

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
19.3% Availability Rate*	▲	▲
324,100 Net Absorption, SF	▲	▼
HK\$45.9 Net Effective Rent (PSF)	▼	▼

All SF are on NFA basis
*Note: Availability includes confirmed leasing stock that is currently vacant or becoming vacant over the next 12 months

ECONOMIC INDICATORS

	YoY Chg	12-Month Forecast
3.3% GDP Growth (Q2 2024)	▲	▲
2.5% CPI Growth (Aug 2024)	▲	▲
3.0% Unemployment Rate (Jun- Aug 2024)	▲	▲

Source: Cushman & Wakefield Research, Hong Kong Census and Statistics Department, Moody's Analytics

NET ABSORPTION RECORDS 4TH CONSECUTIVE POSITIVE QUARTER

The Hong Kong Grade A office market registered a fourth consecutive quarter of positive net absorption in Q3 2024, chiefly driven by a few large-sized transactions. Despite the positive performance, the Grade A office rental level remained under pressure, retreating 2.4% q-o-q or 4.3% for the year-to-date to record HK\$45.9 per sf per month.

Leasing activities predominantly focused on relocations driven by occupier cost savings, with other moves involving flight-to-quality incentives. Grade A office rents softened more notably in Hong Kong South submarket at -4.7% q-o-q, Hong Kong East at -4.1% q-o-q, and Greater Central at -3.3% q-o-q. Without any new supply completed in Q3 2024, overall availability rate fell for the first time since Q1 2022, registering 19.3% in Q3 2024, down 0.4 percentage point q-o-q.

BANKING & FINANCE UNDERPIN LEASING ACTIVITIES

Total new leasing area in Q3 dropped by 21% q-o-q to record 833,600 sf, but the year-to-date volume of over 2.8 million sf almost surpassed the total of 2024 (3 million sf). Greater Tsimshatsui and Greater Central submarkets accounted for a combined 42% of total leasing deals by leased area.

Of the known new transaction tenant details, the banking & finance sector took a 38% share of total leased area, led by the Industrial and Commercial Bank of China (ICBC)'s commitment of 121,500 sf at One Harbourfront in Greater Tsimshatsui, marking the largest core district office leasing deal in 2024 for the year-to-date. Other notable deals in Q3 included the lease by law firm Holman, Fenwick & Willan, originally based in Admiralty, of two floors in Alexandra House in Central. Far East Horizon also expanded, taking 19,000 sf at International Commerce Centre (ICC) in Greater Tsimshatsui.

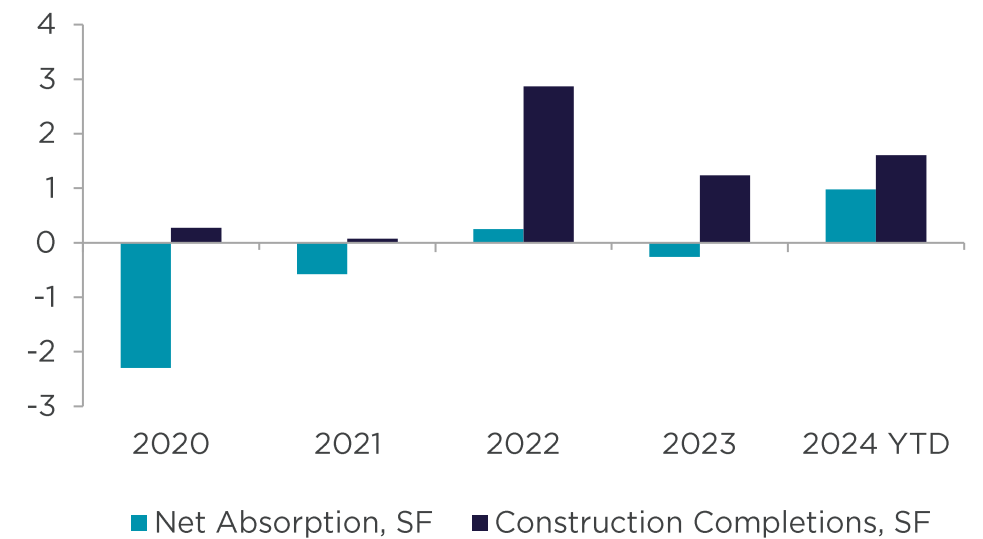
STABLE AVAILABILITY RATE EXPECTED IN COMING 6-9 MONTHS

Looking ahead, we expect that demand from the banking & finance and professional services sectors may gradually recover if the recent stock market recovery and IPO performance can sustain through the coming months.

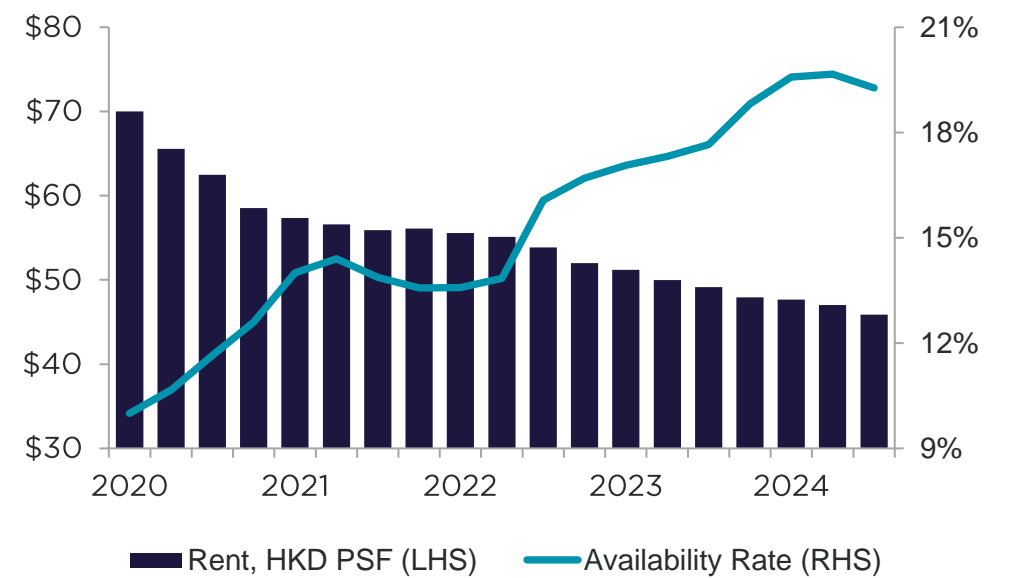
On the supply side, with no major new completions of more than 200,000 sf due in the next six to nine months, the overall availability rate is expected to remain largely stable. Landlords are expected to remain flexible and to offer incentives to compete for tenants amid the high-availability market. Consequently, we expect the current rental correction to continue through 2024, and we forecast an overall Grade A office rental level drop of 6% to 8% for the full-year.

NET ABSORPTIONS / COMPLETIONS

Million (NFA SF)



OVERALL AVAILABILITY & NET EFFECTIVE RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	AVAILABILITY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	GRADE A NET EFFECTIVE RENT				
						HK\$/SF/MO	US\$/SF/MO	EUR/SF/MO	Q-o-Q change	YTD change
Greater Central	16,266,486	17.5%	27,846	108,944	786,300	\$81.0	\$10.4	€9.4	-3.3%	-5.0%
Wanchai / Causeway Bay	9,434,924	13.9%	26,204	167,274	1,160,400	\$47.8	\$6.1	€5.5	-1.0%	-4.2%
Greater Tsimshatsui	10,073,414	14.2%	86,346	152,453	2,582,400	\$42.5	\$5.5	€4.9	-0.9%	-2.0%
CORE AREA TOTALS	35,774,825	15.6%	140,397	428,670	4,529,100	\$61.5	\$7.9	€7.1	-2.5%	-3.8%
Hong Kong East	9,430,396	18.3%	-18,990	-21,069	-	\$36.1	\$4.6	€4.2	-4.1%	-8.5%
Hong Kong South	2,761,041	26.9%	15,749	-32,260	238,400	\$25.0	\$3.2	€2.9	-4.7%	-8.2%
Kowloon East	17,069,255	22.7%	136,305	599,587	410,700	\$25.4	\$3.3	€2.9	-1.4%	-2.1%
Kowloon West	5,556,372	30.2%	50,625	2,488	-	\$29.1	\$3.7	€3.4	-0.8%	-6.0%
NON-CORE AREA TOTALS	34,817,064	23.0%	183,689	548,747	649,100	\$28.9	\$3.7	€3.4	-2.5%	-5.7%
OVERALL TOTAL	70,591,889	19.3%	324,086	977,417	5,178,200	\$45.9	\$5.9	€5.3	-2.4%	-4.3%

*Exchange Rate: 1USD = 0.9040 EUR 7.7961 HKD (as of Sep 9, 2024)

**All areas presented are on NFA bases

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF (NFA)	TYPE
One Harbourfront	Greater Tsimshatsui	ICBC	121,500	Relocation
Two Taikoo Place	Hong Kong East	Philip Morris Asia	42,500	Relocation
Alexandra House	Greater Central	Holman, Fenwick & Willan	23,000	Relocation
ICC	Greater Tsimshatsui	Far East Horizon	19,100	Expansion
The Center	Greater Central	Raffles Asset Management	17,600	Expansion

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	OWNER / DEVELOPER	SF (NFA)	COMPLETION YEAR
International Gateway Centre	Greater Tsimshatsui	Sun Hung Kai Properties	2,112,000	2025
Lee Garden Eight	Wanchai / Causeway Bay	Hysan / Chinachem	750,000	2026
Artist Square Towers	Greater Tsimshatsui	Sun Hung Kai Properties	470,400	2026
One Causeway Bay	Wanchai / Causeway Bay	Mandarin Oriental / Hongkong Land	410,400	2025
15 Sheung Yuet Rd	Kowloon East	SEA Holdings	310,700	2025

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