The Asia-Pacific Prime Office Rental Index aims to provide occupiers, landlords and investors with a regular analysis of the rental performance of prime office markets across Asia-Pacific.

Knight Frank

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Asia-Pacific Prime Office Rental Index

Q1 2020

HEADLINES

-0.6%	Bengaluru	12	Cautious
QUARTER-ON-QUARTER RENTAL GROWTH FOR ASIA-PACIFIC RENTAL INDEX IN Q1 2020	RECORDED THE HIGHEST YEAR-ON-YEAR GROWTH IN Q1 2020	OF THE 21 CITIES TRACKED RECORDED STABLE OR INCREASED RENTS THIS PAST QUARTER	EXPECTATIONS FOR 2020 OUTLOOK

Q1 2020 was yet another challenging quarter for the Asia-Pacific office markets as the black swan event of COVID-19 has driven the global economy into a recession and left most of the world's office population working from home. For Q1 2020, Knight Frank's Asia-Pacific Prime Office Rental Index fell -0.6% quarter-on-quarter, while year-on-year it was flat. Of the 21 cities tracked within the index, 12 recorded either stable or increased rents this past quarter, down from Q4 2019's 13. As we delve further into the unknown of 2020, we maintain our cautious stance on the Asia-Pacific office sector but have downgraded our rental growth outlook to between -5 to -3% this year.

Most of the major office markets in Australia remained relatively stable in 1Q 2020, recording flat or a slight decline in rents during the period. **Brisbane** however was the outlier here as its Grade A rents fell -1.6% quarter-on-quarter on weaker occupier confidence as the impact of COVID-19 flowed through the market. Going forward, consistent with the deterioration of the global outlook, Australia's economy is expected to slow this year, as seen with 2020's latest GDP forecast downgraded to -6.7% by the IMF. Responding to this, the RBA cut interest rates twice in March by 25 basis points each to 0.25% and has now committed to maintain the three-year Australian government bond yield at around 0.25%by purchasing government bonds as required.

Kuala Lumpur's Grade A office rents declined -0.3% quarter-on-quarter in Q1 as the supply-demand imbalance persisted within the city. Going forward, the growing availability of good grade space at competitive rents in the city fringe and decentralised office locations will increase competition in a tenant-led market. However, well-connected office assets supported by improved roads and rail infrastructure along with a wide array of amenities will continue to gain market share in a market with limited tenant pools. In **Bangkok**, office rents increased 1.4% quarter-on-quarter. However, with more high-quality supply set to enter the market, rents should come under further pressure as landlords compete to attract tenants.

In China, Grade A rents across the Tier 1 cities fell quarter-on-quarter during the period, led mainly by **Beijing** and **Shenzhen** who fell -3.1% and -3.2% respectively. Going forward,

Tim Armstrong

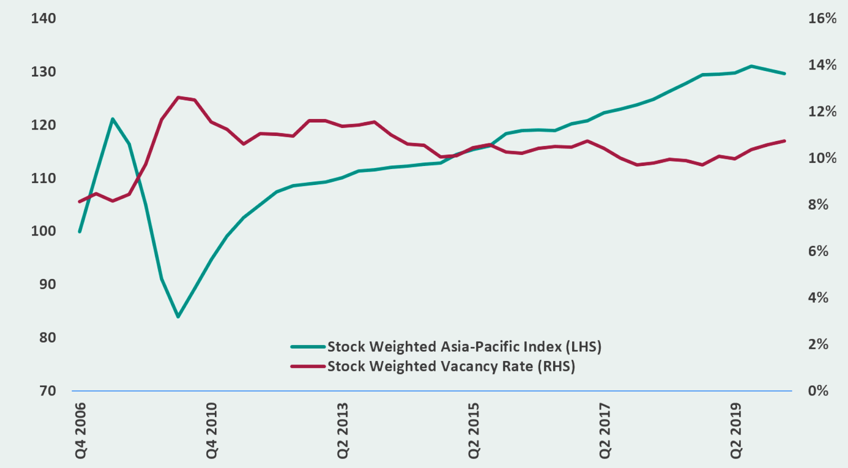
HEAD OF OCCUPIER SERVICES & COMMERCIAL AGENCY, ASIA PACIFIC

"As corporate attention turns toward building financial resilience to ride out the current storm, the major Asia-Pacific office markets have inevitably paused. However, with many markets coming out of strict lockdown measures and stabilised rents in markets like South Korea and Australia, there is reason for cautious optimism."

most sectors will be impacted and see weaker absorption, except for healthcare, online education, and online retail services. However, with China having largely controlled its domestic COVID-19 situation and its economy slowly reopening, we expect its office markets to likely bottom out over the next few months and potentially post a recovery in the second half of 2020.

India's office markets within its Tier 1 cities held up during the quarter with rents rising between 0% to 0.6% during the period in **Bengaluru**, **Mumbai**, and **NCR Delhi**. However, going forward we believe demand for Grade A office space will soften considering the current COVID-19 situation in India. Occupiers will rethink their workspace design and allocations which will translate into contraction or deferment of space demand.

Prime Office Rental Index



ASIA PRIME OFFICE RENTS

	CITY	SUBMARKET(S)	PRIME NET HEADLINE RENT	LOCAL MEASUREMENT	12-MTH% CHANGE (Q12019 - Q12020)	3-MTH % CHANGE (Q42019 - Q12020)	FORE-CAST NEXT 12 MONTHS
AUSTRALIA	BRISBANE	CBD	604.0	AUD/SQ M/ANNUM (NET FLOOR AREA)	0.3%	-1.6%	Decrease
	MELBOURNE	CBD	708.0	AUD/SQ M/ANNUM (NET FLOOR AREA)	7.9%	0.0%	Decrease
	PERTH	CBD	619.0	AUD/SQ M/ANNUM (NET FLOOR AREA)	4.7%	-0.2%	Decrease
	SYDNEY	CBD	1,189.0	AUD/SQ M/ANNUM (NET FLOOR AREA)	5.9%	0.0%	Decrease
EAST ASIA	TOKYO	CENTRAL 5 WARDS	32,038.0	JPY/TSUBO/MONTH (NET FLOOR AREA)	8.1%	2.8%	Same
	BEIJING	VARIOUS	347.7	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-5.7%	-3.1%	Decrease
	GUANGZHOU	CBD	191.3	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-0.7%	-0.4%	Decrease
	SHANGHAI	PUXI, PUDONG	273.8	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-5.3%	-2.2%	Decrease
	SHENZHEN	CBD	212.0	CNY/SQ M/MONTH (GROSS FLOOR AREA)	NA	-3.2%	Decrease
	HONG KONG	Central	131.0	HKD/SQ FT/MONTH (NET FLOOR AREA)	-18.7%	-6.7%	Decrease
	TAIPEI	Downtown	2,827.0	TWD/PING/MONTH (GROSS FLOOR AREA)	2.4%	0.7%	Same
	SEOUL	CBD, GBD, YBD	34,327.3	KRW/SQ M/MONTH (GROSS FLOOR AREA)	1.5%	0.6%	Same
INDIA	BENGALURU	CBD	1,620.0	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	8.4%	0.6%	Same
	MUMBAI	BKC	3,680.0	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	2.1%	0.5%	Same
	NCR	Connaught Place	4,079.0	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	3.0%	0.0%	Same
ASEAN	PHNOM PENH	CITY CENTRE	23.8	USD/SQ M/MONTH (NET FLOOR AREA)	0.8%	0.0%	Decrease
	JAKARTA	CBD	23.1	USD/SQM/MONTH (GROSS FLOOR AREA)	1.3%	-12.9%	Decrease
	KUALA LUMPUR	City Centre	5.9	MYR/SQ FT/MONTH (NET FLOOR AREA)	1.5%	-0.3%	Decrease
	SINGAPORE	Raffles Place, Marina Bay	10.39	SGD/SQ FT/MONTH (NET FLOOR AREA)	0.8%	1.0%	Decrease
	BANGKOK	CBD	1,131.7	THB/SQ M/MONTH (GROSS FLOOR AREA)	-5.0%	1.4%	Same
	MANILA	Various	1,116.7	PHP/SQ M/MONTH (NET FLOOR AREA)	1.5%	0.0%	Decrease

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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