



Hong Kong prime office space are the world's priciest

## Hong Kong's concrete jungle gets costlier

Even the sky is no limit for Hong Kong's premium office rents as costs hit US\$302psf per year in Central and US\$108psf per year in Island East. According to JLL, these rates are the world's highest and a far cry from London's US\$197psf per year in West End and New York's US\$194psf per year in Midtown. What's more striking is the widened gap between costs as rates for premium office space are now 50% more expensive in Hong Kong than in either London or New York at US\$262psf a year ago.

Surprisingly, despite the super high rents, vacancy rates in grade A office spaces in Hong Kong are just at 1.5% versus New York Plaza District's vacancy at 8.7%, Shanghai's Pudong at 6.5%, London's West End at 4%, and Tokyo's Marunouchi at 1.9%. Hong Kong's Central District has seen robust growth in premium rents over the past 12 months on the back of demand from mainland Chinese firms and very limited supply.

### Alternative locations

JLL says affordability and lack of available space are concerns that are likely to accelerate decentralisation to nearby growing core districts that offer more than 50% discounts to premium rents in Hong Kong Central, a trend supported by significant infrastructure works.

"This low vacancy rate despite high rents is due to the opportunity for Central tenants to capture significant rental savings in nearby established districts," says Alex Barnes, head of HK markets at JLL. "Hong Kong is unique in its office offering and pricing. Savings of 60-80% can be found in nearby and increasingly accessible locations such as Wong Chuk Hang, Quarry Bay, and Kowloon East," he adds.

Megan Walters, head of research, Asia Pacific, JLL, also notes the Central district is shifting as western banks and financial firms downsize or move out. "Mainland Chinese wealth and asset companies are moving in as they seek to boost their presence in Hong Kong. The market is also set to get more fragmented since the initial requirement from these companies is usually less than 5,000 sq ft. This could prove challenging for both tenants and landlords for the long term."



Despite the super high rents, vacancy rates in grade A space offices in Hong Kong are just at 1.5%.

### Premium office occupancy costs in key gateway cities



Source: JLL Global Premium Office Rent Tracker Q4 2016

## NUMBERS

### INTERPERSONAL AND BRAND RELATIONSHIPS

only **1%** of Hong Kong's consumers are IN LOVE with their FAVOURITE RETAILER

**60%**

of Hong Kong consumers would buy more if brands COMMUNICATED BETTER



**63%** of Hong Kong consumers would buy more if retailers treated them with RESPECT

**69%** of Hong Kong consumers would buy more if brands took time to understand them and their preferences



**75%**

of Hong Kong consumers would buy BETTER REWARDED with elements of surprise and delight

Source: ICLP