

HONG KONG

OFFICE, RETAIL & RESIDENTIAL MARKETS

Q 3 2 0 2 4

Better never settles

01

OFFICE MARKET



OFFICE RENT DROPPED 2.4% Q-O-Q

Bringing to a 4.3% year-to-date rental correction

Submarkets	Jan 19 (Peak)	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q-o-Q Δ	YTD Δ	2024 Forecast
Prime Central	\$166.1	\$101.6	\$99.2	\$98.9	\$96.7	93.5	-3.2%	-5.7%	-6 ~ -8%
Greater Central	\$139.0	\$87.3	\$85.3	\$85.0	\$83.8	81.0	-3.3%	-5.0%	-7 ~ -9%
Wanchai / Causeway Bay	\$79.2	\$51.2	\$49.9	\$49.6	\$48.3	47.8	-1.0%	-4.2%	-6 ~ -8%
Hong Kong East	\$55.3	\$40.4	\$39.4	\$38.6	\$37.6	36.1	-4.1%	-8.5%	-8 ~ -10%
Hong Kong South	\$36.1	\$28.1	\$27.3	\$26.4	\$26.2	25.0	-4.7%	-8.2%	-9 ~ -11%
Greater Tsimshatsui	\$68.0	\$43.6	\$43.4	\$43.3	\$42.9	42.5	-0.9%	-2.0%	-2 ~ -4%
Kowloon East	\$36.8	\$26.3	\$26.0	\$25.9	\$25.8	25.4	-1.4%	-2.1%	-3 ~ -5%
Kowloon West	\$44.0	\$31.9	\$30.9	\$30.1	\$29.3	29.1	-0.8%	-6.0%	-9 ~ -11%
All Districts Average	\$76.0	\$49.1	\$47.9	\$47.6	\$47.0	\$45.9	-2.4%	-4.3%	-6 ~ -8%

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

Note: Q3 2024 is based on data as of end-September 2024

Prime Central: Selected 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

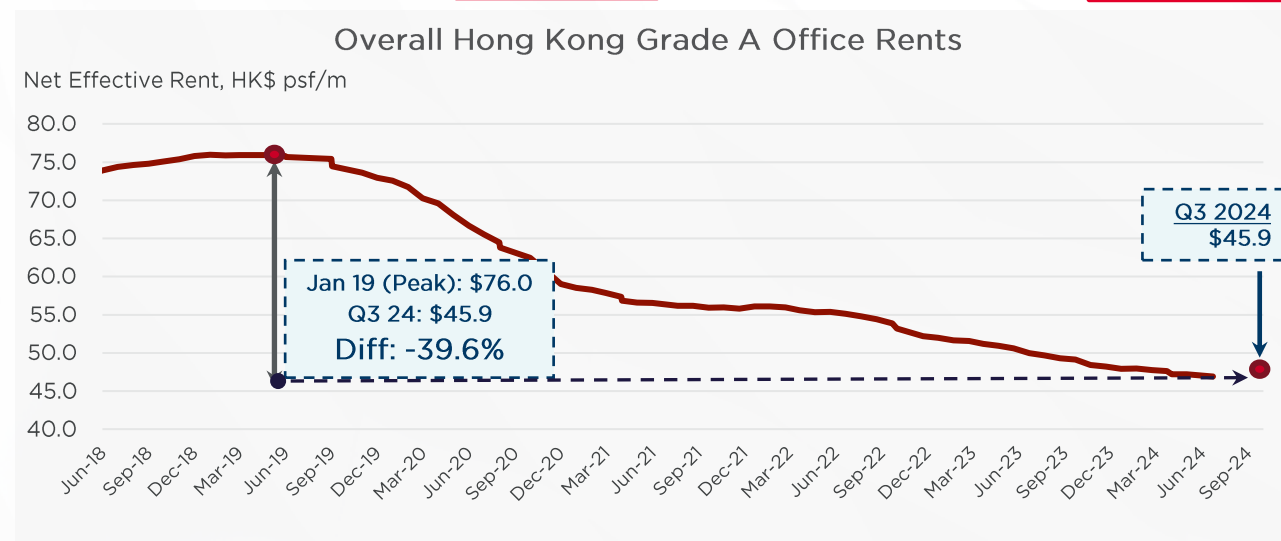
Greater Tsimshatsui: Tsimshatsui, Tsimshatsui East, Hung Hom and Kowloon Station

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

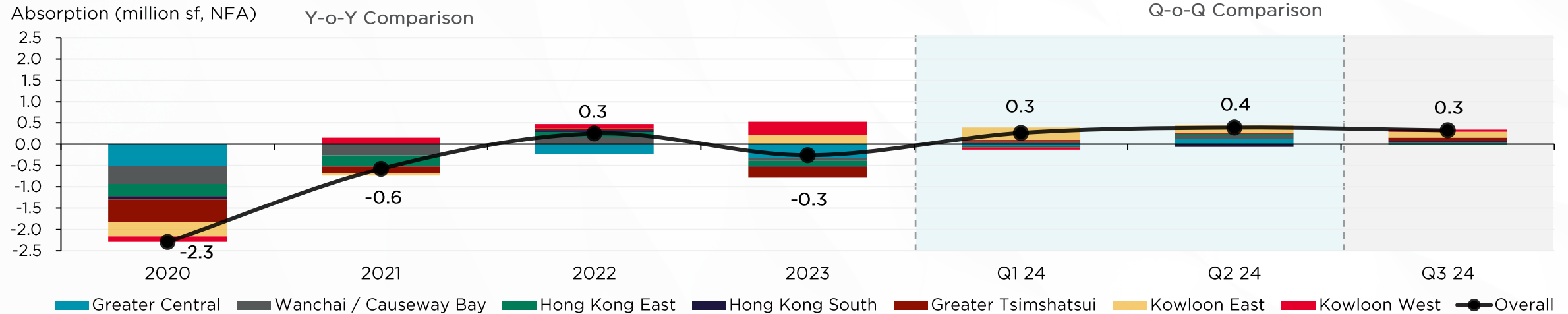


NET ABSORPTION STAYED POSITIVE FOR THE FOURTH CONSECUTIVE QUARTER

Mainly driven by Kowloon East and Greater Tsimshatsui submarkets

Submarkets	2020	2021	2022	2023	Q1 24	Q2 24	Q3 24
Greater Central	-507,600	10,400	-224,400	-330,500	-49,700	130,800	28,000
Wanchai / Causeway Bay	-429,500	-261,700	181,300	-59,800	47,000	94,100	26,200
Hong Kong East	-279,400	-241,500	105,400	-118,400	-20,500	18,400	-19,000
Hong Kong South	-82,400	-20,800	46,900	-17,300	13,400	-61,400	15,700
Greater Tsimshatsui	-532,200	-152,500	37,400	-259,400	41,800	24,300	86,300
Kowloon East	-334,000	-59,300	1,500	216,800	289,700	173,600	136,300
Kowloon West	-130,000	146,800	102,400	309,800	-57,400	9,300	50,600
Overall	-2,295,200	-578,700	250,600	-258,800	264,200	389,100	324,100

Note: Data as of mid-September 2024



Source: Cushman & Wakefield Research

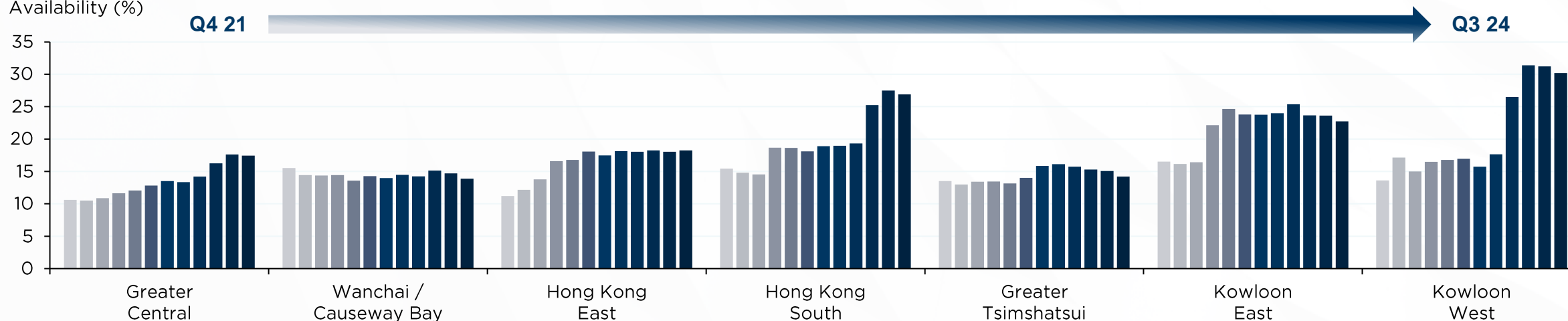
OVERALL AVAILABILITY RATE FELL FOR THE FIRST TIME SINCE Q1 2022

No new supply completions in Q3 underpinned the availability

Submarkets	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24
Greater Central	10.6%	10.5%	10.9%	11.6%	12.1%	12.8%	13.5%	13.4%	14.2%	16.3%	17.6%	17.5%
Wanchai / Causeway Bay	15.5%	14.4%	14.4%	14.4%	13.6%	14.3%	14.0%	14.5%	14.2%	15.1%	14.1%	13.9%
Hong Kong East	11.2%	12.2%	13.8%	16.6%	16.8%	18.1%	17.5%	18.1%	18.0%	18.2%	18.1%	18.3%
Hong Kong South	15.4%	14.8%	14.5%	18.7%	18.7%	18.1%	18.9%	19.0%	19.3%	25.3%	27.5%	26.9%
Greater Tsimshatsui	13.5%	13.0%	13.4%	13.4%	13.1%	14.0%	15.9%	16.1%	15.7%	15.3%	15.1%	14.2%
Kowloon East	16.5%	16.2%	16.4%	22.1%	24.6%	23.8%	23.8%	24.0%	25.4%	23.7%	23.5%	22.7%
Kowloon West	13.6%	17.1%	15.0%	16.5%	16.8%	16.9%	15.7%	17.7%	26.5%	31.4%	31.2%	30.2%
Overall Availability*	13.6%	13.6%	13.8%	16.1%	16.7%	17.1%	17.3%	17.7%	18.8%	19.6%	19.7%	19.3%

Note: Availability includes confirmed leasing stock that is currently vacant or becoming vacant over the next 12 months
Numbers highlighted in red indicates a q-o-q decline of availability rate

Availability (%)

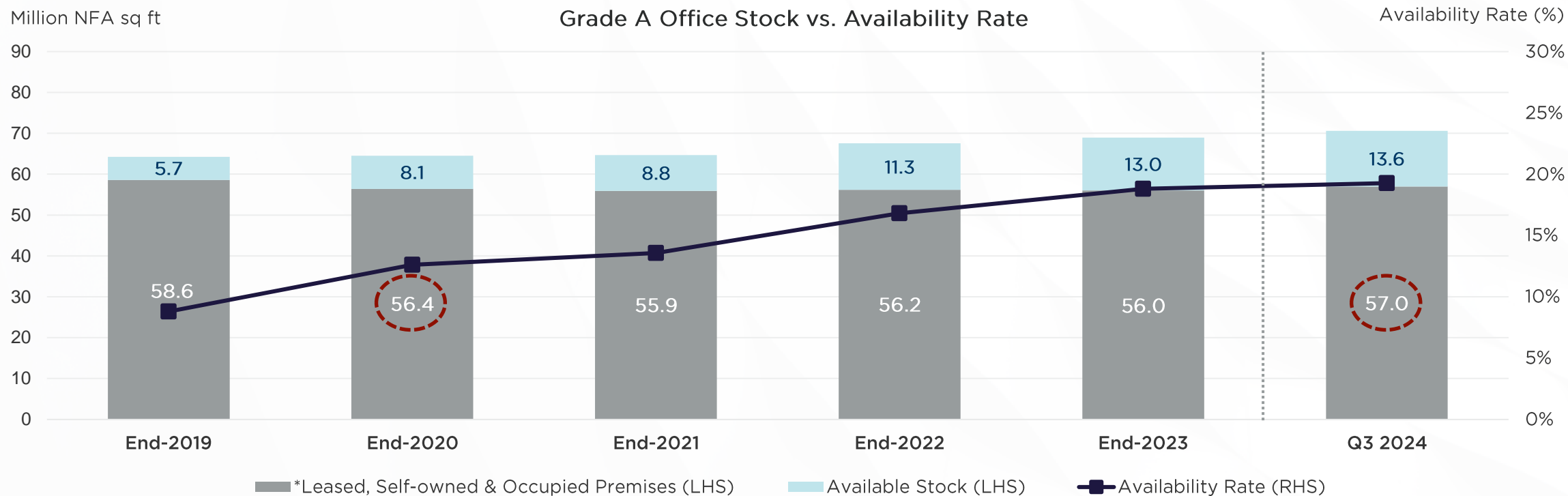


Source: Cushman & Wakefield Research

TOTAL UNAVAILABLE STOCKS SURPASSED 2020 LEVEL

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

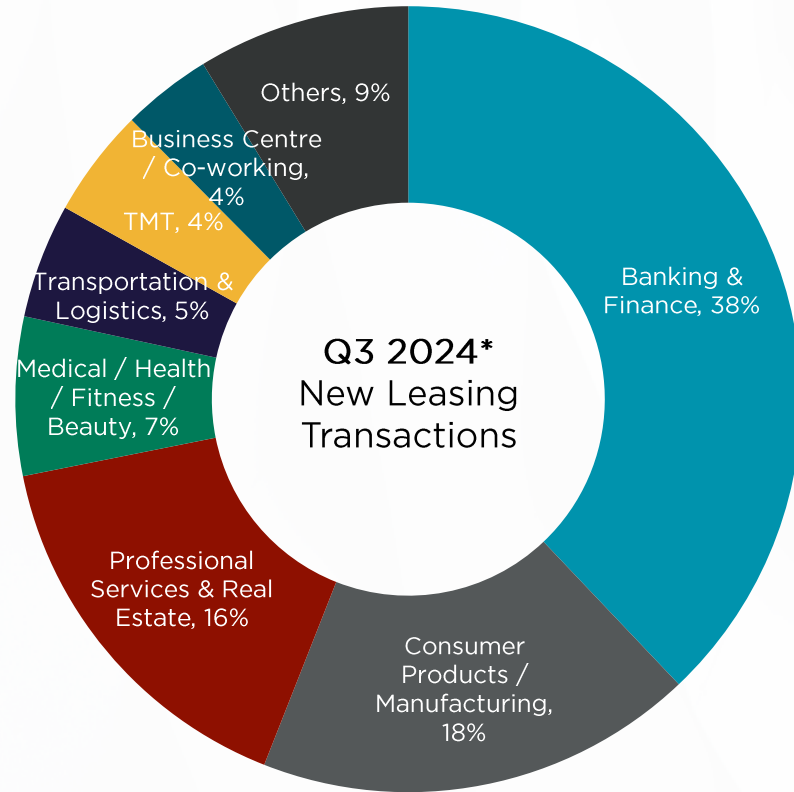
	End-2019	End-2020	End-2021	End-2022	End-2023	Q3 2024
Total Stock (NFA mil sf)	64.2	64.5	64.7	67.5	69.0	70.6
Availability Rate (%)	8.8%	12.6%	13.6%	16.7%	18.8%	19.3%



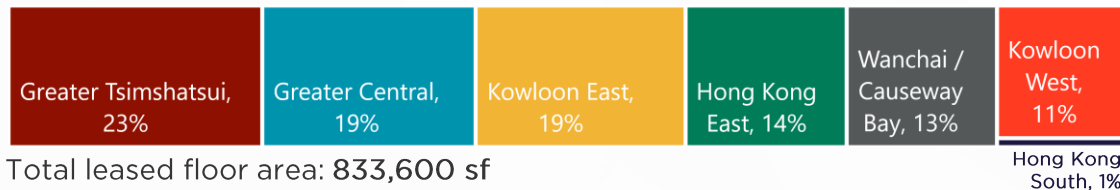
Source: Cushman & Wakefield Research

BANKING & FINANCE SECTOR ACCOUNTED FOR 38% OF NEW LETTINGS IN Q3









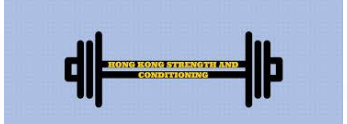



New letting deals were concentrated on Greater Tsimshatsui and Greater Central



*Data as of 20 Sep 2024, only deals with known tenants are counted

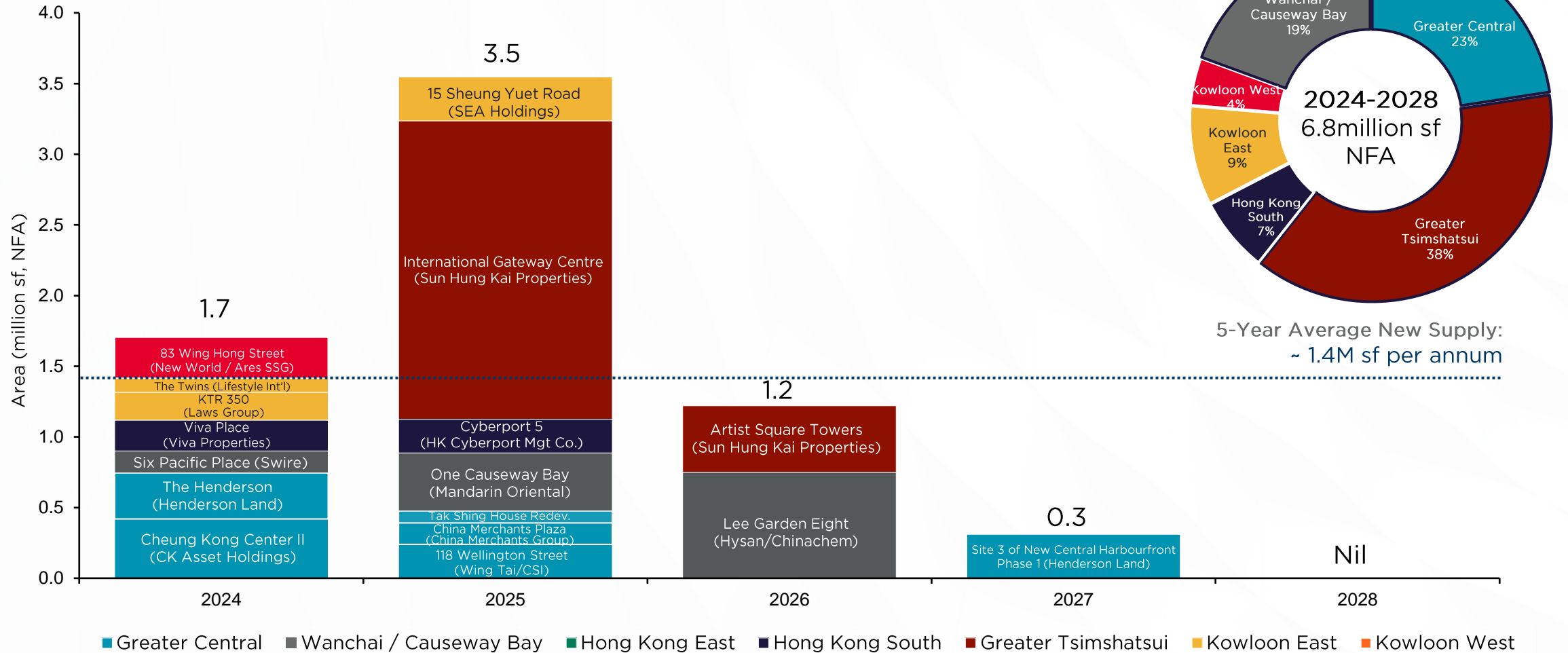


Source: Cushman & Wakefield Research

Banking & Finance		
 One Harbourfront 121,500 sf	 远东宏信 FAR EAST HORIZON ICC 19,100 sf	 RAFFLES FAMILY OFFICE The Center 17,600 sf
Consumer Products / Manufacturing		
 PHILIP MORRIS ASIA LIMITED Two Taikoo Place 42,500 sf	 TIFFANY & CO. NEW YORK SINCE 1837 Dorset House 12,600 sf	 LANARD TOYS The Millennity 11,900 sf
Professional Services & Real Estate		Medical / Health / Fitness / Beauty
 Alexandra House 23,000 sf	 MOORE World Finance Centre North 14,500 sf	 HONG KONG STRENGTH AND CONDITIONING AIRSIDE 14,400 sf
TMT		 BIO-RAD AIRSIDE 14,300 sf
 now TV The Bay Hub 14,600 sf	 ng Hopewell Centre 10,300 sf	

FUTURE SUPPLY PIPELINE

Almost 80% of the new supply is in core submarkets



Source: Cushman & Wakefield Research



Office Market Q3 Review & Q4 Outlook

Key Takeaways

1

Q3 net absorption remained positive for the 4th consecutive quarter. Occupiers mainly focus on cost-saving or flight-for-quality moves

2

Overall availability rate declined q-o-q to 19.3%, the first drop since Q1 2022. With no major completions in the next 6 to 9 months, overall availability rate is expected to remain largely stable.

3

Amidst fierce competitions, landlords are keen to be flexible and offer more incentives to retain and attract tenants

4

The demand from banking & finance, professional services occupiers is expected to gradually recover if the comeback of stock market and IPO performance can sustain in the coming months

5

Overall Grade A office rent is expected to decline by 6% to 8% in 2024.

02

RETAIL MARKET

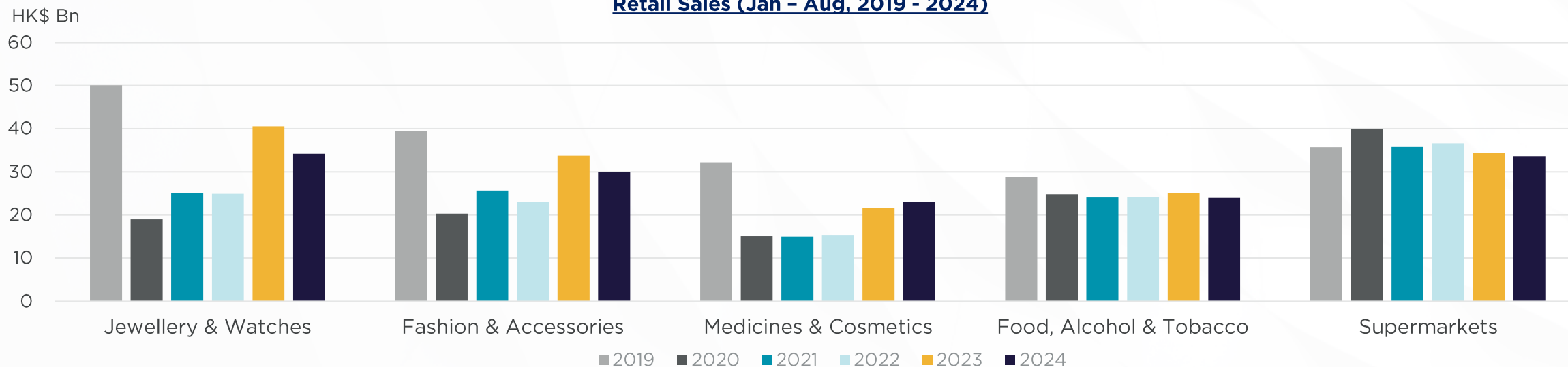


RETAIL SALES CONTINUED TO FALL

With continued impact of the change in visitors' consumption patterns and local's outbound travels

Retail Sales (HK\$ Bn)	Jan - Aug						2024	Y-o-Y Δ
	2019	2020	2021	2022	2023			
Jewellery & Watches	50.08	19.00	25.08	24.88	40.58	34.18	-15.8%	
Fashion & Accessories	39.48	20.29	25.65	22.99	33.73	30.03	-11.0%	
Medicines & Cosmetics	32.16	15.02	14.95	15.35	21.55	23.03	6.8%	
Food, Alcohol & Tobacco	28.79	24.81	24.06	24.18	25.02	23.93	-4.4%	
Supermarkets	35.71	40.02	35.75	36.64	34.35	33.66	-2.0%	
Total	305.09	212.87	230.15	226.70	270.53	249.81	-7.7%	

Retail Sales (Jan - Aug, 2019 - 2024)

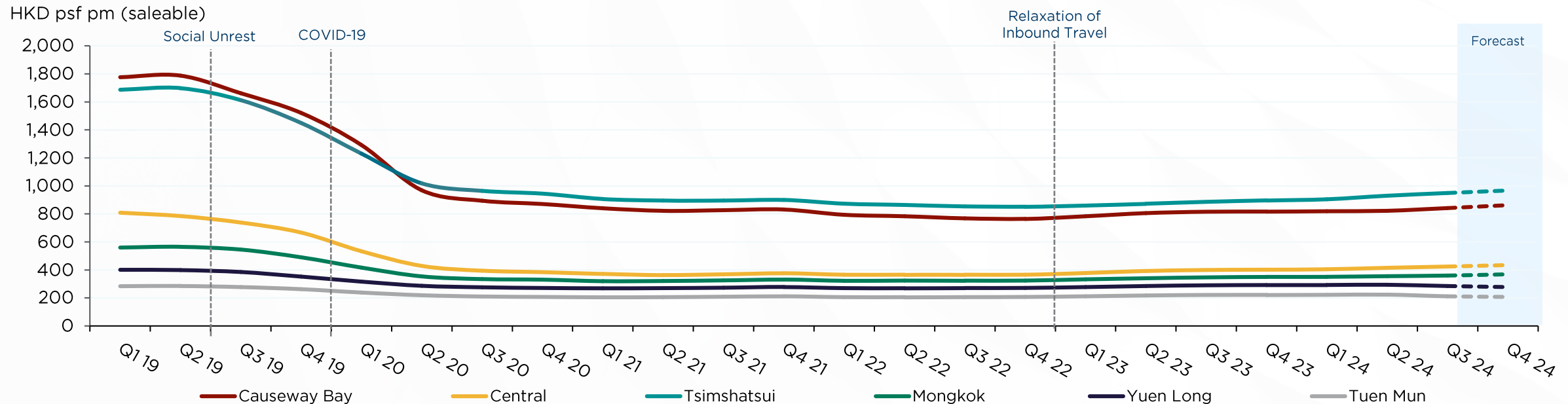


Source: Hong Kong Census & Statistics Department; Cushman & Wakefield Research

HIGH STREET RENTS IN CORE AREA CONTINUED TO GROW MILDLY

Yet rents in New Territories neighbourhood districts recorded decline

Districts	2019	2020	2021	2022	2023	Q1 2024	Q2 2024	Q3 2024	Q-o-Q Δ	YTD Δ	Y-o-Y Δ	2024F
Causeway Bay	\$1,520	\$870	\$831	\$764	\$816	\$818	\$822	\$842	2.3%	3.1%	3.3%	5 ~ 7%
Tsimshatsui	\$1,448	\$944	\$900	\$851	\$896	\$905	\$931	\$946	1.7%	5.6%	6.8%	7 ~ 9%
Central	\$667	\$384	\$376	\$366	\$402	\$404	\$415	\$424	2.3%	5.7%	6.3%	7 ~ 9%
Mongkok	\$491	\$331	\$332	\$323	\$350	\$350	\$356	\$359	1.0%	2.6%	3.5%	4 ~ 6%
Yuen Long	\$352	\$271	\$278	\$271	\$292	\$292	\$294	\$285	-3.0%	-2.5%	-1.9%	-4 ~ -6%
Tuen Mun	\$263	\$207	\$211	\$207	\$221	\$222	\$223	\$212	-5.0%	-4.1%	-3.9%	-6 ~ -8%



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

SIGNIFICANT DEALS

Leasing sentiment was more active in Hong Kong Island

Central

MANGO

Asia Standard Tower
@Queen's Road Central
11,440 sf



英皇鐘錶珠寶

EMPEROR WATCH AND JEWELLERY

Shanghai Commercial Bank Tower
@Queen's Road Central
8,100 sf

Causeway Bay

Matin Kim

10 Kai Chiu Road
1,200 sf

OMEGA

Soundwill Plaza
@Russell Street
500 sf

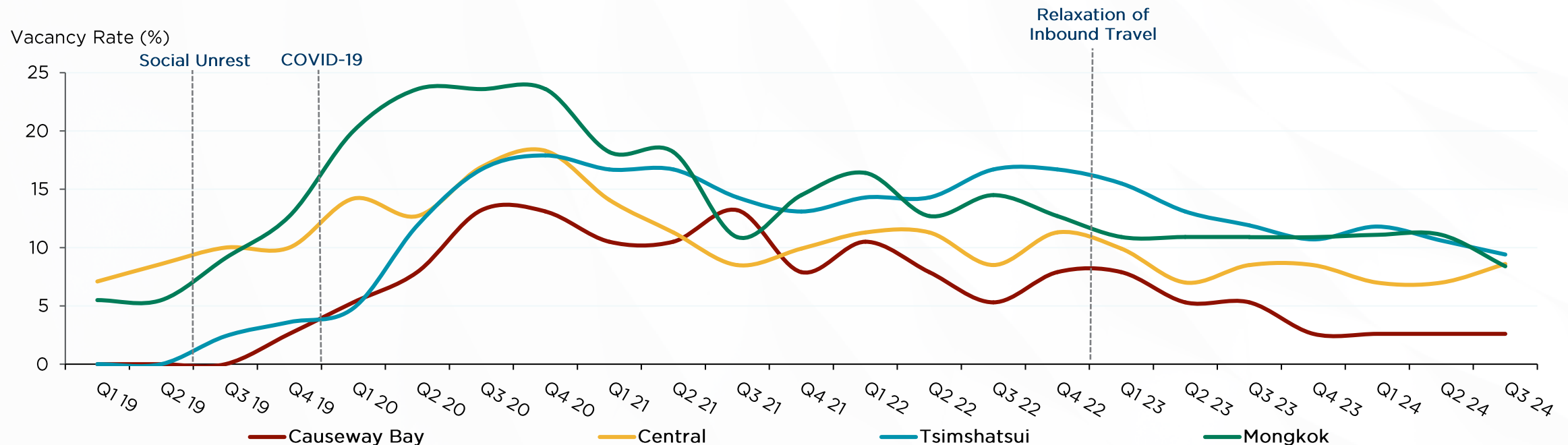
富途證券

Lai Yuen Building
@Russell Street
600 sf

OVERALL HIGH STREET VACANCY RATE DROPPED FURTHER

Leasing activities by both local and international operators were observed

Districts	2019	2020	2021	2022	2023	Q1 2024	Q2 2024	Q3 2024
Causeway Bay	2.6%	13.1%	7.9%	7.9%	2.6%	2.6%	2.6%	2.6%
Central	10.0%	18.3%	9.9%	11.3%	8.5%	7.0%	7.0%	8.6%
Tsimshatsui	3.6%	17.9%	13.1%	16.7%	10.7%	11.8%	10.6%	9.4%
Mongkok	12.7%	23.6%	14.5%	12.7%	10.9%	11.1%	11.1%	8.4%
Overall	7.3%	18.5%	11.7%	12.9%	8.9%	9.1%	8.8%	8.0%

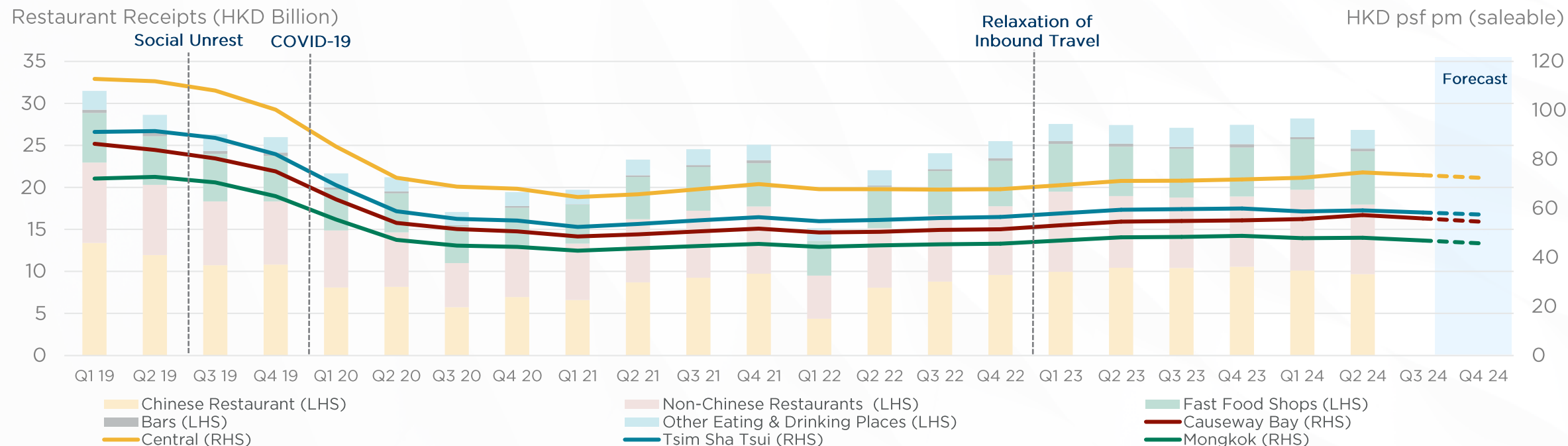


Source: The Land Registry; Market Info; Cushman & Wakefield Research

F&B RENTS SHOWED SIGNS OF DECLINE AGAIN

F&B operators remained cautious, impacted by outbound traveling of local residents

Districts	2019	2020	2021	2022	2023	Q1 2024	Q2 2024	Q3 2024	Q-o-Q Δ	YTD Δ	Y-o-Y Δ	2024F
Causeway Bay	\$75.1	\$50.6	\$51.8	\$51.5	\$55.1	\$55.7	\$57.3	\$55.9	-2.5%	1.4%	1.9%	0 ~ -2%
Central	\$100.3	\$68.1	\$69.9	\$67.9	\$71.8	\$72.5	\$74.7	\$73.6	-1.5%	2.5%	3.2%	0 ~ 2%
Tsimshatsui	\$82.1	\$55.0	\$56.4	\$56.5	\$60.0	\$58.8	\$59.2	\$58.4	-1.5%	-2.7%	-2.3%	-3 ~ -5%
Mongkok	\$65.0	\$44.3	\$45.5	\$45.6	\$48.8	\$47.8	\$48.1	\$46.9	-2.5%	-4.0%	-3.0%	-5 ~ -7%



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

BANKS' AND FINANCIAL INSTITUTIONS' LEASED PRIME AREAS IN CORE LOCATIONS

More wealth management and financial centres to serve high-net-worth customers and gain public exposures

Wealth Management Centres



BEA SupremeGold Centre
@Harbour City, TST
Opened in Q2 2024



China CITIC Bank International's
new ESG Flagship Branch
@Canton Road, TST
Opened in Q1 2024



DBS Treasures Centre
@Queen's Road Central, Central
Opened in Q1 2024

Securities Stores



FUTU Store
@Argyle Street, MK
Opened in Q3 2024



FUTU Store
@Russell Street, CWB
To be opened



Retail Market Q3 Review & Outlook

Key Takeaways

1

Retail sales growth declined further, amid the structural change of visitors' consumption habits and frequent outbound travels by residents during summer holiday

2

The market continued to see expansion activities by local and international brands on high streets, taking advantage of the attractive rental level

3

Vacancy rates across districts largely stabilized; high street retail rents in core areas maintained low single-digit growth rates within 3% q-o-q

4

Banks and financial institutions are actively opening wealth management centres and physical stores in prime locations to draw greater customer exposure

5

With the support from Central Government's stimulus measures, the expected weakening of the HKD, and the comeback of the stock market, tourist footfall and consumption are expected to gradually recover

03

RESIDENTIAL
MARKET



RESIDENTIAL SALES MOMENTUM HAS WEAKENED SINCE MAY

No. of residential S&Ps has recorded a q-o-q decline of 43% in Q3

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	3,856	7%
Jul	5,709	...	5,393	4,243	3,515	6,091	4,805	6,133	7,579	3,671	3,065	3,723	21%
Aug	8,087	...	3,896	5,821	4,014	4,822	4,084	4,358	5,546	4,137	3,247	3,654	13%
Sep	7,301	...	4,263	7,826	5,629	3,500	3,447	5,024	5,844	3,875	2,862	2,848	0%
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 - Sep	62,298	...	45,813	37,811	45,271	48,309	46,856	42,792	59,100	36,664	35,396	38,001	7%

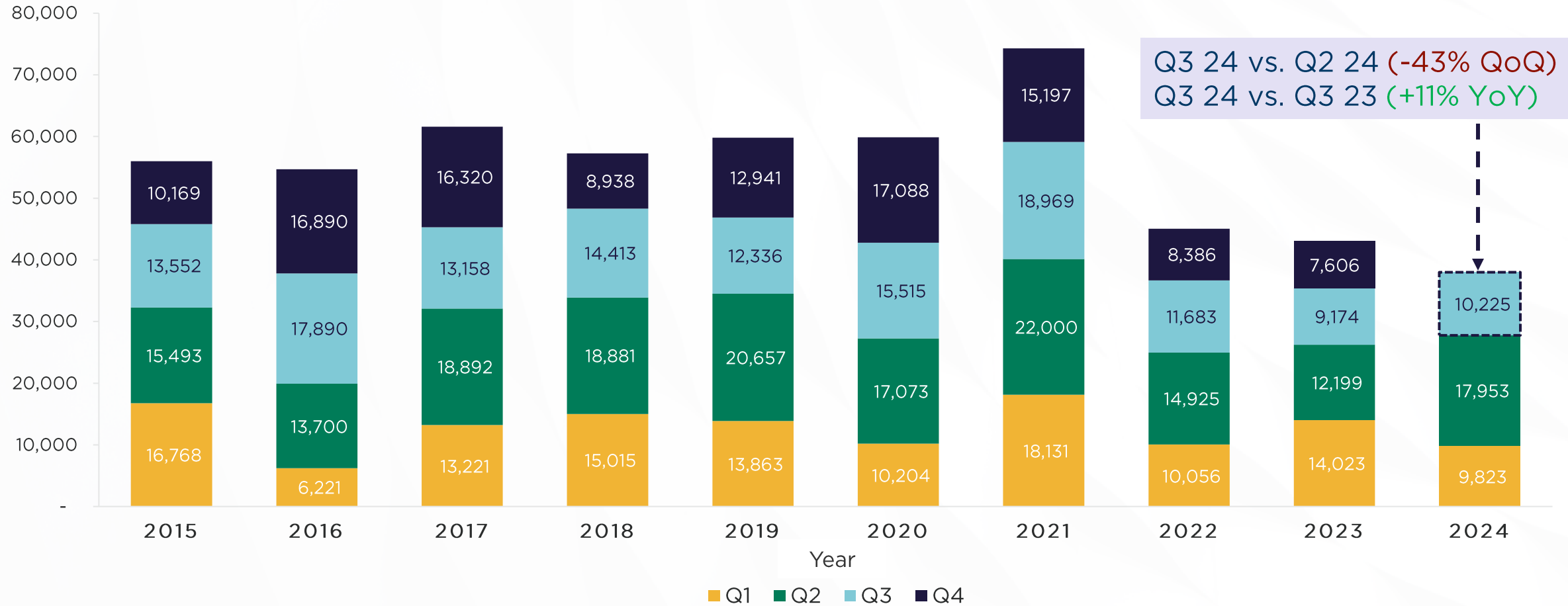
Note: S&Ps: Sales & Purchase Agreements
Source: Land Registry; Cushman & Wakefield Research

Q3 24 vs. Q2 24 (-43% QoQ)
Q3 24 vs. Q3 23 (+11% YoY)

TOTAL RESIDENTIAL S&PS – HISTORICAL COMPARISON

Recorded circa 10,200 cases in Q3 2024

No. of Residential S&Ps

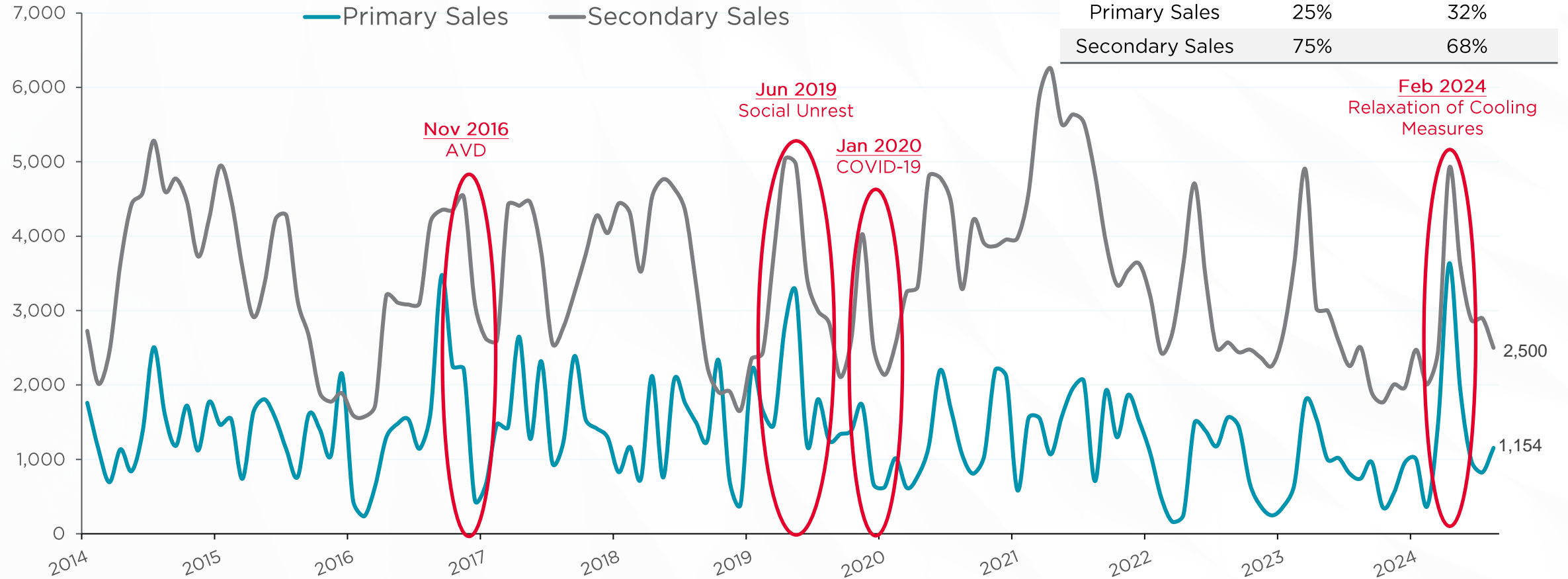


Note: S&Ps: Sales & Purchase Agreements
Source: Land Registry; Cushman & Wakefield Research

PRIMARY AND SECONDARY SALES

Primary housing market maintained its momentum

No. of Residential S&Ps



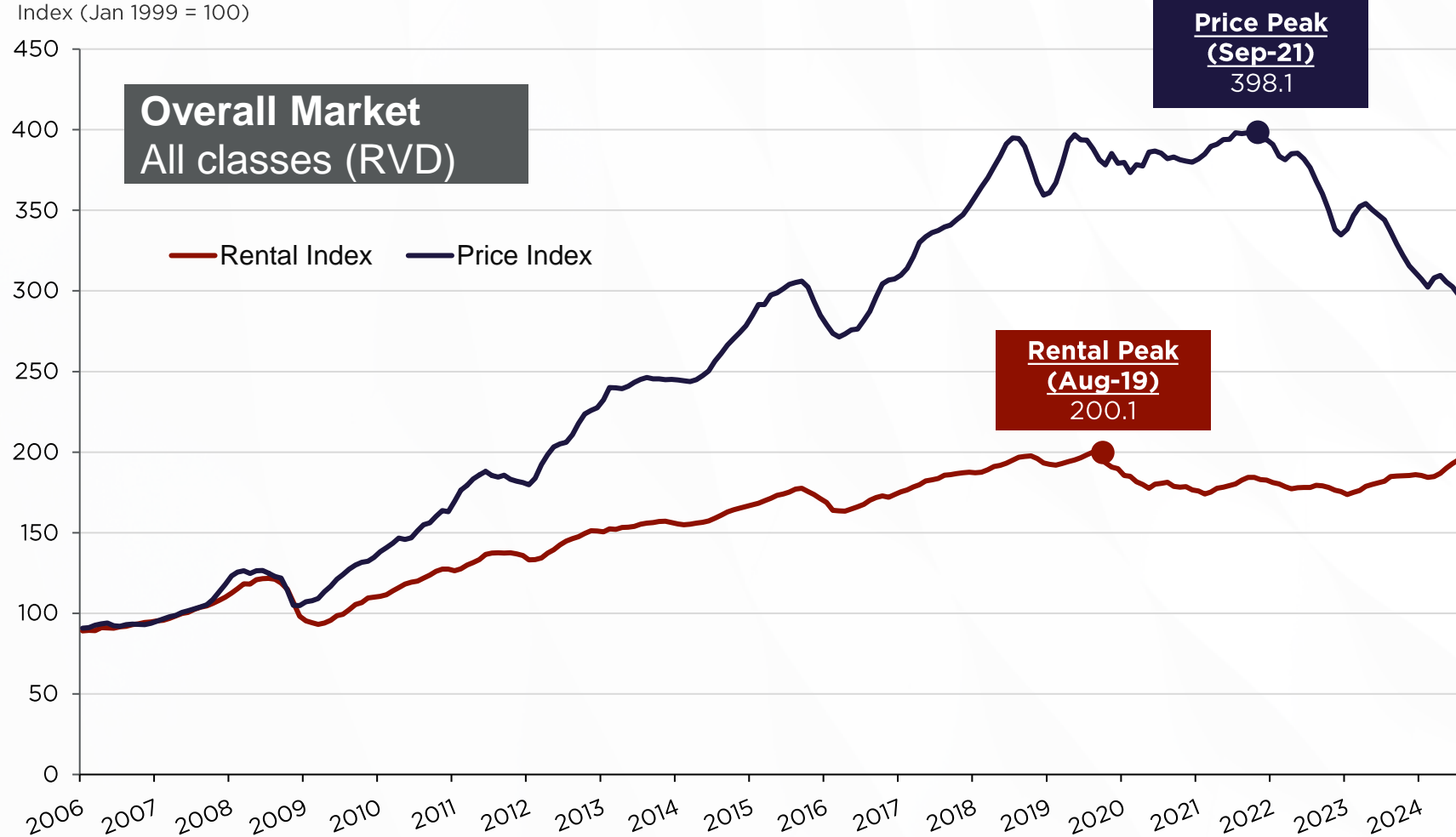
Breakdown of Residential Sales (%)

	2023	Jan- Aug 2024
Primary Sales	25%	32%
Secondary Sales	75%	68%

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

HOME PRICES RETREATED 6.2% YTD, BUT RENTS INCREASED 6.2% DURING THE SAME TIME

Residential leasing demand has been supported by incoming talents and students



Price Changes (%) August 2024*	
YTD	-6.2%
Y-o-Y	-13.3%
From Sep-21 (Historical Peak)	-26.6%

Rental Changes (%) August 2024*	
YTD	+6.2%
Y-o-Y	+6.8%
From Aug-19 (Historical Peak)	-1.3%

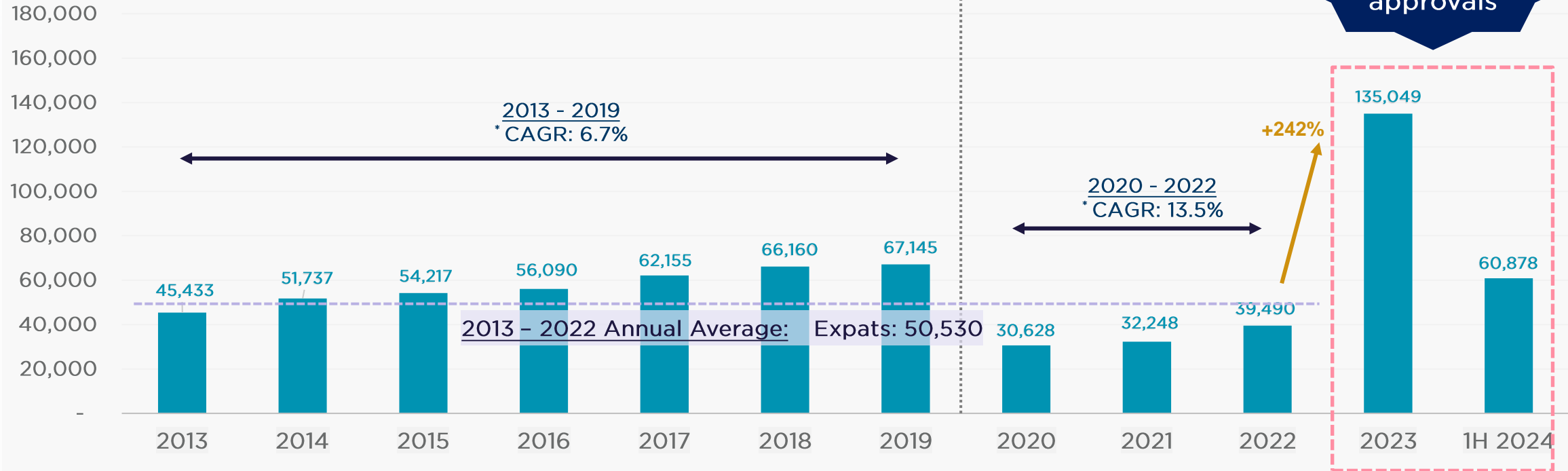
* Preliminary figure from Rating & Valuation Department as of August 2024
Source: Rating & Valuation Department; Cushman & Wakefield Research

“TRAWL FOR TALENT” SCHEME BOOSTED HOUSING NEEDS FROM EXPATS

2023 and 1H 2024 witnessed a strong rebound of expats' approval

Entry Permits Approved for Expats

No. of Permits



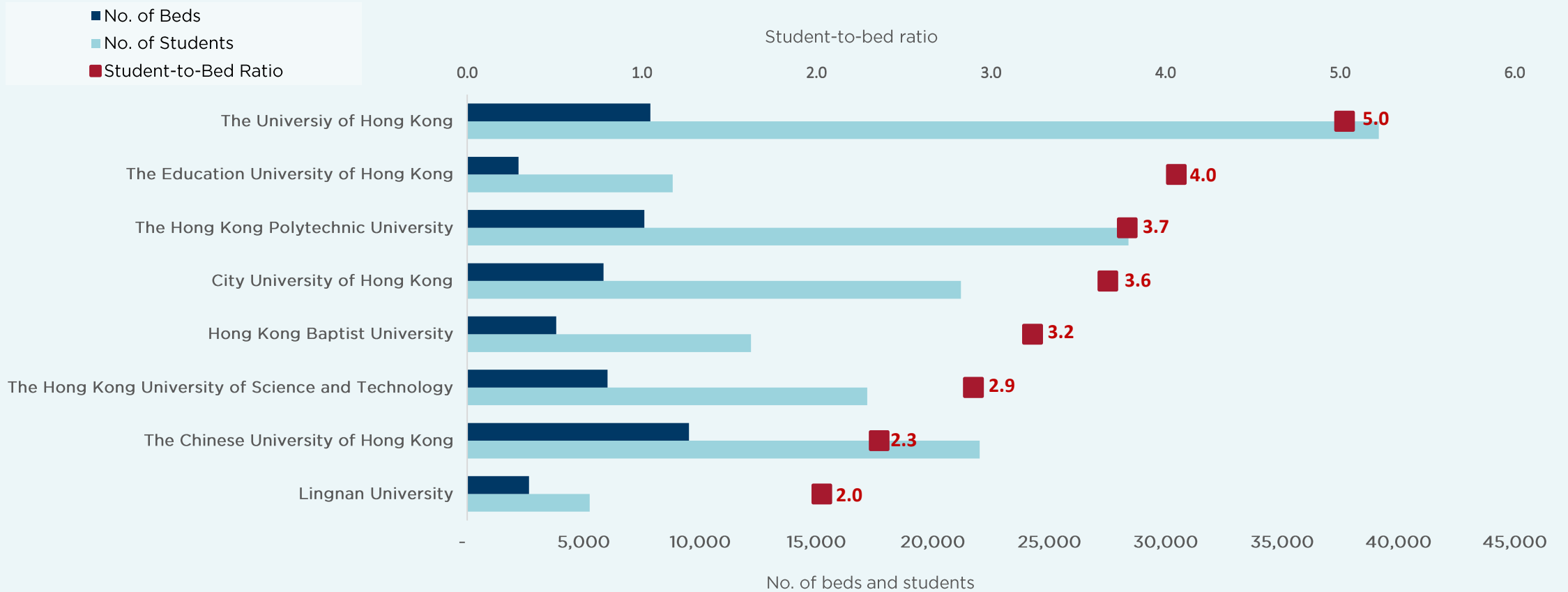
Note: * CAGR: Compound Annual Growth Rate

Source: Cushman & Wakefield Research; Immigration Department

HOUSING CHALLENGES FACING BY THE INCOMING STUDENTS

On average, more than three students competing for a bed in campus

Student-to-bed Ratio in HK's 8 Major Universities: 3.4 to 1



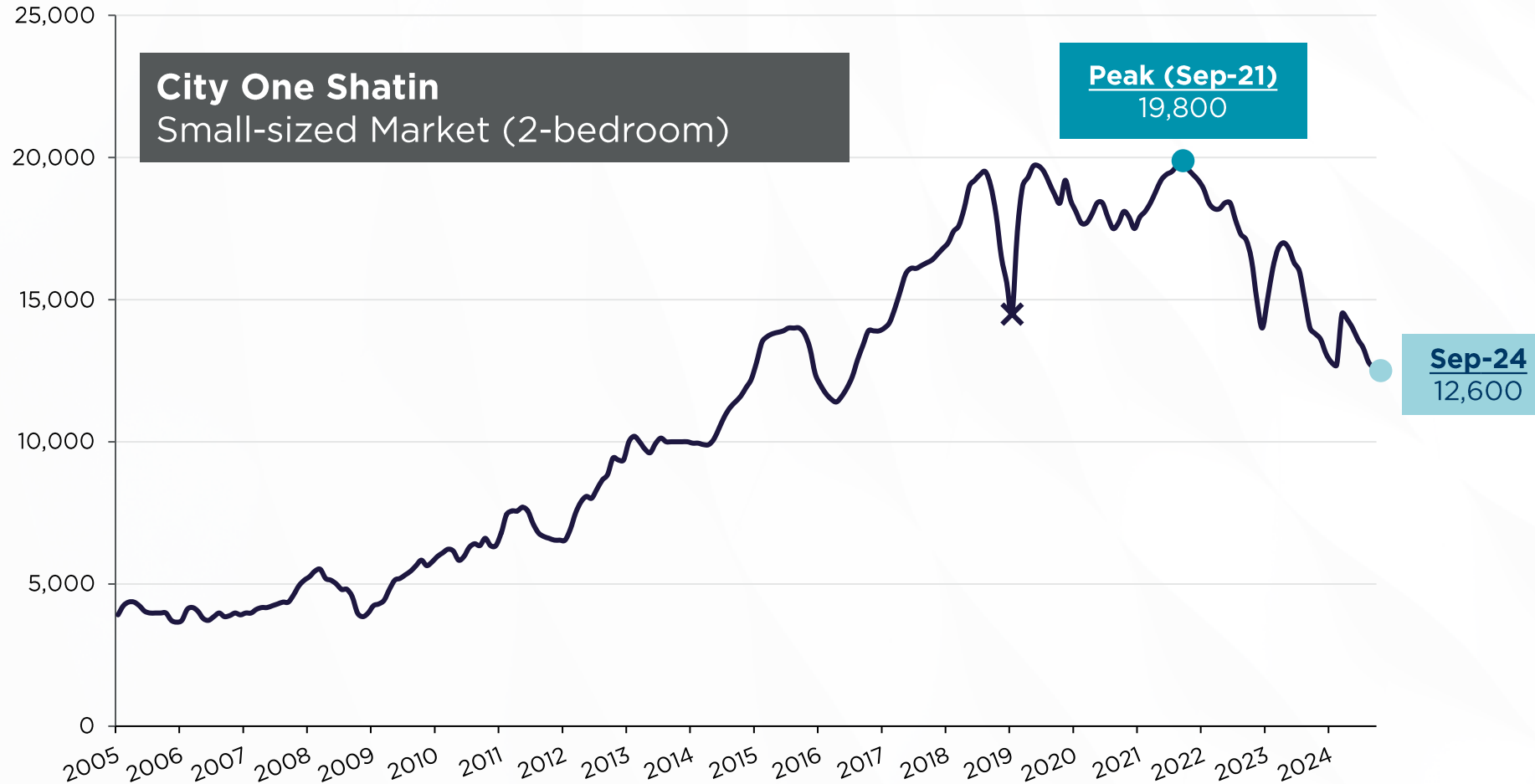
Source: Cushman & Wakefield Research; University websites

Note: Number of student bed figures up to Aug 2024; Student nos. of CUHK, HKUST, HKU are up to academic year 2023/24, others are up to 2022/23.

MASS MARKET RESIDENTIAL PRICE

Prices at City One Shatin (Phase 4) retreated 7.4% q-o-q

HKD psf (Saleable)

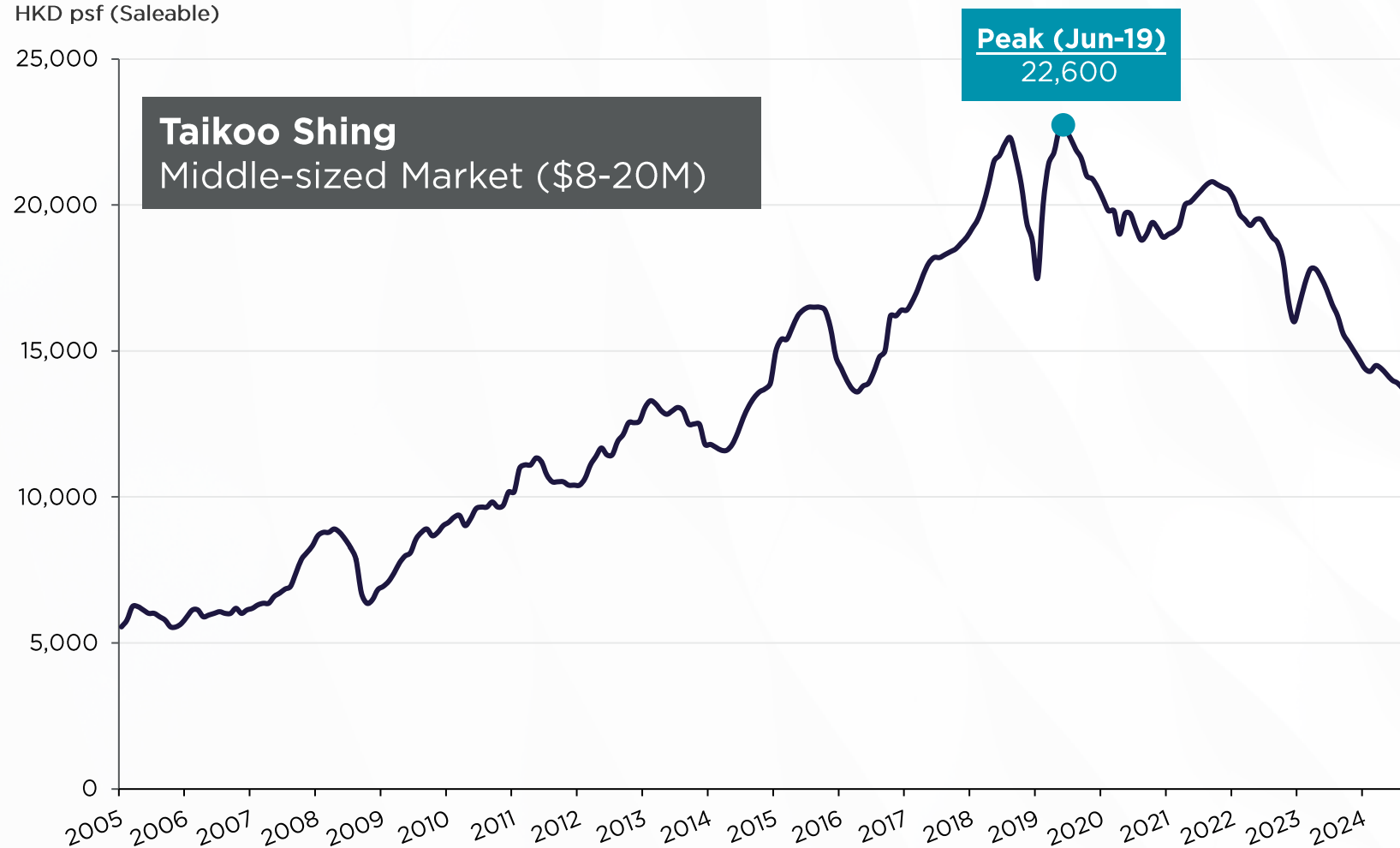


Residential Price Changes (%) Sep 2024	
Q-o-Q	-7.4%
YTD	-3.8%
Y-o-Y	-10.0%
From Sep-21 (Historical Peak)	-36.4%

Source: Cushman & Wakefield Research

MIDDLE MARKET RESIDENTIAL PRICE

Prices at Taikoo Shing (Kao Shan Terrace) dropped further by 3.6% q-o-q



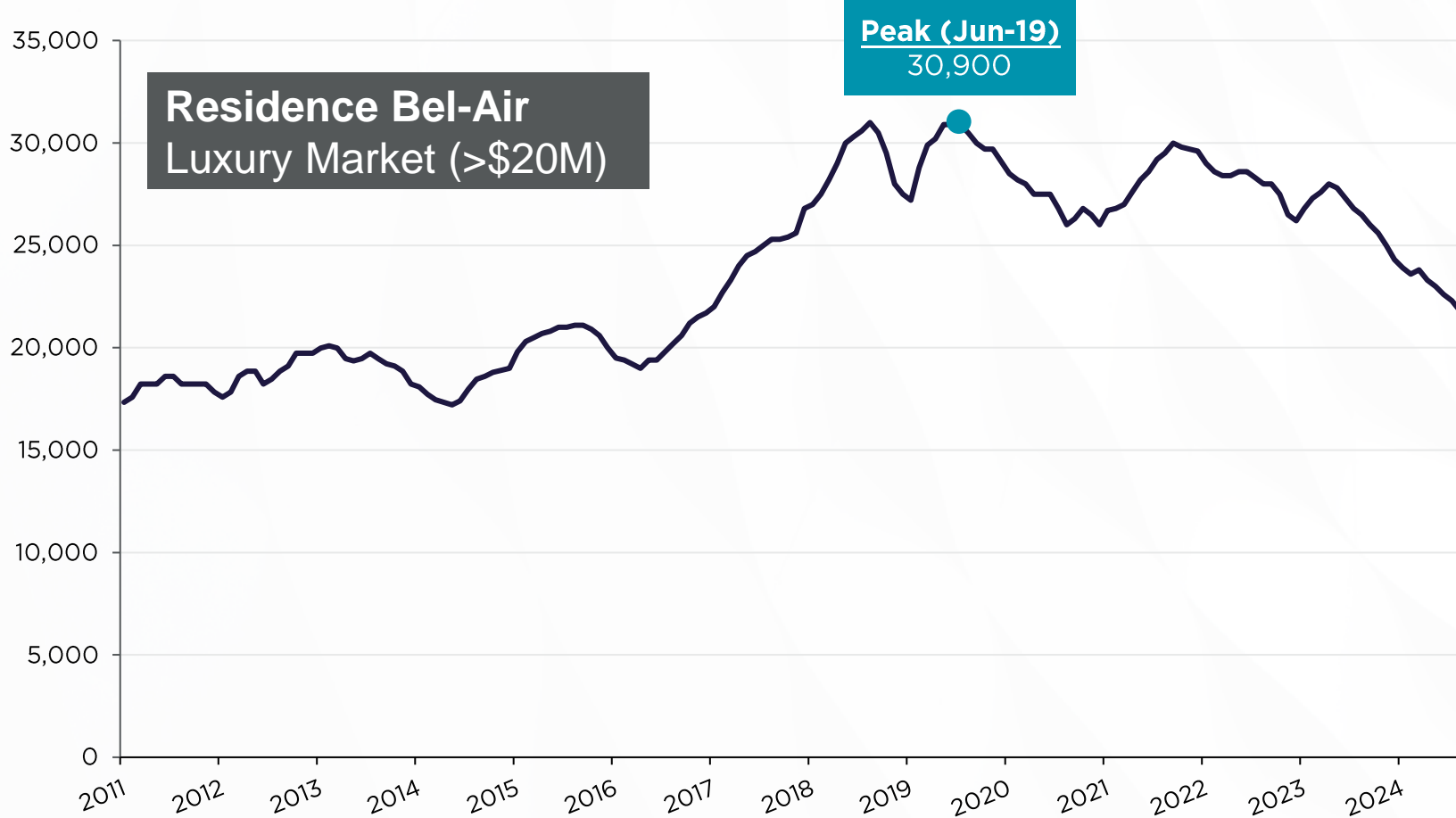
Residential Price Changes (%) Sep 2024	
Q-o-Q	-3.6%
YTD	-8.2%
Y-o-Y	-13.5%
From Jun-19 (Historical Peak)	-40.3%

Source: Cushman & Wakefield Research

LUXURY MARKET RESIDENTIAL PRICE

Prices at Residence Bel-Air (Phase 2) declined by 4.9% q-o-q

HKD psf (Saleable)



Residential Price Changes (%) Sep 2024	
Q-o-Q	-4.9%
YTD	-11.5%
Y-o-Y	-17.3%
From Jun-19 (Historical Peak)	-30.4%

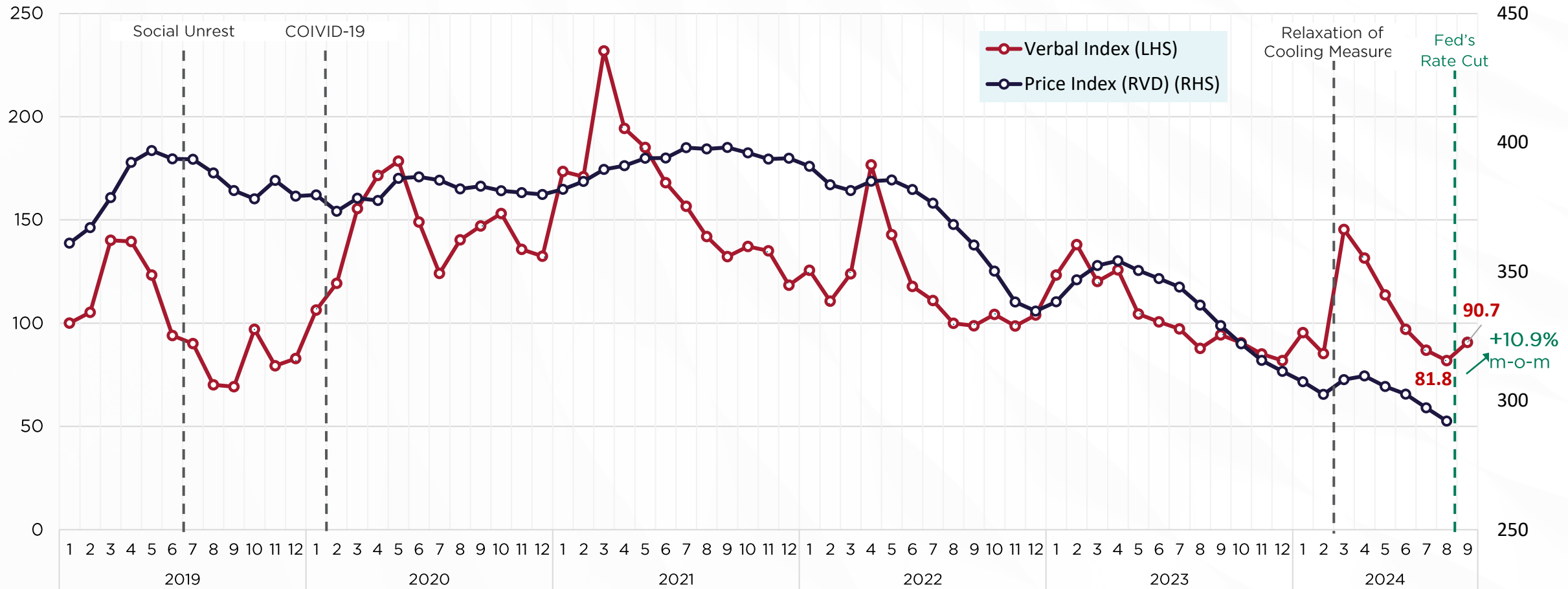
Source: Cushman & Wakefield Research

C&W VERBAL ENQUIRY INDEX: A LEADING INDICATOR TO HOUSING PRICE

Valuation enquiry level increased after rate reduction and stock market rebound

Verbal Index
(Jan 2019 = 100)

Price Index
(1999= 100)





Residential Market Q3 Review & Outlook

Key Takeaways

1

No. of residential S&Ps in Q3 recorded around 10,200 units, up 11% y-o-y, but a drop of 43% q-o-q

2

According to C&W data, overall mass market home prices dropped 4.6% q-o-q in Q3, bringing the YTD correction to 8.3%

3

We expect developers will be more active to launch their new project sales as the US Fed has begun the rate cut cycle

4

Sentiment is expected to pick up in Q4, while full-year residential transaction volume is expected to see an increase of 15-20% to around 50,000 units

5

Home prices are forecasted to fall within a 5% range for the full year of 2024

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