



GLOBAL CITIES

THE 2016 REPORT

Speakers

A dark gray world map is visible in the background of the slide, centered behind the text.

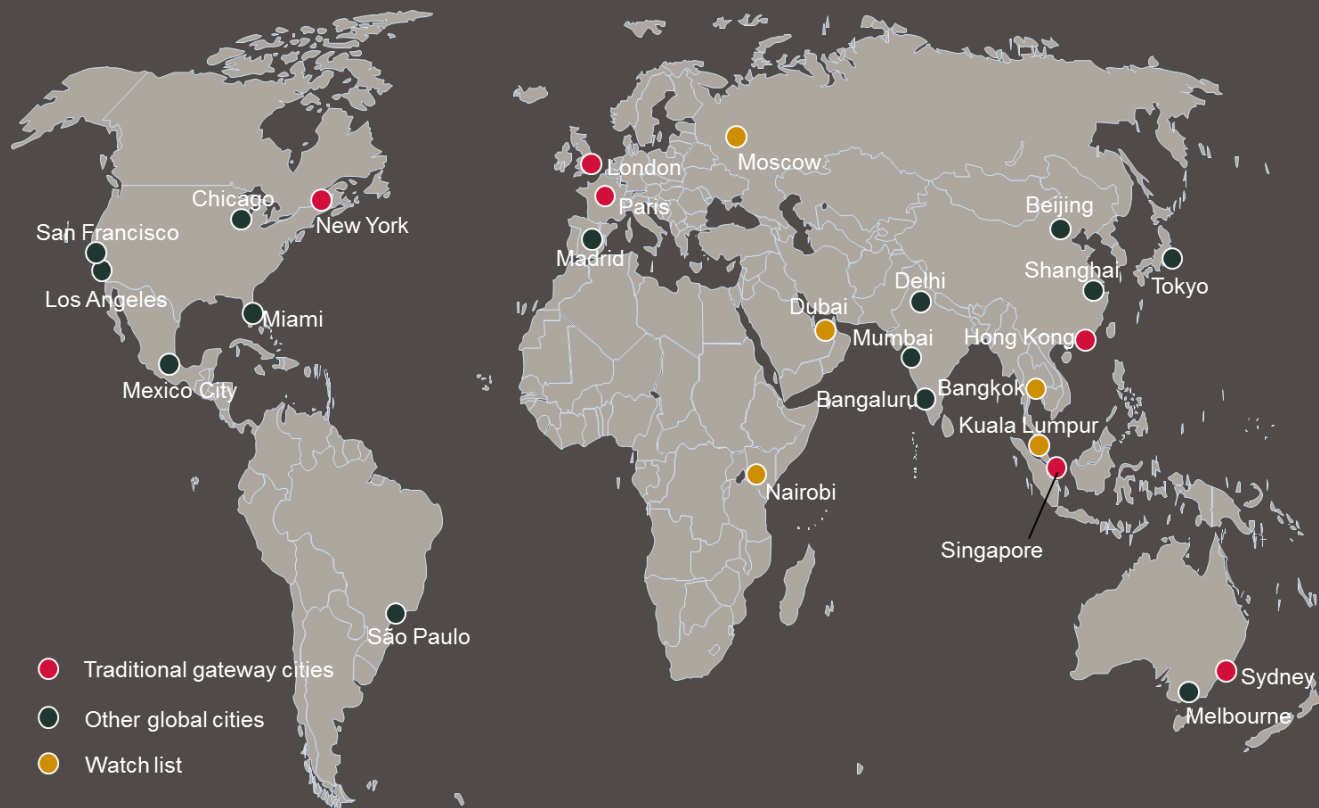
David Ji

Director, Head of Research & Consultancy, Greater China

Thomas Lam

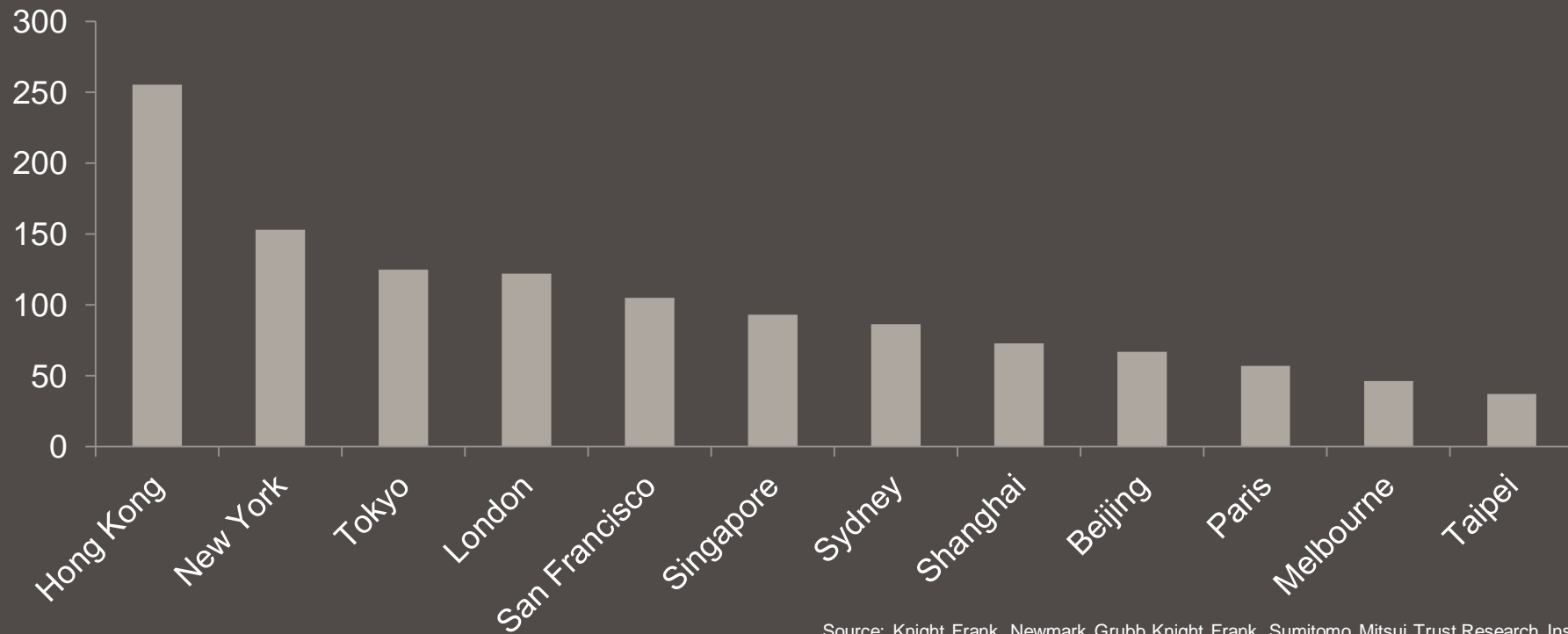
Senior Director, Head of Valuation & Consultancy

Global Cities Opportunities



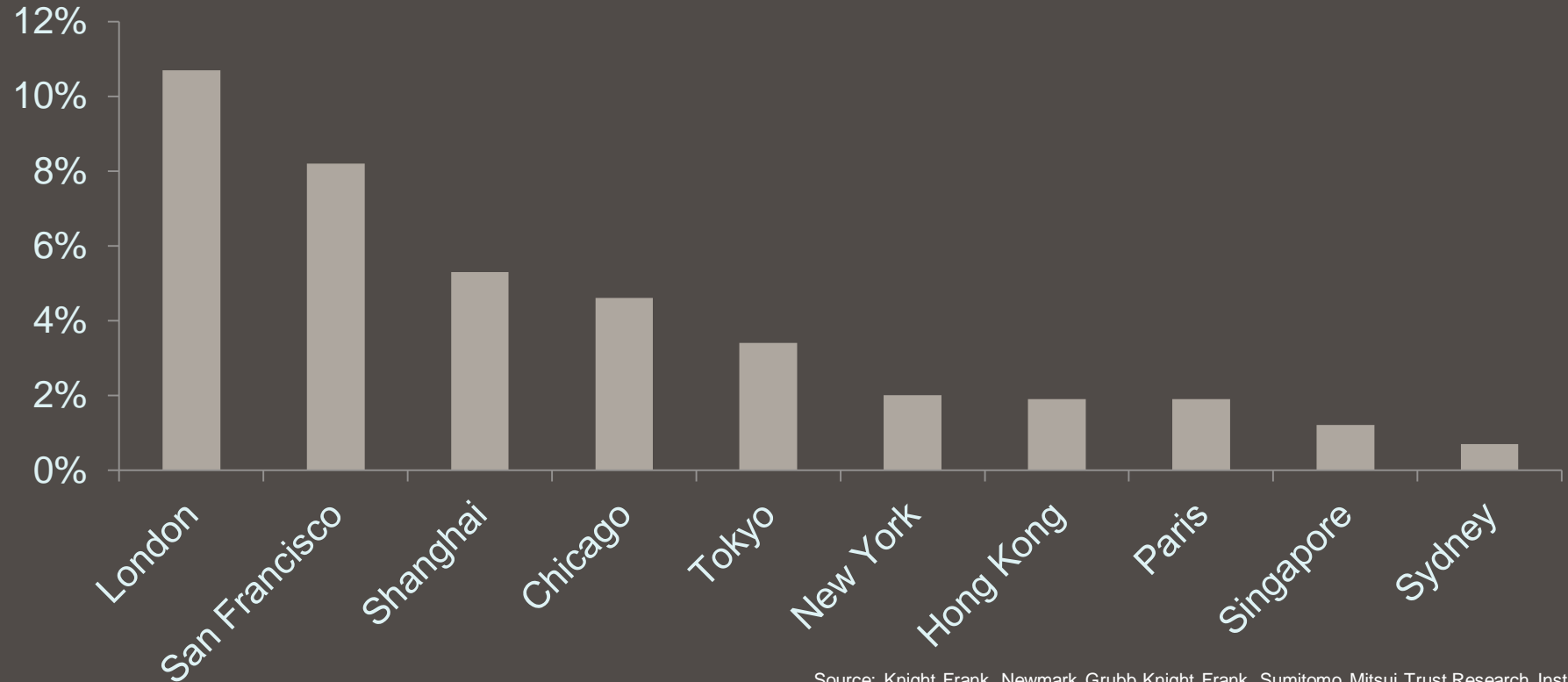
The Skyscraper Index

Prime Rent (US\$ / sq ft / year)



Source: Knight Frank, Newmark Grubb Knight Frank, Sumitomo Mitsui Trust Research Institute
Note: Q4 2014 to Q2 2015

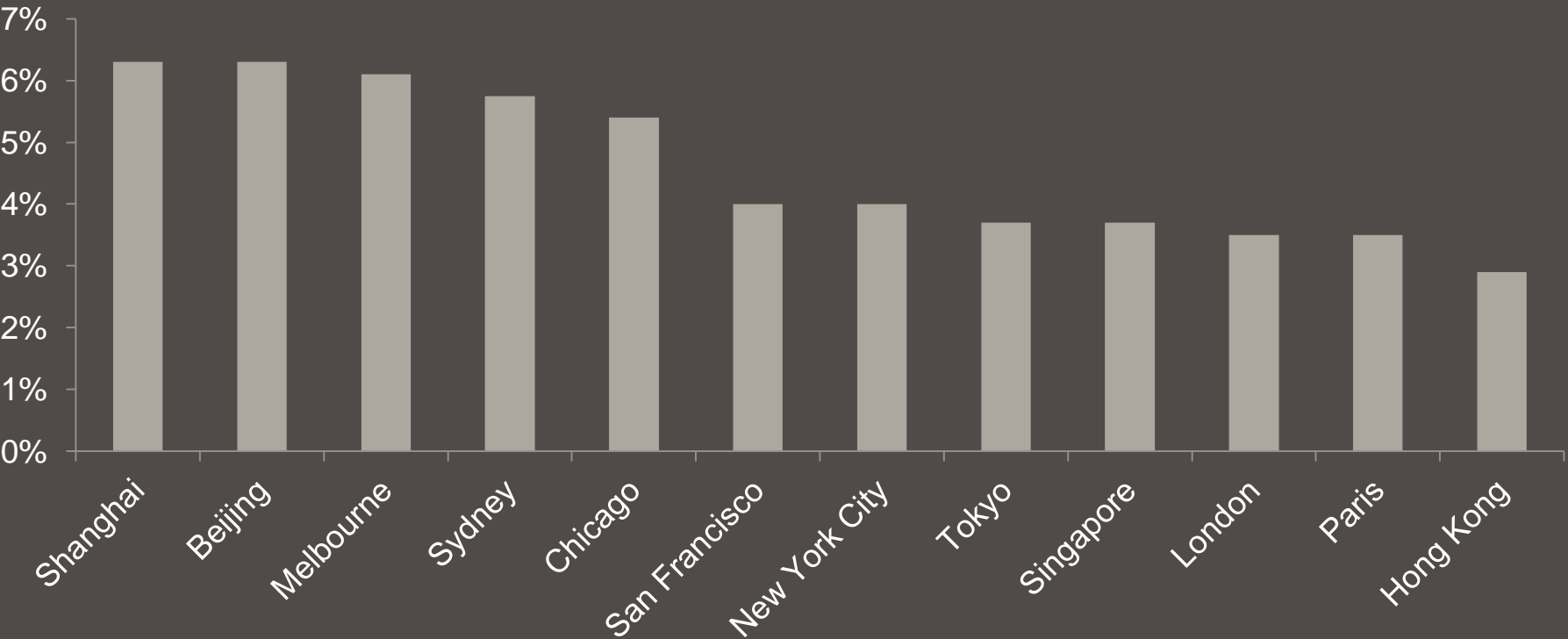
The Skyscraper Index: Office Rental Growth (In the past 6 months)



Source: Knight Frank, Newmark Grubb Knight Frank, Sumitomo Mitsui Trust Research Institute
Note: Q4 2014 to Q2 2015

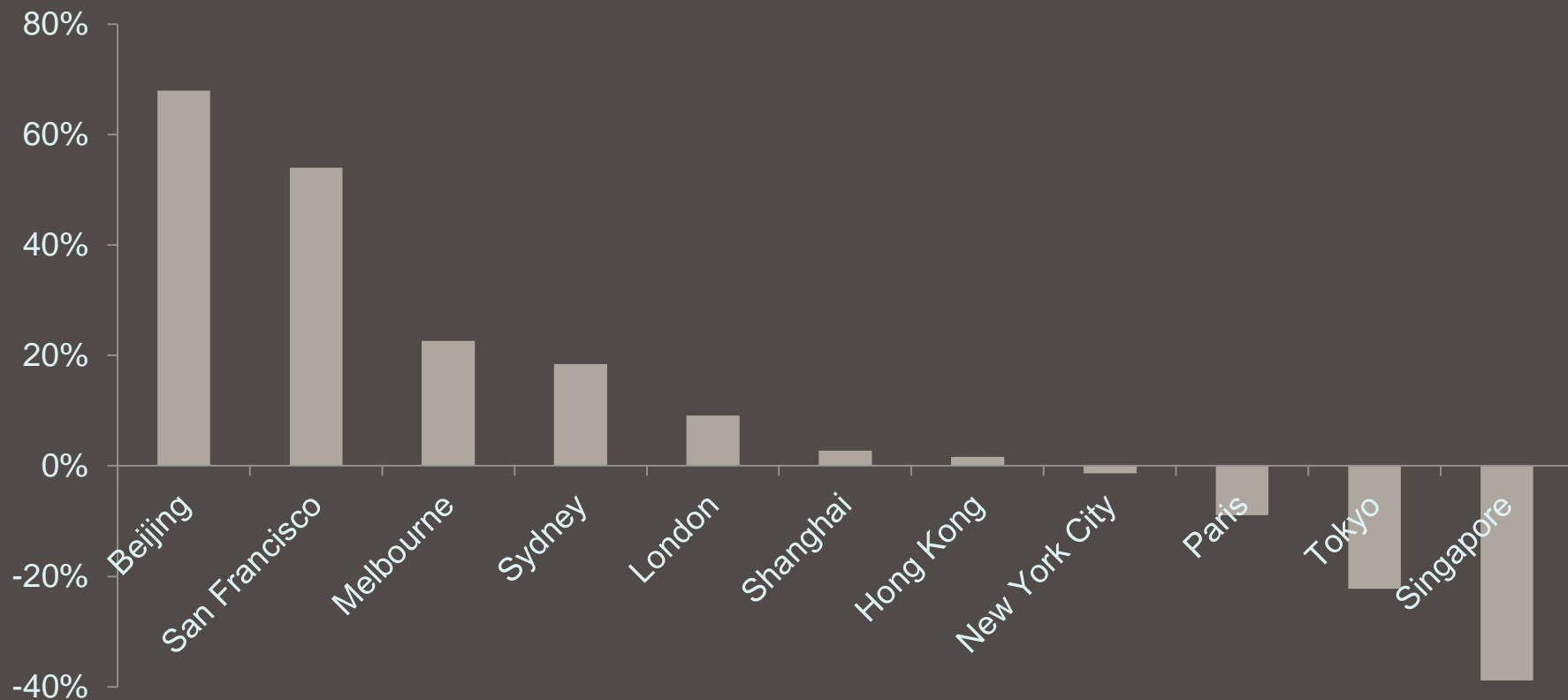
Prime Yields

Prime Yield (%)



Source: Knight Frank, Newmark Grubb Knight Frank, Sumitomo Mitsui Trust Research Institute

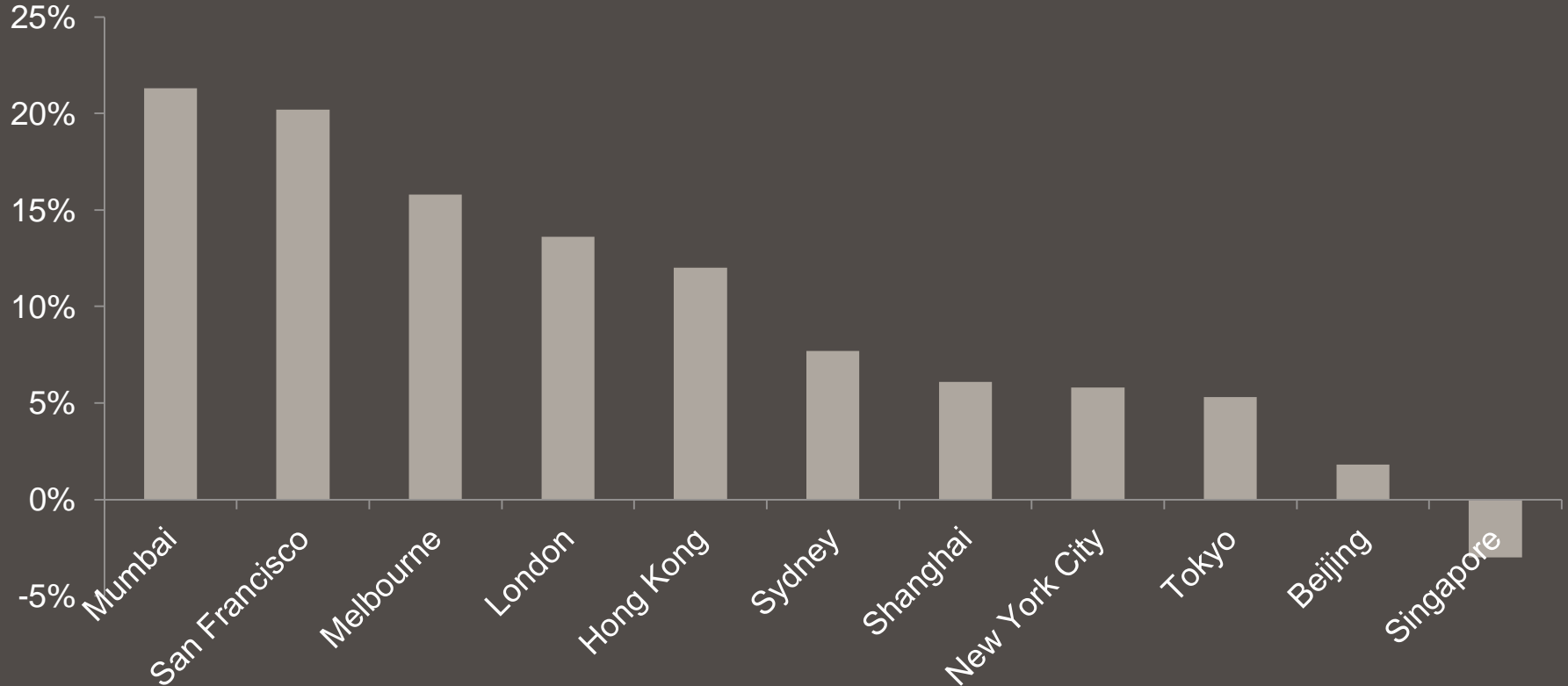
Office Rental Growth (2007-2015)



Source: Knight Frank, Newmark Grubb Knight Frank, Sumitomo Mitsui Trust Research Institute

Note: Forecast figures until end of 2015

Office Rental Growth Forecast (2015-2018)



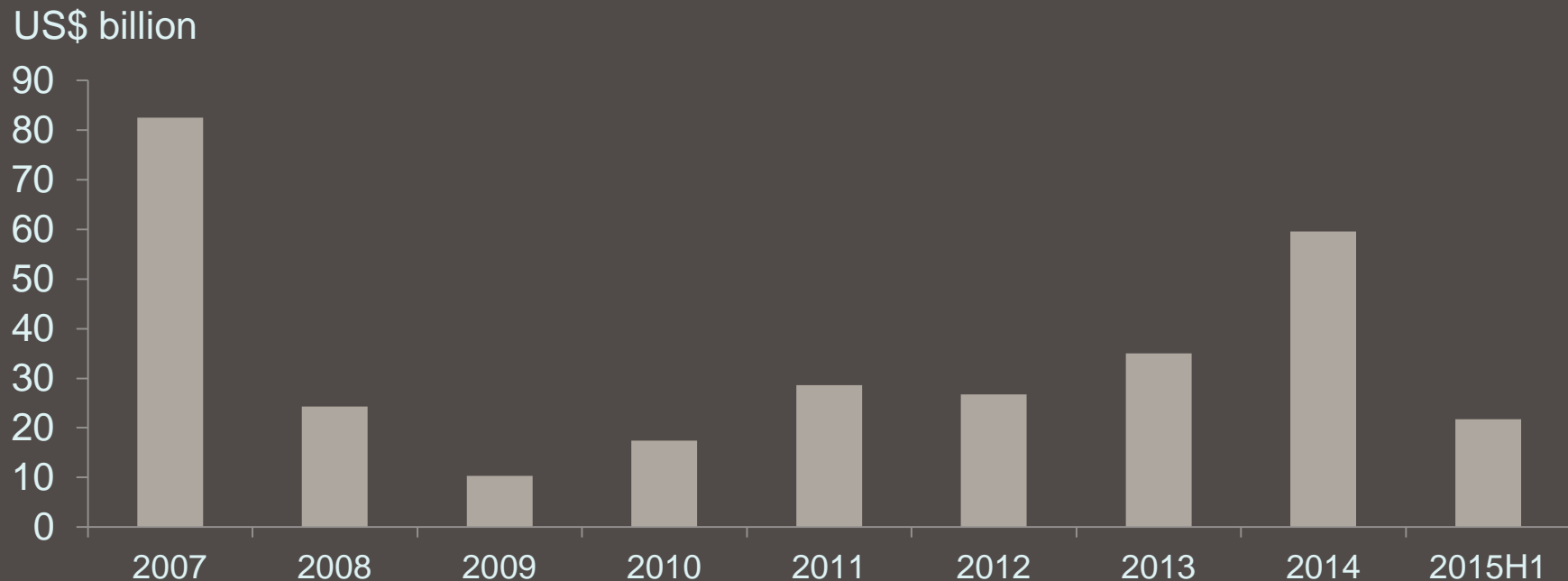
Source: Knight Frank, Newmark Grubb Knight Frank, Sumitomo Mitsui Trust Research Institute

Five future trends in capital markets



- Specialist property growth in demand
- Property income – long or short?
- Deregulation helps global capital flows
- Mixed-use projects allow investors to spread risk
- US and Chinese outbound capital continues to grow

Strong Dollar Drives U.S. Commercial Investment Abroad

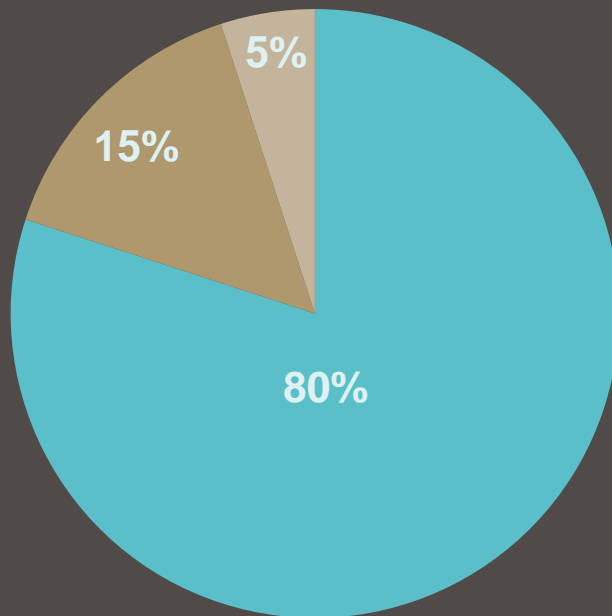


Source: Real Capital Analytics

Note: Based on office, industrial, retail and hotels. Excludes development sites.

US Outward Investment in Past 2 years

■ Europe ■ Asia Pacific ■ Other markets



New Trends in Hong Kong, Shanghai and Beijing: CBD Expansion



Hong Kong:
The new CBDs



Shanghai:
Underground city



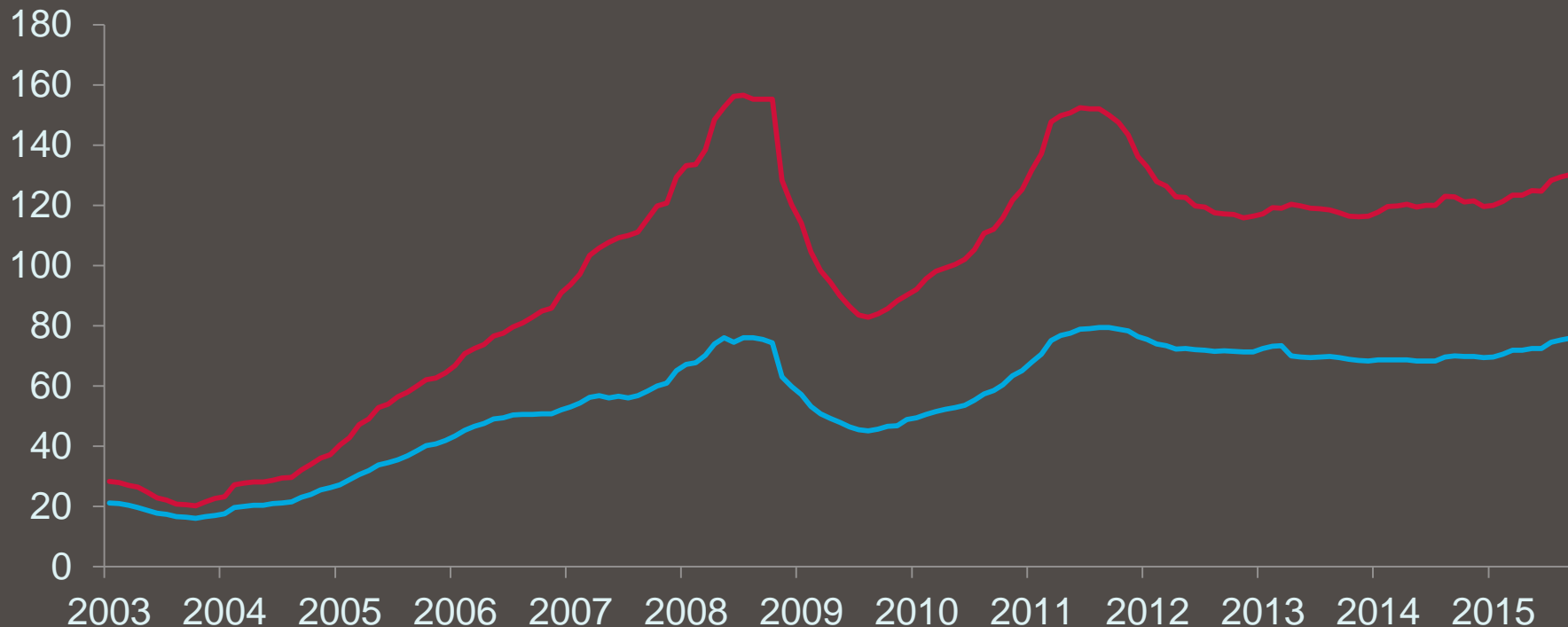
Beijing:
New airport

HONG KONG GRADE-A OFFICE MARKET

Grade-A Office Rents

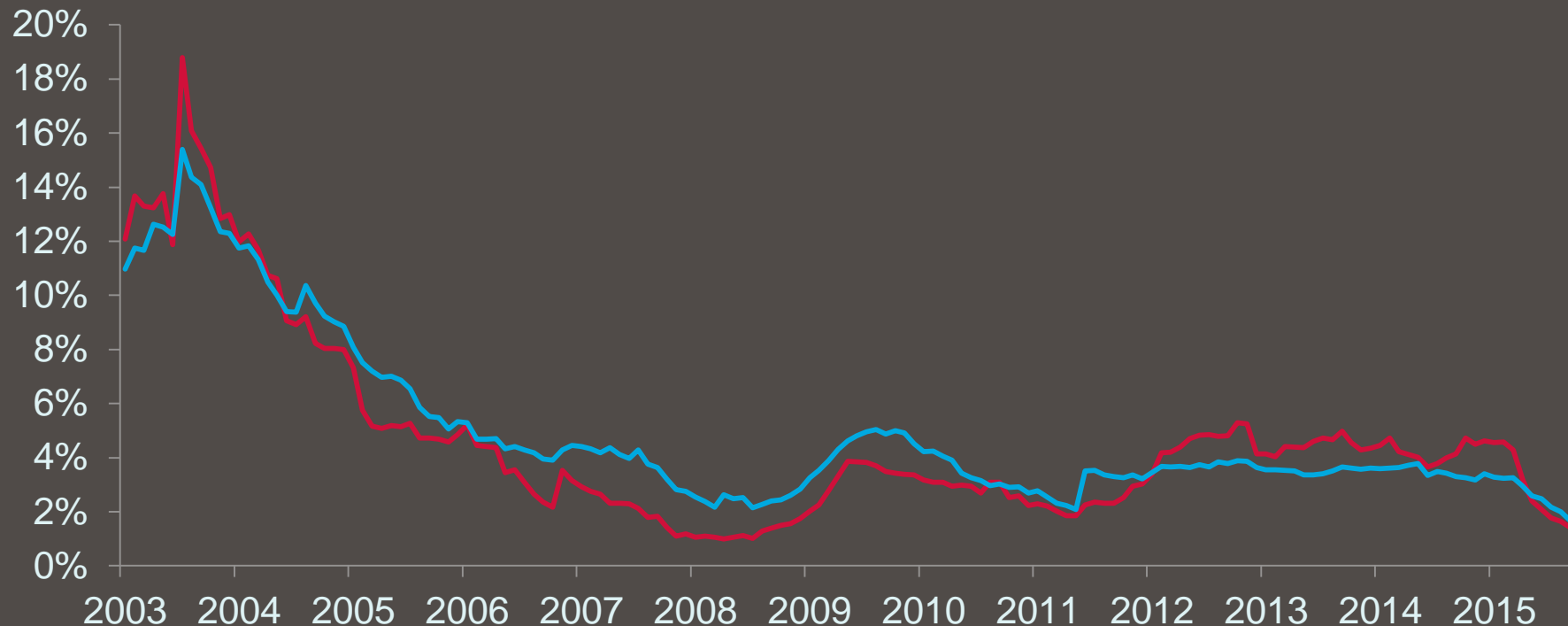
HK\$ per sq ft

— Core area — Non-core area



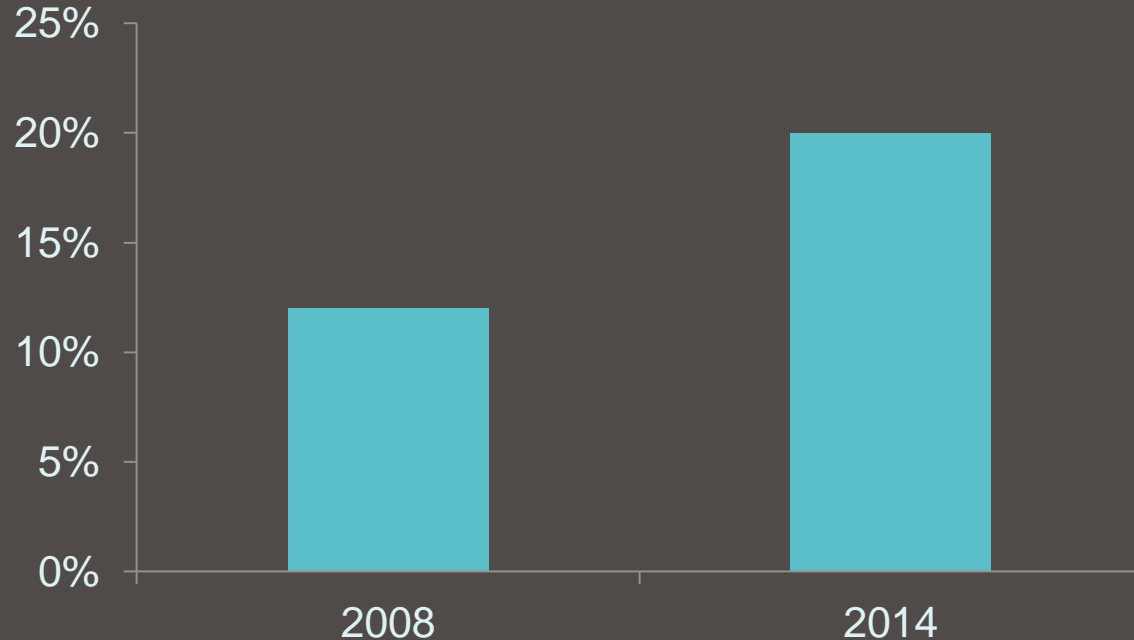
Grade-A Office Vacancy Rate

— Core area — Non-core area



Chinese Firms Become Key Demand Driver

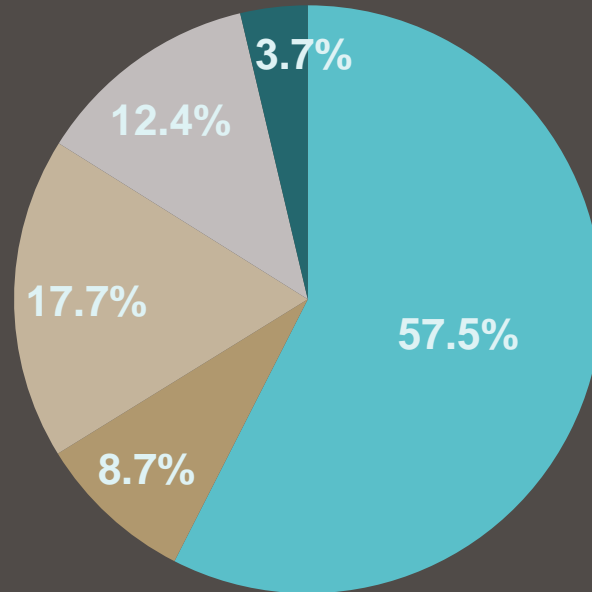
Share of Existing Central Office Space Leased by Chinese firms



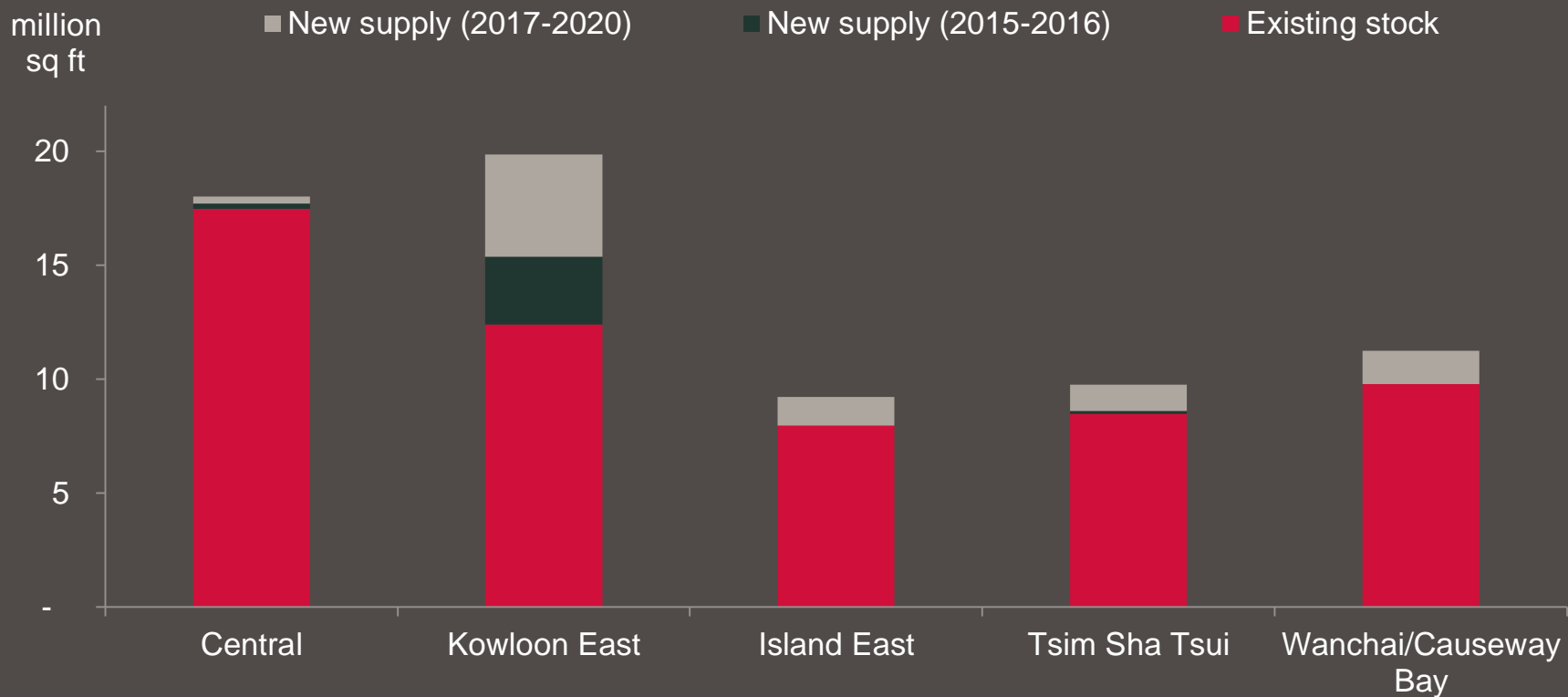
In 2015, around 40-50% of new lettings in Central involve Chinese firms

Central Grade-A Office Stock Distribution by Age

■ Above 25 years ■ 21-25 years ■ 16-20 years ■ 10-15 years ■ Less than 10 years

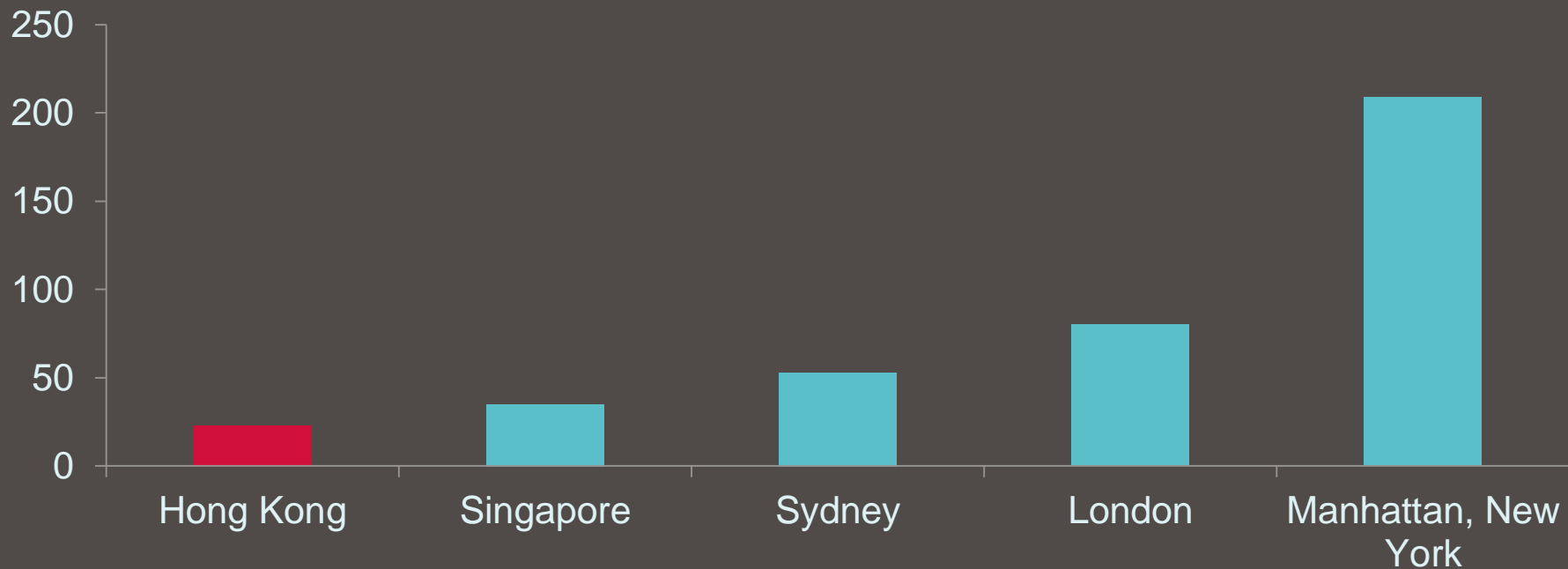


Major Future Grade-A Office Supply



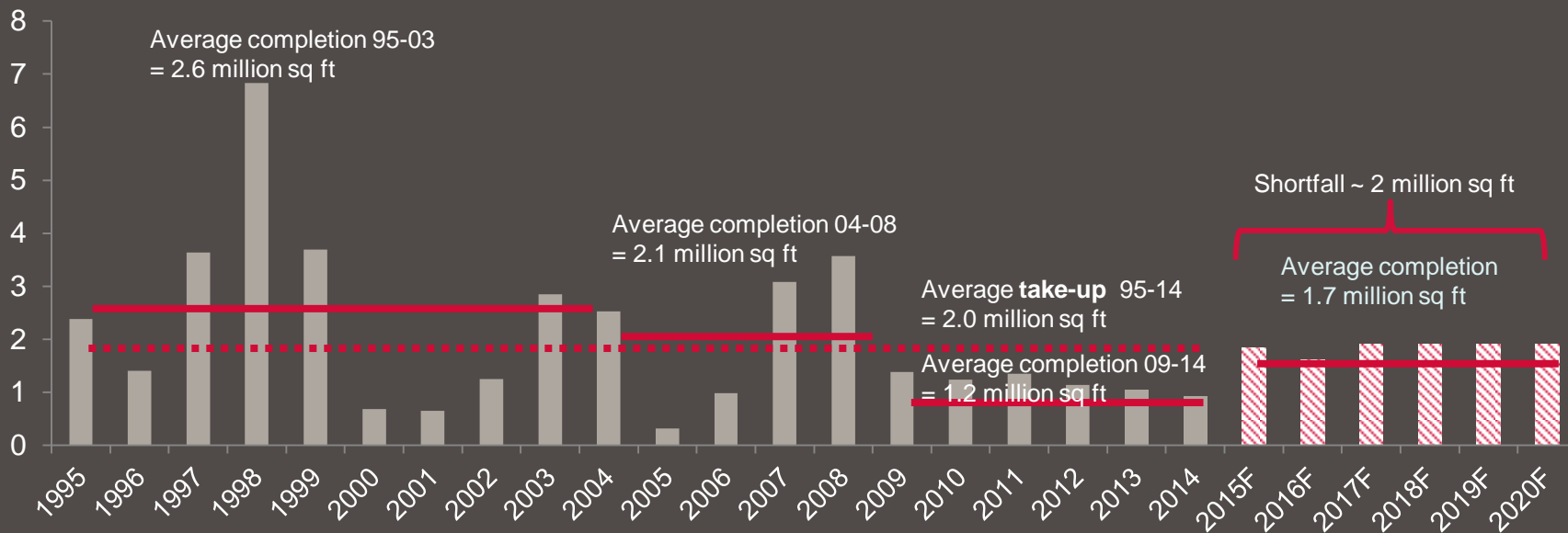
Grade-A Office Stock in Core Districts of Selected Financial Centres

Internal floor area
(million sq ft)



Overlaying Historic Take-up against Future Supply

Internal floor area
(million sq ft)



Shortage of Grade-A Office Space (2016-2020)



*Shortage = an additional 2 million sq ft
(equivalent to the total office space of Two IFC)*

I. CENTRAL HARBOURFRONT DEVELOPMENT



The project could provide a maximum of about 970,000 sq ft of Grade-A office space.

Around 480,000 sq ft of Grade-A office space may be completed by 2020.

2. KOWLOON EAST CBD2



Kowloon East CBD2 could provide a maximum office space of 42.6 million sq ft, only less than 10% is likely to be delivered by 2020.

3. WEST KOWLOON DISTRICT



West
Kowloon
Terminus

West Kowloon Cultural District

The West Kowloon Cultural District will supply around 1,160,000 sq ft of office space

Three Grade-A office buildings will be built on the West Kowloon Terminus station, total GFA of around 2.8 million sq ft to market by 2020.

4. WAN CHAI GOVERNMENT OFFICES RELOCATION



**The Wan Chai waterfront sites could provide
around 2.0 million sq ft of prime office space.**

Q & A