

Insurance Pension Focus

Overseas Property Investments by Asian Insurers ~Chinese Insurers Emerge as Global Main Players~

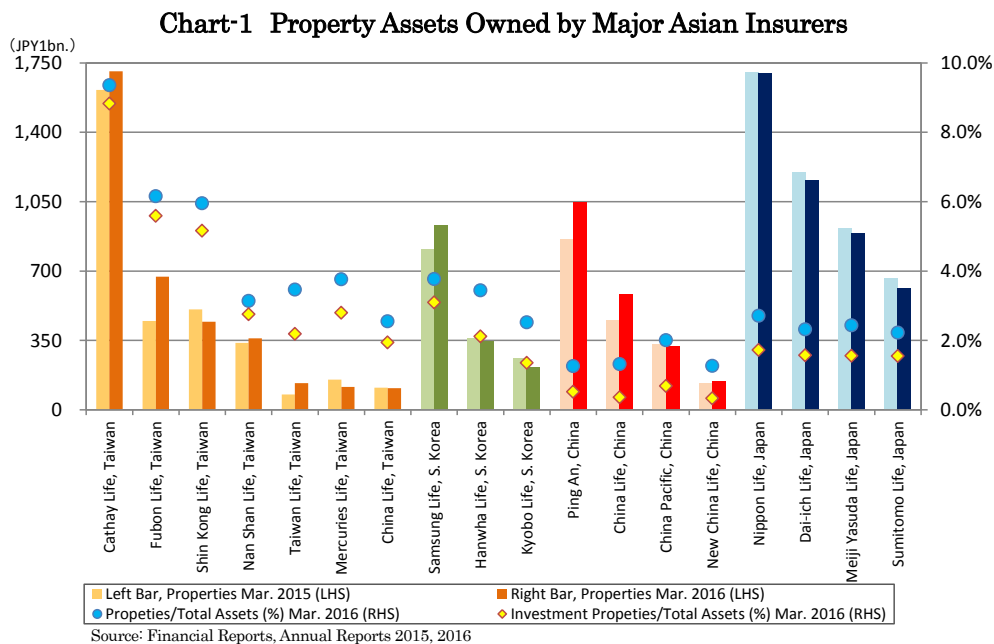
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1 | Introduction

Asian insurers have noticeably increased property investments in recent years backed by their growing insurance markets¹. Some insurers have even invested overseas while their respective domestic property investment markets have recently shrunk, affected by uncertain Chinese economic conditions.

2 | Property Investment Increase by Asian Insurers

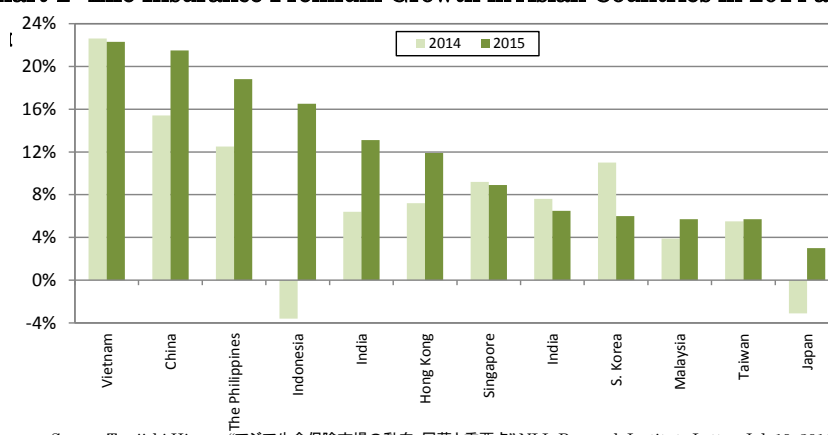
Asian insurers have noticeably increased property investments in recent years. For example, Cathay Life Insurance, the leading Taiwanese insurer, has become the largest property investor among Asian insurers, exceeding Nippon Life Insurance, and mainland Chinese insurers have also increased their property assets significantly (Chart-1).



¹ Mamoru Masumiya “Asian Insurers, Increasingly Influential Property Investors~Mainland Chinese Insurers Follow Taiwanese and Koreans~” Real Estate Analysis Report, August 30, 2016

The increase of property investments by Asian insurers has been backed by growing insurance markets in Asia as shown by strong life insurance premium growth in 2014 and 2015 (Chart-2).

Chart-2 Life Insurance Premium Growth in Asian Countries in 2014 and 2015



Source: Tomiichi Hiraga, “アジア生命保険市場の動向・展墓と重要点” NLI Research Institute Letter, Jul. 19, 2016

3 | Overseas Property Investments by Japanese, Taiwanese and South Korean Insurers

Among Asian insurers, Taiwanese and South Korean insurers are particularly proactive about property investment, as their property-to-total asset ratios are considerably higher than those of Japanese insurers. Major Taiwanese and South Korean insurers have even invested overseas while their domestic property investment markets have recently shrunk, affected by uncertain Chinese economic conditions.

As actual cases show (Chart-3), the stance of Taiwanese and South Korean insurers regarding overseas property investment is categorically different from that of Japanese insurers. Although Tokio Marine & Nichido Fire Insurance acquired a self-occupied office building in Singapore, no other acquisitions by Japanese insurers have been seen recently². On the contrary, Taiwanese and South Korean insurers have continuously acquired properties overseas for the purpose of investment.

Taiwanese insurers have invested in the traditional way, investing in office buildings in Europe, particularly in London, excluding an exceptional case in Shanghai. These insurers prefer to invest independently and do not acquire large buildings beyond their capacity. Meanwhile, Cathay Life Insurance, the exceptional leading player, has acquired very large buildings.

On the other hand, South Korean insurers have proactively invested not only in London but also in North America and Southern Europe. They often establish joint ventures with other investors to share the risk of individual cases, which makes it possible for them to invest mainly in skyscrapers and large-sized buildings. Life insurers even sometimes establish a joint venture with a competitor in the same industry.

² Excluding investment in indirect property investment products such as global property investment funds

Chart-3 Overseas Property Investments by Japanese, Taiwanese and South Korean Insurers

| H.Q. | Name | Year | Country | City | Asset Type | Purpose | Type |
|----------|---------------------------------------|---------|-----------|----------------------------|--|------------|------|
| Japan | Tokio Marine & Nichido Fire Insurance | 2014 | Singapore | Singapore | Mid-Sized Office Building | Self Use | |
| Taiwan | Cathay Life Insurance | 2013 | China | Shanghai | Skyscraper Office Building | Investment | |
| | | 2014 | U.K. | London | Large-Sized Office Building | Investment | |
| | | 2015 | U.K. | London | Large-Sized Office Building | Investment | |
| | Shin Kong Life Insurance | 2015 | U.K. | London | Mid-Sized Office Building | Investment | |
| | | 2016 | U.K. | London | Mid-Sized Office Building | Investment | |
| | Fubon Life Insurance | 2014 | U.K. | London | Mid-Sized Office Building | Investment | |
| | | 2014 | U.K. | London | Mid-Sized Office Building | Investment | |
| | | 2015 | U.K. | London | Mid-Sized Office Building | Investment | |
| 2015 | | Belgium | Brussels | Skyscraper Office Building | Investment | | |
| S. Korea | Samsung Life Insurance | 2011 | China | Beijing | Land for Skyscraper Office Development | Self Use | |
| | | 2014 | Germany | Frankfurt | Mid-Sized Office Building | Investment | |
| | | 2014 | Italy | Milan | Skyscraper Office Building | Investment | |
| | | 2014 | U.S. | Chicago | Skyscraper Office Building | Investment | JV |
| | Hanwha Life Insurance | 2016 | U.S. | Dallas | Large-Sized Office Building | Investment | JV |
| | JV. Hanwha Life and Kyobo Life | 2014 | U.S. | Washington | Large-Sized Office Building | Investment | JV |
| | | 2014 | Canada | Montreal | Large-Sized Office Building | Investment | JV |
| | | 2014 | France | Paris | Large-Sized Office Building | Investment | JV |
| | JV. Kyobo Life and Hyundai M&F | 2013 | U.S. | Chicago | Skyscraper Office Building | Investment | JV |
| | Hyundai Marine & Fire Insurance | 2013 | U.K. | London | Large-Sized Office Building | Investment | JV |
| 2016 | | U.S. | Seattle | Skyscraper Office Building | Investment | JV | |

Source: Press releases and news papers

4 | Overseas Property Investments by Mainland Chinese Insurers

Recently, mainland Chinese insurers have also invested in properties overseas. Following deregulation, they had not been allowed to invest in properties for a long period of time, thus their property-to-total asset ratios remain considerably low compared to other precedent countries (Chart-1). Therefore, they still have ample space to increase property investments and have even proactively invested overseas.

Not only leading insurers such as China Ping An Insurance and China Life Insurance, but also the following several insurers have already invested in properties overseas (Chart-4). Even when compared with those of Taiwan and South Korea, the number of insurers from mainland China investing in properties overseas is larger, and it appears that additional insurers will start investing hereafter.

Particularly, some giant deals by mainland Chinese insurers have gathered attention in the global market, such as China Life Insurance acquiring 70% of 10 Upper Bank Street, a skyscraper in Canary Wharf, London, at 795 million pounds in 2014, China Anbang Insurance acquiring Waldorf Astoria New York, a luxury skyscraper hotel, at 1.95 billion dollars in 2015 and China Life Insurance acquiring 1285 Sixth Avenue, a skyscraper office in Manhattan, at 1.65 billion dollars together with New York-based RXR in 2016.

Besides the overwhelming scale, mainland Chinese insurers have also invested in property development projects overseas. Particularly, China Ping An Insurance has aggressively invested

in several property development projects overseas. For example, it has invested in 50% of a redevelopment project in Sydney with Australia-based Lend Lease and Japan-based Mitsubishi Estate, building a new landmark skyscraper complex in the city center.

Chart-4 Overseas Property Investments by Mainland Chinese Insurers

| H.Q. | Name | Year | Target | City | Asset Type | Purpose | Type |
|------------------------|-----------------------------------|------|------------|-----------------------------|---|------------|------|
| China | China Ping An Insurance | 2016 | Japan | Nagoya | Land for Logistics Facility Development | Investment | JV |
| | | 2014 | Australia | Suburb of Sydney | Land for Residential Development | Investment | JV |
| | | 2015 | Australia | Suburb of Sydney | Land for Residential Development | Investment | JV |
| | | 2016 | Australia | Sydney | Land for Skyscraper Complex Development | Investment | JV |
| | | 2013 | U.K. | London | Large-Sized Office Building | Investment | JV |
| | | 2015 | U.K. | London | Large-Sized Office Building | Investment | JV |
| | | 2016 | U.S. | New York, etc. | Logistics Facility (7 Assets) | Investment | |
| | | 2016 | U.S. | San Francisco | Business Park | Investment | JV |
| | J.V. China Ping An and China Life | 2015 | U.S. | Boston | Land for Office and Residential Development | Investment | JV |
| | China Life Insurance | 2015 | Hong Kong | Hong Kong | Skyscraper Office and Retail Building | Investment | |
| | | 2014 | U.K. | London | Skyscraper Office Building | Investment | JV |
| | | 2015 | U.K. | London | Skyscraper Office Building | Investment | JV |
| | | 2016 | U.K. | London | Large-Sized Office Building | Investment | JV |
| | | 2015 | U.S. | All of U.S. | Logistics Facility (194 Assets) | Investment | JV |
| | | 2016 | U.S. | All of U.S. | Hotel (280 Assets) | Investment | JV |
| | | 2016 | U.S. | New York | Skyscraper Office Building | Investment | JV |
| | Union Life Insurance | 2015 | U.S. | Portland, etc. | Elderly Care Facility (6 Assets) | Investment | |
| | | 2015 | U.S. | Texas | Elderly Care Facility (4 Assets) | Investment | JV |
| | | 2015 | U.S. | Wisconsin | Elderly Care Facility (4 Assets) | Investment | |
| | | 2016 | U.S. | Delaware | Elderly Care Facility (2 Assets) | Investment | JV |
| | | 2016 | U.S. | Littleton | Elderly Care Facility (1 Assets) | Investment | |
| | | 2016 | U.S. | Oklahoma | Elderly Care Facility (1 Assets) | Investment | JV |
| | China Anbang Insurance | 2016 | Netherland | Amsterdam, etc. | Office Buildings (6 Assets) | Investment | |
| | | 2015 | U.S. | New York | Skyscraper Luxury Hotel | Investment | |
| | | 2015 | Netherland | New York | Skyscraper Office Building | Investment | |
| | | 2016 | U.S. | All of U.S. | Luxury Hotel (15 assets) | Investment | |
| | | 2015 | Canada | Toronto | Mid-Sized Office Building | Investment | |
| | | 2016 | France | Vancouver | Skyscraper Office Building (4 Assets) | Investment | |
| | China Taiping Insurance | 2013 | Singapore | Singapore | Skyscraper Office Building (4 Floors) | Investment | |
| | | 2016 | U.S. | New York | Land for Residential Development | Investment | |
| | Sunshine Insurance | 2014 | Australia | Sydney | Large-Sized Hotel | Investment | |
| | | 2015 | Australia | Rothbury | Hotel | Investment | |
| 2016 | | U.S. | New York | Skyscraper Hotel | Investment | | |
| Taikang Life Insurance | 2014 | U.K. | London | Large-Sized Office Building | Investment | JV | |

Source: Press releases and news papers

5 | Final Note

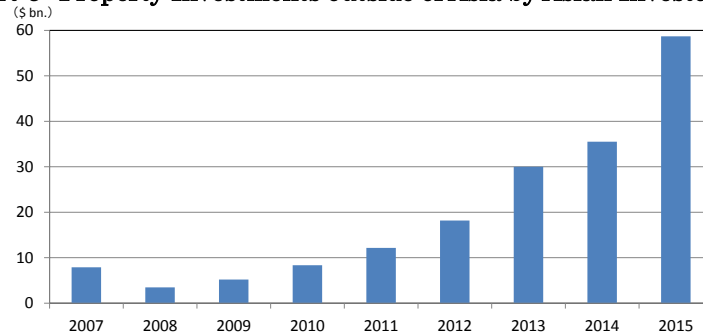
Asian insurers have increased property investments, backed by their growing insurance markets, and some have proactively invested in properties overseas. However, the investment approach varies between each country. Particularly, mainland Chinese insurers have been distinguishable by the overwhelming size of their deals and aggressive posture, even investing in property development projects overseas.

Reviewing the global property investment market overall, sovereign wealth funds have been regarded as representative Asian investors, consisting of public pension funds and foreign reserve managers such as GIC of Singapore and CIC of China. With the asset growth of SWFs and others, property investments outside of Asia by Asian investors have significantly increased in recent

years (Chart-5).

Mainland Chinese and other Asian insurers have increasingly gathered market attention following SWFs and become one of main players in the global property investment market. It is possible that Asian insurers will become one of main players even in Japan where they have yet to make sizable property investments.

Chart-5 Property Investments outside of Asia by Asian Investors



*Data includes deals larger than USD 10 million.
Source: Real Capital Analytics www.rcanalytics.com

* This report includes data from various sources and NLI Research Institute does not guarantee its accuracy and reliability.
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