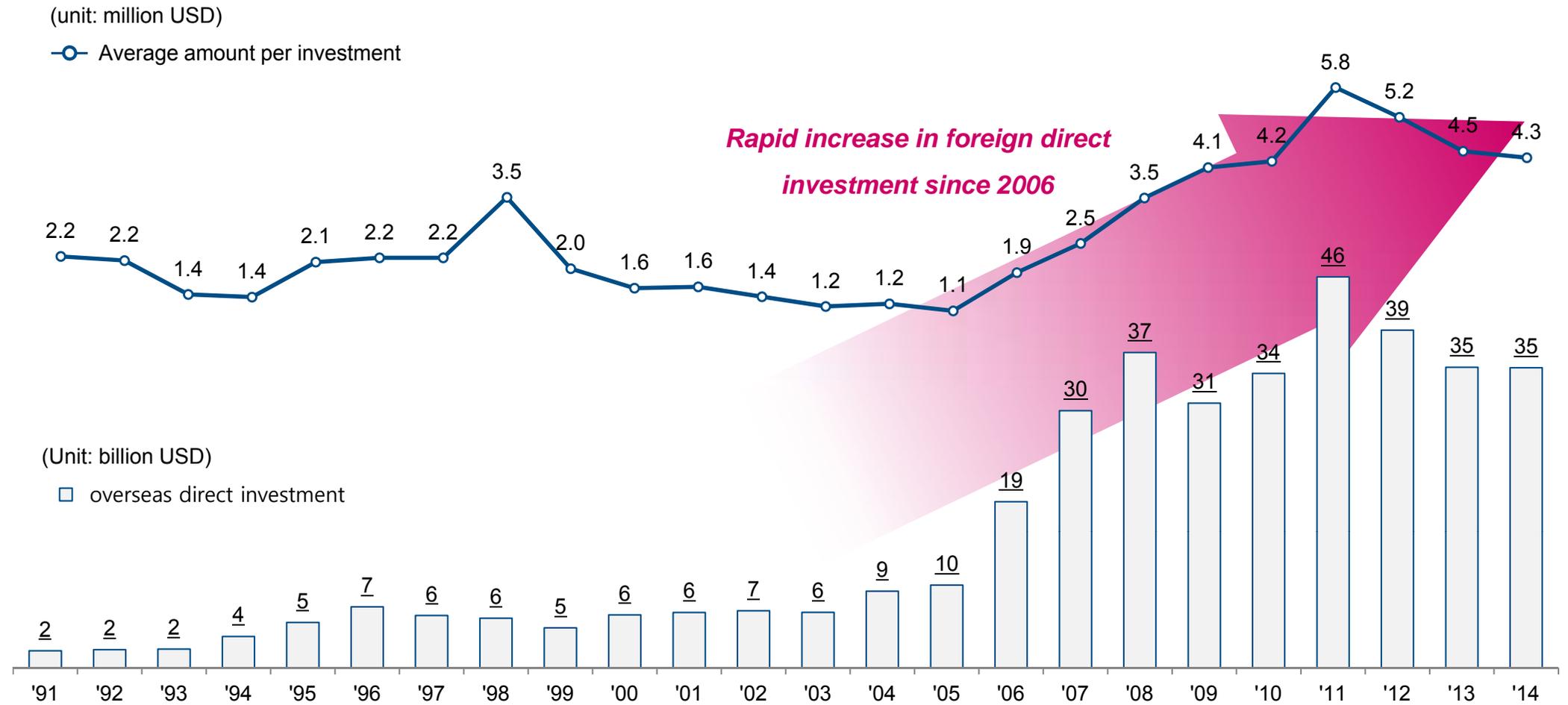
Investment on Construction and Facilities, and its ratio to GDP



Source: NRI based on The Bank of Korea, National Statistical Office(KOSTAT))

Though foreign direct investment has dramatically soared since 2006, its total size of investment and average amount per investment has been reduced.

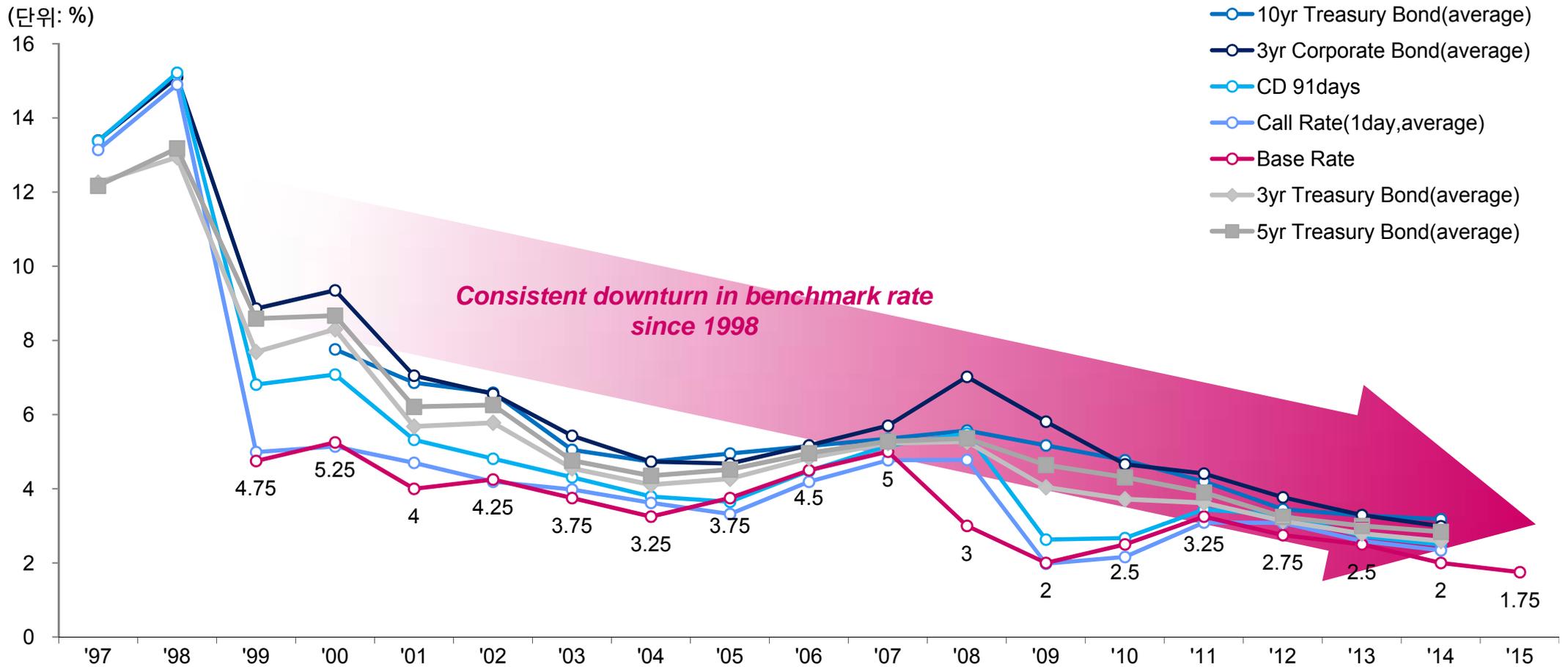
Size of Foreign Direct Investment



Source: NRI based on National Statistical Office(KOSTAT))

Interest rate consistently dropped to 1% after the bankruptcy of Lehman Brothers in 2008. Low interest rate is expected to lead increment on liquidity.

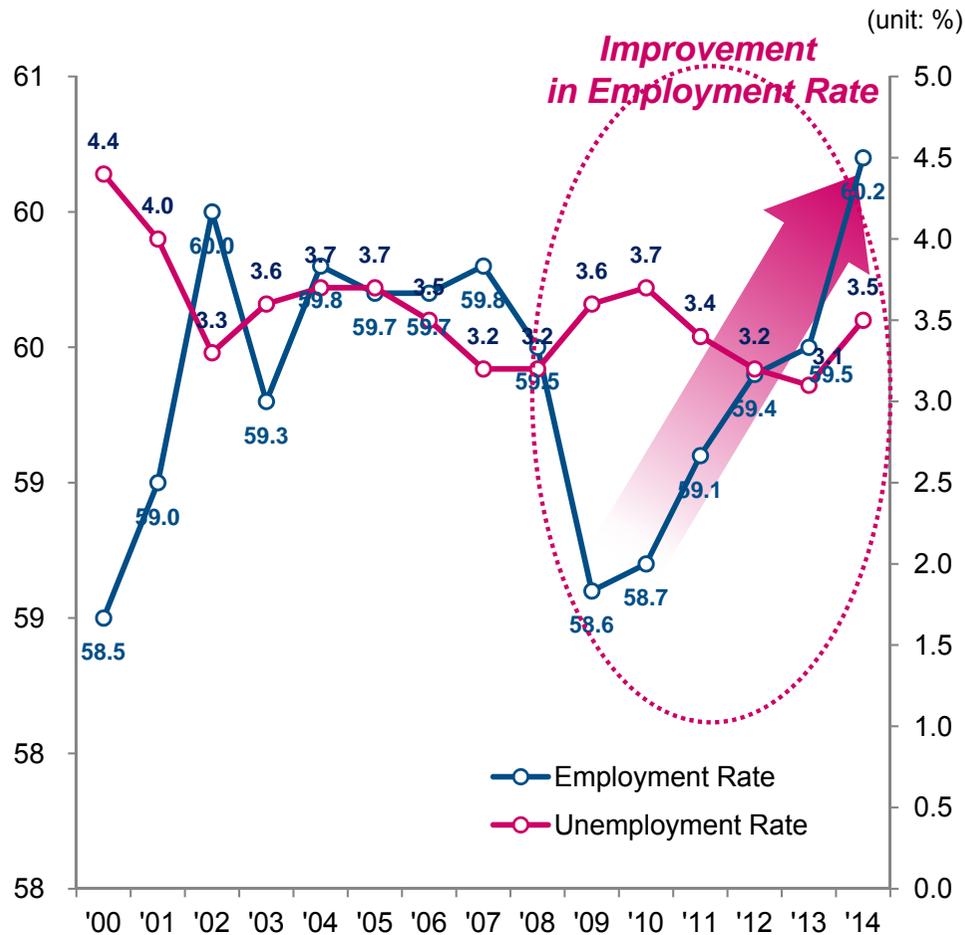
Korea Interest Rate ('97-'14)



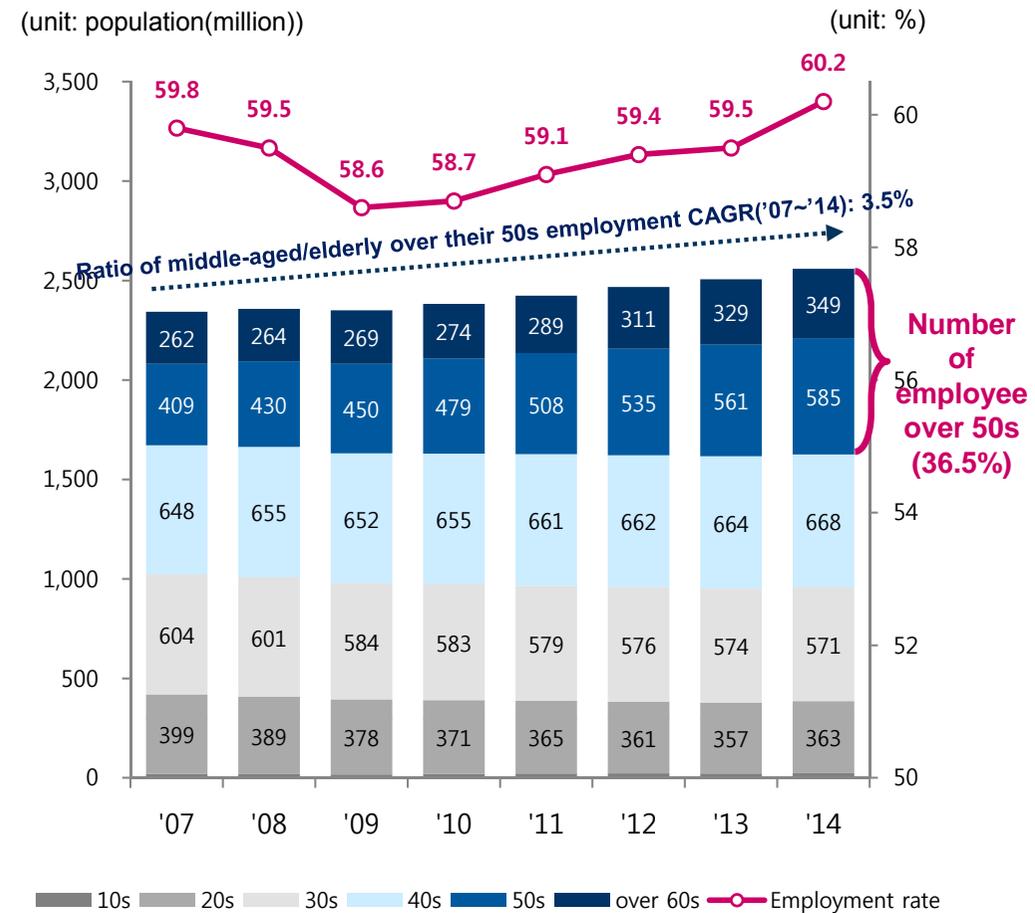
Source: NRI based on The Bank of Korea

Both employment and unemployment rate has been improved since 2009. This is derived from increase in employment of middle-aged/elderly workers over their 50s.

Employment Rate and Unemployment Rate in Korea



Employment Rate by Age



Note: Employment Rate=(employee/population over age 15)x100, Unemployment Rate=(The Unemployed/Economically Active Population)x100
 Source: NRI based on National Statistical Office(KOSTAT)

Korea Increase of liquidity within slow economic growth

1 Business trends and Office Market Trends

1-1 Business Trends

1-2 Office Market Trend

2 Household Economy and Housing market trends

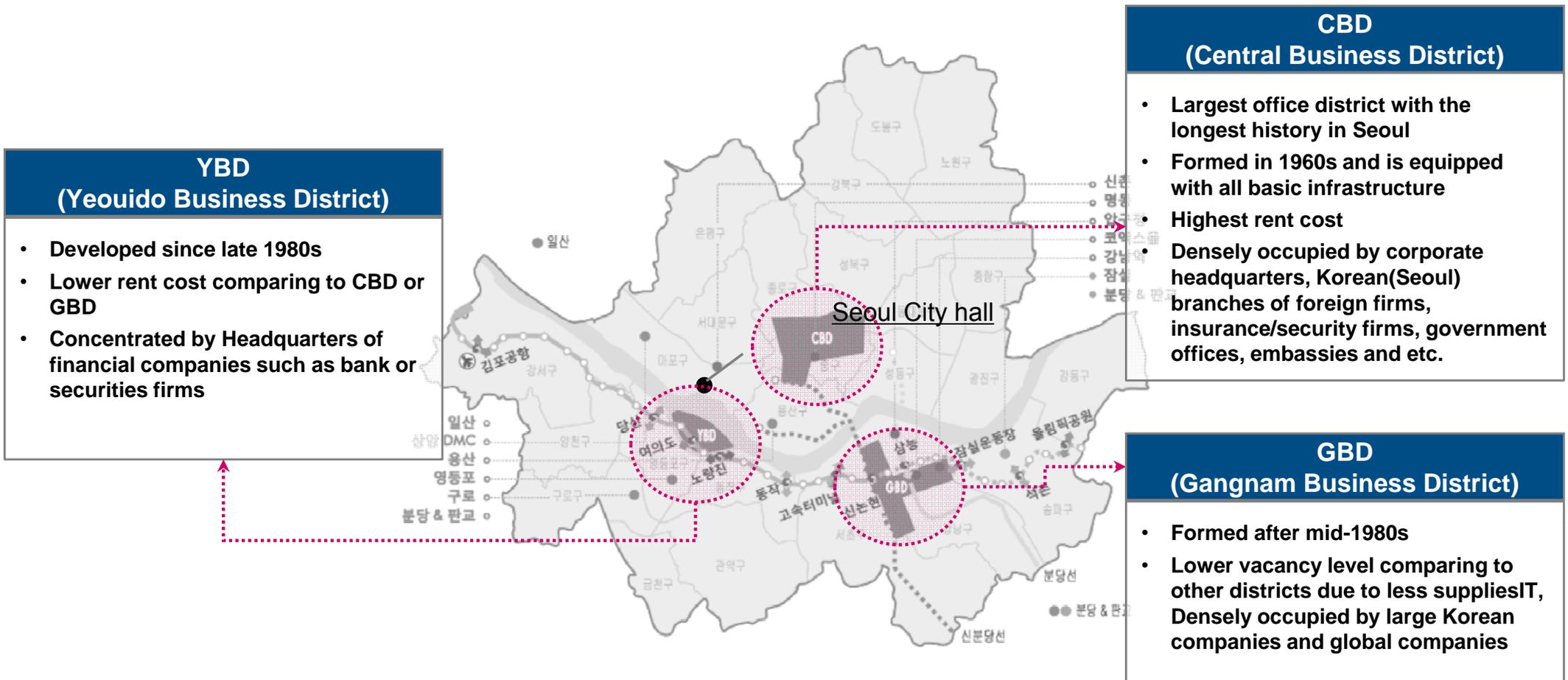
3 Hotel Market trends

4 Indirect Investment Market Trends

Office Market Trend

Office market in Seoul consists of 3 districts: CBD where government offices and corporate headquarters are located; CBD as a financial district; and GBD where IT-related industry is concentrated.

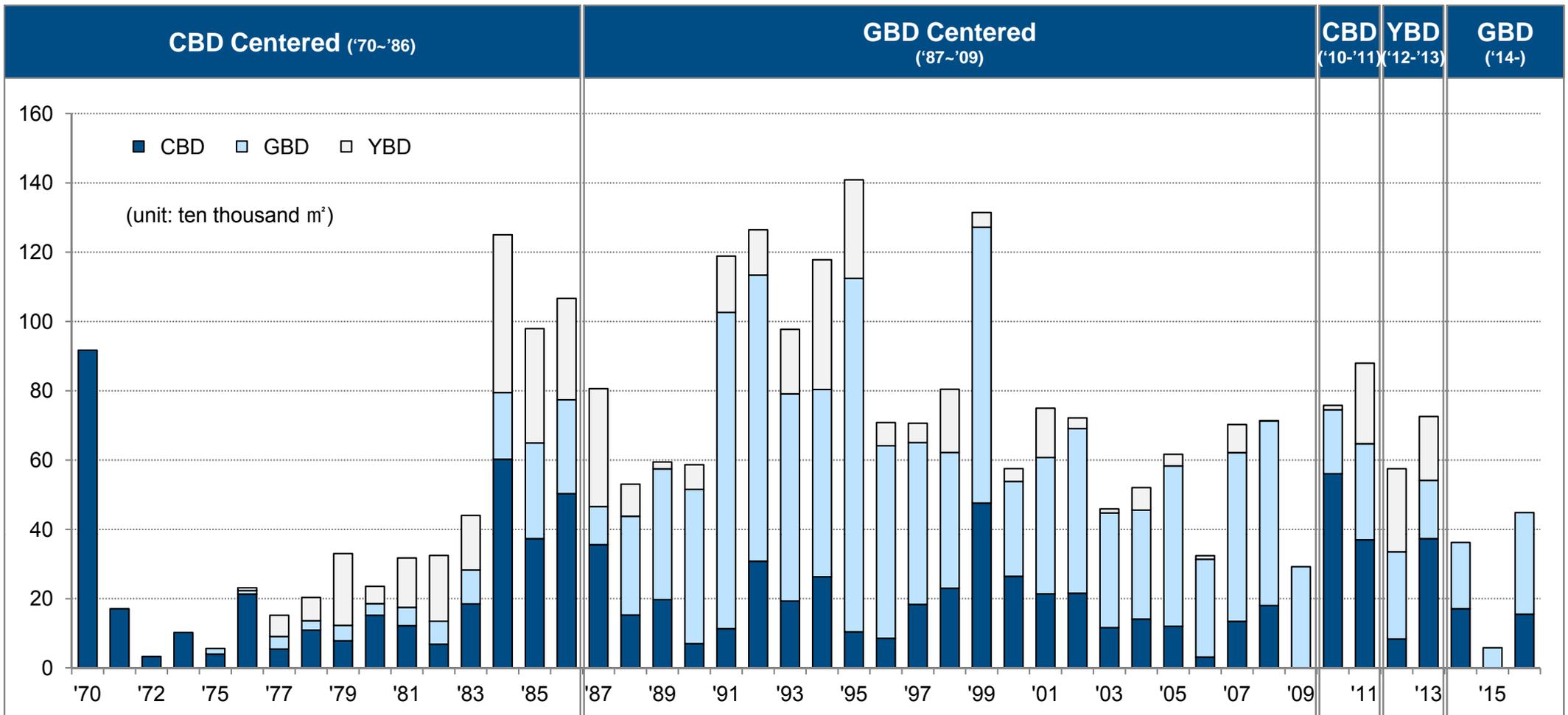
Office Market in Seoul by Business District



Source: NRI Analysis

Office supply in Korea has been concentrated in CBD and YBD since 2010 and will expand to GBD after 2015.

Office Supply in Seoul

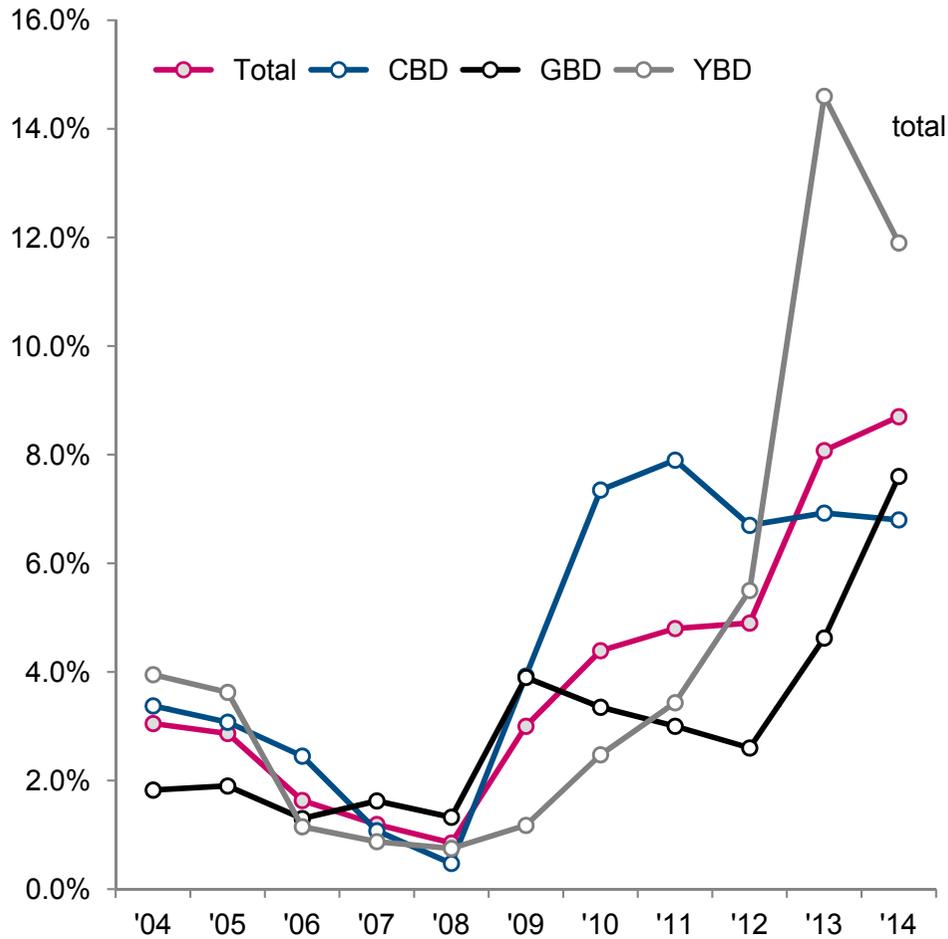


Source: NRI based on Analyst Report

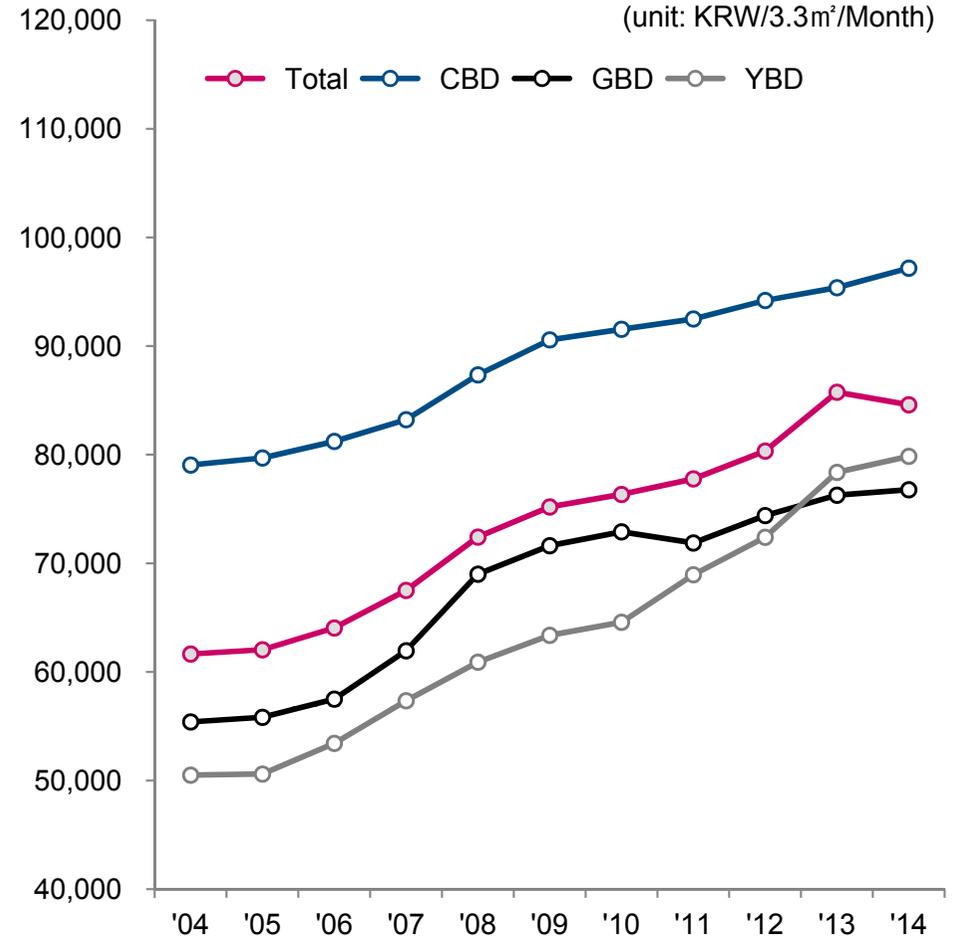
Office Market Trend

Large amount of prime office space supply resulted in approx. 9% of office vacancy rate and 85,000 KRW/3.3m² of rental fee.

Vacancy Rate of Prime Office Space in Seoul



Rental Fee of Prime Office in Seoul



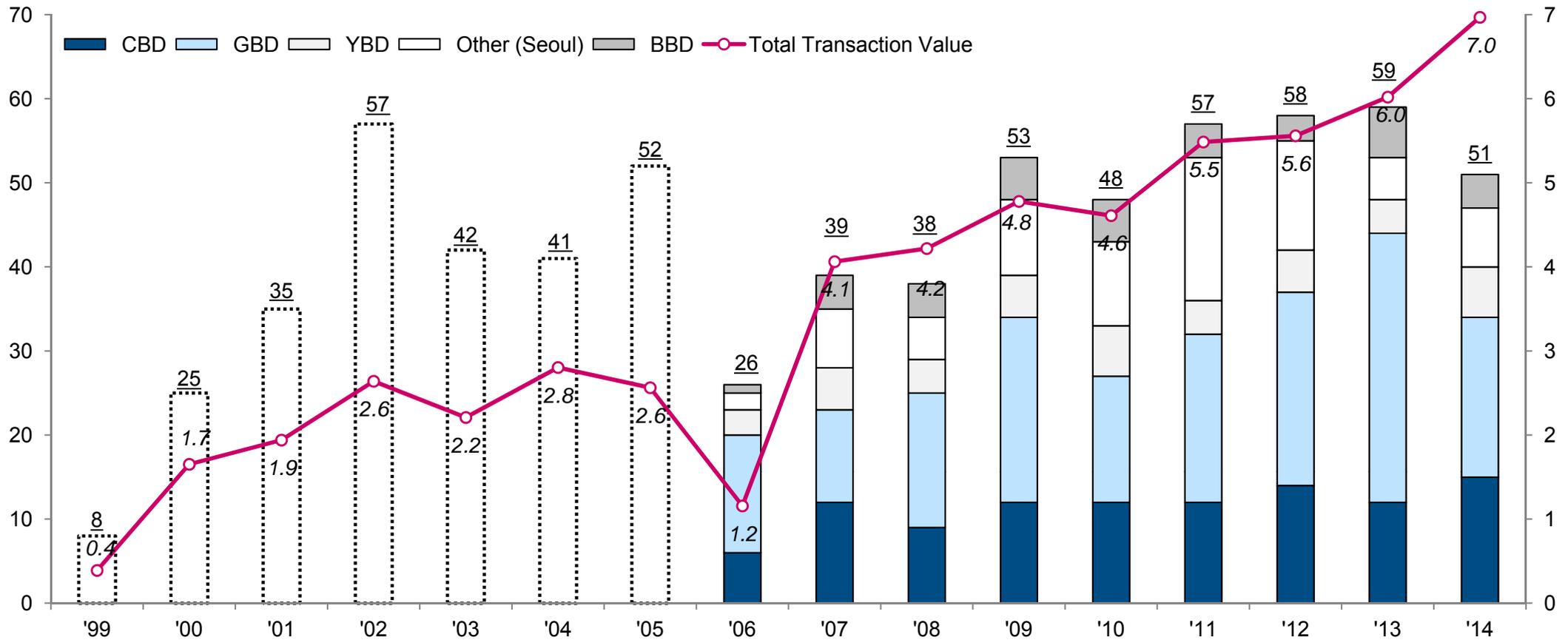
Source: NRI based on Analyst Report

The number of major office transaction in Seoul was 51 in 2014. Transaction of large-sized buildings contributed to the increase in total transaction value reaching 7 trillion KRW.

Number of Office Transaction and Total Transaction Value in Seoul

(Unit: Number of Transaction)

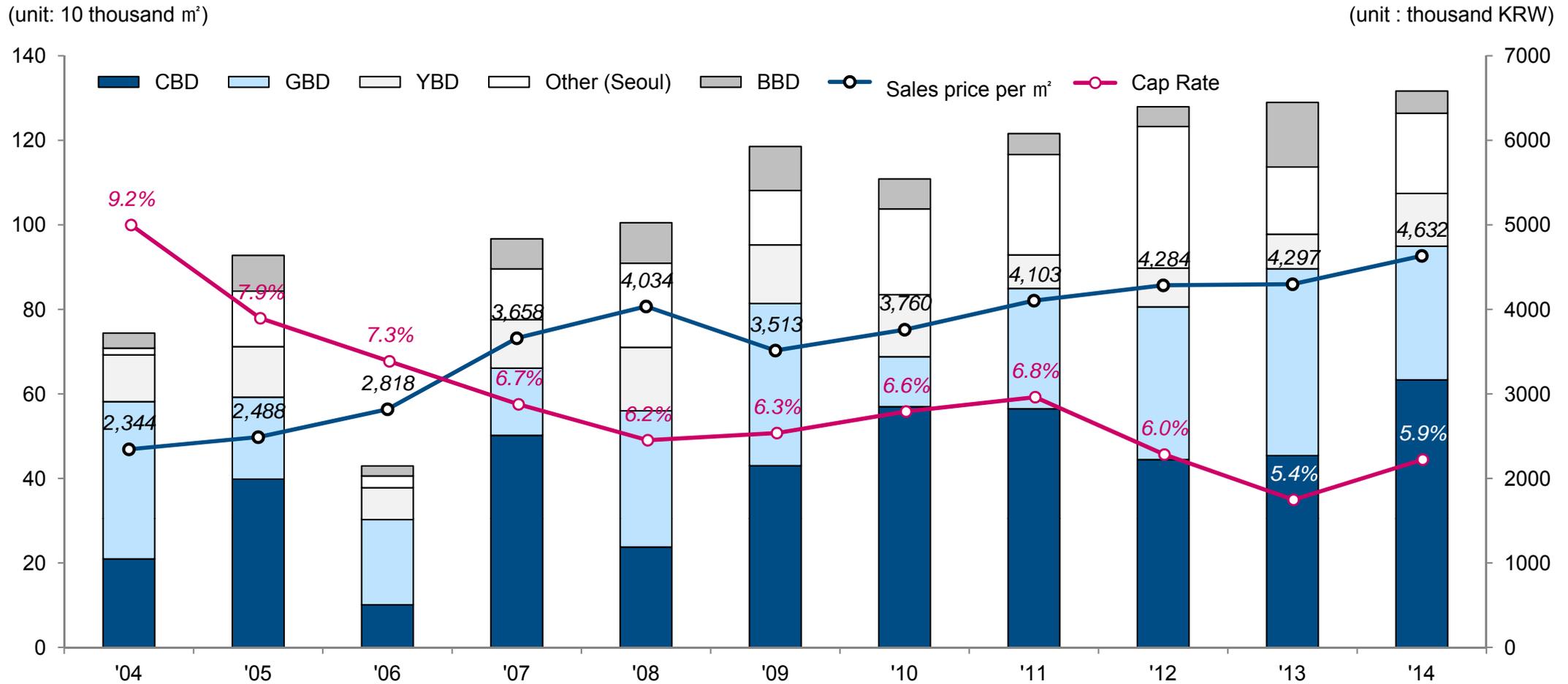
(unit: trillion KRW)



Source: NRI based on Analyst Report

Sales price of office is approx. 4,600,000 KRW/m² and Cap. Rate is 5.9%.

Transacted Gross Area by Business District and Sales Price of Office Space per m² in Seoul

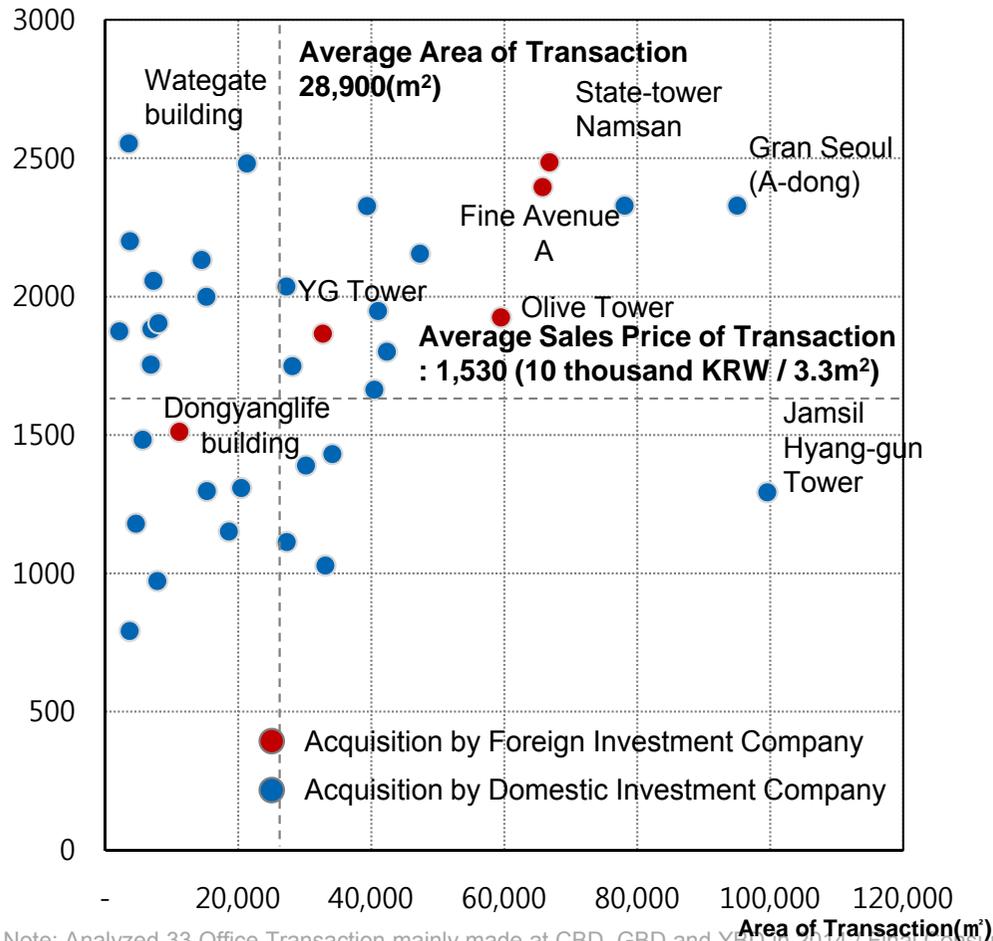


Source: NRI based on Analyst Report

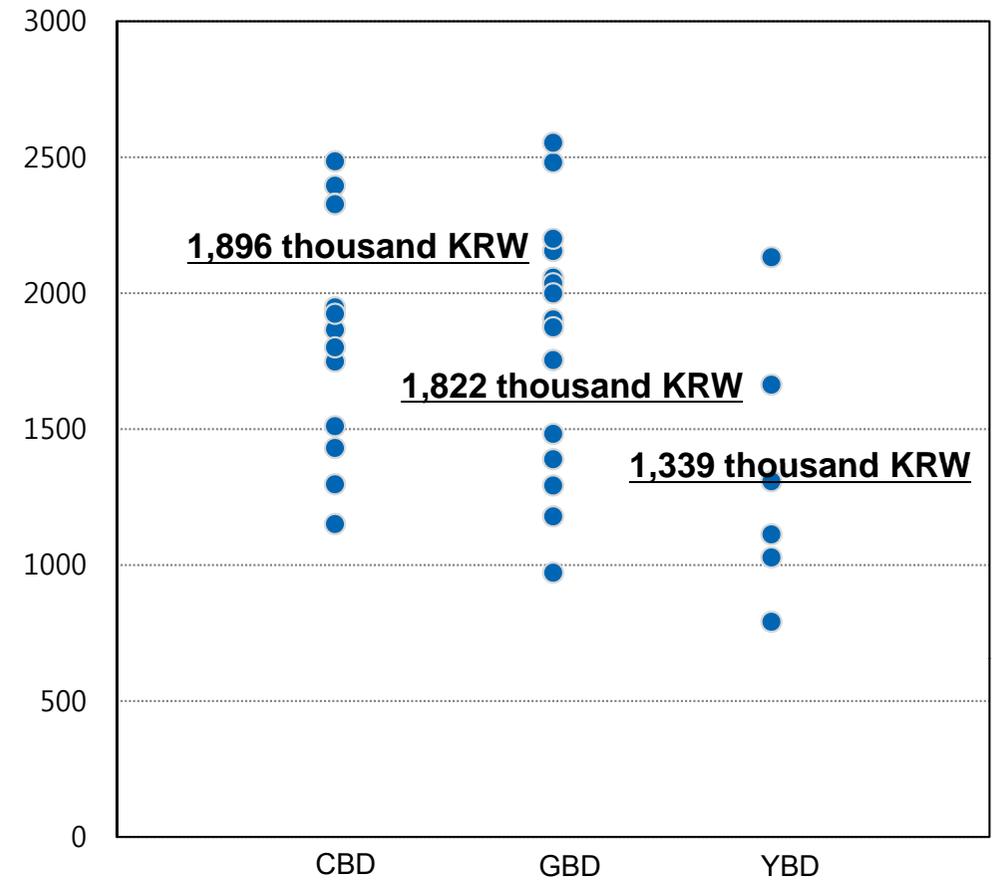
Investment by foreign institutions induced the rise of average sales price of office space. Average sales size is approx. 10,000 per 3.3m² and sale price is 15.3 million KRW/3.3m².

Sales Price of Office Space in Seoul per Unit Area by Business District(Transaction in 2014)

(Sale Price: per 3.3m² 10thousand KRW/3.3m²)



(unit: 10 thousand KRW/3.3m²)

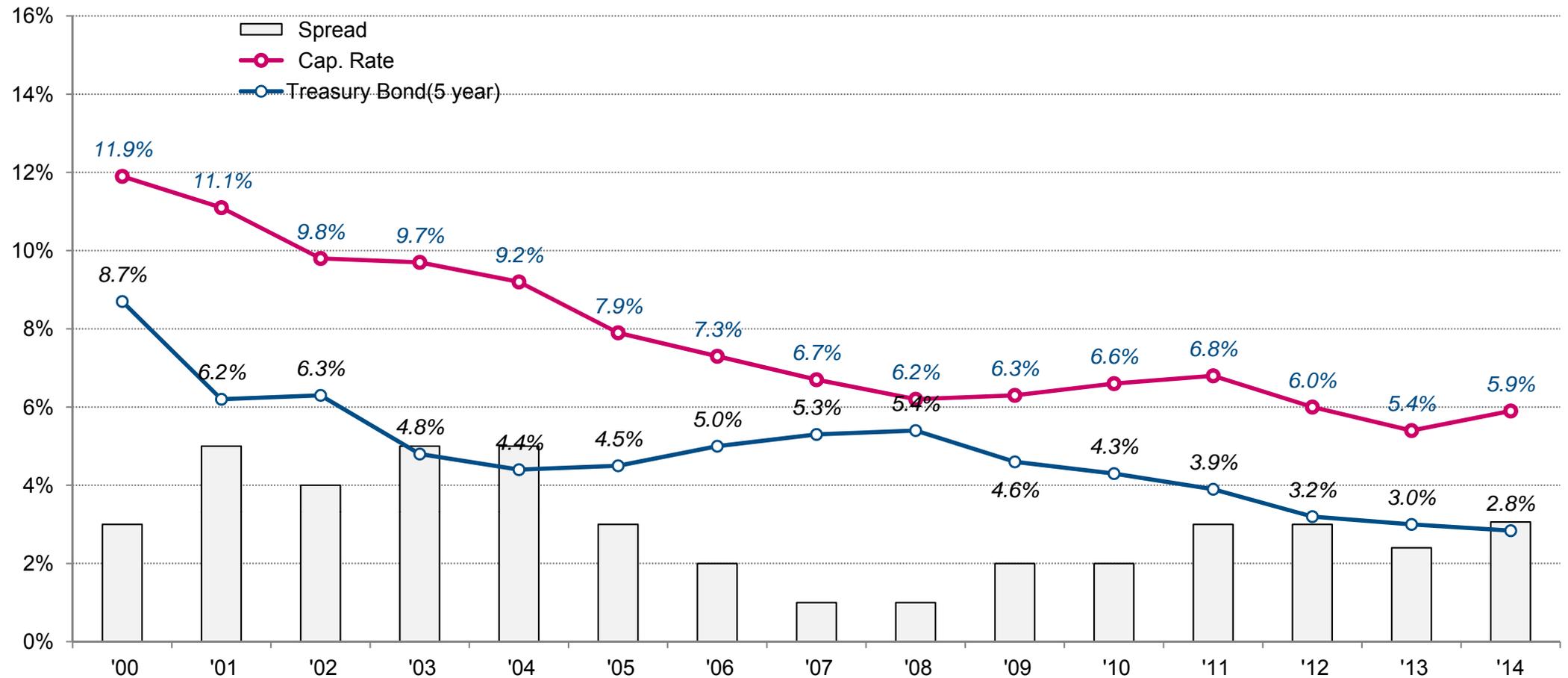


Note: Analyzed 33 Office Transaction mainly made at CBD, GBD and YBD in 2014 / Final Consumption Expenditure=Household Final Consumption Expenditure + General Government Final Consumption Expenditure / **Expected Figure is Reported by IMF
 Source: NRI based on Analyst Report

Cap. Rate of office market in 2014 is around 5.9%. Its spread with treasury bond is nearly 3%.

Cap. Rate of Office in Seoul and Trend of Treasury Bond

(단위: %)



Source: NRI based on Media Research

Korea

Increase of liquidity within slow economic growth

1 Business trends and Office Market Trends

1-1 Business Trends

1-2 Office Market Trend

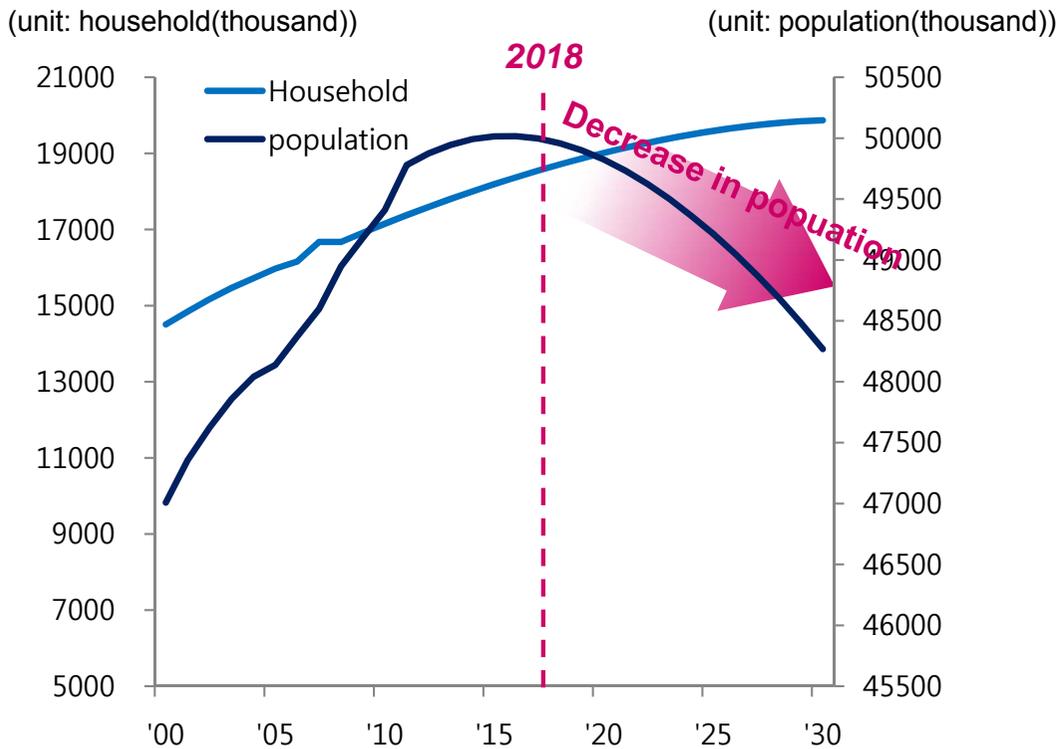
2 Household Economy and Housing market trends

3 Hotel Market trends

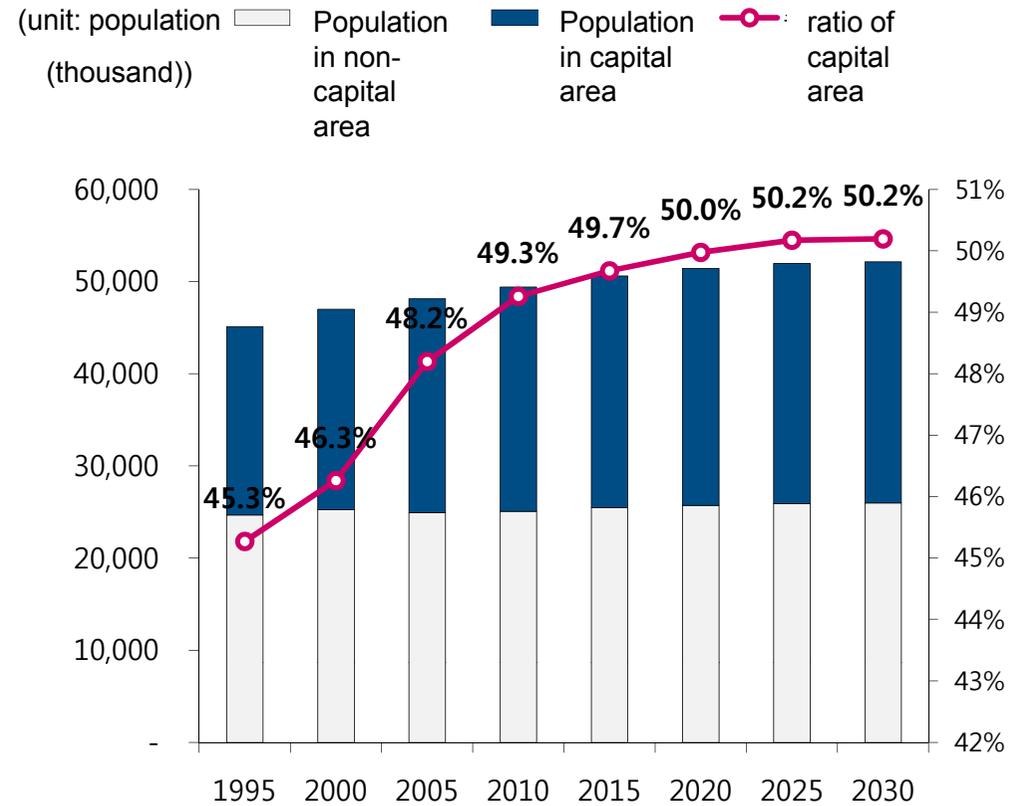
4 Indirect Investment Market Trends

Population in Korea as well as in capital area is expected to downturn from 2018.

Population in Nationwide



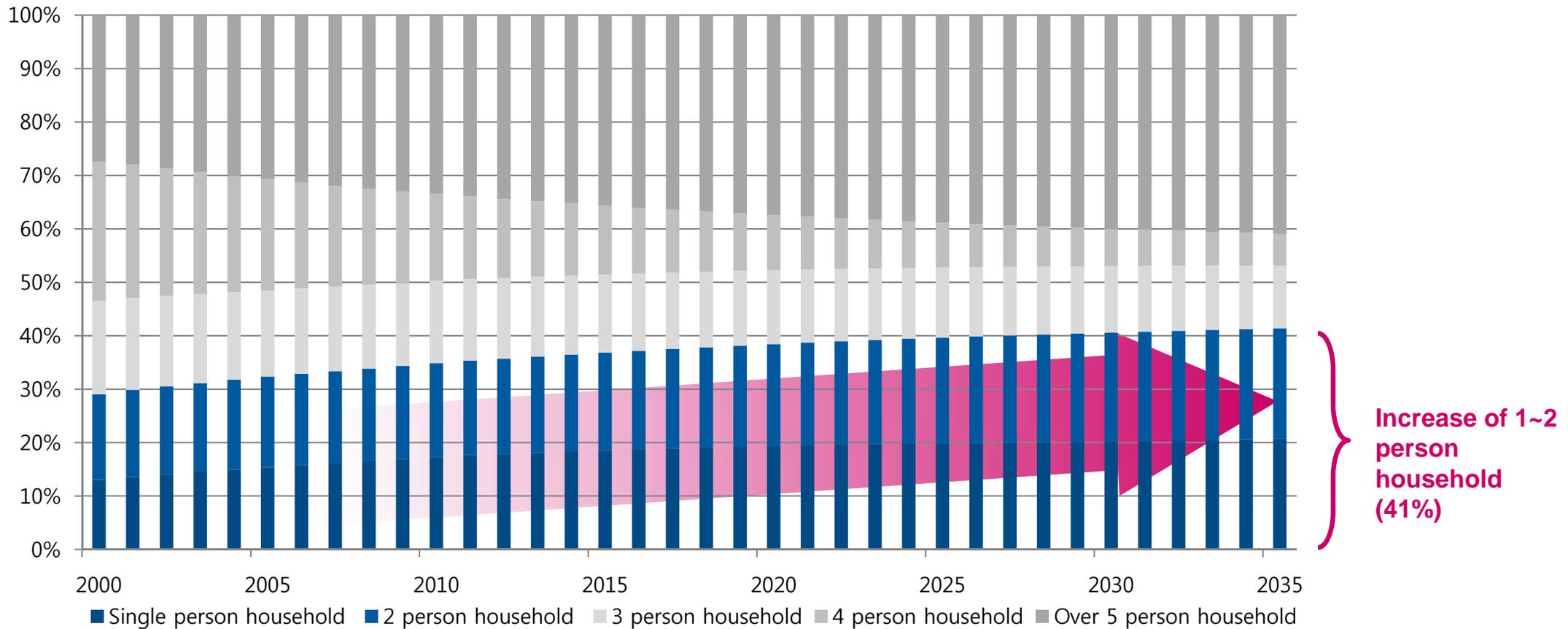
Population in Metropolitan Area



Note: Data is estimated based on Population statistics of 2005 / Employees includes people who did searching activities for job for more than 4 weeks
 Source: NRI based on National Statistical Office

Due to gradual increase in single person/two person households, elderly households with financial compatibility will become the most significant consumer group in real estate market.

Ratio of Household per number of members

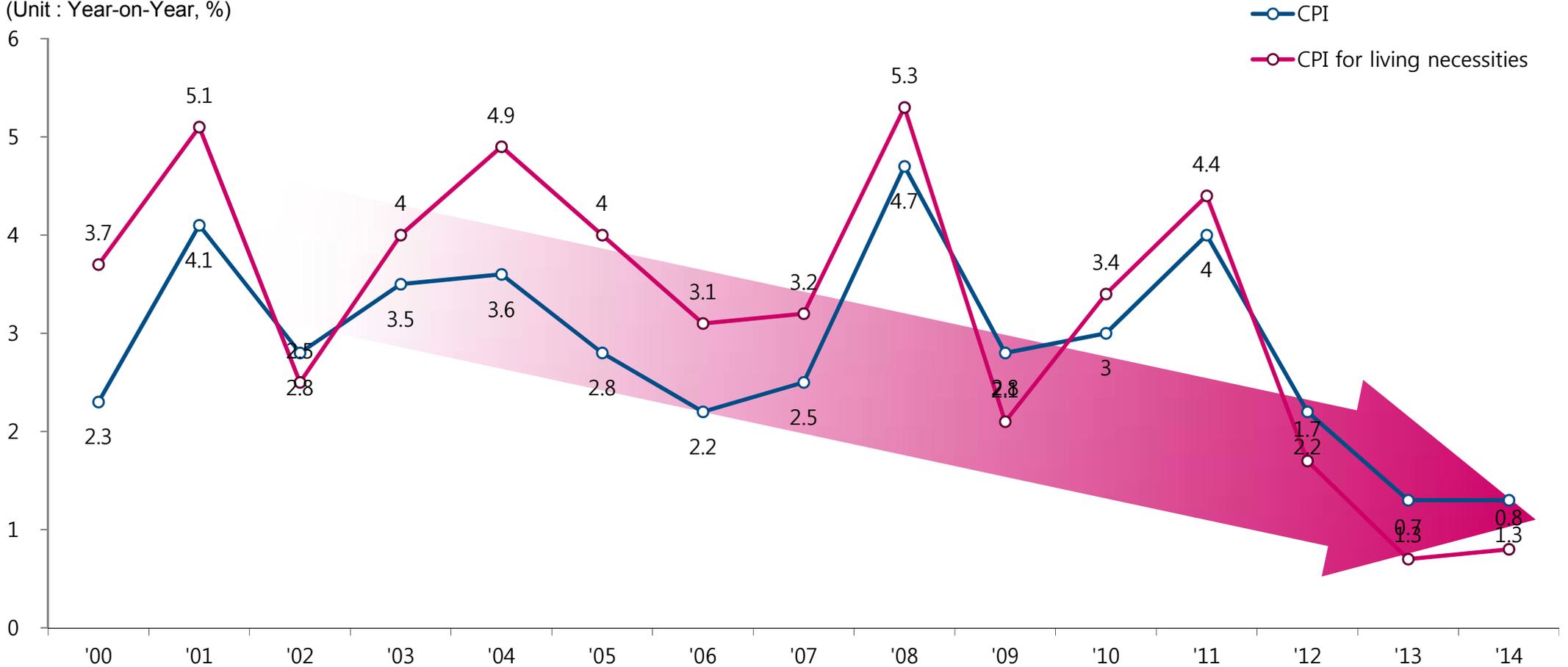


Note: Predicted Data is estimated on the basis of Census in 2005
 Source: NRI based on National Statistical Office(KOSTAT)

Valorization Policy maintains Consumer Price Index at approximately 1%.

Changes in Consumer Price Index(CPI) Year-on-year Ratio

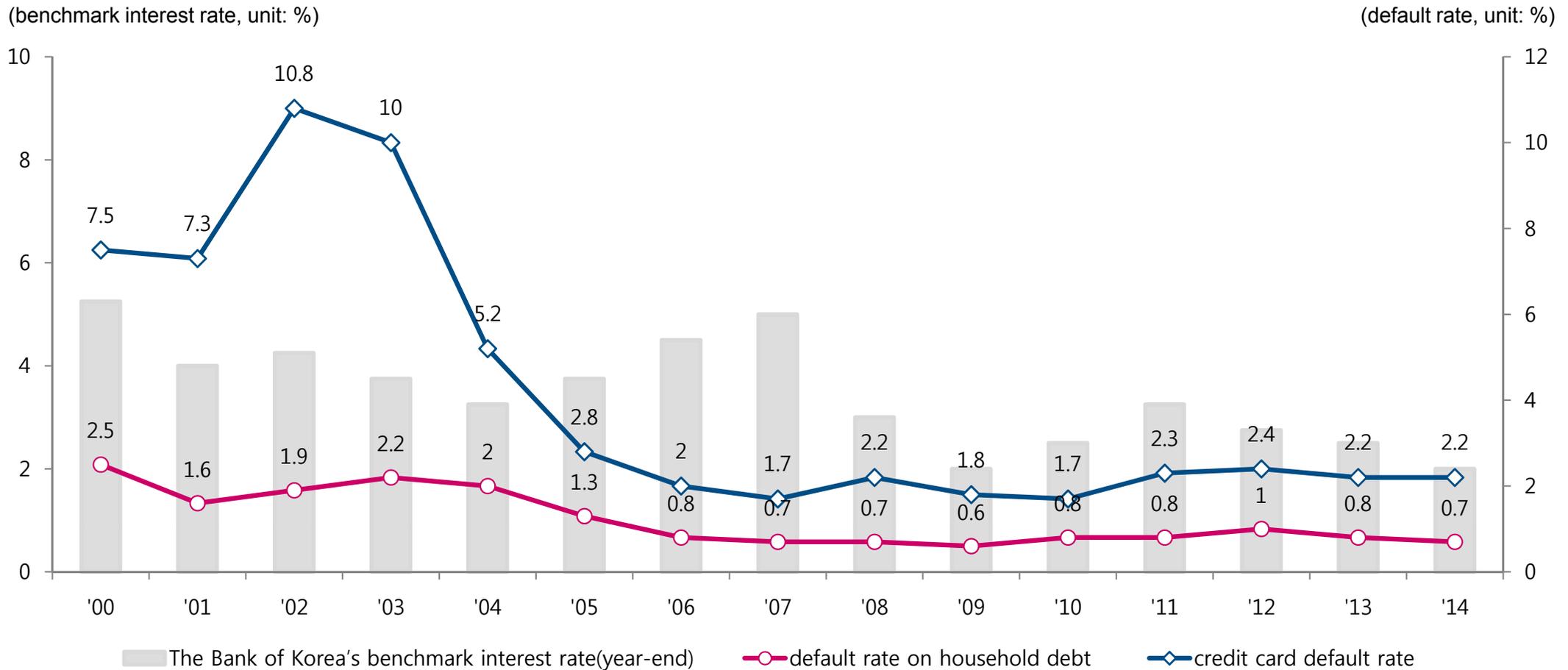
(Unit : Year-on-Year, %)



Note: CPI indicates monthly weighted average of 481 product categories which standardizes year 2010 as 100
 CPI for living necessities indicates weighted average of 142 product categories out of 481 which are designated as daily necessities or purchased frequently
 Source: NRI based on The Bank of Korea, Media Resrch

Benchmark interest rate, default rate on household debt, and credit card default rate somewhat fluctuates but continuously descends.

Default rate on household debit in Korea

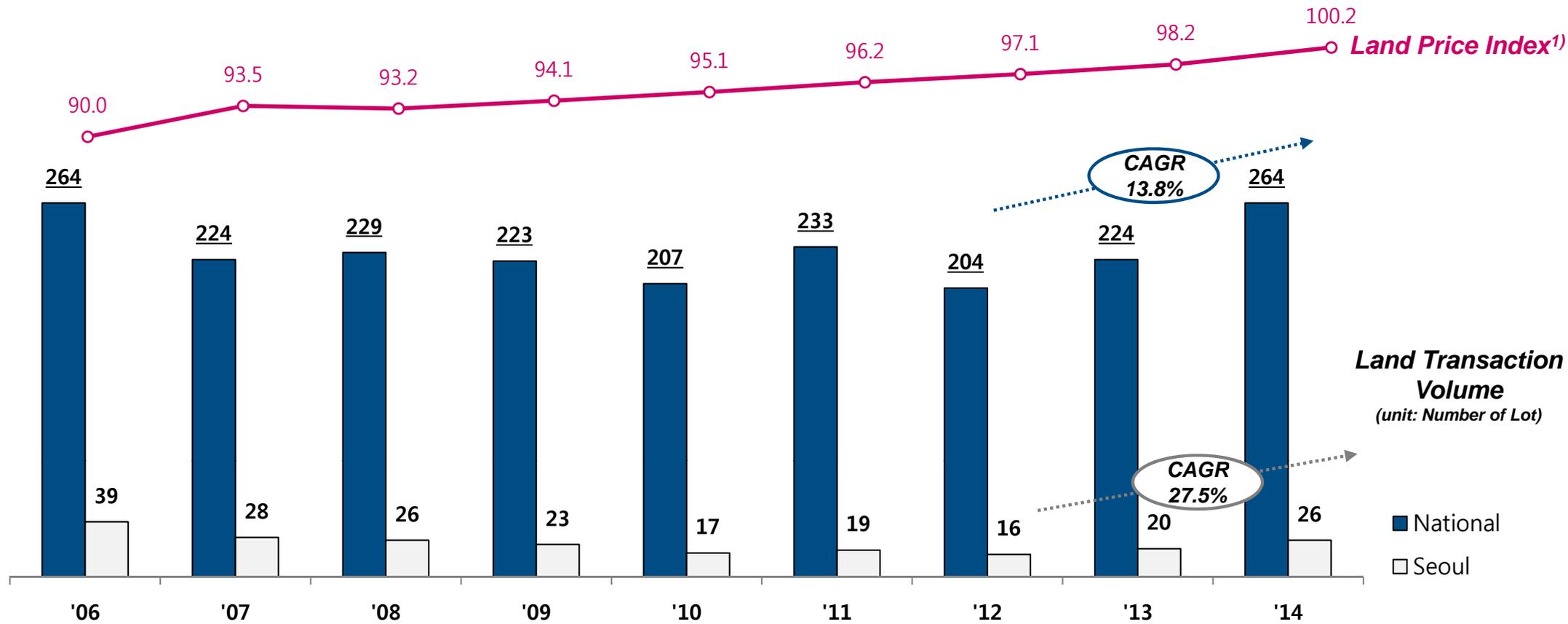


Note: Benchmark Interest Rate from The Bank of Korea / Default Rate on Household Debt and Credit Card Default Rate from Financial Supervisory Service (Seasonal Adjustment, Year-End) and IMF
 Source: NRI based on The Bank of Korea, Financial Supervisory Service, IMF

Land Price Index and land transaction volume shows gradual upward trend.

Land Transaction Volume and Land Price Index¹⁾

(Lot unit: 10 thousand number of case)

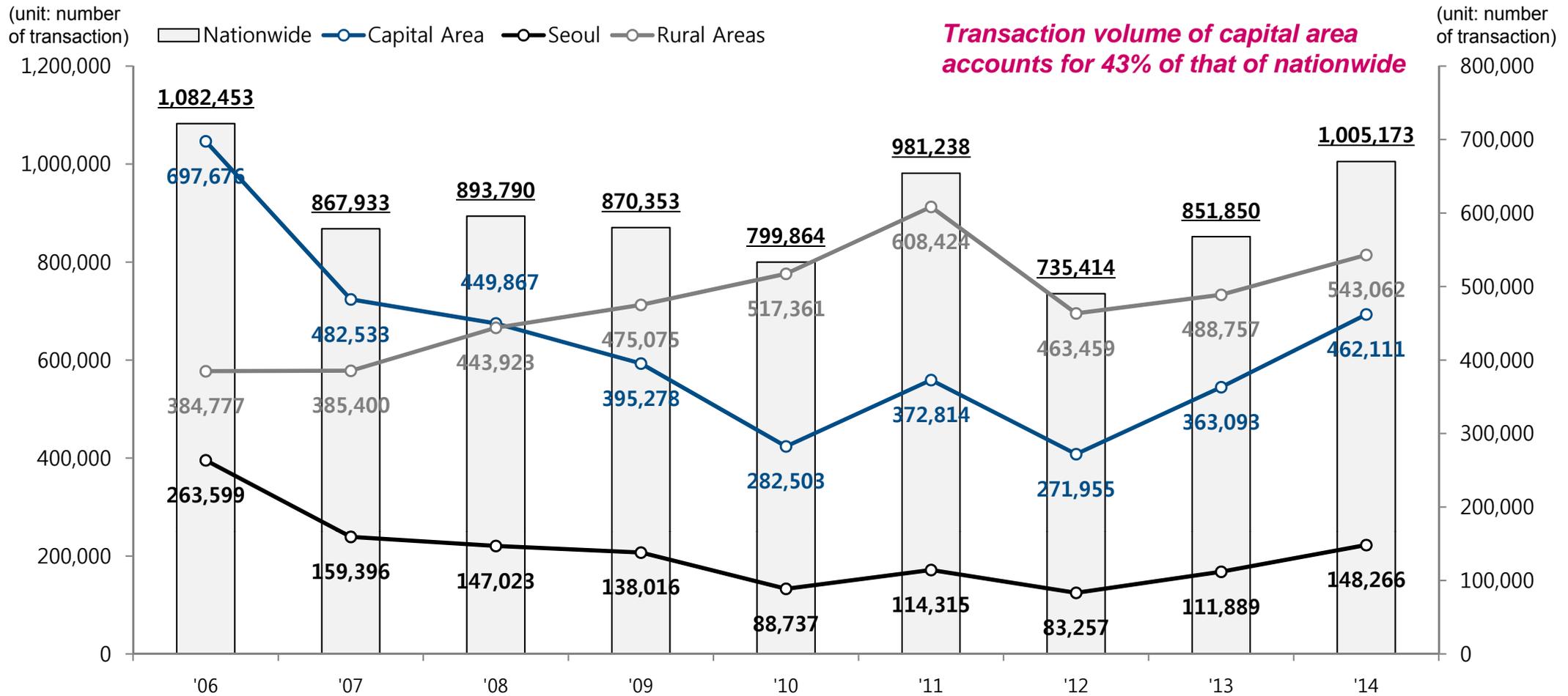


Note: Based on Land Price Index: 2014.12.1 = 100

Source: NRI based on Real Estate Official Statistics Network (<http://www.r-one.co.kr>)

Housing transaction volume reached its peak in 2006. Though it had showed general declining trend since 2007, it recently started to bounce back.

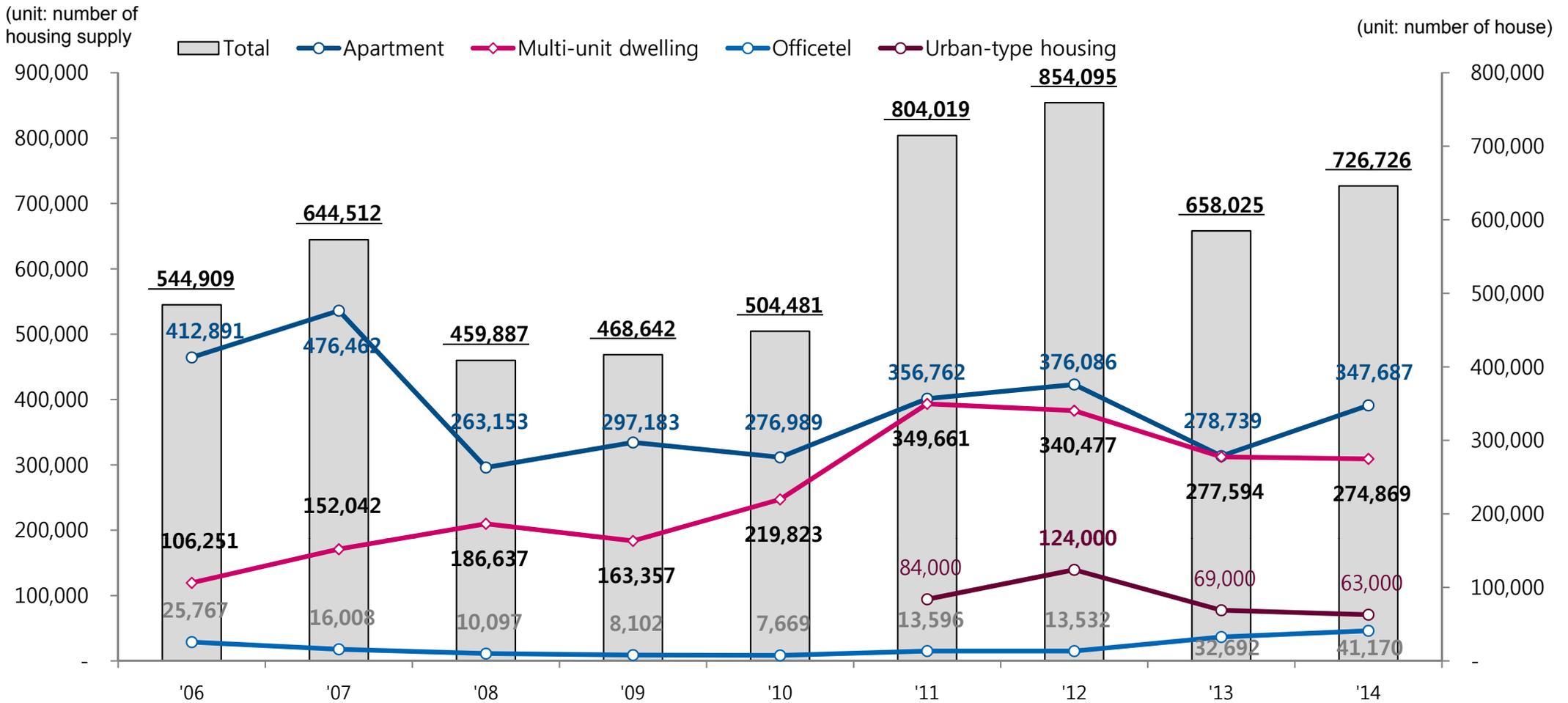
Housing Transaction Volume(National)



Source: NRI based on data from Onnara Real Estates (<http://www.onnara.go.kr>)

Total supply of housing units is 730,000 units. Supply of Apartment and Officetel increased, whereas that of urban-type housing and multi-unit dwelling is on the decline.

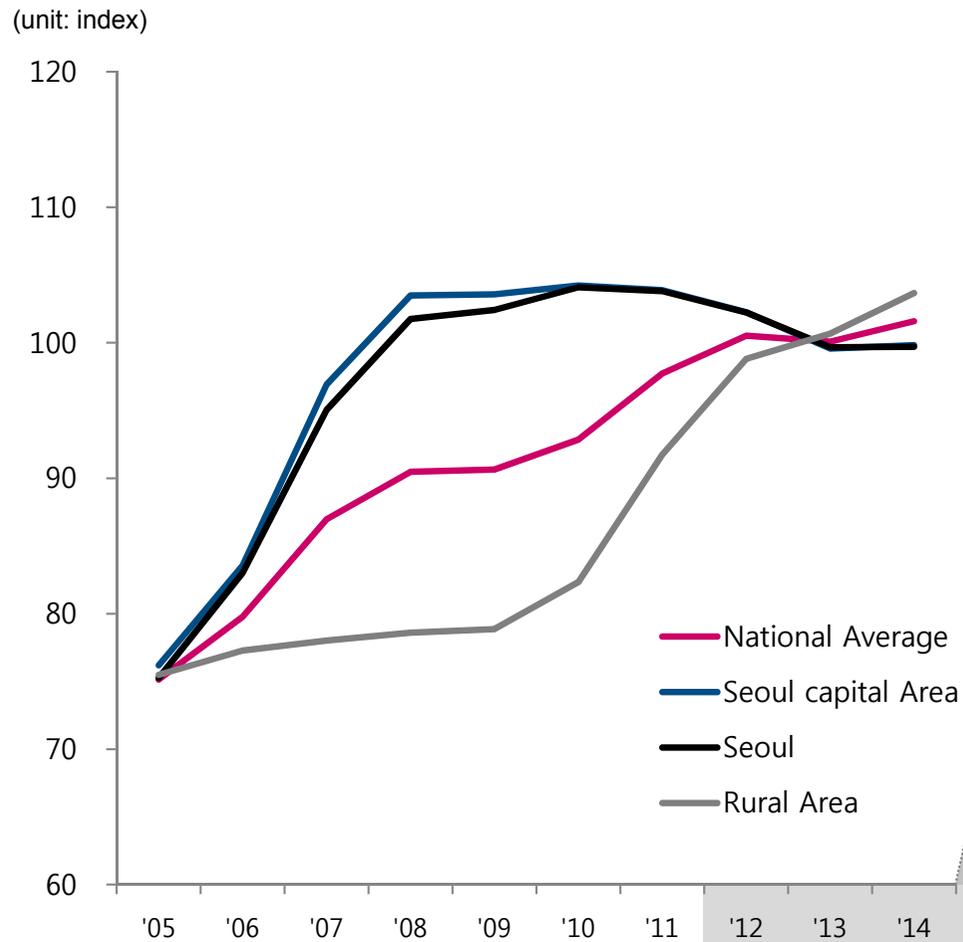
Housing Supply By types of housing



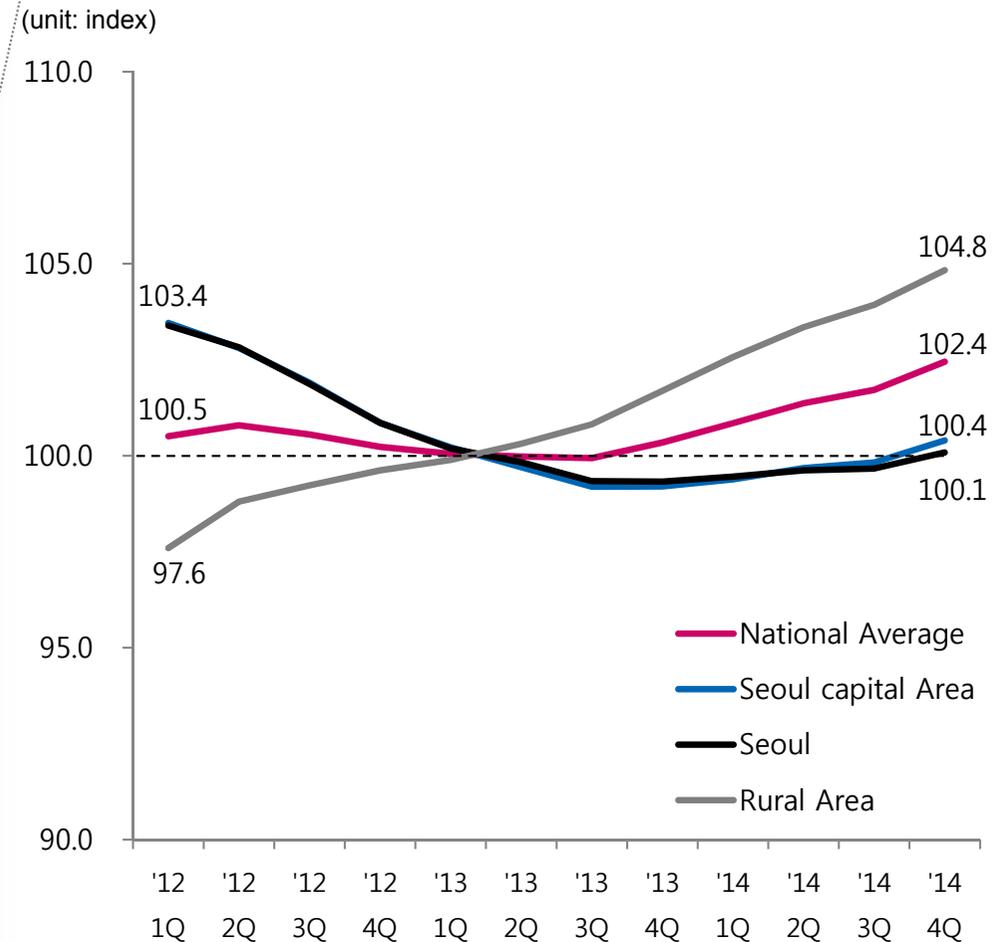
Source: NRI based on data from Onnara Real Estates (<http://www.onnara.go.kr>)

Average Housing Price Index has slightly increased. Housing Price index in Seoul capital area recovered from decrease to stagnation, and that of in rural areas maintains its upswing.

Housing Price Index¹⁾ (10 years)



Housing Price Index¹⁾ (3years)

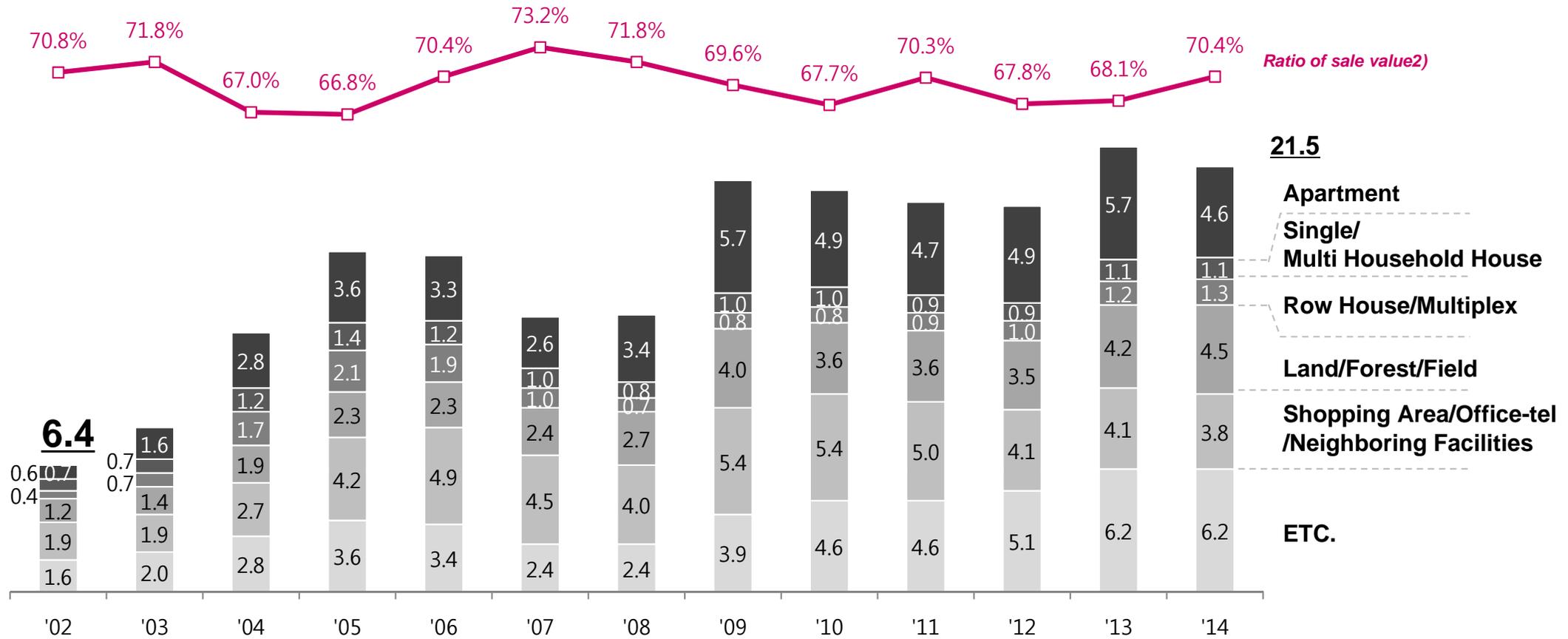


Note: Standard of National Housing Price Index: March in 2013 = 100
Source: NRI based on KB Bank

Size of auctioned assets has increased by 3.5 times in recent 10 years.
 Ratio of sale value recovered to 70% in 2014.

Size of Auctioned Assets¹⁾ and ratio of sale value²⁾

(Unit: trillion KRW)

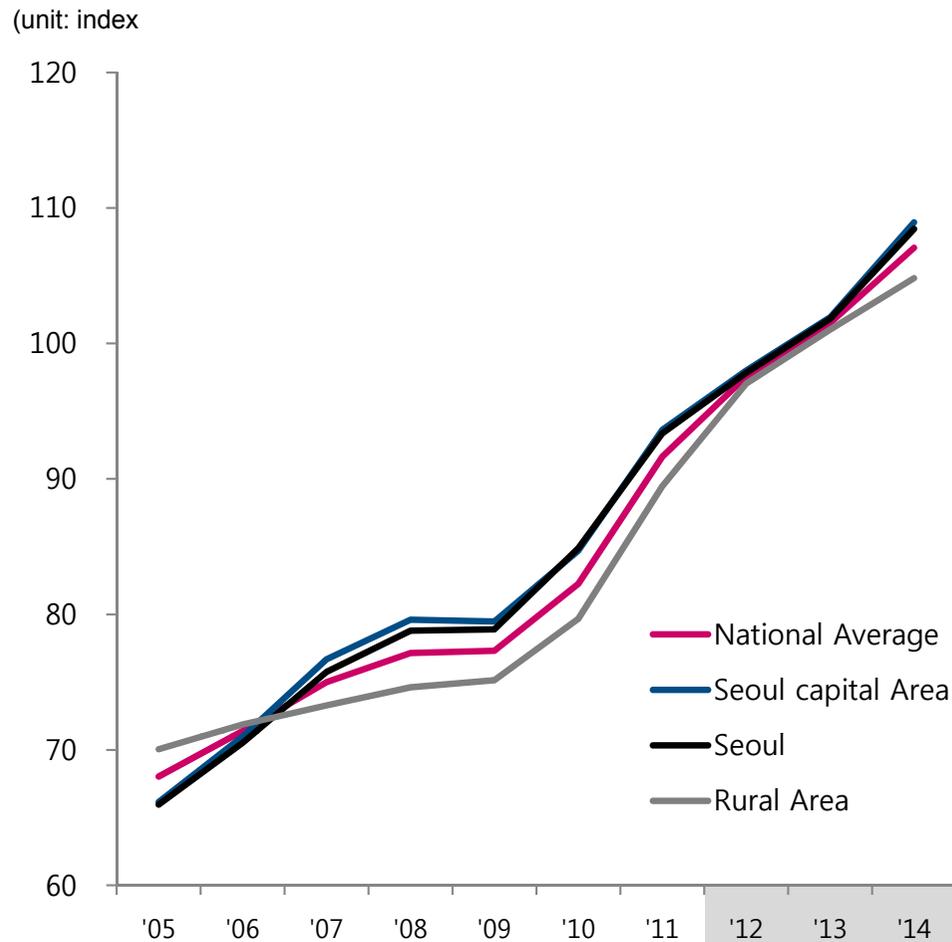


Note: 1) Size of Auctioned Assets is based on Assessed Value, 2) Ratio of sale value = (Sale value / Appraised Value) * 100

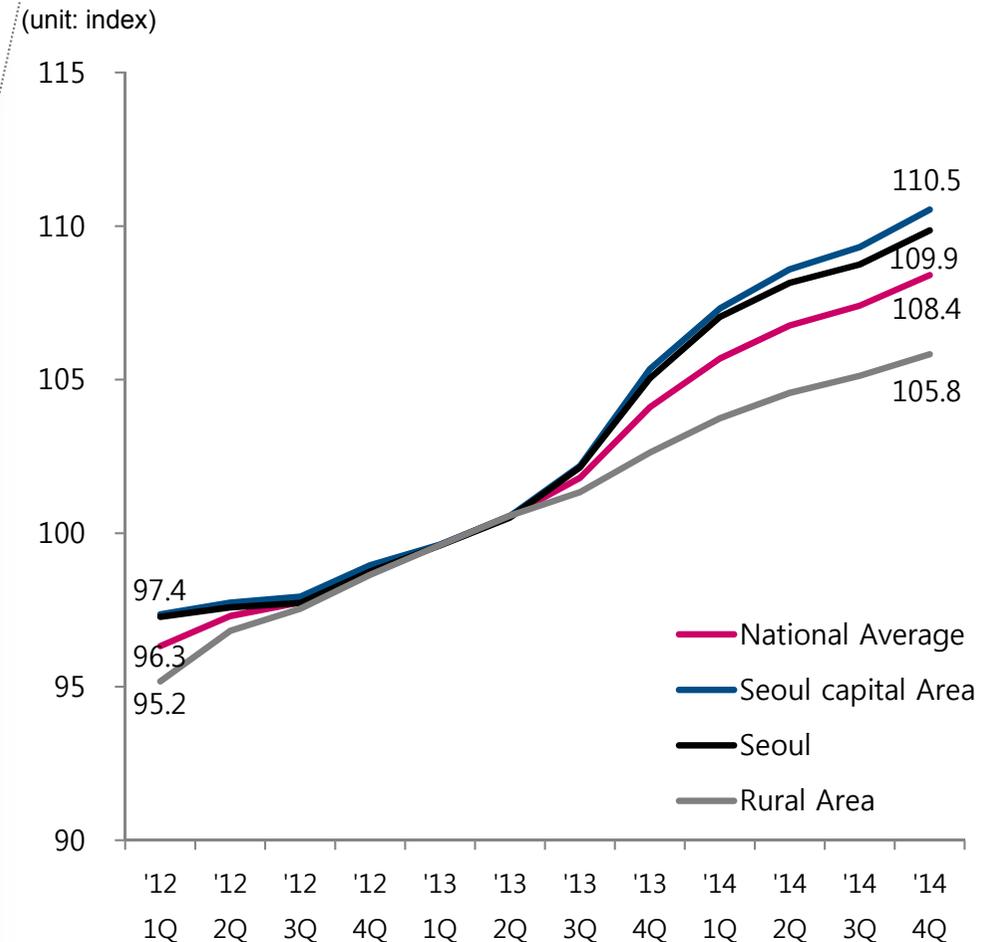
Source: NRI based on Auction Statistics of Supreme Court

House lease index has consistently illustrated upward trend. In particular, house lease index in capital area is higher than nationwide average.

House Lease Index of Nationwide/capital Area (3 years)



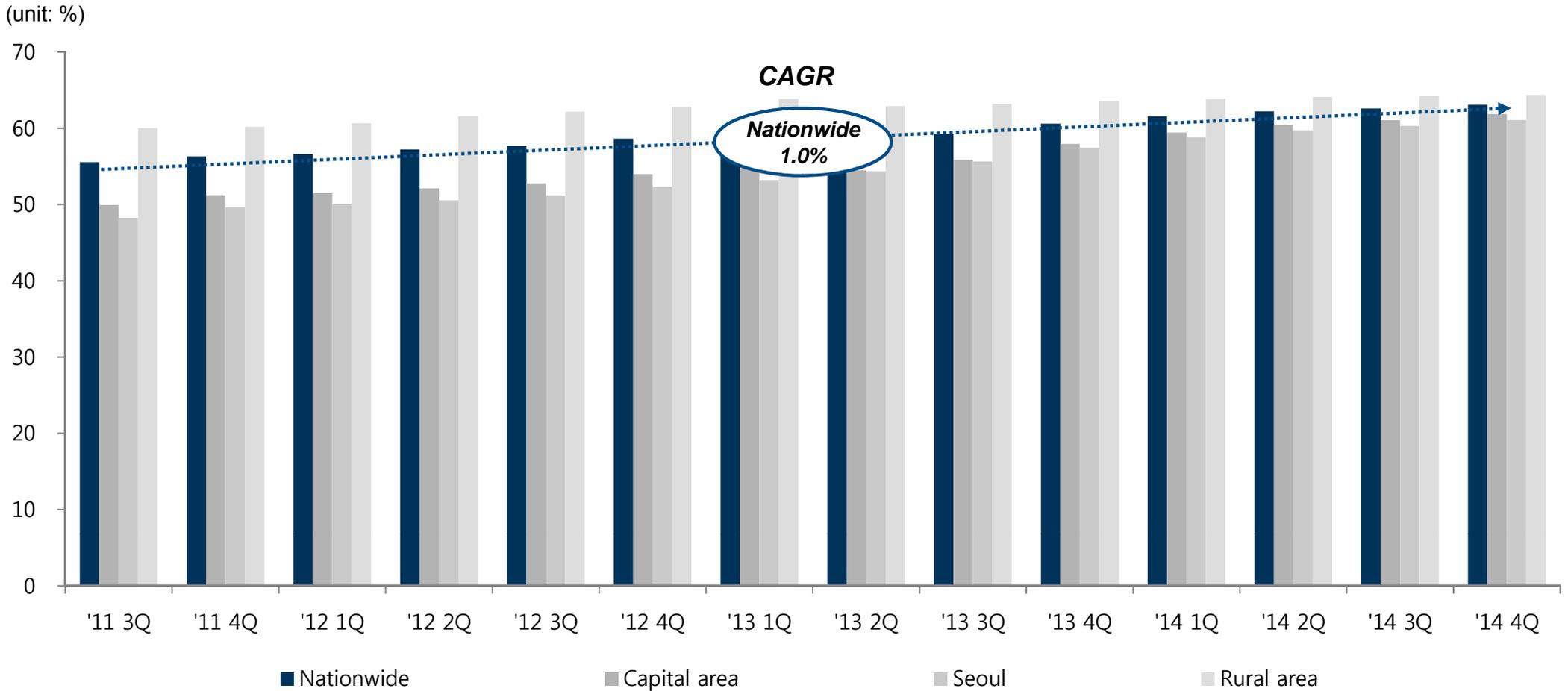
House Lease Index of Nationwide/capital Area (3 years)



Note: Based on National House Lease Index: October in 2012 = 100
 Source: NRI based on Korea Appraisal Board

Leasing cost is 62% of National Housing Price and 60% for Seoul capital area.

National Leasing Cost to Housing Price

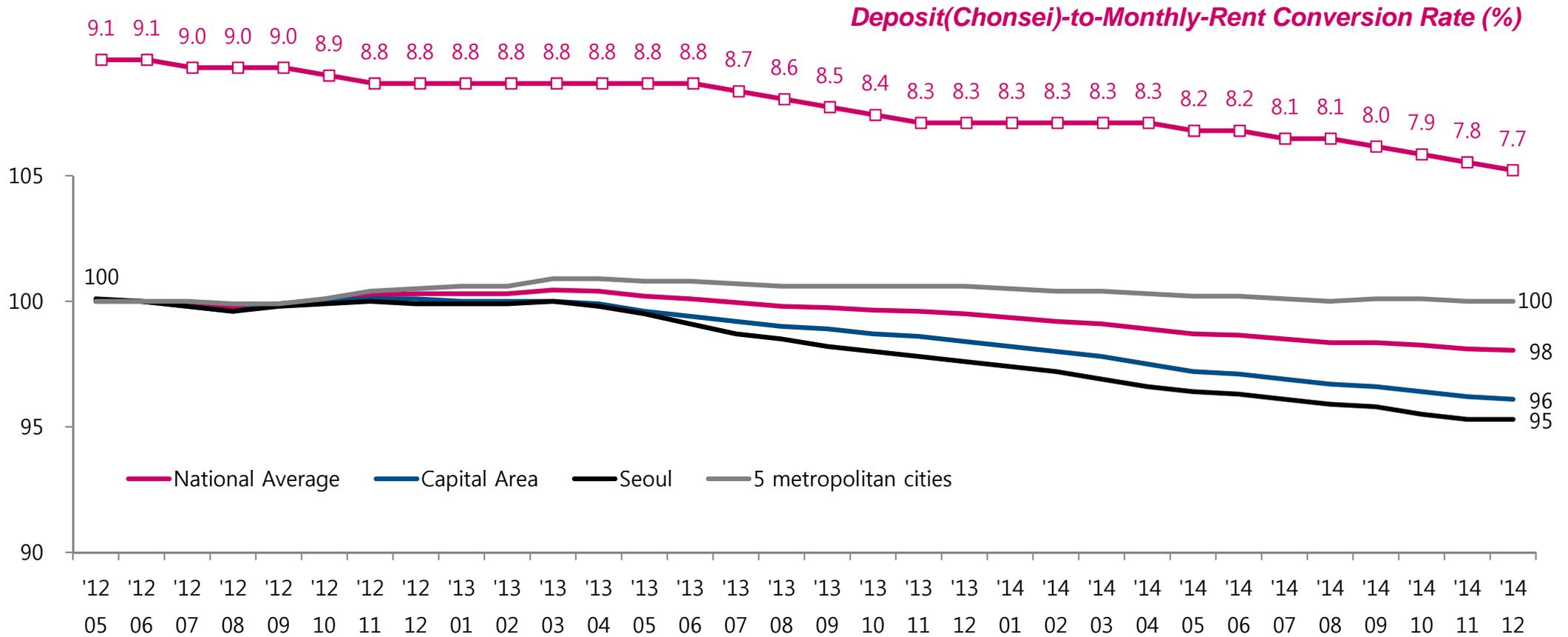


Source: NRI based on Economic Statistics Bureau in the Bank of Korea, IMF(Global Financial Stability Report, 2013) Report

Monthly lease index in Seoul capital area has declined since 2013. Deposit (Jeonse)-to-Monthly-Rent Conversion Rate also led to the decline of profitability.

Monthly Leasing Index and Deposit(Jeonsei)-to-Monthly-Rent Conversion Rate

(unit: index)



Source: NRI based on Korea Appraisal Board

2015 Housing Policy trend is expected to continue supporting vitalization of housing sales and stabilization of housing lease.

Current 2 Years' Trend of Housing Policy (Since Park Gunhye cabinet started)

	2013	2014	2015
Market Situation	<ul style="list-style-type: none"> ▪ Stagnation in Seoul capital area, Upturn in Non-Seoul capital area ▪ Acceleration in aggravation of shortage of Jeonsei and Monthly-Rent-Conversion 	<ul style="list-style-type: none"> ▪ Stagnation in Seoul capital area was slightly ameliorated, Upturn in Non-Seoul capital area was slowed ▪ Persistence of aggravation of shortage of Jeonsei and Monthly-Rent-Conversion 	<ul style="list-style-type: none"> ▪ Recovery of sales volume overall stagnation is expected to ligger ▪ Aggravation of shortage of Jeonsei and Monthly-Rent-Conversion is expected to persist
Vitalization of Sales Market	<ul style="list-style-type: none"> ▪ Abolition of heavy imposition of transfer tax on owners of more than one house ▪ Reduction of acquisition tax ▪ Introduction of sharing type of mortgage 	<ul style="list-style-type: none"> ▪ Amelioration of regulation on house reconstruction permit on vertical extension reconstruction ▪ Promotion of housing purchase by improvement of housing subscription system ▪ Interest rate reduction for fist-time housing buyers ▪ Relaxation of Price ceiling regulation on the new apartment price 	<ul style="list-style-type: none"> ▪ Extension of sharing type of mortgage (1.27) <p>Policy for Vitalization of Sales Market will be continued</p>
Vitalization of Leasing Market	<ul style="list-style-type: none"> ▪ Support of Jeonsei loan ▪ Expanding support for lease business operator ▪ Support for Semi-public rental housing by National Housing Fund ▪ Launching of Housing choice voucher program 	<ul style="list-style-type: none"> ▪ Support for rental housing REITs ▪ Change tax system of rent from deduction to tax credit ▪ Relaxation of regulation and tax support for Rental housing/Semi-rental housing ▪ Support for rental business corporation ▪ Introduction of loan system for monthly lease 	<ul style="list-style-type: none"> ▪ Support for rental business corporation(1.13) <p>Policy for Stabilization of Lease Market will be continued</p>

Source: NRI based on 국토교통부 정책자료

Korea

Increase of liquidity within slow economic growth

1

Business trends and Office Market Trends

1-1

Business Trends

1-2

Office Market Trend

2

Household Economy and Housing market trends

3

Hotel Market trends

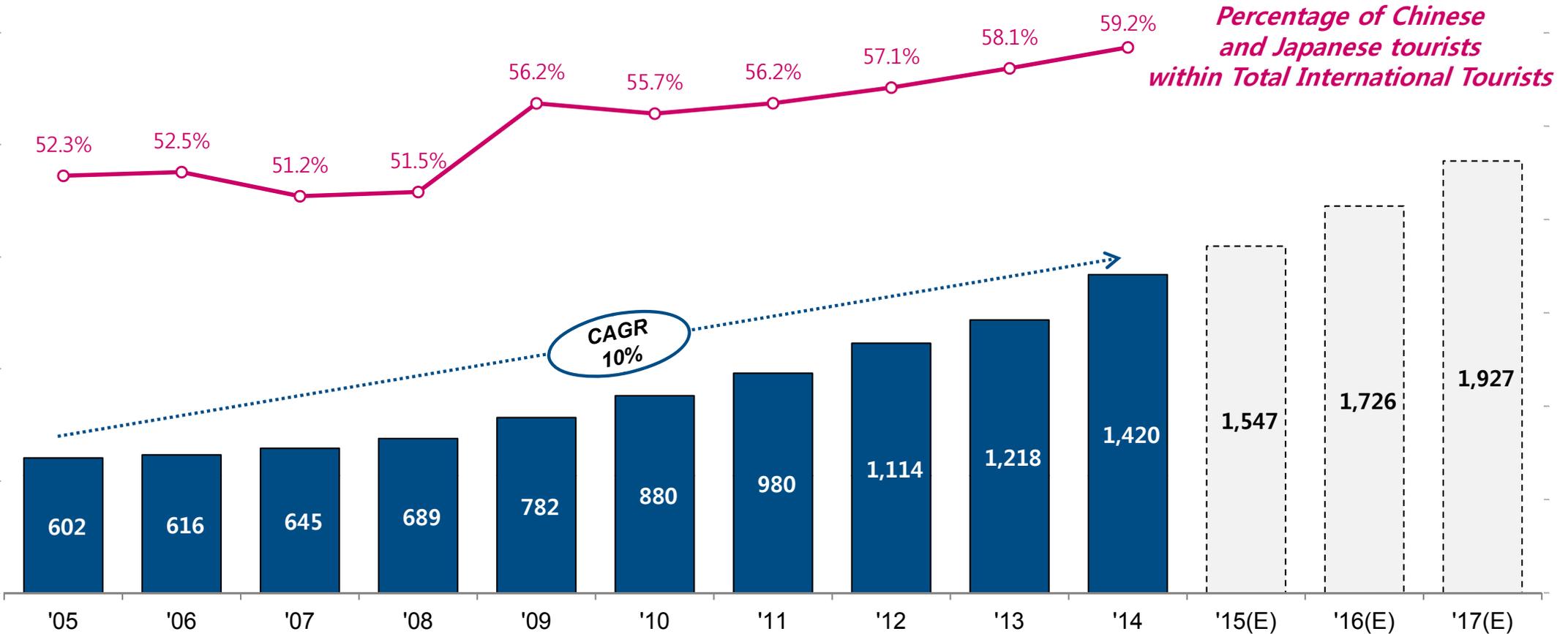
4

Indirect Investment Market Trends

The number of tourists visiting Korea has been growing, reaching annual average of 10%. It exceeded 14 million with Chinese and Japanese tourists consisting 60% of total.

Numbers of International Tourists Visiting Korea and Expectation

(unit: 10 thousand people, %)



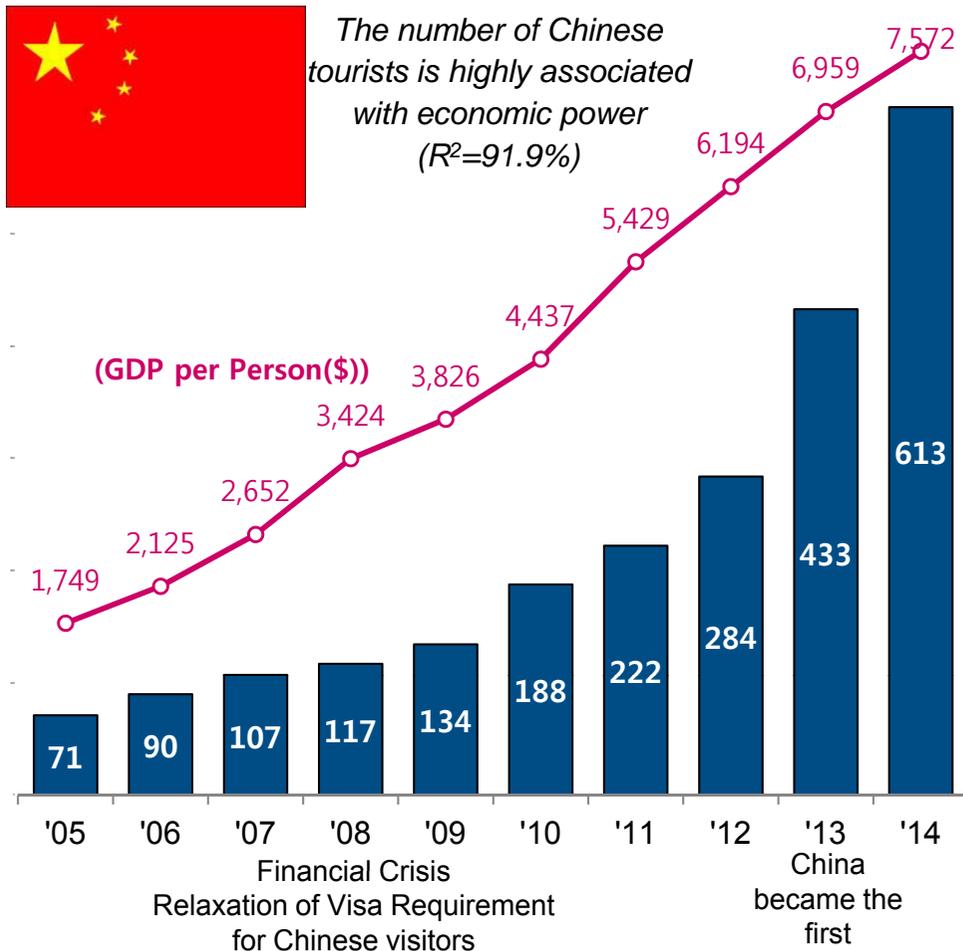
Source: NRI based on Tourism Knowledge and Information System, Media Research

Hotel Market trends

Economic growth led to an upsurge of Chinese tourists. They account for the largest percentage since 2013. The number of Japanese Tourist has been diminishing owing to diplomatic matters and change in exchange rate since 2012.

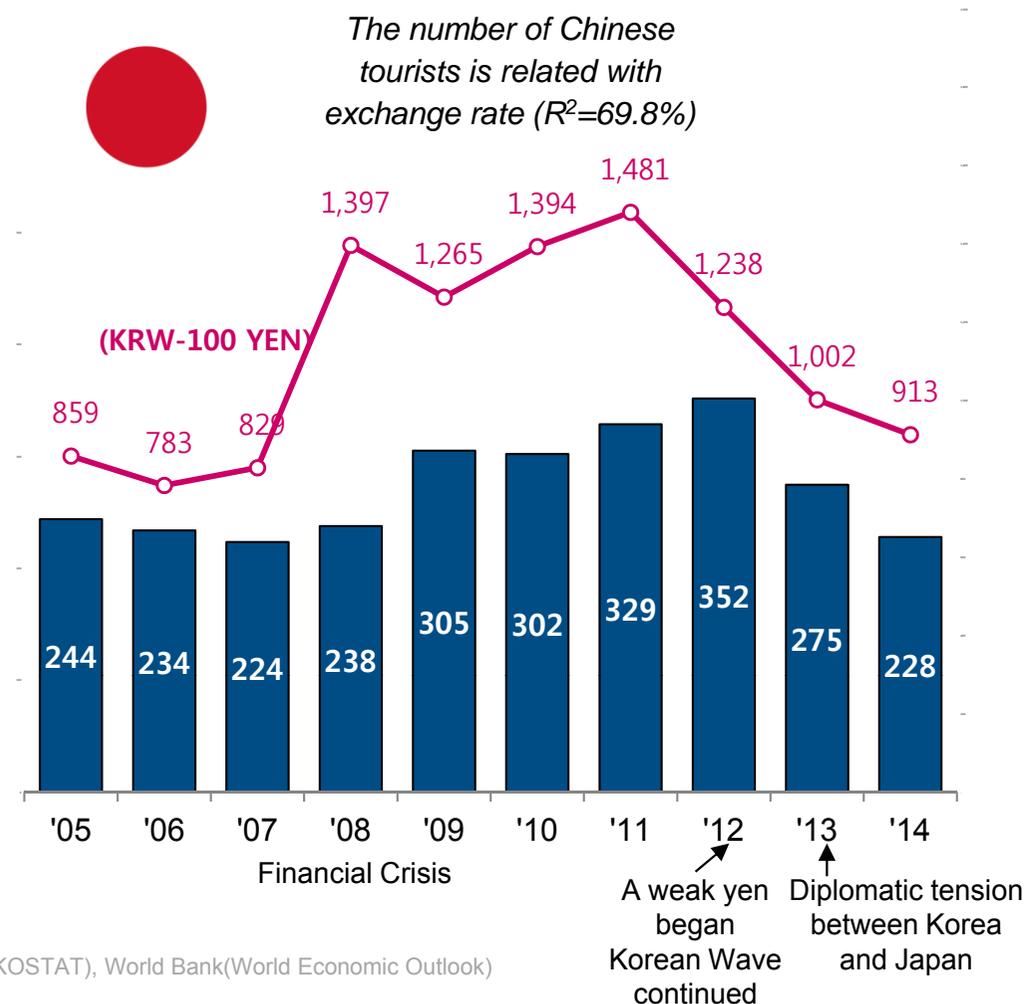
Number of Chinese Tourists Visiting Korea

(unit: 10 thousand people)



Number of Japanese Tourists Visiting Korea

(unit: 10 thousand people)

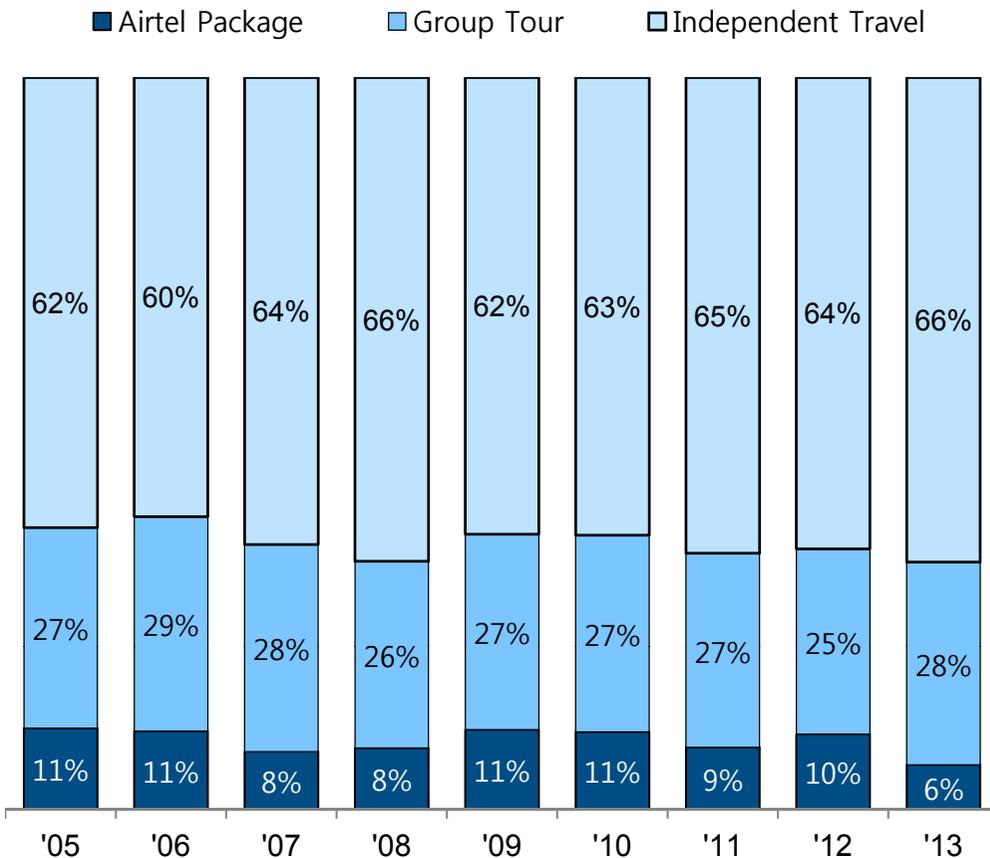


Source: NRI based on Tourism Knowledge and Information System, Nara Indexes of National Statistical Office(KOSTAT), World Bank(World Economic Outlook)

Independent Tourists comprise the majority of international tourists. Though average length of stay demonstrates upswing, that of Chinese tourists shows downturn.

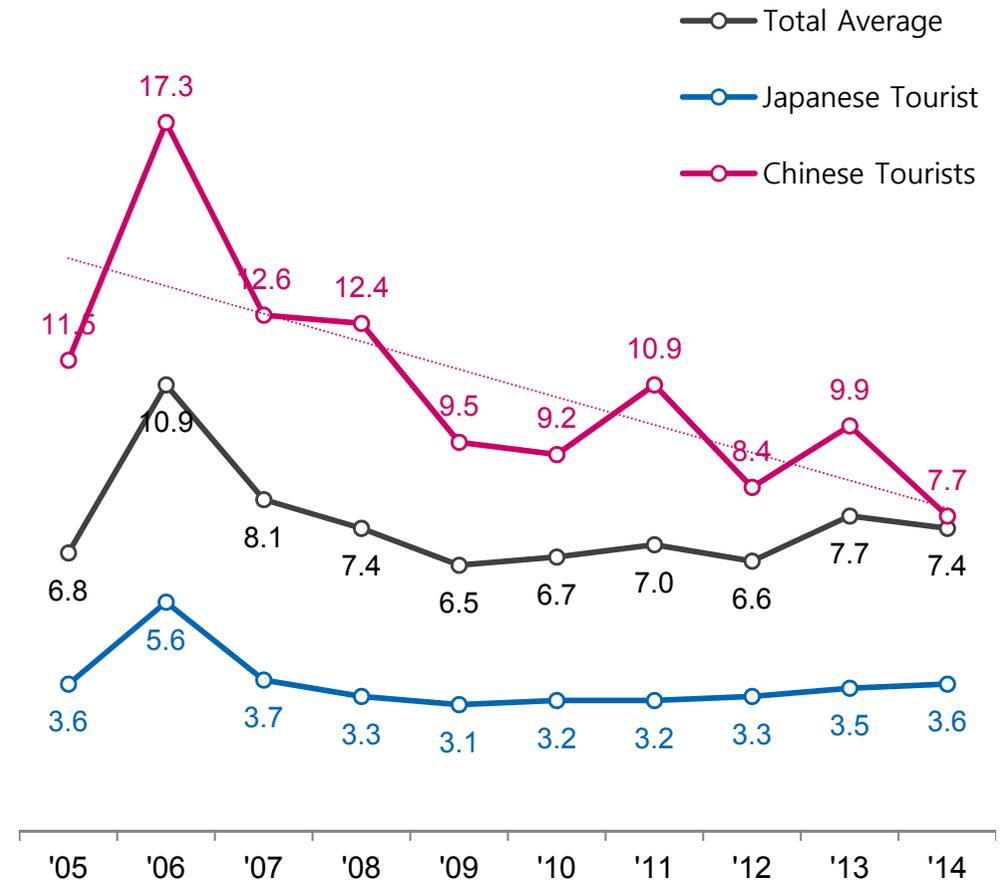
Types of International Tourist

(unit: %)



Average Length of Stay of International Tourists

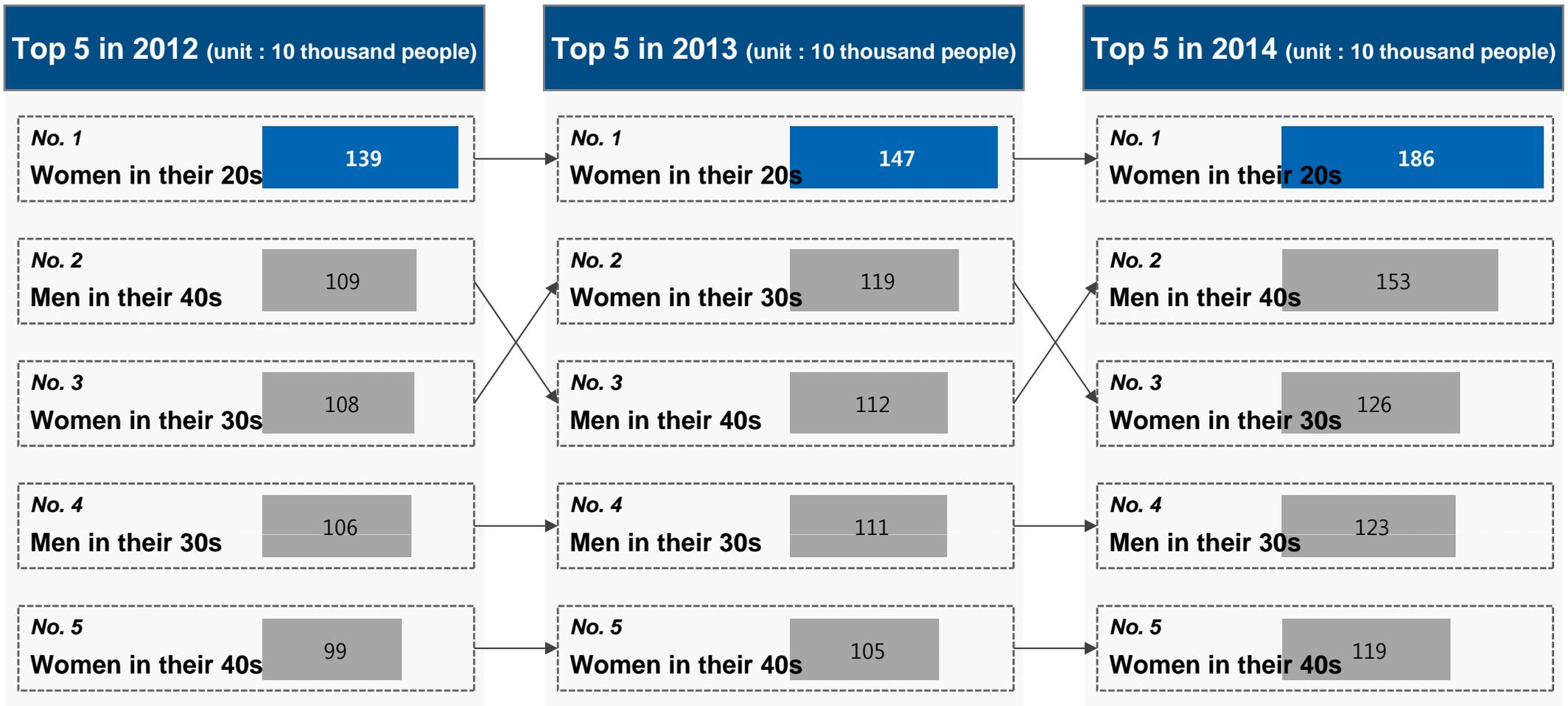
(unit: day)



Source: NRI based on Ministry of Culture, Sports, and Tourism, International Tourists Reports, Tourism Knowledge and Information System

Female international tourists in their 20's visiting Korea are largest in volume, followed by male international tourists in their 40's and female international tourists in their 30's.

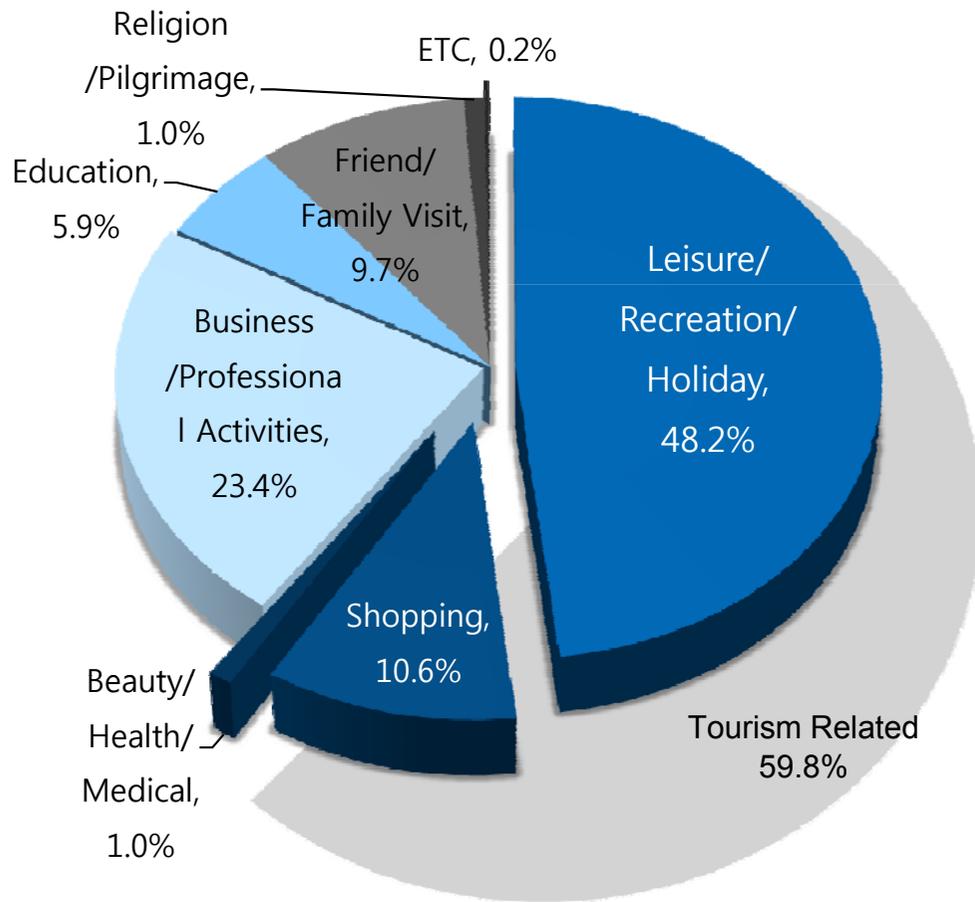
International Tourists by Sex and Age



Source: NRI based on Ministry of Culture, Sports, and Tourism, International Tourists Reports, National Statistical Office(KOSTAT)

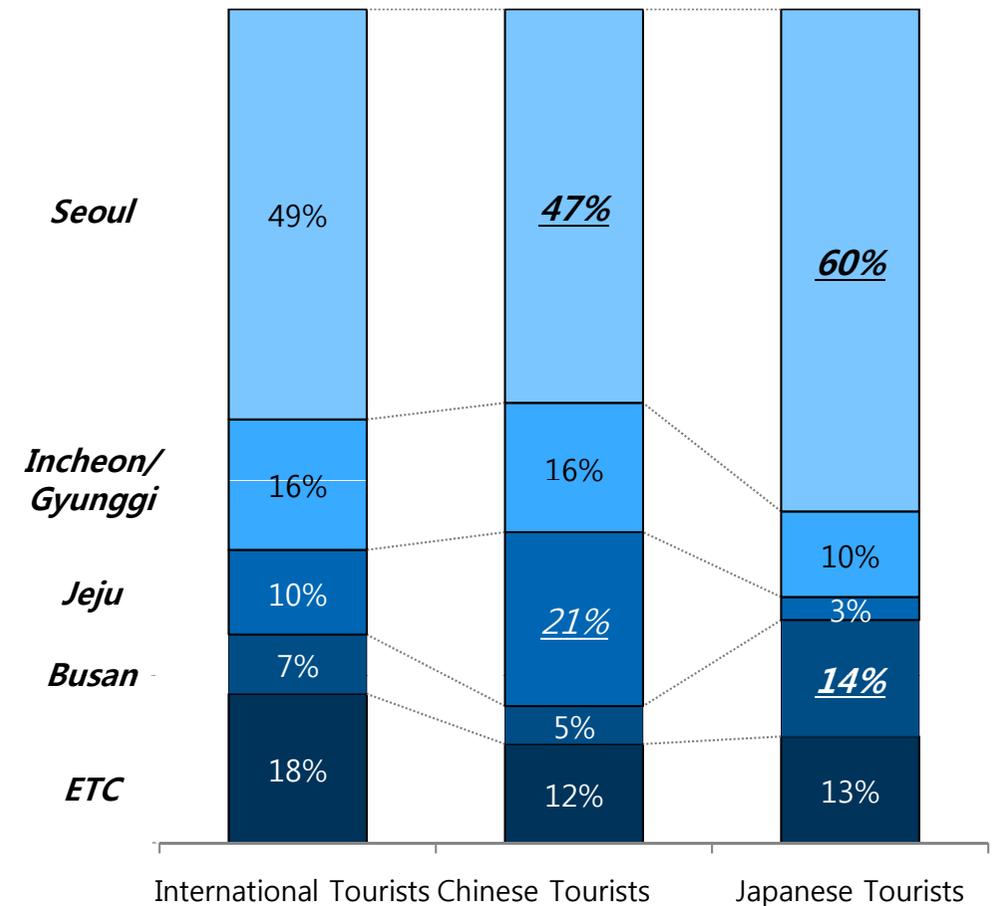
Purpose of international tourists is sightseeing, accounting for 60%. Chinese tourists tend to mainly visit Seoul and Cheju, and Japanese tourists cover Seoul and Busan.

Purpose of international tourists visiting Korea (2013)



Visit Place of International Tourists in Korea*(2013)

(unit : %, Duplicated Answers Adjusted)



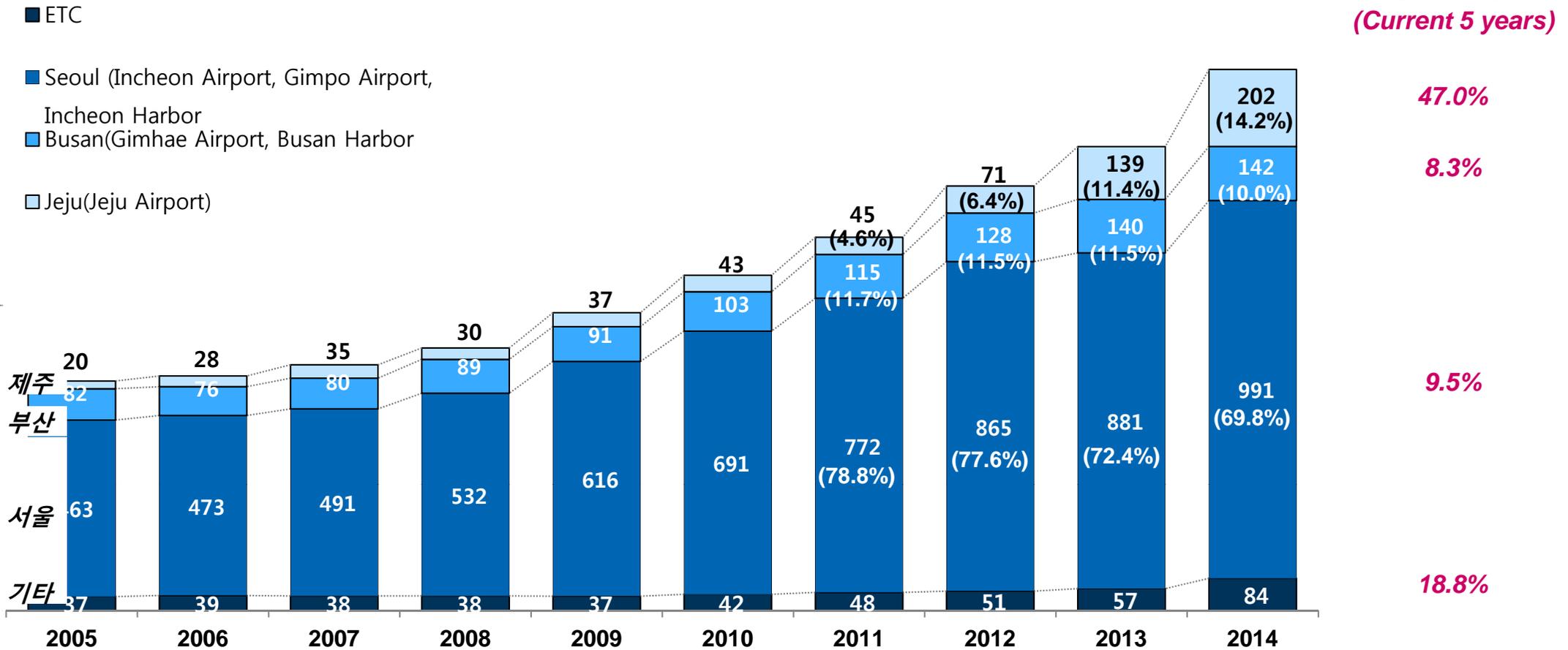
Source:: NRI based on Tourism Knowledge and Information System

Hotel Market trends

70% of international tourists enter Korea through Seoul (Incheon Airport, Gimpo Airport, Incheon Harbor). The number of tourists entering Korea through Jeju has increased due to Chinese tourists.

Entrance Place by International Tourists

(unit: 10 thousand people)



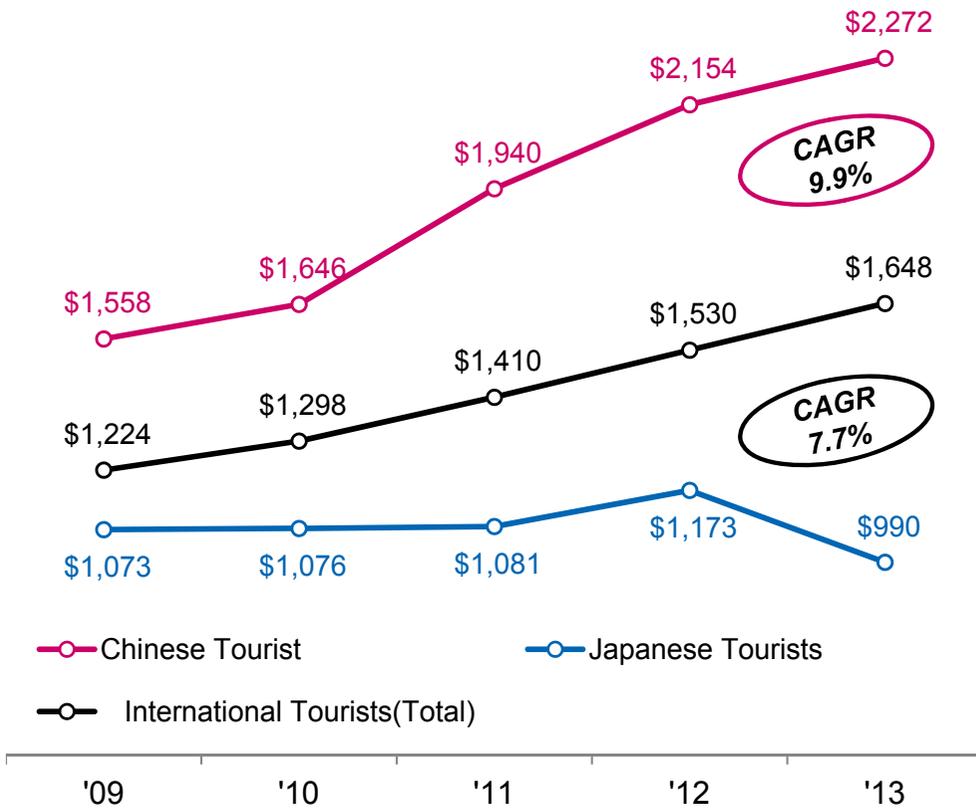
Source: NRI based on Tourism Knowledge and Information System

Hotel Market trends

Expenditure of Chinese tourists has shown upsurge to 2,300\$ in 2013, whereas approx. 66% of Japanese tourists spent less than 1,000\$ in 2013.

Average Expenditure of international tourists per person

(unit: \$)



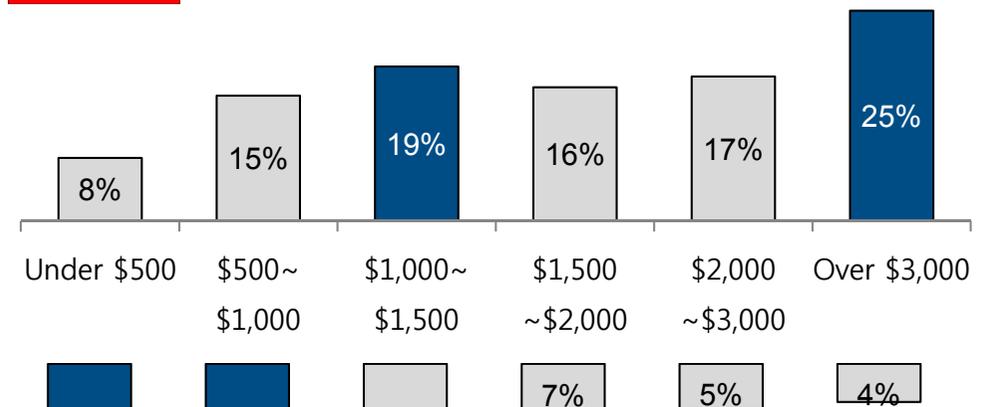
A weak yen began Korean Wave continued
Diplomatic tension between Korea and Japan

Average Expenditure of Chinese/Japanese tourists per person(2013)

(unit: %)



25% of Chinese Tourists spend over than 3 thousand dollars, and 20% of them do 1,000~1,500 dollars



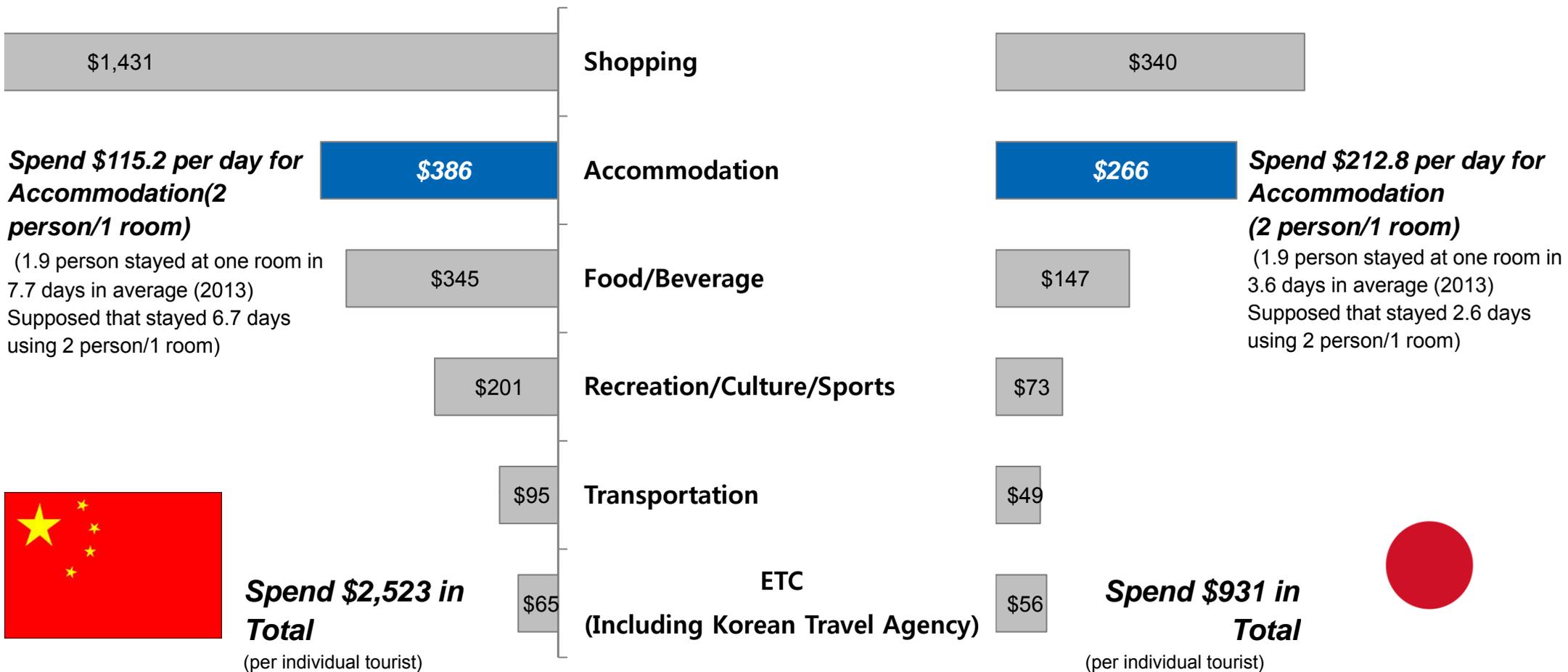
60% of Japanese tourists spend less than 1 thousand dollars

Source: NRI based on International Tourists Reports, Ministry of Culture, Sports, and Tourism

Japanese tourists' accommodation expenses is around 213\$ (234,000 KRW)/double room/one day. This is higher than that of Chinese tourists, resulting in the rise of hotel room rate.

Expenditure of Chinese and Japanese Tourists by purpose (2013)

(unit: \$)



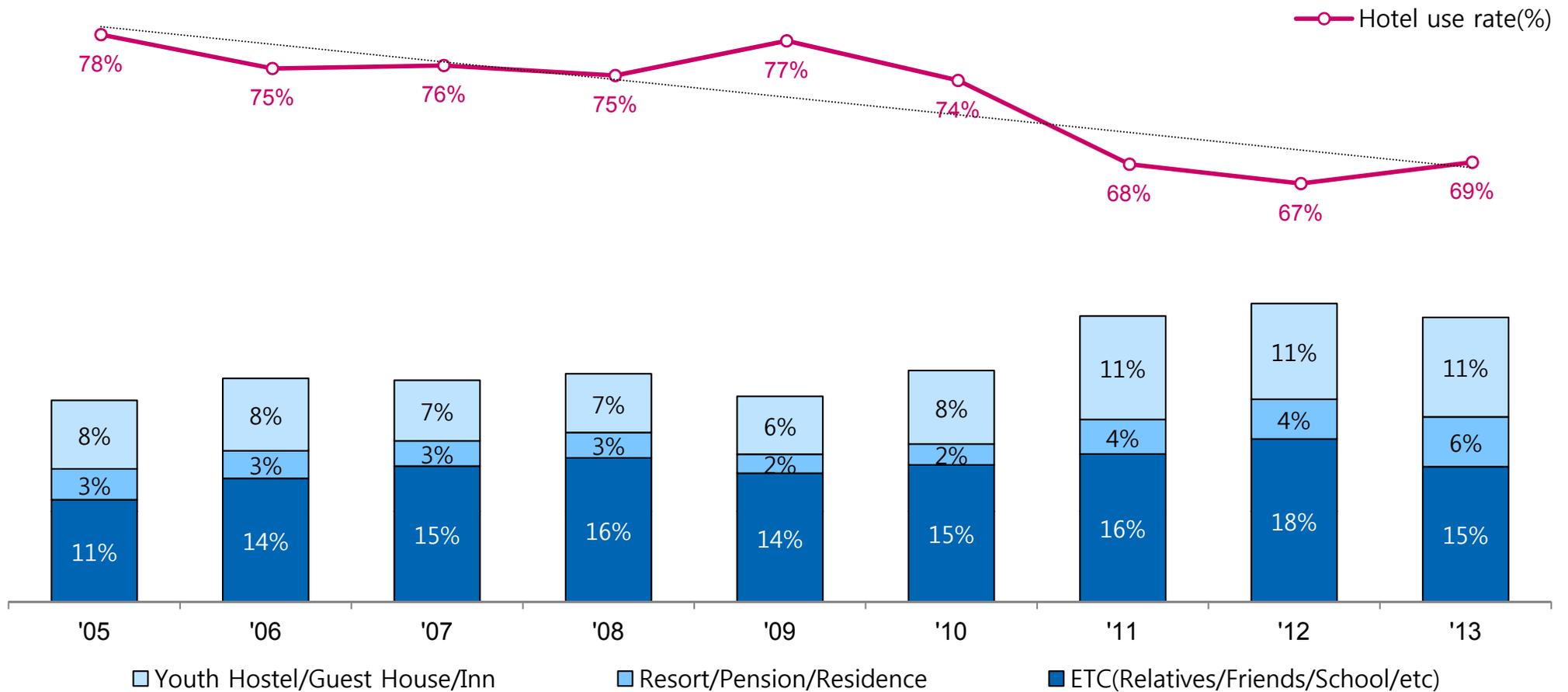
Note:* For group tourists, as accommodation fee is included in "expenditure before Leaving," accommodation expenses is estimated based on individual tourist
 Source: NRI based on International Tourists Reports, Ministry of Culture, Sports, and Tourism

Hotel Market trends

Hotel reached 69% of accommodations where foreign tourists stayed in 2013. The ratio of non-hotel accommodations such as guest house demonstrates slow increase.

Annual Use Rate of Accommodation by International Tourists

(unit: %)



Note: : As types of answers changed from single choice to multiple one in 2011, the number of answers was re-adjusted to the ratio
 Source: NRI based on International Tourists Reports, Ministry of Culture, Sports, and Tourism

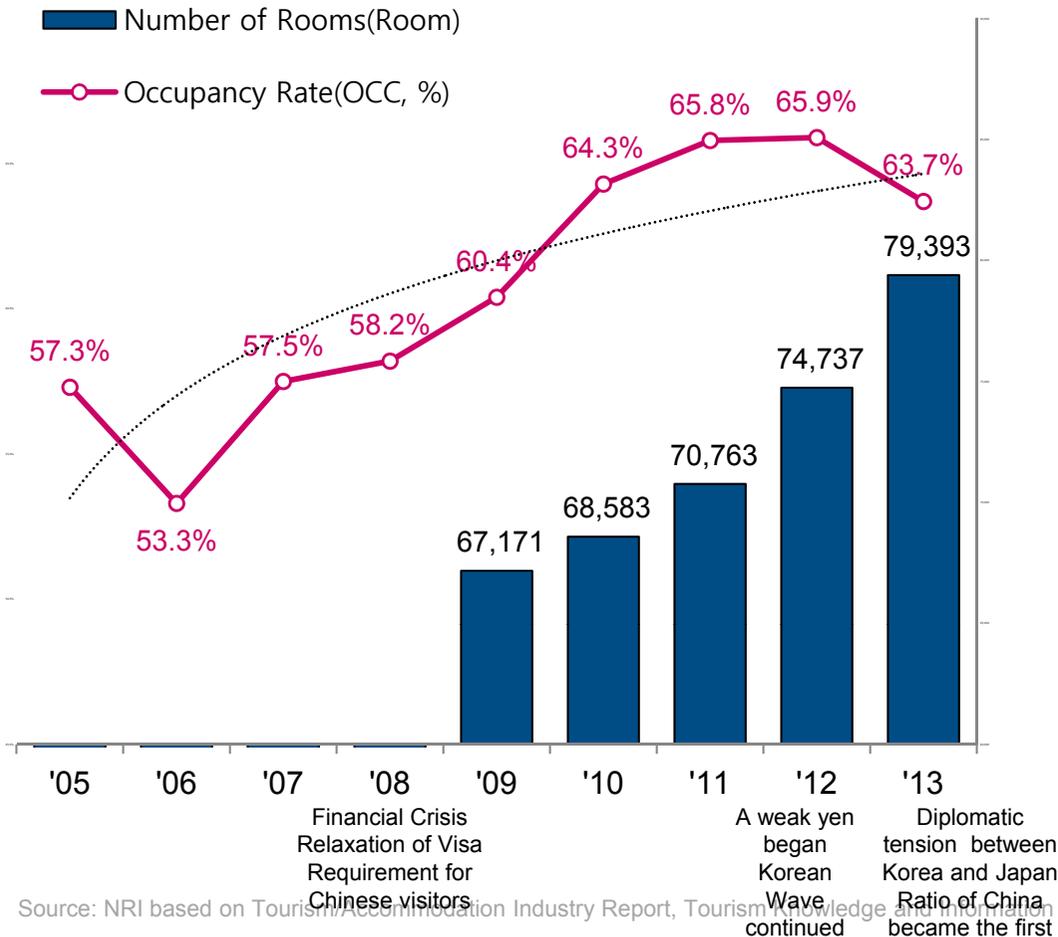
Hotel Market trends

Though international tourists travelling to Korea has risen, increase in room supply resulted in decline of occupancy rate. In addition, decrease of Japanese tourists to Korea led to decline of average room rate in 2013.

The number of hotel rooms and Occupancy rate in Nationwide

(Unit: 10 thousand people, %)

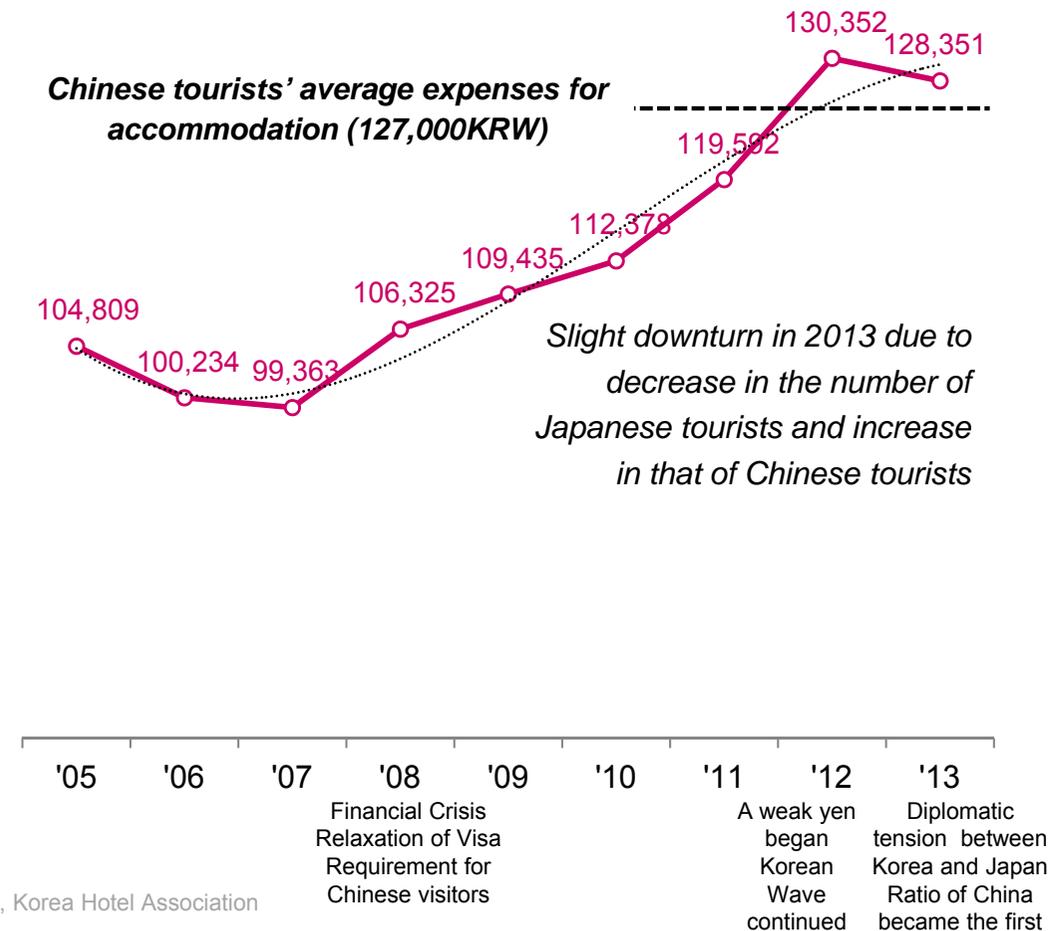
1) Occupancy Rate(OCC: Occupancy)=Number of Rooms/Available Rooms×100



Nationwide Hotel Average Daily Rate ¹⁾

(unit: KRW)

2) ADR(Average Daily Rate)=Room Revenue/Available Rooms



Source: NRI based on Tourism/Accommodation Industry Report, Tourism Knowledge and Information System, Korea Hotel Association

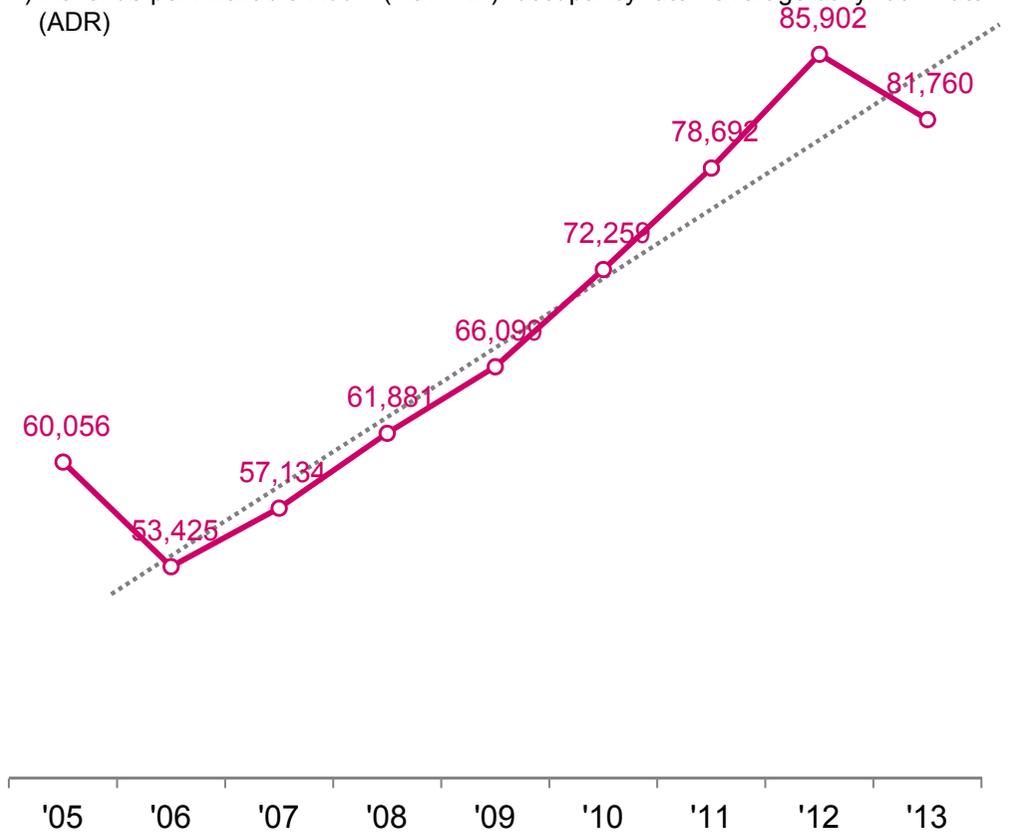
Hotel Market trends

Hotel revenue per available room increased but turned downwards in 2013. Annual revenue per available room including profits from other facilities rapidly descended in 2013.

Nationwide Hotel Revenue per Available Room1)

(unit: KRW)

1) Revenue per Available Room (RevPAR)=occupancy rate * average daily room rate (ADR)



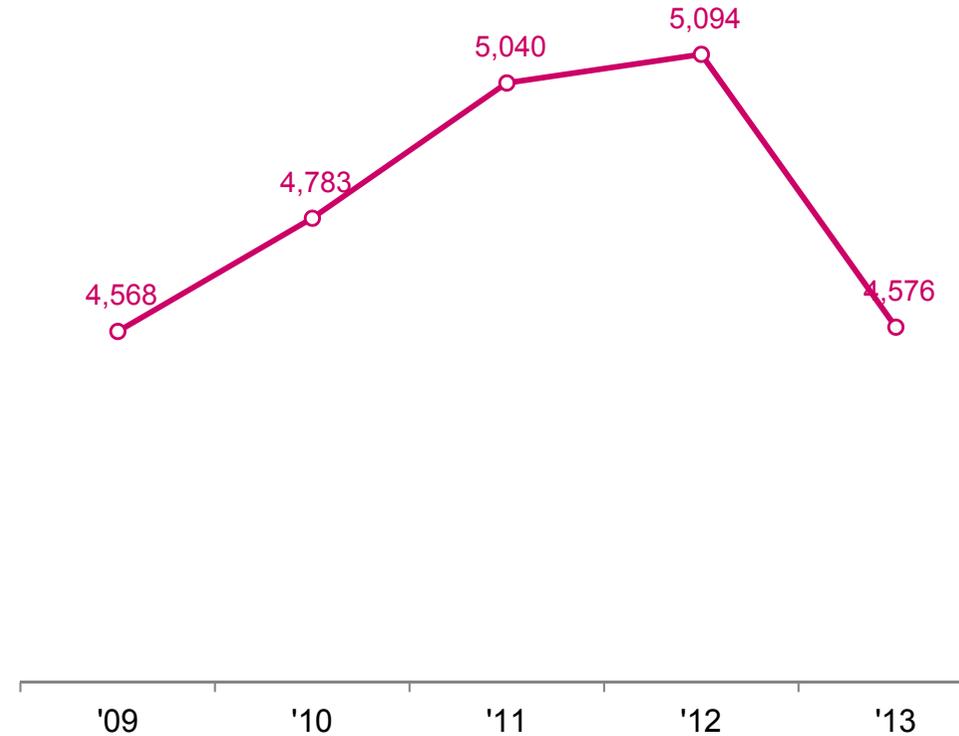
Financial Crisis
Relaxation of Visa
Requirement for
Chinese visitors

A weak yen
Diplomatic
tension between
Korean
Wave Ratio of China
continued became the first

Annual hotel revenue per Available Room2)

(Unit: 10 thousand KRW)

2) ADR(Average Daily Rate)=Room Revenue/Available Rooms



A weak yen
began
Korean
Wave
continued

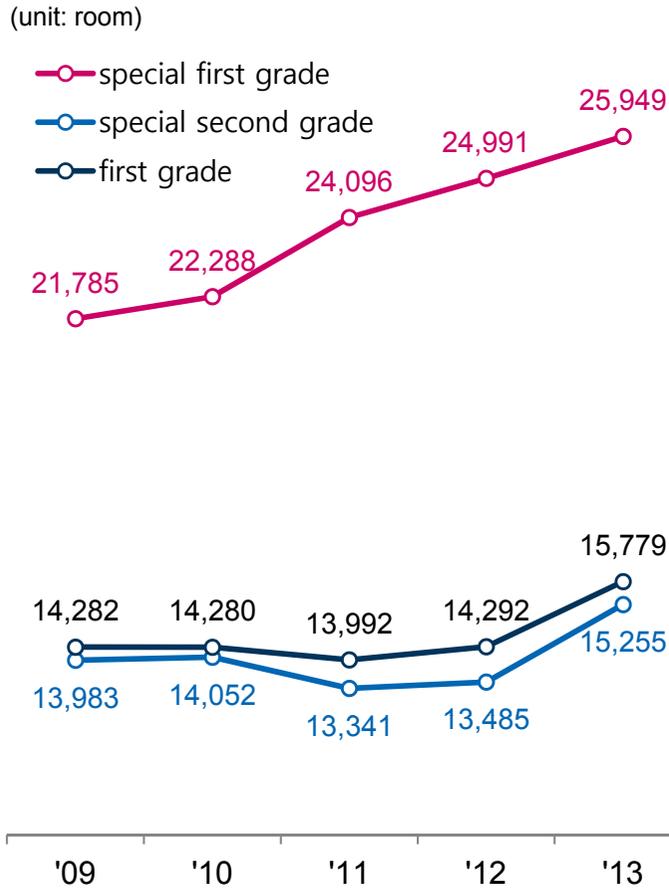
Diplomatic
tension between
Korea and Japan
Ratio of China
became the first

Source: NRI based on Tourism Administration Industry Report, Tourism Knowledge and Information System, Korea Hotel Association

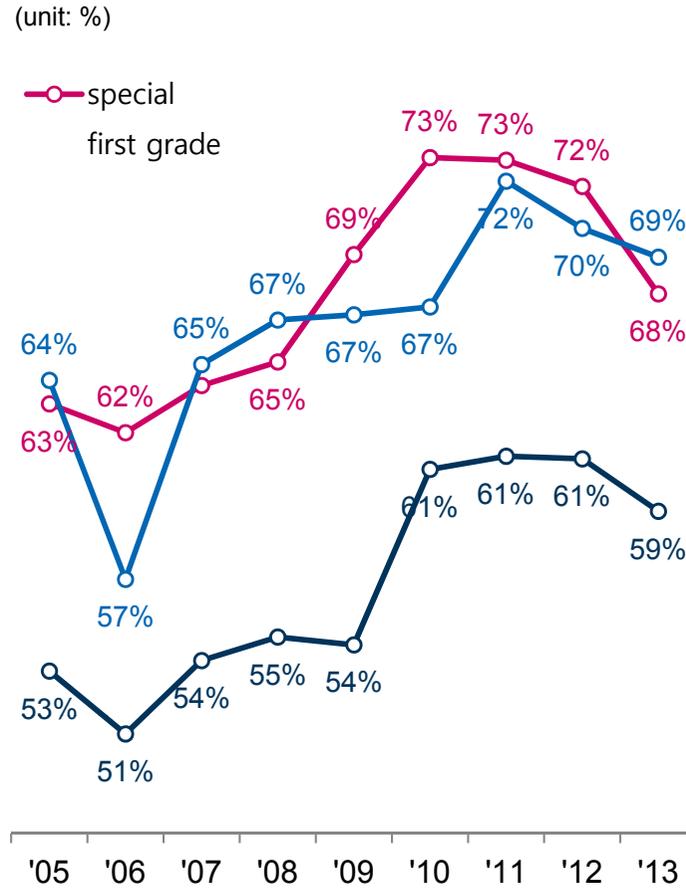
Hotel Market trends

While the number of room in luxury hotel (special first ratings) increased, overall hotel room occupancy rate has decreased since 2012 which was followed by decline in average room rate in 2013.

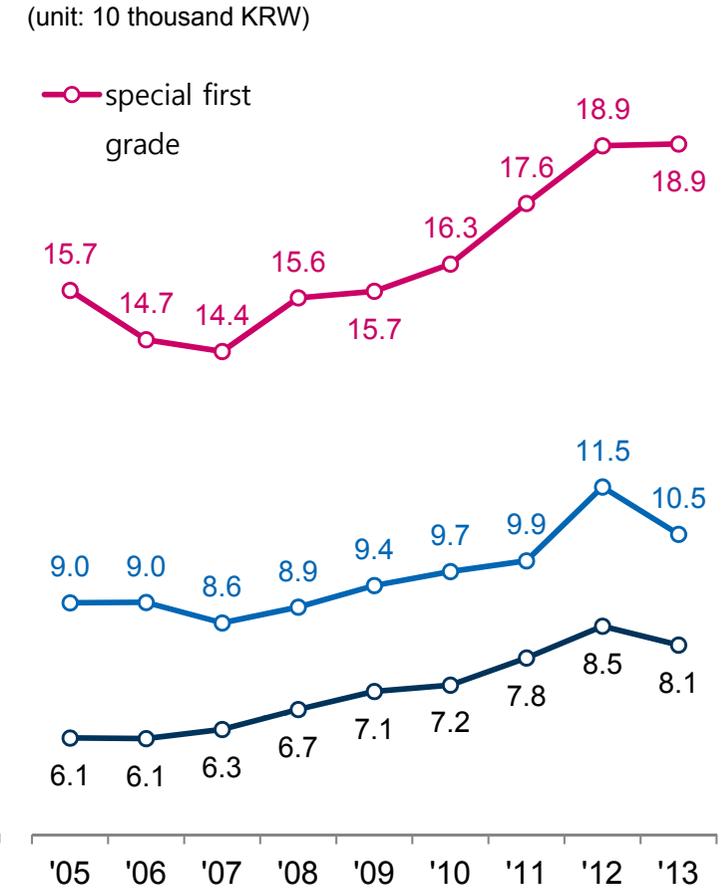
Number of Hotel Room by Ratings



Hotel Room Occupancy Rate by Ratings



Average Hotel Room rate by Ratings



'09 '10 '11 '12 '13
 A weak yen began Korean Wave continued
 Diplomatic tension between Korea and Japan

'05 '06 '07 '08 '09 '10 '11 '12 '13
 Financial Crisis
 Relaxation of Visa Requirement for Chinese visitors
 A weak yen began Korean Wave continued
 Diplomatic tension between Korea and Japan

'05 '06 '07 '08 '09 '10 '11 '12 '13
 Financial Crisis
 Relaxation of Visa Requirement for Chinese visitors
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 Diplomatic tension between Korea and Japan

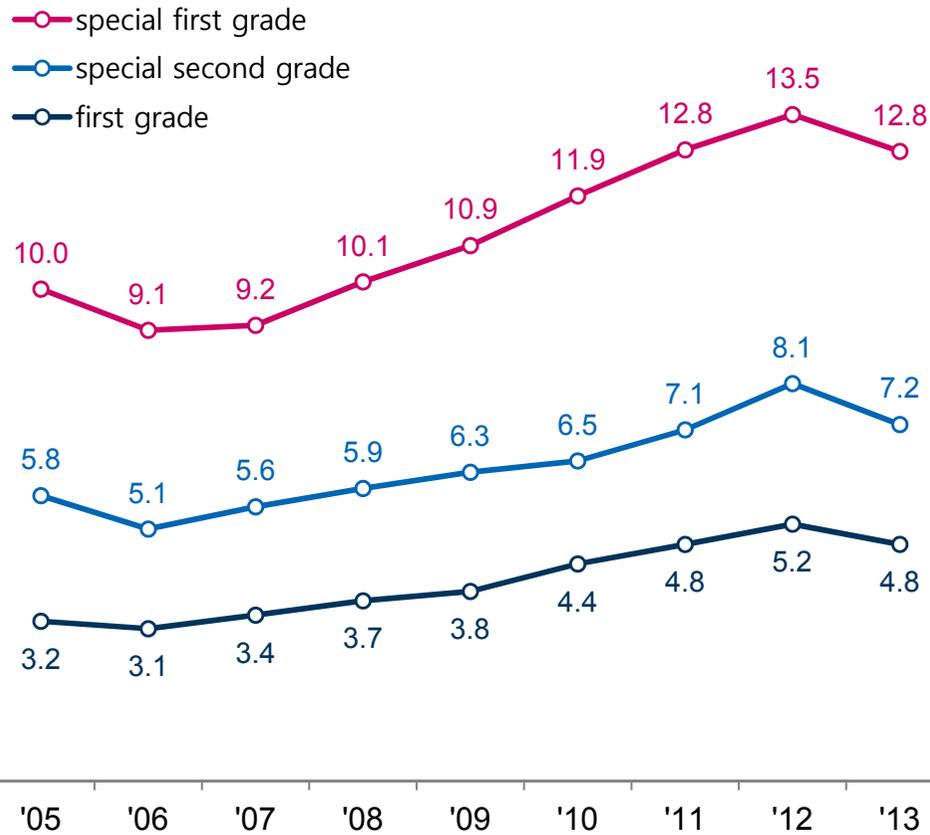
Source: NRI based on Tourism Knowledge and Information System

Hotel Market trends

Revenue per available room in every hotel ratings rose until 2012 with a modest decrease in 2013. Annual revenue per available room including profits from sub-facilities decreased at a sharper rate.

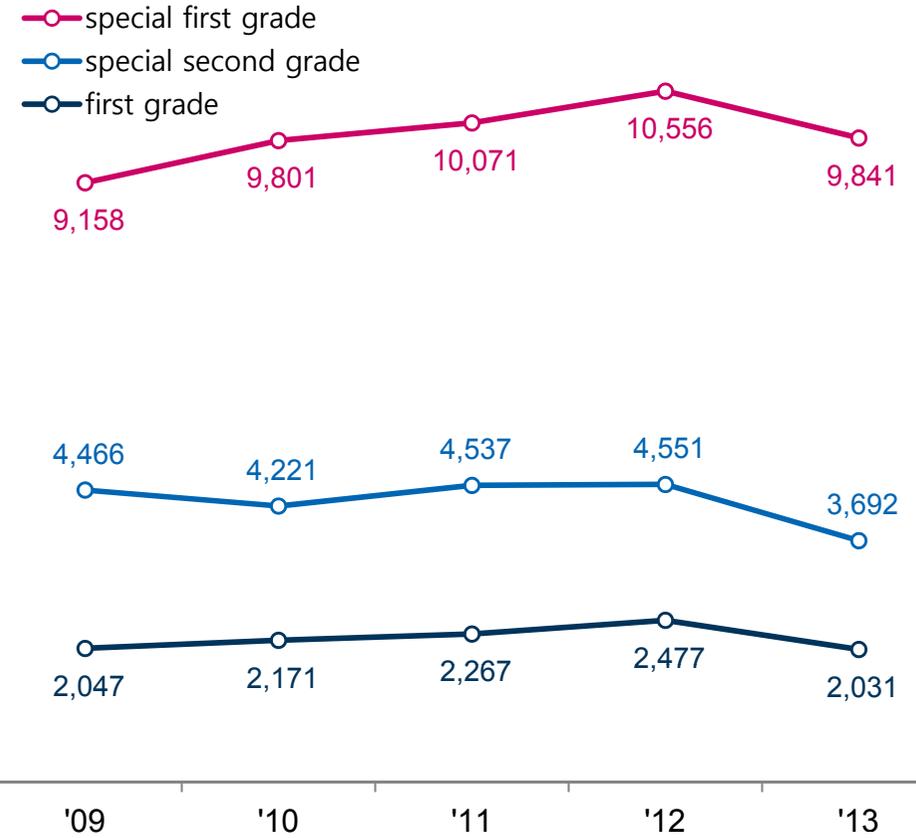
Revenue per Available Room by Hotel Ratings

(unit: 10,000 KRW)



Annual Revenue per Available Room by Hotel Ratings

(unit: 10,000 KRW)



A weak yen began
Korean Wave
continued

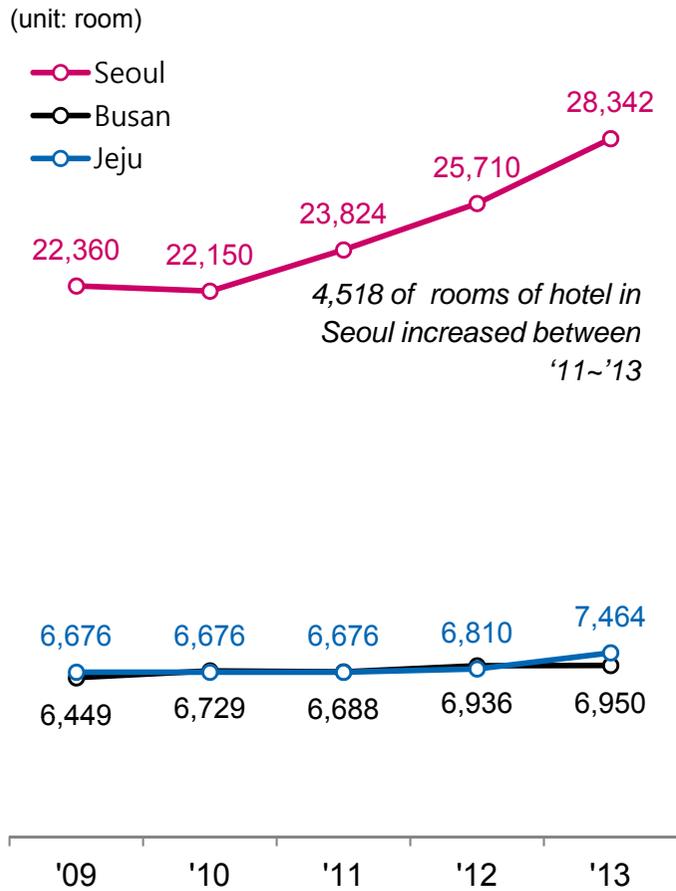
Diplomatic
tension
Between
Korea and Japan

Source: NRI based on Tourism Knowledge and Information System

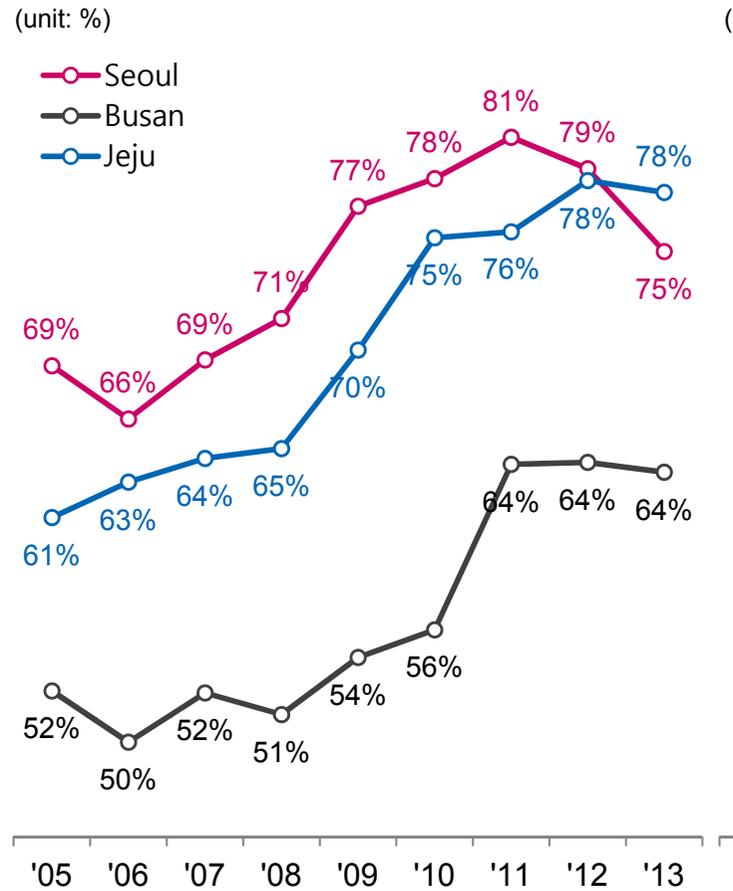
Hotel Market trends

Increase of hotel supply resulted in visible rise in room occupancy rate in Seoul. This led to sharp decrease in average hotel room rate in 2013.

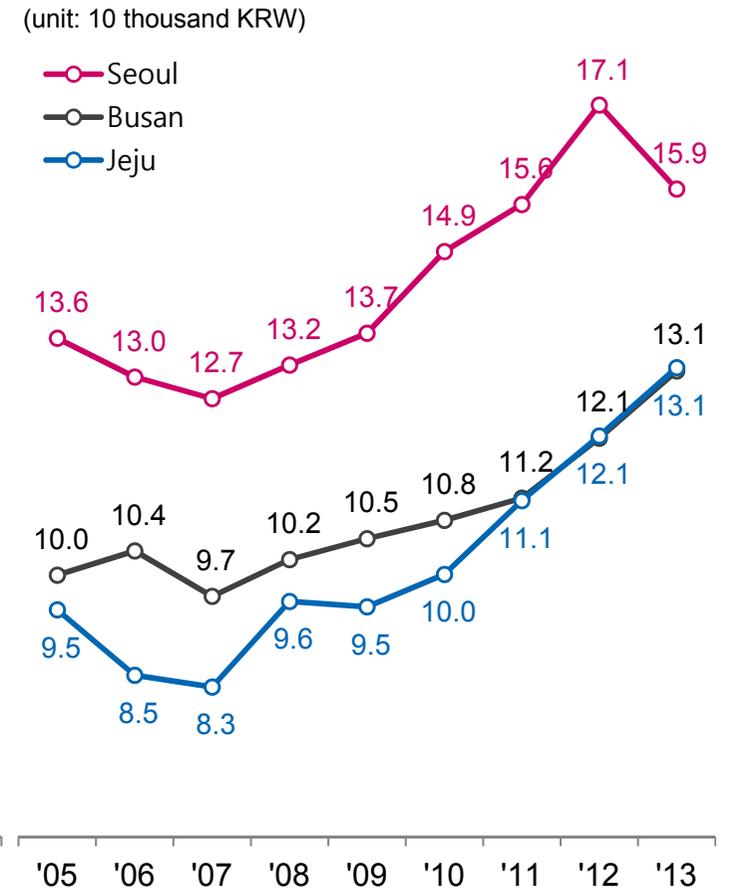
Number of Hotel Room by Region



Hotel Room Occupancy Rate by Region



Average Hotel Room Rate by Region



Source: NRI based on Tourism/Accommodation Industry Report, Tourism Knowledge and Information System, Korea Hotel Association

A weak yen began to continue
Diplomatic tension between Korea and Japan

Financial Crisis
Relaxation of Visa Requirement for Chinese visitors

A weak yen began to continue
Diplomatic tension between Korea and Japan

Financial Crisis
Relaxation of Visa Requirement for Chinese visitors

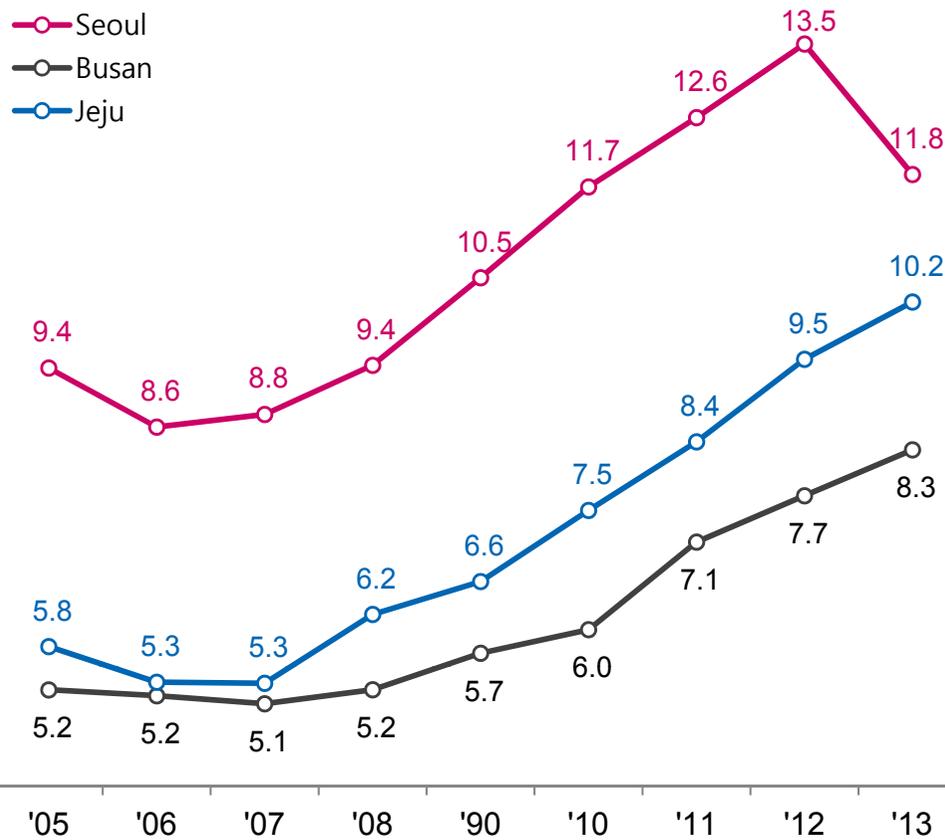
A weak yen began to continue
Diplomatic tension between Korea and Japan

Hotel Market trends

Revenue per available room of Jeju and Busan has increased. However, that of Seoul in 2013 has sharply declined with the city's annual revenue per available room.

Revenue per Available Room of Hotels by Region

(unit: 10,000 KRW)



Financial Crisis
Relaxation of Visa
Requirement for
Chinese visitors

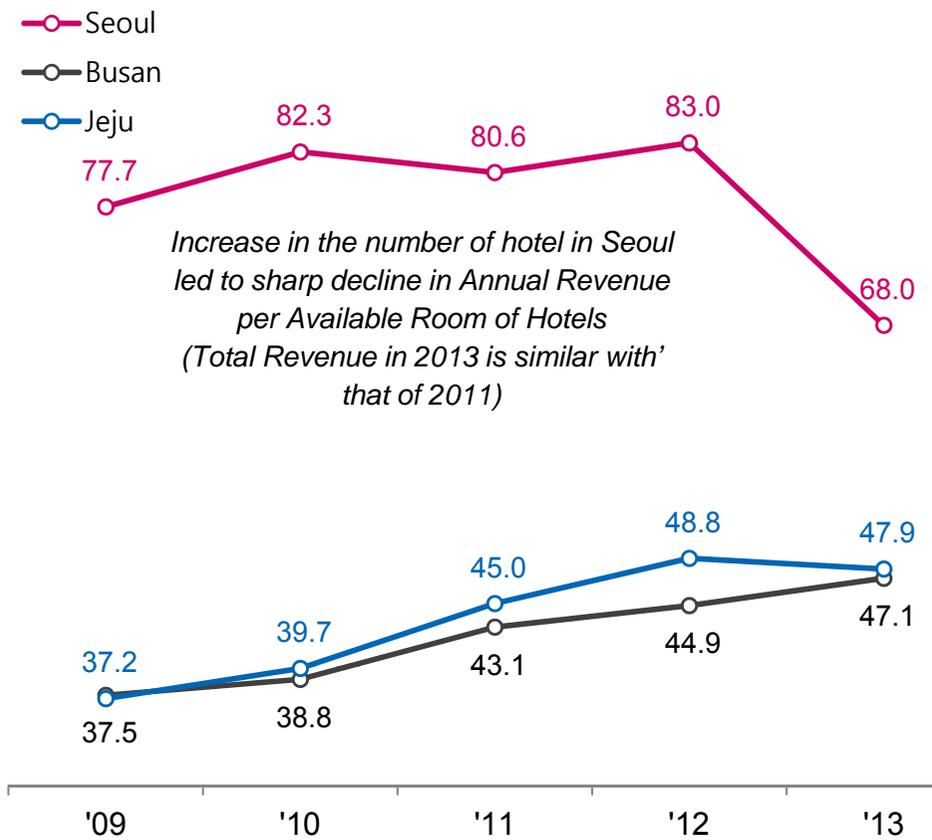
A weak yen
began
Korean
Wave
continued

Diplomatic
tension
between
Korea and
Japan

Source: NRI based on Tourism Research Institute Industry Report, Tourism Knowledge and Information System, Korea Hotel Association

Annual Revenue per Available Room of Hotels by Region

(unit: 10,000 KRW)



Increase in the number of hotel in Seoul
led to sharp decline in Annual Revenue
per Available Room of Hotels
(Total Revenue in 2013 is similar with
that of 2011)

A weak yen
began
Korean
Wave
continued

Diplomatic
tension
between
Korea and
Japan

Korea

Increase of liquidity within slow economic growth

1

Business trends and Office Market Trends

1-1

Business Trends

1-2

Office Market Trend

2

Household Economy and Housing market trends

3

Hotel Market trends

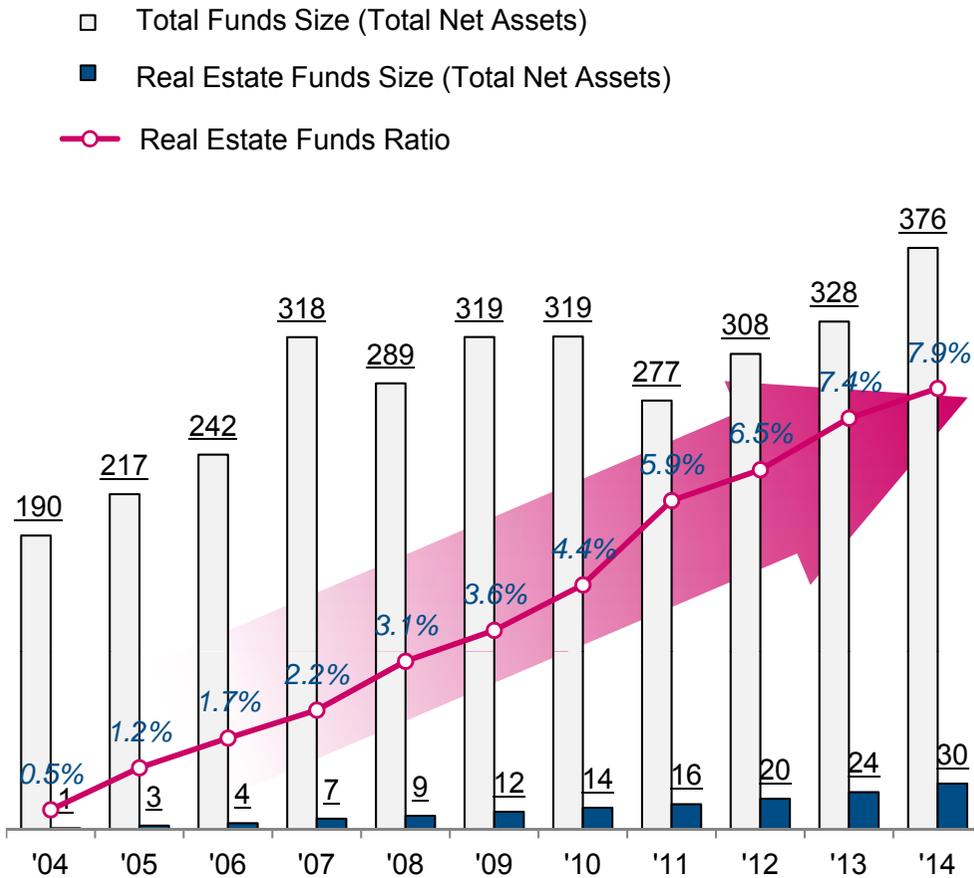
4

Indirect Investment Market Trends

Size of real estate funds has steadily grown, reaching 30 billion KRW by the end of 2014. Foreign real estate funds also extend to 30% of total real estate funds.

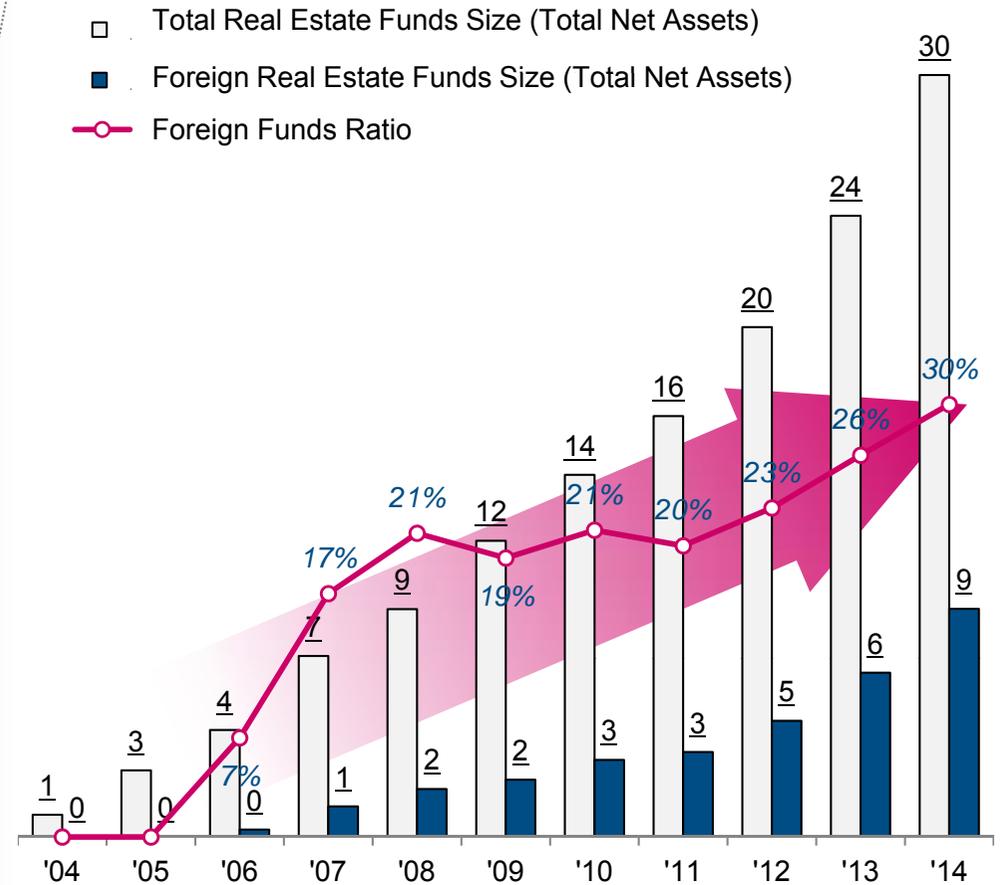
Size of all funds and real estate funds

(unit: trillion KRW)



Size of real estate funds and foreign funds

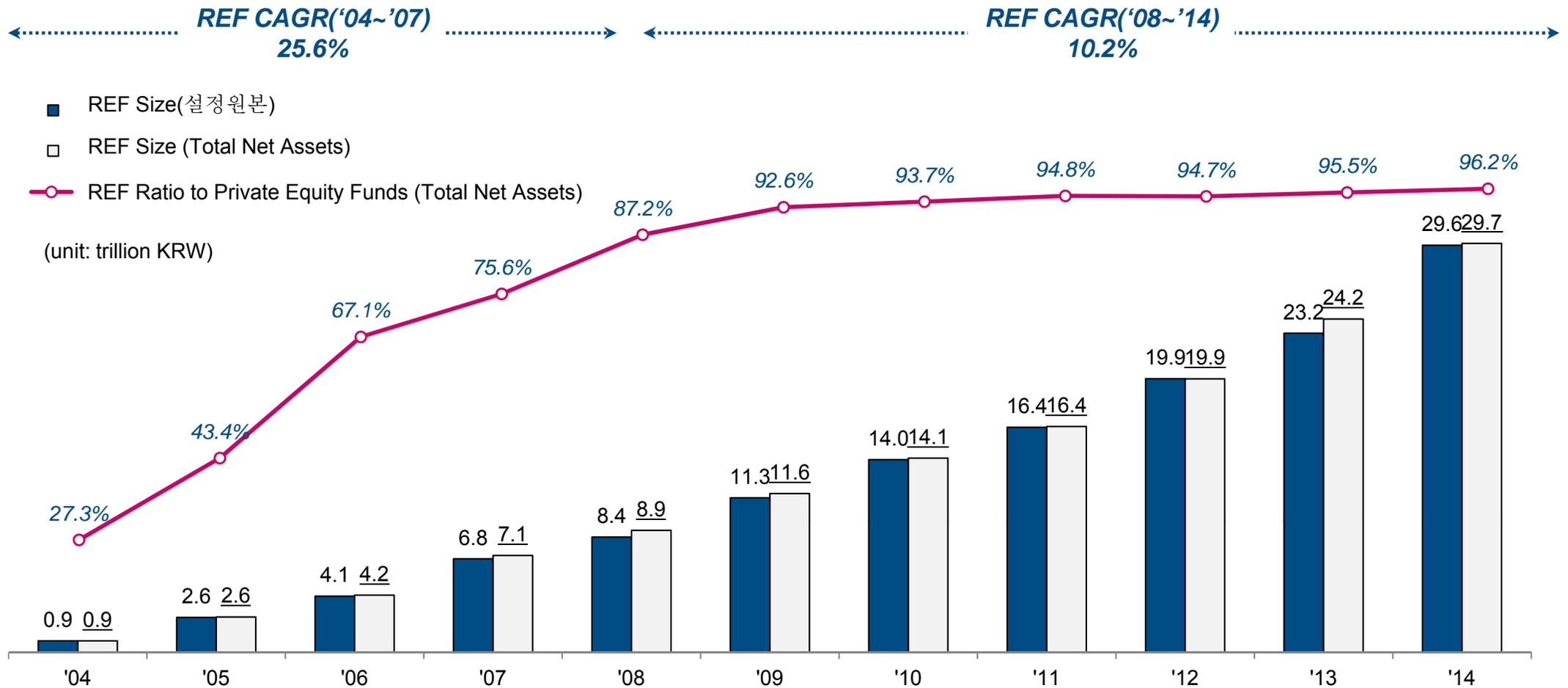
(unit: trillion KRW)



Source: NRI based on Korea Financial Investment Association

Private equity funds account for 96% of the total real estate funds.

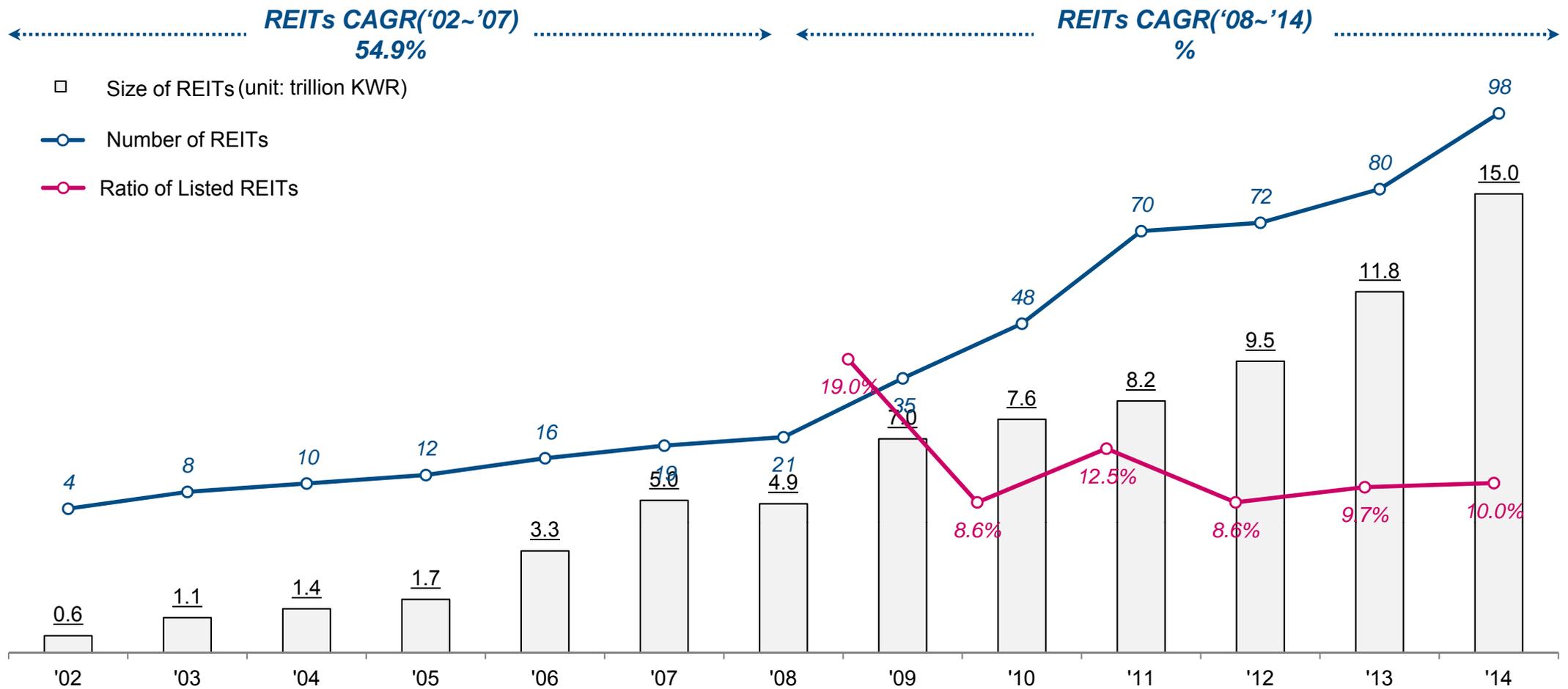
Annual Accumulative Investment in REF



Source: NRI based on Korea Financial Investment Association

Size of REITs increased to 15 billion KRW, but still a portion of listed REITs stays at around 10% of total REITs.

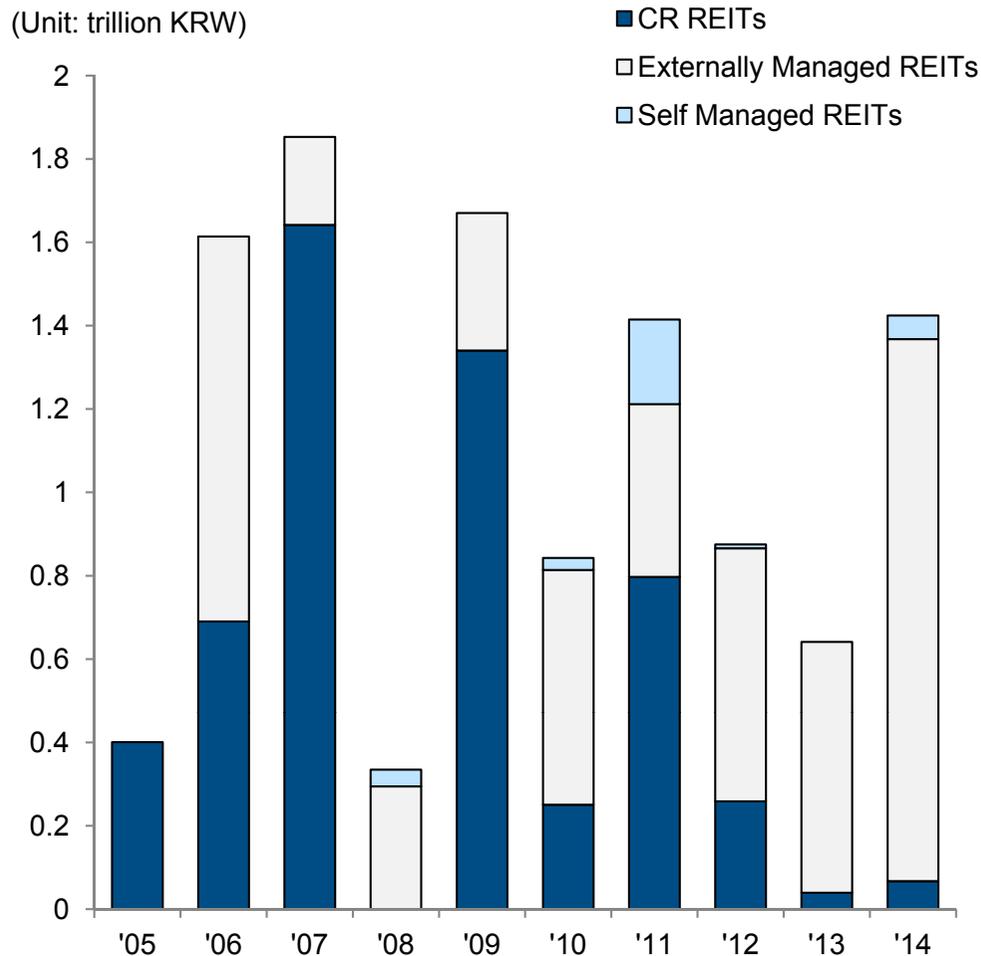
Annual Accumulative Investment in REITs



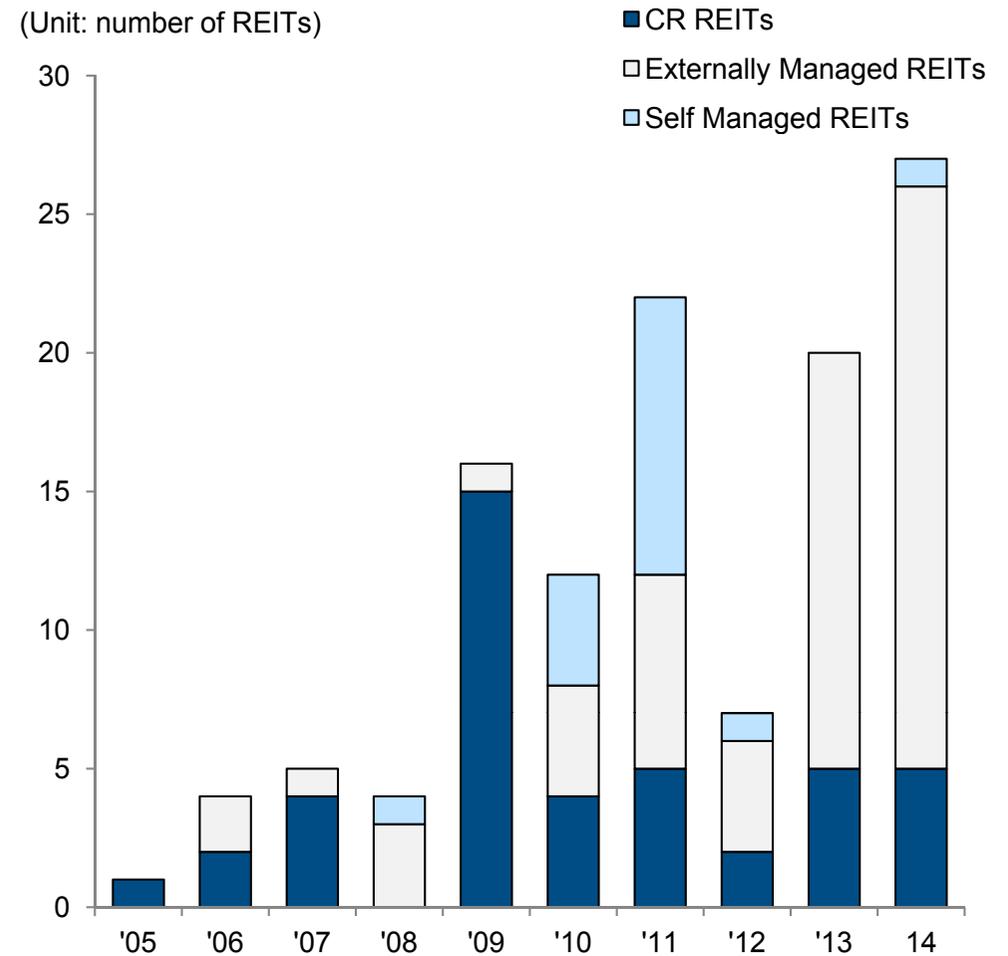
Source: NRI based on Korea Financial Investment Association, Korea Association of Real Estate Investment Trusts

REITs in Korea is mainly consisted of CR REITs and externally managed REITs, due to incorporation of distressed assets.

Size of Incorporated Assets by Types of REITs



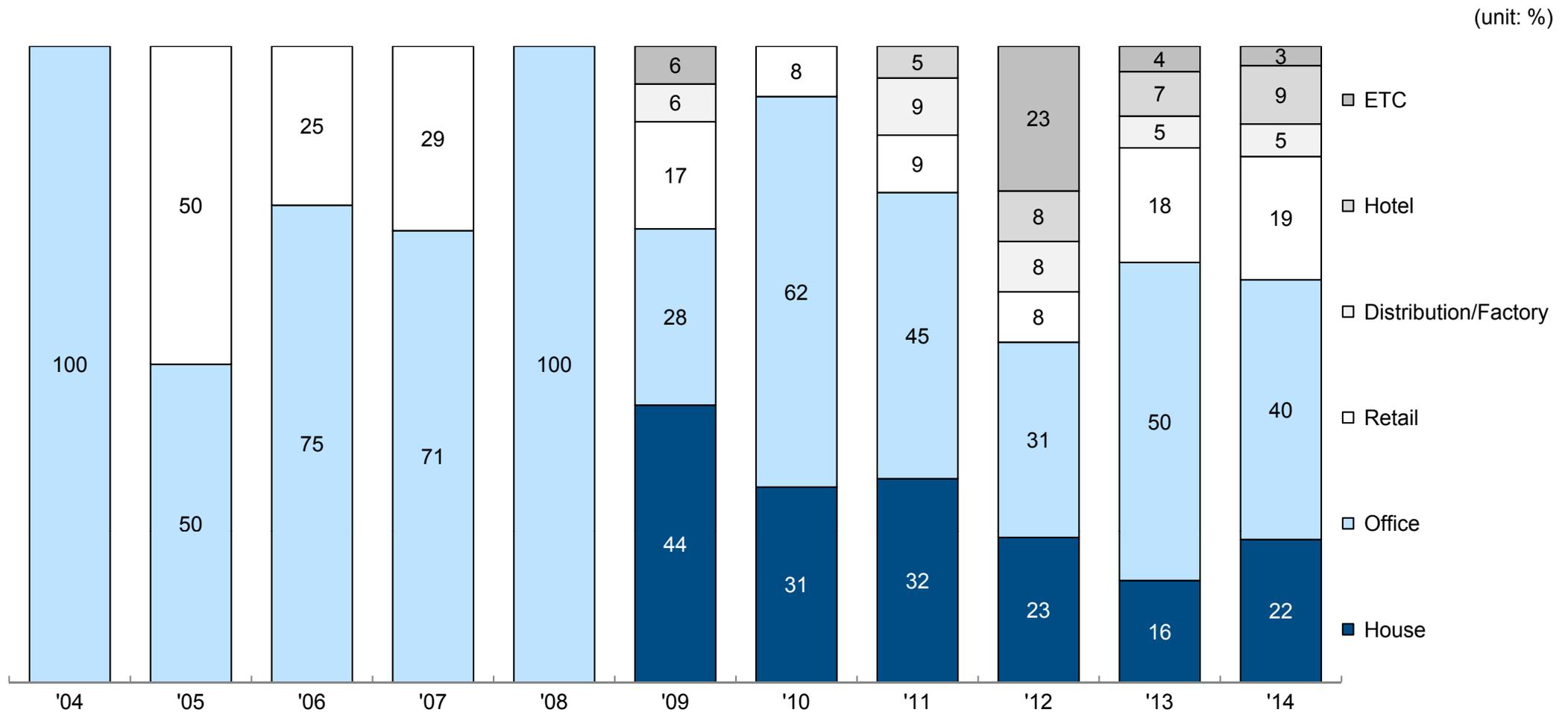
Number of REITs by Types of REITs



Source: NRI based on Korea Association of Real Estate Investment Trusts

REITs have traditionally focused on office and housing, however, its focus area has diversified to retails, hotels and distribution in recent years.

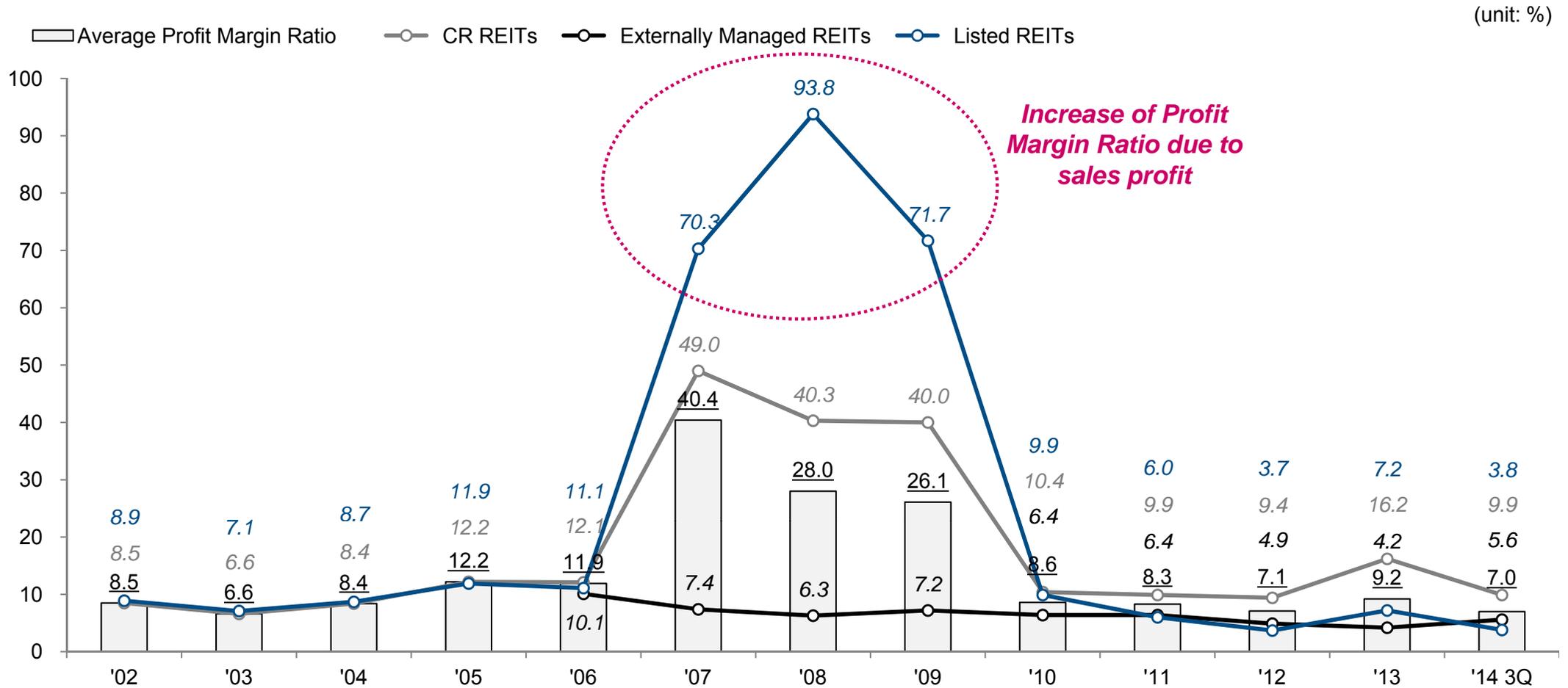
Annual Investment Portfolio of REITs (numbers of REITs)



Source: NRI based on Korea Financial Investment Association, Ministry of Land, Infrastructure and Transport, Korea Association of Real Estate Investment Trusts, KORAMCO

REITs dividend yield ratio is 7% in average, showing stable trend.

REITs dividend yield ratio



Source: NRI based on on Korea Financial Investment Association, Ministry of Land, Infrastructure and Transport, Korea Association of Real Estate Investment Trusts, KORAMCO

Japan	Japanese Real Estate Investment Market
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China	China's market entering an adjustment period
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Korea	Increase of liquidity within slow economic growth
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Taiwan	Overview of Office, Residential and Hotel Markets
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Singapore	Domestic real estate market reaching its peak
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India	Real Estate Market in India – Residential, Office, etc.
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Taiwan Overview of Office, Residential and Hotel Markets

1 Macro Fundamentals of Taiwan

2 Taiwan's real estate trend (Office, Residence, Hotel)

Effective control area of the Republic of China (Taiwan) is approx. 36,000 square kilometers, with a population of 230 million.

Overview of Taiwan

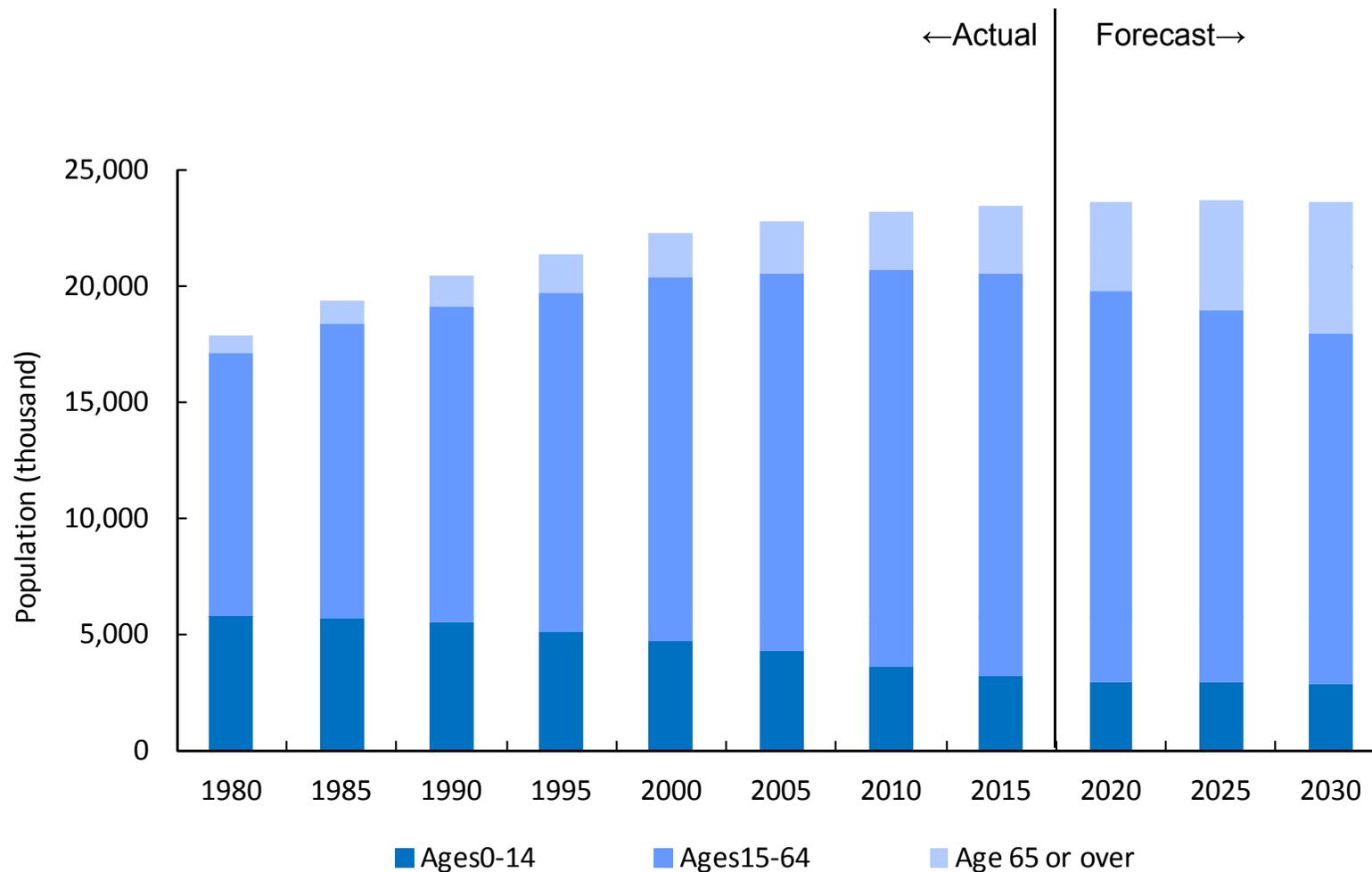


Country name	Republic of China (Founded Oct. 10, 1912) (*The relocation of the Chinese Nationalist Party to Taiwan was in 1949)
Era name	Minguo (2014 A.D.= Minguo 103)
Capital	Taipei (Population: 2.66 million)
Major cities	Shinpei City (Population: 3.97 million) , Taoyuang , Taichung, Tainan, Kaohsiung
Area	Approx. 36,200 km ² (A bit little smaller than Kyushu , Japan)
Population	Approx. 23.45million (as of Mar. 2015)
Ethnic Composition	Han Race 98% , Aboriginal 2%
Currency	New Taiwan dollar (NTD) 1 NTD=Approx. 3.85 yen (As of Apr, 2015)
Nominal GDP	529.5 billion dollars (2014)
Nominal GDP per capita	22,632 dollars (2014)
No. of Japanese residents	16,797 (as of Dec, 2013)
Number of Japanese companies	Japanese Chamber of Commerce and Industry in Taipei member firms: 457 (Mar. 2015) Japanese Club member firms: 293 (Dec. 2014)
Number of travelers between Japan	From Japan to Taiwan from Japan: 1.63 million (2014) From Taiwan to Japan from Taiwan: 2.97million (2014)

Population has been increasing, although is expected to peak out within the next 5 years.

- The population is about to decrease, with the productive workers' population expected to peak out in 2015 and the total in 2021.

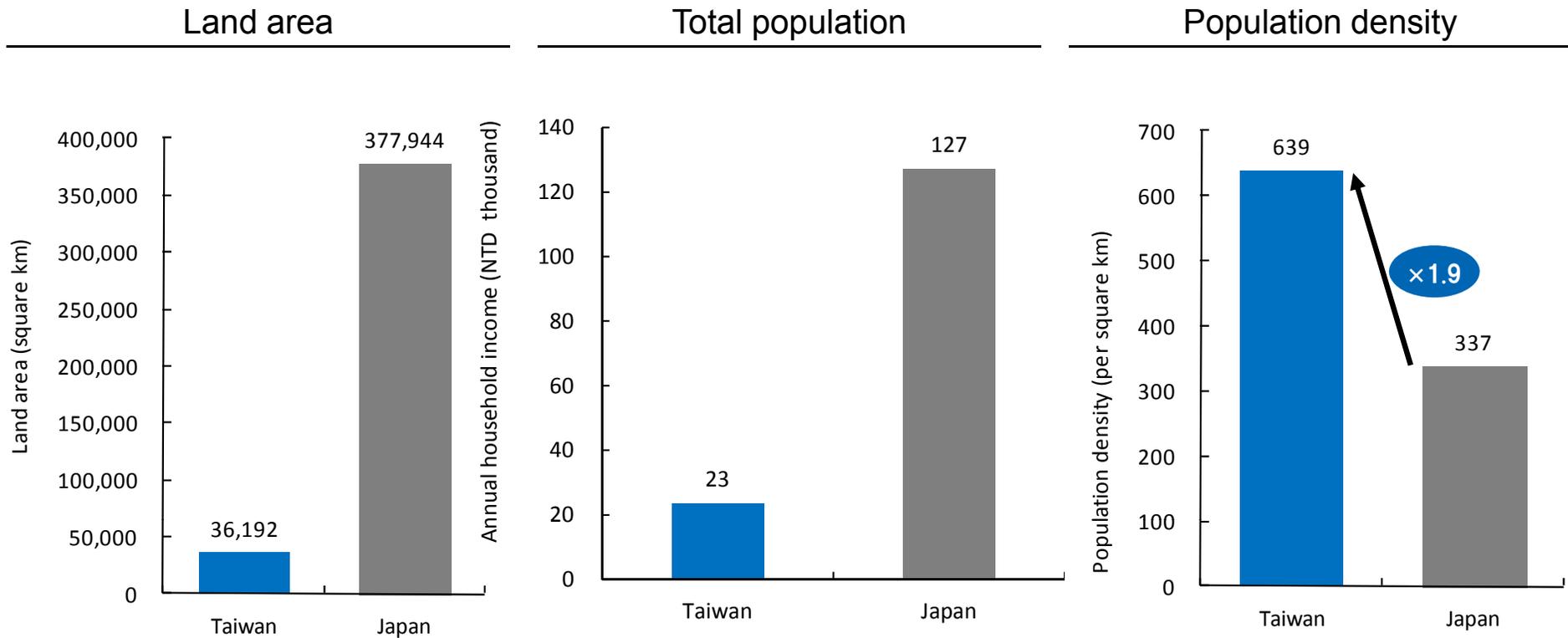
Population in Taiwan by age-group



Source: NRI based on the CEPD, Executive Yuan, R.O.C.(Taiwan)

Population density in Taiwan is twice as high as Japan.

Comparison of Taiwan and Japan in population distribution

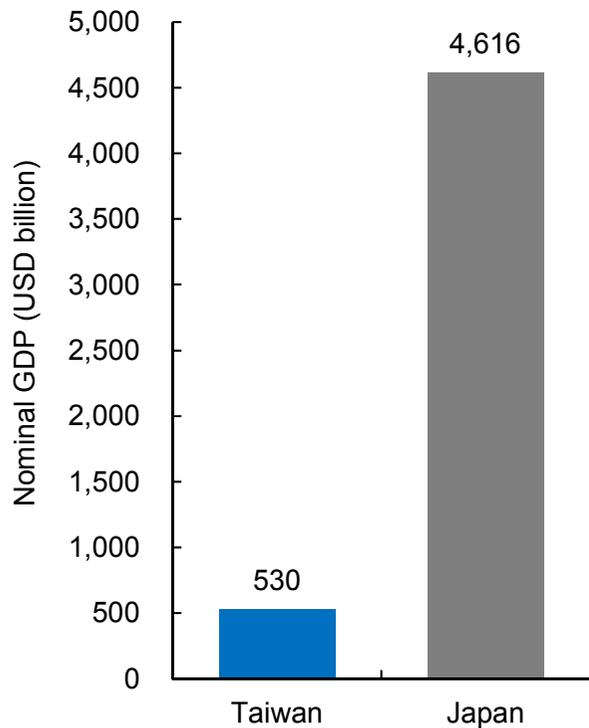


Source: NRI based on the Ministry of Interior of ROC and the Ministry of Internal Affairs and Communication of Japan

GDP per capita is approx. 60% of that of Japan. Income level is 90%.

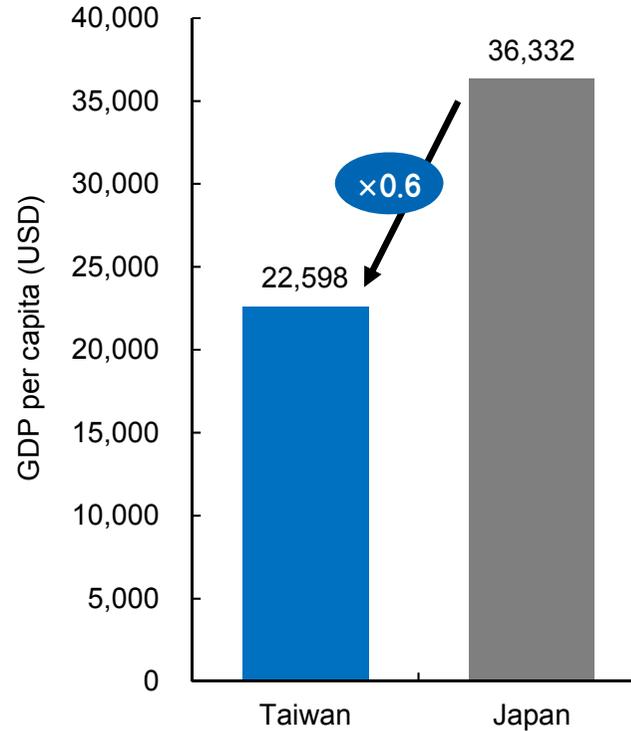
Comparison of Taiwan and Japan in the scale of economy

GDP (2014)



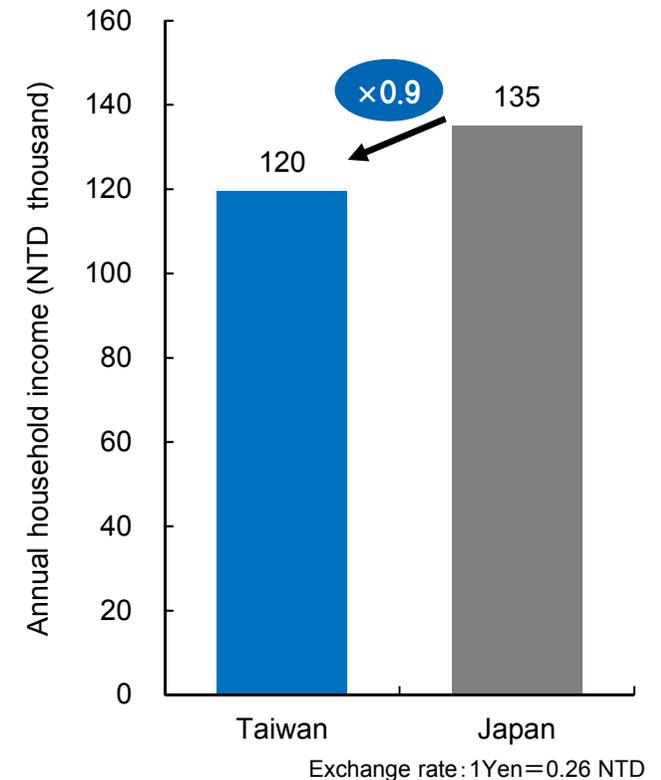
Source: IMF

Per capita GDP (2014)



Source: IMF

Household income (2013)

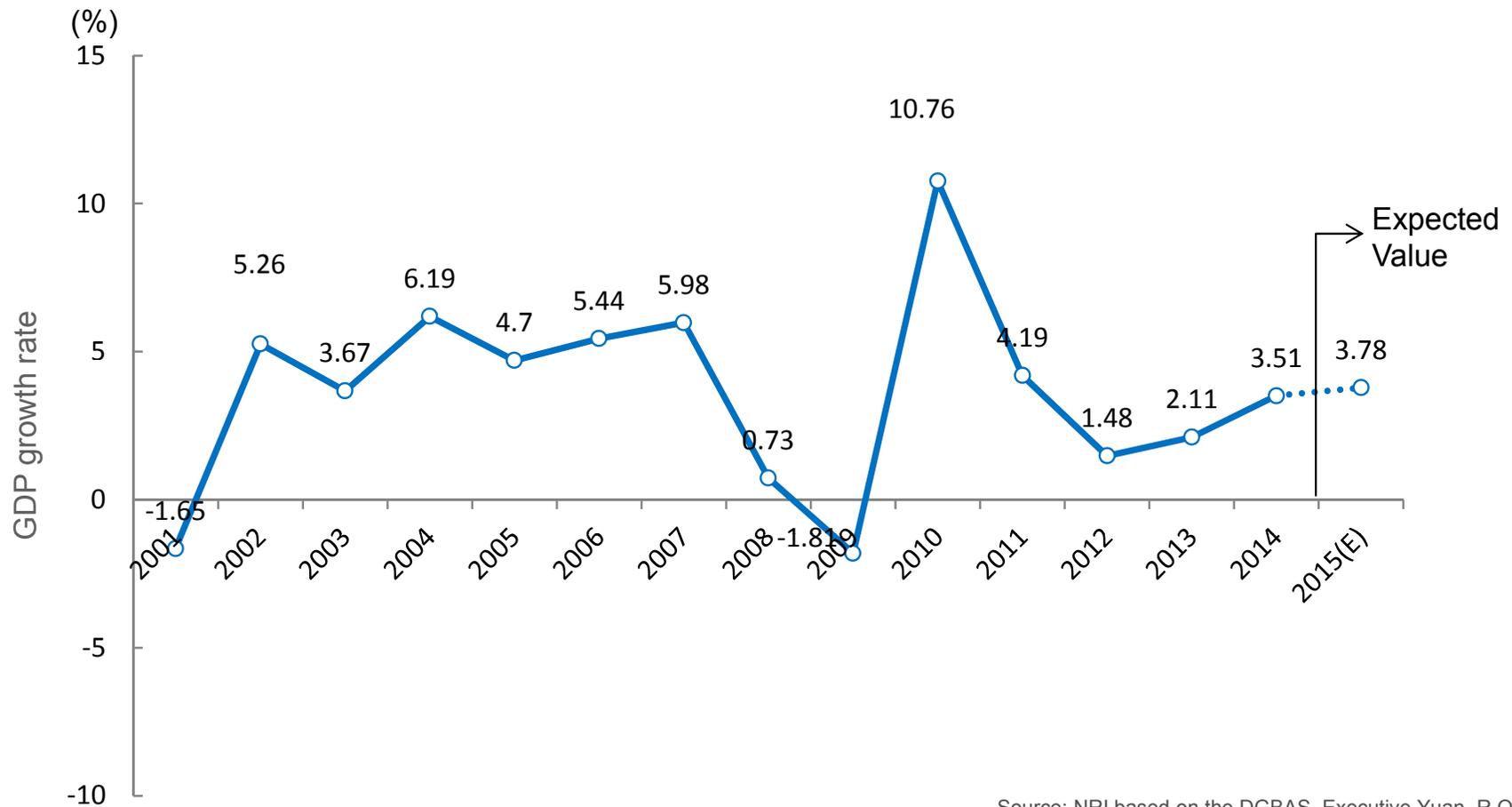


Source: NRI based on the DGBAS, Executive Yuan, R.O.C.(Taiwan), Statistics Bureau of the Ministry of Internal Affairs and Communications of Japan,

Taiwan's GDP growth has been on a steady rise at approx. 3.5%.

- Taiwan's economy showed negative growth during IT bubble of 2001 and the financial crisis after Lehman Shock of 2009, but it quickly returned to stable growth trend.
- The reason of stable growth of Taiwan's economy is it keeps successfully in receiving benefits from China's economic growth. The continuing improvement of the relationship between Taiwan and China is expected to bring Taiwan further economic growth.

GDP growth rate



Source: NRI based on the DGBAS, Executive Yuan, R.O.C.(Taiwan)

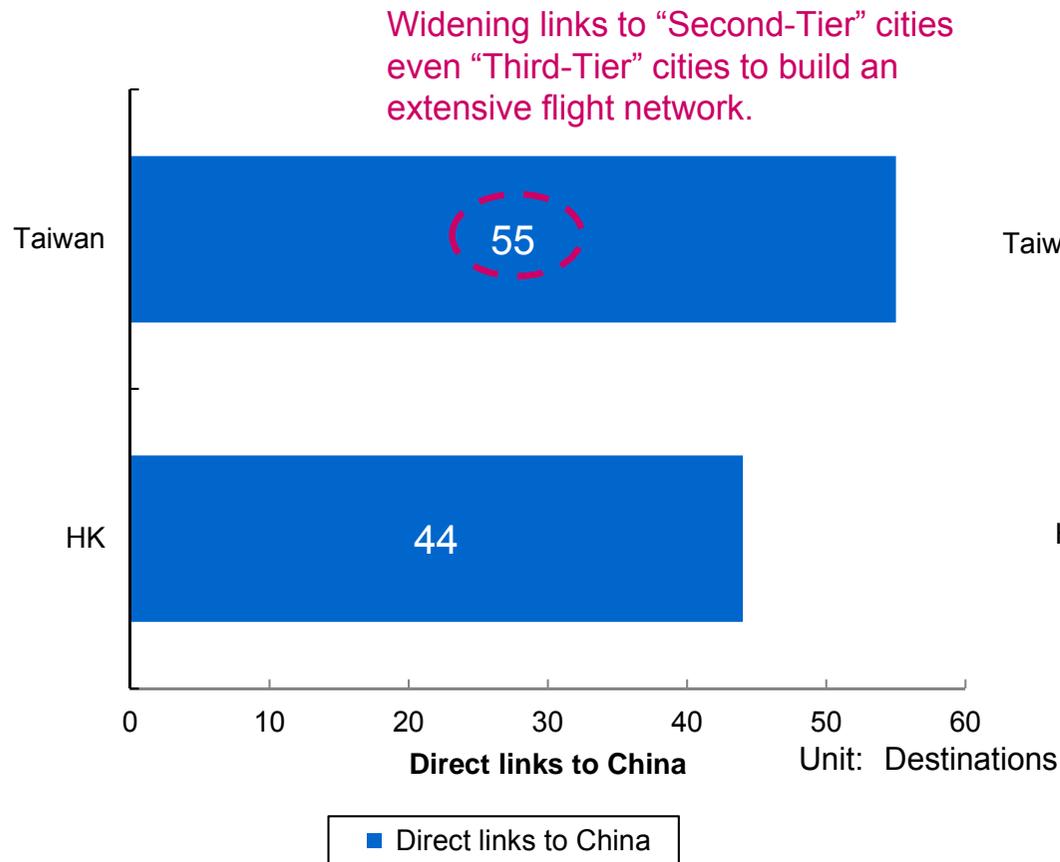
Relationship between Taiwan and China improved significantly after 2008. In recent years, however, Taiwan has been met with events which highlighted underlying discontent against China among its population.

History of “Cross-strait relationship” under Ma Ying-jiu regime

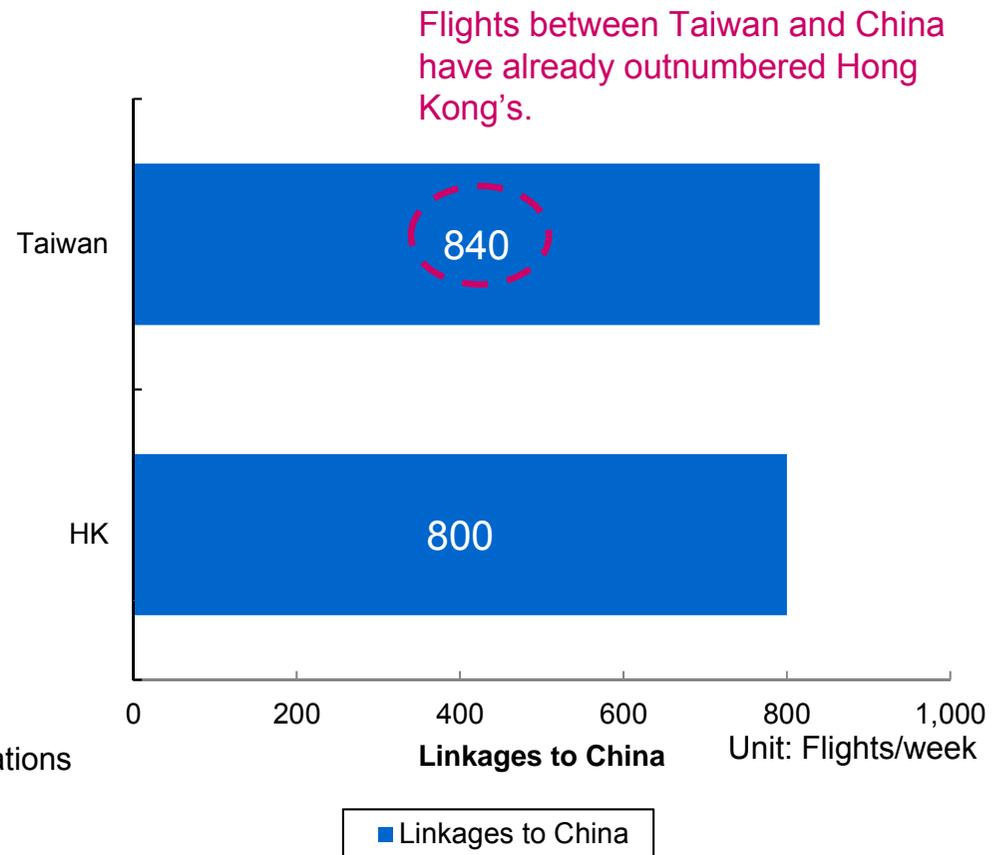
- May 2008 Ma Ying-jiu of the Nationalist Party becomes the 12th President of Taiwan.
- Jul.. Chinese tourists to Taiwan was deregulated. (Group tour)
- Dec. The Three Links (Liberalization in commerce, transportation, and postal service) is implemented.
- Dec. Cross-Strait Conference on the Cooperation and Exchange of the Chinese Medicine Industry, which is the project representing the cross-strait industrial bridge, was held in Taipei.
- Apr. 2009 The third summit meeting of cross-strait contact points was held. A memorandum on cross-strait financial cooperation (concerning banks, securities and insurances) was signed and chartered flights were decided to be increased and become scheduled.
- Jul. Chinese investment into Taiwan was deregulated. (63 kinds in manufacturing, 24 in service and 11 in public works was released to be invested by Chinese).
- Nov. Cross-Strait financial MOU was signed. (Put into effect in January 2010)
- Jun. 2010 Signed Economic Cooperation Framework Agreement ;ECFA. At the same time announced the list for bilateral tariff negotiation items.
- Jan. 2011 Started waiving import tariffs (so-called Early Harvest list).
- Nov. Both sides agreed on industry cooperation in following segments (LED. Municipal Wireless, Cold Chain Logistics, TFT-LCD, EV).
- Aug. 2012 The customs authorities of Taiwan and China signed a Cross-Strait Customs Cooperation Agreement regarding customs service, smuggling crackdown and tariff reduction.
- Aug. Both sides reached a consensus to promote a mechanism of transparency information, loosing investment limitations to promote prosperity.
- Jun. 2013 The Cross-Strait Agreement in Trade in Services based on WTO framework is signed. It proposes opening up over 100 services sectors in phases.
- Mar 2014 The Cross-Strait Service Trade Agreement Law passed the diet. But anti-the law demonstration was happened on the next day.
- April Legislative Speaker promised to postpone review of the law until legislation monitoring all cross-strait agreements has been passed

Taiwan-China relation was also reinforced in terms of transportation. Taiwan is now listed as one of the Asian countries with the most densely air direct links with China.

No. of Destinations in China



No. of flights to China

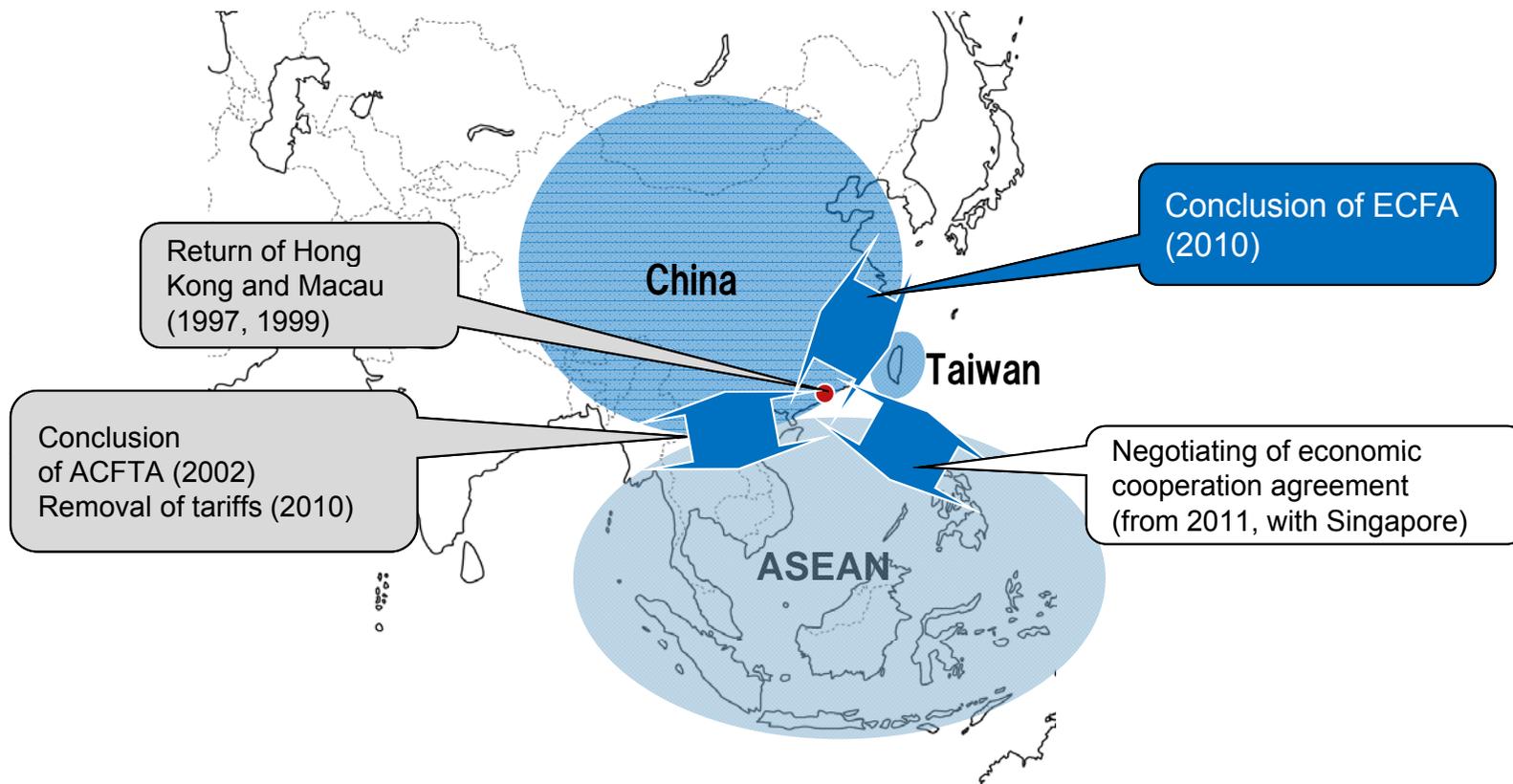


Source: NRI based on the Civil Aeronautics Administration of the MOTC, R.O.C.(Taiwan),

As economic unification between Taiwan and China proceeds, regional integration between greater China and other regional organizations is fast-approaching.

- The Chinese economic area centering China has been accelerating its unification as the Greater China, with the return of Hong Kong in 1997 and Macau in 1999, the conclusion of the ACFTA with ASEAN in 2002, and the ECFA with Taiwan in 2010.
- ECFA between Taiwan and China made tariffs on 539 items in China and 267 items in Taiwan gradually reduced, and investment in the service industry deregulated. Therefore, increasing of business investment between Taiwan and China is expected.

Unification of the Greater China economy



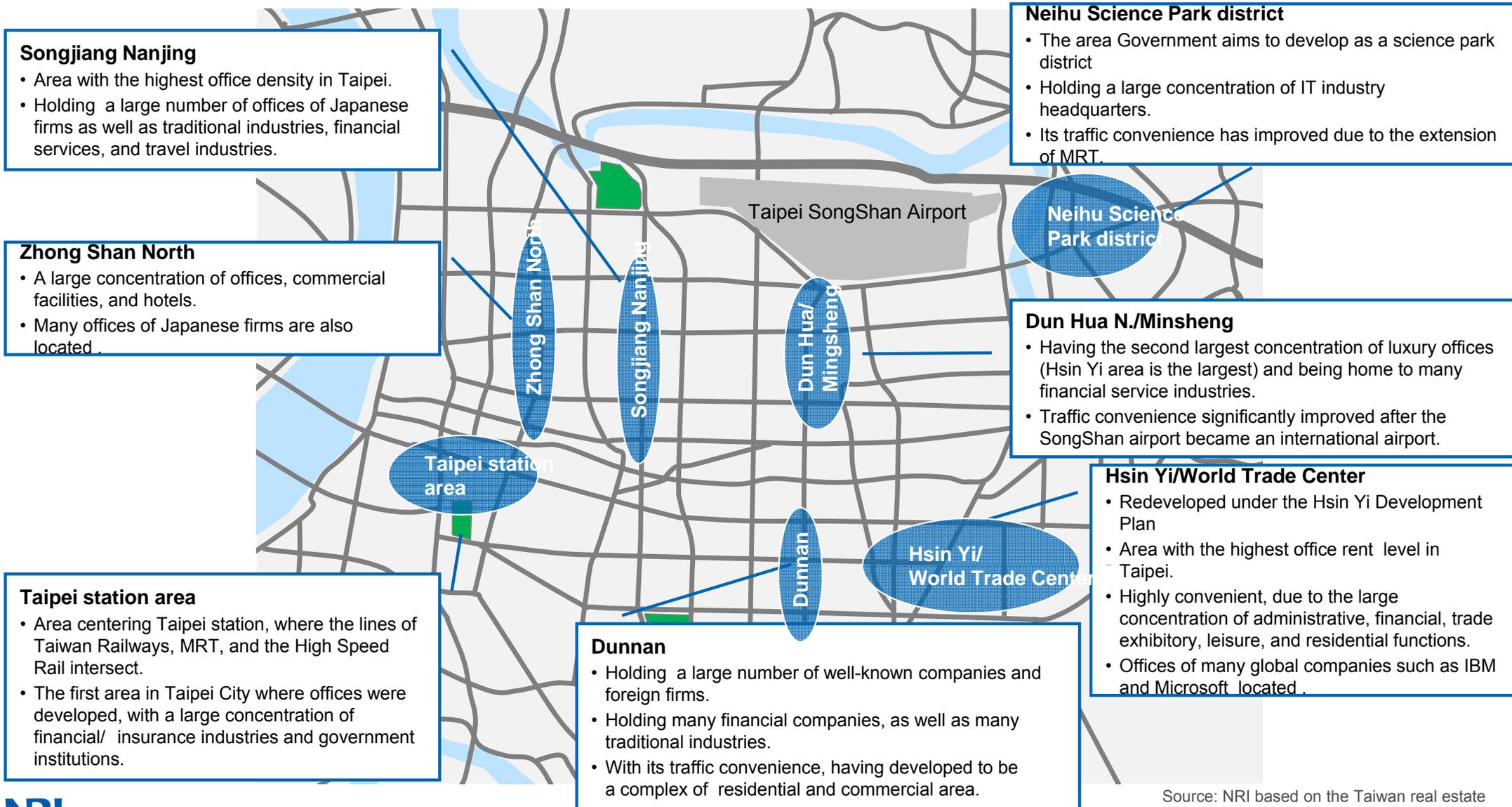
Taiwan Overview of Office, Residential and Hotel Markets

1 Macro Fundamentals of Taiwan

2 Taiwan's real estate trend (Office, Residence, Hotel)

Following 7 areas compose major office districts of Taipei City.

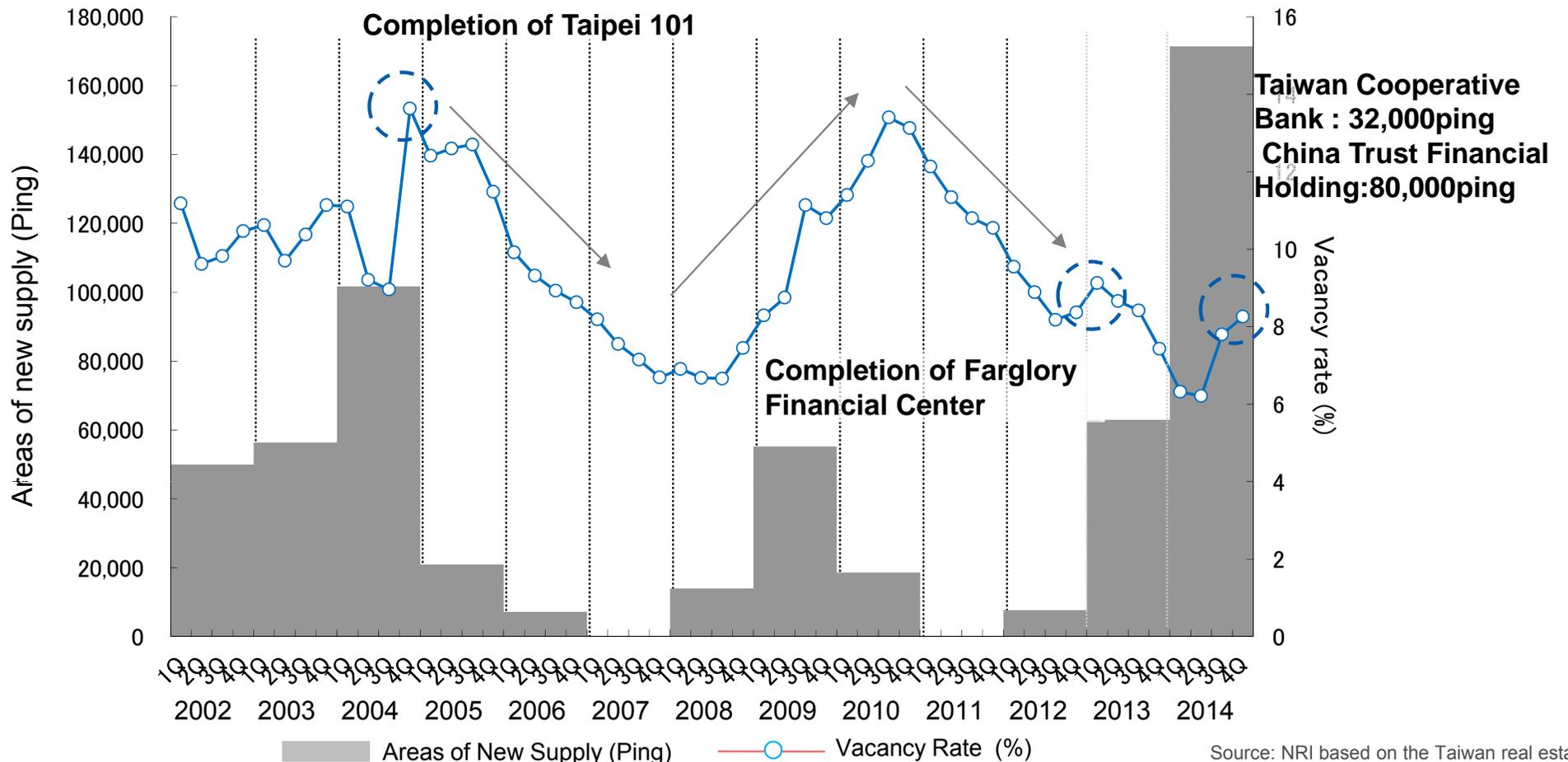
Major office areas in Taipei City



Office vacancy rates in Taipei City started to decline in 2010, however, due significant increase of supply in 2014, vacancy rate exceeded 8%.

- Recent years, Overall, the vacancy rates in Taipei were declining and is about 6% in end of 2013.
- in 2014, approximately 360,000sqm office floor completion in Nan-gang and Song-shang district.
- Therefore, vacancy rate were rising up to 8% in 2014.

Supply of new offices and vacancy rates in Taipei City



Average office rent of Grade A in CBD is approx. 2,400 NTD/Tsubo .

Overview of major office areas (2014)

District	Supply floor space (Tsubo)	A-class office avg. rent (NTD/Tsubo/month)	B-class office avg. rent (NTD/ Tsubo / month)	A-class office Vacancy rate (%)	B-class office Vacancy rate (%)
Taipei station district	62,139	2,200	1,691	7.76%	3.69%
Chung Shan North district	32,932	--	1,746	--	4.35%
Songjiang Nanjing district	261,293	1,936	1,720	27.36%	7.38%
Minsheng /Dun Hua N. district	265,576	2,281	1,743	11.20%	6.85%
Dun Hua/Jen-Ai district	171,115	2,452	1,777	5.23%	4.77%
Xinyi district	282,612	2,927	1,696	10.45%	3.09%

Note: 1 Tsubo = 3.306 square meters

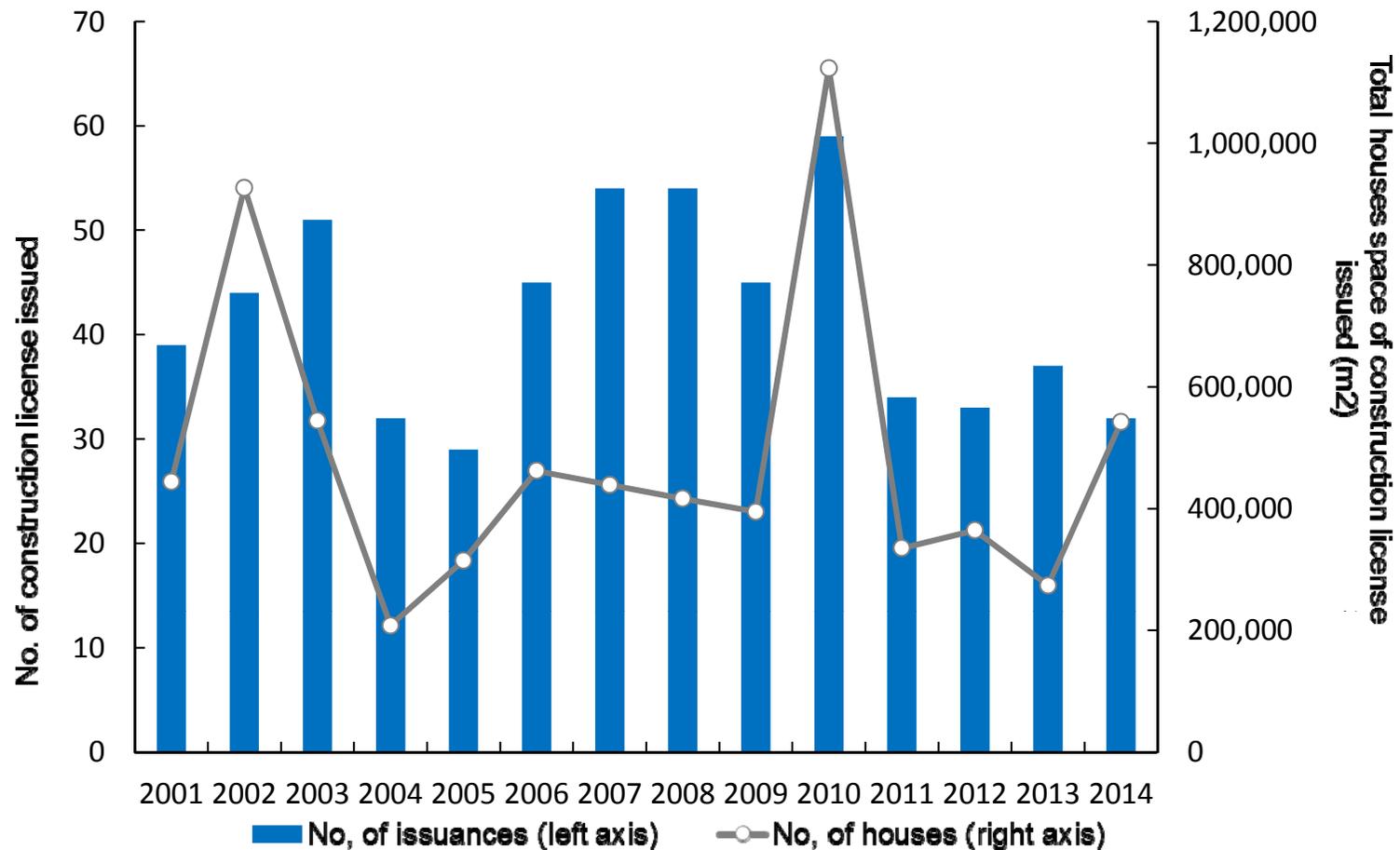
Average rent :2,400 NTD/Tsubo/month

Source: NRI based on CBRE data

Large number of new office spaces are expected to be supplied in 2016.

- In 2016, numerous floor areas of office are expected to be supplied into real estate market.

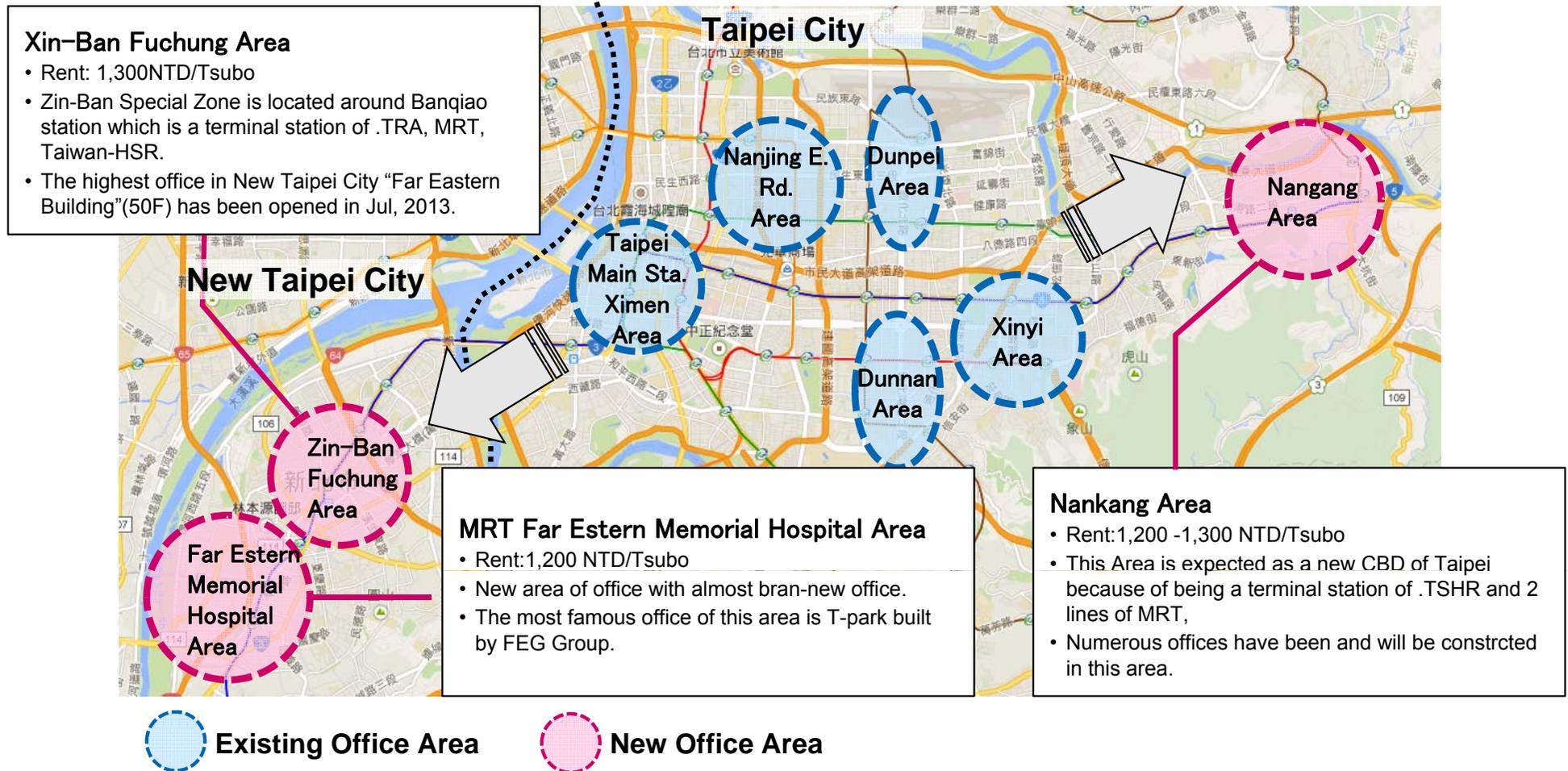
Number of office construction license issuance and total floor space licensed for construction in Taipei City



Source: NRI based on statistics by the CPAMI, R.O.C.(Taiwan)

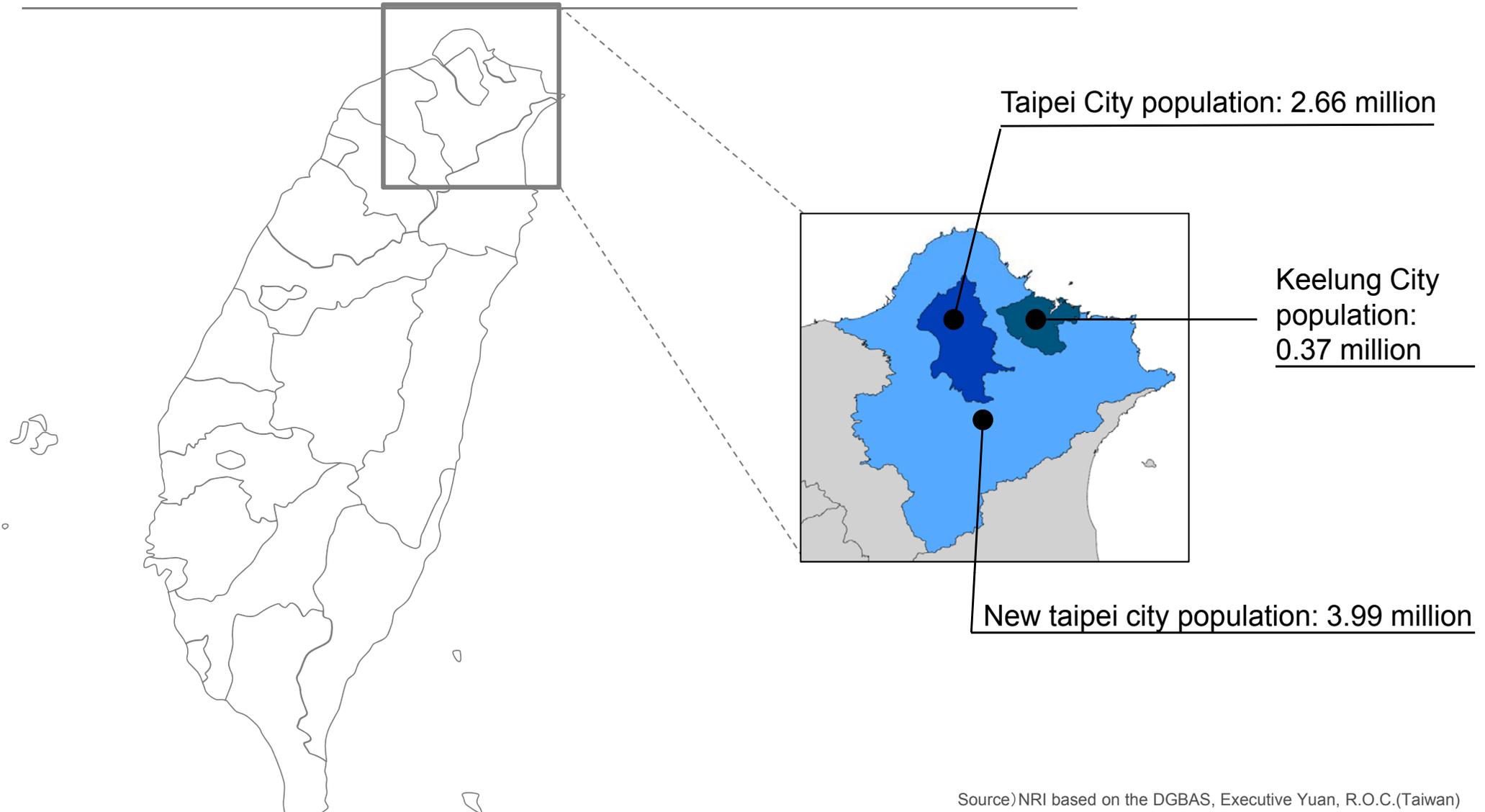
New CBD development outside of Taipei City is supplying the market with new office spaces.

- The Existing office areas are distributed in central Taipei city.
- Based on redevelopment of lands outside center of Taipei City, Xin-Ban area and Nagang area have been new office area of Taipei metropolis.



Total population of Taipei Metropolis (incl, Taipei City, New taipei city and Keelung City) is 7 million. Nearly 30% of Taiwan population is accumulated in these three cities.

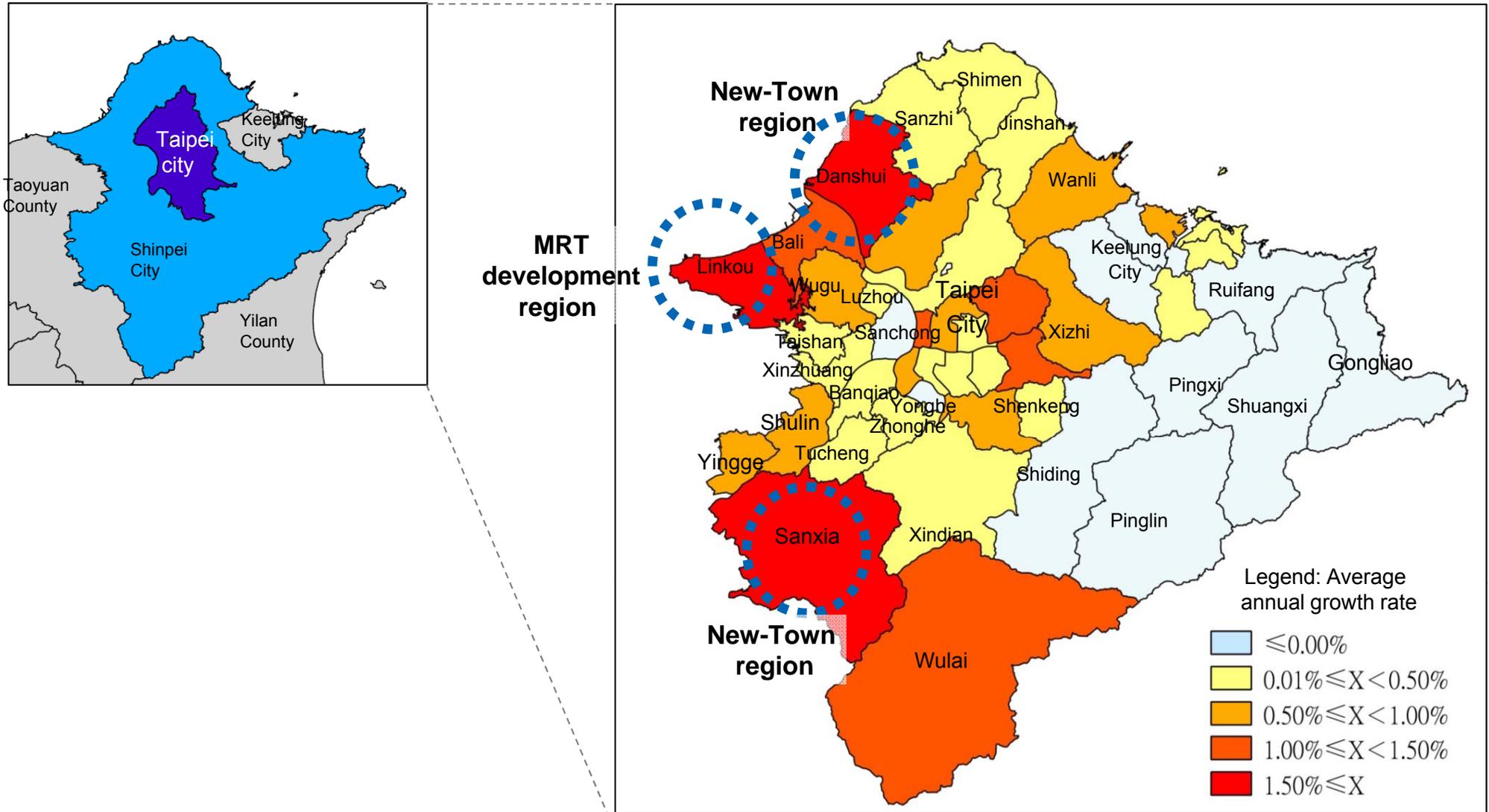
The location and population of Taipei City ,Keelung City and Shinpei City



Taiwan's real estate situation (Residential Market)

Over the past 5 years, Taipei metropolitan area has been gradually expanding to the west.

Population Changes in Taipei City and New Taipei City over the last five years



Construction of MRT is one the major reasons for Taiwan's accelerating urban sprawl.

MRT construction status around Taipei Metropolitan Area

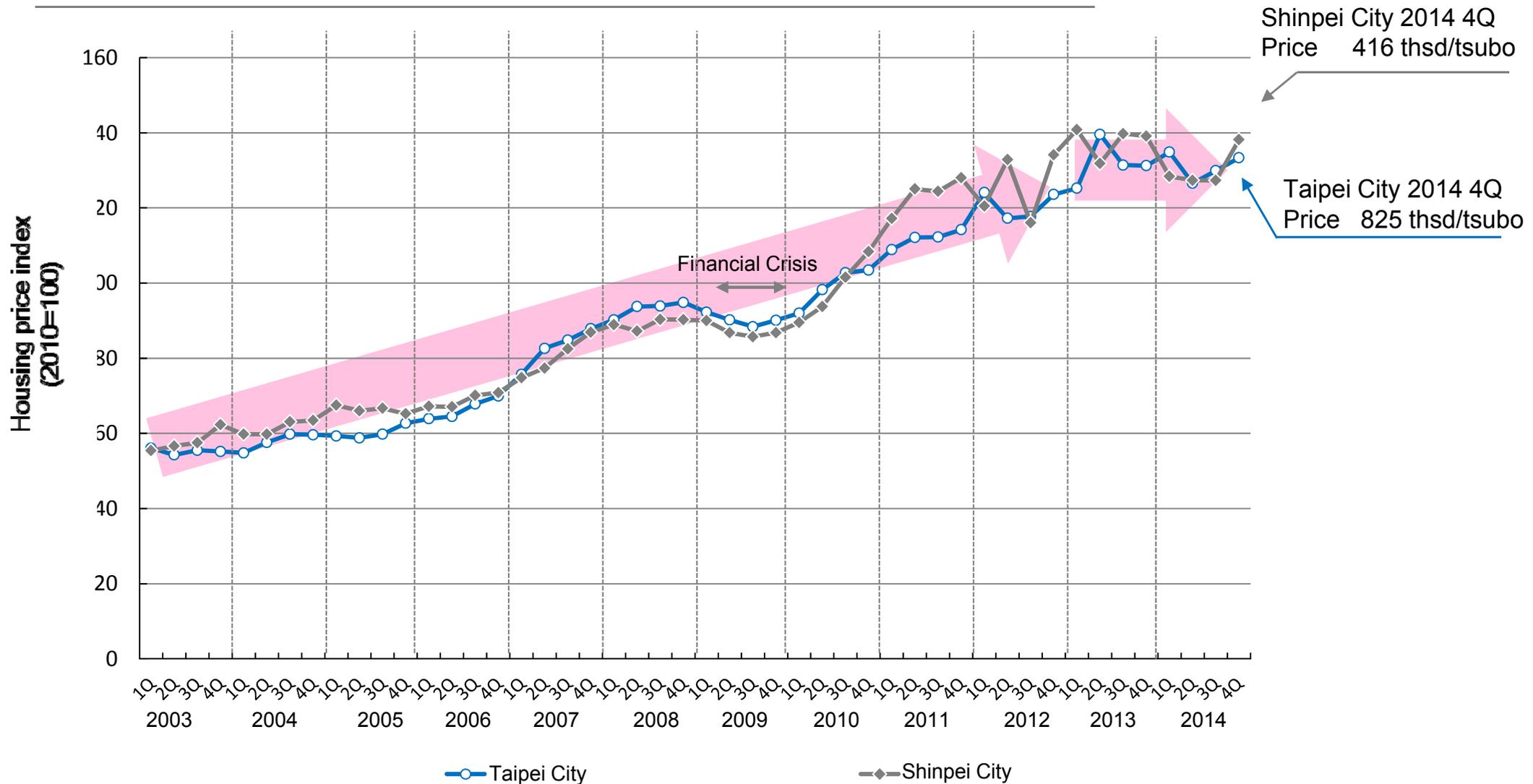


Line	Section	Year opened
Neihu-Muzha Line	Zhongshan Junior High School ↔ Taipei Zoo	Mar. 1996
	Zhongshan Junior High School ↔ Taipei Nangang Exhibition Center	Jul 2009
Danshui Line	Danshui ↔ Taipei Main Station	Mar. 1997
Zhonghe Line	Guting ↔ Nanshijiao	Dec. 1998
Xindian Line	Taipei Main Station ↔ Xindian	Nov. 1999
Nangang-Banqiao Line	Longshan Temple ↔ Taipei City Hall	Aug. 1999
	Longshan Temple ↔ Xinpu	Aug. 2000
	Taipei City Hall ↔ Kunyang	Dec. 2000
	Xinpu ↔ Yongning	May 2006
	Kunyang ↔ Nangang	Dec. 2008
	Yongning ↔ Dingpu	Dec 2014
	Nangang ↔ Taipei Nangang Exhibition Center	Feb. 2011
Luzhou Line	Luzhou ↔ Zhongxiao Xinsheng	Nov. 2010
Xinzhuang Line	Fu Jen Univ. ↔ Daqiaotou	Jan. 2012
	Zhongxiao Xinsheng ↔ Guting	Sep. 2012
	Huilong ↔ Fu Jen Univ.	Mar. 2013
Xinyi Line	CKS Memorial Hall ↔ Elephant Mt.	Dec. 2013
Songshan Line	Songshan ↔ Ximen	Nov. 2014
Circular Line	New Taipei Industrial Park ↔ Dapinglin	<i>Dec. 2015</i>
Taoyuan Airport MRT	Taipei Main Station ↔ Jhongli	<i>Jun 2016</i>
Wanta Line	CKS memorial hall ↔ Huilong	<i>Dec. 2015</i>

Source) NRI based on the MRT Construction Dep. Of Taipei City Gov.

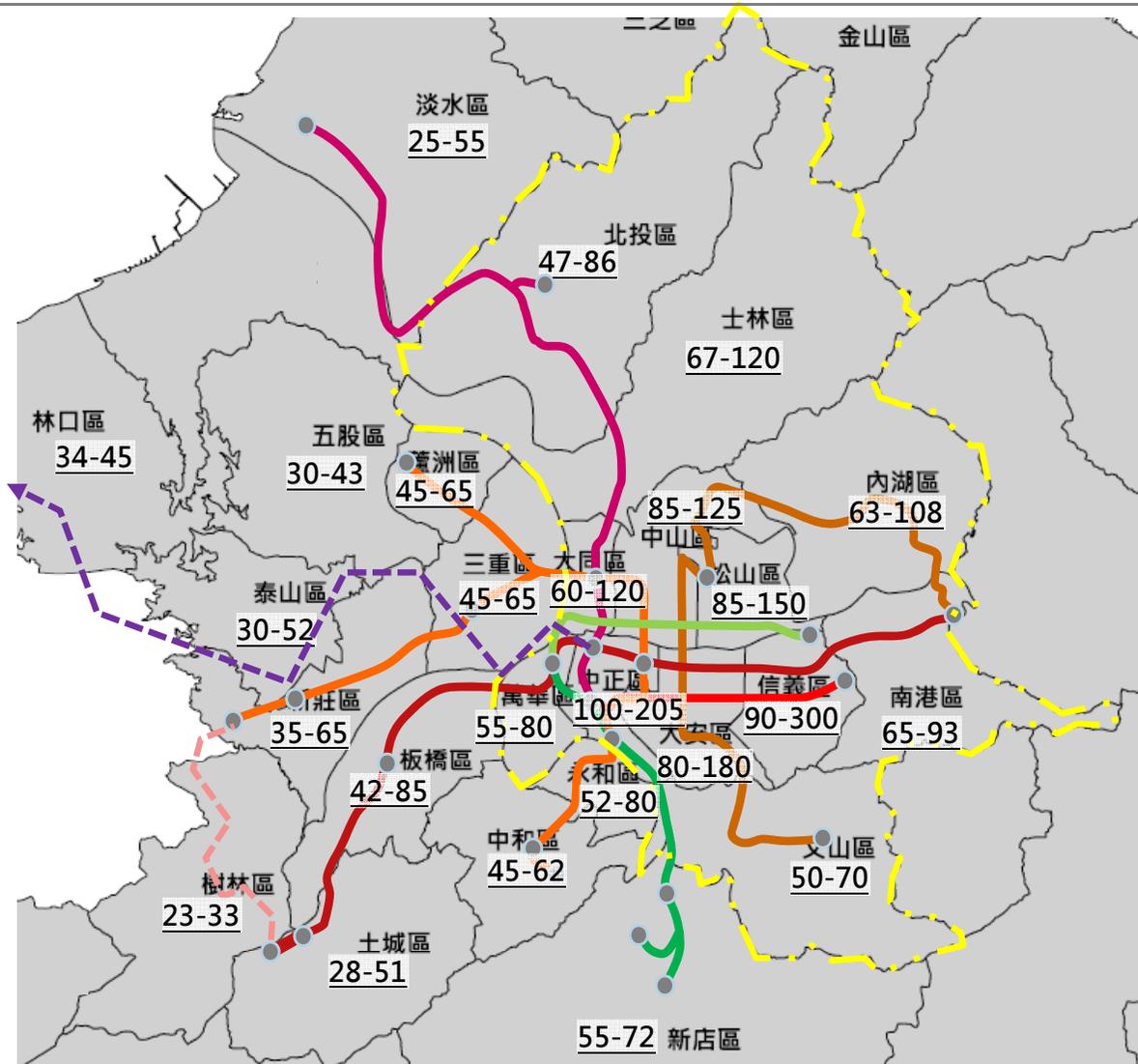
Housing price in Taipei and New Taipei has been on a rise for the past 10 years, however, it's growth rate has changed into a moderate one in recent years.

Transition of housing price Index



Housing price in the city center of Taipei exceed 1 million NTD/Tsubo. Prime luxury properties even exceed 3 million NTD/Tsubo.

Unit housing prices at major areas near MRT station in Taipei City and New Taipei City (Unit:10,000 NTD/ Tsubo)



Source: NRI based on My Housing.com

Rent price is extremely low compared to selling price. Cap rate of the majority of properties in Taipei City even remain under 2%.

Cap rates of properties in Taipei City and New Taipei City

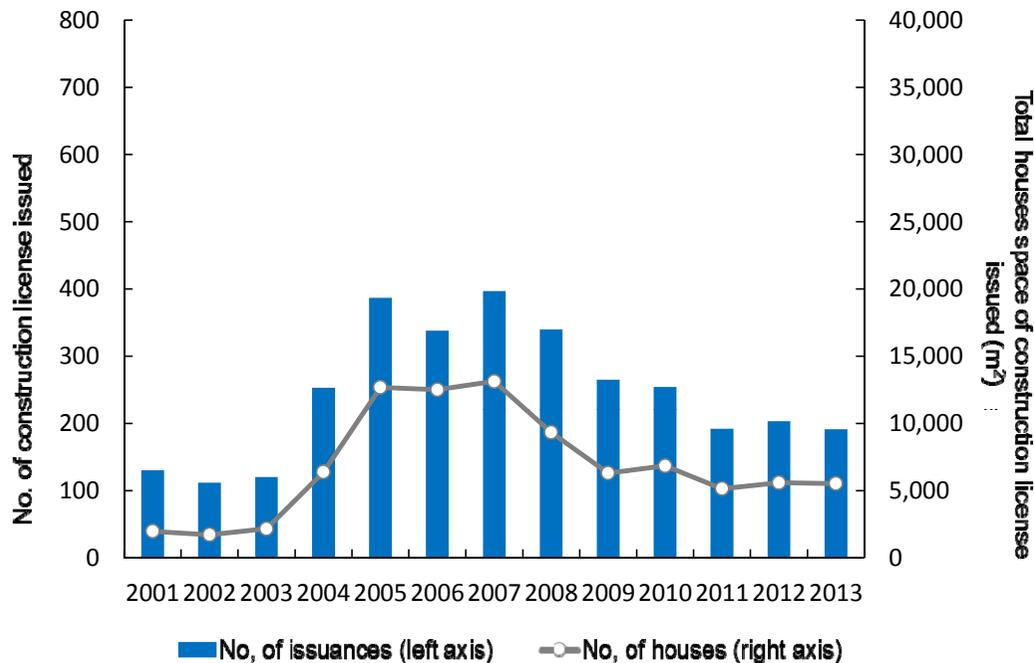
Taipei City				New Taipei City	
Location	Zhongshan Dist (Near MRT Zhongshan Elementary School Sta.)	Neihu Dist (Near MRT Neihu Sta.)	Wenshan Dist (Near MRT Xinhai Sta.)	Address	Banqiao Dist (Near MRT Banqiao Sta.)
Layout	2 Room	2LDK	3LDK	Layout	3LDK
Area	30 Tsubo	41 Tsubo	26 Tsubo	Area	33 Tsubo
Age	5 year	2 years	18 years	Age	8 years
Price	18 million NTD	29million NTD	24 million NTD	Price	41 million NTD
Rent	29,000 NTD	50,000 NTD	27,000 NTD	Rent	65,000 NTD
Cap Rate	1.9%	2.0%	1.4%	Cap Rate	1.9%

Number of construction licenses in Taipei is approx. 5k per year, whereas that of New Taipei City reaches over 20k.

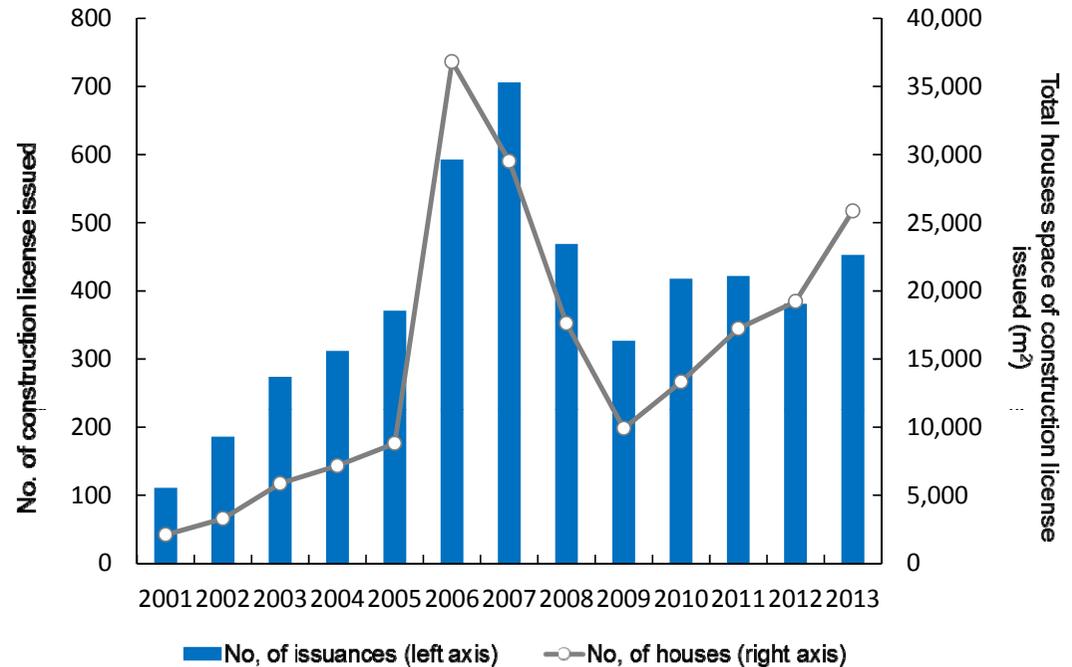
- In New Taipei City, even though the number of housing construction and the license issuance increase in recent two years, therefore whole supply of housing will still be expected to increase for seasons.
- On the other hand, Government is now considering policies to supply reasonable housing and preparing social housing development with public lands.

The Number of housing construction license issuance

Taipei City



New Taipei City

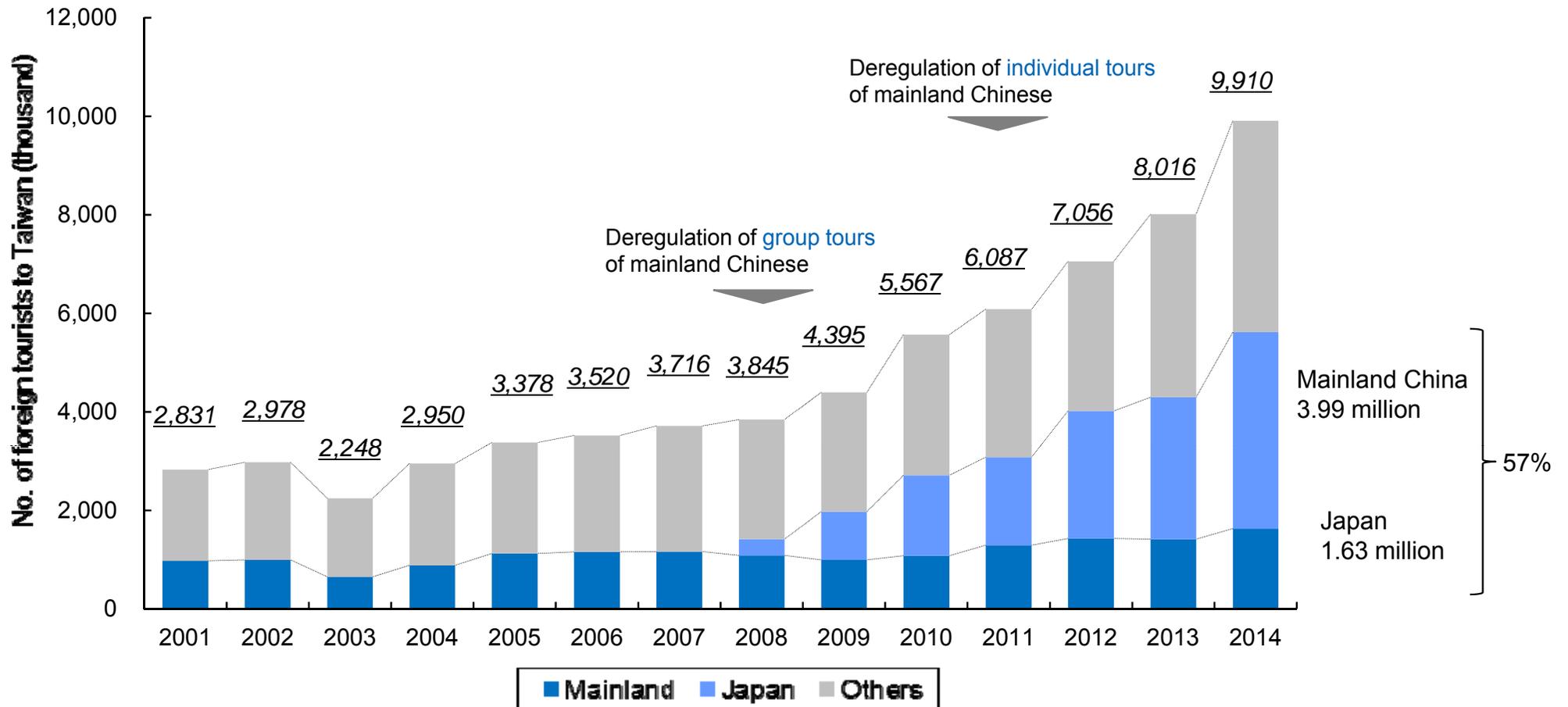


Source: NRI based on statistics by the CPAMI, R.O.C.(Taiwan)

Number of tourists travelling to Taiwan is increasing significantly, due to the deregulation of the mainland Chinese's tourism policy towards Taiwan.

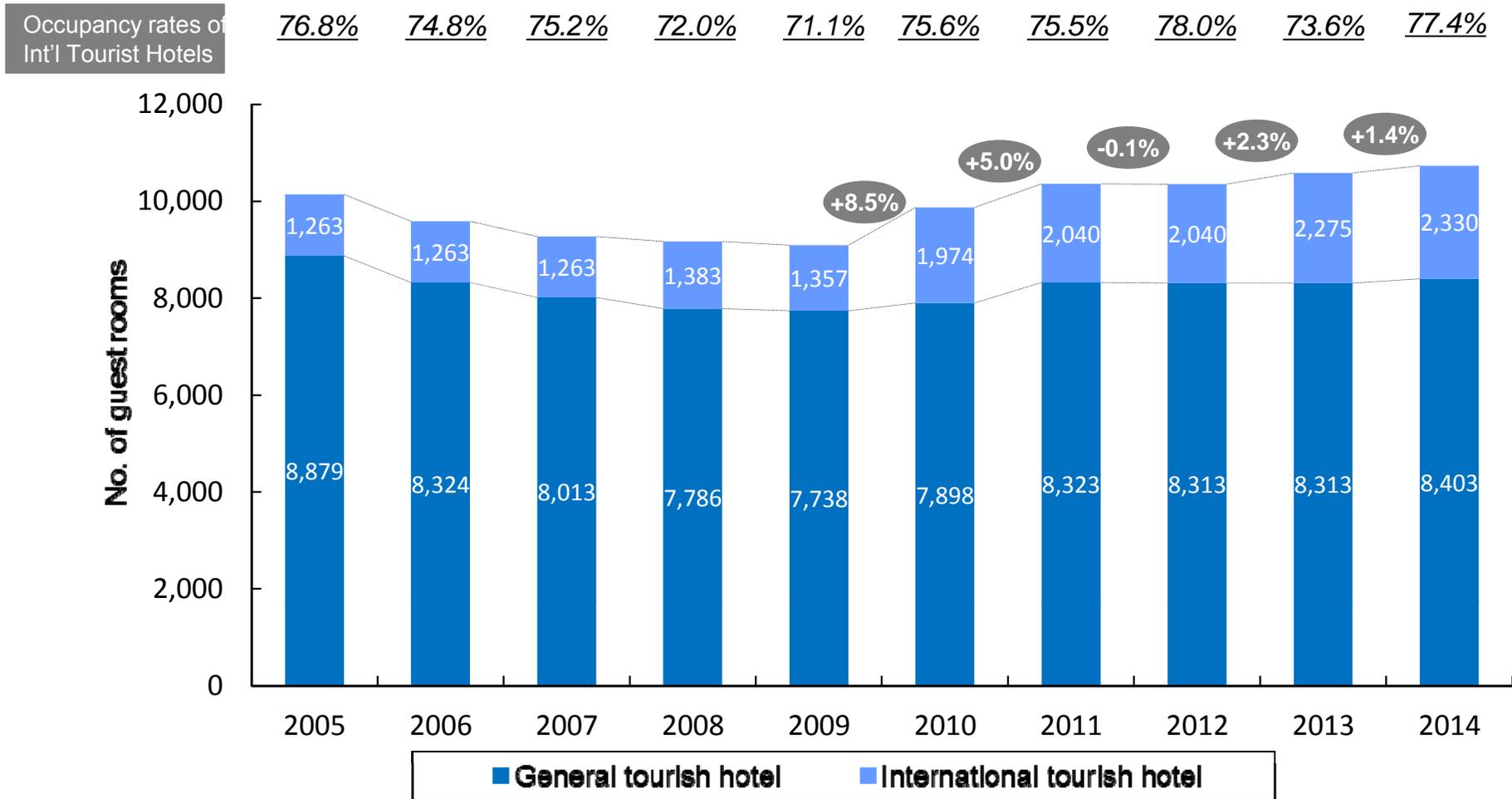
- Japanese and mainland Chinese tourists account for 57% of the number of tourists to Taiwan.
- Government is now planning to implement additional deregulations of tourism restrictions on mainland Chinese, so the number of tourists to Taiwan is still expected to grow further.

The number of foreign tourists to Taiwan (By place of residence)



Occupancy rate of hotels in Taipei City has kept its high level, exceeding 70%.

The number of guest rooms and occupancy rates of tourist hotels in Taipei City

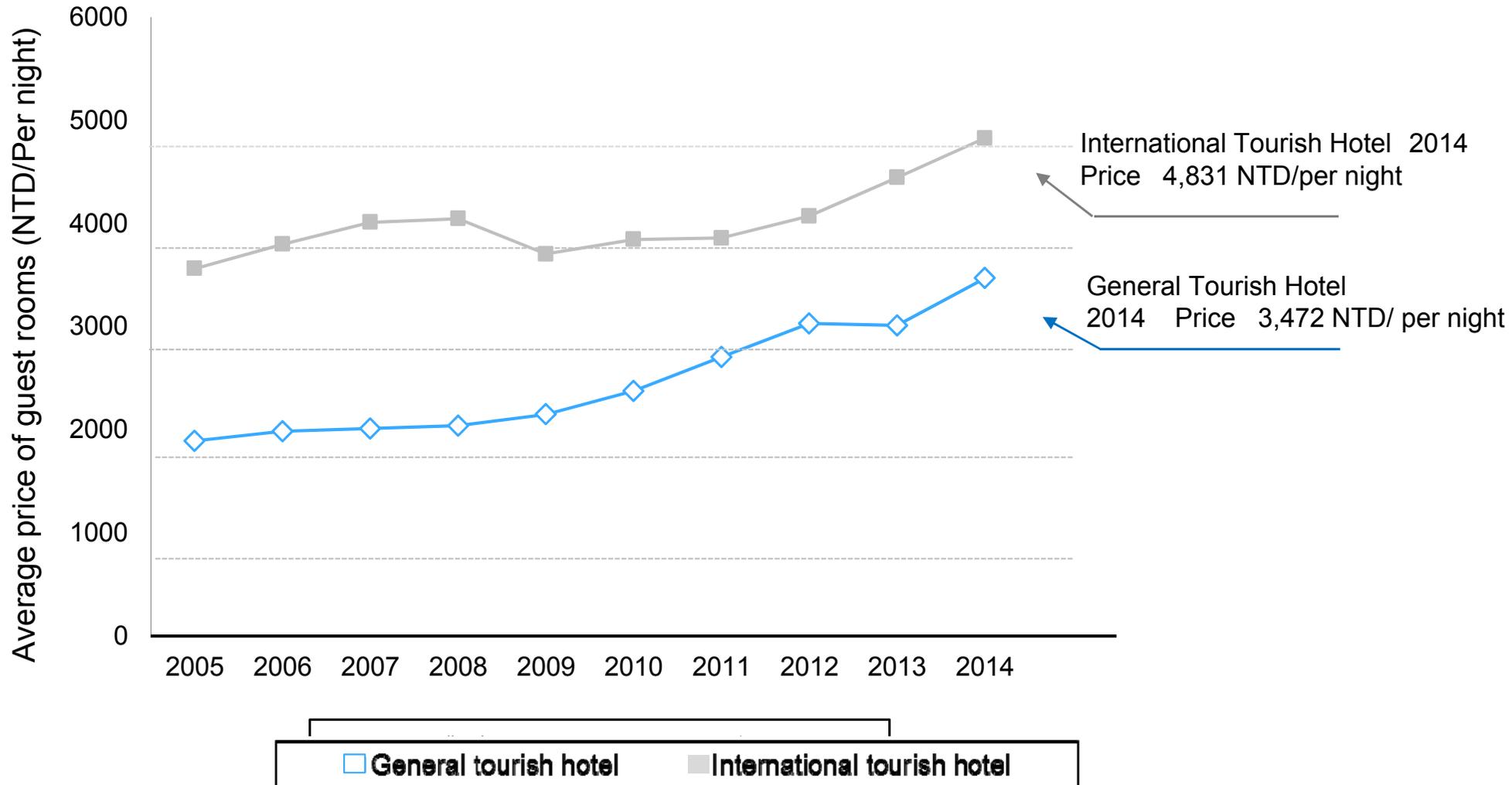


Note: Tourist hotels are hotels that meet the criteria set by the Tourism Bureau of the Ministry of Transportation and Communications, and are broken down into international tourist hotels and general tourist hotels according to their levels. There are 25 international tourist hotels in Taipei as of the end of December 2011.

Source: NRI based on statistics by the Tourism Bureau of the MOTC, R.O.C. (Taiwan)

Pushed by the increasing number of international tourists, price of guest rooms is on a rising trend.

The average price of guest rooms of tourist hotels in Taipei City



Source: NRI based on statistics by the Tourism Bureau of the MOTC, R.O.C. (Taiwan)

Japan	Japanese Real Estate Investment Market
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China	China's market entering an adjustment period
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Korea	Increase of liquidity within slow economic growth
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Taiwan	Overview of Office, Residential and Hotel Markets
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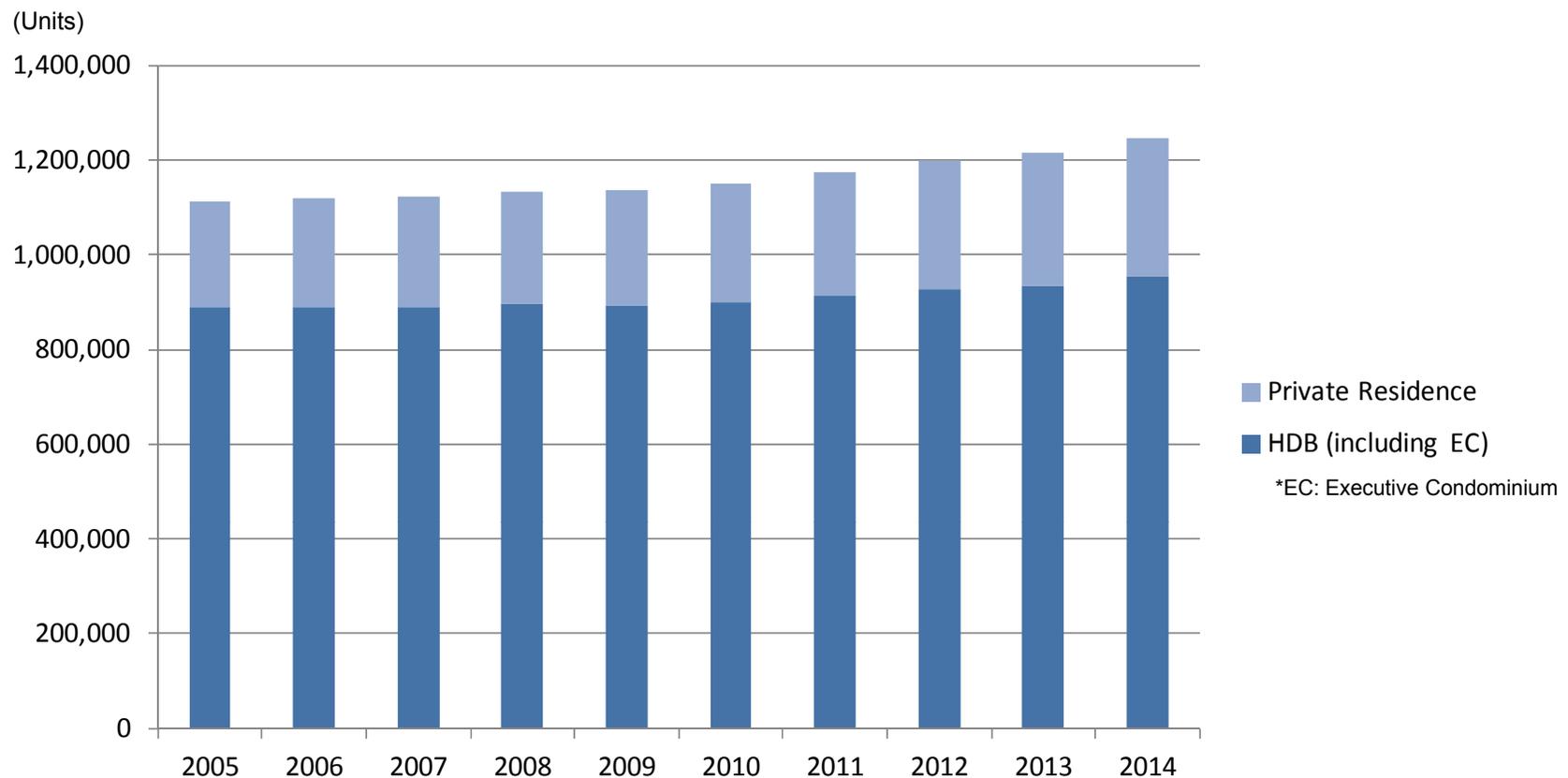
Singapore	Domestic real estate market reaching its peak
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India	Real Estate Market in India – Residential, Office, etc.
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Although most of residential units are HDB flats, private residential units are the dominant properties in the market.

- HDB flat is a public housing developed and managed by the Housing and Development Board (HDB) and can be sold to Singapore citizens only.
- On the other hand, private residential properties can be traded by anyone including foreigners.

Housing stock in Singapore

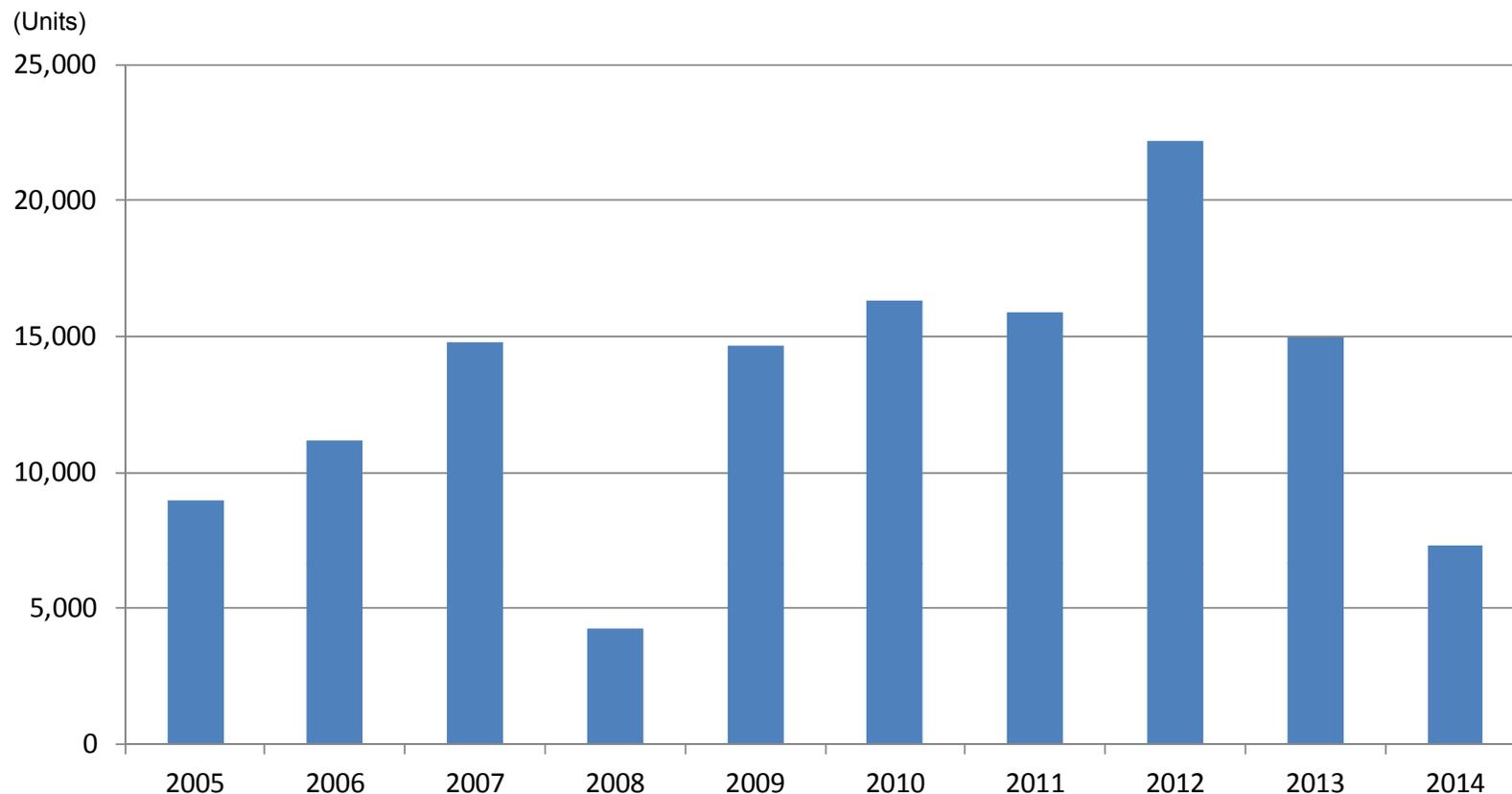


Source: NRI based on URA

Housing sales peaked out in 2012, with sales in 2014 dropping by half compared to the previous year.

■ While the number of private residential units sold in 2013 was 15 thousand, in 2014 it decreased to 7.3 thousand.

New housing sales of private residential properties in Singapore

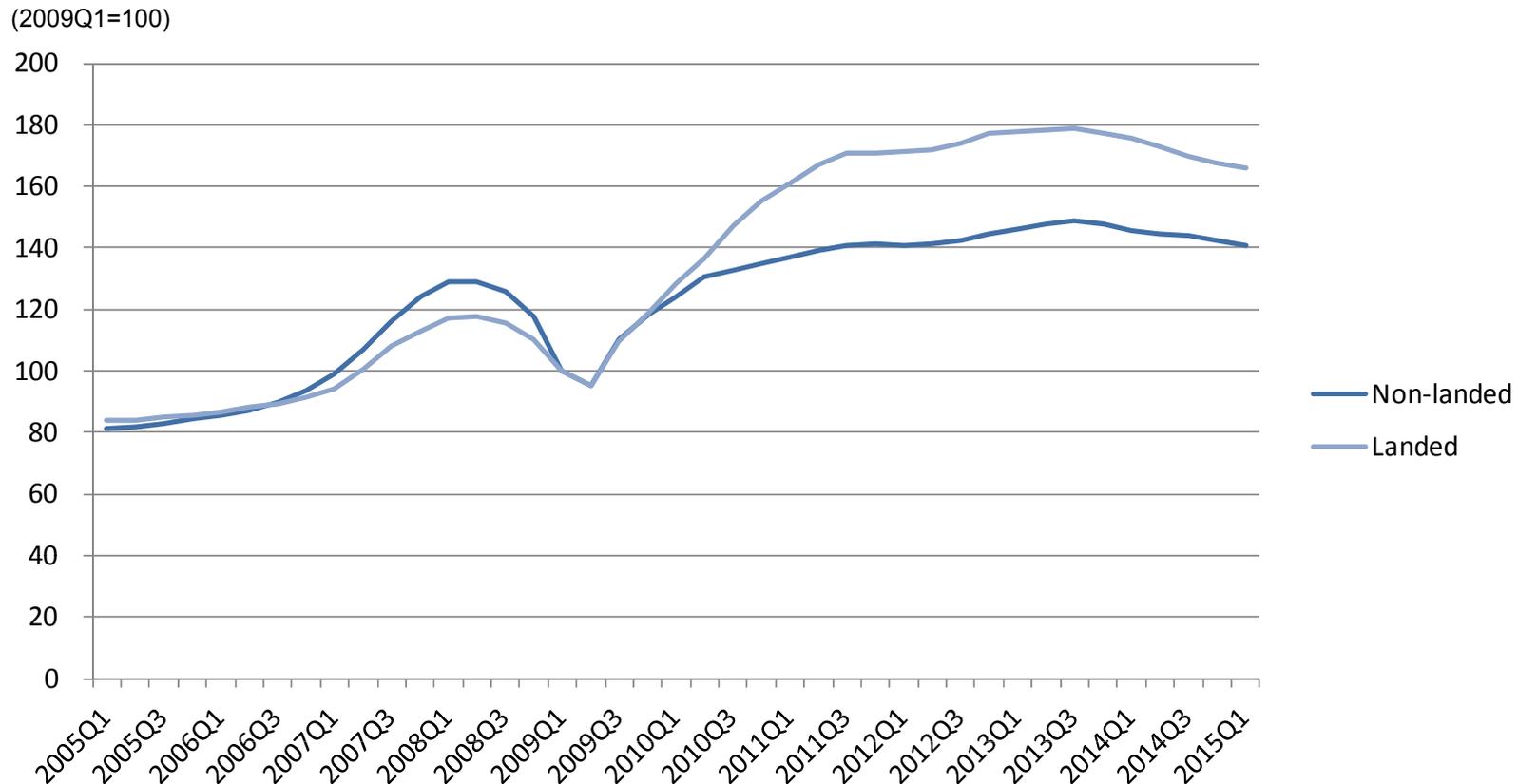


Source: NRI based on URA

Sales price index, which followed an increasing trend, has been dwindling since the latter half of 2013.

- Sales price of private residential properties have dropped by approximately 4% in 2014.

Housing price index of private residential property in Singapore



Price drop is primarily caused by property cooling measures that has been gradually toughened since 2009.

- The cooling measures are expected to remain imposed for the time being.

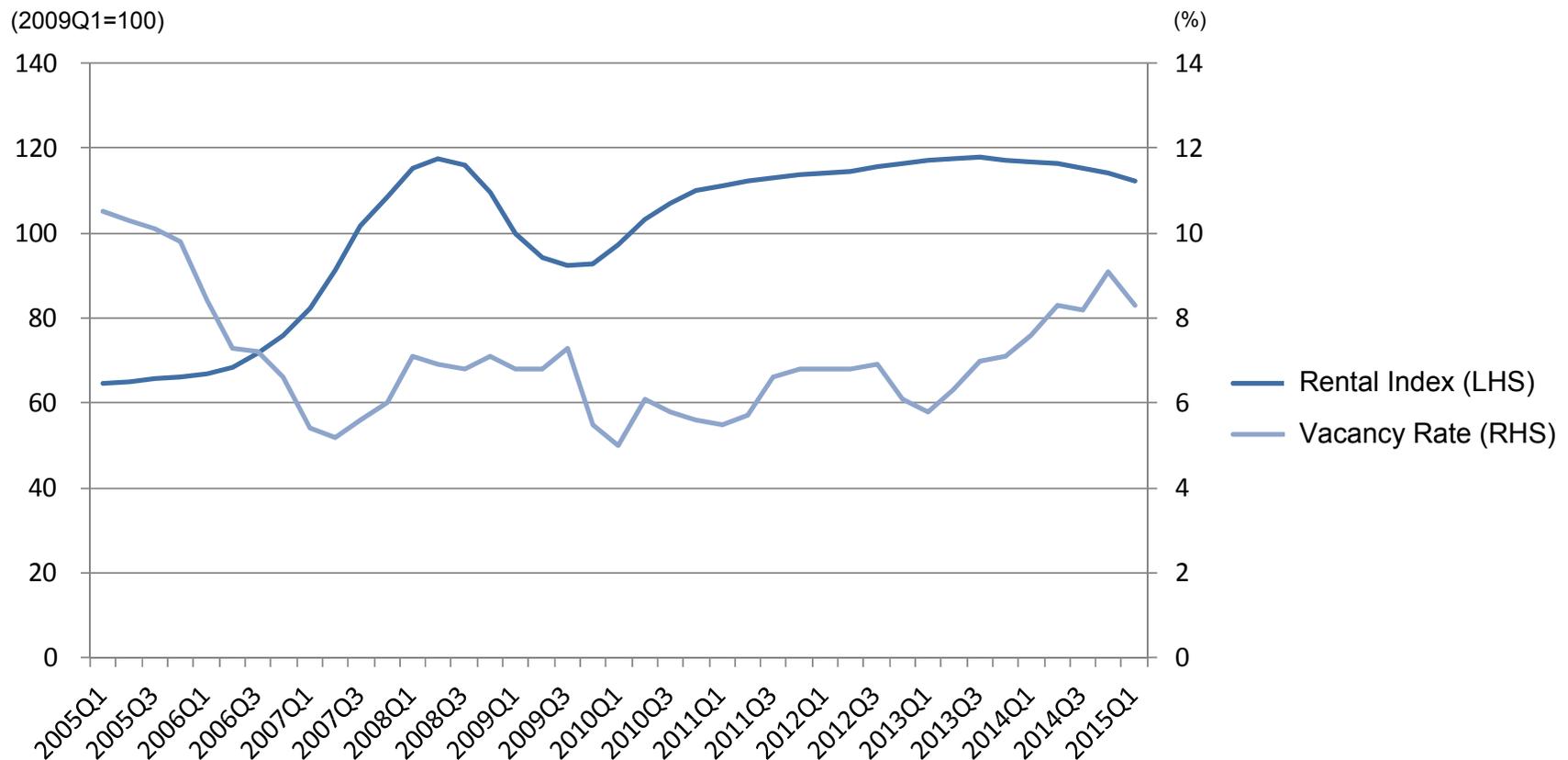
Major cooling measures implemented in Singaporean residential market

- 2010	2011 - 2012	2013 -
<p><u>Sep. 2009</u></p> <ul style="list-style-type: none"> • Strengthening of a regulation on housing loans <p><u>Feb. 2010</u></p> <ul style="list-style-type: none"> • Imposing a seller's stamp duty on selling residential properties within a year after acquisition • Lowering the LTV limit to 80% for housing loans <p><u>Aug. 2010</u></p> <ul style="list-style-type: none"> • Imposing a seller's stamp duty on selling residential properties within three years after acquisition • Lowering the LTV limit to 70% for housing loans • Increasing the minimum cash payment from 5% to 10% of the valuation limit 	<p><u>Jan. 2011</u></p> <ul style="list-style-type: none"> • Imposing a seller's stamp duty on selling residential properties within four years after acquisition, and rise in the SSD rate • Lowering the LTV limit to 50% for housing loans <p><u>Dec. 2011</u></p> <ul style="list-style-type: none"> • Imposing Additional Buyer's Stamp Duty of 10% on the purchase of residential properties by foreigners • Imposing ABSD of 3% on the purchase of residential properties by Permanent Residents who already own 1 or more residential properties and Singaporean Citizens who already own 2 or more <p><u>Oct. 2012</u></p> <ul style="list-style-type: none"> • Introducing the maximum tenure of new housing loans to be capped at 35 years 	<p><u>Jan. 2013</u></p> <ul style="list-style-type: none"> • Increasing the ABSD rate and expanding the application of ABSD <p><u>Jun. 2013</u></p> <ul style="list-style-type: none"> • Introducing a 60% cap on the Total Debt Servicing Ratio (TDSR); the monthly total debt obligations must not exceed 60% of monthly income <p><u>Aug. 2013</u></p> <ul style="list-style-type: none"> • Introducing new buying regulation where permanent residents are demanded to wait three years from the date of obtaining PR status, before they can buy a resale HDB flat <p><u>Dec. 2013</u></p> <ul style="list-style-type: none"> • Introducing a 30% cap on the Mortgage Servicing Ratio (MSR) for the purchase of Executive Condominium

Vacancy rate of non-landed private homes turned upward, while rent level started to decline in the latter half of 2013.

- Although vacancy rate of non-landed private homes dropped in the latest quarter, it is still on an upward trend.
- Rent level continues to decrease with approximately 2.6% drop in 2014.

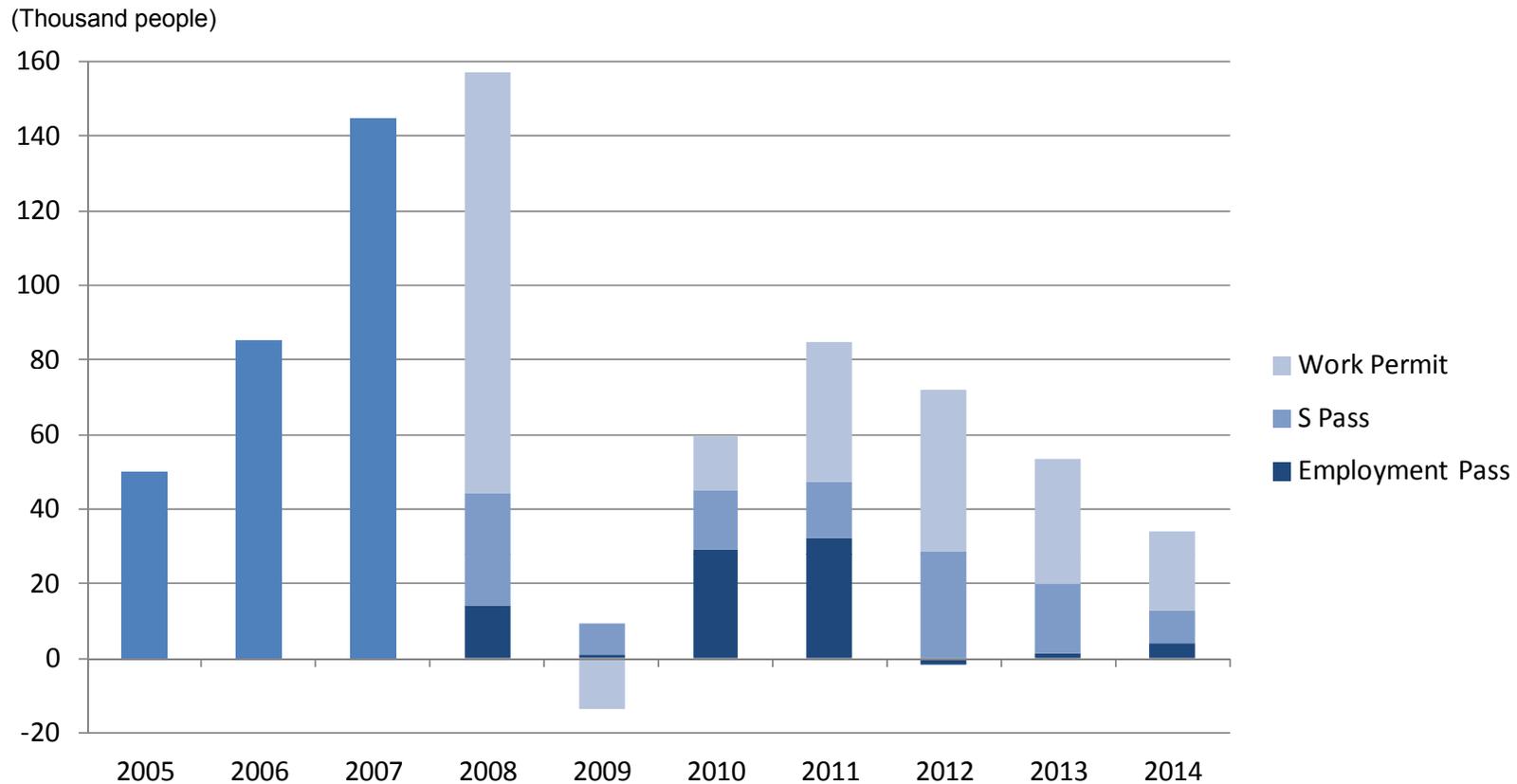
Rental index and vacancy rate of non-landed private homes in Singapore



Number of foreign workers, who would otherwise have been tenants, is shrinking due to the tightening foreign worker policies.

- It is clear that the number of tenants with capabilities to pay higher rent are running short, since the number of foreigners on Employment Passes (EP) who are subject to higher salary criteria has hardly increased.

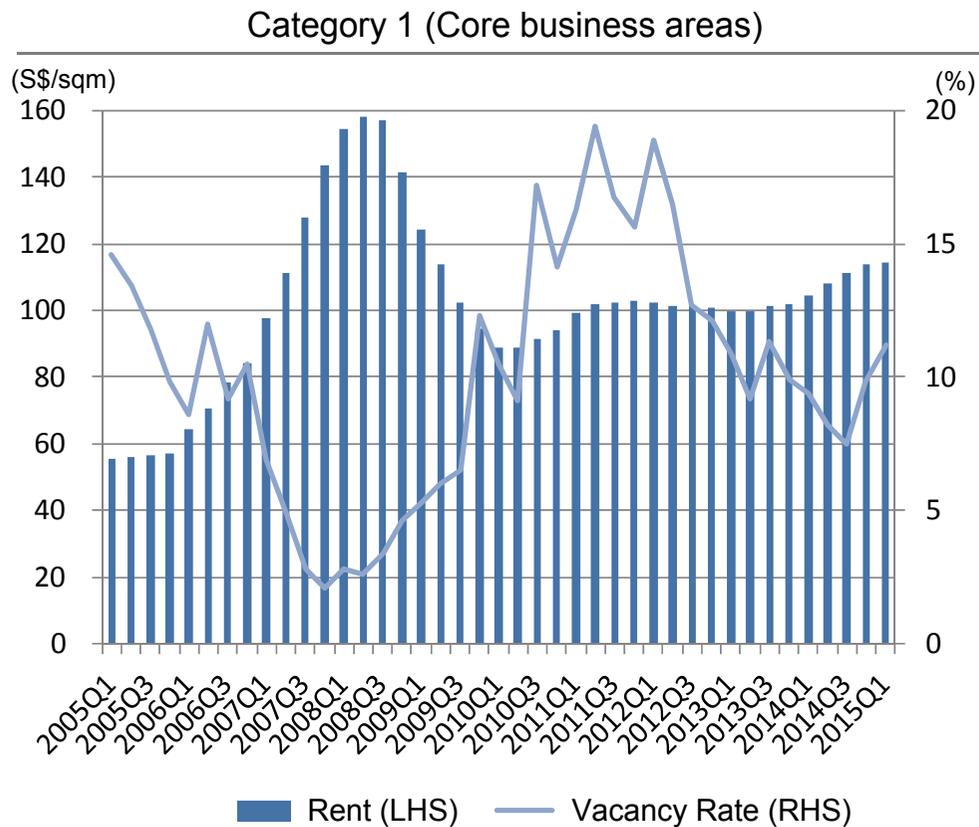
Change of work visa holders in Singapore



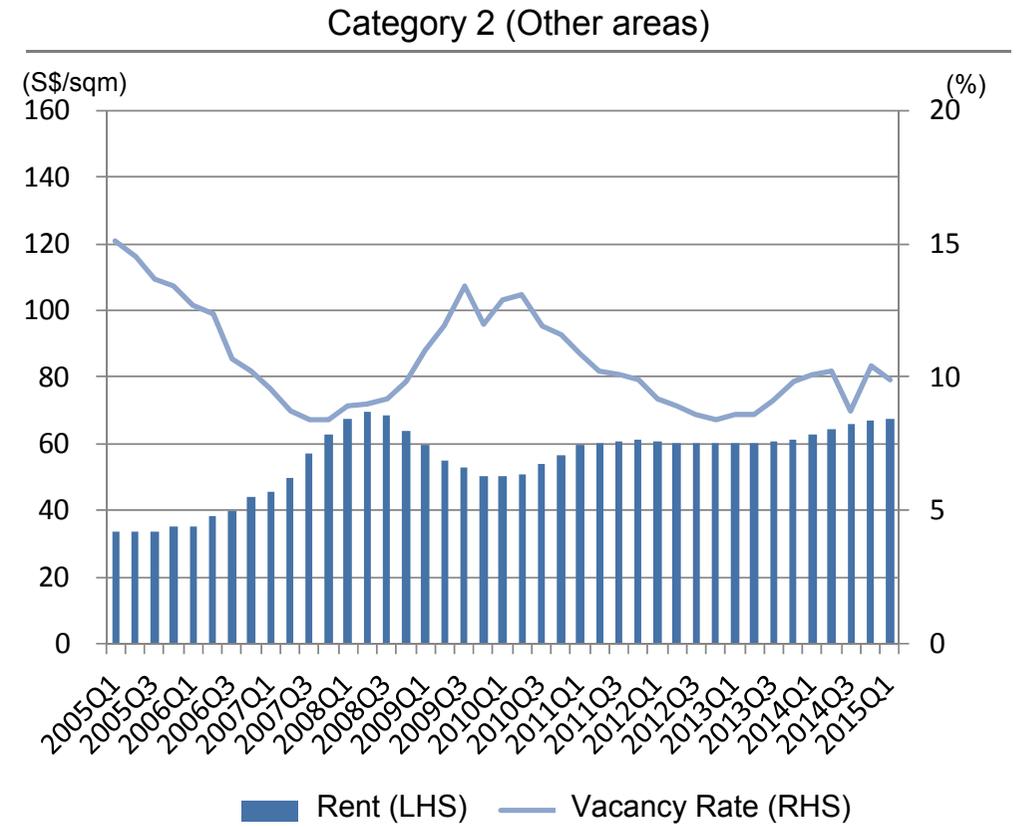
Although office rent is on an upward trend, recent vacancy rate has been rising.

- Latest median monthly rent of Category 1 office buildings is approximately S\$114 per sq. meters, and that of Category 2 is approximately S\$68 per sq. meters.

Median monthly rent and vacancy rate of office buildings in Singapore



Category 1: Office buildings located in core business areas in Downtown Core and Orchard Planning Area which are relatively modern or recently refurbished, command relatively high rentals and have large floor plate size and gross floor area.

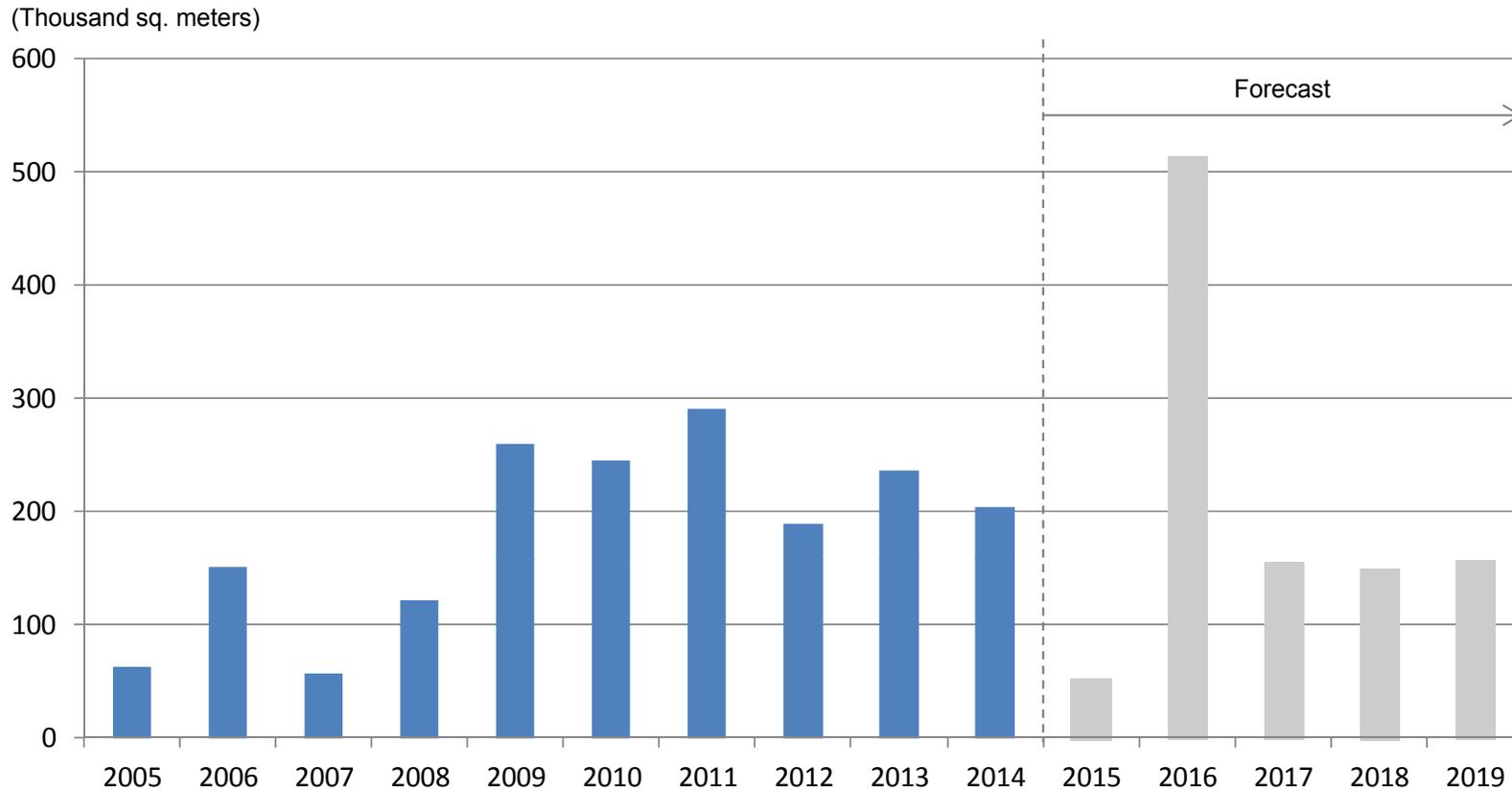


Category 2: The remaining office buildings which are not included in Category 1 office buildings.

Although recent supply of new office buildings has been limited, it is expected to increase significantly.

- On one hand, there is an outlook that huge supply in future may curb rent rise as a whole. On the other hand, there is also a view that the impact on rent of new office buildings will be limited as companies will move to new offices.

Completion of office buildings in Singapore

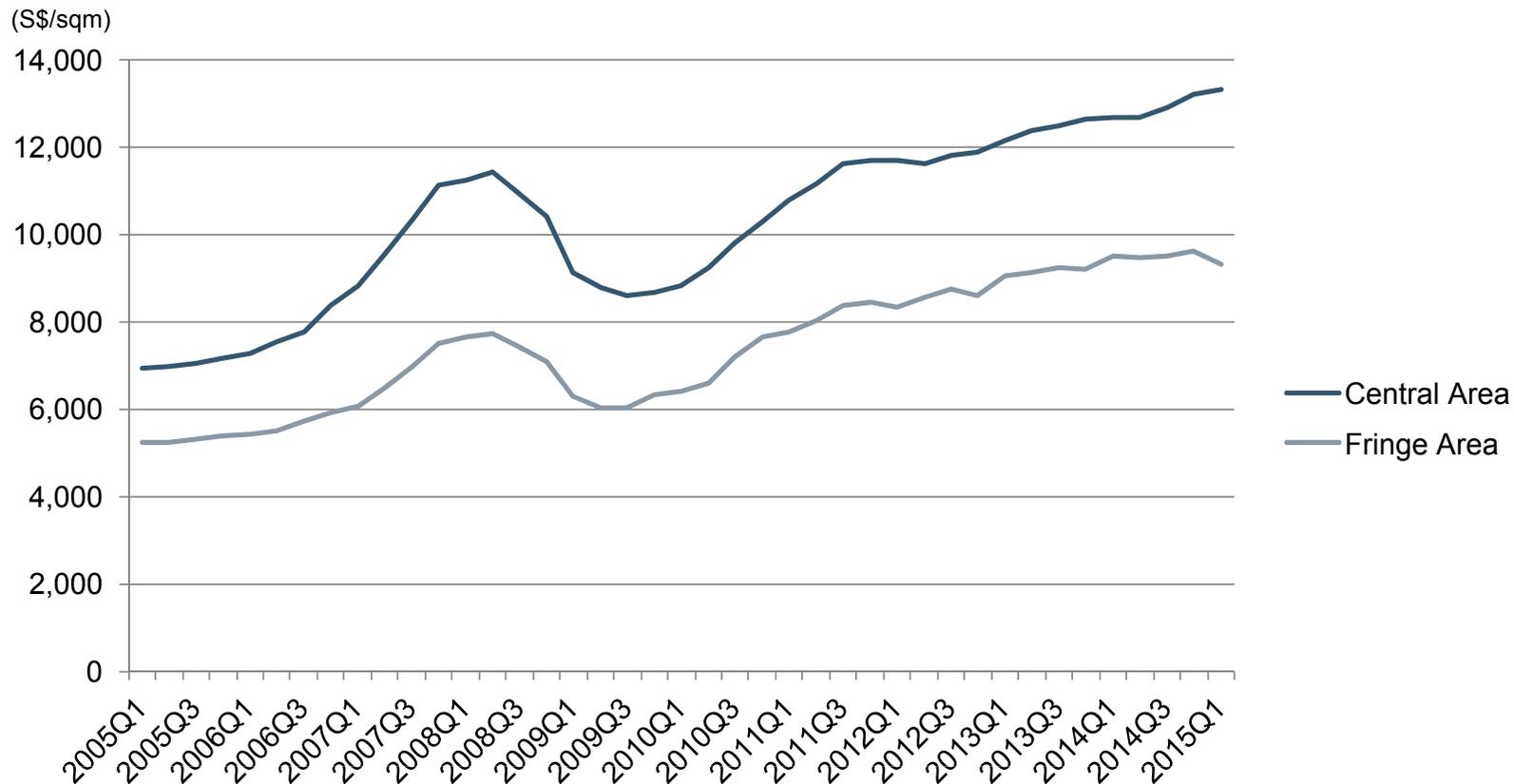


Source: NRI based on URA

Sales price of office buildings has been on an upward trend for more than five consecutive years.

- Latest median sales price of office space in Central Area is approximately S\$13,300 per sq. meters, and that of Fringe Area is approximately S\$9,300 per sq. meters.

Median sales price of office buildings in Singapore



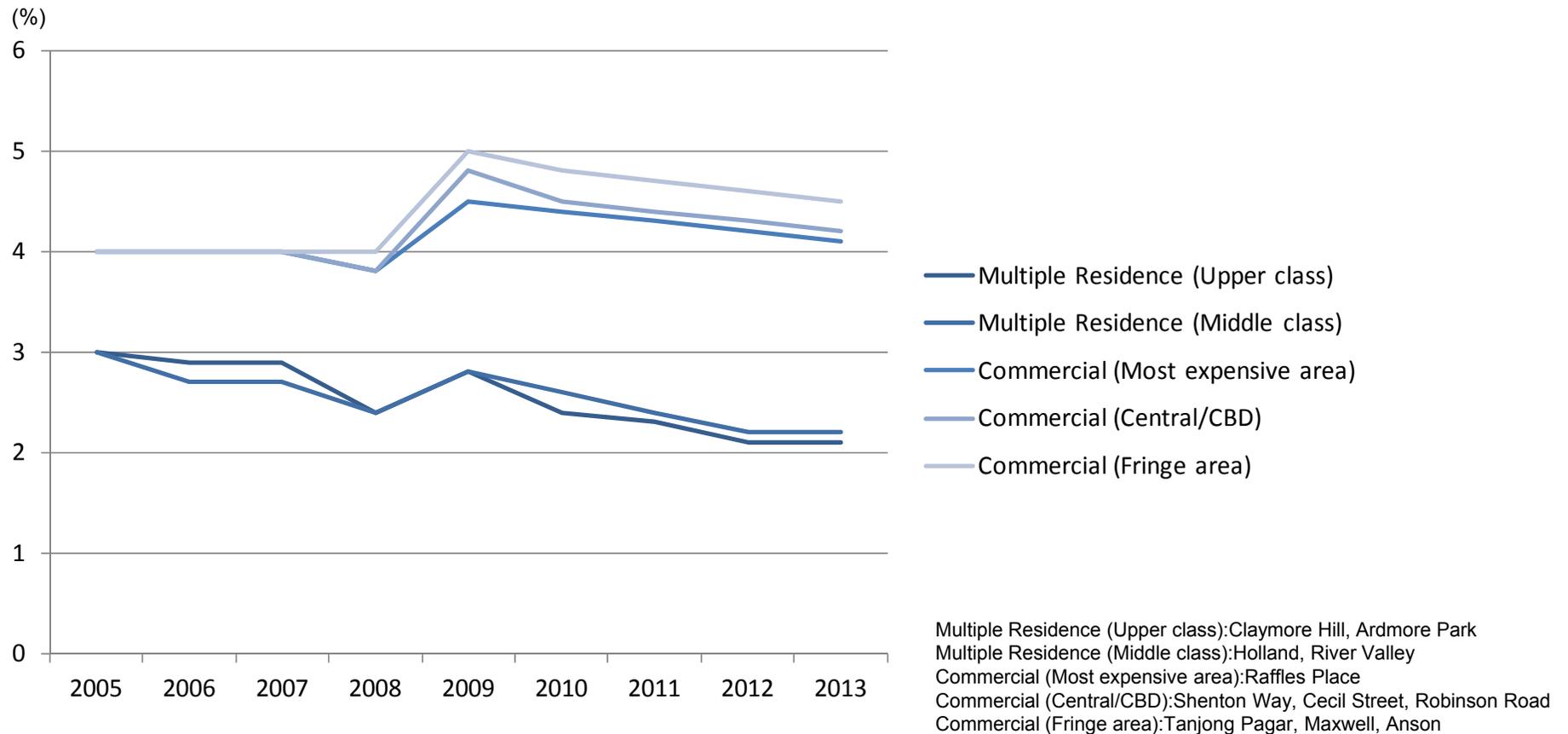
Central Area: Outram, Museum, Newton, River Valley, Singapore River, Marina South, Marina East, Straits View, Rochor, Orchard and Downtown Core.
 Fringe Area: Bukit Merah, Bukit Timah, Queenstown, Kallang, Bishan, Marine Parade, Geylang, Toa Payoh, Tanglin, Novena and Southern Islands.

Transaction trend

Cap rates have been on a downward trend since 2009.

- Cap rate of non-landed private homes is on the first half of 2%, and that of commercial properties is between the first half and a halfway of 4%.

Cap rates in Singapore



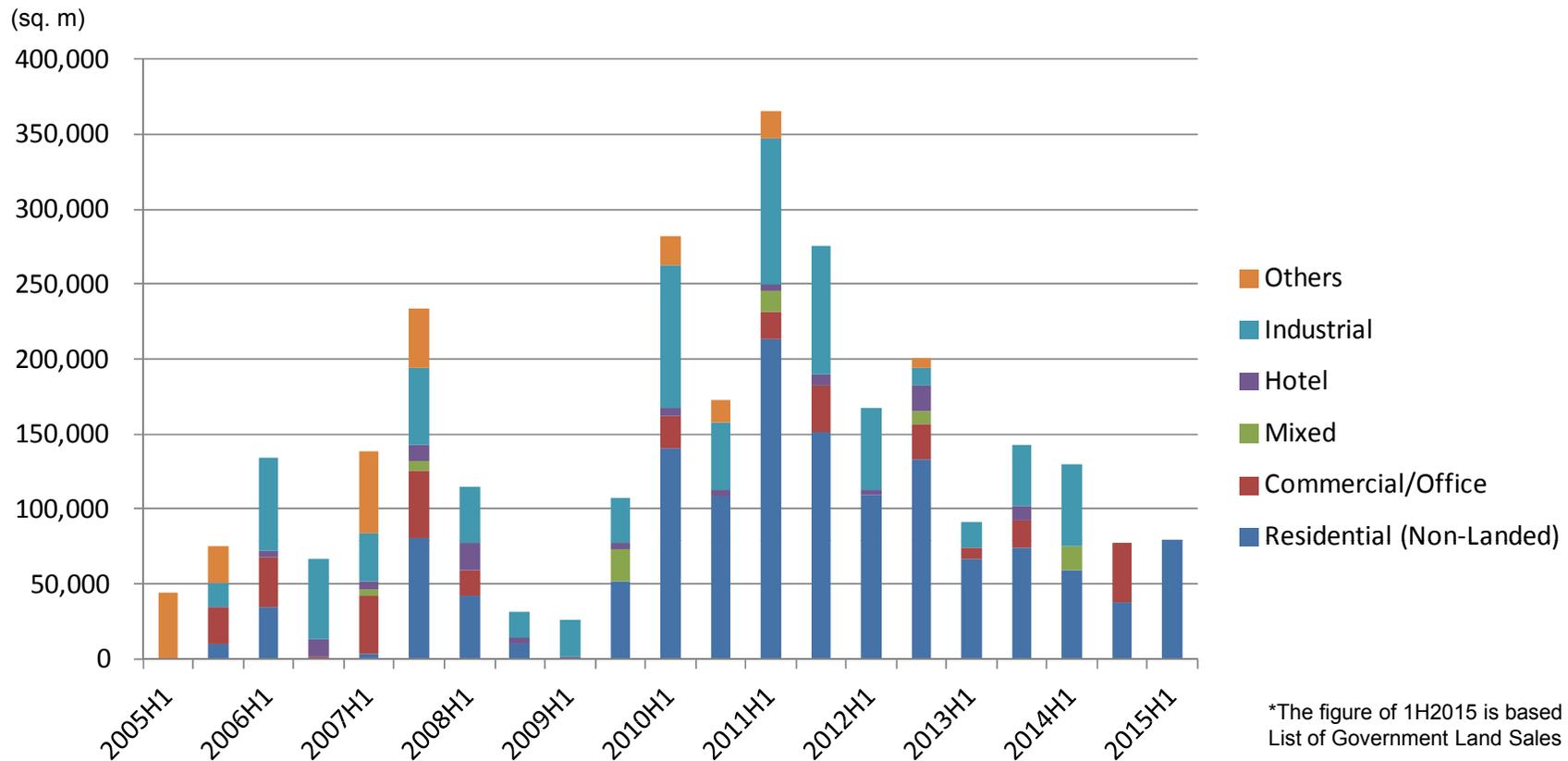
Source: Japan Association of Real Estate Appraisers

Development trend

There are fewer opportunities for new development in Singapore due to shrinking supply of new development sites.

- Singaporean government owns about 80% of country's land and also controls the supply of development sites.
- The amount of development sites sold by the government has been on a downward trend since 2011.

Development sites sold by Singaporean government



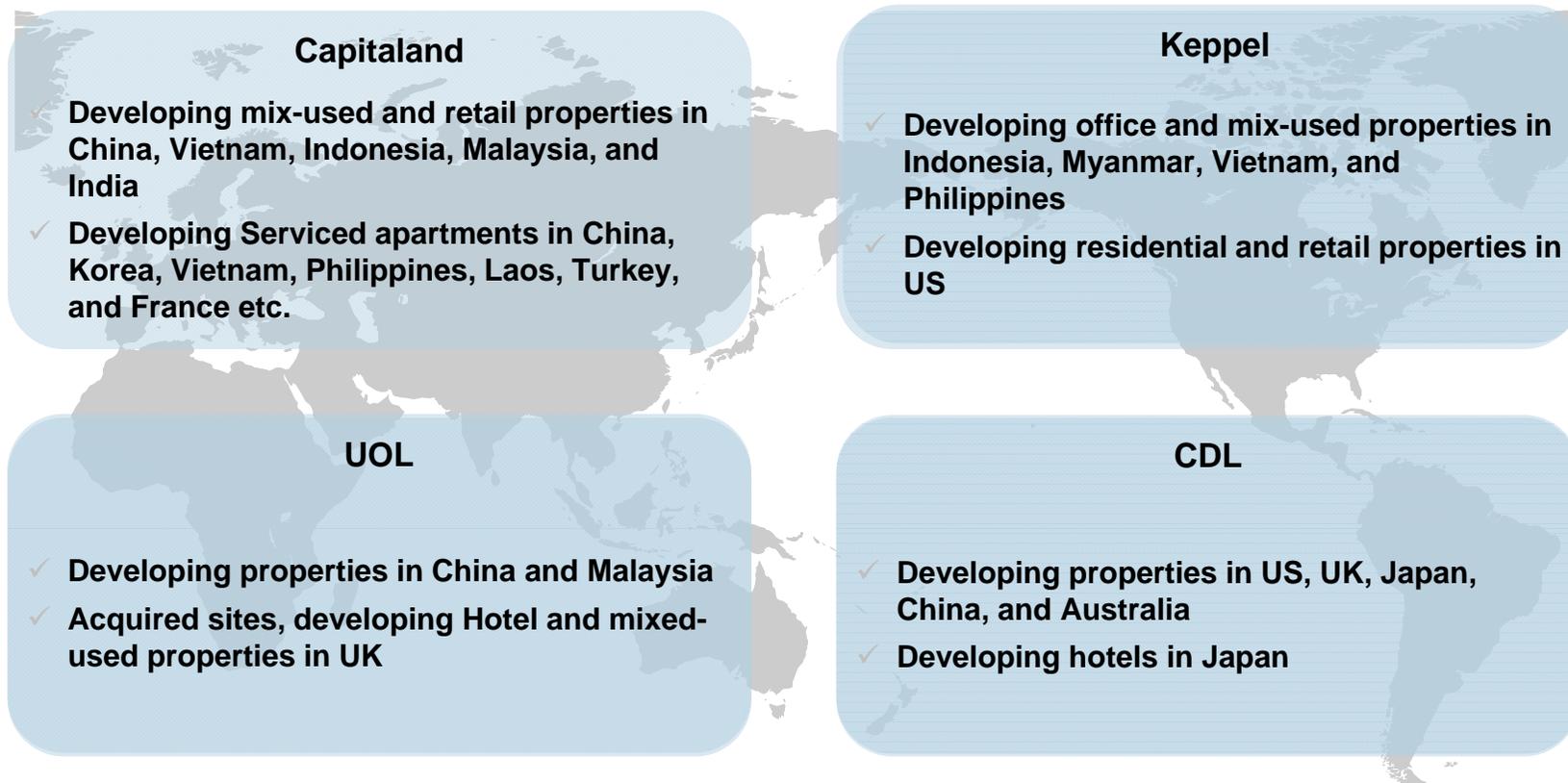
Source: NRI based on URA

Development trend

Singaporean developers are accelerating their overseas business due to a slowdown of and fewer development opportunities in domestic market.

- They are expanding their business in ASEAN, India, China, USA and UK.

Major development plans in overseas by dominant Singaporean developers in recent years

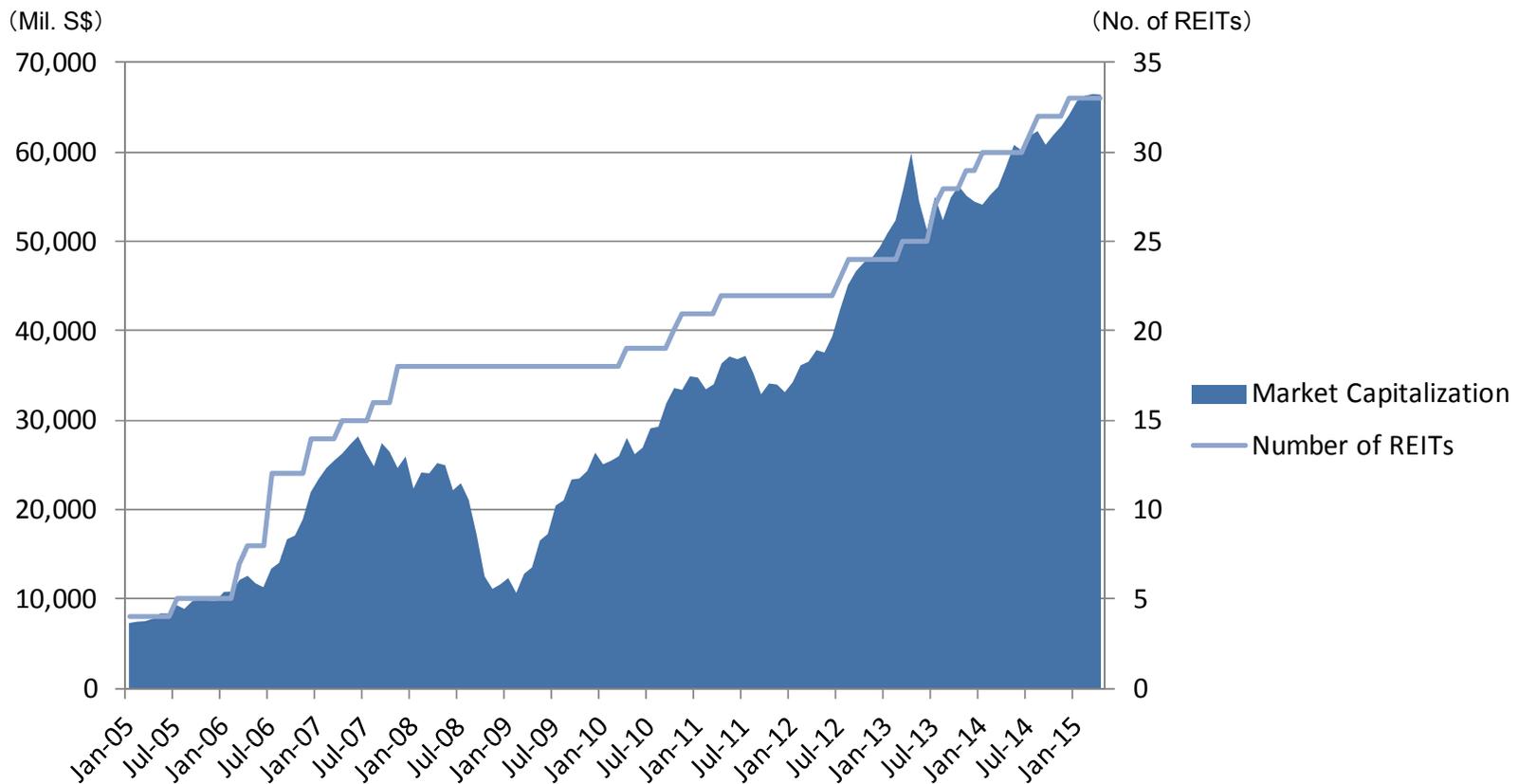


Source: NRI based on public information

S-REIT market capitalization recovered in 2009 and has now reached the scale of approximately S\$66 billion.

- There are 33 listed REITs as of the end of March 2015.

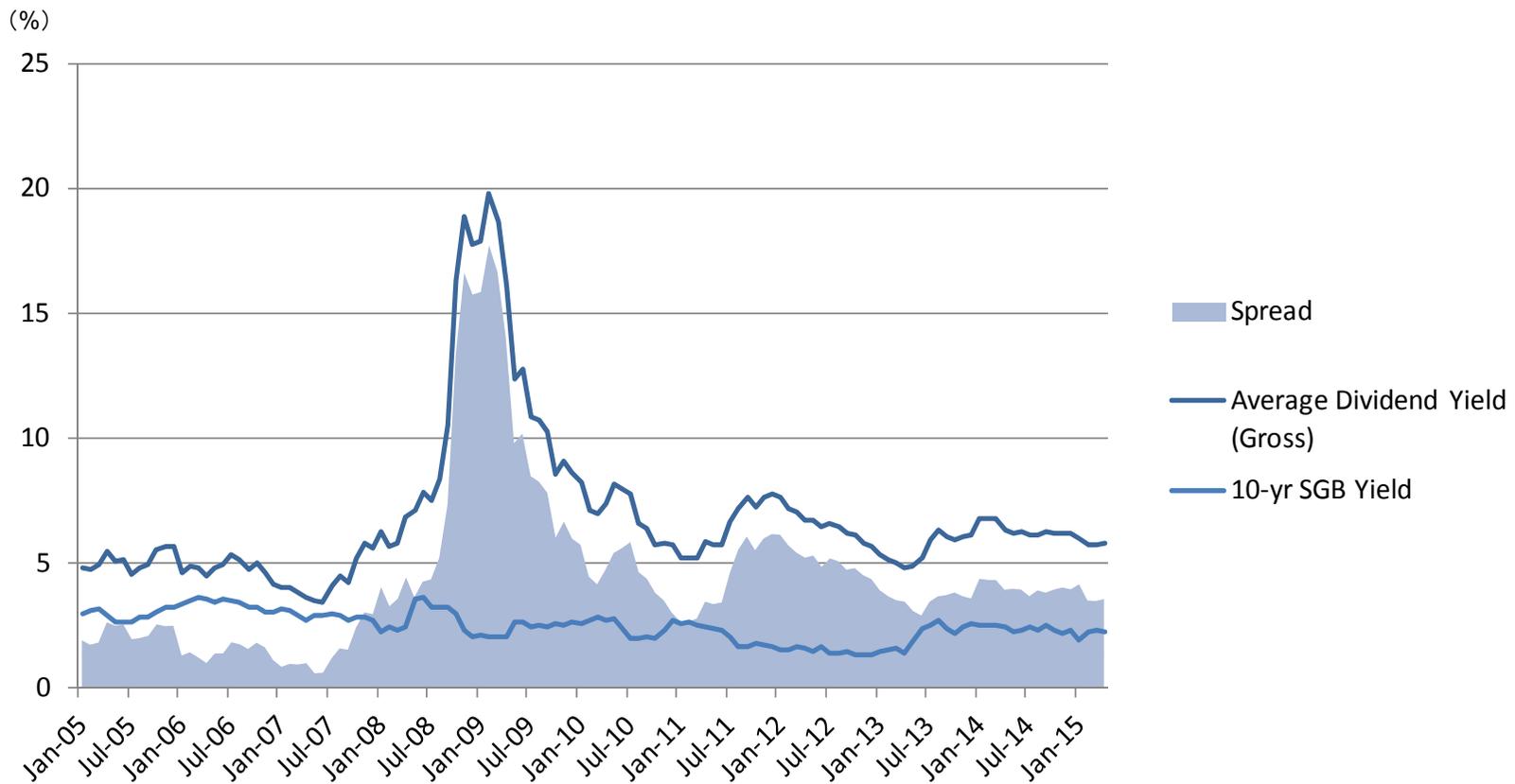
S-REIT market capitalization and number of REITs



While S-REIT dividend yield rose sharply in 2009, it remains at approximately 6% since then.

■ Recent yield spread is between 3-4%.

S-REIT dividend yield and spread of 10-year Singapore government bond



Japan	Japanese Real Estate Investment Market
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China	China's market entering an adjustment period
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Korea	Increase of liquidity within slow economic growth
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Taiwan	Overview of Office, Residential and Hotel Markets
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Singapore	Domestic real estate market reaching its peak
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India	Real Estate Market in India – Residential, Office, etc.
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India Real Estate Market in India – Residential, Office, etc.

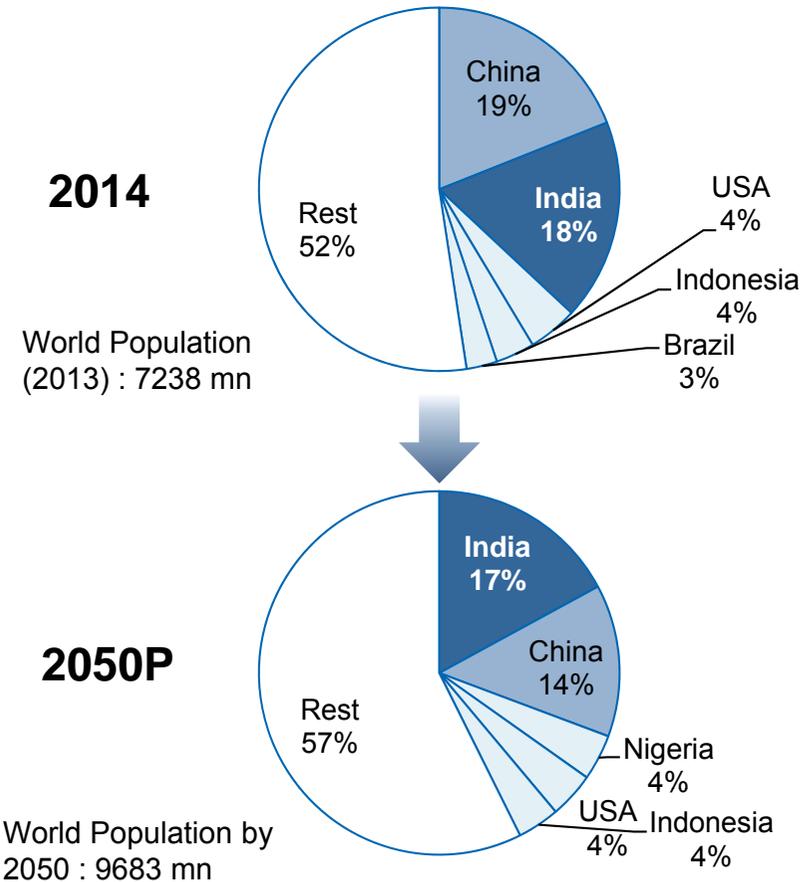
1 India's Macro-economic Indicators

2 Real-estate Market Overview

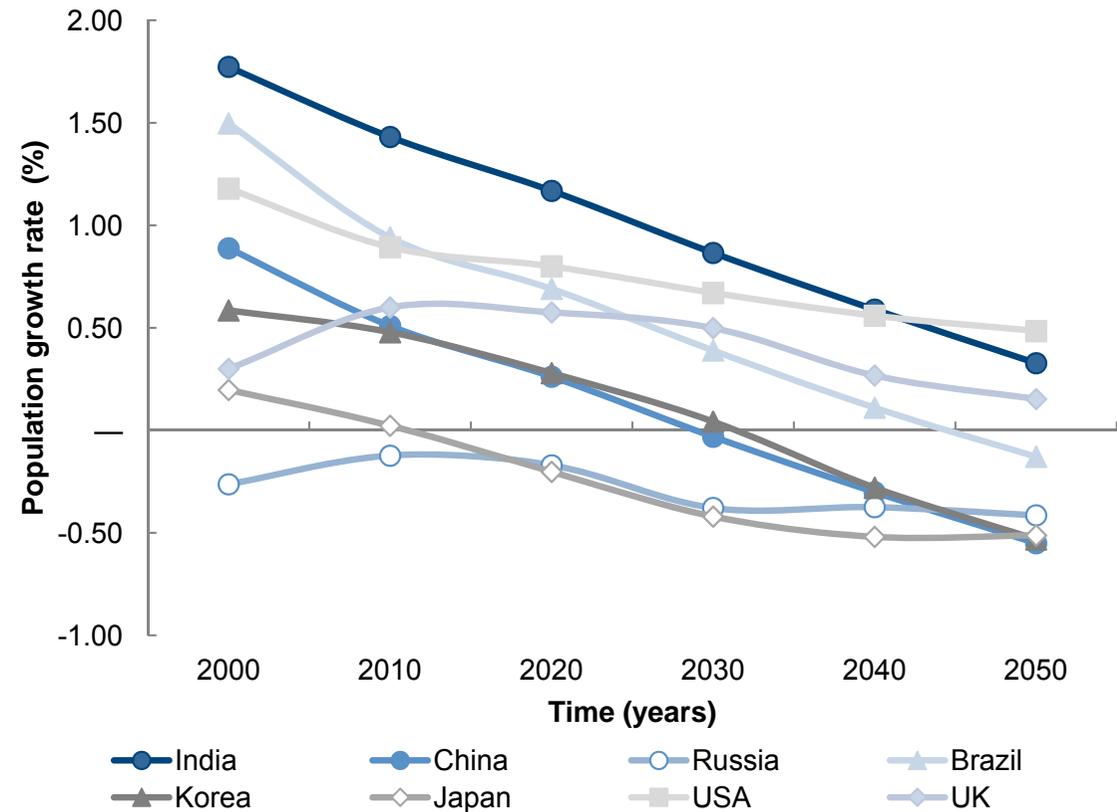
3 Key Segments

India has one of the largest and rapidly growing population, making it an attractive consumer market.

World Population Trends



Population growth forecast

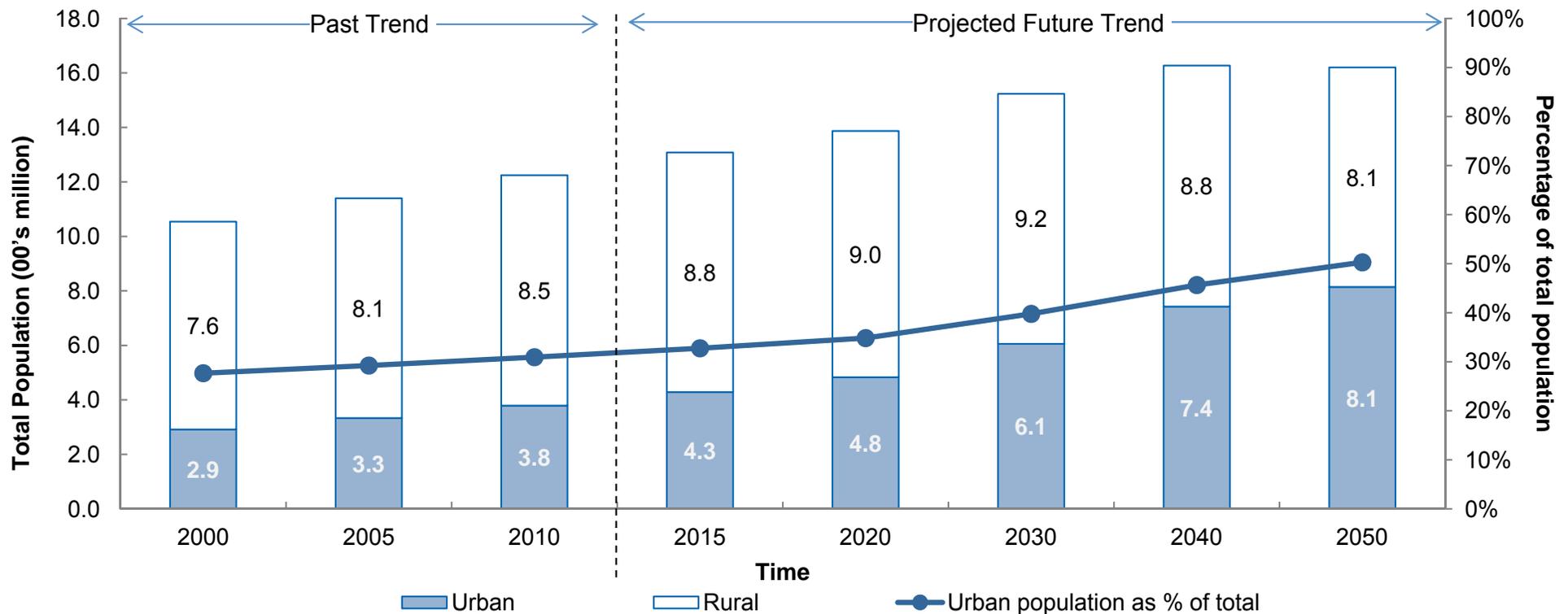


As India's population grows, the demand for infrastructure will grow further

India is witnessing rapid urbanization and this trend is expected to grow steadily.

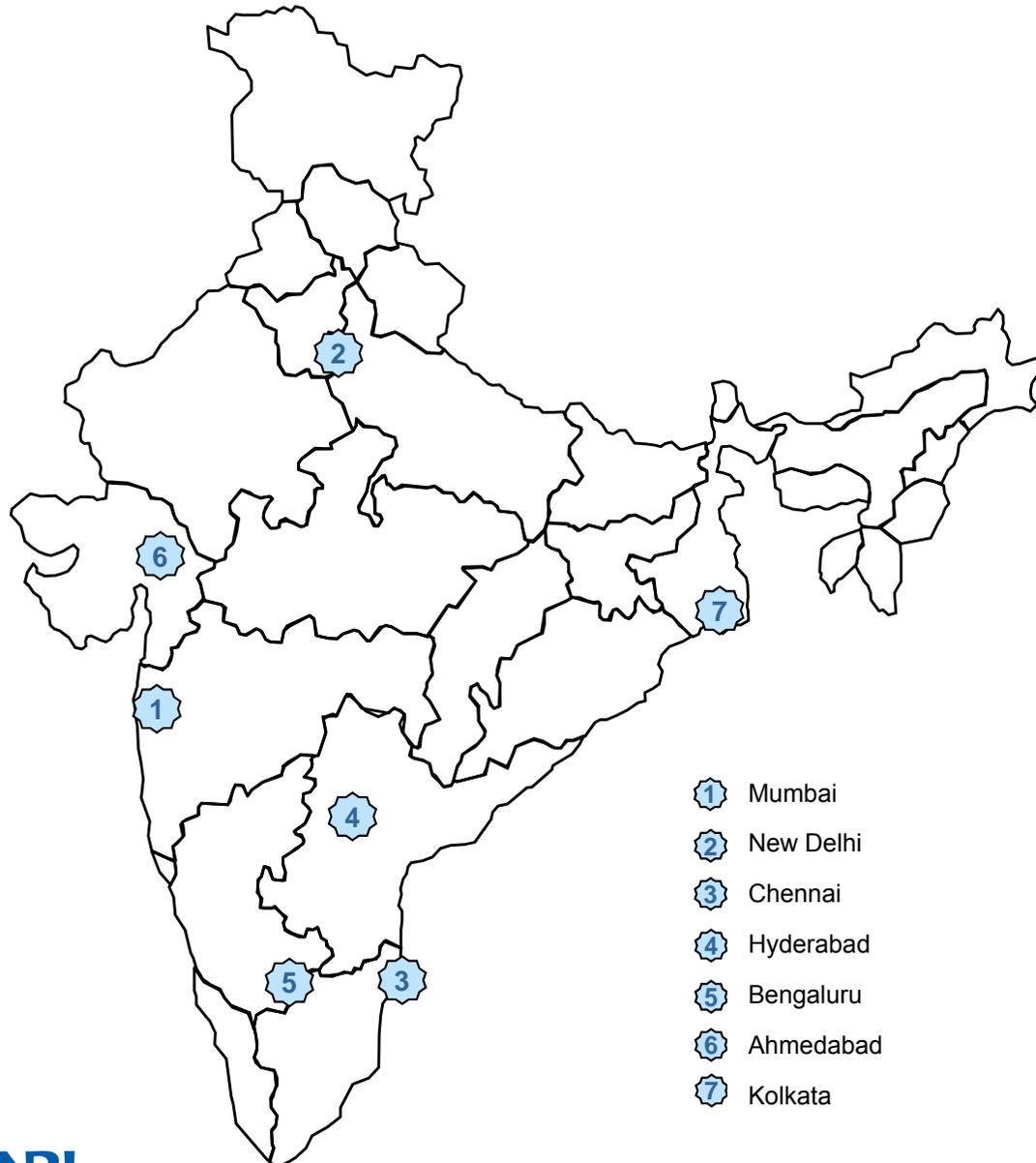
- Better pay, work environment and more opportunities are driving working population from small towns and villages to urban centers resulting in rapid urbanization.

Urban rural population growth trend and forecast



As urbanization trend continues, demand for urban infrastructure will rise rapidly

Rapid urbanization has happened across 7 major cities of India, all of them having 4 million plus population.



India's Top Urban Centres

City	State	Area	Population	AHI
Mumbai	Maharashtra	1176 km ²	12.47 mn	INR 334,812
New Delhi	Delhi	1483 km ²	11.00 mn	INR 360,893
Chennai	Tamil Nadu	1189 km ²	8.42 mn	INR 324,844
Hyderabad	Andhra Pradesh	650 km ²	6.80 mn	INR 180,406
Bengaluru	Karnataka	741 km ²	5.57 mn	INR 269,537
Ahmedabad	Gujarat	464 km ²	4.68 mn	INR 192,163
Kolkata	West Bengal	1026 km ²	4.48 mn	INR 185,840

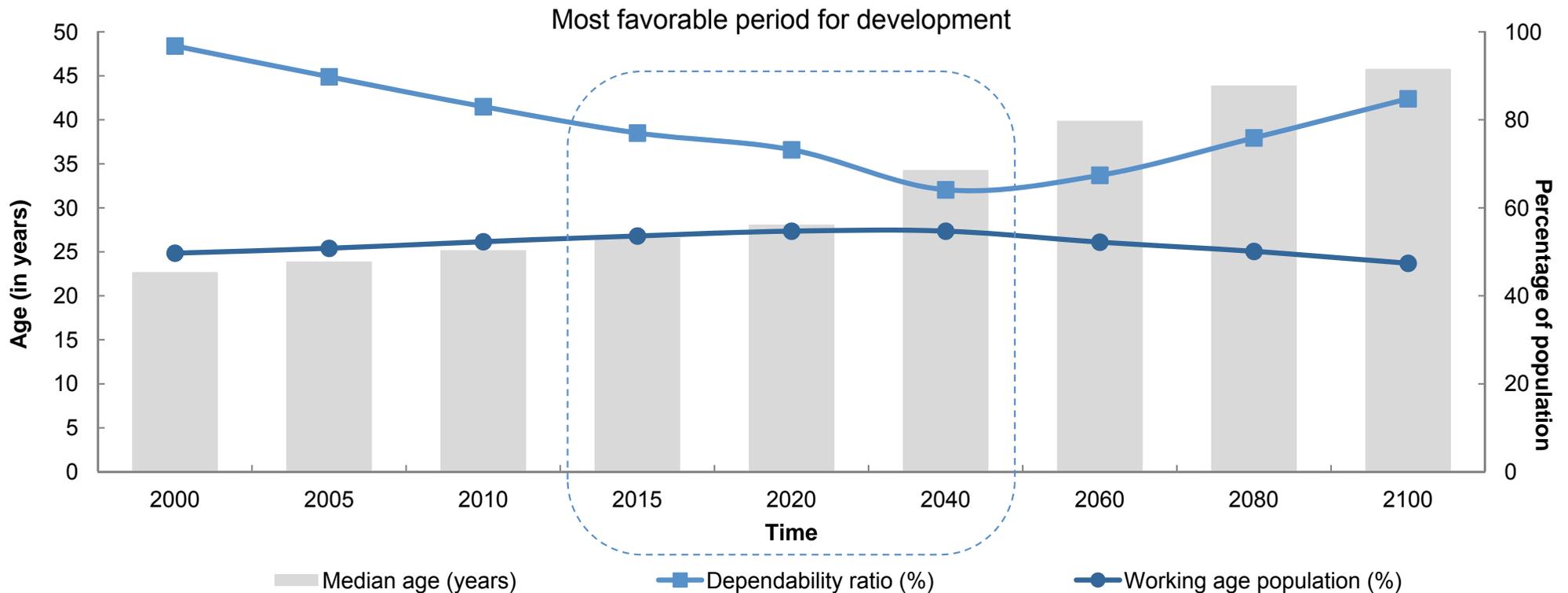
Top 7 by metropolitan area, urban agglomeration and household income
 AHI-Average Household Income per annum
 Area refers to City Metropolitan Area
 "INR": Indian rupees, "mn" : million

Source: CMIE April 2015 Survey Data, Census of India 2011

Low median age and increasing working-age population are reducing dependability and providing more hands to drive the economy.

- 57% of India's 1.2 billion population is below the age of 30 years in 2012 making it one of the youngest countries in the world.

Age structure dynamics



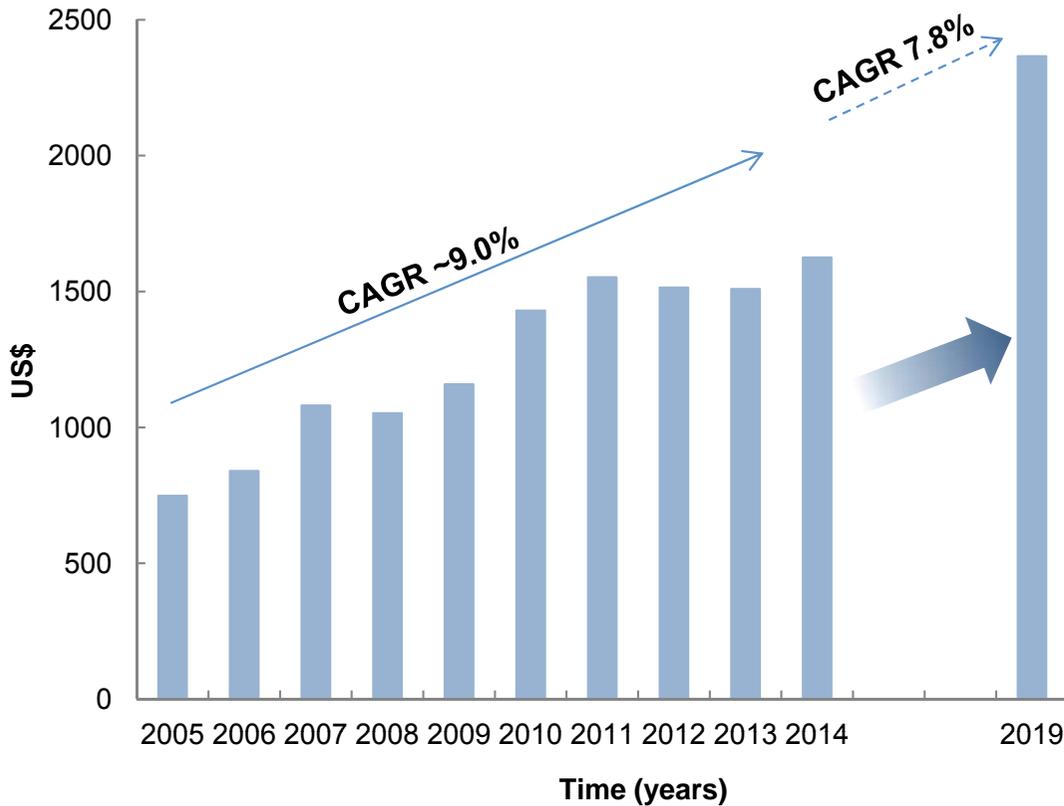
Decreasing dependability is likely to further increase infrastructure demand, specially housing

Note: Working age population refers to percentage of population between 20-65 years Dependability ratio is calculated as non-working population by working population

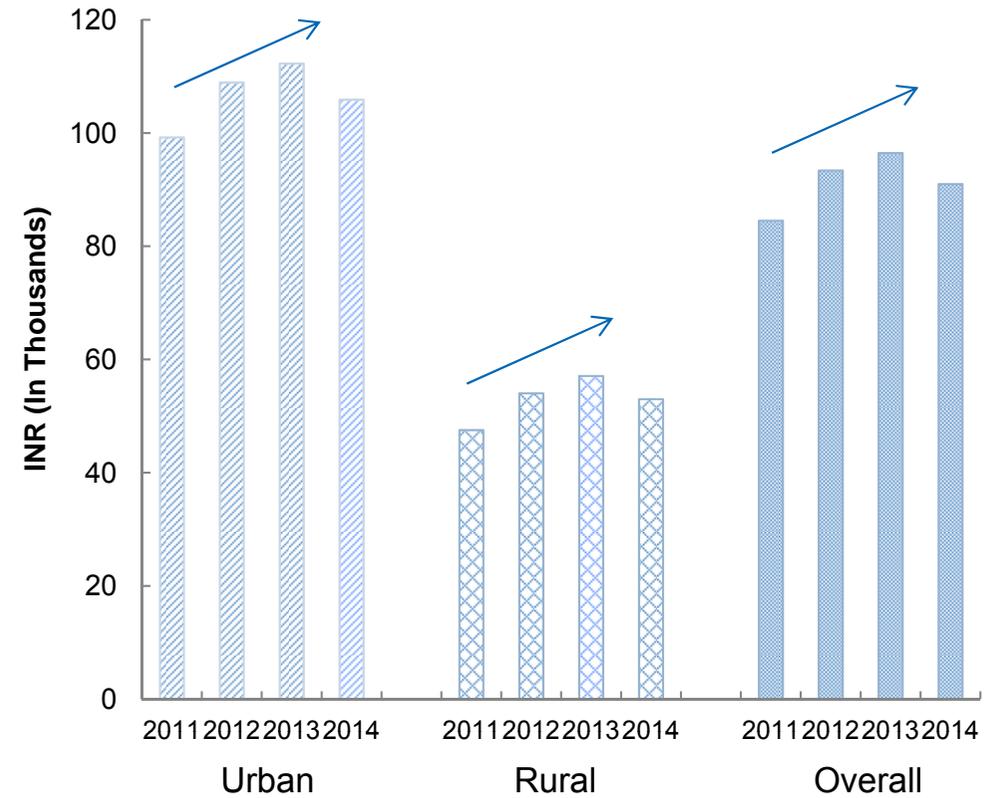
Source: 1. World Urbanization Prospects, the 2011 Revision, UN Population Division; 2. U.S. Census Bureau

India's per capita GDP and household savings are increasing, indicating improvement in economic condition of society.

GDP per capita at current prices



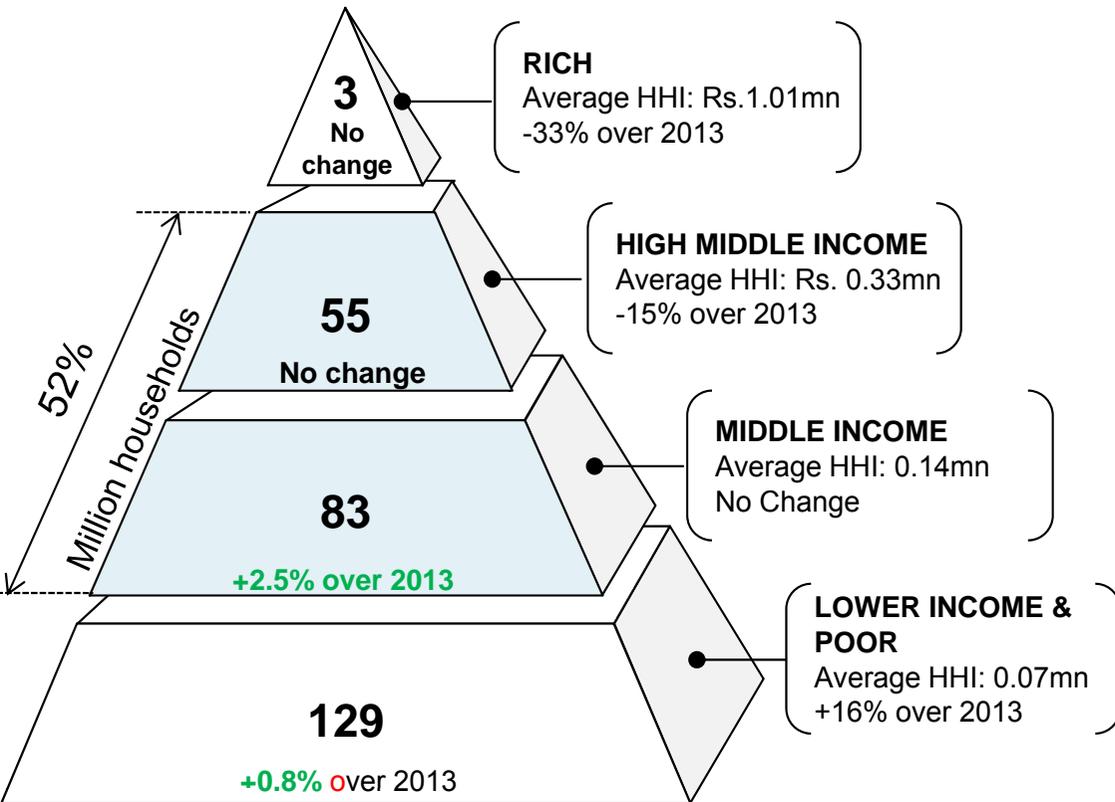
Average Household Savings per annum



Improving economic condition of society will increase demand of better quality infrastructure specially housing

India's middle class population is almost half of the total population, and is among the highest consuming middle-class groups in the world.

Structure of Population in 2014 by Income



Top 10 Countries in Middle Class Consumption

RANK	2009		2020		2030	
1	U.S	4.4	CHINA	4.5	INDIA	12.8
2	JAPAN	1.8	U.S	4.3	CHINA	10.0
3	GERMANY	1.2	INDIA	3.7	U.S	4.0
4	FRANCE	0.9	JAPAN	2.2	INDONESIA	2.5
5	U.K	0.9	GERMANY	1.4	JAPAN	2.3
6	RUSSIA	0.9	RUSSIA	1.2	RUSSIA	1.4
7	CHINA	0.7	FRANCE	1.1	GERMANY	1.3
8	ITALY	0.7	INDONESIA	1.0	MEXICO	1.2
9	MEXICO	0.7	MEXICO	1.0	BRAZIL	1.2
10	BRAZIL	0.6	U.K	1.0	FRANCE	1.1
	WORLD	21	WORLD	35	WORLD	55

India's middle class population would majorly drive demand in construction sector

HHI: Household Income per annum
 HHI brackets: Rich (above Rs 0.72mn), High middle income (Rs. 0.72-0.18mn), Middle income (Rs. 0.18-0.09mn), Lower Income and Poor (below Rs. 0.09mn)

Source: CMIE Consumer Pyramid Data Retrieved 13th April, 2015
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Note: Middle class defined as those living in households with daily per capita income between US\$10-100 per day at 2005 US\$ PPP terms.

Source: Brookings Institution, OECD Working Paper no-285, 2010

India Real Estate Market in India – Residential, Office, etc.

1 India's Macro-economic Indicators

2 Real-estate Market Overview

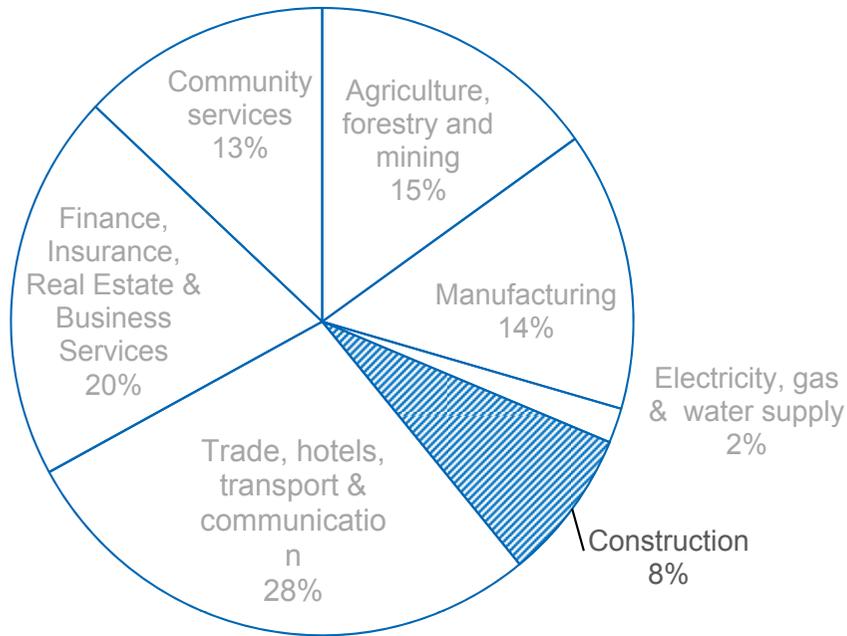
3 Key Segments

Sector Performance – Contribution and Growth

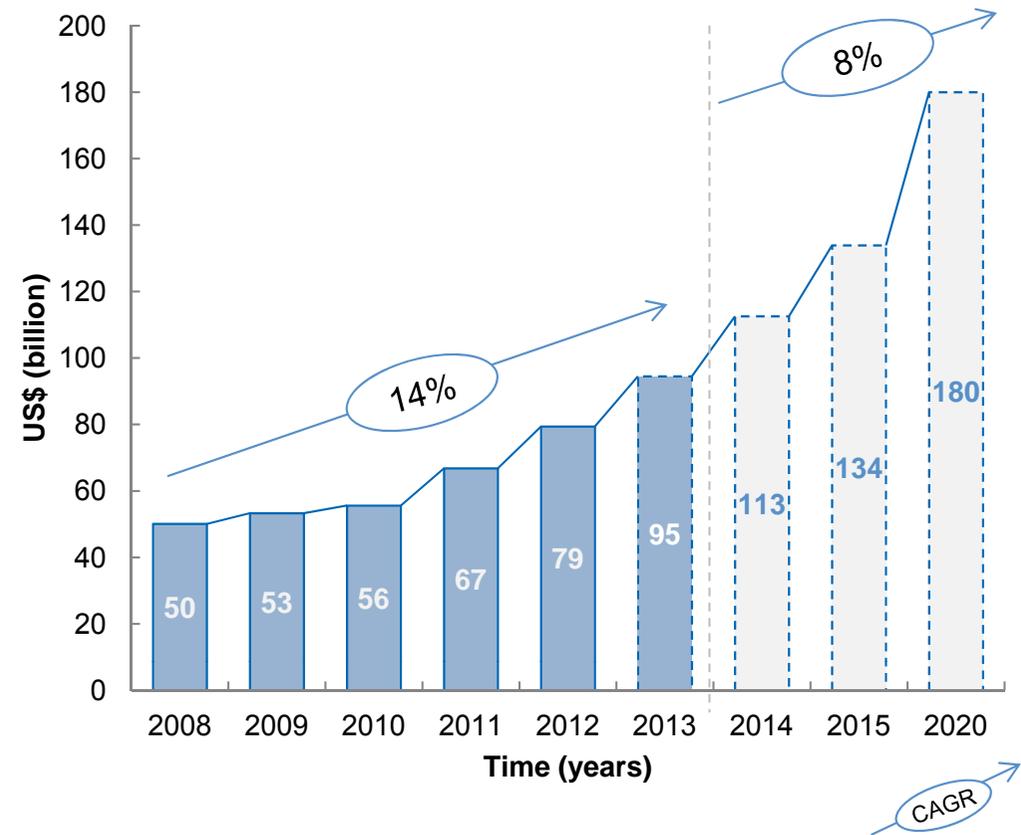
Construction sector contributed 8% to India's GDP. Market has witnessed steady growth in past which is likely to continue in future, owing to demographic pressure.

Sector contribution to GDP

Total GDP (2013-14) value at current prices: INR 104.8 trillion



Real-estate market size and growth-rate



Note: Real-estate market includes ownership of residential, commercial and industrial dwellings and related business services

Source: Central Statistics Office (CSO), India 2014

Source: 1. Corporate Catalyst India, Real Estate Report 2012
2. IBEF India Nov'13 <http://www.ibef.org/industry/real-estate.aspx>

Sector Performance – Major Players Performance

While most players have grown in size in FY13-14, maintaining profitability has been an area of concern for majority of country's leading developers for second consecutive year.

Performance of Top 15 Real-estate Developers in India by market capitalization

Developer name	Market Cap (BSE)	Net Sales (2013-14)	Net Sales YoY%	Net Profit (2013-14)	Net Profit YoY%
DLF Ltd.	2,88,405	23,859	11%	5,268	5%
Prestige Estates Projects Ltd.	1,04,306	20,052	169%	3,400	163%
Oberoi Realty Ltd.	99,949	6,226	5%	2,951	-10%
HDIL	56,000	7,708	-21%	2,449	68%
Godrej Properties Ltd.	54,684	6,640	56%	977	-20%
Sobha Developers Ltd.	40,491	21,129	17%	2,065	5%
Indiabulls Real Estate Ltd.	30,577	849	-76%	1,446	-46%
Omaxe Ltd.	24,646	11,847	-12%	603	-30%
Brigade Enterprises Ltd.	17,678	8,952	15%	898	40%
Sunteck Realty Ltd.	17,634	387	21%	1,373	1893%
Kolte Patil	17,542	1,872	3%	464	-29%
DB Realty Ltd.	17,271	452.6	-2%	-411	-13807%
Purvankara Projects Ltd.	17,051	9,227	13%	1,060	-6%
Anant Raj Ltd.	12,881	4,384	39%	883	-19%
Parsvnath Developers Ltd.	8,769	4,283	-7%	234	-68%

Fluctuating financial performance of leading developers explains the volatile state of the Indian real-estate market

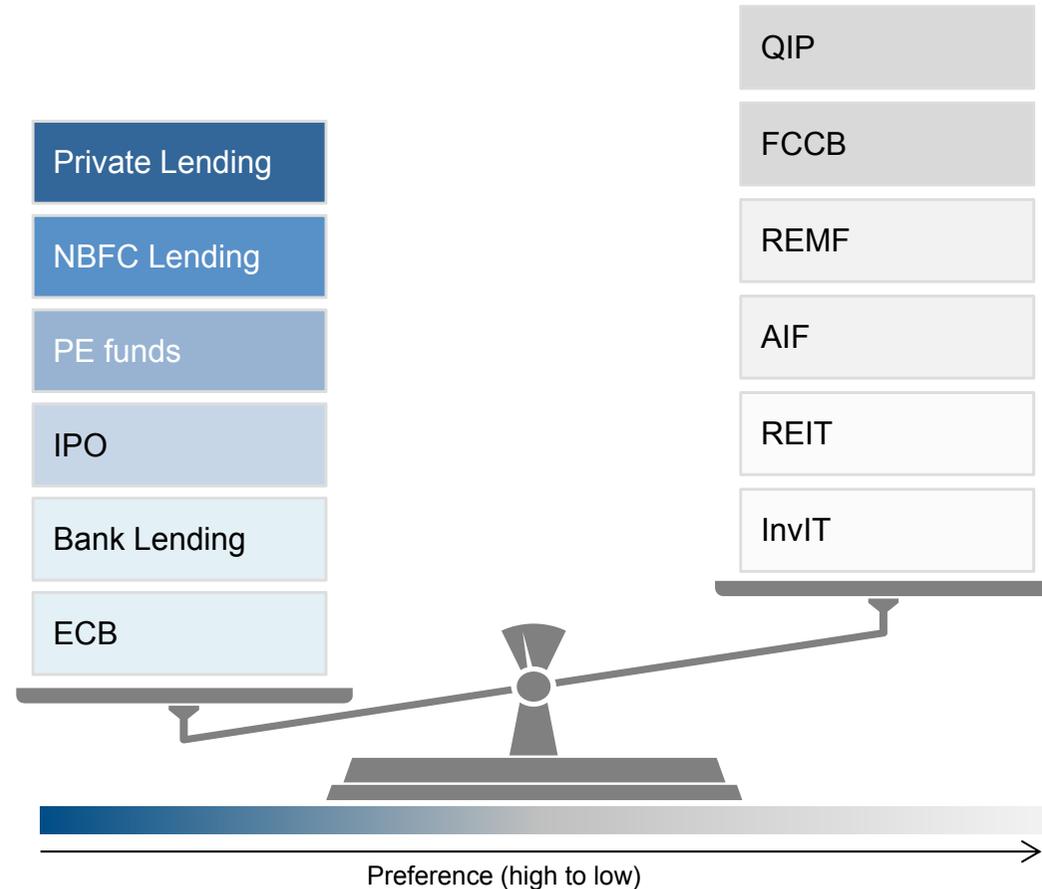
Private lending, NBFC lending & PE funds have continued to be the primary sources of real-estate financing. Recently REITs and InvITs have been allowed in Indian market.

List of project financing options

Available Real-estate financing options in India

- Bank Credit
- NBFC Credit
- Private Credit
- Public Listing (IPO)
- External Commercial Borrowings (ECB)
- Private Equity (PE)
- Foreign Direct Investments (FDI)
- Qualified Institutional Placement (QIP)
- Foreign Currency Convertible Bond (FCCB)
- Real-estate Mutual Funds (REMF)
- Alternative Investment Fund (AIF)
- Real-estate Investment Trusts (REIT)
- Infrastructure Investment Trusts (InvIT)

Financing options by developers preference



NBFC: Non-banking Financial Company
 PE: Private Equity
 IPO: Initial Public Offering
 ECB: External Commercial Borrowing

QIP: Qualified Institutional Placement
 FCCB: Foreign currency bonds
 REMF: Real Estate Mutual Fund
 AIF: Alternative Investment Fund
 REIT : Real Estate Investment Trust
 InvIT: Infrastructure Investment Trust

Source: Content sourced from proprietary information of Jones Lang LaSalle India

Government is also focusing towards specialized financing options for real-estate sector development.

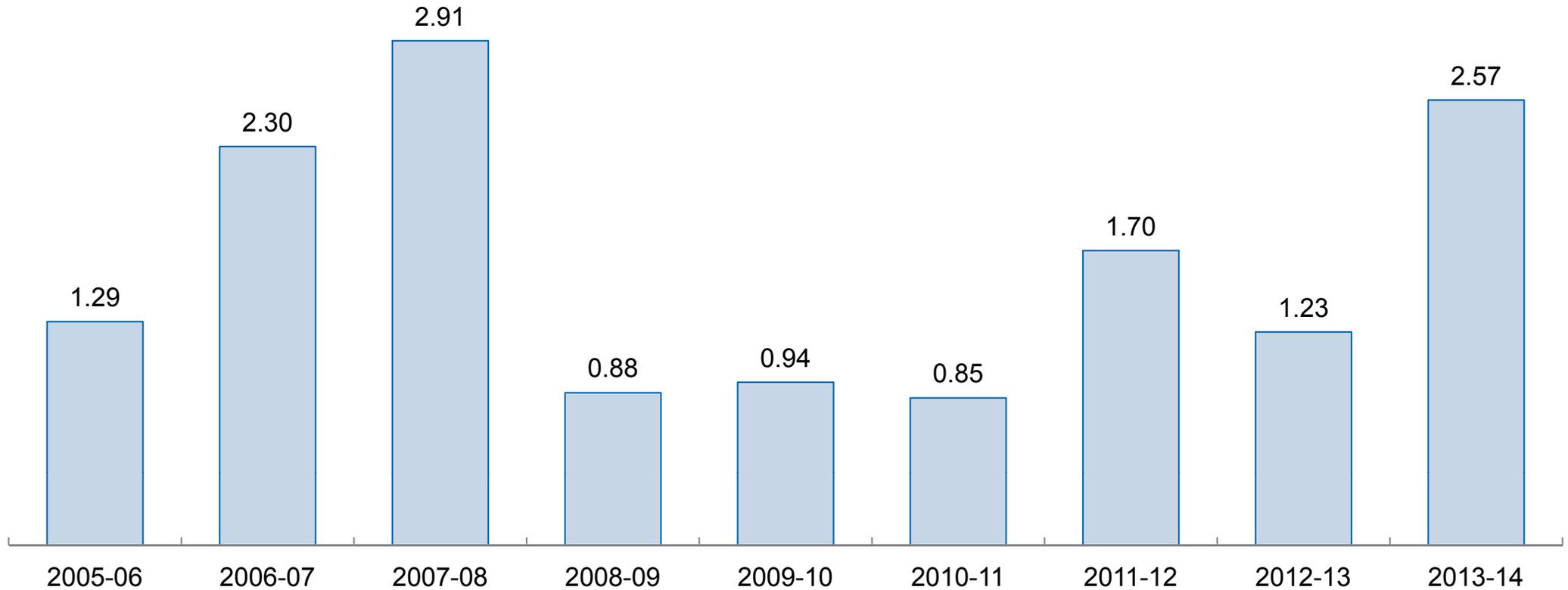
Specialized real-estate investment options

Option name	Brief Description	Current Status
Real-estate Mutual Funds (REMFs)	REMFs are mutual fund schemes established in the form of a trust, which invests directly or indirectly in real estate assets or permissible assets.	<ul style="list-style-type: none"> SEBI has allowed fund houses to launch real-estate funds under April 16, 2008 notification for amendment of SEBI (Mutual Funds) Regulations, 1996 to permit mutual funds to launch REMFs. However due to lack of transparency and regulation on land prices REMF have not generated sufficient investor interest Prominent REMF players <ul style="list-style-type: none"> ICICI Prudential Kotak Mutual Fund HDFC Mutual Fund
Real Estate Investment Trust (REITs)	REIT is a corporate structure that buys, develops manages and sells real estate assets and allows various participants small and large to invest in a professionally managed portfolio of real estate properties, that are publicly traded.	<ul style="list-style-type: none"> SEBI approved REITs regulations in September 2014. REIT was introduced to make available fresh equity in the real estate sector in India leading to reduced pressure on the banking system by attracting long term FINANCE from foreign (presumably) and domestic sources for the sector. This will help ease the pressure on the balance sheets of cash-starved developers
Infrastructure Investment Trust (InvITs)	Provides additional framework for investment in infrastructure in the country and would own and manage income generating infrastructure projects.	<ul style="list-style-type: none"> SEBI approved InvITs regulations in September 2014. The InvITs will invest in infrastructure projects, either directly or through a special purpose vehicle as mandate by SEBI
Long Term Bonds by Banks for Infrastructure financing	Intends to ease raising long-term funds by banks for financing infrastructure projects	<ul style="list-style-type: none"> RBI has allowed banks to issue infra bonds via private, public placement. It has also eased priority sector norms for banks' long-term bond (Jul 2014)

PE investments have bounced back, mainly because investors have shown renewed interest in residential and leased office spaces, in anticipation of quick capital appreciation.

PE inflows in Real Estate Sector

Values in US\$ Billion



Source: Cushman & Wakefield

Recently FDI norms in construction sector have been relaxed in order to attract more FDI.

FDI Policy Norms

- In view of depleting FDI inflow in construction and real estate sector in last couple of years, the current BJP led NDA government brought in relaxed rules for FDI in the construction sector.
- The proposal has been approved by the Union Cabinet in Oct 2014 and notified by DIPP in Dec 2014.

FDI Relaxations	Potential Impact on Sector
<ul style="list-style-type: none"> • Reduced the minimum floor area to 20,000 sq mt from the earlier 50,000 sq. mt. • Brought down the minimum capital requirement to \$5 million from \$10 million. 	<ul style="list-style-type: none"> • Allowing smaller projects to qualify for FDI
<ul style="list-style-type: none"> • In case of development of serviced plots, the condition of minimum land of 10 hectares has been relaxed. 	<ul style="list-style-type: none"> • Encourage development of plots for serviced housing given the shortage of land in urban agglomerations as well as the high cost of land
<ul style="list-style-type: none"> • Developers will be exempt from restrictions in area and minimum capitalization if they commit 30% of the project cost to affordable housing • Increased the unit size to be considered for affordable housing from 60 square meters (carpet area) to 140 square meters (floor area), on condition that at least 25% of the units under affordable housing should be of a floor area not exceeding 60 square meters. 	<ul style="list-style-type: none"> • Increase the supply of affordable housing across India • Larger unit size may attract more consumers to buy units under affordable housing scheme
<ul style="list-style-type: none"> • Allowed foreign investors to exit on project completion or 3 years from the date of final investment subject to the development of trunk infrastructure such as roads, water supply, street lighting, drainage and sewage. 	<ul style="list-style-type: none"> • Easier exit provisions may encourage more investment in Housing Sector through FDI route

India Real Estate Market in India – Residential, Office, etc.

1 India's Macro-economic Indicators

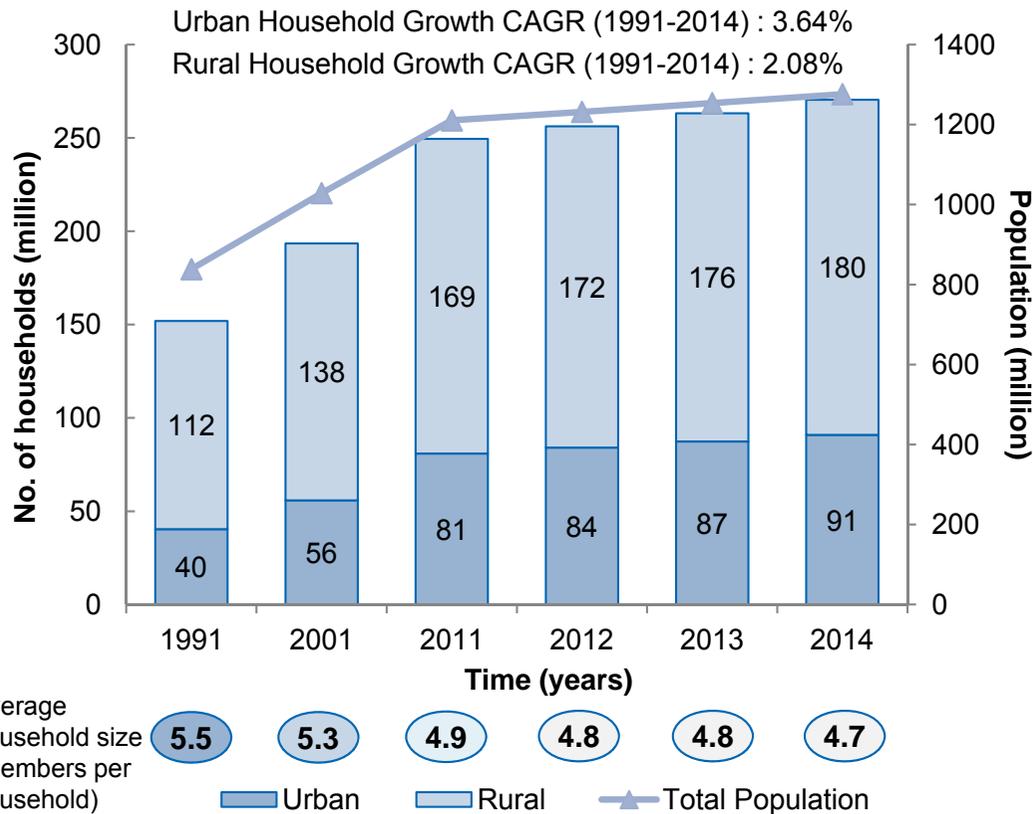
2 Real-estate Market Overview

3 Key Segments

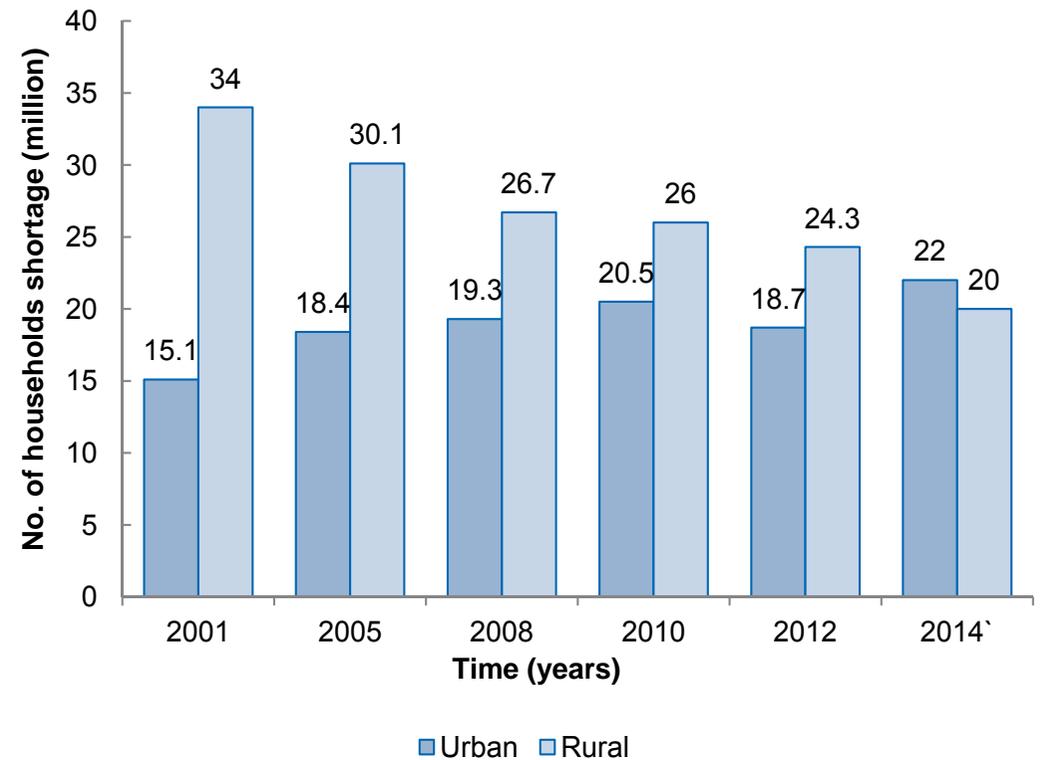
Residential Space – Average household member-size

Decreasing average household size and increasing total population is leading to household shortage in the country.

Households growth rate



Urban-rural housing shortage



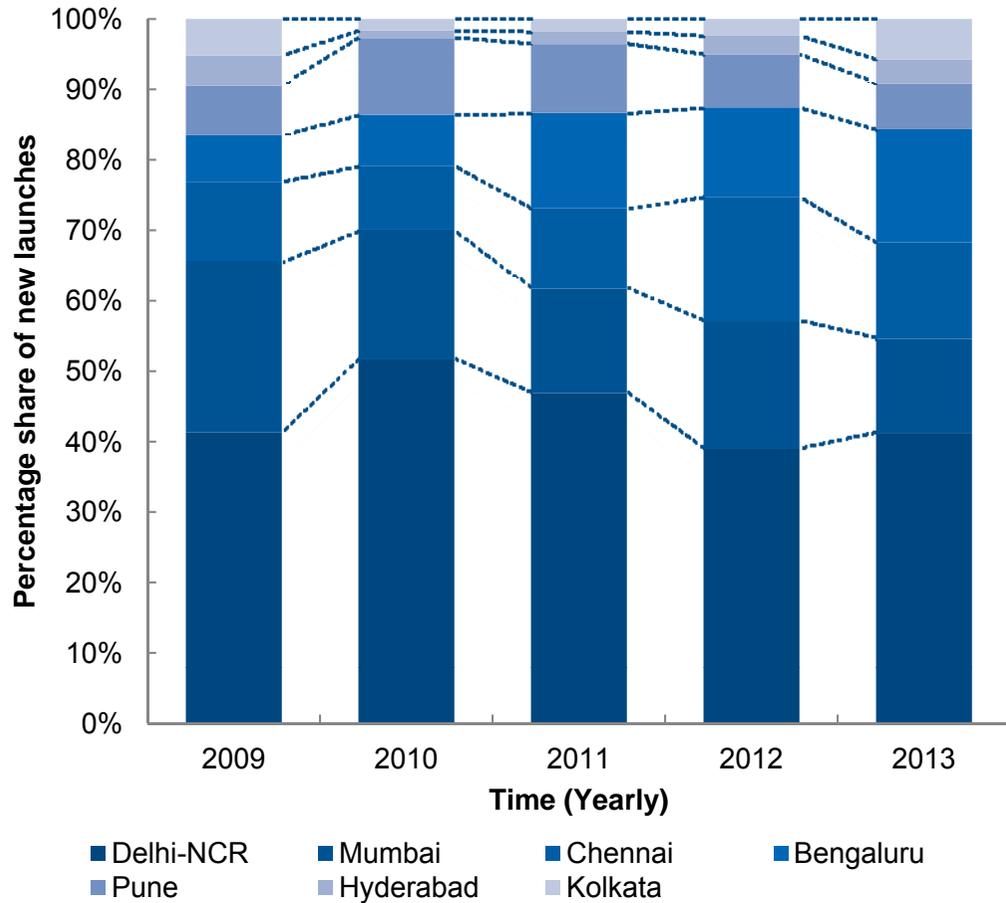
With increasing population and decreasing family size per household, the housing demand is ought to grow

Source: CMIE Consumer Pyramid Data Retrieved 9th April 2015

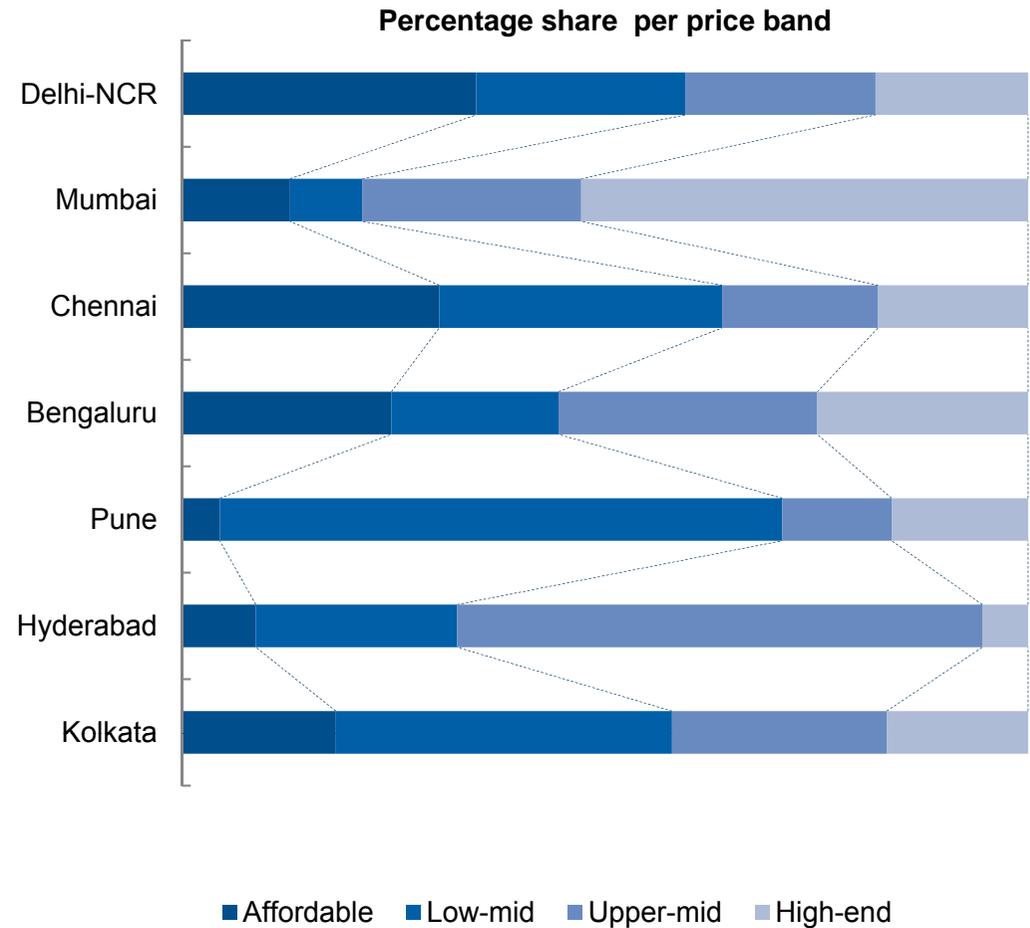
Source: 1. Ministry of Housing and Urban Poverty Alleviation
2. Planning Commission working group on rural housing

Supply of new residential units in urban centers has been primarily in the mid-price segment range with Delhi and Mumbai having the highest inventory.

City-wise Residential launches in Top 7 cities (2009-13)



Supply Trend by Price Band in Top 7 cities in 2013

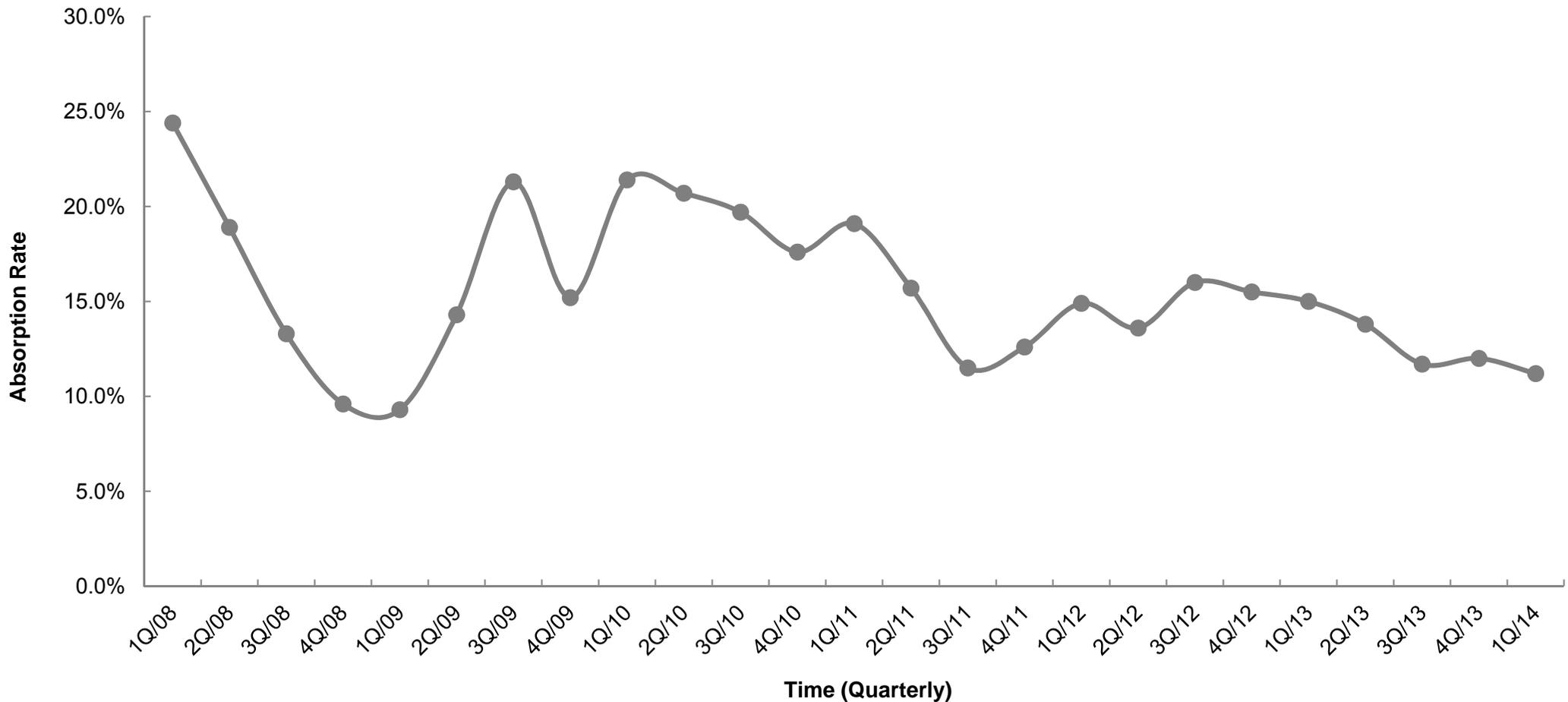


Note: Average capital values range
 - Affordable housing category: <INR 3.5 million
 - Affordable housing category: INR 3.5 - 7.5 million
 - Affordable housing category: INR 7.5 - 15 million
 - Affordable housing category: >INR 15 million

Residential Space – Demand Trends

Overall absorption of residential units is on a declining trend, due to large existing unsold inventory in the midst of recovering demand, but likely to improve in near-future.

Absorption Trend in Top 7 cities



Note: Term "Absorption" refers to ratio of space leased to total space

Source: Content sourced from proprietary information of Jones Lang LaSalle India

Figures represent Top 7 cities by urban population: Mumbai, Delhi-NCR, Kolkata, Chennai, Bengaluru, Hyderabad, Pune

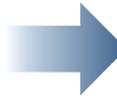
Rental values in Hyderabad have increased the most, while in Mumbai it has decreased due to demand-supply fluctuations. Capital values have appreciated moderately across all cities.

Average Residential Values across major Indian cities

City Name	Average Rental Value per Month per 1000 sqft.	Annual Rental Growth Rate	Average Capital Value per sqft.	Annual Capital Growth Rate
Delhi/NCR	INR 14,500 - 20,000	0-5%	INR 6,300 - 8,200	0-5%
Mumbai	INR 32,000 – 52,000	0-5%	INR 12,100 – 19,500	5-10%
Kolkata	INR 12,000 – 19,000	5-10%	INR 4,000 – 8,000	5-10%
Chennai	INR 10,500 – 17,000	0-5%	INR 6,500 – 10,000	10-15%
Bengaluru	INR 12,000 -18,000	20-25%	INR 4,500 – 8,500	10-15%
Hyderabad	INR 10,000 – 16,000	5-10%	INR 4,000 – 6,000	5-10%
Pune	INR 10,000 – 13,500	0-5%	INR 4,500 – 6,000	15-20%

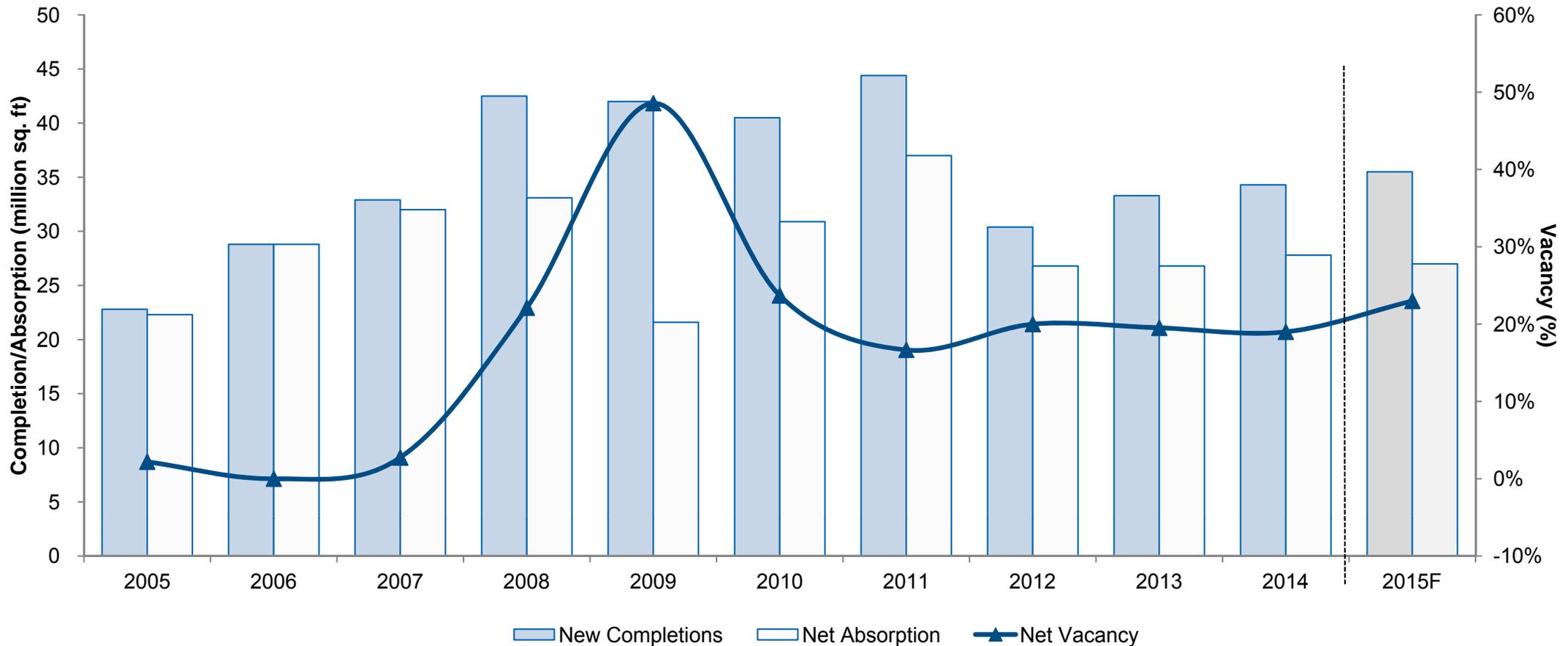
Note: Values represented above are average for FY12-13 and for indicative purposes only. Actual values may vary by time, specific locality area, property specifications and other factors

Residential market witnessed increased demand for mid & affordable housing as economy showed recovery signs. However, new supply remained low due to existing unsold inventory

	Market Factors	FY14-15 Growth Trend	Reason
Demand		<ul style="list-style-type: none"> Residential segment can be divided into high-segment (luxury), mid-segment (middle-class) and low-segment (affordable) housing Demand for mid and low-segment housing has increased once again as consumers interests got revived due to early signs of economy recovering from slowdown, and interest rates cuts have boosted buyers sentiments. 	
Supply		<ul style="list-style-type: none"> Around 122,000 new units have been launched between Q1 and Q3 of FY14-15 across top 8 cities of India, lower than previous year, due to existing unsold inventory. Bengaluru, Mumbai and Delhi-NCR accounted for 71% of new residential launches in Top 8 cities. 	
Capital Values		<ul style="list-style-type: none"> Capital values have remained stable in FY14-15 for most of the cities, except Delhi/NCR, where it has declined, due to over supply Developers have restrained from announcing new projects, due to availability of unsold inventory 	
Noticeable Trends	<ul style="list-style-type: none"> Developers focusing majorly on mid-segment housing 	<ul style="list-style-type: none"> Developers have primarily focused on mid-segment offerings in this year, as investors interest in increasing for such units Around 68% units launched in first 3Q of 2014 were for mid-segment consumer, which is 56% higher than 2013. 	

Office space vacancy is forecasted to increase in 2015 due to higher completions in 2014 as compared to demand growth in this period

Office space supply and demand in Top 7 cities



Note: Figures represent Top 7 cities by urban population: Mumbai, Delhi-NCR, Kolkata, Chennai, Bengaluru, Hyderabad, Pune

Source: Content sourced from proprietary information of Jones Lang LaSalle India

Overall, office rental values growth trend has been mixed, while capital values have appreciated across major centres.

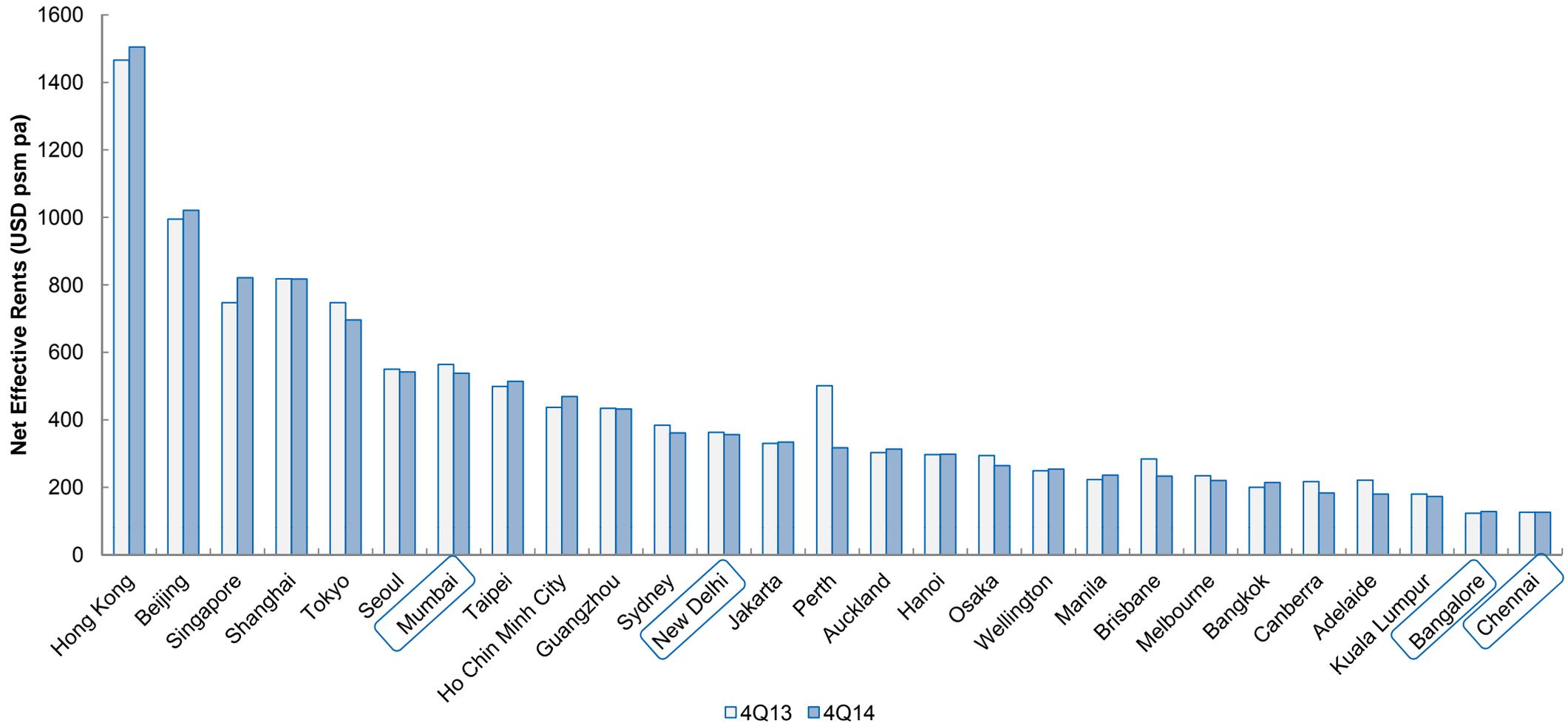
Average Office Rental Values across major Indian cities

City Name	Average Rental Value per sqft./month	Average Rental Growth Rate (FY13-14)	Average Capital Value per sqft.	Average Capital Growth Rate (FY13-14)
Delhi/NCR	INR 114 – 182	0-5%	INR 19,000 – 23,000	0-5%
Mumbai	INR 130 – 166	▲0-5%	INR 13,000 – 18,000	0-5%
Kolkata	INR 65 – 79	▲0-5%	INR 7,000 – 10,000	▲0-5%
Chennai	INR 47 – 68	0-5%	INR 7,000 – 10,000	0-5%
Bengaluru	INR 52 – 72	▲0-5%	INR 6,000 – 10,000	5-10%
Hyderabad	INR 38 – 48	0-5%	INR 4,000 – 6,000	5-10%
Pune	INR 50 – 68	5-10%	INR 6,000 – 8,000	10-15%

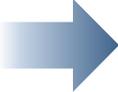
Note: Values represented above are average for FY12-13 and for indicative purposes only. Actual values may vary by time, specific locality area, property specifications and other factors

Apart from Mumbai, India’s other major commercial centres continue to remain cost competitive against peer Asian hubs.

Office Rental Values Trend of Major Asian Cities

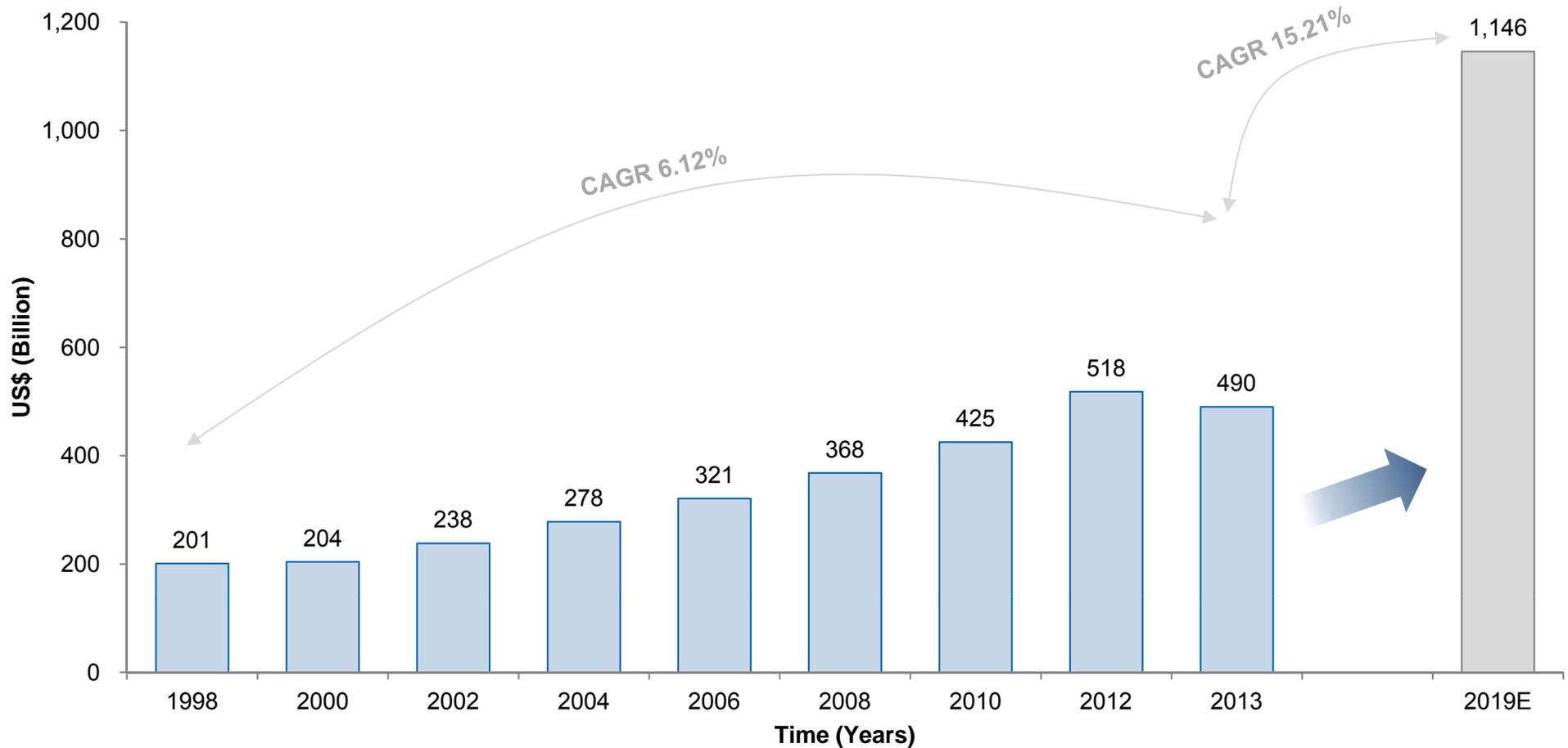


Office space market has improved, with both demand and supply witnessing an increase. MNC companies have expanded office spaces due to renewed interest in India business.

 <i>Market Factors</i>	<i>FY14-15 Growth Trend</i>	<i>Reason</i>
Demand		<ul style="list-style-type: none"> • Demand for office space picked up in most cities, and net absorption increased by 34% over previous year, on account of substantial pre-committed absorption in 2013. • Companies which had postponed office expansion plans bought new spaces to take advantage of decreasing rental/capital values
Supply		<ul style="list-style-type: none"> • Around 20.4 mn square ft of office space was supplied in 2014, around 9% higher than previous year. Delhi, Mumbai and B'luru being major beneficiaries • Many delayed projects got completed in 2014, and improved absorption rate led developers to complete projects quickly, resulting in increased supply.
Rental Values		<ul style="list-style-type: none"> • Rental trends have been mixed, with rentals declining in 4 of top 8 cities due to over supply • While in remaining, rentals have increased marginally due to fresh supply of Grade A office spaces at premium prices, and increase in rents in projects having high occupancies
Noticeable Trends	<ul style="list-style-type: none"> • Multi-national companies are increasing investments in India 	<ul style="list-style-type: none"> • With new and stable union government in place, foreign investors sentiment is improving and MNCs are expanding office spaces in major cities, as a result of business expansion in India. • This trend is more prominent for IT, BFSI and Consulting based MNC companies

Rapid urbanization is driving retail sector growth, hence demand and supply of retail space is going to increase in future.

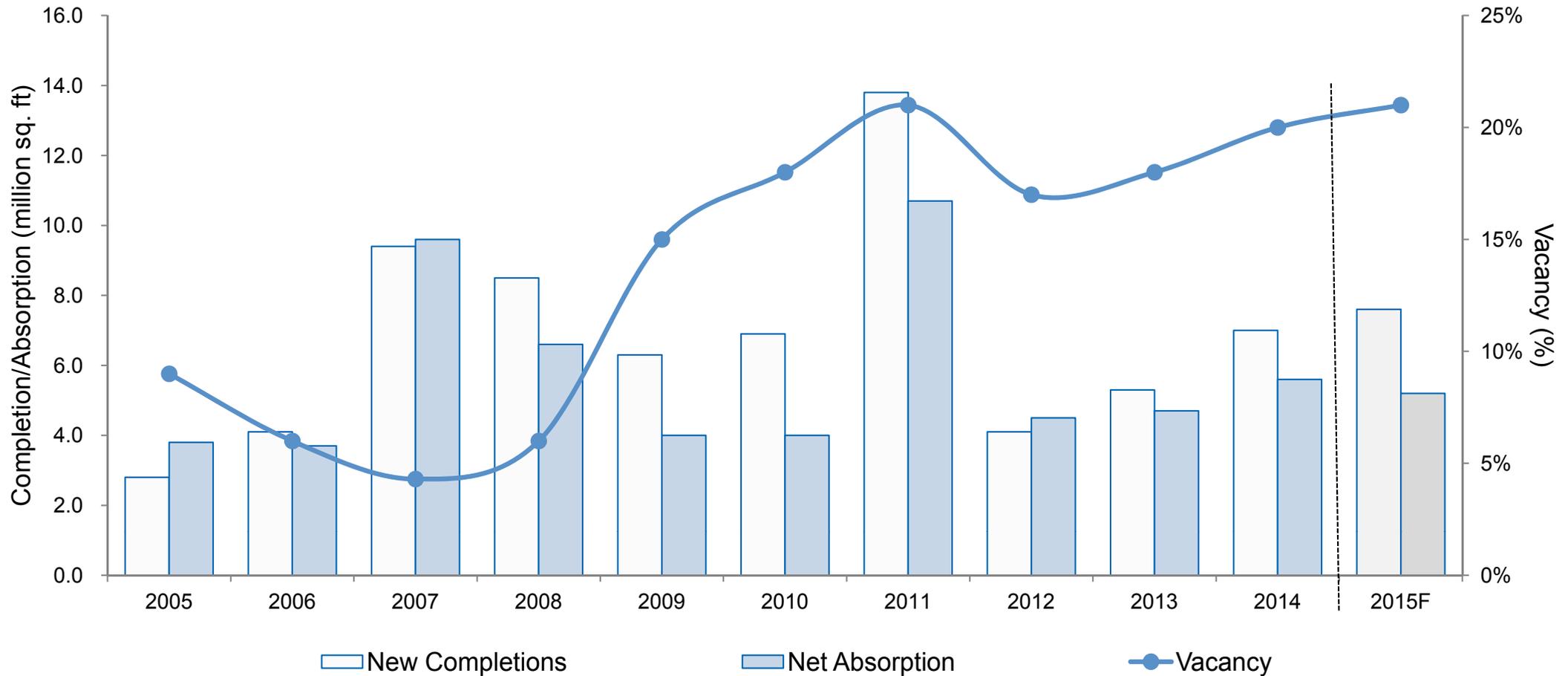
Growth of retail sector in India



Source: Indian Brand Equity Foundation

Retail space vacancy is set to increase due to declining demand of mall space, specially for those malls located in non-prime locations of the cities.

Modern Retail space supply demand trend in Top 7 cities

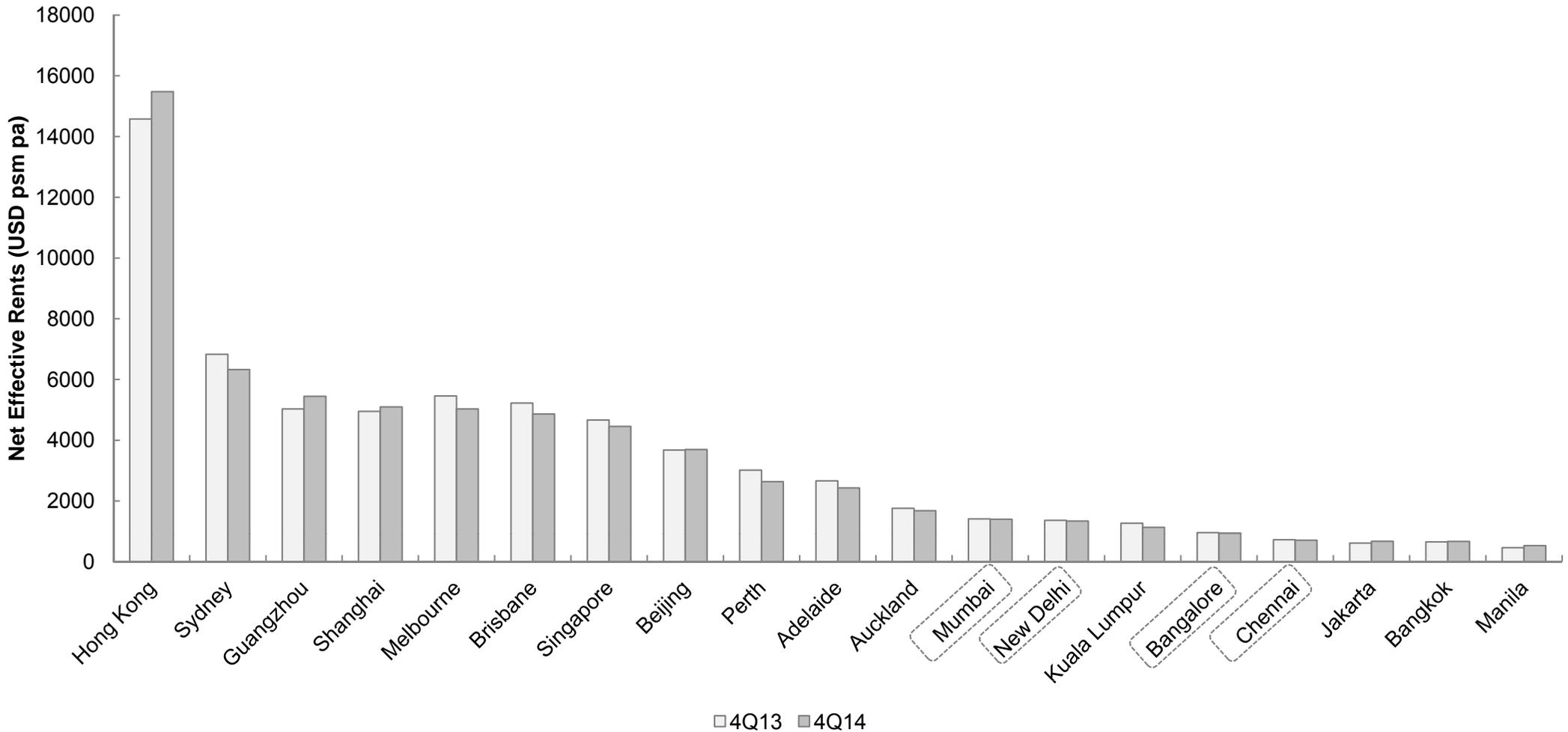


Note: Figures represent Top 7 cities by urban population: Mumbai, Delhi-NCR, Kolkata, Chennai, Bengaluru, Hyderabad, Pune

Source: Content sourced from proprietary information of Jones Lang LaSalle India

Major Indian cities are still on the lower side of retail rentals as compared to other leading Asian cities.

Retail Rental Values Trend of Major Asian Cities

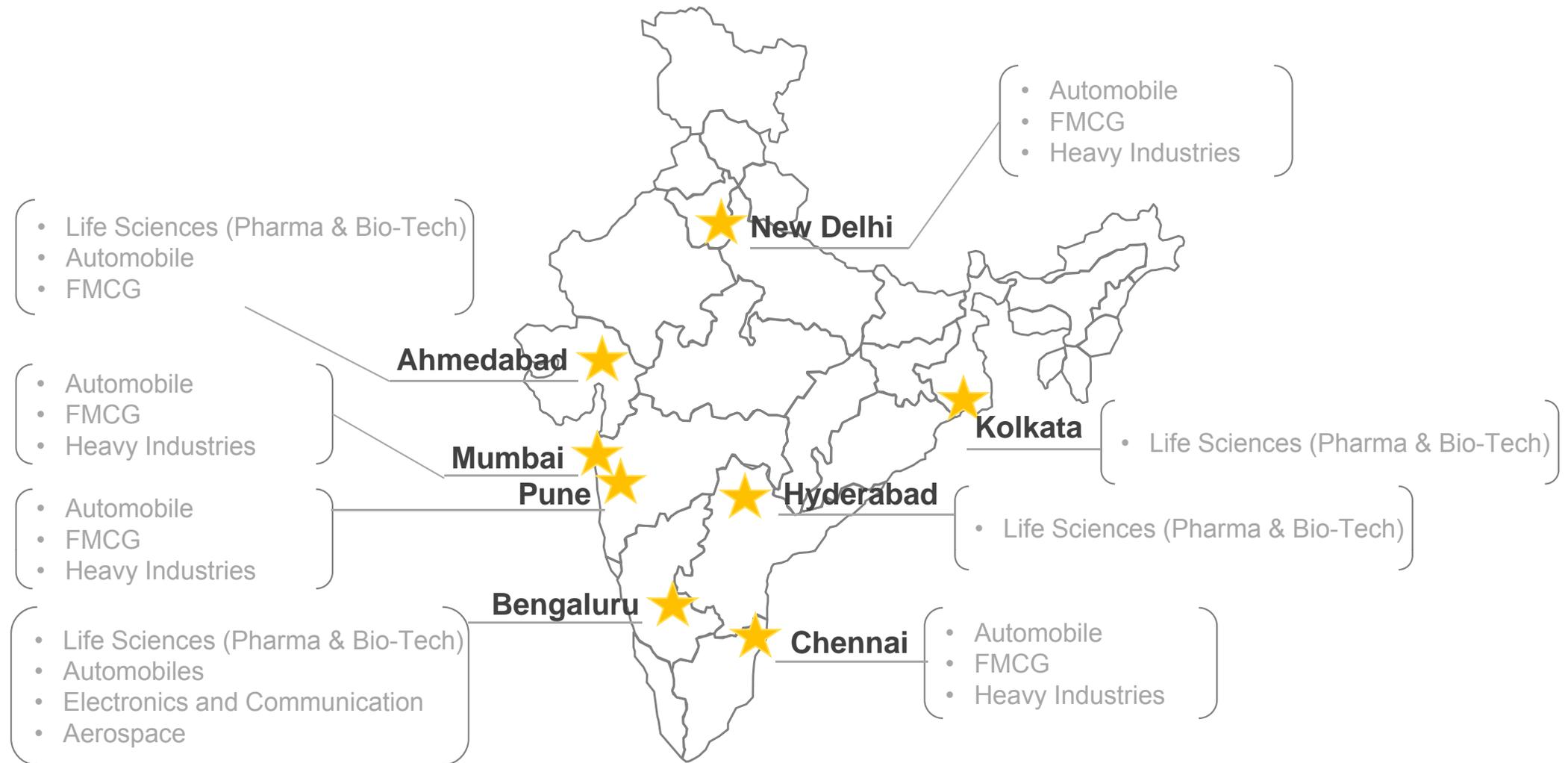


Retail segment has witnessed increasing demand for mall space due to rising consumerism, but supply declined due to delay in projects. Rental values have increased marginally.

 <i>Market Factors</i>	<i>FY14-15 Growth Trend</i>	<i>Reason</i>
Demand		<ul style="list-style-type: none"> • Growing consumerism, young population, increasingly brand conscious middle-class consumers and growing per capita income levels, will continue to drive demand for new retail spaces in India • Demand of Grade A malls in Tier 2 and 3 cities is rapidly increasing.
Supply		<ul style="list-style-type: none"> • In first three quarters of 2014, a total of 1.53 million sqft of new retail space was added across B'luru, Delhi-NCR, Hyderabad, Kolkata and Pune • However 14.3 million sq. ft of upcoming supply got deferred due to issues such as financial crunch of developers, project delays and poor response from investors and retailers.
Rental Values		<ul style="list-style-type: none"> • Mall rentals have been marginally increased across Top 8 cities of India • Only in Pune rentals have increased significantly, as retailers are increasingly occupying vacant spaces
Noticeable Trends	<ul style="list-style-type: none"> • E-commerce impact on offline retail spaces 	<ul style="list-style-type: none"> • The impact of e-commerce cannot be ignored, as convenience of home shopping is presiding over visits to offline retail spaces • However many offline retailers are taking to online channels and vice-versa, but in mid term e-commerce may negatively impact retail spaces in Tier 1 cities

India's manufacturing footprint and consumer markets are spread across the country, thus arising need for domestic trade corridors and logistics hubs.

India's Manufacturing Footprint and Major Markets



Major Domestic Trade Corridors and Logistic Hubs are as follows.



Major Domestic Trade Corridors

Delhi-Kolkata	1,452 kms
Chennai-Mumbai	1290 kms
Kolkata-Chennai	1,684 kms
Mumbai-Delhi	1,419 kms

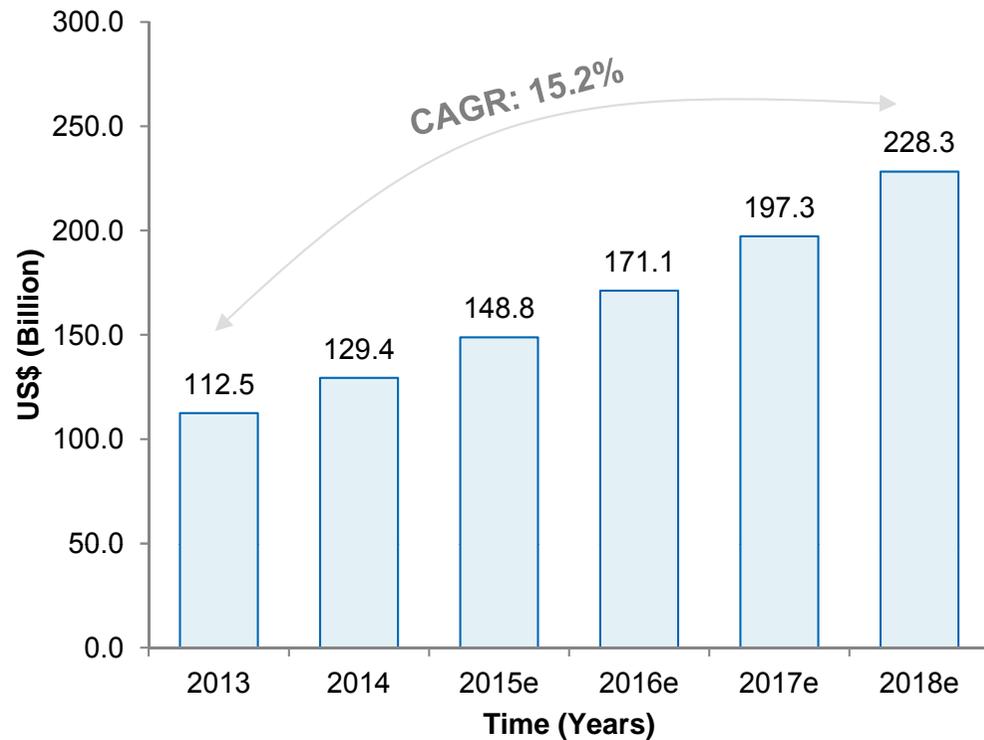
Established & Growing Logistics Hubs

Delhi-NCR	Kolkata
Mumbai	Hyderabad
Chennai	Pune
Bengaluru	
Ahmedabad	Thiruvananthapuram
Surat	Jaipur
Goa	Vadodara
Chandigarh	Nashik
Kochi	Indore
Visakhapatnam	Mangalore
Nagpur	Ludhiana
Coimbatore	Guwahati

India’s widely spread agricultural and industrial resources and lack of existing quality storage infrastructure are driving Indian warehousing industry.

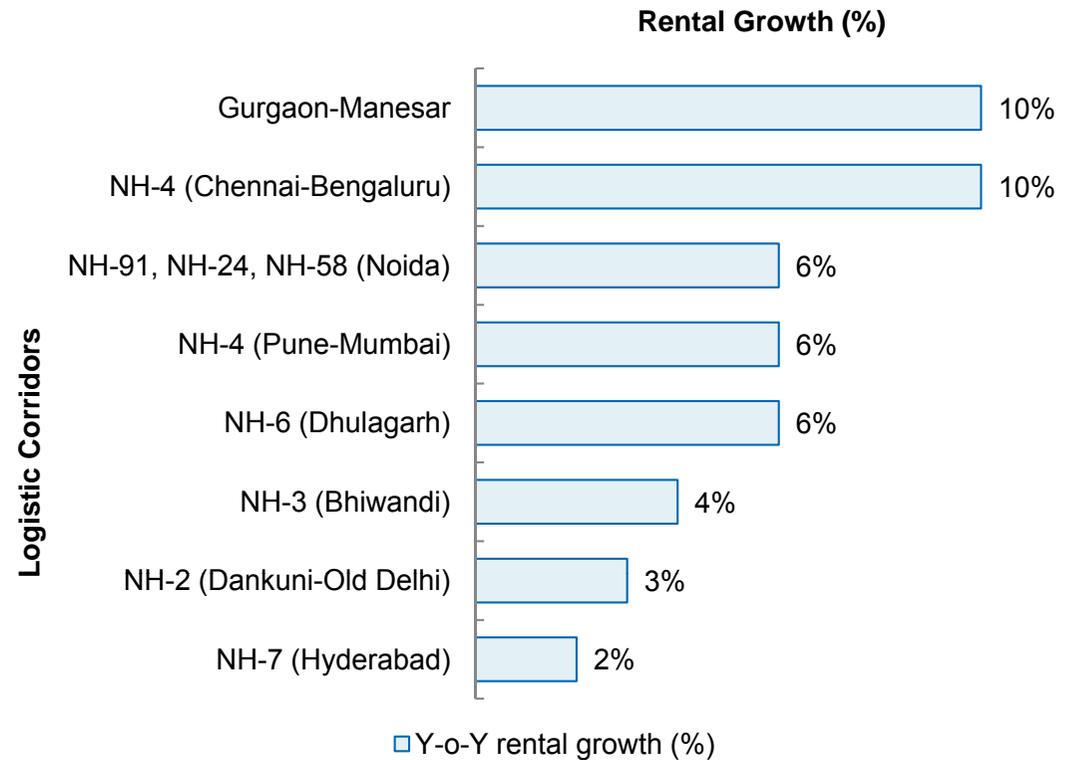
- Rentals of warehousing spaces across major industrial corridors are growing at an average of 5% per annum
- Gurgaon-Manesar and Chennai-Bengaluru routes have shown double digit appreciation in rentals

Warehousing Market Size



Source: Netscribes Report 2012 | USD 1 = INR 60

Warehousing Space Rental Growth Trends



Source: Content sourced from proprietary information of Jones Lang LaSalle India

Logistics spaces have continued to be affected by slow economic growth in 2014 and lack of clarity regarding GST implementation.

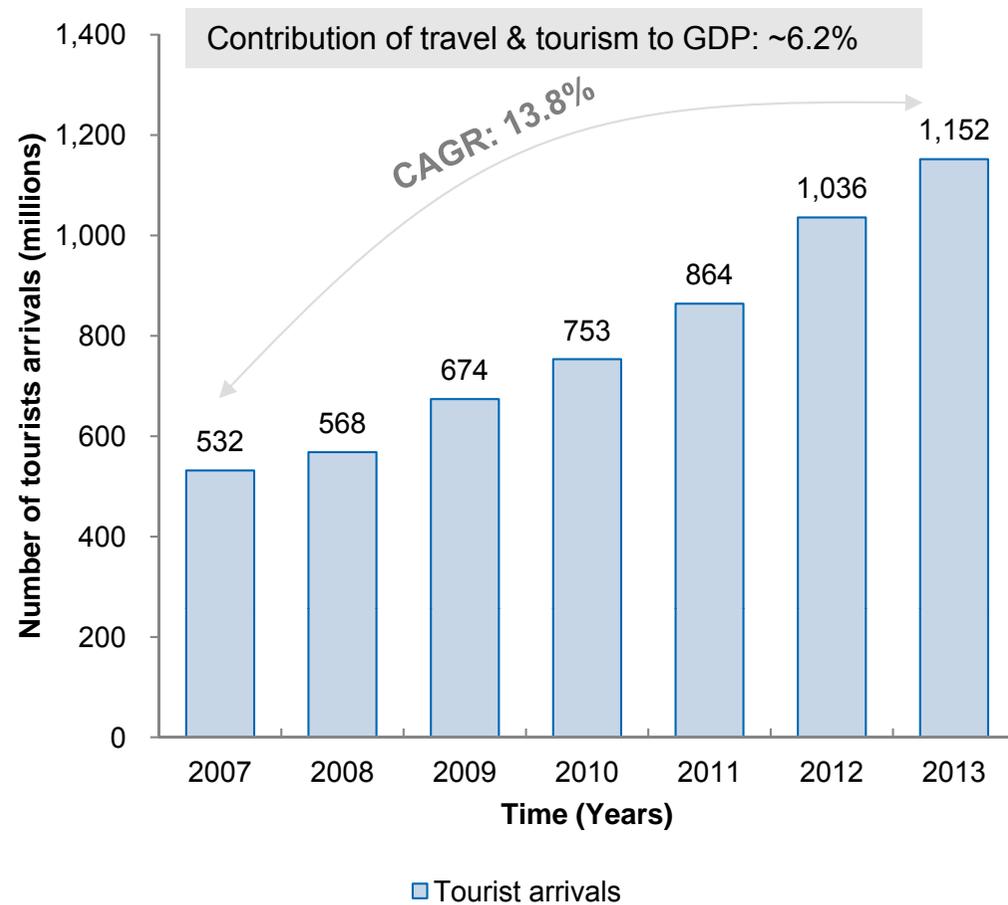
 <i>Market Factors</i>	<i>FY14-15 Growth Trend</i>	<i>Reason</i>
Demand		<ul style="list-style-type: none"> • With e-commerce booming in India, the demand for warehousing space near large local markets has increased significantly • Rising domestic consumption have also led to demand for warehousing space
Supply		<ul style="list-style-type: none"> • Supply continues to decline due to issues related to land acquisition, lack of supporting infrastructure (power, water, roads) etc to lure investors and customers • Delay in introduction of GST bill is also impacting warehousing space supply.
Rental / Capital Values		<ul style="list-style-type: none"> • Rental / Capital values of warehousing spaces across major industrial corridors witnessed a positive trend as land values kept rising and supply decreased.
Noticeable Trends	<ul style="list-style-type: none"> • Domestic SEZs catching speed • Demand of temperature controlled warehouses • DMIC to increase warehousing supply 	<ul style="list-style-type: none"> • Difficultly to setup 100% export based SEZ units due to locational and other regulations is enabling demand for domestic based SEZ spaces. • Specialized storage requirements for chemicals, F&B category is increasing demand for temperature controlled warehouses • DMIC will comprise of 13 industrial areas driving warehousing supply

Travel and tourism industry is growing steadily but requires quality infrastructure support to be competitive globally .

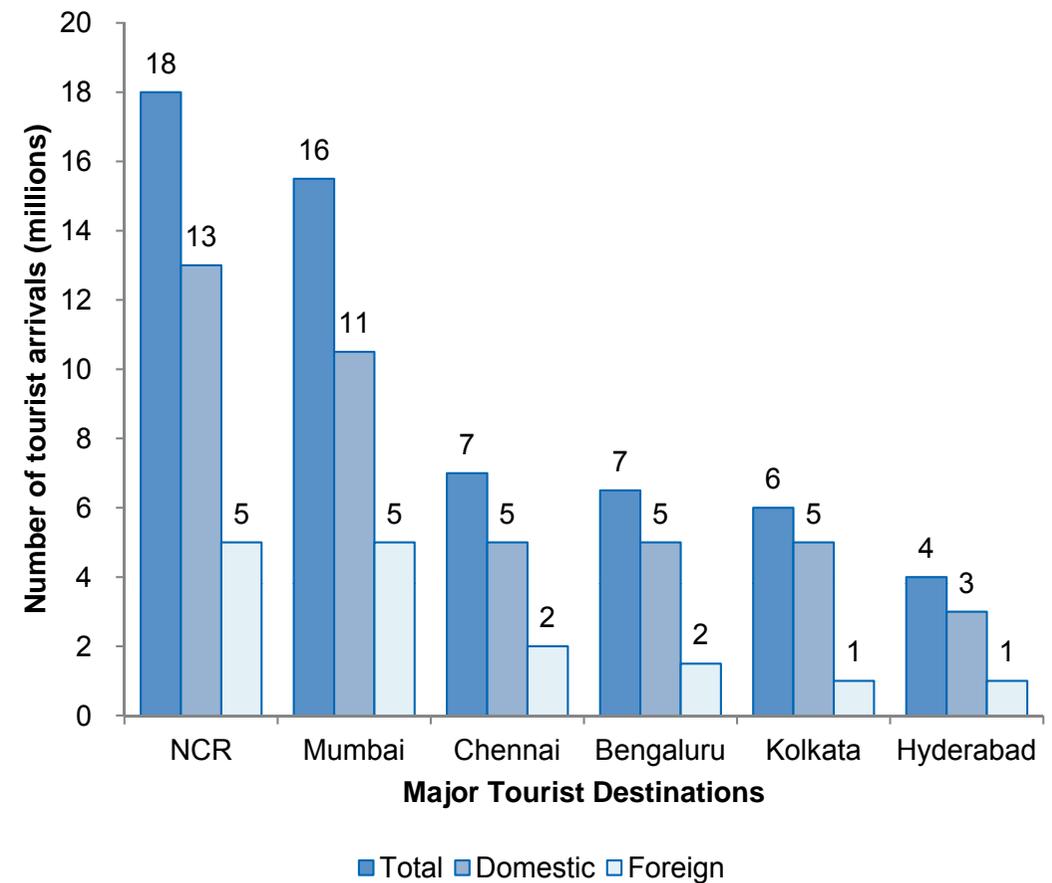
India's Position in the World	By Industry Competitiveness	65th	By Hotel Infrastructure	67th	By Foreign Tourist Arrivals	42nd
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Source: Travel and Tourism Competitiveness Report 2013

Domestic and International Tourists Arrivals

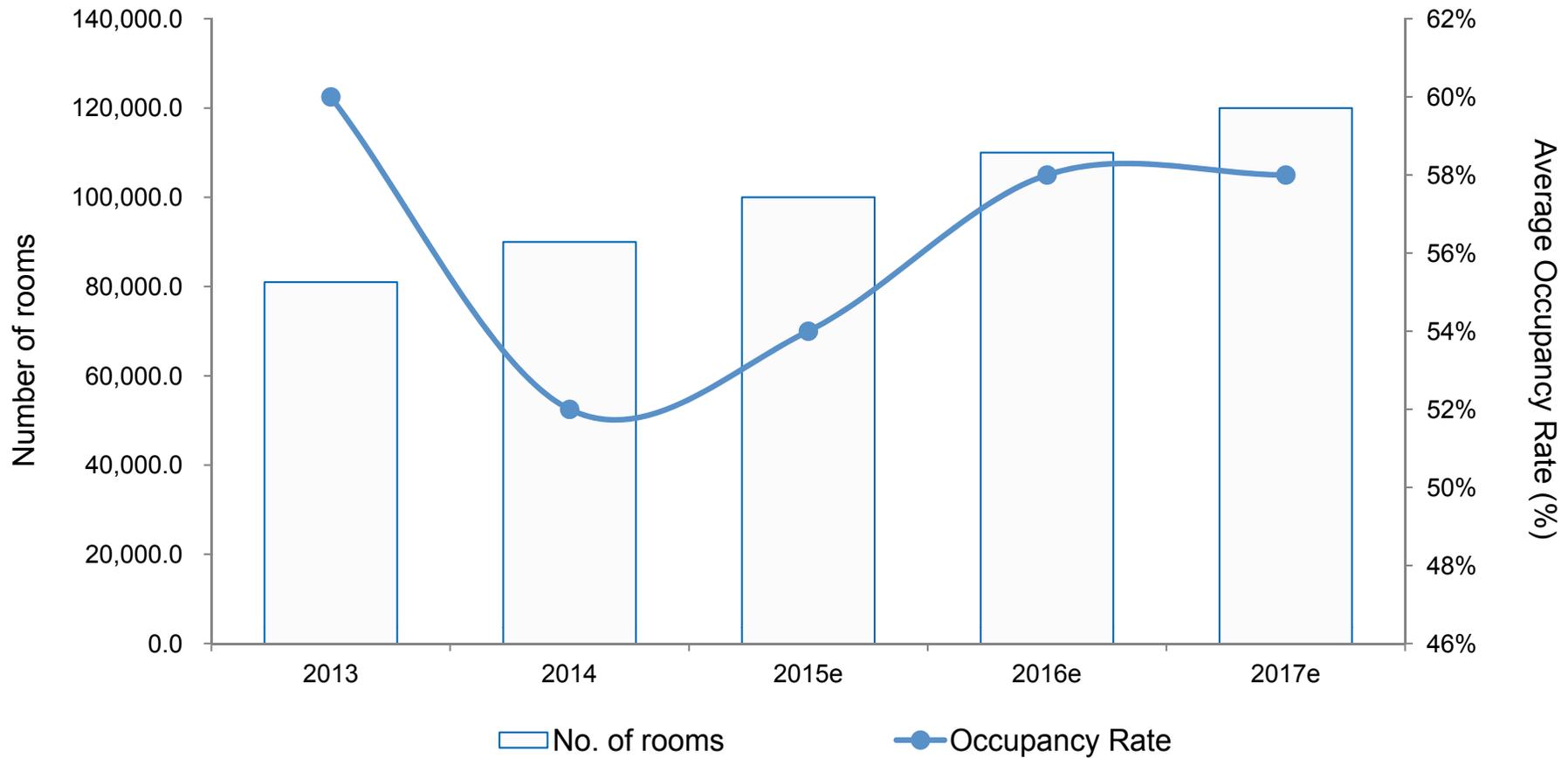


Top 6 cities in Tourist Arrivals by Air



Hospitality space inventory is set to grow steadily in future as occupancy rate is getting stabilized.

Hospitality Space - Supply and Demand Trends



Note: Figures represent aggregated numbers of Top 8 cities : Mumbai, Delhi-NCR, Kolkata, Chennai, Bengaluru, Hyderabad, Pune, Ahmedabad | Numbers are forecasted for 2015, 2016 and 2017

Source: Cushman and Wakefield

Hospitality space demand continued to grow, with increasing supply of hotel spaces. As a result room rates have remained largely stable due to increasing local competition.



<i>Market Factors</i>	<i>FY14-15 Growth Trend</i>	<i>Reason</i>
Demand		<ul style="list-style-type: none"> Domestic tourism increased by 10% and international by 5.9% over previous year The average occupancy rate across Top 8 cities have improved, indicating increasing demand for hospitality space
Supply		<ul style="list-style-type: none"> Top 8 cities are expected to add over 44,000 new keys by 2018 end, with Delhi and Mumbai accounting for 51% of new supply Overall, the supply stock across all major cities have grown, with Delhi having highest y-o-y growth of 16.5% in supply.
Average Room Rates		<ul style="list-style-type: none"> Average room rates across most metro cities have not increased considerably over last year, since increased supply amplified competition and quest for maintaining occupancy. Overall occupancy rates were in the range of approx. 54-60%
Noticeable Trends	Domestic tourism to majorly drive hospitality space demand in India	<ul style="list-style-type: none"> Depreciating rupee is likely to further boost domestic tourism as overseas leisure trips become more expensive As a result demand for mid-high end hotel spaces may likely increase in near-term future

Authors



Tomohiko TANIYAMA

Author of Real Estate Investment Products

Taniyama is engaged in consulting and research projects. His recent research theme is the analysis of alternative investment market including real estates and infrastructures, and the development of new financial instruments and new real estate economic models.



Akira DAIDO

Author of Population Movements in Japan and Residential Property Market

Daido is engaged in consulting and research projects such as real estate and housing, electric industry, and planning of business strategies.



Hirokazu SAO

Author of Retail Property Market

Sao is engaged in consulting and research projects, mainly on real estate, housing and infrastructure-related cases. Sao undertakes survey/research as well as business strategy planning.



Keita KAMEI

Author of Logistics Property Market

Kamei is engaged in consulting and research projects, undertaking real estate, housing, housing loan, and infrastructure-related survey/research, as well as business strategy planning.



Seiya HARIMA

Author of Macro Fundamentals of Japan

Harima is engaged in consulting and research projects such as real estate/infrastructure-related survey/research, and planning of business strategies.



Yinhua BAI, Ph.D.

Lead Author of China

Bai is engaged in consulting and research projects such as urban and regional development, and planning of real estate business strategy.



Yue KANG

Author of China

As a Consultant at NRI Shanghai, Kang is engaged in consulting and research projects such as urban and regional development, and planning of real estate business strategy.



JaRyoung CHOI

Lead Author of Korea

As an Executive Director of Real Estate, Retail, Service Division at NRI Seoul, Choi is engaged in consulting and research projects such as urban and regional development, real estate business strategy and real estate investment strategy, business strategy planning.



JunWon SEO

Author of Hotel Market Trend in Korea

As a Senior Consultant of Infra Business Development Division at NRI Seoul, Seo is engaged in consulting projects related to Real estate business strategy and development, Urban Development.



YoonJi BAE

Author of Household Economy and Housing market trends, Indirect Investment Market Trends in Korea

As a Consultant of Real Estate, Retail, Service Division at NRI Seoul, Bae is engaged in consulting projects related to Housing/Real estate business strategy, Making business plan.



KangTae PARK

Author of Office Market Trends in Korea

As a Consultant of Real Estate, Retail, Service Division at NRI Seoul, Park is engaged in consulting projects related to Distribution strategy, Plan of operation/ Execution support.



DongHyun LEE

Author of Business Trends in Korea

As a Consultant of Real Estate, Retail, Service Division at NRI Seoul, Lee is engaged in consulting projects related to Distribution/Analysis of consumer's market and marketing.

Authors



Michihiro KONAGAI
Lead Author of Taiwan

Konagai is engaged in consulting and research projects such as infrastructure development and business strategy planning in infrastructure market.



Yasuyuki ARAKI
Author of Singapore

Araki is engaged in consulting and research projects such as investment environment analysis in real estate and infrastructure market, and planning the business strategies and overseas market strategy.



SungYun (Sonny) KIM
Author of Japan and India

Kim has been engaged in real estate related consulting projects and research for years. His current interest in real estate investment market includes behavioral investment, market cycle theory, demographic impact on real estate market, real estate securitization, global real estate investment, and financial crisis.



Amit KUMAR
Lead Author of India

As a Division Head of Business Strategy Consulting Division at NRI India, Kumar is engaged in consulting and research projects such as infrastructure-related business strategy, M&A and corporate alliances.



Wataru KADOBAYASHI
Author of Real Estate Market India

As a Group Manager at NRI India, Kadobayashi is engaged in consulting and research projects such as infrastructure-related business strategy, overseas business, and corporate alliance or M&A.



Arpit MARTHUR
Author of Real Estate Market India

As a Consultant in Business Strategy Consulting Division at NRI India, Mathur is engaged in consulting and research projects such as infrastructure-related business strategy and alliances.



Anoop KUBBA
Author of Real Estate Market India

As a Business Analyst in Business Strategy Consulting Division at NRI India, Kubba is engaged in consulting and research projects related to infrastructure, real estate industry, economic policies and regulations.



Toshiro TAKEKOSHI
Manager, Consulting division

Takekoshi specializes in infrastructure business, with particular focus on real estate and energy industries, advising clients on management and business strategies, as well as cross border alliance and M&A.



Kengo MIZUNO
Managing Director
NRI Thailand

Mizuno specializes in real estate and housing industry in Thailand.



Aya IMAI
Editor

Imai is engaged in research and consulting with specific focus on real estate and housing industries, primarily conducting cross border entry strategy planning.



Kazuya SAITO
Editorial assistant

Saito is engaged in research, particularly market forecasting, as well as consulting with specific focus on construction company. Saito also works on the reconstruction of earth quake hit cities.

Contact: Nomura Research Institute, Ltd.
Consulting Division
real-estate-report@nri.co.jp

NRI

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