

RETAIL RESEARCH



December 2010

# HONG KONG RETAIL

INSIGHT AND COMMENTARY ON THE WORLD'S MOST DYNAMIC RETAIL MARKET

**Knight Frank 萊坊**



# NEW RULES DRIVE RETAIL SECTOR

**The Special Stamp Duty levied on short-term traders of residential properties pushed investors to the retail sector, lifting the prices and transaction volumes of shops.**

## Headlines

Bank of China (Hong Kong) renewed the lease of its branch on the ground floor of Walton Estate in Chai Wan for a monthly rent of HK\$80,000 or HK\$321.3 per sq ft—an increase of about 10% from its previous lease signed three years ago.

The shrinking availability of shops for sale in prime areas shifted investors' attention to second-tier locations. A 32,000-sq-ft shop on the first three floors of Wing Fat Building in Tsuen Wan was reportedly sold for HK\$360 million or HK\$11,250 per sq ft. The shop is leased to Sun Chung Luen Chinese Products Company for a monthly rent of HK\$880,000, representing a yield of 2.9%.

To compete for shoppers during the peak retail season, shopping centres increased their spending on Christmas decorations and promotions. apm in Kwun Tong, for example, spent HK\$1.7 million this year—up 10% from last year. The mall expects pedestrian flow to increase 10% and sales revenue to rise 10-20%, year on year, during the last two months of 2010.

Plaza Hollywood in Diamond Hill restructured its tenant mix, increasing the proportion of fashion tenants to 30%. Fourteen new fashion retailers were added, including H&M, PULL & BEAR, i.t and UNIQLO. The shopping centre spent HK\$6 million on festive features and expects sales revenue during the Christmas period to gain 12% year on year to total over HK\$280 million.

Construction of the third phase of Olympic City in Tai Kok Tsui is scheduled for completion at the end of this year. Of the total 130,000 sq ft retail area, over 60% has been pre-leased with monthly

rents ranging from HK\$50 to HK\$200 per sq ft. Meanwhile, Celestial Place in Ho Man Tin has started pre-leasing activity, targeting high-end tenants. The 90,000-sq-ft mall is set to open in mid-2011.

## Retail sales

Hong Kong's retail sales value increased for the 14th consecutive month, rising 21.6% year on year in October. In the first ten months of 2010, the retail sales value rose an average of 18.3% from a year ago.

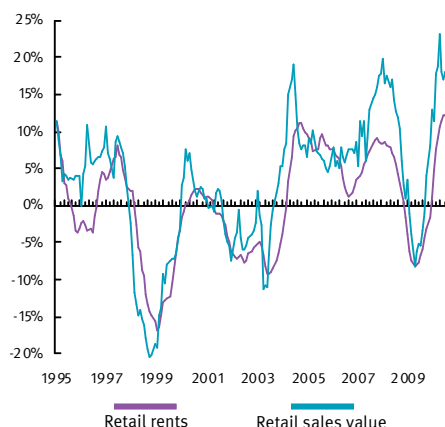
With the continuing support of Mainland tourists and a recovering local economy, the Hong Kong Retail Management Association estimates retail sales in December to record a new monthly high of HK\$33.8 billion—up 15% year on year.

## Visitor arrivals

The number of visitor arrivals to Hong Kong jumped 18.0% year on year in October. Mainland visitors remained dominant, comprising 62.5% of the total. The number of Mainland visitors surged 20.7%, while the number of visitors from other parts of the world increased 13.7%.

Figure 1  
**Retail rents and sales value**

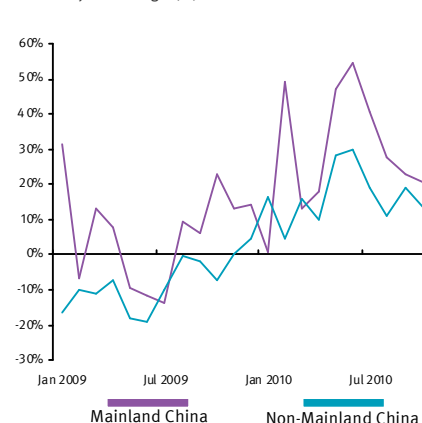
Year-on-year change (%)



Source: Census and Statistics Department / Rating and Valuation Department / Knight Frank  
Note: Three-month moving average of year-on-year growth.

Figure 2  
**Visitor arrivals**

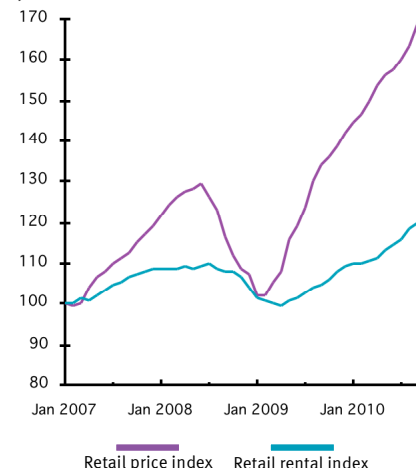
Year-on-year change (%)



Source: Hong Kong Tourism Board / Knight Frank

Figure 3  
**Retail property prices and rentals**

Jan 2007 = 100



Source: Rating and Valuation Department / Knight Frank



The shrinking availability of shops for sale in prime areas shifted investors' attention to second-tier locations.

Table 1 Selected sales transactions in non-core areas					
District	Building	Floor / unit	Gross floor area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
Sham Shui Po	Golden Building Arcade	G/F / unit 55	1,340	\$48.15	\$35,933
Tai Po	88 Square	G/F / unit 1	191	\$6.2	\$32,461
Siu Sai Wan	Cheerful Garden Arcade	G/F / unit 38	320	\$9.8	\$30,625
Wan Chai	EIB Tower	G/F / unit A	217	\$6.39	\$29,447
Wan Chai	Thomson Commercial Building	G/F / unit C	639	\$18.8	\$29,421
Source: Economic Property Research Centre Note: All transactions are subject to confirmation.					

Bank of China (Hong Kong) renewed the lease of its branch in Walton Estate in Chai Wan at a rent 10% higher than its previous lease signed three years ago.

Table 2 Selected leasing transactions in non-core areas					
District	Building	Floor / unit	Saleable floor area (sq ft)	Monthly Rent (HK\$)	Monthly Rent (HK\$ per sq ft)
Chai Wan	Walton Estate	G/F / unit 37	249	\$80,000	\$321.3
Yau Ma Tei	Nanking Building	G/F / units B1-3 and C	511	\$115,000	\$225.0
Fanling	Fanling Centre Shopping Arcade	1/F / unit 247	103	\$22,000	\$213.6
Fanling	Fanling Centre Shopping Arcade	1/F / unit 147	103	\$15,800	\$153.4
Quarry Bay	On Ning Building	G/F / unit 4	1,020	\$125,000	\$122.5
Source: Economic Property Research Centre Note: All transactions are subject to confirmation.					

Rents of prime-street shops in core retail areas continued to edge up, except for Mong Kok, where rents remained stable.

Table 3 Prime-street shop rental movement in November 2010 (from October 2010)				
	Central	Causeway Bay	Tsim Sha Tsui	Mong Kok
Rental Movement				

# RESEARCH

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Brazil  
Canada  
Caribbean  
Chile  
USA

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