



# Asia Pacific Capital Tracker Q2 2023

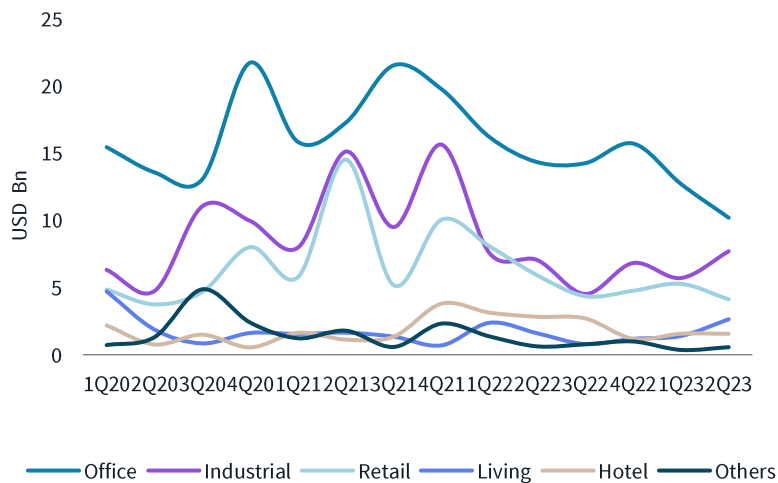
**Crossing the Rubicon**  
August 2023



# APAC Q2 volumes reduced by 17% YoY

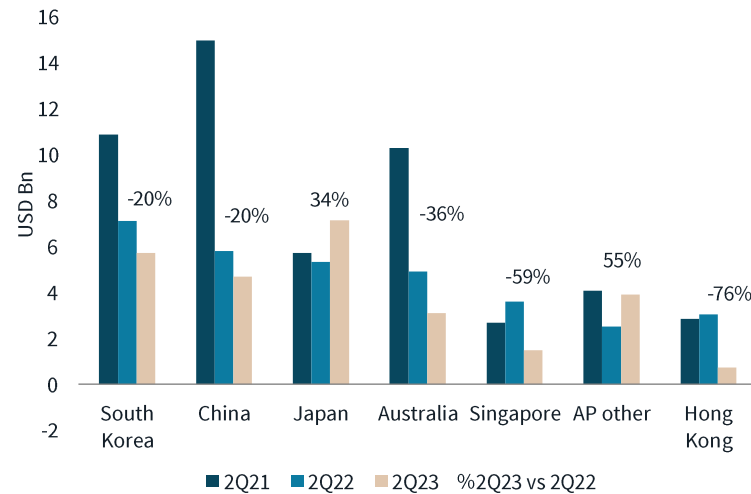
- Asia Pacific investment volumes registered **USD 26.8bn** in Q2 2023, a pull back of 17% YoY, but only 1% lower from the previous quarter. Office and retail sectors experienced a sharp contraction, while industrial and living remained resilient.
- **Japan** continued to be the most active market in AP recording USD 7.1bn in Q2, up 34% YoY. Overseas investors were particularly interested in industrial assets, as evidenced by two large portfolio acquisitions made by GIC and Mapletree Logistics Trust respectively.
- **South Korea** garnered USD 5.7bn worth of transactions in Q2, falling 20% YoY as financial market challenges and liquidity issues of domestic pension funds persisted. International investors remained cautious, but a few selective core deals were closed.
- **Australia** registered USD 3.1bn in Q2, declining 36% YoY as the elevated cost of debt and inflation slowed the commercial property investment market. Institutional investors re-allocated capital towards industrial and living.
- **China** volumes reached USD 4.7bn in Q2, falling 20% YoY as the post-COVID economic recovery lost steam. Institutional investors shifted their focus to alternative sectors. **Hong Kong** volumes moderated to USD 0.7bn in Q2, plunging 76% YoY. Sales were of small lump sums, as market sentiment has softened due to high interest rates.
- **Singapore** investments declined 59% to USD 1.5bn in Q2, with a large industrial portfolio deal and a business park trade accounting for the majority of the quarterly volume.

Asia Pacific transaction volumes by sector



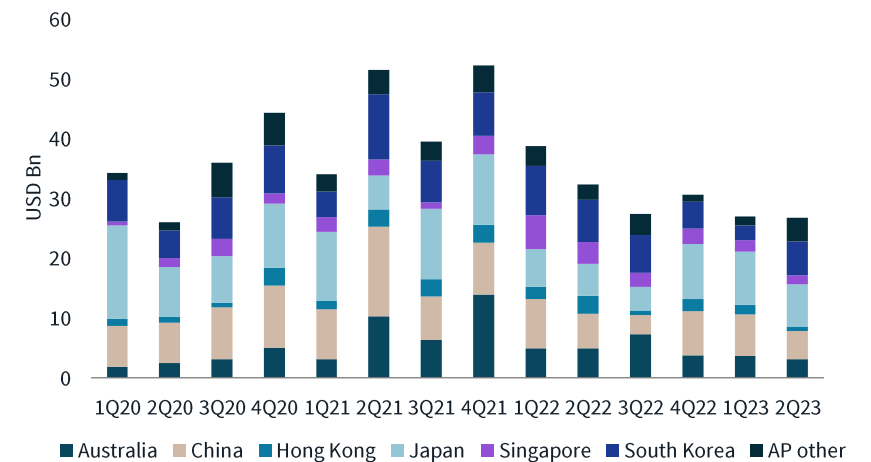
Source: JLL Research, as at Jun 23

Transaction volumes 3 year comparison



Source: JLL Research, as at Jun 23

Transaction volumes by geography

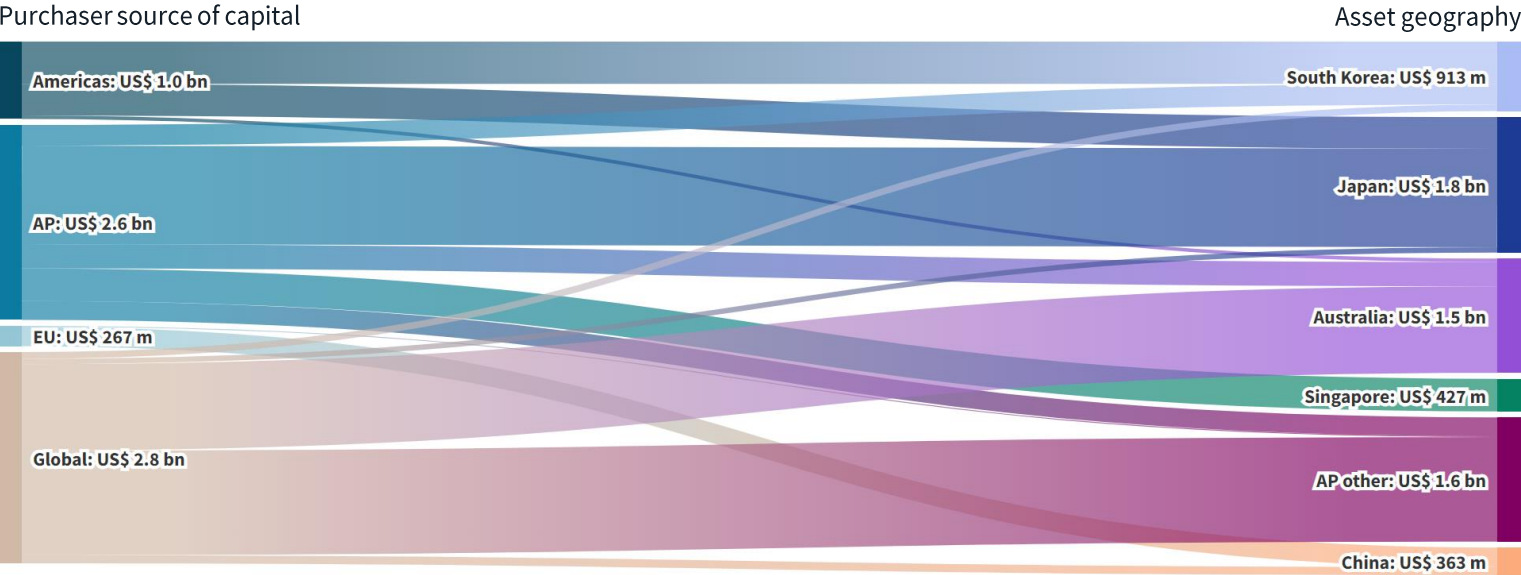


Source: JLL Research, as at Jun 23

# Tides of investment

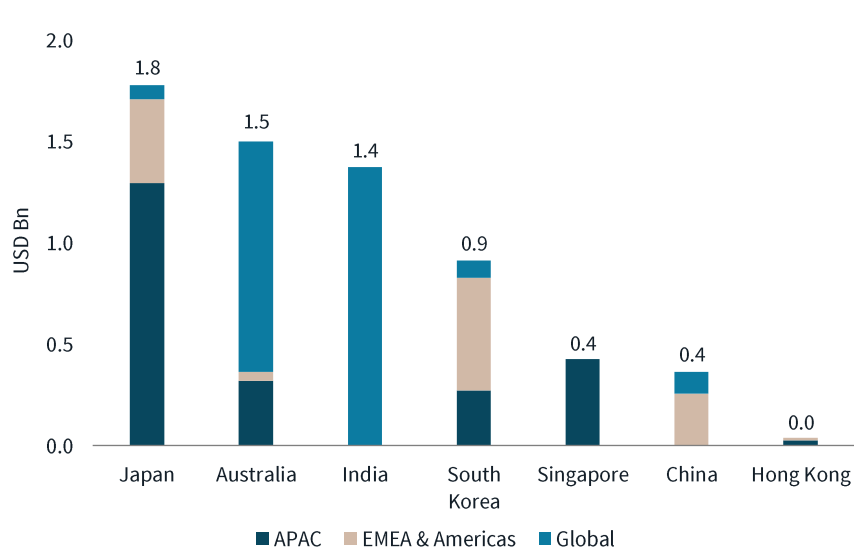
- In Q2 2023, cross-border investment volumes reached **USD 6.6bn**, declining 27% YoY. Behind global capital, Singapore was the largest source of capital, accounting for 28% of the volume intra-regionally. Office and logistics were the more popular sectors for cross-border investors, each representing about a third of the volume.
- **Japan**, benefitting from its ultra-low interest rates, prevailed as an attractive location for offshore investors. Around a quarter of its investment volume recorded in Q2 2023 attributed to cross-border purchasers. Foreign investors made notable acquisitions in logistics and hotels, as the two sectors provided rental growth potential and value-add opportunities respectively.
- Despite an investment market slowdown, overseas investors still played a key role in **Australia** and were involved in nearly half of its USD 1.5bn investment volumes recorded in Q2 2023. As asset prices are forecast to correct further in the near future, cross-border investors will continue to look for bargains.
- **India** also appealed to foreign investors with USD 1.4bn of inflows because of its better-than-expected economic GDP growth of 6.1% in Q1 2023. Investors were particularly interested in acquiring office portfolios as a means to scale up their investments in the country, as they anticipated growth in the office sector driven by India’s established technology industry.

Cross-border transaction activity to Asia Pacific



Source: JLL Research, as at Jun 23  
\*Transaction >USD 5mn, excluding land/development and entity-level deals; global capital refers to deals with >30% coming from multiple geographies

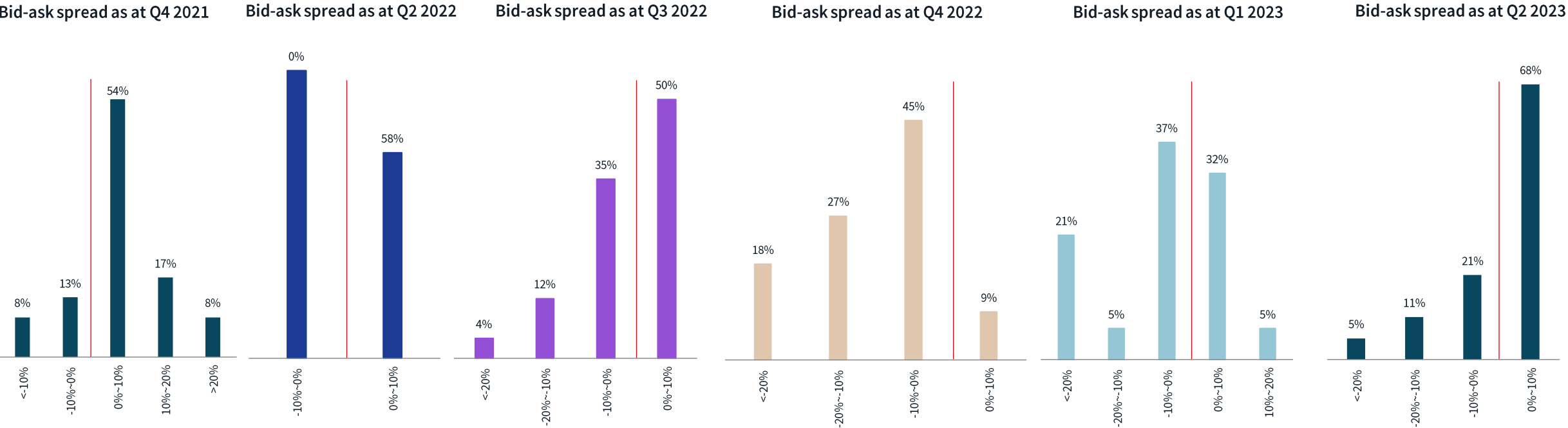
Cross-border volumes to Asia Pacific by purchaser source of capital



Source: JLL Research, as at Jun 23

# Bid-ask spread narrowing

- The bid-ask spread is narrowing with more sellers starting to accept today’s pricing across the region. Larger quantum deals have started to transact with noticeable price adjustments. In office, 44 Market Street (-17% from the latest book value) in Australia and Alphadom Tower (-16% from early 2022 value) in South Korea. These benchmarks aid in price discovery and help manage expectations to more reasonable levels.
- CapForce, JLL’s proprietary deal management platform shows – relative to earlier quarters, most Q2 deals were traded with a narrower bid-ask spread, demonstrating sellers’ willingness to meet buyers by lowering their ask price.
- Looking ahead, each market faces varied levels of price uncertainty affected by disparate interest rate outlooks and volatility in debt markets. Hong Kong is expected to experience the greatest repricing pressure, and Japan the least given their respective risk premiums. Outlook amongst sectors remains bifurcated in some countries, as witnessed in delayed price discovery in South Korea logistics relative to its office.



All charts source: JLL

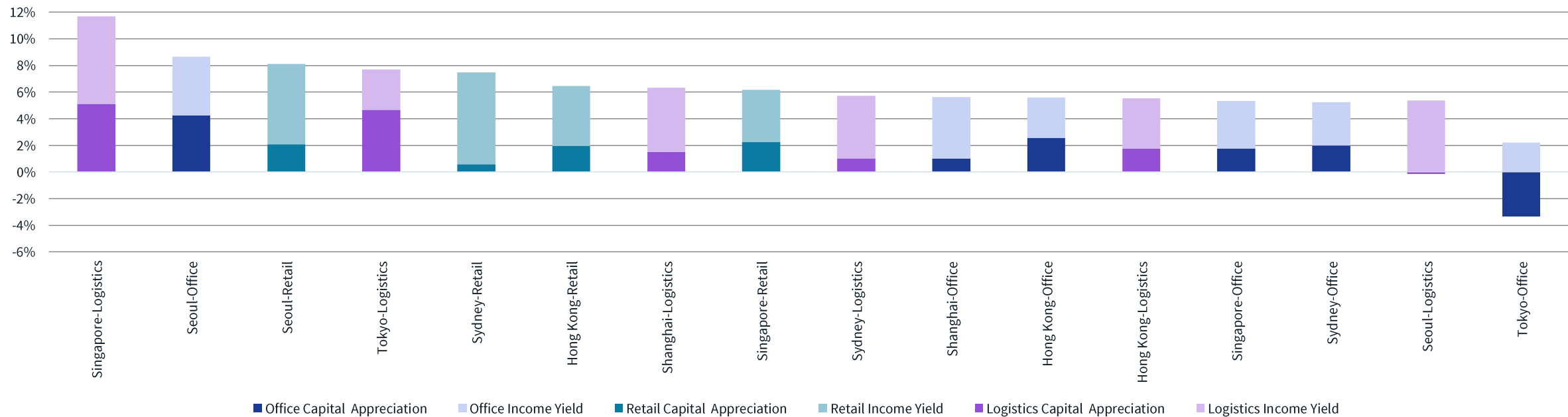




# Asset repricing puts pressure on total return

- Elevated borrowing costs have triggered repricing in asset values across the region. As a result, total return profiles across office, logistics and retail sectors have shifted lower, over a five-year period.
- Compared to historical norm, capital value appreciation now makes up a much smaller portion of total return for markets facing yield expansion risks. Pricing has also been impacted by a sharp reversal in expected yield compressions pencilled in earlier forecasts.
- Even as a greater portion of the total return are expected to come from income yield, a positive capital value appreciation is still forecast for nearly all geographies/sectors, reflecting strength in rental growth and relatively steady valuation across the region.
- Notable changes in total return between 2022 end and Q2 2023 was seen in China due to softening reopening momentum, and in Hong Kong where financing costs surged in line with HIBOR. The HKMA has been draining cash from the banking system to defend its dollar pegged currency.

Unlevered annualized total return by source - 2023-2027

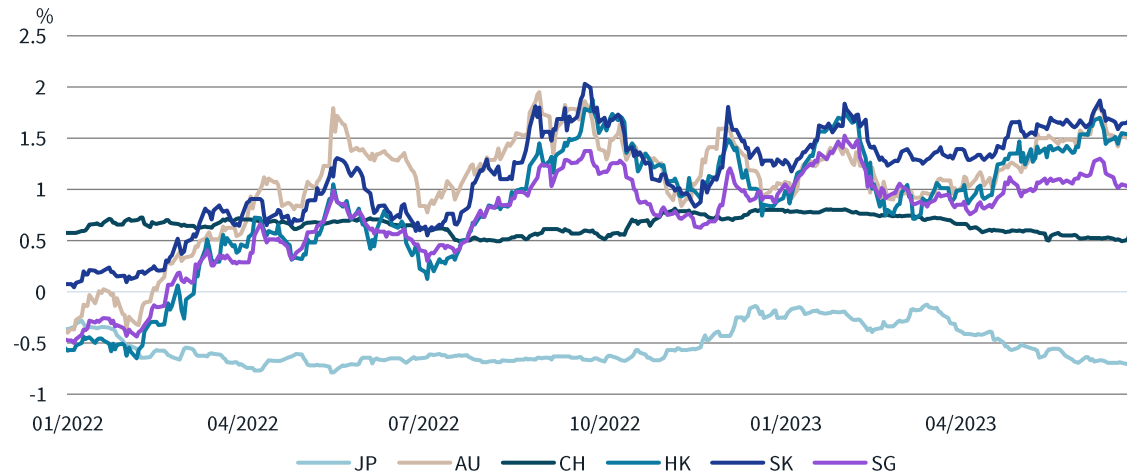


Source: JLL estimates as at Q2 2023 based on grade A assets at REIS; logistics total returns based on a shorter forecasting period (3 or 4 years)

# Real rate matters more than nominal

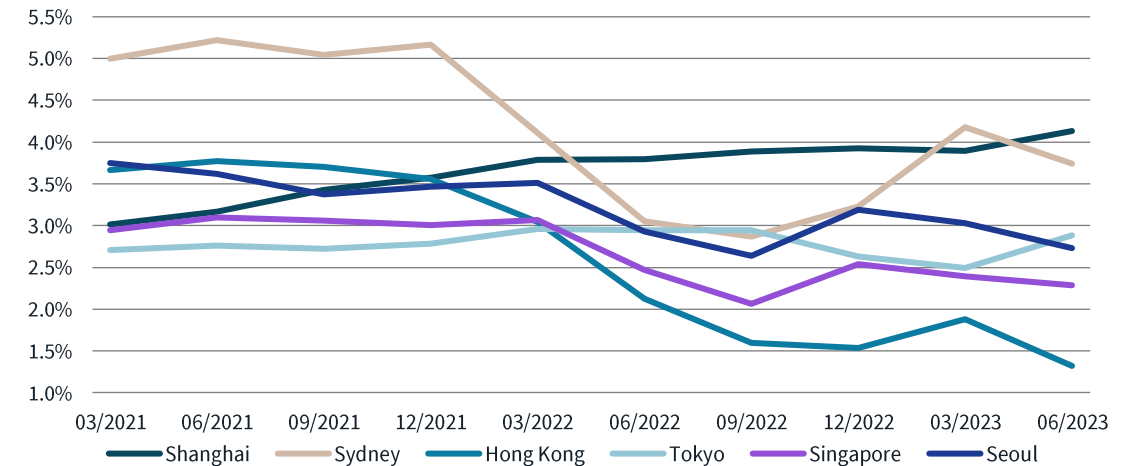
- Some commercial real estate investors analyse nominal yield spread trends [yields minus nominal risk free rate] - to see if yield (cap rate) is properly priced. If the yield spread hovers above long term average, current pricing indicates attractive returns or vice versa.
- Yet, nominal yield spread often leads to a flawed analysis. Cap rate should be determined by the real rate, which in theory captures rent reversions guided by inflation. But often, inflation related risk premiums are not priced in yields.
- Depending on market conditions, NOI could respond slowly to inflation, or oversupply could hinder inflation driven rental growth. That said, in most APAC markets, rental escalation in leasing contract, market convention, or greater landlord bargaining power often allow investors to achieve NOI growth well tied with inflation trends.
- Many countries in the region have seen real rates ticking up between 150 and 200bps in the past 18 months except for Japan and China with their central banks tightening policy rates to unprecedented levels.
- But over this period, yields have only softened modestly, shifting real spread trend downward; all else equal, this indicates:
  - 1) Risk premiums appear to diminish, rendering CRE return profiles less desirable
  - 2) Asset values were adjusted only to absorb a lift in borrowing costs- equity IRR remained stable during price discovery
  - 3) Further repricing may be underway

APAC real rate trend (10-yr government bond yield minus expected inflation)



Source: JLL estimates, Bloomberg, IMF as at July 23; breakeven inflation rates referred for expected inflation for JP and AU. IMF inflation forecasts referred for expected inflation for the rest

APAC office real spread (yield minus real risk free rate) H1 2021- H1 2023



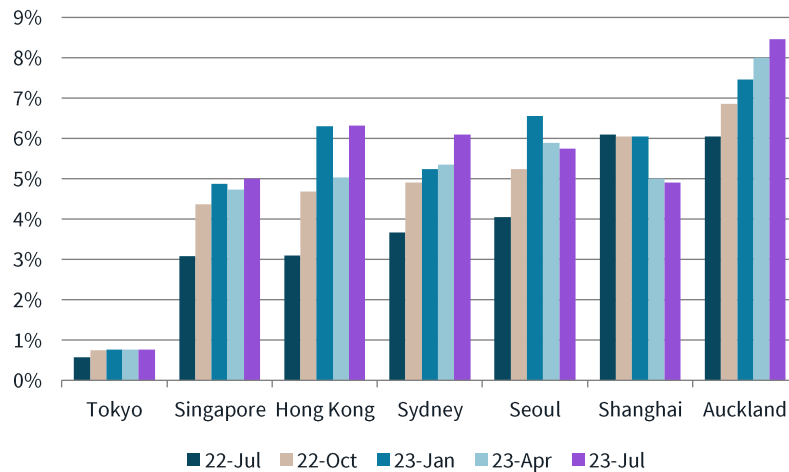
Source: JLL estimates, as at July 23



# Modest decline in lending rates as disinflation trajectory slows

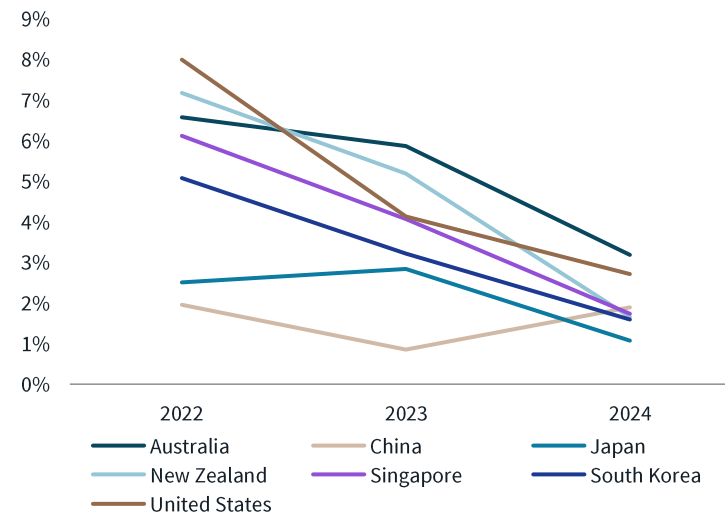
- Over Q2 2023, borrowing yield trends have been a mixed bag: **Tokyo, Shanghai, Seoul** saw their fixed and floating rates for senior loans staying unchanged largely whilst **Sydney, New Zealand, and Hong Kong** counterparts experienced a sharp uptick.
- Varied disinflation trajectories among countries is at the heart of this divergence, pushing some central banks in the region – RBA and RBNZ- to tilt further hawkish resuming hike cycle, and leading markets to believe rates will stay higher for longer.
- Australia and New Zealand** floating rate spiked 75 bps and 46 bps respectively over the quarter, sending further chill through their CRE markets. Also due to shrinking liquidity in the banking system, a strong rebound in HIBOR was finally seen, sending **Hong Kong** borrowing yield higher by 129 bps.
- The rate hike cycle is nearing its end for many economies around the world, a few more hikes appear to be in store for some key economies in the region, likely to protract the bifurcation trend in APAC lending rates in near future.
- More importantly, much tougher battles against inflation and slower pace of disinflation have now shifted interest rate paths between 2023 and 2024 higher, pushing back anticipated compression in floating rates by 6 to 12 months; therefore, APAC borrowing yields are likely to stay flat or decline modestly over the next 12 months.

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



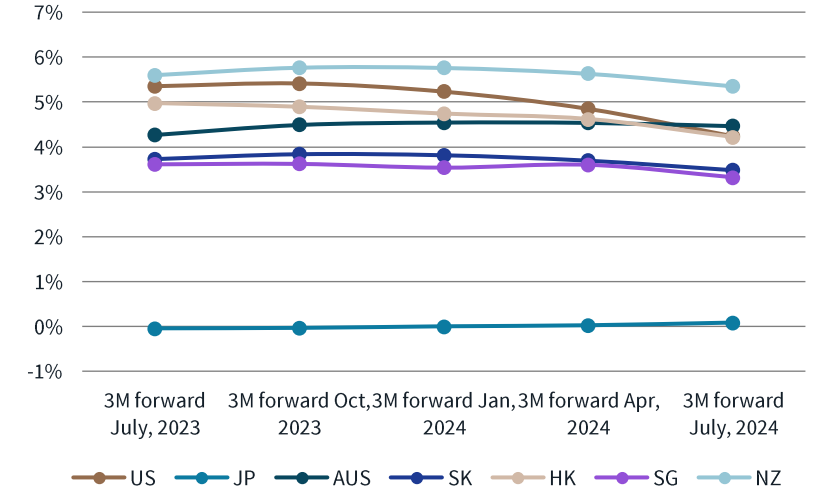
Source: JLL estimates, as at July 23

Disinflation trajectories among major economies



Source: JLL, Oxford Economics as at July 23

APAC 3M forward rates 2023-2024

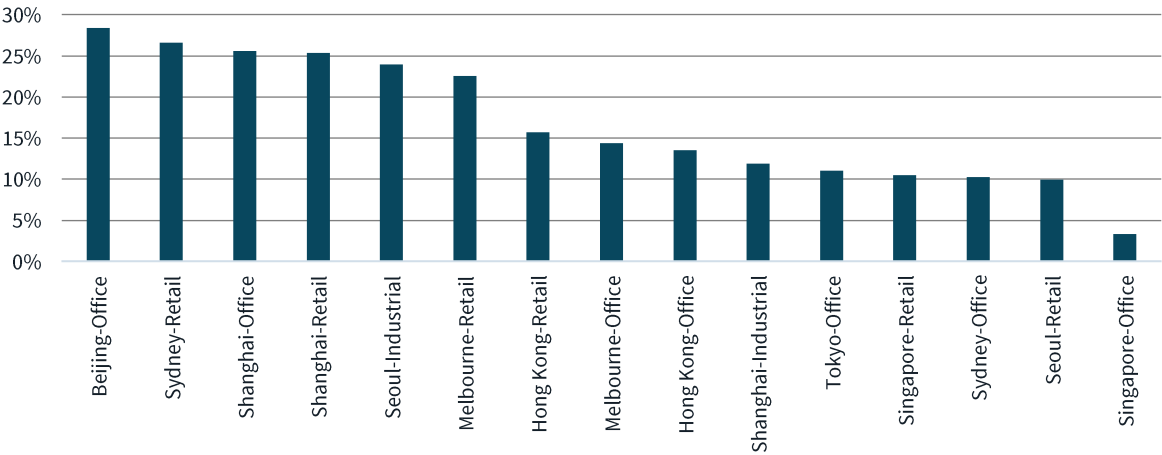


Source: JLL, Bloomberg, IRS swap rate, as at July 23

# Refinancing shortfall of USD 3.6bn in 2024 for tier 1 markets

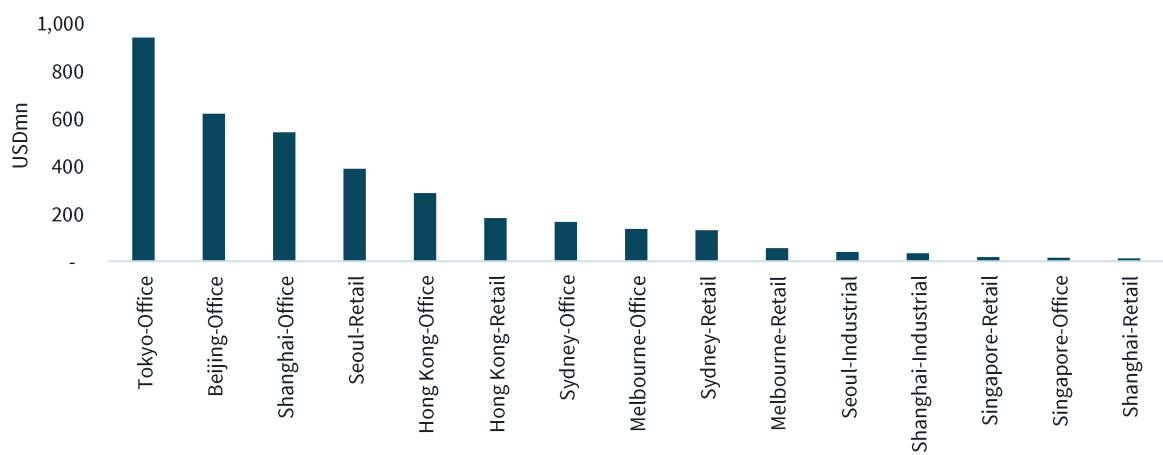
- Despite sound CRE market fundamentals, Asia Pacific is not immune to refinancing risk. In our analysis, tier 1 markets in APAC are facing refinancing shortfalls of USD 3.6bn in 2024 considering office, retail, and industrial volumes at these locations.
- Undeniably, robust post pandemic rental performances in most of the region’s gateway cities have led to handsome capital appreciation, helping investors absorb the large part of downward price adjustments, thereby bringing down refinancing gaps to more manageable levels.
- That said, many regional investors are being forced to reassess refinancing risk as rates will stay higher for a longer period. The dramatic change in rate path between 2023 and 2024 are disconcerting to those who believe depressed ICR (interest coverage ratio) and LTV ratio would normalize by end 2023.
- Some markets have seen capital values softening by 10-20% over the past several years. Combining the capital value depreciation with lower leverage ratio – reset from 50-60% to 40-50% over the year - have exposed some markets to notable refinancing risk.
- Nevertheless, in our view, Asia Pacific loan default risk remains marginal at best and confined to some parts of office/retail markets. Most banks and insurance lenders in the region continue to remain engaged in CRE loan markets, providing new credit to well capitalized sponsors whilst extending existing loans.
- Alternative source of capital now remain abundant with more debt funds pouring into the region, willing to offer comparatively higher leverages compared to deposit taking institutions, and more flexible terms to borrowers who otherwise need to de-lever or sell properties.

APAC refinancing gap in 2024 as % of CRE loan (4-yr loan maturity assumption)



Source: JLL as at July 23; refinancing gap defined to be the difference between available loan amount at refinancing and original loan amount for the same asset after accounting for capital appreciation and a change in leverage ratios over the loan life of the original loan

APAC refinancing gap in 2024 expressed in USD (4-yr loan maturity assumption)



Source: JLL, RCA as at July 23; refinancing gap defined to be the difference between available loan amount at refinancing and original loan amount for the same asset after accounting for capital appreciation and a change in leverage ratios over the loan life of the original loan

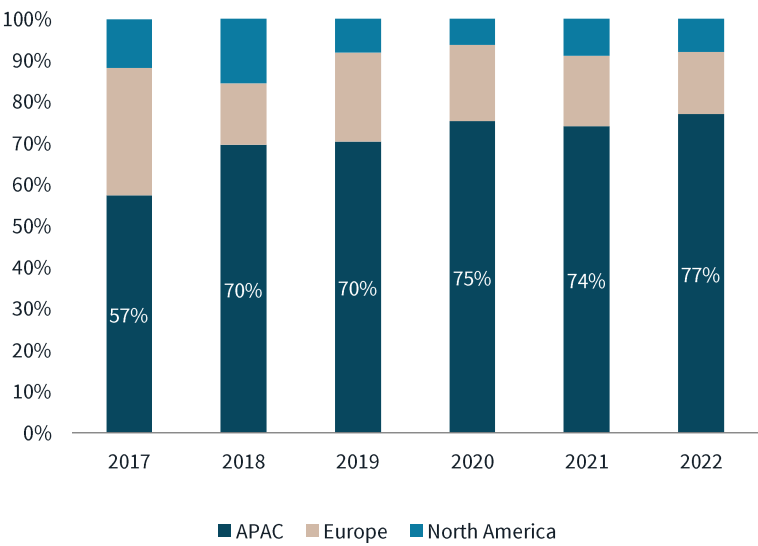




# Fundraise skews toward opportunistic strategies

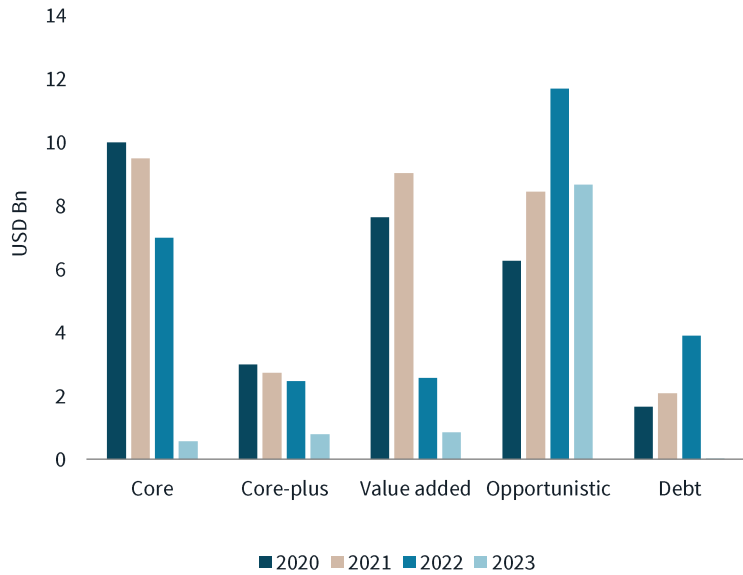
- In 2022, capital raised for APAC strategies was USD 34bn, a 12% decrease yoy, according to ANREV data. Market uncertainty and investment managers’ hesitation on capital deployment has impeded overall capital raising activity.
- JVs and club deals made up a quarter of capital raised for APAC strategies, up from 9% in 2021, indicating a preference for pooling resources towards investing in larger, complex projects.
- By investor domicile, 77% of capital raised for APAC strategies in 2022 were from APAC investors, based on ANREV, reiterating the home bias effect that has become stronger over the years.
- By investment style, opportunistic strategy has raised USD 8.6bn in 2023, based on Preqin data. At least 25% of this will be allocated to data centers, up from 9% in funds that closed in 2022, highlighting investors shift toward alternatives that could provide higher returns and growth upside.
- Industrials also have raised a significant amount in 2023, USD 6bn, according to Preqin. Three out of the seven funds were focused on Australia: Wentworth Capital’s Last Mile Logistic Fund II, Centennial’s Enhanced Value Partnership and Altis Industrial Fund I. Sydney and Melbourne L&I remain in a position of strength - with strong demand on the back of low vacancy and robust rental growth.

APAC Strategy: Capital raised by investor domicile



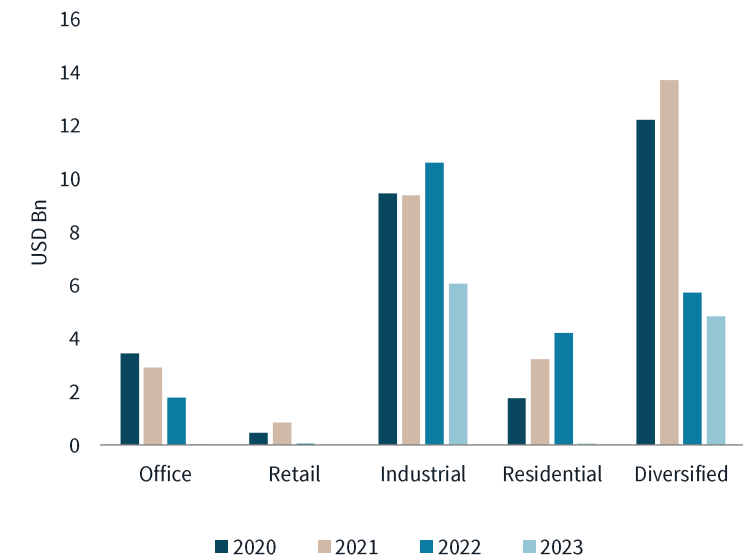
Source: ANREV Capital Raising Survey 2023

APAC Fundraising by investment style, 2020-2023



Source: Preqin, as at Jul 23

APAC Fundraising by sector, 2020-2023

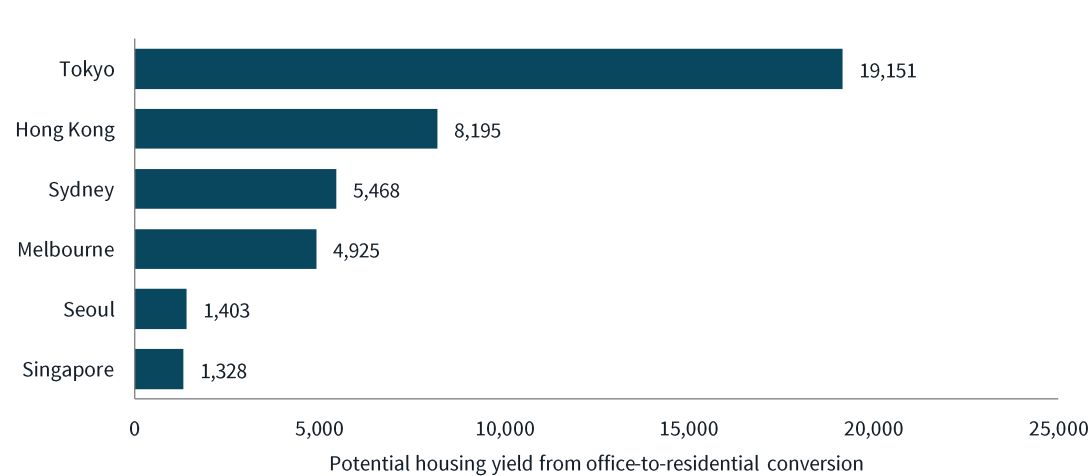


Source: Preqin, as at Jul 23

# ESG principles in the future of CBD

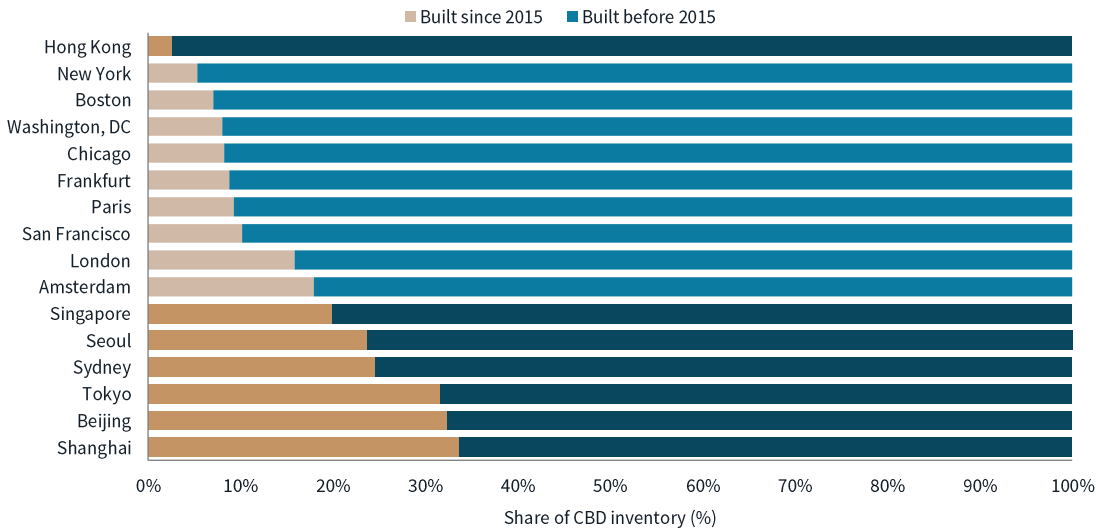
- Redeveloping older office properties to residential, hotel and non-work functions will be a major thesis as cities transform CBDs for the future. This push is already present in Singapore, with the CBD Incentive Scheme providing developers with bonus increases of 25-30% in developable area for offices older than 20 years, when converted to mixed-use (resi/hotel).
  - Converting just 10% of APAC CBD offices older than 30 years could yield thousands of residential units needed to address affordability issues. Tokyo takes the lead with a potential 19,151 units that could be created.
  - However, due to feasibility and cost issues, it is still more likely that older offices are replaced with newer office buildings. In APAC, 20% of the entire office stock is built after 2015, compared to 6.3% in the US.
  - With large incoming office completions in Tokyo and India, investors will have a pool of new, sustainable assets to pick from, foregoing older vintage builds, making asset repositioning an urgent task.
  - Refurbishment also commands substantial rental premiums for opportunistic investors. Globally, since the pandemic, refurbished assets have seen a higher rental growth of 10.7% compared to 7.3% in newly completed offices.
  - In APAC, traditional CBD locations will not lose its appeal but will see improved quality spaces as companies downsize and consolidate their offices.
- For more info, [The Future of the CBD](#)

Repurposing Office to Residential



Source: JLL, as at May 23  
Note: based on CBD assets 30 years or older, with 10% of RBA converted to residential with an average unit size of 750 square feet

Ageing office stock



Source: JLL, as at May 23



Future-proofed

# 44 MARKET STREET

44 Market Street, Sydney NSW | Australia

### Overview

- 100% freehold interest with a site area greater than 2.500sqm. Only three assets of this size have been brought to the market since 2018
- A total of 6 bids received in the first round after process commenced in Q1 2023. Interest came from both domestic and offshore buyers
- An ESG sales strategy with an ESG due diligence report, NABERS Uplift and Net Zero Carbon Pathway assessment were conducted.

### Profile

- At the heart of Sydney CBD, this 26-storey building underwent a major AUD 18mn refurbishment in 2020.
- Solid environmental credentials: 5-star NABERS energy rating, 4.5-star NABERS water rating, 5-star indoor environment rating and 5-star Green Star rating.
- Tenants include the Australian Bureau of Statistics, Commonwealth Bank of Australia, Slater and Gordon and Westpac.

### Key Metrics

Location	Australia	Price (AUD)	393mn
Property Type	Office	Passing yield	6.6%
Gross Floor Area	30,694 sqm	Vendor	Dexus
Occupancy	85.4%	Purchaser	PAG

“High quality future-proofed assets with strong sustainability credentials remain appealing to investors despite funding challenges and weaker office sentiment abroad. ESG is no longer a mere differentiator, but a “must-have” for portfolio products.”

**Luke Billiau**  
Head of Capital Markets Australia & New Zealand

- Despite consolidation in large tech and financial services tenants, Sydney CBD recorded 1.4% in rental growth over the quarter
- Climate-related disclosures are expected to become mandatory in Australia by 2024. Investors have to assess their portfolios to ensure they comply with new sustainability standards
- Sustainability risks will increasingly have impacts on cash flow, financing and capital costs



# Sectors

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1 Office

2 Logistics

3 Retail

4 Living

5 Alternatives

6 Hotels

7 REITs

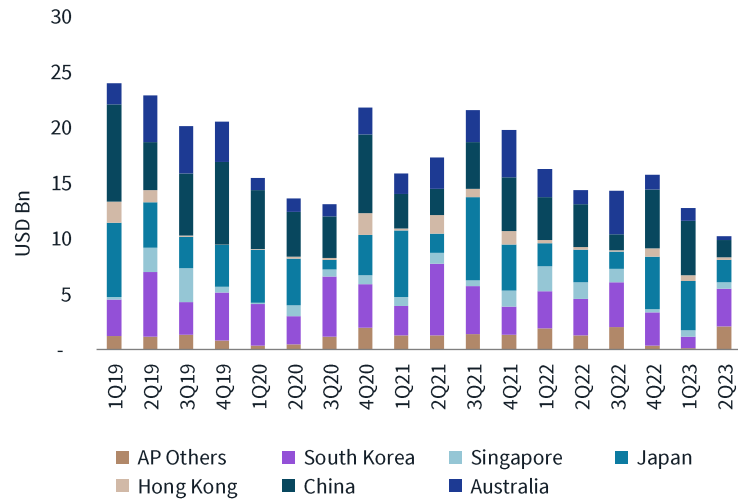


# Super prime stampede

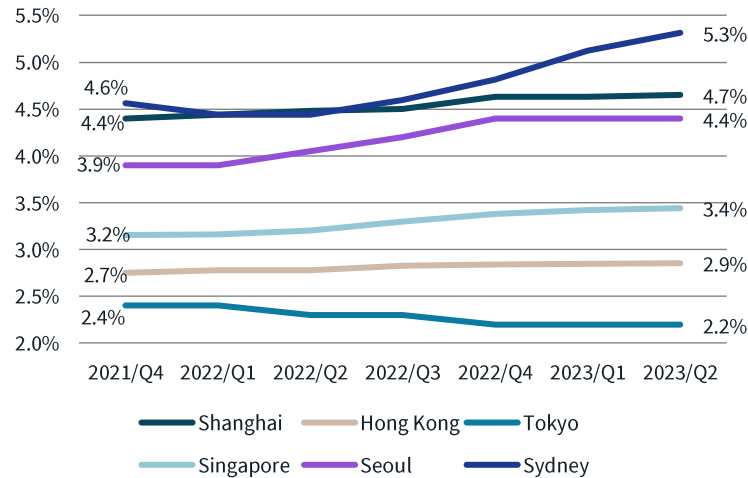
- APAC office volume totalled USD 10.2bn in Q2 2023, the lowest level since 2011, dragged down by muted activity from China, Hong Kong, Singapore, and Australia.
- North American and European capital continue to sit out of AP office markets with a souring outlook on the sector. The absence of these capital sources, was not hugely impactful with regional (SG, HK, JP) and domestic capital plugging the gap.
- Even as funding challenges persists especially for large ticket items, highly anticipated transactional evidence arrived in AU and SK, providing valuable reference points for long awaited price adjustment, helping restore confidence among investors.

- Deal pipelines have been replenished with large scale core offices across the region. The USD 300mn or above cohort restocked, setting the stage for a turnaround in volume in the 2nd half of 2023.
  - **Australia:** some assets were withdrawn amid price gaps. Price discovery gained momentum with **44 Market St** settled at a discount. Rate uncertainties ahead and weak leasing momentum add to concerns
  - **Korea:** limited domestic dry powder a drag on liquidity, but the gap plugged by insurance and strategic investors. Buyers on the lookout for short WALE assets to capture hefty upside rental reversion
  - **Japan:** SME related demand firmed up over past quarters, setting Grade B offices for a faster rental recovery than Grade A, presenting opportunities for offshore capital

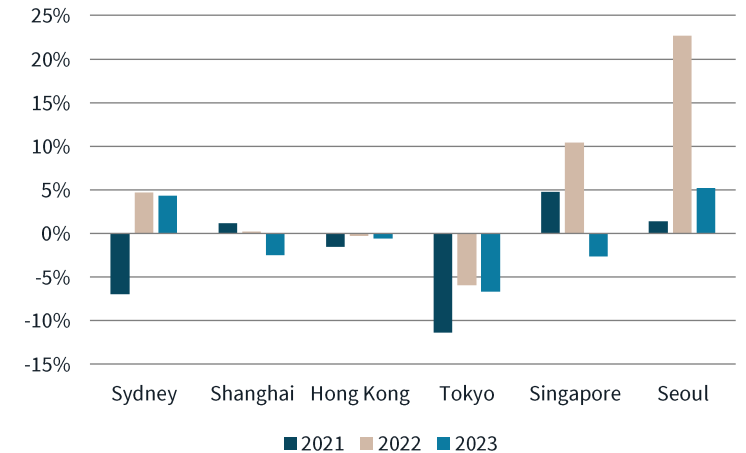
AP office investment volume Q1 2019-Q2 2023



Office yield trend Q4 2021-Q2 2023



Net effective rent trend 2021-2023



Source: JLL estimates, as at Q2 2023

Source: JLL estimates, as at Q2 2023

Source: JLL estimates, as at Q2 2023

Mega deal with tight financing

CONCORDIAN

76 Saemunan-ro, Jongno-gu | South Korea

Overview

- The sales process commenced in Q3 2022 via open market bidding approach, with a total of 3 bids received from domestic investors. Due to competition, there was a second round of bidding.
- Core investment strategy, with freehold interest
- Pricing, timing and certainty of execution were the most desirable factors for the vendor.

Profile

- Completed in 2008, this landmark building is in Seoul, where Korea's leading conglomerates and foreign companies are concentrated.
- Strategic location with short-term 3-year WALE will enable significant rental upside due to Seoul’s strong leasing demand.
- Around 50% of the leasable area of the Property is leased by blue chip tenants such as Lotte Card and ServeOne.

Key Metrics

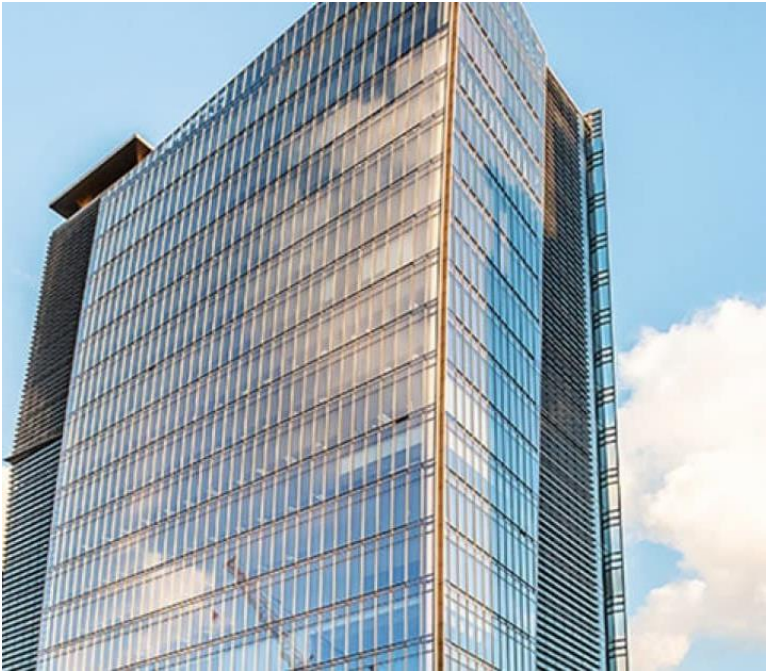
Location	South Korea	Price (KRW)	629.2bn
Property Type	Office	Passing yield	3.9%
Gross Floor Area	60, 696 sqm	Vendor	DWS Asset Management
Occupancy	84% (Aug '22)	Purchaser	Master Investment Management

“Despite robust office leasing demand, international investors remain reluctant due to global sentiment on office. Financing and liquidity challenges continue to pose a challenge for domestic investors who are keen on investing in office.

Chae Hun Chang

Managing Director, South Korea

- 2 mega office deals were struck in Seoul this quarter, pointing to sustained interest in Seoul office investment market.
- Despite healthy market fundamentals, Seoul’s vacancy rate rose marginally to 2% due to scheduled relocations and the completion of Scale Tower. This was the first vacancy rate increase since 2021.
- Net effective rent for overall Seoul was up 3.4% qoq and rental growth is expected to be sharper in assets located in strategic locations or with a short WALE to capture higher rents upon lease expiry.

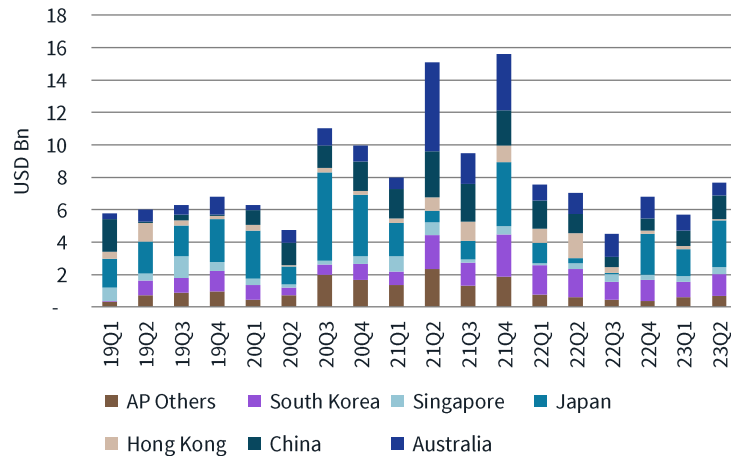




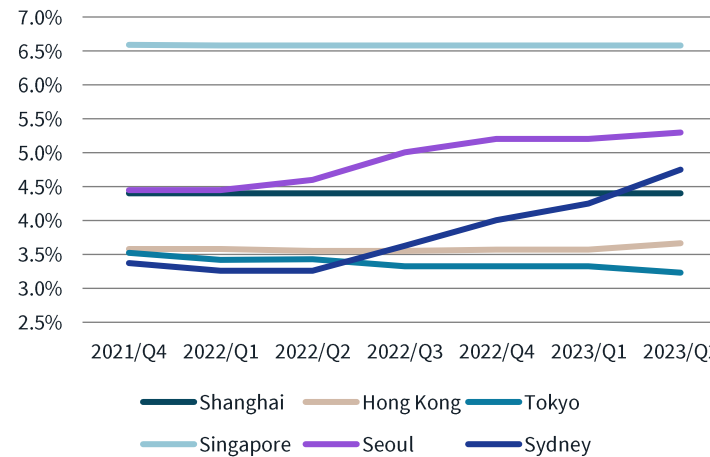
# Industrial bulls

- AP industrial volumes reached 7.7bn USD in Q2 2023, rising 9.3% yoy and 35% qoq respectively with **Japan, China, and South Korea** reporting more trades.
- Increasingly bearish outlook toward office sector has spurred investors to pivot toward logistics assets; as a result, global/regional funds have snapped up warehouses in Korea, Japan and Australia.
- Unlike the office sector, the lack of re-pricing evidence especially in Australia, Korea, and China have left the spread between bid and ask prices wider than office sector, hindering deal activity around these geographies.
- **China:** recap opportunities are cropping up with a slew of pent up stocks arriving after a year-long hiatus; pricing likely to soften amid less competition and a wider spread between bid and ask prices
- **Japan:** logistics assets are highly sought after with offshore capital turning away from office assets; many are in pursuit of forward sales opportunities at regional cities
- **South Korea:** despite 2023-24 supply overhang concern, investors still on the lookout for stabilized assets. Yields have softened to low to mid 5%. Distress opportunities likely to emerge from end-2023 onward
- **Australia:** repricing evidence still limited with landlords keen to hold assets longer to enjoy large rental upside; a wider gap in price expectation between vendors and buyers continues

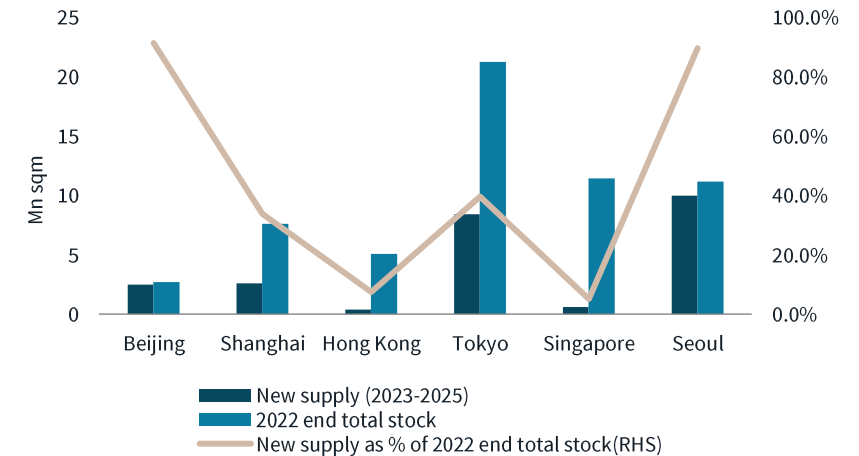
Asia Pacific logistics volume trend Q1 2019-Q2 2023



Asia Pacific logistics yield trend Q4 2021-Q2 2023



Asia Pacific logistics new supply 2023-2025



Source: JLL estimates, as at Q2 2023

Source: JLL estimates, as at Q2 2023

Note: yields are based on market yield except for Shanghai which refers to indicative prime transaction yield

Source: JLL estimates, as at July 23



Private capital steps up

# KA PLACE

## 159 Kampong Ampat | Singapore

### Overview

- Under its capital recycling strategy, CapitaLand Ascendas REIT sought to divest KA Place, a centrally-located industrial building situated on non-JTC land in Toa Payoh, Singapore.
- The asset was sold to Paeonia Real Estate, part of a family office, at a 55% premium to its valuation as of December 2022.

### Profile

- With a considerable remaining land lease of 35 years and being fully occupied, the asset presented an attractive opportunity for investors not qualified to purchase JTC sites.
- Located near the Tai Seng MRT station and zoned as a multi-user factory.
- Tenants from the textile, electronics and plastics industries.

### Key Metrics

Location	Singapore	Price (SGD)	35.4mn
Property Type	Industrial	Remaining Land Lease	35 years
Gross Lettable Area	71,602 sqm	Vendor	CapitaLand Ascendas REIT
Occupancy	100%	Purchaser	Paeonia Real Estate

“This asset presents a good opportunity to hold a private leasehold property in the medium to long term, given the tight supply of quality private industrial properties in Singapore.”

**Boon Leong Tan**

Executive Director, Logistics & Industrial, Singapore

- While demand for industrial assets in Singapore is still strong, opportunities with more than 30 years on their leaseholds are limited as regulators tightly control land tenures of workshop and warehouse space.
- Private investors and family offices are growing in Singapore’s commercial real estate market, while institutional investors become less active due to tougher borrowing conditions.







# Big ticket assets conspicuously absent

APAC retail investment volume totalled USD 4.1bn in Q2 2023, the lowest level since Q2 2020 with a lack of large size sales continuing. Inflationary pressures slow leasing momentum and weaken discretionary spending, dampening sentiment on shopping malls across the region. Some markets still striving to drive down bloated vacancy whilst revitalizing foot traffic. On the contrary, high-street activity continues to stay steady, registering USD 2.3bn in Q2 underpinned by smaller lump sum deals at prime locations. Its mood remains upbeat with HNWIs and family office capital still staying active in this segment coupled with reviving international travels.

- **Singapore:** Resilient shopping mall performance continues amid low vacancy and limited supply, paired with steady consumption trend, setting SG apart from the rest of region
- **China:** Pent up supply of investible stock has finally arrived but softer than expected reopening momentum adding to uncertainty over anticipated recovery in occupancy/rent trends
- **Hong Kong:** Most deals concentrated around high street assets at core locations with inbound travels rebounding strongly; sentiment souring with a sharp rise in HIBOR
- **South Korea:** After a flurry of hypermarkets trades in 2020-22, appetite in these assets remains muted amid poor performance; liquidity only goes to hypermarkets with development potential
- **Australia:** Liquidity for large scale retail assets (above USD 300mn price cohort) continue to remain confined, leaving a reasonably large portion of prospective deals still in the pipeline
- **Japan:** Divergent sentiment between offshore and domestic capital continues; investors favour high street and standalone retail assets over shopping malls



**Tokyu Plaza Ginza, Japan**

Tokyu Land Corporation sold Tokyu Plaza Ginza, a prime high street asset to Sumitomo Mitsui Trust Panasonic Finance for USD 696mn



**Lotte Mart Songpa, Korea**

KT and NPS sold Lotte Mart Songpa to Donghoon, a local developer for USD 217mn at a yield of 5.0%

## Asia Pacific property yields and cost of debt



Source: JLL, as at Q2 2023; cost of debts based on floating rates; Japan retail yield based off high street; Shanghai office and logistics yields based on indicative prime transactional yields



## First 'Regional' classified transaction of 2023

## STOCKLAND TOWNSVILLE (50%)

310-330 Ross River Road, Aitkenvale QLD | Australia

## Overview

- Stockland Townsville (50%) transacted via a on-market EOI campaign resulting in significant investor interest with nine formal bids received.
- Dexus (on behalf of the former AMP Capital Shopping Centre Fund) divested the 50% non-management interest in the asset.
- The purchaser is a local Australian syndicator and is looking to distribute on average 9% p.a. to their investors – a healthy spread to debt costs
- This was the first 'Regional' asset by classification to sell since Nov-22 and only 5 others have traded formally on-market since Jan-20.

## Profile

- Completed in 1970 and underwent a substantial AUD 180mn expansion and redevelopment in 2012.
- Located in regional QLD, 1,100km from Brisbane Capital City.
- Strong retailer performance with total centre tenant sales above AUD 278mn and 25-months of consecutive 100% rent collection.
- Dominant 9.4ha land holding including 2.6ha of development land offering potential supermarket, cinema, entertainment expansion.
- 3 major tenants and 159 total tenants.

## Key Metrics

Location	Australia	Price (AUD)	115.0mn
Property Type	Retail	Passing yield	8.60%
Gross Floor Area	45,021 sqm	Vendor	Dexus (former AMP Mandate)
Occupancy by Income	98.4%	Purchaser	Haben

“Larger, higher yielding assets such as Stockland Townsville are continuing to transact as the dominant buyer group for this product – syndicators – can maintain a healthy yield spread to debt costs and satisfy their investors distribution hurdles.”

Nick Willis

Senior Director, Retail Investments, Australia

- Australia recorded only 19 retail transactions in H1 2023, the lowest half year on record. Syndicators and private investors continue to increase their acquisition activity whilst institutions down weight participation from 33% to only 7% of the market.
- Total yields across the retail market have softened from 5.67% (H1 2022) to 6.53% (H1 2023).
- Offshore capital quiet in H1 2023 accounting for only 5% of transaction volumes, down from 32% PCP.





# Japan MF – portfolio pivot

- A disconnect between leasing market and investment market is still on-going. Healthy leasing velocity – newly completed projects now take 4-8 months to lease up - is gaining speed backed by strong demand in smaller units. ‘Back to city core’ migration coupled with returns of international students and foreign professionals have continued to contribute to the steady recovery in occupancy.
- In contrast, investment momentum has started to wane since end-2022 with international capital staying on the side-lines. The size of investible stock is outstripping available capital for the asset class, modestly softening bid prices whilst reversing portfolio premium. The most palatable lot size has now become a smaller portfolio or single property with vendors targeting domestic buyers with limited capital.
- However, we expect sentiment to pick up as current price softening and allocation away from office would eventually woo international investors back to Japan Multifamily.

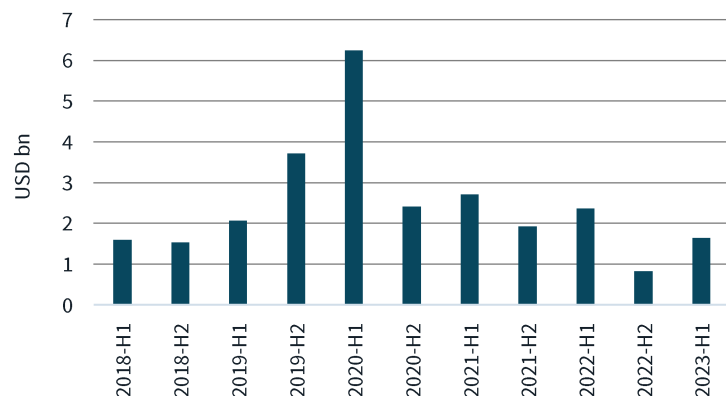


**Mitsui & Co. Digital Asset Management bought a JPY 9.6bn worth portfolio from Global Link Management**



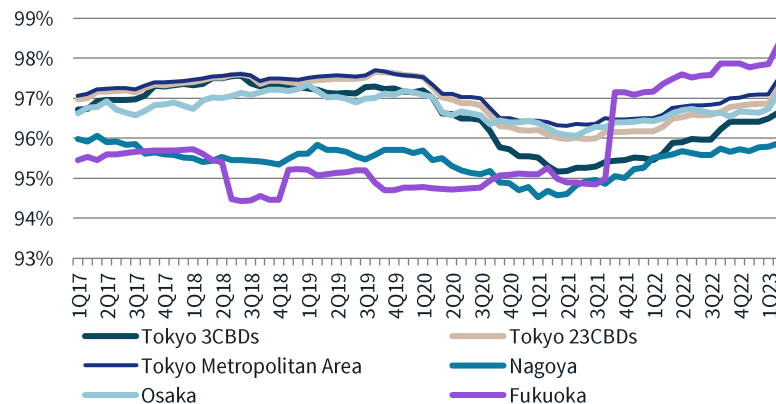
**JP Morgan sold a MF portfolio, with assets in Tokyo, Osaka and Nagoya to AXA Investment Managers for JPY 50bn**

**Japan multifamily volume trend H1 2018-H1 2023**



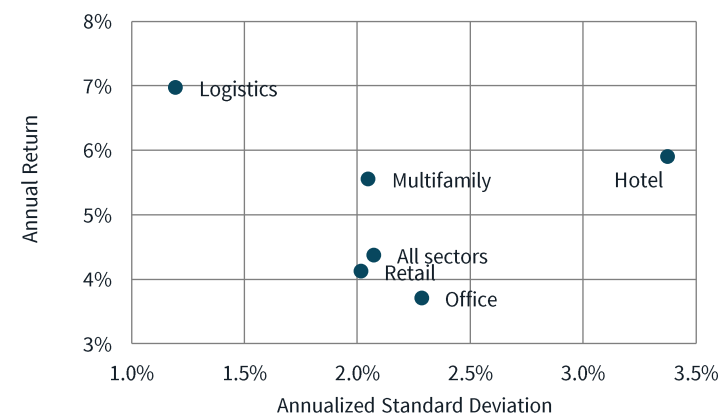
Source: JLL as at Q2 2023

**Japan MF occupancy trend since 2017**



Source: JLL, ARES as at July 23

**Return vs risk profile by sector**



Source: JLL, ARES as at Mar 23, using quarterly total returns from 1Q08 to 4Q22





# Senior living for growing silver segment

- In APAC, we have an ageing population that is living longer, more affluent and independent. This demographic tailwind is driving demand for senior living facilities that are aspirational apartments, an attractive alternative to elderly homes that are often unappealing.
- China:** In H1 2023 alone, there was a 250% increase in SL investment volume from 2022. With limited existing stock and growing levels of demand, SL facilities are expected to generate a higher rental return and cap rate premium than traditional residential.
- Japan:** REITs and REOCs have been active in acquiring SL assets since 2021 due to the stable rental income under longer fixed term leasing, making them attractive to core and core-plus strategies. Investment managers with value-add strategies are less keen on SL assets due to the lack of rental escalation in the longer term.
- Australia:** The relatively irregular nature of transaction volumes makes it difficult to ascertain pricing – activity skewed toward big portfolio deals such as EQT’s acquisition of **Stockland Retirement Living** for USD 670mn in 2022 or small individual assets. There are few specialist major owners but many traditional property institutions are put off by the “lumpy” nature of the cash flow – “DMF” deferred management fee (payable on exit) – which affects the profile of distributions payable to investors.

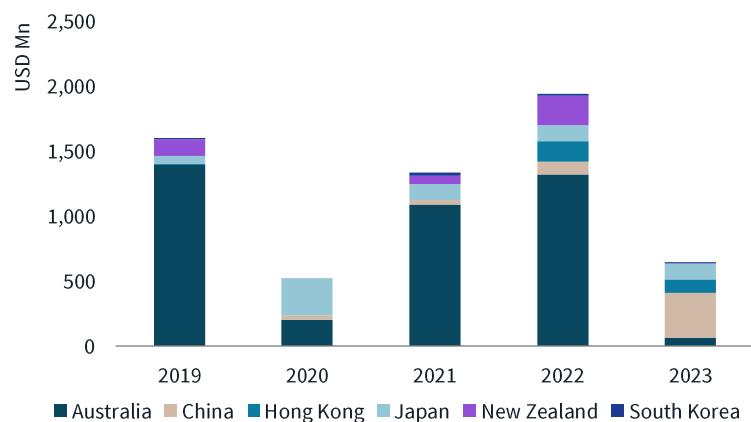
For more information, [The Rise of Senior Living \(China & HK\)](#)



## China-Life Care Garden

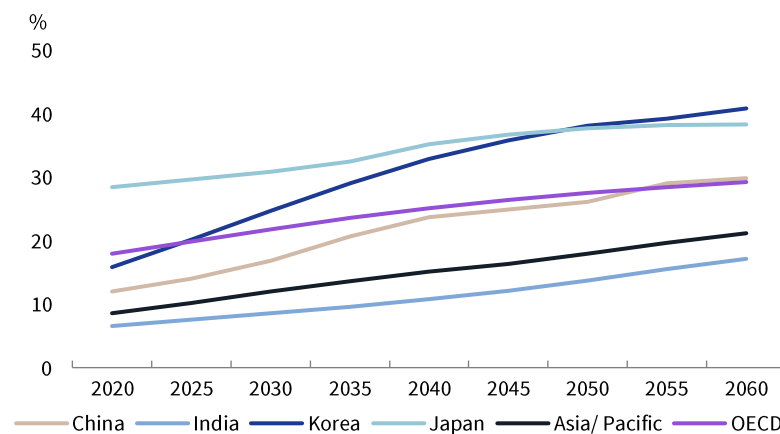
Located on the resort coast of Sanya Bay in Suzhou, this facility has welfare and healthcare facilities for personalized senior care.

## APAC Senior Housing Transaction Volumes



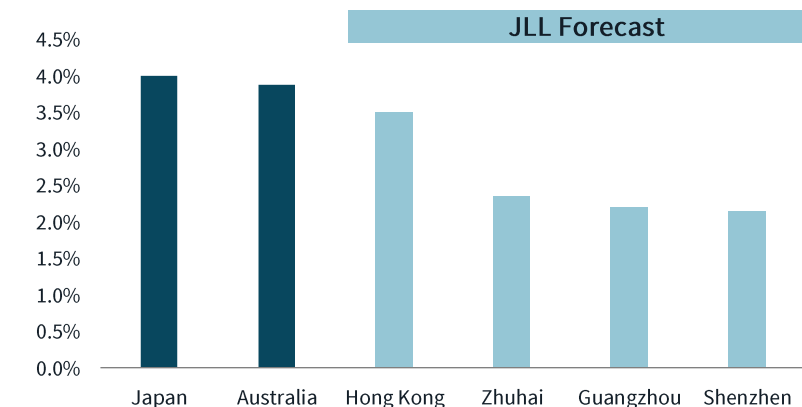
Source: RCA, as at Jun 23

## Projected over-65 aged % of population



Source: UN World Population Prospects

## Senior Living yields by market



Source: JLL, as at Jun 23





# Artificial Intelligence - inflection point for data centres

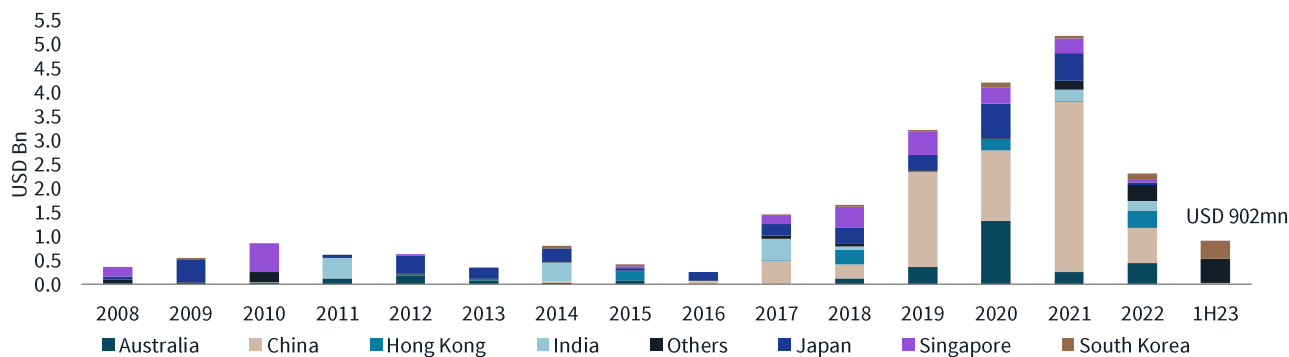
- The rapid development and adoption of AI is a key factor driving demand for data centers due to the massive computing power required. The IT infrastructure for AI will require more powerful processors than the existing ones and will necessitate change of existing data centres capabilities.
- Infocomm Media Development Authority (IMDA) and the Economic Development Board (EDB) Singapore announced that four parties would be allowed a combined 80 megawatts (MW) of new data centre capacity: data centre operators GDS, Equinix, an AirTrunk and ByteDance consortium and Microsoft. The selection shows focus on value and a search for fresh ideas and unique capabilities that benefit Singapore's digital economy, including AI.
- Due to high development costs and strong demand, DC supply continues to track absorption closely, keeping vacancy at record lows. Hyperscalers and edge computing segments are leading investor demand. Most hyperscalers are moving from BTS to colocation as it provides flexibility to scale.
- Notable Q2 2023 DC activity:
  - STT GDC enters into JV with Australia's Firmus Technologies, a liquid immersion cooling technology provider and modular data centre units
  - Equinix and Astra formed a 75-25 JV to establish and manage JK1, a data center at Jakarta's International Business Exchange
  - Mapletree Industrial Trust has acquired a data center in Osaka, Japan, for USD 377mn marking its entry into the country's data center market
  - Homeshrree acquired a USD 24mn stake in Webyne Data Center, a global cloud infrastructure and hosting provider in India
  - DigitalBridge Group completed its 70% ownership stake acquisition in AIMS Group from TIME dotcom in Malaysia



**IIJ Starts Operation of the Shiroi Data Center Campus's second Phase Building**

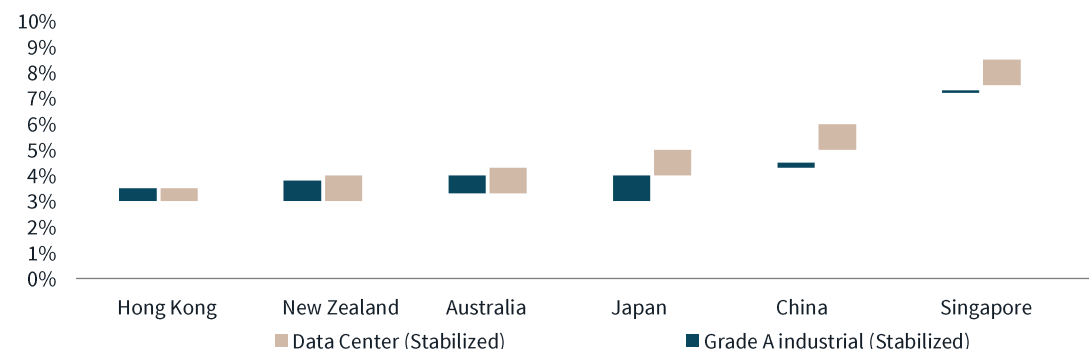
For more information:  
[Data Centers 2023 Global Outlook](#)

AP data centre investment volume 2008-H1 2023



Source: JLL, as at Jun 23  
 Note: Includes entity deals

Cap rate range – data centre vs industrial assets

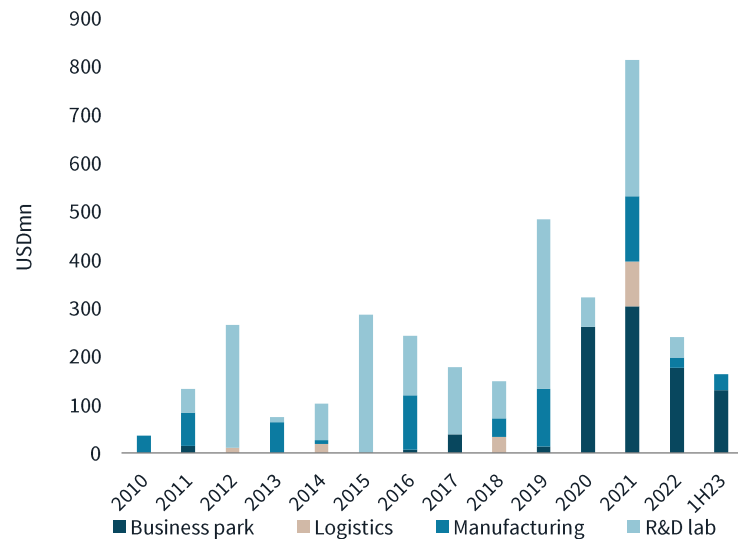


Source: JLL, as at Mar 23

# Life sciences business parks on investors' radar

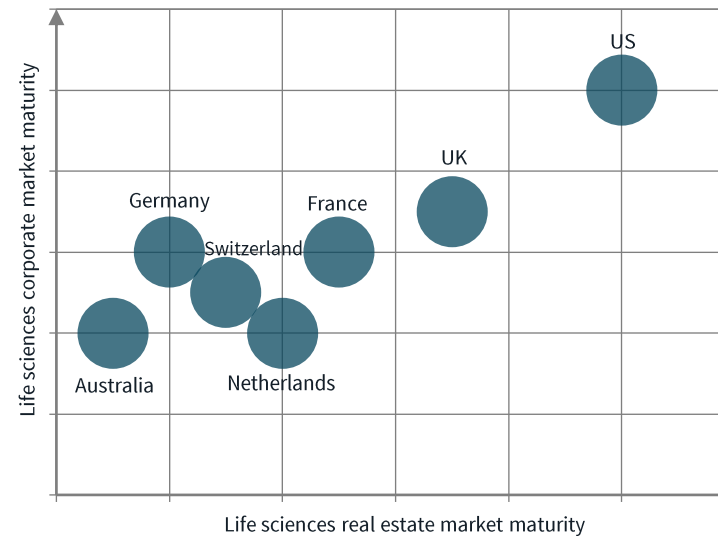
- The life sciences sector encompasses various asset types. Previously, investors in APAC prioritised R&D offices and manufacturing facilities. More recently, business parks have emerged as the predominant asset type as evidenced by the higher proportion of investment volume.
- Reviewing the market development of mature economies around the globe, the life sciences sector in APAC is still in its infancy, with its real estate market development lagging its corporate market development. Business park opportunities are scarce in APAC as the investable stock of such assets is limited, with most of them owned and occupied by universities and government entities.
- APAC life sciences investors consider the sector to display core characteristics having a stable occupier profile and low levels of vacancy through the investment cycle. While traditional R&D offices may have yields comparable to Grade A offices, business parks can generally command higher yields closer to the industrial sector.
- Sale and leasebacks are one of the approaches for investors to enter the life sciences market. Investors can engage with life sciences companies keen to improve their balance sheets and lock in long-term rental income streams through such arrangements.

Life sciences investment volumes by asset type



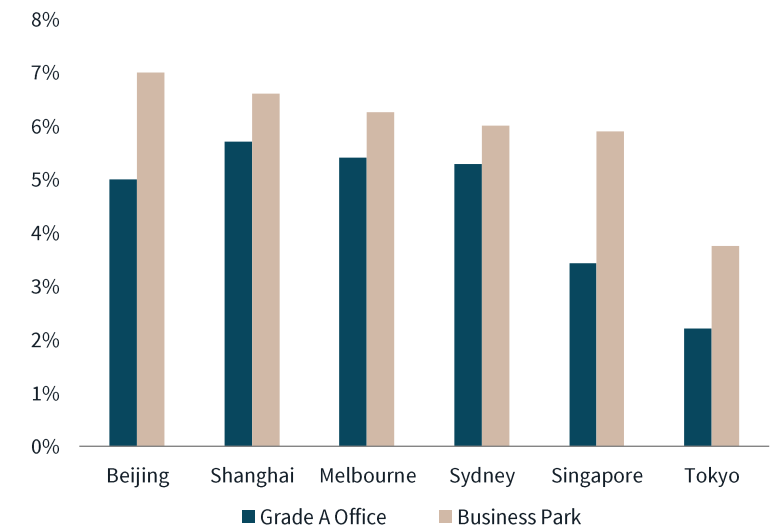
Source: RCA, JLL

Life sciences corporate and real estate market development



Source: JLL

Property yields by asset type



Source: JLL

Business park sale and leaseback

SIMCERE ZHOUPU LIFE SCIENCE PARK

Shanghai | China

Overview

- Chinese pharmaceutical manufacturer and supplier Sincere Pharmaceutical sold its R&D headquarters in Shanghai to private equity investment manager Ascent Real Estate Investors’ Concora platform with a sale and leaseback arrangement.
- The Concora platform invests in life sciences business parks and committed to providing life sciences companies with quality infrastructure, professional laboratory operational systems, high-end shared R&D equipment and full services in the innovation life cycle.

Profile

- The asset was developed by Sincere Pharmaceutical and utilised as its R&D headquarters in Shanghai since completion.
- The asset is a business park with 54,466 sqm GFA, comprising one main building and 17 other stand-alone properties.
- The asset is complemented by comprehensive amenities and green features.

Key Metrics

Location	China	Price (CNY)	850mn
Property Type	Life Sciences	Forward Entry Yield	6.60%
Gross Floor Area	54,466 sqm	Vendor	Sincere Pharmaceutical
Occupancy	Leaseback	Purchaser	Ascent Real Estate Investors

“Life sciences investors have confidence in the long-term growth prospects of the industry and are interested in assets with anchor tenants or long WALE. Moreover, development opportunities for joint ventures between life sciences companies and investors will arise.”

Ling Sun  
Head of Capital Markets, East China

- Total business park space in Shanghai reaches approximately 200 sq km, as it plans to become a global R&D hub.
- Occupier demand from life sciences companies remains resilient. Tenants in business parks mainly engage in R&D activities related to AI+, innovative drugs and medical equipment.
- Life sciences companies consider industry clustering, talent pool and capital support when formulating their site selection strategies.



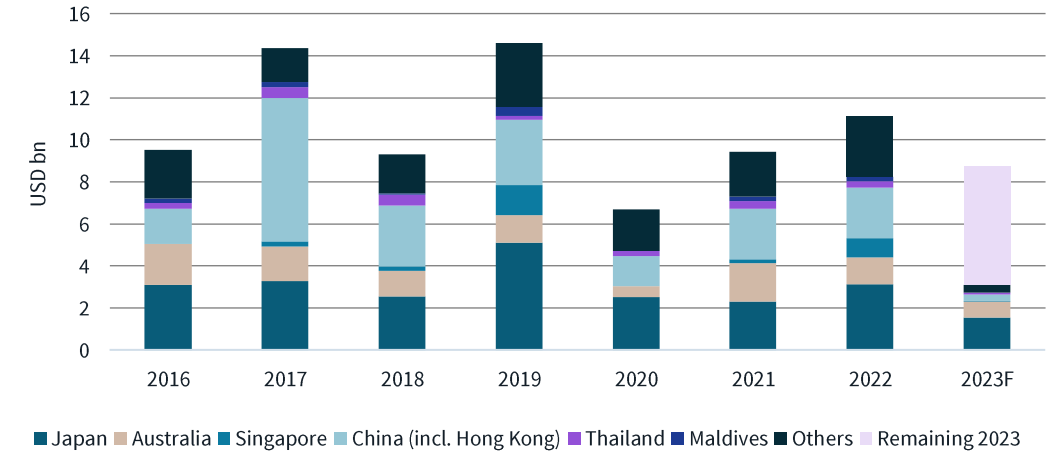




# A hotel 'retreat'

- Debt market uncertainties resulted in a 51% yoy fall in hotel investment volume in APAC, totalling USD 3.1bn.
- Notable hotel transactions in Q2 :
  - Red Planet Sapporo Susukino South:** Singaporean Heeton Holdings Ltd acquired this 123-key budget hotel located in Susukino, Sapporo (Japan) for JPY 1.725bn (c. USD 12.9mn)
  - Escarpment Group Portfolio:** In June 2023, the Escarpment Group sold a portfolio of five luxury hotels in NSW to Salter Brothers for a total price of AUD 115mn (c. USD 79.4mn)
- Hotel activity is expected to pick up in the second half of the year as the debt market stabilizes. APAC is anticipated to reach USD 8.7bn in hotel transaction for FY23, a downward revision of 24% against JLL's original projection for the year of USD 11.5bn.

Asia Pacific Hotel Investment Growth, 2016 to 2023F



## Red Planet Sapporo Susukino South

Sapporo (Japan)



## Escarpment Group Portfolio

Australia



Vietnam & Indonesia

# SOUTHEAST ASIA HOTEL PORTFOLIO

## Overview

- The portfolio consists of the Pullman Jakarta Central Park, the ibis Saigon South and Capri by Fraser, both in HCMC. The Pullman Jakarta Central Park and ibis Saigon South are sold with the benefit of Accor management under the Pullman and ibis brands, respectively. The Capri by Fraser was sold with vacant possession.
- The three hotels are strategically located in key gateway cities of Jakarta and HCMC, representing 632 keys.
- Hong Kong-based Everland Opportunities IX Limited acquired the hotels for a total price of USD 106.1mn. The landmark transaction marks the first hotel portfolio sale in the region for 2023.

“Hotel transaction volumes are expected to increase in the second half of the year as debt market conditions improve. Factors supporting recovery still outweigh macroeconomic headwinds, and investors’ sentiment remains positive for strategic assets in key regional markets. Private equity firms are generally sitting on the sidelines except for "value add" deals, while corporations and high net worth individuals with ample reserves continue to deploy capital.”

**Nihat Ercan**  
CEO Asia Pacific, JLL Hotels & Hospitality Group

## Key Metrics

Location	Ho Chi Minh City (Vietnam) & Jakarta (Indonesia)
Property Type	Hotels & Serviced Apartments
Buyer	Everland Opportunities IX Limited
Seller	Strategic Hospitality Holdings Limited
Total Price (USD)	106.1mn
Closing date	8 June 2023



# REITs diverge from equity performance



APAC REITs delivered negative returns in H1 2023, in contrast to the broader equity market. As inflation and high rates persist, investors are assessing REITs' distribution per unit (DPU) and refinancing risk.



**Industrial** REITs recorded positive returns in H1 2023 as their earnings guidance met investors' expectation. **Hospitality** REITs ended H1 2023 with negative returns as China's post-COVID rebound disappoints.



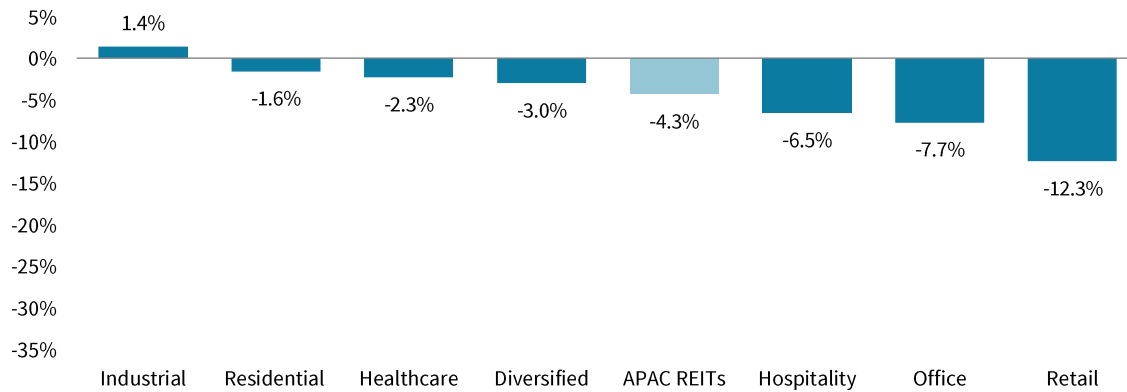
**Retail** REITs were the worst performing sector with profitability under pressure amid slowing discretionary spending and high input costs. **Office** still an underperformer, as investors are wary of global office fundamentals.



**Chinese** REITs fell significantly as the hype around securitizing assets cools amid lower than expected returns. China contends with persistent weakness from its severe real estate debt crisis.

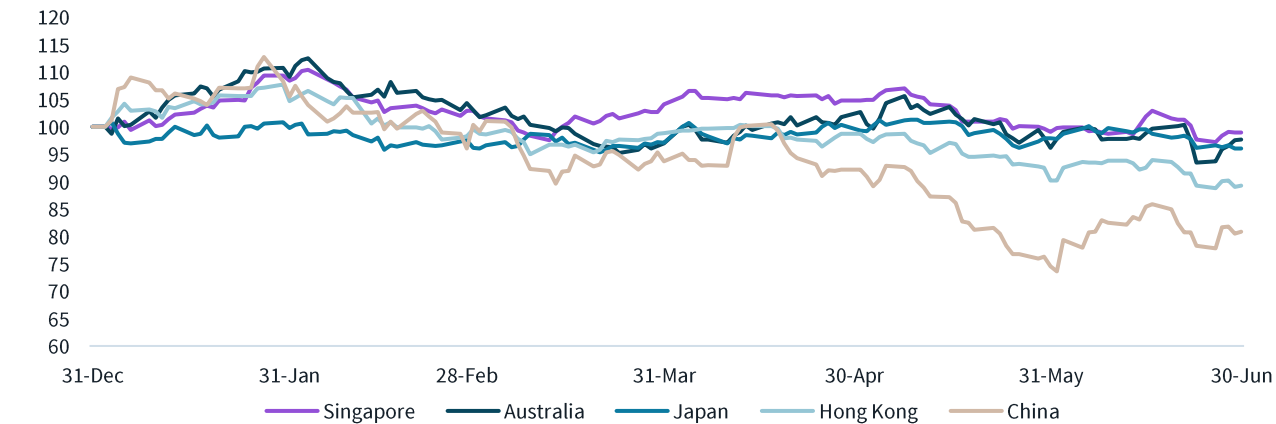
**Japanese** REITs were on an acquisition spree, especially in the industrial and multifamily sector.

H1 2023 performance of APAC REITs by sector



Source: S&P Capital IQ, S&P Asia Pacific REIT Index USD total return, as at Jun 23

H1 2023 performance of APAC REITs by sector



Source: S&P Capital IQ, FTSE EPRA NAREIT Index USD total return, as at Jun 23

Note: Indexed to 100 at 31 Dec 2022

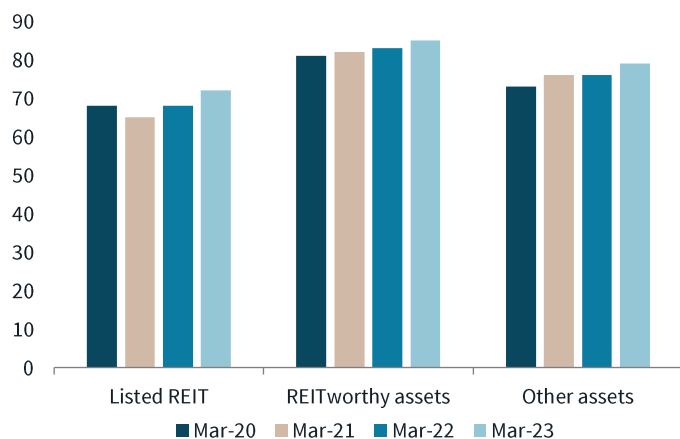
# India's evolving REIT market

- India's REIT market has grown from one security in 2019 to three office REITs and one retail REIT – Embassy, Mindspace and Brookfield, and Nexus Select. Office REITs alone amount to USD 7bn in market cap.
- JLL identified REIT-worthy assets based on ownership, occupancy and size. These Grade A assets have the potential to increase the office REIT market by 5x, opening up a pathway for further listings.
- REITs have had relatively stronger growth in lease rentals of 5.5% CAGR, compared to REIT-worthy assets' 2% CAGR in 2021-2023.
- A 43% share of rental revenue across office REITs in India comes from tech sector occupiers.

- JLL analysis shows REITs have the ability to command higher rental increases of up to 18%, signalling robust income growth prospects.
- Large developers who account for 39% share of all REIT-worthy assets may be keen to offload their holdings through public markets, making REITs a vehicle for exits and deleveraging.
- In India, roughly 10% of Grade A office stock has been securitized. The REIT-worthy commercial office assets is estimated to provide an additional opportunity of USD 59-63bn through new listings.

For more information: [Office REITs \(India\)](#)

Lease rental trends (INR per sq ft per month)



Source: JLL, as at Mar 23

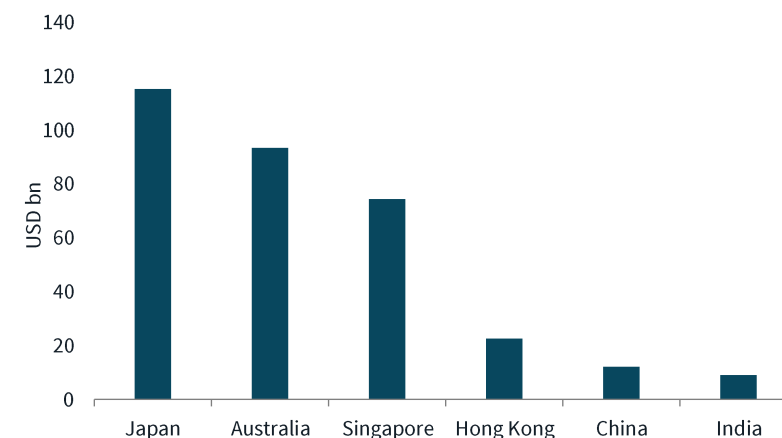
REIT-worthy office stock value

City	REIT-worthy stock (mn sq ft)	USDbn
Bengaluru	127.2	18.3 - 19.5
Chennai	53.6	6.2 - 6.6
Delhi NCR	60.5	9.8 - 10.4
Hyderabad	52.5	5.9 - 6.3
Kolkata	2.6	0.16 - 0.18
Mumbai	55.5	12.6 - 13.4
Pune	41.9	6.0 - 6.4
<b>Total</b>	<b>393.7</b>	<b>59.0 - 62.6</b>

Source: JLL, as at Mar 23

Note: Value of REIT-worthy stock calculated at cap rate of 8-8.5%

APAC REIT markets by market capitalisation



Source: JLL, Bloomberg, as at Jul 23

# Geographies

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1 China

2 Hong Kong

3 South Korea

4 Japan

5 Singapore

6 Australia

7 India





## Slow recovery weighs on activity



### Beyou Lifestyle Center

Beijing

#### Key trends:

- **Slow recovery:** The post-pandemic recovery momentum has lost steam with GDP growth falling short of expectations, export demand remaining tepid and market uncertainties sapping investor confidence.
- **Shifting investment preferences:** International investors remain interested in logistics assets in strategic locations, namely the Greater Shanghai region. Office transactions mainly involved domestic buyers and end-users, while institutional investors shifted their focus away from office to alternative assets, such as multifamily and life sciences.
- **Investors favour Shanghai:** Two notable multifamily projects in Shanghai were sold by developers to investors in Q2 2023, while a sale and leaseback arrangement regarding a life sciences business park asset in the city's Zhoupu district has been agreed on between a pharmaceutical company and a private equity investment manager.

#### Outlook:

- **Distressed opportunities:** More distressed assets are expected to enter the market in 2H23, which are anticipated to be sought owing to the discounted pricing. In view of this, some institutional investors are setting up special opportunities investment funds to capture the opportunity.
- **Yield decompression:** Market yields are forecast to decompress further until the end of 2023 as the slow economic and leasing market recovery softens investor sentiment.
- **REITs scheme:** The recent broadening of the REITs scheme to include department stores and shopping malls is expected to enhance the turnover of retail assets.

Key deals	Asset	Price (USDmn)	Unit price / NOI yield	Buyer	Seller
Q2 2023	Beyou Lifestyle Center	214	USD 5,625 psm	Meizhong Hospital	Warburg Pincus & Hande Group
Q2 2023	Jiading Fenghui Apartments	104	USD 2,167 psm	Ping An	KWG



# High interest rates hush investments



## The Henley I Retail Podiums

Hong Kong

### Key trends:

- **Increasing cost of debt dampens investment activities:** The investment market remains quiet as successive rate hikes soften market sentiment, with 1-month HIBOR reaching 4.9% as at end-June. GDP picked up mildly by 2.7% yoy in Q1 2023, while inflation was still within an acceptable range of 2% in May. Generally, market yields across all commercial sectors expanded slightly in Q2 2023.
- **Retail in focus:** While all sectors recorded limited sales in Q2 2023, more domestic investors have regained confidence in purchasing high street retail assets in anticipation of rental growth driven by the gradual recovery of inbound tourism and retail sales.
- **Developers offloading non-core assets:** Henderson Land Development reportedly sold two retail podiums at The Henley I in Kai Tak to a mainland Chinese investor for HKD 528mn (HKD 20,205 per sq ft, GFA). According to market sources, the assets' occupancy is about 80%.

### Outlook:

- **Investment volumes to pick up in 2H23:** More developers and investors facing debt pressures may have to dispose of distressed assets at a discount, thus closing the bid-ask gaps and boosting investment volumes. High street shops will likely remain the focus of domestic investors betting on the full recovery of tourism.
- **Moderate yield expansion:** Market yields across all sectors are likely to expand moderately in the next 12 months until the end of the current interest rate hike cycle which looks to be delayed until the end of the year.
- **External shocks impose risks:** Geopolitical conflicts, slow economic recovery in mainland China and net talent outflow are concerns impacting demand for real estate and investor sentiment.

Key deals	Asset	Price (USDmn)	Unit price / NOI yield	Buyer	Seller
Q2 2023	The Henley I Retail Podiums	67	USD 27,743 psm	Qixing Property Limited	Henderson Land Development
Q2 2023	Convention Plaza (Unit 7-9, 33/F)	40	USD 47,265 psm	HK Image Online Limited	China Ecotourism Group



# Liquidity crunch stifles activity despite strong fundamentals



**Namsan Green Building**  
Seoul

## Key trends:

- **Positive rental growth:** In Q2 2023, Seoul offices continued to demonstrate positive rental performance, rising 15.9% yoy. The vacancy rate was meagre at 1.3%, a slight increase from 1.1% last quarter.
- **Interest rate and yields keep flat:** The Bank of Korea has kept the benchmark interest rate unchanged at 3.5% throughout H1 2023. The borrowing cost for core stabilised office assets in Seoul is coming down, albeit at a slow pace. The office market yield stayed flat at 4.4%.
- **End-user demand:** Thin liquidity coupled with volatility in the financial market discouraged institutional investors to invest in real estate to some extent. Meanwhile, as rents are rising incessantly, some occupiers have acquired office assets for self use.

## Outlook:

- **Foreign investors prefer L&I:** Many international core investors are not ardently reviewing office deals due to their unfavourable views on the global office market. Instead, they primarily focus on stabilised dry warehouse and logistics assets.
- **Differing investment strategies:** Institutional investors will focus on yields and profitability, while end-users will consider acquiring existing assets amid surging replacement costs.
- **Potential defaults:** While the cost of debt is coming down slowly for core stabilised assets, the still-high borrowing cost will result in negative leverage situations, which could further expand yields. There may be an increasing number of distressed sales in the market and investors could experience difficulties in project financing, causing deals to potentially default.

Key deals	Asset	Price (USDmn)	Unit price / NOI yield	Buyer	Seller
Q2 2023	Namsan Green Building	364	USD 6,322 psm	KKR	IGIS Asset Management
Q2 2023	Munjeong Plaza	217	USD 2,905 psm / 5.0%	Donghoon	KT AMC





## Exclusive realm of positive cash yields



## GIC Logistics Portfolio

Nationwide

### Key trends:

- **V-shaped recovery:** The investment market has experienced a V-shaped recovery in H1 2023 after experiencing muted results in 2022. Offshore investors are actively exploring investment opportunities in Japan, where positive CoC yields can still be achieved.
- **Value-add gaining traction:** While core/core-plus strategies are still the mainstream, value-add strategies, such as ESG enhancements and converting underperforming but quality office assets to R&D labs, have been considered in pursuit of better returns. Domestic and experienced offshore investors have started to acquire value-add assets.
- **Active market:** Offshore investors are particularly interested in L&I assets, as evidenced by the two large portfolio acquisitions made by GIC and Mapletree Logistics Trust respectively. There is also a growing number of new offshore investors entering Japan, including Arch Capital and SilkRoad.

### Outlook:

- **Favourable financing conditions:** Current favourable financing conditions are expected to continue. The BOJ made its first surprise tweak on YCC, spurring potential policy normalisation discussions that deviates from ultra low quantitative easing. This will likely see the yen appreciating, but doubtful it will impact offshore investors invest in a big way.
- **Yield compression in popular sectors:** Yields are forecast to hover around the current level, but selected popular sectors, such as multifamily and L&I, might experience some mild yield compressions due to liquidity injections.
- **BOJ policy change:** The BOJ's yield curve adjustment may be an early step towards an eventual exit from YCC. Further policy shifts in the future could affect pricing dynamics and investor sentiment.

Key deals	Asset	Price (USDmn)	Unit price / NOI yield	Buyer	Seller
Q2 2023	GIC Logistics Portfolio (6 assets)	800	USD 2,140 psm	GIC	Blackstone
Q2 2023	MLT Logistics Portfolio (6 assets)	480	USD 2,353 psm	Mapletree Logistics Trust	CBRE IM



# Healthy hunger for freehold



## The Shugart Singapore

### Key trends:

- **Economic growth continues:** According to advance estimates released in July, Singapore's GDP expanded by 0.7% yoy in Q2 2023, slightly faster than the 0.4% growth in Q1 2023 and above market expectations. This marks the 10th consecutive quarter of increase.
- **Divergent strategies:** Cash-flushed ultra-high-net-worth individuals (UHNWIs) and family offices are driving sales of freehold strata-title offices, while institutional investors continue to acquire industrial and retail properties, which offer a positive yield spread over the current high interest rates.
- **Major sales transactions:** Hillhouse Capital purchased a portfolio of five warehouses from ESR-LOGOS REIT for SGD 314mn, while CapitaLand Ascendas REIT acquired The Shugart, a business park asset, from Seagate in a sale-and-leaseback arrangement for SGD 218mn.

### Outlook:

- **Private investors look for bargains:** We expect freehold assets with palatable price tags to stay on the radar of UHNWIs and family offices in 2H23.
- **Institutional investors remain cautious:** Institutional investors will likely gravitate from office assets towards opportunities in the retail, hospitality and industrial sectors to avoid a negative yield spread on investment.
- **Re-pricing pressure:** The impending rental corrections on CBD investment grade offices would add to the dampening effects of high interest rates on asset prices in the short term. Yields for logistics/warehouse assets should hold steady on the back of rental growth prospects and sustained institutional investor demand.

Key deals	Asset	Price (USDmn)	Unit price / NOI yield	Buyer	Seller
Q2 2023	Hillhouse Capital Warehouse Portfolio (5 assets)	234	USD 1,350 psm / 9.0%	Hillhouse Capital	ESR-LOGOS REIT
Q2 2023	The Shugart	163	USD 3,985 psm / 8.3%	CapitaLand Ascendas REIT	Seagate



# Investors cautiously tread



## Batman's Hill on Collins Melbourne

### Key trends:

- **Investment market slowdown:** Investor sentiment continues to weaken as a result of debt pricing uncertainties and caution around the resilience of asset values. Investors continue to navigate higher borrowing costs, while lenders dealing with higher costs of wholesale capital and maintaining the delicate balance between protecting net interest margins and providing cost of debt whereby investors have ample serviceability headroom.
- **Balance sheet management:** Some major owners have begun to selectively divest assets to shore up balance sheets, but there have not been any major signs of distressed selling to date.
- **Capital reallocation:** Institutional investors reallocate capital towards industrial and multifamily, while the office sector experiences more uncertainties due to the continuous adoption of hybrid work models.

### Outlook:

- **Managing debt positions:** We anticipate some motivated selling to arise in the next 12 months as investors look to maintain sustainable gearing and liquidity positions. Clarity around the macro-outlook and future funding costs will be the key drivers of investor confidence in the short to medium term.
- **Softening yields:** Yields across all core property sectors are forecast to continue to soften in 2H23 before beginning to stabilise in the medium term.
- **Mortgage cliff:** The majority of low-cost fixed mortgages is set to expire in 2H23, imposing risks to the stability of the real estate market.

Key deals	Asset	Price (USDmn)	Unit price / NOI yield	Buyer	Seller
Q2 2023	Mirvac Multifamily Portfolio (5 assets)	783	N/A	CEFC & Mitsubishi Estate	Mirvac
Q2 2023	Batman's Hill on Collins	53	N/A	Sterling Global	Private individual





# Strong economic performance entices foreign capital



## Key trends:

- **Strong economy** : India's economic fundamentals has held up better than expectations and PMI readings suggest healthy growth in manufacturing and services sectors has persisted.
- **Institutional investors favour India**: Inflation and global recession risk are not deterring investment sentiment. Institutional investors are interested in office, warehouses and data centres in the country.
- **More portfolio deals**: Portfolio-level investments are gaining traction, leading to an aggregation of assets across cities, with office being the favoured sector. Notably, Brookfield India REIT and GIC acquired a portfolio of two large commercial assets for about USD 1.4 billion.

## Outlook:

- **Investor optimism**: As one of the fastest growing real estate markets, investors expect the recovery momentum witnessed in previous quarters to continue. Infrastructure development, a growing middle class and rapid urbanisation are catalysts for future growth of the Indian market.
- **Office expansion**: Core asset sales and development platforms in the office sector will continue to drive investment volumes in 2H23.
- **Increasing cost of debt**: With the increase in global interest rates, investors are reassessing investment risks, which may lead to a wait-and-see scenario. Also, the reducing spread between government bond and rental yields may impact the attractiveness of assets for investors. The increasing cost of debt may lead to investors reassessing the viability of investment in development stage projects.

## Brookfield AM Office Portfolio

Nationwide

Key deals	Asset	Price (USDmn)	Unit price / NOI yield	Buyer	Seller
Q2 2023	Brookfield AM Office Portfolio (2 assets)	1,372	USD 2,262 psm	Brookfield India REIT & GIC	Brookfield AM
Q2 2023	Hyderabad Warehouse	23	USD 301 psm	IndoSpace Core	GMR Hyderabad International Airport



# Direct deals

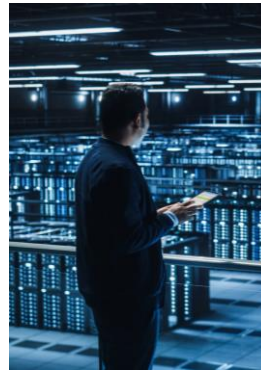
Transaction	Date	Sector	Price (USDmn)		Vendor	Purchaser	Remarks
China							
Bvlgari Apartments	Jun-23	Living	191	OCT		CHT	51% interest
Shunxin International Business Center Building 1	Jun-23	Office	142	Beijing Shunxin Jiayu Real Estate Development Co Ltd		TBC	
Sky Realm Industry Plaza	Jun-23	Logistics	131	Yizhuang Investment Holdings		Sino Biological Inc	
Simcere Zhoupu Life Science Park	Jun-23	Life Sciences	121	Simcere Pharmaceutical		Ascent Real Estate Investors	Sale and leaseback
Hong Kong							
31-33 King's Road	Jun-23	Hotel	60	Private investor		K. Wah International	
Convention Plaza (various units)	Apr-23	Office	33	Celestial Field Ltd		Surrich International Ltd	
South Korea							
AlphaDom Tower 3 (6-3 Block)	Apr-23	Office	525	Mirae Asset Global Investments		Samsung SRA	
Concordian	Apr-23	Office	478	DWS Asset Management		Mastern Investment Management	
Scale Tower	Jun-23	Office	307	SK D&D		Hyundai Motor Company	50% interest, for occupancy
584-12 Guro-dong	Jun-23	Logistics	243	PIA Guro Station PFV Co		L&L Advisors Co	
Dongwha Building	May-23	Office	200	Mastern Investment Management		JB Financial Group	2-property portfolio
Hyundai Card Building Tower 1	Apr-23	Office	186	NH-Amundi Asset Management		Hyundai Card	For occupancy
Japan							
Odakyu Century Building	Jun-23	Hotel	415	Odakyu Electric Railway		KKR	
Prologis Park Soka	Jun-23	Logistics	374	Prologis		Nippon Prologis REIT	
Hulic Ginza 7-chome Building	Jun-23	Office	159	Hulic REIT		Hulic	95% interest
GLP Alfalink Sagamihara 4	Jun-23	Logistics	141	Eris LLC		GLP J-REIT	
GLP Okinawa Urasoe	Jun-23	Logistics	130	SMFL Mirai Partners		GLP J-REIT	
Higashimatsu Building	Apr-23	Office	126	Fuyo General Lease		Global One Real Estate Investment	
Singapore							
Parkway Parade	Jun-23	Retail	103	Lendlease		Lendlease Global Commercial REIT	10% interest
Liberty House	Apr-23	Office	69	Liberty Insurance		Union Property Holding	
78 & 80 Amoy Street	Apr-23	Retail	56	Silkroad Property Partners		TBC	
Australia							
44 Market Street	Jun-23	Office	263	Dexus		PAG	
Ferntree Gully Road	Jun-23	Logistics	210	Dexus		Gateway Capital & Cadillac Fairview	
1953-2109 Elizabeth Drive	Jun-23	Logistics	100	Robert Jones Funds and Development		CDC Data Centres	
49-61 Stephen Road	Jun-23	Logistics	96	Allnex Resins Australia		ESR Australia	
1099-1169 Pascoe Vale Road	May-23	Retail	90	Vicinity Group		Nikos Property Group	50% interest



# JLL thought leadership compendium



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[Artificial Intelligence: Real Estate Revolution or Evolution?](#)



[The Future of the Central Business District](#)



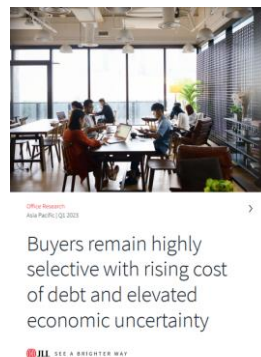
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[Asia Pacific Office Digest Q1 2023](#)



[Asia Pacific Retail Digest Q1 2023](#)



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