

HONG KONG

PROPERTY NEWS AND VIEWS



September 2005

OFFICE SERVICES

New Entrants Stoke Market

© In 2005 to September, Core Central witnessed a 57% increase in effective Grade A rentals driven largely by both expansion and, as more recently witnessed, new market entry within the financial services sector. US hedge fund Citadel is one of the most recent financial players to establish a presence in the SAR, having committed to a whole floor in Chater House. This robust market upswing saw Hong Kong's world ranking, by occupation cost, rise to number 8 in CBRE's latest Global Market Rent survey. The expansion of existing multi-national tenants and the influx of new market entrants, despite the rate of hardening seen in the market, exhibits Hong Kong's continuing draw as a key destination for many MNCs.

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RESIDENTIAL SERVICES

New Arrivals Settle in After Driving Seasonal Uptick

© Following the busy summer period, where activity levels traditionally show a seasonal spike, rental demand for luxury residential properties was stable in September. New arrivals were witnessed mostly settling into their new homes within the month while existing tenants were seen making widespread use of the TTN (Transitional Termination Notice) to extend their leases for an extra 12 months. At the same time, luxury supply remains limited with no new top-end developments being released to the market for lease.

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RETAIL SERVICES

Retailers Prepare for High Season

© Supported by buoyant optimism on the back of the opening of Disneyland within the month, retailers kept up their growth momentum in September by expanding their networks to meet the rise in demand expected in the fourth quarter peak season. While earlier activity in the market was dominated by competition for space between those trades popular with tourists such as jewellery and electronics, September witnessed leasing activity from those in the wider market for retail space. Within the month HSBC leased 7,500 sf on the 1/F of the former CRC Department Store in Causeway Bay, while Watson's leased approximately 6,000 sf on the G/F of Queen's Place on Queen's Road Central.

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Supply ↔

Rent ↑

Demand ↑

Vacancy ↓

Supply ↓

Rent ↑

Demand ↑

Vacancy ↓

Supply ↔

Rent ↑

Demand ↑

Vacancy ↔

INDUSTRIAL & LOGISTICS SERVICES

Mid-Autumn Sees Strata-Title Heat

© The industrial sales market exhibited upbeat performance in September with positive en bloc activity registered, while the strata-title market was seen as particularly lively within the period. In market transactions, the whole 2/F in Shatin Industrial Centre, offering 55,558 sf gross was sold at \$53 million. Meanwhile, the entire 4/F in Kin Ho Industrial Building, with 16,423 sf, gross transacted at \$10.6 million. Also within the time frame, units 2&3 on the 6/F of Corporation Square, offering 8,549 sf gross, and the entire 19,129-sf (gross) 2/F of Hong Leong Plaza fetched \$1,300 psf gross and \$565 psf gross, respectively.

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INVESTMENT PROPERTIES

Expectation-Breaking Auction to Drive New Benchmark

© Bids made by developers triggered the auction of three plots of land under the government's land sale system and were put up for public auction on 27 September. This first land sale of the new fiscal year dominated market focus within the month and clearly demonstrated developer confidence as the winning bids on each of the three plots, which fell under the hammer, beat market expectations. It is expected that the land auction result will be used as a benchmark for private residential land sales in the SAR, despite the rising interest rate environment. Looking forward we expect more investment activities in the en bloc residential market within the coming months.

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INVESTMENT & PROJECT MARKETING


Investors Cross Harbour in September

© Three whole office floors were transacted within September in the SAR. They comprised the 16/F of Enterprise Square Tower II in Kowloon Bay, which changed hands at \$43 million, or \$3,340 psf, and two consecutive floors in Langham Place, the 35/F & 36/F, which fetched \$264 million, or \$7,600 psf. Also in September, 'The Met', Bangkok's tallest residential landmark, was well-received by Hong Kong investors on its launch in the SAR between the 23 and 25 September. As a result, the Singaporean developer, HPL, will adjust the pricing upwards on the next batch of units it has slated for release.


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Supply 


Rent 

Demand 

Vacancy 

Capital Values 

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