

COLLIERS INTERNATIONAL Office Snapshot

HONG KONG

April 2009

Economic Indicators

	Measure	2Q 2008	3Q 2008	4Q 2008	1Q 2009	Latest	Note
GDP	% year-on-year	4.3%	1.7%	-2.5%	-	-	-
HSBC's Best lending rate	% per annum	5.25%	5.25%	5.00%	5.00%	5.00%	Mar-09
3-month interbank rate	% per annum	2.15%	3.50%	0.89%	0.76%	0.90%	15-Apr-09
Unemployment rate	% rate	3.3%	3.4%	4.1%	-	5.0%	Feb-09
Composite consumer price index	% year-on-year	6.1%	3.0%	2.1%	-	0.8%	Feb-09

Source: HKSAR Government, HSBC, Local press

- In anticipation of a global recession and significant business slowdown across the board, hiring expectations fell further in 2Q 2009. According to the quarterly survey conducted by Hudson, a leading human resources consultant, hiring expectations in Hong Kong fell from 18% in 1Q 2009 to 14% in 2Q 2009. Meanwhile, 22% of the respondents expect to cut their headcounts in 2Q 2009, compared with 11% in 1Q 2009.
- The local Grade A office market continued to suffer from a lack of new leasing demand. Majority of the existing tenants remained cost conscious. Individual tenants have determined to reduce their total rental outgoings through negotiation for lower rental rates, downsizing their operations, relocating to cheaper developments and a combination of the above. Against the backdrop of sustained rental weakness, individual medium-size tenants have started looking to upgrade their address, and relocate to better quality buildings.
- According to the monthly survey conducted by Colliers International (Hong Kong) Limited, the average Grade A effective office rental fell 5.3% month-on-month (MoM) to HK\$45.03 per sq ft per month in March 2009, as more vendors with the exposure on the key business districts on Hong Kong Island are aiming at better occupancy rate at the expense of lower effective rentals.
- Office capital values continued to edge down in March 2009 amid the continued downward adjustment of rentals. The pace of decline of office capital values in Central and Admiralty tapered off from 4.2% MoM in February 2009 to 0.8% MoM in March 2009. Strata-title sales transactions continued to be the market highlight in March 2009. For example, a local investor acquired the whole floor of 6/F on Nine Queen's Road Central in Central for a total consideration of HK\$123.68 million or an average unit price of HK\$9,014 per sq ft.

Sub-market Breakdown

	3 Years	1 Year	3 Months	1 Month	Current Month (Mar 2009)
Grade A Effective Office Rentals (HK\$ / sq ft / month)					
Overall	\$42.99	\$67.09	\$53.75	\$47.56	\$45.03
Central/Admiralty	\$60.23	\$110.64	\$89.95	\$77.07	\$71.73
Wan Chai/Causeway Bay	\$36.98	\$52.90	\$44.69	\$39.65	\$38.19
North Point/Quarry Bay	\$25.06	\$30.21	\$30.71	\$29.74	\$29.22
Tsim Sha Tsui	\$35.35	\$42.89	\$34.73	\$33.09	\$32.51
Kwun Tong/Kowloon Bay	\$24.65	\$26.96	\$18.94	\$17.45	\$16.68
% Change					
Overall	4.7%	-32.9%	-16.2%	-5.3%	-
Central/Admiralty	19.1%	-35.2%	-20.3%	-6.9%	-
Wan Chai/Causeway Bay	3.3%	-27.8%	-14.5%	-3.7%	-
North Point/Quarry Bay	16.6%	-3.3%	-4.9%	-1.7%	-
Tsim Sha Tsui	-8.0%	-24.2%	-6.4%	-1.8%	-
Kwun Tong/Kowloon Bay	-32.3%	-38.1%	-11.9%	-4.4%	-

On net floor basis
N/A: information not available

Source: Colliers International (Hong Kong) Limited

	3 Years	1 Year	3 Months	1 Month	Current Month (Mar 2009)
Grade A Office Capital Values (HK\$ / sq ft)					
Central / Admiralty	\$12,803	\$22,917	\$15,205	\$14,320	\$14,213
% Change					
Central / Admiralty	11.0%	-38.0%	-6.5%	-0.8%	-

On net floor basis

Source: Colliers International (Hong Kong) Limited

Key Leasing Transactions

Building	District	Tenant	Area (sq ft)
Fairmont House	Central	Finance company	8,800
Lyndhurst Tower	Central	Media company	8,800
Admiralty Centre Block I	Central	Business services company	20,300
Two Landmark East	Kwun Tong	Garment manufacturer	39,700

Source: Colliers International (Hong Kong) Limited

Key Sale Transactions

Building	District	Purchaser	Consideration (HK\$ million)	Area (sq ft)
6/F, Nine Queen's Road Central	Central	Flexwood Ltd	\$124	13,721
Whole block, Yook Ming House	Central	Stanford Enterprises Ltd	\$32	5,800

Source: Local press; EPRC; Colliers International (Hong Kong) Limited

Colliers International (Hong Kong) Limited

Suite 5701 Central Plaza
18 Harbour Road
Wanchai Hong Kong
Tel 852 2828 9888
Fax 852 2828 9899
Company Licence No. C-006052

Richard Kirke
Managing Director, Hong Kong
Tel 852 2822 0699
Fax 852 2107 6047
Email Richard.Kirke@colliers.com

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