Capital Markets & Investment Services | Q1 2022

Asia Pacific Market Snapshot

Singapore

Investments grew 34.4% QOQ to SGD10.6 billion (USD7.8 billion)

Korea

Transaction volumes in Seoul's office market hit KRW4 .5 trillion (USD3.6 billion)

China

Over RMB11 billion (USD1.7 billion) worth of transactions were finalised in key markets

Australia

Sydney and Melbourne saw the closure of deals in the office segment with a combined value of over USD1 billion

Taiwan

Commercial property transaction volumes reached TWD36.3 billion (USD1.25 billion), the second highest Q1 figure on record

India

Top deals across the three major metros amounted to USD745 million, while residential sales surpassed pre-2020 levels

Overview

Major Asia Pacific real estate markets continued to build on an ongoing recovery, driven mainly by demand in the office and industrial segments amid waning Covid-19 concerns, which helped to improve business sentiment and strengthen the overall economic outlook.

Key Australia markets saw the completion of deals in the office segment worth over USD1 billion as a labour market recovery coincided with a relaxation of travel restrictions and further fueled interest in the office market. China too saw a resurgence in demand for office space, including in business parks, with major markets witnessing the finalisation of deals worth a combined RMB11 billion (USD1.7 billion). In India, sales of residential units surpassed pre-2020 levels while positive economic indicators attracted fresh inflows of foreign capital. Demand for co-working spaces gathered steam as cost-conscious occupiers increasingly turned to an outsourced service model. In Japan, REITs invested actively in large office and logistics properties while the industrial and hotel segments also attracted significant interest.

In Thailand too, where investments in the hotel and industrial sectors remained strong, REITs played a significant role acquiring three new assets worth a combined USD185 million. Hong Kong also saw a ramp-up in institutional investor interest, especially for hotel assets, while Singapore saw interest pick up for commercial properties after policy measures cooled activity in the residential segment. In Vietnam, the residential and industrial segments are poised to benefit from policy reforms, the country's growing status as a regional production hub and its success in reining in Covid-19 cases. Optimism is on the rise in Indonesia as concerns about Covid-19 abate and the recent reopening of borders kindles hopes of a resumption in dealmaking activity, including in the increasingly popular logistics segment. In the Philippines too, an easing of travel restrictions has bolstered consumer spending and sentiment, and encouraged the return of employees to offices. Together, these factors should anchor recovery in the country's residential, office and retail sectors in 2022.

Please contact our relevant capital market experts for further insights and in-depth discussions on key trends and maximise opportunities across the region.

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Regional summary

Australia, New Zealand markets enjoy a resurgence in demand

With the reopening of state and international borders, major Australian cities witnessed a pick-up in demand from both occupiers and investors, and are expecting a significant increase in transaction volumes in the coming quarters. In Sydney, momentum in the occupier market - triggered by the return of workers to offices - will drive demand, especially for premium assets as more companies look to coax employees back into the workplace. Occupier requirements are centered around the flight to quality thematic, with demand for a high level of amenities and ESG requirements within core locations continuing to drive relocation activity and investor demand. We also expect vendors to look for opportunities to sell and domestic investment to grow as institutional investors and superannuation funds expand their real estate portfolios. Melbourne also saw a substantial uptick in interest from institutional investors, and with various sales campaigns underway or about to commence, we should see a rapid increase in deal volumes as the year progresses. In Auckland, expectations of an easing of restrictions once Omicron cases dissipate are driving demand for retail and office space, which could push vacancy rates down. We also expect an increase in demand for high-quality commercial and industrial properties as well as core office assets, including from overseas investors later in the year when border restrictions may be further eased.

Offices, business parks fuel deals in major Chinese markets

Growing demand for office space in central business districts (CBD) as well as business parks marked a common theme in Q1 for key cities in China. In Beijing, where foreign buyers accounted for almost two-thirds of the total transaction value of RMB2.94 billion (USD462 million), renewed confidence among occupiers led to a spurt in leasing activity and absorption of large office spaces. We expect transactions to pick up in coming months, including in the business park office market, which remains popular among investors and end-users. In Shanghai, office and business park office assets made up 60 percent of the overall transaction value of RMB5.98 billion (USD939 million). Business park offices and logistics assets will remain in demand while investments in rental apartments should see fresh growth. In the country's south, Shenzhen recorded transactions worth RMB785 million (USD123 million) and Guangzhou recorded one transaction worth nearly RMB300 million (USD47 million). Both markets are expected to see sustained interest for office and business park office assets. In western China, Chengdu witnessed three deals worth about RMB1.5 billion (USD232 million) while no transactions were recorded in Xi'an. We expect the office sector to continue to garner interest in both markets.

Hong Kong's hotels, industrial assets attract investors

Hong Kong saw investment activity drop 46 percent QOQ and 6 percent YOY to HKD11.2 billion (USD1.4 billion) in Q1, as Omicron cases, global geopolitical tensions and stock market volatility dampened investor sentiment. However, despite office and retail transactions remaining subdued, investors turned to hotel assets, recognising their potential to generate steady revenues as co-living or quarantine facilities in the near term, and from the resumption of tourism in future. Transaction volumes should pick up once restrictions are relaxed and the investment market for quality assets, including industrial properties such as data centres and cold-storage facilities, will gradually recover in H2. Hotels will continue to attract institutional investors throughout the year while local investors will likely remain focused on retail assets.

Investors return to Singapore in strength

Capital continued to flow into Singapore from private funds and family offices pursuing assets in prime locations as demand spilled over into the commercial sector after the government introduced a range of measures in December 2021 to rein in the residential sector. Commercial sales drove transaction volumes, which grew 34.4 percent QOQ to SGD10.6 billion (USD7.8 billion) in Q1. While the office sector drew the attention of investors keen on CBD assets, the most notable transaction was the sale of the mixed-use Tanglin Shopping Centre to Indonesia's Royal Golden Eagle for SGD868 million (USD645.6 million) in February 2022. Looking ahead, we expect core assets offering stable yields to remain in demand. Corporate M&A and cross-border activity should fuel capital growth as investors take advantage of freshly reopened borders but prices and volumes will be capped by rising interest rates and geopolitical tensions. In the industrial segment, growing demand will ensure cap rates are compressed while retail and hospitality assets will be back in favour thanks to the resumption of international travel.

Seoul office market sees fewer but bigger deals

Despite a slowdown in the number of transactions, deal volumes in Seoul's sought-after office market remained high at KRW4.5 trillion (USD3.6 billion) following the successful closure of various deals involving large-sized premium properties. Looking ahead, a decrease in investment opportunities and volumes is expected as investors deal with rising interest rates and a dwindling supply of assets. However, these factors might not affect the finalisation of various mega deals involving prime assets, such as the Brookfield-owned IFC in Yeouido Business District, which could change hands for about KRW4 trillion (USD3.2 billion). Additionally, office prices will maintain an upward trend mainly in the Gangnam area popular with technology companies.

REITs play key role in Japan's market revival

Investments in the office, residential and logistics sectors remained at healthy levels during Q1, fueled by sustained interest from Japanese REITS (J-REITs). The quarter also saw investments pick up in the hotel and retail sectors. We expect J-REITs to continue to anchor activity in the office and logistics sectors while investments in the hotel and retail sectors will likely increase in H2 as Covid-19 recedes into the background and the economic outlook improves. Furthermore, given foreign investors' robust appetite for Japan's real estate market – as demonstrated by GIC's acquisition of Seibu Group's 15 hotels and ancillaries for JPY150 billion (USD1.2 billion) and KKR's plans to acquire all outstanding shares of Mitsubishi Corporation-UBS Realty for JPY230 billion (USD1.9 billion) – we anticipate an increase in cross-border transactions following the easing of restrictions on business travel to Japan.

Market insights as of 25 April 2022

Asia Pacific markets at a glance – An interactive map

Click through to view specific market snapshots to find out more

Auckland

Home

There is growing evidence that Omicron cases in the country are close to peaking, which will enable an easing in restrictions. This will bolster demand for retail and office space making it increasingly likely that vacancy rates are close to, or at their peak.

Review

Heightened demand for high-quality commercial and industrial property assets has resulted in further yield compression.

Activity has been most apparent within the industrial sector. This is a result of strengthening tenant demand fundamentals, which has seen vacancy rates in both Auckland and Wellington fall to circa 2%, bolstering the sector's safe-haven reputation.

Core office assets continue to elicit high levels of investor competition. While purchasers have taken a more cautious approach to the retail sector, where activity has been heavily skewed towards large-format retail premises, there is evidence of a broadening of interest to include strongly performing local centres.

Forecast

While rising interest rates suggest that yields will ease over the course of 2022, the impact is likely to be limited by the weight of capital that investors have accrued and plan to deploy within the commercial property sector.

Strong demand for New Zealand assets is clearly illustrated by the recent confirmation that Precinct Properties has agreed to inject five of its office properties, valued at about NZD590 million (USD410 million), to seed a new investment portfolio with GIC, the Singaporean sovereign wealth fund. A further uplift in overseas activity is anticipated later in the year as border restrictions are eased.

Key market deals

Hanui Road
Location: Hawkes Bay
Price in USD: 17,074,050
Size: 9,790 sq m
Buyer: Mackersey Property
Seller: Confidential

Chalmers/ Hounsell Roads
Location: Hamilton
Price in USD: 27,346,360
Size: 6.038 ha
Buyer: Confidential
Seller: Confidential

6 Nixon Steet
Location: Grey Lynn, Auckland
Price in USD: 16,377,150
Buyer: Resident Properties Limited
Seller: Ockham

Chalmers / Hounsell Road

Biggest deal | USD27,346,360 | Industrial land

- Industrial
- Vacant land
- Office

Major movers of the quarter

- Industrial
- Hotels
- Office

Sectors to watch

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Beijing

Home

In Q1, Beijing recorded four transactions with a total value of RMB2.94 billion (USD462 million) and total transacted area of approximately 150,000 sq m.

Review

Foreign buyers outperformed their domestic counterparts, accounting for 51% of the overall transaction value with one notable transaction: the completion of the KKR & Funlive joint venture rental apartment deal in Beijing's Daxing District. With a transaction value of RMB1.87 billion (USD294 million) the deal was part of a mixed-use development project awarded to China SCE Group at an open auction last May.

Hitone Capital bought the Ya'ao Wu Mart en-bloc retail asset for RMB750 million (USD118 million) with an intent to convert the asset to an office space. Other deals finalised in Q1 include two distressed assets in Haidian and Tongzhou districts.

Forecast

Continued momentum in leasing activity and renewed confidence in occupier markets have led to an increase in the absorption of large office spaces. These drivers have also helped strengthen activity in the office segment in Shangdi, Ya'ao and CBD areas, with investment transactions expected in the months ahead. As demand for healthcare services and associated factors continue to escalate, the outlook for the business park office market remains positive. We believe the business park sector will retain its popularity in terms of transaction value as buyers will continue to benefit from favourable policies and robust economic growth.

Key market deals

The Cloudland -Funlive Apartment
Location: Daxing District
Price in USD: 294 million
Size: 96,740 sqm
Buyer: KKR & Funlive JV
Seller: China SCE Group Holdings

Ya'ao Wu Mart
Location: Chaoyang District
Price in USD: 118 million
Size: 24,165sqm
Buyer: Hitone Capital
Seller: Badachu Holding Group

Meiguifang Com Center Blk 33
Location: Tongzhou District
Price in USD: 25.6 million
Size: 17,625 sqm
Buyer: Beijing Tonghuaye Technology Development Co. Ltd.
Seller: Huaye Capital

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En-bloc transactions

USD462M
Combined value

The Cloudland -Funlive Apartment
Biggest deal | USD294M | Rental apartment

- Apartment
- Office

Major movers of the quarter

- Business park
- Mixed-use

Sectors to watch

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Hong Kong

Home

A severe Omicron outbreak that sparked strict Covid-19 restrictions disrupted the city's investment market in Q1 2022, resulting in transaction volumes halving QoQ. However, even as office transactions turned sluggish, institutional investor interest for hotel assets grew.

Review

The Omicron outbreak, global geopolitical tensions and stock market volatility dampened investor sentiment during the quarter. Investment volume for Q1 dropped 46% QoQ to HKD11.2 billion (USD1.4 billion), but increased 19% YoY due to a low base effect. The industrial segment accounted for the bulk of transactions in Q1 with 14 deals worth HKD4.2 billion (USD542 million) recorded.

While office transactions remained muted, the quarter saw an uptick in interest for attractively priced hotel assets amid bets they could generate steady revenue after being converted into co-living or quarantine facilities in the near term, or resume attracting tourists once borders reopen.

Forecast

Despite market uncertainties, we expect investor interest for quality assets to sustain and we expect the investment market to gradually recover in H2. Transaction volumes will likely pick up once Covid-19 restrictions are relaxed as planned.

Industrial assets are likely to be sought after, helped by the sector's resilient rental performance amid growing demand for data centres and cold-storage facilities. Meanwhile, the flexibility of hotel assets will also attract institutional investors in 2022 while local investors are likely to remain focused on retail premises.

Key market deals

YOHO Mix
Location: Yuen Long
Price in USD: 208 million
Size: 9,941 sq m
Buyer: SHKP
Seller: MTR

Travelodge Central Hollywood Road
Location: Central
Price in USD: 109 million
Size: 5,414 sq m
Buyer: PGIM
Seller: Schroder Pamfleet

TY Wider
Location: Kwun Tong
Price in USD: 97.8 million
Size: 9,065 sq m
Buyer: Telecom Digital Holdings
Seller: Tang Shing Bor Family

6
En-bloc transactions

USD545M
Combined value

YOHO Mix
Biggest deal | USD208M | Retail

- Office
- Retail

Major movers of the quarter

- Industrial
- Hotel
- Neighbourhood retail

Sectors to watch


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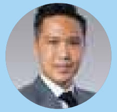
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India

Home

Growth in India's real estate sector picked up in Q1 2022 with residential sales surpassing pre-Covid-19 levels. Fresh flows of foreign capital into multiple sectors prompted a wave of consolidation amongst developers while favourable economic indicators and the government's focus on fostering growth have improved the demand-supply dynamics and further buoyed sentiment.

Review

The residential segment continued to outperform estimates despite the spread of the 'Omicron' variant in the months of January and February. Demand was mainly driven by the affordable housing segment, which benefited from favourable policies, such as lower interest rates and reduced stamp duty charges in some states. At the same time, pent-up demand following the lifting of Covid-19-related restrictions have fueled investments in the middle-income as well as luxury homes categories in Q1.The commercial real estate sector also witnessed improved demand with the co-working segment gathering steam as occupiers in tier 1 and tier 2 cities moved to adopt the hub-and-spoke model, and reduce their long-term commitments and capital expenditure. Overall, we have seen demand for tech-enabled managed workspaces being driven by a growing preference among occupiers for the 'offices as an outsourced service' model.

Forecast

With global private equity firms and institutional investors continuing to infuse fresh capital into Indian real estate, especially in the commercial, retail and warehousing sectors, we expect further growth primarily in cities such as Bengaluru, Hyderabad and Mumbai in 2022. Demand for housing is expected to sustain through the year, fostered by low interest rates and reduced duties in some states. While cities such as Mumbai, Pune and Hyderabad are expected to lead the push, the heightened demand may result in an uptick in prices, especially in Pune and Hyderabad.

Key market deals

GIC – Bhartiya Group	Viviana Mall	Phoenix Market City Chennai
Location: Bengaluru	Location: Thane, Mumbai	Location: Chennai
Price in USD: 375 million	Price in USD: 250 million	Price in USD: 120 million
Size: ~3,00,000 sq m	Size: ~2,00,000 sq m	Size: ~1,00,000 sq m
Developer: Bhartiya Group	Buyer: Lakeshore	Buyer: Phoenix Mills
Investor: GIC	Seller: Ashwin Sheth Group, GIC	Seller: Crest Ventures Ltd. Escort Developers Pvt. Ltd

3
En-bloc transactions

USD375M
Combined value

GIC – Bhartiya Group
Biggest deal | USD375M | Commercial

- Residential
- Warehousing
- Commercial

Major movers of the quarter

- Residential
- Commercial
- Alternative assets (Warehousing, Data centres)

Sectors to watch

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Indonesia

Home

Optimism is growing as concerns about Covid-19 abate and the recent opening of overseas travel into Indonesia kindles expectation that businesses and investors will resume dealmaking, aided by the extension of tax incentives through June-end.

Review

The logistics space is now among the top asset classes and has seen recent activity, including a joint venture (JV) between Warburg Pincus-backed NWP and CRE Asia. The JV has secured its first pre-leased, built-to-suit warehouse in Jakarta and construction on the facility should commence in H2. Additionally, Astra International and Hongkong Land announced a JV with Logos SE Asia to develop modern warehouses.

Another sector showing promise is the factory outlet mall space with recent announcements about two upcoming properties, both in Karawang (east of Jakarta). One project involves Tuan Sing and their Japanese partner, Mitsubishi Estate, and the other features Summarecon, a leading township developer.

Forecast

While apartment sales picked up in Q4 2021 with 516 units sold in Jakarta (2.6 times higher than in Q3) and 1,289 units were sold in all of 2021, the sector remains sluggish. However, we expect it to find broader support from end-users and investors by early 2023.

In the office segment, we believe the market has touched bottom and will start to see more stable occupancy rates and a slight improvement in pricing over the next few quarters. At present, there is very little development of new office space in the CBD or submarkets, which may create opportunities for projects with expected completion dates in 2023 and beyond.

- Logistics
- Landed housing
- Data centers

Major movers of the quarter

- New townships
- Free-standing retail
- Last mile (fulfilment) logistics

Sectors to watch

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Japan

Home

Investments in the office, residential and logistics sectors remained at healthy levels during Q1 2022 as the government focused on maintaining economic activity despite new Covid-19 cases reaching a record high. There was also a clear trend pointing to increased investments in the hotel and retail sectors.

Review

Japanese REITs (J-REITs) continued to invest actively in large office and logistics properties while investments in hotels and urban retail assets, which were sluggish at the height of Covid-19, picked up. During Q1, Seibu Group agreed to sell 15 hotels and ancillaries to GIC for a total of JPY150 billion (USD1.2 billion).

In Tokyo's Ginza district, the Ginza Core buildings were sold to Hulic for redevelopment. KKR announced plans to acquire all outstanding shares of Mitsubishi Corporation-UBS Realty (MC-UBSR) from Mitsubishi Corporation and UBS for JPY230 billion (USD1.9 billion), demonstrating robust global investor appetite in the Japanese market.

Forecast

We expect investment activity in Japan's office and logistics sectors to remain steady, with J-REITs emerging as key players. As Covid-19's impact recedes and the outlook improves for the normalisation of economic activity, investments in the hotel and retail sectors will likely pick up further in the second half of the year. We also anticipate an increase in cross-border transactions, as restrictions on business travel to Japan have significantly eased from March 2022.

Key market deals

Logi-port Kawasaki Bay
Location: Kawasaki, Kanagawa
Price in USD: 313 million
Size: 130,000 sq m
Buyer: Mitsubishi Estate Logistics REIT
Seller: Unknown (private corporation)

15 Hotels (incl. The Prince Park Tower Tokyo)
Location: Various
Price in USD: 1.3 billion
Size: -
Buyer: GIC
Seller: Seibu Holdings

29
En-bloc transactions

USD3B
Combined value
(total of 11 of above where price known)

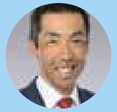
Prince Hotel (15 hotels + 10 golf & 6 skiing site)
Biggest deal | USD1.3B | Hotel

- Office
- Logistics
- Hotel

Major movers of the quarter

- Retail
- Hotel
- Office

Sectors to watch



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Korea

Home

Volumes remained high in Q1 2022 as deals involving large-sized prime properties were successfully closed. Looking ahead, while mega-sized deals for prime assets are in progress, factors such as rising interest rates and fewer available properties for investment is likely to keep transaction volumes down.

Review

In Q1, total office transaction volume stood at KRW4.5 trillion (USD3.6 billion). Mirae Asset Management and Krafton Consortium purchased Shinsegae Group E-Mart's headquarters office building in Seongsu-dong in a deal worth more than KRW1 trillion (USD816 million). Krafton plans to develop Krafton Town by purchasing additional real estate near the E-Mart Seongsu-dong site. Alpharium Tower, a landmark office building in Pangyo Techno Valley near Seoul, was sold for KRW1.02 trillion (USD853 million). The largest ongoing deal involves the Brookfield-owned IFC building in Yeouido. It is expected to be sold for approximately KRW4 trillion (USD3.2 billion). Among the other deals scheduled to take place this year involve Jongro Tower in CBD and Apro Square in Gangnam.

Forecast

We expect an overall decrease in office investment opportunities though this is not because the office sector is falling out of favour among investors. Instead, investors are becoming more cautious and declining opportunities to purchase assets at a time when interest rates are rising. Nonetheless, office prices per pyeong (approximately 35.6 sq ft) are expected to maintain an upward trend, mainly in the Gangnam area, due to continued demand from tech sector tenants.

Key market deals

E-Mart HQ building
Location: Seongsu-dong
Price in USD: 816 million
Size: 99,475 sq m
Buyer: Mirae Asset & Krafton
Seller: E-Mart

AlphaDom City Alpharium Tower (C2-2,C2-3)
Location: Pangyo
Price in USD: 853 million
Size: 112,248 sq m
Buyer: Mastern AMC
Seller: ARA AMC

Gangnam P Tower
Location: GBD
Price in USD: 353 million
Size: 44,129 sq m
Buyer: KORAMCO
Seller: KORAMCO

18
En-bloc transactions

USD3.6B
Combined value

AlphaDom City Alpharium Tower (C2-2,C2-3)
Biggest deal | USD853M | Office

- Office
- Industrial

Major movers of the quarter

- Office
- Industrial

Sectors to watch

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Melbourne

Home

Melbourne has started 2022 with sentiment improving in the office sector due to a robust recovery in the labour market. This has coincided with a relaxation of Covid-19 restrictions and the re-opening of state and international borders, which is spurring a return of employees to the workplace and, subsequently, an increase in investor activity.

Review

The sale of 1010 Latrobe Street to a Singapore investor demonstrated renewed appetite for Melbourne office space and the reintroduction of offshore capital. The transaction reflected a passing initial yield of 5.06% based on a WALE of 2.2 years. The sale also reflects the depth of demand for premium-grade space as tenants gravitate to accommodation options that meet their ESG criteria.

An office and retail buidling at 401 Collins Street was purchased by an adjoining owner. The building was not tenanted and the sale signifies the growing confidence among investors of a turnaround in CBD office performance. There is substantial institutional investor interest in the Melbourne market and deal volumes should increase significantly as 2022 progresses.

Forecast

An improvement in the occupier market and reduction in vacancy rates, particularly in premium and Grade A buildings, will drive investor interest in the Melbourne office segment. After the lockdowns of previous years, the Melbourne market is reopening and there is pent-up demand among investors to acquire performing assets and those positioned to take advantage of the expected upturn.

There are some significant on-market sale campaigns that have commenced or are due to commence and, with a substantial amount of capital chasing deals, we expect these sales to demonstrate continued capital growth and yield compression.

Key market deals

1010 LaTrobe Street & The Innovation Building
Location: 1010 LaTrobe Street
Price in USD: 150 million
Size: 21,133 sq m
Buyer: Straits Real Estate (via Artifex Property)
Seller: City Harbour

401 Collins Street
Location: 401 Collins Street
Price in USD: 70 million
Size: 6,738 sq m
Buyer: Shakespeare Group
Seller: Impact Investment Group

- Retail
- Industrial
- Office

Major movers of the quarter

- Retail
- Office
- Development sites

Sectors to watch

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Philippines

Home

Philippines' economic recovery - the economy grew by 5.6% in 2021 after contracting 9.6% in 2020 - and the easing of mobility restrictions should bolster consumer spending, enhance business sentiment, and allow the return of more employees to offices. Together, these factors should anchor recovery in the residential, office and retail sectors in 2022.

Review

In 2021, Colliers recorded 422,400 sq m (4.5 million sq ft) of office transactions, up 18% from 357,400 sq m (3.8 million sq ft) in 2020. Traditional occupiers from the e-commerce and financial services sectors led take-up in 2021. Further, we saw the delivery of about 633,900 sq m (6.9 million sq ft) of new office space in 2021, up 48% from the 427,900 sq m (4.6 million sq ft) in 2020. We recorded the completion of 8,731 in 2021, up 159%. All of the new units came from Bay Area and Fort Bonifacio, with the former accounting for 86% of the supply. The new supply primarily helped push vacancy rates up to 17.9% in Q4 2021 in the Metro Manila secondary residential market.

Forecast

We see recovery in office leasing and project net take-up to reach 307,400 sq m (3.3 million sq ft) in 2022 with outsourcing and traditional occupiers dominating absorption in Metro Manila over the next 12 months. Further, we believe that the narrowing rental gap between central business district (CBD) and non-CBD locations due to rental correction should enable occupiers to implement flight-to-quality measures.

In the residential market, we expect vacancy rates to ease to 16.2% in 2022 backed by economic recovery, a rebound in office leasing and the return of expatriates to the Philippines.

Key market deals

Confidential
Location: Bataan
Price in USD: 5.75 million
Size: 95,910 sq m
Buyer: Confidential
Seller: Confidential

2
En-bloc transactions

USD98,000
Combined value

Confidential
Biggest deal | USD5,750,000 | Industrial

Industrial
Major movers of the quarter

- Industrial
- Commercial

Sectors to watch

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Shanghai

Home

In Q1, Shanghai recorded 13 transactions with a total value of nearly RMB6 billion (USD942 million) and total transacted area of approximately 240,000 sq m.

Review

Total transaction value in the quarter reached RMB5.98 billion (USD939 million) with the closing of 13 transactions. There were eight deals in the office and business park office sectors with an aggregate value of RMB3.66 billion (USD575 million). Transactions in the office, business park and logistics segments contributed 33.2%, 27.9%, and 22.9% of the total transaction value, respectively.

End-users remained active with six transactions, which accounted for 55% of the total value. CIFI Group purchased Henderson CIFI Center as its headquarter office, for a total consideration of nearly RMB1 billion (USD158 million). Jixian Business Park Center was acquired by VIVO with an aggregate value of RMB900 million (USD156 million).

In the logistics space, Ping An and New Ease purchased the E-Land Shanghai Warehouse from E-Land Group for a total consideration of RMB1.38 billion (USD216 million).

Forecast

Asset types related to new economy sectors, such as logistics and business park offices, especially biomedical parks, are highly sought after. We expect end users will remain active. In addition, investments in the rental apartments sector will also see new growth.

Key market deals

E-Land Shanghai Warehouse	Henderson CIFI Center	Jixian Business Park Center
Location: Minhang District	Location: Minhang District	Location: Pudong District
Price in USD: 216 million	Price in USD: 158 million	Price in USD: 156 million
Size: 131,215 sqm	Size: 15,695 sqm	Size: 29,473 sqm
Buyer: Ping An/New Ease China	Buyer: CIFI	Buyer: VIVO
Seller: E-Land Group	Seller: Henderson China & CIFI JV	Seller: Shanghai Zhangjiang Group

13
En-bloc transactions

USD939M
Combined value

E-Land Shanghai Warehouse
Biggest deal | USD216M | Logistics

- Office
- Business park

Major movers of the quarter

- Office
- Business park

Sectors to watch

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Singapore

Home

Led by commercial sales, investment activity got off to a healthy start in Q1, growing 34.4% QOQ to reach SGD10.6 billion (USD7.8 billion). As Singapore reopens its borders, keen competition for core assets and those providing stable yields is expected to continue through 2022.

Review

Amid headwinds from rising interest rates and geopolitical tensions, Singapore continued to attract capital from private funds and family offices pursuing assets in prime locations. Investor demand spilled over into the commercial sector following the government's latest round of cooling measures aimed at the residential sector in December 2021. Topping the charts for non-related party transactions in Q1 was mixed-use development site Tanglin Shopping Centre, which was purchased by Indonesian paper and palm oil major Royal Golden Eagle for SGD868 million (USD645.6 million) in February 2022. Meanwhile, the office sector recorded strong investor interest in Central Business District assets with potential for further upside through value-add enhancements.

Forecast

Prices and volumes are expected to grow at a milder and more sustainable rate as investors factor in various headwinds. Corporate M&A and cross-border activity as well as the conclusion of a few large commercial deals and land tenders will bolster capital growth. Properties with repositioning and asset enhancement potential will be increasingly attractive as investors seek core-plus and value-add opportunities. In the industrial segment, we expect cap rates to remain compressed as demand for new economy assets constrains supply. Finally, there will be renewed interest in retail and hospitality assets, which are seen as beneficiaries of an economic recovery fueled by the reopening of borders.

Key market deals

Tanglin Shopping Centre
Location: Orchard Road
Price in USD: 645.6 million
Size: 29,119 sq m
Buyer: Royal Golden Eagle
Seller: Collective Sale

Cross Street Exchange
Location: Cross Street
Price in USD: 603 million
Size: 36,497 sq m
Buyer: PAG
Seller: Frasers Logistics and Commercial Trust

Twenty Anson
Location: Tanjong Pagar
Price in USD: 441.6 million
Size: 23,418 sq m
Buyer: KKR
Seller: AEW

Tanglin Shopping Centre

Biggest deal | USD645.6M | Mixed-use

- Retail
- Office

Major movers of the quarter

- Office
- Hospitality
- Retail

Sectors to watch

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South China

Home

There were two transactions recorded in Shenzhen in Q1 for a combined worth of RMB785 million (USD123 million). Guangzhou recorded one transaction worth nearly RMB300 million (USD47 million).

Review

In Shenzhen, the China Southern Airlines Pearl Garden office was purchased by Shenzhen Oulu Tong Electronics for RMB500 million (USD79 million). Another transaction involving an end-user buyer was the sale of an entire floor in Qianhai Financial Center for RMB285 million (USD45 million). In Guangzhou, an en-bloc office building in Cisco Smart City was purchased for self-use for a total consideration of nearly RMB300 million (USD47 million).

Forecast

In Guangzhou, office buildings in the CBD and business parks will retain their attractiveness for buyers. In Shenzhen, investors are expected to continue to seek opportunities in the logistics sector as well as the office and business park office segments, with the latter also drawing interest from end users.

Key market deals

China Southern Airlines Pearl Garden (Office)
Location: Bao'an District, Shenzhen
Price in USD: 79 million
Size: 23,322 sq m
Buyer: Shenzhen Oulu Tong Electronics Co. Ltd.
Seller: Shenzhen Southern Airline

Cisco Smart City
Location: Panyu District, Guangzhou
Price in USD: 47 million
Size: 12,000 sq m
Buyer: TBD
Seller: Country Garden /Cisco

Qianhai Financial Center Blk B (Units 1-3 on 37th Floor)
Location: Nanshan District, Shenzhen
Price in USD: 45 million
Size: 2,101 sq m
Buyer: Shenzhen Fine Made Electronics Group
Seller: Horoy Group

3
En-bloc transactions

USD170M
Combined value

China Southern Airlines Pearl Garden (Office)
Biggest deal | USD79M | Office

Office
Major movers of the quarter

- Office
- Business park

Sectors to watch

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Home

Demand for office investment was strong in 2021, proving the resilience of the Australian market. Its strength is expected to endure in 2022, bolstered by the opening of international borders, which will once again ease the entry of foreign capital into the country's office sector.

Review

Momentum in the occupier market will underpin high demand for office investment. Furthermore, the post-Covid-19 environment has seen a shift in the typical workforce, with occupiers using space in new ways. This includes an increased focus on quality amenities, flexible use, health and wellbeing, and pioneering technology – all feeding into an increased focus on ESG.

The 'flight to quality' or 'flight to experience' will see tenants looking to occupy space in higher quality A-grade/premium assets, or new developments, to satisfy their requirements and ensure the return of staff to the office. This is likely to increase pre-commitment activity and increase the spread between A- grade and B-grade assets.

Forecast

Domestic investment will continue to grow with major institutions and superannuation funds aiming to expand their real estate portfolios in the coming years. Superannuation funds will be particularly active in investing across asset classes, including office and alternatives.

With the weight of capital that has gone unsatisfied over the last 24 months, we expect more vendors to look for opportunities to sell in 2022, significantly increasing transaction volumes compared to prior years.

Key market deals

101 Miller Street
Location: North Sydney
Price: USD422 million
Size: 46,301sqm
Buyer: CapitaLand Australia
Seller: Nuveen Real Estate

Darling Quarter
Location: Darling Harbour
Price: USD634 million*
Size: 61,000sqm
Buyer: Allianz
Seller: ADIA
* 50%

- Office, retail
- Industrial
- Retail

Major movers of the quarter

- Office
- Healthcare
- Retail

Sectors to watch


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Taiwan

Home

The closure of large commercial property deals in Q1 2022 helped boost total transaction volume for commercial properties to TWD36.3 billion (USD1.25 billion) - the second-highest Q1 transaction volume on record.

Review

Office (including industrial office) assets contributed 63% of the Q1 transaction value. Insurance companies and manufacturers were the most active buyers, contributing 61% and 32% of the total transaction value, respectively.

With Taipei's en-bloc office assets being tightly held, institutional investors broadened their search to secondary cities - such as Taichung City and Hsinchu City - with solid industry fundamentals and better rental yields. For instance, China Life Insurance spent TWD12 billion (USD416 million) on an office building in Taichung's CBD while Transglobe Life Insurance purchased Ambassador Hotel Hsinchu for TWD5.8 billion (USD200 million).

Forecast

Looking ahead, we expect investors to increase the proportion of income-producing properties in their portfolios to hedge against inflation. Office and industrial properties will remain the most sought-after sectors thanks to historically low vacancy rates and robust exports, respectively.

In March, the central bank increased the interest rate for the first time in over a decade. The hurdle yield for insurance companies has been raised from 2.095% to 2.345% accordingly. Therefore, investors may be keen to invest in secondary cities that offer higher rental yields, or alternative asset classes, such as industrial offices, logistic centres and data centres.

Key market deals

Fong Yi Central Building
Location: Xitun Dist., Taichung
Price in USD: 416 million
Size: 77,782.55 sq m
Buyer: China Life Insurance
Seller: Fong Yi Construction

Ambassador Hotel Hsinchu
Location: East Dist., Hsinchu
Price in USD: 200 million
Size: 94,278.02 sq m
Buyer: Transglobe Life Insurance
Seller: Ambassador Hotel & HCT Logistics

Ruentex Financial Building
Location: Daan Dist., Taipei
Price in USD:110 million
Size: 10,091.44 sq m
Buyer: China Life Insurance
Seller: An Hung Corp.

5
En-bloc transactions

USD728M
Combined value

Fong Yi Central Building
Biggest deal | USD416M | Office

- Office
- Industrial

Major movers of the quarter

- Office
- Industrial

Sectors to watch

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Thailand

Home

Investor activity declined across Thailand in Q1 - investments fell by 26.2% YoY and 12.6% QoQ - due mainly to the economy's uneven recovery from the impact of Covid-19 and uncertainty stemming from the war in Ukraine. Nonetheless the hotel and industrial sectors showed signs of expanding.

Review

Investments in the hotel and industrial sectors remained strong in Q1 as the government's "Test-and-Go" policy encouraged foreign investors and travellers to resume travel to Thailand. REITs in particular showed significant interest in the market with SPRIME REIT alone acquiring three new assets - Singha complex (Office), Suntowers (Retail) and Suntowers (Storage) - worth a combined USD185 million. Demand for data centres also grew during the quarter with the segment registering transactions worth USD16 million.

Forecast

It is our view that Thailand's investment market will continue to grow despite the economic uncertainty for a number of reasons. For one, investors in the hotel sector have come to view this as the right time to find reasonably priced assets. Secondly, Covid-19 has motivated residential developers to explore new business opportunities, which should push transaction numbers higher. Additionally, the industrial sector is now an emerging market with demand trending upwards, particularly for assets such as data centres, cold storage units, warehouses and fulfilment centres.

Key market deals

Singha Complex
Location: Bangkok
Price in USD: 179 million
Size: 47,624 sq m
Buyer: SPRIME REIT
Seller: Singha Estate

Genesis Data Center
Location: Samutprakarn
Price in USD: 16 million
Size: 10,000 sq m
Buyer: Etix Everywhere
Seller: Interlink Telecom

Atmos Bangna
Location: Bangkok
Price in USD: 10 million equity
Size: 16,748 sq m
Buyer: Japanese investor
Seller: Thai developer

9
En-bloc transactions

USD252M
Combined value

Singha Complex
Biggest deal | USD179M | Office

- Office
- Hotel
- Industrial

Major movers of the quarter

- Hotel
- Industrial
- Residential

Sectors to watch

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Vietnam

Home

High vaccination rates have enabled Vietnam to progress towards a "new normal" and enjoy the fruits of a stable political system and investments in infrastructure projects across the country. Vietnam in 2022 promises to be a destination full of potential for real estate investors, especially in the residential and industrial segments.

Review

Q1 did not see many new launches in the residential sector as the residual impact of Covid-19 and the days-long break for the Tet Holidays prompted developers to postpone plans and instead use pending stock from the previous quarter.

The industrial and logistics segment will continue to benefit from an ongoing trend that has seen companies expand their regional production bases beyond China, with industrial parks being planned and built throughout the Northern, Central and Southern provinces to meet rising demand.

Furthermore, proposed reforms aimed at removing inconsistencies from laws governing a range of real estate investments are expected to enhance the market's functioning once the changes are introduced.

Forecast

The market's growth will be mainly influenced by the introduction of new policies, and all real estate segments will see an increase in supply in 2022 compared to the previous year. Prices will continue to rise in line with high absorption rates in the high-end/luxury and land plot segments, which are perceived to be safe havens. Mid-range apartments will see a more gradual rise in prices.

Vietnam's successful management of Covid-19 is allowing it to welcome international travellers with e-visas and the gradual resumption of international flights. Such measures will not only help encourage manufacturing by channelling investments into the industrial segment but also provide much needed impetus for the recovery of the hospitality and second-home segments.

Industrial

Major movers of the quarter

Industrial

Sectors to watch

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West China

Home

In Chengdu, domestic buyers remained active in the office sector, which witnessed three deals worth about RMB1.5 billion (USD232 million) with a total transacted area of nearly 90,000 sq m. No transactions were recorded in Xi'an in Q1.

Review

In Chengdu, Huayin Finance completed the equity cooperation with Wongtee International Center, located in Gaoxin District, for a total consideration of RMB870 million (USD137 million). Chengxin Lithium bought the Yishang Jinjiang Wenchang Center as its Chengdu headquarters. Symantec Chengdu sold its Tower A & Tower B office buildings to a renowned domestic TMT firm.

Forecast

We expect end users and investors in Chengdu to remain active and focus on opportunities in the office sector. In Xi'an, institutional buyers will prioritise income-producing office assets in central areas.

Key market deals

Chengdu Wongtee International Center
Location: Gaoxin District
Price in USD: 137 million
Size: 16,424 sqm
Buyer: Huayin Finance
Seller: Shenzhen Wongtee International

Yishang Jinjiang Wenchang Center
Location: Jinjiang District
Price in USD: Confidential
Size: 20,583 sqm
Buyer: Chengxin Lithium
Seller: Chengdu Xibu Yinxiang

Symantec building A&B
Location: Wuhou District
Price in USD: Confidential
Size: 16,000 sqm
Buyer: A renowned domestic TMT firm
Seller: Symantec

3
En-bloc transactions

USD232M
Combined value

Chengdu Wongtee International Center
Biggest deal | USD137M | Office

Office
Major movers of the quarter

Office
Sectors to watch


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The world of Colliers

Annual revenue
$4.1B

Countries we operate in
62

Assets under management
$51B

Lease/sale transactions
53,000

Square feet managed
2B

Professionals
17,000

Statistics are for year-end 2021 and in U.S. dollars. Number of countries includes affiliates and as of March 2022.

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