



LIFE IS WHAT **WE** MAKE IT

CUSHMAN & WAKEFIELD

HONG KONG
OFFICE, RETAIL & RESIDENTIAL MARKETS

1H 2024



CUSHMAN &
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戴德梁行

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OFFICE MARKET



QUARTERLY RENTAL ADJUSTMENT RECORDED -1.5% IN Q2

Compared to 0.6% q-o-q in Q1 2024

Submarkets	Jan 19 (Peak)	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q-o-Q Δ	YTD Δ	2024 Forecast
Prime Central	\$166.1	\$102.5	\$101.6	\$99.2	\$98.9	\$95.8	-3.1%	-3.4%	-6 ~ -8%
Greater Central	\$139.0	\$88.6	\$87.3	\$85.3	\$85.0	\$83.3	-2.0%	-2.3%	-7 ~ -9%
Wanchai / Causeway Bay	\$79.2	\$52.1	\$51.2	\$49.9	\$49.6	\$48.3	-2.6%	-3.3%	-6 ~ -8%
Hong Kong East	\$55.3	\$41.4	\$40.4	\$39.4	\$38.6	\$37.6	-2.6%	-4.6%	-7 ~ -9%
Hong Kong South	\$36.1	\$28.1	\$28.1	\$27.3	\$26.4	\$26.2	-0.6%	-3.7%	-4 ~ -6%
Greater Tsimshatsui	\$68.0	\$44.5	\$43.6	\$43.4	\$43.3	\$42.9	-0.9%	-1.1%	-6 ~ -8%
Kowloon East	\$36.8	\$26.8	\$26.3	\$26.0	\$25.9	\$25.8	-0.6%	-0.8%	-7 ~ -9%
Kowloon West	\$44.0	\$32.6	\$31.9	\$30.9	\$30.1	\$29.3	-2.6%	-5.2%	-9 ~ -11%
All Districts Average	\$76.0	\$50.0	\$49.1	\$47.9	\$47.6	\$46.9	-1.5%	-2.1%	-7 ~ -9%

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

Note: Q2 2024 is based on data as of end-June 2024

Prime Central: 14 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

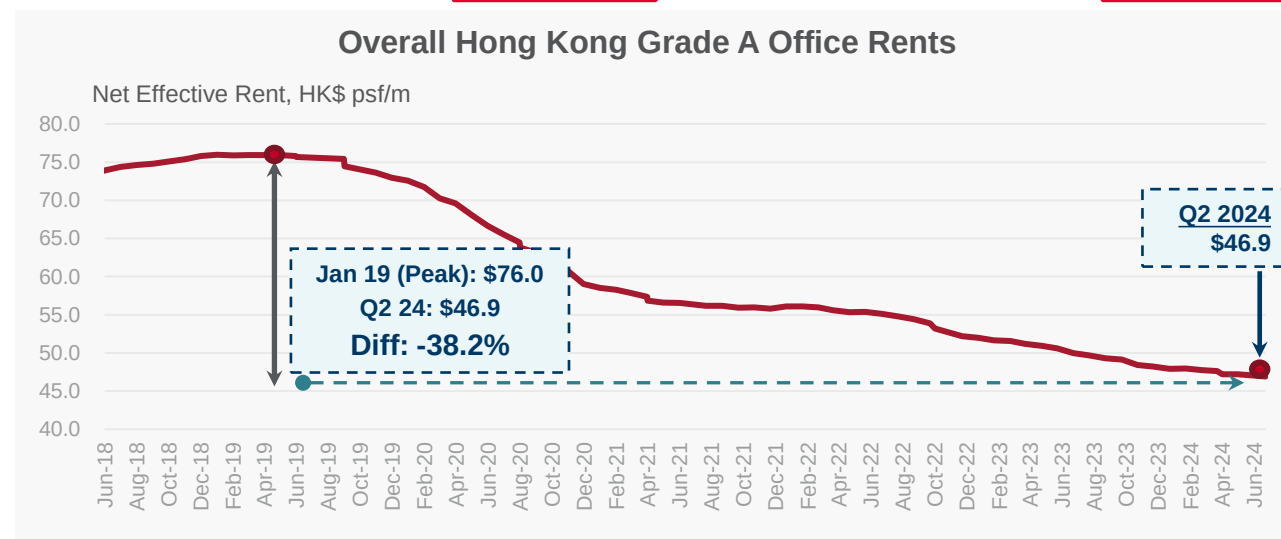
Greater Tsimshatsui: Tsimshatsui, Tsimshatsui East, Hung Hom and Kowloon Station

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

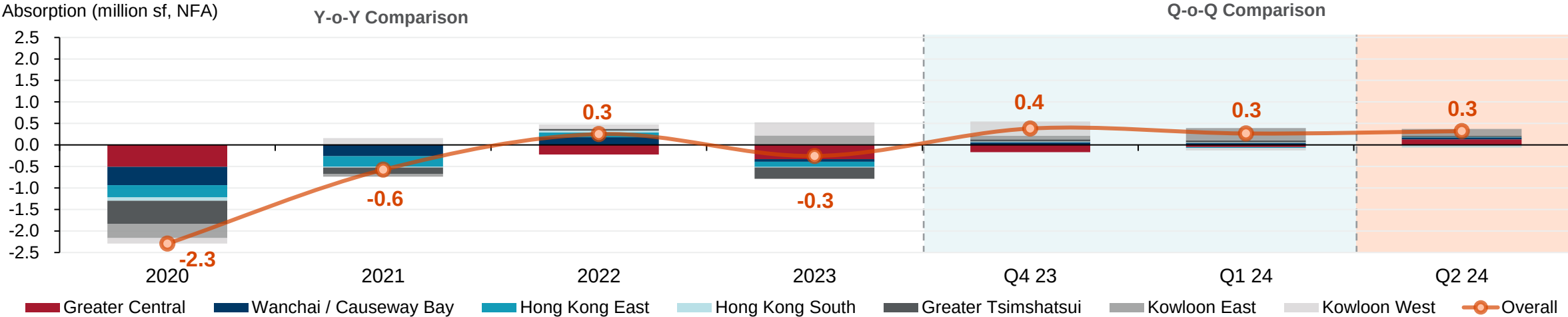


NET ABSORPTION STAYED POSITIVE FOR THE THIRD CONSECUTIVE QUARTER

Led by net absorption in Kowloon East at 155,600 sf

Submarkets	2020	2021	2022	2023	Q4 23	Q1 24	Q2 24
Greater Central	-507,600	10,400	-224,400	-330,500	-130,400	-49,700	130,800
Wanchai / Causeway Bay	-429,500	-261,700	181,300	-59,800	22,500	47,000	41,000
Hong Kong East	-279,400	-241,500	105,400	-118,400	9,800	-20,500	18,400
Hong Kong South	-82,400	-20,800	46,900	-17,300	-9,100	13,400	-61,400
Greater Tsimshatsui	-532,200	-152,500	37,400	-259,400	40,700	41,800	24,300
Kowloon East	-334,000	-59,300	1,500	216,800	107,800	289,700	155,600
Kowloon West	-130,000	146,800	102,400	309,800	346,700	-57,400	9,300
Overall	-2,295,200	-578,700	250,600	-258,800	388,000	264,200	318,000

Note: Data as of mid-June 2024



Source: Cushman & Wakefield Research

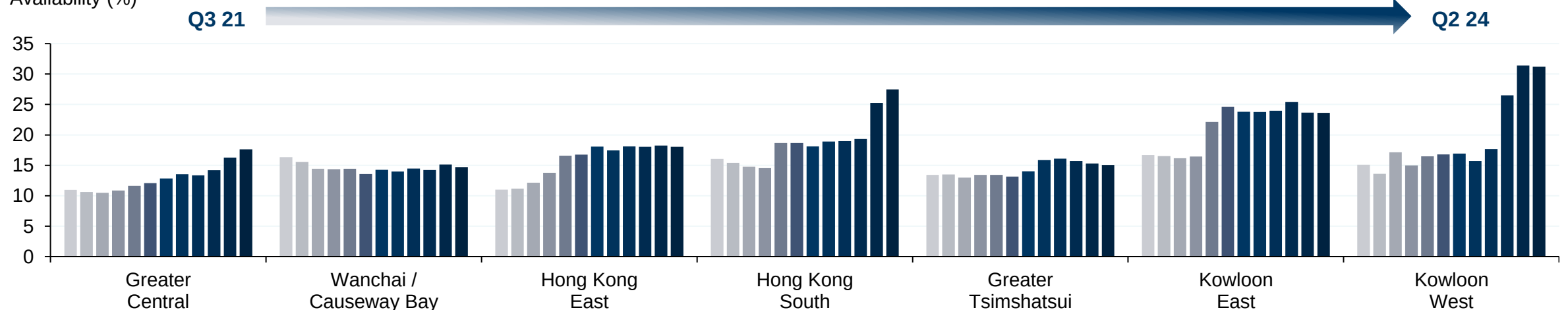
AVAILABILITY RATE INCREASED MODERATELY AT 0.2 PERCENTAGE POINT QOQ

5 of the 7 submarkets availability dropped slightly

Submarkets	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24
Greater Central	11.0%	10.6%	10.5%	10.9%	11.6%	12.1%	12.8%	13.5%	13.4%	14.2%	16.3%	17.6%
Wanchai / Causeway Bay	16.3%	15.5%	14.4%	14.4%	14.4%	13.6%	14.3%	14.0%	14.5%	14.2%	15.1%	14.7%
Hong Kong East	11.0%	11.2%	12.2%	13.8%	16.6%	16.8%	18.1%	17.5%	18.1%	18.0%	18.2%	18.1%
Hong Kong South	16.1%	15.4%	14.8%	14.5%	18.7%	18.7%	18.1%	18.9%	19.0%	19.3%	25.3%	27.5%
Greater Tsimshatsui	13.4%	13.5%	13.0%	13.4%	13.4%	13.1%	14.0%	15.9%	16.1%	15.7%	15.3%	15.1%
Kowloon East	16.7%	16.5%	16.2%	16.4%	22.1%	24.6%	23.8%	23.8%	24.0%	25.4%	23.7%	23.6%
Kowloon West	15.1%	13.6%	17.1%	15.0%	16.5%	16.8%	16.9%	15.7%	17.7%	26.5%	31.4%	31.2%
Overall Availability*	13.9%	13.6%	13.6%	13.8%	16.1%	16.7%	17.1%	17.3%	17.7%	18.8%	19.6%	19.8%

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

Availability (%)

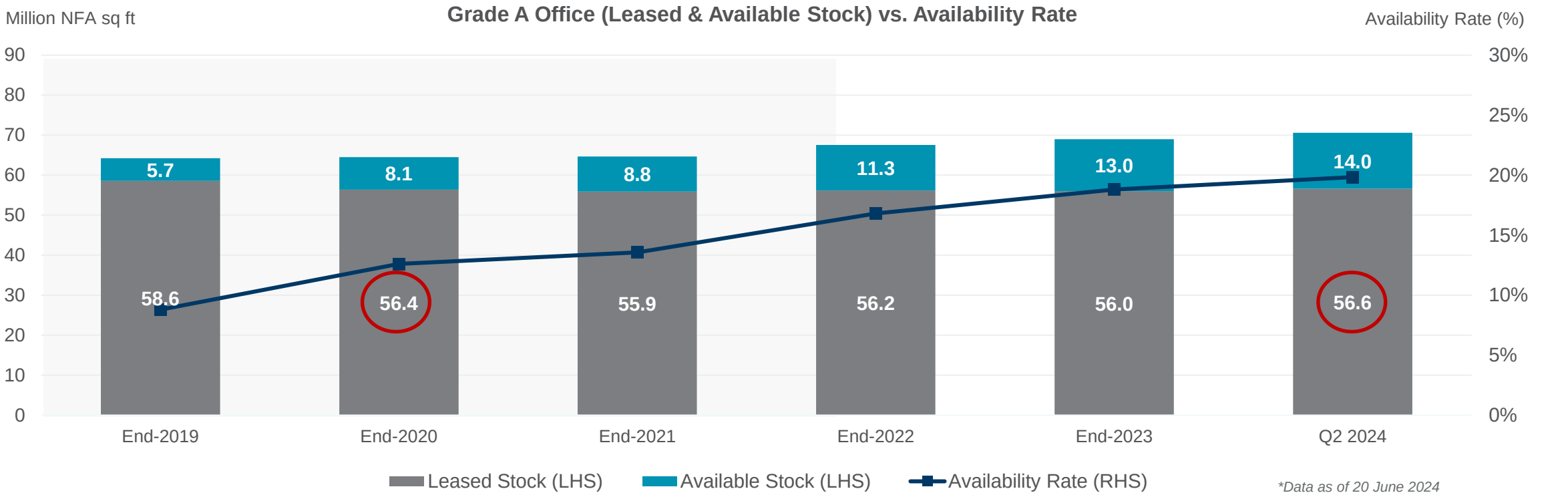


Source: Cushman & Wakefield Research

TOTAL LEASED SPACE ON PAR WITH 2020 LEVEL

The high availability rate was mainly due to the ongoing new supply pipeline

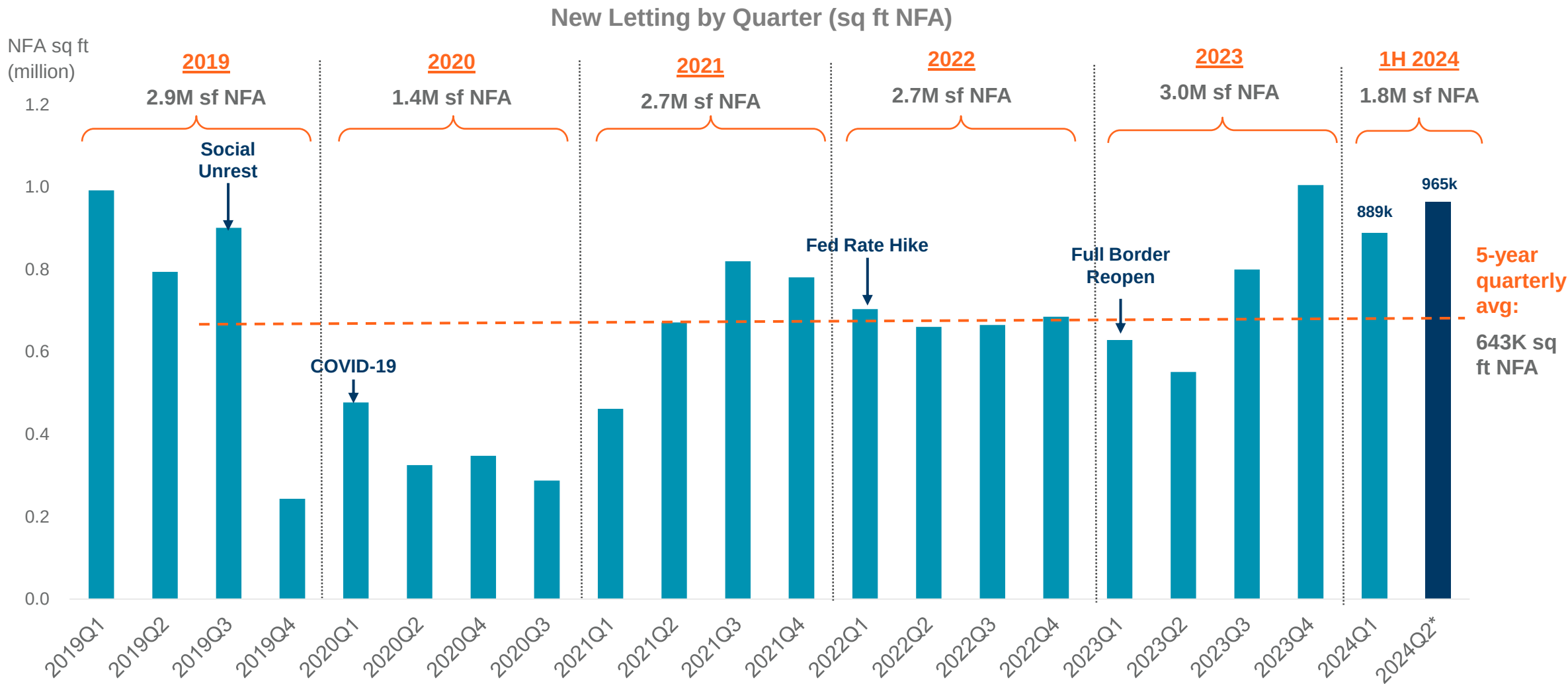
	End-2019	End-2020	End-2021	End-2022	End-2023	Q2 2024
Total Stock (NFA mil sf)	64.2	64.5	64.7	67.5	69.0	70.6
Availability Rate (%)	8.8%	12.6%	13.6%	16.7%	18.8%	19.8%



Source: Cushman & Wakefield Research

1H ALREADY EXCEEDED >60% OF 2023 FY NEW LETTING BY SIZE

Above the 5-year quarterly average



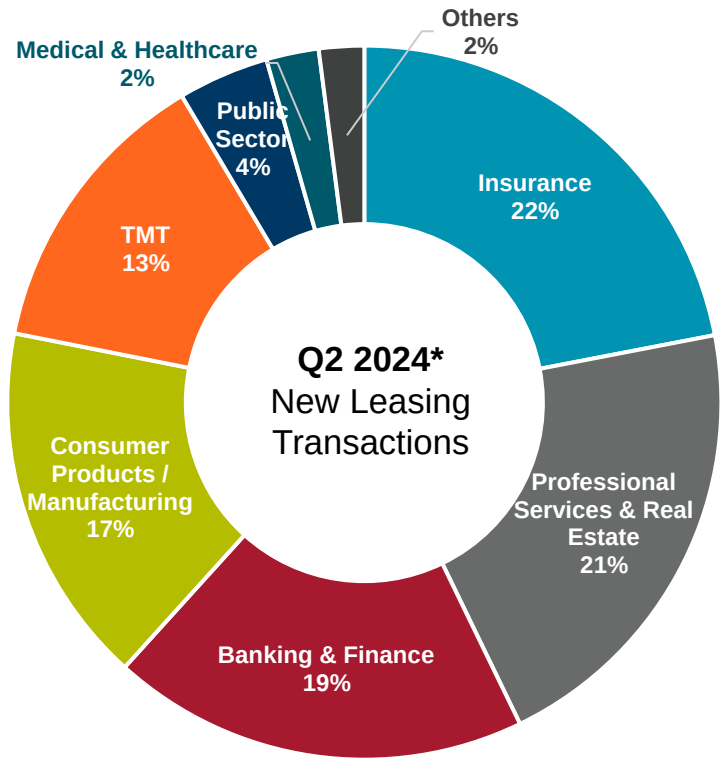
Source: Cushman & Wakefield Research

*Data as of 20 June 2024

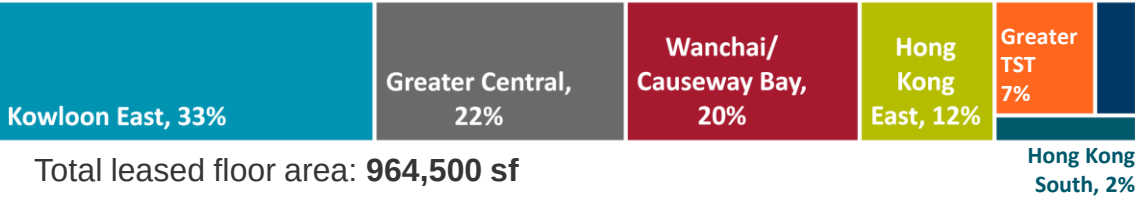
INSURANCE SECTOR ACCOUNTED FOR 22% OF NEW LETTINGS IN Q2

Driven by large-sized deals in Kowloon East

% Proportion of New Leasing Transactions by NFA sf



*Data as of 20 June 2024



Source: Cushman & Wakefield Research

Insurance



AIRSIDE
133,800 sf



The Gateway Tower 2
14,700 sf

Professional Services & Real Estate



Lee Garden One
35,400 sf



Two Harbour Square
20,200 sf



The Center
18,000 sf

Banking & Finance



One Exchange Square
13,000 sf



Lee Garden One
11,500 sf

Consumer Products / Manufacturing



12 Taikoo Wan Road
23,100 sf



Dorset House
12,700 sf

TMT



Kowloon Commerce Centre Twr A
35,500 sf



Landmark South
19,600 sf



Office Market 1H Review & 2H Outlook

Key Takeaways

1

Net absorption remained positive at 318,000 sf in Q2. Occupiers mainly focus on cost-saving or flight-for-quality moves

2

New lettings reached over 964,500 sq ft, much higher than the 643,000 sq ft 5-year average

3

Insurance emerged as the most active in new letting activities (22%), followed by professional services & real estate (21%), and banking & finance (19%)

4

The overall availability is forecasted to further go up to reach around 20% by end-2024.

5

We maintain our overall rental forecast of -7% to -9% for 2024

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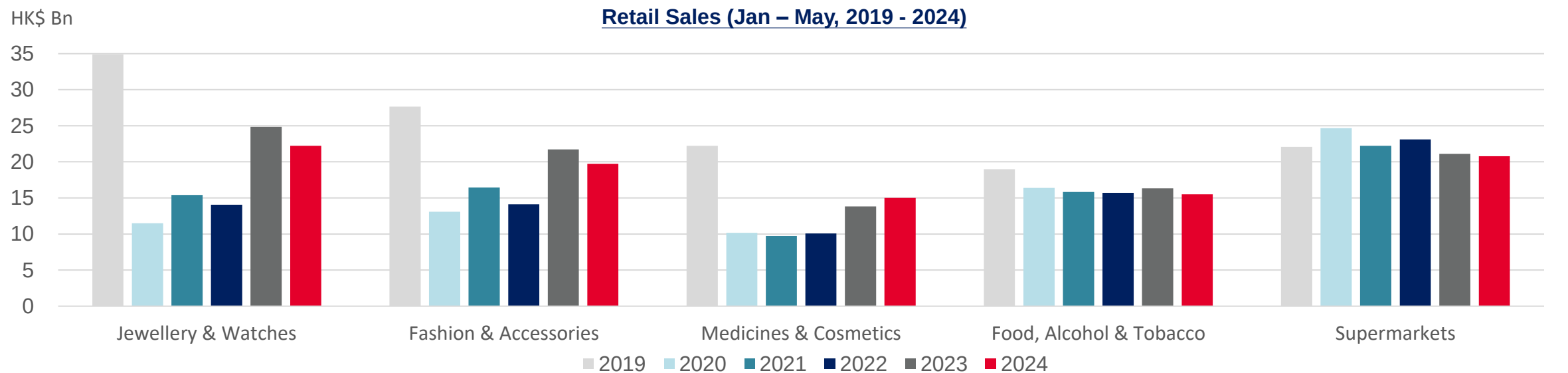
RETAIL MARKET



RETAIL SALES RECORDED DECLINE YEAR-TO-DATE (MAY)

The changing consumption patterns of visitors and local residents continue to bring challenges to the retail market

Retail Sales (HK\$ Bn)	Jan – May						2024	Y-o-Y Δ
	2019	2020	2021	2022	2023			
Jewellery & Watches	34.87	11.50	15.43	14.07	24.85		22.23	-10.6%
Fashion & Accessories	27.66	13.10	16.45	14.11	21.72		19.72	-9.2%
Medicines & Cosmetics	22.22	10.16	9.73	10.06	13.82		15.00	8.5%
Food, Alcohol & Tobacco	18.99	16.40	15.81	15.72	16.34		15.51	-5.1%
Supermarkets	22.07	24.68	22.22	23.10	21.11		20.78	-1.5%
Total	206.06	134.33	146.29	142.14	171.96		161.52	-6.1%



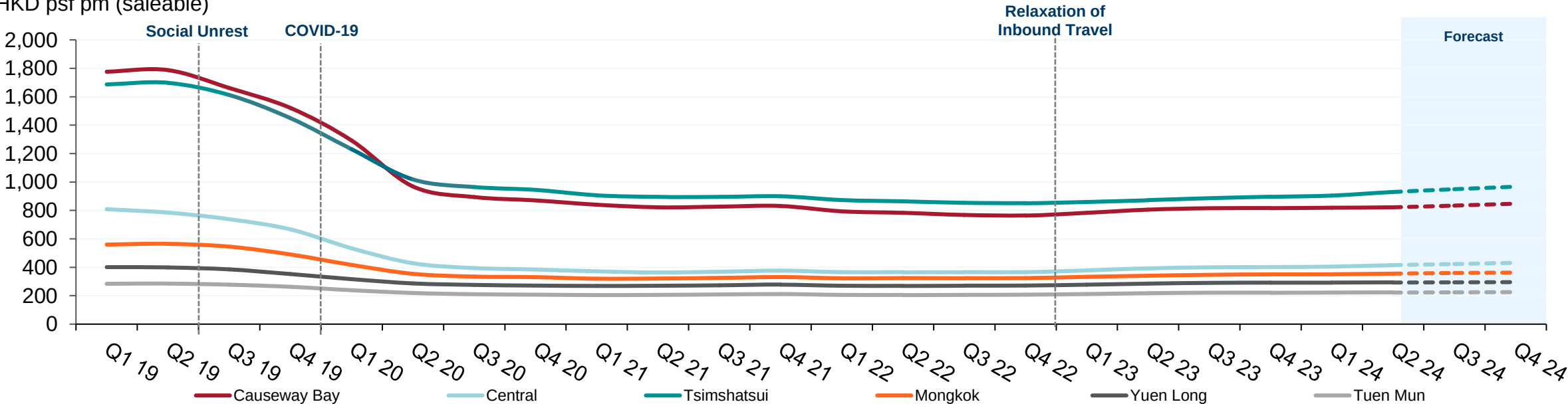
Source: Hong Kong Census & Statistics Department; Cushman & Wakefield Research

HIGH STREET RENTS ACROSS DISTRICTS CONTINUED TO RECORD MILD GROWTH

Tsimshatsui recorded the strongest YTD growth, followed by Central

Districts	2019	2020	2021	2022	2023	Q1 2024	Q2 2024	Q-o-Q Δ	YTD Δ	Y-o-Y Δ	2H 2024 Forecast
Causeway Bay	\$1,520	\$870	\$831	\$764	\$816	\$818	\$822	0.5%	0.8%	2.1%	2 ~ 4%
Tsimshatsui	\$1,448	\$944	\$900	\$851	\$896	\$905	\$931	2.8%	3.9%	6.7%	3 ~ 5%
Central	\$667	\$384	\$376	\$366	\$402	\$404	\$415	2.7%	3.3%	5.8%	3 ~ 5%
Mongkok	\$491	\$331	\$332	\$323	\$350	\$350	\$356	1.6%	1.6%	4.4%	1 ~ 3%
Yuen Long	\$352	\$271	\$278	\$271	\$292	\$292	\$294	0.5%	0.5%	2.9%	0 ~ 1%
Tuen Mun	\$263	\$207	\$211	\$207	\$221	\$222	\$223	0.5%	0.9%	2.9%	0 ~ 1%

HKD psf pm (saleable)

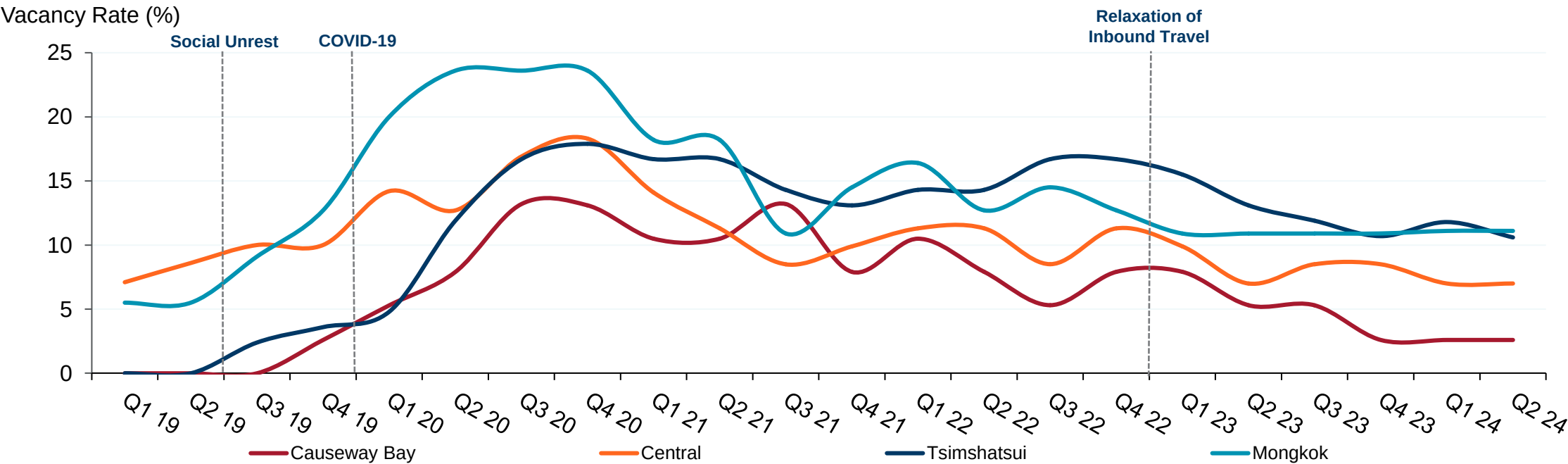


Source: The Land Registry; Market Info; Cushman & Wakefield Research

OVERALL VACANCY RATE REMAINED STABLE

Vacancy in Tsimshatsui dropped with improved tourist footfalls

Districts	2019	2020	2021	2022	2023	Q1 2024	Q2 2024
Causeway Bay	2.6%	13.1%	7.9%	7.9%	2.6%	2.6%	2.6%
Central	10.0%	18.3%	9.9%	11.3%	8.5%	7.0%	7.0%
Tsimshatsui	3.6%	17.9%	13.1%	16.7%	10.7%	11.8%	10.6%
Mongkok	12.7%	23.6%	14.5%	12.7%	10.9%	11.1%	11.1%

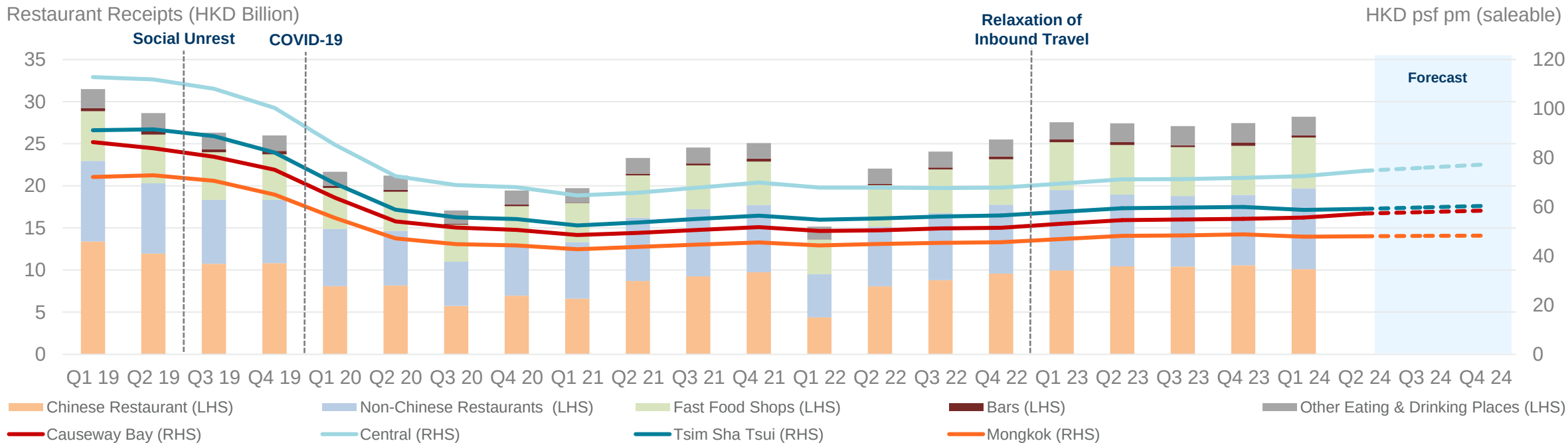


Source: The Land Registry; Market Info; Cushman & Wakefield Research

F&B RENTS RECOVERED STEADILY ON HONG KONG ISLAND

Local F&B operators remained cautious

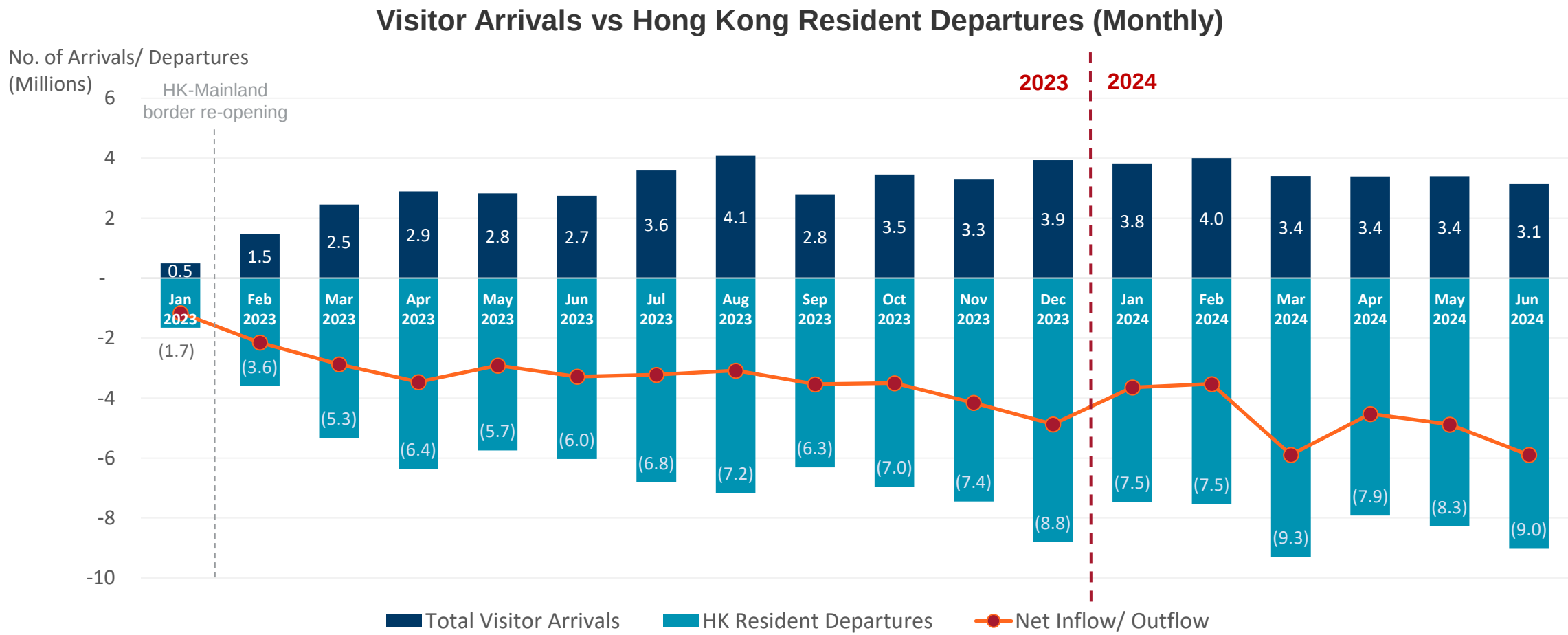
Districts	2019	2020	2021	2022	2023	Q1 2024	Q2 2024	Q-o-Q Δ	YTD Δ	Y-o-Y Δ	2H 2024 Forecast
Causeway Bay	\$75.1	\$50.6	\$51.8	\$51.5	\$55.1	\$55.7	\$57.3	3.0%	4.0%	5.0%	1 ~ 3%
Central	\$100.3	\$68.1	\$69.9	\$67.9	\$71.8	\$72.5	\$74.7	3.0%	4.0%	4.9%	2 ~ 5%
Tsimshatsui	\$82.1	\$55.0	\$56.4	\$56.5	\$60.0	\$58.8	\$59.2	0.8%	-1.3%	-0.4%	1 ~ 3%
Mongkok	\$65.0	\$44.3	\$45.5	\$45.6	\$48.8	\$47.8	\$48.1	0.5%	-1.5%	-0.2%	0 ~ 1%



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

NET OUTFLOW OF TRAFFIC HAS BEEN INCREASING SINCE BORDER REOPENING

The trend is even more notable during festive seasons and long holidays



Note: The above analysis includes passenger traffic of all land and sea boundary control points
Source: Cushman & Wakefield Research, Immigration Department

MORE MAINLAND BRAND OPERATORS ARE SETTING UP IN HONG KONG





Retail Market 1H Review & 2H Outlook

Key Takeaways

1

Retail sales growth slowed, including trades that are popular among tourists

2

Some international brands re-showed interest to open stores on high streets at selected locations while rents are still at an attractive level

3

Vacancy rates across districts largely stabilized; high street retail rents maintained mild growth rates

4

The changing consumption patterns of inbound visitors and local residents may continue to present challenges to local retail market

5

We believe that increasing Hong Kong's duty-free shopping allowance for mainland tourists could further support the city's tourism

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RESIDENTIAL MARKET

RESIDENTIAL TRANSACTIONS REBOUNDED IN Q2

But buying sentiment slowed again since May

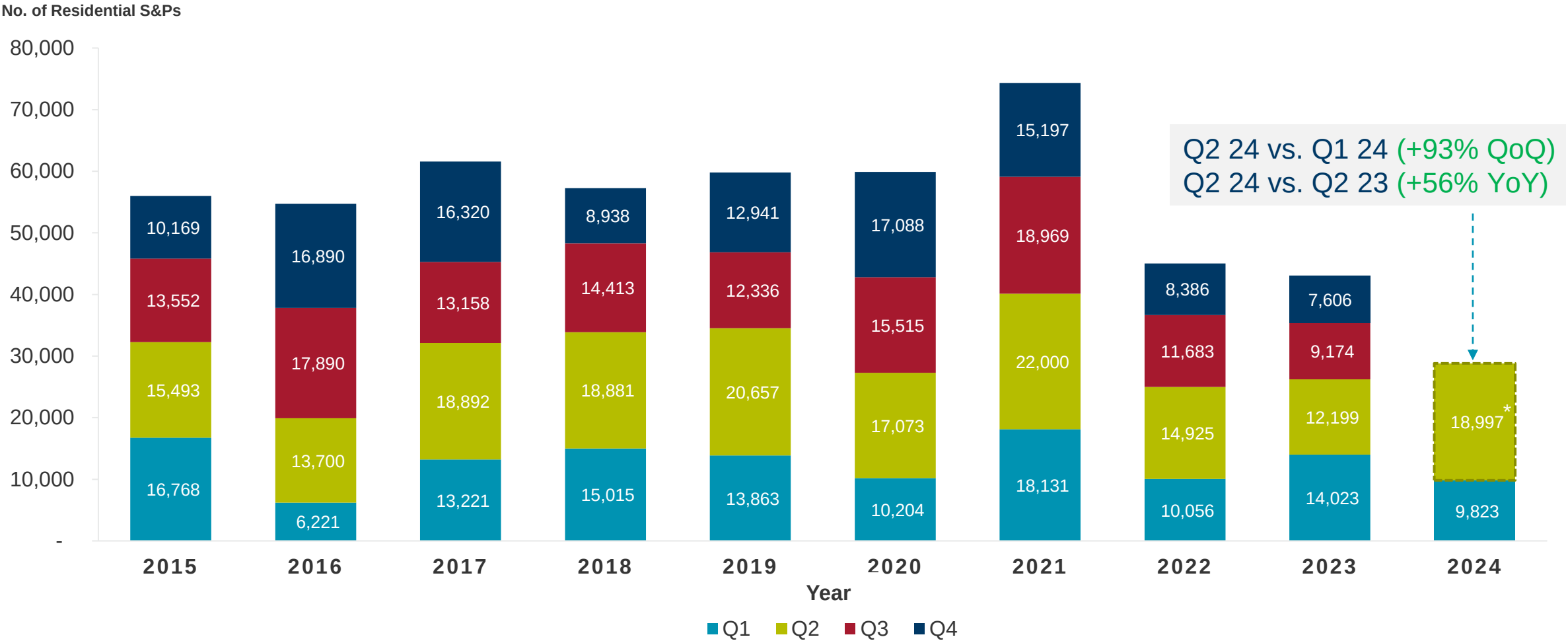
Month	2012	...	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Y-o-Y Change
Jan	3,507	...	6,412	2,045	3,286	5,270	4,543	2,762	4,562	4,275	3,051	3,477	14%
Feb	3,884	...	6,027	1,807	4,079	5,482	4,089	3,572	6,125	2,912	4,282	2,375	-45%
Mar	11,358	...	4,329	2,369	5,856	4,263	5,231	3,870	7,444	2,869	6,690	3,971	-41%
Apr	8,217	...	4,549	4,494	7,060	6,646	7,822	4,102	7,325	3,897	4,583	8,551	87%
May	8,349	...	5,168	4,586	5,732	5,522	8,208	5,984	7,084	6,202	4,003	5,546	39%
Jun	5,886	...	5,776	4,620	6,100	6,713	4,627	6,987	7,591	4,826	3,613	4,900*	36%
Jul	5,709	...	5,393	4,243	3,515	6,091	4,805	6,133	7,579	3,671	3,065		
Aug	8,087	...	3,896	5,821	4,014	4,822	4,084	4,358	5,546	4,137	3,247		
Sep	7,301	...	4,263	7,826	5,629	3,500	3,447	5,024	5,844	3,875	2,862		
Oct	8,714	...	3,300	6,601	5,289	4,243	4,001	4,951	4,643	3,148	2,123		
Nov	7,035	...	2,826	6,739	5,694	2,635	5,756	6,070	5,409	2,731	2,554		
Dec	3,286	...	4,043	3,550	5,337	2,060	3,184	6,067	5,145	2,507	2,929		
Total	81,333	...	55,982	54,701	61,591	57,247	59,797	59,880	74,297	45,050	43,002	-	-
Jan - Jun	41,201	...	32,261	19,921	32,113	33,896	34,520	27,277	40,131	24,981	26,222	28,820*	10%

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

Q2 24 vs. Q1 24 (+93% QoQ)
 Q2 24 vs. Q2 23 (+56% YoY)

TOTAL RESIDENTIAL S&Ps – HISTORICAL COMPARISON

Expected to record circa 19,000 cases in Q2 2024

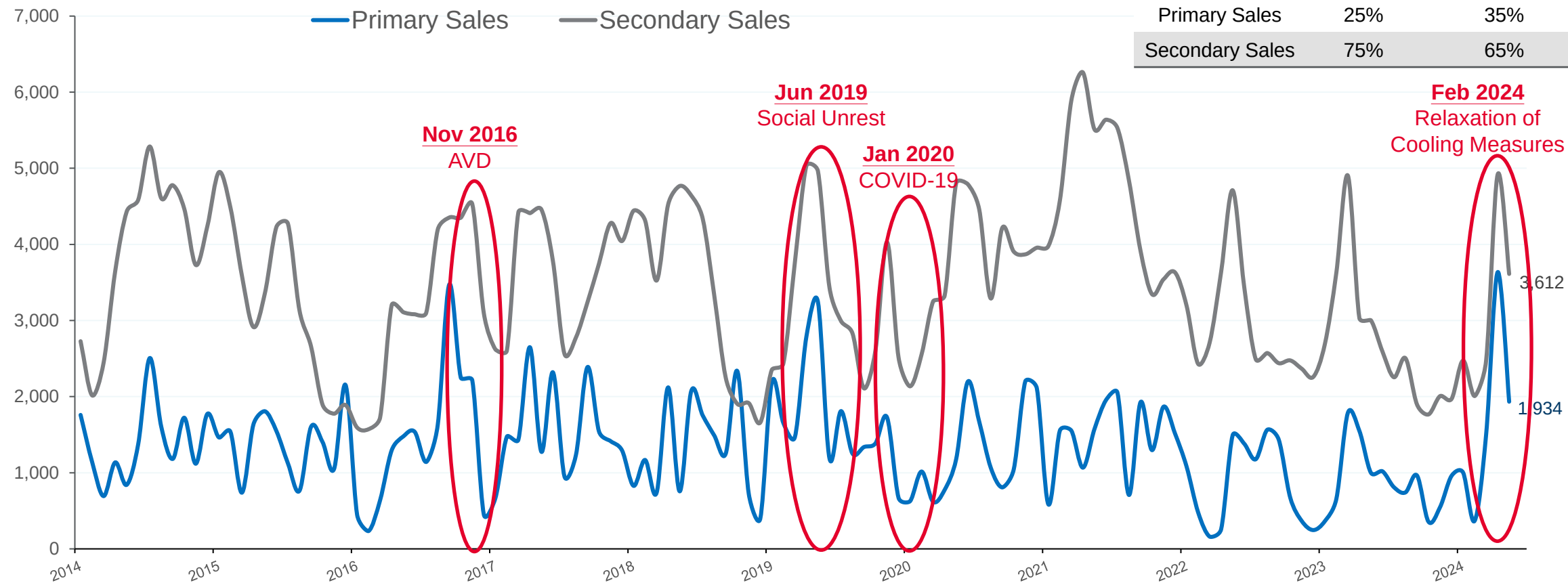


* Estimated by Cushman & Wakefield
Note: S&Ps: Sales & Purchase Agreements
Source: Land Registry; Cushman & Wakefield Research

PRIMARY AND SECONDARY SALES

Primary housing market maintained its momentum

No. of Residential S&Ps



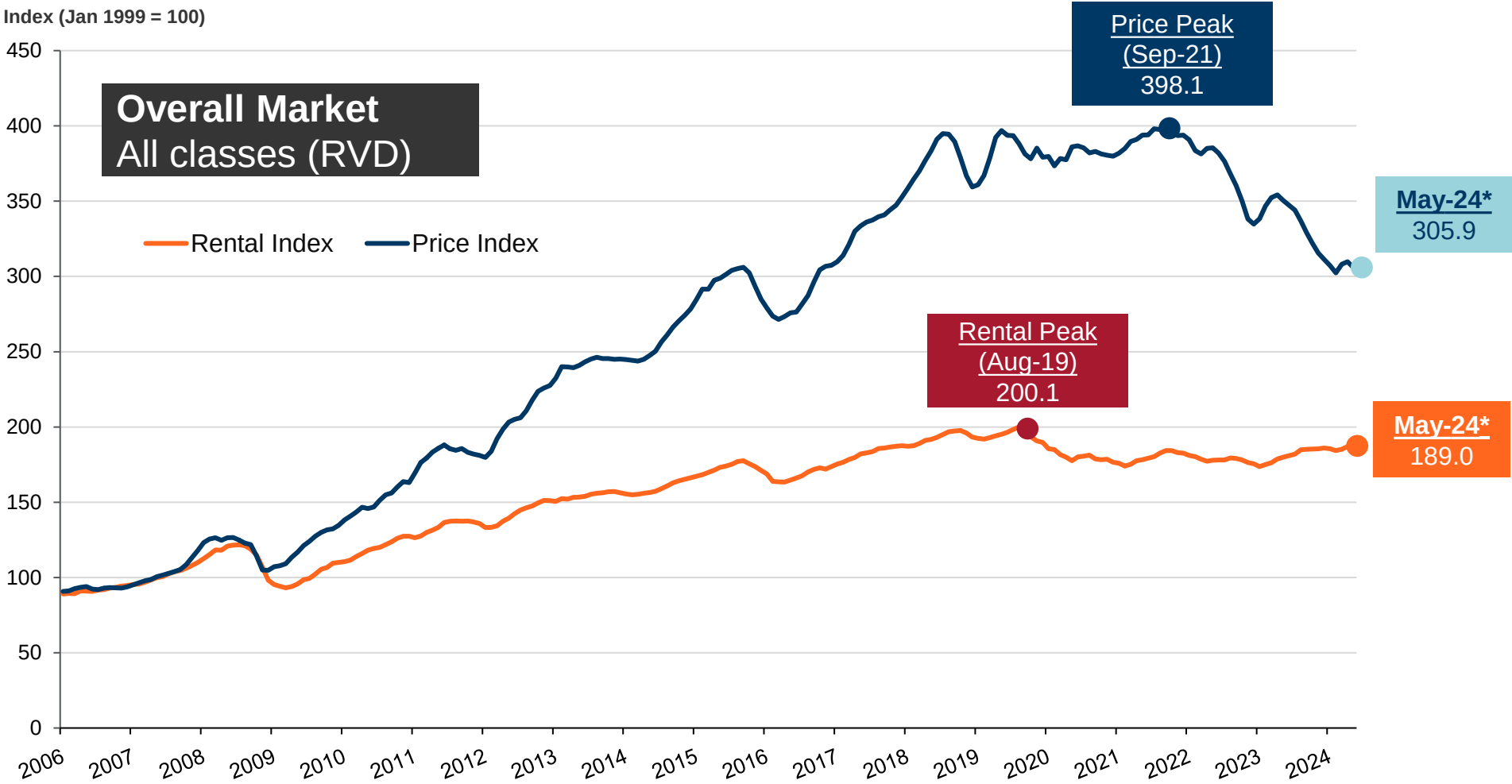
Breakdown of Residential Sales (%)

	2023	Jan- May 2024
Primary Sales	25%	35%
Secondary Sales	75%	65%

Notes: AVD is short for Ad Valorem Stamp Duty
Source: Land Registry; Cushman & Wakefield Research

HOME PRICES DROPPED 1.7% YTD

Rental index is outperforming price index, supported by the ongoing increase of incoming talents and students



Price Changes (%) May 2024*	
YTD	-1.7%
Y-o-Y	-12.7%
From Sep-21 (Historical Peak)	-23.2%

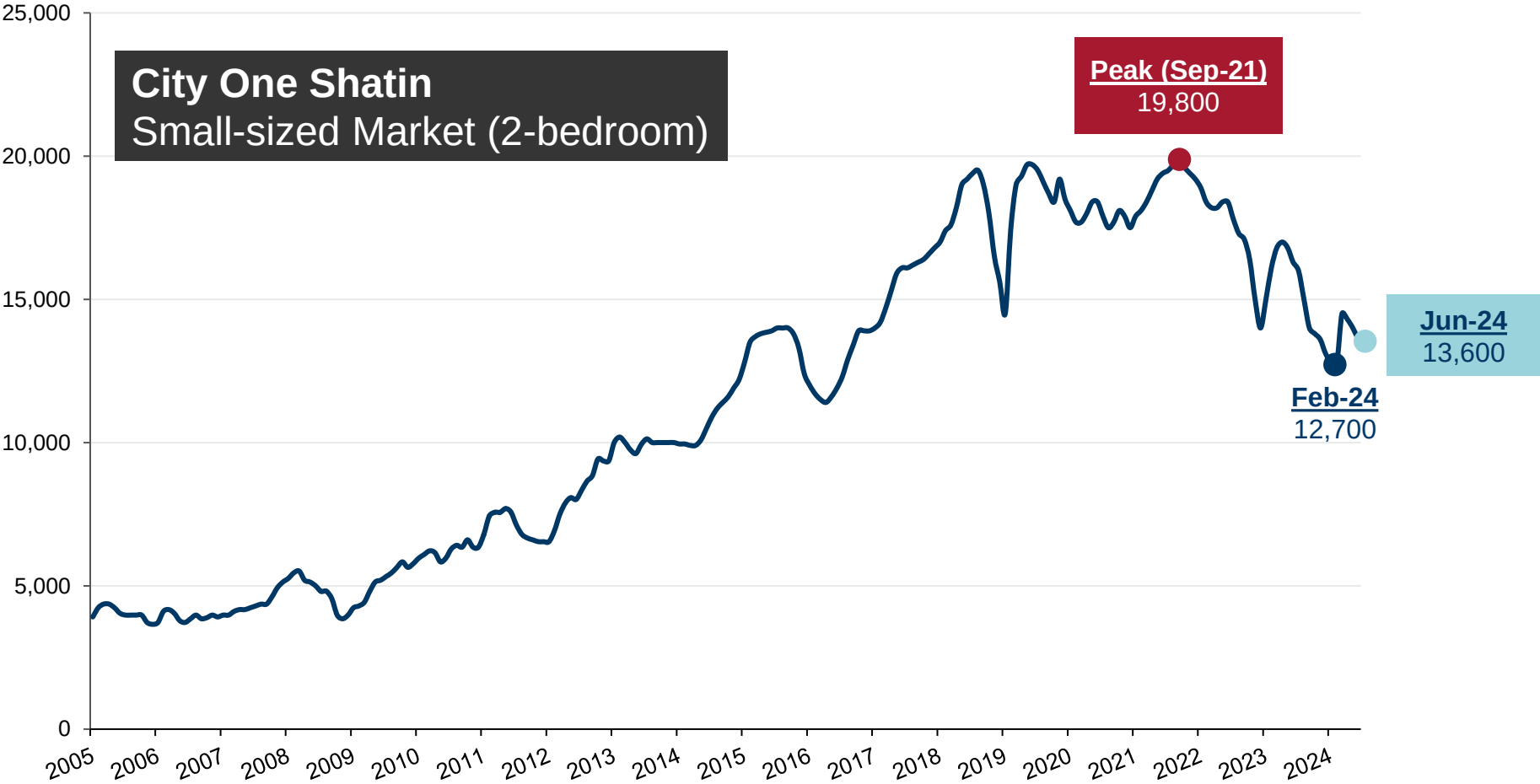
Rental Changes (%) May 2024*	
YTD	+1.6%
Y-o-Y	+5.1%
From Aug-19 (Historical Peak)	-5.5%

* Preliminary figure from Rating & Valuation Department as of May 2024
Source: Rating & Valuation Department; Cushman & Wakefield Research

MASS MARKET RESIDENTIAL PRICE

Prices at City One Shatin (Phase 4) dropped 6.2% q-o-q

HKD psf (Saleable)

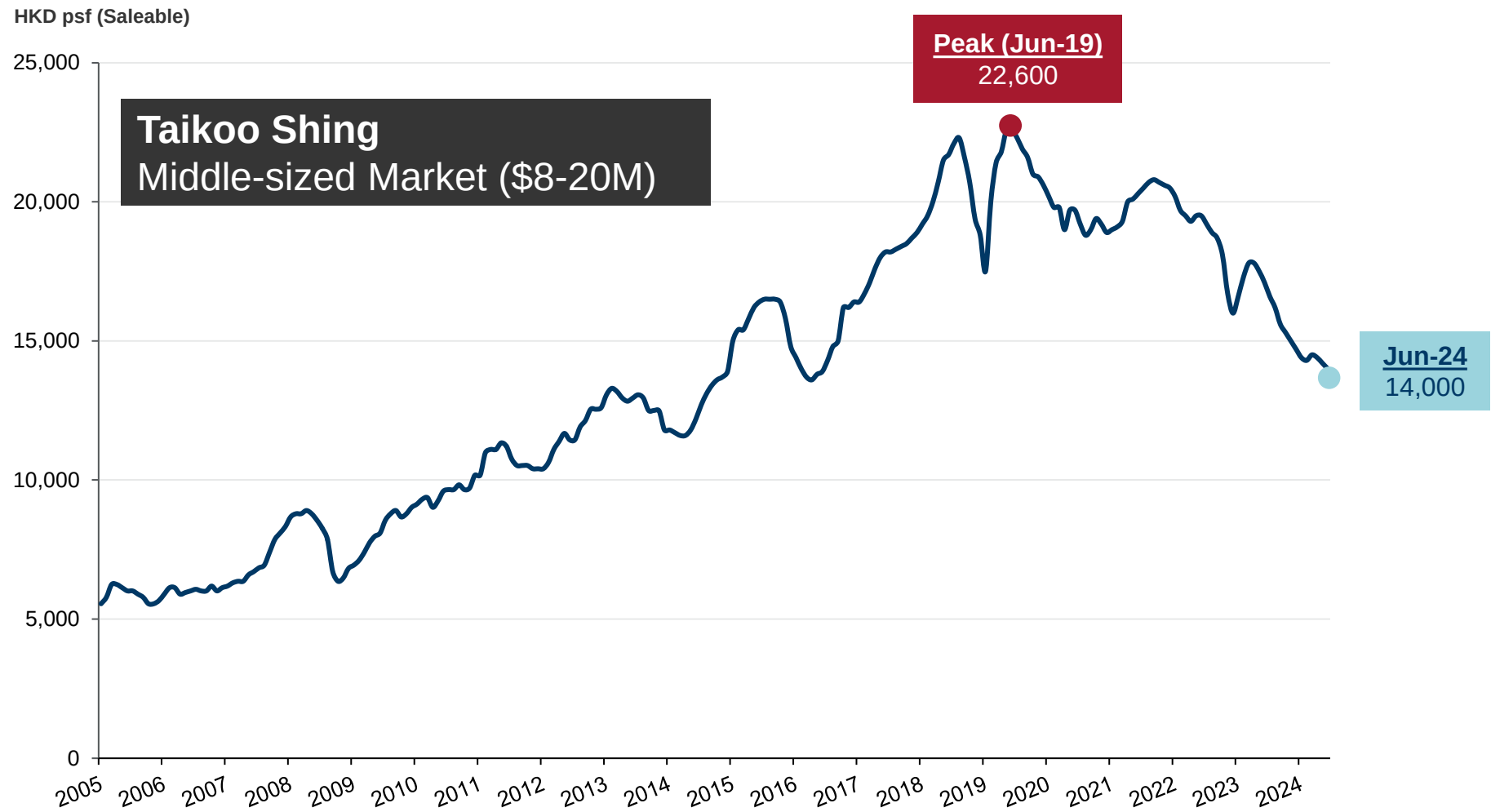


Residential Price Changes (%) Jun 2024	
Q-o-Q	-6.2%
YTD	3.8%
Y-o-Y	-16.6%
From Sep-21 (Historical Peak)	-31.3%

Source: Cushman & Wakefield

MIDDLE MARKET RESIDENTIAL PRICE

Prices at Taikoo Shing (Kao Shan Terrace) decreased by 3.4% q-o-q

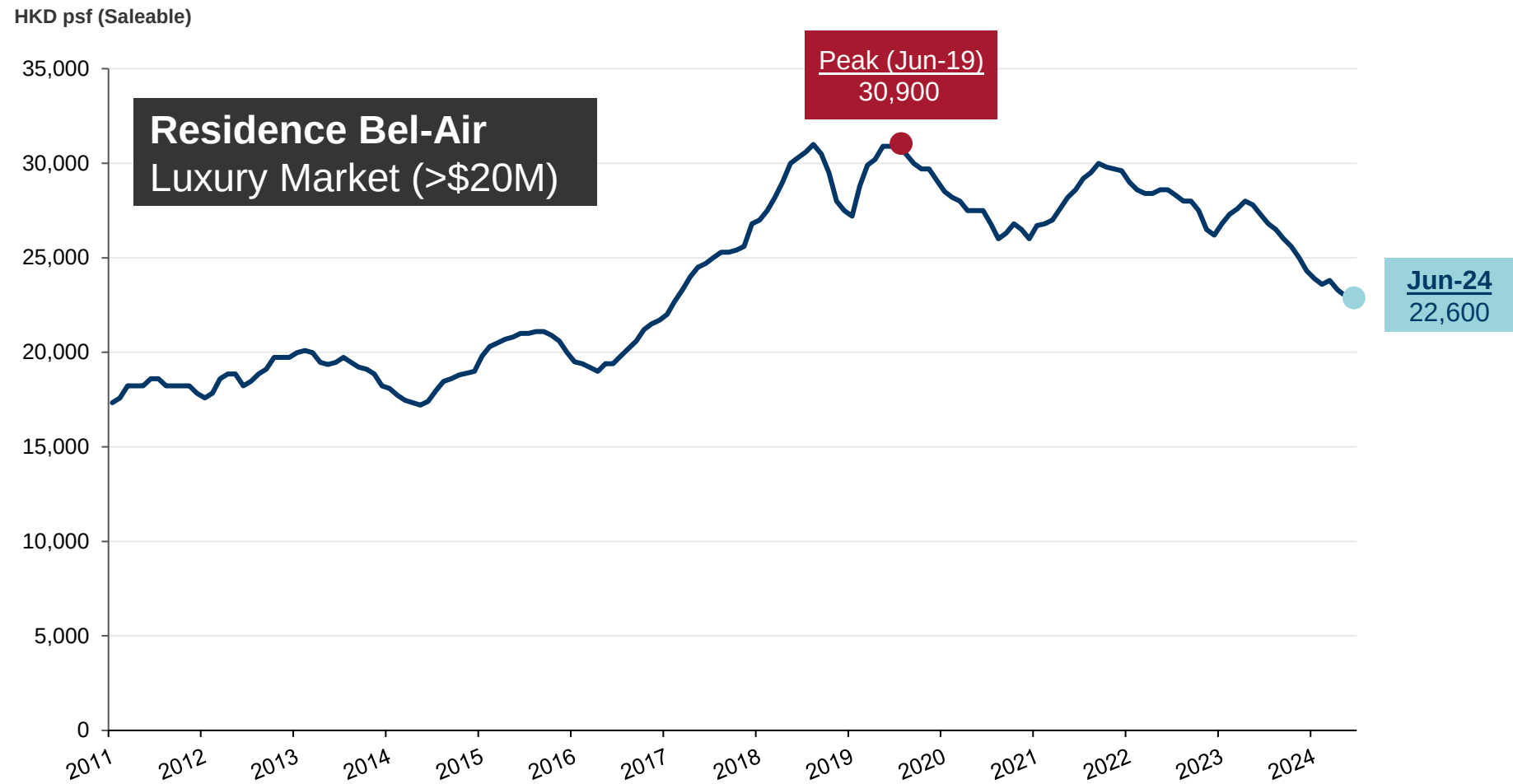


Residential Price Changes (%) Jun 2024	
Q-o-Q	-3.4%
YTD	-4.8%
Y-o-Y	-18.1%
From Jun-19 (Historical Peak)	-38.1%

Source: Cushman & Wakefield

LUXURY MARKET RESIDENTIAL PRICE

Prices at Residence Bel-Air (Phase 2) dropped further by 5.0% q-o-q



Residential Price Changes (%) Jun 2024	
Q-o-Q	-5.0%
YTD	-7.0%
Y-o-Y	-17.2%
From Jun-19 (Historical Peak)	
	-26.9%

Source: Cushman & Wakefield



Residential Market 1H Review & 2H Outlook

Key Takeaways

- 1** No. of residential S&Ps in Q2 expected to reach 19,000 units, up 93% q-o-q and 56% y-o-y from the previous low level
- 2** According to C&W data, overall mass market home prices dropped 1.9% in Q2, bringing the YTD correction to 3.8%
- 3** The primary sales remained as market focus, as developers continued to actively launch sales with attractive prices
- 4** Full-year residential transaction volume is expected to see an increase of 15-20% to around 50,000 units
- 5** While the high-rate environment is likely to persist, home prices are forecasted to drop 0-5% in 2024

Q&A Session



John Siu
Managing Director
Head of Project and
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Kevin Lam
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Head of Retail
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Rosanna Tang
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