

MARKET FUNDAMENTALS

14.8B¹

YTD Investment Volume (HKD)

Y-o-Y Chg

+28.2%

9,520

Office Capital Value (HKD/sf)

Y-o-Y Chg

-18.4%

3.03%

Office Gross Yield

Y-o-Y Chg

+33bps

¹ Data as of 30 Jun 2025

Source: Cushman & Wakefield Research

ECONOMIC INDICATORS

Q2 2025

	YOY Chg	Outlook
<div><div>3.1%</div><div>GDP growth (Q1 2025)</div></div>	▲	▲
<div><div>1.9%</div><div>CPI Growth² May 2025</div></div>	▲	▲
<div><div>4.24%</div><div>10-year government bond rate (U.S.) (Jun 2025)</div></div>	▲	▼

² Composite CPI, non-seasonally adjusted

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

INVESTMENT MARKET ACTIVITY REMAINS SUBDUED IN Q2

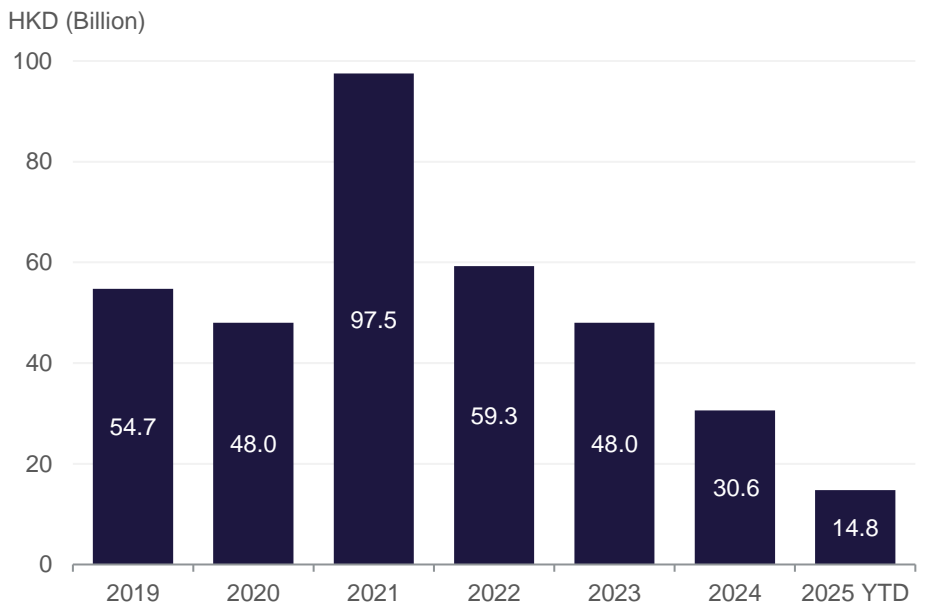
Hong Kong real estate investment market activity remained relatively subdued in Q2 2025, curtailed by overall cautious investment sentiment and tighter approvals on commercial mortgage loans by banks. Total large-sized (>HK\$100 million) non-residential transaction volume for the quarter reached HK\$9.7 billion, up 92% q-o-q and 106% y-o-y, chiefly driven by two mega-sized transactions. Of the seven deals concluded in this quarter, five were from end-users, taking the opportunity of price corrections across property sectors to bottom-fish and to hedge their long-term occupancy costs.

END-USERS DOMINATE MARKET TRANSACTIONS

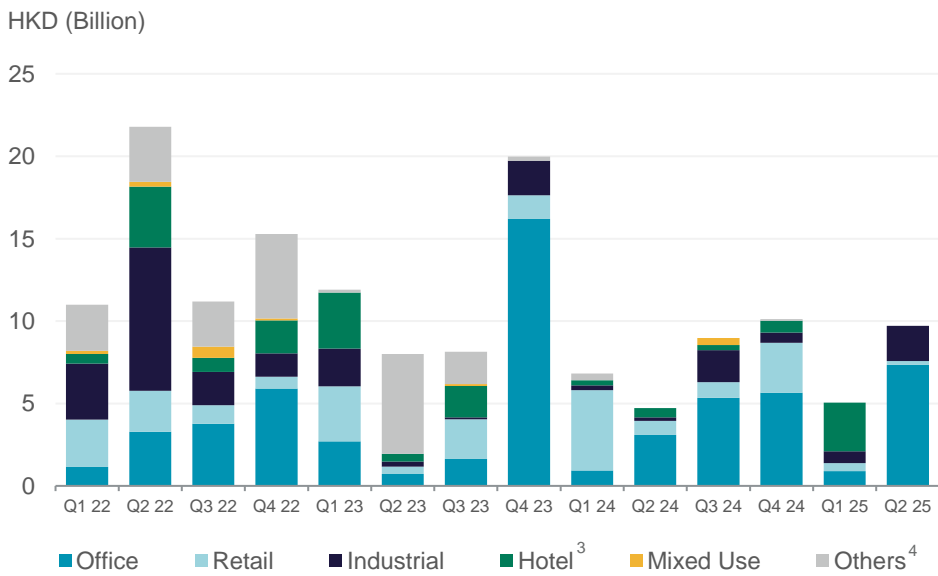
The office sector comprised 76% of total investment consideration in Q2, primarily driven by Hong Kong Exchanges and Clearing Limited (HKEX)'s HK\$6.3 billion mega-sized asset acquisition. The deal was the largest purchase for the year-to-date in terms of consideration. HKEX has committed to buy the top nine office floors at One Exchange Square in the prime Central business district from Hongkong Land, as well as additional space adjacent to HKEX Connect Hall at Levels 1 and 2 of the building, establishing its permanent headquarters. HKEX believe that by adopting a buy-and-rent strategy they may build greater resilience against business cycle fluctuations. A second notable transaction in the quarter was Meitu's co-founder's en-bloc purchase of Park Aura in Tin Hau for HK\$650 million. Several floors of the tower will be reserved for serving Meitu's business and expansion needs. The top office floor of 9 Queen's Road Central was also sold at HK\$225 million, at a more than 50% discount from the buy-price in 2018. The top floor of One Harbour Square in Kwun Tong was also sold, to a Chinese mainland enterprise, booking a loss of 40%. We expect this trend to continue and to see more aggressive discount sales in the market in the near-term.

The sole industrial sector transaction in Q2 took a 22% share of the quarter's total investment volume. Grand Ming announced a plan to dispose of two in-development data centers in Fanling, iTech Tower 3.1 and iTech Tower 3.2, at a total price of HK\$2.15 billion, marking the second-largest deal in the quarter. Tower 3.1 has been substantially completed while Tower 3.2 is in earlier construction stages. The balance of consideration of Tower 3.2 is yet to be determined, subject to the remaining costs to complete the development, of which HK\$650 million has been agreed. The potential purchaser is believed to be a data infrastructure builder and is understood to be an overseas fund. This transaction highlights investors' confidence in Hong Kong's strategic position as a regional data center hub.

OVERALL INVESTMENT VOLUME



INVESTMENT VOLUME BY SECTOR



³ "Hotel" category includes investment for co-living and rental apartments;

⁴ "Others" category covers carparks and private sites for development or conversion purpose

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

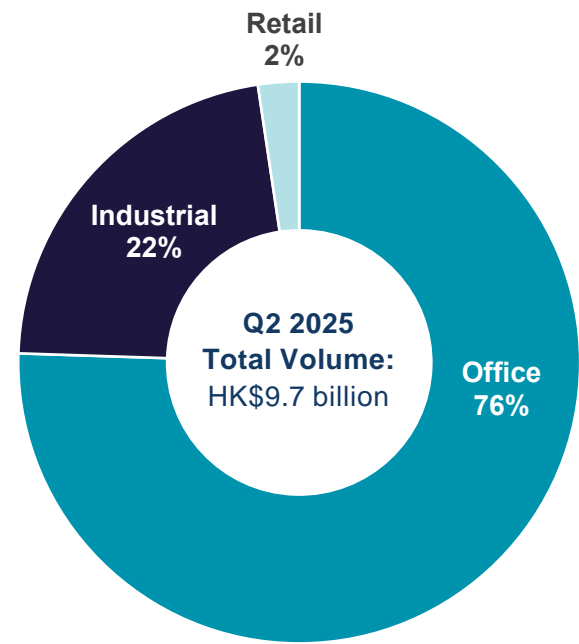
Two retail sector transactions accounted for 2% of total investment consideration in Q2 2025, The first deal was a 15,000 sf store in Shau Kei Wan acquired by the existing tenant, Very Good Joyful Banquet, for HK\$119 million. The second deal was the HK\$110 million acquisition of a multi-floor space at Amber Commercial Building in Wanchai by a local Buddhist group.

The abovementioned office and retail sector transactions illustrate that current attractive price levels have provided windows for end-users or existing tenants to bottom-fish and save rental expenses in the long-term. Meanwhile, local and international investors remain cautious and in a wait-and-see stance when making investment decisions, amid rate cuts and geopolitical uncertainties. Although Hong Kong’s HIBOR has weakened significantly since May, overall investment sentiment in the city is still hindered by high vacancy rates across CRE sectors. As a result, investment activity will likely remain slow through the second half of 2025.

STUDENT HOUSING SECTOR CAPTURES FURTHER MARKET INTEREST

As a follow-up to the 2024 Policy Address, in late June the Hong Kong government released further details regarding the student housing conversion policies pilot scheme. By streamlining the applicable process and easing regulations on zoning and plot ratios with regards to student hostel conversions, it provides more flexibility and opportunities for underperforming and aging commercial buildings to convert into student housing, thereby encouraging private sector participation in commercial or hotel building conversions to student housing. Given the strong market fundamentals, widening demand-supply gap, and secure rental return of this asset class, we believe that en-bloc commercial or hotel buildings with conversion potential will continue to be sought after by cash-rich investors and student accommodation operators.

Q2 2025 TRANSACTIONS BY SECTORS

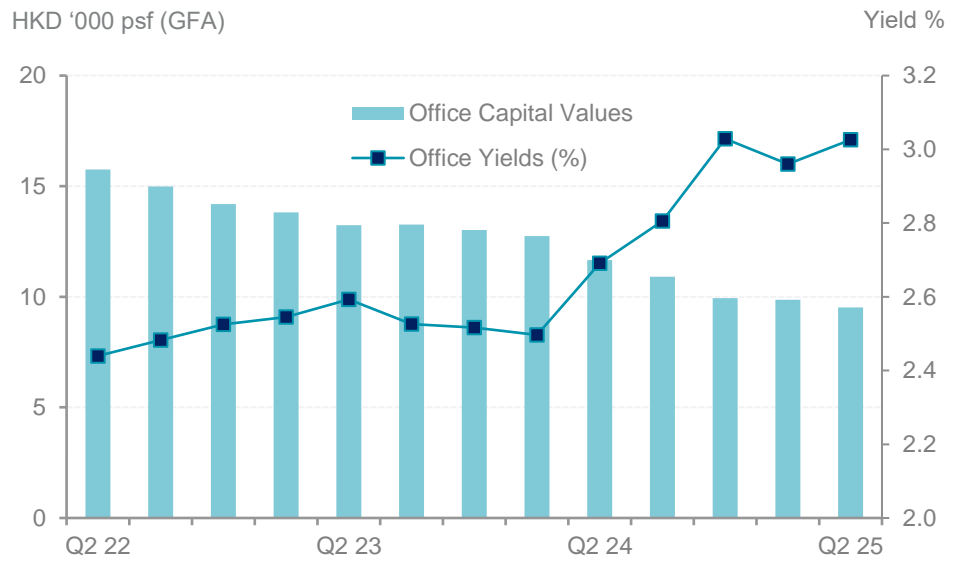


Source: EPRC; Media articles; HKEx; Cushman & Wakefield Research

Q2 2025 KEY INVESTMENT TRANSACTIONS

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (HKD MN)
9 Office Floors & 2 Retail Levels, One Exchange Square	Central	HKEX	Hongkong Land	Office	6,300
iTech Tower 3.1 & 3.2	Fanling	Overseas Fund	Grand Ming	Industrial	2,150
Park Aura (En-bloc)	Tin Hau	Meitu Co-founder	H Development	Office	650
34/F, 9 Queen's Road Central	Central	Chinese Investor	Winland Group	Office	225
28/F, One Harbour Square	Kwun Tong	Lens International	Chinese Investor	Office	163

OFFICE CAPITAL VALUE AND GROSS YIELD



ROSANNA TANG
Executive Director,
Head of Research, Hong Kong
27th Floor, One Island East,
Taikoo Place, 18 Westlands Road, Quarry Bay
Tel: +852 2956 7021
rosanna.tang@cushwake.com

JULIA LAW
Manager, Research, Hong Kong
27th Floor, One Island East,
Taikoo Place, 18 Westlands Road, Quarry Bay
Tel: +852 2956 7042
julia.law@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In Greater China, a network of 23 offices serves local markets across the region. In 2024, the firm reported revenue of \$9.4 billion across its core services of Valuation, Consulting, Project & Development Services, Capital Markets, Project & Occupier Services, Industrial & Logistics, Retail, and others. Built around the belief that Better never settles, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.hk or follow us on LinkedIn (<https://www.linkedin.com/company/cushman-&wakefield-greater-china>).

©2025 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield (“CWK”). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK’s securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.