



Hong Kong Property Market **Monthly Digest**

Vigers Research | March 2017



LAND SALES RESULTS

Lot No.	Location	Usage	Site Area	GFA	Price	Price	Winner (s)
			(sq ft)	(sq ft)	(HK\$M)	(HK\$ psf)	
NKIL 6563	Kai Tak Area 1L, Site 2, Kowloon	Residential R1	102,064	551,138	7,440.5	13,500	Milway Development (a company associated with HNA Group)

Sources: Lands Department and Vigers Research

UPCOMING TENDER PROJECTS

Lot No.	Location	Usage	Site Area	GFA	Est. Price	Est. Price	Tender closing date
			(sq ft)	(sq ft)	(HK\$M)	(HK\$ psf)	
NKIL 6567	Kai Tak Area 1K, Site 1, Kowloon	Residential R1	104,637	575,497	6,900	12,000	12 May 2017
IL 9051	Murray Road, Central	Commercial	31,000	465,005	18,600	40,000	12 May 2017
NKIL 6556	Kai Tak Area 1F, Site 2, Kowloon	Commercial / Hotel	204,990	1,912,440	14,340	7,500	26 May 2017

Sources: Lands Department and Vigers Research

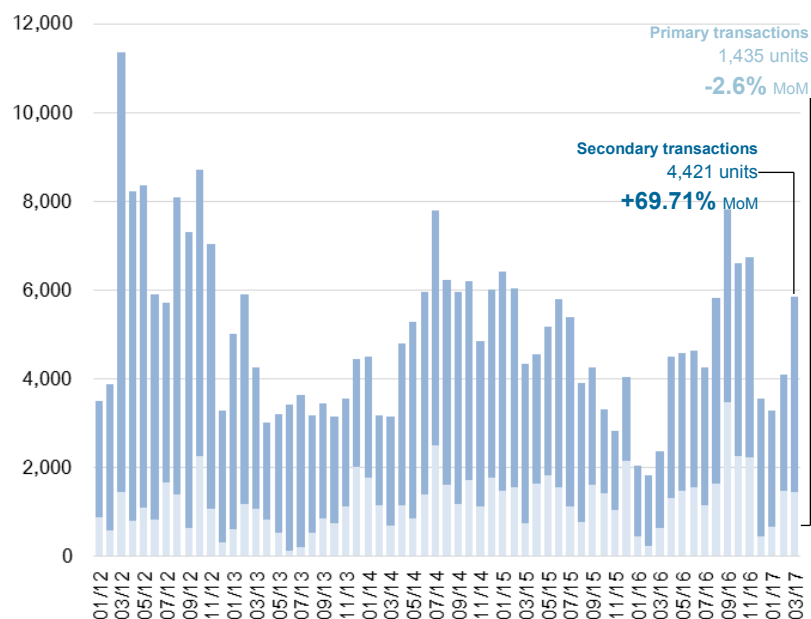
KEY ECONOMIC INDICATORS

Indicator		Q2/16	Q3/16	Q4/16	Latest	(Period)
Real GDP growth (in chained 2014 dollars)	(% change y-o-y)	+1.7	+2.0	+3.1	+3.1	(Q4/2016)
Consumer price index	(% change y-o-y)	+2.4	+2.7	+1.2	+0.5	(Mar)
Unemployment rate (seasonally adjusted)	(%)	3.4	3.4	3.3	3.2	(Jan-Mar)
Retail sales (value)	(% change y-o-y)	-8.9	-4.0	-2.9	-5.8	(Feb)
Value of import goods	(% change y-o-y)	-0.9	+4.1	+8.7	+13.0	(Mar)

Sources: Lands Department and Vigers Research

RESIDENTIAL SALES & PURCHASES AGREEMENTS

Unit: Number of transactions



Sources: The Land Registry and Vigers Research

RESIDENTIAL PROPERTY Mass & Luxury

During the month, the US Federal Reserve announced to raise interest rate by 0.25% and lifted the benchmark interest rate to a range of 0.75% to 1%, in line with market estimates. Hong Kong Dollar interest rate has not followed the increase yet and the HIBOR-based mortgages rates remained flat at around H+1.28% to H+1.3%. The overall transaction volume rose 43.6% m-o-m, according to the Land Registry's statistics. The increase was driven by the active sales of secondary market, the sales up 69.7% m-o-m.

Both home prices and rents continued to reach new historic high this month. The weighted-average price of the major 50 estates was HKD 12,600 per sq ft of saleable area in March, up 1.8% m-o-m and rising for 12 straight months. While the average rent of the 107 major estates was HKD 34.1 per sq ft of saleable area, slightly increased by 0.6% compared with last month's figure of HKD 33.9. It also broke the historic high of HKD 34 in September 2015.

Regarding the land sales, the Lands Department announced that the tender for Kai Tak Area 1L Site 2, Kai Tak, Kowloon, has been awarded to Milway Development Limited, a company associated with HNA Group, at a premium of HKD 7.4405 billion, or about HKD 13,500 per sq ft. The price was close to the upper limit of market valuation, ranged from HKD 6 billion to 7.4 billion.

HNA Group has already been awarded 4 residential plots in Kai Tak area since November 2016. The average accommodation value of HKD 13,415 per sq ft not only further pushed up the upcoming land sales price, but also prompted the price of new launches in Kai Tak to surge 50% within a year.

In the near term, upbeat sentiment is likely to remain strong in the local housing market despite the US Federal interest rate hike. Hong Kong banks are currently sitting on ample Hong Kong dollar liquidity and have room to delay the increase. Its short-term effects on housing market will therefore be limited. We foresee the housing market will remain active as the interest rate is still low, coupled with high land sales price and strong demand from investors and end-users.

SELECTED RESIDENTIAL PROPERTY SALES TRANSACTIONS

LUXURY RESIDENTIAL	District	SA (sq ft)	Price (HK\$M)	Price (HK\$ psf)
Top Floor Unit, Block 5, One Mayfair	Kowloon Tong	2,188	106.8	48,812
Flat A, High-Floor, High Cliff	Mid-Levels East	2,739	138	50,383
Flat B, Low-Floor, Tolo Ridge	Repulse Bay	1,917	70	36,515
VILLA	District	SA (sq ft)	Price (HK\$M)	Price (HK\$ psf)
Even No. House, Phase 5, Residence Bel-Air	Pok Fu Lam	6,024	450	74,701
No.11F, SHOUSON PEAK	Shouson Hill	3,561	283.5	79,612
Even No. House, Boulevard De Foret, The Beverly Hills	Tai Po	2,474	28.8	11,641
Even No. House, Phase 2 Casa Marina	Tai Po	2,012	25.5	12,674

Sources: The Land Registry, market information and Vigers Research

COMMERCIAL PROPERTY

Office Market

Office market was active after the Chinese New Year holiday. According to the Land Registry's data, 165 office transactions were recorded in March, up 48.6% m-o-m and has been the 7th consecutive month above 100 transactions. Total consideration amount was HKD 4.97 billion, soared 227.3% m-o-m and reached a 7-month high.

The overall vacancy rate of Grade A office was 4.3%, slightly decreased by 0.1% m-o-m. By districts, the vacancy rate in Central and Tsim Sha Tsui were 1.5% and 1.8% respectively, which were the lowest among all. Whilst the vacancy rate in Kowloon East was 9.7%, which was relatively high as new supply was in the pipeline, for example, the Kowloon Bay industrial revitalisation project, Mega Cube has been put up on market this month.

During the month, a significant transaction was seen on the entire 13/F, Bank of America Tower, Central, with a gross floor area of 13,880 sq ft. It was transacted at around HKD 470 million, or HKD 34,000 per sq ft. The original owner purchased it at HKD 176 million in 1997, he or she made a book profit of HKD 310 million in 20 years.

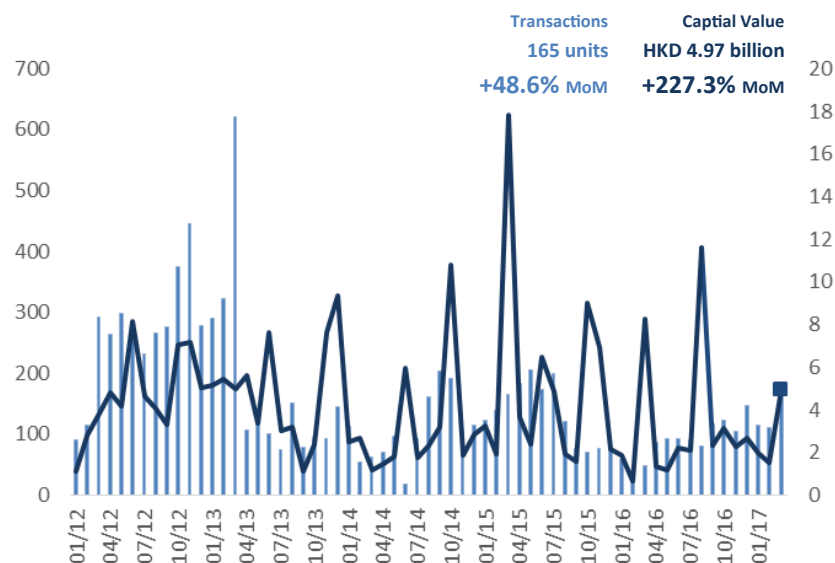
Besides, non CBD area also recorded a significant transaction. The entire 15-storey commercial block at 22 – 24 Wing Lok Street, Sheung Wan, with a gross floor area of 18,100 sq ft, was sold for HKD 320 million, or HKD 17,700 per sq ft. The transaction price was 10% higher than market valuation and it is said that the buyer is a PRC enterprise.

Regarding the leasing market, several Grade A office transactions were recorded in Central. For instance, units 7 – 8, High-Floor, IFC 1, with a gross floor area of 2,966 sq ft, have been leased at HKD 520,000, or HKD 175 per sq ft. The rent is 13% higher than the record of HKD 155 per sq ft in 2015, showing the rental trend remained upward in high quality offices.

Looking ahead, office market may gradually become more active in short-term, given that the overall vacancy rate has been edging down for a few months, and the investment sentiment is strong as some new high price transactions have been recorded recently.

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

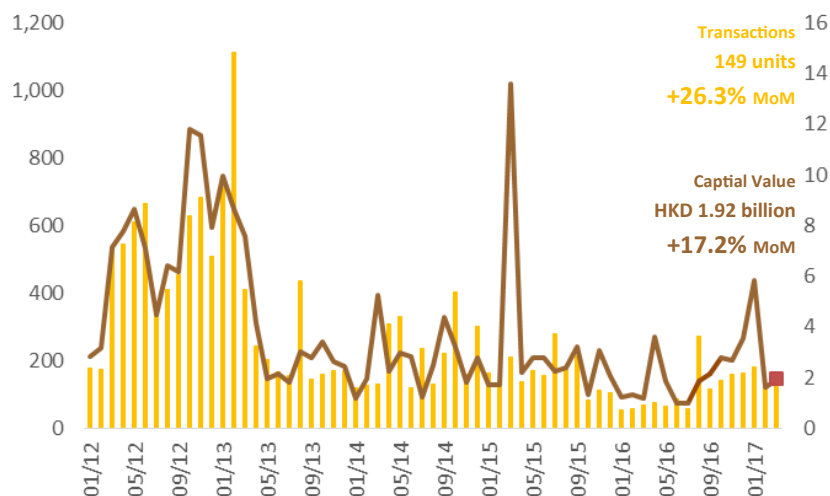
Sales Transactions	District	GFA (sq ft)	Price	Price
			(HK\$M)	(HK\$ psf)
13/F, Bank of America Tower	Central	13,880	470	33,862
Entire Low-Floor, Far East Finance Centre	Admiralty	10,800	290	26,852
Flat 4 & 6A, High-Floor, Shun Tak Centre West Tower	Sheung Wan	5,338	139	26,040
8/F, Enterprise Square Phase 3	Kowloon Bay	15,800	158	10,000

Leasing Transactions	District	GFA (sq ft)	Rent	Rent
			(HK\$/month)	(HK\$ psf/month)
Flat 1, High-Floor, IFC 2	Central	1,363	259,000	190
Flat 7-8, High-Floor, IFC 1	Central	2,966	520,000	175
2 High-Floors, Champion Tower	Central	34,000	3,900,000	115
Room 05, Mid-Floor, Shun Tak Centre - China Merchants Tower	Sheung Wan	1,267	86,195	68

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)
Shop 29-30, G/F & Shop 15, 1/F, Site D, Park Lane Shopper's Boulevard	Tsim Sha Tsui	3,470	480	138,329
Shop C&D, G/F, Chevalier House, 45 - 51 Chatham Road South	Tsim Sha Tsui	1,700	268	157,647
Shop C, 1/F & 2/F, 142 - 148 Reclamation Street	Yau Ma Tei	6,000	80	13,333
Shop 10,11&12B, G/F, 29 - 31 Chatham Road South	Tsim Sha Tsui	2,400	73.5	30,625

Leasing Transactions	District	GFA (sq ft)	Rent (HK\$/month)	Rent (HK\$ psf/month)
Shop A, G/F, 54 - 66 Canton Road	Tsim Sha Tsui	1,200	1,350,000	1,125
Shop 5-6, G/F, Hanley House, 68-80 Canton Road	Tsim Sha Tsui	1,940	1,200,000	619
Shop C-E, 15 Pak Sha Road	Causeway Bay	563	300,000	533
Shop 01, G/F, Hung Wai Building, 3 - 5 Fa Yuen Street	Mong Kok	1,034	250,000	242

Sources: The Land Registry, market information and Vigers Research

COMMERCIAL PROPERTY Retail Market

149 retail property transactions were recorded in March, rose 26.3% m-o-m, maintaining at over 100 cases for 8 straight months, according to the statistics of the Land Registry. Total consideration amount was HKD 1.92 billion, up 17.2% m-o-m, but it was the second lowest for the past 7 months.

Several large transactions were seen in Tsim Sha Tsui during the month. According to market news, two street shops C & D, Chevalier House, 45 - 51 Chatham Road South, Tsim Sha Tsui, with a gross floor area of 1,700 sq ft were sold at HKD 268 million, or HKD 157,647 per sq ft by Peterson Group.

Regarding the leasing market, the trend of rent cut continued in core retail districts such as Tsim Sha Tsui and Causeway Bay. The Rating and Valuation Department (RVD) announced that the most substantial rental drop was recorded in the prime street shops in Causeway Bay. The rent of a street shop at Russell Street slashed 46.8% y-o-y.

A leasing transaction with rent cut was recorded. The chain cosmetics store Bonjour has renewed the lease of Shop 5-6, G/F, Hanley House, 68-80 Canton Road, Tsim Sha Tsui, with a gross floor area of 1,940 sq ft, at HKD 1.2 million per month for one year. The rent is 63.6% lower than the previous rent of HKD 3.3 million in 2014.

In contrast, there were 5% to 10% increase of retail rent in livelihood areas. It is reported that Shop 28, G/F, Block 3, Yuccie Square, Yuen Long, has been leased out at a monthly rate of HKD 163,000, or HKD 144 per sq ft. This is close to the rent of HKD 138 per sq ft at Kau Yuk Road, Yuen Long, the first-tier retail street in the district.

The trend of increasing number of short-term lease, more pop-up stores opened as well as store downsizing have been observed in the retail market recently. We expect both landlords and tenants will continue adjusting their leasing strategies for a certain period of time. Therefore, retail property market is still under the adjustment period.

CONTACT US AT VIGERS

VIGERS RESEARCH

	Business Scopes	Contact	Tel	Fax	@vigers.com
T : +852 2342 2000	Appraisal & Consulting	Raymond Ho	+852 6309 0042	+852 3101 9041	raymondh
F : +852 2951 0868	Building Consultancy	Lawrence Lai	+852 6308 9610	+852 2951 0766	lawrencelai
E : vigersresearch@vigers.com	External Wall Consultancy	Lawrence Lai	+852 6308 9610	+852 2951 0766	lawrencelai
W : www.vigers.com	Hospitality Consultancy	David Cheung	+852 6308 0085	+852 3101 9041	davidc
	Property Management	William Lai	+852 6309 2836	+852 2951 9810	williaml
	Realty	Raymond Ho	+852 6309 0042	+852 3101 9041	raymondh
	Media Inquiry	Kris Leung	+852 6309 5880	+852 2951 0868	krisleung

Also follow us on:



E-mail privacy

Vigers Appraisal and Consulting Limited allows our report recipients to opt out of receiving e-mail from us with a simple request. To opt out of our mailing list you can send a request to remove your address from the list to vigersresearch@vigers.com.

By signing up you verify that you would like to be added to our distribution list and that you will now allow the Vigers to send periodic information pertaining to special Vigers news and reports. Please remember that you can unsubscribe at any time.

Legal disclaimer

The information contained in this research report does not constitute an offer to sell properties or the solicitation of an offer to buy, or recommendation for investment in, any properties in Hong Kong, Macau, PRC and/or any other regions it covers. The information and opinions herein are not intended as investment advice, which only constitute a judgement as at the date indicated. Although every care has been taken in compiling this report, it is subject to change and Vigers cannot be held responsible for any liability whatsoever or for any loss howsoever arising from or in reliance upon the whole or any part of this research report.