

Hong Kong Property Market Monitor

Research Report

February 2015



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Grade A Office

- In spite of several large tracts of returning stock arising from lease expiries, the overall occupier market returned to growth in January. Net take-up amounted to 36,100 sq ft, led by growth in Kowloon East (84,300 sq ft). All other major office submarkets also expanded, albeit mildly.
- Growth in Kowloon East was underpinned by pre-sales at Billion Development's 56 Tsun Yip Street in Kwun Tong and the relocation of OOCL to three floors at One Harbour Square in Kwun Tong from Hong Kong East, ahead of the planned redevelopment of Swire Properties' techno-centres.
- Transaction volumes were padded by pre-sales at Billion Development's 3 On Kwan Street—an upcoming strata-titled Grade A office development—in Shek Mun. Three floors in the top zone of the building were sold for a total consideration of HKD 326.6 million; achieving unit prices in the range of HKD 7,170–7,270 per sq ft. Meanwhile, the adjacent site—STTL 412—was issued pre-sale consent in January.
- According to January released data, the Buildings Department approved a set of building plans for Swire Properties' redevelopment of Cornwall House and Warwick House in Quarry Bay into a 42-storey Grade A office building (982,759 sq ft, GFA) and for the development of 8-10 Wong Chuk Hang Road in Wong Chuk Hang into a 28-storey office building (382,495 sq ft, GFA).
- A 60:40 joint-venture between The Link REIT and Nan Fung outbid 10 other participants in the land sale tender of a commercial/office site in Kwun Tong (NKIL 6512), paying a land premium of HKD 5.86 billion. The A.V. of HKD 6,630 per sq ft exceeded the amount paid by Wheelock Properties for the adjacent site—currently being developed as One Bay East—in 2011 by 72%. The joint-venture intends to develop two Grade A office towers with retail components on the site for long-term investment purpose.

Grade A Office Vacancy Rates (end-January)

Overall	Central	Wanchai/ Causeway Bay	Hong Kong East	Tsimshatsui	Kowloon East
4.3%	3.7%	2.7%	1.2%	1.1%	7.1%

Key Economic Indicators

Real GDP Growth (3Q14, y-o-y)	2.7%
Unemployment (Oct-Dec 14)	3.3%
Consumer Price Index (Dec 14, y-o-y)	4.9%
Retail Sales Value (Dec14, y-o-y)	-3.9%
Visitor Arrivals (Dec 14, y-o-y)	8.5%
Aggregate Trade (Dec 14, y-o-y)	1.3%
Hang Seng Index (end-Jan 15)	24,507 pts
HSBC Best Lending Rate (end-Jan 15)	5.0%

Source: Census and Statistics Dept., Hong Kong Tourism Board, HSI Company Limited

Property Transactions (Jan)

Total S&P (Volume)	8,310
Total S&P (Value)	HKD 53.7 b
Residential S&P (Volume)	6,412
Residential S&P (Value)	HKD 43.2 b

Source: The Land Registry

Residential

- Sales activity picked up in December, with home sales rising by 6.7% m-o-m to 6,412, based on January statistics.
- Mass residential capital values increased by another 1.4% m-o-m in January.
- In the primary sales market, Sun Hung Kai Properties sold all 1,407 units of the first phase of Century Link—a mass residential project in Tung Chung—within one month of being launched.
- Ho Tung Gardens on The Peak was sold for HKD 5.10 billion (A.V. of HKD 82,258 per sq ft), a record high among all residential sites sold via private tender. The site reportedly will be redeveloped into about ten luxury houses.
- Two residential sites were sold via government public tender in January, for a combined HKD 1.15 billion.
- The MTRC awarded the tender for the sixth phase of Lohas Park—capable of producing 2,400 flats—to Nan Fung.

Retail

- Visitor arrivals slowed from 15.7% y-o-y in November to a single-digit growth in December, while visitors from Mainland China also moderated from 24.1% y-o-y to 13.2% y-o-y, over the same period.
- Dragged by a 16.3% y-o-y fall in the sales of jewellery and watches, retail sales growth reverted to a negative trend in December, bringing full year retail sales growth to -0.2%.
- The Body Shop renewed its lease on a ground floor shop (534 sq ft) on Great George Street in Causeway Bay for around HKD 1 million per month.
- According to market sources, the retail and car park portion of Choi Fai Estate (including a 1,045 sq ft shop and 93 car parking spaces) in Ngau Chi Wan has been sold for HKD 54.5 million. The owner originally purchased the property from The Link REIT for HKD 40.8 million in 3Q14.

Industrial

- January released data showed the total value of exports and imports growing by 0.6% y-o-y and 1.9% y-o-y, respectively, in December.
- Through 2014, aggregate trade grew by 3.6%, compared to 3.7% in 2013. Air-freight cargo continued to recover, up by 6.0%. Container throughput, however, retreated by 0.3%, making 2014 the third consecutive year with negative growth.
- Hankyu Hanshin and Cat Logistics each took up 46,800 sq ft at the newly completed SF Centre in Tsing Yi.
- Local retailer CEC expanded by 42,000 sq ft at Global Gateway to support its diversifying business in the city.
- Local property developer Soundwill purchased Chip Tak Weaving Factory Building in Kwai Chung for HKD 452.5 million (A.V. of HKD 2,381 per sq ft), reportedly with plans to redevelop the property into a modern industrial building.

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