CREW NETWORK

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Global Market Update: U.K., India and Singapore

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The following brief highlights current real estate market conditions by asset class.

U.K.

Residential / Multi-family

- Weekly transactions are back to pre-COVID levels, according to EPC (Energy Performance Certificates) request data.
- In addition, CBRE's latest on Q2 2020: the housing market is showing signs of bouncing back, with a pick-up in approvals, sales and price growth. Data suggests a 1.7% increase in U.K. home prices in July, reversing the fall in June. As a result, annual home price growth recovered to +1.5%. The Stamp duty holiday on offer currently is also a contributing factor.

Retail

- Although many shops are reopening and the government is supporting the hospitality sector with an 'eat out to help out' scheme, per CBRE the total H1 investment was £442m across 18 transactions (down 53% vs five-year average by volume and -39% by number of transactions).
- Existing store networks and infrastructure continue to asses and increase their collaboration having the right infrastructure in place for online fulfilment.

Industrial

- The pandemic is highlighting the critical importance of supply chains and logistics real estate and the sector is well placed to respond to the COVID recovery.
- Per CBRE, the UK recorded take-up of 19.1m sq ft during H1 2020, was largely due to an impressive second quarter, higher than any quarter previously recorded. The online retail sector took the largest proportion of space in the first half of the year (40% of take-up).

Office

- According to CBRE, the Q2 take-up in Central London for Q2 2020 totaled 1.1m sq ft, the lowest quarterly take-up total since records began in 1984.
- Metrics in the future will look different to those used in the past. For example, health and wellbeing is likely to become a greater driver of value across all forms of real estate.
- This prediction remains that over the longer term, COVID may well accelerate moves towards greater reliance on regional hubs, a move away from central London locations.

India

The nation's lockdown has eased considerably from a near freeze on all non-essential activities across the country in the first phase to now implementing unlock 1.0 easing restrictions on restaurants, travel and other business activities.

- Oxford economics revised/downgraded India's GDP growth forecast in 2020 to -3.0% from 5.3% in 2019. The current slowdown has resulted in reduced private equity inflows into the Indian real estate market.
- As per Colliers International, during Q1 2020 total PE inflows into Indian real estate declined by 62% QOQ and 89% YOY at $222 million USD (INR16.4 bn).
- In 2020, India's central bank has slashed the repo rate (lending rate) to 4.0% in May from 5.15% in January to improve liquidity in the market.
- Oxford economics project India to recover sharply in 2021 with a GDP growth rate of 11.3%.

Residential / Multi-family

- Residential sales plunged to a new low in 7 top cities during H1 2020. Due to the nationwide lockdown, residential activity in all major cities witnessed around 70% of drop in sales during H1 2020 and only few projects were launched during Q2 2020.

Data Centers

- Investments in key gateway cities with access to undersea cable network, quality power supply and government land support to spur data center parks development.
- India's privacy laws along with rising online content consumption, e-commerce transactions and e-payment gateways to spur increased need for data center rack space.
- India's data center market to nearly double to $5 billion USD over the next five years.

Industrial

- The Indian industrial and warehousing sector is on a growth tide, on the back of increasing demand from manufacturing, third-party logistics (3PL) and e-commerce companies.
- Per Commercial Design, growth in India's e-commerce sector is the fastest in the world with revenues from the sector expected to reach INR9.0 trillion ($120 billion USD) in 2020.

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Office

- Per Colliers International, during H1 2020, gross leasing declined 36% YOY to 16.7 million sq feet (1.6 million sq. meters) across the seven major cities in India. Bengaluru led the leasing activity with 32%, share in total gross leasing, followed by Delhi-NCR with a share of 16%.
- Key considerations per Colliers: "work from anywhere" takes hold, lease flexibility is more crucial than ever, demand for shorter leases could impact underwriting, social distancing = de-densification, and like the UK, tenants will look to the suburbs with proximity to labor pools.

Singapore

- Population: 5.8 million (about half of London) →Target 6.5 to 6.9M by 2030.
- Singapore is built on 22% +/- of reclaimed land (started since its independence in 1965).
- Green space / green cover of various forms has increased from 36% in the 1980s to 47%, now considered a "City in a Garden."
- Exports from Asia: 60% comprised of machinery and equipment, electronics, telecommunications, pharmaceuticals and other chemicals/refined petroleum products.

Singapore's ranking as top city by investment prospect and #2 in City Development prospect is a testament to its strong fundamentals and investors' needs for defensive assets with the uncertain economic climate. General trends and market sentiment from Investors:

- Capital flow within the Asia Pacific was up 23% YOY while the U.S. and Europe are experiencing a decreasing trend. This reflects the huge volume of capital held by regional institutions and sovereign funds that is outgrowing the capacity of domestic markets to absorb.

Retail

- Vacancy rates are at 10% with 2020 actual rent adjustments at -3 to -5% YOY.
- There is a growing perception that the retail sector in Asia has been oversold, situation much worsened now with the pandemic.

Industrial

- The industrial and logistics space is still the sector most often tipped for outperformance; the e-commerce trend might benefit logistics over the long run.
- New supply per annum from 2020 to 2023 is estimated at 1.53 million sq. ft., significantly lower than the historical 10-year average of 4.42 million sq. ft., from 2010 to 2019.
- Singapore Commercial Harbor relocation: TUAS Port will be the world's largest fully automated terminal when completed in 2040. It will shape the future of Singapore as a shipping hub and logistics/integrated supply chain platform in the region.

Office

- Sector remains the most popular asset class. Vacancy rates: 10% (Grade A office) with 2020 rent adjustments at 3-5% YOY.
- In 2020, 1.89 million sq. ft. of island-wide office supply is scheduled for completion. Demand will be more balanced in 2020, with leasing falling back on traditional sectors and more small- to mid-sized transactions of less than 30,000 square feet.
- Grade A supply lower than historical average over 2019-2021. Next major supply hike (7% of stock) is in 2022.
- Landlords have come around to the view that incorporating sustainable features into their buildings will allow them to cut running costs and increase rents as tenants become more willing to pay for space that attracts talent.