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Colliers

Valuation & Advisory Services

APAC Cap Rates

Q1 2024



Overview

The Asian market remains stable, without any factors driving movements in cap rates.

There are a number of significant assets the market in **Auckland** and **Sydney** pending sales, which would provide clearer pricing benchmarks to the market should they sell.

Generally, the removal of special stamp duties on the property sector in **Hong Kong** has improved overall market sentiment and demand from users and local buyers. Investment in the commercial sector remain cautious due to relatively high interest rates, and concerns about economic performance persist.

The Bank of **Japan** has raised its interest rate for the first time since 2007, up to 0.1%. Transactional or market evidence remains limited, so the impact is yet to be reflected or seen in the property market.

Recent data releases have not altered the view that **New Zealand's** official cash rate has peaked. Uncertainty, however, remains regarding the timing of the Reserve Bank's easing cycle. Limited evidence shows a slight easing in cap rates in the office and industrial sectors.



Office sector

In **Australia**, after a 72% decrease in transaction volumes in 2023, the first quarter of 2024 has seen only a limited number of completed sales. Sales to date over Q1-24 have continued to indicate a softening of cap rates.

Bangkok's office sector has experienced a slight increase in cap rates following a rise in select prime rental rates, despite limited movement in sales transactions.

Beijing office has seen a noticeable decline in demand, resulting in a citywide vacancy rate reaching double-digit year-on-year growth, currently at 20.7%. The enbloc transaction is currently driven by end-user-occupiers who prioritize suitability and affordability over vacancy and rental performance of the property.

Investors remain cautious due to concerns about oversupply and declining rent, resulting in higher expectation for cap rates.

Additional office supply in **Jakarta** is expected to enter the non-CBD areas, as many corporates are optimising existing office space instead of expanding or relocating. This is due to the adoption of a hybrid working model, which continues to put pressure on the rental rates and occupancy in CBD office spaces.

Shanghai's Grade A office market is still struggling to attract leasing demand, leading to downward pressure on rent. The upcoming supply peak in 2024 is likely to further increase pressure on the leasing market, influencing investor's confidence and driving up cap rates.



Retail sector

The **Beijing** retail sector has demonstrated stability and witnessed growth. This positive performance can be attributed to increased foot traffic and rising revenue in shopping malls, particularly during the Chinese New Year (CNY) holiday period in Q1. Shopping malls will need to remain at the forefront with distinctive features to attract consumers to achieve sustainability in the marketplace.

Hong Kong's retail investment sector has been primarily driven by end-users and local investors, with cap rate remaining stable. Rental performance has generally remained healthy. Investors are still cautious about purchasing retail assets, being mindful of the vacancy rate.

The number of visitors to malls in **Jakarta** has grown by 15% to 20% compared to last year. Some existing brands are expanding their operations, and new brands have also entered the Indonesian market. Investors still remain cautious due to high competition from new malls entering the market.

Shanghai's retail sector has also benefited from the robust tourism industry during the CNY holiday. Overall, sales and leasing demand performed well in Q1. The reflection of retail leasing activities and space uptake takes time to manifest in the investment market, resulting in largely flat cap rates during this quarter.



Industrial sector

Bangkok industrial saw upward movements in sales transactions for warehouse facilities and standard factory buildings. This was caused by strong foreign direct investment intended for large scale users of automotive supply parts (including electronic vehicles) as well as electronics. On the other hand, the rental market remained the same, with no major rental movements noticed.

Beijing's industrial sector is currently influenced by end-users. Neighbouring cities such as Tianjing and Langfang have witnessed a decline in rental rates and an upturn in occupancy, which has had an adverse impact on the capital city's industrial market. The intensified competition among cities to attract tenants has driven

demand to shift away from the gateway cities and further weakened investor confidence in the industrial sector.

The industrial market in **Hong Kong** remains a high priority for many investors. Import (9.7%) and export (16.6%) figures were positive in the first two months of 2024, which helped keep the industrial market cap rate stable.

Stressed by the massive new logistics supply in **Shanghai**, investor prospectus continued to weaken in Q1, resulting in more cautious investment sentiment and higher industrial cap rates.

Cap Rate QoQ movements

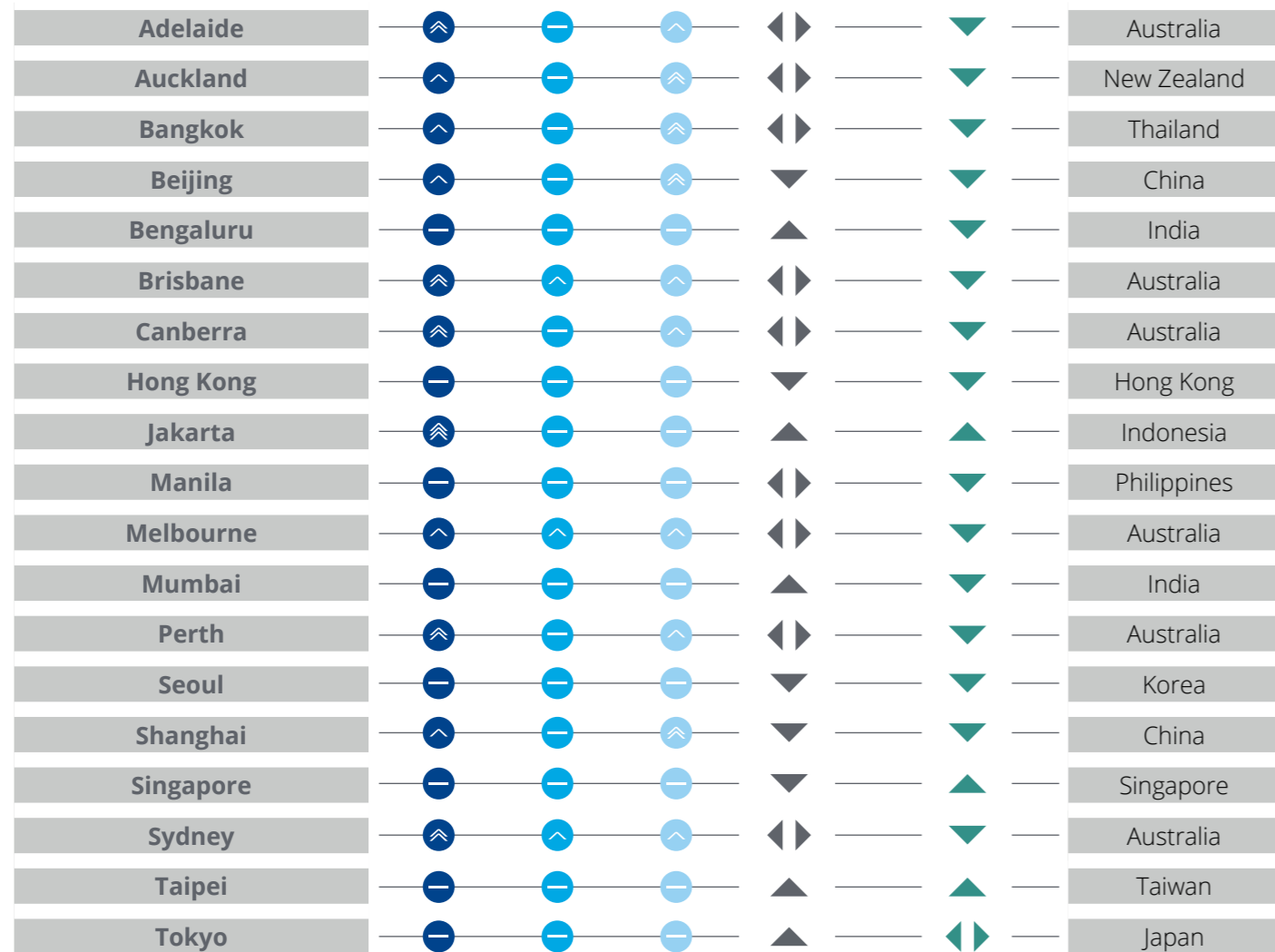


The most movement market

Brisbane

The most movement sector

Office



● Office
● Retail
● Industrial
● Interest rate
● Inflation rate

Scale ^ Small ^ Medium ^ Large **Direction** v Down — Flat ^ Up

City	Office			Retail			Industrial			Interest rate	Inflation rate	Market
	Low	High	QoQ	Low	High	QoQ	Low	High	QoQ			
Adelaide	7.00%	8.25%	▲	5.75%	7.50%	◀▶	6.125%	6.875%	▲	4.35%	3.40%	Australia
Auckland	5.25%	6.50%	▲	5.75%	7.25%	◀▶	5.35%	6.00%	▲	5.50%	4.70%	New Zealand
Bangkok	5.25%	5.75%	▲	5.55%	6.09%	◀▶	8.51%	9.48%	▲	7.15%	-0.77%	Thailand
Beijing	5.25%	6.50%	▲	5.25%	6.50%	◀▶	5.25%	6.50%	▲	3.95%	-1.10%	China
Bengaluru	8.50%	8.90%	◀▶	9.75%	10.75%	◀▶	7.00%	7.25%	◀▶	9.65%	4.97%	India
Brisbane	6.00%	7.25%	▲	5.50%	7.50%	▲	5.75%	6.375%	▲	4.35%	3.40%	Australia
Canberra	5.875%	7.125%	▲	5.75%	7.50%	◀▶	5.875%	6.125%	▲	4.35%	3.40%	Australia
Hong Kong	2.95%	3.90%	◀▶	3.00%	4.75%	◀▶	2.85%	4.00%	◀▶	4.80143%	2.10%	Hong Kong
Jakarta	6.00%	7.00%	▲	7.00%	8.00%	◀▶	8.00%	10.00%	◀▶	8.48%	3.05%	Indonesia
Manila	5.00%	6.00%	◀▶	7.00%	8.00%	◀▶	8.00%	10.00%	◀▶	6.50%	3.40%	Philippines
Melbourne	5.25%	6.00%	▲	5.25%	7.50%	▲	5.00%	5.875%	▲	4.35%	3.40%	Australia
Mumbai	7.75%	8.75%	◀▶	7.50%	8.75%	◀▶	7.00%	8.00%	◀▶	9.65%	4.97%	India
Perth	5.875%	7.50%	▲	5.75%	7.50%	◀▶	6.00%	6.875%	▲	4.35%	3.40%	Australia
Seoul	4.00%	4.50%	◀▶	5.50%	6.50%	◀▶	5.50%	6.00%	◀▶	4.85%	3.20%	Korea
Shanghai	5.50%	6.50%	▲	5.50%	6.50%	◀▶	5.25%	6.50%	▲	3.95%	-1.10%	China
Singapore	3.00%	3.50%	◀▶	4.25%	4.75%	◀▶	5.25%	6.25%	◀▶	3.68%	3.40%	Singapore
Sydney	5.125%	5.875%	▲	5.25%	7.25%	▲	4.875%	5.75%	▲	4.35%	3.40%	Australia
Taipei	2.40%	2.80%	◀▶	2.40%	3.10%	◀▶	2.60%	3.10%	◀▶	3.136%	3.08%	Taiwan
Tokyo	2.70%	3.90%	◀▶	2.80%	4.50%	◀▶	3.50%	4.50%	◀▶	0.26%	2.80%	Japan

The above rates are gross yields for Class A assets in prime locations in their class in the respective locations based on survey results from our professional valuers / appraisers.



Explanatory notes

The information contained in this report has been from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

Industrial sector includes warehouse and logistics.

The rates in Australia are gross yields for Class A / prime assets in prime locations across all sectors.

China interest rate is based on 5-year Loan Prime Rate (LPR).

India interest rate is based on average lending rate.

Manila industrial cap rate is based on land lease cap rate for industrial estates just outside Metro Manila, i.e. Batangas, Cavite and Laguna areas.

Taipei industrial sector cap rate refers to industrial-offices buildings in the Taipei, which also include factory, warehouse and logistics in these buildings.

Appendix

Market	Interest rate		Inflation rate	
	Source	Local terminology	Source	Local terminology
Australia	Reserve Bank of Australia Mar 2024	Interest Rate	Australian Bureau of Statistics Jan 2024	Inflation Rate
China	The People's Bank of China Mar 2024	Loan Prime Rate (LPR)	National Bureau of Statistics Mar 2024	CPI
Hong Kong	Hong Kong Monetary Authority Mar 2024	HKAB 1-Month HIBOR Fixing	Census and Statistics Department Feb 2024	Inflation Rate
India	State Bank of India Apr 2024	Lending Rate	Ministry of Statistics and Programme Implementation, Government of India Mar 2024	Inflation Rate
Indonesia	Central Bank of Indonesia Jan 2024	Lending Rate	Indonesia Statistical Agency Mar 2024	Inflation Rate
Japan	JBA TIBOR Administration Apr 2024	TIBOR	Statistics Bureau of Japan Feb 2024	CPI
Korea	Bank of Korea Feb 2024	Lending Rate	Statistics Korea Mar 2024	Core Consumer Prices
New Zealand	Reserve Bank of New Zealand Feb 2024	Official Cash Rate (OCR)	Statistics New Zealand Dec 2023	CPI
Philippines	Bangko Sentral ng Pilipinas Feb 2024	Interest Rate	Philippine Statistics Authority Feb 2024	Inflation Rate
Singapore	Monetary Authority of Singapore Mar 2024	Interest Rate	Monetary Authority of Singapore Feb 2024	Inflation Rate
Taiwan	Central Bank of the R.O.C. (Taiwan) Mar 2024	Lending Rate	Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan Feb 2024	Inflation Rate
Thailand	Bank of Thailand Mar 2024	Interest Rate	Ministry of Commerce Feb 2024	Inflation Rate



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