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Talking Points

Singapore: Retail and industrial

Retail property market expected to stabilize and recover gradually after Covid-19

Average Orchard Road and Regional Centre rents declined 2.5% in H2 2020, bringing the full year decline to 7.2% as net absorption hit a record low. We expect demand in 2021 to turn positive as the economy reopens.

However, even as foot traffic and tenant sales have recovered to 60-97% of pre-pandemic levels by end-2020, we expect an uneven recovery among trades. Hence rents could remain flat in 2021, as landlords rejig their tenant mix and future supply is benign.

Retail transaction volumes fell 29.5%, while capital values on Orchard Road slid 5% in 2020 due to disrupted rental income.

Recommendations
We recommend resilient retailers upgrade to prime locations and leverage online channels; landlords should digitalise while providing safe shopping experiences.

For further details, please see Colliers' report:

Finding a footing in 2021 (25 February)

Industrial - Logistics warehouses and hi-specs space to be bright spots

Singapore's industrial property market was relatively resilient in 2020 with the JTC rental and price index declining 1.5% YOY and 2.7% YOY, respectively.

Q4 2020 witnessed a recovery, which could continue into 2021, as the economy rebounds. We forecast warehouse rents to rise 1.3% YOY, while factory rents could stay flat on ample supply.

Demand for business park and hi-spec spaces should be supported by the thriving technology sector and biomedical manufacturing.

Overall occupancy improved 0.7 ppt in 2020 to 89.9%, driven by warehouses on increased stockpiling and ecommerce activities.

Recommendations
We recommend landlords adopt Industry 4.0 and remodel to higher specifications while being more flexible in lease negotiations.

For further details, please see Colliers' report:

A Brighter outlook in 2021 (25 February)

India: Outlook 2021

COVID-19 will likely continue to influence India's economy at the start of 2021. We expect a gradual recovery of demand from H2 2021, backed by an improving economy and the rollout of the COVID-19 vaccines in H2.

Office: In 2021 occupiers should enter flexible leases to allow them to operate in a hybrid work-from-home model and keep their capital expenditure low.

Industrial: Electronics & hardware, pharmaceuticals & medical equipment, textiles, and auto industries will drive demand for manufacturing facilities.

Logistics: E-commerce, third-party logistics groups (3PLs) and cold storage operators will make up the bulk of demand.

Investment: Investors should buy in 2021, before prices rebound from 2022 onwards.

For further details, please see Colliers' report:

India market outlook 2021 (25 February)

Hong Kong: Industrial

Institutional investors are becoming more active looking for acquisition opportunities

Since the start of 2021, investment market sentiment for industrial assets has improved. Industrial transaction volumes reached HKD1.9 billion (USD245 mil) in Jan-Feb 2021, surpassing the previous three quarterly figures.

It is also noteworthy that most of these transactions are coming from institutional investors, which have recently become more active after a quiet 2020.

We recommend investors pay attention to the rising cold storage demand from the robust supermarket retail sales performance, whilst logistics facilities are also capturing increasing requirements from e-commerce operators. Meanwhile, the increasing penetration of tech and roll-out of 5G networks should focus investor attention on the growth prospects of data centres.

For further details, please see Colliers' report:

Rising Investment Demand for Hong Kong* Industrial Properties (4 March)

*Hong Kong Special Administrative Region of the People's Republic of China

North China: Office and Logistics

Shenyang Office

Affected by the pandemic, new demand was limited, and landlords dropped rents to retain tenants and compete for a limited pool of new demand. Therefore, rents declined sharply throughout 2020.

We recommend tenants to take advantage of low-rent conditions and lock-in lower rates or upgrade.

Throughout 2020, no new projects entered the market, and the vacancy rate decreased by 10.3% YOY.

Market demand has continued to revive since Q2 2020, mainly from the traditional finance and online education industries.

For further details, please see Colliers' report:

Rents dropped sharply, but stimulated demand (1 March)

Beijing Logistics

Demand for logistics space in Beijing is stable. Due to large spillover demand from Beijing, the end-2020 vacancy rate in Langfang was 0%.

Due to restrictions on logistics land development in Beijing, we expect supply to remain limited, allowing for further increases in rent.

We recommend occupiers looking for space should focus on areas surrounding Beijing.

Digital enterprises and leading Internet e-commerce experienced strong growth during COVID-19, fueling demand.

For further details, please see Colliers' report:

Demand in Beijing outpaces supply, rents steadily rising (1 March)

Philippines: Manila properties

Infrastructure implementation to sustain property's growth amid disruption

Despite Covid-19's disruption to the Philippine property market, Colliers recommends developers continue maximizing the government's plan of ramping up infrastructure development by implementing the following:

Strategic landbanking in areas outside of Metro Manila as infrastructure spending should enable decentralization from the urban core to the provinces around Metro Manila.

Expansion of mixed-use developments outside the capital region and industrial hubs given the resurgence of the manufacturing sector and the rising demand for warehouses and similar facilities.

In our view, the Philippine property market's pace of recovery is also likely to hinge on the government's roll-out of the COVID19 vaccines.

For further details, please see Colliers' report:

Paving the road to property growth (5 March)

Australia: The Rise of Food Logistics

Institutional investors are becoming more active looking for acquisition opportunities

Online food sales are forecast to grow significantly over the next decade and as a result, major food retailers and delivery platforms are expected to invest significantly in their online fulfilment capabilities to build resiliency in their supply chains.

Considering that over 90% of food items go through a warehouse at some stage before reaching the consumer, an increase in food consumption will generate further requirements for both cold storage and ambient distribution centres.

From an investment perspective, given the resilient nature of food, investors will continue to place a premium on assets backed by a strong food related covenant as they remain focused on tenant security.

For further details, please see Colliers' article:

Food for Thought: The Rise of Food Logistics
(5 March)

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