



## Reasonable Basis—Premium Asia Property Fund—Q3 2014

- Changing Consumer Trends and Spending Habits
- Increasing Demand for Affordable Housing

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### Changing Consumer Trends and Spending Habits in Asia

Annual Disposable Income	2007	2011	% Difference
Asia Pacific (USD)	8,412	12,416	48%
China (RMB)	39,630	63,520	60%
Hong Kong (HKD)	567,949	643,626	13%
India (INR)	181,736	303,949	67%
Indonesia (IDR)	41,066,665	60,546,096	47%
Malaysia (MYR)	53,175	66,594	25%
Philippines (PHP)	284,472	364,114	28%
Singapore (SGD)	109,018	119,044	9%
South Korea (KRW)	35,071,267	40,144,567	14%
Taiwan (TWD)	1,184,029	1,192,464	1%
Thailand (THB)	307,661	357,934	16%
Vietnam (VND)	40,096,740	84,292,724	110%

Source: Euromonitor

- Asian countries have witnessed increasing levels of disposable income over the years, with China, India, Indonesia and Vietnam seeing the most significant growth (refer to table on the left).
- Higher disposable income means individuals have more to spend on discretionary items, thereby resulting in an increase in private consumption levels and changes in spending habits.
- On the whole, Asia's middle class is rapidly growing, with China and India expected to become the powerhouses of middle-class consumerism over the next two decades.
- The retail industry will see significant growth as a result of these changing trends and demographics.

### CapitaRetail China Trust



Source: Bloomberg, Value Partners—July 2014

- CapitaRetail China Trust invests in a portfolio of retail real estate properties located in mainland China and is set to benefit from the changing spending habits and consumer trends of Chinese citizens.
- It is the first and only China shopping mall real estate investment trust (REIT) in Singapore, with a portfolio of malls which are positioned as one-stop family-oriented shopping, dining and entertainment destinations, spread across six of China's most populous cities.
- The properties in the portfolio maintain healthy occupancy rates and a strong operating environment (98.4% occupancy rate with tenants experiencing a 14.3% YoY increase in sales during Q1 2014).



## Increasing Demand for Affordable Housing as Urbanisation Unfolds

- Urbanisation has continued as a main focus point for policy makers, as still only 54% of China's population resides in urbanised areas as of 2013.
- In March, the government unveiled the "National New-type Urbanisation Plan", which aims to increase the country's urban population to 60% by the end of 2020.
- The resulting rural-urban migration, coupled with the fact that there is a large, unmet demand for affordable property, has left many buyers waiting on the sideline.
- Furthermore, the recent lull in China's property market has spurred the government to loosen restrictions on property purchases, and encourage banks to loosen the supply of credit.



Source: CEIC, NBS, Nomura; July 2014

- Amidst the combination of a positively biased credit policy and strong demand for affordable housing, the Chinese property market is expected to rebound in the third quarter of 2014 and stabilise over the next 3-4 years.

## China Vanke Co Ltd



- China Vanke is China's largest residential property developer in terms of contract sales.
- Prudent financial management along with creative financing strategies has enabled the developer to acquire more land than its peers in 2013.
- The company recently completed the conversion of all its B Shares into H Shares. The relisting not only offers greater liquidity for the company's shares, but also allows them to diversify their funding sources through tapping into much cheaper offshore markets.
- These factors have left China Vanke in a very strong position to take advantage of China's long-term secular growth of housing demand.