



For Immediate Release

2023 APAC Office Outlook: Inflation to outstrip rents in near-term as COVID-delayed supply comes online; overall demand shows modest y-o-y increase

- *Full-year office demand in 2022 likely to hit 65 msf, up marginally on last year*
- *Further 9% increase in demand forecast for 2023*
- *Demand will be offset by heightened supply; vacancy set to increase.*

SINGAPORE, THURSDAY, DECEMBER 8, 2022 – Asia Pacific’s office markets continue to demonstrate resilience against a backdrop of uneven demand, increasing supply and continuing indecision around hybrid work models.

Demand

Cushman & Wakefield’s Asia Pacific Office Outlook 2023 shows that full-year office demand for 2022 is expected to reach 65 msf, slightly above the 63 msf recorded in 2021 and well above the pandemic lows of 2020 (approximately 36 msf). A modest improvement of 9% year-on-year (71 msf) is forecast for 2023 with growth then expected to stabilize at around 5% per annum through to 2026.

Supply

This demand will be somewhat offset by increased supply, as projects that were delayed through the pandemic begin to come online. The *2023 APAC Office Outlook*, which tracks 25 key cities across 11 Asia Pacific markets, shows that 112 msf of new supply is on track to be delivered through 2022, with another 130 msf expected in 2023. From 2024, supply is expected to slow to less than 100msf per year.

Vacancy

Vacancy rates in the majority (68%) of markets are expected to soften next year, with over half (56%) seeing higher rates in 2026 that presently. But while markets with strong incoming supply – including Ho Chi Minh City and some Tier 1 cities in India and mainland China – will see vacancy rise in excess of four percentage points, vacancy rates in Australia’s eastern seaboard markets are expected to tighten modestly.

Rent



The disparities across the region are similarly evident in rental forecasts next year, with Tokyo's forecast 3.6% softening contrasted with Melbourne's predicted 5% growth. Overall, rental growth is expected to gain momentum from 2024 in line with improvements in the broader economy and as new supply slows.

Cushman & Wakefield's **Head of Insight and Analysis for Asia Pacific Dr Dominic Brown** said the modest improvements in the 2023 forecast were in line with current markets trends.

"We are currently seeing strong demand in business process outsourcing locations, with both India and the Philippines attributing a portion of future demand to new entrants from the IT-BPO/BPM sectors.

"We will continue to see a rise in outsourcing from Western markets along with improved return-to-office rates across the region.

"At the same time, the ongoing flight-to-quality trend means there is more demand for fewer assets. These trends will continue to drive overall demand in the region."

But Dr Brown said that despite improved demand, rents in some markets were unlikely to keep pace with inflation in the near future.

"Rental growth across much of the region appears comparatively benign, at least in the near term, and unlikely to match the current high levels of inflation. Stronger rental growth is expected across many markets from 2024 as new supply slows and demand improves in line with economic recovery.

"Office-based employment forecasts point to ongoing growth in the region, particularly in the emerging markets where the demographics of the workforce, together with an increasing focus on service industries, is supporting the demand for office space. We expect these drivers will continue to bode well for the region overall, albeit with nuances across local markets and sub-markets."

You can read the [Asia Pacific Office Outlook overview](#) or [explore the outlook for specific markets](#) on the [Cushman & Wakefield website](#).

Note to editors: Cushman & Wakefield collects data across 40 Asia Pacific markets. Office Outlook 2023 forecasts are **based** on data from the top 25 markets.



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