

Office Q4 2023

18.8%
Availability Rate*



388,000
Net Absorption, SF



HK\$47.9
Net Effective Rent, PSF



Source: Cushman & Wakefield Research
(Overall, Grade A, all SF are on NFA basis unless otherwise specified)

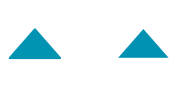
*Note: Availability includes confirmed leasing stock that is currently vacant or becoming vacant over the next 12 months

HONG KONG ECONOMIC INDICATORS Q4 2023

4.1%
GDP Growth
(Q3 2023)



2.6%
CPI Growth*
(Nov 2023)



2.9%
Unemployment Rate**
(Sep – Nov 2023)



Source: Hong Kong Census and Statistics Department, Moody's Analytics
* Composite CPI, non-seasonally adjusted
** 3-month moving average, seasonally adjusted

Rebound in Overall Net Absorption at 388,000 sf, Led by Kowloon West Submarket

Hong Kong Grade A office market net absorption rebounded to 388,000 sf in Q4, predominantly driven by Kowloon West submarket (346,700 sf) where pre-leased space from a new office building completed in Q4 materialized. Net absorption strengthened in most areas except for Greater Central (-130,400 sf) and Hong Kong South (-9,100 sf). Submarkets recording positive net absorption included Kowloon East (107,700 sf), Greater Tsimshatsui (40,700 sf), and Wanchai/Causeway Bay (22,500 sf). Meanwhile, the completion of three new office properties in Q4 resulted in a 1.2 percentage point rise in the overall availability rate, reaching 18.8%#. Consequently, overall rents dropped 2.4% q-o-q to HK\$47.9 per sf per month. More notable declines were observed in Hong Kong South (-2.9% q-o-q) and Kowloon West (-2.9% q-o-q).

Insurance Sector Leads New Lettings With Large-Sized Deal, Other Sectors Show Resilience

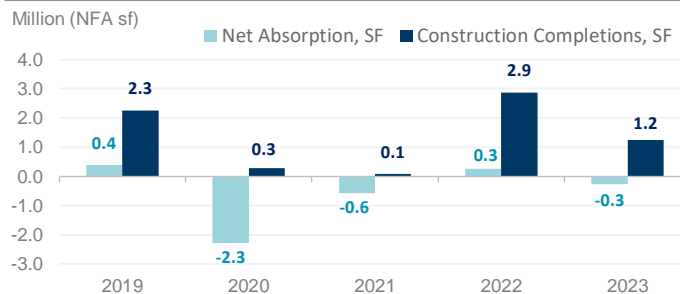
Insurance firms emerged as the most active for new lease activities in Q4, with a significant deal helping the sector to take a 39% share of the total newly leased area. The banking & finance (14%), public sector (13%), consumer products (12%), and professional services (11%) sectors also recorded double-digit shares. In Kowloon West, the new 83 King Lam Street (~784,000 sf) project from New World Development was completed in Q4. The development attracted significant commitment from FTLife Insurance, which pre-leased 185,300 sf of space. In the banking sector, notable deals included U.S.-based financial services firm Fidelity International's lease of 27,900 sf at Three Pacific Place in Wanchai/ Causeway Bay, while the Hong Kong Mortgage Corporation committed to 25,600 sf at the International Commerce Center in Greater Tsimshatsui. In the public sector, the HKSAR Registration and Electoral Office leased two floors totaling 32,400 sf at Millennium City 1 - Standard Chartered Tower in Kowloon East, while the Hong Kong Investment Corporation Ltd secured a 9,400 sf space at One Pacific Place in Greater Central.

High Availability Expected to Further Weigh on Rental Levels in 2024

Looking ahead, business sentiment in Hong Kong is expected to remain cautious amid the prevailing global economic uncertainty, leading occupiers to focus on cost-saving measures. On the supply side, the upcoming pipeline of 1.7 million sf of new space in 2024 is projected to push the availability rate beyond 19%. The high availability is likely to exert further downward pressure on rents in the next 12 months. For the full year of 2024, we expect overall Grade A office rents to further weaken in the range of -7% to -9%. However, the expanded options available at attractive rental levels will present opportunities for occupiers to upgrade premises and prioritize a flight-to-quality approach. This is particularly relevant for corporations seeking office premises that align with their Environmental, Social, and Governance (ESG) requirements within their tenancy agreements.

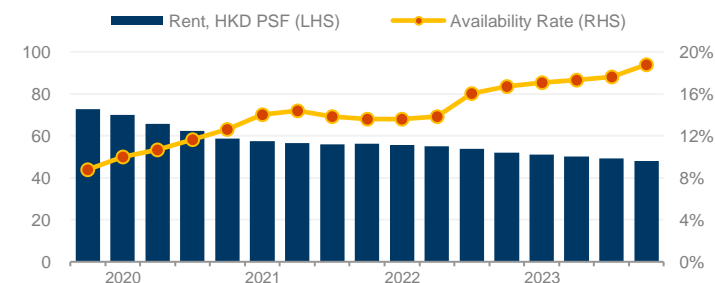
Apart from the new supply completion, an existing office building namely HSBC Centre Tower 1 was also added to the building basket in Q4

NET ABSORPTIONS / COMPLETIONS



Source: Cushman & Wakefield Research

OVERALL GRADE A AVAILABILITY & NET EFFECTIVE RENT



Source: Cushman & Wakefield Research

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	AVAILABILITY (SF)	AVAILABILITY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (2024-2028)*	GRADE A NET EFFECTIVE RENT		
							HKD\$/SF/MO	US\$/SF/MO	EUR/SF/MO
Greater Central	15,521,868	2,203,344	14.2%	-130,377	-330,521	1,289,400	\$85.3	\$10.9	€ 9.9
Wanchai / Causeway Bay	9,279,742	1,320,408	14.2%	22,519	-59,847	1,324,500	\$49.9	\$6.4	€ 5.8
Greater Tsimshatsui	10,073,414	1,583,206	15.7%	40,653	-259,367	2,582,400	\$43.4	\$5.6	€ 5.1
CORE AREA TOTALS	34,875,025	5,106,958	14.6%	-67,205	-649,735	5,196,300	\$63.9	\$8.2	€ 7.4
Hong Kong East	9,430,396	1,700,207	18.0%	9,791	-118,370	-	\$39.4	\$5.1	€ 4.6
Hong Kong South	2,541,890	491,487	19.3%	-9,081	-17,332	626,800	\$27.3	\$3.5	€ 3.2
Kowloon East	16,872,914	4,282,765	25.4%	107,746	216,755	617,800	\$26.0	\$3.3	€ 3.0
Kowloon West	5,246,492	1,390,870	26.5%	346,710	309,836	268,400	\$30.9	\$4.0	€ 3.6
NON-CORE AREA TOTALS	34,091,691	7,865,329	23.1%	455,167	390,888	1,513,000	\$30.7	\$3.9	€ 3.6
OVERALL TOTAL	68,966,716	12,972,286	18.8%	387,962	-258,847	6,709,300	\$47.9	\$6.1	€ 5.6

Exchange Rate: 1 USD = 0.91026438 Euros = 7.8063166 Hong Kong Dollars (as of Dec 15, 2023)

*All areas presented are on NFA bases

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF (NFA)	TYPE
83 King Lam St	Kowloon West	FTLife Insurance	185,300	Consolidation / Upgrading
Millennium City 1 Standard Chartered Tower	Kowloon East	HKSAR Registration And Electoral Office	32,400	Relocation
Three Pacific Place	Wanchai / Causeway Bay	Fidelity International	27,900	Relocation / Downsizing
AIRSIDE	Kowloon East	Puma	27,000	Relocation / Upgrading
International Commerce Center	Greater Tsimshatsui	The Hong Kong Mortgage Corporation	25,600	Relocation / Upgrading

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	OWNER / DEVELOPER	SF (NFA)	COMPLETION YEAR
Cheung Kong Centre II	Greater Central	CK Asset Holdings	432,700	2024
The Henderson	Greater Central	Henderson Land	330,000	2024
Wing Hong St. Commercial Development	Kowloon West	New World Development	268,400	2024
KTR 350	Kowloon East	Laws Group	207,100	2024
Six Pacific Place	Wanchai / Causeway Bay	Swire Properties	164,100	2024

Source: Cushman & Wakefield Research

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