



GLOBAL ECONOMIC OUTLOOK 2018

“ At IQI we continue to stay optimistic about the growth outlook of ASEAN and China. The upcoming Federal Reserve minutes will clearly state that the interest rates will go up and by year end we are expecting the interest rates to be hovering between 2.5 and 2.75. There has been policy uncertainty in the US Administration where President Trump doesn't want higher interest rates and Jay Powell Chairman of Federal Reserve wants higher interest rates. This will send negative signals to the marketplace and the equity and bond market will remain volatile. ”



MALAYSIA OUTLOOK

Malaysia GDP will remain between 4.6% to 5.1%. On the other hand, the Ringgit will range between 4.00 – 4.6 due to some factors. If the Ringgit hovers at 4.00, this is probably due to oil being at \$100/barrel. If it does touch 4.60 this is probably due to the Chinese Yuan reaching 7.20. The budget deficit will be between 3.5% to 4%. Inflation will reach 2.5% to 3% while discount rates are between 3.25 to 3.75. Here we witness a regime where interest rates are going higher globally due to higher oil prices.



OIL OUTLOOK

Oil will meander around \$73/barrel to \$107 /barrel. The premises for this are geopolitical risks, supply constraints and a demand touching 100 million barrels per day by Q4 2018 or by Q1 2019.

CURRENCY OUTLOOK



The Indonesian Rupiah has gone down by 11% and Philippine Peso is down by 8%. The Vietnamese dong on the other hand is down by 2.93% while the Malaysian Ringgit is down 2.97% year-to-date.

CONCLUSION

Final thoughts are that the equity market will remain volatile. We are expecting further correction of 10% - 20% by the market because valuations are elevated and they are over and above the fair value which are bound to correct due to high interest rates. November 4th is a date to watch out for as US sanctions are being placed against Iran causing a shift in atmosphere. According to the Economist magazine: Asia, the fastest growing region in the global economy, stands out for its embrace and development of digital economics. From the factory floor to retail shopping and everything in between, digital technologies are profoundly transforming economic activity across the continent. Digital Asia: Asia's digitally transforming economies”



The world is heading towards deflationary recession whereby some economies will be on the upsurge and other economies will remain with a disappointingly low growth rate

SHAN SAEED
CHIEF ECONOMIST
OF IQI GLOBAL



AUSTRALIA

CONTACT US

+61 3 8610 6797

Level 3, Collins Street Tower,
480 Collins Street,
Melbourne Victoria 3000



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- ★ On average, suburbs across Perth have 1.3% of properties listed for sale. However, there are 95 suburbs which have a ratio below 1.3%. For example, in Nedlands and Greenwood, just 0.4% of properties are listed for sale. Established suburbs with current low levels of stock are generally located close to the City such as Mount Hawthorn, Leeming and Bullcreek all of which have just 0.6% of properties listed for sale.
- ★ There is also an undersupply of properties for sale in well-established coastal suburbs such as City Beach, Ocean Reef and Heathridge which only have 0.5% of homes currently for sale.
- ★ During 2018, we'd expect to see an upswing in property prices in these undersupplied suburbs of Perth while the overall market should remain steady with no further price drops. The rental market should also begin to recover during 2018 based on a further decline in the number of properties listed for rent. While rents overall may not increase during 2018, the huge discounting in rental prices that landlords have had to endure over recent years should come to an end over the coming year.

OFFICE

- ★ Prime net effective rents continue to climb, sitting at \$425 per sqm as of the end of the second quarter. This represents an increase of 1.7% quarter-on-quarter (QoQ), and 13.3% year-on-year. Net incentives remained stable QoQ at 28%. Outgoings also increased QoQ due to higher land taxes, foreign ownership taxes and electricity costs. In light of ongoing tenant demand, rents are forecast to trend upwards until 2020, when momentum will be halted due to significant supply additions.
- ★ Over the past two years Melbourne CBD's leasing activity has been dominated by large pre-commitment leases. With the first of this new supply now reaching completion, attention will begin to turn to backfill opportunities. However with the market in their favour, landlords are strategically considering timing and refurbishment options for these spaces.

RETAIL

- ★ The tenancy mix in the Melbourne CBD retail core remains dominated by clothing and food retailing, collectively accounting for 61.7% of the total number of shops.
- ★ Despite a decline of 1.4% points compared to a year ago, food retailing is still the largest retail type at 31.4%.
- ★ Clothing retailing - the second largest retail type at 30.3% - also saw a decrease of 3.2% points. Footwear retailers (Mountfords on Bourke Street and Joanne Mercer on Elizabeth Street) and Unisex clothing (Godwin Charli at Emporium and Ted Baker on Little Collins Street) were notable vacancies.
- ★ Shopping Centres account for the majority of clothing, footwear & soft goods retailers, while food retailers are mainly found within Street Frontage retailers.



CANADA

CONTACT US

+ (1) 905 795 1818

+ (1) 905 795 8668

cell. + (1) 647 669 9222

6705 Tomken road unit 226,
Toronto (Mississauga) L5T 2J6



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- ★ Toronto's September resale housing report from TREB shows home sales rose by a brisk 1.9% from September 2017 but only .2 % from last month. The average selling price for September 2018 rose by 2.9% to \$796,786, over August's stats. The average price of a detached house in the GTA rose to \$1,008,361.
- ★ In September, there were 15,920 new listings, substantially up from August.
- ★ There were 12,166 new listings in August compared to July's 13,868, a drop of 1702 listings. In August of 2017, there were 11,523 new listings. It's a good time right now to buy.

OFFICE

- ★ The positive momentum continued for the Canadian office market in the second quarter of the year. Employment numbers revealed continued strength in the job market adding nearly 32,000 jobs in June bringing the 12-month total to 214,900 new jobs. And, according to the Bank of Canada's most recent Business Outlook Survey – Spring 2018, intentions to increase employment over the next 12- months edged up, particularly in services.
- ★ Despite these numbers, with more people searching for work the unemployment rate rose slightly, up 20 basis points to reach 6.0 percent in June. Office market fundamentals remained largely positive in the second quarter; the Canadian office vacancy rate dropped 10 basis points to reach 12.0 percent.
- ★ The pace of occupancy gains rose considerably as over 760,000 square feet were absorbed nationally, up from a mere 65,057 square feet in the previous quarter, and leases signed greater than 20,000 square feet almost doubled led by continued strong demand from a space hungry tech sector

RETAIL

- ★ Online shopping continues to gain popularity in Canada, notes the study, and it's estimated that almost 50% of what Canadians purchase online comes from foreign websites. One of the benefits to this is that international retailers are able to study online consumer shopping patterns to determine if Canada is a viable market to open stores.
- ★ The study says that retailers from Europe and Asia, particularly within the luxury category, see that "there is a viable market for them in Canada, which is backed by strong consumer demand and the potential to spend".



DUBAI

CONTACT US

+971 4 352 474 8

+971 4 352 474 3

Al Moosa Tower 1, Level 3,
305, Sheikh Zayed Road,
P.O.Box 9567 Dubai



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- ★ Continuing the trend we saw throughout 2017 and 2018, Dubai Marina once again was the most searched for location when it comes to renting apartments in Dubai. The average price for studios, 1 and 2-bedroom flats decreased on average for this quarter at AED 55k, AED 81k and AED 120k respectively.
- ★ Another popular established neighbourhood is Al Nahda, where prices for studios and 1 BHK units went down to AED 35k and AED 44.1k respectively and 2-bedroom apartments remained at AED 60k.
- ★ The most budget-friendly flats in Dubai for Q3, 2018 are the apartments in International City, where prices on average came down with 2-bedroom flats showing the steepest decline of 8.33% at AED 55k.
- ★ The list of top 10 areas for renting apartments in the Dubai property market featured a healthy mix of 'old' and 'new' neighbourhoods. The other popular areas to rent flats in Dubai include Deira, Bur Dubai, Dubai Sports City, Dubai Silicon Oasis, Jumeirah Lake Towers, Jumeirah Village Circle and Business Bay.

OFFICE

- ★ Current market conditions continue to be tenant favourable across most grades, with the decline in rents forcing strata landlords to choose between leasing at lower rents, or incurring opportunity cost for extended vacancy periods.
- ★ The report said over 1.3 million sq ft of space has been delivered in 2018 so far, while another 0.44 million sq ft is expected over the remainder of the year.
- ★ CORE noted that the supply of new prime office space is expected to continue increasing over the next two years, with marginal additions through secondary stock coming to market due to footprint optimisations by large blue-chip occupiers.
- ★ The report added that job growth will gradually gather momentum, but a pause on spatial expansion is anticipated.

RETAIL

- ★ Uncertainties ahead flowing from "the introduction of VAT, rising interest rates and inflation which is nudging up." But Dubai, with its more diversified economy, is in a much better place than Abu Dhabi, Durrani emphasized, with the latter more dependant on economic growth from hydrocarbons.
- ★ In retail, if you are seeing a decrease in rate of job creation at the top end, that trickles through to retail." Footfall and occupancy rates in prime retail space in Dubai have showed no sign of weakening, said Durrani. Prime space occupancy is at about 100 percent, he added. However, at secondary or tertiary retail properties, there have been signs of softness, according to property consultancy JLL



MALAYSIA

CONTACT US

+6 03 7450 6655

VSQ@PJCC,
Block 6-10-1, Jalan Utara
46200 Petaling Jaya, Selangor



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- ★ This follows the historic conclusion of Malaysia's 2018 General Election, coupled with the strong growth momentum of the economy, it said in a statement released with its Real Estate Highlights: 1st Half of 2018.
- ★ Knight Frank Malaysia managing director Sarkunan Subramaniam shares that the property market saw a gentle recovery during 1H2018 as more clarity in the policies of the newly elected government unfolded.
- ★ In the high-end condominium segment in Kuala Lumpur, Knight Frank Malaysia's associate director of residential sales & leasing Kelvin Yip observed that potential buyers and investors are switching away from a "wait-and-see" approach and are genuinely seeking for bargains in the market.
- ★ Furthermore, "developers are getting more aggressive in promoting their products by conducting nationwide roadshows. Based on the current trend, we expect the residential market to record more transactions in 2H2018", Yip shared.

OFFICE

- ★ Office rents are expected to remain competitive due to oversupply in certain locations, with the exception of Penang, which has a robust office market with limited existing and incoming supply
- ★ According to the report, the office sector in Penang has registered slight improvements in both occupancy and rent levels in 1H2018.
- ★ The outlook of Penang's office market is expected to remain resilient with no immediate incoming supply and increasing demand, especially from corporations as Penang has the highest approved manufacturing foreign direct investments in the country at RM8.5 billion in 2017.

RETAIL

- ★ Seven new malls that were completed as of Jan 2018: KL Gateway (300,000 sq ft), Ikano's MyTOWN Shopping Centre (1.1 million sq ft), CapitaLand's Melawati Mall (620,000 sq ft), Amerin Mall (155,000 sq ft), phase two of Mitsui Outlet Park KLIA (97,000 sq ft), M Square Shopping Centre (380,000 sq ft) in Puchong and Evo Bangi (245,000 sq ft).
- ★ A decline of 1.5% y-o-y for retail occupancy rate in KL with an average of 87.5% at the end of 2017.
- ★ Suria KLCC and Pavillion KL are setting the benchmark for the premium rental space in KL with RM220 per sq ft per month and RM110 per sq ft per month respectively.
- ★ In 2017, Malaysia's e-commerce market recorded a penetration rate of 2.5%. The forecasted stated that it would reach 4%-5% in 2018.



PHILIPPINES

CONTACT US

+632 551 9215

RM 272, 2F Comfoods Buildings,
Sen. Gil J. Puyat Avenue,
Corner Chino Roces Street
Makati City



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- ★ Average rents in prime three-bedroom units in Makati CBD recorded a 0.9% increase to PHP540-1,080 (USD10.2 to 20.4) per sq m a month from PHP530 - 1,075 (USD10 to 20.3) in 1Q2018. Monthly lease rates in Fort Bonifacio and Rockwell also rose by 0.4% and 0.2%, respectively.
- ★ Despite the slow recovery in rents, 2Q2018 results indicate that lease rates have picked up and arrested the decline in rents recorded in the past four quarters. Prime condominium units in Rockwell Center still command the highest rental rate averaging PHP874 per sqm per month (USD16.40 per sq m per month).
- ★ This is followed by Fort Bonifacio at PHP811 per sqm per month (USD15.20 per sq m per month) and Makati CBD at PHP810 per sqm per month (USD15.20) per sq m per month. We see an increase in lease rates of between 0.5% and 1% for 2H2018.
- ★ From 2019 to 2021, we expect flat to marginal rise in rents for the three business districts. We project lease rates to grow by only 0.3% to 0.5% per annum during the three-year period as we factor in the new supply especially in Fort Bonifacio.

OFFICE

- ★ Prime and Grade A office space in major business hubs such as Makati and Fort Bonifacio continue to command the most expensive rates in the country's capital, ranging from PHP850 (USD15.90) per sq m to PHP1,700 (USD31.78) per sq m.
- ★ The rates are about 9.7 % higher compared to year-ago levels. As of 2Q2018, landlords in the Manila Bay Area charge between PHP800 (USD14.95) per sq m and PHP1,500 (USD28.04) per sq m a month, up by about 37% YoY.
- ★ The brisk demand from offshore gaming firms has raised average rental rates in the emerging business district. Prior to the influx of offshore gaming firms, lease rates in the business district ranged between PHP600 (USD11.22) and PHP750 (USD14.02) per sq m a month.
- ★ Rents in Ortigas Center hover between PHP650 (USD12.15) and PHP900 (USD16.82) per sq m a month, representing a 10.7% increase YoY. We see average rents across Metro Manila rising between 8% and 10% annually over the next three years.

RETAIL

- ★ Overall, about 1,700 new hotel rooms were completed in Manila in just the first six months of 2018, already surpassing the 1,580 new rooms that opened in 2017.
- ★ Four- and five-star hotels accounted for more than 60% of the new units that were completed in 1H 2018.
- ★ For the remainder of 2018, Colliers expects the completion of about 1,100 new hotel rooms. Among the new hotels due to be completed in 2H2018 are Seda BGC Tower 2, Sheraton Hotel Manila, and Hilton Manila.
- ★ Nearly half of the new hotel rooms are scheduled to be in the Newport City; about 30% in Fort Bonifacio; and the remaining 21% in Makati fringe. Barring any construction delay, we expect the completion of a record-high 2,800 new hotel rooms across Metro Manila in 2018.



THAILAND

CONTACT US

+66 81 909 0599

128/405 Unit F, 37th Floor,
Phyathai Plaza Building,
Phyathai Road, Thung-Phyathai,
Ratchathewi, Bangkok 10400
Thailand.



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- ★ More than 2,700 units of new condominium units were launched in the first half of 2018 in the area along the Blue Line and probably more than 3,000 units are scheduled to be launched in 2H 2018.
- ★ While, the area along the Green lines both Southern and Northern parts also interesting for all developers, especially the Northern Green line along Phahonyothin Road. For the lines that are construction in 2018 such as Yellow, Pink and Orange lines in the past few months are still not enough attractive condominium developments, but next year or when the constructions begin probably different.
- ★ Only few condominium projects were launched in some location of Yellow, Pink and Orange lines in the past few months and only few projects were planning to launch new projects in second half of 2018.
- ★ The New Residence Buyer's Confidence Index, compiled from a survey by the University of the Thai Chamber of Commerce, continued to increase from March 2018 (56) to only 57 in July 2018, the higher in the past many months.

OFFICE

- ★ The office market in Bangkok has shown the highest occupancy rate in many years after much demand from multinational and Thai companies. Most office buildings along the three main roads in Bangkok are more than 92% occupied, especially Grade A office buildings.
- ★ The government is working to attract more foreign investors and businessmen by promoting new special economic zones at the bordering provinces around Thailand, and in the Eastern coastal area.
- ★ All foreign investors who are looking to Thailand for investments must first of all be start with an established company and seek office space for their business in Thailand.
- ★ While overall the country situation and its economic outlook are trending positively, the office market will continue to grow in 2018 - 2022.

RETAIL

- ★ Approximately 681,760 sq m of new retail space is expected to be opened in 2018. Amongst new retail supply currently under construction are some large-scale shopping malls that are scheduled to be opened in 2018-2020.
- ★ Around 74,557 sq m of new retail space was opened in the first half of 2018, pushing the total retail supply in Bangkok and the Surrounding Area up to 7,953,226 sq m.
- ★ Most of the new retail centres which were opened in the past six months are shopping malls, followed by supporting retail in office buildings. Bangkok Outer City Area is the most fashionable location for new retail supply in the future, due to more than 60% of total future supply being located in this area.



VIETNAM

CONTACT US

+84 28 3910 4855

2nd Floor, Capital Place,
6 Thai Van Lung, District 1,
Ho Chi Minh City, Vietnam



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- ★ In the apartment sector, thirteen new projects and next phases of 18 projects provided 6,910 units, down -29% QoQ but up 12% YoY. Primary supply was 27,380 units, down -2% QoQ but up 14% YoY.
- ★ Sales were down -16% QoQ but up 11% YoY. The absorption rate decreased by -4 pts QoQ and -1 ppt YoY to 24 percent. The average asking price was US\$1,330/m², up 6% QoQ and 5% YoY. Grade B continued to dominate with 60% of stock, followed by Grade C with 33 percent.
- ★ In last quarter of 2018, more than 4,500 units will enter from 11 projects, most are Grade B.

OFFICE

- ★ One new Grade B and one new Grade C office provided approximately 9,000 m². Total office space reached over 1.8 million m², increasing 1% QoQ and 6% YoY.
- ★ Overall performance continued to improve with average rents increasing 3% QoQ and 7% YoY. The surge was due to rent increments across all grades, especially Grade A. Average occupancy was 97%, up 1ppt QoQ. Given the very low vacancy rates and lack of new supply in upcoming quarters, the office segment expected to continue its strong performance.
- ★ By 2020, approximately 387,000 m² will be added.

RETAIL

- ★ Total stock was 1.2 million m², with over 55,000 m² added due to the entry of three shopping centers and two supermarkets. One department store downsized, withdrawing 7,300 m².
- ★ Average gross rent decreased -1% QoQ and -3% YoY. New supply in the non-CBD offered competitive rent. Average occupancy increased 1ppt QoQ even after the entry of new supply.
- ★ Retail sales had strong growth at 12% YoY, in which F&B grew 13% YoY. High retail density in the CBD and NUAs are encouraging retailers to renovate and revise the tenant mix for wider appeal. In Q4/2018, over 100,000 m² will be added in non-CBD districts, which will pressure overall performance.



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LOVE RUN | 2018 @MALAYSIA

On the 20th October 2018, IQI organized the LoveRun 2018.

The LoveRun 2018 is a charity run aimed at spreading awareness and banding together as a community to show support for the underprivileged. With close to 3000 participants, the LoveRun helped raise funds for various charities located within Malaysia. IQI looks forward to organizing a second round of this amazing cause after the resounding success it was this year!



#IQIMoments