

RESEARCH



NOVEMBER 2017

# HONG KONG MONTHLY

REVIEW AND COMMENTARY ON  
HONG KONG'S PROPERTY  
MARKET



## Office

The Center was sold at a record high price of HK\$40.2 billion

## Residential

Limited impact on residential market by expected interest rate hike

## Retail

More adjustments for street-level retail rents

# MARKET HIGHLIGHTS

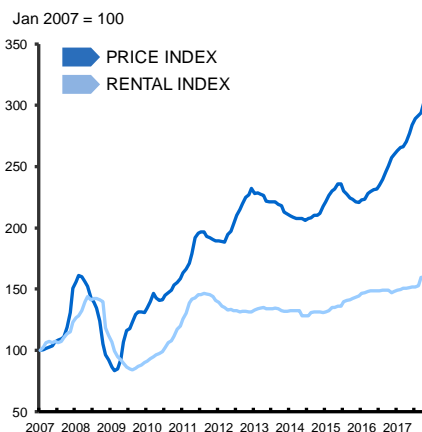
- ◆ Transactions for Hong Kong Island Grade-A office remained active, while market activity in the Kowloon office market returned to normal levels in October.
- ◆ Home sales recorded over 5,000 transactions for two months in a row. The “Starter Homes” Pilot Scheme is expected to have a limited impact on the residential market.
- ◆ Retail sales value sustained positive growth for the seventh consecutive month, but we look at retail sales more cautiously than the data suggests.

TABLE 1  
**Economic indicators**

Economic indicator	Period	Latest reading	2014	2015	2016
GDP growth	Q3 2017	+3.6%#	+2.3%	+2.4%	+1.4%
Inflation rate	Sep 2017	+1.4%	+4.4%	+3.0%	2.4%
Unemployment	Aug-Oct 2017	3.0%#	3.2%	3.3%	3.4%
Prime lending rate	Current	5.00–5.25%	5.00%*	5.00%*	5.00%*

Source: EIU CountryData / Census & Statistics Department / Knight Frank Research  
# Provisional \* HSBC prime lending rate

FIGURE 1  
**Grade-A office prices and rents**



Source: Knight Frank Research

## Prime Office

### Hong Kong Island

Transactions for Hong Kong Island Grade-A offices remained active. The average transaction price for Grade-A office space was up by 3.6% month on month in October and 18.6% in the first 10 months of 2017 to over HK\$30,000 per sq ft.

CK Asset Holdings sold The Center in Central at a record price of HK\$40.2 billion, involving over 1.2 million sq ft of office space and 402 parking spaces. The buyer was reported to be a Mainland-led consortium, C.H.M.T. Peaceful Development Asia Property.

With sustained office demand and limited new supply in the coming three to four years, we expect transaction prices for Hong Kong Island Grade-A office to continue to increase steadily.

### Kowloon

The number of Kowloon office leasing transactions declined further in October, with office rents remaining unchanged. Major transactions were recorded in Kowloon East, Kwun Tong and Tsim Sha Tsui, involving mainly manufacturing and sourcing companies.

Market activity returned to normal levels following a particularly active September. There was a notable transaction recorded in Kwun Tong, with China Merchants Bank taking up 31,000 sq ft in Manulife Financial Centre.

We expect to see more leasing transactions and a rebound in Kowloon office rents in the last two months of 2017. We are more optimistic about rental growth in the coming 12 months, especially in Tsim Sha Tsui and Hung Hom.

## Retail

Visitor arrivals increased by 4.8% year on year in September 2017, led by strong growth of 7.2% in the number of Mainland visitors. Overnight visitor arrivals were up by 2.7%, while same-day visitor arrivals surged 6.6%, showing that Hong Kong has regained its tourism momentum, especially from the Mainland.

Retail sales value sustained positive growth for the seventh month in a row, gaining 5.6% year on year in September. The high-end product category “jewellery, watches and clocks, and valuable gifts” continued to outperform the other categories, growing 14.7% year on year.

Despite the stronger performance in retail sales, there were more adjustments in street-level retail rents in core districts, with some branded shops relocating within the same district for lower rent to cut costs. The adjustments in rent are expected to spill over to non-core districts and residential community retail. Pop-up stores are becoming more prevalent, even in shopping malls.

We look at retail sales more cautiously than the data suggests, but remain confident of a gradual recovery in tourism and local consumption. We expect the retail market to remain stable for the rest of 2017.

## Residential

Despite dropping 6.0% month on month, residential sales have recorded over 5,000 transactions two months in a row, with 5,289 sales registered in October. The latest official statistics in September show that home prices grew slightly less than 0.3% month on month.

Primary sales shrank by 35.5% month on month to 1,541 in October, while secondary sales surged 15.7% to 3,748. The My Central project in Sheung Wan sold all 185 units in three rounds in 15 days; one top-floor unit sold for over HK\$50,000 per sq ft.

The Government announced the details of the “Starter Homes” Pilot Scheme in the Policy Address, which will provide 1,000 residential units at Anderson Road in Kwun Tong to first-time buyers with total monthly household income between HK\$52,000 and HK\$68,000. The impact on the private residential market will be very limited, given the low number of eligible households.

While there is a high possibility that the Fed will raise the interest rate again in December, there is still a lot of hot money in the market, so the residential market is not expected to be impacted in the short term. We expect prices to grow 6-8% for luxury homes and 11-13% for mass residential units in full-year 2017.

FIGURE 2  
**Luxury residential prices and rents**

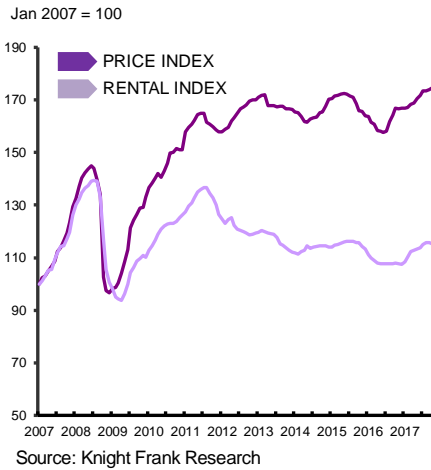
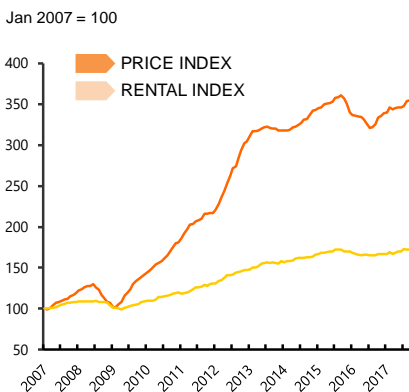


FIGURE 3  
**Retail property prices and rents**



## SNAPSHOT

Transactions for Hong Kong Island Grade-A office space remained active.

The Center in Central was sold at a record high price of HK\$40.2 billion, involving over 1.2 million sq ft.

# PRIME OFFICE

TABLE 2

### Selected office sales transactions (Oct 2017)

District	Building	Zone	Gross floor area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
<b>Central</b>	The Center	Multiple	1,220,000	\$402,000.0	\$32,951
<b>Central</b>	Silver Fortune Plaza	Mid	4,397	\$115.0	\$26,154
<b>Sheung Wan</b>	Cosco Centre	Mid	2,350	\$76.4	\$32,500
<b>Kwun Tong</b>	Legend Tower	High	9,077	\$110.0	\$12,119

Source: Knight Frank Research

Note: All transactions are subject to confirmation.

TABLE 3

### Selected office leasing transactions (Oct 2017)

District	Building	Zone	Floor area (sq ft)
<b>Central</b>	9 Queen's Road Central	High	13,742 (G)
<b>Sheung Wan</b>	181 Queen's Road Central	Mid	15,451 (G)
<b>Wan Chai</b>	Shui On Centre	Low	23,619 (G)
<b>North Point</b>	AIA Tower	High	12,899 (L)

Source: Knight Frank Research

Note: All transactions are subject to confirmation.

N: Net; L: Lettable; G: Gross

## SNAPSHOT

Grade-A office rents remained stable in Central / Admiralty, Tsim Sha Tsui and East Kowloon in October .

Office rents increased in Sheung Wan, North Point / Quarry Bay and Hung Hom.

TABLE 4  
Month-on-month movement in Grade-A office rents (Oct 2017)






Central / Admiralty	Wan Chai / Causeway Bay	North Point / Quarry Bay	Tsim Sha Tsui	Kowloon East
				

TABLE 5  
Prime office market indicators (Oct 2017)

District	Net effective rent		Change			Price (Gross)		Change	
	HK\$ psf / mth	M-o-M Change	Q-o-Q Change	Y-o-Y Change	HK\$ psf	M-o-M Change	Q-o-Q Change	Y-o-Y Change	
Premium Central	\$187.4	0.0%	1.6%	4.9%	n/a	n/a	n/a	n/a	
Traditional Central	\$132.7	0.0%	0.5%	8.1%	n/a	n/a	n/a	n/a	
Overall Central	\$151.2	0.0%	1.0%	6.7%	\$36,569	0.3%	0.8%	22.3%	
Admiralty	\$109.0	0.0%	1.7%	9.0%	\$32,838	7.5%	9.1%	28.9%	
Sheung Wan	\$78.8	1.4%	5.6%	7.2%	\$27,794	2.0%	4.6%	26.1%	
Wan Chai	\$74.7	-0.4%	-0.5%	3.5%	\$28,311	0.6%	3.1%	16.0%	
Causeway Bay	\$77.2	0.0%	-0.2%	1.8%	\$24,509	0.8%	2.9%	9.0%	
North Point	\$51.7	0.0%	0.0%	4.6%	n/a	n/a	n/a	n/a	
Quarry Bay	\$52.7	0.2%	0.2%	1.9%	n/a	n/a	n/a	n/a	
Tsim Sha Tsui	\$63.0	0.0%	1.3%	0.3%	\$15,350	1.5%	2.0%	13.5%	
Cheung Sha Wan	\$30.1	0.3%	-1.2%	2.2%	n/a	n/a	n/a	n/a	
Hung Hom	\$42.6	1.2%	1.9%	25.3%	n/a	n/a	n/a	n/a	
Kowloon East	\$34.1	0.0%	0.5%	0.9%	\$12,900	1.3%	2.5%	7.3%	
Mong Kok / Yau Ma Tei	\$57.7	0.4%	6.7%	9.4%	n/a	n/a	n/a	n/a	

Source: Knight Frank Research

Note: Rents and prices are subject to revision.

## SNAPSHOT

A house in the Peak was sold for HK\$1.27 billion in October.

Home sales in various luxury residential districts continued to perform well.

# RESIDENTIAL

TABLE 7

### Selected residential sales transactions (Oct 2017)

District	Building	Tower / floor / unit	Saleable area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
<b>The Peak</b>	Mount Nicholson	House	9,178	\$1,163.9	\$126,813
<b>Mid-Levels East</b>	39 Conduit Road	High floor / unit B	2,666	\$202.9	\$76,107
<b>Chung Hom Kok</b>	2 Cape Road	House	4,198	\$298.7	\$71,151
<b>Deep Water Bay</b>	Manderly Garden	House	3,200	\$180.0	\$56,250
<b>Stanley</b>	50 Stanley Village Road	House	2,725	\$145.5	\$53,394

Source: Knight Frank Research

Note: All transactions are subject to confirmation.

TABLE 6

### Selected residential leasing transactions (Oct 2017)

District	Building	Tower / floor / unit	Saleable area (sq ft)	Monthly rent (HK\$)	Monthly rent (HK\$ per sq ft)
<b>Stanley</b>	Regalia Bay	House	3,034	\$160,000	\$52.7
<b>Shouson Hill</b>	Shouson Hill Road	House	3,559	\$145,000	\$40.7
<b>Pokfulam</b>	Seascape	House	2,415	\$110,000	\$45.6
<b>Pokfulam</b>	Residence Bel Air	Phase 1 Tower 1, Low floor / Unit A	1,955	\$100,000	\$51.2
<b>Mid-Levels Central</b>	Trequenter	Tower 3, Mid floor / Unit B	1,582	\$85,000	\$53.7

Source: Knight Frank Research

Note: All transactions are subject to confirmation.

## SNAPSHOT

In October, rents for luxury residential increased in Happy Valley, but decreased in the Peak and Pokfulam.

Luxury home prices increased slightly in most luxury residential areas last month.

TABLE 8

### Month-on-month changes in luxury residential rents (Oct 2017)






The Peak	Island South	Mid-Levels	Jardine's Lookout / Happy Valley	Pokfulam
				

TABLE 9

### Luxury residential market indicators (Oct 2017)

District	Rent		Change		Price		Change	
	HK\$ psf / mth	M-o-M change	Q-o-Q change	Y-o-Y change	HK\$ psf	M-o-M change	Q-o-Q change	Y-o-Y change
<b>The Peak</b>	\$63.1	-1.6%	-3.1%	4.4%	\$42,436	0.5%	1.1%	5.8%
<b>Island South</b>	\$54.3	0.0%	1.6%	9.4%	\$33,123	0.0%	1.0%	7.1%
<b>Mid-Levels</b>	\$56.4	0.0%	1.1%	9.0%	\$28,623	0.3%	1.1%	5.8%
<b>Jardine's Lookout / Happy Valley</b>	\$50.3	0.1%	1.4%	4.1%	\$27,457	1.0%	2.0%	8.2%
<b>Pokfulam</b>	\$40.5	-0.1%	1.6%	10.2%	\$24,131	0.1%	0.6%	5.1%

Source: Knight Frank Research

Note: Rents and prices are based on saleable area and are subject to revision.

## SNAPSHOT

Retail property sales transactions were recorded in various districts last month.

A ground-floor retail space in Mong Kok was leased for over \$800 per sq ft in October.

# RETAIL

TABLE 10

### Selected retail sales transactions (Oct 2017)

District	Building	Floor / unit	Net floor area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
Central	Wo On Building	Ground floor / unit C	350	\$25.9	\$73,943
Wan Chai	88 Lockhart Road	Ground floor / unit A	790 (G)	\$49.0	\$62,025
Wan Chai	17 Morrison Hill Road	Ground floor	750	\$23.0	\$30,667
Mong Kok	195 Fa Yuen Street	Ground floor	1,000 (G)	\$42.0	\$42,000
Tai Kok Tsui	Cosmopolitan Estate	Tower A / Ground floor / unit A1F	170 (G)	\$11.5	\$67,647

Source: Knight Frank Research

TABLE 11

### Selected retail leasing transactions (Oct 2017)

District	Building	Floor / unit	Net floor area (sq ft)	Monthly rent (HK\$)	Monthly rent (HK\$ per sq ft)
Central	Central Building	Ground floor	4,000	\$1.4M	\$350
Causeway Bay	21 Yiu Wa Street	Ground floor / unit 5	300 (G)	\$36,990	\$123
Causeway Bay	Jade & Pearl Plaza	Ground floor / unit 32	1,800	\$660,060	\$367
Tsim Sha Tsui	5 Cameron Road	Ground floor / unit 2	805 (G)	\$330,000	\$410
Mong Kok	Yau Shing Commercial Building	Ground floor / unit F	800	\$650,000	\$813

Source: Knight Frank Research

Note: All transactions are subject to confirmation.



## SNAPSHOT

Prime street shop rents continued to adjust in all major retail districts.

Total retail sales value increased 5.6% year on year to HK\$35.7 billion in September.

TABLE 12

### Month-on-month movement in prime street shop rents (Oct 2017)





Central	Causeway Bay	Tsim Sha Tsui	Mong Kok
			

TABLE 13

### Retail sales by outlet type (Sep 2017)

Outlet	Value (HK\$ billion)	Share of total %	M-o-M change	Q-o-Q change	Y-o-Y change
<b>Jewellery, watches and clocks, and valuable gifts</b>	\$6.0	16.8%	-2.9%	10.7%	14.7%
<b>Clothing, footwear and allied products</b>	\$4.0	11.3%	-2.8%	-9.1%	1.7%
<b>Department stores</b>	\$3.8	10.6%	2.0%	13.4%	9.4%
<b>Fuel</b>	\$0.8	2.3%	5.1%	5.0%	5.6%
<b>Food, alcoholic drinks and tobacco (excluding supermarkets)</b>	\$4.3	12.1%	30.4%	45.5%	9.2%
<b>Consumer durable goods</b>	\$5.6	15.8%	12.4%	10.9%	-5.3%
<b>Supermarkets</b>	\$4.5	12.6%	-2.0%	3.3%	2.7%
<b>Others</b>	\$6.6	18.5%	-7.4%	-10.3%	8.6%
<b>All retail outlets</b>	\$35.7	100.0%	2.4%	5.8%	5.6%

Source: Census and Statistics Department / Knight Frank Research



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## RESEARCH & CONSULTANCY

### David Ji

Director  
Head of Research & Consultancy  
Greater China  
+852 2846 9552  
[david.ji@hk.knightfrank.com](mailto:david.ji@hk.knightfrank.com)

### Martin Wong

Associate Director  
Research & Consultancy  
Greater China  
+852 2846 7184  
[martin.wong@hk.knightfrank.com](mailto:martin.wong@hk.knightfrank.com)

## CONTACTS

### Alan Child

Chairman  
+852 2846 9522  
[alan.child@hk.knightfrank.com](mailto:alan.child@hk.knightfrank.com)

### Piers Brunner

Chief Executive Officer  
Greater China  
+852 2846 4848  
[piers.brunner@hk.knightfrank.com](mailto:piers.brunner@hk.knightfrank.com)

### Paul Hart

Executive Director  
Greater China  
+852 2846 9537  
[paul.hart@hk.knightfrank.com](mailto:paul.hart@hk.knightfrank.com)

### Alnwick Chan

Executive Director  
+852 2846 9551  
[alnwick.chan@hk.knightfrank.com](mailto:alnwick.chan@hk.knightfrank.com)

## CHINA VALUATION

### Clement Leung

Executive Director  
+852 2846 9593  
[clement.leung@hk.knightfrank.com](mailto:clement.leung@hk.knightfrank.com)

## COMMERCIAL AGENCY

### Ross Criddle

Senior Director  
+852 2846 9527  
[ross.criddle@hk.knightfrank.com](mailto:ross.criddle@hk.knightfrank.com)

## RESIDENTIAL AGENCY

### Maggie Lee

Senior Director  
Head of Residential Agency  
+852 2846 9550  
[maggie.lee@hk.knightfrank.com](mailto:maggie.lee@hk.knightfrank.com)

## RETAIL SERVICES

### Helen Mak

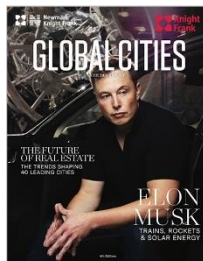
Senior Director  
Head of Retail Services  
+852 2846 9543  
[helen.mak@hk.knightfrank.com](mailto:helen.mak@hk.knightfrank.com)

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