insight
ARA Group Research & Strategy

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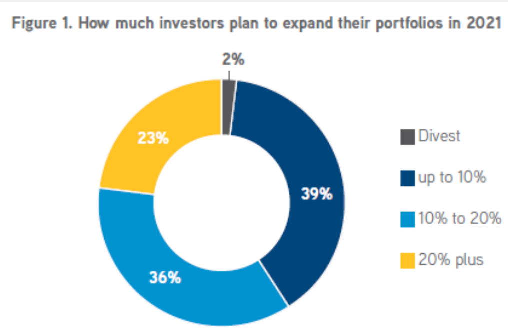
Here are some reports that we have come across over the past weeks. Hope you will find them useful.

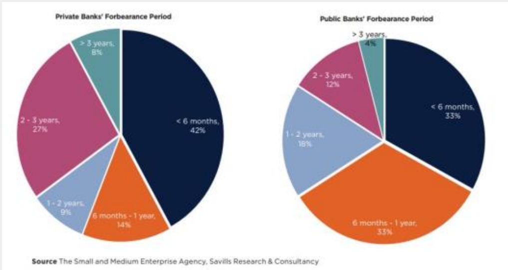
Global Property



Real estate investment expected to rebound in 2021

According to a recent survey by Colliers, global real estate investment activity is expected to rise by up to 50% in 2021. 98% of investors globally are looking to grow their portfolios with 60% aiming for double digit percentage increases. Nonetheless, there are likely to be challenges preventing investors from achieving their desired growth. COVID-19 and the ensuing international travel restrictions was indicated as the primary obstacle, although the majority of investors plan to work around it by searching for local partners.

Japan Property



Distressed opportunities likely to emerge in Japan's hospitality sector

Based on a recent report from Savills, Japan's hospitality sector is likely to see a rise in bankruptcy rates due to COVID-19, thereby creating distressed investment opportunities.

One source of opportunities includes regions beyond major cities, where owners tend to be more thinly capitalized. Such regions are home to a variety of promising assets, ranging from budget hotels to traditional Japanese inns, and have been more resilient during the pandemic due to their ability to attract domestic tourists. Another area of opportunity involves distressed

Undeterred by the potential impacts of COVID-19, offices in key gateway cities were rated as the most popular choice amongst investors globally. The logistics and living sectors, which have seen growing momentum during the pandemic, rounded out the top three sector picks. Appetite for alternatives also saw a boost, with asset classes benefitting from COVID-19 (e.g. data centers) experiencing particularly strong interest. Meanwhile, the retail and hospitality sectors are increasingly becoming a focus for investors searching for attractively priced opportunities.

Notably, Colliers' survey results displayed some key differences in investor preferences between regions. In APAC, investors indicated offices in key gateway cities as their main area of focus. Yet, many are also looking towards emerging business hubs like Western Sydney and Hong Kong's Island East as companies experiment with hub-and-spoke business models. Investors from EMEA similarly indicated offices in major cities as a key focus but were also highly interested in riskier targets like hotels, as well as distressed retail for conversion. For investors in the Americas, industrial and logistics assets were picked as the main focus. The life sciences sector is also seeing a particularly strong surge of interest in the region due to robust leasing demand.

In our view, investors could also look towards listed real estate for potential investment opportunities. For example, REITs trading at large discounts to NAV may present attractive opportunities for investors to deploy their dry powder.

hotels built by residential developers. Some, which are located in less favorable locations and feature a smaller number of rooms, could be ripe for investors looking to convert them into uses like serviced apartments. The final category of opportunities revolves around hard hit two and three-star hotels looking to consolidate to survive.

Despite the potential creation of new investment opportunities, investors will likely also face challenges. For one, there will be keen competition for distressed deals that surface, with both domestic and international players actively seeking opportunities. Securing a deal could also be complicated by lenders, who may be especially cautious when financing Japan hospitality transactions given COVID-19's heavy impact on the sector. Finally, with many assets left without a hotel operator due to the pandemic, investors must be willing to either take on operational risk or enter into management contracts with new operators.

In our view, the long-term prospects of Japan hospitality make in an attractive target for investors with the capital and risk appetite to stomach the fallout of COVID-19 on the sector. Japan, which is renown as a global tourism hotspot, is likely to be a significant beneficiary of pent-up tourism demand once the pandemic is under control and global travel resumes sufficiently. Additionally, hotel closures and conversion coupled with likely cuts in the development pipeline could further benefit the industry by limiting supply.

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