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CUSHMAN & WAKEFIELD

HONG KONG OFFICE & RETAIL LEASING MARKETS

Q1 2023

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OFFICE MARKET

RENTS TRENDED DOWN MILDLY IN Q1 2023

Hong Kong East and Kowloon East saw the most notable decline

Submarkets	Apr 19 (Peak)	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q-o-Q ∆	Y-o-Y ∆
Prime Central	$165.2	$113.7	$111.6	$108.9	$106.3	$105.2	-1.0%	-7.5%
Greater Central	$138.5	$97.8	$96.7	$94.7	$92.0	$90.7	-1.4%	-7.3%
Wanchai / Causeway Bay	$78.6	$55.6	$55.2	$54.5	$52.8	$52.3	-1.0%	-6.0%
Hong Kong East	$56.3	$46.4	$45.7	$46.0	$44.3	$43.3	-2.3%	-6.8%
Hong Kong South	$36.3	$29.3	$29.1	$29.2	$28.2	$27.9	-1.1%	-4.8%
Greater Tsimshatsui	$68.2	$48.9	$49.1	$47.6	$46.3	$45.5	-1.7%	-7.0%
Kowloon East	$36.9	$29.1	$29.1	$29.3	$28.1	$27.4	-2.2%	-5.6%
Kowloon West	$44.2	$35.0	$34.3	$33.9	$32.9	$32.9	0.0%	-5.8%
All Districts Average	**$75.9**	**$55.6**	**$55.1**	**$53.9**	**$52.0**	**$51.2**	**-1.5%**	**-7.9%**

Unit: Net effective rent, HK$ / sf / month

Note: Data as of Mar 2023

Prime Central: *12 prime office buildings in Greater Central*

Greater Central*: Admiralty, Central and Sheung Wan including Prime Central*

Hong Kong East*: North Point, Quarry Bay and Tai Koo Shing*

Hong Kong South*: Wong Chuk Hang and Pok Fu Lam*

Greater Tsimshatsui*: Tsimshatsui, Tsimshatsui East, Hung Hom and Kowloon Station*

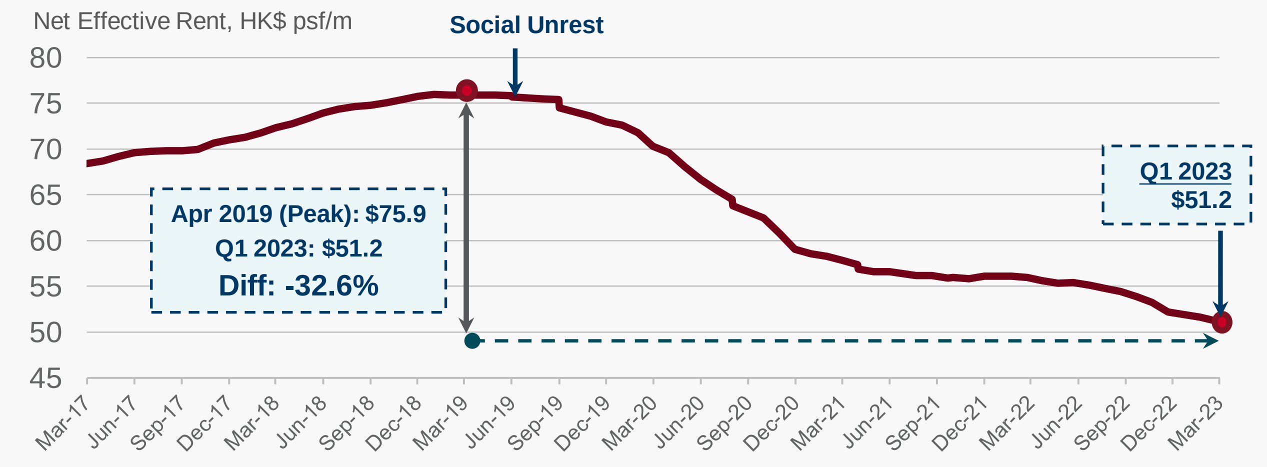
Kowloon East*: Kwun Tong, Ngau Tau Kok, Kowloon Bay and Kai Tak*

Kowloon West*: Kowloon Tong, Mongkok, Cheung Sha Wan, Kwai Chung and Tsuen Wan*

Note: Rents are based on NFA, exclusive of air conditioning & management fees, and gov. rates

Source: Cushman & Wakefield Research

Overall Hong Kong Grade A Office Rents



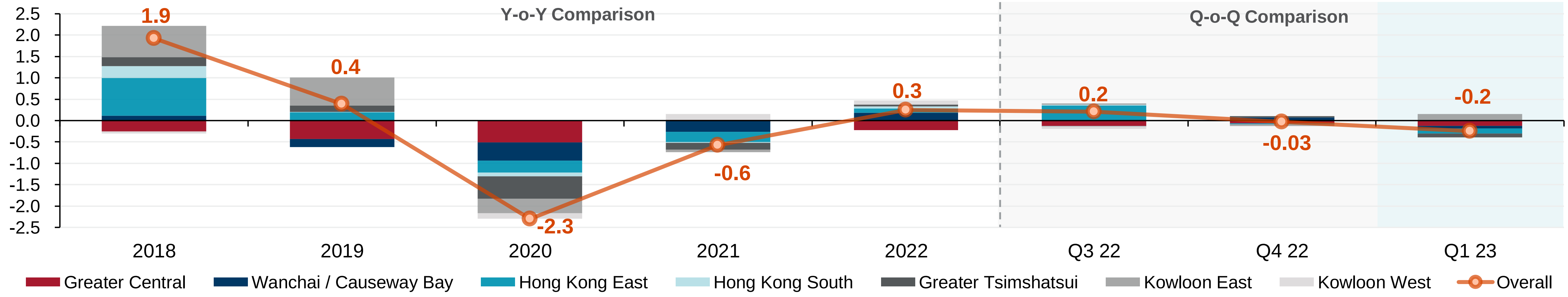
NET ABSORPTION STAYED NEGATIVE

Improved sentiment since border re-opening has yet to provide immediate boost to the net absorption

Submarkets	2018	2019	2020	2021	2022	Q3 22	Q4 22	Q1 23
Greater Central	-247,500	-427,700	-507,600	10,400	-224,400	-119,200	-67,800	-119,600
Wanchai / Causeway Bay	115,000	-187,100	-429,500	-261,700	181,300	-5,700	78,200	-63,700
Hong Kong East	878,700	195,700	-279,400	-241,500	105,400	347,800	-16,000	-123,300
Hong Kong South	285,000	11,100	-82,400	-20,800	46,900	25,300	700	13,500
Greater Tsimshatsui	202,400	149,300	-532,200	-152,500	37,400	-2,200	30,400	-88,800
Kowloon East	736,100	645,700	-334,000	-59,300	1,500	26,700	-39,600	140,700
Kowloon West	-50,800	3,500	-130,000	146,800	102,400	-63,200	-12,900	-6,900
Overall	**1,919,000**	**390,500**	**-2,295,200**	**-578,700**	**250,600**	**209,500**	-27,100	**-248,200**

Note: Data as of Mar 2023

Absorption (million sf, NFA)



Source: Cushman & Wakefield Research

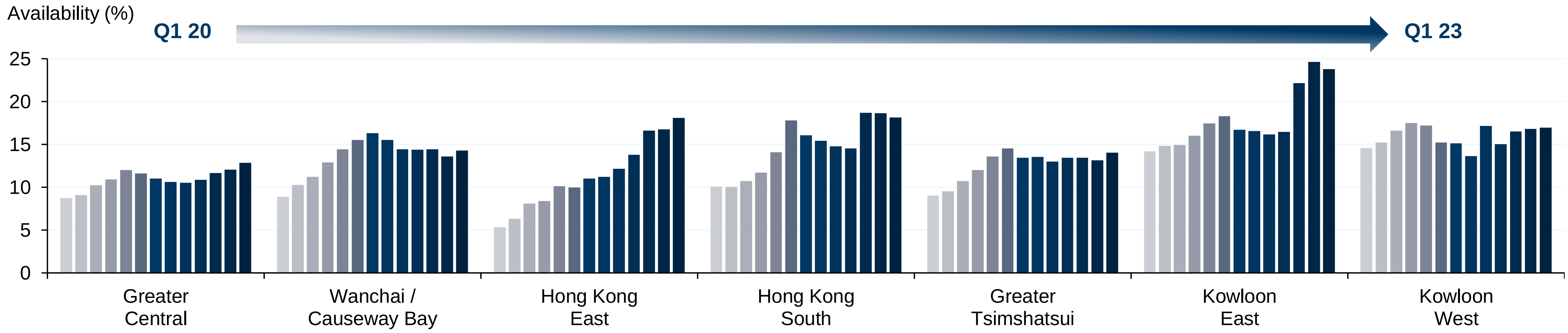
AVAILABILITY CONTINUED TO EDGE UPWARDS

Overall availability rate reached 17.1%, the highest point since Q1 2004

Submarkets	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Greater Central	9.1%	10.2%	10.9%	12.0%	11.6%	11.0%	10.6%	10.5%	10.9%	11.6%	12.1%	12.8%
Wanchai / Causeway Bay	10.3%	11.2%	12.9%	14.4%	15.5%	16.3%	15.5%	14.4%	14.4%	14.4%	13.6%	14.3%
Hong Kong East	6.3%	8.1%	8.4%	10.1%	10.0%	11.0%	11.2%	12.2%	13.8%	16.6%	16.8%	18.1%
Hong Kong South	10.0%	10.7%	11.7%	14.1%	17.8%	16.1%	15.4%	14.8%	14.5%	18.7%	18.7%	18.1%
Greater Tsimshatsui	9.5%	10.9%	12.0%	13.6%	14.5%	13.4%	13.5%	13.0%	13.4%	13.4%	13.1%	14.0%
Kowloon East	14.8%	14.9%	16.0%	17.4%	18.3%	16.7%	16.5%	16.2%	16.4%	22.1%	24.6%	23.8%
Kowloon West	15.2%	16.6%	17.5%	17.2%	15.2%	15.1%	13.6%	17.1%	15.0%	16.5%	16.8%	16.9%
Overall Availability*	**10.7%**	**11.6%**	**12.6%**	**14.0%**	**14.4%**	**13.9%**	**13.6%**	**13.6%**	**13.8%**	**16.1%**	**16.7%**	**17.1%**

Note: Availability includes confirmed leasing stock that is currently vacant or becoming vacant over the next 12 months

Note: Data as of Mar 2023

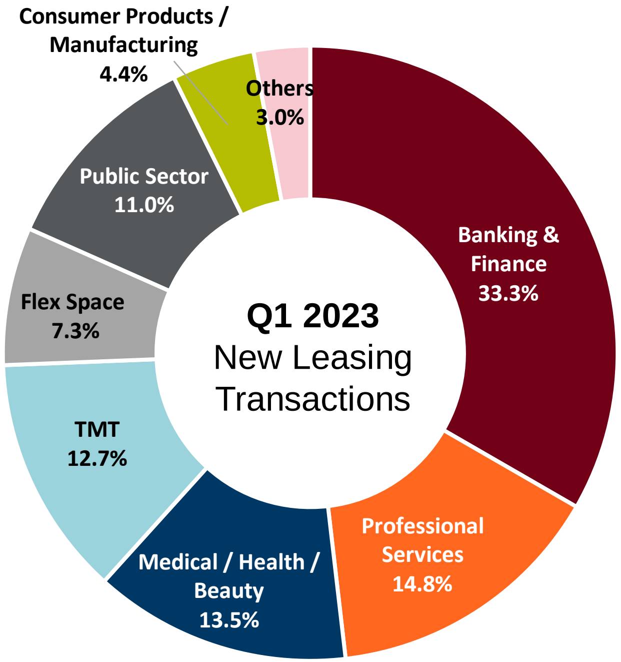


Source: Cushman & Wakefield Research

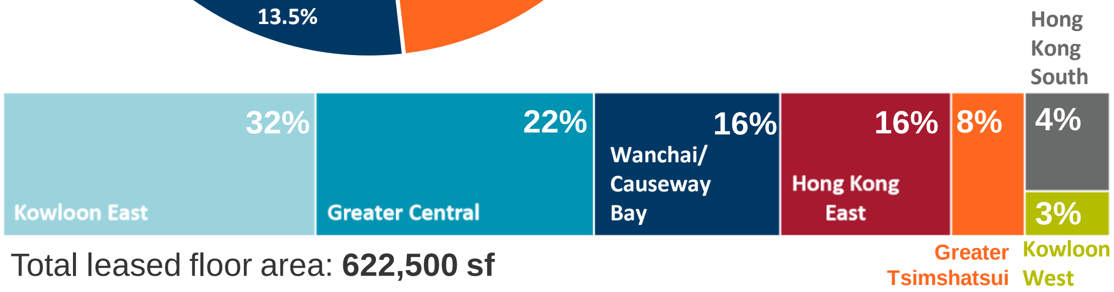
BANKING & FINANCE OCCUPIERS STAYED ACTIVE

Around 60% of the Q1 leasing transactions were of smaller size under 5,000 sf

% Proportion of New Leasing Transactions by NFA sf



Proportion by size* (By Deal Count)	
>5,000 sf	40%
<5,000 sf	60%



Total leased floor area: **622,500 sf**

Banking & Finance

MUFG
AIRSIDE
62,500 sf

CPP Investments
The Henderson
24,200 sf

BBVA
International Commerce Centre
13,000 sf

Professional Services

Deloitte.
Millennity Tower 1
21,200 sf

asia infrastructure solutions
Two Harbour Square
14,200 sf

HAI WEN 海问律师事务所
One Exchange Square
6,600 sf

Medical / Health / Beauty

EC Healthcare 醫思健康 HKEx Stock Code: 2138
Devon House
24,700 sf

NeoDerm
Two Taikoo Place
21,200 sf

TMT

Strawberrynet®
Manulife Financial Centre Tower B
22,100 sf

ByteDance
One IFC
15,200 sf

Flex Space

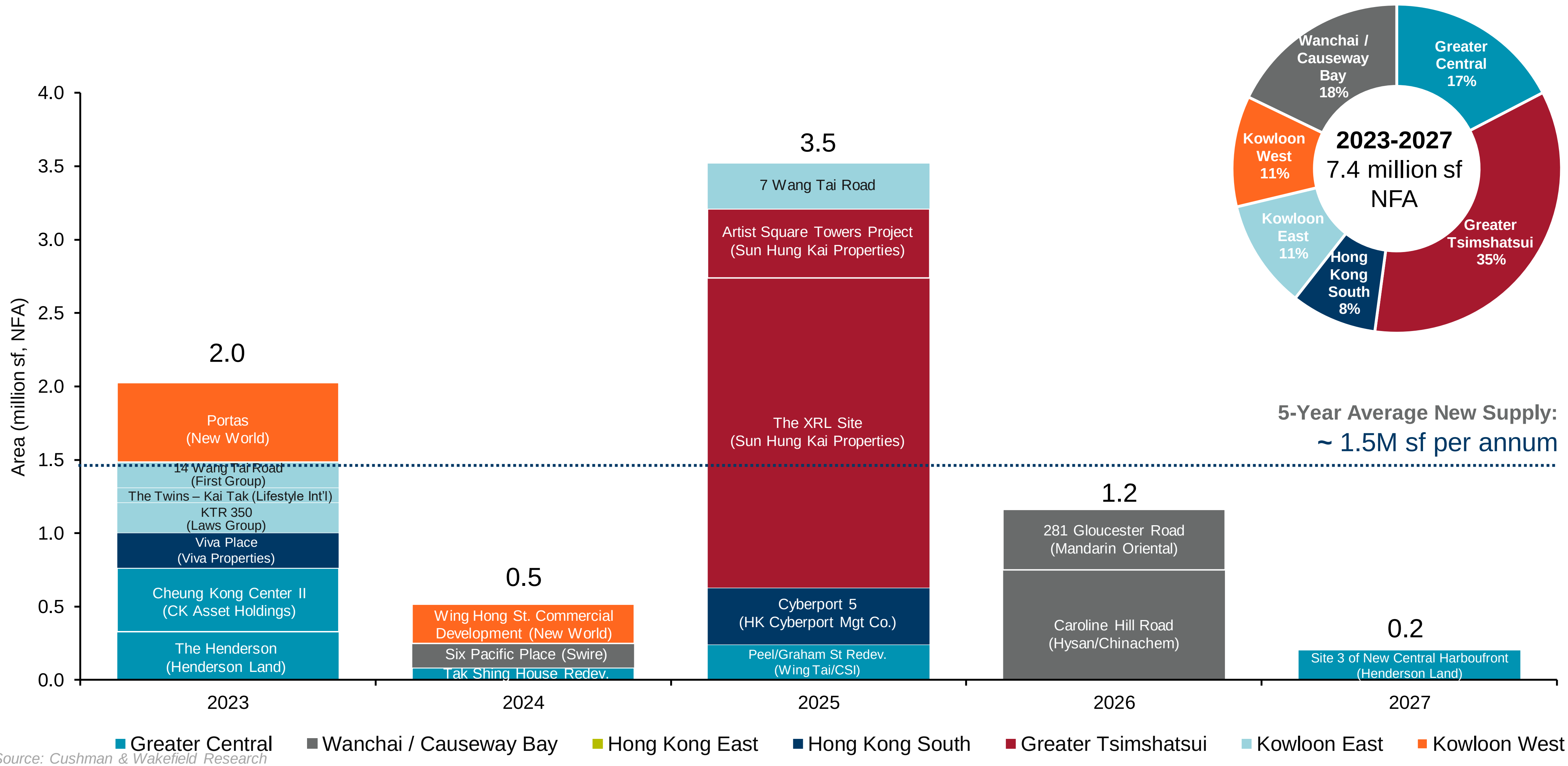
SPACES.
Grand Century Place Tower 1
15,500 sf

IWG International Workplace Group
K11 ATELIER King's Road
17,000 sf

Source: Cushman & Wakefield Research

AROUND 2M SF NEW COMPLETION EXPECTED IN 2023

More than one-third of supply fall under the Greater Tsimshatsui in next 5 years



Source: Cushman & Wakefield Research

Office Market Review & Outlook

Key Takeaways

1. Overall rents softened, while net absorption stayed negative at -248,200 sf
2. Leasing transactions are more driven by smaller-sized tenants (<5,000 sf)
3. Demand from professional services surged and active in decentralized locations
4. Border opening with mainland to draw greater future demand from PRC occupiers
5. Activities to pick up, as MNC occupiers will likely firm up their real estate decisions

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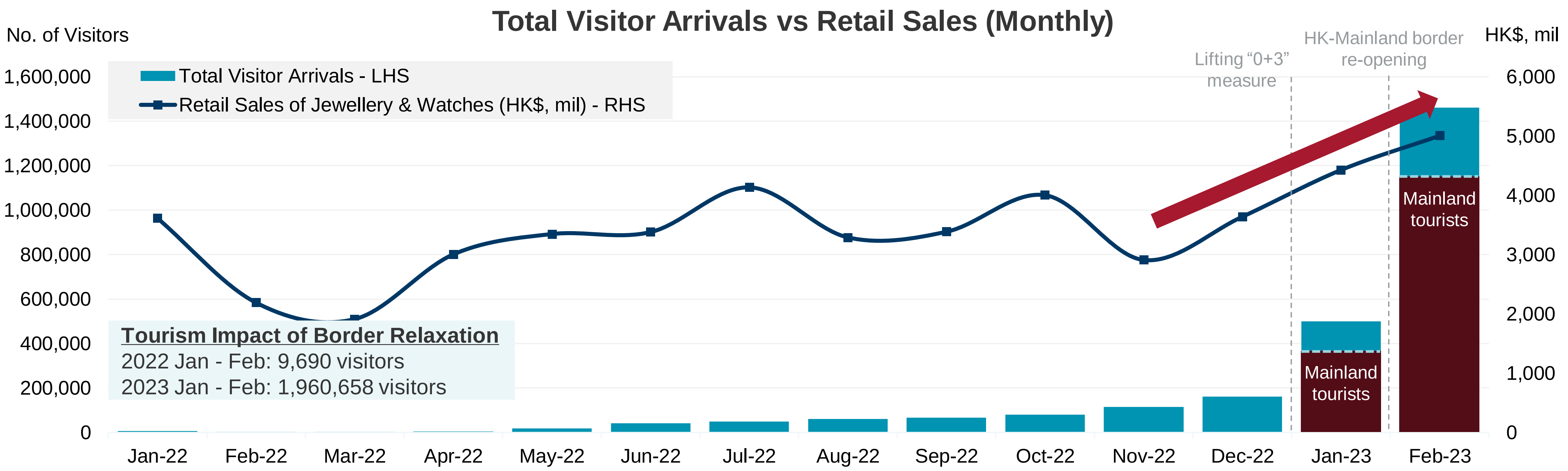
RETAIL MARKET

TOURISM ARRIVALS GRADUALLY RECOVERED

Monthly visitor arrivals first exceed a million in 3 years in Feb 2023



The 2023 Consumption Voucher Scheme (HK$5,000 in total)

First-installment voucher on 16 April

Second-installment voucher on 16 July

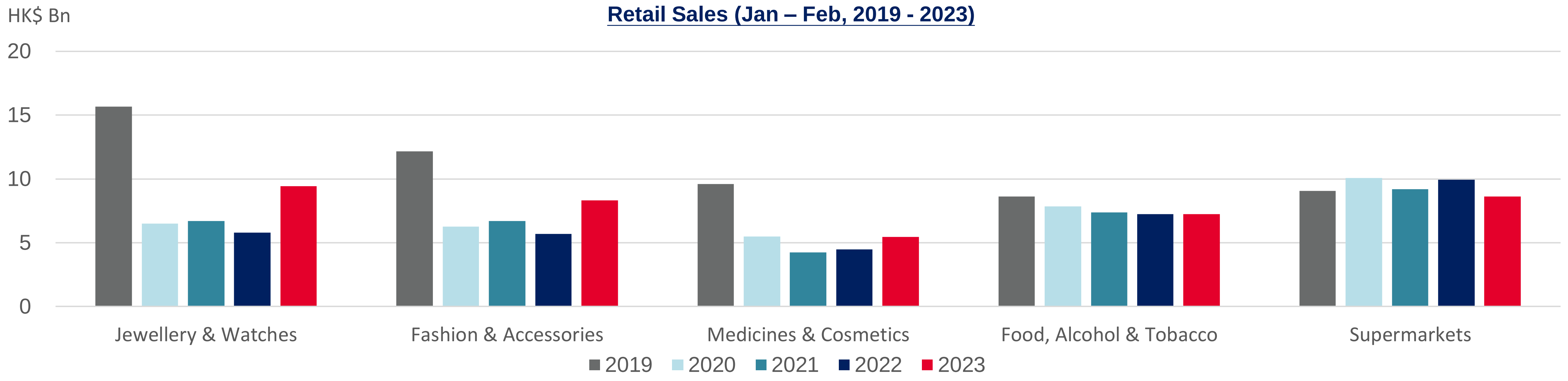
To further boost local retail spending

Source: Cushman & Wakefield Research, HK Census & Statistics Department

RETAIL SALES REBOUNDED WITH BORDER REOPENED WITH THE MAINLAND

Led by luxury retailers and drug stores

Retail Sales (HK$ Bn)	Jan – Feb					
	2019	2020	2021	2022	2023	Y-o-Y ∆
Jewellery & Watches	15.67	6.48	6.69	5.80	9.43	62.6%
Fashion & Accessories	12.16	6.25	6.70	5.68	8.32	46.4%
Medicines & Cosmetics	9.59	5.50	4.23	4.47	5.47	22.4%
Food, Alcohol & Tobacco	8.63	7.83	7.39	7.24	7.24	0.1%
Supermarkets	9.05	10.06	9.19	9.95	8.61	-13.5%
Total	**88.69**	**60.46**	**62.10**	**59.05**	**69.29**	**17.3%**

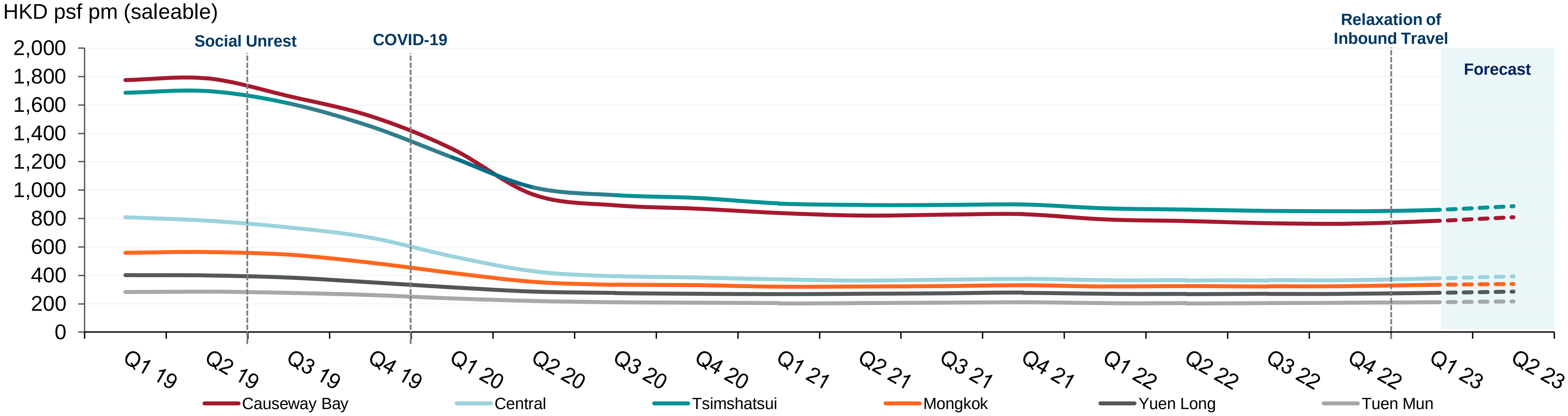


Source: Hong Kong Census & Statistics Department; Cushman & Wakefield Research

HIGH STREET RENTS PICKED UP

Rents to gradually recover throughout 2023 with the return of mainland and foreign tourists

Districts	2019	2020	2021	2022	Q1 2023	Q-o-Q ∆	1H 2023F
Causeway Bay	$1,520	$870	$831	$764	$783	2.4%	+5 ~ 7%
Tsimshatsui	$1,448	$944	$900	$851	$860	1.1%	+3 ~ 5%
Central	$667	$384	$376	$366	$378	3.2%	+6 ~ 8%
Mongkok	$491	$331	$332	$323	$333	2.8%	+4 ~ 6%
Yuen Long	$352	$271	$278	$271	$277	2.3%	+4 ~ 6%
Tuen Mun	$263	$207	$211	$207	$211	2.0%	+4 ~ 6%

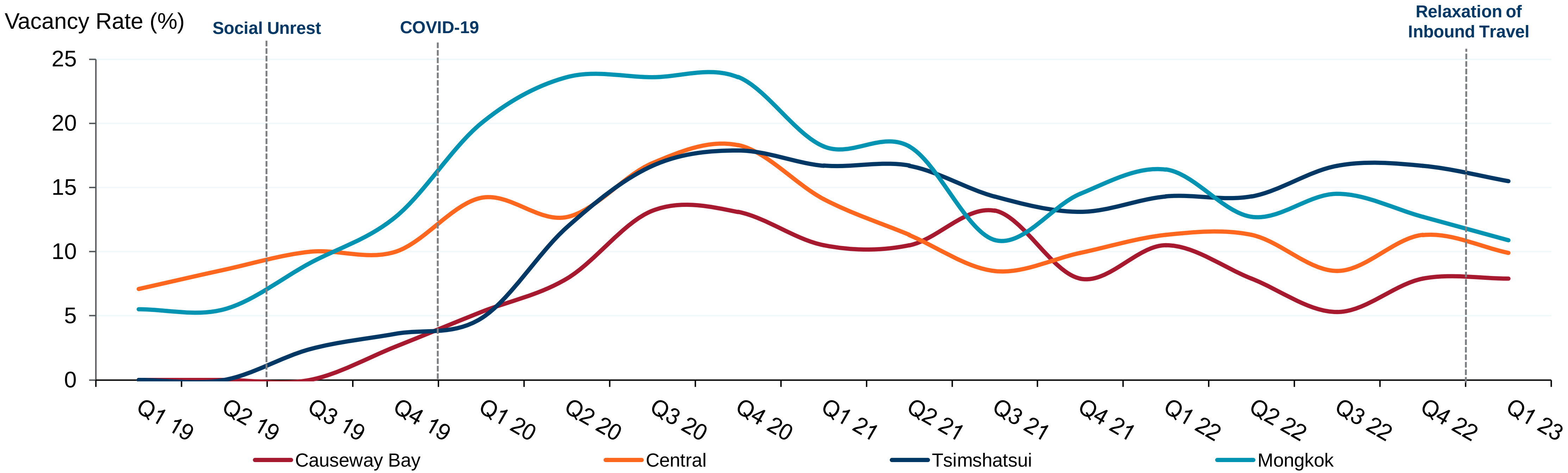


Source: The Land Registry; Market Info; Cushman & Wakefield Research

VACANCY DROPPED ACROSS DIFFERENT DISTRICTS

More retailers to implement their expansion plans

Districts	2019	2020	2021	2022	Q1 2023
Causeway Bay	2.6%	13.1%	7.9%	7.9%	7.9%
Central	10.0%	18.3%	9.9%	11.3%	9.9%
Tsimshatsui	3.6%	17.9%	13.1%	16.7%	15.5%
Mongkok	12.7%	23.6%	14.5%	12.7%	10.9%

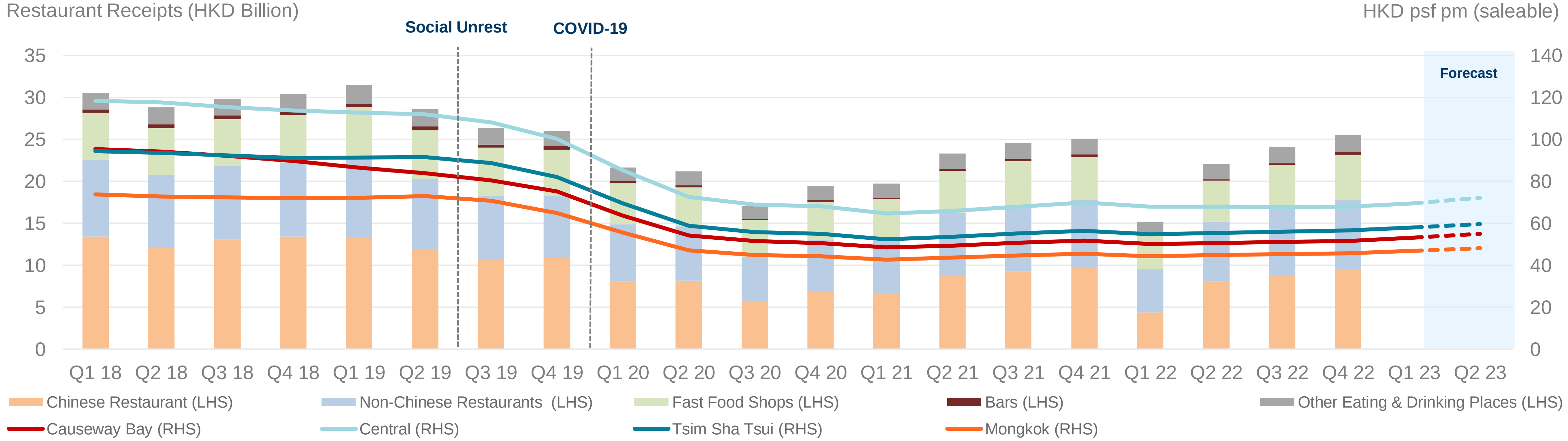


Source: The Land Registry; Market Info; Cushman & Wakefield Research

F&B RENTS CONTINUED TO RECOVER

As demand for F&B spaces has been growing

Districts	2019	2020	2021	2022	Q1 2023	YTD ∆	Y-o-Y ∆
Causeway Bay	$75.1	$50.6	$51.8	$51.5	$53.2	3.2%	5.9%
Central	$100.3	$68.1	$69.9	$67.9	$69.5	2.4%	2.4%
Tsimshatsui	$82.1	$55.0	$56.4	$56.5	$58.0	2.5%	5.8%
Mongkok	$65.0	$44.3	$45.5	$45.6	$46.9	2.9%	6.0%



Source: The Land Registry; Market Info; Cushman & Wakefield Research

2023 Retail Market Outlook

Key Takeaways

1. Retail market sentiment has improved since HK-Mainland border reopened in February
2. Landlords are expecting higher rents, while retailers stay cautiously optimistic
3. High street and F&B rents are expected to pick up by around 3 to 8% in 1H 2023
4. Leasing activities to be led by pharmacies and athleisure brands, especially for traditional tourist districts
5. Labour shortage to be a major challenge for retailers, F&B operators and service industries

Q&A Session

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