

October 2023



Asia-Pacific Q3 2023 Office Highlights

Knight Frank Asia-Pacific Office Markets

Your partners in property

knightfrank.com/research

Asia-Pacific Overview – Q3 2023

The region's rental decline moderated in Q3 2023, falling 1.3% from a year ago but down from the 1.5% drop registered in Q2 2023. On a quarter-on-quarter (QoQ) basis, average rents across the region stabilised, as declines moderated in the Chinese Mainland markets, which were further offset by rental growth in most of the other developed markets.

15 out of the 23 tracked cities reported stable-to-increasing rents, similar to Q2 2023. However, vacancies continued to rise, up marginally by 0.4 ppt quarterly to 14.4%, sustaining a trend that has seen the metric continually breach record highs since Q3 2022.

With a more muted completion pipeline at just over a million sqm during the quarter, down about 75% from Q2 2023, absorption is clearly lagging completions in the region. Monetary tightening, inflationary pressures and geopolitical events continue to weigh on economic sentiment, as occupiers remained cautious, taking longer to consider space requirements. With the implementation of hybrid work schedules, occupier strategies have decoupled from mere headcount considerations.

Knight Frank's (Y)OUR SPACE 2023 survey noted that more than half of the occupiers surveyed believe that their organisations will embrace hybrid workstyles in the next three years. This will continue to place emphasis on space optimisation strategies. Evolving strategies will likely dampen leasing velocity for the rest of the year, even as macroeconomic volatility hampers occupier ambitions. Consequently, market conditions across most of the region will continue to favour tenants into the initial stages of 2024.

0.0%

QoQ change for Asia-Pacific Rental Index in Q3 2023

Auckland

Recorded the highest YoY growth in Q3 2023

15 of 23

Tracked cities recorded stable or increasing rents YoY in Q3 2023

Cautious

Expectations for 2023 office outlook

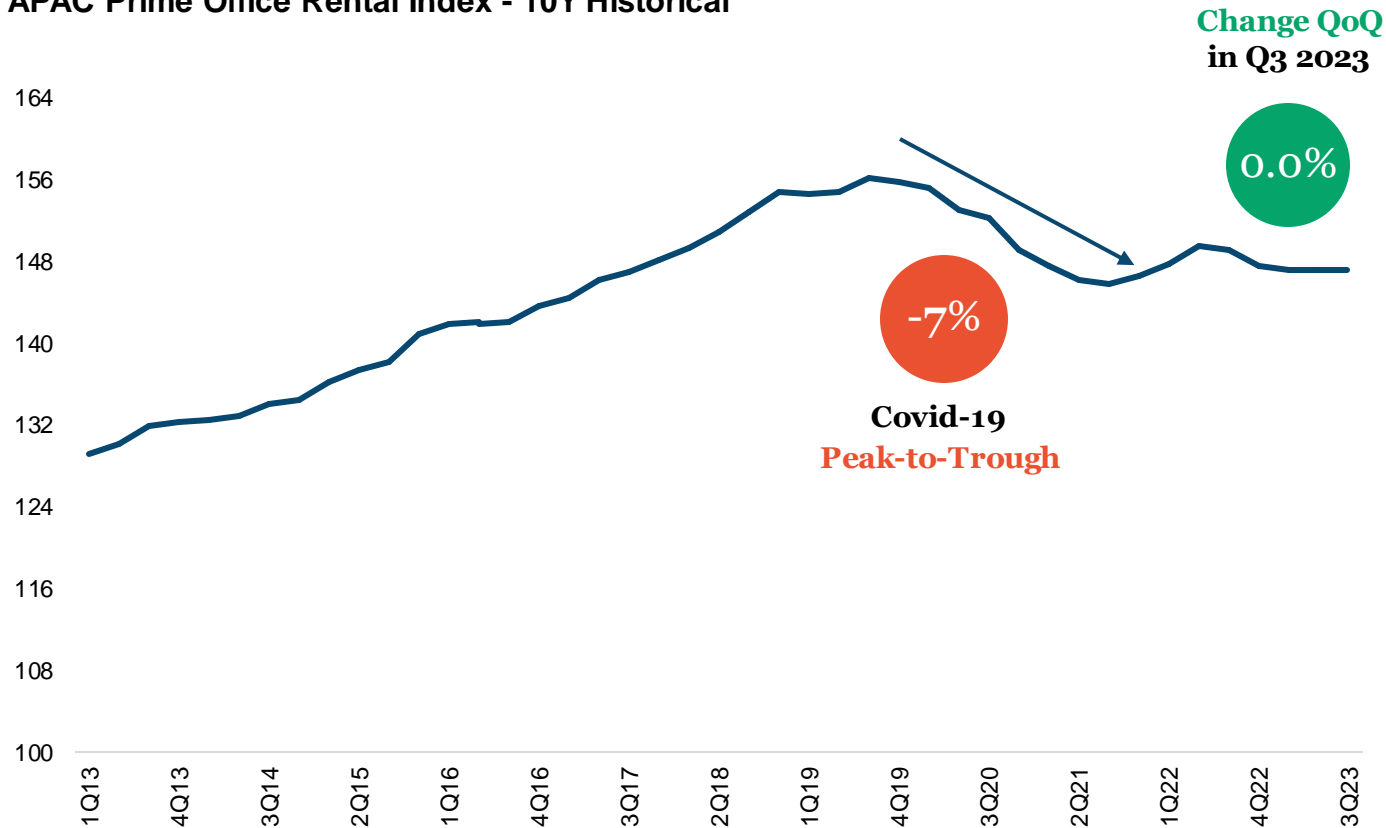
“Despite vacancies rising in the region, rental declines in the third quarter have stabilised, supported by a trend favouring a flight to quality properties. Overall, the current expansionary cycle in the region affords occupiers a broader range of options and strategies to consider, enhancing their ability to secure favourable lease terms amid current soft conditions. While it is still premature to make a definitive judgement amidst the most recent political developments, the evolving geopolitical landscape is expected to cast a shadow on occupier prospects, as companies meticulously evaluate the accompanying risks. As businesses adapt to a future hybrid work model, the trio of location, amenities and sustainability have gained significance in rebalancing the scales in favour of in-person work.”

Tim Armstrong
Global Head of Occupier Strategy and Solutions

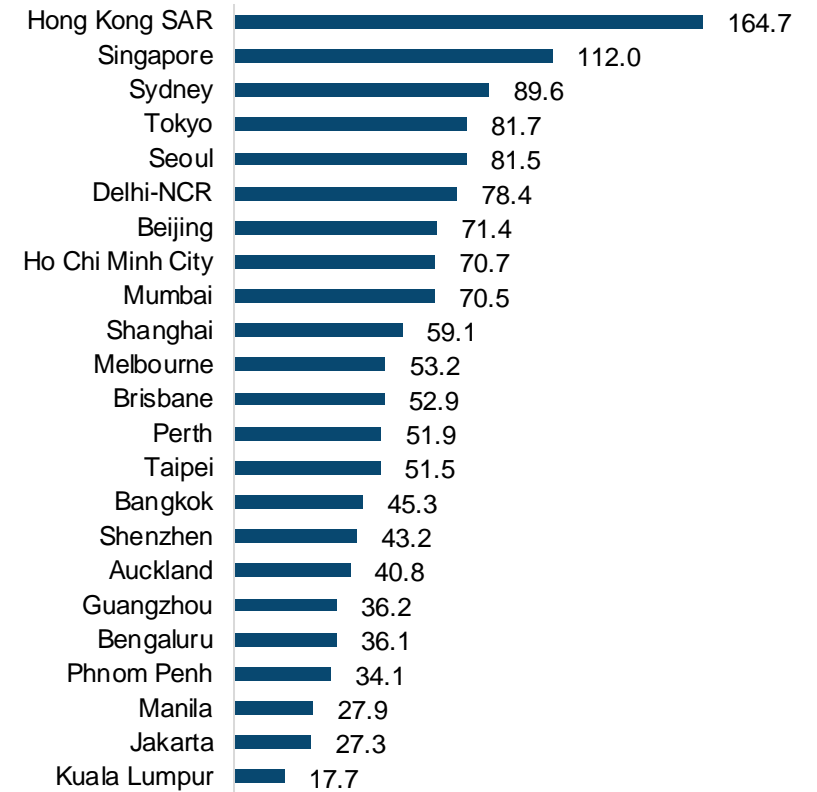
APAC Prime Office Rental Index

Rental declines moderated in Q3 2023

APAC Prime Office Rental Index - 10Y Historical



Q3 2023 Occupancy Cost (US\$/sqft/year)

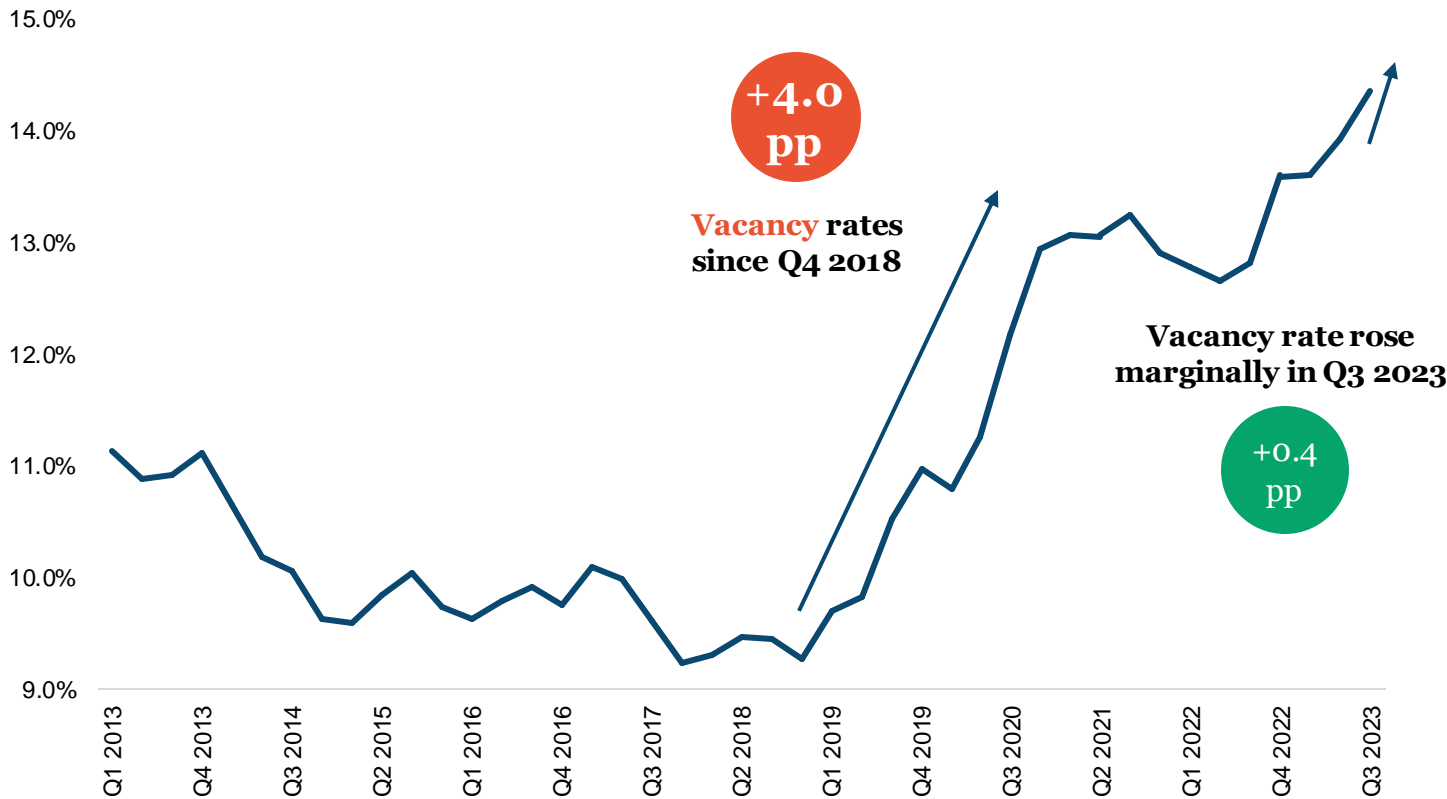


Source: Knight Frank Research
 Note: Taipei's rental basket was updated in the current quarter

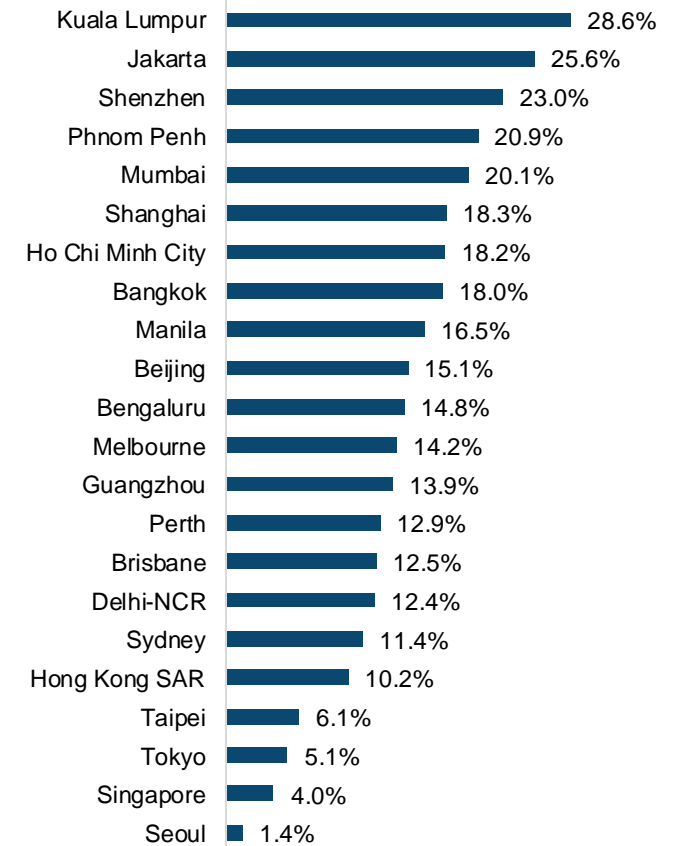
APAC Prime Office Vacancy Rate

Overall vacancy rate continued to rise as occupiers remained cautious

APAC Prime Office Vacancy Rate - 10Y Historical



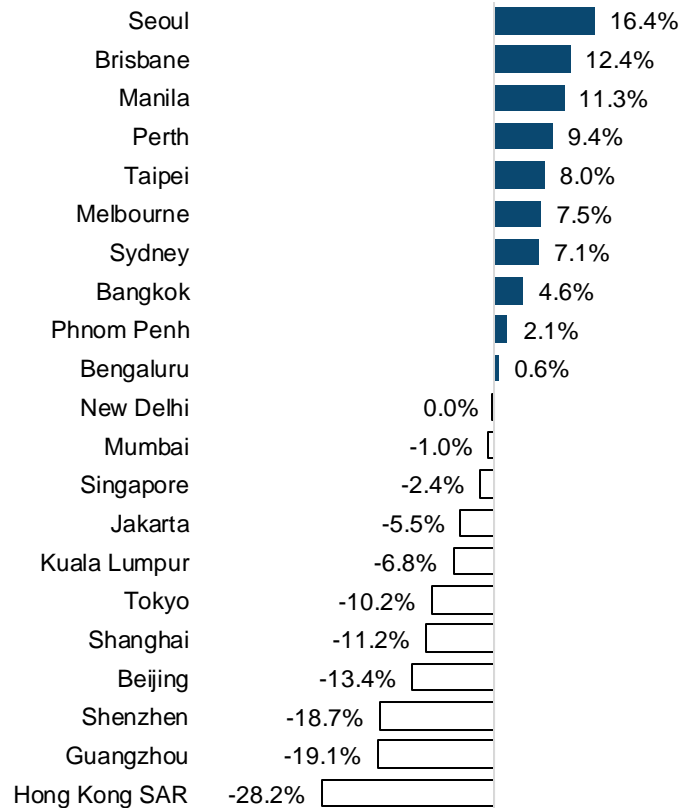
Q3 2023 Vacancy Rate



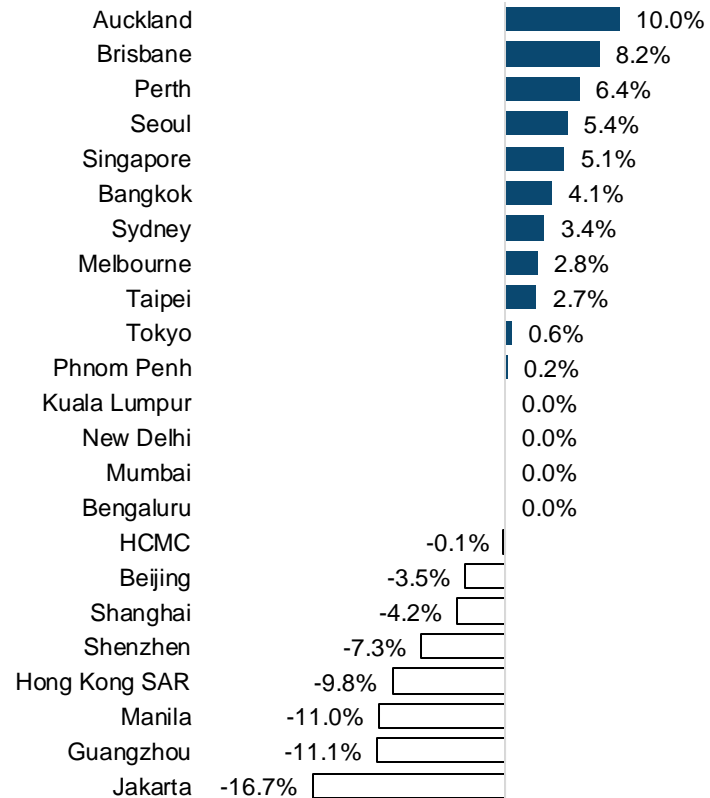
APAC Prime Rental Rates

Declines moderate in the region

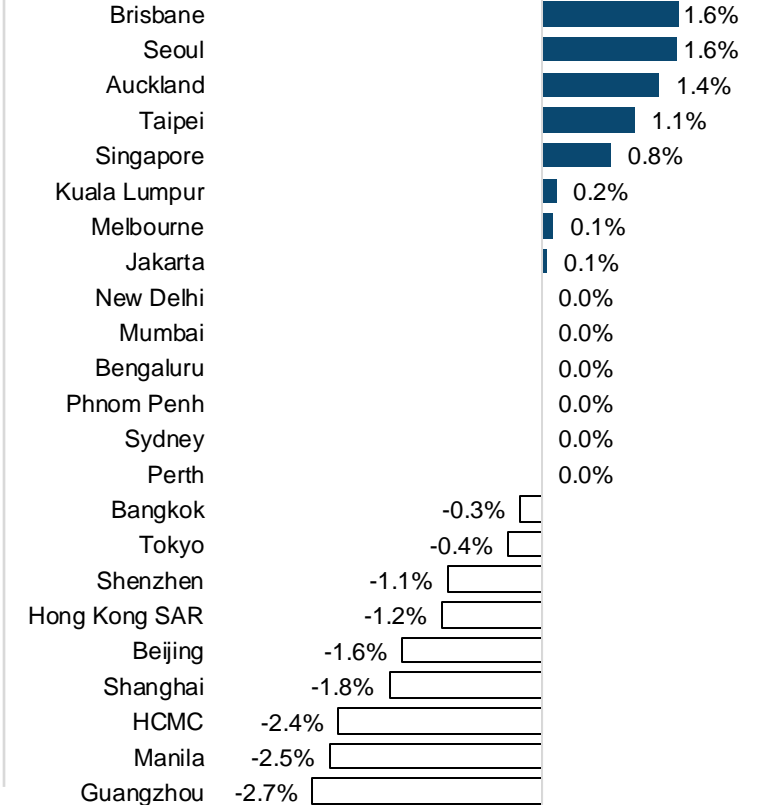
Q3 2023 vs Q4 2019 Change



Prime Office Q3 2023 Growth YoY (%)



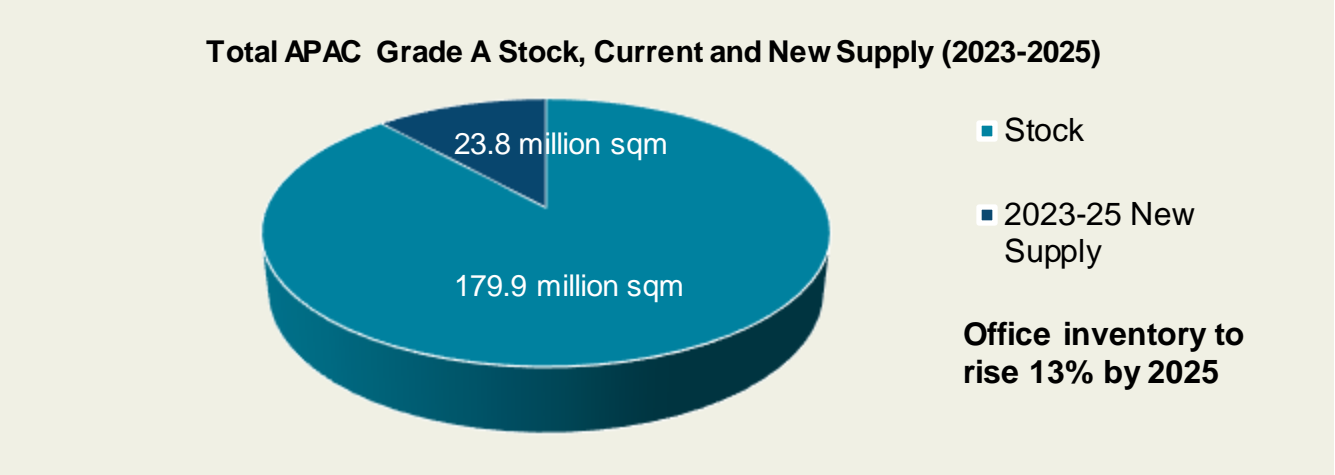
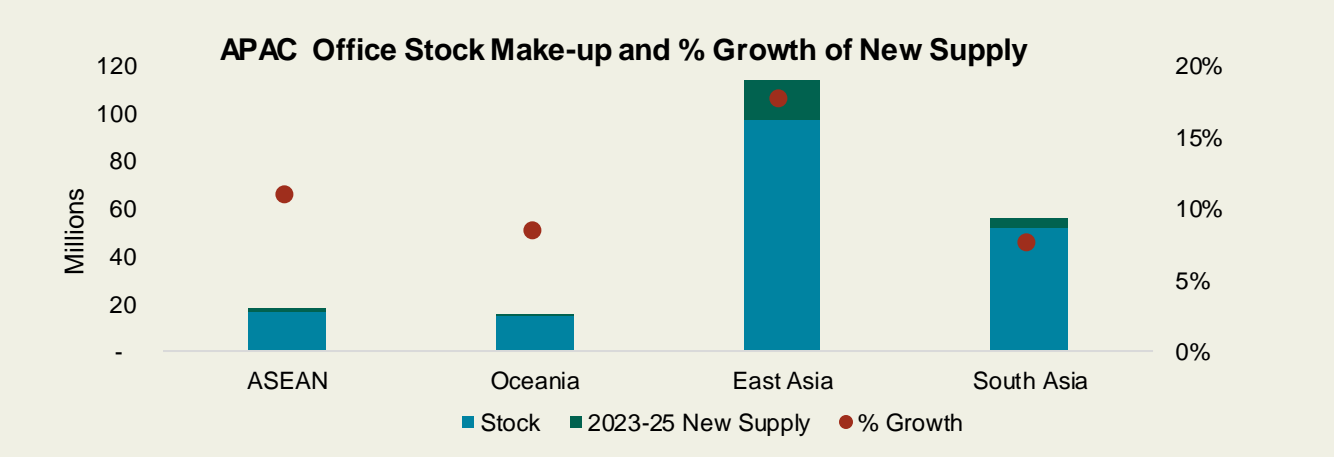
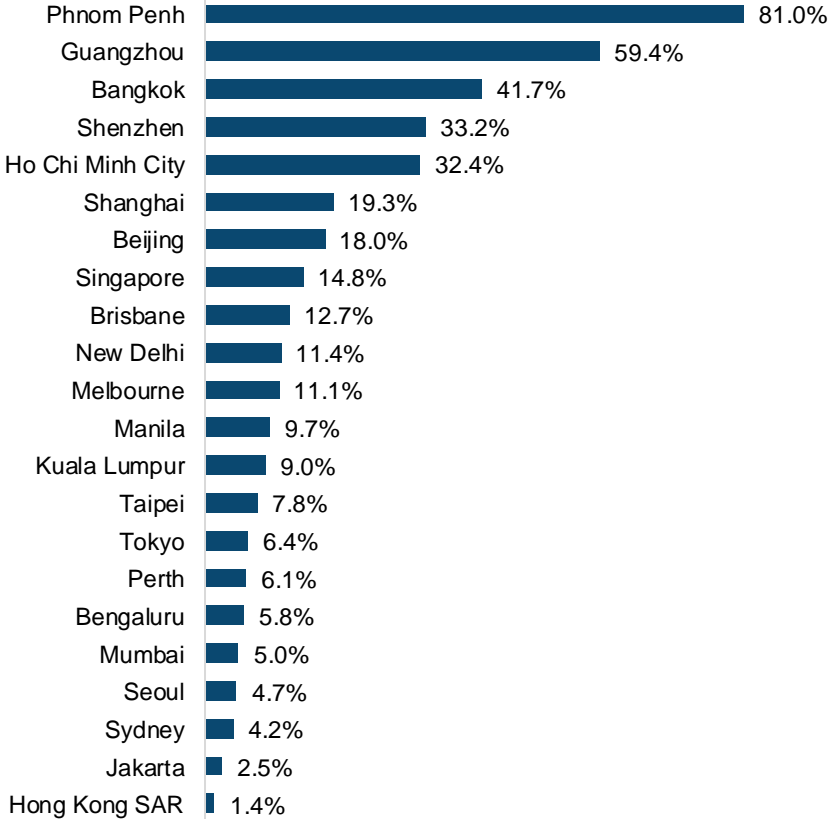
Prime Office Q3 2023 Growth QoQ (%)



APAC Office Pipeline Supply

Extended flight-to-quality trend as new supply in 2023-24 hit a cyclical high

Proportion of Upcoming Supply to Current Stock



APAC 2023 Office Outlook

12-Month Rental Outlook

Decreasing

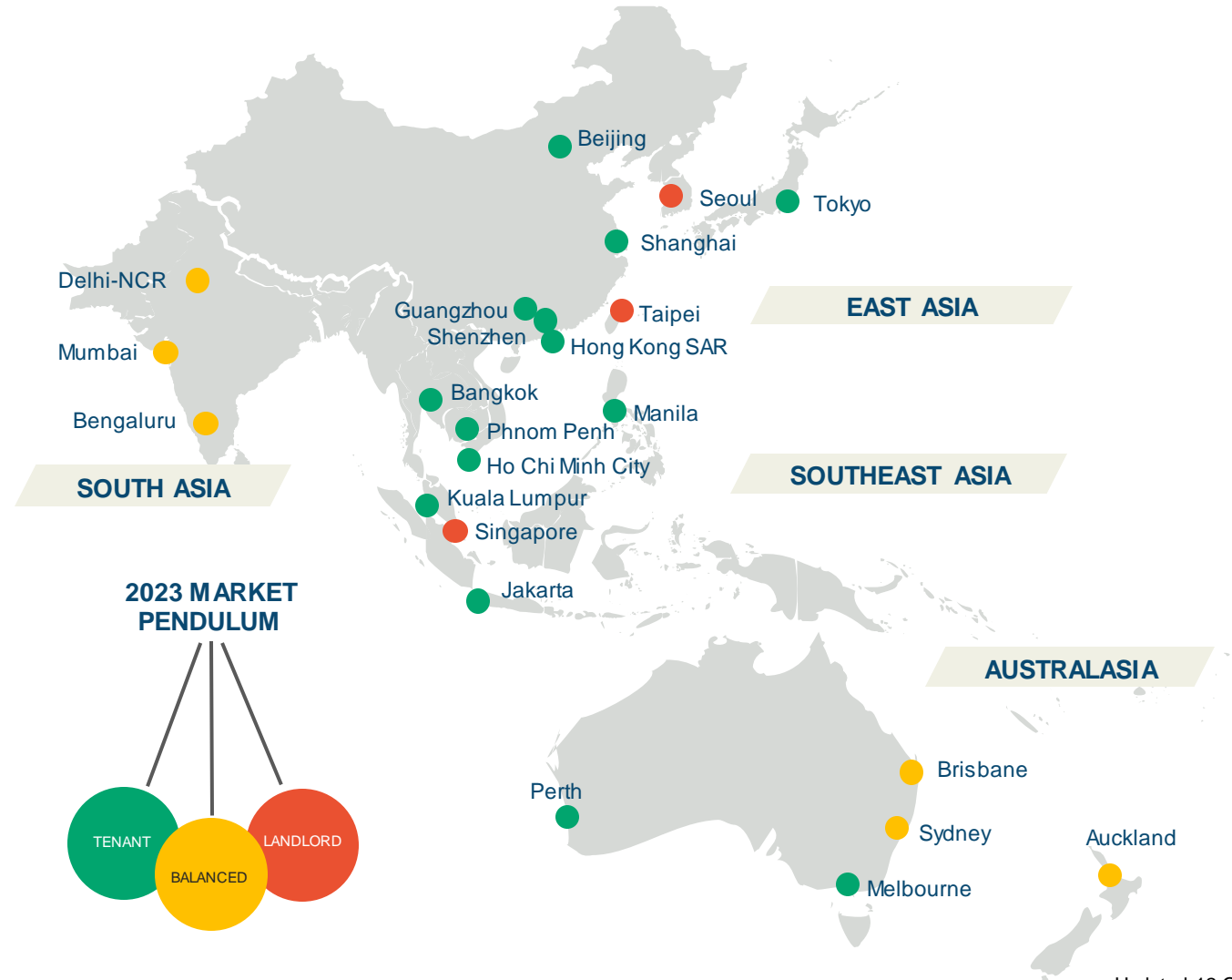
- Guangzhou
- Ho Chi Minh City
- Hong Kong SAR
- Jakarta
- Manila
- Phnom Penh
- Shenzhen

Unchanged

- Auckland
- Bangkok
- Beijing
- Bengaluru
- Delhi-NCR
- Kuala Lumpur
- Mumbai
- Seoul
- Shanghai
- Tokyo

Increasing

- Brisbane
- Melbourne
- Perth
- Singapore
- Sydney
- Taipei

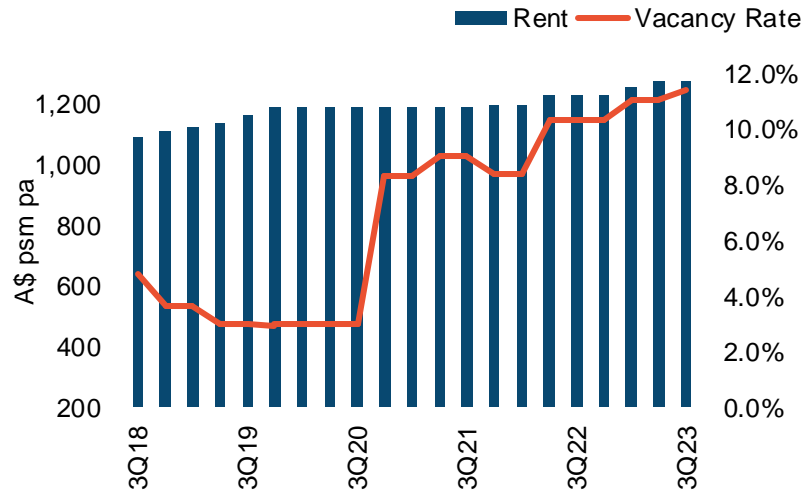


Market Dashboards

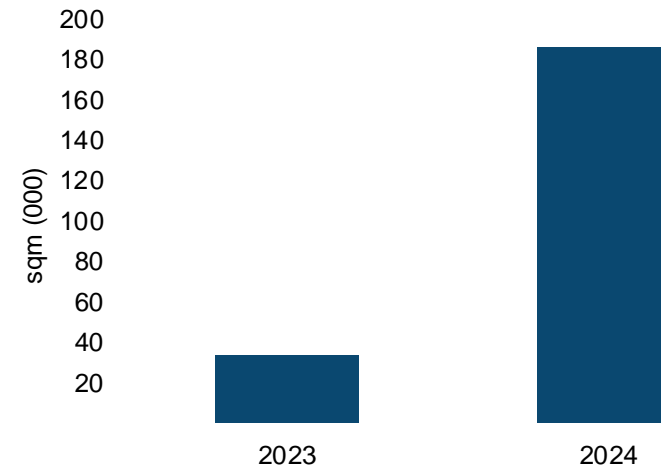
Oceania

A two-speed market for rents is emerging in Australia, with the country's resource-driven markets – Brisbane and Perth – benefitting from a commodity sector resurgence. Leasing activity in Brisbane was also elevated by demand from government occupiers. Effective rents in the city rose as a result, with Brisbane the only Australian city to record a year-on-year decline in average incentives in the third quarter. On the other hand, in Melbourne and Sydney, the TMT (technology, media and communications) and Financial Services sectors are dominant, and they are currently experiencing a slower return to office, which is having a dampening effect on demand. The flight-to-quality movement has been noted to be most evident in both cities as employers try to entice workers back into the physical office. Meanwhile, across the Tasman, similar dynamics are also transpiring in Auckland offices, as the demand for prime spaces continued to drive a rental gap between higher and lower rated assets. With limited supply across most cities, property fundamentals in the Pacific are expected to firm gradually in the next 12 months.

Rents and Vacancy



Future Pipeline Supply

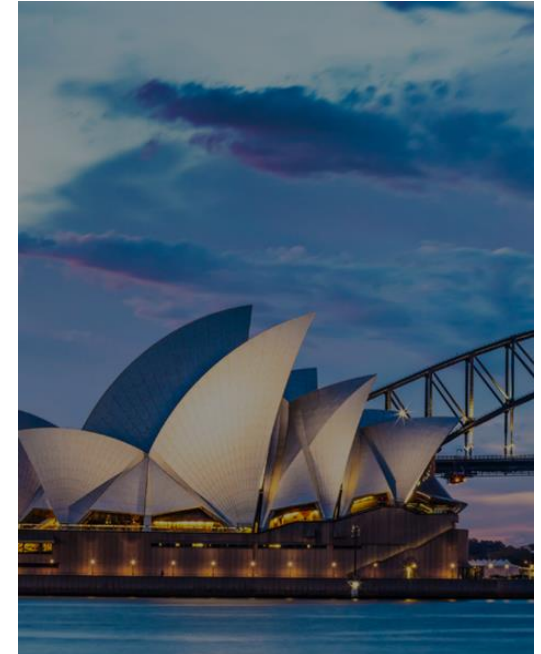


Economic Indicators

	2023F	2024F
GDP Growth	1.5%	1.6%
Unemployment Rate	3.8%	4.3%
Inflation	5.4%	3.4%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (A\$ psm pa)	1,274	↑
Vacancy	11.4%	→
Market Balance	Balanced	Balanced

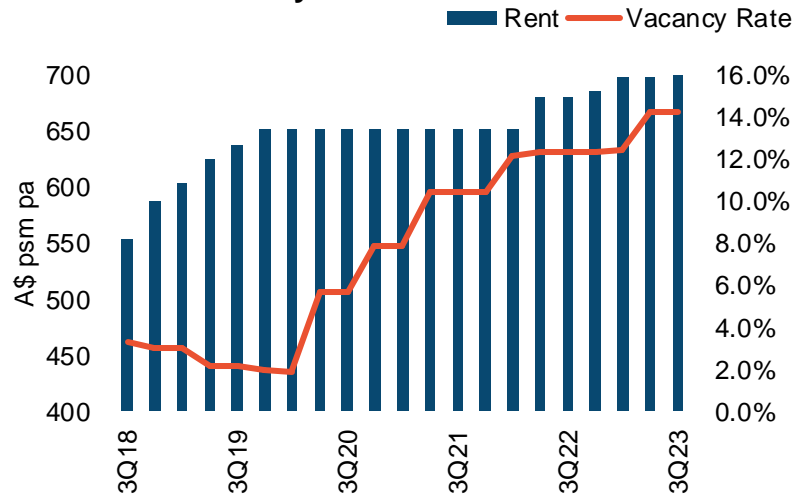


For more information, please contact:

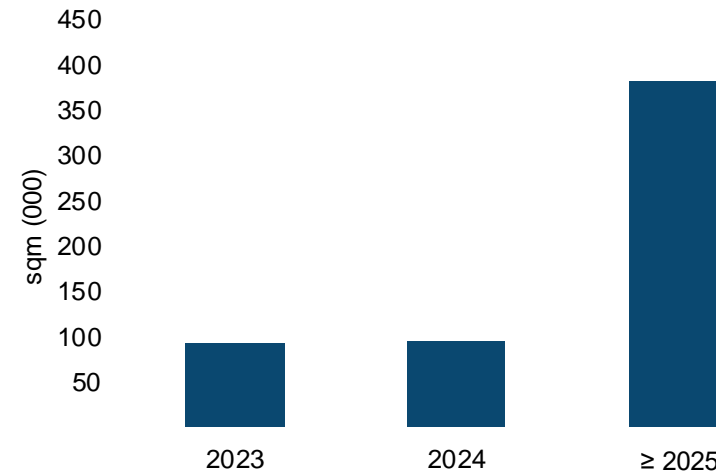
Katherine Moss
 Partner, National Head of Tenant Representation – Office
 +61 2 9036 6647
 katherine.moss@au.knightfrank.com

Melbourne

Rents and Vacancy



Future Pipeline Supply

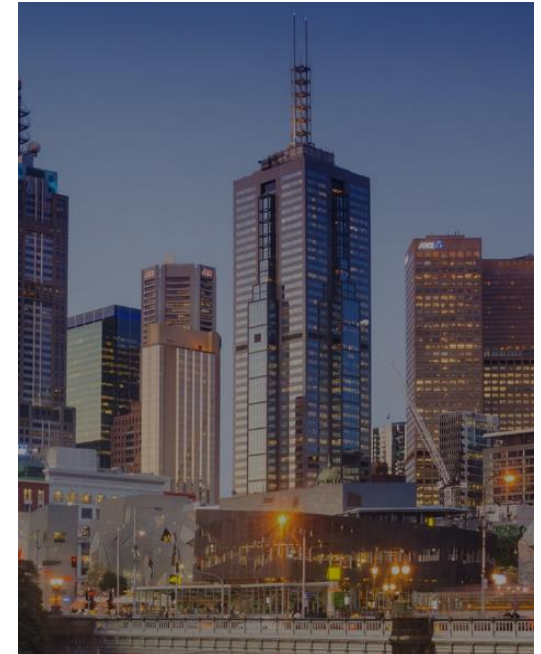


Economic Indicators

	2023F	2024F
GDP Growth	1.5%	1.6%
Unemployment Rate	3.8%	4.3%
Inflation	5.4%	3.4%

Real Estate Indicators

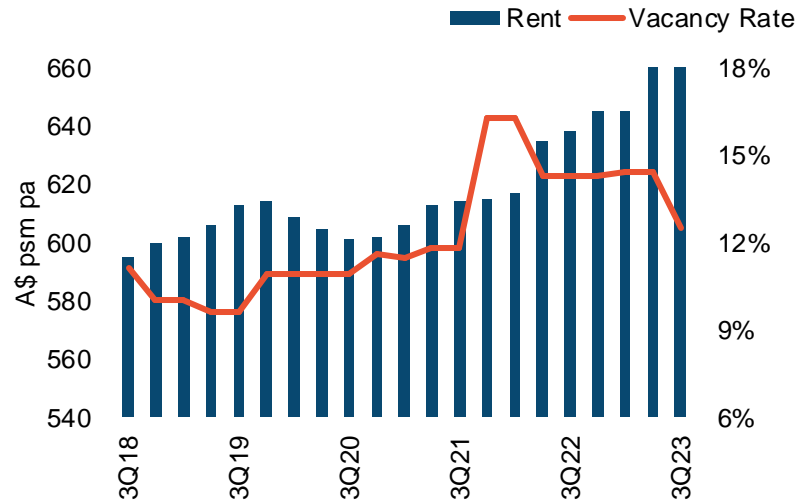
	Q3 2023	12mth Forecast
Prime Rent (A\$ psm pa)	700	↑
Vacancy	14.2%	→
Market Balance	Tenant	Balanced



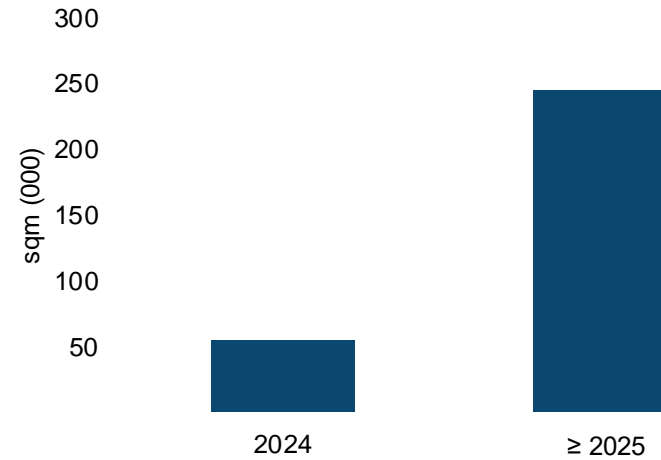
For more information, please contact:

David Chalmers
 Director, Tenant Representation,
 Office
 +61 3 9604 4646
 David.chalmers@au.knightfrank.com

Rents and Vacancy



Future Pipeline Supply



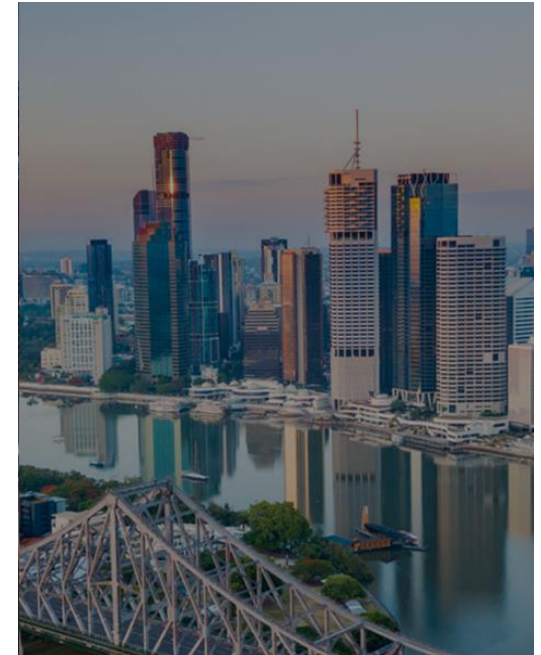
*No supply expected for 2023

Economic Indicators

	2023F	2024F
GDP Growth	1.5%	1.6%
Unemployment Rate	3.8%	4.3%
Inflation	5.4%	3.4%

Real Estate Indicators

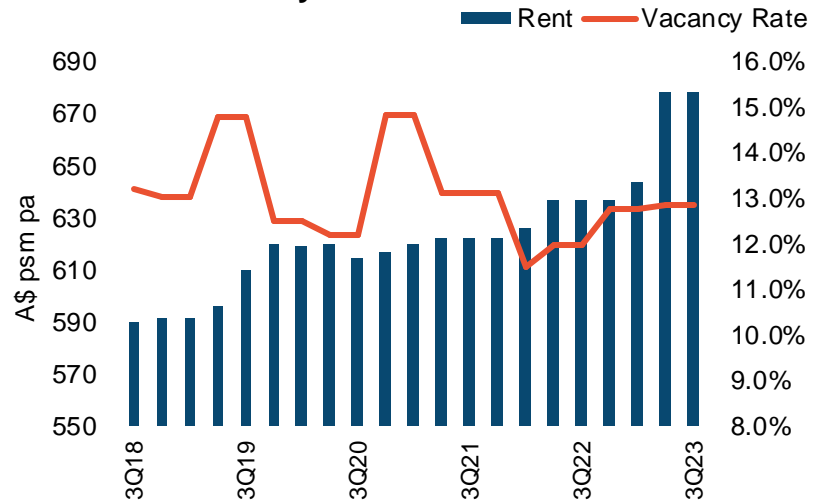
	Q3 2023	12mth Forecast
Prime Rent (A\$ psm pa)	690	↑
Vacancy	12.5%	↓
Market Balance	Balanced	Balanced



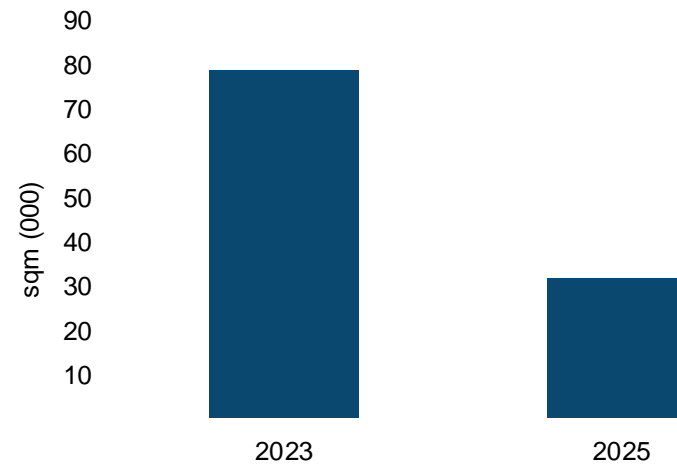
For more information, please contact:

Carl Knaggs
 Director, Occupier Strategy & Solutions
 +61 7 3246 8813
 Carl.knaggs@au.knightfrank.com

Rents and Vacancy



Future Pipeline Supply



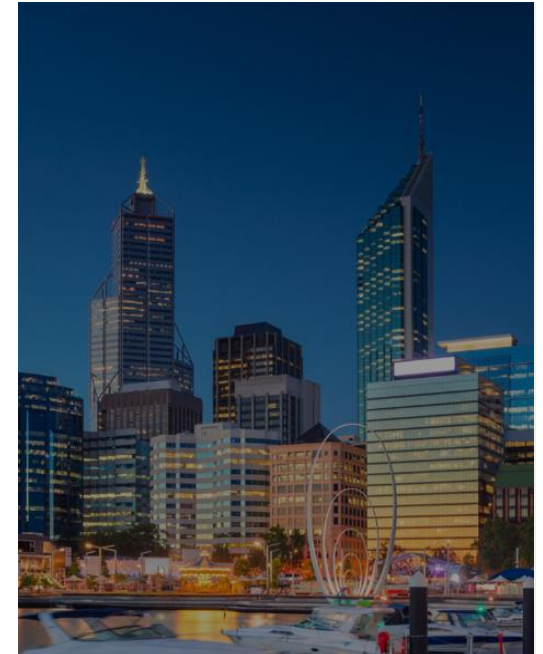
*No supply expected for 2024

Economic Indicators

	2023F	2024F
GDP Growth	1.5%	1.6%
Unemployment Rate	3.8%	4.3%
Inflation	5.4%	3.4%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (A\$ psm pa)	678	↑
Vacancy	12.9%	→
Market Balance	Balanced	Balanced

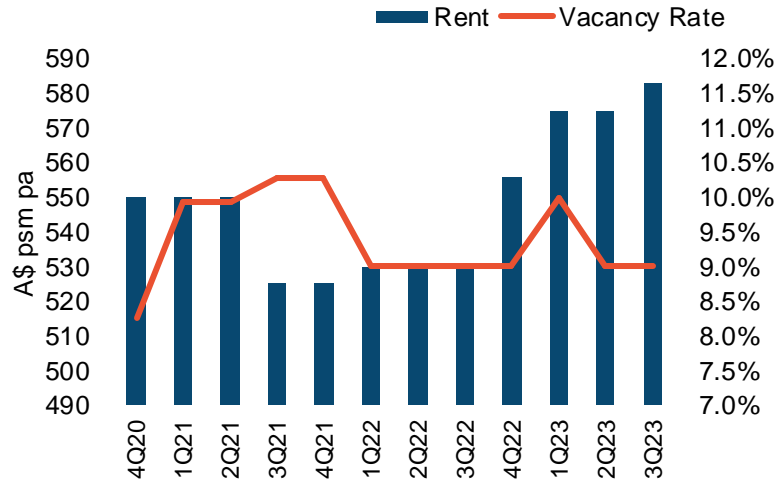


For more information,
please contact:

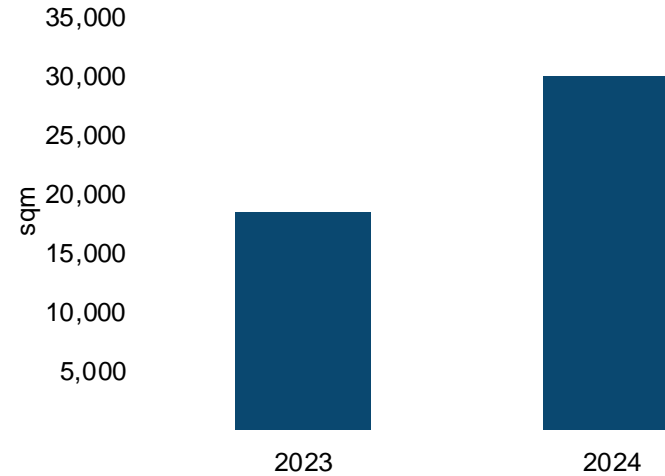
Alyson Martinovich
State Head of Tenant Representation,
WA
+61 8 9225 2576
alyson.martinovich@au.knightfrank.com

Auckland

Rents and Vacancy



Future Pipeline Supply

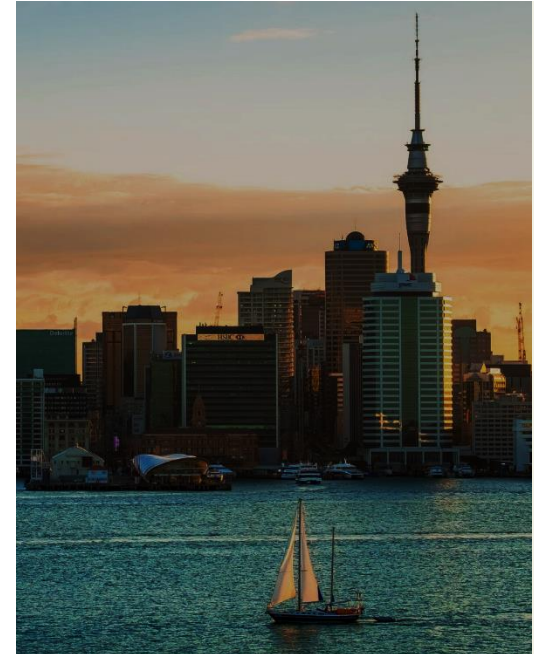


Economic Indicators

	2023F	2024F
GDP Growth	1.1%	0.9%
Unemployment Rate	4.3%	5.3%
Inflation	5.5%	2.6%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (NZ\$ psm pa)	583	→
Vacancy	9.0%	→
Market Balance	Balanced	Balanced



For more information, please contact:

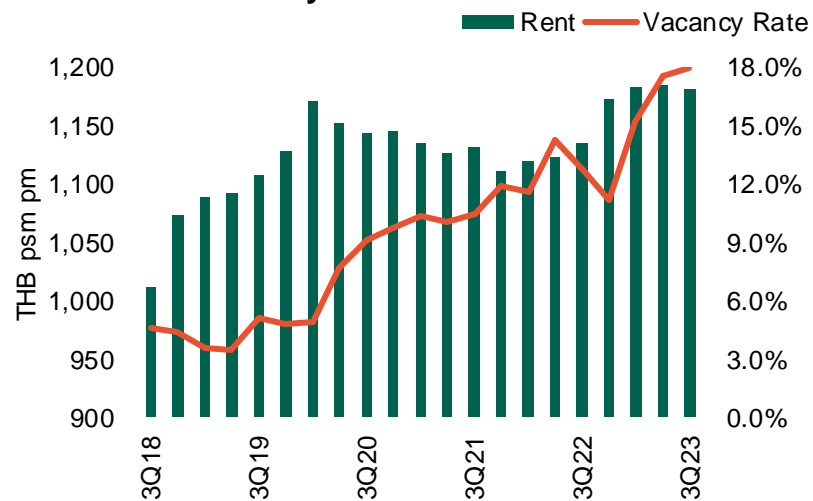
Steve Rendall
 National Head of Occupier Strategy & Solutions
 +64 27 521 2599
 Steve.rendall@bayleys.co.nz

Southeast Asia

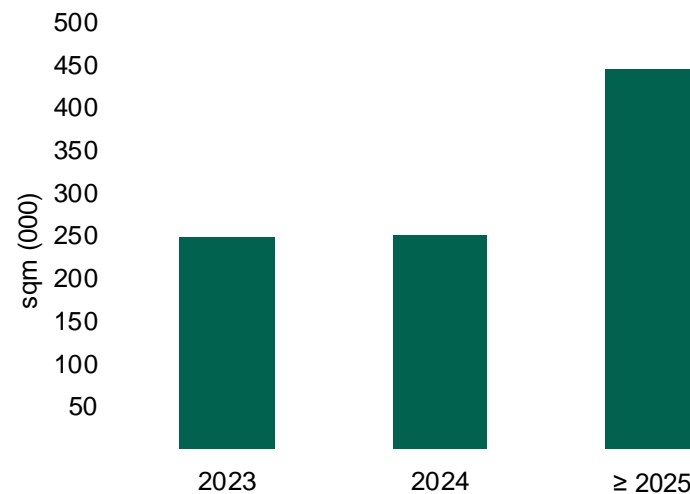
Offices in Southeast Asia's emerging markets continued to be weighed on by double-digit vacancies. During the quarter, the delivery of over 85,000 sqm in Ho Chi Minh City lifted vacancy rates to over 18%, from under 5% in the second quarter. Located within the still-developing commercial hub of Thu Duc City, take-up of new supply across two buildings has remained slow, which dragged average prime rents down by over 2%. Rents in Manila also fell as its Business Process Outsourcing (BPO) sector re-aligns space requirements with hybrid work schedules. Despite a rise in Kuala Lumpur's vacancies from the completion of over 90,000 sqm of new space, rents were largely supported by stronger demand. Rents and vacancies in Jakarta also stabilised during the quarter, although new supply in the next quarter could renew downward pressures. While Singapore's market remained robust on corporate relocations and a flight-to-quality trend, rental growth is flattening out.

Bangkok

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2023F	2024F
GDP Growth	3.4%	3.6%
Unemployment Rate	N/A	N/A
Inflation	2.8%	2.0%

Real Estate Indicators

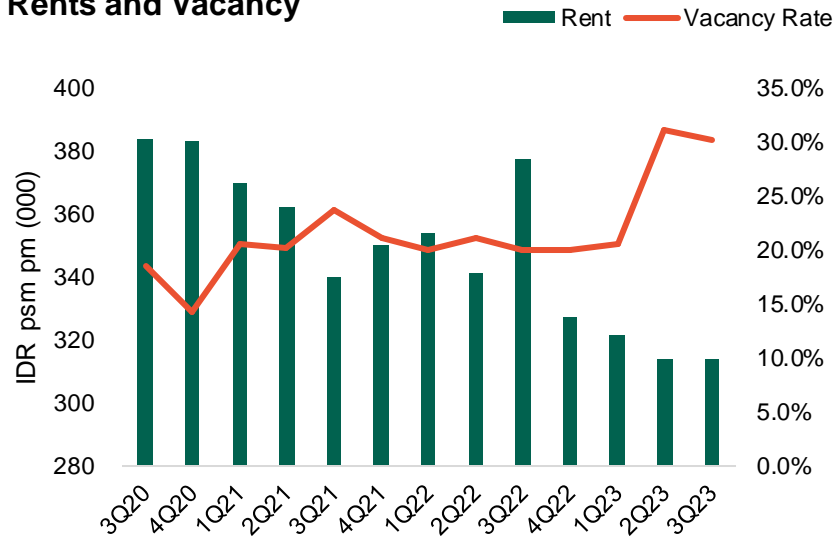
	Q3 2023	12mth Forecast
Prime Rent (THB psm pm)	1,181	→
Vacancy	18.0%	↑
Market Balance	Tenant	Tenant



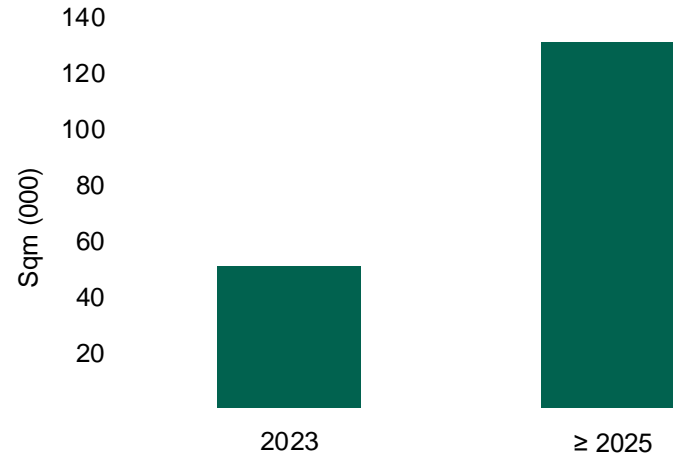
For more information, please contact:

Marcus Burtenshaw
 Head of Occupier Strategy and Solutions, Thailand
 +66 (0)2643 8223
marcus.burtenshaw@th.knightfrank.com

Rents and Vacancy



Future Pipeline Supply



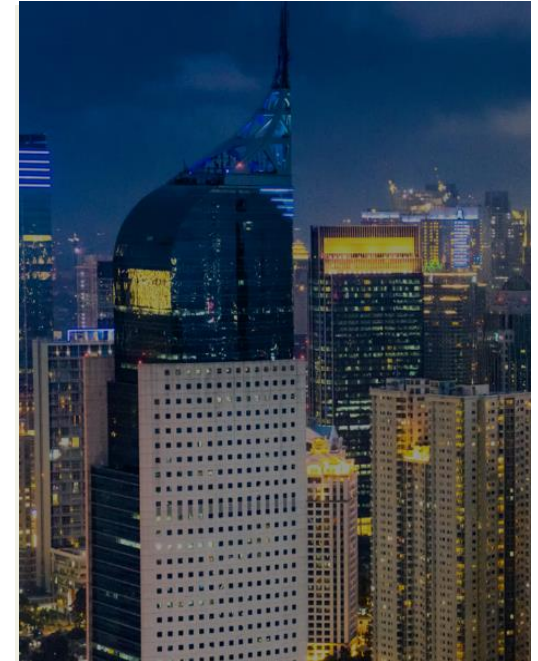
*No supply expected for 2024

Economic Indicators

	2023F	2024F
GDP Growth	5.0%	5.1%
Unemployment Rate	5.3%	5.2%
Inflation	4.4%	3.0%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (IDR psm pm)	313,887	→
Vacancy	30.1%	→
Market Balance	Tenant	Tenant



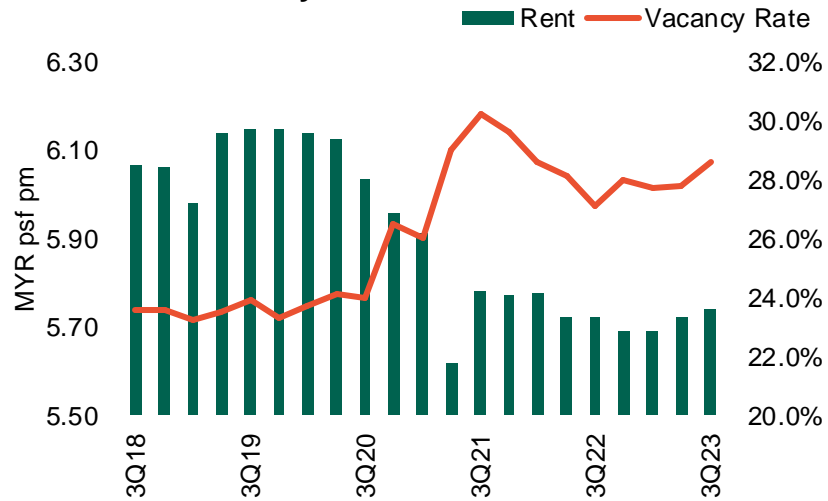
For more information, please contact:

Rina Martianti

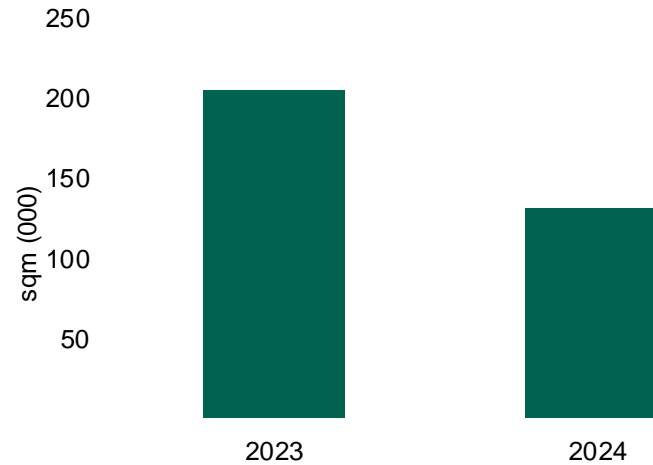
Associate Director, Occupier Strategy and Solutions, Indonesia
 +62 81398967313
 rina.martianti@id.knightfrank.com

Kuala Lumpur

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2023F	2024F
GDP Growth	4.0-5.0%	4.9%
Unemployment Rate	3.5%	3.5%
Inflation	2.8-3.8%	2.8%

Real Estate Indicators

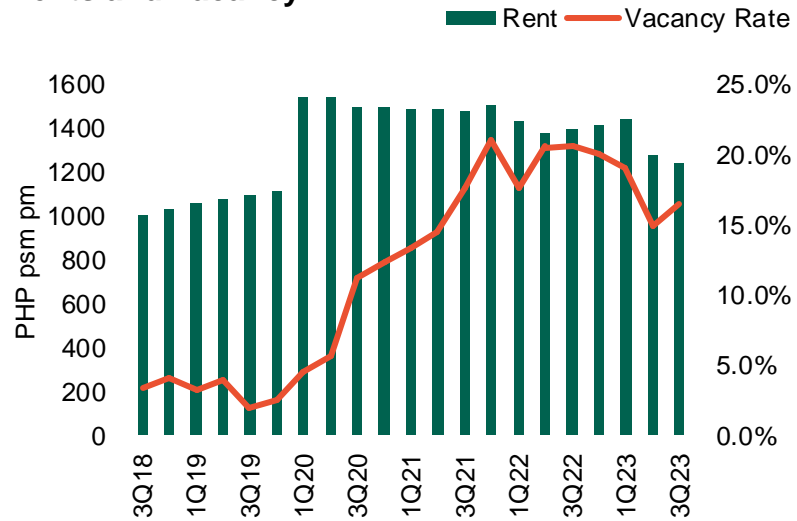
	Q3 2023	12mth Forecast
Prime Rent (MYR psf pm)	5.73	→
Vacancy	28.6%	→
Market Balance	Tenant	Tenant



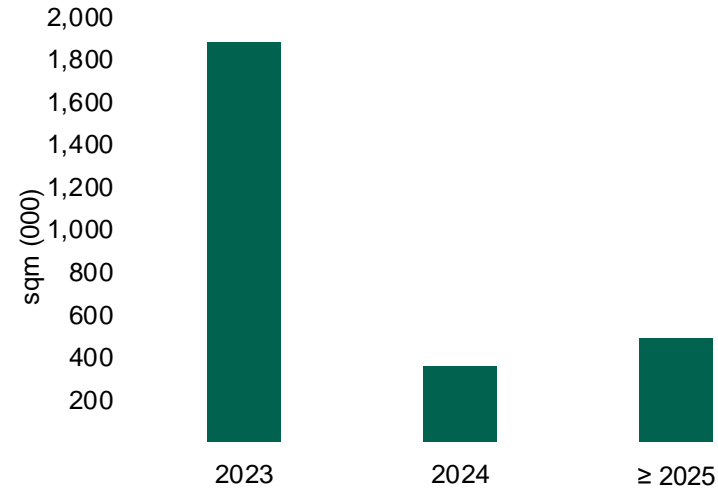
For more information, please contact:

Teh Young Khean
 Executive Director, Office Strategy and Solutions, Malaysia
 +603 228 99 619
 youngkhean.teh@my.knightfrank.com

Rents and Vacancy



Future Pipeline Supply

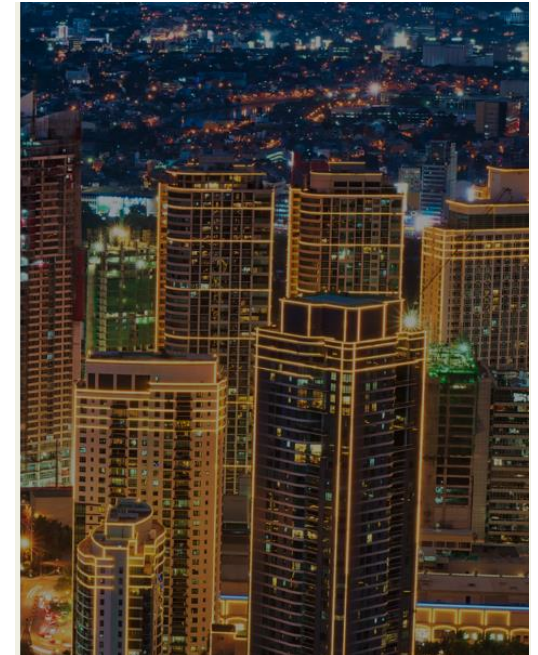


Economic Indicators

	2023F	2024F
GDP Growth	6.0%	6.2%
Unemployment Rate	5.1%	5.1%
Inflation	6.2%	4.0%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (PHP psm pm)	1,244	↓
Vacancy	16.5%	↑
Market Balance	Tenant	Tenant

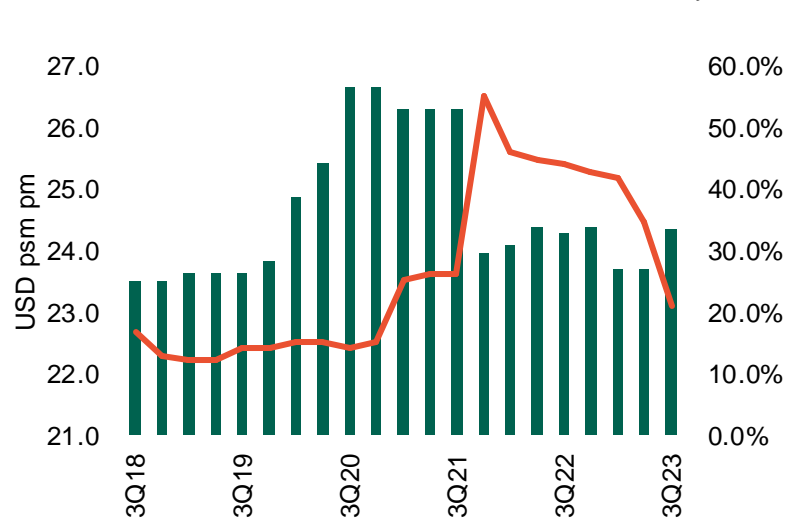


For more information, please contact:

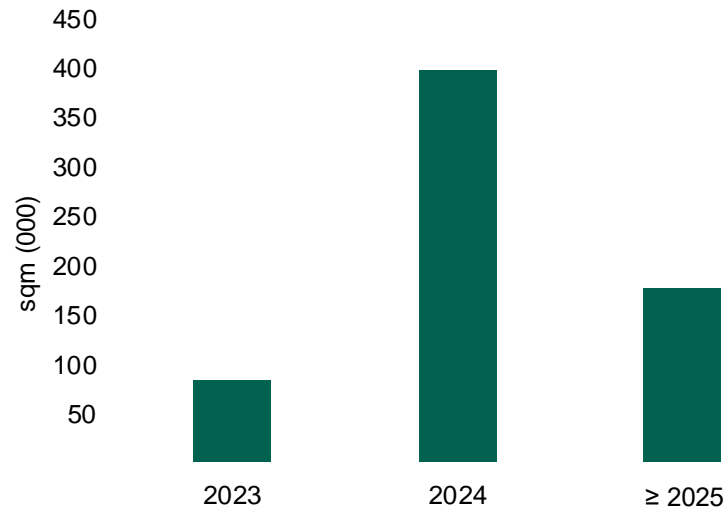
Morgan Mcgilvray
 Senior Director, Occupier Strategy and Solutions, Philippines
 +632 7752 2580
morgan.mcgilvray@santos.knightfrank.ph

Phnom Penh

Rents and Vacancy



Future Pipeline Supply

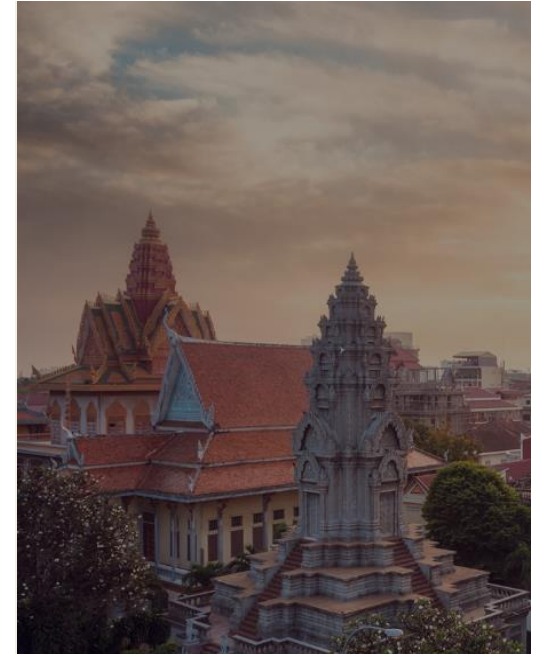


Economic Indicators

	2023F	2024F
GDP Growth	5.5%	6.0%
Unemployment Rate	N/A	N/A
Inflation	3.0%	4.0%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (US\$ psm pm)	24.34	↓
Vacancy	20.9%	↑
Market Balance	Tenant	Tenant

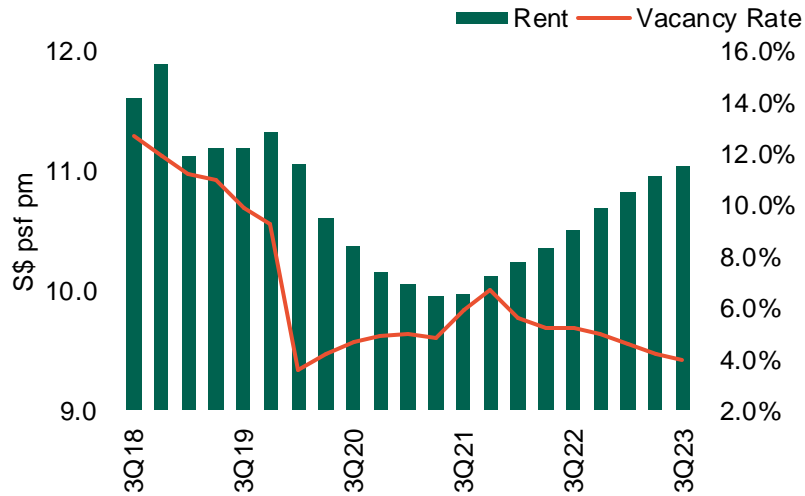


For more information, please contact:

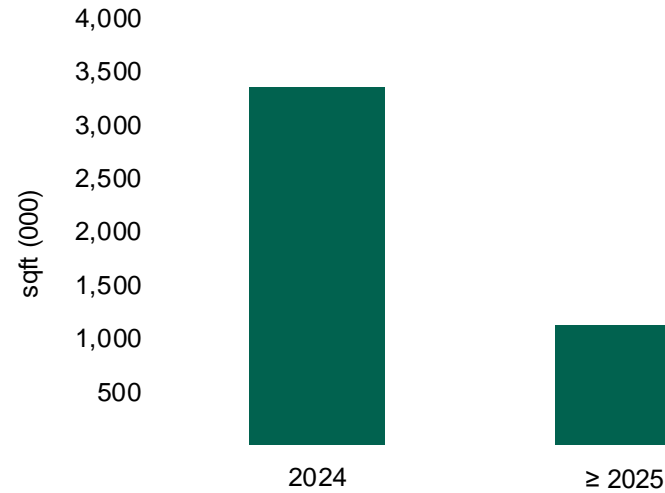
Ross Wheble
 Country Head, Cambodia
 +855 (0) 23 966 878
 ross.wheble@kh.knightfrank.com

Singapore

Rents and Vacancy



Future Pipeline Supply

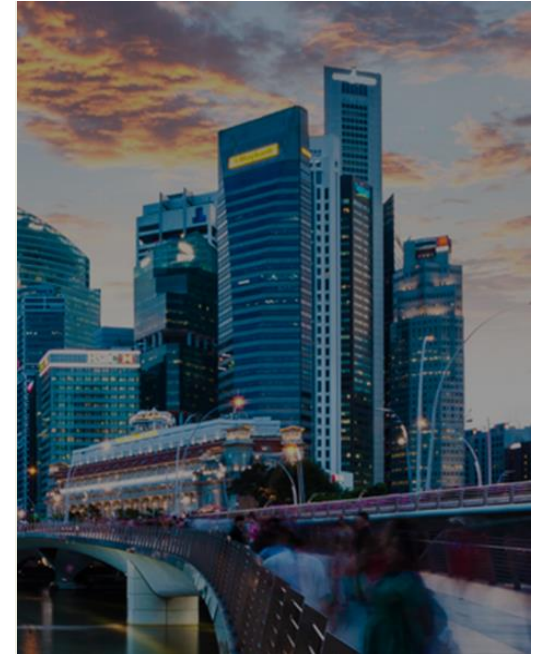


Economic Indicators

	2023F	2024F
GDP Growth	1.5%	2.1%
Unemployment Rate	2.1%	2.1%
Inflation	5.8%	3.5%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (S\$ psf pm)	11.05	↑
Vacancy	4.0%	→
Market Balance	Landlord	Landlord

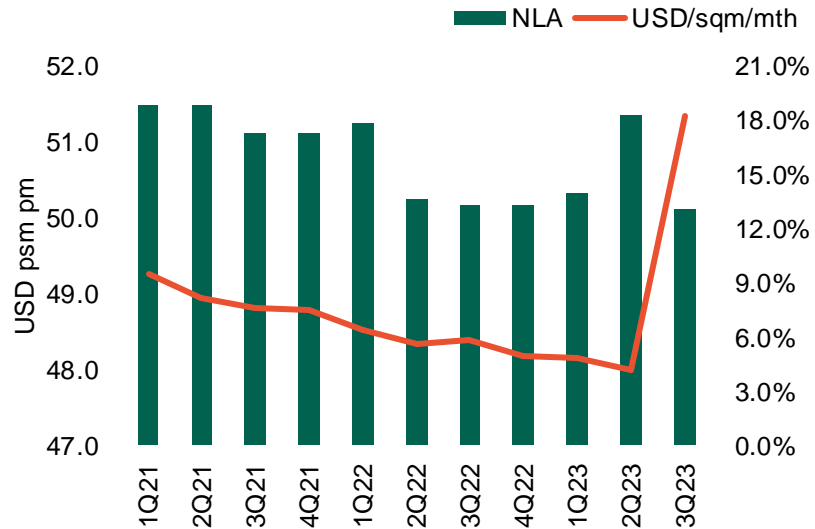


For more information, please contact:

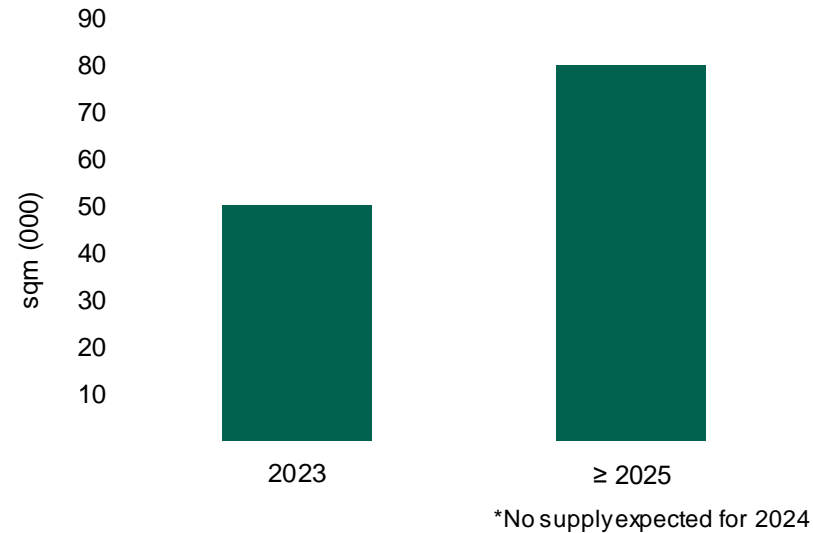
Calvin Yeo
 Managing Director, Occupier Strategy and Solutions, Singapore
 +65 6228 6887
 calvin.yeo@sg.knightfrank.com

Ho Chi Minh City

Rents and Vacancy



Future Pipeline Supply

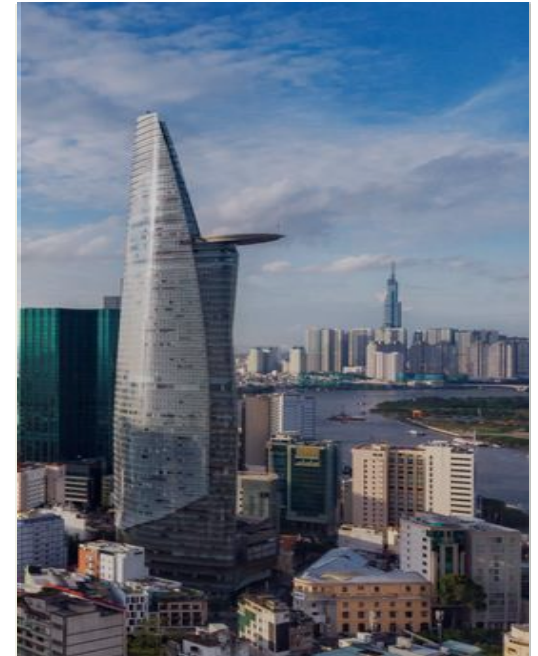


Economic Indicators

	2023F	2024F
GDP Growth	6.5%	6.8%
Unemployment Rate	2.4%	2.4%
Inflation	4.5%	4.2%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (US\$ psm pm)	50.12	↓
Vacancy	18.2%	↓
Market Balance	Tenant	Tenant



For more information, please contact:

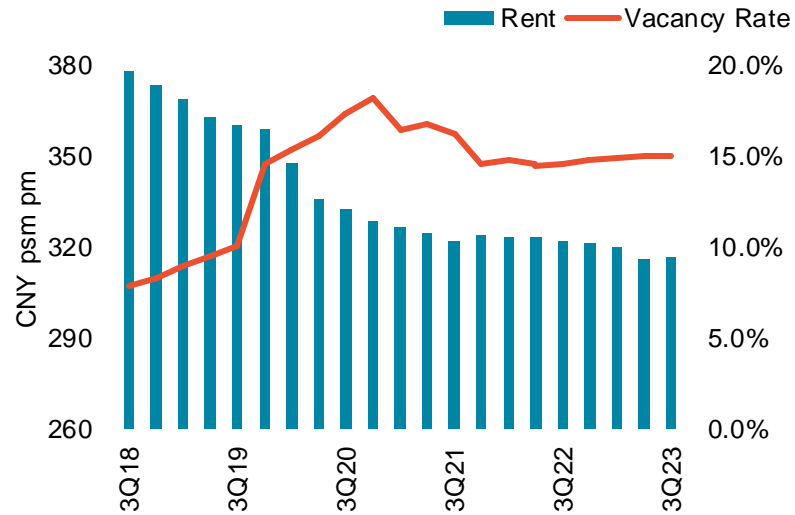
Alex Crane
 Managing Director, Vietnam
 +84 93 645 8000
 alex.crane@knightfrank.com

East Asia

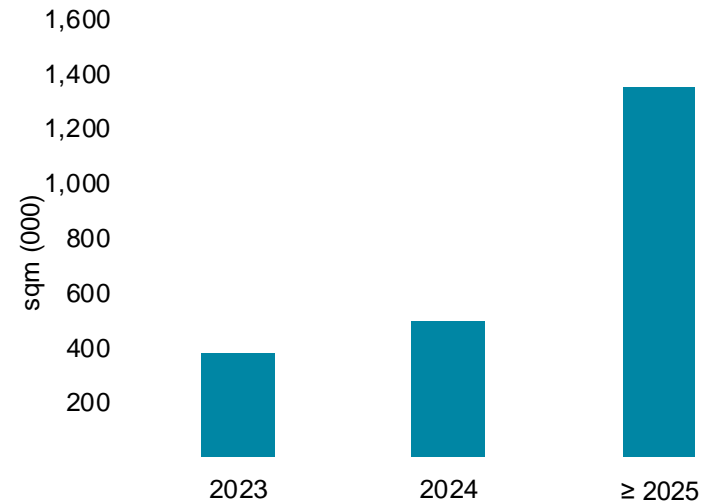
Chinese Mainland office markets continued to grapple with challenging economic conditions and elevated supply, as rents across its first-tiered cities have softened from a year ago. Vacancy rates in Guangzhou and Shenzhen are now higher than those registered during Covid Zero. However, rental declines have continued to moderate while those in Beijing's firmed on a QoQ basis. Occupiers have responded to the opportunity to negotiate better leasing terms in a tenant-favourable market. Sluggish demand from Chinese corporates also weighed on Hong Kong, where vacancies hit double digits for the first time. The territory's Central market is also facing decentralisation pressures as tenants prioritise cost and operational optimisation. Markets elsewhere in East Asia are on firmer ground. Tokyo's market has coped with new supply additions, supported by strong corporate demand, while limited supply in Seoul and Taipei will continue to foster rental growth.

Beijing

Rents and Vacancy



Future Pipeline Supply

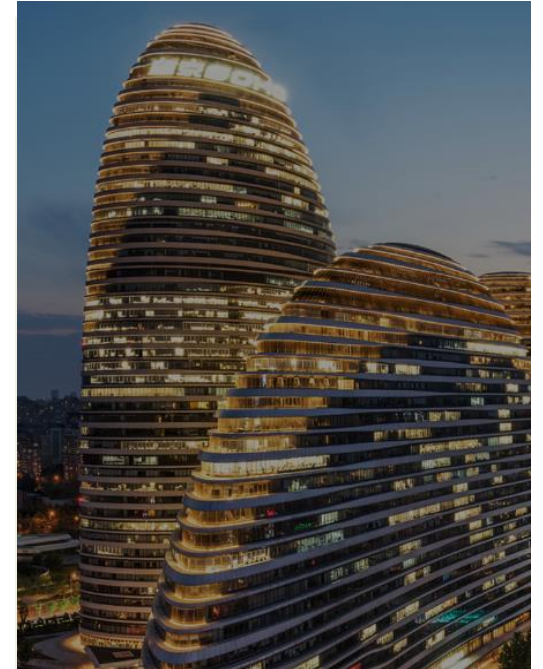


Economic Indicators

	2023F	2024F
GDP Growth	5.2%	4.5%
Unemployment Rate	4.1%	3.9%
Inflation	2.0%	2.2%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (CNY psm pm)	311	→
Vacancy	15.1%	↑
Market Balance	Tenant	Tenant

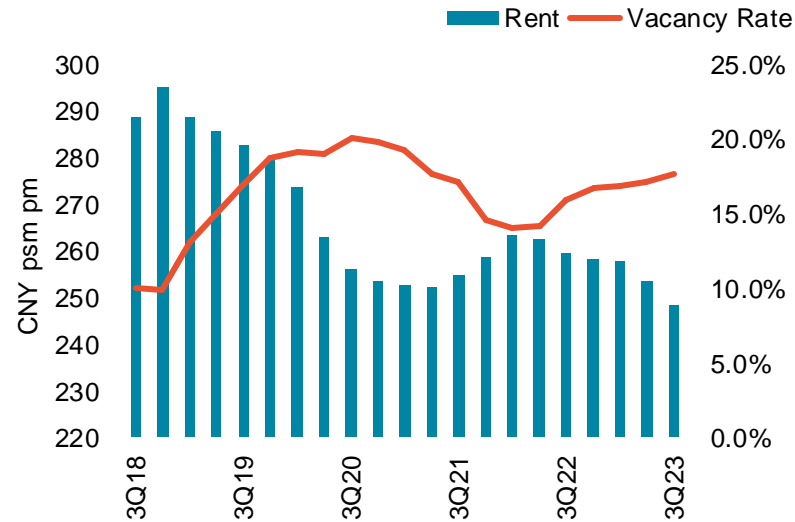


For more information, please contact:

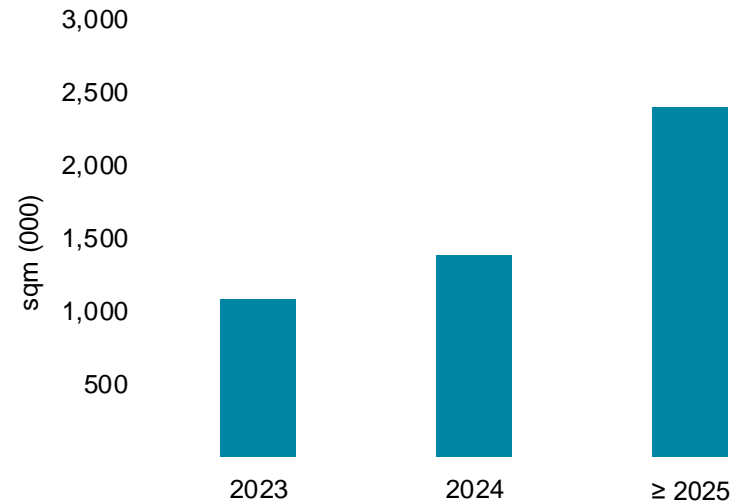
Katherine Lu
 Managing Director, Beijing
 +86 10 6113 8021
 katherine.lu@cn.knightfrank.com

Shanghai

Rents and Vacancy



Future Pipeline Supply

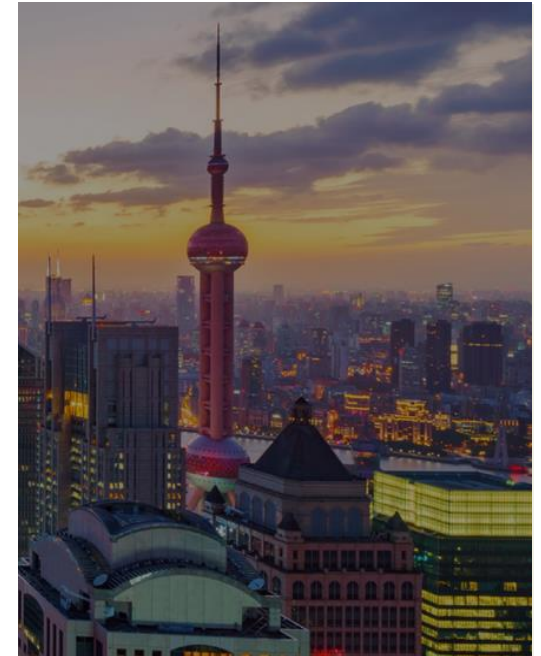


Economic Indicators

	2023F	2024F
GDP Growth	5.2%	4.5%
Unemployment Rate	4.1%	3.9%
Inflation	2.0%	2.2%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (CNY psm pm)	249	→
Vacancy	17.6%	↑
Market Balance	Tenant	Tenant

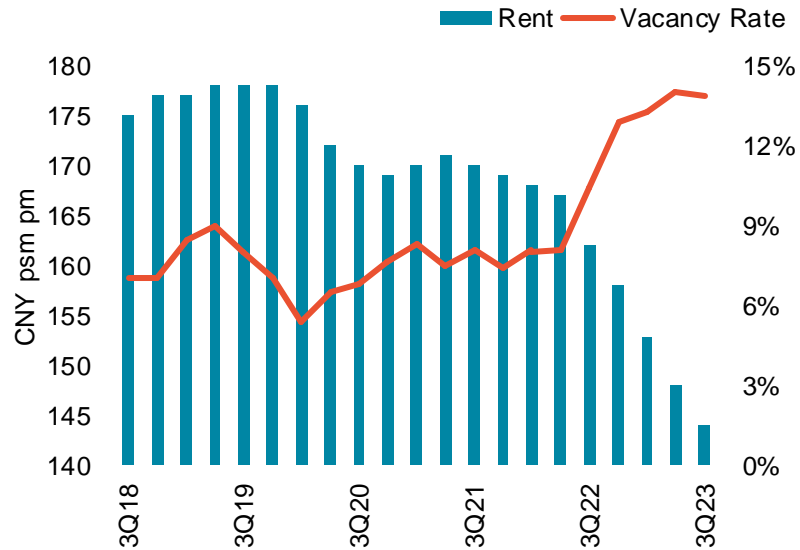


For more information,
please contact:

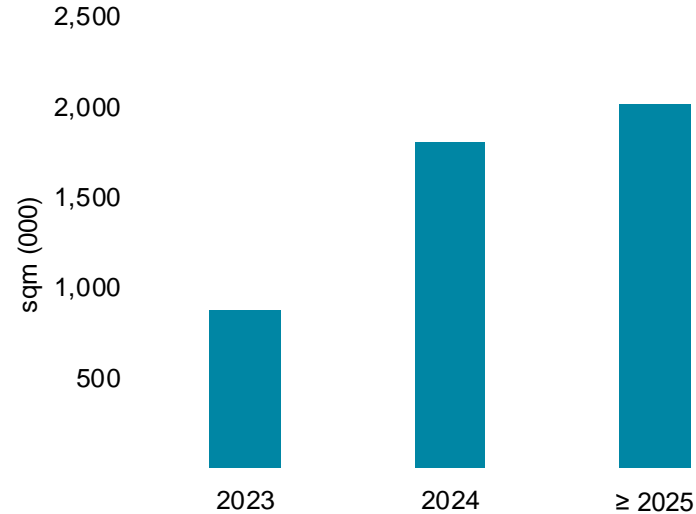
Jonathan Rideout
Head of Office Strategy and
Solutions, Shanghai
+86 21 6032 1713
jonathan.rideout@cn.knightfrank.com

Guangzhou

Rents and Vacancy



Future Pipeline Supply

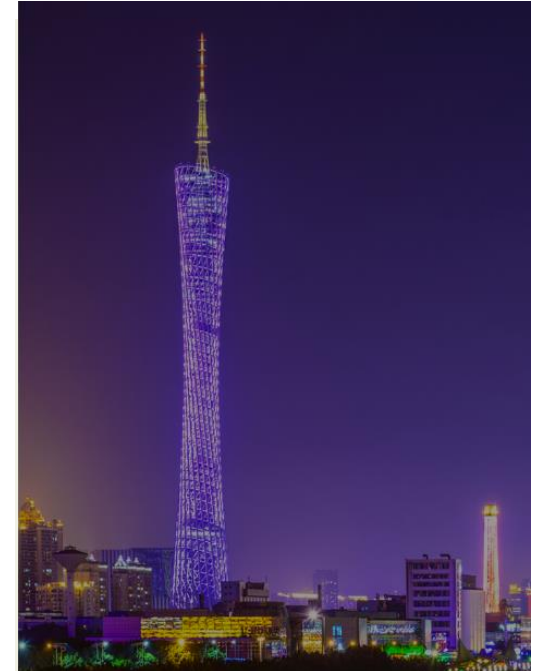


Economic Indicators

	2023F	2024F
GDP Growth	5.2%	4.5%
Unemployment Rate	4.1%	3.9%
Inflation	2.0%	2.2%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (CNY psm pm)	144	↓
Vacancy	13.9%	↑
Market Balance	Tenant	Tenant

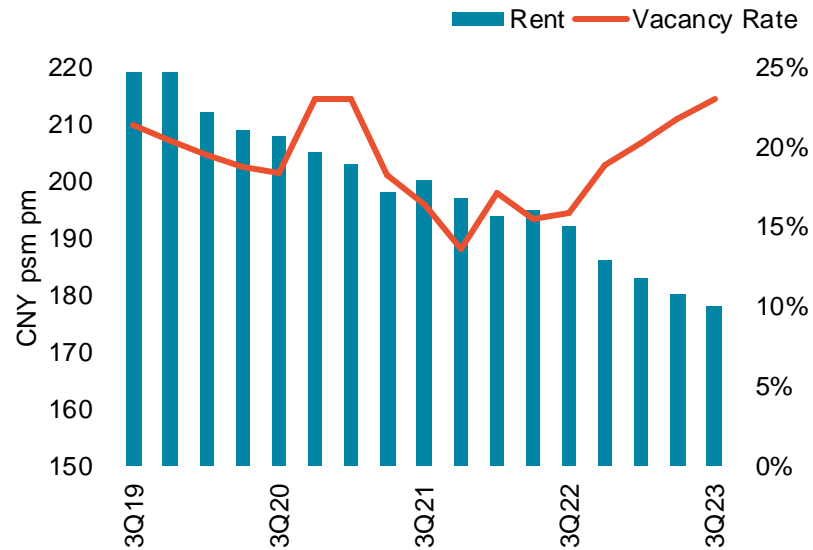


For more information, please contact:

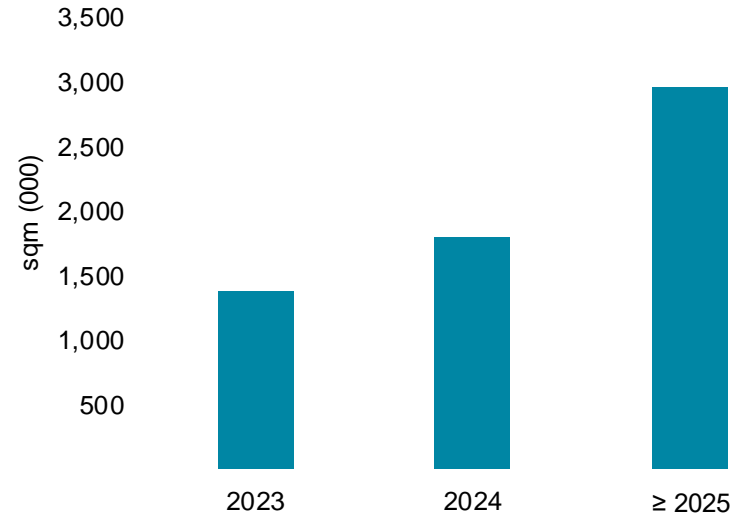
Patrick Mak
 Managing Director, Office Strategy and Solutions, Greater Bay Area
 +852 2846 0628
 patrick.mak@hk.knightfrank.com

Shenzhen

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2023F	2024F
GDP Growth	5.2%	4.5%
Unemployment Rate	4.1%	3.9%
Inflation	2.0%	2.2%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (CNY psm pm)	178	↓
Vacancy	23.2%	↑
Market Balance	Tenant	Tenant

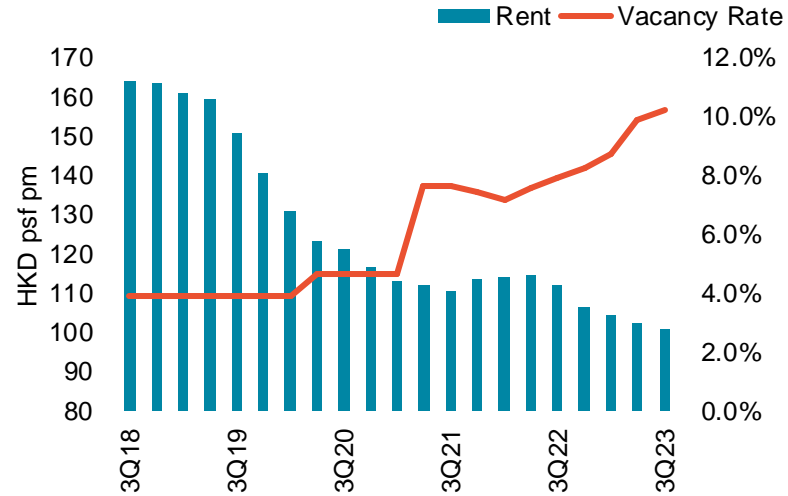


For more information, please contact:

Patrick Mak
 Managing Director, Office Strategy and Solutions, Greater Bay Area
 +852 2846 0628
 patrick.mak@hk.knightfrank.com

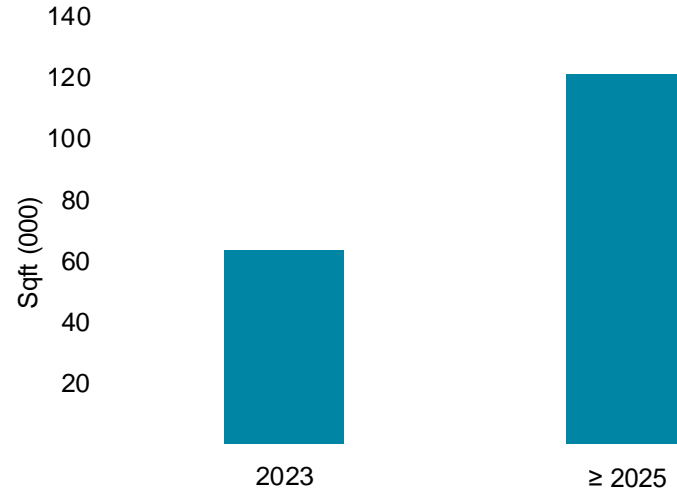
Hong Kong SAR

Rents and Vacancy



*Grade A office space in prime area in Hong Kong Island, aka Central

Future Pipeline Supply



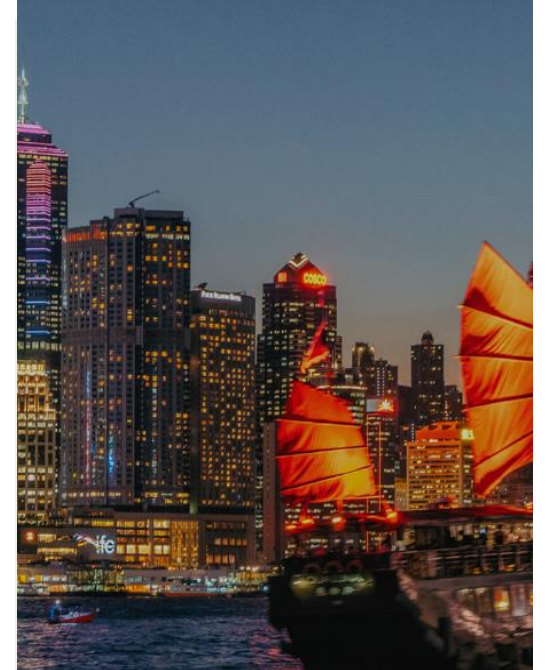
*No supply expected for 2024

Economic Indicators

	2023F	2024F
GDP Growth	3.6%	3.7%
Unemployment Rate	3.4%	3.3%
Inflation	2.3%	2.1%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (HK\$ psf pm)	101	↓
Vacancy	10.2%	↑
Market Balance	Tenant	Tenant

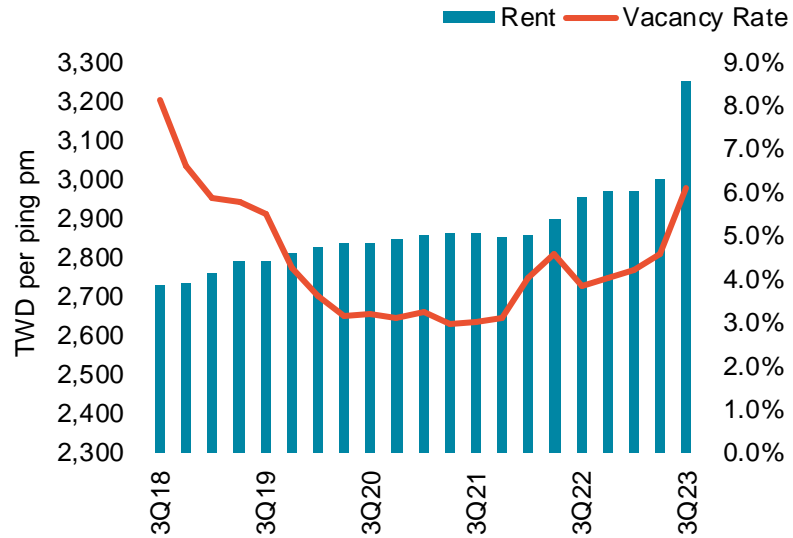


For more information, please contact:

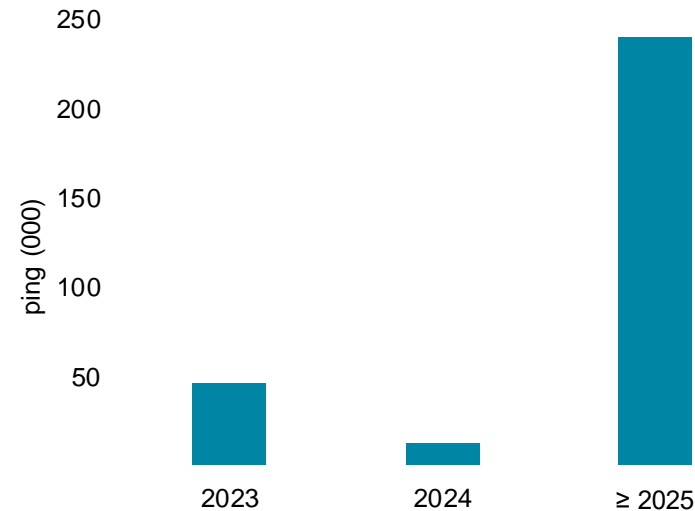
Wendy Lau
 Executive Director, Head of Hong Kong Office Strategy & Solutions
 +852 2846 4988
 Wendy.lau@hk.knightfrank.com

Taipei

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2023F	2024F
GDP Growth	2.0%	2.6%
Unemployment Rate	3.7%	3.7%
Inflation	2.0%	2.0%

Real Estate Indicators

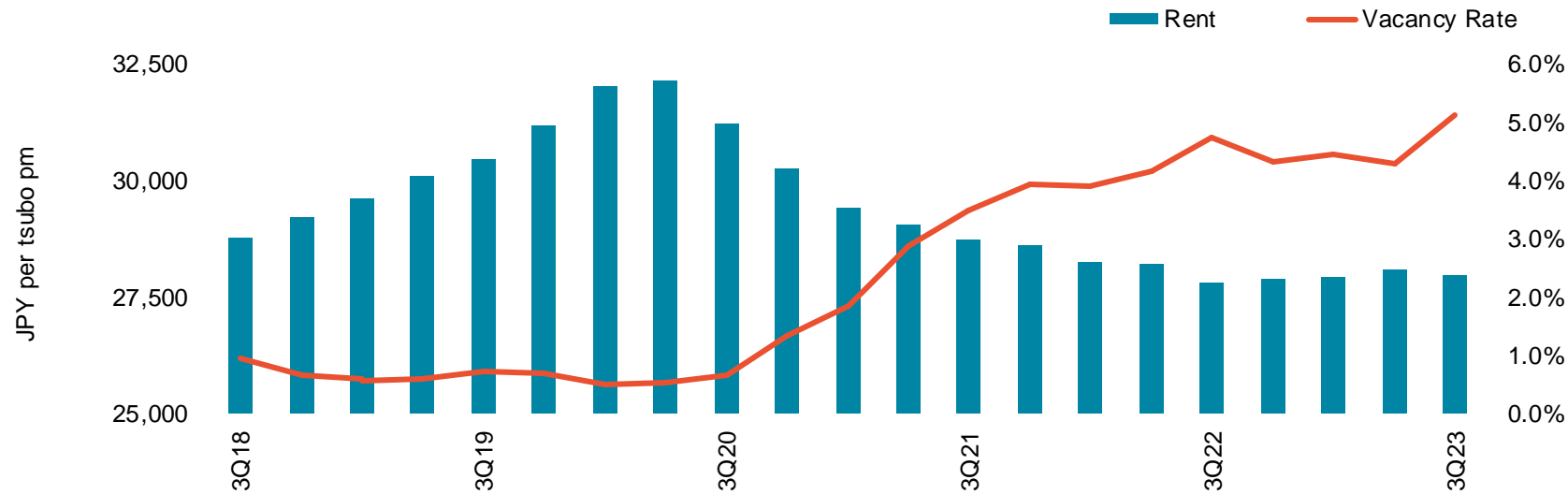
	Q3 2023	12mth Forecast
Prime Rent (TW\$ per ping pm)	3,251	↑
Vacancy	6.1%	↓
Market Balance	Landlord	Landlord



For more information, please contact:

Jessica Lu
 Head, Office Strategy and Solutions
 +886 2 8729 8776
 jessica.lu@repro.knightfrank.com

Rents and Vacancy

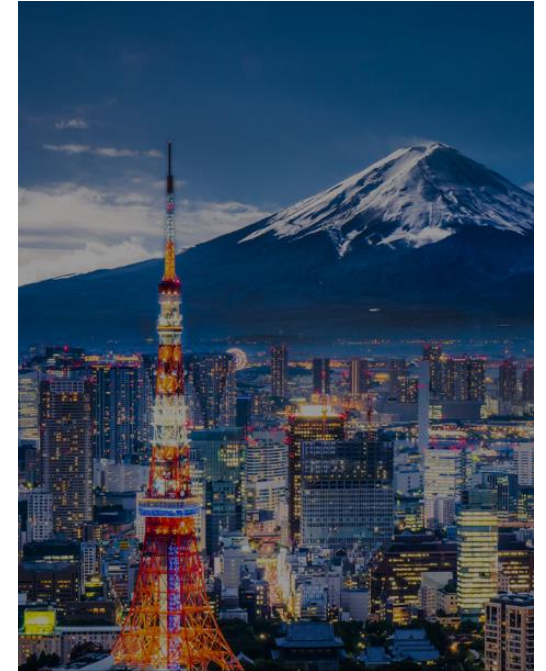


Economic Indicators

	2023F	2024F
GDP Growth	1.3%	1.0%
Unemployment Rate	2.3%	2.3%
Inflation	2.7%	2.2%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (JPY per tsubo pm)	27,992	→
Vacancy	5.1%	↑
Market Balance	Tenant	Tenant

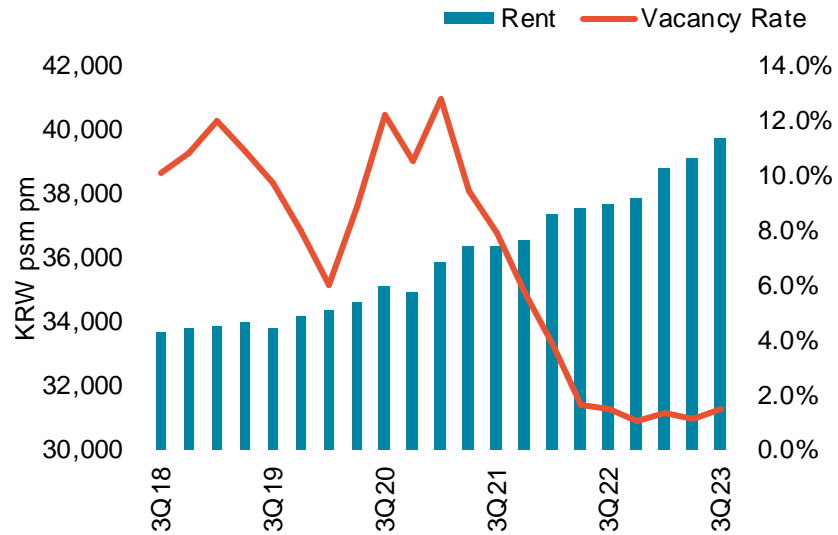


For more information,
please contact:

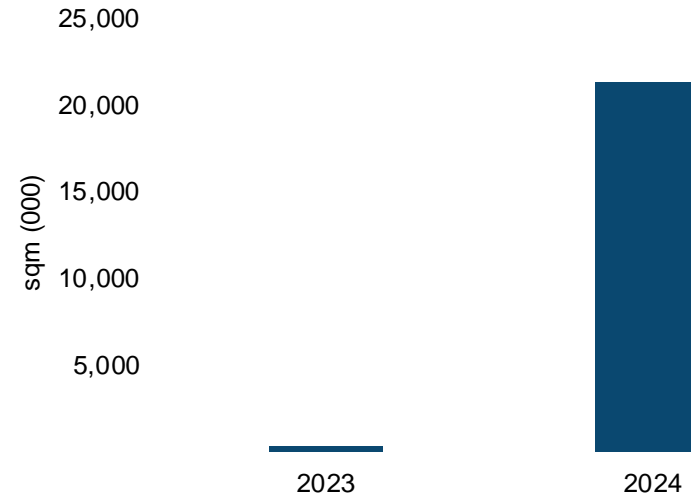
Tim Armstrong
Global Head of Occupier Strategy
and Solutions
+65 6429 3531
tim.armstrong@asia.knightfrank.com

Seoul

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2023F	2024F
GDP Growth	1.5%	2.2%
Unemployment Rate	3.7%	3.7%
Inflation	3.2%	2.0%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (KRW psm pm)	39,724	→
Vacancy	1.4%	↑
Market Balance	Landlord	Balanced



For more information, please contact:

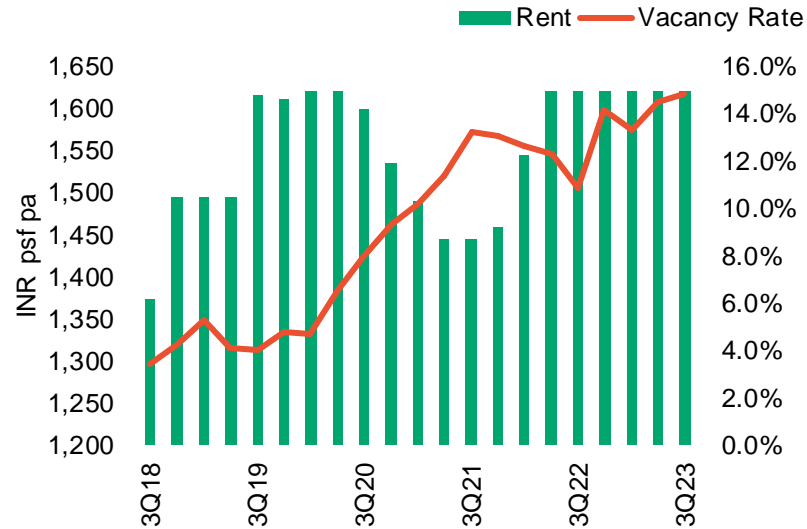
David Lee
 Deputy Senior Manager, Global Portfolio Solutions/ Project Management, Korea
 +82 2 2175 3988
 david.lee@kr.knightfrank.com

South Asia

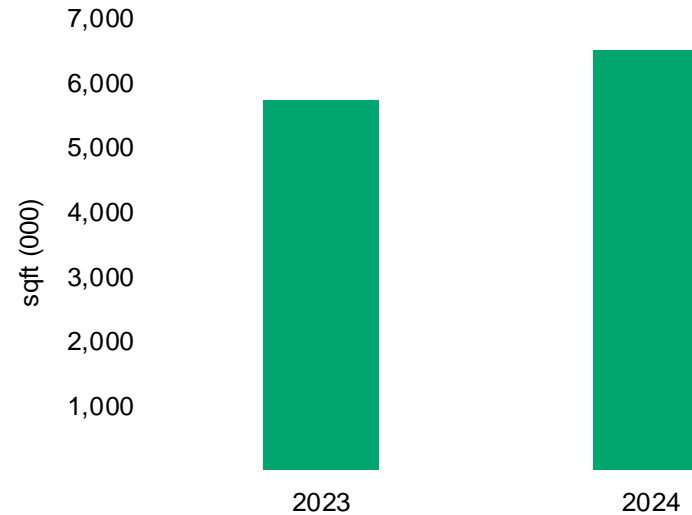
Demand for office space in India's largest occupier markets remained strong with over 700,000 sqm of leases sealed during the quarter. Heightened activity by occupiers setting up Global Capability Centres (GCC) constituted the majority of demand, which made up for slower demand from flex space operators. According to IT trade body Nasscom, India will have over 2,500 GCCs by the end of the decade, up from 1,580 now and a labour force that will more than double to 4.5 million. While transaction volumes have grown, rental levels remained stable across its three largest occupier markets as landlords focus on raising occupancy levels. Given the strengthening sentiments in the office market and improving physical occupancy levels, transaction volumes remain on course to close out the calendar year on a strong footing.

Bengaluru

Rents and Vacancy



Future Pipeline Supply (All Grades)

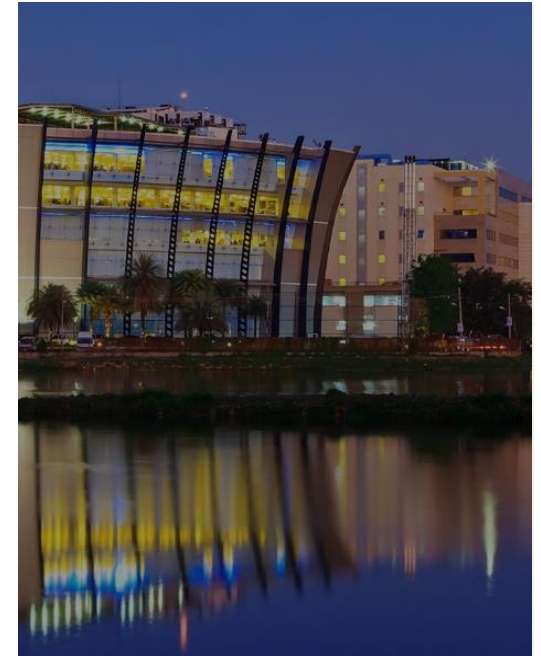


Economic Indicators

	2023F	2024F
GDP Growth	6.4%	6.7
Unemployment Rate	NA	NA
Inflation	5.0%	4.5%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (INR psf pa)	1,620	→
Vacancy	14.8%	→
Market Balance	Balanced	Balanced

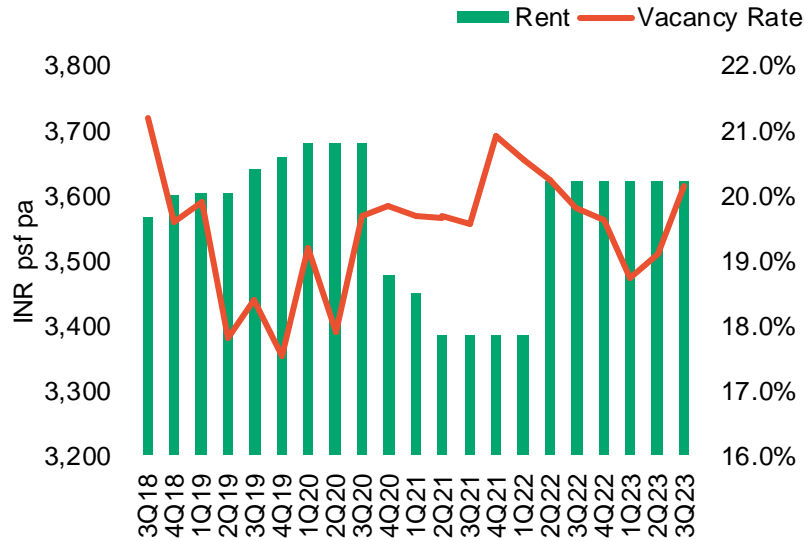


For more information,
please contact:

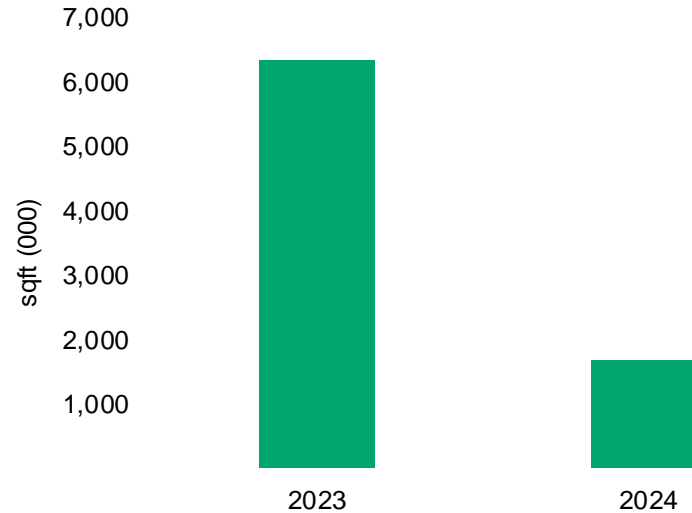
Rahil Gibran
National Director, Head of Occupier
Strategy and Solutions, Bangalore
+91 80 6818 5674
rahil.gibran@in.knightfrank.com

Mumbai Metropolitan Region (MMR)

Rents and Vacancy



Future Pipeline Supply (All Grades)

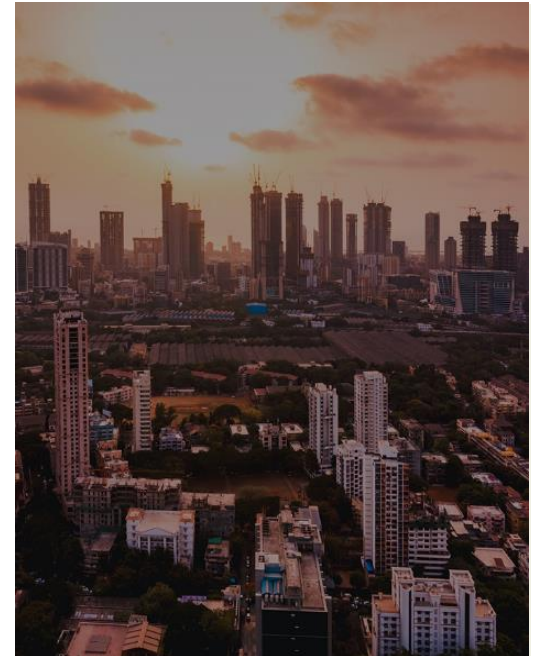


Economic Indicators

	2023F	2024F
GDP Growth	6.4%	6.7
Unemployment Rate	NA	NA
Inflation	5.0%	4.5%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (INR psf pa)	3,622	→
Vacancy	20.1%	→
Market Balance	Balanced	Balanced

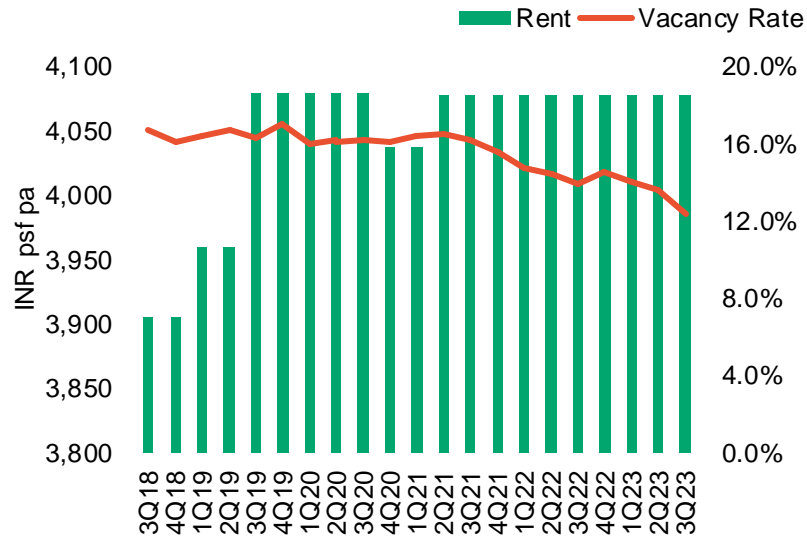


For more information, please contact:

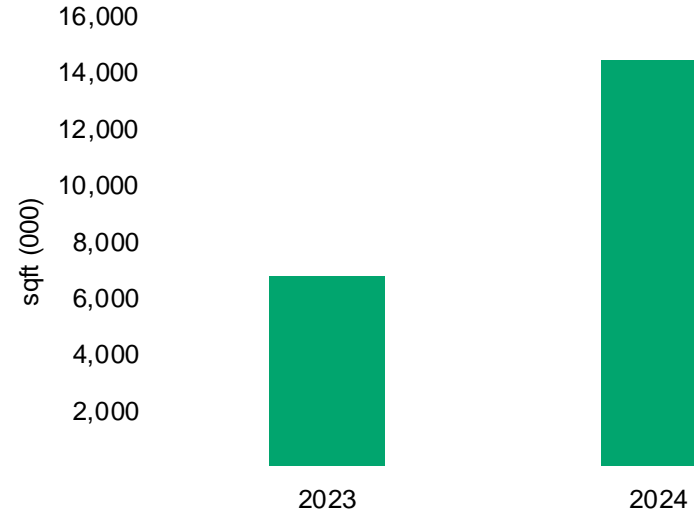
Kaushik Shah
 National Director, Occupier Strategy and Solutions
 +91 22 6745 0256
 kaushik.shah@in.knightfrank.com

Delhi-NCR

Rents and Vacancy



Future Pipeline Supply (All Grades)

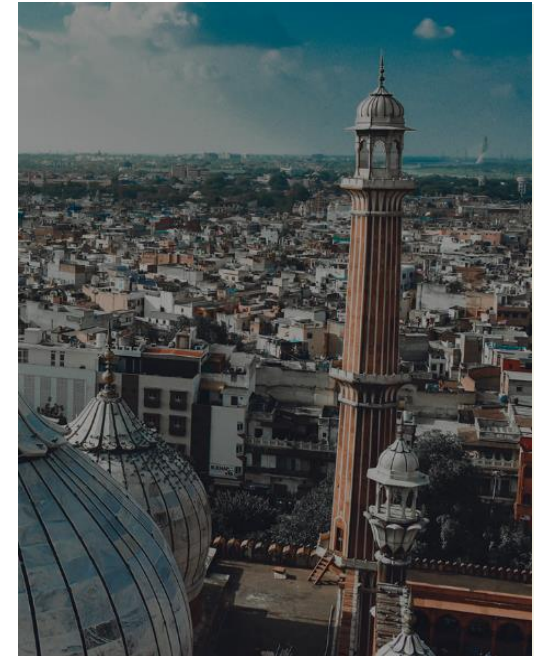


Economic Indicators

	2023F	2024F
GDP Growth	6.4%	6.7
Unemployment Rate	NA	NA
Inflation	5.0%	4.5%

Real Estate Indicators

	Q3 2023	12mth Forecast
Prime Rent (INR psf pa)	4,078	→
Vacancy	12.4%	→
Market Balance	Balanced	Balanced



For more information, please contact:

Viral Desai
 Sr. Executive Director – Occupier Strategy and Solutions
 +91 80 4073 2600
 viral.desai@in.knightfrank.com

Our Global Presence



604 OFFICES
58 TERRITORIES
25,000+ PEOPLE
1 GLOBAL TEAM

Your partners in property
Independent & debt free
With over 125 years of
experience

GATEWAY CITIES

Our mission at Knight Frank is to ‘Connect People and Property, Perfectly’.

The Asia Pacific Occupier Strategy and Solutions team facilitates this for our 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 hubs across Asia-Pacific, from Singapore, Australia, Hong Kong and India, where we devise strategies to empower clients to attain their desired goals.



Tim Armstrong

Global Head of Occupier Strategy & Solutions

tim.armstrong@asia.knightfrank.com

+65 9737 9991



Christine Li

Head of Research,

Asia-Pacific

christine.li@asia.knightfrank.com

+65 8511 3758



Geraldine Xiao

Director

Occupier Strategy & Solutions, Asia-Pacific

geraldine.xiao@asia.knightfrank.com

+65 9191 9560