

The Colliers logo is located in the top right corner. It consists of the word "Colliers" in a white serif font, set against a dark blue rectangular background. Below the text are three horizontal lines in yellow, red, and blue. The background of the entire page is a low-angle shot of a modern glass skyscraper with bright green tree leaves in the foreground.

Colliers

Valuation & Advisory Services

APAC Cap Rates

Q4 2023

Accelerating success.



Office sector

Transaction volume continued to be low across all major **Australian** office markets. The sales that have begun to complete are predominantly secondary grade assets with value-add potential. These sales are primarily being undertaken by syndicates. These transactions require a significant amount of time to complete due diligence and raise the required capital. The further interest rate rise that occurred in November 2023 continues to put pressure on capitalisation rates. The number of assets being listed and subsequently withdrawn due to pricing disconnect between vendors and purchasers suggests that there is still further cap rate softening to come in 2024.

The rental rates for office segment have increased slightly in some micro markets of **Bengaluru**. This improvement was attributed

to the commencement of the Mass Rapid Transit System and the overall improvement in connectivity. However, property values have not moved in tandem due to low transaction volume. As a result, the cap rates on the higher end of the range have decreased.

No en-bloc office sales were transacted in **Jakarta** last quarter. Office assets along with the new phase of the public light rail transit have triggered investor interest. A huge supply is expected to enter the market. Corporate users have started looking for newly built offices either acquiring the whole building or leasing more space for expansion purposes.

Office demand in **Manila** remains lethargic and there is an increase in supply pressure with new office buildings coming onto the market.



Retail sector

Retail has been experiencing a consistently low transaction environment for **Australia** as the market recalibrates based on the increased interest rate environment. Consumer confidence appears to be falling, impacting non-discretionary spending. We expect further cap rate softening into Q1 and Q2 2024 as the price differences between vendor and purchases expectations continues.

In **Bangkok**, there were no significant retail transactions in the past quarter to evidence value movements. Retail rents have increased following the opening of some premium malls in core locations, which has pushed the cap rates up slightly. However, the rise in rental value for those premium stock is still yet to be seen whether it will establish a continuing upward trend in the immediate term.

In the fourth quarter, rental rates in prime areas in **Beijing** and **Shanghai** have shown improvements. This upturn can be attributed to the resurgence of consumer engagement in these areas. Despite the overall growth in total retail sales, it will take some time for rental rates to fully adjust and align with the improved consumption. Property owners and landlords are taking a cautious approach to rental growth, allowing adequate time for rents to align with evolving consumption patterns and market condition.

The retail occupancy and rental performance in **Hong Kong** have generally remained healthy, thanks to robust domestic consumption. However, investors exhibit caution towards the retail sector due to its high vacancy rate.



Industrial sector

Australian industrial market drove the movement in the industrial sector in this survey. The current rental levels are expected to peak in 2024 as a result of tenants' gross occupancy costs hitting their limit. Nonetheless, vacancy rates are still low across Western Sydney, prime industrial area, which should see rents hold at current levels throughout 2024. However, incentive levels are starting to creep upwards.

The transactions concluded in Q4 have resulted similar cap rates as the last quarter in **Jakarta**. Major logistic players have been observed looking for land or joint venture partners.

The industrial cap rates remained flat owing to stabilization of yields and asset values as sustained demand from the third party logistic (3PL) players, eCommerce and fast-moving consumer goods (FMCG) sectors is countered by new supply in **Mumbai**.

Overview

Out of the 19 cities surveyed, five saw upward QoQ movements across all sectors, all of which are in **Australia**, namely Adelaide, Brisbane, Canberra, Melbourne and Perth.

The property market in **Auckland** faced challenges in 2023, but greater certainty emerged on multiple fronts in Q4. Political uncertainty has waned after the election, following the installation of a new National-led coalition government. There is growing confidence that interest rates have peaked, supported by data showing easing inflation, a softening job market and a cooling economy. This has resulted in a stabilisation in investment yields after a period of recalibration. It is expected that transactional activity will increase in 2024, with the increasing demand boosted by population growth driven by record levels of migration.

Although **China's** economy is showing signs of recovery, it is slower than expected. Investors are adopting a wait-and-see attitude and taking conservative measures. At the asset level, landlords are accepting lower rents to increase occupancy rates and maintain a stable income.

In **Hong Kong**, transactions took place in Q4 were mainly driven by end-users and local investors, indicating that the market is approaching its lowest point. The Federal Reserve's policy is expected to become more accommodating, leading to anticipated interest rate reductions in the second half of 2024. Considering these factors, investors are likely to engage in bottom fishing, which could potentially contribute to a more active market in 2024.

Most major property transactions in **Manila** were between related parties, REITCo and develop sponsors, resulting in insufficient evidence to support cap rate movement.

Singapore cap rates have remained steady due to its macroeconomic stability and the strong holding power of asset owners. There has been continuous investment interest, especially from private wealth. The cap rates are anticipated to remain stable in the near term and may decrease if interest rates drop in the second half of 2024.

Cap rates for **Taipei** remained relatively flat, supported by transacted cases across sector, although the number of deals was low.

Cap Rate QoQ movements

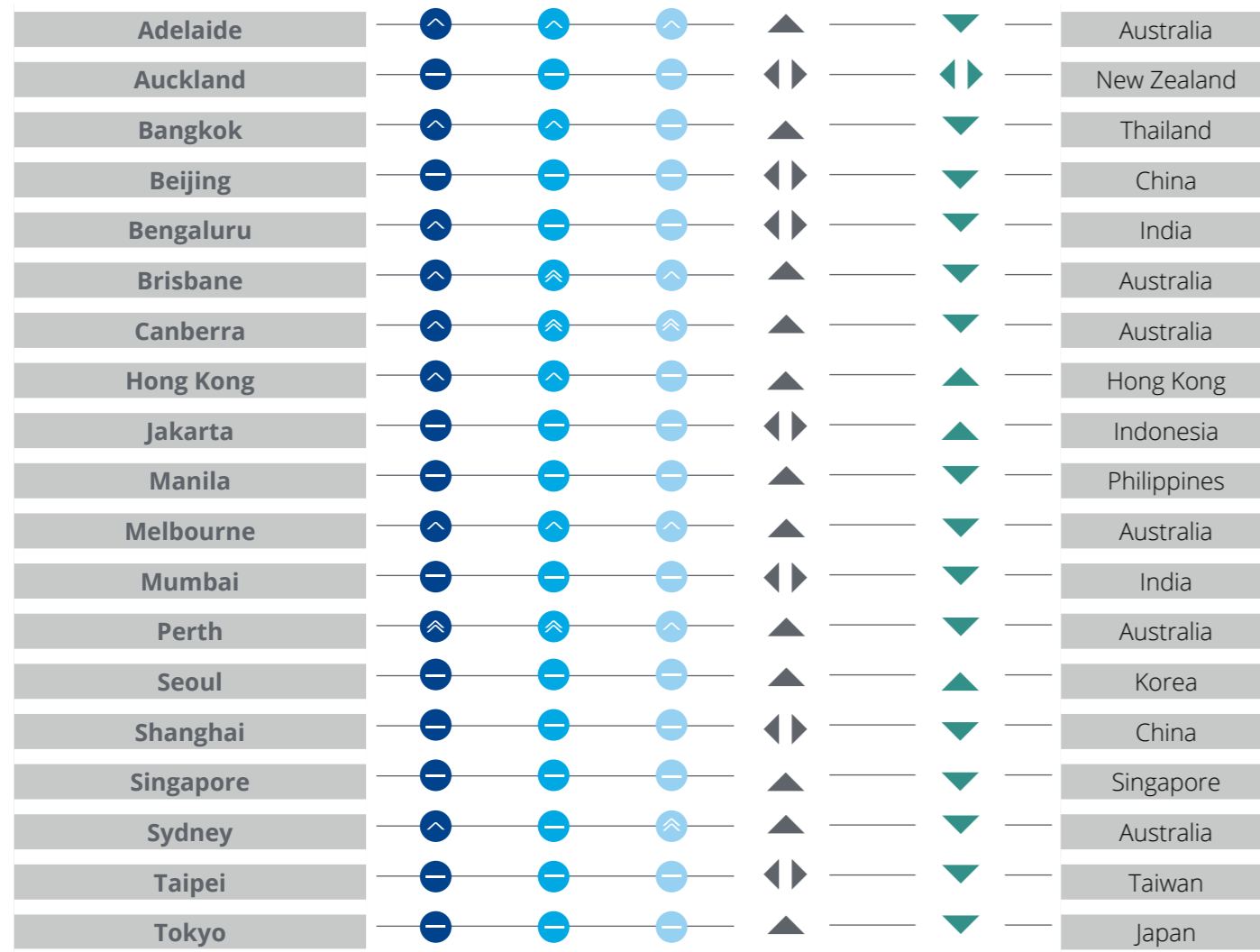


The most movement market

Perth

The most movement sector

Industrial



● 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	6.625%	7.625%	▲	5.75%	7.50%	▲	6.000%	6.75%	▲	4.35%	4.90%	Australia
Auckland	5.25%	6.25%	◀▶	5.75%	7.25%	◀▶	5.00%	5.75%	◀▶	5.50%	5.60%	New Zealand
Bangkok	5.22%	5.71%	▲	5.55%	6.09%	▲	8.03%	9.12%	◀▶	7.15%	-0.44%	Thailand
Beijing	5.25%	6.25%	◀▶	5.25%	6.50%	◀▶	5.00%	6.25%	◀▶	4.20%	-0.50%	China
Bengaluru	8.50%	8.90%	▲	9.75%	10.75%	◀▶	7.00%	7.25%	◀▶	9.15%	5.21%	India
Brisbane	5.50%	6.875%	▲	5.50%	7.25%	▲	5.625%	6.25%	▲	4.35%	4.90%	Australia
Canberra	5.625%	6.625%	▲	5.75%	7.50%	▲	5.75%	6.00%	▲	4.35%	4.90%	Australia
Hong Kong	2.95%	3.90%	▲	3.00%	4.75%	▲	2.85%	4.00%	◀▶	5.65%	2.70%	Hong Kong
Jakarta	5.00%	6.00%	◀▶	7.00%	8.00%	◀▶	8.00%	10.00%	◀▶	8.07%	2.86%	Indonesia
Manila	5.00%	6.00%	◀▶	7.00%	8.00%	◀▶	8.00%	10.00%	◀▶	6.50%	4.10%	Philippines
Melbourne	5.00%	5.875%	▲	5.25%	7.25%	▲	4.875%	5.75%	▲	4.35%	4.90%	Australia
Mumbai	7.75%	8.75%	◀▶	7.50%	8.75%	◀▶	7.00%	8.00%	◀▶	9.15%	5.21%	India
Perth	5.625%	7.250%	▲	5.75%	7.50%	▲	5.875%	6.75%	▲	4.35%	4.90%	Australia
Seoul	4.00%	4.50%	◀▶	5.50%	6.50%	◀▶	5.50%	6.00%	◀▶	5.24%	3.80%	Korea
Shanghai	5.25%	6.50%	◀▶	5.50%	6.50%	◀▶	5.00%	6.25%	◀▶	4.20%	-0.50%	China
Singapore	3.00%	3.50%	◀▶	4.25%	4.75%	◀▶	5.25%	6.25%	◀▶	3.74%	3.30%	Singapore
Sydney	4.875%	5.625%	▲	5.25%	7.00%	◀▶	4.75%	5.625%	▲	4.35%	4.90%	Australia
Taipei	2.40%	2.80%	◀▶	2.40%	3.10%	◀▶	2.60%	3.10%	◀▶	3.13%	2.90%	Taiwan
Tokyo	2.70%	3.90%	◀▶	2.80%	4.50%	◀▶	3.50%	4.50%	◀▶	0.08%	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.



Appendix

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

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.

For further information, please contact:

The Colliers logo consists of the word "Colliers" in a white serif font, centered within a dark blue rectangular box. Below the text are three horizontal stripes in yellow, red, and blue from top to bottom.

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
dwright.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 18,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 28 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of approximately 20% for shareholders. With annual revenues of \$4.5 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, [Twitter @Colliers](#) or [LinkedIn](#).

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. [Include your market's legal name here. (ex. Colliers International Group Inc.)]
