Hong Kong Property Market

Monthly Digest

Vigers Research | May 2024

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
-	-	-	-	-	-	-	-

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
STTL623	Yuen Shun Circuit, Siu Lek Yuen, Sha Tin	Residential	26,103	156,616	12 July 2024
YLTL 545	Fuk Wang Street and Wang Lee Street, Yuen Long	Industrial	349,765	1,748,825	27 December 2024

Sources: Lands Department, market information and Vigers Research

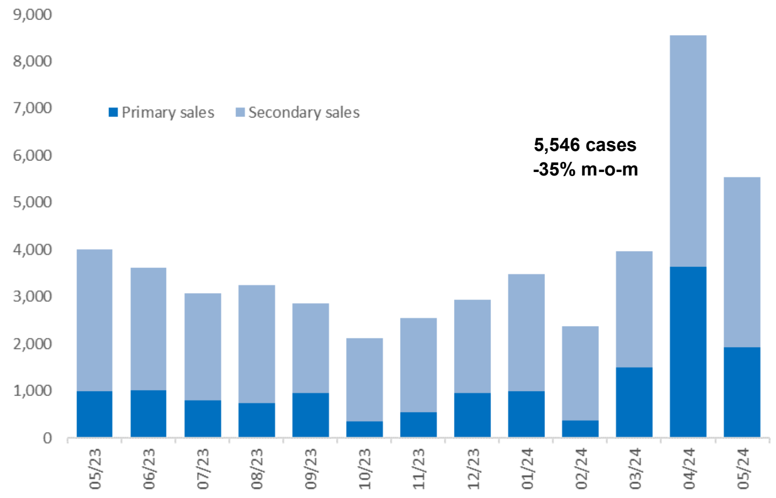
KEY ECONOMIC INDICATORS

Indicator		Latest	(Period)
Real GDP growth (in chained 2021 dollars)	(% change y-o-y)	+ 2.7	(Q1/2024)
Composite consumer price index growth	(% change y-o-y)	+ 1.2	(May)
Unemployment rate (seasonally adjusted)	(%)	3.0	(Mar-May)
Retail sales (value index)	(% change y-o-y)	- 11.5	(May)
Visitor arrivals	(% change y-o-y)	+ 20.2	(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

1,934 cases
↓ *47%* m-o-m
Total S&P Volume
(Primary market)

3,612 cases
↓ *27%* m-o-m
Total S&P Volume
(Secondary market)

305.9 pts
↓ *1.23%* m-o-m
Price Index
(May 2024)

189.0 pts
↑ *1.02%* m-o-m
Rental Index
(May 2024)

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)
Villa at 15 Shouson	Shouson Hill	3,823	259.964	68,000
Unit 6, Mid-floor, 21 Borrett Road (including two parking spaces)	Mid-levels	2,169	140	64,546
Unit A, Mid-floor, Tower 1, Culli-nan Harbour Phase 1	Kai Tak	2,194	116.721	53,200

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 Castle Peak Road, Castle Peak Bay (Provisional)	Tuen Mun	Gold Coast Bay (Phase 1 – The Uppland)	Early Light Inter-national	692
No. 18 Castle Peak Road, Castle Peak Bay (Provisional)	Tuen Mun	Gold Coast Bay (Phase 2 – The Uppland)	Early Light Inter-national	631
No. 1 Wang Tak Street	Happy Valley	Pending	Emperor Interna-tional	123

Sources: The Lands Department, Market Sources and Vigers Research

RESIDENTIAL PROPERTY

Mass & Luxury

The residential market exhibited a decline in activity, following the short-term robust buying sentiment observed in April. A total of 5,546 transactions were recorded across the primary and secondary markets in May, representing a 35% decrease from the previous month.

New home sales declined by 47% m-o-m to 1,934 units in May, but still represent the second-highest figure in 34 months, since July 2021. Meanwhile, the secondary market saw a 27% monthly decrease in the number of registered deals, dropping to 3,612 cases. This can be attributed to the fading effect of the removal of 'spicy measures', which has resulted in buyers returning to a more rational approach.

At the same time, Hong Kong's private home prices lost steam again after a second consecutive month of gains. In fact, home prices dropped by 1.2% to 305.9 in May and have declined by 1.7% year-to-date. According to data from the Rating and Valuation Department, prices have fallen by 23.2% since reaching their peak in September 2021.

The figures also showed that the rental index rose for the third month in a row, reaching a 53-month high (nearly 4.5-year) since January 2020. The index stood at 189.0 in May, up 1.02% over the previous month. For the year to date, rents have risen by 1.61%, partly due to the influx of talent boosting the leasing market.

However, the luxury market demonstrated a capacity to withstand external pressures. A 3,823 sq ft (S.A.) luxury villa at the 15 Shouson development on Shouson Hill has sold for about HK$260 million or HK$68,000 per sq ft. The house is a 4-bedroom villa with a heated swimming pool, a 1,153-sq ft garden, an 816-sq ft rooftop and a parking space. In addition, a mid-floor apartment at phase 1 of Cullinan Harbour in Kai Tak was reportedly sold for about HK$117 million or HK$53,200 per sq ft.

In the near term, we anticipate that the momentum of secondary market could falter again as developers adopt a "volume over price" strategy to attract homebuyers to new homes. Additionally, high mortgage rates will continue to impede demand until a clear path of interest rate cuts emerges.

Conversely, the rental market is set to enter a seasonal boom, driven by a combination of local demand and an influx of students and professionals.

COMMERCIAL PROPERTY
Office Market

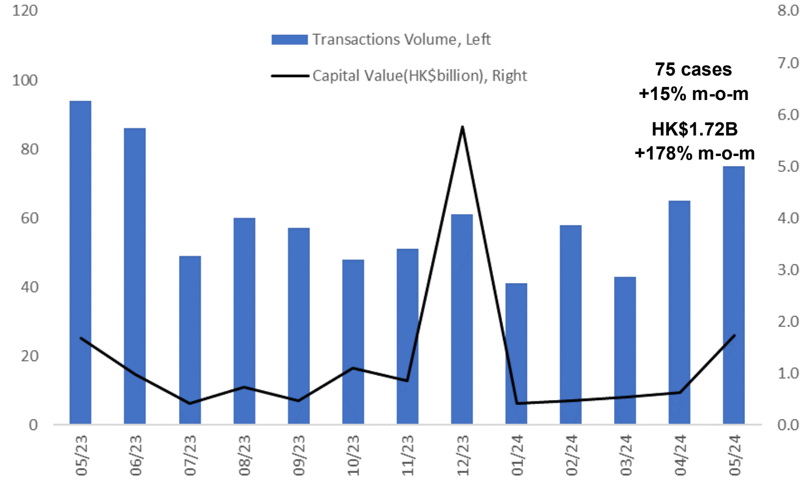
The number of registered transactions for office units rose for the second consecutive month, reaching a 11-month high of 75 in May. This represents a 15% increase over the previous month. The total transaction value was HK$1.72 billion, representing a 178% increase over the previous month.

Office prices in the city have encountered a sustained downward trend, as evidenced by the sale of a full office floor (13,880 sq ft GFA) in the Bank of America Tower in Central, together with four car parking spaces, for only HK$260 million or HK$18,732 per sq ft.

In May, the rental prices of Grade A office fell by 1.53% m-o-m, although the vacancy rate of Grade A office fell by 0.2 percentage points to 10.7%.

In our view, the office sector does not have the catalyst for a sustained rebound in prices and rents amid high borrowing costs and a challenging economy. Furthermore, the flood of new office supply has cast a pall of uncertainty over the market, with the reverberations likely to be felt for years to come.

OFFICE PROPERTY SALES AND CAPITAL VALUE



Sources: The Land Registry, Market Sources and Vigers Research

SNAPSHOT OF OFFICE PROPERTY

10.7%	218.9 pts	218.8 pts
↓ 0.2 ppts m-o-m	↓1.53% m-o-m	↓1.17% m-o-m
Vacancy Rate (Grade A office)	Rental Index– Grade A (May 2024)	Rental Index– Overall (May 2024)

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

COMMERCIAL PROPERTY
Retail Market

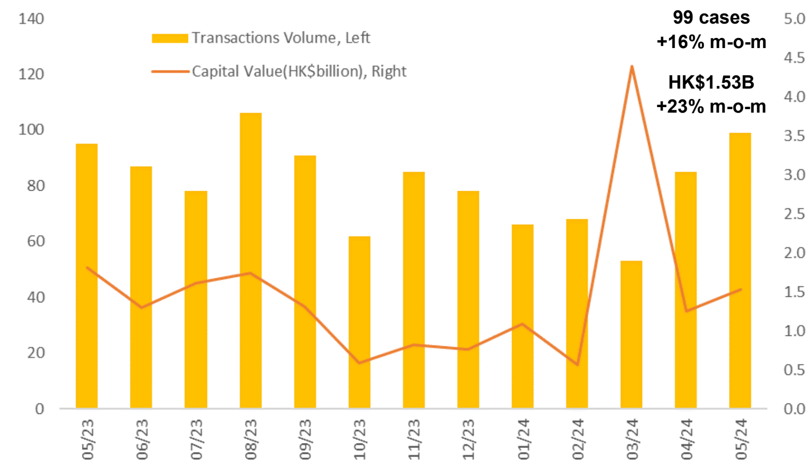
The widening reach of the Individual Visit Scheme, which now encompasses 59 cities across Mainland China, has been a pivotal factor in revitalizing the overall sentiment in Hong Kong's retail market. In May, the total number of shop transactions reached a 9-month high since September 2023 to 99, amounting to HK$1.53 billion.

Among them, a 2,900-sq ft shop at Yee Fai Mansion on 143-145 Tung Choi Street in Mong Kok, was changed hands for HK$90 million, or equivalent to HK$31,034 per sq ft, with an estimated rental yield of 3.6%.

In the leasing market, a 2,300-sq ft street shop on 67-69 Argyle Street in Mong Kok has been leased to a Chinese online brokerage Futu at a reported monthly rent of about HK$800,000 or HK$348 per sq ft, nearly double the previous rent.

While the influx of mainland tourists to Hong Kong has revitalized rental rates for high street shops, the concurrent trend of Hong Kong residents increasingly venturing northward to spend poses a concerning challenge for the neighbouring areas. Compounded by the backdrop of weak footfall and persistently high rents, this has led many F&B operators recently to close down their shops.

RETAIL PROPERTY SALES AND CAPITAL VALUE



Sources: The Land Registry, Market Sources and Vigers Research

SELECTED RETAIL PROPERTY TRANSACTIONS

Sales Transactions	District	Area	Price	Unit Price
		(sq ft) (approx.)	(HK$M) (approx.)	(HK$ psf)
Shop B, G/F-1F, Yee Fai Mansion, 143-145 Tung Choi Street	Mong Kok	2,900	90	31,034
Shop B, G/F, Kwong Sen Mansion, 23-33 Shui Wo Street	Kwun Tong	753	33	43,825
Leasing Transactions	**District**	**Area**	**Rent**	**Unit Rent**
		(sq ft) (approx.)	(HK$/month) (approx.)	(HK$ psf/ month)
Shop, G/F, Capital Centre, 151 Gloucester Road	Wan Chai	16,606	1,000,000	60
Shop, G/F, 67-69 Argyle Street	Mong Kok	2,300	800,000	348
Shop, G/F, 5 Pak Sha Road	Causeway Bay	1,523	260,000	171

Sources: The Land Registry, Market Sources and Vigers Research

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