

## International occupiers continue to hesitate

**Concerns surrounding the world economy continued to have an influence on the office occupier markets in Asia Pacific in Q4 2012. However, with some of the constraints holding back international corporates dissipating, a less uncertain climate is likely to lead to more leasing activity in 2013.**

### Results for Q4 2012

The Knight Frank Asia-Pacific Prime Office Index rose 2.0% in Q4 2012, up from a 0.8% increase in the previous quarter

Jakarta saw the strongest quarterly increase of 14.3% in Q4 2012, as very tight supply was met with robust demand

Beijing and Jakarta have now seen prime office rents double over the last three years

Rents decreased in 8 of the 18 markets tracked, with the more open markets of Singapore, Hong Kong, Shanghai and Seoul feeling a drop in demand from the banking and finance sectors

The Asia-Pacific Prime Office Index grew 2.0% over the quarter, up from 0.8% in the previous quarter and showed a 6.4% increase over the last 12 months. Ten of the eighteen cities saw positive rental growth over the quarter with Jakarta leading the way, seeing premium Grade A rents increasing by 14.3% quarter-on-quarter and 78.2% year-on-year.

Banking and financial institutions continued to cut costs in the last quarter of 2012, impacting the major financial centres of Hong Kong, Singapore, Shanghai, Seoul and Tokyo. This has been reflected in softening rents in the first four of these markets, while the latter, Tokyo, has seen strong demand in the central 3 wards, as corporates have continued to trend towards centralisation.

The vacancy rate across the region increased marginally to 11% on the back of negative net absorption in a number of markets, and new supply coming to the market. Notably Beijing saw its vacancy rates increase for the first time since Q4 2009 as the market approaches its mid-term peak.

Australia saw rental levels remain steady, with sentiment in the leasing markets remaining relatively subdued. Incentive

levels remain high, edging up in Sydney, as effective rents remain significantly lower than headline figures.

In India, rents remained stable in Delhi and Bangalore, while Mumbai saw a significant fourth quarter rental increase of 4.5% as net absorption in all three markets bounced back from a subdued Q3.

Across the region, certain sectors have remained very active over the quarter. The legal sector has seen an increase in foreign law firm activity, most notably in Singapore and Seoul, where increasing liberalisation has presented expansion opportunities.

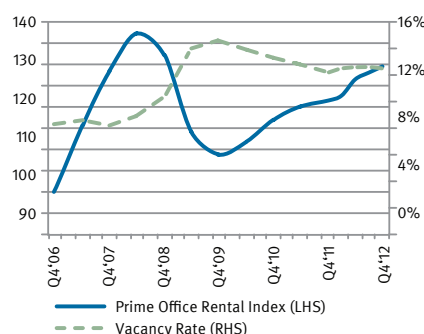
Significant new supply, cost attentive corporates and expansion delays due to global uncertainty will continue to have a dampening impact on office rental levels in some of the key gateway cities of Asia Pacific. However, as the US “kicks the can down the road” to avoid the fiscal cliff, the threat of a crisis in the Eurozone recedes, and Chinese growth speeds up again, corporates in the Asia Pacific region are likely to gradually become more bullish in their expansion plans as the economy moves into a new cycle.

“Corporates in the Asia-Pacific region are likely to gradually become more bullish in their expansion plans as the economy moves into a new cycle.”



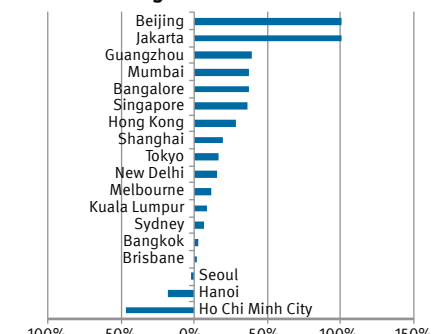
**Nicholas Holt**, Research Director, Asia-Pacific

Figure 1  
**Prime Office Rental Index**



Source: Knight Frank Research

Figure 2  
**3-Year % Change in Prime Office Rents**



Source: Knight Frank Research

Figure 3  
Asia-Pacific Prime Office Rents  
Q4 2012

Increase  
 No Change  
 Decrease

City	Submarket	Prime Net Headline Rent	Local Measurement	USD/sqm/mth	12mth % change Q4 '11 - Q4 '12	3mth % change Q3 '12 - Q4 '12	Gross Effective Rent** USD/sqm/mth	Forecast Next 12 mths
Brisbane	CBD	563.0	AUD/sqm/annum (Net Floor Area)	48.7	-0.4%	-2.3%	44.6	
Melbourne	CBD	462.0		39.9	0.8%	0.4%	41.4	
Sydney	CBD	742.0		64.1	3.5%	0.0%	56.0	
Beijing	Various	395.7	RMB/sq m/month (Gross Floor Area)	62.8	22.8%	0.3%	91.1	
Guangzhou	CBD	178.5		28.3	4.6%	0.2%	47.9	
Shanghai	Puxi, Pudong	277.2		44.0	2.2%	-1.4%	67.6	
Hong Kong	Central	116.4	HKD/sq ft/month (Net Floor Area)	161.6	-14.6%	-0.8%	163.4	
Bangalore	CBD	1,052.0	INR/sq ft/annum (Gross Floor Area)	17.3	11.0%	-0.4%	27.7	
Mumbai	BKC	2,787.3		45.7	4.1%	4.5%	73.4	
New Delhi	Connaught Place	3,120.0		51.2	8.3%	0.0%	82.1	
Jakarta	CBD	3,775,056.0	IDR/sq m/annum (Semi-Gross Floor Area)	32.7	78.2%	14.3%	41.4	
Tokyo*	Central 3 Wards	23,969.0	JPY/Tsubo/month (Net Floor Area)	84.4	12.0%	12.6%	86.8	
Kuala Lumpur	City Centre	4.7	MYR/sq ft/month (Net Floor Area)	17.0	9.2%	0.2%	21.3	
Singapore	Raffles Place, Marina Bay	9.3	SGD/sq ft/month (Net Floor Area)	81.8	-11.1%	-0.5%	95.1	
Seoul	CBD	31,487.2	KRW/sq m/month (Gross Floor Area)	29.5	-7.9%	-4.1%	71.8	
Bangkok	CBD	652.4	THB/sq m/month (Gross Floor Area)	21.3	4.2%	0.9%	26.1	
Hanoi	Hoan Kiem District	31.0	USD/sq m/month (Net Floor Area)	31.0	-6.2%	-4.1%	39.3	
Ho Chi Minh City	District 1	31.0		31.0	-8.8%	-3.1%	37.9	

Source: Knight Frank Research

\*Source: Sanko Estate

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

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