HONG KONG
OFFICE, RETAIL & RESIDENTIAL MARKETS

Q3 2023

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OFFICE MARKET

OVERALL RENTS REMAINED UNDER PRESSURE

Hong Kong East and Kowloon West witnessed most notable quarterly decline

Submarkets	Apr 19 (Peak)	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q-o-Q Δ	YTD Δ	2023 Forecast
Prime Central	$165.2	$108.9	$106.3	$105.2	$102.5	$101.6	-0.9%	-4.4%	-6 ~ -4%
Greater Central	$138.5	$94.7	$92.0	$90.7	$88.6	$87.3	-1.5%	-5.1%	-6 ~ -4%
Wanchai / Causeway Bay	$78.6	$54.5	$52.8	$52.3	$52.1	$51.2	-1.7%	-3.0%	-4 ~ -2%
Hong Kong East	$56.3	$46.0	$44.3	$43.3	$41.4	$40.4	-2.4%	-8.6%	-9 ~ -7%
Hong Kong South	$36.3	$29.2	$28.2	$27.9	$28.1	$28.1	-0.2%	-0.6%	-2 ~ 0%
Greater Tsimshatsui	$68.2	$47.6	$46.3	$45.5	$44.5	$43.6	-2.0%	-5.8%	-7 ~ -5%
Kowloon East	$36.9	$29.3	$28.1	$27.4	$26.8	$26.3	-2.0%	-6.4%	-8 ~ -6%
Kowloon West	$44.2	$33.9	$32.9	$32.9	$32.6	$31.9	-2.2%	-3.3%	-4 ~ -2%
All Districts Average	**$75.9**	**$53.9**	**$52.0**	**$51.2**	**$50.0**	**$49.1**	**-1.7%**	**-5.5%**	**-7 ~ -5%**

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

Note: Data as of Sept 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*

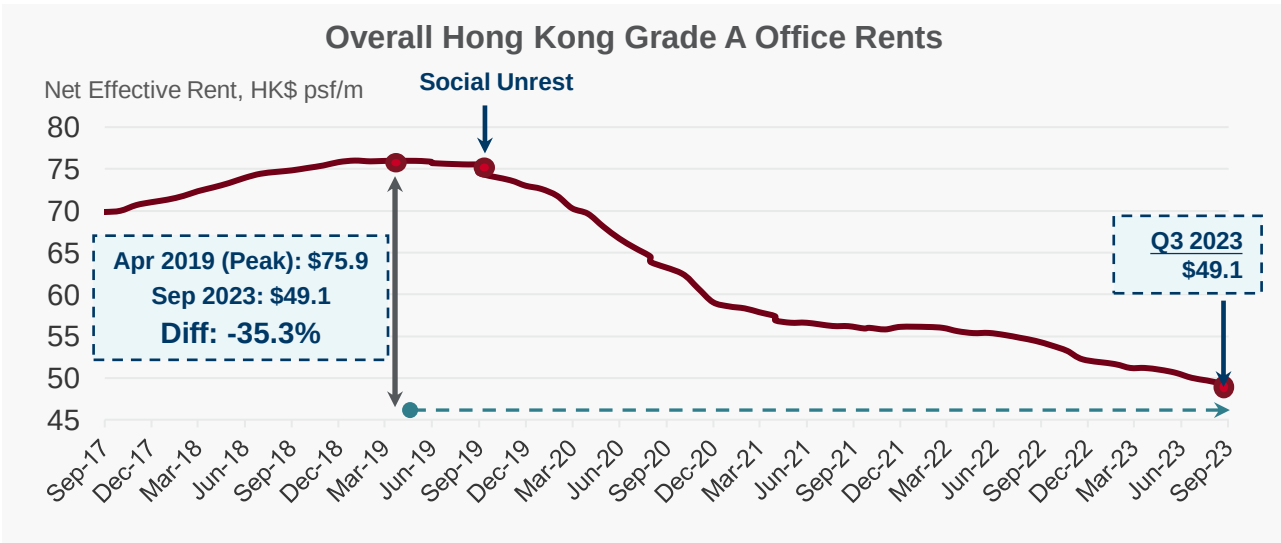
Hong Kong South*: Wong Chuk Hang and Pok Fu Lam*

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



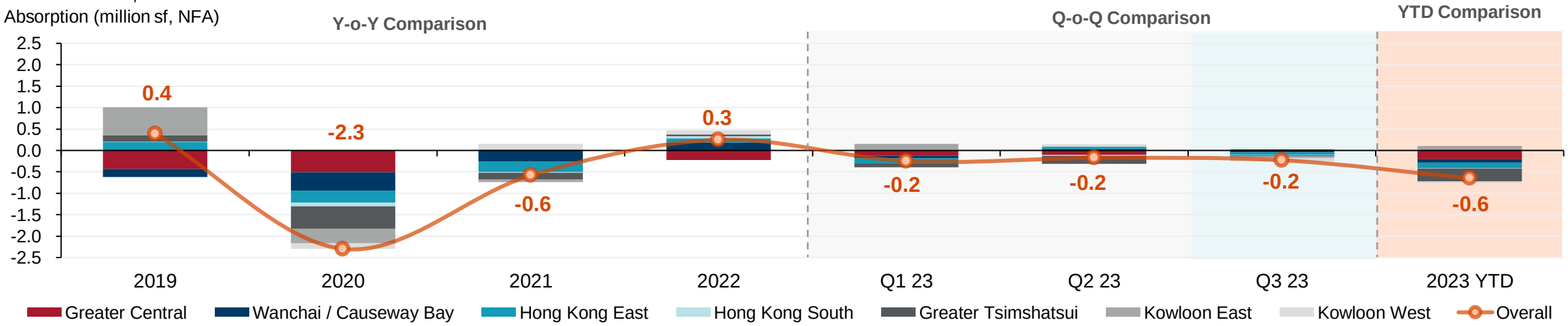
Source: Cushman & Wakefield Research

NET ABSORPTION FELL FURTHER

Greater Central is the only submarket witnessed positive net absorption, supported by flight-to-quality and upgrading demand

Submarkets	2019	2020	2021	2022	Q1 23	Q2 23	Q3 23	2023 YTD
Greater Central	-427,700	-507,600	10,400	-224,400	-119,600	-107,600	27,100	-200,100
Wanchai / Causeway Bay	-187,100	-429,500	-261,700	181,300	-63,700	26,200	-44,800	-82,400
Hong Kong East	195,700	-279,400	-241,500	105,400	-123,300	57,300	-62,200	-128,200
Hong Kong South	11,100	-82,400	-20,800	46,900	13,500	-20,000	-1,700	-8,300
Greater Tsimshatsui	149,300	-532,200	-152,500	37,400	-88,800	-186,700	-24,500	-300,000
Kowloon East	645,700	-334,000	-59,300	1,500	140,700	6,300	-37,900	109,000
Kowloon West	3,500	-130,000	146,800	102,400	-6,900	51,900	-82,000	-36,900
Overall	**390,500**	**-2,295,200**	**-578,700**	**250,600**	**-248,200**	**-172,700**	**-225,900**	**-646,800**

Note: Data as of Sept 2023



Source: Cushman & Wakefield Research

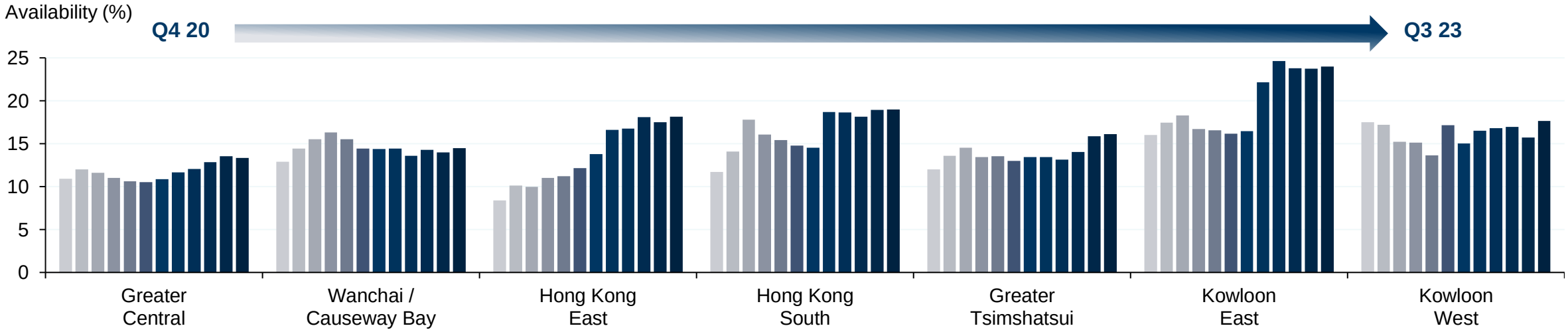
AVAILABILITY RATE UP 40 BASIS POINTS

Mainly driven by non-core submarkets, as some sizable office space being returned to the market

Submarkets	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Greater Central	10.9%	12.0%	11.6%	11.0%	10.6%	10.5%	10.9%	11.6%	12.1%	12.8%	13.5%	13.4%
Wanchai / Causeway Bay	12.9%	14.4%	15.5%	16.3%	15.5%	14.4%	14.4%	14.4%	13.6%	14.3%	14.0%	14.5%
Hong Kong East	8.4%	10.1%	10.0%	11.0%	11.2%	12.2%	13.8%	16.6%	16.8%	18.1%	17.5%	18.1%
Hong Kong South	11.7%	14.1%	17.8%	16.1%	15.4%	14.8%	14.5%	18.7%	18.7%	18.1%	18.9%	19.0%
Greater Tsimshatsui	12.0%	13.6%	14.5%	13.4%	13.5%	13.0%	13.4%	13.4%	13.1%	14.0%	15.9%	16.1%
Kowloon East	16.0%	17.4%	18.3%	16.7%	16.5%	16.2%	16.4%	22.1%	24.6%	23.8%	23.8%	24.0%
Kowloon West	17.5%	17.2%	15.2%	15.1%	13.6%	17.1%	15.0%	16.5%	16.8%	16.9%	15.7%	17.7%
Overall Availability*	**12.6%**	**14.0%**	**14.4%**	**13.9%**	**13.6%**	**13.6%**	**13.8%**	**16.1%**	**16.7%**	**17.1%**	**17.3%**	**17.7%**

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

Note: Data as of Sept 2023

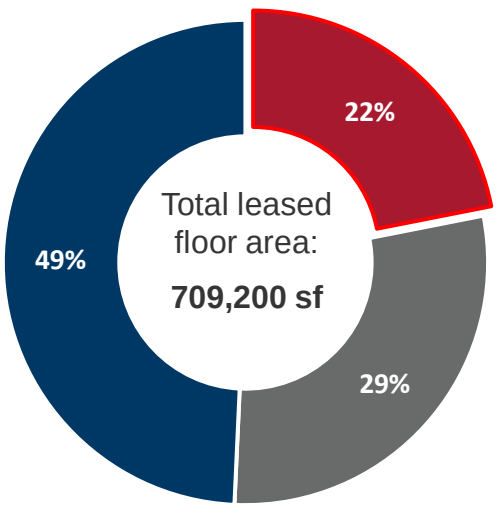


Source: Cushman & Wakefield Research

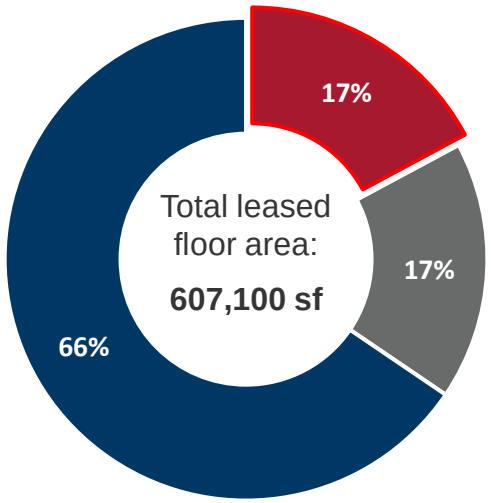
NEW LEASING TRANSACTIONS IN GREATER CENTRAL

Proportion of PRC companies has been expanded to over one-third in 2023 YTD

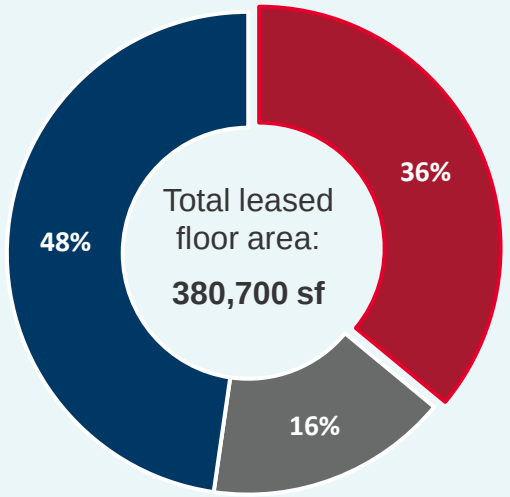
2021 New Leasing Deals (By NFA sf)



2022 New Leasing Deals (By NFA sf)



2023 YTD New Leasing Deals (By NFA sf)



Note: YTD indicates up until Sept 2023

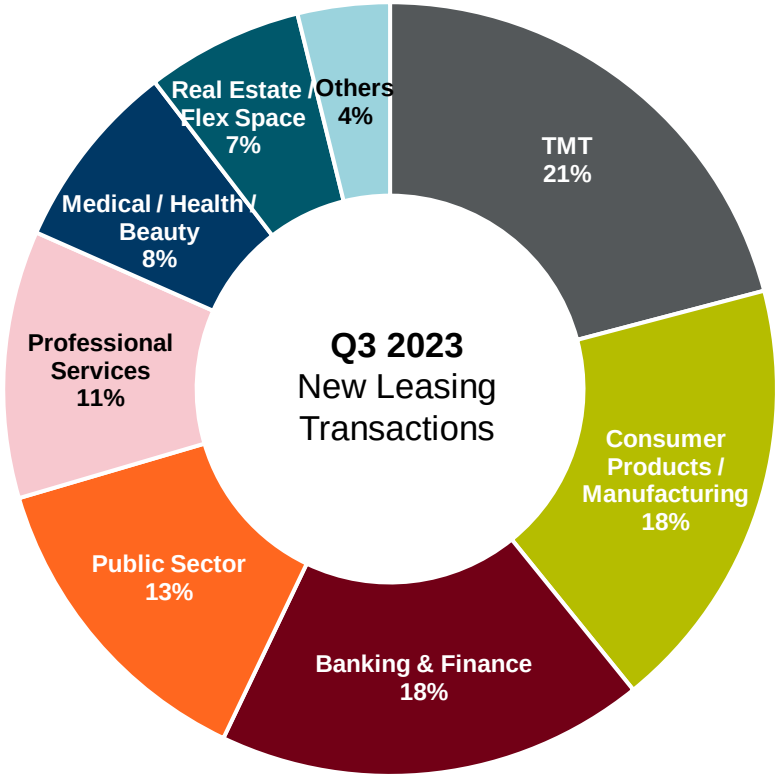
PRC HK MNC

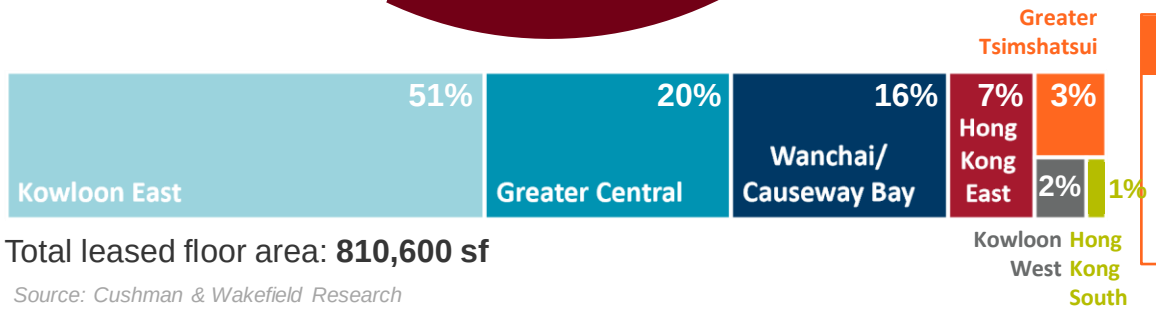
Source: The above proportion is based on count of area; excluded unknown tenants in the analysis

NEW LETTING DEMAND FROM DIVERSE INDUSTRIES

TMT, consumer products, banking & finance, public sector and professional services all recorded double digit shares

% Proportion of New Leasing Transactions by NFA sf





Total leased floor area: **810,600 sf**

Source: Cushman & Wakefield Research

TMT

HKBN Enterprise Solutions
The Quayside Twr 1 & 2
73,100 sf

TOPPAN FORMS
Millennium City 1
9,700 sf

NEC Platform Technologies
Millennium City 1
8,000 sf

Consumer Products / Manufacturing

FUJIFILM Business Innovation Corp.
The Millennity - Twr 1
33,000 sf

carter's
Manulife Place
27,800 sf

AVERY DENNISON
Manulife Place
21,000 sf

Banking & Finance

天风国际证券 TF INTERNATIONAL SECURITIES
Two Pacific Place
18,700 sf

安信 PrimeCredit
Dah Sing Financial Centre
15,200 sf

Public Sector

醫院管理局 HOSPITAL AUTHORITY
Harbourside HQ
75,300 sf

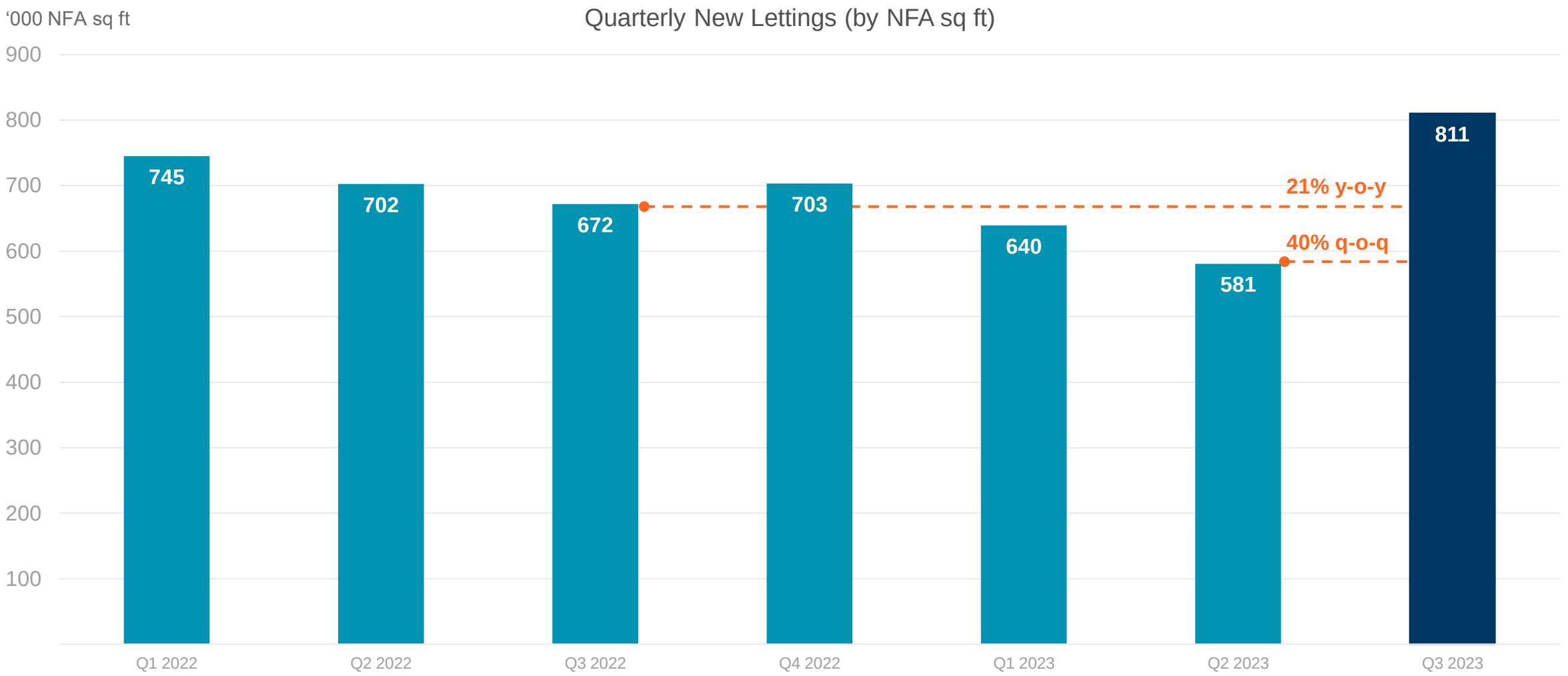
Professional Services

STEPHENSON HARWOOD
One Taikoo Place
19,900 sf

盈科律师事务所 YINGKE LAW FIRM
One Exchange Square
14,200 sf

NEW LETTINGS IMPROVED IN Q3

Representing 40% q-o-q and 21% y-o-y increase, respectively



Source: Cushman & Wakefield Research

Office Market Q3 Review and Outlook

Key Takeaways

1. Overall net absorption dropped further south at 225,900 sf in Q3; Greater Central outperformed as the only submarket with positive net absorption

2. Q3 2023 new letting transactions reached 811k sf NFA, up 40% q-o-q; Kowloon East remained attractive to occupiers with several large-sized deals concluded

3. Within Greater Central, mainland Chinese firms are becoming more active, accounting for 36% of the Q3 new lettings in the submarket (vs. 17% in 2022 FY)

4. MNC occupiers are increasingly committed to incorporating ESG elements when considering relocation options, whilst majority of tenants tend to opt for lease renewals for cost-saving purpose

5. Global economic uncertainties and high availability rate (17.7%) to further weigh on rental performance, we expect overall office rents to fall by -5 to -7% in 2023

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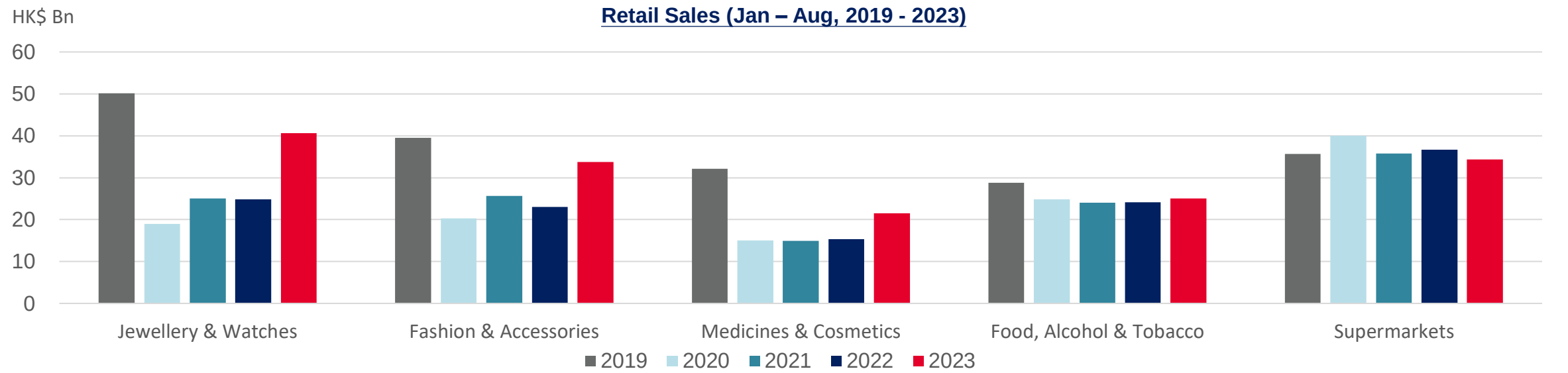
RETAIL MARKET

RETAIL SALES CONTINUED TO REBOUND

Jewellery & Watches and drug stores leading market recovery as tourists gradually return to the city

Retail Sales (HK$ Bn)	Jan – Aug					
	2019	2020	2021	2022	2023	Y-o-Y Δ
Jewellery & Watches	50.08	19.00	25.08	24.88	40.58	63.1%
Fashion & Accessories	39.48	20.29	25.65	22.99	33.72	46.7%
Medicines & Cosmetics	32.16	15.02	14.95	15.35	21.55	40.3%
Food, Alcohol & Tobacco	28.79	24.81	24.06	24.18	25.03	3.5%
Supermarkets	35.71	40.02	35.75	36.64	34.35	-6.2%
Total	**305.09**	**212.87**	**230.15**	**226.70**	**270.52**	19.3%

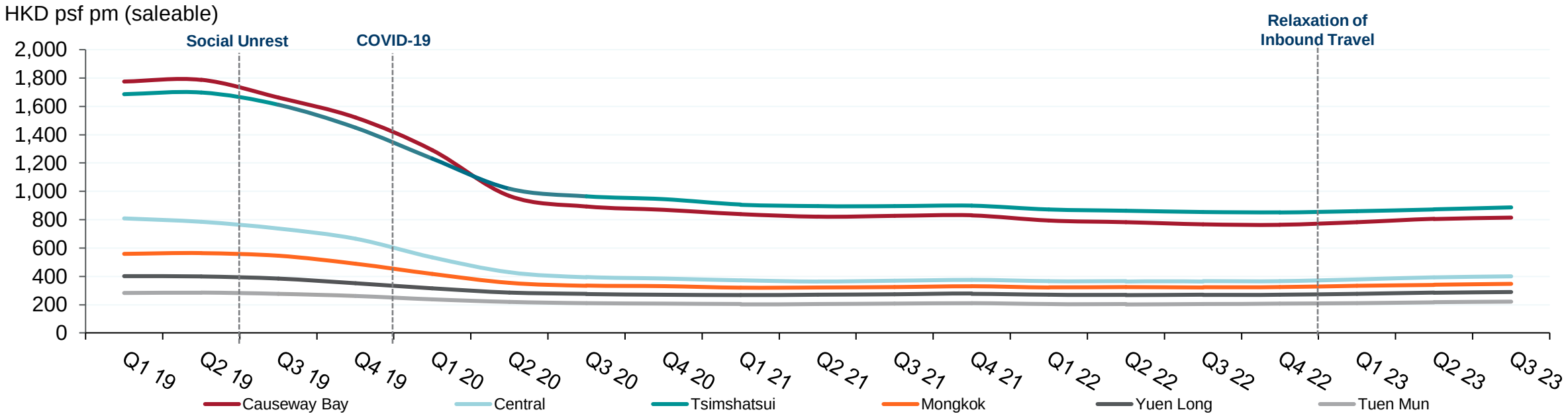


Source: Hong Kong Census & Statistics Department; Cushman & Wakefield Research

HIGH STREET RENTS CONTINUED TO PICK UP ACROSS DISTRICTS

All districts recorded mild rental growth q-o-q

Districts	2019	2020	2021	2022	Q1 2023	Q2 2023	Q3 2023	Q-o-Q Δ	YTD Δ	2023 FY Forecast
Causeway Bay	$1,520	$870	$831	$764	$783	$805	$815	1.2%	6.6%	5 ~ 7%
Tsimshatsui	$1,448	$944	$900	$851	$860	$872	$886	1.6%	4.1%	6 ~ 8%
Central	$667	$384	$376	$366	$378	$392	$399	1.9%	9.1%	8 ~ 10%
Mongkok	$491	$331	$332	$323	$333	$341	$347	1.9%	7.4%	6 ~ 8%
Yuen Long	$352	$271	$278	$271	$277	$285	$290	1.8%	7.1%	6 ~ 8%
Tuen Mun	$263	$207	$211	$207	$211	$217	$221	1.7%	6.8%	5 ~ 7%

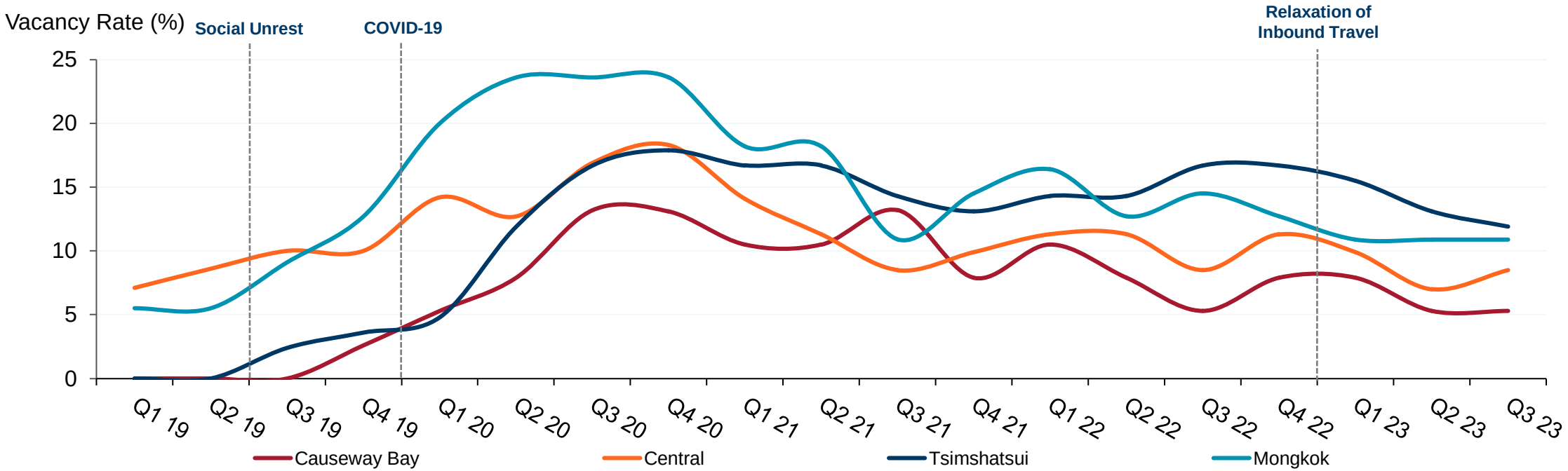


Source: The Land Registry; Market Info; Cushman & Wakefield Research

VACANCY STABILISED IN MOST SUBMARKETS

The pace of recovery in Hong Kong Island is faster than Kowloon

Districts	2019	2020	2021	2022	Q1 2023	Q2 2023	Q3 2023
Causeway Bay	2.6%	13.1%	7.9%	7.9%	7.9%	5.3%	5.3%
Central	10.0%	18.3%	9.9%	11.3%	9.9%	7.0%	8.5%
Tsimshatsui	3.6%	17.9%	13.1%	16.7%	15.5%	13.1%	11.9%
Mongkok	12.7%	23.6%	14.5%	12.7%	10.9%	10.9%	10.9%

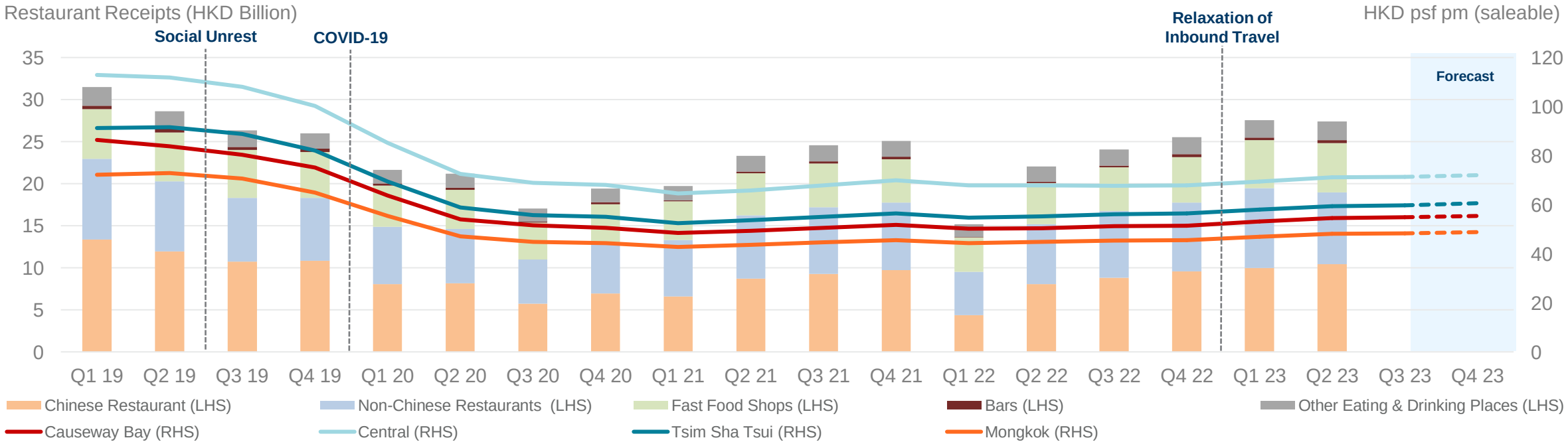


Source: The Land Registry; Market Info; Cushman & Wakefield Research

F&B RENTS EDGED UP MILDLY OVER THE QUARTER

F&B operators remained cautious as more local spendings are shifted to the nearby GBA cities during weekends and holidays

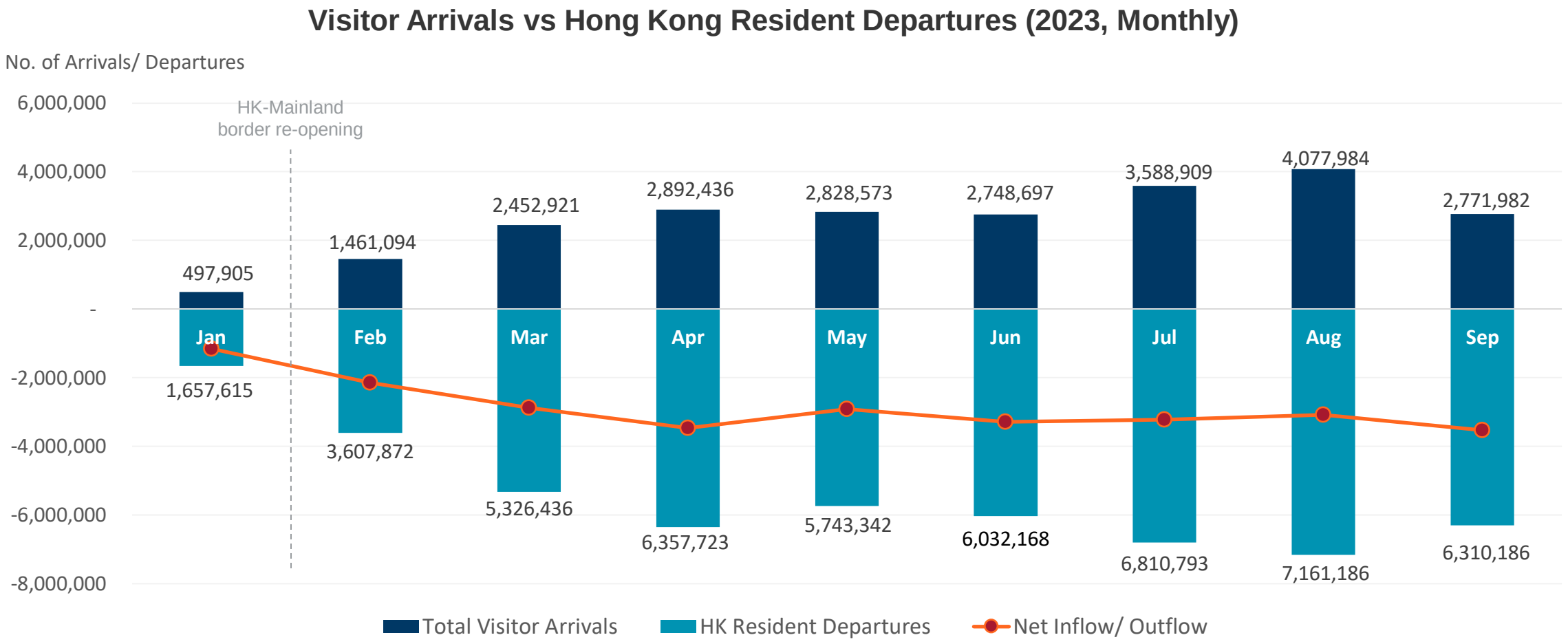
Districts	2019	2020	2021	2022	Q1 2023	Q2 2023	Q3 2023	Q-o-Q Δ	YTD Δ	2023 FY Forecast
Causeway Bay	$75.1	$50.6	$51.8	$51.5	$53.2	$54.6	$54.8	0.4%	6.5%	5 ~ 7%
Central	$100.3	$68.1	$69.9	$67.9	$69.5	$71.2	$71.3	0.1%	5.0%	4 ~ 6%
Tsimshatsui	$82.1	$55.0	$56.4	$56.5	$58.0	$59.5	$59.7	0.4%	5.6%	4 ~ 6%
Mongkok	$65.0	$44.3	$45.5	$45.6	$46.9	$48.2	$48.4	0.4%	6.0%	5 ~ 7%



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

NET OUTFLOW TRAFFIC HAS BEEN RECORDED SINCE BORDER REOPENING

Expected to continue for the coming 6 months



Source: Cushman & Wakefield Research, Immigration Department

MAINLAND F&B BRANDS ENTERING HONG KONG MARKET

Taking advantage of the relatively attractive rents to open new stores

Specialty-restaurant chains

Festival Walk, AIRSIDE & New Town Plaza
Opening soon

The Wai, Tai Wai
Opening soon

New Town Plaza, Shatin
Opening soon

New Mandarin Plaza, Tsimshatsui
Opened in Q3 2023

World Trade Centre, Causeway Bay
Opened in Q3 2023

Sino Cheer Plaza, Jordan
Opened in Q3 2023

104 Soy Street, Mongkok
Opened in Q1 2023

North Point, Wanchai & Sai Wan
Since Q1 2023

Beverage chains

Mongkok, Shum Shui Po & Tsuen Wan
Since Q2 2023

Mongkok, Causeway Bay, Central & Ngau Tau Kok
Since Q2 2023

World Trade Centre, Causeway Bay
Opened in Q1 2023

CUSTOMERS ARE LOOKING FOR MORE “RETAILTAINMENT” ELEMENTS

Experiential retail is essential to cater for the changing shoppers’ demand

Retail Market Review and Outlook

Key Takeaways

1. Competition from nearby mainland cities in the GBA has diverted away some local spendings, hindering the pace of recovery in the Hong Kong retail market

2. Jewelry & watch brands further expanded on main streets in Q3, with the support of growing demand

3. Q3 high street rents recorded low single-digit q-o-q growth across districts. We expect full-year high street rent to increase 5-10% in 2023

4. Mainland Chinese F&B brands are getting more active in expanding into Hong Kong

5. Mall operators should improve tenant mix and experiential retail elements to attract footfall, while the government could line up more major sports and recreational events to keep up Hong Kong's tourist market competitiveness

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RESIDENTIAL MARKET

RESIDENTIAL TRANSACTIONS CONTINUED TO COOL DOWN

Market sentiment has been dampened by the yet-to-peak interest rates and slower-than-expected economic recovery

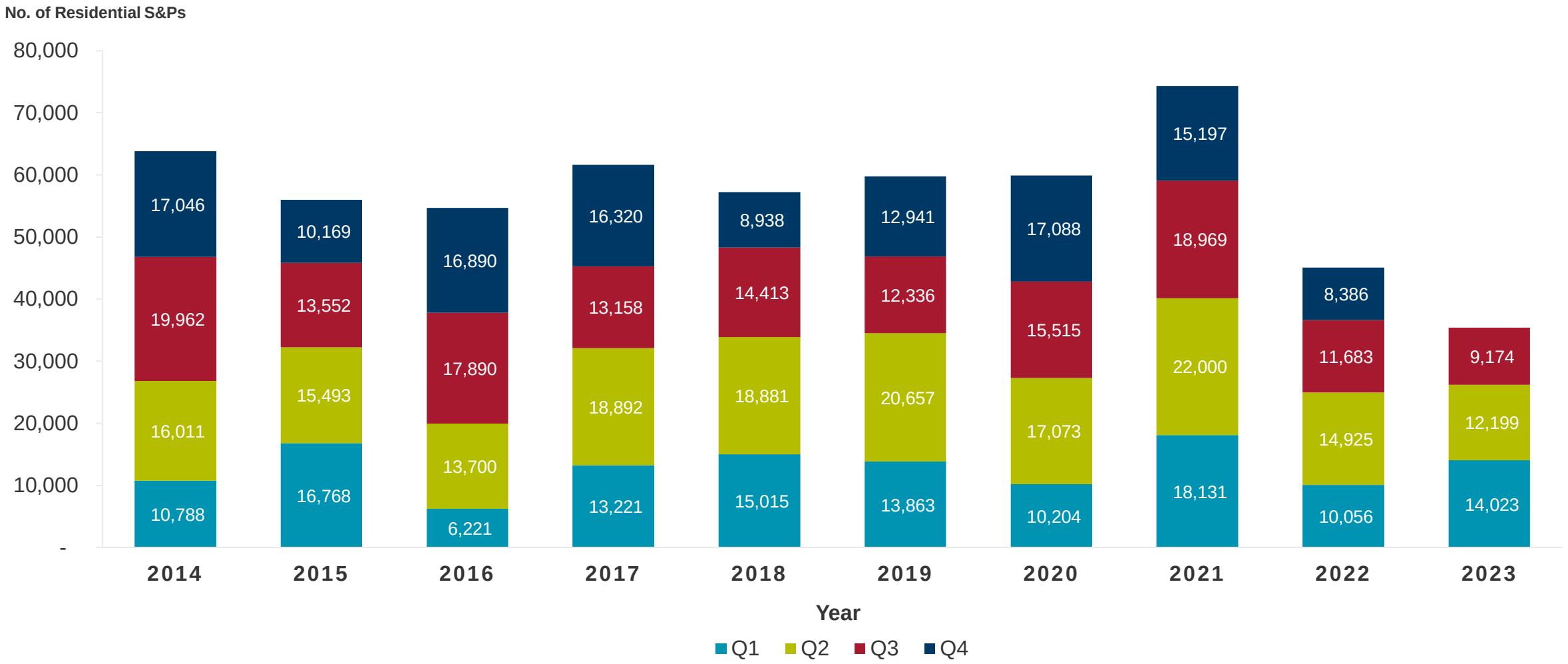
Month	2003	…	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Y-o-Y Change
Jan	6,187	…	4,488	6,412	2,045	3,286	5,270	4,543	2,762	4,562	4,275	3,051	-29%
Feb	3,649	…	3,159	6,027	1,807	4,079	5,482	4,089	3,572	6,125	2,912	4,282	47%
Mar	4,550	…	3,141	4,329	2,369	5,856	4,263	5,231	3,870	7,444	2,869	6,690	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	3,065	-17%
Aug	6,559	…	6,212	3,896	5,821	4,014	4,822	4,084	4,358	5,546	4,137	3,247	-22%
Sep	5,632	…	5,958	4,263	7,826	5,629	3,500	3,447	5,024	5,844	3,875	2,862	-26%
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 - Sep	**47,438**	…	**46,761**	**45,813**	**37,811**	**45,271**	**48,309**	**46,856**	**42,792**	**59,100**	**36,664**	**35,396**	**-3%**

Q3 23 vs. Q2 23 (-25% QoQ)
Q3 23 vs. Q3 22 (-21% YoY)

Source: Land Registry; Cushman & Wakefield Research

TOTAL RESIDENTIAL S&Ps – HISTORICAL COMPARISON

lLess than 9,200 cases in Q3, a quarterly decrease of 25%, or an annual drop of 21%



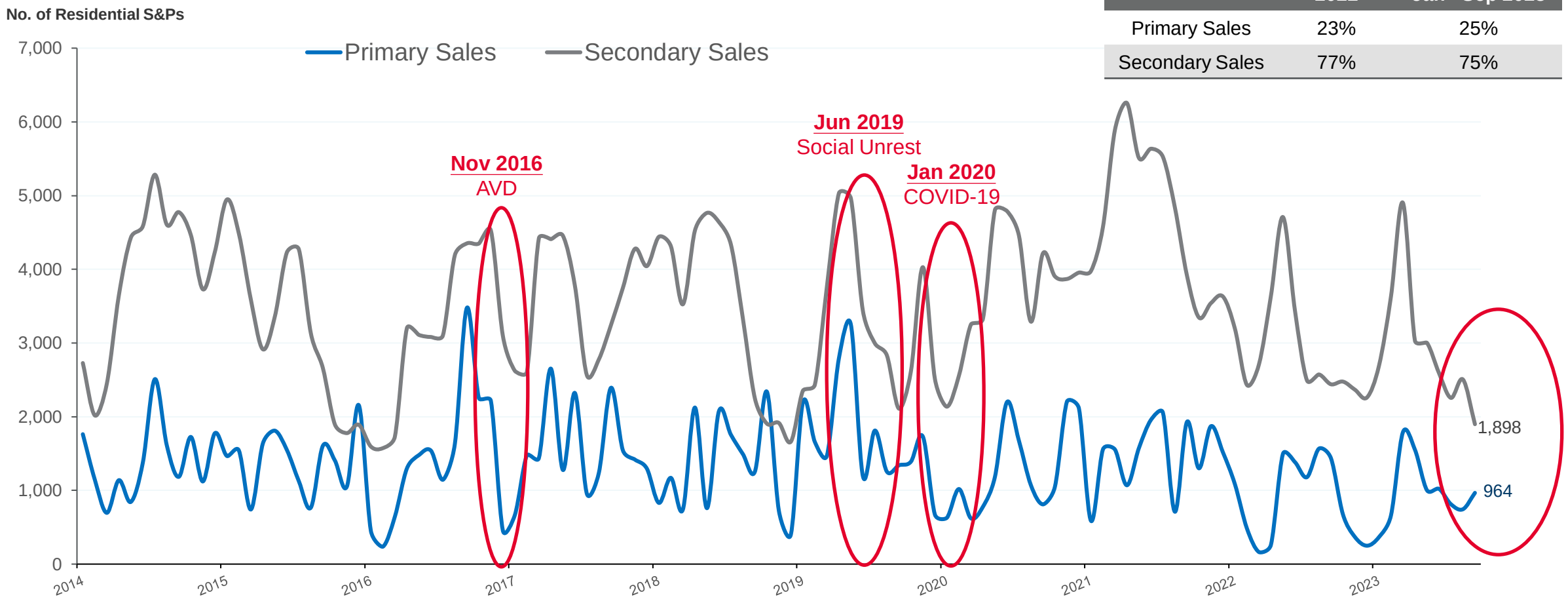
Note: S&Ps: Sales & Purchase Agreements
Source: Land Registry; Cushman & Wakefield Research

BOTH PRIMARY AND SECONDARY SALES DROPPED IN Q3

Developers to sell their inventories with competitive pricing strategy

Breakdown of Residential Sales (%)

	2022	Jan - Sep 2023
Primary Sales	23%	25%
Secondary Sales	77%	75%

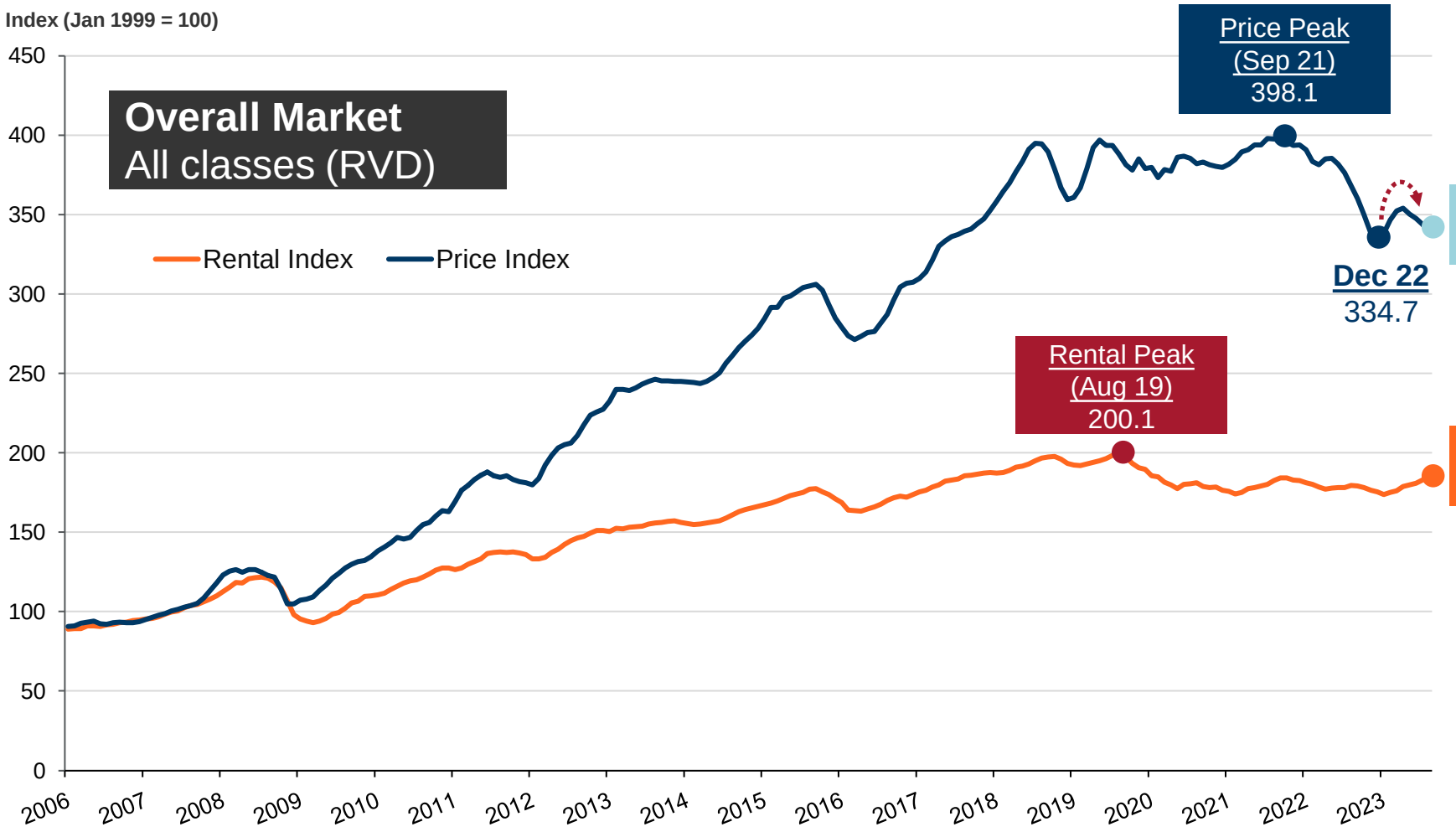


Notes: AVD is short for Ad Valorem Stamp Duty

Source: Land Registry; Cushman & Wakefield Research

HOME PRICES DROPPED FOR THE FOURTH CONSECUTIVE MONTH BY 4.2%

Residential rents exhibited a more stable trend whilst price volatility emerged



Price Changes (%) Aug 2023*	
YTD	+1.3%
Y-o-Y	-7.9%
From Sep 21 (Historical Peak)	-14.8%

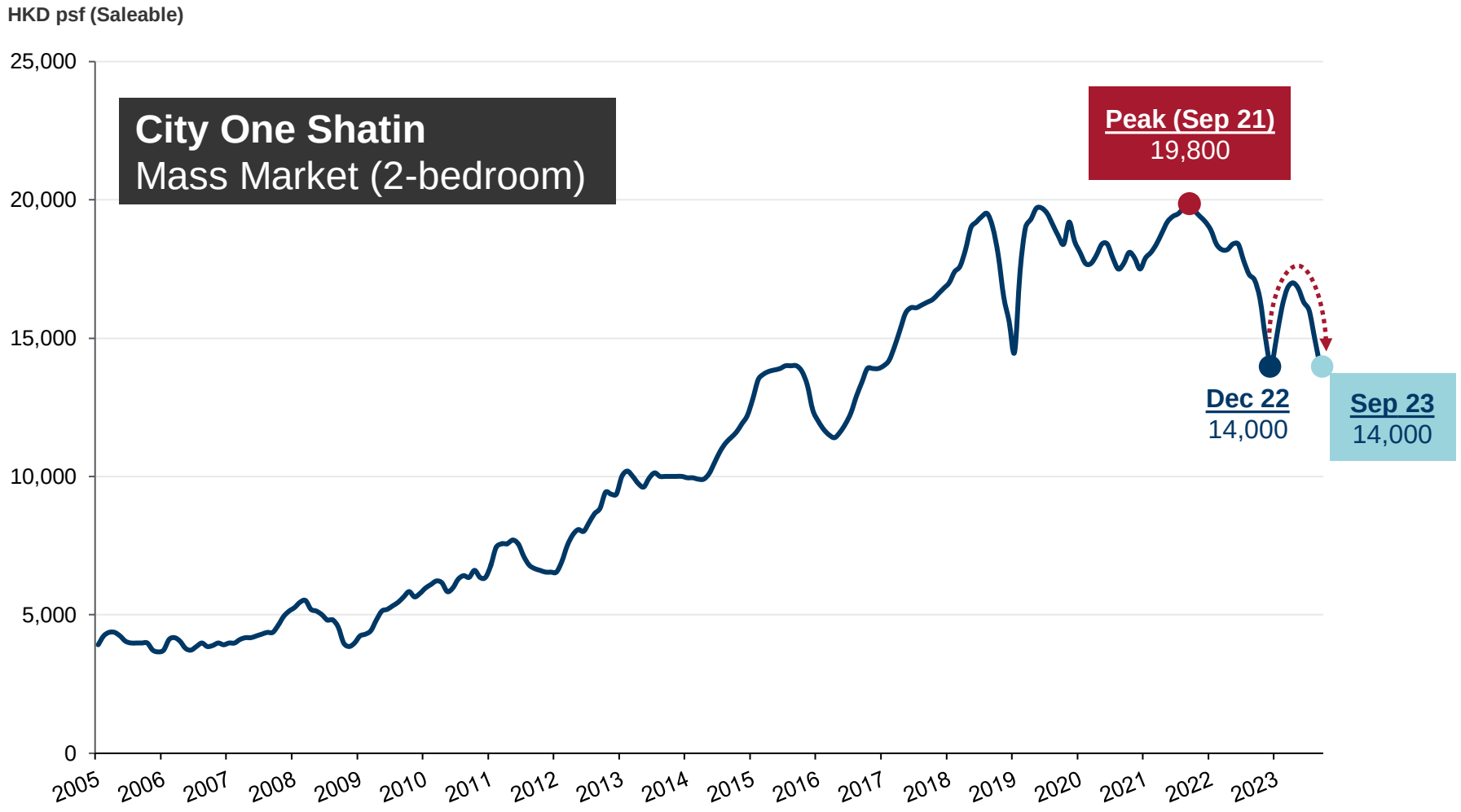
Rental Changes (%) Aug 2023*	
YTD	+5.6%
Y-o-Y	+3.3%
From Aug 19 (Historical Peak)	-7.3%

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

Source: Rating & Valuation Department; Cushman & Wakefield Research

MASS MARKET RESIDENTIAL PRICE

The price at City One Shatin (Phase 4) continued to slide, down 14.1% q-o-q

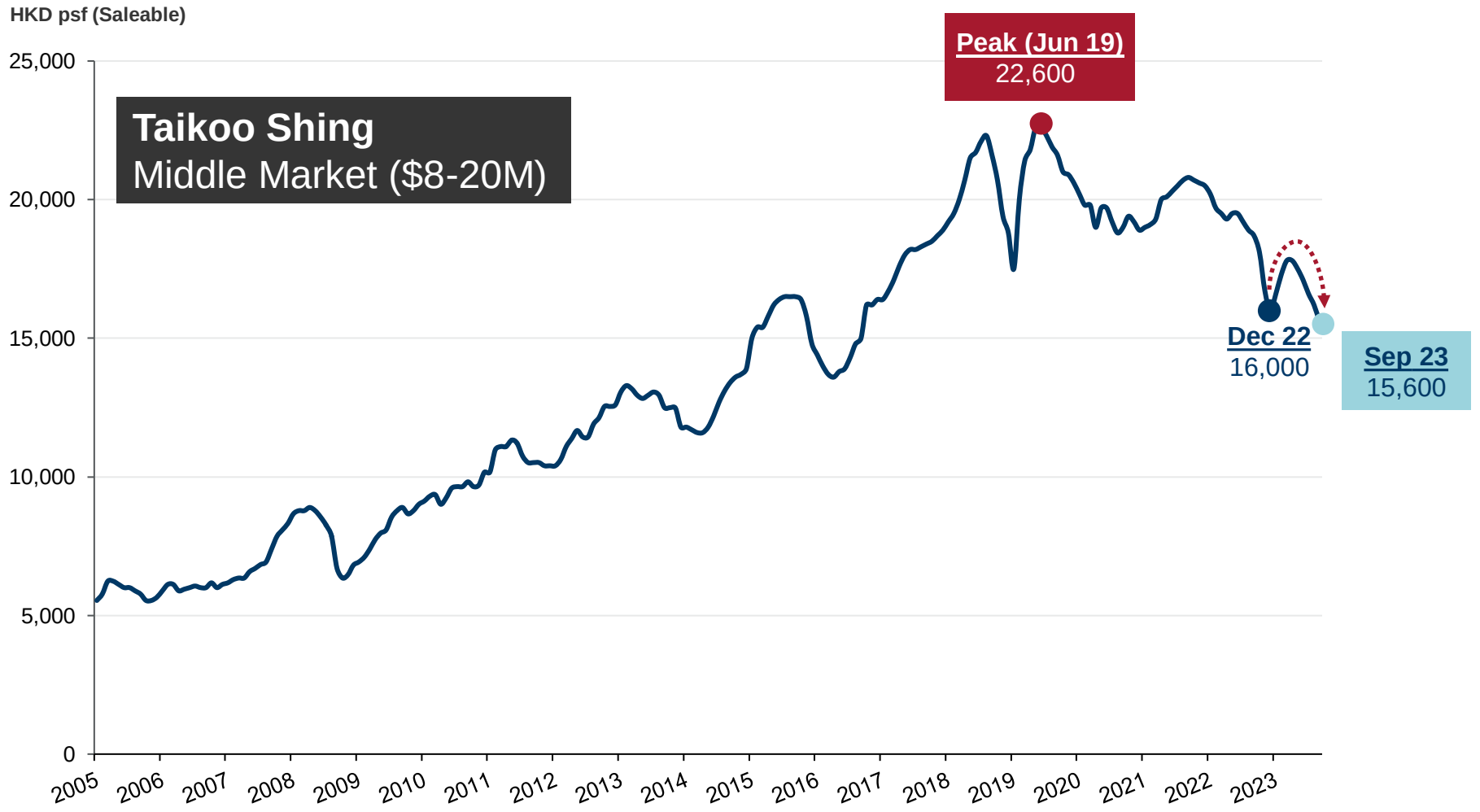


Residential Price Changes (%) Sep 2023	
Q-o-Q	-14.1%
YTD	0.0%
Y-o-Y	-18.1%
From Sep-21 (Historical Peak)	-29.3%

Source: Cushman & Wakefield

MIDDLE MARKET RESIDENTIAL PRICE

Prices at Taikoo Shing (Kao Shan Terrace) dropped further with -8.8% q-o-q

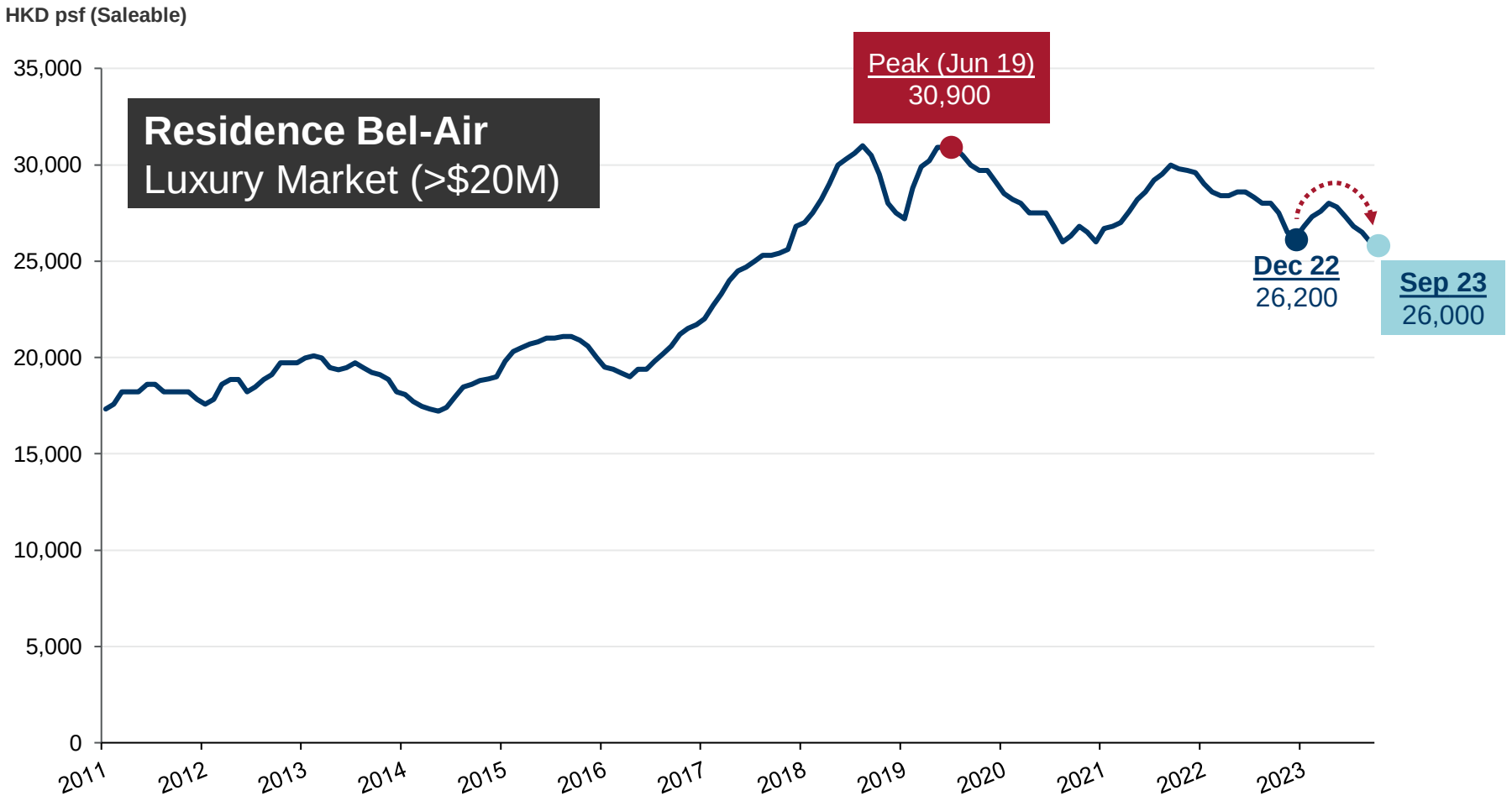


Residential Price Changes (%) Sep 2023	
Q-o-Q	-8.8%
YTD	-2.5%
Y-o-Y	-16.6%
From Jun-19 (Historical Peak)	-31.0%

Source: Cushman & Wakefield

LUXURY MARKET RESIDENTIAL PRICE

Prices at Residence Bel-Air (Phase 2) dropped 4.8% q-o-q



Residential Price Changes (%) Sep 2023	
Q-o-Q	-4.8%
YTD	-0.8%
Y-o-Y	-7.1%
From Jun-19 (Historical Peak)	-15.9%

Source: Cushman & Wakefield

Residential Market Review & Outlook

Key Takeaways

1. With interest rates showing no signs of falling, Hong Kong residential market continued to slow in Q3
2. Number of residential S&Ps in Q3 2023 dropped 25% q-o-q and 21% y-o-y to less than 9,200 units
3. According to our C&W residential price index, small-to-medium home price dropped by around 5% q-o-q in Q3
4. Full-year residential transaction volume is expected to drop 0-5% annually to circa 43,000 to 45,000 units
5. We expect more price volatility in Q4 amid rising interest rate, home prices are forecasted to adjust 0-5% in 2023

Q&A Session

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