

RETAIL RESEARCH



September 2010

# HONG KONG RETAIL

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

**Knight Frank 萊坊**



# RETAIL DEMAND GROWING STRONG

**Retail demand from both local residents and visitors has remained strong. Keen competition by retailers for prime retail space pushed rents up even further. Historically low interest rates and robust rental growth have further boosted investor appetite for retail properties.**

## Monthly Headlines

International brands continue to enter Hong Kong. Monki from Sweden—a member of the H&M family—will open its first store outside Europe in Langham Place, Mong Kok, covering an area of 23,000 sq ft. Meanwhile, American fashion brand Forever 21 will open its first Hong Kong outlet in 2011. It will spend HK\$11 million or HK\$215 per sq ft a month on five storeys totalling over 50,000 sq ft in Capitol Centre in Causeway Bay—doubling the rent of its previous lease.

Established fashion retailers have also been competing for prime space in Causeway Bay. Local brand I.T signed a 30,000-sq-ft, three-storey shop at One Hysan Avenue with a monthly rent of HK\$1.8 million or HK\$60 per sq ft—an increase of 80% from the previous lease by Jade Garden Chinese Restaurant. Meanwhile, Bossini expanded its presence in the district by leasing a 3,700-sq-ft, ground-to-first floor space in Chee On Building for HK\$600,000 or HK\$160 per sq ft—a rent 50% higher than its previous lease.

A new price-high was recorded for a shop transaction in Central. A 205-sq-ft, ground-floor shop in Wheelock House reportedly changed hands for HK\$43.28 million or HK\$211,100 per sq ft—the first time a Central shop has fetched over HK\$200,000 per sq ft. The shop is leased to a money exchange store at a monthly rent of HK\$105,000, representing a yield of 2.9%.

Tuen Mun Town Plaza is undergoing its first stage of revitalisation, scheduled for

completion mid 2011. Six international brands will enter the centre, taking up over 68,000 sq ft of space, while local home-appliance brand DSC will open a flagship store covering 100,000 sq ft.

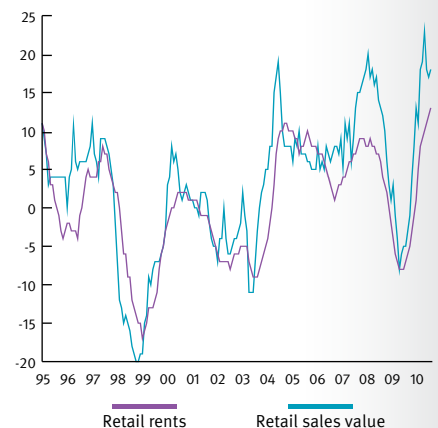
## Retail Sales

Retail sales volume increased for the 11th consecutive month, rising by another 16.0% year on year in July 2010. Taking the first seven months of 2010 together, total retail sales volume increased by 14.9%. Improved job and income prospects, combined with robust inbound tourism, should continue to bolster retail business in the near term.

## Visitor arrivals

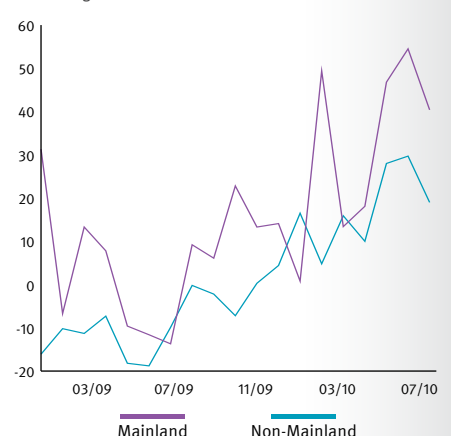
By July 2010, the number of visitor arrivals to Hong Kong had increased for 12 months in a row. The figure jumped another 31.9% year on year in July, exceeding the three-million mark for the first time since December 2009. Mainland visitors remained dominant, comprising 64.1% of the total visitors to Hong Kong. Following 11 months of continuous growth, the number of Mainland visitors surged another 40.4%, while visitors from other parts of the world gained 19.0%, marking the ninth consecutive month of gain.

Figure 1  
Retail rents and retail sales value  
YoY change %



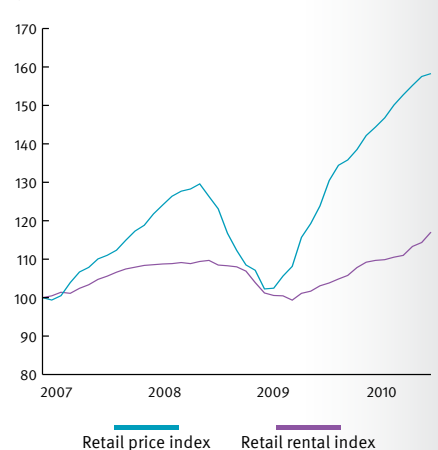
Source: Census and Statistic Department / Rating and Valuation Department / Knight Frank  
Note: Three-month moving average of year-on-year growth.

Figure 2  
Visitor arrivals  
YoY change %



Source: Hong Kong Tourism Board / Knight Frank

Figure 3  
Retail property prices and rentals  
Jan 2007 = 100



Source: Rating and Valuation Department



Government measures to cool the residential market pushed some investors to the retail sector.

Table 1  
Selected sales transactions

District	Building	Floor / Unit	Gross floor area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
Causeway Bay	Fortune Centre	G/F / units 1-2	488	\$299.5	\$613,730
Mong Kok	Yuen King Building	G/F / unit 36	600	\$185	\$308,333
Central	Tak Woo House	G/F / units 1-1A	1,500	\$139.18	\$92,787
Mong Kok	Allied Plaza	G/F / unit 27	394	\$33.5	\$85,025
Mong Kok	Sincere Plaza	G/F / unit G99	81	\$6.88	\$84,938
Tsim Sha Tsui	National Court	G/F / units 3-5	1,800	\$145	\$80,556

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

Shops in major shopping centres remained sought after on the back of strong retail demand.

Table 2  
Selected leasing transactions

District	Building	Floor / Unit	Net floor area (sq ft)	Rent (HK\$ / mth)	Rent (HK\$ / per sq ft)
Tsuen Wan	City Landmark	2/F / unit 16	57	\$20,000	\$350.9
Tsuen Wan	City Landmark	2/F / unit 29	219	\$70,000	\$319.6
Tsim Sha Tsui	Ashley Mansion	G/F / unit C	464	\$88,000	\$189.7
Tuen Mun	Trend Plaza North Wing	L1 / unit 3	206	\$53,000	\$257.3
Tsuen Wan	City Landmark	1/F / unit 43A	88	\$18,000	\$204.5
Ma On Shan	Sunshine City Plaza	2/F / unit 94	211	\$39,295	\$186.2

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

In August 2010, most major retail districts saw month-on-month rent growth.

Table 3  
Prime street shop rent movement in August 2010 (from July 2010)

	Central	Causeway Bay	Tsim Sha Tsui	Mong Kok
Rental movement				

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## Americas

Bermuda  
Brazil  
Canada  
Caribbean  
Chile  
USA

## Australasia

Australia  
New Zealand

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Germany  
Hungary  
Ireland  
Italy  
Monaco  
Poland  
Portugal  
Romania  
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The Netherlands  
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Ukraine

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