

15 April 2010

#### Author

**David Green-Morgan**  
 Head of Research, Asia Pacific  
 +61 (0)2 8243 9913  
 david.green-morgan@dtz.com

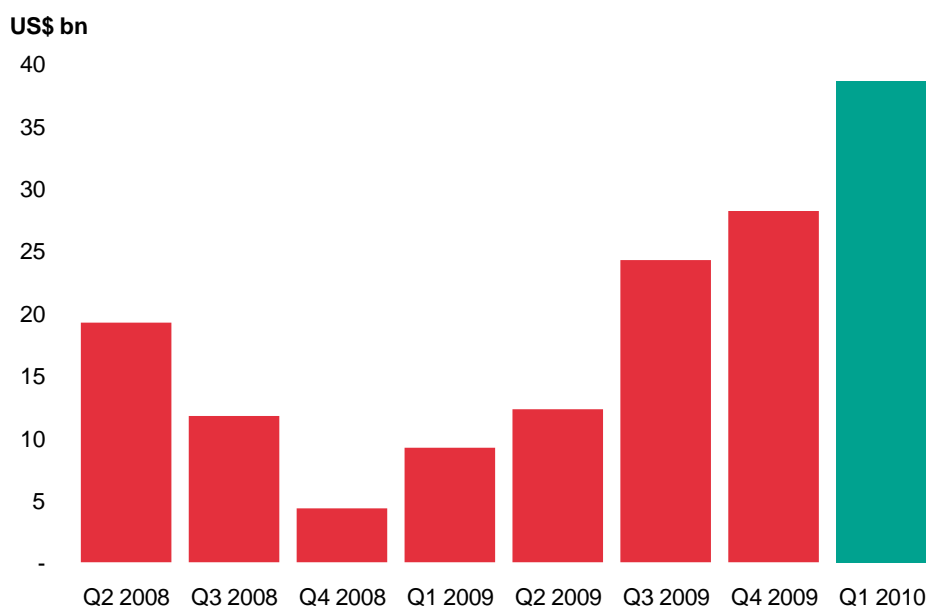
#### Contacts

**Hans Vrenson**  
 Global Head of Research  
 +44 (0)20 3296 2159  
 hans.vrensen@dtz.com

- Total commercial real estate investment transactions continued their remarkable growth in the first quarter of 2010 to hit US\$38.6bn, up from US\$28.2bn in the final quarter of 2009 (Figure 1).
- Improving economic conditions and the announcement by the Chinese government of a tightening in bank lending policies, encouraged investors to bring forward their purchases. As such we may see a tailing off in investment transactions in forthcoming quarters.
- This quarter's transactional activity marks the highest figure recorded by DTZ, and beats the previous peak in Q3 2007.
- China once again led the region with over US\$25bn transacted during the quarter, 65% of the total activity in the region. Much of this activity in China was due to investors replenishing their land banks.
- The largest deal of the quarter was the sale of the Guangzhou Asian Games site to a local developer for US\$3.7bn.

Figure 1

#### Total real estate purchasing activity



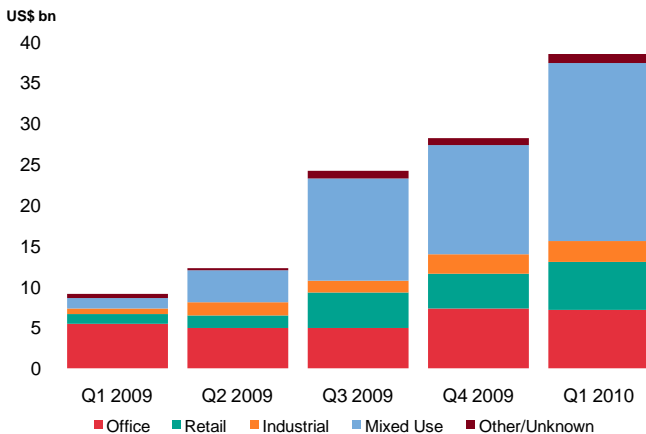
Source: DTZ Research

# Investment Market Update

- Total commercial real estate investment transactional volumes continued their remarkable growth in Q1 2010 to hit US\$38.6bn a 37% increase on the final quarter of 2009 (Figure 1).
- The growth in this quarter comes on the back of four previous quarters of growth and marks a dramatic turnaround from the market low point in the final quarter of 2008 when transactions barely made it over US\$4bn.
- Most of the growth in the quarter was in China which accounted for 65% of all transactional activity. Many investors brought forward their land purchases conscious that the Chinese government would soon bring in tighter lending criteria.
- As such mixed use development sites were the largest single category traded, in line with what we have seen in the previous four quarters. As the Chinese government has now introduced stricter lending criteria we expect transactional volumes to tail off in forthcoming quarters (Figure 2).
- The last two quarters have seen the re-emergence of much larger lot sizes, particularly in China and Japan. Improving economic conditions across the region but especially in the two largest economies have buoyed investor sentiment and confidence in the short to medium term outlook for property (Figure 3).
- There were four deals over US\$1bn during the quarter, with the largest being the sale of the Guangzhou Asian Games site to a consortium of Guangzhou R&F Properties, Agile Property Holdings and Country Garden, for US\$3.7bn (Table 1).
- There were also a few notable deals in the quarter. The Korean National Pension Service continued their global buying spree with the purchase of Aurora Place, 88 Philip Street in Sydney. The vendor was the Commonwealth Office Property Trust who held the building in a single asset fund.
- In Singapore AEW Capital Management purchased Robinson Point, 39 Robinson Road for US\$145m in what is one of the largest deals in Singapore over the last 12 months.
- Most countries saw an increase in transactional activity in comparison to Q4 2009. Outside of China investors are particularly interested in the more mature stable markets and cities of the region (Figures 4 & 5).
- Although Hong Kong saw a decrease Australia, Japan and Singapore all saw a rise in activity as investors continue to search for core and core plus opportunities in liquid locations.

Figure 2

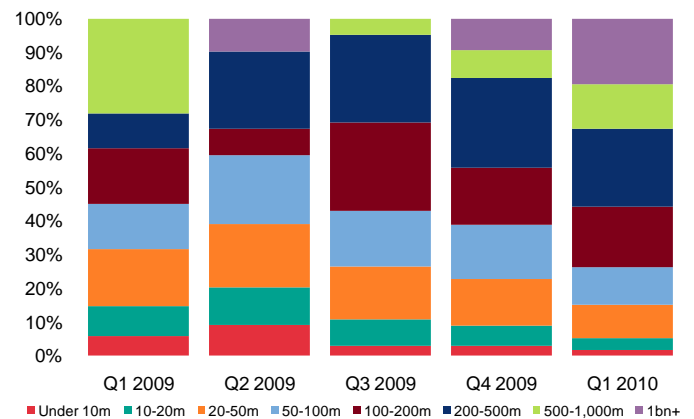
## Total real estate purchasing by sector



Source: DTZ Research

Figure 3

## Total real estate purchasing activity by lot size



Source: DTZ Research

# Investment Market Update

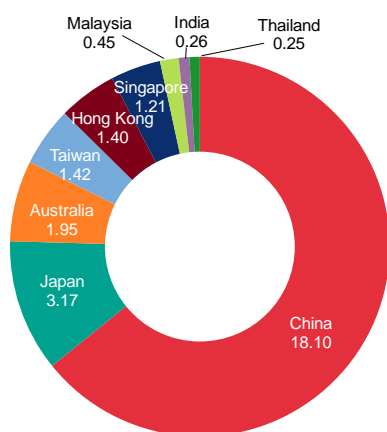
Table 1

<b>Significant deals</b>					
<b>Address</b>	<b>Town/City</b>	<b>Purchaser</b>	<b>Vendor</b>	<b>Sector</b>	<b>Price (US\$ m)</b>
Guangzhou Asia Games City	Guangzhou	Local Developer	Local Government	Retail/Residential	3,735
1-5-7 Higashi-ikebukuro	Tokyo	Simplex REIT	Mitsukoshi	Retail	827
88 Phillip Street	Sydney	NPS Korea	COPT	Office	618
Robinson Point	Singapore	AEW	CapitaCommercial Trust	Office	145

Source: DTZ Research

Figure 4

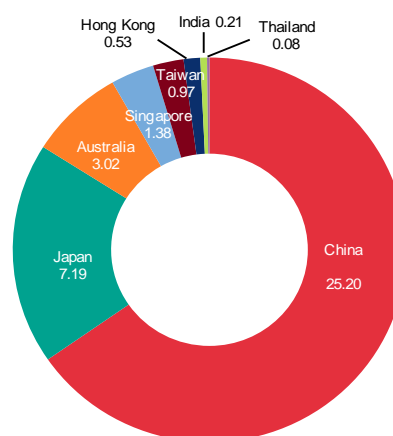
**Total real estate purchasing activity by country Q4 2009, US\$ bn**



Source: DTZ Research

Figure 5

**Total real estate purchasing activity by country Q1 2010, US\$ bn**



Source: DTZ Research

# Investment Market Update

Table 2

<b>Investment market</b>								
	<b>Q1 2009</b>	<b>Q2 2009</b>	<b>Q3 2009</b>	<b>Q4 2009</b>	<b>Q1 2010</b>	<b>Yr to Q3 2009</b>	<b>Yr to Q4 2009</b>	<b>Yr to Q1 2010</b>
<b>Total investment volume (US\$ bn)</b>	9.2	12.3	24.3	28.2	38.6	50.0	73.9	103.3
<b>Total real estate purchasing activity by sector (US\$ bn)</b>								
Offices	5.4	5.0	5.0	7.3	7.2	18.4	22.7	24.4
Retail	1.2	1.5	4.3	4.3	5.9	7.5	11.4	16.1
Industrial	0.7	1.6	1.4	2.4	2.6	4.1	6.1	8.0
Mixed	1.2	4.0	12.6	13.4	21.8	18.0	31.2	51.8
Other	0.6	0.2	0.9	0.8	1.1	2.0	2.5	3.1
<b>Total real estate purchasing activity (US\$ bn) (domestic vs. foreign)</b>								
Domestic	8.0	11.6	22.0	26.2	36.5	45.4	67.8	96.2
Foreign	1.1	0.7	2.3	2.0	2.1	4.6	6.1	7.1

Source: DTZ Research