

RETAIL RESEARCH



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HONG KONG RETAIL

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

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RETAIL PRICE INDEX HITS RECORD HIGH

According to the Rating and Valuation Department, the retail property price index hit a record high in January 2011. Rocketing shop prices have dragged down retail property yields to 3.1% in the month, a historical low since there were records in 1987.

Headlines

During the four-day Chinese New Year holiday, pedestrian flow at Times Square in Causeway Bay reached 150,000–160,000—a rise of 10% compared with the same period last year. The average business volume rose by over 20%, with half of customers coming from the Mainland. Currently, rents at Times Square range from HK\$50–500 per sq ft (based on lettable floor area). They are expected to increase 22–25% this year, similar to last year's rise.

The Lai Sun Group plans to invest HK\$3 million renovating Phase II of Causeway Bay Square. The basement and the first floor shopping section will be refurbished in 2011 and the tenant mix will be restructured to introduce large-scale food and beverage tenants to attract Mainland travelers. Currently, the basement features a game centre, the lease of which will expire in two years, after which the landlord intends to rent it to the watch and jewellery sector. At present, monthly rents in Percival Street in Causeway Bay are as high as HK\$200–300 per sq ft (gross) and the Causeway Bay Square basement is expected to reap a rent at the same level.

A 700-sq-ft store in Lee Garden Road in Causeway Bay was reportedly rented for HK\$1.43 million per month or HK\$2,043 per sq ft (gross)—a per sq ft record for Hong Kong. However, the record was only held for one week, beaten by a watch and jewellery company that reportedly rented a 500-sq-ft store in nearby Russell Street at a monthly rent of HK\$1.4 million or HK\$2,800 per sq ft (gross). Currently, five of the top ten retail stores reaping the

highest rents in Hong Kong are leased by watch and jewellery companies, reflecting the strong rental affordability of the industry.

A number of major sales transactions worth over HK\$100 million were recorded last month. A 22,000-sq-ft unit on the ground and first floors of Prat Mansions in Tsim Sha Tsui reportedly changed hands for HK\$100 million or HK\$4,545 per sq ft (gross). The shop is currently leased by a restaurant at a monthly rent of HK\$350,000, representing a yield of 4.2%.

Apple will open its first Hong Kong store in Central's ifc mall by the end of this year. The multinational firm reportedly signed a ten-year lease on a 15,000-sq-ft store, at a monthly rent of HK\$250–300 per sq ft (lettable) and will spend US\$20 million on the fit-out. Apple also plans to open a 20,000-sq-ft store in Hysan Place in Causeway Bay, now under construction, in the third quarter of 2012.

Retail sales

In January 2011, Hong Kong's retail sales value increased for the 17th consecutive month, rising 28.2% year on year.

Visitor arrivals

The number of visitor arrivals to Hong Kong jumped 21.5% year on year in January 2011. Visitors from the Mainland, comprising 69.6% of the total arrivals, remained dominant. The number of Mainland visitors surged 31.2%, while the number of visitors from other parts of the world increased 4.0%.

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

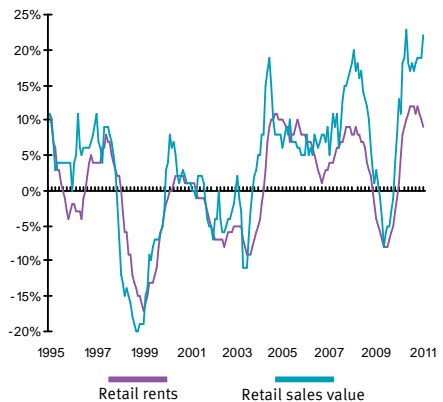


Figure 2
Visitor arrivals
Year-on-year % change

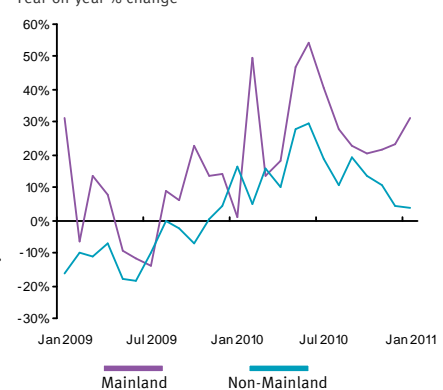
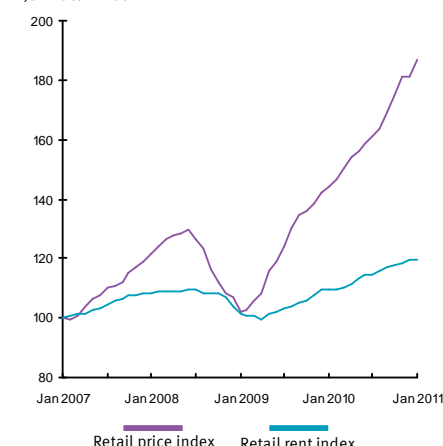


Figure 3
Retail property prices and rents
Jan 2007 = 100





Mong Kok recorded robust retail property sales activity, with a number of major transactions being concluded.

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)
Mong Kok	Sincere Plaza	G/F / unit G12	93	\$17.46	\$187,742
Mong Kok	Sincere Plaza	G/F / unit G98	95	\$12.38	\$130,316
Tsim Sha Tsui	Bowring Centre	G/F / unit 25	62	\$5.38	\$86,774
Mong Kok	Kam Ming Court	G/F / unit A	145	\$11.5	\$79,310
Causeway Bay	Guangdong Tour Centre	G/F / unit 1C	366	\$24	\$65,574
Source: Economic Property Research Centre Note: All transactions are subject to confirmation.					

A number of major leasing transactions were recorded in Causeway Bay and Tsim Sha Tsui.

Table 2 Selected leasing transactions in core areas					
District	Building	Floor / unit	Floor area (sq ft)	Monthly Rent (HK\$)	Monthly Rent (HK\$ per sq ft)
Causeway Bay	Po Foo Building	G/F / unit I	413 (S)	\$250,000	\$605.3
Tsim Sha Tsui	Winston Mansion	G/F / unit A	325 (S)	\$70,000	\$215.4
Causeway Bay	Leigyinn Building	G/F / unit 58	1,109 (S)	\$150,000	\$135.3
Causeway Bay	Leigyinn Building	G/F / unit 60	1,084 (S)	\$140,000	\$129.2
Tsim Sha Tsui	Rise Commercial Building	G/F / unit 8	503 (G)	\$62,000	\$123.3
Source: Economic Property Research Centre Note: All transactions are subject to confirmation. G = Gross floor area; S = Saleable floor area					

In February 2011, all major retail districts saw month-on-month rent growth.

Table 3 Movement of prime-street shop rents in February 2011 (from January 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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