

RETAIL RESEARCH



May 2011

HONG KONG RETAIL

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

Knight Frank 萊坊



HOLIDAY BENEFITS RETAIL SALES

During the three-day Labour Day holiday, visitor arrivals from Mainland China reached 303,637—an increase of 21.6% over the same period last year. The number hit a new single-day high of 122,893 on 30 April, breaking the previous record set during this year's Chinese New Year.

Headlines

Due to a rise of Mainland visitors, sales revenue at many shopping malls registered double-digit growth year on year during the Labour Day holiday. Pedestrian flow at eight major malls owned by Sun Hung Kai Properties (0016.HK) reached two million, while their sales revenue totaled HK\$70 million, up 25% and 30% respectively. Meanwhile, total sales in Langham Place in Mong Kok increased 15% during the period.

Leasing activity remained buoyant, with keen competition for premium space in core areas noted. Puyi Optical reportedly outbid several jewellery brands to renew its lease of a 1,000-sq-ft store at 59 Russell Street in Causeway Bay, for a monthly rent of HK\$1.35 million or HK\$1,350 per sq ft—an increase of 137% from the previous lease. Rents for prime shops in Russell Street increased over 30%, year on year, in the first quarter of 2011.

Retail supply in Causeway Bay is expected to increase when Hysan Place's 17-storey retail podium is completed in the second quarter of next year. 40% of the 470,000-sq-ft retail area had been pre-leased, with luxury retailer DFS Galleria occupying the largest floor space among the committed tenants. The mall hopes to introduce new overseas brands into Hong Kong as well as fashion and cosmetic tenants which target female shoppers.

American fashion brand Abercrombie & Fitch (A&F) reportedly plans to set up its first store in Hong Kong. It has pre-leased a 12,700-sq-ft ground floor and basement store in Pedder Building in Central at a

monthly rent of HK\$7 million or HK\$551 per sq ft—an increase of 250% over the current lease by Chinese fashion brand Shanghai Tang. While the opening schedule of the A&F store has not been released, its young fashion brand Hollister California is reportedly set to open its first Hong Kong store in a space measuring over 10,000 sq ft in Festival Walk, Kowloon Tong in August.

A number of major sales transactions worth over HK\$100 million were recorded last month. Henderson Land (0012.HK) reportedly sold a 7,200-sq-ft shop on the G/F and 1/F of its Paradise Square in Mong Kok for HK\$100 million or HK\$13,889 per sq ft. The space is currently leased by a restaurant at a monthly rent of HK\$190,000, representing a yield of 2.3%.

Retail sales

In March 2011, Hong Kong's retail sales value increased for the 19th consecutive month, rising 26.0% year on year. In the first three months of 2011, the total retail sales value grew 21.0% year on year.

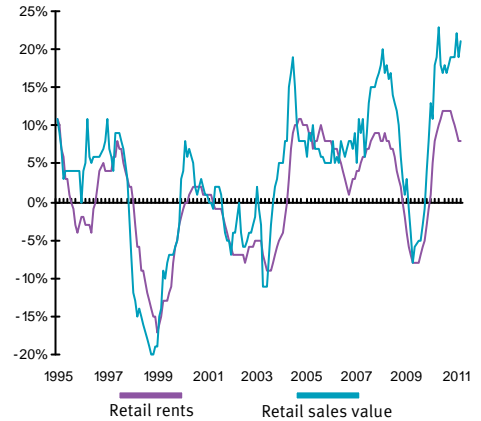
Visitor arrivals

The number of visitor arrivals to Hong Kong grew 13.9%, year on year, in March 2011. The number of Mainland visitors surged 23.2%, while the number of visitors from other parts of the world increased only 0.9%. Mainland visitors, comprising 63.0% of total arrivals, remained dominant.

Figure 1

Retail rents and retail sales value

Year-on-year % change

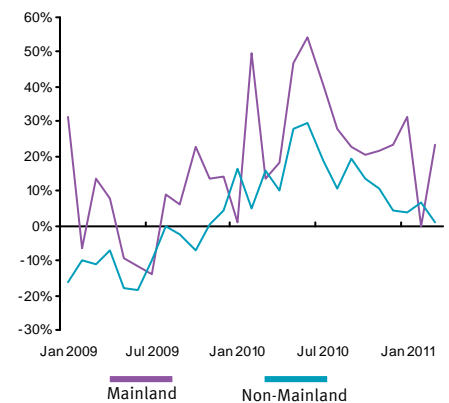


Source: Census and Statistics Department / Rating and Valuation Department / Knight Frank
Note: three-month moving average of year-on-year growth

Figure 2

Visitor arrivals

Year-on-year % change



Source: Hong Kong Tourism Board / Knight Frank

Figure 3

Retail property prices and rents

Jan 2007 = 100



Source: Rating and Valuation Department / Knight Frank



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

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)
Tsim Sha Tsui	Chung Wo Commercial Centre	Ground floor / unit 2	152	\$8	\$52,632
Mong Kok	Sincere Plaza	1 st floor / unit F107	121	\$6	\$49,587
Mong Kok	Fu Tao Building	Ground floor / unit 2	539	\$25.2	\$46,753
Tsim Sha Tsui	Rise Commercial Building	4 th floor / unit 1	160	\$6.728	\$42,050
Mong Kok	Kwong Fai Mansion	Ground floor / unit 2	282	\$8.98	\$31,844
Source: Economic Property Research Centre Note: All transactions are subject to confirmation.					

Leasing activity remained buoyant, with a number of major transactions being concluded in Tsim Sha Tsui and Causeway Bay.

Table 2 Selected leasing transactions in core areas					
District	Building	Floor / unit	Saleable floor area (sq ft)	Monthly Rent (HK\$)	Monthly Rent (HK\$ per sq ft)
Tsim Sha Tsui	Alpha House	Ground floor / unit E1	565	\$438,000	\$775.2
Causeway Bay	Percival House	Ground floor / unit D	156	\$118,000	\$756.4
Tsim Sha Tsui	South Sea Apartment	Ground floor / unit F	145	\$95,000	\$655.2
Tsim Sha Tsui	Howard Building	Ground floor / unit 42B	675	\$350,000	\$518.5
Causeway Bay	Po Ming Building	Ground floor / unit A	525	\$270,000	\$514.3
Source: Economic Property Research Centre Note: All transactions are subject to confirmation.					

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

Table 3 Movement of prime-street shop rents in April 2011 (from March 2011)				
	Central	Causeway Bay	Tsim Sha Tsui	Mong Kok
Rent movement				

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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

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