

HONG KONG

PROPERTY NEWS AND VIEWS



August 2005

OFFICE SERVICES

Rent Increases The Long March Continues

© The office leasing market in August witnessed what are already-substantial rent increases continue on their unabated upward course, driven by steady take up across the SAR's office precincts. This ongoing demand, which is compounded by a lack of new supply, is most pronounced in Central. The banking and finance sector is a major contributor driving this demand, with expansion requirements from existing space users in addition to new participants, such as Citadel, looking to establish in the market. This rise in rents has started to displace Central tenants, which has in turn led to rents in secondary and decentralised buildings increasingly joining the upward rental trend.

Nigel Smith

T : 852 2820 2848 F : 852 2810 0835 E : nigel.smith@cbre.com.hk

RESIDENTIAL SERVICES

August Quiet with Market on Vacation

© Following the high level of leasing activity witnessed in previous months, August seemed somewhat less buoyant with the source of demand absent from the market. Demand dipped with a great portion of expatriates abroad on their summer holidays, while new comers to Hong Kong generally begin to arrive towards the end of August. On new developments, shama midlevels located at 6-8 Hospital Road in Mid-Levels has just been released to the market. There are 48 studio/apartment units each at 470 sf. Asking rentals range from \$18,000 to \$24,750 per month.

Jane Garnett

T : 852 2820 2997 F : 852 2522 7762 E : jane.garnett@cbre.com.hk

RETAIL SERVICES

Mall Owners Take Opportunity to Subdivide

© In August, while retail rentals maintained at robust levels, the rate of increment was seen easing off. Meanwhile, following the recent trend amongst investors of subdivision of large retail areas into smaller space outlets for disposition at higher unit rates, landlords at some of the SAR's longer-standing, traditional malls got in on the act for higher unit leasing. Following lease expiries of major anchor tenants across Hong Kong, a number of landlords were seen planning on subdividing units to maximise rental returns. Examples include the spaces currently occupied by Muji store in Silvercord, Tsim Sha Tsui and Seibu and Park N Shop in Windsor House, Causeway Bay.

Joe Lin

T : 852 2820 2860 F : 852 2802 8568 E : joe.lin@cbre.com.hk

Supply ↔

Rent ↑

Demand ↑

Vacancy ↓

Supply ↓

Rent ↑

Demand ↑

Vacancy ↓

Supply ↔

Rent ↑

Demand ↑

Vacancy ↔

CBRE
CB RICHARD ELLIS
世邦魏理仕

INDUSTRIAL & LOGISTICS SERVICES

Industrial Conversion in Demand

© The government was urged in August to initiate a general long-term plan for the conversion of old government factory buildings into arts-focused venues or 'villages'. At the same time, private owners of industrial blocks in Yau Tong are planning to redevelop a number of sites for residential use. They comprise No. 13 and No. 15 Sze Shan Street, which could potentially offer an aggregate site area of 41,071 sf. Elsewhere, the trend of use conversion and redevelopment continued in August with No. 5 of Tung Yuen Street and No. 6 Cho Yuen Street being granted use conversion permits for residential redevelopment for a proposed 256 and 272 units, respectively. The continued re-development of such facilities will diminish the total stock of industrial space available to the market.

Dickman Cheung T : 852 2820 2843 F : 852 2735 1022 E : dickman.cheung@cbre.com.hk

INVESTMENT PROPERTIES

Lane Crawford Tender Stirs Retailers

© Following the appointment of CB Richard Ellis as the sole agent to dispose of Lane Crawford House, 70 Queen's Road Central, by way of private tender, we have witnessed substantial interest in the building on a number of fronts. Indeed, CBRE received an encouraging market response with regard to the repositioning potential of the retail podium, which had previously been occupied by Lane Crawford for over 25 years until the upmarket department store's relocation to IFC Mall. The strength of response from retail operators demonstrates the quality of location which the landmark retail podium occupies. The tender is scheduled to close on 12 September 2005.

Henry Lam T : 852 2820 2835 F : 852 2877 2423 E : henry.lam@cbre.com.hk


INVESTMENT & PROJECT MARKETING


Whole-Floor Deals Brush Aside Apparent Quiescence

© While the market generally appeared to enter a phase of consolidation in August, there were nevertheless a series of whole-floor office transactions registered within the month. In Core Central, the 18/F of Far East Finance Centre was sold for \$95 million, equating to a unit value of \$8,800 psf. Turning to Wan Chai, the 27/F of Wu Chung House fetched \$116 million, which translates to a unit transaction value of \$4,745 psf. In North Point, meanwhile, two office floors changed hands: the 22/F of Fortress Tower sold at \$46.6 million, or \$3,000 psf and the 25/F of Island Place achieved a transaction value of \$106 million, equivalent to \$5,000 psf.


Rebecca Shum T : 852 2820 2875 F : 852 2526 8830 E : rebecca.shum@cbre.com.hk

© 2005 CB Richard Ellis, Inc. We obtained the information above from sources we believe to be reliable. However, we have not verified its accuracy and make no guarantee, warranty or representation about it. It is submitted subject to the possibility of errors, omissions, change of price, rental or other conditions, prior sale, lease or financing, or withdrawal without notice. We include projections, opinions, assumptions or estimates for example only, and they may not represent current or future performance of the property. You and your tax and legal advisors should conduct your own investigation of the property and transaction.

Supply 


Rent 

Demand 

Vacancy 

Capital Values 

Demand 

Capital Values 

Demand 