

## Singapore, Tokyo, Ho Chi Minh City, Sydney and Melbourne are Top Investment Markets in Asia Pacific for 2020, Says Emerging Trends in Real Estate®

New Forecast from ULI, PwC Points to Period of Slower Growth for Industry

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SINGAPORE (November 12, 2019) – After several years of steady growth, Asia Pacific real estate continues to produce strong returns, but caution is increasingly embedded into investor strategies, according to Emerging Trends in Real Estate Asia Pacific® 2020, a real estate forecast jointly published by the [Urban Land Institute](#) (ULI) and [PwC](#).

Singapore, Tokyo, Sydney and Melbourne are ranked as four of the top five markets for investment prospects, reflecting investor preference for regional markets that are large, liquid, and defensive. The fifth market, Ho Chi Minh City, is the lone emerging market to be viewed favorably due to its strong economic growth as it absorbs Chinese manufacturing capacity moving offshore.

“The findings in Emerging Trends reflect the prevailing sentiment throughout the industry that real estate in general is entering a period of slower growth,” said Nicholas Brooke, ULI Asia Pacific Chairman. “The major markets that are ranked highest offer significant numbers of core assets that are the preferred targets of regional institutional investors. We can expect this emphasis on core properties to continue as the market cycle changes.”

“This year’s report shows how investment interest in today’s uncertain global environment is moving towards more mature economies such as Singapore, Tokyo, Sydney and Melbourne,” said KK So, Asia Pacific Real Estate Tax Leader, PwC. “Investments from the west into in Asia Pacific have waned, but the Asia Pacific-based investors are increasingly investing in markets within the region, which presents a healthy pipeline of investment prospects for the region moving forward.”

Among the trends cited in the report:

- Challenges posed by geopolitics, particularly trade friction;
- A shift back to urban cores as safe havens;
- Broad adoption of sustainable development practices;
- A more cautious view of co-working;
- The reinvention of retail;
- Increased services for building occupants;
- A rising interest in the newest niche sectors such as cold storage and last-mile fulfillment centers;
- The impact of climate risk on real estate investments; and
- A growing investment in property technology.

Details on the top markets for investment and development in 2020:

- **Singapore** (first in investment, second in development) – The Singapore office sector has now largely absorbed excess supply and was one of the few markets in 2019 to see a surge in transactions, driven in part by cross-border capital.
- **Tokyo** (second in investment, fourth in development) – The Japanese capital continues to offer one of Asia’s most liquid markets. Record low Japanese interest rates keep borrowing costs the lowest in the Asia Pacific region and have created a good spread over the cost of debt despite the compressed cap rates.

- **Ho Chi Minh City** (third in investment, first in development) – Ho Chi Minh City offers strong economic growth, a positive demographic profile, and is benefiting from growth of the manufacturing industry as an economic driver.
- **Sydney** (fourth in investment, third in development) – Sydney continues to be a relatively liquid and mature market with numerous high-quality assets, a stable economy and higher cap rates than can be found elsewhere in the Asia Pacific.
- **Melbourne** (fifth in investment, fifth in development) – With ongoing cap rate compression and the lowest office vacancies in Australia, Melbourne continues to be one of the first places institutional investors look to place capital. Favourable demographics and a diverse local economy mean that office rents should continue to trend upwards over the next five years.

Leading buy/hold/sell ratings for the various asset classes are as follows:

- **Office** — buy Ho Chi Minh and Singapore, sell Kuala Lumpur and Hong Kong.
- **Retail** — buy Ho Chi Minh and Manila, sell Taipei and Auckland.
- **Residential** — buy Ho Chi Minh and Bangkok, sell Kuala Lumpur and Hong Kong.
- **Industrial/distribution** — buy Ho Chi Minh and Guangzhou, sell Hong Kong and Taipei.
- **Hotels** – buy Ho Chi Minh and Tokyo, sell Mumbai and Manila.

Emerging Trends Asia Pacific, which is being discussed at a series of events across Asia over the next several weeks, was released today during the ULI Asia Pacific Convivium in Singapore. The report is based on the opinions of more than 460 real estate professionals, including investors, developers, property company representatives, lenders, brokers and consultants.

The full report is available [here](#).

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