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GUEST WEBINARS

An Introduction to Commercial Office Markets Hong Kong

In partnership with:

UCEM



An Introduction to Office Investment Markets: Hong Kong



Thomas Lam
MSc FRICS FHKIS

Academia

- MSc Information Management
- BSc Urban Land Valuation
- Visiting lecturer in the University of Hong Kong SPACE ICB (Institute for China Business)

Industry

- 22 years of real estate experience across Asia Pacific region.
- General Manager – Asset and Portfolio Management in New World Development Company Ltd (0017.HK)
- Previous positions with international firms including Knight Frank, Colliers International and Credit Suisse.

Profession

- Fellow of The Hong Kong Institute of Surveyors (FHKIS)
- Fellow of The Royal Institution of Chartered Surveyors (FRICS)
- Fellow of Hong Kong Securities Institute (FHKSI)
- Member of China Institute of Real Estate Appraisers (MCIREA)
- Hong Kong Institute of Surveyors List of Independent Valuation Experts



David Hourihan
MSc FSCSI FRICS FHEA

Academia

- Graduated from UCEM MSc in Property Investment in 2008.
- UCEM Programmes Leader for the BSc Real Estate Management and MSc Real Estate.

Industry

- 17 years of commercial real estate experience across the UK and Ireland.
- Specialist in investment, office agency, retail asset management and valuation.
- Previous positions with international firms including JLL and Colliers International.
- Acquisition and asset management instructions for clients including Société Générale, Metzler Bank, Mobil Oil, Scottish Widows, Aviva and British Land.
- Former member of the Investment Property Forum (IPF) Research Steering Group.

RICS

- RICS Governing Council – Academia & Education Seat.
- APC Chairman.

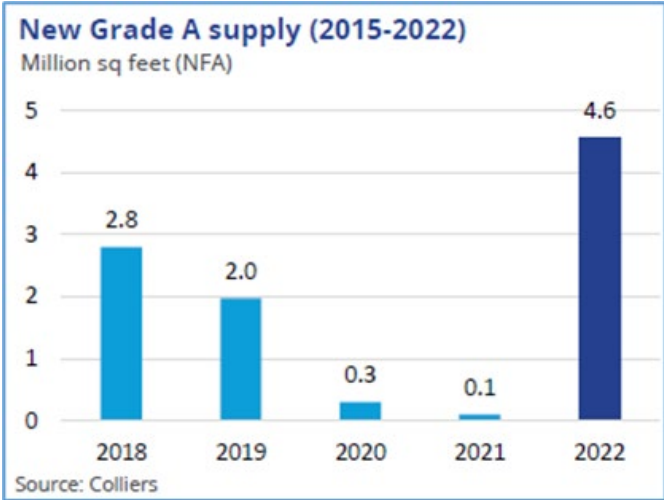
1. Introduction: The Hong Kong Office Investment Market - Overview

Hong Kong Business Districts:



Hong Kong Office Lettings Market:

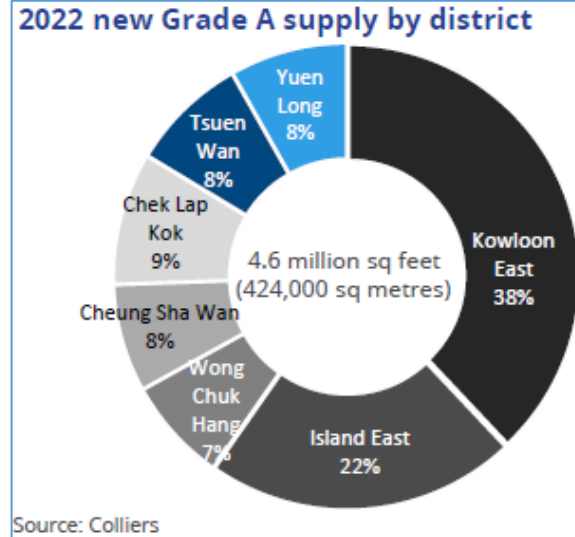
- Total city-wide stock: approx. 82.6 million sq ft.
- City-wide occupied space: approx. 73.0 million sq ft
- 253 Grade A office buildings.
- Rents paid monthly in advance.
- Lease terms for commercial property is for 3 years.
- Tenants generally cannot sub-let or assign their lease.



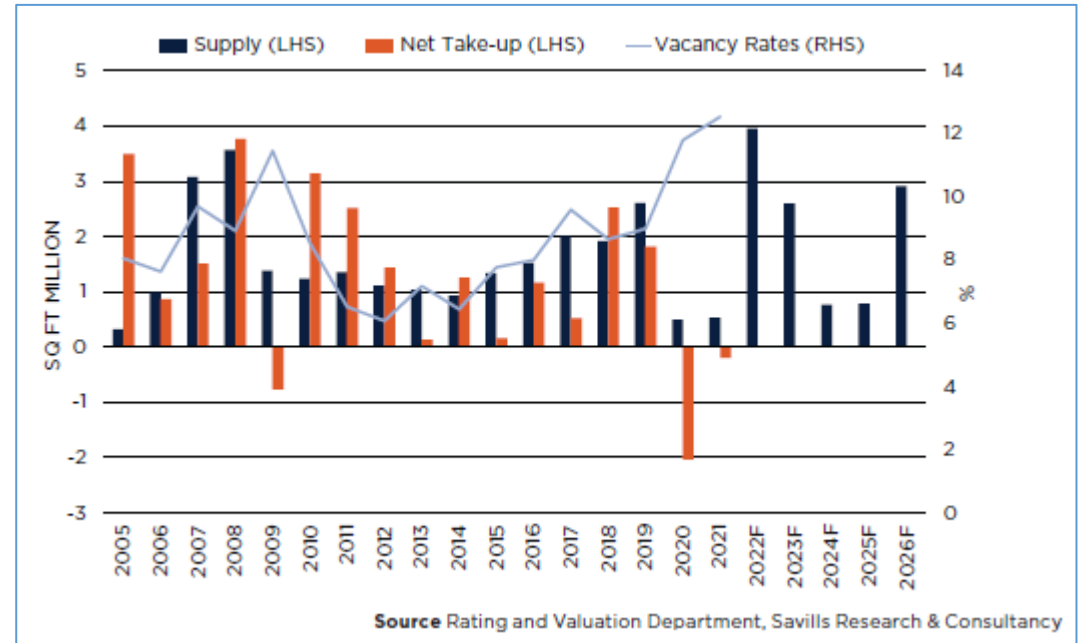
2. Hong Kong Office Lettings Market

District	Net effective rent	Change	
	HKS psf / mth	MoM %	YoY %
Premium Central	133.8	-0.9	4.6
Traditional Central	102.5	-1.6	3.2
Overall Central	113.1	-1.3	3.7
Admiralty	72.9	-1.4	0.8
Sheung Wan	59.1	-2.1	-2.3
Wan Chai	51.8	-2.5	-6.3
Causeway Bay	60.9	0.5	-0.4
North Point	40.0	-0.5	-7.0
Quarry Bay	49.3	-2.8	-9.6
Tsim Sha Tsui	56.4	-0.1	-0.8
Cheung Sha Wan	28.3	0.0	1.0
Hung Hom	39.2	0.1	-2.1
Kowloon East	29.1	-0.1	-3.5
Mong Kok / Yau Ma Tei	50.8	-0.2	0.5

Source: Knight Frank – Grade A office market indicators (July 2022)



Grade A Office Supply, Net Take-up and Vacancy Rates, 2005 to 2026F



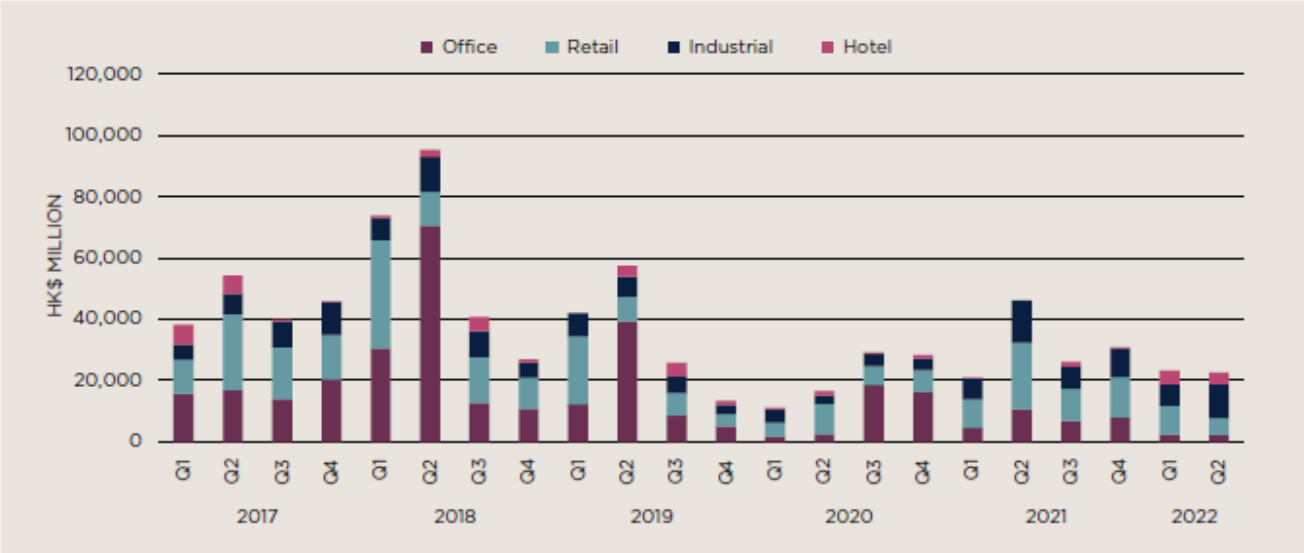
- Vacancy rates increased during COVID lockdown.
- There were fewer lettings, and many companies downsized their space over the last 3 years.
- Demand from multi-nationals and firms from mainland China has been subdued.
- The move by companies to emerging office districts has slowed in recent years due to bigger discounts becoming available in core sub-markets (Greater Central, Wan Chai & Causeway Bay and Tsim Sha Tsui).
- Social distancing and advances in technology has resulted in new workplace strategies and a need for flexible office space.
- Net effective rental levels have fallen over the last 3 years.
- Landlords are more willing to agree CapEx deals with new tenants.

Source: CBRE

3. The Hong Kong Office Investment Market: Key Statistics

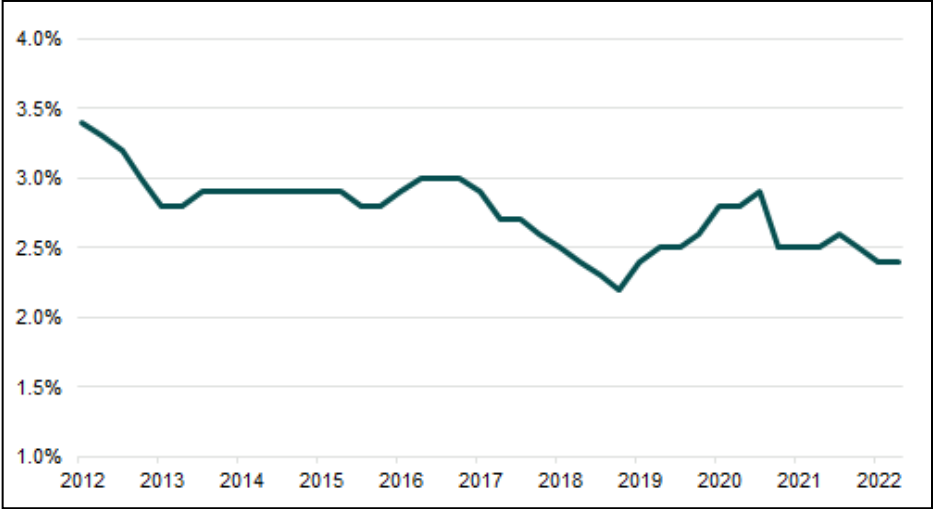
The Hong Kong Office Investment Market in 2022

Commercial Property Transaction Volume by Sector, Q1/2017 to Q2/2022

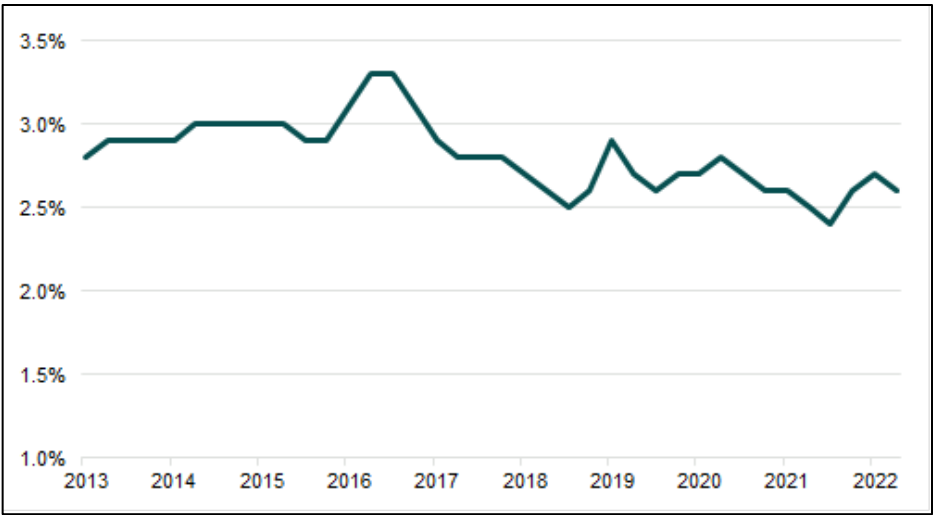


Source Real Capital Analytics

Yield - Grade A Offices



Yield - Grade B Offices



Source: Knight Frank

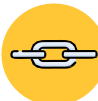
4. The Hong Kong Office Investment Market: SWOT, Key Trends & Forecasts

SWOT Analysis of Hong Kong Office Investment



Strengths

- Mature investment market.
- Excellent infrastructure and transport links.
- Regional financial hub.
- No restrictions on foreign ownership of property.
- Listed 16th in the JLL Global Real Estate Transparency Index.



Weaknesses

- Investment sentiment remains subdued, and investors remain wary.



Opportunities

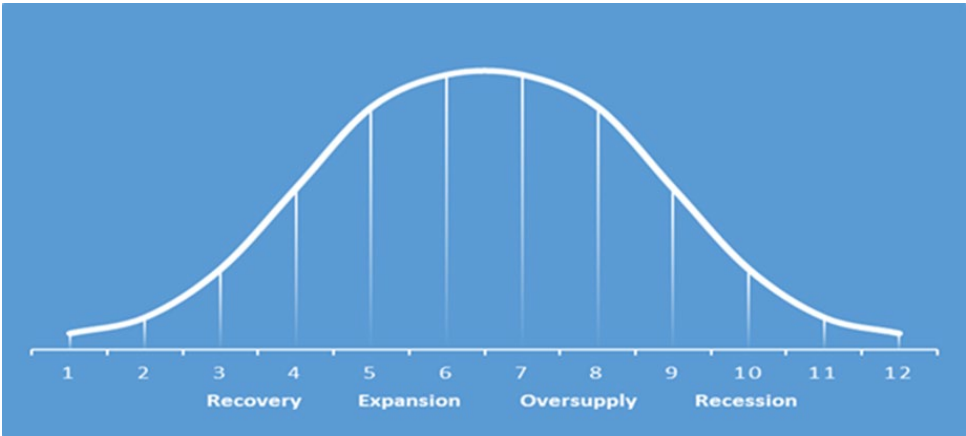
- Travel normalization will fuel space demand from multi-nationals and mainland Chinese firms.
- The government will boost the local economy in 2022 with approx. HK\$66 billion of consumption vouchers (Up from HK\$36 billion of consumption vouchers in 2021).



Threats

- Global geopolitical tension.
- Upcoming supply boom will ensure vacancy remains high.
- Subdued market sentiment due to lower-than-expected economic performance.
- Possibility of further outbreaks.

Where is the Hong Kong office investment market in its life cycle?



Key Predictions for 2023

- Demand will continue from occupiers in wealth management, healthcare and medical, tech and telecom, construction and co-working centers.
- More innovative and flexible leasing packages will be offered until vacancy rates return to lower levels.
- Workplace strategies will continue to develop with a growing focus on ESG and wellness.

Source: CBRE



Thank you for attending our webinar.

Upcoming webinars

- **An Introduction to Commercial Office Markets – Nairobi**
12th October 2022 | 11:00am BST
- **An Introduction to Commercial Office Markets – Johannesburg**
19th October 2022 | 11:00am BST
- **An Introduction to Commercial Office Markets – Lagos/Abuja**
26th October 2022 | 11:00am BST



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