Hong Kong Property Market
Quarterly Digest

Vigers Research | Q2 2023

LAND SALES RESULTS

Lot No.	Location	Usage	Site Area	Max. GFA	Price	A.V.	Winner(s) / Remark
			(sq ft) (approx.)	(sq ft) (approx.)	(HK$M)	(HK$ psf)	
-	-	-	-	-	-	-	-

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.)	
TWTL 430	Yau Kom Tau, Tsuen Wan, New Territories	Residential	523,916	1,046,261	18 August 2023

Sources: Lands Department, market information and Vigers Research

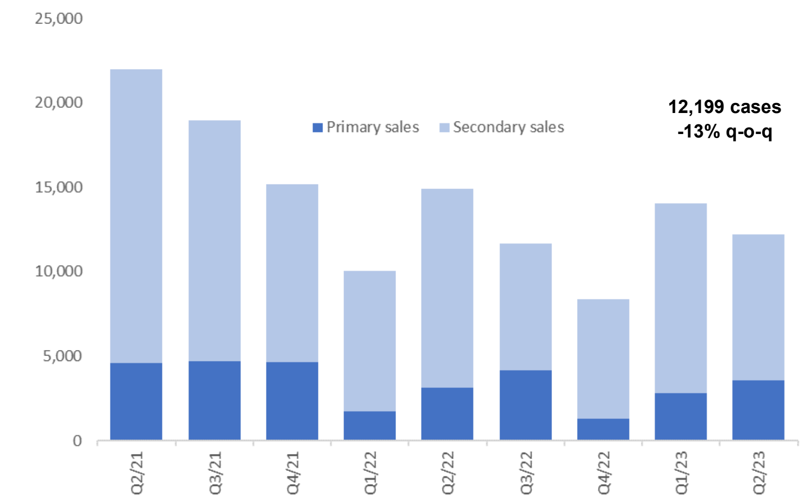
KEY ECONOMIC INDICATORS

Indicator		Latest	(Period)
Real GDP growth (in chained 2021 dollars)	(% change y-o-y)	+1.5	(Q2/2023)
Composite consumer price index growth	(% change y-o-y)	+1.9	(Jun)
Unemployment rate (seasonally adjusted)	(%)	2.9	(Apr-Jun)
Retail sales (value index)	(% change y-o-y)	+19.6	(Jun)
Visitor arrivals	(change y-o-y)	+150 times	(May)

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

3,569 cases
↑ *27%* q-o-q
Total S&P Volume
(Primary market)

8,630 cases
↓ *23%* q-o-q
Total S&P Volume
(Secondary market)

349.0 pts
↑ *4.27%* YTD
Price Index
(June 23)

181.1 pts
↑ *3.19%* YTD
Rental Index
(June 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) (approx.)	(HK$M)(approx.)	(HK$ psf)
Unit B, 23/F, Tower 3, The Corniche	Ap Lei Chau	3,635	184.66	50,800
Manor B, 5/F, Alpex III of Phase 1 Central Peak (with one car parking lot)	Mid-levels East	2,080	177	85,096
Unit A, 33/F, Tower 1, Knightsbridge	Kai Tak	1,942	112.15	57,750

Sources: The Land Registry, Market Sources and Vigers Research

VILLA	District	S.A.	Price	Price
		(sq ft) (approx.)	(HK$M)(approx.)	(HK$ psf)
House 12, phase 1 of Mount Nicholson (with two car parking lots)	The Peak	7,042	577.44	81,937
House 92D, Pokfulam Peak (with three car parking lots)	Mid-levels East	4,220	320	75,829
House B, Godi, No.8 Sha Tin Heights Road	Sha Tin	3,613	115	31,830

Sources: The Lands Department, Market Sources and Vigers Research

RESIDENTIAL PROPERTY

Mass & Luxury

Housing market cooled off in the second quarter with total registered transactions for residential property fell 13% q-o-q to 12,199 due to the prospects for further interest rates increase and the failure of China's recovery to live up to high expectations.

Of the total agreements recorded during the Q2, only 8,630 were specifically for the secondary market, indicating a 23% decrease from a quarter earlier. Nevertheless, new home sales saw a substantial 27% q-o-q increase to 3,569 registered contracts, hitting a 3-quarter high, mainly bolstered by the decent sales of competitively priced new projects.

The luxury homes market bucked the downward trend in the local property market. For instance, a 7,042 sq ft (s.a.) detached house at Mount Nicholson in The Peak, was transacted at a lofty HK$577.44 million or HK$81,937 per sq ft. Besides, a 3,635 sq ft (s.a.) apartment unit at The Corniche in Ap Lei Chau was sold for HK$184.66 million or HK$ 50,800 sq ft through tender.

In addition, the rental sector getting out of the woods, with the official index up 2.78% in Q2 and by 3.19% year-to-date, according to data from the Rating and Valuation Department. Leasing market will likely be highly buoyant in Q3, given its favour with mainland students, local tenants and even specialist under the Top Talent Pass Scheme. Meanwhile, more people are opting to rent rather than purchase in the prevailing market.

The number of residential mortgage loans in negative equity nearly halved to 3,341 cases at the end of June from three months ago, came with the private home price index rose by about 4.27% for the first half of this year. However, home price seems to lose momentum gradually after rebounding by more than 5% in the first quarter, it fell by 0.94% q-o-q in the second.

Looking ahead, home prices could have a slight correction in Q3 given headwinds including a glut of unsold new homes, the possibility of further tightening by U.S. Fed and the economic slowdown in China, despite the Hong Kong Monetary Authority relaxed the loan -to-value ratio for self-use property worth less than HK$30 million. To a certain extent, China's faltering economy weighs on residential market outlook and the Q3 registered contracts are expected to stay in the doldrums.

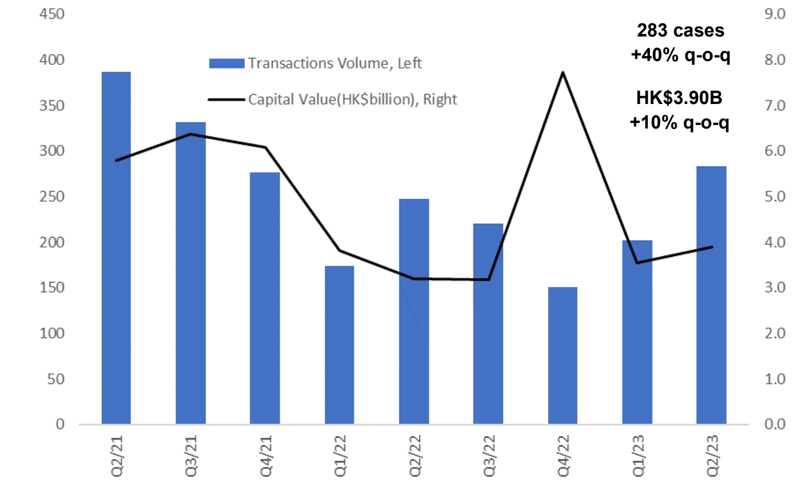
COMMERCIAL PROPERTY
Office Market

The resurgence of the business travel between China and Hong Kong added fuel to local office property market, with an increase of 40% q-o-q to 283 transactions registered in Q2. Total consideration amounted to HK$3.9 billion, an increase of 10% from a quarter earlier. Leasing activity was similarly buoyant, mainly due to the fall in overall rents, which tempted large corporate tenants to relocate and expand.

Notably, Bank of Communications (Hong Kong) expanded its office space in Central by leasing an additional 9,958 sq ft at Grade A office tower Wheelock House for a monthly rent of about HK$700,000 or HK$70 per sq ft. However, the Grade A office vacancy rates was as high as 10.3% at the end of June.

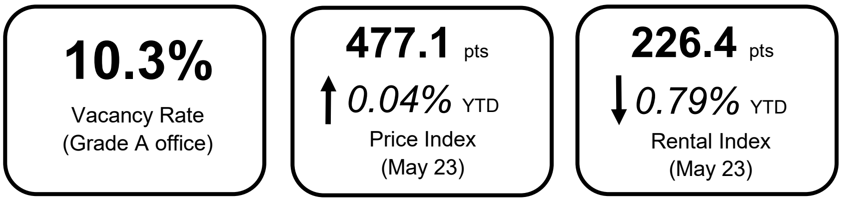
Looking ahead, vacancy rates are expected to remain high as a large number of new developments to hit the market this year. We believe that the oversupply may lead to a further decline in overall office rents. In addition, market 's cautious attitude towards China's economy will also reduce investment enthusiasm.

OFFICE PROPERTY SALES AND CAPITAL VALUE



Sources: The Land Registry, Market Sources and Vigers Research

SNAPSHOT OF OFFICE PROPERTY



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

COMMERCIAL PROPERTY
Retail Market

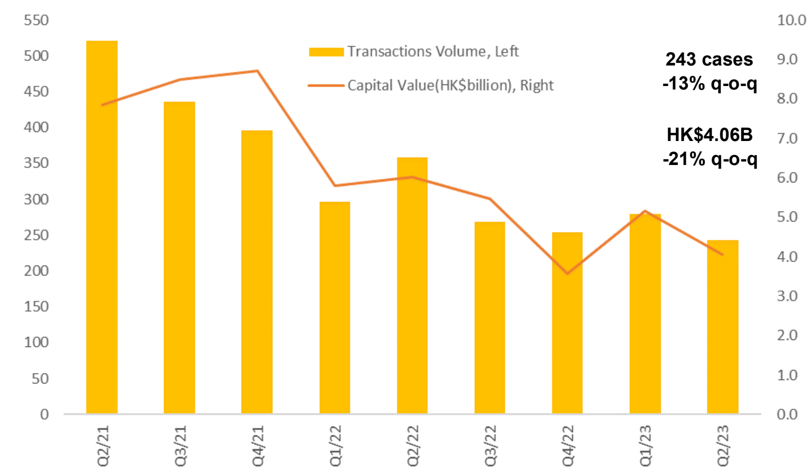
The performance of the retail property market remained stable, with 243 transactions registered in the second quarter, a slight decrease of 13% quarter-on-quarter. The value of registered shops amounted to HK$4.06 billion, a quarter-on-quarter decrease of 21%.

Despite a slowdown in sales registrations, the shop rental market has been relatively active as the number of visitors to Hong Kong has rebounded to nearly a half of the pre-pandemic level. For instance, an anime-themed store featuring dining and retail snaped up approx. 80,000 sq ft space at Silvercord mall in Tsim Sha Tsui for about HK$7 million per month - the biggest lease by size and value since the outbreak in 2019.

Also, the French luxury fashion house Chanel committed to a three-year lease on about 18,000 sq ft prime retail spaces at Capitol Centre in Causeway Bay for a reported monthly rent of about HK$4 million or HK$222 per sq ft.

We believe that retail segments will outperform all other real estate markets with the influx of tourists and retailer's confidence of expansion. A gradual recovery in market sentiment is expected to lead to a further pick-up in shop rents, especially in prime areas.

RETAIL PROPERTY SALES AND CAPITAL VALUE



Sources: The Land Registry, Market Sources and Vigers Research

SELECTED RETAIL PROPERTY TRANSACTIONS

Sales Transactions	District	GFA (sq ft) (approx.)	Price (HK$M) (approx.)	Price (HK$ psf)) (approx.)
20/F, Emperor Watch and Jewellery Centre, No. 8 Russell Street	Causeway Bay	4,718	96.28	20,407
Shops G20-G25, Kwun Tong Plaza, Hoi Yuen Road	Kwun Tong	1,687	55.5	32,900

Leasing Transactions	District	GFA (sq ft) (approx.)	Rent (HK$/month) (approx.)	Rent (HK$ psf/ month)
G/F-2/F, Silvercord, Canton Road	Tsim Sha Tsui	80,000	7,000,000	87.5
G/F-1/F & facade, Capitol Centre	Causeway Bay	18,000	4,000,000	222
Shops 1-3, G/F, Manley House, Canton Road	Tsim Sha Tsui	4,275	1,000,000	234

Sources: The Land Registry, Market Sources and Vigers Research

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