

RETAIL RESEARCH



November 2010

# HONG KONG RETAIL

INSIGHT AND COMMENTARY ON THE WORLD'S MOST DYNAMIC RETAIL MARKET

**Knight Frank** 萊坊



# RETAIL SALES 2ND STRONGEST IN ASIA

**During the first nine months of 2010, retail sales value in Hong Kong gained 17.9% year on year—the second fastest growth in Asia. The strongest growth was in Mainland China, which rose 23.8% year on year. Mainlanders' love for shopping has greatly benefited Hong Kong, where tourists were estimated to make up about 34% of its retail sales in 2009.**

## Monthly Headline

Leasing activity remained buoyant, with keen competition for prime shops in core locations. Cosmetics retailer Bonjour reportedly leased an 11,430-sq-ft shop on the ground and mezzanine floors of 40–50 Tung Choi Street in Mong Kok, for a monthly rent of about HK\$2.5 million, the biggest leasing deal in Mong Kok this year, in terms of monthly rent.

A prime-shop acquisition in Mong Kok set a new price-high for the district. A 750-sq-ft shop at 49-69 Fa Yuen Street reportedly changed hands for about HK\$390 million or HK\$520,000 per sq ft, breaking the previous district record of HK\$515,000 per sq ft set by a unit on the ground floor of Sim City. The price is the third highest ever recorded in Hong Kong.

HomeSquare in Shatin, a one-stop home-furnishing themed mall, recently completed its renovations. The number of tenants increased from around 30 to 115, of which 30% entered Hong Kong for the first time, such as Japanese kitchenware store Kai Shop and Danish children's furniture store Flexa. HomeSquare's sales revenue has reportedly increased 40% since renovations.

Local fashion retailer I.T continued to expand, with the support of Mainland shoppers. It leased over 20 shops covering more than 40,000 sq ft of space in the newly-opened The One mall in Tsim Sha Tsui, introducing ten new fashion brands including Another Edition and Royal Party from Japan. The retailer also leased a shop

measuring over 20,000 sq ft at One Hysan Avenue in Causeway Bay, which will open in December. Meanwhile, Armani Exchange—a diffusion line of Giorgio Armani—opened its largest branch in Greater China in Miriam Shopping Centre in Tsim Sha Tsui in October. The two-storey shop covers 9,883 sq ft of space.

Swedish fashion brand J.Lindeberg—which previously left Hong Kong—recently re-entered the market, opening a branch in The Landmark in Central in October and another in Times Square in Causeway Bay in November. The third J.Lindeberg shop will open in Harbour City in Tsim Sha Tsui this month. Meanwhile, Car Shoe, a high-end Italian shoe brand owned by Prada, opened its first outlet in Hong Kong—a store measuring over 1,000 sq ft in Elements at Kowloon Station. This is its second store in Asia, after launching in Singapore.

## Retail Sales

Retail sales value increased for the 13th consecutive month in September, rising 17.2% year on year. In the first nine months, retail sales value rose 17.9% year on year.

## Visitor arrivals

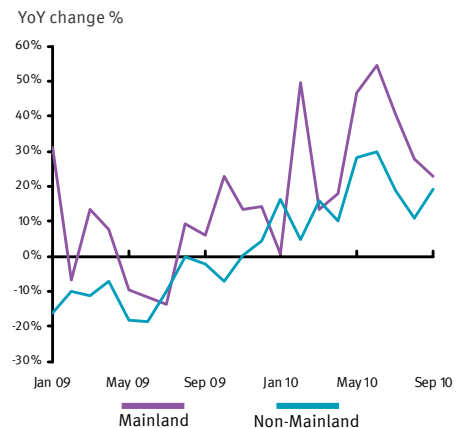
The number of visitor arrivals jumped 21.2%, year on year, in September. Mainlanders remained dominant visitors, comprising 59.6% of the total number of arrivals. The number of Mainland visitors surged 22.7%, while that for visitors from other parts of the world increased 19.1%.

Figure 1  
**Retail rents and retail sales value**  
YoY change %



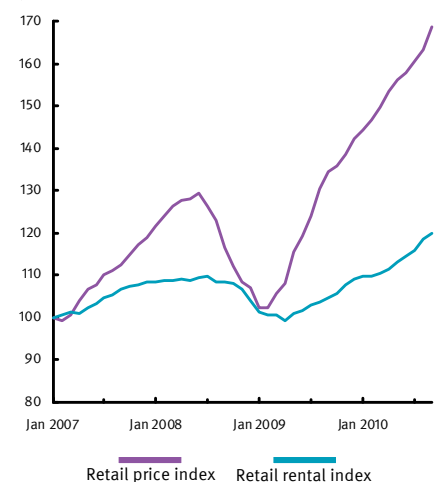
Source: Census and Statistics Department / Rating and Valuation Department / Knight Frank  
Note: Three-month moving average of year-on-year growth.

Figure 2  
**Visitor arrivals**  
YoY change %



Source: Hong Kong Tourism Board / Knight Frank

Figure 3  
**Retail property prices and rentals**  
Jan 2007 = 100



Source: Rating and Valuation Department / Knight Frank



A number of prime street shops in Mong Kok were sold at high prices.

Table 1 Selected sales transactions					
District	Building	Floor / unit	Gross floor area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
Mong Kok	Sincere Plaza	G/F / unit G10	107	\$16.46	\$153,832
Mong Kok	Sincere Plaza	G/F / unit G17	107	\$15.888	\$148,486
Mong Kok	Sincere Plaza	G/F / unit G93	86	\$10.1	\$117,442
Mong Kok	Sino Centre	G/F / unit 22	127	\$11.5	\$90,551
Mong Kok	Kam Ming Court	G/F / unit F	238	\$20.8	\$87,395

Source: Economic Property Research Centre  
Note: All transactions are subject to confirmation.

Sheung Shui attracted increasing numbers of cross-border shoppers from the Mainland and registered a major leasing transaction.

Table 2 Selected leasing transactions					
District	Building	Floor / unit	Floor area (sq ft)	Monthly Rent (HK\$)	Monthly Rent (HK\$ per sq ft)
Mong Kok	Tat Lee Commercial Building	G/F / unit 1	139 (G)	\$130,000	\$935.3
Mong Kok	Pakpolee Commercial Building	G/F / unit 2	471 (G)	\$215,000	\$456.5
Causeway Bay	Causeway Bay Plaza Phase 1	2/F / unit 9	102 (G)	\$42,500	\$416.7
Yau Ma Tei	Alhambra Building	G/F / unit 14	380 (S)	\$85,000	\$223.7
Sheung Shui	Landmark North	2/F / unit 223	538 (S)	\$105,320	\$195.8

Source: Economic Property Research Centre  
Note: All transactions are subject to confirmation. G = Gross floor area; S = Saleable floor area.

Rents of prime street shops continued to rise in most major retail districts, except for Mong Kok where rents remained stable.

Table 3 Prime street shop rental movement in October 2010 (from September 2010)				
	Central	Causeway Bay	Tsim Sha Tsui	Mong Kok
Rental Movement				

# RESEARCH

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