COMMERCIAL RESEARCH

ASIA PACIFIC PRIME OFFICE RENTAL INDEX

Results for Q3 2014

Knight Frank *Asia-Pacific Prime Office Rental Index* increased 1.2% in the third quarter of 2014, following a drop in the previous quarter

Vacancy rates fell or remained steady in 15 of the 19 markets tracked, leading to a 0.2% drop in the regional vacancy rate, which now stands at its lowest level since Q4 2008

Prime office rental growth was experienced in nine of the markets tracked, with four markets recording no rental movement and six rental declines

Tokyo's Grade-A office market saw the strongest rental growth over the quarter, a trend we expect to continue into 2015, as vacancy rates continue to decline amid buoyant demand

This quarter marks the inclusion of Taipei for the first time. Prime rents in Taipei remain fairly flat amid solid office net absorption led by the high-tech and finance sectors

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"Downside risks remain in the region, including the Chinese slowdown, deflation in the EU and the impact of tightening monetary conditions in the US and the UK."

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TOKYO TOPS PRIME OFFICE RENTAL GROWTH IN Q3 2014

Tightening vacancy rates across the region spur a more widespread rental recovery

Grade-A office space in central Tokyo saw rents increase by 6.4% in Q3 2014, as vacancy rates fell to 5%. With the Marunouchi and Otemachi areas now virtually fully leased, the strong rental growth in Japan's capital looks set to continue. In neighbouring South Korea meanwhile, a slight decrease in the prime office vacancy rate in the YBD area has led to some overall prime rental growth in Seoul.

In Southeast Asia, Singapore continued to see solid rental growth of 1.2% over Q3 2014 - the fifth consecutive quarter of positive growth. With quarterly net absorption at a two-year high amid positive business sentiment and significant leasing enquiries, the market is similarly expected to see continued rental growth going forward.

Amidst low vacancies, limited new supply, steady demand and rising rents, confidence in the Bangkok office market outlook has rarely been higher. The recent announcement of The Super Tower, a 125-storey, 615m tall mixed-use development, which upon completion will be the tallest building in ASEAN, is a testament to that.

In Jakarta, meanwhile, the market has slowed from the stellar growth rates of previous years, with the significant pipeline of supply likely to moderate rental growth prospects going into 2015. In Kuala Lumpur, Grade-A rental rates remain resilient while occupancy rates have improved marginally.

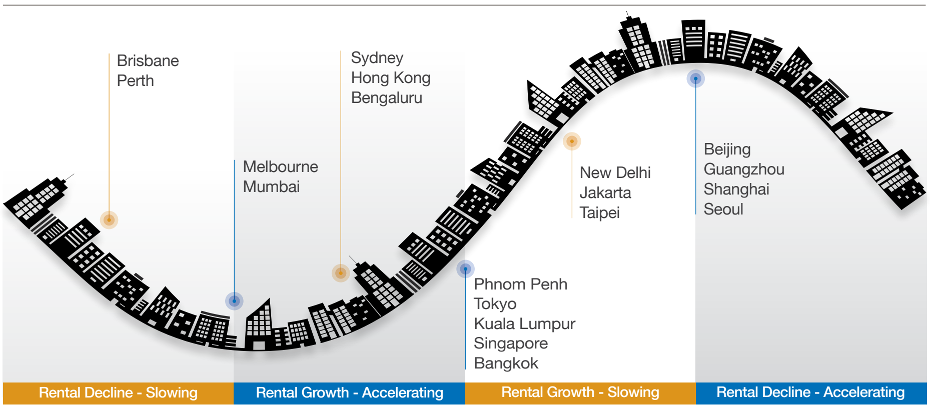
Prime office rents remained unchanged in Phnom Penh despite a 7.9 percentage point increase in the average vacancy rate, attributable to the Cambodian Stock Exchange vacating two floors of office accommodation in Canadia Tower.

In mainland China, an economy which is attempting to manage its economic slowdown, a decline of activity from Multinational Corporations (MNCs) has contributed to rental declines across all Tier-1 markets tracked. Hong Kong, despite its recent troubles, saw prime rents increase, with the opening of the Shanghai-Hong Kong Stock Connect likely to continue to boost mainland Chinese demand. Taipei, introduced for the first time into the rental index, saw its prime rents remain fairly flat amid solid office net absorption led by the high-tech and finance sectors.

The Indian office markets are now at the far end of a bottoming out phase as is also reflected in the *Knight Frank Sentiment Index*. Bengaluru is the only market that has shown depressed absorption numbers

(see overleaf)

Figure 1
Prime Office Rental Cycle



Source: Knight Frank Research
The diagram does not constitute a forecast and is intended only as an indicative guide to current rental levels.
Rents may not necessarily move through all stages of the cycle chronologically.

ASIA PACIFIC PRIME OFFICE RENTAL INDEX

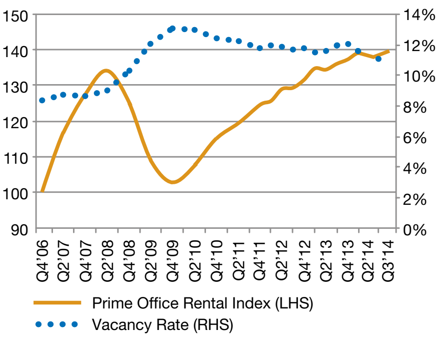
FIGURE 2
Asia-Pacific Prime Office Rents
Q3 2014

Increase / No Change / Decrease

City	Submarket	Prime Net Headline Rent	Local Measurement^	12mth % change	3mth % change	US$/sqm/mth	Gross Effective Rent** US$/sqm/mth	Forecast next 12mths
Brisbane	CBD	556.0	AU$/sq m/yr	0.0%	-0.4%	40.4	32.7	No Change
Melbourne	CBD	486.0	AU$/sq m/yr	2.7%	0.0%	35.3	33.8	No Change
Perth	CBD	675.0	AU$/sq m/yr	-6.6%	-1.3%	49.1	49.1	Decrease
Sydney	CBD	779.0	AU$/sq m/yr	2.7%	0.5%	56.7	47.3	Increase
Phnom Penh	City Centre	21.3	USD/sq m/mth	24.0%	-0.1%	21.3	28.2	Increase
Beijing	Various	378.4	RMB/sq m/mth	-1.4%	-0.1%	61.5	89.8	Increase
Guangzhou	CBD	176.0	RMB/sq m/mth	-0.6%	-1.0%	28.6	48.7	No Change
Shanghai	Puxi, Pudong	268.8	RMB/sq m/mth	-2.7%	-0.7%	43.7	67.0	Decrease
Hong Kong	Central	122.0	HKD/sq ft/mth	3.7%	1.6%	169.2	169.8	Increase
Bengaluru	CBD	1,095.0	INR/sq ft/yr	1.7%	1.4%	16.0	25.2	No Change
Mumbai	BKC	3,000.0	INR/sq ft/yr	-1.0%	0.0%	43.8	70.3	No Change
New Delhi	Connaught Place	3,195.0	INR/sq ft/yr	0.4%	0.6%	46.6	74.8	No Change
Jakarta	CBD	6,299,904.0	IDR/sq m/yr	1.2%	0.0%	43.1	54.3	Increase
Tokyo*	Central 3 Wards	30,335.0	JPY/Tsubo/mth	13.8%	6.4%	83.9	84.3	Increase
Kuala Lumpur	City Centre	4.9	MYR/sq ft/mth	2.3%	0.2%	16.0	20.0	No Change
Singapore	Raffles Place, Marina Bay	10.0	SGD/sq ft/mth	8.0%	1.2%	84.1	97.1	Increase
Seoul	CBD	30,405.0	KRW/sq m/mth	0.3%	0.2%	29.1	78.0	Decrease
Taipei NEW	Downtown	2,551.0	TWD/ping/mth	0.1%	0.0%	25.3	40.7	No Change
Bangkok	CBD	760.3	THB/sq m/mth	3.5%	2.1%	23.5	28.5	Increase

Source: Knight Frank Research / *Sanko Estate
^Based on net floor areas for except for China, India, Korea, Taiwan, Thailand (gross) and Indonesia (semi-gross)
**Inclusive of incentive, service charges and taxes. Based on net floor areas.

FIGURE 3
Prime Office Rental Index



Source: Knight Frank Research

during Q3 2014 but its 2014 absorption numbers are expected to comfortably eclipse the previous year's total.

Australia's prime office markets experienced mixed fortunes during the quarter. Perth and Brisbane saw rents continue to fall, while conversely Melbourne and Sydney continued to witness recoveries in their leasing markets.

Downside risks remain in the region, including the Chinese slowdown, deflation in the EU and the impact of tightening monetary conditions in the US and the UK. For more forward looking analysis, Knight Frank's inaugural *Global Cities Report*, provides rental forecasts over the next five years in the key global office markets.

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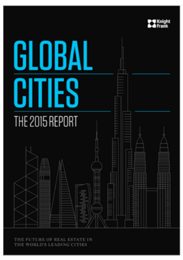
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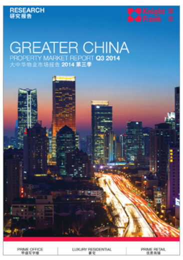
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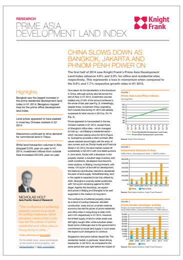
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