UTHM
Universiti Tun Hussein Onn Malaysia

UNIVERSITI TUN HUSSEIN ONN MALAYSIA

FINAL EXAMINATION
SEMESTER I
SESSION 2018/2019

COURSE NAME	:	INTERNATIONAL REAL ESTATE
COURSE CODE	:	BPF 42603
PROGRAMME	:	BPD
EXAMINATION DATE	:	DECEMBER 2018 / JANUARY 2019
DURATION	:	3 HOURS
INSTRUCTION	:	ANSWER **ALL** QUESTIONS

THIS QUESTION PAPER CONSISTS OF **FOUR (4)** PAGES

Q1 Flexible workspace is no longer a disruptor, nor a complementary sub-sector to the office market. It is a fundamental part of the commercial real estate market and a sector in its own right, growing in size and importance to landlords and occupiers. The average flexible workspace leasing term is now over 24 months, up from 12 months in 2013, demonstrating that it is now competition to traditional office space.

Flexible workspace is a 40-year-old industry, but has re-positioned itself and shaken off the drab aesthetics of the serviced office to become a hotbed of creativity and productivity characterised by compelling design – with data increasingly being used to make the design more efficient, boosting end-user productivity.

Serviced offices traditionally attracted small and medium-sized enterprises, together with multinational corporations that took up space for project teams, swing space or branch offices in new markets. Co-working spaces, meanwhile, were originally filled with early stage start-ups seeking a creative hub that allowed flexibility to grow their business… and offered free beer! The two have now blurred to the point of negligible differentiation, with co-working becoming more corporate and serviced offices more trendy. Hence the phrase 'flexible workspace' to encompass both.

We are now seeing multinational corporations taking up hundreds of desks for back, mid and even front office functions. Any trend in real estate is occupier-led and occupiers are demanding flexibility to directly correlate their headcount to real estate costs and move away from long-term, fixed contracts. In addition, the opportunity to give staff mobility, a creative and productive environment, and the ability to turn capex in to opex has led to exponential growth in demand. In our survey of Asia's top 200 occupiers, 56% said they were already using flexible workspace in some capacity and 91% were considering using it.

Source: Colliers International, Occupier Services/APAC, March 2018.

(a) Define flexible workspace in commercial office market.

(5 marks)

(b) Explain the flexible workspace phenomena with new trade theory and its implication to the property managers.

(10 marks)

(c) Examine the key challenges of having flexible workspace as opposed to traditional office market to attract multinational companies' investment to Malaysia.

(10 marks)

(d) Justify the crucial key forces and strategies that shape the flexible workspace industry in commercial office market among the operator, end-user and landlord across key Asia major cities for international real estate investment opportunities.

(15 marks)

Q2 Government worldwide strive to make housing affordable for resident. Affordable housing is not restricted only to the house price, but it includes also the quality and amenities of the house.

(a) Compare the strategies for affordable housing investment distribution strategies for Malaysia and Singapore.

(10 marks)

(b) Discuss the implication that this has for both countries in term of investment opportunities available at a global level.

(10 marks)

Q3 Globally and in Asia, economies are picking up: China, Japan, Hong Kong and Singapore should all record faster GDP growth in 2017 than last year. Improved economic conditions have boosted occupier property markets in leading Chinese cities, and in Hong Kong and Singapore. As a result prospects for rent growth, office net absorption and vacancy levels are generally more positive than we had assumed earlier this year. Against this background demand for investment property in most Asia Pacific markets has stayed firm: excluding Australia, total transactions of completed properties rose 19% year on year in 2017 to USD61.4bn. Hong Kong and Singapore saw robust investment activity across most market segments - office, retail, residential and hotels and rose to become, respectively, the first and fourth ranked APAC urban investment markets. Hong Kong was stronger still including high mainland Chinese investment in undeveloped land sites. However, Shanghai was also strong, ranking in third place with far higher deal volumes than any other Chinese city.

Net yields on prime grade office property in major Asian investment centres have now fallen to between about 2.0% and 4.2%. Retail and industrial yields are higher but likewise flat or falling. Spreads over ten-year bonds are narrow or even negative. However, demand shows little sign of slowing, while US dollar weakness has reduced upward pressure on Asian interest rates and so further bolstered property markets. Hence we think yields may fall even further. Singapore stands out due to recovering occupier markets, higher yields than Hong Kong and a wider spread (1.5-1.7 percentage points) over bonds than Hong Kong or Tier I Chinese cities.

The focus of Chinese investment in foreign property seems to be shifting from the US to Asia. Despite capital controls, we expect continued Chinese interest in APAC gateway cities in the near term. Thereafter we foresee material Chinese investment in "Belt & Road" markets in South East Asia. This should be a long-run trend.

Source: Colliers Radar, Property Research/Asia (2017)

(a) Evaluate the nature and implications of **FOUR (4)** types of international real estate investment risk factors need to be considered by fund managers examining emerging real estate markets in Hong Kong, Shanghai and Singapore.

(20 marks)

(b) Explain how these risks differ from those that would be conventionally examined when looking at established property markets in Malaysia.

(20 marks)

-END OF QUESTIONS-