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

Asia-Pacific Prime Office Rental Index

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Q4 2021

HEADLINES

0.3%	Seoul	13	Cautious
QUARTER-ON-QUARTER GROWTH FOR ASIA-PACIFIC RENTAL INDEX IN Q4 2021	RECORDED THE HIGHEST YEAR-ON-YEAR GROWTH IN Q4 2021	OF 21 CITIES RECORDED STABLE OR INCREASED RENTS THIS PAST QUARTER	EXPECTATIONS FOR 2022 OUTLOOK

As has been the story throughout 2021, we enter the new year with cautious optimism for Asia-Pacific office markets. The emergence of the Omicron variant in November 2021, while a cause for concern in its initial stage of discovery, has merely tempered the already moderate expectations for recovery. Many governments have shifted focus away from a zero-Covid strategy to preparing their populations for the endemic phase, which bodes well for the office sector.

For Q4 2021, Knight Frank's Asia-Pacific Prime Office Rental Index turned the corner, recording a 0.3% growth quarter-on-quarter (QoQ), the first uptick since Q3 2019. On an annual basis, the overall index is down 1.8% year-on-year (YoY), a stark contrast compared to the 4.1% YoY decline observed in Q3. Overall, vacancy remains elevated at 12.8%, similar to 12.7% in Q3 2021. For now, office rents are likely to have bottomed out, thanks to improving business sentiments and a gradual and more sustainable return to workplaces, leading to the reduction of incentives and an increase in asking rents.

We expect ongoing trends from the past year to continue shaping office markets in 2022. Key among these being a flight-to-quality, with big tech occupiers taking advantage of lower rents to move into high quality CBD office spaces amid tightening of premium spaces. These factors will continue to feed into the positive recovery trajectory of Asia-Pacific's office markets, with rents continuing to strengthen in H1 2022.

While expecting some headwinds in 2022, due to the rippling effects of policy tightening for property developers in the market, the **Chinese Mainland's** office sector is expected to remain resilient. Q4 2021 saw **Beijing** and **Shanghai** record rental growth of 0.6% and 1.5% respectively. For Beijing, this is a reversal of a continuous quarterly rental decline since Q3 2018. Net absorption of prime stock in the city averaged 222,353 square metres (sq m) each quarter, outpacing the average new supply of 137,502 sq m. We expect rents in the Chinese Mainland's Tier-1 cities to remain stable, with business sentiments turning positive, sustaining the demand we saw in Q4 2021.

Kuala Lumpur's prime office rents have continued to face downward pressure over the past few quarters as supply outstripped demand. As of 2021, approximately 220,000 sq m of office space was added to the cumulative existing stock with net absorption of new stock sitting around 40%. Rents declined 3.0% YoY in Q4 2021, reflecting the growing mismatch in the office market as landlords lowered asking rents to compete for limited occupier demand. For 2022, the Kuala Lumpur office market will remain tenant favourable with occupiers undergoing a flight-to-quality – taking advantage of the lower cost of space for

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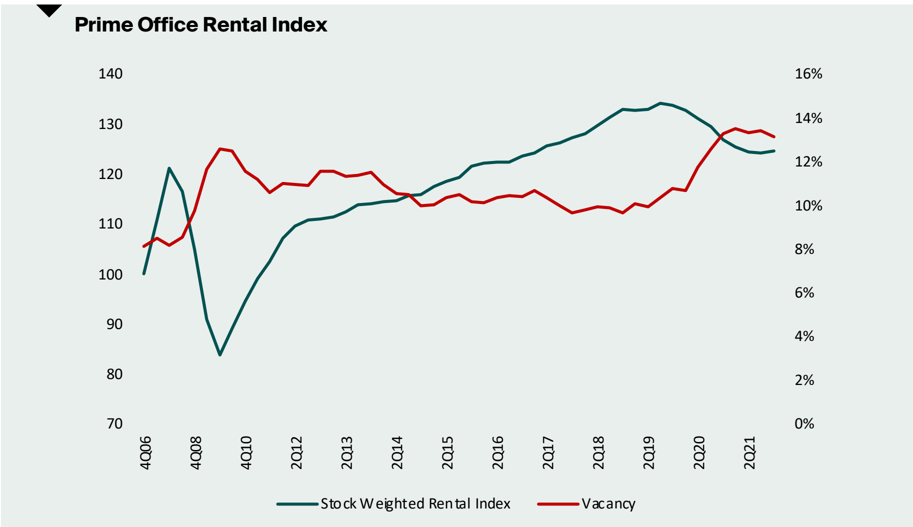
"The ever-fluid Covid situation continues to be the key factor inhibiting a full-speed recovery for Asia-Pacific in 2022. Optimistically, with more governments beginning to take the step to live with the pandemic, making Covid-19 endemic, a gradual return to the workplace seems imminent now. Opportunities will begin to narrow for occupiers on prime office spaces in 2022, as office rates begin to strengthen."

portfolio optimisation.

Of **India's** three Tier-1 markets, **National Capital Region (NCR)** and **Mumbai** recorded stable rents in Q4 2021, QoQ. The outlier was **Bengaluru**, which saw rents increase a modest 1.0% QoQ. The results were stable despite India coming off the Delta surge in H1 2021. The vaccination drive for the country has yielded dividends, with more than 60% of India's eligible population becoming fully vaccinated. This, combined with the strength of the IT and co-working sectors' office demand and stabilising business sentiments, feeds into our expectations that India's Tier-1 cities will see modest recovery in 2022.



SOURCE: KNIGHT FRANK RESEARCH

Asia-Pacific Prime Office Rents

	CITY	SUBMARKET(S)	PRIME NET HEADLINE RENT	LOCAL MEASUREMENT	ANNUAL CHANGE (YOY %)	QUARTERLY CHANGE (QOQ %)	FORECAST NEXT 12 MONTHS
AUSTRALASIA	BRISBANE	CBD	607	AUD/SQ M/ANNUM (NET FLOOR AREA)	0.8%	0.0%	↑
	MELBOURNE	CBD	708	AUD/SQ M/ANNUM (NET FLOOR AREA)	0.0%	0.0%	↑
	PERTH	CBD	622	AUD/SQ M/ANNUM (NET FLOOR AREA)	0.9%	0.0%	↑
	SYDNEY	CBD	1,190	AUD/SQ M/ANNUM (NET FLOOR AREA)	0.1%	0.0%	→
	AUCKLAND	CBD	525	NZD/SQ M/ANNUM (NET FLOOR AREA)	-4.5%	0.0%	↓
EAST ASIA	TOKYO	CENTRAL 5 WARDS	28,605	JPY/TSUBO/MONTH (NET FLOOR AREA)	-5.5%	-0.5%	↓
	BEIJING	VARIOUS	324	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-1.4%	0.6%	↑
	GUANGZHOU	CBD	184	CNY/SQ M/MONTH (GROSS FLOOR AREA)	0.0%	-0.6%	↓
	SHANGHAI	Puxi, Pudong	259	CNY/SQ M/MONTH (GROSS FLOOR AREA)	1.9%	1.5%	↑
	SHENZHEN	CBD	197	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-4.0%	-1.7%	↓
	HONG KONG SAR	Central	114	HKD/SQ FT/MONTH (NET FLOOR AREA)	-2.4%	2.6%	↑
	TAIPEI	DOWNTOWN	2,853	TWD/PING/MONTH (GROSS FLOOR AREA)	0.3%	-0.3%	→
	SEOUL	CBD, GBD, YBD	36,556	KRW/SQ M/MONTH (GROSS FLOOR AREA)	4.6%	0.4%	↑
INDIA	BENGALURU	CBD	1,460	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	-4.9%	1.0%	→
	MUMBAI	BKC	3,385	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	-2.6%	0.0%	→
	NCR	CONNAUGHT PLACE	4,078	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	1.0%	0.0%	→
ASEAN	PHNOM PENH	City Centre	23.98	USD/SQ M/MONTH (NET FLOOR AREA)	-10.1%	-8.8%	→
	JAKARTA	CBD	296,325	IDR/SQ M/ANNUM (SEMI-GROSS FLOOR AREA)	-8.3%	-1.2%	↓
	KUALA LUMPUR	City Centre	5.56	MYR/SQ FT/MONTH (NET FLOOR AREA)	-3.0%	-0.2%	↓
	SINGAPORE	Raffles Place, Marina Bay	10.13	SGD/SQ FT/MONTH (NET FLOOR AREA)	-0.3%	1.5%	↑
	BANGKOK	CBD	1,131	THB/SQ M/MONTH (GROSS FLOOR AREA)	-3.0%	-1.7%	↓

SOURCE: KNIGHT FRANK RESEARCH

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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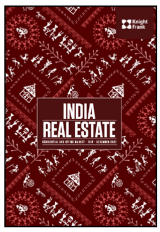

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