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Japan Real Estate Institute (JREI)

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Summary of JREI Global Property Value/Rent Indices (No. 7, Oct. 2016)

We are pleased to release a summary of the result of the seventh JREI Global Property Value/Rent Indices (as of October 2016).

Survey Results at a Glance (in Comparison with Survey No.6, Change Rate from Apr. 2016 to Oct. 2016 in Parentheses)

■ Office Market

- Tokyo (+3.4%), Osaka (+2.9%), and Seoul (+2.9%) were ranked as the top three highest cities in terms of the growth rate of office building value. Tokyo maintained its first spot. It witnessed a larger growth rate in office building value than other global cities as cap rate compression continued in the Japanese capital. Investment appetite remained strong in the easy financing environment of the country. However, the degree of growth shrank compared with the previous survey as some experts pointed out a flat movement in activities in the Japanese investment market in recent months.
- The office rent in Ho Chi Minh City registered the biggest increase among the monitored cities. Vietnam enjoys one of the healthiest economies in the ASEAN nations. Under the favorable economic condition, domestic and foreign firms generate healthy demand for office space. Such demand, in turn, results in a rise in office rent.
- This is the first survey after the Brexit vote. The office rent in London declined slightly compared with the prior survey. On the other hand, its office building value fell by 5.8% as some investors refrained from investing in London's office buildings due to uncertainty.

■ Condominium Market

- The two biggest gainers of condominium value were Beijing (+19.7%) and Shanghai (+12.4%). The Chinese government's economic stimulus policy ignited the realization of the robust pent-up demand, especially in first-tier cities, such as Shanghai and Beijing. Supply shortage in those cities also caused the price hike.
- The value and rent of condominiums dropped on a small scale in London mainly because of both the 3% Stamp Duty Land Tax surcharge that was introduced in April 2016 and the ambiguous impact of the Brexit vote, which took place in June 2016, on the residential market.

■ Office Building Value Change

City	H/O/H
Tokyo	+3.4%
Osaka	+2.9%
Seoul	+2.9%
HCMC	+2.8%
Bangkok	+2.1%
Shanghai	+1.2%
NY	+0.7%
Beijing	+0.6%
Jakarta	+0.5%
Hong Kong	+0.4%
Taipei	-0.2%
KL	-1.0%
Singapore	-1.3%
London	-5.8%

■ Office Building Rent Change

City	H/O/H
HCMC	+2.2%
Bangkok	+2.0%
Osaka	+1.8%
Shanghai	+1.5%
Tokyo	+1.1%
NY	+1.1%
Seoul	+0.8%
Taipei	+0.6%
Beijing	+0.4%
Hong Kong	+0.4%
London	-0.6%
KL	-1.1%
Jakarta	-2.6%
Singapore	-5.0%

■ Condominium Value Change

City	H/O/H
Beijing	+19.7%
Shanghai	+12.4%
Hong Kong	+6.9%
Seoul	+2.8%
Osaka	+1.8%
Jakarta	+1.6%
Tokyo	+1.4%
Bangkok	+0.8%
HCMC	+0.8%
NY	+0.3%
London	-0.3%
KL	-0.4%
Singapore	-1.7%
Taipei	-2.5%

■ Condominium Rent Change

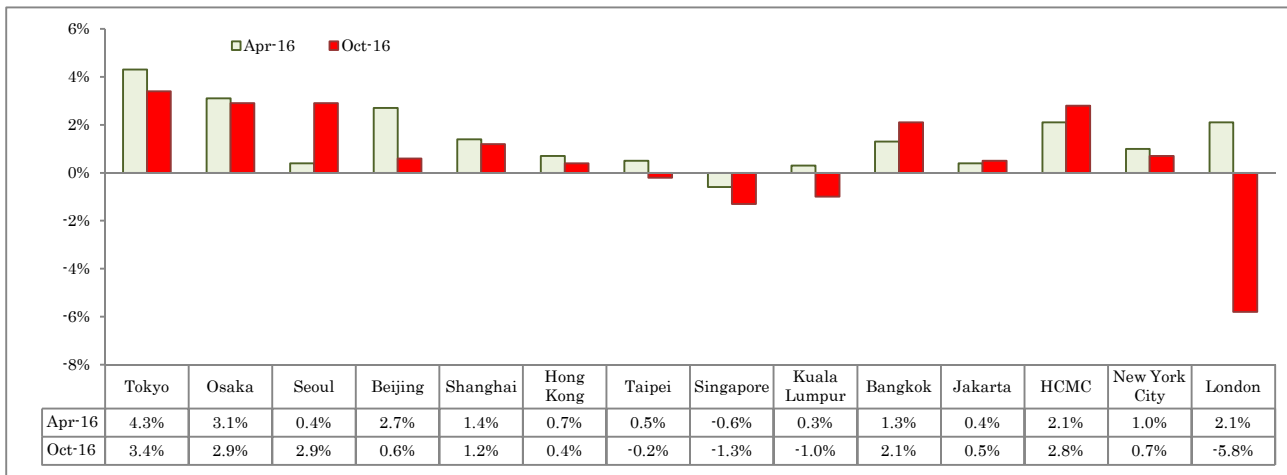
City	H/O/H
Beijing	+8.3%
Shanghai	+3.4%
Bangkok	+0.8%
Hong Kong	+0.7%
NY	+0.7%
Tokyo	+0.6%
HCMC	+0.6%
Osaka	+0.2%
Taipei	-0.1%
Seoul	-0.3%
London	-0.6%
KL	-0.8%
Jakarta	-2.6%
Singapore	-2.7%

1. Half-Year Growth Rate of Value/Rent Index by City

1-1. Growth Rate of Office Building Value Index (From April 2016 to October 2016)

Figure 1-1 shows the half-year growth rate of the office building value index in each surveyed city. As of October 2016, the growth rate was highest in Tokyo (+3.4%) followed by Osaka (+2.9%) and Seoul (+2.9%). London saw a decline of 5.8% compared with the previous figure after experiencing the Brexit vote.

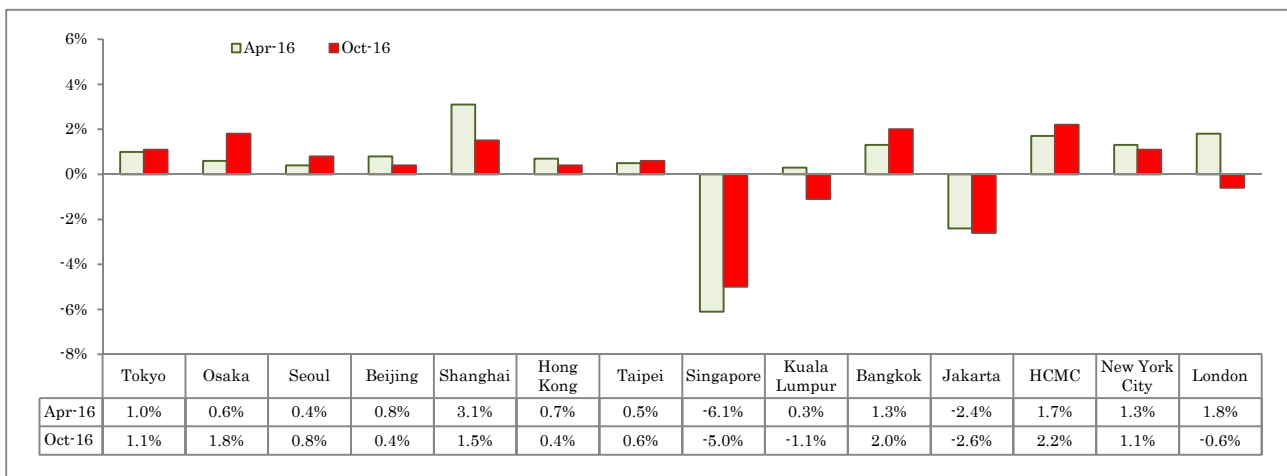
Figure 1-1: Comparison of Half-Year Growth Rate of Office Building Value Index



1-2. Growth Rate of Office Building Rent Index (From April 2016 to October 2016)

Figure 1-2 shows the half-year growth rate of the office building rent index in each surveyed city. As of October 2016, the growth rate was highest in Ho Chi Minh City (+2.2%) followed by Bangkok (+2.0%). On the other hand, a negative rate was reported in Singapore (-5.0%), where the leasing market has been slumping due to office space oversupply.

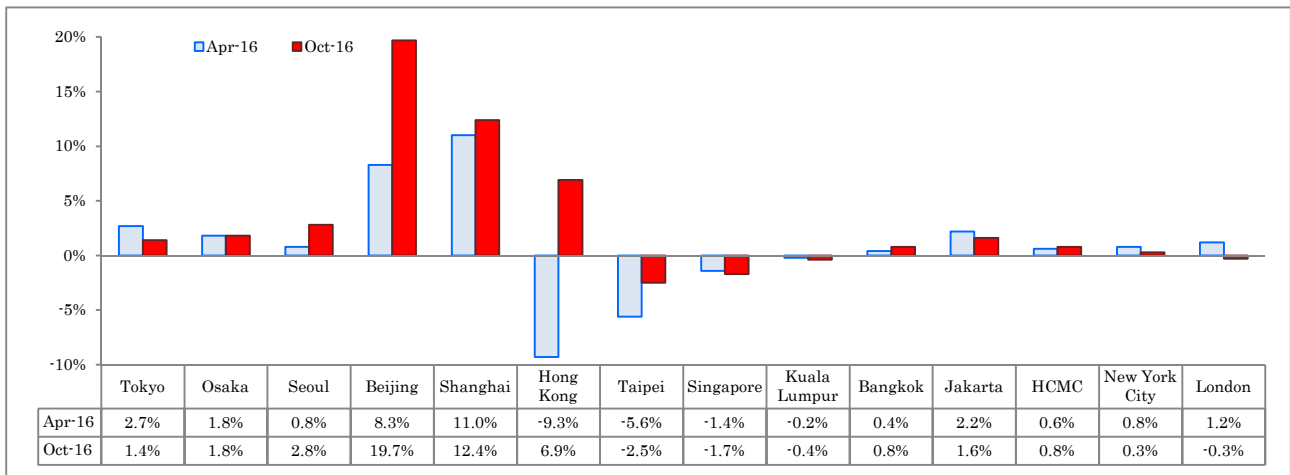
Figure 1-2: Comparison of Half-Year Growth Rate of Office Building Rent Index



1-3. Growth Rate of Condominium Value Index(From April 2016 to October 2016)

Figure 1-3 shows the half-year growth rate of the condominium value index in each surveyed city. As of October 2016, the growth rate was highest in Beijing (+19.7%) followed by Shanghai (+12.4%). On the other hand, a negative growth rate was seen in Taipei (-2.5%), where its new President decided to continue the old administration’s regulatory measure for controlling home prices after she was elected in May 2016.

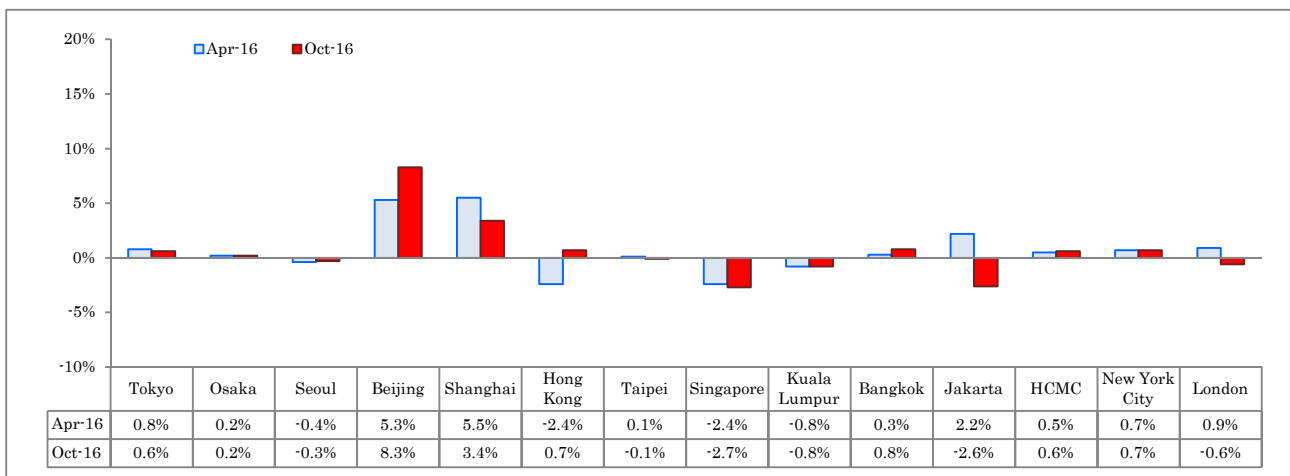
Figure 1-3: Comparison of Half-Year Growth Rate of Condominium Value Index



1-4. Growth Rate of Condominium Rent Index(From April 2016 to October 2016)

Figure 1-4 shows the half-year growth rate of the condominium rent index in each surveyed city. As of October 2016, the growth rate was highest in Beijing (+8.3%) followed by Shanghai (+3.4%). On the other hand, a negative growth rate was witnessed in the following six cities: Singapore; Jakarta; Kuala Lumpur; London; Seoul; and Taipei.

Figure 1-4: Comparison of Half-Year Growth Rate of Condominium Rent Index



2. Value/Rent Trend by City (October 2010 = 100.0)

Figure 2-1: Office Building Value/Rent Indices (October 2010 = 100.0)

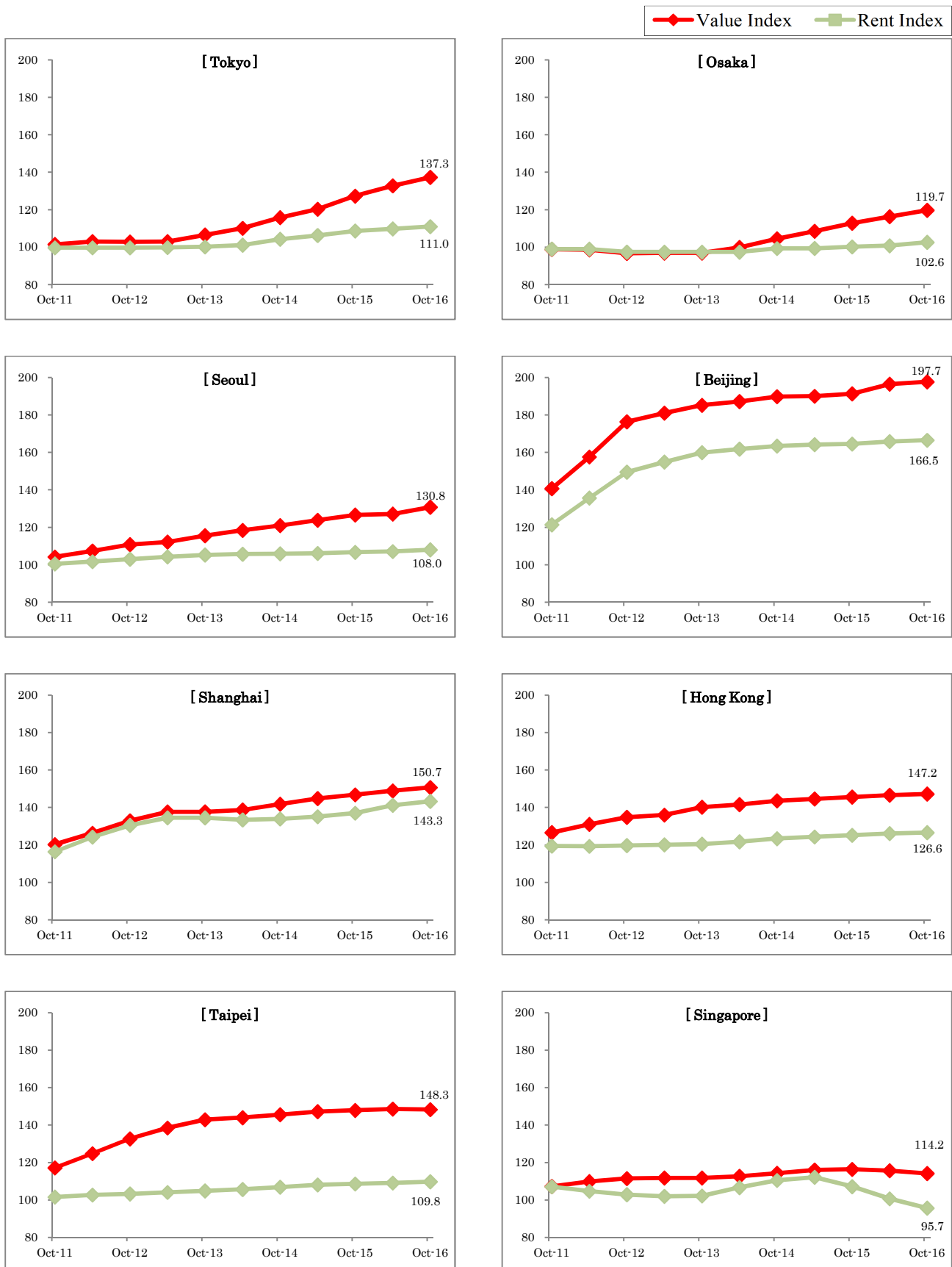


Figure 2-1: Office Building Value/Rent Indices (October 2010 = 100.0)

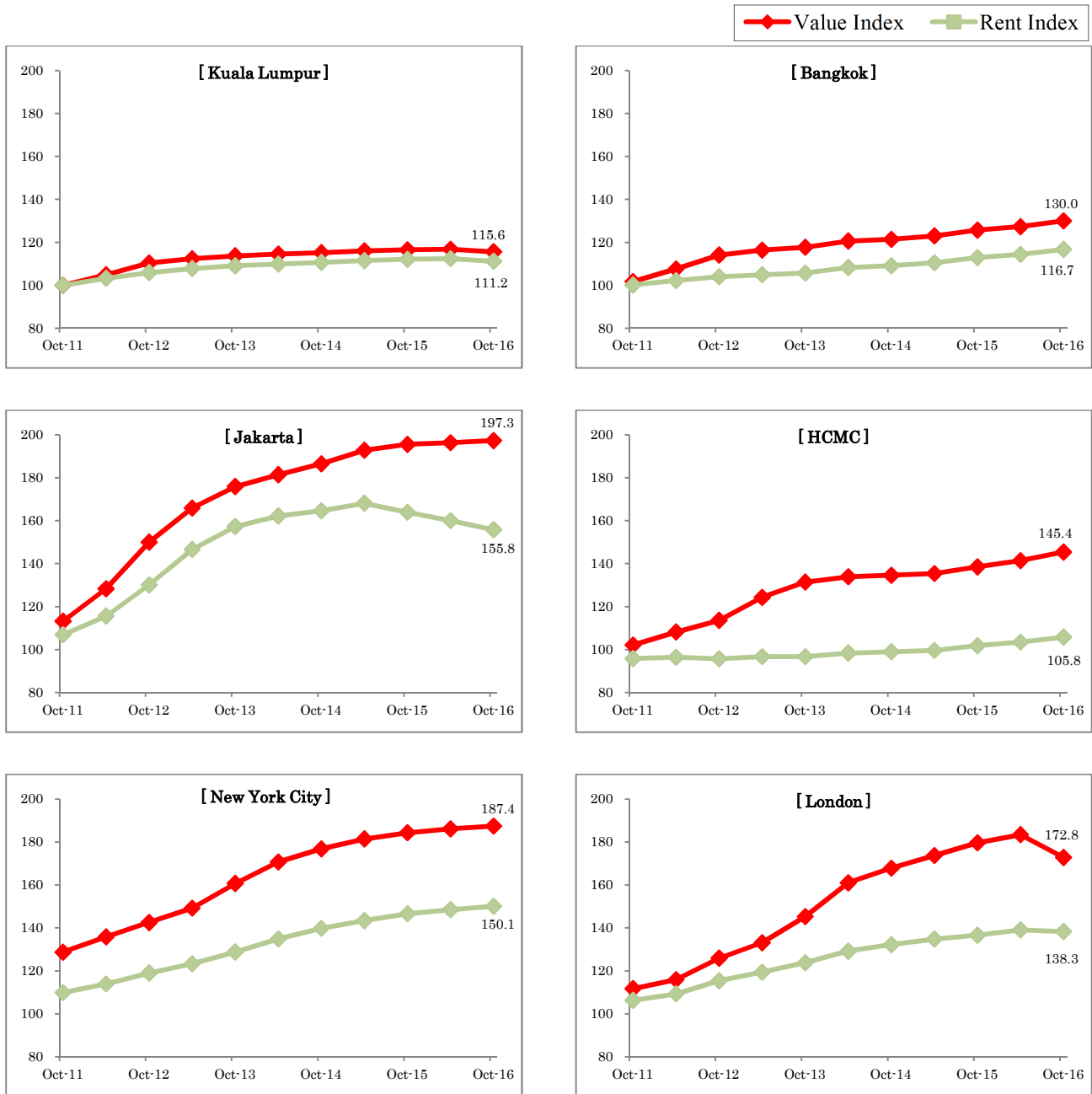


Figure 2-2: Condominium Value/Rent Indices (October 2010 = 100.0)

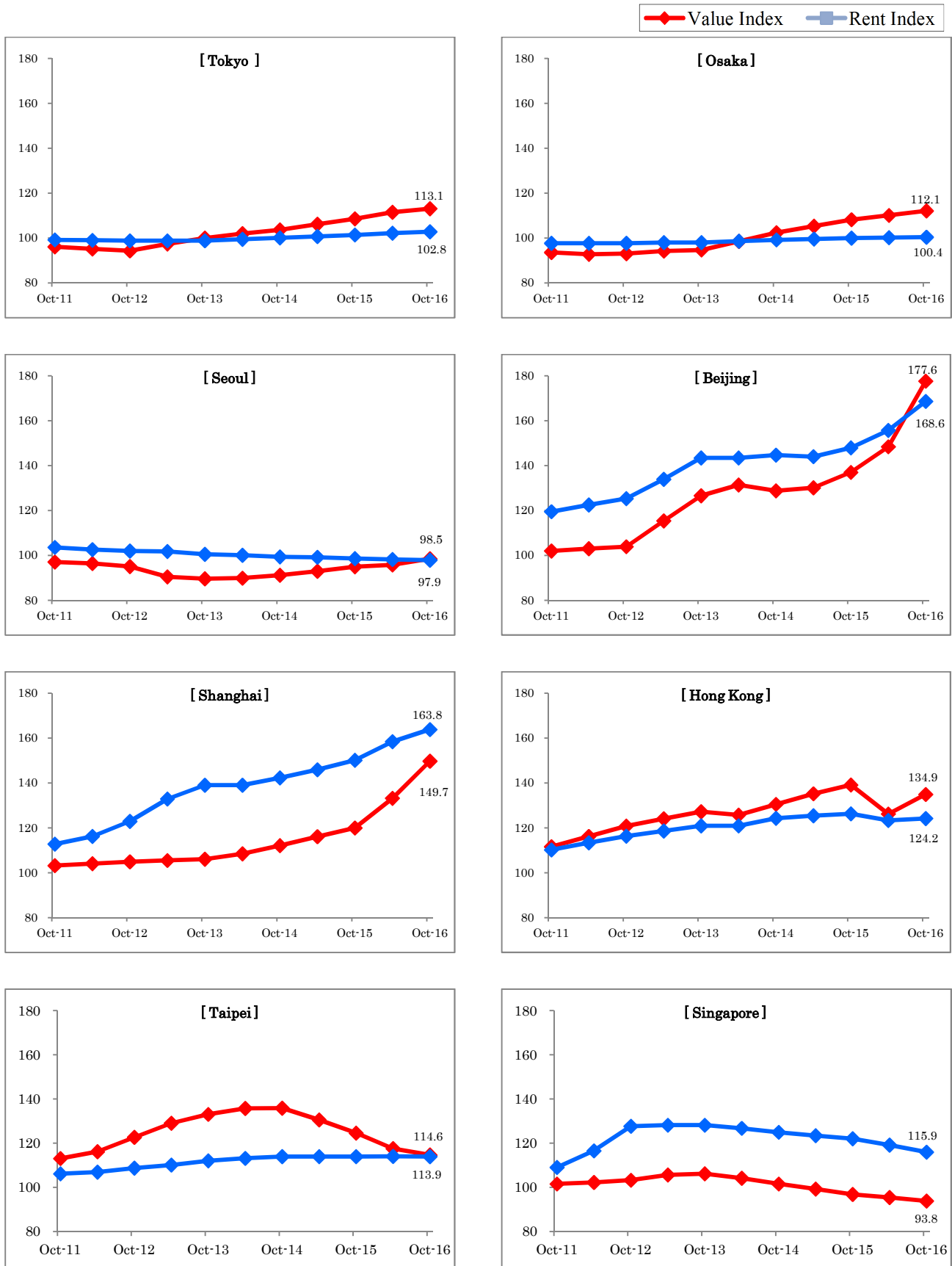
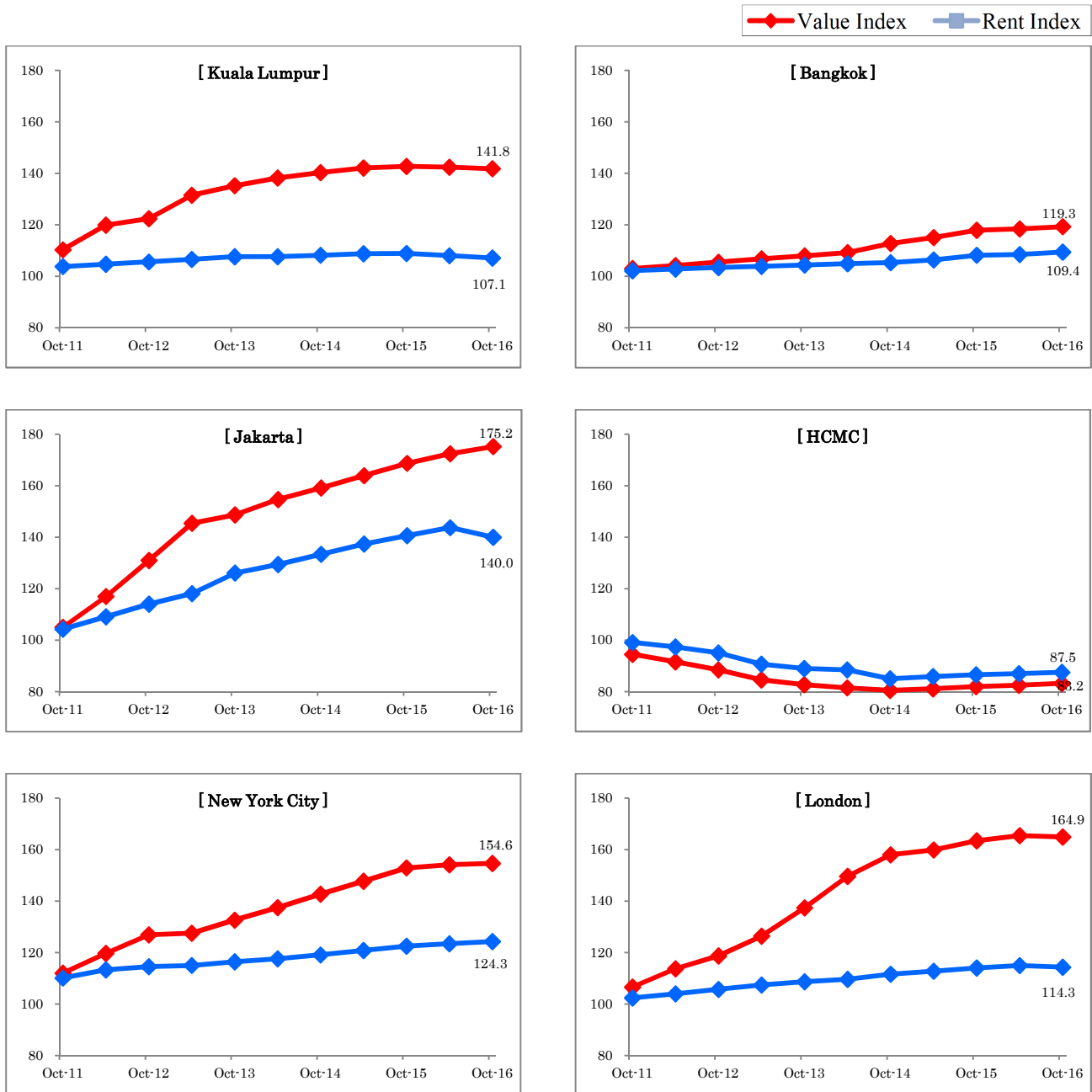


Figure 2-2: Condominium Value/Rent Indices (October 2010 = 100.0)

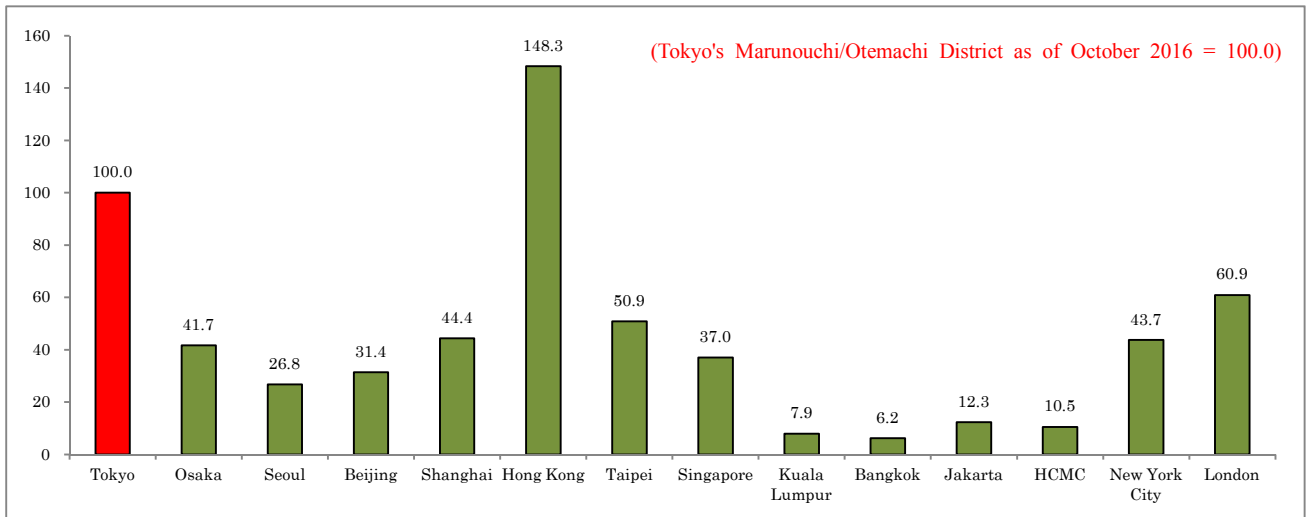


3. Value and Rent Comparison among Surveyed Cities (October 2016)

3-1. Value Comparison of Prime CBD Office Buildings

Figure 3-1 shows the index number of the value per leasable square meter for a prime office building in the CBD of each surveyed city (Tokyo’s Marunouchi/Otemachi District = 100.0). The value of the building in the local currency of each foreign city was converted to the value in the Japanese yen and indexed. (The same method was also applied to the office building rent comparison.)

Figure 3-1: Value Comparison of Prime CBD Office Buildings

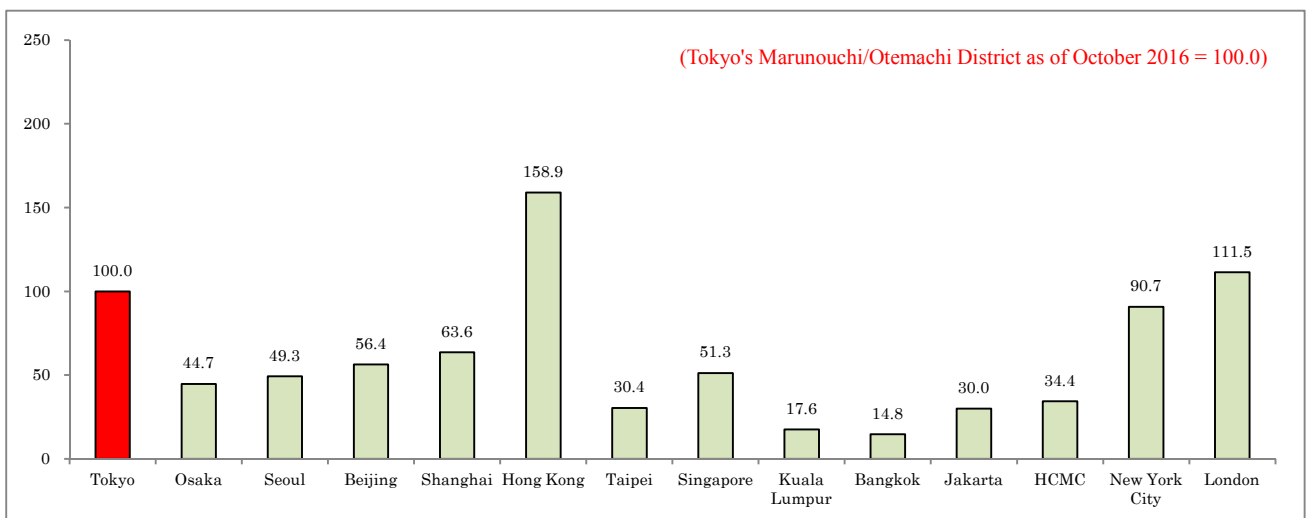


(*) Index number by city for the prime CBD office building value per square meter of each surveyed city (Tokyo’s Marunouchi/Otemachi District as of October 2016 = 100.0)

3-2. Rent Comparison of Prime CBD Office Buildings

Figure 3-2 shows the index number of the rent per leasable square meter on the typical floor of a prime office building in the CBD of each surveyed city (Tokyo’s Marunouchi/Otemachi District = 100.0).

Figure 3-2: Rent Comparison of Prime CBD Office Buildings

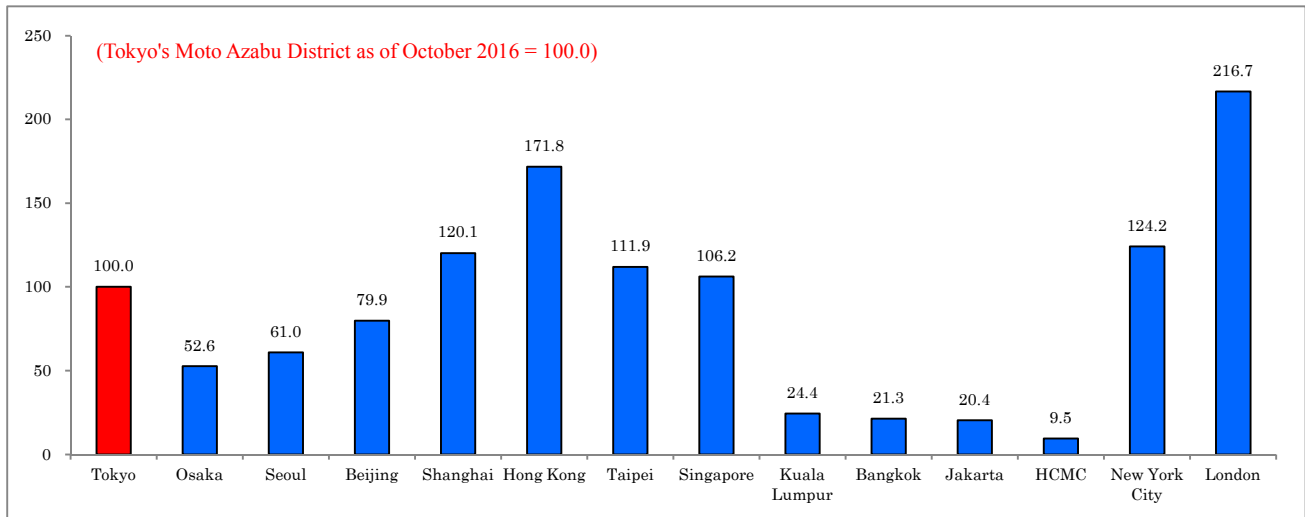


(*) Index number by city for the prime CBD office building rent per square meter of each surveyed city (Tokyo’s Marunouchi/Otemachi District as of October 2016 = 100.0)

3-3. Value Comparison of High-End Condominium Units

Figure 3-3 shows the index number of the high-end condominium unit value per square meter of each surveyed city (Tokyo's Moto Azabu District in Minato Ward = 100.0). The value of the unit in the local currency of each foreign city was converted to the value in the Japanese yen and indexed. (The same method was also applied to the apartment rent comparison.)

Figure 3-3: Value Comparison of High-End Condominium Units

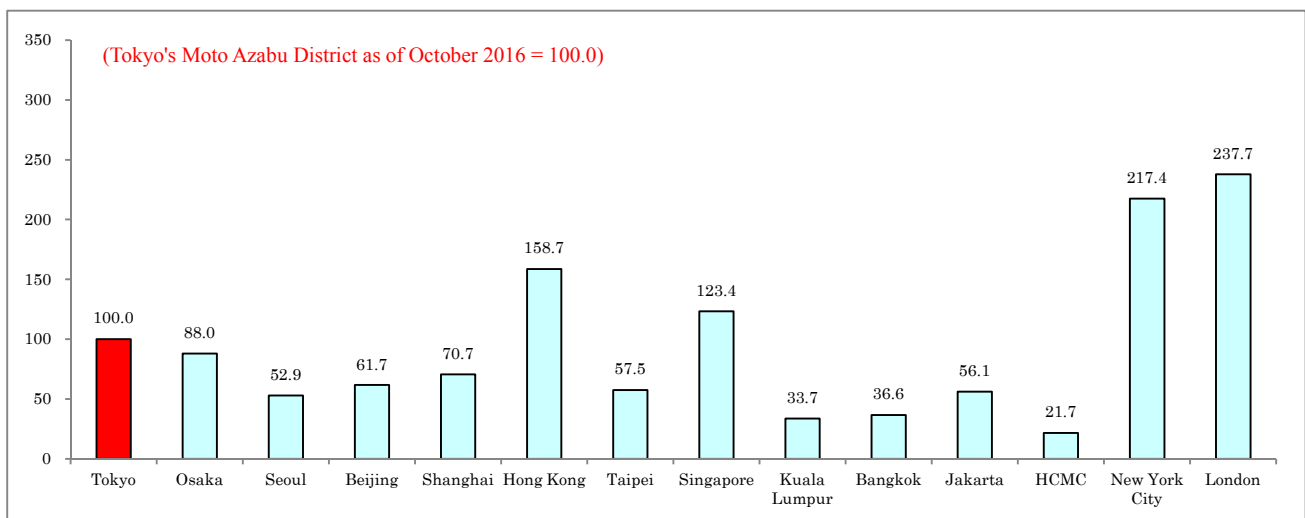


(*) Index number by city for the high-end condominium value per square meter of each surveyed city (Tokyo's Moto Azabu District as of October 2016 = 100.0)

3-4. Rent Comparison of High-End Condominium Units

Figure 3-4 shows the index number of the high-end condominium rent per square meter of each surveyed city (Tokyo's Moto Azabu District in Minato Ward = 100.0).

Figure 3-4: Rent Comparison of High-End Condominium Units



(*) Index number by city for the high-end condominium rent per square meter of each surveyed city (Tokyo's Moto Azabu District as of October 2016 = 100.0)

Global Property Value/Rent Indices

In order to investigate the real estate market trend of some major cities in the world, we compiled the value/rent indices of surveyed assets, which were appraised by JREI staff valuers.

[Survey at a Glance]

- Surveyed Cities : Tokyo, Osaka, Seoul, Beijing, Shanghai, Hong Kong, Taipei, Singapore, Kuala Lumpur, Bangkok, Jakarta, Ho Chi Minh City (HCMC), New York City, and London (14 cities)
- Use : Office and condominium
- No. of Surveyed Assets : Six assets in each city (three office buildings and three condominiums)
- Survey Method : We compiled indices based on the appraised value or rent per square meter of each asset by assuming that the subject asset would be newly developed and sold or leased as of either April 1st or October 1st each year.

