

HONG KONG

PROPERTY NEWS AND VIEWS



November 2005

OFFICE SERVICES

Central Activity Slows but Landlords Stay Bullish

©Market activity in Central was witnessed as slowing in November, yet landlord sentiment wasn't dampened in the slightest. This was despite transactions showing a m-o-m increase in Core Central rentals of just 1%, the smallest increment since May 2004. Building owners are clearly confident that limited supply will see premium rents paid for top grade office property, and will happily leave space vacant unless tenants match their commercial expectations. Meanwhile, rapid rent increases in the major prime office districts of Central, Wanchai and Causeway Bay have benefited more affordable, decentralised districts – in Taikoo Place alone, Swire has concluded new transactions involving over 720,000 sf in the year to date.

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RESIDENTIAL SERVICES

Serviced Apartments in Demand

©The residential leasing market is somewhat quiet as we enter the traditional low season, with most tenants now looking to secure a lease for early 2006. The sales market also remains slow, as continuing interest rate rises are having a consolidating effect on prospective purchasers, and some owners are now becoming more flexible with their asking prices. In contrast, the serviced apartment sector is very active. Many of the more popular developments are fully occupied, with some even having waiting lists for new tenants. Rentals were again witnessed heading north in November and, on the back of strong underlying demand and limited supply, we expect to see this sector continue to outperform the general luxury residential market.

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RETAIL SERVICES

F&B Active Despite General Market Consolidation

©The overheated Hong Kong retailing landscape began to cool in November, as retailers halted the expansion of their retail networks, and instead adopted a wait-and-see stance on rentals. At the same time, restaurant operators (local and from the mainland) seem still active in opening new outlets. For example, the renowned South Beauty Chinese Provincial Restaurant just confirmed the lease of their first outlet in Hong Kong, with an area of approximately 17,000 sf in Lee Theatre Plaza. Meanwhile, Nanxiang Steamed Bun Restaurant leased approximately 4,000 sf in Causeway Bay Plaza 1. Finally, the 2/F and 3/F of what was the CRC Department in Causeway Bay have both been sub-divided into several smaller scale restaurant premises, and have been almost fully let.

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Supply ↔

Rent ↑

Demand ↑

Vacancy ↓

Supply ↓

Rent ↑

Demand ↔

Vacancy ↓

Supply ↔

Rent ↔

Demand ↔

Vacancy ↔

INDUSTRIAL & LOGISTICS SERVICES

Lantau Logistics Park Gets Planning Priority

© The Chief Executive in Council, headed by the Financial Secretary, approved the draft North-East Lantau Outline Zoning Plan in November, with priority for planning a Logistics Park in Siu Ho Wan. Consisting of about 1,667 hectares, the Planning Scheme Area of the North-East Lantau OZP covers the whole of the Tsing Chau Tsai Peninsula, including Penny's Bay, To Kau Wan, Tsing Chau Wan, Ta Shui Wan, part of Yam O and Cheung Sok Island. The Logistics Park will be supported by the MTR and potentially container terminals (about 233 hectares preliminarily designated), pending the outcome of a detailed study on its potential use as an alternative location for port facilities.

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INVESTMENT PROPERTIES

Rare Yuen Long Offering up for Grabs

© CB Richard Ellis has been appointed as the sole agent to dispose of a rare retail investment opportunity in Yuen Long. The closing date for the tender has been scheduled for 12 January 2006. The subject properties comprise the en bloc offering of 140 Castle Peak Road as well as Shop D and E on the G/F; Units A to F on the 1/F; and the entire 2/F of 142 Castle Peak Road. Prime retail space for sale in this section of Castle Peak Road is highly sought after by investors.

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INVESTMENT & PROJECT MARKETING

En Bloc Commercial Sales Beat Consolidation

© Although the property market has been undergoing a period of consolidation due to the incremental rise of interest rates, we have witnessed some en bloc transactions of commercial properties, including Jupiter Tower, in Tin Hau, for \$170 million (\$2,600 psf); Po Sang Bank Building, in Mong Kok, for \$158 million (\$3,600 psf); and Kotefair Commercial Building, in Jordan, for \$90 million (\$2,800 psf). For overseas markets, there will be a Beijing Property Exhibition and Seminar on the 3rd and 4th of December, organised by CBRE on behalf of Keppel Land, with Standard Chartered Bank providing the key speaker elements.


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Supply 


Rent 

Demand 

Vacancy 

Capital Values 

Demand 

Capital Values 

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