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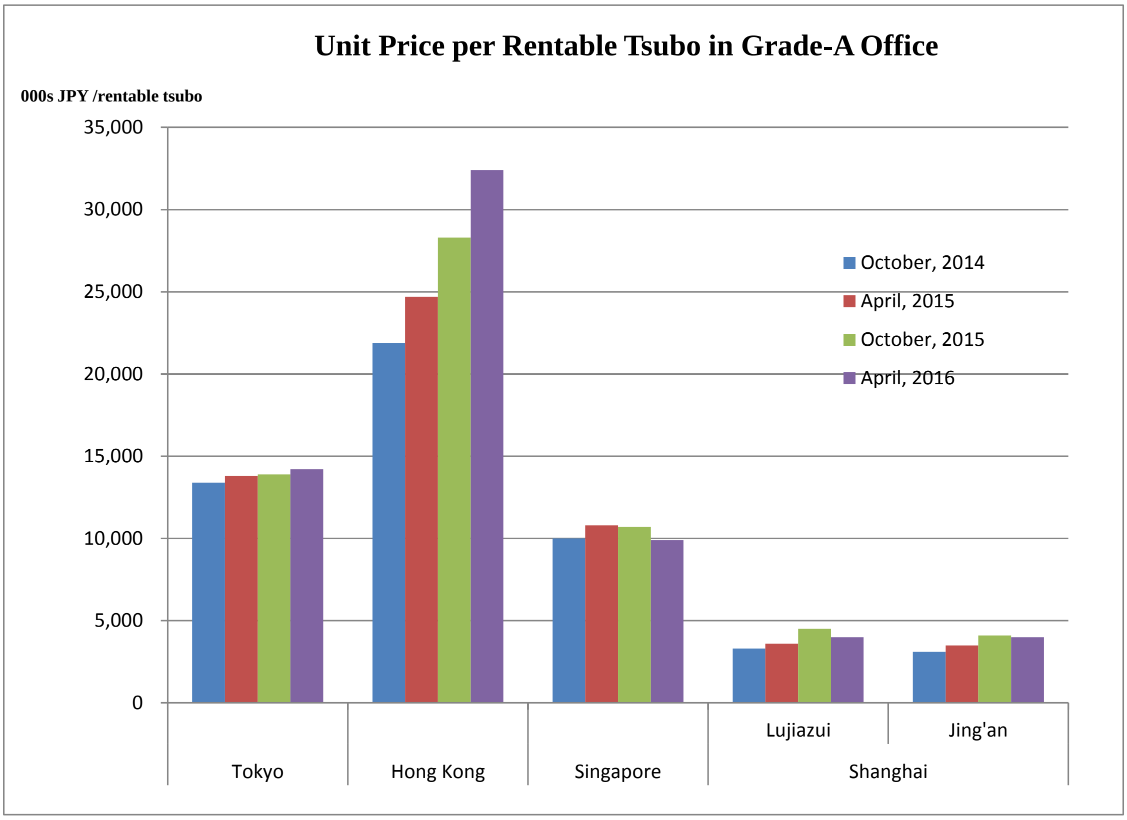
Tanizawa Sōgō Appraisal Co., Ltd.
TMAX Valuation Co., Ltd.

The 5th 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 April, 2016).



	Tokyo	Hong Kong	Singapore	Shanghai	
				Lujiazui	Jing'an
Rent Level	Higher 40,000 yen range	Higher 80,000 yen range	Higher 30,000 yen range	Lower 30,000 yen range	Lower 30,000 yen range
Cap Rate	Lower 3% range	Higher 2% range	Higher 3% range	Around 5.5%	Around 5.5%

Overview:

・The highest unit price per rentable tsubo was recorded in Hong Kong. It became JPY 32.4 million, or 14.5% from last October. In Tokyo, the unit price per rentable tsubo became JPY 14.2 million, or 1.2%, from last October.

・Hong Kong Rents(yen-based) had increased; however, Singapore and Shanghai Rents(yen-based) had decreased, due to the recent appreciated yen.

・The yield gaps in the four cities had widened since last October; such as 323 bp in Tokyo, 261 bp in Shanghai, 176 bp in Singapore, and 142 bp in Hong Kong. The gap in Tokyo was over 300 bp because of the negative interest rate .

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(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 ≒3.3 ㎡

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

Outline of each Area:

Tokyo(Marunouchi and Otemachi)

Japanese economy has been at a standstill, so Tokyo office rents have increased at slower pace. However, in Otemachi and Marunouchi districts, the rents for prime office continue their upward trend. Also, tenants' demand especially for new building remains strong.

Even though Japanese economy is under the Negative Interest Rate Policy, there have been no significant transactions. This is because supply for prime office is limited. Therefore, the cap rate has maintained at the same level, compared with last October.

Hong Kong (Central)

Even though the world economic outlook is uncertain, rents have increased and vacancy rate has maintained steady. Moreover, the cap rate remains extremely low because of Chinese financial institutions' strong demand for office building and an attractive market. Thus, the cap rate and yield gap are still the lowest in the four cities.

Singapore (Marina Bay)

Slowdown of global and domestic economies leads to downsizing office space to save on lease expenses. In addition, a large amount of new supply is scheduled during 2016, so rents have decreased. The market conditions will remain stagnant for the time being.

On the other hand, the cap rate continuously has declined. The reasons for this decline are that Singapore is a global commerce, finance and transport hub, and Singapore property market remains attractive for investors.

Shanghai (Lujiazui, Jing’an)

Vacancy indices in these two areas have been stable, but rents have declined. The extremely high quality supply, scheduled during 2016, is expected to exceed the increase in demand. The cap rate has maintained at the same level. In Shanghai real estate market, the serious problems are that China’s economic growth has slowed, and the economic transition to service-led growth has not been successful as expected.

Survey Procedure:

Investigation areas are Tokyo(Marunochi and Otemachi), Hong Kong Central, Singapore(Marina Bay) and Shanghai(Pudong, 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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