

RESEARCH



JUNE 2015

# HONG KONG MONTHLY

REVIEW AND COMMENTARY ON  
HONG KONG'S PROPERTY MARKET



## Office

Grade-A office prices hit a new record high

## Residential

Sales volume rebounds with further growth in prices

## Retail

China tariff-cut to have little impact on Hong Kong retail



## KEY FINDINGS

The 'Mutual Fund Recognition Scheme' is expected to boost office leasing demand in Hong Kong, from related firms.

The number of residential sales transactions rebounded for two consecutive months, reaching 4,549 in April and 5,168 in May.

Tariff-cuts introduced by the Mainland Chinese government are expected to have limited impact on Hong Kong's retail sector.

# MONTHLY REVIEW

In May, both the Grade-A office sales and leasing markets remained robust. While prices hit a new record high, rents increased in the CBD and decreased in CBD2. In the housing market, the number of sales transactions rebounded for two consecutive months, despite the implementation of new mortgage measures in February. Meanwhile, the retail property leasing market remained subdued, except for a few transactions in prime retail spots.

TABLE 1

### Economic indicators and forecasts

Economic indicator	Period	Latest reading	2012	2013	2014
GDP growth	Q1 2015	+2.1%#	+1.7%	+2.9%	+2.3%#
Inflation rate	Apr 2015	+2.8%	+4.1%	+4.3%	+4.4%
Unemployment	Feb–Apr 2015	3.2%#	3.1%	3.3%	3.2%
Prime lending rate	Current	5–5.25%	5%*	5%*	5%*

Source: EIU CountryData / Census & Statistics Department / Knight Frank

# Provisional \* HSBC prime lending rate

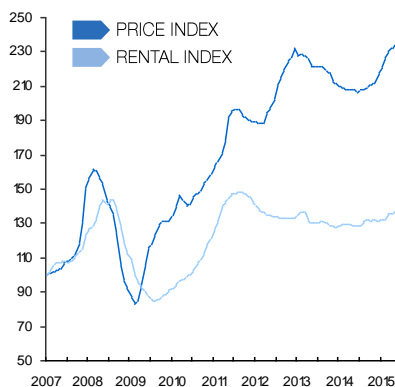
drops in the coming months, although leasing activity will remain active, given robust demand.

In May, China and Hong Kong regulators jointly announced the 'Mutual Fund Recognition Scheme', which allows funds domiciled in Hong Kong and China to be sold in each other's markets, effective from 1 July 2015. In the long term, this arrangement is expected to boost office leasing demand in Hong Kong from related firms, such as funds, banks and asset management.

FIGURE 1

### Grade-A office prices and rents

Jan 2007 = 100



Source: Knight Frank

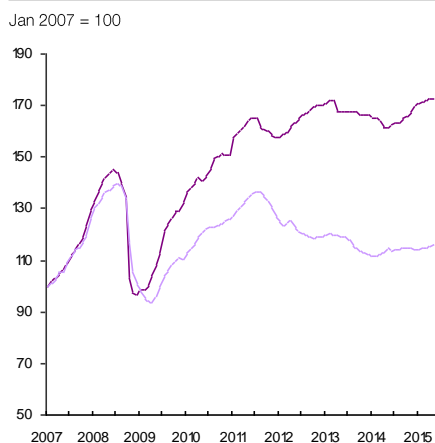
## Prime Office

Hong Kong's office sales market remained heated in May, with numerous major transactions being recorded in the month. For example, a high floor at Nine Queen's Road Central sold for approximately HK\$480 million or HK\$34,861 per sq ft, a record-high unit price in Hong Kong. The price was 15% higher than the previous record set in the same building one year ago, demonstrating positive market sentiment for office property investment.

In the leasing market, Manulife has renewed the lease on 340,000 sq ft of its office space at Manulife Financial Centre in Kwun Tong. The lease on another 160,000 sq ft of space has not been renewed, as the company has decided to relocate part of its offices to One Bay East West Tower in the same district, which is scheduled for completion by the end of 2015. With abundant available space in Kowloon East, we expect office rents in the area to experience mild

FIGURE 2

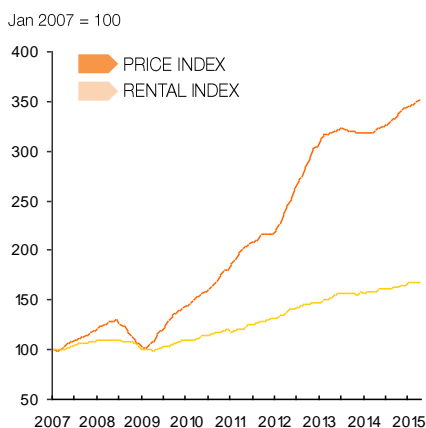
### Luxury residential prices and rents



Source: Knight Frank

FIGURE 3

### Retail property prices and rents



Source: Rating and Valuation Department / Knight Frank  
 Note: Provisional figures from Nov 2014 to Apr 2015

## Residential

The number of residential sales transactions—after having dropped to 4,329 in March, affected by the credit tightening implemented in February—since rebounded for two consecutive months, reaching 4,549 in April and 5,168 in May.

The number of mass residential sales transactions worth below HK\$10 million rebounded to 4,444 in May, a figure still lower than the over-5,000-levels reached during the first two months of the year. Meanwhile, the number of luxury residential sales worth HK\$10 million or above exceeded 700 in May—the highest level thus far in 2015—reflecting a shift of some buyers from the mainstream to the luxury segment, as the government's latest measures target small to medium-sized homes.

During the first four months of the year, primary residential sales represented 25% of total sales—a higher proportion than in previous years—as developers remained active in launching new units at competitive prices and with attractive, beneficial packages. More new projects will be launched in the coming months, including Skypark in Mong Kok and Grand YOHO in Yuen Long.

For the first five months of 2015, luxury home prices rose 1.4% and are expected to increase up to 5% over the year, due to sustained demand and limited supply. Mass residential prices, having increased about 7% during the first five months, are set to rise a total of 5–10% over 2015, considering strong end-user demand.

## Retail

The number of visitor arrivals to Hong Kong rebounded 0.9% year on year in April, compared with the 8.7% drop in March, from a year ago. However, the retail sales value fell another 2.2% in April from a year earlier, with the fall continuing to be led by the sales of the government's classification of 'Jewellery, Watches and Clocks and Valuable Gifts'.

The retail leasing market remained subdued in May, except for a few transactions involving prime retail spots. An electronics appliances retailer reportedly took up a ground floor space measuring about 2,000 sq ft at 537 Lockhart Road in Causeway Bay. The previous tenant—a mid-tier fashion retailer—relocated to ground floor shops 1–3 at Excelsior Plaza in the same

district, covering a total of 2,353 sq ft.

The Chinese government recently announced tariff cuts on a number of imported consumer goods, including suits, sport shoes, skincare products and diapers, in an attempt to stimulate domestic consumption of these goods. Although the move will narrow the price gap of these products between Hong Kong and the Mainland, the products are still cheaper in Hong Kong, as neither value-added tax (VAT) nor consumption tax are applied here. Coupled with other advantages of shopping in Hong Kong, including higher product quality, better services and wider product variety, the Mainland tariff-cuts are expected to have limited impact on Hong Kong's retail sales.

Amid a challenging retail environment ahead, we expect prime street shop rents to drop a further 5% in the second half of 2015. Shopping centres will remain relatively resilient, with prime mall rents expected to remain flat and non-core shopping centre rents to slightly increase over 2015.

## SNAPSHOT

In May, a high floor at Nine Queen's Road Central in Central sold for a record-high price of approximately HK\$34,900 per sq ft (Table 2).

A number of major office leasing transactions were recorded in Kowloon last month (Table 3).

# PRIME OFFICE

TABLE 2

### Selected office sales transactions

District	Building	Zone	Gross floor area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
<b>Central</b>	Nine Queen's Road Central	High	13,769	\$480	\$34,861
<b>Wan Chai</b>	Tesbury Centre	Mid	4,109	\$64	\$15,462
<b>Kwun Tong</b>	One Harbour Square	High	18,972	\$290	\$15,286
<b>Kowloon Bay</b>	YHC Tower	Low	12,263	\$123	\$10,070

Source: Economic Property Research Centre

Note: All transactions are subject to confirmation.

TABLE 3

### Selected office leasing transactions

District	Building	Zone	Floor area (sq ft)
<b>Kowloon Bay</b>	Manhattan Place	Mid	19,550 (L)
<b>Cheung Sha Wan</b>	Trade Square	High	13,610 (G)
<b>Kwun Tong</b>	One Pacific Centre	High	10,477 (G)
<b>Central</b>	China Building	Mid	9,439 (G)

Source: Knight Frank

Note: All transactions are subject to confirmation.

## SNAPSHOT

In May, Grade-A office rents in Central, Wan Chai and Tsim Sha Tsui increased month on month (Table 4).

Grade-A office prices in Central increased by a significant 3.9% last month (Table 5).

TABLE 4

## Month-on-month movement of Grade-A office rents (May 2015)






Central / Admiralty	Wan Chai / Causeway Bay	Quarry Bay	Tsim Sha Tsui	Kowloon East
				

TABLE 5

## Prime office market indicators (May 2015)

District	Net effective rent HK\$ psf / mth	Change			Price HK\$ psf	Change		
		From Apr 15	From Feb 15	From May 14		From Apr 15	From Feb 15	From May 14
<b>Premium Central</b>	\$154.8	0.5%	0.8%	5.5%	n/a	n/a	n/a	n/a
<b>Traditional Central</b>	\$109.1	1.8%	4.5%	3.8%	n/a	n/a	n/a	n/a
<b>Overall Central</b>	\$124.9	1.2%	2.9%	4.5%	\$28,126	3.9%	5.6%	11.1%
<b>Admiralty</b>	\$86.8	-0.4%	2.6%	10.7%	\$23,524	1.3%	3.0%	11.9%
<b>Sheung Wan</b>	\$70.1	0.0%	3.9%	12.4%	\$21,961	2.1%	4.5%	16.0%
<b>Wan Chai</b>	\$67.4	0.3%	2.6%	7.9%	\$20,754	2.7%	7.9%	16.7%
<b>Causeway Bay</b>	\$71.7	0.0%	2.4%	6.8%	\$21,139	0.4%	3.8%	24.5%
<b>North Point</b>	\$49.4	1.0%	2.1%	8.4%	n/a	n/a	n/a	n/a
<b>Quarry Bay</b>	\$55.8	0.0%	2.7%	7.2%	n/a	n/a	n/a	n/a
<b>Tsim Sha Tsui</b>	\$57.8	1.9%	4.5%	7.0%	\$13,376	1.8%	3.5%	15.9%
<b>Cheung Sha Wan</b>	\$29.0	0.0%	-0.1%	6.2%	n/a	n/a	n/a	n/a
<b>Hung Hom</b>	\$36.4	-0.2%	4.9%	-1.7%	n/a	n/a	n/a	n/a
<b>Kowloon East</b>	\$33.4	-1.1%	-1.3%	-0.5%	\$12,211	0.2%	2.0%	16.8%
<b>Mong Kok / Yau Ma Tei</b>	\$51.2	0.0%	1.0%	6.2%	n/a	n/a	n/a	n/a

Source: Knight Frank

Rents and prices are subject to revision.

## SNAPSHOT

In May, most major luxury residential sales transactions involved large units on Hong Kong Island (Table 6).

Last month, a number of luxury homes were leased for over HK\$100,000 a month (Table 7).

# RESIDENTIAL

TABLE 6

### Selected residential sales transactions

District	Building	Tower / floor / unit	Saleable area (sq ft)	Price (HK\$M)	Price (HK\$ psf)
<b>Mid-Levels West</b>	39 Conduit Road	High floor unit	4,664	\$433.1	\$92,857
<b>Mid-Levels West</b>	39 Conduit Road	High floor unit	3,918	\$297.2	\$75,851
<b>Island South</b>	2 Cape Drive	House	4,198	\$302.7	\$72,106
<b>Island South</b>	2 Cape Drive	House	3,457	\$219.8	\$63,584

Source: Economic Property Research Centre

Note: All transactions are subject to confirmation.

TABLE 7

### Selected residential leasing transactions

District	Building	Tower / floor / unit	Saleable area (sq ft)	Monthly rent (HK\$)	Monthly rent (HK\$ psf)
<b>The Peak</b>	The Mount Austin	Mid floor unit	935	\$61,000	\$65.2
<b>Island South</b>	The Somerset	High floor unit	2,522	\$160,000	\$63.4
<b>Island South</b>	Hong Kong Parkview	Tower 9 / mid floor	2,157	\$120,000	\$55.6
<b>Island South</b>	Ridge Court	High floor unit	1,780	\$95,000	\$53.4
<b>The Peak</b>	Oasis	High floor unit	1,992	\$100,000	\$50.2

Source: Knight Frank

Note: All transactions are subject to confirmation.

## SNAPSHOT

In May, luxury residential rents on the Peak recorded a slight drop (Table 8).

Luxury residential prices recorded modest increases last month (Table 9).

TABLE 8

### Month-on-month movement of luxury residential rents (May 2015)






Peak	Island South	Mid-Levels	Jardine's Lookout / Happy Valley	Pokfulam
				

TABLE 9

### Luxury residential market indicators (May 2015)

District	Rent		Change			Price		Change	
	HK\$ psf / mth	From Apr 15	From Feb 15	From May 14	HK\$ psf	From Apr 15	From Feb 15	From May 14	
<b>The Peak</b>	\$67.3	-0.1%	0.7%	2.7%	\$41,383	0.1%	0.1%	5.2%	
<b>Island South</b>	\$51.8	0.4%	1.4%	-2.2%	\$31,926	0.0%	0.0%	5.7%	
<b>Mid-Levels</b>	\$57.2	1.1%	1.7%	6.3%	\$27,346	0.6%	1.6%	9.4%	
<b>Jardine's Lookout / Happy Valley</b>	\$50.5	0.0%	0.2%	-3.6%	\$25,796	0.4%	1.5%	9.0%	
<b>Pokfulam</b>	\$38.8	0.5%	0.6%	2.7%	\$24,970	0.0%	1.5%	7.9%	

Source: Knight Frank

Rents and prices are subject to revision.

## SNAPSHOT

Last month, a number of major retail property sales transactions were recorded in non-prime retail districts (Table 10).

Most major retail leasing transactions involved units in non-prime shopping arcades last month. (Table 11).

## RETAIL

TABLE 10

### Selected retail sales transactions

District	Building	Floor / unit	Saleable floor area (sq ft)	Price (HK\$M)	Price (HK\$ psf)
<b>Yau Ma Tei</b>	Kiu Kong Mansion	Ground floor unit	2,380	\$119.0	\$50,016
<b>Western District</b>	Oversea Trust Bank Building	Ground floor unit	5,250	\$106.8	\$20,350
<b>Sha Tin</b>	1 On Kwan Street	3rd floor / unit 301	14,389	\$244.9	\$17,021
<b>Wan Chai</b>	Senior Building	Ground and 1st floors / units A	n/a	\$102.1	n/a

Source: Economic Property Research Centre

Note: All transactions are subject to confirmation.

TABLE 11

### Selected retail leasing transactions

District	Building	Floor / unit	Saleable floor area (sq ft)	Monthly rent (HK\$)	Monthly rent (HK\$ psf)
<b>Tsim Sha Tsui</b>	Hankow Centre Arcade	Ground floor / unit 27	460	\$188,000	\$408.7
<b>Wan Chai</b>	Pao Woo Mansion	Ground floor / unit 3	429	\$75,000	\$174.8
<b>Mong Kok</b>	Tsui Yuen Mansion Phase 02	Ground floor / unit 5	550	\$93,800	\$170.6
<b>Siu Sai Wan</b>	Harmony Garden	Ground floor / units 17-19	1,408	\$160,000	\$113.6

Source: Economic Property Research Centre

Note: All transactions are subject to confirmation.



## SNAPSHOT

In May, prime street shop rents dipped across all major retail districts (Table 12).

In April, the total retail sales value decreased 2.2% year on year, to settle at HK\$38.0 billion (Table 13).

TABLE 12

### Month-on-month movement of prime street shop rents (May 2015)





Central	Causeway Bay	Tsim Sha Tsui	Mong Kok
			

TABLE 13

### Retail sales by outlet type (Apr 2015)

Outlet	Value (HK\$ billion)	Share of total %	Change		
			From Mar 15	From Jan 15	From Apr 14
<b>Jewellery, watches and clocks and valuable gifts</b>	\$6.3	16.7%	-1.5%	-30.4%	-19.5%
<b>Clothing, footwear and allied products</b>	\$5.2	13.8%	-2.7%	-16.8%	-5.5%
<b>Department stores</b>	\$3.6	9.5%	-0.5%	-19.3%	-3.6%
<b>Fuel</b>	\$0.7	1.9%	4.0%	5.5%	-12.8%
<b>Food, alcoholic drinks and tobacco (excluding supermarkets)</b>	\$3.1	8.0%	1.3%	-18.3%	4.2%
<b>Consumer durable goods</b>	\$7.2	19.0%	-9.3%	-17.2%	23.8%
<b>Supermarkets</b>	\$4.0	10.6%	-1.8%	-10.6%	-0.9%
<b>Others</b>	\$7.8	20.6%	7.7%	-14.3%	-2.8%
<b>All retail outlets</b>	\$38.0	100.0%	-1.2%	-18.5%	-2.2%

Source: Census and Statistics Department / Knight Frank



## GLOBAL BRIEFING

For the latest news, views and analysis on the world of prime property, visit [KnightFrankblog.com/global-briefing](http://KnightFrankblog.com/global-briefing)

### RESEARCH & CONSULTANCY

#### David Ji

Director,  
Head of Research & Consultancy,  
Greater China  
+852 2846 9552  
[david.ji@hk.knightfrank.com](mailto:david.ji@hk.knightfrank.com)

#### Pamela Tsui

Senior Manager,  
Research & Consultancy, Greater China  
+852 2846 4843  
[pamela.tsui@hk.knightfrank.com](mailto:pamela.tsui@hk.knightfrank.com)

### CONTACTS

#### Alan Child

Chairman, Greater China  
+852 2846 9522  
[alan.child@hk.knightfrank.com](mailto:alan.child@hk.knightfrank.com)

#### Colin Fitzgerald

Managing Director, Greater China  
+852 2846 4848  
[colin.fitzgerald@hk.knightfrank.com](mailto:colin.fitzgerald@hk.knightfrank.com)

#### Paul Hart

Executive Director, Greater China  
+852 2846 9537  
[paul.hart@hk.knightfrank.com](mailto:paul.hart@hk.knightfrank.com)

#### Alnwick Chan

Executive Director  
+852 2846 9551  
[alnwick.chan@hk.knightfrank.com](mailto:alnwick.chan@hk.knightfrank.com)

### CHINA VALUATION

#### Clement Leung

Executive Director  
+852 2846 9593  
[clement.leung@hk.knightfrank.com](mailto:clement.leung@hk.knightfrank.com)

### COMMERCIAL AGENCY

#### Colin Fitzgerald

Managing Director, Greater China  
+852 2846 4848  
[colin.fitzgerald@hk.knightfrank.com](mailto:colin.fitzgerald@hk.knightfrank.com)

### RESIDENTIAL AGENCY

#### Renu Budhrani

Executive Director  
+852 2846 9550  
[renu.budhrani@hk.knightfrank.com](mailto:renu.budhrani@hk.knightfrank.com)

### RETAIL SERVICES

#### Livian Har

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

Knight Frank Residential Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

## RECENT MARKET-LEADING RESEARCH PUBLICATIONS



Prime Global Cities Index Q1 2015



Asia-Pacific residential review



Greater China Report Q1 2015



Wealth Report 2015

Knight Frank Research Reports are available at [KnightFrank.com/Research](http://KnightFrank.com/Research)

© Knight Frank 莱坊 2015

Knight Frank Petty Limited  
Knight Frank Hong Kong Limited

#### Disclaimer

This document and the material contained in it is general information only and is subject to change without notice. All images are for illustration only. No representations or warranties of any nature whatsoever are given, intended or implied. Knight Frank will not be liable for negligence, or for any direct or indirect consequential losses or damages arising from the use of this information. You should satisfy yourself about the completeness or accuracy of any information or materials.

#### Copyright

This document and the material contained in it is the property of Knight Frank and is given to you on the understanding that such material and the ideas, concepts and proposals expressed in it are the intellectual property of Knight Frank and protected by copyright. It is understood that you may not use this material or any part of it for any reason other than the evaluation of the document unless we have entered into a further agreement for its use. This document is provided to you in confidence on the understanding it is not disclosed to anyone other than to your employees who need to evaluate it.

