Colliers Insights | APAC | 22 March 2021

Talking Points

Korea: Capital Markets

Overseas investors to focus on Korea in 2021

With global private equity firms (PEFs) and sovereign wealth funds (SWFs) successfully closing large APAC focused funds, we expect more active investment by foreign investors in the Korean real estate market.

Compared to North America and Europe, the APAC region should recover more rapidly from COVID-19.

Hence, we expect more dry powder to be deployed in the Korean market in 2021, as funds invest undeployed capital lingering from 2020.

We expect foreign investors to continuously seek to acquire logistics assets, depressing yields as prices rise.

Recommendations

We recommend foreign investors focus on value-add and opportunistic strategies as opportunities for prime office buildings are decreasing in 2021.

We recommend investors diversify both their investment geographies by focusing on emerging office markets such as Pangyo and Magok.

We also recommend investors diversify their investment sectors by focusing on the data center and logistics sectors.

For further details, please see Colliers' report:

Foreign Investors in the Korean Real Estate Market (12 March)

2020 inbound transaction volume of KRW4.5 trillion

Even though 2020 the inbound investment volume was 40% lower than the peak in 2018, foreign investors are still interested in the Korean market.

Increasing number of Asia-focused funds

PEFs and SWFs targeting Asia are increasing in anticipation of Asia's economic recovery as COVID-19 subsides.

Increased preference for logistics assets

While foreign investors continue to prefer the office sector, opportunities to invest in core assets with stable tenants are decreasing.

On the other hand, domestic and foreign interest in logistics assets continues to increase.

Declining yields as prices rise

In 2021, we expect competition to depress yields further, in part due to competition for assets. However, with yields of about 3.5% for offices and 4.0% for logistics assets, we think Korean commercial property assets still offer good value compared to the rest of Asia, and expect prices to continue to rise.

South China: E-commerce and Industrial Market

E-commerce in China has become a mature industry, representing one-fourth of the total retail sales1. However, e-commerce is still an immature industry in many countries like India.

With the mature industrial supply in China, we expect export e-commerce will continue to be the bright spot in the Chinese economy.

Export e-commerce has become one of the main demand drivers for logistics leasing in the Guangzhou-Foshan-Zhaoqing cluster, especially in Foshan North.

Export e-commerce platforms prefer to rent warehouses close to transportation hubs like Guangzhou Baiyun Airport and Nansha Port.

Recommendations

We recommend logistics landlords in the emerging submarkets in Foshan North, Guangzhou North, Zhaoqing and Qingyuan target the export e-commerce companies.

For further details, please see Colliers' report:

Rise Of Export E-Commerce Propels Guangzhou's Logistics Market (12 March)

Philippines: Multi-sector

Property Players Respond to Market Challenges

The results of our Colliers Philippines survey, conducted during our 9 February 2021 webinar reveal how respondents1 have been responding to COVID19-induced disruptions in the market. In our view, these present opportunities for property players beyond 2021.

Recommendations

In our opinion, **landlords** should continue being proactive in offering alternative leasing schemes to tenants.

Condominium developers should be on the lookout for peripheral areas in Metro Manila that are viable for mid-income to upscale residential projects.

Hotel operators that are flexible enough to pivot to existing market demands should consider offering hotel rooms as quarantine facilities and flexible workspaces.

Meanwhile, **mall operators** facing rising vacancies in Metro Manila should explore the viability of repurposing and converting vacant spaces into warehouses and fulfillment centres within Metro Manila.

For further details, please see Colliers' report:

Property Players Respond to Market Challenges (16 March)

India: Flexible Workspaces

Flexible workspaces evolving to largely target corporate clients

The total flexible workspace stock in India is almost 30 million sq feet (2.8 million sq meters), equivalent to 4.5% of total Grade A and B stock. We expect to see demand for well-located, high quality and efficient flexible workspaces to increase, resulting in their occupying 5.4% of the total office portfolio by 2022.

Outlook for occupiers: We expect corporate occupiers will continue to be uncertain about long-term office leasing plans in 2021 and 2022 as they are still re-assessing their office space needs. We recommend that they lease desks in flexible workspaces to avoid long-term capital expenditures, and to get more flexibility on their lease terms.

Outlook for flexible workspace operators & landlords: Demand for managed space is set to increase in 2021 and 2022, but we expect growth beyond to depend on the ability of operators and landlords to deliver quality workspaces at competitive costs. We recommend flexible workspace operators to engage as managers for large spaces leased on a management fee and revenue share model, with landlords.

For further details, please see Colliers' report:

Flexible Workspaces – Important Cogs in Hybrid Workplace Models (18 March)

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