

RETAIL RESEARCH



April 2011

HONG KONG RETAIL

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

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TOURISM SPENDING HITS RECORD HIGH

According to the Hong Kong Tourism Board, total tourism spending reached a historic high of HK\$209.98 billion in 2010, up 32.7% from 2009. Among all overnight visitors, Mainlanders spent the highest per-capita: HK\$7,453, up 12.6% from the previous year.

Headlines

Surprisingly, the recent disasters in Japan have not affected the expansion plans of some Japanese restaurants in Hong Kong. One Japanese restaurant group, which owns around 900 outlets in Japan, reportedly leased seven shops in Hong Kong in April, including spaces in Mong Kok, Kowloon Bay and Tsim Sha Tsui. The group plans to open over ten restaurants in Hong Kong this year, with the first one opening in mid-2011.

Retail space in major shopping malls in non-core areas remained popular. A 376-sq-ft store in City Landmark in Tsuen Wan was rented for HK\$60,800 per month or HK\$161.7 per sq ft, while a 561-sq-ft shop in Sunshine City Plaza in Ma On Shan was leased for a monthly rent of HK\$70,500 or HK\$125.7 per sq ft.

Prime shops in second-tier retail districts were sought after, with a number of major sales transactions worth over HK\$100 million being recorded last month. A 1,200-sq-ft street shop in Landale Street in Wan Chai, for example, reportedly changed hands for HK\$128 million or HK\$106,667 per sq ft. The seller bought the shop 49 years ago for only HK\$64,200 or HK\$53.5 per sq ft. The shop is currently leased by a restaurant at a monthly rent of HK\$84,000, representing a yield of merely 0.8%.

The second phase of renovation and tenant-mix restructuring of Sino Land's tmtplaza in Tuen Mun started in March, after the first phase was completed last Christmas. The whole HK\$200-million enhancement programme, which will add 5,000 sq ft of floor space to the mall, is

expected to be completed at the end of this year. The developer expects rents and sales revenue of the mall to increase 10% and 30% respectively after renovation. Meanwhile, Henderson will spend HK\$130 million renovating its Sunshine City Plaza mall in Ma On Shan. The first of three phases of the project started in February.

Due to construction delays, the opening of new shopping mall Domain in Yau Tong has been rescheduled to the first quarter of 2012. Developed by the Housing Authority, the 250,000-sq-ft mall targets younger shoppers and families and a number of brands have revealed their intention to set up stores there.

Retail sales

In February 2011, Hong Kong's retail sales value increased for the 18th consecutive month, rising 8.6% year on year. In the first two months of 2011, the total retail sales value grew 18.8% year on year.

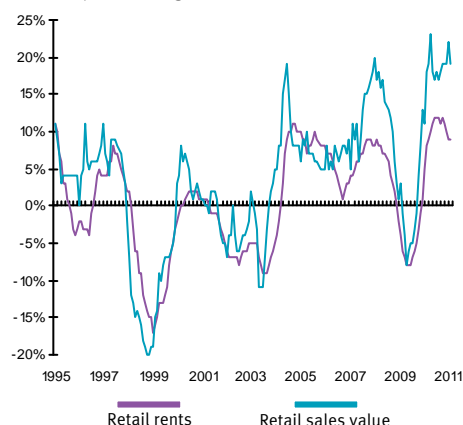
Visitor arrivals

The number of visitor arrivals to Hong Kong grew 2% year on year in February 2011. The number of Mainland visitors did not surge as in previous Februaries, but actually dipped 0.1% year on year. This was due to the fact that this year's Lunar New Year fell in early February, so the festival effect began in late January instead of in February as it usually does. The number of visitors from other parts of the world increased 6.9%, but visitors from the Mainland remained dominant, comprising 68.7% of total arrivals.

Figure 1

Retail rents and retail sales value

Year-on-year % change

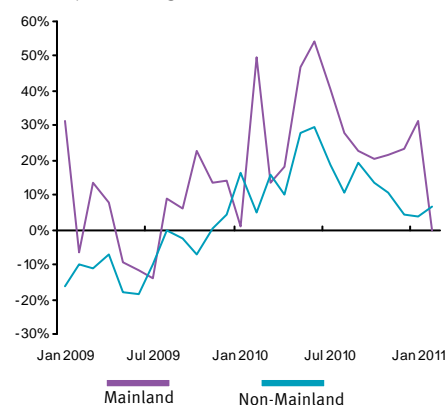


Source: Census and Statistics Department / Rating and Valuation Department / Knight Frank
Note: three-month moving average of year-on-year growth

Figure 2

Visitor arrivals

Year-on-year % change

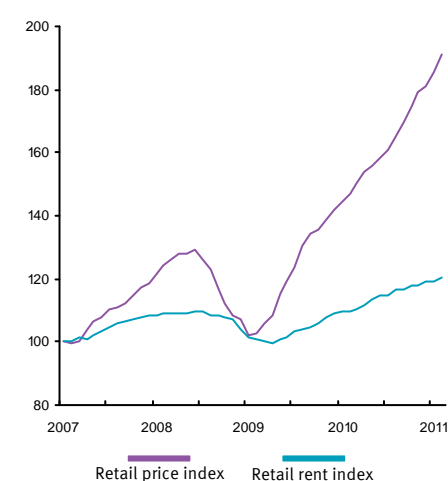


Source: Hong Kong Tourism Board / Knight Frank

Figure 3

Retail property prices and rents

Jan 2007 = 100



Source: Rating and Valuation Department / Knight Frank



Some commercial investors shifted their focus to non-core areas, due to rocketing shop prices in prime locations.

Table 1 Selected sales transactions in non-core areas					
District	Building	Floor / unit	Gross floor area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
North Point	Kin Yip Mansion	G/F / unit 3	313	\$24.8	\$79,233
Hung Hom	Golden Court	G/F / unit 4	170	\$9.8	\$57,647
Yuen Long	Kam Hei House	G/F / unit 5	137	\$6.3	\$45,985
Kwun Tong	Kwun Tong Plaza	1/F / unit 36	106	\$4.8	\$45,283
Sheung Wan	Hollywood Centre	G/F / unit 4	319	\$12.8	\$40,125
Source: Economic Property Research Centre Note: All transactions are subject to confirmation.					

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

Table 2 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)
Tsuen Wan	City Landmark	2/F / unit 76	376	\$60,800	\$161.7
Sai Kung	Kam Po Court	G/F / unit 6	245	\$38,000	\$155.1
Yuen Long	Fung Choy House	G/F / unit 2	385	\$54,000	\$140.3
Kwun Tong	Gee Chang House	G/F / unit B	820	\$115,000	\$140.2
Ma On Shan	Sunshine City Plaza	2/F / units 21-22	561	\$70,500	\$125.7
Source: Economic Property Research Centre Note: All transactions are subject to confirmation.					

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

Table 3 Movement of prime-street shop rents in March 2011 (from February 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
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Singapore
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Vietnam

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