Grade A Office

• Buoyed by take-up in Wanchai/Causeway Bay (36,500 sq ft) and Kowloon East (58,200 sq ft), the overall vacancy rate dropped to 2.8% in October, the lowest level since 2000.

• Central recorded its first net withdrawal, albeit marginal, for the year owing to a handful of sizable lease expiries returning space to the market. Leasing demand arose from smaller office requirements, including those from the hedge fund/private equity sector.

• Billion Development’s 3 On Kwan Street in Shek Mun was issued with its Occupation Permit in October. Over 95% of the units at the 161,000-sq ft building had been pre-sold, contributing to roughly half the net take-up recorded in the overall market (289,900 sq ft).

• Led by growth at the top end of the market, Central rentals grew by 1.1% m-o-m in October. Despite robust leasing demand, rents in Kowloon East remained largely unchanged as most landlords were cautious in raising rents given stiff competition with new supply.

• With investors shifting their interest to Central as rents recover, the primary sales market in Kowloon East remained quiet, prompting Billion Development—a developer usually focused on strata-titled sales—to lease unsold units at their newly completed office buildings. The Church of God in Hong Kong, for example, took up 18,500 sq ft (gross) at Billion Development’s Montery Plaza in Kwun Tong.

• In the land sale market, the government awarded a business site in Shek Mun (STTL 617) to Sun Hung Kai Properties for a total consideration of HKD 675.5 million. The A.V. of HKD 1.24 billion was snatched up for a combined HKD 1.24 billion.

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Residential

• October data show home sales slumping to a 19-month low in September, down 22.6% m-o-m and 46.7% y-o-y to 3,300 transactions.

• Mass residential capital values declined for the first time in 18 months, down 1.0% m-o-m in October.

• In the primary sales market, Henderson Land’s 448-unit residential project, Eltanin Square Mile in Mongkok, has cumulatively sold over 80% of the 280 units launched in mid-October.

• Illustrating sustained demand for ultra-luxury properties, the last two remaining houses for sale (out of seven) at Cheung Kong Property’s 28 Barker Road on The Peak were snapped up for a combined HKD 1.24 billion.

• The government withdrew the land sale tender for a development site in Tsing Yi (TYTL 190), due to the reserve price not being met by all nine bids received.

Retail

• Latest government data show a 7.2% y-o-y decrease in per capita Mainland visitor shopping spending in 1H15 to HKD 3,807, dragged down by a 7.0% y-o-y drop in overnight visitor spending to HKD 5,895 per capita.

• Retail sales continued to fall in September, led by a 22.9% y-o-y decline in sales of jewellery and watches. Yet, restaurant receipts still rose 4.5% y-o-y.

• A 1,300-sq ft shop on the G/F & CL/F at 59 Percival Street in Causeway Bay was sold for HKD 52.8 million (HKD 71,385 per sq ft). The shop had been vacant for over two years, and according to market sources, the sale price was about 30% lower than the previous asking price.

• A local bank leased a 6,350-sq ft shop at 2-6 Yee Wo Street in Causeway Bay for HKD 800,000 per month, 33% less than the previous rent paid by telecommunications provider, One2Free.

Industrial

• Weakness in global trade markets saw the value of exports and imports fall 4.6% y-o-y and 7.6% y-o-y, respectively, in September, according to data released in October.

• Airfreight cargo rebounded 1.1% y-o-y following six months of contraction, while container throughput continued to retreat, down 6.7% y-o-y, in September.

• US 3PL operator JSI Logistics leased two floors at Goodman Shatin Logistics Centre in Shatin to facilitate expansion plans.

• E-commerce operator Baozun expanded in-house, leasing an additional floor at Kerry Warehouse (Shatin).

• A local investor reportedly acquired the whole of Kader Industrial Centre in Fanling for HKD 715.0 million (HKD 3,533 per sq ft), the highest unit price for industrial buildings in North New Territories.