

Asia-Pacific prime office rents remain resilient in Q2 despite rising inflation Bengaluru recorded the highest annual office rental growth in the APAC region in Q2 2022 at 12.1%, followed by Mumbai at 7% YoY: Knight Frank Asia-Pacific Prime Office Rental Index Q2 2022

- Delhi-NCR is the most expensive prime office market in India; ranks 10th in the APAC region
- Mumbai's prime office rental market achieves the highest sequential growth

Mumbai, 26th July, 2022: Knight Frank, in its recent edition of the *Asia-Pacific Prime Office Rental Index for Q2 2022* noted **Delhi-NCR as the 10th most expensive commercial real estate market in the APAC region.** The annual prime headline rent of commercial office space in the city was recorded at US\$ 51.6/sqft/year). Hong Kong SAR continued to be Asia's most expensive office market with an annual rent of US\$ 175.4/sqft/year.

In terms of annual growth, **Bengaluru witnessed the highest prime office rental percentage increase of 12.1% YoY in Q2 2022. Mumbai achieved the highest quarterly change at 7% in its prime office rental value.** The APAC office rental index registered a growth of 1.0% quarter-on-quarter (QoQ), after gaining for two consecutive quarters. The overall index is up by 2.0% year-on-year. Of the 23 cities tracked by Knight Frank's Asia-Pacific Prime Office Rental Index, 17 cities recorded stable or increasing rents in Q2 2022, as compared to 21 in the previous quarter.

Shishir Baijal, Chairman and Managing Director, Knight Frank India said, *"As the economy stabilises post pandemic, there is a rise in new hiring across most industries along with a move towards return to office which is propelling demand for offices in India. The Indian office market witnessed strong leasing trend that continued into Q2 2022 with Bengaluru leading in transaction volumes. With its unique position, India can expect its key driving sectors such as IT/ ITeS to continue to grow despite global headwinds."*

Key highlights of the performance of key Indian cities:

Bengaluru

With an increase of 12.1% YoY, Bengaluru was the best-performing prime office market in the APAC region in terms of rental growth in Q2 2022 as compared to the last year. The rental value in the city is projected to rise during the following 12 months. With the 22nd position on APAC Prime Office Rental Index, the city finds itself as one of the least expensive prime office markets in APAC region. The prime office rent of the city was recorded at INR 1,620/sqft/year.

Mumbai

The prime office rent of the city was recorded at INR 3,622/sqft/year and was the 11th most expensive commercial market in the APAC region. The prime office market of the city grew 7% YoY after three quarters of stagnation. The rental value is expected to increase over the next 12 months.

Delhi-NCR

The prime office market of Delhi-NCR continues to see rental values maintain levels seen in the past four quarters. However, the rental value is expected to increase over the next 12 months as transaction volumes are expected to pick up going forward. The prime office rent of the city was recorded at INR 4,078/sqft/year.

APAC Prime Office Rent, location – Rank by Occupancy cost (US\$/ Sqft/ Yr)

RANK	CITY	Q2 2022 PRIME HEADLINE RENT (US\$ / SQ FT/ YEAR)
1	Hong Kong SAR	175.4
2	Sydney	93.3
3	Singapore	89.4
4	Tokyo	70.1
5	HCMC	56.0
6	Beijing	54.8
7	Melbourne	53.7
8	Perth	52.5
9	Brisbane	52.3
10	NCR	51.6
11	Mumbai	45.8
12	Shanghai	43.7
13	Auckland	39.0
14	Bangkok	35.5
15	Taipei	32.5
16	Shenzhen	32.4
17	Seoul	32.4
18	Guangzhou	30.5
19	Manila	29.3
20	Phnom Penh	27.2
21	Jakarta	25.5
22	Bengaluru	20.5
23	Kuala Lumpur	15.6

Source: Knight Frank Research

Asia Pacific Prime Office Rents for Q2 2022 (ranking provided basis Quarterly changes)

CITY	QUARTERLY CHANGE (QOQ %)
Mumbai	7.0%
Bengaluru	4.9%
Brisbane	3.3%
Sydney	3.0%
Perth	1.7%
Phnom Penh	1.2%
Singapore	1.1%
Manila	0.8%
Shenzhen	0.6%
Taipei	0.5%
Hong Kong SAE	0.4%
Bangkok	0.4%
New Zealand (Auckland)	0.0%
Seoul	0.0%
New Delhi	0.0%
Guangzhou	0.0%
Beijing	0.0%
Tokyo	-0.1%
Shanghai	-0.3%
Kuala Lumpur	-1.0%
HCMC	-2.0%
Jakarta	-3.5%
Melbourne	-3.8%

Source: Knight Frank Research

Asia Pacific Prime Office Rents for Q2 2022 (ranking provided basis Annual changes)

CITY	ANNUAL CHANGE (YOY %)	FORECAST NEXT 12 MONTHS
Bengaluru	12.1%	Increase
Mumbai	7.0%	Increase
Singapore	4.0%	Decrease
Shanghai	4.0%	Flat
Sydney	3.6%	Flat
Brisbane	3.6%	Decrease
Tokyo	3.0%	Increase
Seoul	2.7%	Increase
Hong Kong SAE	2.6%	Flat
Perth	2.3%	Decrease
Kuala Lumpur	1.8%	Increase
Taipei	0.2%	Increase
New Delhi	0%	Decrease
Bangkok	-0.2%	Flat
Beijing	-0.6%	Decrease
Shenzhen	-1.5%	Flat
Guangzhou	-1.5%	Increase
HCMC	-2.8%	Decrease
Manila	-3.1%	Flat
New Zealand (Auckland)	-3.6%	Flat
Melbourne	-3.8%	Flat
Jakarta	-5.8%	Flat
Phnom Penh	-7.2%	Increase

Source: Knight Frank Research

Sharing an overview of the prime office performance in the APAC region, **Tim Armstrong, Global Head, Occupier Strategy and Solutions, Knight Frank**, said: “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.”

Highlights for Q2 2022:

- Of the 23 cities tracked by the index, 17 cities recorded stable or increased rents this past quarter, as compared to 21 in the previous quarter.
- The rental growth, Quarter-on-quarter growth in Q2 2022 was up by 1%. This is the third consecutive quarter that has seen rental growth.
- Year-on-Year (YoY), the overall index is up 2.0%, the third consecutive rise. Overall, vacancy improved by 1.9% from Q1 2022.
- Rents for almost half of the cities tracked in the index have returned to pre-pandemic levels.
- Singapore is the only city to have sustained rent expansion since Q3 2021, indicating strong business confidence in the city-state.
- Bengaluru recorded the highest year-on-year growth at 12.1%.
- On a quarterly basis, Mumbai saw the highest prime office rental increase by 7.0%.

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