Hong Kong Property Market

Monthly Digest

Vigers Research | July 2024

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)	
STTL 623	Yuen Shun Circuit, Siu Lek Yuen, Sha Tin	Residential	26,103	156,616	619	3,952	SHKP
CWIL 185	Cheung Man Road Chai Wan, Hong Kong	Residential (Private Subsidised Sale Flats)	56,112	448,898	-	-	Tender Cancelled on 24 July

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.)	
YLTL 545	Fuk Wang Street and Wang Lee Street, Yuen Long	Industrial	349,184	1,745,920	27 December 2024

Sources: Lands Department, market information and Vigers Research

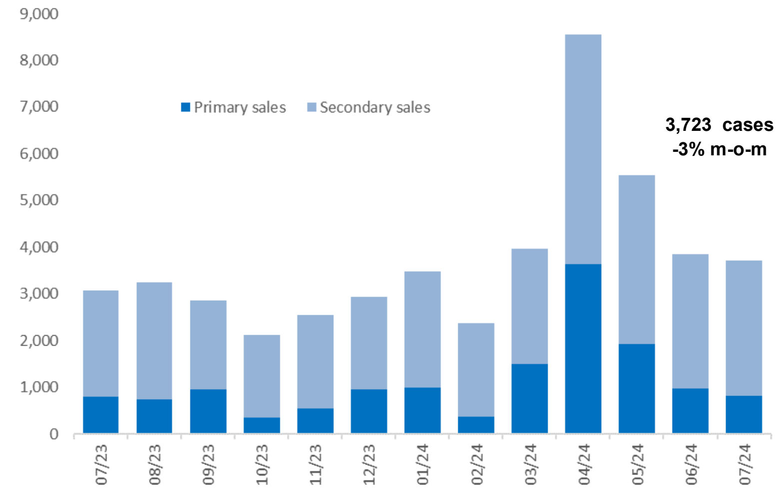
KEY ECONOMIC INDICATORS

Indicator		Latest	(Period)
Real GDP growth (in chained 2022 dollars)	(% change y-o-y)	+ 3.3	(Q2/2024)
Composite consumer price index growth	(% change y-o-y)	+ 2.5	(July)
Unemployment rate (seasonally adjusted)	(%)	3.0	(May-July)
Retail sales (value index)	(% change y-o-y)	- 11.8	(July)
Visitor arrivals	(% change y-o-y)	+ 14.0	(Jun)

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

826 cases
↓ *16%* m-o-m
Total S&P Volume
(Primary market)

2,897 cases
↑ *1%* m-o-m
Total S&P Volume
(Secondary market)

296.8 pts
↓ *1.88%* m-o-m
Price Index
(July 2024)

194.1 pts
↑ *1.09%* m-o-m
Rental Index
(July 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 Mansion A (Harbour Light), Pano Harbour	Kai Tak	4,837	380	78,561
Villa at 15 Shouson	Shouson Hill	4,696	320.16	68,177
No. 6, Low-floor, 21 Borrett Road (including one parking space)	Mid-levels	2,169	117	53,942

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. 4138 Tai Po Road, Tai Po Kau (Provisional)	Tai Po	Pending	Manhattan Group	135

Sources: The Lands Department, Market Sources and Vigers Research

RESIDENTIAL PROPERTY

Mass & Luxury

The overall residential market held steady in July, with a total of 3,723 transactions registered across the primary and secondary markets, a decrease of only 3% from June. New home sales fell by 16% on a month-on-month basis, reaching a five-month low with 826 units sold in July. This was primarily due to a reduction in the number of new project launches and a less optimistic market outlook.

Meanwhile, there was a modest 1% monthly increase in the number of registered secondary market deals, reaching 2,897 cases in July, as a result of the fading effect of the removal of 'spicy measures' and the elevated high interest rate.

The latest data from the Rating and Valuation Department shows that Hong Kong's private home prices fell by 1.9% in July compared to the previous month, reaching their lowest level in nearly eight years since September 2016. It is notable that the home price has fallen for the third consecutive month, with a 4.7% retreat so far this year and a 25.5% plunge since reaching its peak in September 2021.

Figures also showed that the rental index rose for the fourth month in a row, reaching a 58-month high (nearly 5-year) since September 2019. The index stood at 194.1 in July, up 1.1% over the previous month. The year-to-date rental growth rate was 4.4%, reflecting the impact of an influx of talent on the leasing market and the seasonal market boom that typically occurs during the summer months.

Luxury properties demonstrated stronger performance than the general market. For instance, a villa at Mansion A (Harbour Light) of Pano Harbour in Kai Tak, measuring 4,837 sq ft (S.A.), has been sold for HK$380 million or HK$78,561 per sq ft, representing a new high in the Kai Tak area.

For the land sale, the residential parcel at Yuen Shun Circuit of Siu Lek Yuen in Sha Tin has been awarded to SHKP, with a bidding price of HK$619 million or HK$3,952 per buildable sq ft, which is in line with market expectations. However, the tender for the site on Cheung Man Road in Chai Wan was unsuccessful as the premium tendered by the sole bidder was below the government's reserve price. The site was a pilot housing scheme for private developers to build subsidized homes.

In considering the recent indications from the US Federal Reserve of an imminent rate cut, we anticipate that the market sentiment will see an optimistic shift in near term, but our outlook remains unchanged with regard to the price war amongst developers to offload new home inventory, which is not favourable for home prices.

COMMERCIAL PROPERTY
Office Market

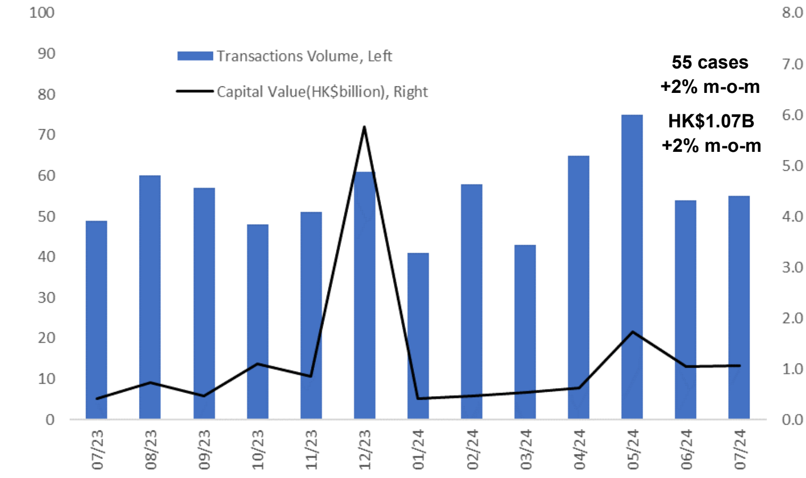
The volume of transactions in the office market demonstrated a modest improvement in July, with the total number of registered cases reaching 55, representing a 2% increase over the previous month.

It is worth noting that in July, Sino United Publishing acquired another floor in the high-rise zone of Capital Centre in Wan Chai. The total gross area of the floor was 15,727 sq ft, and the purchase price was HK$221 million, or HK$14,065 per sq ft, representing a price decrease of 8% compared with the previous year's transaction in the same building.

The Grade A office market continues to exhibit subdued performance, with the vacancy rate increasing by 0.1 ppt to 10.9% in July. Given the current economic environment, we do not anticipate any signs of an upturn in rents.

Despite the Federal Reserve's strong indication of an imminent rate cut, limited new demand and weak market sentiment are expected to constrain prices of office buildings to a relatively low level. Nevertheless, this creates an opportunity for investors to consider entering the market early.

OFFICE PROPERTY SALES AND CAPITAL VALUE



Sources: The Land Registry, Market Sources and Vigers Research

SNAPSHOT OF OFFICE PROPERTY

10.9%	217.1 pts	218.0 pts
↑ 0.1 ppt m-o-m	↓ 1.23% m-o-m	↓ 1% m-o-m
Vacancy Rate (Grade A office)	Rental Index– Grade A (July 2024)	Rental Index– Overall (July 2024)

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

COMMERCIAL PROPERTY
Retail Market

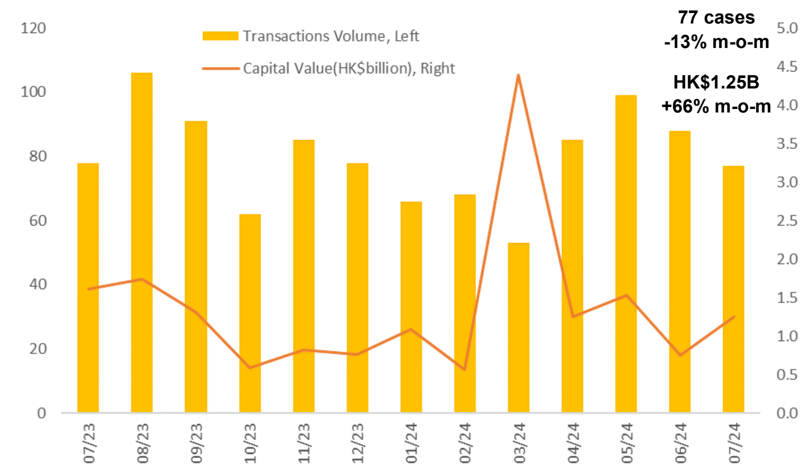
The market sentiment for retail property has softened in line with the 12% year-on-year decline in retail sales in July. The total number of registered transactions was 77, fell 13% compared with the previous month.

In particular, Fairwood, a chain fast-food restaurant, has acquired a batch of shops at Rhythm Garden in San Po Kong from the family of Ma Ah-muk for HK$62.88 million, equating to HK$17,525 per sq ft.

Despite a notable rise in visitor numbers, the anticipated shopping frenzy has not materialised, largely due to the continued cautious spending patterns of Chinese tourists. Additionally, the influx of Hong Kong residents travelling north to the Mainland was exerting pressure on businesses in the local catering industry. Some catering operators have recently taken the decision to close their shops.

We maintain a cautious but positive outlook on the market as a whole, noting indications of improvement in vacancy rates in some core tourist districts and an anticipated moderate increase in rents during the second half of the year.

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)
Shops 757-764, G/F, Rhythm Garden, Choi Hung Road	San Po Kong	3,588	62.88	17,525
Ground-floor shop at 148 Sai Yeung Choi Street South	Mong Kok	900	48.5	53,889
Leasing Transactions	District	Area	Rent	Unit Rent
		(sq ft) (approx.)	(HK$/month) (approx.)	(HK$ psf/ month)
Shop A-C, G/F, 48 Shan Tung Street	Mong Kok	4,852	400,000	82
Unit 6-9, G/F, Chuang's London Plaza	Jordan	3,224	190,000	59
Ground-floor shop at 94 San Hong Street	Sheung Shui	1,250	135,000	108

Sources: The Land Registry, Market Sources and Vigers Research

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