

Quality office availability tightens amid improved leasing activity



Key Trends

- Leasing momentum in **India** remained strong in Q1 2025, driven by requirements from Global Capability Centres (GCCs) and Indian corporates. Vacancy rates fell across major cities on the back of strong absorption and limited new supply. Key trends included stronger demand for coworking spaces and more occupiers seeking space in peripheral locations. Early planning and pre-commitments are recommended due to the scarcity of quality space.
- Office demand remained robust in **Japan** but new leases declined due to limited availability and high construction costs. Landlords turned more confident to increase rents over the quarter, especially in regional cities. Pre-commitments rose as space availability continued to contract. Several owner-occupiers selling properties added to competition in the leasing market this quarter. Early lease planning is advised, with fitted space recommended for firms with limited CapEx.
- Leasing demand improved in the **Philippines** following the U.S. election, with finance and healthcare sectors related to IT and outsourcing functions moving forward with lease requirements. Fort Bonifacio outperformed other areas. With landlords remaining more flexible and offering inducements, occupiers should capitalise on their relative position of strength.

“ The office market has seen a positive start to 2025, with a moderate uptick in enquiries and site inspections across the region. Although landlords in Japan and India are gaining stronger leverage in lease negotiations, there remain opportunities in key submarkets for tenants who plan their lease events early. ”

Richard Stevenson
Head of Office Occupier,
Asia Pacific

India

Leasing momentum holds firm; limited ready-to-move-in supply and need for agility boosts demand for flex space

STATE OF THE MARKET

- Leasing sentiment and activity remained robust across all major cities in Q1 2025, backed by steady expansion from Global Capability Centres (GCCs) as well as Indian corporates.
- Vacancy rates declined across the country amid strong absorption and limited new high-quality supply.
- While the lack of ready-to-move-in quality space poses a challenge, it is generating demand for co-working and managed office spaces as interim solutions.

TRANSACTION ACTIVITY

- Tech sector demand remained upbeat, while requirements from the banking, financial services & insurance sector continued to grow. Sectors such as life sciences and FMCG also gained traction over the quarter.

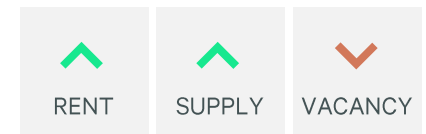
EMERGING TRENDS

- Occupiers are increasingly seeking space in peripheral locations, including Whitefield in Bangalore; the Financial District in Hyderabad; and the OMR belt in Chennai. With primary space becoming scarcer and infrastructure improving in peripheral locations, vacancy in these areas will gradually decline.
- Larger occupiers pursuing consolidation or expansion are increasingly looking to pre-commit to space under development due to the scarcity of supply.

OUTLOOK

- The adoption of return-to-office and five-day workweek policies will accelerate decision-making processes for companies looking to absorb more space.
- Early planning is highly recommended amid mounting competition for quality space with good connectivity.
- Forward-looking pre-commitments are advisable considering the diminishing availability of space for expansion within the same building or campus.

SIX-MONTH OUTLOOK



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Japan

Rental growth accelerates amid strong flight-to-quality demand and limited availability

STATE OF THE MARKET

- While Q1 2025 saw improved demand amid low vacancy, the number of new leases decreased due to limited availability and delays to new project starts caused by high construction costs.
- Although flight-to-quality accounted for half of the 20 recent largest transactions, any such moves have not involved cost reduction as landlords are not providing any discounts amid tight vacancy. Corporates are pursuing this approach to attract and retain talent amid Japan's very tight labour market.
- Landlords are adopting an increasingly aggressive stance towards rental increases for renewals. Major cities including Tokyo, Osaka, and Nagoya are reporting increases of 10 – 15% compared to previous leases, while regional cities such as Sapporo and Fukuoka are seeing rises of 30 – 35% due to their lower base.

TRANSACTION ACTIVITY

- Occupiers' appetite for pre-commitment is strengthening as space availability shrinks. More than half of the top 20 recent transactions involved pre-commitments.
- Domestic manufacturing and finance companies turned more active in Q1 2025 but technology firms were relatively quiet.

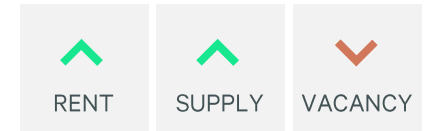
EMERGING TRENDS

- Some companies are disposing of self-owned properties as they regard now as a good time to sell. These owners-turned-occupiers will add competition to what is an already-tight leasing market.

OUTLOOK

- Tenants are advised to commence lease planning as early as possible to ensure wider choice and satisfy space requirements. Average project duration has risen to two years from one year previously.
- Occupiers with limited CapEx are recommended to target fitted space left vacant by previous tenants. While landlords of smaller buildings may pay for furniture, any cost will be added to the rent.
- Current robust office leasing momentum, especially from manufacturing sector, could temporarily slow down should current global trade uncertainty have a negative impact on the Japanese economy. However, pressure arising from future interest rate hikes is likely to moderate.

SIX-MONTH OUTLOOK



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Philippines

Metro Manila records strong increase in demand, led by finance and healthcare occupiers

STATE OF THE MARKET

- Leasing demand has improved significantly compared to six months ago, when many occupiers put plans on hold to await the outcome of the U.S. elections.
- Many occupiers are now moving forward with lease requirements, particularly those in the finance and healthcare sectors, mostly related to IT and outsourcing functions.

TRANSACTION ACTIVITY

- Major transactions in the past six months included a multinational pharmaceutical company signing a large lease to relocate to Fort Bonifacio from its site in Paranaque.
- Several leading healthcare occupiers committed to new space this quarter, with most requirements located in Metro Manila.
- Over the past year, leasing activity among Shared Services or GCC firms has focused on Fort Bonifacio. This submarket has outperformed other areas in terms of occupancy rates.

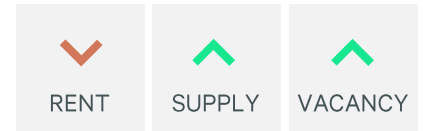
EMERGING TRENDS

- There is a growing emphasis on ESG initiatives, with boutique developers leading the way, followed by major landlords. While ESG features are undoubtedly enhancing a building's appeal, they do not necessarily result in higher rental rates.
- The government's recent clampdown on Philippine Offshore Gambling Companies (POGOs) has led to many departures, particularly in the Manila Bay Area, building on the previous wave of pandemic-era closures.

OUTLOOK

- With landlords willing to be more flexible in negotiations, including some that are now open to offering inducements such as tenant improvement allowances, occupiers should capitalise on their relative position of strength.
- Landlords are advised to target tenants in international driven industries, where major demand is focused, particularly in the IT segment.
- Growth in office leasing demand could be impeded should large U.S.-based occupiers display a weaker appetite for expansion due to concerns about a potential recession in their home market.

SIX-MONTH OUTLOOK



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