Inside APF Research

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We thought we should share with you <<First Name>>, some reports that we have been mulling over in the past weeks. Hope you will find them useful.

Global Property

Asian cities on course to mature and attract more property investment

Based on JLL's city momentum index 2018 taking socioeconomic and real estate momentum into account, Singapore has strong short-term momentum and possesses the necessary features for long-term success.

With key attributes such as growth in GDP, population, and office rents, the short-term momentum ranking essentially

China Property

Property tax reform conducive to a sustainable real estate market in China

Colliers conducts a forward-looking analysis on the proposed property tax reform in China and its potential impact on Chinese real estate markets.

Specifically, the new tax regime - Real Estate Tax ("RET") is likely to be implemented on a city-by-city basis to allow the local government to set their own tax rates. However, no specific identifies the urban economies and real estate markets that are currently undergoing the most rapid growth. Notably, 25 out of the global top 30 rankings, for the short-term momentum component, came from the APAC region, mainly comprising Indian cities - Hyderabad and Bangalore, and Chinese cities - Nanjing, Hangzhou, and Chongqing. Singapore's strong short-term momentum is partly attributed to its robust office market recovery.

Based on attributes such as education, environment, and infrastructure, however, Asia ranks low in the future-proofing component. Asian cities of the global top 30 rankings are Tokyo – 13th, followed by Sydney - 14th, Melbourne – 17th, Seoul – 28th, and Singapore -29th. In contrast, European cities, e.g., London and Paris, and North American cities like San Francisco and Silicon Valley, score highest in this segment, signaling their established macro and property fundamentals.

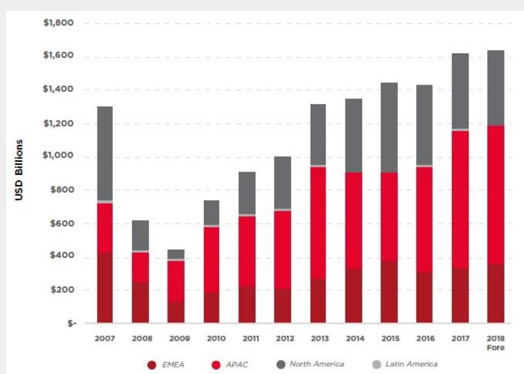
In our view, the index highlights the continual rise of Asia as a destination for global capital, commerce, and innovation. The diverse real estate markets in APAC will continue to provide institutional investors with both core and value-added investment opportunities.

Blockchain to drive structural

timeline has been put forth for the official debut. Indirect taxes, e.g., land appreciation tax and administrative fee, will be lowered for property development and transaction to lighten the overall tax burden.

The difference between the existing and proposed RET regimes lies in the treatment of values. That is, the proposed RET will be levied on the appraised value of the property including the land component as compared to the book value or rental income of only commercial and industrial properties in the old regime.

In our view, the proposed tax reform has potential to tame speculation in an inflated housing market, as the appraisal-based tax system would ensure that the cost of asset ownership keeps up with market trends and values. It should ultimately help maintain a more sustainable property market in China as the tax burden on developers and investors will also be adjusted while discouraging hoarders and speculators in the housing market.



Asians to strengthen market dominance in global real estate arena

According to Cushman & Wakefield's

changes in real estate

According to Colliers, the blockchain technology that has brought about initial disruptions, is calling for greater and faster changes for real estate industry to adapt to the new trend and create new growth opportunities.

Blockchain – which allows a series of transactional information to be distributed across a network of computers, can largely enhance real estate market transparency. It also supports the decentralization of governance and approval by central authority. As a result, commercial real estate transactions can be executed independently, easily, and safely, as the smart contract is able to automate terms, payments, and related transactions instantaneously when predetermined conditions are aligned.

In our view, echoed by the spread of artificial intelligence and other technological trends, the wider adoption of blockchain technology will not only help businesses to streamline and economize their real estate's operations but also underpin the boom of flexible workspace with fewer headcounts to be needed. Nonetheless, the lack of regulation, standardization, and infrastructure would be the main hindrances toward the full implementation of blockchain in Asian real estate markets in the short term.

report - Global Investment Atlas 2018, global real estate transaction volumes reached record highs in 2017, with a total of USD1.62 trillion as compared to USD1.43 trillion in 2016. In particular, Asian investors were the major driving force, accounting for over half of all capital deployed and 46% of all cross-border property sales.

While Asian investors increased their exposure to most markets, the US saw a fall in cross-border activity, probably due to uncertainty over US policies and domestic capital controls in China. However, the US remained the primary target for international property acquisitions. In contrast, investments by Asian investors spiked by 96% y-o-y in Europe, thanks to several mega deals in association with China's Belt and Road Initiative. By city, London defied Brexit headwinds to remain the most sought-after destination for international capital, given the city's long-term appeal and weakening Pound. In Asia, Chinese cities remained dominant, with Beijing outperforming Shanghai. Outside of China, transactions across emerging Asia remained positively strong; with flows into Indonesia and Malaysia magnified and India saw record volumes for standing investments despite the dampening economic impact of demonetization.

In our view, against the background of still low interest rates, firming global economic recovery, and the rise of inflationary pressure, global real estate investment is anticipated to hike further in 2018, with Asian capitals continuing to dominate the market. In the meantime, risks are skewed to the downside, e.g., the lingering risk of global trade wars and faster-thanexpected QE tapering in the US. Going forward, we expect capitals to explore new opportunities in high-yielding alternative sectors leveraging structural trends, e.g., demographics and technology, and in emerging cities poised to outgrow established ones.

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