

# Record rental growth in Jakarta masks Asia-Pacific slowdown

## Results for Q3 2013

The Knight Frank Asia-Pacific Prime Office Index returned to positive growth in Q3 2013, increasing by 0.5%

Despite this, only eight of the 19 prime office markets tracked saw prime rents increase in Q3 2013

Jakarta's premium Grade-A office market recorded a 28.0% increase in Q3 2013, the highest quarterly growth on record

Over the next three to six months, prime office market performance is likely to reflect some of the uncertainty surrounding the region's economy

"The expectation of tighter monetary conditions (is) weighing on growth prospects in the region."



Nicholas Holt, Head of Research, Asia Pacific

**Despite a marginal increase in Knight Frank's Prime Office Index, activity continued to slow, with the record performance of Indonesia's capital skewing the index upwards.**

Knight Frank's Asia-Pacific Prime Office Index returned to positive growth in Q3 2013, increasing by 0.5% over the quarter, following a 0.1% drop in Q2 2013. The index now stands 2.3% above its Q2 2008 peak.

Net absorption of prime office space however continued to decline in the region, indicating a continued slowdown of the region's economy. The gradual rebalancing of China, capital outflows from emerging Asia, and the expectation of tighter monetary conditions are all weighing on growth prospects in the region, which in turn are influencing business office expansions in certain markets.

India, surprisingly given the economic situation, saw New Delhi and Bangalore record headline rental increases over the quarter, with the latter leading the way with 2.6% rental growth, driven by I.T. and I.T. Enabled Service tenant demand. However, given the significant new supply expected in Mumbai, New Delhi and Bangalore, rents are expected to remain stable over the next year.

In Tokyo, prime office rents moderated slightly for the second successive quarter, although on an annual basis they are up 25.2%. Expectations however are for the market to see an increase in demand, as the impact of "Abenomics" leads to increasing business confidence. Prime Grade-A rents are still 40% below their peak of Q1 2008.

China, saw rents continue to stagnate or decline marginally, although prospects for rental growth have increased slightly as the economy grew at its quickest pace this year between July and September. Nevertheless, with the economy likely to continue to slow towards the year end, and with significant new supply coming to the market, rental growth is likely to remain fairly subdued.

Effective rents continued to decline across all major city CBDs in Australia, as the muted economy continues to be impacted by the slowdown in the resources sector. Low interest rates and a weakened dollar provide some prospects for a pickup in growth, although higher vacancy rates are likely to continue to put pressure on landlords.

Jakarta continued to see the largest rental growth by far within the region, with the premium Grade-A office market seeing rents jump 28.0%. Although rents are expected to continue to rise going forward, we expect this to moderate, given new supply and a slowdown in the economy.

Elsewhere in Southeast Asia, Singapore's prime office market saw rental growth over the quarter, as leasing activity picked up after a quiet first half of the year. In Kuala Lumpur, the market remained fairly flat, with both rents and vacancy rates remaining unchanged. Bangkok's prime office rents continued to edge upwards, as the vacancy rate for Grade-A buildings fell for the sixth successive quarter.

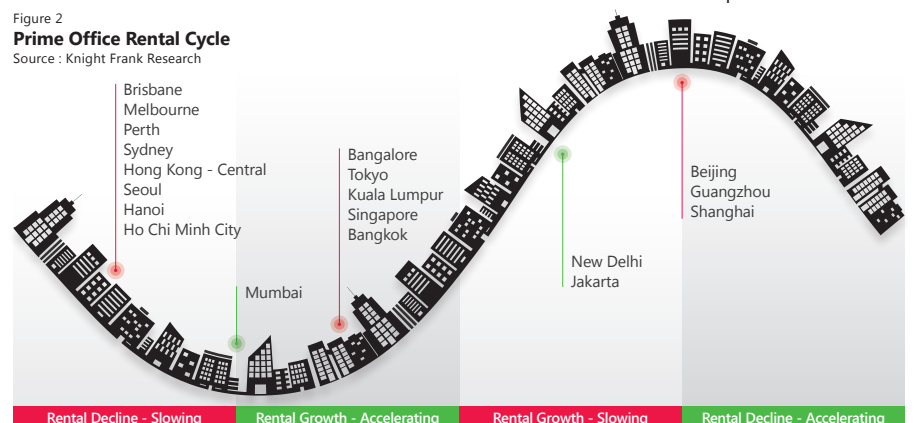
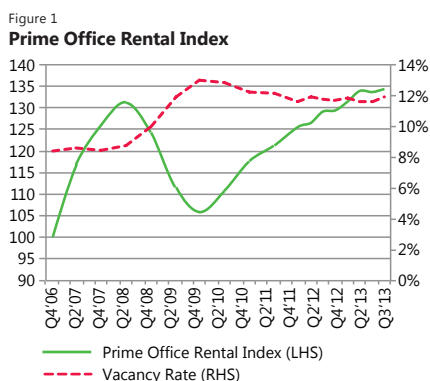


Figure 3  
Asia-Pacific Prime Office Rents  
Q3 2013

↑ Increase  
↔ No Change  
↓ Decrease

City	Submarket	Prime Net Headline Rent	Local Measurement	USD/sqm/mth	12mth % change Q3 '12 - Q3 '13	3mth % change Q2 '13 - Q3 '13	Gross Effective Rent** USD/sqm/mth	Forecast Next 12 mths
Brisbane	CBD	556.0	AUD/sq m/annum (Net Floor Area)	43.2	-3.5%	-0.7%	36.4	↓
Melbourne	CBD	462.0		35.9	0.4%	0.0%	35.0	↓
Perth	CBD	736.0		57.2	-6.8%	-3.2%	61.8	↓
Sydney	CBD	739.0		57.4	-0.4%	-0.1%	49.1	↓
Beijing	Various	383.8	RMB/sq m/month (Gross Floor Area)	62.5	-2.7%	-0.9%	91.0	↔
Guangzhou	CBD	177.0		28.8	-0.6%	0.1%	48.9	↔
Shanghai	Puxi, Pudong	276.3		45.0	-1.7%	0.6%	69.3	↑
Hong Kong	Central	117.6	HKD/sq ft/month (Net Floor Area)	163.3	0.3%	-1.3%	164.3	↔
Bangalore	CBD	1,077.0	INR/sq ft/annum (Gross Floor Area)	15.4	2.0%	2.6%	24.3	↔
Mumbai	BKC	3,029.0		43.3	-4.0%	-8.2%	69.6	↔
New Delhi	Connaught Place	3,182.0		45.5	2.0%	1.8%	73.1	↔
Jakarta	CBD	6,225,645.7	IDR/sq m/annum (Semi-Gross Floor Area)	45.1	85.6%	28.0%	56.9	↑
Tokyo*	Central 3 Wards	26,659.0	JPY/Tsubo/month (Net Floor Area)	82.1	25.2%	-0.1%	82.4	↑
Kuala Lumpur	City Centre	4.8	MYR/sq ft/month (Net Floor Area)	16.1	1.3%	-0.2%	20.1	↔
Singapore	Raffles Place, Marina Bay	9.2	SGD/sq ft/month (Net Floor Area)	79.0	-1.4%	1.2%	92.0	↑
Seoul	CBD	30,300.0	KRW/sq m/month (Gross Floor Area)	28.6	-7.8%	0.3%	72.2	↔
Bangkok	CBD	677.2	THB/sq m/month (Gross Floor Area)	21.7	4.7%	0.1%	26.3	↑
Hanoi	Hoan Kiem District	29.1	USD/sq m/month (Net Floor Area)	29.1	-10.0%	-0.8%	36.8	↓
Ho Chi Minh City	District 1	31.0		31.0	-3.1%	0.0%	38.8	↑

Source: Knight Frank Research

\*Source: Sanko Estate

\*\*Inclusive of incentives, service charges and taxes. Based on net floor areas.

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