CAPITALAND INTERNATIONAL

Heronfield in Seattle is one of the 16 multifamily properties acquired by CapitaLand

In 2018, we continued to expand our global investment footprint with acquisitions in key developed markets of the U.S. and Europe. Though the global economy ended the year on a softer note compared to 2017, advanced economies in the U.S., Europe, Japan, and Australia should post solid growth.

CapitaLand International remains on the lookout for acquisition opportunities in developed markets. This supports our overall Group strategy to build a resilient and diversified portfolio across emerging and developed markets. We will also actively explore opportunities across various asset classes in key gateway cities as well as growth locations and sectors.

EUROPE

Economic growth is driving increased demand for commercial real estate in Germany. Jones Lang Lasalle estimated that office vacancy rates in the top seven German cities was at 3.6% by the end of 2018. In May 2018, CCT and CapitaLand International acquired Gallileo, a freehold Grade A office building in Frankfurt, our second office asset acquisition in Germany. This has expanded our commercial portfolio in Europe to two freehold prime office properties with over one million sq ft of net lettable area, in addition to our existing serviced residence and hotel investment portfolio of over 4,000 units.

Investment demand in the region remains healthy, and we continue to evaluate opportunities to expand our network in the European commercial sector.

We also aim to strengthen our hospitality presence in Europe through our lodging platform, Ascott. According to the World Tourism Organisation, international tourist arrivals in Europe increased 6% in 2018, accounting for half of global international tourist arrivals.

U.S.

We own five hospitality properties in the U.S. and are actively evaluating opportunities to expand our presence in the lodging segment. According to STR Inc, the U.S. hotel revenue per available room (RevPAR) increased in 21 of the top 25 markets in 2018. CBRE also expects demand will continue to exceed new supply, based on current forecasts of a positive economic outlook as the correlation between economic activity and performance in the lodging industry has been a long-established one.

In line with CapitaLand's strategy to build new revenue streams, CapitaLand International forayed into the U.S. multifamily asset class in 2018, acquiring 16 freehold properties comprising 3,787 units in well-connected suburban communities on the West Coast and Mountain Region. This portfolio takes advantage of the growing demand for long-term rental housing while providing immediate scale in a deep and liquid sector.

For our multifamily portfolio, we are embarking on an extensive value-add programme through asset enhancement. Meanwhile, we remain on the lookout for more acquisition opportunities to bulk up the multifamily portfolio and to strengthen our expertise in this asset class.

JAPAN

The hospitality sector in Japan remains healthy. Inbound tourism has grown exponentially at 25% p.a. on average, from 6.2 million in 2011 to over 30 million in 2018[1]. Events like the 2019 Rugby World Cup and the 2020 Olympics are expected to drive demand and increase in room rates as we continue to grow our lodging platform in the serviced residence and rental housing sectors.

We are also looking for opportunities to increase our presence in the commercial sector, especially in the buoyant office market. Exceptionally strong demand has driven down vacancy rates in major cities. In Tokyo, the all-grade vacancy rate was 0.8% in 2018, a new low[2]. Despite a challenging retail climate caused by demographic shifts, increased ecommerce competition and low inflation, our retail properties are on the uptrend in terms of shopper traffic and tenant sales — buoyed by their densely populated locations and the positive effects of recent asset enhancement.

1 Source: Japan National Tourism Organisation
2 Source: CBRE