



Colliers

VALUATION & ADVISORY SERVICES

APAC Cap Rates

Q3 2024

Overview



The office sector experienced the most movements, with 8 out of 18 cities covered in this report reporting changes.

The US Central Bank has lowered interest rates by half a percent for the first time in four years. Some markets across the region have followed suit or are planning to do so in the coming quarter.

The **Australian** Central Bank has kept its interest rate steady and is likely to maintain this stance throughout 2024.

The **Chinese** market has shown a marked lack of dynamism, primarily due to investor conservatism and a widespread adoption of a wait-and-see strategy. Recent announcements from the government aimed at bolstering the property sector are expected to improve sentiment; however, tangible results may take time to materialize in the coming quarters.

In **India**, demand for office space has remained strong on a year-on-year basis, driven by strata deals that have contributed to rising rents and declining vacancy rates. Capital is actively pursuing deals across the country, leading to increased office leasing activity.

The Reserve Bank of **New Zealand** lowered the Official Cash Rate in August for the first time since March 2020, with a further reduction of 0.5% to 4.75% in October. Additional cuts are expected through the remainder of 2024 and into 2025. Increasing business confidence should support a rise in property market transactions moving forward.

In **Thailand**, major banks have maintained their loan rate at 7.15% for the past year. The Bank of Thailand is expected to cut interest rates in an effort to boost economic recovery.

Office

Australia has experienced an uptick in transaction activity, indicating a potential softening of yields.

In **Bangkok**, the office sector has seen stable cap rates quarter over quarter. However, the growing supply of Grade A developments, coupled with limited new market entrants, may exert downward pressure on occupancy levels in the near term.

Major cities in **China**, including Beijing and Shanghai experiencing a surge of new supply entering the market, which is putting pressure on rents and occupancy rates. The lack of substantial en bloc deals, often key indicators of market confidence, reinforces a prevailing sense of cautious among sentiment.

Hong Kong's high vacancy rates are presenting challenges for the office leasing market,

leading to a decline in Grade A office rents and capital values. Cap rates have slightly decompressed, with investors remaining cautious regarding office assets.

In **India**, technology occupiers are actively driving investment from both institutional and individual investors, significantly increasing capital flow into the office sector. Bengaluru recorded historic absorption in the past quarter, contributing to rental growth.

Seoul is expected to remain a landlord-favored market due to limited supply despite, despite a slowdown in leasing activity.

Prime office values should continue to be supported by healthy rents and lower interest rates, highlighting the stability of asset prices in **Singapore**.



Retail

Retail spending in **Auckland** has stabilised and is expected to recover, supported by cuts to both interest and taxation rates.

In **Bangkok**, the retail market remains stable, with both rent and occupancy rates unchanged and likely to stay consistent through the end of the year.

Bengaluru's organised retail segment has seen limited transactions driven by institutional capital, resulting in stable cap rates. There is a noticeable increase in demand for high street retail space within the city.

In **Hong Kong**, high street shop rents beginning to show signs of recovery as tourism picks up at a faster pace, although local consumers' outbound spending has

somewhat restrained the rebound in retail sales. The cap rate has expanded as rental growth increases from a low base, with select retail asset sales during the quarter offering attractive yields for investors.

Metro **Manila** is witnessing numerous renovations and expansions of malls, contributing to a rise in retail vacancy rates from 15% in 2023 to 17% in 2024. Rents remain stable and property values are expected to follow suit.

Leasing activity in Grade A malls in **Mumbai** has remained robust, as retailers anticipated a boost in average transaction duration (ATD) during the upcoming festive season. Despite the increased supply in the city and limited capital chasing deals in this asset class, cap rates are expected to remain within the current range.



Industrial

Cap rates for the industrial sector in **Auckland** are stabilising after a lengthy easing cycle. Development activity has slowed, which is expected to limit the increase in vacancy rates observed throughout 2024.

In **Bengaluru**, investor sentiment in the industrial asset class has remained largely unchanged, reflected in the stability of the cap rate across the overall market.

Hong Kong has experienced low transactions volumes; however, investment activity surged quarter-over-quarter due to a notable high-quality logistics transaction in Q3 – the LiFung Centre.

In **Jakarta**, industrial demand is primarily driven by the automotive sector, data centers, and modern warehouses catering to E-commerce, Fast-moving consumer goods (FMCG) and logistics. This growth has been consistent with minimal variation.

Seoul's industrial investment activity has improved, alleviating concerns about oversupply in the market.

CAP RATE QoQ MOVEMENTS

The most movement market

Melbourne and Sydney

The most movement sector

Office



	Adelaide						Australia
	Auckland						New Zealand
	Bangkok						Thailand
	Beijing						China
	Bengaluru						India
	Brisbane						Australia
	Canberra						Australia
	Hong Kong						Hong Kong
	Jakarta						Indonesia
	Manila						Philippines
	Melbourne						Australia
	Mumbai						India
	Perth						Australia
	Seoul						Korea
	Shanghai						China
	Singapore						Singapore
	Sydney						Australia
	Taipei						Taiwan
	Tokyo						Japan

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	7.25%	8.50%	^	5.75%	7.75%	—	6.25%	7.00%	—	4.35%	3.80%	Australia
 Auckland	5.50%	6.75%	—	5.75%	7.25%	—	5.35%	6.15%	—	4.75%	2.20%	New Zealand
 Bangkok	5.25%	5.75%	—	5.55%	6.09%	—	8.47%	8.91%	—	7.15%	0.61%	Thailand
 Beijing	5.25%	6.50%	—	5.25%	6.50%	—	5.25%	6.50%	—	3.85%	0.41%	China
 Bengaluru	8.30%	8.75%	v	9.75%	10.75%	—	7.00%	7.50%	—	9.75%	3.65%	India
 Brisbane	6.25%	7.75%	^	5.50%	7.75%	—	5.50%	6.25%	—	4.35%	3.80%	Australia
 Canberra	6.125%	7.50%	^	5.75%	7.75%	—	5.88%	6.375%	^	4.35%	3.80%	Australia
 Hong Kong	3.00%	4.00%	^	3.15%	4.90%	^	2.85%	4.00%	—	4.32%	2.50%	Hong Kong
 Jakarta	6.00%	7.00%	—	7.00%	8.00%	—	8.00%	10.00%	—	8.30%	2.09%	Indonesia
 Manila	5.00%	6.00%	—	7.00%	8.00%	—	8.00%	9.00%	—	6.25%	1.90%	Philippines
 Melbourne	5.50%	7.00%	^	5.25%	7.75%	—	5.125%	6.00%	—	4.35%	3.80%	Australia
 Mumbai	7.50%	8.50%	—	7.50%	8.50%	—	7.00%	8.00%	—	9.75%	3.65%	India
 Perth	6.125%	7.625%	^	5.75%	7.75%	—	6.25%	7.00%	^	4.35%	3.80%	Australia
 Seoul	3.50%	4.50%	—	5.50%	6.50%	—	5.50%	6.00%	—	4.55%	2.40%	Korea
 Shanghai	5.50%	6.50%	—	5.50%	6.50%	—	5.25%	6.50%	—	3.85%	0.41%	China
 Singapore	3.00%	3.50%	—	4.25%	4.75%	—	5.25%	6.25%	—	3.4882%	2.20%	Singapore
 Sydney	5.375%	6.75%	^	5.25%	7.50%	—	5.13%	5.75%	—	4.35%	3.80%	Australia
 Taipei	2.40%	2.80%	—	2.40%	3.10%	—	2.60%	3.10%	—	3.26%	2.36%	Taiwan
 Tokyo	2.70%	3.90%	—	2.80%	4.50%	—	3.50%	4.50%	—	0.45%	3.00%	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).



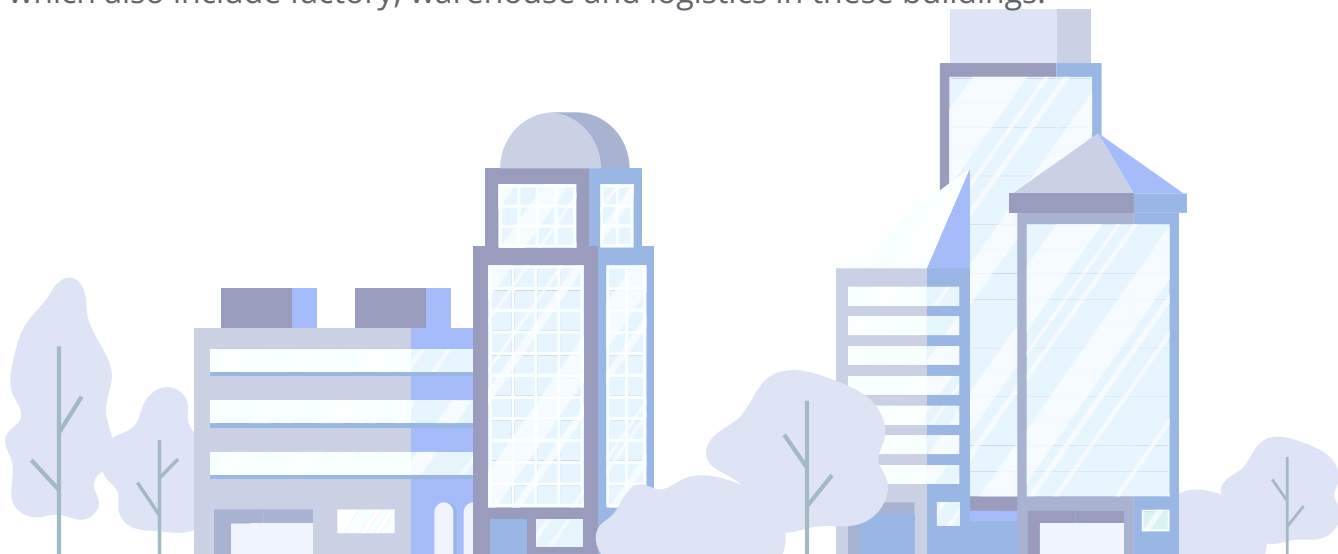
India interest rate is based on average lending rate.



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

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