

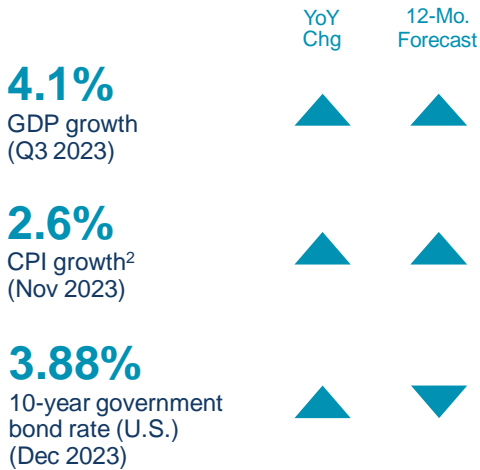
HONG KONG

Capital Markets Q4 2023



Source: Cushman & Wakefield Research
¹ Data as of 31 Dec 2023

ECONOMIC INDICATORS Q4 2023



Source: Hong Kong Census and Statistics Department; U.S. Department of Treasury; Moody's Analytics
² Composite CPI, non-seasonally adjusted

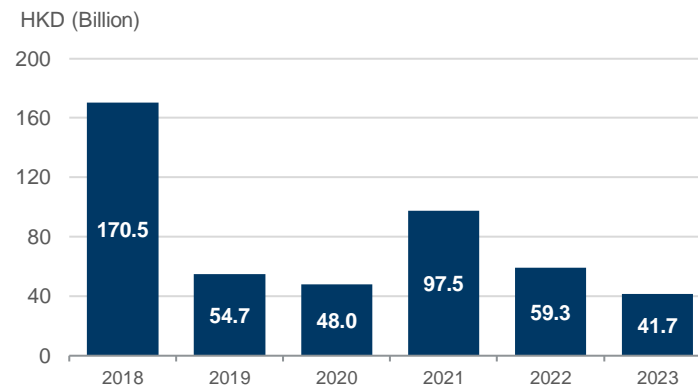
Investors Remain Cautious, Local Capital and End-Users Predominantly Driving Transactions

Investment sentiment in Hong Kong remained cautious in Q4 2023, given the persistent high interest rate environment and with limited assets offering attractive rental returns. The Q4 total large-sized (>HK\$100 million) non-residential investment volume recorded HK\$13.6 billion, up 39.7% q-o-q, although still down 11.2% y-o-y, and chiefly supported by a notable transaction of HK\$5.4 billion. Price corrections in different asset classes have provided a window for end-users, as well as capital-rich investors with fewer properties in their portfolio, to bargain-hunt before interest rates fall and property prices rise again. Looking at the source of capital in Q4, fourteen of the 18 deals were driven by local purchasers, accounting for more than 70% of the total investment volume, with three deals from mainland China capital. Investment activity by foreign capital remained quiet amid high lending rates, with just one deal involving an international real estate fund.

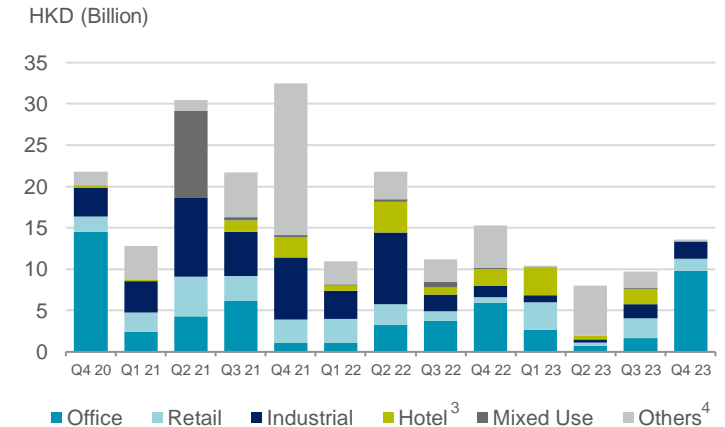
Among all asset sectors, eight deals in the office sector comprised 72% of Q4 total investment volume. The HK\$5.4 billion purchase of 12 office floors at Swire Properties' One Island East in Quarry Bay by the Hong Kong Securities & Futures Commission, an existing tenant at the property, marked the largest investment transaction of 2023. The office space will serve as the regulator's headquarters, helping to hedge long-term rental expenses while reducing the risk of future office relocation. A second notable office transaction in Q4 was the en-bloc acquisition of Henderson Land's Harbour East in North Point at HK\$2.2 billion by mainland China sportswear brand Li Ning, who plan to use part of the property as the group's Hong Kong headquarters. Office property prices have now corrected notably since 2019, making the sector attractive for existing end-users and local investors, and leading to the noted rise in office transactions in this quarter.

Five industrial assets were transacted in Q4, accounting for 15% of the quarter's total consideration. With an aim to extend its warehouse network in the Northern Metropolis area, China Resources Logistics acquired the en-bloc Kerry Warehouse (Fanling 1) from Kerry Logistics for HK\$1 billion, taking advantage of the property's proximity to several land-boundary control points.

OVERALL INVESTMENT VOLUME



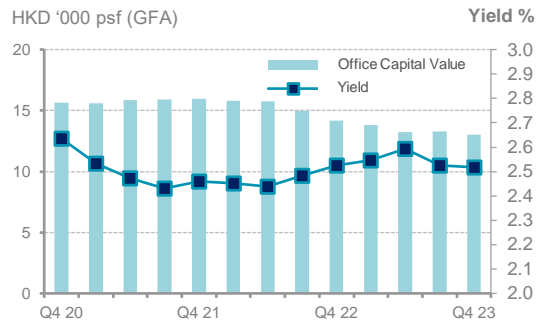
INVESTMENT VOLUME BY SECTOR



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

³ "Hotel" category includes investment for co-living and rental apartments; ⁴ "Others" category covers carparks and private sites for development or conversion purpose.

Office Capital Value and Gross Yield



Source: Cushman & Wakefield Research

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About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In Greater China, a network of 23 offices serves local markets across the region. In 2022, the firm reported global revenue of US\$10.1 billion across its core services of valuation, consulting, project & development services, capital markets, project & occupier services, industrial & logistics, retail and others. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com.hk or follow us on LinkedIn (<https://www.linkedin.com/company/cushman-&-wakefield-greater-china>).

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Institutional investors are also showing interest in the industrial sector, supported by greater demand for storage space arising from the e-commerce boom and high-density living in Hong Kong. During the quarter, a JV between global real estate fund Blackstone and a local operator purchased the 17-story Hale Weal Industrial Building in Tsuen Wan for HK\$560 million, with plans to convert the property into a self-storage facility.

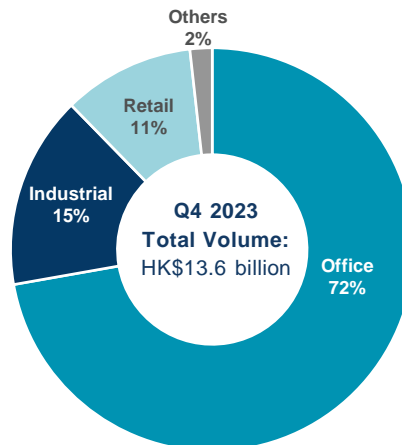
The retail sector represented 11% of total investment volume in Q4, led by the sale of Sunbeam Theatre in North Point at a consideration of HK\$800 million, illustrating the redevelopment potential of the landmark. Neighborhood malls and high street stores with stable incomes were also favored by investors. Golden Digital, a retail complex in Sham Shui Po, was sold by Singapore-based ARA Asset Management for HK\$350 million, while Bayview Garden Shopping Centre, a retail podium in Tsuen Wan, was transacted at HK\$180 million. A high street shop on Lee Garden Road in Causeway Bay was sold for HK\$100 million.

In the land market, a portfolio of private lots in the San Tin area was purchased by a consortium of local developers in the quarter, contributing to 2% of the total Q4 consideration. We believe this investment demonstrates the confidence of developers in the prospects of the government-led Northern Metropolis program.

End-Users to Become Key Market Drivers, Total Transaction Volume in 2024 Expected to Reach HK\$50 Billion

Looking ahead to 2024, the high-rate environment is expected to persist, with borrowing costs likely to stay high. Having said that, we expect to see more bottom-fishing activities by end-users, while investors will continue to seek hotel sector opportunities with good locations and conversion potential into rental apartments such as co-living, multi-family and student housing, on the back of the government's expansion of talent schemes. In addition, we expect that more en-bloc or large-sized transactions could emerge next year, as the market continues to see distressed or receivership assets coming to sale with discounted pricing. We forecast total transaction volume to pick up to reach around HK\$50 billion in 2024.

Q4 2023 TRANSACTIONS BY SECTORS



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

Q4 2023 KEY INVESTMENT TRANSACTIONS

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (HKD MN)
One Island East (12 office floors)	Quarry Bay	Securities & Futures Commission of Hong Kong	Swire Properties	Office	5,400
Harbour East (En-bloc)	North Point	Li-Ning	Henderson Land	Office	2,208
Kerry Warehouse (Fanling I) (En-bloc)	Fanling	China Resources Logistics	Kerry Logistics	Industrial	1,000
Sunbeam Theatre, 423 King's Road	North Point	Local Investor	Private Investor	Retail	800
67/F, The Center	Central	Local Investor	Private Investor	Office	750