

# HONG KONG PROPERTY MARKETS

## 2022 REVIEW & 2023 OUTLOOK

December 2022





# RESIDENTIAL MARKET

# Residential Transactions are Expected to Further Slow in Q4\*

Interest rate hike, stock market volatility and economic uncertainties weigh on buying sentiment



Month	2003	...	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Y-o-Y Change
Jan	6,187	...	5,430	4,488	6,412	2,045	3,286	5,270	4,543	2,762	4,562	4,275	-6%
Feb	3,649	...	6,307	3,159	6,027	1,807	4,079	5,482	4,089	3,572	6,125	2,912	-52%
Mar	4,550	...	4,534	3,141	4,329	2,369	5,856	4,263	5,231	3,870	7,444	2,869	-61%
Apr	5,373	...	3,427	4,781	4,549	4,494	7,060	6,646	7,822	4,102	7,325	3,897	-47%
May	4,130	...	4,276	5,270	5,168	4,586	5,732	5,522	8,208	5,984	7,084	6,202	-12%
Jun	4,833	...	3,740	5,960	5,776	4,620	6,100	6,713	4,627	6,987	7,591	4,826	-36%
Jul	6,525	...	3,986	7,792	5,393	4,243	3,515	6,091	4,805	6,133	7,579	3,671	-52%
Aug	6,559	...	3,407	6,212	3,896	5,821	4,014	4,822	4,084	4,358	5,546	4,137	-25%
Sep	5,632	...	3,686	5,958	4,263	7,826	5,629	3,500	3,447	5,024	5,844	3,875	-34%
Oct	9,360	...	3,426	6,189	3,300	6,601	5,289	4,243	4,001	4,951	4,643	3,148	-32%
Nov	7,811	...	3,790	4,848	2,826	6,739	5,694	2,635	5,756	6,070	5,409	2,731	-50%
Dec	6,967	...	4,667	6,009	4,043	3,550	5,337	2,060	3,184	6,067	5,145	2,850*	-45%
<b>Total</b>	<b>71,576</b>	...	<b>50,676</b>	<b>63,807</b>	<b>55,982</b>	<b>54,701</b>	<b>61,591</b>	<b>57,247</b>	<b>59,797</b>	<b>59,880</b>	<b>74,297</b>	<b>45,393*</b>	<b>-39%</b>

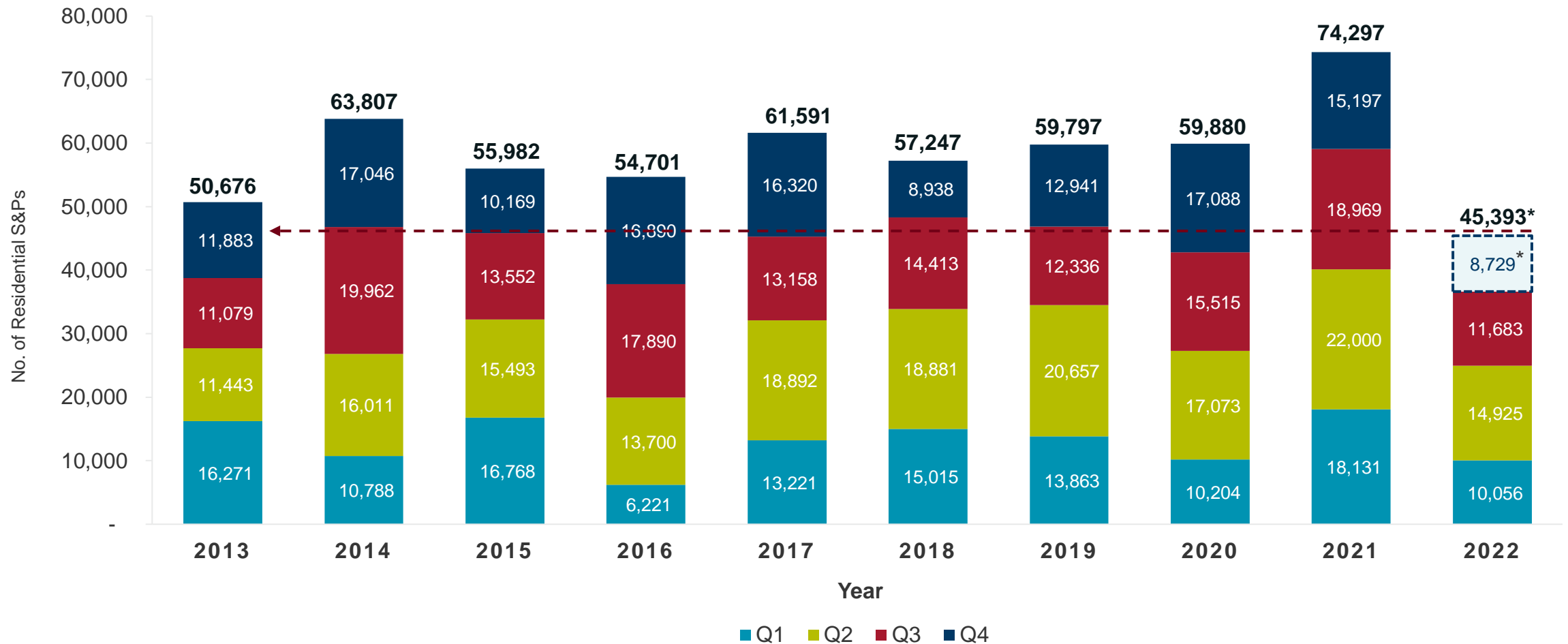
\* Estimated by Cushman & Wakefield

Source: Land Registry; Cushman & Wakefield Research

Q4 22 vs. Q3 22 (-25% QoQ)  
Q4 22 vs. Q4 21 (-43% YoY)

# Total Residential S&Ps – Historical Comparison

Forecasting circa 45,400 cases in 2022\*, the lowest year since 2013



Note: S&Ps: Sales & Purchase Agreements; \* Q4 2022 number estimated by Cushman & Wakefield

Source: Land Registry; Cushman & Wakefield Research



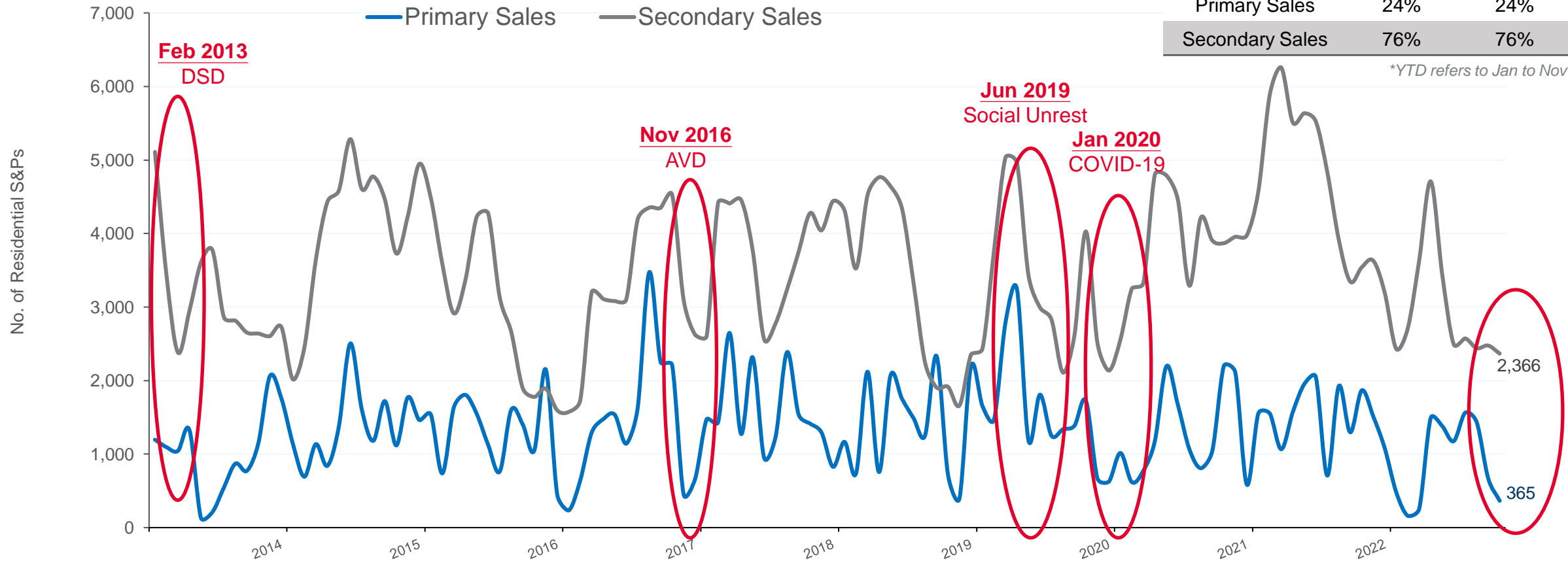
# Primary Residential Sales Trended Downwards

Some developers delayed their new launches as pricing softened

**Breakdown of Residential Sales (%)**

	2021	2022 YTD*
Primary Sales	24%	24%
Secondary Sales	76%	76%

\*YTD refers to Jan to Nov

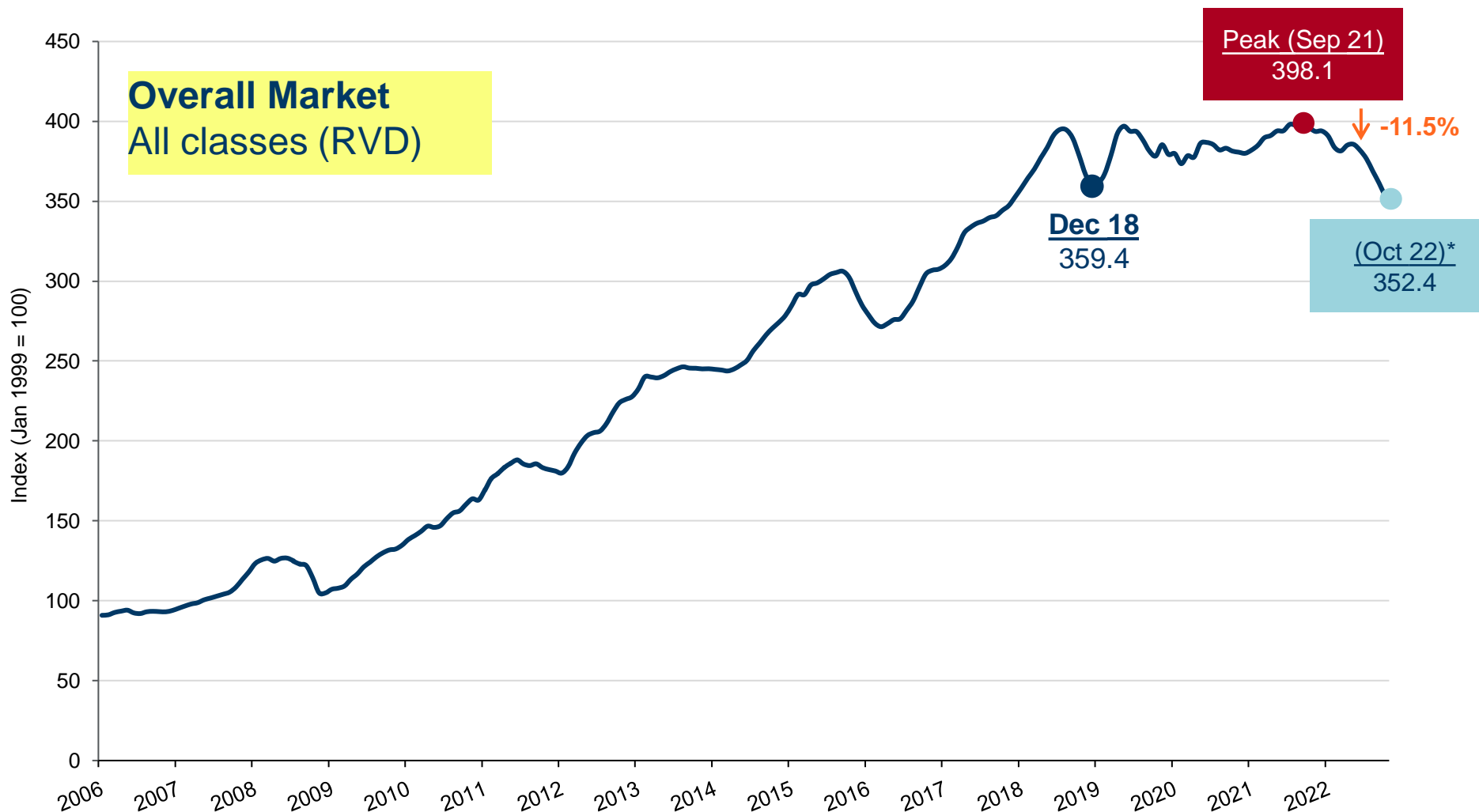


Notes: DSD is short for Double Stamp Duty; AVD is short for Ad Valorem Stamp Duty

Source: Land Registry; Cushman & Wakefield Research

# Residential Prices Retreated to 2017/18 Level

Declined by 10.5% YTD\*, or 11.5% from the last peak

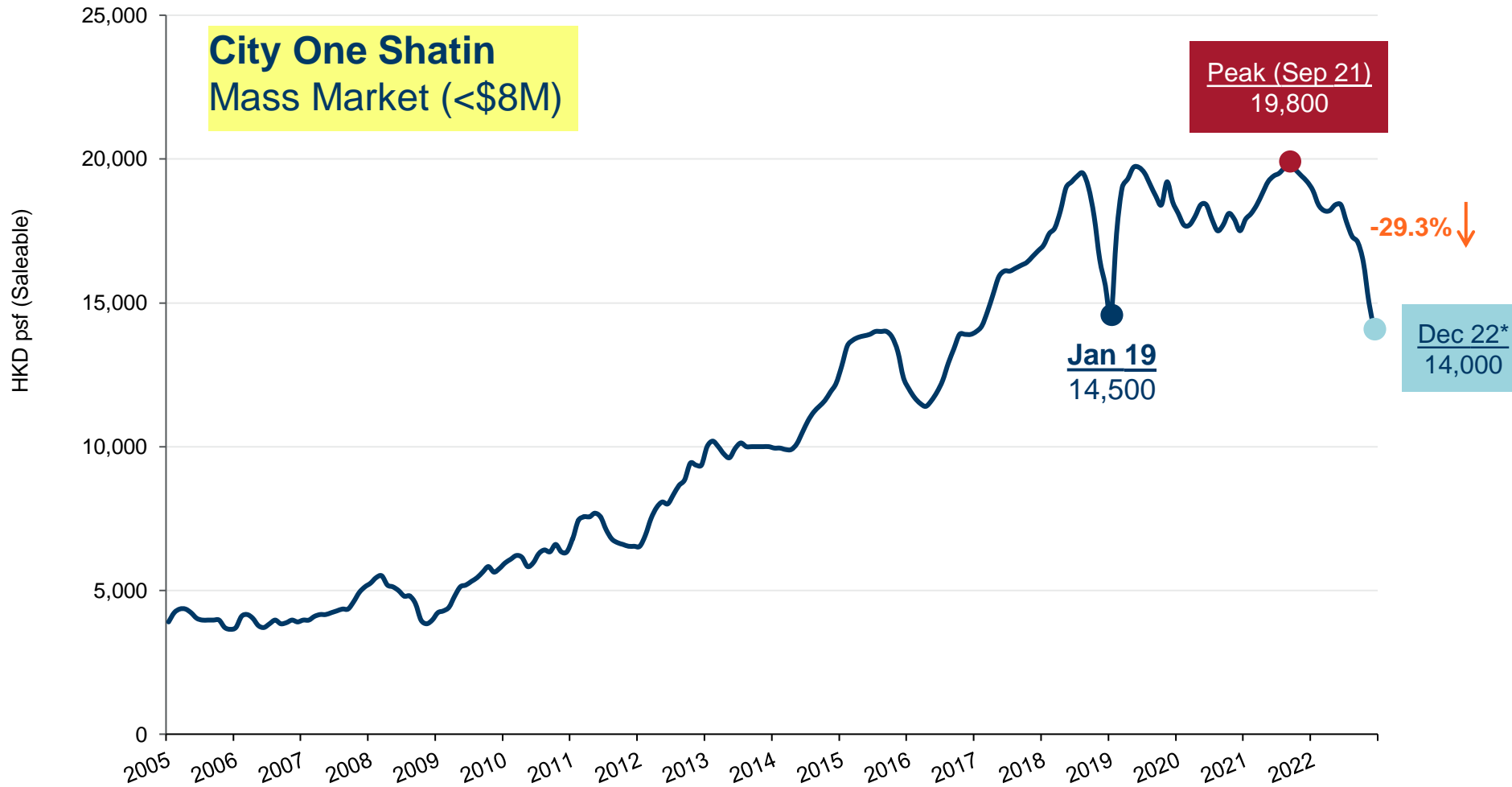


Residential Price Changes (%) Oct 2022*	
YTD	-10.5%
Y-o-Y	-11.0%
From Sep 21 (Historical Peak)	-11.5%
From Dec 18 (Last Trough)	-1.9%

\* Preliminary figure from Rating & Valuation Department as of Oct 2022  
Source: Rating & Valuation Department; Cushman & Wakefield Research

# Mass Market Residential Price

Prices at City One Shatin (Phase 4) are expected to drop by 18.1% q-o-q



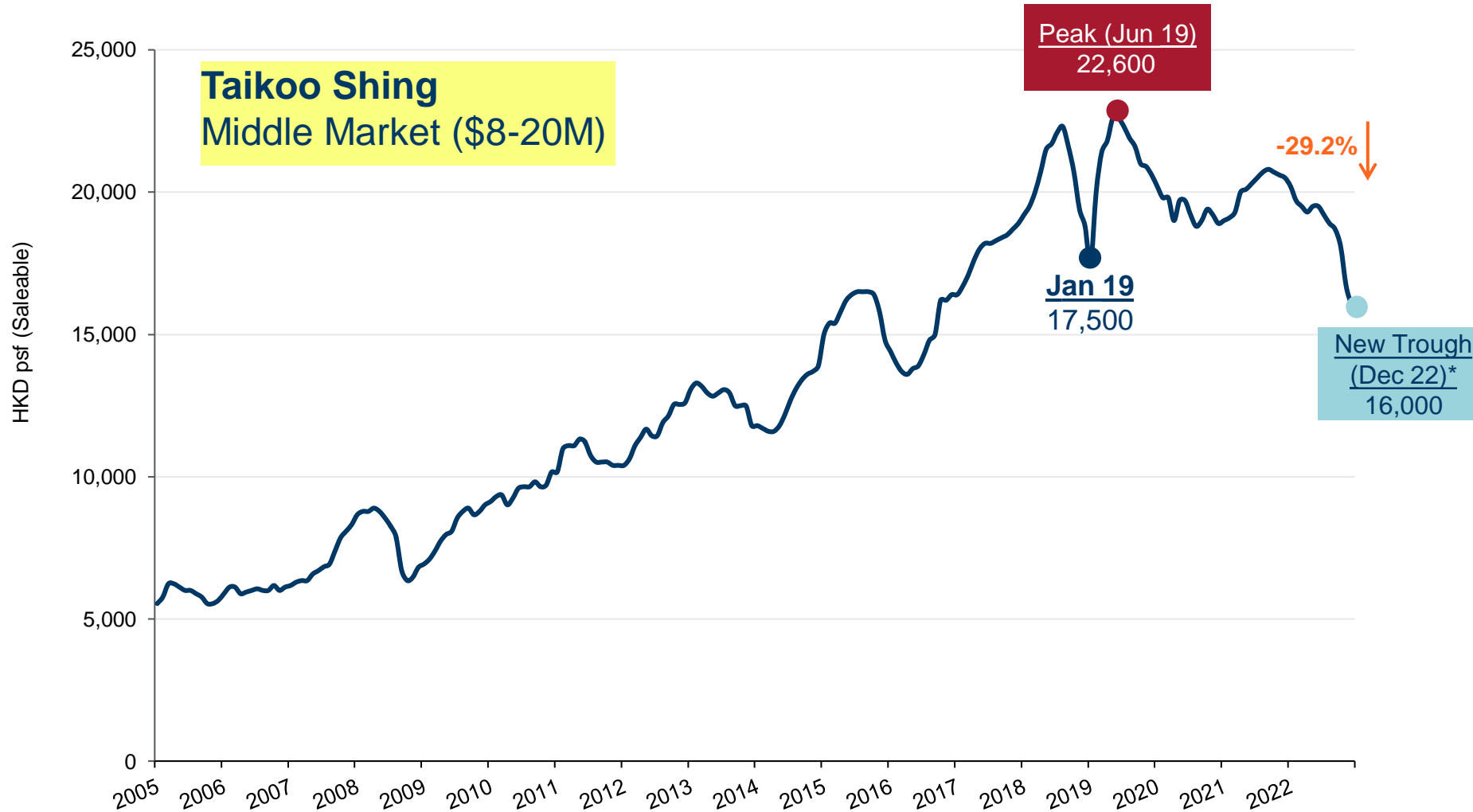
Residential Price Changes (%) Dec 2022*	
Q-o-Q	-18.1%
Y-o-Y	-27.1%
From Sep-21 (Historical Peak)	-29.3%
From Jan-19 (Last Trough)	-3.4%

\* Dec 2022 figure estimated by Cushman & Wakefield

Source: Cushman & Wakefield

# Middle Market Residential Price

Prices at Taikoo Shing (Kao Shan Terrace) are expected to fall 14.4% from last quarter



Residential Price Changes (%) Dec 2022*	
Q-o-Q	-14.4%
Y-o-Y	-22.0%
From Jun-19 (Historical Peak)	-29.2%
From Jan-19 (Last Trough)	-8.6%

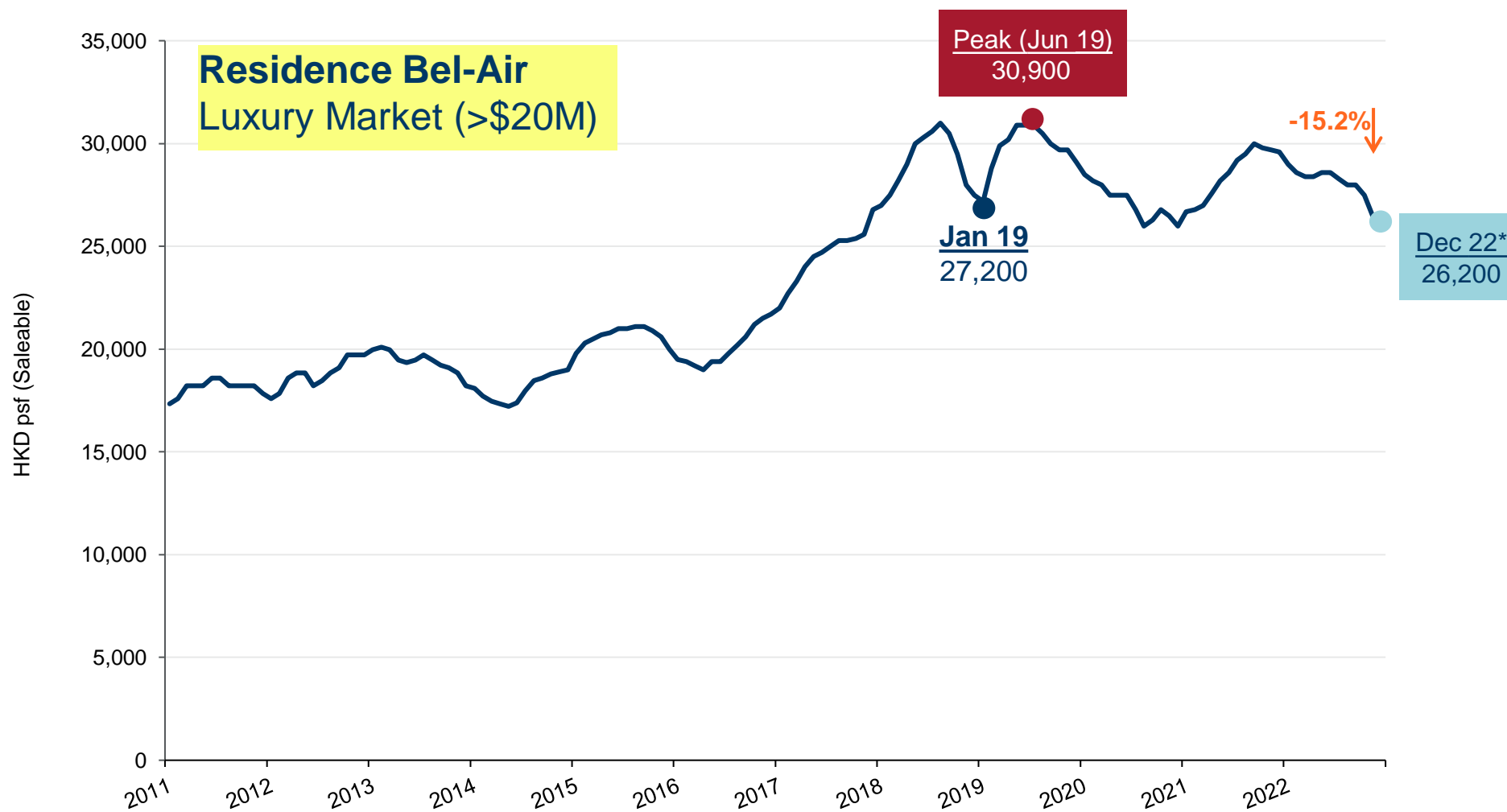
\* Dec 2022 figure estimated by Cushman & Wakefield

Source: Cushman & Wakefield



# Luxury Market Residential Price

Prices at Residence Bel-Air (Phase 2) are expected to drop by 6.4% q-o-q



Residential Price Changes (%) Dec 2022*	
Q-o-Q	-6.4%
Y-o-Y	-11.5%
From Jun-19 (Historical Peak)	-15.2%
From Jan-19 (Last Trough)	-3.7%

\* Dec 2022 figure estimated by Cushman & Wakefield

Source: Cushman & Wakefield



# 2023 Residential Market Outlook

## Key Takeaways

- 1 Demand to be driven by end-users and upgraders, who are sensitive to interest rate movements
- 2 1H 2023 market sentiment will likely remain soft, as interest rate hikes and economic uncertainties are expected to persist
- 3 Yearly transaction volume: Up 20 to 30% from 2022's low base
- 4 Residential home prices: Down 0 to 5% y-o-y
- 5 Economy rebound and border reopening with Mainland remain key to market recovery

# INVESTMENT MARKET



# Overall Investment Activities Slowed

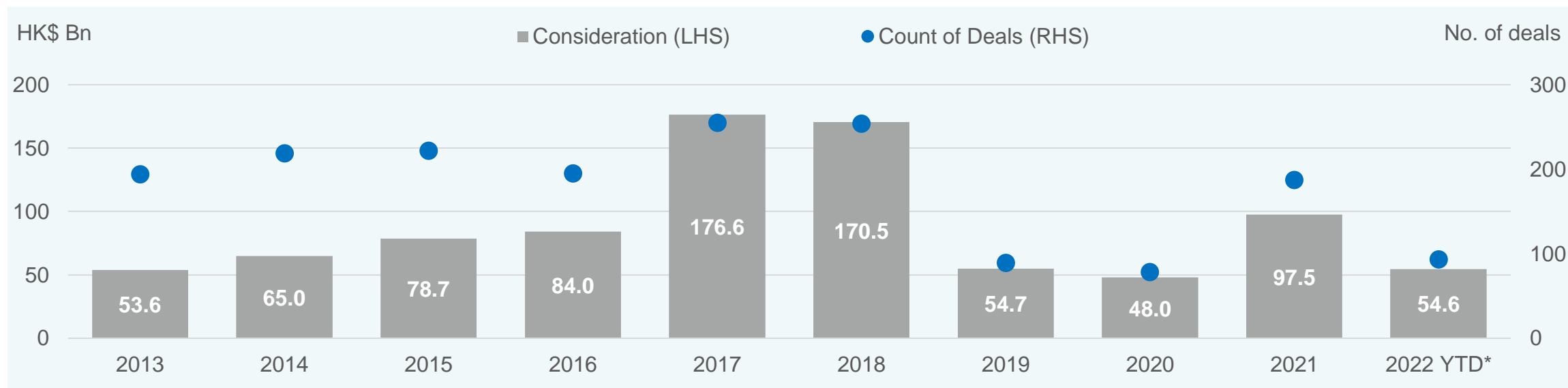
2022 YTD total investment volume reached HK\$55 billion



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 YTD*
Deal count	194	219	222	195	256	254	89	78	187	93
Consideration (HK\$ Bn)	53.6	65.0	78.7	84.0	176.8	170.5	54.7	48.0	97.5	54.6 (75.3**)
Avg deal size (HK\$ Mn)	277	297	355	431	691	671	615	615	522	587

Note: Transactions with deal size >HK\$100M were recorded, covering office, retail, industrial, hotel, mixed-used, car parks and private site transactions

\* 2022 YTD data as of 9 Dec 2022; \*\* Total consideration if including the portfolio purchase (HK\$20.7 bil) of 21 Borrett Road (Luxury Residential Development)

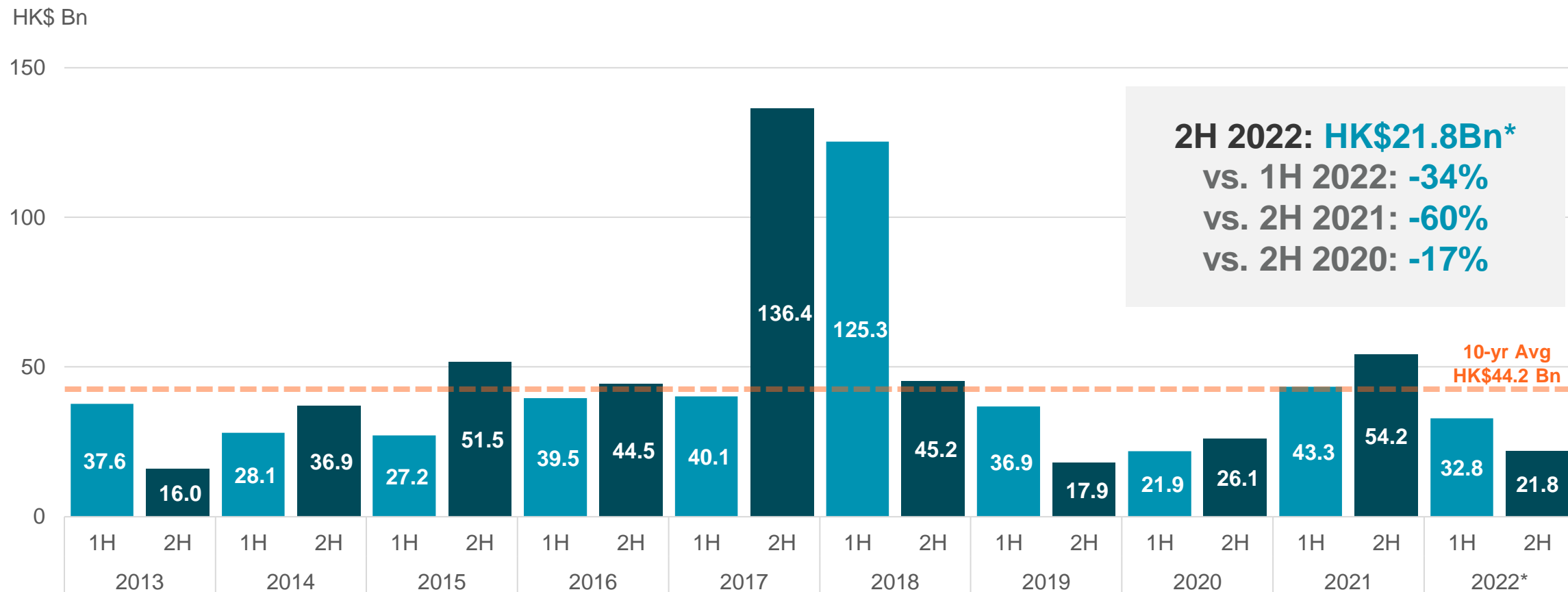


Source: Cushman & Wakefield Research



# Interest Rate Hikes in 2H Impacted Investment Sentiment

A relatively quieter 2H with considerations down ~60% compared to 2H 2021

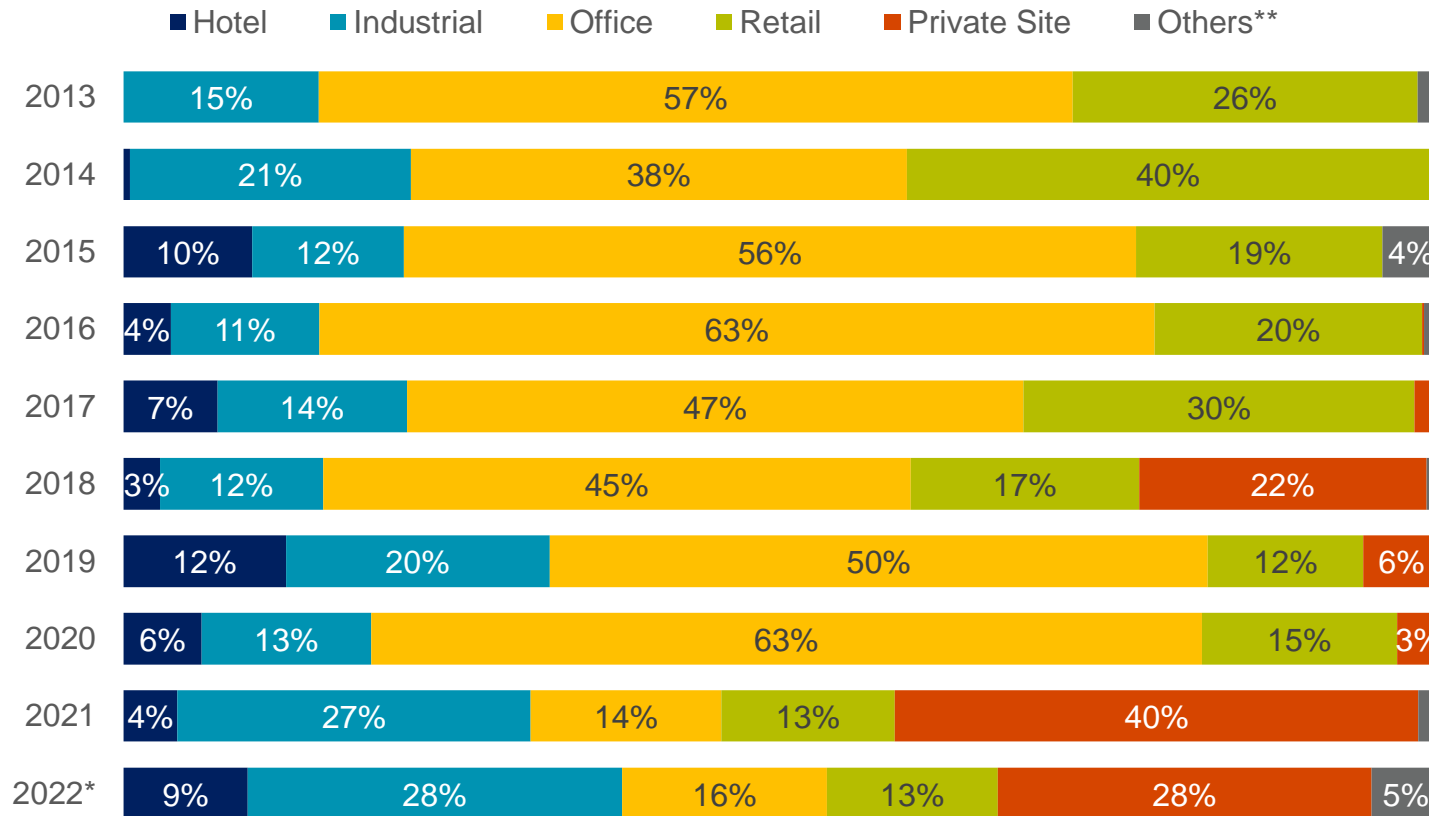


\* 2H 2022 as of 9 Dec 2022

# Industrial and Development Sites Remain Attractive

Real estate funds still favor valued-added opportunities

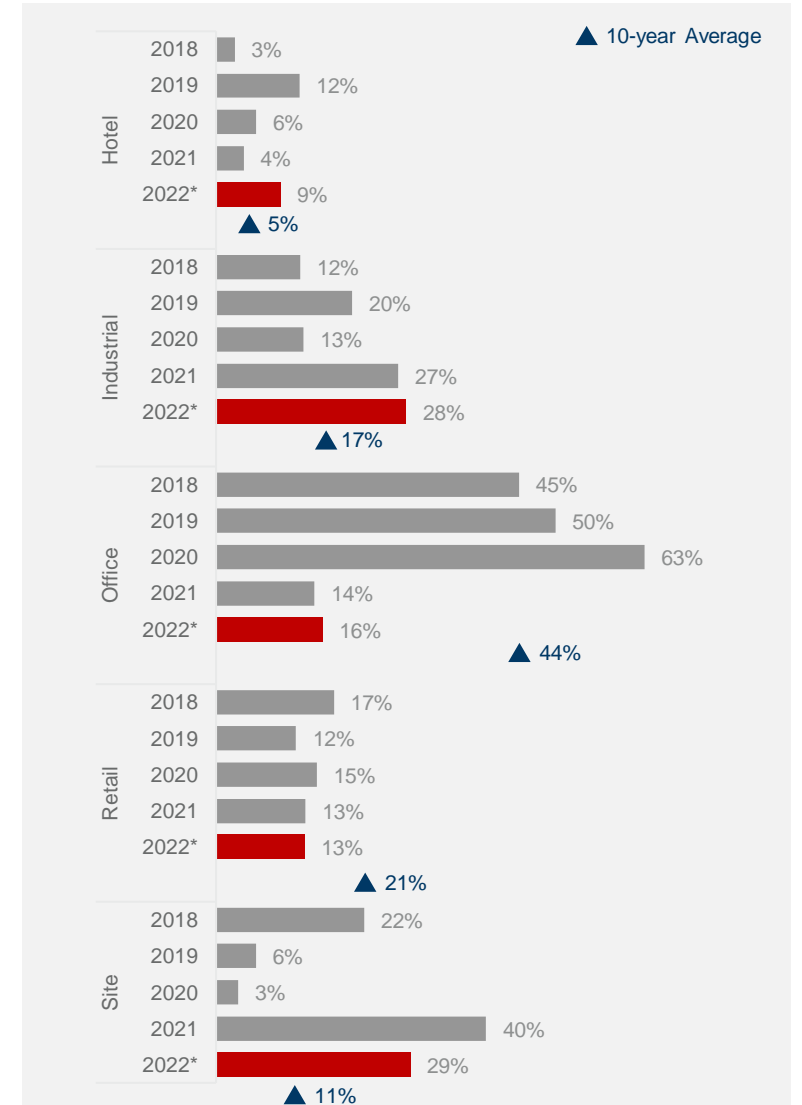
## Investment Transactions by Sector (in Consideration, %)



\* 2022 data as of 9 Dec 2022

\*\* "Others" includes mixed-use assets and carparks

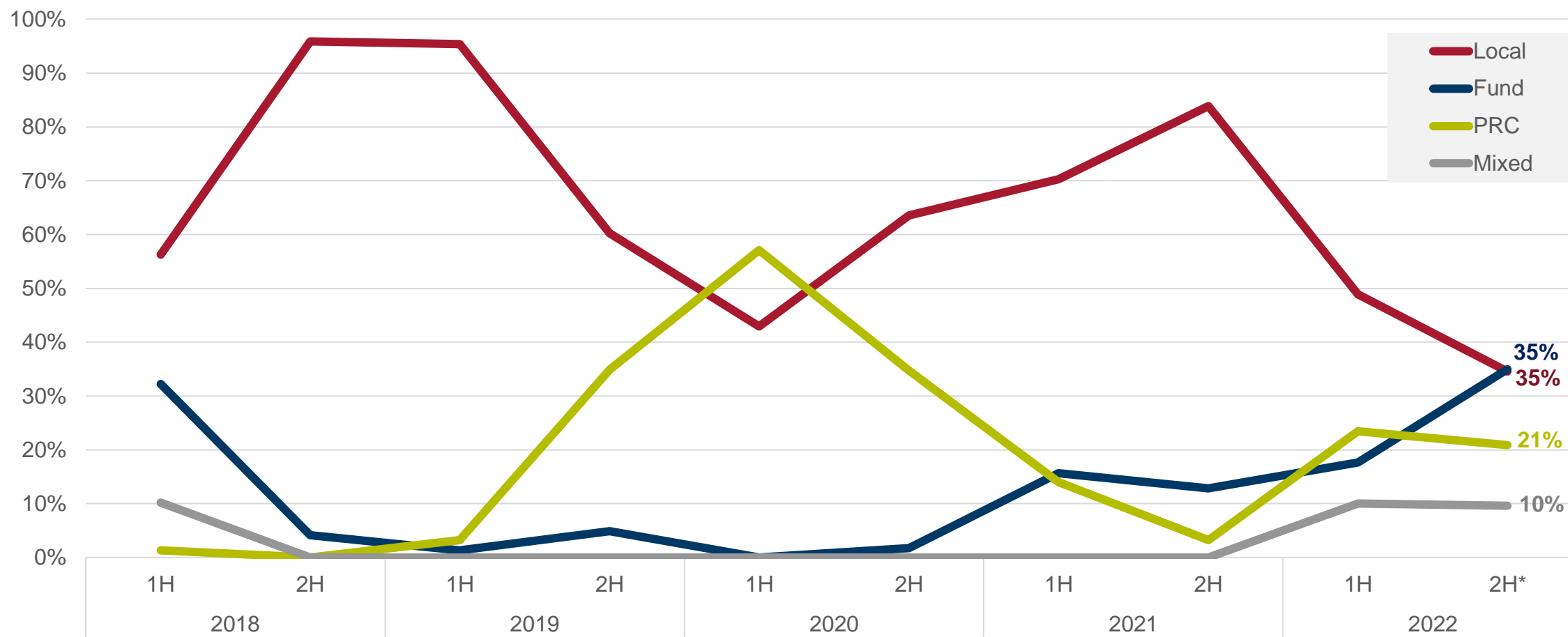
Source: Cushman & Wakefield Research



# Institutional Funds & Local Investors Continue to Drive Activities

PRC buyers stayed relatively quiet; more deals involving mixed-buyers

Investment Transactions by Investor Type (by Consideration, %)



\* 2H 2022 data as of 9 Dec 2022

Note: Above chart excludes the Wo Shang Wai residential land sale, as buyer name has yet to be confirmed

Source: Cushman & Wakefield Research



# 2023 Investment Market Outlook

## Key Takeaways

1

Interest rate hikes to persist, but funds with dry powder will continue to bargain hunting

2

End-user demand from local and PRC buyers to emerge as pricing is more attractive

3

Industrial assets to remain the key attraction given its resilient performance

4

More club deals or JV transactions with investors sharing financing costs and market risks

5

2023 total transaction volume will likely surpass 2022's low level, as border restrictions slowly ease



# OFFICE MARKET



# Overall Rental Remains under Pressure

Rental decline is expected to further narrow in 2023

Submarkets	Apr 19 (Peak)	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22*	Q-o-Q Δ	YTD Δ	2023 Forecast
Prime Central	\$165.2	\$114.7	\$113.7	\$111.6	\$108.9	\$106.3	-2.4%	-7.3%	-4 ~ -2%
Greater Central	\$138.5	\$98.3	\$97.8	\$96.7	\$94.7	\$92.1	-2.7%	-6.3%	-4 ~ -2%
Wanchai / Causeway Bay	\$78.6	\$55.9	\$55.6	\$55.2	\$54.5	\$53.0	-2.8%	-5.3%	-3 ~ -1%
Hong Kong East	\$56.3	\$47.5	\$46.4	\$45.7	\$46.0	\$44.4	-3.4%	-6.5%	-4 ~ -2%
Hong Kong South	\$36.3	\$29.8	\$29.3	\$29.1	\$29.2	\$28.2	-3.2%	-5.2%	-4 ~ -2%
Greater Tsimshatsui	\$68.2	\$49.0	\$48.9	\$49.1	\$47.6	\$46.3	-2.6%	-5.4%	-3 ~ -1%
Kowloon East	\$36.9	\$29.3	\$29.1	\$29.1	\$29.3	\$27.9	-4.7%	-4.5%	-4 ~ -2%
Kowloon West	\$44.2	\$34.9	\$35.0	\$34.3	\$33.9	\$32.9	-2.9%	-5.5%	-4 ~ -2%
<b>All Districts Average</b>	<b>\$75.9</b>	<b>\$56.1</b>	<b>\$55.6</b>	<b>\$55.1</b>	<b>\$53.9</b>	<b>\$52.2</b>	<b>-3.1%</b>	<b>-7.0%</b>	<b>-4 ~ -2%</b>

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

\* Q4 2022 date as of Nov 2022

**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

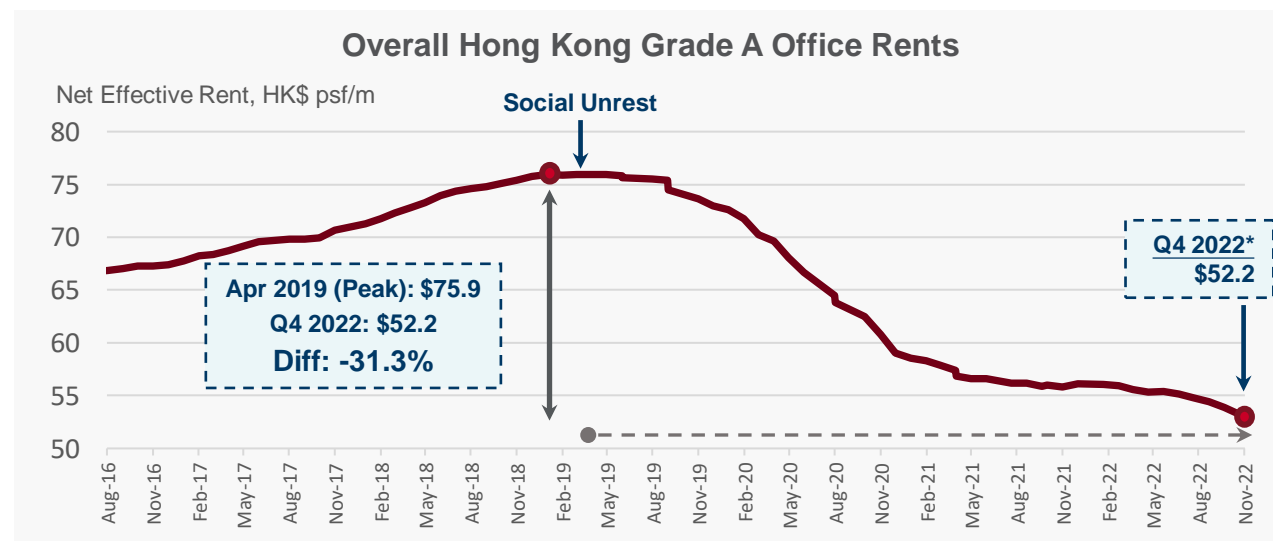
**Greater Tsimshatsui:** Tsimshatsui, Tsimshatsui East, Hung Hom and Kowloon Station

**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

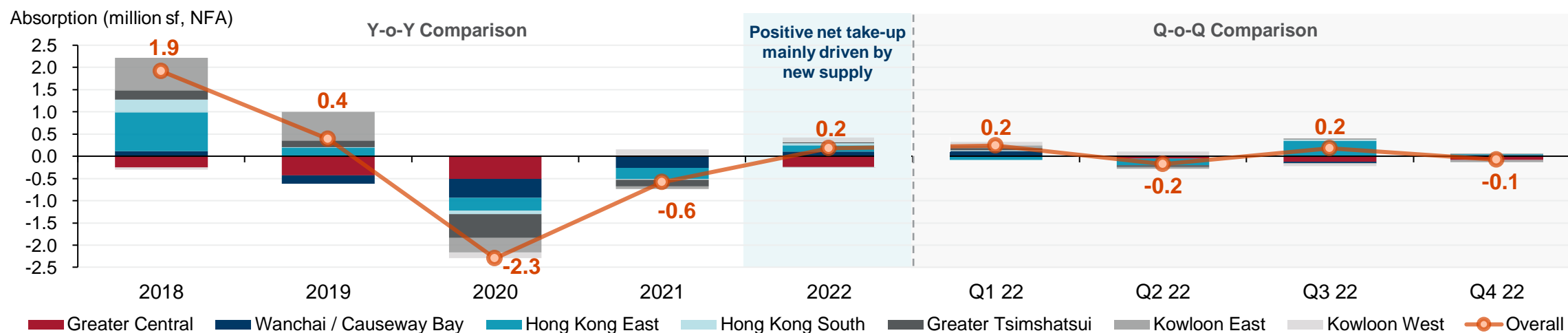


# 2022 YTD Net Absorption Bounced Back to Positive

Mainly driven by submarkets with pre-commitments from newly completed buildings

Submarkets	2018	2019	2020	2021	2022*	Q1 22	Q2 22	Q3 22	Q4 22*
Greater Central	-247,500	-427,700	-507,600	10,400	-240,200	18,100	-55,500	-119,200	-83,600
Wanchai / Causeway Bay	115,000	-187,100	-429,500	-261,700	102,100	101,400	7,400	-31,800	25,100
Hong Kong East	878,700	195,700	-279,400	-241,500	139,800	-84,200	-142,200	347,800	18,400
Hong Kong South	285,000	11,100	-82,400	-20,800	49,000	14,900	6,000	25,300	2,800
Greater Tsimshatsui	202,400	149,300	-532,200	-152,500	19,800	54,300	-45,000	-2,200	12,700
Kowloon East	736,100	645,700	-334,000	-59,300	-10,400	53,500	-39,100	26,700	-51,400
Kowloon West	-50,800	3,500	-130,000	146,800	116,100	87,000	91,600	-63,200	700
<b>Overall</b>	<b>1,919,000</b>	<b>390,500</b>	<b>-2,295,200</b>	<b>-578,700</b>	<b>176,200</b>	<b>245,100</b>	<b>-176,900</b>	<b>183,400</b>	<b>-75,400</b>

\* Data as of Nov 2022



Source: Cushman & Wakefield Research

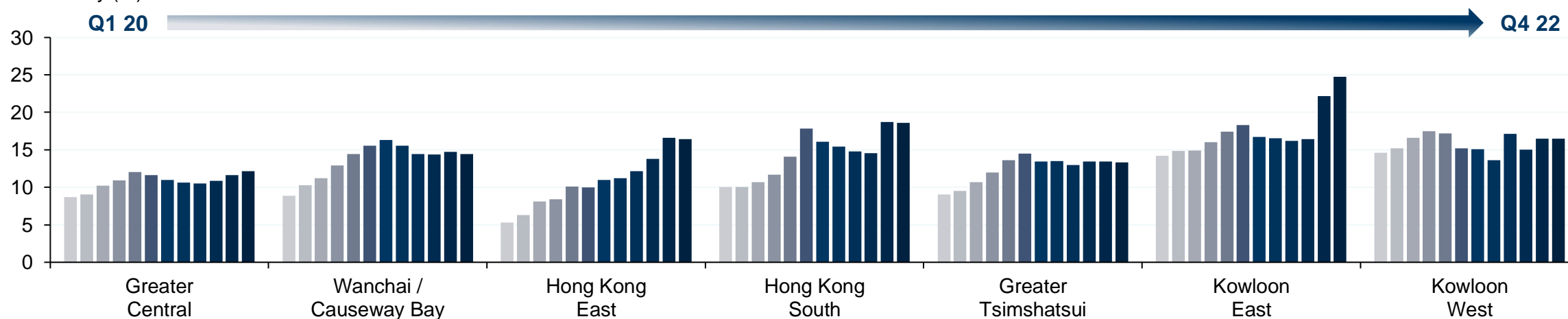
# Availability Increased Across Submarkets

Overall availability rate reached 16.8% by end-2022

Submarkets	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Greater Central	8.7%	9.1%	10.2%	10.9%	12.0%	11.6%	11.0%	10.6%	10.5%	10.9%	11.6%	12.2%
Wanchai / Causeway Bay	8.9%	10.3%	11.2%	12.9%	14.4%	15.5%	16.3%	15.5%	14.4%	14.4%	14.7%	14.4%
Hong Kong East	5.3%	6.3%	8.1%	8.4%	10.1%	10.0%	11.0%	11.2%	12.2%	13.8%	16.6%	16.4%
Hong Kong South	10.1%	10.0%	10.7%	11.7%	14.1%	17.8%	16.1%	15.4%	14.8%	14.5%	18.7%	18.6%
Greater Tsimshatsui	9.0%	9.5%	10.9%	12.0%	13.6%	14.5%	13.4%	13.5%	13.0%	13.4%	13.4%	13.3%
Kowloon East	14.2%	14.8%	14.9%	16.0%	17.4%	18.3%	16.7%	16.5%	16.2%	16.4%	22.1%	24.7%
Kowloon West	14.6%	15.2%	16.6%	17.5%	17.2%	15.2%	15.1%	13.6%	17.1%	15.0%	16.5%	16.5%
<b>Overall Availability*</b>	<b>10.0%</b>	<b>10.7%</b>	<b>11.6%</b>	<b>12.6%</b>	<b>14.0%</b>	<b>14.4%</b>	<b>13.9%</b>	<b>13.6%</b>	<b>13.6%</b>	<b>13.8%</b>	<b>16.1%</b>	<b>16.8%</b>

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

Availability (%)

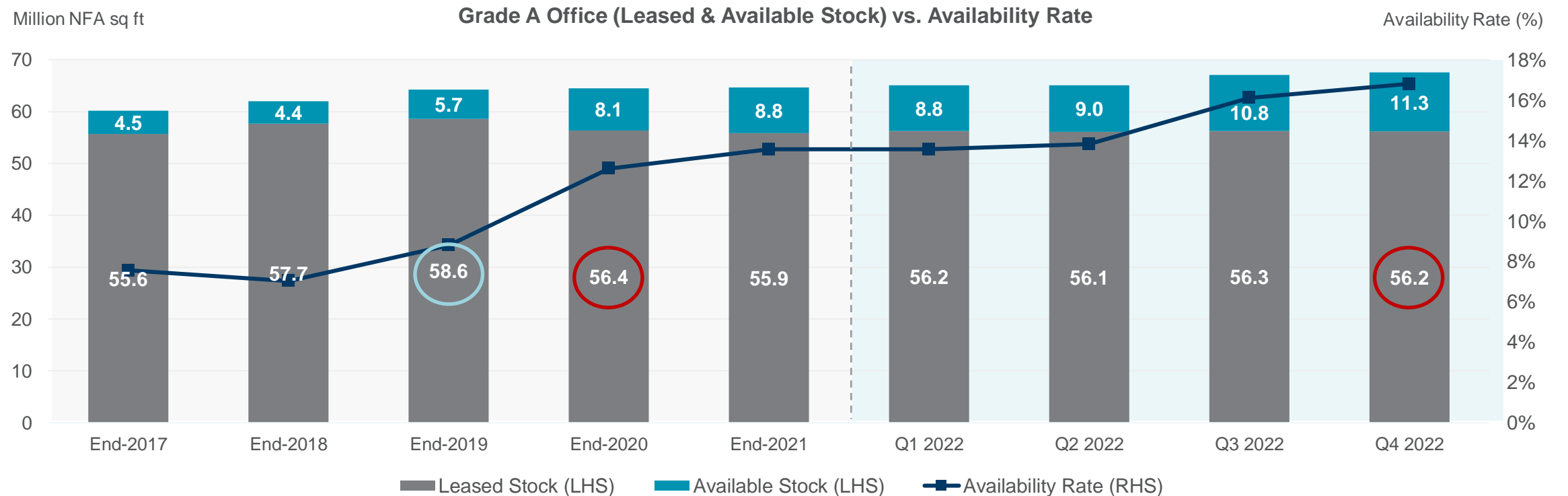




# Total Occupied Space Similar to 2020-Level

Despite a pick-up of availability rate as new supply emerged

	End-2017	End-2018	End-2019	End-2020	End-2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
<b>Total Stock (NFA mil sf)</b>	<b>60.2</b>	<b>62.0</b>	<b>64.2</b>	<b>64.5</b>	<b>64.7</b>	<b>65.1</b>	<b>65.1</b>	<b>67.1</b>	<b>67.5</b>
<b>Availability Rate (%)</b>	<b>7.5%</b>	<b>7.0%</b>	<b>8.8%</b>	<b>12.6%</b>	<b>13.6%</b>	<b>13.6%</b>	<b>13.8%</b>	<b>16.1%</b>	<b>16.8%</b>

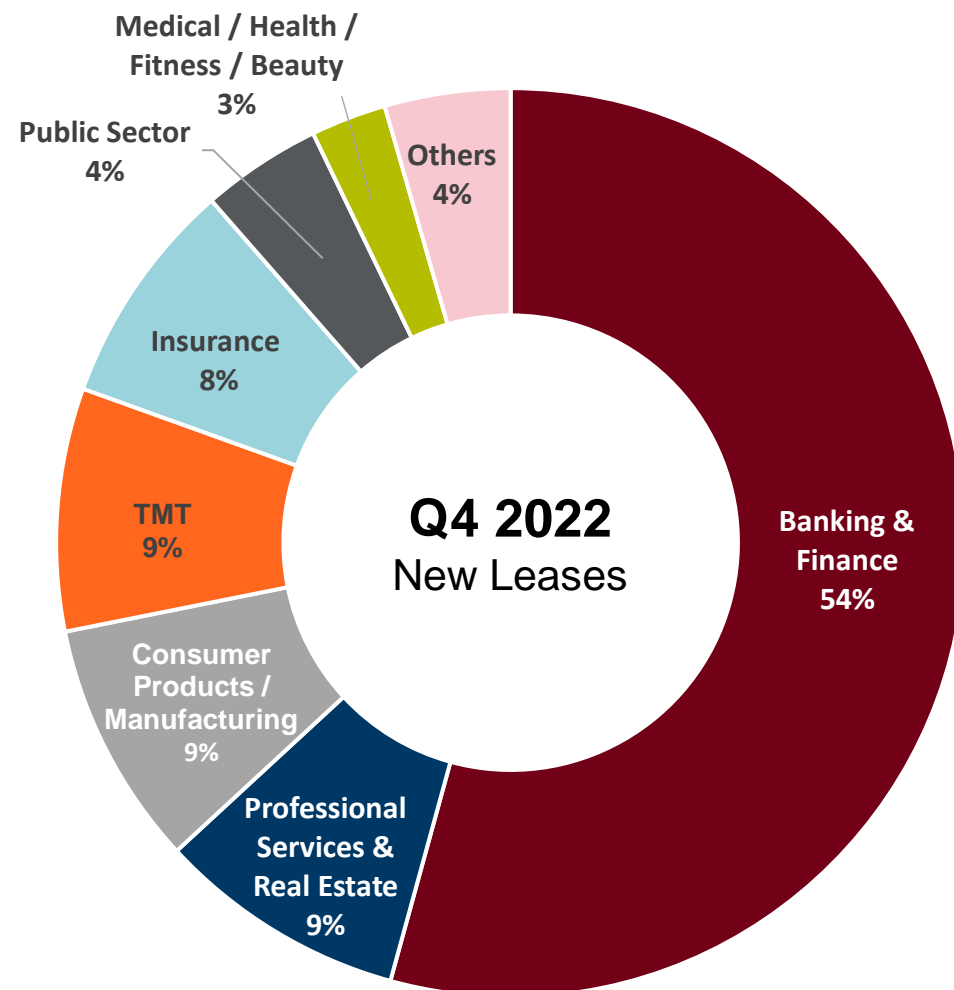


Source: Cushman & Wakefield Research

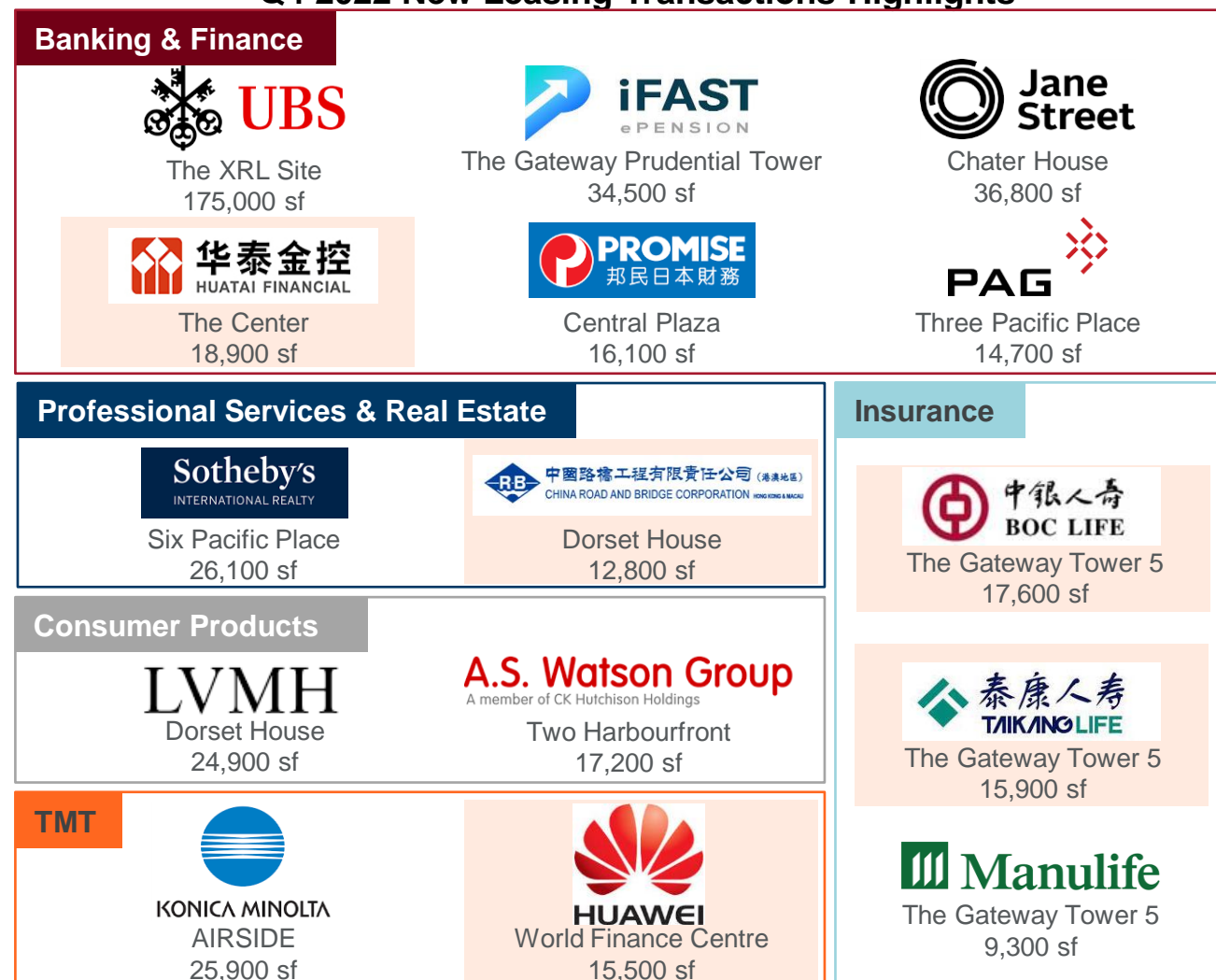
# Banking & Finance Covered >50% of the Q4 2022 New Leases

Supported by several mega deals, along with some transaction by mainland firms

% Proportion of New Leasing Transactions by NFA sf



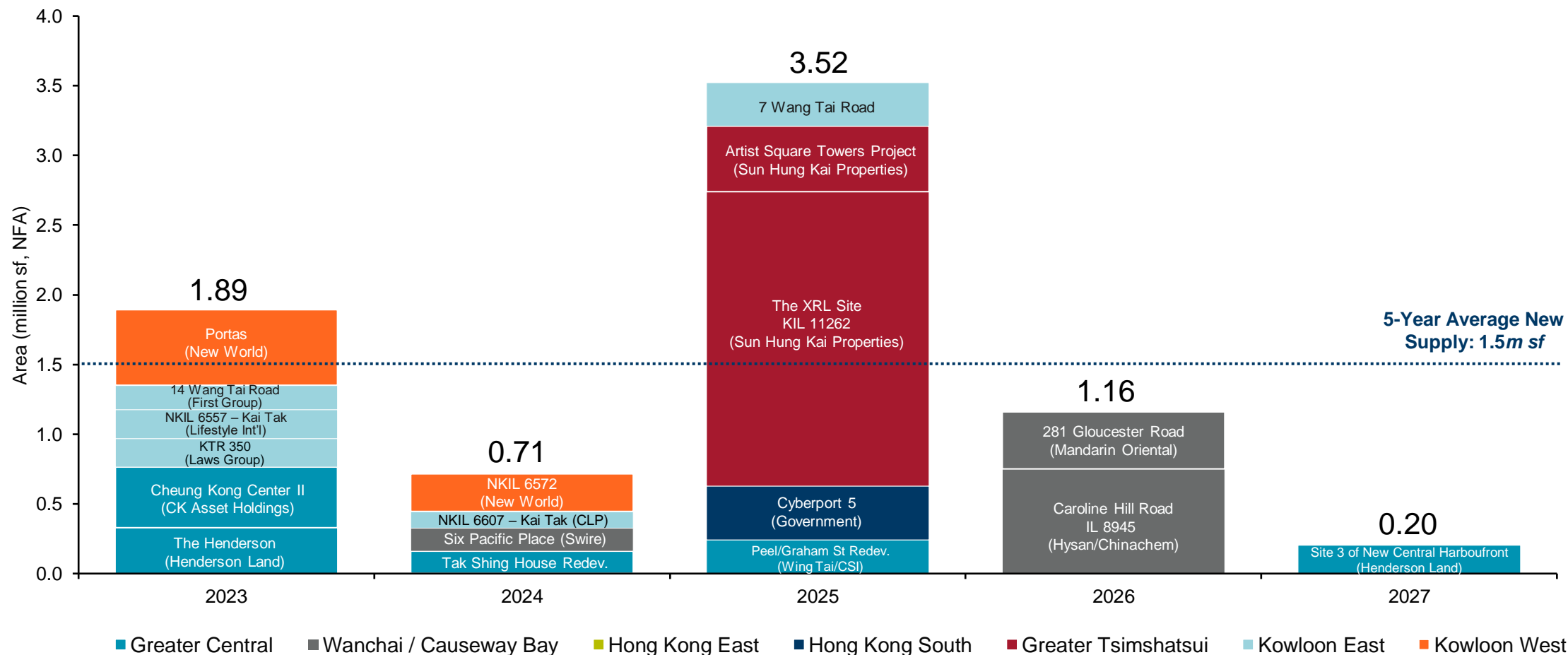
Q4 2022 New Leasing Transactions Highlights



Highlighted refers to PRC companies

# Close to 1.9M SF New Completion Expected in 2023

Availability expected to rise steadily with the upcoming new completion





# 2023 Office Market Outlook

## Key Takeaways

- 1 Circa 0.4M sf positive net-absorption expected by end-2023, mainly driven by submarkets with new completions
- 2 Overall availability to edge up further to 18% to 19% by 2023 year-end, on par with the last peak in Q1 2004
- 3 Overall office rents to edge down further by -2% to -4%
- 4 Tenants continue to opt for flight-to-quality, given more available options in the market
- 5 Potential border relaxation to help stimulate PRC occupier demand, particularly in the banking & finance sector



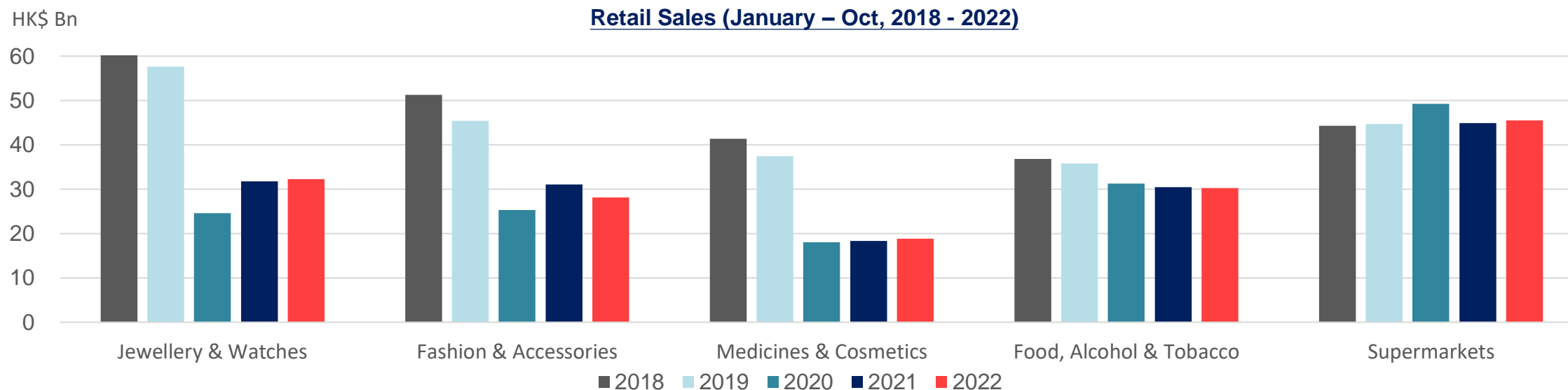
# RETAIL MARKET



# Retail Sales Led by Daily Necessities and Local Consumption

Athleisure and daily necessity brands as the key drivers in the leasing market

Retail Sales (HK\$ Bn)	Jan – Oct					2022	Y-o-Y Δ
	2018	2019	2020	2021	2021		
Jewellery & Watches	71.2	57.7	24.6	31.8	31.8	32.3	1.5%
Fashion & Accessories	51.3	45.4	25.3	31.1	31.1	28.1	-9.6%
Medicines & Cosmetics	41.4	37.4	18.1	18.3	18.3	18.9	2.8%
Food, Alcohol & Tobacco	36.9	35.9	31.2	30.5	30.5	30.3	-0.5%
Supermarkets	44.3	44.7	49.3	44.9	44.9	45.6	1.5%
<b>Total</b>	<b>401.0</b>	<b>365.1</b>	<b>266.4</b>	<b>288.9</b>	<b>288.9</b>	<b>286.8</b>	<b>-0.7%</b>

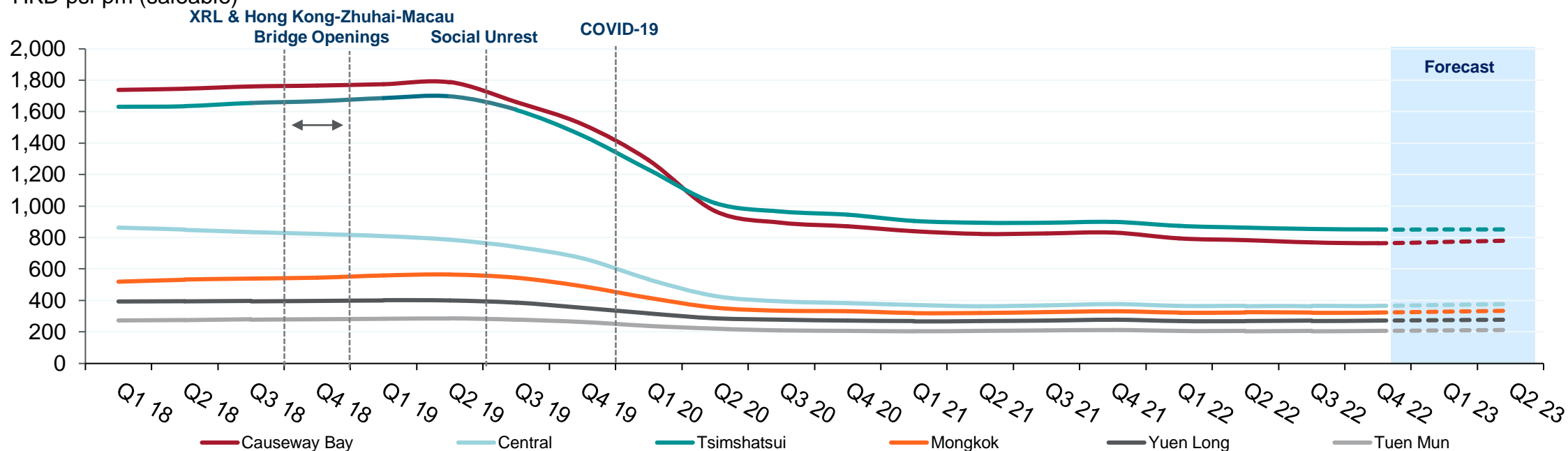


# High Street Rents Stabilized

Rents to gradually recover in 2023 as sentiment expected to improve

Districts	2018	2019	2020	2021	2022	Y-o-Y Δ	1H 2023F
Causeway Bay	\$1,765	\$1,520	\$870	\$831	\$764	-8.0%	+2 ~ 4%
Tsimshatsui	\$1,667	\$1,448	\$944	\$900	\$851	-5.4%	+0 ~ 2%
Central	\$822	\$667	\$384	\$376	\$366	-2.7%	+3 ~ 5%
Mongkok	\$546	\$491	\$331	\$332	\$323	-2.5%	+3 ~ 5%
Yuen Long	\$398	\$352	\$271	\$278	\$271	-2.3%	+2 ~ 4%
Tuen Mun	\$281	\$263	\$207	\$211	\$207	-2.0%	+2 ~ 4%

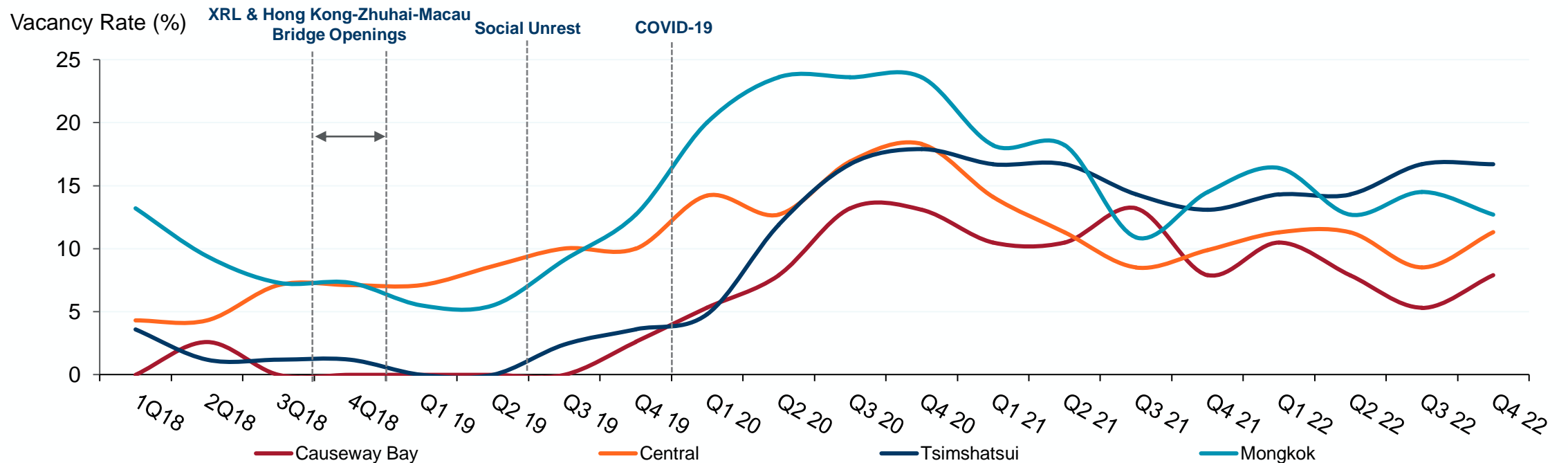
HKD psf pm (saleable)



# Vacancy Increased Slightly in Hong Kong Island's Submarkets

Landlords become more flexible to subdivide shops and cater for short-term leases

Districts	2018	2019	2020	2021	Q1 22	Q2 22	Q3 22	Q4 22
Causeway Bay	0.0%	2.6%	13.1%	7.9%	10.5%	7.9%	5.3%	7.9%
Central	7.1%	10.0%	18.3%	9.9%	11.3%	11.3%	8.5%	11.3%
Tsimshatsui	1.2%	3.6%	17.9%	13.1%	14.3%	14.3%	16.7%	16.7%
Mongkok	7.3%	12.7%	23.6%	14.5%	16.4%	12.7%	14.5%	12.7%



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



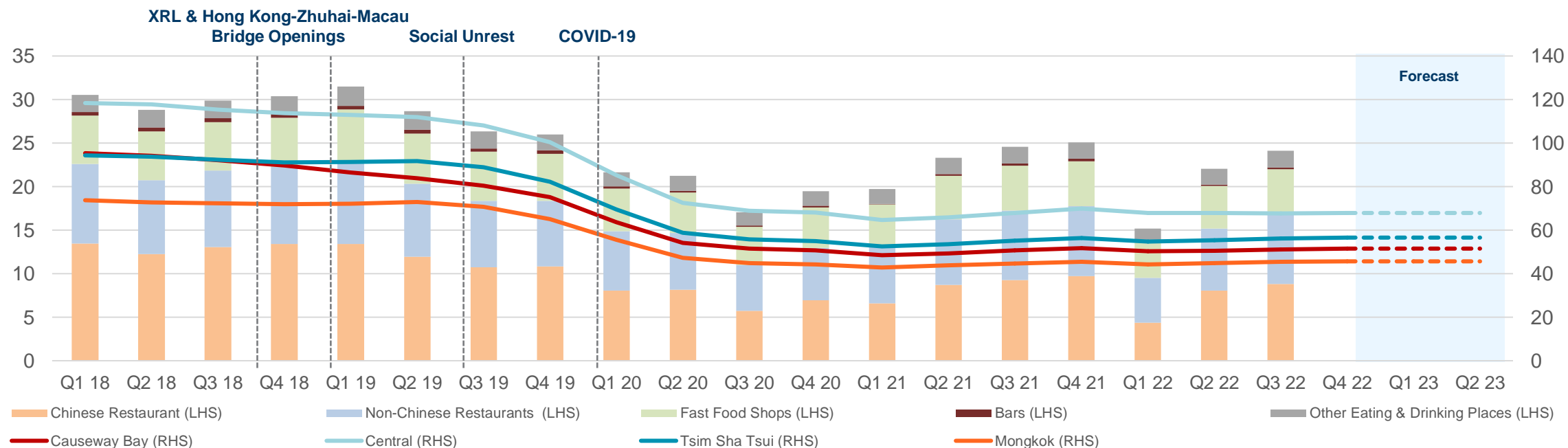
# Moderate Adjustments in F&B Rents

F&B sector will continue to gain pace in recovery

Districts	2018	2019	2020	2021	2022	Y-o-Y Δ	1H 2023F
Causeway Bay	\$89.8	\$75.1	\$50.6	\$51.8	\$51.5	-0.5%	+0 ~ 3%
Central	\$113.7	\$100.3	\$68.1	\$69.9	\$67.9	-2.9%	+0 ~ 3%
Tsimshatsui	\$91.1	\$82.1	\$55.0	\$56.4	\$56.5	0.2%	+0 ~ 3%
Mongkok	\$71.9	\$65.0	\$44.3	\$45.5	\$45.6	0.2%	+0 ~ 3%

Restaurant Receipts (HKD Billion)

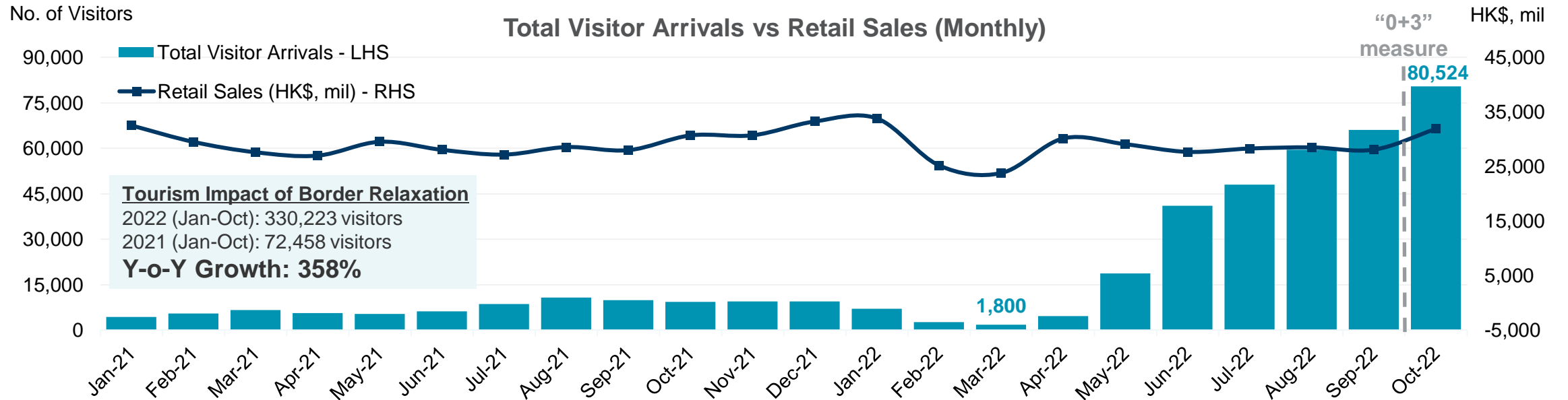
HKD psf pm (saleable)



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

# Tourism Arrivals to Gradually Recover in 2023

Some retailers start to strategize ahead and prepare for further border relaxation



## 2023 MAJOR EVENTS

### Jan / Feb

- Asian Financial Forum 2023
- Hong Kong Open (Tennis)
- Music Concerts (Blackpink, OneRepublic, Westlife etc)
- Standard Chartered Marathon

### Mar

- HKTDC HK International Jewellery Show
- Art Basel & Art Central
- Clockenflap 2023
- Hong Kong Rugby Sevens

### Apr

- HKTDC HK International ICT Expo
- HKTDC HK International Home Textiles and Fabric

### Nov

- Asian Logistics, Maritime and Aviation Conference 2023



# 2023 Retail Market Outlook

## Key Takeaways

1

High street and F&B rents to further set pace in recovery next year

2

High street vacancies to stabilize with expected improvement in market sentiment

3

F&B, athleisure brands, and 24/7 fitness centers to remain the key drivers of leasing activities

4

Landlords are more willing to subdivide shopfront into smaller units to cater for tenants' needs

5

Shopping malls to increase footfall by organizing themed activities and attracting “experiential retail” operators





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