

# Asia-Pacific Prime Office Rental Index

Q4 2019

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## HEADLINES

**0.4%**

YEAR-ON-YEAR RENTAL GROWTH FOR ASIA-PACIFIC RENTAL INDEX IN Q4 2019

**Melbourne**

RECORDED THE HIGHEST YEAR-ON-YEAR GROWTH IN Q4 2019

**13**

OF THE 21 CITIES TRACKED RECORDED STABLE OR INCREASE RENTS THIS PAST QUARTER

**Cautious**

EXPECTATIONS FOR 2020 RENTAL GROWTH OUTLOOK

Q4 2019 was a challenging quarter for the Asia-Pacific office markets as the after effects of the US-China trade tensions continued to reverberate across the region and spiralling social unrest in Hong Kong, a major office hub in the region, drove its economy into recession. For Q4 2019, Knight Frank's Asia-Pacific Prime Office Rental index fell -0.2% quarter-on-quarter to 156.9. Year-on-year it was up 0.4%, but this was another deceleration compared to the 1.8% and 3.4% annual rise witnessed in 3Q and 2Q respectively.

Of the 21 cities tracked within the index, 13 recorded either stable or increased rents in the past quarter. Heading into 2020, while progress has been made with the US and China reaffirming their commitments to the Phase-One trade deal, business sentiment is expected to remain weak with the overhang of the ongoing COVID-19 outbreak. We maintain our expectations for office rent index to weaken at 0 to -3% this year.

Office rents in **Hong Kong** tumbled -6.7% quarter-on-quarter in Q4, led mainly due to the escalation in social unrests witnessed during that quarter which softened market sentiment. This was coupled with the ongoing decentralization trend which has pushed vacancies up across major areas of the island. **Tokyo** office rents rose 2.5% quarter-on-quarter in Q4 driven mainly by limited availability within the market;

**Fig 1. Prime Office Rental Index**



upcoming new supply this year is also mostly pre-committed. Going forward, while the low vacancy is expected to provide some downside support to rents, the anticipated softer corporate earnings season in March will weigh on rental growth in 2020.

**Singapore's** office rents declined -0.6% quarter-on-quarter in Q4 led by weaker net absorption and the recent rise in shadow space within the CBD. However, any further significant decline in rents is unlikely given the limited supply pipeline this year. In **Jakarta**, office rents within the CBD declined -5.1% quarter-on-quarter as the market continues to digest the large supply that came online over the past year.



**Tim Armstrong**  
HEAD OF OCCUPIER SERVICES  
& COMMERCIAL AGENCY  
ASIA-PACIFIC

"Whilst we can't predict how long the coronavirus situation will play out, in the short-term, it will likely delay decision making for businesses who were previously considering expansion and relocation of new offices. It is also anticipated that organisations will give greater consideration to the geographical diversity of where their offices and staff are located"

## ASIA PACIFIC PRIME OFFICE RENTS

	CITY	SUBMARKET(S)	PRIME NET HEADLINE RENT	LOCAL MEASUREMENTS	12 MTHS % CHANGE (Q4 2018 - Q4 2019)	3 MTHS % CHANGE (Q3 2019 - Q4 2019)	FORECAST NEXT 12 MTHS
AUSTRALIA	Brisbane	CBD	614.0	AUD/SQ M/ANNUM (NET FLOOR AREA)	2.3%	0.2%	INCREASE
	Melbourne	CBD	708.3	AUD/SQ M/ANNUM (NET FLOOR AREA)	11.0%	2.1%	INCREASE
	Perth	CBD	620.0	AUD/SQ M/ANNUM (NET FLOOR AREA)	4.9%	1.6%	INCREASE
	Sydney	CBD	1,189.0	AUD/SQ M/ANNUM (NET FLOOR AREA)	7.1%	2.1%	INCREASE
EAST ASIA	Tokyo	Central 5 Wards	40,614.6	JPY/TSUBO/MONTH (NET FLOOR AREA)	2.9%	2.5%	SAME
	Beijing	Various	360.0	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-4.0%	-0.4%	DECREASE
	Guangzhou	CBD	192.0	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-0.3%	-0.7%	SAME
	Shanghai	Puxi, Pudong	279.8	CNY/SQ M/MONTH (GROSS FLOOR AREA)	-5.2%	-1.1%	DECREASE
	Shenzhen	CBD	219.0	CNY/SQ M/MONTH (GROSS FLOOR AREA)	NA	-1.8%	SAME
	Hong Kong	Central	140.4	HKD/SQ FT/MONTH (NET FLOOR AREA)	-14.3%	-6.7%	DECREASE
	Taipei	Downtown	2,808.0	TWD/PING/MONTH (GROSS FLOOR AREA)	2.7%	0.7%	INCREASE
	Seoul	CBD, GBD, YBD	34,136.1	KRW/SQ M/MONTH (GROSS FLOOR AREA)	1.1%	0.9%	INCREASE
	INDIA	Bengaluru	CBD	1,610.0	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	7.7%	-0.3%
Mumbai		BKC	3,660.0	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	1.7%	0.5%	INCREASE
NCR		Connaught Place	4,079.0	INR/SQ FT/ANNUM (GROSS FLOOR AREA)	4.4%	0.0%	SAME
ASEAN	Phnom Penh	City Centre	23.8	USD/SQ M/MONTH (NET FLOOR AREA)	1.3%	0.8%	SAME
	Jakarta	CBD	3,986,736.0	IDR/SQ M/ANNUM (SEMI-GROSS FLOOR AREA)	-5.1%	-5.1%	SAME
	Kuala Lumpur	City Centre	5.9	MYR/SQ FT/MONTH (NET FLOOR AREA)	1.5%	0.0%	DECREASE
	Singapore	CBD	10.29	SGD/SQ FT/MONTH (NET FLOOR AREA)	1.3%	-0.6%	SAME
	Bangkok	CBD	1,134.5	THB/SQ M/MONTH (GROSS FLOOR AREA)	5.2%	0.5%	SAME
	Manila	Various	1,095.0	PHP/SQ M/MONTH (NET FLOOR AREA)	5.1%	0.0%	DECREASE

Office rents across India's major office markets stayed relatively stable in Q4 with **Bengaluru**'s rents declining -0.3%, while NCR was flat, and **Mumbai** was up 0.5% quarter-on-quarter. With a greater volume of supply coming online over the coming two years, coupled with the backdrop of a slowing economy, office rents across the major markets are expected to normalize to a more moderate level of growth compared to what we have witnessed previously.

Australia's office markets continued to do well in Q4 with all of its major cities reporting rental growth during the quarter. Limited supply remains a pillar of growth for **Sydney** with rents recording a 2.1% quarter-on-quarter rise during the period. In **Perth** and **Brisbane**, rents grew 1.6% and 0.4% respectively during the quarter reflecting the recovery of demand in those markets after a period of prolonged weakness.

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

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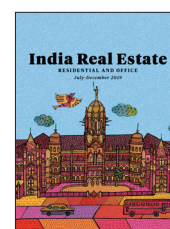
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