

TALKING POINTS

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Hong Kong – Hotel Sector

The Hong Kong hotel sector, with over 300 registered hotels and 84,000 keys, has been hit hard in the last 12 months due to the double blow from social unrest in 2019 and the COVID-19 pandemic. However, more attractive hotel pricing is creating various options for hotel investors.

Recommendations

- Experienced hoteliers with a long-term vision should take this opportunity to set up or expand their footprint in the city.
- Less experienced hotel owners with limited scale may consider their exit strategies. Conversions from hotel to other usages, for example, to office or co-living purposes, are also viable options for landlords.

Hotel investors – time to buy or to sell?



Buying:

- More established hotel operators and investors, especially those who have yet to set up their footprint in Hong Kong due to the previous high entry costs, may find the current cycle a good time to enter the market given more attractive hotel prices. Hoteliers can also study conversion options to turn their hotel assets to other uses.
- Investors and private families with a long investment horizon and scalable portfolio may also seek to partner with strong operators or consider M&A opportunities to expand their footprint.



Selling:

- Certain hotel owners may find it challenging to prepare strategies to thrive through the current market cycle, given the limited given the limited size of their hotel holdings and the operationally intensive nature of this sector.
- The downside impact of COVID-19 will dampen hotel demand into H2 2020, and tourist arrivals

will likely take more time to recover fully. Hence, we believe the group of investors mentioned above may be better-off exploring disposal opportunities to secure any gains accrued since the previous cycle.

Conversion/redevelopment opportunities



To offices:

- > Landlords with hotels in core locations may explore conversion opportunities by turning hotels into Grade A offices, especially for those hotels located in the CBD or fringe CBD area.
- > For example, Hotel LKF was converted in 2018 into LKF Tower, a commercial building with office spaces. In the same way, the Excelsior Hotel in Causeway Bay was closed in 2019 for redevelopment into a commercial block by 2025.



To co-living or serviced apartments:

- > The residential supply shortage has led to strong demand for housing. Taking advantage of the emerging *sharing* trend, some groups have been actively converting hotels into co-living concepts.
- > Landlords owning hotels in fringe districts or near university campuses should enhance their revenue stream by converting their hotels into more diversified housing options.



Renovation options for hoteliers with long-term holdings:

- > Hoteliers with a long-term vision sitting with older hotels may renovate and upgrade their assets, while some may incorporate more flexible designs to prepare for future changes.
- > For example, the InterContinental Hotel in Tsim Sha Tsui, which ceased operations in April 2020, has brought forward renovation plans and will be rebranded on reopening.

For further details, please see Colliers' report:



- Hong Kong Flash Report for Hotels – Unprecedented Time to Explore Hotel Opportunities (14 May)



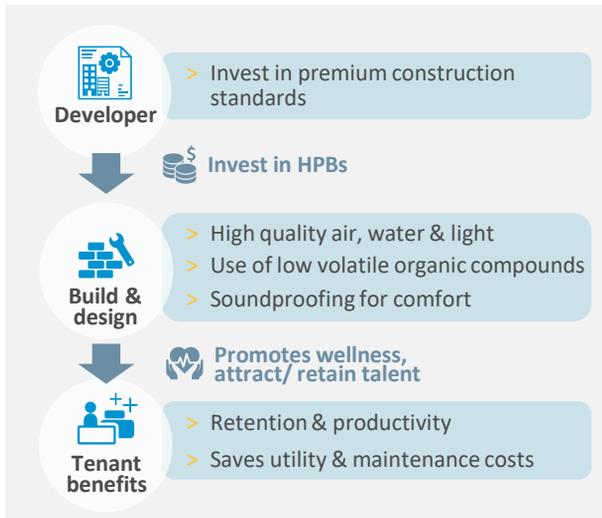
India – Health and Wellness

The partial lockdown of workplaces due to the COVID-19 pandemic warrants an increased thrust on health and wellness, both by developers and occupiers.

Recommendations

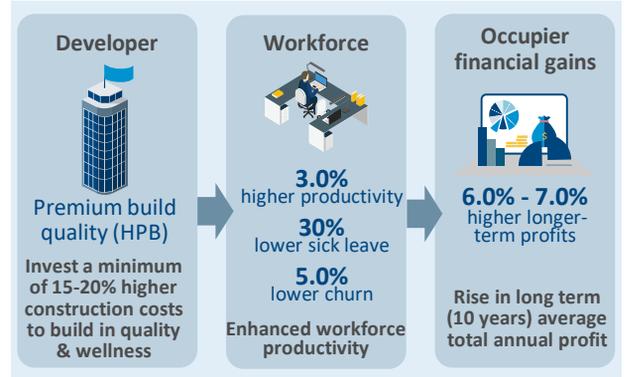
- Developers must formulate a back-to-work framework and draft standard operating protocols (SOPs) to maintain and enhance tenant confidence.
- As the CDC¹ recommends six-foot distancing between individuals, we suggest occupiers to rearrange existing workplace density by measures such as assigning alternate seats and drawing up employee movement routes.
- We recommend developers to study real time data on space usage in buildings' common areas, to understand which areas are dense at specific time periods and identify options to repurpose the space.

Developers should invest in high performance buildings (HPB)



Source: Colliers International

Benefits to occupiers from high performance buildings (HPB)



For further details, please see Colliers' report:

- India Flash Report – In Pursuit Of Health And Wellness (15 May)



Philippines – Post COVID-19 Outlook and Strategies

The Philippine economy contracted by 0.2% in Q1 2020, ending 84 consecutive quarters of growth. While the Philippine central bank is projecting a 0.8% contraction in 2020 it expects a sharper rebound in 2021 with a growth rate of 7.8%.

Recommendations for both landlords and tenants

- Working with existing tenants to provide flexible lease terms
- Highlighting wellness features of office buildings
- Offering flexible lease terms for condominium buyers
- Expanding offline-to-online retail strategies
- Ramping up marketing efforts to recapture retail demand

For further details, please see Colliers' report:

- Manila Flash Report – Outlook for Philippine Property Recovery Amid A Lethargic Q1 GDP (15 May)

¹US Centers for Disease Control and Prevention



Australia: Offices, Industrial

Office

The Australian Office Leasing team, in conjunction with Research, have been collecting detailed data in the movement of our key market activity indicators – enquiry, inspections and deals.

- **Enquiries** – enquiry levels are down by 2.4% YTD from 2019 (up to week beg 4th May 2020). However, the Sydney CBD saw an increase in enquiry levels over the week beg 4th May which is the highest level of enquiry in 7 weeks (since week beg 16th March).
- **Inspections** – Inspections have been steadily increasing week-on-week since a low in the week beginning 6th April 2020. Surprisingly, 94% of inspections since the week beginning 16th March have been physical as opposed to virtual inspections.
- **Deal Movement** – The majority of deals were cancelled around the week of the 23rd and 30th of March. Most new deals activity was recorded last week, the week of the 4th May, and most postponed deals were recorded the week of the 6th April.

According to results released from Bates Smart on its recent remote working survey, 74% of respondents feel as productive working remotely as in the office; however, 84% miss the social connection and face-to-face interaction they get from their colleagues in the office. However, only 17% said they would give up their dedicated desk in the office in return for greater flexibility in working remotely.

Industrial

- Goodman has seen an increase in demand for both temporary and permanent space from customers in the food, consumer goods and logistics sectors, particularly related to e-commerce operators and those transitioning to online. Similarly, the vacancy rate within their portfolio is low at 2.5%.
- 7-Eleven Australia has partnered with cold storage logistics provider Emergent Cold to scale and expand their delivery network. The partnership will see 7-Eleven stores take daily deliveries of ambient and frozen foods as opposed to its previous frequency of weekly deliveries.
- Despite airports being largely shut, there have been approximately 50 flights a day of passenger planes filled only with freight leaving and arriving in Australia over the past week. For the industrial and logistics market, this has enabled supply chains to remain open.

For further details, please see Colliers' report:

 *- Colliers Radar – Weekly Real Estate Update (15 May)*

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