



Hong Kong Retail

Market Commentary – 2Q2011

The Hong Kong retail market continued to display strength as the value of total retail sales continued to pose strong double-digit growth rates in May, up 27.8% y-o-y, bringing the year-to-date growth to 23.6% y-o-y. The key drivers behind this strong expansion include a growing pool of inbound tourists (especially those from mainland China), a weaker HKD against the RMB and other currencies, a promising labour market outlook at the local front and a low interest rate environment, which helps minimise local consumers' burdens.

Landlords of prime retail space continued to command high rents as space availability on high streets and in prime shopping malls remained low, for which there is also a long waiting list. This is against the strong bidding for retail premises among international brands and luxury goods retailers, especially in prime shopping locations.

No prime retail scheme was completed during the quarter, except for Bigfoot Centre, a relatively small mixed-use development in Causeway Bay. Offering 23,800 sq ft of retail space, the mall is positioned to accommodate general retail, beauty and wellness as well as food and beverage and entertainment businesses.

Opening in 2Q12, Hysan Place is set to be one of most anticipated projects in Causeway Bay, where new supply of prime shopping malls has been very rare in recent years. Hollister, a casual apparel retail chain, pre-leased 20,000 sq ft of space in Hysan Place during 2Q11, after the pre-commitment by anchor tenants Apple Store and DFS Galleria earlier on.

Major Sales Transactions in 2Q11

1. Pioneer Global Group acquired The Pemberton, a 70,000-sq ft high-rise building at 22-26 Bonham Strand, for HKD 500 million or HKD 7,406 per sq ft
2. The Link REIT purchased the 176,000-sq ft commercial podium of Nan Fung Plaza in Tseung Kwan O for HKD 1.17 billion or HKD 6,347 per sq ft.

Major Leasing Transactions in 2Q11

1. The Swatch Group took up 1,800 sq ft of retail space at the LHT Tower for HKD 1.8 million per month, averaging HKD 1,000 per sq ft.
2. Coach took up 5,000 sq ft of retail space at The Mira Hotel for HKD 2.8 million per month, averaging HKD 560 per sq ft.