

July 2013

**CORPORATE
LOCATIONS**

Hong Kong | Singapore

The Office

A review of the Hong Kong office market

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*All rents quoted are estimated target effective rates subject to negotiations and are not the landlords quoted figure

Area Definitions: **G** - Gross (70% efficiency), **L** - Lettable (80 - 85% efficiency), **N** - Net (100% efficiency)

Cosco Tower
Grand Millennium Plaza



\$45 - 53 psf*
Units from 4,000 – 20,000 sq ft (G)



\$50 - 65 psf*
Units from 1,620 – 26,183 sq ft (G)

The Center
99 Queen's Road Central



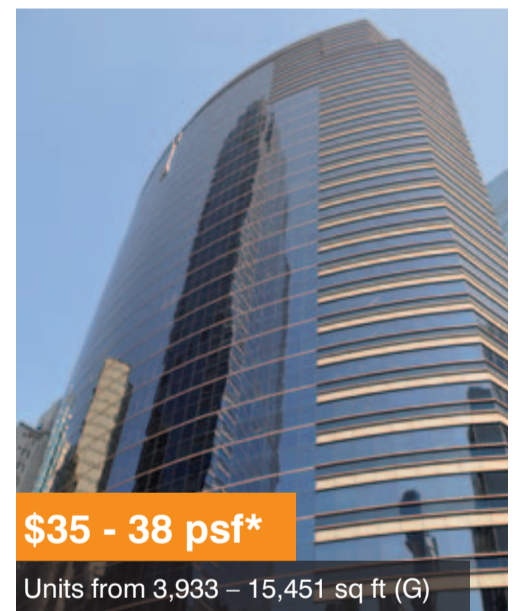
Lippo Centre Towers 1 & 2
88 Queensway



\$40 - 53 psf*
Units from 1,430 – 20,293 sq ft (G)



181 Queen's Road Central
Grand Millennium Plaza



\$35 - 38 psf*
Units from 3,933 – 15,451 sq ft (G)

DEMAND: A summary of the most popular buildings in 2013 so far

The market perception is that of weak demand and movement has been dominated by those companies looking to save costs. Whilst in general this is true, there has still been a reasonable amount of activity in the high end market as well as all other sectors.

Reasonable amount of activity in the high end market

CENTRAL - Hongkong Land has been particularly busy within their prime Central portfolio. For instance, Westpac Banking (relocated from Entertainment Building) and Highbridge Capital (relocated from Two IFC) have both leased whole floors in **York House**. This landlord has also re-accommodated several of their other tenants particularly from Gloucester Tower. Law firms Sit Fung Kwong

& Shum, and F. Zimmern & Co have both moved to York House from Gloucester Tower. Fried, Frank, Harris Shriver & Jacobson has moved from Gloucester Tower to **Chater House**. Houlihan & Lokey relocated from Two Exchange Square to **Alexandra House**. Moving into **Two Exchange Square** is Chinese Securities (International) Finance Holding Company.

First tenants now moving into CCB Tower

New tenants to move into **Two IFC** include Nicaragua Canal Development Investment (15,000 sq ft), Gemdale (previously Fraser Properties) 10,000 sq ft from Times Square and energy company China Kingho (International) Group Co Ltd. The first tenants to move into **CCB Tower** include Interchina

Holdings and Pang & Co/Loeb & Loeb. Elsewhere in Central, Two Sigma Capital leased space in **Wheelock House**, The Henley Group relocated from St George's Building to **Henley Building**. STI Financial Group and Vantage Capital both expanded within **100 QRC**. New tenants to Prosperity Tower include LST Capital, Spencer Ogden and Christfund Securities relocating from 100 QRC. Standard Life Investments leased one of the last remaining floors in **LHT Tower**.

SHEUNG WAN - has seen healthy activity despite the tight supply. The Hong Kong Institute of Surveyors relocated from Jardine House to **Wing On Centre** and Birgma Holdings leased a floor at **Sun House** expanding from The Workstation. TRG Management moved from One Exchange

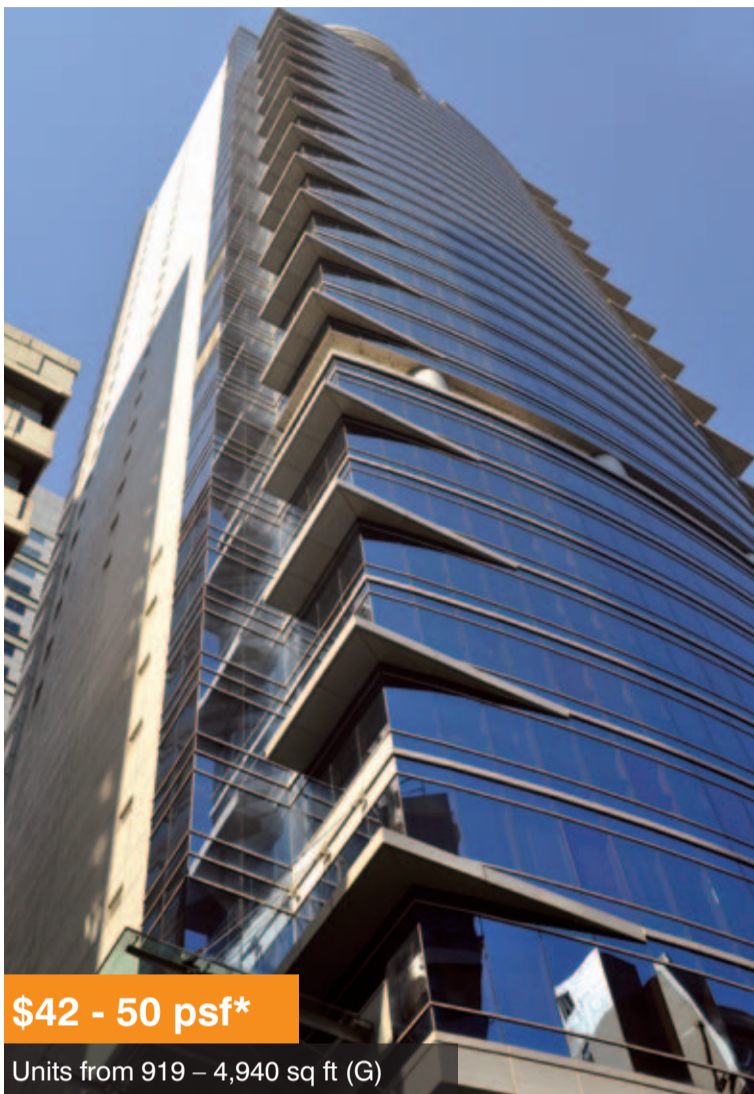
Square to **ING Tower**. Crocs Hong Hong has leased a whole floor at **Guangdong Investment Tower** moving from Ace Tower/Windsor House and Oriental Wealth Securities moved from Asian House to **The Pemberton**.

Admiralty has seen only limited activity

ADMIRALTY - has seen only limited activity. Qantas has moved from Jardine House to **Admiralty Centre Tower 1** and law firm Lu Lai & Li Solicitors is moving here from Gloucester Tower.

Cliftons have just leased an extra 10,000 sq ft in **Hutchison House** but are still keeping their HQ in 9 Queen's Road Central. Law firm Minter Ellison have just moved from

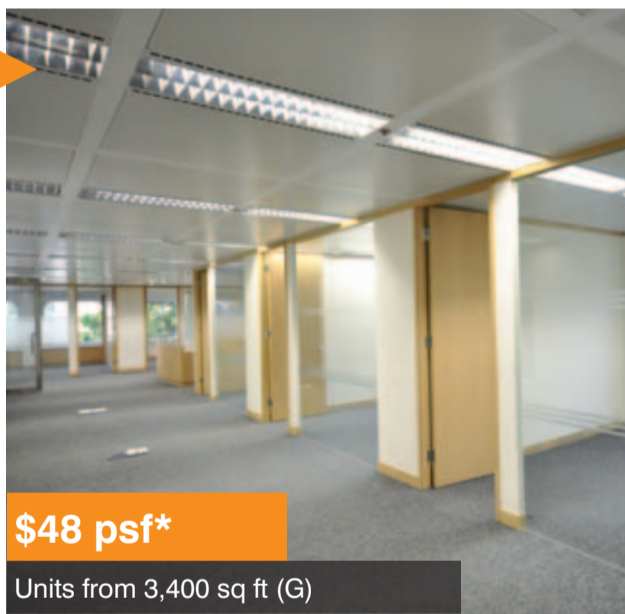
The Centrium
60 Wyndham Street



\$42 - 50 psf*

Units from 919 – 4,940 sq ft (G)

St John's Building
33 Garden Road



\$48 psf*

Units from 3,400 sq ft (G)

Unicorn Trade Centre
127 - 131 Des Voeux Road Central



\$30 - 33 psf*

Units from 1,720 – 7,840 sq ft (G)

Kinwick Centre
32 Hollywood Centre



\$40 psf*

Units from 2,639 – 6,130 sq ft (G)

DEMAND *continued*

Hutchison House to **One Pacific Place**. North Asia Strategic Holdings leased half a floor at **Two Pacific Place**.

WAN CHAI - has always attracted companies from Central looking to upgrade and/or save costs. Examples of this include Peter Silling Architects and Comgest moving into **28 Hennessy Road** from The Centrium and Chater House respectively. Lacoste have also relocated from The Centrium and moved into **Sun Hung Kai Centre**. Grace Financial moved from 8 Queen's Road Central to **BEA Harbour View Centre**.

There has been much movement within **Wan Chai**. Ecco Shoes moved from Jubilee Centre to take a whole floor at **W Square**. China High Precision moved from China

Resources Building to **Jubilee Centre**. China Hua Neng Group moved from Convention Plaza to **Harbour Centre**. Hanlong Resources moved from China Resources Building to **Central Plaza**.

Some tenants who had to relocate from Asian House preferred to stay in the Wan Chai area, including Munros Solicitors who moved to **Overseas Trust Bank Building**, ECU Line who leased a floor at **Fortis Tower** and law firm Chan Tang & Kwok decided to take space in **Shanghai Industrial Investment Building**.

CAUSEWAY BAY – **Hysan Place** has been busy and there is now only one whole floor remaining for lease in this very impressive development. New tenants here include National Australia Bank, who have leased

16,000 sq ft (whole floor), Virgin Atlantic Airlines (from Alexandra House), Gilead Sciences and Giesecke & Devrient Asia Pacific. Generally though, leasing activity in this district has been modest. The Gate Worldwide relocated from Chinachem Hollywood Centre to lease a floor at **18 Hysan Avenue**, The Ogaki Kyoritsu Bank moved from One Pacific Place to **The Lee Gardens** and Luminous moved from Asian House to lease a floor at **East Exchange Tower**. Google has expanded to lease 12,000 sq ft in **Times Square**.

Significant movement from Admiralty to Quarry Bay

NORTHPOINT / QUARRY BAY / ISLAND EAST There appears to have been significant

movement from Admiralty to Quarry Bay in the last 6 months. Right Management moved from Bank of America Tower to **Dorset House**, Incisive Financial Publishing moved from Admiralty Centre to **Devon House** and Stryker Pacific moved from One Pacific Place to occupy one whole floor in **Oxford House**.

101 King's Road has been particularly popular because of the very competitive rates and new tenants to this building include CED International from 148 Electric Road, Officelink from Asian House, Jotsun Paints from Stanhope House and Beria Consultants from 148 Electric Road. Pfizer has leased a whole floor at **Kerry Centre** and SWIFT are relocating from One IFC taking 14,000 sq ft in **One Island East**. The British Standards Institute leased a floor at **Cambridge House**.

Man Yee Building
68 Queen's Road Central

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\$60 - 75 psf*

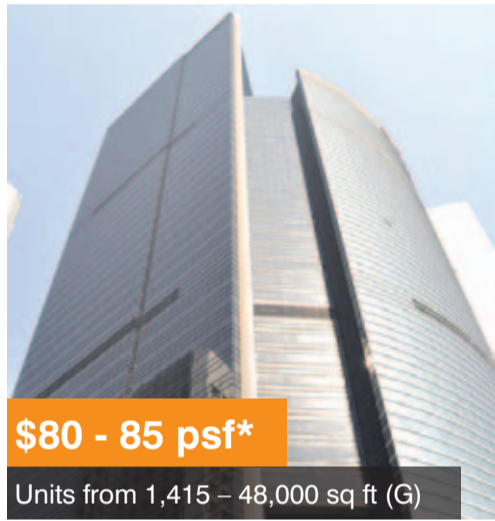
Units from 2,200– 18,258 sq ft (G)



Central Tower
28 Queen's Road Central

Citibank Plaza
3 Garden Road

Entertainment Building
30 Queen's Road Central



\$80 - 85 psf*

Units from 1,415 – 48,000 sq ft (G)



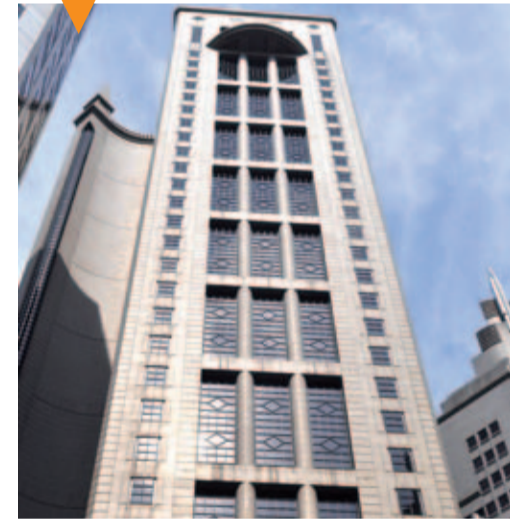
\$65 - 70 psf*

Units from 1,537 – 11,640 sq ft (G)



\$75 - 80 psf*

Units from 2,562 – 15,000 sq ft (G)



Rental Guide - Summary of Target Effective Rates

Sheung Wan / Central West / Admiralty

181 Queen's Road Central	\$35-38
Admiralty Centre Tower 1 & 2	\$45
Bank Of America Tower	\$45-55
Beautiful Group Tower	\$39
BOCG Insurance Building	Full
China Insurance Group Building	\$34-38
CITIC Tower	\$70-75
Cosco Tower	\$45-53
Fairmount House	\$46-50
Far East Finance Centre	\$45-50
Golden Centre	\$35
Guandong Investment Building	\$30
Hutchison House	\$50-65
Infinitus Plaza	Full
ING Tower	\$35
Li Po Chun Chambers	Full
Lippo Centre Towers 1 & 2	\$40-53
Nan Fung Tower	\$35-39
One & Two Pacific Place	\$98-105
Pacific Plaza	\$15
Shun Tak Centre	\$50
The Center	\$50-65
Three Pacific Place	\$85-95

Unicorn Trade Centre	\$30-33
V. Heun Building	Full
Wing On Centre	\$46
Yardley Commercial Building	Full
United Centre	\$38

Central

8 Queen's Road Central	\$78-83
8 Wyndham Street	Full
9 Queen's Road Central	\$60-65
100 Queen's Road Central	\$65
ABC Tower (50 Connaught Road Central)	Full
AIA Central	\$115-120
Alexandra House	Full
Aon China Building	\$60
Bank of China Tower	\$85-95
Baskerville House	Full
CCB Tower	\$120+
Central Building	Full
Central Tower	\$75-80
Cheung Kong Center	\$115+
Chuang's Tower	\$48-50

Citibank Plaza	\$80-85
Chater House	TBC
Club Lusitano Building	\$45-53
Dina House / Ruttonjee Centre	\$46-50
Edinburgh Tower	TBC
Entertainment Building	\$65-70
Euro Trade Centre	\$45
Fung House	\$42-45
Gloucester Tower	\$125-135
Henley Building	TBC
Hip Shing Hong Centre	\$43
Hong Kong Diamond Exchange Centre	\$49
Jardine House	TBC
Kinwick Centre	\$40
LHT Tower	Full
Man Yee Building	\$60-75
Nexus Building	\$70-74
New Henry House	\$68
New World Tower 1 & 2	\$60-64
One & Two Exchange Square	TBC
Three Exchange Square	TBC
One IFC	\$125
Two IFC	\$120+
Onfem Tower	\$42
On Hing Building	\$36

Prince's Building	\$112
Printing House	\$62
Prosperity Tower	\$60-63
Shun Ho Tower	Full
St George's Building	\$85-88
St John's Building	\$48
The Centrium	\$42-50
The Hong Kong Club Building	\$95
Universal Trade Centre	\$27
World Wide House	\$48-65
Wheelock House	\$65-74
Wing On House	\$38
Wyndham Place	Full
York House	\$140

Wan Chai

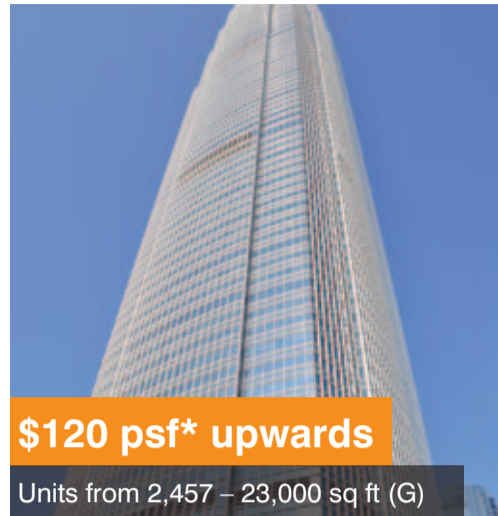
8 Queen's Road East	\$50-52
28 Hennessy Road	\$50-60
80 Gloucester Road	\$35
88 Gloucester Road	\$30
248 Queen's Road East	\$32-38
Allied Khajima Building	Full
Asia Orient Tower	\$25-32

Cheung Kong Center
2 Queen's Road Central



\$115 psf* upwards
Units from 1,881 – 9,491 sq ft (G)

Two IFC
8 Finance Street



\$120 psf* upwards
Units from 2,457 – 23,000 sq ft (G)



CCB Tower
3 Connaught Road Central



\$120 psf* upwards
Units from 7,419 – 23,000 sq ft (G)



AXA Centre	Full
BEA Harbour View Centre	Full
CC Wu Building	Full
Central Plaza	\$52-60
China Hong Kong Tower	\$20-22
China Online Centre	\$26
China Overseas Building	\$36
China Resources Building	\$55-62
Chinachem Century Tower	\$30
Convention Plaza Office Tower	\$48-53
Dah Sing Financial Centre	\$60
Fortis Tower	TBC
Great Eagle Centre	\$58-65
Harbour Centre	\$58-62
Harcourt House	\$34-38
Hopewell Centre	\$45
Jubilee Centre	\$36-38
Luk Kwok Centre	Full
Mass Mutual Tower	\$40
Methodist House	Full
Neich Tower	Full
Overseas Trust Bank Building	\$23-30
Shanghai Industrial Investment Building	\$30
Shui On Centre	\$48-53
Sing Ho Finance Building	\$23

Siu On Centre	\$28
Sun Hung Kai Centre	\$50-55
Sunshine Plaza	Full
Tai Tung Building	\$32-39
Tai Yau Building	\$31-37
Tesbury Centre	\$32
The Hennessy	\$27
The Sun's Group Centre	TBC
Tung Wai Commercial Building	\$24
W Square	Full
Wu Chung House	TBC

Causeway Bay

18 Hysan Avenue	\$45-47
68 Yee Wo Street	Full
111 Leighton Road	\$40
Ace Tower / Windsor House	\$35-45
Caroline Centre	\$50
Causeway Bay Plaza 1 & 2	\$30-37
China Taiping Tower 1 & 2	\$31-34
Chinachem Leighton Plaza	\$25
Cigna Tower	\$26

East Exchange Tower	\$30
Guardian House	\$25
Hang Lung Centre	\$50
Hysan Place	\$70
Leighton Centre	\$40
Lippo Leighton Tower	Full
One Hysan Avenue	\$40
Sino Plaza	\$39-42
The Lee Gardens	\$56-62
Times Square Tower 1 & 2	\$45-52
Top Glory Tower	\$44
World Trade Centre	\$48-53

North Point

101 King's Road	\$25
148 Electric Road	\$22-26
169 Electric Road	\$30-38
AIA Tower	\$40-42
China United Centre	Full
Citicorp Centre	\$30-34
Island Place Tower	\$28
K. Wah Centre	\$25
Olympia Plaza	\$24

Two Chinachem Exchange Square	Full
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Quarry Bay / Island East

625 King's Road	\$29
633 King's Road	Full
1063 King's Road	Full
Cambridge House	\$42
Chinachem Exchange Square	\$22
Cityplaza 1, 3 & 4	\$40-45
Cornwall House	Full
E-Trade Plaza	\$20-22
DCH Commercial Centre	\$33-38
Devon House	\$40
Dorset House	Full
Kerry Centre	Full
Kodak House 2	\$20
Lincoln House	Full
One Island East	\$56-60
Oxford House	\$43
PCCW Tower	\$40
Prosperity Millennia Plaza	\$28
Stanhope House	TBC
Warwick House	TBC

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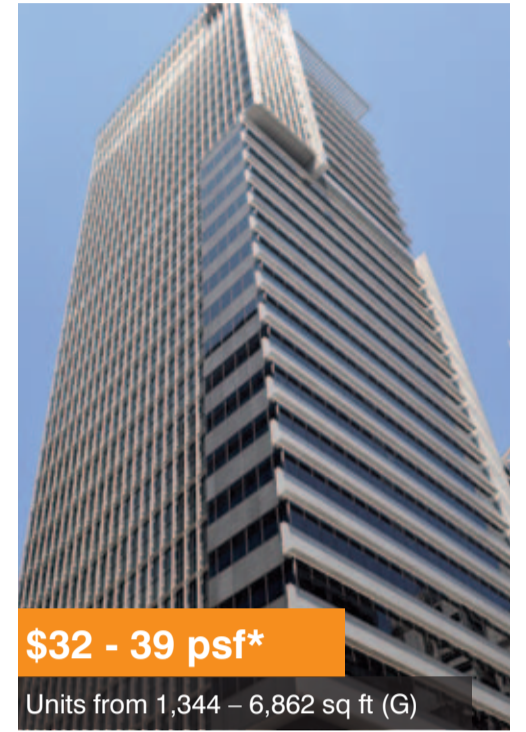
28 Hennessy Road
183 Queen's Road East



\$50 - 60 psf*

Units from 2,000 – 9,870 sq ft (G)

Tai Tung Building
Fleming Road



\$32 - 39 psf*

Units from 1,344 – 6,862 sq ft (G)

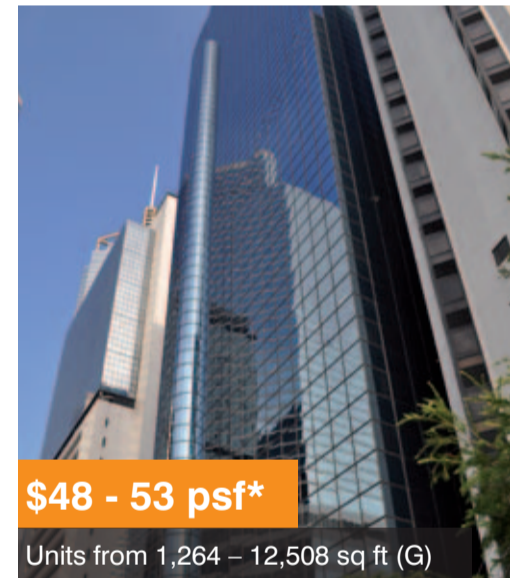
Central Plaza
18 Harbour Road



\$52 - 60 psf*

Units from 1,608 – 7,633 sq ft (G)

Shui On Centre
6-8 Harbour Road



\$48 - 53 psf*

Units from 1,264 – 12,508 sq ft (G)

SUPPLY

The overall vacancy rate has dropped to 3.5% (2.2 million sq ft) of which around 30% of this is found in the most expensive buildings in Central. Buildings with the most space available or coming available include Two IFC, Citibank Plaza, Cheung Kong Centre and Chater House.

Supply of space will be further reduced with the redevelopment of Sunning Plaza in Causeway Bay (200,000 sq ft) and Somerset House in Taikoo Place (200,000 sq ft). Hong Kong East has been particularly popular and now the vacancy rate is down to 2% equating to around 150,000 sq ft. There are only 3 Grade A office buildings scheduled for completion up until late 2014 and two of these have been pre-leased.

There are only 3 Grade A office buildings scheduled for completion up until late 2014

In Kowloon supply is also very tight at 2% of stock - significantly lower than the historic average of 9%.

Four new developments are due for completion this year, all of which are being sold off on a strata title basis. These include **181 Hoi Bun Road**, Kwun Tong 237,000 sq ft (Q4 2013) and **6 Wang Kwong Road**, Kowloon Bay 198,000 sq ft (Q3 2013).

There are 3 sites in Kowloon East that can provide a total of 2.3 million coming up for tender between October 2013 and March 2014 but none of these will be completed before 2018.

With the amount of supply so limited mainstream occupiers are now considering locations like Cheung Sha Wan and Kwai Chung

With the amount of supply so limited mainstream occupiers are now considering locations like Cheung Sha Wan and Kwai Chung where **Kowloon Commercial Centre Tower 2** 415,000 sq ft (Q3 2013) is the most significant new development in this location to be coming on stream.

RENTALS / FORECAST

Landlords know that demand has been modest but are also mindful that supply is dwindling all the time. **Top prime Grade A rents in Central average around \$98 per sq ft** and are now bottoming out. The most expensive buildings command effective rates in the region of \$110 to \$130 per sq ft but the majority of high grade buildings are in the \$75 - \$95 per sq ft range. Fringe central buildings range from \$55 - \$65 per sq ft.

Sheung Wan has seen a rental uplift of around 10% in the last 12 months and now range from \$35 to \$45 per sq ft. Rates in Admiralty have been static with very little leasing action taking place, but rates have firmed in Wan Chai ranging from \$30 to \$55 per sq ft. Causeway Bay usually sees less fluctuations than other areas and most buildings range from \$40 - \$55 psf. Quarry Bay / Island East is firming at around \$40 per sq ft. Demand will also be boosted this year by all those tenants who need to relocate from Sunning Plaza and Somerset House, which are both being redeveloped.

Kowloon is also suffering from a shortage of supply so rates have advanced and will continue to do so over the next year. However we expect resistance from some tenants to the latest levels of rates in Kowloon East and Tsim Sha Tsui Tsa and this will drive more tenants to look further afield in locations such as Cheung Sha Wan and Kwai Chung.

Over the next 12 months top prime rates in Central are expected to continue to stabilize

Over the next 12 months top prime rates in Central are expected to continue to stabilize, but fringe Central could advance by 10%. Admiralty is likely to remain static, Wan Chai should firm by 7- 10%, and Causeway Bay may firm around 5%.

North Point could see an increase of around 10-12% because it is from a low base rate and Island East may firm slightly but with rates already around \$40 - \$45 psf there may be reluctance from some new tenants.

Cambridge House
Taikoo Place



\$42 psf*

Units from 2,869 – 7,074 sq ft (L)

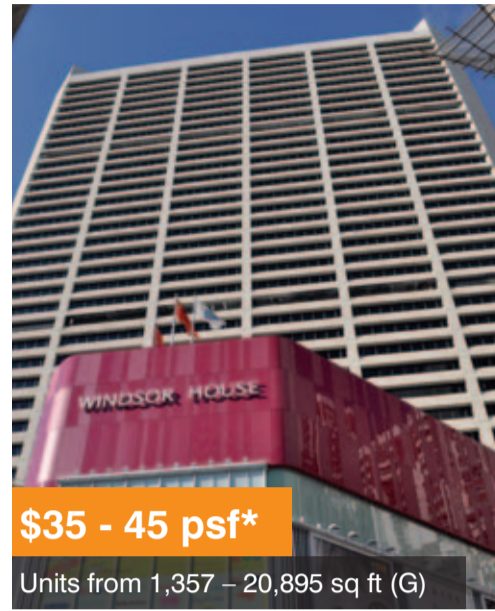
Sino Plaza
255 - 257 Gloucester Road



\$39 - 42 psf*

Units from 1,280 – 6,580 sq ft (G)

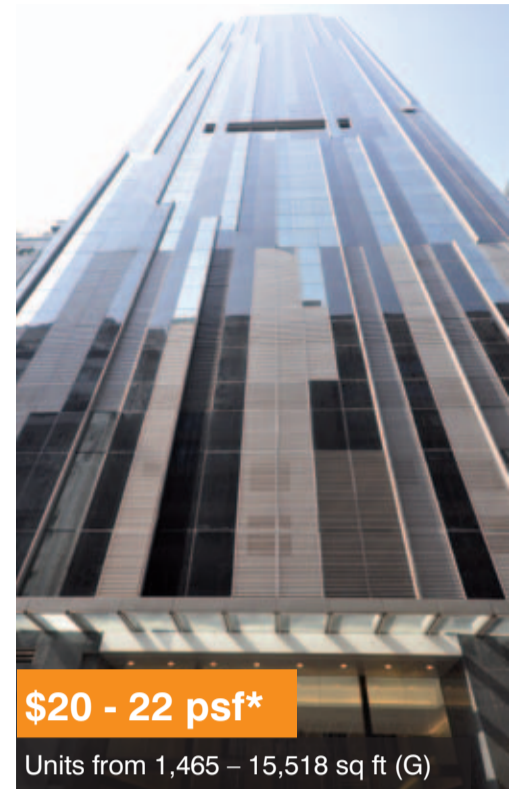
Ace Tower, Windsor House
311 Gloucester Road



\$35 - 45 psf*

Units from 1,357 – 20,895 sq ft (G)

E-Trade Plaza
24 Lee Chung Street , Chai Wan



\$20 - 22 psf*

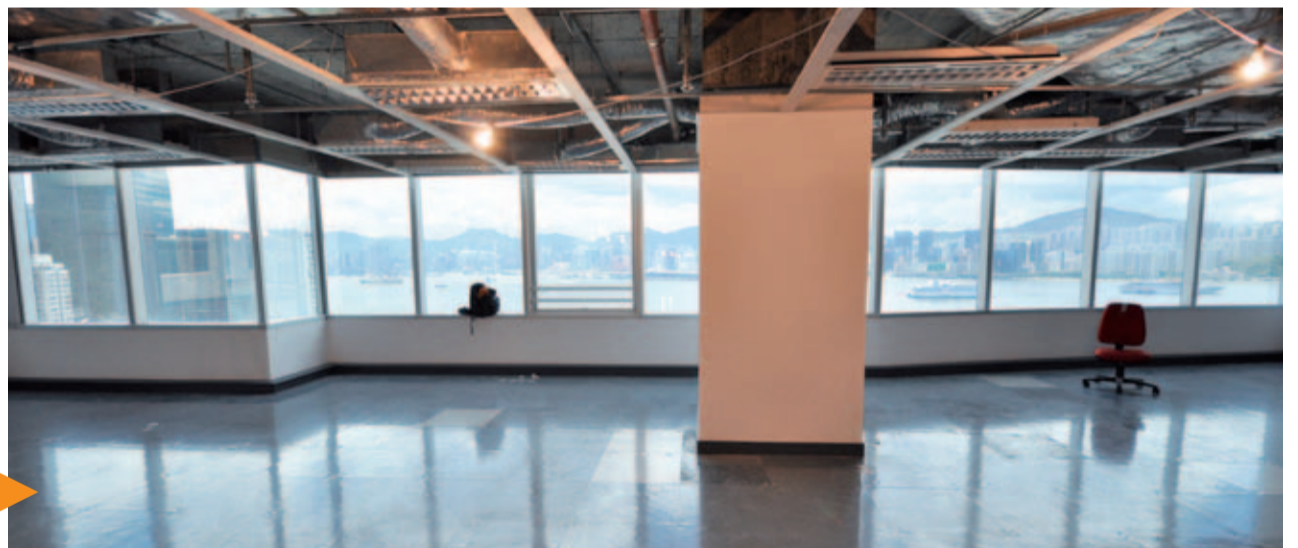
Units from 1,465 – 15,518 sq ft (G)

DCH Commercial Centre
Taikoo / Quarry Bay



\$33 - 38 psf*

Units from 2,154 – 13,777 sq ft (L)



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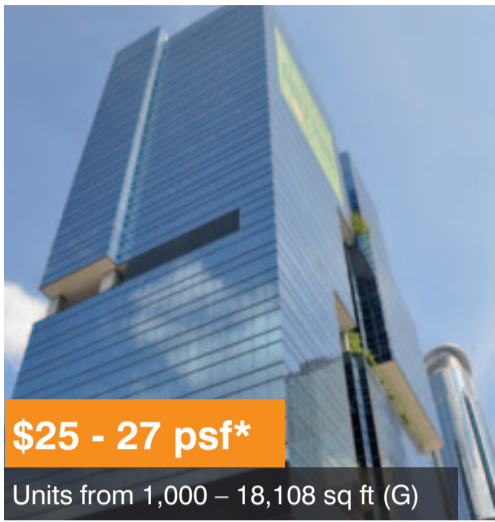
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Exchange Tower

133 Wang Chiu Road, Kowloon Bay



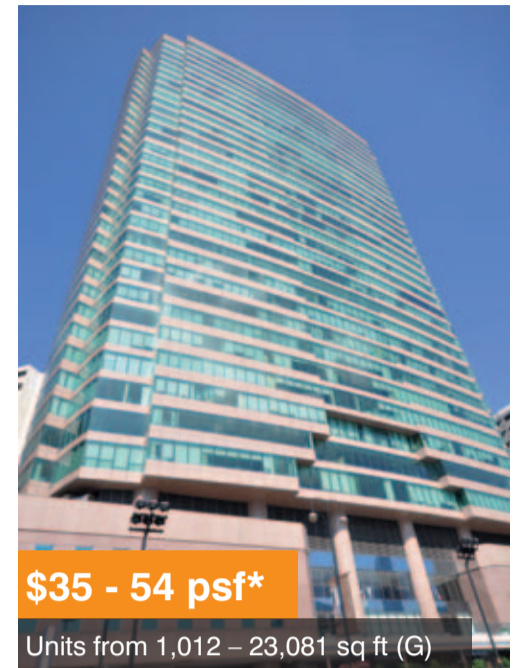
\$25 - 27 psf*

Units from 1,000 – 18,108 sq ft (G)



The Gateway

25 Canton Road, Tsim Sha Tsui

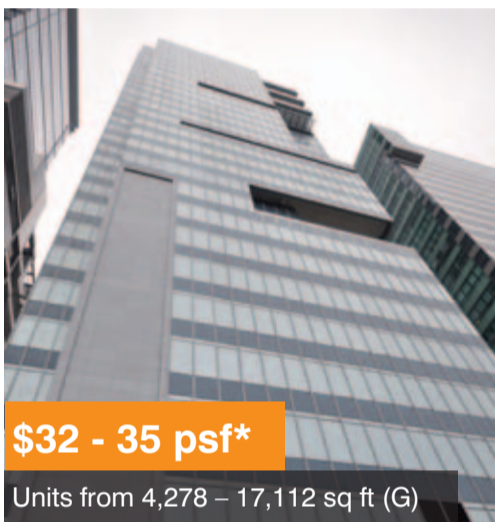


\$35 - 54 psf*

Units from 1,012 – 23,081 sq ft (G)

One Pacific Centre

414 Kwun Tong Centre, Kwun Tong



\$32 - 35 psf*

Units from 4,278 – 17,112 sq ft (G)



Elite Centre

22 Hung To Road, Kwun Tong



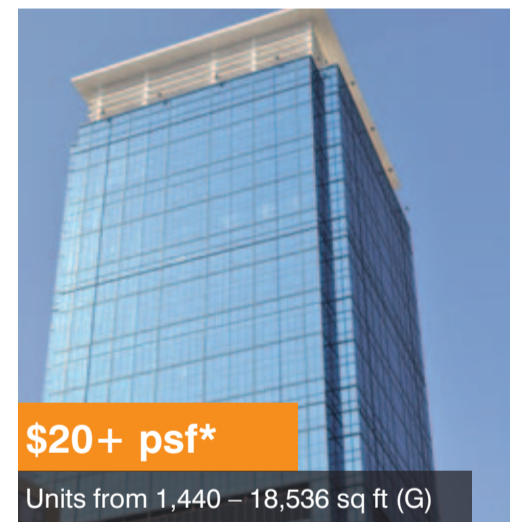
\$24 - 27 psf*

Units from 4,237 – 23,750 sq ft (G)



Skyline Tower

39 Wang Kwong Road, Kowloon Bay



\$20+ psf*

Units from 1,440 – 18,536 sq ft (G)

Rental Guide - Summary of Target Effective Rates

Tsim Sha Tsui

26 Nathan Road	\$55
China Hong Kong City	\$27-30
Concordia Plaza	\$32
Empire Centre	\$35
Energy Plaza	\$24-27
Harbour City Old Blocks	\$32
Hong Kong Pacific Centre	\$40
International Commerce Centre	\$80
Lippo Sun Plaza	\$33
Miramar Tower	\$36-38
New East Ocean Centre	\$23
Ocean Centre	\$34-40
One Peking Road	\$55
Silvercord Tower 1 & 2	\$33-36
The Gateway Tower 1	\$38-44
The Gateway Tower 2	\$43-48
The Gateway - Sun Life	Full
The Gateway - Prudential Tower	\$39
The Gateway II Tower 6	\$40-54
Tsim Sha Tsui Centre	\$34-37

Mong Kok

Grand Century Place Towers	\$32
Langham Place	\$37
Park In Commercial Centre	\$23
Pioneer Centre	\$36

Hung Hom

One Harbourfront	\$25-28
Two Harbourfront	\$23
The Metropolis Tower	\$29-33

Others

Kowloon Commerce Centre	\$32-34
Metroplaza Tower 1 & 2	\$30
Nina Tower	\$18

Kwun Tong

AIA Kowloon Tower Landmark	\$25
AXA Tower Landmark East	\$23-28
C-Bons International Centre	\$28
Crocodile Centre	\$30
Elite Centre	\$24-27
King Palace Centre	\$20
Kwong Tong View	\$20
Manulife Financial Centre	\$22-28
MG Tower	TBC
Millennium City 1 - Tower 1	\$28-30
Millennium City Standard Chartered	\$30
Millennium City 2	\$25
Millennium City 3	\$23
Millennium City 5 - BEA	\$36
Millennium City 6	Full
One Pacific Centre	\$32-35
Paul Y Centre	\$16

Kowloon Bay

Billion Centre	TBC
Enterprise Square Tower 1-3	\$20
Enterprise Square Two	Full
Enterprise Square Three	Full
Enterprise Square Five	\$32
Exchange Tower	\$25-27
Manhattan Place	Full
OCTA Tower	\$22-25
One Kowloon	\$32
Skyline Tower	\$20+

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