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Demand for office space in Asia Pacific subdued, as corporates remain cautious. Ho Chi Minh City office rents are still twice as expensive as Bangkok's.

Jones Lang LaSalle releases Q1 2013 Asia Pacific Office Index

- Financial centres remain weak, with contraction in take-up in Singapore and Hong Kong
- Beijing and Australian markets also saw a slow-down in take up of office space
- Steady take up seen in Japan, South Korea and emerging Southeast Asia
- Net effective rents flat or showing modest growth across Asia Pacific markets; aggregate rental growth across the region of 0.3 percent in Q1 compared to 0.4 percent in Q4 2012

SINGAPORE, 14 May 2013 – Leasing activity in Asia Pacific's Tier 1 office markets remained generally subdued in the first quarter of 2013, according to real estate advisory firm Jones Lang LaSalle, in its latest [Asia Pacific Office Index](#).

Whilst take-up of grade A office space contracted in Singapore, Hong Kong, Australian cities and Beijing, it was steady in Japan, South Korea and emerging Southeast Asia; strong demand in Manila and Jakarta was actually constrained by a lack of available space.

Jeremy Sheldon, Managing Director, Markets, said: "Overall, while business sentiment amongst occupiers is better in 2013 compared 2012 this has not translated into activity as yet – the "lag" between business optimism and take-up means we are likely to see a pick up toward year end and into 2014. There is a keen focus across all industries on better space utilisation, which if anything will to add to this "lag". This slowdown is being affected by both international *and* domestic firms, who, until recently had been a big component of the take-up. Companies remain very cautious in forecasting their space needs."

Net effective rents in the first quarter of 2013 were flat or grew only modestly across the region; of the 27 featured markets in the Jones Lang LaSalle Index, 14 saw a quarterly increase and the remainder either stabilised or declined. Aggregate rental growth across the region averaged 0.3 percent quarter on quarter, compared to 0.4 percent in Q4 2012.

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Jakarta saw the largest quarterly rent increase (7.4 percent) due to a lack of quality space in the market, and increases of between one and four percent were seen in other emerging Southeast Asian markets (Kuala Lumpur 2.3 percent and Bangkok 4.1 percent).

Beijing, which was a strong performer in 2012, saw the largest quarter on quarter rental decline (-3.7 percent) as leasing activity slowed markedly. Rents declined further in Hong Kong (-1.3 percent) as landlords at the top end of the market have remained under pressure, although rents in Singapore stabilised for the first time since 3Q 2011. Effective rents fell in most Australian cities, by one to three percent, with the biggest quarterly fall of 3.3 percent in Perth.

Dr Jane Murray, Head of Asia Pacific Research, Jones Lang LaSalle commented: "Landlords are taking a cautious stance on asking rents and we expect corporate occupiers to remain reluctant to pay higher rents. We do however expect the market to become more favourable to landlords after mid-year as regional economic growth gradually picks up. Whilst we think that rental growth will be limited in most markets in the short term, we expect single-digit growth for the full calendar year, with rents in Hong Kong, Singapore and Beijing starting to recover in the second half and the biggest uplift likely to be seen in Jakarta."

In line with the regional trend, demand for office space from corporates in Ho Chi Minh City (HCMC) and Hanoi remained soft during Q1 2013. Average net effective rents in HCMC declined slightly by 0.3% q-o-q. Rents in Hanoi also saw an underlying downtrend, although the launch of CornerStone, which commanded a high rental premium, helped push the average net effective rent upward by 0.2% q-o-q.

HCMC and Hanoi ranked 11th and 16th in Asia Pacific, respectively, in terms of office rents. Despite the market downturn seen in the past two years, office rents in Vietnam are still quite expensive compared with many other markets in the region, owing to the relatively small stock. For instance, Grade A office rents in the CBD of HCMC are still twice as expensive as those in the CBD of Bangkok.

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About Jones Lang LaSalle

Jones Lang LaSalle (NYSE:JLL) is a professional services and investment management firm offering specialized real estate services to clients seeking increased value by owning, occupying and investing in real estate. With annual revenue of \$3.9 billion, Jones Lang LaSalle operates in 70 countries from more than 1,000 locations worldwide. On behalf of its clients, the firm provides management and real estate outsourcing services to a property portfolio of 2.6 billion square feet and completed \$63 billion in sales, acquisitions and finance transactions in 2012. Its investment management business, LaSalle Investment Management, has \$47.7 billion of real estate assets under management.

Jones Lang LaSalle has over 50 years of experience in Asia Pacific, with over 25,400 employees operating in 78 offices in 14 countries across the region. The firm was named 'Best Property Consultancy' in nine Asia Pacific countries at the International Property Awards Asia Pacific 2012, in association with HSBC, and was named the number one real estate advisory firm in Asia Pacific in the Euromoney Real Estate Awards 2012. www.ap.joneslanglasalle.com

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