THE YIELD
Connecting Asian Capital with Global Real Estate

The Yield caught up with Lim Kin Song, co-founder and CEO at Rockworth Capital

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*The Yield sat down with **Lim Kin Song**, co-founder and CEO of Rockworth to discuss their company, investing in Australia and how should investors be positioning themselves moving forward.*

Welcome to *The Yield*. Could you please tell us a bit about your company Rockworth Capital Partners?

Rockworth is a real estate fund manager headquartered in Singapore, with an office in Sydney, Australia. We have been active in the Australian real estate market since 2011, and have transacted assets in excess of $1 billion. Deals closed include 14 commercial assets (primarily non-discretionary neighbourhood retail centres and mid-size offices) across the four key states of Australia (NSW, VIC, QLD, WA). As of 2019 we also hold a strategic stake in ASX-listed real estate fund manager, Elanor Investors Group.

Being privately owned, we are relationship focused, quick to respond, and open to provide bespoke real estate investment solutions for our investors. Our business is supported by a team of dedicated professionals with institutional backgrounds and transaction / asset management experiences across multiple asset classes and geographies.

Why did you invest in Australia originally?

Australia is a dynamic country which had seen consistent GDP growth. It is AAA rated and is a transparent, well managed market which displays continued population growth. The Global Financial Crisis (GFC) presented us with an opportunity to understand and transact in the market with higher risk adjusted return compared to other countries at that point.

How are you finding the market now?

Similar to elsewhere, travel restrictions and social distancing measures have been implemented to curb the spread of the COVID-19 pandemic. This has impacted businesses, employment, and spending especially in the hospitality and retail sectors. However, Australia has managed the situation well, resulting in signs of stabilisation, easing of restrictions and the resumption of activities as the country prepares for normalisation.

The government has also proactively implemented various financial stimulus and monetary measures to support employment and businesses. These include the JobKeeper and JobSeeker schemes and a formal Code of Conduct for commercial leasing to cushion the financial impact and uncertainties in the short term. The medium and long-term fundamentals of the market nonetheless remain intact, supported by ongoing infrastructure and improvement projects, a relatively young and growing population, and continued global demand for agriculture exports, resources and reputable tertiary education. We continue to see interest and significant capital ready to be deployed by both domestic and overseas investors into Australia.

How do you see the recovery panning out? Will it be quick or conservative?

The recovery will likely be uneven across different sectors. The hospitality and retail sectors will likely take a little longer while sectors like office, logistics and data centres that have demonstrated resilience or even seen growth during the lockdown will recover faster. The speed of recovery will also depend on how fast global trade and investments resume and geopolitical relationships. As real estate is location driven, we believe that there will be opportunities in all situations and sectors if we get the fundamentals right.

How should investors position themselves over the coming months?

We believe that there could be interesting buying opportunities arising from special situations. As each investor has different objectives and time horizon, there is no one-size-that-will-fit-all approach. Generally speaking, investors should set aside capital for quick deployment with limited financing and be comfortable doing virtual or delayed site inspections. Where possible, income support or guarantee for at-risk tenants over a period of time should also be negotiated. For sectors that have demonstrated stability and resilience, investors must be prepared for minimal changes in pricing. We are happy to have a private conversation to discuss these examples further.

What asset classes are showing themselves to be resilient, and which assets are being affected the worst?

Broadly speaking, logistics, data centres and grocery anchored neighbourhood centres have been most resilient. Assets anchored by strong tenants including the government and major supermarkets are deemed favourable. For investors with a long-term horizon and are patient, there could be opportunities in the hospitality and retail sectors as well, as prices could get interesting. These will entail the right attributes such as prime locations, ease of accessibility, suburbs with good population growth, and future development or conversion possibilities. As there are nuances across different states, suburbs and even assets, we thus encourage regular investor engagement to ensure we continue to conceptualise and implement their investment strategy appropriately, so that they are able to best position themselves in the current market.