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WHAT NEXT

IQI NEWSLETTER



GLOBAL ECONOMIC OUTLOOK

GLOBAL ECONOMY – 2019: CHALLENGING TIMES LIKE 1937

The markets are in a mood and it is difficult to fathom the trajectory in the equity market in USA. Markets will move from QT to QE.

If another crisis happens, the Fed will cut rates back to zero. Other central banks will follow the Fed's lead.



Market intelligence reports are suggesting that gold will go up by 12-20% increase in 2019.

Shan Saeed

CHIEF ECONOMIST OF IQI GLOBAL



OIL OUTLOOK

Energy investors are having a rough time as Brent oil has gone down by more than 55 % in less than 82 days.

We foresee lot of volatility in the energy market with oil prices ranging from \$65 to \$77/barrel.



CURRENCY OUTLOOK

Ringgit will follow the movement of Chinese Yuan and oil outlook for fair market value. The Ringgit should attain its fair market value between 4 and 4.5 in 2019



COMMODITY OUTLOOK

Gold is trading at \$1250/oz right now. Market intelligence reports are suggesting that gold will go up by 12-20% in 2019.



AUSTRALIA

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- ★ Australian house prices will keep falling in the first half of 2019 before turning around and growing modestly, resulting in growth of about 1 per cent in 2019. Prices are then forecast to increase another 4 per cent in 2020.
- ★ In total, median house prices are predicted to fall by about 7 per cent from their peak of \$820,000 in December 2017 to a low point of about \$760,000 in mid-2019. At this low point, Australian house prices will be back where they were in 2016.
- ★ Unit prices are expected to hold up better than houses. We forecast unit prices to grow by about 2-3 per cent a year over 2019 and 2020. Unit prices are predicted to fall by approximately 5 per cent from their peak of \$568,000 in June 2017. At this low point of around \$540,000, unit prices will be back at their 2016 level.

House price forecasts*			
	2018 (estimate)	2019 (forecast)	2020 (forecast)
Australia (combined capitals)	-6%	1%	4%
Sydney	-8%	0%	4%
Melbourne	-9%	-1%	4%
Brisbane	0%	4%	5%
Perth	-5%	5%	3%
Adelaide	2%	2%	2%
Hobart	12%	2%	2%
Canberra	2%	4%	4%
* Annual change to December quarter			
Notes: Darwin excluded from forecast due to small volumes and market volatility.			

OFFICE

- ★ Total office stock in Australia stands at just above 25,210,000 square metres as at January 2018. This figure indicates an increase of 18.3% over the past ten years, with the majority of space additions located in Australia's major central business districts (CBD).
- ★ Across Australia, the majority of office stock is classed as A Grade office space, with close to 11,100,000 square metres of space (or 44% of total space).
- ★ B Grade and C Grade buildings take up 28% (7,000,000 square metres) and 15% (3,700,000 square metres), respectively, of total office stock. Premium Grade office space takes up 10% of total office stock in Australia with 2,700,000 square metres of space.
- ★ Notably, over the past ten years, total Premium Grade office space had increased by 56%, whilst A Grade office space increased by 44%. D Grade office stock in Australia takes up 3% of total stock with 814,000 square metres of space.

RETAIL

- ★ As the retail world continues to evolve and consumer behaviours change, we are also witnessing the rise of localism within the Australian retail environment.
- ★ Originated from a social and economic phenomenon, localism is becoming a major influence on consumer preferences and purchasing decisions in Australia and globally.
- ★ This means consumers are becoming increasingly attached to the local ecosystem and more involved with their neighbouring community.
- ★ This is evidenced by the fact that almost 90 per cent of Australians prefer to shop regularly at their local stores and the majority are very much interested in local affairs and community events, according to surveys by Relationships Australia. More than ever, shopping centres will have to become more deeply entrenched and connected with the catchment community they serve.



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- ★ The two stronger markets in Canada throughout 2018 have been Montreal and Ottawa, and this was still largely the case in November.
- ★ Resales rose further by a modest 0.6% from October in Montreal and stayed relatively flat (-0.6%) at a high level in Ottawa.
- ★ Demand-supply conditions strongly favour sellers in both markets, which is pressuring prices upward. Montreal's benchmark climbed 6.2% from a year ago in November and Ottawa's benchmark was up by 6.6%.
- ★ We project Canada-wide prices to increase just barely by 0.4% next year following a 2.5% gain this year and an average rise of more than 10% in the past two years.

OFFICE

- ★ The strength of the coworking market is not to be underestimated.
- ★ Growing at a double-digit rate, it is estimated to account for more than 51 million square feet of office space now, according to fourth quarter 2017 data from JLL.
- ★ Investor attitudes toward the coworking industry changed significantly in the past year.
- ★ Regarded skeptically a year ago, particularly in regard to the short-term member leases that underlay coworking tenants' longer-term building leases, investors are now considering how to use coworking strategically, particularly in urban areas.
- ★ Building owners may run the coworking space themselves or lease it to another coworking operator, using the industry strategically to occupy space. The coworking market is also being capitalized, sometimes by real estate firms.

RETAIL

- ★ Several veteran retail landlords interviewed noted a trend toward shorter lease terms. Conventional wisdom saw long lease terms as a plus, by reducing re-leasing risk.
- ★ Today's world is characterized by newer, unproven brands, and by tenants who reinvent themselves every five years.
- ★ These interviewees note their evolving thinking that landlords cannot risk a long lease term on a new tenant when there is no way of knowing whether it will still be relevant to the consumer in five to ten years.
- ★ The ultimate in short lease terms—the pop-up marketplace—is gaining traction in diverse markets including high-end properties.



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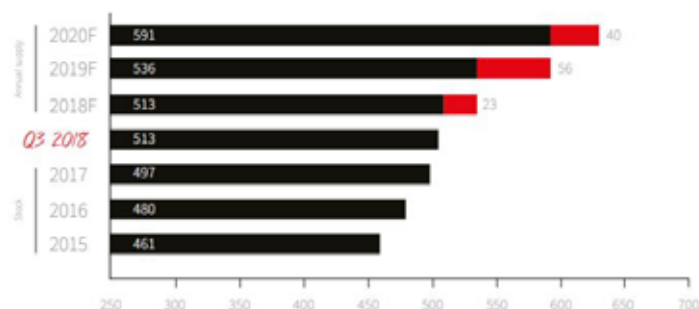
- ★ Sale and rent prices continued to decrease over the quarter for both apartments and villas. Apartment prices have decreased by 7%, with rents decreasing around 10% compared to the same period last year.
- ★ Prices and rents have also fallen in the villa sector, by 8% and 9% respectively when compared to the same period last year.
- ★ According to data from Dubai Land Department (DLD), the total value of sales transactions excluding land stood at AED 12.3 billion till Q3 2018, which represents a decline of 32% compared to the same period last year.

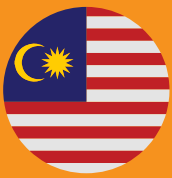
OFFICE

- ★ With the office market moving further in favour of tenants, landlords continue to offer more attractive terms. These include reductions in rental rates, rent-free periods, fit-out contributions and other concessions, all in an effort to retain existing and attract new businesses.
- ★ As a result, rents have declined by almost 13% Y-o-Y to reach AED 1,638 per sq m. This trend is likely to continue in the short-term, given the increased availability of Grade A stock in the market.
- ★ Another sign of an increasingly flexible leasing market is the announcement of more 'dual licensing' arrangements, allowing free zone and on-shore licensed companies to lease space in the same project.
- ★ We are aware of 8 dual licensed projects, offering a combined 1.3 million sq m of office space and this is likely to increase as more projects are granted dual license status.

RETAIL

- ★ The third quarter of 2018 saw the completion of Badrah Pavilion Community Centre in Nakheel's Jebel Ali Waterfront development (adding around 5,000 sq m of retail GLA) bringing the total stock to approximately 3.7 million sq m.
- ★ The remainder of 2018 is expected to see much higher completion (around 350,000 sq m of GLA), with notable projects including the Night Souk on Deira Islands, The Pointe on Palm Jumeirah and The Souq at Culture Village.
- ★ We remain cautious of the timings of many of these projects as delays have been experienced in the past and market conditions remain subdued.





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- ★ Prime housing market are generally holding firm while more property launches are expected amid improved market sentiment.
- ★ The slight upward revisions in stamp duty and real property gains tax (RPGT) rates announced in the government's Budget 2019 are unlikely to have significant impact on the market although the growing mismatch in supply and demand coupled with rising financing costs will continue to impinge on price growth as the market finds its equilibrium.
- ★ The exemptions and initiatives, in particular the waiver of stamp duty on the instrument of transfer and loan agreement for residential homes valued up to RM300,000 for a two- year period and the six-month waiver of stamp duty charges for properties priced from RM300,001 to RM1.0 million, are expected to kick-start the housing market moving into 2019

OFFICE

- ★ The rise of shared offices and co-working segments provided a slight breather to the oversupplied office market.
- ★ While we are starting to feel the impact of the trade tensions flow through the Asia-Pacific office markets, sound economic conditions are expected to support office demand and drive steady rental growth across the region
- ★ Average rents are expected to see little growth, going forward.

RETAIL

- ★ Going forward, the Greater KL retail market will continue to face increased competition due to the influx of retail supply while the ongoing digital disruption in the retail industry means that all retail players must adapt to the rapid changes in the retail environment in order to remain relevant.
- ★ New malls are requiring longer periods to reach desirable occupancy rates, while landlords are compelled to offer heavy discounts to retailers to attract them into their malls. We expect this trend to continue in 2018.
- ★ Nonetheless, well-located prime malls are expected to remain as preferred shopping destinations and locations for existing retailers and new-to-market retailers. This is reflected in Savills Prime Retail Index which recorded a 5% YoY growth.



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- ★ For the end of 2018, vacancy of about 11% given the strong demand from both Chinese offshore gaming employees and local professionals.
- ★ This is a downward adjustment from our initial projection of 12% to 13% at the start of 2018. Besides sustained demand, we attribute the lower vacancy rate to slower delivery of units. Our updated projection of 9,600 units for 2018 is about 30% lower than our initial estimate of 12,400.
- ★ By end 2018 we see average lease rates growing by only between 0.6% to 1%. From 2019 to 2021, we project lease rates to grow by only 0.3% to 0.4% per annum as we see the delivery of more units into the secondary market.

OFFICE

- ★ Overall demand remains strong as recorded 810,000 sq metres (8.72 million sqft) of net take-up for the first three quarters of 2018. This is more than double the 370,000 sqmetres (3.98 million sqft) posted in the same period in 2017.
- ★ Given the current market conditions and sustained pre-leasing, there's a net take up of 344,000 sqmetres (3.70 million sq ft) in 4Q2018 which should bring 2018 net absorption to 1.15 million sq metres (12.4 million sqft). This is higher than earlier projection of 1.06 million sq m (11.4 million sq ft).
- ★ The 2018 figure will likely be the highest net take up in Metro Manila's history. Strong pre-leasing activities indicate that robust demand will probably be carried over to 2019.



RETAIL

- ★ From 2019 to 2021, F&B to occupy at least half of new retail space across Metro Manila. We also see demand for home furnishings picking up while demand for footwear and clothing will likely slow down over the next 12 months.
- ★ In 3Q2018, Ayala Center rental rates averaged PHP1,665 (USD30.8) per sq m per month, up by 2.5% compared to rental rates in 1Q 2018. Meanwhile, the average lease rates in Ortigas Center averaged PHP1,549 (USD28.7) per sq metreper month in 3Q2018, up by 2.6% compared to 1Q 2018. From 2019 to 2021, we expect rental growth for Ayala and Ortigas Centre to hover between 1% and 2% per annum.



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- ★ The average price of new condominiums launched in 3Q 2018 was around THB137,933 per sq m, a increase of approximately 26.4% from the past quarter, because most condominium projects launched in 3Q are located along the mass transit line extensions currently.
- ★ During the past 1–2 years, the average selling price of new condominium units has continued to increase at approximately 15–20% annually and has been even higher in some locations.
- ★ Many developers have focused on constructing units with selling prices of THB 70,001–150,000 per sq m especially in 2018, for roughly 53% of units launched in 3Q 2018 are located in areas along mass transit lines as it provides good transportation links around Bangkok

OFFICE

- ★ Asking rents are expected to continue to increase, although maybe by a few percentage less than in the past 1–2 years. Most Grade A and B buildings in Bangkok's CBD Area have increased their rents, due to a high take-up rate and limited new office space being added to the market as well as continuing demand during the past few years.
- ★ Although some Grade A office buildings in Bangkok were asking more than THB1,500 psm per month, other Grade A buildings in a similar location were offering office space at less than THB1,000 psm per month.
- ★ The average rental rate of Grade A office buildings in the CBD Area was around THB970 per sq m per month, which remains similar to the previous quarter.
- ★ Office rents in the area along Ratchadapisek Road were higher than in areas along Phahonyothin Road due to many new office buildings being completed in the past few years and all buildings were asking high rental rates compared to older buildings in the same location.

RETAIL

- ★ The average rental rates of all locations in Bangkok and the surrounding areas are similar to those of the previous quarter. However, many international brands and shops are still more focused on increasing the number of stores, as Thailand still has room to grow over the long term.
- ★ Therefore, rental rates have continued to increase during the past few years. The City Area has the highest rental rates, which are probably higher than THB3,000 per sq m / month for some shopping malls in prime locations or with direct access to BTS stations. The rents in the Bangkok Suburban Area start at THB500 per sq m / month for retail space in some community mall projects.



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- ★ An estimated 57% of the homes offered for sale in HCMC were mid-end products, priced at US\$800-US\$1,500 per square meter. High-end and low-end housing in HCMC accounted for 35% and 8%, respectively.
- ★ While the high-end segment recorded a price hike of 8-9% against last year, the prices of the mid-end and low-end segments have remained stable this year, only picking up 1%-3% in certain projects. High-end houses may see prices up to US\$6,000-7,000 per square meter given the limited supply in central areas.
- ★ Overseas Vietnamese were the main home buyers last year, but now, 70% of home buyers are investors from China, South Korea and the United States, with respective proportions of 41%, 19% and 3%.
- ★ Home purchases for investment in the high-end segment have risen from 50% as of last year to 61%. Meanwhile, only 26% of home buyers will live in these houses, and 13% are buying to invest over the short term, compared with last year's figures of 35% and 15%, respectively.

OFFICE

- ★ Ho Chi Minh City's office market had increased to 1,945,000 sq m, with overall Grade A and Grade B occupancy rates standing at above 95 per cent. The overall rental rate is expected to continue its upward trend with support from healthy demand and increased quality in future supply.
- ★ A large volume of high-quality Grade B supply is also projected to be completed by 2020 and will likely put pressure on the Grade A sub-market in the future, especially long-standing Grade A projects with deteriorating quality.
- ★ In Hanoi, demand for Grade A and B office space in 2018-2019 will increase on the back of positive economic growth. Higher occupancy rates were observed in both as new set-up and relocation purposes continue to be the main drivers of office demand.

RETAIL

- ★ Regarding retail brands, international players continue to gain foothold by expanding in Hanoi's market. For instance, in fashion and accessories, H&M opened the second store in another shopping mall in Hanoi.
- ★ The competition landscape, therefore, is predicted to be more intense, forcing local retailers to improve the product portfolios and operational process. With respect to entertainment category, foreign brands as CGV ranked first in terms of number of cinemas in Hanoi, making up around 60% of total number of cinemas.
- ★ Moreover, domestic supermarkets currently dominate the shares of supermarket in Hanoi with notable brands such as Vinmart and Fivimart.



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parcour

IQI leaps to new heights! Members of team IQI organized and took part in an exhilarating parkour tournament that really got everyone's adrenaline pumping.



"Ho ho ho! The teams from IQI branches got together for an afternoon of fun and games to celebrate a Merry Christmas and carry out a Secret Santa exchange!"

#IQIMoments

