TALKING POINTS

COLLIERS INTERNATIONAL | ASIA

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India – impact of government stimulus on real estate sector

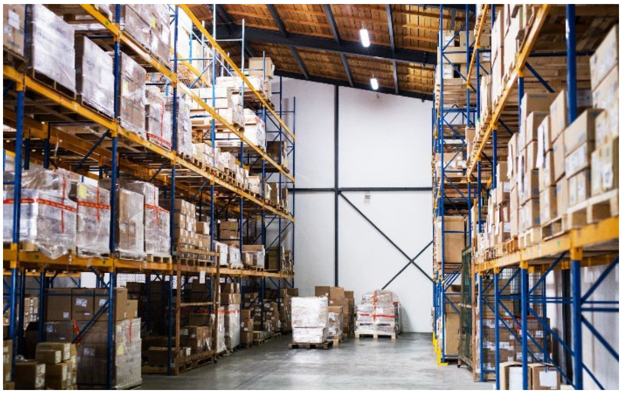
The government's INR20 trillion (USD267 billion) stimulus package for the Indian economy, announced on 12 May, amounts to 10.0% of GDP. The package provides support to real estate developers to tide over the present difficult times.

Insights and recommendations

- The stimulus package provides increased opportunities for developers in warehousing and cold storage facilities for agricultural produce and related sectors.
- We recommend developers explore viability gap funding* for social infrastructure projects which would benefit their projects and land banks.
- Extending the date for commencement of commercial operations for loans given to commercial real estate by an additional year, as proposed by the government, should provide a lifeline to developers facing financial stress.

** This term refers to a grant provided by the government to infrastructure projects that are justified economically, but may lack financial viability.*

The implications of the package for the industrial and warehousing segment of the real estate market are especially interesting.



Industrial and warehousing

- The government has provided INR1.0 trillion (USD13.3 billion) to agriculture infrastructure, INR200 billion (USD2.7 billion) to fishermen and INR100 billion (USD1.3 billion) to micro food enterprises. This support is aimed at strengthening the farm gate infrastructure (see below) in order to reduce wastage and improve realised prices.

Colliers insights

Farm gate infrastructure includes cold chains, storage centres, logistics and aggregation points. While the government plans to manage the storage centres, we believe that developing and creating modern warehouses and cold storage facilities for agriculture, and agri-based small businesses should emerge as an opportunity for private developers and third-party logistics players.

For further details, please see Colliers' report:

- *India Flash Report – India's Financial Stimulus to Combat COVID-19 (26 May)*

Philippines - Provincial property

Davao Office

Davao City is one of the most competitive outsourcing destinations in the Philippines, and one of only three Philippine cities that are in Tholons' Top 100 global sites1 for outsourcing.

However, the COVID-19 pandemic will likely lead to slower office leasing all over the Philippines, including Davao City.

Despite the challenges, Colliers sees office leasing opportunities for urban hubs outside of Metro Manila including Davao especially when market sentiment starts improving early 2021.

Recommendations

- Colliers encourages outsourcing occupiers to lock in space in integrated communities. Landlords, meanwhile, should highlight their property management capabilities and availability of PEZA-proclaimed space*

For further details, please see Colliers' report:

- *Davao Post-pandemic Office Recovery (22 May)*

Davao Residential

Davao City is a residential hotspot in Mindanao and is a preferred site of both end-users and investors.

The sustained demand over the past four years has encouraged condominium and house and lot developers to invest in the city.

However, Colliers believes that the demand is likely to be curtailed by the COVID-19 pandemic while supply will likely be pared down due to quarantine measures.

Colliers believes that over the next few years, buyers are likely to prefer units within integrated communities and near infrastructure projects lined up by the government such as the Mindanao Railway. Aside from highlighting these features, developers should also look at alternative developable sites.

Recommendations

Specifically, we think developers should:

- Highlight residential projects in integrated communities
- Explore alternative sites for lot only and (H&L) projects
- Bank on infrastructure projects
- Convert and repurpose old facilities

For further details, please see Colliers' report:

- *Opportunities for Davao Residential Investors and Developers Amid COVID-19 (22 May)*

*Philippine Economic Zone Authority (PEZA) proclaimed spaces where locators enjoy tax and non-tax incentives.

Australia: Offices, Industrial

Office

- The plan to return office workers back to offices in our CBDs and Metro markets is underway. Most major corporates are returning to their office at a maximum capacity of 50% at any one time.
- Social distancing will not be required in lifts in Australian office buildings, however will need to be observed in lobbies and offices.
- The finance and insurance sector, a major occupier of office space, has increased headcount by 0.6% between 14th March and 2nd May, according to the ABS' latest Payroll and Jobs data release. This sector is bucking the trend in a headcount changes, with all other industries recording a drop in headcount.
- Code of Conduct legislation has been passed in SA which covers the pandemic period with existing leases honoured and proportionality excluded.

Industrial

- Despite commercial property deals (by value) slowing 47% across the Asia Pacific region in Q1 2020 compared to Q1 2019, volumes for industrial and logistics assets fell by just 10% over the same period. The re-weighting of allocations to logistics property given growth in e-commerce coupled with the more palatable size of logistics assets compared to office and retail has been the catalyst.
- The Department of Home Affairs, which manages revenue and payment of liabilities on imports, has confirmed that they will consider requests for payment plans and other leniency measures related to COVID-19.
- In FM Global's 2020 Global Resilience Index, Australia has been ranked 17th from 130 countries for the logistics sector's resilience to rebound from economic events and its capacity to deal with supply chain disruptions.
- The Victoria Government has announced a $2.7 billion Building Works package to drive major transport investment as part of the state's COVID-19 economic recovery. The package will create 3,700 direct jobs and in combination with other infrastructure projects underway and in the pipeline will continue to positively impact the Victoria industrial and logistics market.

For further details, please see Colliers' report:

- Colliers Radar – Weekly Real Estate Update (22 May)

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