Hong Kong Property Market

Monthly Digest

Vigers Research | Jan 2023

LAND SALES RESULTS

Lot No.	Location	Usage	Site Area	GFA	Price	A.V.	Winner(s) / Remark
			(sq ft) (approx.)	(sq ft) (approx.)	(HK$M)	(HK$ psf)	
RBL 1204	Cape Road, Stanley, Hong Kong	Residential	257,260	480,236	-	-	Tender Cancelled

Sources: Lands Department and Vigers Research

UPCOMING TENDER PROJECTS

Lot No.	Location	Usage	Site Area	Max. GFA	Tender closing date
			(sq ft) (approx.)	(sq ft) (approx.)	
KIL 11273	Junction of Sai Yee Street and Argyle Street, Mong Kok, Kowloon	Commercial	124,184	1,524,182	24 February 2023

Sources: Lands Department, market information and Vigers Research

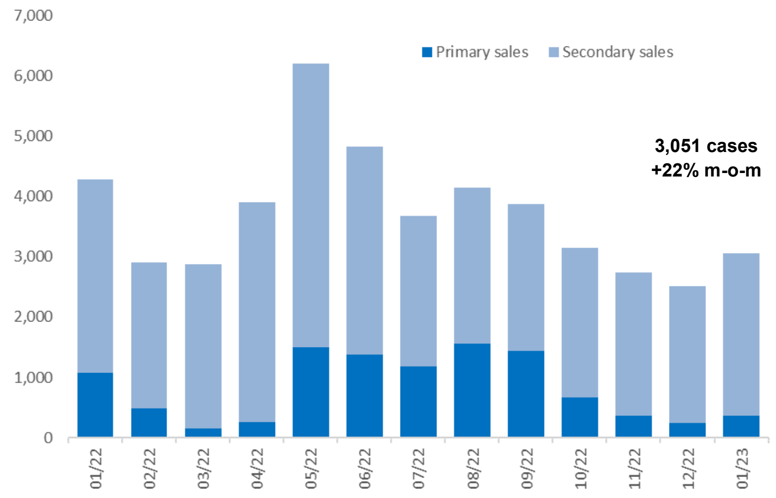
KEY ECONOMIC INDICATORS

Indicator		Latest	(Period)
Real GDP growth (in chained 2020 dollars)	(% change y-o-y)	-4.2	(Q4/2022)
Composite consumer price index growth	(% change y-o-y)	+2.4	(Jan)
Unemployment rate (seasonally adjusted)	(%)	3.4	(Nov-Jan)
Retail sales (value index)	(% change y-o-y)	+1.1	(Dec)
Visitor arrivals	(% change y-o-y)	+1600	(Dec)

Sources: Census & Statistics Department and Vigers Research

RESIDENTIAL SALES & PURCHASES AGREEMENTS

Unit: Number of transactions



Sources: The Land Registry, Market Sources and Vigers Research

SNAPSHOT OF RESIDENTIAL PROPERTY

363 cases
47% m-o-m
Total S&P Volume
(Primary market)

2,688 cases
19% m-o-m
Total S&P Volume
(Secondary market)

336.1 pts
0.6% m-o-m
Price Index
(Jan 23)

173.9pts
0.63% m-o-m
Rental Index
(Jan 23)

Sources: The Land Registry, Rating and Valuation Department, Vigers Research

SELECTED RESIDENTIAL PROPERTY SALES TRANSACTIONS

LUXURY RESIDENTIAL	District	S.A.	Price	Price
		(sq ft)	(HK$M)	(HK$ psf)
Unit A, 9/F, Tower 3, The Corniche No. 66 Lee Nam Road	Ap Lei Chau	3,316	164.168	49,508
Flat A, High-floor, 39 Conduit Road	Mid Level West	2,355	140	59,448
House 27,Crescent Green, No. 3 Ko Po Path	Yuen Long	3,180	53.64	16,868

Sources: The Land Registry, Market Sources and Vigers Research

ISSUED PRESALE CONSENT FOR RESIDENTIAL DEVELOPMENT

Location	District	Project Name	Developer(s)	No. of Units
No. 8 Yan Po Road	Tuen Mun	Novo Land (Phase 2A)	SHKP	929
No. 8 Yan Po Road	Tuen Mun	Novo Land (Phase 2B)	SHKP	729
No. 266 Tai Kei Leng (Provisional)	Yuen Long	Pending	Lai Sun	112

Sources: The Lands Department, Market Sources and Vigers Research

RESIDENTIAL PROPERTY
Mass & Luxury

Residential market bloomed in the start of 2023 as long-waited border reopening with the mainland China have come into real eventually. The number of transactions rebounded 22% m-o-m to 3,051 in January after the fourth consecutive month of decline. Of these, the sales of new homes soared 47% m-o-m to 363 while the secondary market saw 2,688 transactions in January, jumped 19% from the previous month.

Home prices rekindled after seventh consecutive month of declines, with a bounce of 0.6% m-o-m to 336.1 in January as the government has removed stringent Covid-19 restrictions. However, the rental index retreated 0.63% from December last year to 173.9 in January, marking the fifth consecutive month of fall, and to the lowest level since 2017, according to the statistics of the Rating and Valuation Department.

Some eye-catching transactions made among the first-hand market, for instance, a 3,316-sq ft luxury flat at The Corniche in Ap Lei Chau was sold for HK$ 164.17 million or HK$ 49,508 per sq ft, S.A. Besides, a 3,180-sq ft house at Crescent Green in Yuen Long, with a garden and roof, was tendered out for HK$53.64 million.

Despite the market sentiment has improved after quarantine-free cross border travel with China, developers had been cautious in tendering land under the weakening economy. The luxury residential site on Cape Road in Stanley was withdrawn from sale by the government as four submitted bids were failed to meet reserve price.

Developers were also perplexed by the accumulation of unsold flats, which saw a leap to nearly 18,500 at the end of last year along with the economic downturn. In January, there were three projects including Novo Land 2A, Novo Land 2B and project at No. 266 Tai Kei Leng in Yuen Long, totalling 1,770 new homes granted for presale.

As the city resumes to normal state, the pent-up demand would unleash and pulling the home prices up. We assume the upbeat sentiment to carry over to February, driving transaction volumes both in the primary and secondary market to hop, while home prices might accelerate to revive more due to home sellers narrowed room for bargaining.

COMMERCIAL PROPERTY
Office Market

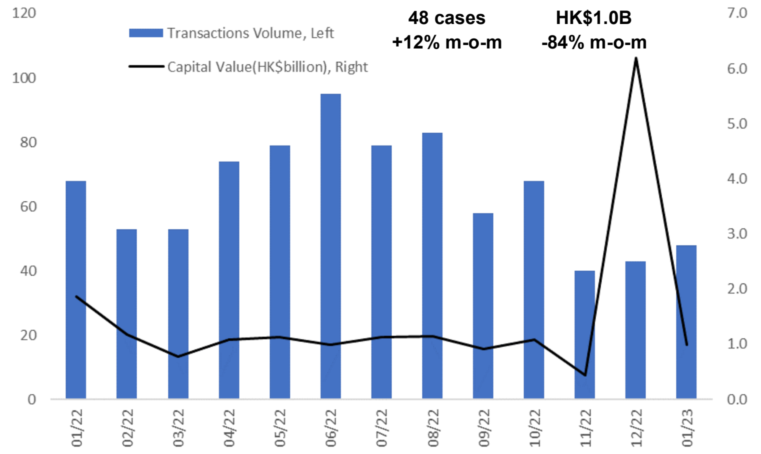
Market sentiment resurged after the re-opening of the border, with the number of transactions for office property jumped 12% m-o-m to 48, but total value tumbled 84% from the previous month to HK$1 billion in January.

The vacancy rate of Grade A office edged down to 10.2% in January but remained high due to a supply glut. The high vacancy rate saw rents fall for a fourth consecutive month, with the RVD's office rental index fell by 0.22% to 229.1 in December. For 2022, office rents dropped by nearly 3% from a year earlier.

The unsealing of Hong Kong's border with the mainland ensures business trips back, office demand from Chinese enterprises will gradually return. However, global economic headwinds and tightening monetary policies are unfavourable for multinational firms to expand their footprint.

Meanwhile, a large amount of impending office space is weighing on the market. Thus, it remains to be seen that office rents can have a prominent rebound.

OFFICE PROPERTY SALES AND CAPITAL VALUE



Sources: The Land Registry, Market Sources and Vigers Research

SNAPSHOT OF OFFICE PROPERTY

10.2%
↓ *0.1 ppt* m-o-m
Vacancy Rate
(Grade A office)

457.4 pts
↓ *1.44%* m-o-m
Price Index
(Dec 22)

229.1 pts
↓ *0.22%* m-o-m
Rental Index
(Dec 22)

Sources: Rating and Valuation Department, Market Sources and Vigers Research

COMMERCIAL PROPERTY
Retail Market

Market sentiment has strengthened obviously after the government lifted the restrictions for international arrivals. In January, a total of 84 transactions was registered, amounting to HK$1.24 billion, a rise of 29% and 22% m-o-m respectively.

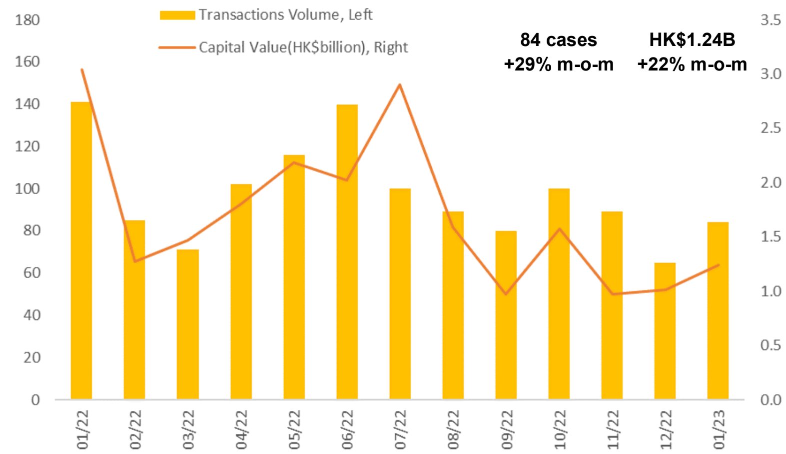
Retailers re-expand their business in prime district after three years' pandemic and fuelled the demand for high street shops. Some operators also sought for short-terms leases targeting on the festive seasons.

Notably, a retailer has taken approximately 8,735 sq ft of retail spaces at Canton House on 56 Queen's Road in Central for a monthly rent of HK$800,000 or HK$92 per sq ft.

Besides, an investor bought a 300-sq ft shop at No. 80 Nathan Road in Tsim Sha Tsui for HK$100 million or about HK$330,000 per sq ft.

With the borders fully open, we believed that retail market has room to grow while shop rents among core areas will see a sharp rebound in the following months.

RETAIL PROPERTY SALES AND CAPITAL VALUE



Sources: The Land Registry, Market Sources and Vigers Research

SELECTED RETAIL PROPERTY TRANSACTIONS

Sales Transactions	District	Area (sq ft)	Price (HK$M)	Price (HK$ psf)
Shop 1-6 on G/f and shop A & B on 1/f, No. 162-164 Connaught Road West	Sai Ying Pun	12,300	117	9,512
G/f shop at No. 80 Nathan Road	Tsim Sha Tsui	300	100	333,333
G/f shop at No. 156 Tai Po Road	Sham Shui Po	1,000	29.6	29,600

Leasing Transactions	District	Area (sq ft)	Rent (HK$/month)	Rent .(HK$ psf/ month)
G/F-3/F, Canton House, 54-56 Queen's Road	Central	8,735	800,000	92
Street shop, 64 Sai Yeung Choi Street South	Mongkok	500	200,000	400

Sources: The Land Registry, Market Sources and Vigers Research

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