

COLLIERS INTERNATIONAL Office Snapshot

HONG KONG

March 2009

Economic Indicators

	Measure	1Q 2008	2Q 2008	3Q 2008	4Q 2008	Latest	Note
GDP	% year-on-year	7.3%	4.3%	1.7%	-2.5%	-	-
HSBC's Best lending rate	% per annum	5.56%	5.25%	5.25%	5.00%	5.00%	Feb-09
3-month interbank rate	% per annum	1.90%	2.15%	3.50%	0.89%	0.90%	16-Mar-09
Unemployment rate	% rate	3.4%	3.3%	3.4%	4.1%	4.6%	Jan-09
Composite consumer price index	% year-on-year	4.2%	6.1%	3.0%	2.1%	3.1%	Jan-09

Source: HKSAR Government, HSBC, Local press

- The conditions in the macro-economic environment remained challenging for the local office market in March 2009. With a dramatic reduction of investment in the private sector and the significant slowdown of re-exports, the local economy slipped into the negative territory with its GDP declined by 2.5% year-on-year in 4Q 2008.
- In anticipation of a global recession and significant business slowdown across the board, the local Grade A office market continued to suffer from a lack of new leasing demand. The majority of existing tenants remained cost-conscious. As a strategy to cope with the prospective business contraction in 2009, individual tenants have determined to reduce their total rental outgoings. In addition to negotiations for lower rental rates, office decentralisation, consolidation of floor area requirements, downgrading to second-tier developments and a combination of the above were some of the most popular real estate options elected by tenants in 1Q2009. In the case of office relocation, the most recent example was that of a sportswear retailer has decided to move from Wanchai to Kwun Tong by committing to a lease of 40,000 sq ft of office space in the low zone of Tower 2 in Landmark East.
- In view of the continued deterioration of demand fundamentals, more vendors with exposure to the key business districts on Hong Kong Island changed their leasing strategy in order to achieve a better occupancy rate at the expense of lower effective rentals. According to the monthly survey conducted by Colliers International (Hong Kong) Limited, the average Grade A effective office rental fell 5.0% month-on-month (MoM) to HK\$47.56 per sq ft per month in February 2009.
- Office capital values continued to edge down in February 2009 due to slackening occupational demand and expectations of further downside of rentals over the near to medium term. In Central and Admiralty, capital values fell 4.2% MoM during the month.

Sub-market Breakdown

	3 Years	1 Year	3 Months	1 Month	Current Month (Feb 2009)
Grade A Effective Office Rentals (HK\$ / sq ft / month)					
Overall	\$43.64	\$64.93	\$56.42	\$50.08	\$47.56
Central/Admiralty	\$59.82	\$108.54	\$95.01	\$81.79	\$77.07
Wan Chai/Causeway Bay	\$36.35	\$49.59	\$46.20	\$42.47	\$39.65
North Point/Quarry Bay	\$23.87	\$27.73	\$31.20	\$30.51	\$29.74
Tsim Sha Tsui	\$34.56	\$41.12	\$36.55	\$33.61	\$33.09
Kwun Tong/Kowloon Bay	N/A	\$26.11	\$20.13	\$18.47	\$17.45
% Change					
Overall	9.0%	-26.7%	-15.7%	-5.0%	-
Central/Admiralty	28.8%	-29.0%	-18.9%	-5.8%	-
Wan Chai/Causeway Bay	9.1%	-20.0%	-14.2%	-6.6%	-
North Point/Quarry Bay	24.6%	7.2%	-4.7%	-2.5%	-
Tsim Sha Tsui	-4.3%	-19.5%	-9.5%	-1.5%	-
Kwun Tong/Kowloon Bay	N/A	-33.2%	-13.3%	-5.5%	-

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 (Feb 2009)
Grade A Office Capital Values (HK\$ / sq ft)					
Central / Admiralty	\$12,716	\$22,064	\$17,952	\$14,944	\$14,320
% Change					
Central / Admiralty	12.6%	-35.1%	-20.2%	-4.2%	-

On net floor basis

Source: Colliers International (Hong Kong) Limited

Key Leasing Transactions

Building	District	Tenant	Area (sq ft)
Two Exchange Square	Central	Business center operator	40,000
Two International Finance Center	Central	Overseas bank	30,000
Millennium City Phase 2	Kwun Tong	Telecommunication	115,300
Tower 2, Landmark East	Kwun Tong	Sportswear retailer	40,000
Kwun Tong 223	Kwun Tong	Logistics company	9,000
Empire Centre	Tsim Sha Tsui	Trading company	17,100

Source: Colliers International (Hong Kong) Limited

Key Sale Transactions

Building	District	Purchaser	Consideration (HK\$ million)	Area (sq ft)
9/F, Harcourt House	Wan Chai	Oriental United Resources	\$124	17,000
30/F, United Centre	Admiralty	Stadium Holdings Ltd	\$106	20,500
31/F, I Wang Kwong Road	Kowloon Bay	Undisclosed	\$52	12,700

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

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