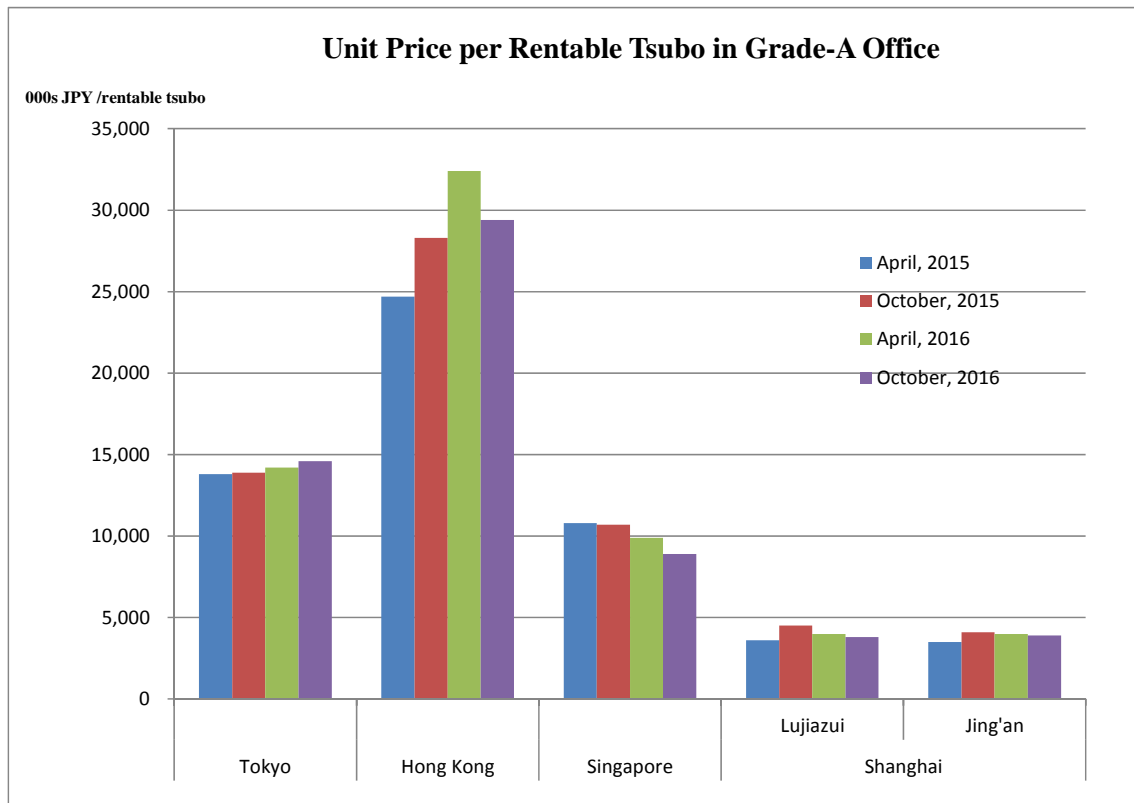


The 6th Survey of MAP's ⁽¹⁾ Asia

- Index of the Unit Price per Rentable Tsubo ⁽²⁾ -

This survey reports a result of “the unit price per rentable tsubo” in offices, located in Asian CBD (as of October, 2016).



	Tokyo	Hong Kong	Singapore	Shanghai	
				Lujiazui	Jing'an
Rent Level	Higher 40,000 yen range	Around 80,000 yen	Lower 30,000 yen range	Around 30,000 yen	Higher 20,000 yen range
Cap Rate	Lower 3% range	Higher 2% range	Higher 3% range	Lower 5% range	Lower 5% range

Overview:

- The highest unit price per rentable tsubo was recorded in Hong Kong. It became JPY 29.4 million. The second one was JPY 14.6 million in Tokyo. Percentage of change was +2.8% in Tokyo, ±0.0% in Shanghai(Jing'an),-9.3% in HongKong, -10.1% in Singapore,-5.0% in

Shanghai(Lujiazui). Thus, each city showed various trend.

- Hong Kong Rents(yen-based, the same hereinafter) and Singapore and Shanghai Rents had decreased, due to the continuous appreciated yen.
- The yield gaps in the four cities are as follows; such as 316 bp in Tokyo, 223 bp in Shanghai, 183 bp in Singapore, and 174 bp in Hong Kong. The gap in Tokyo was over 300 bp because of the negative interest rate.

(1) MAP's stands for Market Area Price System. As one of the features of MAP's, the price levels can be determined as "the unit price per rentable tsubo".

(2) 1 tsubo \doteq 3.3 m²

(3) yield gap = cap rate - 10-year JGB interest rate

Outline of each Area:

Tokyo (Marunouchi and Otemachi)

Rents and vacancy rate remained the same level with the demand for relocation to newer buildings regardless of current economic climate. However, Class A office market will see less growth in rent and vacancy due to economic uncertainties in Japan and cost conscious attitude.

Since the interest of investors is still high due to negative interest rate, stable politics, and limited supply of quality assets, the cap rate has maintained extremely low level.

Hong Kong (Central)

Despite the uncertain domestic economy due to sluggish Chinese economy, Hong Kong's office market has remained stable. Although leasing demand from Chinese financial institution is softening, rent and vacancy remained the same level as previous survey because of limited supply in prime area.

On the other hand, the cap rate remains extremely low because investors favor office properties in Hong Kong for long-term investments. Thus, the cap rate and yield gap are still the lowest in the four cities. However, the unit price per rentable tsubo declined by 9.3% because of strong yen.

Singapore (Marina Bay)

In spite of strong demand from financial sector, recent rents continue to decline gradually due to weak economic conditions and large new supply.

The cap rate was also the same level as previous survey. The reasons for this are that Singapore is being accorded safe-haven status given its political stability, and its

position as a global commerce, finance and transport hub. The unit price per rentable tsubo declined by approximately 10.1% mainly because of strong yen.

Shanghai (Lujiazui, Jing'an)

Because of new supply, Vacancy rate in Lujiazui rised. But, rent in these two areas has increased. The rental growth seems to be in response to the new VAT tax structure, implemented in May 2016.

Because of interest rate cuts, domestic buyers are active, and deals are completed within a tight yield level. Cap rate presumed to be close to bottom, considering cost of currency hedges.

Survey Procedure:

Investigation areas are Tokyo(Marunochi and Otemachi), Hong Kong Central, Singapore(Marina Bay) and Shanghai(Lujiazui, Jing'an). Our company selects 5 office buildings from each city's CBD area. We calculate the unit price per rentable tsubo of typical floor (as of value date) by the same formula, and converted home currency into JPY. Every unit price is calculated on the exchange rate at the date of each survey. We did not add the initial cost necessary for acquisition, but the normal operating cost.

We received local data from our cooperative company, Colliers International (Japan).

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