Hong Kong Property Market

Monthly Digest

Vigers Research | July 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)	
IL 9094	Junction of Sai Ning Street and Victoria Road, Kennedy Town	Residential	24,326.6	243,266	1,720	7,071	Wheelock Properties

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
NKIL 6590	Kai Tak Area 2A Site 2 and Site 3, Kai Tak, Kowloon	Residential	145,303	992,279	8 September 2023

Sources: Lands Department, market information and Vigers Research

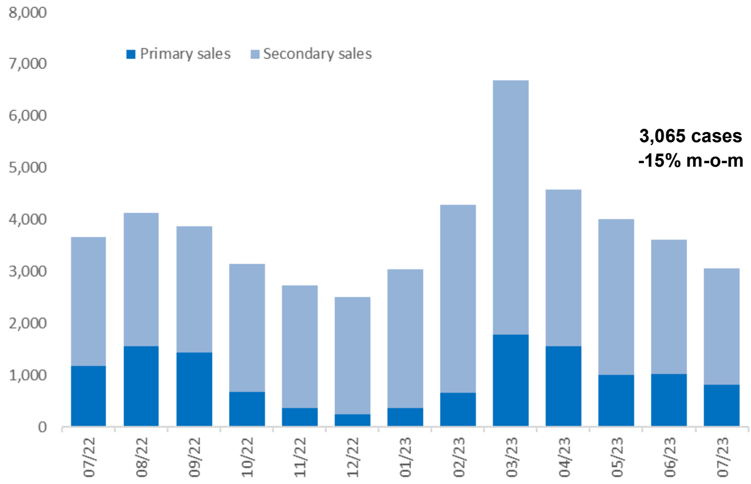
KEY ECONOMIC INDICATORS

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)	+1.8	(Jul)
Unemployment rate (seasonally adjusted)	(%)	2.8	(May-Jul)
Retail sales (value index)	(% change y-o-y)	+16.5	(Jul)
Visitor arrivals	(% change y-o-y)	+73.7 times	(Jul)

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

810 cases ↓ *21%* m-o-m Total S&P Volume (Primary market)	**2,255** cases ↓ *13%* m-o-m Total S&P Volume (Secondary market)
343.4 pts ↓ *1.12%* m-o-m Price Index (July 23)	**183.2** pts ↑ *1.05%* m-o-m Rental Index (July 23)

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

SELECTED RESIDENTIAL PROPERTY SALES TRANSACTIONS

LUXURY RESIDENTIAL	District	S.A.	Price	Unit Price
		(sq ft) (approx.)	(HK$M)(approx.)	(HK$ psf)
House 3, Severn 8, No.8 Severn Road	The Peak	3,736	300	80,300
Flat A, 16/F, Chantilly, No. 6 Shiu Fai Terrace	Mid-levels	2,816	118	41,903
Flat D, 27/F, Tower 1A, In One phase 1A	Ho Man Tin	996	40.338	40,500

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. 18 Shing Fung Road	Kai Tak	Pending (Phase 1A, 1B, 2A, 2B)	China Overseas, K. Wah, Henderson, Wharf	2,060
No. 8 Yan Po Road	Tuen Mun	Novo Land (Phase 3B)	SHKP	769
No. 18 Kwun Chui Road	Tuen Mun	Mori	Road King	693
No. 15 Tung Yuen Street (Provisional)	Yau Tong	The Coast Line II	CK Asset	658

Sources: The Lands Department, Market Sources and Vigers Research

RESIDENTIAL PROPERTY

Mass & Luxury

Rising mortgage costs and a bleak economic outlook have deepened market pessimism, with residential property transactions shrinking for the fourth consecutive month. In July, there were only 3,065 registered cases, a decrease of 15% over the month ago and a six-month low.

Many prospective home buyers stayed on the sidelines due to the dampened market sentiment. Of the total agreements recorded in July, only 2,255 were specifically for the secondary market, indicating a 13% decrease from a month earlier and hit a 42-month (3.5-year) low. Registrations in the primary market also dwindled by 21% from the previous month to just 810.

In early July, the Hong Kong Monetary Authority raised the cap on loan-to-value (LTV) ratio for properties worth up to HK$30 million for self-use homebuyers, meaning that buyers no longer need to pay as much money upfront. Nonetheless, the new measures had little impact on stimulating home purchases, with house prices falling for the third month in a row, down 1.12% compared to June and narrowing this year's growth to 2.6%.

The rental prices resisted on an upward trend, rising by 1.05% m-o-m in July, the sixth consecutive monthly increase and by a cumulative 4.39% over the first seven months. Leasing market could outperform amid the wait-and-see market sentiment, as more people are opting to rent rather than purchase.

Also, big developers had turned more cautious in land bidding. Wheelock Properties secured the parcel at junction of Sai Ning Street and Victoria Road in Kennedy Town for HK$1.72 billion (A.V. HK$7,071), the lowest in 21 years for a residential site on Hong Kong Island. The site could yield about 600 new flats, some with a sea view.

Looking ahead, weaker-than-expected Chinese economic data and a volatile stock market deterred investment appetite, despite U.S. interest rates are expected to peak soon. Coupled with the fact that developers have been launching heavily discounted projects, prices of second-hand properties are likely to face downward pressure. As a result, we expect the downturn in the residential market to last longer.

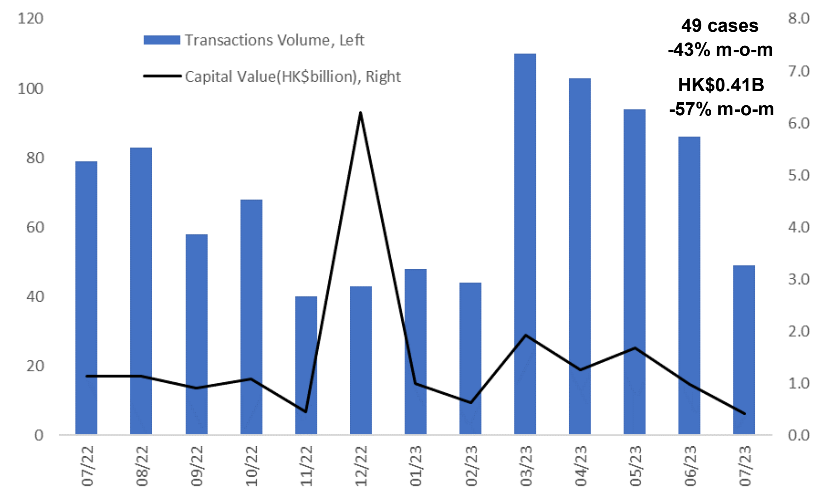
COMMERCIAL PROPERTY
Office Market

The office market cooled off sharply amid the rising interest rates and uncertain economic outlook, despite the HKMA lifted the maximum LTV ratio for non-residential properties from 50% to 60% in early July. The number of registered transactions for office property plummeted by 43% to 49 in July, marking the fourth consecutive month of decline.

Corporates to expand and upgrade their office, notably, a investment firm Ally Bridge Group pre-leased about 5,260 sq ft (GFA) at Cheung Kong Center II, a new Grade A office tower in Central, to expand its office from Gloucester Tower. Besides, Standard Chartered has reportedly signed a five-year lease for the 7,098 sq ft of office space at One Pacific Place in Admiralty at a monthly rent of HK$100 per sq ft.

However, the gradually recovering leasing demand was overwhelmed by an abundance of supply, with Grade A office vacancy rates increased to 10.5% in July. To conclude, we believe that overall office rents in the second half of 2023 may continue to suffer from a glut of office space and China's economy sputters.

OFFICE PROPERTY SALES AND CAPITAL VALUE



Sources: The Land Registry, Market Sources and Vigers Research

SNAPSHOT OF OFFICE PROPERTY

10.5%	467.1 pts	227 pts
↑ *0.2 ppt* m-o-m	↓ *0.57%* m-o-m	↓ *0.44%* m-o-m
Vacancy Rate (Grade A office)	Price Index (July 23)	Rental Index (July 23)

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

COMMERCIAL PROPERTY
Retail Market

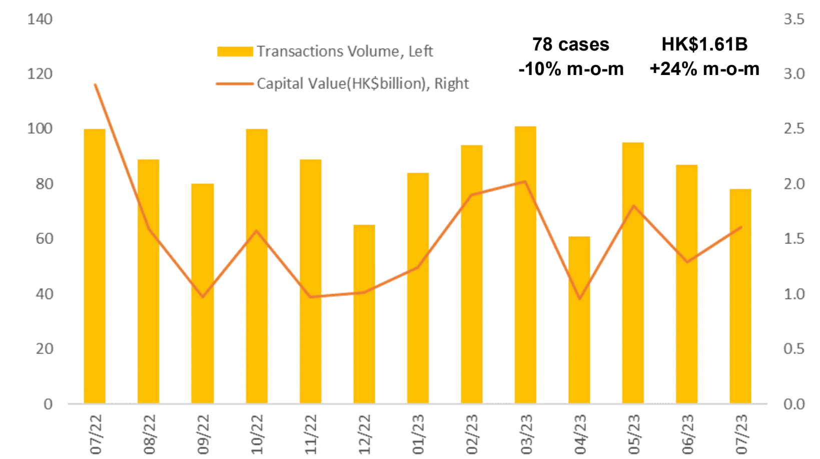
The volume of retail property transactions in July dropped slightly, with only 78 registrations recorded for the month, down about 10% m-o-m, while total value climbed 24% from the previous month to HK$1.61 billion, thanks to the significant deal of retail podium at 'The Henley' in Kai Tak at a high price of HK$528 million or HK$20,094 per sq ft.

In July, a total of 3.6 million visitors came to Hong Kong, reaching about 67% of pre-pandemic levels. Among the visitors, nearly 3 million were from the mainland, driving a continuous recovery in the rental market.

Notably, The Macallan, a world-class Whisky brand, setup an approx. 8,500 sq ft flagship store on Queen's Road Central at a reported monthly rent of HK$500,000 or HK$59 per sq ft.

A recovery in the retail property market is on the right track, with brands and food and beverage operators have been opening new shops and expanding. We expect that the vacancy rate of high street stores will continue to trim down and shop rents could see a moderate growth in the second half. However, investment sentiment is likely to remain subdued due to rising interest rates.

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) (approx.)	Price (HK$M) (approx.)	Unit Price (HK$ psf)
12 shops, retail podium at The Henley	Kai Tak	26,277	528	20,094
Shop G25, Kings Wing Plaza 2	Sha Tin	6,505	83	12,759
Shops 1 & 2 on G/F, shop 3 on 1/F, One Eighty	Shau Kei Wan	5,859	75	12,801

Leasing Transactions	District	Area (sq ft) (approx.)	Rent (HK$/month) (approx.)	Unit Rent (HK$ psf/ month)
Shops G4,G5, 105-106, 207-209, Silver-cord, Canton Road	Tsim Sha Tsui	10,140	2,000,000	197
Shops at 2/F & 3/F, Hing Wai Building, No. 36 Queen's Road Central	Central	8,500	500,000	59

Sources: The Land Registry, Market Sources and Vigers Research

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