

RETAIL RESEARCH



January 2011

HONG KONG RETAIL

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

Knight Frank 萊坊



STRONG RETAIL GROWTH IN 2010

The retail property sales market experienced a robust year in 2010, with 7,112 transactions being recorded in the first eleven month—an increase of 76.4% year on year. Meanwhile, total consideration increased 50.0% to HK\$72.3 billion.

Headlines

Hong Kong shopping malls achieved impressive sales results over the Christmas period last year. Sun Hung Kai Properties (SHKP) announced that sales at its eight major shopping malls, from 24th to 27th December, totaled about HK\$175 million—up 34% from the same period in 2009. Meanwhile, MegaBox in Kowloon Bay said its visitor numbers and total sales increased 20% and 30% year on year, respectively.

Knight Frank successfully introduced PIAGO, a supermarket and homewares brand from Japanese retailer UNY, to Hong Kong. The 70,000-sq-ft store is located on the fourth and fifth floors of Telford Plaza in Kowloon Bay—a space previously occupied by Ikea—and is the first PIAGO branch outside Japan.

Vertu, a high-end mobile phone retailer, reportedly leased a 700-sq-ft retail space in Central Building in Central for a monthly rent of HK\$1.5 million or HK\$2,143 per sq ft. This represents a new rent-high for the district, doubling the rent paid by the previous tenant, shoe retailer Geox. With spending levels of Mainland shoppers expected to continue growing, the market expects retail property rents to rise another 20–30% this year.

Emperor International reportedly bought a 600-sq-ft shop at the junction of Russell Street and Percival Street in Causeway Bay for HK\$380 million, or HK\$633,333 per sq ft (based on gross floor area), breaking the previous record of HK\$554,600 per sq ft (based on gross floor area) set by 6-8 Canton Road in Tsim Sha Tsui 14 months ago. The shop is currently leased by a

watch brand Rado for a monthly rent of HK\$640,000, representing a yield of 2.0%.

Previous restrictions on non-Guangdong migrant workers in Shenzhen traveling to Hong Kong have been relaxed since 15th December last year. Over four million such workers can now apply for single-entry visas under the Individual Visit Scheme. Each visa allows visitors to stay in Hong Kong for seven days per visit, four times a year. The travel industry expects to reap an extra HK\$5.6 billion a year, thanks to the new policy.

Meanwhile, SHKP is planning to organise 200 shopping tours this year, inviting 9,000 corporate Mainland consumers to its malls. The tours, organised by registered Mainland travel agencies with SHKP providing transport and accommodation, are expected to reap HK\$56.4 million for the developers' shopping malls.

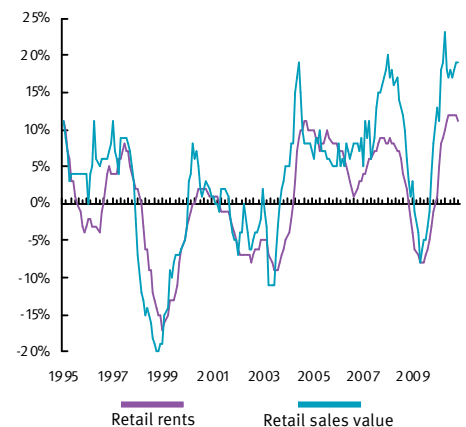
Retail sales

In November, Hong Kong's retail sales value increased for the 15th consecutive month, rising 17.9% year on year. In the first 11 months of 2010, the retail sales value grew 18.2% from the year before.

Visitor arrivals

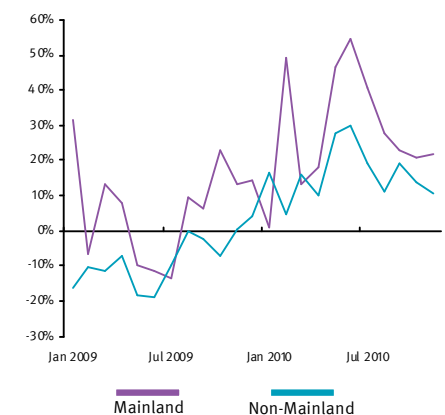
The number of visitor arrivals to Hong Kong jumped 17.1% year on year in November. Visitors from the Mainland, comprising 61.5% of arrivals, remained dominant. The number of Mainland visitors surged 21.6%, while the number of visitors from other parts of the world increased 10.6%.

Figure 1
Retail rents and retail sales value
Year-on-year % change



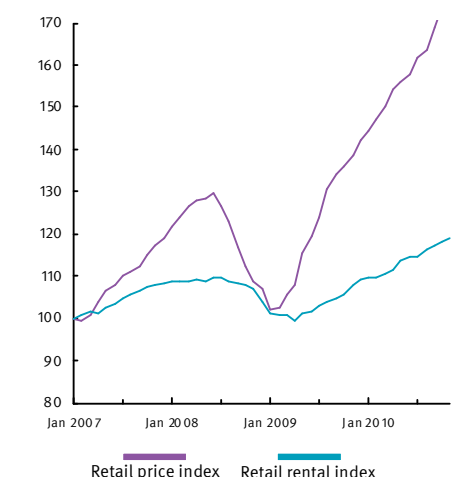
Source: Census and Statistics Department / Rating and Valuation Department / Knight Frank
Note: three-month moving average of year-on-year growth

Figure 2
Visitor arrivals
YoY 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



Mong Kok saw robust retail property sales activity, with a number of prime-street shops being sold at high prices.

Table 1 Selected sales transactions in core areas					
District	Building	Floor / unit	Gross floor area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
Causeway Bay	76 Percival Street	G/F	600	\$380	\$633,333
Mong Kok	Sincere Plaza	G/F / units 2-3	234	\$62	\$264,957
Mong Kok	Sincere Plaza	G/F / unit 12	93	\$17.46	\$187,742
Mong Kok	Sincere Plaza	G/F / unit 10	107	\$16.46	\$153,832
Mong Kok	Argyle Centre	G/F / unit 20	241	\$34.3	\$142,324
Source: Economic Property Research Centre Note: All transactions are subject to confirmation.					

A number of major leasing transactions were recorded in Mong Kok and Tsim Sha Tsui.

Table 2 Selected leasing transactions in core areas					
District	Building	Floor / unit	Floor area (sq ft)	Monthly Rent (HK\$)	Monthly Rent (HK\$ per sq ft)
Mong Kok	Tak Lee Commercial Building	G/F / unit 1	139 (G)	\$130,000	\$935.3
Mong Kok	Pakpolee Commercial Centre	G/F / unit 2	471 (G)	\$215,000	\$456.5
Tsim Sha Tsui	Star House	G/F / unit 18A	303 (S)	\$62,000	\$204.6
Tsim Sha Tsui	Hermes Commercial Centre	G/F / unit 1	220 (S)	\$30,000	\$136.4
Tsim Sha Tsui	Wah Fai Mansion	G/F / unit B	3,636 (G)	\$430,000	\$118.3
Source: Economic Property Research Centre Note: All transactions are subject to confirmation. G = Gross floor area; S = Saleable floor area					

Shop rents in prime streets of core retail areas continued to edge up, except for Mong Kok, where rents remained stable.

Table 3 Movement of prime-street shop rents in December 2010 (from November 2010)				
	Central	Causeway Bay	Tsim Sha Tsui	Mong Kok
Rent movement				

RESEARCH

Americas

Bermuda
Brazil
Canada
Caribbean
Chile
USA

Australasia

Australia
New Zealand

Europe

Belgium
Czech Republic
France
Germany
Hungary
Ireland
Italy
Monaco
Poland
Portugal
Romania
Russia
Spain
The Netherlands
UK
Ukraine

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia

Bahrain
Cambodia
China
Hong Kong
India
Indonesia
Korea
Macau
Malaysia
Singapore
Thailand
Vietnam

Hong Kong contacts

Alan Child

Executive Chairman
T: (+852) 2846 9522
E: alan.child@hk.knightfrank.com

Corporate Consultancy

Paul Hart

Executive Director
T: (+852) 2846 9537
E: paul.hart@hk.knightfrank.com

Retail Services

Livian Har

Director, Head of Retail Services
T: (+852) 2846 9543
E: livian.har@hk.knightfrank.com

Research

Pamela Tsui

Research Manager
T: (+852) 2846 4843
E: pamela.tsui@hk.knightfrank.com

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide, including developers and investors, as well as financial and corporate institutions. All recognise the need for the provision of expert independent advice, customised to their specific needs.

Our worldwide research reports are also available at KnightFrank.com.

© Knight Frank 2011

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research.