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PRESENTATION

Operator

Ladies and gentlemen, thank you for holding and welcome to the GLP conference call. (Operator instructions) After the speakers' remarks, there will be a question and answer session. (Operator instructions) I would now like to turn our call over to Ms. Ambika Goel, Senior Vice President of Capital Markets and Investor Relations. Please go ahead.

Ambika Goel ***- Global Logistic Properties Limited - SVP Capital Markets and IR***

Welcome to GLP's first quarter FY17 earnings briefing. Thanks everyone for joining us today. Our presentation materials and webcast are both available on our website. Today we will hear from our COO, Steve Schutte, who will provide an overview of our results. Steve will be followed by Heather Xie, our CFO, who will provide an overview of our financials; and finally, Ming Mei, our CEO, will touch on our strategies and outlook.

We will have a Q&A session following our presentation. You may ask questions via our phone or via our webcast online. Please note that all numbers are expressed in US dollars and area is referenced in square meters unless otherwise stated.

Thank you and I will now hand it over to Steve.

Steve Schutte ***- Global Logistic Properties Limited - COO***

Thank you Ambika and good morning everyone. Thank you for joining us today. I'll start with our first quarter highlights on slide 3. Our strategy of growing assets under fund management continues to deliver strong results, coupled with solid core operating performance and strong capital disciplines, targeting development in markets with strong demand and limited supply.

Earnings for the quarter were $203 million, which is 24% lower year-on-year, but due largely to FX and less cap rate compression than last year. In fact, excluding these non-recurring items, Group core earnings were up 7%.

Operationally, we saw same property net operating income up 7.9% in the first quarter and our Group lease ratio stood at 91%, which is in line with our expectations. The team did achieve an overall customer retention rate of 71%, although slower leasing of our development projects in China and Brazil led to a 1% drop in our Group lease ratio. I'll touch on this more shortly.

In our development business, we continue to create value with development profit as a recurring part of GLP's earnings stream. For the quarter, we generated $65 million of development profit, or 32% of our full year guidance of $200 million, which reflects a 30% margin on development completions.

As with our development business, our fund management platform creates a recurring source of income that has grown consistently every year. For the quarter, we generated $42 million in management fees, which is up 17% year-on-year and the magnitude of those fees will only increase as our invested capacity grows.

With that overview, next I'll touch on operations, development, and fund management in more detail.

First, turning to operations on slide 4: leasing demand remains stable globally, with 2.5 million square meters of new and renewal leases signed in the quarter, which is up 17% year-on-year and rent growth on renewal leases up 9.6%, led by the US and China.

In China, leasing volumes have moderated recently and GLP's lease ratio was 86% for the quarter, down from 87% last quarter, due to slower leasing of our development projects. Drilling in a little further, however, while leasing on renewals has slowed, new leasing and customer retention remains stable, with approximately two-thirds of new leases being driven by repeat customers. And activity in our key markets such as Beijing, Shanghai and Shenzhen remains robust, with a 90% lease ratio.

So all told, oversupply is centered in a few cities and although these cities make up a minority of our portfolio, supply in these markets will take approximately 12 months to be absorbed, and in the interim, will weigh on our overall lease ratio in China.

Given the overall leasing environment, strength in our key markets, continuing growth in retail sales and e-commerce and the ongoing urbanization and growth in the middle class, we remain confident in the mid to long-term outlook of China. Looking ahead in China, we expect operating performance to be stable in the near term.

In our Japan and US portfolios, we continue to see robust leasing and rent growth, driven by ongoing strong customer demand and limited supply of modern logistics facilities. In Japan, we continue to see demand from the e-commerce and food industries and leasing was extremely active in the first quarter. We signed 370,000 square meters of space, up 118% year-on-year and our development projects are leasing up rapidly.

GLP Suita, our newest and largest facility in Greater Osaka, is 100% preleased a year ahead of completion to ASKUL, a leading e-commerce company. Looking ahead, we expect absorption of new supply to remain strong, cap rates continue to compress, and we will continue our capital recycling program of selling assets to the J-REIT.

In the US, our leasing volumes remain high and we are seeing incremental demand from third party logistics providers, as well as construction-related customers serving the US housing sector. For the quarter, we saw effective rent growth of 20.7% on renewal leases and same property net operating income was up 7.2%. Looking ahead in the US, we expect market fundamentals to remain very strong, with demand continuing to outpace supply.

In Brazil, our strategy in the current environment has been to focus on customer retention and proactively sign leases ahead of expiration. In the first quarter, we renewed approximately 233,000 square meters of leases, or 10% of the lease portfolio, which extended their lease expiry by 2.5 years. Although effective rents on renewals are down 8%, we continue to see overall rent growth of about 8% on our total portfolio in Brazil.

So in summary, operationally, we are pleased with our portfolio's performance in the US and Japan, remain focused on solidifying strong credit tenants in Brazil, and expect continued softness near-term in our secondary markets in China - yet overall feel the fundamentals in China are solid, supported by strong secular drivers such as e-commerce and organized retail. The mid to long-term outlook for China remains positive, with excess supply in the weaker submarkets expected to be absorbed over the next 12 to 18 months.

Next, I want to discuss our development business on slide 5. Development profit remains a regular and recurring part of GLP's earnings stream. For the quarter, GLP generated $65 million of development profit, which represents a 30% development profit margin on completions. This includes the completion of GLP Atsugi II, a Greater Tokyo facility built at a total investment cost of $153 million. The project was fully pre-leased and it bears repeating that throughout the development cycles, we remain focused on exercising strong capital discipline, with development decisions being driven by customer demand.

Specifically, we like to see a demand pipeline of at least 1.5 times in place before starting any new project. In China, for example, our new development starts were all located in submarkets with an average lease ratio of 87%.

Globally, we started $404 million of developments, that's 20% of our FY17 target and during the same period, we completed $271 million of developments, which is 18% of our FY17 target. We expect to meet our global development targets for FY17 and generate approximately $200 million of development profit for the full year. We've already met 32% of this target and our completion schedule is back-end loaded, so the next two quarters will see more moderate gains before picking up in the fourth quarter.

Finally, I want to touch on fund management on slide 6. Our fee-generating capital base continues to expand steadily, generating higher recurring income for management fees. For the quarter, we recognized $42 million of fees from our invested capital, which is up 17% year-on-year. Of that, $28 million were asset management fees and $14 million were development fees.

As many of you have seen, we have recently completed syndication of our second US portfolio, which demonstrates how GLP is able to leverage our fund management platform for the best possible returns. On that transaction, we were able to achieve a 13% return on equity and with the right fundamentals in place, we remain on the lookout for accretive opportunities in the US.

In Japan, we have announced the sale of our 50% share in Ichikawa Shiohama to GLP J-REIT for a 4.5% cap rate. This transaction crystalized $48 million of development profit for GLP. We have had excellent success recycling capital in Japan through our J-REIT and will continue to do so.

With 65% of GLP's assets managed in funds, as we move even further towards an asset-light model, we expect that this percentage will steadily increase over time.

With that, I'll turn it over to Heather.

Heather Xie ***- Global Logistic Properties Limited - CFO***

Thanks Steve. Please turn to slide 8 for the financial highlights. 1Q FY17 earnings were $203 million, 24% lower year-on-year, mainly due to FX losses and lower revaluation gains compared to the same period last year.

Specifically, FX losses were $36 million and were related to intercompany Japanese yen and RMB liabilities. Of this, $30 million were unrealized losses, which has no cash impact. Intercompany loans are denominated in functional currencies where we report in US dollars. So this creates FX impact from a consolidation perspective. But again, these losses are unrealized. RMB denominated intercompany loans will be partially repaid with Panda bond proceeds which will reduce our FX exposure.

Non-recurring items in statutory earnings make it harder to evaluate actual economic performance. Core earnings is a metric that cuts through the noise to better assess performance and help comparability. It adjusts for non-recurring items such as revaluation changes related to cap rates and discount rates, FX gains or losses, and the gains or losses from dispositions. Revaluation changes related to development profit and NOI growth, however, are included in core earnings as they form a recurring part of GLP's earnings stream.

Let's look into our core earnings further on the next slide. Slide 9 outlines adjustments made to IFRS earnings for non-recurring items. They can also be found on page 11 of our supplemental, which is available on our website and the financial results. This quarter, the adjustments include $88 million of revaluation gains arising from cap rate and discount movements in Japan and China, and $36 million of FX losses, which I touched on earlier. On a core basis, earnings were up 7% year-on-year, driven by growth in China operations and the continued expansion of GLP's fund management platform in Japan and US.

Turning to country core earnings results on slide 10, China core earnings were up 22% year-on-year to $55 million, driven by rental growth and lease-up of developments. In July, we issued our first tranche of Panda bonds, RMB1.5 billion at an average weighted coupon rate of 3.27%. We plan to issue more. As a result of this, our China segment will reflect higher interest expense from second quarter onward.

Japan core earnings were up 11% to $93 million. This includes an $8.5 million dividend from J-REIT in first quarter FY17, an increase of 27% over last year. J-REIT dividends are usually paid out in the first and third quarter of our financial year. The growth in Japan core earnings were driven by growth in the fund management platform and continued development completions. We will continue our ongoing strategic plan of asset recycling to the J-REIT.

Our US segment generated $16 million of core earnings this quarter, driven by the contribution from the second US portfolio which we acquired in November last year. This reflects our 10% investment in both portfolios, which is recognized within the JV income line.

Brazil contributed $2 million of core earnings in 1Q FY17, which is net of revaluation loss of $2 million due to lower net operating income on the leases we renewed. Based on our schedule of lease negotiations, we expect further losses in the second half of the year, but still in line with our expectations.

The corporate segment was impacted by higher interest expense, from $1 billion bond draw down in June last year.

As a Group, 1Q core earnings were up 7%.

Now, I would like to spend some time to discuss VAT changes in China. Please turn to slide 11. Effective from May 2016, value added tax has replaced the business tax in China. Business tax was previously included in those rent and property expenses, while value added tax is excluded from P&L and recognized in balance sheet only. This change does not materially impact our net operating income, as lower rent is offset by lower property expenses, but you will see lower revenue and lower expenses, respectively.

Excluding the impact of VAT in the quarter, net operating income was up 6% quarter-on-quarter as a result of a higher rent growth. We have outlined the key indicators affected by VAT reform. Excluding the VAT impact, face rent, and effective rent stood at RMB1.09 and RMB1.10 respectively, unchanged quarter-on-quarter.

Slower leasing in China was partially attributable to the recent VAT changes. The team has been working diligently on the re-signing of leases and this continues to be a key priority.

Turning to slide 12, our balance sheet. Our cash position stood at $1 billion as of June 2016. On a look-through basis, our pro forma net debt to assets is 28%. We will keep our net debt to assets below 40%.

GLP is the first global logistic real estate company to issue Panda bonds in China. We have approvals to issue up to RMB10 billion on the Shanghai Stock Exchange. Investors have responded very positively to our first tranche issuance - more than three times oversubscribed. We plan to issue subsequent tranches as part of our natural hedge policy as well as financing our operations in local currency. We are also pursuing another financing channel and waiting for regulatory approval to issue up to RMB10 billion of bonds in China's interbank market.

With that, I will turn over to Ming.

Ming Mei ***- Global Logistic Properties Limited - CEO***

Thank you Heather. I would like to take some time and share with everyone what we see in each of the markets we operate in and also the opportunities that we see going forward. I will spend a little bit more time on China as we get quite a bit of questions on this market.

In China, we are facing some temporary oversupply in some second tier cities that we currently operate in, but overall we continue to see some healthy demand in these markets. What we probably see is a 12 month period of temporary oversupply, and I would not be surprised that in 12 months time these same cities that are facing oversupply may come to a shortage of facility, because we are just seeing few projects coming online at the same time, but demand has not changed. So as demand continues to grow, we believe that we will reach a supply and demand balance.

What we're seeing is also a lot of operators are facing labor cost increases, so they are installing more automation and conveyor lines, so with that kind of requirements, they need a facility that has a big enough floor space, flat floors, to accommodate these equipment. So that also drives a lot of demand, that normally are not using higher quality facilities.

Another trend we're seeing is that we see a lot of these "mom and pop" restaurants and fruit stands are being organized and aggregated by these providers. They are becoming our customers because they need bigger facilities to distribute to these small restaurants and small retailers. We're also seeing trucking and retail companies consolidate, warehouse operator consolidate - and as they consolidate, they also need larger facilities. So again, all these macro fundamental demands continue to drive demand for our facilities.

So overall, mid to long-term outlook remains positive as the fundamental demand continue to be healthy. We are seeing a lot of local capital coming into this sector, they are underwriting a lot more aggressively than we are. They are not as disciplined on locations, so we are seeing, again, second tier cities where it's easier to get land, lots of that coming in, so that's why we also facing some of the issues.

Also, local capital farmers are being a little bit more aggressive when it comes to acquisition and pricing. Given all that, I believe that they will drive cap rates further down in China, and as a result, we may lose some opportunities, but we will benefit because we have the largest installed base of logistics facilities.

Japan remains still our strongest market. It's one of my favorite markets. Yoshi and the team have done a great job there. The fundamentals continue to be very strong. Half the facilities in the market, not just our facilities, but half the facilities in the market are already pre-committed and our leasing continues to be ahead of our underwriting schedule.

I think the biggest challenge for us in Japan is to continue to find good sites and Yoshi has done a great job working with a local land assembler to find the perfect site for the next customer. Again, we continue to commit our resources to grow our business in Japan. Also, we will commit to recycle assets into the J-REIT.

Turning to the US, the team there have done a phenomenal job. They have continued to outperform the market. Our renewal rental rate is 20%, which is more like a developing market. We continue to see opportunities to further grow our assets under management. The team that we have in place can definitely be leveraged to manage more assets and create more recurring income on our fee business. We also continue to have strong demand from our capital partners around the world, looking for a steady yield, so we will continue to look for opportunities to enhance our fund management business in the US.

Now let's turn to Brazil. I was just there last month, and the team there has done a good job, proactively renewing leases before they expire and extend the expiration date. We're still facing some uncertainty in the political system there, but fundamental demand continues to be healthy, so we will do some developments to meet our customer demands and we continue to focus on renewal of the leases.

So, I would like everyone to turn to slide 15, our capital recycling strategy. Now, we get a lot of questions and sometimes we're asked, "what is your income without the revaluation or development gains?" We develop and we recognize the gain, but we don't necessarily sell the asset right away, so a lot of time we don't get the full credit because people say it's not real cash, because we recognize the gain and we are not selling, so the cash is not recognized. Then a year or two later, we sell into either the J-REIT or sell into the fund, we get the cash, but because on the accounting we will recognize the gain, we won't get the accounting gain at that point, so we won't get a credit either. So, given any one quarter, we are either getting accounting recognition on the gain, or we don't get cash and then future quarters, we get the cash, we don't get the accounting recognition.

But, basically the facts, if you look at the last four years, we've basically created $1.6 billion of profit and cash. We've developed and we contributed in either a J-REIT or monetized it in various ways and that represented about 25% development profit. Again, this is something that we continue to focus on the growth into the future.

Now, I'd like to talk about our strategy. When we first did our IPO in 2010, we were focusing on being a stable, income generator in Japan and we started to recycle capital into China, to develop. We executed just on that. As we see opportunities in Japan and China continue to be a very attractive development market, we continue to recycle capital and reinvest into these two markets. That strategy has not changed and we continue to focus on that.

If you look at it, most of our profit is generated from both China and Japan, from both operating income and the development profit generated there. 85% of our capital; we will still continue to invest into these two markets and that will not change in the near term.

What we have introduced about five years ago is our fund management strategy. We started focusing on Japan recycling assets and then we started our fund management business in China, then we grew that fund management business into Brazil. Then we grew the fund management business into the US. These capital partners come to GLP because we have been the best operator and developer of logistic facilities, and we have demonstrated that over the years.

So going forward you will see that there are three major sources of income for the Company. One is that we continue to develop in markets such as China and Japan to create the development profit.

So in the future you will see that we continue to recycle most of our equity into China and Japan to create the 25% plus development margins. As I mentioned to your earlier, over the last four years we generated $1.6 billion of real cash and real profit and we'll continue to do that in the foreseeable future.

The second source of income would be our share of the property that we own, the core rental incomes. Then the third source of income, which we have been generating - we started the business about six years ago and now it's become a meaningful business - are the fund management fees.

Again, because of our capability of being the best operator, we have trusted capital partners come to us, who want us to manage the capital beyond just China and Japan, so we extend it to Brazil and to the US. And now it's becoming a very significant source of income.

Real estate goes through cycles, so what we want to do is make sure that we have a source of income that is steady and stable, that's recurring, which is the aforementioned fee. And then with the assets we developed, we recycled into J-REIT or in other forms of funds to create more assets under management, to create more recurring fees. And then also we will have a remaining stake -- become a significant owner of assets that we also generate rental income.

So those are three sources of income that we want to continue to grow the Company in the foreseeable future. While we're doing all that, we remain focused on being very disciplined, on what kind of market we go into, what kind of asset we purchase and what kind of market we do development in. And again, at all times we remain a very strong balance sheet to make sure that we never over-leverage.

And with that, we now open to questions.

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions) Thank you. Our first question comes from the line of Michael Lim from UBS. Please go ahead.

Michael Lim ***- UBS - Analyst***

Good morning, Ming.

Ming Mei ***- Global Logistic Properties Limited - CEO***

Good morning, Michael.

Michael Lim ***- UBS - Analyst***

Good morning. I've got two questions. My first question is on the China portfolio occupancy. It's been on a steady downtrend. You provided some valid explanations earlier in the presentation, but based on your completion pipeline and expiry profile, how low can occupancies in China go before finding stability?

Should I ask my second question first or you want to --

Ming Mei ***- Global Logistic Properties Limited - CEO***

Sure, yes. No, please ask your second.

Michael Lim *- UBS - Analyst*

Okay. My second question is on the China retention rate, currently at 62%. Can you give us some color on the tenants you were not able to retain? Did they move to self-owned facilities, competitor assets or shutter operations? So what's the split like in terms of those that left your facilities? Thank you.

Ming Mei *- Global Logistic Properties Limited - CEO*

Thank you. On the lease ratio, where basically there's two segments. On the first-tier cities leasing is still well above 90% plus.

And then as I mentioned on some of the some of the second-tier cities, we have seen some capital coming into the market quite aggressively over the last 12/18 months, and some of the projects coming online. Plus, our projects coming online at the same time. So, some of the second-tier cities we've seen lease ratio in the mid-70s%.

So overall our lease ratio is 87%, 86% range. We feel that based on what we see and the demand in the pipeline, and also recent leasing activities, we feel quite comfortable that the lease ratio will probably maintain at this level for probably the next couple of quarters. What would help then a lot more discipline on is that -- only markets that have 80% lease-up we will start construction.

And then for the last three quarters we've been communicating to the rest of the market that some of these cities are over-supplied. And as the market leader we need to send these messages out to other developers and other players, as well as maintain discipline with our own development part.

So that's -- so some action we've put in place, we are seeing some other developers are also taking more caution in these markets. So I feel that in 12 months' time I will not be surprised that some of these oversupplied markets will reach equilibrium in supply and demand.

On the China retention, actually it's been pretty flat and there are a mix of reasons why it's not 100%. So, the 30% of customers that move out, some are due to because our facilities are not big enough to accommodate their future expansion.

Then also other customers may want to take that place and want to pay us a little bit higher rent. Steve can add more color.

Steve Schutte *- Global Logistic Properties Limited - COO*

Michael, it's Steve. One thing on the occupancy ratio I wanted to touch on as well, like Ming said, our tier one cities are at above a 90% lease ratio.

Bearing that in mind, 55% of our portfolio is based in these markets and 42% of our development pipeline is there. Versus our tier two, which is about 12% of our portfolio and 15% of our development pipeline, so we think that's another reason to give us comfort in terms of where we're going to go through the balance of the year.

Operator

Thank you. Our next question comes from the line of Donald Chua from Bank of America. Please go ahead.

Donald Chua ***- BofA Merrill Lynch - Analyst***

Hi, guys. Good morning. Two questions from me, both relating to China.

First is on the pro-rata income statements in the supplementary. Realized in China this quarter, there's the PATMI ex-reval very low at $15.5 million, and there's unusually high finance charge and also income tax relating to your operations. Could you clarify whether this is related to the VAT and the FX decline -- FX losses, or -- what are we missing here? This is the first question.

Then the second question is on the trends in China, you are reporting NOI growth at 15.8%, which is higher than last quarter. Your portfolio rents on growth is also higher than last quarter, but retention ratio is low, occupancy is low. So what is the disconnect here from the numbers? Thanks.

Ambika Goel ***- Global Logistic Properties Limited - SVP Capital Markets and IR***

Okay. Within the China segment, Donald, what you'll see is that we had some of the FX losses within that segment, so actually within China segment there were about $15 million of FX losses which is in the interest expense line item.

So if you exclude that, that's one important thing to look at. And then also on an NOI basis if we're looking on quarter-on-quarter you need to exclude the impact from VAT. Quarter-on-quarter actually China NOI was up 9%, so that's pretty solid growth from the previous quarter.

Ming Mei ***- Global Logistic Properties Limited - CEO***

Also we want to explain that the FX loss is due to intercompany from China's division to the Singapore parent holding company, so it's non-cash accounting and accounting recognition.

Heather Xie ***- Global Logistic Properties Limited - CFO***

Essentially, the values are a way of financing our China expansion. So our Listco had surplus cash obviously (inaudible) used it, so we extend the loan to China and in dollars. So that does generate non-cash and also I realize that FX impacts on the P&L.

Operator

Thank you. And our next question comes from the line of Paul Lian from Goldman Sachs. Please go ahead.

Paul Lian ***- Goldman Sachs - Analyst***

Hi, Ming. Morning. Japan appears to be the gold standard here, I think, just looking at the results. I'm keen to hear your thoughts on cap rate trends for Japan as a market.

If I recall, you may have mentioned that the reasons it was at 4.5%. Given the lease ratios are also at about 99%, is there scalability in the market such that more capital can go in, and perhaps would be an even stronger driver moving forward?

Ming Mei *- Global Logistic Properties Limited - CEO*

Thanks, Paul. Actually, Japan should deserve a platinum instead of gold. They have done a great job.

What we're seeing is we are seeing some cap rate continue to compress. We're actually seeing cap rate transacted on the market even more aggressive than what's been appraised by the appraisers as well as even what's done in the property market. So, I think there is some room for further cap rate compression. I think that there is definitely not a lack of capital.

We would love to put more capital into Japan with the team; the challenges are getting good sites. The reason why we maintain the 99% lease-up is because supply is quite limited and actually quite healthy and quite balanced.

So if you look at it, this year and next year all the development into the market is basically one half already pre-leased, not just our assets but the market as a whole. So I believe that the cap rate will have further to compress, and the challenge for us is to -- Yoshi and the team continue to look for good sites and be more creative on finding that next good site.

Steve Schutte *- Global Logistic Properties Limited - COO*

Paul, it's Steve. Just to kind of echo on one thing that Ming had talked about, over the next couple of years, this year or next year we think there'll be about 2 million square meters of new supply coming online. And specifically that's about 70% and 36% pre-committed already.

The total amount is about 0.5% of the total market supply, so there is going to be very limited supply, and with the other fundamentals like our lease ratio on completed properties at 89% et cetera, to Ming's point, I think we're just really focused on trying to make sure we keep our pipeline going because things are being absorbed very quickly.

Operator

Thank you. (Operator Instructions) Our next question comes from the line of Eli Lee from OCBC. Please go ahead.

Eli Lee *- OCBC - Analyst*

Hi, good morning. First question is about this trend of some weaker markets in China. I think last quarter you had highlighted that it formed about 11% of your portfolio in China.

Now that we are three months into this financial year, how is that -- what is the trend regarding that number? Is the weakness in some markets in China, is that number growing or is that still the same?

The second question is about the sensitivity of your balance sheet to the renminbi. So in January, the renminbi, does depreciate against the US dollar, say for every percentage point. What is the impact on your earnings and your shareholder equity? Thank you.

Ming Mei *- Global Logistic Properties Limited - CEO*

Well, to answer your first question, the exposure we have in the second tier cities compared to last quarter is the same. On your question on the exposure to RMB, Heather can take that.

Heather Xie *- Global Logistic Properties Limited - CFO*

Yes. We did -- we're obviously constantly monitoring what's going on within currency.

We did a sensitivity analysis; if RMB decreased by 5% from the current level; the translation loss, which is really just non-cash, the translation loss is about $12 million, and that's only about 2% of our earnings. The monetary losses continue and continue are going to finance the way that it is, going to have about $27 million or so, is only 5% as well.

Having said all that, our plan is to continue to have more natural hedge. So you saw us issue a Panda bond; we were one of the first actually who did that in China. We're going to continue to have more RMB- denominated financing to natural hedge our balance sheet. So that's going to reduce our exposure.

Operator

Thank you. Our next question comes from the line of Brandon Lee from JPMorgan. Please go ahead.

Brandon Lee *- JPMorgan - Analyst*

Hi. Morning, Ming. Just a couple of questions. I think the last quarter you did allude to a possible deal in the US which is I think $1.6 billion from Hillwood. Can you give a little more clarity on that?

The second question is any updates on the income fund in China? I think lately we have seen several institutional guys raising sufficient money for China logistics funds. Is it becoming more competitive to raise money right now in China? Thanks.

Ming Mei *- Global Logistic Properties Limited - CEO*

Thanks, Brandon. On your first question about the deal in the US about Hillwood, we are looking at the Hillwood portfolio and that's all I can say at this point.

We do have a lot of investors that have invested with us in the US and also new investors coming to us and want to invest in a good cash yield product in the US. So we continue to leverage the platform, the team that we have in place in the US, to grow our business, our fund management business there. So yes, we are looking at that portfolio; it consists of very high quality assets with a high lease ratio and also strong cash.

On the second question about income fund in China and whether there is -- getting more challenging raising capital. The answer that there is actually more and more interest for income fund for China, because after the recent stock market crashes in China, and people are now running to more safe, steady cash yield products.

So actually, there's a phenomena going on, there's more cash chasing after good quality asset classes that give a steady cash yield. So the demand from pensions insurance and various different sources of capital are constantly approaching us to explore various vehicles of income fund. So we are looking at different options that can maximize value for us. So the answer to you is that definitely there's lots of demand.

Operator

Thank you. Our next question comes from the line of Joy Wang from Deutsche Bank. Please go ahead.

Joy Wang ***- Deutsche Bank - Analyst***

Good morning, Ming and everyone. Just two questions from me, first on the US.

Rental reversion has actually been very, very strong for the last few quarters. Can we get a bit more color in terms of forward-looking, how sustainable or how much longer can we get this type of growth? You mentioned about cycles, so what part of cycle would you describe the US in, both in terms of rents and cap rate trends?

Second question on your capital management and share buyback. Can we expect share buyback to turned on again now that you have reported results? And would you also be thinking about other capital management initiatives? Thanks.

Ming Mei ***- Global Logistic Properties Limited - CEO***

Thanks, Joy. I will touch on it a little bit and then Steve can add more color. But what we're seeing in the US is that supply continues to be quite constrained, so we're not lending to provide construction loans.

So overall supply continues to be quite healthy and with e-commerce continues to drive a lot of demand. So our team on the ground have given feedback that we expect this to continue for the foreseeable future.

I just want to touch on the second point, and Steve can come back on the US. We have received at our recent AGM to approve a share buyback program, and obviously we are -- we strongly believe that our share price doesn't reflect the true value of the Company.

And the Board is constantly reviewing and assessing whether -- when or where we buyback. But again, SGX rules prevent us from making any kind of future commitment or forecast. But we do believe that our share does not reflect the true value of the Company.

Steve Schutte ***- Global Logistic Properties Limited - COO***

Joy, further on the US, the few things that we have seen very consistent - rental rate growth and NOI growth and very strong leasing - we think that will continue in the near term. No matter what, we still have -- all things totaled - we still have a market that's well undersupplied, where only two-thirds of demand in 2015 was met, for example.

And with e-commerce growing at a seven-year CAGR of 13%, it's another positive indicator as well as trade output and employment levels. So we feel like a lot of the fundamentals are going to continue to drive the success of the portfolio, as well as the fact that incoming new supply still remains in check. So that's why we feel like there's still some run room within the existing portfolio.

Operator

Thank you. (Operator Instructions) Our next question comes from the line of Wilson Ng from Morgan Stanley. Please go ahead.

Wilson Ng ***- Morgan Stanley - Analyst***

Hi. Good morning Ming, good morning everyone. Just two questions, the first one a follow-up question on the China income fund.

So in terms of scale, given the $12 billion on a representative basis you have on balance sheet of China assets, how much of that could we expect when the income fund eventually materializes? Are we talking about a small percentage of that or maybe close to half?

Second question is on AUM for the funds. In total, $12 billion of uncalled capital was the base deployment you expect for that? Thanks.

Ming Mei ***- Global Logistic Properties Limited - CEO***

Thank you. On the China income fund, again we cannot give any kind of forecast or projections. It's going to be based on our -- it's been consistent with us as -- based on our cash requirements, on future capital requirements, based on our development pipeline and also our acquisition pipeline.

So we will continue to recycle based on a needs basis. So I cannot give you a size and scale, but I would say that J-REIT is quite a good indicator, of our program that we've put in place in Japan.

Of the $12 billion uncalled capital and capacity we have with our investors, we expect that over the next few years we will deploy that, and plus potentially raise new capital with new investor or new opportunities. Again, investors come to us because we have demonstrated ourselves to the best operator in this sector, and we continue to have ample private equity investors coming to us and want us to manage the capital.

Steve Schutte ***- Global Logistic Properties Limited - COO***

In fact, we've grown our partner base from 11 to 15 from over a year ago, which highlights -- together with the fact that our AUM has grown by 86% CAGR over the last five years, we feel like there's tremendously strong momentum in the business and it's going to continue going forward.

Operator

Thank you. Our next question comes from the line of Donald Chua from Bank of America. Please go ahead.

Donald Chua ***- BofA Merrill Lynch - Analyst***

Hi, guys, it's me again. I want to follow up on my initial question on China. A couple of things on the China NOI trend has been very strong, better than last quarter; rent growth is better than last quarter, but retention ratio is lower and occupancy is lower, so what's the disconnect here between the two metrics that I'm looking at. That's the first question.

On the second, still on China, development completion has been slow and rental income from China has been flattish, but you have been completing assets in the last few quarters. But why isn't rental income showing in terms of growth; it this a delayed effect or what are we missing here?

And if I could, maybe one just very last quick one on the share buyback. Is there any possibility of cancelling the shares? Thanks.

Steve Schutte ***- Global Logistic Properties Limited - COO***

Donald, hi, it's Steve. I'll answer and let me know if I don't answer your question properly but yes, so the same-store up is up 15.8% and you saw the same trend last year in the first quarter. Part of that's occupancy, which was about 8.5% year-over-year with the rent growth rate up about 4.9%.

And a same-store NOI pool is reset every first quarter. So our first quarter it seems our NOI normally higher than other quarters due to higher occupancy and rental growth year-over-year. And so I think that's a trend or a pattern that we've seen before.

And on the second question, I believe it was on retention, which -- what we have is actually showing retention is very stable at this point. So I'm not sure if that answers your questions or not.

Ming Mei ***- Global Logistic Properties Limited - CEO***

I think another part of the question was whether we would cancel the share buyback. Again, this is something that the Board will continue to evaluate. Again, we cannot give any forecast and predictions.

Operator

Thank you. (Operator Instructions) Our next question comes from the line of Eli Lee from OCBC. Please go ahead.

Eli Lee ***- OCBC - Analyst***

Hi, good morning. Just to quickly follow up on the pockets of oversupply issue, I think 11% that you had previously highlighted was related to Chengdu, Wuhan and Tianjin. That was last quarter.

So I think there were actually fairly neutral cities such as Shenyang, Nanjing and Hangzhou. So in terms of the trend on the ground, because things are fairly serious I understand, how are we to assess the risk that these trends of oversupply may be spreading to the more marginal cities? Thank you.

Ming Mei ***- Global Logistic Properties Limited - CEO***

Usually we have a pretty good idea, usually it's 12 months ahead of time, which projects have started and which projects are completing. So we have a pretty good visibility on when the land is being auctioned, who bought the land and when the projects are under development and when they're complete.

So we track that pretty closely. So that's why we felt what we're seeing over the next few quarters actually we're actually seeing some very healthy supply and demand balancing.

Steve Schutte ***- Global Logistic Properties Limited - COO***

One thing to reiterate is bear in mind that a large part of our development pipeline is just in the higher tier one markets and very little is actually -- relatively little - is in our tier two or lower markets. And in tier one markets they continue to perform extremely well.

Effective rent growth renewals in Shanghai, for example, were over 14%, Guangzhou was 6%, Suzhou was 3.5%. So that continues to perform very well, and it's where a majority of our activity is happening and will happen going forward.

Operator

Thank you. (Operator Instructions) All right, thank you. I'll hand it over to Ming for closing remarks.

Ming Mei ***- Global Logistic Properties Limited - CEO***

Well, thank you for joining us today. As we over the years developed a dominant position in Japan and China, we'll continue to leverage that position and continue to reinvest the capital into these markets to create development gains.

Over time we'll recycle assets to create more assets under management. And leveraging the relationship we've created with international institutional investors, we will continue to grow our fund management business. Over time, this fee -- recurring fee is becoming a more significant part of our business, so as our strategy moving forward you will see three major sources of income for the Company.

One, rental income from our shared assets that we own; two, development profits in the markets we are strong in and that we get the best returns; and third, a recurring source of income on the fees, our fund management fees. Again, thank you for your support.

Operator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for participating; you may all disconnect.

Editor

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