TALKING POINTS

COLLIERS INTERNATIONAL | ASIA

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India – Industrial & logistics

After the easing the COVID-19 induced lockdown, industrial activity has gradually begun to improve. This is an opportune time for industry players to revive focus on the manufacturing sector.

We recommend manufacturers utilize government incentives to build suitable manufacturing facilities. We suggest electronics and pharmaceuticals companies focus on Bengaluru and Hyderabad, while the automotive segment should focus on Pune and Chennai.

India as a manufacturing hub

Enablers

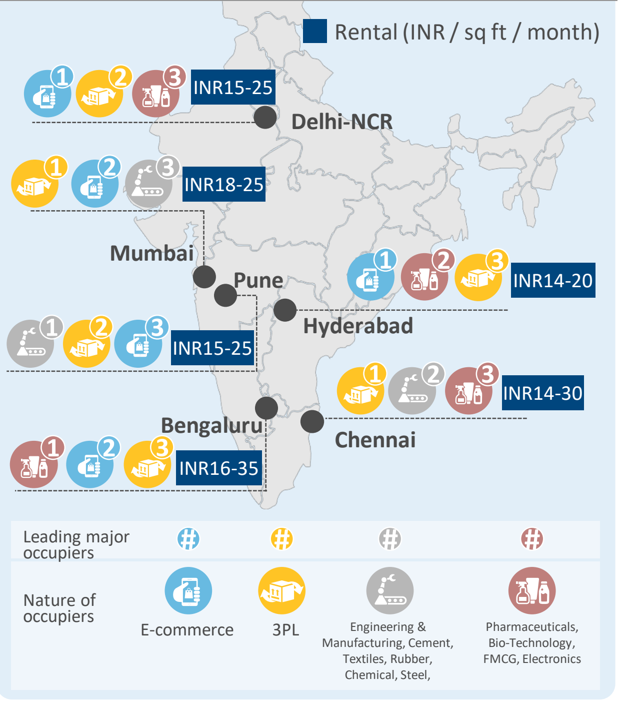
- Improved taxation system for the manufacturing industry
- Improving ease of doing business ranking
- High-and-low skilled labour (Spectrum of talent)
- Low labour costs
- Rising domestic demand, with a large middle-class population
- Fastest-growing e-commerce industry in the world*
- Infrastructure investment fund from the Government of India worth INR100 trillion (USD1.39 trillion) should result in lower logistics and supply chain costs
- Ongoing reforms by various state governments to attract manufacturing and logistics development

* https://www.cci.gov.in/sites/default/files/whats_newdocument/Market-study-on-e-Commerce-in-India.pdf

Recommendations

- Leveraging accelerated adoption of e-commerce by consumers, we recommend developers and landlords work closely with professional real estate consultants to upgrade their facilities while securing built-to-suit and pre-commitments from e-commerce companies. We recommend e-commerce companies to look for options in the vicinity of Delhi-NCR, Hyderabad, Mumbai and Bengaluru.
- We recommend government agencies aggregate large contiguous land parcels at suitable manufacturing and logistics locations, which are free from encumbrances. This land can be made available for the private sector at a fair market value.

India, sector-wise demand ranking, 2020



For further details, please see Colliers' Radar report:
- Revitalizing the Indian industrial and warehousing sector (29 Jul)

Source: Colliers International

Pan China – Data centres

With the commercialization of 5G and fast growth in cloud computing, Tier-1 cities in China have seen rising demand for Internet Data Centres (IDCs). New IDC approval is hard to obtain due to high energy consumption. Although the "New Infra" program should accelerate new supply in the long-run, occupancy rates in Tier-1 cities should remain high over the next 2-3 years.

Recommendations

- Investors should focus on IDC assets in Tier-1 cities due to strong demand and scarcity of supply.
- Investors should pay extra attention to adjacent cities as they become targets for spillover demand from Tier-1 cities, even as these cities are tightening the approval of IDC developments.

For further details, please see Colliers' Flash report:

- Pan China Data Center - Gaining speed (30 Jul)

East China – Office & Retail H1 2020

Office

Insights & Recommendations

In H1 2020, COVID-19 disrupted supply and demand in Tier II city office markets. Some project completions were delayed, and occupiers slowed leasing activities with some retreating (especially in Wuhan), resulting in a negative net take-up.

We foresee demand to recover gradually in H2 2020, as market activities are already picking up. However, vacancy rates should remain relatively high with a supply glut in all four cities till 2024.

We recommend Landlords leverage furnished spaces and good indoor environment (e.g. air quality and independently controlled A/C) to catch the growth of online sectors.

Highlights

- TMT and healthcare occupiers are still expanding. Hangzhou, as a hub of TMT, outperformed other cities with a positive net take-up.

Key demand drivers: % of net absorption		
	TMT	27%
	Healthcare	14%
	Online Retail	12%

For further details, please see Colliers' report:

- East China Office - Demand rebound, market activities pick up (30 Jul)

Retail

Insights & Recommendations

Consumption demand should rebound in H2 2020 with a series of stimulus policies.

Although a few projects are likely to be postponed, the supply glut should remain in H2 2020 and 2021, inducing intense competition on rents among landlords.

We recommend Landlords focus on O2O community operations, enhance the shopping experience, highlight bazaars and night markets to attract traffic, and optimize tenant mix and financial performance to improve their pandemic response capability.

Highlights

- In H1 2020, most retailers slowed expanding in East China amidst Covid-19 pushing rents to fall marginally in all three markets.
- Some trendy brands from the perfume, F&B and home appliances sectors continued expanding.

Key demand drivers: % of net absorption		
	F&B	33%
	Fashion	21%
	Lifestyle	11%

For further details, please see Colliers' report:

- East China Retail - New malls to open despite COVID disruption (30 Jul)

Source: Colliers International

Philippines - Manila
Office, Industrial, Hotel & Residential

Office Q2

We continue to see less office take up as occupants shelve leasing plans. Colliers sees a substantial drop in POGO* deals but we expect tenants that cater to essential needs such as healthcare leading take-up starting H2 2020.

Limited manpower and anti-pandemic measures continue to slow construction. We see limited new office supply helping limit the rise in vacancy and decline in rents.

Recommendations

Colliers recommends developers proactively engage existing tenants and be creative in structuring deals for those who continue to look for new office space due to expansions, relocations, and consolidations. We recommend both landlords and tenants to actively push for approval of more PEZA** spaces.

*Also known as Philippine Offshore Gaming Operators (POGOs), primarily offshore gaming firms from China.
**Also known as Philippine Economic Zone Authority

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Recommendations

Colliers recommends that operators continue to target returning Overseas Filipino Worker and professionals looking for co-living facilities and flexible workspaces.

We recommend operators highlight compliance with health and sanitation protocols and take advantage of concessions lined up by the government for the sector.

Colliers also believes that now is an opportune time for operators to ramp up use of technology in providing innovative services.

Industrial H1

Colliers believes that manufacturers of essential items such as food, medical, and other household products are likely to lead industrial space take up in 2020 and 2021. This should offset a subdued absorption from electronics manufacturers due to the economic slowdown.

Official data show that in the next 12 to 24 months, we are likely to see more investments funneled into the transportation and storage sector.

Recommendations

Colliers recommends developers modernize warehouses to capture the growing demand for e-commerce; tie up with delivery firms in Metro Manila to reach more consumers; and monitor government incentives for manufacturers of essential goods.

Hotel H1

The Philippine leisure sector continues to suffer from the sluggish impacts of the global pandemic and imposition of travel restrictions.

Residential Q2

The condominium market is starting to feel the adverse impact of the pandemic and lockdown. We see a drop in condominium completions and an appetite for both existing and pre-selling units.

Colliers believes that the full impact of the pandemic may be more apparent in H2 2020. The government-projected economic recovery in 2021 is likely to help boost residential leasing and sales in Metro Manila.

Recommendations

Colliers recommends developers take advantage of the pick-up in demand by highlighting units located in integrated communities, implementing adequate property management, offering flexible payment terms to recapture demand, and monitoring Overseas Filipino Worker markets that drive take up for affordable to mid-income[1] units.

[1]Affordable and mid-income projects are priced between PHP1.7 million to PHP5.9 million.

For further details, please see Colliers' reports:

- *Manila Office Q2 2020, Residential Q2 2020, Hotel H1 2020, Industrial H1 2020 (31 Jul)*

Source: Colliers International

Australia - Economy, Office, Industrial, Retail

Economic and regulatory updates

- ABS household survey data suggests that those who have a job has fallen from 64.5% in June to 63.5% in July. This was taken prior to the lockdown in Melbourne on 8 July.
- Payroll jobs data to 11 July shows a fall in total jobs of 1.1% between mid-June and mid-July with Victoria seeing the largest decrease of 2.2%. Total payroll jobs are 5.6% lower than since mid-March, prior to the pandemic.
- Consumer confidence has remained weak, however household views towards their own finances in comparison to a year ago has remained resilient, however is still significantly below the decade average.

Office

- Virgin Australia has decided to downsize its office space and move its headquarters to Southpoint building at Southbank, Brisbane, where Flight Centre Headquarter operates. The relocation is scheduled for mid-September.
- Future Fund has taken overflow space in co-working operator JustCo's latest Melbourne hub at 447 Collins Street as the country's sovereign wealth fund takes steps to ensure appropriate social distancing for its staff. Future Fund will use space in JustCo's hub to accommodate about 85 staff members alongside over 5,500 sq metres of traditional office space it has leased within the building.

Industrial

- Dexus has announced that it will sell six industrial and logistics assets to the Dexus Australia Logistics Trust for A$269.4 million, reflecting a passing yield of 5.3%. The portfolio of assets is 91% occupied with a WALE of 7.4 years and will be sold in two tranches – the first in October 2020 and the second as part of a put and call option arrangement in mid-2021.

Retail

- Vicinity Group has announced its June 20 valuations which have seen its portfolio fall by 11.3% between June 2020 and December 2019. Regional centres within the portfolio saw the largest devaluation (15.6%), with sub-regional centres down 10.5% and neighbourhood centres down 12.3%.
- David Jones and Country Road owner Woolworths Holdings has released a trading update. David Jones has seen sales fall 6.9% YoY with Country Road down 8.7% YoY.
- Seafolly which was placed in administration a month ago is expected to be bought back by the previous owners L Catterton.

For further details, please see Colliers' report:

- *Colliers Radar – Weekly Real Estate Update (31 Jul)*

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