

MARKET FUNDAMENTALS

5.4B<sup>1</sup>

YTD Investment Volume (HKD)

Y-o-Y Chg

-20.9%

9,870

Office Capital Value (HKD/sf)

Y-o-Y Chg

-22.6%

2.99%

Office Gross Yield

Y-o-Y Chg

+49bps

<sup>1</sup> Data as of 31 Mar 2025

Source: Cushman & Wakefield Research

ECONOMIC INDICATORS

Q1 2025

	YOY Chg	Outlook
2.4%	▲	▲
GDP growth (Q4 2024)		
1.4%	▲	▲
CPI Growth <sup>2</sup> Feb 2025		
4.23%	▲	▼
10-year government bond rate (U.S.) (Mar 2025)		

<sup>2</sup> Composite CPI, non-seasonally adjusted

Source: Hong Kong Census and Statistics Department; U.S. Department of Treasury; Moody's Analytics

INVESTMENT MARKET ENDURES SLUGGISH MOMENTUM

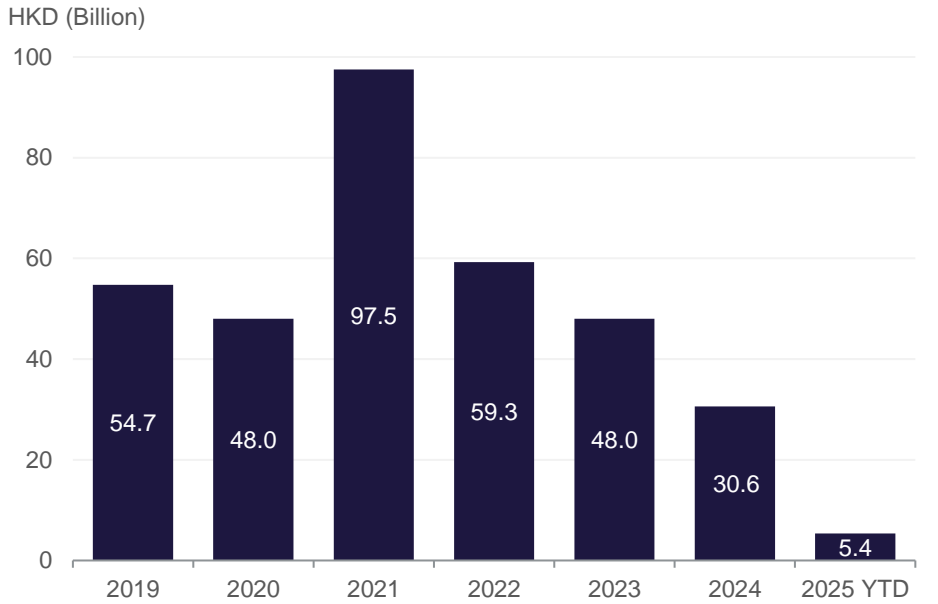
Hong Kong investment market sentiment remained cautious in Q1 2025, in the face of the U.S. Federal Reserve's slower pace of interest rate cuts. Total large-sized (>HK\$100 million) non-residential transaction volume recorded HK\$5.4 billion<sup>1</sup> in Q1, marking a 20.9% y-o-y decline and dropping 46.7% q-o-q. End-users and long-term investors remained the major sources of capital in the quarter, as landlords' greater pragmatism and willingness to reduce asking prices provided windows to bottom-fish. Of the total of fifteen transactions transacted in the quarter, fourteen were concluded by local investors.

LIVING SECTOR REMAINS INVESTORS' KEY FOCUS

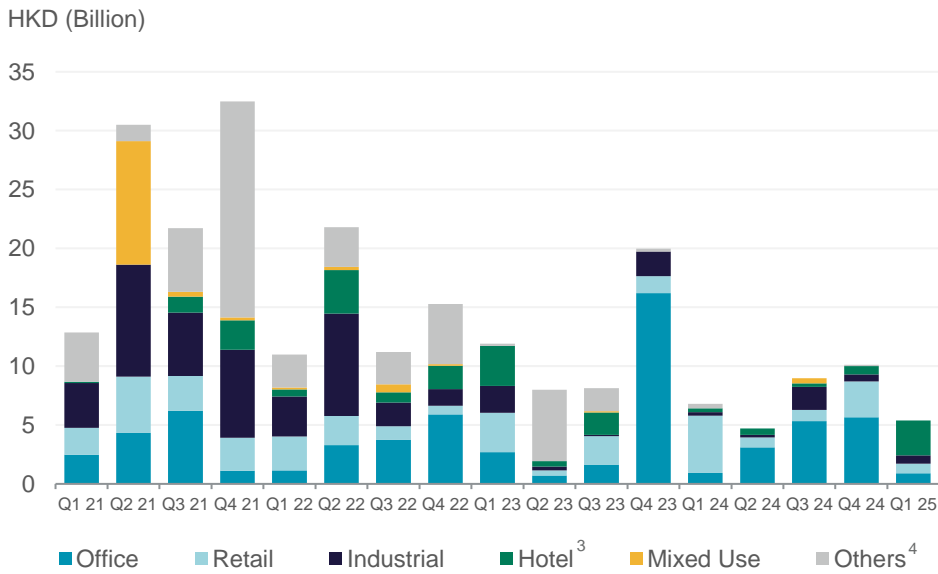
Among all asset classes, four en-bloc deals in the hotel / rental housing sector comprised 55% of total Q1 investment consideration. Hotel deals concluded in the quarter were led by Nanyang Commercial Bank's acquisition of Hotel Cozi Harbour View in Kwun Tong for HK\$1.87 billion, and a local investor's disposal of the MK Stay property in Mong Kok for HK\$188 million. Both assets are near MTR stations and serve as value-for-money accommodation options for tourists, generating opportunities from recovering hotel occupancy rates. A third notable deal was HKIA Accommodation Ltd's purchase of the Winland 800 Hotel in Tsing Yi for HK\$765 million, with the property intended to meet the accommodation needs of students from HKIA's aviation academy and other training programs. Finally, a local investor sold an en-bloc rental housing property at 265-267 Queen's Road West for HK\$140 million. The asset enjoys high current occupancy, while also offering potential for conversion to student accommodation, given its proximity to the University of Hong Kong.

In the office property sector, a total of three transactions accounted for 17% of the total Q1 investment volume. The capital value of Grade A office buildings further weakened in the quarter, to mark an almost 60% decline from the peak in 2018, making the asset class attractive to end-users and investors looking to bargain hunt. Firstly, the English Schools Foundation bought two floors at Island Place Tower in North Point for HK\$320 million, serving as the group's new headquarters. Secondly, Litu Holdings acquired a nearly 87% ownership share of Kam Chung Building in Wanchai from Winland Group at a cost of HK\$388 million, aiming to generate stable rental income after fully renovating the property as a long-term project. The third office sector transaction was for a whole floor at Far East Financial Centre. These investors were all attracted by the downward pricing adjustment in office assets.

OVERALL INVESTMENT VOLUME



INVESTMENT VOLUME BY SECTOR



<sup>3</sup> "Hotel" category includes investment for co-living and rental apartments;

<sup>4</sup> "Others" category covers carparks and private sites for development or conversion purpose

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

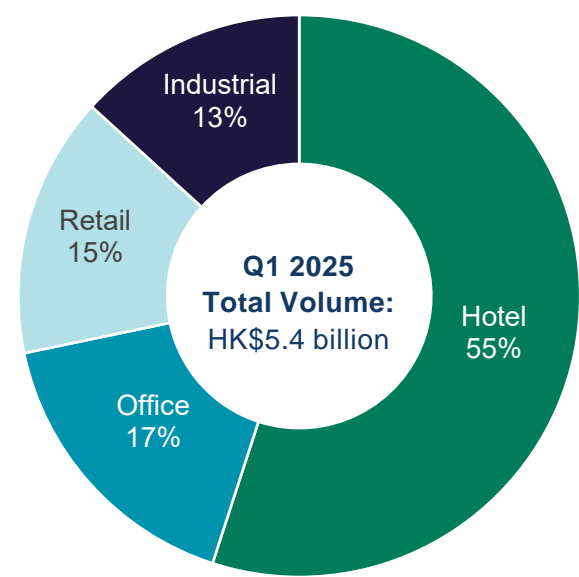
Five retail sector transactions in Q1 comprised one-third of the quarter’s total deal count, or 15% of total transaction volume. With sellers more willing to lower asking prices, investors have been attracted by retail assets’ stable occupancy and higher rental yields. Mexan Group purchased the retail mall of Grand View Garden, together with over 300 carparking spaces, in Diamond Hil, for HK\$360 million. In core retail districts, the ground-floor stores at Kyoto Plaza in Causeway Bay were sold at HK\$125 million, while others at York Place in Wan Chai were transacted at HK\$100 million. Both store groups are located within restaurant clusters of their districts. And in neighborhood areas, multi-floor stores in Tuen Mun and North Point were sold at HK\$118 million and HK\$107 million respectively, both currently leased by an elderly care home operator.

In the industrial asset sector, three transactions were concluded in Q1 to take a 13% share of the quarter’s total investment volume. Goodman Group acquired a portfolio of units at Sunshine Kowloon Bay Cargo Centre in Kowloon Bay for HK\$284 million, expanding Goodman’s ownership of the ramp access warehouse building to around 50%. The other deals comprised a local investor’s en-bloc sale of Capella HTR in Kwun Tong for more than HK\$250 million, and a transaction for two whole floors at Verde Heights in Cheung Sha Wan at HK\$176 million. However, the expected upcoming vacancy pressure in the industrial sector is anticipated to curb asset price growth in the near- to mid-term.

DEMAND FOR STUDENT HOUSING NOT TO BE OVERLOOKED

With the U.S. Federal Reserve’s recent decision to hold interest rates steady, the market is now anticipating a slower pace of rate cuts. As a result, potential investors are likely to prioritize assets with stable rental returns, especially those holding existing tenancies. At the same time, the Hong Kong government is taking proactive measures to develop the city as an “international hub for post-secondary education.” In turn, we expect the market to see greater demand from investors and from tertiary education institutions looking to tap into the student accommodation sector, and renewed interest in exploring assets with conversion potential.

Q1 2025 TRANSACTIONS BY SECTORS

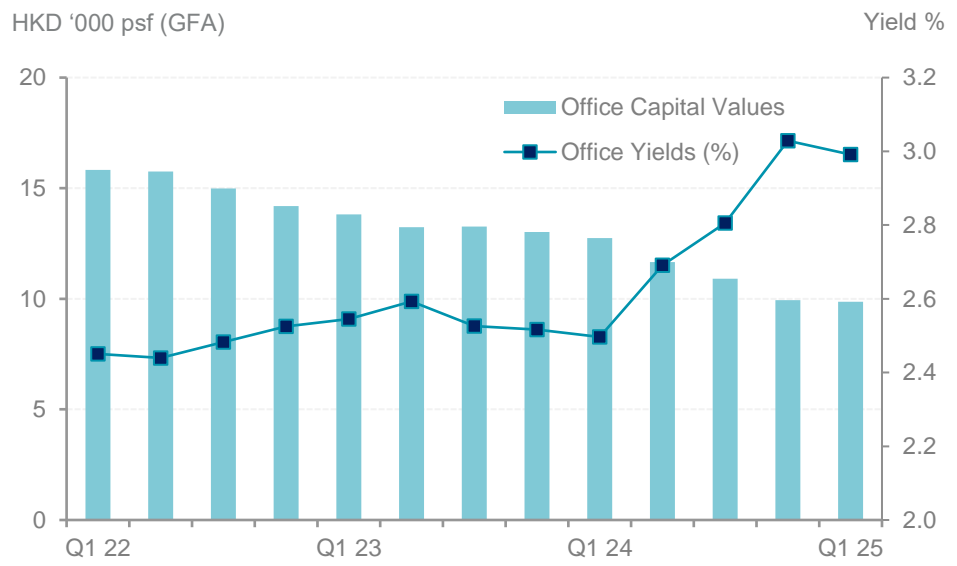


Source: EPRC; Media articles; HKEx; Cushman & Wakefield Research

Q1 2025 KEY INVESTMENT TRANSACTIONS

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (HKD MN)
Hotel COZi · Harbour View (En-bloc)	Kwun Tong	Nanyang Commercial Bank	Receivership	Hotel	1,870
Winland 800 Hotel (En-bloc)	Tsing Yi	HKIA Accommodation Ltd	Mexan	Hotel	765
Kam Chung Building (86.67% of Ownership)	Wanchai	Litu Holdings	Winland Group	Office	388
Grand View Garden Mall (En-bloc)	Diamond Hil	Mexan	Local Investor	Retail	360
12/F-13/F, Island Place Tower	North Point	English Schools Foundation	Local Investor	Office	320

OFFICE CAPITAL VALUE AND GROSS YIELD



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