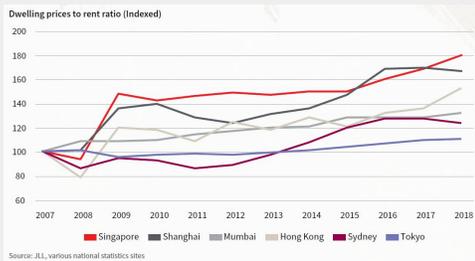




28 Mar - 8 May 2019

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

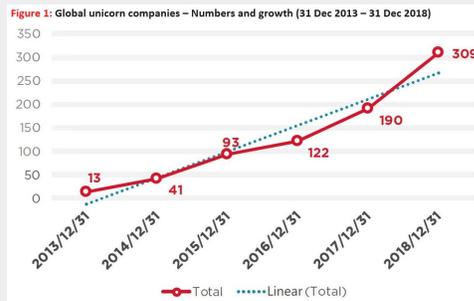


Co-living to grow in popularity in APAC

According to a recent study by [JLL](#), demand for co-living in the Asia Pacific (“APAC”) is slated to rise on three primary drivers.

Firstly, with the continued rise of urbanisation in the APAC region, the flow of people into urban areas in search of better living conditions and job opportunities has been on the rise. Secondly, housing affordability - as measured by the ratio of house price to income - has reportedly deteriorated across major cities in APAC, favouring rental over home ownership. Lastly, there has been a marked shift in demographics

China Property



Unicorns to boost office demand in China

Based on a recent report by [Cushman & Wakefield](#), the formation of Mainland China unicorns (“unicorns”, thereafter), defined as a private company valued over US\$1 billion, is rising. Remarkably, the number of unicorns has grown 40 times from 2 in 2013 to 82 by 2018, making the country the second largest source of unicorns globally. Notably, there are three main drivers for this rapid development, technological innovation; abundance of funding; and strong policy support.

It is reported that the bulk of the unicorns are concentrated in China’s Tier-1 and 2

particularly towards smaller-sized households and later marriages and child-bearing, which could boost demand for co-living as well.

Among key APAC markets, the likes of co-living-rental apartments, have been well established in Japan. In recent years, the rental market in China has also gained a stronger foothold, mainly due to firm government policy support.

Significant opportunities may also arise in emerging APAC markets such as India where city governments are confronted with high urban migration and a lack of affordable housing.

On the other hand, the growth of co-living is relatively slow in Singapore, Hong Kong, and Australia, where operators have had difficulties sourcing appropriate properties for this purpose.

In our view, co-living has potential in APAC markets with young demography and a home-price affordability issue.

Nonetheless, challenges remain. Similar to other products of the shared economy, the sustainability of the co-living business model has not been proven in an economic downturn. The intense competition driven by an earlier flood of venture capital could result in further industry consolidation. If the co-living concept were to extend beyond the young and accommodate the different lifestyle needs of different age cohorts, opportunity could then be aplenty.

cities where there is ample funding from either venture capital or local government, and a significant presence of top-tier universities. Beijing emerged as the most popular Tier-1 city, followed by Shanghai and Shenzhen. Hangzhou, home to China's e-commerce heavyweight - Alibaba, leads other lower-tier cities.

As unicorns continue to grow in scale, their demand for office space is set to rise. According to Cushman's survey, many unicorns plan to expand in China, suggesting that this sector could become a leading demand driver of office space in the near future. Reportedly, unicorns have a strong preference for co-working spaces with a heavy emphasis on office flexibility and employee wellness.

In our view, China's rapidly-growing unicorns if sustained should lift the office markets by boosting leasing demand. However, lingering US-China trade disputes and the likelihood of waning funding may dampen their future growth.

As investors, we need to remain mindful of the downside risk of new industries as consolidation and right-sizing will occur especially during an economic downturn.



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