

RETAIL RESEARCH



October 2010

HONG KONG RETAIL

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

Knight Frank 萊坊



HOLIDAYS BOOSTED RETAIL SALES

Mainland visitor arrivals during the National Day holiday reached 662,248, up 21% from last year. The number hit a new single-day high of 117,409 on 1st October. The sales revenue at many shopping malls increased 15-30% during the period.

Monthly headlines

Leasing activity remained robust in prime retail areas, with prime shops being leased at far higher rents than in previous terms. 3D-Gold Jewellery reportedly leased a 2,100-sq-ft shop at units 1A-1C, Haiphong Mansion in Tsim Sha Tsui at a monthly rent of HK\$1.68 million or HK\$800 per sq ft – an increase of 110% from the previous lease.

The entire shopping mall beneath new residential development Florient Rise in Tai Kok Tsui – developed by Nan Fung Development – was reportedly sold to a European mutual fund for HK\$400 million. The 61,347-sq-ft new mall, connected to the Olympic MTR Station, has yet to start pre-leasing.

Citywalk 2, jointly developed by Sino Land and the Urban Renewal Authority, started its sales operations before the National Day holiday. The 200,000-sq-ft mall in Tsuen Wan will officially open on 19th October 2010. Major tenants, paying monthly rents of HK\$40-200 per sq ft, include Sincere Department Store and GH Citywalk cinema.

Japanese department store Yata plans to expand aggressively in Hong Kong and will open its second store at Tai Po Mega Mall in December. The 88,000-sq-ft store targets middle-class families. The store will include Katie Judith, Ice Fire and Clinique, which are entering the district for the first time. Meanwhile, a third store will open in San Po Kong next June and Yata is searching for spaces on Hong Kong Island and in the northern New Territories, aiming for a total of eight stores in Hong Kong.

American fashion brand GAP, which previously left Hong Kong, has re-entered the market. It has pre-leased a 13,000-sq-ft store at Luk Hoi Tung Building in Central (currently under redevelopment) to become its flagship Hong Kong store, at a monthly rent of HK\$5 million per month or HK\$385 per sq ft. Meanwhile, German leather goods brand MCM will open its first store in Hong Kong, spending HK\$2 million a month on a store measuring over 9,000 sq ft in Entertainment Building in Central.

Retail sales

The retail sales value increased for the 12th consecutive month, rising another 16.9% year on year in August 2010. In the first eight months of 2010, the total retail sales value had increased 17.9%.

Visitor arrivals

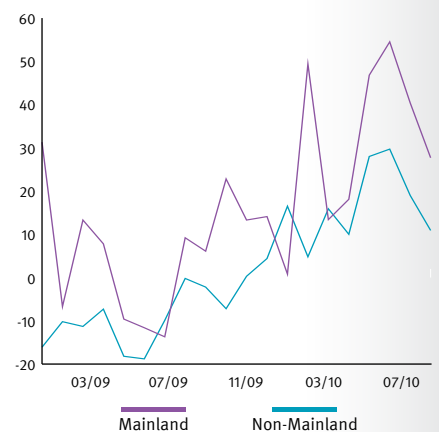
By August 2010, the number of visitor arrivals to Hong Kong had increased for 13 months in a row. The figure jumped another 21.9% year on year in August. Mainland visitors remained dominant, comprising 68.6% of the total visitors to Hong Kong. Following 12 months of continuous growth, the number of Mainland visitors surged another 27.7%, while the number of visitors from other parts of the world gained 10.9%.

Figure 1
Retail rents and retail sales value
 year-on-year change (%)



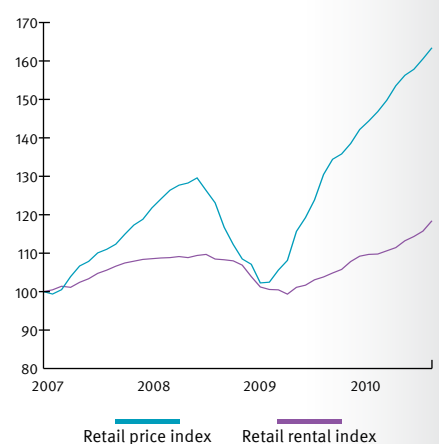
Source: Census and Statistic Department / Rating and Valuation Department / Knight Frank
 Note: Three-month moving average of year-on-year growth

Figure 2
Visitor arrivals
 year-on-year change (%)



Source: Hong Kong Tourism Board / Knight Frank

Figure 3
Retail property prices and rentals
 Jan 2007 = 100



Source: Rating and Valuation Department



Mong Kok recorded robust retail property sales activity, with a number of major transactions being concluded.

Table 1
Selected sales transactions

District	Building	Floor / unit	Gross floor area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
Mong Kok	Argyle Centre	G/F / unit 22	507	\$70	\$138,067
Mong Kok	Sincere Plaza	G/F / unit G73	102	\$11.68	\$114,510
Yau Ma Tei	Double Set Commercial Centre	G/F / unit 3	703	\$69	\$98,151
Mong Kok	Sincere Plaza	G/F / unit G106	93	\$8.128	\$87,398
Kwun Tong	Yue Man Mansion	G/F / unit A	610	\$41	\$67,213

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

Prime shops in second-tier retail districts were also sought after.

Table 2
Selected leasing transactions

District	Building	Floor / unit	Saleable floor area (sq ft)	Rent (HK\$ / mth)	Rent (HK\$ / per sq ft)
Tsim Sha Tsui	Hai Phong Mansion	G/F / unit 1	1,460	\$1,680,000	\$1,150.7
North Point	Olympia Plaza	2/F / unit 1	192	\$57,000	\$296.9
Yuen Long	Fu Ho Building	G/F / unit 1	235	\$68,000	\$289.4
Tsim Sha Tsui	Granville House	G/F / unit B	700	\$180,000	\$257.1
Shatin	Glamour Garden	G/F / unit B	195	\$45,000	\$230.8

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

In September 2010, rents remained stable in most major retail districts except Tsim Sha Tsui, where rents rose.

Table 3
Prime street shop rent movement in September 2010 (from August 2010)

	Central	Causeway Bay	Tsim Sha Tsui	Mong Kok
Rent movement				

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Americas

Bermuda
Brazil
Canada
Caribbean
Chile
USA

Australasia

Australia
New Zealand

Europe

Belgium
Czech Republic
France
Germany
Hungary
Ireland
Italy
Monaco
Poland
Portugal
Romania
Russia
Spain
The Netherlands
UK
Ukraine

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia

Bahrain
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