

# Asia Pacific Office Market

Asia Pacific | Office  
2Q 2015



Accelerating success.

## Economic Overview

Global growth remained modest during 2Q 2015 due to major markets' divergent performances. Squarely focused on domestic developments, the US economy looks to be on firmer ground while the Eurozone seems to be rallying by leveraging lower energy costs and adhering to quantitative easing measures. That said, a stumble in Germany's growth and the ongoing Greek 'Grexit' crisis highlights the turnaround's fragility. Here in Asia, China's central government has cut its key lending rate for the fourth time in seven months in the face of an economic slowdown while the Japanese economy has experienced a modest recovery following a slight rebound in consumption.

## Leasing Market

The business outlook amongst occupiers in Asia's main markets currently remains very cautious due to the economic outlook and weakening corporate performance. As a result, cost control is continuing to influence corporate decision-making with many global occupiers avoiding ambitious expansion plans and emphasizing cost efficiencies and workplace enhancements. Of the key business sectors, IT and healthcare were the most active in terms of tenant groups seeking space to accommodate increasing headcounts and new service lines. The banking and finance sectors meanwhile are subject to conflicting forces. While large multi-national banks are implementing significant cost reduction strategies, their counterparts in China are actively expanding.

Overall, average prime office rents in Asia experienced a 1.2% quarter-on-quarter (QoQ) increase in 2Q 2015. With rental growth of 10.2% QoQ, Jakarta had the highest cost increase within the region due in part to the growing IT industry. At the other end of the scale, new supply of office space in Chengdu have resulted in office rents showing a QoQ decline of 3.4%.

## Sales Market

Activity across Asia has started to pick up with most real estate transactions concentrated on key markets such as Shanghai and Sydney due to lower borrowing costs and weakening currencies. Shanghai has attracted a couple of major office deals during 2Q 2015 and saw office real estate investment volume for the quarter more than triple to US\$1.1 billion. Increasingly active in China's first-tier cities such as Shanghai, foreign Real Estate Investment Trusts (REITs) have added stability to the market by becoming long-term players. A notable transaction was Mapletree's Greater China Trust's RMB1.88 billion (US\$303 million) acquisition of Sandhill Plaza in Pudong, Shanghai. Elsewhere, Sydney is dominating Australia's investment volume and accounted for around 50% of all volume sourced largely via groups from the US and Hong Kong.

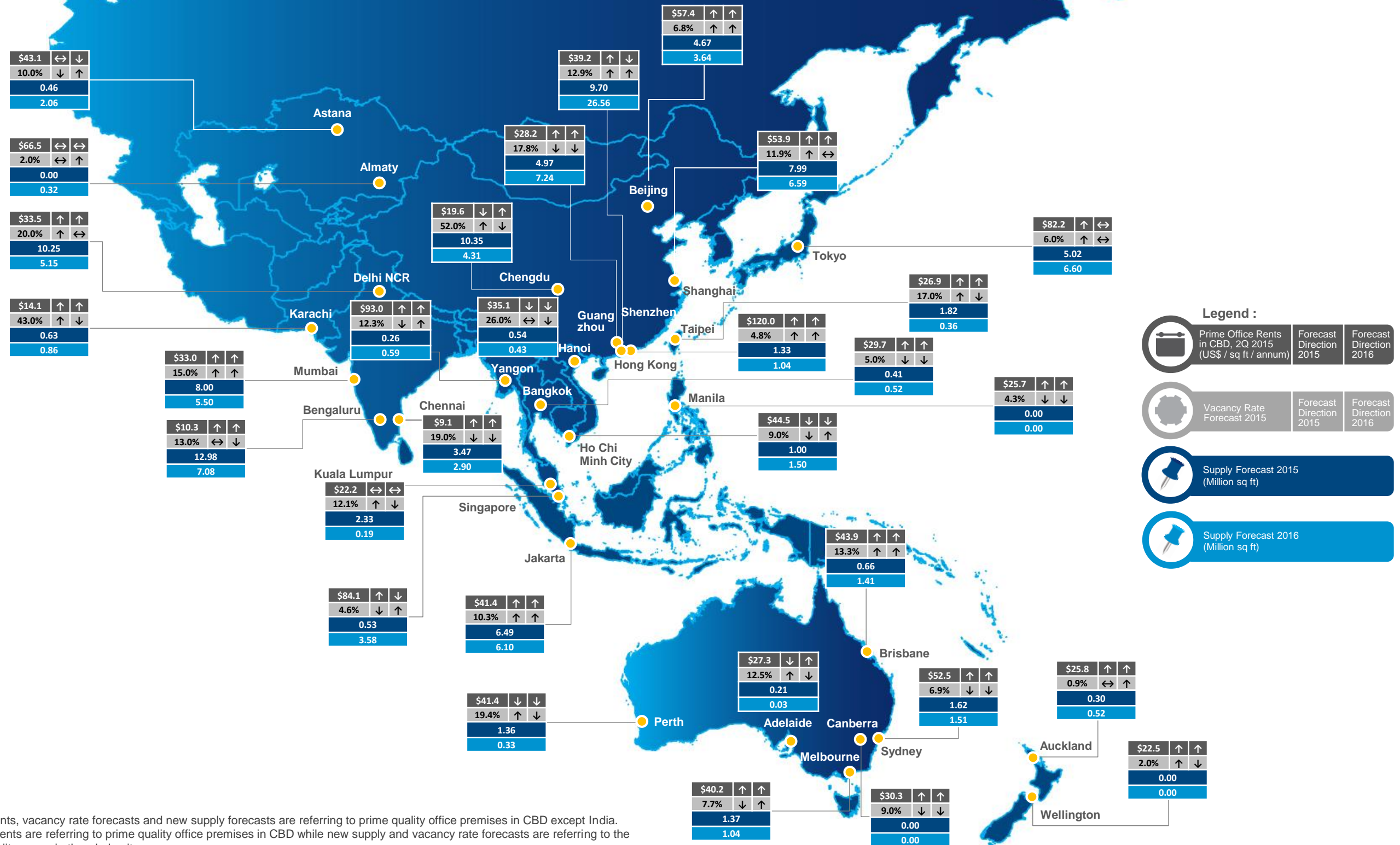
## Market Outlook

The second half of 2015 is expected to show positive economic growth driven by the US economy's robust recovery, lower oil prices, sustained quantitative easing across the Eurozone and China's 6-7% economic growth. Dampening this growth will be the risk of geopolitical turbulence.

Hong Kong looks likely to witness modest rental growth due to limited new office space supply while major mainland markets such as Shanghai, Guangzhou and Chengdu may experience downward pressures in rents following the addition of substantial office space throughout the rest of this year. On the sales front, yields are likely to compress further during the remainder of 2015. This is particularly true in key Asia Pacific markets such as Shanghai, Tokyo and Sydney.



# Our Presence in Asia Pacific



Note : Rents, vacancy rate forecasts and new supply forecasts are referring to prime quality office premises in CBD except India. In India, rents are referring to prime quality office premises in CBD while new supply and vacancy rate forecasts are referring to the prime quality space in the whole city.

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502 offices in  
67 countries on  
6 continents

United States:	140
Canada:	31
Latin America:	24
Asia:	39
ANZ:	160
EMEA:	108

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**\$2.3**  
billion in  
annual revenue

**\$1.70**  
billion square feet  
under management

**16,300**  
Professional  
and staff



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