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FEBRUARY 2018

INSIGHTS INTO ACTION

CUSHMAN & WAKEFIELD



AUSTRALIA

Office vacancy to reach multi-decade low in Sydney

INSIGHTS INTO ACTION

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"With vacancy near multi-decade lows in Sydney and Melbourne in 2018, tenants will need a flexible approach to meet their space requirements.

DOMINIC BROWN Head of Research, Australia and New Zealand

KEY STATISTICS

8%
GROSS EFFECTIVE RENTAL GROWTH
IN MELBOURNE PRIME OFFICE (2017)

93,000 SQ.M.
OF FULLY PRE-COMMITTED NEW DEVELOPMENTS IN MELBOURNE (2018)

17.0 BILLION AUD
INVESTMENTS IN OFFICE ASSETS
DURING 2017

KEY TRENDS

1 Little new supply expected over next 12 months

Just 160,000 square metres (sq. m.) of new and major refurbished supply is expected across Australia's eastern seaboard markets of Sydney, Melbourne and Brisbane in 2018, representing less than 1.5% of existing stock. Of this space, the majority will be in Melbourne and has already been pre-committed. With business confidence in positive territory, we anticipate the uptake of stock to continue, despite limited availability in both Sydney and Melbourne. As a result, we expect vacancy to compress in all three markets, with Sydney forecast to be the tightest at approximately 3% by the end of 2018, the lowest level in over 25 years.

2 More infrastructure being developed in more cities

A wave of infrastructure and development projects is sweeping across Australia's major capital cities, promising to drive economic growth and create employment opportunities. The largest scale of development is underway in Sydney, totalling over AUD 60 billion, including Sydney Metro, Light Rail, and WestConnex. In Brisbane, a further AUD 20 billion worth of projects is underway, including a parallel runway at Brisbane Airport, the Cross River Rail, and the Queen's Wharf. Melbourne is also set to benefit from projects including the AUD 11 billion Metro Tunnel and AUD 6 billion West Gate Tunnel and Monash freeway. Together these projects will transform the cities, facilitating more efficient movement of passengers and goods.

3 Technology and professional services to lead occupier demand in 2018

The Information, Media and Technology sector has been a major driver of demand for office space, especially in Sydney where approximately 40 leases were signed in the past 12 months totalling 64,000 sq.m. Recent analysis by Cushman & Wakefield has revealed that tenants and landlords alike believe this sector will continue to drive demand for office space in 2018. In Brisbane, the range of development and infrastructure projects is helping to drive jobs growth in the Professional Services sector, especially engineers which have seen job advertisements grow by 12% over the past year. With more projects to begin next year, the sector should continue to support office demand in Brisbane.



KEY INDICATORS

Australia	2017E	2018F	2019F
GDP (%)	2.8%	3.1%	3.0%
Inflation (%)	1.9%	2.1%	2.2%
Unemployment rate (%)	5.5%	5.4%	5.4%
Retail sales (% growth)	2.6%	3.5%	3.3%

Source: Deloitte Access Economics, Australian Bureau of Statistics

Office (Sydney)	2017	2018F	2019F
Rent* (AUD/sq.m./pa)	924	994	1047
Vacancy (%)	4.6%	3.2%	3.3%
Gross new supply (sq.m.)	60,500	27,500	90,000

Source: Cushman & Wakefield
** Prime Gross Effective Rent*

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INSIGHTS INTO ACTION

JAPAN

Tokyo transitions into its next stage of development

KEY STATISTICS

0.01% YoY
RENTAL GROWTH
IN TOKYO GRADE A OFFICE (2017)

3.0%
LOW VACANCY RATE
WAITING FOR A LARGE SUPPLY FROM 2018 TO BEYOND 2020

0.7%
POSITIVE SIGNS AS INFLATION AT
GDP GROWTH AT **2.5%** & TIGHT UNEMPLOYMENT RATE OF **2.8%**

KEY TRENDS

1 Grade A office supply to surge

After a slow 2017, new supply in Tokyo's Grade A office market is set to surge from 2018 to beyond even the 2020 Olympic Games. The details of new development projects past 2020 are also emerging as real estate developers continue to be backed by favorable financial conditions. Among the five wards, Minato ward will account for the largest portion of the new supply through to 2023. Although we expect a reduction in new supply for the year 2021, the impact of supply in 2018–20 and the associated secondary vacancies will be that market conditions remain tenant favorable for the foreseeable future. Grade A market conditions will of course have an impact on the non-Grade A office market and this impact will become evident from 2019, evolving in tandem with the emergence of secondary vacancies.

2 2018 is the year of coworking spaces

Japan is still behind its global peers in terms of the adoption of coworking space, with relatively lower workplace standards for traditional Japanese companies. Due to tight labor market conditions, companies have started seeing an increasing need for an improved workplace to secure talent. This is especially true where millennials are concerned, as they are well known for preferring a more collaborative and casual work environment. Global coworking space provider WeWork announced the 2018 opening of their first three Japan locations. WeWork won't stop there as they have ambitions to open more locations. These efforts are echoed by those of major Japanese developers also looking to make headway in the coworking space. This type of positive activity will accelerate the adoption of innovative and collaborative workspace solutions for both existing companies and startups.

3 Infrastructure to shape future office markets

The 2020 Olympics Games has catalyzed several significant infrastructure development plans in Tokyo. The new Tamachi-Shinagawa JR Station for instance, which also houses the Linear Motor Car terminal, will elevate Shinagawa's position as the regional gateway to Nagoya and Osaka. The planned Bus Rapid Transit system to the waterfront will also enhance the connectivity of Toyosu/Harumi to other areas in the CBD. These new transportation infrastructure developments, by linking each submarket more effectively, will usher in a transformation of Tokyo's office markets.



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The categorization of submarkets in Tokyo is now changing as new developments and positive infrastructure plans are leading to the expansion and mergers of the traditional areas. The ambitious development plans will also offer tenants more locational flexibility. An influx of new supply, the coworking phenomenon and infrastructure developments have come together in a timely fashion to help push the Tokyo Office market into its next stage of development.

HIDEAKI SUZUKI Head of Research, Japan

KEY INDICATORS

Japan	2017*	2018F	2019F
GDP (%)	2.5%	1.7%	0.9%
Inflation (%)	0.7%	0.7%	1.2%
Unemployment rate (%)	2.8%	2.6%	2.5%
Retail sales (% growth)	2.0%	1.2%	1.9%

**As of the latest figure of Q3 2017*
Source: Cabinet Office, Ministry of Internal Affairs and Communications, Oxford Economics

Office	2017	2018F	2019F
Rent (JPY/tsubo/Month)	35,400	33,900	33,200
Vacancy (%)	3.0%	4.2%	5.5%
New supply (tsubo)	80,300	163,100	139,300

Source: Cushman & Wakefield

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INSIGHTS INTO ACTION

KOREA

Coworking will continue to expand

KEY STATISTICS

5.2
TRILLION KRW
INVESTMENTS
IN OFFICE ASSETS
DURING (2017)

5.4%
GANGNAM
TIGHTEST SUBMARKET
IN THE CITY

GROSS CAP. RATE
HAS CONTINUED TO
COMPRESS SINCE
GLOBAL FINANCIAL
CRISIS TO
4~5%

KEY TRENDS

1 Gradual economic recovery is expected

South Korea's economic growth is expected to hit the 3% level in 2018, driven by rising exports, improving domestic consumption and growing investments. The Bank of Korea has recently raised its benchmark interest rate to 1.5% from 1.25% as the economy is showing steady growth. However, there are still risks including geopolitical tensions on the Korean Peninsula, concerns about the job market and financial market volatility.



2 Continued relocation by affiliates of large companies

The Seoul office market will continue to see relocation of large companies. Particularly, we will see active headquarters (HQ) relocations in the Yeouido Business District (YBD). With the completion of Magok district, a large-scale, newly developed area in Seoul, LG Group subsidiaries will relocate to the district where the group's R&D center is also located. The Korean Teachers Credit Union (KTCU) is also expected to relocate once its new headquarters building is completed in the first quarter of this year.

3 Strong demand for serviced office providers

There is an increasing demand for shared workplaces. WeWork, an American coworking space provider, is expanding rapidly. It will open its fourth location in Arc Place and is expected to expand further cross each of the business districts. Not just foreign companies, domestic players such as, FastFive, Rehoboth and Toz are also expanding their business. Many asset management companies are trying to attract these coworking space providers to reduce vacancy risk and maximize weighted average lease terms; coworking providers typically take on a long-term lease contract in large spaces.

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"Although there are some hopeful signs of recovery in the South Korean economy, vacant spaces will increase due to the expected relocations of headquarters in the YBD. However, increasing demand for co-working spaces is expected in all the major business districts.

RYAN LEE Head of Global Occupier Services, Korea

KEY INDICATORS

Korea	2017	2018F	2019F
GDP (%)	3.0%	2.9%	3.0%
Inflation (%)	1.9%	1.9%	1.9%
Unemployment rate (%)	3.6%	3.8%	3.54%
Retail sales (% growth)	2.0%	2.3%	2.0%

Source: Oxford Economics

Office	2017	2018F	2019F
Rent (KRW/sq.m./Month)	40,913	41,732	42,566
Vacancy (%)	10.75%	11.75%	12%
New supply (sq.m.)	84,000	288,000	183,000

Source: Cushman & Wakefield

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INSIGHTS INTO ACTION

MAINLAND CHINA

Positive rental growth expected in tier one cities despite massive supply

KEY STATISTICS

8.5%
GROSS EFFECTIVE RENTAL GROWTH
IN SHENZHEN GRADE A OFFICE (2017)

11.2
MILLION SQ.M.
FUTURE OFFICE SUPPLY
IN TIER ONE CITIES (2018-19)

95.2
BILLION RMB
INVESTMENTS IN OFFICE ASSETS
IN TIER ONE CITIES (2017)

KEY TRENDS

1 Strong growth in South China cities

Guangzhou and Shenzhen, the two largest metropolitan cities in South China, have witnessed tremendous growth in 2017, recording annual office rental growth rates of 7.4% and 8.5%, respectively. The growth in rents was supported by strong net absorption of a combined 1.2 million square meters (sq.m.) in the two cities, exceeding the total new supply of 1.0 million sq.m. Guangzhou and Shenzhen also experienced strong job growth in the services sector with estimated annual growth rates of 3.0% and 4.2% in 2017, respectively, well above the national average of 0.3%. Oxford Economics forecasts that Guangzhou and Shenzhen will continue to enjoy strong service-sector employment growth in the 4-5% range in 2018 and 2019, driven by government initiatives such as the Greater Bay Area (GBA) plan and the Pearl River Delta (PRD) plan to further develop Guangdong province into a world-class trade hub. Consequently, this will continue to drive office rental growth in the core CBD areas of the two cities with annual growth rates in the 3-5% range possible over the next two years.

2 Compressing yields for core office assets

Capitalization rates of China's core office assets in first tier cities are now at five-year lows (sub 5%) and will likely remain at low levels in 2018 and 2019. Strong competition for stabilized office assets and high levels of liquidity are key driving factors. In 2017, capital values of office buildings in central business district (CBD) areas increased by an average of 6.3% and are expected to continue on a growth trajectory over the next two years. Rental growth, on the other hand, will likely grow at a softer pace on average across China's first tier markets; thus, maintaining current downward pressure on achievable yields. Nevertheless, it is expected that tier one cities will continue to see positive rental growth in general though Beijing and Shanghai will likely soften to the 1-2% range due to a massive amount of forthcoming supply (totalling 3.0 and 2.9 million sq.m. over 2018 and 2019, respectively), while average rents in most tier two cities will likely remain stable or experience decline.

3 Growing interest in decentralized markets

Decentralized office markets in China's tier one cities continue to attract new occupiers and investors as a wave of new, high quality developments come to the market. In 2017, decentralized markets in Beijing and Shanghai recorded higher absorption than CBD areas, with positive rental growth of 4.4% and 2.4%, respectively. Such outstanding occupier demand has increasingly drawn investors' interest to these decentralized markets. For instance, in Shanghai, about two-thirds of the office investment deals completed in 2017 were for properties in decentralized locations. It is expected that with yields for office assets in core locations remaining at extremely low levels, good quality office assets in decentralized locations will continue to attract investors with higher yields and good potential for further capital value growth.

CUSHMAN & WAKEFIELD

Occupier demand for office space in China is expected to remain strong in 2018 and 2019, driven by rapid expansion of the services sector, the ongoing rise of large domestic enterprises and multiple government initiatives that support further growth in the tertiary sector and particularly the technology and financial services industries.

JAMES SHEPHERD Managing Director, Research, Greater China

KEY INDICATORS

China	2017E	2018F	2019F
GDP (%)	6.8%	6.4%	6.0%
Inflation (%)	1.6%	2.3%	2.6%
Unemployment rate (%)	4.0%	4.0%	4.0%
Retail sales (% growth)	7.7%	7.6%	7.0%

Source: Oxford Economics

Office (Shanghai)	2017	2018F	2019F
Rent (RMB/sq.m./Month)	282	287	289
Vacancy (%)	14.0%	14.7%	14.9%
New supply (sq.m.)	1,400,598	2,120,800	814,146

Source: Cushman & Wakefield

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INSIGHTS INTO ACTION

GREATER CHINA - HONG KONG

Greater Central office market to continue the game of musical chairs

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"With several well-known international law firms and financial services firms in Greater Central having already committed to relocate to Swire Properties' Taikoo Place in Hong Kong East over the past year, we believe more MNCs to follow suit in 2018; slowly transforming the submarket into a viable extension of the core office area of the city.

REED HATCHER Head of Research, Hong Kong

KEY STATISTICS

8.1%
(7-9% EXPECTED IN 2018)
NET EFFECTIVE RENTAL GROWTH
IN GREATER CENTRAL (2017)

8.7 MILLION SF
UPCOMING SUPPLY
BETWEEN 2018 AND 2022

57% IN 2017
(2015: 43%, 2016: 53%)
PRC MARKET SHARE OF NEW LEASES
IN PRIME CENTRAL

**Over 10,000 sf, net*

KEY TRENDS

1 Greater Central rental market to reach new heights

With availability remaining tight (3.7% at the end of 2017) and no new Grade A office supply entering the market until 2022, the average rent in Greater Central is forecasted to climb further in the range of 7-9% in 2018. Growth is expected to be underpinned by rental increases in Prime Central office buildings, which are favored by mainland Chinese tenants. We remain optimistic that requirements from mainland Chinese financial services firms will remain robust on the back of strong government policy support and the implementation of the central government-backed Greater Bay Area initiative that aims to deepen economic and city development coordination among Hong Kong, Macau and nine other cities in Guangdong Province. Competition for prime office space is expected to intensify as only 10 sizable spaces (over 10,000 square feet, net) are available in Prime Central over the next 12 months.

2 Time to look east for sizable requirements

A wave of high-spec Grade A office supply set to enter the Hong Kong East and Kowloon East office markets over the next three years provides excellent lower cost alternatives for sizable tenants located in core office areas, especially those in Greater Central. The rental gap between Greater Central and Hong Kong East is forecasted to increase from 1.7x (end of 2017) to 1.9x (end of 2020). The rental differences between Greater Central and Kowloon East are even more significant, jumping from 3.4x to 5.3x over the same period. Of the two decentralized submarkets, we remain optimistic in the near term about the development of Hong Kong East into a strong alternative core-office area on the back of improving connectivity with Greater Central as the journey time will be more than halved (to just less than 10 minutes) upon the completion of the Central-Wanchai Bypass in 2019 and convenient amenities around the neighborhood.

3 Coworking space operators to remain active in the leasing market

Since global coworking giant WeWork entered the Hong Kong office market in April 2016, local and regional coworking space operators have expanded rapidly across the city. In 2017 alone, coworking space operators leased about 147,500 sf of Grade A office space and about 211,900 sf of non-Grade A office space. At the end of 2017, private coworking space operators occupied 308,500 sf of Grade A office space with 65% of that located on Hong Kong Island. Ahead, we expect these operators to remain active in the leasing market for three reasons: 1) these operators provide a compelling enterprise solution option to individuals and corporates seeking flexible lease terms and capital expenditure avoidance; 2) a pipeline of mainland Chinese and regional coworking space operators are looking to set up or expand in the city; and 3) a race among major coworking space operators to capture market share by expanding into different parts of the city.

KEY INDICATORS

Hong Kong	2017E	2018F	2019F
GDP (%)	3.6%	2.8%	2.5%
Inflation, CPI (%)	1.5%	2.3%	2.3%
Unemployment rate (%)	3.1%	3.3%	3.5%
Retail Sales (% growth)	1.0%	4.0%	4.0%

Source: Oxford Economics

Office (HK Overall)	2017	2018F	2019F
Rent (HKD/sf/Month, Net)	81.1	84.8	86.3
Availability Rate (%)	7.6%	8.9%	10.1%
New supply (msf)	1.78	1.86	2.17

Source: Cushman & Wakefield

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INSIGHTS INTO ACTION

SINGAPORE

Coworking segment continues inexorable march forward

KEY STATISTICS

15.6%
MARINA BAY RENTAL GROWTH
(2017)

9-10%
GRADE A CBD RENTAL GROWTH
(2018)

5,500
NEW JOBS TARGETED
IN THE PROFESSIONAL SERVICES SECTOR PER YEAR UNTIL 2020*

**Industry transformation map by Singapore government*

KEY TRENDS

1 Leasing demand strengthens amidst reduction in pipeline supply

2017 saw an influx of supply due to the completions of Marina One and UIC Building, which injected 2.2 msf of prime space into the market. Going forward, supply pressure will ease significantly as pipeline supply reduces to 0.7 msf annually between 2018 and 2020. With the newly completed projects enjoying high occupancy rates due to increased leasing demand, the office market is now firmly tilted in the landlords' favor. Major firms including French energy giant Total (125,000 sf), Shiseido (50,000 sf) and Sumitomo Corporation (43,000 sf) recently took up multiple floors at Frasers Tower, which has attained a pre-leasing rate of 70%.

2 Competition in coworking segment intensifies

Competition in the coworking segment intensified when American giant WeWork entered the fray. After it acquired local player Spacemob, WeWork took up 28,000 sf at Beach Centre and 60,000 sf at 71 Robinson Road. It further ramped up the pace of its expansion by leasing 29,000 sf in a China Square Central heritage shophouse block, as well as 40,000 sf in the upcoming Funan. There is also market talk that Regus is in advanced negotiations to lease 40,000 sf at 18 Robinson. In addition, Chinese coworking player Ucommune (formerly known as UrWork) announced that it will be opening its second location at Suntec city in the first quarter of 2018.

3 Rental growth to accelerate in 2018

With both the global and local economy on a firm footing and business confidence strengthening, the pace of rental growth will accelerate in 2018. Accordingly, Grade A Central Business District (CBD) rents are projected to increase by approximately 10% barring unforeseen circumstances. However, the rapid increase in rents could price some cost-conscious tenants out of the CBD. This has led to growing interest in decentralized offices such as Paya Lebar Quarter, which is slated for completion in mid-2018 and has achieved a 50% pre-commitment rate.



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Demand for large office spaces in 2018 will continue to come from non-financial services industries such as technology and coworking. As vacancy for quality spaces starts to tighten arising from the dearth of supply over the next two years, Singapore is quickly transitioning to a landlord-favorable market, which can price some tenants out of the CBD.

CHRISTINE LI Head of Research, Singapore

KEY INDICATORS

Singapore	2017	2018F	2019F
GDP (%)	3.3%	2.9%	2.7%
Inflation (%)	0.6%	1.5%	2.0%
Unemployment rate (%)	2.1%	2.1%	2.0%
Retail sales (% growth)	2.0%	1.2%	1.9%

Source: Oxford Economics

Office	2017	2018F	2019F
Rent (SGD/sf/Month)	S$9.20	S$10.13	S$11.05
Vacancy (%)	5.5%	4.2%	3.9%
New Supply (msf)	2.2	0.8	0.6

Source: Cushman & Wakefield

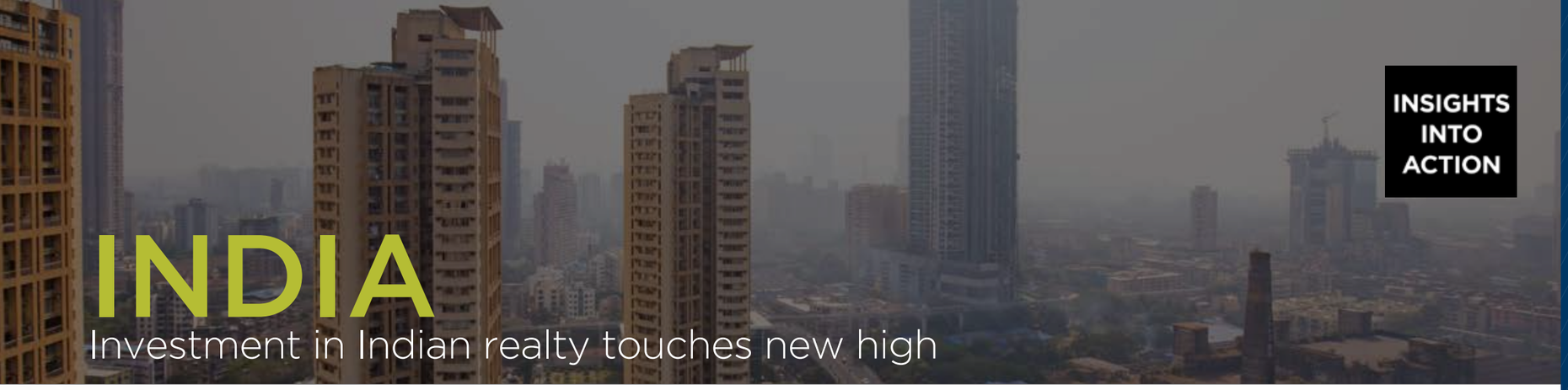
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INDIA

Investment in Indian realty touches new high

INSIGHTS INTO ACTION

KEY STATISTICS

USD 6.6 BN
RECORD HIGH PRIVATE EQUITY INVESTMENTS IN 2017

12-15%
IN 2018
OFFICE ABSORPTION LIKELY TO GROW

RENTAL GROWTH IN BENGALURU
OUTER RING ROAD
7-10%
(2018)

KEY TRENDS

1 Surge in private equity investments

Private equity investors showed high interest not only in the residential segment, which has been favored, but also in the office, retail and logistics sectors. Private equity inflows into real estate touched a new high in 2017, at USD 6.6 bn, registering a 17% increase from the previous year. While established markets of Mumbai, Bengaluru and Delhi-NCR have seen the larger share of investments, cities such as Chennai, Hyderabad and Pune also saw healthy investor interest due to their inherent strengths and multi-sector manufacturing activities for automobiles, engineering goods, white goods, pharmaceutical products. Besides attractive returns, investors are now enthused by India breaking into the top 100 in the 'Ease of Doing Business' Index in 2017.

2 Industrial and warehousing sectors gaining investor interest; Residential sector regularized

The implementation of Goods and Services Tax (GST) has revitalized the manufacturing and related sectors, such as warehousing and logistics, by making them more price competitive and increasing supply chain efficiencies. GST abolished various central, state and local taxes, enabling easier transfer of goods between states, which would give way to larger, centralized and advanced warehouses that would serve as hubs to service various states. Besides these sectors, the residential sector will come under the scrutiny of a regulator, which will provide comprehensive guidelines for developers and buyers. The Real Estate Regulatory (and Development) Act, 2016 (RERA) will make developers accountable and bring transparency in the market. Several states have already adopted the RERA, which will lead to better business practices.

3 Office space demand in 2018 to be robust; Bengaluru and Hyderabad in lead

Demand pipeline during 2018 is expected to be strong with net absorption at approximately 29 msf across the eight cities, a 14% increase from 2017 levels. While the IT-BPM sector will be the dominant demand driver, Pharmaceuticals, Consulting, BFSI sectors will take greater strides in occupying office space. Similar to 2017, the current year too will see the highest demand for office space coming from Bengaluru, driven by corporate expansion, with Hyderabad emerging as a close competitor. We expect occupiers to continue to expand / consolidate in suburban locations across markets to improve efficiencies. Tight vacancies in prime locations will continue to push up rents, with Bengaluru again leading at 7-10% growth rate projected for 2018.



CUSHMAN & WAKEFIELD

"The Indian real estate market closed in on record-high investments last year, reflecting institutional investors' confidence in India's strong fundamentals. Investors have favored initiatives such as implementation of GST, setting up of a regulatory authority, and liberalized FDI norms etc, which have led to better ease of doing business in the country. We foresee a great deal of interest in the logistics sector, which is now an attractive space for investors, we are also expecting investors to see an upside in the residential sector, once RERA kicks in across all states and sets clear standards for developers.

ANSHUL JAIN Country Head & Managing Director, India

KEY INDICATORS

India	2017	2018F	2019F
GDP (%)	6.2%	7.4%	7.1%
Inflation (%)	3.2%	5.3%	5.5%
Unemployment rate (%)	3.4%	3.5%	3.5%
Retail sales (% growth)	14.9%	18.8%	14.4%

Source: Oxford Economics

Office (Bengaluru)	2017	2018F	2019F
Rent (INR/sf/Month)	75.05	82.20	78.50
Vacancy (%)	4.6%	3.5%	4.0%
New supply (msf)	6.7	8.9	11

Source: Cushman & Wakefield

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SOUTHEAST ASIA

Scaling new heights

KEY STATISTICS

15-20%
HO CHI MINH CITY
HIGHEST RENTAL GROWTH
ASIA PACIFIC (2018)

15-16 MSF
MANILA

6.1 MSF
JAKARTA
RECORD HIGH OFFICE COMPLETIONS
DURING 2018

6.5-7.0%
VIETNAM AND PHILIPPINES
FASTEST GROWING ECONOMIES
IN EMERGING SOUTHEAST ASIA

**Over 10,000 sf, net*

KEY TRENDS

1 Favorable macro environment

2017 was a remarkable year for emerging Southeast Asia where all the major economies have surpassed early expectations marred by fears of supply chain disruptions and the fallout of Trans-Pacific Partnership (TPP). Favorable demographics, rising consumption and policy reforms have all supported the growth momentum that is fueled by a recovery in global trade. The Comprehensive and Progressive Agreement for the TPP, a revival of the original trade pact's core elements, still hold huge potential even without the US. We expect 2018 to remain positive with all major economies growing on par with recent highs. At 27%, Southeast Asia's internet economy is growing faster than expected, suggesting that domestic demand remains on a solid footing. Manufacturing and service sector growth will continue unabated and rising competition among cities to attract foreign capital could fuel further investments in infrastructure.

2 Major Infrastructure projects

Estimated infrastructure spending in the region is expected to hit US$110 billion a year until 2025; momentum of Belt & Road projects will continue to redefine real estate dynamics in the region. We expect large scale infrastructure projects like Manila subway and Kuala Lumpur-Singapore High Speed Rail to start construction next year. Meanwhile, projects in advanced stages such as North-South Metro, elevated rail and airport link in Jakarta are fueling transit oriented developments in the city. Mass transit projects are also underway in Vietnam, with the first line due to start operations by 2020.

3 Supply remains unabated in bigger markets

The construction boom in emerging Southeast Asia is set to last for another 12-24 months. Nearly 30-35 million sf. of office space is expected to complete by 2019, thus raising the stock by more than 20%. Metro Manila saw the completion of 11.0 msf of office space supply in 2017, more than double the five average of 4.3 msf, pushing office vacancies by more than 600bps. Office supply is expected to outpace demand over the next two years with expected completions of 20-22 msf. Jakarta has a similar story, with its largest ever annual new supply (6.0 msf) slated for completion in 2018. On the contrary, office market in Ho Chi Minh City is expected to fall to lowest vacancy levels over the next 12-15 months resulting in steep rental increments. Occupiers should look at H2 2019 to 2020 for newer options in the city. Similarly, new supply of 1.8 msf in 2019 will be a relief for occupiers in Bangkok, where average vacancies are among the tightest in the region over the last 3-4 years.

4 Opportune time for occupiers and investors

Large scale new supply provides ample opportunities for tenants who are looking to enter, expand or consolidate in emerging Southeast Asian markets, most of which (except Ho Chi Minh City and Bangkok) will remain tenant favorable over the next 12-18 months. Tenants could expect 20-30% rental discounts in several CBD office submarkets across Jakarta, Manila and Kuala Lumpur. In Jakarta, insurance, coworking and e-commerce companies are actively relocating to core areas to take advantage of premium space options at cheaper rates. Non-CBD markets are also on the rise providing cheaper alternatives for cost conscious occupiers. Markets such as Quezon City, Pasay City and Mandaluyong City which are 30-40% cheaper compared to Makati are experiencing a growing demand from offshore gaming and tech companies. Tenants with future requirements in Ho Chi Minh City could explore options coming up in Thu Duc, District 9, and District 2's Thu Thiem area besides CBD. Investors could also benefit from this demand spillover, capitalizing on rental and capital value growth while acquiring properties at cheaper valuations.

Rediscover ASEAN:
a growth story of 10 countries, Ernst & Young, 2017

> *Emerging Southeast Asia remains one of the most promising growth markets in the world. Its set of structural long-term demand drivers have made the region a magnet for foreign investments, which will keep absorption of office spaces in line with the high construction rate this year. We view emerging Southeast Asia to be entering a crucial stage of its growth as economies across the region benefits from sustained reforms, gradual completion of its massive infrastructure undertakings and the promises of economic integration.*

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KEY INDICATORS

Indonesia	2017E	2018F	2019F
GDP (%)	5.1%	5.3%	5.3%
Inflation (%)	3.9%	4.1%	2.3%
Unemployment rate (%)	5.4%	5.3%	5.0%
Retail sales (% growth)	8.5%	9.0%	8.9%

Source: Oxford Economics

Office (Jakarta CBD)	2017	2018F	2019F
Rent (Rp/sq.m./Month)	376,500	338,850	364,300
Vacancy (%)	26.0%	29.2%	26.8%
New supply (sq.m.)	485,600	564,500	308,500

Source: Cushman & Wakefield

Malaysia	2017E	2018F	2019F
GDP (%)	5.9%	5.0%	4.4%
Inflation (%)	3.9%	3.1%	2.8%
Unemployment rate (%)	3.4%	3.2%	3.1%
Retail sales (% growth)	12.9%	8.2%	7.5%

Source: Oxford Economics

Office (Kuala Lumpur)	2017	2018F	2019F
Rent (RM/Sf/Month)	7.2	7.1	7.0
Vacancy (%)	17.7%	16.3%	15.8%
New supply (sf)	828,000	630,000	1,100,000

Source: Cushman & Wakefield

INSIGHTS INTO ACTION

Philippines	2017E	2018F	2019F
GDP (%)	6.6%	6.3%	5.7%
Inflation (%)	3.2%	3.6%	3.9%
Unemployment rate (%)	5.8%	5.1%	4.8%
Retail sales (% growth)	9.5%	9.8%	9.8%

Source: Oxford Economics

Office (Manila)	2017	2018F	2019F
Rent (PHP/sq.m./Month)	839	892	933
Vacancy (%)	7.8%	8.7%	9.3%
New supply (sq.m.)	1,036,156	1,447,767	451,109

Source: Cushman & Wakefield

Thailand	2017E	2018F	2019F
GDP (%)	3.9%	3.2%	3.0%
Inflation (%)	0.7%	1.6%	1.7%
Unemployment rate (%)	1.2%	1.3%	1.3%
Retail sales (% growth)	6.5%	7.8%	7.6%

Source: Oxford Economics

Office (Bangkok)	2017	2018F	2019F
Rent (THB/sq.m./Month)	946	976	1,006
Vacancy (%)	7.7%	7.0%	7.0%
New supply (sq.m.)	58,979	0	174,937

Source: Cushman & Wakefield

Vietnam	2017E	2018F	2019F
GDP (%)	6.8%	6.4%	6.5%
Inflation (%)	3.8%	4.1%	4.0%
Unemployment rate (%)	2.2%	2.1%	2.0%
Retail sales (% growth)	11.5%	11.6%	11.0%

Source: Oxford Economics

Office (Ho Chi Minh City)	2017	2018F	2019F
Rent (USD/sq.m./Month)	52.47	62.15	62.15
Vacancy (%)	7.4%	1.0%	14.4%
New supply (sq.m.)	74,000	0	69,492

Source: Cushman & Wakefield

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About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm with 45,000 employees in more than 70 countries helping occupiers and investors optimize the value of their real estate. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of $6 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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