

Hong Kong Property Market **Monthly Digest**

Vigers Research | January 2020



LAND SALES RESULTS

Lot No.	Location	Usage	Site Area (sq ft)	GFA (sq ft)	Price (HK\$M)	A.V. (HK\$ psf)	Winner(s) / Remark
TMTL 518	Castle Peak Road—Castle Peak Bay, Area 48, Tuen Mun, New Territories	Residential	145,722	582,887	3,500	6,005	Ocean Regal Limited

Sources: Lands Department and Vigers Research

UPCOMING TENDER PROJECTS

Lot No.	Location	Usage	Site Area (sq ft)	GFA (sq ft)	Tender closing date
KIL 11238	Reclamation Street and Shanghai Street, Mong Kok, Kowloon	Residential	2717.9	20,384.2 (residential purposes)	27 March 2020

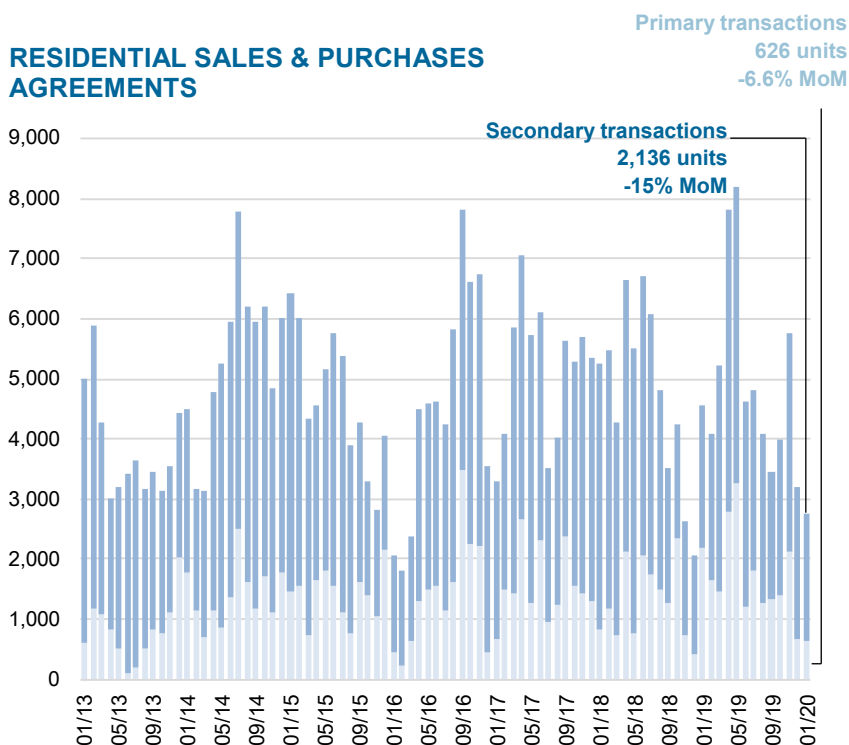
Sources: Lands Department, market information and Vigers Research

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)	+2.1	+3.3	+2.9	+1.4	(Jan)
Unemployment rate (seasonally adjusted)	(%)	2.8	2.9	3.3	3.4	(Nov-Jan)
Retail sales (value)	(% change y-o-y)	-6.7	-18.2	-19.4	-21.4	(Jan)
Value of import goods	(% change y-o-y)	-7.5	-10.3	-1.9	-16.4	(Jan)

Sources: Census & Statistics Department and Vigers Research

RESIDENTIAL SALES & PURCHASES AGREEMENTS



Sources: The Land Registry and Vigers Research

RESIDENTIAL PROPERTY Mass & Luxury

Transactions in the residential market have slowed down. According to the statistics of the Land Registry, a total of 2,762 transactions were recorded, down 13.3% m-o-m, while the consideration totaled HKD 24.8 billion, and it recorded a monthly drop of 20.8%. During the month, developers accelerated the launches of new home projects, a total of 626 transactions were recorded in the primary market, edged down 6.6% m-o-m, and were supported by the sales of Wetland Seasons Park in Tin Shui Wai. The total consideration reached HKD 7.5 billion, down 33% on a monthly basis.

Investment sentiment in property market remained subdued. The Inland Revenue Department announced that DSD recorded 177 transactions in January, down 19% m-o-m, hitting a record low. Over the same period, sales levying BSD recorded 81 cases, down 15% m-o-m, and it reached a 4-year low.

According to the information from the Rating and Valuation Department, the private domestic price and rental indexes recorded HKD 378.2 and 185.6 in January, respectively, both are on the downward trend on a monthly basis. As the market sentiment remained weak lately, owners were more flexible in price and rental negotiations. For instance, A low-floor unit of Eredine at The Peak, with a saleable area of 2,836 sq ft, has been sold, with HKD 15 million discount, at HKD 95 million.

Regarding the land sale, a residential site was sold in January, announced by The Lands Department. The site at Castle Peak Bay in Tuen Mun has been awarded to Ocean Regal Limited for HKD 3.5 billion, meeting the upper end of market valuations. The site has a maximum GFA of 582,887 sq ft, with an accommodation value of HKD 6,005 per sq ft.

While the spread of the coronavirus is likely to occur in the near term, coupled with the protracted economic slowdown and rising unemployment rate, the market atmosphere is expected to stay sluggish in the city. Both the developers and the prospective buyers shall adopt a wait-and-see attitude. Regarding the supply side, the accumulated pre-sale application pending approval by The Lands Department recorded around 5,300 units as at the end of January, down around 14% m-o-m, reaching a 6-year low. Nonetheless, banks in Hong Kong exhibited a supportive approach towards the residential market, where Standard Chartered and the Bank of China have raised the mortgage cash rebate rate to 1.5%.

SELECTED RESIDENTIAL PROPERTY SALES TRANSACTIONS

LUXURY RESIDENTIAL	District	SA (sq ft)	Price (HK\$M)	Price (HK\$ psf)
Duplex Unit B, High-Floor, 39 Conduit Road (with two parking spaces)	Mid-Levels West	4,664	295	63,250
Adjacent Units, High-Floor, Tower 6, Phase 2, Residence Bel-Air	Pok Fu Lam	2,720	120	44,118
Unit C, Low-Floor, Eredine	The Peak	2,836	95	33,498
Unit A, High-Floor, Tower 1, Phase 2, Residence Bel-Air (with a parking space)	Pok Fu Lam	1,955	79	40,409
VILLA	District	SA (sq ft)	Price (HK\$M)	Price (HK\$ psf)
House 50, The Cavaridge	Sha Tin	10,706	268.5	25,079
Jasmine Avenue Villa 1, Crown of St Barths (with a garden and a rooftop)	Ma On Shan	3,739	115	30,757
House 3, Violet Avenue, Crown of St Barths	Ma On Shan	2,879	74	25,703
Jasmine Avenue House 11, Crown of St Barths (with a garden and a rooftop)	Ma On Shan	2,176	68.4	31,434

Sources: The Land Registry, market information and Vigers Research

COMMERCIAL PROPERTY Office Market

Business sentiment was considerably dampened in the wake of the coronavirus outbreak. A total of 43 transactions were recorded in the office market in January, down 14% m-o-m. Consideration over the month totaled HKD 0.544 billion, plunged 62.7% m-o-m. It sank to a new low for the recent six years. Regarding the leasing market, notable new lettings were underpinned by the expansion from insurance and banking firms in Kowloon districts. Of which, AIA Group Limited has leased the 25,000-sq-ft floor at The Gateway in Tsim Sha Tsui at HKD 1.5 million per month or HKD 60 per sq ft. The new rent is 5% lower than the peak.

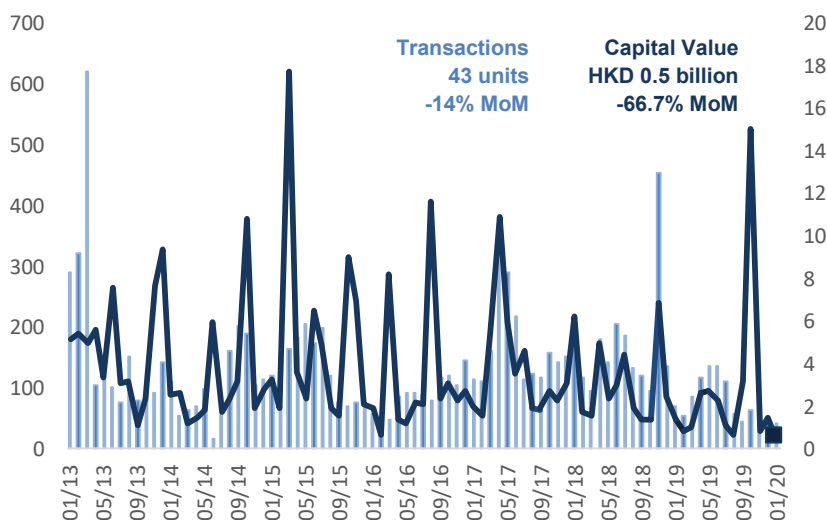
The epidemic has also frozen the turnover of offices in the month. According to market news, three transactions were recorded in fifty major Grade-A office buildings, down 50% m-o-m, and the transaction volume reached the second low in two years. The downbeat market put great pressure on the price level, where the price index of the premium office declined by 9.8% to 461.4 on a monthly basis.

Amid the quiet investment atmosphere, some developers in Hong Kong bet on the opportunity of expansion. The commercial plot at 11-15 Chai Wan Kok Street, Tsuen Wan was purchased by First Group Holdings Limited at HKD 980 million, with the accommodation value at HKD 6,300 per sq ft. It is expected to be redeveloped into a Grade-A office building, anticipated to be completed in 2023.

Looking ahead, together with a pair of sites (18 Tai Chung Road and 73 Chai Wan Kok Street) acquired by the First Group in Tsuen Wan two years ago, the district shall provide more options with competitive rents with value-added facilities soon. Given the outbreak of the coronavirus intensified in late-January, the government and certain business have extended the Lunar New Year holiday, and flexible working is expected to be resorted by companies next month to minimise the community spread. While advanced online office tools are widely adopted, business operation should remain resilient and drastic rental cut is evitable.

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

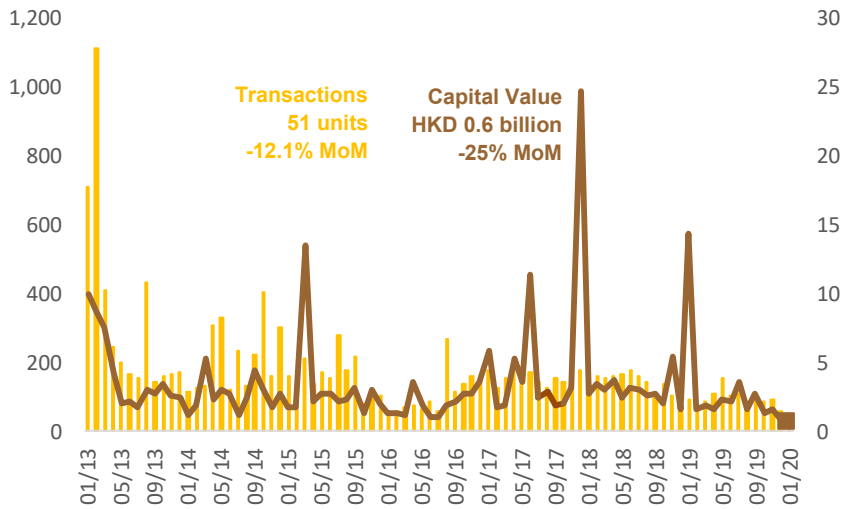
Sales Transactions	District	GFA (sq ft)	Price (HK\$M)	Price (HK\$ psf)
Entire Mid-Floor, Rykadan Capital Tower	Kwun Tong	12,195	129	10,578
Unit 5, Mid-Floor, Star House	Tsim Sha Tsui	1,217	25.6	21,035
Unit 3, 5/F, On Lok Yuen Building, 25-27A Des Voeux Road Central	Central	460	11.4	24,783

Leasing Transactions	District	GFA (sq ft)	Rent (HK\$/month)	Rent (HK\$ psf/month)
Entire High-Floor, Sun Life Tower, The Gateway	Tsim Sha Tsui	25,000	1,500,000	60
Entire Mid-to-High-Floor, Great Eagle Centre	Wan Chai	15,000	1,050,000	70
Unit 05, Mid-Floor, Far East Finance Centre	Admiralty	2,400	139,200	58
Units 12-13, Mid-to-High-Floor, Tower 2, Times Square	Causeway Bay	2,188	131,000	60

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	Price	Price
		(sq ft)	(HK\$M)	(HK\$ psf)
Street Shop, G/F, 25-31 Castle Peak Road	Sham Shui Po	3,600	48.8	13,556
Street Shop, 78-84A Hennessy Road	Wan Chai	550	32	58,182
Shop 8, G/F-M/F, Mercer Street	Sheung Wan	1,030	22	21,359
Odd No. Shop, G/F, Jie Yang Building, 271 Lockhart Road	Wan Chai	178	12.2	68,539
Leasing Transactions	District	GFA	Rent	Rent
		(sq ft)	(HK\$/month)	(HK\$ psf/month)
Two entire floors, One Hennessy	Wan Chai	23,752	1,900,000	80
Street Shop D & Entire 1/F-3/F, Sing Kong Building, Lockhart Road	Wan Chai	17,750	600,000	34
Shop on 1/F, Harbour East, 218 Electric Road	Fortress Hill	7,500	350,000	47
Entire 1/F & 2/F, 749 Nathan Road	Prince Edward	8,110	250,000	31

Sources: The Land Registry, market information and Vigers Research

COMMERCIAL PROPERTY

Retail Market

Despite the traditional festive season, the retail market was substantially dampened in the first month of 2020. A total of 51 transactions and the consideration of HKD 0.64 billion were registered, down 12.1% and 22.2% m-o-m, respectively. Transactions with notable price slash prevailed. Among which, a street shop in Mong Kok, with an area of 172 sq ft, has been changed hands for HKD 12 million or HKD 69,767 per sq ft. A book loss of HKD 5.18 million was made over the course of eight years.

There was also a handful of store closures in the market, in particular the fashion and F&B outlets. In contrast, vacated mega space were readily supported by elderly care centre, where the demand remains solid amid fluctuating economic situation. For instance, the 10,000-sq-ft shop in Po Tin Shopping Centre, Tuen Mun has been leased to an elderly home for HKD 300,000 per month or HKD 30 per sq ft. The rent was raised by 42%, compared to the previous lease committed with a Chinese restaurant.

The global tourism atmosphere was hampered by the coronavirus outbreak substantially, especially after the imposition of transportation lockdown in Wuhan in late-January. According to the Hong Kong Tourism Board, 3.21 million visitors were recorded over January, plunged 52.7% y-o-y (slightly increased by 16,000 visitors on a monthly basis). Of which, visitors from the Mainland China accounted for around 80% of the total. Regarding the retail market, total retail sales was HKD 37.8 billion, down 21.4% y-o-y. The sliding visitor number deteriorated the non-discretionary retail spending such as jewellery and cosmetics, while only supermarkets and petrol stations withstood the downturn.

It is expected that the retail sentiment will continue to be plagued by the contagious crisis. In spite of rent concession offered by major developers, retail businesses remain challenging as foot traffic plunges. Local cosmetic brand, Sa Sa, announced that they tentatively planned to shut down 20%-25% of their stores in the coming 18 months. Major shopping malls, outlets and branches of banks have also shortened their business hours. To mitigate the impact, omni-channel retailing are encouraged, while physical stores should take extra precautions to contain the viral spread.

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