

HONG KONG

PROPERTY NEWS AND VIEWS



October 2005

OFFICE SERVICES

Grade A Respite on Horizon

© The ongoing rapid take-up in prime areas continues to apply pressure to both rentals and vacancy, however, recent announcements of an upcoming wave of office supply may provide tenants with some respite, albeit not immediately. Sun Hung Kai have announced the name of their 118-storey Kowloon Station project and the timing of its first phase release of office space to the market. "International Commerce Centre" is slated to provide 450,000 sf of the tower's total 2.5 million sf to the market in late 2007. Swire Properties have also confirmed that they will complete the 1.5 million-sf Westlands Road project in 2008. With the exception of Hongkong Land's 119,000-sf Landmark East development, due for completion in late 2006, Grade A supply in prime areas will prove to be very limited over the next two years.

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RESIDENTIAL SERVICES

Tenants Scouting Market

© Demand for luxury residential leasing remained stable in October, with the market's focus tilted in favour of lease renewals. Tenants were witnessed actively looking for new opportunities in the market, but are not anticipated to relocate until the first quarter of 2006. On new luxury developments, No. 2 Barker Road is now available for lease. This brand new development is located at Lower Peak. Its eleven townhouses range in size from 4,082 sf to 4,745 sf, offering a minimum of four bedrooms each. Rentals start from \$190,000 per month exclusive.

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RETAIL SERVICES

Rate of Rental Incline Leaves Some Units Empty

© Following the significant uptrek of rentals over the past year, the retail leasing market entered a phase of consolidation in October as occupiers began to show resistance to the rate of rental escalation. However, landlords retained their firm stance on rents, resulting in some retail vacancy, even in prime shopping districts. Some large chain stores were as a result seen scouting for smaller outlets in the SAR's major retail districts, so as to reduce the impact on their bottom lines of the steep rental incline witnessed in the market. Notable examples in Causeway Bay saw Aster Cosmetic take 1,000 sf gross on the ground floor of 57 Percival Street, and PCCW take up the 600-sf gross Shop 3 on the G/F of 46-54 Yee Wo Street.

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Supply ↔

Rent ↑

Demand ↑

Vacancy ↓

Supply ↓

Rent ↑

Demand ↔

Vacancy ↓

Supply ↔

Rent ↑

Demand ↑

Vacancy ↑

INDUSTRIAL & LOGISTICS SERVICES

270 ha of Industrial Land Up for Rezoning

© Over 200 hectares of industrial land was rezoned for alternative use in 2000, and the Hong Kong Government has plans to review the change of use for an additional 270+ hectares of industrial land. SAR authorities have plans to rezone the sites for OU (other use) or hotel following the receipt of over 200 applications for redevelopment since the previous rezoning in 2000. The sites under review are spread across the SAR and comprise land in Shatin (52.5 hectares), North (58.37 hectares), Kwai Chung (49.08 hectares), Tsuen Wan (28.75 hectares), Tuen Mun (57.16 hectares), Chai Wan (14.54 hectares) and Aberdeen (10.29 hectares).

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INVESTMENT PROPERTIES

AXA Centre for Sale

© CB Richard Ellis has been exclusively instructed by AXA, one of the world’s biggest insurance companies, to dispose of a significant portion of the AXA Centre, subject to a leaseback arrangement, by way of private tender. The portion for sale comprises the whole of the basement, ground floor, first floor and 17/F-24/F, together with 89 car parking spaces and roof-top signage, totalling a gross floor area of over 150,000 sf. As the opportunity offers an attractive initial return with possible future capital appreciation, CBRE has received an encouraging response from major market players. The tender will close in mid November.


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INVESTMENT & PROJECT MARKETING

Strata Title Office Market in Uptick


© Institutional investors remained active in transacting en bloc industrial buildings within October, while office sales activity also remained at upbeat levels. A number of whole floor office transactions were recorded in October, such as the 6/F to 9/F of AXA Centre, which sold for approximately \$245 million (\$4,800 psf), and the 12/F of AXA Centre, which achieved a consideration of approximately \$58.65 million (\$4,600 psf). Meanwhile, the 12/F in Tower 2 of South Sea Centre changed hands at approximately \$67 million (\$5,200 psf), while a portion of the 3/F and 4/F sold for approximately \$233 million (\$4,100 psf). Also in October, CBRE successfully sold the 2/F of Bank of America Tower to the Chinese University of Hong Kong for a consideration of approximately \$210 million. We believe the current uptrend in strata title property interest will persist in the near term.

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Supply 


Rent 


Demand 

Vacancy 

Capital Values 

Demand 

Capital Values 

Demand 

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