# TALKING POINTS

## COLLIERS INTERNATIONAL | ASIA

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## Singapore – Office

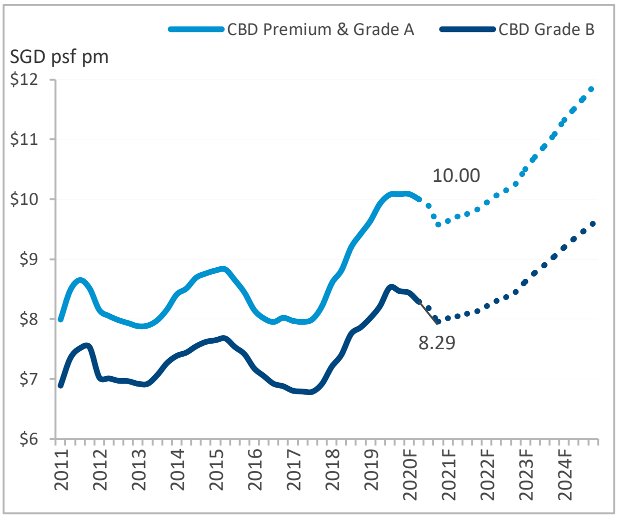
### Insights & Recommendations

CBD grade A rents declined 1.2%* QOQ in Q2 2020 to SGD10.00 (USD 7.18) per sq foot, reflecting the impact of COVID-19. We expect further correction, as leasing demand shrank with the global slowdown. This should present opportunities for resilient occupiers in a more tenant-favourable environment.

New demand in Q2 was mainly driven by flexible workspace operators which committed earlier. CBD Grade A vacancy increased 1.5pp to 4.6%, partly attributed to newly completed buildings with lower occupancy rates. Capital values declined 0.6% QOQ to SGD2,504 (USD1,797) per sq foot despite a few major deals lifting transaction volumes (77% QOQ).

We recommend occupiers rationalise space requirements and consider a flex-and-core or split-office strategy.

### CBD Grades A & B gross effective rents




*For further details, please see Colliers' report:*

- *Singapore 2020 Q2 – Office: Opportunities for Resilient Occupiers (7 Jul)*

## Shanghai – Office & Business Parks

### Office

### Insights & Recommendations

In Q2 2020, the overall Shanghai vacancy rate remained stable, but rents fell 4.6% QOQ. Many occupiers chose to renew leases and delay expansion due to COVID-19. The online services and pharmaceuticals sectors continued to be exceptions.

**Landlords**: we recommend landlords of new projects to offer incentives to secure new tenants. Some new projects delayed their completion to 2021.

**Occupiers:** we recommend relocation or expansion this year with long tenancy during occupier-favorable conditions.

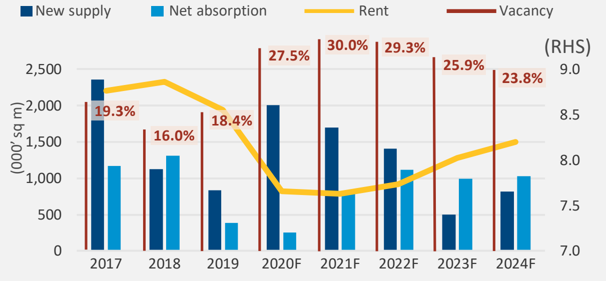
### Highlights

- In Q2, the New Bund witnessed many major leases. We expect this emerging submarket in Pudong to be responsible for large net take-up in H2 2020.

**Key demand drivers: % of take-up**

| | |
|---|---|
| TMT (Technology, Media and Telecom) | **25%** |
| Finance | **14%** |
| Professional Services | **9%** |

### Shanghai office market trends (2017-2024F)




*For further details, please see Colliers' report:*

- *Shanghai 2020 Q2 – Office: Dropping Rent To Further Benefit Occupiers (10 Jul)*

Source: Colliers International.

## Business Parks

### Insights & Recommendations

In Q2 2020, net absorption rebounded as many occupiers resumed expansion plans and actively signed new leases. In H2 2020, we foresee steady demand, particularly from the tech and medical & health sectors.

We recommend occupiers lock in the currently lower rents and choose longer lease terms as we forecast rents will start picking up in 2021.

### Highlights

- The vacancy rate rose slightly by 0.7pps following the recent influx of new supply after the re-opening of the economy.
- Software services, together with the medical & health and fintech sectors, contributed to 65% of net take-up, underpinning stable demand.

| Key demand drivers: % of take-up | | |
|---|---|---|
| | Software Services | 34% |
| | Medical and Health | 20% |
| | Fintech | 11% |

*For further details, please see Colliers' report:*

- *Shanghai 2020 Q2 - Business Parks: Demand To Have A Solid Recovery (10 Jul)*

# Guangzhou & Shenzhen – Office

## Guangzhou Office (Q2 2020)

### Insights & Recommendations

Economic uncertainty drove more tenants to look for cost-effective locations. We expect net absorption to rise in H2 as the new supply is met with solid demand.

We recommend TMT tenants to lock in favourable terms in the Internet Innovation Cluster in Pazhou, where 450,000 square metres (4.8 million square feet) of new space is scheduled for next year.

### Highlights

- Net absorption rebounded to 21,000 square metres (225,960 square feet), mainly due to move-ins in a newly completed building in Yuexiu.
- The vacancy rate edged up for the third consecutive quarter to 6.7%, providing more options for tenants, especially in PRNC. We suggest landlords provide more flexible terms to address rising competition.

| Key demand drivers: % of leasing transactions in Q2 2020 | | |
|---|---|---|
| | TMT (Technology, Media and Telecom) | 42% |
| | Finance | 19% |
| | Manufacturing | 10% |

## Shenzhen Office (Q2 2020)

### Insights & Recommendations

With the market gradually recovering from the pandemic, government rental subsidy and discount will help to support the occupancy.

However, we expect Grade A office rents to remain under pressure due to the heavy new supply pipeline and the conservative sentiment among less established corporate tenants, leading to restrained expansion demands in H2.

We recommend landlords concentrate on full-fledged tenants including state-owned enterprises and MNCs to ensure stable occupancy.

### Highlights


- Net absorption rebounded to 21,000 square metres (225,960 square feet), mainly due to move-ins in a newly completed building in Yuexiu.
- The vacancy rate edged up for the third consecutive quarter to 6.7%, providing more options for tenants, especially in PRNC. We suggest landlords provide more flexible terms to address rising competition.


| Major demand sectors in Q2 by total leased area | | |
|---|---|---|
| | Finance | 34% |
| | TMT (Technology, Media and Telecom) | 32% |
| | Trade | 9% |
| | Professional Services | 9% |

*For further details, please see Colliers' report:*

- *Guangzhou 2020 Q2 – Office: Technology – A Bright Spot In The Leasing Market (7 Jul)*
- *Shenzhen 2020 Q2 – Office: Heavy Supply Outweighs Demand Recovery (7 Jul)*

Note: USD1 to RMB7.08 as of end-Q2 2020. 1 sq m = 10.76 sq ft.
Net effective rent, management fee and tax excluded

Source: Colliers International.

## South China – Logistics/Industrial

**Shenzhen, Dongguan, Huizhou, Guangzhou, Foshan, Zhaoqing (Q2 2020)**

### Insights & Recommendations

We expect solid domestic consumption and new infrastructure[1] to support demand from e-retailers and technology manufacturing firms.

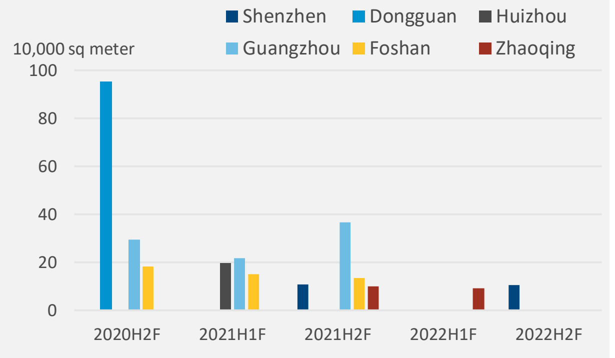
We recommend landlords to focus on occupiers with growth potential, such as high-tech manufacturers and fresh food operators.

With scheduled new supply to drop gradually beyond 2020, tenants should expand now to cope with their future needs.

### Highlights

- In Q2, the entire 439,000 sq m of new supply in the Shenzhen-Dongguan-Huizhou market was pre-leased. Rent remained stable and vacancy dropped slightly to 3.4%.
- The rents in core locations like Guangzhou East and Foshan South have been resilient, with increases of 0.2% QOQ and 1.0% QOQ, respectively.

**Planned new supply 2020-2024**




*For further details, please see Colliers' report:*

*- South China 2020 Q2 – Industrial: Domestic Consumption Supports Demand (7 Jul)*

## Korea – Office

### Insights & Recommendations

Most employees have already returned to their offices. Despite a few isolated clusters of infection, COVID-19 appears past its peak and under control at the end of Q2 2020.

Our expected new supply and WeWork's restructuring plan probably will be factors in an increased vacancy rate. The office leasing market is likely to be affected by the massive relocations triggered by large supply in the YBD area.

We recommend occupiers use flexible workspaces to optimize their footprint and split operations with COVID-19.

### Highlights

- In the CBD, the vacancy rate increased with new supply. Meanwhile, the GBD and YBD vacancy rates decreased as demand from IT industries such as e-commerce and fintech remained healthy.

**Average rents and vacancy rates by submarket**

| | Q2 2020 Average rents (KRW per sq m per month) | QOQ rent change (%) | Q2 2020 vacancy rate (%) | QOQ vacancy change (pp) |
|---|---|---|---|---|
| CBD | 32,816 | 1.8 | 11.3 | 4.4 |
| GBD | 28,598 | 2.6 | 4.2 | 0.0 |
| YBD | 24,066 | 2.0 | 5.9 | -3.2 |
| Overall | 29,716 | 2.3 | 7.9 | 1.4 |

*For further details, please see Colliers' report:*

*- Korea 2020 Q2 – Office: Large Tenant Movements Due To New Supply (10 Jul)*

[1] Getting to know China's new infrastructure projects.

Source: Colliers International.

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