

A wide-angle, high-angle photograph of a city skyline at dusk. The sky is a deep blue with some light clouds. The city is filled with numerous skyscrapers, many of which are illuminated with lights. The overall scene is a dense urban landscape.

Asia-Pacific Q2 2022 Office Highlights

Asia-Pacific Overview

Q2 2022

1.0%

QoQ growth for Asia-Pacific Rental Index in Q2 2022

Bengaluru

Recorded the highest YoY growth in Q2 2022

17 of 23

Tracked cities recorded stable or increasing rents in Q2 2022

Stable

Expectations for 2022 office outlook

The much-anticipated positive sentiment forecasted for Q2 2022 was watered-down in the face of the highest inflation seen in more than 40 years. The Federal Reserve (Fed) had aggressively hiked their rates thrice, in attempts to curb inflation. A further rise of 50 or 75 basis points (bp) is expected in end July, totaling the increase for this year to 2 – 2.25 bp. In response to the Fed, some governments in the region had already tightened their monetary policy, but the possibility of further tightening to cool climbing prices remain.

For Q2 2022, Knight Frank's Asia-Pacific Prime Office Rental Index observed a 1.0% growth quarter-on-quarter (QoQ), after two consecutive quarters of positive gain. Year-on-Year (YoY), the overall index is up 2.0%, the third consecutive rise. Overall, vacancy improved by 1.9% from Q1 2022.

Although prime office rents have bottom out, and supply of Grade-A CBD office spaces remains limited, vacancy might plateau at current levels as supply comes on in end 2022 and 2023.

Generally, we do not see large office spaces being vacated by big corporates in APAC.

With more geopolitical and economic uncertainties playing out for the rest of 2022, business confidence could be tempered, thereby dampening occupier demand for office space in H2 2022. Tenants will be more cautious when it comes to occupier decisions with a general trend of flight-to-quality while right-sizing.

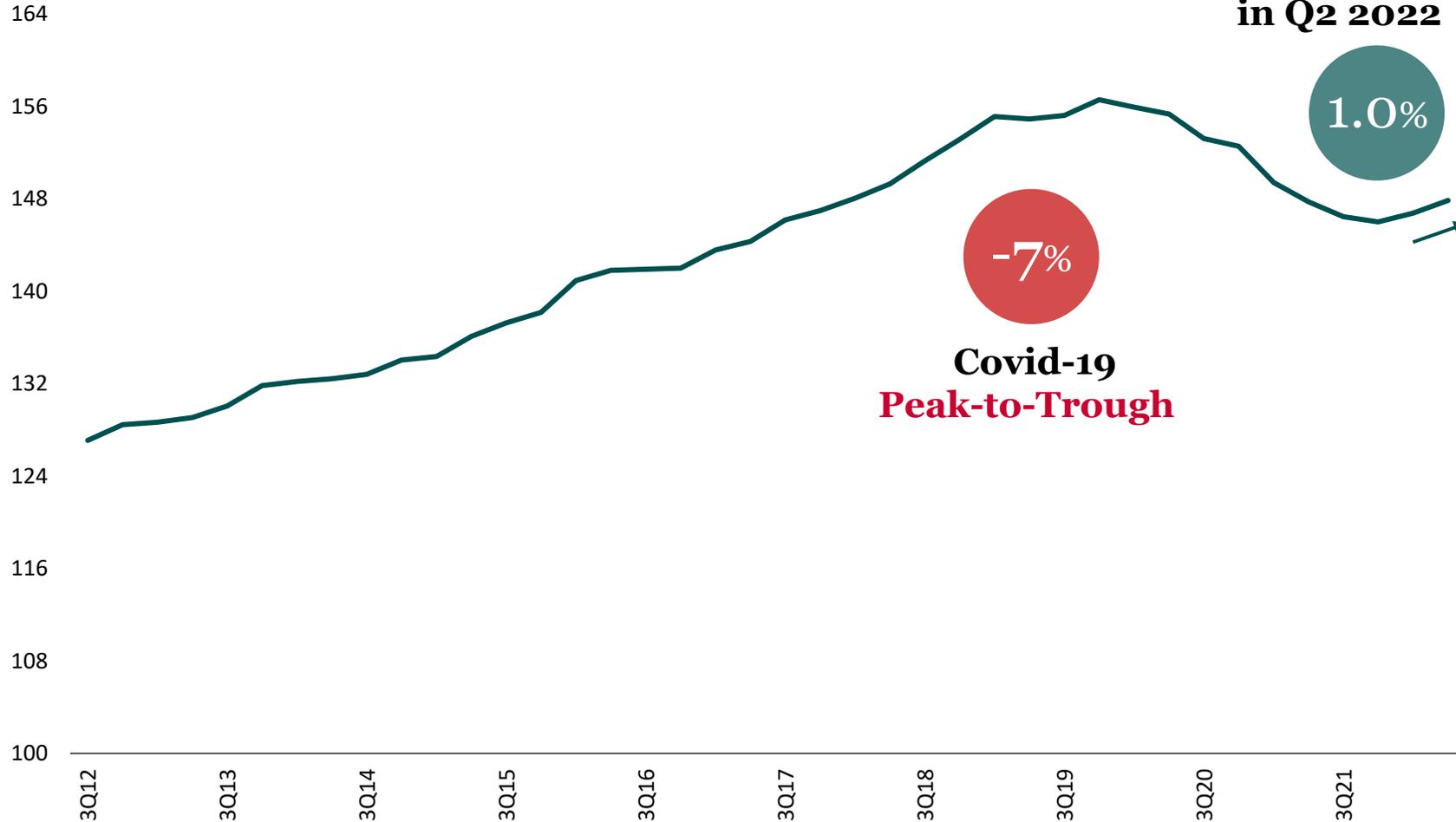
“As we move into H2 2022, we expect utilization rates to increase as office re-occupancy rates continue to nudge upwards. While hybrid working is here to stay, adoption in the region will likely be more gradual with most occupiers expected to embrace an office-first approach; work culture in most of the region will also tend to tilt strategies towards those that continue to emphasize the importance of the centralized office. As occupiers orient and pilot workspace design around such strategies, it will facilitate, and consequently, bolster a return to the office. APAC is still in a relatively good position to handle the volatility in the short term despite the multiple headwinds in the macro-environment. Leasing momentum is expected to remain more resilient as economies recover from the pandemic. However, should inflation stay elevated and central banks' tightening continue to outpace growth, the post-pandemic recovery could weaken, and occupiers may take a wait-and-see attitude towards lease commitments.”

Tim Armstrong
Global Head of Occupier Strategy and Solutions

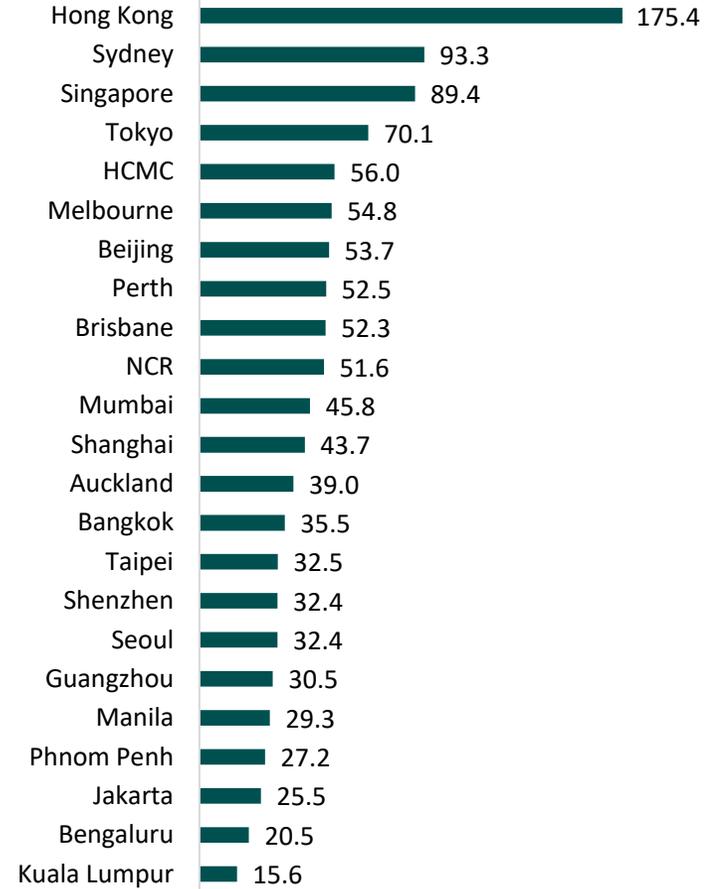
APAC Prime Office Rental Index

Office rents in Q2 rose further despite macroeconomic headwinds

APAC Prime Office Rental Index - 10Y Historical



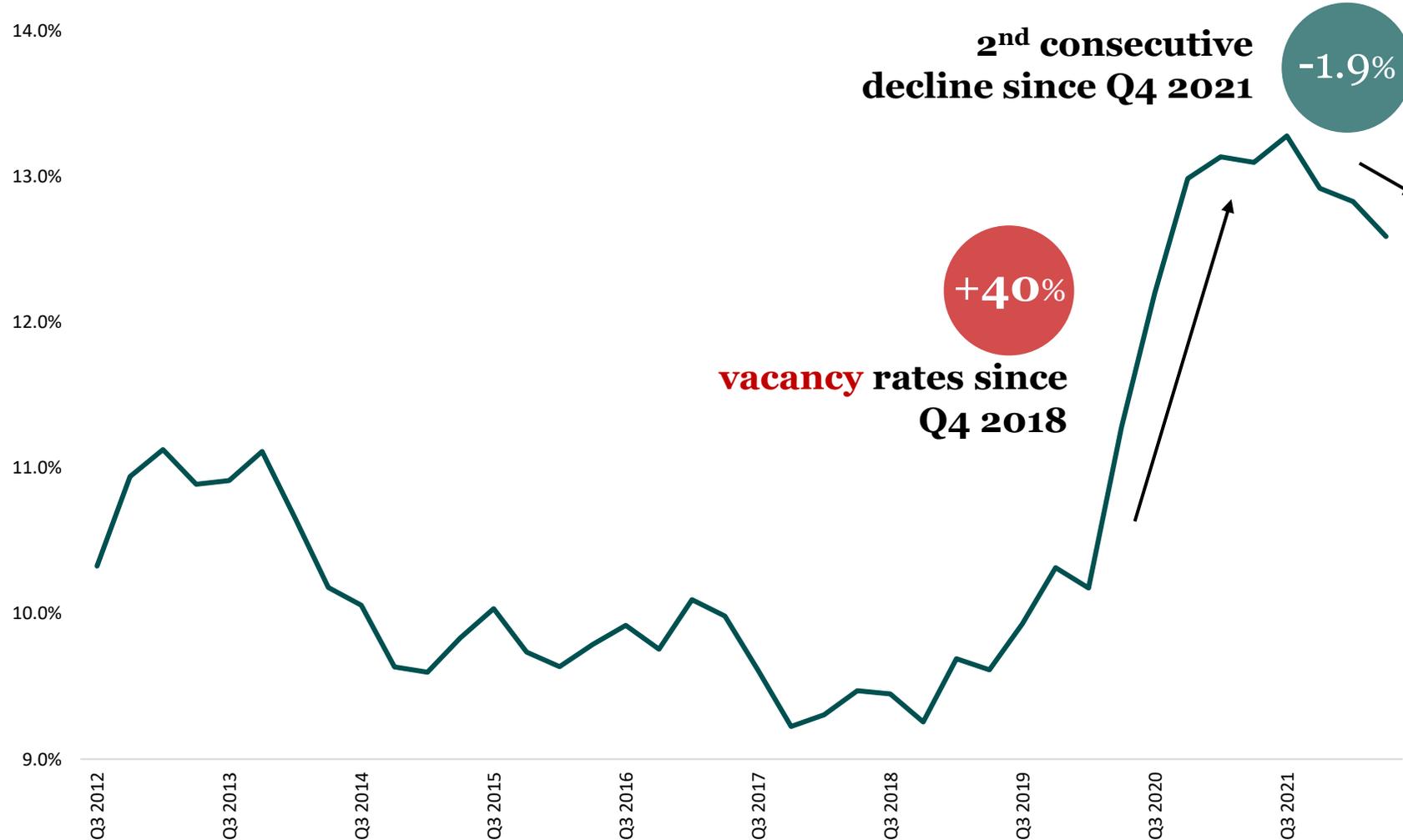
Q2 2022 Occupancy Cost (US\$/sqft/year)



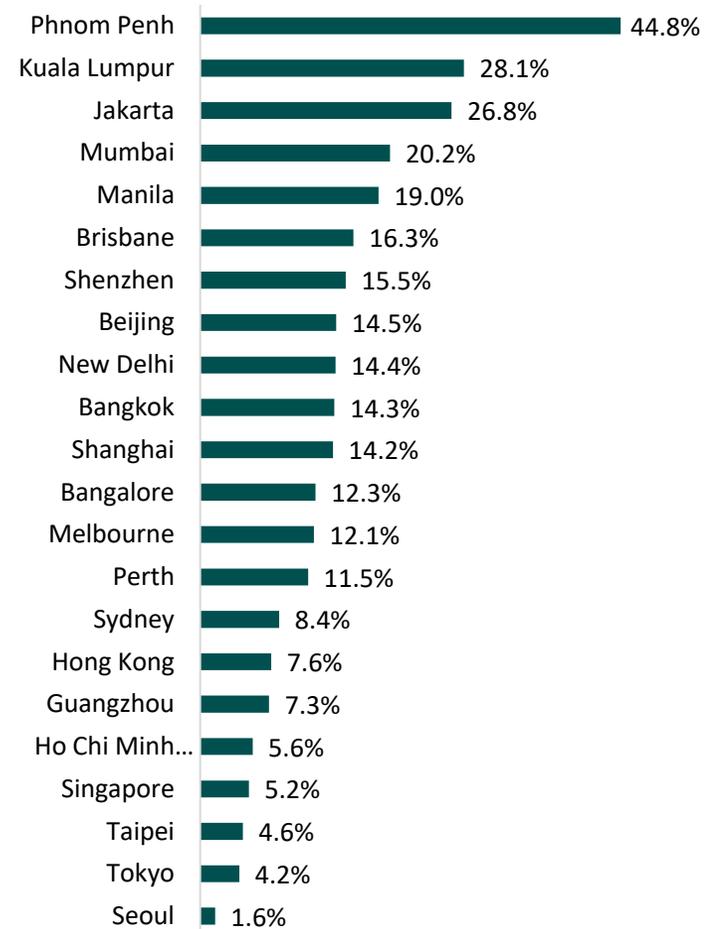
APAC Prime Office Vacancy Rate

Take-up rate in the CBD for prime spaces fuelled by demand for quality space while right-sizing

APAC Prime Office Vacancy Rate - 10Y Historical



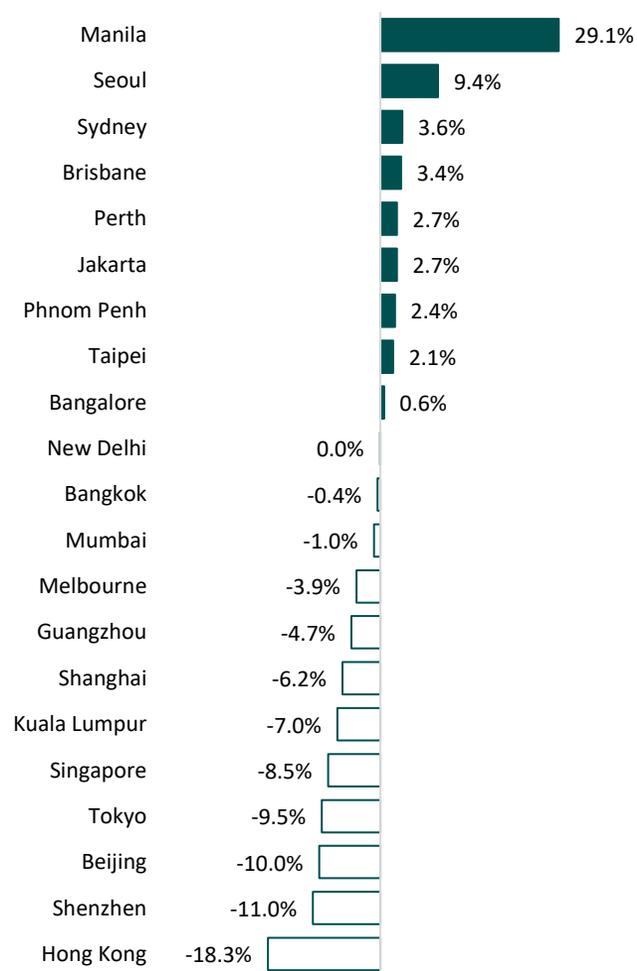
Q2 2022 Vacancy Rate



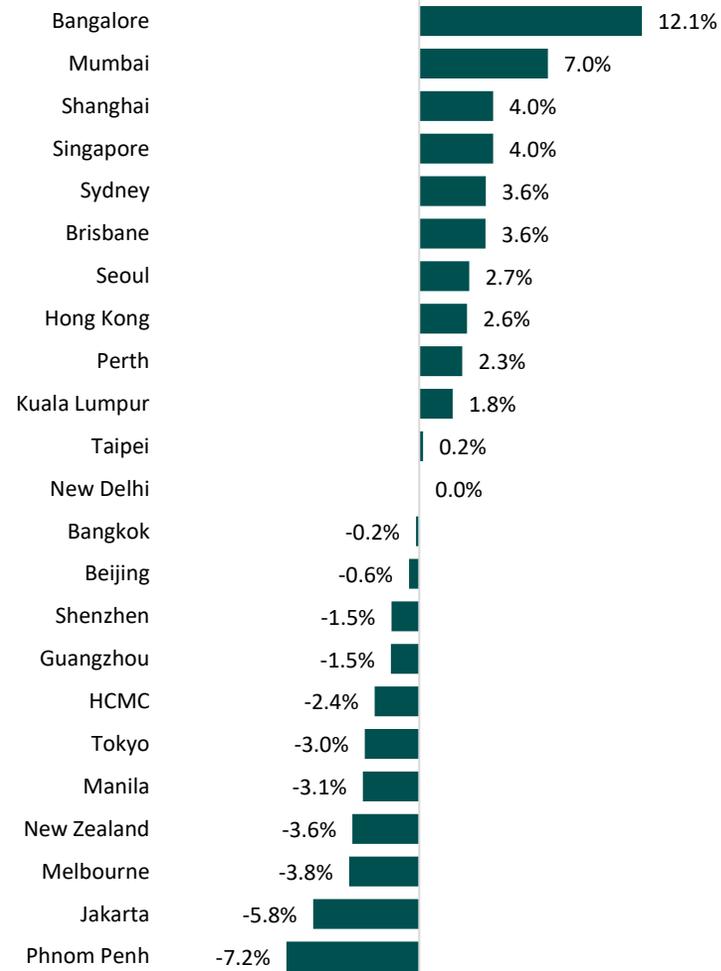
APAC Prime Rental Rates

Rents for almost half of the cities in the basket have returned to pre-pandemic level while majority of the cities attained QoQ growth

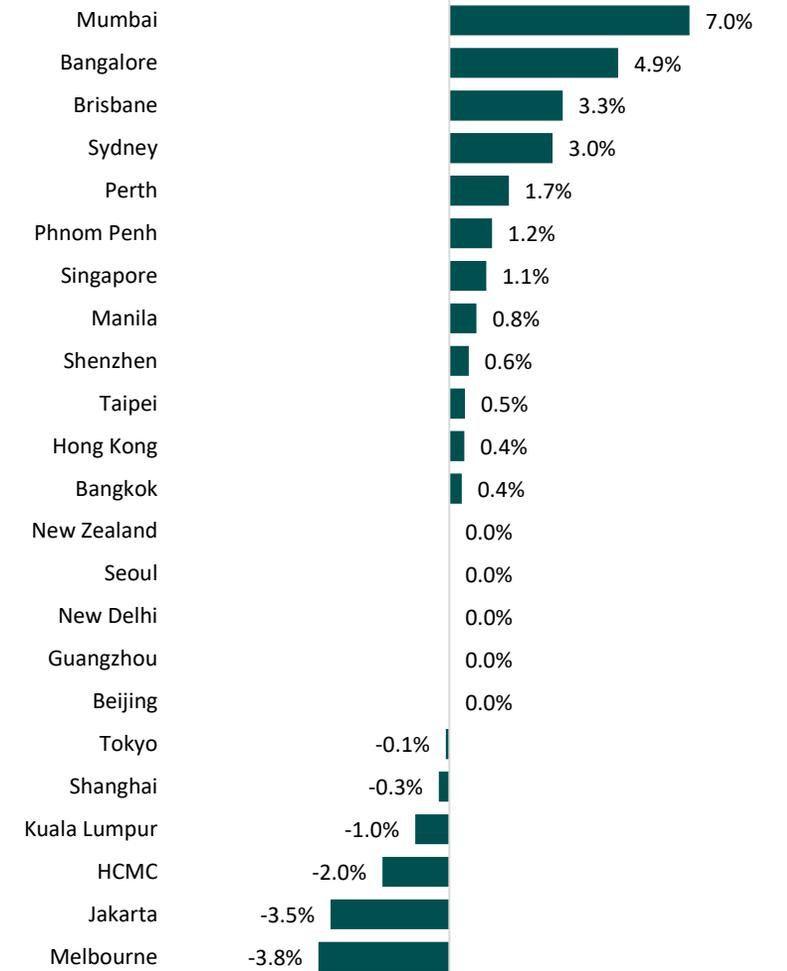
Q2 2022 vs Q4 2019 Change



Prime Office Q2 2022 Growth YoY (%)



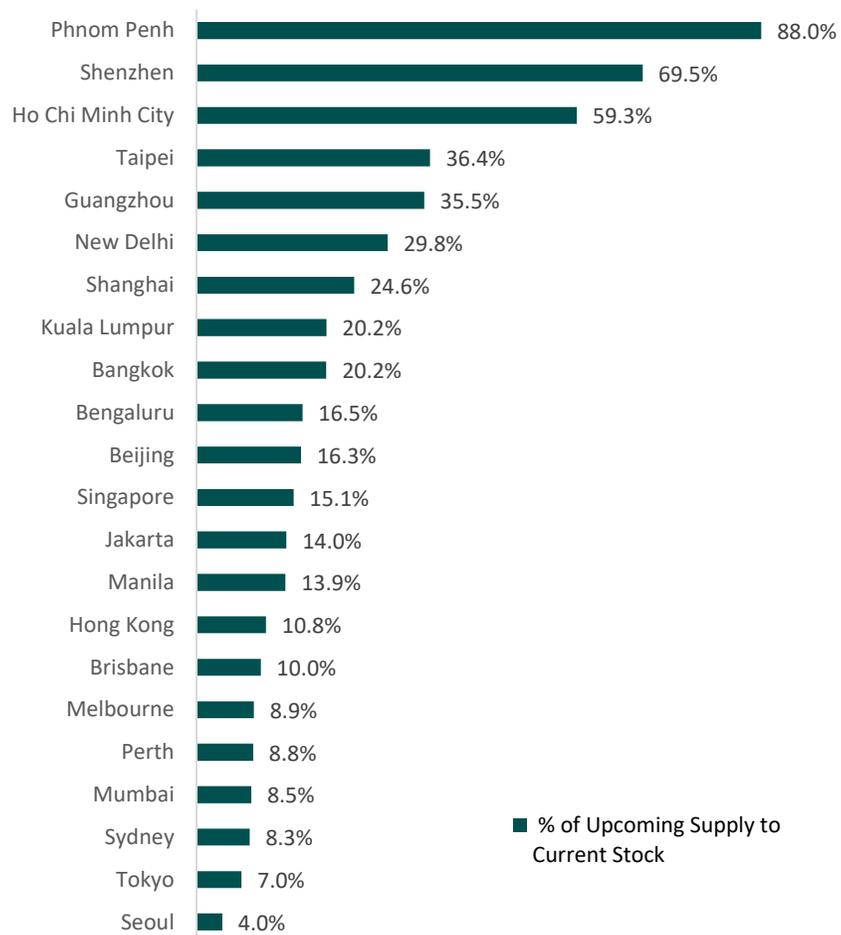
Prime Office Q2 2022 Growth QoQ(%)



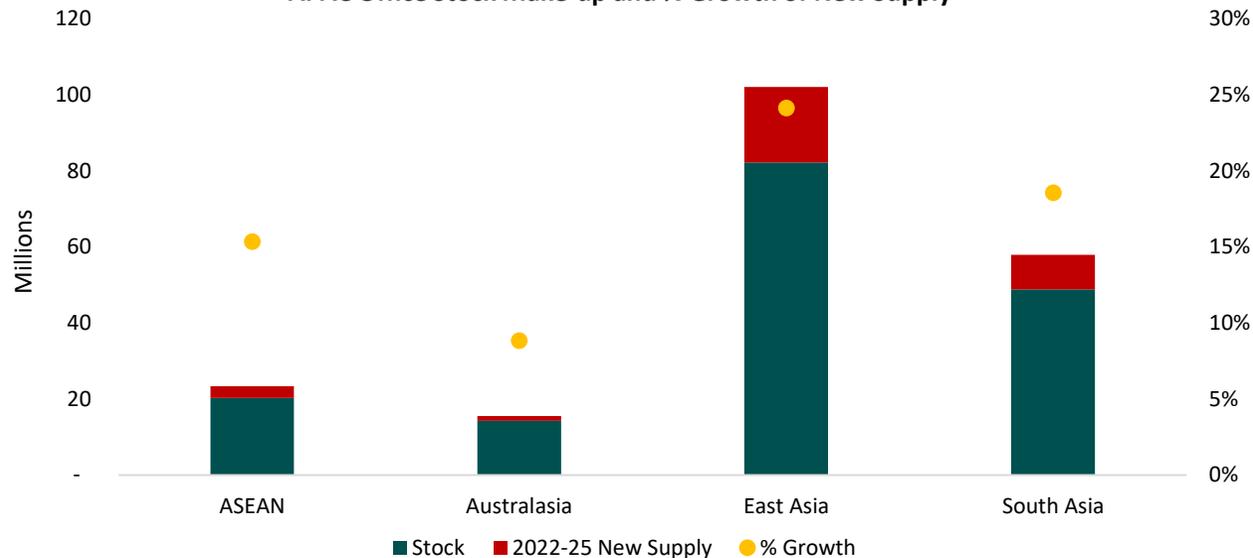
APAC Office Pipeline Supply

Continues to be lead by East Asia, which might see some of their supply coming on beyond 2025 due to the continuous lockdowns in Chinese Mainland

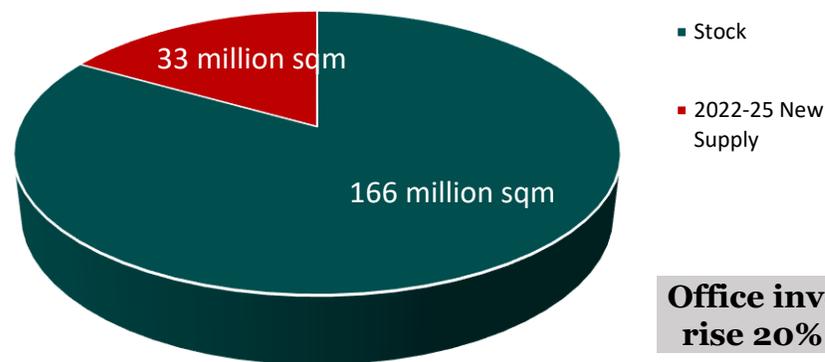
Proportion of Upcoming Supply to Current Stock



APAC Office Stock Make-up and % Growth of New Supply



Total APAC Grade A Stock, Current and New Supply (2021-2025)



Office inventory to rise 20% by 2025

APAC 2022 Office Outlook

12-Month Rental Outlook

Decreasing

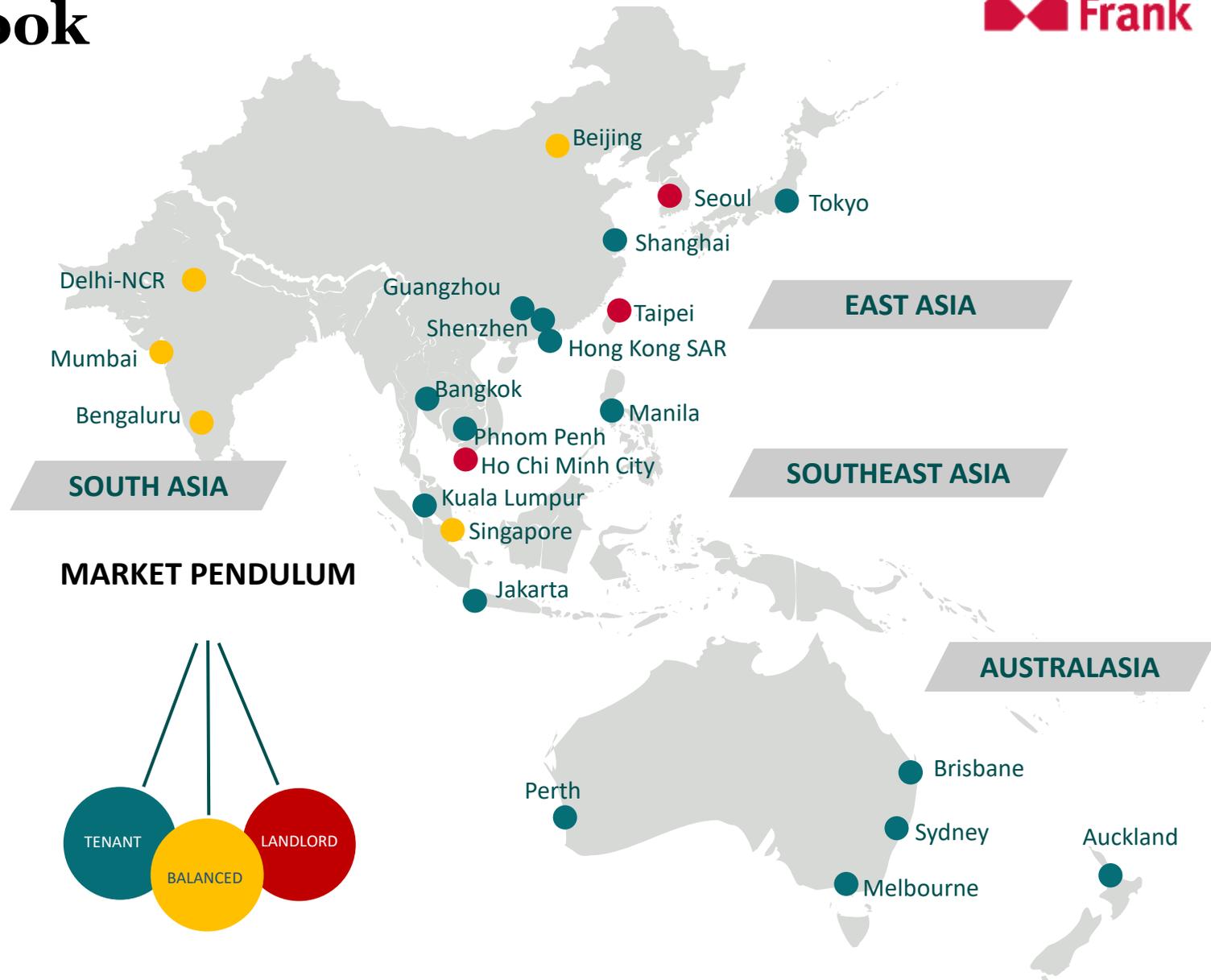
- Tokyo
- Shanghai
- Shenzhen
- Kula Lumpur
- Bangkok
- Manila

Unchanged

- Brisbane
- Melbourne
- Perth
- Sydney
- Auckland
- Beijing
- Guangzhou
- Phnom Penh
- Jakarta

Increasing

- Hong Kong
- Taipei
- Seoul
- Bengaluru
- Mumbai
- NCR
- Singapore
- Ho Chi Minh City



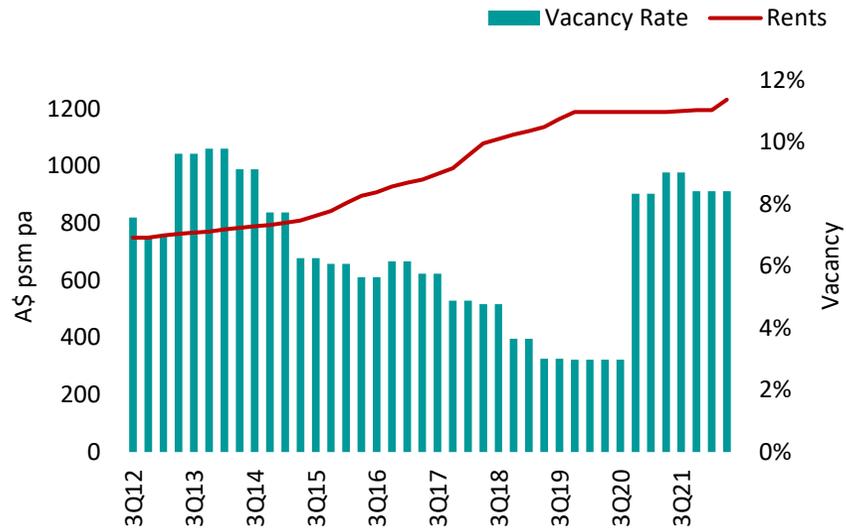
Market Dashboards

Oceania

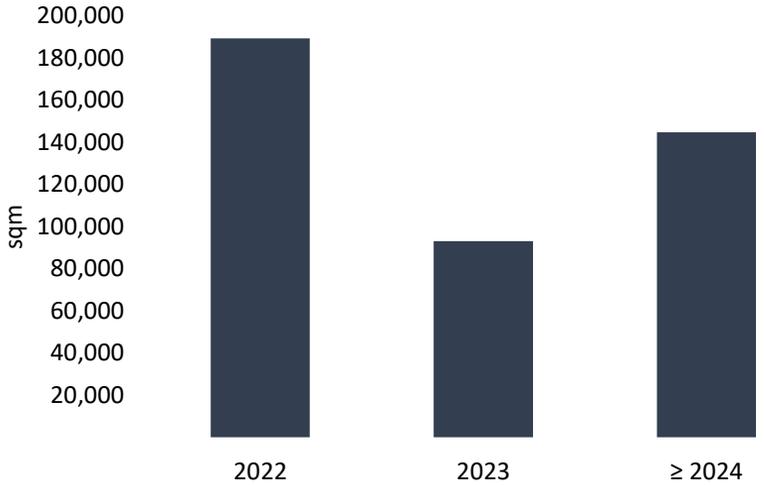
The region saw an overall positive uptick in rents in Q2 2022, led by Brisbane at 3.3% growth. Rents in Sydney, Brisbane and Perth even surpassed that of pre-Covid levels, signifying much positive business sentiments and robust leasing activities. Despite slowdown in global growth, a strong expansion in the Australian economy is predicted by the Reserve Bank of Australia as the labour market continues to tighten, which supports real household income and in turn boosts spendings and savings. Vacancy rates remained largely constant in Q2 but is forecasted to improve as inferred from the increase in tenant enquiry and greater confidence by tenants. Likewise, the Auckland office market showed stability in both rents and vacancy rate. Supply for premium office spaces will only enter in end-2022 or 2023 for both markets.

Sydney

Rents and Vacancy



Future Pipeline Supply

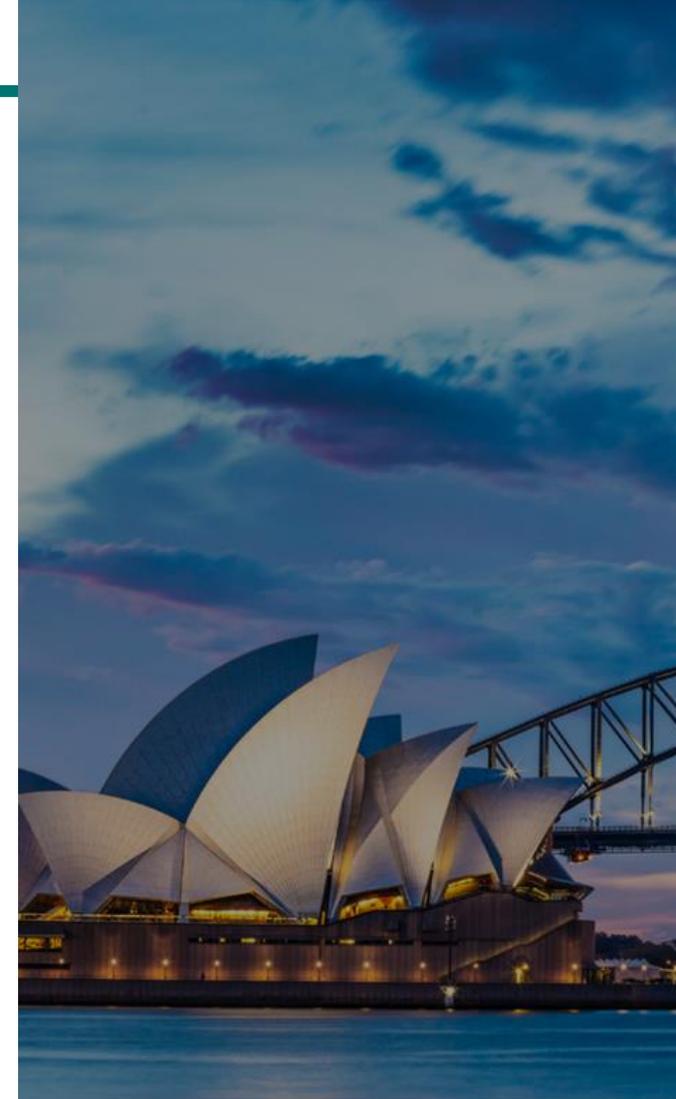


Economic Indicators

	2022F	2023F
GDP Growth	4.2%	2.0%
Unemployment Rate	4.3%	4.5%
Inflation	6.0%	3.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (A\$ psm pa)	1,232	→
Vacancy	8.4%	→
Market Balance	Tenant	Tenant

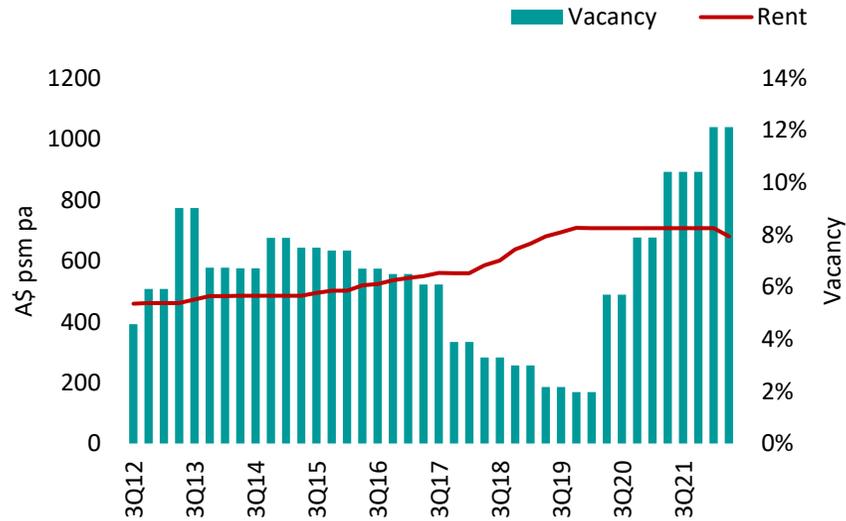


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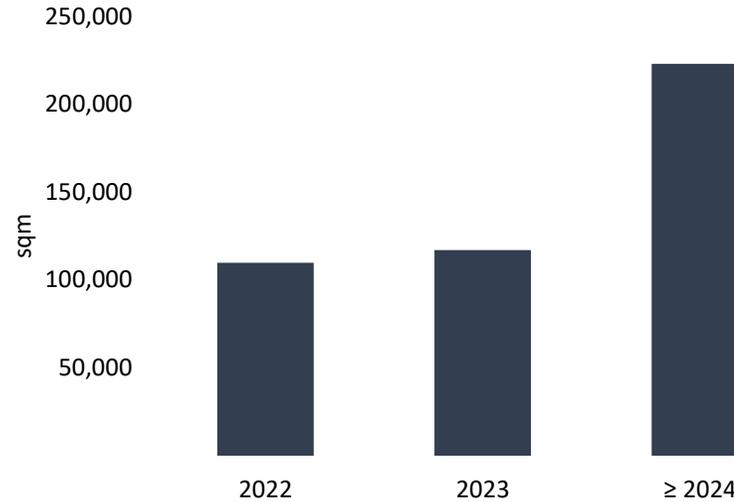
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Melbourne

Rents and Vacancy



Future Pipeline Supply

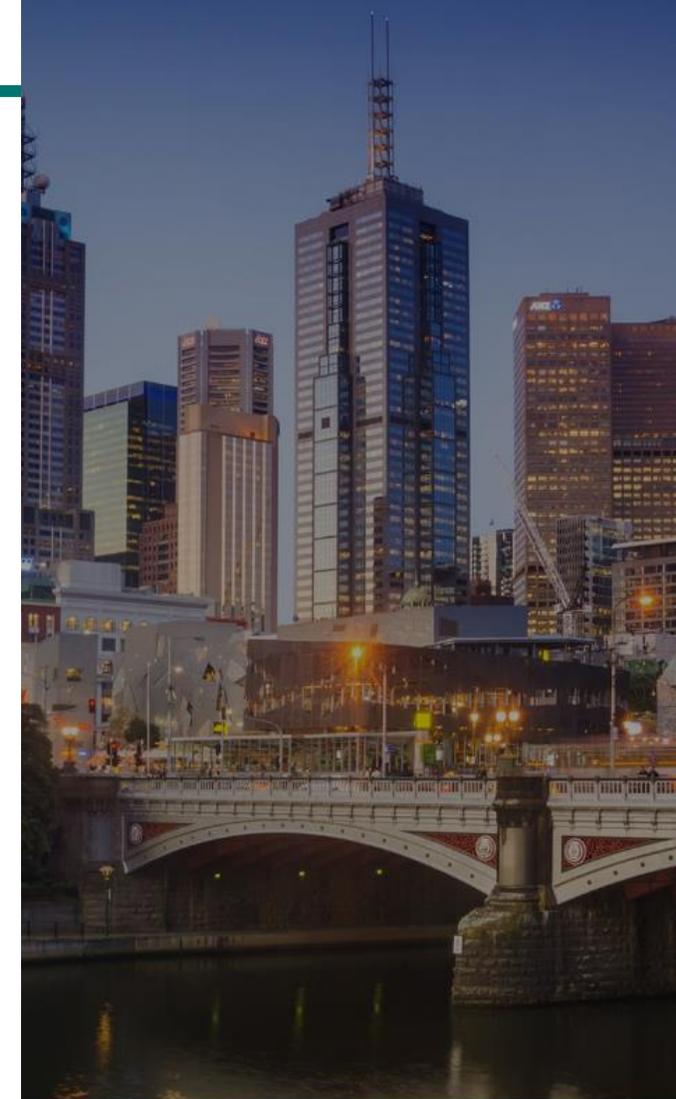


Economic Indicators

	2022F	2023F
GDP Growth	4.2%	2.0%
Unemployment Rate	4.3%	4.5%
Inflation	6.0%	3.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (A\$ psm pa)	681	→
Vacancy	12.1%	↑
Market Balance	Tenant	Tenant

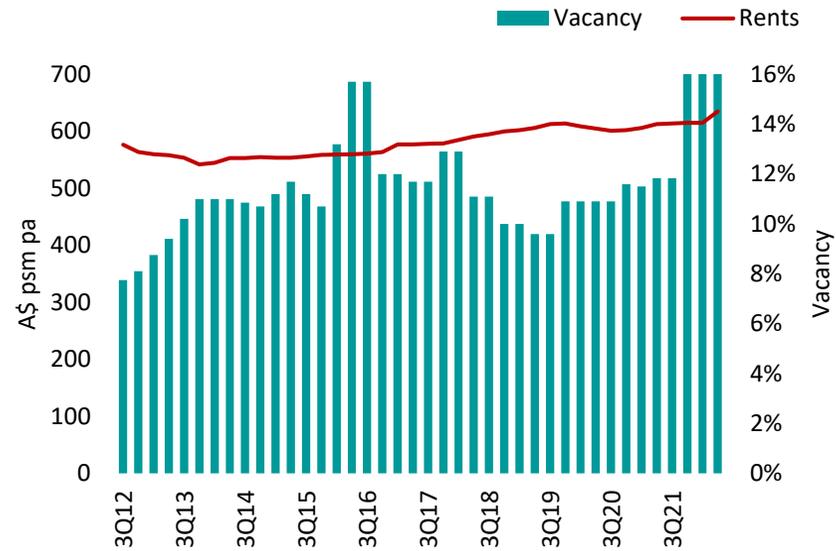


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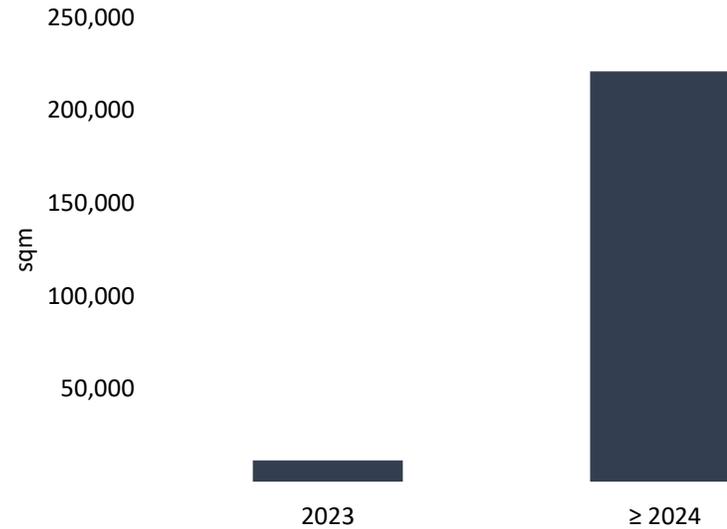
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Brisbane

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2022F	2023F
GDP Growth	4.2%	2.0%
Unemployment Rate	4.3%	4.5%
Inflation	6.0%	3.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (A\$ psm pa)	635	→
Vacancy	16.3%	→
Market Balance	Tenant	Tenant

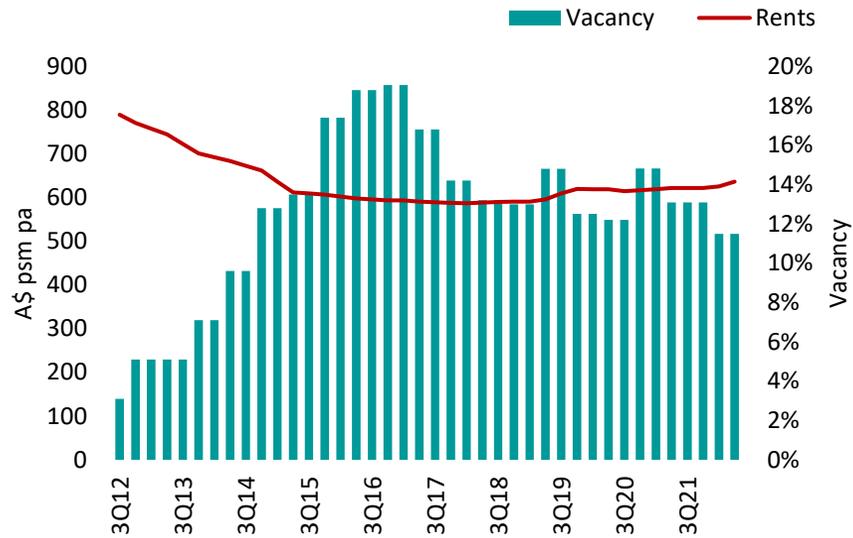


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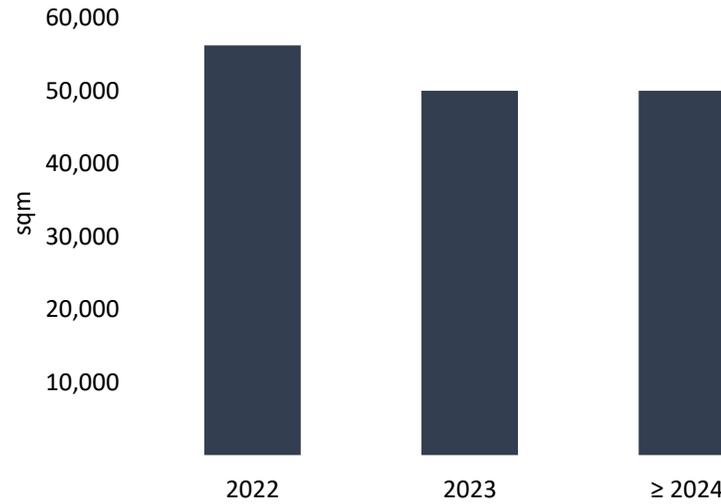
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Perth

Rents and Vacancy



Future Pipeline Supply

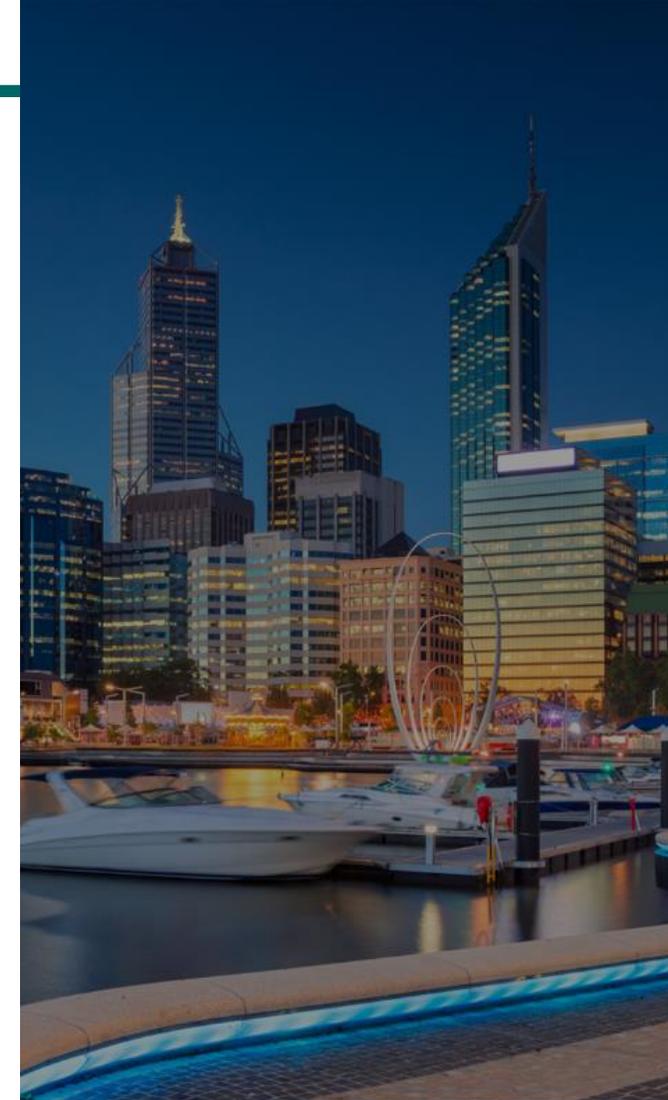


Economic Indicators

	2022F	2023F
GDP Growth	4.2%	2.0%
Unemployment Rate	4.3%	4.5%
Inflation	6.0%	3.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (A\$ psm pa)	637	→
Vacancy	11.5%	→
Market Balance	Tenant	Tenant

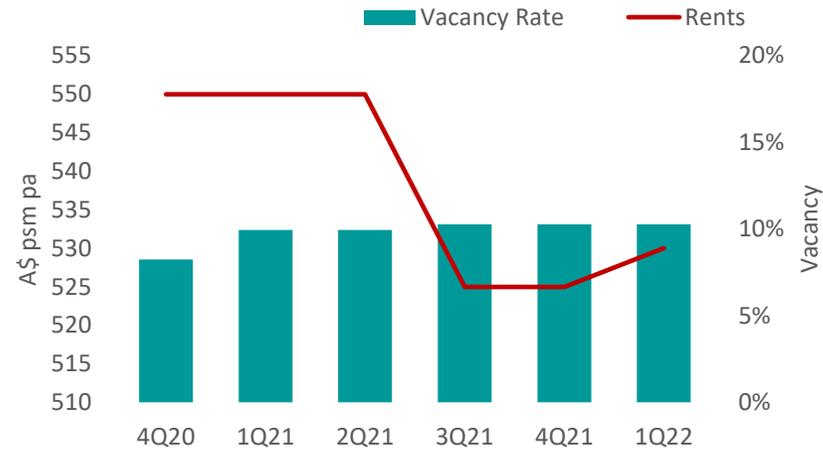


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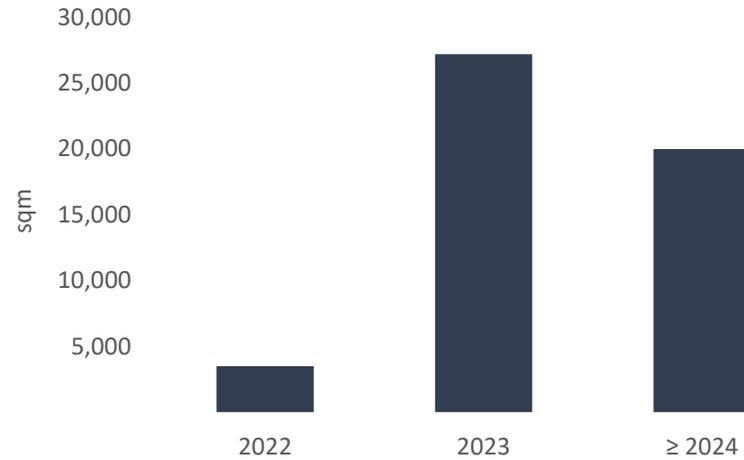
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Auckland

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2022F	2023F
GDP Growth	2.6%	1.9%
Unemployment Rate	3.9%	3.9%
Inflation	3.5%	2.4%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (NZ\$ psm pa)	530	→
Vacancy	9.0%	→
Market Balance	Tenant	Tenant



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Southeast Asia

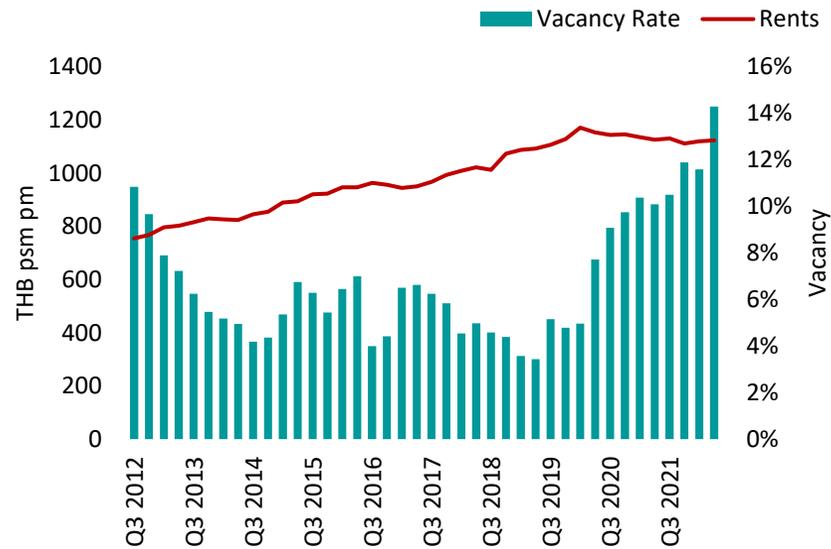
Positive sentiments expected for the office sector of Southeast Asia (SEA) were discouraged as energy prices surged from the prolonged Russia-Ukraine crisis and inflation rate skyrocketed to record high.

Most SEA currencies also weakened against the green back, rendering costs higher than before.

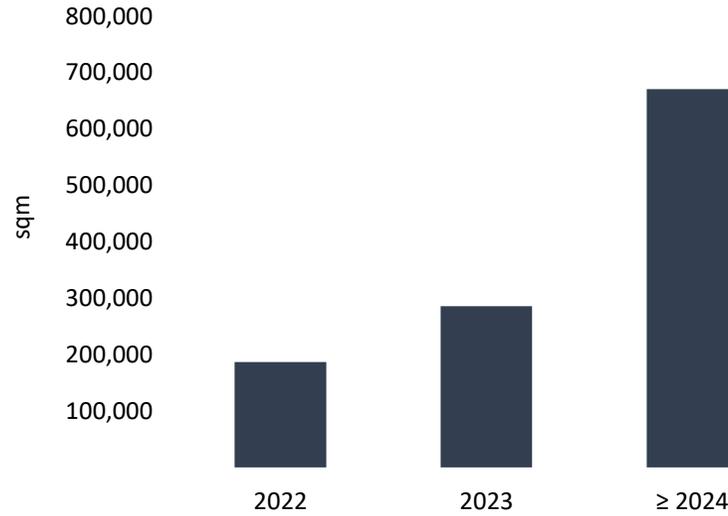
Generally, average rent dipped slightly by 0.5%, with Jakarta's rent contracting by 3.5% QoQ, the largest drop. Q2 2022 only saw Singapore, Phnom Penh and Manila recording positive gains. Further, Singapore is the only city to have sustained rent expansion since Q3 2021, indicating strong business confidence in the city-state. On the contrary, vacancy rate improved in all SEA cities except Manila, likely due to continuous absorption from Q1 without much new supply. For the rest of 2022, the office market should remain stable as firms will be more cautious in dealing with their occupancy needs with more macroeconomic uncertainties ahead.

Bangkok

Rents and Vacancy



Future Pipeline Supply

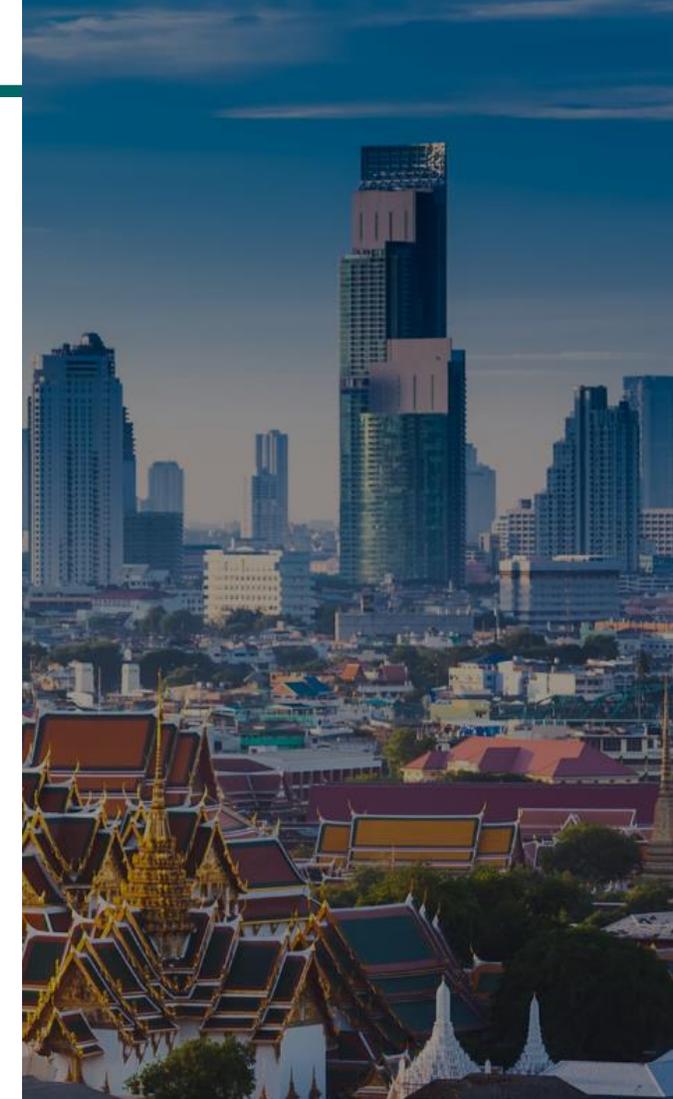


Economic Indicators

	2022F	2023F
GDP Growth	3.3%	4.2%
Unemployment Rate	N/A	N/A
Inflation	4.9%	2.5%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (THB psm pm)	1,124	↓
Vacancy	11.6%	↑
Market Balance	Tenant	Tenant

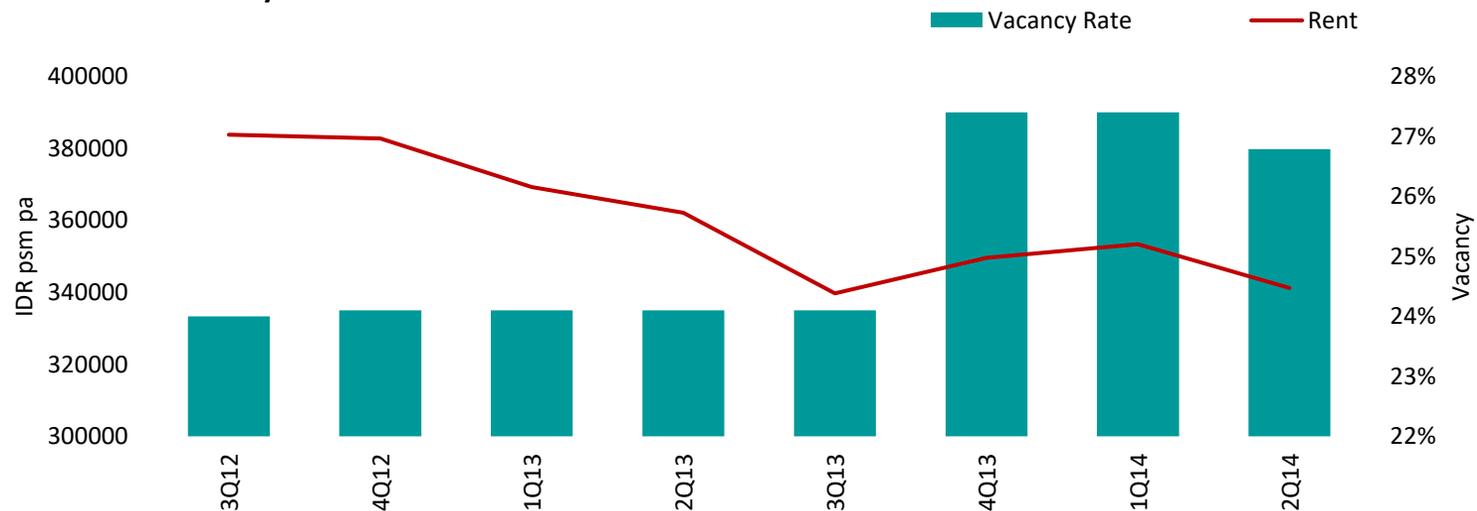


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Jakarta

Rents and Vacancy



Economic Indicators

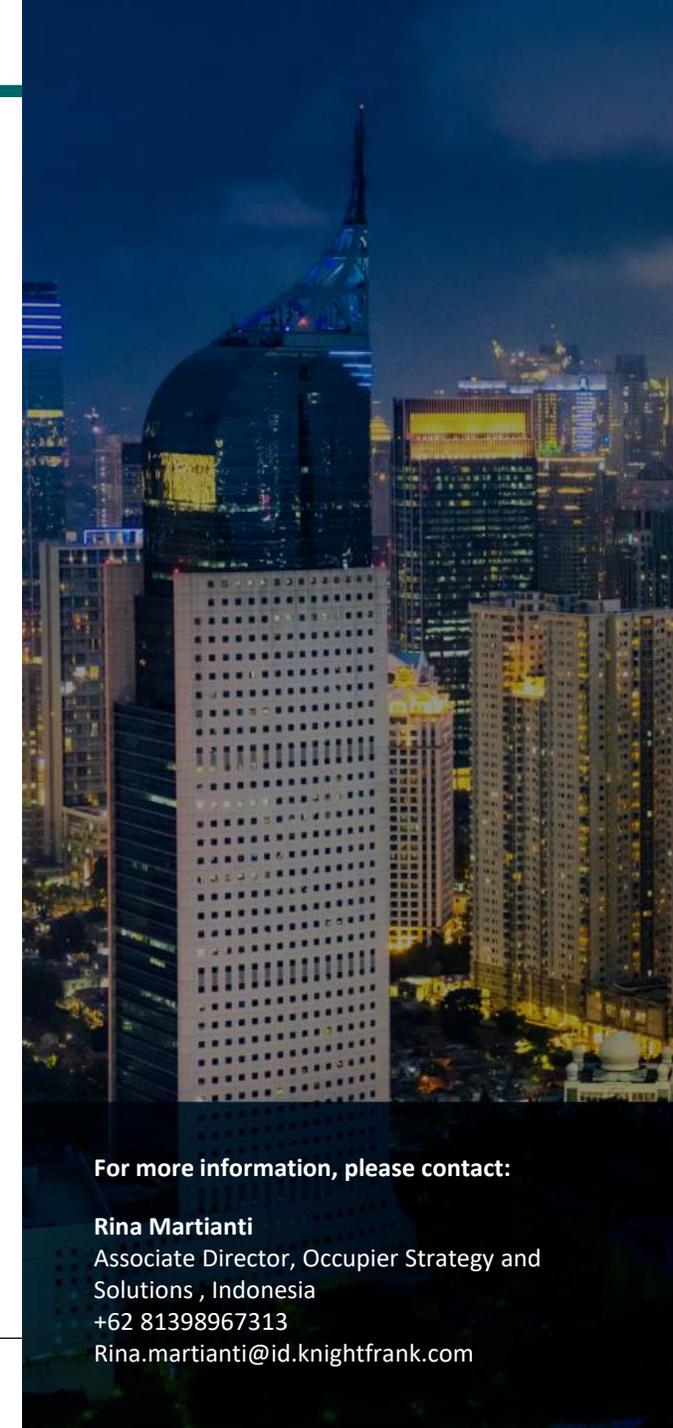
	2022F	2023F
GDP Growth	5.3%	5.7%
Unemployment Rate	5.6%	5.4%
Inflation	3.6%	3.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (IDR psm pm)	341,212	→
Vacancy	21.0%	→
Market Balance	Tenant	Tenant

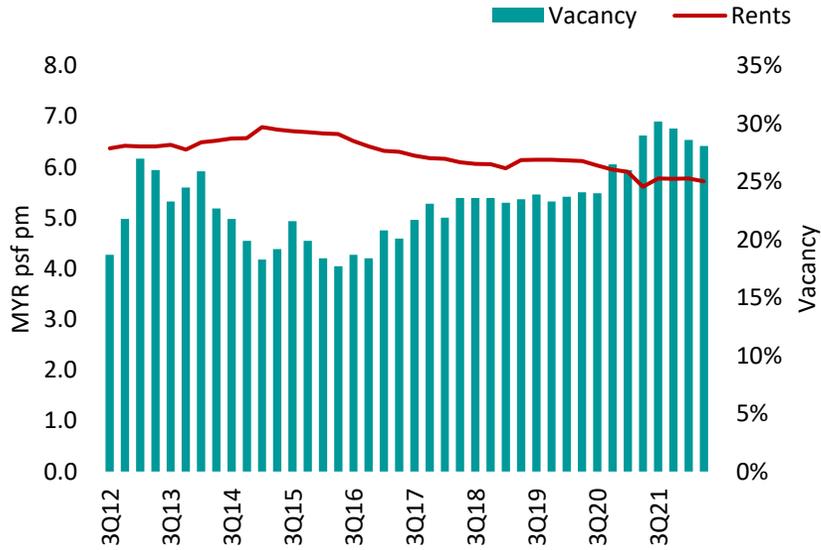
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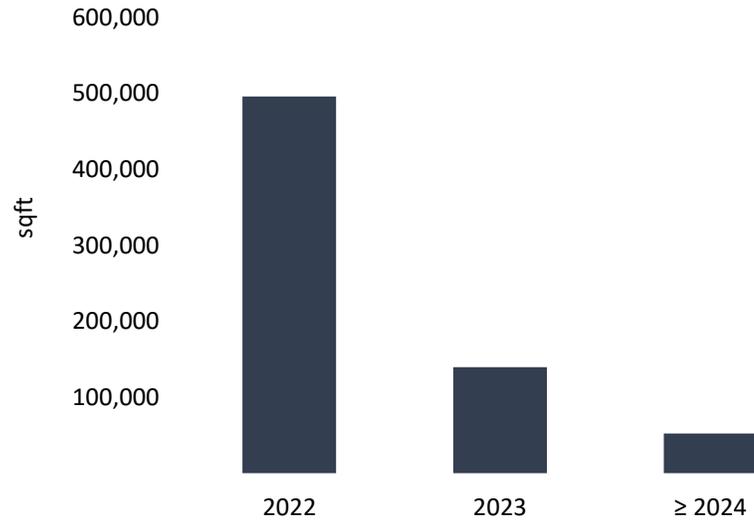


Kuala Lumpur

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2022F	2023F
GDP Growth	6.0%	5.4%
Unemployment Rate	4.25%	4.15%
Inflation	3.2%	2.2%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (MYR psf pm)	5.72	↓
Vacancy	28.1%	→
Market Balance	Tenant	Tenant

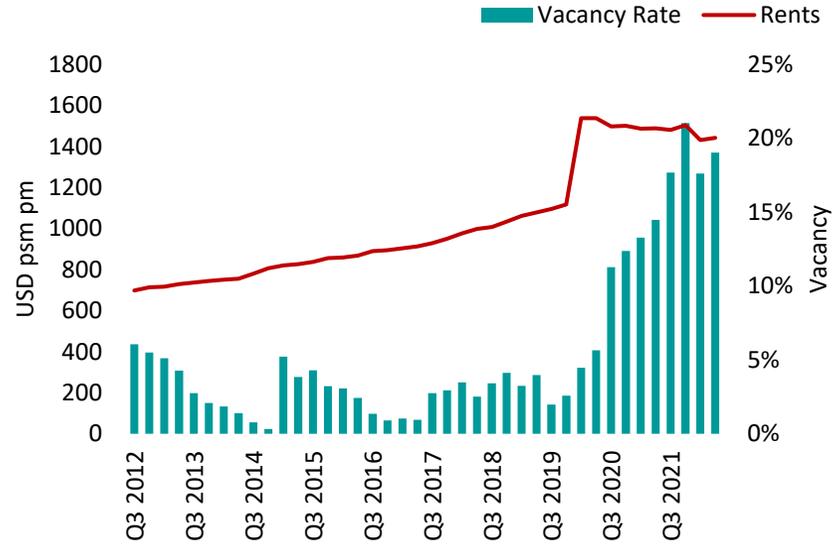


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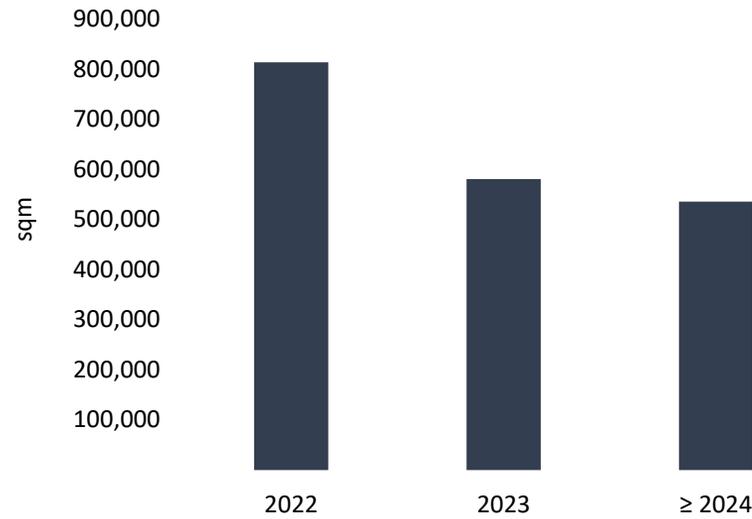
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Manila

Rents and Vacancy



Future Pipeline Supply

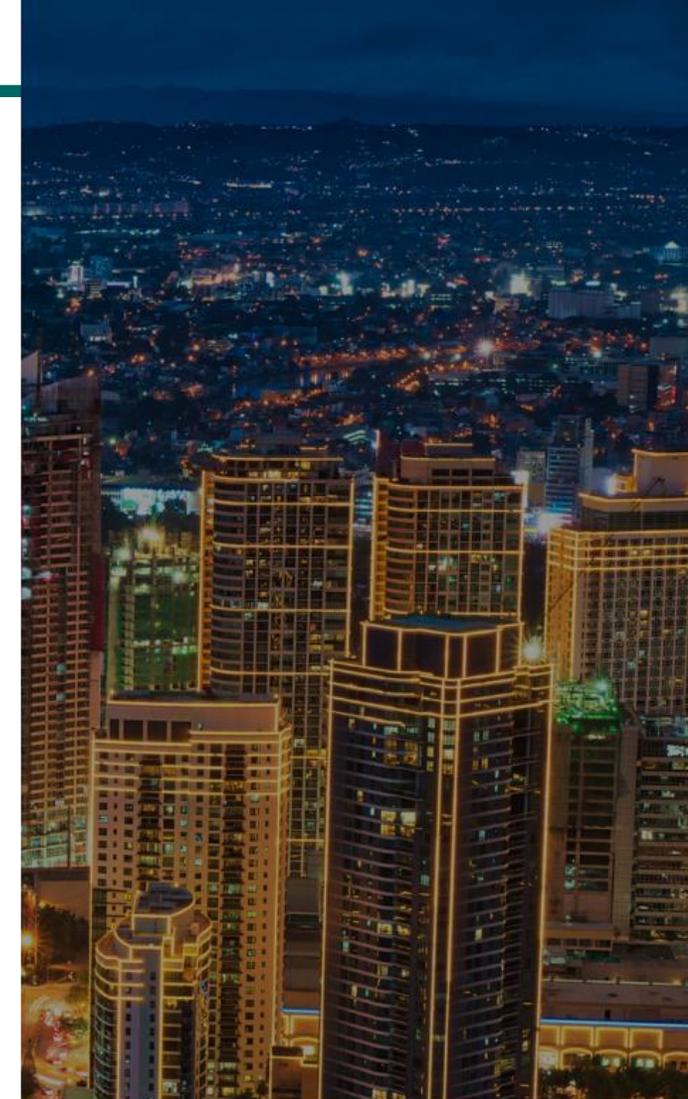


Economic Indicators

	2022F	2023F
GDP Growth	6.0%	6.0%
Unemployment Rate	5.4%	5.1%
Inflation	4.3%	3.9%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (PHP psm pm)	1,442	↓
Vacancy	19.0%	↑
Market Balance	Tenant	Tenant

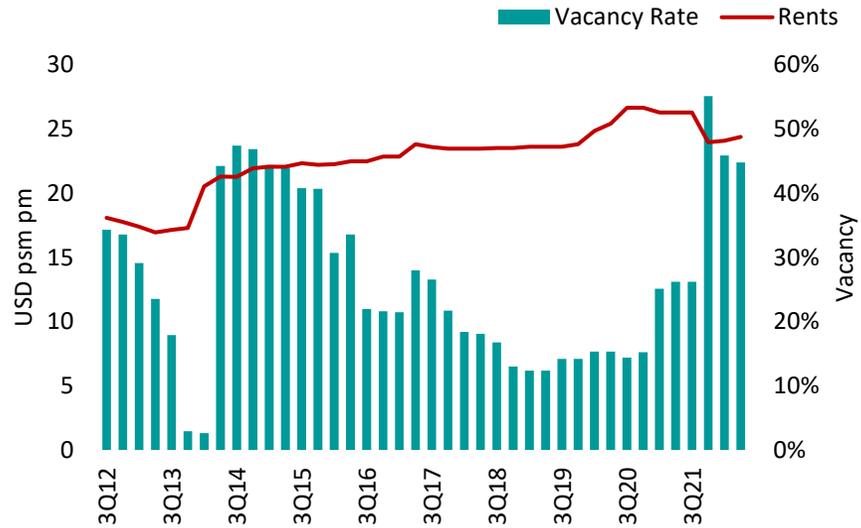


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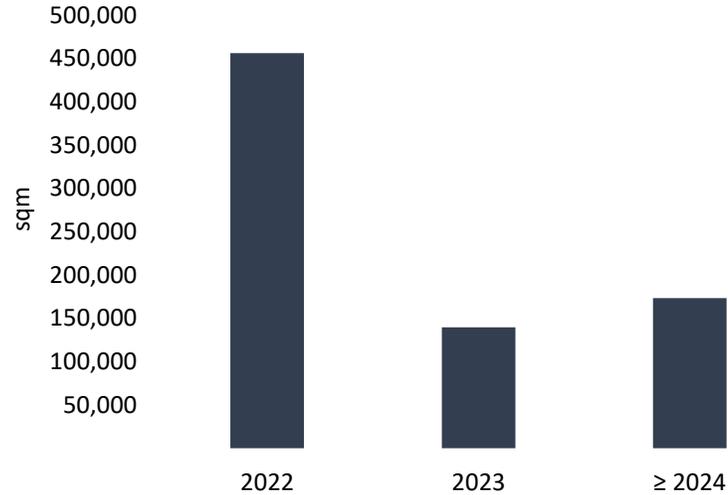
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Phnom Penh

Rents and Vacancy



Future Pipeline Supply

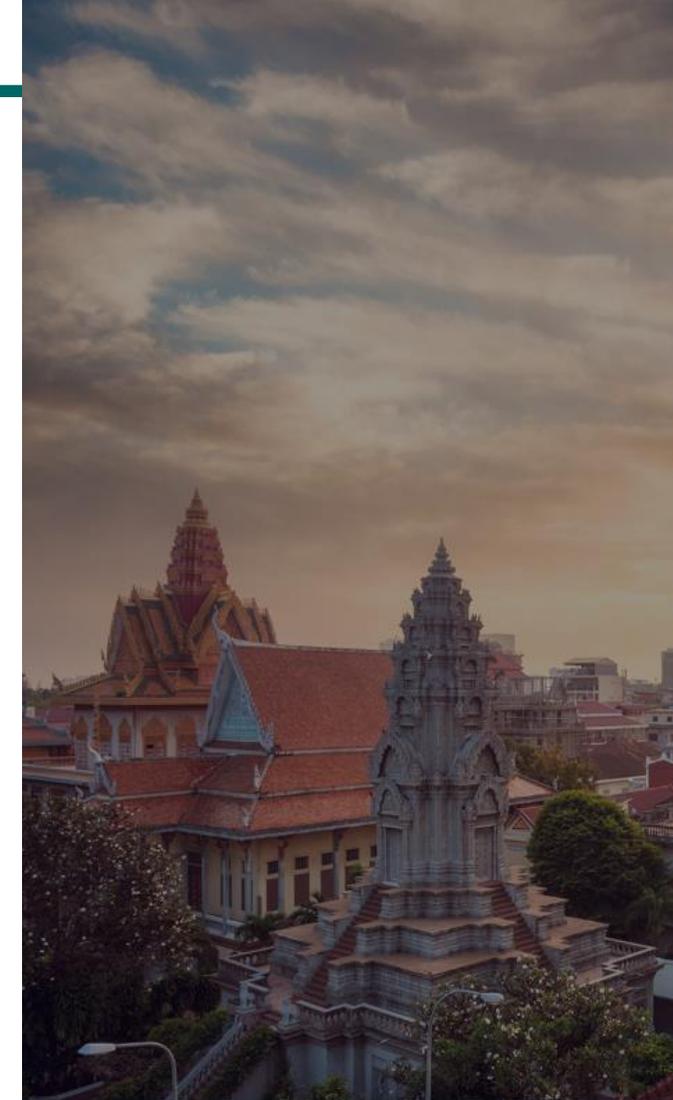


Economic Indicators

	2022F	2023F
GDP Growth	5.9%	6.1%
Unemployment Rate	N/A	N/A
Inflation	4.0%	3.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (US\$ psm pm)	24.4	→
Vacancy	44.8%	↓
Market Balance	Tenant	Tenant

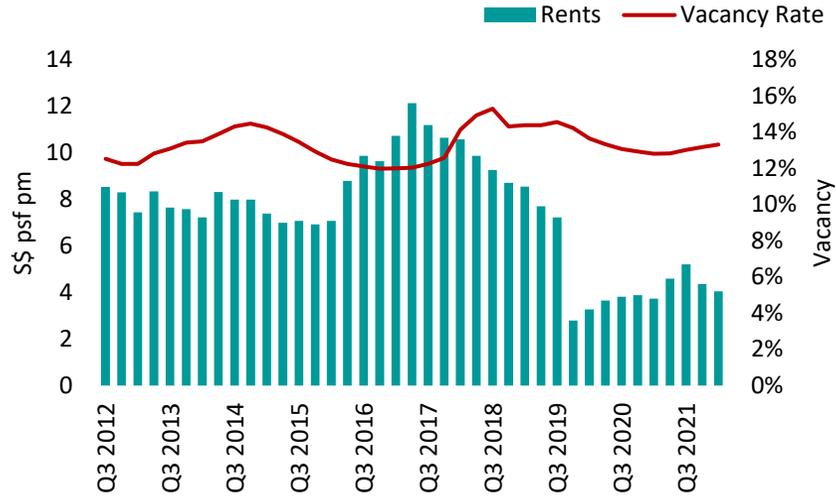


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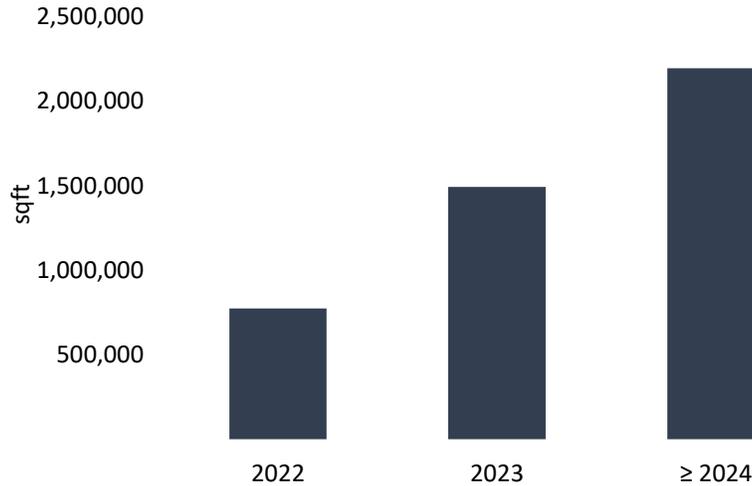
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Singapore

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2022F	2023F
GDP Growth	3.0%	3.0%
Unemployment Rate	2.4%	2.4%
Inflation	4.9%	2.8%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (S\$ psf pm)	10.36	↑
Vacancy	5.2%	↓
Market Balance	Balanced	Balanced

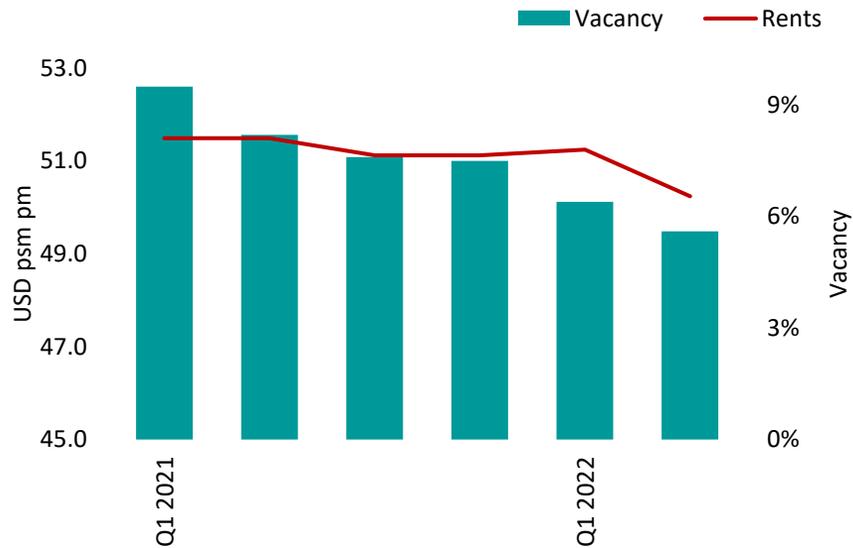
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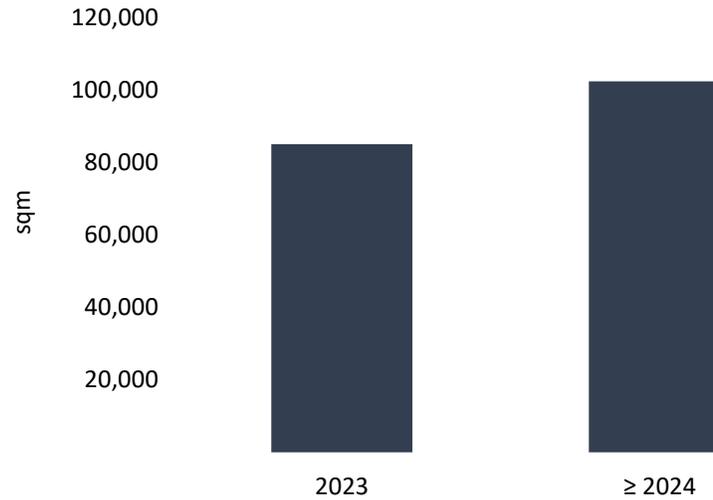


Ho Chi Minh City

Rents and Vacancy



Future Pipeline Supply



*No pipeline supply is expected for 2022

Economic Indicators

	2022F	2023F
GDP Growth	6.5%	6.2%
Unemployment Rate	2.4%	2.3%
Inflation	3.7%	5.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (US\$ psm pm)	50.19	↑
Vacancy	6.6%	↓
Market Balance	Landlord	Landlord



For more information, please contact:

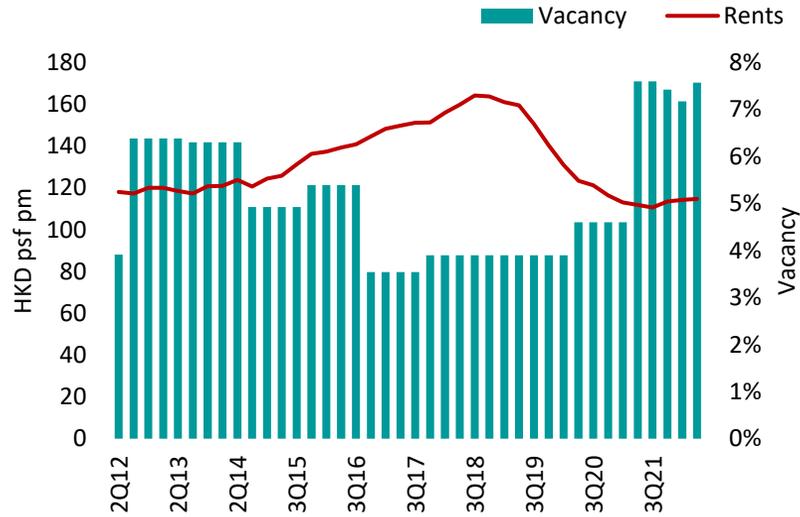
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East Asia

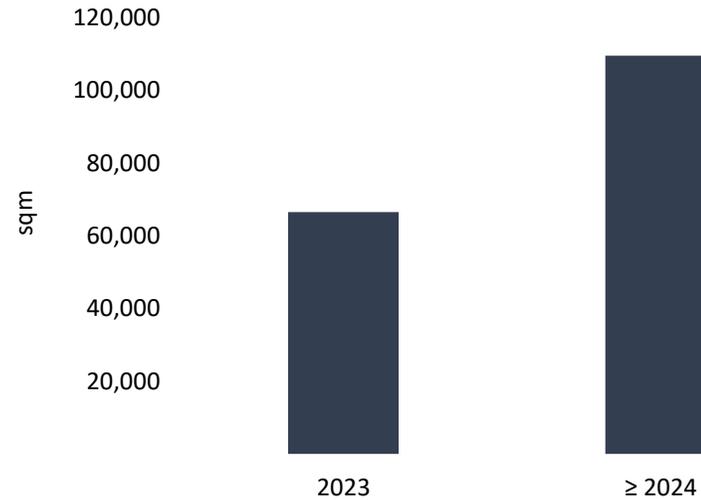
Business activities were halted in various Tier 1 Chinese Mainland cities due to large-scale lockdowns in late March in an effort to contain the resurgence of COVID. It was not until June that some of the restrictions were lifted, and workers were allowed to return to their workplaces. As such, the already weak demand for office spaces worsened in Shanghai, the hardest hit from the lockdowns. The rest of the Chinese Mainland cities tracked by the Index recorded improvements in vacancy rate and rents. Going forward, supply of office space is expected to lag, with demand likely coming on in the second half of 2022. Across the border, Hong Kong SAR saw rent rising by 0.4%, sustaining past two quarters of recovery. However, vacancy rate increased on the back of a flight-to-quality office spaces, on top of efforts to right size. Over in Seoul, healthy occupier demand coupled with low supply is underpinning rental growth, with the office market set to shift in favour of landlords.

Hong Kong SAR

Rents and Vacancy



Future Pipeline Supply



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

*No pipeline supply is expected for 2022

Economic Indicators

	2022F	2023F
GDP Growth	2.0%	3.7%
Unemployment Rate	5.7%	4.0%
Inflation	2.1%	2.3%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (HK\$ psf pm)	115	↑
Vacancy	7.6%	↑
Market Balance	Tenant	Tenant

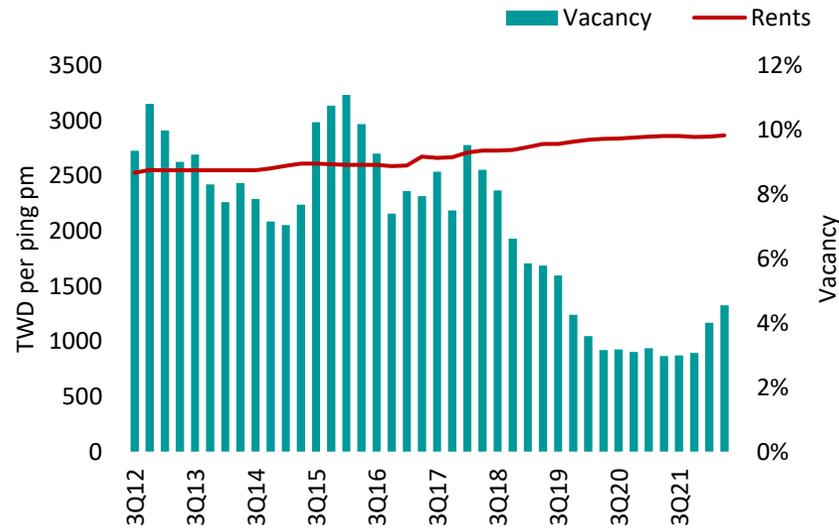


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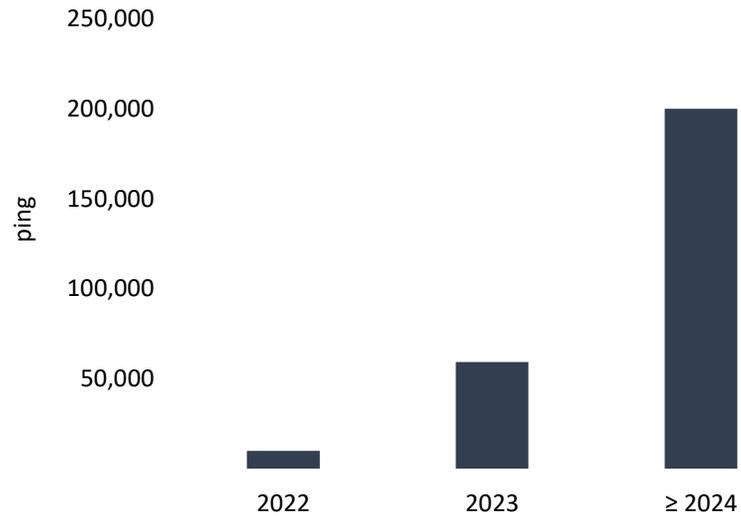
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Taipei

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2022F	2023F
GDP Growth	3.6%	3.0%
Unemployment Rate	3.6%	3.6%
Inflation	2.7%	1.5%

Real Estate Indicators

	Q2 2021	12mth Forecast
Prime Rent (TW\$ per ping pm)	2,867	↑
Vacancy	4.6%	↑
Market Balance	Landlord	Landlord

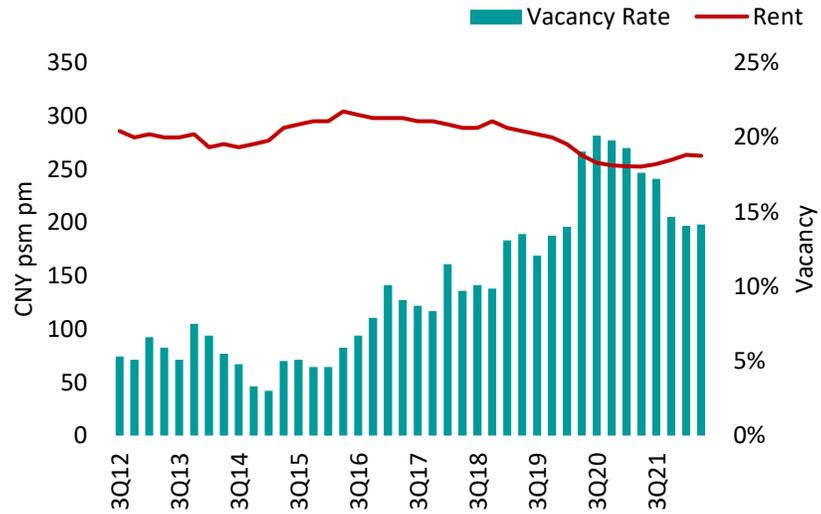


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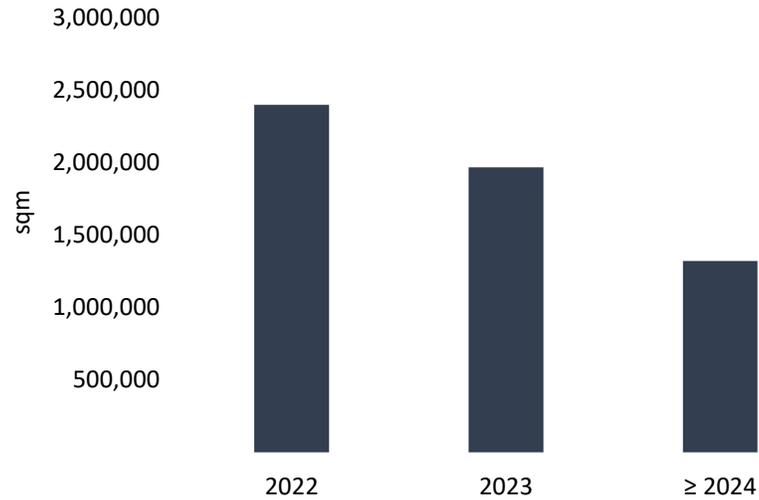
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Shanghai

Rents and Vacancy



Future Pipeline Supply

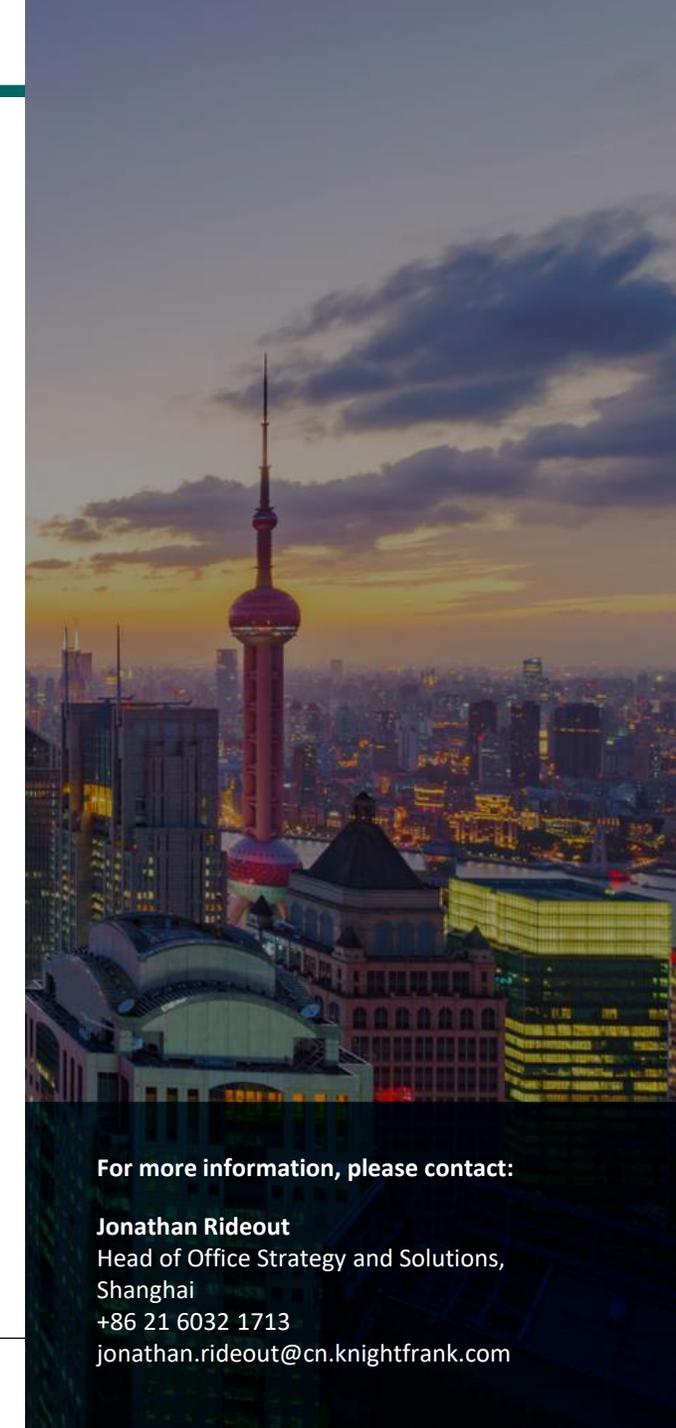


Economic Indicators

	2022F	2023F
GDP Growth	5.1%	5.1%
Unemployment Rate	3.6%	3.6%
Inflation	1.8%	2.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (CNY psm pm)	263	↓
Vacancy	14.2%	↑
Market Balance	Tenant	Tenant

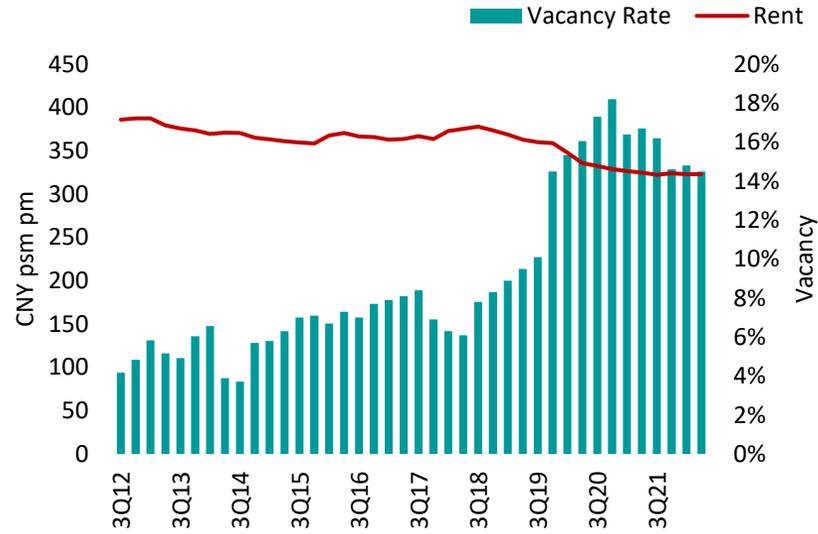


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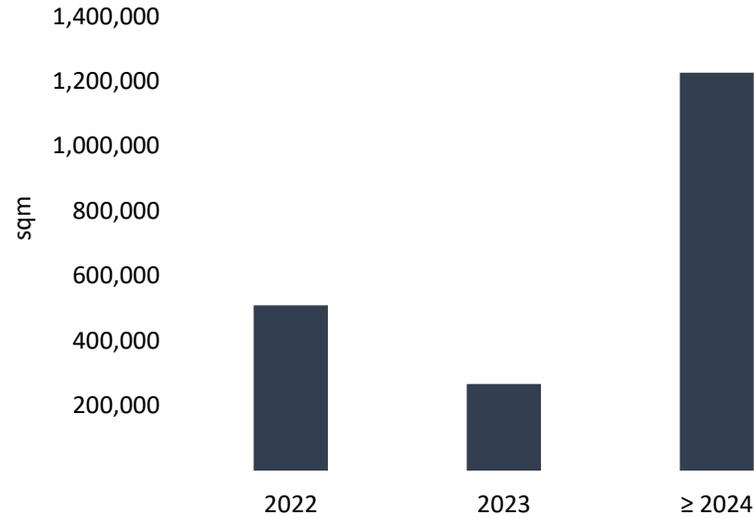
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Beijing

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2022F	2023F
GDP Growth	5.1%	5.1%
Unemployment Rate	3.6%	3.6%
Inflation	1.8%	2.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (CNY psm pm)	323	→
Vacancy	14.5%	→
Market Balance	Balanced	Tenant

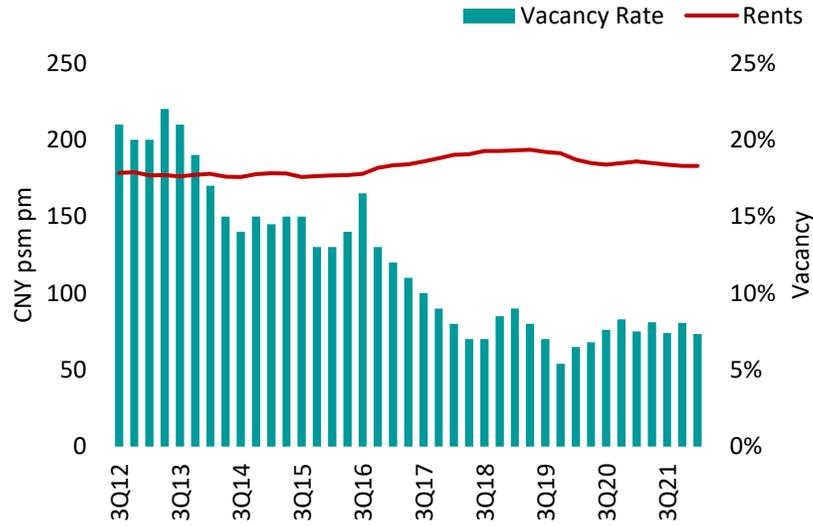


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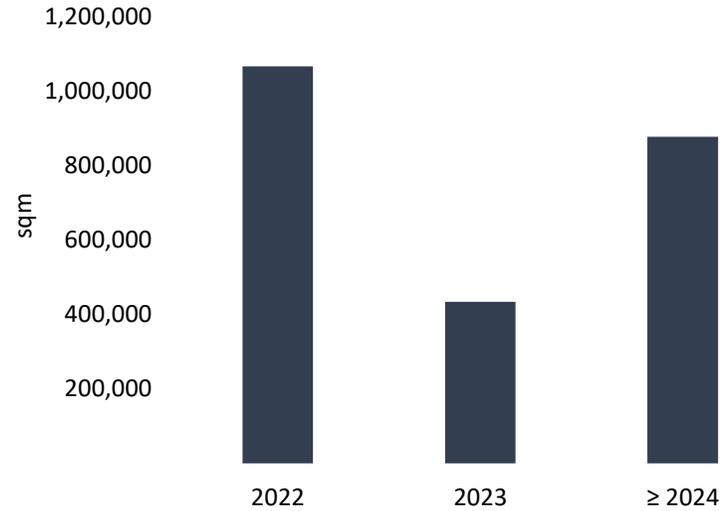
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Guangzhou

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2022F	2023F
GDP Growth	5.1%	5.1%
Unemployment Rate	3.6%	3.6%
Inflation	1.8%	2.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (CNY psm pm)	183	→
Vacancy	7.3%	↑
Market Balance	Tenant	Tenant

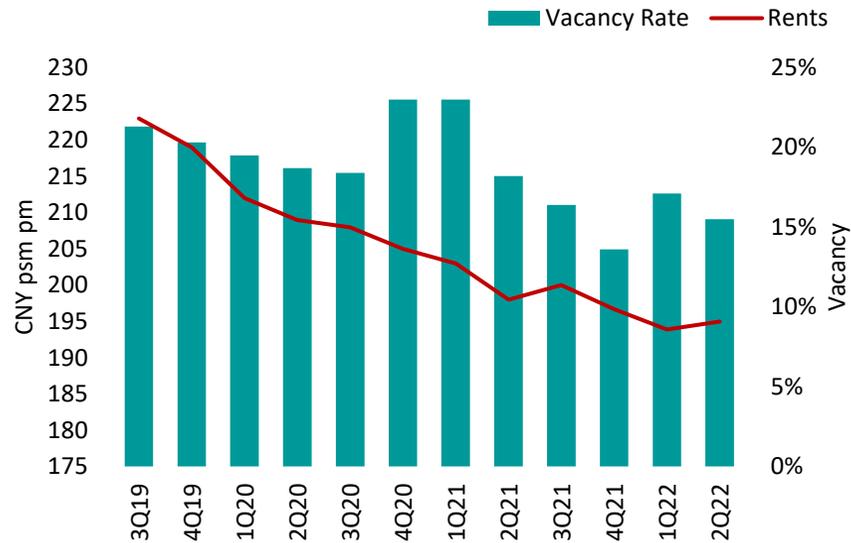


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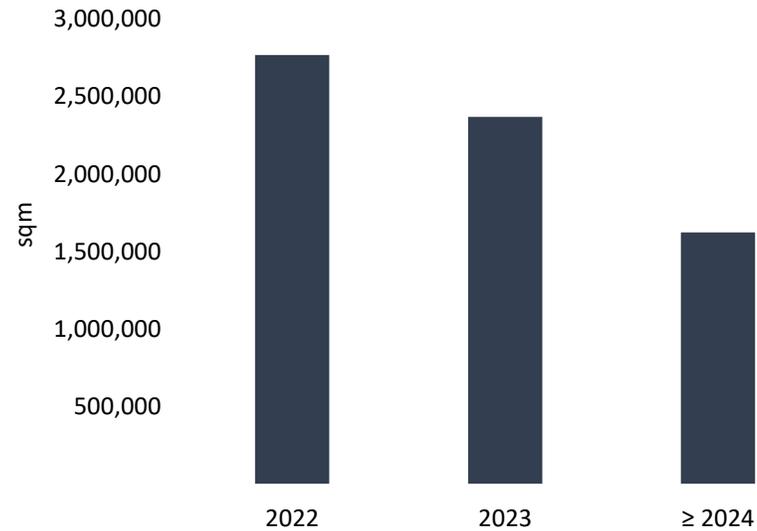
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Shenzhen

Rents and Vacancy



Future Pipeline Supply

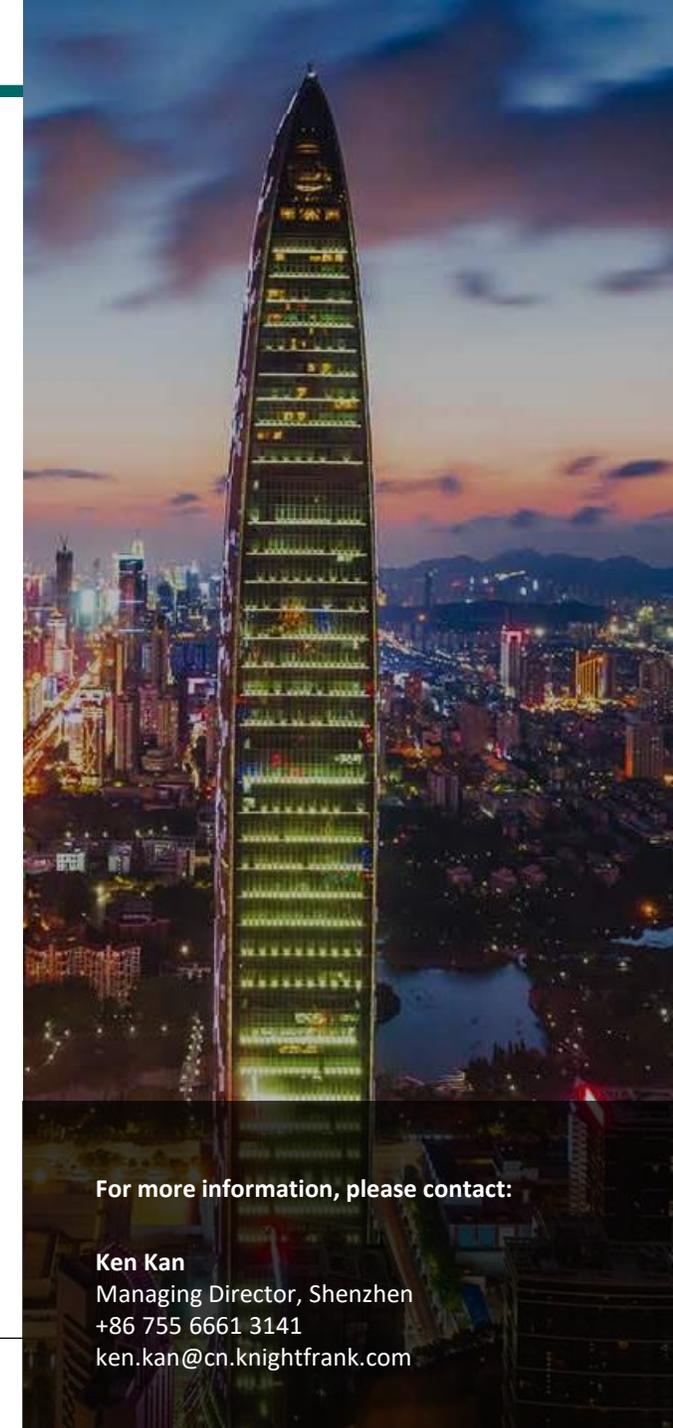


Economic Indicators

	2022F	2023F
GDP Growth	5.1%	5.1%
Unemployment Rate	3.6%	3.6%
Inflation	1.8%	2.0%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (CNY psm pm)	195	↓
Vacancy	15.5%	↑
Market Balance	Tenant	Tenant

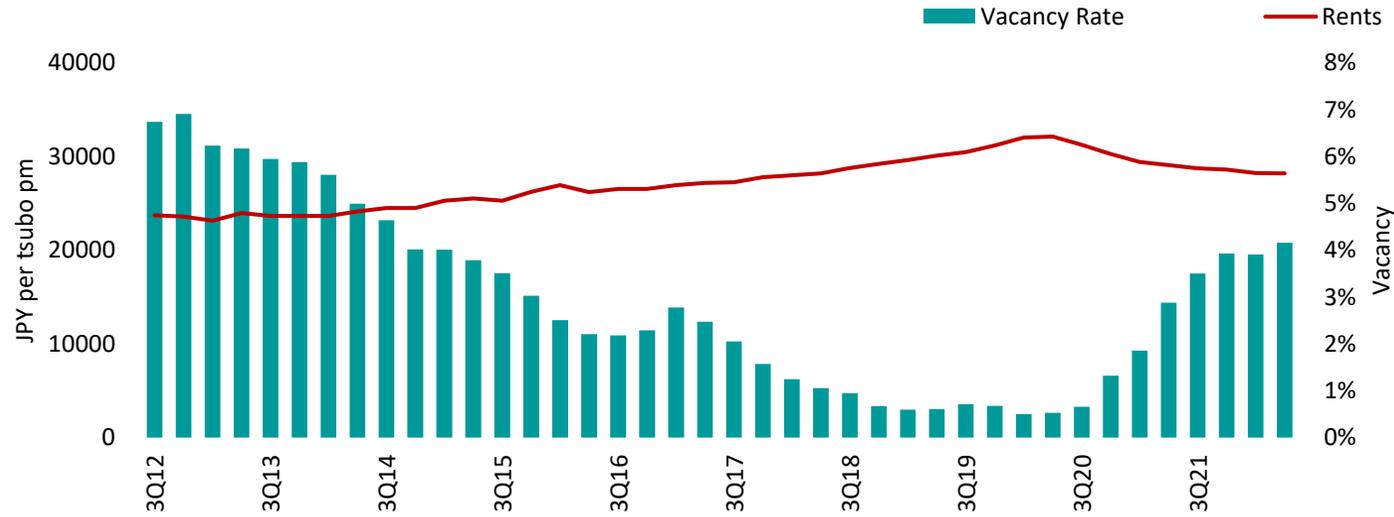


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Tokyo

Rents and Vacancy



Economic Indicators

	2022F	2023F
GDP Growth	2.3%	1.5%
Unemployment Rate	2.4%	2.4%
Inflation	1.9%	1.1%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (JPY per tsubo pm)	28,212	↓
Vacancy	4.2%	↑
Market Balance	Tenant	Tenant

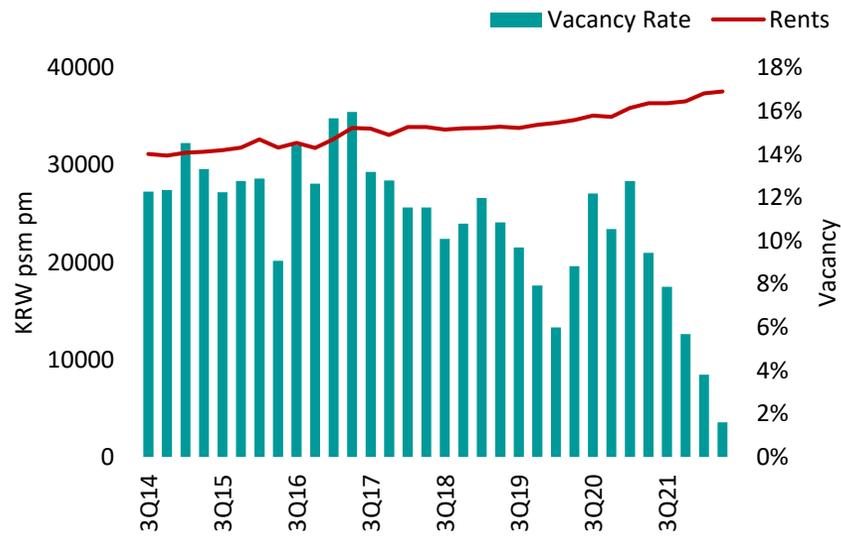


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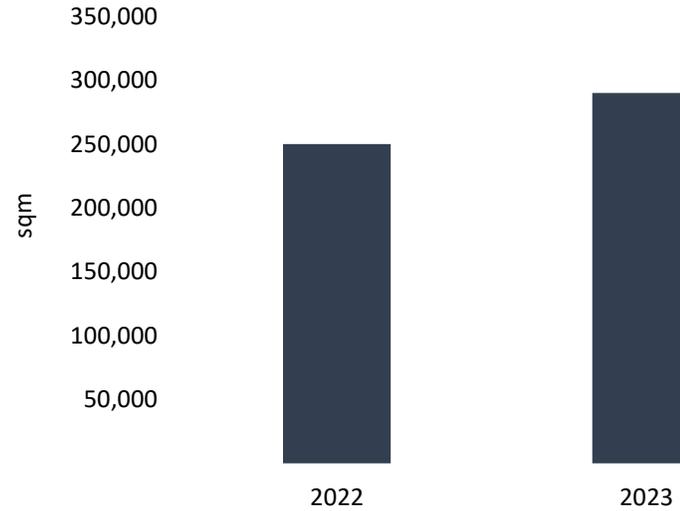
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Seoul

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

	2022F	2023F
GDP Growth	2.6%	2.6%
Unemployment Rate	3.5%	3.5%
Inflation	4.7%	2.9%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (KRW psm pm)	37,553	↑
Vacancy	1.6%	↓
Market Balance	Landlord	Landlord



For more information, please contact:

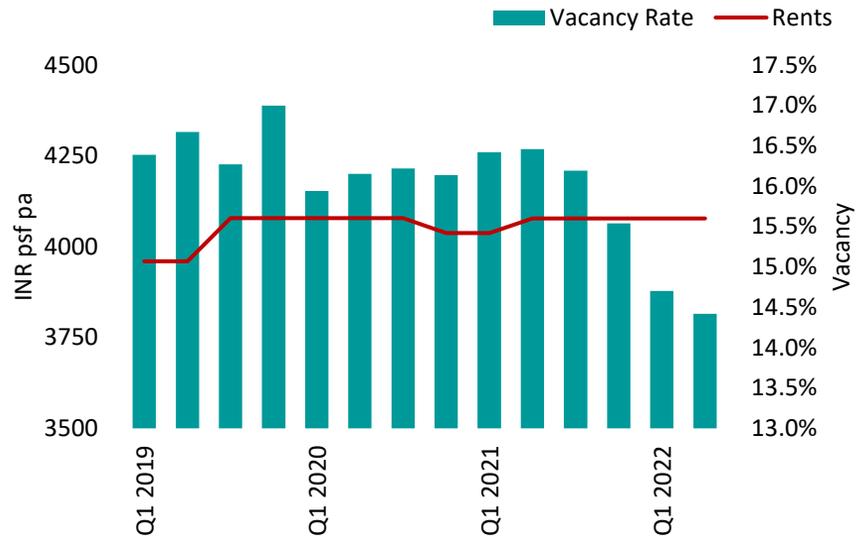
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South Asia

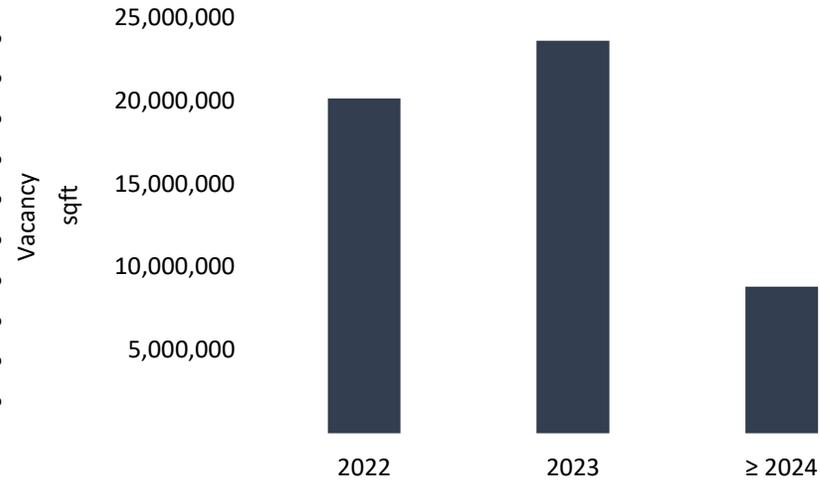
Robust leasing continued into Q2 2022 for Tier 1 cities of India as all three Indian cities tracked saw improvements in their vacancy rates at an average of 1.9%, indicating a strong rebound in occupier demand for large office spaces. Absorption in the first half of the year has already outweighed more than 60% of the total absorption observed in 2021. However, heightened inflation leading to the rising cost of construction has affected completions of new projects, pushing completions to following quarters as developers take a more cautious stance amidst increasing demand. Rent-wise, Mumbai led the QoQ growth at 7% and Bengaluru led the YoY growth at 12.1%. The positive trend is expected to continue into the second half of 2022 as occupancy levels rise on the back of strong demand for quality Grade-A buildings with better location, accessibility and amenities, led by tech firms.

Delhi-NCR

Rents and Vacancy



Future Pipeline Supply

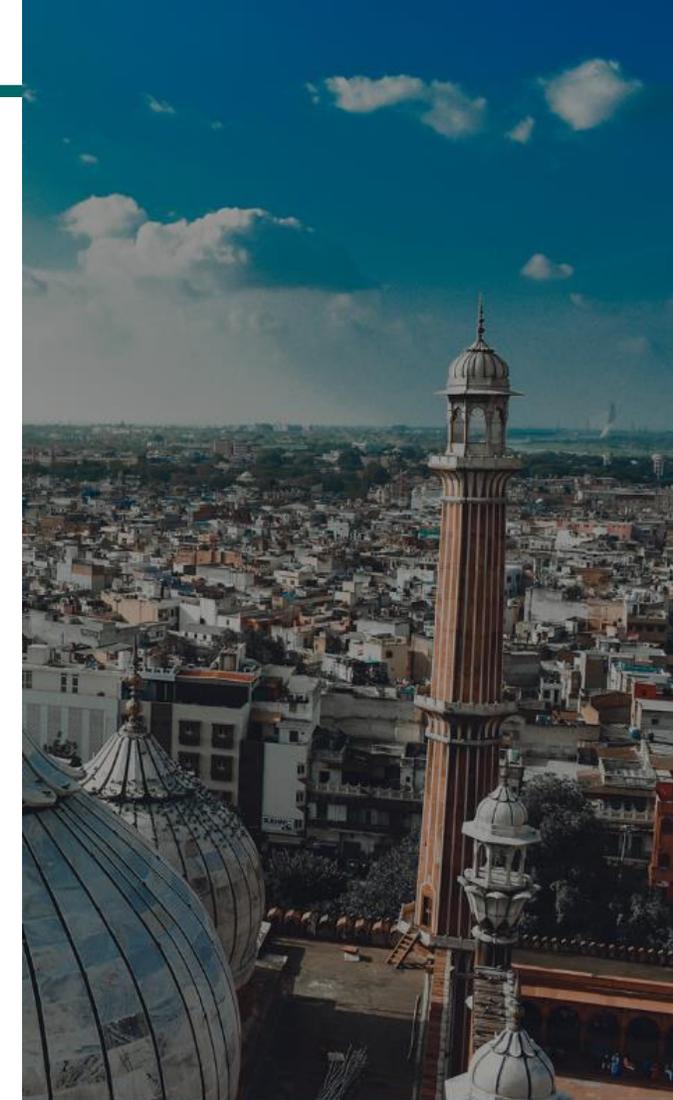


Economic Indicators

	2022F	2023F
GDP Growth	6.9%	6.2%
Unemployment Rate	NA	NA
Inflation	5.7%	5.7%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (INR psf pa)	4,078	↑
Vacancy	14.4%	→
Market Balance	Balanced	Balanced

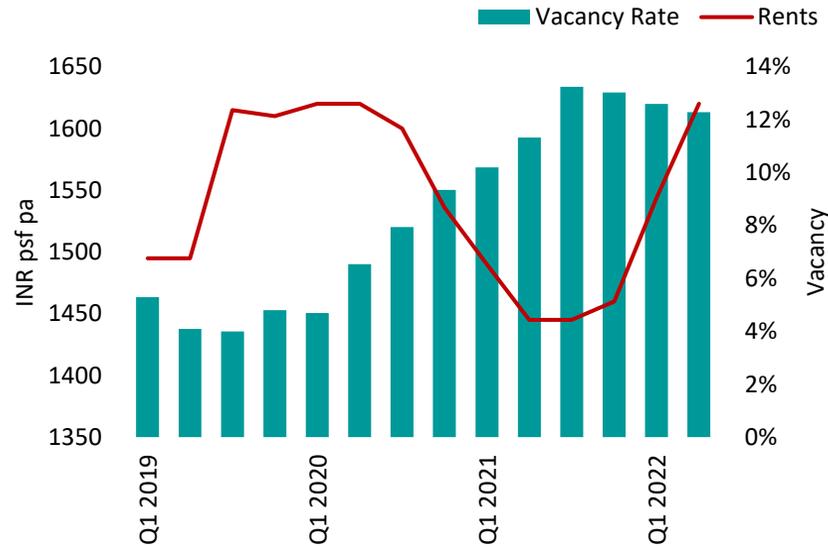


For more information, please contact:

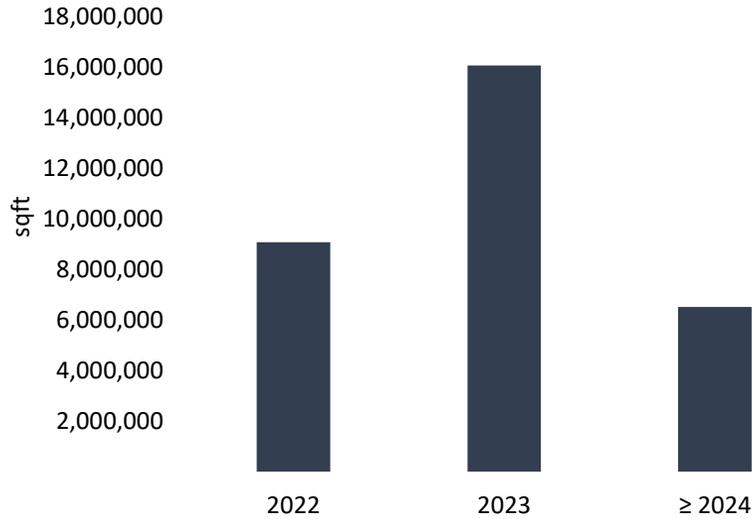
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Bengaluru

Rents and Vacancy



Future Pipeline Supply

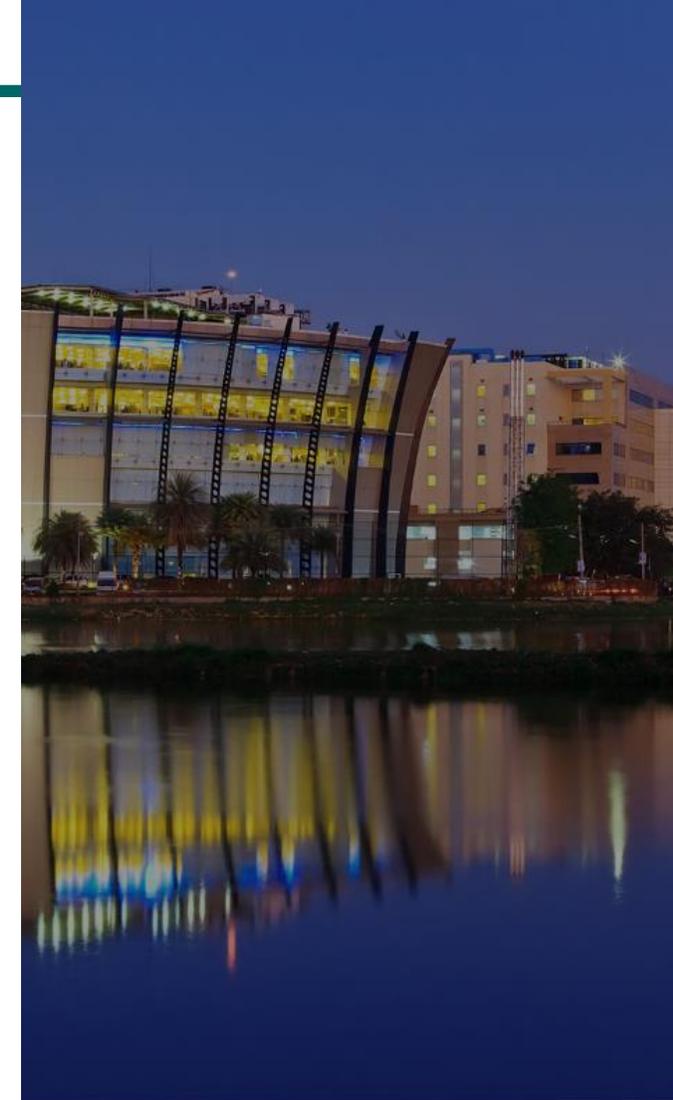


Economic Indicators

	2022F	2023F
GDP Growth	6.9%	6.2%
Unemployment Rate	NA	NA
Inflation	5.7%	5.7%

Real Estate Indicators

	Q2 2022	12mth Forecast
Prime Rent (INR psf pa)	1,620	↑
Vacancy	12.3%	→
Market Balance	Balanced	Balanced

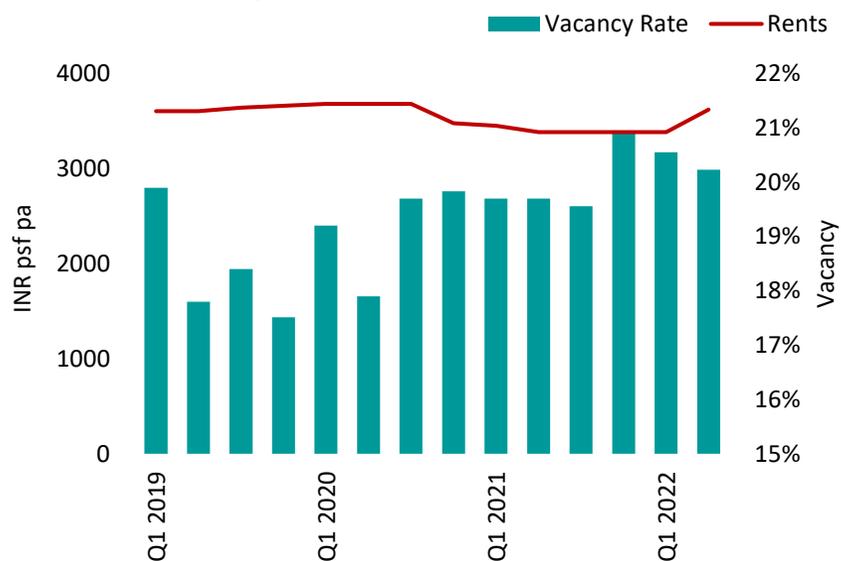


For more information, please contact:

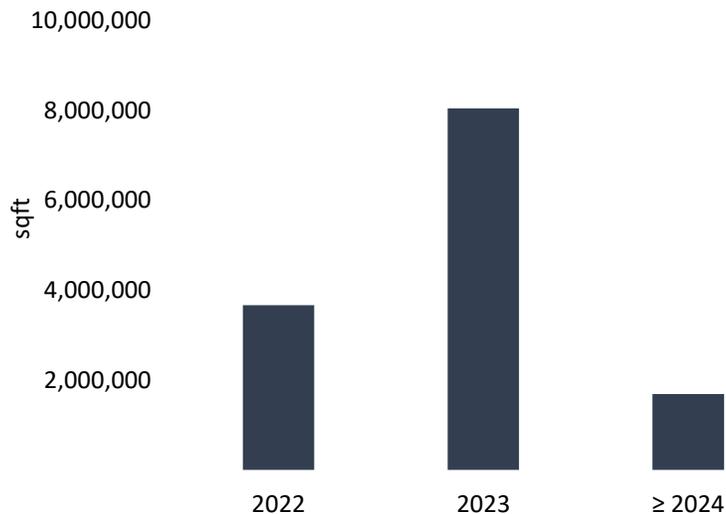
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Mumbai Metropolitan Region (MMR)

Rents and Vacancy



Future Pipeline Supply



Economic Indicators

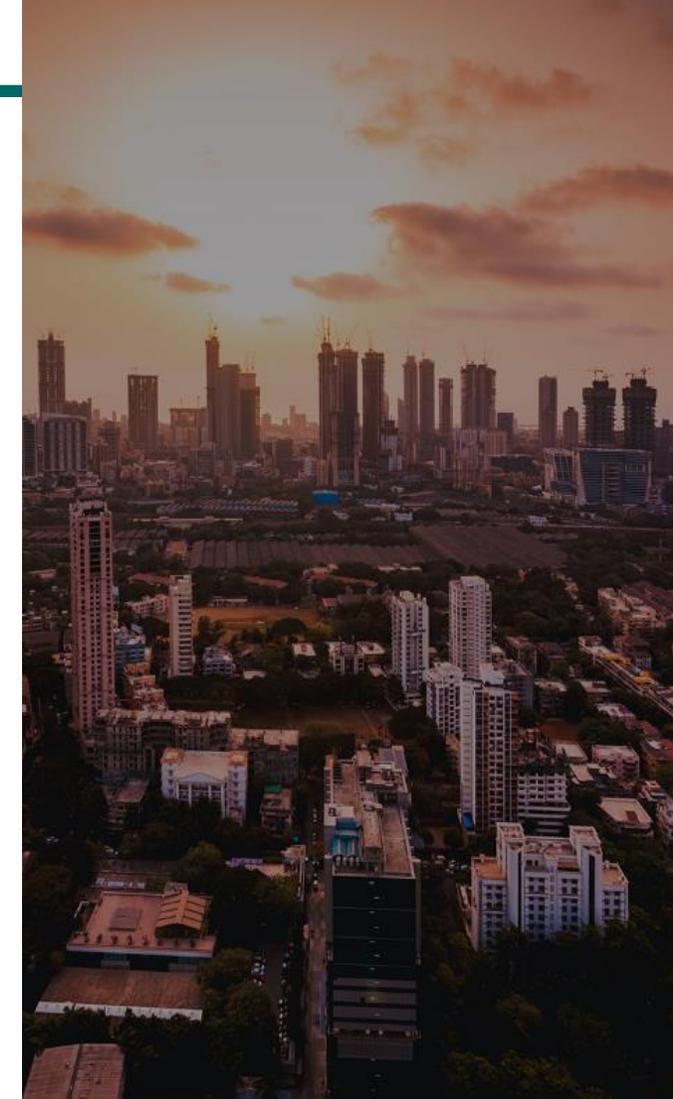
	2022F	2023F
GDP Growth	6.9%	6.2%
Unemployment Rate	NA	NA
Inflation	5.7%	5.7%

Real Estate Indicators

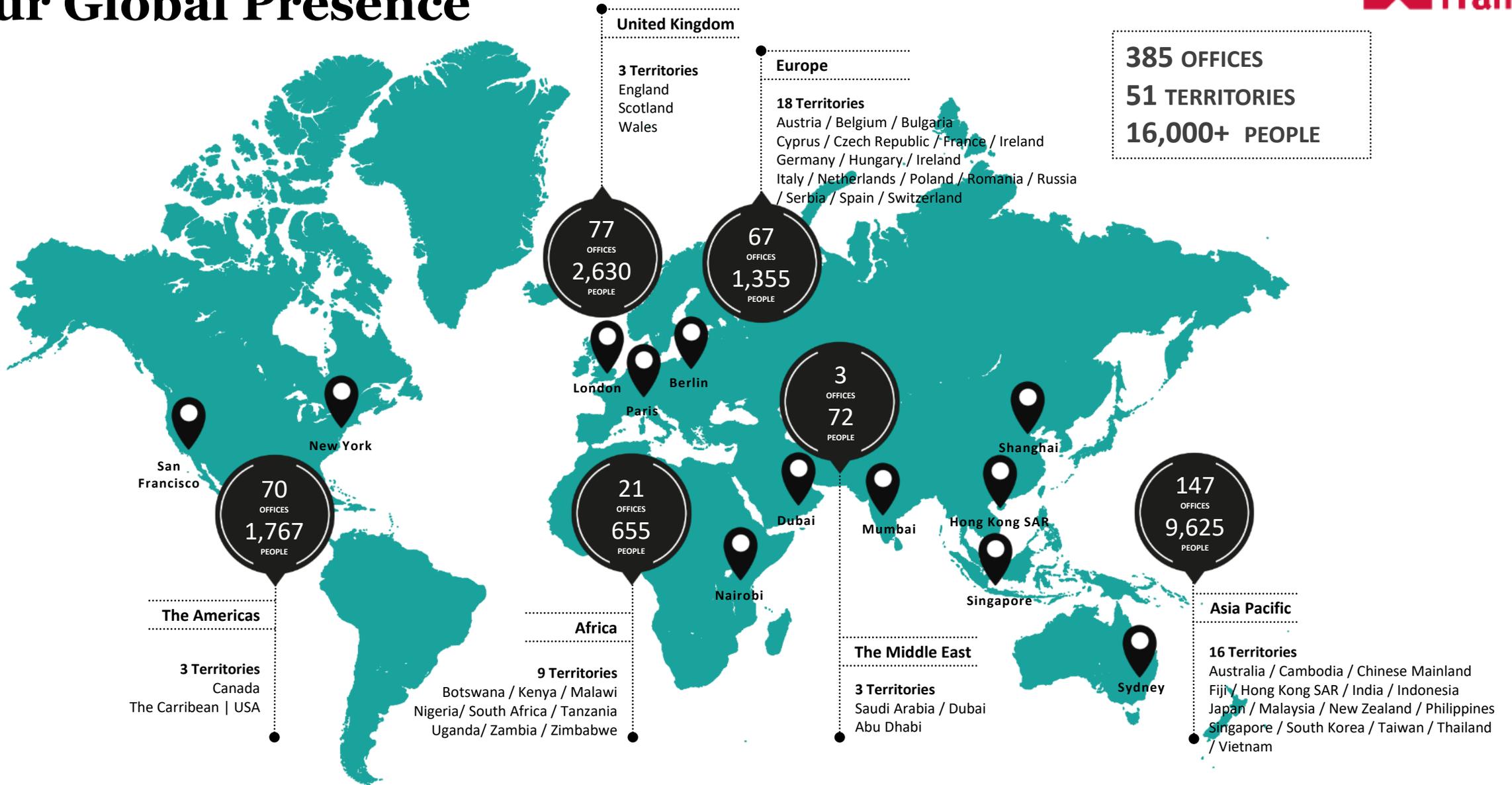
	Q2 2021	12mth Forecast
Prime Rent (INR psf pa)	3,622	↑
Vacancy	20.2%	→
Market Balance	Balanced	Balanced

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Our Global Presence



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.



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