



RETAIL RESEARCH

November 2011

# HONG KONG RETAIL

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

**Knight Frank 萊坊**



# GOLDEN WEEK LIFTS RETAIL SALES

**During the Golden Week holiday period at the start of October, Mainland visitors to Hong Kong increased 17% year on year, to reach about 770,000. There was significant growth in retail sales at major shopping centres, with the jewellery and watch industry reporting a 50% gain in sales over the period, compared with last year. Retail prices and rents are set to grow more than 20% over 2011.**

## Headlines

Sun Hung Kai Properties (0016.HK) is spending HK\$400 million on major asset enhancement at Grand Century Place in Mong Kok, which is expected to raise the number of shops from 207 to 224. After the overhaul work is completed in 2014, the company is confident that foot traffic will increase and spending (on a per-capita basis) will rise by 12%. Currently, the mall receives 200,000 daily visitors on weekdays and 230,000 visitors on weekend days, and the average spending is HK\$3,500 for locals and HK\$5,000 for Mainland tourists.

British fashion retailer Burberry will reportedly take up Nokia's premises at units A and B, the ground to first floors, Soundwill Plaza, Russell Street in Causeway Bay. The 5,200-sq-ft shop was pre-leased for a monthly rent of HK\$6.5 million or HK\$1,250 per sq ft, up 251% from the previous lease. Burberry will also reportedly take up about 20,000 sq ft of space in Pacific Place, Admiralty for a monthly rent of around HK\$2 million. This is almost half of the space currently occupied by Lane Crawford, whose lease will soon expire.

Shops in prime retail areas remained sought after, with a number of leasing transactions involving rents of over HK\$1,000 per sq ft reported in the past month. A telecom store renewed its 45-sq-ft, ground-floor shop in Sincere Plaza, Mong Kok for HK\$83,000 per month or HK\$1,844 per sq ft—up 18.6% from the previous lease. Jewellery retailer Pandora

pre-leased a 1,300-sq-ft, ground-floor shop in Melbourne Plaza, Central for HK\$1.6 million per month or HK\$1,230 per sq ft—up 146% from the current lease. Meanwhile, a watch retailer pre-leased three ground-floor units totaling 2,862 sq ft in Manley House, Tsim Sha Tsui for a monthly rent of about HK\$6.5 million or HK\$2,270 per sq ft—up over 300% from the current lease. The six-year lease will start in 2013.

With robust retail sales in Hong Kong on the back of strong consumption power of both locals and tourists—especially those from the Mainland—prices and rents of prime street shops increased 13.6% and 16.5%, respectively, during the first nine months of 2011. They are expected to gain more than 20% over 2011.

## Retail sales

In September 2011, Hong Kong's retail sales value increased for the 25th consecutive month, rising 24.1% year on year to HK\$31.2 billion. In the first nine months of 2011, the total retail sales value grew 25.4% compared with the same period in the previous year.

## Visitor arrivals

In September 2011, the number of visitor arrivals to Hong Kong grew 16.8% year on year, reaching 3.2 million. The number of Mainland visitors—comprising 65.7% of total arrivals—surged 28.8% to 2.1 million, while that of visitors from other parts of the world remained stable at 1.1 million.

Figure 1  
**Retail rents and retail sales value**

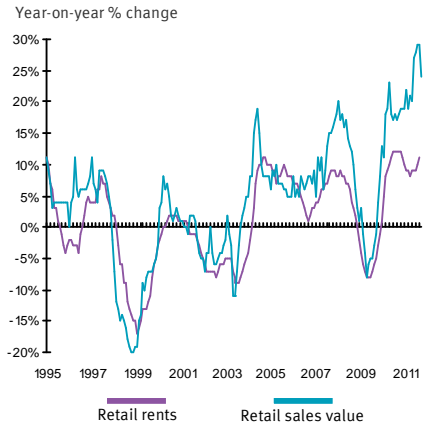


Figure 2  
**Visitor arrivals**

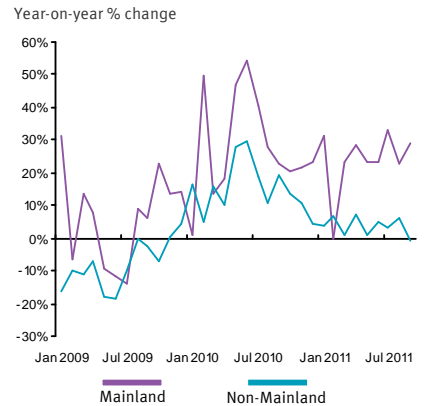
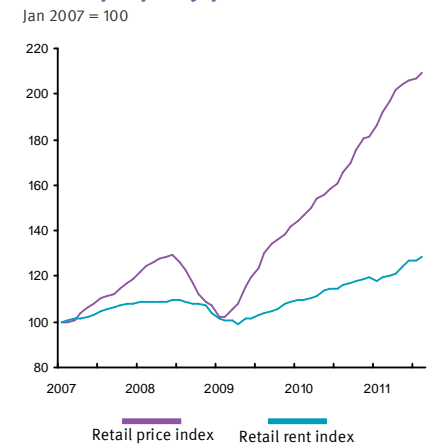


Figure 3  
**Retail property prices and rents**





Major retail sales transactions with prices reaching over HK\$100,000 per sq ft were recorded in the past months.

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	Hoi To Court	Ground-floor / unit 15	504	\$67.28	\$133,492
Tsim Sha Tsui	Pearl Oriental Tower	Ground-floor / unit G	145	\$15	\$103,448
Causeway Bay	President Shopping Centre	Ground-floor / unit 31B	65	\$5.1	\$78,462
Tsim Sha Tsui	Rise Commercial Building	Ground-floor / unit 26	190	\$13.8	\$72,632
Mongkok	Allied Plaza	Ground-floor / unit 19	400	\$14.1	\$35,250

Source: Economic Property Research Centre  
Note: All transactions are subject to confirmation.

A number of major retail leasing transactions were recorded in core areas, on the back of strong retail sales.

Table 2  
Selected leasing transactions in core areas

District	Building	Floor / unit	Gross floor area (sq ft)	Monthly Rent (HK\$)	Monthly Rent (HK\$ per sq ft)
Tsim Sha Tsui	Pacific Star Building	Ground-floor / units C-D	592	\$480,000	\$810.8
Mong Kok	Pakpolee Commercial Centre	Ground-floor / unit 1	484	\$230,000	\$475.2
Mong Kok	Hung Hay Building	Ground-floor / unit 1	650	\$125,000	\$192.3
Causeway Bay	Tang Fai Building	Ground-floor / unit C	410	\$73,000	\$178.0
Causeway Bay	Cigna Tower	Ground-floor / units 7-9	1,198	\$210,000	\$175.3

Source: Economic Property Research Centre  
Note: All transactions are subject to confirmation.

All major retail districts saw month-on-month rental growth in October 2011.

Table 3  
Movement of prime-street shop rents in Oct 2011 (compared with Sep 2011)

	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

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China  
Hong Kong  
India  
Indonesia  
Korea  
Macau  
Malaysia  
Singapore  
Thailand  
Vietnam

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