

## PRC co-working operators continue to move into the Hong Kong office market

### Office

- Leasing activity in the overall market picked up in May, with net absorption in the overall market amounting to 153,400 sq ft. Demand was mainly focused on new and upcoming Grade A offices, accounting for about 48% of all new lettings, in terms of floor area. At One Hennessy, a new Grade A office being built in Wanchai, Shanghai Pudong Development Bank reportedly leased eight floors (85,400 sq ft) to accommodate their expansion plan while KR Space, a Beijing based co-working operator, leased seven floors (72,300 sq ft) for their first centre in Hong Kong. KR Space is also reportedly negotiating additional locations around the city.
- The decentralisation of the legal sector continues with two more law firms making the decision to move to Quarry Bay, leasing a total of 36,400 sq ft at One Taikoo Place. Still, others remained committed to Central with one law firm leasing 27,800 sq ft in the Hongkong Land portfolio to accommodate expansion plans.
- Supported by an active leasing market and tight vacancy environment, rents advanced by 0.7% m-o-m in the overall market. Central led the way with rents growing at their fastest pace in 15 months, up 1.0% m-o-m as the vacancy rate slipped back below 1.5%.
- According to market sources, CSI Properties acquired Everest Building in Jordan for HKD 2.0 billion (HKD 32,896 per sq ft) and was part of a consortium of buyers involved in the acquisition of Octa Tower in Kowloon Bay for HKD 8.0 billion (HKD 10,738 per sq ft) via equity transfer.

<b>73.2</b>	<b>0.7%</b>	<b>153,400</b>
<b>Average Monthly Rent</b>	<b>Rent Growth</b>	<b>Net Absorption</b>
(May 18, HKD per sq ft)	(May 18, m-o-m)	(May 18, sq ft)

Source: JLL

### Residential

- With fewer primary launches, monthly home sales dropped by 16.9% m-o-m to 5,522 in April according to May-released data. Nevertheless, market sentiment remained upbeat, with close to all of the 303 units launched at 'Mount Regency' in Tuen Mun, a project developed by Sun Hung Kai Properties, being sold within a one month period.
- Mass residential capital values grew by 1.0% m-o-m in May, compared to 2.0% m-o-m recorded in April.
- Among notable transactions in the market, a house together with two car parking spaces at 'Le Cap' in Kau To, Sha Tin changed hands for HKD 165.6 million or HKD 50,396 per sq ft, SA. Both the lump sum and unit price set new record highs for the area.
- Sun Hung Kai Properties has been awarded the government land sale tender for a residential development site (NKIL 6568) in Kai Tak for HKD 25.16 billion, a record high for a development site sold via government land sales. The A.V. of HKD 17,776 per sq ft was 41% higher than the amount KWG Property and Longfor Properties paid for another Kai Tak site (NKIL 6567) a year ago.

<b>52.2</b>	<b>5,522</b>	<b>756</b>	<b>4,766</b>	<b>1.0%</b>
<b>Total Residential S&amp;P Value</b>	<b>Total Residential S&amp;P Volume</b>	<b>Primary S&amp;P Volume</b>	<b>Secondary S&amp;P Volume</b>	<b>Mass Capital Value Growth</b>
(May 18, HKD B)	(May 18)	(May 18)	(May 18)	(May 18, m-o-m)

Source: Land Registry, JLL



### Grade A Office Vacancy (end-May 18)

Overall	<b>4.3%</b>
Central	<b>1.4%</b>
Wanchai / Causeway Bay	<b>2.3%</b>
Hong Kong East	<b>2.3%</b>
Tsimshatsui	<b>1.6%</b>
Kowloon East	<b>10.2%</b>

Source: JLL



### Major Office Leasing Transactions May 2018

Property	Monthly Rental (HKD per sq ft)	Area (sq ft)
One Hennessy (high zone)	<b>Low 100s</b> (L)	<b>98,100</b> (L)
One Hennessy (low zone)	<b>Low 80s</b> (L)	<b>83,100</b> (L)
Mapletree Bay Point (mid zone)	<b>Mid 30s</b> (G)	<b>71,900</b> (G)

Source: Market Sources



### Major Residential Sales Transactions May 2018

Property	Price (HKD)	Unit Rate (HKD per sq ft)
Eden Gate Tower 1 (12,15A)	<b>185.7</b> M	<b>60,734</b> (SA)
Le Cap (House 8)	<b>165.6</b> M	<b>50,396</b> (SA)
Cluny Park (5A)	<b>107</b> M	<b>45,336</b> (SA)

Sources: EPRC, SRPE, Market Sources

## Retail

- Boosted by China's 'Golden Week' holiday, which started in late April, total visitor arrivals rose 11.0% y-o-y during the month with mainland Chinese visitor arrivals up 15.2% y-o-y.
- Retail sales sustained double-digit growth in April, up 12.3% y-o-y, with the sales of watches and jewellery and the sales of medicines & cosmetics recording the strongest growth, up 24.7% y-o-y and 17.9% y-o-y respectively.
- Sportswear brand Foot Locker reportedly leased a four-storey mega shop (26,186 sq ft) at Yue Hwa International Building in Tsimshatsui for a monthly rent of HKD 2.5 million, paying 44% less than the previous tenant, ESPRIT.
- According to market sources, an elderly home operator sold the whole block of 60-68 Chik Chuen Street (14,284 sq ft) in Tai Wai for about HKD 200 million (HKD 14,000 per sq ft), realising a gain of about HKD 130 million over the course of ten years. The building plans of the development are approved for the use of residential care home for the elderly.



### Key Economic Indicators

GDP Real Growth (1Q18, y-o-y)	4.7%
Unemployment Rate (Feb 18-Apr 18)	2.8%
Consumer Price Index (Apr 18)	1.9%
Hang Seng Index (end-May 18)	30,469 pts
HSBC Best Lending Rate (May 18)	5.0%

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

11.0%	15.2%	12.3%
Visitor Arrivals (Apr 18, y-o-y)	PRC Visitor Arrivals (Apr 18, y-o-y)	Retail Sales (Apr 18, y-o-y)

Source: Hong Kong Tourism Board, Census and Statistics Department

## Industrial

- Sustained demand from China and the US contributed to the total value of imports and exports rising by 11.1% y-o-y and 8.1% y-o-y, respectively, in April. In terms of cargo handled, airfreight cargo volume was up 5.0% y-o-y but container throughput was down by 9.3% y-o-y.
- Power Logistics relocated its service centre to Kwai Tak Industrial Centre Block 1 (31,500 sq ft) in Kwai Chung to support expansion plans while Amos International, a leading marine supply, services and logistics provider, relocated to Merit Industrial Centre (11,900 sq ft) in To Kwa Wan.
- Local investor Tang Shing-bor has divested 70.1% of his ownership in three industrial properties (Gold Sun Industry Building and A Sun Plaza in Tuen Mun and Success Centre in Kwai Chung,) to Jiayuan International Group for just under HKD 2.35 billion (HKD 4,435 per sq ft).
- The government land sale tender for a logistics development site (TMTL 544) in Tuen Mun has been awarded to Goodman for about HKD 2.75 billion. According to market sources, Goodman plans to develop a high-quality logistics facility on the site.
- The tender for the development right to design, finance, construct and manage a logistics centre (maximum developable GFA of about 4 million sq ft) at Hong Kong International Airport has been awarded to a joint venture comprising Cainiao Network (the logistics arm of Alibaba Group), China National Aviation Corporation and YTO Express. The development right is granted by way of an agreement for sub-lease with the lease term runs through to 2047, whereby the development will be returned to the Airport Authority of Hong Kong without charge if the sub-lease is not extended.

*“The expansion of co-working operators is rapidly reducing tenant options.”*

11.1%	8.1%	5.0%	-9.3%	9.7%
Imports (Apr 18, y-o-y)	Exports (Apr 18, y-o-y)	Air Freight Cargo (Apr 18, y-o-y)	Container Throughput (Apr 18, y-o-y)	Aggregate Trade (Apr 18, y-o-y)

Source: Census and Statistics Department

## Authors



**Denis Ma**  
**Head of Research**  
 Hong Kong  
[denis.ma@ap.jll.com](mailto:denis.ma@ap.jll.com)  
 +852 2846 5135



**Ingrid Cheh**  
**Associate Director, Research**  
 Hong Kong  
[ingrid.cheh@ap.jll.com](mailto:ingrid.cheh@ap.jll.com)  
 +852 2846 5129

### JLL Hong Kong

6/F Three Pacific Place, 1 Queen's Road East, Hong Kong  
 tel +852 2846 5000 fax +852 2968 5520

jll.com.hk

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