Knight Frank Asia-Pacific Office Highlights

“In the face of an unprecedented and unpredictable year, 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, 152 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

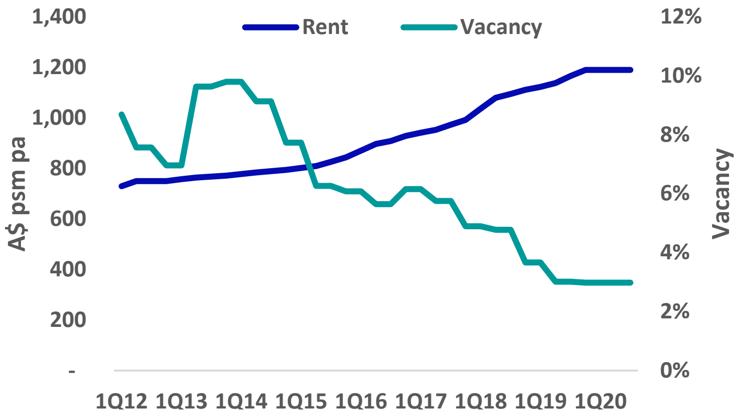
Sydney

Highlights

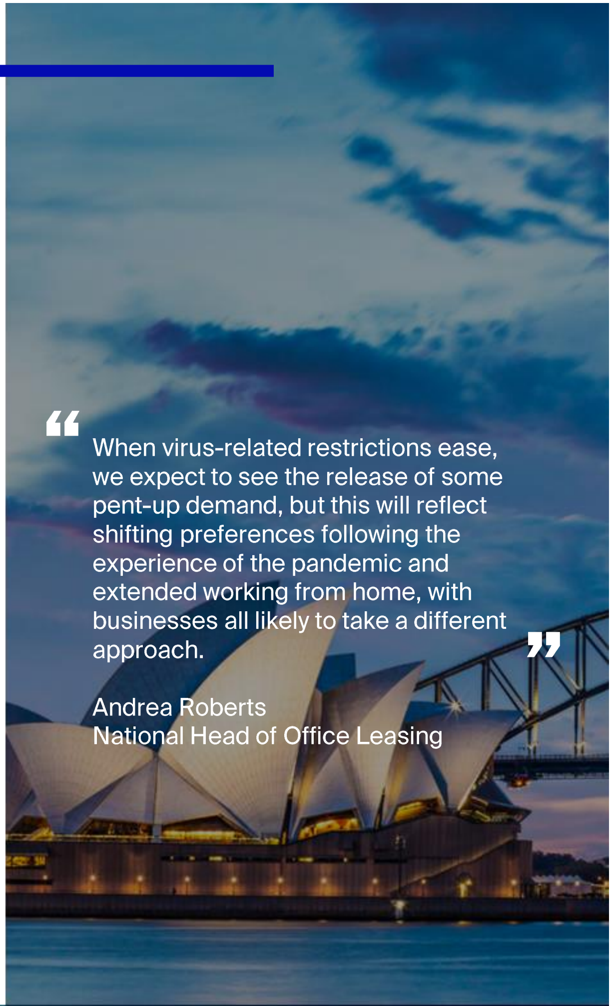
While net headline rent for Sydney Grade-A office assets remained stable in Q3 2020, net effective rents have fallen as lease incentives handed out by landlords increased. As businesses feel pressure on operational cashflow as an effect of the pandemic, landlords are fighting to keep spaces filled out. Lease incentives rose from about 25.6% from the previous quarter to 30% in Q3. So far, vacancies have remained stable in the previous quarter, reflecting the effectiveness of landlords' aid for tenants, and this stability is likely to maintain throughout the second half of the year.

Outlook

Towards the end of Q3 2020, the COVID-19 pandemic is more or less reined in for the market. Barring another spike in cases, corporates will be looking to firm up new workplace strategies and corporate real estate decisions. An elevated amount of work-from-home and work-from-anywhere strategy would probably lead to some firms downsizing to reduce and optimise operational costs. Approximately 150,000 sqm of stock is currently undergoing refurbishment and is slated for delivery across 2021-2022, which would further put pressure on vacancy rates and rent.



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

	2020F	2021F
GDP Growth	-4.2%	3.0%
Unemployment Rate	6.9%	7.7%
Inflation	0.6%	1.2%
PMI (Mfg)	55.4 (Sep)	54.2 (Oct)

Real Estate Indicators

	Q3 2020	2021F
Prime Rent (A$ psm pa)	1,189	↓
Vacancy#	3.9%	↑
Market Balance	Tenant	Tenant

#: Data as of Q2 20

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.

For more information please contact

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Melbourne

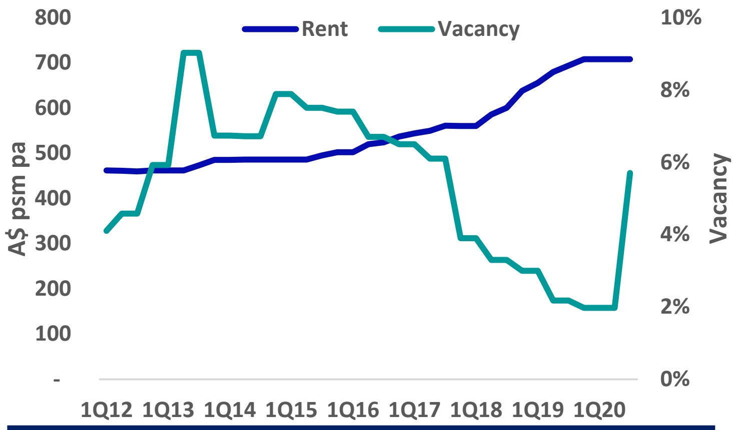
Highlights

Vacancies for Melbourne's Grade-A office stock had risen quickly to 5.7% from 1.9% in Q3 2020. This is despite increased incentives doled out by landlords since Q2, which saw typical incentive levels rise to 32.5%. Prime net headline rents stayed stable at A$708, which has held steady since Q4 2019.

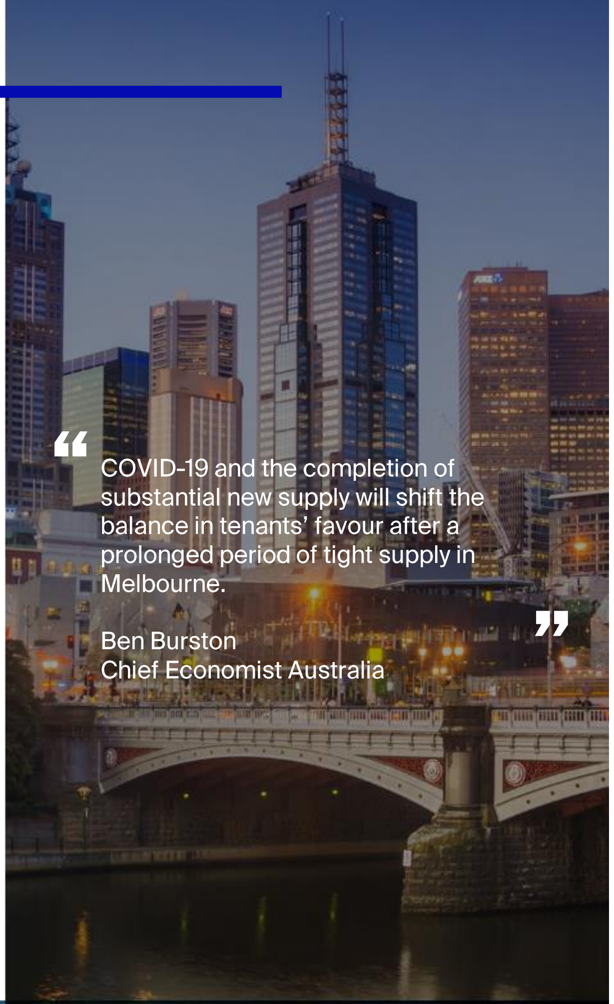
Private sector leasing demand has fallen over the last quarter as firms begin to reassess space utilisation, while public sector demand helped to pick up some of the slack, accounting for 32% of the total lease volume in August year-to-date.

Outlook

Going into Q4 2020, Melbourne has eased lockdown measures as COVID-19 cases dwindled. However, some shifts in workplace strategies and habits may prove sticky after the pandemic, putting the office market into a bit of uncertainty. Following our previous expectations that vacancy rates will rise, this settling-into the new normal is expected to continue driving vacancy higher and 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	2020F	2021F
GDP Growth	-4.2%	3.0%
Unemployment Rate	6.9%	7.7%
Inflation	0.6%	1.2%
PMI (Mfg)	55.4 (Sep)	54.2 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (A$ psm pa)	708	↓
Vacancy#	5.9%	↑
Market Balance	Tenant	Tenant

#: Data as of Q2 20

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 Nov 22, 2020

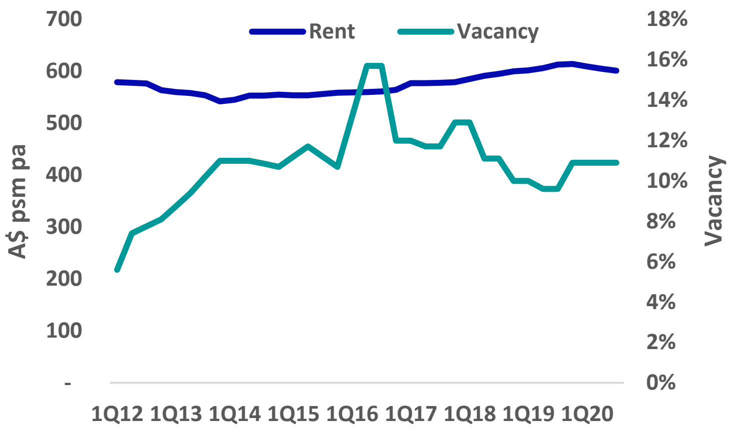
Brisbane

Highlights

Rents in the Brisbane Grade-A office market continued its slight decline in prime face rents, contracting -0.7% quarter-on-quarter in Q3. As incentives have climbed incrementally but slowly over the past three quarters, vacancy of prime office assets are largely holding steady at around 10.9% over the same period.

Outlook

As with Q2 2020, no new supply is delivered in Q3, and it is expected to stay this way till mid-2021. As such, no large fluctuations in overall vacancy rates are anticipated. Pockets of subleasing are still expected, as corporates begin firming up their workplace strategies as the cloud of uncertainty brought about by the pandemic begins to clear. The trend of rising incentives should continue to rise for the rest of the year.



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

“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

Economic Indicators	2020F	2021F
GDP Growth	-4.2%	3.0%
Unemployment Rate	6.9%	7.7%
Inflation	0.6%	1.2%
PMI (Mfg)	55.4 (Sep)	54.2 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (A$ psm pa)	601	↓
Vacancy#	12.7%	→
Market Balance	Tenant	Tenant

#: Data as of Q2 20

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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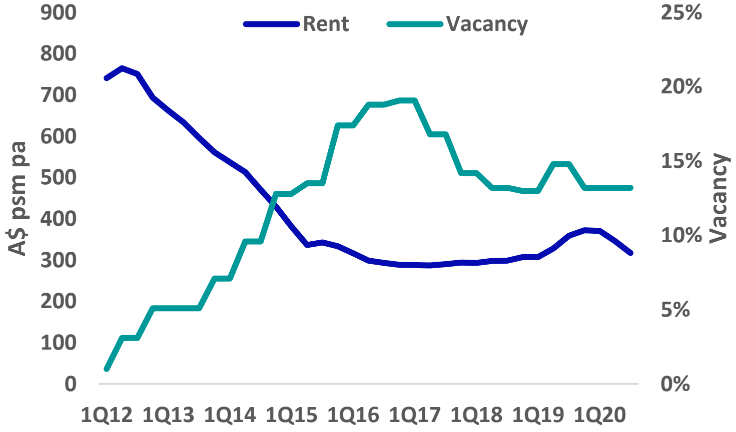
Perth

Highlights

Similar to most other markets within Australia, Perth's office market is seeing elevated levels of rental incentives as landlords seek to retain tenancy. These incentives have increased to approximately 48.3% from 44.2% in Q3 from Q2. Net absorption for Grade-A stock remains subdued, but this has been contained by limited new supply into the market.

Outlook

Going forward, while Western Australia has been outperforming its peer Australian markets, outlook for the market remains subdued. Decline in oil prices means that one of Perth's major economic sectors may see lower levels of capital expenditures over the coming period. This holds true for commodity prices in general, and will continue to affect occupier demand for the market in the medium term. This will weigh on effective rents and push vacancies up towards 20% for the next 12 to 18 months. Face rents are expected to hold steady during this period, however.



Economic Indicators	2020F	2021F
GDP Growth	-4.2%	3.0%
Unemployment Rate	6.9%	7.7%
Inflation	0.6%	1.2%
PMI (Mfg)	55.4 (Sep)	54.2 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (A$ psm pa)	615	↓
Vacancy#	17.6%	↑
Market Balance	Tenant	Tenant

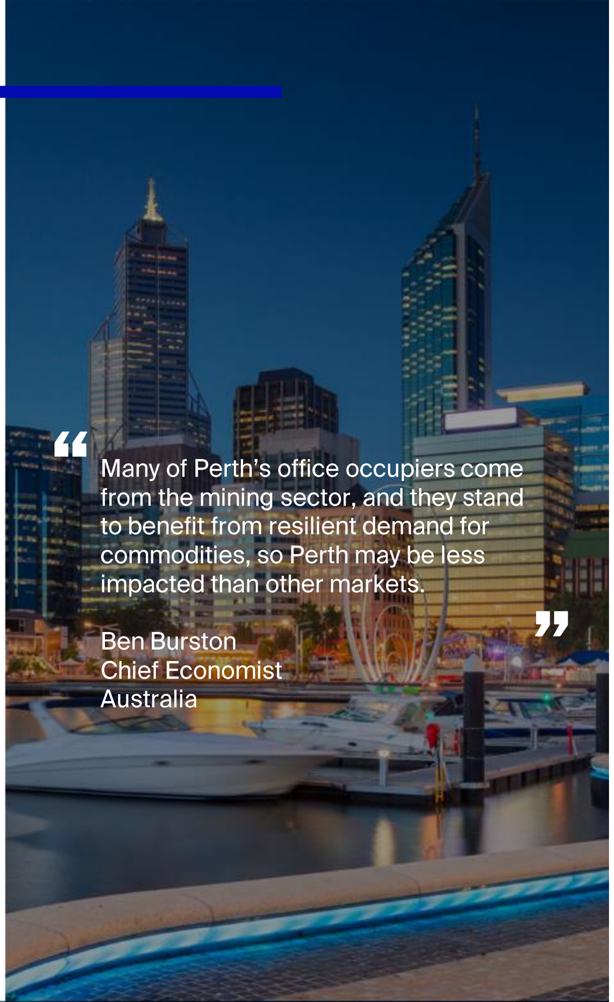
#: Data as of Q2 20

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
Australia

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Source: Knight Frank Research, IMF, Macrobond

updated as of Nov 22, 2020

Jakarta

Highlights

Jakarta's Grade A office market saw decline in its rent during pandemic. Vacancies continue to stay at record high levels since 2018, maintaining at a level above 20% in Q3 2020. The Covid-19 pandemic continues to hit the market, with November seeing new records set for number of new cases, distressed industries such as the food and beverage industry will continue on a pessimistic trend. Office rents are likely to continue to dampen over coming months as a result.

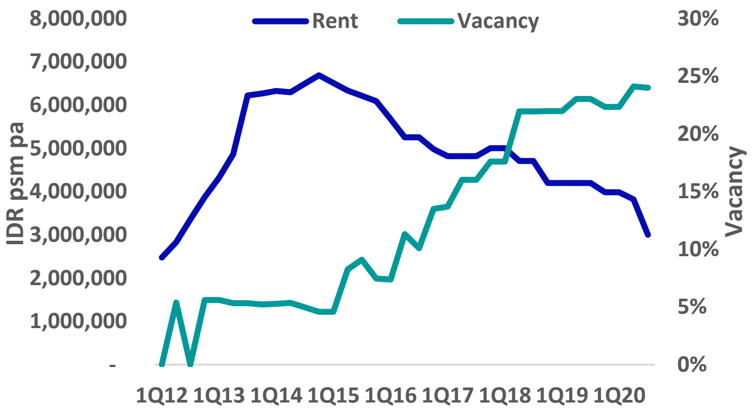
Outlook

The ongoing pandemic, high vacancies, and weak business and economic environment will continue to take its toll into late 2020 and early 2021. Market conditions are expected to worsen still, even when the infection rate slows, given that Jakarta's prime office market is expecting to see more supply enter the market over the following 12 to 24 months.

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

Economic Indicators		
	2020F	2021F
GDP Growth	-1.5%	6.1%
Unemployment Rate	8.0%	6.8%
Inflation	1.5%	2.1%
PMI (Mfg)	47.2 (Sep)	47.8 (Oct)

Real Estate Indicators		
	Q3 2020	2021F
Prime Rent (IDR psm pa)	2,999,220	↓
Prime Vacancy	25.0%	↑
Market Balance	Tenant	Tenant



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

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.

"The Jakarta office market fundamentals are expected to remain challenging in the near future due to spending power in the pandemic. However, some companies have been putting their expansion plans on hold, particularly from sector Digital Technology, E-commerce and Gas Industries."

Rina Martianti,
Associate Director
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Source: Knight Frank Research, IMF, Macrobond

updated as of Nov 22, 2020

Singapore

Highlights

Singapore's office rents continued contracting -2.6% in Q3 compared to the previous quarter. Weak business sentiments meant that landlords are continuing to dole out rental reliefs and lowering rental expectations to keep spaces filled. Vacancies did see improvements of 0.8% to 9.9%, but mainly due to stock withdrawals for redevelopment of current stock.

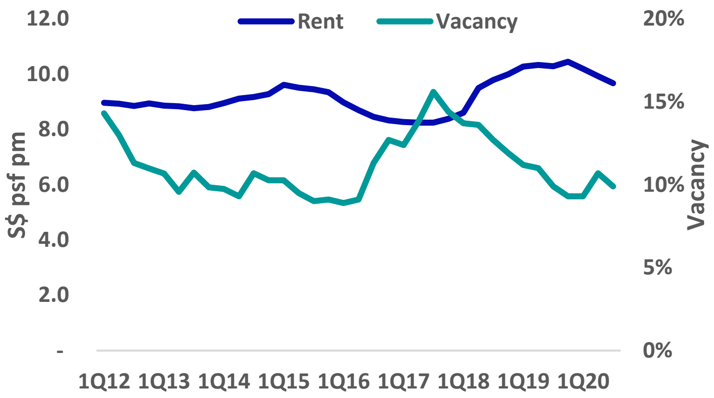
Outlook

An estimated 2 million sqft of existing stock is further expected to be withdrawn from the market. This would help drive vacancies downwards further and generate some demand from displaced tenants. Regardless, this is not expected to counteract the overall decline in rent this year, which we expect to reach a 10% decline from the beginning of the year.

In the medium term, outlook for the market should be more positive, as Singapore's travel bubbles abroad are established with other regions, such as Hong Kong, as well as a third phase of 'circuit breaker' easing would boost consumer and business sentiments. This may see spill overs into the office market, albeit in a longer time frame as businesses (particularly MNCs) will likely adopt a wait-and-see approach before making decisions.

Economic Indicators	2020F	2021F
GDP Growth	-6.0%	5.0%
Unemployment Rate	3.0%	2.6%
Inflation	-0.5%	0.7%
PMI (Comp)	50.3 (Sep)	50.5 (Oct)

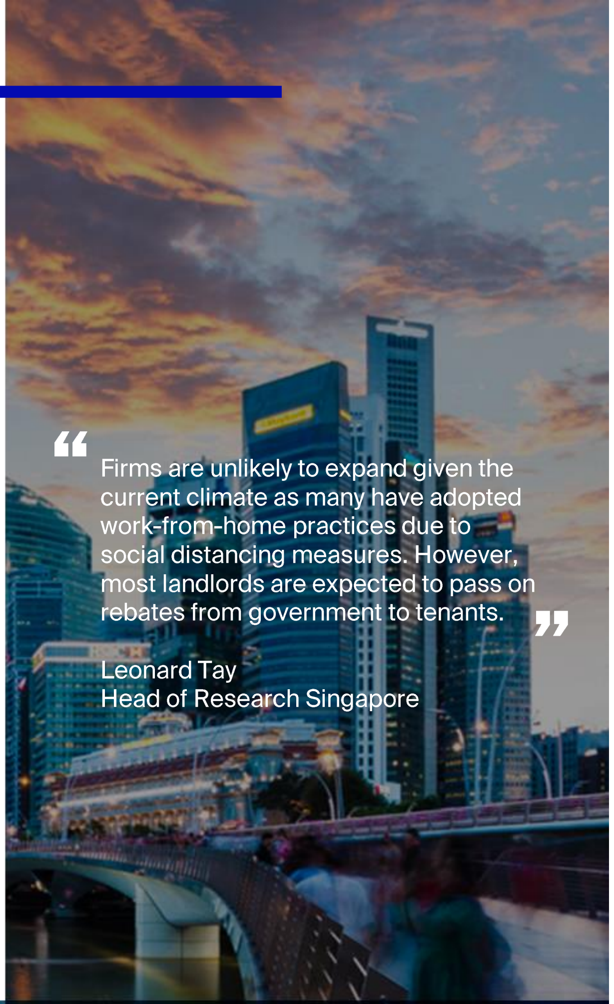
Real Estate Indicators	Q3 2020	2021F
Prime Rent (S$ psf pm)	9.67	↓
Prime Vacancy	9.9%	↑
Market Balance	Tenant	Tenant



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

Major COVID-19 Policies

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



"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

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Source: Knight Frank Research, IMF, Macrobond

updated as of Nov 22, 2020

Kuala Lumpur

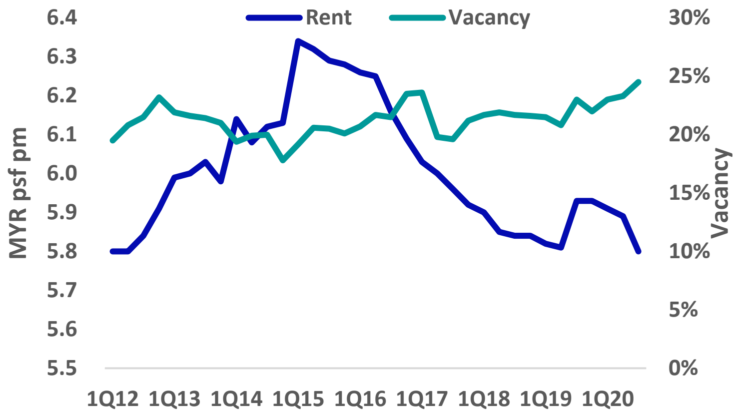
Highlights

Average rents in Kuala Lumpur city experienced greater contractions in Q3 2020, with challenges from the previous quarter continuing to put the market under pressure. The city is still experiencing new waves of COVID-19 cases, while falling commodity prices and office supply-demand imbalance continue to impact the market negatively. No new completions had been delivered to the market in the last 2 quarters, but approximately 760,000 sqft is slated for 2021.

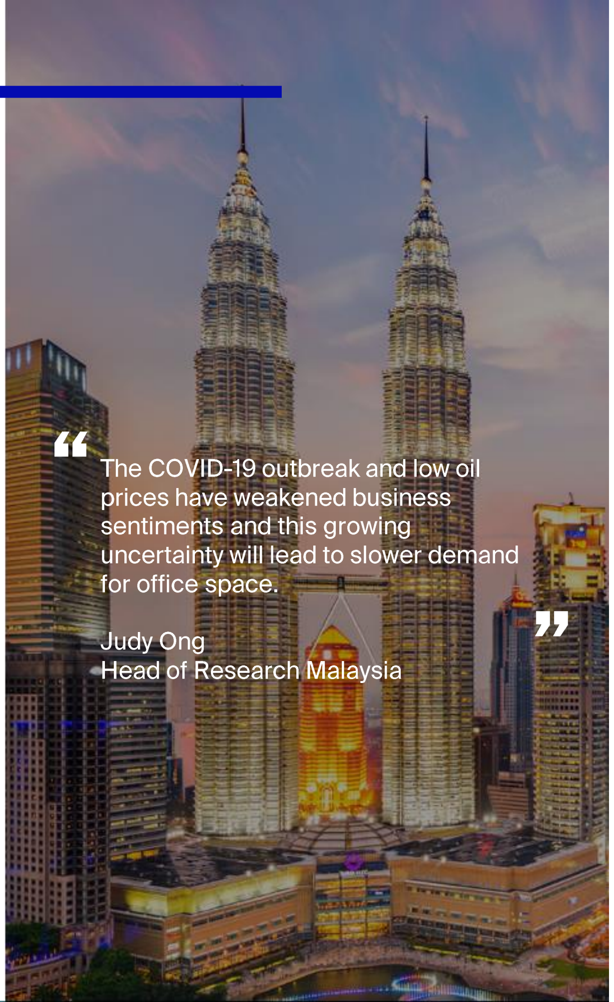
Outlook

The re-imposition of movement restrictions in the city due to the rising number of COVID-19 cases is likely to dampen levels of recovery in the near term. While flight-to-quality continues to trend in the market, older office assets will continue experiencing higher vacancy rates, which could lead to refurbishment or redevelopment opportunities or repositioning to value-add, especially in the current low-interest rate environment.

Market conditions are expected to remain challenging for the remainder of the year and into H1 2021, as it is still impacted by the pandemic and weaker oil prices. An influx of supply in the following year will put further pressure on rents and vacancy rates.



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



“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

Economic Indicators	2020F	2021F
GDP Growth	-6.0%	7.8%
Unemployment Rate	4.9%	3.4%
Inflation	-1.1%	2.4%
PMI (Mfg)	49 (Sep)	48.5 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (MYR psf pm)	5.8	↓
Prime Vacancy	24.5%	↑
Market Balance	Tenant	Tenant

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.

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Source: Knight Frank Research, IMF, Macrobond

updated as of Nov 22, 2020

Bangkok

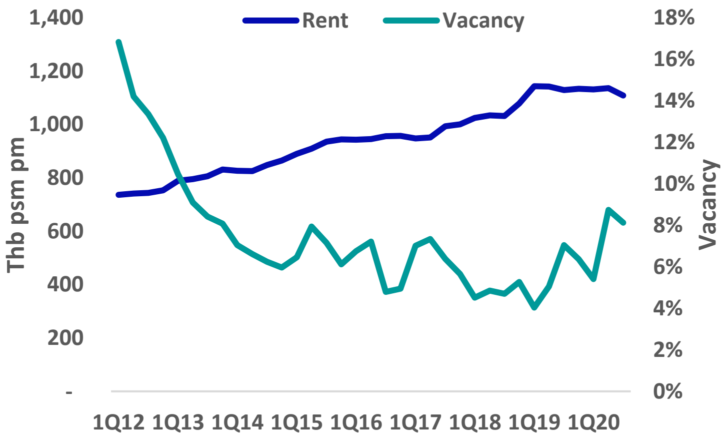
Highlights

Bangkok Grade-A rents declined by -2.5% quarter-on-quarter in Q3. This marks the downturn of the market after a decade-long expansionary period. Grade-A office vacancy decreased marginally, from 8.75% in Q2 to 8.13% in Q3 but still rose year-on-year, as net absorption of office space outpaced newly-delivered space slightly. However, across all office properties in the market, vacancies did rise 1.37% quarter-on-quarter in Q3 2020.

Outlook

Faced with continued uncertainty in economic conditions, tenants have been acting more conservatively, selecting to remain in the same office space, despite the growing preference for higher quality workspaces. One of the market's key engines of growth – tourism, has seen major impacts due to the pandemic and restrictions on cross-border travel, which is spilling over into many other key sectors of Bangkok's economy. Cost savings and downsizing of space will continue being opted by corporations once more clarity is had over the coming months.

Due to a relatively large supply pipeline of high-quality workspaces, especially over the upcoming 3 years, landlords may have to compete on both rent and non-monetary incentives to secure tenants.



Economic Indicators	2020F	2021F
GDP Growth	-7.4%	4.0%
Unemployment Rate	1.0%	1.0%
Inflation	0.8%	0.7%
PMI (Mfg)	49.9 (Sep)	50.8 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (THB psm pm)	1,109	↓
Prime Vacancy	8.13%	↑
Market Balance	Balanced	Tenant

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

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

"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

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Source: Knight Frank Research, IMF, Macrobond

updated as of Nov 22, 2020

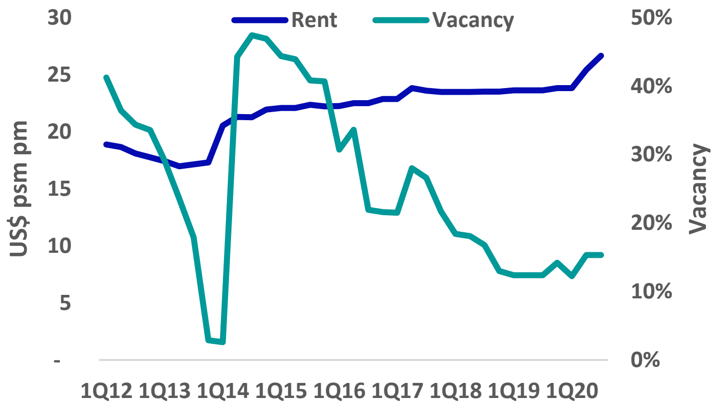
Phnom Penh

Highlights

Rentals in Phnom Penh continue to stay resilient amidst the global COVID-19 pandemic, rising 4.8% quarter-on-quarter in Q3 2020. While the market saw no new supply being added, vacancy stayed stable at about 15%. Over the next 3 years, the market is expected to witness another 1.2 million sq m of new stock complete, and its delivery is far enough away to not affect vacancy in the near term. In the medium- to long-term this would translate to a 135% increase in the market's total stock.

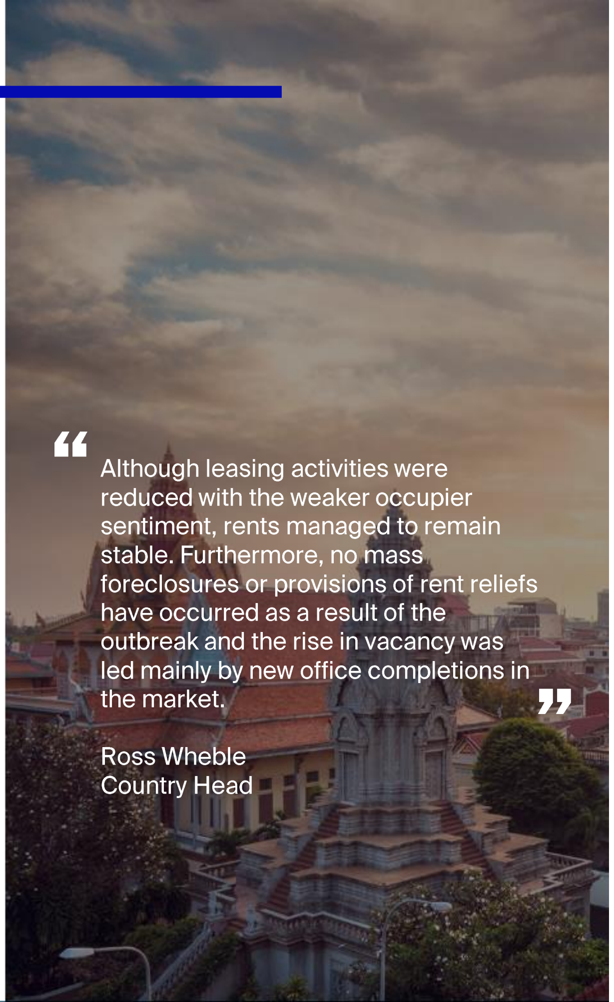
Outlook

The resilience in Phnom Penh's office market may hold in the long run, despite weakened occupier sentiments, a lack of prevalent pandemic threat has insulated the sector from much uncertainty. However, gloomier international economic conditions are keeping expansion plans from MNCs at bay, and if persistent, absorption rates will lag the impending new supply. We expect rental growth to dampen in the coming quarters and vacancies to rise slightly.



COVID-19 Policies Implemented

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



“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
Country Head

Economic Indicators

	2020F	2021F
GDP Growth	-2.8%	6.8%
Unemployment Rate	NA	NA
Inflation	2.1%	2.8%
PMI	NA	NA

Real Estate Indicators

	Q3 2020	2021F
Prime Rent (US$ psm pm)	26.7	↓
Prime Vacancy	15.3%	↑
Market Balance	Tenant	Tenant

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.

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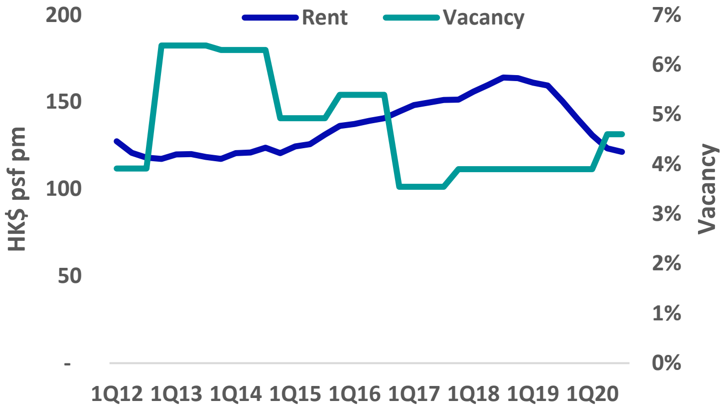
Hong Kong SAR

Highlights

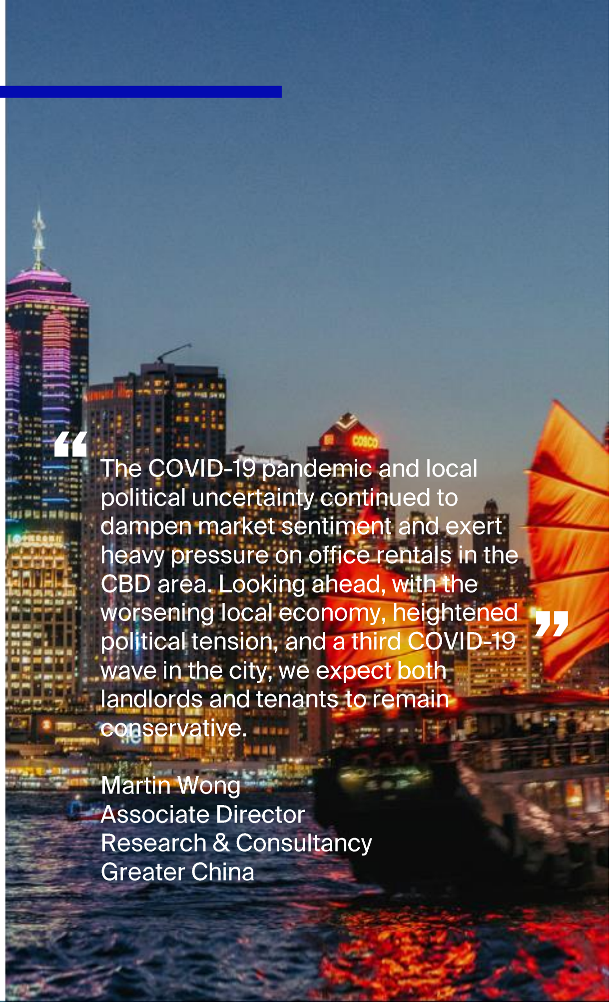
The fall in rentals of Grade A office in Hong Kong SAR began softening in Q3, contracting by a subdued -1.7% quarter-on-quarter. Vacancy rates continue to stay at a slightly elevated level as more firms start to downsize within the market. Notably, large financial players such as Deutsche Bank and Nomura are returning space to the market, while others such as Westpac opted to leave the market all together.

Outlook

Weak business and economic conditions are beginning to clear slightly, with Covid-19 beginning to come under wraps in the market. The new travel bubble between Hong Kong SAR and Singapore, along with other bubbles that under works, will help the market see some improved business sentiments. The market is also a safe-haven for investors, so longer term outlook is much more positive than the short term, where corporate real estate decisions are still being deferred to a time with better clarity.



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



“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.”

Martin Wong
Associate Director
Research & Consultancy
Greater China

Economic Indicators	2020F	2021F
GDP Growth	-6.1%	3.7%
Unemployment Rate	5.2%	4.4%
Inflation	0.3%	2.4%
PMI (Comp)	47.7 (Sep)	49.8 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (HK$ psf pm)	121.3	→
Prime Vacancy	4.6%	↑
Market Balance	Tenant	Balanced

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.

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Source: Knight Frank Research, IMF, Macrobond

updated as of Nov 22, 2020

Taipei

Highlights

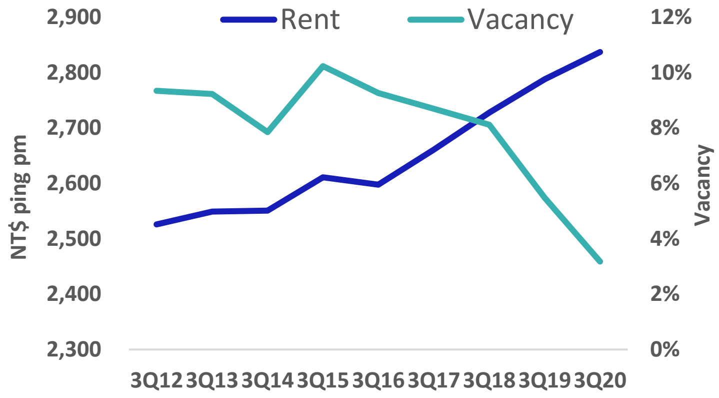
Rents and vacancy remained very stable in Taipei's Grade-A office market, both increasing by a marginal 2 percentage points. Transaction activities for Taipei remained strong, recording a transaction volume 18% higher than its 5-year average within the first three quarters of 2020, recently the 29th floor of Uni-President International Tower in Xin Yi Planned Area was sold for NT$ 0.62 billion. Reaching 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 moderately over the coming years.

Economic Indicators	2020F	2021F
GDP Growth	0.0%	3.2%
Unemployment Rate	3.9%	3.8%
Inflation	-0.1%	1.0%
PMI (Mfg)	55.2 (Sep)	55.1 (Oct)

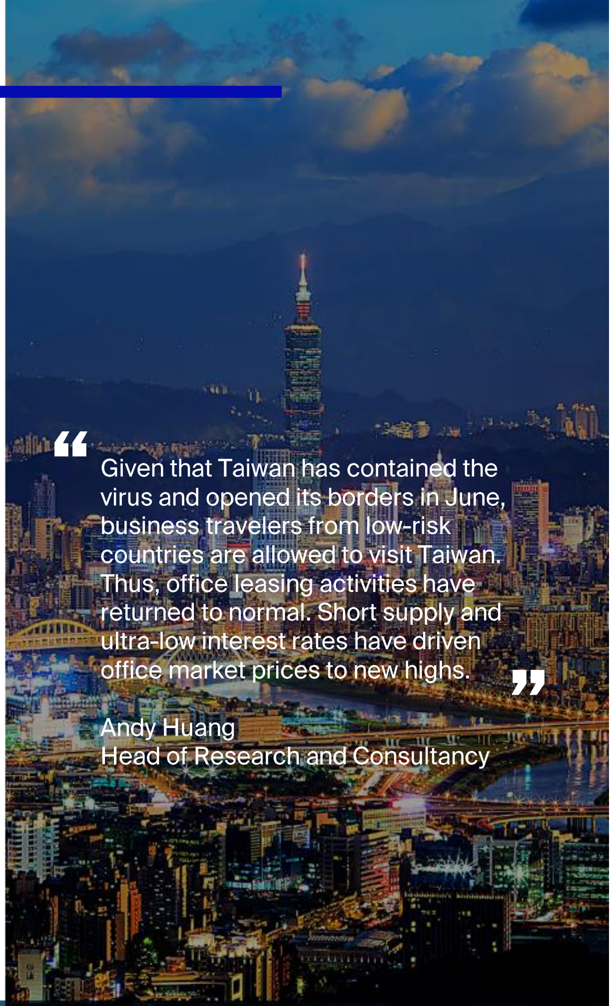
Real Estate Indicators	Q3 2020	2021F
Prime Rent (NT$ ping pm)	2,837	→
Prime Vacancy	3.18%	→
Market Balance	Balanced	Landlord



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

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
Head of Research and Consultancy

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updated as of Nov 22, 2020

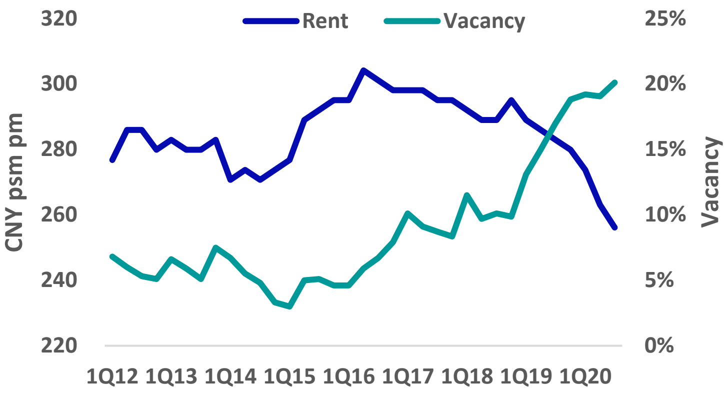
Shanghai

Highlights

Shanghai Grade A office rents continue to slide in Q3 2020, experiencing a -2.6% drop against the previous quarter. Rising vacancies in the market was contributed by the completion of several notable offices, such as The New Bund Centre, which added an additional 163,000 sqm of space alone. In general, new projects released into the market during Q3 have been of higher vacancy rates, which contributed to the 1% increase in overall grade A vacancy.

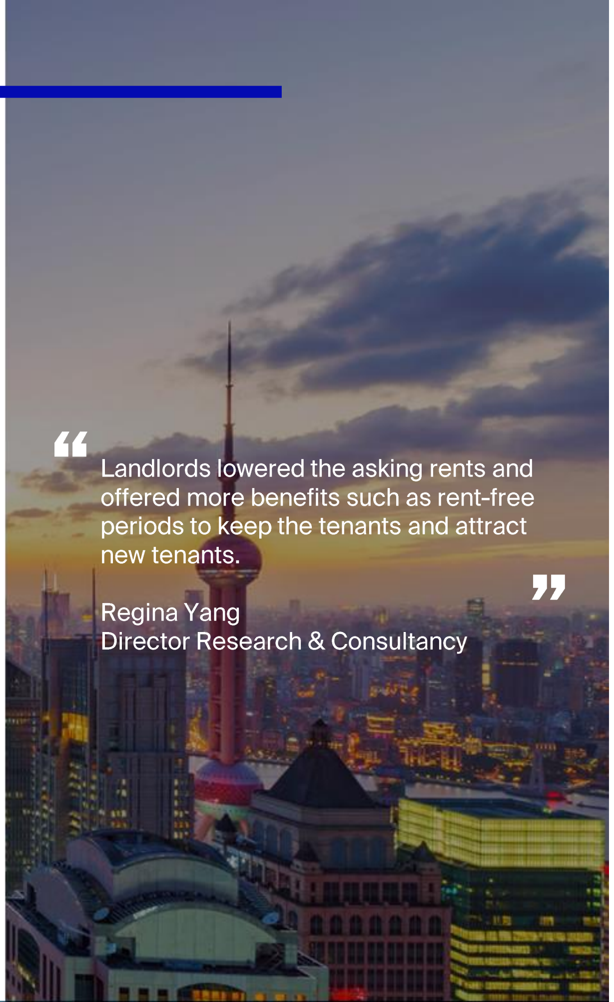
Outlook

Certain business sectors are seeing some improved demand in Grade A space in Q3 from the previous two quarters. However, this is insufficient to offset the quantity of new supply added into the Shanghai Grade A markets, with 621,768 sqm incoming in Q3 2020 and an estimated additional 700,000 sqm to be completed in Q4 2020. Overall, vacancies are expected to keep rising and this will continue to put downwards pressure on rentals in the market.



COVID-19 Policies Implemented

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



“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

Economic Indicators

	2020F	2021F
GDP Growth	1.9%	8.2%
Unemployment Rate	3.8%	3.6%
Inflation	1.4%	2.5%
PMI (Mfg)	53 (Sep)	53.6 (Oct)

Real Estate Indicators

	Q3 2020	2021F
Prime Rent (RMB psm pm)	256	↓
Prime Vacancy	20.1%	↑
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.

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Source: Knight Frank Research, IMF, Macrobond

updated as of Nov 22, 2020

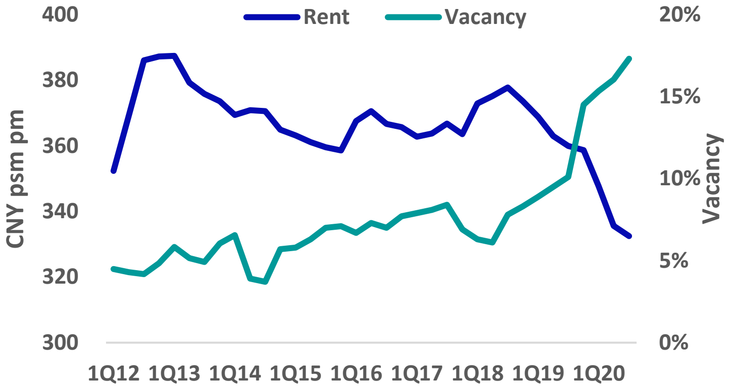
Beijing

Highlights

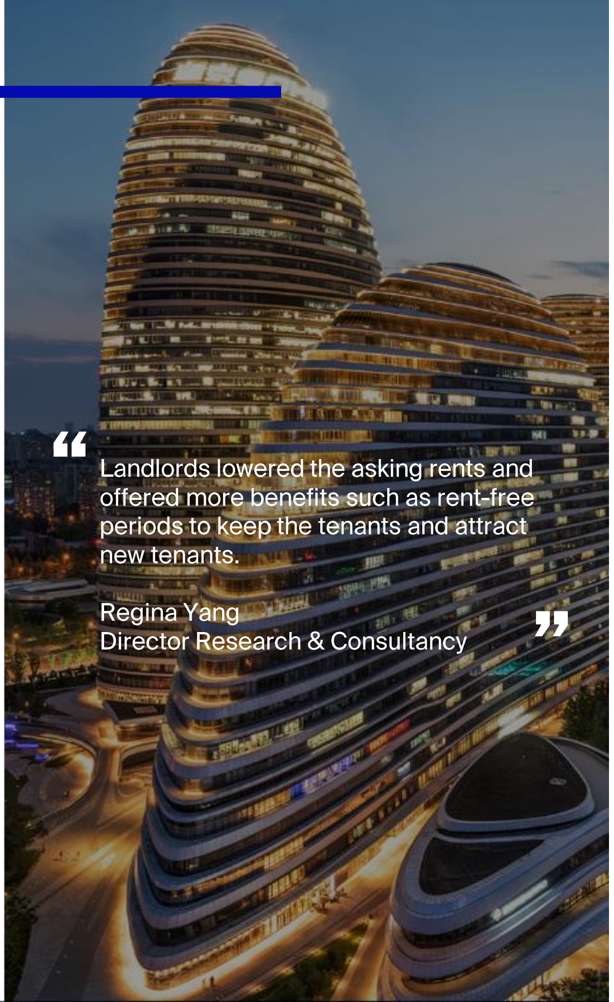
Quarter-on-quarter rental contraction for the Beijing Grade A office market slowed down significantly in Q3, to -0.9%, from the -3.5% decline the previous quarter. However, the market's vacancy experienced a spike of 7.8%. As with many other markets in China, the increase in vacancy rates were owed to new completions over the previous quarter. Over the last 3 quarters, a modest 262,000 sqm of space was added to the market.

Outlook

Beijing's economy looks set to recover as the COVID-19 pandemic has been effectively controlled over the past few months. Net absorption has seen improvements over the last three months, signalling the return of positive business sentiments to the market. We expect that the market will continue its trajectory towards a rebound in Q4 2020. This should mean a deceleration of vacancy rises and rental declines over next few quarters.



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



"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

Economic Indicators	2020F	2021F
GDP Growth	1.9%	8.2%
Unemployment Rate	3.8%	3.6%
Inflation	1.4%	2.5%
PMI (Mfg)	53 (Sep)	53.6 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (RMB psm pm)	333	↓
Prime Vacancy	17.3%	→
Market Balance	Tenant	Balanced

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.

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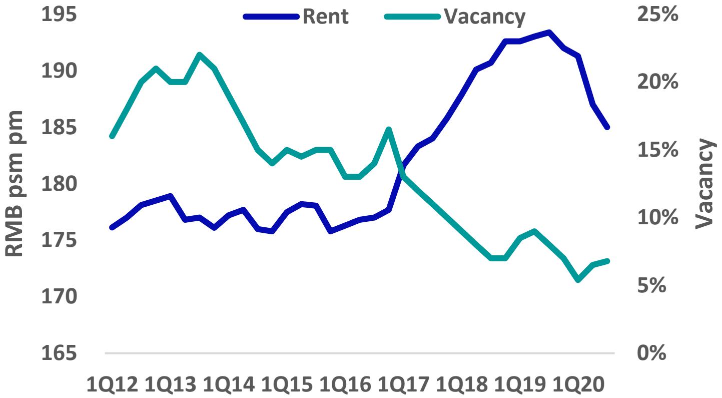
Guangzhou



Highlights

In Q3 2020, the Grade-A office market in Guangzhou continued to look weak, with rents contracting -3.6% since the start of the year. Vacancy has stabilised to an extent, with only a 0.3 percentage point increase to 6.8% this quarter. This has been despite the fact that no new Grade-A office projects were delivered in the past three months. While the market's economy has been rebounding over the past two quarters, many tenants are still making plans for relocations and leasing plans, aimed at saving operating costs and maximising cost-efficiency. This would explain some amount of space being returned to the market as a result.

Outlook

As we predicted in Q2 2020, the market is seeing a slowing rental decline. With the positive trajectory of the pandemic and the economy of Guangzhou, we expect this trend to continue till the end of 2020, and the market should be on good footing to stage a recovery in 2021.

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

"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."

Timothy Chen
Head of Research and Consultancy, China

Economic Indicators	2020F	2021F
GDP Growth	1.9%	8.2%
Unemployment Rate	3.8%	3.6%
Inflation	1.4%	2.5%
PMI (Mfg)	53 (Sep)	53.6 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (RMB psm pm)	185	→
Prime Vacancy	6.8%	→
Market Balance	Tenant	Balanced

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.

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updated as of Nov 22, 2020

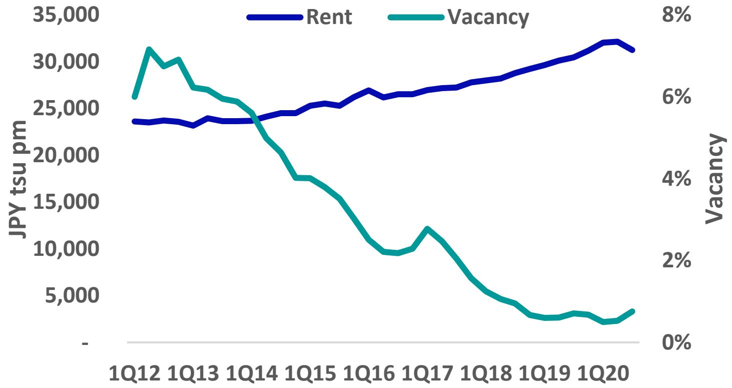
Tokyo

Highlights

In Q3 2020, rents dipped slightly by -2.8% in Tokyo's Grade A office market, coming down from its peak after a seven-year boom. Vacancy in the city's 23 wards also continued to rise 1.57% from 1.22%, continuing its upwards trajectory from Q2 2020. Despite these initial signs of weakness, vacancies remain near 0% and rent is still near its peak, signalling the market's strengths and resilience.

Outlook

As the COVID-19 pandemic continues to impact the market in Q3, the cycle turnaround in Tokyo's Grade-A market has solidified. The government is encouraging work-from-home policies to combat the pandemic spread, and this has certainly put off any expansion plans from Japanese firms. In fact, most are continuing to wait and see how the situation develops, along with others adopting space-reduction strategies to combat cashflow problems. Regardless, the market's resilience is showing as rents and vacancy remain somewhat flat compared to other developed markets.



Economic Indicators	2020F	2021F
GDP Growth	-5.3%	2.3%
Unemployment Rate	3.3%	2.8%
Inflation	-0.6%	0.7%
PMI (Mfg)	47.7 (Sep)	48.7 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (JPY tsubo pm)	31,243	→
Prime Vacancy	0.76%	→
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 Nov 22, 2020

Seoul

Highlights

Seoul's Grade-A office rents continued to climb 1.36% quarter-on-quarter in Q3 2020. Vacancy rose to 12.2% from 8.83% in the previous quarter, due to additional completions of prime office assets during this period, mainly located in the YBD area. As with many other markets, the COVID-19 pandemic has expedited relocation and space reduction strategies from companies.

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.

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

Economic Indicators	2020F	2021F
GDP Growth	-1.9%	2.9%
Unemployment Rate	4.1%	4.1%
Inflation	0.4%	0.8%
PMI (Mfg)	49.8 (Sep)	51.2 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (KRW psm pm)	35,091	→
Prime Vacancy	12.2%	?
Market Balance	Landlord	Landlord

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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updated as of Nov 22, 2020

National Capital Region of Delhi

Highlights

Demand for the NCR office sector has improved quarter-on-quarter in Q3 2020, but still lags the previous year by approximately 50% in terms of net absorption, year-on-year. However, vacancy has remained stable, offset by a lower stock delivery in the quarter. Corporates are continuing to reassess their workplace strategies and are working out saving methods on real estate operating expenditure as the pandemic continues to weigh on sentiments.

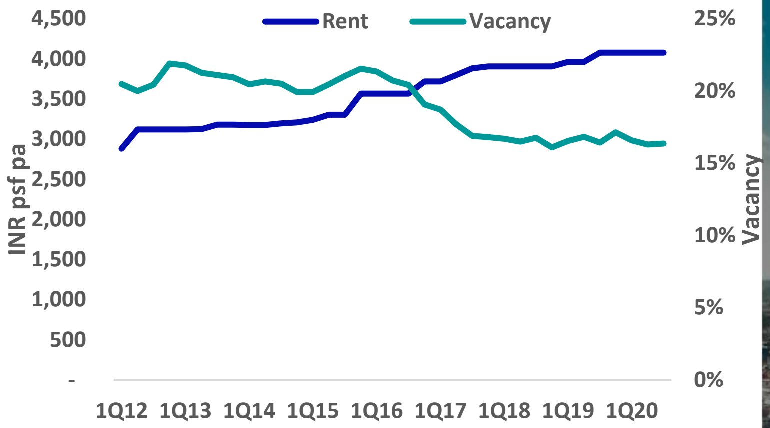
Outlook

While demand for office spaces from the co-working sector has slowed down considerably in NCR during the past few quarters, the medium to longer term prospect of it is more positive as corporates consider alternatives to the traditional workplace arrangement, and co-working is becoming a more attractive option to them.

The completion of 10% of current office stock is expected to be delivered over the next 2 years. Part of this stock that was scheduled for delivery in 2020 was pushed back due to COVID-19 lockdown. 19 million sqft of IT parks and offices are expected over the coming years. Key micro-markets within Gurugram and Noida will be less impacted by the new supply and will continue to demand a premium.

Economic Indicators	2020F	2021F
GDP Growth (FY20, FY21)	-10.3%	8.8%
Unemployment Rate	NA	NA
Inflation	3.4%	4.0%
PMI (Mfg)	56.8 (Sep)	58.9 (Oct)

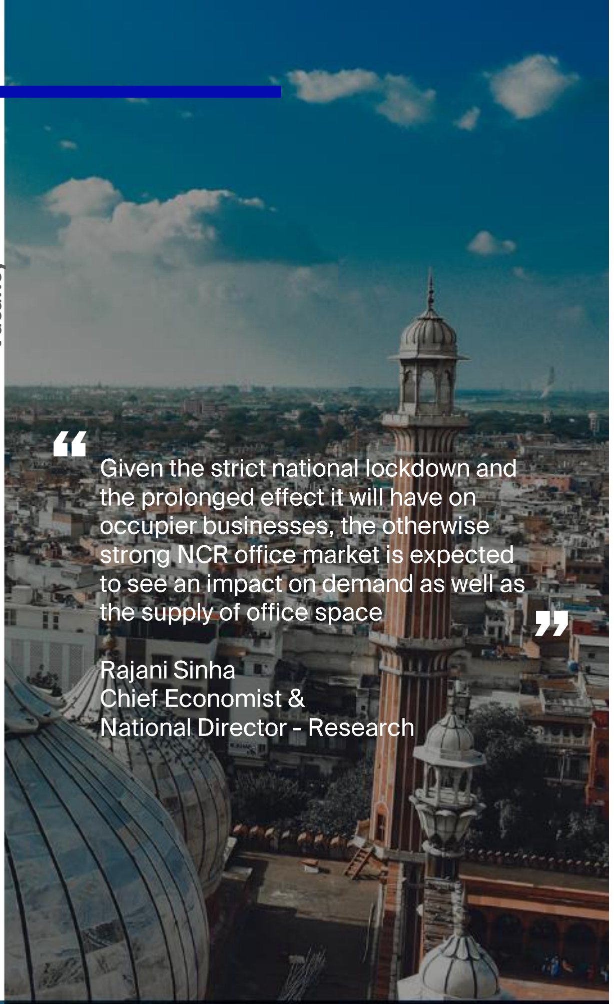
Real Estate Indicators	Q3 2020	2021F
Prime Rent (INR psf pa)	4,079	→
Prime Vacancy	16.4%	→
Market Balance	Balanced	Balanced



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”

Rajani Sinha
Chief Economist &
National Director - Research

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Source: Knight Frank Research, IMF, Macrobond

updated as of Nov 22, 2020

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. Approximately 7.2 million sqft of new office space had been delayed due to suspension of construction activities and prolonged labour shortage during the lockdown. Yet, despite the delay of project deliveries, vacancy continued to trend upwards by 1.41% while rents moderately weakened. Rents also softened slightly in Q3 2020, dipping by -1.2% compared to the previous quarter.

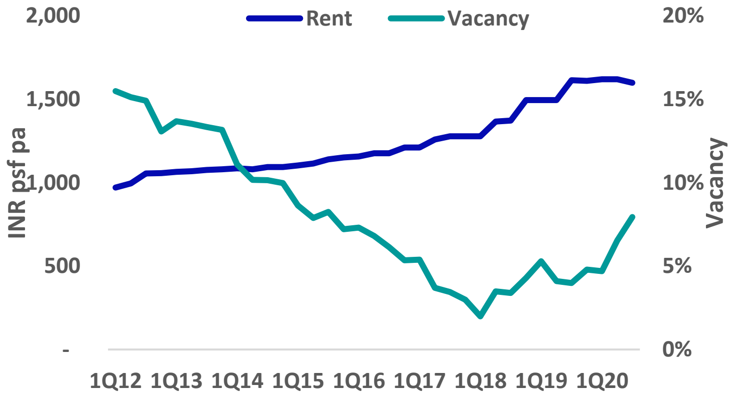
Outlook

Since the advent of the pandemic, occupiers have postponed their decisions related to corporate real estate, and this has been impacting the strong leasing momentum at the beginning of the year. However, focus on factors such as employee health, de-densification and adherence to social distancing norms will help revitalise 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	2020F	2021F
GDP Growth	-10.3%	8.8%
Unemployment Rate	NA	NA
Inflation	3.4%	4.0%
PMI (Mfg)	56.8 (Sep)	58.9 (Oct)

Real Estate Indicators	Q3 2020	2021F
Prime Rent (INR psf pa)	1,600	↑
Prime Vacancy	8.0%	→
Market Balance	Balanced	Balanced



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."

Rajani Sinha
Chief Economist &
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Source: Knight Frank Research, IMF, Macrobond

updated as of Nov 22, 2020

Mumbai Metropolitan Region (MMR)

Highlights

Prime net headline rents stayed stable in Q3 2020, while vacancies rose 10.06% quarter-on-quarter. Completions in Q3 slowed drastically, with the market adding a mere 300,000 sqm compared to 1.2 mil sqm the previous quarter. Overall, the market is balanced, not overtly favouring landlords nor tenants.

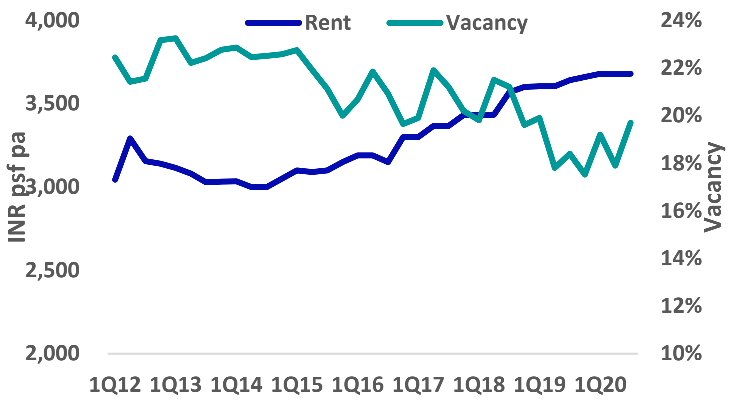
Outlook

With Covid-19 peaking in Q3 2020, the stringent measures adopted by the government to reign in the pandemic has yet to have a definite end date. Office demand has been falling quarter-on-quarter since the start of the year, and with Mumbai's economic growth being hampered by a prolonged lockdown and healthcare crisis, the 20 mil sqft of office supply slated for delivery between 2021 – 2022 could see higher vacancies as developers struggle to fill space.

In this scenario, and given the global recession this year, demand continues to be adversely impacted and pipeline supply continues to decline as construction activities are delayed.

Economic Indicators		
	2020F	2021F
GDP Growth	-10.3%	8.8%
Unemployment Rate	NA	NA
Inflation	3.4%	4.0%
PMI (Mfg)	56.8 (Sep)	58.9 (Oct)

Real Estate Indicators		
	Q3 2020	2021F
Prime Rent (INR psf pa)	3,680	→
Prime Vacancy	19.7%	→
Market Balance	Balanced	Balanced



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.

"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

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Source: Knight Frank Research, IMF, Macrobond

updated as of Nov 22, 2020

Our Global Presence

488 OFFICES
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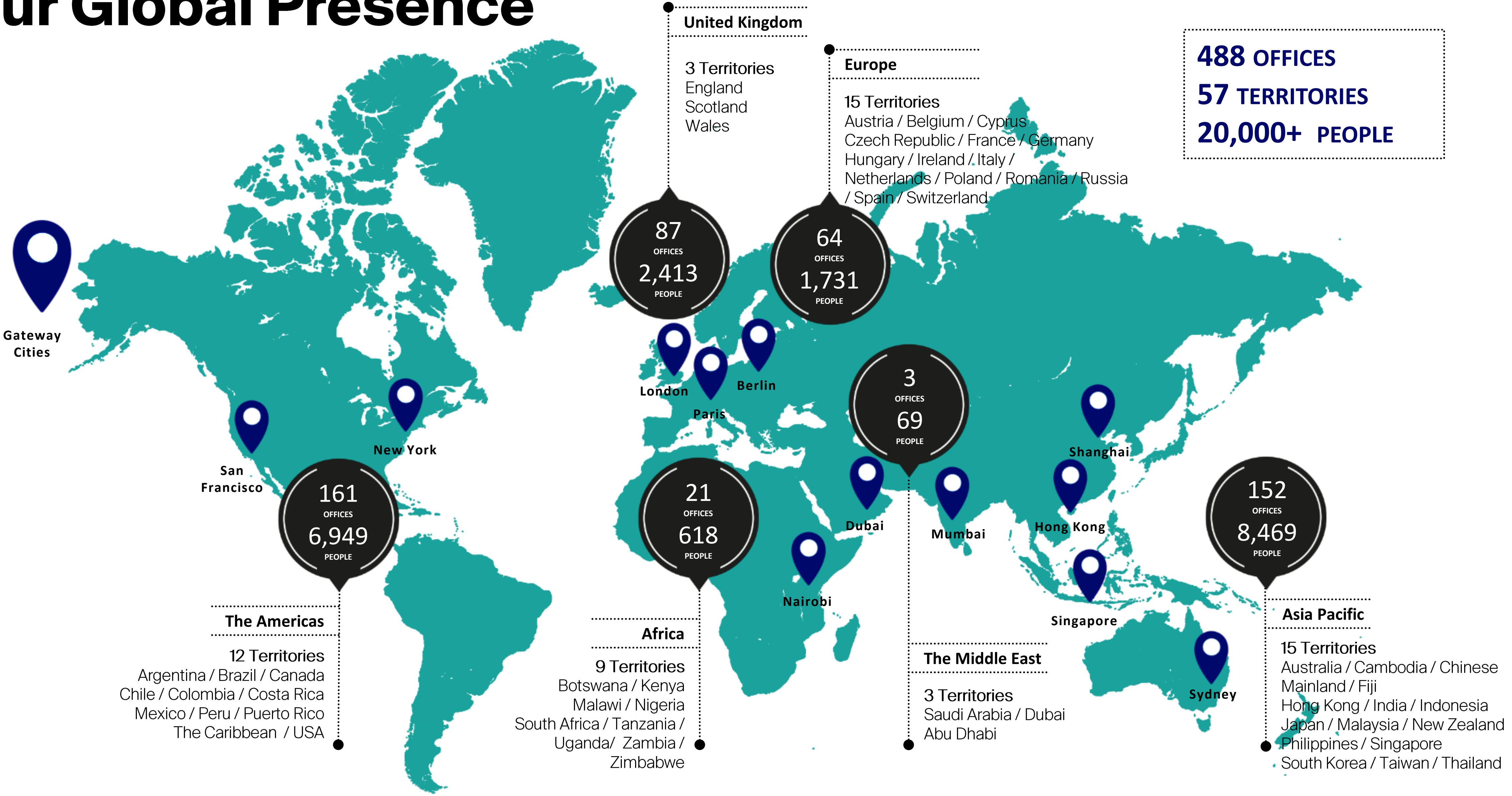

Knight Frank Occupier Services & Commercial Agency

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

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- Retail
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- 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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