Knight Frank Asia-Pacific Office Highlights

In a rapidly changing and evolving landscape, Knight Frank understands the need for our clients to keep informed on key market drivers. Accordingly, we have compiled this summary document from across the Asia Pacific region and will continue to update it as markets and policies evolve. Knight Frank has one of the strongest occupier platforms across Asia Pacific that covers 15 territories, 154 offices, so should you require a deep dive into any of the markets or to directly analyse your corporate real estate options, our team stands ready to help.

Tim Armstrong
Head of Occupier Services and Commercial Agency Asia-Pacific

updated as of Aug 07, 2020

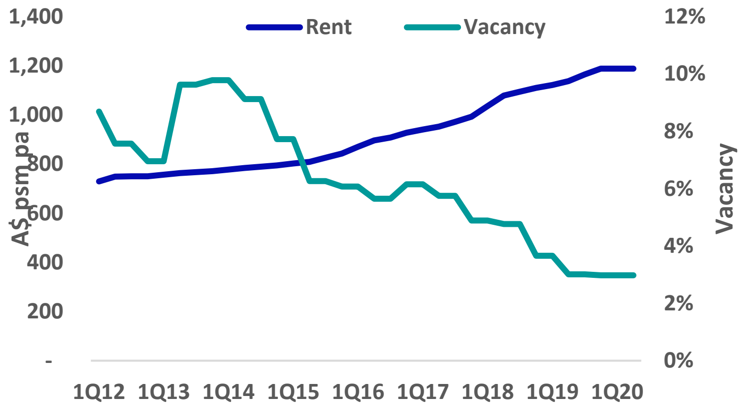
Sydney

Highlights

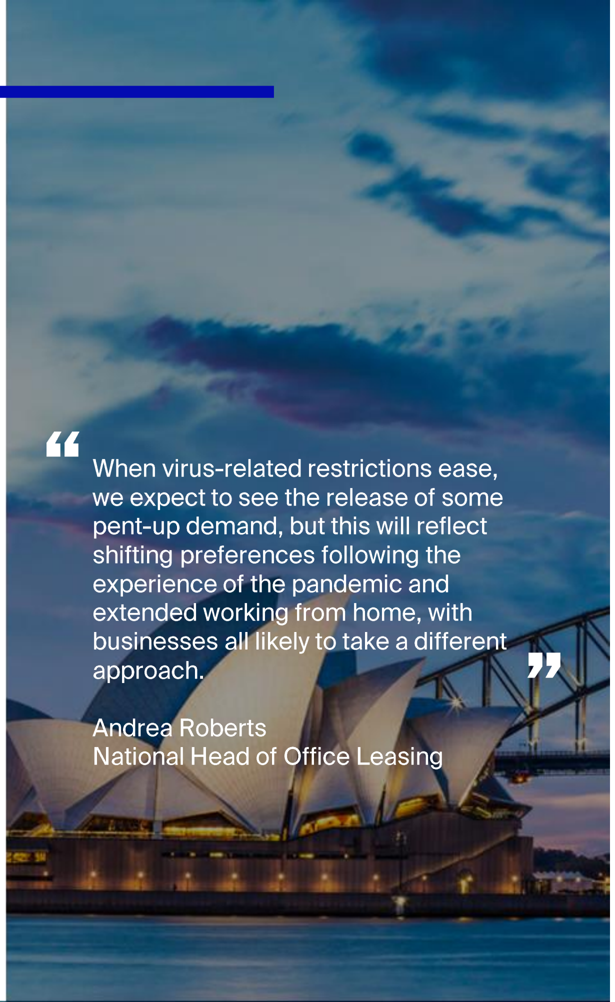
Grade A rents for Sydney remained stable in Q2 2020 while selected Grade B assets were seeing downside pressures. Incentives have been on the rise across all asset types with support seen in the 25% to 30% range. An initial trend we are seeing from tenants post-COVID is a preference for fitted-out options enabling incentives to be applied to reduce rental costs. This is occurring in both the suites market and requirements of 1,000sqm and greater.

Outlook

Going forward, transactional activity in Sydney is expected to be significantly reduced, especially given the onset of Victoria's second wave. Several tenants are now waiting until after Victoria's current lockdown ends so they can travel interstate again to make their final decisions.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓



"When virus-related restrictions ease, we expect to see the release of some pent-up demand, but this will reflect shifting preferences following the experience of the pandemic and extended working from home, with businesses all likely to take a different approach."

Andrea Roberts
National Head of Office Leasing

Economic Indicators	2019	2020F
GDP Growth	1.8%	-4.5%
Unemployment Rate	5.2%	7.7%
Inflation	1.8%	1.2%
PMI (Mfg)	51.2 (June)	54 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (A$ psm pa)	1,189	↓
Vacancy	3.0%	↑
Market Balance	Tenant	Tenant

Major COVID-19 Policies

- Partial lockdown: Businesses performing non-essential services must work from home or close, schools open and group gatherings limited
- Fiscal Stimulus: A$320bn (16% GDP) relief package.
- Tenancy Relief: Temporary moratorium on eviction, landlord and tenant reliefs being planned.

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Source: Knight Frank Research, IMF, Macrobond

updated as of Aug 07, 2020

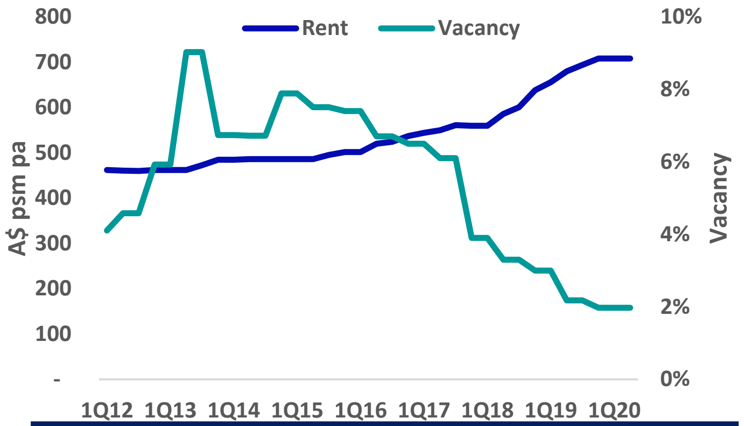
Melbourne

Highlights

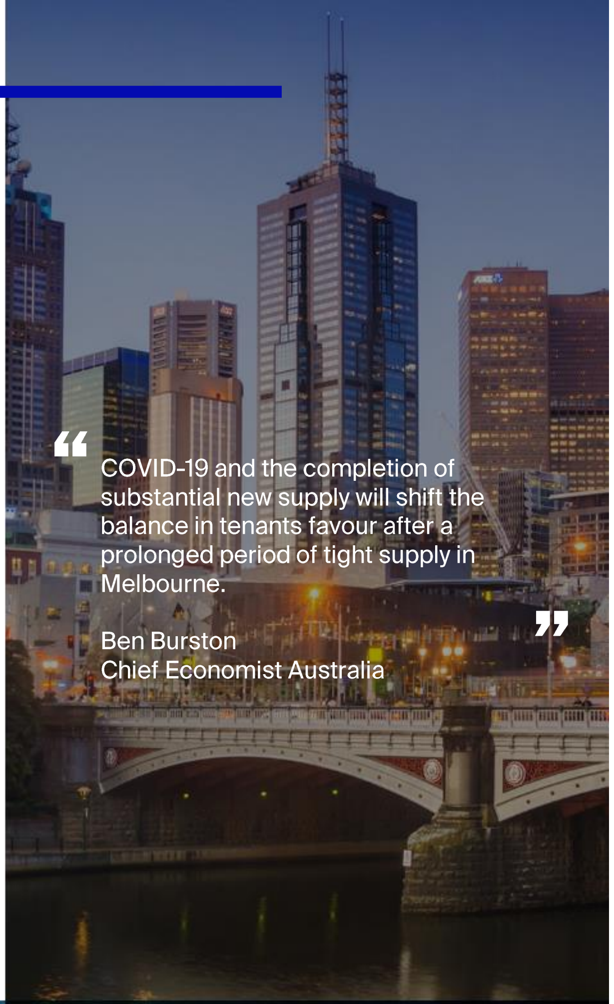
Transactional activity has slowed significantly; only a few transactions have occurred over the last few months within the CBD. Asking rents have not moved, but incentives have and are back up in around the 30% levels. The sublease market is growing in volume; some of which is being offered in premium towers and the newly completed developments.

Outlook

The market is in stasis at the moment with its second lockdown but enquiry levels leading up to lockdown were healthy, so many expect a run of leasing transactions post-lockdown as pent up demand is released. However, the outlook is for higher vacancy and this will continue to weigh on effective rents.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	✓
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓



"COVID-19 and the completion of substantial new supply will shift the balance in tenants favour after a prolonged period of tight supply in Melbourne."

Ben Burston
Chief Economist Australia

Economic Indicators	2019	2020F
GDP Growth	1.8%	-4.5%
Unemployment Rate	5.2%	7.7%
Inflation	1.8%	1.2%
PMI (Mfg)	51.2 (June)	54 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (A$ psm pa)	708	↓
Vacancy	2.0%	↑
Market Balance	Tenant	Tenant

Major COVID-19 Policies

- Lockdown: Melbourne Stage 4 and Victoria Stage 3 lockdown – Curfew in Melbourne from 2000-0500HRs with all but essentials closed.
- Fiscal Stimulus: A$320bn (16% GDP) relief package.
- Tenancy Relief: Temporary moratorium on eviction, landlord and tenant reliefs being planned.

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Source: Knight Frank Research, IMF, Macrobond

updated as of Aug 07, 2020

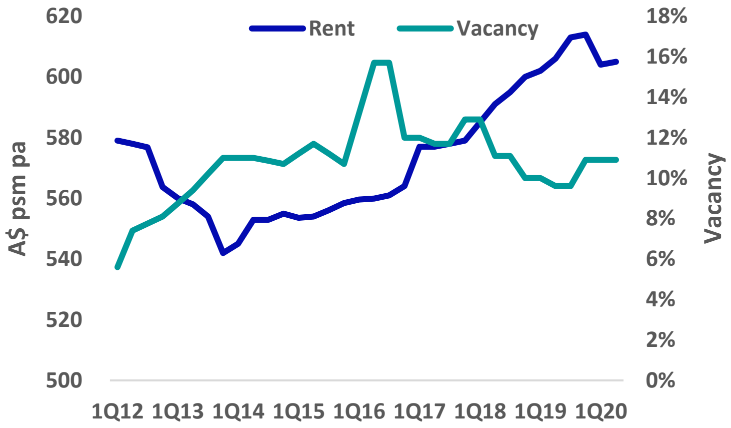
Brisbane

Highlights

Brisbane's office market is experiencing, like all other markets in Australia, a general downturn in leasing activity as corporates find their way around the current crisis and how to navigate their business through these troubling times. With market activity at a low, rents have remained relatively broadly stable, declining only -0.7% quarter-on-quarter in Q2.

Outlook

With the exception of The Annex at 12 Creek Street, there have been no new supply additions in the CBD, and as such, we do not anticipate significant fluctuations in the overall vacancy rate, although we do anticipate pockets of sublease to emerge over the coming months as corporates begin to finalise their new work place designs post-COVID-19. Incentives are expected to rise for the rest of the year; this has much been the trigger for tenants most recently looking to transact.



Economic Indicators	2019	2020F
GDP Growth	1.8%	-4.5%
Unemployment Rate	5.2%	7.6%
Inflation	1.8%	1.2%
PMI (Mfg)	51.2 (June)	54 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (A$ psm pa)	605	↓
Vacancy	10.9%	↑
Market Balance	Tenant	Tenant

COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

Major COVID-19 Policies

- Partial lockdown: Businesses performing non-essential services must work from home or close, schools open and group gatherings limited
- Fiscal Stimulus: A$320bn (16% GDP) relief package.
- Tenancy Relief: Temporary moratorium on eviction, landlord and tenant reliefs being planned.

"The focus of most owners over the first half of 2020 has been the implementation of capital works programmes on building and lobby upgrades along with new wellness and hygiene initiatives to future proof their assets going forward."

Mark McCann
Head of Office Leasing, QLD

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Source: Knight Frank Research, IMF, Macrobond

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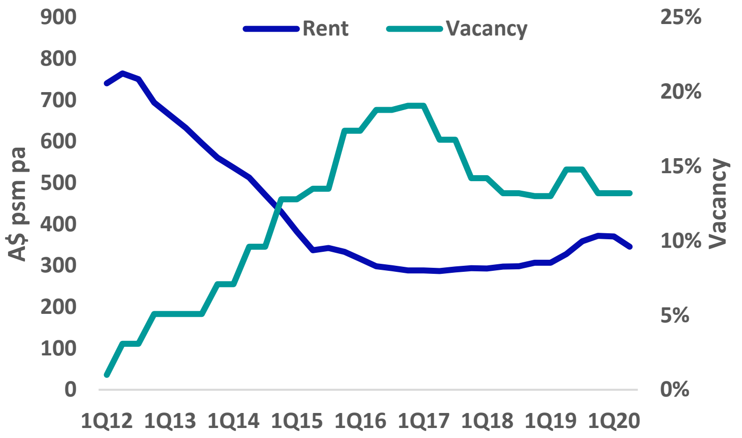
Perth

Highlights

Perth's office market is currently caught in a limbo with the known drivers of the pre-COVID-19 market, where it was in a recovery phase on the back of firming commodity prices, and now the unknowns that COVID-19 has brought. While the outbreak and subsequent lockdown had stifled this recovery momentum, leasing activity has continued albeit at the smaller end of the market.

Outlook

Looking ahead, while commodity prices are expected to stage a recovery in the near term as the economic engines around the world are restarted, they're not expected to return to their pre-COVID-19 levels which will affect new project investments in Western Australia; this will have a downstream impact on occupier demand for Perth's offices in the medium term. We expect incentive rates will start to increase in Perth by around 10% by the end of 2020, but face rents are less likely to be unaffected.



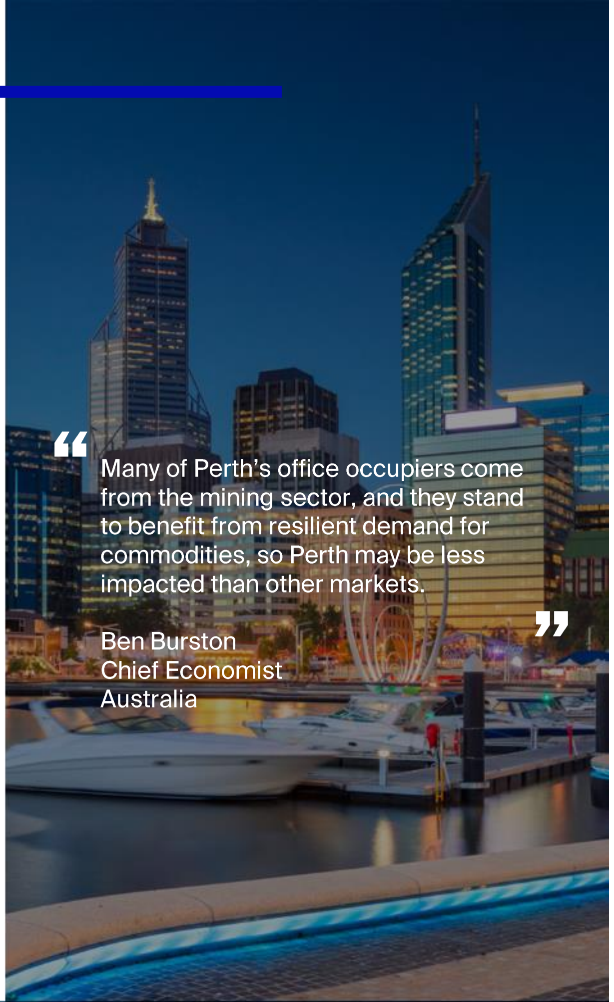
Economic Indicators	2019	2020F
GDP Growth	1.8%	-4.5%
Unemployment Rate	5.2%	7.6%
Inflation	1.8%	1.2%
PMI (Mfg)	51.2 (June)	54 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (A$ psm pa)	620	↓
Vacancy	13.2%	↑
Market Balance	Tenant	Tenant

COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

Major COVID-19 Policies

- Partial lockdown: Businesses performing non-essential services must work from home or close, schools open and group gatherings limited
- Fiscal Stimulus: A$320bn (16% GDP) relief package.
- Tenancy Relief: Temporary moratorium on eviction, landlord and tenant reliefs being planned.



"Many of Perth's office occupiers come from the mining sector, and they stand to benefit from resilient demand for commodities, so Perth may be less impacted than other markets."

Ben Burston
Chief Economist
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Source: Knight Frank Research, IMF, Macrobond

updated as of Aug 07, 2020

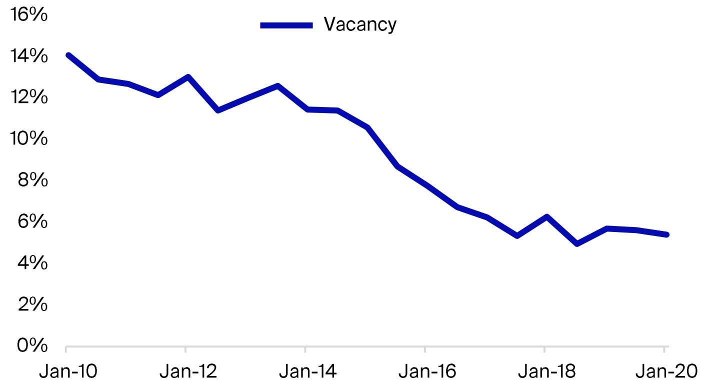
Auckland

Highlights

Auckland's office market stayed relatively resilient in Q2 2020 with rents holding firm, though we are seeing firms apply a wait-and-watch approach in terms of their space requirements. The COVID-19 outbreak and subsequent lockdown during the quarter did put a freeze on market activity during the period, but things were quick to revert back once restrictions were lifted in June. The better quality buildings are in more demand than the lower quality buildings which are facing more challenges attracting tenants.

Outlook

We maintain our expectations for a slight softening of net rentals as occupiers are expected to maintain a cost-conscious mindset. Compounding this would be new developments, although most are already pre-committed, coming online this year and next that would push vacancies higher along with expectations for sub-leasing activity to increase due to tenants within the economy that are under distress. Effective rents will soften as landlords of prime and secondary quality space ramp up the incentive they offer to entice tenants.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	✓
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

Economic Indicators	2019	2020F
GDP Growth	2.2%	-7.2%
Unemployment Rate	4.1%	9.2%
Inflation	1.9%	1.0%
PMI (Mfg)	39.8 (May)	56.3 (June)

Real Estate Indicators	Q2 2020	2020F
Rent (NZ$ psm pa)	369	↓
Vacancy	~8%	↑
Market Balance	Tenant	Tenant

Major COVID-19 Policies

- Lockdown: Auckland in lockdown and rest of country in Level 2.
- Fiscal Stimulus: NZ$12bn (3% GDP) relief package
- Property Tax Benefits: Re-introduction of depreciation on building structures

"The Auckland market has seen a flood of sublease space coming to the market that will have an impact on net effective rents. This is a result of reduced employee numbers and a change in the way companies are choosing to work."

Lloyd Budd
Director Commercial and Industrial
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Source: Knight Frank Research, IMF, Macrobond

updated as of Aug 07, 2020

Jakarta

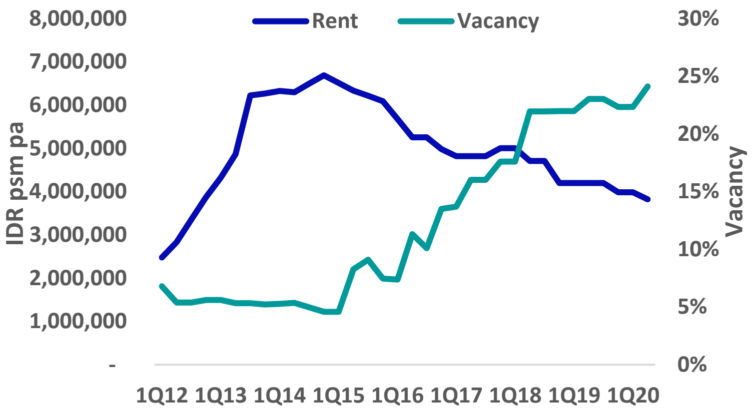
Highlights

Grade A office rents in Jakarta fell 7.4% year-on-year in Q2 2020 as the market continues to digest the excess stock available in the city. Grade A vacancy rose 0.9% during the quarter to 24.1%. Demand continues to be fuelled from the ecommerce, financial business, digital technology, and food and beverage industry. With Jakarta delaying its exit from its partial lockdown phase, pressure continues to build on the profitability for the food and beverage industry; which will likely further dampen office rents over the coming months.

Outlook

With an estimated 525,186 sqm of new supply correction expected to enter the market over the next two years, there will be more downside pressure on rents; this is without factoring the already weak economic environment stemming from the outbreak.

Nonetheless, Grade A buildings located near the newly completed MRT lines would continue to attract interest and resist rental pressures more given their proximity benefits.



COVID-19 Policies Implemented		
Movement Restrictions	Partial - Lockdown	✓
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	

Economic Indicators

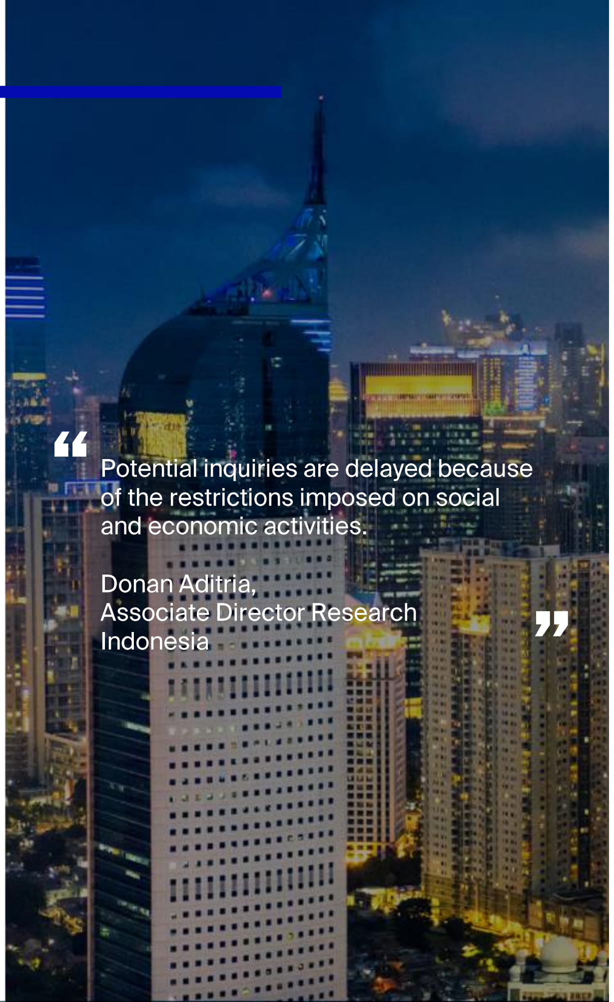
	2019	2020F
GDP Growth	5%	-5.32%
Unemployment Rate	5.3%	6.1%
Inflation	2.6%	1.96%
PMI (Mfg)	39.1 (June)	46.9 (July)

Real Estate Indicators

	Q2 2020	2020F
Rent (IDR psm pa)	3,824,988	↓
Vacancy	24.1%	→
Market Balance	Tenant	Tenant

Major COVID-19 Policies

- Partial lockdown: Non-essentials and schools closed, group gatherings limited to 5. Tentative no end date.
- Fiscal Stimulus: IDR436trn (2.5% GDP) relief package.
- Tenancy Relief: No government relief for commercial sector at the moment.



“Potential inquiries are delayed because of the restrictions imposed on social and economic activities.

Donan Aditria,
Associate Director Research Indonesia”

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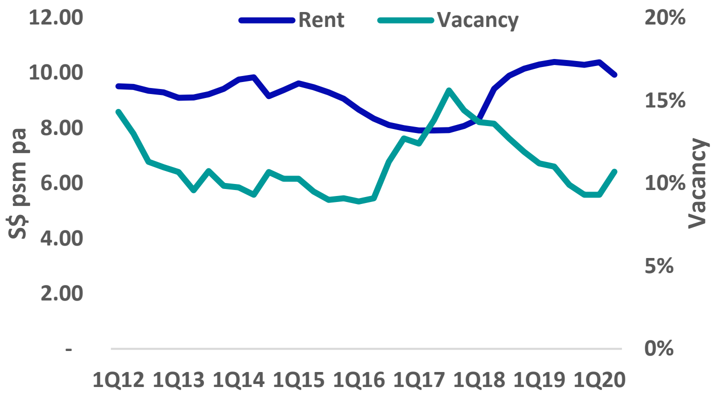
Singapore

Highlights

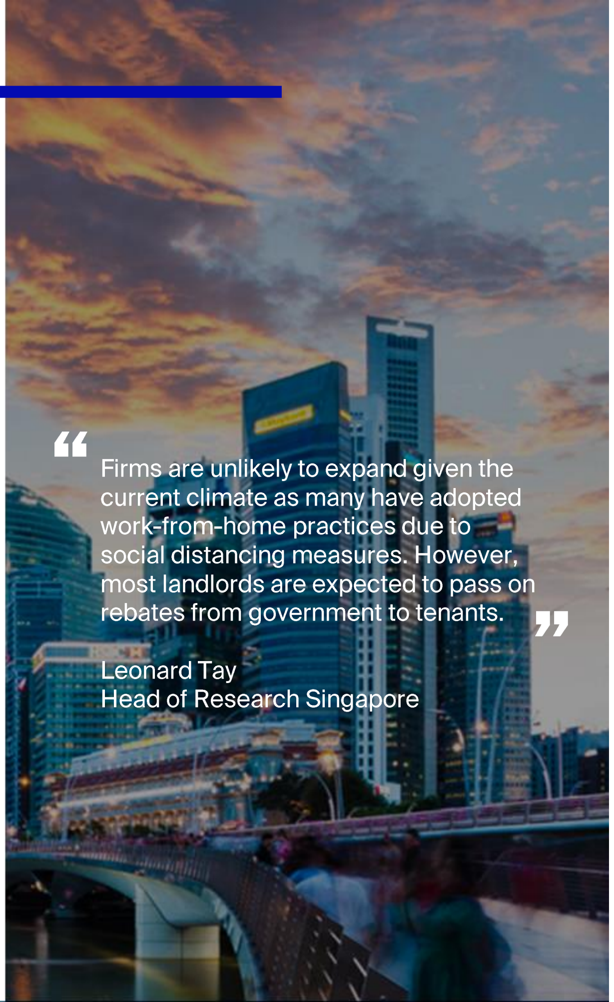
Singapore's Grade A office rents contracted -2.6% quarter-on-quarter during the period as landlords lowered their rental expectations to maintain occupancies either by retaining or attracting new occupiers amidst the city-state's cloudy economic outlook. The market also witnessed the completion of 280,000 sqft of space between two new buildings, 55 Market Street and 30 Raffles Place, which contributed towards the rising market vacancy during the quarter. Overall, vacancy was up by 1.4% to 10.7%.

Outlook

There is also a rising risk of shadow space within the market, currently estimated at 170,000 sqft, which will compound pressures from the weak economic conditions on the Singapore office sector throughout the rest of this year.



COVID-19 Policies Implemented		
Movement Restrictions	Circuit Breaker	✓
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓



"Firms are unlikely to expand given the current climate as many have adopted work-from-home practices due to social distancing measures. However, most landlords are expected to pass on rebates from government to tenants."

Leonard Tay
Head of Research Singapore

Economic Indicators	2019	2020F
GDP Growth	0.7%	-6.0%
Unemployment Rate	2.3%	2.9%
Inflation	0.76%	0.44%
PMI (Comp)	48.0 (June)	50.2 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (S$ psf pm)	9.9	↓
Vacancy	10.7%	↑
Market Balance	Tenant	Tenant

Major COVID-19 Policies

- Circuit breaker phase 2: Most economic activities re-opened.
- Fiscal Stimulus: S$93bn (20% GDP) in relief spending.
- Property Tax Rebates: Non-residential will get between 30-100% property tax rebate.

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Source: Knight Frank Research, IMF, Macrobond

updated as of Aug 07, 2020

Kuala Lumpur

Highlights

Average rents in Kuala Lumpur City remains under pressure in Q2 2020 with challenges stemming from the COVID-19 pandemic, office supply-demand imbalance, and a drop in crude oil price. Further out, the office markets in the city fringe and wider Selangor region have remained resilient, supported by active leasing activities and positive tenant movements.

Outlook

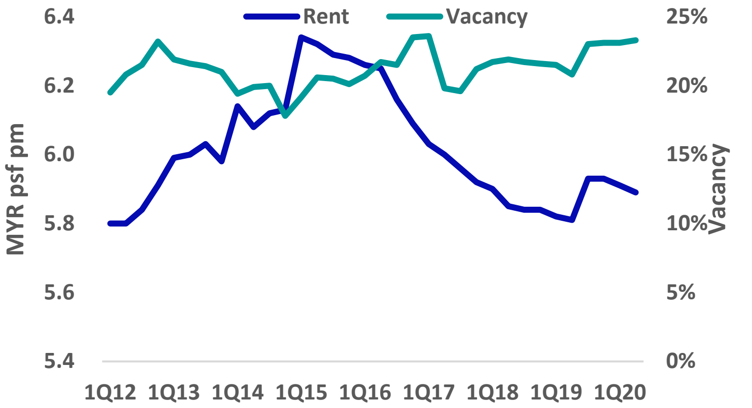
Rentals in the city center are under pressure amid heightened competition due to supply-demand imbalance. Well-connected office assets that come with a wide array of amenities, however, remain popular with the limited tenant pools.

Flight to quality continues in this tenant-led market as occupiers take the opportunity to move to newer buildings at competitive rates. Ageing buildings will likely experience higher vacancy rates, which could lead to refurbishment or redevelopment opportunities or repositioning to value-add strategies.

Market conditions are expected to remain challenging for the remainder of the year, impacted by the pandemic and weak oil prices.

Economic Indicators	2019	2020F
GDP Growth	4.3%	-3.8%
Unemployment Rate	3.3%	4.9%
Inflation	1.0%	0.11%
PMI (Mfg)	51 (June)	50 (July)

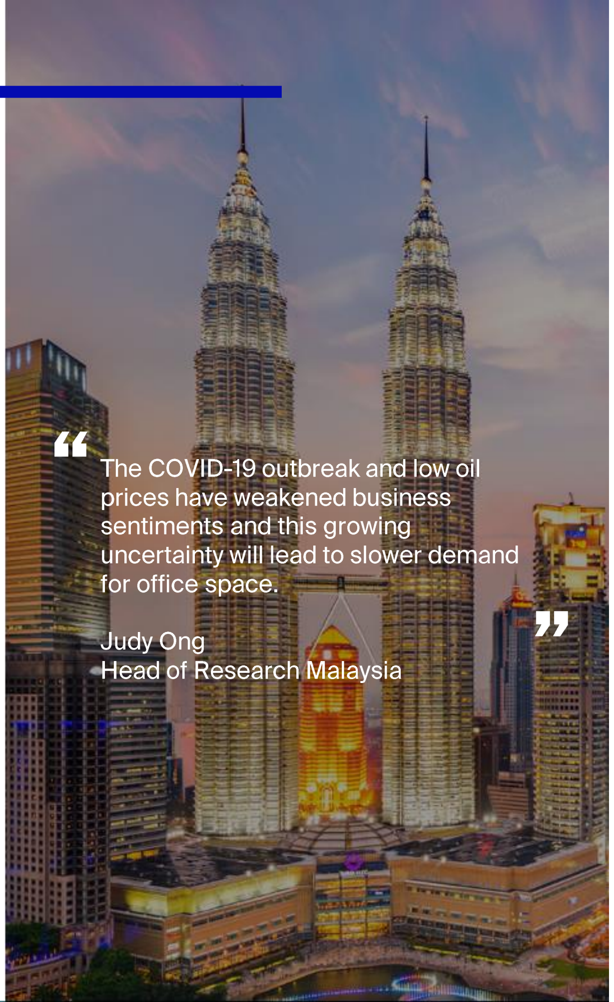
Real Estate Indicators	Q2 2020	2020F
Rent (MYR psf pm)	5.9	↓
Vacancy	23.3%	↑
Market Balance	Tenant	Tenant



COVID-19 Policies Implemented		
Movement Restrictions	Conditional Movement	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

Major COVID-19 Policies

- Reopening Phase from June 9 to August with most economic activities reopened.
- Fiscal Stimulus: MYR260bn (17% GDP) relief package. Additional MYR35bn short-term National Economic Recovery Plan introduced in June including zero tax rate for foreign companies making investments into manufacturing sector.
- Tenancy Relief: Rental discounts and waivers to SMEs operating within buildings owned by GLCs.



“The COVID-19 outbreak and low oil prices have weakened business sentiments and this growing uncertainty will lead to slower demand for office space.”

Judy Ong
Head of Research Malaysia

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updated as of Aug 07, 2020

Bangkok

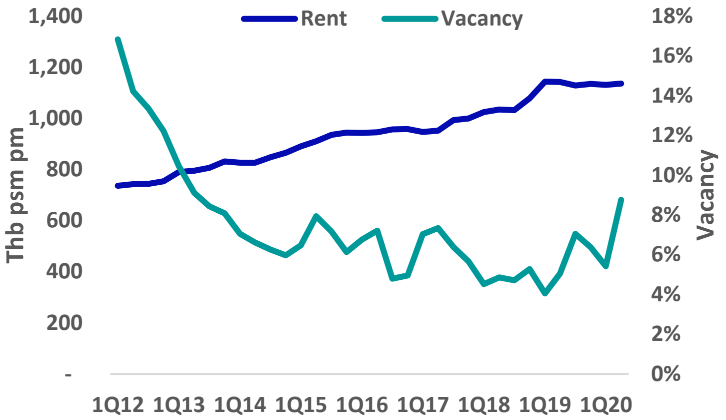
Outlook

While there is still room for growth, Thailand's office market appears to be approaching the end of an expansionary period. Q2 2020's market performance and recent trends suggest that the present demand trends are decelerating.

When faced with uncertain economic conditions, tenants will act more conservatively, selecting to remain in the same office space, despite the growing preference for higher quality workspaces. However, if demand weakens further, we may see some project handovers get delayed as developers anticipate stronger demand levels in later years.

Both the new property tax law to be implemented in 2020 and the relatively poor grade C performance could incentivize landlords of such properties to withdraw and refurbish stock. This will add a positive dampening effect to the future supply growth, allowing demand to keep pace.

The weakness in rental growth is expected to persist for the time being. As more high-quality workspaces enter the market, landlords may have to compete on both rent and non-monetary incentives to secure tenants.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	

“Tenants in Bangkok have begun to repopulate their offices. As they do so, they are taking stock of their business and are looking more closely than ever at their real estate. This is not only in terms of where people can healthily sit, meet and interact, but also as a response to what is looking like an increasingly challenging economic climate. We have noticed that more of our clients are looking to reduce the size of their offices. They aim to relocate to cheaper buildings and downsize, not because of a shift in preference for working from home, but as a prudent economic practice.”

Marcus Burtenshaw
Head of Occupier Services & Commercial Agency, Thailand

Economic Indicators

	2019	2020F
GDP Growth	2.4%	-7.7%
Unemployment Rate	1.1%	1.1%
Inflation	0.9%	1.1%
PMI (Mfg)	43.5 (June)	45.9 (July)

Real Estate Indicators

	Q2 2020	2020F
Rent (THB psf pm)	1,137	→
Vacancy	8.8%	→
Market Balance	Balanced	Balanced

Major COVID-19 Policies

- Lockdown: Lockdown eased in mid-May with more economic activities allowed.
- Fiscal Stimulus: Thb1.9trn (9% GDP) relief package.
- Tenancy Relief: No government relief for commercial sector at the moment

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Source: Knight Frank Research, IMF, Macrobond

updated as of Aug 07, 2020

Manila

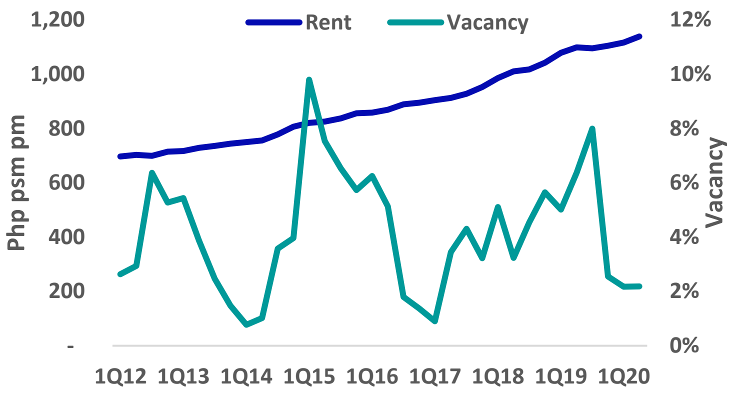
Highlights

Despite Manila's Grade A office rents rising 0.8% quarter-on-quarter in Q2 2020, transactional activity slowed significantly as the city was put under a strict lockdown which put a pause on the strong demand witnessed over the recent quarters from both new and expanding multinational and local corporates with in the prime Makati CBD district.

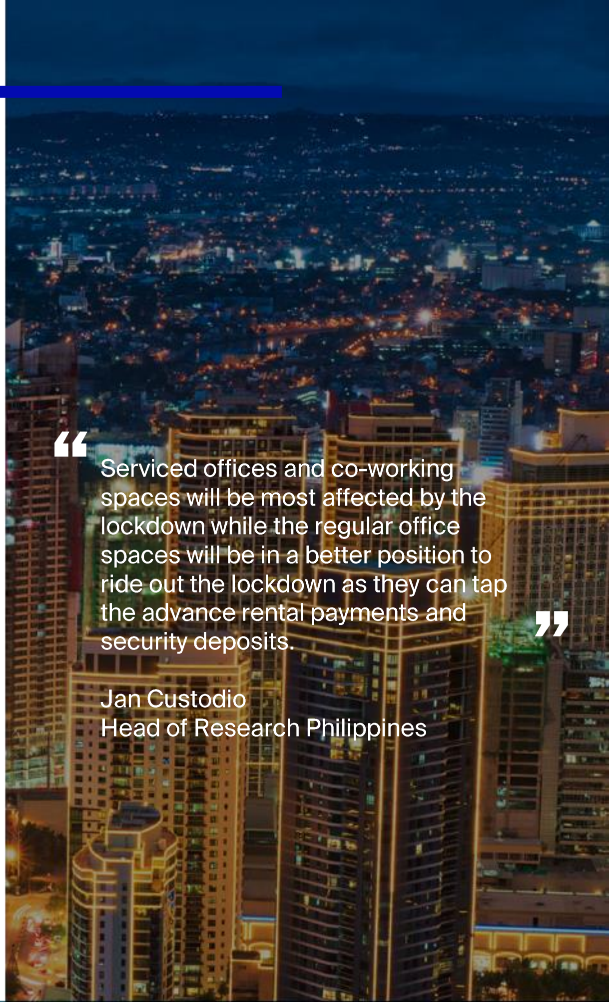
Outlook

Even as we head into the second half of 2020, demand is expected to remain soft as the Philippines continues to battle subsequent waves of outbreaks; Luzon was put back into lockdown for two weeks in August after a spike in cases.

With this as the backdrop, leasing activity will remain scant going forward which will put pressure on rents; landlords will try to preserve headline rents but instead give larger concessions (e.g. rent free, fit-outs) to try and retain or attract tenants. On the supply side, there will be mounting pressures with 1.2 million or 20% of the existing stock coming online over the coming years which will add further pressure on rents.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	✓
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	



> "Serviced offices and co-working spaces will be most affected by the lockdown while the regular office spaces will be in a better position to ride out the lockdown as they can tap the advance rental payments and security deposits."
>
> Jan Custodio
> Head of Research Philippines

Economic Indicators	2019	2020F
GDP Growth	5.9%	-3.6%
Unemployment Rate	5.1%	6.2%
Inflation	2.5%	2.6%
PMI (Mfg)	49.7 (June)	48.4 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (PHP psm pm)	1,139	↓
Vacancy	2.2%	↑
Market Balance	Tenant	Tenant

Major COVID-19 Policies

- Lockdown: Metro Manila under MECQ until August 18, 2020
- Fiscal Stimulus: Php200bn (1% GDP) relief package.
- Tenancy Relief: 30 day grace period for SME to pay rent w/o penalty. Waivers to mall tenants shutdown during lockdown.

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Phnom Penh

Highlights

Occupancy rates for the overall office space in Phnom Penh continues a downward pressure due to incoming supply, however rents remained resilient. Despite the new supply, demand for prime office space kept pace, and this momentum led to a very slight quarter-to-quarter uptick for prime office rents in Q2 2020. Over the next 3 years, the market is expected to witness another 1.2 million sqm of new stock complete – translating to a 135% increase over the market's current total stock.

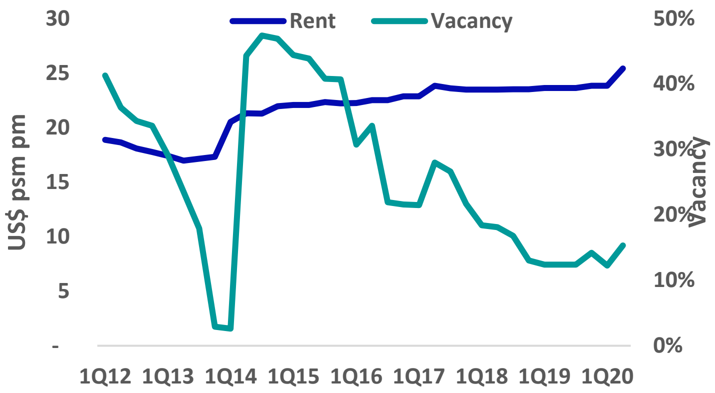
Outlook

The COVID-19 outbreak has brought about significant turbulence to the economy with almost all sectors within the economy impacted; all these will have a domino effect on office demand.

Demand for office in Phnom Penh has historically been highly correlated with new supply. However, this has diverged in Q1 2020 as expansion plans from MNCs were put on hold. If the situation were to persist any longer, absorption rates will lag behind the impending new supply and put pressure on rents and vacancy rates going forward.

Economic Indicators	2019	2020F
GDP Growth	7.0%	-1.6%
Unemployment Rate	NA	NA
Inflation	2.7%	0.9%
PMI	NA	NA

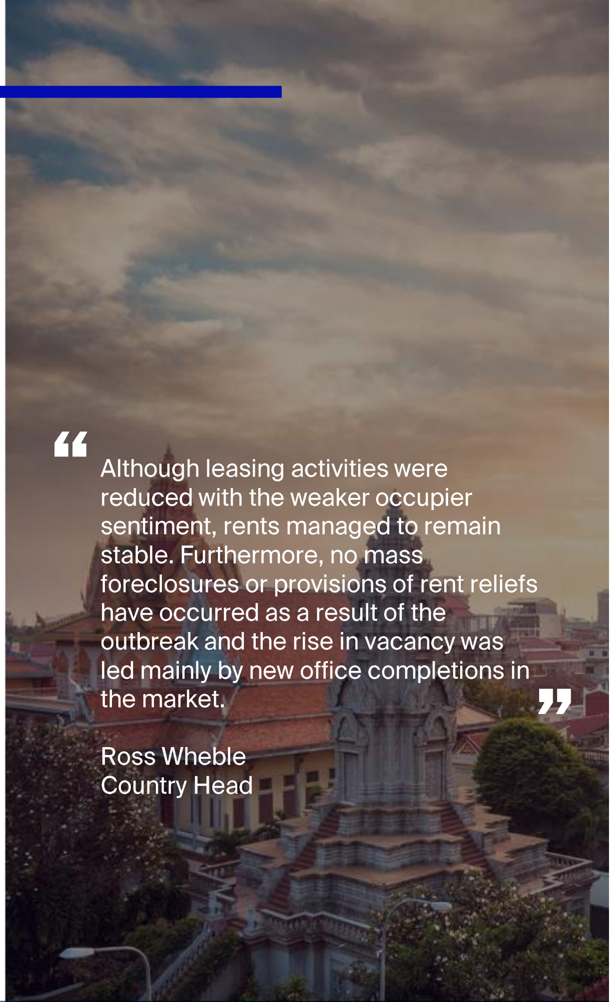
Real Estate Indicators	Q2 2020	2020F
Rent (US$ psm pm)	25.4	↓
Vacancy	15.3%	↑
Market Balance	Tenant	Tenant



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	

Major COVID-19 Policies

- Travel Restrictions: Domestic travel restrictions were imposed 9-16 Apr.
- Fiscal Stimulus: Government has reserved US$2bn (8% GDP) to assist certain sectors. Borrowing costs lowered.
- Commercial restrictions: Entertainment venues and educational institutions closed indefinitely.



"Although leasing activities were reduced with the weaker occupier sentiment, rents managed to remain stable. Furthermore, no mass foreclosures or provisions of rent reliefs have occurred as a result of the outbreak and the rise in vacancy was led mainly by new office completions in the market."

Ross Wheble
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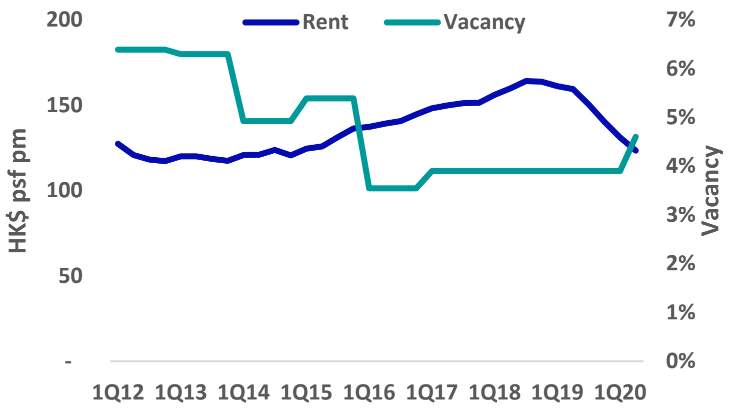
Hong Kong

Highlights

Grade A rents in Hong Kong fell -5.8% quarter-on-quarter in Q2 as its economy remains in a recession and sentiment continued to be dampened by both political uncertainty and the ongoing social unrest. On an annual basis, rents were down -22.6% year-on-year during the period.

Outlook

Looking ahead, with the city currently battling a third wave of COVID-19 infections and the subsequent retightening of its social distancing restrictions, the office market is expected to take a longer period to recover back to pre-COVID levels.



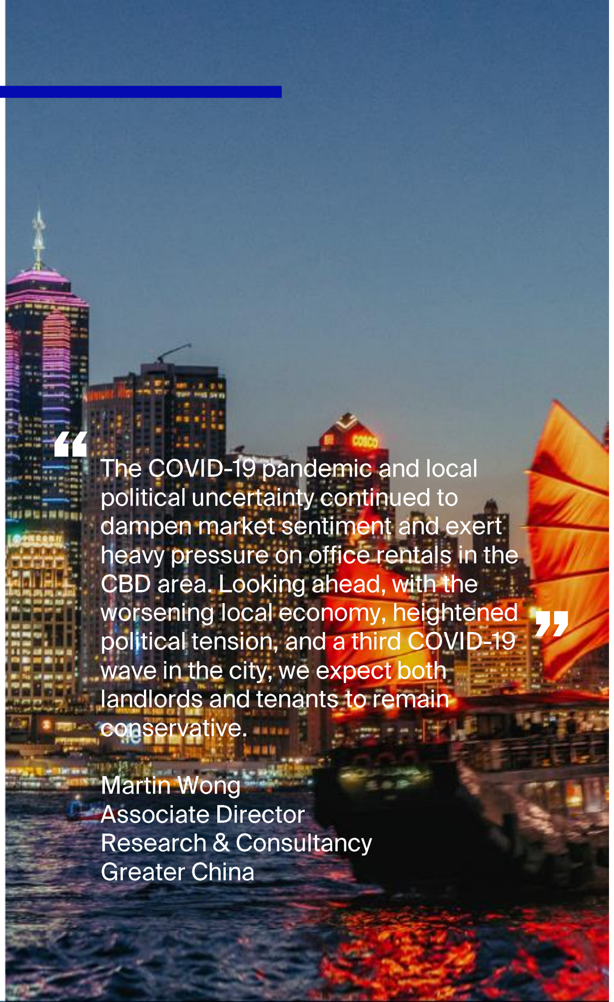
Economic Indicators	2019	2020F
GDP Growth	-1.2%	-4.8%
Unemployment Rate	3.0%	4.5%
Inflation	2.9%	4.5%
PMI (Comp)	49.6 (June)	44.5 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (HK$ psf pm)	123	↓
Vacancy	4.6%	↑
Market Balance	Tenant	Tenant

COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Major COVID-19 Policies

- Social distancing: No lockdown but gatherings limited to 2.
- Fiscal Stimulus: HK$138bn (5% GDP) relief package.
- Tenancy Relief: Retail tenants with premises on government properties have 50% rent cut for 6 months. No relief for office tenants.



“The COVID-19 pandemic and local political uncertainty continued to dampen market sentiment and exert heavy pressure on office rentals in the CBD area. Looking ahead, with the worsening local economy, heightened political tension, and a third COVID-19 wave in the city, we expect both landlords and tenants to remain conservative.”

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Taipei

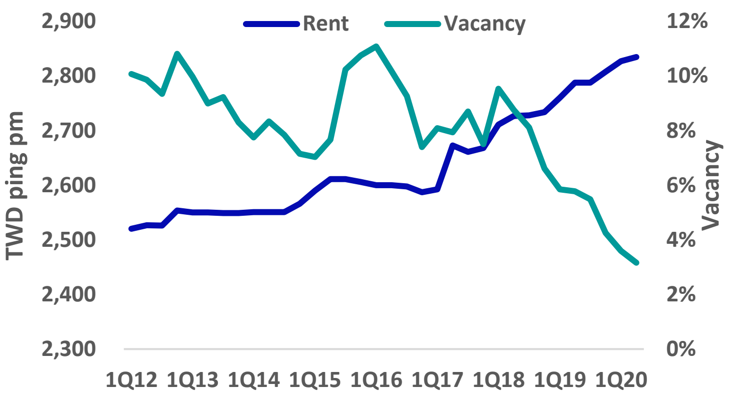
Highlights

Grade A office rents in Taipei rose 0.3% in Q2 2020, mainly driven by continued healthy take up from the IT sector which has benefited greatly from the COVID-19 outbreak. Taiwan's economy has been largely spared from COVID-19 compared to its regional peers and office and investment activity within the city has largely continued unabated.

We also continue to see healthy investment activity given just recently the 16th floor of Uni-President International Tower in Xinyi Planned Area in Taipei City was sold for NTD1.24 billion; hitting a new high at NT$1.8 million per ping.

Outlook

Going forward, while a large supply pipeline of 3.1mn sqft is expected to come online over the coming years, most have already been pre-committed by large groups as their HQs. Therefore, given that demand continues to outpace supply, we expect Taipei's office market to continue growing over the coming years.



COVID-19 Policies Implemented

Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Economic Indicators

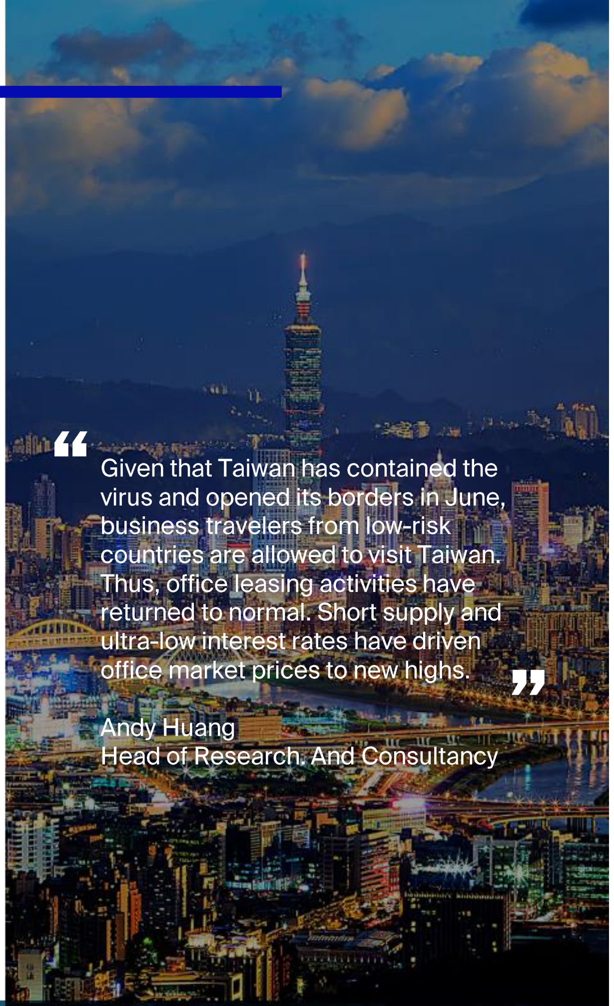
	2019	2020F
GDP Growth	2.7%	-4.0%
Unemployment Rate	3.8%	4.4%
Inflation	1.13%	0.5%
PMI (Mfg)	46.2 (June)	50.6 (July)

Real Estate Indicators

	Q2 2020	2020F
Rent (NT$ ping pm)	2,835	↑
Vacancy	3.2%	↓
Market Balance	Balanced	Landlord

Major COVID-19 Policies

- Crowd Control: Domestic tourist attractions and malls have enacted crowd control measures.
- Fiscal Stimulus: NT$1.05trn (5% GDP) relief package.
- Rent/Tax Reduction: 20% reduction in rents for state-owned and non-public use land. Non-residential housing tax rate was reduced to 2%.



"Given that Taiwan has contained the virus and opened its borders in June, business travelers from low-risk countries are allowed to visit Taiwan. Thus, office leasing activities have returned to normal. Short supply and ultra-low interest rates have driven office market prices to new highs."

Andy Huang
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updated as of Aug 07, 2020

Shanghai

Highlights

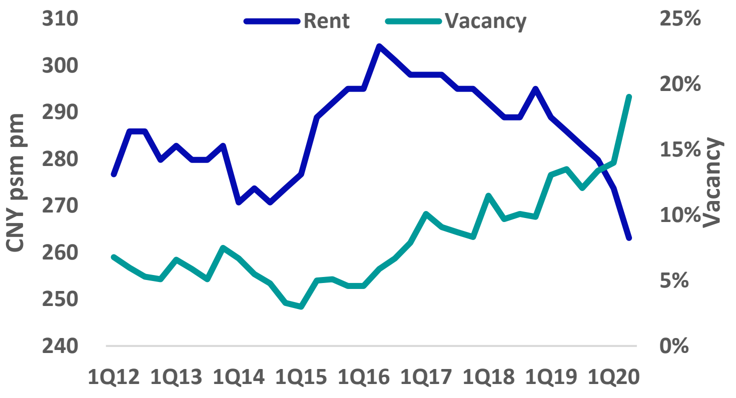
Grade A office rents in Shanghai fell 8% year-on-year in Q2 2020 as the market continues to remain tenant favourable given the slow digestion of excess stock within the city.

Vacancy rose circa 5% during the quarter to 19%, a level not seen since the GFC due to a combination of new supply and softening demand brought on by tough economic conditions, both domestic and international.

Outlook

The COVID-19 outbreak has added more pain to the oversupplied market. Furthermore, the co-working sector, which has been a major source of demand over the past several years, has also waned following the troubles faced by WeWork and investors putting more scrutiny on business models.

Going forward, the market is expected to remain in the tenant's favour even after the COVID-19 outbreak starts to fade, as supply demand fundamentals remain imbalanced.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Economic Indicators

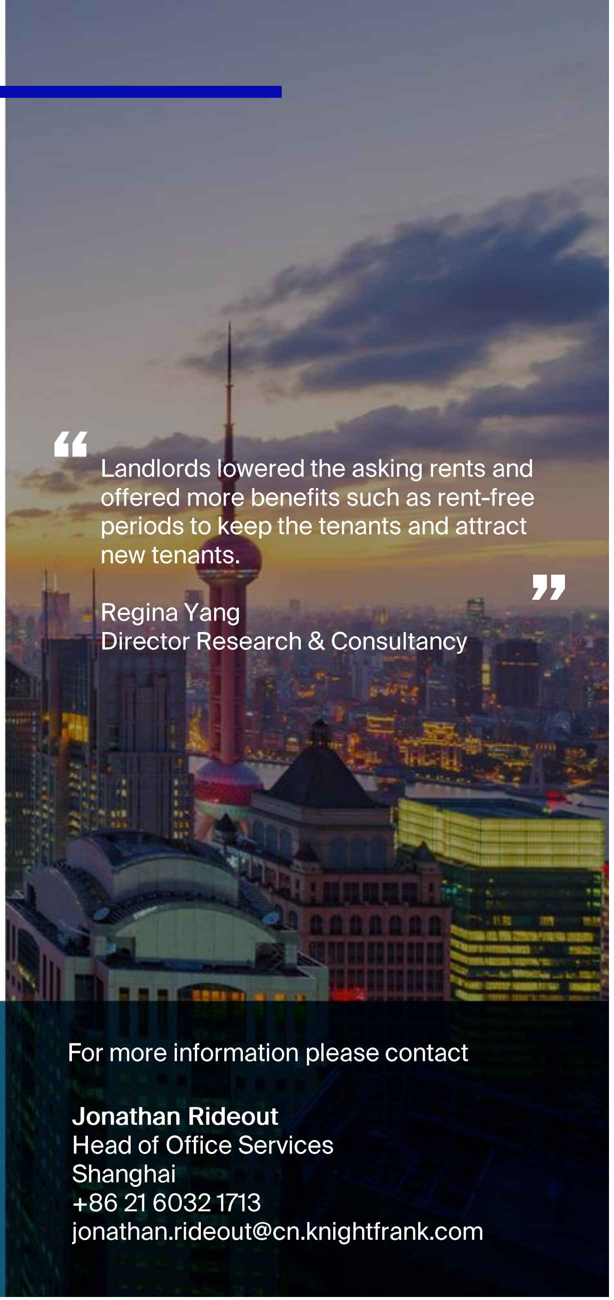
	2019	2020F
GDP Growth	6.1%	1.0%
Unemployment Rate	3.6%	4.3%
Inflation	4.5%	1.0%
PMI (Mfg)	51.2 (June)	52.8 (July)

Real Estate Indicators

	Q2 2020	2020F
Rent (RMB psm pm)	263	↓
Vacancy	19.1%	↑
Market Balance	Tenant	Tenant

Major COVID-19 Policies

- Social distancing: Most lockdowns are being removed but social distancing enforced with not all shops open yet.
- Fiscal Stimulus: No official stimulus package announced – rumoured to be 6% of GDP.
- Tenancy Relief: SOE landlords to give 2 months rent free from Feb to Mar for qualified SMEs.



"Landlords lowered the asking rents and offered more benefits such as rent-free periods to keep the tenants and attract new tenants."

Regina Yang
Director Research & Consultancy

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Beijing

Highlights

In Q1 2020, the average Grade A office building rents in Beijing fell 7.5% year-on-year, compounding the negative rental growth momentum which started this year after a decade of positive growth.

The continued softening of demand has brought about huge pressures on absorption rates within the market. In Q2 2020, the vacancy rate of Grade A office buildings in Beijing continued to rise, up 1% to 16% during the quarter, as the market quickly turned in favour of tenants.

Outlook

With the office market significantly affected by the COVID-19 outbreak since the start of the year, we expect several office developments under construction to see their completions delayed, which has limited the new supply in the first half of 2020.

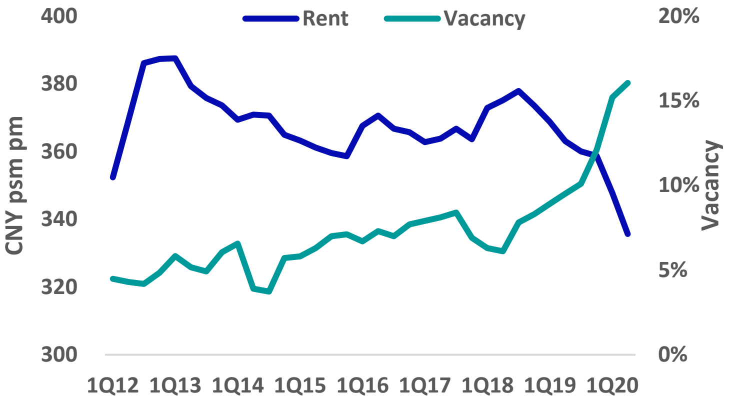
In terms of leasing demand, most sectors will see a large impact and weaker absorption, except for healthcare, online education and online retail services. Overall, we believe the office market should return to growth in the second half of 2020 as the domestic economy recovers and the local authorities have shown ample capability to manage any subsequent outbreaks.

Economic Indicators

	2019	2020F
GDP Growth	6.1%	1.0%
Unemployment Rate	3.6%	4.3%
Inflation	4.5%	1.0%
PMI (Mfg)	51.2 (June)	52.8 (July)

Real Estate Indicators

	Q2 2020	2020F
Rent (RMB psm pm)	335.6	↓
Vacancy	16.1%	↑
Market Balance	Tenant	Tenant

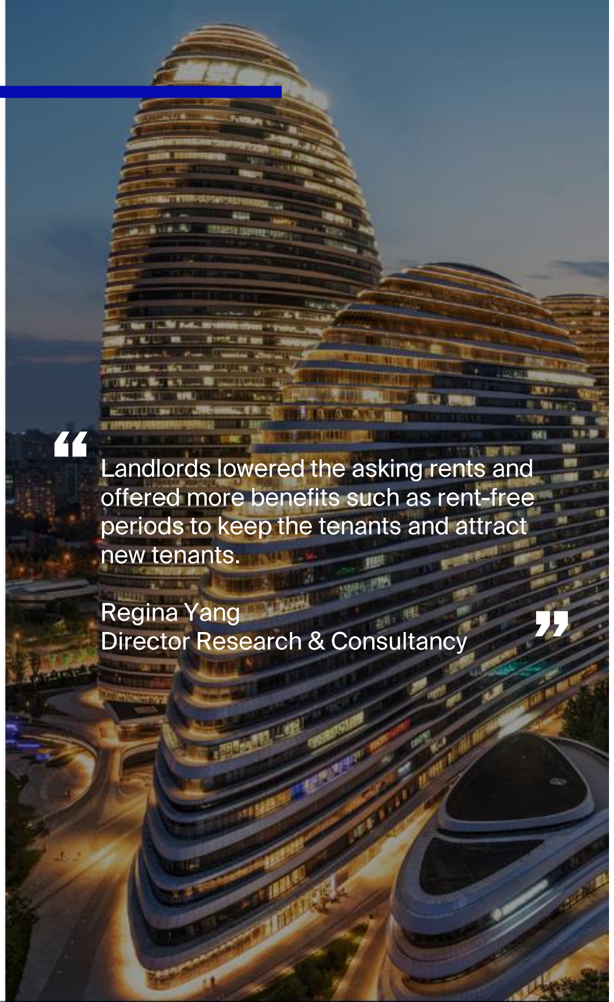


COVID-19 Policies Implemented

Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Major COVID-19 Policies

- Social distancing: Most lockdowns are being removed but social distancing enforced with not all shops open yet.
- Fiscal Stimulus: No official stimulus package announced – rumoured to be 6% of GDP.
- Tenancy Relief: SOE landlords to give 2 months rent free from Feb to Mar for qualified SMEs.



“Landlords lowered the asking rents and offered more benefits such as rent-free periods to keep the tenants and attract new tenants.”

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Guangzhou

Highlights

In Q2 2020, the Grade-A office market in Guangzhou recorded weakness with rents contracting 3.1% year-on-year. Vacancy also recorded some weakness during the quarter, rising 1.1% during the period to 6.5%. Guangzhou's office sector has been relatively shielded from the impact of the COVID-19 outbreak, as compared to its sister Tier 1 cities, given its strong manufacturing and IT sector exposure; which have benefitted from both China's economic restart these past few months.

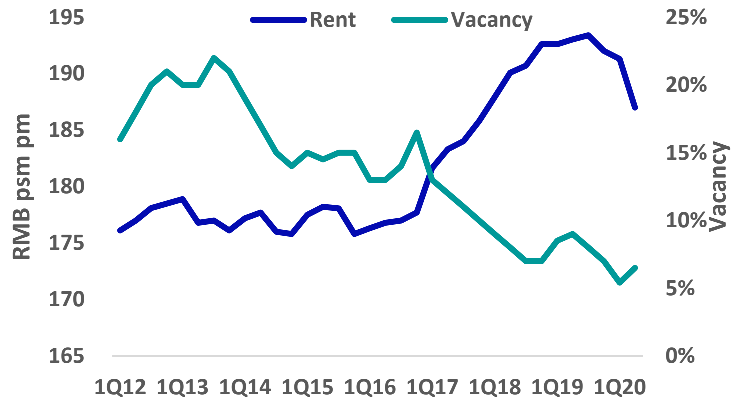
Outlook

The weakness witnessed in Q2 2020 was as we predicted and the market should see the rate of rental growth decline decelerate in the coming months given that the COVID-19 outbreak has further promoted the development of online networking technology and media companies and bio-pharmaceutical companies.

Over the short term, while the outbreak will have a negative impact on Guangzhou's office market, we remain optimistic on the medium- and long-term story for the city given its solid fundamental drivers such as benefits from the recent transport infrastructure completions.

Economic Indicators	2019	2020F
GDP Growth	6.1%	1.0%
Unemployment Rate	3.6%	4.3%
Inflation	4.5%	1.0%
PMI (Mfg)	51.2 (June)	52.8 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (RMB psm pm)	187	↓
Vacancy	6.5%	↑
Market Balance	Tenant	Tenant



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Major COVID-19 Policies

- Social distancing: Most lockdowns are being removed but social distancing enforced with not all shops open yet.
- Fiscal Stimulus: No official stimulus package announced – rumoured to be 6% of GDP.
- Tenancy Relief: SOE landlords to give 2 months rent free from Feb to Mar for qualified SMEs.

"In general, although the virus outbreak has a temporary and short-term negative impact on the Guangzhou office market, we remain optimistic on the medium- and long-term story for the city given its solid fundamental drivers."

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Tokyo

Highlights

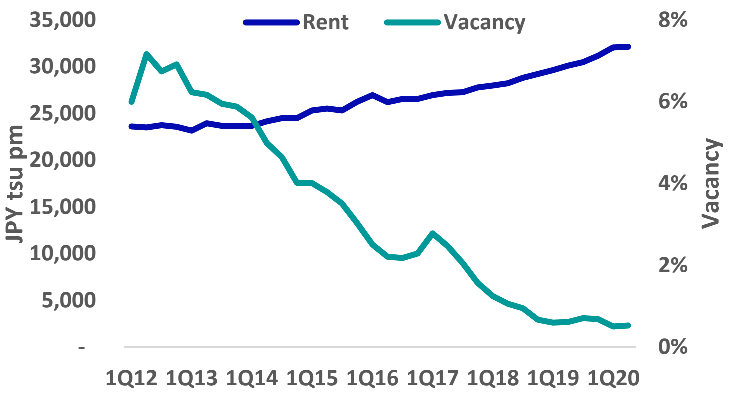
Tokyo's Grade A office rents rose by a marginal 0.3% quarter-on-quarter in Q2 as the market's seven-year office boom looks to have peaked. One indicator of this can be seen from its vacancy rate which rose by 0.2% to 1.22% for the city's 23 wards; this was the largest increase seen over the past several years.

Outlook

The COVID-19 pandemic has been a major factor driving the cycle turnaround as many domestic occupiers have put off signing new leases and have pushed their employees to work from home (WFH); Fujitsu, one of Japan's largest employers, plans to reduce its office footprint by 50% over the coming three years. Looking ahead, we see further softening for Tokyo's office market especially in certain sub-markets, such as Shibuya, which has a higher concentration of tech firms, mainly due to tech's more liberal policies with regards to WFH practices.

Economic Indicators	2019	2020F
GDP Growth	0.7%	-5.8%
Unemployment Rate	2.4%	3.0%
Inflation	0.5%	-
PMI (Mfg)	40.1 (June)	45.2 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (JPY tsubo pm)	32,134	↓
Vacancy	0.5%	↑
Market Balance	Tenant	Tenant



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Major COVID-19 Policies

- Lockdown lite: Most social non-essentials are shut, while other non-essentials close earlier. People are encouraged to stay home after work.
- Fiscal Stimulus: JPY108trn (18% GDP) relief package.
- Tenancy Relief: No government relief for commercial sector at the moment.

"While light at the end of the COVID-19 outbreak tunnel remains elusive, the air-tight vacancy in Tokyo's Central 5 Wards and limited available supply till 2023 will act as a baseline support for rents; even as demand sentiment is expected to soften this year."

Justin Eng
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Source: Knight Frank Research, IMF, Macrobond

updated as of Aug 07, 2020

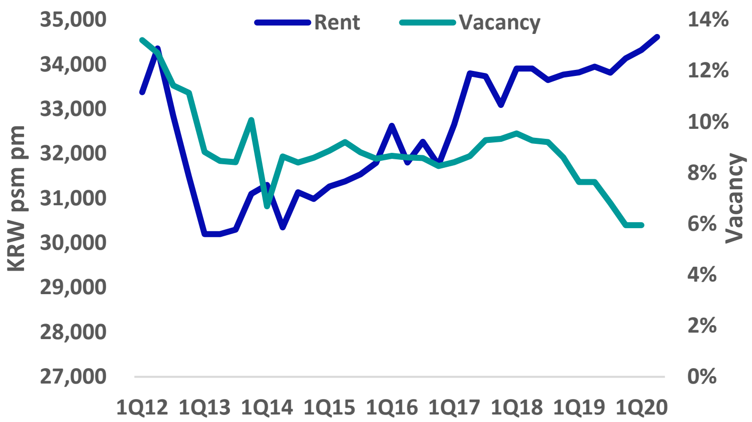
Seoul

Highlights

Seoul's Grade A office rents rose 0.8% year-on-year in Q2 2020, led by robust demand to upgrade or expand premises from the IT sector occupiers who have been strong beneficiaries from the COVID-19 outbreak. Vacancy rose 2.8% during the quarter, led mainly by the completion of a prime office asset, out of five expected this year, within the CBD.

Outlook

With the ongoing COVID-19 outbreak, sectors such as airlines, tourism and manufacturing related industries should see weaker leasing demand. However, this will be offset by increased demand from software, biotech & medical and government sectors.



Economic Indicators	2019	2020F
GDP Growth	2.0%	-2.1%
Unemployment Rate	3.8%	4.5%
Inflation	0.7%	0.3%
PMI (Mfg)	43.4 (June)	46.9 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (KRW psm pm)	34,615	→
Vacancy	8.8%	→
Market Balance	Landlord	Balanced

COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	

Major COVID-19 Policies

- No Lockdown: Seoul did not lockdown and business remains as usual.
- Fiscal Stimulus: KRW65trn (15% GDP) relief package.
- Tenancy Relief: No gov relief for commercial sector at the moment.

"Despite having brought the virus outbreak within its country under control, the export oriented economy will still face softer export demand which will weigh on its economic prospects in 2020; a likely dampener on office leasing demand."

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Source: Knight Frank Research, IMF, Macrobond

updated as of Aug 07, 2020

National Capital Region of Delhi

Highlights

With business activities all paused during the lockdown, many occupiers have approached their landlords for rent waivers and deferments in Q2 2020. Corporates are reworking their targets and outlooks for the remainder of this CY/FY and want to save on real estate operating expenditures which accounts for between 3-5% of their operating income. Demand for office spaces from the co-working sector has also slowed down considerably in NCR, which was a major occupier segment until H2 2019.

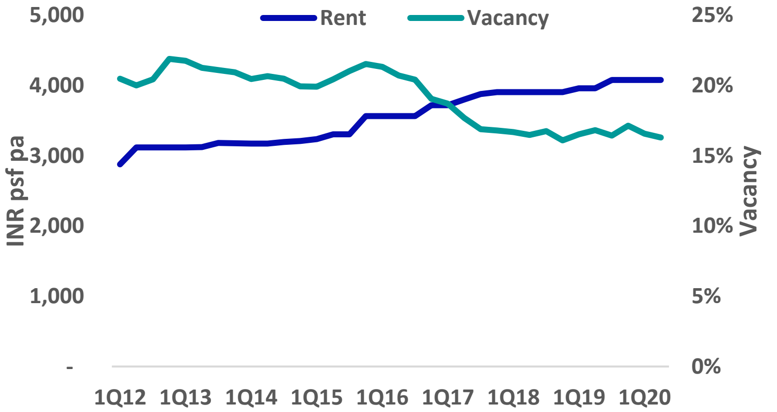
Outlook

Despite the all-time high leasing activity witnessed since 2019, we expect demand for Grade A office space to soften considering the current COVID-19 situation. Occupiers will rethink workspace design and allocations which will translate into contraction or deferment of space demand.

On the supply side, the lockdown has halted construction activities which will delay new supply; circa 19mn sqft in the form of IT parks and offices in different stages of construction is expected over the coming years. However, key micro markets within Gurugram and Noida will be less impacted by the new supply and will continue to command a premium.

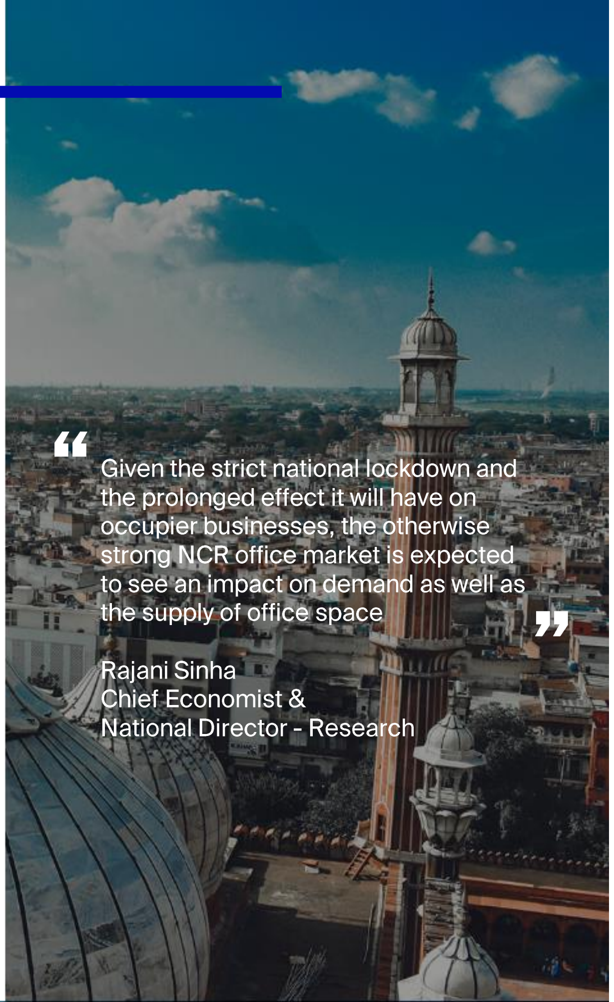
Economic Indicators	FY20	FY21
GDP Growth (FY20, FY21)	4.2%	-4.5%
Unemployment Rate	NA	NA
Inflation	5.8%	2.7%
PMI (Mfg)	47.2 (June)	46 (July)

Real Estate Indicators	Q2 2020	2020F
Rent (INR psf pa)	4,079	→
Vacancy	16.3%	→
Market Balance	Balance	Balance



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

Major COVID-19 Policies
- Lockdown: India entered Unlock 3.0 from 5th Aug.
- Economic Stimulus: Government of India has announced stimulus package of INR20trn (10% of GDP).
- Real Estate Relief: Central Bank has allowed one time restructuring of developer and personal loans.



“Given the strict national lockdown and the prolonged effect it will have on occupier businesses, the otherwise strong NCR office market is expected to see an impact on demand as well as the supply of office space”

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Bengaluru

Highlights

After years of strong demand and tight vacancies, the adverse impact of COVID-19 turned the tables around for Bengaluru's office market. While many projects were lined-up for completion in Q2 2020, many were delayed on account of the suspension of construction activities and prolonged labour shortage during the lockdown; delaying project deliveries. Vacancy also rose circa 2% in Q2 2020.

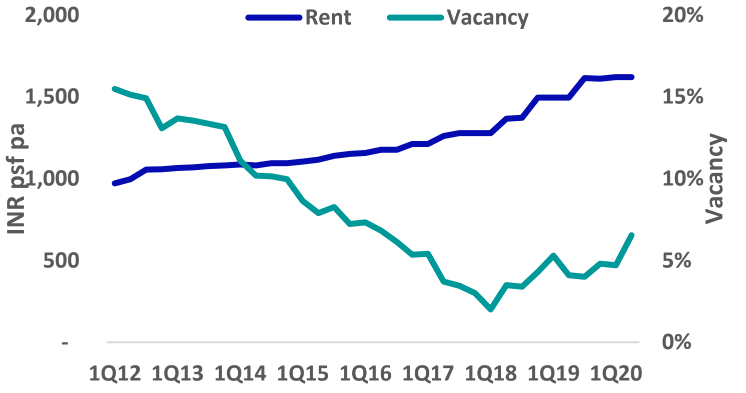
Outlook

Since the COVID-19 outbreak, we have seen occupiers postpone decisions related to their corporate real estate and this will have an impact on the strong leasing momentum witnessed at the start of this year. However, focus on factors such as employee health, de-densification and adherence to social distancing norms will help revitalize demand in the long term. Furthermore, a weaker currency, market undersupply and need for captive spaces will help revive take-up as normalcy returns.

On supply, with most construction projects halted, further delays to upcoming supply is expected. Also, the mobilisation of labour, adherence to strict COVID-19 protocols and obtaining occupancy certificates will create challenges in the short- to mid-term.

Economic Indicators		
	FY20	FY21
GDP Growth (FY20, FY21)	4.2%	-4.5%
Unemployment Rate	NA	NA
Inflation	5.8%	2.7%
PMI (Mfg)	47.2 (June)	46 (July)

Real Estate Indicators		
	Q2 2020	2020F
Rent (INR psf pa)	1,620	→
Vacancy	6.5%	→
Market Balance	Balance	Balance



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

Major COVID-19 Policies

- Lockdown: India entered Unlock 3.0 from 5th Aug.
- Economic Stimulus: Government of India has announced stimulus package of INR20trn (10% of GDP).
- Real Estate Relief: Central Bank has allowed one time restructuring of developer and personal loans.

"Depreciation of Indian currency has made Bengaluru more cost competitive and will help commercial real estate recover faster once the new normal sets in. De-densification and shifting of captive units to India will emerge as key themes in near term and impact the office market positively."

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Source: Knight Frank Research, IMF, Macrobond

updated as of Aug 07, 2020

Mumbai Metropolitan Region (MMR)

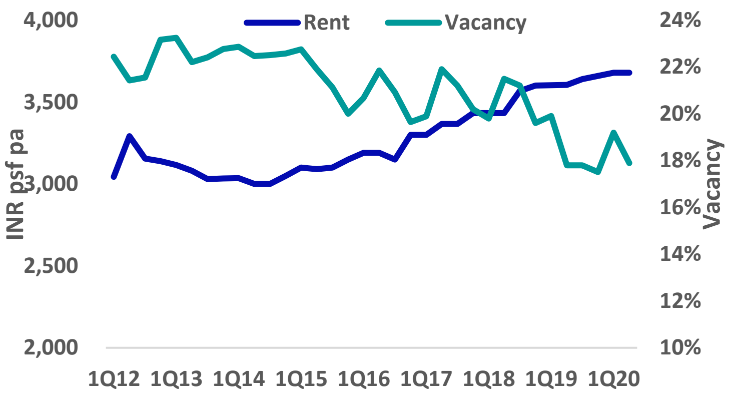
Highlights

Leasing activity in Mumbai was restricted in H1 2020 as the city remained under lockdown for most of the period. However, transaction volumes only declined 17% year-on-year thanks to two large deals by 2 occupiers that amounted to 1.8 mn sqft which helped avert a major decline in leasing activity.

Outlook

Despite stringent measures adopted by the government, the pandemic has yet to come under control in Mumbai and the threat of community transmission remains a concern; this could lead to a lockdown extension on the city.

In this scenario and given the high probability of a global recession this year, there will be repercussions on the office market as demand continues to be adversely impacted and pipeline supply declines as construction activities are delayed.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

“The situation is extremely dynamic and hence it would be challenging to provide a forecast for the year. Given the present situation, the lockdown in India coupled with the challenges of a global recession is likely to dent prospects for the MMR office market. We should witness subdued transaction activity in 2020, down from its historic highs in 2019, while also seeing supply limiting construction delays; all these will make rent growth elusive.”

Rajani Sinha
Chief Economist
& National Director - Research

Economic Indicators		
	FY20	FY21
GDP Growth (FY20, FY21)	4.2%	-4.5%
Unemployment Rate	NA	NA
Inflation	5.8%	2.7%
PMI (Mfg)	47.2 (June)	46 (July)

Real Estate Indicators		
	Q2 2020	2020F
Rent (INR psf pa)	3,680	→
Vacancy	17.9%	→
Market Balance	Balance	Balance

Major COVID-19 Policies

- Lockdown: India entered Unlock 3.0 from 5th Aug.
- Economic Stimulus: Government of India has announced stimulus package of INR20trn (10% of GDP).
- Real Estate Relief: Central Bank has allowed one time restructuring of developer and personal loans.

For more information please contact

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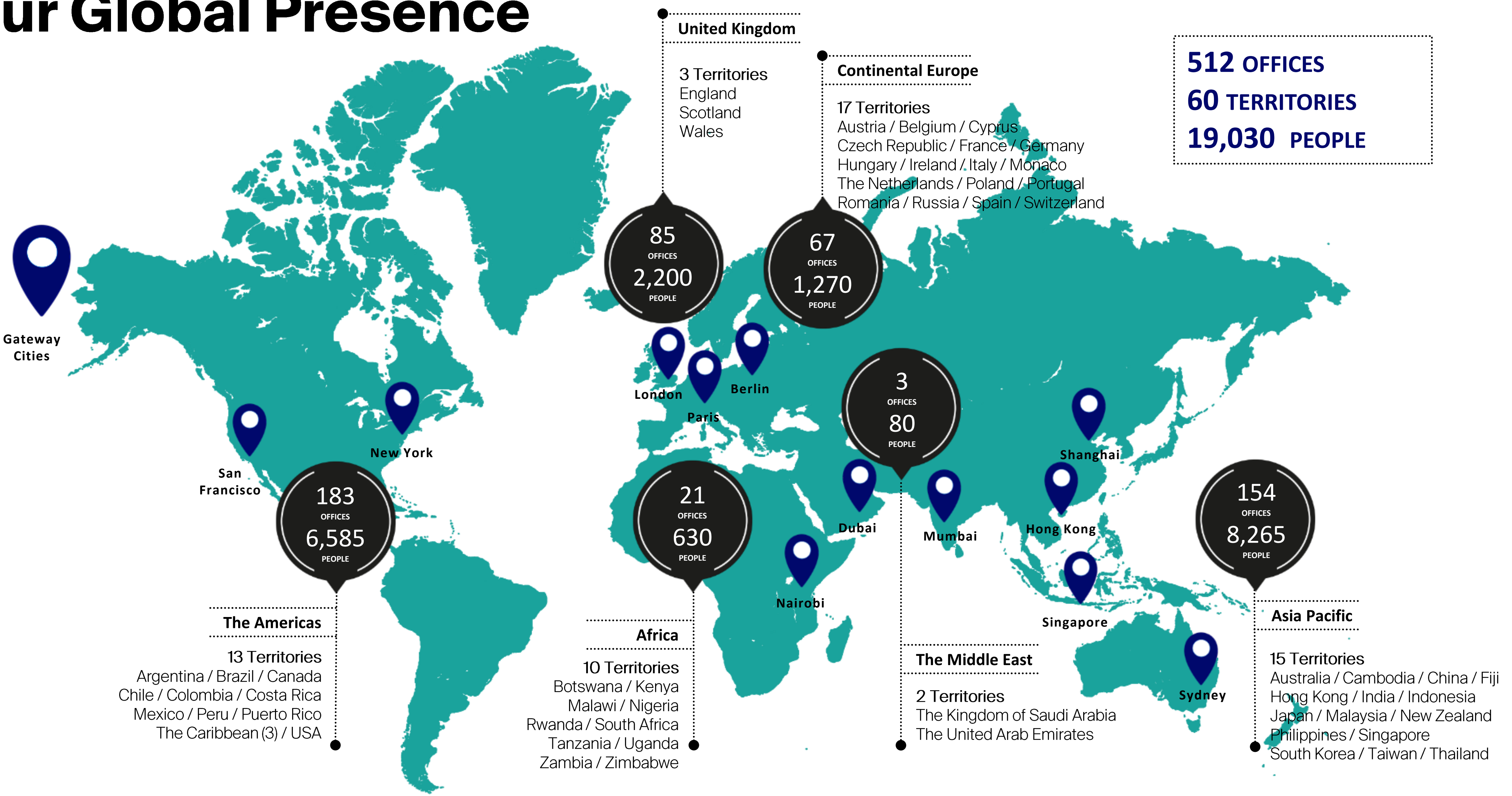
Source: Knight Frank Research, IMF, Macrobond

updated as of Aug 07, 2020

Our Global Presence



Knight Frank Occupier Services & Commercial Agency

We're here for you

We know that businesses of all sizes and from all industry sectors are under enormous pressure both operationally and financially during the COVID-19 pandemic.

Despite the uncertainty, occupiers can continue to strategise to take advantage of tenant favourable rental prices, flexible lease terms, and options for sale and leaseback deals.

Over the longer term, we expect businesses to reconsider their global portfolios, together with deeper consideration of the future quantum and qualities of office space they require.

As COVID-19 develops, our APAC Occupier Services & Commercial Agency team will still be working, albeit remotely, to deliver tailored solutions for your evolving needs.

Being independently owned allows us to put our clients first. We focus on giving them the best advice and put long-term relationships before short-term wins.

Don't hesitate to get in touch with Knight Frank for a confidential chat about your property needs.

How We Can Help

Our teams are on the ground across all major APAC markets, providing impartial advice and tailoring bespoke solutions for occupiers of offices, industrial and retail property across Asia-Pacific.

Our independence allows flexibility to go the long run with our clients.

We offer a seamless service across all our business sectors to fulfill all your business goals and targets.

Our Approach

- **Client-driven & tailored approach** with clients' needs in mind
- **Broader long-term** view rather than 'transaction-driven'
- **Centralised governance & proactive management** across all transactions in the portfolio
- **Collaborative, transparent & highly communicative** we work together with all disciplines to provide a seamless one-stop service for our clients

Our Services

The Asia Pacific **Occupier Services & Commercial Agency** team offers an end-to-end suite of consulting and transactional services that deliver domestic and multi-market occupiers with the information and advice they require.

Our core services include:

- ✓ Lease Advisory
- ✓ Space search and analysis
- ✓ Site feasibility
- ✓ Portfolio Analysis and planning
- ✓ Lease terms and price negotiation
- ✓ Financial analysis and modeling
- ✓ Built to Suit
- ✓ Acquisitions and Disposals
- ✓ Structuring of Sale and Leasebacks
- ✓ Project Management
- ✓ Cost Consultancy
- ✓ Workplace Consultancy

Corporate Services

Occupier Services **& Commercial Agency**

Investment & Capital Markets

Valuation & Advisory

Consultancy & Research

Commercial Sectors and Services

Sectors

- Automotive
- Energy
- Healthcare
- Hotels
- Industrial & Logistics
- Leisure
- Office
- Retail
- Retail Warehouses
- Student

Services

- Asset Management
- Building Consultancy
- Business Rates
- Capital Allowances
- Capital Markets
- Debt Advisory
- Development Consultancy
- Energy and Sustainability
- Consultancy
- Investment Management
- Facilities Management
- Leasing and Lease Advisory
- Planning
- Project Management
- Property Management
- Research
- Restructuring and Recovery
- Sales
- Tenant Representation
- Valuations
- Workplace Consultancy

Our mission at Knight Frank is to 'Connect People & Property, Perfectly'.

The Asia Pacific Occupier Services & Commercial Agency team facilitates this for our business clients, offering a broad suite of consulting and transactional services that deliver domestic and multi-market occupiers with the information and advice they require. The integration of these services enables us to understand the critical success factors for your business.

Whether you are looking for or currently occupy industrial space, office space or retail space, Knight Frank has experienced teams that are dedicated to advising you, the occupier. Our bespoke commercial agency leasing team ensures we have the optimum expertise for each project. Our relationship with occupiers also ensures we speak to the decision makers who determine occupational strategy.

We are locally expert, and yet globally connected. Our multi-market clients are managed centrally from our Asia Pacific headquarters in Singapore as we work in hand with our local markets, where we devise strategies to empower clients to attain their desired goals: creating value, addressing trends and beating the competition.

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