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A.G. WILKINSON & ASSOCIATES

Professional Surveyors • Valuers • Estate Agents • Property Managers • Project Managers

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PROPERTY INTELLIGENCE

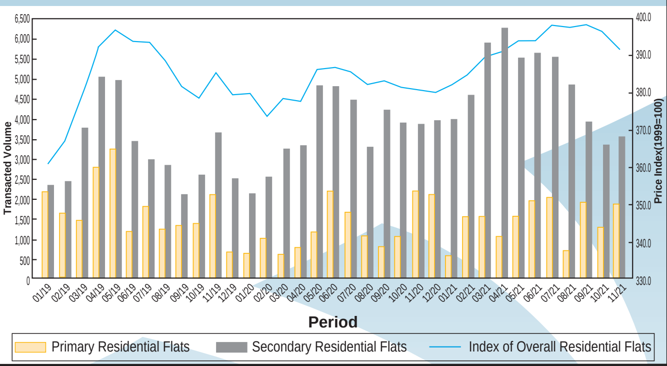
Sentiment and Liquidity Drive Residential Market to Uneven Performance

In the space of over two years, Hong Kong property market by all accounts finds itself stuttering under the weight of social unrest, pandemic, sagging consumer and investor confidence, in stark contrast to the optimistic mood up to mid-2019. However, the first 11 months of the year have witnessed an uneven but encouraging performance in the residential property market with price increases generally outpacing all analysts' prior expectations.

In according to the Land Registry, the number of Sale and Purchase Agreements registered during January to November increased by approximately 29% while averaged prices have appreciated by around 3% when compared to the same period in 2020, reflected the release of the substantial pent-up demand built over the past two years. Over past months, successful developer sale launches have stimulated primary market sales, as increasing number of "cash-strapped" end-user buyers and/or investors alike are more willing to enter the market.

With the abating local epidemic situation corresponding with the gradual recovery of the economy during past months, the improving market performance of secondary residential flats was also evident. In according to Government statistics, total transaction turnover of secondary residential units during January to November increased by approximately 31% and 47% while overall price index edged up by 2.9% and 2.4% when compared to the same period in 2020 and 2019 respectively. However, it has become noticeable that the transaction volume of primary residential sector merely increased by 22% but decreased by 21% during the aforesaid comparison period, reflecting the supply side of the equation is seemingly unpredictable.

Movement of Overall Residential Flats & Transacted Volume of Primary & Secondary Residential Flats During Jan 2019 to Nov 2021



Sources: Rating & Valuation Dept., The Land Registry
For reference only

On the fundamental supply side, whereas overall residential supply is already well documentated to be significantly short. Government's total average supply figures for domestic housing units during 2016 to 2020 were 17,577, representing an increment of 60% when compared to preceding five years' period. However, actual supply during January to November of current year was merely 12,624 units, representing a drop of 28% when compared to preceding five years' average figures. Given the land supply shortage in Hong Kong corresponding with steady demand for housing, combined this fact with the low interest rates environment prevailing, a generally optimistic outlook is likely to persist at least in the short term.

In the context of housing prices, according to the Government's statistics, the overall price index for residential units in September was 398.2, comparable with 172.9 in October 1997, with a significant month-on-month increase of 1.3 times. However, it is noticeable that price surge of small to medium size units with saleable area under 1,075 sq .ft. are more pronounced than large size units. For illustration purposes, the price indices within A to C classes in November were in fact 30% and 95% higher when compared with the figures in June 2015 and May 2012 respectively. However, the price indices within D and E classes in November were in fact only 18% and 40% higher when compared with the figures in the same comparison period (see table); reflecting the price increments have been even up to twice the rate of that seen in the luxury sector. However, this is probably not the best case scenario in terms of integrity and substance of the "genuine" market recovery which is contrary to normal circumstances. It essentially displays general buying public is in a very strong position to capitalise on the market under a prevailing high degree of liquidity and very low interest rate environment while land supply has yet keep pace with the soaring demand for accommodation.

Change of Price Indices by Class in May 2012, Jun 2015 VS Nov 2021

Comparable Period	Class A to C	Class D to E
May 2012 VS Nov 2021	↑ 95%	↑ 40%
Jun 2015 VS Nov 2021	↑ 30%	↑ 18%

For reference only.

While developers' aggressive and largely successful pricing tactics have provided a boon for new home owners, the relaxations of LTV ratio have also benefitted the purchasers of relatively small to medium size second-hand flats. Certainly, as it stands, there is reasonable to deduce that demand and upside price potential for low to mid-end sectors are still reasonably strong.

Last but not least, with reference to recent Governmentís sources, no new towns have been built since 2000, which is one of the factors leading to the current shortage in land supply. However, despite the provision of estimated enormous supply in the Northern Metropolis, if the government is able to secure approximately 170 hectares of land in the coming ten years, and make available to the market sites for the production of about 100,000 units can be reached, we believe this would gradually cover the shortfall, or ridding the frenzied buying momentum that has been prevailed in the market over the past years.

Meanwhile, speeding up pilot projects to help in meeting immediate supply, increasing efficiency in the development process, including lease modifications as well as reviewing anti-speculation policies, are all priority measures needed to solve the unanimously recognised root of the problem. Notwithstanding any adverse factors affecting the market sentiment, the prospects for the mass residential market is generally viewed to be positive in the presence of inflationary pressure as well as resurgent demand, while this is especially so in the luxury sector where supply for coming years is comparatively lower than previous norm.

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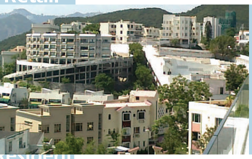

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Residential

DECEMBER, 2021

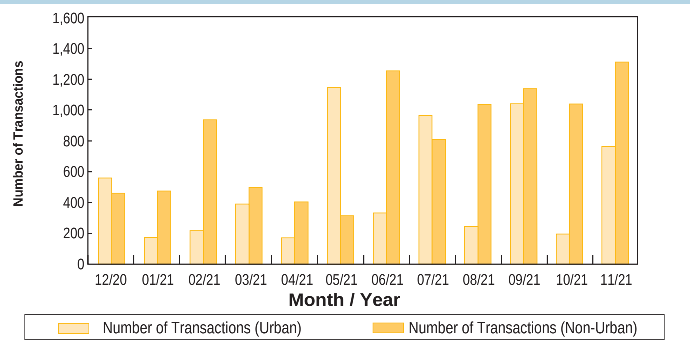
The number of transactions registered in the Land Registry during September to November was 23% less than preceding three months' period. In fact, following the upsurge of transaction activity in the residential market since March, this sector has been able to regain its momentum, particularly in the primary market while attractive priced offerings from major developers were being fully absorbed by the buyers amid with the abating local epidemic situation. With reference to Government's statistics, the respective volume of new and second-hand residential transactions registered in the Land Registry during the period was around 8% more and 32% less than the numbers registered.

Primary sales surged

Transactions in the primary market gained further momentum amid improved market sentiment during past couple of months. In accordance to our compiled statistics, the accumulated number of primary residential transactions in urban and non-urban areas during September to November increased by 30% and 12% respectively as compared to preceding three months' period. In reality, other than genuine end-user demand driven activity, there has been certain long term investment demand interest.

In reality, with developers continued to adopt a "Competitive Market Pricing Strategy", the desired effect of attracting attention and positive feedback form buyers, particularly first time buyers and/or investors alike, was achieved. In reality, one notable characteristic of the market strategy by developers is that they have adopted a fast approach for their initial "attractive" pricing sales scheme with several hundreds of units in one phase to push into the market at one time, with marginal price increment for subsequent phases at short interval. Testimony to the surging level of activity was that certain number of end-user buyers and/or investors alike have acquired more than one unit within the development when available as witnessed in the positive response for some of new development projects put up for sale during the past three months' period. Typical successful sales of new developments such as Kennedy 38 and Monaco One in urban areas as well as The Arles and Manor Hill in non-urban areas have been mostly absorbed by the market.

No. of Transactions Analysis for the Primary Residential Market in Urban & Non-Urban Areas

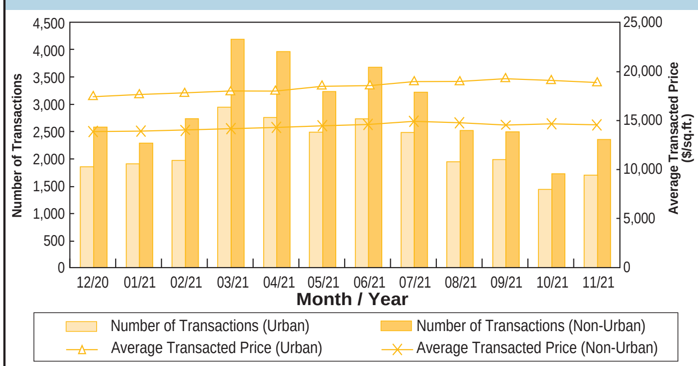


Transactions dropped in second-hand market

In the presence of attractive mortgage finance schemes offered by developers as well as force and scale of competition from the primary market, the second-hand sector has displayed a modest drop in transaction activity during September to November. Nonetheless, the prevailing low interest rate environment and shortage of immediate supply, together with the abating local epidemic situation still continued to render support to this sector. According to our compiled statistics, the number of transaction figures in urban areas and non-urban areas decreased by 28% and 30% respectively during the aforesaid comparison period.

On the other hand, the slow down in transaction activity showing in general, has not been corresponding with any drastic downward adjustment in prices. Instead, over the months from September to November, average prices of secondary residential property remained relatively firm, with no significant movement evident. In accordance with our compiled records, average prices of secondary residential property in urban areas have edged up by approximately 1.3%, while in non-urban areas decreased by merely 1%.

Price Trend and No. of Transactions Analysis for the Secondary Residential Market in Urban & Non-Urban Areas



Prices of popular housing estates dropped modestly

According to our records, average prices on 8 out of 10 popular private housing estates have seen modest downward adjustment in prices. In fact, any price decrease of these analysed estates during September to November has been generally contained within a 1% to 2.5% margin. For instance, among these popular housing estates, for example, Caribbean Coast recorded most average price drop, translating from $12,556 per sq. ft. to $12,241 per sq. ft., representing a drop of approximately 2.5% while average price of City One Shatin and South Horizons remained relatively firm.

The Performance of Selected Popular Housing Estates During Jun - Nov 21

Estates	Average Transacted Price ($psf)			Average Rental ($psf)			Yields (%)	
	Jun - Aug 21	Sep - Nov 21	% Change	Jun - Aug 21	Sep - Nov 21	% Change	Jun - Aug 21	Sep - Nov 21
Caribbean Coast	12,556	12,241	-2.5%	26.0	26.0	0.0%	2.5	2.5
City One Shatin	17,875	17,867	0.0%	39.0	41.0	5.1%	2.6	2.8
Heng Fa Chuen	16,784	16,718	-0.4%	35.0	35.5	1.4%	2.5	2.5
Lohas Park	15,363	15,288	-0.5%	29.0	30.5	5.2%	2.3	2.4
Mei Foo Sun Chuen	13,863	13,714	-1.1%	32.5	33.5	3.1%	2.8	2.9
Metro Harbourview	19,536	19,458	-0.4%	41.0	42.0	2.4%	2.5	2.6
Sceneway Garden	15,565	15,372	-1.2%	32.0	32.0	0.0%	2.5	2.5
South Horizons	17,793	17,837	0.2%	37.0	36.0	-2.7%	2.5	2.4
Taikoo Shing	20,033	19,769	-1.3%	39.5	38.0	-3.8%	2.4	2.3
Whampoa Garden	17,436	17,191	-1.4%	35.0	36.5	4.3%	2.4	2.5

For reference only.

Inactive luxury property market

The general luxury property market has been fairly inactive of late. In reality, transactions were noted to be mainly by wealthiest local end-users with fewer originated from Mainland China. In accordance to our compiled records, transacted prices of analysed luxury buildings have seen modest downward price adjustment. For instance, whilst prices of Hillsborough Court recorded an increase of approximately 2%, Hong Kong Parkview edged down by around 2%. However, it is noticeable that end-user purchasers of high-end luxury sector are still displaying more optimism in Hong Kong's future economic outlook and still hold a positive view towards this sub-sector as the supply is relatively limited particularly in prime residential zones at least in the foreseeable future.

The current situation in the leasing market is relatively better than in the resale market while demand from local tenants is observed to be generally steady. Nonetheless, rents in the past couple of months in selected traditional luxury buildings have dropped in some cases by up to 2.6% due to an increase in the supply of available apartments compared to early this year, and few evident cut-backs in the budget of expatriates by individual overseas corporations. In order to increase short term absorption, individual owners have been willing to lower rents modestly. In accordance to our compiled data, for instance, while effective rent of Clovelly Court in Mid-Level Central recorded a decrease of approximately 3%, transacted rentals of Hong Kong Parkview in Island South edged up by around 4.4%.

The Performance of Luxury Residential Market During Jun - Nov 21

Buildings	Transacted Price ($psf)			Rental ($psf)			Yields (%)		
	Jun - Aug 21	Sep - Nov 21	% Change	Jun - Aug 21	Sep - Nov 21	% Change	Jun - Aug 21	Sep - Nov 21	% Change
MID-LEVEL CENTRAL									
Tregunter	30,096	29,820	-0.9%	45.7	47.3	3.6%	1.8	1.9	5.6%
Hillsborough Court	30,843	31,549	2.3%	50.7	50.3	-0.7%	2.0	1.9	-5.0%
Clovelly Court	38,373	43,423	13.2%	51.0	49.7	-2.6%	1.6	1.4	-12.5%
Dynasty Court	N.A.	43,665	N.A.	52.7	53.7	1.9%	N.A.	1.5	N.A.
MID-LEVEL EAST / HAPPY VALLEY									
Cavendish Heights	31,752	31,430	-1.0%	47.7	49.0	2.8%	1.8	1.9	N.A.
The Legend	31,742	31,134	-1.9%	51.7	52.0	0.6%	2.0	2.0	0.0%
Leighton Hill	44,360	48,300	8.9%	62.0	61.3	-1.1%	1.7	1.5	-11.8%
Beverly Hill	28,306	28,860	2.0%	29.3	31.3	6.8%	1.2	1.3	8.3%
HONG KONG SOUTH									
Marinella (Apartment)	38,528	35,380	-8.2%	52.3	52.7	0.6%	1.6	1.8	12.5%
Residence Bel-Air (Apartment)	28,970	28,718	-0.9%	51.3	52.0	1.3%	2.1	2.2	4.8%
Redhill Peninsula (Apartment)	24,638	26,106	6.0%	46.7	47.3	1.4%	2.3	2.2	-4.3%
Hong Kong Parkview	29,477	28,988	-1.7%	45.3	47.3	4.4%	1.8	2.0	11.1%

For reference only.

Market prospect

The Hong Kong economy remained on track for recovery since the 2Q, with real GDP continuing to grow progressively alongside the improving local economic conditions, investment environment as well as receding local epidemic situation. At this point, there appears to be reasonable consensus that the mass residential market though seeing no signs of further significant surge in prices, does however appear to have very limited price downside. Meanwhile, barring unforeseen events that would hamper the highly sensitive market, more transaction activity particularly in the primary sector is expected from the pent-up demand towards the end of current year. ●

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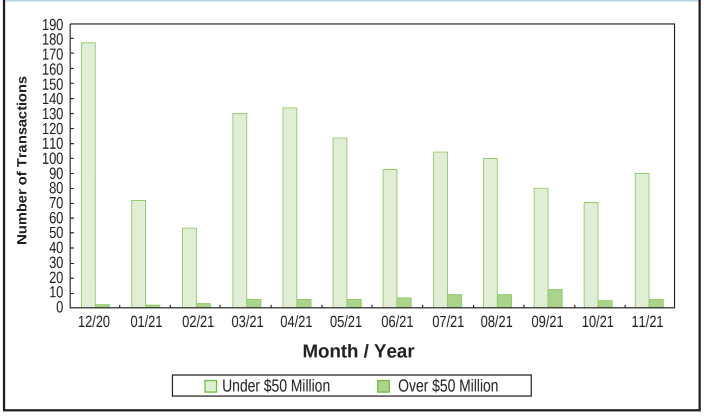
Office

DECEMBER, 2021

Overall office sector reminded in a state of adjustment and consolidation during past three months' period. Our compiled analysis revealed that overall transaction volume contracted by 17%, translating from 323 deals to 267 deals during September to November when compared to preceding period. Besides, sales volume of office premises involving purchase price of under $50 million declined by approximately 19%, whilst sales volume of office premises involving purchase price of over $50 million decreased by merely 4%, reflecting the market's genuine purchase demand has been able to sustain for large-sized sub-divided and/or whole floor office stock in different business localities.

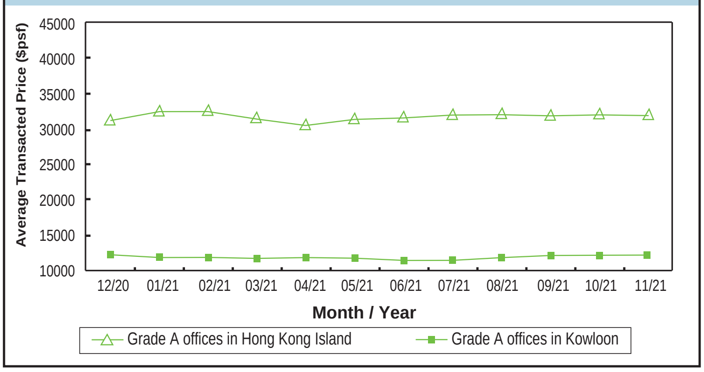
Number of Office Transactions Analysis during Dec 20 - Nov 21



Activity of Grade A office market sluggish

Contraction in sales activity of Grade A office properties in core business districts continued during last couple of months, given overall investment sentiment has not been able to be reinforced by any encouraging take-up, corresponding with lower rental yields prevailing, hence certain investors have inclined to actively seek opportunities in markets with higher returns such as modern office floors with reasonable price in emerging and non-core business districts. In according to our compiled statistics, the Grade A office market in core business districts has generally remained in a state of consolidation with transaction activity visibly stalled during September to November period.

Price Trend for Major Grade A Offices in Hong Kong Island & Kowloon



The current situation in the Grade A office rental market is comparatively better than the sales market. Since prime office rents over recent months have stabilized due to rental demand increase corresponding with progressively competitive letting packages offered by some landlords, as such leasing transactions have seen moderate improvement. Although the growth in demand for rental space has not been able to keep pace with the increase in supply particularly in other established business districts, however take-up rates have been gradually improving in response to the comparatively attractive letting packages offered by certain landlords. Nonetheless, given the high propensity of overseas and Mainland tenants requiring large floor areas still tended to rent prime office buildings in traditional business areas, some major landlords as well as individual owners have, of late raised effective rents, albeit modestly. In fact, corporations particularly from banking and financial sectors with less rental cost constraints have been moving or planning to take up floor space in selected prime office buildings. For instance, recent market news revealed that a Swiss private bank occupied 11,000 sq.ft. of Three Exchange Square at $120 per. sq.ft., whilst a U.S. based investment advisory corporation took up 15,000 sq.ft. of Chater House at $130 per. sq.ft..

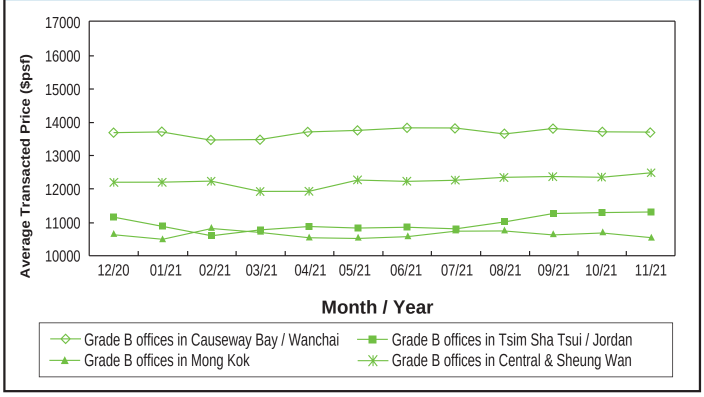
Meanwhile, despite some reductions in prime office rental demand were still evident, our compiled analysis revealed certain rental value increment in selected prime office properties. For instance, average rental of Convention Plaza and 9 Queenís Road Central increased by approximately 7% and 5% respectively, whilst Shun Tak Centre and Lippo Centre declined by approximately 4% and 2.5% respectively during the aforesaid comparable period.

Overall sales activity of Grade B office subdued in secondary market

The Grade B office market in general, with both purchasing and particularly leasing market witnessed further consolidation during past three months' period. In fact, it has become evident that buying sentiment remained weak in this sector, while certain investors' are tending to redirect their funds to new office properties with reasonable capital outlays in emerging business districts with perceived higher rental returns.

Encouraging though, while transaction activity has continued to diminish, the continuing poor turnover has not been accompanied with any drastic downward price adjustment in capital values, at least in regard to selected prime Grade B office properties. Based on our compiled statistics, average transacted prices of quality Grade B offices in our analyzed districts such as Causeway Bay / Wanchai, Yau Ma Tei and Mong Kok decreased by around 1%, whilst Central / Sheung Wan, North Point and Tsim Sha Tsui / Jordan surged within 1% to 3.7% during September to November when compared to preceding three months' period.

Price Trend for Major Grade B Offices in Selected Districts



In the context of rental market, overall absorption in Grade B office leasing market remained slow during last couple of months. With wide selection of quality high grade office spaces available to let in different business districts, as well as rental values become more affordable, office relocation and/or upgrade to quality office accommodation remained fairly active of late. Referring to market information, significant leasing transactions included a sport apparel and footwear brand leased approximately 52,000 sq.ft. of Manulife Place and a Chinese corporation leased approximately 21,000 sq.ft. of Millennium City 1.

Our compiled analysis of sizable transactions during last couple of months revealed that selected modern prime office properties in emerging and established business districts have been sold for reasonably attractive price. For instance, 3 storeys of 888 Lai Chi Kok Road were purchased by a financial institution for $1.188 billion, and whole floor of 368 Kwun Tong Road was transacted for $156.34 million, translating to $16,908 per sq.ft..

The Performance of Selected Prime Offices During Jun - Nov 21

Buildings	Transacted Price ($psf)			Rental ($psf)		
	Jun - Aug 21	Sep - Nov 21	% Change	Jun - Aug 21	Sep - Nov 21	% Change
9 Queen's Road Central	N.A.	N.A.	N.A.	57.0	60.0	5.3%
Admiralty Centre	N.A.	N.A.	N.A.	38.0	41.0	7.9%
Convention Plaza	N.A.	N.A.	N.A.	45.0	48.0	6.7%
Far East Finance Centre	N.A.	N.A.	N.A.	45.0	49.0	8.9%
King Palace Plaza (K.T.)	9,834	10,595	7.7%	24.0	26.0	8.3%
Lippo Centre	27,000	N.A.	N.A.	41.0	40.0	-2.4%
Rykadan Capital Tower	N.A.	N.A.	N.A.	21.0	22.0	4.8%
Shun Tak Centre	N.A.	N.A.	N.A.	51.0	49.0	-3.9%

For reference only.
Subject to Land Registry and others

Market prospect

In general, the general office market is likely to remain rather stagnant while "wait and see" attitudes persist. In particular, the prospects of prime office market are less optimistic with abundant supply forecast especially of modern office and or I/O stock in the next few years. This aside, given the adjustment in the sales market this current year, we expect prices of individual Grade A office stock will have some moderate downward pressure at least in the near term. In fact, with estimation of 2.96 million sq.ft. of overall new office supply is estimated to be released in 2022, it is also envisaged that rents of quality office spaces will be remained in a state of consolidation if the market is unable to absorb available and the on-stream supply while end-user take up remains in prevailing level.

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Retail

DECEMBER, 2021

Hong Kong Tourism Board released that the overall tourism arrivals to Hong Kong during January to November were 81,950, representing a drastic decrease of approximately 97.7% when compared with the same period in 2020. However, arrivals from Mainland China in November increased significantly, while total number of visitors from short haul markets also displayed modest surge in Hong Kong's inbound tourism, indicating an increase of around 14% over the same month in 2020. On the other hand, average occupancy rate across all categories of hotels in November was 70%, representing a drop of 1.4% when compared to October. According to Census and Statistics Department, for the first 11 months of 2021 together, the value of total retail sales increased by 8.3% compared with the same period in 2020.

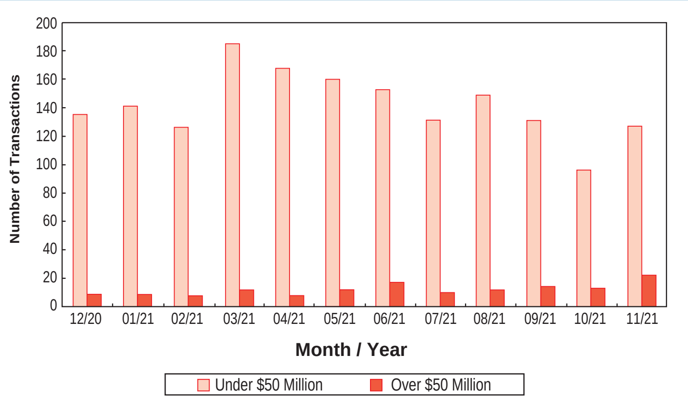
Activity in retail property market remained slow

Although the value of total retail sales in November increased by 7.1% compared with the same month in 2020, the investment sentiment was still hampered in the light of the inbound tourism remaining frozen, prolonged tight credit control corresponding with the rental rates for the retail space particularly in traditional shopping districts continuing to decline, resultant in disproportionally lower yields. All such negative variables have contributed together in accounting for the slow down in purchasing activity. In reality, since current rental yields hold only limited appeal to investors, some have already redirected their funds to markets with higher returns.

In accordance to our compiled statistics, the total number of transactions of retail premises recorded a noticeable decrease of approximately 15% during September to November when compared to preceding three months' period. However, based on our data, the sales activity of retail accommodation involving purchase prices of over $50 million surged by approximately 26% during the comparison period.

It is noticeable that effective rents of selected retail accommodation are significantly lower compared to the same period during last couple of years. This does endorse the view that the growth in demand for rental space has been significantly lagged behind the substantial supply generated from the "consolidated" market. Hence, it is anticipated that only retail premises which are priced competitively and those with particularly favourable locational attributes will be able to sustain investors support in the sales market.

Number of Shop Transactions Analysis during Dec 20 - Nov 21



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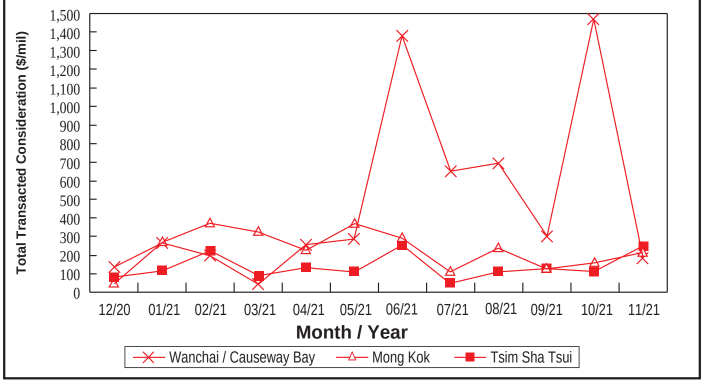
Transacted Consideration surged

In accordance to our compiled records, the overall transacted consideration for overall sales of retail premises in Wanchai/Causeway Bay and Mongkok decreased by approximately 29% and 57% while Tsimshatsui increased by 17% during September to November when compared to preceding three months' period. This aside, the total number of transactions for shop premises sold over $50 million in Tsimshatsui surged by 3 times while Mongkok dropped by 50% over the aforesaid comparison period.

Transacted Consideration for All Retail Premises in Selected Districts during Dec 20 - Nov 21



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Large scale transactions surged

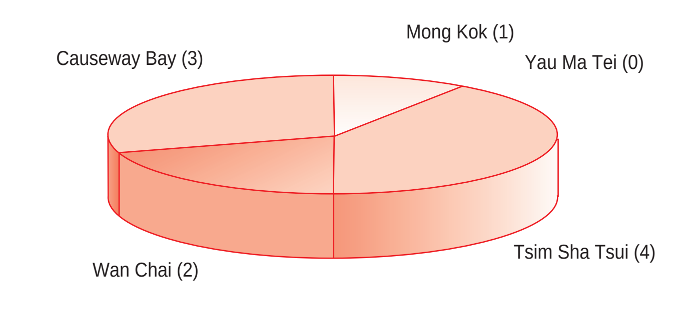
Following the recent discounted prices set against continued freefalls of rents, the volume of large scale transactions has seen some improvement. Recent significant transactions included the sale of basket of shops and commercial premises in No. 70 to No. 76 of Percival Street & No. 23 to No. 25 of Lee Garden Road and basket of 16 Podium Shops in Mei Foo Sun Chuen Phase 1 to Phase 8 with respective price of $1,280 million and $455 million.

Selected Sizable Shop Transactions During Sep - Nov 21

Properties	Transaction Amount ($/Mil.)	(Net Area) / Gross Floor Area (sq.ft.)	(Net Area) / Gross Floor Area ($/sq.ft.)	Transaction Month
Basket of shops and commercial premises of Nos.70-76 Precival Street & Nos.23-25 Lee Garden Road, Causeway Bay.	$1,280.00	12,100	$105,785	10/21
Shop on G/F., Petrol Filling Station & 1-6/F., H & S Building, No.36 Leighton Road, Causeway Bay.	$574.00	N.A.	N.A.	10/21
16 shops on podium floor, shop N97 on 1/F., shop 125 on 2/F., shop 139-144 on 4th podium floor & function room on G/F. under T-23 & T-27, Mei Foo Sun Chuen Ph 1-8, Lai Chi Kok.	$455.00	85,284	$5,335	11/21#
G/F.-1/F., The Hudson, No.11 Davis Street, Kennedy Town.	$392.00	11,614	$33,752	10/21
Commercial Accommodation & CPS C1-C3,C5-C7 on G/F., Island Crest, No.8 First Street, Sai Ying Pun.	$350.00	15,891	$22,025	10/21
Commercial Accommodation & CPS C1-C4 & M8 on B/F., Upper Riverbank, No.11 Muk Tai Street, Kai Tak.	$285.00	12,217	$23,328	12/21
11 Commercial Units, H. Bonaire, No.68 Main St., Ap Lei Chau.	$244.80	5,228	$42,999	09/21
Unit A-L on G/F. & Unit A-E,G-H,J-L on C/L., Hing Fu Building, No.84 Main St., Ap Lei Chau.	$220.00	2,500	$88,000	10/21*
G/F. & M/F., On Lok Yuen Building, Nos.25-27A Des Voeux Road Central, Central.	$195.00	3,800	$51,316	10/21
Shop 1 & 1A on G/F., Tak Woo Hse., Nos.17-19 D'Aguilar Street, Central.	$183.00	1,650	$110,909	11/21

***P-ASP / #Subject to confirmation**
Subject to Land Registry records.
For reference only.

Number of Transactions for Shop Premises sold over $50 Million in Five Major Core Districts during Sep - Nov 21



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Market prospect

In general, apart from the abating pandemic condition, the immediate prospects of the general retail property market are general anticipated to be over-hung by negative factors such as inbound tourism remained stall, reduced end-user demand, relatively high level of vacant stock as well the uneven pace of economy recovery. These will continue to induce investors to be very cautious in their property dealings and it can therefore be expected that investment activity in this sector will likely remain curtailed to a considerable degree unless and until a more favourable investment environment emerges.