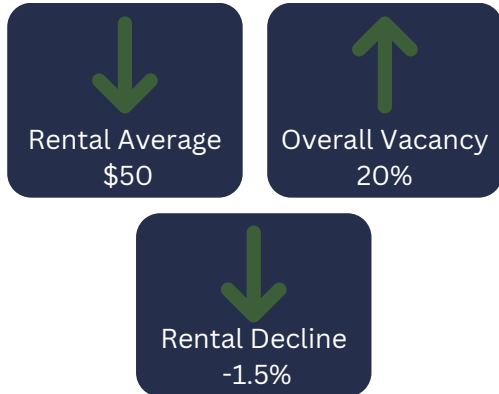


Q3 Office Market Brief

OVERALL TRENDS

HK & Kowloon overall trends



Key Economic Indicators

1.6%	GDP Growth	1.6%	Composite CPI Growth
5.875%	HSBC Lending Rate	2.8%	Unemployment Rate

MAJOR NEW LETTINGS & RENEWALS

Fujifilm Business Innovation	<ul style="list-style-type: none"> The Millennity Tower, Kwun Tong 33,000 sq ft
Hong Kong Network Broadband	<ul style="list-style-type: none"> Quayside Tower 1 & 2, Kwun Tong 73,100 sq ft
Hospital Authority	<ul style="list-style-type: none"> Harbourside HQ, Kowloon East 75,300 sq ft
TF International Securities Group	<ul style="list-style-type: none"> Two IFC, Central 18,700 sq ft

THE MARKET

Office Market Review Q3, 2023

- The lack of demand this year has forced landlords to lower their rentals causing the overall net effective rents to decline, triggering some activity.
- Even though there has been a slight increase in office leasing in Q3 there is still a significant amount of vacant space totaling at 13.6 million square feet.
- Most occupiers main concern is to save costs, causing a trend of downsizing or decentralization into fitted units to save on CapEx.
- Despite sizeable deals in the market high vacancy rates remained, and office rentals have declined since Q2.
- While a significant portion of the activity can be attributed to relocations resulting from downsizing or decentralization, the current economic uncertainty also means many tenants are too cautious to sign new leases.
- Prevalence of Mainland Chinese occupiers has increased since last year. In 2022 Mainland tenants only made up 17% of Centrals occupiers, compared to over 33% so far in 2023.

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.

GOVERNMENT INITIATIVES



- Hong Kong introduces measures to attract wealthy family offices.
- Updated investment migration scheme, new tax concessions and incentives, art storage facilities at the international airport.
- Over 30 companies to invest \$30 billion in HK to transform it into an Innovation and Technology hub.

GREEN SHOOTS

ESG requirements improving HK Land, Swire & Link Reit are now the leaders in adopting environmental and sustainability practices.



SUPPLY

New supply
10 million sq ft (from 2023 – 2027)



FUTURE TRENDS

Market prospect
Office rentals will continue to fall. Occupiers will continue to adopt a cautious approach in their spending.

More questions? Please contact us

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