

## TIME FOR INVESTORS TO TREASURE HUNT

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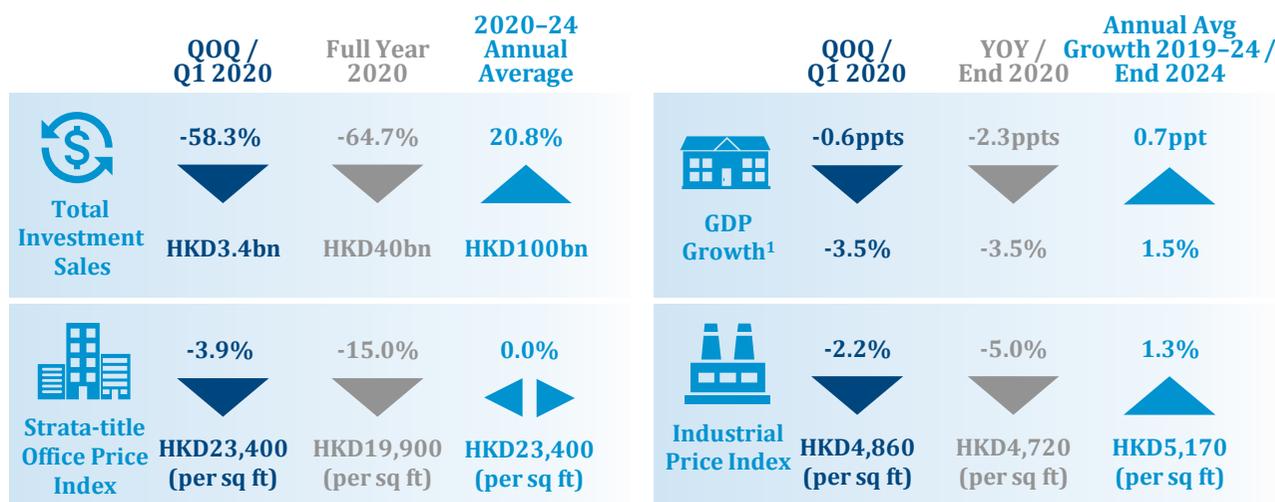
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## Insights/recommendations

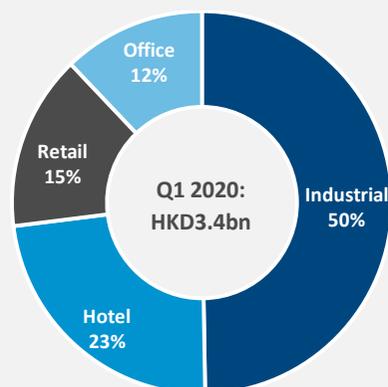
- > Investors should explore acquisition opportunities amid the buyers' market as we expect low rates to persist in 2020. A wider bid-ask price gap for property also points to an extended negotiation window for discounted assets.
- > We recommend investors focus on strata-title offices and hospitality assets to capture their rebound potential, and industrial assets for conversion opportunities.

## Q1 2020 highlights

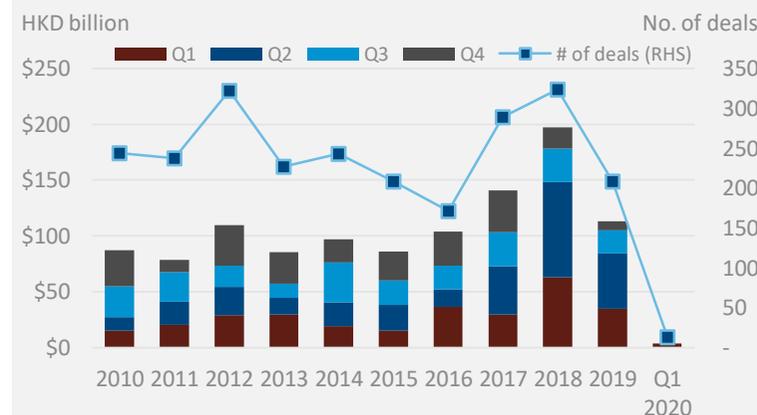
- > Hong Kong investment sales declined 58% QOQ and 90% YOY to HKD3.4bn (USD0.4bn) in Q1 2020, as COVID-19 put a pause on the already slowing investment momentum.
- > The industrial sector demonstrated relative resilience, accounting for half of the transactions recorded during this quarter.



## Investment transactions by sector Q1 2020



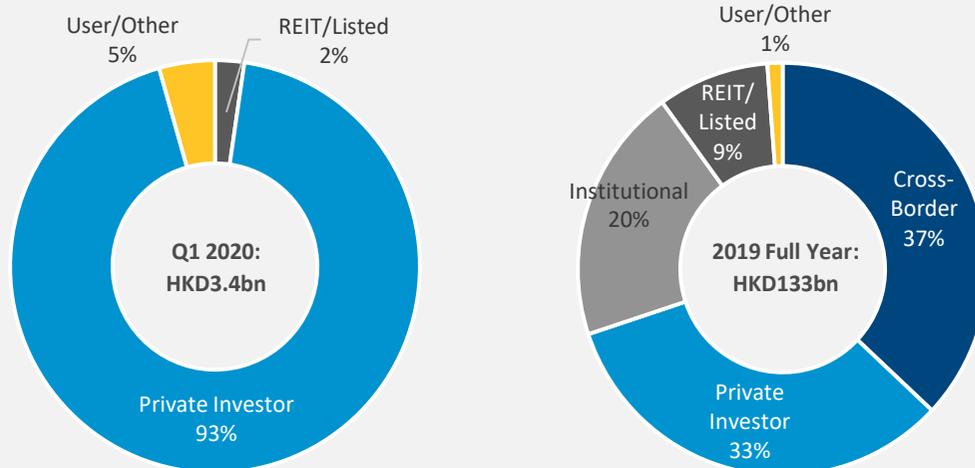
## Property investment transactions above HKD100 mil (2010 – Q1 2020)



Source: Colliers International, RCA; This report covers the Hong Kong Special Administrative Region of the People's Republic of China.

<sup>1</sup> Source: Oxford Economics. Note: 1 sq metre = 10.76 sq feet. USD1 = HKD7.8. Investment transactions in this report include completed deals in the office, retail, industrial and hotel sectors with deal size of HKD100 million and above.

## Investor profile comparison – Q1 2020 vs. 2019 full year



Source: Colliers International, RCA

## Investment volume by sector

	Q1 2020 (HKD mil)	% Change QOQ	% Change YOY
Industrial	1,707	-20%	-69%
Hotel	800	-36%	NA
Retail	509	-65%	-97%
Office	416	-88%	-96%
<b>Total</b>	<b>3,432</b>	<b>-58%</b>	<b>-90%</b>

Source: Colliers International, RCA

## Interest rates are likely to remain low to cushion the market downturn



## Outlook

- > The US Federal Reserve has conducted two emergency rate cuts in March, pushing the federal funds rate even closer to zero. This implies that Hong Kong's US dollar-pegged currency will see lower interest rates for longer, hopefully providing some buffer for the investment market during the current market downturn.
- > We foresee property prices staying under pressure across different sectors in 2020, giving investors more opportunities to bargain for discounted assets in the current buyers' market. We recommend strata-title office and hotel properties, where prices for these assets see substantial discounts with relatively good rebound potential when the market recovers.

## Industrial sector remained the most resilient sector despite COVID-19



## Q1 2020

- > Despite headwinds from COVID-19, investment sales in industrial assets performed relatively well compared to other sectors, with the Q1 transaction volume for industrial assets (HKD1.7bn or USD0.2bn) accounted for half of the total investment volumes of the quarter, even though it was still weak (-69% YOY) compared to the same quarter in 2019.
- > The weaker global economy and the "triple whammy" of uncertainties faced by the Hong Kong market, including the US-China trade war, local demonstration and the COVID-19 pandemic, caused some institutional investors to stay on the sidelines in Q1 2020. As a result, most transactions conducted during the quarter were dominated by local private investors, who have an established history in Hong Kong and strong local knowledge.

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