Nov 12, 2019 10:30 +08

Singapore Named Top Investment Market in Asia Pacific, According to Emerging Trends in Real Estate® 2020 Report

SINGAPORE (November 12, 2019) – Singapore is the best prospect in the Asia Pacific region for investment according to Emerging Trends in Real Estate Asia Pacific® 2020, a real estate forecast jointly published by the Urban Land Institute (ULI) and PwC.

The Lion City witnessed a surge in transactions in the first half of 2019, with most activity driven by cross-border capital, and volumes in the second half of the year are expected to be strong. Today, the office sector in the market has largely absorbed the oversupply of recent years and with vacancies now at an all-time low, and a limited amount of new supply in the pipeline, confidence in medium-term prospects has returned.

Tokyo, Sydney and Melbourne, that are mentioned below Singapore in the top five markets for investment prospects, reflect overall investor preference for regional markets that are large, liquid, and defensive while outlier Ho Chi Minh City, which is listed in third place, is the lone emerging market to be viewed favorably due to its strong economic growth as it absorbs Chinese manufacturing capacity moving offshore.

“Singapore has continued to climb up the rankings to claim top spot this year,” added Ong Choon-Fah, Chair of Singapore for ULI. “This is for a number of reasons, including the fact that the office sector has largely absorbed any oversupply, transactions have surged in the city, and there is relatively little new space due to come to market in the near-to-medium term.

“There is an increase in transaction value driven by cross border capital in 2019 and an improvement in the commercial office sector. The positive developments have contributed to Singapore’s ranking as the top city by investment prospect in 2020. The city-state’s pole position is a testament to its strong fundamentals and investors’ needs for defensive assets with the uncertain economic climate,” said Yeow Chee Keong, Real Estate & Hospitality Leader at PwC Singapore. “There are still investment opportunities, and we continue to see increased investors’ interest in alternative asset classes, including data centres, purpose built student accommodation and healthcare.”

Among the trends cited in the report:

- Challenges posed by geopolitics, particularly trade wars;
- A shift back to urban cores as safe havens;
- Broad adoption of sustainable development practices;
- A more cautious view of co-working;
- The reinvention of retail;
- Increased services for building occupants;
- A rising interest in the newest niche sectors such as cold storage and last-mile fulfillment centers; ☒ The impact of climate risk on real estate investments; and
- A growing investment in property technology.

Details on the top markets for investment and development in 2020:

- Singapore (first in investment, second in development) – The Singapore office sector has now largely absorbed excess supply and was one of the few markets in 2019 to see a surge in transactions, driven in part by cross border capital.
- Tokyo (second in investment, fourth in development) – The Japanese capital continues to offer one of Asia's most liquid markets. Record low Japanese interest rates keep borrowing costs the lowest in the Asia Pacific region and have created a good spread over the cost of debt despite the compressed cap rates.
- Ho Chi Minh City (third in investment, first in development) – Ho Chi Minh City offers strong economic growth, a positive demographic profile, and is benefiting from growth of the manufacturing industry as an economic driver.
- Sydney (fourth in investment, third in development) – Sydney continues to be a relatively liquid and mature market with numerous high-quality assets, a stable economy and higher cap rates than can be found elsewhere in the Asia Pacific.
- Melbourne (fifth in investment, fifth in development) – With ongoing cap rate compression and the lowest office vacancies in Australia, Melbourne continues to be one of the first places institutional investors look to place capital. Favourable demographics and a diverse local economy mean that office rents should continue to trend upwards over the next five years.

Leading buy/hold/sell ratings for the various asset classes are as follows:

- Office — buy Ho Chi Minh and Singapore, sell Kuala Lumpur and Hong Kong.
- Retail — buy Ho Chi Minh and Manila, sell Taipei and Auckland.
- Residential — buy Ho Chi Minh and Bangkok, sell Kuala Lumpur and Hong Kong.
- Industrial/distribution — buy Ho Chi Minh and Guangzhou, sell Hong Kong and Taipei. o Hotels – buy Ho Chi Minh and Tokyo, sell Mumbai and Manila.

Emerging Trends Asia Pacific, which is being discussed at a series of events across Asia over the next several weeks, was released today during the ULI

Asia Pacific Convivium in Singapore. The report is based on the opinions of more than 460 real estate professionals, including investors, developers, property company representatives, lenders, brokers and consultants.

The full report is available here.

About the Urban Land Institute

The Urban Land Institute is a nonprofit education and research institute supported by its members. Its mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. Established in 1936, the institute has more than 42,000 members worldwide representing all aspects of land use and development disciplines, including more than 2,000 in the Asia Pacific Region. For more information, please visit uli.org or follow us on Twitter, Facebook, LinkedIn, and Instagram. For more information on ULI Asia Pacific, visit asia.uli.org or follow us on Twitter.

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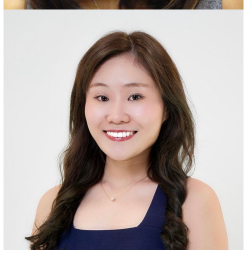

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