

# HONG KONG

## PROPERTY NEWS AND VIEWS

July 2005

### OFFICE SERVICES

#### **High Profile - High Priority**

©The office leasing market appears to have awoken early from its traditionally slow summer period, with demand levels seen on the increase in July. While many larger space users, with lease expiries in 2005 and 2006, have already committed to longer-term strategies, a flurry of demand activity from small- to medium-size tenants is putting added pressure on Central's dwindling supply. Witnessed over the last few weeks, this significant trend has seen a number of new market entrants, most notably financial services firms from the US and Europe, seeking high profile accommodation.

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### RESIDENTIAL SERVICES

#### **TTN Puts Stay on Across-board Rent Hikes**

©The residential market has continued to enjoy high levels of leasing throughout the traditionally slow summer months supported by the SAR's strong economic outlook and corporate executives taking up employment in Hong Kong. With the increase of rental levels, we are witnessing a number of tenants making use of the Temporary Termination Notice (TTN) to extend their leases for an extra 12 months at their existing terms. For new developments, Phase 2 of Four Seasons Place (27/F to 38/F) has just been released to the market. Asking rentals for two bedroom suites are from \$69,400 to \$82,400 per month.

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### RETAIL SERVICES

#### **Office Landlords Lured to Retail**

©With the boom in retailing currently seen to be gripping the market, many landlords in July began to study the possibility of converting their office premises for retail use in order to capture the increased rental premium. Such conversion has landlords facing substantial growth in unit rentals. For example, in Chong Hing Square in Mong Kok the landlord was witnessed renovating floors 15 to 19 for fashion retailing purposes. Indeed such reformatting is being considered for many strata-title owned office buildings in prime shopping districts across the SAR.

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Supply ↔

Rent ↑

Demand ↑

Vacancy ↓

Supply ↓

Rent ↑

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Vacancy ↓

Supply ↔

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Vacancy ↔

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世邦魏理仕

## **INDUSTRIAL & LOGISTICS SERVICES**

### ***Industrial Sector Feels Heat***

© Despite consecutive interest rate rises, July was a strong month for industrial sales transactions. The most notable deal of the month saw the sale of Sing Tao Building to Billion Enterprises. The 277,720-sf gross block, which is planned for commercial redevelopment, fetched \$370 million within the month. Other prime examples include a deal for one whole floor in Metro Loft, offering a gross area of 14,266 sf, at \$24.5 million, and the sale of a G/F unit in Kaiser Estate Phase III, with a gross area of 3,850 sf, for \$18 million.

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## **INVESTMENT PROPERTIES**

### ***CBRE Tenders Lane Crawford House in Central***

© CB Richard Ellis was exclusively instructed by Wheelock Properties in July to arrange a private tender for Lane Crawford House, 70 Queen’s Road Central. Offering a total GFA close to 200,000 sf, the building has been the flagship store of Lane Crawford for more than 25 years. This is a rare opportunity as there has been no major building available for sale in Core Central since the transaction of Entertainment Building at \$3.64 billion in late 1996. The tender for Lane Crawford is slated to close in early September. Speaking on the offer, Mr. Rob Blain, CEO & President, Asia Pacific, CB Richard Ellis, said “This is inevitably a rare opportunity to own a building in the heart of Central”.


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## **INVESTMENT & PROJECT MARKETING**


### ***July Sparks Sales Heat***

© July proved a strong month for strata-title office transactions as a number of sales were recorded within the period. Sales activity was upbeat on the positive rental outlook for Hong Kong, particularly in Core Central. Starting in the popular district, 79/F of the Center was sold at around \$158 million (\$12,000 psf), while 1-2/F and 9-10/F of Fairmont House changed hands at around \$290 million (\$7,600 psf). The 17/F of Far East Finance Centre was transacted at around \$94 million (\$9,000 psf). Turning to other districts, in Mongkok, 55/F of Langham Place was transacted at a high price of around \$174.5 million (\$10,000 psf). In North Point, 12/F & 14/F of Citicorp Centre were sold at around \$120 million (\$4,300 psf). In Tsim Sha Tsui finally, a mortgagee property: England Commercial Building (90% share), on 184 Nathan Road was sold at \$125 million (\$5,000 psf).

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Supply 


Rent 


Demand 

Vacancy 

Capital Values 

Demand 

Capital Values 

Demand 

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