

AEW Research Flash Report

ASIA PACIFIC | WEEK OF 25 MAY 2020

To learn more about the immediate impact of the COVID-19 crisis on the Asia Pacific real estate property markets, we invite you to read a brief update by Asia Pacific's Director of Research, Glyn Nelson. This report will be distributed intermittently over the following months as the COVID-19 situation evolves and we monitor its impact, real or potential.

AEW INVESTS IN THE KEY STRATEGIC CITIES OF ASIA PACIFIC



“Asia Pacific has emerged as a bright spot and is expected to lead the global economic recovery.”

- AEW Research, Asia Pacific

*Indicates AEW presence

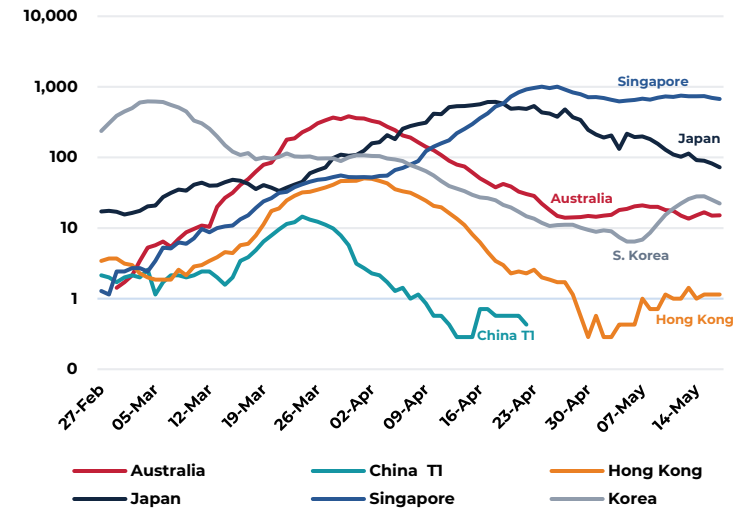
ASIA PACIFIC IS PAST THE PEAK IN COVID-19 CASES

- Major Asia Pacific countries have had success in controlling the spread of COVID-19
- By mid-May, no Asia Pacific country was in the global top 10 of COVID-19 cases
- Uncertainty regarding the return-to-normal has been rolled back with some countries further ahead in the process and setting good guidance

	Australia	China	Hong Kong	Japan	Singapore	Korea
Peak cases	497	74,149	80	1,161	1,426	851
Peak date	28-Mar	18-Feb	29-Mar	17-Apr	20-Apr	3-Mar

Source: World Health Organization and other government sources, May 19, 2020

NO. OF NEW COVID CASES PER DAY
7-DAY ROLLING AVERAGE

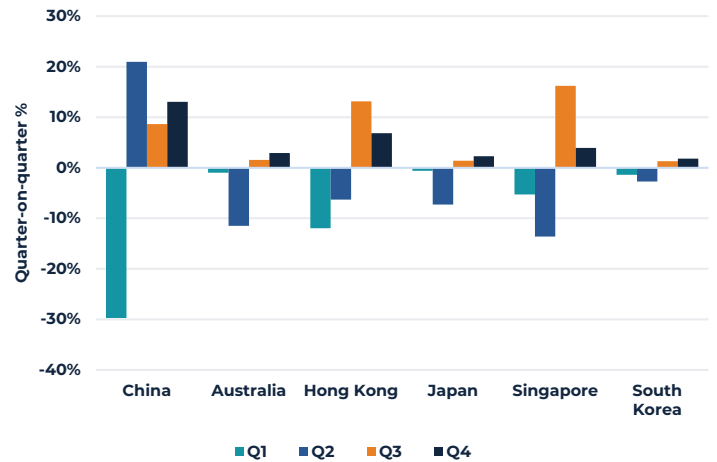


SEQUENTIAL ECONOMIC RECOVERY FROM Q3 2020

- Asia Pacific is expected to lead the global economic recovery
- Most major markets are expected see a reversal in contractionary trends by Q3
- “Heartbeat” recovery is possible, supported by generous fiscal and monetary policy
 - Stimulus packages in the region to-date range between 5% to 20% of GDP
 - Federal governments in Australia have begun to communicate second phase of policies to restore growth and employment
 - China is expected to announce further stimulus policies at the National Congress Meeting on 22 May 2020

Source: Oxford Economics, May 19, 2020

ASIA PACIFIC 2020 QUARTERLY GROWTH PROJECTIONS
Q1 2020 TO Q4 2020



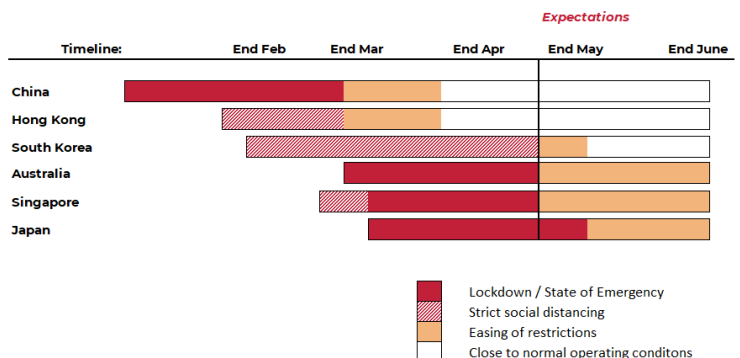
ASIA PACIFIC IS REOPENING

- Workplace mobility reports indicate a number of Asia Pacific economies are reopening with China, Hong Kong and Australia leading

How is Asia Pacific [re]opening?

- Gradual and phased
- Clear guidance on new safety and health standards
- Domestic travel allowed, expect intra-Asia Pacific travel corridors to be established in the coming months

PACE OF “RETURN-TO-NEW-NORMAL” IN MAJOR MARKETS

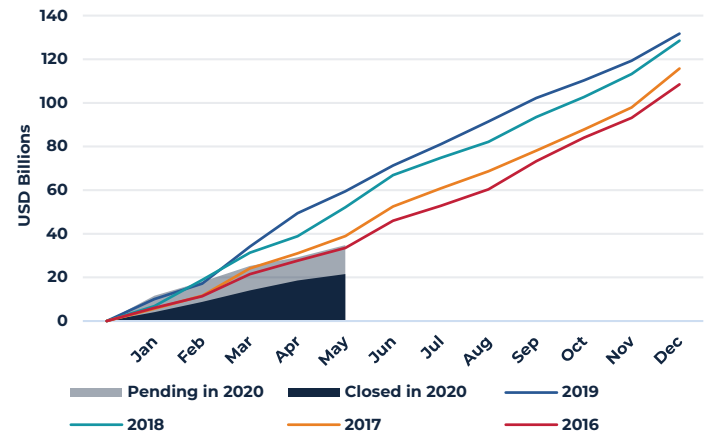


Source: AEW Research, Google Mobility Report, 19 May 2020

SLOWER TRANSACTION MARKET BUT PIPELINE IS ACTIVE

- Activity is down substantially from the same period last year, but transactions are continuing to take place
- Domestic activity is leading, either by local capital (including end-users) or foreign investors with local teams or partners
- Some buyers and sellers are taking a wait-and-see approach. Price gaps have put a pause on a number of deals and as a result price discovery is limited
- Current deal pipeline for Asia Pacific stands at \$30 billion, about half of which are in the major gateway cities. Some of these deals will go into settlement soon, helping to lift volumes in second half of the year

GATEWAY MARKET TRANSACTION VOLUME
2016 TO MAY 2020



Source: RCA, as of 19 May, 2020
 Note: Gateway markets include the following 10 cities - Beijing, Brisbane, Hong Kong, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney and Tokyo.

ASIA PACIFIC REAL ESTATE MARKETS – VARIABILITY BETWEEN MARKETS AND SECTORS

LESS IMPACT ↑ ↓ SEVERE IMPACT	LOGISTICS	<ul style="list-style-type: none"> Went into the downturn on solid footing; structural demand tailwinds and supportive supply factors in a number of markets like Australia, Japan and South Korea Digitization trends in the industry have made many occupiers adept at managing the crisis The ramp-up in ecommerce demand has helped to offset the pull-back seen from some manufacturing and trade-related occupiers
	MULTIFAMILY <i>(Japan)</i>	<ul style="list-style-type: none"> Defensive with historically low income volatility through stable rents and high occupancy Border controls could affect migrations patterns in the short-term
	OFFICE	<ul style="list-style-type: none"> Short-term rent negotiations between occupiers and landlords across markets Work-from-home arrangements may not linger in Asia Pacific as in other regions A growing case for net increase demand in office space in the medium-term through changes in future corporate real estate planning, i.e. adoption of more “core and flex”, “hub and spoke” models as well as expansion of workplace ratios in high density markets Low vacancy markets like Tokyo and Singapore could see a return to positive rental growth as early as H1 2021
	RETAIL	<ul style="list-style-type: none"> The crisis has exacerbated the structural challenges in brick-and-mortar retailing Expect increases in vacancy and rental weakness across the region Submarkets or retail sectors dependent on tourism to see a large and protracted negative impact while neighborhood retail should hold up better

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