Webinar

Understanding the Life Sciences Sector in Asia Pacific: The Case for Investment

Date: November 23, 2021

00:00:27 --> 00:00:31: Good morning everyone and welcome to the ULI Capital talks
00:00:31 --> 00:00:34: and new initiative from ULI Asia Pacific which
00:00:34 --> 00:00:36: will cover several interesting topics
00:00:37 --> 00:00:39: in the capital markets sphere.
00:00:39 --> 00:00:42: Today we have a very exciting day ahead with the
00:00:42 --> 00:00:44: launch of two reports.
00:00:44 --> 00:00:48: The economic forecast for Asia Pacific and the Life Science
00:00:49 --> 00:00:49: report in.
00:00:50 --> 00:00:54: A few housekeeping items before we begin with our program.
00:00:54 --> 00:00:58: The program is simultaneously translated to Chinese and Korean.
00:00:59 --> 00:01:03: All sessions are recorded and those sessions and the reports
00:01:03 --> 00:01:06: that we talk about will be available in knowledge Finder.
00:01:06 --> 00:01:09: Lastly, I would like to thank our sponsor for the
00:01:09 --> 00:01:11: Capital Markets program
00:01:11 --> 00:01:11: access.
00:01:13 --> 00:01:16: I'd like to put that to introduce our first segment
00:01:16 --> 00:01:18: of the day you lie real estate
00:01:18 --> 00:01:20: economic forecast for Asia Pacific.
00:01:20 --> 00:01:23: This is a survey of leading real estate economists
00:01:23 --> 00:01:24: and analysts, and
00:01:24 --> 00:01:26: I would like to invite the presenter,
00:01:26 --> 00:01:29: Anita Cromer, the Senior Vice president for UI Center,
00:01:29 --> 00:01:30: real estate,
00:01:30 --> 00:01:34: Economics and capital markets, to present the report Anita over
00:01:34 --> 00:01:34: to you.
00:01:37 --> 00:01:40: Thank you, Ariel. I'm thrilled to be here today and
00:01:41 --> 00:01:45: be able to also welcome everyone to the second semiannual

00:01:45 --> 00:01:48: real estate economic forecast in Asia Pacific.
00:01:48 --> 00:01:53: I'm moving on to some details on the next slide.
00:01:53 --> 00:01:56: So some background is what I call the fine print.
00:01:56 --> 00:02:00: This is a three or forecast to the end of
00:02:01 --> 00:02:02: 2122 and 23.
00:02:02 --> 00:02:06: It's a forecast of 15 economic and real estate indicators.
00:02:06 --> 00:02:11: We covered four cities and with several indicators for China
00:02:11 --> 00:02:12: and Japan.
00:02:12 --> 00:02:16: We report the the median of the forecast from 9
00:02:16 --> 00:02:20: economists and analysts at 7 leading real estate organizations,
00:02:20 --> 00:02:25: and this survey was. Just completed on November 16th,
00:02:25 --> 00:02:28: so it's very of the moment so moving on to
00:02:28 --> 00:02:31: the first slide and just a quick tour around the
00:02:31 --> 00:02:31: chart.
00:02:31 --> 00:02:34: So the charts you see today are some of the
00:02:34 --> 00:02:39: summary charts comparing the geographies for the three forecast periods.
00:02:39 --> 00:02:44: Again, the end of 2122 and 23 and the posted
00:02:44 --> 00:02:45: full PDF,
00:02:45 --> 00:02:46: which is, as Ariel said,
00:02:46 --> 00:02:51: available on Knowledge Finder has additional summary charts and individual
00:02:51 --> 00:02:53: slides for each geography.
00:02:53 --> 00:02:55: With data from recent years,
00:02:55 --> 00:02:57: along with the four test years.
00:02:57 --> 00:03:00: This morning I'll touch on some comparative highlights.
00:03:00 --> 00:03:04: So starting off on this slide.
00:03:04 --> 00:03:08: Back to GDP. Starting off on the same slide.
00:03:08 --> 00:03:13: Thank you with an economic overview and 1st up.
00:03:13 --> 00:03:17: Here is GDP. So generally 21 is forecast to end
00:03:17 --> 00:03:22: as a particularly strong growth year across geographies covered by
00:03:22 --> 00:03:23: the forecast,
00:03:23 --> 00:03:26: but then moderating in 22 and for the most part
00:03:26 --> 00:03:29: we meeting at that level in 23.
00:03:29 --> 00:03:32: Some highlights on this chart in Shanghai after year,
00:03:32 --> 00:03:36: relatively minimal growth in 20 Shanghai is expected to finish
00:03:36 --> 00:03:38: 21 with an annual growth rate.
00:03:38 --> 00:03:41: Not seen in the last 10 years.
00:03:41 --> 00:03:46: Although 2011 came close. The forecast for 22 and 23,
00:03:46 --> 00:03:50: though it's just below Shanghai's 10 year GDP average.
00:03:50 --> 00:03:53: Ankang it's following two years of contraction.

00:03:53 --> 00:03:56: Hong Kong is expected to finish 21 with a growth
00:03:56 --> 00:03:59: rate that is double that of the highest growth rate
00:03:59 --> 00:04:00: in the last 10 years.
00:04:00 --> 00:04:04: Forecast for 22 and 23 show consistent growth at rates
00:04:04 --> 00:04:09: similar to the strongest growth fears in the last decade.
00:04:09 --> 00:04:12: Singapore coming out of a one year contraction with I'm
00:04:12 --> 00:04:15: still yeah thank you coming out of the one year
00:04:16 --> 00:04:19: contraction with two prior years of slow growth.
00:04:19 --> 00:04:24: Singapore is expected to finish 21 with a growth of
00:04:24 --> 00:04:24: 6.5%
00:04:24 --> 00:04:28: higher than any of the growth in the last 10
00:04:28 --> 00:04:29: years.
00:04:29 --> 00:04:32: 22 and 23 are forecast to be around the 10
00:04:32 --> 00:04:34: year average.
00:04:34 --> 00:04:38: So finally Tokyo following the sharpest contraction amongst among these
00:04:38 --> 00:04:39: areas last.
00:04:39 --> 00:04:43: Year and following minimal growth in the previous two years,
00:04:43 --> 00:04:45: Tokyo was forecast to finish this year.
00:04:45 --> 00:04:49: Above its 10 year growth average rate and maintain that
00:04:49 --> 00:04:51: rate in 22 before moderating.
00:04:51 --> 00:04:56: Is 23, still staying above 10 year average.
00:04:56 --> 00:05:00: OK, moving on to unemployment.
00:05:00 --> 00:05:05: All geographies, it's experienced. The rise in unemployment in 20,
00:05:05 --> 00:05:08: some more than others, with the largest change in Hong
00:05:08 --> 00:05:10: Kong over three percentage points,
00:05:10 --> 00:05:13: followed by Shanghai about 2 1/2 percentage points.
00:05:13 --> 00:05:16: In Singapore, one percentage point.
00:05:16 --> 00:05:20: All geographies are expected to improve over the forecast period
00:05:20 --> 00:05:22: relative to 20.
00:05:22 --> 00:05:25: Again, some more than others among the three with the
00:05:25 --> 00:05:26: largest increases in 20,
00:05:26 --> 00:05:31: Hong Kong and Singapore are expected to return to 19
00:05:31 --> 00:05:31: levels.
00:05:31 --> 00:05:35: 523 Bushing high is not expected to return to its
00:05:35 --> 00:05:38: 19 level in the Fort in the forecast period.
00:05:38 --> 00:05:42: Tokyo experienced only slight increases in employment in 20,
00:05:42 --> 00:05:46: unemployment in 20 and is equally expected to experience only
00:05:46 --> 00:05:48: slight improvements by 23.

00:05:48 --> 00:05:52: Not yet, but not yet down to 19 levels.
00:05:52 --> 00:05:56: So moving on to inflation.
00:05:56 --> 00:06:00: Overall, I returned to positive inflation after negative or flat
00:06:00 --> 00:06:04: year in 20 with Singapore forecast to exceed his 10
00:06:04 --> 00:06:07: year average over the forecast period and China forecast to
00:06:07 --> 00:06:11: exceed its 10 year average by 22 and 23.
00:06:11 --> 00:06:15: Hong Kong and Japan are forecast during main below their
00:06:15 --> 00:06:18: ten year averages over the forecast period.
00:06:18 --> 00:06:23: And look just taking a quick peek at the US
00:06:23 --> 00:06:24: forecast,
00:06:24 --> 00:06:27: which is next next slide.
00:06:27 --> 00:06:31: This is just this is we have our forecast years
00:06:32 --> 00:06:36: in blue to the right and the inflation is higher.
00:06:36 --> 00:06:39: You can see the inflation is higher than in Asia
00:06:39 --> 00:06:40: in the first two years,
00:06:40 --> 00:06:44: although we're actually likely to end up even higher than
00:06:44 --> 00:06:47: than what is shown here as forecasts for 21 and
00:06:47 --> 00:06:48: then some similar.
00:06:51 --> 00:06:56: Turning turning to real estate indicators and starting with office
00:06:56 --> 00:06:57: sector and cap rates.
00:06:57 --> 00:07:02: The forecast is for fairly stable and slightly compressing cap
00:07:02 --> 00:07:05: rates over the next three years,
00:07:05 --> 00:07:09: especially in especially interesting given some of the next few
00:07:09 --> 00:07:10: metrics.
00:07:10 --> 00:07:14: So looking at moving on to office vacancy rate.
00:07:16 --> 00:07:20: Tokyo is expected, low rates are nonetheless a continuation of
00:07:20 --> 00:07:22: the upward trend of 20,
00:07:22 --> 00:07:26: up from its 19 low of of .57%.
00:07:26 --> 00:07:30: Singapore is also continuing to move up again in 21,
00:07:30 --> 00:07:34: but settling down a bit in 22 and 23.
00:07:34 --> 00:07:39: Hong Kong. Vacancies are expected to remain elevated and continue
00:07:39 --> 00:07:43: to notch up over the forecast period in Shanghai with
00:07:43 --> 00:07:47: the highest vacancy rate shown here shows improvement in 21
00:07:47 --> 00:07:51: / 20 and forecasts are for some reversal of that
00:07:51 --> 00:07:54: and subsequent 2 years.
00:07:54 --> 00:07:59: And next, taking a look at US office vacancy,
00:07:59 --> 00:08:03: you can see it's much higher and not expected to
00:08:03 --> 00:08:05: improve much.
00:08:05 --> 00:08:07: OK, moving on to rent growth office,

00:08:07 --> 00:08:10: rent growth among the four geographies,
00:08:10 --> 00:08:13: all of which experienced negative rank growth in 20.
00:08:13 --> 00:08:16: Singapore will be the fastest to recover rental rate.
00:08:16 --> 00:08:20: Growth and experience rates at higher levels and inflation.
00:08:20 --> 00:08:24: Shanghai, which experienced negative growth in 19 and 20,
00:08:24 --> 00:08:29: is expected to stabilize at those low levels and only
00:08:29 --> 00:08:32: show minimal improvement by 23 on Kong,
00:08:32 --> 00:08:35: which also experienced negative growth in 19 and.
00:08:35 --> 00:08:39: Funny. Has a third year of rent decline in 21
00:08:39 --> 00:08:43: a year of stabilization and then only minimal growth by
00:08:44 --> 00:08:45: 23 in Tokyo.
00:08:45 --> 00:08:49: Experience decline in 20 is expected to continue negative growth
00:08:49 --> 00:08:53: this year and next with only minimal growth in 23.
00:08:53 --> 00:08:56: So altogether rent levels stay depressed by the end of
00:08:56 --> 00:08:58: the forecast period,
00:08:58 --> 00:09:00: with the exception of Singapore,
00:09:00 --> 00:09:06: which is forecast to exceed a 19 rent levels by
00:09:06 --> 00:09:06: 23.
00:09:06 --> 00:09:10: Then taking a quick look at the next slide,
00:09:10 --> 00:09:13: which is US rent growth and you can see just
00:09:13 --> 00:09:17: not a lot of movement over the forecast period either
00:09:18 --> 00:09:19: and staying depressed.
00:09:19 --> 00:09:23: Going back to Asia next slide,
00:09:23 --> 00:09:26: moving onto logistics and cap rates.
00:09:26 --> 00:09:31: All four geographies. Experience stable or slightly compressing cap rates.
00:09:31 --> 00:09:34: In the three years prior to the forecast,
00:09:34 --> 00:09:37: including in 20 or 4 geographies,
00:09:37 --> 00:09:42: are expected to end 21 with further compression and then
00:09:43 --> 00:09:48: even further compression or stability through 23 next.
00:09:48 --> 00:09:54: Vacancy rates. Tokyo is extremely tight logistics vacancies of 19
00:09:54 --> 00:10:00: and in 19 and 20 continue through the forecast period
00:10:00 --> 00:10:04: with minimal upward movement on Congress,
00:10:04 --> 00:10:08: up slightly by 23. Other remains relatively tight.
00:10:08 --> 00:10:13: Shanghai's vacancy rate increased in 20 from a low of
00:10:13 --> 00:10:13: 6.65%
00:10:13 --> 00:10:19: in 19 and is expected to end 21 above 10%.
00:10:19 --> 00:10:24: Improve. Improvement is expected of the forecast period,
00:10:24 --> 00:10:26: but not returned to 19th low.
00:10:26 --> 00:10:29: Singapore on the other hand has been in the 10
00:10:29 --> 00:10:30: to 12%

00:10:30 --> 00:10:32: vacancy range in the last few years.
00:10:32 --> 00:10:36: The forecast is for consistent improvement over the three year
00:10:36 --> 00:10:36: period.
00:10:39 --> 00:10:43: Moving on to rental rate change forecast for all cities.
00:10:44 --> 00:10:48: Show positive rental rate growth over the forecast period with
00:10:48 --> 00:10:51: the strongest in Singapore and Hong Kong for 21.
00:10:51 --> 00:10:57: Both of those cities experienced negative affect rent growth in
00:10:57 --> 00:10:57: 20.
00:10:57 --> 00:11:02: Moving on to the next one and taking again a
00:11:02 --> 00:11:03: look at the US,
00:11:03 --> 00:11:06: this is visually kind of a different scale,
00:11:06 --> 00:11:10: but it shows a somewhat stronger forecast over the three
00:11:10 --> 00:11:14: years and stronger than what we just saw in the
00:11:14 --> 00:11:15: previous slides.
00:11:15 --> 00:11:19: So moving on back to Asia and turning to retail
00:11:19 --> 00:11:23: and starting with cap rates for those cities with recent
00:11:23 --> 00:11:23: data,
00:11:23 --> 00:11:27: the comparison of the previous few years to the forecast
00:11:27 --> 00:11:28: period is interesting.
00:11:28 --> 00:11:33: Hong Kong forecast shows significant compression from the previous few
00:11:33 --> 00:11:33: years.
00:11:33 --> 00:11:35: From the four point 8%
00:11:35 --> 00:11:37: range down to the three point 8%
00:11:37 --> 00:11:42: range, the Singapore expected to go the other direction from
00:11:42 --> 00:11:43: the 3.6%
00:11:43 --> 00:11:46: range of the previous two years to the four,
00:11:46 --> 00:11:52: plus rain percent range. During the forecast period and moving
00:11:52 --> 00:11:54: onto vacancy rates.
00:11:54 --> 00:11:58: Three cities experienced a jump and vacancy rates in 20.
00:11:58 --> 00:12:02: Singapore and Shanghai are expected to improve over the forecast
00:12:02 --> 00:12:02: period,
00:12:02 --> 00:12:07: although not returning to their 19 level by 23.
00:12:07 --> 00:12:10: On Congress forecast to show some improvement 21.
00:12:10 --> 00:12:15: That reversed direction remaining just below the 20 high.
00:12:15 --> 00:12:18: And just moving on now to the final one.
00:12:18 --> 00:12:25: Rental rate change. So altogether there appears to be consistent
00:12:25 --> 00:12:30: optimism for rent activity by 2023,

00:12:30 --> 00:12:35: and certainly not before. And with that.
00:12:35 --> 00:12:38: I would just wrap it up by saying there's reason
00:12:39 --> 00:12:40: for optimism in 2021,
00:12:40 --> 00:12:43: for many across the region,
00:12:43 --> 00:12:46: but not for all and but far more by 23
00:12:46 --> 00:12:50: and just a reminder that these charts and all other
00:12:50 --> 00:12:55: and many more charts are available on knowledge Finder.
00:12:55 --> 00:12:58: Thank you so much. This was such a great presentation.
00:12:58 --> 00:13:02: I certainly took a lot of notes and with that
00:13:02 --> 00:13:05: I would like to move on to our response panel.
00:13:05 --> 00:13:07: We have an amazing panel for you this
00:13:07 --> 00:13:13: morning. Rodney Allen from Joel Milan Country Phoenix property investors
00:13:13 --> 00:13:14: Lewis Cuges,
00:13:14 --> 00:13:18: Oxford Economics and Glen Nelson from AW.
00:13:18 --> 00:13:20: With that I would like to pass it to our
00:13:20 --> 00:13:21: moderator for this morning.
00:13:21 --> 00:13:24: Rodney Allen Roddy over to you.
00:13:24 --> 00:13:27: Thanks very much Ariel. And yeah indeed some some really
00:13:27 --> 00:13:28: interesting insights there.
00:13:28 --> 00:13:30: That thanks Anita and and thanks,
00:13:30 --> 00:13:33: definitely to the the panelists for joining today.
00:13:33 --> 00:13:35: I mean, I think what we're going to try and
00:13:35 --> 00:13:38: focus on is this sort of broader picture around some
00:13:38 --> 00:13:39: of these numbers that would,
00:13:39 --> 00:13:41: that that we've shared today.
00:13:41 --> 00:13:43: So maybe maybe I'll kick off with with you,
00:13:43 --> 00:13:46: Louis, if that's OK, just from a sort of an
00:13:46 --> 00:13:47: economic point of view.
00:13:47 --> 00:13:51: So as markets continue to to recover and governments continue
00:13:51 --> 00:13:53: to have varying stances,
00:13:53 --> 00:13:55: how do you see this up?
00:13:55 --> 00:13:59: Economics prospects differing around the region and and maybe any
00:13:59 --> 00:14:02: particular comments that you have around a policy.
00:14:02 --> 00:14:05: Responses from governments and and and maybe a little bit
00:14:05 --> 00:14:06: on China as well,
00:14:06 --> 00:14:07: if that's if that's OK.
00:14:07 --> 00:14:08: Quite a lot to cover there,
00:14:08 --> 00:14:09: so I'll pass to you Louis.
00:14:10 --> 00:14:15: Yes, thanks ready. So I think in General 2022 is
00:14:15 --> 00:14:19: going to be a relatively good year for Asia.

00:14:19 --> 00:14:24: Asia generally has faced a bit of a challenge in
00:14:24 --> 00:14:25: 2021.
00:14:25 --> 00:14:28: You know, if you think about the US and Europe
00:14:28 --> 00:14:30: they had vaccination doing well,
00:14:30 --> 00:14:33: opening up the economy, broadly speaking.
00:14:34 --> 00:14:37: In Asia we we we we lag behind we lag
00:14:37 --> 00:14:41: behind on vaccination and many governments.
00:14:41 --> 00:14:43: Remained reluctant to open up,
00:14:43 --> 00:14:47: of course. In many emerging market Asian economies we've seen
00:14:48 --> 00:14:48: this year.
00:14:48 --> 00:14:52: You know, some very, very heavy breakouts of COVID that
00:14:52 --> 00:14:57: that further delayed that that economic recovery as governments locks
00:14:57 --> 00:14:59: down and and post restrictions.
00:14:59 --> 00:15:02: It's looking better for 2022 because we have seen a
00:15:03 --> 00:15:06: very good pickup in vaccination all across Asia,
00:15:06 --> 00:15:08: even among the, you know.
00:15:11 --> 00:15:13: There's a. There's a laggards like like like,
00:15:13 --> 00:15:16: Vietnam and Taiwan. So overall we we see the vaccination
00:15:16 --> 00:15:19: prospects having improved quite a bit.
00:15:19 --> 00:15:22: Governments have taken advantage of that by opening up some
00:15:22 --> 00:15:23: faster than others.
00:15:23 --> 00:15:26: Of course, we've seen Singapore is an interesting example.
00:15:26 --> 00:15:29: I know the Singaporean colleagues are not yet very happy
00:15:29 --> 00:15:31: that they can't meet up with many people,
00:15:31 --> 00:15:34: but if you look at Singaporean.
00:15:34 --> 00:15:38: Singapore opening up in terms of the border and and
00:15:38 --> 00:15:39: and travel,
00:15:39 --> 00:15:42: that is really a reflection of that movement to a
00:15:42 --> 00:15:43: containment policy.
00:15:43 --> 00:15:46: Looking at, you know, dealing with COVID in terms of
00:15:46 --> 00:15:49: containing it rather than having a 0 tolerance policy and
00:15:49 --> 00:15:52: then we have on the other side of the spectrum.
00:15:52 --> 00:15:55: Of course China, which has the vaccination,
00:15:55 --> 00:15:58: but perhaps because people are not 100%
00:15:58 --> 00:16:02: convinced about the efficacy of the vaccination and there is
00:16:02 --> 00:16:03: among the government.
00:16:03 --> 00:16:07: But even in the. I would say among the population
00:16:07 --> 00:16:10: I would say there is less of a a buy
00:16:10 --> 00:16:13: in for that approach to container,
00:16:13 --> 00:16:15: so it's going to be much slower in China.

00:16:15 --> 00:16:19: And of course whatever happens in China has an impact
00:16:19 --> 00:16:22: on Hong Kong as well because the Hong Kong government
00:16:23 --> 00:16:27: decided basically that on opening up the borders to mainland
00:16:27 --> 00:16:31: China was more important was really the the the the
00:16:31 --> 00:16:34: the prime objective and that if if.
00:16:34 --> 00:16:37: A delayed opening up to the rest of the world
00:16:37 --> 00:16:39: had to be sacrificed for that,
00:16:39 --> 00:16:42: that that was worth going for,
00:16:42 --> 00:16:45: and that's why in Hong Kong we also expect that
00:16:45 --> 00:16:47: opening up to the rest of the world to be
00:16:47 --> 00:16:47: much slower.
00:16:47 --> 00:16:49: So these are, you know,
00:16:49 --> 00:16:53: some factors on the policy side that have affected how
00:16:53 --> 00:16:55: these economies are opening up,
00:16:55 --> 00:16:57: but if you look at the forecast that Anita just
00:16:57 --> 00:16:57: shared,
00:16:57 --> 00:17:02: you can see how generally in Asia we are we
00:17:02 --> 00:17:05: can look forward to quite good.
00:17:05 --> 00:17:09: Economic growth I pick up in economic growth and some
00:17:09 --> 00:17:12: of the some of the improvement that the US and
00:17:12 --> 00:17:13: Europe saw in 2001.
00:17:14 --> 00:17:18: In Asia we will get we will get that in
00:17:18 --> 00:17:18: 2022.
00:17:18 --> 00:17:23: So relatively speaking, 2022 will be better for Asia than
00:17:23 --> 00:17:23: 2021.
00:17:25 --> 00:17:28: Thank thank Thanks Lynn, just a quick question around that
00:17:28 --> 00:17:29: vote from I I think we got one of the
00:17:30 --> 00:17:32: questions from from the from the audience here.
00:17:32 --> 00:17:35: It just you know why the decrease in the GDP
00:17:35 --> 00:17:37: growth for 22 versus 21.
00:17:37 --> 00:17:40: I think I know a little bit around that,
00:17:40 --> 00:17:42: but I'll pass that to you.
00:17:42 --> 00:17:44: Being being the Economist on on the panel here.
00:17:45 --> 00:17:48: Yeah, I mean you know.
00:17:48 --> 00:17:50: So we've had quite a rough ride,
00:17:50 --> 00:17:52: right? We had a you know,
00:17:52 --> 00:17:56: a spectacular plunge in activity in 2020 all across the
00:17:56 --> 00:17:57: world.
00:17:57 --> 00:17:59: I think China, and yet China,
00:17:59 --> 00:18:04: Vietnam and Taiwan were pretty much the only you know
00:18:04 --> 00:18:09: G40 economists where GDP did not fall a lot in
00:18:09 --> 00:18:09: 2020.

00:18:10 --> 00:18:13: So some of that, you know the headline numbers for
00:18:13 --> 00:18:16: 2021 look a bit too good to be true.
00:18:16 --> 00:18:18: It's it's just coming out of a hole.
00:18:18 --> 00:18:22: Sometimes we look at, you know what happened quarter on
00:18:22 --> 00:18:23: quarter.
00:18:23 --> 00:18:27: So if you were to take the average of quarter
00:18:27 --> 00:18:31: on quarter growth in 2021 and you compare,
00:18:31 --> 00:18:35: you know how that looked to 2020 and also to
00:18:35 --> 00:18:35: 2022,
00:18:36 --> 00:18:39: then you you will see that we had a huge,
00:18:39 --> 00:18:43: you know crawling out of a hole in the early
00:18:43 --> 00:18:43: 2021.
00:18:43 --> 00:18:45: Or you know in some countries a bit later,
00:18:45 --> 00:18:48: but at least. At some point and we are now,
00:18:48 --> 00:18:52: you know, starting to move more to a more normal
00:18:52 --> 00:18:53: pattern.
00:18:53 --> 00:18:55: A more normal part of the recovery,
00:18:55 --> 00:18:59: and so 2021. It's probably it's probably good to,
00:18:59 --> 00:19:02: and actually we do that for many countries to look
00:19:03 --> 00:19:04: at it in combination to 2020,
00:19:04 --> 00:19:08: so some of the countries that saw the biggest plunge
00:19:08 --> 00:19:11: like India and others see a lot of catch up
00:19:11 --> 00:19:11: growth,
00:19:11 --> 00:19:16: but they still if you compare the level of activity.
00:19:16 --> 00:19:17: At the moment, compared to,
00:19:17 --> 00:19:21: say, 2019, you'll see that in in many countries,
00:19:21 --> 00:19:23: especially in these countries like India,
00:19:23 --> 00:19:25: we still need to move a bit more before we
00:19:25 --> 00:19:27: actually are above the water.
00:19:28 --> 00:19:30: Yeah yeah, and I'm absolutely so.
00:19:30 --> 00:19:33: I mean, as borders open up and do we have
00:19:33 --> 00:19:36: any specific thoughts on on how this might affect the
00:19:36 --> 00:19:38: real estate markets?
00:19:38 --> 00:19:40: Maybe I'll pass to you first Milan if that's OK,
00:19:41 --> 00:19:42: sure, and thank you for that.
00:19:42 --> 00:19:45: Roddy and I think one of the key areas which
00:19:45 --> 00:19:47: may expecting quite a big impact,
00:19:47 --> 00:19:50: is just the ability to travel of when it comes
00:19:50 --> 00:19:51: to investors.
00:19:51 --> 00:19:54: Wanted to buy into assets.
00:19:54 --> 00:19:57: I think one of the impediments in the last year
00:19:57 --> 00:19:59: or two has been a fact that.

00:19:59 --> 00:20:03: Investors cannot travel, do due diligence on the assets they
00:20:03 --> 00:20:05: may be interested in buying.
00:20:05 --> 00:20:07: So I think that first he will be quite key
00:20:07 --> 00:20:08: impact within the region.
00:20:08 --> 00:20:09: For example, we've seen that,
00:20:09 --> 00:20:13: for example, with South Korean investors who've been reluctant to
00:20:13 --> 00:20:16: buy assets overseas and then focus more on their domestic
00:20:16 --> 00:20:17: market.
00:20:17 --> 00:20:19: So I think that will start to change.
00:20:19 --> 00:20:22: And obviously I think the other key impact of border
00:20:22 --> 00:20:25: borders opening up will be on hospitality and tourism.
00:20:25 --> 00:20:29: Obviously traveling towards him was a huge growth driver with.
00:20:29 --> 00:20:33: Within the region and so as travel comes back,
00:20:33 --> 00:20:35: that will have quite an impact as well,
00:20:35 --> 00:20:39: although I would point out that in certain key markets
00:20:39 --> 00:20:40: like Japan,
00:20:40 --> 00:20:43: but even Australia, domestic tourism is actually relatively high and
00:20:43 --> 00:20:46: so that's really been sustaining the industry.
00:20:46 --> 00:20:50: But I think we've traveled becoming more normal again.
00:20:50 --> 00:20:51: Hopefully in the next few years.
00:20:51 --> 00:20:54: That will be an additional driver of recovery.
00:20:55 --> 00:20:57: Thanks, Melinda, maybe maybe the same question to you Glenn
00:20:57 --> 00:20:58: as well.
00:20:58 --> 00:21:00: If you have any other thoughts around that.
00:21:02 --> 00:21:05: Yeah, I think Asia is a is a big place
00:21:05 --> 00:21:08: and it requires a lot of cross border travel and
00:21:08 --> 00:21:10: activity and not,
00:21:10 --> 00:21:13: you know, the pandemic really hasn't stopped any of that.
00:21:13 --> 00:21:15: And that and that is both on,
00:21:15 --> 00:21:18: like Milan said on the transaction side from investors,
00:21:18 --> 00:21:23: but also on tenants and occupiers of commercial real estate.
00:21:23 --> 00:21:26: I expect you know, opening of those borders will create
00:21:26 --> 00:21:29: more contact with their businesses with their clients and their
00:21:29 --> 00:21:30: counterparties,
00:21:30 --> 00:21:32: and with their staff and other locations.
00:21:32 --> 00:21:34: And that will then increase confidence,
00:21:34 --> 00:21:38: which will hopefully then in turn lead to more decision
00:21:38 --> 00:21:40: making around leases,
00:21:40 --> 00:21:43: perhaps expansion. If not, then at least renewals.

00:21:43 --> 00:21:47: And more confidence to make those decisions and then at
00:21:47 --> 00:21:49: least as Milan said.
00:21:49 --> 00:21:53: Like directly, retail hospo, we've seen maybe a transaction the
00:21:53 --> 00:21:56: last couple of weeks and and Sydney that's it's in
00:21:56 --> 00:21:59: and around an expectation that that we're past the worst
00:21:59 --> 00:22:02: of it, and that there will be an increased tourist
00:22:02 --> 00:22:04: travel to to major gateway cities.
00:22:04 --> 00:22:07: So that would be an interesting thing to watch,
00:22:07 --> 00:22:11: and then I think lastly is is behind those transaction
00:22:11 --> 00:22:13: activity is intra regional travel.
00:22:13 --> 00:22:17: So those investors based outside of Asia being able to
00:22:17 --> 00:22:20: come into Asia and visit their managers and visit their
00:22:20 --> 00:22:22: counterparties and visit assets.
00:22:22 --> 00:22:25: I think all that again is interrelated.
00:22:26 --> 00:22:28: Yeah, I mean definitely. I think there's been a lot
00:22:28 --> 00:22:30: of delay in kind of Wheaton sequence,
00:22:30 --> 00:22:31: so it's yeah and thanks for that.
00:22:31 --> 00:22:33: I mean just just talking about and jumping back to
00:22:33 --> 00:22:35: the slides that we that we looked at.
00:22:35 --> 00:22:39: I mean, inflation certainly is a large consideration,
00:22:39 --> 00:22:42: so I mean, any thoughts with regard to how things
00:22:42 --> 00:22:44: are likely to play out in any pack and indeed
00:22:44 --> 00:22:46: impact versus that.
00:22:46 --> 00:22:47: The rest of the the world,
00:22:47 --> 00:22:50: and maybe Louis. I'll I'll put that to you if
00:22:50 --> 00:22:50: that's OK.
00:22:51 --> 00:22:54: Yeah, sure, yeah. So you know.
00:22:54 --> 00:22:58: Globally speaking, inflation has been very much on the on
00:22:58 --> 00:22:58: the agenda.
00:22:58 --> 00:23:00: People are anxious about it.
00:23:00 --> 00:23:03: They see in place in the US and even in
00:23:03 --> 00:23:07: Europe reaching levels that haven't been reached in God knows
00:23:07 --> 00:23:08: how many years.
00:23:08 --> 00:23:11: It's a bit different and we we haven't seen that
00:23:11 --> 00:23:15: big mismatch between supply and demand that we saw in
00:23:15 --> 00:23:16: the US and Europe.
00:23:16 --> 00:23:21: You know, we haven't seen these gigantic government expansions.
00:23:21 --> 00:23:26: We haven't seen some of the distortions that that created,
00:23:26 --> 00:23:29: and also of course I would say in general,
00:23:29 --> 00:23:33: Asian economies are quite good in making sure the supply

00:23:33 --> 00:23:36: side is actually keeping up with demand,
00:23:36 --> 00:23:39: so we haven't really seen.
00:23:39 --> 00:23:43: Major pressures on the inflation front in Asia and I
00:23:43 --> 00:23:45: would say going forward,
00:23:45 --> 00:23:48: even at the global level we at Oxford economics are
00:23:48 --> 00:23:50: not so worried about inflation.
00:23:50 --> 00:23:52: We do think it is largely transient,
00:23:52 --> 00:23:54: so we if you look for instance,
00:23:54 --> 00:23:57: at the spectacular increase in producer prices,
00:23:57 --> 00:24:00: you know what comes out of the factories that that
00:24:00 --> 00:24:04: that increase has been really quite spectacular across the world.
00:24:04 --> 00:24:07: But we think that that will be reversed next year
00:24:07 --> 00:24:09: and that will basically.
00:24:09 --> 00:24:12: Take away a lot of that initial impetus in the
00:24:12 --> 00:24:13: whole,
00:24:13 --> 00:24:18: you know, price. Setting arrangements and so taking into account
00:24:18 --> 00:24:22: that globally we don't think it's going to be,
00:24:22 --> 00:24:25: you know, a regime shift towards our inflation,
00:24:25 --> 00:24:28: but also taking into account that that situation in Asia
00:24:29 --> 00:24:31: we don't really have a lot of you know,
00:24:31 --> 00:24:34: tight economy. There is still quite a bit of slack.
00:24:34 --> 00:24:39: We are generally not so worried about inflation really impinging
00:24:39 --> 00:24:42: on the ability of monetary policymakers,
00:24:42 --> 00:24:46: to, you know, to to basically continue to support growth.
00:24:46 --> 00:24:49: So overall I would say there are a lot of
00:24:49 --> 00:24:50: things to worry about,
00:24:50 --> 00:24:53: and inflation does seem scary if you look at US
00:24:53 --> 00:24:54: CPI numbers,
00:24:54 --> 00:24:57: but I would say don't worry too much about it
00:24:57 --> 00:25:01: because one thing is also that central bankers look at
00:25:01 --> 00:25:04: this right and central bankers even in the USI think
00:25:04 --> 00:25:09: are responding to it and we definitely expect interest rates
00:25:09 --> 00:25:10: to increase,
00:25:10 --> 00:25:13: but even even on that front we don't think that
00:25:13 --> 00:25:15: interest rates are going to,
00:25:15 --> 00:25:18: you know, go back. To the levels that we saw
00:25:19 --> 00:25:20: in the 2000s or earlier on.
00:25:20 --> 00:25:23: Like if you look at our estimations on where where
00:25:23 --> 00:25:25: we think interest rates in the US,
00:25:25 --> 00:25:29: for instance, will be when everything is set and done

00:25:29 --> 00:25:31: in the economy is totally normalized.
00:25:31 --> 00:25:34: We're talking about 2% or so for the policy rate,
00:25:34 --> 00:25:36: so that's still so I would say.
00:25:36 --> 00:25:41: Inflation is on everybody's mind and interest rates will rise,
00:25:41 --> 00:25:44: but we still don't think that interest rates are going
00:25:44 --> 00:25:45: to rise to,
00:25:45 --> 00:25:49: you know, levels far beyond two 2 1/2%.
00:25:50 --> 00:25:53: Thanks Lewis, and you set that up for for our
00:25:53 --> 00:25:56: support site perfect follow on question and maybe Glenn I'll
00:25:56 --> 00:25:57: come to you first.
00:25:57 --> 00:25:59: But in terms of that interest rate question,
00:25:59 --> 00:26:02: you know if if we do see a rise in
00:26:02 --> 00:26:03: interest rates,
00:26:03 --> 00:26:06: how do you see that sort of impacting real estate
00:26:06 --> 00:26:10: markets where we will it play out differently in different
00:26:10 --> 00:26:12: locations where your thoughts?
00:26:12 --> 00:26:12: Yeah,
00:26:12 --> 00:26:14: differently in different locations for sure.
00:26:14 --> 00:26:17: I think broadly across the region,
00:26:17 --> 00:26:22: is Louis highlighted that nominal interest rate is in that
00:26:22 --> 00:26:22: 2 to 3%
00:26:22 --> 00:26:24: range, at least over a short term,
00:26:24 --> 00:26:29: medium term timeframe. But the real rate underneath that is
00:26:29 --> 00:26:30: like half a percent,
00:26:30 --> 00:26:33: and that's important for property.
00:26:33 --> 00:26:35: But even that those policy rates that that Lewis was
00:26:36 --> 00:26:36: talking about,
00:26:36 --> 00:26:40: you're still God. They really positive and widespread from a
00:26:40 --> 00:26:44: real estate perspective over both at risk free rate.
00:26:44 --> 00:26:46: Whenever that ends up being.
00:26:46 --> 00:26:48: And then of course cost of debt.
00:26:48 --> 00:26:51: So you know, debt will still continue to be accretive
00:26:51 --> 00:26:52: to to returns,
00:26:52 --> 00:26:55: and so you know there's no and.
00:26:55 --> 00:26:58: And my view, at least there's no immediate reason to
00:26:58 --> 00:27:01: think that will possibly see a narrowing of that spread
00:27:01 --> 00:27:04: that will translate into a buyer seller dynamic.
00:27:04 --> 00:27:07: In other words, your buyers asking for a lower price
00:27:07 --> 00:27:10: and sellers being willing to accept it.
00:27:10 --> 00:27:12: I think you know on an absolute basis,
00:27:12 --> 00:27:15: property yields in this you know 43 to 4%
00:27:16 --> 00:27:20: range liver that get a cash return for the 5%.

00:27:20 --> 00:27:22: It's still a premium over what you might get on
00:27:22 --> 00:27:24: a on a risk for your on a fixed income
00:27:24 --> 00:27:25: product.
00:27:25 --> 00:27:29: And as we know over many years now,
00:27:29 --> 00:27:33: people are only increasing their allocations to real assets,
00:27:33 --> 00:27:36: real estate and they consider themselves unallocated.
00:27:36 --> 00:27:40: Or under allocated versus their target as all of that
00:27:40 --> 00:27:42: as as a game buying pressure.
00:27:42 --> 00:27:44: It's just despite what we might be happening in that
00:27:44 --> 00:27:47: relationship between Saudi real estate yield and fixed income yields.
00:27:47 --> 00:27:50: So, no, I don't think you'll be too much,
00:27:50 --> 00:27:54: too much pressure or results as a result of those.
00:27:54 --> 00:27:56: Those come changes.
00:27:56 --> 00:27:59: And definitely no thanks then and and definitely that under
00:27:59 --> 00:28:03: allocation be much greater here in APAC arguably than than
00:28:03 --> 00:28:04: the rest of the world.
00:28:04 --> 00:28:06: If you if you look at the numbers Milan is.
00:28:06 --> 00:28:08: Anything else that you would want to add to add
00:28:09 --> 00:28:10: to that from your side?
00:28:10 --> 00:28:13: Sure, I mean I think you know the there will
00:28:13 --> 00:28:15: be a differentiated response,
00:28:15 --> 00:28:16: so I mean, as US interest rates rise,
00:28:16 --> 00:28:20: obviously there are certain countries or locations in Asia which
00:28:20 --> 00:28:22: would be more impacted than others.
00:28:22 --> 00:28:26: So obviously Hong Kong has a peg which currency to
00:28:26 --> 00:28:27: the US dollar,
00:28:27 --> 00:28:30: so they'll be following in more or less in lockstep.
00:28:30 --> 00:28:33: Singapore to some degree, but in other markets there'll be
00:28:33 --> 00:28:34: no impact at all.
00:28:34 --> 00:28:38: So for example, Japan. There's no inflation to speak of
00:28:38 --> 00:28:39: at all.
00:28:39 --> 00:28:43: Interest rates remain rock bottom for a very long time.
00:28:43 --> 00:28:45: Other countries are actually already started raising interest rates.
00:28:45 --> 00:28:49: For example, South Korea. They're concerned about their real estate
00:28:49 --> 00:28:51: market becoming a bit overheated,
00:28:51 --> 00:28:54: so they will obviously reacted and actually already increase rates.
00:28:55 --> 00:28:58: What I would point out is that previous rate cycles
00:28:58 --> 00:28:59: where the Fed U.S.

00:28:59 --> 00:29:02: central Bank has been raising interest rates over the last
00:29:02 --> 00:29:03: sort of decade and a half or so.
00:29:03 --> 00:29:08: Typically those are periods where global economy is heating up.
00:29:08 --> 00:29:11: Labor markets are improving and age is no different and
00:29:11 --> 00:29:14: So what you find is that even as interest rates
00:29:14 --> 00:29:15: increase,
00:29:15 --> 00:29:18: real estate markets actually tend to perform pretty well.
00:29:18 --> 00:29:20: Capital values tend to rise,
00:29:20 --> 00:29:23: and so I think that sort of just speaks to
00:29:23 --> 00:29:27: the fact that a more positive economic environment will help
00:29:27 --> 00:29:29: to drive real estate market returns,
00:29:29 --> 00:29:31: and that being speaking about Glynn said.
00:29:31 --> 00:29:35: Also, recent Glynn said there's still that significant spread in
00:29:35 --> 00:29:37: yields over risk free rates,
00:29:37 --> 00:29:40: and so I think that will also be an additional.
00:29:40 --> 00:29:42: Drive as well as recovery in the economy or the
00:29:42 --> 00:29:45: sort of really supporting real estate markets across much of
00:29:45 --> 00:29:46: a developed age,
00:29:46 --> 00:29:47: or at least.
00:29:48 --> 00:29:52: Yep, thanks Milan and and maybe jumping death slightly different
00:29:52 --> 00:29:53: topic entirely,
00:29:53 --> 00:29:55: but I mean I think we we keep hearing about
00:29:55 --> 00:29:56: the logistics market.
00:29:56 --> 00:29:58: The fact it's it's very flavor of the month.
00:29:58 --> 00:30:01: We looked at some numbers there and but I mean,
00:30:01 --> 00:30:04: given the challenges that we've seen to to officers and
00:30:04 --> 00:30:08: certainly across the the pandemic and the whole work from
00:30:08 --> 00:30:10: home piece and do do from your side,
00:30:10 --> 00:30:14: do you think there's still an opportunity in in in
00:30:14 --> 00:30:14: office?
00:30:14 --> 00:30:16: And maybe Milan will will stick with you if that's
00:30:16 --> 00:30:17: OK?
00:30:17 --> 00:30:18: Sure, thank you for that.
00:30:18 --> 00:30:21: Robbie, I mean I think what's been interesting is in
00:30:21 --> 00:30:22: the last sort of year,
00:30:22 --> 00:30:25: year and a half. If you look at office demand
00:30:25 --> 00:30:27: and absorption of space,
00:30:27 --> 00:30:30: it's actually being relatively stable in many markets across Asia,
00:30:30 --> 00:30:33: particularly North Asia. And and actually this year,
00:30:33 --> 00:30:35: you see quite a strong recovery,

00:30:35 --> 00:30:38: so I would point to the key Chinese markets such
00:30:38 --> 00:30:39: as Shanghai,
00:30:39 --> 00:30:43: Beijing, very strong demand soul actually has performed really well
00:30:43 --> 00:30:45: throughout the pandemic,
00:30:45 --> 00:30:48: and this selflessly speaks to the fact that much of
00:30:48 --> 00:30:49: Asia is control the pandemic.
00:30:49 --> 00:30:53: Really well, and so I think that's really helped to
00:30:53 --> 00:30:54: limit to some degree,
00:30:54 --> 00:30:59: to work to home sort of activity and sort of.
00:30:59 --> 00:31:01: Looking ahead, I think the demand for officers will sort
00:31:02 --> 00:31:04: of keep on going out with the upswing in the
00:31:04 --> 00:31:04: economy.
00:31:04 --> 00:31:07: Although there's going to be a differentiated demand,
00:31:07 --> 00:31:11: so certainly the demand and focuses more on high quality
00:31:11 --> 00:31:12: space.
00:31:12 --> 00:31:17: It's on location. Specifically, Tokyo is a good example where
00:31:17 --> 00:31:17: you know,
00:31:17 --> 00:31:20: interesting enough, you know there has been.
00:31:20 --> 00:31:22: Some degree of weakness in the grade,
00:31:22 --> 00:31:25: A market in Tokyo I think to some degree that
00:31:25 --> 00:31:26: reflects the operation.
00:31:26 --> 00:31:30: Big multinationals, big core Japanese corporates.
00:31:30 --> 00:31:32: But then if you look at a grade B market
00:31:32 --> 00:31:35: in good locations at in actual fact that demand is
00:31:35 --> 00:31:36: still there.
00:31:36 --> 00:31:39: Rents have held up relatively well as well as capital
00:31:39 --> 00:31:42: values and so the yields have stayed pretty low as
00:31:42 --> 00:31:42: well.
00:31:42 --> 00:31:44: So I think it is quite differentiated.
00:31:44 --> 00:31:48: But overall we're pretty optimistic on the office market looking
00:31:48 --> 00:31:49: head for Asia.
00:31:50 --> 00:31:53: And Glenn, maybe I'll pass to you if that's OK.
00:31:55 --> 00:31:58: Yeah, same question then. I think Milan touched on a
00:31:58 --> 00:31:59: lot of those.
00:31:59 --> 00:32:02: Those good points. I think generally we accept as a
00:32:02 --> 00:32:06: region as investors in the region that our expectation of
00:32:06 --> 00:32:10: where office will be over the short term will be
00:32:10 --> 00:32:13: different than perhaps it says in other regions.
00:32:13 --> 00:32:16: And I I noticed in the the presentation that that
00:32:16 --> 00:32:18: opened the session today.
00:32:18 --> 00:32:20: You know there's what was it like 16%

00:32:21 --> 00:32:26: vacancy in inunguis officers. The survey has Asian officers vacancy
00:32:26 --> 00:32:26: at.
00:32:26 --> 00:32:30: You know a third. Those levels 1/3 to 1/2 those
00:32:30 --> 00:32:31: levels so.
00:32:31 --> 00:32:34: Again, I think they just speaks to that.
00:32:34 --> 00:32:36: We do expect people back in the office.
00:32:36 --> 00:32:39: It's been in voluntary work from home when it becomes
00:32:39 --> 00:32:41: a question of voluntary.
00:32:41 --> 00:32:43: I think more people will be back in the office
00:32:43 --> 00:32:46: more at the time and then on top of that
00:32:46 --> 00:32:48: is just something Lewis was speaking about.
00:32:48 --> 00:32:49: Was you know all of us,
00:32:49 --> 00:32:53: you know expansion of economic activity Asia going to have
00:32:53 --> 00:32:54: a good 2022 and then,
00:32:54 --> 00:32:58: uh, you know, perhaps even a a pretty good robust
00:32:58 --> 00:33:02: 2023 versus trend and that speaks again to recovery in
00:33:02 --> 00:33:03: labor markets.
00:33:03 --> 00:33:06: And then those employment and those job growth forecasts you
00:33:06 --> 00:33:08: know can speak to expansion demand.
00:33:08 --> 00:33:11: Perhaps building over over a 2 two to three year
00:33:11 --> 00:33:13: time frame as well so you know,
00:33:13 --> 00:33:16: I think there there may be some challenges short term,
00:33:16 --> 00:33:18: but I think we're getting to the end of that.
00:33:18 --> 00:33:20: That office cycle and we should be looking at hopefully
00:33:20 --> 00:33:21: will be.
00:33:21 --> 00:33:23: There are operating conditions for those office assets.
00:33:24 --> 00:33:26: Yeah, I mean I, I definitely agree.
00:33:26 --> 00:33:28: Just even looking at the at the numbers we've been
00:33:28 --> 00:33:31: looking at 'cause it's certainly a question that I'm getting
00:33:31 --> 00:33:31: almost daily.
00:33:31 --> 00:33:33: And I mean picking up a couple of points that
00:33:33 --> 00:33:34: you made there.
00:33:34 --> 00:33:37: Glenn in terms of employees wanting to get back to
00:33:37 --> 00:33:37: offices,
00:33:37 --> 00:33:39: we surveyed employees at the start of the pandemic and
00:33:39 --> 00:33:42: they were telling us that they wanted to work from
00:33:42 --> 00:33:42: home.
00:33:42 --> 00:33:45: So at least three days a week that's already flipped
00:33:45 --> 00:33:45: with we,
00:33:45 --> 00:33:47: we resurveyed 8 months later,
00:33:47 --> 00:33:50: and that's already at that time flipped to to back

00:33:50 --> 00:33:52: to being in the office three days a week,
00:33:52 --> 00:33:54: two days at home. And I I'm,
00:33:54 --> 00:33:56: I'm quite sure if we ran that so we again
00:33:56 --> 00:33:57: now.
00:33:57 --> 00:33:59: That number would have moved more in the direction of
00:33:59 --> 00:34:00: being back in the office,
00:34:00 --> 00:34:03: and I think to that premium point as well,
00:34:03 --> 00:34:05: and I think when you when you break down the
00:34:05 --> 00:34:07: numbers and we've been looking at how we we break
00:34:07 --> 00:34:08: down the numbers,
00:34:08 --> 00:34:12: there's definitely a sign. Now that these premium office assets
00:34:12 --> 00:34:15: are more resilient than some of the other,
00:34:15 --> 00:34:16: the other assets in the market,
00:34:16 --> 00:34:19: and I think there's certainly a number of drivers around
00:34:19 --> 00:34:19: that,
00:34:19 --> 00:34:21: whether that be the ESG agenda,
00:34:21 --> 00:34:24: because we certainly know that a lot of major corporates,
00:34:24 --> 00:34:26: despite the the the the pandemic,
00:34:26 --> 00:34:29: we thought. They might go into cost saving more than
00:34:29 --> 00:34:32: actual fact they've driven forward with their their net carbon
00:34:32 --> 00:34:35: 0 agendas and and also I think there's that Wellness
00:34:35 --> 00:34:39: piece as well that when we asked occupiers when it
00:34:39 --> 00:34:41: comes to the lease renewals,
00:34:41 --> 00:34:43: what would their focus be in 92%
00:34:43 --> 00:34:46: of these occupiers, telling us actually unreleased renewal?
00:34:46 --> 00:34:49: We will look at higher quality space and one of
00:34:49 --> 00:34:51: the key drivers is really that war for talent,
00:34:51 --> 00:34:54: peace and also that that the health and well
00:34:54 --> 00:34:54: being peace.
00:34:54 --> 00:34:57: So I I think I very much agree.
00:34:57 --> 00:34:58: I think it's. If any pack,
00:34:58 --> 00:35:01: definitely it's it's. It bodes well for the office sector
00:35:01 --> 00:35:05: going forward and there's one interesting point that we that
00:35:05 --> 00:35:07: we talked about earlier in Milan.
00:35:07 --> 00:35:09: You kind of picked up on it and it was
00:35:09 --> 00:35:11: that difference between Hong Kong and Singapore.
00:35:11 --> 00:35:14: And and you know whether that be the economy or
00:35:14 --> 00:35:15: real estate markets,
00:35:15 --> 00:35:19: but any thoughts around the economies in both of these,
00:35:19 --> 00:35:21: these, these locations and the outlook?
00:35:21 --> 00:35:23: And maybe I'll pick that one up with you Louis

00:35:23 --> 00:35:25: to start off with and then maybe passed it to
00:35:25 --> 00:35:27: you and Milan and Glenn for your thoughts.
00:35:27 --> 00:35:28: Are real estate wise? Because we.
00:35:28 --> 00:35:32: We often in the past compare both of these cities,
00:35:32 --> 00:35:33: but it's interesting. You know what,
00:35:33 --> 00:35:35: what the, what the nuance might be now and and
00:35:35 --> 00:35:37: what the story might be going forwards.
00:35:38 --> 00:35:42: Yes, ready so you know it's always interesting and we.
00:35:42 --> 00:35:45: I mean we we keep on comparing them right in
00:35:45 --> 00:35:46: many in many ways.
00:35:46 --> 00:35:49: These two cities. They're often on people's minds and you
00:35:49 --> 00:35:49: know,
00:35:49 --> 00:35:51: I think if you look if you if you think
00:35:51 --> 00:35:54: about 2022 the situation is going to be very different
00:35:54 --> 00:35:55: in those two.
00:35:55 --> 00:36:00: As I mentioned before, Singapore has basically moved to a
00:36:01 --> 00:36:03: containment strategy.
00:36:03 --> 00:36:05: They're not yet completely there because they had an outbreak,
00:36:05 --> 00:36:07: but that that's really the government.
00:36:07 --> 00:36:09: Has you know, prepared everything to move in that direction.
00:36:09 --> 00:36:13: And Hong Kong is very explicitly not doing that very
00:36:13 --> 00:36:14: explicitly,
00:36:14 --> 00:36:17: and merging or like like you know,
00:36:17 --> 00:36:19: being consistent with the Chinese approach,
00:36:19 --> 00:36:23: which means really Hong Kong is quite excited at the
00:36:23 --> 00:36:27: moment because there are some signs that there will be
00:36:27 --> 00:36:32: arrangements between Hong Kong and the mainland for there to
00:36:32 --> 00:36:36: be business traffic, other traffic to start moving across the
00:36:36 --> 00:36:40: borders and on the Hong Kong government feels that.
00:36:40 --> 00:36:43: You know, we will absolutely not jeopardize anything on that
00:36:43 --> 00:36:46: front by by means of opening up to the rest
00:36:46 --> 00:36:46: of the world.
00:36:46 --> 00:36:50: So it's going to be tough to to.
00:36:50 --> 00:36:53: It's going to continue to be tough to travel from
00:36:53 --> 00:36:55: and to Hong Kong from.
00:36:55 --> 00:36:58: The connection to you know cities and and and countries
00:36:59 --> 00:37:00: other than mainland China.
00:37:00 --> 00:37:03: And the interesting thing though is that if you look
00:37:03 --> 00:37:07: at the economic performance or in the for instance Office
00:37:07 --> 00:37:08: employment performance,

00:37:08 --> 00:37:11: it's slightly boring in the sense that both have moved
00:37:11 --> 00:37:13: in a broadly similar way.
00:37:13 --> 00:37:15: I was a little bit surprised about that in even
00:37:15 --> 00:37:17: our forecast is rather similar.
00:37:17 --> 00:37:20: I was a bit surprised about it because I have
00:37:20 --> 00:37:23: a feeling that the reputation or the the press on
00:37:23 --> 00:37:25: Hong Kong is not as good as on Singapore.
00:37:25 --> 00:37:28: But somehow the numbers are are are,
00:37:28 --> 00:37:31: I think better than what you would think from reading
00:37:31 --> 00:37:34: the newspaper in terms of office employment,
00:37:34 --> 00:37:37: the overall economy, and that is true also for our
00:37:37 --> 00:37:37: forecast,
00:37:37 --> 00:37:40: I think Anita's forecast is is quite,
00:37:40 --> 00:37:42: you know it's it's not that far off from our
00:37:42 --> 00:37:44: own and from other people,
00:37:44 --> 00:37:47: so it's interesting to see that are quite different.
00:37:47 --> 00:37:50: You know outlook in terms of the borders which somehow
00:37:50 --> 00:37:53: offers employment seems to be doing OK in both ways.
00:37:55 --> 00:37:57: I'm Glenn maybe from a real estate perspective.
00:37:57 --> 00:38:00: Any trends that you see you know versus the past
00:38:00 --> 00:38:02: and and and on the outlook and what what your
00:38:02 --> 00:38:05: thoughts are on both of those cities?
00:38:07 --> 00:38:08: Yeah, I mean they are.
00:38:08 --> 00:38:12: They are similar but but also very different in terms
00:38:12 --> 00:38:13: of the cliche.
00:38:13 --> 00:38:15: I know it's very easy to think of them as
00:38:15 --> 00:38:17: being as interchangeable,
00:38:17 --> 00:38:20: but I I I personally think they're probably more different
00:38:20 --> 00:38:23: than they are have then they have similarities.
00:38:23 --> 00:38:26: Lewis was just highlighting Hong Kong,
00:38:26 --> 00:38:31: active steps, becoming much more aligned with China itself.
00:38:31 --> 00:38:33: It's it's beyond become the border decisions made,
00:38:33 --> 00:38:36: but it's also those stock and bond connects the the
00:38:36 --> 00:38:39: wealth management connect that's it's in place in in a
00:38:40 --> 00:38:42: lot of that is in and around Hong Kong place
00:38:42 --> 00:38:44: in the in the GPA plan,
00:38:44 --> 00:38:47: which is obviously a key pillar for where the direction
00:38:47 --> 00:38:49: of of Hong Kong is going.
00:38:49 --> 00:38:52: Singapore is different. It's called the highly supportive government,
00:38:52 --> 00:38:55: which you know is. Is very active in many parts
00:38:55 --> 00:38:56: of the economy,

00:38:56 --> 00:39:01: including attractive attracting FDI which again we can see in
00:39:01 --> 00:39:03: the real estate sector.
00:39:03 --> 00:39:07: Because it's quite obvious in parts of the net absorption
00:39:07 --> 00:39:11: numbers and just on on demand for office space that
00:39:11 --> 00:39:14: that there's beneficial for decentralised locations.
00:39:14 --> 00:39:18: And that's probably 1 area where they are are quite
00:39:18 --> 00:39:21: similar and they they both are looking to build out
00:39:21 --> 00:39:24: decentralised office or business park.
00:39:24 --> 00:39:28: Locations to help supplement are a pretty good,
00:39:28 --> 00:39:31: solid CPD. Location. Your central and Hong Kong or CPD
00:39:31 --> 00:39:33: here in Singapore,
00:39:33 --> 00:39:36: but there are benefits to an office market to have
00:39:36 --> 00:39:37: more broader options available,
00:39:37 --> 00:39:42: be at suburban office or more business park kind of
00:39:42 --> 00:39:42: style.
00:39:42 --> 00:39:46: Then that ecosystem is much more beneficial over over the
00:39:46 --> 00:39:50: term and you know both are trying to build those
00:39:50 --> 00:39:51: out at the same time,
00:39:51 --> 00:39:53: so I think there's there's a place for both.
00:39:53 --> 00:39:56: They they obviously have. A different,
00:39:56 --> 00:40:01: longer term return characteristics. One is more cyclical than the
00:40:01 --> 00:40:02: other perhaps,
00:40:02 --> 00:40:06: but they you know. I think there's a place probably
00:40:06 --> 00:40:09: for people and and and and portfolios will be at.
00:40:09 --> 00:40:13: Probably Singapore is more of an income generating.
00:40:13 --> 00:40:17: Stylus strategy versus Hong Kong show or a value creation
00:40:17 --> 00:40:18: or appreciation strategy.
00:40:18 --> 00:40:21: Just because it's it's, it's always going to have low
00:40:21 --> 00:40:21: yields.
00:40:21 --> 00:40:24: It will never have a high yield compared to other
00:40:24 --> 00:40:25: regional cities.
00:40:26 --> 00:40:27: Yeah, for
00:40:27 --> 00:40:29: sure I'm melana any any thoughts from your size?
00:40:30 --> 00:40:33: Yeah, I think it's quite interesting looking at the forecast.
00:40:33 --> 00:40:36: Obviously Singapore is well ahead when it compared to Hong
00:40:36 --> 00:40:37: Kong on those numbers,
00:40:37 --> 00:40:40: but I've I'm imagine I think it may be actually
00:40:40 --> 00:40:43: a lot closer than those data debate.
00:40:43 --> 00:40:46: I mean, obviously Hong Kong is now opening up its
00:40:46 --> 00:40:50: border to China and and so with that quarantine effectively
00:40:51 --> 00:40:52: reduce the zero.

00:40:52 --> 00:40:55: What that means that you'll start to see a significant
00:40:55 --> 00:41:00: more capital Flow mainland corporate expansion into Hong Kong itself.
00:41:00 --> 00:41:02: Obviously that hasn't happened for a number of years.
00:41:02 --> 00:41:05: Firstly, because of COVID obviously and the board is shutting
00:41:06 --> 00:41:08: down and prior to that we had the social protests
00:41:08 --> 00:41:08: as well.
00:41:08 --> 00:41:12: So obviously that really had quite a big impact on
00:41:12 --> 00:41:15: economic impact in terms of expansion plans also on tourism
00:41:15 --> 00:41:16: as well.
00:41:16 --> 00:41:18: Obviously, tourism in Hong Kong collapsed,
00:41:18 --> 00:41:21: which is very important. Sort of gone from 60 million
00:41:21 --> 00:41:22: down to almost nothing,
00:41:22 --> 00:41:26: and so with the with the sort of more normalization
00:41:26 --> 00:41:28: with mainland China,
00:41:28 --> 00:41:31: I definitely think they'll have it in a positive impact
00:41:31 --> 00:41:32: on the demand for office.
00:41:32 --> 00:41:35: Place in Hong Kong and we may well see a
00:41:35 --> 00:41:40: stronger rental recovery than what these numbers are actually suggesting,
00:41:40 --> 00:41:43: so I wouldn't be surprised at all that that if
00:41:43 --> 00:41:44: that was the case,
00:41:44 --> 00:41:47: and and definitely I think Speaking of what Luis said
00:41:47 --> 00:41:50: and in the actual fact that Hong Kong when it
00:41:50 --> 00:41:54: comes to the financial services business services area has held
00:41:54 --> 00:41:56: up remarkably well when it comes to employment,
00:41:56 --> 00:41:58: obviously the confidence hasn't been there.
00:41:58 --> 00:42:01: So obviously rentals are really suffered,
00:42:01 --> 00:42:04: but as that recovery? Sort of starts to come through.
00:42:04 --> 00:42:06: That will have more of a positive impact.
00:42:06 --> 00:42:08: I think in Hong Kong,
00:42:08 --> 00:42:11: so yeah, absolutely. I think the recovery prospects probably just
00:42:11 --> 00:42:13: equally as strong as Singapore.
00:42:14 --> 00:42:16: Thanks Melanie and I are topical 1 coming in from
00:42:16 --> 00:42:18: the from the audience here and I think this is
00:42:18 --> 00:42:19: probably one for for you.
00:42:19 --> 00:42:22: Louie and I don't think under real estate sphere we're
00:42:22 --> 00:42:24: probably best place to answer this,
00:42:24 --> 00:42:27: but any thoughts and wine China might shift at 0
00:42:27 --> 00:42:31: COVID policy of from from from containment.

00:42:32 --> 00:42:34: Yes, it's a great question.
00:42:34 --> 00:42:36: I wish I had the answer and I.
00:42:36 --> 00:42:38: I mean we have a few elements of an answer,
00:42:38 --> 00:42:40: but I don't think we have the full answer because
00:42:40 --> 00:42:40: it's,
00:42:40 --> 00:42:42: you know, we just don't know enough at the moment.
00:42:42 --> 00:42:44: But I would say you know nothing is going to
00:42:44 --> 00:42:46: happen until the end of the Olympics.
00:42:46 --> 00:42:51: That's pretty clear. Local governments are already preparing heavily for
00:42:51 --> 00:42:51: that,
00:42:51 --> 00:42:54: and then we have in the fall.
00:42:54 --> 00:42:57: You know the very important Congress,
00:42:57 --> 00:43:00: politically. Super important, we don't.
00:43:00 --> 00:43:04: I mean, we don't think that there's going to be
00:43:04 --> 00:43:05: a wholesale.
00:43:05 --> 00:43:09: Change in policy. You know on something that China's leaders
00:43:09 --> 00:43:13: have invested so much political capital in and so we
00:43:13 --> 00:43:17: don't think there's going to be a wholesale change in
00:43:17 --> 00:43:21: the approach you know until at at the very earliest
00:43:21 --> 00:43:22: late 2022.
00:43:22 --> 00:43:26: But I do think that after the Olympics there is
00:43:26 --> 00:43:26: room,
00:43:26 --> 00:43:30: especially on the domestic front to have a bit of
00:43:30 --> 00:43:32: more a bit more opening up.
00:43:32 --> 00:43:34: I think that local governments in the central government will
00:43:34 --> 00:43:35: be a bit.
00:43:35 --> 00:43:37: Less conservative after the Olympics,
00:43:37 --> 00:43:39: so I think we will see in terms of the
00:43:39 --> 00:43:40: domestic economy,
00:43:40 --> 00:43:46: some improvement in mobility, as as the government is,
00:43:46 --> 00:43:50: you know, glad that the Olympics are over without too
00:43:50 --> 00:43:51: many hiccups.
00:43:51 --> 00:43:54: But yeah, I see that overall switch.
00:43:54 --> 00:43:57: The kind of switch that that Singapore made.
00:43:57 --> 00:43:58: I think at the very,
00:43:58 --> 00:44:00: very earliest late 2022.
00:44:02 --> 00:44:03: Yeah no that thankfully. I mean,
00:44:03 --> 00:44:05: it's yeah definitely. I mean certainly sitting here in Hong
00:44:05 --> 00:44:05: Kong.
00:44:05 --> 00:44:08: I certainly look forward to when I can can travel

00:44:08 --> 00:44:12: and maybe maybe maybe focusing on the that I mentioned
00:44:12 --> 00:44:12: earlier,
00:44:12 --> 00:44:15: but certainly logistics is very much flavor of the month
00:44:15 --> 00:44:17: I thought was really interesting in the slides that that
00:44:17 --> 00:44:19: I need to went through earlier.
00:44:19 --> 00:44:22: I mean certainly what we've seen over over the cycle
00:44:22 --> 00:44:26: is that that ourselves our considerable compression and yields when
00:44:26 --> 00:44:27: it comes to logistics.
00:44:27 --> 00:44:30: But yeah, in the forecast that we looked at today,
00:44:30 --> 00:44:32: that consensus forecast we're not seeing much.
00:44:32 --> 00:44:36: Compression and yields there, so maybe jumping to to you.
00:44:36 --> 00:44:39: Glenn, if that's OK for us to kick off and
00:44:39 --> 00:44:39: you know,
00:44:39 --> 00:44:41: in terms of that forecast that we that we looked
00:44:41 --> 00:44:42: at for these key markets.
00:44:42 --> 00:44:45: And also you know what are your thoughts on how
00:44:45 --> 00:44:46: this may play out?
00:44:46 --> 00:44:50: Do you think there's much more room for yield compression
00:44:50 --> 00:44:52: in the logistics sector?
00:44:52 --> 00:44:54: Yeah, and I look at the numbers
00:44:54 --> 00:44:56: and I know it's a survey or a consensus,
00:44:56 --> 00:44:59: but I I might agree with that sense whether the
00:44:59 --> 00:45:02: question right there that there might be room for those
00:45:03 --> 00:45:05: yields to surprise on the upside,
00:45:05 --> 00:45:08: so to speak, right, lower then then the survey is
00:45:08 --> 00:45:12: is suggesting and it's really just again like the depth
00:45:12 --> 00:45:14: of bidding for assets.
00:45:14 --> 00:45:17: Is is pretty strong and there's no reason to immediately
00:45:17 --> 00:45:19: think that that is going to shift in the next.
00:45:19 --> 00:45:23: You know, 1212 months or so I I would be
00:45:24 --> 00:45:29: unsurprised if people continue to pile into the sector next
00:45:29 --> 00:45:30: year.
00:45:30 --> 00:45:31: For lots of different reasons,
00:45:31 --> 00:45:35: ramming it's really proven itself this year.
00:45:35 --> 00:45:36: Demand a surprise on the upside,
00:45:36 --> 00:45:38: and I think there's a forecast that's got it right
00:45:38 --> 00:45:39: because it's just,
00:45:39 --> 00:45:43: you know, being much higher than everyone expected.
00:45:43 --> 00:45:46: And and there's there's low some markets.
00:45:46 --> 00:45:48: They're very, very low vacancy and just look at,
00:45:48 --> 00:45:51: say you know in and around Tokyo when there's essentially

00:45:51 --> 00:45:52: no vacancy at all.
00:45:52 --> 00:45:55: I think sols Greater souls vacancy rate.
00:45:55 --> 00:45:58: There's also low single digits.
00:45:58 --> 00:46:00: I know there's some supply in both those markets,
00:46:00 --> 00:46:01: but pre leasing activity again,
00:46:01 --> 00:46:04: pretty robust. More than half the space is as least
00:46:04 --> 00:46:07: up already before construction is finished,
00:46:07 --> 00:46:09: so all of that speaks to being able to get
00:46:09 --> 00:46:12: through investment committees and investment decisions.
00:46:12 --> 00:46:14: And I I would expect that just on the buying
00:46:14 --> 00:46:17: pressure that those yields could come down again a little
00:46:17 --> 00:46:20: bit more and and the last point I'd make is
00:46:20 --> 00:46:22: we we often look at the the.
00:46:23 --> 00:46:27: The relationship or that spread between logistics yields and office
00:46:27 --> 00:46:29: prime logistics and prime office.
00:46:29 --> 00:46:33: And then we look at what's happened in those those,
00:46:33 --> 00:46:36: those spreads and other regions in there again informs us
00:46:36 --> 00:46:40: that there's an ability whether Asia should or shouldn't.
00:46:40 --> 00:46:44: But there's an ability for investors to price logistics even
00:46:44 --> 00:46:47: a bit higher compared to where maybe prime officers stable
00:46:48 --> 00:46:50: bring those yields down on logistic center.
00:46:51 --> 00:46:53: I mean, maybe just sticking with you.
00:46:53 --> 00:46:55: I mean, obviously there's quite a lot of variation across
00:46:55 --> 00:46:57: the region when it comes to logistics.
00:46:57 --> 00:46:58: Do you think there's more scope?
00:46:58 --> 00:47:01: In certain markets than others.
00:47:01 --> 00:47:03: For the yields too well,
00:47:03 --> 00:47:05: yeah, yeah, just and. And yeah,
00:47:05 --> 00:47:09: exactly. Yeah, I think
00:47:10 --> 00:47:13: in markets like Australia there's probably some a little bit
00:47:13 --> 00:47:13: more room,
00:47:13 --> 00:47:17: but probably not as much as as,
00:47:17 --> 00:47:19: say, compared to a soul.
00:47:19 --> 00:47:21: I don't cover China logistics so closely,
00:47:21 --> 00:47:23: so I couldn't speak to that too much,
00:47:23 --> 00:47:25: although I know there's been a lot of activity in
00:47:25 --> 00:47:26: that sector,
00:47:26 --> 00:47:28: which again might translate into,
00:47:28 --> 00:47:31: you know, the justik seals coming down and and in
00:47:31 --> 00:47:32: and around.
00:47:32 --> 00:47:35: So you're bigger cities and your tier one cities or

00:47:35 --> 00:47:38: your East Coast cities of of China.
00:47:38 --> 00:47:41: So. I mean, if you had to kind of rank
00:47:41 --> 00:47:41: them,
00:47:41 --> 00:47:45: I'd imagine you know Tokyo a little bit down.
00:47:45 --> 00:47:46: Australia a little bit down.
00:47:46 --> 00:47:51: Just because Australian prime logistics yields are already under what
00:47:51 --> 00:47:52: your your office ones are.
00:47:52 --> 00:47:55: But you know market like soul with is.
00:47:55 --> 00:47:57: It's still decent spread, they could come down a little
00:47:58 --> 00:47:59: bit more then maybe those first two.
00:47:59 --> 00:48:01: And potentially you know China,
00:48:01 --> 00:48:04: Singapore. Again it's a. It's a it's very hard to
00:48:04 --> 00:48:05: think about it.
00:48:05 --> 00:48:07: 'cause it's all very much about the land tenure so
00:48:07 --> 00:48:08: very much deal specific.
00:48:08 --> 00:48:10: So I kind of hard to generalize.
00:48:10 --> 00:48:11: It makes it makes sense.
00:48:11 --> 00:48:15: Milan Milan maybe just putting both of.
00:48:15 --> 00:48:17: Those questions to you as well for your perspective.
00:48:18 --> 00:48:20: Sure, and and I think they're finally I think there
00:48:20 --> 00:48:22: is room for years to come down,
00:48:22 --> 00:48:25: and I think the weight of money that wants to
00:48:25 --> 00:48:27: allocate to logistics is significant.
00:48:27 --> 00:48:31: And I don't think that's going away anytime soon.
00:48:31 --> 00:48:34: Mentioning what you know, what you're speaking about clinic Lynn
00:48:34 --> 00:48:37: said about yields elsewhere mean prime logistics yields,
00:48:37 --> 00:48:39: you know, East Coast and West Coast US.
00:48:39 --> 00:48:41: If you look at sort of key markets in Europe,
00:48:41 --> 00:48:43: we're sort of talking at 3%
00:48:43 --> 00:48:45: or even lower, and so from that suggest.
00:48:45 --> 00:48:48: Need that. There probably is more room to go in
00:48:48 --> 00:48:50: Asia as well in the key gateway markets and then
00:48:50 --> 00:48:52: this is the yield differentials.
00:48:52 --> 00:48:55: I think China is still at a relative premium and
00:48:55 --> 00:48:58: what is interesting is that even though the demand for
00:48:58 --> 00:49:01: logistics tenant demand has been very strong in recent years
00:49:01 --> 00:49:03: and there's no doubt about that,
00:49:03 --> 00:49:07: I think the rental growth has been relatively moderate in
00:49:07 --> 00:49:08: most cases.
00:49:08 --> 00:49:10: I mean, you do see sort of occasional spurts,

00:49:10 --> 00:49:13: but I don't generally less than what we've been seeing
00:49:13 --> 00:49:15: in Europe and the US,
00:49:15 --> 00:49:17: but with vacancy rates remaining at.
00:49:17 --> 00:49:20: Very low levels that may begin to change over the
00:49:20 --> 00:49:23: next couple of years and we could see rental growth
00:49:23 --> 00:49:24: starting to pick up.
00:49:24 --> 00:49:27: Definitely the demand is there and it's accelerating for obvious
00:49:27 --> 00:49:29: reasons relating to E commerce,
00:49:29 --> 00:49:33: but obviously Asia has that additional driver where historically a
00:49:33 --> 00:49:36: lot of distributions but being done in House and that's
00:49:36 --> 00:49:40: being outsourced to third party logistics providers and a lot
00:49:40 --> 00:49:44: of that is then creating additional demand for modern logistics
00:49:44 --> 00:49:45: specifications.
00:49:45 --> 00:49:47: So I think the demand trends.
00:49:47 --> 00:49:48: There's no doubt about it.
00:49:48 --> 00:49:51: I'm very strong. We may well see stronger rental growth
00:49:51 --> 00:49:53: in the years ahead and that will help.
00:49:53 --> 00:49:55: Additionally, to really drive down those yields as well.
00:49:55 --> 00:49:58: So definitely I think a lot more optimistic on logistics
00:49:59 --> 00:50:01: than what the survey evidence suggests.
00:50:01 --> 00:50:03: Yeah yeah, I I definitely agree Milan.
00:50:03 --> 00:50:05: And certainly if we look at where the demand is
00:50:05 --> 00:50:06: coming from,
00:50:06 --> 00:50:09: so of going forward into from into 2022 and and
00:50:10 --> 00:50:11: we we estimate about 50%
00:50:11 --> 00:50:14: of that demand is going to be coming from from
00:50:14 --> 00:50:17: the new economic drivers and so the the new distribution,
00:50:17 --> 00:50:20: modern logistics and demand for that.
00:50:20 --> 00:50:24: But the the demand from traditional ends of pockets will
00:50:24 --> 00:50:25: will continue as well.
00:50:25 --> 00:50:28: And so I think it's probably no surprise that that
00:50:28 --> 00:50:31: we're going to see in 2022 and a year of
00:50:31 --> 00:50:32: record supply as.
00:50:32 --> 00:50:35: As the market and really tries to keep up with
00:50:35 --> 00:50:38: the demand from an end user perspective and so now
00:50:38 --> 00:50:41: I think it's definitely a very interesting one.
00:50:41 --> 00:50:43: And now I mean we we've talked about logistics,
00:50:43 --> 00:50:45: I don't want to to to to miss this one
00:50:45 --> 00:50:48: out because we we obviously have limited time for the
00:50:48 --> 00:50:48: session,

00:50:48 --> 00:50:52: but when it comes to retail and that's obviously been
00:50:52 --> 00:50:54: heavily hit by a by by COVID and not only
00:50:55 --> 00:50:56: just the the rise in online,
00:50:56 --> 00:50:59: but sort of challenging traditional bricks and mortar,
00:50:59 --> 00:51:02: but just because of the fact that people can't get
00:51:02 --> 00:51:02: out and about.
00:51:02 --> 00:51:07: But certainly we've seen many markets and see reasonable rental
00:51:07 --> 00:51:07: corrections.
00:51:07 --> 00:51:10: Also in in values as well.
00:51:10 --> 00:51:13: And do you Glenn see any sort of glimmers of
00:51:13 --> 00:51:15: hope for the retail sector?
00:51:15 --> 00:51:18: And if you do, and where might those areas are
00:51:18 --> 00:51:19: pockets be?
00:51:19 --> 00:51:21: Whether that's geographically or format or what?
00:51:21 --> 00:51:24: Whatever it might be. Where is there an upside for
00:51:24 --> 00:51:25: retail?
00:51:26 --> 00:51:28: Yeah, yeah from where it is today for sure.
00:51:28 --> 00:51:32: I think you know, generally speaking and retail covers a
00:51:32 --> 00:51:34: broad range of uses,
00:51:34 --> 00:51:39: right? So from shops to large format centers and neighborhood
00:51:39 --> 00:51:39: and.
00:51:39 --> 00:51:42: You know regional centers with lots of specialty shops to
00:51:42 --> 00:51:43: have to lease,
00:51:43 --> 00:51:45: so it captures a lot of different kind of real
00:51:45 --> 00:51:46: estate product,
00:51:46 --> 00:51:50: but generally retail in Asia has not had the same
00:51:50 --> 00:51:52: price correction.
00:51:52 --> 00:51:53: Definitely on the yield basis.
00:51:53 --> 00:51:57: Then say few European region on a like for like
00:51:57 --> 00:51:57: basis.
00:51:57 --> 00:52:00: So we've held up comparatively well.
00:52:00 --> 00:52:01: But you're not wrong right?
00:52:01 --> 00:52:04: There's a softness to the sector obviously a fair amount
00:52:04 --> 00:52:05: of headwinds,
00:52:05 --> 00:52:07: but those headwinds are not new and they're not,
00:52:07 --> 00:52:09: you know pandemic have added to them it wasn't.
00:52:09 --> 00:52:12: The creation of many of those headwinds,
00:52:12 --> 00:52:14: but it's interesting right there over there,
00:52:14 --> 00:52:18: say the last 1218 months there has been some already
00:52:18 --> 00:52:22: some repricing in in parts of retail in some countries,
00:52:22 --> 00:52:27: so Australian neighborhood centers have repriced probably

down about 75
00:52:27 --> 00:52:27: basis points.
00:52:28 --> 00:52:30: I'd say over a 12 to 18 month period and
00:52:30 --> 00:52:32: so some of that might be on.
00:52:32 --> 00:52:35: It's just a pure yield basis.
00:52:35 --> 00:52:37: You know, it's it's just those are kind of assets
00:52:37 --> 00:52:39: where you can get to grips with them.
00:52:39 --> 00:52:42: One, the income underwriting knows occupiers,
00:52:42 --> 00:52:44: and as well as thinking about OK,
00:52:44 --> 00:52:47: what are my vacancy risks of people leave and I'm
00:52:47 --> 00:52:50: speaking more about the specialty there than than anchors,
00:52:50 --> 00:52:53: because presumably the anchors have a long enough tenure on
00:52:54 --> 00:52:56: them that you're happy with what what they'll income is
00:52:56 --> 00:52:58: going to provide you.
00:52:58 --> 00:53:00: So on the kind of a yield basis,
00:53:00 --> 00:53:03: it's obviously struck a pouring or deep price to a
00:53:03 --> 00:53:06: point where some investors have seen that as interesting.
00:53:06 --> 00:53:09: Personally, I've been more interested in those assets which are
00:53:09 --> 00:53:10: grocery anchored.
00:53:10 --> 00:53:16: Can you speak to the neighborhood trade high frequency visitation
00:53:16 --> 00:53:19: and some defensive to ecommerce growth?
00:53:19 --> 00:53:21: And that that has proved that they were to be
00:53:21 --> 00:53:21: pretty resilient?
00:53:21 --> 00:53:25: Income hasn't been immune to to some softness in pricing,
00:53:25 --> 00:53:29: but I think again compared comparing to other types of
00:53:29 --> 00:53:32: retail format around the region that has been a good
00:53:32 --> 00:53:33: idea and you know,
00:53:33 --> 00:53:36: I think at the moment there there could be some
00:53:36 --> 00:53:38: investors who are looking at well.
00:53:38 --> 00:53:41: Then there could be some long hold opportunities.
00:53:41 --> 00:53:44: In retail and in some markets,
00:53:44 --> 00:53:47: say here in Singapore, that that could be could be
00:53:47 --> 00:53:48: interesting,
00:53:48 --> 00:53:51: and I think we've we've kind of already touched on
00:53:51 --> 00:53:53: it at the outset of this that the reopening trade
00:53:53 --> 00:53:56: is for sure going to create some opportunity in retail.
00:53:56 --> 00:54:01: More around, say CBD locations or through tourist flows or
00:54:01 --> 00:54:02: business travel.
00:54:02 --> 00:54:04: Hong Kong I think Louie Louie spoke to that a
00:54:05 --> 00:54:06: little bit earlier on as well,

00:54:06 --> 00:54:08: so the Japan as well,
00:54:08 --> 00:54:10: you know when they open their borders,
00:54:10 --> 00:54:12: tourism was a big part of their strategy.
00:54:12 --> 00:54:15: Pre pandemic and and it could be again,
00:54:15 --> 00:54:18: so in the later half of 22 into 23 there
00:54:18 --> 00:54:21: there there could be that strike of the match on
00:54:21 --> 00:54:23: on that particular front as well.
00:54:23 --> 00:54:26: So some some areas to really kind of monitor and
00:54:26 --> 00:54:28: consider where the pricing got to.
00:54:29 --> 00:54:31: Yeah, no, that I totally agree.
00:54:31 --> 00:54:34: Glenn and Louie. Maybe I'll just jump to you as
00:54:34 --> 00:54:37: we sort of finish up in terms of anything other
00:54:37 --> 00:54:39: than the than what we've covered today.
00:54:39 --> 00:54:41: So from an economic perspective,
00:54:41 --> 00:54:44: is that anything from a real estate investor's perspective that
00:54:44 --> 00:54:46: you think that we haven't touched on today in terms
00:54:46 --> 00:54:48: of the outlook that would be would be relevant to
00:54:48 --> 00:54:51: highlight to to all of the audience today.
00:54:54 --> 00:54:54: You
00:54:54 --> 00:54:57: know when we look at,
00:54:57 --> 00:54:59: especially on at the real estate side,
00:54:59 --> 00:55:01: on some of the trends that we have seen in
00:55:01 --> 00:55:02: the US.
00:55:02 --> 00:55:06: For instance, maybe it's worth asking if something that we
00:55:06 --> 00:55:10: haven't yet seen could at some point emerge.
00:55:10 --> 00:55:12: So some one big trend in the US,
00:55:12 --> 00:55:14: if you look at the,
00:55:14 --> 00:55:17: say, office employment numbers has been that in the last
00:55:17 --> 00:55:20: few years we've seen that move away from the very
00:55:20 --> 00:55:21: big sentence.
00:55:21 --> 00:55:22: If you look at New York,
00:55:22 --> 00:55:26: Chicago. Los Angeles Office employment has been,
00:55:26 --> 00:55:30: you know, moving quite quite,
00:55:30 --> 00:55:34: quite disappointingly as many people chose to work in San
00:55:34 --> 00:55:36: Jose or Boulder,
00:55:36 --> 00:55:40: Co Denver and we haven't seen that such a trend
00:55:40 --> 00:55:41: in in Asia.
00:55:41 --> 00:55:42: I think there are reasons for that.
00:55:42 --> 00:55:44: It's not so obvious, I think,
00:55:44 --> 00:55:45: definitely not in a country.
00:55:45 --> 00:55:49: I mean, in China, people will continue to prefer to
00:55:49 --> 00:55:50: to work in Beijing,

00:55:50 --> 00:55:52: Shanghai, rather than in a smaller town.
00:55:52 --> 00:55:54: I don't know if this kind of trend.
00:55:54 --> 00:55:58: Could eventually emerge in in an economy like Japan,
00:55:58 --> 00:56:01: and I'm not sure I don't know what Glenn and
00:56:01 --> 00:56:02: Milan think about that.
00:56:03 --> 00:56:06: Thanks, Lee, I'll I'll maybe wrap up just on a
00:56:06 --> 00:56:10: slightly different topic and got a question coming in from
00:56:10 --> 00:56:13: from SS beta here in in the audience and around
00:56:13 --> 00:56:15: sort of mission critical or data centers.
00:56:15 --> 00:56:17: And it's actually something I really wanted to wrap up
00:56:17 --> 00:56:18: on as well,
00:56:18 --> 00:56:19: which is alternatives. I mean,
00:56:19 --> 00:56:23: the presentation covered all of the traditional sectors,
00:56:23 --> 00:56:26: but certainly alternatives. We've seen a huge rise in interest
00:56:27 --> 00:56:28: for alternatives.
00:56:28 --> 00:56:32: Many traditional investors now looking in this space arising target
00:56:32 --> 00:56:32: allocations.
00:56:32 --> 00:56:34: Glenn maybe for. From your side,
00:56:34 --> 00:56:37: just a one minute on what your thoughts are around
00:56:37 --> 00:56:41: that alternative piece and and what your thoughts are on
00:56:41 --> 00:56:42: on what the outlook might be,
00:56:42 --> 00:56:45: whether it be a specific sector like data centers or
00:56:45 --> 00:56:46: or just more broadly.
00:56:46 --> 00:56:47: Yeah,
00:56:47 --> 00:56:49: I think yeah, thanks for that.
00:56:49 --> 00:56:52: I think there are certainly some really strong tailwind fundamentals
00:56:52 --> 00:56:55: and then around alternatives coming out of this pandemic and
00:56:55 --> 00:56:59: these are structural shifts so unlikely to seek cyclically unwound
00:56:59 --> 00:57:01: and in the short term and the time frame,
00:57:01 --> 00:57:04: but it's it's certainly looks to be an expanding.
00:57:04 --> 00:57:08: Investable universe and the expectation is because of some of
00:57:08 --> 00:57:12: those drivers of behind demand that those returns would be
00:57:13 --> 00:57:14: less cyclically volatile,
00:57:14 --> 00:57:17: which you know it's some longer duration income attached to
00:57:17 --> 00:57:17: it.
00:57:17 --> 00:57:20: Perhaps some higher yields and returns,
00:57:20 --> 00:57:23: and then there's always opportunities to move up the risk
00:57:24 --> 00:57:28: return spectrum by going through into opera propco

structures,
00:57:28 --> 00:57:29: and some of these sectors.
00:57:29 --> 00:57:34: So you know. Personally, data centers is 1 very interesting,
00:57:34 --> 00:57:37: very specialty. So you need to kind of educate yourself
00:57:37 --> 00:57:37: on that.
00:57:37 --> 00:57:41: I like life sciences, very big employment growth out of
00:57:41 --> 00:57:42: you know,
00:57:42 --> 00:57:46: expectations in that sector, lots of tailwind,
00:57:46 --> 00:57:50: expectations from government spending and private sector capital raising.
00:57:50 --> 00:57:55: And then just that acknowledgement that perhaps Asia needs more
00:57:55 --> 00:57:56: R&D on shored,
00:57:56 --> 00:57:59: more R&D and manufacturing production facilities.
00:57:59 --> 00:58:02: All of that helps you know a life sciences or
00:58:02 --> 00:58:05: cold storage and themes and then.
00:58:05 --> 00:58:07: The expansion of living sector beyond Japan.
00:58:07 --> 00:58:10: Multifamily into markets like tier one,
00:58:10 --> 00:58:14: China or Australian boelter renters as they turn it down
00:58:14 --> 00:58:15: there.
00:58:15 --> 00:58:17: That all I think you know again speaks to an
00:58:17 --> 00:58:19: expanding universe,
00:58:19 --> 00:58:23: new options available and they know when I looked at
00:58:23 --> 00:58:25: so the US Now kriegh index.
00:58:25 --> 00:58:28: It was something like 7%
00:58:28 --> 00:58:32: allocated to alternative uses. Looking at the industry here or
00:58:32 --> 00:58:35: the fund industry that report to Andrew it's it's only
00:58:35 --> 00:58:36: about.
00:58:36 --> 00:58:40: Less than 1% so. Room for us to to add
00:58:40 --> 00:58:42: additional users.
00:58:43 --> 00:58:45: I'm very conscious. I would have come to Milan,
00:58:45 --> 00:58:48: but I'm very conscious. We're now right on time and
00:58:48 --> 00:58:51: so thank you very much panel for all of your
00:58:51 --> 00:58:55: fantastic insights and I'll I'll pass back to to Ariel.
00:58:55 --> 00:58:57: I know we're about to jump to the next session,
00:58:57 --> 00:58:58: so thank you very much.
00:58:58 --> 00:59:00: Everyone and thanks everyone for joining the session.

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