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IQI MONTHLY NEWSLETTER

NOV 2019

11

GLOBAL ECONOMIC OUTLOOK 2019

Fragility gets the centre stage

US - CHINA UPDATE ON TRADE — UNEASINESS

US and China trade war has entered into truce which will continue to remain as both sides want to analyze the impact. However, this truce is short-lived and deeper issues will come up as we go along that might force both players to reconsider their position.

US economy continues to flirt around the recession. FED is in a perplexing situation and sending wrong signals to the markets again. According to our market intelligence report, FED would cut interest rates 3 times before the 2020 election. Political bickering has commenced between Democrats and Republicans, sending negative signals to the global financial markets.

ASSET FLIP

How bonds became stocks & stocks became bonds —

Financial Times, October 18-19

In the last 4 years, bonds have become equities

Year	Negative Bonds	Percentage
2016	$ 10 trillion	35%
2019	$ 16 trillion	50%

Everyone has become a short term trader, not buying bonds to hold them. We must understand the volatility of equities. Markets are whistling past the graveyard.
The question is whether this new world will continue and whether fund managers will come to regret loading up on stocks instead of government bonds.

Brexit

Serious shenanigans

Political bickering and immaturity hurts the economic outlook and makes investors nervous. In our opinion, the UK growth outlook remains subpar for the next 2 years.

Europe

There are no pockets In a shroud

Europe is trying her best to turnaround the economy which looks like a huge task at the moment. Europe's economy would become one-third of the global economy.

Malaysia Budget

Analysis

The global economic outlook remains fragile and many advanced economies are having sub-par, thus under macro circumstances, this can be termed as the balanced budget for 2020.
The government has sent a strong signal to the market that GST won't be implemented
Local entrepreneurs would get support from the government to maintain economic confidence which helps in attracting FDI.
Massive infrastructure investment would bolster GDP growth. Infrastructure investment contributes 0.2 to 0.7% of the overall GDP growth rate. Infrastructure investment has a direct correlation with income growth in the long run.
Technological focused labour forces can enhance productivity at a broader scale. In the next 5 – 10 years, tech-savvy workforces would boost GDP growth. At IQI Global, we foresee GDP growth between 4.4% and 4.9%

Ringgit Outlook

Stable

Ringgit to remain stable and to trade between 4.15 and 4.25.

Shan Saeed

Chief Economist of IQI Global

Visit **www.iqiglobal.com** *for more information*

Mandy Chen

Head of International Sales of IQI

Contact Us

+61 3 8610 6797

mandy@iqiglobal.com

Level 3, Collins Street Tower,
480 Collins Street,
Melbourne Victoria 3000

Residential

- The September gains were once again driven by stronger conditions emanating from Sydney and Melbourne where dwelling values increased by 1.7% over the month according.
- Australia's two largest cities have seen a rapid bounce-back in home values over the past two months, with Sydney up to 3.3% and Melbourne up to 3.2% in August and September.
- Housing values remain 11.9% below their July 2017 peak in Sydney and 7.9% below Melbourne's November 2017 peak.
- Brisbane (+0.1%) was the only other capital city to record a rise in dwelling values over the month, while values held firm in Adelaide and continued their long run of losses in Perth (-0.8%).
- The increases marked the fourth consecutive month of price jumps and came before the Reserve Bank's decision to slash interest rates to a record-low 0.75 per cent.
- With all regions benefitting from low mortgage rates and improved access to credit, economic and demographic conditions in New South Wales and Victoria continue to outperform most areas of the country.
- Population growth is higher, unemployment is lower and job growth is stronger, providing a solid platform for housing demand.

Index results as at September 30, 2019

	Change in dwelling values			Total return	Median value
	Month	Quarter	Annual		
Sydney	1.7%	3.5%	-4.8%	-1.3%	$805,424
Melbourne	1.7%	3.4%	-3.9%	-0.8%	$634,913
Brisbane	0.1%	0.5%	-2.1%	2.5%	$492,474
Adelaide	0.0%	-0.6%	-1.1%	3.4%	$428,292
Perth	-0.8%	-1.9%	-9.0%	-5.2%	$436,008
Hobart	-0.4%	0.4%	2.5%	7.7%	$459,271
Darwin	-0.2%	-1.1%	-9.5%	-3.3%	$389,214
Canberra	1.0%	1.4%	1.3%	5.9%	$604,039
Combined capitals	1.1%	2.2%	-4.3%	-0.8%	$602,319
Combined regional	0.1%	-0.1%	-2.5%	2.2%	$376,903
National	0.9%	1.7%	-3.9%	-0.2%	$524,744

Source: CoreLogic

Mandy Chen

Head of International Sales of IQI

Contact Us

+61 3 8610 6797

mandy@iqiglobal.com

Level 3, Collins Street Tower,
480 Collins Street,
Melbourne Victoria 3000

Office

- Sydney and Melbourne's fringe suburbs are achieving some of the highest office rents in Australia, according to JLL's Future Cities report.
- Top-performing precincts have outperformed the wider market in terms of office sector rental growth over the past 7 years.
- South Yarra and Cremorne located on Melbourne's city fringe and Surry Hills on Sydney's fringe is the "standout precincts", the report says the fringe locations surpass the wider market by 2 to 4 per cent per annum in rental growth.
- On the other hand, Brisbane seems to have a stronger demand for prime and A-grade office accommodation in the CBD and fringe CBD.
- The positive vibe coming out of Brisbane is now starting to translate into a number of strong investment transactions and the opportunity and appetite for re-positioning underperforming commercial office assets are on the rise.

Retail

- Australian retail turnover rose 0.4 per cent in August 2019, seasonally adjusted, according to the latest Australian Bureau of Statistics (ABS) Retail Trade figures. This follows a relatively unchanged result (0.0 per cent) in July 2019.
- In seasonally adjusted terms, there were rises in Queensland (0.8 per cent), New South Wales (0.3 per cent), Victoria (0.3 per cent), South Australia (0.6 per cent), the Australian Capital Territory (1.9 per cent), and Tasmania (0.2 per cent).
- There were minor falls in Western Australia (-0.1 per cent) and the Northern Territory (-0.1 per cent).
- The trend estimate for Australian retail turnover rose 0.1 per cent in August 2019, following a 0.2 per cent rise in July 2019.
- Compared to August 2018, the trend estimate rose 2.3 per cent. Online retail turnover contributed 6.2 per cent to total retail turnover in original terms in August 2019. In August 2018, online retail turnover contributed 5.6 per cent to total retail.

Source: CoreLogic

Yousaf Iqbal

Director of IQI Canada

Contact Us

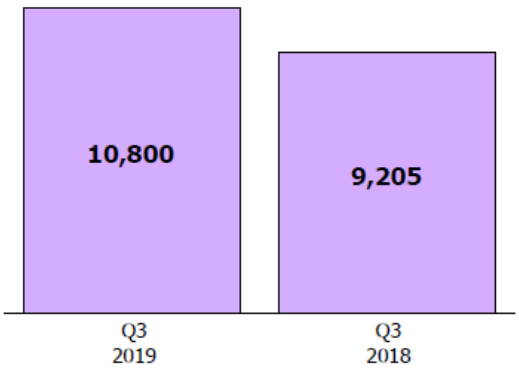
+(1)905 564 2344
+(1)905 564 6744
+(1)647 669 9222

6705 Tomken Road Unit 226,
Toronto (Mississauga)
L5T 2J6

Residential

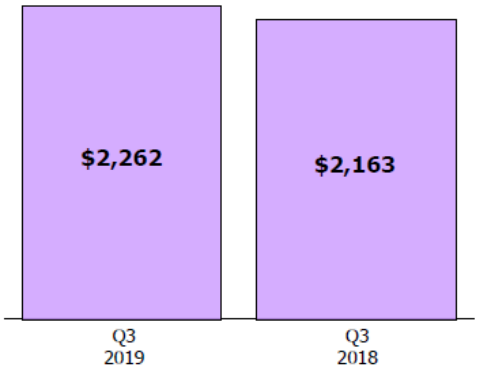
- Greater Toronto Area REALTORS® reported 10,800 condominium apartment rentals through TREB's MLS® System in the third quarter of 2019, up by 17.3 per cent compared to the third quarter of 2018.
- The number of condominium apartments listed for rent at some point during Q3 2019 was up by 30.1 per cent compared to Q3 2018.
- Average condominium apartment rents were up on a year-over-year basis across all unit types.
- Rental market conditions remained very tight in the GTA in the third quarter, as evidenced by average annual rent increases double the rate of inflation. This suggests that renters are benefitting from more choice in the marketplace.

Total TREB MLS® Apartment Rentals [1,3]



Refers to the total number of rental units that were available during the reporting period.

TREB MLS® Avg. 1-Bdrm. Apt. Rent [1,3]



Refers to the average lease rate for firm lease transactions entered in the TREB MLS® system between the first and last day of the reporting period.

Source: TREB

Yousaf Iqbal

Director of IQI Canada

Contact Us

+(1)905 564 2344
+(1)905 564 6744
+(1)647 669 9222

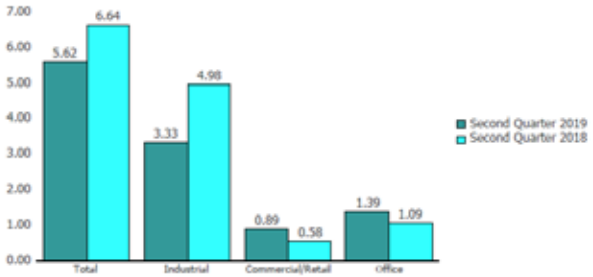
6705 Tomken Road Unit 226,
Toronto (Mississauga)
L5T 2J6

Office

- TREB Commercial Network Members reported 5,616,171 square feet of leased space in Q2 2019 for all lease transaction types across the industrial, commercial/retail and office market segments.
- This result represented a 15.4 per cent decline compared to Q2 of 2018. The average industrial lease rate rose 10.9 per cent, and the office lease rate rose 3.9 per cent from $15.21 in Q2 2018 to $15.81 in 2019.
- Average Commercial/Retail lease rates declined 2.7 per cent year-over-year to $21.50.
- Total commercial sales amounted to 243 in Q2 2019 – down by 69 transactions compared to Q2 2018. Year-over-year declines in transactions were noted across all market segments.

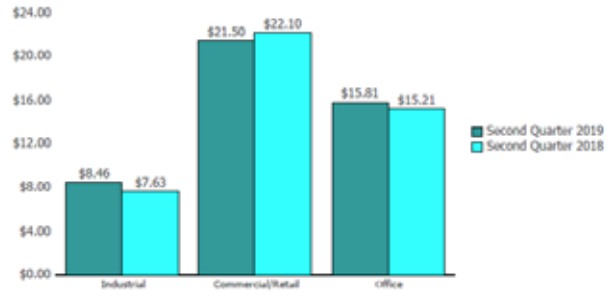
TREB Commercial Network

Total TREB MLS® Leasing Activity*
(Millions of Square Feet Leased)



* NOTE: This chart summarizes total industrial, commercial/retail and office square feet leased through TorontoMLS regardless of pricing terms.

TREB MLS® Average Lease Rates ($/Sq.Ft.Net)*



* NOTE: Average lease rates are reported only for those properties sold on a per square foot net basis and for which the selling price was disclosed.

Retail

- Greater Toronto Area REALTORS® reported 7,825 sales through TREB's MLS® System in September 2019.
- This result represented strong year-over-year sales growth of 22 per cent compared to 6,414 sales reported in September 2018.
- It is important to note, however, that sales remain well-below the record September 2016 peak of more than 9,800 sales. On a preliminary seasonally adjusted basis, the September 2019 sales level remained in virtually the same as the August 2019 result.
- On a preliminary seasonally adjusted basis, the September 2019 average selling price was up by 1.2 per cent compared to August 2019.

Source: TREB

Omer Ali Khan

Director of IQI Dubai

Contact Us

+971 4 352 474 8
+971 4 352 474 3

Al Moosa Tower 1, Level 3,
305, Sheikh Zayed Road,
P.O.Box 9567 Dubai

Residential

- Residential capital values per square foot approached 2012 levels prompting 40 per cent annual rise in off-plan sales and 34 per cent growth in ready home sales
- As far as residential supply is concerned, 12,948 residential units, 37 per cent of the total estimated supply for 2019, have been completed so far.
- More than half of these completions were concentrated in four areas - Dubailand, Jumeirah Village Circle, Dubai Marina and Dubai Silicon Oasis
- Meanwhile, in the rental market, tenants are taking advantage of affordable prices to move to more upscale areas or upgrade to larger units in established neighbourhoods.
- In Dubai's holiday home market there are currently 10,766 active listings out of a total of 20,395 properties which have been registered on the Airbnb platform.
- As the number of property listings created on the Airbnb platform has increased, we have also seen a corresponding increase in the proportion of active listings.
- Off-plan transactions are still going strong and will most likely continue to dominate in transaction sales throughout 2020
- Off-plan projects in high-end areas such as Palm Jumeirah, Mohammed Bin Rashid City and Dubai Hills Estate are also attracting attention with investors and potential homeowners for their affordable payment plans and lifestyle.

Source: Arabian Business, Property Monitor

Omer Ali Khan

Director of IQI Dubai

Contact Us

+971 4 352 474 8
+971 4 352 474 3

Al Moosa Tower 1, Level 3,
305, Sheikh Zayed Road,
P.O.Box 9567 Dubai

Office

- While a drop in rental rates and sale prices has characterized almost every real estate asset class during recent years, the prime office sector has been resilient to overall market forces and has so far shown signs of steady performance.
- The demand for office space is changing as more and more corporate occupiers are asking for greater flexibility in their tenancies and workspace setup arrangements.

Commercial/Hospitality

- Dubai's Department of Economic Development, DED, issued 4,057 new licenses for various professional, commercial, industrial and tourism activities in September 2019.
- According to the Business Registration and Licensing, BRL, sector in DED, 65.2 per cent of the new licenses were professional, 33.2 per cent commercial, 1.2 per cent related to tourism and 0.4 per cent industry, and together, they created 12,102 jobs in the labour market.
- The top nationalities who secured licenses in September were: Bangladesh, India, Pakistan, Egypt, Britain, China, Jordan, Saudi Arabia, Sudan, and the USA respectively.

Source: Arabian Business, Property Monitor

Malaysia

Aaron Siow

Group Vice President of
IQI Realty Malaysia

Contact Us

+6 03 7450 6655

VSQ@PJCC, Block 6-10-1,
Jalan Utara, 46200
Petaling Jaya, Selangor

Residential

- The Malaysian government will lower the threshold on high-rise property prices in urban areas for foreign ownership from RM1mil to RM600,000 in 2020.
- Real Property Gains Tax (RPGT), the government will revise the base year for asset acquisition to January 1, 2013, from the previous base year of January 1, 2000.
- In terms of volume, the residential sector took up to 63.4%, followed by agricultural (20.8%), commercial (7.7%), development land and others (6.1%) and industrial (2%).
- The residential market recorded a 5.1% increase in transaction value to RM17.79 billion

Office

- The looming supply and weak absorption continue to impact the Klang Valley office market, although rental and occupancy levels were seen to be holding firm in KL Fringe and Selangor.
- The availability of good grade office supply at competitive rentals and the expanding public rail transit lines have boosted the popularity of decentralised office locations.
- "In this tenant-led office market, landlords need to be realistic on their rental expectations although the growing co-working / shared services segment provides a small window of opportunity for letting.

Retail

- Retail sales growth has improved although consumers remain prudent in their spending amid the rising cost of living and slower income growth.
- Mall operators are allocating a higher percentage of their leasable space for experiential retail purpose while more retailers are integrating their digital and brick-and-mortar outlets in line with rapid changes in the retail trends and consumer behaviour.
- Despite heightened competition in the retail market, prime malls continue to enjoy high occupancies with most garnering single-digit growth in terms of rental reversion.
- Malaysia's retail industry performance continues to be affected by both internal and external market environments.
- Retail Group Malaysia (RGM) MD Tan Hai Hsin said the association has revised the retail sales growth for the year from 4.9%, estimated last June, to 4.4% due to the latest market performance.

Source: NST, Knight Frank, The Malaysian Reserve, The Edge Markets, The Star

Philippines

Emmanuel Andrew Venturina

Vice President of IQI Philippines

Contact Us

+632 551 9215

RM 272, 2F Comfoods Buildings,
Sen. Gil. J. Puyat Avenue,
Corner Chino Roces Street
Makati City

Residential

- The lease take up remains firm as the offshore gaming firms entering Quezon City and the Ortigas area will boost the demand for residential rental. It was noted in the previous reports that low vacancy in Makati City, Bonifacio Global City and Bay Area are also due to the demand from outsourcing firms and offshore gaming firms from China.
- The sustained take up of residential units in the CBDs such as Rockwell, Makati, Bay Area, Bonifacio Global City and Ortigas Center should fuel the capital appreciation in the said areas for the next 2 to 3 years.
- Developers are now moving to the side skirts of CBDs and neighbouring suburban areas such as Pampanga, Bulacan, Laguna and Cavite to create communities and townships.
- There will be an increase of new CBDs, mix-use communities such as Arca South, Vertis North, East Ortigas, Arcovia City and Parklinks which the new MRT 7 project will pass through. These pre-selling properties in the said areas possess a huge potential of capital appreciation as the prices are still low compared to other major central business districts.
- Airbnb is still in demand and a lot of property owners resort to this model instead of traditional leasing. Another concept that is becoming popular is co-living. Old low-rise buildings are now being converted to compact, efficiently designed and well-utilised space. It provides convenience and comfort for the young workforce that prefers to stay away from traffic and make use of their time efficiently in maintaining a work-life balance.

Source: Colliers, Business Mirror

Philippines

Emmanuel Andrew Venturina

Vice President of IQI Philippines

Contact Us

+632 551 9215

RM 272, 2F Comfoods Buildings,
Sen. Gil. J. Puyat Avenue,
Corner Chino Roces Street
Makati City

Office

- 190,000 sqm of new office supply, mainly from Bay Area, Alabang, Ortigas and Bonifacio Global City are now available in the market and we see a sustained take-up because of the continuous demand from outsourcing firms complemented by traditional offices and offshore gaming.
- Developers are starting to sell strata premium offices with a size of 90 sqm to 300 sqm in major CBDs and upcoming communities. Investing in office space is now becoming a popular choice to investors due to benefits such as increasing rental rates (5-10% annually), stable vacancy rate and high demand, demand for smaller offices from SMEs, longer lease potential (3 to 5 years minimum lease), better tenant retention (as tenants are financially invested in the unit), new office market trends and diversified investments.
- The expectations are high on the rise of co-working spaces and operators for both local and international brands to catch up with the increasing demand. Major international players such as Common Ground, Figari and Wework have launched their new hubs in major CBDs.
- New supplies of offices are expected from the suburban areas outside Metro Manila such as Cebu, Iloilo, Clark and Davao. With the decentralization of the CBDs, these are the next preferred sites due to availability of skilled manpower, lower cost of manpower and living and improving infrastructures. There is the potential of expediting the issuance of PEZA accreditation in these areas by the national government in spurring economic opportunities outside the country's capital.

Retail

- More retail spaces are expected to open as new malls and mix-used developments come into completion by the end of the year in CBDs and new communities. Retail take up remains positive as bolstered by economic growth and strong domestic demand.
- This prompted the major foreign retailers to partner with the local developers to have their presence in the country. One of the retailers that aim to boost the quality of retail experience in the Metro is Isetan Mitsukoshi Holdings Ltd., one of Japan's largest retail operators. Their first project will be the first 3 levels of mixed-use development, The
- Seasons by Federalland which is situated in Bonifacio Global City.

Source: Colliers, Business Mirror

SOMSAK CHUTISILP

Director of IQI Thailand

Contact Us

+66 81 909 0599

128/405 Unit F, 37th Floor, Phyathai Plaza Building, Phyathai Road, Thung-Phyathai, Ratchathewi, Bangkok 10400 Thailand.

Residential

- According to Knight Frank, the Bangkok condominium supply for 1H/2019 adds up to 594,453 units, of which approximately 27,870 units were introduced in the first half of this year, showing an increase of around 4.9% from the previous year.
- It is expected that the new condominium launches for the whole year will probably level off at 50,000 units, a decrease of 27% from the year before. Relatively, 74% of all newly launched units come from listed developers.
- Most of the new launches were still situated in the peripheral Bangkok area, representing 53% of 1H 2019's new supply, followed by the city fringe and CBD areas, represented by 32% and 15%, correspondingly.
- The demand for Bangkok condominiums was 501,683 units in the first half of 2019, showing a take-up rate of 84%, which is noticeably stable from the end of last year.

SUPPLY & NEW SUPPLY OF BANGKOK CONDOMINIUM, 2010 - 1H 2019

Source: Colliers International Thailand, Knight Frank Thailand Research

SOMSAK CHUTISILP

Director of IQI Thailand

Contact Us

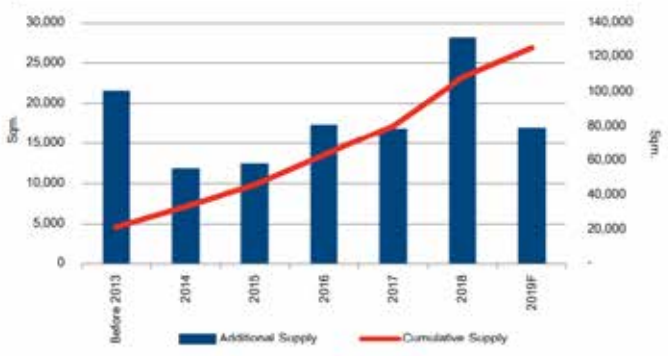
+66 81 909 0599

128/405 Unit F, 37th Floor,
Phyathai Plaza Building,
Phyathai Road, Thung-Phyathai,
Ratchathewi, Bangkok 10400
Thailand.

Office

- The supply of co-working space available by international and regional operators in Bangkok has been growing quickly. At this time, five operators have launched new facilities at 10 locations across the city, adding more than 28,000 square meters of space at the end of last year.
- The gradual increase in demand for the past two to three years and a limited new supply of co-working space in the country's capital are the major factors which lead to the high occupancy rates in the Sukhumvit, Siam, Patumwan and Silom and Sathorn area.
- An additional 28,151 sqm of co-working space was added to the Bangkok market in 2018. The total co-working space for Q1/2019 will be around 113,280 sqm, with around 17,000 sqm estimated to be completed in 2019.
- The key driver, contributing to this growth, is not entrepreneurs and startups as commonly believed, but a focus on corporate users, among whom Co-Working Space is quickly gaining popularity.
- The main driver to these growths are not entrepreneurs and startups as many would assume, it is from corporate users among whom co-working space is quickly gaining popularity.

Cumulative and Future Supply as of May 2019



Source: Research, Colliers International Thailand
Note: F= Estimated area of all office buildings expected to be completed in 2019

Numbers of co-working space in Bangkok.

Source: Research, Colliers International Thailand
Note: F= Estimated area of all office buildings expected to be completed in 2019

SOMSAK CHUTISILP

Director of IQI Thailand

Contact Us

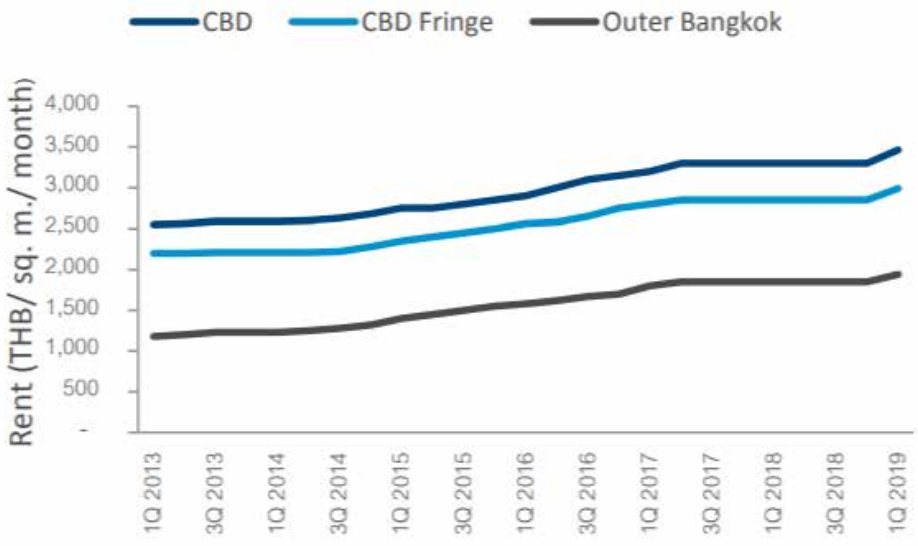
+66 81 909 0599

128/405 Unit F, 37th Floor, Phyathai Plaza Building, Phyathai Road, Thung-Phyathai, Ratchathewi, Bangkok 10400 Thailand.

Retail

- Of the total retail space in Bangkok, approximately 51% is located outside the urban area. Developers are focusing their attention on retail projects in this area as Suburban Bangkok is very residential.
- There is a high concentration of large shopping malls and hypermarkets located in Suburban Bangkok and around neighbouring areas such as Nonthaburi, Pathum Thani and Samut Prakarn provinces, as there is an abundant supply of land still available for large-scale retail projects.
- The highest occupancy rate in Bangkok is department stores. They are fully occupied by the department stores itself or have very small spaces vacant for other tenants to rent.
- Rents are steadily increasing from the quarter before, demonstrating the assurance the retailers have for the retail projects.
- Rent in the outskirts of Bangkok increased by 5–10%, particularly in large retail developments in strategic locations where rents increased higher than new projects or smaller projects in the same area. Furthermore, there will be more projects planned to be completed in the next 1–2 years.

Rent by Location, 1Q 2013 – 2Q 2019



Source: Colliers International Thailand, Knight Frank Thailand Research

Vietnam

Contact Us

+84 28 3910 4855

2nd Floor, Capital Place,
6 Thai Van Lung, District 1,
Ho Chi Minh City, Vietnam

Residential

- According to Savills, the serviced apartment market in Hanoi has a supply of 4,330 units, with a -8% decline QoQ after the closing of two projects and the opening of one. Grade A had the strongest take-up while Grade B and C faced decreases in leased units.
- Average marketwide rent had a boost of 4% QoQ and occupancy continued to be high at 84 per cent. Branded operators in the Grade A segment charged higher by 19% for rent than non-branded competitors.
- In Q4/2019, four projects with around 1,000 units will be introduced. Three branded operators will be situated in Tay Ho and one player will enter in Hai Ba Trung. There is no future stock registered in Hoan Kiem due to the lack of land bank.

Source: Savills Research and Consultancy

Vietnam

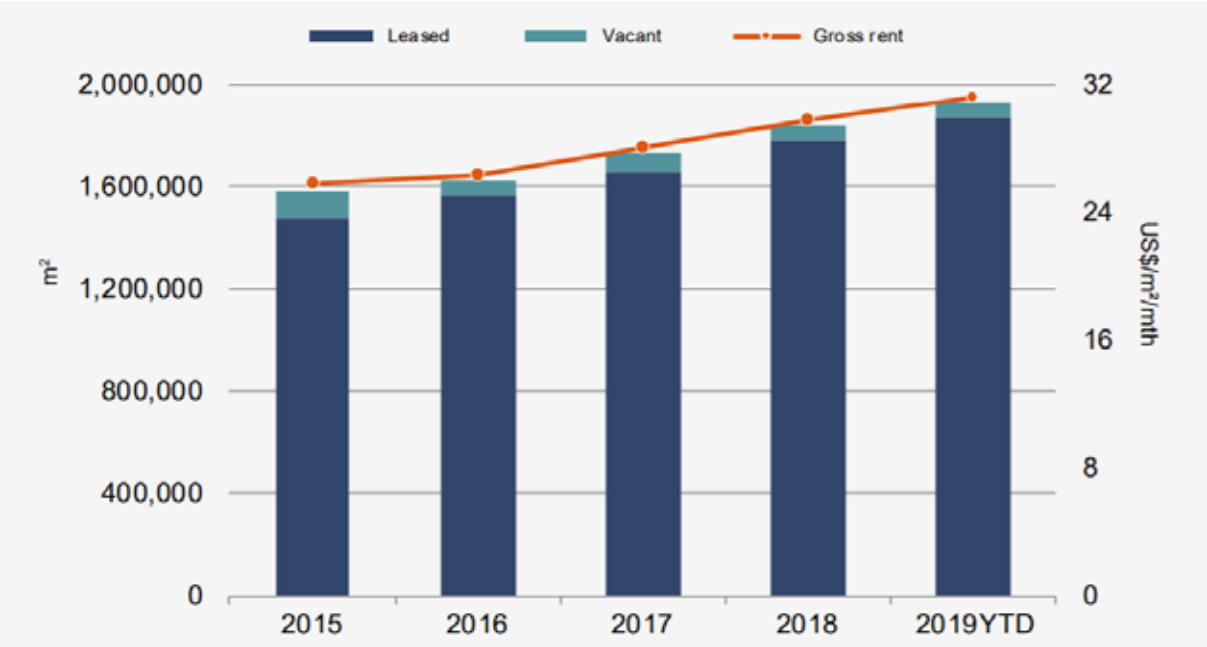
Contact Us

+84 28 3910 4855

2nd Floor, Capital Place,
6 Thai Van Lung, District 1,
Ho Chi Minh City, Vietnam

Office

- With no new stock for three quarters, the Grade B office supply reached over 870,600 m2, an increase of 5% QoQ and 6% YoY.
- The latest Grade B projects accounted for 77% of new stock for the third quarter, because of the entry of SOFIC Office Building (21,400m2) and E-Town 5 (17,000m2), both projects located in the non-CBD area.
- At the end of 2021, the office market in Ho Chi Minh City will welcome approximately 369, 100 m2. The non-CBD will account for 55% of upcoming supply with over 203,800 m2 due to the fact that large-scale projects of over 20,000 m2 will account for 50%, representing a shift to the non-CBD.
- District 1 will provide 40% of new supply; 89% will be located in the CBD. A prominent project is Friendship Tower, the single Grade A project under construction at the moment. This project is developed by CZ Slovakia and located on the main street of Le Duan. This building is expected to be completed in Q1 of 2020 and has attracted a co-working operator taking up 1,400 m2 across two floors.



Source: Savills Research and Consultancy

Vietnam

Contact Us

+84 28 3910 4855

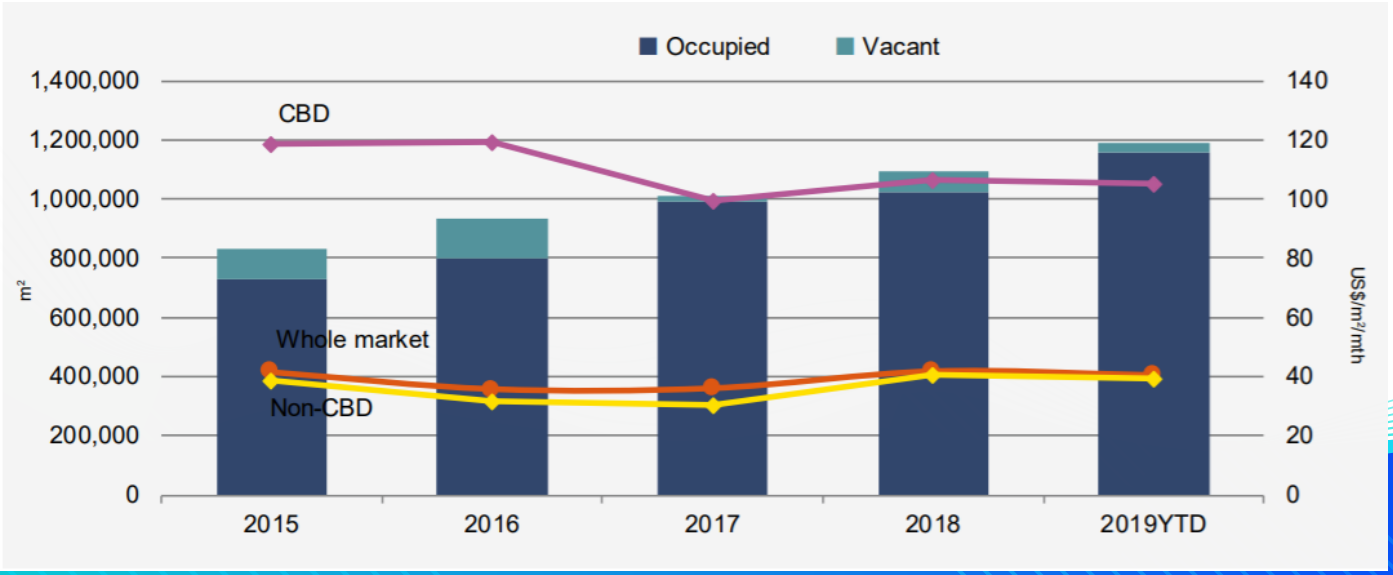
2nd Floor, Capital Place,
6 Thai Van Lung, District 1,
Ho Chi Minh City, Vietnam

Commercial

- The industrial sector is developing robustly with a tenfold increase in FDI over the past ten years. With the good land supply, it eases the incoming manufacturing projects and the rise of rental options with RBF and BTS solutions.
- The interest in the industrial market is at the highest which lead to developers actively converting agricultural land to industrial in order to provide additional supply.

Retail

- The total stock was around 1.5 million sqm which indicates stable QoQ and an increase of 12% YoY. The Secondary area continues to be the largest market share, followed by the West. The gross rent for the average ground floor decreased -2% QoQ and -1% YoY, on the other hand, occupancy was QoQ and YoY.
- The West saw the strongest rent growth while the CBD had the biggest occupancy increase. The most take-ups happened in the shopping centre section and the West area.



Source: Savills Research and Consultancy

IQI Moments

IQI®
Asia's Global Real Estate Partner
www.iqiglobal.com

KARAOKE NIGHT @ Red Box Karaoke

This month the IQI team celebrated, sang and strengthened their bonds at the Red Box Karaoke, cherishing each other's friendship, bonds, comradery and showing their love in being part of the IQI family.

IQI BADMINTON CHAMPIONS LEAGUE 2019

At IQI, we value the importance of a healthy mind and body, which is why we continue to organise events and activities to keep our team strong and content while strengthening our bonds. The IQI Badminton tournament has been an annual tradition of ours for the longest time, and this year, once again, our warriors gathered in the courts for exciting and friendly matches with awesome awards and prizes!