Colliers Insights | APAC | 26 April 2021

Talking Points

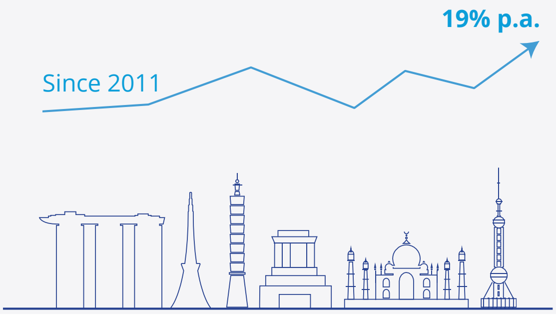
APAC: Industrial and logistics

China Plus One strategies:

New manufacturing locations appearing in developed and emerging markets

Manufacturing property as an asset class is rising in importance; since 2011, transactions of manufacturing assets have grown **19% p.a.** We believe **Singapore, Tokyo, Taipei, Ho Chi Minh City** and **Bengaluru** are particularly likely to attract industrial occupiers, creating new opportunities for owners.

Most leading Chinese cities also remain strong manufacturing locations.



Most attractive high-tech manufacturing markets for industrial occupiers outside China

Singapore	3.4
Tokyo	3.4
Taipei	3.2

China/Developed

1.0 Least attractive → **5.0** Most attractive

Attractive emerging market cities for other manufacturing activities

Ho Chi Minh City	3.2
Jakarta	3.1
Bengaluru	3.1

Emerging

Logistics property:

Varied approaches necessary to participate in fast-growing last mile and cold chain

Over 2019-2024, online grocery sales in APAC should grow **30% p.a.**, driving demand for the last mile delivery facilities of logistics networks.

30% p.a. grocery sales growth

We advise investors to focus on logistics warehouses on **city fringes**, while occupiers can leverage the expertise of **third-party logistics (3PL) providers** to enter the sector.

Demand for cold chain facilities is surging. Occupiers can work with 3PLs to find the right solution to fit their needs, while investors can refit existing assets or build dedicated warehouses as a long-run option.

Yields on logistics assets are likely to fall further in **China, Australia, Japan, Korea** and **Taiwan. Japan** is notably underserved by quality logistics stock, while in **Korea** foreign investors can compete with domestic investors by focusing on logistics.

For further details, please see Colliers' report: Asia Pacific: Industrial and logistics property (23 April)

Hong Kong SAR: Investment and office

Investment Q1

Total investment volume picked up 30% YOY to HKD10.1bn (USD1.3bn), yet it is still down by 56% QOQ as Q4 2020 witnessed a big-ticket deal of HKD9.8 billion (USD 1.3 billion) that set a high QOQ base.

Institutional investors become more active in Q1 2021, accounting for at least 53% of the investment volume. Most interest is focused on industrial assets.

Recommendations

- We recommend investors pay attention to the defensive assets, such as industrial properties and neighborhood malls, that could generate long-term income growth.

For further details, please see Colliers' report:

Increased Transactions from Institutional Investors (15 April)

Office Q1

Despite the negative net-take up, leasing sentiment has picked up slightly, with more enquiries and inspections witnessed in both core and decentralized area.

The overall Grade A office rents dropped by -2.0% QOQ in Q1 2021, which witnessed slower rental correction compared to last three quarters.

Recommendations

Given the low base and notable rental fall in 2020, we recommend occupiers keep an eye on the CBD market, with premium buildings in Central / Admiralty likely emerge as great bargains in 2021.

For further details, please see Colliers' report:

Pick-up in Sentiment as Rental Decline Slows (15 April)

Singapore: Investment Q1

Singapore investment sales rose 25.8% QOQ and 47.9% YOY (ex-mergers and government land sales) in Q1 2021 to SGD3. 8 billion, as investor sentiments continue to improve. We expect stronger sales through 2021.

Commercial deals, excluding REIT mergers, grew on continued interest in Grade A office buildings and suburban retail malls.

The residential segment saw increased local Good Class Bungalow (GCB) purchases and a record buying by foreigners. Growth in industrial volumes was boosted by interest extending beyond warehouses, into high-specs and light industrial assets.

Recommendations

We recommend assets with long term growth drivers, such as CBD offices with redevelopment potential, high-specs space, logistics assets and shophouses.

For further details, please see Colliers' report:

Growing investment momentum (14 April)

Taiwan: Office Q1

Vacancy rose due to new supply in Q1, but the stable economy and recovering demand still drove rising rents.

2021 is still a landlords' market due to the limited available supply. We expect the rent to rise at a moderate rate and vacancy to drop.

2024 should be a watershed in supply and demand, turning the market to a tenant-oriented market.

Recommendations

Tenants renew their leases now and adopt flexible space designs or lease flexible workspace to accommodate expansion plans while lowering capital expenditures.

Landlords should begin renewal negotiations with favorable lease terms, while upgrading building facilities to secure stable occupancy and avoid being undercut on rents due to the substantial supply.

For further details, please see Colliers' report:

Stable Demand and Moderate Rental Growth in 2021 (21 April)

India: Workplace

Office sector overview

Commercial office leasing activity in the top six Indian cities of Bengaluru, Chennai, Delhi NCR, Hyderabad, Mumbai and Pune remained sluggish in 2020, due to the uncertain economic environment and business conditions brought on by COVID-19.

Net absorption across the top six Indian was 20.6 million square feet (1.9 million square meters), a decline of 42.8% YOY. Occupiers largely focused on portfolio optimization by relocating, consolidating and downsizing.

Technology firms remained the major demand drivers with about 45% of the demand from large occupiers in recently completed projects offering better wellness and hygiene standards.

Vacancy rate across the top six cities was noted at 14.3%, an increase of 3.3 percentage points YOY. Although headline rents remained steady till late 2020, effective rents decreased 9.4% YOY as landlords continued to offer more incentives such as longer rent-free fit-out periods.

Investment update

During 2020, institutional investments worth INR35,835 crores (USD4.8 billion) were recorded despite a muted activity during Q2 2020, witnessing a drop of 23% YOY.

Investors continue to be bullish on the Indian real estate sector and asset classes such as offices, data centres and warehouses are receiving increasing interest.

For further details, please see Colliers' report:

Slow Economic Recovery to Buoy Property (16 April)

West China: Office Q1

We expect a total GFA of over 300,000 sq metres (3.2 million sq ft) will come online in 2021, which is mainly located in the downtown submarkets such as Dongda Street. Despite this supply, we forecast stable rents.

In Q1, no new supply was recorded. We saw more large leasing transactions of over 3,000 sq metres in the central area, coming from industries such as online education, energy and internet.

Benefiting from stable demand, the city-wide vacancy rate dropped 1.3pp QOQ to 17.0%.

Recommendations

We recommend tenants looking for large space consider the new buildings in the downtown area to secure better leasing terms.

For further details, please see Colliers' report:

Rent Bottomed Out and a Small Supply Peak Ahead (15 April)

Australia: Toowoomba Forecast

2020 was a year of unprecedented disruption for all aspects of the economy across the world. Toowoomba was undoubtedly impacted by the COVID-19 pandemic, with the local economy suffering on a larger scale than much of Queensland. While this has impacted some sectors of the property market, others appear to have held up remarkably well and the medium term offers opportunity if major government infrastructure projects move into the construction phase.

Industrial Property Market: Overall, the market in 2020 performed largely on par with 2019, a positive outcome given the economic disruption. Total value of sales for the year only dropped very slightly as average size of properties grew. Nevertheless, this drop in transactions and a weak Quarter 4 presents some concern.

Commercial Property Market: The commercial market has been the hardest hit by COVID-19. Positively, office property performed relatively strongly. The retail and hospitality sectors were significantly affected by COVID-19. Retail property continued to change hands, with only a marginal decrease in transaction numbers from 2019, however prices were well down.

Residential Property Market: COVID-19 has driven demand for regional properties in Queensland and the Toowoomba market benefited from this impact. Modest market growth was achieved for the year, recovering much of the losses of 2018, most strongly seen in the unit market.

The Australian Government's HomeBuilder programme, designed to stimulate the construction industry, has been a major driver of vacant land sales across Australia. This can be clearly seen in the strength of local vacant land sales for the year, which increased by close to 70%. The trend towards smaller sized purchases, however, meant that price measures fell despite this increase in demand.

For further details, please see Colliers' report:

Capital Market – Industrial & Logistics (23 March)

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