Hong Kong Office Market: The Global Perspective
“A victim of our own success?”

12 March 2011

Dr. Nick Axford
Head of Research, Asia Pacific
CB Richard Ellis
Strong economic recovery in 2010 …

Source: Oxford Economics
... which links closely to rising demand for offices ...

Source: Oxford Economics, CB Richard Ellis
... which has resulted in falling vacancy
Vacancy is particularly low in Central

Grade A Vacancy (%)

- Sheung Wan
- Central A1
- Central
- Admiralty
- Wanchai
- CWB
- North Point
- HK East
- TST
- Kwn East

HK Island 3.6%

All Kowloon & New Territories 7.9%
Which has pushed rents up sharply
Rents rose 35% last year. On average!

% Change in 2010

Central Grade A1: 50%
Causeway Bay: 45%
Central: 40%
Hong Kong East: 35%
Wan Chai: 30%
Admiralty: 25%
Sheung Wan: 20%
North Point: 15%
Hong Kong is the most expensive office market in the world

Prime Office Rent in Q4 2010
“Whole Floor, Middle Floor, Top Tier Office Buildings”

Source: CBRE Research
Overall New Supply Reducing

Net Floor Area (Million sf)

Compared with average annual net absorption of 1.8 million sq ft

- Annual New Supply
- Annual Average (2011-2014)
Overall Hong Kong New Supply

Net Floor Area (Million sf)

HK Island
Kowloon

All supply
3.8 million sf

2011 2012 2013 2014

0.0 0.5 1.0 1.5 2.0 2.5
Overall Hong Kong New Supply

Net Floor Area (Million sf)

HK Island | Kowloon

HK & Kowloon Office Supply
With Floorplates Above 10K sf

1.5 million sf

HK & Kowloon Office Supply
With Floorplates Below 10K sf

2.3 million sf

2011 2012 2013 2014

2.3 million sf
EVERY location decision requires compromise …

but probably more so in HK than anywhere else!

- Size & operational footprint
- Floorplate & specification
- Building ownership
- Location
- COST!

“You pay your money and you make your choice … !”
EVERY location decision requires compromise …
but probably more so in HK than anywhere else!

- Size & operational footprint
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- COST!

But Hong Kong is not the only option …
Hong Kong offers huge advantages, but ...
What is at stake here?

This is NOT about the long term survival of Hong Kong as one of Asia’s premier business locations …

But it IS about whether we can capitalise on the extraordinary opportunity we have over the next ten years.
**Finance Street West Expansion**
- Planned Office GFA: 28 million sq ft
- Est. Completion: 2015-2020

**Lize Financial Business District**
- Planned Office GFA: 42 million sq ft
- Est. Completion: 2020

**CBD East Expansion**
- Planned Office GFA: 32 million sq ft
- Est. Completion: 2016-2018

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Beijing – 102 million sq ft
The New Beijing
Shanghai – 64 million sq ft

**Hongqiao Business District**
- **Core Area Phase 1**
  - Office GFA: 10 million sq ft
  - Est. Completion: 2012 - 2013

**Lujiazui East Expansion**
- Office GFA: c. 30 million sq ft
- Est. Completion: 2011-15

**Bund Financial Cluster**
- Commercial GFA: 24 million sq ft
- Est. Completion: 2020

**Est. Completion**
- 2012 - 2013
- 2020
The New Shanghai
Shenzhen – 50 to ??? million sq ft

- **Futian Centre**
  - Office GFA: 27 million sq ft

- **Futian CBD**
  - Office GFA: 10 million sq ft

- **Luohu CBD**
  - Est. Total GFA: 100 million sq ft
  - Est. Completion: 2015-2020

- **Qianhai**
  - Est. Total GFA: 100 million sq ft
  - Est. Completion: 2015-2020

- **Nanshan Houhai Area**
  - Office GFA: 15 million sq ft
  - Est. Completion: 2011-2020
Shenzhen Longhua - Qianhai

Longhua New City

Shenzhen Longhua - Qianhai

Completed

By 2013

After 2013

Qianhai Port City

Shenzhen Longhua - Qianhai

Longhua New City
THIS is the map you need to look at …!
Singapore – 40 million sq ft

“Ensure sufficient land to support economic activity”

Jurong East
Office GFA: 5 million sq ft
Over the next 10-15 years
Planning Released: 2008

Paya Lebar
Office GFA: 5 million sq ft

Tampines

Marina Bay
Office GFA: 30 million sq ft
Over the next 15 yrs +
Planning Released: 2008
Singapore has announced plans to double the size of its financial district as part of its strategy to position itself as one of Asia’s leading financial centres. The new growth area set aside for the seamless extension of the existing financial district at Raffles Place/Shenton Way/Tanjong Pagar will be more than twice the size of London’s Canary Wharf. It will provide some 2.82 million sqm of office space, or the equivalent to Hong Kong’s main business district, Central. Read more about these exciting plans in our latest issue!
London: From derelict docks ....

Canary Wharf, London, 1985
... to an 18 million sq ft financial hub

Canary Wharf, London, Present Day
High quality affordable offices for large space users

Prime Office Rent in Q4 2010
“Whole Floor, Middle Floor, Top Tier Office Buildings”

- Hong Kong Central A1: US$ 250
- New York Midtown: US$ 132
- London West End: US$ 100
- Inner Tokyo: US$ 83
- West Kowloon: US$ 57

Source: CBRE Research
Paris: La Defense

Decision to build a new business district: 1955
First development plan approved: 1964
RER link to CBD (in 4 mins): 1970
La Défense today: 35 million sq ft

- 3,500 companies
- 12 of France’s 20 largest firms
- 15 of the world’s 50 largest firms
- 170,000 jobs
- 20,000 inhabitants
- 11 ha of landscaped areas
High quality affordable offices for large space users

Prime Office Rent in Q4 2010
“Whole Floor, Middle Floor, Top Tier Office Buildings”

Source: CBRE Research
The benefits of 20:20 hindsight …!

- Strong, active Government support
- Clarity of vision
- Certainty of delivery
- Transport infrastructure
- Time …

- Cohesive masterplan: places, not just buildings
Short term: Do what you can

- Bring forward potential sites
- Clear commitment, definitive timescale
- Use Government occupancy proactively
“Hong Kong is not (just) an Island”

CBD and its peripherals
Key decentralised areas
Potential prime office clusters
Longer term: Create confidence and certainty

- Clear, transparent, bold, visionary plans
- Balancing the needs of business with those of the wider community
- Use Government relocations and infrastructure to stimulate activity
- Potential is great; but business needs certainty and timescales
A room with a view …
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“Building on its own success!”

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