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# Upbeat Sentiment and Undeployed Capital Prop-Up APAC's Recovery, says ULI's Emerging Trends in Real Estate® Report. Tokyo Overtakes Singapore as Top-Ranked Investment Prospect

SINGAPORE (24 November 2021) – Upbeat sentiment and the growing glut of undeployed capital are expected to provide a lifeline to the strong revival of Asia Pacific's real estate markets next year, according to the 2022 Emerging Trends in Real Estate ® Asia Pacific report. The 16th edition of the regional real estate forecast report is jointly published by the Urban Land Institute

(ULI) – the world's oldest and largest network of cross-disciplinary real estate and land use experts – and PwC.

Real estate transactions in Asia Pacific surpassed USD40 billion in the third quarter of 2021, up 12% year-on-year and roughly the same as in the third quarter of 2019. The deals pipeline in the region remains healthy at USD68 billion, more than double of what it was two years ago. Singapore has also seen a strong rebound in transactions this year, following a lackluster 2020. Buying sentiment in the country has been boosted recently by expectations of supply shortages. This is due to a number of factors, including a limited pipeline of new development sites over the near term, the withdrawal of stock from the market for redevelopment purposes, and a belief that Singapore may benefit should foreign companies choose the city state as a location for their Asia Pacific headquarters. Singapore also emerged as the only city in the region expected to see higher rents in 2022.

David Faulkner, President of ULI Asia Pacific, said: "Asia Pacific's real estate market is seeing a new cycle of growth and investment as the region begins to shake off the challenges of the pandemic. At the same time, post-COVID-19 secular trends such as remote working, reduced travel and increased online shopping have brought immense structural changes to the industry in its wake. As we enter 2022, investors should consider how to take advantage of the opportunities that these changes present. For asset owners, a reimagining of outmoded assets and outdated spaces, whether it is from a sectoral, demographical or environmental perspective, may become a defining theme from next year onwards."

Mirroring the best performers from last year, 2022's top markets for investment prospects in the region were characterised by abundant core capital and a flight-to-safety approach. Tokyo, Singapore, and Sydney continue to rank as the top three markets due to the similar overarching characteristics of economic stability, market liquidity, as well as reliable cash flows. Tokyo has the brightest prospect next year, swapping places with Singapore which featured first in the past two surveys. The Japanese capital continues to benefit from low interest rates and an economy that is largely fuelled by domestic demand, making it relatively less exposed to outside shocks. Hong Kong, which has been rooted to the bottom of the table for the last two years, leaped to 14th place, fuelled by a general view that the worst has now passed for the city's real estate markets.

Yeow Chee Keong, Real Estate and Hospitality Leader at PwC Singapore, said: " "Despite a challenging 2020, Singapore remained resilient with rebound in transactions in 2021 and strong prices in the office space. The city-state – ranked second best city in Asia Pacific for investment prospects next year – continues to remain attractive with expectations of supply shortages, growth in office rentals, and possible relocations of Asia Pacific HQs to Singapore. The city-state is also the biggest single source of outward investment with US$9.3billion into Asia Pacific during the first nine months of 2021. Overall, the investment prospects in Singapore for value-add projects is expected to remain positive. There are also opportunities to take on development projects with the expected change in demand for space in a very liveable city-state.""

In terms of asset classes in Asia Pacific, while the traditionally favoured sectors of office and retail have lost their appeal considerably as work-from-home policies and booming e-commerce sales sowed fears of a secular shift away from these traditional assets, they have seen notable reversal in sentiment during the second half of 2021. Many interviewees of the report saw both the office and retail sectors as currently oversold, with potentially good prospects over the next 24 months as governments move to ease pandemic containment policies.

The logistics sector remains highly sought after, owing to a confluence of factors: structural undersupply of high-quality assets, the evolution of more sophisticated supply chains, and the rapid growth in e-commerce retailing that has been recently catalyzed by pandemic lockdowns. Data centres also continue to be a popular subsector of the logistics market due to huge bandwidth demand growth in the region, with internet exchange traffic in the Asia Pacific region up 40 percent in the first three quarters of 2021 alone.

While transactions recovered and sentiment improved compared to last year, investors remain uncertain on how the post-pandemic world will look like. This sense of uncertainty is amplified in Asia Pacific as the region's experience of COVID-19 has been starkly different to its global peers, both in terms of policy response and also the direction in which individual asset classes were already evolving. The report has highlighted the strategies investors are adapting as a result of the new dynamic gradually unfolding, including:

- A more pro-active approach to property management is increasingly necessary as yields continue to tighten and competition for assets becomes increasingly intense. This includes offering services and amenities to improve the tenant experience, such as turnkey space, memberships, and access to flex workspace.

- More value-add initiatives are on the horizon. Consistent cap rate compression is forcing investors to add value by conducting refurbishments, leveraging technology for more data on space utilisation and energy usage, and pursuing change-of-use strategies in underperforming assets such as hotels.
- A more welcoming stance towards decentralisation due to such assets offering a price advantage that is hard to ignore as well as the trend of hybrid working practices creating a more decentralised workforce.
- Shifting towards new economy-focused niche sectors such as data centres, life sciences and flexible/serviced offices to cater to economic and demographic demand and to capture enormous opportunities in today's volatile and unpredictable environment.
- A growing mandate for green buildings as tenants and their workforces increasingly demand ESG-compliant buildings.

The Emerging Trends Asia Pacific report is based on a survey of 233 real estate professionals, as well as 101 interviews, including investors, developers, property company representatives, lenders, brokers and consultants.

The report, which is being discussed at a series of events across the region over the next several weeks, was released as part of a live webinar on 24 November 2021, and a recording is available to attendees and ULI members by contacting asiapacific@uli.org.

The full report is available at asia.uli.org/emerging-trends

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- The Urban Land Institute (ULI) is a non-profit education and research institute supported by its members. Its mission is to shape the future of the bult environment for transformative impact in communities worldwide. Established in 1936, the institute has more than 45,000 members worldwide representing all aspects of land use and development disciplines.

- For more information, please visit uli.org or follow us on Twitter, Facebook, LinkedIn, and Instagram.

- ULI has more than 2,600 members in the Asia Pacific region. For more information on ULI Asia Pacific, visit asia.uli.org or follow us on Facebook, Instagram, LinkedIn and Twitter.

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