

# CLI RESEARCH INSIGHTS: **NAVIGATING TODAY'S MARKET CHALLENGES AND TRENDS**

**In 2023**, uncertainty persisted in the global macroeconomic and geopolitical landscapes. Ongoing interest rate hikes, the slowdown of China's growth, disruptions in the USA banking sector, the Israel-Hamas conflict, and continuing tensions between Russia and Ukraine added complexity in the outlook.

Amidst this evolving landscape, trends and opportunities are emerging across markets. We explore how CapitaLand Investment (CLI) is leveraging its diversified portfolios, robust real estate capabilities, and a vast global presence to navigate and capitalise on these shifts.

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In the post-COVID world, significant transformations in economic activity, demographics, and lifestyles are underway, alongside the emergence of megatrends reshaping the real estate investment landscape. These shifts are impacting demand and supply dynamics across various sectors.

Global demographic changes and migration patterns are fostering a rise in individual-centric lifestyles, leading to heightened demand for spaces and services tailored to single-person households. This trend is driving the development of assets such as self-storage facilities, hotels, and retail spaces catering to this demographic. Furthermore, the evolution of consumer behaviour continues to fuel demand for ecommerce, sustaining the need for logistics assets, especially as retailers embrace omnichannel strategies.

Supply chain dynamics are also evolving, with businesses adopting strategies such as near-shoring and offshoring, particularly evident in the Asia Pacific region due to improved infrastructure and skilled workforces.

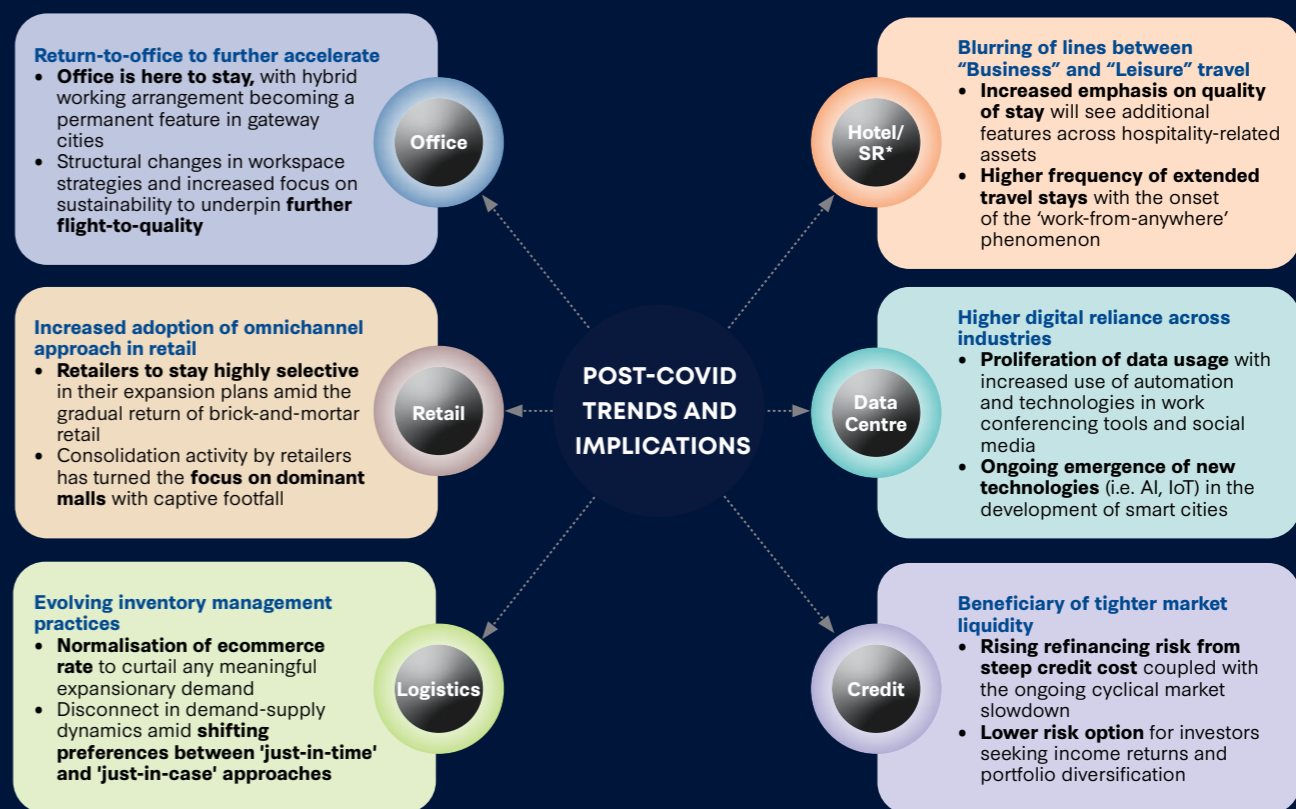
In the realm of work, a gradual return to office spaces is occurring alongside the increasing prevalence of

hybrid-work models. This is bolstering the demand for office assets, with a growing emphasis on quality and sustainability features. Technological advancements such as artificial intelligence (AI) and the Internet of Things (IoT) are reshaping workplace processes, leading to increased demand for data centre assets.

The "longevity economy" is on the rise, driven by ageing populations and longer-life expectancies, resulting in increased demand for healthcare and wellness-related real estate. Sustainability considerations are also gaining prominence in investment decisions, with a growing preference for sustainable green buildings among tenants and investors, reflecting a heightened awareness of environmental responsibility.

Finally, elevated interest rates over the past two years have made achieving investment outperformance more challenging, prompting investors to explore higher-yielding strategies such as Value-Add, Tactical, Opportunistic, and Contrarian approaches. In this landscape, investors seek real estate operators and investment managers with strong track records, operational capabilities, and local expertise to execute differentiated strategies effectively.

## POST-COVID MEGA TRENDS AND IMPLICATIONS FOR ASIA PACIFIC REAL ESTATE ASSET CLASSES



Note: \*SR denotes Serviced Residence.

### AGAINST THE CURRENT LANDSCAPE, CLI HAS MADE THE FOLLOWING STRATEGIC PIVOTS:

#### Focus on geographic diversification

Southeast Asia and India funds contributed to more than S\$700 million of total private capital raised in FY 2023.

Both regions formed close to half of CLI's total funds under management (FUM) year-to-date (YTD) 2024<sup>1</sup>.

<sup>1</sup> Refers to the period from 1 January 2024 to 27 February 2024.

#### Optimised and rebalanced asset mix

New economy and lodging assets formed close to 80% and 100% of total investments in 2023 and YTD 2024<sup>1</sup> respectively.

Both asset classes combined form 44% of total FUM YTD 2024<sup>1</sup>.

#### Pursued higher-yielding strategies

96% of private capital raised in 2023 was tied to value-add and opportunistic strategies.

#### Growing footprint in specialised assets

Established CapitaLand China Data Centre Partners, CLI's first data centre fund in China and CapitaLand Wellness Fund, CLI's first fund focusing on investing in wellness and healthcare-related assets in 2023. Launched CapitaLand Ascott Residence Asia Fund II, CLI's second lodging fund focusing on serviced residence and coliving assets in 2024.

#### Moving the sustainability needle

CLI was named a GRESB Global Listed Sector (Diversified) Leader and was included in the Dow Jones Sustainability World and APAC Indices.

20 projects sourced from CLI's annual CapitaLand Sustainability X Challenge have been piloted or pre-piloted at 24 CapitaLand properties.