CoreNet Global | Singapore Chapter

CORPORATE REAL ESTATE OUTLOOK 2023

Guest Speakers: Knight Frank, CBRE, JLL

Singapore 23rd February 2023

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2023 Asia Pacific Real Estate Market Outlook

CBRE

Corenet

23 February 2023

Economic downturn followed by broad-based recovery

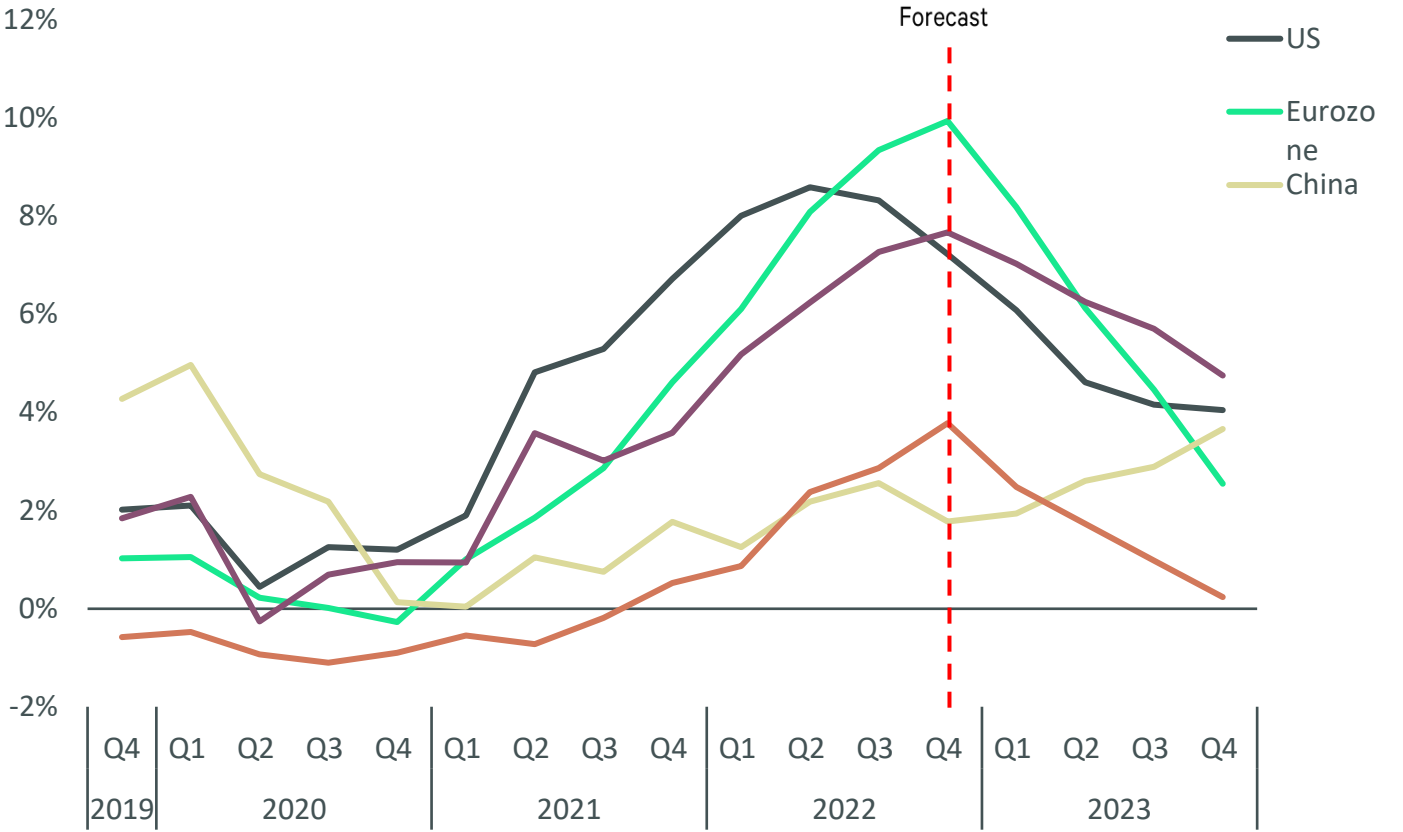
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ECONOMIC DOWNTURN FOLLOWED BY BROAD-BASED RECOVERY

Inflation to peak in 2022 before easing in 2023

Inflation rate (%) y-o-y, quarter-end



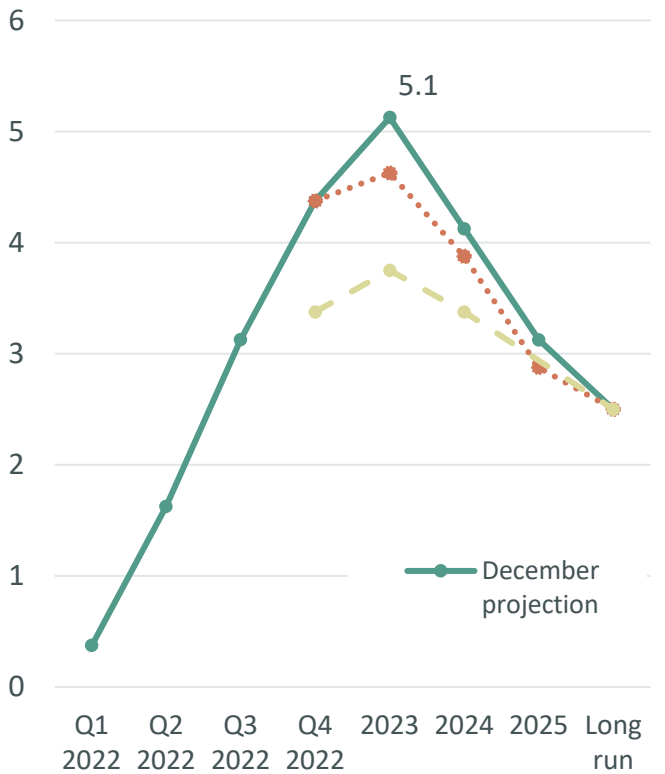
Source: CBRE House View, January 2023.

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ECONOMIC DOWNTURN FOLLOWED BY BROAD-BASED RECOVERY

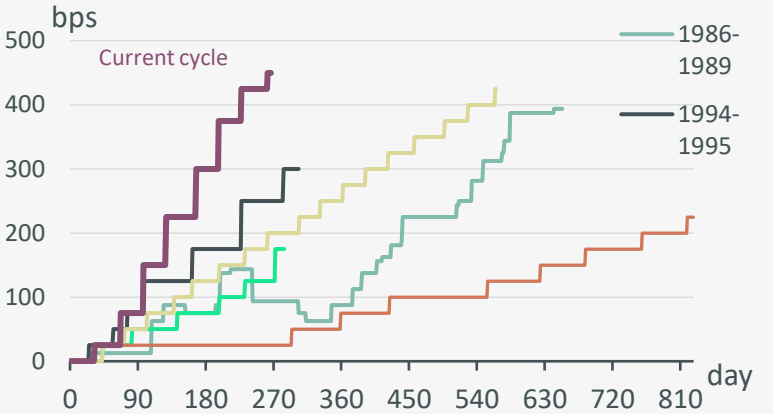
Fed Funds Rate to crest in 2023, ending the steepest ever rate hike cycle

U.S. Fed Funds Rate (%)
– Fed's median projection

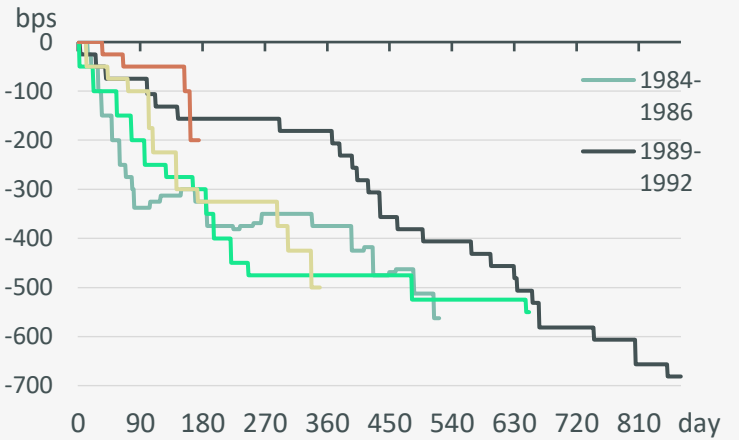


Source: Federal Reserve, CBRE Research, Oxford Economics, December 2022.

Cumulative Fed rate **increase** in bps under hike cycles



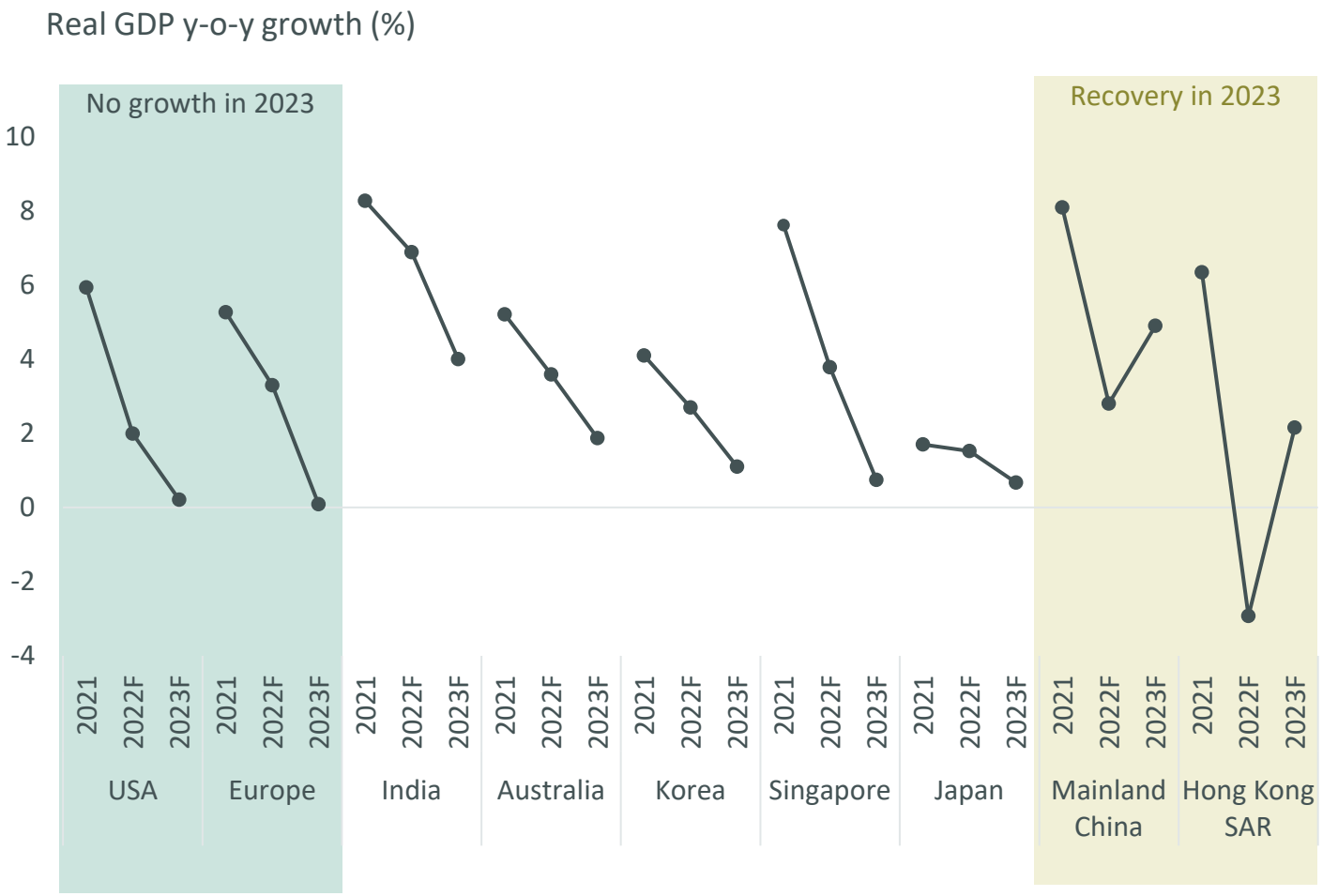
Cumulative Fed rate **cut** in bps under rate cut cycles



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ECONOMIC DOWNTURN FOLLOWED BY BROAD-BASED RECOVERY

GDP growth in Asia Pacific to lose momentum in 2023



Source: CBRE House View, January 2023.

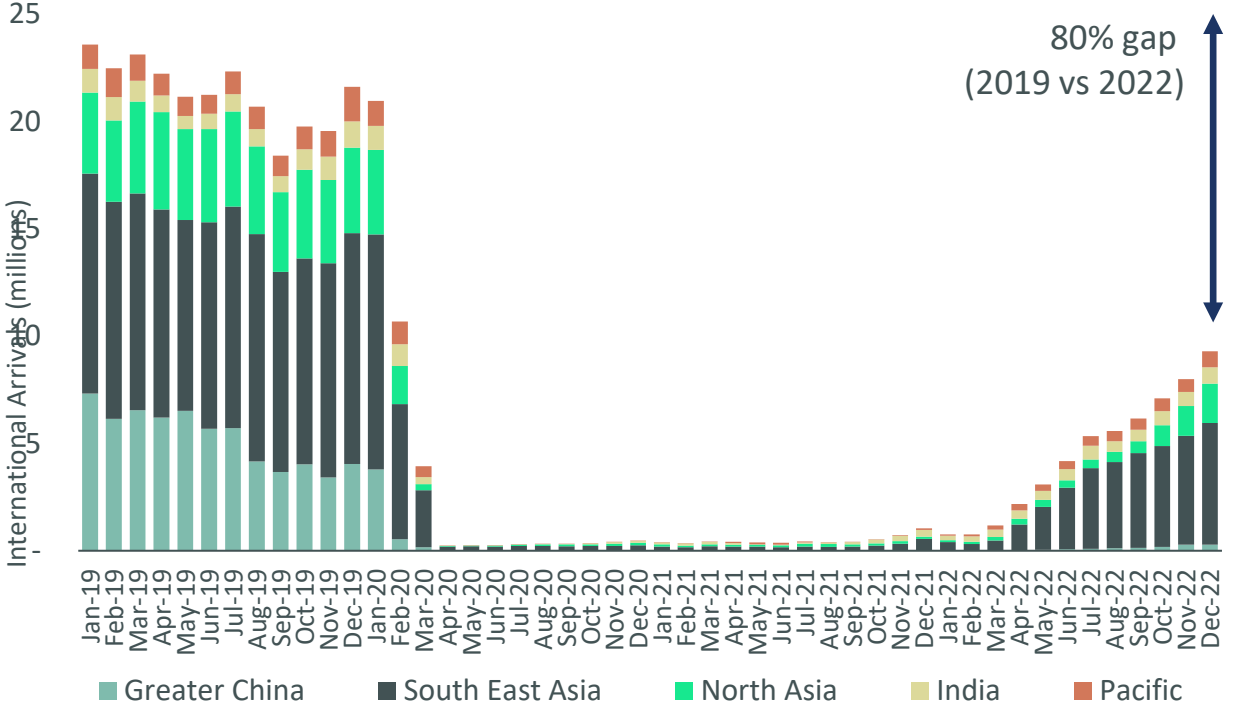
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Steady increase in tourist arrivals expected



Mainland China re-opened its borders on January 8

International tourist arrivals in major Asia Pacific markets



Source: CBRE Research, December 2022

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Occupier markets

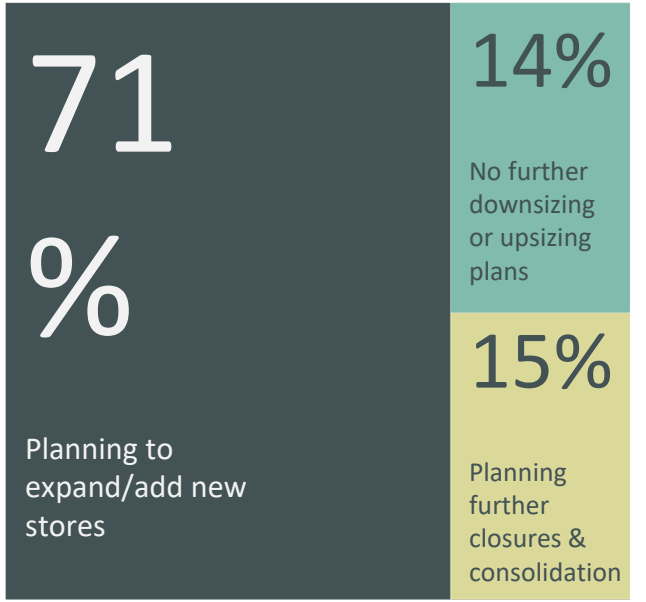
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Retail rebounds
Logistics normalises
Office evolves

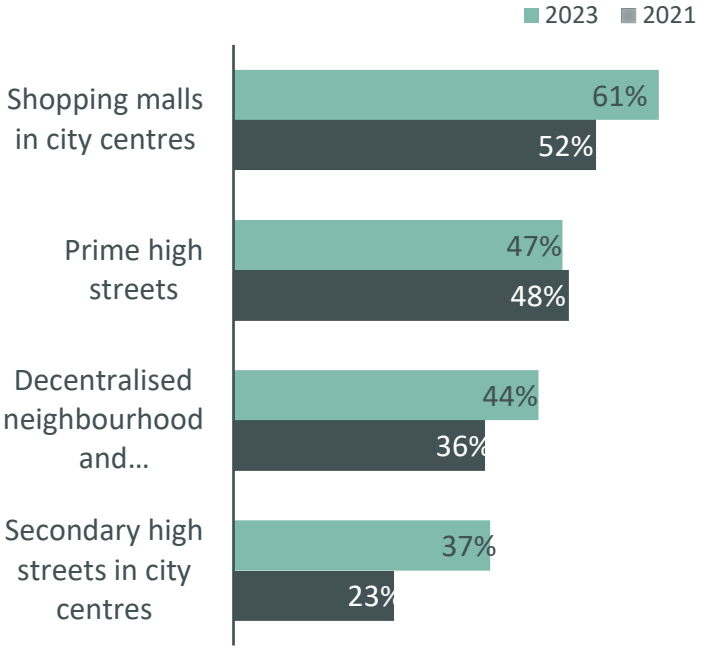


Most retailers intend to expand their store networks

Plans for physical store networks in 2023



Where do retailers intend to locate new physical stores in 2023?

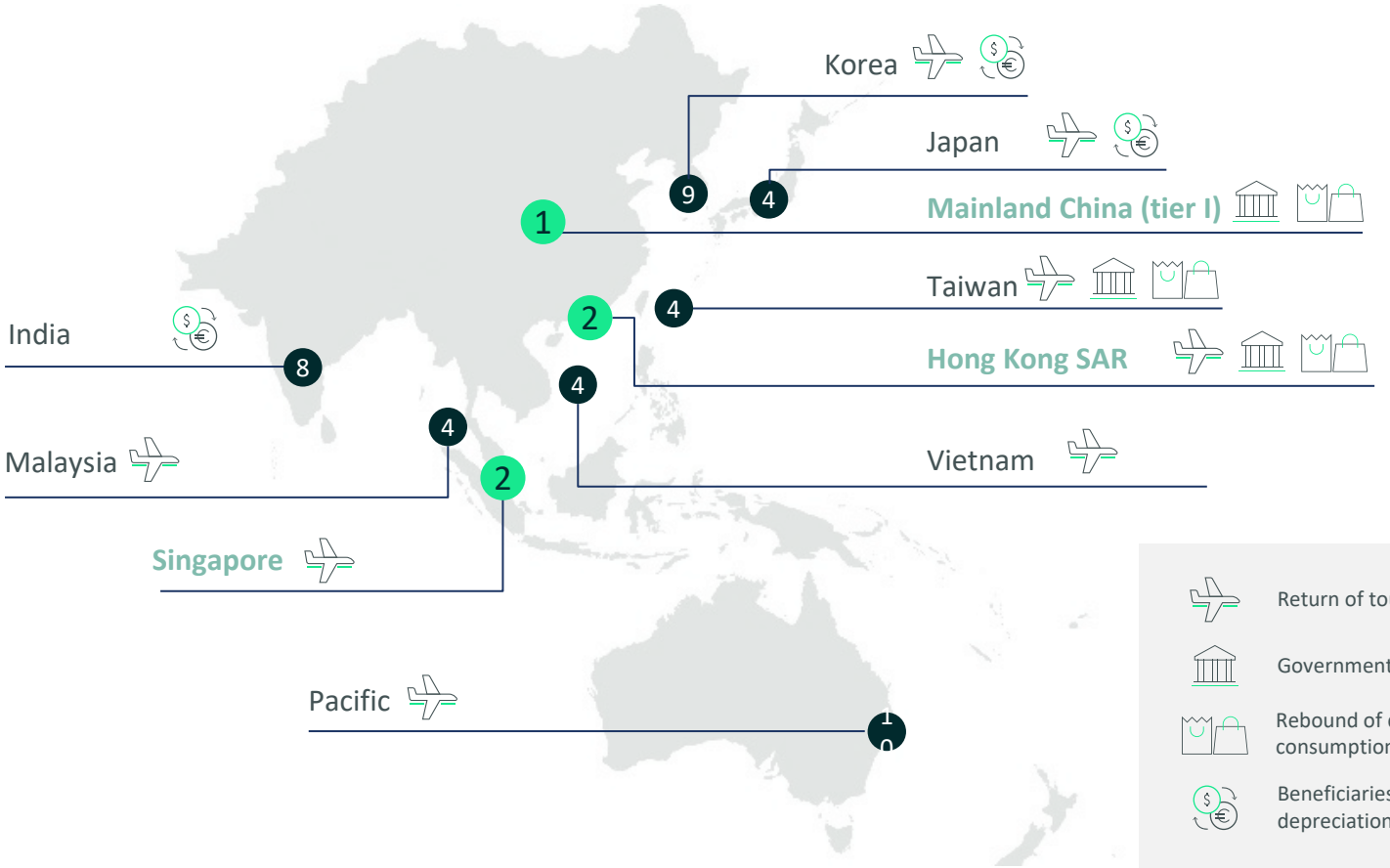


Note: Figures may not add up to 100% due to rounding issues
Source: 2023 Asia Pacific Retail Flash Survey, CBRE Research, January 2023.

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Mainland China, Singapore and Hong Kong SAR will be the focus for retailer expansion

Top destinations for cross-border expansion



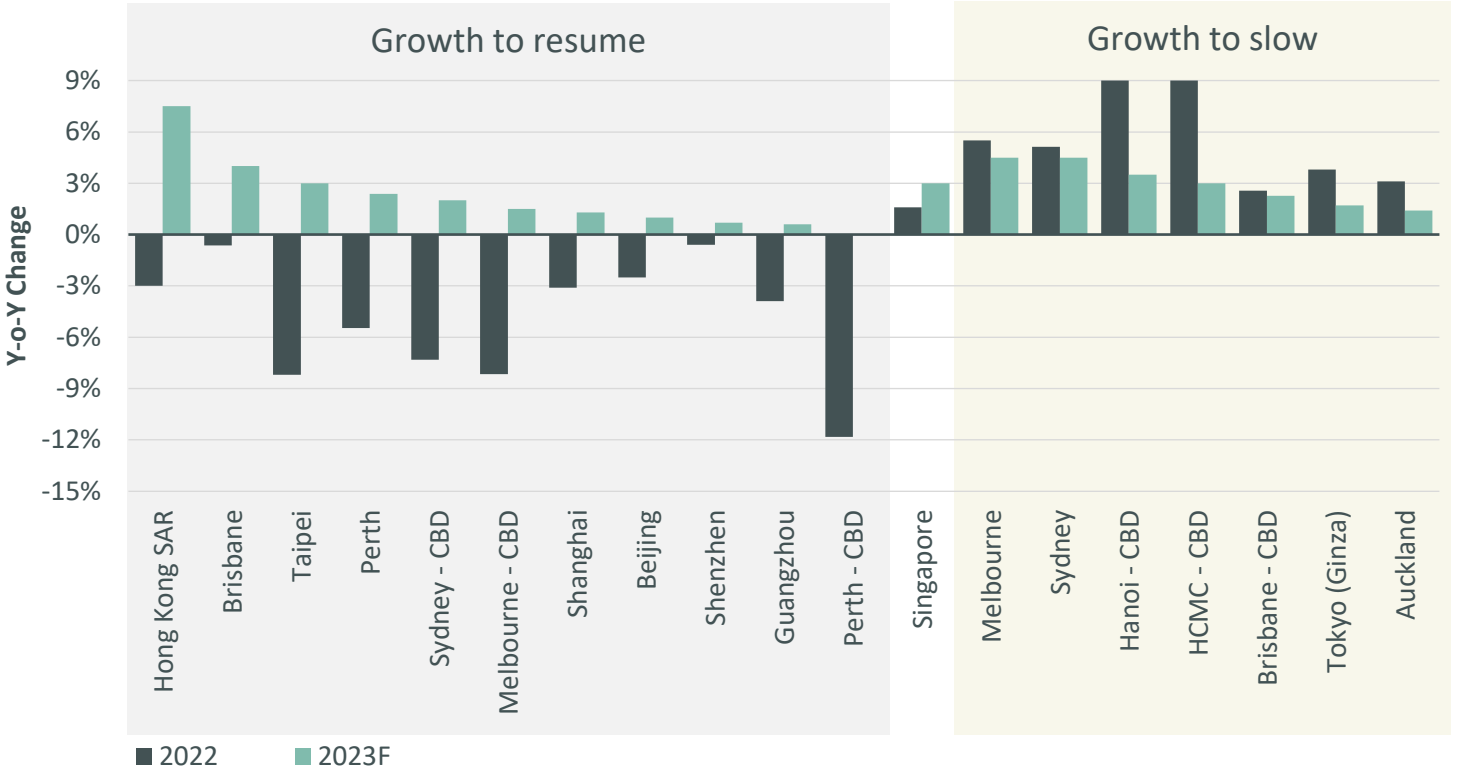
Source: 2023 Asia Pacific Retail Flash Survey, CBRE Research, January 2023.

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Retail rents to experience mild growth

2022 – 2023 retail rental forecast

Vietnam numbers are >30% in 2022

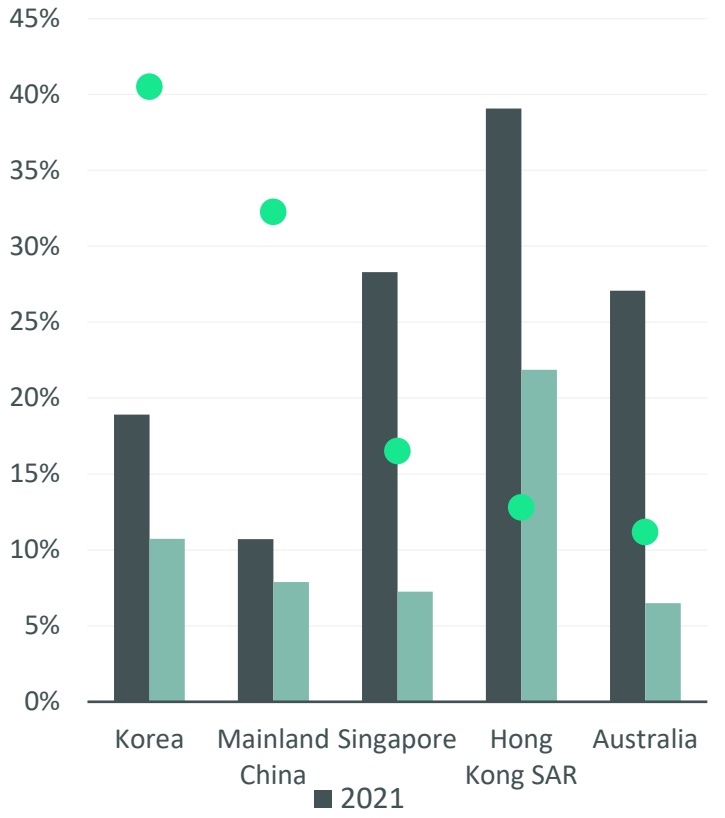


Remarks: Retail rental growth refers to high streets in prime areas except mainland China, Singapore and Australia where G/F rents of shopping centres are reported. Pacific reports net effective rents of regional centres unless specified.
Source: CBRE Research, January 2023.

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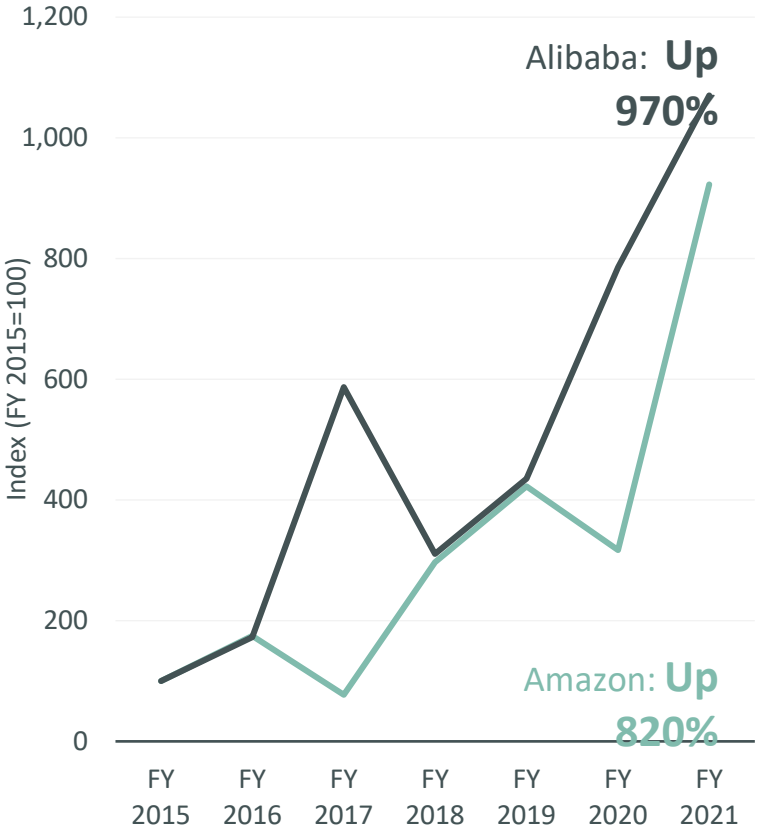
E-commerce growth normalises as shoppers return to brick-and-mortar stores

Y-o-y change in online retail sales



Source: CEIC, National Statistics Bureau, Korean Statistical Information Services, CBRE Research, January 2023.

Customer acquisition cost index (base at FY 2015)



Note: Customer acquisition cost = sales and marketing expenses divided by the growth of number of active users

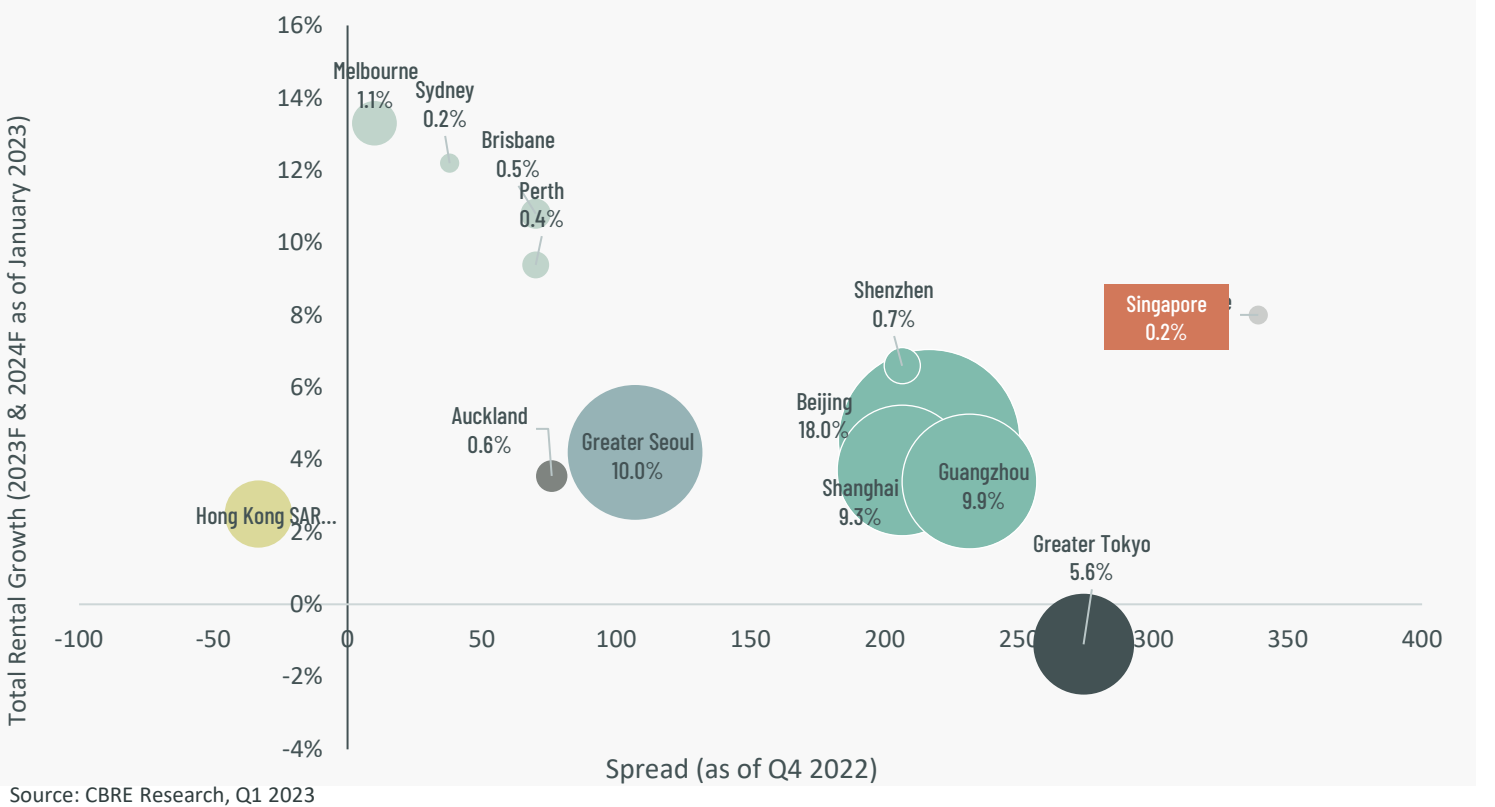
Source: Capital IQ, CBRE Research, September 2022.

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Markets with tighter industrial vacancy generally see significantly higher rents and tighter spreads

Industrial (Prime) net effective rental growth vs spread

Forecast as of January 2023* (CBRE House View)



Source: CBRE Research, Q1 2023

Note: Vacancy is the latest available data for each market, and is represented by the size of the bubble within the graph
Spread represents the risk premium, which is the difference between property yields and 10-year government bond yields
Colour of bubble represents each different market

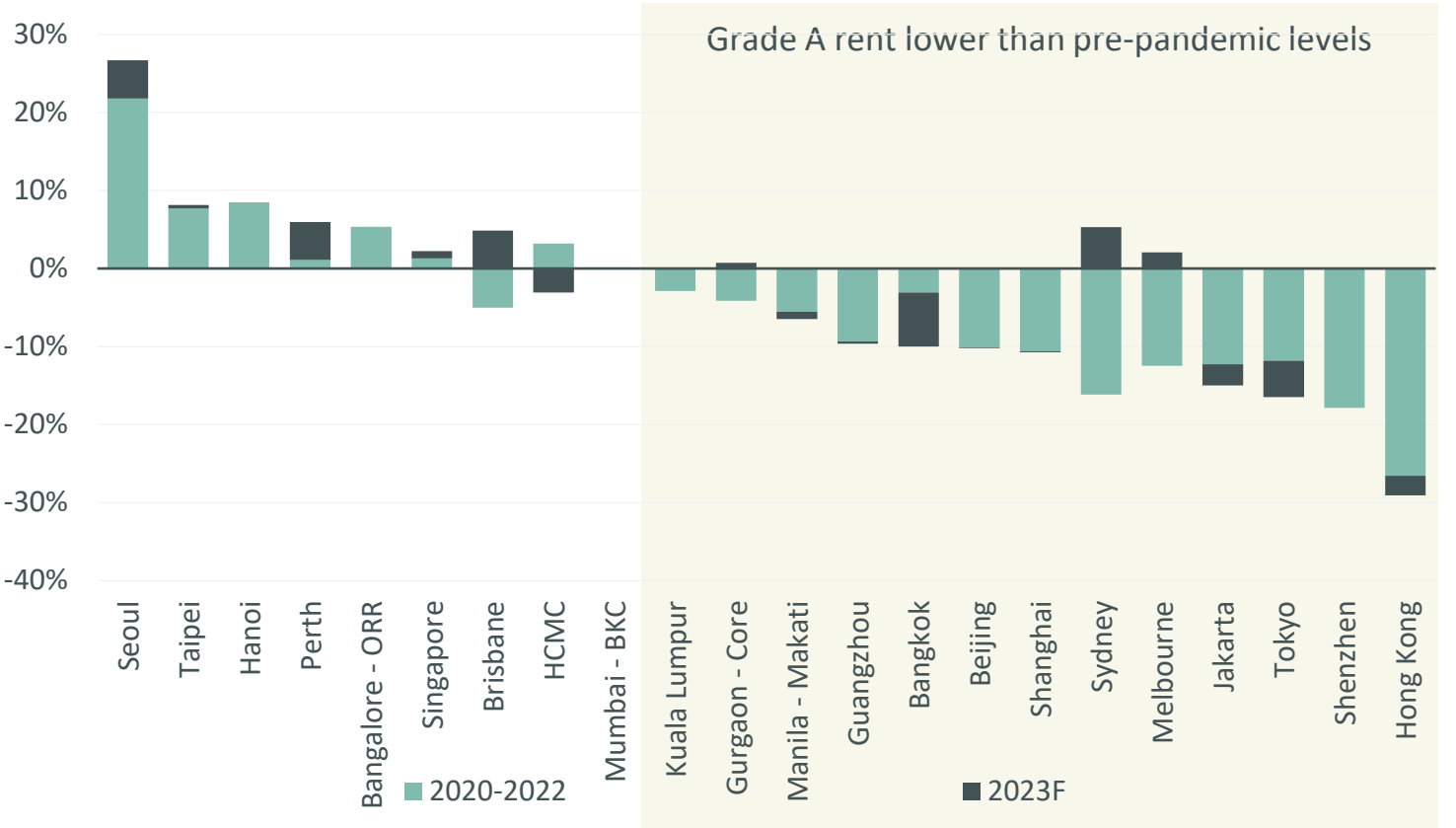
*Rental forecast is a preliminary figure

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Still a long way to a rental recovery for most markets

Office occupiers plan next generation workplaces

Change in Grade A net effective rent in 2023F compared to 2019 (pre-COVID level)



Note: Grade A rents represent rents in CBDs and core locations of each representative market.
Source: CBRE Research, January 2023

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Survey results and actionable ideas

3

In the first survey of its kind, CBRE polled 21,000 people worldwide earlier this year to understand how they will live, work and shop in the future, and how this will impact the real estate they use. Around 9,000 respondents from Asia Pacific were included in the survey.

We show key results and actionable ideas for the “Work” section

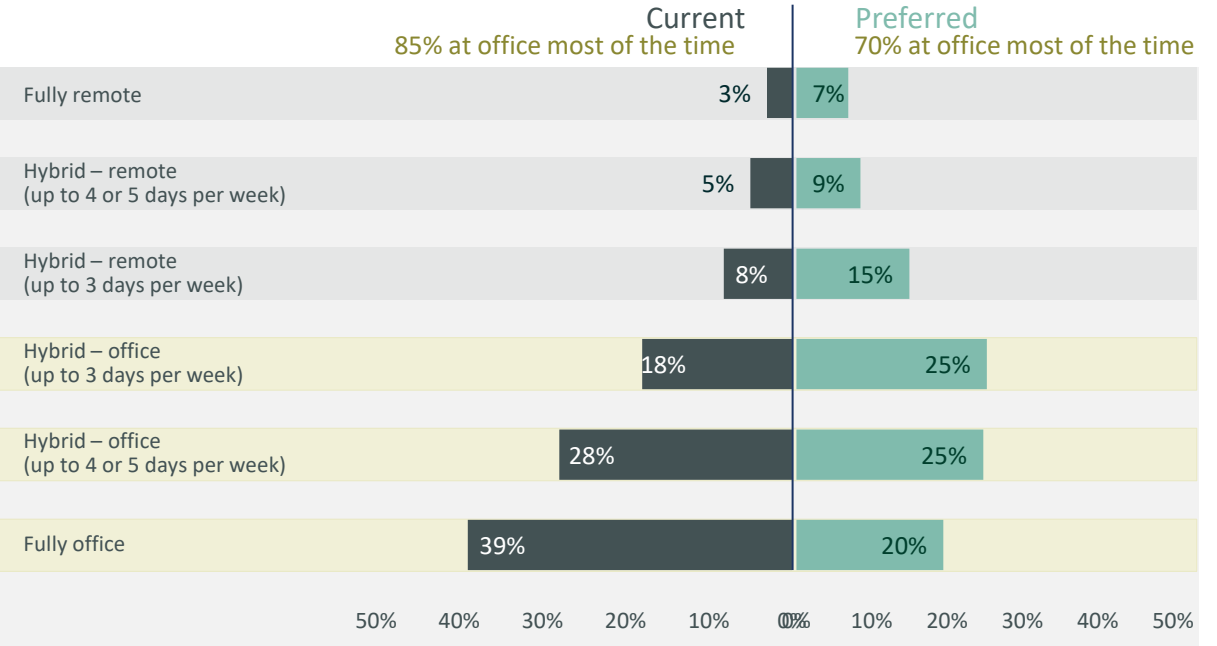


A desire for greater flexibility is supporting the adoption of hybrid working

Although employees want to spend more time working remotely, office-based working will remain the norm in Asia Pacific

- Employees want to be able to work remotely more often. While 85% of respondents currently spend at least three days per week working at the office, 70% say they prefer to spend this amount of time at the office.
- The desire to work fully from the office is stronger in Asia Pacific than elsewhere.
- Gen Z and late millennials are less interested in working at the office all the time, while a large portion of female employees want to spend more time working at home. Nonetheless, both groups are still willing to spend most of their time in the office under the hybrid working model.

Current and preferred split between office and home working



Note: Percentages may not total 100 due to rounding

Source: CBRE Research, November 2022.

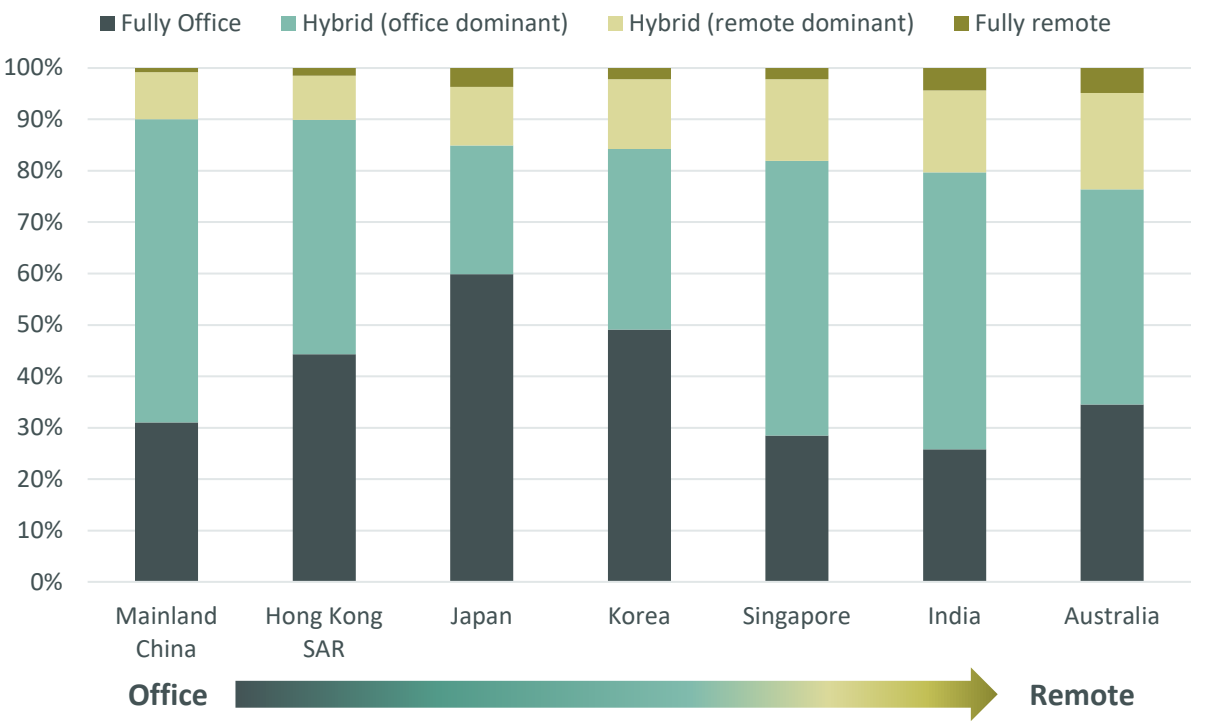
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Nuances across geographies and trades

Hybrid working is more prominent in India and Australia; North Asia respondents tend to be in the office more often

- The adoption of hybrid working varies across Asia Pacific.
- Employees in North Asia tend to spend more time working from the office, with Japan registering the largest proportion of those working full-time in the office. Mainland China has the highest proportion of respondents working either full-time or most of the time in the office.
- Staff in Australia and Singapore spend more time working outside of the office, while India had the lowest proportion of employees working full-time in the office.
- CBRE advises occupiers with regional operations to adjust their policies to match local nuances. Among different industries, tech firms are finding it especially challenging to bring staff back to the office.

Current working patterns



Source: CBRE Research, 2022.

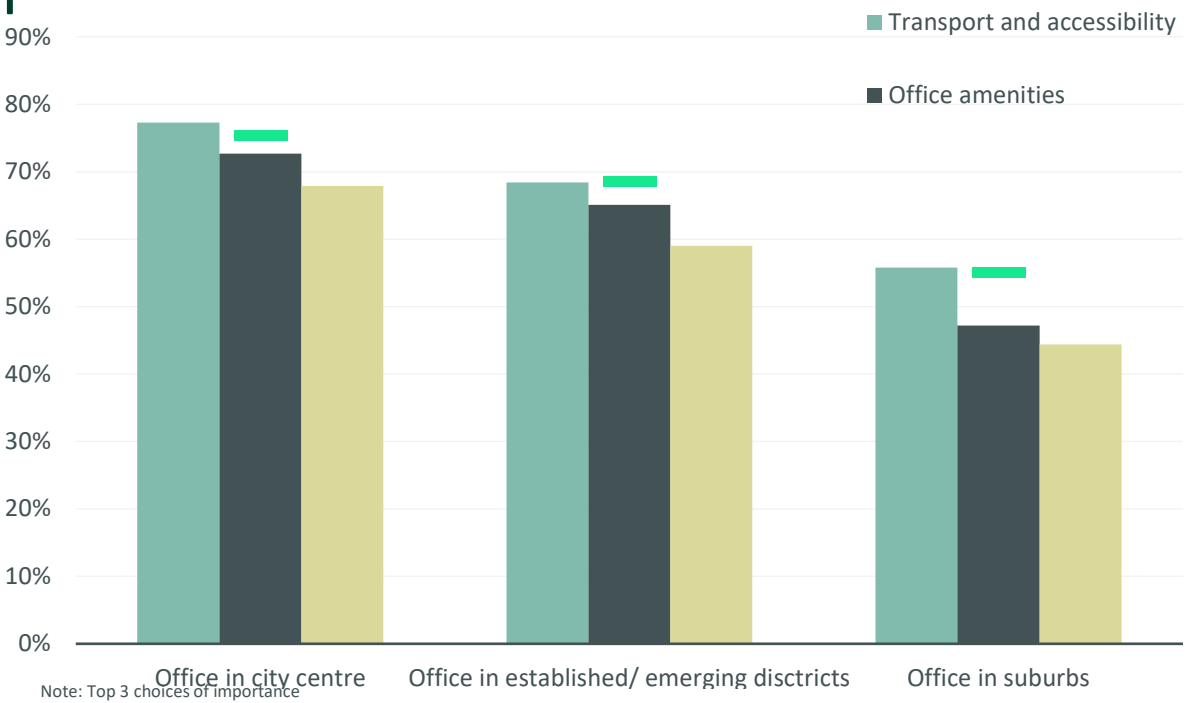
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Location is key: employees want shorter commute times

Employees in city centre offices are more satisfied with their location and environment

- The survey found that office location has a strong bearing on the perception of the quality of working environment. Employees working in city centres are generally more satisfied with their office, particularly with regard to transportation, amenities and employee facilities and programmes, than those working in other business districts and suburbs.
- The survey findings underline the fact that CBDs remain the most sought-after office locations for employees.
- Companies are advised to assess the appeal of their office locations to employees and make any necessary adjustments as part of talent retention and recruitment initiatives.

Overall satisfaction with office attributes, Asia Pacific



Note: Top 3 choices of importance

Source: CBRE Research, 2022.

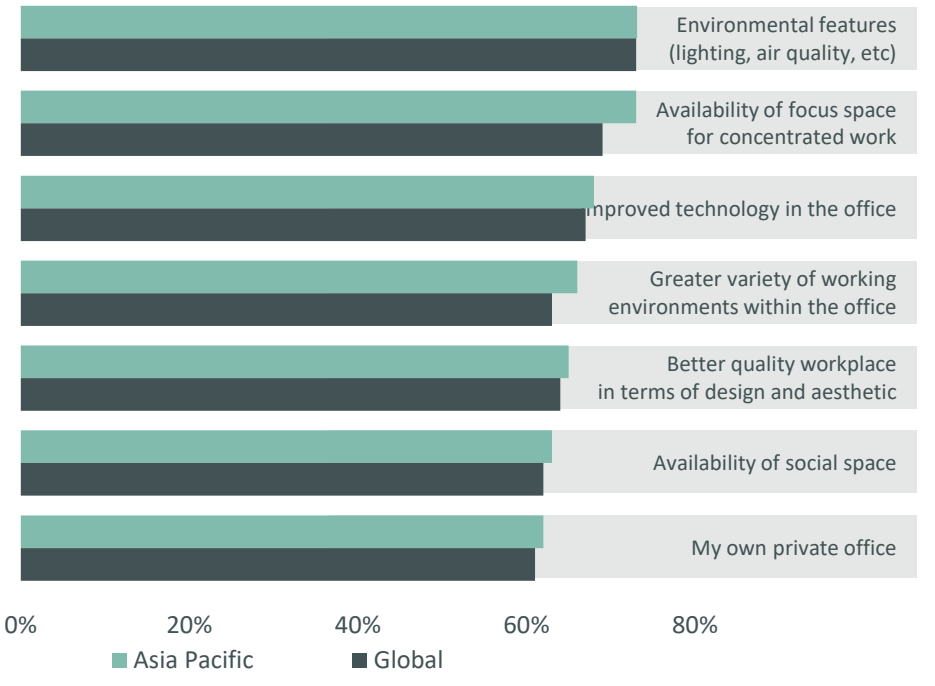
Workplace quality matters (1)

What makes people want to work in the office?

Workplace features

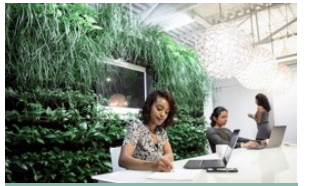
- Respondents named environmental features as the most important service or amenity that would encourage them to visit the office more frequently. This is aligned with corporates' desire to occupy ESG-friendly buildings.
- The survey uncovered some misalignment regarding allocations of "ME/WE" space. Although respondents said they wanted more focus space than social space, CBRE's latest occupier survey found more corporates intend to increase the provision of collaborative space instead of enclosed soundproofed space for individuals.
- Respondents in Asia Pacific displayed a stronger desire for a greater variety of working environments compared to those polled in other regions. This likely reflects the relatively slower adoption of activity-based working in this region.

Services and amenities that can encourage more regular office attendance



Note: % = Top three choices of importance

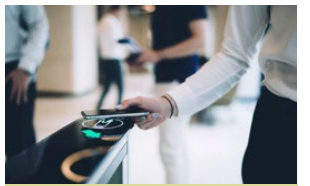
Source: CBRE Research, 2022.



73% want environmental features



71% want focus space



68% want improved technology

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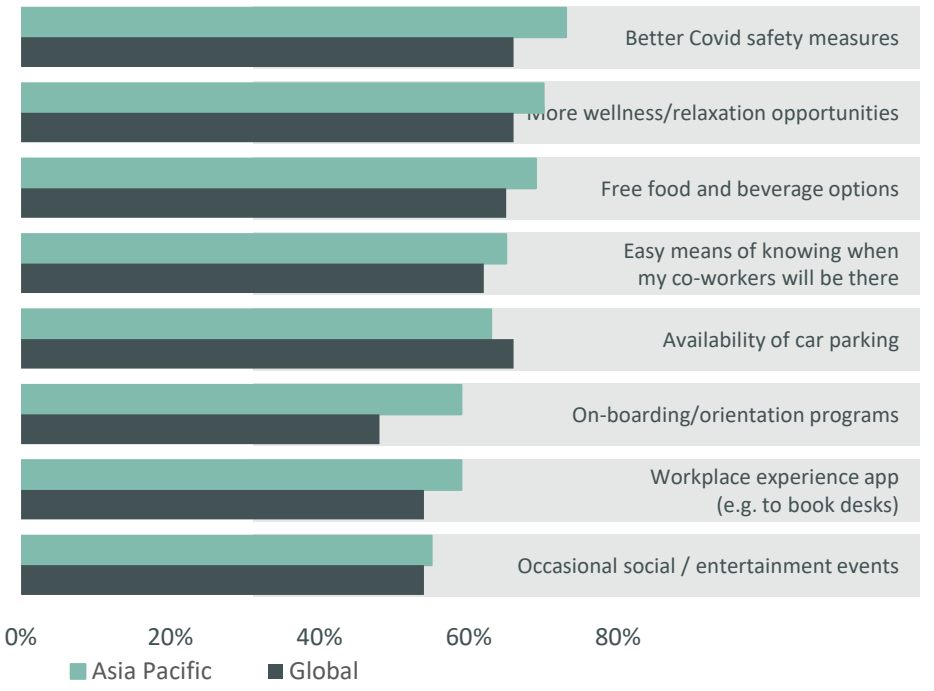
Workplace quality matters (2)

What makes people want to work in the office?

Services and amenities

- A health and wellness offering is seen as essential to getting people back in the office.
- Better COVID-19 measures were named most important in mainland China, as direct contacts at offices are required to quarantine.
- Respondents displayed an interest in free food and beverages, but were less enthusiastic about social and entertainment events.
- Occupiers seeking to leverage technology to enhance workplace services should put more effort into sharing co-worker office attendance schedules than workplace experience apps.
- Compared to their global counterparts, respondents in Asia Pacific displayed a stronger desire for all aspects of services and amenities, with the exception of car parking.

Services and amenities that can encourage more regular office attendance

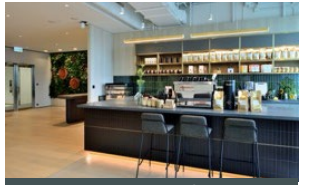


Note: % = Top three choices of importance

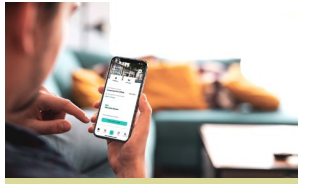
Source: CBRE Research, 2022.



70% want more wellness



69% want free F&B options



65% want to track their co-workers

Key takeaways

Macro	Sector	Office survey
Inflation to ease in 2023 **Q2** during which Interest rates could peak	**Retail** To rebound	**People want more flexibility** **85%** currently spend at least three days per week working at the office
Most economies in **APAC** To experience below-trend growth, except China and Hong Kong	**Logistics** To normalise	**Location is key** **75%** are satisfied with their city centre offices but only 55% of those working in suburbs stated the same
China reopening to boost **tourism** Visitor arrivals could double in 2023 and recover to pre-covid levels by 2024	**Office** To evolve	**Workplace quality matters** **>70%** of office-based workers view health and wellness features in their buildings and amenities as most important

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CBRE

Thank you!

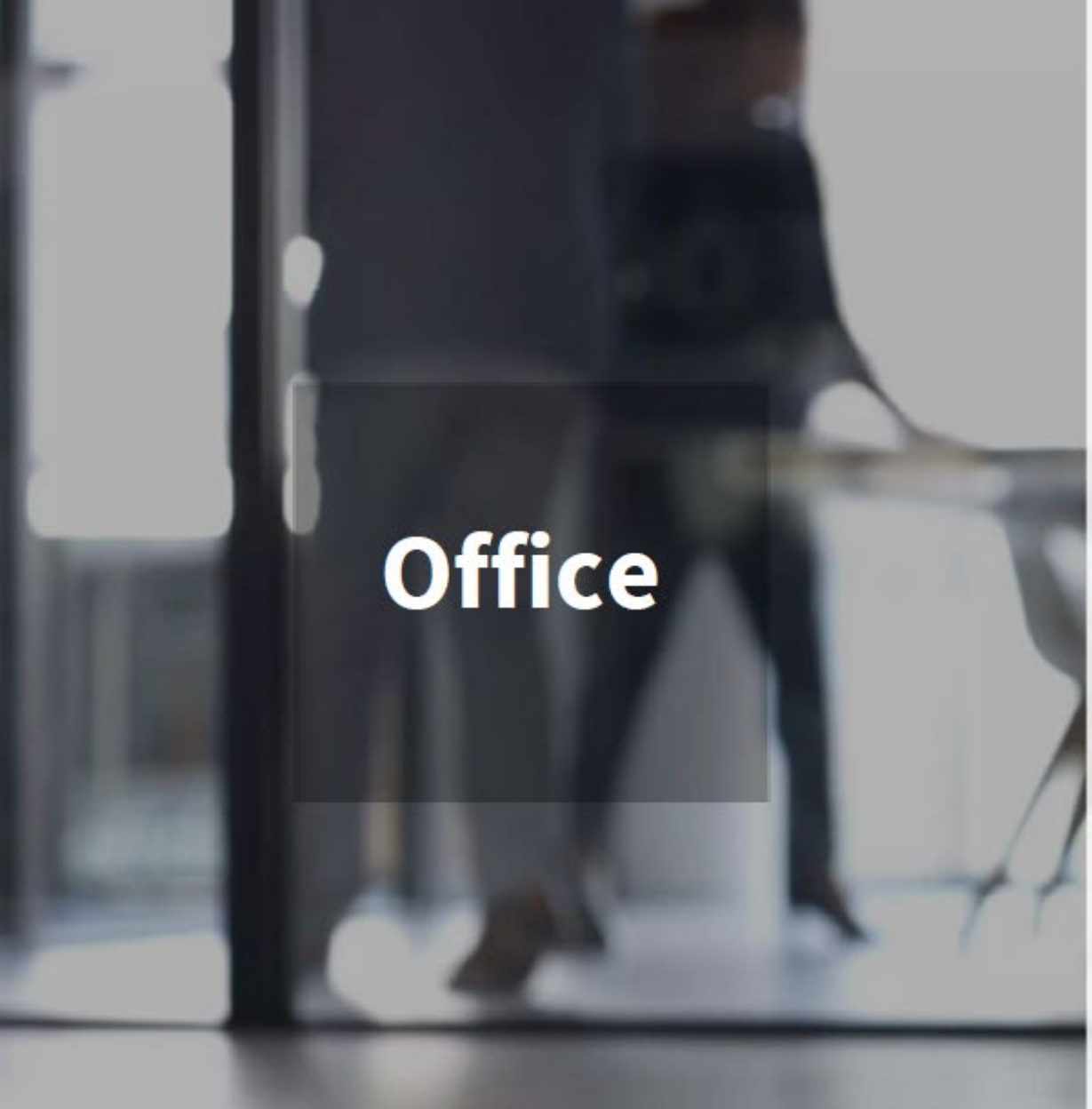
Property Market Outlook 2023

REIS Clients

Roddy Allan

February 2023





Office

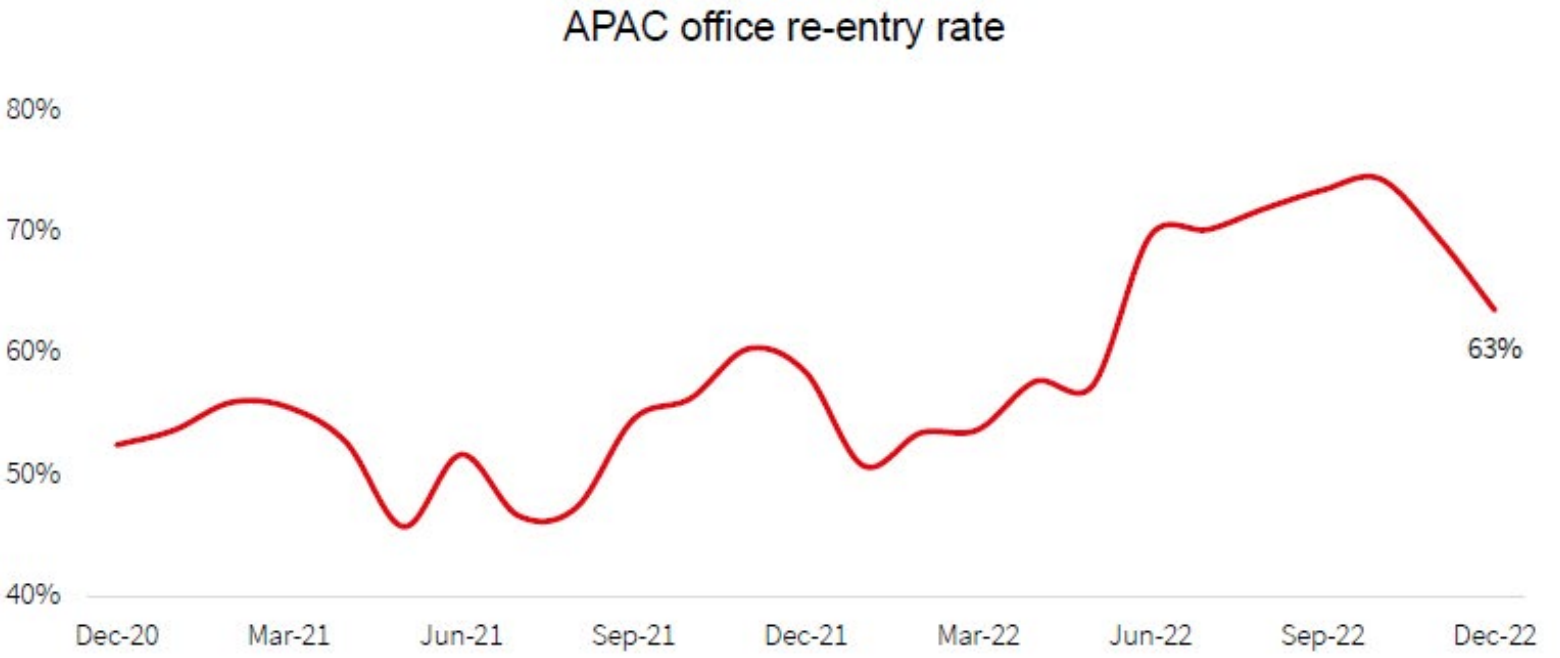
Flexible working is now front of mind for landlords and occupiers

71% worked remotely across the globe in 2020.

How will that affect office use long term?



APAC office re-entry rate recovering, but recent short-term blip



Source: JLL, December 2022

Hybrid is here to stay

53%

of organizations are likely to make remote working available to all employees by 2025.

JLL Future of Work survey, 2022

Why?

- War for Talent
- Diversity, Equity and Inclusion
- Health and Wellbeing

JLL HR survey, 2022

Flight-to-quality is likely to remain a pervasive trend

77%

agree that investing in quality is a greater priority than expanding total footprint.

JLL Future of Work survey, 2022

72%

of CRE professionals agree the office will remain central to their organisation's long-term work ecosystem.

JLL Future of Work survey, 2022

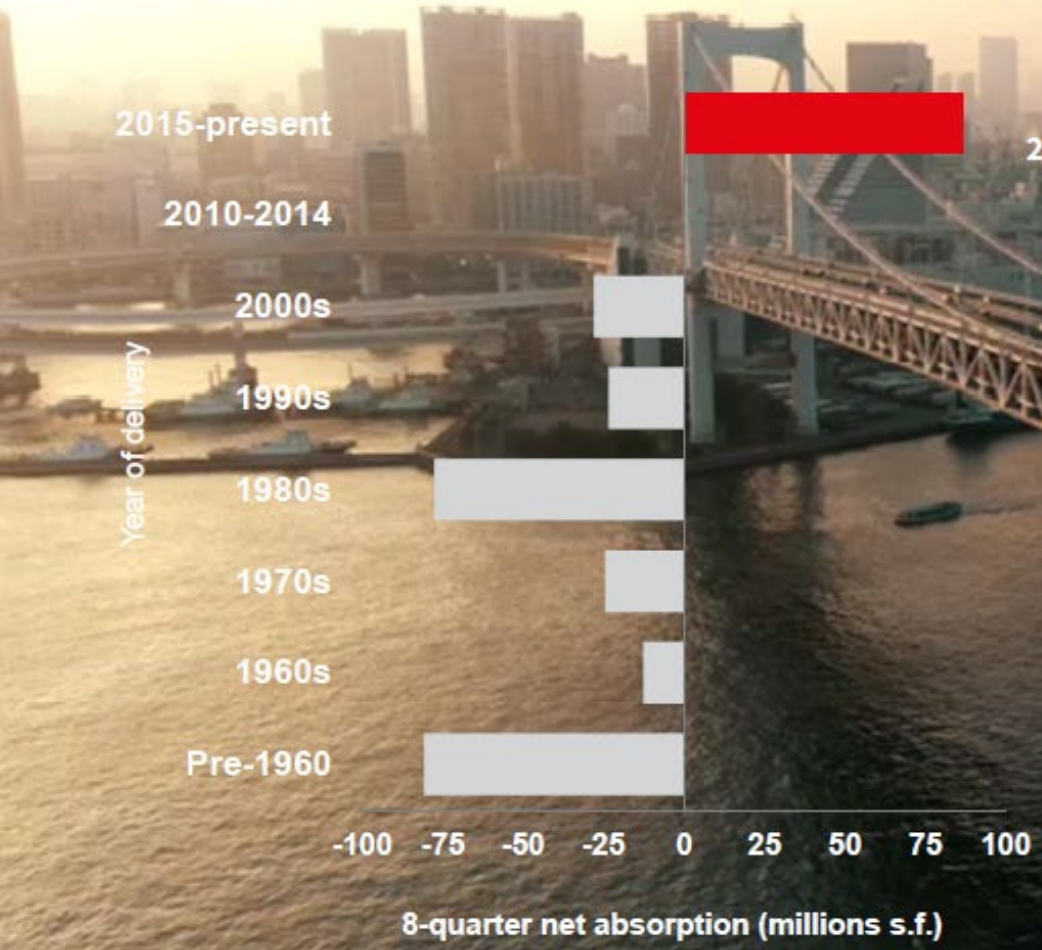
The role of the office is being redefined creating investment opportunity

56% of organisations plan to refit or redesign their office space in the next 12 months

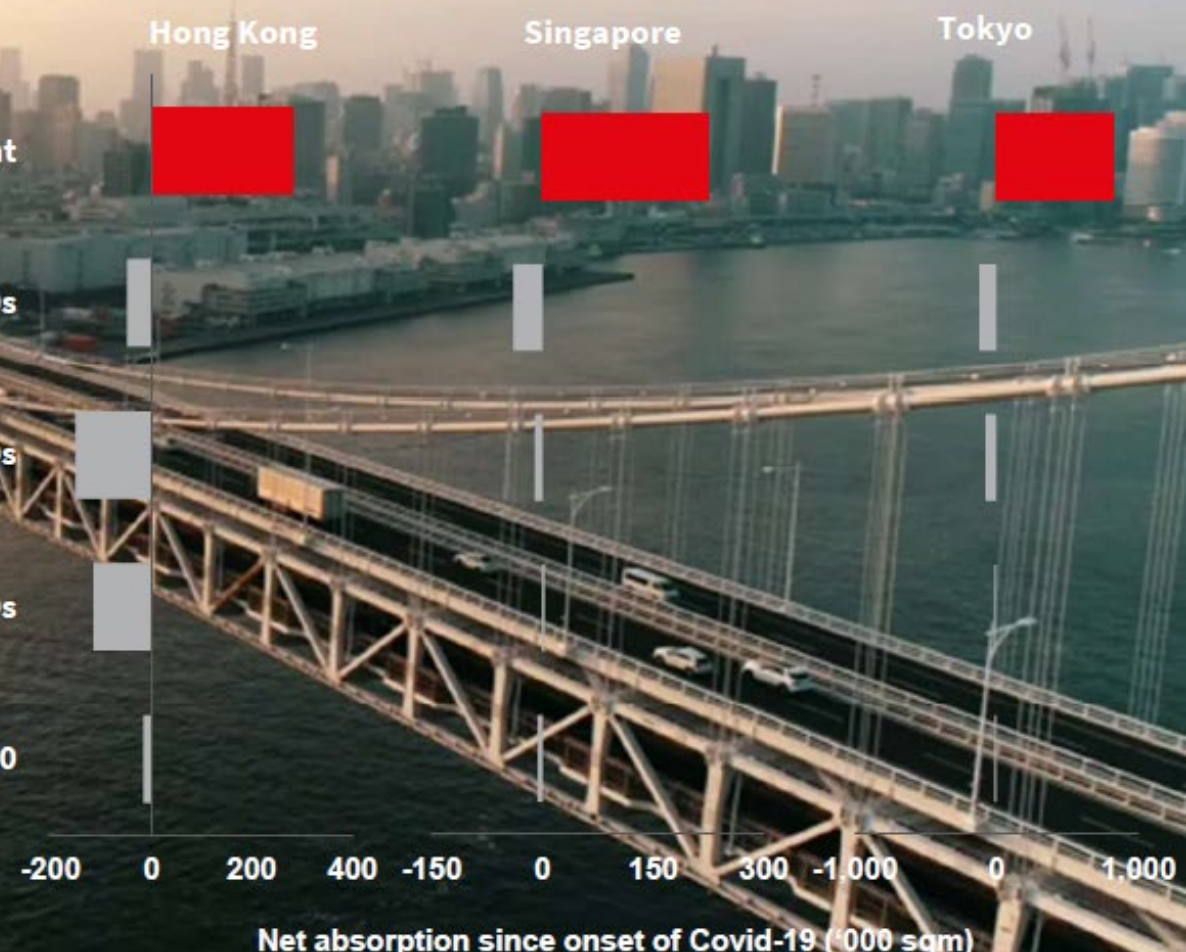


Offices | Flight-to-quality for newer assets now a trend

US Office net absorption by asset vintage



APAC Office net absorption by asset vintage

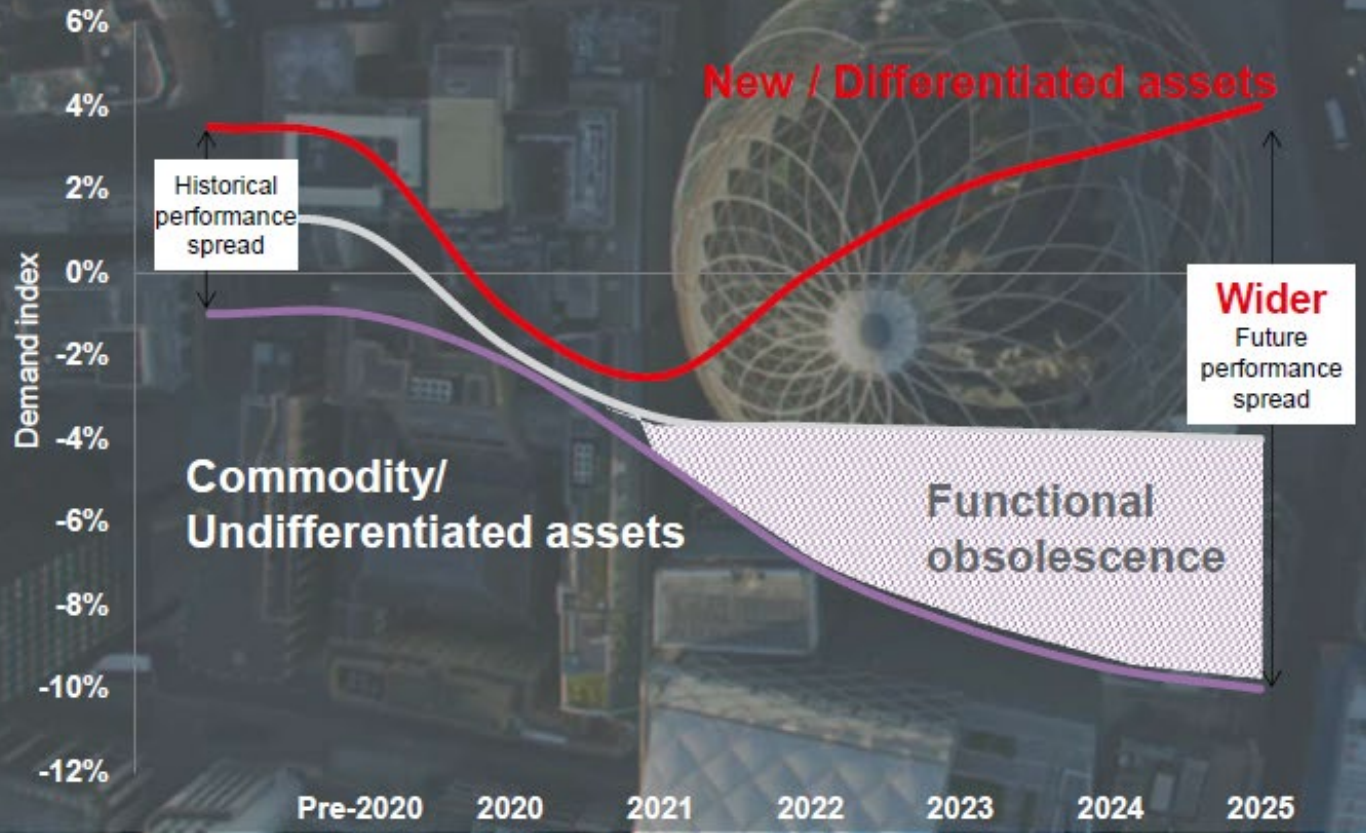


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Offices | Resilient pricing for high-quality space creates opportunity

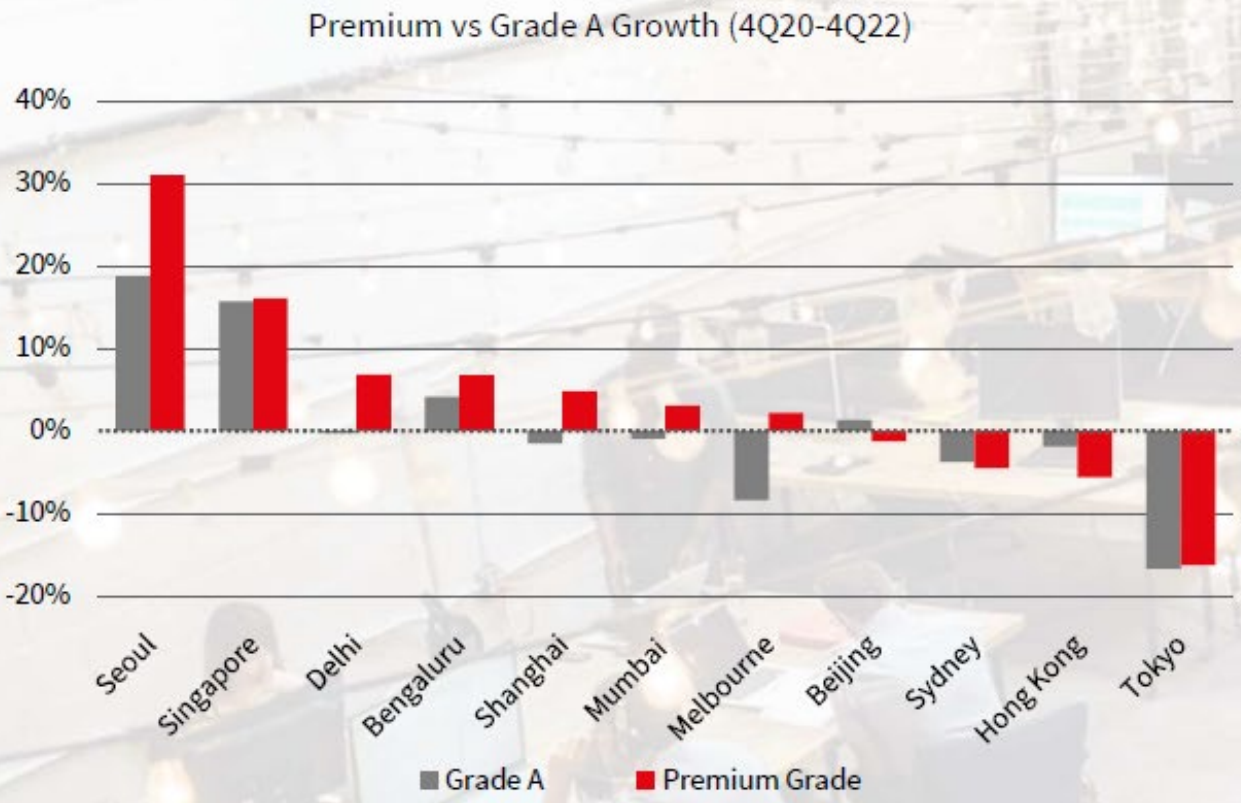
JLL

Structural shift in demand for highest quality assets



- A **bifurcated** market
- Focus on h**igh-quality** and differentiated space
- Rising risk of **obsolescence** in Grade B and C space

Premium rents have outperformed Grade A in the CBD







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75% of employees expect their company to follow sustainable business practices

72% of employees believe that sustainability initiatives are a must for businesses

Green credentials are no longer a nice-to-have



85%

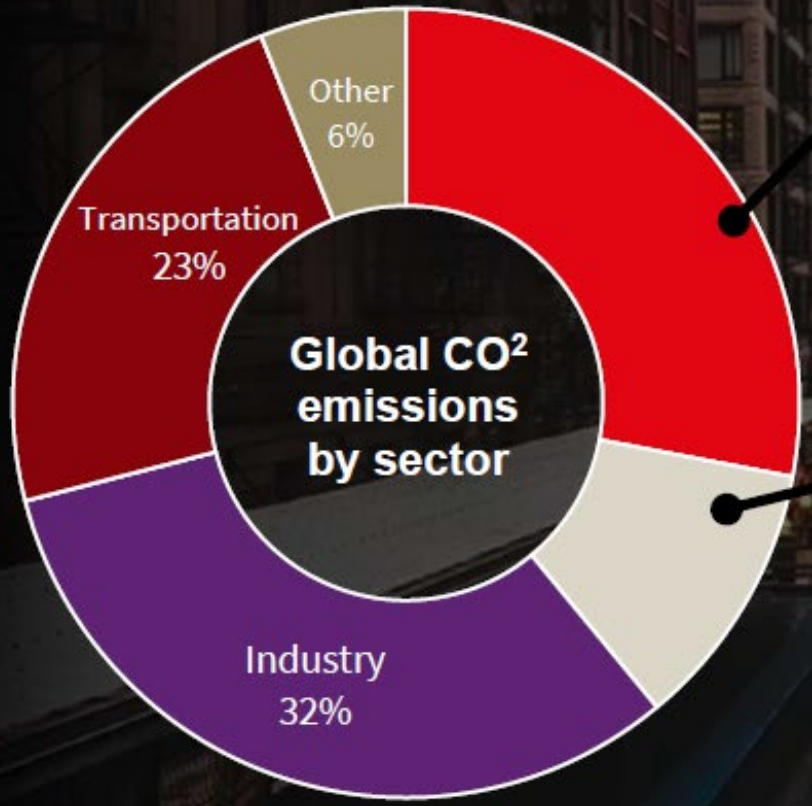
expect to **maintain** or **accelerate** investment into embedding **zero carbon** requirements in new location requirements.

JLL Future of Work survey, 2022

Commercial real estate has a big role to play

JLL

The built environment is a very large emitter of carbon



Building Operations (Operational Carbon) 28%

Building Materials & Construction (Core and Shell) (Embodied carbon) 11%

The built environment:

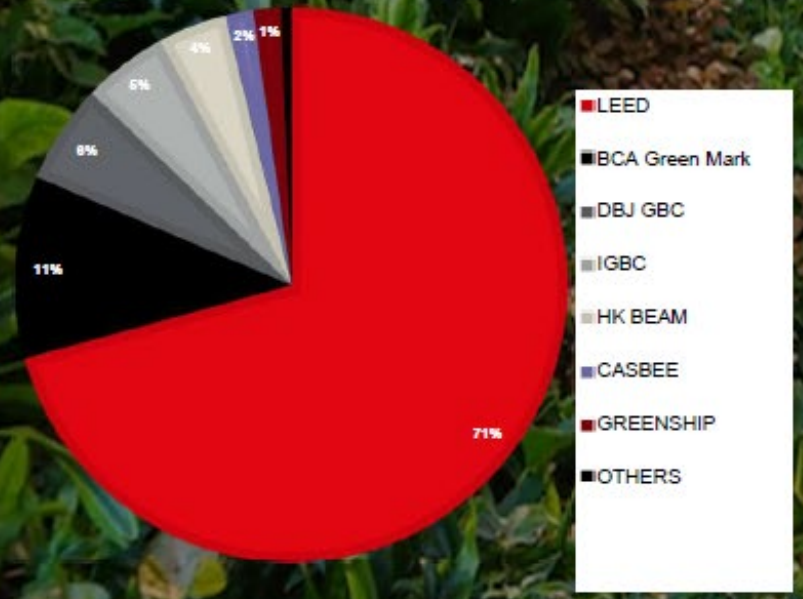
39%

total CO^2 emissions

Green certified assets are commanding rental premium in a world polarized towards green ambitions

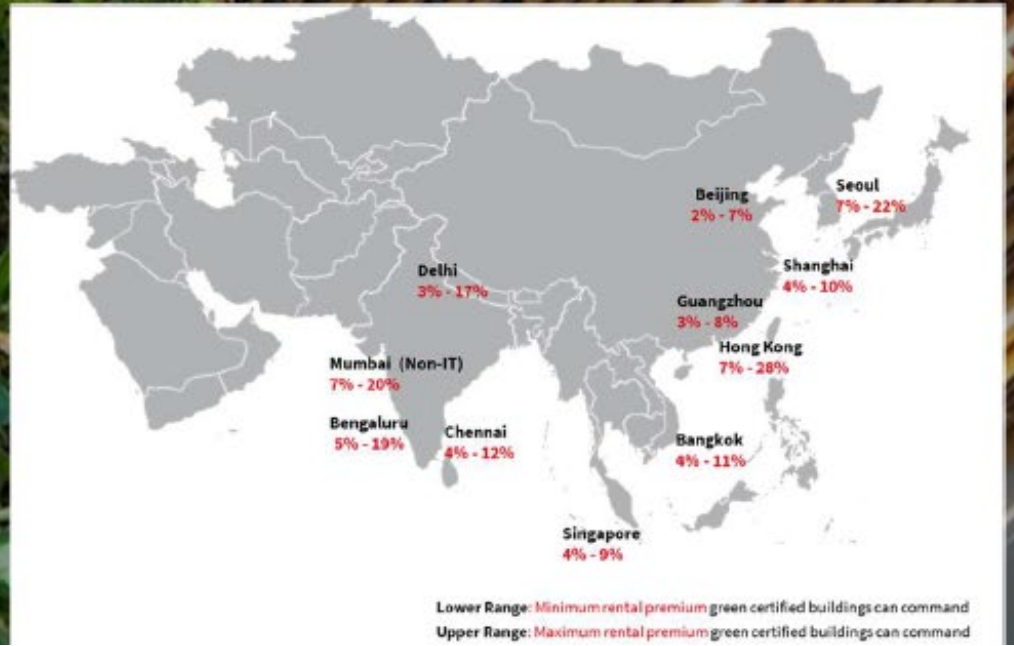
Green certified office stock in APAC (by GFA)

37%

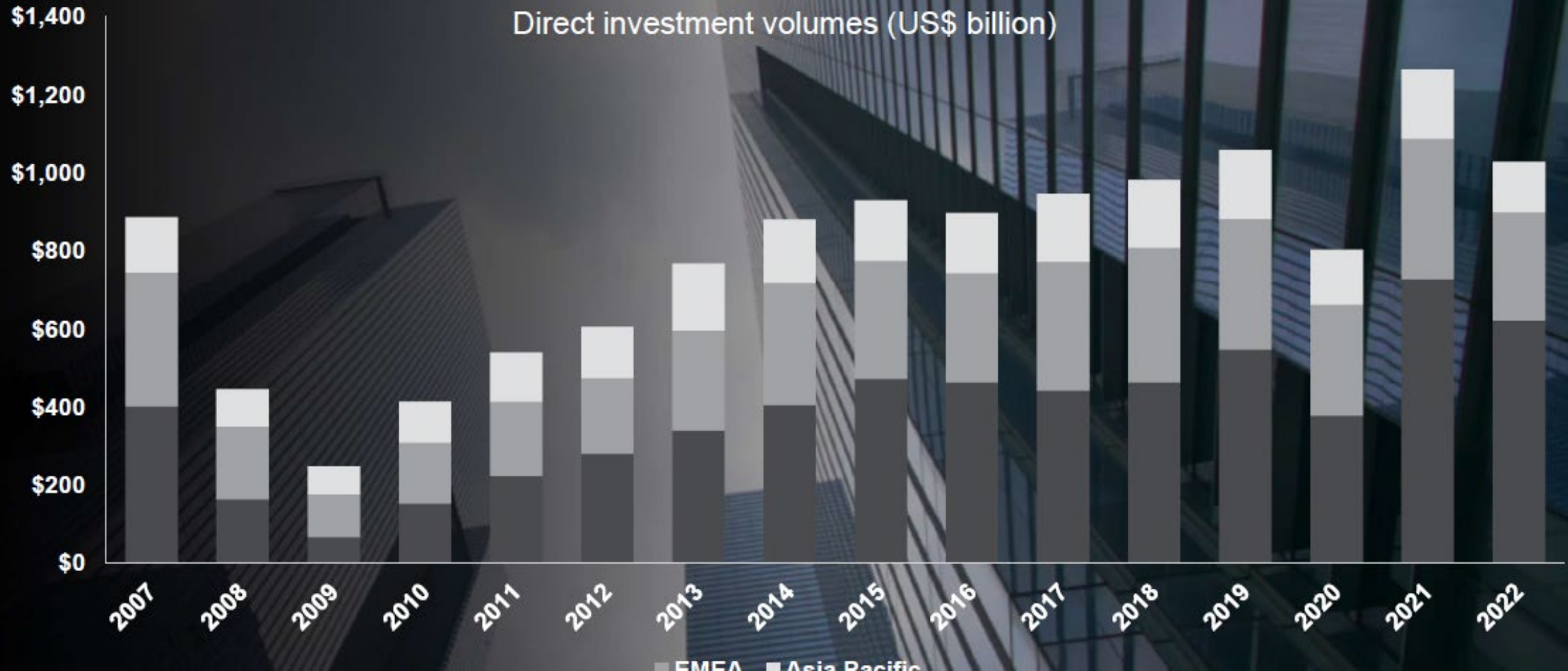


Source: JLL Research (2022)

APAC CRE aspire to have 50% of the portfolio green certified by 2025



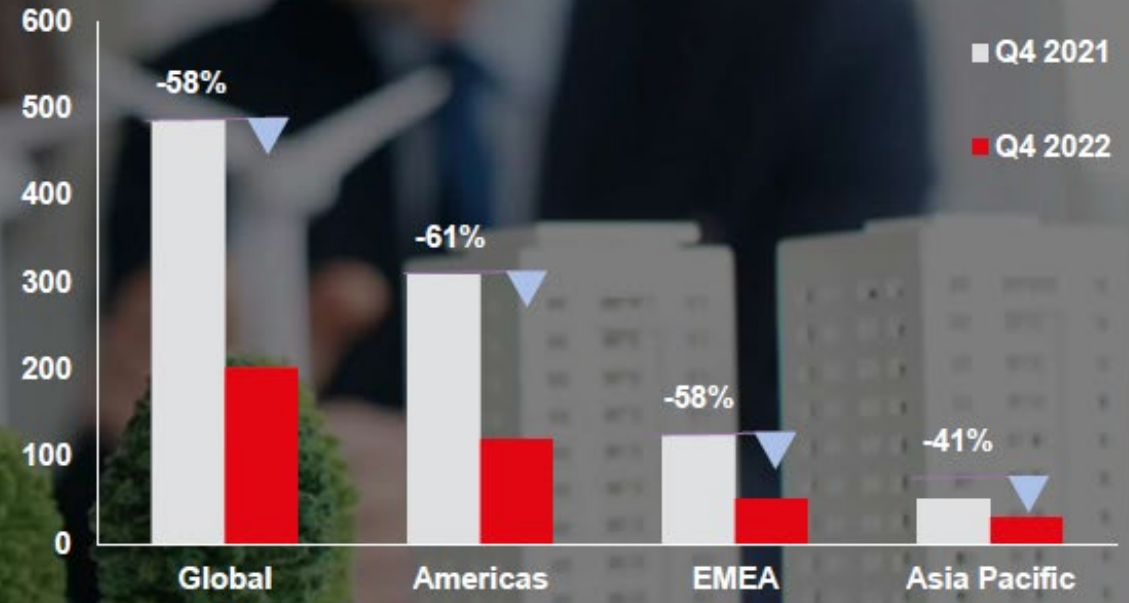
2022 Global Transaction Volumes Weaken



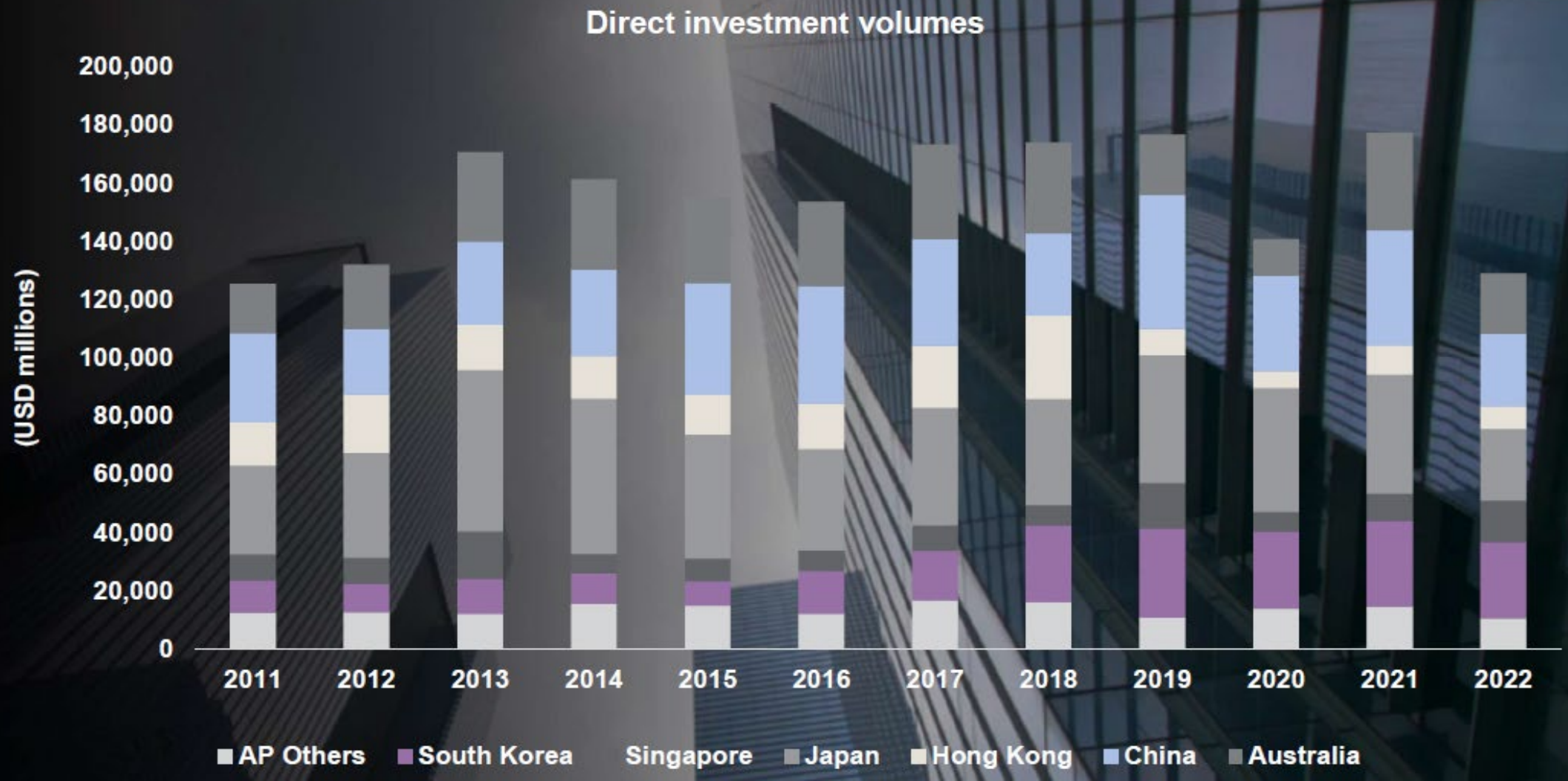
Economic outlook, policy and geopolitics creating investor uncertainty, underwriting challenges and impacted investment velocities in 4Q22

Long term real estate investment sentiment remains strong

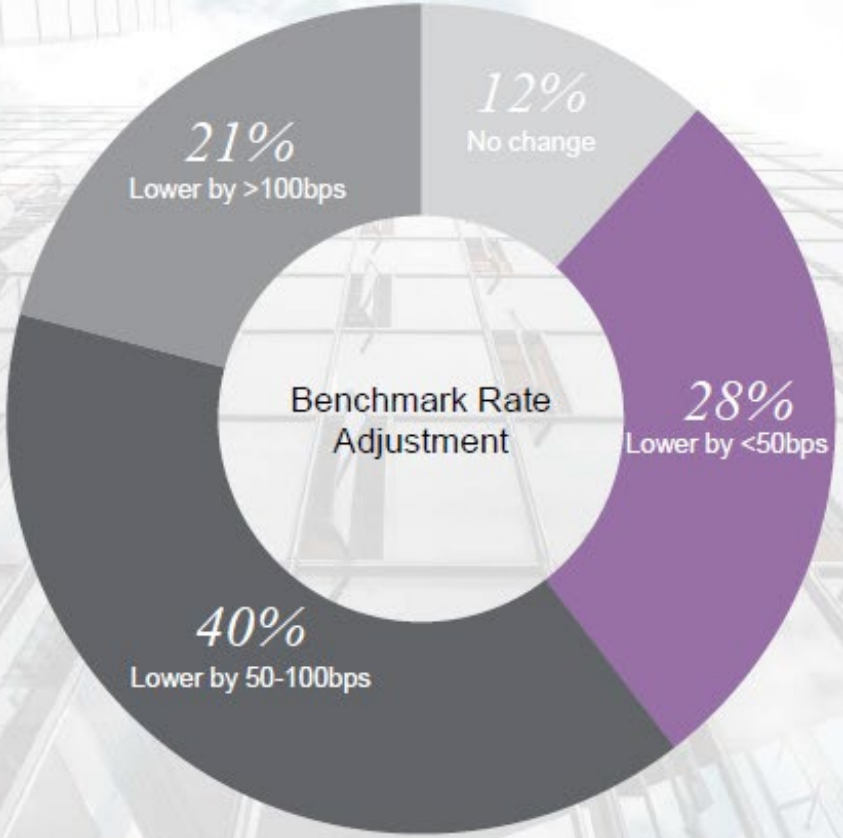
Quarterly Direct Investment by Region
Q4 2021 – Q4 2022



China and Japan hinder AP volumes in 2022



40% of respondents believe benchmark rates have to adjust down 50-100 bps before activity picks up



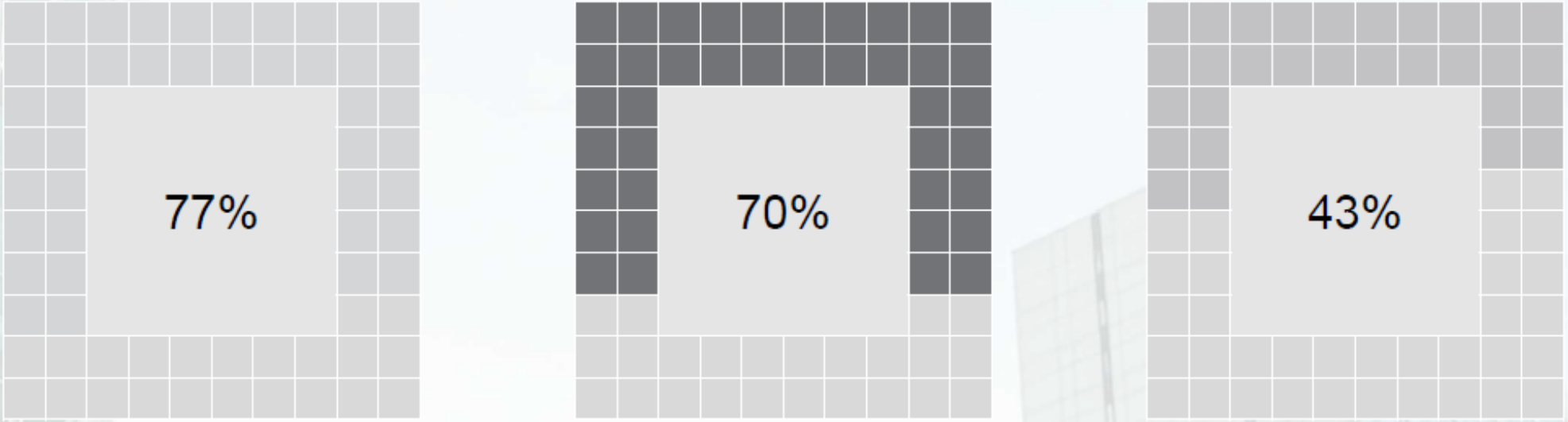
Q: How much do you think current benchmark rates have to adjust before investment activity picks up?

Source: JLL, 1Q23
Note: Total may not equal to 100% due to rounding

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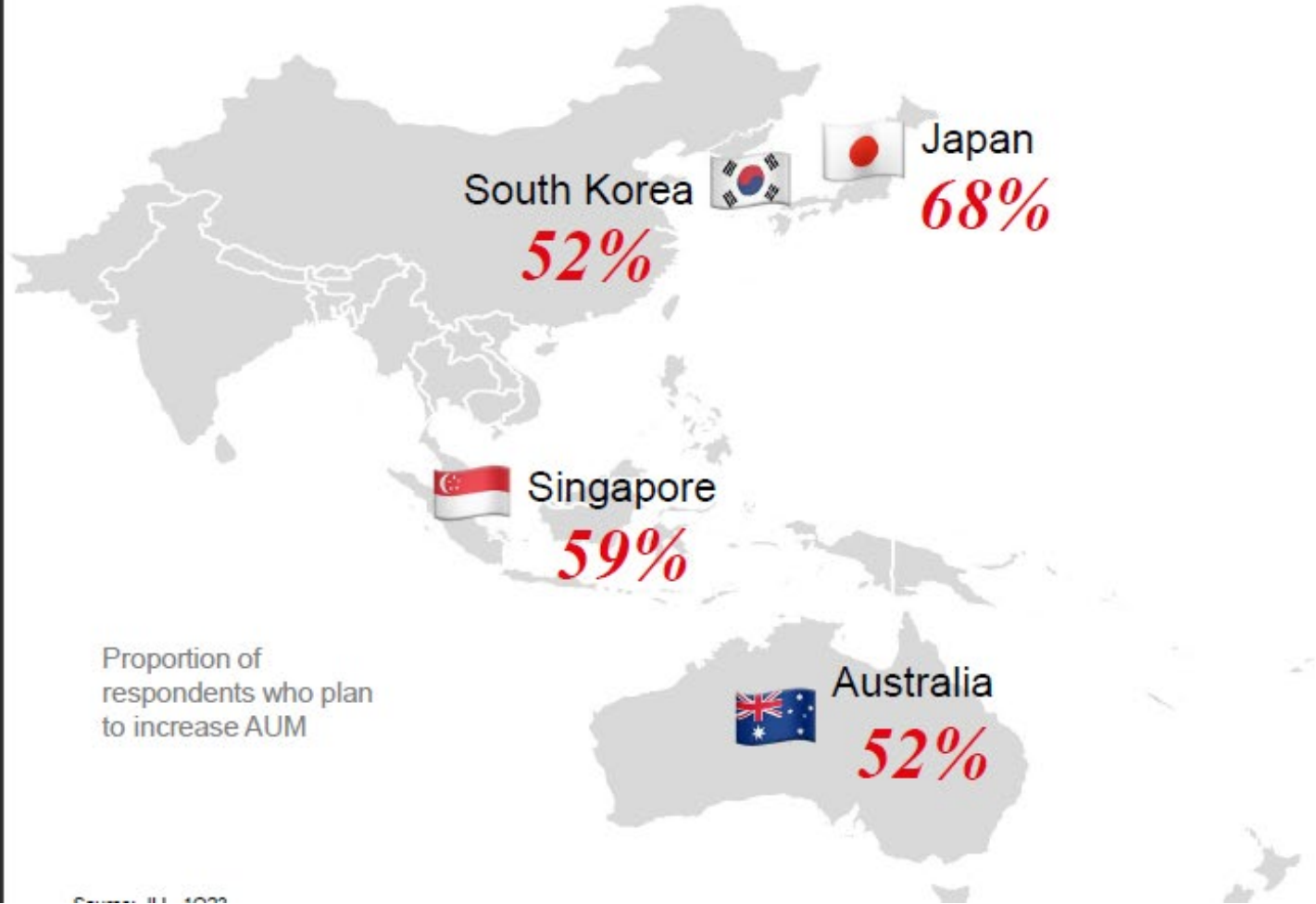
Pricing and interest rate uncertainties are the most cited challenges in deploying capital

Challenges in Deploying Capital



Q: What do you think will be the top 3 challenges in deploying capital in 2023?

Japan and Singapore are the most popular geographies for investment



Proportion of respondents who plan to increase AUM

Top 3 investment markets investors intend to invest more in over 2023:

Tokyo Multifamily



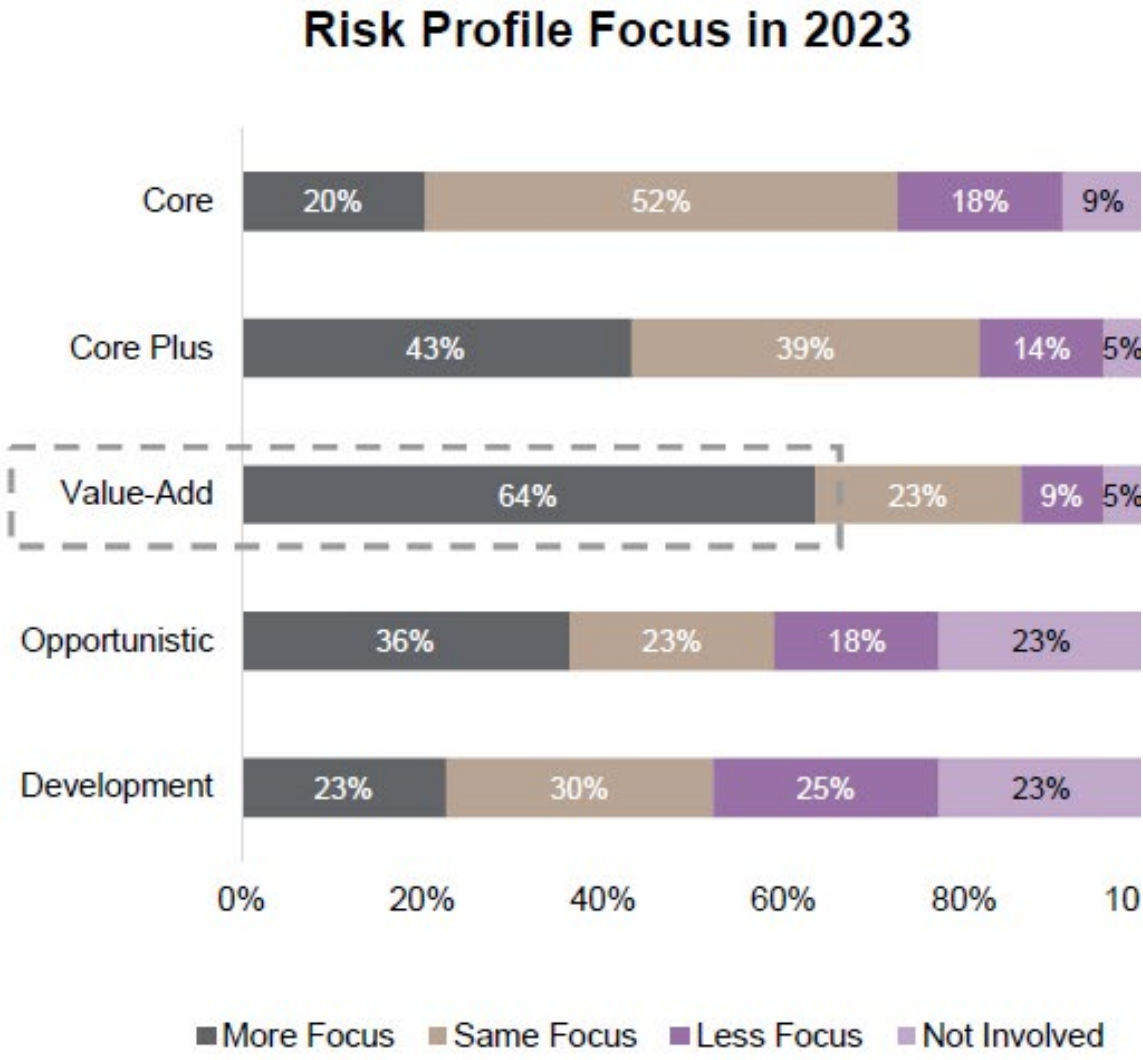
Tokyo Industrial



Tokyo Office



Value-add strategies will have more focus in investors' risk profiles in 2023



Source: JLL, 1Q23

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High conviction sectors remain on the agenda



Multi-family Alternatives Office Logistics

Focus on future proofing portfolios


JLL
Thank You

Knight Frank | cresa

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THE OUTLOOK FOR CORPORATE REAL ESTATE

LATEST FINDINGS FROM THE KNIGHT FRANK CRESA GLOBAL CORPORATE REAL ESTATE SENTIMENT INDEX

TIM ARMSTRONG
GLOBAL HEAD OF OCCUPIER STRATEGY AND SOLUTIONS

AGENDA - 6 KEY QUESTIONS

- **Market dynamics** – do markets present an opportunity?
- **Growth dynamics** – what is the outlook for macro and corporate growth?
- **Portfolio dynamics** – will CRE portfolios transform in 2023?
- **Workplace dynamics** – how will CRE leaders intervene in the workplace?
- **CRE leader sentiment** – is there capacity to act?
- **Market implications** – what does this all mean for the market?

MARKET DYNAMICS

Majority of Asian markets present a window of opportunity to the occupier

12-Month Rental Outlook

Decreasing

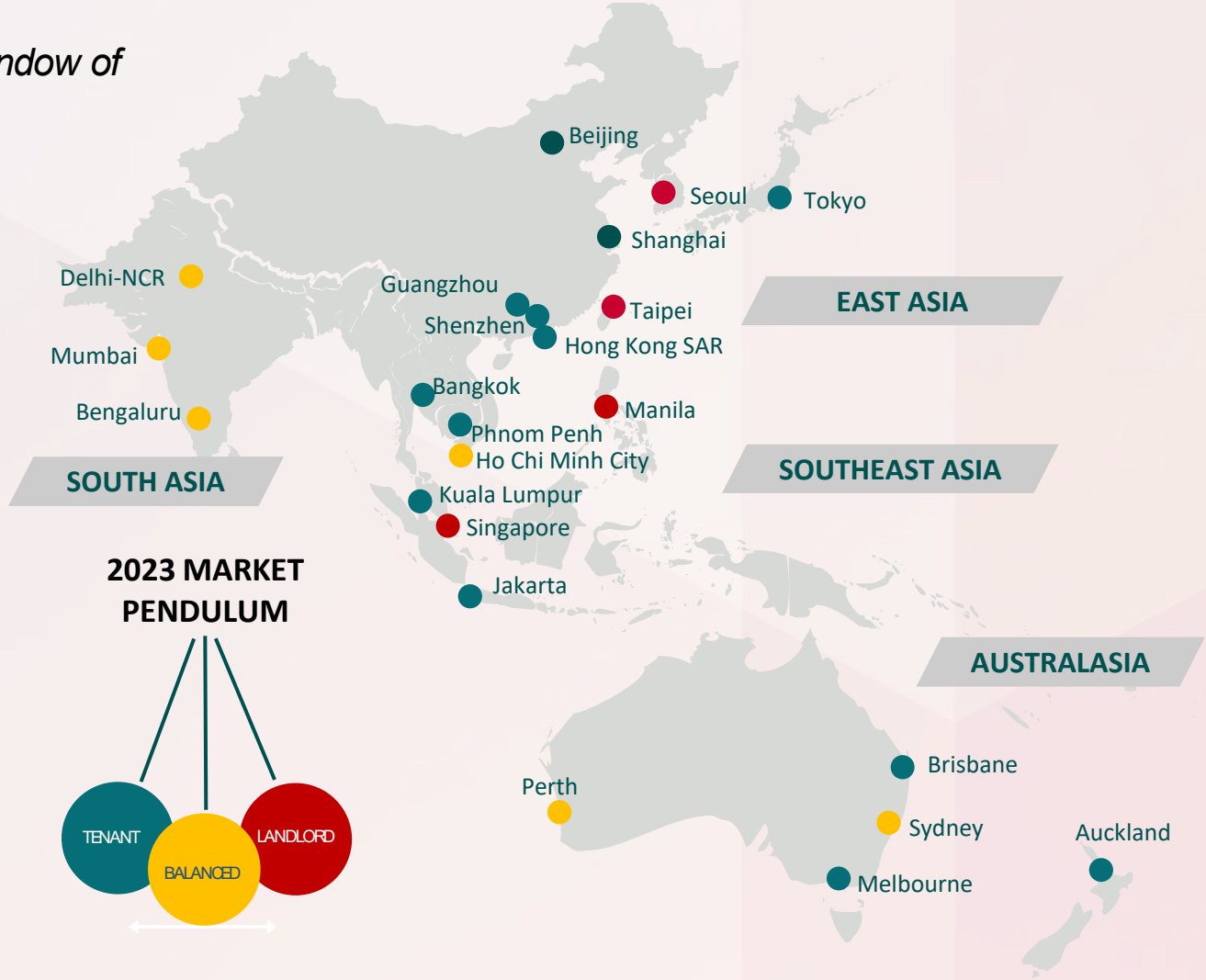
- Guangzhou
- Shenzhen
- Hong Kong SAR
- Kuala Lumpur
- Bangkok
- Ho Chi Minh City

Unchanged

- Auckland
- Tokyo
- Beijing
- Phnom Penh
- Jakarta

Increasing

- Brisbane
- Melbourne
- Perth
- Sydney
- Shanghai
- Taipei
- Seoul
- Bengaluru
- Mumbai
- Delhi-NCR
- Singapore
- Manila

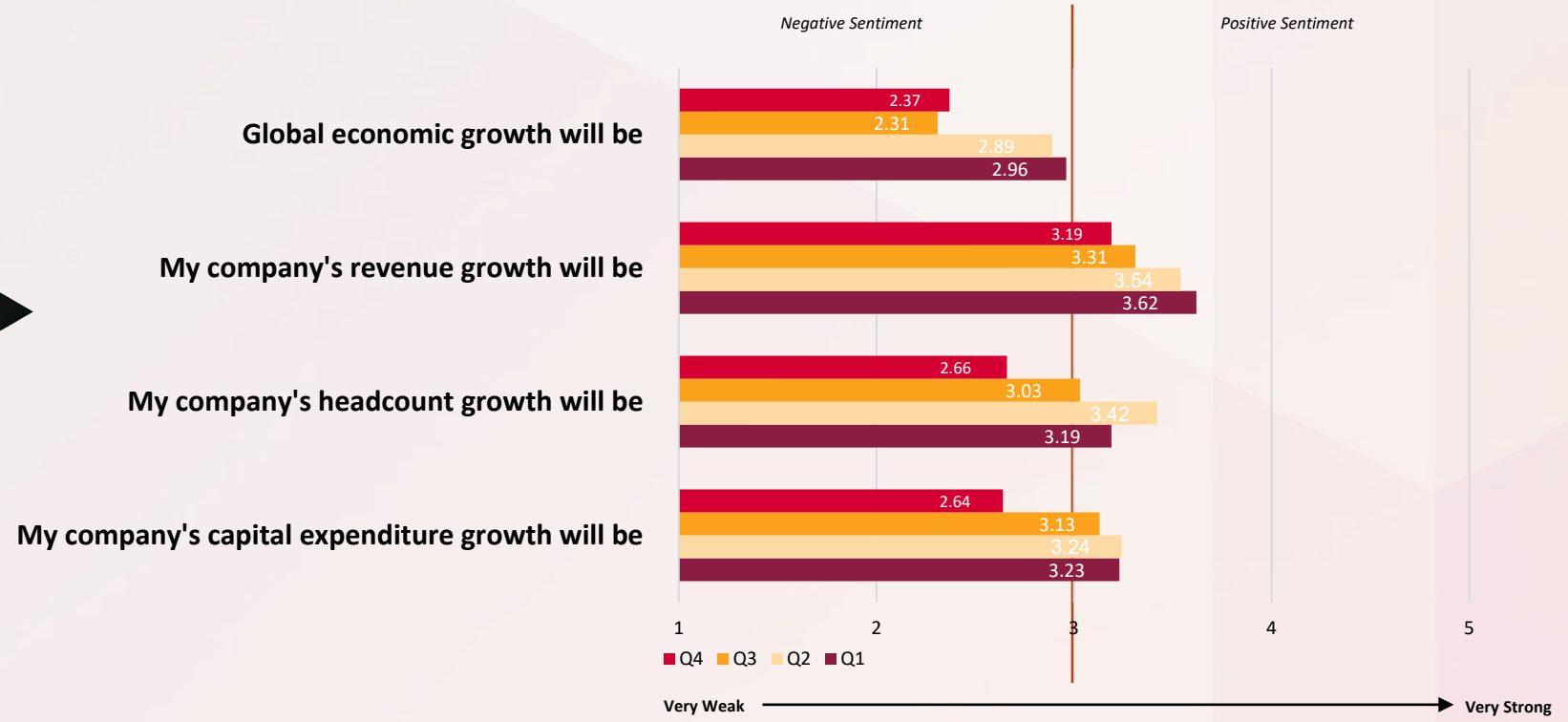


(Source: Knight Frank Research, Updated as at 12 January 2023)

GROWTH DYNAMICS

Sentiment around global economic growth improves but remains negative, corporate growth prospects take a hit particularly in relation to headcount & capex growth





(Source: Knight Frank Cresa, 2023) (Q4 n = 118, Q3 n = 129, Q2 n=218, Q1 n= 26)

TIGHT LABOUR MARKETS ACROSS MOST ECONOMIES

Unemployment rates below long-term averages despite job cuts by tech companies



Job growth since Q1 2020

Hired since 2020 | Recent layoffs

Microsoft	Meta	salesforce
+58,000	+41,714	+44,000
-10,000	-11,000	-8,000
+48,000 jobs	**+30,714 jobs**	**+36,000 jobs**

Google	stripe	snapchat
+68,000	+6,300	+3,400
-12,000	-1,100	-1,300
+56,000 jobs	**+52,000 jobs**	**+2,100 jobs**

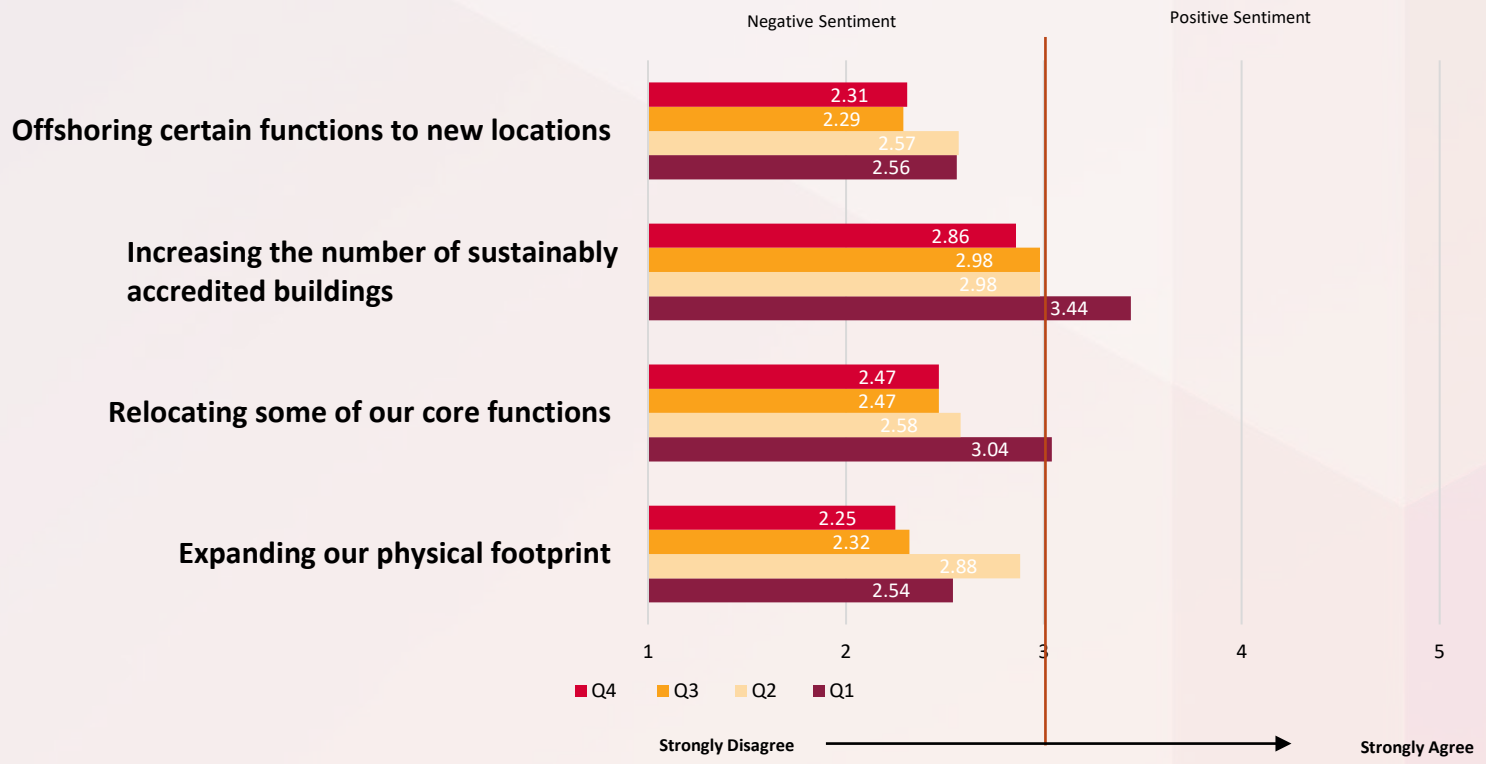
shopify	Robinhood	twitter
+3,000	+2,400	+2,600
-1,000	-1,013	-4,950
+2,000 jobs	**+1,387 jobs**	**-2,350 jobs**

Source: Knight Frank Research

PORTFOLIO DYNAMICS

Sentiment is stabilising with expectations around future offshoring improving slightly q-on-q. Occupiers preparing to intervene and act at the portfolio level.





(Source: Knight Frank Cresa, 2023)(Q4 n = 118, Q3 n = 129, Q2 n=218, Q1 n= 26)

OFFICE REMAINS IN FOCUS

Multiple demand drivers



EMERGING MARKET DYNAMICS

India

Southeast Asia



REGIONAL HQ BASE

Singapore

AutoStore

WHITE STAR CAPITAL

TikTok

SHEIN

WiredScore

dyson



GLOBAL FINANCIAL HUBS

8 in Top 20

- Singapore
- Hong Kong
- Shanghai
- Beijing
- Shenzhen
- Seoul
- Sydney
- Tokyo

Source: Z/Yen Group



GREATER BAY AREA

China's next growth area

71 million people, with a combined GDP of **US$1.6 trillion**

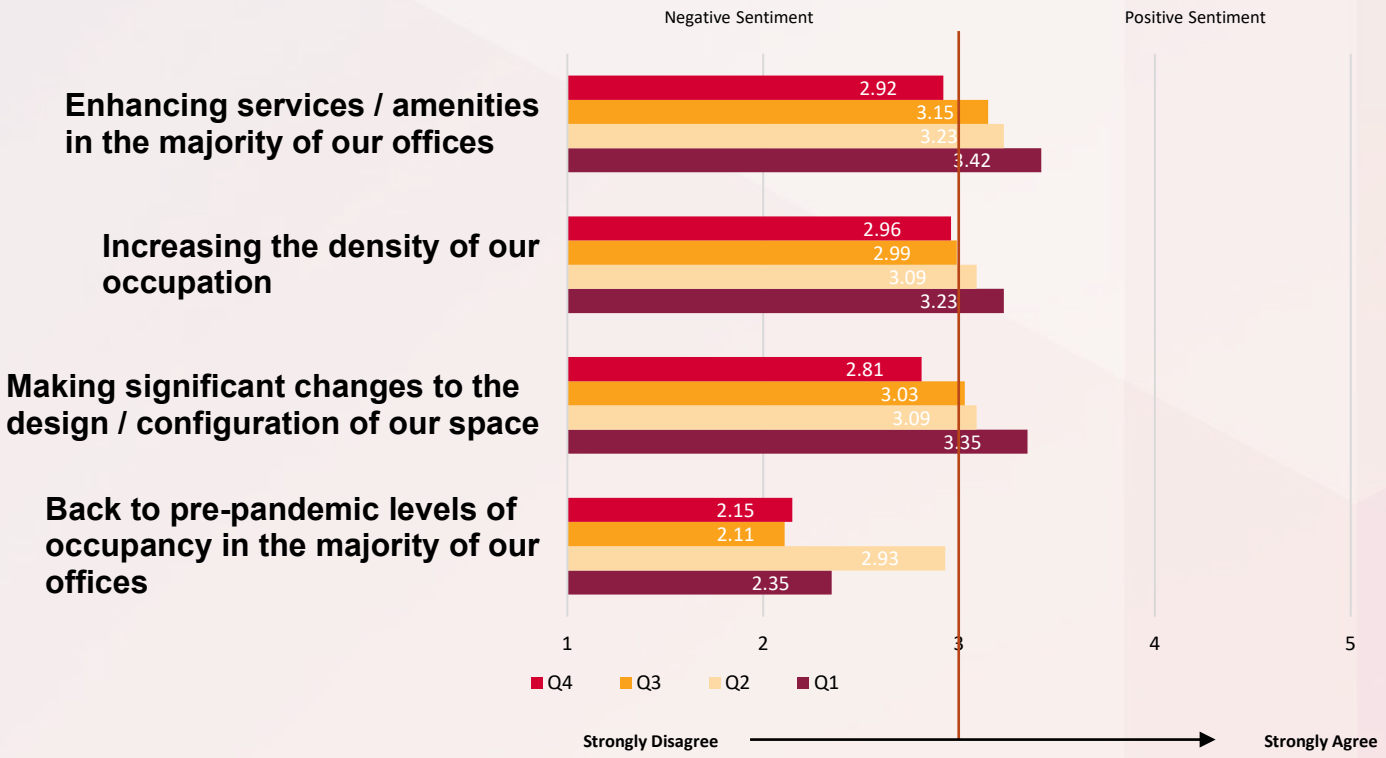
Source: bayarea.gov.hk

(Source: Knight Frank Cresa, 2023) (Q4 n = 118, Q3 n= 129, Q2 n=218, Q1 n= 26)

WORKPLACE DYNAMICS

Future intervention at the workplace level appears more constrained with the sub-index falling by 2.2% q-on-q and with all indicators now in negative territory.





(Source: Knight Frank Cresa, 2023) (Q4 n = 118, Q3 n= 129, Q2 n=218, Q1 n= 26)

PENDULUM SWINGING ON REMOTE WORKING?

Greater adoption of an office first stance emerging, as business leaders strengthen RTO mandates amid concerns around growth, culture & operational efficiency

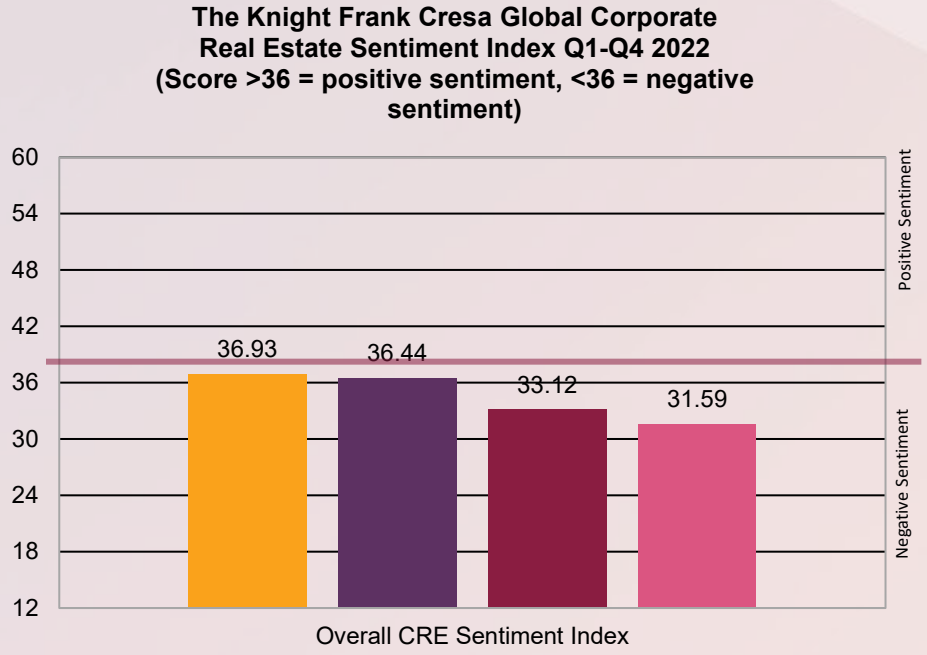


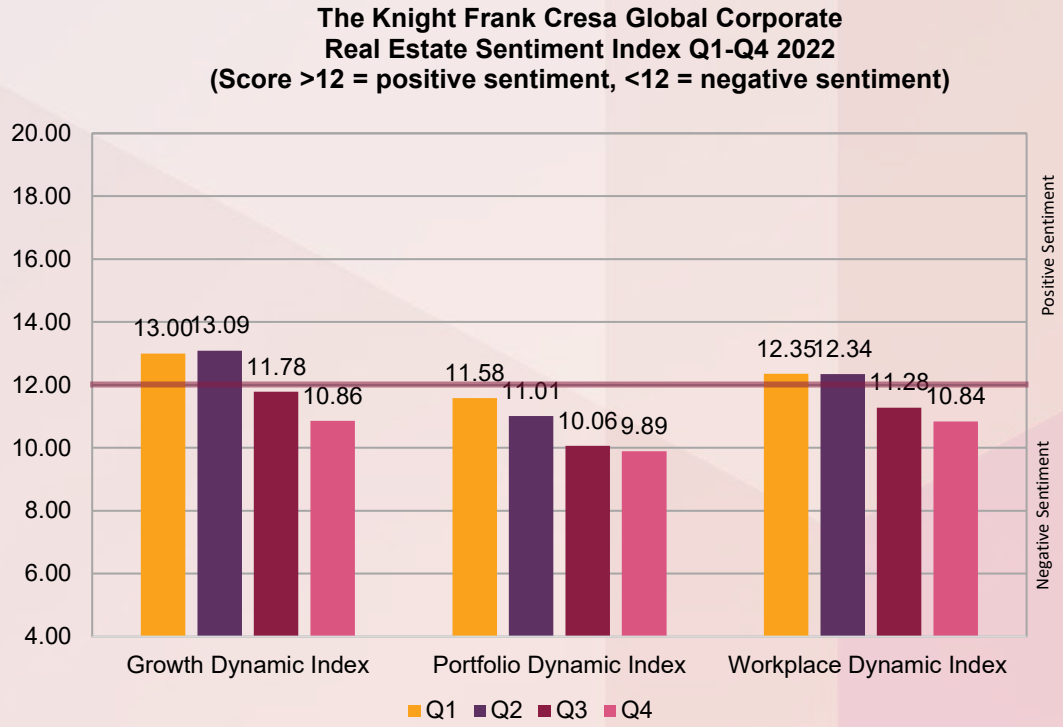
getir	London based staff to return to office five days a week by 27th February
paycom	Customer facing staff, data & tech teams returning 5 days a week
Vanguard	Stronger enforcement of office presence on Tuesday, Wednesday & Thursday
Snapchat	Employees required to be office based 80% of the time
Walt Disney	At least 4 days a week in the office starting 1st March
Starbucks	Staff required at desks Tuesday, Wednesday & 1 other day
TATA / TATA CONSULTANCY SERVICES	All office staff to return for at least 3 days a week
salesforce	Office based Tuesday, Wednesday & Thursday

(Source: Knight Frank Cresa, 2023)

CORPORATE REAL ESTATE LEADER SENTIMENT

Sentiment has declined throughout the last year and will act as a brake on H1 activity





(Source: Knight Frank Cresa, 2023)(Q4 n = 118, Q3 n = 129, Q2 n=218, Q1 n= 26)

MARKET IMPLICATIONS

- Subdued activity levels in H1, momentum builds in H2
- Limited headcount & capital expenditure growth constrain activity
- Cost considerations will bring greater scrutiny to portfolios
- RTO mandates will drive occupancy rates higher but short of pre-pandemic levels
- Greater variance in quantum & qualities of office space held by occupiers
- Macro-economic improvement required to improve CRE leader sentiment & drive action

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