

RETAIL RESEARCH



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# HONG KONG RETAIL

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

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# MAINLAND VISITORS REACH NEW HIGH

**During the Chinese New Year 'Golden Week' (2–8 February 2011), the number of visitor arrivals from the Mainland reached a new high of 662,928—an increase of 15.7% over the same period last year. Visitor arrivals on 7 February totaled 117,879, breaking the single-day record for Mainland visitors.**

## Headlines

From 2–5 February, pedestrian flow at 12 major malls owned by Sun Hung Kai Properties (SHKP) reportedly totaled 6.99 million people, while their sales revenue totaled HK\$140 million, up 16% and 18% year on year respectively. Meanwhile, total sales in Sino Group's Olympian City in Tai Kok Tsui, Gold Coast Piazza in Tuen Mun and Island Resort Mall in Siu Sai Wan reportedly increased 14%, year on year, to HK\$61 million between 29 January and 6 February.

Prime shops in second-tier retail districts were sought after, pushing up prices at a fast pace. A 1,400-sq-ft shop at 1–3 Barrows Street in Wan Chai was reportedly sold for HK\$40 million or HK\$28,571 per sq ft—an increase of 14% from what the seller bought it for, four months earlier. The shop is leased to a Japanese restaurant at a monthly rent of HK\$108,000, representing a yield of 3.2%.

The Link has completed the renovation of Zone B of Lok Fu Plaza in Wong Tai Sin and around 70% of its tenants started operations last month. The entire enhancement programme of the mall is expected to be completed in April this year. Over Chinese New Year, pedestrian flow in the mall was reportedly up 20%, year on year.

Meanwhile, the Link will spend HK\$200 million on installing new facilities for the disabled in its 180 shopping malls, car parks and wet markets, including tactile-guide paths, ramps, elevating platforms and specially designed toilets.

The project will be rolled out in three phases and is expected to be completed by 2016.

Olympian City's 130,000-sq-ft new wing is set to open in the second quarter of 2011, increasing the total area of the mall to 800,000 sq ft. Over 60% of the new retail area has been reportedly pre-leased, with monthly rents ranging from HK\$50 to HK\$300 per sq ft. Meanwhile, a large-scale tenant-mix restructuring is ongoing in Olympian City 1 and 2.

A new shopping mall, Mikiki, is expected to open in San Po Kong by mid 2011. Developed by SHKP, the 205,000-sq-ft mall is located under residential development The Latitude and targets young local customers. Around 90% of the retail space has been reportedly pre-leased.

## Retail sales

In December 2010, Hong Kong's retail sales value increased for the 16th consecutive month, rising 18.5% year on year. In 2010, the retail sales value grew 18.3% from 2009.

## Visitor arrivals

The number of visitor arrivals to Hong Kong jumped 18.5% year on year in December 2010. Visitors from the Mainland, comprising 64.2% of the total arrivals, remained dominant. The number of Mainland visitors surged 23.1%, while the number of visitors from other parts of the world increased 4.5%.

Figure 1

## Retail rents and retail sales value

Year-on-year % change

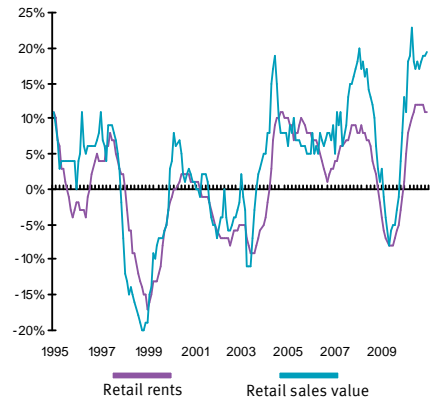


Figure 2

## Visitor arrivals

Year-on-year % change

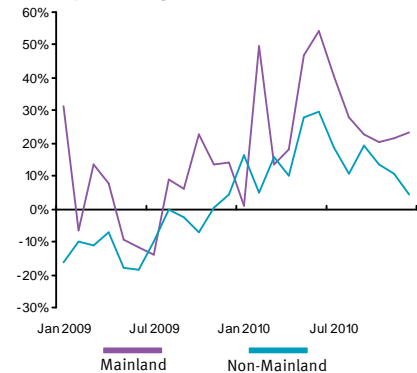
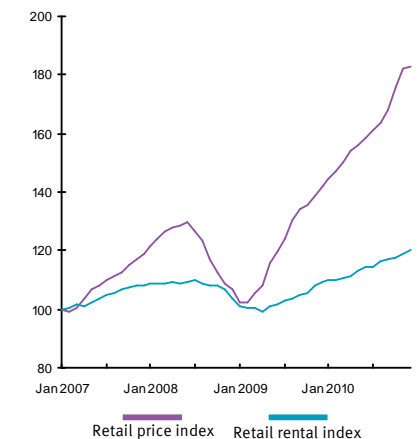


Figure 3

## Retail property prices and rentals

Jan 2007 = 100





Shops in non-core areas were sought after and a number of major transactions were concluded in January 2011.

| Table 1<br>Selected sales transactions in non-core areas   |                    |                   |                          |                      |                        |
|--|--------------------|-------------------|--------------------------|----------------------|------------------------|
| District   | Building           | Floor / unit      | Gross floor area (sq ft) | Price (HK\$ million) | Price (HK\$ per sq ft) |
| Quarry Bay   | Yick Fat Building  | G/F / unit 16     | 420                      | \$24.25              | \$57,738               |
| North Point  | Golden Court       | G/F / unit 16     | 220                      | \$11.68              | \$53,091               |
| Kennedy Town   | Kam Ho Court       | G/F / units 2C-2D | 262                      | \$13.6               | \$51,908               |
| Sai Yin Pun  | Fook Moon Building | G/F / unit P      | 190                      | \$9.5                | \$50,000               |
| Kwun Tong  | Kwun Tong Plaza    | 1/F / unit 36     | 106                      | \$4.8                | \$45,283               |
| Source: Economic Property Research Centre<br>Note: All transactions are subject to confirmation. |                    |                   |                          |                      |                        |

Sheung Shui and Fanling, popular shopping areas for cross-border visitors from the Mainland, registered major leasing transactions last month.

| Table 2<br>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) |
| Sheung Shui  | Sheung Shui Centre Shopping Arcade | 2/F / unit 27  | 579                         | \$285,000           | \$492.2                       |
| Kwun Tong  | Kwun Tong Plaza                    | G/F / unit 11  | 188                         | \$78,000            | \$414.9                       |
| Kennedy Town   | Sun On Building                    | G/F / unit K   | 1214                        | \$345,000           | \$284.2                       |
| Tsuen Wan  | Winning Heights                    | G/F / unit 315 | 315                         | \$55,000            | \$174.6                       |
| Fanling  | Flora Plaza                        | G/F / unit 122 | 181                         | \$28,000            | \$154.7                       |
| Source: Economic Property Research Centre<br>Note: All transactions are subject to confirmation. |                                    |                |                             |                     |                               |

In January 2011, all major retail districts saw month-on-month rental growth.

| Table 3<br>Movement of prime-street shop rents in January 2011 (from December 2010) |         |              |               |          |
|---|---------|--------------|---------------|----------|
|   | Central | Causeway Bay | Tsim Sha Tsui | Mong Kok |
| Rent movement   |         |              |               |          |

# RESEARCH

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