

TALKING POINTS

COLLIERS INTERNATIONAL | APAC

Research Insights | 22 February 2021



APAC – Property Markets: Themes for 2021

Key themes



China Plus One. China and the US may drift further apart economically, but slowly. Most MNCs will stay in China, but seek new markets to cut costs and spread risk.



Technology. APAC technology occupiers led by expanding large Chinese groups will account for 20-25% of office leasing demand over 2020-2025, creating new benchmarks for space, talent and the workplace across the region.



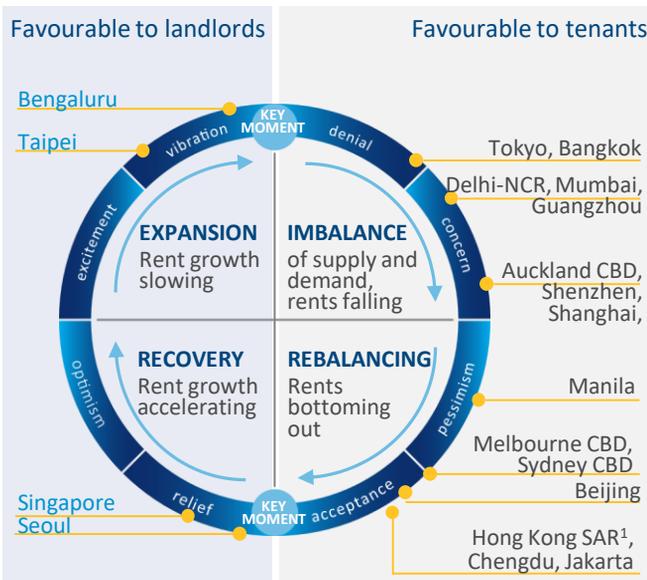
Flexible workspace operators will seek off-CBD opportunities, as occupiers look outside traditional business districts. Many APAC centres, e.g. Beijing, Shanghai, Seoul, Sydney, Auckland and all Indian major cities have office districts on the fringes, which are increasingly viable as business locations.



Sustainability will start to drive property investment and leasing decisions, as most APAC nations adopt ambitious carbon neutrality goals, together with the US.

Key forecasts and outlook:

Office market



Logistics & industrial market



¹ Special Administrative Region of the People's Republic of China.

For further details, please see Colliers' report:

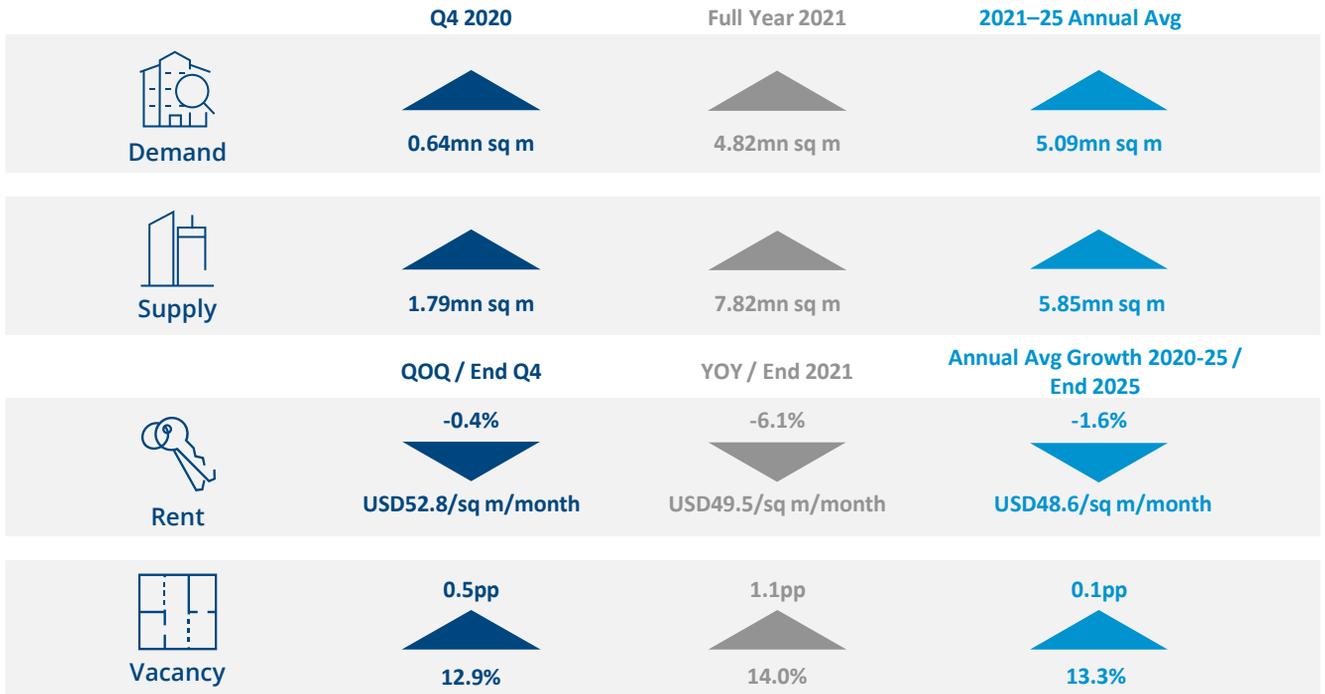
Asia Pacific Property Markets: Themes for 2021 (9 February) - Full report / Summary



APAC – Core Office Markets Presentation (2020 Q4)

Aggregate outlook for 19 APAC city office markets

KEY ■ Quarter-on-quarter
■ End of current year vs. end of last year
■ Forecast 5-Year Avg vs. end of last year



Source: Colliers. Rents are net effective on an NFA basis (USD per sq metre per month). Indian markets report gross absorption for demand.

Road to recovery in 2021



Apart from China, most major markets recorded negative GDP growth in 2020. Leasing demand fell throughout much of 2020, with some recovery in Q3 and Q4. With leasing demand tracking economic growth, we expect net absorption to recover over 2021.

Rates to remain low to stimulate growth



APAC countries mostly maintained near-zero or negative real interest rates across much of 2020. We expect this situation to persist as a means of boosting investment and driving economic growth as fiscal stimulus measures gradually come to an end.

Economic rebound across the APAC



Aggregate APAC real GDP shrank 1.1% in 2020, but should rise 6.2% in 2021. China, India and Singapore are on track for >5% growth in 2021. China will lead APAC growth, as the recent strength of the renminbi and the Chinese stock market suggest.

Demand to pick up, but only surpass 2019 level in 2023



India and China should lead office leasing demand in 2021. Some supply has been deferred, while occupiers focus on hybrid work models. We only expect demand to surpass the 2019 level in 2023.

Source: Oxford Economics as of 3 February 2021.

For a copy of the presentation, please contact any of the Research Experts listed on the back page.



India – Economy

2021 budget

Colliers' analysis suggests that the government continues to focus on affordable housing by extending income tax benefits to both the demand and supply side since this is the most underserved housing segment.

The step to monetize the public infrastructure is a big step. Not only will this help to raise necessary capital, but it will also provide vast tracts of quality land for development and redevelopment. We recommend the government make this a priority.

The announcement to allow REITs and InvITs* to raise debt from FPIs† should help them raise debt from international investors at a lower cost, enabling institutional investors greater participation in the Indian market.

*Infrastructure investment trust

For further details, please see Colliers' report:

 **India's 2021 budget: enabling growth** (3 February)



Philippines – Office, Industrial, Hotel, Residential

Office

We continue to see an uncertain office leasing environment in Metro Manila over the next 12 months. Despite this, we see some firms, especially those that provide essential goods and services, expanding and absorbing office space.

Overall, the decrease in demand will likely result in a rental correction in 2021 before our predicted recovery which should start in 2022.

Recommendations

Amid a challenging market, we recommend landlords and tenants focus on opportunities in the current market environment.

Landlords should be proactive in offering alternative leasing models to tenants; be flexible to tenants' request for concessions; and adjust construction pipelines to prevent further erosion of rents across the capital region.

Industrial

We project a more active take-up in 2021 and 2022 due to manufacturing and logistics investments. Demand from the manufacturing sector will likely be led by firms in the essential goods industry such as food, beverage, and pharmaceuticals.

We expect a healthy demand for the warehousing sector supported by the growth of e-commerce and the emergence of a lockdown economy.

Recommendations

We recommend developers should further modernize their facilities to capture demand, invest in the cold-chain sector in preparation for the government's vaccine program, and explore viable land outside of CALABA1 such as areas in Northern Luzon.

Hotels

The Philippine leisure sector continues to suffer from sluggish arrivals of foreign tourists and subdued spending from local tourists.

The hotel market is likely to suffer from delayed completion of new projects as developers factor in a slow recovery.

Recommendations

Colliers recommends that operators continue to target returning OFWs* looking for quarantine facilities and professionals searching for flexible workspaces.

Operators should highlight compliance with health and sanitation protocols and take advantage of perks lined up by the government for the sector.

Colliers also encourages operators to expedite the implementation of innovative and technology-driven services.

Residential

A precarious Metro Manila office leasing market continues to hamper the recovery of the capital region's pre-sale and secondary residential markets. Prices and rents corrected in 2020 due to dampened demand and we do not see a recovery in the next 12 months.

Pandemic-induced construction delays continue to limit the development of new units, while developers held off launches due to anemic take-up.

Recommendations

To take advantage of opportunities in the market and tap pent-up demand once market sentiment starts improving, Colliers recommends that developers explore creative leasing models, consider fringe areas for upcoming projects, and monitor attractive locations and price segments for pre-selling residential developments.

*Overseas Filipino Workers

For further details, please see Colliers' report:

 **Property Market Report | Q4 2020 | Philippines** (9 February)

For further information, please contact:

Sam Harvey-Jones

Managing Director | Occupier Services | Asia
+852 2822 0509
Sam.Harvey-Jones@colliers.com

Abhishek Bajpai

Managing Director | Corporate Solutions | Asia Pacific
+65 6531 8546
Abhishek.Bajpai@colliers.com

Doug Henry

Managing Director | Occupier Services | Australia
+61 2 9257 0386
Doug.Henry@colliers.com

Simon Hunt

Managing Director | Office Leasing | Australia
+61 3 9612 8818
Simon.Hunt@colliers.com

Terence Tang

Managing Director | Capital Markets & Investment Services
| Asia
+65 6531 8565
Terence.Tang@colliers.com

John Marasco

Managing Director | Capital Markets & Investment Services
| Australia & New Zealand
+61 3 9612 8830
John.Marasco@colliers.com

Gavin Bishop

Head of Industrial Capital Markets | Australia
+61 401 146 051
Gavin.Bishop@colliers.com

Contact details (Research)

Andrew Haskins

Executive Director | Research | Asia
+852 2822 0511
Andrew.Haskins@colliers.com

Rakesh Kunhiraman

Senior Director | Research | Asia
+65 6531 8569
Rakesh.Kunhiraman@colliers.com

Joanne Henderson

National Director | Research | Australia
+61 2 9257 0286
Joanne.Henderson@colliers.com

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 67 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.0 billion (\$3.3 billion including affiliates) and \$40 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter [@Colliers](https://twitter.com/Colliers) or LinkedIn.

Copyright © 2021

Colliers International does not give any warranty in relation to the accuracy of the information contained in this report. If you intend to rely upon the information contained herein, you must take note that the information, figures and projections have been provided by various sources and have not been verified by us. We have no belief one way or the other in relation to the accuracy of such information, figures and projections. Colliers International will not be liable for any loss or damage resulting from any statement, figure, calculation or any other information that you rely upon that is contained in the material.

Tammy Tang

Managing Director | China
+86 21 6141 3625
Tammy.Tang@colliers.com

Wei Leng Tang

Managing Director | Singapore
+65 6531 8688
Weileng.Tang@colliers.Com

Nigel Smith

Managing Director | Hong Kong SAR
+852 2822 0508
Nigel.Smith@colliers.Com

Sankey Prasad

Chairman & Managing Director | India
+91 98 4526 8442
Sankey.Prasad@colliers.Com

Richard Raymundo

Managing Director | Philippines
+63 2 8858 9028
Richard.Raymundo@colliers.com

Yukihiro Ogasawara

Managing Director & Chairman | Japan
+81 3 4572 1010
Yukihiro.Ogasawara@colliers.Com

Luke Crawford

Associate Director | Research | Australia
+61 2 9257 0296
Luke.Crawford@colliers.com

Chris Dibble

National Director | Colliers Partnerships, Research & Communications | New Zealand
+64 9 357 8638
Chris.Dibble@colliers.com