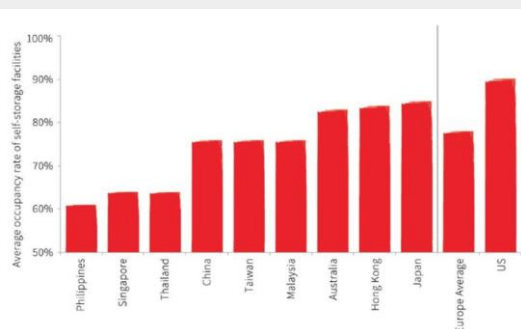


We thought we should share with you some reports that we have been mulling over in the past weeks, <<First Name>>. Hope you will find them useful.

APAC Property



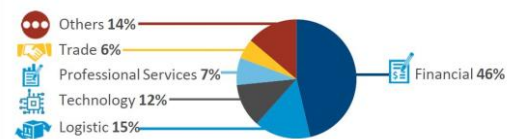
Self-storage holds promising opportunities

Based on a recent report by [JLL](#), growth of the self-storage sector in the Asia Pacific (“APAC”) region is likely to create promising investment opportunities.

On the demand side, self-storage in APAC leverages on the region’s fast-growing urban population, which usually causes shrinking and costly living spaces. Therefore, households are inclined to substituting in-house storage for external self-storage space. Furthermore,

China Property

Existing tenants by industry, Qianhai



Qianhai – Shenzhen’s upcoming office market

According to a study by [Colliers](#), Shenzhen’s Grade A office development has been shifting from east to west, with Qianhai as a promising future CBD.

Leasing demand for offices in Qianhai is likely to increase on two major factors: firstly, Qianhai’s office rents are less than 70% of that of Shenzhen CBD average. Low rent, combined with supportive incentives by the local government, should help encourage office relocations. Secondly, Qianhai has major transportation projects planned, which will significantly enhance Qianhai’s

supported by thriving online sales, E-commerce firms have increasingly turned to the self-storage space thanks to its flexibility and affordability.

On the supply side, the availability of self-storage is relatively limited in APAC. Reportedly, the average occupancy rate of self-storage in some established Asian markets was over 80% in 2018. Notably, the defensive nature of self-storage with regards to resilient tenant mix - 70% individual users and 30% corporate users, makes it less vulnerable to market downturns.

Investment activity of the sector has surged in APAC. CapitalLand divested its self-storage subsidiary StorHub for USD136m in Apr 2019, while private equity firm InfraRedNF acquired a 90% stake in RedBox Storage, a Hong Kong self-storage provider. In the near term, investment momentum in the sector should stay robust with consolidation via mergers and acquisitions likely to continue as operators accelerate their growth.

In our view, among the major APAC cities most likely to embrace the strong demand for self-storage is Hong Kong, which has a severe urban housing constraint. It is also worth noting that self-storage could complement living-related alternative sectors such as co-living, where tenants may demand self-storage for keeping their personal belongings.

connectivity.

What's more, Qianhai is scheduled to witness sizeable office supply over the medium-term. Currently, the area's total Grade A office stock stands at 370,000 sqm, roughly 6.7% of Shenzhen's total office supply. Another 1.9 mil sqm of Grade A office space should come online from 2019 to 2023, contributing 44% of total new supply in Shenzhen over that period. The current tenant base is relatively diversified, with finance, logistics, and technology sectors accounting for 46%, 15% and 12% of total space respectively.

Qianhai's rental growth prospect is positive and may follow the path of Houhai – an emerging office market with over 80% rental discount to Shenzhen's CBD just a few years ago. However, the rental gap rapidly narrowed to only 8% in 1H2019 as new supply and improved connectivity attracted a swarm of new demand. Similarly, office rent in Qianhai is likely to converge with Houhai on the back of favourable rental subsidies and the formation of local industry clusters.

In our view, government support and the changing landscape should boost leasing demand despite a wave of office pipeline supply in Qianhai. Amid the softening economic condition in the short-term, Qianhai would also appeal to cost-conscious office occupiers as a lower-cost location.



Copyright in the works herein attributed to their respective authors/publishers/owners.

Contact us:

5 Temasek Boulevard, #12-01, Suntec Tower Five, Singapore 038985

ResearchStrategy_APF@ara-group.com

Follow us:



www.ara-group.com

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from this list](#).

