

RUBIX NAVIGATION

Southeast Asia | Real Estate | Hospitality | July 2021

RUBIX INSIGHTS

Real Estate

Global house prices are rising at the fastest rate since 2006 with a double-digit pace annually. The drivers for the housing frenzy include cheap mortgages, a post-pandemic desire for more space, newly remote workers taking city cash to regional locations, and fear of missing out. In Asia Pacific, real estate used for the life science industry which covers the pharmaceutical, biotechnology, medical equipment, food science, and healthcare sectors, is surging as a key macro trend amid the Covid-19 pandemic. Besides, tech firms are becoming both the fastest-growing occupiers and a new class of owners in the regional real estate market, accounting for 25% of office leasing demand over the next five years.

Hospitality

Asia Pacific hotel investment remained flat in 1H 2021 with US \$3.7 billion in sales, a decline of 18% and 3.7% compared to the same periods of 2019 and 2020, respectively. However, the completion of several major transactions continued to demonstrate the resilience of the industry in this region and the growing confidence of investors despite the current challenging operating environment and travel restrictions. Specifically, investment in Asia accounted for approximately 94% of the total investment, with China, Japan, and South Korea representing the three most active markets. In the long run, confidence in the industry will remain high, driven by an assortment of buyers from high-net-worth individuals to private equity funds and corporates hunting for opportunities across the region.

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GDP growth of some Southeast Asian countries

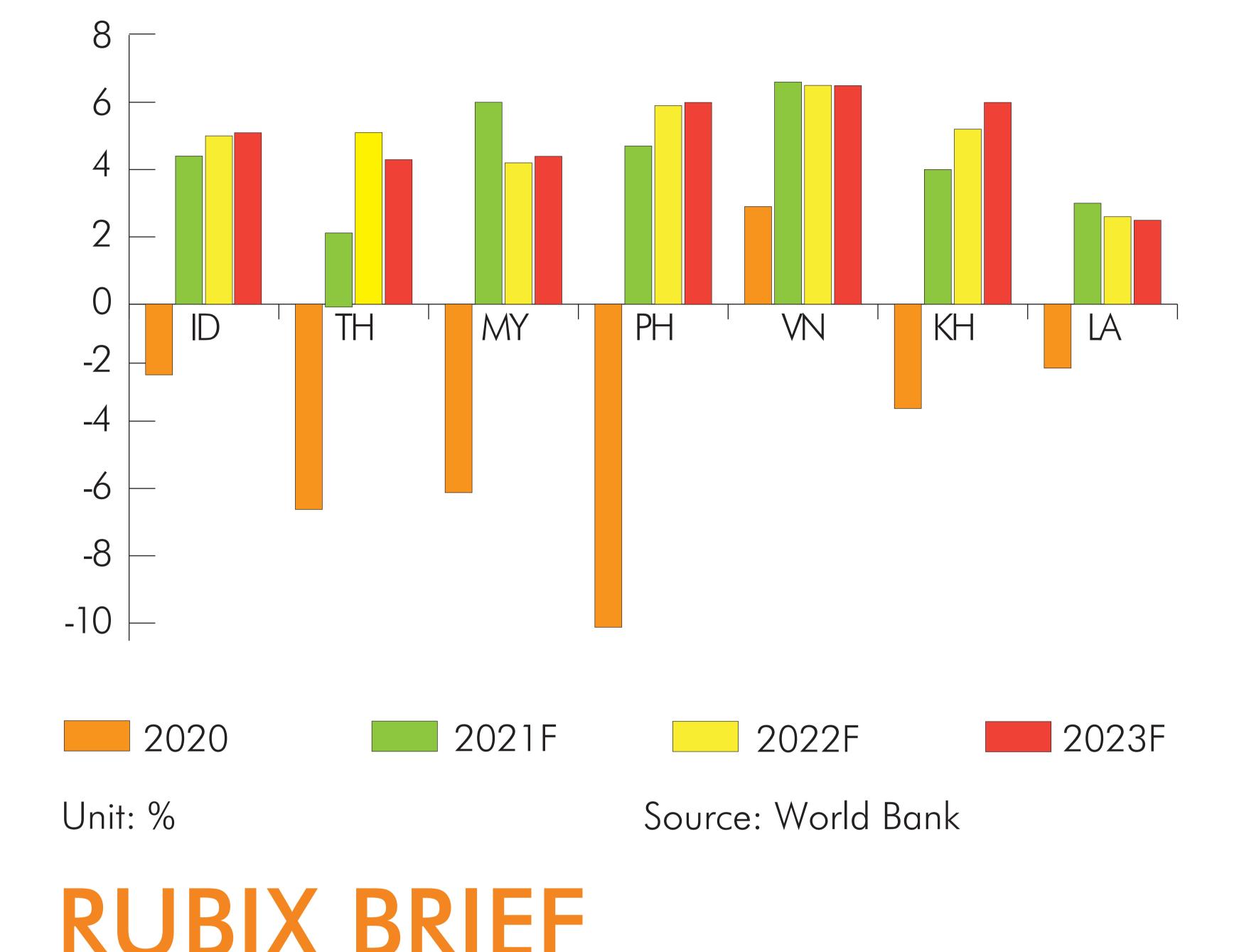
Economy

The prolonged Covid-19 pandemic is clouding economic projections for Southeast Asia, with most countries not expected to back to pre-pandemic growth levels for several years. Major economies in this region may grow in 2021 and 2022, but more slowly than before the pandemic. In this situation, Malaysia has held its benchmark interest rate at a record low in July 2021, maintaining support for the economy amid mounting political instability and a prolonged virus lockdown. Meanwhile, World Bank has downgraded Indonesia from the upper-middle income status to the lower-middle income status as Southeast Asia's largest coronavirus outbreak reverses gains in poverty and employment of this country.

Policy

Vietnam is tightening the taxation system to better manage the overheating real estate market. In July 2021, the General Department of Taxation has asked local departments of tax and natural resources and the environment to focus on inspecting tax declaration documents and payments related to property transactions to prevent tax evasion. Meanwhile, major cities including Hanoi and Ho Chi Minh are proposing a series of solutions for extra taxes to limit investment flows into empty or unused properties. In this context, a new circular which will take effect from 1 August 2021 stipulates that individual landlords having annual rental revenues from US \$4,300 shall be applied a tax rate of 10%.







Vietnamese enterprises increasing M&A activities

M&A activities are forecasted to be back on track in Vietnam's real estate market in 2021, focusing on the residential and industrial sectors. While some foreign funds have stopped considering new investments in this market due to Covid-19, domestic firms are actively acquiring projects and increasing land funds to prepare for new opportunities when the pandemic is under control. In the meantime, booming online work and increased internet entertainment pushed by the global health crisis have pressured investors to find suitable land plots to set up data centres across Vietnam. In the hospitality industry, Vietnam has witnessed the signings of the 240-key Dhawa Quy Nhon Vietnam as part of the integrated Pegasus Education Tourism Development, and Sheraton Binh Chau Resort & Spa located within Venezia Beach Ho Tram Binh Chau.







Thailand to see a challenging time ahead

While Thailand is being hit by the worst Covid-19 outbreak ever with Bangkok forced into lockdowns, the outlook for its real estate market remains challenging after a full year of coronavirus-induced financial pressure. In response, developers are adopting digital tools to boost residential sales from local and foreign demand as well as tapping into a new generation of buyers by offering transactions via cryptocurrency. Additionally, many developers are launching affordable units priced between US \$30,700 - US \$92,000 in large numbers to adapt to changing demand. In the hospitality industry, Hyatt announced the signing of the 140-key Hyatt Regency Koh Samui, and IHG signed the 138-key Kimpton Koh Samui and the 322-key InterContinental Bangkok Chinatown. Meanwhile, the 260-key Meliá Chiang Mai should welcome guests by late 2021.

Singapore's market taking advantages of effective coronavirus control

Preliminary real estate investment volume in Singapore for 1H 2021 came to US \$6.79 billion, equivalent to 78.7% of the volume in 2020. This active scene indicates that there is abundant liquidity waiting to be deployed and investors are undeterred by the travel restrictions and the recent heightened measures. In addition, there has been little or no signs of distress, with prices supported by the macro-stability and effective handling of the pandemic. In this context, private home prices in Q2 2021 has risen for the fifth straight quarter but at a much slower pace. Meanwhile, the full-year net demand for Grade A office space in CBD for 2021 is likely to be up to six times that of 2020, fueled by a strong economic rebound, an ambitious vaccination roll-out for "living with" the virus, and steady demand from IT companies, financial institutions, and investment funds.

Homeownership in Indonesia continues dropping

The Covid-19 pandemic is worsening the housing affordability in Indonesia as many people have experienced a drop in earnings. This situation is badly impacting the homeownership in the country, which has been dropping from 85% in 1999 to over 80% in 2020 due to continuously rising prices. In the context of the economic slowdown and lockdowns, demand for expensive homes and high-rise properties is anticipated to remain soft during 2021 in the Asia's current epidemic center. Regarding the hospitality industry, Hyatt announced the opening of the 149-key Andaz Bali, marking the entry of the vibrant Andaz brand into Indonesia, while Hilton inaugurated the 168-key Hilton Garden Inn Jakarta Taman Palem and Minor welcomed guests at the 37-villa Avani Seminyak Resort.





Malaysia's housing market to face a dim outlook

First-time homebuyers have bought the biggest number of both new and sub-sale properties in Malaysia so far in 2021, accounting for 35% and 31% of the total volumes respectively. This is largely because these homebuyers have more savings for houses thanks to lower spending in Covid-19 pandemic. However, the predictions on the housing market may become less optimistic for the remainder of this year as the anticipated recovery has been pushed back by the state of emergency and lockdowns following imposition of tight containment measures. Apart from the Covid-19 issue, the longstanding oversupply situation in Malaysia is unlikely to subside in the near term due to the large amount of redundancies. Consequently, house prices are forecasted to slightly climb up between 3% - 12% over the next 2 years as the market is gradually revitalized.

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