

COLLIERS INTERNATIONAL Office Snapshot

HONG KONG

January 2009

Economic Indicators

| | Measure | 4Q 2007 | 1Q 2008 | 2Q 2008 | 3Q 2008 | Latest | Note |
|---------------------------------------|----------------|---------|---------|---------|---------|--------|-----------|
| GDP | % year-on-year | 6.9% | 7.3% | 4.2% | 1.7% | - | - |
| HSBC's Best lending rate | % per annum | 6.85% | 5.56% | 5.25% | 5.25% | 5.00% | Dec-08 |
| 3-month interbank rate | % per annum | 3.31% | 1.90% | 2.15% | 3.50% | 0.84% | 15-Jan-09 |
| Unemployment rate | % rate | 3.4% | 3.4% | 3.3% | 3.4% | 3.8% | Nov-08 |
| Composite consumer price index | % year-on-year | 3.8% | 4.2% | 6.1% | 3.0% | 3.1% | Nov-08 |

Source: HKSAR Government, HSBC, Local press

- New demand for offices remained weak in December 2008. Existing tenants are prompted to downsize themselves or relocate to inexpensive areas in order to weather the prevailing global economic downturn.
- Therefore, office rentals declined across the board in December 2008. According to the monthly survey conducted by Colliers International (Hong Kong) Limited, the average Grade A effective office rents fell 4.7% month-on-month (MoM) to HK\$53.75 per sq ft per month in December 2008. Effective rentals in Kowloon East where a number of new developments have been completed recently posted a steeper fall of 5.9% MoM to HK\$18.94 per sq ft per month.
- Since more strata-title vendors shifted to offer their vacant units for lease rather than for sale and, with the slower-than-expected absorption rate for a number of newly completed Grade A office developments in Kowloon East, the average vacancy rate in the Grade A market edged up further from 7.00% in November 2008 to 7.17% in December 2008.
- The majority of investors continued to stay on the sidelines due to the lack of sufficient financing from banks and the uncertain rental direction. Office capital values fell further by 15.3% MoM in December 2008. However, after a price decline of 30% from the cyclical peak last year, individual cash-rich buyers would be bold to enter the market if attractive opportunity comes up in the market. The latest investment transaction was the whole-block sale of Tiffan Tower in Wan Chai by Tai Hung Fai Enterprise Company Limited for a total consideration of HK\$208 million.
- Notwithstanding the anticipated low completion rate of new developments in 2009, the potential increase in vacant stock arising from lease restructures in the secondary markets will continue to be the key uncertainty factor for the local office market. Therefore, it is our prediction that overall Grade A office rentals will come down further by 26% in 2009.

Sub-market Breakdown

| | 3 Years | 1 Year | 3 Months | 1 Month | Current Month (Dec 2008) |
|----------------------------------------------------------------|----------------|----------------|----------------|----------------|--------------------------|
| Grade A Effective Office Rentals (HK\$ / sq ft / month) | | | | | |
| Overall | \$41.99 | \$57.52 | \$66.79 | \$56.42 | \$53.75 |
| Central/Admiralty | \$58.31 | \$96.11 | \$111.93 | \$95.01 | \$89.95 |
| Wan Chai/Causeway Bay | \$34.16 | \$43.94 | \$55.01 | \$46.20 | \$44.69 |
| North Point/Quarry Bay | \$22.60 | \$26.32 | \$35.65 | \$31.20 | \$30.71 |
| Tsim Sha Tsui | \$32.95 | \$35.41 | \$44.16 | \$36.55 | \$34.73 |
| Kwun Tong/Kowloon Bay | N/A | \$22.65 | \$23.91 | \$20.13 | \$18.94 |
| % Change | | | | | |
| Overall | 28.0% | -6.5% | -19.5% | -4.7% | - |
| Central/Admiralty | 54.3% | -6.4% | -19.6% | -5.3% | - |
| Wan Chai/Causeway Bay | 30.8% | 1.7% | -18.8% | -3.3% | - |
| North Point/Quarry Bay | 35.9% | 16.7% | -13.8% | -1.6% | - |
| Tsim Sha Tsui | 5.4% | -1.9% | -21.3% | -5.0% | - |
| Kwun Tong/Kowloon Bay | N/A | -16.3% | -20.8% | -5.9% | - |

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 (Dec 2008) |
|-----------------------------------------------------|----------|----------|----------|----------|--------------------------|
| Grade A Office Capital Values (HK\$ / sq ft) | | | | | |
| Central / Admiralty | \$12,615 | \$19,294 | \$24,261 | \$17,952 | \$15,205 |
| % Change | | | | | |
| Central / Admiralty | 20.5% | -21.2% | -37.3% | -15.3% | - |

On net floor basis

Source: Colliers International (Hong Kong) Limited

Key Leasing Transactions

| Building | District | Tenant | Area (sq ft) |
|-------------------------------|--------------|--------------------------|--------------|
| Kwun Tong 223, Tower B | Kwun Tong | Energy company | 30,600 |
| International Commerce Centre | West Kowloon | Business centre operator | 15,200 |
| Glorious Sun Group Building | Kwun Tong | Technology company | 10,300 |
| Island Place Tower | North Point | Media company | 10,000 |

Source: Colliers International (Hong Kong) Limited

Key Sale Transactions

| Building | District | Purchaser | Consideration (HK\$ million) | Area (sq ft) |
|----------------------------------|-------------|-------------------------------|------------------------------|--------------|
| Tiffan Tower | Wan Chai | Lexcon (BVI) Ltd | \$208 | 49,600 |
| 11/F Argyle Centre | Mong Kok | Public Financial Holdings Ltd | \$120 | 15,774 |
| 26-27/F, 1 Wang Kwong Road | Kowloon Bay | Undisclosed | \$203 | 50,400 |
| 35/F, Block A, 1 Wang Kwong Road | Kowloon Bay | Undisclosed | \$59 | 12,600 |

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

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