

HONG KONG

PROPERTY NEWS AND VIEWS

May 2005

OFFICE SERVICES

Core Vacancy Fading Away

© Financial services provider State Street has continued its Hong Kong expansion, taking the last remaining space on 70/F of Two IFC, ahead of their relocation to the building later this year. As Core Central increasingly displays strong rental growth due to declining vacancy, tenants are now securing alternative opportunities, with Three Pacific Place appearing to be the flavour of the month. Invesco, GE, Tricor and The Executive Centre are all rumoured to have agreed terms with Swire Properties, taking commitment in the new tower to over 70%.

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RESIDENTIAL SERVICES

Residential Cycle Back on Summer High

© It is that time of the year again! The luxury residential market is now heading into the traditionally busy period of the year for leasing activities. Demand for top-end leasing remains active on the back of the annual influx of new arrivals in the S.A.R. looking to settle before the new school year starts in August/September. Supply remains on the low side as existing units continue to be absorbed, while at the same time no new luxury developments have been released to the leasing market.

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RETAIL SERVICES

Landlords Harness Retail Rise

© In anticipation of the opening of Disneyland and the general positive sentiment prevalent in the market, landlords continue in their endeavours to harness the optimism on the prospects for retailing in the SAR. The strong outlook on the market is driving speculative behaviour on the part of retail landlords, which in turn is leading to some remarkable rents being achieved. However, only a handful of trades are able to sustain the sharp incline in rentals witnessed in Hong Kong's prime retailing districts. Within May, Sa Sa Cosmetics leased the G/F of 138 Sai Yeung Choi Street, in Mong Kok, at \$350,000, almost 65% higher than the previous level.

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INDUSTRIAL & LOGISTICS SERVICES

Developers Eye Hotel Development

© Despite the month's rate hike, two industrial properties were transacted en bloc in Wong Chuk Hang for hotel redevelopment within May. Wah Ming Building at 34 Wong Chuk Hang Road, with a total redeveloped GFA of 160,000 sf gross, sold for over \$100 million, while 2 Heung Yip Road, with a total redeveloped GFA of 735,000 sf gross, sold for \$455 million.

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INVESTMENT PROPERTIES

Industrial Yields Generate Sector Interest

© Following the sale in April of Joyce Building in Wong Chuk Hang at \$122.8 million, CBRE's investment department, in May, arranged the sale of another industrial property. Pista Building, located at 171 Hoi Bun Road in Kwun Tong, transacted at a consideration of \$80 million within the month. This equates to a unit value of \$755 for the 40-year-old building. Demand in the industrial market seems less affected by local interest rate jitters due to the higher yields on offer in the sector.

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INVESTMENT & PROJECT MARKETING

Mid-Levels Draws High Interest

© Demand for high-end residential apartments on the Mid-Levels remains strong. CBRE was appointed in May by a reputable Singaporean investor as the sole agent for 6 duplexes and 3 penthouse units, the latter of which come with roof gardens, at Royal Court in the fashionable residential precinct. The duplexes range in size between 2,300 sf and 2,880 sf. Previewing of the units, located at No. 3 Kennedy Road, will be launched in June. Prices are expected to start at \$33 million. Meanwhile, in the same locality, Cheung Kong's St. Paul Terrace was registered as transacting between \$11,000 and \$16,300 psf within the month of May.

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Supply ↓

Rent ↑

Demand ↑

Vacancy ↓

Capital Values ↑

Demand ↑

Capital Values ↑

Demand ↑

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