

LIFE IS WHAT **WE** MAKE IT

CUSHMAN & WAKEFIELD

HONG KONG
OFFICE, RETAIL & RESIDENTIAL MARKETS

Q1 2024

LIFE IS WHAT
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OFFICE MARKET

A panoramic view of the Hong Kong skyline at dusk, featuring numerous illuminated skyscrapers and the Victoria Harbour in the foreground. The sky is a deep blue, and the city lights create a vibrant contrast against the darkening sky.

MODEST QUARTERLY RENTAL ADJUSTMENT BY -0.6% IN Q1

Rents remains under pressure amid high availability

Submarkets	Jan 19 (Peak)	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q-o-Q Δ	Y-o-Y Δ	2024 Forecast
Prime Central	\$166.1	\$105.2	\$102.5	\$101.6	\$99.2	\$98.9	-0.3%	-6.0%	-6 ~ -8%
Greater Central	\$139.0	\$90.7	\$88.6	\$87.3	\$85.3	\$85.0	-0.3%	-6.2%	-7 ~ -9%
Wanchai / Causeway Bay	\$79.2	\$52.3	\$52.1	\$51.2	\$49.9	\$49.6	-0.6%	-5.1%	-6 ~ -8%
Hong Kong East	\$55.3	\$43.3	\$41.4	\$40.4	\$39.4	\$38.6	-2.1%	-10.7%	-7 ~ -9%
Hong Kong South	\$36.1	\$27.9	\$28.1	\$28.1	\$27.3	\$26.4	-3.1%	-1.6%	-4 ~ -6%
Greater Tsimshatsui	\$68.0	\$45.5	\$44.5	\$43.6	\$43.4	\$43.3	-0.1%	-4.9%	-6 ~ -8%
Kowloon East	\$36.8	\$27.4	\$26.8	\$26.3	\$26.0	\$25.9	-0.2%	-5.6%	-7 ~ -9%
Kowloon West	\$44.0	\$32.9	\$32.6	\$31.9	\$30.9	\$30.1	-2.7%	-8.6%	-9 ~ -11%
All Districts Average	\$76.0	\$51.2	\$50.0	\$49.1	\$47.9	\$47.6	-0.6%	-6.7%	-7 ~ -9%

Unit: Net effective rent, HK\$ / sf / month

Note: Q1 2024 is based on data as of end-Mar 2024

Prime Central: 13 prime office buildings in Greater Central

Greater Central: Admiralty, Central and Sheung Wan including Prime Central

Hong Kong East: North Point, Quarry Bay and Tai Koo Shing

Hong Kong South: Wong Chuk Hang and Pok Fu Lam

Greater Tsimshatsui: Tsimshatsui, Tsimshatsui East, Hung Hom and Kowloon Station

Kowloon East: Kwun Tong, Ngau Tau Kok, Kowloon Bay and Kai Tak

Kowloon West: Kowloon Tong, Mongkok, Cheung Sha Wan, Kwai Chung and Tsuen Wan

Note: Rents are based on NFA, exclusive of air conditioning & management fees, and gov. rates

Source: Cushman & Wakefield Research

Overall Hong Kong Grade A Office Rents



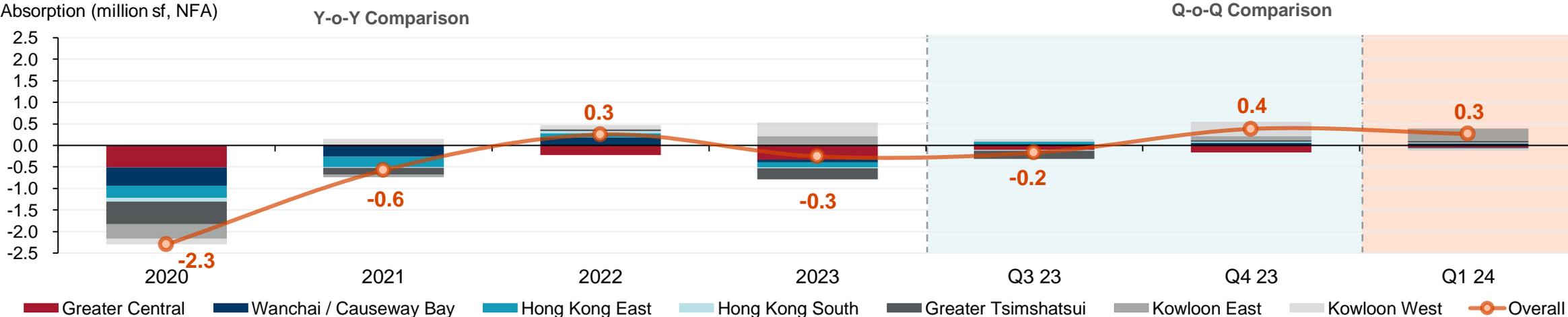
NET ABSORPTION CONTINUED TO STAY POSITIVE AT 264,200 SF

Led by new lettings in Kowloon East at 289,700 sq ft

Submarkets	2020	2021	2022	2023	Q3 23	Q4 23	Q1 24
Greater Central	-507,600	10,400	-224,400	-330,500	27,100	-130,400	-49,700
Wanchai / Causeway Bay	-429,500	-261,700	181,300	-59,800	-44,800	22,500	47,000
Hong Kong East	-279,400	-241,500	105,400	-118,400	-62,200	9,800	-20,500
Hong Kong South	-82,400	-20,800	46,900	-17,300	-1,700	-9,100	13,400
Greater Tsimshatsui	-532,200	-152,500	37,400	-259,400	-24,500	40,700	41,800
Kowloon East	-334,000	-59,300	1,500	216,800	-37,900	107,800	289,700
Kowloon West	-130,000	146,800	102,400	309,800	-82,000	346,700	-57,400
Overall	-2,295,200	-578,700	250,600	-258,800	-225,900	388,000	264,200

Note: Data as of mid-March 2024

Absorption (million sf, NFA)



Source: Cushman & Wakefield Research

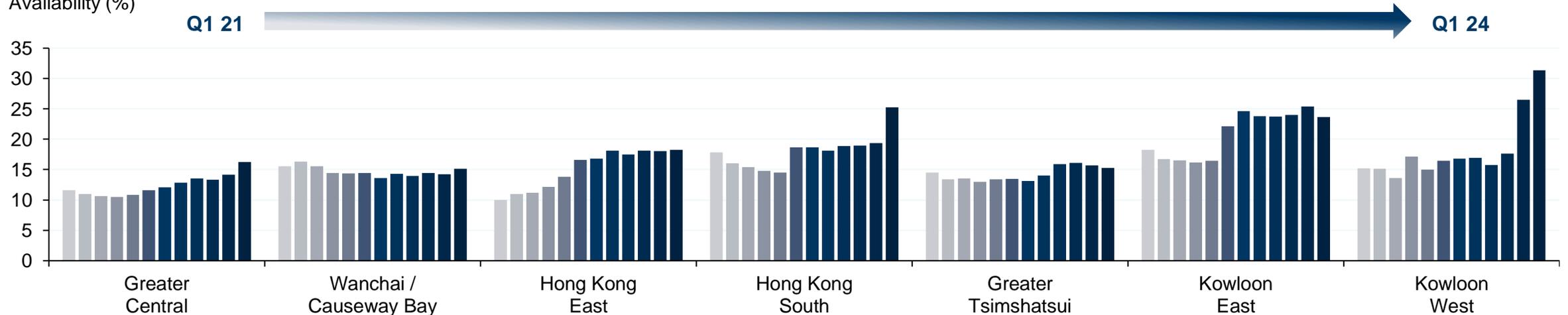
AVAILABILITY RATE INCREASED BY 0.8% Q-O-Q

Driven by available space in Kowloon West

Submarkets	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24
Greater Central	11.6%	11.0%	10.6%	10.5%	10.9%	11.6%	12.1%	12.8%	13.5%	13.4%	14.2%	16.3%
Wanchai / Causeway Bay	15.5%	16.3%	15.5%	14.4%	14.4%	14.4%	13.6%	14.3%	14.0%	14.5%	14.2%	15.1%
Hong Kong East	10.0%	11.0%	11.2%	12.2%	13.8%	16.6%	16.8%	18.1%	17.5%	18.1%	18.0%	18.2%
Hong Kong South	17.8%	16.1%	15.4%	14.8%	14.5%	18.7%	18.7%	18.1%	18.9%	19.0%	19.3%	25.3%
Greater Tsimshatsui	14.5%	13.4%	13.5%	13.0%	13.4%	13.4%	13.1%	14.0%	15.9%	16.1%	15.7%	15.3%
Kowloon East	18.3%	16.7%	16.5%	16.2%	16.4%	22.1%	24.6%	23.8%	23.8%	24.0%	25.4%	23.7%
Kowloon West	15.2%	15.1%	13.6%	17.1%	15.0%	16.5%	16.8%	16.9%	15.7%	17.7%	26.5%	31.4%
Overall Availability*	14.4%	13.9%	13.6%	13.6%	13.8%	16.1%	16.7%	17.1%	17.3%	17.7%	18.8%	19.6%

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

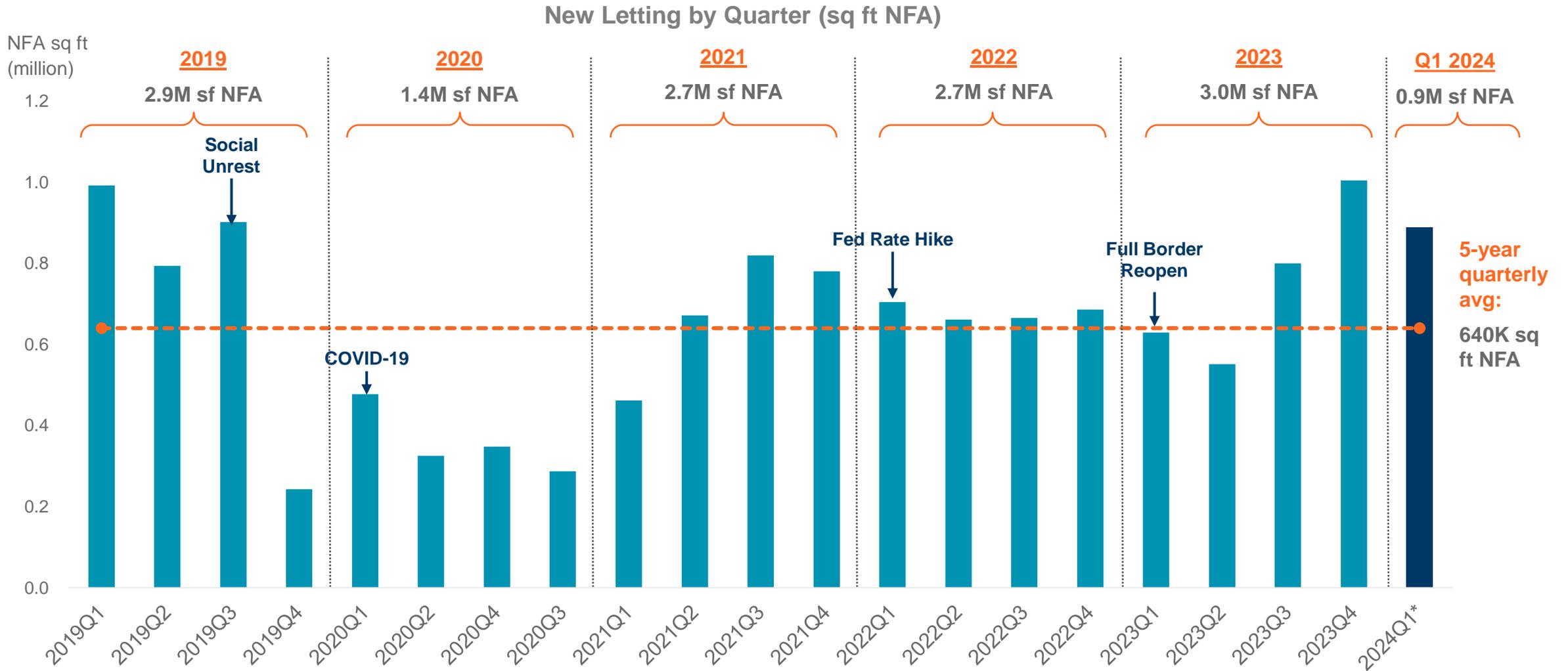
Availability (%)



Source: Cushman & Wakefield Research

NEW LETTINGS INCREASED COMPARED TO LAST YEAR

Above the 5-year quarterly average



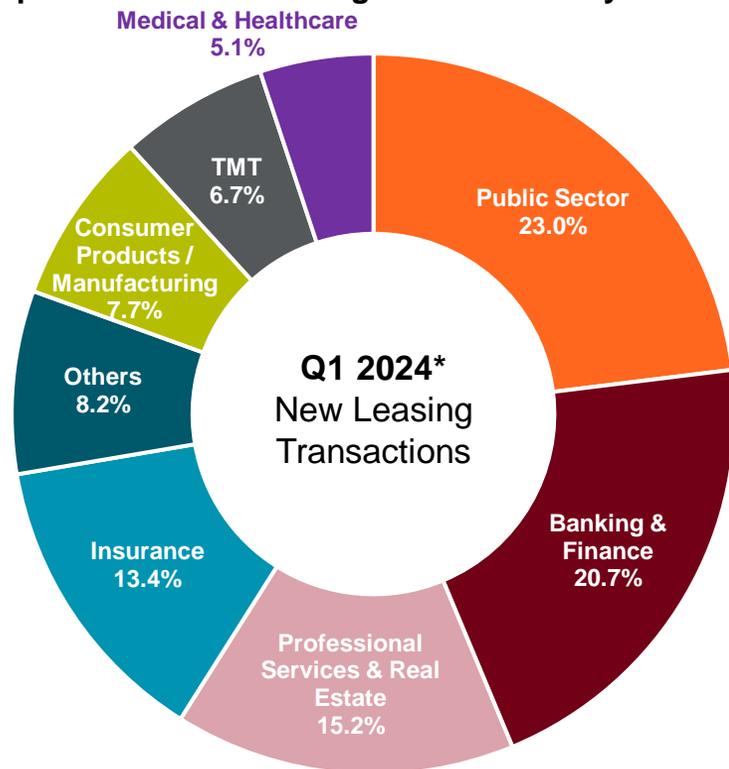
Source: Cushman & Wakefield Research

*Data as of 20 March 2024

PUBLIC SECTOR ACCOUNTED FOR 23% OF NEW LETTINGS IN Q1

Banking & finance, professional services and insurance all recorded double-digit shares

% Proportion of New Leasing Transactions by NFA sf



*Data as of 20 March 2024



Total leased floor area: **889,000 sf**

Source: Cushman & Wakefield Research

Public Sector

 HONG KONG MONETARY AUTHORITY 香港金融管理局 ICC 79,200 sf	 THE HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY The Millennity - Tower 1 29,700 sf	 Financial Secretary Deputy Financial Secretary The Government of the Hong Kong Special Administrative Region Millennium City 1 - Tower 1 13,400 sf
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Banking & Finance

 AIRSIDE 54,800 sf	 FRANKLIN TEMPLETON Two IFC 21,700 sf	 Dah Sing Financial Centre 11,300 sf
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Professional Services & Real Estate

 Two Harbour Square 40,400 sf	 Six Pacific Place 26,200 sf
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Consumer Products / Manufacturing

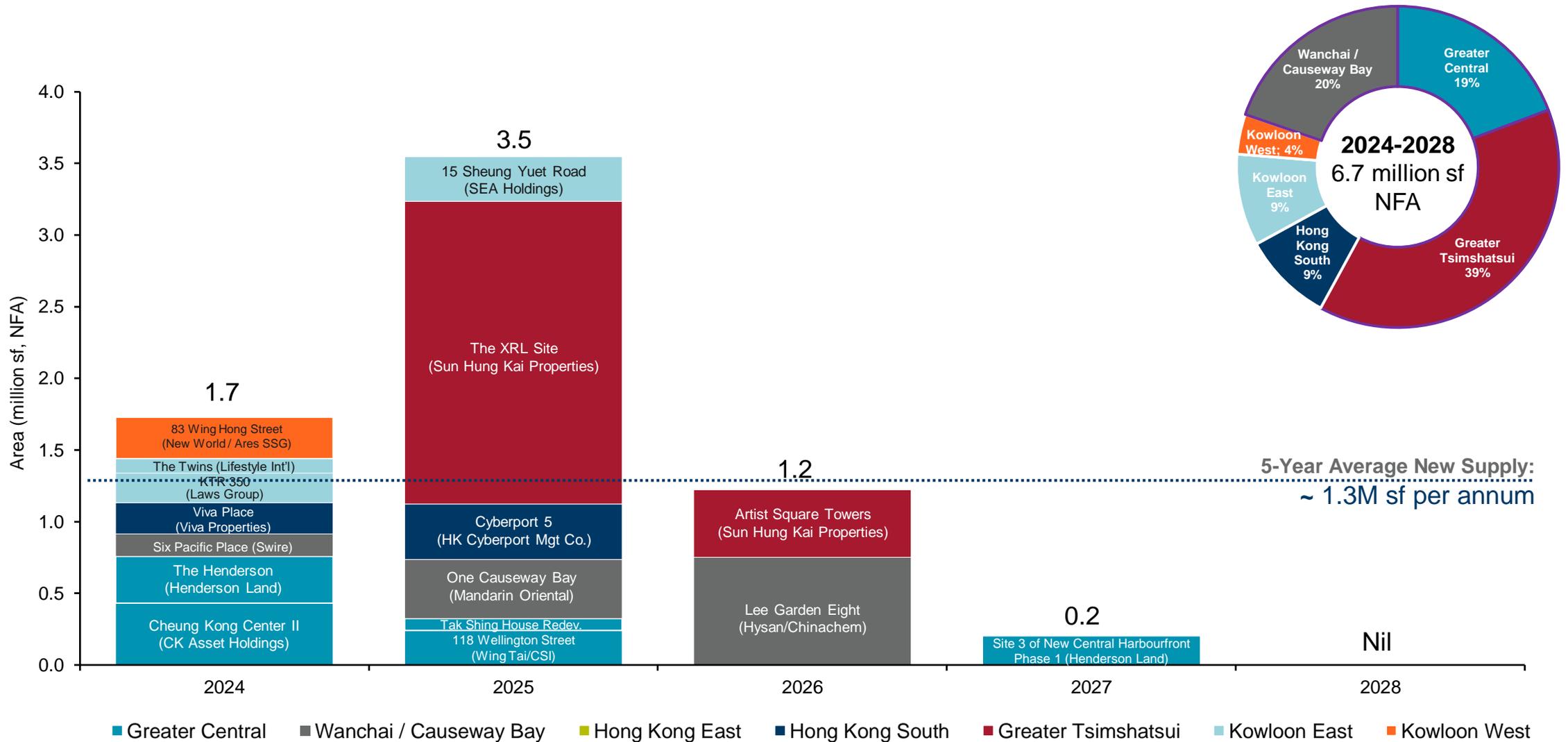
 AIRSIDE 51,000 sf

Insurance

 AIRSIDE 38,600 sf	 The Gateway Tower 1 14,600 sf
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FUTURE SUPPLY PIPELINE

Almost 80% of the new supply is in core submarkets



Source: Cushman & Wakefield Research



Q1 2024 Office Market Review & Outlook

Key Takeaways

1

Net absorption remained positive at 264,200 sf in Q1, mainly driven by new buildings in Kowloon East (289,700 sf), reflecting that occupiers still favor flight-for-quality and cost-effective options

2

Leasing momentum improved in Q1 2024, with gross leasing volume increased by 41% y-o-y to 889,000 sf

3

Public sector was most active in new letting activities (23%), followed by banking & finance (21%), and professional services & real estate (15%)

4

Around 0.7 million sf of new supply will be completed in the rest of 2024, including Greater Central (432,700 sf) and Kowloon East (307,100 sf)

5

The overall availability is forecast to further go up beyond 20% by end-2024. We maintain our overall rental forecast of -7 to -9% for 2024

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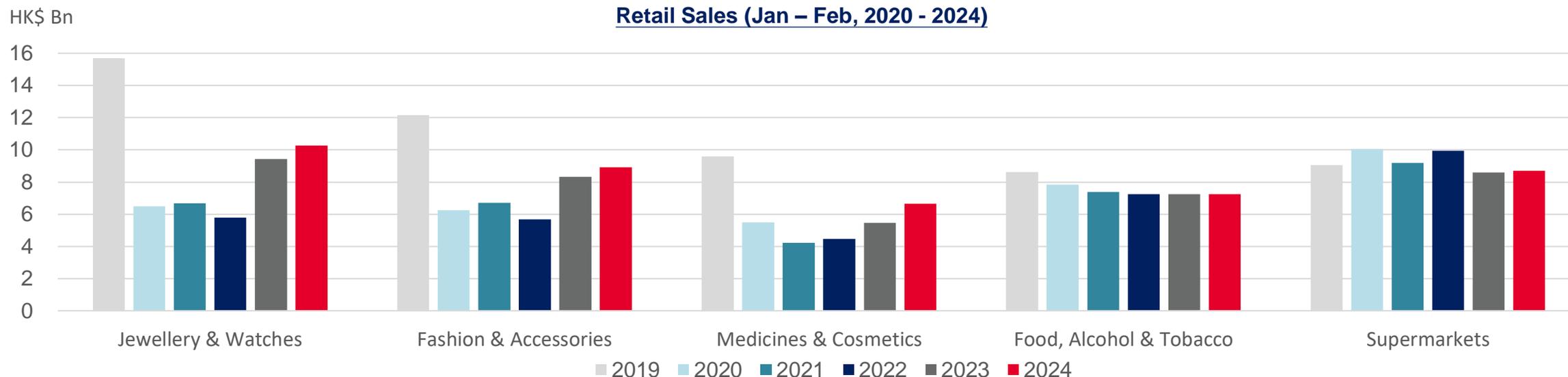
RETAIL MARKET



RETAIL SALES CONTINUED TO GROW

Yet at a slower pace than last year

Retail Sales (HK\$ Bn)	Jan – Feb						2024	Y-o-Y Δ
	2019	2020	2021	2022	2023	2024		
Jewellery & Watches	15.67	6.48	6.69	5.80	9.43	10.26	8.8%	
Fashion & Accessories	12.16	6.25	6.70	5.68	8.32	8.93	7.4%	
Medicines & Cosmetics	9.59	5.50	4.23	4.47	5.47	6.66	21.7%	
Food, Alcohol & Tobacco	8.63	7.83	7.39	7.24	7.25	7.25	0.1%	
Supermarkets	9.05	10.06	9.19	9.95	8.61	8.70	1.0%	
Total	88.69	60.46	62.08	59.05	69.29	70.28	1.4%	



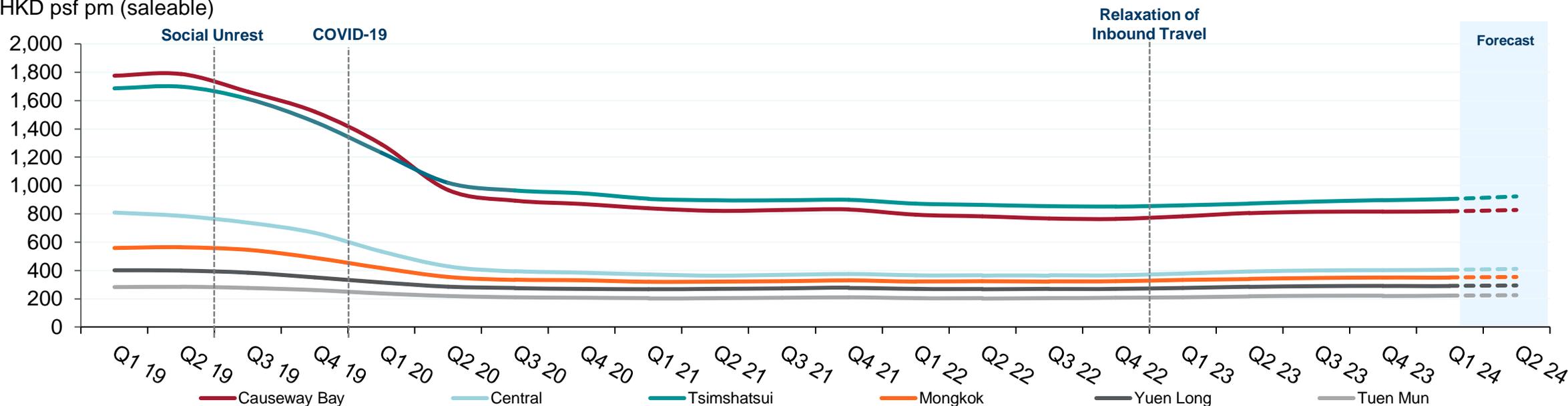
Source: Hong Kong Census & Statistics Department; Cushman & Wakefield Research

HIGH STREET RENTAL GROWTH SLOWED

High street rents across districts recorded mild q-o-q growth

Districts	2019	2020	2021	2022	Q4 2023	Q1 2024	Q-o-Q Δ	Y-o-Y Δ	1H 2024 Forecast
Causeway Bay	\$1,520	\$870	\$831	\$764	\$816	\$818	0.3%	4.6%	0 ~ 2%
Tsimshatsui	\$1,448	\$944	\$900	\$851	\$896	\$905	1.0%	5.2%	2 ~ 4%
Central	\$667	\$384	\$376	\$366	\$402	\$404	0.6%	6.9%	2 ~ 4%
Mongkok	\$491	\$331	\$332	\$323	\$350	\$350	0.0%	5.4%	0 ~ 2%
Yuen Long	\$352	\$271	\$278	\$271	\$292	\$292	0.0%	5.3%	0 ~ 2%
Tuen Mun	\$263	\$207	\$211	\$207	\$221	\$222	0.4%	5.4%	1 ~ 3%

HKD psf pm (saleable)

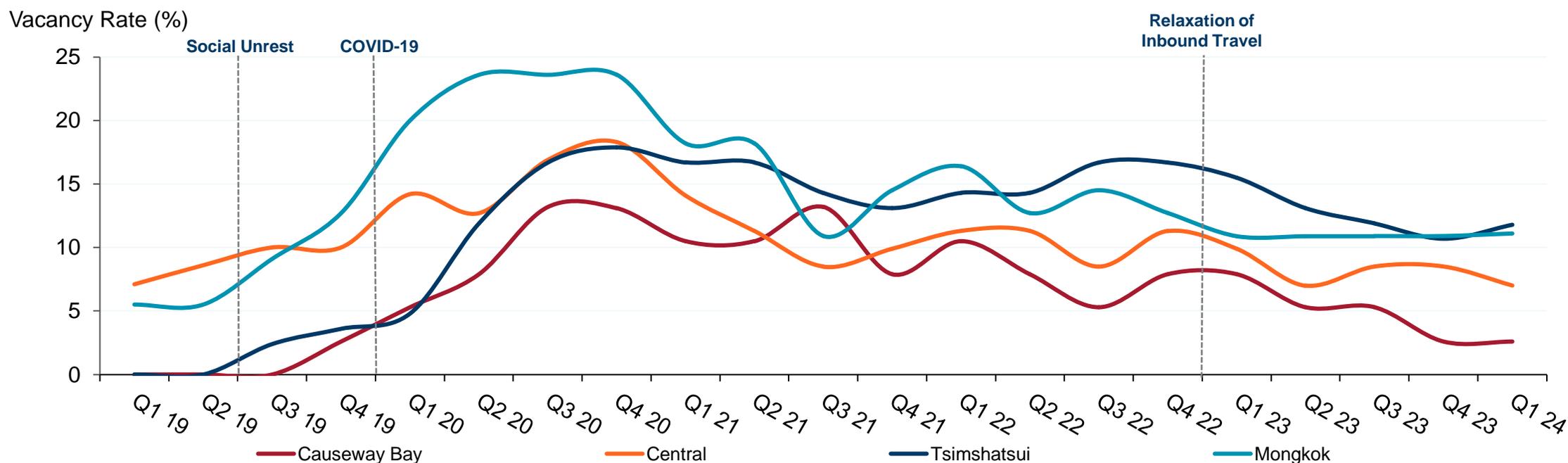


Source: The Land Registry; Market Info; Cushman & Wakefield Research

OVERALL VACANCY RATE STABILISED

Retail sentiment in HK Island side is comparatively more active

Districts	2019	2020	2021	2022	2023	Q1 2024
Causeway Bay	2.6%	13.1%	7.9%	7.9%	2.6%	2.6%
Central	10.0%	18.3%	9.9%	11.3%	8.5%	7.0%
Tsimshatsui	3.6%	17.9%	13.1%	16.7%	10.7%	11.8%
Mongkok	12.7%	23.6%	14.5%	12.7%	10.9%	11.1%

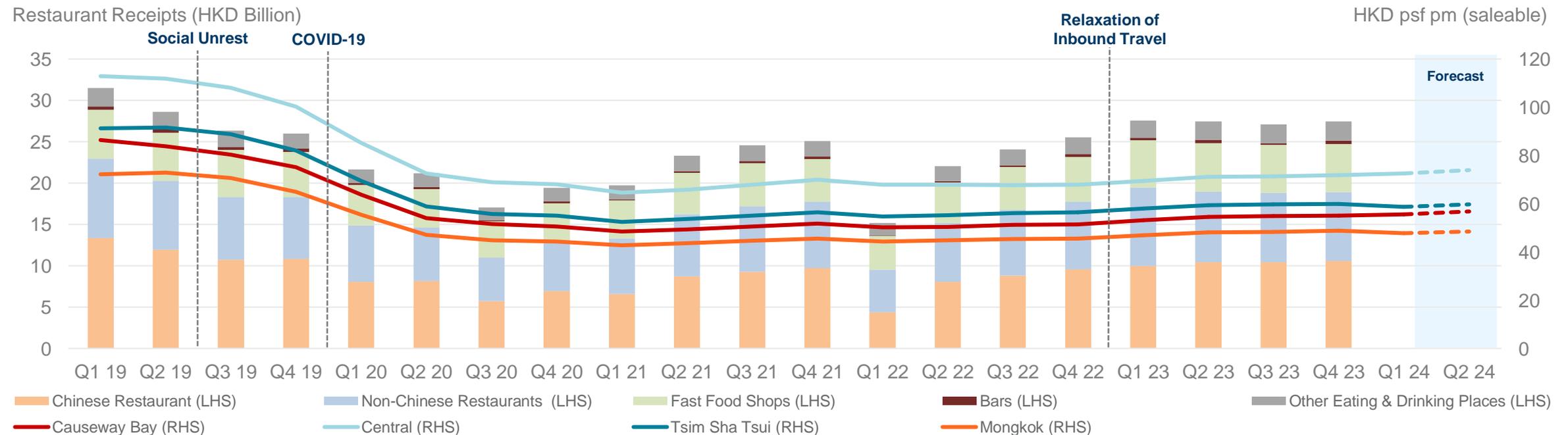


Source: The Land Registry; Market Info; Cushman & Wakefield Research

F&B RENTAL GROWTH SLOWED

Local F&B operators remained cautious

Districts	2019	2020	2021	2022	2023	Q1 2024	Q-o-Q Δ	Y-o-Y Δ	1H 2024 Forecast
Causeway Bay	\$75.1	\$50.6	\$51.8	\$51.5	\$55.1	\$55.7	1.0%	4.7%	2 ~ 4%
Central	\$100.3	\$68.1	\$69.9	\$67.9	\$71.8	\$72.5	1.0%	4.4%	2 ~ 4%
Tsimshatsui	\$82.1	\$55.0	\$56.4	\$56.5	\$60.0	\$58.8	-2.0%	1.4%	-2 ~ 0%
Mongkok	\$65.0	\$44.3	\$45.5	\$45.6	\$48.8	\$47.8	-2.0%	1.9%	-2 ~ 0%



Source: The Land Registry; Market Info; Cushman & Wakefield Research

NET OUTFLOW OF TRAFFIC HAS BEEN INCREASING SINCE BORDER REOPENING

The trend is even more notable during festive seasons and long holidays

Visitor Arrivals vs Hong Kong Resident Departures (Monthly)



Note: The above analysis includes passenger traffic of all land and sea boundary control points

Source: Cushman & Wakefield Research, Immigration Department

ENTRY PERMITS ISSUED UNDER DIFFERENT TALENT AND ADMISSION SCHEMES

Influx of talents and workers population as the new spending power

Talent Schemes/ Admission Schemes	2022 New Application Approved	2023 New Application Approved
General Employment Policy (一般就業政策)	13,495	26,270
Admission Scheme for Mainland Talents and Professionals (輸入內地人才計劃)	11,768	19,757
Technology Talent Admission Scheme (科技人才入境計劃)	60	130
Quality Migrant Admission Scheme (優秀人才入境計劃)	2,845	12,969
Immigration Arrangements for Non-Local Graduates (非本地畢業生留港 / 回港就業安排)	10,391	26,089
Admission Scheme for the Second Generation of Chinese Hong Kong Permanent Residents (輸入中國籍香港永久性居民第二代計劃)	56	97
Top Talent Pass Scheme (高端人才通行證計劃) – Applicants	875	49,737
Top Talent Pass Scheme (高端人才通行證計劃) – Dependants	N.A.	51,171*
Sector-specific Labor Importation Schemes (行業輸入勞工計劃) (started in July 2023)	N.A.	2,689
Enhanced Supplementary Labor Scheme (補充勞工優化計劃)	7,961	5,380
Total:	47,451	194,289

* Figure from HKSAR Government [Press Release – 31st Jan 2024](#)

Source: Immigration Department; Cushman & Wakefield Research

POPULAR CHINESE BRANDS ARE GETTING ATTENTION IN HONG KONG

More Mainland F&B, Entertainment & Lifestyle retail shops to setup in Hong Kong





Q1 2024 Retail Market Review & Outlook

Key Takeaways

- 1** Retailers are looking for consolidation and relocation opportunities in prime locations while rents are still at an attractive level
- 2** Vacancy rates across districts largely stabilized; yet retail and F&B rental growth might slow due to the increasing competition from nearby mainland cities
- 3** Government initiatives to promote tourism and introduce mega events could help boost retail sentiment
- 4** Influx of talents and working population to be the new source of spending power
- 5** Mainland retailers to remain active in entering the Hong Kong retail market, as Hong Kong people are now more familiar with these brands

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RESIDENTIAL MARKET

RESIDENTIAL TRANSACTIONS REBOUNDED BY 67% MOM IN MARCH

Buying sentiment started to improve after relaxation of cooling measures

Month	2003	...	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Y-o-Y Change
Jan	6,187	...	6,412	2,045	3,286	5,270	4,543	2,762	4,562	4,275	3,051	3,477	14%
Feb	3,649	...	6,027	1,807	4,079	5,482	4,089	3,572	6,125	2,912	4,282	2,375	-45%
Mar	4,550	...	4,329	2,369	5,856	4,263	5,231	3,870	7,444	2,869	6,690	3,971	-41%
Apr	5,373	...	4,549	4,494	7,060	6,646	7,822	4,102	7,325	3,897	4,583		
May	4,130	...	5,168	4,586	5,732	5,522	8,208	5,984	7,084	6,202	4,003		
Jun	4,833	...	5,776	4,620	6,100	6,713	4,627	6,987	7,591	4,826	3,613		
Jul	6,525	...	5,393	4,243	3,515	6,091	4,805	6,133	7,579	3,671	3,065		
Aug	6,559	...	3,896	5,821	4,014	4,822	4,084	4,358	5,546	4,137	3,247		
Sep	5,632	...	4,263	7,826	5,629	3,500	3,447	5,024	5,844	3,875	2,862		
Oct	9,360	...	3,300	6,601	5,289	4,243	4,001	4,951	4,643	3,148	2,123		
Nov	7,811	...	2,826	6,739	5,694	2,635	5,756	6,070	5,409	2,731	2,554		
Dec	6,967	...	4,043	3,550	5,337	2,060	3,184	6,067	5,145	2,507	2,929		
Total	71,576	...	55,982	54,701	61,591	57,247	59,797	59,880	74,297	45,050	43,002	-	-
Jan - Mar	14,386	...	16,768	6,221	13,221	15,015	13,863	10,204	18,131	10,056	14,023	9,823	-30%

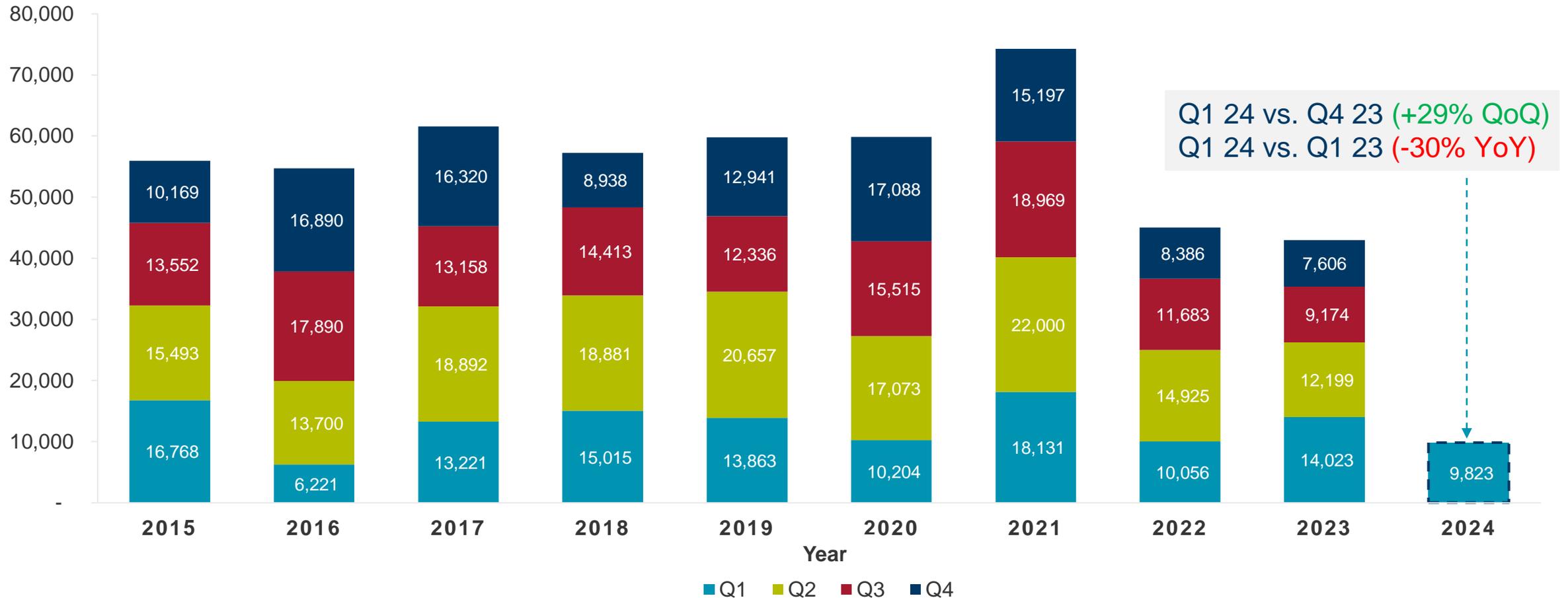
After cooling measures removed:
+67% m-o-m (March)

Note: S&Ps: Sales & Purchase Agreements
Source: Land Registry; Cushman & Wakefield Research

TOTAL RESIDENTIAL S&Ps – HISTORICAL COMPARISON

Circa 9,820 cases in Q1 2024

No. of Residential S&Ps

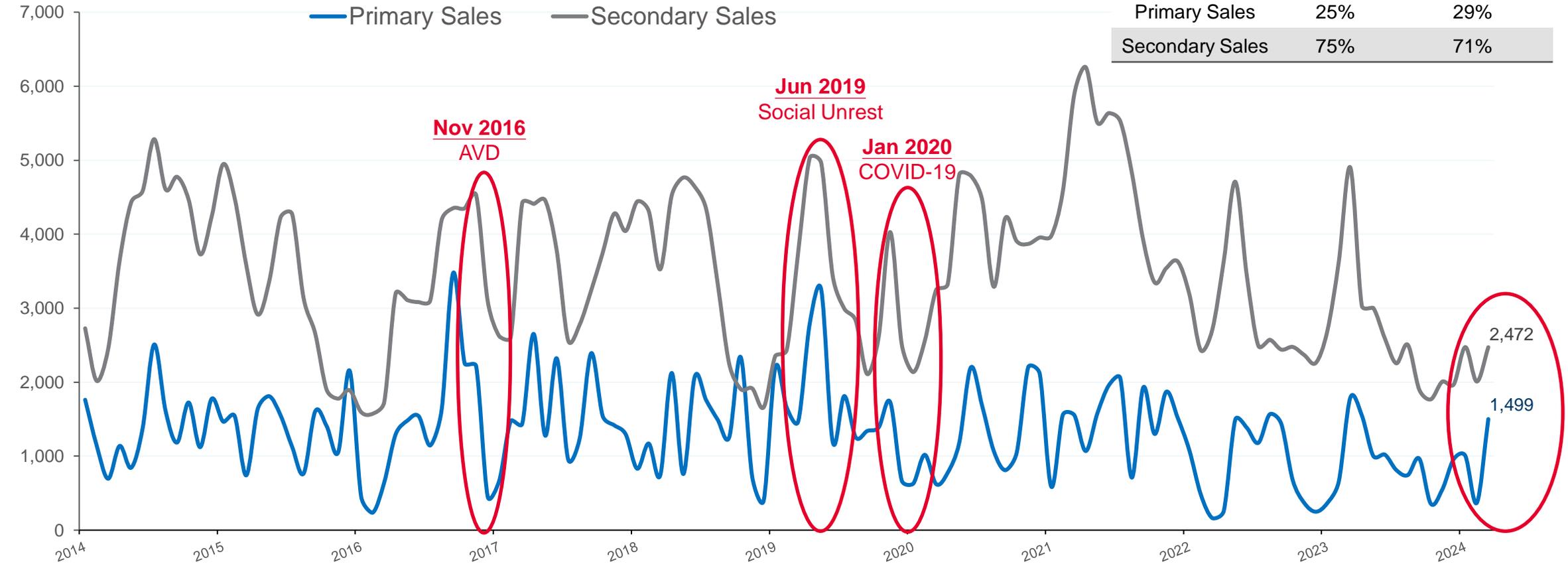


Note: S&Ps: Sales & Purchase Agreements
Source: Land Registry; Cushman & Wakefield Research

PRIMARY AND SECONDARY SALES

Primary sales rebounded significantly, as developers have been actively launching new projects after the Budget

No. of Residential S&Ps



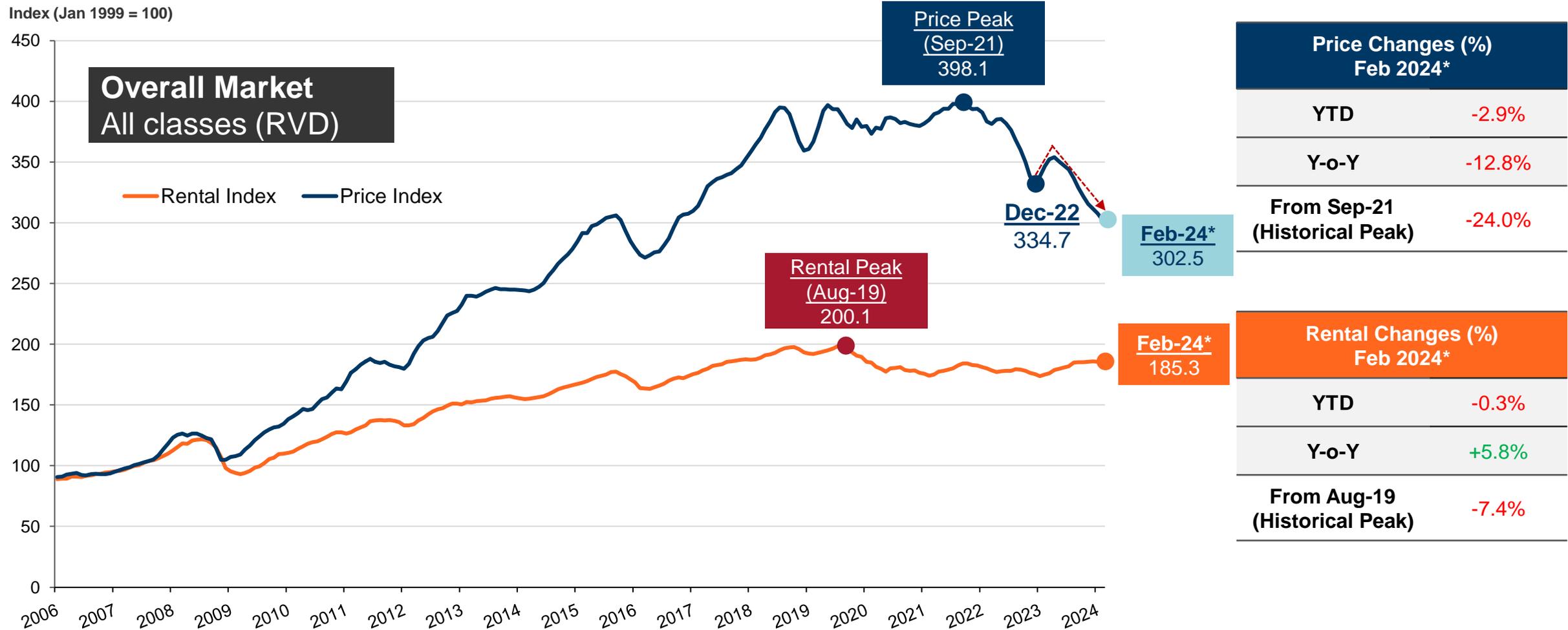
Breakdown of Residential Sales (%)

	2023	Q1 2024
Primary Sales	25%	29%
Secondary Sales	75%	71%

Notes: AVD is short for Ad Valorem Stamp Duty
Source: Land Registry; Cushman & Wakefield Research

HOME PRICES DROPPED FOR TEN CONSECUTIVE MONTHS BY 14.6%

Rents continued to rise while downward trend of home prices persisted



Price Changes (%) Feb 2024*	
YTD	-2.9%
Y-o-Y	-12.8%
From Sep-21 (Historical Peak)	-24.0%

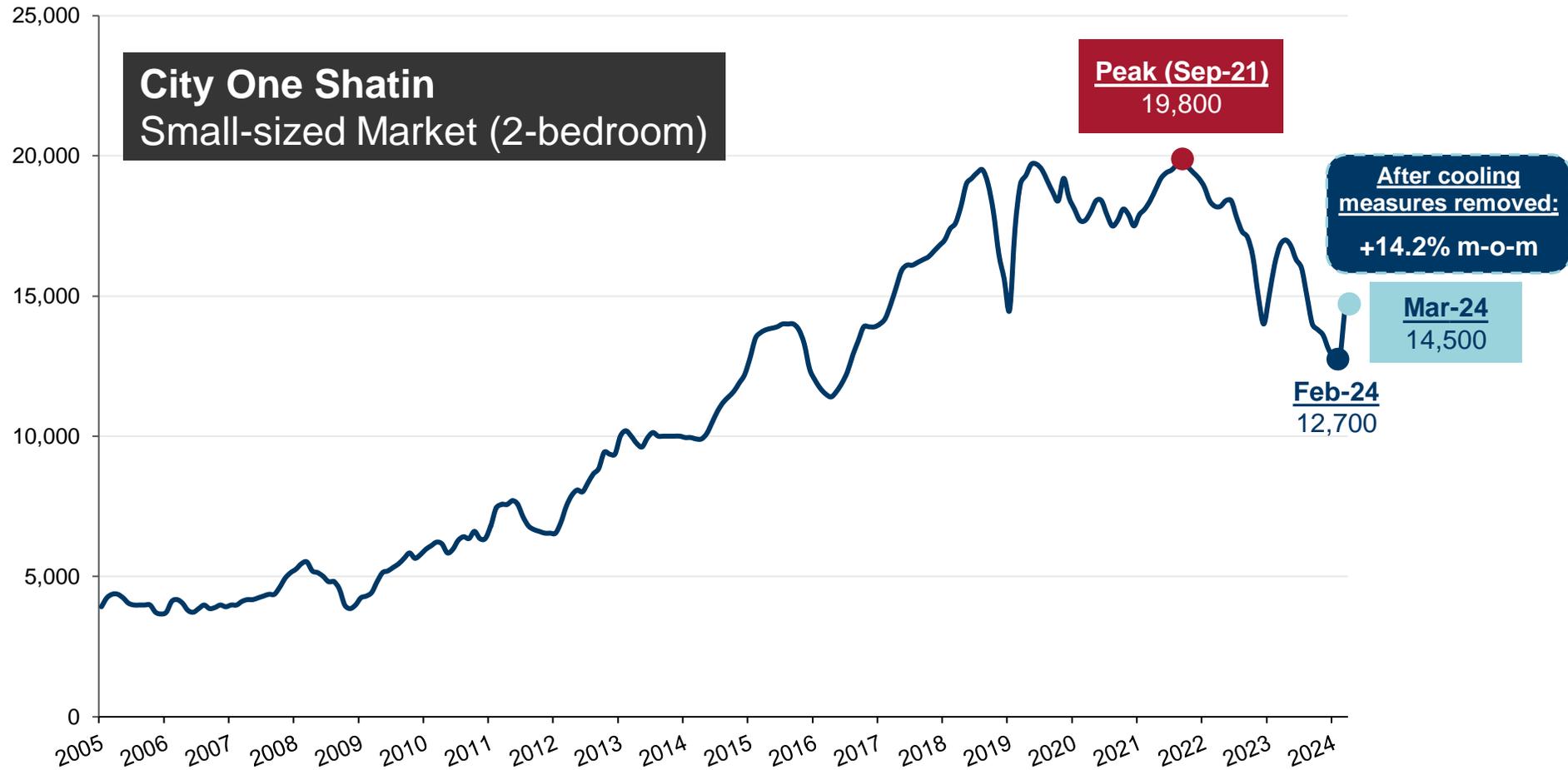
Rental Changes (%) Feb 2024*	
YTD	-0.3%
Y-o-Y	+5.8%
From Aug-19 (Historical Peak)	-7.4%

* Preliminary figure from Rating & Valuation Department as of Feb 2024
 Source: Rating & Valuation Department; Cushman & Wakefield Research

MASS MARKET RESIDENTIAL PRICE

Prices at City One Shatin (Phase 4) increased by 10.7% q-o-q, recorded significant rebound in March

HKD psf (Saleable)



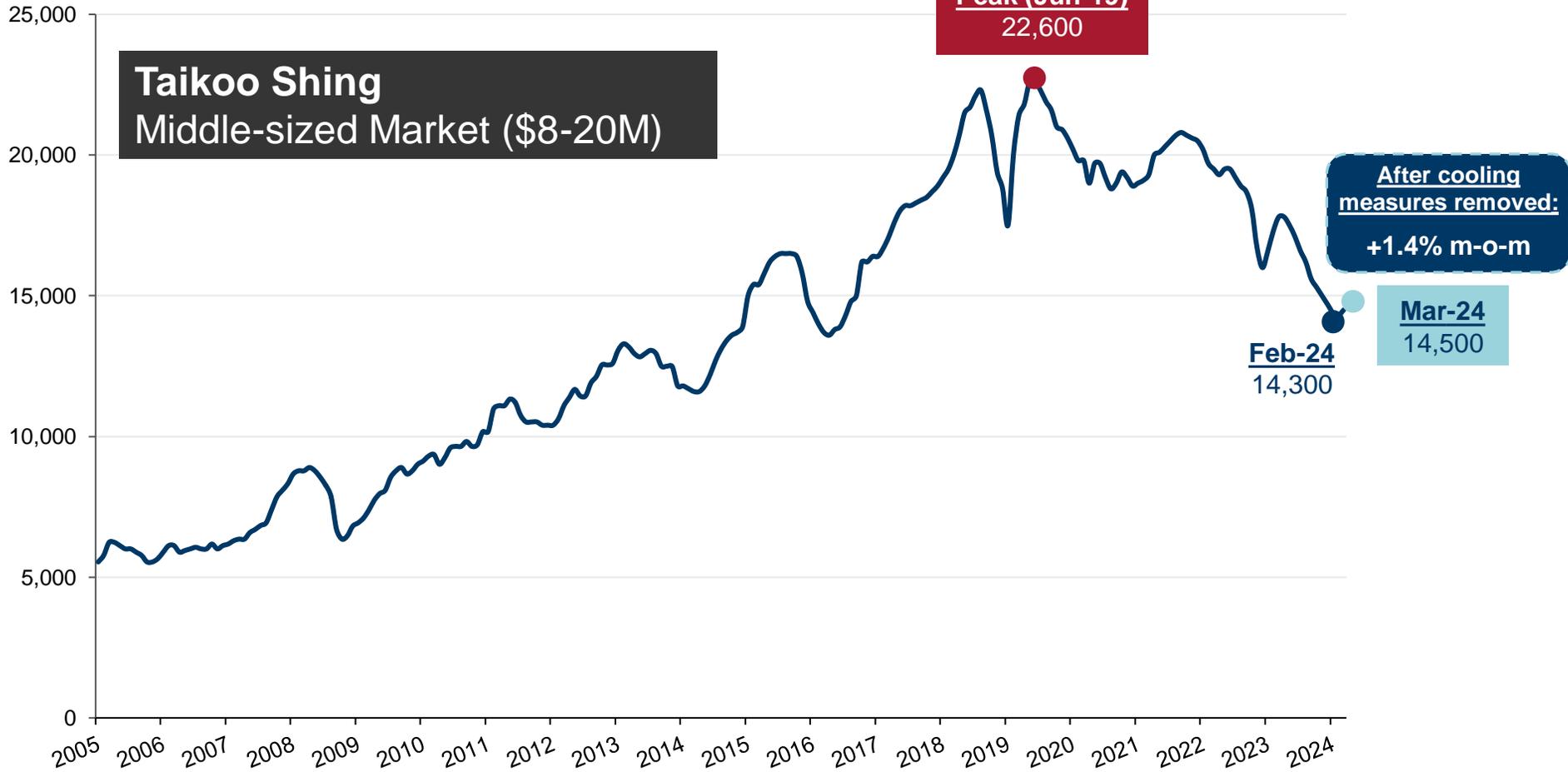
Residential Price Changes (%) Mar 2024	
Q-o-Q	10.7%
Y-o-Y	-13.7%
From Sep-21 (Historical Peak)	-26.8%

Source: Cushman & Wakefield

MIDDLE MARKET RESIDENTIAL PRICE

Prices at Taikoo Shing (Kao Shan Terrace) dropped slightly by 1.4% q-o-q

HKD psf (Saleable)



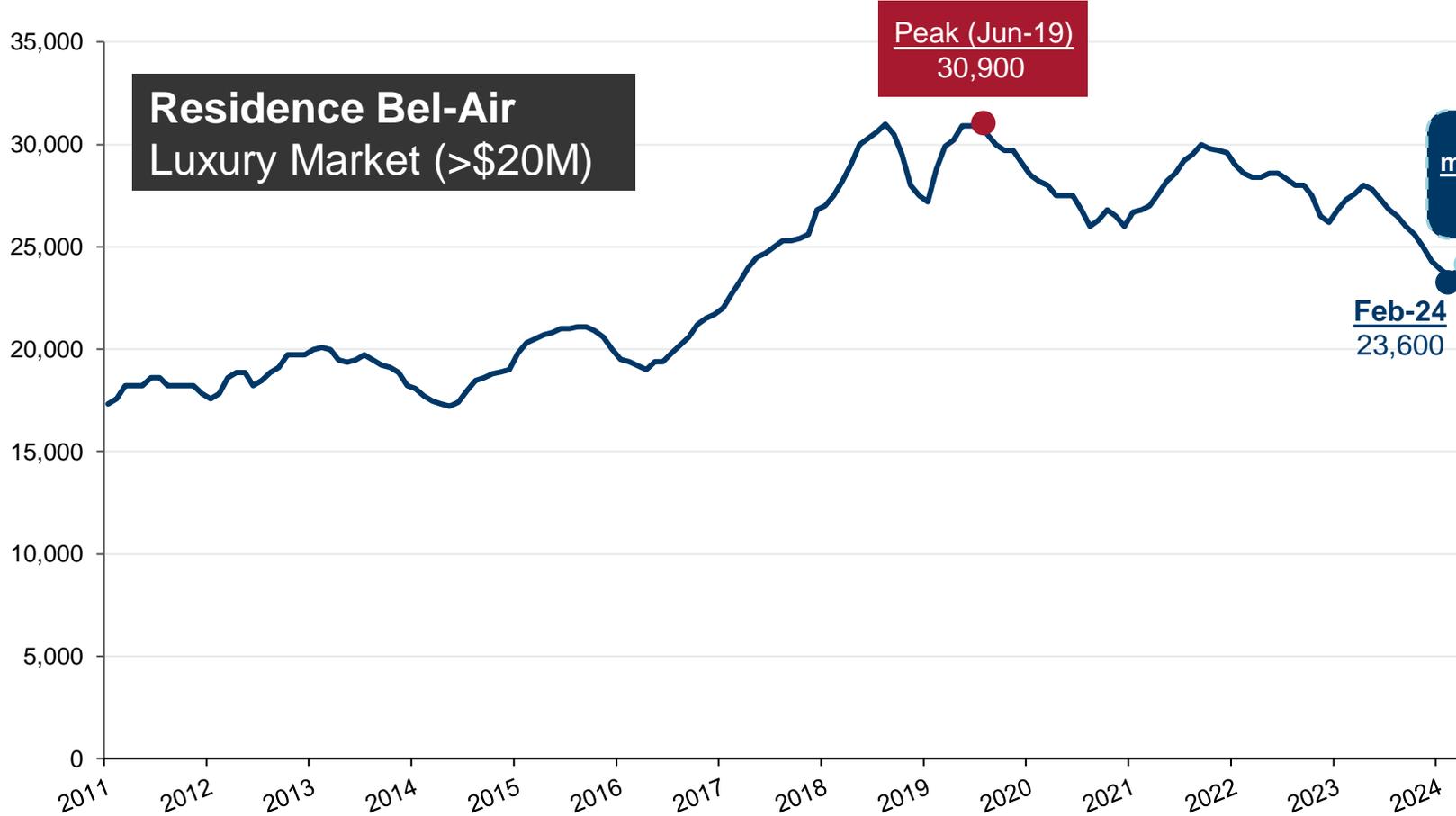
Residential Price Changes (%) Mar 2024	
Q-o-Q	-1.4%
Y-o-Y	-18.5%
From Jun-19 (Historical Peak)	-35.8%

Source: Cushman & Wakefield

LUXURY MARKET RESIDENTIAL PRICE

Prices at Residence Bel-Air (Phase 2) slightly dropped 2.1% from Dec-2023 level

HKD psf (Saleable)



Residential Price Changes (%) Mar 2024	
Q-o-Q	-2.1%
Y-o-Y	-13.8%
From Jun-19 (Historical Peak)	-23.0%

Source: Cushman & Wakefield



Q1 2024 Residential Market Review & Outlook

Key Takeaways

1

Residential market sentiment has improved notably after relaxation of all cooling measures in February

2

Residential S&Ps in Q1 2024 rose 29% q-o-q to ~9,820 units. The market refocused on primary units as developers actively launched sales with attractive prices

3

According to C&W data, overall mass market home prices bottomed in February and started to rebound in March by 1.5% m-o-m

4

Full-year residential transaction volume is expected to up 28% to 40% y-o-y to 55,000 to 60,000 units

5

Home prices forecast:

- 1H 2024: 0 to +3%
- Full-year: +5 to +7% (assume if interest rate cut in 2H 2024)