

## MARKETBEATS

**76.7**NET EFFECTIVE RENT  
(HKD PSF/MO)**-0.4%**RENTAL GROWTH  
(QOQ)**8.5%**

AVAILABILITY RATE

WHAT'S  
NEXT

## HIGHLIGHTS

**Leasing Activity Focused on Decentralized Areas**

Ongoing trade frictions continued to cast a cloud over Hong Kong's office leasing market. Activity was largely concentrated in non-core areas as MNCs continued to seek cost-saving options. Relocating from Greater Central, the Securities and Futures Commission and FTLife Insurance committed to a combined 227,000 sq ft in Hong Kong East and Kowloon East, respectively. Coupled with the realization of pre-commitments in several new completions, net absorption for the overall market amounted to 498,100 sq ft in Q2.

**Rentals Dip for First Time in Nearly 5 Years**

Overall market rents retreated on average for the first time since Q3 2014, edging down 0.4% q-o-q in Q2. Average rentals in Wanchai/Causeway Bay and Greater Central decreased the most, down 2.1% q-o-q and 0.6% q-o-q respectively, due to an uptick in availability in the two submarkets. The decline offset rental growth in some other areas, especially in Hong Kong East (up 1.4% q-o-q).

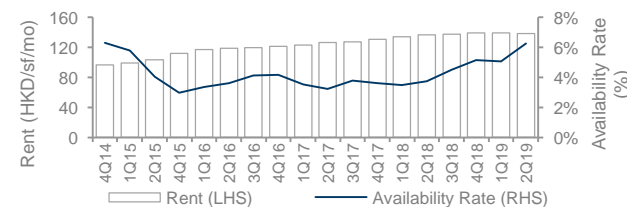
**Core Rentals to Remain under Pressure**

In view of weak PRC demand and ongoing MNC decentralization, the rental in core areas, especially those in Greater Central and Wanchai/Causeway Bay, are expected to soften further over the remainder of the year. Supported by strong relocation demand from cost-conscious MNCs, the rental in Hong Kong East and Kowloon East, by contrast, are expected to remain relatively stable.

**ECONOMIC INDICATORS**

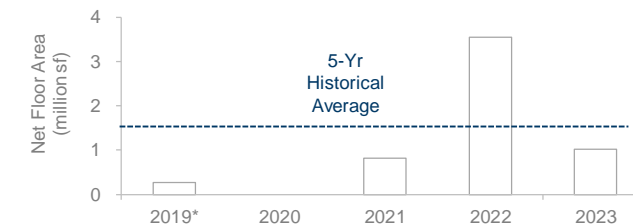
	Q4 2018	Q1* 2019	12-Month Forecast
GDP Growth	1.2%	0.6%	▼
CPI Growth	2.5%	2.1%	▼
Unemployment Rate	2.8%	2.8%	▲

Source: Hong Kong Census and Statistics Department, Oxford Economics  
 \* Provisional figures

**GRADE A CBD RENT AND AVAILABILITY**

Source: Cushman & Wakefield Research

\* Availability rate includes stock that has been confirmed to return to the market over the next 12 months

**FUTURE SUPPLY**

Source: Cushman & Wakefield Research

\* Refer to 2019 Q3 - Q4

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DATA  
INTO  
ACTION

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SUBMARKET	INVENTORY (SF)	AVAILABILITY RATE	PLANNED & UNDER CONSTRUCTION 2019-2023* (SF)	GRADE A NET EFFECTIVE RENT		
				HKD\$/SF/MO	US\$/SF/MO	EUR/SF/MO
Prime Central	7,552,275	4.9%	700,100	163.3	US\$20.8	€ 18.6
Greater Central	15,432,161	6.3%	925,100	138.2	US\$17.6	€ 15.7
Wanchai / Causeway Bay	9,341,091	7.3%	164,200	77.4	US\$9.9	€ 8.8
Hong Kong East	8,719,626	7.6%	737,100	56.7	US\$7.2	€ 6.4
Hong Kong South	2,323,772	9.0%	157,200	36.3	US\$4.6	€ 4.1
Greater Tsimshatsui	9,758,030	5.5%	273,300	68.4	US\$8.7	€ 7.8
Kowloon East	14,840,754	14.3%	2,062,400	36.5	US\$4.7	€ 4.2
Kowloon West	3,589,356	7.2%	1,354,700	44.9	US\$5.7	€ 5.1
<b>HONG KONG OVERALL TOTAL</b>	<b>64,004,790</b>	<b>8.5%</b>	<b>5,674,000</b>	<b>76.7</b>	<b>US\$9.8</b>	<b>€ 8.7</b>
Core	34,531,282	6.3%	1,362,600	102.1	US\$13.0	€ 11.6
Non-Core	29,473,508	11.0%	4,311,400	43.7	US\$5.6	€ 5.0

Exchange Rate: 1USD = 0.893136 EUR = 6.89396 RMB = 7.84947 HKD = 31.4690 TWD (as of May 27, 2019)

\*All areas presented are on NFA bases

## KEY LEASING TRANSACTIONS 2Q19

PROPERTY	SUBMARKET	TENANT	SF (NFA)	LEASE TYPE
One Island East	Hong Kong East	Securities and Futures Commission	136,200	Relocation
NEO	Kowloon East	FTLife Insurance	86,500	Relocation / Expansion
Kingston International Centre	Kowloon East	Anglo-Eastern Ship Management	49,800	Relocation
One Island East	Hong Kong East	Aon Insurance	39,000	Relocation

## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
The Gateway Extension	Greater Tsimshatsui	WeWork	273,300	3Q 2019
7 Wang Tai Road	Kowloon East	N/A	302,200	1Q 2021
NKIL 6582	Kowloon West	N/A	366,200	2Q 2021
Two Taikoo Place	Hong Kong East	N/A	737,100	1Q 2022
91 King Lam Street	Kowloon West	N/A	720,100	3Q 2022
NKIL 6572	Kowloon West	N/A	268,400	2Q 2023
Hutchison House Redevelopment	Greater Central	N/A	370,100	4Q 2023