IQI®

Asia's Global Real Estate Partner

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IQI NEWSLETTER

October 2019

GLOBAL ECONOMIC OUTLOOK 2019

SYSTEMATIC RISK GROWS

The global economy continues to remain weak as prospects look dim. US economy demonstrates weakness due to structural issues building up. FED has lowered discount rate for the second time in less than 67 days, sending signals in the market for coming economic slowdown.

EUROPE AND BREXIT

IS THE ECONOMIC MALAISE CONFIRMED?

The UK and Europe are locked in political and economic bickering, as economic growth heads toward jeopardy. Investors are nervous, and people are feeling the economic repression. We are bearish on the economic outlook.

MALAYSIAN GROWTH

CONFIDENCE IS THE KEY

Malaysian growth maintains a healthy outlook with Q2, 2019 GDP standing at 4.9%. IQI made the forecast of GDP growth in January 2019 to meander around 4.5% to 5%.

RINGGIT OUTLOOK - STABLE

RM/USD: 4.18 to 4.27 in Q3/2019

Ringgit on Q3, 2019 will trade between 4.18 - 4.27 against the US dollar. Ringgit is going to follow the Yuan and oil movement.

Source: Jim Rickards, Stanley Drukenmiller, Jim Rogers, David Stockman

OIL - VOLATILE AND SHAKY

$73-$107 per barrel in 2019

Recent geopolitical developments and risks are getting a lot of attention. Saudi Arabia, Iran, USA are making news headlines. Supply constraints would keep the oil prices on the upsurge. At IQI, we maintain our stance of oil prices movement between 73 and $107/barrel in 2019.

GOLD MARKET - ON THE INVESTORS RADAR

The Gold market is getting into investors portfolio again. Gold prices have risen 21% YTD. The reason why gold is on the upsurge:

1. Geopolitical risk is becoming serious
2. US dollar will go lower in the next 1/2 years
3. Equity and bond markets are coming under selling pressure, thus giving investors the option to invest in tangible assets.

Gold forecast for the next 6-14 months stays strong and heading towards $2000/ounce. Sophisticated and smart investor only take positions in two asset classes in times of economic malaise:

1. Real estate **2. Gold**

Shan Saeed

CHIEF ECONOMIST OF IQI GLOBAL

VISIT **www.iqiglobal.com** FOR MORE INFORMATION

Source: Jim Rickards, Stanley Drukenmiller, Jim Rogers, David Stockman

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by MANDY CHEN
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RESIDENTIAL

- ★ Home values increased across five out of the eight capitals and national dwelling values rose by 0.8 per cent throughout August.
- ★ August was also the third consecutive month of capital gain in Sydney, Melbourne and the second consecutive month in Brisbane.
- ★ Perth still remains an opportunistic buyers market.
- ★ As rates drop and property prices stabilise, the rental investment market is showing signs of improvement.
- ★ CoreLogic data shows the national average rental yield on residential property is currently 4.1 per cent; a return which experts suggest can comfortably surpass term deposit rates.
- ★ Overall rents fell 0.1 per cent over August, the third successive month of decline.
- ★ Brisbane, Adelaide and Hobart rental markets were the only exceptions.
- ★ Sydney and Melbourne are leading the softening of rental yields, however if the market recovery continues, we could see this stabilise in the coming months.

HOME PRICE INDEX, AUGUST 2019

Capital City Median Asking Prices August 2019 – Mix Adjusted

	Units		
Capital	August	July	Change
Sydney	$592,354	$575,261	3.0%
Melbourne	$426,933	$425,756	0.3%
Brisbane	$345,582	$337,223	2.5%
Adelaide	$265,887	$274,557	-3.2%
Perth	$323,077	$334,831	-3.5%
Canberra	$378,422	$384,329	-1.5%
Hobart	$387,121	$380,718	1.7%
Darwin	$321,867	$312,474	3.0%

Source: Michael Janda, CoreLogic, how.com.au

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Capital City Median Asking August 2019 – Mix Adjusted

	Houses		
Capital	August	July	Change
Sydney	$1,081,846	$1,070,769	1.0%
Melbourne	$801,553	$791,502	1.3%
Brisbane	$542,591	$535,344	1.4%
Adelaide	$517,112	$515,926	0.2%
Perth	$517,824	$515,426	0.5%
Canberra	$717,653	$710,446	1.0%
Hobart	$512,237	$497,218	3.0%
Darwin	$570,518	$570,829	-0.1%

OFFICE

SYDNEY

- The Sydney CBD office market has seen several large transactions so far in 2019 in both strata and freehold spaces.
- New approvals for office accommodations are low across the CBD, with approvals being generally focused on residential and hotel redevelopment rather than traditional office space.
- On a much smaller scale, the strata office market has seen a number of strong results, continuing to push square metre rates to unprecedented levels.
- Such results show the continued strength of the office strata market; however the number of transactions does appear to have slowed down.

Source: Michael Janda, CoreLogic, how.com.au

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MELBOURNE

★ According to the Property Council of Australia's office Market Report, Melbourne CBD's office overall vacancy rate has increased slightly by 0.1% as of July 2019.

★ Melbourne CBD continued to record the lowest vacancy rate amongst all of Australia's CBDs at 3.3%, in front of Sydney CBD at 3.7%.

★ Tenant Demand is continuing to rise in the city fringe.

★ According to online research reports, the office leasing market within the city fringe and inner east was strong over the past 12 months.

★ Tenants, especially from the creative, technology and business service sectors, actively compete for well-located high quality office accommodation.

BRISBANE

★ Brisbane is currently undergoing a major transformation with a number of significant infrastructure projects that have either recently been completed or are currently under construction.

★ These projects, coupled with the low interest rate environment, are having a positive impact on the CBD and fringe CBD leasing markets and are seeing increasing appetite from investors, both on a private and an institutional level.

★ 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 is on the rise.

★ The near-term outlook for Brisbane office market appears positive and it is possible that further yield compression may occur should interest rates decline further.

★ The yield spread between Brisbane and its southern counterparts (Sydney and Melbourne) is still significant and the coming infrastructure projects are likely to increase Brisbane's attraction as an investment designation.

PERTH

★ The Perth office leasing market has seen both rental incentives and rental rates stabilise.

★ Whilst encouraging signs, Perth's CBD has the highest vacancy rate of all capital cities in Australia.

★ Incentives for quality buildings in Perth's core CBD have even experienced some downward pressure with early signs of growth in the space needs of particular tenants.

RETAIL

★ The retail property market is continuing to transform as major stores like David Jones, Myer and Big W announced the decision to reduce their store footprint.

★ The reduction in retail stores could see further opportunities for commercial property investors in the warehousing sector, as businesses start to increase their online services.

Source: Michael Janda, CoreLogic, how.com.au

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RESIDENTIAL

- Greater Toronto Area REALTORS® reported 9,749 condominium apartment rental transactions in the second quarter of 2019, up by 14.9 per cent compared to Q2 2018.
- The number of condominium apartments was also up on a year-over-year basis by 28.8 percent, suggesting that the rental market became better supplied over the past year.
- The GTA population continues to trend upward, as the region attracts people from around the world, both on a permanent and temporary basis, to take advantage of a diversity of employment opportunities.
- The average Q2 2019 one-bedroom condominium apartment rent for the GTA as a whole was $2,192, up 6.7 percent compared to Q2 2018.

Rental Market Summary: Second Quarter 2019

Apartments[1,2,3]

	All Bedroom Types		Bachelor		One-Bedroom		Two-Bedroom		Three-Bedroom	
	Listed	Leased	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent
Q2 2019	15,337	9,749	412	$1,824	5,656	$2,192	3,412	$2,873	269	$3,586
Q2 2018	11,907	8,483	331	$1,716	4,875	$2,055	3,094	$2,755	183	$3,469
Yr./Yr. % Chg.	28.8%	14.9%	24.5%	6.3%	16.0%	6.7%	10.3%	4.3%	47.0%	3.4%

Townhouses[1,2,3]

	All Bedroom Types		Bachelor		One-Bedroom		Two-Bedroom		Three-Bedroom	
	Listed	Leased	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent
Q2 2019	1,074	685	2	$1,845	66	$1,951	312	$2,451	305	$2,778
Q2 2018	983	664	3	$1,650	45	$1,907	287	$2,186	329	$2,455
Yr./Yr. % Chg.	9.3%	3.2%	-33.3%	11.8%	46.7%	2.3%	8.7%	12.1%	-7.3%	13.1%

Source : Toronto Real Estate Board

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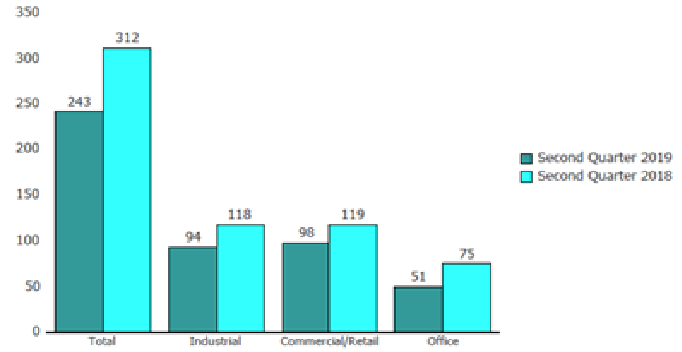
RETAIL/COMMERCIAL

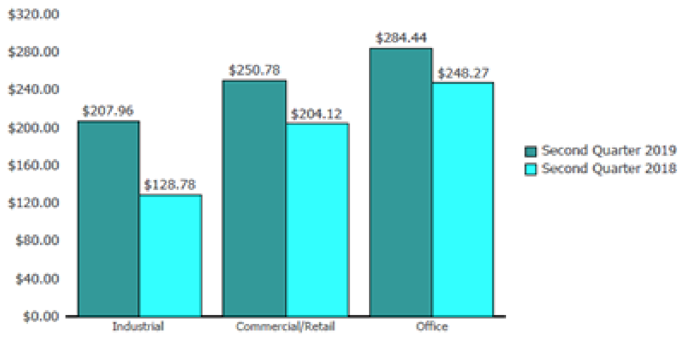
- ★ TREB Commercial Network Members reported 5,616,171 square feet of leased space in Q2 2019 for all lease transaction types across the industrial, commercial/retail and office market segments, represented a 15.4 per cent decline compared to Q2 of 2018.
- ★ The average industrial lease rate rose 10.9 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.
- ★ It is important to note that annual changes in average lease rates can be the result of changing market conditions and changes in the mix of properties leased from one year to the next, in terms of location, size, mix and other related variables.
- ★ Total commercial sales amounted to 243 in Q2 2019 – down by 69 transactions compared to Q2 2018.

Total TREB MLS® Sales Activity*
(Number of Sales)



* NOTE: This chart summarizes total industrial and commercial/retail sales through TorontoMLS regardless of pricing terms.
Source: TREB

TREB MLS® Average Sales Price ($/Sq. Ft.)*



* NOTE: Average sale prices are reported only for those properties for which the selling price was disclosed.
Source: TREB

OFFICE

- ★ Led by 1.1 million sq. ft. of positive net absorption in downtown centres, the national overall vacancy rate decreased 20 basis points (bps) quarter over-quarter to 11.3%.
- ★ On the back of four quarters of robust demand and limited new supply deliveries, the suburban office market vacancy rate contracted to 13.1% in Q2 2019. This is down 200 bps from the 15.1% vacancy rate recorded a year ago in Q2 2018.
- ★ With only 589,496 sq. ft. of new supply delivered in Q2 2019, the national construction pipeline increased 6.4% quarter-over quarter to 17.2 million sq. ft. Over 80.0% of this development activity is occurring in downtown centres.

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RESIDENTIAL

- Dubai home sales have performed well, both in terms of volume and value, during June, July and August this year, as investors and end-users took the advantage of price correction and became a property-owners in one of the best cities of the world.
- Residential sales transactions posted a 33.46 per cent year-on-year growth as Dubai witnessed 8,833 deals, compared to 6,618 in the corresponding period last year, according to statistics obtained. The emirate recorded 8,694 and 7,066 residential deals in similar periods of 2017 and 2016, respectively.
- Dubai home sales also hit a 4-year peak in terms of value, as deals worth Dh14.94 billion were recorded in the 2019 summer season, compared to Dh12.58 billion in the same period last year, reflecting an increase of 14.94 per cent.
- An estimated of 1,000 odd furnished apartments within the Downtown are listed for holiday home leases or short-stays.
- Short-term rentals are increasingly growing popular in the Dubai, wherein landlords and property managers can consider leasing their units for a few days or a couple of months and not bind them into a long-term rental contract.
- Short-term rental gives people the option to be part of a residential community in Dubai as opposed to living in a hotel.
- Off-plan market still accounted for the majority of transactions in Dubai, accounting for 5,032 deals in the summer months of 2019. This compares with 3,462 off-plan transactions in the summer of 2018, 6,098 such deals in 2017 and 4,405 deals in 2016.
- Off-plan housing market clocked sales worth Dh7.3 billion in June, July and August this year compared to Dh8.5 billion in the corresponding period last year. In comparison, off-plan homes worth Dh7.9 billion were sold in the summer of 2016 and similar units valued at Dh4.88 million exchanged hands in the summer months of 2018.

OFFICE

- In Dubai, the weakening demand for office space in the face of oversupply is resulting in less office space being built. Investors continue to display interest in well-located Grade A assets, often perceived as low-risk with credit-worthy tenants.
- Due to Dubai's oversupply and rental climate, rents in Sharjah and neighbouring Ajman have also come under pressure.

RETAIL/COMMERCIAL

- The total number of new licenses issued in August 2019 reached 2,650, an average of 85 per day in the Emirate of Dubai.
- The new licenses contributed to the addition of 8187 jobs to the labor market. These licenses were distributed among several activities, including professional activities by 65.6%, commercial 32.2%, tourism 1.7% and industrial 0.5%.
- The figures from the Business Map, the digital platform for Dubai's economy, underscore its continued support for Dubai's ambitious development drive for excellence and establish the emirate's position on the economic map as the region's financial and business hub.

Source : Khaleej Times, Gulf News, Property Finder, AME Info, Teller Report

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RESIDENTIAL

- ★ With the incoming Budget 2020, the property industry players are appealing to the government for the Home Ownership Campaign.
- ★ The government is proposing to buy over Kampung Baru land at RM850 per sqft while the restrictions of selling to exclusively Malay intact.
- ★ DBKL has acknowledged that the two major challenges it has faced are the low incomes versus house prices and migration out of KL, as opposed to the migration into Selangor as per 2016 data.

OFFICE

- ★ Most private sector companies would like to have their base in the region's administrative areas, preferably Cyberjaya, as it is seen as "more conducive" to conduct business. Cyberjaya has lower rents and better business networking opportunities.
- ★ There will be more than 21.53 million sqft of office space in the pipeline and upon completion; it will inject another 12 percent to the current existing space.
- ★ In view of the current market condition, there could be opportunistic buying and selling of assets.
- ★ The availability of good grade office supply at competitive rentals and the expanding of public rail transit lines have boosted the popularity of decentralised office locations.
- ★ ASEAN's largest office space supply is in Greater Kuala Lumpur, at 126 million sqft.

COMMERCIAL&INDUSTRIAL

- ★ Mall operators are allocating a higher percentage of their leasable space for experiential retail purposes 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.
- ★ The logistics or industrial sub-sector is the top commercial property segment that is expected to perform well this year in the Klang Valley and Johor while the hotel or leisure segment will continue to be favoured in Penang and Sabah.
- ★ The logistics or industrial sub-sector is the top pick for many respondents - to invest, lend or develop across the peninsular regions, with Johor attracting the highest level of interest, according to the report.
- ★ The industrial property segment continues to gain traction from investors, especially among fund or REIT managers.
- ★ Concerted efforts by government agencies to create more activity in the industrial sector by riding on the global wave of industry 4.0, industrial assets have been producing favourable and stable yields.
- ★ Increasing number of key players paying attention to Negeri Sembilan and Pahang, as an alternative investment destination.

Sources: Savills, Knight Frank, The Star, Edgeprop

PHILIPPINES

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RESIDENTIAL

- ★ According to Colliers International, residential demand in Metro Manila's primary and pre-selling segments remains stable. There are optimal opportunities in potential sectors such as Quezon City, Ortigas Center, Bay Area and the fringes of business districts as well as near selected stations of the Manila subway.
- ★ The most expensive project approved by the government is the groundbreaking $4.5B Metro Manila Subway. It is a 30-km subway line, with the first three stations located in Quezon City – Mindanao Avenue, Tandang Sora, and North Avenue which is due to be completed in 2022.
- ★ Quezon City will be in the advantage from the planned infrastructure as seven of the 13 metro stations are in Quezon City, along with improving connectivity given the construction of the Metro Rail Transit-7 (MRT7) and the common LRT-MRT station.
- ★ Over the past year, Colliers has examined that 77% of newly launched units were located in Quezon City, Manila, Caloocan-Malabon-Novatas Otigas fringes, Makati fringes and Pasay-Paranaque areas while the other 23% were in major CBD's.

OFFICE

- ★ According to KMC Savills, Metro Manila had around 249,000 sqm of new Grade A office supply in the second quarter of 2019, mainly from Ortigas Center and the Bay Area. This brought the overall vacancy rate to increase to 6.6%.
- ★ Average rents in Metro Manila upheld its steady pace growing at a modest rate of 3.9% YoY. The lack of new supply in Makati CBD for the remaining of the year caused the rents to increase. Alternatively, BGC's rents are set to improve due to the strong pre-leasing commitments for its upcoming buildings this year. Ortigas Center may go through a smaller growth as market absorption in the CBD may be slower.
- ★ In terms of office space demand, leasing activity in the recently finished buildings came predominantly from the O&O sector. However, we could be expecting sluggish growth in the sector after the government imposed a moratorium for Philippine Economic Zone Authority (PEZA) to process pending new economic zones applications in Metro Manila. Besides, the POGO sector that was seen budding immensely— may pick up the slack.
- ★ For the second half of the year, Metro Manila is likely to welcome more than 475,000 sqm of new office supply. The speedy growth of the POGO sector in the Philippines could raise average rents despite muted demand from the O&O sector.

RETAIL

- ★ Rampant development of retail establishments in Metro Manila happened in the first 6 months of 2019. Regardless of the popularity of e-commerce and online shopping, Filipinos still prefer the mall experience and going into physical stores during their free time.
- ★ Ayala Land Malls Inc. is set to redevelop its shopping malls in Makati CBD, namely Greenbelt 3 and 4 as well as Glorietta, to provide a new level of luxury shopping for customers.
- ★ Greenbelt 3 is expected to reopen in October 2020 while Greenbelt 4 will be renovated and is scheduled to reopen by the second quarter of 2021. Glorietta is set for redevelopment after the opening of Greenbelt 3 and 4.
- ★ As part of its expansion outside Metro Manila, Robinson Land Corporation recently opened its Robinson Galleria South in San Pedro, Laguna, with a GLA of 48,000 sqm, with the mix of both local and foreign retail tenants. The development is the third Galleria branded mall in the country next to Robinson Galleria in Ortigas, Quezon City and Robinsons Galleria Cebu.

Source: Colliers International, Philippine Economic Zone Authority (PEZA), KMC Savills

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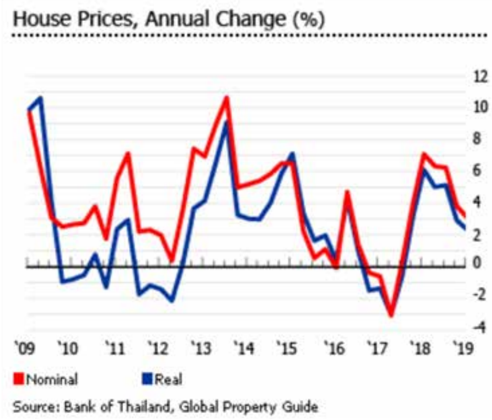
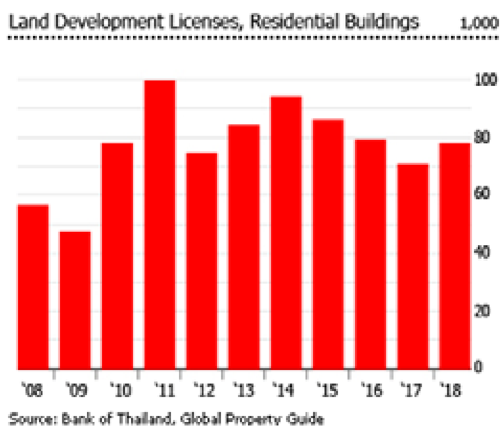
RESIDENTIAL

- Currently, Thailand's housing market is slowing down. There are tighter mortgage regulation, higher interest rates, and slowing economic growth, as well as the country's volatile political situation. However, investors in bigger apartments could be rewarded.
- Condominium prices increased by 1% (0.3% in real terms) during the year to Q1 2019, a sharp decrease from last year's 6.3% growth. But for the latest quarter condo prices went down 2.3% (-2.1% in real terms).
- Demand is expected to lessen for the rest of the year with the introduction of tighter mortgage regulation. Effective April 2019, second-home buyers will be constrained to a maximum loan of 80% of the property value if the first mortgage is less than 3 years old or priced at THB 10 million (US$324,000) or above. Third and subsequent home buyers will be constrained to a loan not more than 70% of the property value.



- According to a Global Property Guide research conducted in June 2019, rental yields in Bangkok range from 5.0% to 8.0%. For the last three years, yields on medium-sized apartments (120 sqm) rose significantly.
- For most major cities across different countries, smaller apartments bring in higher rental yields than bigger apartments. But that is not the case for Bangkok. A 60 sqm apartment in Bangkok's central location earns gross rental yields of approximately 5.6%, whereas a 120 sqm apartment also located centrally, earns gross rental yields of 8.0%.



- The apartments in the survey are located in Bangkok's upscale residential areas which include Sukhumvit Road, Silom, Sathorn, Riverside, Rama III, and Central Lumpini.

Source: Global Property Guide, Colliers International

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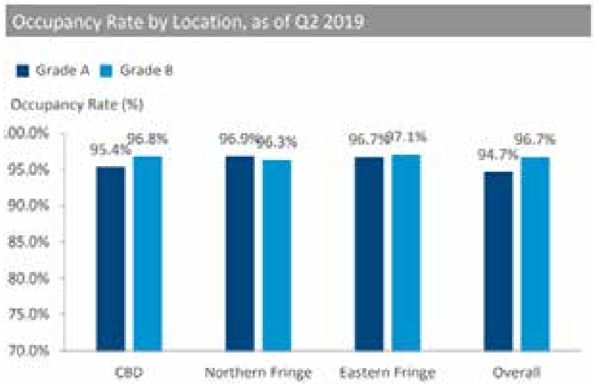
OFFICE

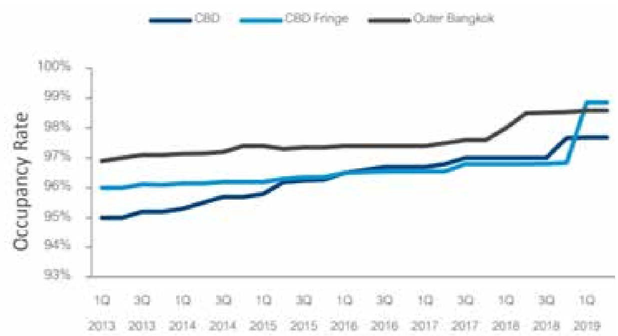
- According to Colliers International, many multinational and Thai companies located in Bangkok are showing interest in leasing office space in Grade A and B buildings in the CBD area. Though, a few of the companies are not able to find spaces that suit their requirements.
- The lack of suitable space was because of new office buildings in non-CBD areas attracting the interest of companies that are looking for new office space larger than 1,000 sqm.
- Co-working spaces and serviced offices are easier to locate and less expensive in Bangkok as compared to traditional office buildings. It is also more flexible for small start-up businesses. However, these alternatives are still not able to fully compete with traditional office spaces.
- For Q2 2019, the occupancy rate of all Grade A offices was 94.7%, while the occupancy rate of all Grade B offices was 96.3%. The occupancy rate in the CBD was 96.2%, and the occupancy rate in non-CBD areas was 95.1%.



Source: Research, Colliers International Thailand

RETAIL

- The overall occupancy rate increased from the preceding quarter. Even with many projects being completed, retailers are expanding to new developments which lead to an increase in occupancy rate, particularly in the CBD. The growing occupancy rate will probably drive rents up by 3–5%.
- Some projects have available space for rent because of the accessibility of the project or low foot traffic, particularly in retail centers on Rama 1 and Rama 4 roads.
- Retail centers in Bangkok that are over 10 years old have renovation plans or reorganization of their tenant mix and introduction of new brands to their retail centers. The reason being that quite a few recently completed retail centers have impressive designs and tenants. Older retail centers have to improve overall in order to stay competitive with the newer centers.
- Digital retail will continue to grow in the remainder of 2019 and also in the future, due to convenience, low operation and management costs as well as relevance to the modern lifestyle of the population.



Source: Research, Colliers International Thailand

Source: Global Property Guide, Colliers International

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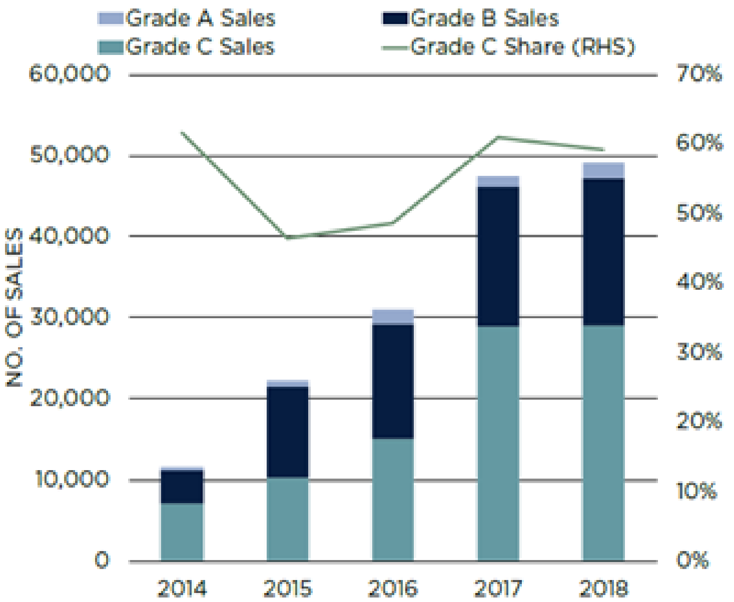
RESIDENTIAL

★ According to Savills, strong population growth in urban areas has led to strong demand for new projects whilst shrinking home occupancy and an increase in the number of single households.
★ Most of the new supply consists of lower grade apartments, which correlates with the demographics and macro fundamentals.
★ High-rise residential development has been the main driver of the market. HCMC and Hanoi are going through a transformation to stay competitive with regional peers.
★ From 2014 to 2018, considerable sales increases occurred in the two major cities. In HCMC, transactions have grown 44% per annum for the past five years, with 2018 being the highest with over 49,000 sales.

GRAPH 2: HCMC Apartment Market, 2014 to 2018



Source Savills Research & Consultancy

Sources: Savills

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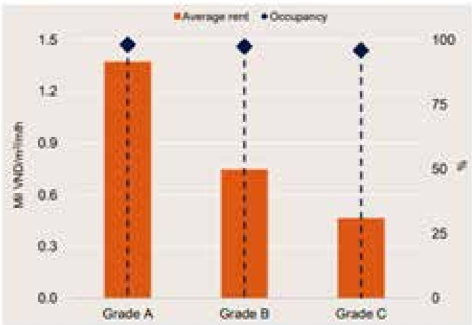
OFFICE

- In HCMC, there are four new Grade C buildings which added 32,800 sqm. Total supply is almost 1.9 million sqm, with an increase of 2% QoQ and 3% YoY.
- Rents gradually increased across all grades, up 6% YoY with the biggest contribution from Grade A projects. Occupancy is still on a high note at 97%, up 1ppt YoY but down -1ppt QoQ.
- Approximately 422,000 sqm new space is predicted to be added by 2021. Other than that, strong demand, occupancy and rents are most likely going to increase for the last 6 months of 2019.
- In Hanoi, total stock was around 1.8 million sqm, up 2% QoQ and 9% YoY.
- There were 13,690 new establishments in the first half of 2019, increasing 10% YoY. For the second half of 2019, 79,000 sqm will be introduced, mostly in the secondary area.

Figure 2



Source: Savills Research & Consultancy

RETAIL

- In HCMC, total stock was approximately 1.4 million sqm, which shows steady quarter on quarter performance (QoQ) but increasing 13% YoY.
- Average rents decreased -1% QoQ and -3% YoY because of the new supply and high competition in non-CBD areas. Occupancy continues to be stable QoQ but improved 4 ppts YoY.
- Besides that, CBD rents improved 4% QoQ and occupancy increased by 2ppts.
- Retail sales had a significant increase of 13.8% YoY, F&B purchases grew 9.7% YoY. In the second half of 2019, about 50,000 sqm in non-CBD districts will be made available.

Figure 1

Source: Savills Research & Consultancy

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IQI BOOT CAMP 2019 (Club Med Cherating)

The team had an incredible time in the fun and relaxing atmosphere of Club Med Cherating this September. We celebrated being part of the IQI family by further strengthening our bonds and becoming even more energised to reach the next level of our growth this year.

STAR PROPERTY AWARDS 2019

Once again it's the season of awards and industry recognition. For the 3rd year in a row IQI has not only won the All-Star Agency award, but also brought home 25 awards in total, conquering technology, digital, marketing, culture, regional, and numerous other awards. We congratulate our warriors for their hard work, innovation, dedication and extraordinary teamwork.

#IQI MOMENTS