HONG KONG
OFFICE, RETAIL & RESIDENTIAL MARKETS

1H 2023

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OFFICE MARKET

OVERALL RENTS CONTINED TO TREND DOWN

Hong Kong East saw the most notable decline, while Hong Kong South edged up due to adjustments in building basket

Submarkets	Apr 19 (Peak)	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q-o-Q Δ	YTD Δ	2023 Forecast
Prime Central	$165.2	$111.6	$108.9	$106.3	$105.2	$102.5	-2.6%	-3.6%	-6 ~ -4%
Greater Central	$138.5	$96.7	$94.7	$92.0	$90.7	$88.6	-2.3%	-3.7%	-6 ~ -4%
Wanchai / Causeway Bay	$78.6	$55.2	$54.5	$52.8	$52.3	$52.1	-0.4%	-1.3%	-4 ~ -2%
Hong Kong East	$56.3	$45.7	$46.0	$44.3	$43.3	$41.4	-4.2%	-6.4%	-9 ~ -7%
Hong Kong South	$36.3	$29.1	$29.2	$28.2	$27.9	$28.1	4.8%	3.6%	-3 ~ -1%
Greater Tsimshatsui	$68.2	$49.1	$47.6	$46.3	$45.5	$44.5	-2.2%	-3.9%	-7 ~ -5%
Kowloon East	$36.9	$29.1	$29.3	$28.1	$27.4	$26.8	-2.4%	-4.6%	-8 ~ -6%
Kowloon West	$44.2	$34.3	$33.9	$32.9	$32.9	$32.6	-1.2%	-1.2%	-4 ~ -2%
All Districts Average	**$75.9**	**$55.1**	**$53.9**	**$52.0**	**$51.2**	**$50.0**	**-2.1%**	**-3.6%**	**-7 ~ -5%**

Unit: Net effective rent, HK$ / sf / month
Note: Data as of Jun 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*

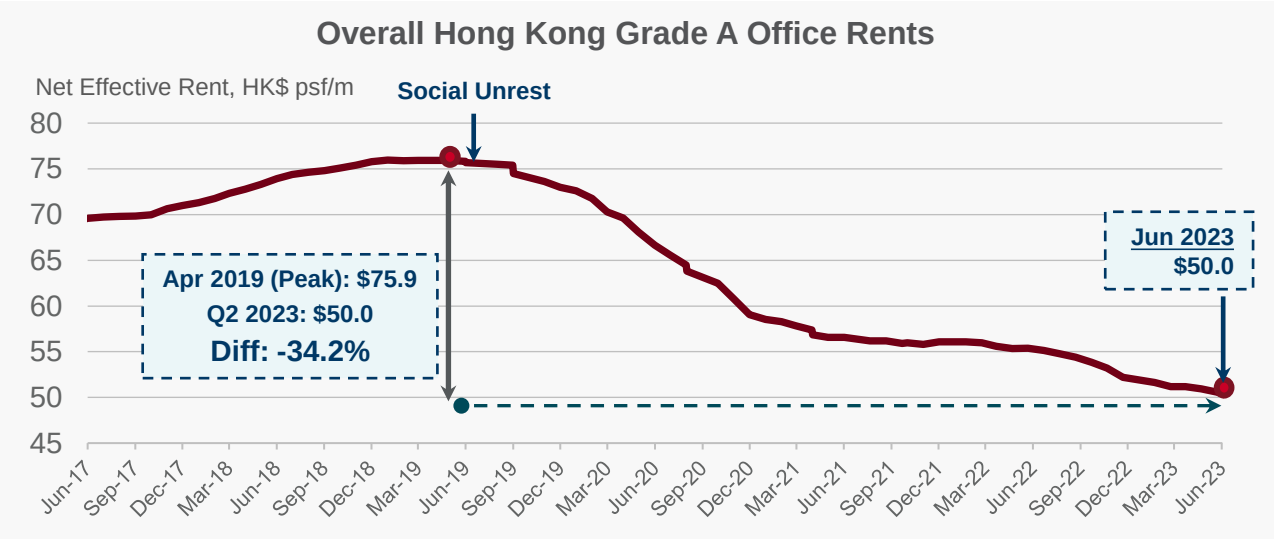
Greater Tsimshatsui*: Tsimshatsui, Tsimshatsui East, Hung Hom and Kowloon Station*

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

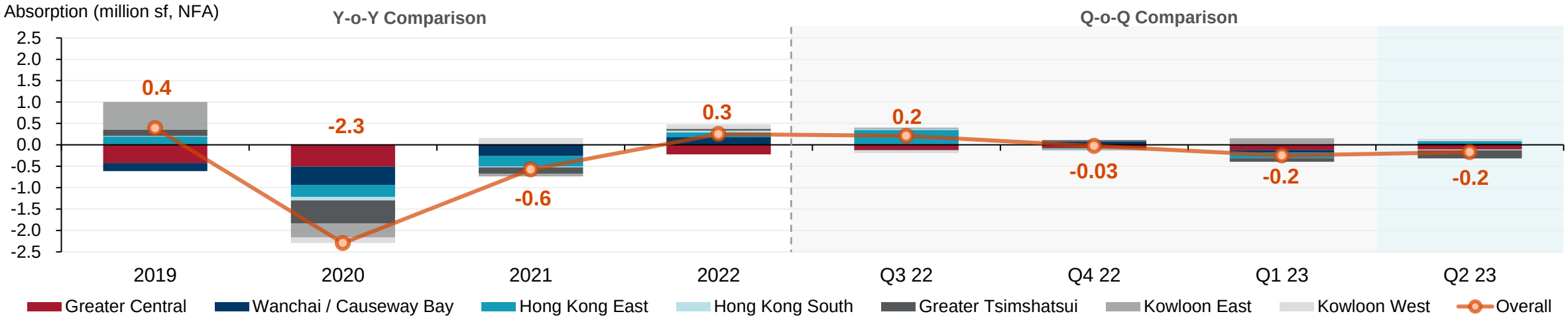


NEGATIVE NET ABSORPTION IMPROVED

Some decentralized submarkets exhibited improvements

Submarkets	2019	2020	2021	2022	Q3 22	Q4 22	Q1 23	Q2 23
Greater Central	-427,700	-507,600	10,400	-224,400	-119,200	-67,800	-119,600	-107,600
Wanchai / Causeway Bay	-187,100	-429,500	-261,700	181,300	-31,800	78,200	-63,700	26,200
Hong Kong East	195,700	-279,400	-241,500	105,400	347,800	-16,000	-123,300	57,300
Hong Kong South	11,100	-82,400	-20,800	46,900	25,300	700	13,500	-20,000
Greater Tsimshatsui	149,300	-532,200	-152,500	37,400	-2,200	30,400	-88,800	-186,700
Kowloon East	645,700	-334,000	-59,300	1,500	26,700	-39,600	140,700	6,300
Kowloon West	3,500	-130,000	146,800	102,400	-63,200	-12,900	-6,900	51,900
Overall	**390,500**	**-2,295,200**	**-578,700**	**250,600**	**183,400**	**-27,100**	**-248,200**	**-172,700**

Note: Data as of Jun 2023



Source: Cushman & Wakefield Research

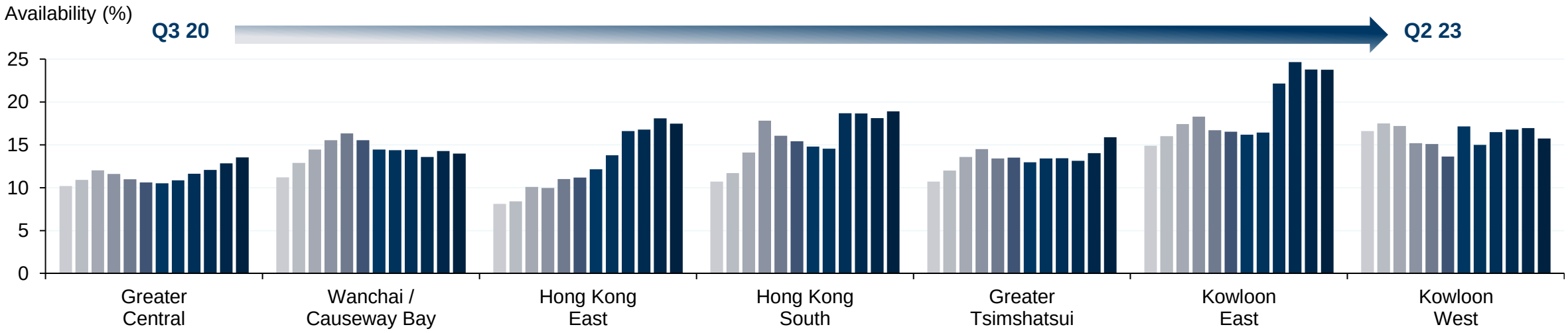
UPWARD AVAILABILITY TREND SLOWED

Greater Tsimshatsui's availability edged up notably

Submarkets	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Greater Central	10.2%	10.9%	12.0%	11.6%	11.0%	10.6%	10.5%	10.9%	11.6%	12.1%	12.8%	13.5%
Wanchai / Causeway Bay	11.2%	12.9%	14.4%	15.5%	16.3%	15.5%	14.4%	14.4%	14.4%	13.6%	14.3%	14.0%
Hong Kong East	8.1%	8.4%	10.1%	10.0%	11.0%	11.2%	12.2%	13.8%	16.6%	16.8%	18.1%	17.5%
Hong Kong South	10.7%	11.7%	14.1%	17.8%	16.1%	15.4%	14.8%	14.5%	18.7%	18.7%	18.1%	18.9%
Greater Tsimshatsui	10.9%	12.0%	13.6%	14.5%	13.4%	13.5%	13.0%	13.4%	13.4%	13.1%	14.0%	15.9%
Kowloon East	14.9%	16.0%	17.4%	18.3%	16.7%	16.5%	16.2%	16.4%	22.1%	24.6%	23.8%	23.8%
Kowloon West	16.6%	17.5%	17.2%	15.2%	15.1%	13.6%	17.1%	15.0%	16.5%	16.8%	16.9%	15.7%
Overall Availability*	**11.6%**	**12.6%**	**14.0%**	**14.4%**	**13.9%**	**13.6%**	**13.6%**	**13.8%**	**16.1%**	**16.7%**	**17.1%**	**17.3%**

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

Note: Data as of Jun 2023

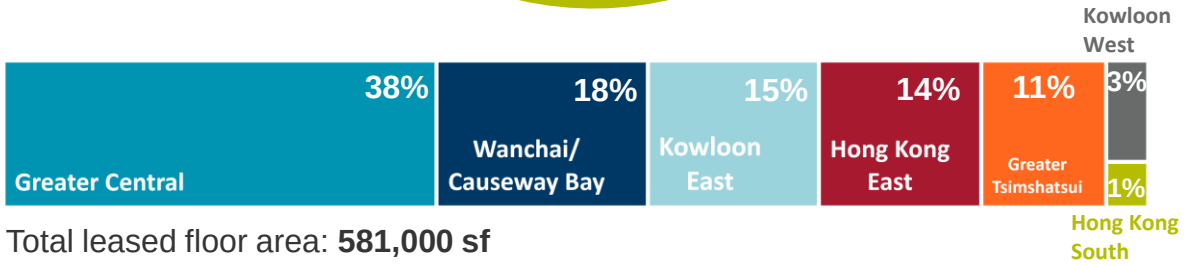


Source: Cushman & Wakefield Research

BANKING & FINANCE REMAINS THE KEY DRIVER

Other business sectors distributed more evenly in Q2

% Proportion of New Leasing Transactions by NFA sf



Total leased floor area: **581,000 sf**

Banking & Finance

- Three Garden Road — 28,500 sf
- AIA Central — 17,700 sf
- Infinitus Plaza — 8,900 sf

Medical / Health / Beauty

- CLINIC (*Chung Chi Leung Hilson, Wong Mei Shan*) — Harbourside HQ (Octa Twr) — 13,900 sf
- Adventist Health 安 Hong Kong Adventist Hospital Stubbs Road — Lee Garden Two — 12,400 sf
- Zuellig Pharma — Berkshire House — 11,700 sf

Consumer Products / Manufacturing

- Edrington — Two Pacific Place — 16,200 sf
- Dairy Farm — Devon House — 12,800 sf

Flex Space

- Atlaspace — CITIC Tower — 13,600 sf
- theDesk — Dah Sing Financial Centre — 10,600 sf

Insurance

- FWD — Devon House — 49,000 sf
- FWD — Two Pacific Place — 11,200 sf

Source: Cushman & Wakefield Research

Office Market 1H Review and 2H Outlook

Key Takeaways

1. Negative net absorption improved at 172,700 sf in Q2, compared to 248,200 sf in Q1

2. Overall rents continued to decline, with tenants take advantage of lower rents for upgrading

3. Banking & Finance remains the leader, while Medical / Health / Beauty demand increased

4. PRC law firms to become more active in the market for new set-up and expansion activities

5. Sino-US relations expected to progress, and to bring for potential improvements in business confidence and economic activities

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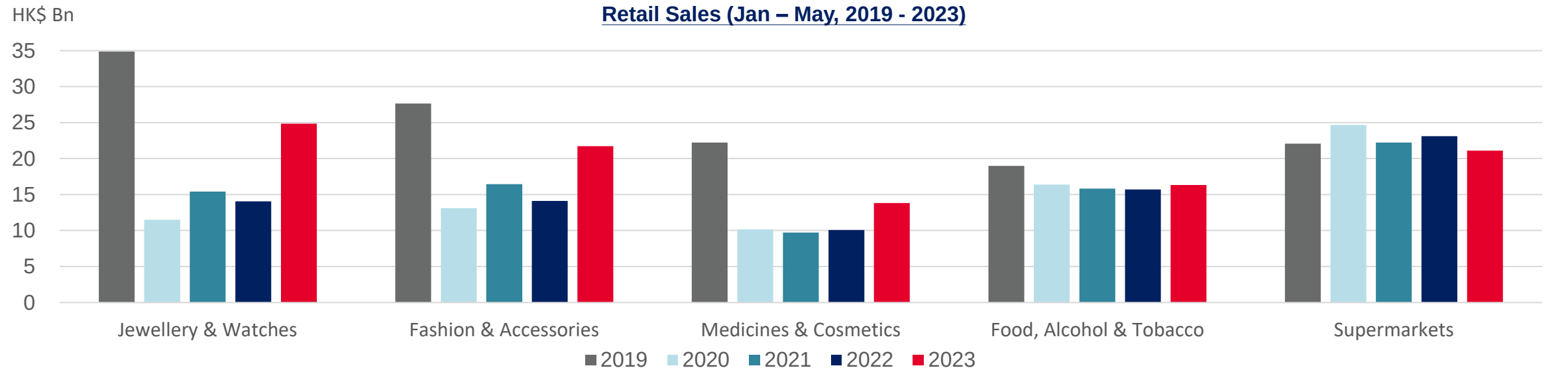
RETAIL MARKET

RETAIL SALES CONTINUED TO REBOUND

Luxury retailers and drug stores were the most benefited by the return of tourists

Retail Sales (HK$ Bn)	Jan – May					
	2019	2020	2021	2022	2023	Y-o-Y Δ
Jewellery & Watches	34.87	11.50	15.43	14.07	24.85	76.6%
Fashion & Accessories	27.66	13.10	16.45	14.11	21.73	54.0%
Medicines & Cosmetics	22.22	10.16	9.73	10.06	13.82	37.4%
Food, Alcohol & Tobacco	18.99	16.40	15.81	15.72	16.34	3.9%
Supermarkets	22.07	24.68	22.22	23.10	21.11	-8.6%
Total	**206.06**	**134.33**	**146.29**	**142.14**	**171.94**	21.0%

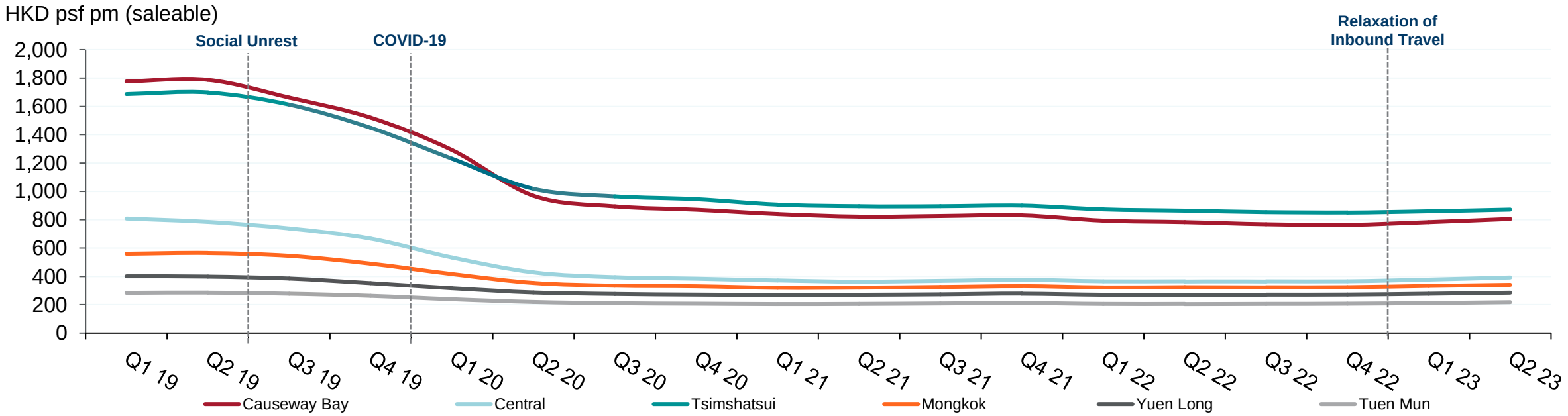


Source: Hong Kong Census & Statistics Department; Cushman & Wakefield Research

HIGH STREET RENTS GRADUALLY PICKED UP

All districts recorded low single-digit rental growth q-o-q

Districts	2019	2020	2021	2022	Q1 2023	Q2 2023	Q-o-Q Δ	1H 2023 Δ
Causeway Bay	$1,520	$870	$831	$764	$783	$805	2.9%	5.3%
Tsimshatsui	$1,448	$944	$900	$851	$860	$872	1.4%	2.5%
Central	$667	$384	$376	$366	$378	$392	3.8%	7.1%
Mongkok	$491	$331	$332	$323	$333	$341	2.5%	5.4%
Yuen Long	$352	$271	$278	$271	$277	$285	2.8%	5.2%
Tuen Mun	$263	$207	$211	$207	$211	$217	2.9%	5.0%

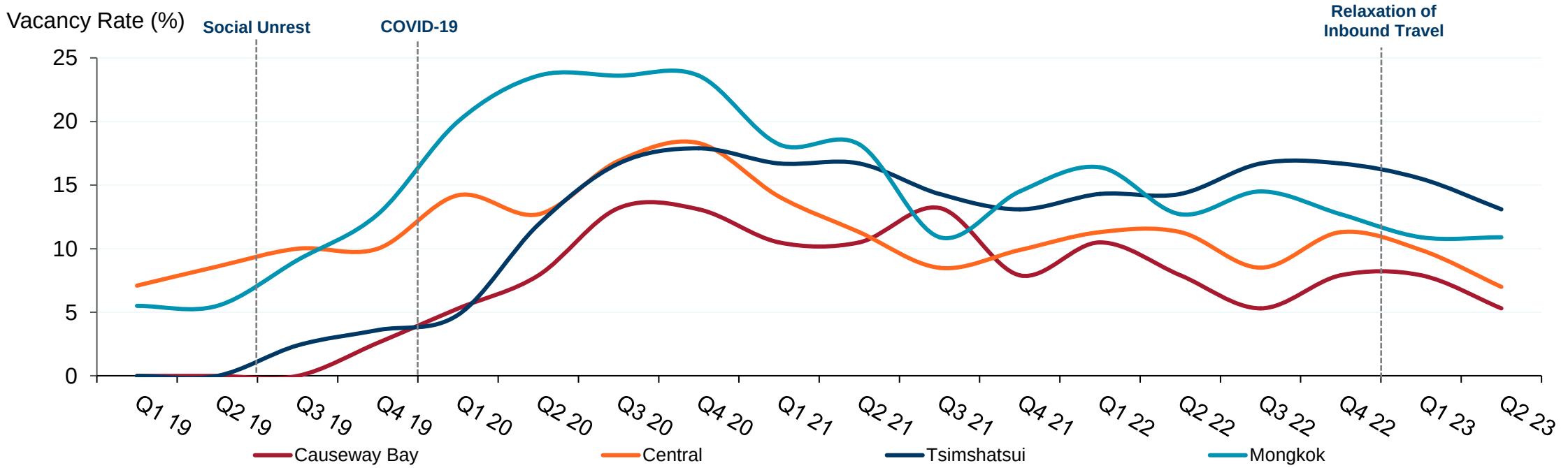


Source: The Land Registry; Market Info; Cushman & Wakefield Research

VACANCY FURTHER DROPPED IN MOST DISTRICTS

Supported by expansion activities from pharmacies operators

Districts	2019	2020	2021	2022	Q1 2023	Q2 2023
Causeway Bay	2.6%	13.1%	7.9%	7.9%	7.9%	5.3%
Central	10.0%	18.3%	9.9%	11.3%	9.9%	7.0%
Tsimshatsui	3.6%	17.9%	13.1%	16.7%	15.5%	13.1%
Mongkok	12.7%	23.6%	14.5%	12.7%	10.9%	10.9%

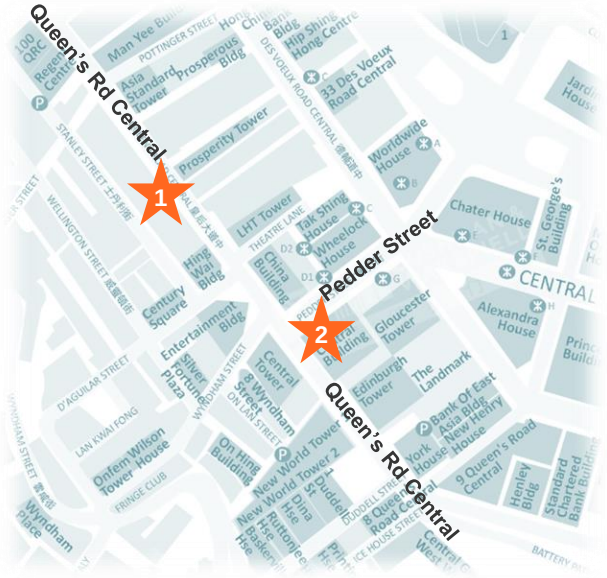


Source: The Land Registry; Market Info; Cushman & Wakefield Research

1H 2023 MAJOR HIGH STREET TRANSACTIONS

Pharmacies are expanding, while luxury retailers are focusing on consolidating/ relocation activities on prime locations

Central



	Category	Size (GFA)	Monthly Rents (HK$)
1	Jewellery & Watches	8,700 sf	1,000,000
2	Jewellery & Watches	1,400 sf	500,000

Causeway Bay

	Category	Size (GFA)	Monthly Rents (HK$)
3	Luxury Cosmetics	18,000 sf	3,000,000
4	Jewellery & Watches	3,600 sf	600,000
5	Pharmacy	1,500 sf	800,000

Tsimshatsui

	Category	Size (GFA)	Monthly Rents (HK$)
6	Jewellery & Watches	3,000 sf	800,000
7	Pharmacy	4,200 sf	1,000,000
8	Pharmacy	1,200 sf	500,000
9	Pharmacy	800 sf	240,000

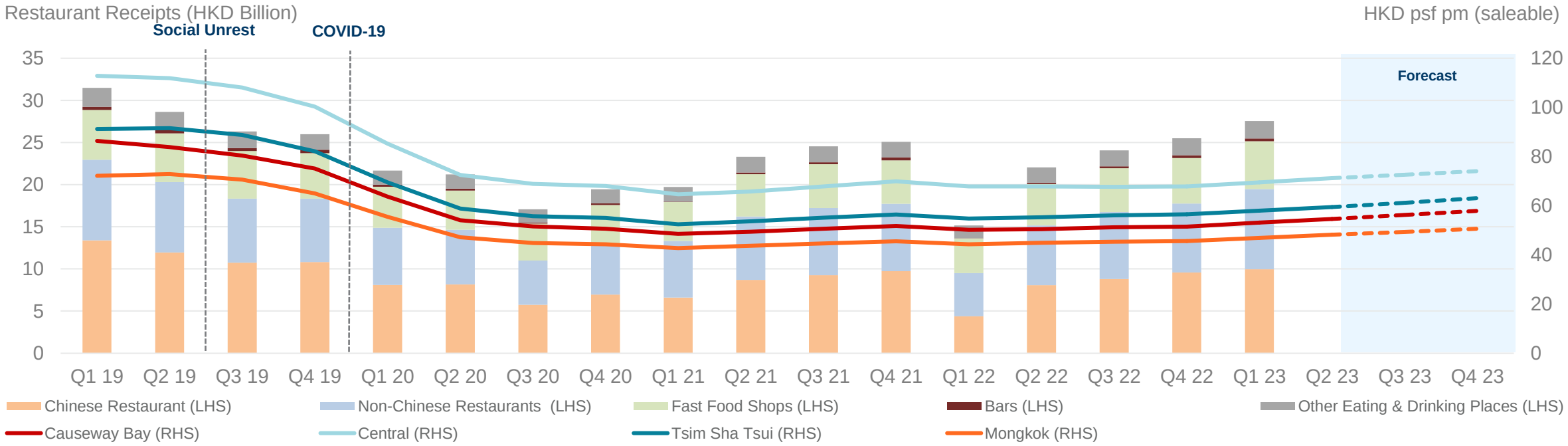
Mongkok

	Category	Size (GFA)	Monthly Rents (HK$)
10	Pharmacy	8,500 sf	1,500,000
11	Pharmacy	5,400 sf	600,000
12	Pharmacy	1,700 sf	160,000
13	Pharmacy	500 sf	200,000

F&B RENTS CONTINUED TO TREND UPWARD

F&B operators gained confidence and implemented expansion activities

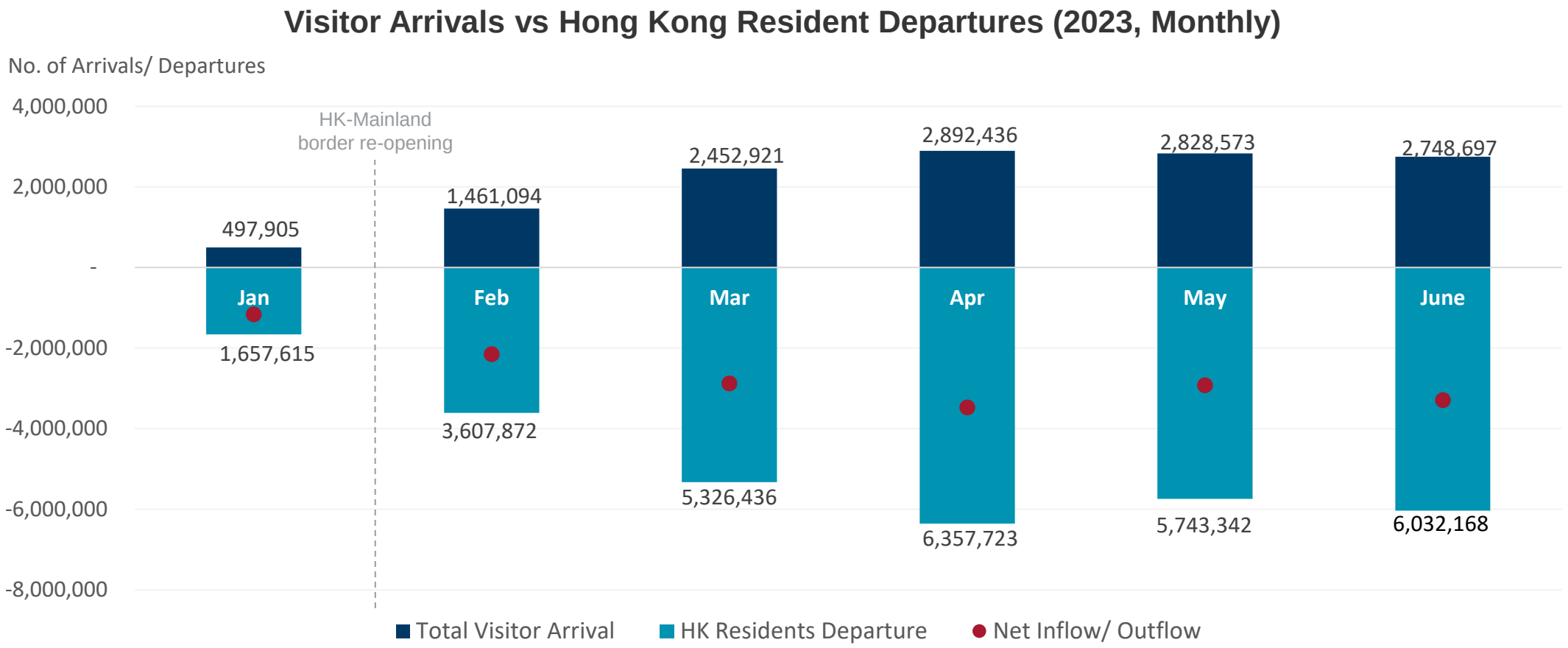
Districts	2019	2020	2021	2022	Q1 2023	Q2 2023	Q-o-Q Δ	1H 2023 Δ
Causeway Bay	$75.1	$50.6	$51.8	$51.5	$53.2	$54.6	2.7%	6.0%
Central	$100.3	$68.1	$69.9	$67.9	$69.5	$71.2	2.5%	4.9%
Tsimshatsui	$82.1	$55.0	$56.4	$56.5	$58.0	$59.5	2.6%	5.2%
Mongkok	$65.0	$44.3	$45.5	$45.6	$46.9	$48.2	2.6%	5.6%



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

NET OUTFLOW TRAFFIC HAS BEEN RECORDED SINCE BORDER REOPENING

Number of Hong Kong residents' outbound traffic is higher than the inbound tourist arrivals



Source: Cushman & Wakefield Research, Immigration Department

Retail Market 1H Review and 2H Outlook

Key Takeaways

1. Tourists are now seeking new experiences, rather than solely focusing on shopping and dining
2. Luxury brands are looking for prime locations for relocation & consolidation when rents are still attractive
3. Pharmacies have been the most active in the leasing market after the return of tourists
4. Overall rents continued to pick up in Q2 2023, with low single-digit across the board
5. F&B rents also witnessed ongoing recovery, with rents rebounded by 5% to 6% in 1H 2023

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RESIDENTIAL MARKET

RESIDENTIAL TRANSACTIONS ARE EXPECTED TO SLOW

Interest rate hikes and economic uncertainties hesitated purchase sentiment

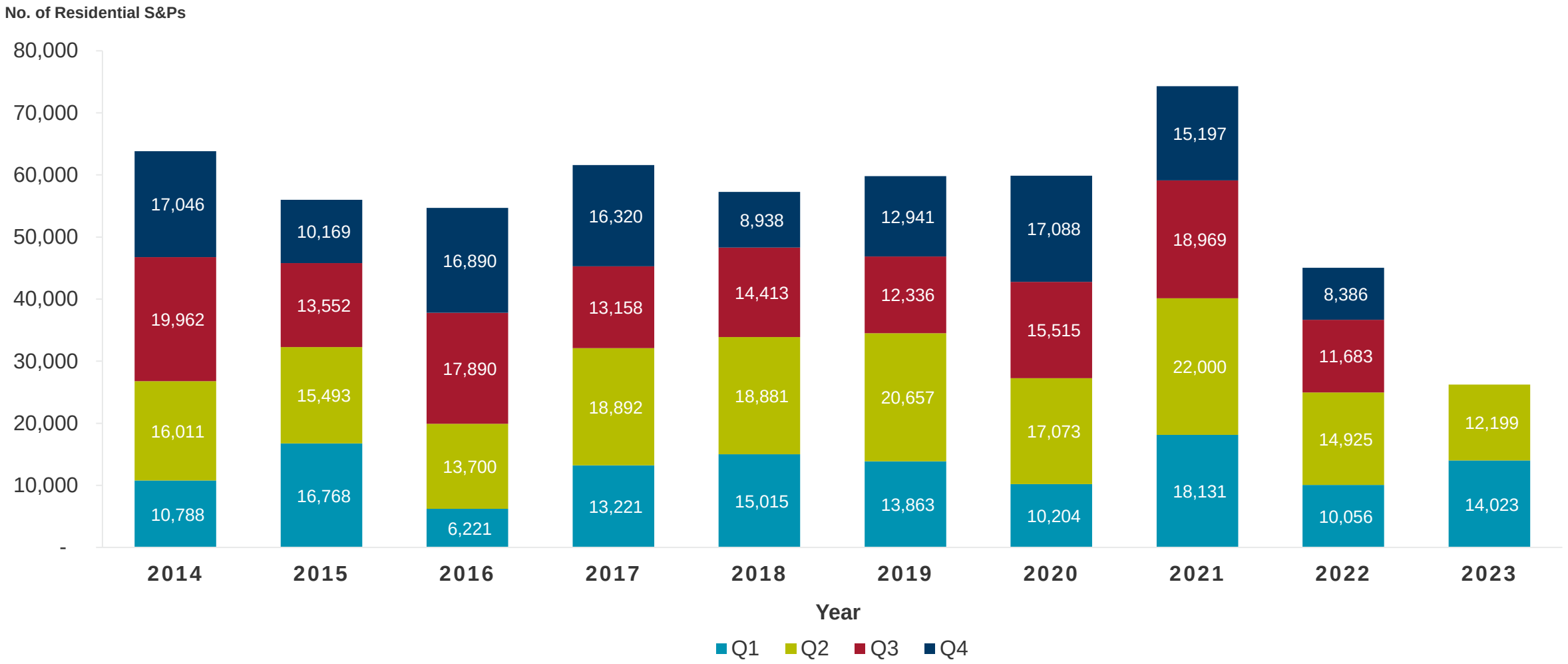
Month	2003	…	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Y-o-Y Change
Jan	6,187	…	4,488	6,412	2,045	3,286	5,270	4,543	2,762	4,562	4,275	3,051	-29%
Feb	3,649	…	3,159	6,027	1,807	4,079	5,482	4,089	3,572	6,125	2,912	4,282	47%
Mar	4,550	…	3,141	4,329	2,369	5,856	4,263	5,231	3,870	7,444	2,869	6,690	133%
Apr	5,373	…	4,781	4,549	4,494	7,060	6,646	7,822	4,102	7,325	3,897	4,583	18%
May	4,130	…	5,270	5,168	4,586	5,732	5,522	8,208	5,984	7,084	6,202	4,003	-35%
Jun	4,833	…	5,960	5,776	4,620	6,100	6,713	4,627	6,987	7,591	4,826	3,613	-25%
Jul	6,525	…	7,792	5,393	4,243	3,515	6,091	4,805	6,133	7,579	3,671	-	-
Aug	6,559	…	6,212	3,896	5,821	4,014	4,822	4,084	4,358	5,546	4,137	-	-
Sep	5,632	…	5,958	4,263	7,826	5,629	3,500	3,447	5,024	5,844	3,875	-	-
Oct	9,360	…	6,189	3,300	6,601	5,289	4,243	4,001	4,951	4,643	3,148	-	-
Nov	7,811	…	4,848	2,826	6,739	5,694	2,635	5,756	6,070	5,409	2,731	-	-
Dec	6,967	…	6,009	4,043	3,550	5,337	2,060	3,184	6,067	5,145	2,507	-	-
Total	**71,576**	…	**63,807**	**55,982**	**54,701**	**61,591**	**57,247**	**59,797**	**59,880**	**74,297**	**45,050**	**-**	**-**
Jan - Jun	**28,722**	…	**26,799**	**32,261**	**19,921**	**32,113**	**33,896**	**34,520**	**27,277**	**40,131**	**24,981**	**26,222**	**5%**

Q2 23 vs. Q1 23 (-13% QoQ)
Q2 23 vs. Q2 22 (-18% YoY)

Source: Land Registry; Cushman & Wakefield Research

TOTAL RESIDENTIAL S&Ps – HISTORICAL COMPARISON

~12,200 cases in Q2, a quarterly decrease of 13%, or an annual drop of 18%



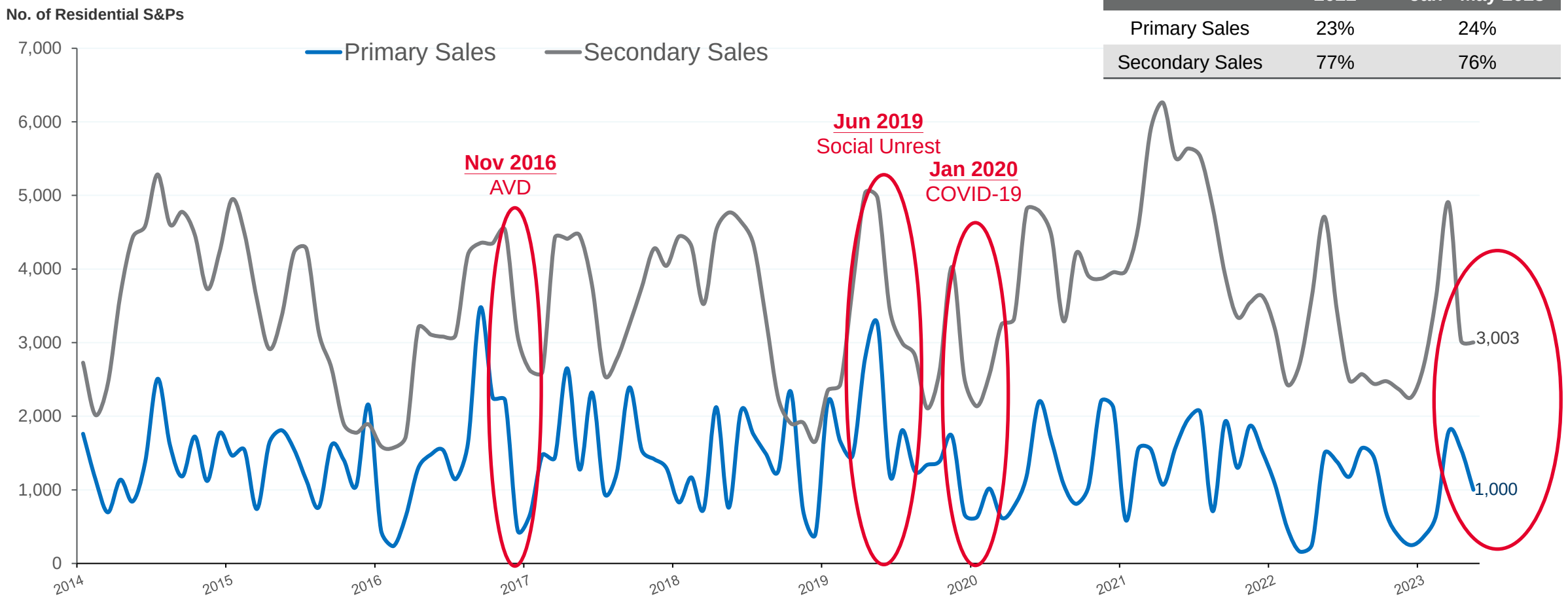
Note: S&Ps: Sales & Purchase Agreements
Source: Land Registry; Cushman & Wakefield Research

PRIMARY SALES PICKED UP IN Q2

Developers launching new residential projects with competitive pricing strategy

Breakdown of Residential Sales (%)

	2022	Jan - May 2023
Primary Sales	23%	24%
Secondary Sales	77%	76%

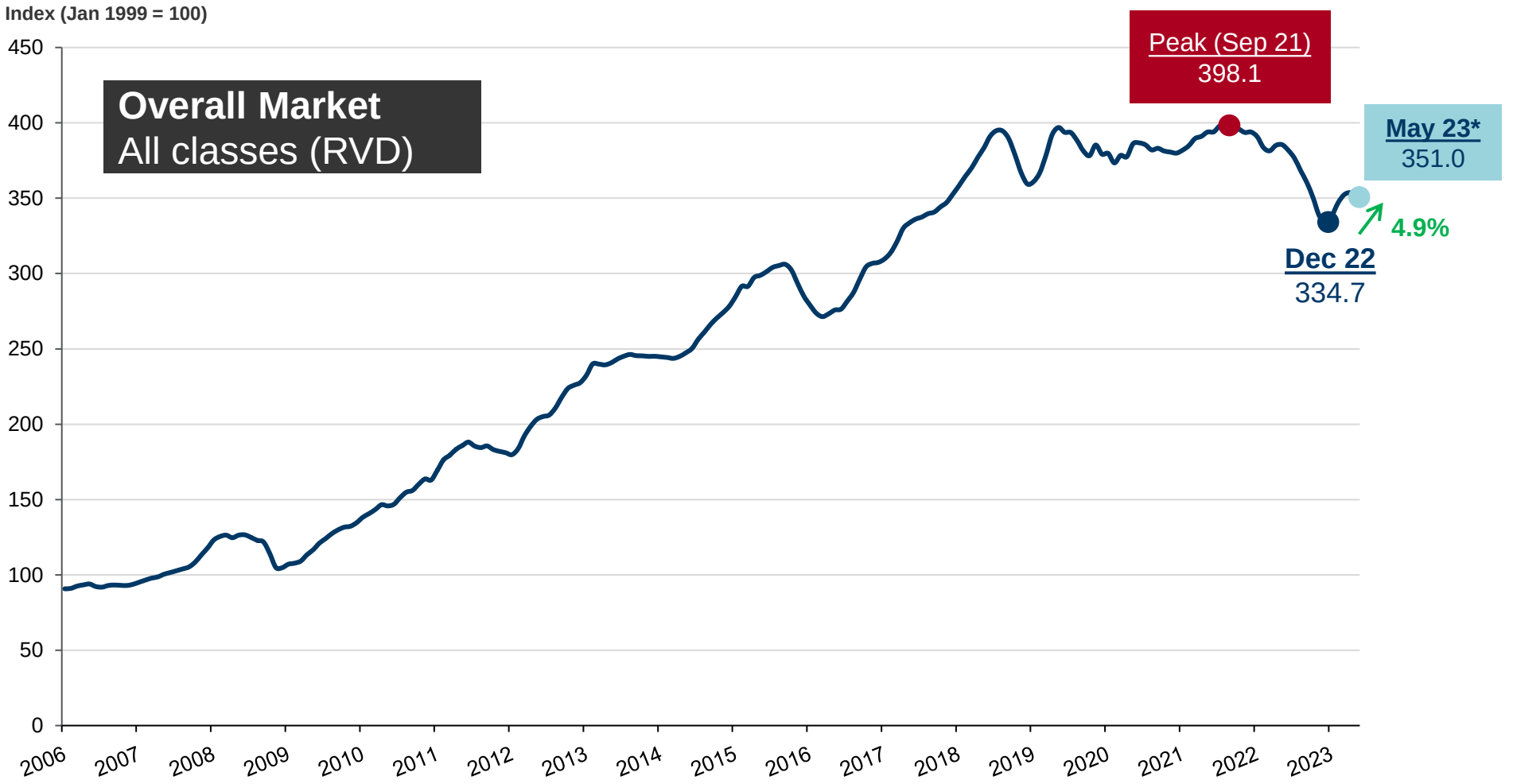


Notes: AVD is short for Ad Valorem Stamp Duty

Source: Land Registry; Cushman & Wakefield Research

PRICES PICKED UP IN 1H; WITH SOME VOLATILITY TOWARDS QUARTER-END

Recorded a 4.9% YTD growth (as of May 2023), with May's price index retreated 0.7% m-o-m



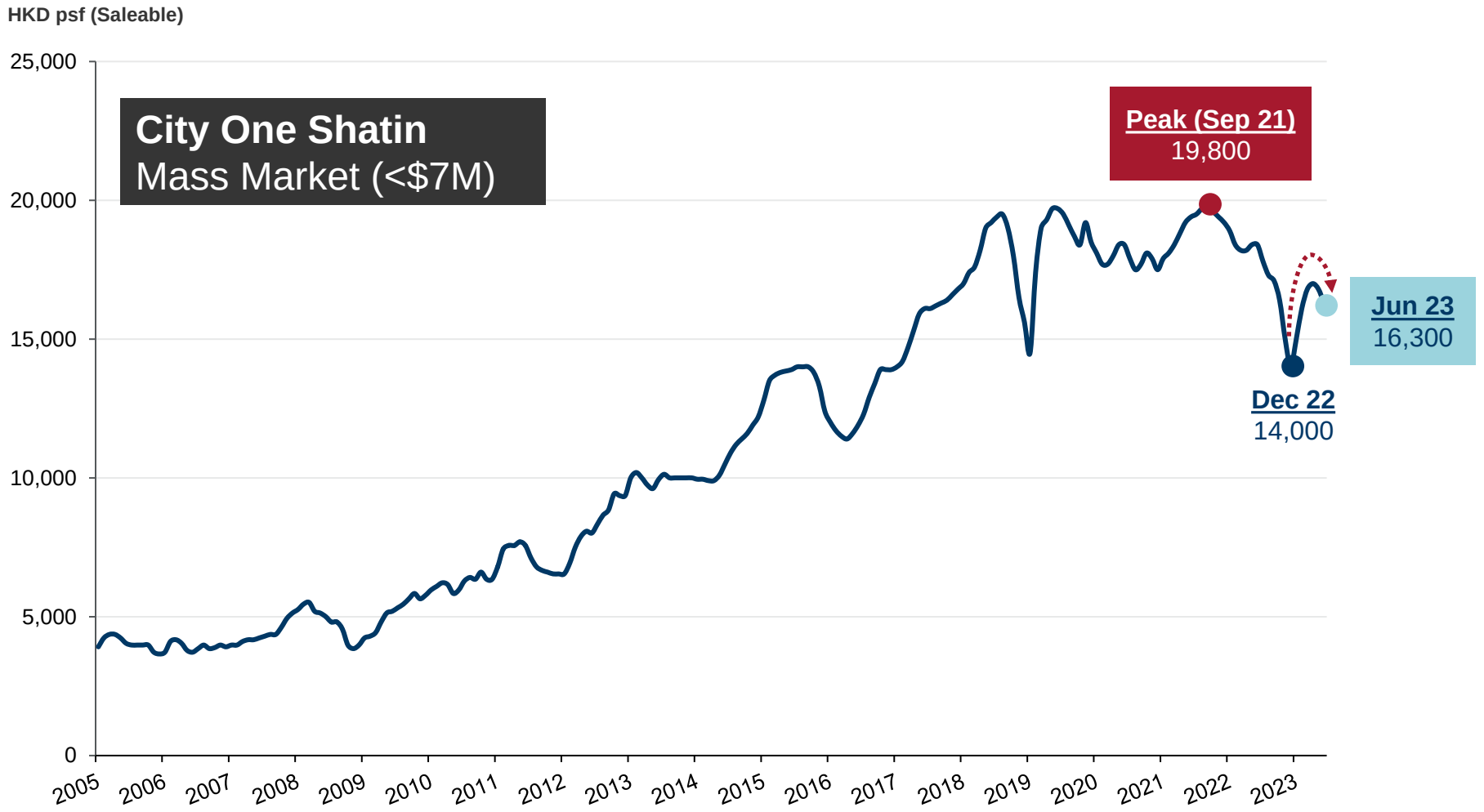
Residential Price Changes (%) May 2023*	
YTD	+4.9%
Y-o-Y	-8.9%
From Sep 21 (Historical Peak)	-11.8%

** Preliminary figure from Rating & Valuation Department as of May 2023*

Source: Rating & Valuation Department; Cushman & Wakefield Research

MASS MARKET RESIDENTIAL PRICE

The price rebound at City One Shatin (Phase 4) started to reverse in May

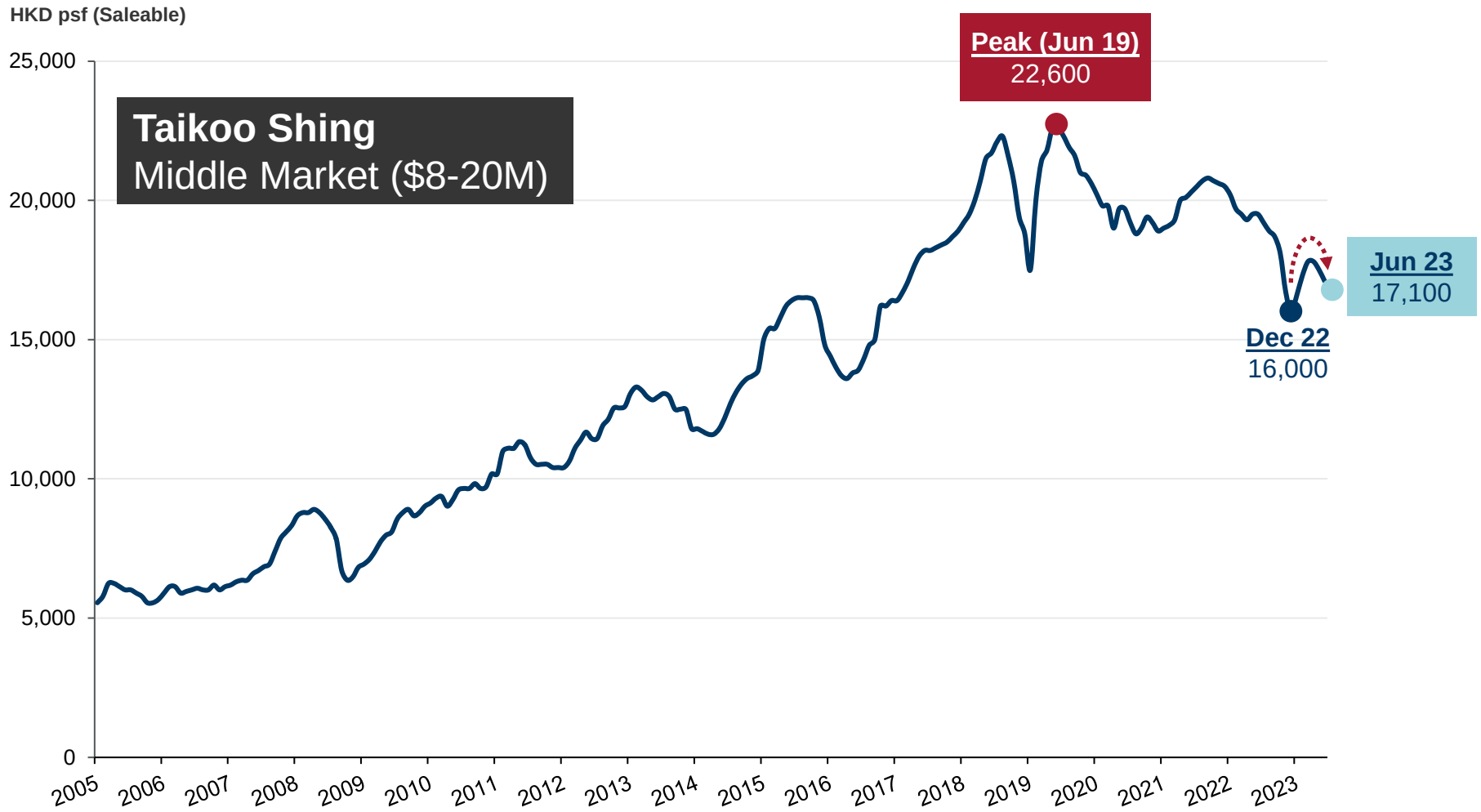


Residential Price Changes (%) Jun 2023	
Q-o-Q	-3.0%
YTD	16.4%
Y-o-Y	-11.4%
From Sep-21 (Historical Peak)	-17.7%

Source: Cushman & Wakefield

MIDDLE MARKET RESIDENTIAL PRICE

Prices at Taikoo Shing (Kao Shan Terrace) turned downward, dropping 3.9% q-o-q

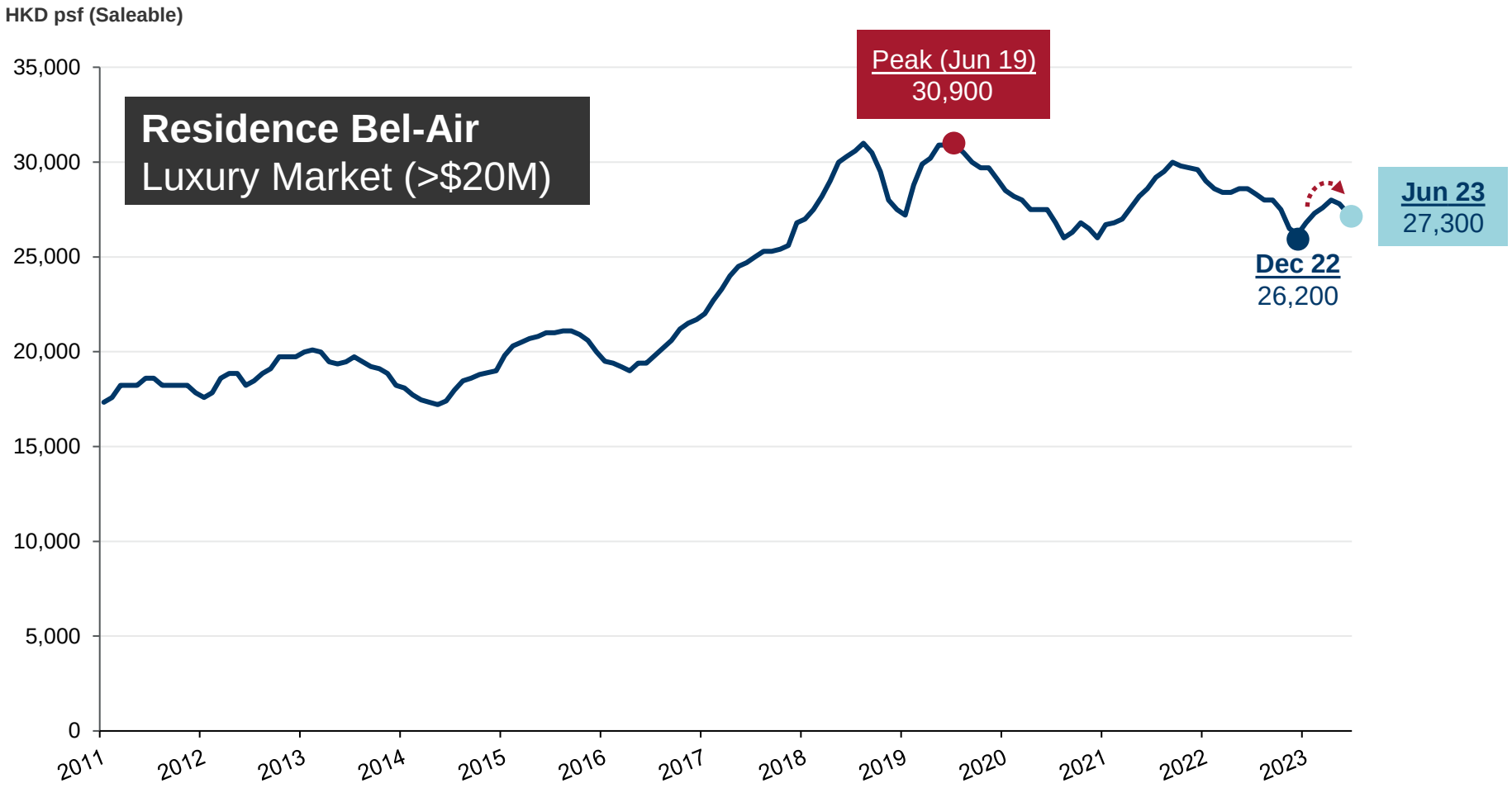


Residential Price Changes (%) Jun 2023	
Q-o-Q	-3.9%
YTD	6.9%
Y-o-Y	-12.3%
From Jun-19 (Historical Peak)	-24.3%

Source: Cushman & Wakefield

LUXURY MARKET RESIDENTIAL PRICE

Prices at Residence Bel-Air (Phase 2) consolidated



Residential Price Changes (%) Jun 2023	
Q-o-Q	-1.1%
YTD	4.2%
Y-o-Y	-4.5%
From Jun-19 (Historical Peak)	-11.7%

Source: Cushman & Wakefield

Residential Market 1H Review & 2H Outlook

Key Takeaways

1. The market sentiment has been cooling down since May after a significant rebound in Q1
2. Number of residential S&Ps in Q2 2023 dropped13% q-o-q and 18% y-o-y to around 12,200 units
3. Overall residential price index edged down by around 1% in Q2, yet 1H 2023 still recorded around 5% growth
4. Full-year residential transaction volume is expected to see an annual increase of 10-15% to ~50,000 units
5. We expect more price volatility in 2H amid high interest rate, home prices are forecasted to rise 3-7% in 2023

Q&A Session

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Head of Research, Hong Kong