

COLLIERS INTERNATIONAL Office Snapshot

HONG KONG

November 2008

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%	14-Nov-08
3-month interbank rate	% per annum	3.31%	1.90%	2.15%	3.50%	2.19%	14-Nov-08
Unemployment rate	% rate	3.4%	3.4%	3.3%	3.4%	3.4%	Sep-08
Composite consumer price index	% year-on-year	3.8%	4.2%	6.1%	3.0%	3.0%	Sep-08

Source: HKSAR Government, HSBC, Local press

- With the outbreak of the global financial tsunami, the local GDP growth tapered off significantly from 4.2% in 2Q 2008 to 1.7% in 3Q 2008. Individual analyst predicts that Hong Kong will see negative GDP growth in 4Q 2008. On the office leasing front, the average Grade A effective office rental declined 6.6% month-on-month (MoM) to HK\$62.39 per sq ft per month in October 2008, according to the monthly survey conducted by Colliers International (Hong Kong) Limited.
- The sub-market of Tsim Sha Tsui and Kowloon East saw steeper rates of downward adjustment during the period primarily because of the availability of more stock for lease. One of the new schemes completed recently is Landmark East - the twin-tower office development comprising a total of over one million sq ft office space in Kwun Tong.
- Office occupiers have turned more cost-sensitive now than in the first half of 2008. The cost implication on each real estate solution such as office decentralization and building selection etc has been placed at the top of agenda in addition to the consideration of employees' expectations in general.
- Meanwhile, with a significant contraction of demand in traditional business locations, vendors became flexible in lease negotiations and prepare to offer perspective tenants attractive incentives.
- Despite the fact that the interbank liquidity has improved in the first half of November 2008, local banks remained cautious toward lending with the average loan-to-value ratio for commercial properties at 50% or below. Meanwhile, with expectations of further rental decline over the near to medium term, the average Grade A office capital value fell 9.5% MoM in October 2008.

Sub-market Breakdown

	3 Year	1 Year	3 Months	1 Month	Current Month (Oct 2008)
Grade A Effective Office Rentals (HK\$ / sq ft / month)					
Overall	\$39.32	\$54.50	\$69.47	\$66.79	\$62.39
Central/Admiralty	\$54.65	\$89.80	\$115.15	\$111.93	\$104.60
Wan Chai/Causeway Bay	\$31.93	\$41.48	\$55.25	\$55.01	\$52.43
Island East	\$20.98	\$26.10	\$35.93	\$35.65	\$35.31
Tsim Sha Tsui	\$30.94	\$32.93	\$43.71	\$44.16	\$39.41
Kowloon East	N/A	\$21.06	\$26.77	\$23.91	\$21.68
% Change					
Overall	58.7%	14.5%	-10.2%	-6.6%	-
Central/Admiralty	91.4%	16.5%	-9.2%	-6.5%	-
Wan Chai/Causeway Bay	64.2%	26.4%	-5.1%	-4.7%	-
Island East	68.3%	35.3%	-1.7%	-0.9%	-
Tsim Sha Tsui	27.4%	19.7%	-9.8%	-10.8%	-
Kowloon East	N/A	3.0%	-19.0%	-9.3%	-

On net floor basis
N/A: information not available

Source: Colliers International (Hong Kong) Limited

	3 Year	1 Year	3 Months	1 Month	Current Month (Oct 2008)
Grade A Office Capital Values (HK\$ / sq ft)					
Central	\$14,191	\$20,221	\$31,219	\$29,006	\$26,261
Admiralty	\$11,144	\$14,433	\$22,282	\$20,703	\$18,744
% Change					
Central	85.1%	29.9%	-15.9%	-9.5%	-
Admiralty	68.2%	29.9%	-15.9%	-9.5%	-

On net floor basis

Source: Colliers International (Hong Kong) Limited

Key Leasing Transactions

Building	District	Tenant	Area (sq ft)
Two International Finance Centre	Central	Trading company	22,970
8 Queen's Road Central	Central	Finance company	3,010
New Mandarin Plaza	Tsim Sha Tsui	Trading company	9,990

Source: Colliers International (Hong Kong) Limited

Key Sale Transactions

Building	District	Purchaser	Consideration (HK\$ million)	Area (sq ft)
6 floors, Hong Kong Trade Centre	Sheung Wan	Group Success Limited	\$103	17,994
Unit B and C, 29/F, Admiralty Centre Tower I	Admiralty	Front Land Properties	\$101	12,657

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

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