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ASIA AWARDS FORUM

Is it time to go east?

MIPIM ASIA AWARDS FORUM

EXCLUSIVE REPORT

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As the speakers took to the podium for the MIPIM Asia Awards Forum on 26 January in Hong Kong, the time had never looked more favourable to turn attention east.

"Asia Pacific is set to drive global economic growth over the next decade," writes **Mathew Bouw, CEO Asia Pacific of Cushman & Wakefield**, in the run-up to the Forum.

Already, as we make our way tentatively through the second decade of '**Asia's Century**':

- China is predicted to overtake the US as the **world's biggest economy** in 2028. Five years earlier than previously predicted.
- 15 Asia Pacific countries signed a trade deal. Launching the **world's biggest single trading bloc**.
- Asia Pacific is home to **64% of the world's middle classes**. And rising fast.
- Half a billion people living in rural Asia are predicted to **move to urban areas** over the next ten years. The environmental impact?
- **China and India** are home to some 1.4bn people each. The **world's two most populous countries**.
- Asia is on the **frontline of a changing climate**, reports **McKinsey**.



Georges Agethen

Senior vice president Asia Pacific, Ivanhoé Cambridge, told the MIPIM Asia Awards Forum:

"Over the years, ESG was something that happened in the West. That has really changed, and now we're seeing a lot of investors and developers in Asia lead on sustainability."



STRONG REGIONAL ECONOMIC PERFORMERS

Although home to a similar number of people, India's economy is just a fifth of the size of China's. As **Terence Tang, managing director, capital markets & investment services, Colliers International Asia**, says: "When China's economy grows, the whole of Asia Pacific grows; and the converse tends to hold true as well."

China was the only G20 country to increase its GDP in 2020, by 2.3% – with a performance of 8.1% expected for 2021, according to the IMF. However, this comes amid **calls for China not to set annual growth rates** given high levels of borrowing and debt.

Other **strong economic performers in the region** last year were **Vietnam** (est. 1.8% growth) and **Taiwan** (1.7%). Elsewhere in Asia Pacific, growth is predicted to return this year, with the rate expected to depend on how authorities have handled the Covid-19 crisis.

INVESTMENT OPPORTUNITIES

Allianz Real Estate, one of the world's largest real estate investor, is looking to expand the **Asia Pacific** allocation of its global real estate portfolio to **10-15% over the next five years**.

Over the first nine months of 2020, **Allianz's portfolio in the region grew by over 16% to reach €6.4bn of equity exposure**. In the same year, the firm, with regional headquarters in Singapore, opened branches in Tokyo and Shanghai.

As part of this expansion, Allianz announced the launch last June of **AREAP CORE I**, a **US\$2.3bn joint venture investment platform with the National Pension Service of Korea** to build a "diversified core portfolio of high-quality properties" across Asia Pacific. One of the fund's most recent acquisitions was a 50% stake in **OUE Bayfront in Singapore** for around SGD634m (€395m).

George Agether

Ivanhoé Cambridge, the real estate investment management arm of Caisse de dépôt et placement du Québec, which is looking to double the size of its Asia portfolio over the short and medium term, told the MIPIM Asia Awards Forum:

"Asia was already on the path to becoming more significant for the global real estate portfolios of international investors... There's been a lot of development, there's a lot of really good product now, and we're seeing Asia become a bigger slice of the pie... Covid has just reinforced what we felt were longer term trends: urbanisation, the rise of ecommerce and the rise of the middle class in Asia."

"Now is the best time to look at real estate opportunities in Asia Pacific," says **Terence Tang of Colliers International**. "We're seeing opportunities that previously were not available, as some corporates are monetising assets to recapitalise their businesses."

For those with a risk appetite at the lower end, Tang suggests staying with key **gateway cities** such as **Tokyo, Shanghai, Singapore, Hong Kong**

and **Sydney**. Higher up the risk scale, a favourite for Tang is **Vietnam**, a country that has industrialised rapidly in recent years.

Terence Tang

Colliers International:

"The question that everyone is asking in Asia Pacific is when will hotel occupancy rates come back. They definitely will."

Looking at long-term investment, Tang highlights **hospitality**: "The question that everyone is asking in Asia Pacific is when will hotel occupancy rates come back. They definitely will. For the moment, we're seeing interesting opportunities in the region."

CHINA AS THE REGION'S PIVOT

Projects located in China account for 19 of the 33 winners of the MIPIM Asia Awards 2020, rising to 25 if Hong Kong SAR is included. This reflects not only the size of China's economy but also the rising quality of real estate projects in the country.

When considering investing in China – or in any specific location or sector in Asia Pacific – some of the key things to bear in mind are geo-political, says Tang. These include:

- The **revocation** by the US government of Hong Kong's **special status**.
- The imposition of a **new security law** in Hong Kong.
- The ongoing **China-US trade wars**.



ESR Amagasaki Distribution Centre

All three factors are impacting the region, with Tang pointing out that they have led to:

- **Manufacturing** bases **shifting from China** to countries such as Vietnam or Thailand, to circumvent higher tariffs on exports to the US.
- Investors looking to **diversify their portfolios**.
- **Regional corporate head offices** opening in **Singapore**; a recent example being Chinese tech giant **Tencent Holdings**.

With regards to the location of regional head offices, the question is not one of either Singapore or Hong Kong, adds Tang, but one of a regional office in **Singapore for Asia Pacific ex-China** and a **base in Hong Kong for easy access to capital and to the large China market**.

At the MIPIM Asia Awards Forum,

François Trausch



Global CEO & CIO of Allianz Real Estate and chair of the MIPIM Asia Awards jury, stressed the importance of having regional offices, especially with the current ongoing travel restrictions.

"If today you don't have an office in China, it is very difficult to do meaningful business there and to keep the pace of investment."

Another key message that came across during the Forum was the **importance of working with local partners** across the region's very diverse markets.

LOGISTICS: FAVOURED SECTOR

When Warburg Pincus Asia first started investing in logistics in China ten years ago, online shopping accounted for 2% of retail sales; now this figure is 25%, said **Ellen Ng, head of China real estate for Warburg Pincus Asia**.

As demand has risen, supply is still lagging. "There are more modern warehouses in the state of California than in the entirety of China," **Ng** told the MIPIM Asia Awards Forum audience.



Chris Chow

Senior Managing Director, La Salle Investment Management, said at the Forum:

"The pandemic has amplified the winning sectors... logistics has not only proved to be resilient, but it continues to be a winner."

ESR TAKES GOLD

Hong Kong-based **ESR** is one of the largest players in the region. Its 388,570m² **ESR Amagasaki Distribution Centre** in Greater Osaka – reported to be Asia Pacific's largest logistics warehouse project – took Gold in the MIPIM Asia Awards for Best Infrastructure, Community & Civic Building.

At the end of last year, ESR and Singapore's sovereign wealth fund **GIC** set up a 80:20 strategic partnership for a **US\$750m joint venture** to develop and acquire industrial and logistics assets in India.

This follows **GIC** taking a 80% stake in the **ESR Australia Logistics Partnership**, which bought a **portfolio of 11 assets** for A\$302.5m (around US\$234m).

Among activities elsewhere in the region, ESG is designing what it calls the **world's first cargo drone logistics facility** in ESR Higashi Ogishima Distribution Centre in Greater Tokyo, in partnership with UK-based VRCO aerospace company.

LOGISTICS NEWS BITES

- **LaSalle Investment Management** completed its eighth acquisition for the LaSalle China Logistics Venture (LCLV): two assets – one 35km from Beijing Dax Airport and the other in Suzhou Industrial Park.
- **Ivanhoé Cambridge** and **PAG** launched a **US\$400m Japan logistics venture**.
- **GLP** set up the **GLP China Value-Add Venture III** fund with a total investment capacity of RMB4.5bn (US\$675m) to invest in modern logistics assets in GLP Park Lingai in Shanghai.



- **Logos Property** and **CPPIB** will invest **US\$200m** in the **Greater Jakarta logistics market**.

With reference to China, **Mark Fogle, managing director & head of real estate at BPE Asia Real Estate**, which has less than a third of its US\$1bn second fund so far committed (as of Nov. 2020), says: "Logistics in China offers a 20-30 year window of opportunity, with around 95% of the existing stock substandard or obsolete by global standards."

Restrictive land control measures make it critical to have an experienced local partner, adds Fogle. In China, BPEA Real Estate works through a joint venture with Forest Logistics.

RESIDENTIAL: JAPAN

The largest real estate deal in Japan's history was struck at the start of 2020, when **Blackstone** bought back a portfolio of rental apartments across Japan from China's **Anbang Insurance Group** for JPY 300 bn/US\$2.8bn.

At the MIPIM Asia Awards Forum, Chris Chow of LaSalle Investment Management highlighted the attraction of the low interest rates in Japan, adding:

"The market is continuing to attract foreign investors; and there is a good flow of Japanese domestic investors which helps in terms of deployment and which will continue to sustain the growth in the rest of the investment market."

An active player in Japan's residential market is **Nuveen Real Estate**. The international institutional investor acquired seven newly developed multifamily properties last November for around US\$226m on behalf of its Tokyo Multifamily Partnership. This brings Nuveen's total investment in Japan's multifamily sector to US\$820m, with 43 assets.

Louise Kavanagh

Nuveen Real Estate:

"At this point in the cycle, it is important to invest into a robust city economy with secularly strong market fundamentals to future proof our investments."

"Japan is a key target country of investment for our Asia Pacific Cities vehicle," says **Louise Kavanagh, managing director, Nuveen Real Estate**. "At this point in the cycle, it is important to invest into a robust city economy with secularly strong market fundamentals to future proof our investments."

"Tokyo multifamily fits in smartly into this strategy: the world's biggest metropolitan economy [by GDP and population now and in 2030], favourable demographics [both population and household growth] and a very vibrant and diversified business sector."

GOLD FOR RESIDENTIAL



EDEN project

The **EDEN** project in Singapore's District 10 won Gold for Best Residential Development in the MIPIM Asia Awards (developer – **Swire Properties**; architect – Heatherwick Studio.) The project has 20 luxury apartments on 22 floors designed with biophilia in mind.



Richard Yue

CEO & CIO of ARCH Capital Management & MIPIM Asia Awards jury member said at the Forum:

"Our main [residential] judging criteria is design and then that the project blends in well with its neighbourhood. Over the years, we've also been seeing increasing focus on environmentally friendly projects and on sustainability."

LUXURY RETAIL SHINES IN CHINA

With the fast growth of Chinese consumer wealth, China is predicted to account for **28% of world luxury consumption by 2025**.



Stanley Ching
CITIC Capital Holdings Ltd, and
MIPIM Asia Awards jury member,
pointed out at the Forum that the
retail sector in China was 85-90%
back to 2019 levels, with luxury a
particularly strong performer:

"The luxury [retail] sector in China performed better in 2020 than in 2019... Because of the lockdown, people couldn't travel overseas for shopping or for leisure, so they stayed in China, but they still had a demand for luxury goods."

An example of a successfully luxury scheme in China is **Grand Gateway 66**, the retail plaza of the Grand Gateway mixed-use scheme in Xujiahui district, Shanghai. The project took Gold for the Best Refurbished Building at the MIPIM Asia Awards (developer – **Hang Lung Properties**; architects – **KPF** and **Elena Galli Giallini**).

NEW WORLD DEVELOPMENT – NEW VISION

Retail fused with culture as part of a mixed-use scheme featured among the winning projects at



MIPIM Asia Awards entered by **New World Development**, one of Hong Kong's leading property companies.

New World Development's **Victoria Dockside** took Silver for Best Mixed-Use Development. Launched officially this January, the 280,000m² art & design district in Tsim Sha Tsui is home to **K11 Musea**, **K11 Artus** serviced apartments, **K11 Atelier** offices and **Rosewood Hong Kong**.

K11 Musea – described as the "new landmark for Hong Kong" – took Gold for Best Retail Development. The project focuses not only on the interior space but also on the green exteriors (architects – **Ronald Lu & Partners** and **KPF**).

K11 Atelier King's Road took Gold for Best Green Development and Silver for Best Office Development. The 41,000m² scheme in Quarry Bay is designed as the "new benchmark for the next-generation workforce". It takes a "holistic approach", with a focus on being "green, sustainable & healthy" (architect – **P&T Architects & Engineers**).

New World Development is also working on **Victoria Dockside 2.0, Prince Bay**, a HKD10bn (US\$1.3bn) project in Shenzhen. It is designed as the first circular economy "hub" in the **Greater Bay Area**.

Adrian Cheng, CEO of New World Development, told South China Morning Post: "Developers usually focus on how to increase gross floor area and maximise profits. We also make profits and we gain premiums [for shareholders], but we have a balance. **We are still a property developer, but we are a developer of hardware and software services that enrich our customers' lives.**"



DATA CENTRES – A STRONG MARKET

Data centres are the most sought-after alternative investment asset class in Asia Pacific. At the MIPIM Asia Awards Forum, **Ellen Ng of Warburg Pincus Asia** pointed out that the sector suffered from the same high-demand, low-supply scenario as for logistics.

US data centre specialist **Equinix** forecasts Asia Pacific to lead North America and Europe in installed interconnection bandwidth, with a compound annual growth rate of 47% over the five years to 2023.

Recent real estate data centre activity includes:

- **GDS Holdings** acquired the BJ14 Beijing data centre campus for RMB3.8bn (US\$580m) from a private equity fund of CITIC Capital.
- **Blackstone** invested RMB1.06bn (US\$150m) in Chinese data centre developer **21Vianet Group**.
- **GIC, GAW Capital Partners** and **Keppel Capital** have all entered into “forward sales to increase their exposure to hyperscale facilities under construction”, reports **Real Capital Analytics**.

In **India**, data centre stock is set to **more than double** (to 20mn sq ft) by 2023. Mumbai is a preferred location given its position as India’s financial centre, the presence of submarine cables and favourable government policies.

THE FUTURE OF TOURISM

Prior to Covid, Asia Pacific was one of the world’s **fastest growing regions for travel and tourism**, in particular for intra-regional travel.



Donald Choi

CEO, Chinachem Group, and MIPIM Asia Awards jury member, at the Forum said with regards to the hospitality sector:

“We’re probably not going to get back to the pre-Covid market for another 3 to 5 years’ time. And we will see quite a change in the market. Business travelling will not be as frequent, but the staycation is going to really grow. In a large country like China, people can travel from city to city within their own country, which makes travelling much easier. So there are still a lot of investment opportunities, especially in China.”

We talked with **Zhang Jiahao, Associate Director of CBRE Hotels**:

Which city destinations are proving most resilient against the Covid-19 disruption?

“Cities with a **strong domestic tourism market**, such as those in **Australia, Japan** and **mainland China**; and those with a **leisure-driven tourism market**.”

And resort tourism?

“With most borders still closed, domestic tourism is the main source of demand at the moment. **Resort/holiday destinations close to populous markets are expected to be among the first to recover**. For example, **Sanya**, the popular holiday destination on Hainan island, mainland China, recorded a **80% y-o-y growth in RevPAR in October 2020**.

How do you see 2021?

“The growth in regional travel is expected to continue into 2021, once cross-border international travel resumes, since travellers are likely to remain cautious about long-haul flights/crowded areas in the near future.”

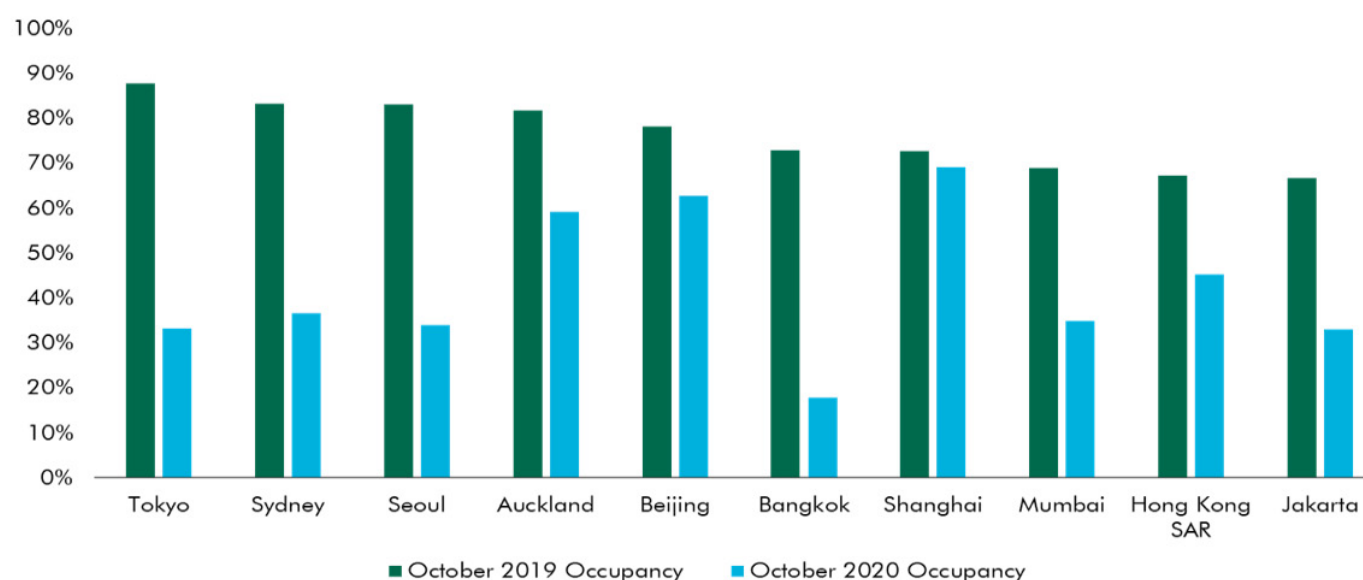
How is the demand changing?

“We are beginning to see a **growing demand for wellness tourism** as consumers become more health-conscious. Resort offerings have started to expand beyond yoga and spa treatments to new experiences, such as meditation and spiritual guidance/therapy.”



OCCUPANCY IMPROVED IN OCTOBER

Monthly occupancy in key Asia Pacific markets in October (2019 vs 2020)

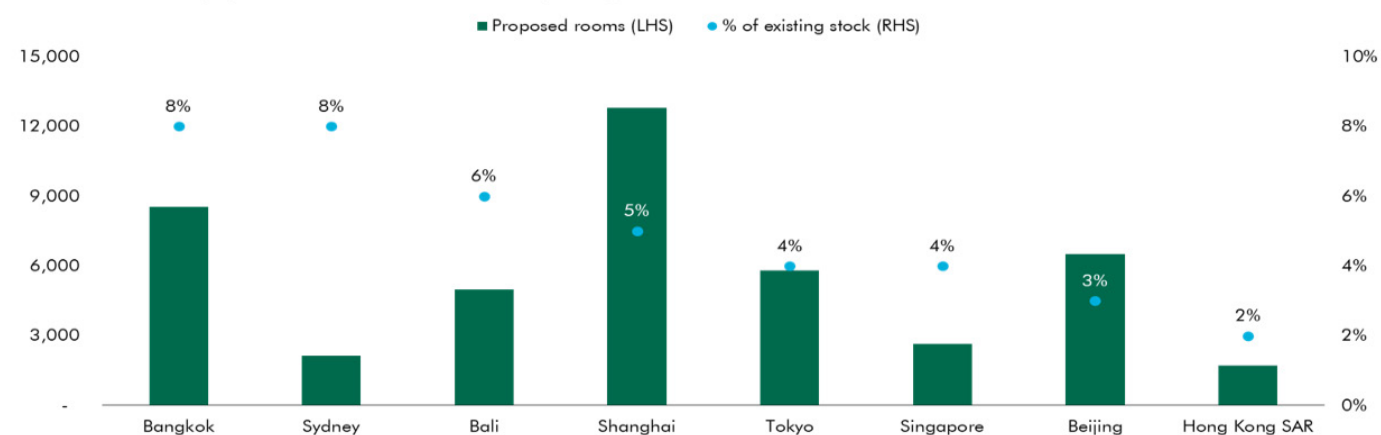


51% Average October monthly hotel occupancy in Asia Pacific

Source: STR; CBRE Research, November 2020

NEW HOTEL SUPPLY IS LIMITED IN MANY MARKETS

Asia Pacific cities pipeline under construction – opening before December 2024



Source: AM:PM; CBRE Research Q3 2020



MORE GOLD WINNERS AT MIPIM ASIA AWARDS

Kyoto Higashiyama, Kyoto, Japan, Best Hotel & Tourism Development: a hillside retreat, home to the **Park Hyatt Kyoto** and the famed kaiseki restaurant Sanso Kyoyamato (developer/architect – **Takenaka Corporation**).

Qianhai Kerry Centre, Shenzhen, Best Mixed-Use Development: a 408,840m² project, overlooking Qianhai Bay (developer – **Kerry Properties Ltd**; architects – **KPF** and **Howeler+Yoon Architects**).

DaiyaGate Ikebukuro, Tokyo, Best Office Development (developer – **Seibu Railway Co**; architect – **Nikken Sekkei**).

Vanke Sugar Town, Quanzhou, Best Urban Regeneration Project (developer – **Vanke**; architect – **ateliercns**). Another Vanke project, **HeiFei River Central Smart Garden Library** in Hefei, China, took Bronze for Best Infrastructure, Community & Civic Building.

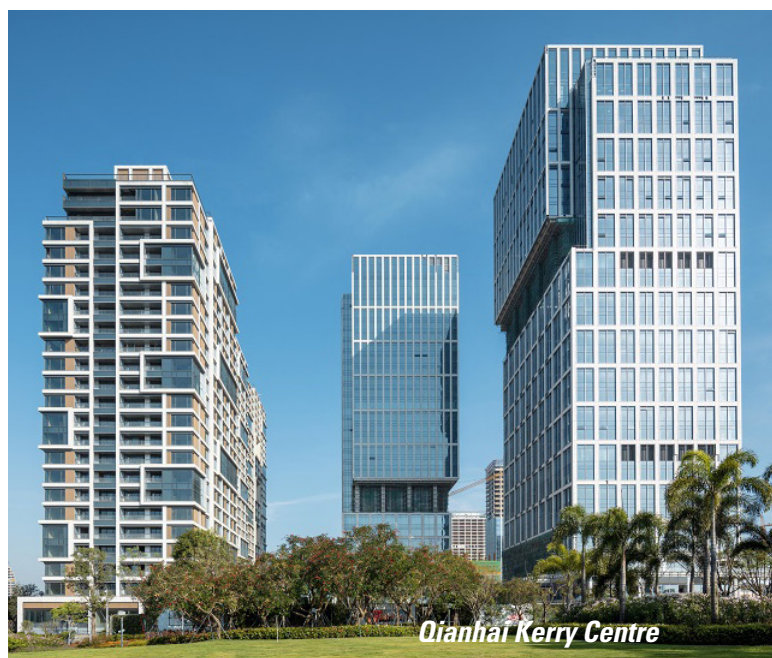
Panlong Tiandi, Best Futura Mega Project: a 530,000m² urban renovation project near Shanghai's National Exhibition & Convention Centre (developer – **Shui On Land**; masterplan architect – **Sasaki**; main designer – **Ben Wood Studio Shanghai**).

THE FINAL WORD: STAY ON YOUR TOES

Dr Justin Chiu

Executive director of CK Assets Holdings Ltd, advised those looking to invest in Asia at the MIPIM Asia Awards Forum:

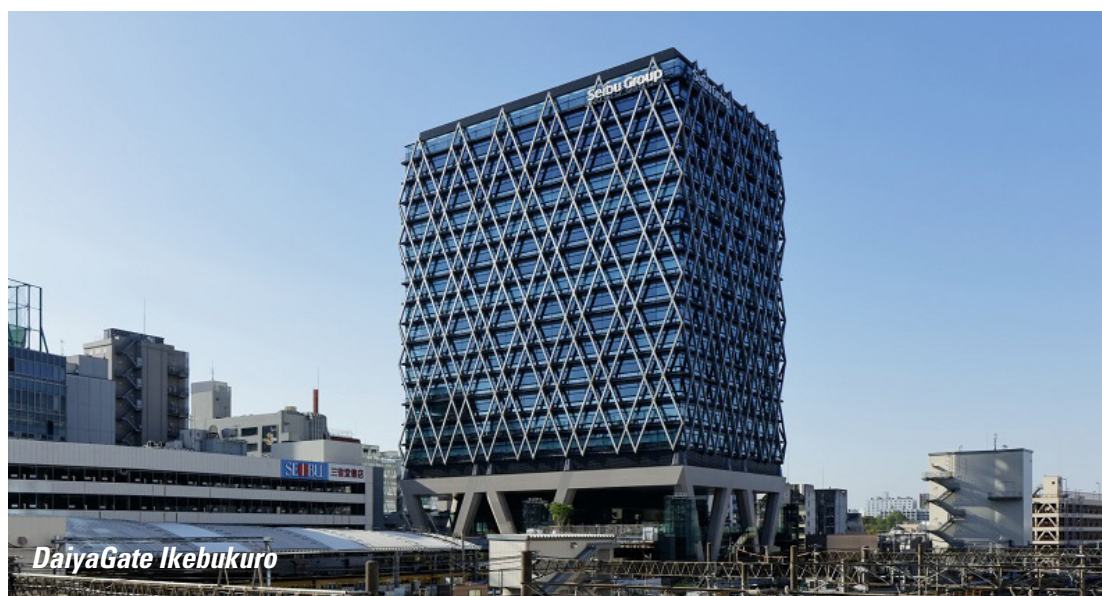
"The world is changing fast. Opportunities are coming up every now and then, in any place, so that's why you have to be on your toes, all the time, trying to search for opportunities and picking up more contacts."



Qianhai Kerry Centre



Kyoto Higashiyama



DaiyaGate Ikebukuro



Vanke Sugar Town



Panlong Tiandi



Join us for the 15th edition of

MIPIM Asia Summit

which takes place at the **Grand Hyatt Hotel**
in Hong Kong, on 7-8 December 2021.

MIPIM Asia Awards Forum Replay

If you were not able to watch the MIPIM Asia Awards Forum Livestream on January 26, 2021, watch the replay now and discover all key learnings from this exclusive event.

[Watch the replay](#)

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ESR



Georgina Power

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