

November 29, 2021

Japan Real Estate Institute (JREI)

JREI-kenkyu-madoguchi@imail.jrei.jp

Summary of JREI Global Property Value/Rent Indices (No. 17, Oct. 2021)

We are pleased to release a summary of the results of the 17th JREI Global Property Value/Rent Indices (as of October 2021).

Survey Results at a Glance (Change Rates during the Period from Apr. 2021 to Oct. 2021)

■ Office Market

- The office markets in Seoul and Taipei saw a continued rise in both values and rents during the Covid-19 pandemic.
- In Seoul, office values climbed and cap rates fell thanks to the strong demand of Korean domestic institutional investors for office buildings.
- On the contrary, Ho Chi Minh City witnessed a decline in office space demand from multinational companies due to a three-month lockdown in the city. As a result, the growth rate of office rents fell into the negative territory for the first time in the last nine years.
- The office market in New York City began to see the light at the end of the tunnel. For example, an increasing trend ceased in terms of the supply of sublease space. Also, a high-tech firm's office building acquisition drew market participants' attention by its steep purchase price.
- Office rents kept falling in Tokyo. They were unchanged in Osaka although vacancy rates trended upward.

■ Condominium Market

- In Seoul, a further robust price hike was seen in the condominium market because abundant funds were poured into the market by both end-users and investors.
- New York City saw a big jump in both values and rents as more workers returned to their offices and reconsidered living close to their workplaces. The growth rates of condominium values and rents remained negative until the last period for a while.
- The two mainland Chinese cities exhibited a stark contrast as far as condominium values are concerned. Beijing's condominium values grew only slightly although its market improved as a consequence of a residential market control policy implemented by the government. On the other hand, in Shanghai, condominium values rose more compared with the previous period because of a dwindling inventory of units for sale.

■ Office Building Value Change

City	6 month. Change
Seoul	6.7%
Taipei	0.6%
Singapore	0.6%
Tokyo	0.5%
Shanghai	0.1%
Osaka	0.0%
New York City	0.0%
Beijing	-0.5%
HCMC	-0.5%
Kuala Lumpur	-0.7%
London	-1.0%
Jakarta	-1.3%
Bangkok	-1.4%
Hong Kong	-1.8%

■ Office Building Rent Change

City	6 month. Change
Seoul	1.1%
Taipei	0.6%
Shanghai	0.5%
Osaka	0.0%
Singapore	-0.1%
HCMC	-0.5%
Tokyo	-0.6%
Kuala Lumpur	-0.7%
London	-0.9%
Bangkok	-1.0%
New York City	-1.0%
Beijing	-1.3%
Jakarta	-1.3%
Hong Kong	-1.8%

■ Condominium Value Change

City	6 month. Change
Seoul	9.4%
Taipei	4.2%
HCMC	3.8%
Shanghai	3.1%
New York City	2.2%
Hong Kong	1.3%
Beijing	0.5%
Singapore	0.5%
Tokyo	0.3%
Osaka	0.0%
Jakarta	-0.2%
Kuala Lumpur	-0.8%
Bangkok	-0.8%
London	-1.8%

■ Condominium Rent Change

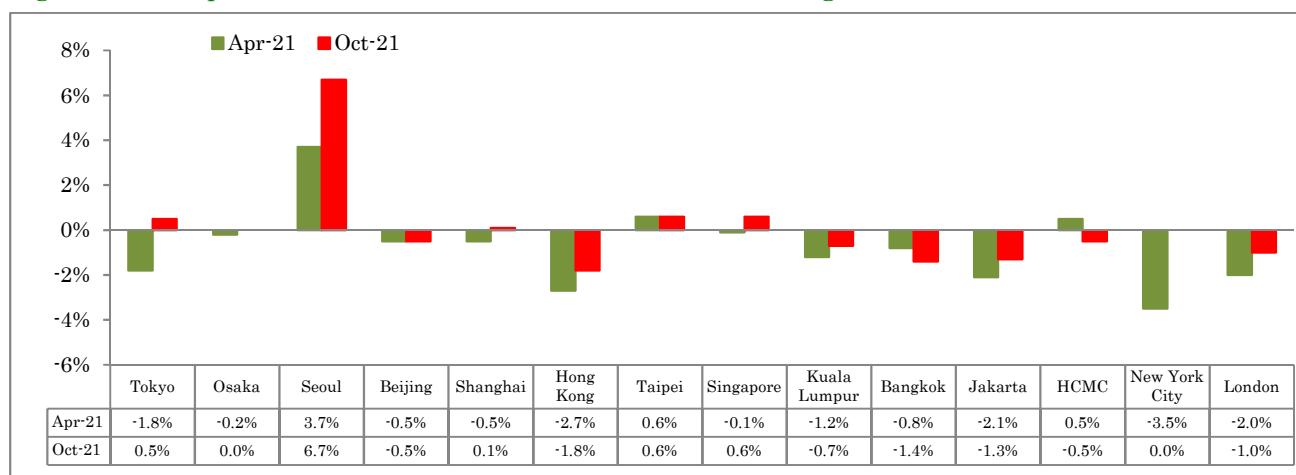
City	6 month. Change
New York City	5.0%
Shanghai	2.9%
Seoul	1.1%
Singapore	0.7%
Beijing	0.5%
Taipei	0.4%
Hong Kong	0.3%
Tokyo	0.0%
Osaka	0.0%
London	-0.4%
HCMC	-0.5%
Bangkok	-1.3%
Kuala Lumpur	-1.4%
Jakarta	-1.6%

1. Half-Year Growth Rate in Value/Rent Index by City

1-1. Growth Rate in the Office Building Value Index (From April 2021 to October 2021)

Figure 1-1 shows the half-year growth rate in the office building value index in each surveyed city. As of October 2021, the growth rate was highest in Seoul (+6.7%) followed by Taipei (+0.6%) and Singapore (+0.6%). In Singapore, office buildings appreciated for the first time during the last three periods. In London, a cap rate compression was observed amid vigorous office building acquisitions by North American and European investors.

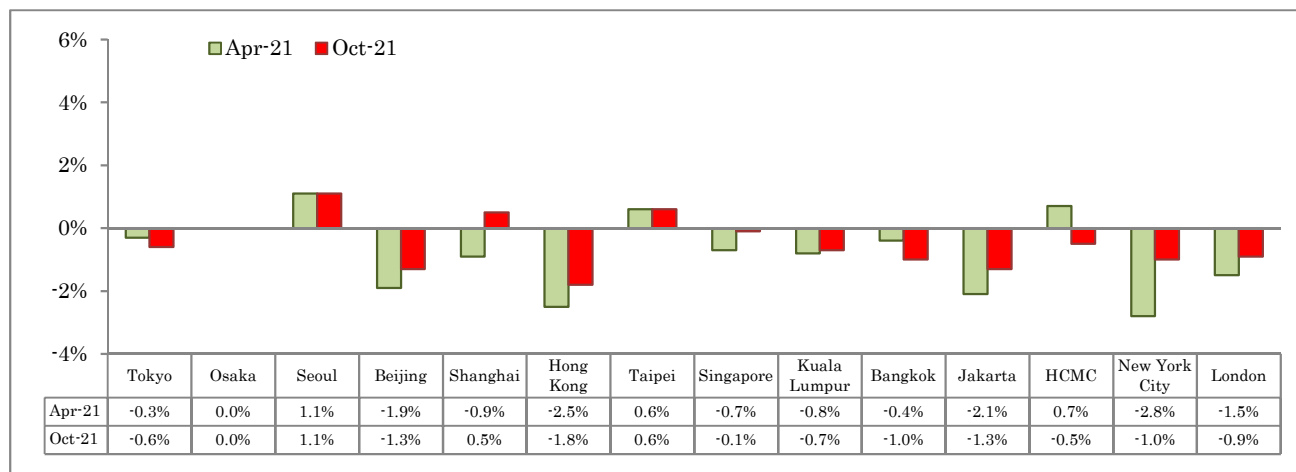
Figure 1-1: Comparison of Half-Year Growth Rate of Office Building Value Index



1-2. Growth Rate in the Office Building Rent Index (From April 2021 to October 2021)

Figure 1-2 shows the half-year growth rate in the office building rent index in each surveyed city. As of October 2021, the growth rate was highest in Seoul (+1.1%) followed by Taipei (+0.6%). In Beijing, although leasing demand was recovering for office spaces, rents declined for five consecutive periods as a large volume of office buildings came onto the market at the end of 2021. In Bangkok, the declining rate of rents was larger than that in the previous period. Landlords faced a difficult time to retain their existing tenants in some cases in the city. In Hong Kong, the falling rate of rents shrank compared with the prior period amid continued stable leasing demand from financial institutions and their related industries.

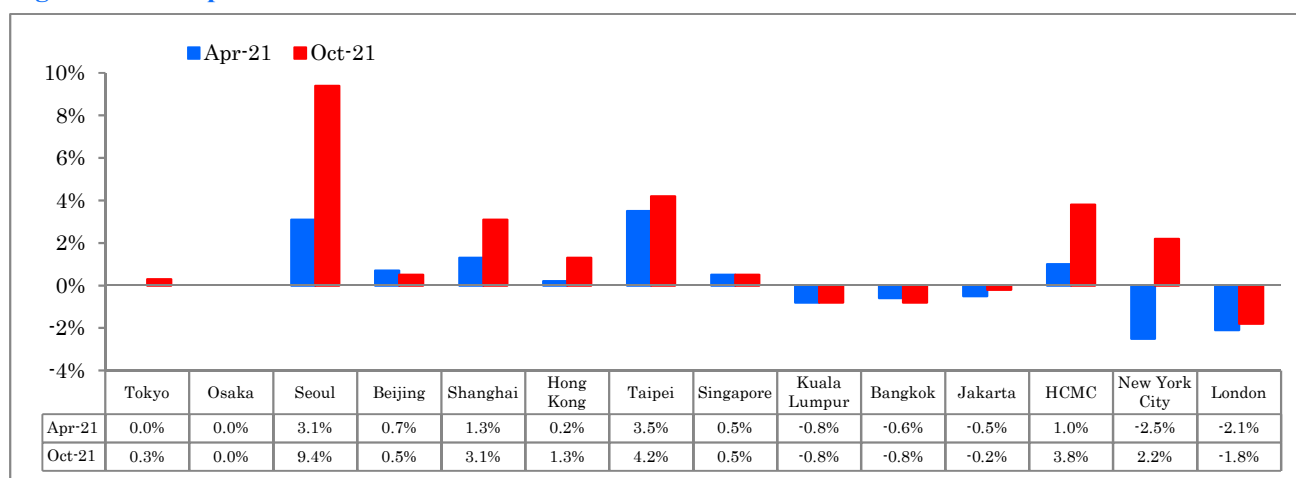
Figure 1-2: Comparison of Half-Year Growth Rate of Office Building Rent Index



1-3. Growth Rate in the Condominium Value Index (From April 2021 to October 2021)

Figure 1-3 shows the half-year growth rate in the condominium value index in each surveyed city. As of October 2021, the growth rate was highest in Seoul (+9.4%) followed by Taipei (+4.2%). In Taipei, condominium values rose because of both market participants' expectation of price appreciation and an escalation in construction costs. In Hong Kong, the growth rate of condominium values increased as residential demand expanded under the government's deregulation policy. In London, condominium values continued to drop for more than five years. However, an increasing upward expectation was witnessed for the London condominium market as the number of sales grew recently.

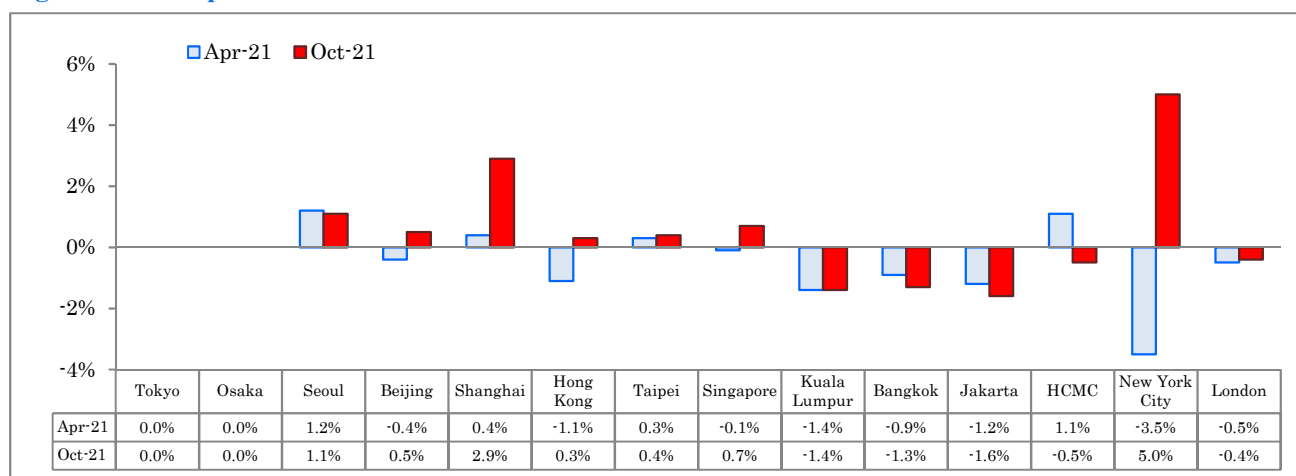
Figure 1-3: Comparison of Half-Year Growth Rate of Condominium Value Index



1-4. Growth Rate in the Condominium Rent Index (From April 2021 to October 2021)

Figure 1-4 shows the half-year growth rate in the condominium rent index in each surveyed city. As of October 2021, the growth rate was highest in New York City (+5.0%) followed by Shanghai (+2.9%). In Shanghai, apartment rents ascended owing to both declined supply of apartment units and rental choices by some consumers rather than owning consumers. In Kuala Lumpur and Jakarta, apartment rents slipped due to a decline in expats' demand.

Figure 1-4: Comparison of Half-Year Growth Rate of Condominium Rent Index



2. Value/Rent Trend by City (October 2010 = 100.0)

Figure 2-1: Office Building Value/Rent Indices (October 2010 = 100.0)

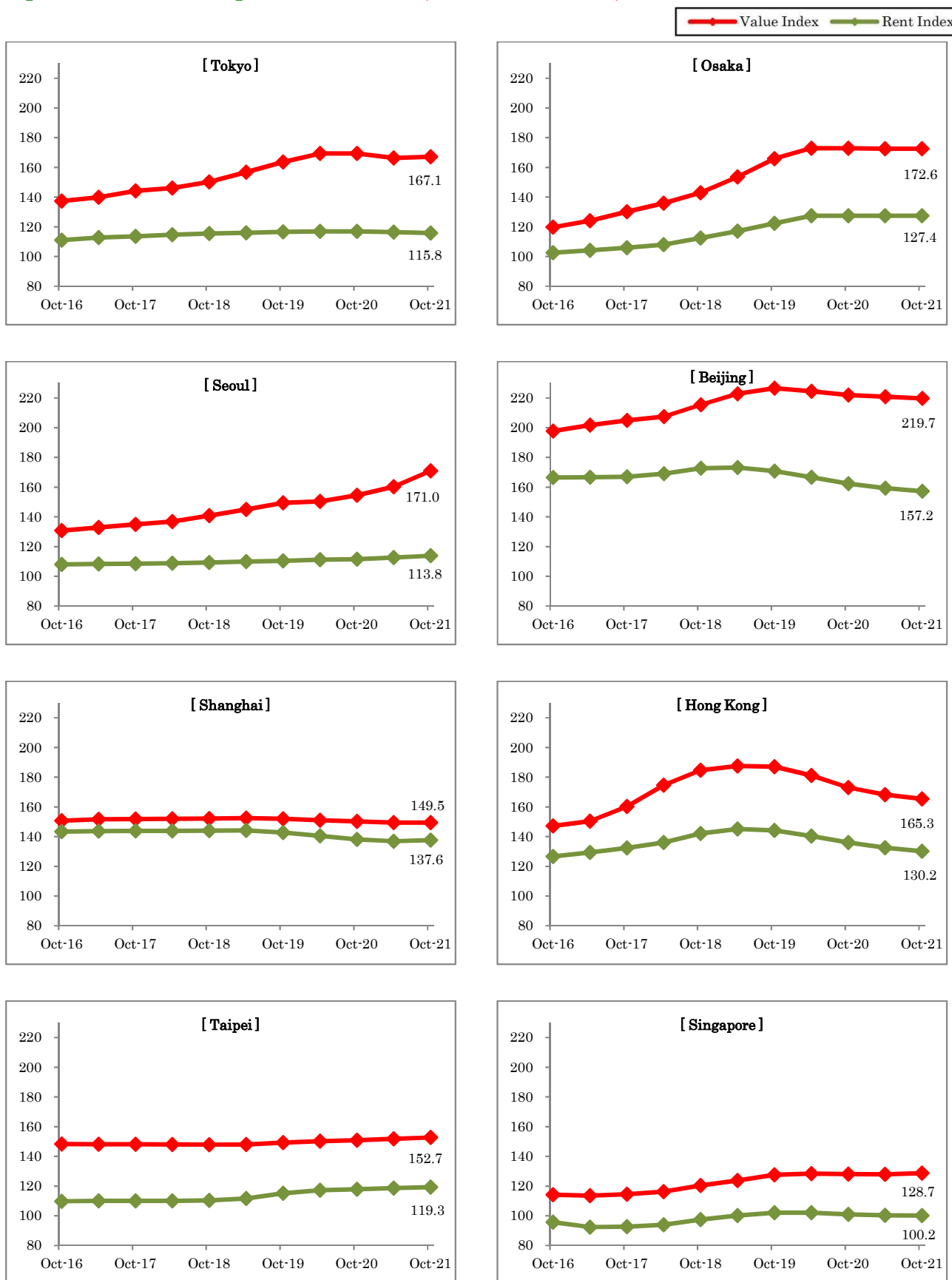


Figure 2-1: Office Building Value/Rent Indices (October 2010 = 100.0)

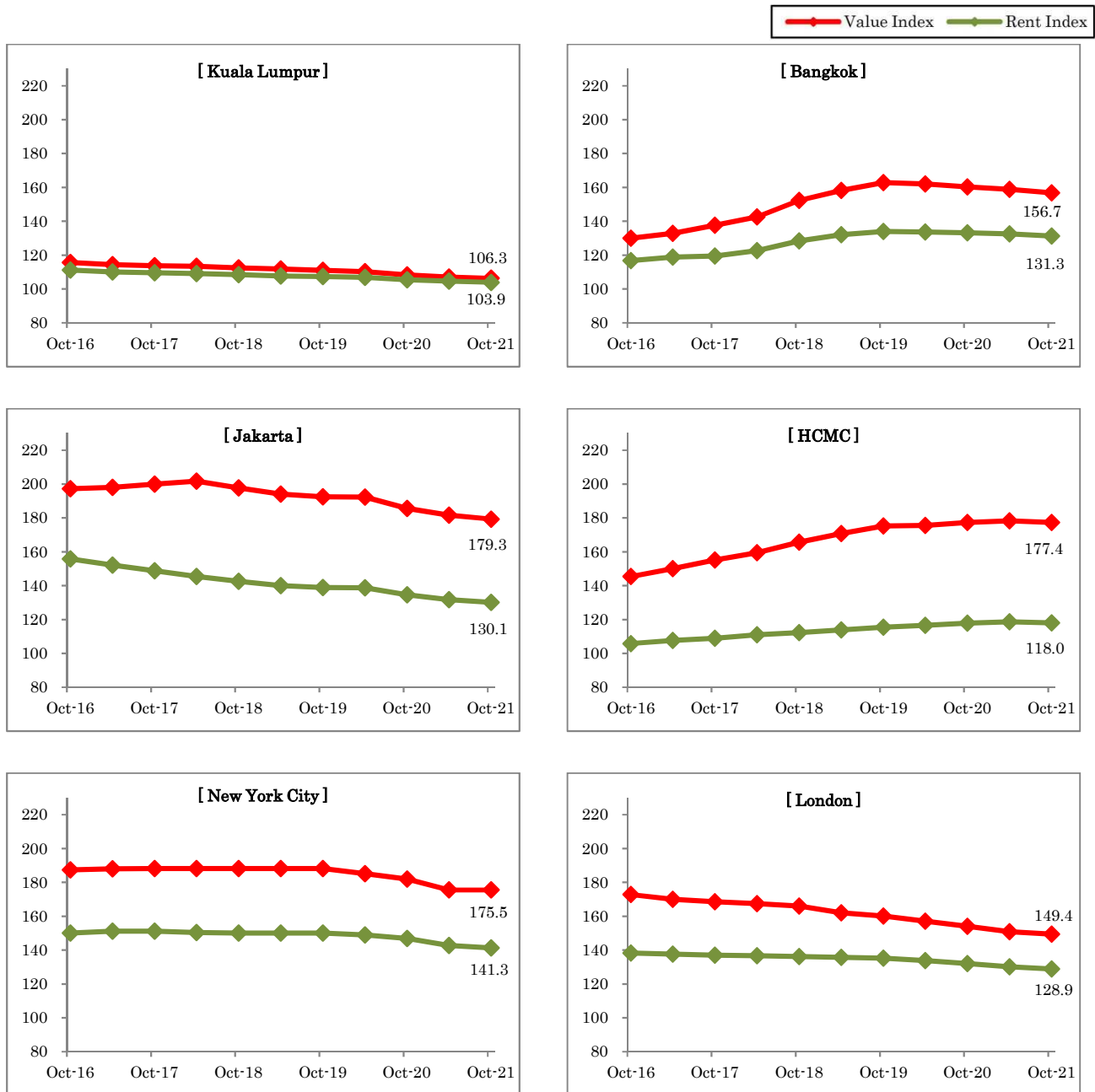


Figure 2-2: Condominium Value/Rent Indices (October 2010 = 100.0)

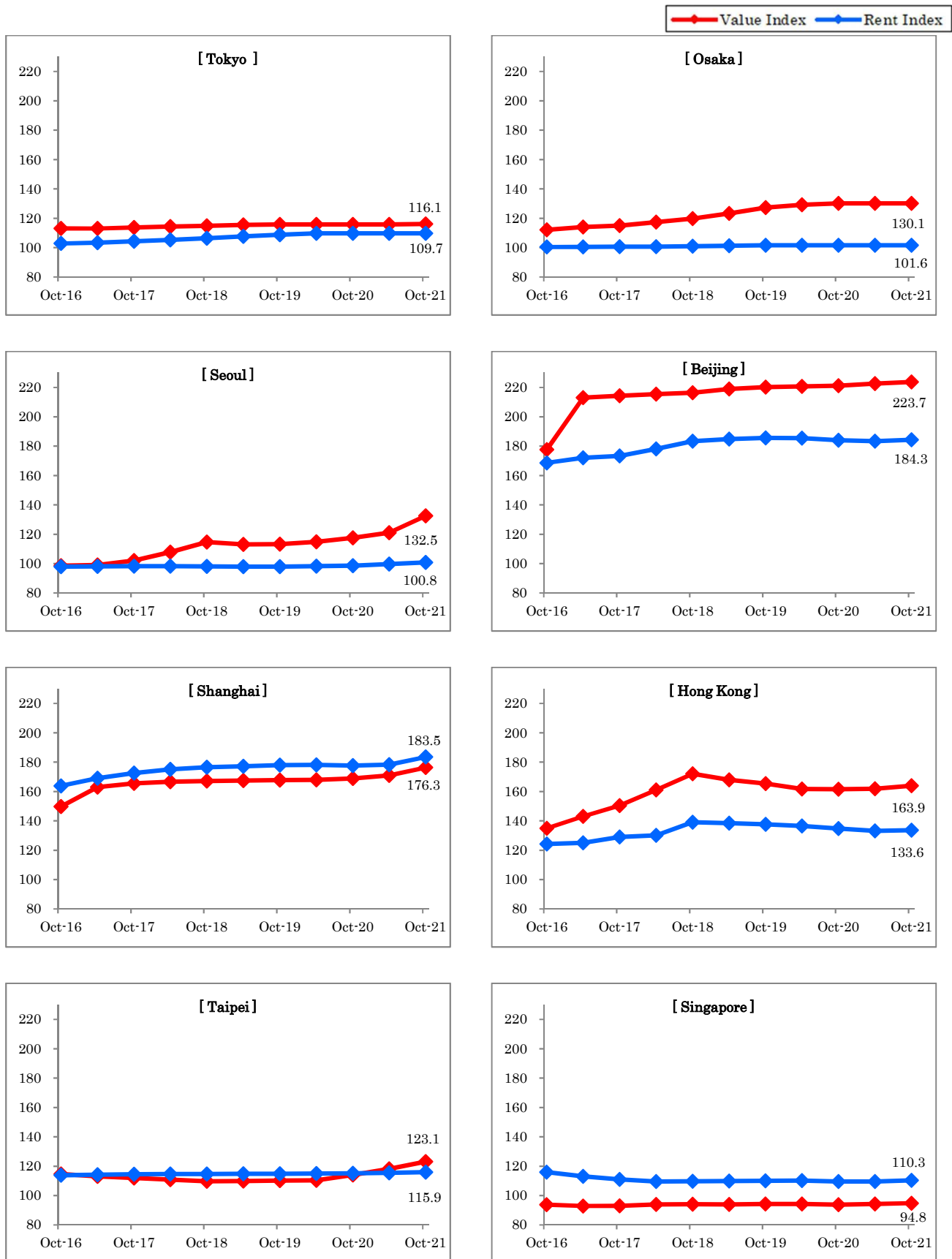
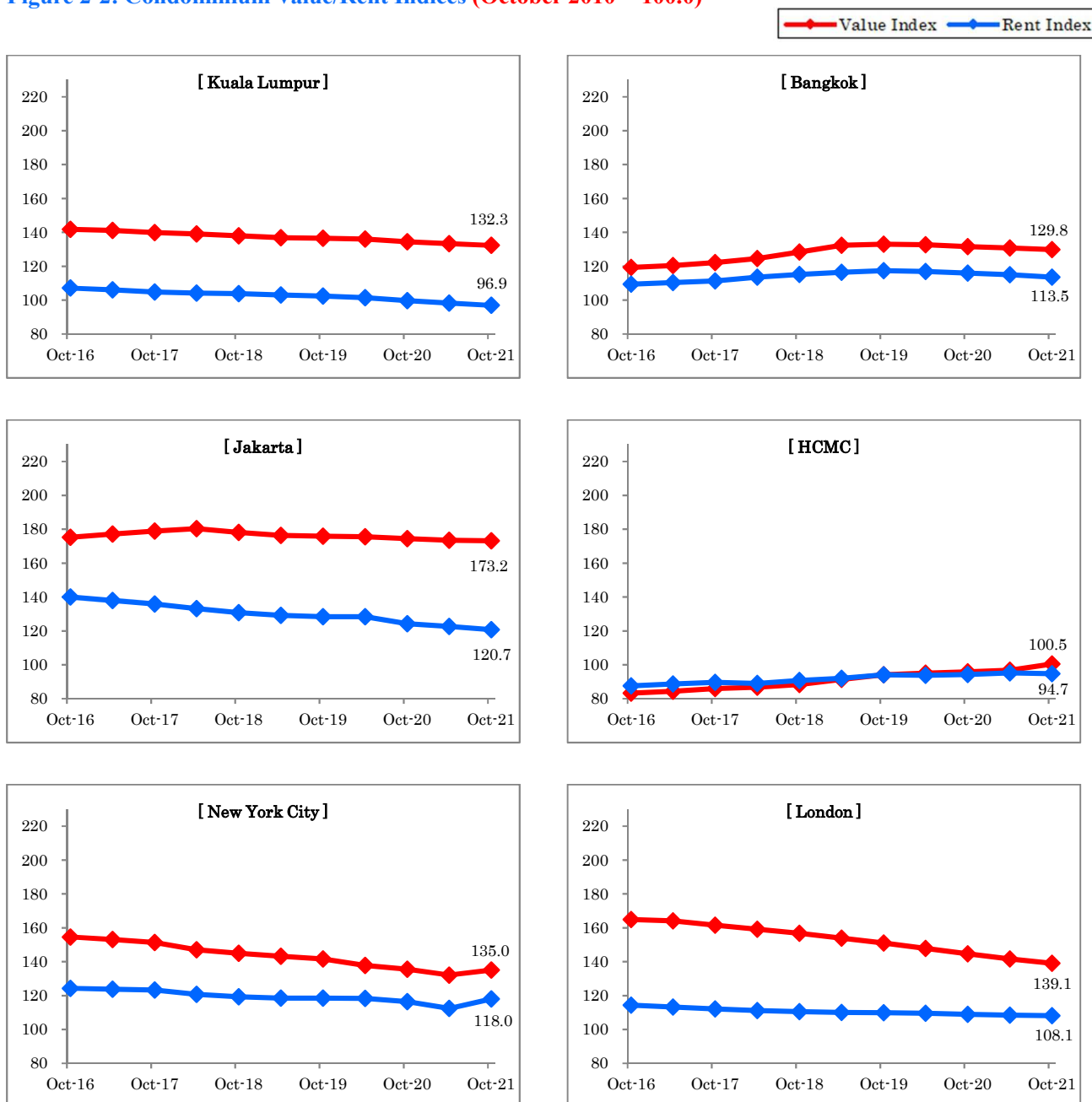


Figure 2-2: Condominium Value/Rent Indices (October 2010 = 100.0)

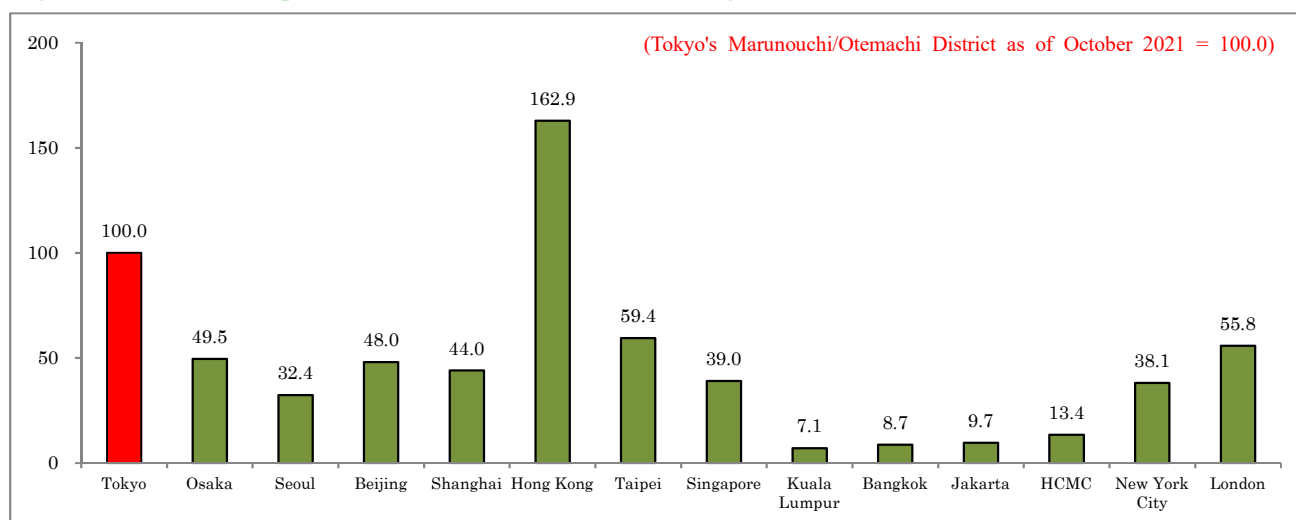


3. Value and Rent Comparison among Surveyed Cities (October 2021)

3-1. Value Comparison of Prime CBD Office Buildings

Figure 3-1 shows the index number of the value per leasable square meter for a prime office building in the CBD of each surveyed city (Tokyo’s Marunouchi/Otemachi District = 100.0). The value of the building in the local currency of each foreign city was converted to the value in the Japanese yen and indexed. (The same method was also applied to the office building rent comparison.)

Figure 3-1: Value Comparison of Prime CBD Office Buildings

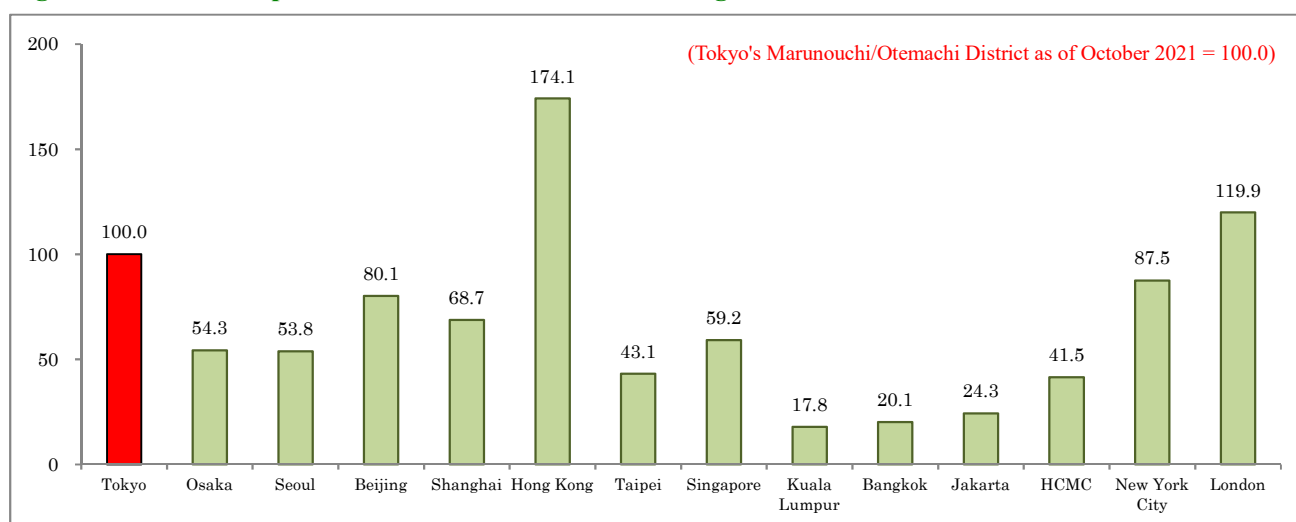


(*) Index number by city for the prime CBD office building value per square meter of each surveyed city (Tokyo’s Marunouchi/Otemachi District as of October 2021 = 100.0)

3-2. Rent Comparison of Prime CBD Office Buildings

Figure 3-2 shows the index number of the rent per leasable square meter on the typical floor of a prime office building in the CBD of each surveyed city (Tokyo’s Marunouchi/Otemachi District = 100.0).

Figure 3-2: Rent Comparison of Prime CBD Office Buildings

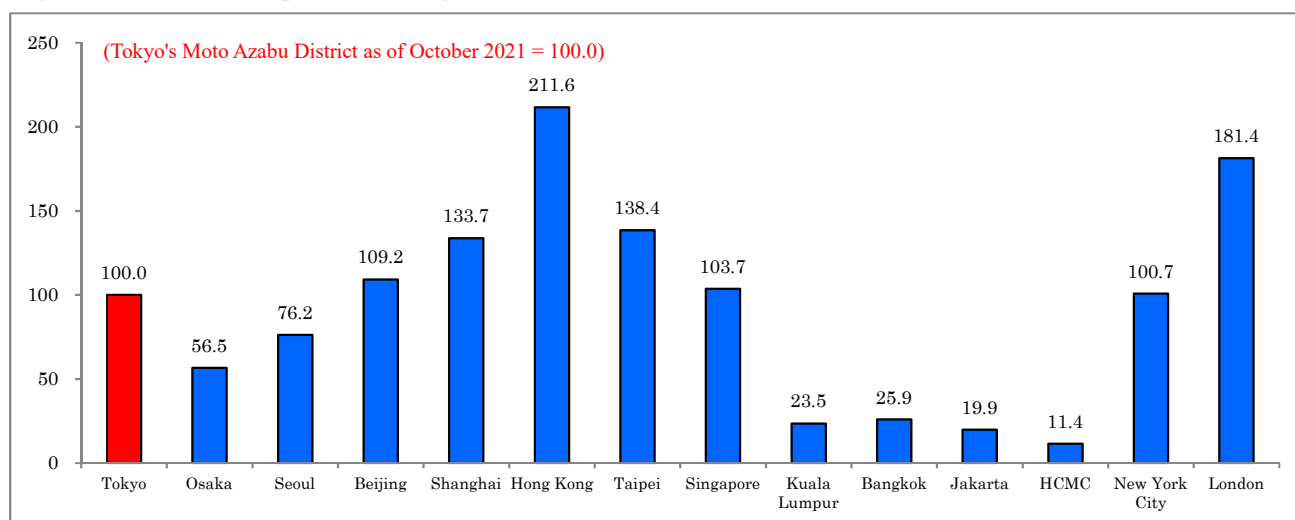


(*) Index number by city for the prime CBD office building rent per square meter of each surveyed city (Tokyo’s Marunouchi/Otemachi District as of October 2021 = 100.0)

3-3. Value Comparison of High-End Condominium Units

Figure 3-3 shows the index number of the high-end condominium unit value per square meter in each surveyed city (Tokyo's Moto Azabu District in Minato Ward = 100.0). The value of the unit in the local currency of each foreign city was converted to the value in the Japanese yen and indexed. (The same method was also applied to the condominium rent comparison.)

Figure 3-3: Value Comparison of High-End Condominium Units

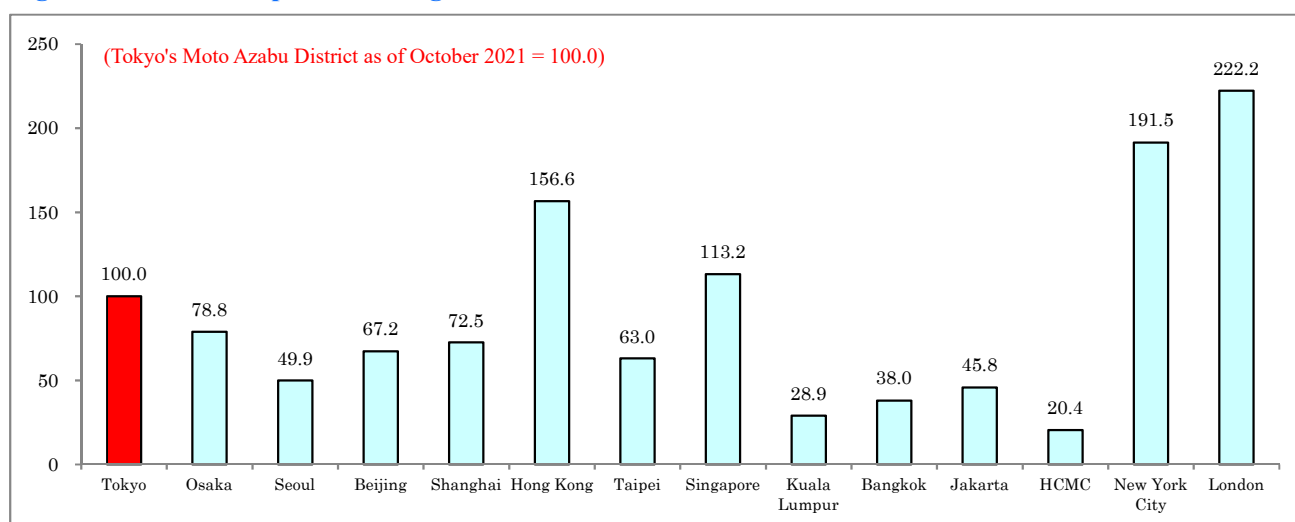


(*) Index number by city for the high-end condominium value per square meter of each surveyed city (Tokyo's Moto Azabu District as of October 2021 = 100.0)

3-4. Rent Comparison of High-End Condominium Units

Figure 3-4 shows the index number of the high-end condominium rent per square meter in each surveyed city (Tokyo's Moto Azabu District in Minato Ward = 100.0).

Figure 3-4: Rent Comparison of High-End Condominium Units



(*) Index number by city for the high-end condominium rent per square meter of each surveyed city (Tokyo's Moto Azabu District as of October 2021 = 100.0)

Global Property Value/Rent Indices

To investigate the real estate market trend of some major cities in the world, we compiled the value/rent indices of surveyed assets, which were appraised by JREI staff valuers.

[Survey at a Glance]

- Surveyed Cities : Tokyo, Osaka, Seoul, Beijing, Shanghai, Hong Kong, Taipei, Singapore, Kuala Lumpur, Bangkok, Jakarta, Ho Chi Minh City (HCMC), New York City, and London (14 cities)
- Use : Office and condominium
- No. of Surveyed Assets : Six assets in each city (three office buildings and three condominiums)
- Survey Method : We compiled indices based on the appraised value or rent per square meter of each asset by assuming that the subject asset would be newly developed and sold or leased as of either April 1st or October 1st each year.

