Colliers Insights | APAC | 19 July 2021

Talking Points

Shanghai – Outlook, Office, North Bund, Business Parks

Half year outlook H1

The first half of 2021 witnessed strong demand for all sectors, and the figures give us optimism for the second half of the year. For the office sector, we recorded the first positive QOQ rental growth since Q3 2018. For business parks, the Q2 vacancy, at 21.7%, is the lowest since Q3 2012.

We believe these figures indicate a very optimistic second half of 2021.

We recommend occupiers relocating or expanding take quick action to secure long-tenancy space with low rents before the recovery accelerates.

We also recommend landlords to pay more attention to the demand from TMT tenants as they are becoming a major source of leasing demand and are emerging as a major new class of owner-occupier.

Office Q2

In Q2 2021, demand continued to be strong, with H1 2021 net absorption exceeding that the full-year 2019 and 2020 figures. We foresee strong demand continuing in H2 2021, with full-year net absorption outpacing the combined number of 2019 and 2020.

We recommend relocating or expanding occupiers looking in the CBD act quickly to secure long-tenancy space, locking in the currently low rent as the CBD bottoms out. We forecast rents will grow at a CAGR of 2% from 2021 to 2025.

The North Bund development

With the completion of high-quality supply in the coming decade, the North Bund should attract more spillover from the CBD, further upgrading its tenant profile. It targets accommodating up to 100 multinational headquarters, international organizations, and business associations.

We recommend tenants considering landmark buildings look beyond the CBD at options in The North Bund for well located high-quality new supply.

Business parks Q2

In Q2 2021, robust demand from the medical & health and tech sectors pushed the net absorption to surge by 42% QOQ. Average rent increased by 0.7% QOQ in core submarkets while emerging submarket rents were flat. We forecast that rental momentum in core submarkets will continue moving upward in line with strong expansion demand.

We recommend landlords of emerging submarkets provide favorable terms such as full or partial termination rights in order to attract spillover demand from core submarkets.

For further details, please see Colliers' reports:

Focusing on the development of the North Bund, creating a future for shipping and finance (9 July)

Chengdu – Office and Logistics

Office Q2

We expect a total GFA of 300,000 sq metres (3.2 million sq ft) will come online in H2 2021, mainly in the Tianfu Square, Dongda Street and Tianfu New Area, which should temper the opportunity for rental increases in H2 2021.

We recommend tenants looking for large space consider the new buildings in Dongda Street and Tianfu Square to secure competitive rents.

Logistics Q2

Demand was active, primarily from e-tailers, 3PLs and retailers. We expect a total GFA of 276,700 square metres (2.98 million square feet) to come online in H2, 60% of which is in Qingbaijiang

We recommend tenants expanding or looking for space consider the cluster of new, cost-effective projects in Qingbaijiang.

For further details, please see Colliers' reports:

- Demand continues increasing, pushing rents up slightly QOQ (15 July)
- Demand kept active and two new projects came online (15 July)

Beijing – Office

Office Q2

Beijing's Grade A office market saw strong performance in Q2. Demand came mainly from the finance and internet technology sectors.

Due to the demand spike, we expect the market may see a supply-demand balance by the end of the year, causing vacancy to drop towards year end.

We recommend tenants take the opportunity of more affordable rents to focus on the new projects in the CBD and Lize as we expect the window for declining rents will close by the end of 2021.

For further details, please see Colliers' report:

- Continued high demand pushing down vacancy rate (7 July)

Hong Kong SAR – Investment, Office, Industrial, Retail

Investment Q2

Recent GDP figures showed a solid rebound in Hong Kong's* economy. We expect investment sentiment to continue to recover in H2 2021 as investors regain confidence.

We forecast the price level for most commercial sectors to bottom out in 2021, therefore we recommend investors acquire assets in H2 2021 before prices recover in 2022 and beyond.

Office Q2

We expect office demand to improve in H2 2021, as the leasing demand from mainland finance occupiers should further pick up, particularly in iconic buildings such as IFC and ICC.

We recommend occupiers to look for buildings in core locations managed by premium landlords, given the current attractive rentals as flight-for-quality will likely be an emerging trend in H2 2021.

Industrial Q2

We expect landlords to negotiate for higher rents during renewals, given the relatively stable demand and limited new supply in the next five years, while tenants are looking to relocate to higher-quality warehouses.

Given the strong export rebound (+24% YOY*) and rise in food consumption, we recommend investors pay attention to cold storage in the next three years.

Retail Q2

We expect retail market sentiment will continue to recover gradually in H2 2021. Retail sales will be dependent on local consumption over the next one to two years.

We believe high street rents have bottomed out and will stabilize in H2 2021. As landlords look for sustainable operators, we recommend retailers entering or expanding in the city lock in their lease while rents are still attractive.

*Hong Kong Special Administrative Region of the People's Republic of China.

For further details, please see Colliers' reports:

- Investment sentiment improved across key commercial sectors (13 July)
- Recovering CBD demand with positive take-up in Q2 (13 July)
- Health demand gives landlords confidence to stay firm on rents (13 July)
- High-street rent has bottomed out (13 July)

Singapore – Office

Office Q2

CBD Grade A rents stabilized further at SGD9.52 (USD7.08) per sq ft (-0.1% QOQ) in Q2 2021 despite negative net absorption pushing up vacancy (5.6%, +60bps QOQ). We expect a recovery in H2 2021 supported by strong economic growth and a potential easing of Covid restrictions, and forecast rents to grow 2.1% in 2021.

We recommend occupiers lock in leases early as rents hit a turning point. Owners should redevelop older properties into mixed-use developments to unlock value.

For further details, please see Colliers' report:

Expect a turnaround in H2 2021 (6 July)

Korea – Office

Office Q2

Tech tenants such as game companies and e-commerce companies still prefer Grade A offices in the GBD. Their expansion, along with increased demand in the affordable YBD submarket helped push down the vacancy rate almost 2pp QOQ.

We recommend tenants in the GBD secure favorable terms by renewing with long-term lease contracts.

As landlords' incentives decreased due to continued GBD demand, we recommend tenants consider more affordable areas of the YBD or Seongsu-dong for lower rents.

The market cycle is gradually changing in 2021 as supply is decreasing. In the next five years, if major occupiers execute their redevelopment and relocation plans, it will provide opportunities for tenants looking for space in the CBD.

For further details, please see Colliers' report:

Continued demand in the YBD and tech tenants expanding in the GBD push down vacancy rate (9 July)

New Zealand – National Review Q2

Increasing confidence drives national markets Commercial and industrial property market trends across the country are being driven by an increasingly positive sentiment. A strengthening economy and growing belief that the worst of the COVID-19 driven disruption has passed, has seen business, consumer and investor confidence lifting. Businesses have become more positive about hiring and investment leading to greater clarity in respect of their longerterm property requirements. Investment activity, underpinned by low interest rates, has rebounded strongly over recent months led by demand for defensive assets.

Office Q2

A flight to quality - Vacancy rates have lifted in a majority of centres over the last year reflecting a combination of increases in new supply, the economic impact of COVID-19 and changing work habits. This has presented tenants with a greater number of occupational options than have been available for a number of years. Tenants are taking the opportunity to upgrade with uptake concentrated within prime buildings and locations.

Industrial Q2

Fundamentals remain strong - The industrial sector has proved resilient in the face of the COVID-19 pandemic. This resilience is well illustrated by vacancy rates which have remained at low levels. Tenant demand within the industrial sector is being strongly underpinned by growth within a number of occupier sectors. Ecommerce is experiencing significant expansion fuelling demand for logistics warehousing and last mile facilities.

Retail Q2

Sectoral differences in play - The retail market's various sub-sectors have had mixed fortunes over the last year. COVID-19 has brought the fragilities in the retail sector front and centre, hastening the inevitabilities for some retailers faced with low consumer spending and changing shopping habits with online retailers increasing competitive pressures. The Large Format Retail (LFR) sector has performed strongly benefitting from solid tenant fundamentals and a significant increase in consumer spending. Many regional malls have also performed well offering consumers the mix of retailers, hospitality and entertainment amenity they are seeking.

For further details, please see Colliers' report:

New Zealand | National Review Q2 2021 (7 July)

For further information, please contact:

Sam Harvey-Jones
Managing Director | Occupier Services | Asia
+852 2822 0509
sam.harvey-jones@colliers.com

Terence Tang
Managing Director |
Capital Markets & Investment Services | Asia
+65 6531 8565
terence.tang@colliers.com

Tammy Tang
Managing Director | China
+86 21 6141 3625
tammy.tang@colliers.com

Richard Shen
Managing Director | East China
+86 21 6141 3600
richard.shen@colliers.com

Charles Yan
Managing Director | North China
+86 10 8518 1593
charles.yan@colliers.com

Keng Geng
Managing Director | Southwest China
+86 28 8658 6288
keng.geng@colliers.com

Nigel Smith
Managing Director | Hong Kong
+852 2822 0508
nigel.smith@colliers.com

Wei Leng Tang
Managing Director | Singapore
+65 6531 8688
weileng.tang@colliers.com

Robert Wilkinson
Managing Director | Korea
+82 2 6325 1901
robert.wilkinson@colliers.com

Charles Cooper
Managing Director | Auckland
+64 9 356 8814
charles.cooper@colliers.com

Contact details (Research)

Andrew Haskins
Executive Director | Research | Asia
+852 2822 0511
Andrew.Haskins@colliers.com

Rakesh Kunhiraman
Head of Occupier Research | Research | Asia
+65 6531 8569
Rakesh.Kunhiraman@colliers.com

Nicholas Wilson
Head of Investor & Developer Research |Research | Asia
+65 6531 8568
Nicholas.Wilson@colliers.com

Joanne Henderson
National Director | Research | Australia
+61 2 9257 0286
Joanne.Henderson@colliers.com

Luke Crawford
Associate Director | Research | Australia
+61 2 9257 0296
Luke.Crawford@colliers.com

Chris Dibble
National Director |
Colliers Partnerships,
Research & Communications | New Zealand
+64 9 357 8638
Chris.Dibble@colliers.com

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 67 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of $3.0 billion ($3.3 billion including affiliates) and $40 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn.

Legal Disclaimer