

RECOVERY READINESS

NAVIGATING THE NEW NORMAL IN POST-COVID SINGAPORE

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Emcee



Anna Town

Head of Business Development Services,
Asia Pacific



**CUSHMAN &
WAKEFIELD**

SPEAKER AND MODERATOR



Christine Li

Head of Research
Business Development Services,
Singapore and Southeast Asia



Erwin Chong

Group Head of Corporate Real Estate
Strategy and Administration (CRESA),
DBS Bank



Yeo Yaw Shin

General Manager,
International Product and Business,
Alibaba



Brenda Ong

Executive Director,
Head of Logistics & Industrial,
Singapore



Mark Lampard

Director,
Head of Regional Tenant
Representation,
Singapore

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PART 1

COVID-19 IMPACT AND CRE IMPLICATIONS

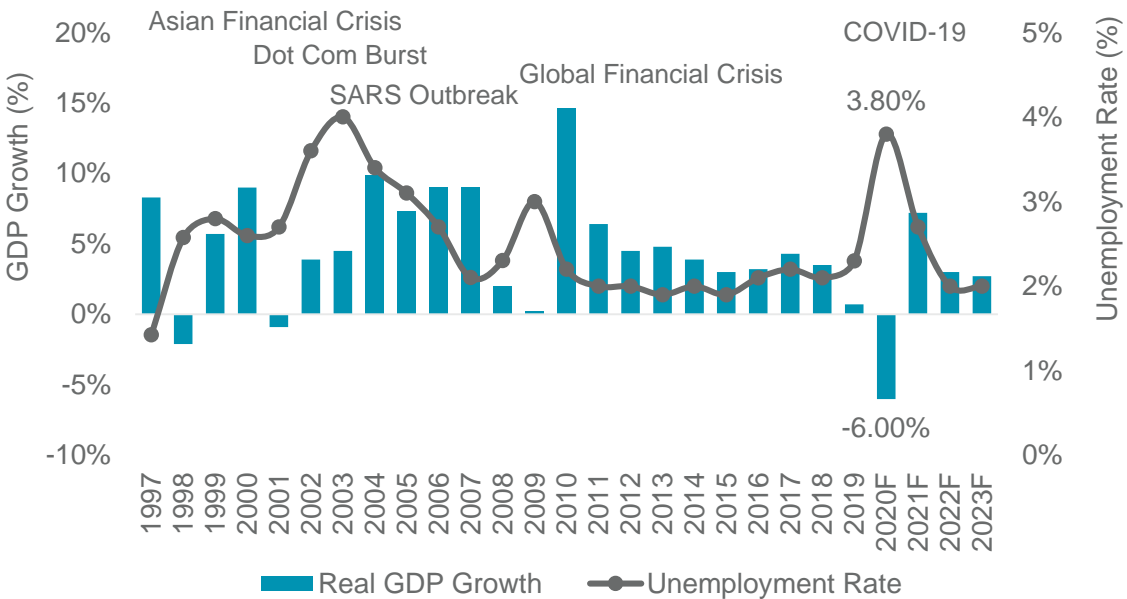
RECOVERY COULD BE A μ SHAPE

WORST RECESSION SINCE INDEPENDENCE



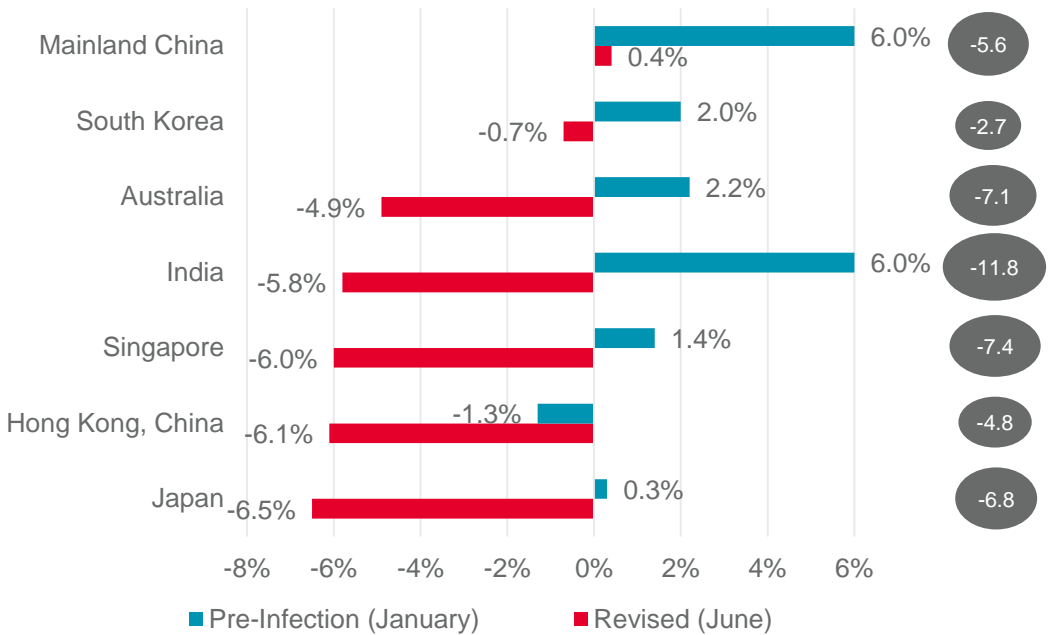
Numbers look bad but fall in GDP mainly due to lockdowns

Singapore GDP Growth and Unemployment



Economies were pretty healthy going into 2020, before covid-19

2020 GDP Growth



SOURCE: IMF, CUSHMAN & WAKEFIELD RESEARCH

COVID-19 OUTBREAK

IMPACT ON REAL ESTATE SEGMENTS



COVID-19 IMPACT



Hospitality

- High impact due to travel restrictions and quarantine
- Air travel only expected to return to norm in 2021 at the earliest
- Focus on customer service and cleanliness
- Tight management on operating costs

Impact on 2020 Rents

40% to 50% fall in Revenue per Room

Impact on 2020 Prices

10% to 20% fall in Price per Key



Retail

- Footfall diminishes
- Faster adoption of omni-channel marketing for retailers
- Innovative delivery concepts emerge

10% drop in Orchard prime rents

10% to 15% drop in retail sales



Office

- De-densification
- CAPEX plummets
- Increase in remote working and hybrid model

10% decline in Grade A CBD office rents

10% decline in Grade A CBD office prices



Industrial / Logistics

- Manufacturing affected by low global trade
- Faster e-commerce adoption
- Higher demand for pharmaceutical products

1% to 4% fall in industrial rents

1% to 4% fall in industrial prices



Private Residential

- Demand shock to rental market due to potential job losses
- Price falls mitigated due to current loan curbs and deferment of mortgage payments. Sellers have more holding power

3% to 6% fall in rents

3% to 6% fall in prices

OFFICE MARKET OVERVIEW

HIGHER IMPACT ON CBD RENTS, SUBURBAN AND CITY FRINGE MORE RESILIENT



OFFICE

Market Rent	CBD (Grade A)	\$10.61 psf/mo
	City Fringe (All Grades)	\$7.23 psf/mo
	Suburban (All Grades)	\$5.65 psf/mo

12M Rental Trend



Q1 2020 Take-up	CBD (Grade A)	92,000 sf
	City Fringe (All Grades)	-871,900 sf
	Suburban (All Grades)	0 sf

Take-up Trend

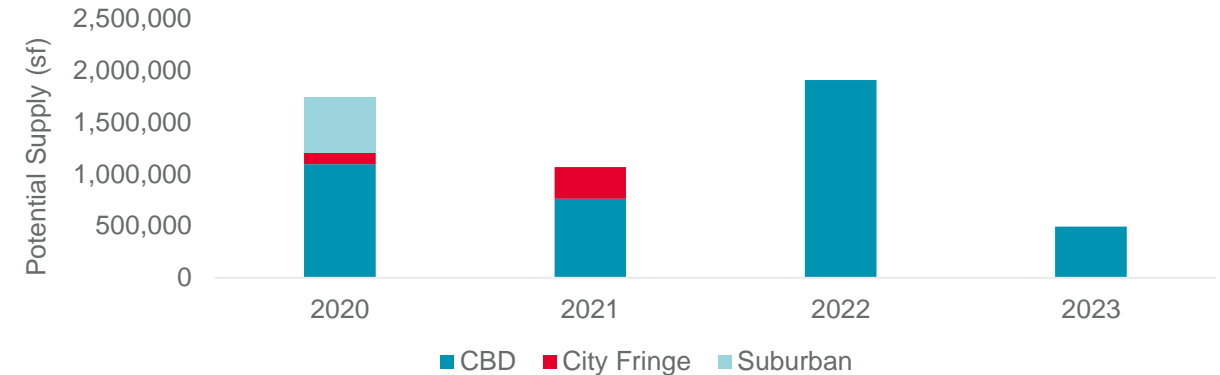


Current Vacancy	CBD (Grade A)	2.0 %
	City Fringe (All Grades)	4.2 %
	Suburban (All Grades)	6.0 %

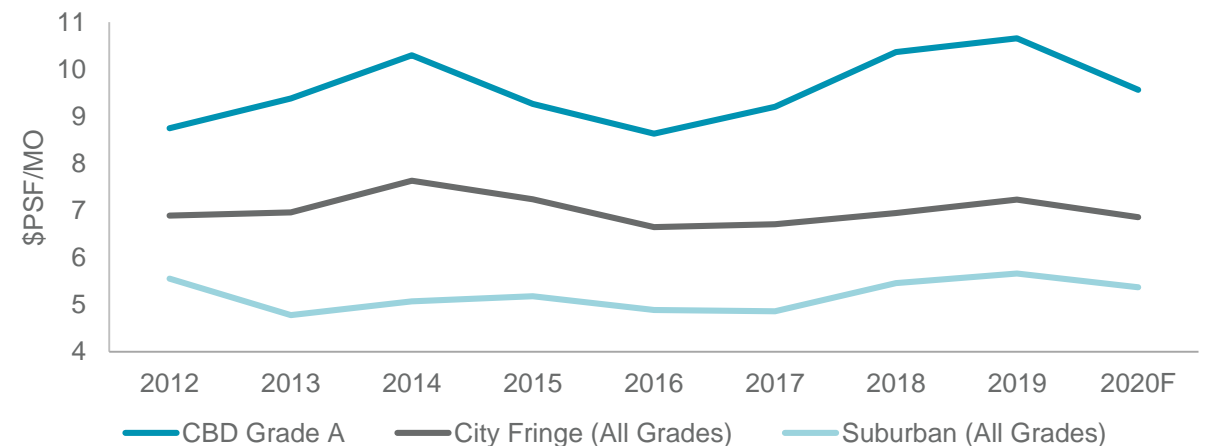
Vacancy Trend



Supply



Rents



IMPACT ON OFFICE

REMOTE WORKING COULD BE A GAME-CHANGER

COVID-19 ISSUES

IMPACT

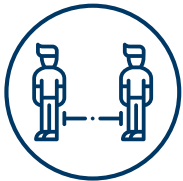
ACTION



Recession

- Higher vacancies as companies downsize or exit the market
- Reduced leasing demand, rents come under pressure

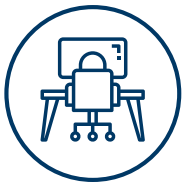
- Gain leverage to negotiate favourable terms with landlords
- Consider co-working / private offices for flexibility
- Pre-termination clauses



Social distancing

- Lower density for workplaces
- Ineffective collaboration and engagement
- Lower satisfaction for user experience

- Different collaboration settings
- Re-evaluate office portfolio
- Cubicles and meeting rooms to increase

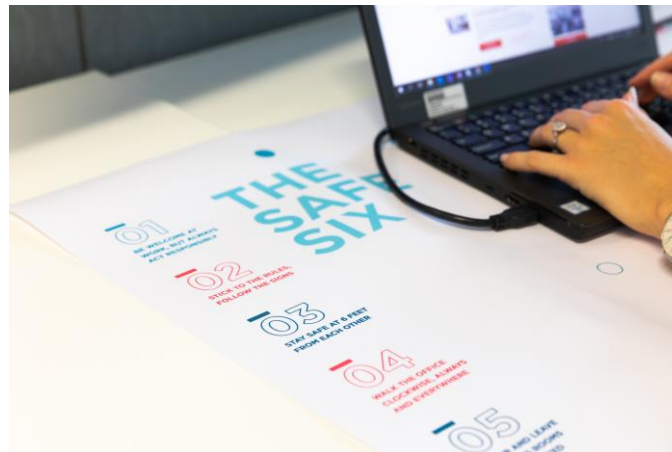
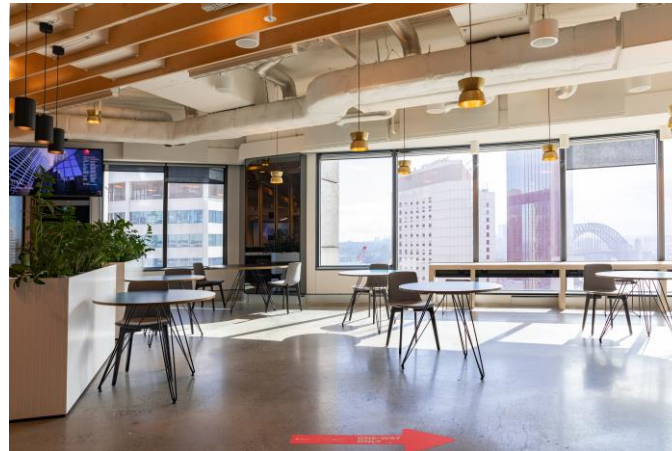


Remote working

- Lower demand for physical office space
- Rental differential between Marina Bay and other submarkets to narrow

- Identify remote working profile
- Well-being and corporate culture
- Flexible space in decentralised locations a sweet spot

KEEPING PEOPLE SAFE, MAKING PEOPLE FEEL SAFE



INDUSTRIAL MARKET OVERVIEW

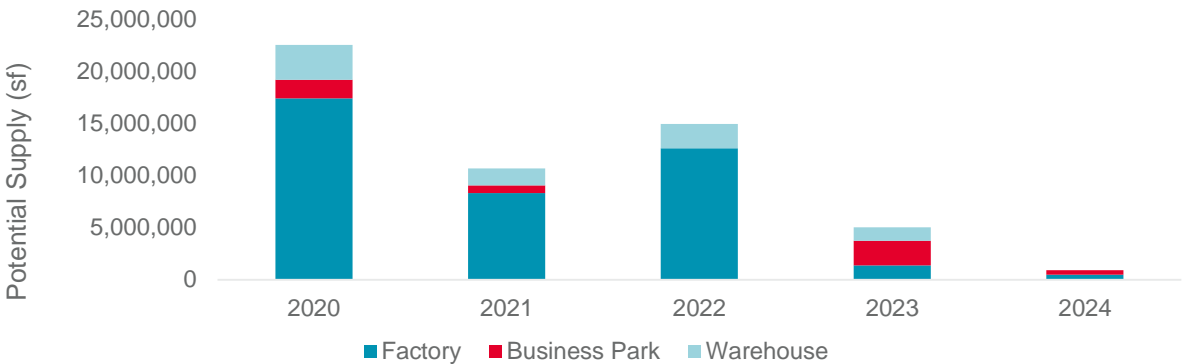
RELATIVELY RESILIENT



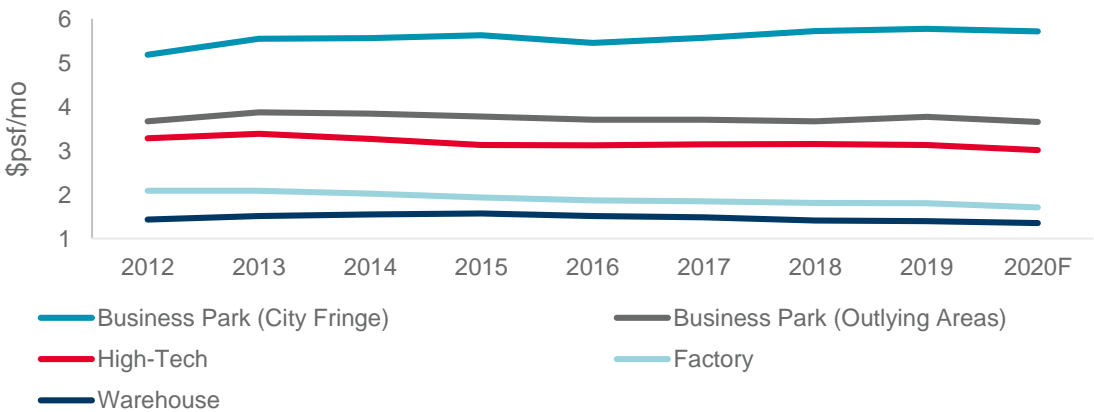
INDUSTRIAL

Market Rent	Conventional Factory	\$1.77 psf/mo
	High Tech Factory	\$3.11 psf/mo
	Warehouse	\$1.38 psf/mo
	Business Park (City Fringe)	\$5.76 psf/mo
	Business Park (Outlying)	\$3.71 psf/mo
Rental Trend	↓	
Q1 2020 Take-up	Factory	1,755,000 sf
	Warehouse	-124,800 sf
	Business Park	-86,500 sf
Take-up Trend	↓	
Current Vacancy	Factory	10.1%
	Warehouse	12.5%
	Business Park	14.0%
Vacancy Trend	↑	

Supply



Rents



COVID-19 ISSUES

IMPACT

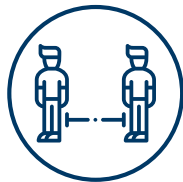
ACTION



Lower trade volume

- Weakened external supply and demand
- Lower demand for industrial space
- Space reduction / increase in shadow space

- Negotiate leases to lock down rents at attractive rates
- Reduce footprint and seek lower cost options



Social distancing

- Factories unable to operate at maximum capacity
- Shortage of workers
- Increase number of shifts leading to higher labour and utility costs

- Contain operating costs through automation and use of robots
- Negotiate for discounted rate for after-hours chiller usage



Surge in e-commerce and data usage

- Higher demand for warehouses, distribution centres, cold storage facilities, food kitchens
- Higher demand for co-location data centre spaces

- Older logistics facilities to keep up with new tech to meet demand
- Shifting data centres out of existing office buildings

PART 2

POST-COVID TRENDS

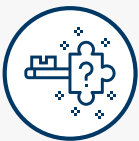
HOW SUSTAINABLE IS WFH?

WE SURVEYED 40,000 RESPONDENTS WORLDWIDE TO FIND OUT



Key Learnings

- 1. Employees can be productive anywhere not just at the office
- 2. Flexibility and choice to work from anywhere is accelerating
- 3. The new normal will be a Total Workplace Ecosystem



The Challenges

- 1. Losing out on personal connections
- 2. Working from home is tougher for younger generations
- 3. Need to focus on employee well-being



75%

of respondents feel productive when they need to focus



73%

of respondents feel companies should embrace flexible working policies

TOP CHALLENGES WORKING FROM HOME

Additional generational challenges



Sub-par connectivity



Inadequate workspace



Caregiver duties

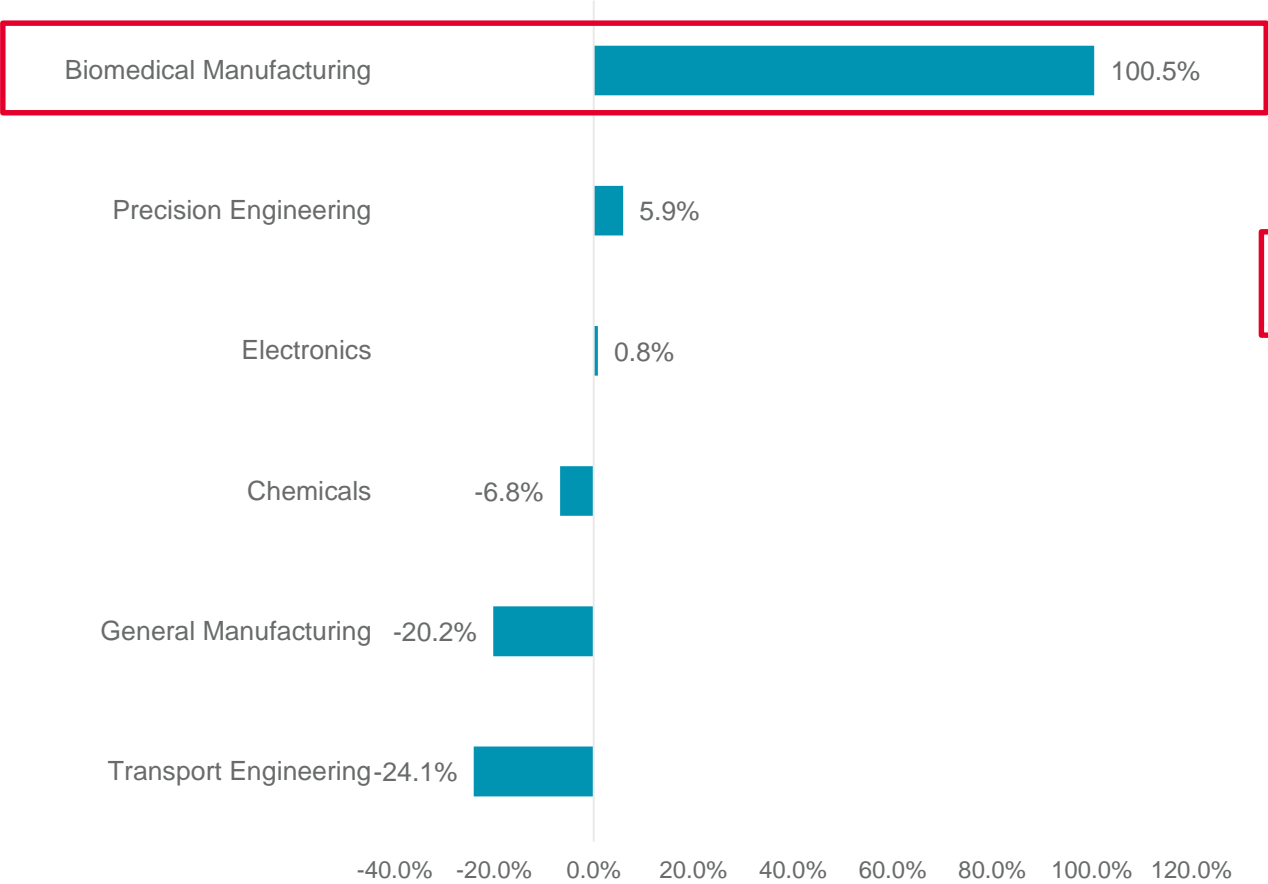
XSF@home reporting challenges

Gen Z	70%
Millennial	69%
Gen X	63%
Baby Boomer	55%
Total	64%

Source: news articles, Cushman & Wakefield Research

Source: Cushman & Wakefield

Manufacturing Output y-o-y Growth (April 2020)



ASEAN Today

Clear skies for "Cloud Kitchens" in the ASEAN region?

A virtual restaurant called a "cloud kitchen" or "ghost restaurant", works in the same way. Their kitchens only take online orders from food delivery apps. Unlike traditional restaurants, they do not own or operate spaces with an eating area for customers, or even a counter for ordering.

Conventional wisdom indicates that a brick and mortar restaurant will spend up to 10% of its revenue on rent, with another 30% on labour. It is not hard to envision savings of 20% or more in these areas alone for virtual restaurants.



LONGER TERM DEVELOPMENTS

WHAT WILL LAST PAST COVID



MEGATRENDS	IMPACT ON BOTH OFFICE AND INDUSTRIAL
Building obsolescence to accelerate	<ul style="list-style-type: none">• Mixed developments will become more prevalent: blurring of space across other real estate segments like retail and hospitality• Wave of AEI and redevelopment to make office / industrial buildings smarter
Real Estate Agility	<ul style="list-style-type: none">• Higher adoption of short-term leasing contracts, total workplace ecosystem• Automation and robotics in manufacturing, industry 4.0• Decentralised office and BP spaces in demand
AI to re-define work and space	<ul style="list-style-type: none">• More companies formed, but smaller spatial requirements per company
Demographic windfalls to drive outsourcing markets	<ul style="list-style-type: none">• Higher demand for space, capital values and rents to increase in markets (SEA & India) which benefit from outsourcing
War for talent	<ul style="list-style-type: none">• Tapping into hidden pool, increased focus on placemaking to attract talents

PART 3

KEY TAKEAWAYS

WHAT DOES THIS MEAN FOR OCCUPIERS?

EVOLVING PRIORITIES



For Occupiers



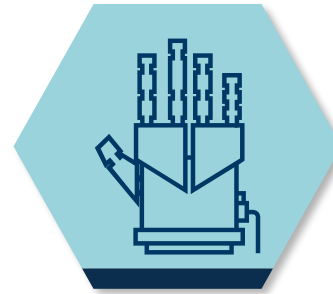
**WORK FROM
HOME**



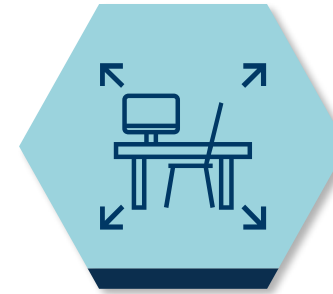
**BUILDING
HEALTH**



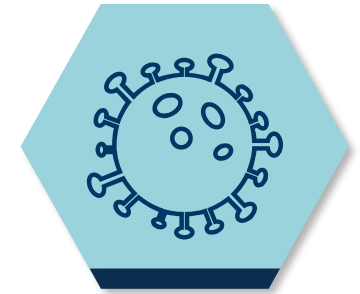
**OPERATING
COSTS**



TECHNOLOGY



**FLEXIBLE
SPACE**

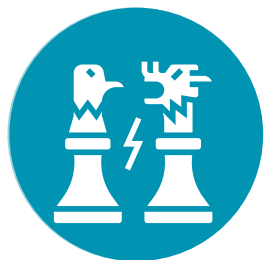


**PANDEMIC
CLAUSES**

DEAL TIMING – LARGE OCCUPIERS

GETTING IT WRONG COULD BE COSTLY

Convergence of three key events



COVID-19



Global Lockdown
Crisis



Flexible Space
Rain Check

2H 2020

A dealing sweet spot?



Magic sauce



Increase in supply from
secondary and shadow space

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Brenda Ong
Executive Director,
Head of Logistics & Industrial,
Mobile: +65 96163336
Brenda.ong@cushwake.com



Mark Lampard
Director,
Head of Regional Tenant Rep,
Mobile: +65 9847 0891
Mark.Lampard@cushwake.com