TALKING POINTS

COLLIERS INTERNATIONAL | ASIA

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Asia Pacific – *Office*

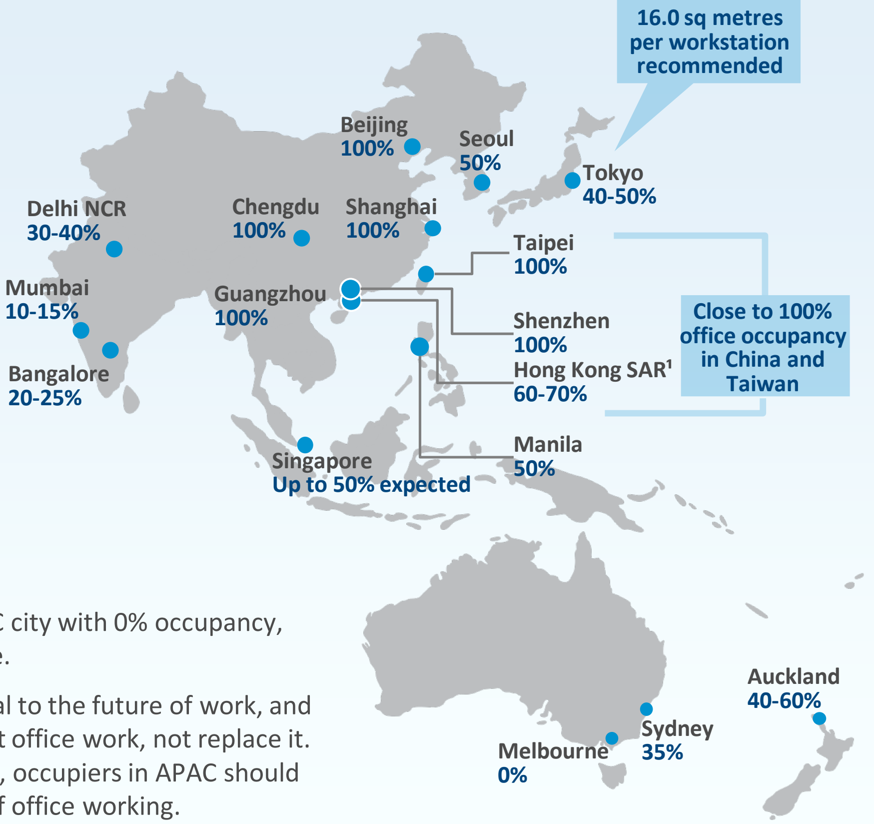
Insights

Most APAC countries have made good progress toward controlling COVID-19, and so we expect a steady return to normal working to continue. Occupiers in APAC should not be concerned by the UK government's new advice that favours working from home.

We note:

- Office occupancy across APAC stands at about 50%, with several markets at 100%.
- The cautious Singapore government has approved a 50% return to the office.
- Melbourne is the only big APAC city with 0% occupancy, but restrictions look set to ease.
- In our view, the office is integral to the future of work, and home working will complement office work, not replace it. If they are not already doing so, occupiers in APAC should be planning for a resumption of office working.

Estimated Proportion of Staff Working in the Office Across Asia Pacific (%)



[1] *Special Administrative Region [of the People's Republic of China]*

For further details, please see Colliers' report:

- ***Time to return to the office*** (30 September)

Pan China – *Investment survey*

Insights

The COVID-19 pandemic in 2020 has posed great challenges to the global economy. Despite continuing concern about US-China trade tensions, China has had great success in controlling the outbreak, supporting the domestic economy and offering hope that China can lead the world out of recession. Colliers' investment survey is designed to provide guidance on the challenges ahead and discuss available opportunities:

While investors are seeing short-term headwinds, they look to the long-term growth potential of China. Investors have increased their focus on Tier 1 cities like for their stability, and seek capital appreciation in emerging cities like Hangzhou and Chengdu.

Respondents showed a structural shift in preferences towards property types less exposed to COVID-19, such as business parks, industrial facilities and data centres. Offices remained the most favoured sector.

For investors and developers currently waiting on the sidelines, asset disposals may present good buying opportunities. This is because weaker small and highly indebted developers have been struggling to raise capital due to the pandemic and policy regulations, forcing them to be more flexible on sale prices.

Opportunities

Growth

- According to the IMF's forecast in June, China will be the only major economy to maintain positive GDP growth in 2020[1]
- Loose monetary policies with low interest rates and ample liquidity
- China's "New Infrastructure" opportunities
- The launch of industrial REITs in China (business parks, logistics warehouse and data centres)

Demand

- Stable demand in Tier 1 cities
- The appeal of emerging cities has diverged, and cities with better location and growth potential are more popular among investors.

Price

- Declining prices in the short term
- Long-term price appreciation from China's solid fundamentals and RMB appreciation

For further details, please see Colliers' report:

- ***Against the headwinds: Investors to increase exposure to china under covid-19*** *(22 September)*

Beijing – *Office*

Insights & recommendations

Landlord: In the case of limited new demand, it is still the core goal to actively lock in quality tenants like technology companies and stabilize the occupancy rate.

Tenants: As Beijing is still a tenants' market, new projects, despite their high quality, are seeing slow space absorption. We recommend tenants negotiate for better space and higher cost performance from new projects in Lize and CBD.

Q3 highlights

Net absorption continued to pick up slightly as demand starts to return to the market, mainly in Lufthansa, AGV & Olympic Park and Lize submarkets.

Demand in Q3 mainly came from the financial and pharmaceutical sectors.

For further details, please see Colliers' report:

- ***Market activity is heating up, demand gradually recovering*** *(30 September)*

Shenzhen – *Office*

Insights

Shenzhen's industrial upgrade process has led to the need for industrial office spaces dedicated to higher value-added activities, including R&D and design.

As of end-August 2020, there were nine million square metres of industrial office space in Shenzhen's core area (9.69 million square feet)1, and we expect another five million square metres (5.38 million square feet) of new industrial office supply to enter the market over the next five years (2021-2025).

Recommendations

We suggest qualified industrial companies utilize benefits like rent subsidies.

We recommend potential investors with interest in industrial office to pay attention to areas with new options: Nanshan and Luohu.

For further details, please see Colliers' report:

- ***The land evolution: Shenzhen industrial office*** *(30 September)*

West China – *Office*

Insights

The Chengdu office market has experienced a long process of development. Over 20 years have passed since the first modern office building was launched in 1998. By end-Q2 2020, total office stock in Chengdu reached close to 10 million square metres (107 million square feet), comprising 163 office buildings. However, with aging facilities and lack of property management, some offices have entered a post-maturity phase, and are suffering from falling achievable rents and rising vacancy rates.

Recommendations

Landlords should pay more attention to building operational maintenance. Office renovation can be largely avoided by early intervention via repairs of failing equipment.

For landlords who are conscious of costs, we suggest starting with exterior façade and interior updates, which can make a strong impression at less cost.

For risk-averse landlords with less experience in building renovation, we recommend collaboration with institutional investors or outside operators, to help them resolve fund shortages and enhance building management capabilities.

For further details, please see Colliers' report:

- ***Office renovation to help buildings stay competitive*** *(25 September)*

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