REIT CONSOLIDATION IN SINGAPORE

HINES’ CLAIRE THIELKE ON HONG KONG

KEPEL’S ALPHA IN SEOUL

JUNE — JULY 2019

FINDING EXTRA VALUE IN AUSTRALIA'S OFFICE MARKET
Contents

4 Feature: Australian offices
Investors face extremely tight yields in Sydney and Melbourne’s CBD office markets. How do the other office markets look today?

6 Feature: Singapore REITs
Singapore’s REIT market is set for further consolidation, as trusts look to buy each other to gain scale and stand out from the crowd.

8 Interview: Claire Thielke
Hines’ new Hong Kong head, Claire Thielke, and her team have big plans for the gateway city and the wider Asia Pacific region.

10 Feature: Keppel’s Alpha in Seoul
The private fund manager of Singapore’s Keppel Capital is pursuing more assets in the South Korean capital.

12 China news
CapitaLand sells Shanghai office to discretionary fund
EC World buys Hangzhou logistics warehouse
JLL’s Jim Yip on Shanghai offices

13 Hong Kong news
Swire Properties, CMBC sell Hong Kong tower
Hong Kong loses Asia Pacific CRE crown to Beijing
Wang On Group buys Hong Kong asset for US$99m

14 Australia news
Dexus buys Melbourne office for US$1bn
Savills’ Edward Washer on Sydney logistics
Perron buys half share in Sydney mall

16 Japan news
Japan Hotel REIT acquires Tokyo hotel
LaSalle Logiport REIT acquires Tokyo, Osaka logistics
Invesco J-REIT snaps up offices

18 Singapore news
Frasers Centrepoint Trust buys one-third stake in mall
Perennial, investors sell Chinatown Point Mall
CapitaLand offloads StorHub self-storage business

20 Fund and joint venture news
SC Capital raises US$850m for discretionary property fund
ESR raises US$630m for Japanese logistics fund
CapitaLand raises US$391m for discretionary equity fund

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Phone +61 413 303 475
Email news@apacrealestate.com
Post PO Box 63, North Melbourne VIC 3051 Australia

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On the cover
This issue’s cover image is of Melbourne, where the CBD office vacancy rate has fallen below 4%.

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Each week we send out a round-up of stories from across the region. If features news, interviews and deep dives about property markets across the Asia Pacific region.

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Taking an Asia Pacific view

Real estate is local, the saying goes. However, capital flows into real estate continue to become increasingly global. Industry players have outposts in most gateway cities today, whether they are scouting for new capital sources or undervalued assets.

While the US and Europe have long attracted the lion’s share of institutional real estate investment, Asia pacific markets are incrementally increasing their share in global property capital. That’s where APAC Real Estate comes in — to track real estate capital flows throughout Asia Pacific, and those heading into the region.

In the first edition, we speak with Hines’ new Hong Kong, Claire Thielke, about the firm’s expansion plans in the region. We check out Australia’s various office markets, as yields reach historic lows in Sydney and Melbourne’s CBDs.

We also take a look at Singapore’s fragmented REIT market and whether a couple of small mergers over the past year are the start of something bigger. And we dive into Alpha Investment Partners’ recent acquisitions in Seoul.

As this is the first issue, any ideas, tips or feedback would be greatly appreciated. You can reach me at benn@apacrealestate.com.

Benn Dorrington
Editor
In sunny Sydney, companies in the central business district have to think twice before relocating to another workplace in Australia’s largest office market. That’s because there has been an office supply drought in the CBD that has seen the vacancy rate fall to 4.1% as of January this year, the lowest it has been in over a decade.

Head south to the country’s second largest office market, Melbourne CBD, and the vacancy rate is even lower at 3.2%. While the workspace shortages have proven challenging for businesses looking for new digs nearby, the high occupancy rates have accelerated rental growth for landlords in recent years.

Prime net effective rents in the Sydney and Melbourne CBD’s increased 17.5% and 15% respectively during the year to end-January 2019, according to advisor Knight Frank. Years of significant rental gains have enticed real estate investors from near and far, driving a 13% increase in Sydney CBD office market investments to A$7.17bn in 2018, reported advisor Colliers. And the heightened appetite for assets in both locations have pushed down premium yields to 4.8% in the Sydney CBD and 4.7% in Melbourne’s CBD.

“Yields in Melbourne and Sydney are very tight and there’s a perception that people are buying at tight yields for the opportunity for further rental growth,” Grant Nichols, fund manager of Centuria Metropolitan REIT, told APAC Real Estate. “There is some very strong rental growth happening through these markets, so arguably you can pay 5% yields and in a couple of years you get the running yield back up to something more palatable because the rental growth has been so strong.”

Last year, Japanese real estate firm Daibiru Corporation bought the 275 George Street CBD for A$240m, reflecting a 4.5% yield. Charter Hall Prime Office Fund’s A$804m acquisition of 10 & 12 Shelley Street was reportedly completed at a similar yield.

While limited new supply across both markets will keep the pressure on available space and rents, investors will have to keep an eye on rental growth to ensure some of these deals deliver.

“If you did go hard in the Sydney or Melbourne market, you have to ask what sort of rental growth you intend to achieve because if you’ve paid a very tight yield and you don’t get that rental growth, you’re stuck with a fairly low returning asset for quite some time,” Nichols said.
After years of growth and yield compression in Australia’s major office markets, offices markets beyond the CBD and in other cities are gaining attention. Beyond the CBD, infrastructure and amenities are raising the profile of certain metropolitan and suburban office markets in Sydney and Melbourne. Take the metro office market of Chatswood, 10km north of Sydney’s CBD, where Centuria Metropolitan REIT owns a 9,395 sq.m. office and a quarter stake in another building. Chatswood prime asset yields range between 5.5%-6.25%, while its prime vacancy rate currently sits below 4%, according to advisor JLL. However, the most exciting development for Chatswood is the $8.3bn newly-opened Sydney Metro Northwest rail project that will connect the city’s booming north-western suburbs with trains running every four minutes at peak times.

The new rail project is the first stage of the larger Sydney Metro project, which will link Chatswood to underground stations throughout the CBD and beyond to the southwest by 2024. It will have driverless trains, the first in the country, and has a target capacity of 40,000 passengers per hour, similar to other metro rail systems worldwide. Melbourne is also boosting its public transport infrastructure, with the construction of the A$11bn Metro Tunnel that will run high capacity trains from the outer west suburbs to the outer southeast via new inner-city underground stations. While Melbourne has other long-term infrastructure projects in the planning stages, occupiers are gravitating to metro office markets like Richmond and nearby Cremorne for other reasons.

Grant Nichols

Just a few kilometres southeast of the CBD, Richmond and Cremorne have become innovation hubs, attracting tech companies such as online jobs board SEEK, online real estate portal REA Group and CarSales.com. Centuria’s Nichols said companies were drawn to the retail amenities on offer in those areas as a way to attract and retain the best talent.

Secondary cities

Go further afield and there is growing investor interest in Australia’s next biggest office markets, Brisbane and Perth. These secondary markets are starting to see the green shoots of an office recovery story after vacancy rates spiked at 23% in Perth CBD and 16% in Brisbane CBD in 2016 and 2017, respectively, according to UBS Asset Management - Real Estate & Private Markets.

In a research note, UBS AM-REPM’s Adeline Chan said vacancy rates were now starting to trend downwards, with rents expected to reverse their contractionary course. “All things considered, Brisbane’s macro story has more legs to stand on than Perth given the strong population growth expected as well as the diversified economic growth drivers, although Perth appears more attractive from a yield and capital value perspective,” Chan wrote. However, investors should be mindful of that the lack of depth and liquidity across the smaller markets in Brisbane and Perth do make them a riskier proposition than Sydney and Melbourne.

The secondary cities will best suit investors chasing a greater risk tolerance with the ability to ride through cycles, while Sydney and Melbourne, though in the late stages of the cycle, will remain attractive options for investors with a more stable risk profile, Chan said. Another market to keep in mind is Adelaide. While the South Australian capital has low rents and a CBD vacancy rate at 13.5%, the city is home to the Australian government’s A$90bn naval shipbuilding program.

Nichols, who has been keeping a close eye on the Adelaide market after his fund bought a 50% stake in the Bendigo & Adelaide Bank headquarters for A$92.3m last year, said the economic flow-on effects of the program were yet to be truly seen in the city. Finally, Australia’s official capital city, Canberra, has also drawn local and overseas investor interest in recent months. Singapore-based SC Capital Partners bought the 28,519 sq.m. Finlay Crisp Centre in the capital’s civic CBD for A$62m in mid May, with plans for a A$50m refurbishment. The Centuria Diversified Property Fund then purchased the 6,709 sq.m. Optus Centre building in the CBD for A$35m in late May.
Singapore REITs poised for further consolidation

Singapore real estate investment trusts (REITs) have flourished since the early 2000s, however players in the crowded market are now looking to consolidation to stand out from the pack. “Singapore’s success as a hub for REIT listings has been double edged,” Shern Ling Koh, portfolio manager for Principal Global Investors in Singapore, told APAC Real Estate. “Whilst the number of REITs listed here has grown to 42 today from just 1 back in 2002, the market has become more fragmented in recent years.” Things started to change last year though, when ESR REIT and Viva Industrial Trust announced they would merge to become the city-state’s fourth-largest industrial property trust. After the merger was completed in October last year, the enlarged ESR REIT had roughly S$3bn in assets made up of 56 properties with a total gross floor area of more than 1.26m sq.m. Then in April this year, OUE Commercial REIT and OUE Hospitality Trust announced plans to merge and become one of the largest diversified REITs in Singapore, with assets totalling S$6.8bn. The deal would grow its portfolio to seven assets, including the S$1.8bn One Raffles Place office and retail complex, the S$1.2bn OUE Bayfront office and retail complex and the S$1.2bn Mandarin Orchard Singapore hotel, boosting OUE C-REIT’s market capitalisation to about S$2.9bn. “The proposed combination of OUE Commercial Trust (OUECT) and OUE Hospitality Trust (OUEHT) is a bold step but potentially a necessary one in an era where ‘big is beautiful’ amongst the Singapore-listed real estate investment trusts (S-REITs),” analysts led by Mervin Song at DBS Group Holdings said in a note at the time. The move to merge will not only lift the company profile for some smaller S-REITs, but should also improve portfolio diversification and the cost of capital. More than a quarter of the REITs listed on the Singapore exchange have free float market cap of less than S$500m and almost 40% of them trade less than S$1m by value a day, according to Principal. Additionally, most REITs need to grow by acquisition because of limited internal growth in Singapore. “A low cost of capital is critical for acquisitions to be accretive but this is harder to achieve for the smaller listed SREITs with low trading liquidity,” Koh said. “Mergers help to boost scale and trading liquidity thereby improving the cost of capital. With scale also comes diversification - tenant departures tend to disproportionately impact smaller REITs.” Looking more broadly, boosting the number of larger and more liquid REITs should attract more institutional capital to the market. Koh said local/regional private banking and retail money had dominated the small cap REIT space so far, however a broader investor base would likely boost overall trading liquidity in the sector. It would also improve the chances of
S-REITs gaining inclusion into global equity indices and attract even more international attention. In the case of the OUE merger, the DBS Group analysts argued “a larger and more liquid OUECT-HT will likely place it on the radar of a wider pool of institutional investors and potentially result in greater broker coverage.” Principal’s Koh added that there is an “arbitrage opportunity” between public and private valuations, with public valuations, especially among smaller S-REITs, looking relatively cheaper than private valuations, where cap rates have compressed significantly. Vijay Natarajan, an analyst at RHB Research Institute Singapore, said in a note that there had been increasing M&A interest among S-REITs, driven by limited acquisition options in the local market, favourable REIT market conditions and aspirations to grow larger to better compete. The trend is likely to continue, with more smaller REITs feeling the pressure,” he said. “We see merger opportunities in the industrial and hospitality REIT’s space, which has a larger proportion of smaller REITs [below US$1bn in market cap].” Principal’s Koh also expected more consolidation to come, particularly in the more fragmented industrial REIT space. Take Hong Kong-headquartered logistics property platform ESR, which owns the ESR REIT and took control of logistics-focused Sabana REIT in May after acquiring a 9.9% interest in the trust and a 51% stake in its manager. “The investment in Sabana REIT and its manager is in line with ESR’s long-term strategy of investing in a broad range of real estate investment vehicles that would provide us with access to a portfolio of industrial properties in various stages of the property life cycle,” noted ESR co-founders and co-CEOs Jeffrey Shen and Stuart Gibson. Then there is the S$11bn merger of Singapore’s government-linked companies CapitaLand and Ascendas-Singbridge that may also prompt M&A activity. “There may also be scope for Capitaland and Ascendas-Singbridge related REITs that are in overlapping sectors to merge given that they now all fall under the same parent,” Koh said. Ascendas-Singbridge owns the Ascendas REIT, Ascendas Hospitality Trust and Ascendas India Trust, while CapitaLand owns the CapitaLand Mall Trust, CapitaLand Commercial Trust, Ascott Residence Trust, CapitaLand Retail China Trust and CapitaLand Malaysia Mall Trust.
US real estate firm Hines is seeking out opportunities to wield its value-add capabilities in Hong Kong, as it maps out its Asia Pacific expansion plans from the financial capital. The US$120.6bn privately owned business opened its first Hong Kong office earlier this year, appointing former Hines Investment Management COO Claire Thielke to lead the new team as managing director.

“As a global firm, one of our differentiators is that we can really look across the spectrum of our own coverage and look at where there are trends or changes underway or taking hold in one market and not in others,” Thielke told APAC Real Estate. “We are particularly enthusiastic about the value-add space and asset repositioning where we can draw on Hines’ development expertise. We’re actively looking across the product spectrum for the right opportunities where we can apply what we call the ‘Hines Alpha.’”

While Hines is arguably best known as an office developer, the firm has notched up experience across most real estate asset classes, in addition to investment, asset and property management activities. In fact, the firm has sponsored almost 60 investment funds, on top of numerous one-off vehicles, totalling US$51.2bn of equity since it was founded in 1957.

“Another opportunity that excites us about Hong Kong and the platform here is the opportunity to partner with property holders on joint venture redevelopments or provide third-party services, such as development management,” the MD said.

“Part of the reason these partnerships can be so compelling is that they tend to work well when you have long-time generational landlords, of which there are many in Hong Kong.” The firm sees opportunities to work with local landlords and deploy the latest technology and trends to extract more value from their assets. “As a JV partner or a third-party provider, we work with partners to implement that on portfolios that they...”
HONG KONG

already have or even individual buildings, so that’s something that we would look to do here,” she said. The new outpost will also serve as Hines’ Asia Pacific headquarters, where co-CEO Ray Lawler will oversee the firm’s activities across the region.

“The launch of the APAC headquarters really coincides with the launch of Asia Pacific as its own independent region at Hines and that’s a very big deal because it’s been 25 years since Hines has launched an independent region,” Thielke said.

“It is a big shift to have Asia Pacific as its own region with its own flexibility and ability to spread its wings across numerous markets, while also continuing to build on the incredible work that our teams led by David Warneford in Australia and James Morrison in China.” Hines has had a presence in the region since 1996, when it planted its first outpost in Beijing to oversee its China operations. The firm made its inaugural Asia Pacific acquisition in the Chinese capital with the purchase of the 24-storey Hyundai Motor Tower in 2001. It then completed its maiden development, the 32-storey Embassy House apartment tower in Beijing, in 2002. The company then established its Australian business in 2012, and set up offices in Seoul and Tokyo in 2013 and 2017, respectively. Thielke and Drew Huffman, who was also appointed director when the new office was announced, will not only oversee the Hong Kong operations, but will also be scouting out new business opportunities across the region. While Hong Kong continues as an important gateway city to Asia, the special administrative region has its risks. Advisor Colliers noted that various sectors of Hong Kong’s property market have slowed since the second half of 2018, not to mention the broader issues of a slowing global economy and the US-China trade war.

For Thielke, it’s about finding defensive strategies, as well as taking a rigorous and thoughtful approach when deploying capital. The Hong Kong team will also be looking for opportunities arising from the Greater Bay Area infrastructure boom that is connecting Hong Kong, Macau and nine cities within China’s Guangdong province. Colliers believes the Greater Bay Area plan and the likely very slow pace of interest rate increases this year should “offset any slower economic growth from the trade war”. “We are committed to the region and believe in the underlying fundamentals of it,” Thielke said. “We’re taking a long-term view.”

Hines in Asia Pacific

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<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1996</td>
<td>Opens first Asia Pacific office in Beijing</td>
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<tr>
<td>2001</td>
<td>Acquires Hyundai Motor Tower, Beijing</td>
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<tr>
<td>2002</td>
<td>Completes Embassy House development, Beijing</td>
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<td>2012</td>
<td>Establishes Australian platform in Sydney</td>
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<td>2013</td>
<td>Sets up Seoul office</td>
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<td>2017</td>
<td>Establishes Tokyo office</td>
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<tr>
<td>2019</td>
<td>Opens Asia Pacific headquarters in Hong Kong</td>
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Above: Hyundai Motor Tower in Beijing, Hines’ first purchase in Asia Pacific.

Below: The firm’s first APAC development, the Embassy House in Beijing.
Keppel’s Alpha seeks out value-add in Seoul

Alpha Investment Partners, the private fund management arm of Keppel Capital, is scouting out real estate assets in Seoul after acquiring a trio of offices in the South Korean capital earlier this year. The Singapore-based firm is not new to the city, having managed in excess of US$4bn worth of office, retail, logistics and hotel assets across South Korea since 2004. That said, the Keppel Capital group has invested more than KRW 680bn (US$570m) in the city since April and has had a local team on the ground to source deals and oversee asset and leasing management for almost a year.

“As an active investor in the Seoul market, we continue to see attractive opportunities that fit well with our value-add investment strategy, in particular for the Alpha Asia Macro Trends Fund series,” Alpha CEO Alvin Mah told APAC Real Estate.

“We are confident that more can be achieved with the establishment of Keppel Capital’s local asset management arm, Keppel Investment Management (KIM) in Seoul, in 2018.”

In late April, Keppel Capital-managed Keppel REIT exchanged contracts to buy the 28-storey T Tower in Seoul’s CBD from investment manager PGIM Real Estate for KRW 252.6bn, marking the trust’s first office deal in the city. Then in May, Alpha’s Alpha Asia Macro Trends Fund III acquired three grade-A office and retail complexes in the city for about KRW 430bn. The deal comprised the 42,300 sq.m. Yeouido Finance Tower in the Yeouido business district (YBD), the 20-storey Nonhyun Building in the Gangnam business district (GBD) and the 13,000 sq.m. Naeja Building in the Gwanghwamun CBD. The Alpha CEO said the firm improved its assets by expanding leasable space, introducing creative design works, rejuvenating the properties as well as managing costs. “For instance, we have acquired buildings with relatively low occupancy rates, and through proactive leasing efforts, we have increased the occupancies to over 90%, as well as improved the average rentals of our assets substantially,” he said.

The string of deals follows a record year for office investments in 2018, with total investments reaching KRW 1.1 trillion in Seoul, according to advisor Savills. The demand for real estate in Asia’s fourth...
largest economy has been strong among domestic and foreign buyers alike, especially for offices in the capital. Limited supply in Seoul has drove the average vacancy rate for prime offices down to 11.7% in 1Q19, Savills noted. The contraction was driven by no new prime space entering the market, while net absorption reached 37,200 sq.m. during the quarter. Co-working operators continue to expand throughout the city, with Singapore’s JustCo leasing space at Seoul Finance Center in the CBD earlier this year, while IT-related businesses continue to grow their footprint. Average prime office rents have increased 1.4% year-on-year across Seoul, with CBD rents posting the highest gains at 1.7% YOY.

The supply story is expected to turn around though, with more than 1.1m sq.m. of new prime space projected to come onto the Seoul market over the next five years, says advisor Colliers. YBD will be the market to watch, with supply peaking in 2020 when new grade A offices like the 393,305 sq.m. Park One and Korea Post Building 68,431 sq.m. are scheduled for completion.

On the investment side, competition has pushed average prime office cap rates to mid-4% during the first quarter, according to Savills. The market is also watching the South Korean economy closely after GDP grew by 1.8% YOY in 1Q19, the weakest rate of growth since 2009, while keeping an eye on late-cycle conditions and the ongoing US China trade war.

“While market cycles and political trends may temporarily impact the office real estate sector, structural shifts in the market will play a more definitive role in the development and use of commercial space,” Alpha’s Mah said. “For Alpha, we will stay close to the market, taking a pragmatic approach in our investment strategy.”

Globally, Alpha Investment Partners has completed more than 160 transactions worth more than US$20bn in total since 2004. Keppel Capital, which has US$21bn of assets under management, is the asset management arm of Keppel Corporation, the Singapore-listed conglomerate with offshore and marine, property, infrastructure and investment businesses.
Singapore-listed City Developments Limited (CDL) agreed to buy a 24% stake in Chinese developer Sincere Property Group and a majority stake in one of its Shanghai commercial assets for a combined RMB 6.7bn (US$973.3m). The deal marks CDL’s single largest investment in China and expands the firm’s geographical presence from 3 cities to 20, the buyer said in May. CDL will pay RMB 5.5bn for its stake in Sincere, gaining board representation as it becomes the firm’s second-largest shareholder after the target’s founder and chairman Wu Xu. The Singaporean property firm also purchased a 70% interest in Sincere’s Shanghai Hongqiao Sincere Centre, a prime commercial asset in the heart of Shanghai’s Hongqiao CBD, for RMB 1.2bn.

The 35,739 sq.m. property includes offices, serviced apartments, a retail component and a basement carpark. “Rapid urbanisation, economic growth and rising disposable incomes will continue to drive demand for real estate in China,” said CDL CEO Sherman Kwek. “Leveraging Sincere’s development and asset management capabilities, local expertise and wide geographical presence in China, CDL will be able to significantly boost its scale and accelerate its growth in this huge market with a substantial portfolio and pipeline of development projects and investment properties.” Sincere’s founder and chairman Wu Xu added: “CDL’s investment and support will be instrumental in accelerating Sincere’s growth as we continue to increase our land bank and pipeline of properties with the aim of achieving even stronger sales growth.”

JLL’s Jim Yip on Shanghai asset stakes

How much investor appetite has there been for Shanghai offices this year?

Shanghai’s real estate investment transactions have shown strong signs of growth since the start of 2019. Foreign capital has become the talk of the town and there has been no let up from domestic players. JLL statistics show that total transaction volumes for Shanghai’s real estate investment market reached an accumulative 48.9 billion RMB in Q1, representing a year-on-year increase of 136%. China’s economic growth is increasingly on a path of stability and sustainability, maintaining a medium-to-high growth rate in recent years. China’s, especially Shanghai’s, continued reforms and opening up has made it increasingly attractive to foreign investment. Meanwhile, the increasingly tightening of China’s property financing channels drives cash-strapped companies to offload their high-quality assets for liquidity, thereby shifting market enthusiasm gradually from sellers to buyers. Financially strong domestic and foreign buyers have more opportunities to find suitable assets in the market.

Yip is Head of China Capital Markets at JLL

EC World REIT buys Hangzhou logistics property for US$164m

Singapore-listed EC World REIT agreed to buy a three-storey e-commerce warehouse and two 14-storey offices in the Chinese city of Hangzhou for a combined S$223.6m (US$164m). The Fuzhou E-Commerce property features 171,795 sq.m. of warehouse space and 42,489 sq.m. of office and auxiliary area, the buyer announced in May. The fully-occupied property is let to Fuyang Yunton E-Commerce and Zhejiang Yuntington E-Commerce on five-year leases, with further five-year options. Hangzhou, the capital of the Zhejiang province, has a population of 9.8m and is one of the core cities in the Yangtze River Delta Economic Zone. The city, home to Alibaba Group’s global headquarters, has become a hub for e-commerce, where the sector grew by 17.5% in Hangzhou last year. EC World REIT invests in real estate used primarily for e-commerce, supply-chain management and logistics purposes.

CapitaLand sells Shanghai office to discretionary fund for US$452m

Singapore-listed CapitaLand has sold the Innov Center in Shanghai’s Yangpu district to its maiden discretionary fund, CapitaLand Asia Partners I, for RMB 3.1bn (US$451.6m). “Shanghai Innov Center, a predominantly office integrated development located in a mature, technology-focused decentralised office market, was acquired in 2017 to be the seed asset to kickstart CapitaLand’s discretionary fund business,” CapitaLand Group CEO and president Lee Chee Koon said. CapitaLand plans to divest the Pufa Tower, an office development in Shanghai’s prime Lujiazui CBD, to CAP I as well. A joint venture between the firm and an unnamed investor bought a 70% interest in the 34-storey building for RMB2.75bn (S$546m) in January. The real estate firm raised US$391m in the first closing of CAP I last month, focusing on assets in Singapore, China and Japan.
Wang On Group buys Hong Kong asset for US$99m

Hong Kong-listed Wang On Group and its subsidiary Wang On Properties have agreed to buy a commercial podium at a Hong Kong residential community for HK$780m (US$99.4m). The two investors bought the holding company that owned the commercial accommodation of The Parkside complex, the buyers said in an announcement.

The asset, located at 18 Tong Chun Street in the New Territories’ town of Tseung Kwan O, has 32,564 sq.ft. of total lettable space, along with 49 car parking spaces. The existing tenancies are all held under a fixed term with the earliest ending this year and the latest running until 2021.

The vendor is a vehicle jointly owned by Angelo, Gordon and Company and Mordril Properties, according to a Mingtiandi report. The deal is scheduled to close in July this year.

Hong Kong loses Asia Pacific CRE crown to Beijing

Beijing became the top Asia Pacific metropolitan commercial real estate investment market for the first time, just beating Hong Kong in the first quarter of 2019. The Chinese capital recorded investments totalling US$4.46bn in Q1, while Hong Kong reported US$4.42bn, according to data provider Real Capital Analytics.

Beijing leapfrogged to the pole position from seventh place in 2018, thanks to two mega deals worth more US$1.3bn. “Traditionally, Beijing was considered a government city, more than a major commercial real estate investment target,” said Petra Blazkova, senior director of analytics for Asia Pacific at RCA. “Cross-border capital flows, however, appear to be changing the nature of the market and the city is becoming more appealing to institutional investors.”

Swire Properties, CMBC sell Hong Kong tower for US$605m

Swire Properties, CMBC sell Hong Kong tower for US$605m Hong Kong-listed Swire Properties and China Motor Bus Company (CMBC) have agreed to sell a 26-storey office in Hong Kong’s North Point area for HK$4.75bn (US$605.2m). The two vendors separately announced the disposal of their 50% stakes in the 625 King’s Road property, with Swire Properties noting that it would record a HK$965m statutory gain on the sale. CMBC said they initially received an unsolicited offer from a special purpose vehicle owned Gateway Real Estate Fund VI, a fund managed by Hong Kong-based Gaw Capital, Mingtiandi reported.

The 28,000 sq.m. grade-A tower is served by the North Point MTR station and is a short distance from the Taikoo Place business community. The office building, which oversees Victoria Harbour, is occupied by a mix of financial, investment and professional services corporations. The deal is expected to close in July this year. The transaction follows Gaw Capital’s HK$12bn acquisition of a portfolio 12 shopping centres in Hong Kong from Link REIT in December. Gaw Capital, which has US$18bn of assets under management, has raised five co-mingled funds targeting the Greater China and APAC regions since it was established in 2005. The firm also manages value-add/opportunistic funds in Vietnam and the US, as well as a pan-Asia hospitality fund and a European Hospitality Fund. Established in 1972, Swire Properties has investments across Hong Kong, mainland China, Singapore and the US. Listed on the Hong Kong stock exchange, Swire develops and manages commercial, retail, hotel and residential properties such as Pacific Place mixed-use development in Hong Kong and the Taikoo Li Sanlitun mixed-use complex in Beijing.
Dexus buys Melbourne office for US$1bn

Australian REIT Dexus and the Dexus Wholesale Property Fund have teamed up to buy an office asset in Melbourne from Brisbane-based QIC Global Real Estate for A$1.476bn (US$1.03bn). The 80 Collins Street precinct comprises 105,000 sq.m. of net lettable area in the CBD, including an existing 47-storey grade A office tower, the buyer announced in May. The complex also features a new 35-level office tower, a new retail podium with 21 occupiers and a 255-room boutique hotel. Dexus also raised A$900m in an institutional placement to partly fund its share of the purchase. Under the deal, Dexus will own a 75% stake and DWPF will hold the outstanding 25% interest. The buyer said the precinct was acquired at a 5.3% equivalent yield and a circa 8% IRR.

"Following the acquisition of 52 and 60 Collins Street last year, this acquisition further enhances our scale and presence in the tightly held ‘Paris end’ of the Melbourne CBD, a prime location where our customers want to be," said Dexus CEO Darren Steinberg. "Importantly, vacancy in the Melbourne CBD office market is nearing an all-time low, supported by strong population growth and significant pre-commitments across the upcoming supply pipeline."

Centuria enters into Australian healthcare

Australian-listed Centuria Capital has expanded into Australia’s healthcare real estate sector after acquiring a majority stake in Heathley Limited for A$24.4m (US$16.9m). Heathley is a specialised healthcare property fund manager with A$620m of assets under management, including medical centres, day hospitals and tertiary aged care. Following the transaction, the vehicle will be renamed Centuria Heathley and Centuria’s total AUM will grow to A$6.2bn. The new vehicle has the capacity to expand to about A$1bn in AUM in the near term through known potential projects. Centuria said the Australian healthcare real estate sector was highly fragmented, with a limited number of securatised and institutional real estate managers in the space.

Salter Brothers snap up Brisbane hotel for US$103m

Melbourne-based fund manager Salter Brothers Group have purchased the Next Hotel in Brisbane from financial services firm Challenger for A$150m (US$103.9m). The 4.5-star hotel has 304 rooms in the city’s Queen Street Mall, according to the Urban Developer. The property was formerly known as the Lennons Hotel Brisbane, but was refurbished and reopened with Singapore operator Next Story Group in 2014. Challenger bought the rebranded asset for A$133m in 2015. The deal grows SBG’s hotel portfolio about A$1bn, made up of more than 2,400 rooms across seven hotels in Australia. "The transaction represents a strong opportunity for us to enter the Brisbane market at this point in the cycle, as we expect the market to continue to recover in the coming years as new supply is absorbed," Robert Salter said.

Savills’ Edward Washer on Sydney logistics

How active has Sydney’s industrial and logistics investment market been this year?

With a very active 2018, 2019 has seen a significant amount of interest in Sydney’s industrial and logistics market. Due to drivers in the market, we have had a scarce level of on-market activity and have therefore not satisfied the demand. Interest levels have been extremely high, however due to further reduced supply, we haven’t seen many landmark purchases.

What is your outlook for the rest of the year?

I believe we will see a highly competitive and active back end of the year, due to the level of interest already in the sector and the amount of active groups that are seeking core assets in strategic locations. The market has shown there is more runway to go in the cycle, and I believe we will see yields tighten further to record levels throughout the second half of 2019. Sydney’s industrial market is heavily supply-constrained, which will continue to underpin the performance of the market.

Washer is Director & Head of South Sydney office – Industrial & Logistics at Savills
Charter Hall fund bags Adelaide Melbourne, offices for US$192m

Charter Hall’s PFA fund has purchased two offices in Melbourne and Adelaide for a combined A$275m (US$192.3m), marking its first deals in either CBD market. The fund bought the 737 Bourke Street building in Melbourne for A$192m and the 121 King William Street property in Adelaide for A$82.25m, the company announced in May.

Located near Southern Cross train station, the grade-A Melbourne asset offers 18,500 sq.m. of net lettable office and retail area. The nine-storey property is 98% occupied, with tenants including Lion Dairy and Drinks, owned by the global Kirin Holdings, Symbion Health and the Victorian Building Authority. It has a 5.5-year weighted average lease expiry (WALE) and average rent reviews of 3.7% per annum. Charter Hall noted that the Docklands precinct was reaching capacity with limited future supply opportunities and high tenant demand driving down the precinct’s prime vacancy rate to 0.7%, as of end-2018.

“These acquisitions reflect strategic investments in the core Melbourne and Adelaide office markets which are continuing to experience strong tenant demand and effective rental growth,” Head of Charter Hall Direct, Steven Bennett, said. Charter Hall is an Australian-listed property fund manager, with A$28.4bn of assets under management.

Perth's Perron buys half share in Sydney mall for US$398m

Perth-based Perron Group has agreed to acquire a 50% share in the Westfield Burwood shopping centre in Sydney from Scentre Group for A$375m (US$398.2m), reflecting a 4.1% premium. The 63,248 sq.m. shopping centre is located near Burwood train station in Sydney’s inner west, Scentre Group announced in May.

Situated 12km from the CBD, Westfield Burwood has 230 stores, including anchor tenants David Jones, Kmart, Target, Event Cinemas, Coles and Woolworths. “We are excited by the unique opportunity to invest in one of the highest quality shopping centres in Australia,” said Perron Group CEO Ross Robertson. “Westfield Burwood is one of the top 50 shopping centres in Australia with customer visitation of more than 14m per annum and total retail sales of close to $500m.”

The shopping centre was first built in 1966 and then later rebuilt in the late 1990s to reopen in 2000. Perron Group already owns 50% stakes in Westfield Woden in Canberra, Westfield Airport West in Melbourne and Westfield Geelong in the Victorian city of Geelong.

GPT buys five Sydney logistics warehouses for US$147m

Australian property firm GPT has snapped up five prime logistics properties in Sydney for A$121m (US$146.8m) and started a new development in Melbourne’s west. The Sydney assets have a total lettable area of 88,200 sq.m., a combined weighted average lease expiry of 8.6 years and an initial passing yield of 5.4%.

The acquisitions are expected to close in July, the buyer said in May. The group, which has A$24bn of assets under management, also started a 26,000 sq.m. logistics project at Truganina in Melbourne’s west. “These acquisitions and developments are consistent with GPT’s strategy to grow our position in the logistics sector,” said GPT CEO Bob Johnston. “The assets are all well located with good access to transport links and will benefit from ongoing demand and constrained supply.”

The deal comes after GPT acquired two prime logistics assets and an 8.9-hectare parcel of land in the western Melbourne suburbs of Derrimut and Truganina in February this year. GPT, which owns retail, office and logistics, is one of Australia’s largest diversified property groups.
Sekisui House sells office, housing assets for US$642m

Japanese developer Sekisui House has sold three offices and four residential buildings across Tokyo, Osaka and Kanagawa to its Sekisui House REIT for JPY 70.14bn (US$641.8m).

The transaction included the 12,472 sq.m. Akasaka Garden City office building valued at JPY 28.7bn in Tokyo’s Minato ward, the company said in May.

The asset is located in a highly-concentrated business district in central Tokyo and is near the Akasaka-mitsuke, Nagata-cho and Aoyama-itchome train stations. The portfolio featured the 7,341 sq.m. Garden City Shinagawa Gotenyama office in Tokyo’s Shinagawa area, as well as the 12,958 sq.m. Hommachi Minami Garden City office in Osaka.

The J-REIT said the Garden City Shinagawa Gotenyama asset was located in a highly appealing for leading foreign companies, with four nearby train stations. The Hommachi Minami Garden City property is positioned on Midosuji Street, Osaka’s main street and home to numerous financial institutions including banks and insurance companies.

The portfolio had three Tokyo apartment complexes comprising more than 6,000 sq.m. of lettable area, as well as the 2,723 sq.m. Esty Maison Yokohama-aobadai North residential building in Yokohama, a city south of Tokyo.

The transaction grows the Sekisui House REIT’s portfolio to 120 properties worth a combined JPY 527.5bn. The deal follows Invesco Office J-REIT’s acquisition of two offices in Tokyo and Yokohama from Gode Kaisha Wing Property for a combined JPY 8.14bn (US$74.2m) earlier this month.

The property is expected to be attractive to tenants who look for wide spaces for reasonable rent level in the area surrounding Yokohama or Tokyo metropolitan area,” the company said.
LaSalle Logiport REIT (LLR) agreed to buy three warehouses and two land leaseholds located across Tokyo and Osaka for a combined JPY 28.39bn (US$259.4m). The Tokyo-listed firm also announced it was divesting its LOGIPORT Hiratsuka Shinmachi warehouse for JPY 7.7bn. The company said the newly-acquired assets comprised large-scale, high specification modern logistics facilities, as well as leasehold parcels of land with future redevelopment potential. In the Greater Tokyo area, the J-REIT bought the 40,773 sq.m. LOGIPORT Kashiwa Shonan warehouse from BTS5 Real Estate Hanbai GK for JPY 9.3bn, reflecting a net operating income (NOI) yield of 5.1%. The fully-let asset is located in the Shonan industrial complex, home to many large-scale logistics facilities, and is near National Route 16, where it can service the Greater Tokyo area. The company bought the 23,565 sq.m. LOGIPORT Sayama Hidaka warehouse in the Greater Tokyo area from Kawagoe Nishi GK for JPY 6.43bn at an NOI yield of 4.6%. The fully-occupied property is also near National Route 16, with good access to the Tokyo consumption area, Tama region and Central Saitama region. In Osaka, the company purchased a 25% stake in the LOGIPORT Osaka Taisho property from OTL1 GK for JPY 7.14bn. LLR also acquired leasehold land at the Higashi Ogishima site in the Greater Tokyo area and the Suminoe property in Osaka. Listed on the Tokyo stock exchange in 2016, LaSalle Logiport REIT invests in prime logistics real estate across Tokyo and Osaka. The J-REIT owns a portfolio comprising 11 properties worth JPY 189.1bn in total. It is sponsored by US-headquartered LaSalle Investment Management, which has US$64.3bn of assets under management.

Logistics real estate platform ESR bought a plot in the Greater Tokyo area and plans to invest more than US$1bn to develop it into one of the biggest logistics parks in Japan. The initial phase of the ESR Yokohama Distribution Centre will feature two modern, four-storey logistics warehouses totalling 393,226 sq.m. in gross floor area. The site is located on Tokyo Bay in the southern part of Yokohama, a city in the Kanagawa Prefecture — some 45km from the Tokyo CBD. “Low vacancy and continued strong demand coupled with the constrained supply of premium space around Tokyo Bay makes this Yokohama site a rare opportunity,” ESR co-CEO Stuart Gibson and ESR president Charles de Portes said together in a statement. The project is backed by ESR’s Redwood Japan Logistics Fund 2, Equity International (EI) and a major US pension fund. The plot is only 15km from Yokohama Port; 30km away from Haneda International Airport; and about 40km from the Port of Tokyo container terminal. The vacancy rate of logistics warehouses in the Tokyo Bay area stood at 2.4% at the end of 2018, according to advisor CBRE.

Tokyo-listed Industrial & Infrastructure Fund (IIF) acquired five commercial properties located across Japan worth a combined JPY 24.65bn (US$224.9m). IIF, a J-REIT managed by Mitsubishi Corp-UBS Realty, purchased the parcel of logistics, manufacturing, research and development facilities from different sellers, the company said. The firm acquired the IIF Shin-Kawasaki R&D Centre in Kawasaki-shi, a city in the Greater Tokyo area, from Mitsubishi Logisnext for JPY 6.3bn, reflecting a net operating income (NOI) yield of 7.4%. The company bought the 31,071 sq.m. IIF Akishima Logistics Centre in Akishima-shi, a city in the western part of the Tokyo Metropolis, from a private seller for JPY 8.02bn, representing a 4.3% NOI yield. The IIF Ichikawa Food Processing Centre in Ichikawa, another city in the Greater Tokyo area, was purchased from Mitsubishi Corporation Urban Development for JPY 6.2bn. The company also acquired the IIF Hyogo Tatsuno Logistics Centre in Tatsuno-shi, as well as the IIF Gifu Kakamigahara Manufacturing Centre in the city of Kakamigahara.
Fraser Centrepoint Trust (FCT) has acquired a one-third interest in the
Waterway Point mall in Singapore from another Fraser Property subsidiary for
S$440.6m (US$319.9m). Waterway Point is a 34,485 sq.m. suburban shopping centre
located next to the Punggol light rail and train station, Fraser Property announced in
May.

The property is 98.1% occupied and has a wide range of tenants including FairPrice
Finest, Shaw Theatres, Uniqlo and H&M. The shopping centre had an annual footfall
of 29.1m in 2018, up 3.9% on the year prior, while tenant sales also rose 10% to
S$379.1m last year. Fraser Property said the mall, valued at S$1.3bn, was located in
a favourable catchment area supported by strong population growth.

The deal will see FCT acquire a third of Fraser-owned Sapphire Star Trust (SST),
which owns the mall.

It will also acquire a third interest in FC Retail Trustee, the trustee-manager of SST,
as well as taking on a S$191m loan.

FCT will fund the deal through a private placement of new units and a non-
renounceable preferential offering of new units to existing unitholders.

FCT is listed on the Singapore stock exchange and owns a S$2.77bn portfolio of
suburban shopping centres throughout Singapore.

FCT holds an 18.8% stake in PGIM Real Estate AsiaRetail Fund, a non-listed retail
fund that owns six malls and an office in Singapore and four shopping centres in
Malaysia, as well as a 31.15% stake in Malaysia-listed retail REIT, Hektar Real
Estate Investment.

Oxley sells
Chevron House
complex for
S$1.025bn

Listed property developer Oxley Holdings has agreed to dispose of the Chevron
House complex in Singapore for as much as S$1.025bn (US$758m).

The 24,273 sq.m. property at 30 Raffles Place features 27 storeys of office
accommodation and a 5-level retail podium, according to an announcement.

The purchaser, Golden Compass (BVI), is reportedly a fund managed by US
investment manager AEW, according to a Mingtiandi report. The deal follows an
unsolicited offer made by AEW for the asset in March this year.

Oxley said it had commenced
refurbishment works on the property in
March that would be completed before the
deal closed.

The S$1.025bn deal comprises the
acquisition of Chevron House’s holding
company, Oxley Beryl, and existing bank
loans.

Golden Compass will acquire 82.35% of
Oxley Beryl for S$210m on first
completion, and then pay the outstanding
amount and take over the existing loans on
final completion.

The deal comes after a strong first quarter
in Singapore’s commercial real estate
investment market, according to Colliers.

Office and retail property investment
quadrupled year-on-year to S$1.1bn
(US$800m) due to the Manulife Centre and
Rivervale Mall deals.

“We expect favorable fundamentals in the
Singapore office market, steady office
rental growth and a supply shortfall over
2019-2021 to support investors’ interest for
commercial properties,” the advisor wrote
in its 1Q19 update.

Oxley Holdings is a Singaporean property
developer, with a portfolio of development
and investment projects in Singapore, the
United Kingdom, Ireland, Cyprus,
Cambodia, Malaysia, Indonesia, China,
Myanmar, Australia, Japan and Vietnam.
Perennial, investors sell Chinatown Point Mall for US$383m

Perennial Real Estate Holdings and a consortium of investors, including Singapore Press Holdings, have agreed to sell their stakes in the Chinatown Point Mall in Singapore in a deal worth S$520m (US$383.2m).

The sellers offloaded their interests to a fund managed by Pan Asia Realty Advisors, which is a joint venture between Japan’s Mitsubishi Estate and Hong Kong-headquartered CLSA, according to announcements made in April. Chinatown Point Mall features a retail mall and four strata office units totalling 19,755 sq.m. of net lettable space in the heart of the Chinatown precinct in Singapore’s CBD. The deal value includes S$225m in cash for the issued share, in addition to shareholder loans. Perennial is the largest stakeholder in the asset with a 50.64% interest and will gain S$125.3m in net proceeds from the disposal.

“One of the divestment is also aligned with Perennial’s active capital recycling strategy to rebalance its portfolio and maximise returns for shareholders,” said Perennial CEO Pua Seck Guan. Perennial Real Estate syndicated a group of investors to buy the asset for S$250m in total in July 2010, and then invested S$91m into redeveloping the property. Perennial Retail Management will continue in its role as the property manager of Chinatown Point Mall. Headquartered and listed in Singapore, Perennial Real Estate is a real estate owner, developer and manager, as well as a healthcare services owner. Perennial Real Estate has a combined real estate portfolio of more than 6m sq.m. across China, Singapore, Malaysia, Indonesia and Ghana. In Singapore, it has invested in and manages assets including Capitol Singapore, CHIJMES, AXA Tower, 111 Somerset and House of Tan Yeok Nee.

CapitaLand offloads StorHub self-storage business for US$136m

Singapore real estate firm CapitaLand has divested its interests in StorHub, one of Singapore’s largest self-storage businesses, to an unnamed investor for S$185m (US$136.3m). StorHub’s 74,322 sq.m. portfolio features 12 storage facilities, including 11 properties in Singapore and one asset in Shanghai, CapitaLand announced.

Jason Leow, president and CEO of Singapore & International at CapitaLand, said the sale was part of the group’s capital recycling plans.

“In 2018, CapitaLand divested S$4 billion worth of assets and deployed S$6.11 billion into new investments,” he said. “We will stay disciplined in recycling our assets for reinvestment and capital redeployment, with an annual divestment target of at least S$3 billion.”

One of the StorHub facilities

UOL, UIC buy out Marina Bay partners for US$499m

Singapore-listed United Industrial Corporation (UIC) and its parent company UOL have taken control of the Marina Square Shopping Mall and Marina Mandarin Hotel in Singapore in a deal worth S$675.3m (US$499.3m). UIC agreed to buy a combined 24.7% stake from Singaporean property group OUE and two other vendors in Marina Centre Holdings (MCH) for S$485.3m, according to a regulatory announcement. MCH is a subsidiary of UIC and owns investments in the Marina Square retail and commercial complex, which comprises the Marina Square Shopping Mall and the Marina Mandarin Hotel. At the same time, MCH also bought a 25% interest in Aquamarina Hotel Private Limited (AHPL) from a subsidiary of OUE for S$190m. AHPL, which is a joint venture between MCH and UIC, owns the Marina Mandarin Singapore, one of the hotels located in the Marina Square retail and commercial complex.
SC Capital raises US$850m for discretionary property fund

Singapore-based SC Capital Partners (SCCP) has raised US$850m in the final closing of its fifth discretionary real estate fund, Real Estate Capital Asia Partners V (RECAP V). SCCP raised institutional capital from North America, Europe and Asia Pacific, including public and private pension funds, university endowments, asset managers, private foundations, family offices, insurance companies and funds of funds, the firm said in May.

SCCP chairman and founder Suchad Chiaranussati said the fund has already deployed $280m into 10 investments across Australia, Japan, China and South-East Asia. To date, the fund has invested in logistics in China, office real estate in Tokyo and the Australian capital of Canberra, as well as senior-living housing in Brisbane. “We continue to see elevated valuations in most markets in the Asia-Pacific region and will exercise caution through maintaining low leverage and disciplined underwriting in defensive asset classes,” Chiaranussati said. “We foresee some market volatility in the coming years and RECAP V is structured appropriately to capture this market opportunity.” The capital raising comprised $650m of fund equity commitments, as well as $200m of co-investment interest from existing RECAP V investors.

Suchad Chiaranussati

ESR raises US$630m for Japanese logistics fund

Hong Kong-based logistics real estate platform ESR has raised JPY 70bn (US$630m) in the closing of its ESR Japan Logistics Fund 3 to fund its development pipeline in Greater Tokyo, Osaka and Nagoya. ESR, which has US$16bn of assets under management, raised the equity commitments from two investors, initially providing the fund with up to JPY 200bn of investment firepower. The investors have commitment expansion options that would increase total investment capacity to as much as JPY 530bn (US$4.8bn) over time, ESR announced in May. The fund will develop large-scale, state-of-the-art logistics facilities in Japan’s largest metropolitan areas.

ESR has some sizeable projects in the pipeline, having just acquired a prime parcel of land in the city of Toda in April. The firm plans to develop a four-storey, multi-tenant logistics facility worth JPY 35bn, adding to its four existing assets in the Saitama prefecture area. ESR also bought a plot in the Greater Tokyo area in March and announced plans to invest more than US$1bn to develop it into one of the biggest logistics parks in Japan. The initial phase of the ESR Yokohama Distribution Centre will feature two modern, four-storey logistics warehouses totalling 393,226 sq.m. in the southern part of Yokohama, a city in the Kanagawa Prefecture — some 45km from the Tokyo CBD. The capital raising comes after ESR sold a Japanese logistics portfolio to AXA Investment Managers – Real Assets, the property arm of the French insurer, and an unnamed sovereign wealth fund for US$1bn in January. Other overseas investors seizing on the country’s booming logistics real estate market too, with Allianz Real Estate committing US$600m to GLP’s logistics development funds in China and Japan earlier this month. ESR was co-founded by its senior management team and Warburg Pincus, and has assets across the People’s Republic of China, Japan, South Korea, Singapore, Australia and India.

GIC, IHCL team up for US$600m Indian hotel platform

Singapore’s sovereign wealth fund GIC and Indian Hotels Company Limited (IHCL) have teamed up to form an Indian hotel platform that will invest Rs. 4000 crores (US$660m) over three years. The joint venture will target hotels across the luxury, upper upscale and upscale segments located in key lodging markets in India, the firms announced in May. Under the JV, IHCL will make 30% equity commitment towards acquisitions with GIC funding the remaining 70%. “This collaboration is in line with Aspiration 2022 and our vision to scale up, create greater enterprise value and make IHCL India’s most iconic and profitable hospitality company,” said IHCL CEO and managing director Puneet Chhatwal.

“Through this platform, we expect to acquire strategic and marquee assets that need new ownership, branding and positioning.” IHCL will acquire fully operational assets, including distressed or underperforming hotels, and manage the hotels under its Taj, SeleQtions, Vivanta and Ginger brands. The JV will arrange each acquisition through separate special purpose vehicles (SPVs) with their own funding.

“GIC is pleased to partner with IHCL, a leading hotel owner and operator, to build a quality hospitality portfolio in key destinations across India,” said GIC Real Estate CIO Kok Sun Lee. “As a long-term investor, we are confident in the outlook of India’s hospitality sector. We look forward to working closely with established partners such as IHCL to pursue attractive opportunities and capture the sector’s growth potential.”
CapitaLand tops APAC fund managers as Blackstone passes US$200bn mark

Singapore’s CapitaLand dominated the real estate fund manager AUM rankings in Asia Pacific last year, as regional strategies attracted a greater slice of global capital. CapitaLand took the top spot with US$55.9bn in Asia Pacific assets under management, according to a fund manager survey compiled by ANREV, INREV and NCREIF. Blackstone, the largest real estate fund manager in the world, broke the $200bn mark for the first time, recording US$230.6bn in global real estate AUM, up 19% on the previous year. Asia Pacific strategies gained a greater share of the global market, increasing to 18.4% of total real estate AUM in 2018, up from 16.9% year-on-year.

European and North American strategies continued to claim the largest holdings, accounting for about 35% each.

In Asia Pacific, non-listed real estate vehicles, including funds, separate accounts, joint ventures, club deals, funds of funds, and debt products, made up 73.6% of total real estate AUM.

Asia Pacific investors accounted for 75.1% of capital invested in non-listed real estate strategies in Asia Pacific, followed by North American investors (14.2%) and European investors (10.2%). Pension funds represented 50.2% of non-listed direct real estate AUM in Asia Pacific, with sovereign wealth funds accounting for 15.7% and insurance companies holding 11.2%. The survey noted that the significant growth among some fund managers reflected continuing consolidation in the real estate industry, with one in five managers reporting M&A activity over the past decade.

Allianz commits US$600m to GLP’s China, Japan logistics funds

Allianz Real Estate, the property arm of the German insurer, has committed US$600m to GLP’s logistics development funds in China and Japan, as the firm bolsters its warehouse portfolio in the region. The funds focus on developing modern, large-scale logistics facilities across China and in the Greater Tokyo and Osaka regions in Japan, according to announcements. Rushabh Desai, Asia-Pacific CEO of Allianz Real Estate, said the firm believed in the long-term fundamentals of the Asia-Pacific region. “Our approach has been to build scalable relationships with best-in-class local operators in each of the markets and we are excited about partnering with GLP, a leading investment manager with deep operational expertise in the logistics sector across the region,” he said.

CapitaLand raises US$391m for maiden discretionary equity fund

Singaporean-listed CapitaLand has raised US$391m in the first closing of its CapitaLand Asia Partners I fund, targeting value-add and transitional office buildings in Asia’s key gateway cities. CapitaLand began fundraising for CAP I nine months ago and has received commitments from pension funds, insurance companies, financial institutions and other institutional investors from Asia and Europe. CAP I will focus on assets in Singapore, Beijing, Guangzhou, Shanghai, Shenzhen, Osaka and Tokyo, the company said in an announcement in April. The fund launch comes shortly after CapitaLand raised US$556m during the first closing of its maiden discretionary real estate debt fund, CREDO | China, in February. “The expansion from our traditional club funds to commingled fund provides CapitaLand with more diverse capital partners, and the speed of CAP I’s first closing demonstrates investors’ confidence in CapitaLand’s ability to deliver strong returns for their investments,” said Lee Chee Koon, CapitaLand’s President & Group CEO. “Continual high demand for quality commercial properties in Asia’s key gateway cities, coupled with low supply, have made the renewal of ageing commercial assets a compelling investment strategy in these markets.” CapitaLand Investment Management CEO James Lim said several new investors joined the company’s fund management platform during the latest capital raising. “CAP I has a ready pipeline of investment opportunities for capital deployment and we expect to deploy capital in the coming months,” he said.

“We are now in advanced discussion with several groups and expect subsequent closings for the fund.” CAP I is the latest addition to CapitaLand’s expanding fund management business — the central component of the company’s active capital management strategy.