

Hong Kong Property Market **Monthly Digest**

Vigers Research | December 2019



LAND SALES RESULTS

Lot No.	Location	Usage	Site Area (sq ft)	GFA (sq ft)	Price (HK\$M)	A.V. (HK\$ psf)	Winner(s) / Remark
IL 9076	135 Tai Hang Road, Hong Kong	Residential	42,948	128,844	3,200	24,836	CITIC Pacific Limited

Sources: Lands Department and Vigers Research

UPCOMING TENDER PROJECTS

Lot No.	Location	Usage	Site Area (sq ft)	GFA (sq ft)	Tender closing date
TMTL 518	Castle Peak Road - Castle Peak Bay, Area 48, Tuen Mun, New Territories	Residential	145,722	582,887	10 January 2020

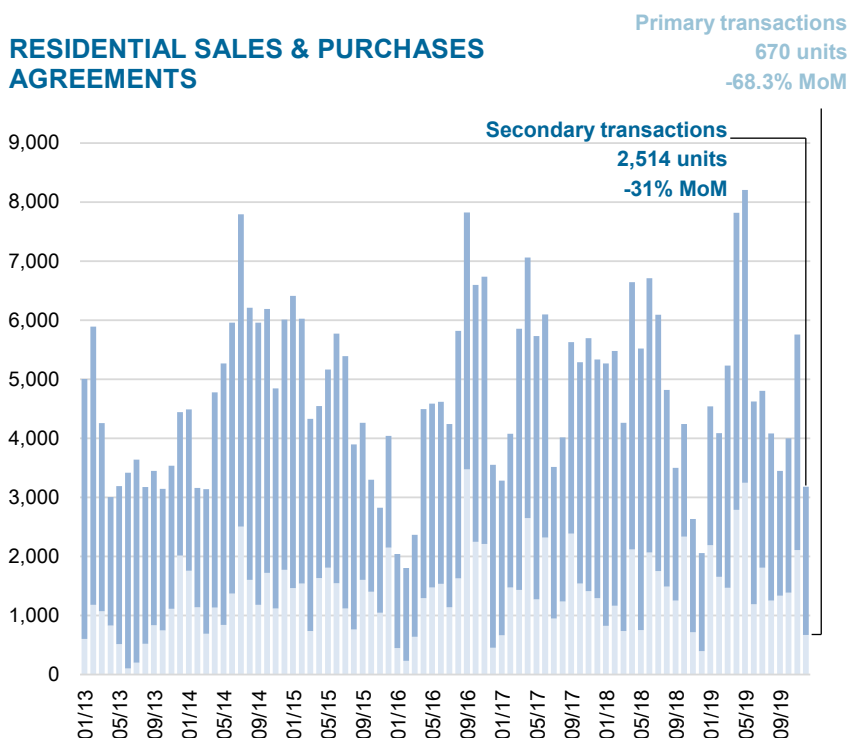
Sources: Lands Department, market information and Vigers Research

KEY ECONOMIC INDICATORS

Indicator		Q2/19	Q3/19	Q4/19	Latest	(Period)
Real GDP growth (in chained 2017 dollars)	(% change y-o-y)	+0.4	-2.8	-2.9	-2.9	(Q4/2019)
Consumer price index	(% change y-o-y)	+3.3	+3.2	+2.9	+2.9	(Dec)
Unemployment rate (seasonally adjusted)	(%)	2.8	2.9	3.3	3.3	(Oct-Dec)
Retail sales (value)	(% change y-o-y)	-6.7	-18.2	-19.4	-19.4	(Dec)
Value of import goods	(% change y-o-y)	-7.5	-10.3	-1.9	-1.9	(Dec)

Sources: Census & Statistics Department and Vigers Research

RESIDENTIAL SALES & PURCHASES AGREEMENTS



Sources: The Land Registry and Vigers Research

RESIDENTIAL PROPERTY Mass & Luxury

In the face of the persistent social tension, the city's residential market witnessed a weak appetite in the traditional festive season. A total of 3,184 residential transactions were recorded, down 44.7% m-o-m and reached a year-low. While schedule of new launches were interrupted, the primary market suffered significantly, accounting for 670 cases only. Despite the vast appreciation of the mortgage cap relaxation in the market, the related loan market was merely underpinned. A total of 6,390 cases of mortgage on completed properties were recorded, down 13.6% m-o-m to an eight-month low level.

Both the overall private domestic price and rental indexes experienced a drop in December, whilst the downward pressure on luxury sector were relatively higher. Among which, the price index of Class D and E dipped 2.5% m-o-m to 314.4, as some owners tended to accelerate pace of transactions by offering price slashes.

Regarding the land sales, the high-profile site located at 135 Tai Hang Road, Mid-Levels East, has been awarded to CITIC Pacific Limited for HKD 3.2 billion. Despite the bidders' active responds, the transacted price was conservative, meeting the market median expectation. The plot can yield a maximum GFA of 128,800 sq ft and about 130 flats. The company showed optimism over the development, while the respective units are expected to sell at above HKD 50,000 per sq ft upon completion.

The government constantly proposed various adaptive measures against the housing shortage problem in the city. In respect to the government latest long-term housing strategy annual report announced in mid-December, the target for latent housing supply in the next decade (i.e. FY 2020/21-2029/30) is revised to be about 430,000 units, dropped 20,000 units from last year's mark of 450,000 units. The highlighted land reclamation and resumption plans are, yet, still under hot debate. While the number of private housing completion met only 67% of the estimated level in 2019, housing supply and affordability should remain the biggest concern in the near future.

SELECTED RESIDENTIAL PROPERTY SALES TRANSACTIONS

LUXURY RESIDENTIAL	District	SA (sq ft)	Price (HK\$M)	Price (HK\$ psf)
Adjacent Units A & B, High-Floor, Tower 6, Phase 1, Residence Bel-Air	Pok Fu Lam	2,608	115	44,095
Unit B, High-Floor, 15 Homantin Hill	Ho Man Tin	1,496	80	53,476
Duplex Unit, High-Floor, Tower 2, Elegant Terracet	Mid-Levels West	2,136	63.6	29,775
Unit A, Mid-Floor, 15 Homantin Hill (with a parking space)	Ho Man Tin	1,760	58.8	33,409
VILLA	District	SA (sq ft)	Price (HK\$M)	Price (HK\$ psf)
Odd No. House, No. 28 Barker Road (with a rooftop & a private pool)	The Peak	4,270	580	135,831
Jasmine Avenue Villa 8, Crown of St Barths	Ma On Shan	2,151	57.836	26,888
Odd No. House, Marina Cove (with a garden, a boat dock and two parking spaces)	Sai Kung	1,945	40	20,566

Sources: The Land Registry, market information and Vigers Research

COMMERCIAL PROPERTY Office Market

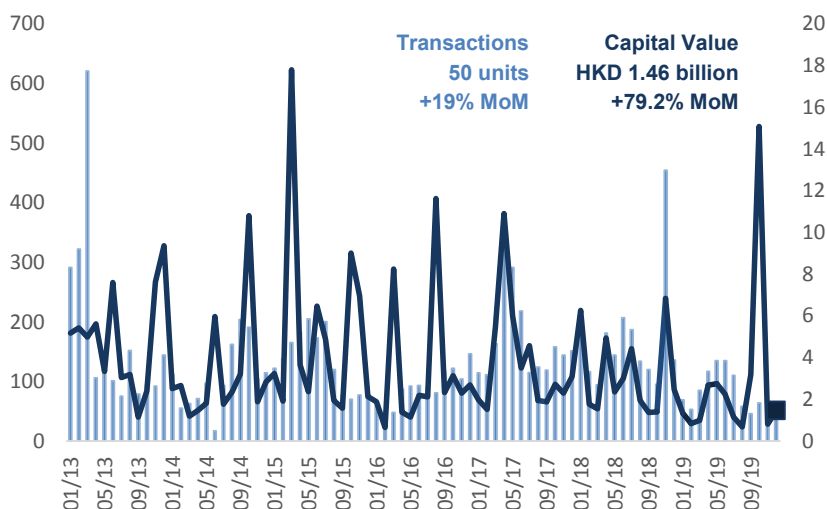
The commercial market remained subdued in December, while the figures reflected a mild rebound. According to market statistics, 50 transactions and a consideration of HKD 1.46 billion were recorded in the office sector, lifted up by 19% and 79.2% m-o-m, respectively. Single noteworthy transaction supported the market. Of which, the entire 40,460-sq-ft office floor of Enterprise Square, a mega Grade-A complex in Kowloon Bay, was transacted at HKD 305 million. The price broke the record of office (entire floor) transactions this year.

Office rents wavered generally in accordance to the challenging economic outlook. In particular, average Grade-A rent in central commercial districts experienced a dip in the month. A 3,778-sq-ft office floor at Bank of America Tower, Central was leased at a 46% discount compared to the owner's original asking price. The reported monthly unit rent hit the property's three-year low record at HKD 59 per sq ft. In contrast, according to the Rating and Valuation Department, rents in new business hubs, for instance North Point and Kowloon Bay area, stayed resilient with the provision of cost-efficient office space, attracting prominent tenants to stay. One example is the renewal of a lease by the Bank of America of its 117,000-sq-ft office at Kowloon Commerce Centre, Kwai Chung for HKD 3.434 million per month or HKD 29 per sq ft.

While decentralisation is still popular among the office market, new option is available in sub-CBD quarters like the Island East. Located in Fortress Hill, the Grade-A office Harbour East is scheduled to open next month, with the asking unit rent ranging from around HKD 50 to HKD 60 per sq ft. Looking forward, as the Sino-US 'Phase One' agreement and Brexit are officially arranged, a gradual global economic recovery is anticipated. The rental level is, yet, expected to stay tight amid the rising office supply from new projects and revitalisation scheme, coupled with the cautious business approach by companies.

OFFICE PROPERTY SALES AND CAPITAL VALUE

Unit: Number of transactions (Left), Capital value (HKD billion, Right)



Sources: The Land Registry and Vigers Research

SELECTED OFFICE PROPERTY TRANSACTIONS

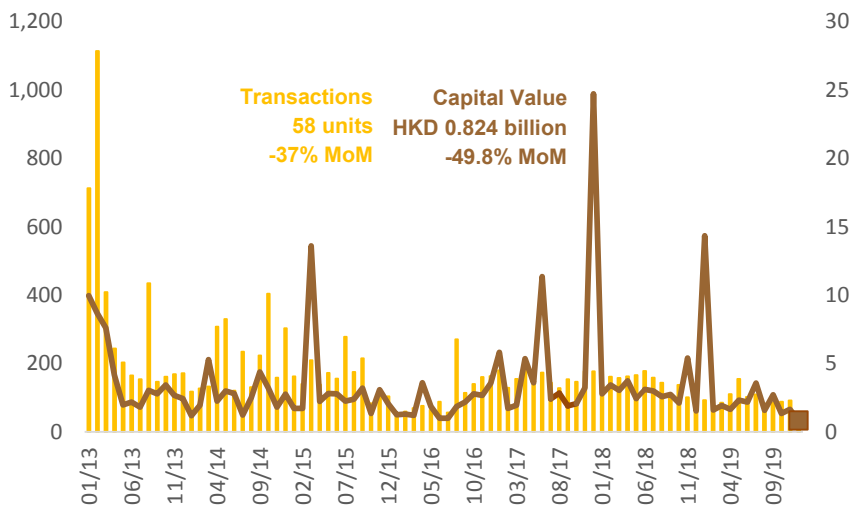
Sales Transactions	District	GFA (sq ft)	Price	Price
			(HK\$M)	(HK\$ psf)
Entire Floor, 20/F, Enterprise Square	Kowloon Bay	40,460	305	7,538
Unit B, Low-to-Mid-Floor, Lockhart Centre, 301-307 Lockhart Road	Wan Chai	757	7.98	10,542
Entire Floor, 5/F, Sai Kou Building, 66 Lockhart Road	Wan Chai	549	6.5	11,840

Leasing Transactions	District	GFA (sq ft)	Rent	Rent
			(HK\$/month)	(HK\$ psf/month)
18/F-21/F Entire Office Floors & Units 1-9 on 22/F, Tower B, Kowloon Commerce Centre	Kwai Chung	117,000	3,434,000	29
Units 3301-3302, Bank of America Tower	Central	3,778	223,000	59
Unit 06, 39/F, The Center	Central	2,416	169,000	70

Sources: The Land Registry, market information and Vigers Research

RETAIL PROPERTY SALES AND CAPITAL VALUE

Unit: Number of transactions (Left), Capital value (HKD billion, Right)



Sources: The Land Registry and Vigers Research

SELECTED RETAIL PROPERTY TRANSACTIONS

Sales Transactions	District	GFA (sq ft)	Price (HK\$M)	Price (HK\$ psf)
Street Shop, G/F, 161 Yee Kuk Street	Sham Shui Po	3,828	33.8	8,830
Shop 4, G/F, Fortune Building, 150-158 Lockhart Road	Wan Chai	350	33	94,286
Street Shop, G/F, 12 Yiu Wa Street	Causeway Bay	753	32.5	43,161
Street Shop, G/F-M/F, 122 Fuk Wa Street	Sham Shui Po	1,900	20.7	10,895

Leasing Transactions	District	GFA (sq ft)	Rent (HK\$/month)	Rent (HK\$ psf/ month)
Duplex Shop, G/F-1/F, Yip Fung Building, 2-18 D'Aguilar Street	Central	2,092	220,000	105
Street Shop, G/F, 53 Carnarvon Road	Tsim Sha Tsui	1,258	200,000	159
Street Shop, G/F, 29 Gough Street	Central	970	168,000	173
Shop 07, G/F, 29 Sau Fu Street	Yuen Long	870	150,000	172

Sources: The Land Registry, market information and Vigers Research

COMMERCIAL PROPERTY

Retail Market

Momentum of the retail sector reached a year low in December. 58 transactions and a total consideration of 0.824 billion were registered, fell by 37% and 50% m-o-m, respectively. Shops especially located in prime areas were offered with great discounts for sales. A street shop at 12 Yiu Wa Street, Causeway Bay, with an area of 753 sq ft, has been changed hands with 51% discount at HKD 32.5 million or around HKD 43,200 per sq ft.

Retail business outlook in Hong Kong was shaky on the ground of the global economic slowdown and the local political issues. Spending habit has turned more cautious, and so is the operating decision of the tenants. Room for rental negotiation has widened, resulting to a vast rent adjustment. One notable example is the short-term letting committed to a 20,000-sq-ft mega shop in Mong Kok by a local apparel brand. The reported monthly rent is HKD 300,000, a mere 15% of the initial asking rent.

Tourism sentiment was obviously disrupted by the creeping local tension over the festive period. Plagued by the anticipated social conflicts, Christmas decorations in core retail malls were barely promoted, and the countdown firework displays was replaced by a multimedia light show by the Tourism Board. Number of arrivals slumped 51.5% y-o-y to 3.2 million visitors in the month. Over the same period of time, the inbound group tours from the Mainland China slashed almost 90%. Decline was also exhibited in the consumption market. The value of total retail sales provisionally estimated at HKD 36.2 billion, down 19.4% y-o-y. Of which, impact on valuable items and cosmetics was considerably deeper.

Despite the upcoming long holiday next month, the retail market is expected to stay weak due to the unresolved social conflicts. Pressure on tourist-oriented retailers is likely to be escalated, compounded by the cancellation of certain major celebration activities for Lunar New Year in the city. Neighborhood stores shall be comparatively more resilient, while there are possibilities of layoffs or closures of other retailers after the holidays.

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