

## THE RISE OF TECHNOLOGY FIRMS

While a number of markets in the region are plagued by excess supply, sectors empowered by technology, such as online peer-to-peer financial services in Shanghai and e-commerce in India, are driving leasing demand.

Sustained strong supply lifted the vacancy rate and lowered rents in **Beijing** further. Moving forward, a dearth of new completion in the second half of the year will give landlords a break. The situation in **Shanghai** is just the opposite. No office space was added in the quarter, boosting the occupancy rate and rents. However, the market will be barraged by over one million sq m of planned new supply in H2 2015. Rents in **Guangzhou** will also experience downward pressure due to increased supply later this year.

**Hong Kong** and **Taipei** continued to enjoy moderate rental growth. Leasing demand in the former was generated by Mainland financial institutions, especially fund houses, taking advantage of the Mutual Fund Recognition Scheme implemented in May, while that in the latter was supported by foreign banks and high-technology firms.

Elsewhere in East Asia, **Tokyo** saw an acceleration in rental growth, on the back of an uptick in economic cyclical conditions. In **Seoul**, both demand for and supply of office space slowed down; prime rents edged up marginally.

In Southeast Asia, increasing competition from Grade-B office buildings led prime

rents in **Phnom Penh** to stay flat. Similarly, a strong supply pipeline is capping rental growth in **Kuala Lumpur**. However, limited good-grade dual-compliant (MSC and Green) buildings will afford these landlords higher bargaining power.

Between mid-2011 and the end of last year, prime rents in **Jakarta** surged by a phenomenal 2.7 times. The resultant construction boom is finally reversing the very rental growth that inspired it. In Q2 2015, a huge increase in supply caused prime rents to slide by 5.3% as the vacancy rate soared. Meanwhile, **Singapore** faces a double whammy of strong future supply and lower take-up on the back of a slowing economy. Although **Bangkok** also saw a significant addition of office space, net absorption hit the highest level in almost six years, bringing vacancy down to the lowest rate since 2006.

In South Asia, e-commerce is emerging as a major demand driver in India, although the IT/IT-enabled service sector still accounted for half of the office take-up in Bengaluru and 30% in **New Delhi**. Notably, Amazon and Flipkart signed up almost 300,000 sq m of space in **Bengaluru** recently. In **Mumbai**, the banking, financial services and insurance

## Results for Q2 2015

Knight Frank's Asia Pacific Prime Office Rental Index increased 1.2% in Q2 2015, as the average vacancy rate dropped by 0.1 percentage point

11 out of the 19 markets tracked experienced rental growth, while 3 registered no movement

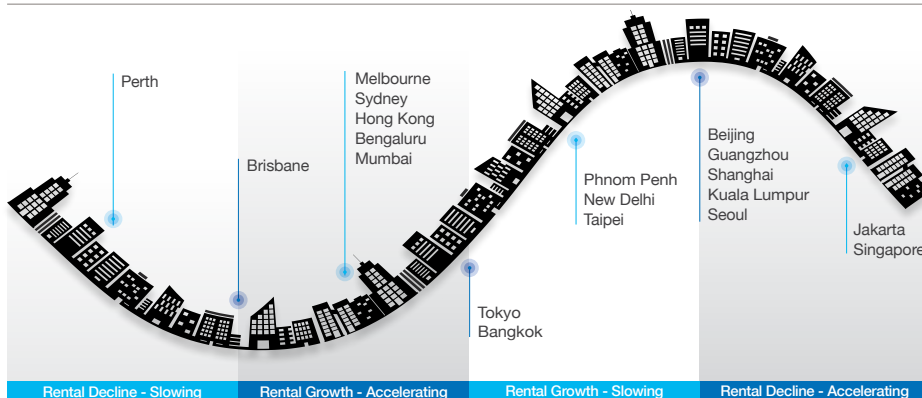
Tokyo saw the highest rental growth in the region

Going forward, we expect rents in 12 markets to either increase or remain steady over the next 12 months

“E-commerce is emerging as a major demand driver in India.”

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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.

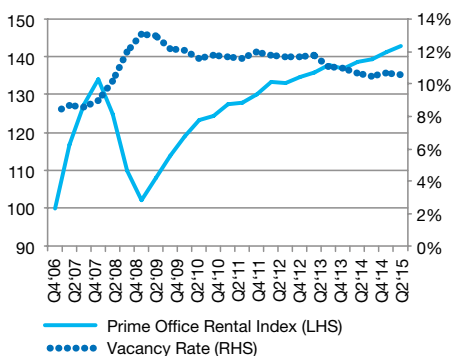
# ASIA PACIFIC PRIME OFFICE RENTAL INDEX

FIGURE 2  
Asia Pacific Prime Office Rents  
Q2 2015

City	Submarket	Prime Net Headline Rent	Local Measurement <sup>A</sup>	12 mth % change	3 mth % change	USD/sq m/mth	Gross Effective Rent** USD/sq m/mth	Forecast next 12 mths
Brisbane	CBD	560.0	AUD/sq m/yr	0.4%	0.0%	35.7	28.4	↔
Melbourne	CBD	486.0	AUD/sq m/yr	0.0%	0.0%	31.0	29.5	↑
Perth	CBD	612.0	AUD/sq m/yr	-10.5%	-5.8%	39.1	32.6	↓
Sydney	CBD	800.0	AUD/sq m/yr	3.1%	0.9%	51.0	42.7	↑
Phnom Penh	City Centre	22.1	USD/sq m/mth	3.7%	0.0%	22.1	29.1	↑
Beijing	Various	368.6	CNY/sq m/mth	-2.7%	-0.6%	60.5	88.6	↓
Guangzhou	CBD	178.2	CNY/sq m/mth	0.3%	0.4%	29.3	49.8	↓
Shanghai	Puxi, Pudong	279.9	CNY/sq m/mth	3.4%	3.0%	46.0	70.3	↓
Hong Kong	Central	124.8	HKD/sq ft/mth	4.0%	1.1%	173.3	173.7	↑
Bengaluru	CBD	1,116.0	INR/sq ft/yr	3.3%	1.1%	15.7	25.2	↑
Mumbai	BKC	3,090.0	INR/sq ft/yr	3.0%	-0.3%	43.5	69.9	↑
New Delhi	Connaught Place	3,304.8	INR/sq ft/yr	4.1%	2.0%	46.6	74.7	↔
Jakarta	CBD	6,332,820.0	IDR/sq m/yr	0.5%	-5.3%	39.6	50.0	↓
Tokyo*	Central 3 Wards	33,392.0	JPY/Tsubo/mth	17.2%	7.1%	82.3	81.3	↑
Kuala Lumpur	City Centre	5.4	MYR/sq ft/mth	5.3%	0.2%	15.4	18.8	↔
Singapore	Raffles Place, Marina Bay	10.6	SGD/sq ft/mth	1.2%	-1.4%	84.5	96.6	↓
Seoul	CBD	31,669.0	KRW/sq m/mth	4.3%	0.4%	28.1	66.3	↓
Taipei	Downtown	2,611.0	TWD/ping/mth	2.4%	0.8%	25.5	25.4	↑
Bangkok	CBD	810.6	THB/sq m/mth	8.8%	1.1%	24.0	29.1	↑

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

FIGURE 3  
Prime Office Rental Index



Source: Knight Frank Research

(BFSI) sector still leads in terms of leasing demand.

In Australia, **Sydney** remained the bright spot. Following Twitter and Amazon's recent expansion, continuing the trend of technology occupier demand growth, Google is also looking to finalise its decision. Net absorption in the first half of 2015 continued to be negative in **Brisbane** and **Perth**, and a strong future supply pipeline will add to their woes through 2016. **Melbourne**, on the other hand, saw demand double on a year-on-year basis, as tenants continued to centralise in the CBD.



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## ASIA PACIFIC GLOBAL CORPORATE SERVICES

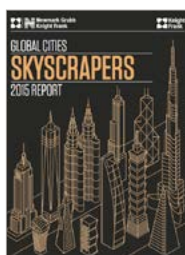
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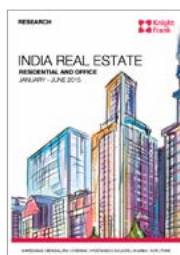
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