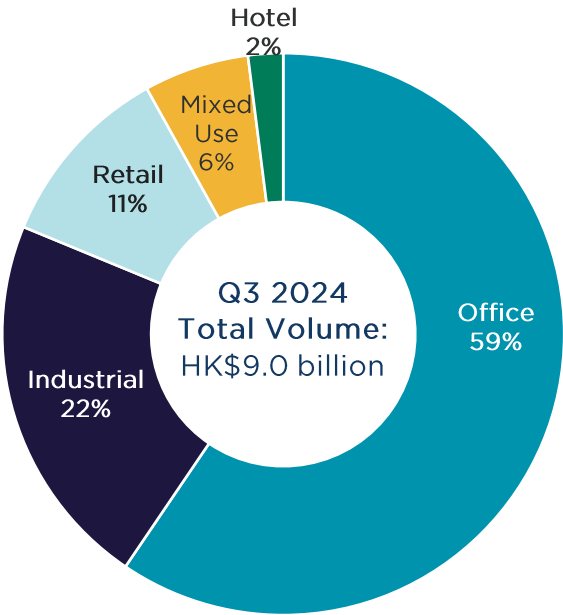


The hotel sector and mixed-use assets with value-added conversion potential continued to be sought after by investors in Q3. The Popway Hotel in Tsim Sha Tsui was acquired at a price of HK\$180 million, while Crystal Group purchased the en-bloc Incredible Residence in Hung Hom for HK\$123 million. The two new owners will both intend to convert the strategically located properties into student accommodation. Given the shortage of beds in the city’s student housing market in the face of the influx of incoming non-local students, the properties are expected to generate stable rental incomes following the conversion. A further mixed-use asset purchase in Q3 was the en-bloc property located at 37-39 Carnarvon Road in Tsim Sha Tsui. A local investor purchased the asset, which has the potential to be redeveloped as a “Ginza-style” commercial building, for HK\$420 million.

FED’S RATE CUTS YET TO IMMEDIATELY BOOST INVESTMENT TRANSACTIONS

With the U.S. Fed officially announcing a rate cut in September, the market generally perceives it as the beginning of the rate-cutting cycle. However, investors generally do remain cautious, as the commercial loans rate is still at a relatively high level. However, if the interest rate continues to adjust downwards in the upcoming months, this could help bring down mortgage rates and hence the borrowing costs of transactions, benefitting the recovery of real estate investment sentiment. Meanwhile, a lower interest rate will also gradually help stimulate economic activities and business sentiment, supporting fundamental demand for real estate assets such as offices, retail spaces and warehouses. In turn, this will aid rental recovery across sectors. We expect this could provide investors with a window of opportunity amid the current market to bottom-fish for higher-yielding properties before property prices fully recover.

Q3 2024 TRANSACTIONS BY SECTORS

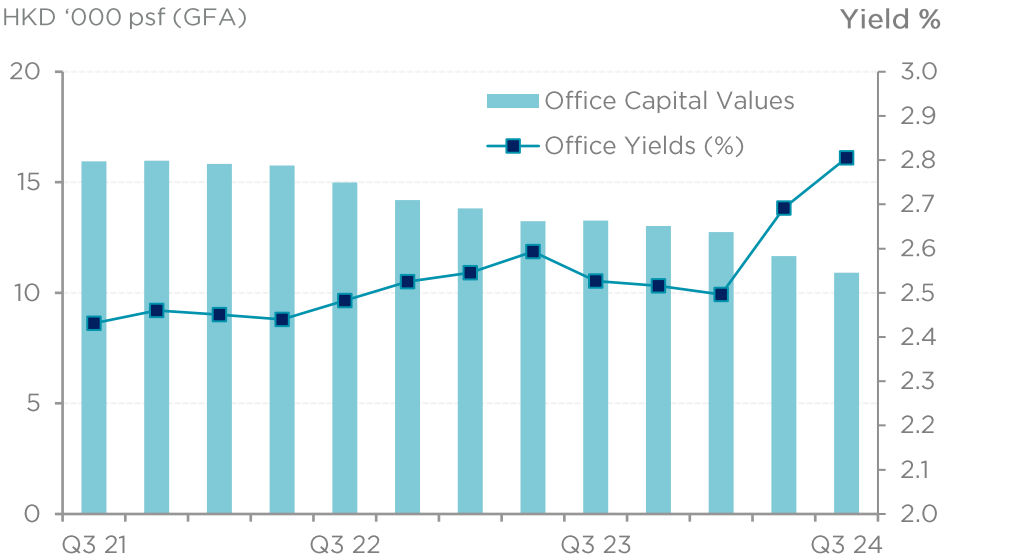


Q3 2024 KEY INVESTMENT TRANSACTIONS

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (HKD MN)
LiFung Centre (En-bloc)	Shatin	JD Property	M&G Real Estate	Industrial	1,800
Property portfolio, One Vista	Tuen Mun	Singaporean Fund	Receivership Deal	Office	1,400
66/F and 75/F, The Center	Central	DBS Bank	Local Investor	Office	1,320
A basket of units, NCB Innovation Centre	Cheung Sha Wan	Private Investor	New World	Office	760
37 & 39 Carnavon Road (En-bloc)	Tsim Sha Tsui	Grand Harvest	Receivership Deal	Mixed Use	420

Source: EPRC; Media articles; HKEx; Cushman & Wakefield Research

OFFICE CAPITAL VALUE AND GROSS YIELD



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