

32.4B
YTD Investment Volume (HKD) **48.3%**
Y-o-Y Chg

15,800
Office Capital Value (HKD/sf) **-9.0%**
Y-o-Y Chg

2.5%
Office Gross Yield **-**
Y-o-Y Chg

Source: Cushman & Wakefield Research

ECONOMIC INDICATORS Q2 2021

7.9%
GDP growth (Q1 2021) **▲** YoY Chg **▼** 12-Mo. Forecast

1.0%
CPI growth* (May 2021) **▲** YoY Chg **▲** 12-Mo. Forecast

1.45%
10-year government bond rate (U.S.) (Jun 2021) **▼** YoY Chg **▬** 12-Mo. Forecast

Source: Hong Kong Census and Statistics Department;
U.S. Department of Treasury; Moody's Analytics
* Composite CPI, non-seasonally adjusted

Industrial Continued to Outperform Other Sectors

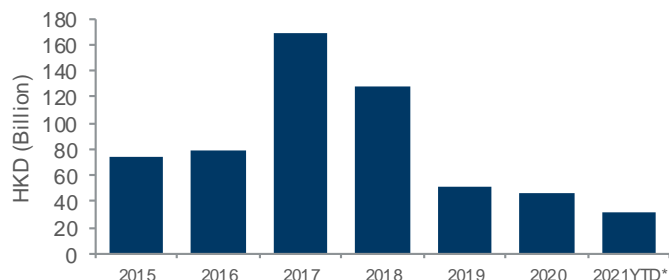
Hong Kong's investment market continued to gain momentum in Q2 on the back of the stronger-than-expected economic recovery, low interest rate environment, and rising rate of COVID-19 vaccination. Forty-one commercial property deals at more than HK\$100 million were recorded in the quarter, up 41% q-o-q and more than double the number of deals closed in Q2 of 2020. Total transaction volume amounted to HK\$23.5 billion, soaring by 162% q-o-q from the HK\$9.0 billion recorded in Q1.

The spike in transaction volume was largely driven by an en-bloc transaction of Kowloon Bay International Trade & Exhibition Centre for an eye-watering HK\$10.5 billion, contributing 45% of the total consideration for Q2. The existing building is expected to be redeveloped into a massive commercial complex. In terms of consideration, the deal was the largest since Q2 2020, when China's PingAn Insurance acquired 30% of the office portion of the XRL site atop West Kowloon Station from Sun Hung Kai Properties for HK\$11.3 billion.

Apart from this extraordinary transaction, industrial properties remained the most sought after by investors, thanks to favorable government policies, relatively lower unit prices and greater viability in redevelopment options. The quarter saw 12 industrial properties changing hands, including 5 en-bloc assets, amounting to a sum of HK\$6.1 billion – 50% higher than the amount recorded in Q1. Notably, institutional funds continued to be among the most active players in this sector. ESR, a HK-based logistics real estate developer and fund manager, expanded its portfolio by adding Brilliant Cold Storage Phase 2, an en-bloc industrial building in Kwai Chung, for HK\$1.8 billion. The development is reported to be redeveloped into a data center, a niche sector that received a boost by the outbreak of the pandemic.

The retail sector remained the most active in terms of number of transactions. The disposal of retail properties, particularly neighborhood shops, by the family of the city's late "Shop King," Tang Shing Bor, led investment activity into the sector as the family sought to dispose of assets at a discount in exchange for liquidity. Amongst the 17 retail transactions recorded in the quarter, seven were from the estate, for a combined HK\$2.1 billion, representing 45% of total consideration recorded for the sector.

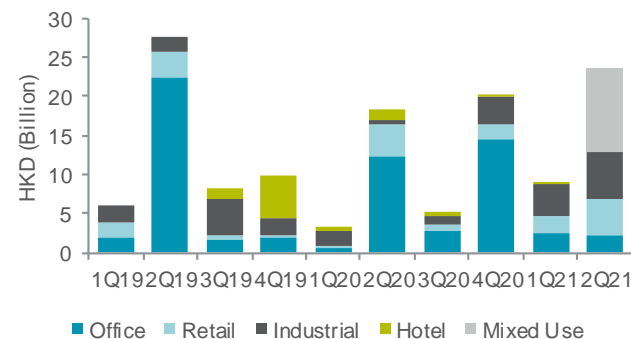
OVERALL COMMERCIAL INVESTMENT VOLUME

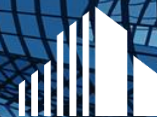


*: Data as of end of Jun 2021

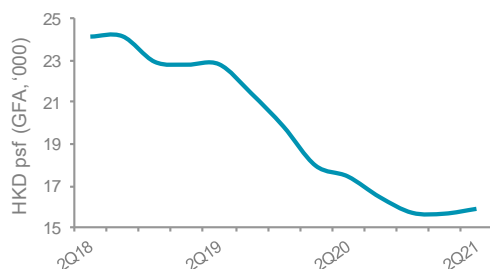
Source: EPRC; Media articles; HKEx; Cushman & Wakefield Research

INVESTMENT VOLUME BY SECTOR

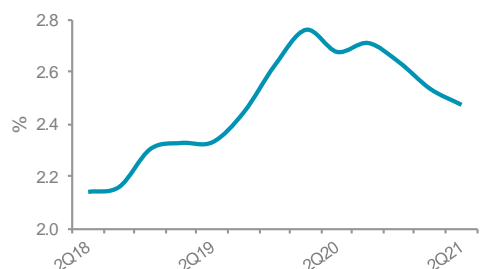




Capital Value (Office)



Gross Yield (Office)



Source: Cushman & Wakefield Research

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In the face of an ongoing rental adjustment and weakening occupier demand, office assets are currently less favored investment options. In Q2, total investment volume into the sector dipped by 13% q-o-q to HK\$2.2 billion. However, end-users took the opportunity to buy in at non-core areas for self-occupation. Two separate deals at 888 Lai Chi Kok Road, Cheung Sha Wan, were concluded by a government statutory body and a local university for a combined HK\$406 million, an average of HK\$11,900 psf.

Industrial Properties and Community Shopping Centers to Be Keenly Sought After

We anticipate that commercial property transactions will be concentrated in a few sectors in 2H. Undoubtedly, industrial properties will remain favored by investors, thanks to rapidly expanding demand for modern industrial assets as a result of the rising adoption of e-commerce. Data centers and cold storage facilities are among the most appealing sectors for investors, especially institutional players.

During the pandemic period, community shopping centers have been outperforming when compared with high-street shops and high-end malls in the core markets. With strong support from domestic shoppers, this has been proven to be a defensive asset class to guard against economic turmoil. Going forward, we believe investments into this segment will gradually expand as sophisticated investors search for ways to diversify their asset portfolios.

International buyers are projected to remain on the sidelines until the resumption of cross-border travel, except those having existing local presence. As such, local players including local fund managers and developers will continue to dominate the market across most sectors, at least in the near-term.

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (HKD MN)
Kowloon Bay International Trade & Exhibition Centre, 1 Trademart Drive (En-bloc)	Kowloon Bay	Consortium led by Billion and CSI	Hopewell Holdings	Mixed-use	10,500 (~HK\$5,932 psf)
Brilliant Cold Storage Phase 2, 11-19 Wing Yip Street (En-bloc)	Kwai Chung	ESR	Local Investor	Industrial	1,800 (~HK\$6,126 psf)
New Media Tower, 82 Hung To Road (En-bloc)	Kwun Tong	Blackstone	Emperor Group	Industrial	508 (~HK\$5,676 psf)
C Wisdom Centre, 35-37 Hollywood Road, (En-bloc)	Central	Private Investor	Private Investor	Office	430 (~HK\$18,000 psf)
Retail Podium, Peninsula East, 9 Shun Yiu Street	Yau Tong	Private Investor	Wheelock Properties	Retail	310 (~HK\$6,139 psf)

Source: EPRC; Media articles; HKEx; Cushman & Wakefield Research