

Investors continue to buy into Hong Kong's retail recovery

Office

- Net take-up in the overall market amounted to 68,800 sq ft in November, led by strong demand from PRC occupiers. Ping An Bank reportedly leased 13,900 sq ft at One Exchange Square, expanding from offices in Bank of America Tower while Pacific International Capital established their first office in the city, leasing 9,700 sq ft at K11 Atelier in Tsimshatsui.
- In Central, in-house expansion requirements from banking and financial services firms anchored leasing demand, accounting for 53% of all new lettings. Among the more notable transactions, LGT group reportedly expanded by 27,800 sq ft at Two Exchange Square.
- Central rents advanced by 0.3% m-o-m against a tight vacancy environment. The uplift in rents was supported by growth in the Grade A3 segment of the market, which edged up by 0.6% m-o-m. Meanwhile, rents in Kowloon East rose for the second consecutive month, advancing by 0.4% m-o-m on the back of tight vacancy within the Millennium City portfolio.
- Strong investment sentiment spread to strata-titled offices in decentralised office locations. Hima Prime Limited reportedly sold a small office unit at One Island South in Wong Chuk Hang to Silver Tree Investment Company Limited for HKD 115.7 million or HKD 18,551 per sq ft, setting a new record for the district, in terms of unit price.

71.7	0.3%	68,800
Average Monthly Rent	Rent Growth	Net Absorption
(Nov 17, HKD per sq ft)	(Nov 17, m-o-m)	(Nov 17, sq ft)

Source: JLL

Residential

- Monthly home sales rose 7.7% m-o-m to 5,694 in October, according to November-released data.
- Mass residential capital values rose by 1.2% m-o-m in November, boosted by a 14.1% m-o-m increase in secondary home sales.
- New launches were generally well-received, with over 90% of the launched units (451 units) at 'Cullinan West II' atop Nam Cheong MTR Station—developed by Sun Hung Kai Properties—sold within two weeks. Meanwhile, over 70% of the units launched (59 units) at '80 Maidstone Road' in To Kwa Wan—developed by Fame Top Investment Limited—were sold during the month.
- Two apartment units at 'Mount Nicholson Phase III' on the Peak changed hands for HKD 1.17 billion or HKD 132,071 per sq ft, SA, setting a record high for apartments in Asia, in terms of unit price.
- A consortium comprising Sino Land, Shimao Property, Wheelock Properties, K Wah International and SEA Holdings outbid ten contenders to win the public land sale tender for a residential site in Cheung Sha Wan (NKIL 6549) for a record-breaking HKD 17.3 billion (A.V. HKD 17,501 per sq ft).

53.8	5,694	1,416	4,278	1.2%
Total Residential S&P Value	Total Residential S&P Volume	Primary S&P Volume	Secondary S&P Volume	Mass Capital Value Growth
(Nov 17, HKD B)	(Nov 17)	(Nov 17)	(Nov 17)	(Nov 17, m-o-m)

Source: Land Registry, JLL



Grade A Office Vacancy (end-Nov 17)

Overall	4.8%
Central	1.9%
Wanchai / Causeway Bay	2.1%
Hong Kong East	4.0%
Tsimshatsui	3.0%
Kowloon East	10.9%

Source: JLL



Major Office Leasing Transactions Nov 2017

Property	Monthly Rental (HKD per sq ft)	Area (sq ft)
One Exchange Square (high zone)	High 130s (N)	13,900 (N)
K-11 Atelier (mid zone)	Low 80s (G)	12,400 (G)
Berkshire House (mid zone)	High 30s (L)	13,100 (L)

Source: Market Sources



Major Residential Sales Transactions Nov 2017

Property	Price (HKD)	Unit Rate (HKD per sq ft)
Mount Nicholson Phase III (Units 12C, D)	1,165.0 M	132,071 (SA)
Kadooria (G/F)	167.2 M	69,667 (SA)
50 Stanley Village Road (Unit 10)	145.5 M	53,394 (SA)

Sources: EPRC, SRPE, Market Sources

Retail

- Bolstered by the ‘Super Golden Week’ holidays, during which the National Day coincided with Mid-Autumn Festival, mainland visitor arrivals surged by 8.3% y-o-y in October, lifting total visitor arrivals up 6.6% y-o-y. Overnight mainland visitors increased 10.0% y-o-y over the same period, accounting for 42% of total mainland visitor arrivals.
- Retail sales grew by 3.9% y-o-y in October, with the sales of Medicines and Cosmetics posting the strongest growth followed by the sales of Watches and Jewellery, up 10.0% y-o-y and 8.4% y-o-y, respectively.
- Mercedes-Benz leased a two-storey street shop (about 5,900 sq ft) for their showroom and restaurant at Manning House in Central reportedly for a monthly rent of HKD 1.5 million, paying 40% less than the outgoing tenant, Omega.
- Link REIT sold 17 retail centres in non-core areas (about 1.2 million sq ft, IFA), along with 8,249 car-parking spaces, for a total consideration of HKD 23 billion to a consortium led by GAW Capital Partners, with estimated initial yields ranging from 2.3% to 3.2%.



Key Economic Indicators

GDP Real Growth (3Q17, y-o-y)	3.6%
Unemployment Rate (Aug 17-Oct 17)	3.0%
Consumer Price Index (Oct 17)	1.5%
Hang Seng Index (end-Nov 17)	29,177 pts
HSBC Best Lending Rate (Nov 17)	5.0%

Sources: Census and Statistics Department, HSI Company Limited, HSBC

6.6%	8.3%	3.9%
Visitor Arrivals (Oct 17, y-o-y)	PRC Visitor Arrivals (Oct 17, y-o-y)	Retail Sales (Oct 17, y-o-y)

Source: Hong Kong Tourism Board, Census and Statistics Department

Industrial

- Despite weaker merchandise trade with the US, the value of total exports and imports increased 6.7% y-o-y and 7.9% y-o-y, respectively, in October on the back of strong demand from Asia Pacific.
- Growth in airfreight cargo movement slowed to 2.4% y-o-y while container throughput fell 1.4% y-o-y in October, with throughput at the Kwai Tsing terminals recording negative growth for the first time since August 2016.
- Notable new lettings in the prime warehouse market included OM Logistics expanding in-house 53,000 sq ft at Western Plaza in Tuen Mun and S&C Furniture leasing a whole floor (28,500 sq ft) at Tuen Mun Distribution Centre.
- No industrial buildings were sold en-bloc in November. Still, a handful of whole-floor transactions were recorded. After acquiring two floors at Zung Fu Industrial Building in Quarry Bay last year, Lead Harvest Group purchased another floor in the same building for HKD 219 million.
- As part of their redevelopment plan for Amoycan Industrial Centre in Kowloon Bay—damaged by a fire last year, Hang Lung Properties acquired ground floor in the building for HKD 518 million.

“The record amount paid for Link REIT’s assets reflects the positive outlook held by investors on Hong Kong’s retail property market.”

7.9%	6.7%	2.4%	-1.4%	7.3%
Imports (Oct 17, y-o-y)	Exports (Oct 17, y-o-y)	Air Freight Cargo (Oct 17, y-o-y)	Container Throughput (Oct 17, y-o-y)	Aggregate Trade (Oct 17, y-o-y)

Source: Census and Statistics Department

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