

Asia-Pacific Prime Office Rental Index

Q3 2021

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HEADLINES

-0.3%

QUARTER-ON-QUARTER GROWTH FOR ASIA-PACIFIC RENTAL INDEX IN Q3 2021

Bengaluru

RECORDED THE HIGHEST YEAR-ON-YEAR DECLINE IN Q3 2021

14

OF 23 CITIES RECORDED STABLE OR INCREASED RENTS THIS PAST QUARTER

Cautious

EXPECTATIONS FOR Q4 2021 OUTLOOK

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“Market conditions continue to be inconsistent across the region in Q3, reflecting the various government restrictions and lockdowns that are still in place for many countries within Asia-Pacific. What has been encouraging is the green shoots that are emerging in some key markets, where vaccination milestones are being achieved and government restrictions loosened. We continue to be optimistic on the path to recovery but acknowledge it will be uneven across Asia-Pacific and many variables remain to be navigated at a country level.”

Optimism at the start of the year was marred by multiple resurgences of COVID-19 across the region. The new strains of the virus have proven significantly harder to contain, resulting in many markets re-tightening movement restrictions. The management of the pandemic has varied greatly across different markets, and growth forecasts for the region have been lowered for 2021.

For Q3 2021, Knight Frank's Asia-Pacific Prime Office Rental Index fell 0.3% quarter-on-quarter (QoQ). On an annual basis, the overall index is down 3.1% year-on-year. Overall vacancy remains unchanged, as the market is bifurcated, and improvements in take-up in some markets are cancelled out by negative net absorption in others. The expected pipeline of supply in Asia-Pacific for 2022 is 9.7% of total available stock in the market, which is not significantly elevated from 8.8% in Q2 2021. Therefore, we are not expecting significant supply-side pressures on rents and occupancy during the following quarters.

The final stretch of 2021 should see continued stabilisation of prime office rents, as COVID restrictions begin loosening over time for more markets. However, recovery would likely be uneven, with the pandemic being protracted in some places.

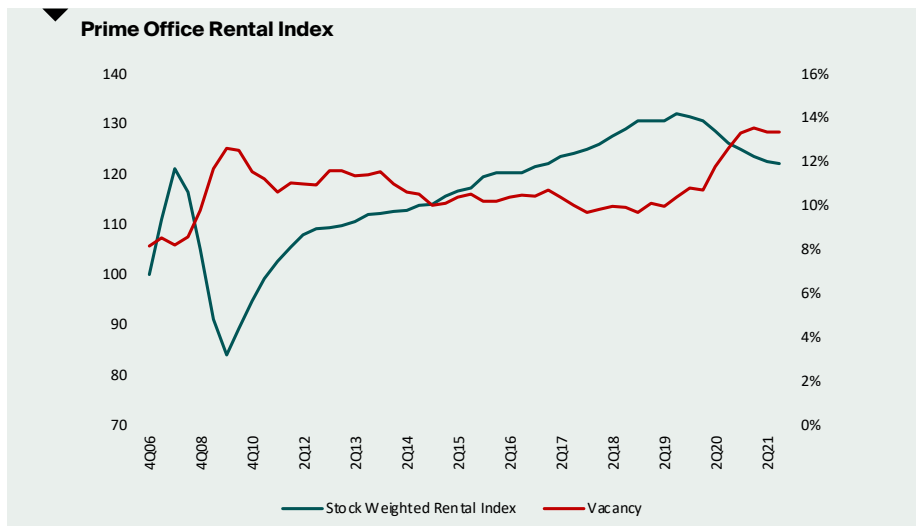
Nevertheless, leasing activity should begin to pick up moderately, as conditions normalise gradually. We maintain our expectations that the rate of rental decline will continue to decelerate across the region towards the start of the next year.

Singapore's prime office market recorded growth for the first time after 6 consecutive quarters of decline, with prime rents rising by 0.2% QoQ in Q3 2021. While case numbers have been on the rise since August, the office market remains relatively unfazed as the drive for vaccination has reached most of the population. With expectations for economic recovery for the full year of 2021 as well as improving employment, office rents should continue to recover modestly in Q4.

Office rents across Australia's major capitals remained stable in Q3 2021, with **Sydney, Melbourne, Perth** and **Brisbane** all seeing no change in net headline rents. Despite that, vacancies have been rising off negative net absorption throughout the year with consecutive and repeated movement restrictions due to the prolonged state of the pandemic. Sydney, the largest office market in Australia, is seeing much higher leasing activities in the year so far thanks to a rebound in the economy, recording 20,586 sqm of net absorption during the period. While 180,000 sqm of new development stock is currently under construction, 60% of these schemes have already been

committed, and thus will not be expected to put significant pressures on the market by time of completion.

While rents in **Hong Kong SAR** have been declining since 2018, the market has seemingly turned a corner in Q3 2021 with a rebound in leasing momentum. Prime office rents fell by 1.0% QoQ in Q3 2021, the slowest rate of decline since Q2 2019. The lower rents have prompted occupiers to return to the market, leading to more leasing activities. With demand re-emerging, the vacancy rate of Hong Kong's Central grade-A office market is gradually decreasing. We expect rents to stabilise across Hong Kong's major locations, particularly among higher quality buildings that still have lower asking rents in Q4 2021.



SOURCE: KNIGHT FRANK RESEARCH

CITY	SUBMARKET(S)	PRIME NET HEADLINE RENT	LOCAL MEASUREMENT	ANNUAL CHANGE (YOY %)	QUARTERLY CHANGE (QOQ %)	FORECAST NEXT 12 MONTHS	
AUSTRALASIA	BRISBANE	CBD	607	AUD/SQ M/ANNUM (NET FLOOR AREA)	1.0%	0.0%	→
	MELBOURNE	CBD	708	AUD/SQ M/ANNUM (NET FLOOR AREA)	0.0%	0.0%	→
	PERTH	CBD	622	AUD/SQ M/ANNUM (NET FLOOR AREA)	1.2%	0.0%	→
	SYDNEY	CBD	1,190	AUD/SQ M/ANNUM (NET FLOOR AREA)	0.1%	0.0%	→
EAST ASIA	AUCKLAND	CBD	525	NZD/SQ M/ANNUM (NET FLOOR AREA)	-4.5%	-4.5%	→
	TOKYO	CENTRAL 5 WARDS	28,739	JPY/TSUBO/MONTH (NET FLOOR AREA)	-8.0%	-1.2%	→
	BEIJING	VARIOUS	322	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-3.1%	-0.8%	→
	GUANGZHOU	CBD	185	CNY/SQ M/MONTH (GROSS FLOOR AREA)	0.0%	-0.6%	→
	SHANGHAI	Puxi, Pudong	254	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-0.9%	0.6%	→
	SHENZHEN	CBD	200	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-3.8%	1.0%	↓
	HONG KONG SAR	Central	111	HKD/SQ FT/MONTH (NET FLOOR AREA)	-8.8%	-1.0%	→
	TAIPEI	DOWNTOWN	2,861	TWD/PING/MONTH (GROSS FLOOR AREA)	0.8%	0.0%	↑
	SEOUL	CBD, GBD, YBD	36,395	KRW/SQ M/MONTH (GROSS FLOOR AREA)	3.7%	0.1%	→
	BENGALURU	CBD	1,445	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	-9.7%	0.0%	→
INDIA	MUMBAI	BKC	3,385	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	-8.0%	0.0%	→
	NCR	CONNAUGHT PLACE	4,078	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	0.0%	0.0%	→
ASEAN	PHNOM PENH	City Centre	26.30	USD/SQ M/MONTH (NET FLOOR AREA)	-1.3%	0.0%	→
	JAKARTA	CBD	292,724	IDR/SQ M/ANNUM (SEMI-GROSS FLOOR AREA)	17.1%	-2.7%	↓
	KUALA LUMPUR	City Centre	5.57	MYR/SQ FT/MONTH (NET FLOOR AREA)	-4.0%	-0.9%	↓
	SINGAPORE	Raffles Place, Marina Bay	9.98	SGD/SQ FT/MONTH (NET FLOOR AREA)	-3.8%	0.2%	→
BANGKOK	CBD	1,131	THB/SQ M/MONTH (GROSS FLOOR AREA)	-1.2%	0.4%	↓	

SOURCE: KNIGHT FRANK RESEARCH

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



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