



Q2 2024

Valuation & Advisory Services

APAC Cap Rates

Overview

Sales transaction volumes across the APAC region have remained relatively low, with lease transactions accounting for the majority of the volume.

Interest rates have stabilised, though the anticipated easing has yet to materialise. A gradual easing is expected in the second half of 2024, which could stimulate investment activity.

Existing inventory and new supply in the office sector caused occupancy pressure in **Hong Kong**, **Manila** and **Shanghai**. In contrast, **Seoul** and **Singapore** have relatively limited supply with persistent demand.

Corporate or strategic institutional investors are emerging as significant players for office market in **Seoul**. Meanwhile, distressed and discounted asset

transactions dominated the property sales market in **Hong Kong**, primarily driven by end-users and local investors.

Across the Pacific, the Reserve Bank of **New Zealand** has maintained the cash rate at 5.5%, but there is speculation that interest rate cuts may come sooner than anticipated. This is expected to underpin an uplift in sales activity in the second half of 2024.

Office, industrial and retail transactions remain at low levels across **Australia**, with metrics and values continuing to soften. However, investment sentiment in Brisbane is strengthening, particularly for industrial assets, driven by both domestic and offshore capital.



Office sector

In Q2, a 50% stake in 5 Martin Place, **Sydney**, was sold for AUD296.2M, reflecting a 15% discount to the prior reported book value from December last year.

The **Bangkok** office sector saw a stable cap rate after a slight increase in the previous quarter. Although headline rates appear to be rising, actual transaction rates have remained generally consistent QoQ.

Beijing's Grade A office market is gradually picking up, with net absorption steadily increasing, although still below pre-pandemic levels.

The office market is under pressure in some APAC cities like **Hong Kong**, **Manila** and **Shanghai**, where vacancy rates are rising. Tenants are seeking space improvements and optimization before considering relocation or

expansion. In contrast, markets like **Seoul** and **Singapore** have relatively limited supply and persistent demand.

Office rentals have increased by 1-2% quarter-on-quarter in **Mumbai**, with a growing preference for premium buildings with modern amenities and green certifications. Rents for new office supply are up to 20% higher than average rentals in select premium micro markets due to superior construction and amenities.

The sale of the Vero Centre (subject to the Overseas Investment Office approval) illustrates the ongoing appeal of **New Zealand** located prime grade office assets to international investors.

Singapore's conducive business climate may lead to a compression in the cap rates for prime office, given the limited supply, tight occupancy, and healthy rental growth.



Retail sector

The retail segment has shown improvement, buoyed by the continued recovery in overall consumption across the region.

The **Beijing** retail market shows stable growth, driven by increased consumer confidence, particularly in sports, outdoor activities, and food & beverage. In China, the inclusion of retail malls in the China Real Estate Investment Trust (C-REIT) is expected to improve liquidity in this segment.

In India, with CPI inflation recently dipping below 5% and the Reserve Bank of India (RBI) aiming for a 4.5% inflation target in FY2025, consumer spending is anticipated to follow an upward trend. **Mumbai** retail landlords are likely able to achieve better lease terms, leading to improved financial realization compared to the current average, and a gradual increase in rental rates.

Singapore retail sector remains stable, backed by healthy tourist numbers and F&B openings.



Industrial sector

Logistics occupiers' appetite for expansion has moderated across the region, although demand has a sound fundamental basis.

Markets with supply pressure, such as **Beijing**, **Shanghai** and **Singapore**, are experiencing downward pressure on rental rates, but high-specification logistics warehouses are expected to thrive in the medium to long term due to sustained demand.

The cap rates for the logistics and warehousing assets in **Bengaluru** continue to remain flat QoQ with considerable volume registered in lease transactions.

The **Brisbane** industrial segment is looking strong, with over 300,000 square metres of warehouse space currently under Heads of Agreement (HoA) for spaces larger than 5,000 square metres. The demand is primarily driven by organic business expansion and a flight to quality, leading to slightly firmer cap rates forecasts.

In **New Zealand**, the cycle of yield recalibration is close to its conclusion following an extended period of adjustment from the record low levels reached in 2022.

Industrial cap rates for prime logistics in **Singapore** might expand due to the increased supply leading to weaker rental growth.

Cap Rate QoQ movements

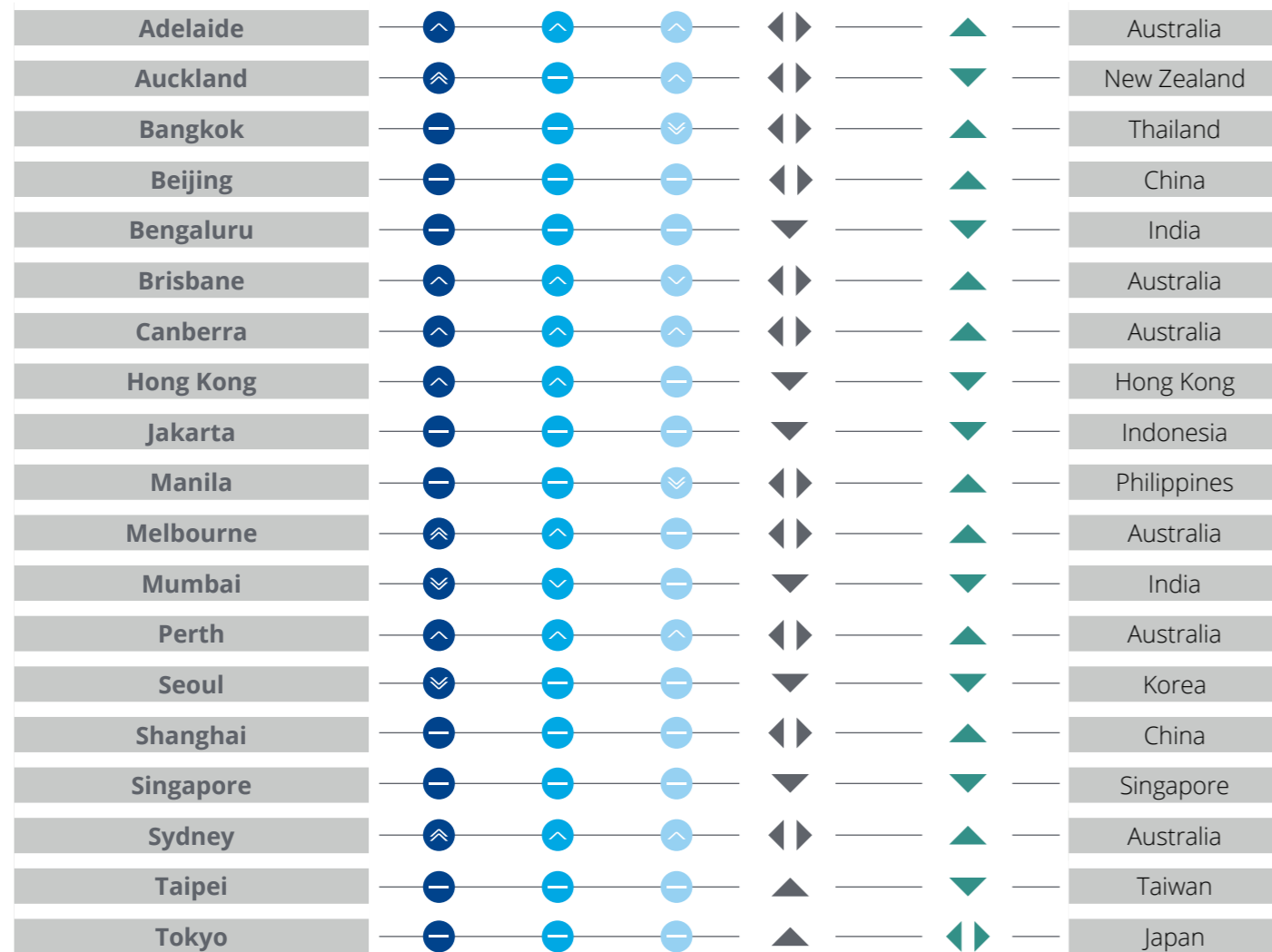


The most movement market

Brisbane, Manila and Sydney

The most movement sector

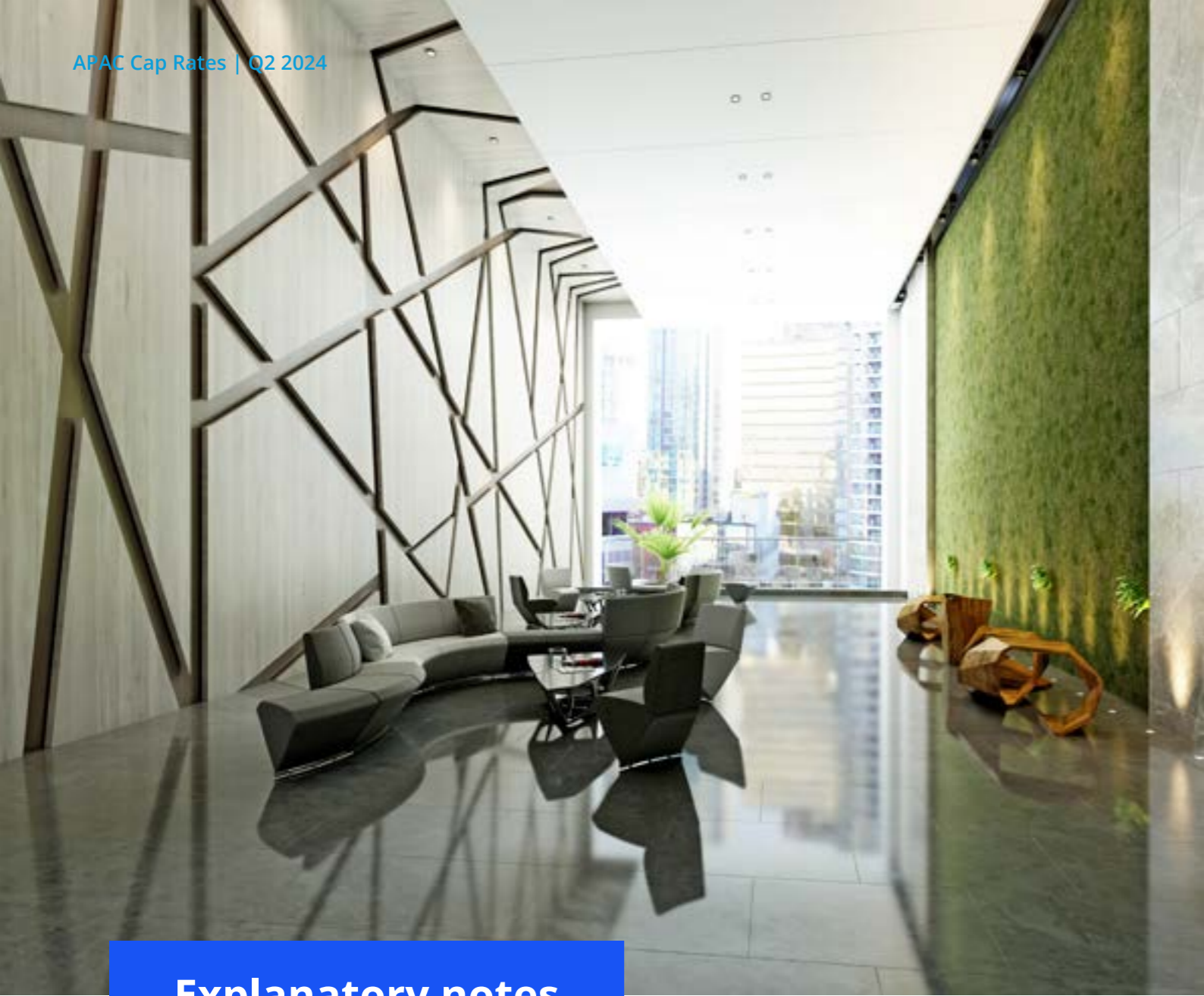
Office



● Office ● Retail ● Industrial ● Interest rate ● Inflation rate
Scale ^ Small ^ Medium ^ Large **Direction** ∨ Down — Flat ^ Up

City	Office			Retail			Industrial			Interest rate	Inflation rate	Market
	Low	High	QoQ	Low	High	QoQ	Low	High	QoQ			
Adelaide	7.125%	8.50%	▲	5.75%	7.75%	▲	6.25%	7.00%	▲	4.35%	3.60%	Australia
Auckland	5.50%	6.75%	▲	5.75%	7.25%	◀▶	5.35%	6.15%	▲	5.50%	3.30%	New Zealand
Bangkok	5.25%	5.75%	◀▶	5.55%	6.09%	◀▶	8.47%	8.91%	▼	7.15%	1.54%	Thailand
Beijing	5.25%	6.50%	◀▶	5.25%	6.50%	◀▶	5.25%	6.50%	◀▶	3.95%	0.30%	China
Bengaluru	8.50%	8.90%	◀▶	9.75%	10.75%	◀▶	7.00%	7.25%	◀▶	9.45%	4.79%	India
Brisbane	6.125%	7.50%	▲	5.50%	7.75%	▲	5.50%	6.25%	▼	4.35%	3.60%	Australia
Canberra	6.00%	7.375%	▲	5.75%	7.75%	▲	5.88%	6.25%	▲	4.35%	3.60%	Australia
Hong Kong	3.00%	3.95%	▲	3.05%	4.80%	▲	2.85%	4.00%	◀▶	4.61%	1.20%	Hong Kong
Jakarta	6.00%	7.00%	◀▶	7.00%	8.00%	◀▶	8.00%	10.00%	◀▶	7.98%	2.50%	Indonesia
Manila	5.00%	6.00%	◀▶	7.00%	8.00%	◀▶	8.00%	9.00%	▼	6.50%	3.70%	Philippines
Melbourne	5.375%	6.50%	▲	5.25%	7.75%	▲	5.00%	5.88%	◀▶	4.35%	3.60%	Australia
Mumbai	7.50%	8.50%	▼	7.50%	8.50%	▼	7.00%	8.00%	◀▶	9.45%	4.79%	India
Perth	6.00%	7.75%	▲	5.75%	7.75%	▲	6.13%	7.00%	▲	4.35%	3.60%	Australia
Seoul	3.50%	4.50%	▼	5.50%	6.50%	◀▶	5.50%	6.00%	◀▶	4.77%	2.40%	Korea
Shanghai	5.50%	6.50%	◀▶	5.50%	6.50%	◀▶	5.25%	6.50%	◀▶	3.95%	0.30%	China
Singapore	3.00%	3.50%	◀▶	4.25%	4.75%	◀▶	5.25%	6.25%	◀▶	3.64%	3.10%	Singapore
Sydney	5.25%	6.25%	▲	5.25%	7.50%	▲	5.13%	5.75%	▲	4.35%	3.60%	Australia
Taipei	2.40%	2.80%	◀▶	2.40%	3.10%	◀▶	2.60%	3.10%	◀▶	3.22%	2.24%	Taiwan
Tokyo	2.70%	3.90%	◀▶	2.80%	4.50%	◀▶	3.50%	4.50%	◀▶	0.309%	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 Jul 2024	Interest Rate	Australian Bureau of Statistics Mar 2024	Inflation Rate
China	The People's Bank of China Jun 2024	Loan Prime Rate (LPR)	National Bureau of Statistics May 2024	CPI
Hong Kong	Hong Kong Monetary Authority Jun 2024	HKAB 1-Month HIBOR Fixing	Census and Statistics Department May 2024	Inflation Rate
India	State Bank of India Jun 2024	Lending Rate	Ministry of Statistics and Programme Implementation, Government of India May 2024	Inflation Rate
Indonesia	Central Bank of Indonesia Apr 2024	Lending Rate	Indonesia Statistical Agency Jun 2024	Inflation Rate
Japan	JBA TIBOR Administration Jul 2024	TIBOR	Statistics Bureau of Japan May 2024	CPI
Korea	Bank of Korea Apr 2024	Lending Rate	Statistics Korea Jun 2024	Core Consumer Prices
New Zealand	Reserve Bank of New Zealand Jul 2024	Official Cash Rate (OCR)	Statistics New Zealand Jun 2024	CPI
Philippines	Bangko Sentral ng Pilipinas Jun 2024	Interest Rate	Philippine Statistics Authority Jun 2024	Inflation Rate
Singapore	Monetary Authority of Singapore Jun 2024	Interest Rate	Monetary Authority of Singapore May 2024	Inflation Rate
Taiwan	Central Bank of the R.O.C. (Taiwan) Jun 2024	Lending Rate	Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan May 2024	Inflation Rate
Thailand	Bank of Thailand May 2024	Interest Rate	Ministry of Commerce May 2024	Inflation Rate



For further information, please contact:

CK Lau

Managing Director | Asia
Valuation & Advisory Services
Managing Director | Hong Kong
+852 2822 0665
ck.lau@colliers.com

Dwight Hillier

Managing Director | Australia
Valuation & Advisory Services,
Strategic Advisory & Healthcare &
Retirement Living
+61 2 9257 0219
dwight.hillier@colliers.com

Kane Sweetman

National Director | New Zealand
Valuation & Advisory Services
+64 9 356 8904
kane.sweetman@colliers.com

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 66 countries, our 19,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 29 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of approximately 20% for shareholders. With annual revenues of \$4.3 billion and \$98 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at corporate.colliers.com, X @Colliers or [LinkedIn](https://www.linkedin.com/company/colliers).

Legal Disclaimer

This document/email has been prepared by Colliers for advertising and general information only. Colliers makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising therefrom. This publication is the copyrighted property of Colliers and /or its licensor(s). © 2024. All rights reserved. This communication is not intended to cause or induce breach of an existing listing agreement.
