

**Andrew Haskins**

Executive Director | Research | Asia  
+(852) 2822 0511

[Andrew.Haskins@colliers.com](mailto:Andrew.Haskins@colliers.com)

**Stephanie Sun**

Director | Research | Asia  
+(65) 6531 8635

[Stephanie.Sun@colliers.com](mailto:Stephanie.Sun@colliers.com)

**Terry Suen**

Associate Director | Research | Asia  
+(852) 2822 0579

[Terry.Suen@colliers.com](mailto:Terry.Suen@colliers.com)

**Mari Kumagai**

Senior Director | Research | Japan  
+(81) 3 4572 1009

[mari.kumagai@colliers.com](mailto:mari.kumagai@colliers.com)



# TOP LOCATIONS IN ASIA – FINANCIAL SECTOR

## Summary & Recommendations

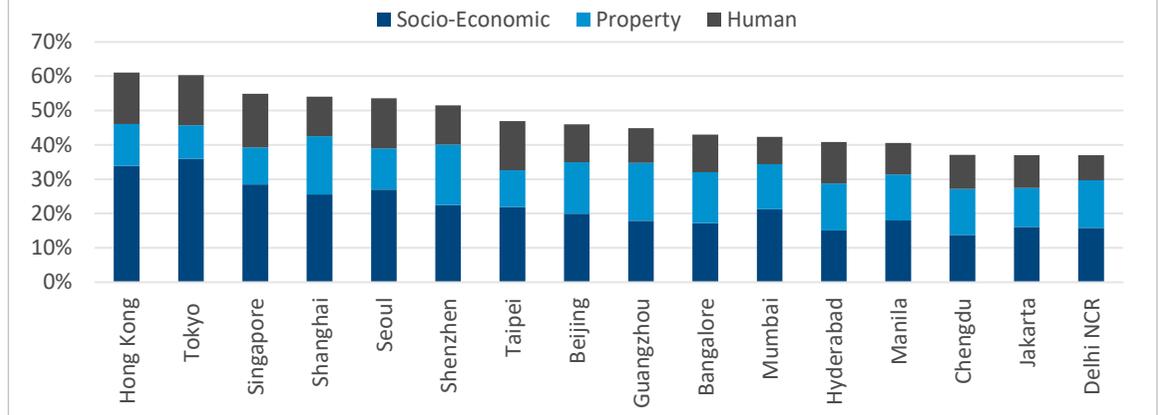
Based on quantitative and qualitative analysis of socio-economic, property and human factors, Colliers believes the three top locations in Asia for financial occupiers are Hong Kong, Tokyo and Singapore.

- > Hong Kong scores well on employment criteria and wealth factors, and on office accommodation metrics. It comes no.2 in Asia on human factors.
- > Tokyo's second place reflects its wealth and stability as a global financial hub. A poor score on property factors is offset by a #3 rank on human measures.
- > Singapore ranks first in Asia on employment criteria, and is a major wealth management hub. It comes top in Asia on human aspirational factors.

Shanghai ranks #4. Shanghai scores well on scale metrics (e.g. GDP, importance of finance to the city) and wealth (e.g. equity market value). It also scores well on property factors, notably quality of office stock, and is benefiting the most from China's financial liberalisation.

Seoul ranks next. Seoul scores well on measures of scale and wealth, as well as employment considerations. Seoul's ranking on property factors is modest, but it scores well on human factors.

Overall score: Hong Kong, Tokyo, Singapore lead the pack, Shanghai and Seoul come next



Source: Colliers International, based on data inputs from numerous sources

Colliers' "Top Locations in Asia (Finance)" report follows our earlier "Top Locations in Asia (Technology)" report by recommending the best urban locations for financial occupiers. For 16 cities in developed and emerging markets, we examine around 60 criteria relevant to choice of location under three headings, [socio-economic factors](#), [property factors](#) and [human factors](#), and assign a score on each metric.

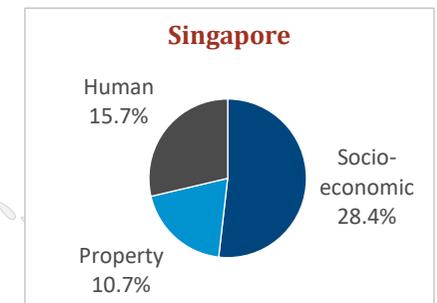
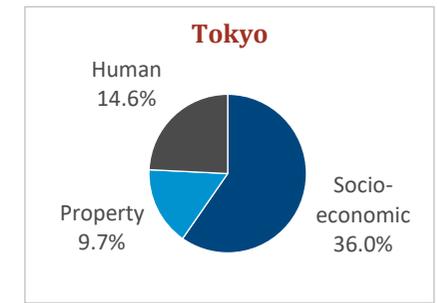
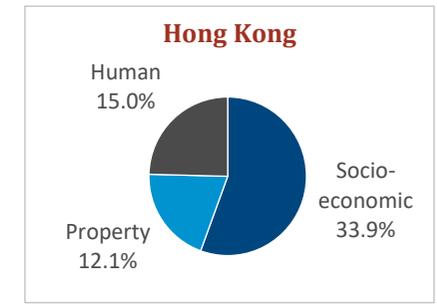
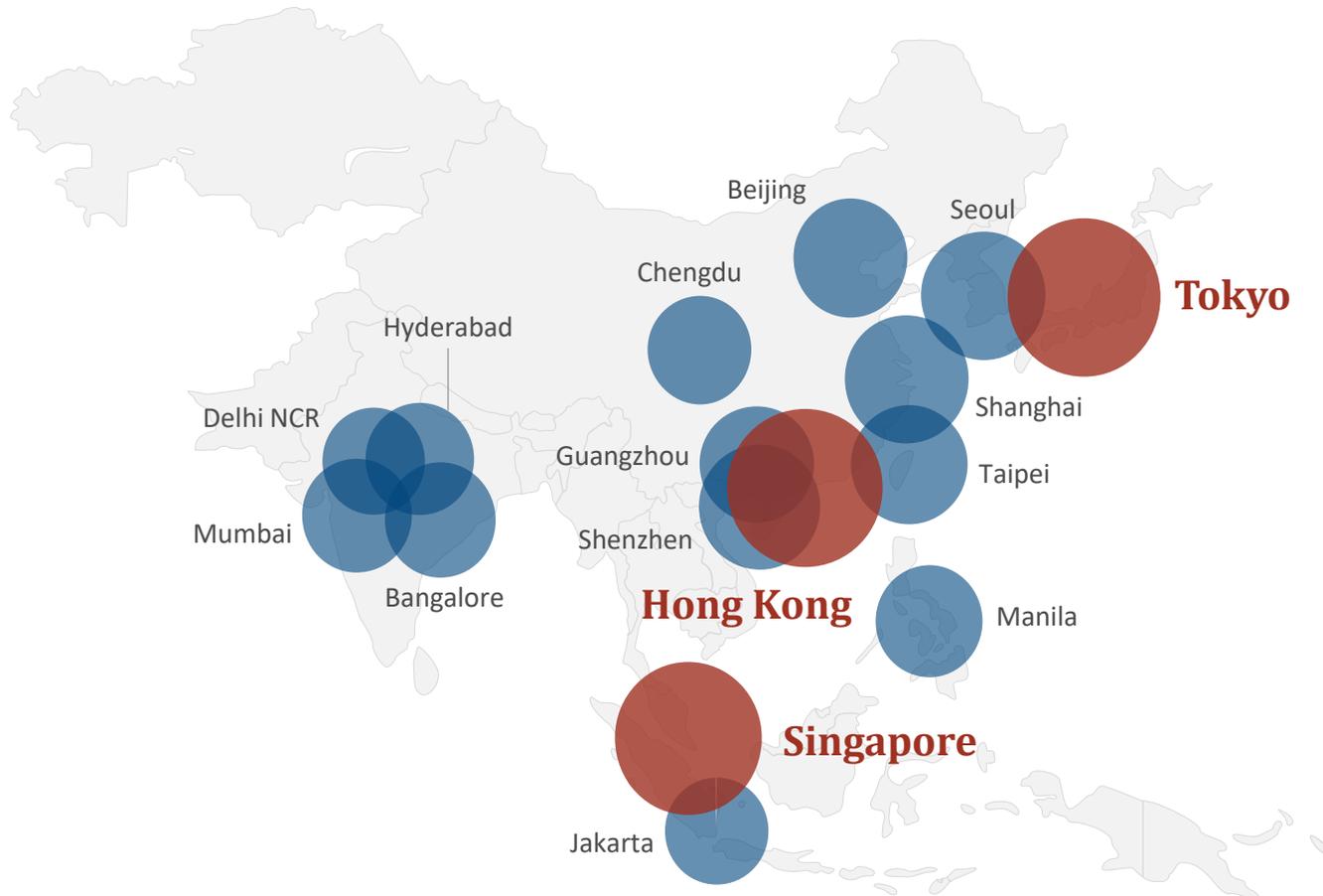
Three cities score 55% or above: [Hong Kong](#), [Tokyo](#), [Singapore](#). Under socio-economic factors, [Hong Kong](#) scores highly on employment considerations (e.g. political stability, ease of doing business, regulatory governance), and wealth factors (e.g. stock market capitalisation, city inward FDI, cross-border banking liabilities). Under property factors, Hong Kong scores poorly on employer costs but comes top in Asia on office accommodation metrics. It comes no.2 in Asia on human factors.

The key contributor to [Tokyo's](#) high score is its wealth and stability as a global financial hub. Its top rank on socio-economic factors is partly offset by the lowest rank on property factors, reflecting high staff costs and rents. However, Tokyo also ranks #3 on human factors as a desirable place to live.

[Singapore](#) ranks #2 for Tech and #3 for Finance. It comes first on employment criteria, and is a major wealth management hub. Singapore only achieves modest scores on property factors. But it is top in Asia on human factors, e.g. safety, quality of living, environment, and the high-tech city indicator.

Fourth-placed [Shanghai](#) is a traditional financial centre which scores well on scale and wealth metrics, and ranks second on property factors. Shanghai has two key financial zones (the Bund and Lujiazui), and is benefiting the most from liberalisation of China's financial sector. Seoul scores well on measures of scale and wealth, and on human factors. However, we still see it as a "wild card" finance location.

# CITY HEAT MAP – FINANCE



## TOP FINANCE LOCATIONS

*Hong Kong*

Score: 61%. Overall position: #1

- > Politically stable, business-friendly, low corp. tax rate, strong regulatory governance
- > High CBD rents, other areas much cheaper
- > Low personal tax, safe city, high life quality

Hong Kong scores highly on employment criteria (e.g. political stability, ease of doing business, regulatory governance), and wealth factors (e.g. stock market value, city inward FDI, cross-border banking liabilities). Under property factors, high wages and rents push up employer costs, but total office stock is high and there is a wide gap in rents between the CBD and other areas. Hong Kong is no.2 in Asia on human factors, due partly to a low tax rate and high quality of living.

*Tokyo*

Score: 60%. Overall position: #2

- > #1 on economic scale (city GDP, position in national economy, value of finance to city)
- > #1 by wealth (equity and bond market value, number of public companies, total savings)
- > #3 on human factors: high scores on safety, living quality, traffic, pollution and climate.

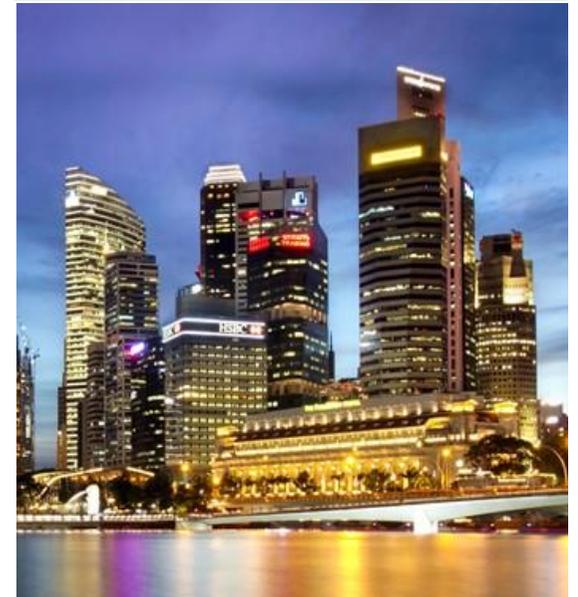
Tokyo ranks #2 in Finance. The key contributor to Tokyo's high score is its wealth and stability as a global financial hub. Tokyo's top rank on socio-economic factors is partly offset by the lowest rank on property factors, reflecting high staff costs and rents and a conservative office facility offering. However, it also ranks #3 on human factors as a desirable place to live, notably for young IT professionals with low language needs.

*Singapore*

Score: 55%. Overall position: #3

- > Politically stable, business-friendly, strong infrastructure, strong regulatory governance
- > Important wealth management centre
- > Top in Asia on human factors (safety, quality of living, environment, high-tech city)

Singapore ranks #2 as a tech and #3 as a finance location. It is top on employment criteria, due to high political stability, the ease of doing business, high-quality infrastructure and strong regulatory governance. It lacks the banking scale of Tokyo or Hong Kong, but is a key wealth management centre. Singapore comes top on human factors, e.g. personal tax, safety, living quality, climate and air pollution, and the high-tech city metric.



## ALTERNATIVE FINANCE LOCATIONS

*Shanghai*

Score: 54%. Overall position: #4

- > Top city in China (4.1% of total economy); GDP/capita 139% above national average
- > Finance accounts for 18% of city GDP
- > Equity market value is about USD4.2 trillion
- > #2 in Asia on property factors; high-quality office stock reflects healthy building practice

Shanghai is China's undoubted financial capital. It scores well on measures of economic scale and wealth. Shanghai ranks no.2 in Asia on property factors, notably on quality of office stock (due to leadership in healthy building practice), and on intra-city connectivity. It has two key financial zones (Lujiazui and the Bund), and is benefiting the most from China's financial liberalisation.

## WILD CARD FINANCE LOCATION

*Seoul*

Score: 54%. Overall position: #5

- > Represents 22% of total economy of S. Korea
- > 14% of GDP from finance and insurance
- > Good scores on safety, environment and high-tech city indicators.

Seoul is #5, just behind Shanghai. Under socio-economic factors, Seoul scores well on measures of scale (due partly to its dominance of the Korean economy) and wealth (e.g. number of listed companies, total savings), as well as employment considerations such as political stability, ease of doing business and city infrastructure. Seoul's ranking on property factors is modest. However, it ranks #4 on human factors, with high scores on safety, environment and high-tech city metrics.

## TABLE OF CONTENTS

	Page		Page
Summary and recommendations	2	Scoring methodology	19
City heat map	3	Summary of overall scores	21
Top, alternative and wild card tech locations	4	Scoring and ranking	22
Introduction	6		
Hong Kong	7		
Tokyo	11		
Singapore	13		

## INTRODUCTION TO “TOP LOCATIONS IN ASIA”

Colliers’ “Top Locations in Asia” research aims to identify and recommend the best urban locations in Asia for three major Occupier segments: Technology, Finance and Law. We examine a wide range of considerations relevant to choice of location under three headings: socio-economic factors, property factors and human factors. Altogether we examine 16 large Asian cities in both developed and emerging countries. This report presents the conclusions of our work for the finance sector.

61.0%

Human  
15.0%Property  
12.1%Socio-  
economic  
33.9%

## Hong Kong

Hong Kong scores 61.0% in our ranking and comes first overall in Asia in Finance. This should not be a great surprise for a city which is widely regarded as one of the leading financial centres in Asia. However, it is worth reminding ourselves why Hong Kong merits its reputation.

### Socio-economic factors

Under socio-economic factors, Hong Kong actually scores quite poorly on measures of growth potential or economic output given that it is a small territory with a population of just 7.3 million people. However, Hong Kong ranks second in Asia after Singapore on factors included in the sub-category of employment considerations: political stability, ease of doing business, corporate tax rate, city infrastructure and English language capability, with an especially high position – joint top with Seoul – on regulatory governance. Hong Kong also ranks second in Asia after Singapore on availability of talent (reflecting high rankings for Hong Kong's universities).

Furthermore, Hong Kong scores very highly in the sub-category of wealth-related factors which has a weighting of 25% in our scoring (and is the biggest sub-category within socio-economic factors with a total weighting of 55%). Hong Kong scores 14.4% on wealth-related factors, and so ranks close to Tokyo on 16.1%.

Hong Kong's high score on wealth-related factors reflects the following:

- > **High market capitalisation of the equity market** – third in size in Asia after Tokyo and Shanghai. About 67% of this market capitalisation is attributable to the shares of mainland Chinese companies
- > **Hong Kong's position as Asia's top city by cross-border banking liabilities<sup>1</sup>**, indicating the broad scale and diverse client base of Hong Kong's banks
- > **Hong Kong's large net savings position ranked by the net international investment** flowing into the city<sup>2</sup>
- > **Asia's highest number of billionaires** in residence

Conversely, Hong Kong scores below large capital cities like Tokyo, Beijing and Seoul, as well as Shanghai, by total wealth measured at a constant exchange rate. Again, this partly reflects Hong Kong's low population.

### Property factors

The overall score of Hong Kong on property factors is 12.1%, on which basis it ranks no.11 in Asia. Hong Kong scores poorly on the sub-category of employer costs, reflecting high average disposable income per head (and therefore elevated average wages) and the world's highest rents for CBD office space. However, Hong Kong scores much better – and in fact comes third in Asia – on the sub-category of office accommodation. Among other things, this reflects the following factors:

- > **High availability of Grade A office space at 6.8 million sq metres** (72.9 million sq feet). This is less than one-half the level of Tokyo, and behind Bangalore and Mumbai, but is three times the level of Hong Kong's great regional rival, Singapore
- > **The joint widest gap in Asia in rents between the CBD and cheaper areas**, with rents in certain CBD fringe areas over 50% cheaper than in Central. This is important for large banks and investment banks, allowing them to locate front office operations in prestigious locations like Central near key clients, but middle and back office operations in cheaper districts such as Kowloon East and Island East
- > Good scores on the sustainable city index and city innovation index also included in our criteria

### Human factors

Hong Kong ranks second in Asia after Singapore on human factors. In particular, scores are high for low personal tax rate, city safety, quality of living, and air pollution and climate. All these points make Hong Kong attractive as a location to work and live in to expatriate staff. Conversely, Hong Kong scores poorly on cost of living, due in large part to very high residential rents.

<sup>1</sup> Bank of International Settlements for country data, Colliers calculations for city positions.

<sup>2</sup> A country's international investment position is a financial statement setting out the value and composition of that country's external financial assets and liabilities.

### Fintech gathering pace in Hong Kong

Looking ahead, one of the chief reasons for optimism about Hong Kong's ability to remain a leading financial centre is the increasing importance of "fintech" (financial technology). This is a point which we stressed in our recent report "Top Locations in Asia (Technology)" (19 September 2018). Hong Kong's emergence as a fintech centre is facilitated by the territory's position as a gateway to China for large financial groups, and specifically by proximity to Shenzhen, which is China's technology capital.

According to KPMG's report "The Pulse of Fintech 2018" (31 July 2018), Asia's fintech investment surged from USD5.4 billion in 2017 to USD16.8 billion in H1 2018 (although this figure was swollen by around USD14 billion of fund raising by the Chinese online payments group Ant Financial). In Hong Kong, in addition to an increasing number of fintech companies which can afford office rents in the CBD and fringe CBDs, international banks are hiring more technology-based talent, which should increase office demand across all submarkets. Many large banks that already have offices in the CBD are using decentralised locations for their innovation and technology divisions, while others are using flexible workspace; notably, HSBC established its innovative technology teams in WeWork centres in 2016.

Recently, it has been reported that, as part of its global technology budget of USD10.8 billion for 2018, JP Morgan plans to expand its Hong Kong-based tech workforce by 20% to prepare for the launch of its new Chinese securities venture. The bank has pre-leased about 225,000 sq feet (20,905 sq metres) of office space at The Quayside in Kowloon Bay, a building scheduled for completion in 2019. As part of the move, JP Morgan plans to hire "top-tier tech talent" from Hong Kong and China with skills in digital, AI, mobile, big data and machine learning<sup>3</sup>.

### Headwinds from falling stock market and rising interest rates

However, Hong Kong also faces challenges as a financial centre. On a macro-economic level, after a strong H1 2018, [growth looks set to weaken from now on](#). Recent resilience in exports is likely to start to fade as demand from China cools, especially if the US-China trade war escalates further. At the same time, domestic demand looks set to soften, held back by asset market turbulence. Consequently, Oxford Economics projects real GDP growth of 3.6% for Hong Kong for 2018, but then a sharp slowdown to 2.4% in 2019.

Regarding asset markets, [equities have fallen into bear market territory](#) with the Hang Seng index down by more than 20% from the start of 2018 and signs of moderating demand for residential if not yet commercial property. There is a well-known historic relationship in Hong Kong between the level of the Hang Seng index and average Grade A office rents in Central (see Figure 1 overleaf). While the two measures have diverged since 2015, we doubt that rents can continue to rise significantly if the stock market falls further, considering that financial occupiers (including investment banks and securities companies with large trading operations) account for 54% of Grade A office space in Hong Kong's CBD by our estimate.

Due to the Hong Kong dollar's peg to the US dollar, Hong Kong interest rates are effectively tied to US interest rates. Consequently, [interest rates in Hong Kong set to rise faster than in most other Asian markets over the next three years](#). As shown in Figure 2 overleaf, real (i.e. inflation-adjusted) interest rates have been negative in Hong Kong ever since the Global Financial Crisis, but will almost certainly turn positive again in 2019.

[Rising interest rates](#), with a proper term premium, [are usually regarded as positive for commercial banks](#), since higher rates increase core lending margins, i.e. the spread between the rates that banks charge on loans and the rates that they pay on deposits. However, [rising interest rates may also be negative for investment banks](#), since reduced risk appetite tends to depress equity and bond markets and trading volumes. Rising interest rates can also be a negative signal through the higher risk premium demanded by financial market participants in general.

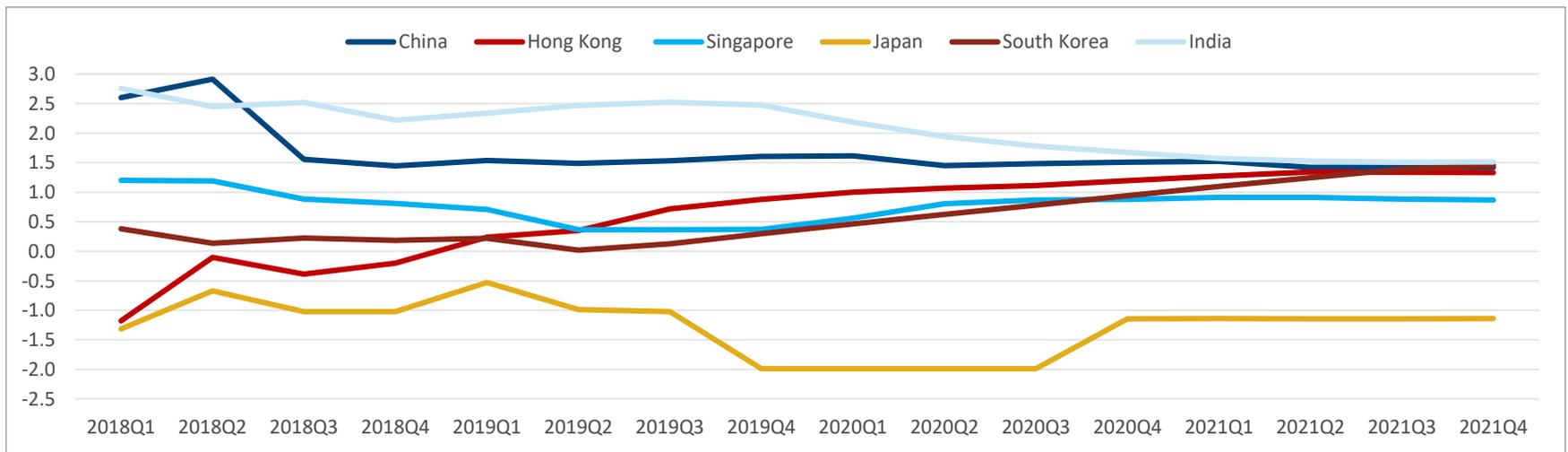
<sup>3</sup> SCMP (see <https://www.scmp.com/business/companies/article/2151333/jp-morgan-expand-hong-kong-based-tech-hires-support-landmark>), 19 June 2018; other reports

Fig. 1: Hang Seng index and Central Grade A office rents



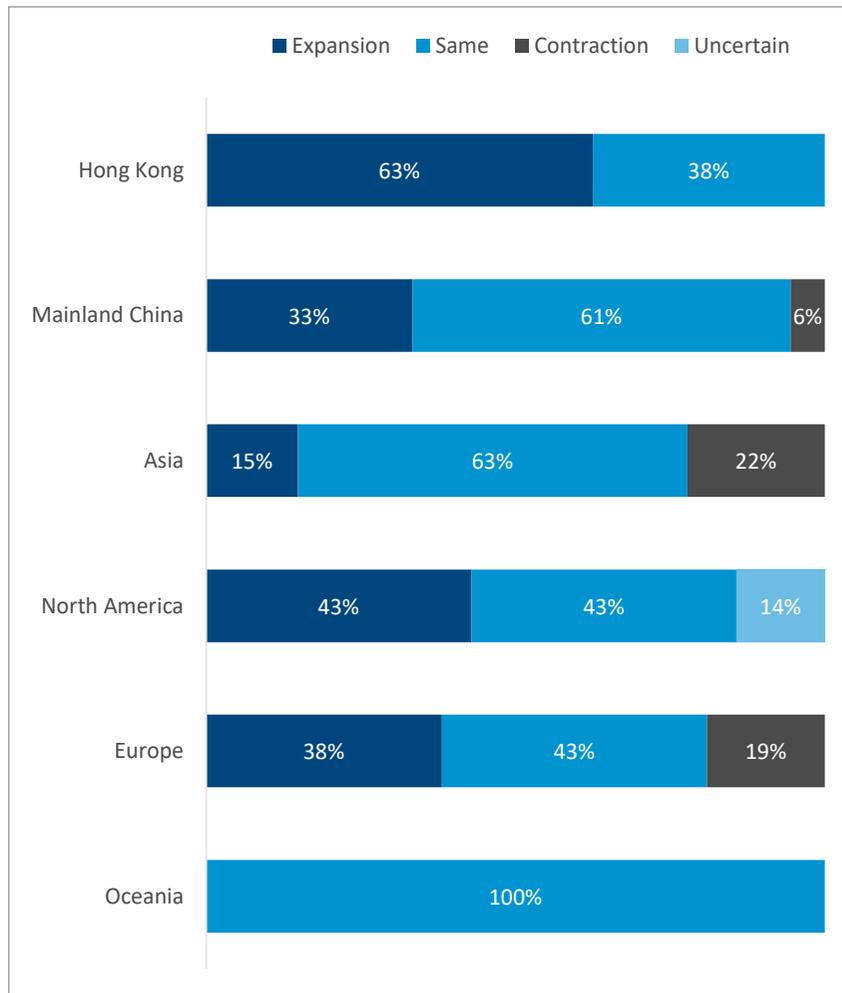
Source: Bloomberg, Colliers International

Fig. 2: Real interest rates in major Asian markets, 2018-2021



Source: Oxford Economics

Fig. 3: Banking and Finance: Business outlook in the coming 12 months



Source: Colliers International

### Most financial occupiers in Hong Kong still positive

Despite the challenges, the majority of financial occupiers in Hong Kong still seem positive about prospects. Colliers' recently completed Hong Kong Occupiers Survey included 93 financial groups, split between companies domiciled in Hong Kong and the Hong Kong branches of overseas companies. According to our survey, 63% of Hong Kong-based financial groups still expect to expand over the next twelve months, and none expects to contract. The expansion of mainland Chinese financial groups in Hong Kong appears to be slowing, with only 33% of the mainland financial companies in our survey expecting an expansionary outlook. North American and European financial companies appeared more sanguine, with 43% and 38% respectively expecting to expand.

### Colliers' rental forecasts reasonably cautious

Colliers currently forecasts that overall prime grade office rent in Hong Kong will increase by 7.9% in 2018, and by 9.6% in aggregate from end-2018 to end-2022. According to our forecast, therefore, total rent growth over the period 2019-2022 will be only slightly higher than in 2018 alone. In other words, we are already assuming a slowdown in the office leasing market. This assumption should come as a relief to occupiers which have been struggling with rising rents over the past couple of years.

60.3%

Human  
14.6%Property  
9.7%Socio-  
economic  
36.0%

## Tokyo

Tokyo scores 60.3% in our ranking and comes second overall in Asia in Finance after Hong Kong. Unsurprisingly, the largest contributor to Tokyo's high ranking is its wealth and stability as a global financial hub. Tokyo's top ranking in socio-economic factors, with a score of 36.0%, is partially offset by the lowest ranking on property factors, reflecting high staff costs and rents and the city's more conservative office facility offering, as well as a more limited talent pool than Singapore or Hong Kong.

### Socio-economic factors

Under socio-economic factors, Tokyo's scale and stability on wealth-related factors are powerful enough to offset other weaknesses, including its low economic growth potential and less prominent market position over the past 25 years. A modern economy with high quality of living should continue to attract fresh capital with low risk appetite.

We highlight Tokyo's sustainable strengths as a global financial city as follows :

- > Asia's largest capitalisation of the domestic equity and debt markets
- > Asia's largest total wealth<sup>1</sup> with large household savings and investments
- > Asia's largest corporate hub in terms of the number of top global public companies

In the sub-category of employment considerations, high respect for law and order is partially obscured by a less flexible regulatory structure, a higher corporate tax rate and arguably lower government effectiveness than in other international financial centres such as Hong Kong and Singapore. However, Tokyo's Global Financial City initiatives (see overleaf) aim to alleviate this problem.

### Property factors

The overall score of Tokyo on property factors is 9.7%, on which basis it ranks at the bottom of 16 cities in Asia. Tokyo scores poorly on the sub-category of employer costs, reflecting the second highest cost to maintain an employee and the very expensive rent levels required to secure Grade A office space in the city's financial districts or Marunouchi. However, the Greater Tokyo area outside Marunouchi scores somewhat better – ranking sixth in Asia – on the sub-category of office accommodation-related factors. This reflects:

- > **High availability of Grade A office space at 18 million sq metres.** The city's large office stock offers greater options for tenants seeking quality office space, even if this comes with the lowest vacancy over the past eleven years
- > **A very wide gap between top rents in Marunouchi and cheaper districts outside CBDs,** with available rents in fringe areas less than one-third of the level of Marunouchi. Large financial institutions can choose to locate front office operations in the most prestigious locations near key clients such as Marunouchi, but middle and back office operations in cheaper districts such as Toyosu and Higashi Shinagawa
- > **Good scores on the sustainable city index and city innovation index** also included in our criteria

### Human factors

Tokyo ranks third in Asia after Singapore and Hong Kong on human factors. As an advanced economy, scores are high for city safety, quality of living, and air pollution and climate. All these points make Tokyo attractive as a location to work and live in to young IT professional with limited language requirements. Still, Tokyo is perceived as not as welcoming to expatriates as other global cities due to limited professional service offerings in English.

<sup>1</sup> Total wealth as measured on the wealth holdings of households in a given city and country by the Credit Suisse Global Wealth Survey 2017

### The global financial city initiatives in Tokyo

Since November 2016, the Metropolitan Government of Tokyo (MGT) has launched a series of multi-year initiatives to simplify its procedures and fix known issues for foreign investors, with the aim of elevating its relatively limited FDI inflows towards the level of Hong Kong or Singapore.

Collaborating with the City of London, the MGT has implemented the following initiatives:

- > Reduction of Local Corporate Tax for qualified institutional investors from the current 30.86%
- > Designating Greater Marunouchi as the Tokyo's National Strategic Zone designed for highly skilled financial professionals

However, Tokyo's bid to remain a leading global financial centre is likely to be encumbered by the fall of legacy domestic banking.

According to the latest PWC annual fintech survey, about one-third of an incumbent bank's business can be replaced by automation, reducing the future labour as well as the net office space requirements. More banks are closing retail branches with consensus estimates calling for about a 25% reduction in retail branch space requirements over the cyclical horizon. The intensity of domestic physical banking infrastructure is high with the number of physical branches per 1,000 square kilometres averaging 147 for Japan compared to 63 for Germany, 55 for the UK and 13 for the US.

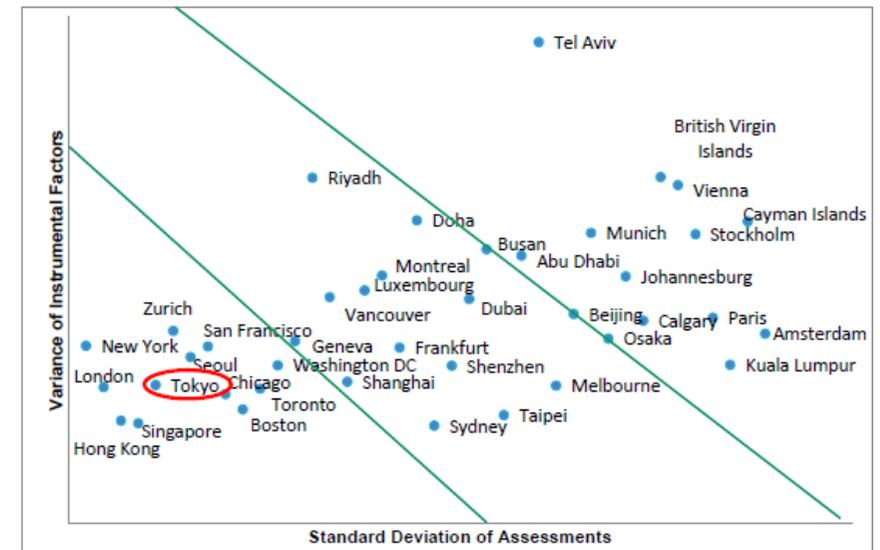
Unsurprisingly, as part of its seven-year fixed cost reduction initiative to reduce its domestic retail branch network of 754 outlets, [Mitsubishi UFJ Financial Group](#) has established a 60/40 joint venture with [Mitsubishi Estate](#). Fewer transactions take place in retail branches, with the number of visiting clients falling by 40% over the past decade and the number of online banking customers rising by 40% over the past five years. We estimate that the group can reduce its domestic CRE usage by 20%, equivalent to 180,000 (140,000) sq metres of land area in urban prime (Tokyo) locations. The group's large urban employee welfare facilities, totaling 368,000 sq metres, may also present an attractive real estate redevelopment opportunity.

### Tokyo as safe haven among global financial cities

Financial Services are sensitive to changes in market cycle, and so is the assessment of a given city in each instrumental factor. Throughout market cycles, Tokyo has maintained a relatively stable performance on each metric reflecting the presence of its large domestic market participants. The mean of assessments does not show much variance either as with the case for more specialised cities such as Beijing (Fig. 4).

In our view, a city's competitiveness as a financial centre is largely defined by track records, as well as connectivity, speciality and diversity. Each government must also play a key role to maintain the market order in global exchange. In this regard, we do not anticipate much competition challenging the status of global leaders such as Hong Kong and Singapore or established transnational cities such as Tokyo and Seoul with capital controls still in place for the most of the emerging cities in China.

Fig. 4: Variance of instrumental factors and standard deviation of assessments



Source: Global Financial City Index, CFA Society, data as of end 2017

Note: The above chart plots historical five year variance in the GFCI assessment on a given city

55.0%

Human  
15.7%Property  
10.7%Socio-  
economic  
28.4%

## Singapore

Singapore scores 55.0% in our ranking and comes third overall. Similarly, Singapore is ranked fourth in the Global Financial Centres Index 2018 and the third-largest foreign exchange centre globally following London and New York according to the 2016 Triennial Central Bank Survey by the Bank for International Settlements.

### Socio-economic factors

Under socio-economic factors, Singapore does not score highly on measures of growth potential or economic output given that it is a small country with a population of just 5.6 million people. **However, Singapore ranks in first place in Asia on two sub-categories, namely employment considerations and availability of talent.** The country's excellent performance on employment considerations reflects its strength in political stability, operating conditions, corporate tax rate, city infrastructure, ease of doing business and low corruption, as well as English language capability. The strength of the country's educational and research facilities and their perceived international outlook are indicated in the number one position of its flagship academic institutions in the Asia University Rankings 2018.

Singapore is **recognised as a premier wealth management hub** offering investors direct access to a wide range of regional and global investment opportunities. This is echoed by the country's relatively high score in the wealth and finance related factors in our criteria. Singapore comes fifth in this sub-category following Tokyo (first) and Hong Kong (second). Notably, Singapore holds the second position in Asia in cross-border banking liabilities<sup>1</sup> and in net international investment<sup>2</sup> within this sub-category, indicating the country's robust legal framework coupled with its economic and political stability.

Today, Singapore is home to over 1,200 financial institutions<sup>3</sup> offering a wide range of products and services across asset classes. Over 200 banks<sup>4</sup> have a presence in Singapore with a growing number having chosen to base their operational headquarters in the city to service regional group activities.

### Property factors

The overall score of Singapore on property factors is 10.7%, slightly lower than the average score of 13.4% for all 16 countries in Asia. Despite high per capita income, the country's position on employer costs is moderate, reflecting average rent for CBD prime grade office space of USD55 per sq metre per month or only about one-half of the level of Singapore's regional rival, Hong Kong. Singapore does not score well on office accommodation measures, given its limited total prime grade office stock of 24.3 million sq ft (2.26 million sq metres) which is one-third of the level of Hong Kong and only about 13% of the level of Tokyo. Singapore does, however, rank well on the sustainability index and city innovation index also included in our criteria.

### Human factors

**Singapore ranks first in Asia on human factors.** In particular, scores are high for personal tax rate, low air pollution, and the high-tech city index included in our list of criteria. Furthermore, the country is ranked first for city safety and quality of living. We comment in greater detail on these points below.

A moderate personal tax rate is an important positive factor for employees in the finance sector despite a high overall cost of living. High scores on city safety, quality of living and air pollution for Singapore in our criteria echo the country's top ranking in Asia Pacific in the Global Quality of Living survey 2018 provided by Mercer, indicating that Singapore is the most livable place in Asia for expatriates.

For the "High-Tech City" measure that Colliers has derived from 2thinknow and the World Economic Forum, Singapore is placed higher than the average score in Asia. As Singapore's economy digitised through the 2000s, the emergence of high-tech start-ups has given rise, in conjunction with the country's advanced financial sector and Singapore government's Smart Nation initiative, to **a burgeoning Financial Technology (fintech) sector.** The Smart Nation initiative aims to introduce digital and advanced ICT technologies to the policy processes and explore potential industries that may emerge from such technologies<sup>5</sup>.

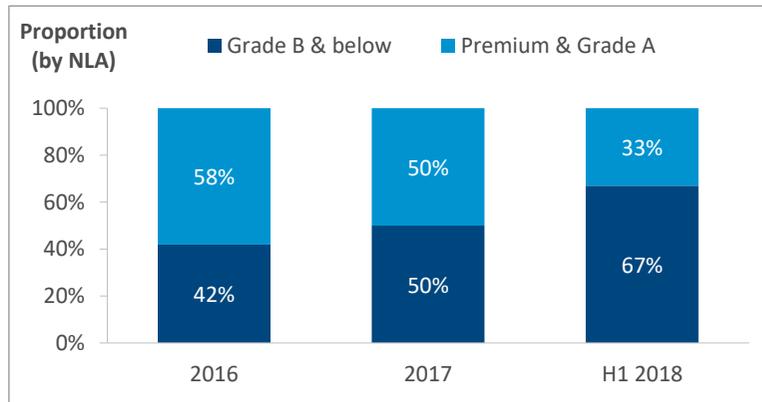
<sup>1</sup> Cross-border liabilities in banking refers to debts of banks in cross-border countries.

<sup>2</sup> A country's international investment position is a financial statement setting out the value and composition of that country's external financial assets and liabilities.

<sup>3,4</sup> The Monetary Authority of Singapore (2018). Singapore financial centre. Retrieved: 30 September 2018, from <http://www.mas.gov.sg/Singapore-Financial-Centre.aspx>.

<sup>5</sup> Smart Nation Programme Office (2016). About smart nation. Retrieved: 29 September 2018, from <http://www.smartnation.sg/about-smart-nation>.

Fig. 5: Singapore CBD flexible workspace lettings (by building grade)



Source: Colliers International Singapore Research  
Note: NLA refers to net lettable area.

### Singapore as a Smart Financial Centre

An important component of the Smart Nation initiative is the Monetary Authority of Singapore (MAS)'s goal of establishing a Smart Financial Centre where technology is used pervasively in the financial industry to increase efficiency, create opportunities, and improve management risk.

On 30 October 2017, MAS released an industry transformation map (ITM) for financial services, which outlined business strategies to transform Singapore into an Asian centre for capital raising and enterprise financing, a full-service Asian infrastructure financing hub, and a regional capital for Asian insurance and risk transfer. The ITM aims to achieve growth in real value-added in the finance sector of 4.3% and productivity of 2.4% annually, faster than the overall economic growth in Singapore. In addition, the ITM aims to create 3,000 net jobs in financial services with an additional 1,000 net jobs in the fintech sector annually.

Fintech, which involves using technology to devise new financial services and products, is a key ingredient in building a Smart Financial Centre.

### Implications for the office property market for finance sector

Looking ahead, building up the Smart Financial Centre should have an impact on the office property market performance in Singapore by reshaping the demand side of the finance sector for office space. For the finance sector, fintech is being utilised to improve the efficiency of middle and back office processes, and provide more effective risk management tools. This allows financial services and banking sector to reduce the demand for traditional office space, shifting to more flexible workspaces.

According to Colliers International Singapore Research's "Breaking New Ground" report<sup>6</sup> regarding flexible workspace, the financial services sector occupies 45% of CBD Premium and Grade A office stock in Singapore, while flexible workspace operators occupy 4.5% as of Q2 2018. Notably, the banking and financial services sector is an early adopter of flexible leasing strategies, despite initial concerns around privacy and security. For instance, HSBC and Standard Chartered are examples of multinational banks that have taken up large desk counts in flexible workspaces across Asia Pacific.

In our view, the market share ratios are likely to rebalance gradually following the business strategy of Smart Financial Centre. Continued growth in the finance sector and improved efficiency of middle and back office processes should enable financial occupiers to increase their presence in flexible workspaces and to expand in decentralised submarkets. The similar trend is taking place in Hong Kong, where the expansion of financial institutions from mainland China has driven leasing demand in the CBD, resulting in the relocation demand and an aggressive expansion of flexible workspace operators benefiting the decentralised districts<sup>7</sup>.

In addition, the MAS has proposed to make legally binding a set of six essential cyber-security measures to protect the IT systems of financial institutions in Singapore<sup>8</sup>. The proposed measures aim at enhancing the security of financial institutions' systems and networks as well as mitigating the risk of unauthorised use of system accounts with extensive access privileges. This proposed policy should help alleviate financial firms' concerns about security when considering the adoption of flexible leasing strategies and taking up flexible workspaces.

<sup>6</sup> Tan, J. (2018). Breaking New Ground: Opportunities amidst the Rapid Growth of Flexible Workspace and Emergence of Flexible Leasing Strategies in Singapore. Colliers Singapore Research.

<sup>7</sup> Tang, Z. (2018). Hong Kong Office Market Quarterly Report Q2 2018. Colliers Hong Kong Research.

<sup>8</sup> Business Times (2018). MAS proposes legally-binding cyber security measures for all Singapore financial institutions. Retrieved: 7 September 2018, from <https://www.businesstimes.com.sg/banking-finance/mas-proposes-legally-binding-cyber-security-measures-for-all-singapore-financial>.

54.0%

Human  
11.6%Property  
16.9%Socio-  
economic  
25.6%

## Shanghai

Shanghai ranks fourth in Asia with an overall score of 54.0%. Historically, Shanghai has been not only China's but also one of Asia's leading financial centres. Recent regeneration of the financial sector in the city gives Shanghai the chance to return to its former glories.

### Socio-economic factors

Shanghai ranks fourth on socio-economic factors, with especially high scores on measures of economic output, wealth and workforce. Shanghai's high scores on these measures are supported by the market evidence listed below:

- > Shanghai is the largest city in China, with 13.6 million people employed in the city generating GDP of RMB2.8 trillion (USD0.4 trillion), equivalent to 1.8% and 4.1% of the Chinese total respectively<sup>1</sup>
- > GDP per capita in Shanghai is 139% higher than the national average<sup>1</sup>
- > The finance sector accounted for 17.7% of total GDP in 2017 (Fig. 6), the second largest sector in the city's economy

In addition, Shanghai ranks the third out of 16 cities in Asia, and ahead of Seoul, on wealth-related factors. These include the following:

- > **Domestic equity market capitalisation.** Total market capitalisation for the city in 2017 reached RMB33.1 trillion (USD4.8 trillion), double the level of RMB15.9 trillion (USD2.3 trillion) in 2012. As of 20 November 2018 it stands at RMB29.0 trillion (USD4.2 trillion)<sup>2</sup>
- > **Value of securities trading** (equities and bonds). For instance, in 2017, the total amount of bond issuance in Shanghai Stock Exchange bond market was RMB2.97 trillion (USD0.44 trillion), up by 8% YOY<sup>2</sup>
- > Total wealth with its score ahead of Hong Kong and Singapore, partly due to the large population of 24.2 million in Shanghai

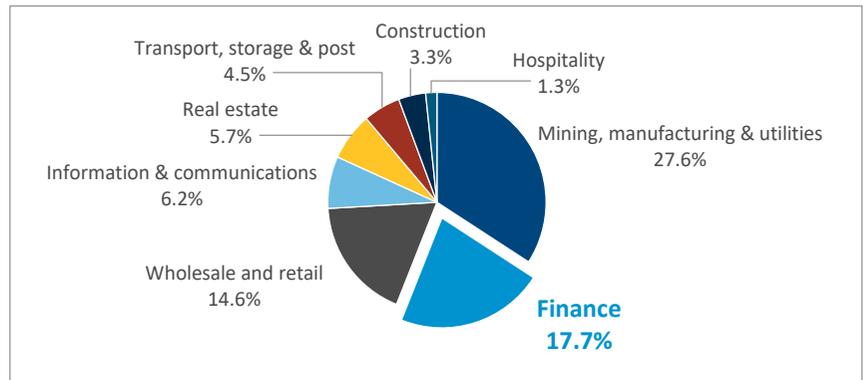
Furthermore, Shanghai scores highly on workforce orientation, which is reflected in the rise of 21.2% for the workforce in the finance sector over the five years between 2016 (364,200 people) and 2012 (300,500 people)<sup>3</sup>.

<sup>1</sup> McEwan, S. (2018). City economic forecast: Shanghai in June 2018. Oxford Economics.

<sup>2</sup> Bloomberg for latest data; Shanghai Stock Exchange (2018). Historical data. Retrieved: 3 October 2018, from <http://english.sse.com.cn/indices/statistics/historical/>.

<sup>3</sup> Shanghai Statistical Yearbook (2013 & 2017). Retrieved: 3 October 2018, from <http://www.stats-sh.gov.cn/html/sjfb/201801/1001529.html>.

Fig. 6: Structure of Shanghai economy in 2017 (by industry)



Source: Colliers International Research, Shanghai Statistics Department

### Property factors

Under property factors, **Shanghai ranks no.2 in Asia** after Shenzhen, with a top position in Asia in the sub-category of office accommodation. Shanghai scores particularly highly on the measure of **quality of office stock**, reflecting the leading position of the city in promoting healthy building practice. Scores for Shanghai are also above the average level in Asia on two other indicators: vacancy rate and sustainable city mobility. The reasons for the high scores on metrics are:

- > The market demand for Shanghai CBD Grade A office space has stayed healthy over the past five years with quick absorption of new supply. Coupled with the high demand for quality office space is the moderate prime office rent, which is only about one-half of the level of Hong Kong
- > High-quality intra-city transport links allow people to flow efficiently through the city, helping to boost the workforce

### Human factors

Shanghai scores less well on measures of human aspiration, partly due to its low score on environmental criteria. This is a common issue for the Chinese cities in our ranking system.

### Shanghai as an historic financial centre

Shanghai was the first city in China to see the appearance of stocks, stock trading and stock exchanges. Stock trading started in Shanghai as early as 1860s. In the 1920s, the Shanghai Security Goods Exchange and Shanghai Chinese Security Exchange commenced operations. By the 1930s, Shanghai had emerged as the financial centre of the Far East, where both Chinese and foreign investors could trade stocks, debentures, government bonds and futures. In 1990, the Shanghai Stock Exchange was established and commenced formal operation.

### Shanghai as a regenerated financial centre

Rapid redevelopment of the city in the 1990s was exemplified by the Pudong District, a former swampland reclaimed to serve as a pilot area for integrated economic reforms. As of now after the regeneration, the number of listed companies in Shanghai has reached 1,445 with listed securities of 11,996 and listed stocks of 1,489<sup>4</sup>.

#### Shanghai has two key financial zones currently: Lujiazui and the Bund.

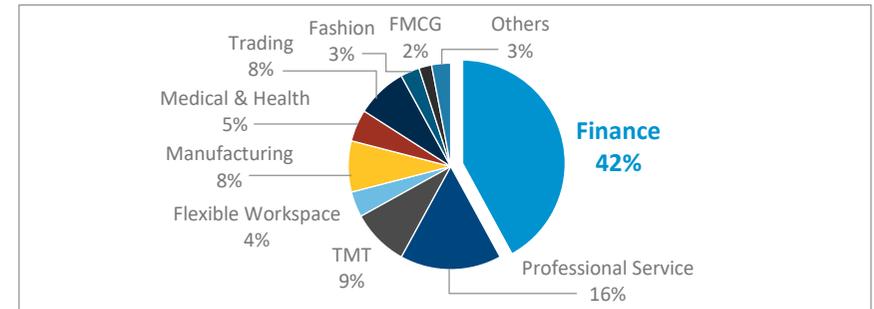
Lujiazui is located within Pudong New District, designated as a national-level development zone by the government. Currently over 504 domestic and foreign financial and insurance corporations operate here. Several landmark skyscrapers of the city are located in this area to facilitate finance operations, such as the Shanghai World Financial Centre, Shanghai IFC, Bank of China Tower, and Shanghai Tower. The Bund financial zone, stretching along the Huangpu River for 8.3 kilometres, is perhaps more of a tourist attraction now, but is still home to a number of financial institutions including the Shanghai Clearing House, Shanghai Gold Exchange, and the head offices of some Chinese and foreign banks.

According to new regulations issued by the China Securities Regulatory Commission in April 2018, [foreign firms are permitted to own a majority stake in their Chinese joint ventures](#). Japan's largest brokerage and investment bank, [Nomura Holdings Inc, along with UBS and JP Morgan](#), became the first overseas brokers to apply to increase ownership stakes or set up holding firms in the country in May 2018. This move is regarded as China's latest effort to open up its financial sector further.

<sup>4</sup> Shanghai Stock Exchange (2018). Market overview on 28 September 2018. Retrieved: 4 October 2018, from <http://english.sse.com.cn/>.

<sup>5</sup> As of 20 November 2018 (Bloomberg). The CSI 300 index is a capitalisation-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges.

Fig. 7: Tenant mix of Shanghai Grade A office market (end-2017)



Source: Colliers International

### Finance sector drives office market demand in Shanghai

The finance sector is the most important driver of demand for Shanghai's prime office market, accounting for 42% of total occupied office space as of end-2017 (Fig. 7), according to Colliers' research. Evidence of the depth of this demand is also reflected in recent market activity. Colliers' Shanghai office market research for Q3 2018 shows that the finance sector is the key source of demand in Shanghai, taking up a large portion of recently completed office space of high quality and at attractive rents.

However, the confidence of financial occupiers in China has been weakening following the Chinese government's capital controls and rising trade tensions between China and the US. This decline in confidence has been reflected in a 9% depreciation of the Chinese renminbi against the US dollar since April 2018. In particular, occupiers from investment banks and securities companies are facing challenges from the recent turbulent equity market. The Shanghai Shenzhen CSI 300 index has declined by 26% from its recent high point in January 2018.<sup>5</sup>

Negative sentiment in financial markets may well result in a moderation of occupiers' demand for office space in the key Shanghai financial zones, resulting in easing rental growth in 2019. However, such a moderation could offer relief to big financial occupiers which have long found it hard to secure large areas of quality office space in central locations at modest rents.

53.5%

Human  
14.5%Property  
12.0%Socio-  
economic  
27.0%

## Seoul

Seoul scores 53.5%, and ranks fifth overall in our list. Over the past half-century, South Korea has been regarded as a model for developing countries, with high economic growth enabling it to become the world's eighth largest trading country. We believe Seoul as the business and financial centre of South Korea has the capacity to be an appealing alternative location for financial groups in Asia.

### Socio-economic factors

Under socio-economic factors, Seoul ranks fourth in Asia, with good scores in the sub-categories of economic output (due mainly to the importance of the city to the national economy) and wealth factors. Key considerations regarding the good performance of Seoul include the following:

- > **National importance:** South Korea was ranked the 12th largest economy (by GDP) worldwide and fourth largest in Asia in 2017<sup>1</sup>. Seoul (normally the name refers to Seoul Special City)<sup>2</sup> accounts for around one-fifth of all economic activity in South Korea with a 14% share of the city's total GDP coming from the finance and insurance sector in 2017<sup>3</sup>, indicating the importance of Seoul in the overall economy of the country
- > **Total wealth:** Seoul ranks sixth in Asia on overall wealth factors, and second on the specific yardstick of total savings and investments, primarily due to its high population, which is 9.7 million in Seoul Special City and 25.5 million in the Seoul Capital Area<sup>4</sup> (also known as greater Seoul) compared to 5.6 million in Singapore and 7.3 million in Hong Kong

The city scores less well on other measures including potential economic growth and workforce for the finance and business services sector. The reasons for the lower scores on these two factors are listed below:

- > Seoul's GDP growth averaged 2.2% per year over the last five years, 0.8 percentage points below the national average. According to Oxford Economics' forecast, over the period to 2022, Seoul's average annual GDP growth will be lower than for the national economy

- > Employment is forecast to remain flat over the next five years for Seoul. This will be accompanied by a population which is projected to shrink by 0.4% per year (Fig. 8).
- > Weaker long-run economic growth prospects for Seoul and weak demographic profile results in a lower score for the workforce indicator.

Fig. 8: Forecasts for Seoul (2018–2022, %)

Indicator	2018	2019	2020	2021	2022	2018–22
GDP	3.0	1.8	1.9	1.8	1.9	2.1
Employment	0.2	0.2	0.0	-0.1	-0.3	0.0
Unemployment rate	4.5	4.3	4.2	4.1	3.9	4.2
Population growth	-0.6	-0.5	-0.4	-0.2	-0.2	-0.4

Source: Oxford Economics, Colliers International

### Property factors

Seoul ranks in twelfth place on property factors, behind most of the cities in this study. While office rents are relatively low, Seoul does not score well on measures such as quality of office stock, planned new supply and availability of flexible workspace. However, Seoul scores much more highly on the sustainable city mobility index and innovation index also included in our criteria.

### Human factors

Seoul receives particularly good scores for city safety and the high-tech city indicator. Seoul is regarded as a safe city with low crime rate and sound transportation infrastructure. While political tension with its neighbour to the north may be a concern to some occupiers, tension has eased significantly so far in 2018. The relatively high score for Seoul on the high-tech city factor is partly due to offerings from Korea's technology leaders such as Samsung and LG in the city.

<sup>1</sup> The World Bank (2018). GDP ranking. Retrieved: 30 September 2018, from <https://datacatalog.worldbank.org/dataset/gdp-ranking>.

<sup>2</sup> Seoul officially refers to the Seoul Special City, which is the capital and largest metropolis of South Korea.

<sup>3</sup> McEwan, S. (2018). City Economic Forecast: Seoul in June 2018. Oxford Economics.

<sup>4</sup> Seoul Capital Area refers to the metropolitan area of Seoul, Incheon, and Gyeonggi-do located in north-west South Korea.

## Seoul as a financial hub

Seoul has three major office districts: the CBD, the Yeouido Business District (YBD) and the Gangnam Business District (GBD). Among the three major business districts in Seoul, Yeouido is well known to be Korea's core financial district. Most of the major domestic securities and asset management firms are situated in this area. The CBD has multiple identities of the business, financial, commercial, and administrative districts all together.

As Seoul's main finance and investment banking district, The YBD is the home to some of Seoul and South Korea's tallest skyscrapers, such as the International Finance Center Seoul, the Federation of Korea Industries Tower, and the iconic 63 Building. It also has some of the most exclusive financial institutions in those skyscrapers, including Industrial Bank, Kookmin Bank, Korea Stock Exchange and Federation of Korean Industries, Hana Bank, Shinhan Securities, NH Investment Securities, and Eugene Investment Securities.

In addition, the YBD contains the National Assembly where the laws and important political decisions of Korea are made, and the regulatory organisation of Korean financial industry such as the Financial Supervisory Service, the Korea Financial Investment Association and the International Finance Centre Seoul.

The CBD of Seoul has been the central business and commercial district of Korea since the late 14<sup>th</sup> century. Due to the long history of functions as a CBD, this area has the key government offices, foreign embassies and nowadays the headquarters of most Korean conglomerates as well as Korean branch offices of many international companies.

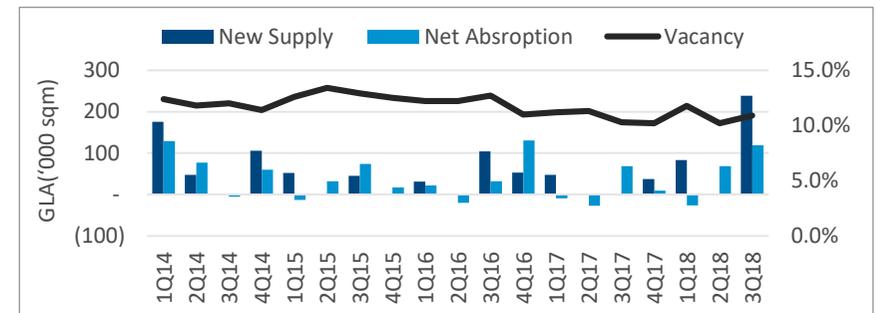
However, most of the major global finance firms including Goldman Sachs, Morgan Stanley, JP Morgan and Deutsche Bank are located in the CBD area. In addition, major local finance companies like Dashin Securities and Mirae Asset Daewoo have relocated their headquarters from the YBD to the CBD area, indicating the competitiveness of the both areas to accommodate large financial operations.

<sup>5</sup> Ministry of Government Legislation (2018). Financial Investment Services and Capital Markets Act. Retrieved: 1 October 2018, from <http://www.moleg.go.kr/english/korLawEng?pstSeq=57393&pageIndex=10>.

## Puzzles remain for the future

Meanwhile, [the government is strategically making an effort to build Seoul into one of Asia's key financial hubs](#). For instance, the South Korean government has provided a legal framework to implement its financial hub policy in Seoul. Since the Financial Investment Services and Capital Market Act taking effect in 2009, Seoul has been designated as one of the two financial centres in South Korea.

Fig. 9: Seoul office market: demand and supply (Q1 2014–Q3 2018)



Source: Oxford Economics, Colliers International

In addition, the government has taken action to ensure the financial stability of the market. The Monetary Policy Board (the Board) of the Bank of Korea has retained its benchmark interest rate at 1.5% since November 2016 from a record low of 1.25%, and decided to keep the base rate unchanged on 12 July 2018. The Board judges that the volatility of price variables in the domestic financial markets has expanded, in reflection of global financial market movements. The Korean won-US dollar exchange rate has risen significantly, in line with the global strengthening of the US dollar. Stock prices and long-term market interest rates have fallen to considerable extents, under the influence of heightened external uncertainties related chiefly to the US-China trade dispute.

With the government's efforts to ensure the financial stability and improve the risk management, we expect that the finance sector in Seoul will remain stable in the short to medium term. However, financial groups may turn more cautious about further business expansion due to the economic risks and uncertainty in global trade and financial conditions.

## SCORING METHODOLOGY

Our “Top Locations in Asia (Finance)” research examines the attributes of cities under three headings: socio-economic factors, property factors and human factors. These three factor groups are broken down into eight sub-categories (economic output, employment considerations, workforce orientation, availability of talent, wealth-related factors, employer office costs, office accommodation and employee aspirational metrics), which in turn include around 60 measures relevant to choice of location. We assign a score on each measure and combine them to a total score out of 100. We rank the cities on this basis.

### Socio-economic factors

#### Economic output

Economic output describes the national gross domestic product (GDP) growth and the aggregated gross value added (GVA) produced in each city which is a similar concept to GDP. We emphasise the importance of each city to the national economy, and the percentage of “Financial & Business Services” in services. Cities in countries with high national GDP growth rates, with a sizable “Financial & Business Services” in the services sector, and whose economies are important on a national scale, will score highly.

#### Employment considerations

This sub-category includes a number of considerations other than pure economic potential relevant to the decision to do business in a city. These include the political stability of the country, operating conditions for enterprises (e.g. general ease of doing business and corporate tax rate), the quality of city infrastructure, and the quality of broadband service. We have also included regulatory governance and Basel Anti-Money Laundering (AML) Index, which are important in the finance sector.

#### Workforce orientation

This sub-category refers to the composition of the workforce in the leading cities. We have examined the proportion of each city’s workforce represented by the Communications and Transport sector, the Financial and Business Services (as a proxy for Finance), and the Consumer Services and Public Services sectors.

Oxford Economics is our principal source of economic and demographic data for the various criteria included within the three sub-categories above.

#### Availability of talent

Availability of talent refers principally to the quality of higher educational facilities in the city. We have examined the ranking of top universities, the degree to which higher educational facilities may be considered to have an international outlook, and the quality of research institutions.

Our principal source of data on availability of talent is the Times Higher Education World University Rankings.

#### Wealth related factors

Wealth-related factors refer to the prosperity of each city. We cover the domestic capital market statistics (e.g. market capitalisation, transaction volume, number of listed companies) across the equity, bond and derivatives markets. We examine the number of global public companies listed in the city’s exchange and the number of resident billionaires. We also study historical trends of inward foreign direct investment, cross-border liabilities in banking to measure the financial sector’s scale and connectivity to other global cities, and net international investment position to assess the city’s market presence among global investors. Finally, we look at total wealth, as the aggregate measure of household savings and investments.

### Property factors

#### Employer costs

This sub-category refers to the overall costs for an occupier of operating a business in the city. The most important of these costs are average wages per employee (for which we have used disposable income per capita as a proxy) and average prime office rent in the CBD. The higher the employer costs, the lower the city’s score.

#### Office accommodation

This heading covers various measures of the quality and availability of office stock in a city. These include current Grade A office stock and office vacancy, and planned supply over the next three years. We also examine availability of flexible workspace and the gap in rents between the CBD and cheaper districts. Finally, we examine certain less tangible measures of the quality of the workplace such as wellness and sustainability.

For most of the criteria included under employer office costs and office accommodation, we have assigned a score based on Colliers' own research, backed up where necessary by external sources.

## Human factors

### Employee aspirational metrics

This sub-category covers several measures of importance to occupiers' staff, most importantly personal tax rate and cost of living and but also measures of the quality of living such as a safety index and pollution levels. Cities with a low cost of living where people feel safe and are not worried about their health will score highly.

We have used various well-known public sources including KPMG, Mercer and the World Health Organisation for data inputs relevant to employee aspirational factors.

## Weightings

Naturally, a key factor governing the scores achieved by the 16 cities in our study is the weightings that we assign to the three principal factor groups, and within those groups to the various sub-categories. For the finance sector, we have selected the following weightings:

- > Socio-economic factors, 55%
- > Property factors, 25%
- > Human factors, 20%

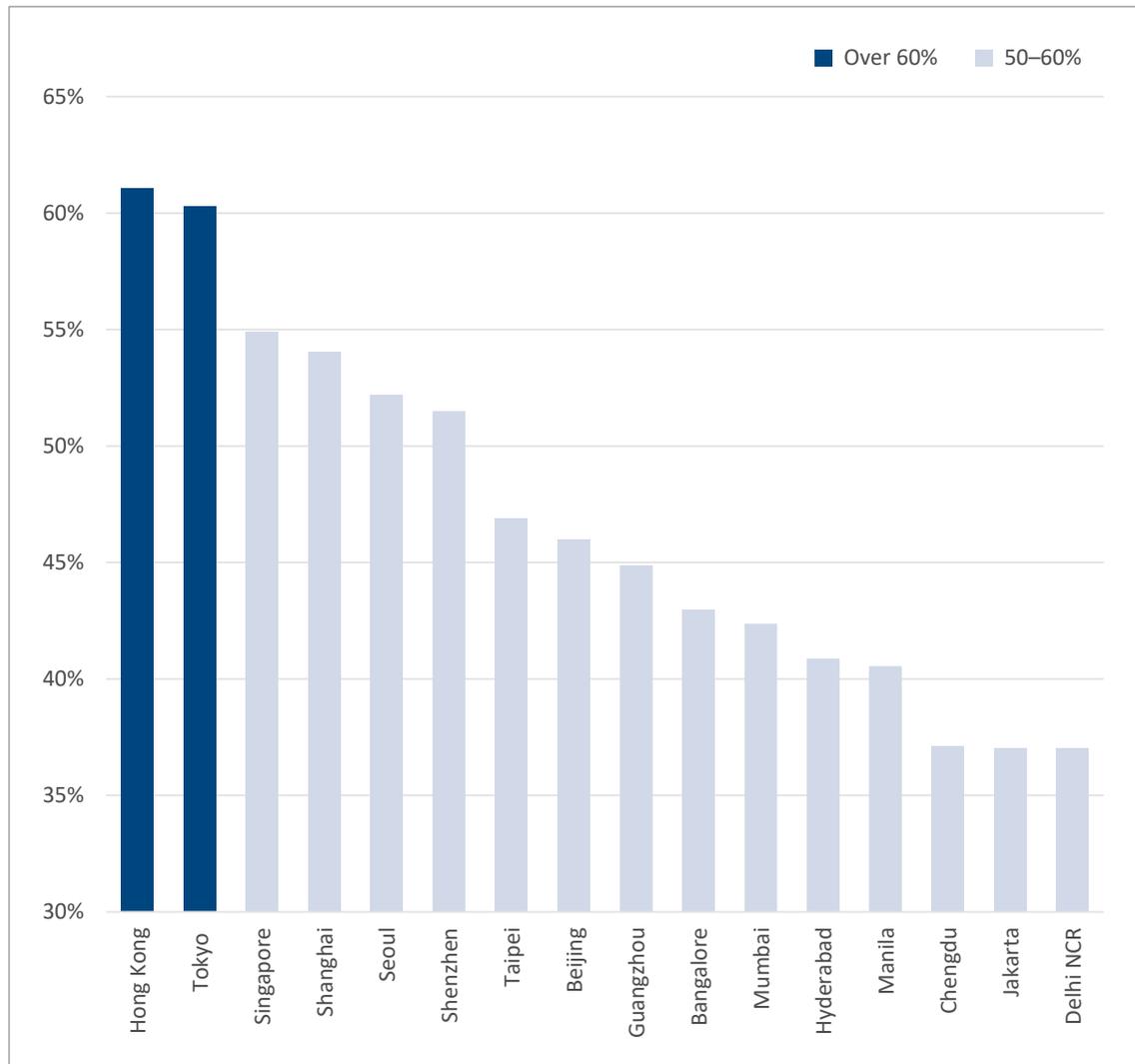
Our choice of weightings will inevitably be open to question. However, we suggest that a leading financial city will have active and high liquidity in its capital markets, will attract cross-border investment, will establish substantial cross-border banking liabilities, and will have amassed high total wealth. Accordingly, under socio-economic factors, we have assigned a 25% weighting to the sub-category of wealth related factors, and a 13.5% weighting to the sub-category of economic output (where we pay particular attention to the importance of the finance sector to each city's economy and the contribution of the city to the national and regional economy).

Fig. 10: Weightings of three factor groups and seven sub-categories in "Top Locations in Asia (Finance)" research

	Factors	Weighting
<b>1.0</b>	<b>Socio-economic Factors</b>	<b>55.0%</b>
	1.1 Economic Output	13.5%
	1.2 Employment Considerations	12.0%
	1.3 Workforce Orientation	2.5%
	1.4 Availability of Talent	2.0%
	1.5 Wealth-related Factors	25.0%
<b>2.0</b>	<b>Property Factors</b>	<b>25.0%</b>
	2.1 Employer Costs	11.5%
	2.2 Office Accommodation	13.5%
<b>3.0</b>	<b>Human Factors</b>	<b>20.0%</b>
	3.1 Employee Aspirational	20.0%
	<b>Total</b>	<b>100.0%</b>

Source: Colliers International

Fig. 11: Overall score: Overall score: three cities on 55% or higher



Source: Colliers International, based on data inputs from numerous sources

## SUMMARY OF OVERALL SCORES

The top five cities, which achieve a score of 53% or higher in our ranking, are Hong Kong on 61%, Tokyo on 60%, Singapore on 55%, Shanghai on 54%, and Seoul on 53.5%. These cities are the clear winners as major national financial centres, and in our view they rank as the top locations for finance sector occupiers in Asia.

Eight cities score between 52% and 40%, and three cities score below 40%. In general, emerging market cities like Mumbai, Manila and Jakarta are important financial centres in their own countries, but cannot compete effectively with the larger, better established financial centres in developed markets.

## SCORING AND RANKING

For each city, we determine a percentage score on each of the nearly 50 separate measures that we examine in this report. We calculate percentage with reference to (a) either an absolute value such as GVA in the services sector or total office stock, or the position that the city occupies between lowest and highest value on each measure, and (b) the weighting that we assign to that measure. We then add up the percentages to calculate a total percentage score for each city.

In addition, we calculate each city's rank out of 16 for each of the three factor groups, i.e. socio-economic, property and human factors, together of course with each city's overall ranking out of 16.

We summarise the scoring and ranking below.

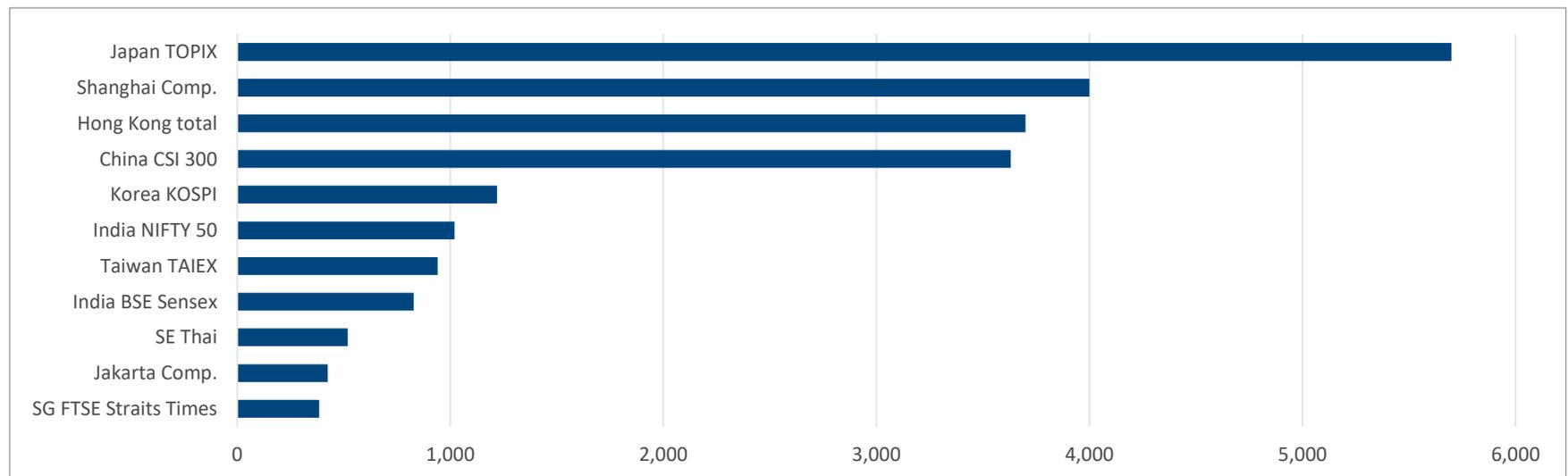
### Socio-economic factors

The scores range between 13.7% and 36.0%, out of a maximum possible score of 55.0%. [Tokyo comes first](#) in Asia overall on socio-economic factors. Tokyo's huge economic scale and stability on wealth-related factors are powerful enough to offset other weaknesses, including its low economic growth potential and less prominent market position over the past 25 years.

We highlight Tokyo's sustainable strengths as a global financial city as follows:

- > [Asia's largest capitalisation of the domestic equity and debt markets](#)
- > [Asia's largest total wealth with large household savings and investments](#)
- > [Asia's largest corporate hub in terms of the number of top global public companies](#)

Fig. 12: Market capitalisation of major stock exchanges (USD bn)



Source: Bloomberg, as of 12 October 2018; HKEX Monthly Market Highlights October 2018

Under socio-economic factors, **second-ranked Hong Kong** scores quite poorly on measures of growth potential or economic output given that it is a small territory with a population of 7.3 million. However, Hong Kong ranks second in Asia after Singapore on factors included in the sub-category of employment considerations: political stability, ease of doing business, corporate tax rate, city infrastructure, English language capability and regulatory governance. Hong Kong also ranks second in Asia after Singapore on availability of talent.

Furthermore, Hong Kong scores very highly, and only just behind Tokyo, on wealth-related factors. This high score reflects the following:

- > **High market capitalisation of the equity market** – third in size in Asia after Tokyo and Shanghai. About 67% of this market capitalisation is attributable to the shares of mainland Chinese companies
- > **Hong Kong's top position in Asia in cross-border banking liabilities<sup>1</sup>**, indicating the broad scale and diverse client base of Hong Kong's banks
- > **Hong Kong's large net savings position ranked by the net international investment** flowing into the city<sup>2</sup>
- > **Asia's highest number of billionaires** in residence

Under socio-economic factors, **third-placed Singapore** does not score highly on measures of economic scale given that it is a small country with a population of just 5.6 million. However, Singapore ranks first in Asia on two sub-categories, namely employment considerations (owing to political stability, ease of doing business, low corporate tax rate, high-quality city infrastructure and low corruption), and availability of talent. In this regard, Singapore occupies the top position in the Asia University Rankings 2018.

Moreover, Singapore is recognised as a premier wealth management hub. In particular, Singapore scores highly with the second position in Asia in cross-border banking liabilities and the net international investment position factors within this sub-category.

Fig. 13: Score and rank on socio-economic factors

Metrics	Economic Output	Employer Factors	Workforce	Talent	Wealth	Grand Total	Ranking
Tokyo	8.0%	9.2%	1.6%	1.0%	16.1%	36.0%	1
Hong Kong	5.4%	10.9%	1.5%	1.7%	14.4%	33.9%	2
Singapore	6.4%	11.4%	1.8%	2.0%	6.8%	28.4%	3
Seoul	7.5%	10.2%	1.6%	1.3%	6.4%	27.0%	4
Shanghai	6.1%	7.2%	2.3%	1.0%	9.0%	25.6%	5
Shenzhen	5.5%	7.3%	2.2%	0.8%	6.8%	22.5%	6
Taipei	4.7%	10.6%	1.4%	0.9%	4.2%	21.9%	7
Mumbai	7.0%	6.4%	1.9%	1.0%	5.0%	21.3%	8
Beijing	6.4%	7.2%	2.5%	1.3%	2.6%	20.0%	9
Manila	9.3%	6.2%	1.3%	0.6%	0.5%	18.0%	10
Guangzhou	6.1%	7.2%	2.4%	0.7%	1.4%	17.9%	11
Bangalore	7.7%	6.4%	1.7%	1.2%	0.2%	17.2%	12
Jakarta	7.1%	6.7%	0.8%	0.6%	1.0%	16.1%	13
Delhi NCR	6.8%	6.5%	1.5%	0.6%	0.4%	15.9%	14
Hyderabad	6.6%	6.5%	1.5%	0.5%	0.1%	15.1%	15
Chengdu	4.6%	6.9%	1.3%	0.5%	0.4%	13.7%	16
Measure	13.5%	12.0%	2.5%	2.0%	25.0%	55.0%	–
Max	9.3%	11.4%	2.5%	2.0%	16.1%	36.0%	–
Min	4.6%	6.2%	0.8%	0.5%	0.1%	13.7%	–

Source: Colliers International, based on underlying data from numerous sources

## Property factors

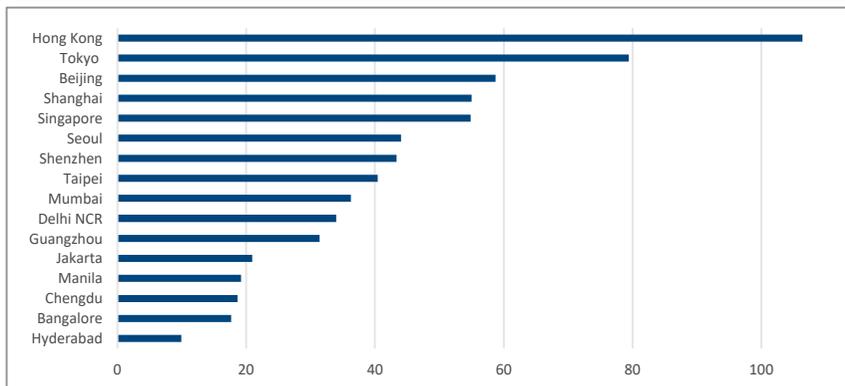
The scores range between 9.7% and 17.6%, out of a maximum possible score of 25.0%. The Tier 1 Chinese cities all score well on property factors.

**Shenzhen comes out as no.1** overall, partly reflecting the very substantial new supply of high-quality office space planned in the city (in excess of existing office stock) over the next few years. **Shanghai ranks no.2** overall, with a top position on the sub-category of office accommodation. Shanghai scores particularly highly on the measure of quality of office stock, reflecting the leading position of the city in promoting healthy building practice, and on sustainable city mobility.

At the other end of the scale, the large developed cities such as Hong Kong, Tokyo, and Singapore score relatively poorly. In the case of **Tokyo**, this reflects high wages (as shown in high income per capita) and high rents. **Hong Kong** also scores poorly overall due to high employer costs (reflecting Asia's and the world's highest office rents).

However, **Hong Kong** scores much better – and comes third in Asia – on the sub-category of office accommodation, owing to high availability of Grade A office space, the joint widest gap in Asia in rents between the CBD and cheaper districts, and good scores on the sustainable city index and city innovation index also included in our criteria.

Fig. 14: Asian prime office rents H1 2018  
(USD per sq metre per month)



Source: Colliers International

Fig. 15: Score and rank on property factors

Metrics	Employer Costs	Office Accommodation	Grand Total	Ranking
Shenzhen	9.1%	8.5%	17.6%	1
Shanghai	8.4%	8.5%	16.9%	2
Guangzhou	9.9%	6.9%	16.8%	3
Beijing	8.2%	6.7%	14.9%	4
Bangalore	11.0%	3.7%	14.7%	5
Delhi NCR	10.1%	3.7%	13.8%	6
Hyderabad	11.5%	2.2%	13.7%	7
Manila	11.0%	2.5%	13.4%	8
Chengdu	10.8%	2.6%	13.4%	9
Mumbai	10.0%	3.1%	13.1%	10
Hong Kong	3.6%	8.4%	12.1%	11
Seoul	8.0%	4.0%	12.0%	12
Jakarta	9.4%	1.9%	11.3%	13
Singapore	6.3%	4.4%	10.7%	14
Taipei	7.9%	2.8%	10.7%	15
Tokyo	3.8%	5.9%	9.7%	16
Measure	11.5%	13.5%	25.0%	-
Max	11.5%	8.5%	17.6%	-
Min	3.6%	1.9%	9.7%	-

Source: Colliers International, based on underlying data from numerous sources

## Human factors

The scores for human aspirational factors range between 7.3% and 15.7%, out of a maximum possible score of 20.0%. The top-ranking city is Singapore, reflecting a modest personal tax rate and a very high position on measures such as city safety, quality of living, air pollution, traffic volume and the high-tech city indicator also included in our criteria. Hong Kong, Tokyo and Seoul occupy the next three places, and achieve similar good scores.

The Tier 1 Chinese cities are held down by high personal tax rates in China, and to a lesser extent by quality of life and environmental measures. South East Asian and Indian developing cities such as Jakarta, Manila, Mumbai and Delhi NCR are held down by low scores on environmental measures such as air pollution and traffic volume.

Fig. 16: Score and rank on human factors

Metrics	Employer Aspirational	Grand Total	Ranking
Singapore	15.7%	15.7%	1
Hong Kong	15.0%	15.0%	2
Tokyo	14.6%	14.6%	3
Seoul	14.5%	14.5%	4
Taipei	14.3%	14.3%	5
Hyderabad	12.1%	12.1%	6
Shanghai	11.6%	11.6%	7
Shenzhen	11.4%	11.4%	8
Beijing	11.1%	11.1%	9
Bangalore	11.0%	11.0%	10
Guangzhou	10.2%	10.2%	11
Chengdu	10.0%	10.0%	12
Jakarta	9.6%	9.6%	13
Manila	9.2%	9.2%	14
Mumbai	8.0%	8.0%	15
Delhi NCR	7.3%	7.3%	16
Measure	20.0%	20.0%	-
Max	15.7%	15.7%	-
Min	7.3%	7.3%	-

Source: Colliers International, based on underlying data from numerous sources

## Overall score and ranking

Three cities score 55% or above: [Hong Kong](#), [Tokyo](#), and [Singapore](#). Under socio-economic factors, [Hong Kong](#) scores highly on employment considerations (e.g. political stability, ease of doing business, regulatory governance), and wealth factors (e.g. stock market capitalisation, city inward FDI, cross-border banking liabilities). Under property factors, Hong Kong scores poorly on employer costs but comes third in Asia on office accommodation metrics. It comes no.2 in Asia on human factors.

The key contributor to [Tokyo's](#) high score is its wealth and stability as a global financial hub. Its top rank on socio-economic factors is partly offset by the lowest rank on property factors, due partly to high staff costs and rents. However, Tokyo also ranks #3 on human factors as a desirable place to live.

[Singapore](#) ranks #2 for Tech and #3 for Finance. It comes first on employment criteria, and is a major wealth management hub. Singapore only achieves modest scores on property factors. But it is top in Asia on human factors, e.g. safety, quality of living, environment, and the high-tech city indicator.

Despite its fifth place, we see [Seoul](#) as a “wild card” location for non-Korean occupiers. [Shanghai](#) is a more traditional and international financial centre which scores well on scale and wealth measures, and second in Asia on property factors. Shanghai has two key financial zones (the Bund and Lujiazui), and is benefiting from further liberalisation of China's financial sector.

Fig. 17: Overall score and ranking

Metrics	Grand Total	Ranking
Hong Kong	61.0%	1
Tokyo	60.3%	2
Singapore	55.0%	3
Shanghai	54.0%	4
Seoul	53.5%	5
Shenzhen	51.5%	6
Taipei	46.9%	7
Beijing	46.0%	8
Guangzhou	44.9%	9
Bangalore	42.9%	10
Mumbai	42.3%	11
Hyderabad	40.9%	12
Manila	40.5%	13
Chengdu	37.1%	14
Jakarta	37.0%	15
Delhi NCR	37.0%	16
Measure	100.0%	-
Max	61.0%	-
Min	37.0%	-

Source: Colliers International, based on underlying data from numerous sources

## Primary Authors:

### Andrew Haskins

Executive Director | Research | Asia  
+852 2822 0511  
[andrew.haskins@colliers.com](mailto:andrew.haskins@colliers.com)

### Stephanie Sun

Director | Research | Asia  
+(65) 6531 8635  
[stephanie.sun@colliers.com](mailto:stephanie.sun@colliers.com)

### Terry Suen

Associate Director | Research | Asia  
+(852) 2822 0579  
[terry.suen@colliers.com](mailto:terry.suen@colliers.com)

### Mari Kumagai

Senior Director | Research | Japan  
+(81) 3 4572 1009  
[mari.kumagai@colliers.com](mailto:mari.kumagai@colliers.com)

## For further information, please contact:

### Sam Harvey-Jones

Managing Director | Occupier Services | Asia  
+(852) 2822 0509  
[sam.harvey-jones@colliers.com](mailto:sam.harvey-jones@colliers.com)

---

#### About Colliers International Group Inc.

[Colliers International Group Inc.](#) (NASDAQ: CIGI) (TSX: CIGI) is a top tier global real estate services and investment management company operating in 69 countries with a workforce of more than 13,000 professionals. Colliers is the fastest-growing publicly listed global real estate services and investment management company, with 2017 corporate revenues of \$2.3 billion (\$2.7 billion including affiliates). With an enterprising culture and significant employee ownership and control, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide, and through its investment management services platform, has more than \$25 billion of assets under management from the world's most respected institutional real estate investors.

Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice to accelerate the success of its clients. Colliers has been ranked among the top 100 global outsourcing firms by the International Association of Outsourcing Professionals for 13 consecutive years, more than any other real estate services firm. Colliers is ranked the number one property manager in the world by Commercial Property Executive for two years in a row.

Colliers is led by an experienced leadership team with significant equity ownership and a proven record of delivering more than 20% annualized returns for shareholders, over more than 20 years.

For the latest news from Colliers, visit our [website](#) or follow us on   

#### Copyright © 2018 Colliers International

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

