



RETAIL RESEARCH

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HONG KONG RETAIL

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

Knight Frank 萊坊



SLOWER GROWTH IN RETAIL RENTS IN 2012

In the coming year, international retailers will continue to expand into Hong Kong's major shopping centres in non-core areas. Retail rents are expected to continue rising in 2012, albeit at a slower pace amid the risks of a worsening global economy.

Headlines

Sun Hung Kai Properties' (0016.HK) new shopping arcade V City, atop Tuen Mun MTR Station, is scheduled to open in the first quarter of 2013. The 300,000-sq-ft mall is expected to attract a daily pedestrian flow of over 100,000 visitors on opening, of which 20–30% is expected to comprise Mainland tourists. About 50% of shops in V City have been pre-leased, with monthly rents ranging from HK\$50 to HK\$280 per sq ft. Over 80% of the tenants will be establishing an outlet in Tuen Mun for the first time.

Many retailers have expanded into Tuen Mun amid increasing Mainland visitor spending in the district. H&M and Zara opened stores in tmtplaza earlier this year, while Emperor Watch & Jewellery (0887.HK) has pre-leased 4,000 sq ft of retail space in the mall.

Apple (AAPL.US) has reportedly leased a 15,000-sq-ft store in Festival Walk, Kowloon Tong, for a monthly rent of HK\$3.75 million or HK\$250 per sq ft. This follows the opening of their first Hong Kong store in ifc mall and the pre-leasing of shops in Hysan Place, Causeway Bay and Toy House, Tsim Sha Tsui. The firm reportedly plans to open a 20,000-sq-ft store in Hysan Place in the third quarter of 2012.

A number of major sales transactions worth over HK\$100 million were recorded last month. The Urban Renewal Authority bought a basket of retail properties in Yue Man Square, Kwun Tong for HK\$177 million, as part of its Kwun Tong Town Centre redevelopment project. Meanwhile, units

8A–8C and 19–30D on the first floor of Tropicana Gardens in Wong Tai Sin, totaling 29,000 sq ft, were sold for HK\$170 million or HK\$5,862 per sq ft.

Stanley Plaza in Stanley reopened in November after a HK\$230-million renovation by the Link Reit (0823.HK), increasing its number of tenants from 27 to 45. It is the first mall in Hong Kong to allow pets.

Meanwhile, Sun Hung Kai Properties has started to renovate Grand Century Place in Mong Kok at an investment of about HK\$400 million. The enhancement, anticipated to be completed by the third quarter of 2014, aims to increase customer flow and spending by 10–12%.

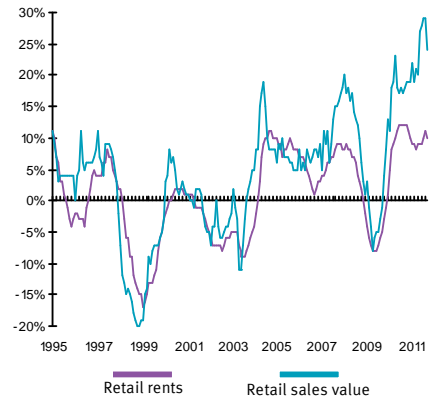
Retail sales

Hong Kong's retail sales value increased for the 25th consecutive month in September 2011, 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

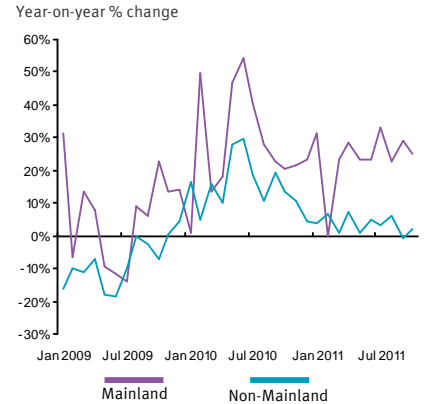
The number of visitor arrivals to Hong Kong in October 2011 grew 16.4% year on year, to reach 3.4 million. The number of Mainland visitors—comprising 67.0% of total arrivals—surged 24.9% to 2.5 million, while visitors from other parts of the world grew 2.3% to 1.3 million.

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



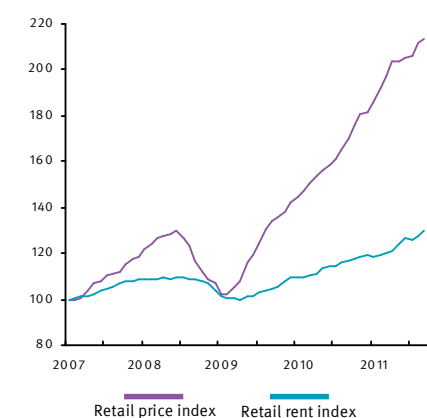
Source: Census and Statistics Department / Rating and Valuation Department / Knight Frank
Note: three-month moving average of year-on-year growth

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



Over the past few months, a number of major retail sales transactions with prices over HK\$30,000 per sq ft were recorded in non-core areas.

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	Wah Lai Mansion	Ground floor / unit 8	270	\$9.5	\$35,185
Hung Hom	Polly Court	Ground floor / unit 3	252	\$7.868	\$31,222
Yuen Long	Tung Sing Building	Ground floor / unit E	355	\$9.6	\$27,042
Tai Kok Tsui	Charming Garden Arcade	Ground floor / unit 56	336	\$8.35	\$24,851
Cheung Sha Wan	Shun Lee Commercial Building	Ground floor / unit A	1,035	\$25	\$24,155

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

Hang Seng Bank leased a ground-floor unit in Yiu Po Mansion, Tai Wai for HK\$300,000 or HK\$211.3 per sq ft.

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 nd floor / unit 37	154	\$54,625	\$354.7
Kwun Tong	Kin Tak House	Ground floor / unit L	525	\$123,000	\$234.3
Kwun Tong	On Ning Building	Ground floor / unit C	460	\$103,500	\$225.0
Tai Wai	Yiu Po Mansion	Ground floor / unit 5	1,420	\$300,000	\$211.3
Yau Ma Tei	Alhambra Building	Ground floor / unit 14	380	\$80,000	\$210.5

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

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

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