

QUESTION 2 "Please write down your opinions as a real estate appraisal expert on the trends of the real property market in your country/region. It should be noted that you are basically requested to assume the cities and districts, which are set by our association, in answering the questions."

Category 1: Commercial property market

No.	Organization	Nation / Region	City	Area	Main usage	Current market condition	COMMENT	Future outlook of market in next 12 months	COMMENT
1	Australian Property Institute	Australia	Sydney	Sydney	Retail Store, Restaurant, Office, Financial, Shopping Center, Hotel	Good	We are in the long term policy of steady and unchanging interest rates by the Reserve Bank of Australia. The influx of foreign investment funds into Australia continues at record rates due to a stable government/economy and low interest rates with strong growth in property values. Vacancies are at low levels and yields positive.	Improving: Good growth and strength in market.	It is anticipated the strength in the market will continue into 2018 providing the world influences on interest rates remain steady. There is new construction coming online in 2017/18 but the supply is in keeping of demand & economy strong growth.
2	Indonesian Society of Appraisers	Indonesia	Jakarta	CBD	Office	Fair	<ul style="list-style-type: none"> Net demand weakened in 2016 and at the same time some existing office buildings currently maintained huge available spaces. For the first time since Q2 2015, not having any additional supply within the last 2Q in 2016 helped increase occupancy QoQ in the CBD. The Oil and Gas, Mining and Financial companies are still downsizing and closing their branches. In summary, there is a big glut in the Jakarta Office Market that unless the price of oil & key commodities such as coal, palm oil back on track, it would stay bleak for a while. 	Stable	To anticipate the over supply and low demand of office space due to country economic slow down, some developers hold the office development and reduce the rental rate. Expected the demand will be back on track in 2019
3	Japan Association of Real Estate Appraisers	Japan	Tokyo	Marunouchi	Office	Good	<p>With the backgrounds of the declining interests rate due to easy monetary policies applied by the Bank of Japan as well as the government and the more active position toward financing taken by financial institutions, J-REIT as well as overseas and domestic funds now have a strong will to make investments.</p> <p>In spite of such background and the serious shortage of available properties for sale in the market, owing to an emerging sense of caution against the high prices, the prices of real properties have kept on high level.</p>	Stable	Since it is anticipated that the easy monetary policies will be maintained for the time being, the investors' active position toward the acquisition of real properties wouldn't be changed. Although it is likely that the trend of an office rent will turn from upward one to flat one because of the increasing supply of large-sized offices in Tokyo starting from 2017, such turnaround wouldn't make an enough impact to push down the prices of real properties.
4	Korea Association of Property Appraisers	Republic of Korea / Seoul	Seoul	Myung D	Retail Store, Restaurant, Office, Financial, Shopping Center, Amusement, Hotel	Fair	<p>In case of office rental market, the rate of growth of office building around the CBD area of Seoul has been weak of less than 1%, and as it goes to the smaller buildings, it gets weaker.</p> <p>On the other hand, in the office investment market, the sale price and cap rate remained flat.</p>	Declining	In 2017, the office rental market is expected to stagnate due to the decrease in rental activity, lower rents, and increasing vacancies. Also, the office investment market, which has shown some signs of recovery, is expected to enter a recession with the rental market. However, considering the increase in U.S. interest rates, it can't be ruled out the possibility of a slight rise due to the rise in domestic interest rates and the lending rates.
5	Royal Institution of Surveyors, Malaysia	Malaysia	Kuala Lumpur	Jalan Raja Laut	Retail Store, Restaurant, Office, Financial, Shopping Center	Good	<p>This is one of the prime commercial areas of Kuala Lumpur in terms of purpose-built office (PBO) spaces. Occupancy here is boosted by tenants from the government sector and also the private sector.</p> <p>The other commercial activities (shopping, retail, F&B) is located as an integral part of the PBO and it is thus secondary in usages but is also good due to the high occupancy of the PBO.</p> <p>This locality is much boosted by the several light rail train (LRT) stations along Jalan Raja Laut.</p>	Stable	Occupancy rate in this locality is expected to sustain in the next 12 months due to the same factors stated above. Added to that, tenancy agreements for commercial spaces usually are at least 2 - 3 year long with option to renew for another 2 - 3 years.
6	Property Institute of New Zealand	New Zealand	Auckland	Queen Street	Office	Excellent	<p>Both income growth and capital appreciation of commercial office assets are at relatively high levels which is indicative of the Auckland market being at or near the top of the market cycle.</p> <p>Secondary assets are achieving relatively firm market yields – comparative with what was being achieved by prime assets only a few years ago.</p> <p>CBD and CBD fringe development land appears to have hit a ceiling late 2016/early 2017 due to increasing construction costs putting pressure on development feasibility.</p>	Stable	The commercial market appears to be plateauing at a firm yield level. As interest rates rise it will be interesting to see if these yield levels can be maintained.

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7	Philippine Association of Realty Appraiser	Philippines	Manila	CBD	Office	Fair	There is still demand coming from the Business Process Outsourcing (BPO) companies, which are big space occupiers.	Stable	The market at the very least would be stable, also affected by current policies of the Trump Administration.
8	The Chinese Institute of Land Appraisal	Taiwan	Taipei	Tunhua N Road, Tunhua S. Road, Taipei Main Station	Retail Store, Restaurant, Office, Financial, Shopping Center, Amusement, Hotel	Fair	The society is in good order, infrastructure is well developed, and the investment environment is in good condition. The relationship between Taiwan and Mainland China is slightly effected after the political party switch in 2016. Time might be required before reaching the middle ground. Due to this issue, less mainlanders came to Taiwan and businesses such as retail, restaurants and hospitality sectors are impacted.	Stable	Relationship between Taiwan and Mainland China and the policy change with the new government will have influence on the real estate market. Uncertainty will remain relatively high for this year.
9	Appraisal Institute	USA			Retail Store, Restaurant, Office, Financial, Shopping Center, Hotel	Industrial Market [Excellent] Retail Market [Bad] Office Market [Fair]	<p>Industrial Market The industrial market has turned out to be one of the strongest of the core property types in terms of market fundamentals. Despite new construction activity, the industrial market has experienced solid net absorption with demand at the highest level in over ten years and rents approaching record highs in many markets. Industrial properties accounted for 14% of the NPI through the third quarter, with 3,033 properties in the detailed subindices having an average value of \$24 billion, the smallest of any core property type. Despite a modest decline in performance through the first three quarters, industrial investments led all property types with 12.5% trailing four-quarter returns.</p> <p>Retail Market The retail market has received close scrutiny in light of store closings and continued growth in online shopping. On a year-to-date basis, retail sales of \$57.1 billion were down 14%, led by a 20% decline in shop sales (i.e., single-tenant or small retail) and a 14% decline in shopping center sales volume. For the year-to-date, regional mall sales were up 30%, due to large portfolio transactions, while grocery-anchored and urban/storefront sales were down. The decline in retail sales volume continued in October, falling 41% to \$5.2 billion on a year-over basis.</p> <p>Office Market The office market exhibited uneven performance during the third quarter, with some markets enjoying the benefits of strong job growth in office-using occupations, while others lagged as companies held off on making major commitments in the face of rising uncertainty. In terms of market share, CBD properties accounted for 58% of total office investments. The outlook for office markets is likely to be affected by policy changes coming out of Washington, especially if the move to cut regulations plays out, which would favor the financial sector and could stimulate office related employment growth</p>	Improving	<p>In addition to improved economic conditions, the industrial sector has benefited from the dramatic growth in e-commerce, omni-channel distribution models, and importance of fulfillment and timely delivery across a range of retail and production segments.</p> <p>In addition to affecting locational preferences, these changes have continued to drive warehouse design favoring modern facilities with high throughput capability. These trends with new logistical models make the industrial sector increasingly dynamic. There is some risk that existing space will be left behind. There is also some risk that a wave of new construction could be driven by investors seeking yields rather than underlying fundamentals.</p> <p>In terms of retail market, going forward, the retail market is expected to continue to reinvent itself as it has been doing for some time, with centers in strong locations and proactive management outperforming while others continue to languish development completions have increased, with a surge of construction in the pipeline. As vacancy rates have declined, rents have increased and in many markets are ahead of where they were before the recession.</p> <p>The outlook for office markets is likely to be affected by policy changes coming out of Washington, especially if the move to cut regulations plays out, which would favor the financial sector and could stimulate office related employment growth.</p>