insight

ARA Group Research & Analytics

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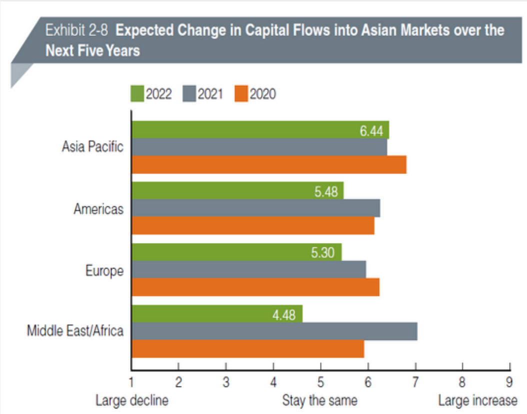
Here are some reports that we have come across over the past weeks. Hope you will find them useful.

Asia Pacific Property



Global capital allocation into APAC expected to increase

Based on a recent report from PwC, investors plan to increase their exposure to APAC real estate in 2022 on the back of improving investment sentiment and excess dry powder.

Established gateway cities continue to have the highest investment and development prospects. These cities all have shared characteristics of a stable economy, liquid markets and reliable cash flow, which investors value as they remain cautious about market conditions despite

Global Property

Real estate investment to continue recovery despite risks

According to a recent survey by Colliers, global real estate investment is expected to remain robust in 2022, with investment volume projected to be comparable to that of 2021 and in line with the 5-year average. The increase in domestic and cross border investment will be supported by improving global economic growth prospects and abundant dry powder.

Industrial and logistic assets are the most sought-after property types amongst APAC investors. Core-plus offices an improving positive outlook.

Capital allocation to APAC real estate is expected to increase as rising inflation, and low bond yields increase the appeal of real estate investment. Investors are seeking to increase their presence in APAC focusing on core and value-add assets as the region represents a significant 35% to 40% of global investable commercial real estate stock. Projected returns of APAC investments also tend to be higher than in the west, especially for logistics and multifamily assets.

Amongst global sovereign wealth funds, interest in APAC properties is also rising. 53% plan to increase their real estate investments in 2022, with a preference for assets in emerging APAC markets, especially China. This interest in China is due to its strong economic prospects, higher asset returns, and good track record of the pandemic so far.

Debt financing remains accessible across most major APAC markets, with financing costs declining or remaining stable. While banks remain the dominant lender, non-bank funding is increasing in popularity as supply increases, and their pricing becomes more competitive. However, they remain mainly used for non-core investments or highly leverage deals.

In our view, while APAC's real estate investment market is set for another year of recovery, the COVID-19 pandemic remains a key downside risk, with new variants having the potential to disrupt markets globally. Rising interest rates on the back of inflationary pressure could potentially derail the fragile global economic recovery.

continue to experience strong and growing interest. It is the most popular asset class in tier-1 gateway cities such as Singapore, Sydney, and Tokyo. Investment demand for multifamily, also known as Built-to-Rent (BTR), remains robust in Japan and Australia, while the alternative space keeps gaining momentum. In APAC, data centres, student housing, and life sciences have emerged as the hottest alternative asset classes. Finally, the retail and hospitality sectors continue to be promising opportunistic investment targets.

ESG has become a key area of focus in APAC as investors look to futureproof their assets. The office sector is expected to see strong impacts, with governments and tenants likely to push landlords to make their buildings more ESG-friendly. Some investors are also concerned that ESG may also impact data centres which are resource-intensive.

APAC investors have identified rising construction costs, travel restrictions, and return to workplace uncertainty as the primary risk factors in 2022. Investors are, however,relatively sanguine about economic risks, with the majority expecting the global economic recovery to pick up in the new year.

In our view, aside from ESG, investors should keep abreast of digitization trends as a means of futureproofing their investment assets.

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Contact us:

5 Temasek Boulevard, #12-01, Suntec Tower Five, Singapore 038985
Research&Analytics@ara-group.com

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