Strengthening economic headwinds impact leasing and investment activity

+3.5% / +3.7%
APAC GDP Growth
(2022F/2023F)

+27.3% / +32.3%
APAC Net Employment Outlook
(Q3 2022 / Q4 2022)

+3.7% / +4.5%
APAC Industrial Production
(2022F/2023F)

Note: The net employment outlook is calculated by taking the percentage of employers anticipating an increase in hiring activity and subtracting this from the percentage of employers expecting a decrease in hiring activity.
Source: CBRE Research, ManpowerGroup Employment Outlook Survey Global Q3 2022 & Q4 2022, Oxford Economics, October 2022

Executive Summary

- **Office:** Macroeconomic headwinds and inflationary pressure weighed on office leasing activity in Q3 2022, pulling down net absorption by 11% q-o-q to 10.1 million sq. ft. NFA. Finance remained the main engine of leasing demand, with activity also seen from tech and co-working platforms. Rents increased by 0.4% q-o-q and 1.1% y-t-d.
- **Retail:** Retail sales growth slowed as global recessionary fears continued to cloud consumer confidence. However, vacancy declined across the region along with the further easing of pandemic-related restrictions. Rents fell 1.8% y-o-y but posted a quarterly gain of 0.3% q-o-q.
- **Logistics:** Leasing activity eased across Asia in Q3 2022, with markets including mainland China, Korea and India recording weaker demand. Leasing volume in the Pacific was weak compared with the same period of last year, owing to a further drop in availability. Rents grew by 1.4% in Q3 2022, a slightly slower rate than in the previous two quarters.
- **Investment:** High interest rates continued to impair investment in major Asia Pacific markets, driving down commercial real estate investment volume by 20% y-o-y to US$27.3 billion. Acquisitions were driven by real estate funds, property companies, REITs, and institutional groups. Cross-border investment fell 1.0% y-o-y to US$8.0 billion.

Table 1: Quick Figures

Investment*	q-o-q	y-o-y
Total volume	-7%	-20%
Cross-border	-6%	-1%
Office	**q-o-q**	**y-t-d**
Rents	+0.4%	+1.1%
Capital values	-1.3%	+0.5%
Retail	**q-o-q**	**y-t-d**
Rents	+0.3%	-1.8%
Capital values	-0.9%	-1.9%
Logistics	**q-o-q**	**y-t-d**
Rents	+1.4%	+5.7%
Capital values	+0.5%	+2.9%

Source: CBRE Research, Q3 2022.
*Transactions include deals above US$10 million in the office, retail, mixed, industrial, hotel and other commercial sectors

Economy

Deteriorating economic conditions stoke fears of global slowdown

Recessionary fears continue to rise globally amid faster than expected rate hikes as a result of lingering inflationary pressures. Continued geopolitical tensions in the EU and the resulting decision to halt consumption of Russian gas exports has seen energy prices increase significantly across the region, putting further pressure on households and businesses. While growth in Asia Pacific will weaken, a recession is not anticipated.

Most Asian currencies have fallen in value comparative to the USD in recent months as the Federal Reserve has remained hawkish on inflation and interest rates. The JPY (-21.1% y-t-d as of 27th October), KRW (-15.9%) and RMB (-12.1%) have been significantly impacted.

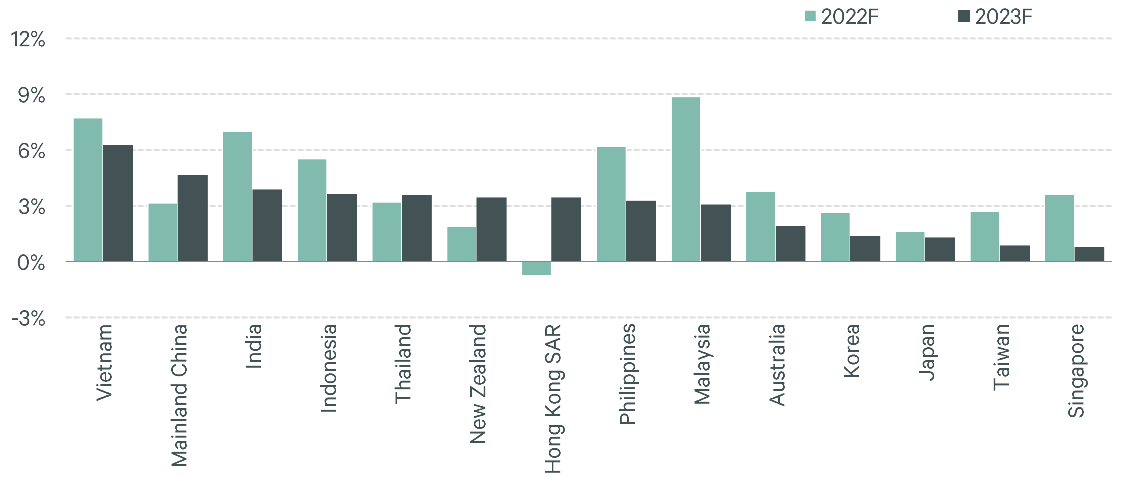
As a result of these changing economic conditions, CBRE has downgraded its 2023 GDP forecast for most major Asia Pacific markets from July's 4.1% to 3.7% as of end-October. However, this region will fare much better than the rest of the world.

Cost of debt continues to rise in most major markets

Central banks, both within Asia Pacific and globally, retain an aggressive stance towards monetary policy. In this region, all markets except for mainland China and Japan have increased central policy rates, with many central banks having put-up base rates by +250 bps since the beginning of the year.

With inflationary pressures still apparent, the consensus is that central policy rates for most major markets (ex. mainland China and Japan) will peak in H2 2023, before beginning to fall to the neutral rate in 2024.

Figure 1: Asia Pacific 2022 and 2023 GDP Growth Forecast (%, Y-o-Y)



Source: CBRE Research & Oxford Economics, forecast as of October 2022

Table 2: Key Interest Rate Changes

Market	Rate	As of 2nd November 2022 (%)	YTD Change
Hong Kong SAR	3M HIBOR	4.68	+443 bps
Singapore	3M SIBOR	3.93	+350 bps
Australia	Cash Rate	2.85	+275 bps
New Zealand	Cash Rate	3.50	+275 bps
Philippines	Reverse Repo Rate	4.25	+225 bps
Vietnam	Discount Rate	4.50	+200 bps
Korea	Base Rate	3.00	+200 bps
India	Policy Repo Rate	5.90	+190 bps
Indonesia	7-Day Repo Rate	4.75	+125 bps
Taiwan	Discount Rate	1.625	+50 bps
Thailand	1-Day Repo Rate	1.00	+50 bps
Japan	Key Policy Rate	-0.10	Stable (0 bps)
Mainland China	1Y Loan Prime Rate	3.65	-15 bps

Note: SIBOR and HIBOR are reference rates for interbank lending, not policy rates.
Source: Central Banks, CBRE Research November 2022..

Office

Investment Turnover -18% y-o-y

Capital Values -1.3% q-o-q

Rental Values +0.4% q-o-q

Leasing activity weakens

Macroeconomic headwinds and inflationary pressure weighed on office leasing activity in Q3 2022, resulting in a 11% q-o-q decline in net absorption to 10.1 million sq. ft. NFA, the weakest quarterly figure since Q1 2021. Although mainland China witnessed a mild recovery following the release of pent-up demand in Shanghai, leasing in other major Asia Pacific markets either cooled or remained weak.

While net absorption in Indian tier I cities fell from the previous quarter's highs to 5.7 million sq. ft. NFA, these markets still comprised 60% of regional net absorption. The continued lack of supply limited leasing activity in Seoul, but strong net absorption in Singapore ensured the y-t-d total exceeded 2021's full year net absorption.

A moderate uptick in net absorption was witnessed in Hong Kong SAR and Tokyo, with pre-committed space in new supply ensuring both markets' net absorption turned positive for the second time this year.

Strong demand for new and prime buildings

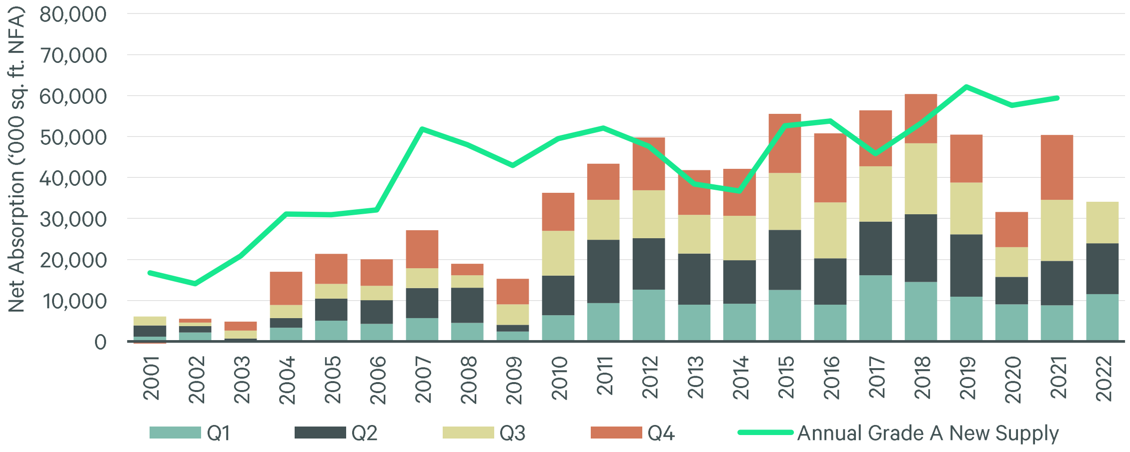
Flight-to-quality relocation remained the most popular leasing strategy, with activity often involving consolidation and cost saving due to economic uncertainty and CapEx concerns.

Finance was the main engine of leasing demand this quarter. In mainland China, domestic securities, funds, and banks were active, with several asset management and insurance companies expanding.

In the tech sector, leading mainland Chinese tech firms continued to terminate leases in their home market, review their overseas footprint, and consider withdrawing from early commitments in some locations. Other markets witnessed a slowdown in expansion by tech start-ups amid a shortage of venture capital.

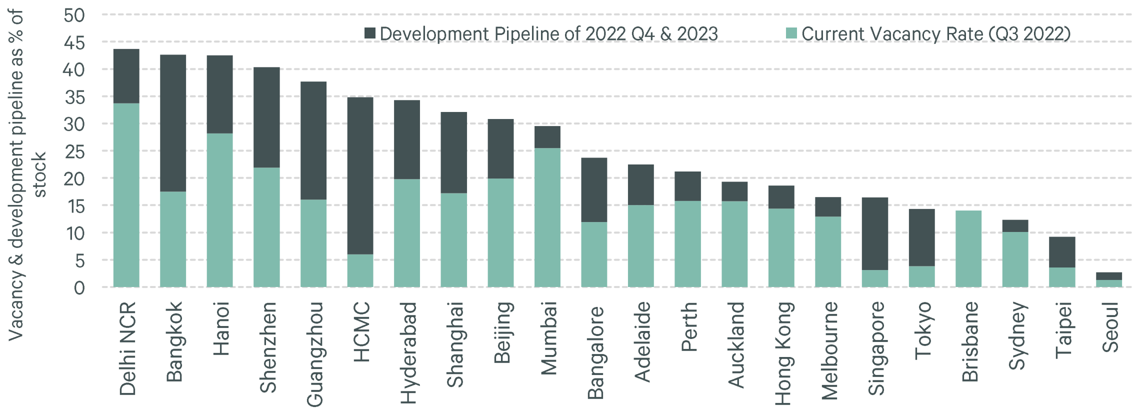
Coworking operators remained active in Hong Kong SAR and Singapore. International operators in the former continue to expand with an eye on prime buildings in core locations.

FIGURE 2: Asia Pacific Office Net Absorption



Source: CBRE Research, Q3 2022

FIGURE 3: Vacancy Rate and Development Pipeline



Note: Grade A vacancy rate and new gross supply as a % of Grade A stock for Asian markets. Pacific markets are based on total vacancy and new gross supply as a % of total stock..
Source: CBRE Research, Q3 2022

New supply rebounds

After two subdued quarters, new Grade A office supply rose 7.2% q-o-q to 11.9 million sq. ft. NFA, with the bulk of new stock coming on stream in Shanghai, Hong Kong SAR, Tokyo, and major cities in India.

The supply-demand imbalance ensured Asia Grade A vacancy increased by 11 bps to 17.6%. In Shanghai, five long-awaited new projects were released to the market this quarter. Most were in the Bund area, where competition for tenants remained intense, with the pre-leasing rate for individual buildings ranging from 20 to 80%.

This quarter saw the largest addition of new office space in Hong Kong SAR since Q3 1998, which pushed up overall vacancy to another all-time high of 14.4%.

Tight markets included Singapore and Seoul, where vacancy continued to compress to 3.1% and 1.3%, respectively.

Mild rental growth recorded

Regional rental growth gathered momentum over the quarter, rising 0.4% q-o-q and 1.1% y-t-d. Growth was mainly led by Australian markets, with rents in other cities either slowing their rate of growth or continuing to decline.

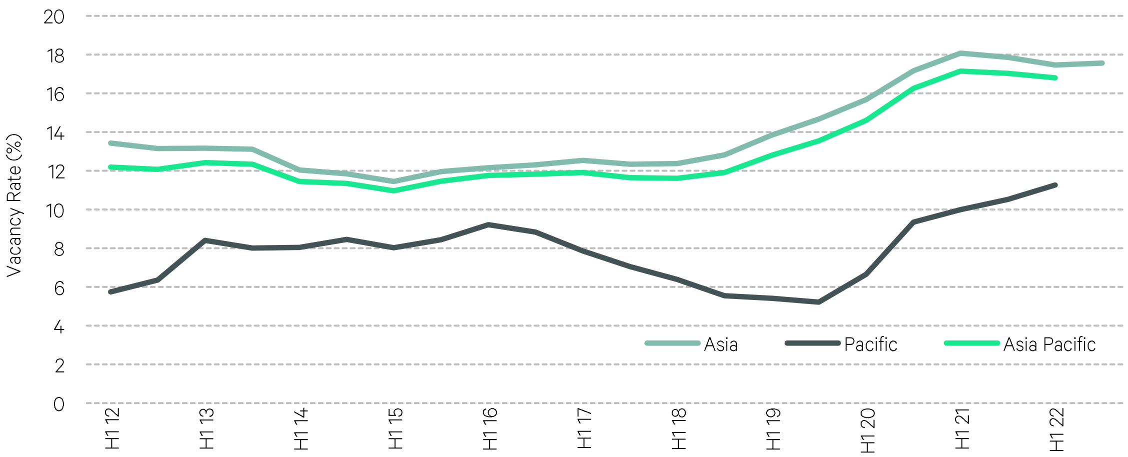
Landlords in Australia tightened incentives and pushed up rents more aggressively to drive returns over the quarter, which saw effective rental growth accelerate in Sydney and Brisbane.

While tightly supplied markets such as Seoul and Singapore continued to see rental growth, the rate of expansion slowed visibly over the quarter.

Rents in mainland China, Hong Kong SAR and Tokyo all declined. Guangzhou was the main laggard among mainland China tier I cities, with face rents dropping 0.8% q-o-q. Hong Kong SAR and Tokyo saw rents fall for a fourteenth and tenth consecutive quarter, respectively.

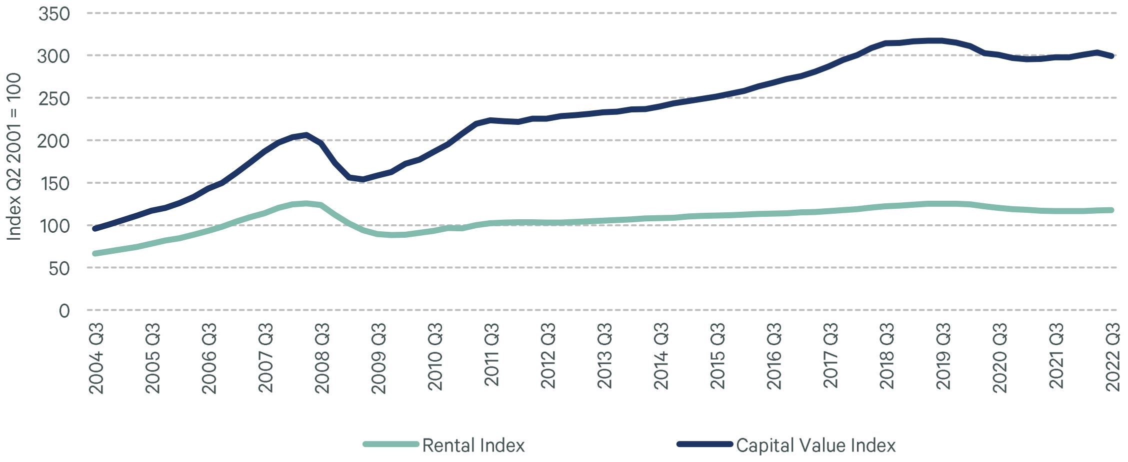
The Asia Pacific Office Capital Value Index softened slightly in Q3 2022 with prices falling in Hong Kong SAR, Shanghai, and Greater Seoul. Capital values in other markets were stable.

FIGURE 4: Asia Pacific Grade A Vacancy (%)



Source: CBRE Research, Q3 2022

FIGURE 5: Asia Pacific Office Rental and Capital Value Index



Source: CBRE Research, Q3 2022

Retail

Investment Turnover -12% y-o-y

Capital Values -0.9% q-o-q

Rental Values +0.3% q-o-q

Retail sales growth slows on recessionary fears

Retail sales growth slowed in Q3 2022 as mounting recessionary fears continued to cloud consumer confidence across the region. However, the relaxation of pandemic-related measures fuelled a recovery in selected markets such as Japan and Hong Kong SAR.

Retail sales in mainland China ended their sharp decline after the Shanghai lockdown was lifted in Q2 2022. Singapore saw continued retail sales growth arising from the end of domestic and border restrictions in the previous quarter. The partial re-opening of Japan's borders to tourists boosted the country's retail sector, particularly the luxury segment, while Australia's retail sales rose due to the low base effect.

Leasing activity shows slight recovery

The return of overseas tour groups helped Japan's retail trade and thus its leasing market in Q3 2022. High street demand was robust, with retailers also seeking space in secondary locations. Luxury retailers outperformed, with the sporting goods and housewares categories also posting strong sales.

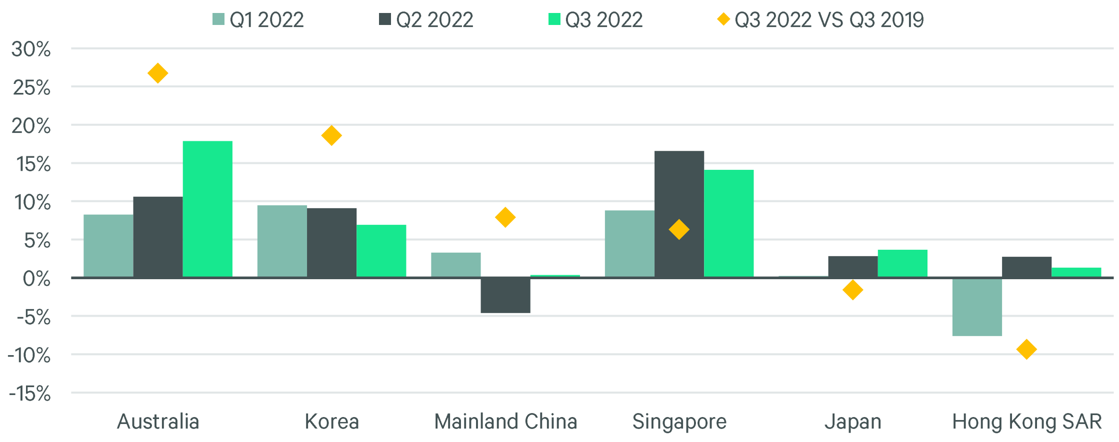
Benefitting from the easing of pandemic restrictions in the previous quarter and the second phase of the Consumption Voucher Scheme, vacancy in Hong Kong SAR fell by 2 pps to 14.4%. However, this is still well-above pre-pandemic levels of around 6-7%.

Retail demand in Australia was driven by steady economic growth. Bars and restaurants led leasing activity, supported by local demand. CBDs struggled with lower footfall compared to pre-pandemic times due to the adoption of hybrid working.

Strict pandemic restrictions in mainland China continued to dampen domestic demand. Vacancy rose further over the quarter, but at a slower pace compared to Q2 2022. Policy support helped car showrooms expand into non-prime locations, but F&B demand was weak amid rising costs and intense competition, with most new openings this quarter comprising of replacement demand.

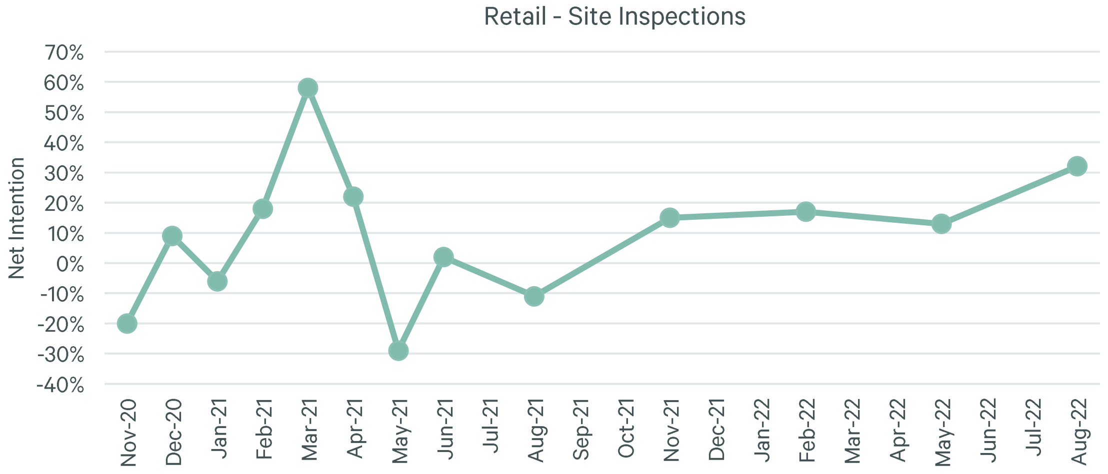
Except for mainland China, luxury brands were observed seeking new space across the region to increase their presence in prime areas, especially in North Asia. Second-hand luxury stores emerged as a new driver of leasing demand in Japan and Korea. However, demand from furniture and athleisure retailers slowed over the quarter.

FIGURE 6: Y-o-Y Growth in Overall Retail Sales in Selected Markets



Note: i) Number for Japan is calculated from the change in sales value;
Source: CEIC, CBRE Research, Q3 2022

FIGURE 7: Asia Pacific Leasing Sentiment Survey



Net Intention - Net % difference between positive & negative answers
Source: CBRE Research, Q3 2022.

Vacancy falls as pandemic control measures eased

Overall vacancy declined across the region in Q3 2022 along with the easing of pandemic-related restrictions. However, vacancy in mainland China edged up further due to new supply and several landlords reshuffling their tenant mix.

Around 8 million sq. ft. of new retail supply came on stream across Asia Pacific, with Shanghai and Shenzhen accounting for the bulk of new stock completed during the period.

Mainland China continued to experience significant construction delays, with nearly 1.5 million sq. m of new stock to be postponed to 2023.

Rents stage recovery on improved retailer sentiment

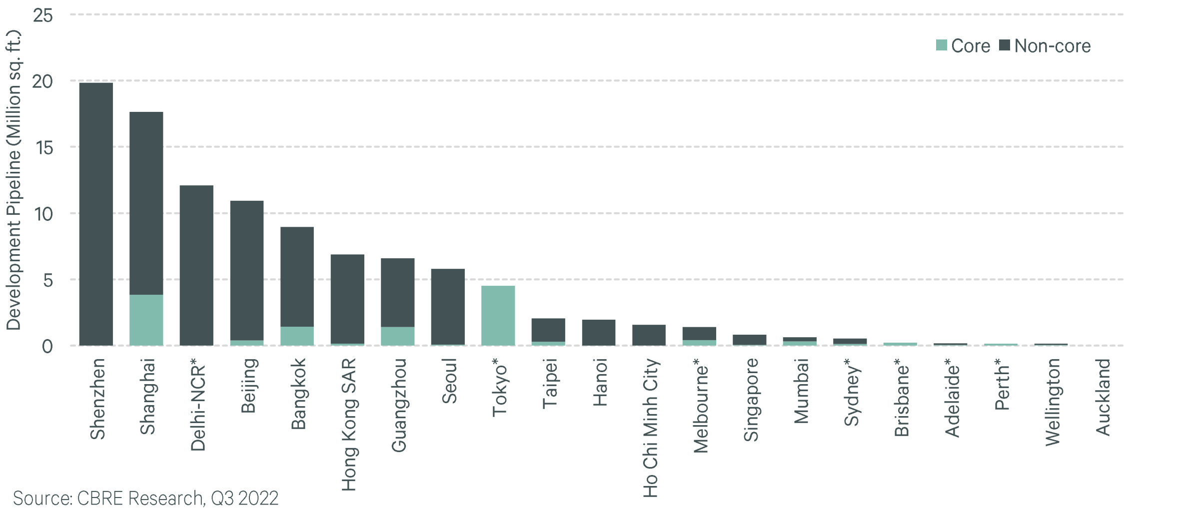
While Asia Pacific retail rents fell by 1.8% y-o-y in Q3 2022, they posted a quarterly gain of 0.3% q-o-q. Rents in Hong Kong SAR picked up by a further 2.9% q-o-q after the relaxation of some pandemic restrictions. Singapore saw rents rise by 0.8% q-o-q as the return to the office and visitor arrivals both gained momentum.

Rents in Brisbane rose by 3.9% q-o-q as workers, students and tourists returned to CBDs in greater numbers. Luxury retailers were seen looking for flagship locations, while more enquiries were recorded from large format F&B tenancies.

Weak demand along with a resurgence in COVID-19 infections weighed on rents in mainland China. Average rents in Shanghai declined 1.1% q-o-q in Q3 2022, although this marked a slower rate of decline compared to the 1.4% fall in Q2 2022. Rents in Taipei remained under downward pressure but are expected to commence a recovery before year's end as the border reopens.

The Asia Pacific Retail Capital Value Index fell 0.9% in Q3 2022 due to the weaker performance of mainland China, Taipei and Auckland. The decline was somewhat offset by slight recoveries in Hong Kong SAR, Tokyo and Brisbane.

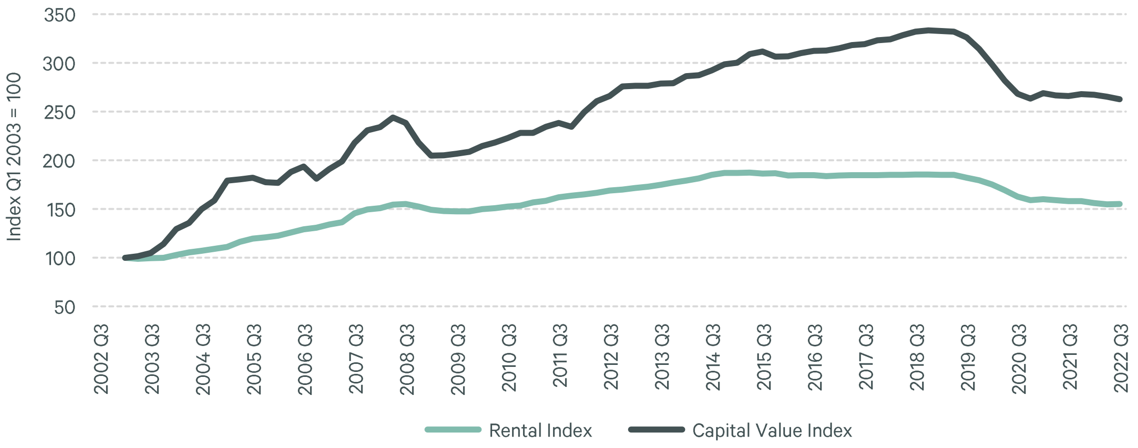
FIGURE 8: Retail Development Pipeline in 2022-23



Source: CBRE Research, Q3 2022

Note: Citywide supply were tracked except Tokyo (Core) and Australia (CBD and Regional Centres). No breakdown of core/ decentralised retail for Delhi- NCR.

FIGURE 9: Asia Pacific Retail Rental and Capital Value Index



Source: CBRE Research, Q3 2022

Logistics

Investment Turnover -49% y-o-y

Capital Values +0.5% q-o-q

Rental Values +1.4% q-o-q

Leasing activity continues to lose steam

Industrial and logistics leasing activity eased across Asia in Q3 2022, with markets including Korea and India recording weaker demand from e-commerce platforms.

Leasing volume in the Pacific was weak compared with the same period of last year, owing to a further drop in availability. However, the region logged a slight improvement in net absorption from the previous quarter, with activity edging up in undersupplied Sydney and Melbourne.

Despite witnessing softer leasing momentum amid shrinking consumption demand, mainland China recorded a 63% q-o-q increase in nationwide net absorption, although this was from a relatively low base. Demand was supported by online platforms and 3PLs taking up new space to cater to upcoming seasonal sales, which offset concerns regarding power cuts and citywide lockdowns under the zero-covid policy. Elsewhere, Singapore registered expansionary demand from the pharmaceutical and aerospace sectors, while 3PLs remained the most active segment in India.

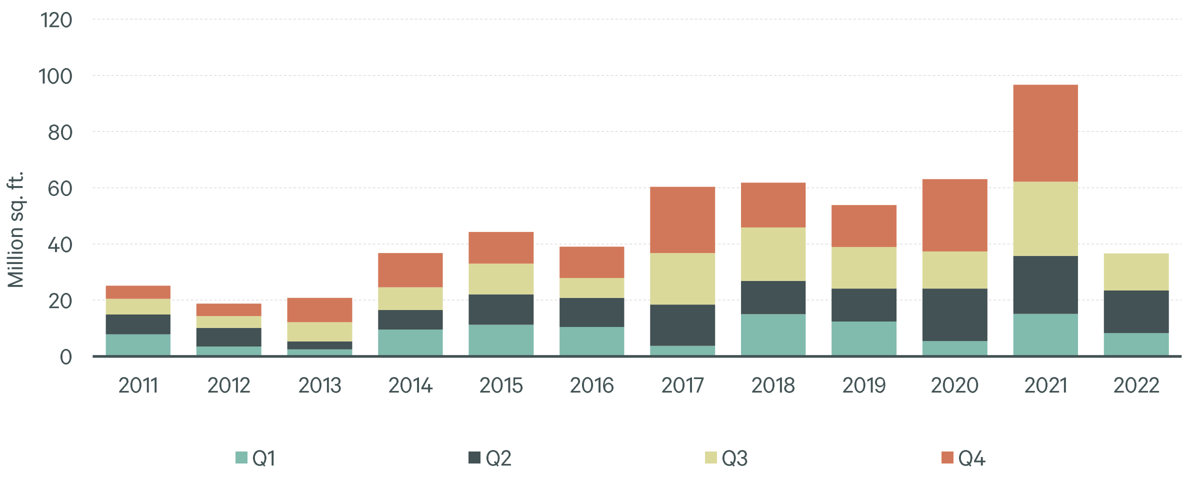
Occupancy remains high

While regional logistics vacancy remained low in Q3 2022, performance diverged across the region. Major markets in Asia registered a mild increase in vacancy, whilst the Pacific saw a tightening of availability.

Logistics vacancy in Beijing, Hong Kong SAR, and Greater Tokyo increased in Q3 2022 as new stock came on stream. With vacancy in the former surging following decade-high new supply, some facilities may find it difficult to attract tenants as occupiers turn more cost sensitive. In contrast, stable demand in Greater Tokyo should translate into steady logistics space take-up in the coming quarters.

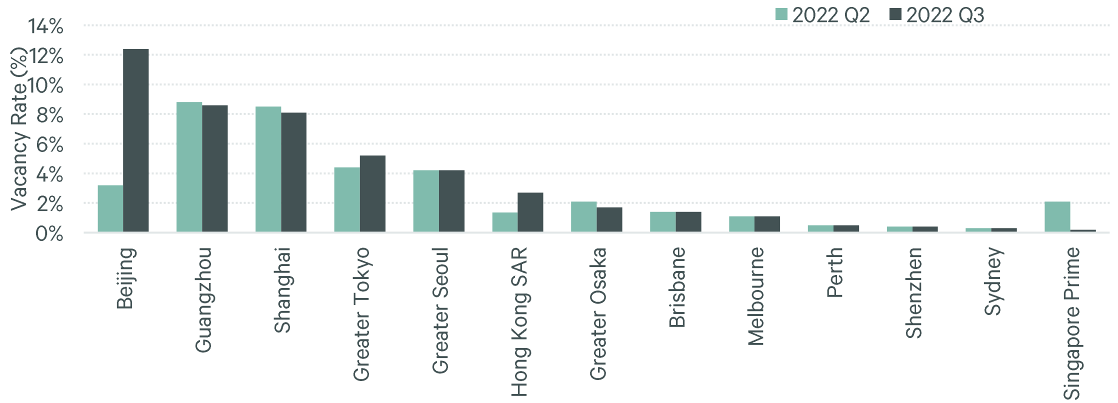
Despite the slight increase in new supply in the Pacific, a lack of industrial land as well as delays to the construction process owing to materials shortages, extreme weather events and soaring construction costs constrained availability.

FIGURE 10: Asia Warehouse Net Absorption (million sq. ft.)



Note: CBRE tracks net absorption for selected major markets in Asia (Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu, Chongqing, Wuhan, Nanjing, Ningbo, Hangzhou, Qingdao, Dalian, Shenyang, Tianjin, Greater Tokyo, Greater Osaka, Singapore).
Source: CBRE Research, Q3 2022

FIGURE 11 Logistics Vacancy Rate



Source: CBRE Research, Q3 2022

New Asia Pacific logistics supply will increase by 18% y-o-y in 2022. Projected full-year new supply in major markets has been revised down by 26% to 127 million sq. ft.

The adjustment is attributable to delays to several new logistics schemes in mainland China due to stringent anti-pandemic measures and power outages, which led to the temporary suspension of construction in Q3 2022.

The rising cost of financing and supply chain disruption in Korea is compounding problems faced by developers, causing delays and even defaults for some projects. Some new schemes targeted to be completed in the next two years have still not commenced construction, pushing back the new supply timeline.

Due to a rise in construction costs and extreme weather conditions, some developments in the Pacific will be delayed until Q4 2022 and potentially into 2023.

Pacific markets drive regional rental growth

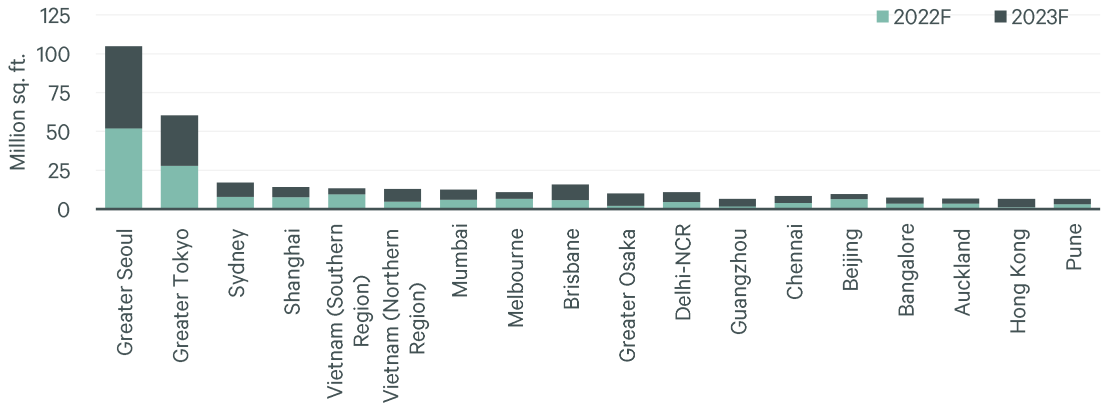
Regional rents grew by 1.4% q-o-q in Q3 2022, a slightly slower rate than in the previous two quarters. Rental performance across the region was bifurcated, with extremely low vacancy and soaring construction costs pushing up rents in Australia and New Zealand. Sydney, Adelaide, and Perth each registered rental growth of over 20% y-o-y this quarter.

Elsewhere, rents in Singapore have now climbed by 6.8% year-to-date, amid robust leasing momentum and a severe shortage of prime logistics space. CBRE has now revised up its full-year rental forecast for this market to 9-10%.

Rental growth in mainland China and Greater Tokyo lost momentum over the quarter. Properties on the outskirts of Tokyo recorded slight rental declines as occupiers turned more cautious against the backdrop of macroeconomic uncertainty, the weaker Yen and rising prices.

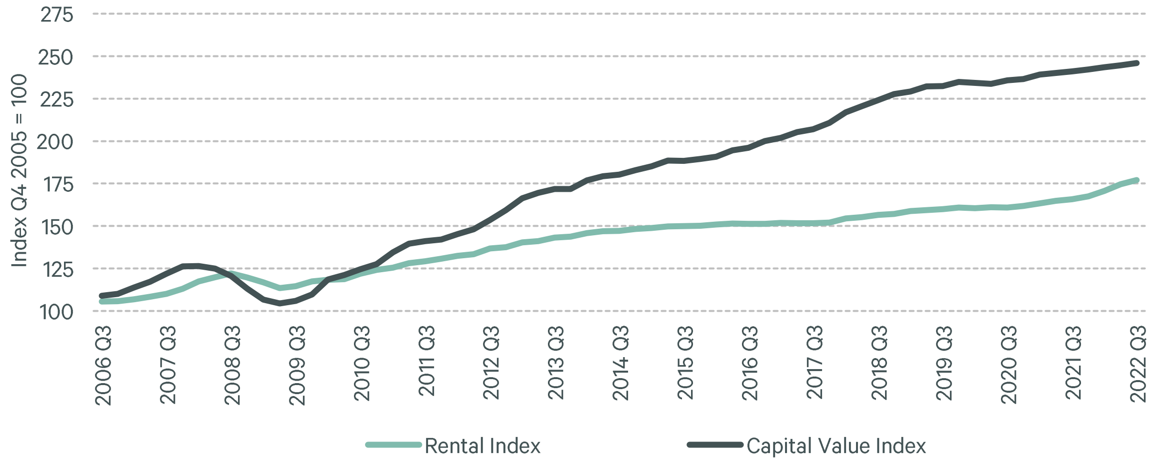
The Asia Pacific Logistics Capital Value Index extended its gains in Q3 2022 thanks to robust demand for logistics properties in Australia and Singapore. Continued stable demand will ensure industrial assets record milder yield expansion compared with the office and retail sectors.

FIGURE 12 Logistics Development Pipeline in Major Markets



Source: CBRE Research, Q3 2022

FIGURE 13: Asia Pacific Industrial Rental and Capital Value Index



Source: CBRE Research, Q3 2022

Investment

Total Investment Turnover
-20% y-o-y

Cross Border Turnover
-1% y-o-y

Investors turn cautious following rate hikes

Faster-than-expected interest rate hikes hindered investment in major Asia Pacific markets in Q3 2022, driving down commercial real estate investment volume by 20% y-o-y to US$27.3 billion. Acquisitions continued to be driven by real estate funds and institutional groups including sovereign wealth funds.

Market sentiment and investment remained subdued in mainland China due to the retention of zero-covid policies. Other weak markets included Australia and Hong Kong SAR, where investment volume declined following interest rate hikes of 175 bps and 158bps, respectively. The cost of borrowing in Australia and Korea reached 6% by the end of Q3 2022.

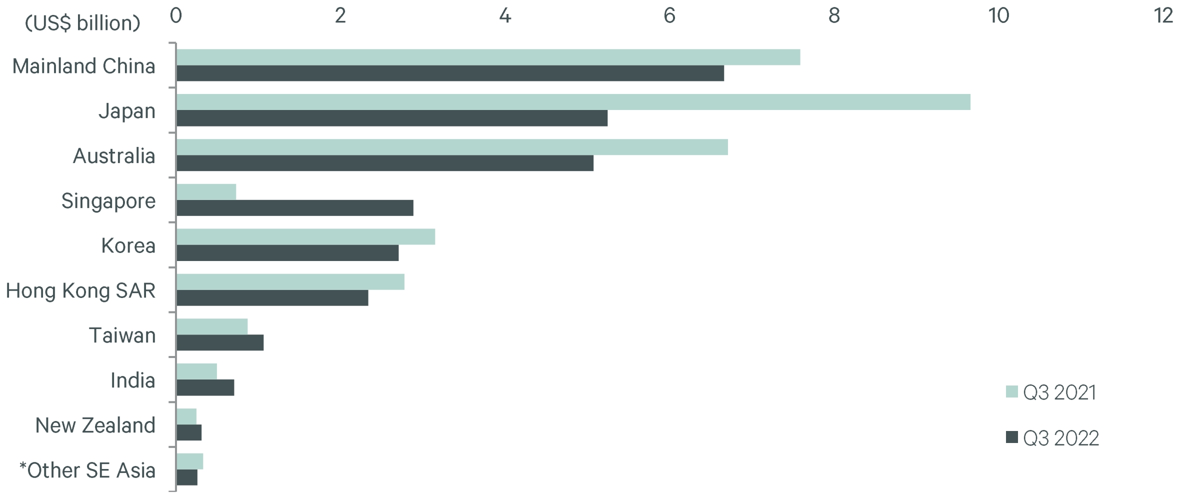
Office investment turnover amounted to US$14.8 billion in Q3 2022, a contraction of 18% y-o-y. Properties in Australia, and Japan remained sought after, ensuring these markets collectively accounted for more than 60% of total turnover. Major office assets to change hands in Q3 2022 included Joy Centre in Shanghai, Minato Mirai Centre Building in Greater Tokyo, and South Cross Towers in the Melbourne CBD. Although Hong Kong SAR witnessed the region's largest office deal, which saw Goldin Financial Global Centre change hands for US$892 million, investment demand for offices remained weak, with only eight deals completed this quarter.

Industrial deals added up to US$3.7 billion, a decline of 49% y-o-y, the largest fall among the three sectors. Korea and Japan were the only markets to record q-o-q growth in logistics investment volume, thanks to steady purchasing by REITs and real estate funds. However, market sentiment softened somewhat given tighter liquidity and economic uncertainty.

Retail transaction volume rose 12% y-o-y to US$4.3 billion from Q3 2021's relatively low base. Japan outperformed as the border fully re-opened to visitors and lured investors back to the sector.

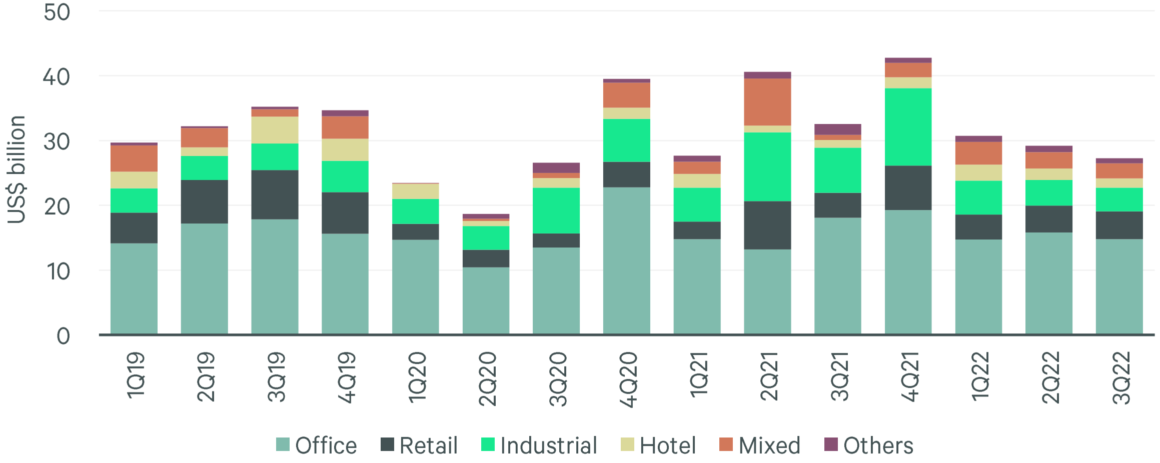
Hotel investment volume increased by 23% y-o-y to US$1.4 billion in Q3 2022. Investors are showing stronger interest for assets in tourism-oriented markets such as Hong Kong SAR and Japan, both of which eased arrival requirements for overseas travellers.

Figure 14: Q3 2022 Transaction Volume by Market y-o-y



Note: Transactions include deals above US$10 million in the Office, Retail, Mixed, Industrial, Hotel and Other commercial sectors
*Other SE Asia includes Malaysia, Indonesia, Thailand and Vietnam
Source: RCA, CBRE Research, Q3 2022

Figure 15: Q3 2022 Transaction Volume by Sector



Source: RCA, CBRE Research, Q3 2022

Offices attract bulk of cross-border investment

While cross-border investment fell 1.0% y-o-y to US$8.0 billion in Q3 2022, this marked a further improvement on the 9% y-o-y decline registered in Q2 2022.

Offices attracted 66% of total cross-border capital, an increase from 44% in Q2 2022. Major office deals included GIC and IGIS's purchase of Shinhan Finance Investment Tower in Seoul; and Ares SSG Capital Management's acquisition of a 51% stake in an under-construction office project in 83 Wing Hong Street in Hong Kong SAR.

Logistics accounted for 11% of total cross-border capital, down from 29% seen in Q2 2022. Retail's share increased from 4% to 6%, while hotel's portion fell from 4% in Q2 2021 to 2% in Q3 2022.

Japan was the most popular market for cross-border investment, attracting 42% of foreign capital in Q3 2022. Major deals included GIC's purchase of 31 hotel assets across the country for a combined US$1.1 billion from Seibu Holdings.

Around 7% of cross-border investment went into China in Q3 2022, down from over 30% before the pandemic. Major deals included Blackstone's US$234 million purchase of a cold storage facility in Guangdong.

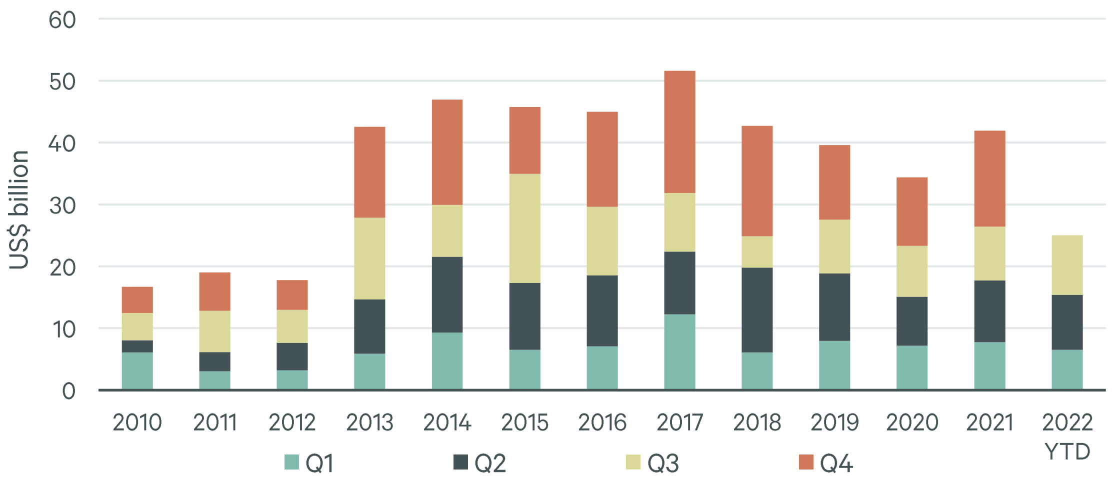
North American real estate funds displayed a healthy appetite for office and retail assets. Deals were led by CBRE Investment Management's purchase of a neighbourhood mall in Greater Tokyo and LaSalle Investment Management's acquisition of 15 Talavera Road in Greater Sydney.

Fund-raising remains solid

Fund-raising remained active as several large funds such as GLP and Blackstone achieved their final close or raised additional capital. While total y-t-d fund-raising has already hit 98% of 2021's full year total, recessionary fears and the rising cost of capital are expected to lead to a slowdown in investment and fund-raising activity over the next six months.

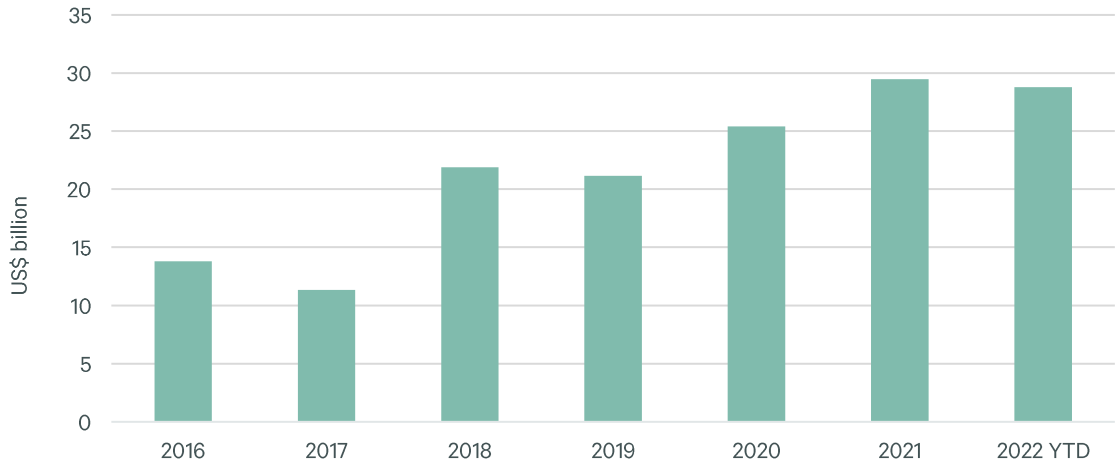
Given elevated uncertainty, real estate funds pursuing core and core-plus strategies remain popular, with major U.S. and Australia-based fund managers recently reaching a close on Asia-focused funds targeting regional opportunities across all sectors, primarily in Australia and Japan.

FIGURE 16: Cross-border transactions in Asia Pacific



Source: RCA, CBRE Research, Q3 2022

FIGURE 17: Total capital raised by Asia Pacific focused close-ended real estate funds



Source: Preqin, CBRE Research, Q3 2022

OUTLOOK

OFFICE

Strengthening economic headwinds will ensure office occupiers remain cost cautious in the months ahead.

Rising construction and fit-out costs will cause further delays to new supply in mainland China and Indian cities in the coming quarters.

Although y-t-d net absorption is currently on par with 2021's, CBRE expects there to be a slight decline on the full year figure, given weakening occupier sentiment and on account of Q4 2021 being one of the strongest quarters for net absorption in recent years.

Tight markets such as Singapore and Seoul will continue to see rental growth, but momentum will lose velocity next year.

Rents in core CBDs of mainland China tier I cities are expected to experience mild declines as landlords turn more accommodative amid weakening occupier sentiment. Pacific markets such as Sydney and Melbourne will see rising face rents along with elevated construction costs and incentives coming off from historical highs. This will result in higher net effective rental growth.

RETAIL

Retailers are expected to stay cautious over the next six months as they continue to monitor the economic slowdown. Inflation and recessionary risk will weigh on consumption.

While pandemic-related control measures will continue to negatively impact retailer performance in mainland China, leasing demand is expected to be stable in most other parts of the region.

Regional rents will face downward pressure in the coming six months. Rents in Japan, Australia and Singapore should stay firm, but those in mainland China are likely to undergo further declines.

LOGISTICS

Rising rents and fit-out costs will induce industrial and logistics occupiers to be more vigilant when reviewing their expansion needs in the months ahead. Shrinking global economic growth will also temper expansionary demand.

Rental growth is expected to lose momentum in most Asian markets in the coming quarters. In contrast, logistics property owners in the Pacific will benefit from a relatively more landlord-favourable market on the back of scarce supply.

INVESTMENT

Recent major interest rate hikes will continue to weigh on the investment market in terms of investor sentiment and activity.

Pricing has remained stable across most sectors as markets undergo price discovery amid surging borrowing costs. With cap rates likely to experience more upward pressure, prices could undergo some adjustment in Q4 2022 as investors attempt to deleverage and adopt a more cautious approach toward potential acquisitions.

With its low borrowing costs and decade-low JPY, Japan will lure more foreign capital in search of above-average returns. Investment in Singapore is expected to weaken as faster-than-expected interest rate hikes make it more challenging for investors to underwrite deals, especially now that returns across all sectors have become tighter.

Amid growing recessionary worries and geopolitical tension globally, Asia Pacific remains an attractive investment destination for overseas capital due to the region's relatively solid economic prospects and milder inflation. CBRE expects transaction volume in 2022 to reach US$128 billion.

Rental Cycle

FIGURE 18: Asia Pacific Office Rental Cycle Q3 2022

FIGURE 19: Asia Pacific Retail Rental Cycle Q3 2022

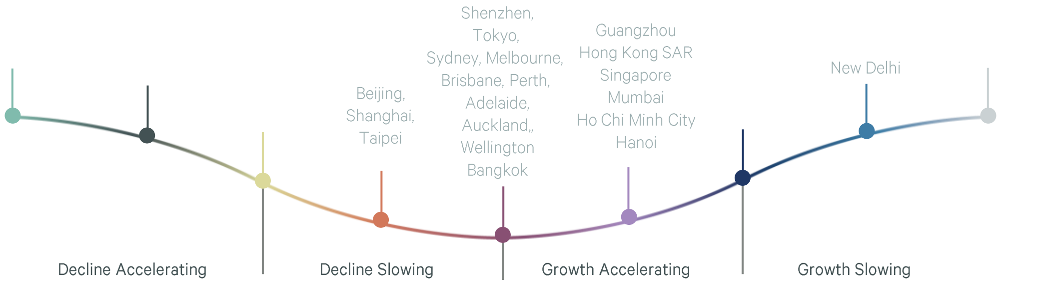
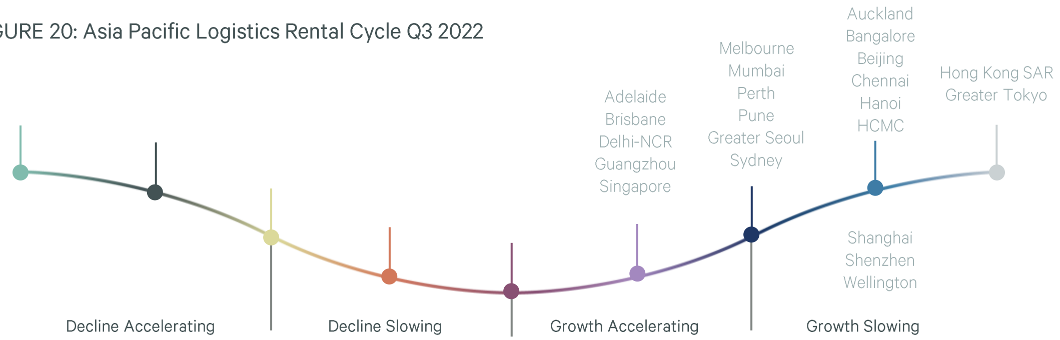


FIGURE 20: Asia Pacific Logistics Rental Cycle Q3 2022



Source: CBRE Research, November 2022

Note: Markets do not necessarily move along the curve in the same direction or at the same speed

Capital Value Cycle

FIGURE 21: Asia Pacific Office Capital Value Cycle Q3 2022

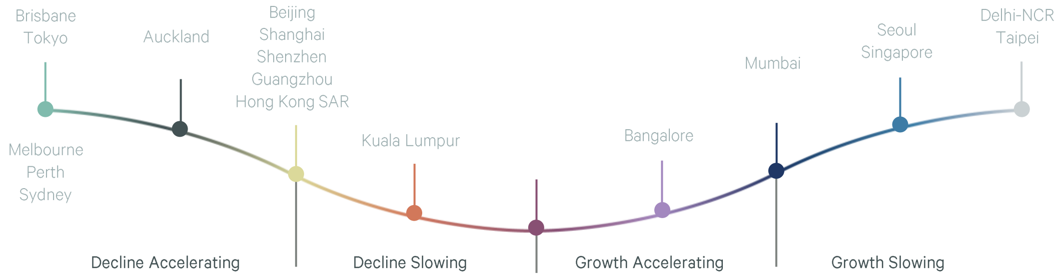


FIGURE 22: Asia Pacific Retail Capital Value Cycle Q3 2022

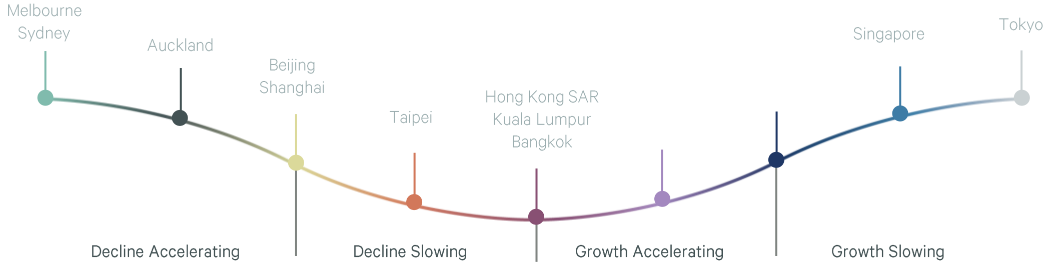


FIGURE 23: Asia Pacific Logistics Capital Value Cycle Q3 2022

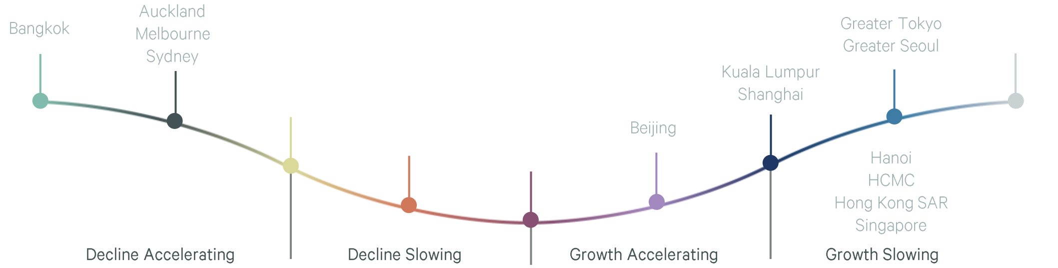


TABLE 4: Key Markets Indicative Grade A Office Rent and Overall Vacancy Rate

City	Per local measurement	Grade A rent (local)	US$/sq. ft. per annum	Q-o-Q change (%, local)	Y-o-Y change (%, local)	Vacancy rate (%)
Beijing	RMB sq. m. p.m.	453	99	-0.2	-0.5	19.9
Shanghai	RMB sq. m. p.m.	295	66	-0.7	1.0	17.2
Guangzhou	RMB sq. m. p.m.	173	40	-0.8	-2.2	16.0
Shenzhen	RMB sq. m. p.m.	205	46	-0.7	-1.4	21.9
Hong Kong SAR	HK$ sq. ft. p.m.	52.9	81	-1.0	-3.3	14.4
Taipei	NT$ ping p.m.	2,992	49	0.8	3.0	3.6
Tokyo	JPY tsubo p.m.	34,750	81	-0.3	-3.5	3.8
Seoul – CBD	KRW sq. m. p.m.	34,518	51	1.0	2.4	2.0
Seoul – Gangnam	KRW sq. m. p.m.	32,970	49	2.8	10.1	0.3
Seoul – Yeouido	KRW sq. m. p.m.	26,468	46	0.3	3.8	1.2
Delhi NCR – Delhi CBD	INR sq. ft. p.m.	295	58	0.0	1.7	10.1
Delhi NCR – Gurgaon	INR sq. ft. p.m.	111	25	0.4	2.0	32.9
Mumbai – Nariman Point	INR sq. ft. p.m.	210	39	0.0	0.0	7.4
Mumbai – BKC	INR sq. ft. p.m.	270	57	0.0	3.8	20.8
Bangalore – CBD	INR sq. ft. p.m.	136	27	0.0	0.7	12.9
Singapore	S$ sq. ft. p.m.	11.6	97	2.7	8.9	3.1
Bangkok CBD	THB sq. m. p.m.	1,055	31	0.4	-0.5	17.5
Ho Chi Minh City	US$ sq. m. p.m.	45.9	51	2.2	8.7	6.0
Hanoi	US$ sq. m. p.m.	26.0	29	0.6	6.0	28.2
Jakarta CBD	IDR sq. m. p.m.	244,555	20	-0.9	-3.8	24.5
Kuala Lumpur	MYR sq. ft. p.m.	6.7	17	0.0	-1.5	23.4
Manila - Makati	PHP sq. m. p.m.	1,324	25	0.5	-1.3	9.7
Adelaide CBD	A$ sq. m. p.a.	300	21	-0.2	-0.1	15.0
Brisbane CBD	A$ sq. m. p.a.	340	21	7.1	8.3	14.0
Canberra CBD	A$ sq. m. p.a.	315	22	0.0	3.0	6.9
Melbourne CBD	A$ sq. m. p.a.	411	28	0.8	3.1	12.9
Perth CBD	A$ sq. m. p.a.	318	21	1.9	5.9	15.8
Sydney CBD	A$ sq. m. p.a.	808	53	5.4	5.9	10.1
Auckland CBD	NZ$ sq. m. p.a.	404	26	0.2	1.3	15.7
Wellington CBD	NZ$ sq. m. p.a.	432	28	1.0	8.0	7.4

Source: CBRE Research, November 2022.
Note: Grade A effective rents are used for Hong Kong SAR, Singapore, Bangkok and the Pacific, while Grade A face rents are used for other markets. Grade A rents in U.S. dollars are quoted based on net floor area basis.

TABLE 5 Key Markets Indicative Retail Rent

City	Type	Per local measurement	Average rent local	US$/sq. ft. per annum	Q-o-Q change (%, local)	Y-o-Y change (%, local)
Beijing	Shopping Centre	RMB sq. m. p.day	34	162	-0.8%	-1.4%
Shanghai	Shopping Centre	RMB sq. m. p.day	35	164	-1.1%	-1.2%
Guangzhou	Shopping Centre	RMB sq. m. p.day	28	132	-0.4%	-0.6%
Shenzhen	Shopping Centre	RMB sq. m. p.day	20	93	-0.1%	0.2%
Hong Kong SAR	High Street	HK$ sq. ft. p.m.	262	400	2.9%	-3.2%
Taipei	High Street	NT$ sq. m. p.m.	4,242	149	-3.3%	-7.9%
Tokyo (Ginza)	High Street	JPY tsubo p.m.	241,500	563	0.0%	0.0%
Singapore	Shopping Centre	S$ sq. ft. p.m.	25	209	0.8%	0.8%
Bangkok	Shopping Centre	THB sq. m. p.m.	2,180	64	0.0%	0.0%
Ho Chi Minh City	Shopping Centre	US$ sq. m. p.m.	63	71	1.2%	35.5%*
Hanoi	Shopping Centre	US$ sq. m. p.m.	35	39	6.0%	16.0%*

City	Type	Per local measurement	Average rent local	US$/sq. ft. per annum	Q-o-Q change (%, local)	Y-o-Y change (%, local)
New Delhi	Shopping Centre	INR sq. ft. p.m.	1,200	177	0.0%	8.6%
New Delhi	High Street	INR sq. ft. p.m.	1,750	258	0.0%	14.4%
Mumbai	Shopping Centre	INR sq. ft. p.m.	1,000	148	0.0%	0.0%
Sydney	High Street	A$ sq. m. p.a.	4,055	242	0.0%	-8.3%
Melbourne	High Street	A$ sq. m. p.a.	2,298	137	0.0%	-7.2%
Adelaide	High Street	A$ sq. m. p.a.	1,933	115	0.0%	0.0%
Brisbane	High Street	A$ sq. m. p.a.	3,386	202	3.9%	3.9%
Perth	High Street	A$ sq. m. p.a.	1,965	117	0.0%	-7.3%
Auckland*	High Street	NZ$ sq. m. p.a.	3,758	198	0.0%	-0.2%
Wellington*	High Street	NZ$ sq. m. p.a.	1,949	102	-2.4%	-2.4%

Source: CBRE Research, November 2022
Note: All markets measure the relative performance of retail properties of similar quality with the exception of Vietnam, which tracks the overall market movement The strong y-o-y growth in Vietnam is due to the addition of new prime assets in Q2 2022. From Q3 2022 onwards, the bases of indicative rents for New Zealand will be adjusted to the average local prime rent from the highest prime rent.

TABLE 6: Key Markets Indicative Logistics Rent

City	Per local measurement	Warehouse Rent	US$/sq. ft. per annum	Q-o-Q change (%, local)	Y-o-Y change (%, local)	Vacancy rate (%)
Beijing≠	RMB sq. m. p.m.	56.8	8.9	1.0	3.4	12.4
Shanghai≠	RMB sq. m. p.m.	49.4	7.7	0.0	2.6	8.1
Guangzhou≠	RMB sq. m. p.m.	40.2	6.3	0.1	5.5	8.6
Shenzhen≠	RMB sq. m. p.m.	48.3	7.6	0.7	2.3	0.4
Hong Kong SAR	HK$ sq. ft. p.m.	13.4	20.5	0.2	6.0	2.7
Greater Tokyo	JPY tsubo p.m.	4,550	10.6	0.7	1.8	5.2
Greater Osaka	JPY tsubo p.m.	4,130	9.6	0.2	0.7	1.7
Greater Seoul	KRW pyeong p.m.	33,233	8.6	-	6.1	4.2
Singapore (Prime)	SGD sq. ft. p.m.	1.6	13.1	2.6	8.3	0.2
Chennai	INR sq. ft. p. m.	28.0	4.1	0.0	0.0	n/a
Pune	INR sq. ft. p.m.	30.0	4.4	3.4	11.1	n/a
Delhi NCR	INR sq. ft. p.m.	18.0 ~ 60.0	2.7 ~ 8.9	4.0	7.1	n/a
Mumbai	INR sq. ft. p.m.	18.5 ~ 22.5	2.7 ~ 3.3	9.9	0.0	n/a

City	Per local measurement	Warehouse Rent	US$/sq. ft. per annum	Q-o-Q change (%, local)	Y-o-Y change (%, local)	Vacancy rate (%)
Sydney	AUD sq. m. p.a.	201.6	12.0	5.4	23.1	0.3
Melbourne	AUD sq. m. p.a.	106.5	6.4	2.4	12.7	1.1
Brisbane	AUD sq. m. p.a.	121.7	7.3	2.8	7.7	1.4
Adelaide	AUD sq. m. p.a.	102.5	6.1	2.5	22.8	0.9
Perth	AUD sq. m. p.a.	110.0	6.6	10.0	29.4	0.5
Auckland	NZD sq. m. p.a.	178.0	9.4	4.3	20.3	0.6
Wellington	NZD sq. m. p.a.	152.7	8.0	3.9	16.9	n/a

Source: CBRE Research, November 2022

Notes: 1. Logistics rents - Average rental values are derived from a basket of prime logistics properties located in major industrial zones in each market. Australia rents represent face rents of local prime basket. Australia and New Zealand vacancy rates, Greater Seoul rent, and vacancy rate are Q2 2022 data. From 2022 Q2 onwards, this report will report prime logistics rents of Singapore.

2. ≠Refers to like-for-like rental change for Q-o-Q & Y-o-Y

TABLE 7: Key Markets Indicative Prime Yields

City	Prime Office Yield	Q-o-Q Change (bps)	Prime Retail Yield	Q-o-Q Change (bps)	Prime Industrial Yield	Q-o-Q Change (bps)
Beijing	4.25	+5	4.60	+10	4.85	0
Shanghai	4.60	+10	4.60	+10	4.80	0
Hong Kong SAR	2.50	+15	2.90	+5	3.30	0
Taipei	2.60	0	3.10	0	2.70	0
Tokyo	2.60	0	2.85	0	3.35	0
Seoul	4.00	0	n/a	n/a	4.70	+20
Singapore	3.55	0	4.75	0	6.50	0
New Delhi	6.70	0	8.25	0	8.00	0
Mumbai	8.20	0	7.90	0	8.25	0
Sydney	4.70	0	4.50	0	3.95	+25
Melbourne	4.65	0	3.60	0	4.15	+25
Brisbane	5.40	0	5.00	+25	4.25	0
Auckland	5.00	+25	5.00	+50	4.80	+40

Notes: Yield figures are rounded to the nearest 0.05%. Q-o-Q changes in yields are rounded to the nearest 5 bps.
Source: CBRE Research, November 2022.

NOTES AND DEFINITIONS

CBRE's investment transaction data in this report is based on real estate transactions valued at US$10 million and above in the office, retail, industrial, hotel, mixed-use and commercial property sectors in 15 markets throughout Asia Pacific. Development sites and residential transactions are excluded. Transaction prices are tracked in local currencies and converted to US dollars using average exchange rates recorded in the respective quarter of the year.

The CBRE Asia Pacific Office Capital Value Index tracks the performance of 24 office markets throughout Asia Pacific. The CBRE Asia Pacific Retail Capital Value Index tracks the performance of 15 retail markets throughout Asia Pacific. The CBRE Asia Pacific Industrial / Logistics Capital Value Index tracks the performance of 14 industrial markets throughout Asia Pacific. The CBRE Asia Pacific All Sectors Capital Value Index is the weighted average of three capital value indices for office, retail and industrial sectors.

The indicative prime yield presented in this report is the ratio between annual net rental income (rent less non-recoverable costs) and the total amount invested (purchase price plus purchasers' on-costs), expressed as a percentage figure, achievable in the relevant top-tier building(s) in prime location, let according to market conditions. It is based both on sale & purchase contracts concluded during a period and also on the market overview of the local investment department. No allowance is made for any future rental growth.

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