

# COLLIERS INTERNATIONAL Office Snapshot

HONG KONG

February 2009

## Economic Indicators

	Measure	1Q 2008	2Q 2008	3Q 2008	4Q 2008	Latest	Note
<b>GDP</b>	% year-on-year	7.3%	4.2%	1.7%	-	-	-
<b>HSBC's Best lending rate</b>	% per annum	5.56%	5.25%	5.25%	5.00%	5.00%	Jan-09
<b>3-month interbank rate</b>	% per annum	1.90%	2.15%	3.50%	0.89%	0.77%	16-Feb-09
<b>Unemployment rate</b>	% rate	3.4%	3.3%	3.4%	4.1%	4.6%	Jan-09
<b>Composite consumer price index</b>	% year-on-year	4.2%	6.1%	3.0%	2.1%	-	-

Source: HKSAR Government, HSBC, Local press

- Without signs of improvement on the economic front, the overall office demand remained weak in February 2009 and new demand came virtually to a grinding halt. The bulk of the activity in the marketplace was lease renewals and vendors have been increasingly flexible in negotiations with their tenants.
- According to a survey conducted by Hudson, a leading human resources consultant, the hiring expectations in the private sector during 1Q 2009 was the weakest since 4Q 2001. A total of 18% of the 812 respondents are anticipating headcount growth during 1Q 2009, compared with 32% in the preceding quarter.
- Amid the gradual return of vacant stock to the market and the slower-than-expected absorption rate for a number of newly completed Grade A office developments in Kowloon East, the average vacancy rate in Grade A market edged up further from 7.2% in December 2008 to 7.5% in January 2009.
- Office rentals declined further in January 2009. According to the monthly survey conducted by Colliers International (Hong Kong) Limited, the average Grade A effective office rents declined 6.8% month-on-month (MoM) to HK\$50.08 per sq ft per month in January 2009. Central saw a steeper fall of 9.1% MoM to HK\$81.79 per sq ft per month as more landlords became flexible in offering their lease terms.
- Although long-term investors remained there in the marketplace, the majority of them continued to be kept on the sidelines by insufficient financing from banks. Office capital values slipped further in January 2009 but the rate of downward adjustment narrowed from 15.3% MoM in December 2008 to 1.7% MoM in January 2009.

## Sub-market Breakdown

	3 Years	1 Year	3 Months	1 Month	Current Month (Jan 2009)
<b>Grade A Effective Office Rentals (HK\$ / sq ft / month)</b>					
<b>Overall</b>	<b>\$42.72</b>	<b>\$60.49</b>	<b>\$62.43</b>	<b>\$53.75</b>	<b>\$50.08</b>
Central/Admiralty	\$58.45	\$101.12	\$104.60	\$89.95	\$81.79
Wan Chai/Causeway Bay	\$36.35	\$45.25	\$52.43	\$44.69	\$42.47
North Point/Quarry Bay	\$23.18	\$26.86	\$35.31	\$30.71	\$30.51
Tsim Sha Tsui	\$33.41	\$38.82	\$39.41	\$34.73	\$33.61
Kwun Tong/Kowloon Bay	N/A	\$24.37	\$22.01	\$18.94	\$18.47
<b>% Change</b>					
<b>Overall</b>	<b>17.2%</b>	<b>-17.2%</b>	<b>-19.8%</b>	<b>-6.8%</b>	<b>-</b>
Central/Admiralty	39.9%	-19.1%	-21.8%	-9.1%	-
Wan Chai/Causeway Bay	16.8%	-6.1%	-19.0%	-5.0%	-
North Point/Quarry Bay	31.6%	13.6%	-13.6%	-0.7%	-
Tsim Sha Tsui	0.6%	-13.4%	-14.7%	-3.2%	-
Kwun Tong/Kowloon Bay	N/A	-24.2%	-16.1%	-2.5%	-

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 (Jan 2009)
<b>Grade A Office Capital Values (HK\$ / sq ft)</b>					
Central / Admiralty	\$12,686	\$21,060	\$21,966	\$15,205	\$14,944
<b>% Change</b>					
Central / Admiralty	17.8%	-29.0%	-32.0%	-1.7%	-

On net floor basis

Source: Colliers International (Hong Kong) Limited

## Key Leasing Transactions

Building	District	Tenant	Area (sq ft)
The Gateway - Prudential Tower	Tsim Sha Tsui	Retailer	4,600
China Resources Building	Wan Chai	Manufacturing company	10,400

Source: Colliers International (Hong Kong) Limited

## Key Sale Transactions

Building	District	Purchaser	Consideration (HK\$ million)	Area (sq ft)
11/F, Silver Fortune Plaza	Central	Hatton Properties Ltd	\$32	4,400

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

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