

2021
ASIA PACIFIC
REAL ESTATE MARKET OUTLOOK

Asia Pacific

OPPORTUNITIES IN THE NEW NORMAL



OPPORTUNITIES IN THE NEW NORMAL

**LOW
FOR
LONGER**



**STRONGER FOCUS
ON PORTFOLIO
OPTIMISATION**



**MORE SUPPLY
BUT LIMITED CHOICE**




**PLACEMAKING IN
THE EXPERIENCE
ECONOMY**



**NEW
LOCATIONS,
NEW
SECTORS**



LOW FOR LONGER



GDP Growth in developed Asia will be **sub-2%**



Weak rental growth is expected across all sectors in most markets



The expected **US rate hike** could be offset by strong liquidity in Asia Pacific



STRONGER FOCUS ON PORTFOLIO OPTIMISATION

Office



Bigger push for **space efficiency** and flexible working

Retail



Upgrading flagship stores while reducing the total number of stores

Logistics



Deploying new **technology** to increase efficiency



MORE SUPPLY BUT LIMITED CHOICE

Office



59 million sq. ft. NFA of new office is forecast for completion in 2017 but **vacancy in most gateway CBDs will remain below 5%**

Retail



Occupiers will retain a strong preference for prime core space and display greater **caution towards new projects**



PLACEMAKING IN THE EXPERIENCE ECONOMY

Landlords should strive to create a community of tenants instead of simply providing office space

UNLOCK PROPERTY VALUES THROUGH ASSET REPOSITIONING AND DIFFERENTIATION

Retailtainment is still a major draw for experience-seeking consumers



NEW LOCATIONS, NEW SECTORS

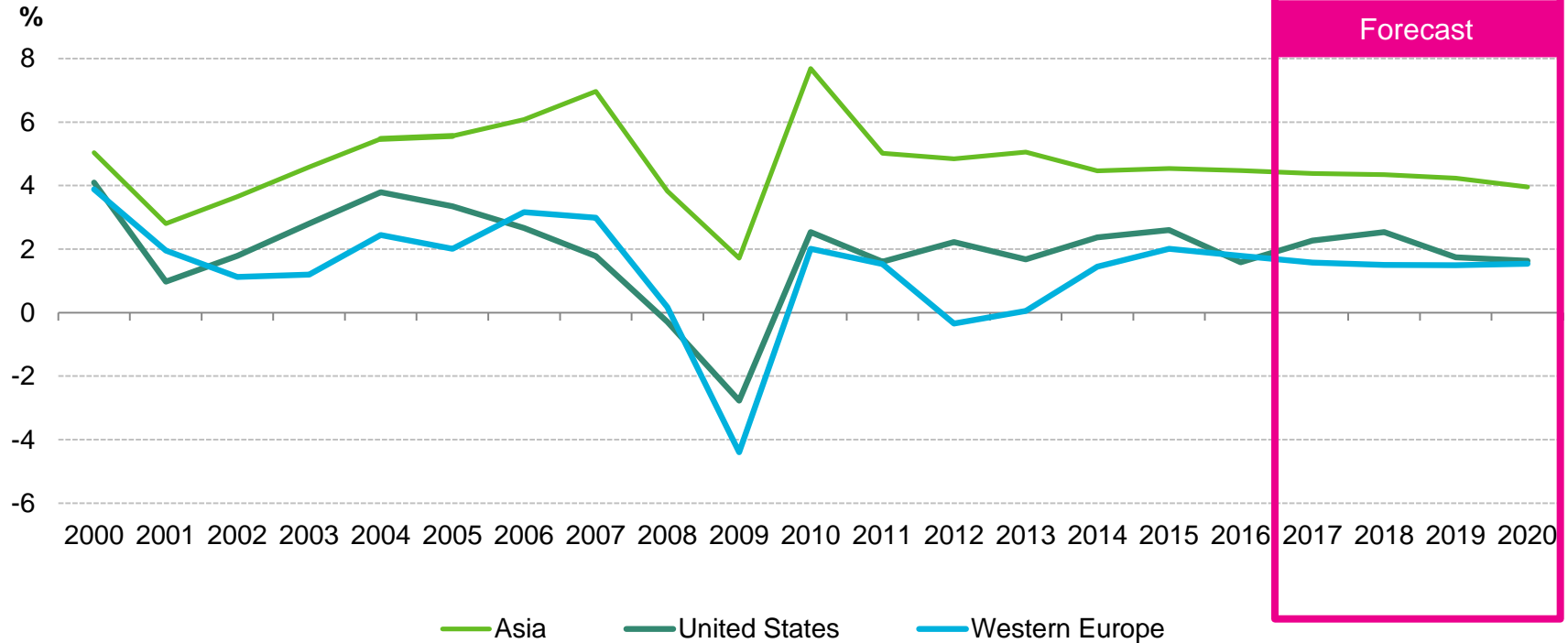


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MACROECONOMICS

GROWTH HAS NEVER BEEN SO STATIC

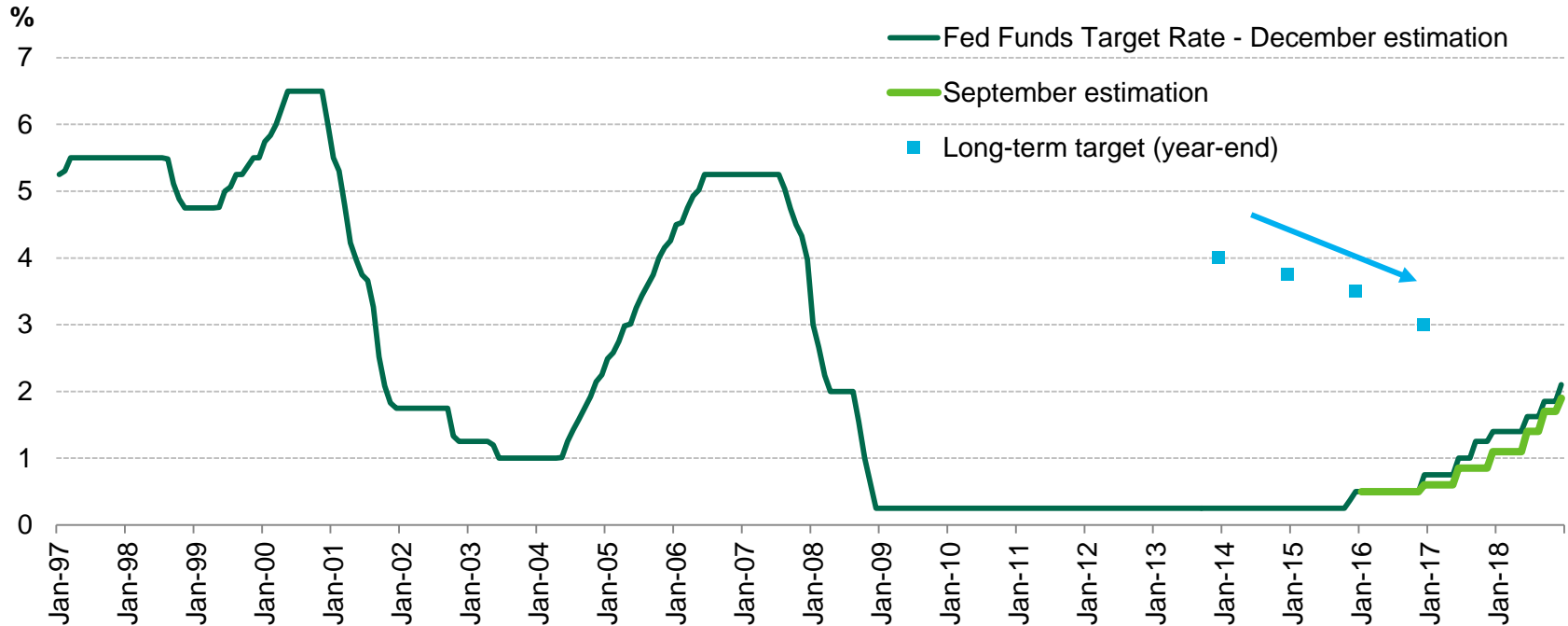
REAL GDP GROWTH RATE



Source: Oxford Economics, January 2017.

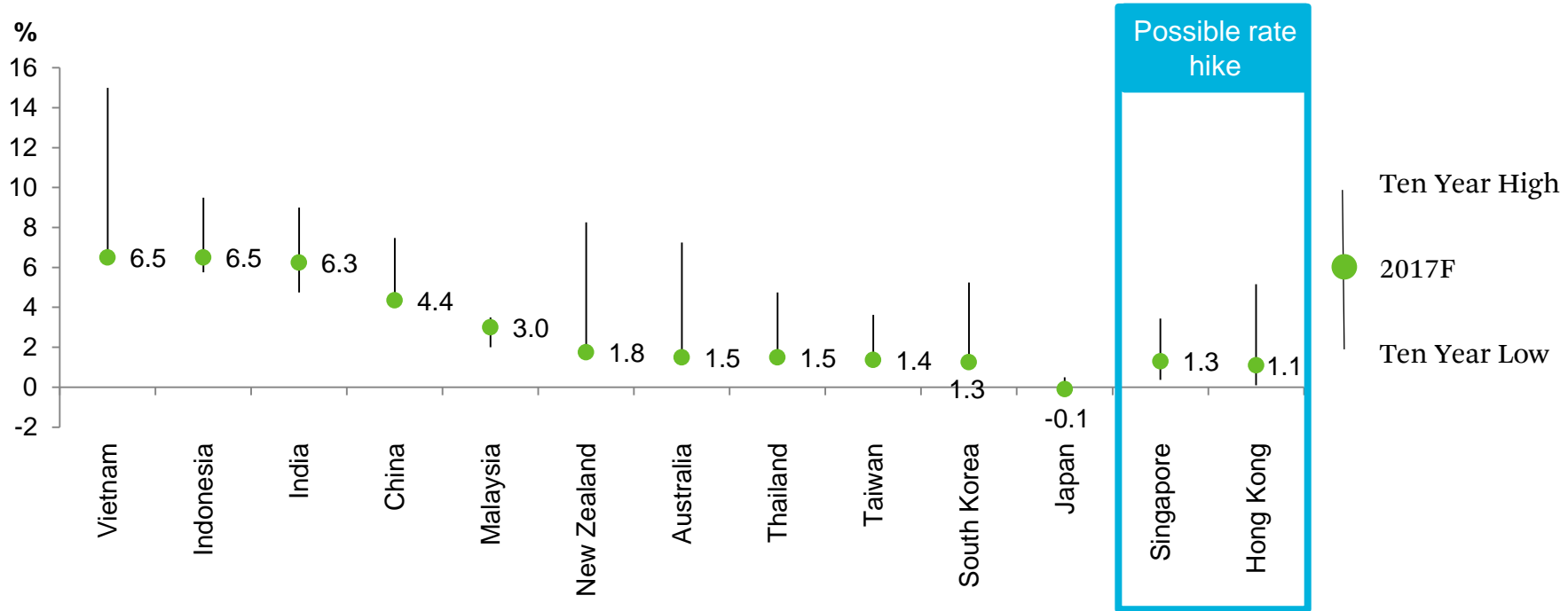
INTEREST RATE HIKE EXPECTATIONS REVISED UPWARD

MEDIAN FED RATE EXPECTATION AMONG FOMC PARTICIPANTS



Source: Federal Reserve FOMC meeting, CBRE Research, December 2016.

BUT INTEREST RATES IN ASIA PACIFIC REMAIN LOW POLICY RATES IN KEY MARKETS



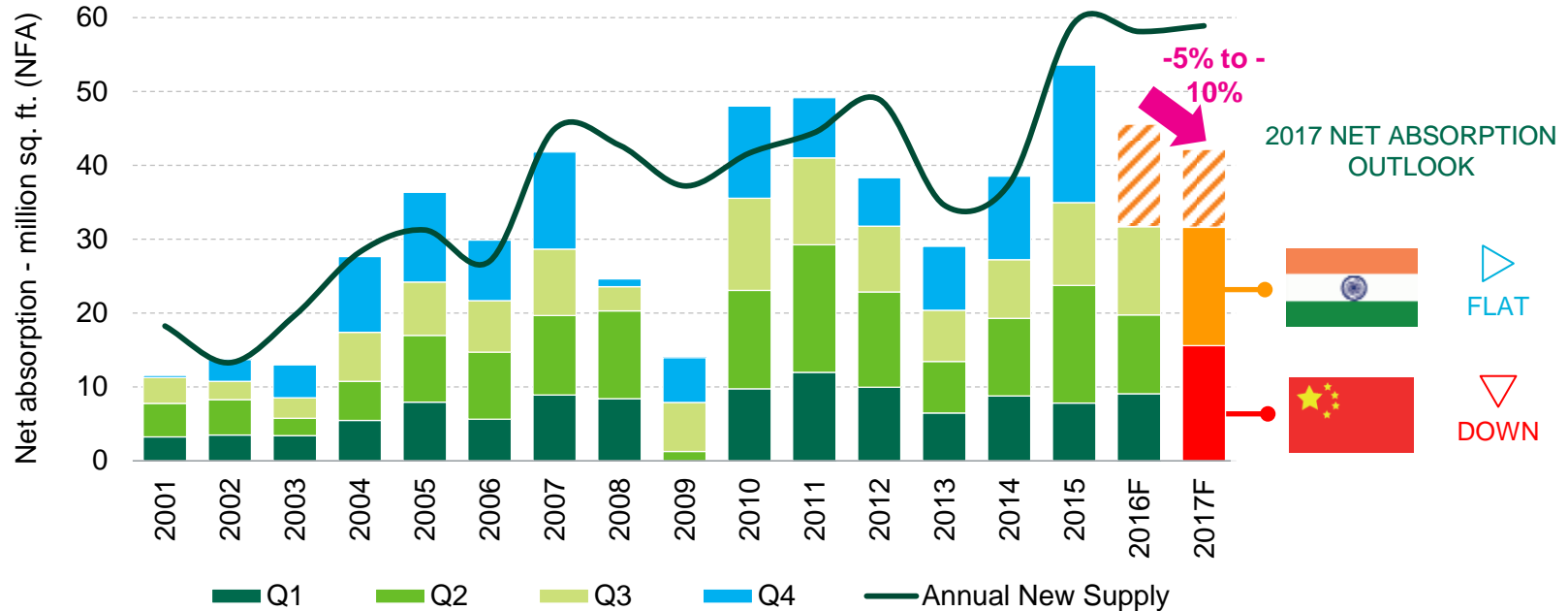
Note on policy rates: Australia – Cash rate; China – 1-yr lending rate; Taiwan – Discount rate; India – Repo rate; Indonesia – BI rate; South Korea – Base rate; Thailand – 1-day repo rate; New Zealand – Official cash rate; Japan – Overnight call rate; Hong Kong – 3M HIBOR; Singapore – 3M SIBOR; Vietnam – Refinancing rate; Malaysia – Overnight rate

Source: Various Central Banks, Monetary Authorities, CBRE Research, December 2016.

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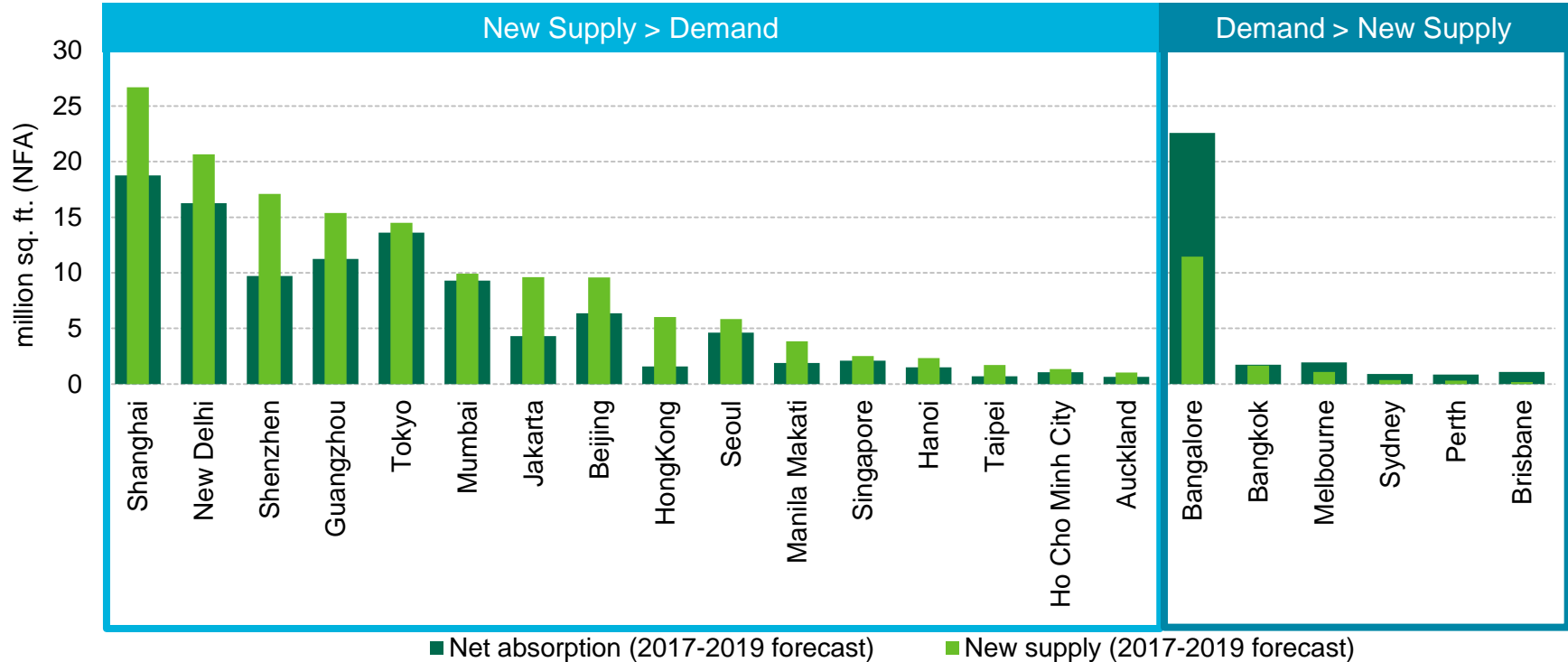
OFFICE

OFFICE LEASING VOLUME WILL MODERATE IN 2017 INDIA REMAINS HEALTHY BUT CHINA SET TO WEAKEN



Source: CBRE Research, January 2017.

SUPPLY REMAINS A MAJOR CHALLENGE



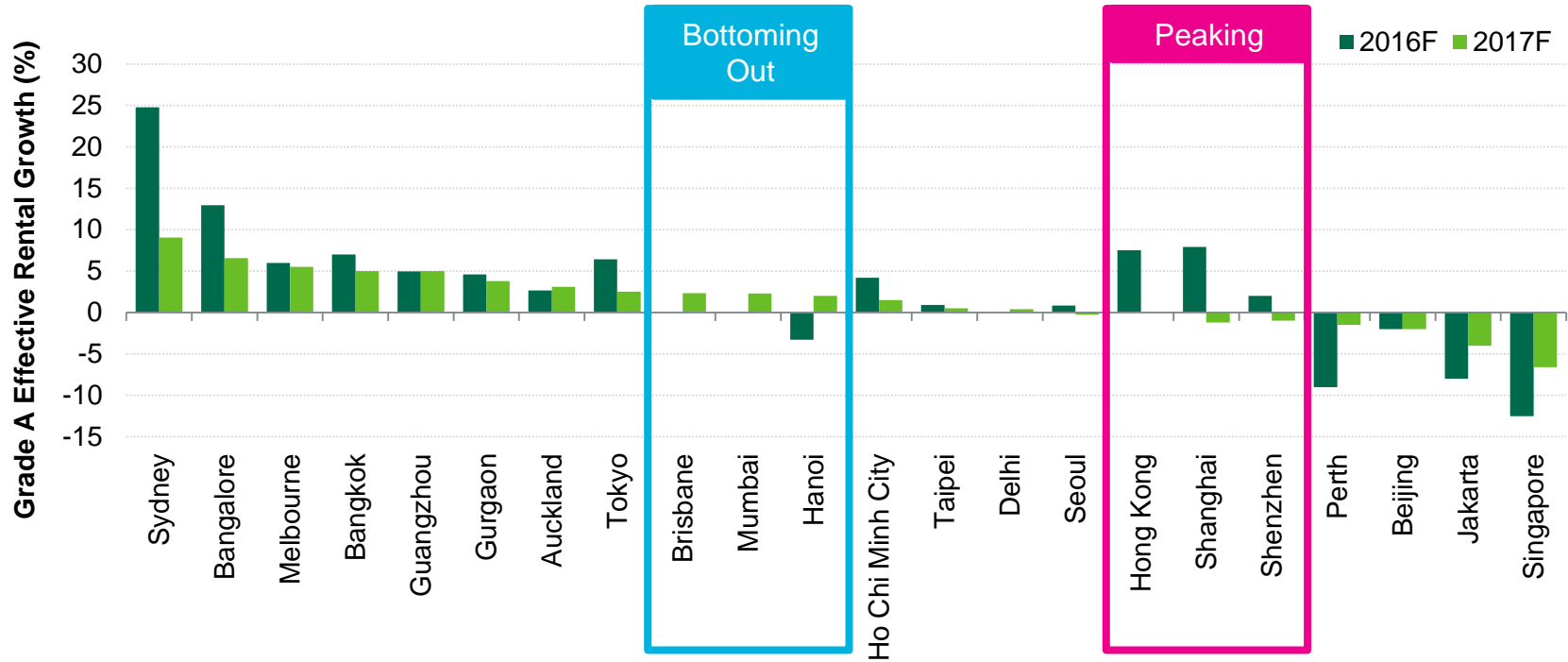
Source: CBRE Research, January 2017.

MOST MARKETS WILL FAVOUR TENANTS IN 2017 OFFICE RENTAL CYCLE – Q4 2016



Source: CBRE Research, January 2017.

WEAKER RENTAL GROWTH IS EXPECTED

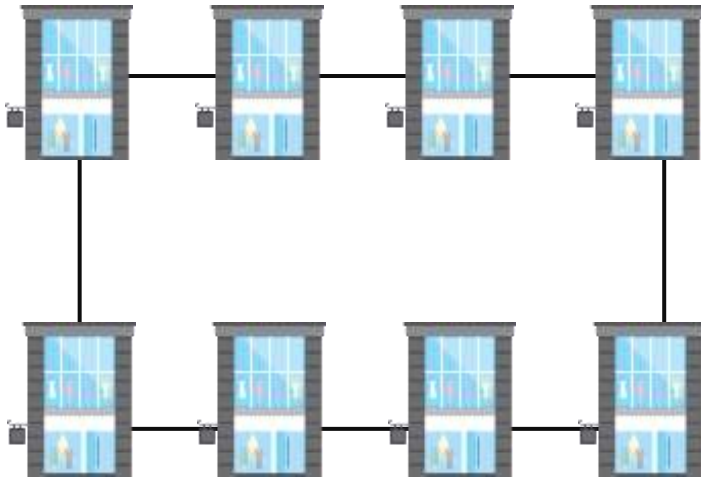


Source: CBRE Research, January 2017.

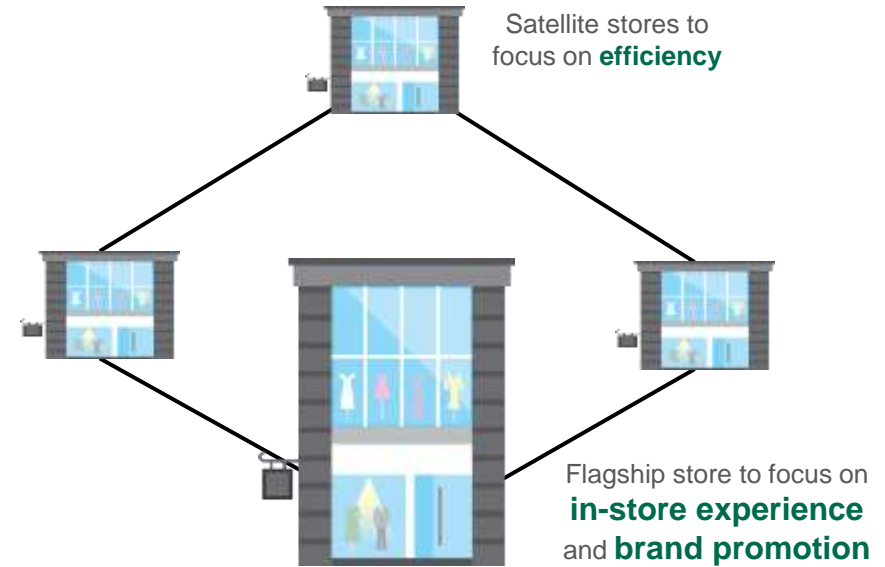
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RETAIL

STRONG FOCUS ON PORTFOLIO OPTIMISATION



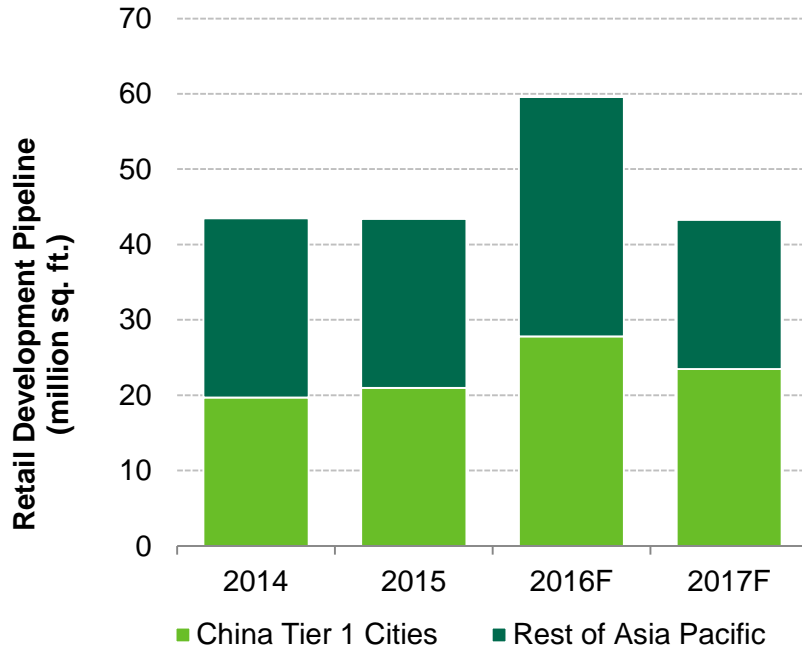
TRADITIONAL



REFINED STRATEGY
FLAGSHIP STORE + SATELLITE STORES

Source: CBRE Research, January 2017.

NEW SUPPLY PIPELINE TO FALL FROM 2016'S PEAK PRE-LEASING ACTIVITY REMAINS SLOW



Source: CBRE Research, December 2016.



50% of new
malls delayed

their completion date by more than six
months due to pre-leasing issues

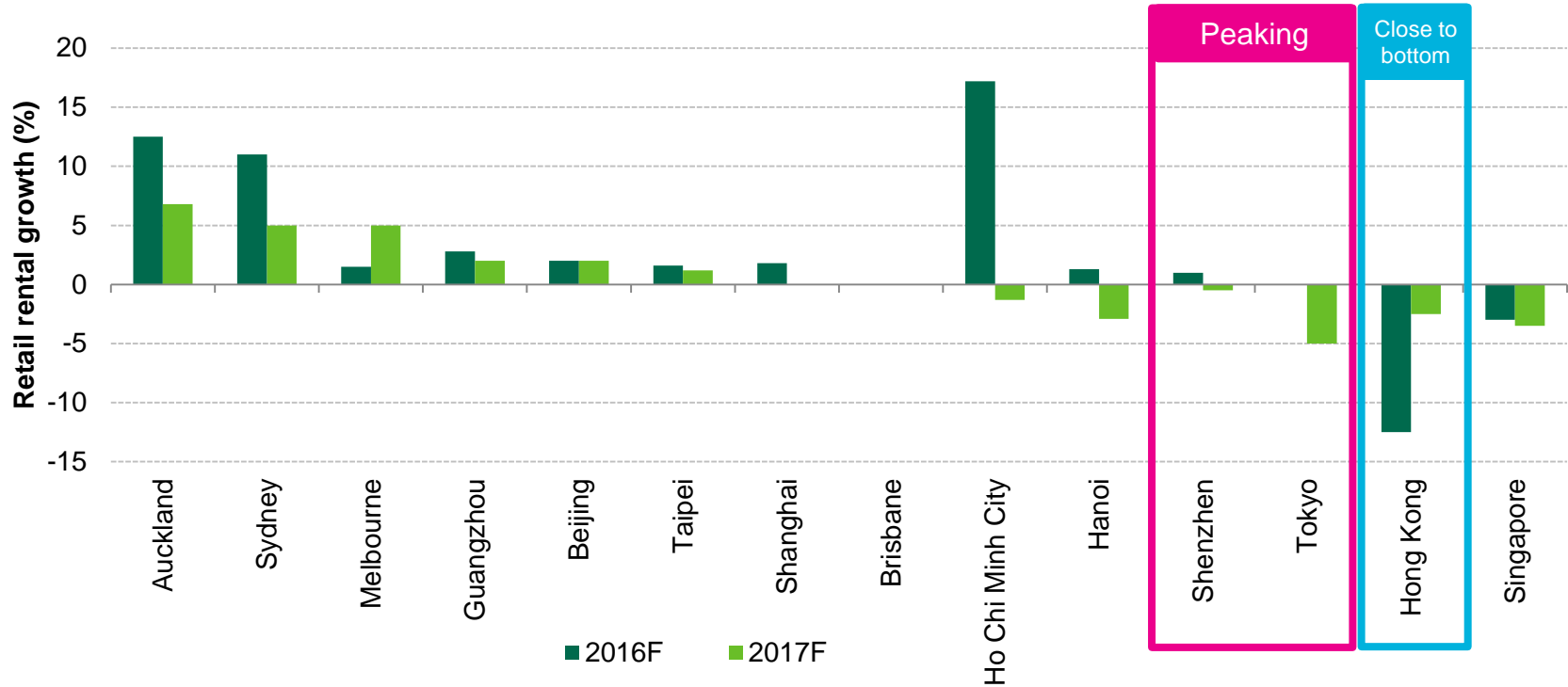


Pre-leasing now starts at least

19 MONTHS

ahead of project completion

THE PACE OF RENTAL GROWTH WILL BE MUTED



Note: *Prime rent is used in Tokyo, rents of Shopping centres are used in China and Singapore
Source: CBRE Research, January 2017.

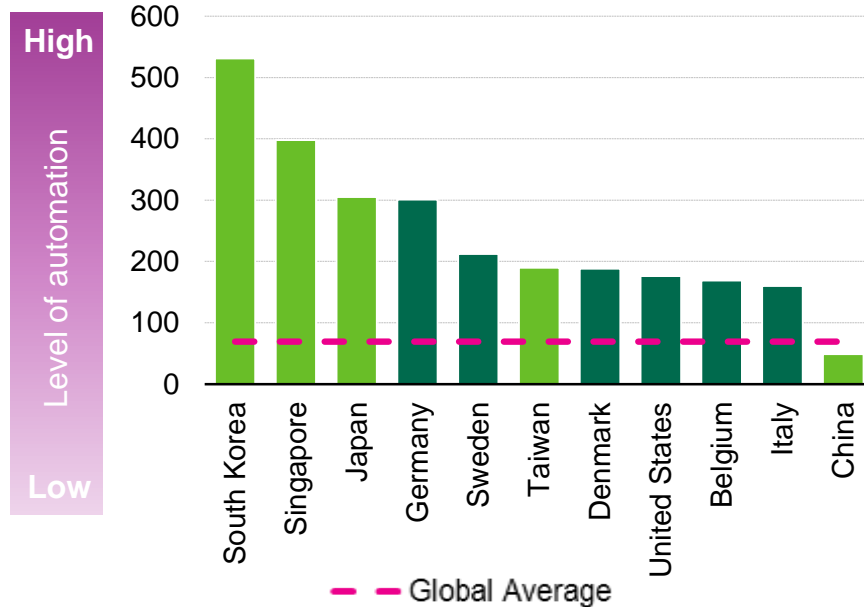
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LOGISTICS

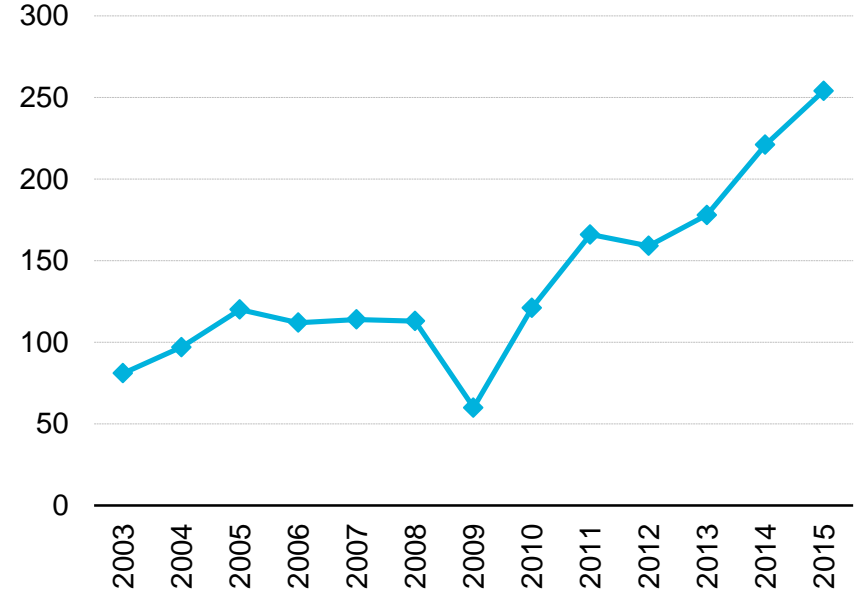
AUTOMATION SET TO CHANGE THE LOGISTICS LANDSCAPE

PORTFOLIO OPTIMISATION KEY AS PRODUCTION CYCLES TIGHTEN

INDUSTRIAL ROBOTS PER 10,000 PERSONS EMPLOYED IN MANUFACTURING



ESTIMATED ANNUAL SUPPLY OF INDUSTRIAL ROBOTS (THOUSANDS)

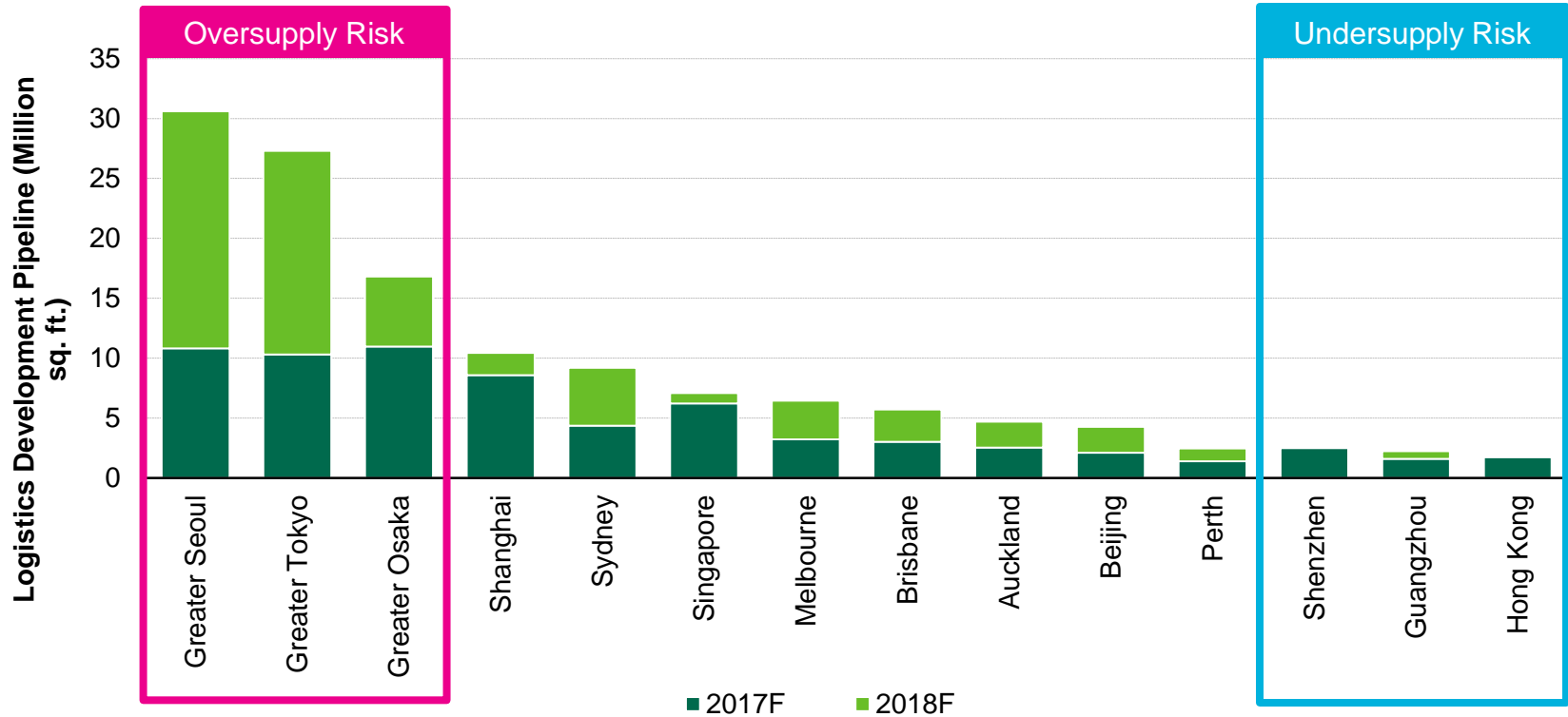


Source: International Federation of Robots, September 2016.

Source: World Robotics, 2016.

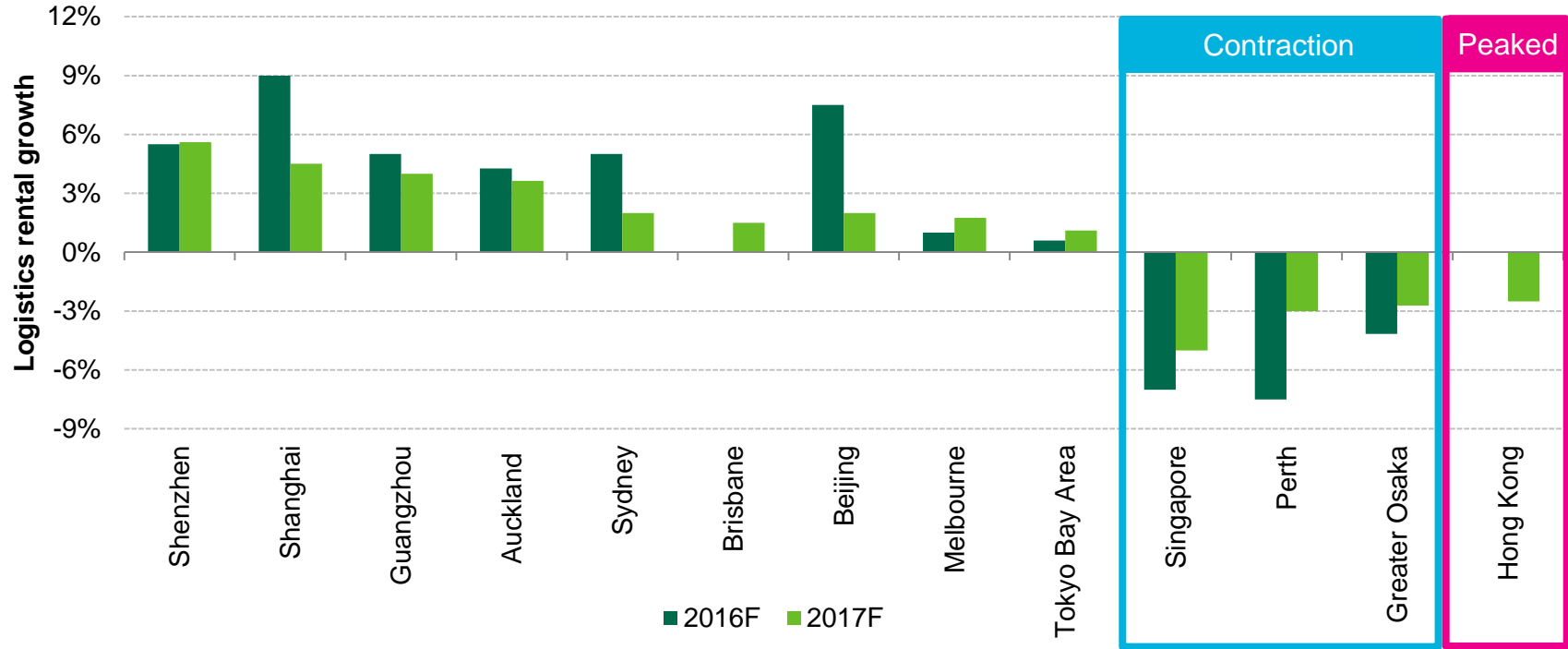
Note: Industrial robot as defined by ISO 8373

SUPPLY LEVELS TO BECOME MORE BALANCED



Source: CBRE Research, December 2016.

CHINA STILL LEADS IN RENTAL GROWTH PROSPECTS AUSTRALIA IS RECOVERING



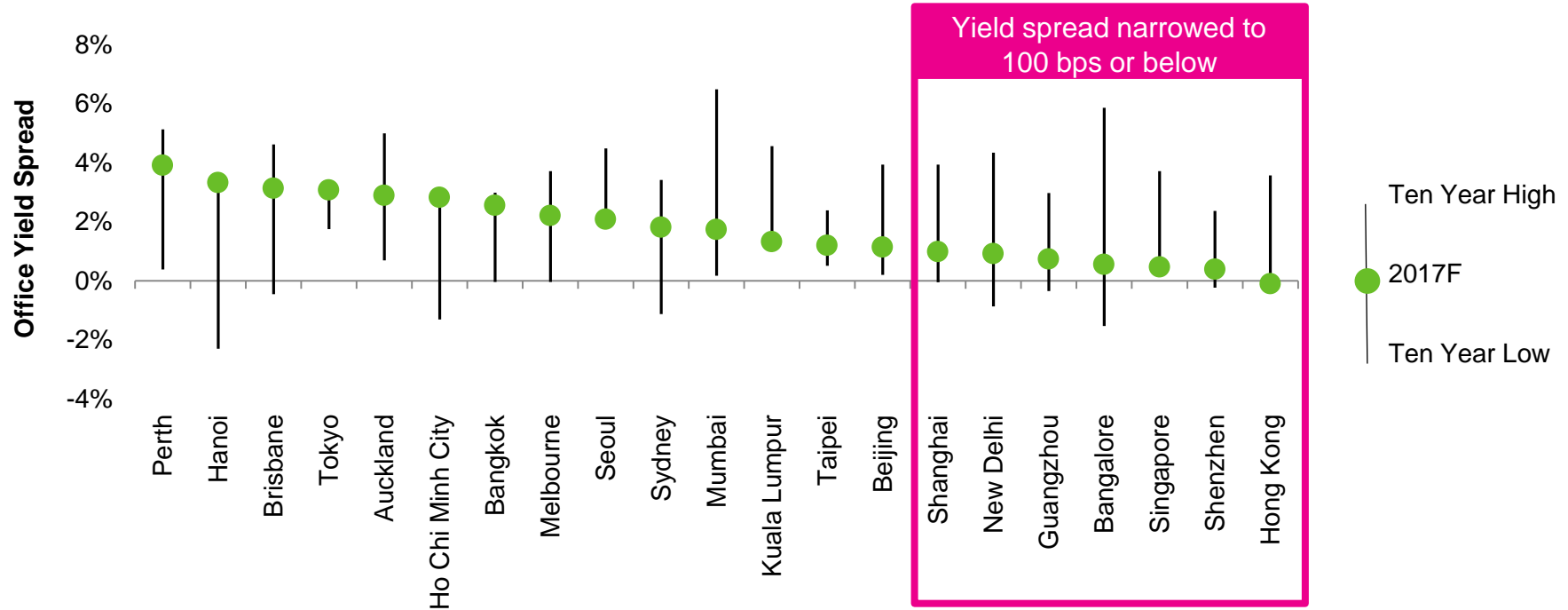
Source: CBRE Research, December 2016.

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CAPITAL MARKETS

YIELD SPREAD CONTINUES AT LOW LEVELS

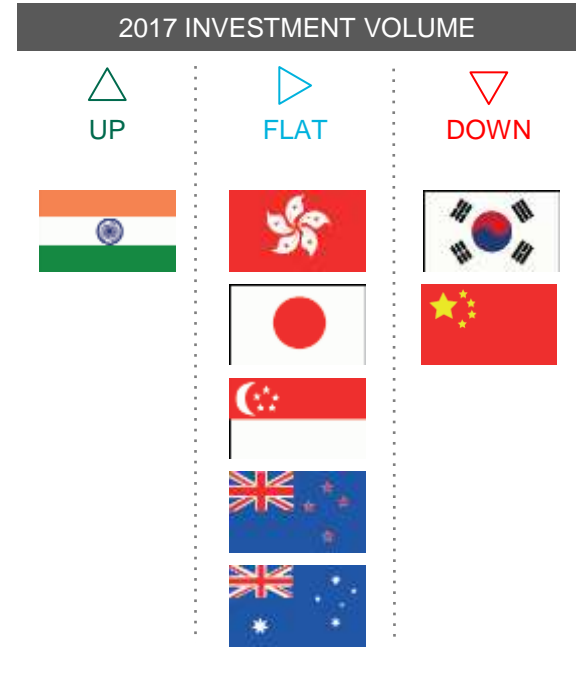
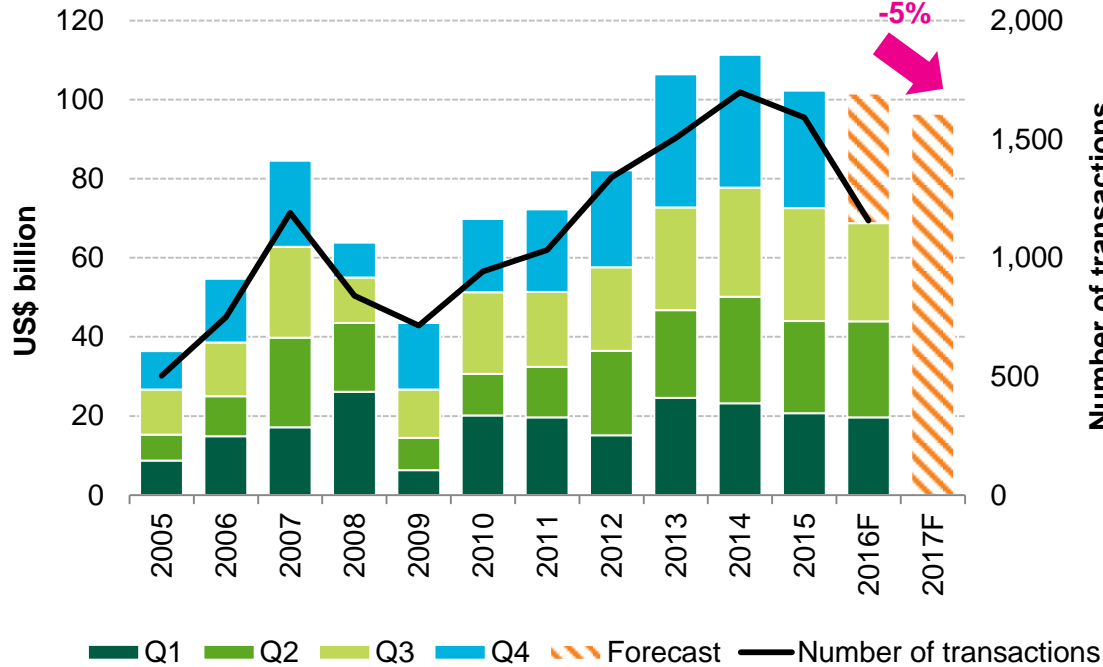
OFFICE YIELD VS 10-YEAR GOVERNMENT BOND YIELD



Source: CBRE Research, December 2016.

INVESTMENT TURNOVER TO MODERATE IN 2017

TOTAL INVESTMENT VOLUME IN ASIA PACIFIC



Source: CBRE Research, RCA, December 2016.

Remarks: Transactions include deals above US\$10 million in the Office, Retail, Mixed, Industrial, Hotel and other commercial sectors. Residential and development site are excluded.

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**NEW
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NEW
SECTORS**



OCCUPIERS

- Plan ahead
- Be flexible
- Focus on efficiency

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**NEW
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NEW
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INVESTORS

- Focus on NOI growth
- Unlock hidden value
- Target niche sectors

INVESTMENT DESTINATION



CYCLICAL

- **Australia** office, still
- **China** logistics, if available
- **Japan** regional cities, if you can borrow
- **Vietnam** office, build-to-core



COUNTER-CYCLICAL

- **Singapore** office, if not too late
- **Hong Kong** retail, if you are patient enough



HAVE YOUR SAY IN OUR GLOBAL SURVEY

Investor
Intentions
Survey



Occupier
Survey



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Thank You

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Advantage*