Hong Kong Property Market

# Monthly Digest

Vigers Research | August 2023

## LAND SALES RESULTS

| Lot No. | Location | Usage | Site Area (sq ft) (approx.) | GFA (sq ft) (approx.) | Price (HK$M) | A.V. (HK$ psf) | Winner(s) / Remark |
|---|---|---|---|---|---|---|---|
| TWTL 430 | Yau Kom Tau, Tsuen Wan, New Territories | Residential | 523,916 | 1,046,261 | - | - | Tender Cancelled |

Sources: Lands Department and Vigers Research

## UPCOMING TENDER PROJECTS

| Lot No. | Location | Usage | Site Area (sq ft) (approx.) | Max. GFA (sq ft) (approx.) | Tender closing date |
|---|---|---|---|---|---|
| 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

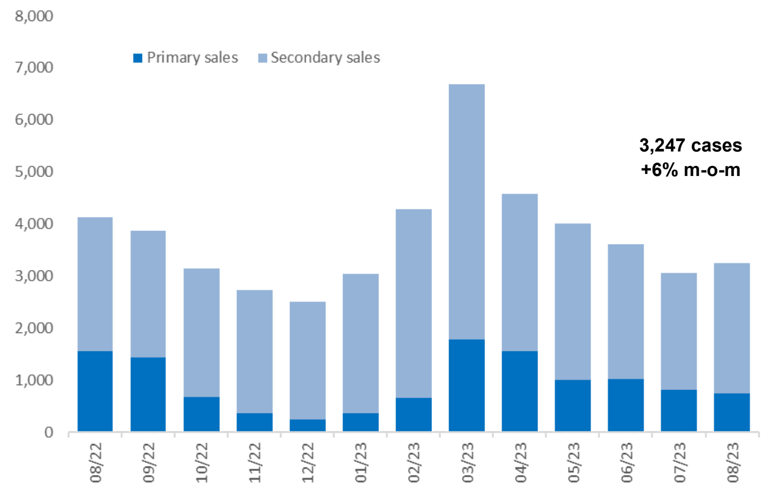
## KEY ECONOMIC INDICATORS

| 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 | (Aug) |
| Unemployment rate (seasonally adjusted) | (%) | 2.8 | (Jun-Aug) |
| Retail sales (value index) | (% change y-o-y) | +13.7 | (Aug) |
| 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

**742** cases
↓ *8%* m-o-m
Total S&P Volume
(Primary market)

**2,505** cases
↑ *11%* m-o-m
Total S&P Volume
(Secondary market)

**339.2** pts
↓ *1.4%* m-o-m
Price Index
(August 23)

**185.4** pts
↑ *1.42%* m-o-m
Rental Index
(August 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) |
| Flat B, 5/F, Block 2, Mont Verra (with two parking spaces) | Beacon Hill | 4,364 | 240.02 | 55,000 |
| Flat B, Low-floor, Tower 3, Phase 4, Residence Bel-Air (with a parking space) | Pok Fu Lam | 1,985 | 70.5 | 35,516 |
| Flat B, Low-floor, Block 1, Grand Victoria II | South West Kowloon | 1,432 | 44.9 | 31,335 |

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. 21 On Hei Street | Kwun Tong | Pending | Hong Kong Housing Society | 1,403 |
| No. 1 Lohas Park Road | Tseung Kwan O | Phase XIIB of LOHAS Park | Wheelock, MTRC | 685 |
| No. 1 Lohas Park Road | Tseung Kwan O | Phase XIIA of LOHAS Park | Wheelock, MTRC | 650 |
| No. 2 Hok Yuen Street | Hung Hom | eResidence (Tower 3) | Urban Renewal Authority | 260 |

Sources: The Lands Department, Market Sources and Vigers Research

RESIDENTIAL PROPERTY

# Mass & Luxury

The residential property transactions relieved in August, ending a 4-month falling streak as homeowners lured buyers with steep discounts. A total of 3,247 cases was recorded in August, representing a 6% m-o-m increase, but market sentiment still pessimistic.

Among them, 2,505 cases were specifically for the secondary market, indicating a 11% increase from a month earlier, but still hovering near the bottom of the barrel. The number of deals in the primary market hit a half-year low, with only 742 transactions registered in August, a drop of 8% m-o-m.

The adjustment of loan-to-value (LTV) ratio for properties announced in July did little to stimulate home buying against a backdrop of rising mortgage rates and gloomy economic outlook. Homeowners have been slashing price to offload their property, dragging the private home prices down 1.4% m-o-m in August to the lowest level in seven months. The index declined for a fourth straight month and narrowed this year's growth to 1.34%, according to the data from the Rating and Valuation Department.

Nevertheless, an influx of professionals and students from China boosted the rental market in August. Meanwhile, rental demand was spurred by more potential homebuyers putting their purchase plans on hold amid a sluggish residential market. August rental price increased 1.42% m-o-m, marking a 43-month (more than 3.5-year) high. For this year, overall private flat rents have risen by 5.64%.

In view of the large number of unsold flats in the market and the uncertain economic outlook, consortiums were relatively conservative in its land bidding. The Lands Department withdrew a tender received for the sale of a residential site at Yau Kom Tau in Tsuen Wan as the tendered premium did not meet the Government's reserve price. At the same time, developers rolled out their new projects with extremely competitive prices to entice buyers.

As a result, we expect the residential market to remain in a prolonged downturn and home prices continue to be affected by fragile sentiment. Unless Hong Kong's economy fully recovers, or the three types of stamp duty "spicy measures" are lifted, home prices in this year are likely to show negative growth for the second consecutive year. Yet, we see rents still has room to grow in the following months.

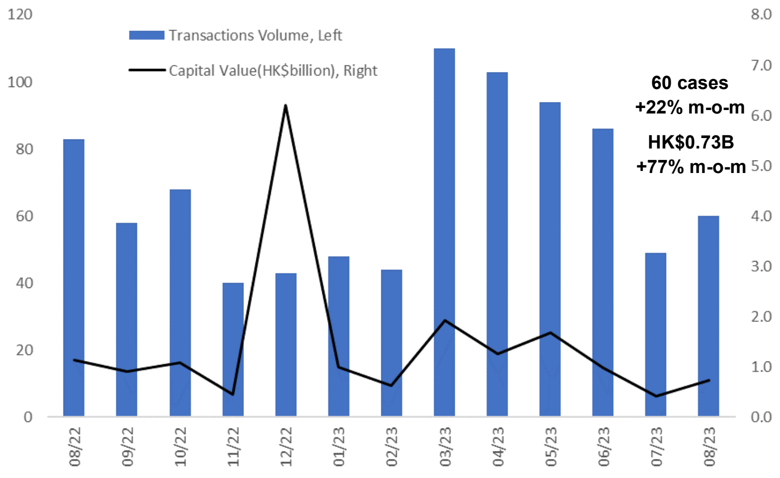
COMMERCIAL PROPERTY
# Office Market

The number of transactions for office property rebounded in August, with a total of 60 deals worth HK$730 million registered, representing increases of 22% and 77% respectively over the previous month. Leasing momentum also picked up as falling rents attracted corporates to upgrade their office at low cost.

Notably, Japanese camera brand Fujifilm leased approx. 450,000 sq ft of floor space at The Millennity in Kwun Tong for a reported monthly rent of HK$28 per sq ft. Besides, the Hospital Authority has leased about 100,000 sq ft of floor space at Harbourside HQ in Kowloon Bay, making it the largest Grade A office leasing transaction in Kowloon East this year. August rental index for office up by 0.44% from a month earlier to 229.4 pts, while the Grade A office vacancy rate eased slightly to 10.2%.

Looking ahead, office rents are likely to continue to be affected by the surplus of space and increased supply. Higher borrowing costs and economic headwinds will certainly dampen investment sentiment. As a result, we believe the office sector will underperform other real estate markets this year.

## OFFICE PROPERTY SALES AND CAPITAL VALUE




Sources: The Land Registry, Market Sources and Vigers Research

## SNAPSHOT OF OFFICE PROPERTY

**10.3%**
↓ *0.2 ppt* m-o-m
Vacancy Rate
(Grade A office)

**468.7** pts
↓ *0.23%* m-o-m
Price Index
(July 23)

**229.4** pts
↑ *0.44%* m-o-m
Rental Index
(Aug 23)

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

COMMERCIAL PROPERTY
# Retail Market

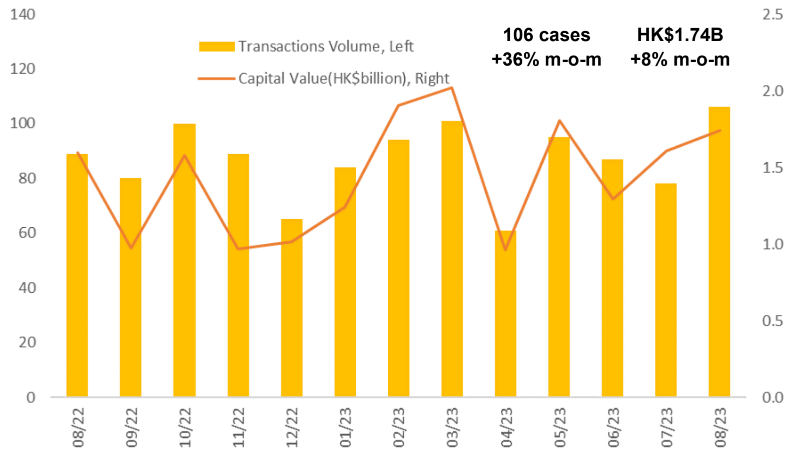
Following the launch of a series of government campaigns to promote Hong Kong, visitor arrivals recovered to around 60% of pre-pandemic levels. The retail property market regained momentum, with 106 transactions recorded in August, up 36% month-on-month. The total consideration was HK$1.74 billion, an increase of 8% over the previous month.

With the return of tourists and increased investment intentions, tourist-oriented retailers have accelerated their business expansion in core shopping districts. For instance, a watch and jewellery retailer leased approx. 1,000 sq ft ground-floor shop at No. 46 Haiphong Road in Tsim Sha Tsui at a reported monthly rent of HK$400,000 or HK$400 per sq ft.

Besides, a veteran investor bought an over 9,000-sq ft of retail podium in Causeway Bay at a reported HK$300 million or HK$31,582 per sq ft.

The market outlook is likely to continue to improve as increased footfall at retail destinations stimulates store expansion. We believe that the vacancy rates for high-street shops are likely to fall further, and rents are set to show modest growth this year.

## 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) |
|---|---|---|---|---|
| Retail Podium of Oliv, No. 15 Sharp Street East | Causeway Bay | 9,499 | 300 | 31,582 |
| Shop G29, G/F, Kings Wing Plaza 1 | Sha Tin | 3,767 | 131 | 34,776 |
| Shop B, G/F, Merlin Building, Nos. 30-34 Cochrane Street | Central | 1,000 | 64.8 | 64,000 |

| Leasing Transactions | District | Area (sq ft) (approx.) | Rent (HK$/month) (approx.) | Unit Rent (HK$ psf/ month) |
|---|---|---|---|---|
| Ground-floor shop, No. 46 Haiphong Road | Tsim Sha Tsui | 1,000 | 400,000 | 400 |
| Shop G2-G3, G/F, Sincere Podium | Mong Kok | 234 | 70,000 | 299 |

Sources: The Land Registry, Market Sources and Vigers Research

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