

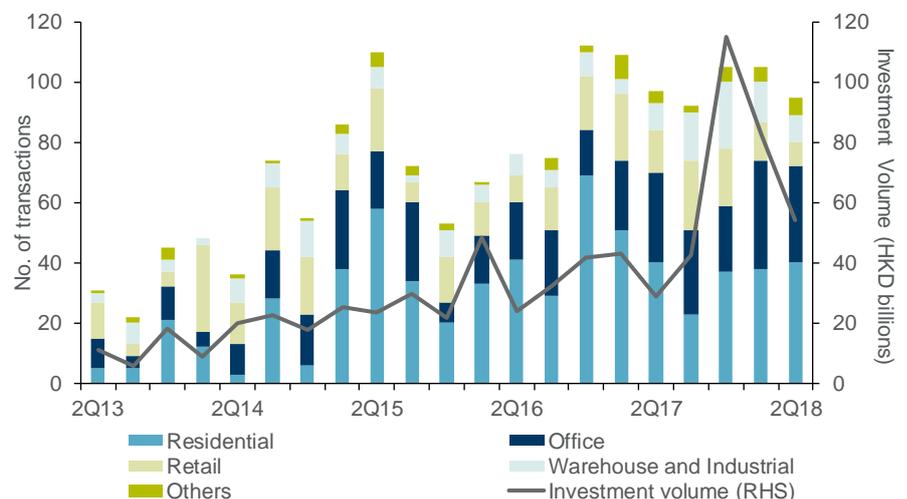


### Market Highlights

- Strong investment demand for en-bloc office and industrial properties pushed up overall transaction volume of commercial assets transacted at over HKD100 million each by 8.8% q-o-q and 136% y-o-y, amounting to HKD44.79 billion in Q2.
- Office properties remained the most sought-after commercial asset class, accounted for about 79% of Hong Kong’s transaction volume over the quarter, due to limited availability and a resilient rental market.
- There has been a pickup in transaction in the industrial market in Q2, where transaction volume for industrial properties reached HKD6.06 billion, double the 5-year historical quarterly average. Local investors remained dominant in the sector, accounting for 84% of transaction volume in the quarter.
- With transaction volume of commercial property over the first six months of the year reaching HKD85.97 billion – already half of 2017’s all-time record of HKD170.58 billion – it is expected that the full-year transaction volume to be comparable of that of the previous year. Office properties will likely remain the most sought-after commercial asset class.

Figure 1

**Number of Transactions Over HKD 100 million by Sector and Total Investment Volume (HKD billion)**



Source: Cushman & Wakefield Research

## Economic Overview

The economy maintained positive at 3.7% in Q2 2018 and unemployment rate remained low and relatively stable at 2.8%. Property investment remained robust, especially in the luxury sector.

## Office Market

Office property accounted for about 79% of Hong Kong's transaction volume over the quarter, reflecting strong demand for the asset class which continues to be underpinned by limited availability and a resilient rental market.

Mainland Chinese investors remained active in purchasing en-bloc offices, acquiring four buildings for a combined consideration of HKD25 billion. The lack of available en-bloc office stock in the city's core office areas prompted mainland investors to expand their focus to decentralized areas of Hong Kong, such as Kowloon East and Hong Kong East. In the second most expensive office transaction on record in the city, Jiangsu-based Hengli Group acquired Cityplaza Three and Four in Quarry Bay for HKD15 billion. Meanwhile, a joint venture formed by CC Land Holdings' chairman and two other local investors purchased Octa Tower Kowloon Bay for HKD8.0 billion.

Growth in capital values for strata-titled office properties in Greater Central continued to show no signs of abating with several transactions in the quarter achieving record highs. Winland Group acquired a floor each in 9 Queen's Road Central (HKD61,800 per sq ft) and Far East Finance Centre, (HKD61,111 per sq ft). In both cases, it was the first time that the properties achieved a unit price above HKD60,000 per sq ft. Meanwhile, a whole floor at World-Wide House was sold to a local investor for a record high of HKD44,000 per sq ft. The vendor was able to book a gross profit of 22% over a 10-month holding period.

## Industrial Market

In the industrial market, investment sentiment remained positive against strong demand amid dwindling inventory as more such properties are converted to other uses. With several en-bloc industrial buildings changing hands, transaction volume for industrial properties reached HKD6.06 billion in Q2, double the 5-year historical quarterly average. Local investors remained dominant in

the sector, accounting for 84% of transaction volume in the quarter.

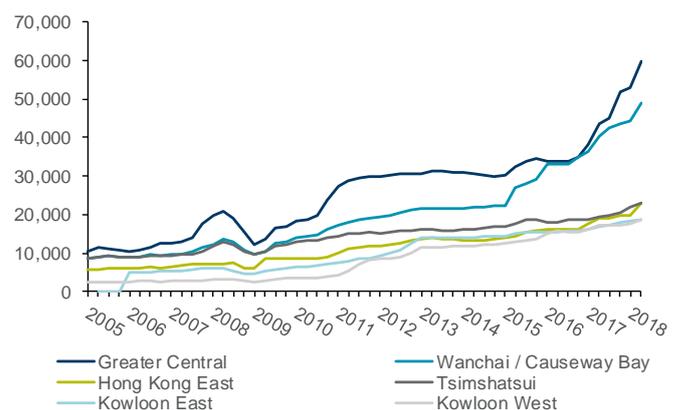
Table 1

STATS ON THE GO			
Economic Indicators			
	Q1 18	Q2 18	12-Month Forecast
GDP Growth	4.7%	3.7%*	▼
CPI Growth	1.7%	1.9%	■
Unemployment Rate	2.9%	2.8%	▲

*Source: Census and Statistics Department* *\*preliminary figure*

Figure 2

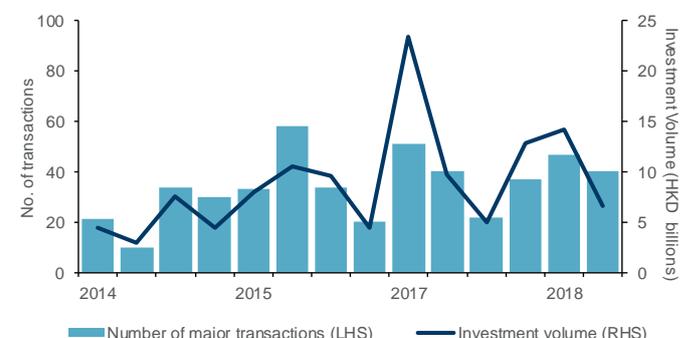
### Grade A Office Capital Value (HKD/sf, NFA)



Source: Cushman & Wakefield Research

Figure 3

### Residential Investment Volume (HKD million) and Number of Transactions above HKD 100 million



Source: Cushman & Wakefield Research

## Outlook

With transaction volume of commercial property over the first six months of the year reaching HKD85.97 billion – already half of 2017’s all-time record of HKD170.58 billion – it is expected the full-year transaction volume to be comparable of that of the previous year. Office properties will likely remain the most sought-after commercial asset class against strong occupier demand for office space and a rental market on the rise. In view of the limited availability of investible stock, landlords of office properties in Greater Central should remain aggressive on their asking prices, which will in turn support further growth in capital values in the submarket.

In the industrial market, investors are expected to remain on the lookout for en-bloc buildings, where occupancy and rental levels are relatively stable.

Table 2

### Significant Investment Transactions, Q2 2018

PROPERTY	PURCHASER	VENDOR	SECTOR	PRICE(HK\$ BILLION)
Cityplaza 3 & 4	Hengli Group	Swire Properties	En-bloc Office	15.0
OCTA Tower	CSI Properties/Asia Standard International Group/Chinese Investor	Nan Fung Group	En-bloc Office	8.0
299 QRC	Tenacity Group	Local Investor	En-bloc Office	2.1
11/F, World-wide House	Local Investor	Prosper One Holdings	Strata-titled Office	0.74
33/F, Far East Finance Centre	Winland Group	Local Investor	Strata-titled Office	0.66
34/F, 9 Queen’s Road Central	Winland Group	Local Investor	Strata-titled Office	0.53
Cargo Consolidation Complex	Local Investor	PAG	En-bloc Industrial	2.00
Brilliant Cold Storage Phase 2	Local Investor	Local Investor	En-bloc Industrial	1.60
57-59 Kwok Shui Road	China Aoyuan Property Group	LAWSGROUP	En-bloc Industrial	0.95
3/F, 5-6/F, Harbourfront Landmark	N/A	Local Investor	Retail	1.16

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