



Foreign Investment Into the Japanese Real Estate Investment Market

Japanese Securities Summit
JSDA 11 March 2010



- Asia Pacific
 - Market Fundamentals
 - Economic Snapshot
 - Japan, a focus market
- Evolution of Asia Pacific Real Estate Investment
- Investment Market Update
- Japan
 - Transaction Focus
 - Predictions for 2010
- Summary





Property Market Fundamentals Asia Pacific - Overview

- Most APAC markets have not enjoyed the long boom of UK/Nth America, markets only started to show growth in 2005/6
- Throughout the region, asset growth has been based on rental growth rather than a re-weighting to unsustainably low returns
- No significant new supply is forecast in most markets
- Much mooted supply has been shelved due to credit crunch, restricting future supply
- Fundamentals improving, rental growth forecast more conservative and sustainable (virtual re-pricing)
- Asia Pacific seen as growth market , APAC seen as bouncing back first
- Each historical cycle seeing an equity correction has seen a corresponding re-allocation to property



Asia Pacific, Some Statistics

The Importance of Japan

- Out of the top 10 most populous countries in the world, the Asia Pacific region has 4 countries – China, India, Indonesia and Japan
- The second largest economy in the world is Japan, the third largest is China
- The largest economy in the Asia Pacific region is Japan
- The largest property economy in the Asia Pacific region is Japan
- The second largest property economy in the world is Japan
- The gateway markets of Asia Pacific are Japan, Shanghai, Hong Kong, Singapore, South Korea and Australia



Economic Snapshot Major Tiger Economies

Country	GDP Growth	Unemployment	Interest Rate	Total GDP (US\$)
Japan	-5.1%	5.1%	0.1%	\$4,909 bn
China	+10.7%	4.3%	5.31%	\$4,326 bn
India	+7.9%	7.3%	3.75%	\$1,217 bn
Australia	+0.5%	5.5%	3.75%	\$1,015 bn
South Korea	+6.0%	3.5%	2.0%	\$929 bn
Hong Kong	-2.4%	4.9%	0.5%	\$215 bn
Singapore	+3.5%	2.1%	0.13%	\$182 bn
USA	+0.1%	9.7%	0.25%	\$14,204 bn

4th Quarter data

Source : World Bank



Economic Comparison Asia Pacific vs Europe

Country	Total GDP (US\$)
Germany	\$3,653 bn
France	\$2,853 bn
UK	\$2,646 bn
Russia	\$1,608 bn
Poland	\$527 bn
Total	\$11,017 bn

Country	Total GDP (US\$)
Japan	\$4,909 bn
China	\$4,326 bn
Australia	\$1,015 bn
South Korea	\$929 bn
HK & Singapore	\$397 bn
Total	\$11,576 bn



Property Snapshot Invested Universe: APAC vs Eurpoe

Germany €776 bn

UK €586 bn

France €471 bn

Italy €268 bn

Netherlands €150 bn

Sweden €120 bn

Spain €93 bn

Poland €44 bn

Russia €32 bn

Total €2,551bn

Japan €1,249 bn

China €756 bn

Australia €356 bn

Hong Kong €130 bn

Singapore €80 bn

Malaysia €40 bn

India €23 bn

New Zealand €23 bn

Total €2,657bn

First generation of foreign investors

- Opportunistic
- Short term
- High returns (>20%)

Second generation of foreign investors

- Strategic, not tactical
- Long-term allocations
- More core and core-plus investors (institutions)

In the next 5 years, Asia Pacific could account for 25-30% of allocation in global real estate portfolios



Investment Market Update

What has been happening?

Total real estate purchasing activity



Source – DTZ Research



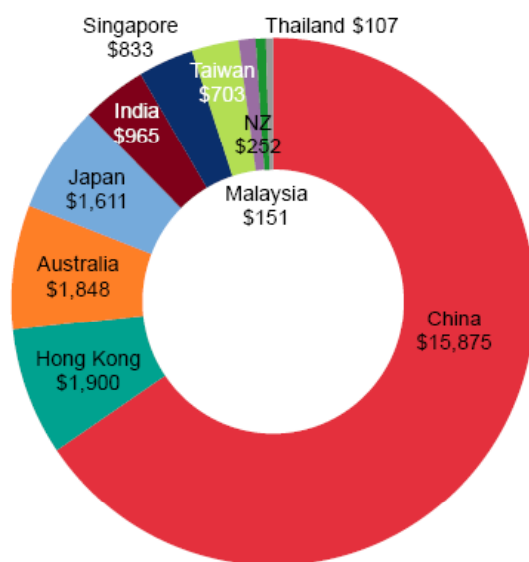
Investment Market Update cont.

- 2009 transactions - \$67 billion
- 2008 transactions - \$55 billion
- Quarter 4, 2009 transactions - \$21 billion
- Quarter 3, 2009 transactions - \$23 billion
- Quarter 4 saw slow down in Hong Kong and China with increase in transactions in Japan, Australia and Singapore
- Much activity early in 2009 occurred as a result of market repricing, investors have now returned to more fundamental strategies



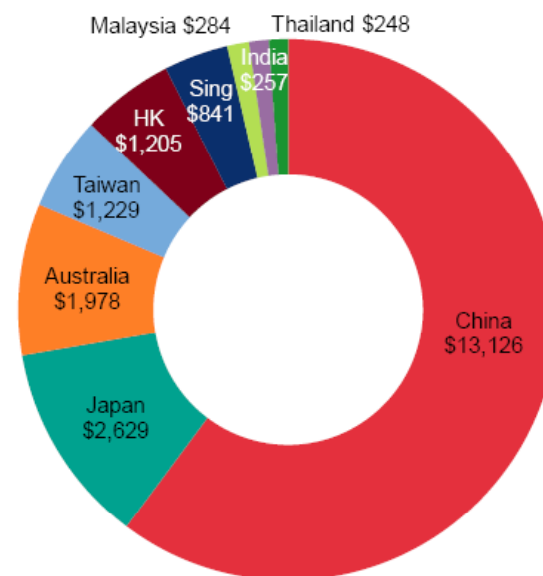
Where is money being invested

Total real estate purchasing activity by country Q3 2009, US\$ m



Source: DTZ Research

Total real estate purchasing activity by country Q4 2009, US\$ m



Source: DTZ Research



Japan Transaction Focus

Year	Total Volume (US\$)	Percentage Foreign Investor
2006	\$22,703 billion	6%
2007	\$31,147 billion	22%
2008	\$19,366 billion	20%
2009	\$11,598 billion	6.8%

Major Transactions – Asia Pacific

What are investors buying?



Singapore

- Property: Clementi Mall
- Type: Retail
- Vendor: HDB
- Purchaser: CM Domain
- Price: \$388m USD



Shanghai

- Property: Xinglipu Tower
- Vendor: Hainiao Enterprises
- Purchaser: Optimus Group
- Price: \$369m USD



Shanghai

- Property: Development Site
- Type: Mixed Use
- Vendor: Government
- Purchaser: Shanghai Greenland
- Price: \$1.06bn USD

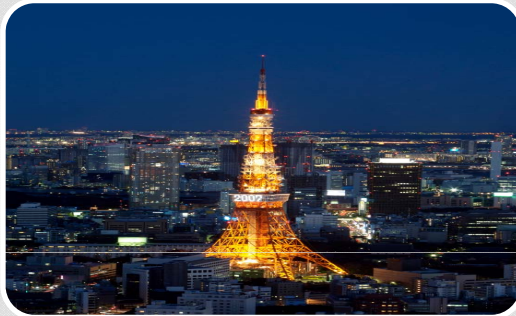


Taipei

- Property: Asia Plaza
- Type: Office
- Purchaser: Shinkong Life Insurance
- Price: \$361 m USD

Major Transactions – Asia Pacific

What are investors buying?



Tokyo

- Property: Pacific Century Place
- Type: Office
- Vendor: Da Vinci
- Purchaser: Secured Capital of Japan
- Price: \$1.6 bn USD



Sydney

- Property: RBS Tower
- Type: Office
- Vendor: Colonial First State
- Purchaser: National Pension Service of Korea
- Price \$658m USD



Hong Kong

- Property: Centre Mark
- Type: Office
- Purchaser: Toyo Mall Ltd
- Vendor: Wincome Group
- Price: \$76m USD



Regional Capital Flows

Where do Investors Wish to Invest?

Country	Inbound Investment Interest	Outbound Investment Interest	Opportunities	Outbound Capital Flow
Japan	High	Increasing	Yes	Trading companies, developers .
China	High	Increasing	Yes	SWF's, insurance companies, high net worth individuals
Hong Kong	Increasing	Strong	Yes	Property companies, funds, developers, high net worth individuals
Thailand	Emerging	Limited	Yes	High net worth hoteliers
Malaysia	Emerging	Strong	Yes	SWF's, high net worth individuals, property companies, GLC's
Taiwan	Emerging	Emerging	Limited	Insurance companies
India	Limited	Emerging	Yes	Corporates
Singapore	Increasing	High	Yes	SWF's, property companies, funds, high net worth individuals, corporates, GLC's
Australia	High	Limited	Yes	SWF's, state pension funds
Korea	Strong	High	Limited	SWF's, banks, pension funds .



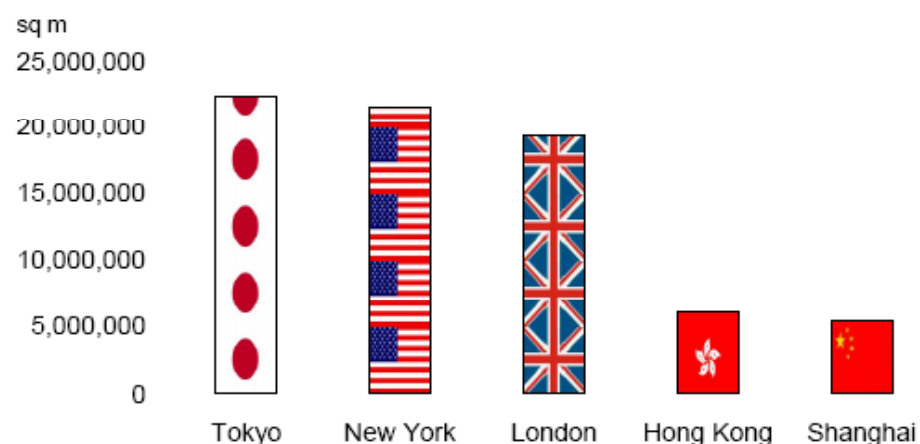
Market Update

Country		Rental	Capital Values
Japan	Peak to Trough	-10% to 20%	-20%
	Now	-10% /20%	-20%
Shanghai	Peak to Trough	-20%	-25 %
	Now	-10%	+10%
Hong Kong	Peak to Trough	-50%	-20%
	Now	-30%	-20%
Singapore	Peak to Trough	-50%	-40%
	Now	-50%	-25%
Sydney	Peak to Trough	-30%	-40%
	Now	-20%	-20%
Seoul	Peak to Trough	0%	-20%
	Now	0%	-10%

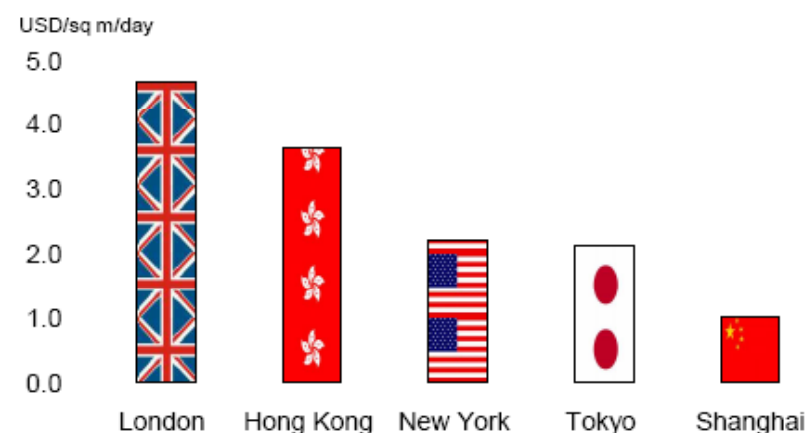


Global Office Market Comparisons

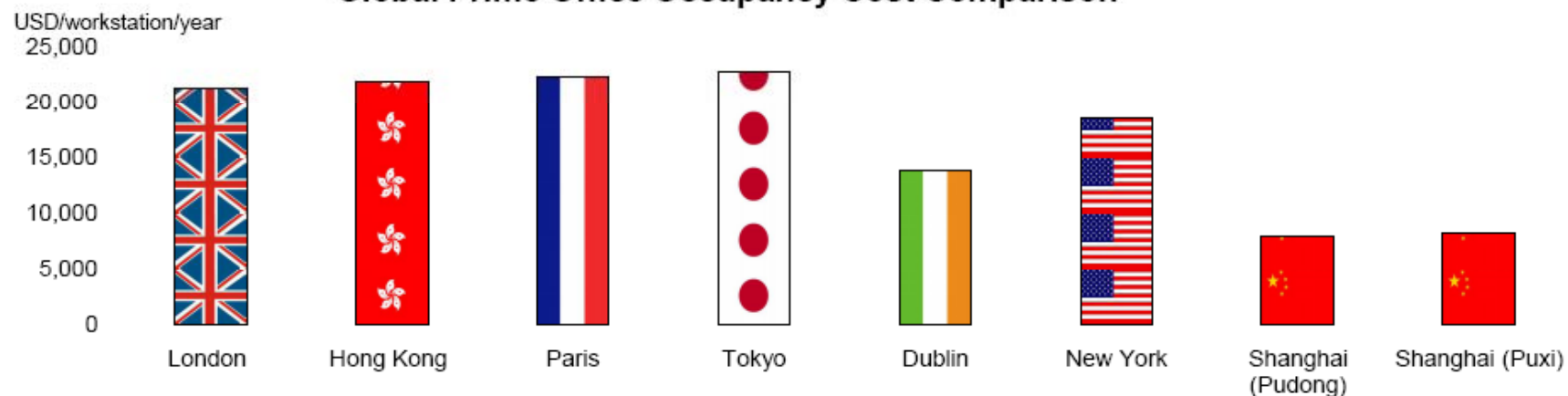
Global Prime Office Stock Comparison



Global Prime Office Rental Comparison

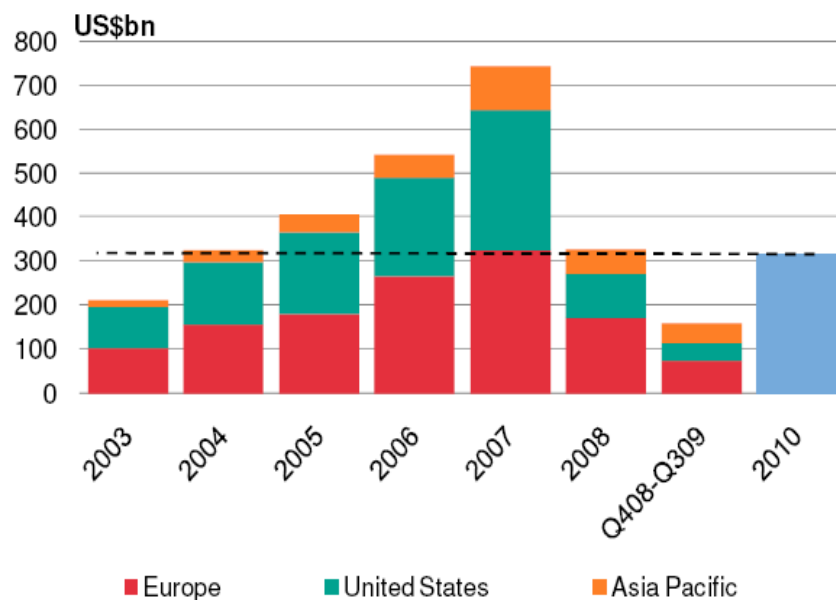


Global Prime Office Occupancy Cost Comparison



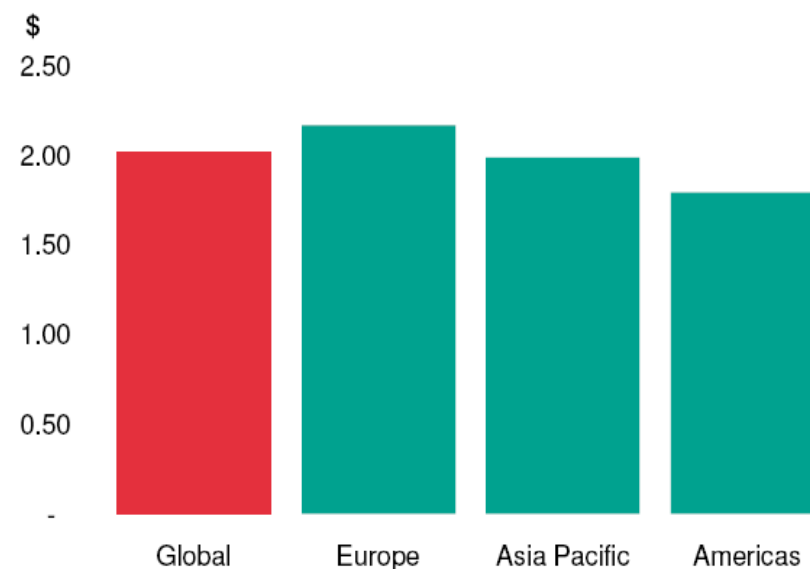
How much capital will be invested in 2010

Global investment transaction volumes



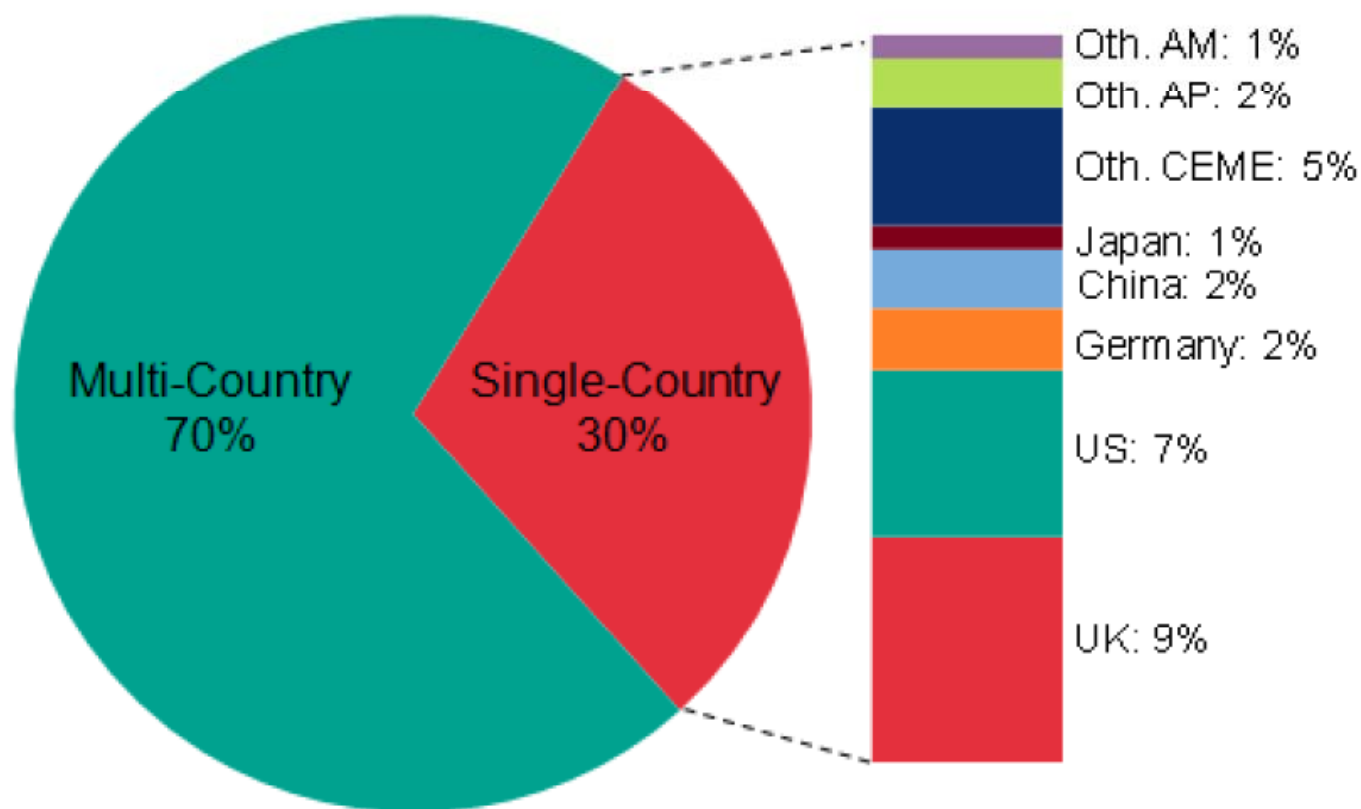
Source: DTZ Research; RCA

Ratio of capital to product by region



Source: DTZ Research

Which single countries will attract this capital?



-
- DTZ predicts that there is \$315bn USD capital available for investment globally in 2010
 - We estimate transaction levels could double 2009 levels
 - Core investors will continue to favour established gateway markets of Japan, China and Australia
 - We anticipate higher allocations for investment in Japan as a result of an overall desire for exposure to the largest property market in Asia, a much greater stock selection than has been available for many years and value play
 - As markets recover we will see increasing allocation from direct to indirect investment



Thank You

