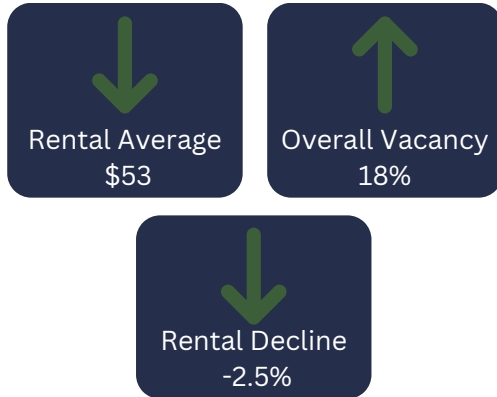


Q2 Office Market Brief

OVERALL TRENDS

HK & Kowloon overall trends



Key Economic Indicators

1.5%	GDP Growth	1.7%	Composite CPI Growth
5.750%	HSBC Lending Rate	2.8%	Unemployment Rate

MAJOR NEW LETTINGS & RENEWALS

Bank of America	<ul style="list-style-type: none"> Cheung Kong Centre, Central 107,000 sq ft (Renewal)
FWD Insurance	<ul style="list-style-type: none"> Devon House Taikoo Place, Quarry Bay 49,000 sq ft
FT Life	<ul style="list-style-type: none"> Portas Tower A, Cheung Sha Wan 186,000 sq ft
Citi Group	<ul style="list-style-type: none"> 3 Garden Road, Central 28,500 sq ft

THE MARKET

Office Market Review Q2, 2023

- The Grade A office market is experiencing rising vacancy rates due to the pressure of tepid demand and an abundance of stock which has caused overall net effective rents to fall, with Core Central taking the largest hit.
- Not only are vacancy rates increasing but they are hitting record highs at nearly 18%. It is Hong Kong's first time facing high double digit vacancy rates in all submarkets.
- Core Central, encountering its highest vacancy to date, only having 3 new transactions over 10,000 sq ft this quarter.
- Unfortunately, the border re-opening did not cause as much leasing activity as many expected. With Chinese companies only making up 8% of the commercial property transactions this year compared to their average of almost 20% in 2019.
- There is a continued shift for flight-to-quality demand and upgrading to newer stock.
- To attract new or keep existing tenants, landlords are offering financial, as well as non-financial incentives. Such as flexible lease terms or no reinstatement obligations.
- A strong supply pipeline gives tenants options and power in negotiations.
- Hong Kong Landlords had factored in strong growth from 2018-2030 with a pipeline of Grade A office stock, which is now categorized as significant oversupply.

The current market puts tenants in an ideal position as it presents an excellent opportunity to secure lower, long-term rents and renew or relocate into new Grade-A spaces. Declining office rentals over the next few years will become the norm.

GREEN SHOOTS

ESG requirements improving
The Market is observing an increase in companies concerns for sustainability and ESG elements in buildings



SUPPLY

New supply
7.5 million sq ft (NFA)
(2023-2026)

FUTURE TRENDS

Market prospect
Kowloon East and West Kowloon will continue to attract occupiers to move away from core areas such as Central, Admiralty and Island East.



More questions? Please contact us

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