

KEY TRENDS FOR OUR MARKETS

1 CHANGING CONSUMER PREFERENCES



With restrictions on travel and international borders remaining largely closed due to COVID-19, domestic consumption has been the key driver of retail sales in Hong Kong SAR. There has been a relatively higher proportion of spending recorded in Hong Kong SAR on F&B and lifestyle products during the pandemic. COVID-19 has also accelerated the growth of online retail and digital payments.

WHAT IT MEANS TO MNACT:

To capture the trend of increased spending on F&B, lifestyle and services sectors, we have introduced more brands in these sectors¹ to Festival Walk mall, strengthening the mall's positioning as the preferred social gathering venue for families and friends. As the retail sector in Hong Kong SAR evolves, it remains important to keep up with shifts in shoppers' spending patterns. Festival Walk mall's 'MyFestival' loyalty programme was launched during FY20/21. Increased usage and adoption of the programme would improve our understanding of shoppers' preferences, while at the same time, increase shopper engagement.

The e-commerce penetration rate in Hong Kong SAR has increased, accounting for 7.7%² of Hong Kong SAR's total retail sales in March 2021 compared to 3.3% at the onset of COVID-19 in January 2020. Recognising the rise of online retail, we have partnered with online platforms such as Deliveroo to boost sales of takeaway and delivery orders of the F&B retailers at Festival Walk mall. An increasing number of retailers at the mall have also embraced digital payment modes such as Alipay, UnionPay and ApplePay, providing added convenience to our shoppers.

2 INCREASING ADOPTION OF TECHNOLOGY



Technology is playing an increasing role in our everyday lives, transforming the way we live, work and play. This creates opportunities for us at MNACT to invest in technology and systems to improve efficiency in our work processes and to improve our outreach to new tenants.

WHAT IT MEANS TO MNACT:

The Manager has rolled out several technology initiatives within the MNACT portfolio during the financial year. These include deploying disinfecting robots at the Festival Walk mall to relieve manpower resources on labour-intensive cleaning tasks; and integrating virtual reality into MBP's leasing website, where prospective tenants are able to 'view' the amenities and common areas of the property without being physically present on site.

The rapid increase in the adoption of and demand for technology-enabled innovations particularly in the Asia Pacific region has fuelled the growth of industry sectors such as the TMT, semi-conductor, pharmaceutical and bio-medical sectors, in turn spurring the demand for office spaces. This trend is expected to benefit our office properties, which are located in Beijing, Shanghai, Greater Tokyo and Seoul.

3 RISE IN FLEXIBLE WORKING PRACTICES



COVID-19 has also accelerated the adoption of remote working. Some companies are now reviewing their office strategies in consideration of changes in work styles, which may involve a combination of the office headquarters, coupled with satellite offices in decentralised or suburban hubs, flexible workspaces and home offices³.

WHAT IT MEANS TO MNACT:

The extent of how remote working will impact office markets vary across markets. In general, the shift to remote working is likely to be more profound in markets where it involves long commute between home and workplace, and/or where one has a larger personal residence or space to work from. The extent to which companies and employers require staff to return to work in the office, or work culture, would also play an important part in determining if remote working would be sustainable in these markets. In the markets where we operate in, the remote working trend remains subdued, with 70% to 100% of the tenants' employees returning to work at MNACT's offices⁴.

Even as more firms incorporate satellite offices as part of their business continuity planning or shift away from centralised offices to more affordable locations, MNACT will be in a good position to meet their requirements. As some of our properties are located in the fringe office areas or suburban office markets, these are expected to be able to capture potential demand from this trend. These decentralised or satellite locations, which offer better rental affordability compared to the city centre, would in turn provide cost savings to prospective tenants.

¹ Please refer to pages 34 to 35 for the F&B, lifestyle and services brands that were introduced at Festival Walk mall during FY20/21.

² Hong Kong Census and Statistics Department's Report on Monthly Survey of Retail Sales.

³ Colliers, "The Future of the Office Space", 25 August 2020.

⁴ All of the properties except for four Japan Properties (MBP, MON, Omori and SMB) saw at least 70% of tenants' employees returning to work at their offices as at mid-April 2021.