Hong Kong Property Market
# Quarterly Digest

Vigers Research | Q2 2024

## 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.) | |
| 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

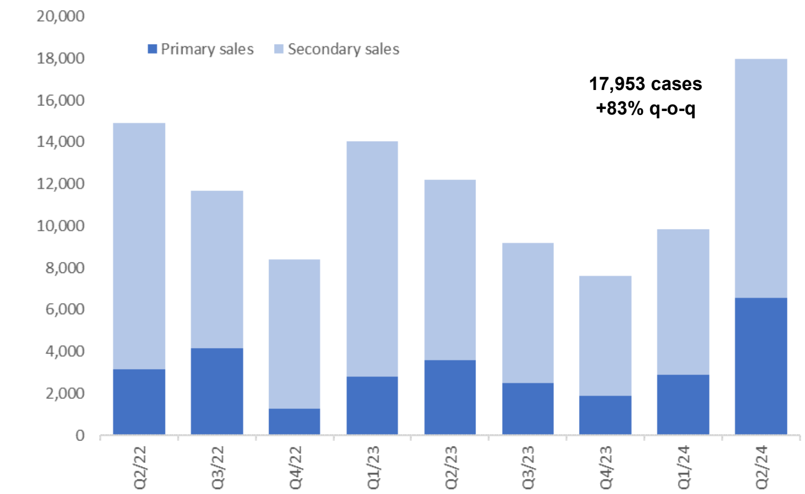
## KEY ECONOMIC INDICATORS

| Indicators | | Latest | (Period) |
|---|---|---|---|
| Real GDP growth (in chained 2021 dollars) | (% change y-o-y) | +3.3 | (Q2/2024) |
| Composite consumer price index growth | (% change y-o-y) | +1.5 | (Jun) |
| Unemployment rate (seasonally adjusted) | (%) | 3.0 | (Apr-Jun) |
| Retail sales (value index) | (% change y-o-y) | -9.7 | (Jun) |
| Visitor arrivals | (change y-o-y) | +14% | (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

**6,550** cases
↑ *128%* q-o-q
Total S&P Volume
(Primary market)

**11,403** cases
↑ *64%* q-o-q
Total S&P Volume
(Secondary market)

**301.8** pts
↓ *3.05%* YTD
Price Index
(June 2024)

**189.0** pts
↑ *1.61%* YTD
Rental Index
(June 2024)

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) |
| Penthouse A, 6/F & 7/f, Tower 1, Mont Verra No. 3 Lung Kui Road | Kowloon Tong | 8,239 | 600 | 72,824 |
| Skyplex, 27/F & 28/F, Tower 5 Culli-nan Harbour Phase 1 | Kai Tak | 3,156 | 230.388 | 73,000 |
| Flat 1, 10/F, No. 1 Phase 1, "21 Borrett Road" | Mid-level | 2,945 | 218 | 74,024 |

Sources: The Land Registry, Market Sources and Vigers Research

| VILLA | District | S.A. | Price | Price |
|---|---|---|---|---|
| | | (sq ft) (approx.) | (HK$M)(approx.) | (HK$ psf) |
| House No.2, No.33 Island Road | Deep Water Bay | 4,597 | 468 | 101,806 |
| Villa 2, Mansion A (Harbour Light), Pano Harbour | Kai Tak | 4,636 | 340 | 73,339 |
| House 8, No. 15 Shouson | Shouson Hill | 3,823 | 259.964 | 68,000 |

Sources: The Lands Department, Market Sources and Vigers Research

RESIDENTIAL PROPERTY

# Mass & Luxury

The residential market saw a remarkable surge in the second quarter of 2024, with a total of 17,953 transactions registered, representing an 83% increase compared to the previous quarter and reaching a 12-quarter high. This notable growth can be attributed to the cancellation of 'spicy measures' at the end of February.

Following a period of consolidation, buyers flocked to the market, showing a sense of optimism and confidence. Of the total agreements recorded in Q2, 6,550 were specifically for the first-hand market, indicating a 128% increase from a quarter earlier and hitting a 20-quarter high. Registrations in the secondary market jumped by 64% from the previous quarter to 11,403.

Developers have adopted a strategy of prioritising sales volume over pricing, adding pressure on secondary homeowners to offer deep discounts to draw sales. Hong Kong's home price index fell by 1.24% m-o-m in June, according to government data. That brought the decline in the prices of second-hand homes to 3.05% for the first half of the year.

The rental prices persisted on an upward trend, rising by 0.16% m-o-m in June, the fourth consecutive monthly increase and by a cumulative 1.61% for the H1 this year. The influx of talent is undoubtedly a contributing factor to the demand for living space.

Regarding land sales, the government has taken the decision to suspend residential land sales for the Q1 this year after a string of lackluster tenders. In the first half of the year, no residential land tenders were recorded, reflecting the sluggish market conditions.

However, the luxury segment has proven resilient, as the interest rate hikes do not put much pressure on the super-rich buyers. In Deep Water Bay, a detached house at No.33 Island Road, with a saleable area of 4,597 sq ft, was reportedly sold for a lofty HK$468 million, equating to HK$101,806 per sq ft.

Looking ahead, there is a possibility that recovery momentum could falter once again due to the current level of feeble demand. Nonetheless, the increased probability of interest rate cuts by the US Federal Reserve in the second half of the year will contribute to a more optimistic outlook for the market. We anticipate that overall transaction volumes will remain consistent, while property prices are projected to decline by approximately 5% over the course of the year.

COMMERCIAL PROPERTY
# Office Market

The volume of transactions in the office market showed a modest improvement in the Q2, with the total number of registered cases reaching 194, representing a 37% increase over the previous quarter. The total consideration was jumped by 139% q-o-q to HK$3.39B.

Among the cases, an entire floor of the high-rise zone of "Nine Queen's Road Central" on No.9 Queen's Road Central, with a total gross area of 13,769 sq ft, has been changed hands at HK$310 million or HK$22,514 per sq ft, representing a 12-year low.

The Grade A office market experienced a 2.6% decline in rents during the H1 this year, reflecting the challenging property market conditions. It is worth noting that OCBC Bank has leased about 76,000 sq ft spanning two storeys in Airside Kai Tak for a reportedly monthly rent of HK$2.66 million.

Given the current economic environment, we do not expect any signs of an upturn in rents. The high vacancy rates and oversupply of office space will exert downward pressure on overall office rents. The outlook for the office sector remains relatively subdued in the near term.

## OFFICE PROPERTY SALES AND CAPITAL VALUE


Sources: The Land Registry, Market Sources and Vigers Research

## SNAPSHOT OF OFFICE PROPERTY

**10.8%**
Vacancy Rate
(Grade A office)

**221.3** pts
↓ *2.6%* YTD
Rental Index– Grade A
(Q2 2024)

**220.4** pts
↓ *3.1%* YTD
Rental Index– Overall
(Q2 2024)

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

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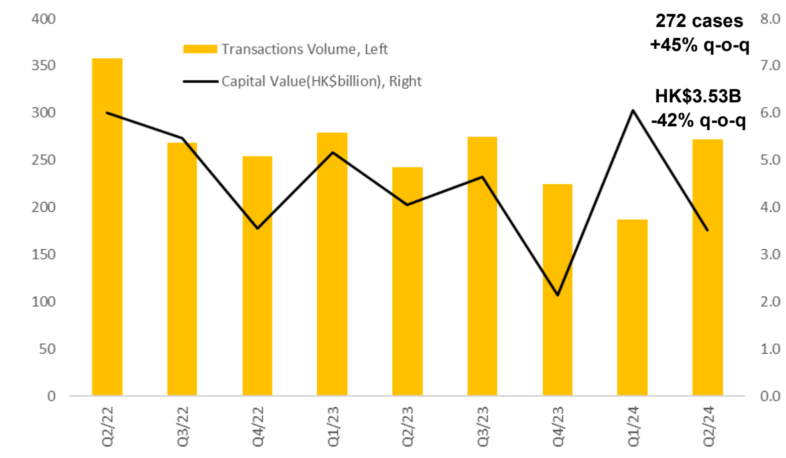
# Retail Market

In the second quarter of this year, the number of registered transactions for the retail property sector increased by 45% q-o-q to 272, with a total transaction value of HK$3.53 billion. There has been a positive shift in market sentiment, with visitor arrivals in the first half of the year reaching 21 million, representing a y-o-y growth of 64%. Of these, about 77% were visitors from the Mainland.

The vacancy rate in tourist areas has seen an improvement as a result of a tide of mainland retail brands establishing a presence in Hong Kong. It is now commonplace to see stores such as Cotti Coffee and Lamheungling Lemon Tea. However, due to an increase in the number of Hong Kong people travelling north to the Mainland, which has resulted in challenges to local consumption, some catering operators have made the decision to close their shops.

It is forecast that the vacancy rate of high street shops will remain relatively stable in the second half of the year, with rentals for the entire year expected to show a single-digit increase. However, in view of the decline in consumer sentiment, we anticipate that the retail market will continue to face significant challenges in the near term.

## RETAIL PROPERTY SALES AND CAPITAL VALUE




Sources: The Land Registry, Market Sources and Vigers Research

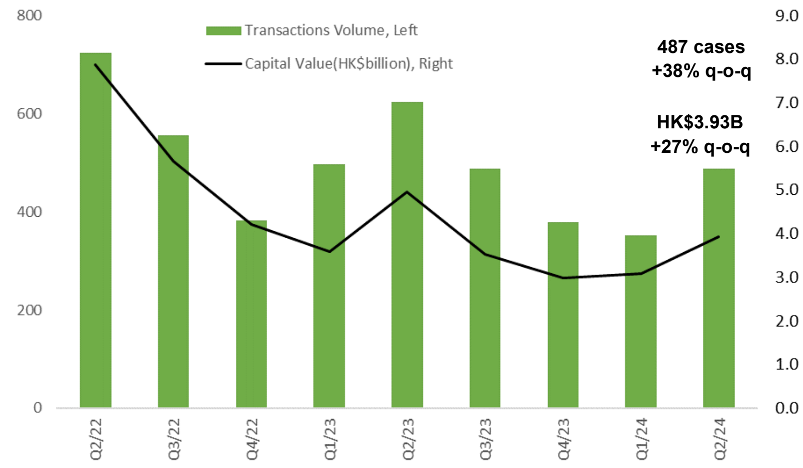
## SELECTED RETAIL PROPERTY TRANSACTIONS

| Sales Transactions | District | Area (sq ft) (approx.) | Price (HK$M) (approx.) | Price (HK$ psf)) (approx.) |
|---|---|---|---|---|
| Shop 2, LG/F, Westlands Gardens, | Quarry Bay | 3,200 (G) | 75 | 23,438 |
| Shop 28, G/F, Kings Wing Plaza 1 | Shek Mun | 1,220 (G) | 32.5 | 26,639 |

| Leasing Transactions | District | Area (sq ft) (approx.) | Rent (HK$/month) (approx.) | Rent (HK$ psf/ month) |
|---|---|---|---|---|
| Duplex shop, G/F & 1/F, Hong Kong Chinese Bank Causeway Bay Centre, 42-44 Yee Wo Street | Causeway Bay | 4,086 (G) | 500,000 | 122 |
| G/F shop, New World Tower, 18 Queen's Road Central | Central | 1,700 (G) | 400,000 | 235 |

Sources: The Land Registry, Market Sources and Vigers Research

## INDUSTRIAL PROPERTY SALES AND CAPITAL VALUE




Sources: The Land Registry, Market Sources and Vigers Research

## SELECTED INDUSTRIAL PROPERTY TRANSACTIONS

| Sales Transactions | District | GFA (sq ft) (approx.) | Price (HK$M) (approx.) | Price (HK$ psf)) (approx.) |
|---|---|---|---|---|
| G/F, Fou Wah Industrial Building, 10-16 Pun Shan Street (with 4 parking spaces) | Tsuen Wan | 17,000 | 103.8 | 6,106 |
| Entire 6/F, Well Town Industrial Building, 13 Ko Fai Road | Yau Tong | 22,000 | 84.5 | 3,841 |

| Leasing Transactions | District | GFA (sq ft) (approx.) | Rent (HK$/month) (approx.) | Rent (HK$ psf/ month) |
|---|---|---|---|---|
| Low-zone, Edwick Industrial Centre, 4-30 Lei Muk Road | Kwai Chung | 19,336 | 386,720 | 20 |
| Low-zone, Fou Wah Industrial Building, 10-16 Pun Shan Street | Tsuen Wan | 17,000 | 280,000 | 16 |

Sources: The Land Registry, Market Sources and Vigers Research

COMMERCIAL PROPERTY

# Industrial Market

The total number of industrial property transactions registered in the second quarter of 2024 was 487, with a combined transaction value of HK$3.93 billion. This represents a 38% and 27% quarterly increase, respectively, compared to the previous quarter.

The investment market was stable despite rising interest rates. A global investment firm, Brookfield, has acquired a whole floor of industrial premises in Yau Tong for HK$84.5 million or HK$3,841 per sq ft, which plans to turn it into a mini-warehouse.

The latest budget has increased the maximum loan-to-value ratio for industrial buildings from 60% to 70%. This could encourage investors and boost confidence in the market, especially if there is a cut in interest rates in the second half of the year.

Yet, demand for industrial space remained subdued due to the lacklustre economic activity in Hong Kong. Based on current market conditions, we expect industrial property prices to remain flat for the remainder of the year.

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