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

12 March 2011

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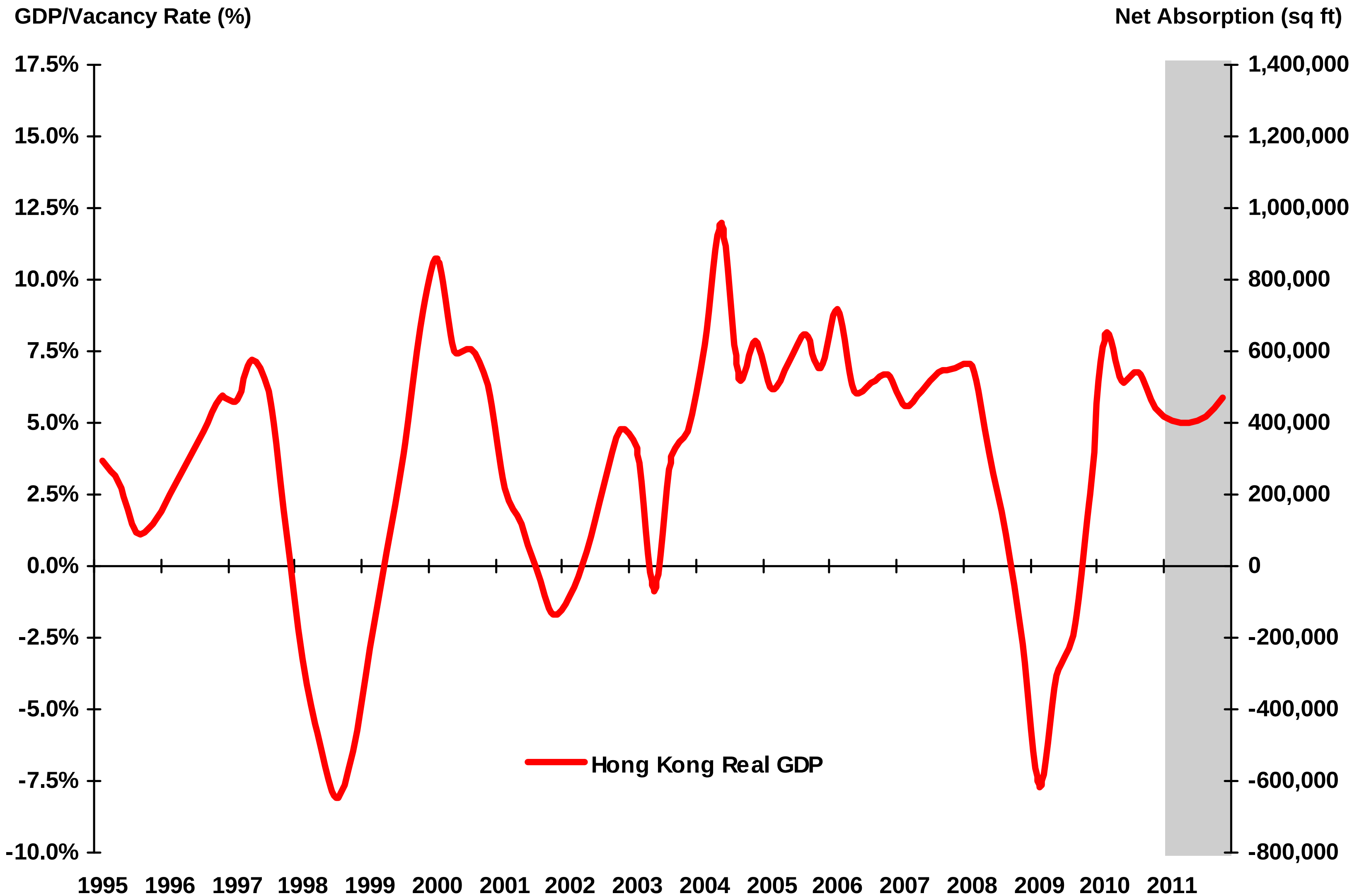
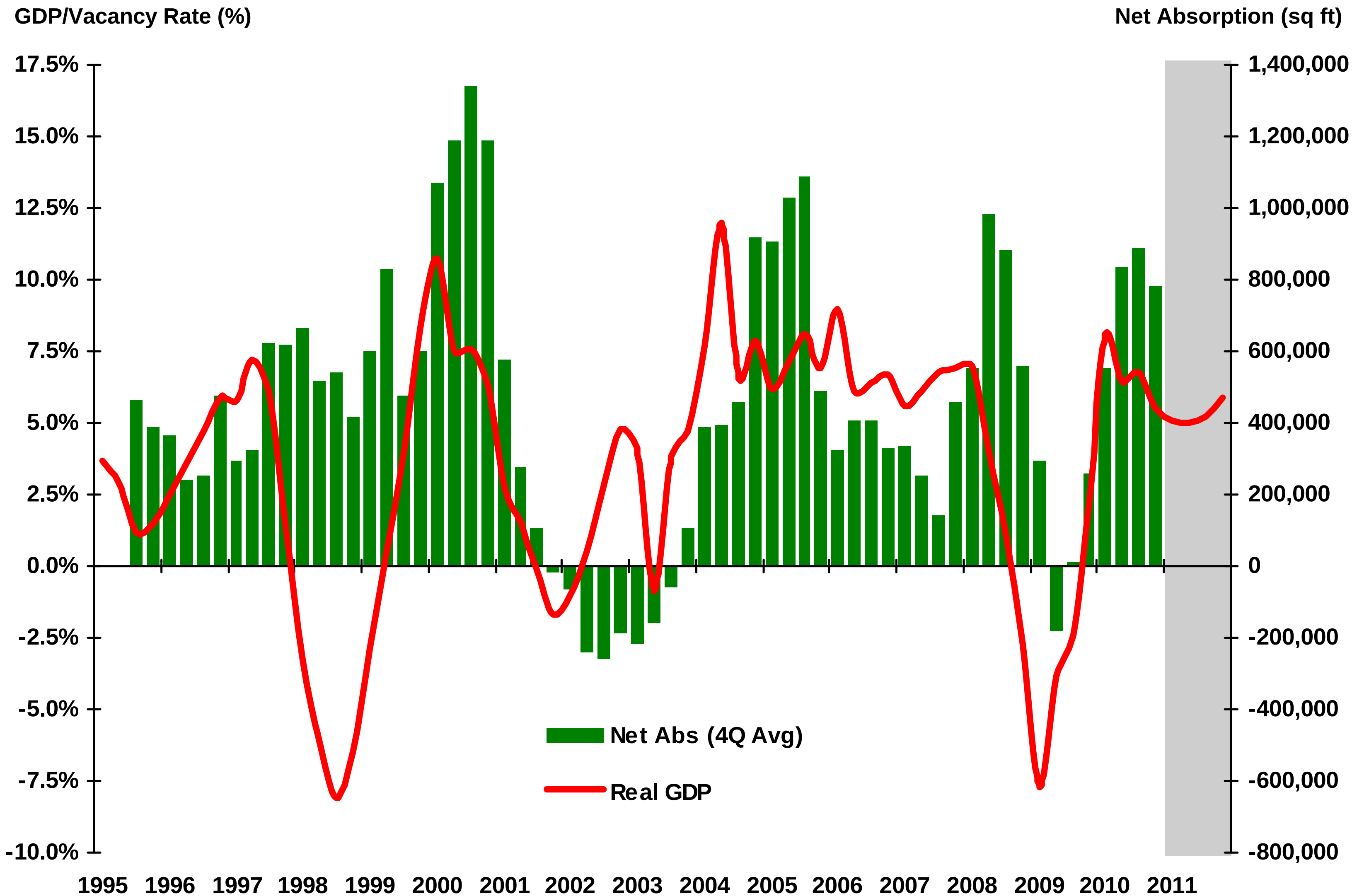
Strong economic recovery in 2010 …



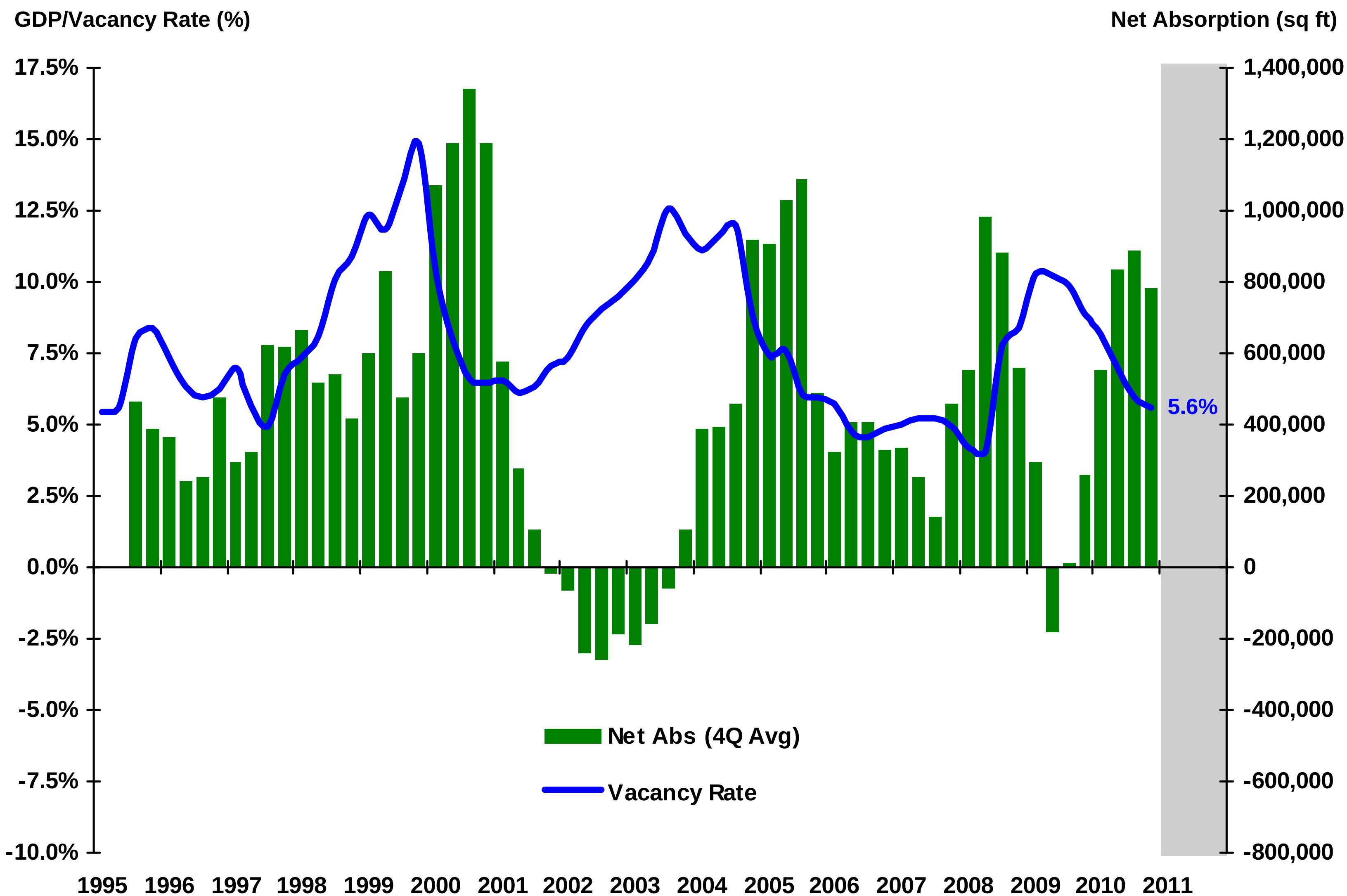
Source: Oxford Economics

… which links closely to rising demand for offices …



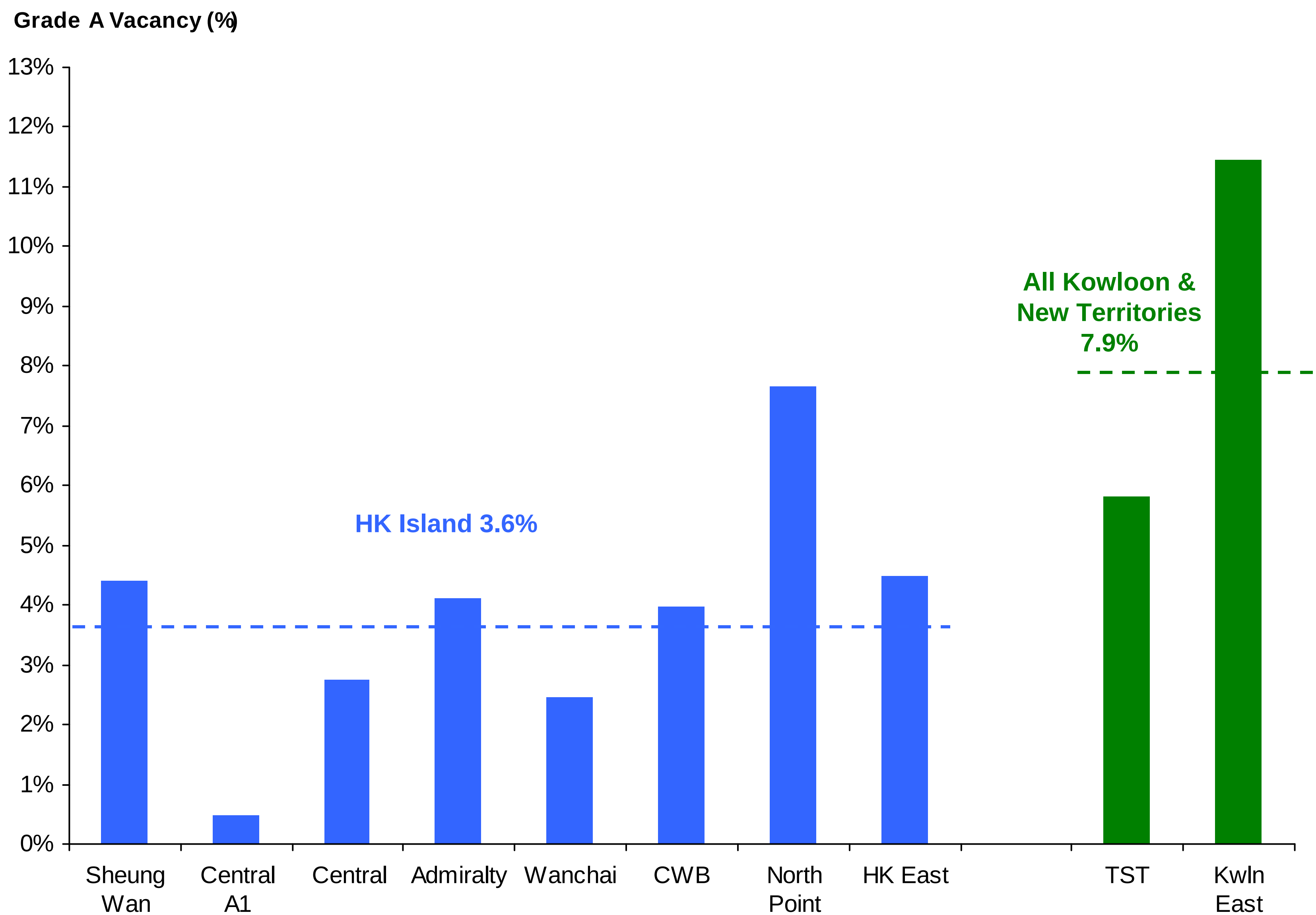
Source: Oxford Economics, CB Richard Ellis

… which has resulted in falling vacancy



Source: CB Richard Ellis

Vacancy is particularly low in Central



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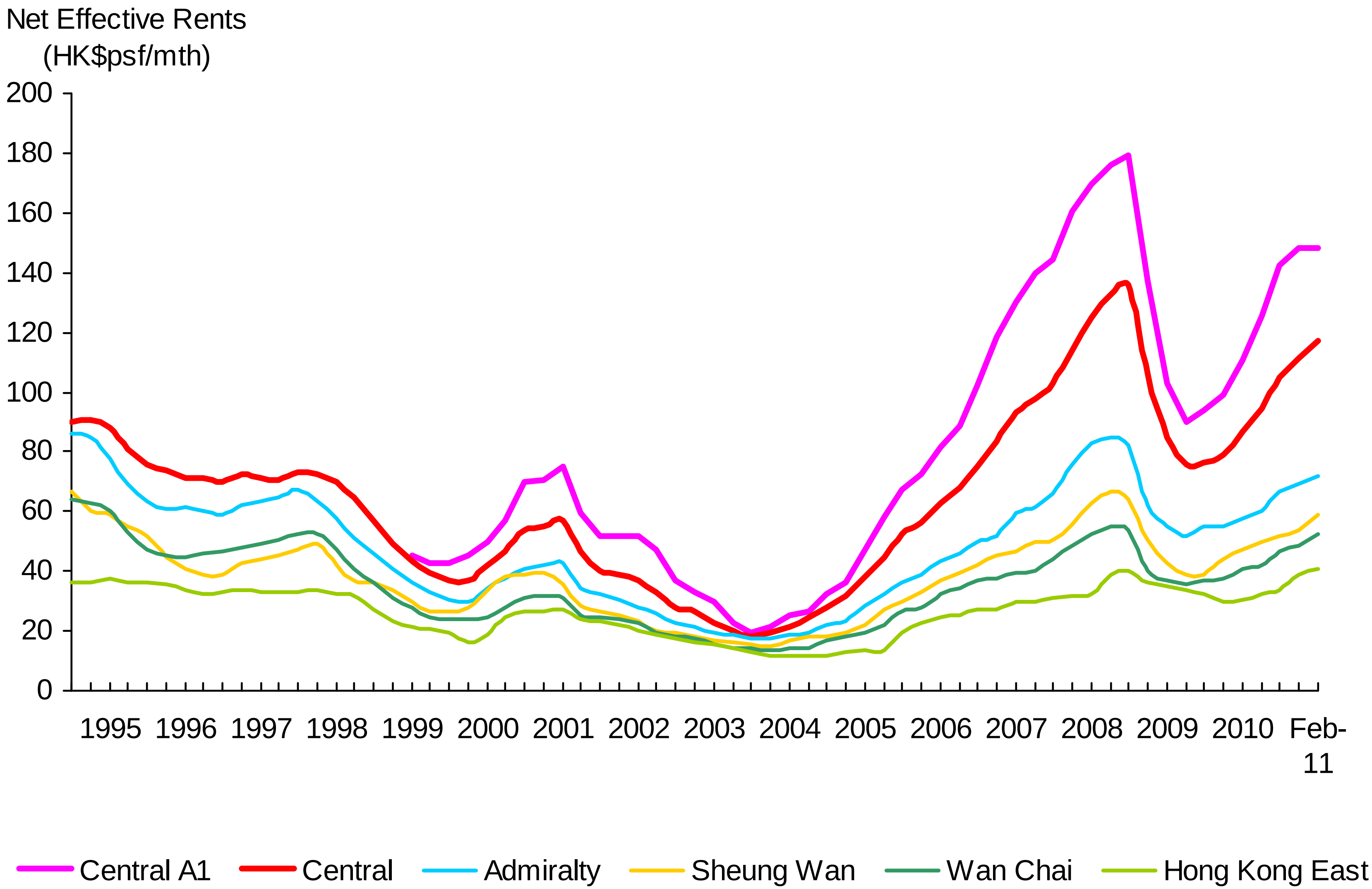
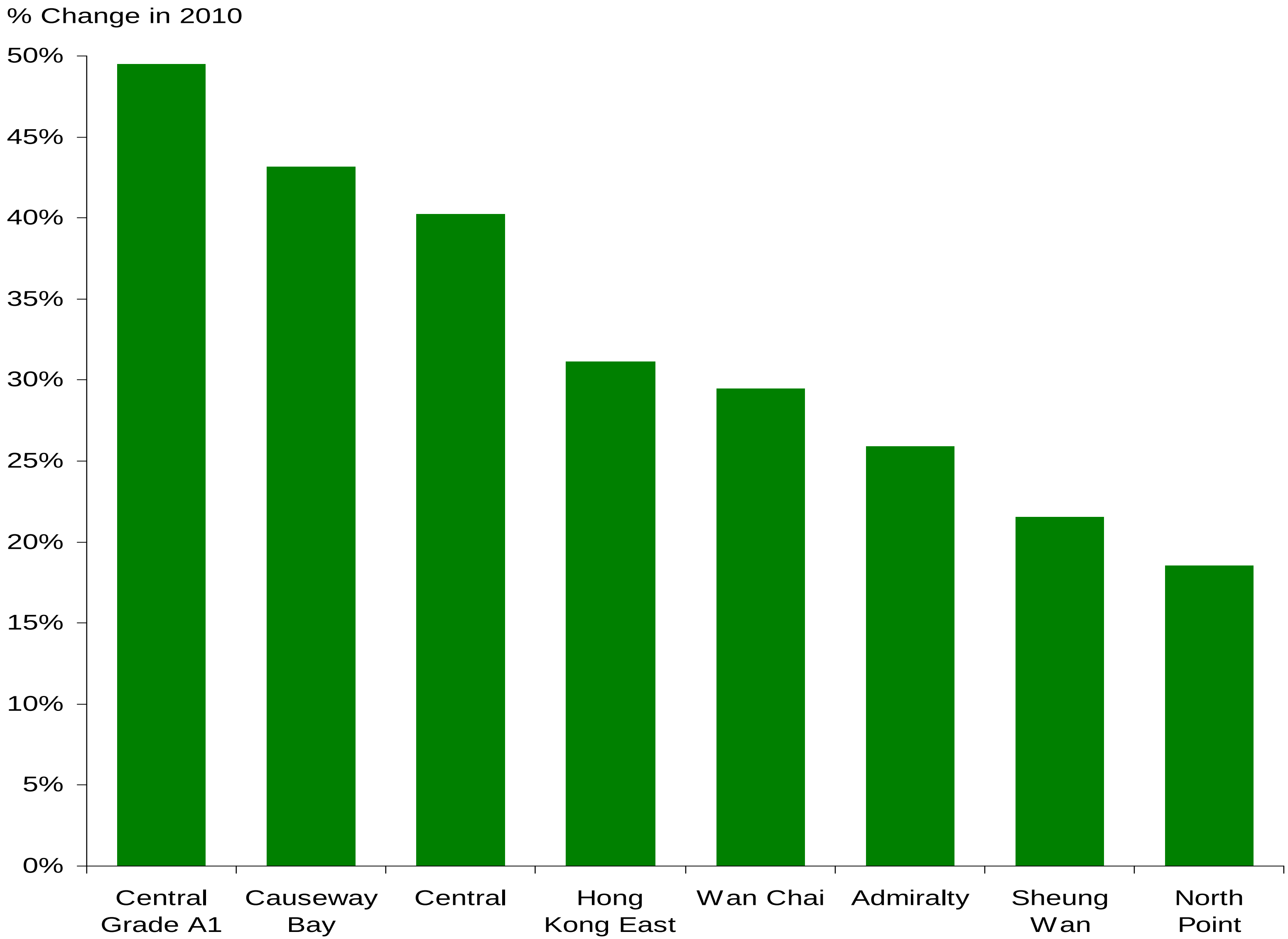
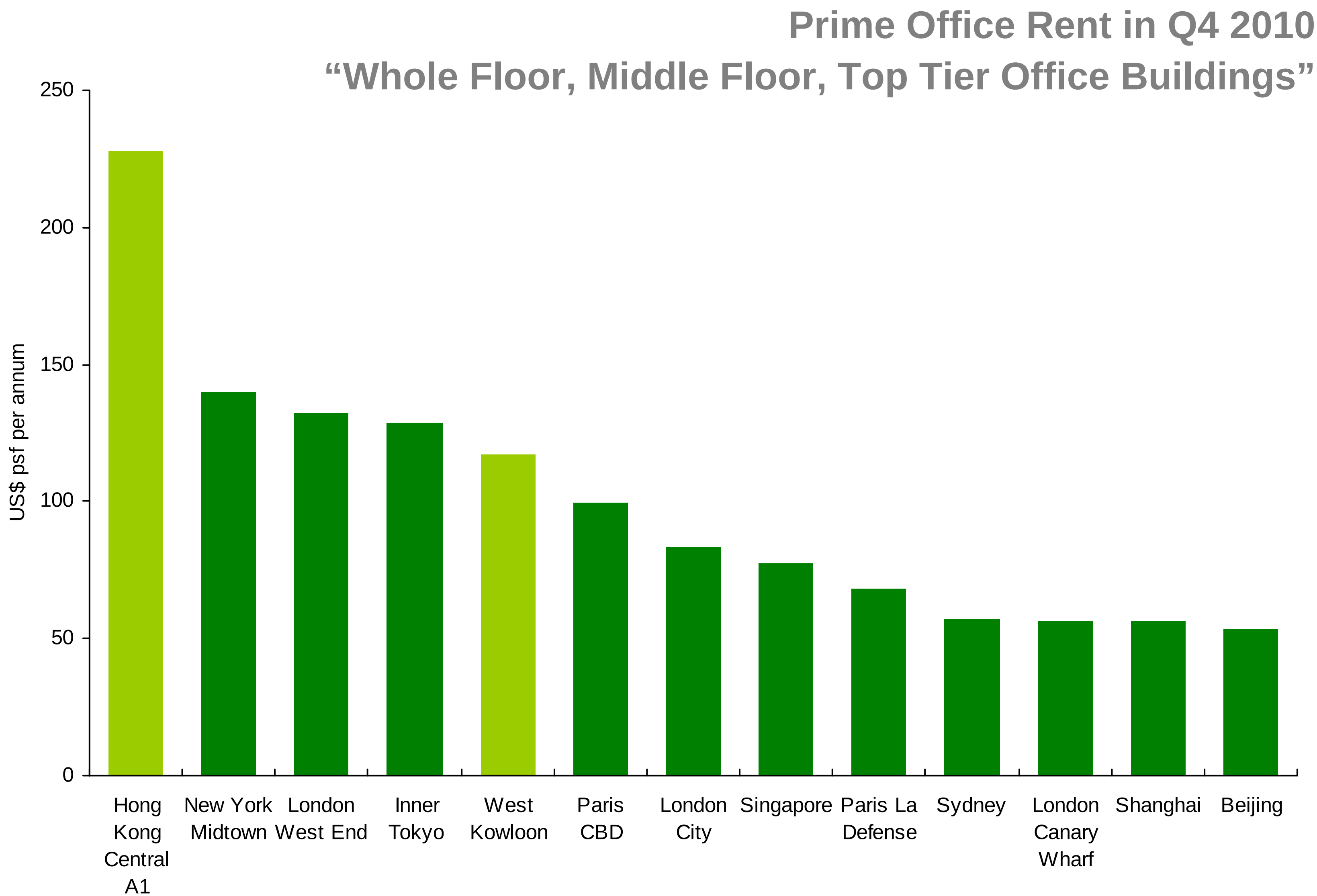
Which has pushed rents up sharply



Rents rose 35% last year .. On average!

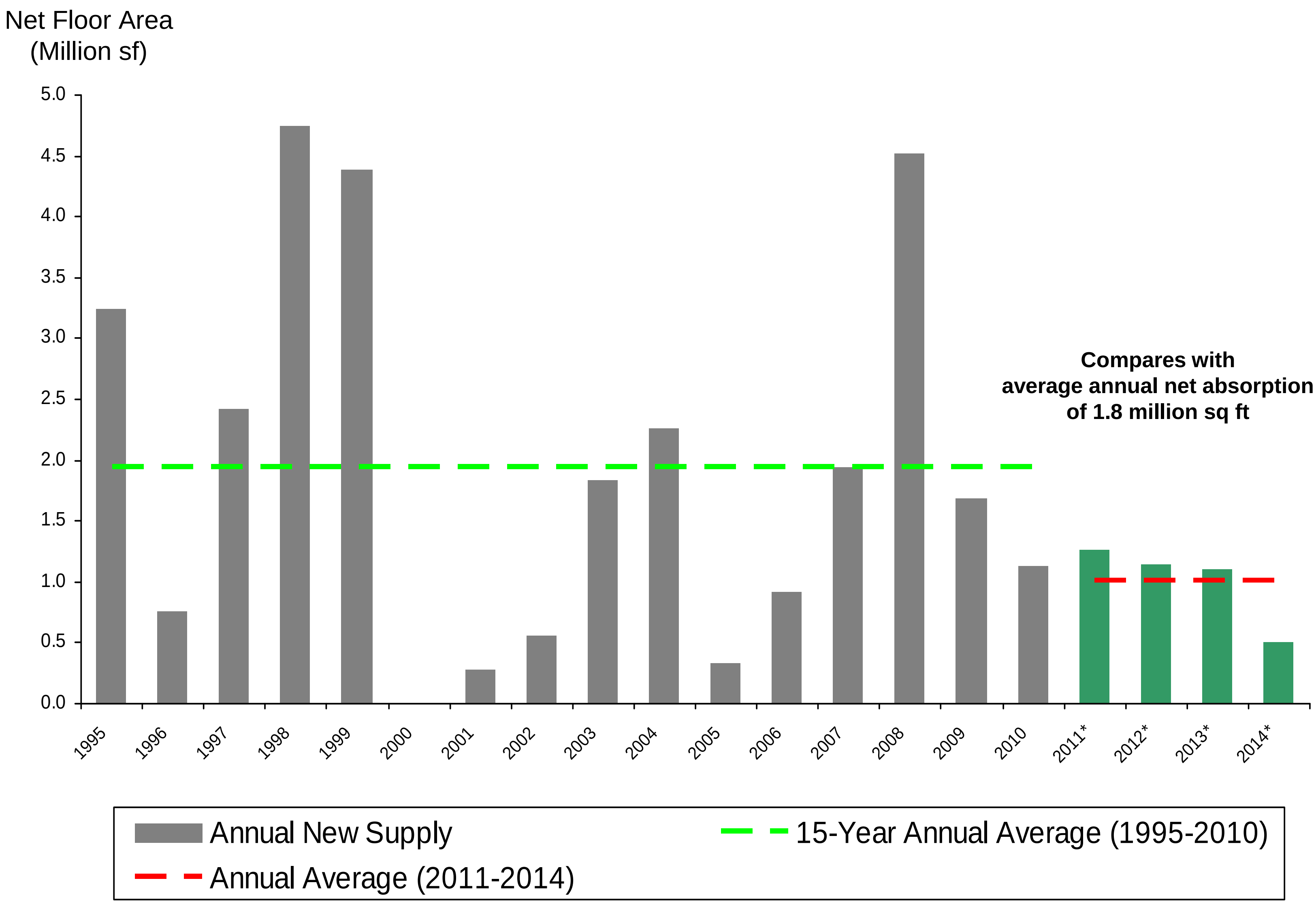


Hong Kong is the most expensive office market in the world

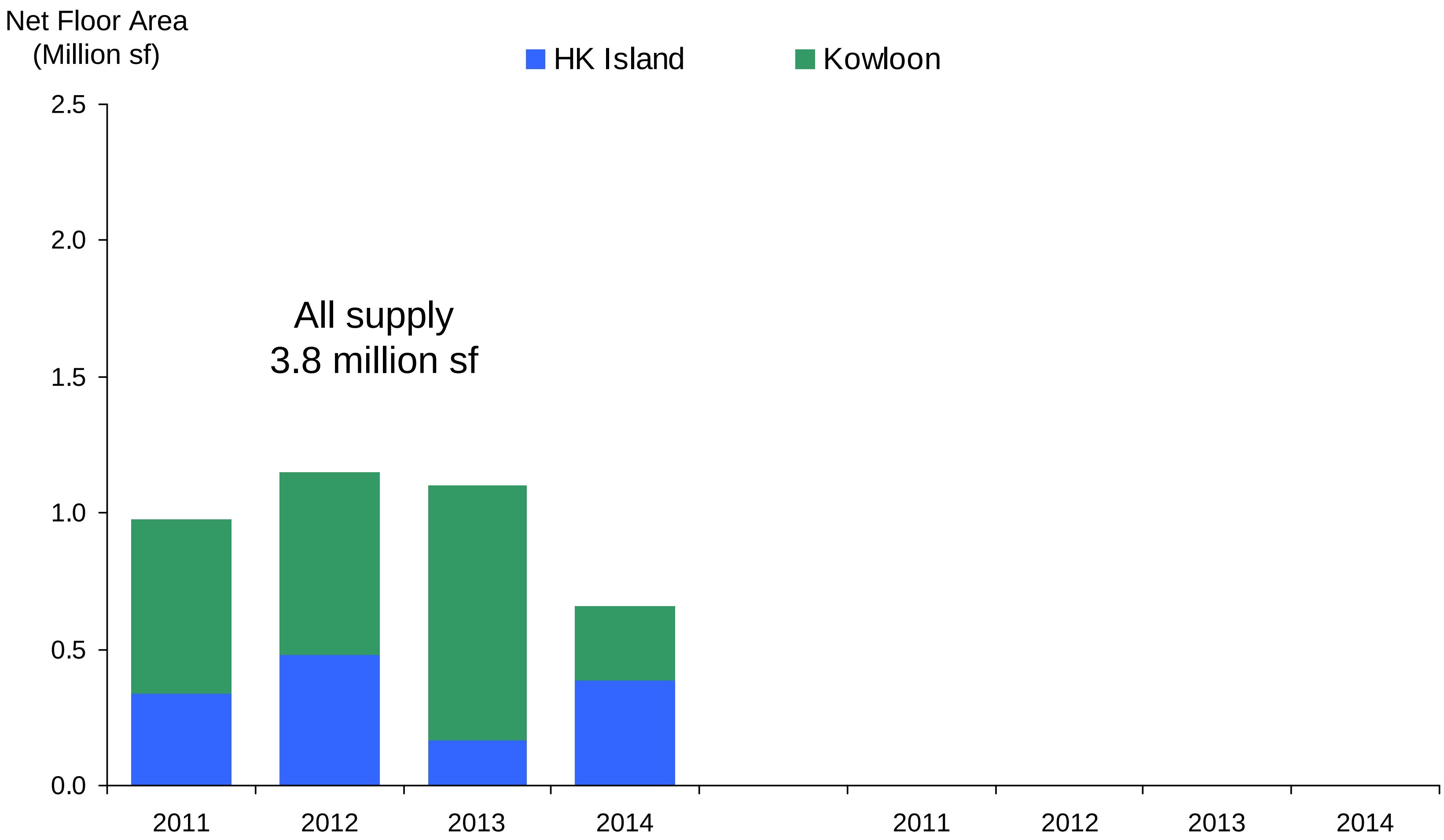


Source: CBRE Research

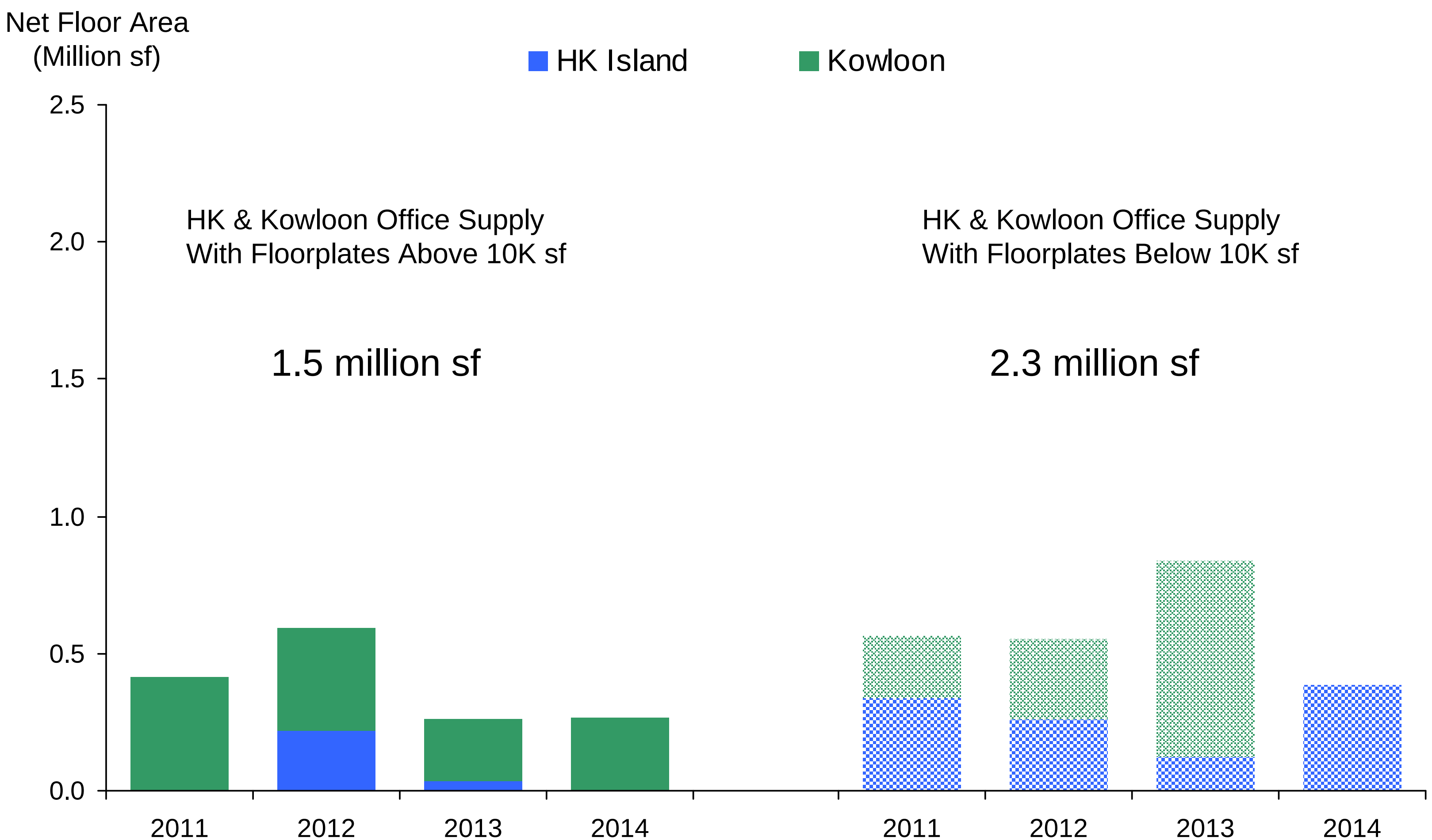
Overall New Supply Reducing



Overall Hong Kong New Supply



Overall Hong Kong New Supply



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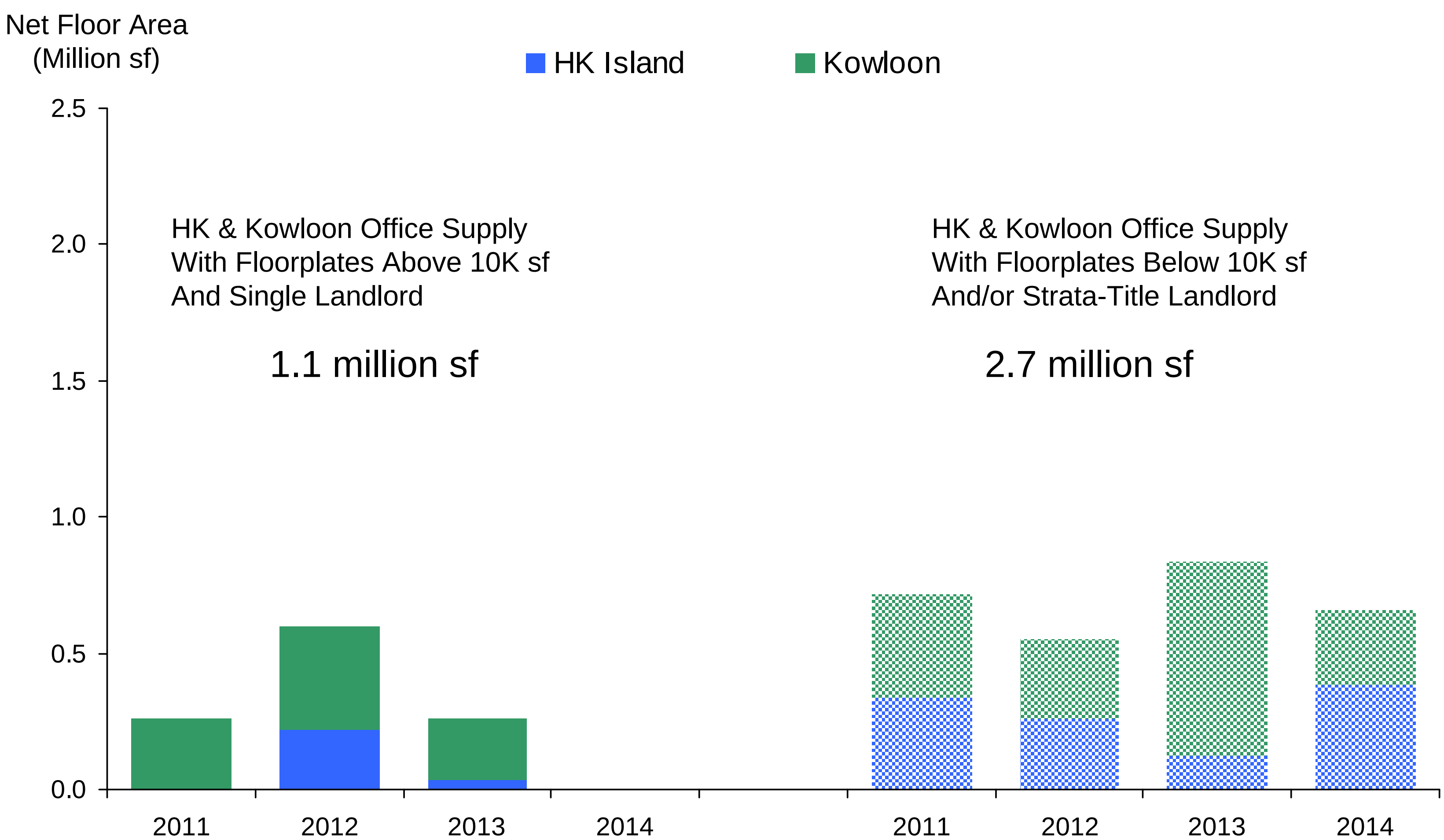
Overall Hong Kong New Supply



The Trade-Off For Occupiers ….

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* … !"

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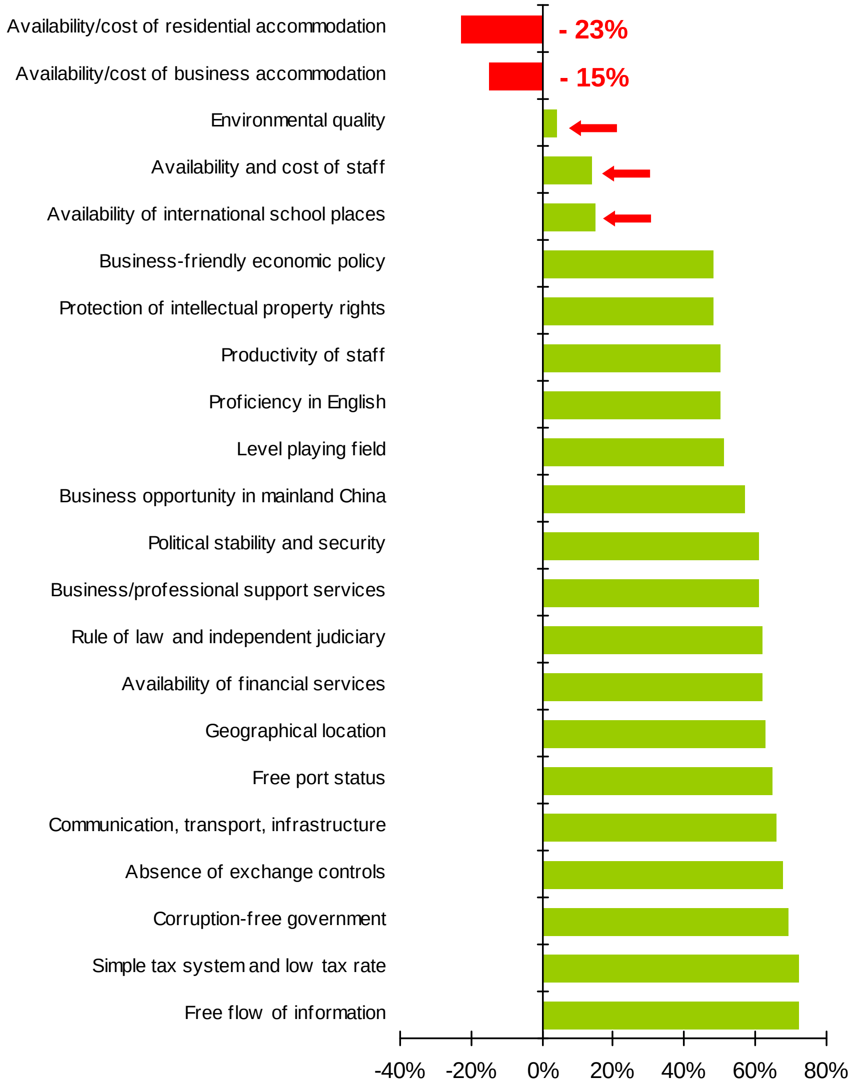
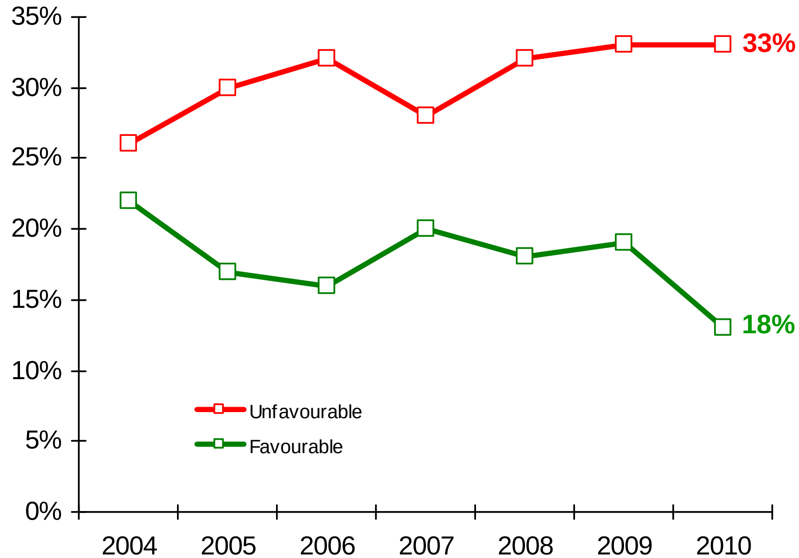
But Hong Kong is not the only option …

Hong Kong offers huge advantages, but …

Factors in the choice of location for a regional office operation
Balance of "Favourable" over "Unfavourable"



Availability and cost of business accomodation



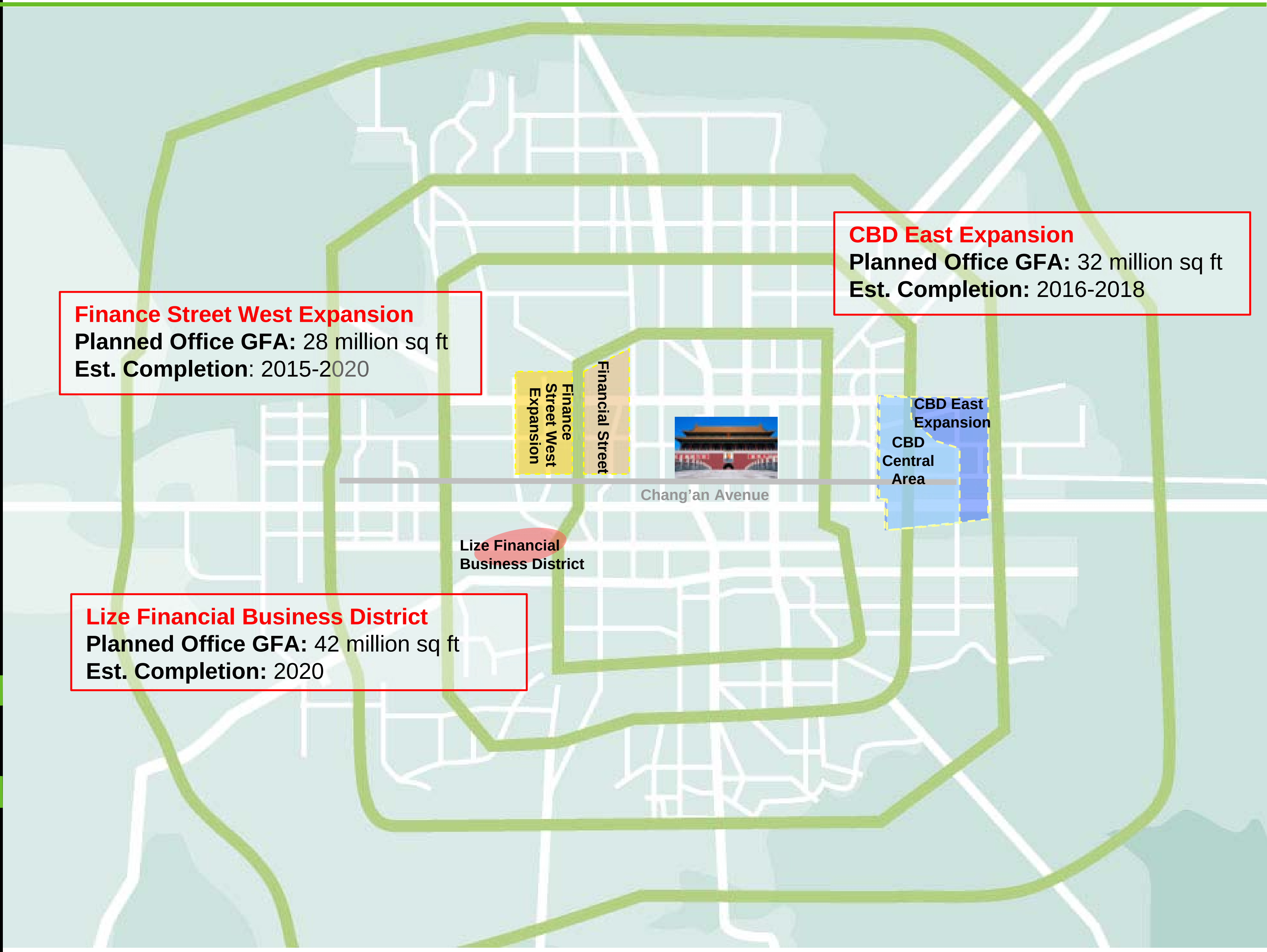
Source : *2010 Annual Survey*, Census and Statistics Department of Hong Kong.

What is at stake here?

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

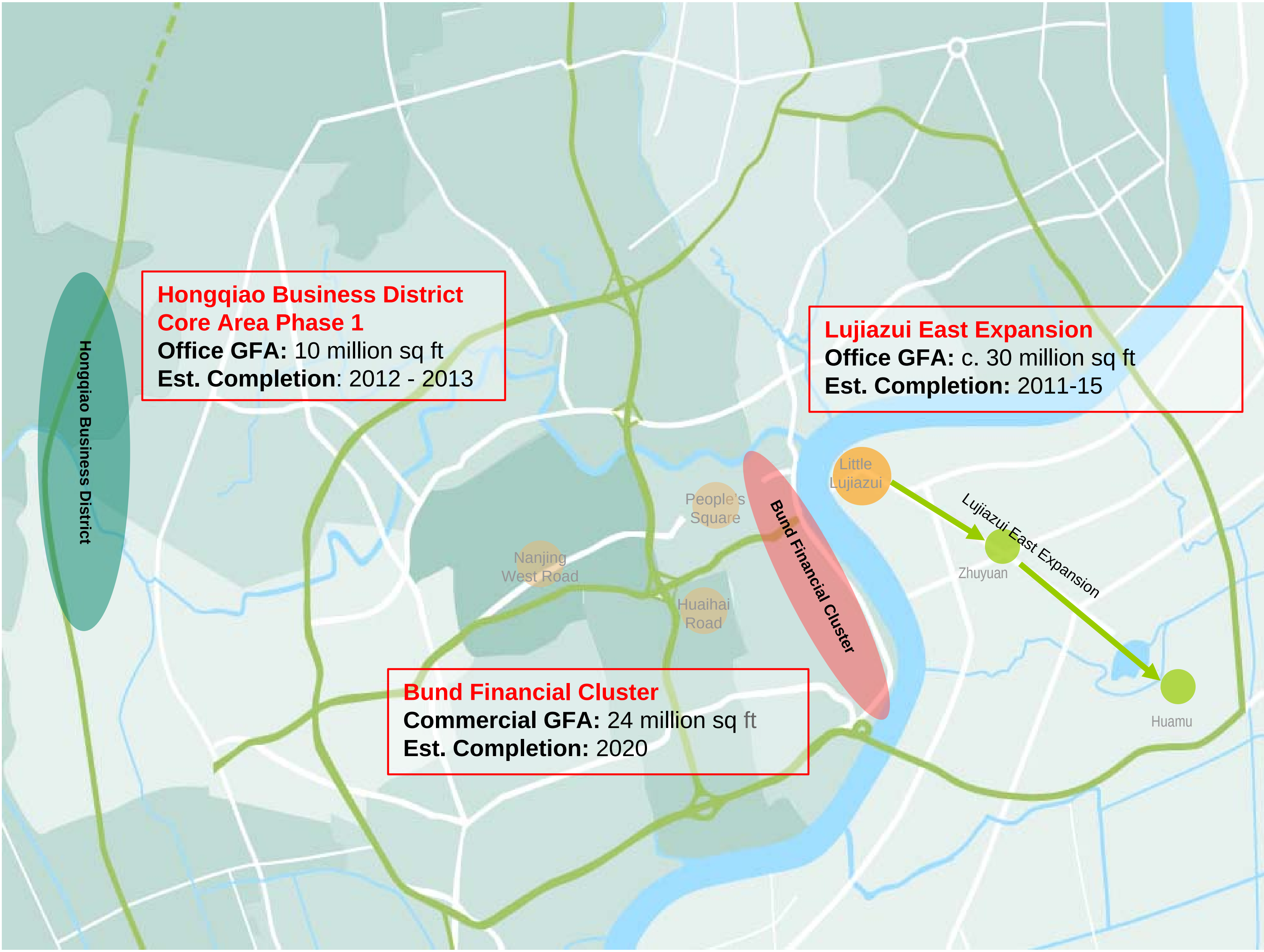
But it IS about whether we can capitalise on the extraordinary opportunity we have over the next ten years.

Beijing – 102 million sq ft



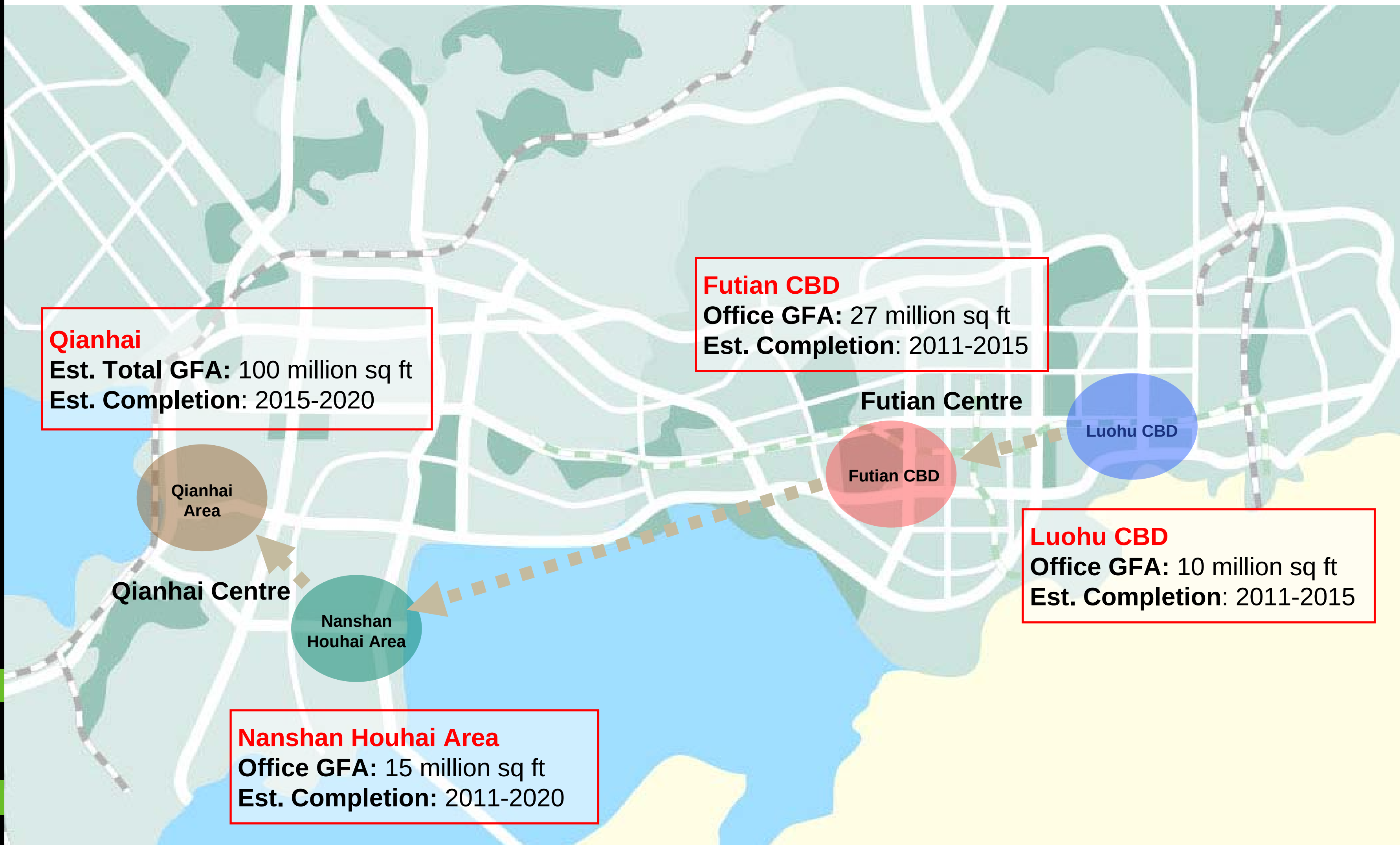
The New Beijing

Shanghai – 64 million sq ft



The New Shanghai

Shenzhen – 50 to ??? million sq ft



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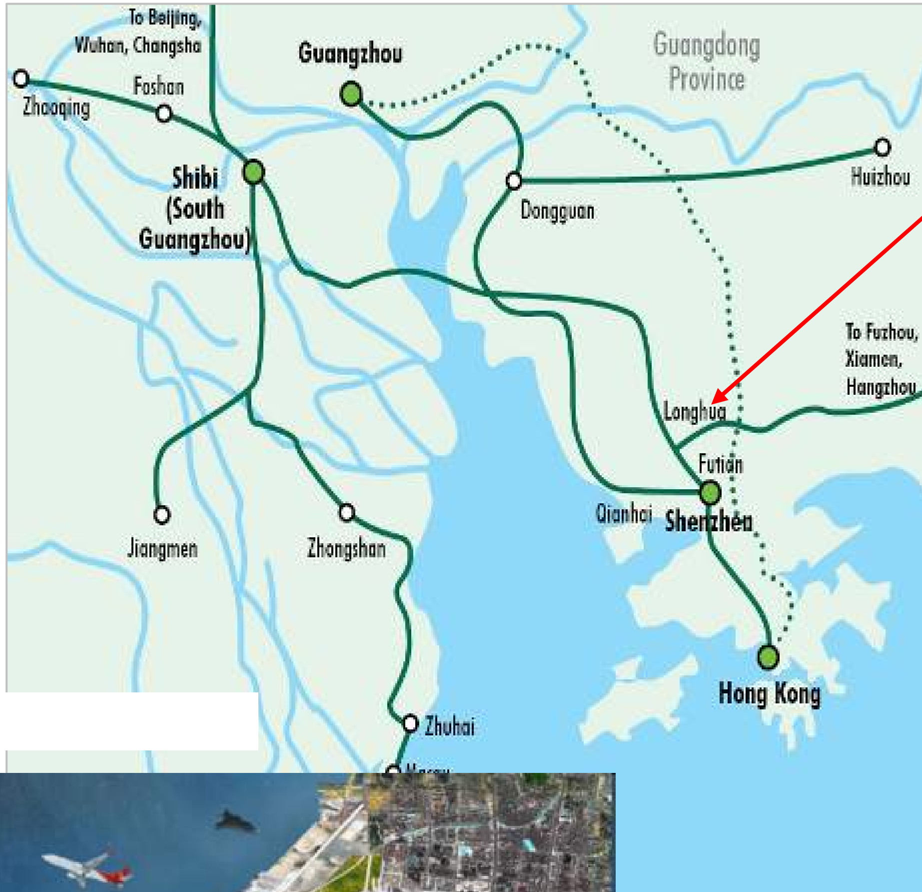
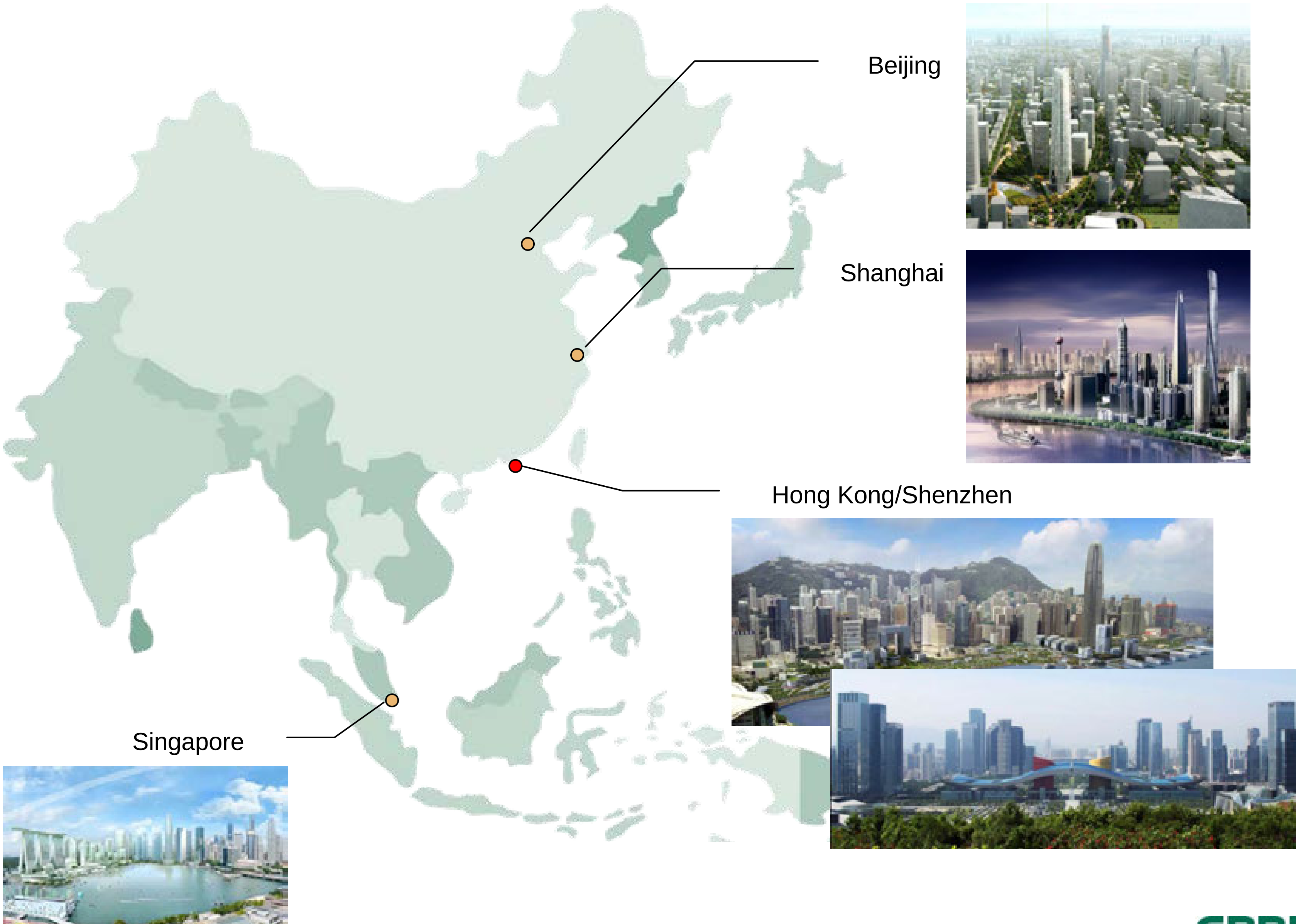
Shenzhen Longhua - Qianhai



Longhua New City

THIS is the map you need to look at …!



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Singapore – 40 million sq ft

"Ensure sufficient land to support economic activity"

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Singapore: Going head to head …

More great places to work

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!

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London: From derelict docks ….

Canary Wharf, London, 1985

… to an 18 million sq ft financial hub

Canary Wharf, London, Present Day

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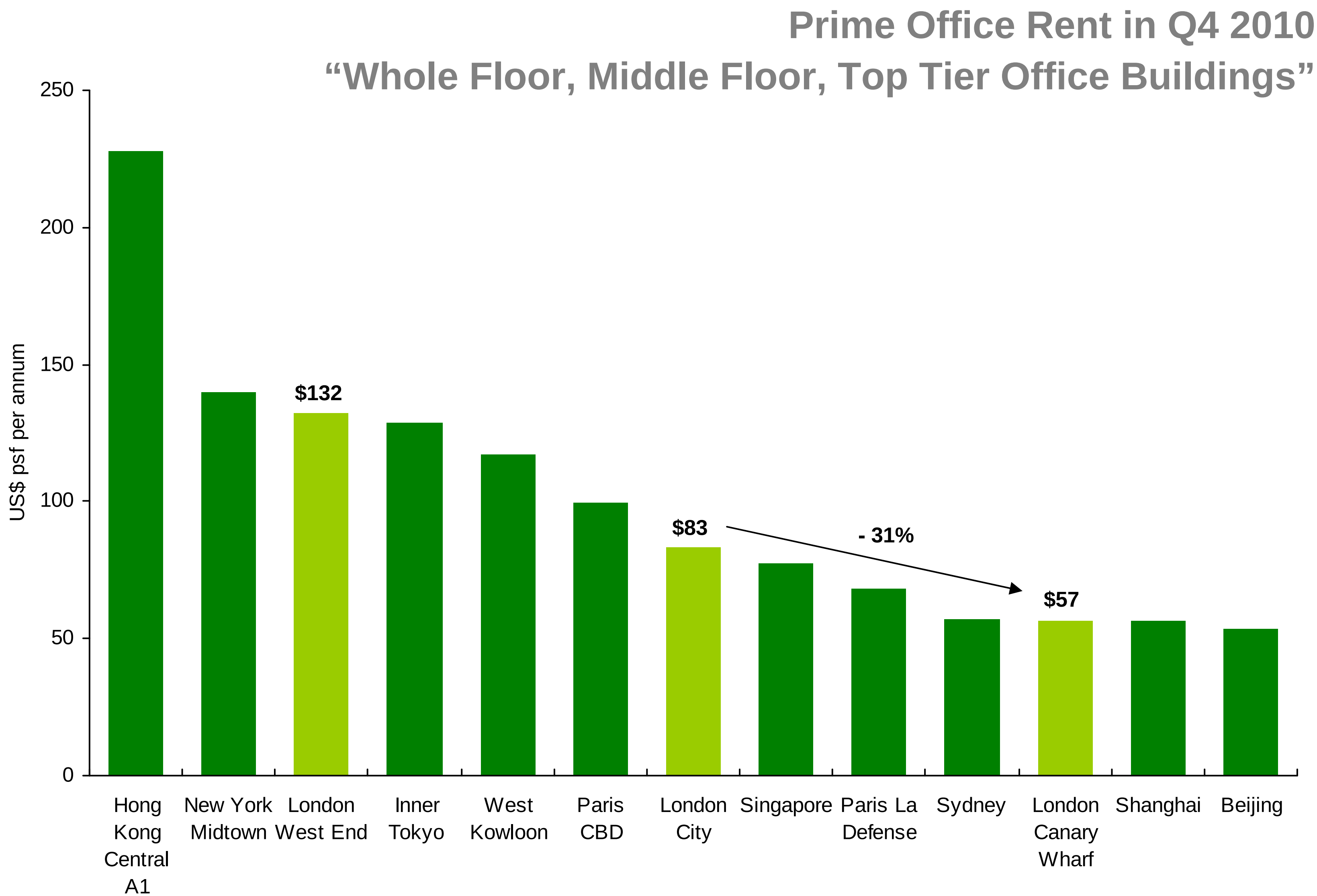
High quality affordable offices for large space users



Source: CBRE Research

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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

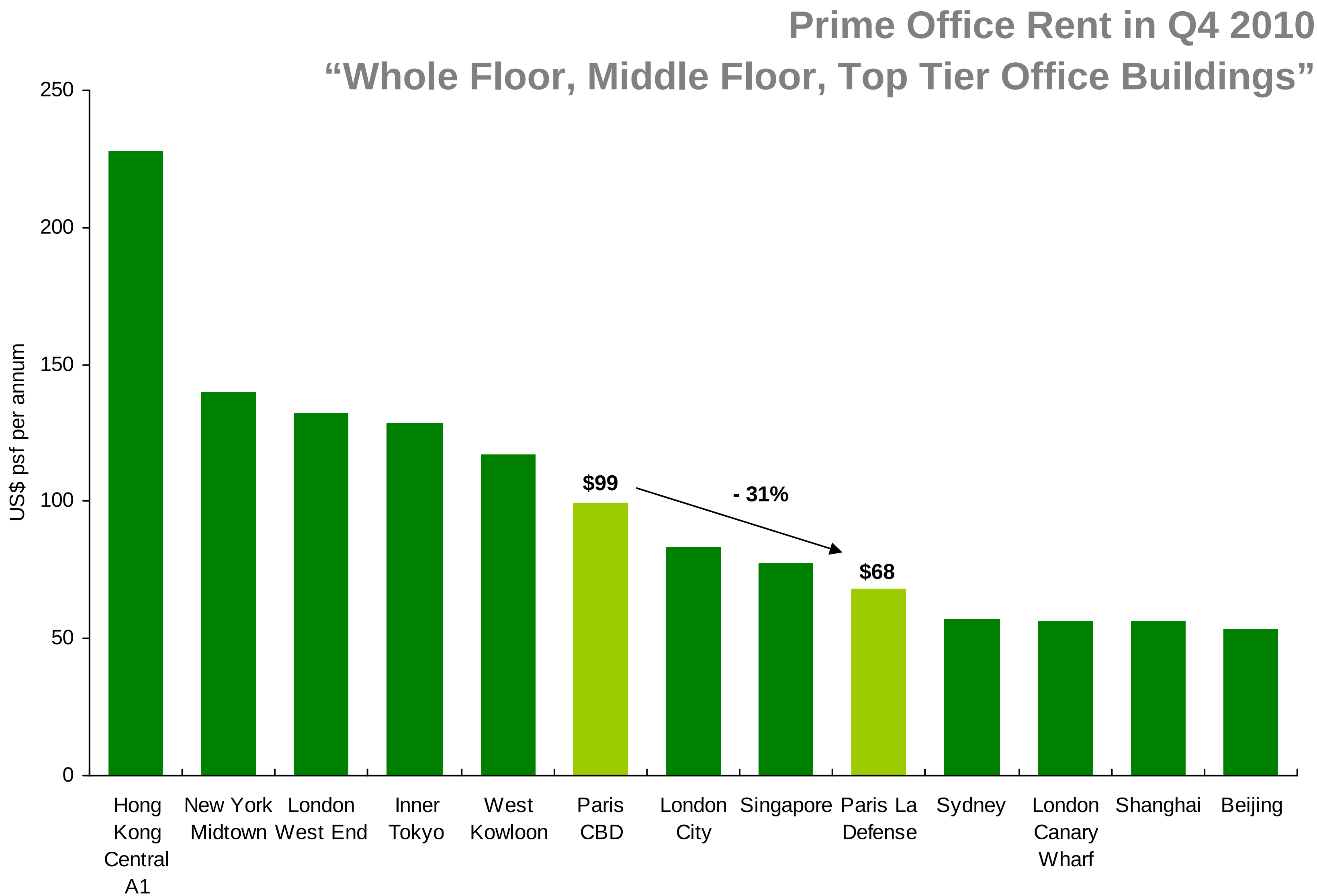
15 of the world's 50 largest firms

170,000 jobs

20,000 inhabitants

11 ha of landscaped areas

High quality affordable offices for large space users



Source: CBRE Research

The benefits of 20:20 hindsight …!

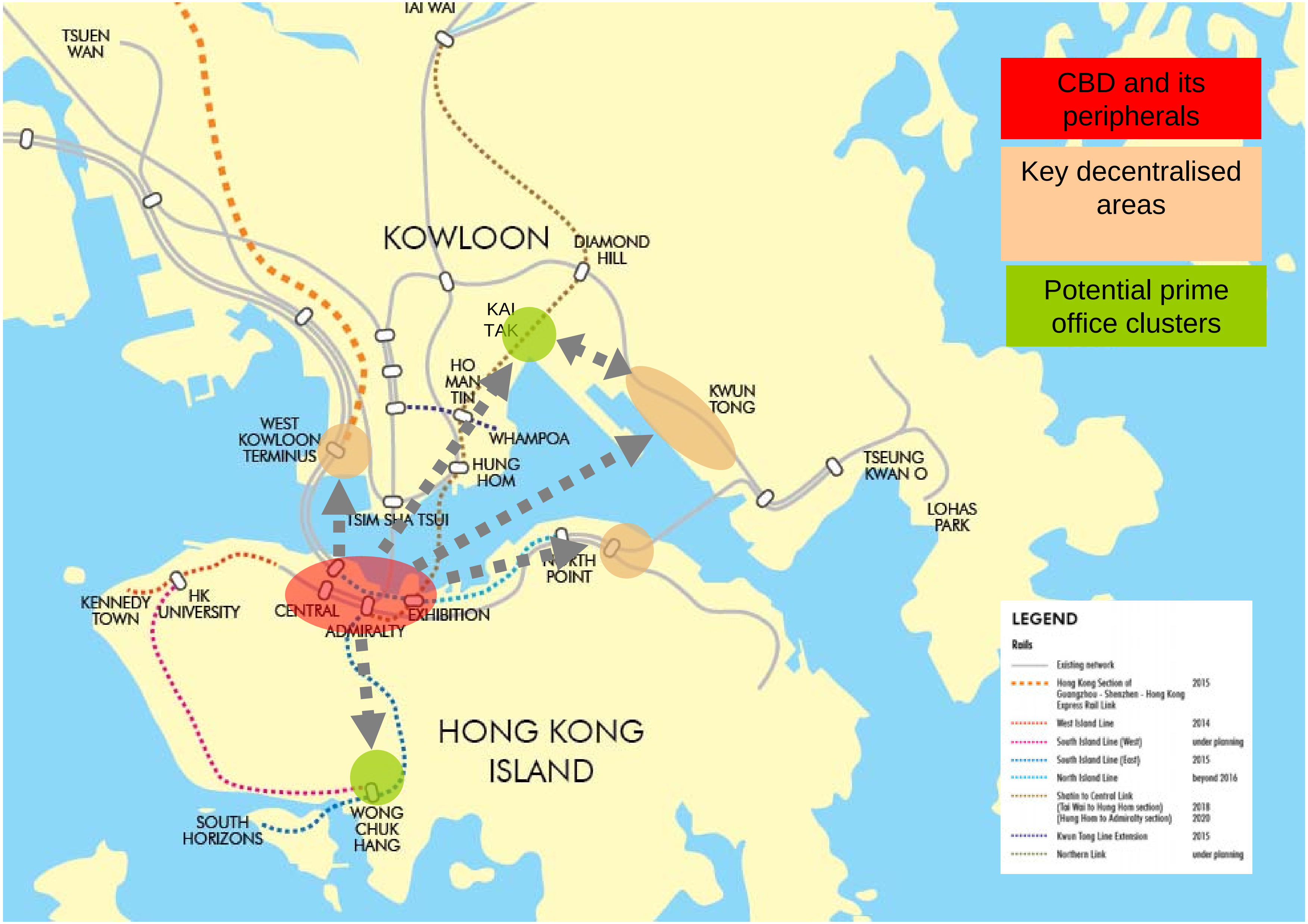
- Strong, active Government support
- Clarity of vision
- Certainty of delivery
- Transport infrastructure
- Time …

- **Cohesive masterplan: places, not just buildings**

Short term: Do what you can

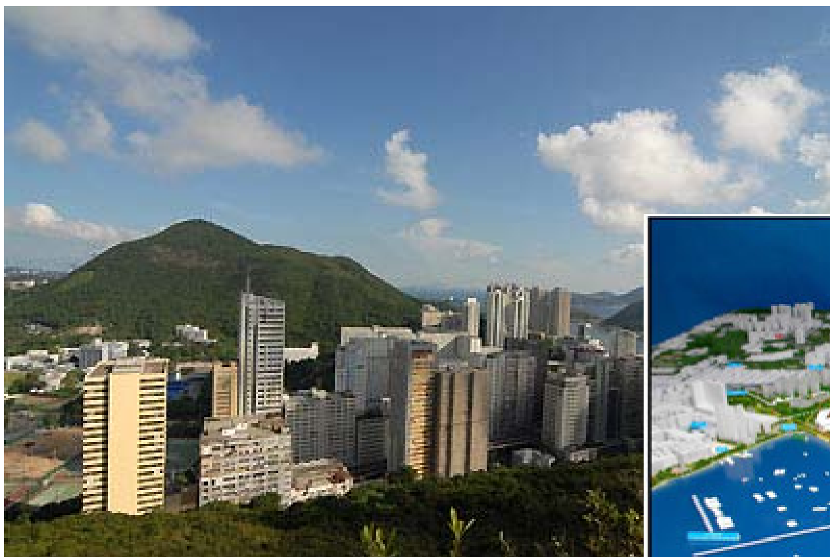
- Bring forward potential sites
- Clear commitment, definitive timescale
- Use Government occupancy proactively

"Hong Kong is not (just) an Island"



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 <u>certainty</u> and <u>timescales</u>



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A room with a view …

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