



MarketView Hong Kong Retail

Quick Stats

		Y-o-Y change	Q-o-Q change
Inflation Rate	2.8% (Jun 10)	↑	↑
Unemployment Rate	4.6% (Apr 10-Jun 10)	↓	↓
Visitor Arrivals	2.8 million (May 10)	↑	↓
Prime Retail Rental Value	HK\$423 psf	↑	↑

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value.

Hot Topics

- The value of retail sales increased 18.3% y-o-y in the year to May. In May alone, the total value of retail sales increased 19.7% y-o-y to HK\$25.9 billion.
- Visitor arrivals totalled over 14.2 million in the year to May. Mainland Chinese tourists constituted over 60% of the total, with arrivals from this important source market up 23% y-o-y.
- Domestic consumption has been rising since the third quarter of 2009 on the back of economic improvement and a more stable employment outlook.
- Retailers are expanding because of the improvement in domestic consumption, as well as the continued spending power of mainland Chinese tourists.

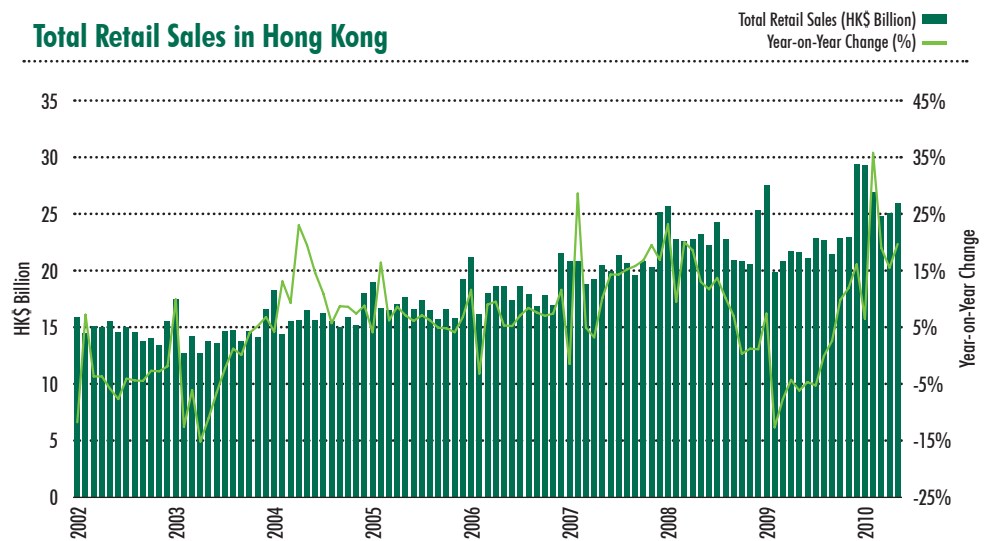
Hong Kong's retail sector benefited from the relaxed purse strings of local shoppers, as well as from the continued robust shopping habits of mainland Chinese tourists. Latest Government figures indicate that private consumption expenditure increased 6.5% y-o-y in the first quarter to total HK\$253 million, up from a 4.8% y-o-y increase in the fourth quarter of 2009. Domestic consumption has been on the rise since the third quarter last year on the back of the rebound in local stock and property markets. The feel good factor has also been supported by a more stable employment outlook as companies adopt a sanguine view of economic prospects in the region.

Hong Kong has received more than 14.2 million tourists in the year to May, which represents an increase of almost 20% y-o-y. Visitor arrivals have shown marked improvement because of the economic rebound in the region, as well as the lower base of comparison during the same time last year when regional travel was negatively impacted by the outbreak of H1N1. Almost 9 million mainland Chinese tourists visited Hong Kong during the period, up 23.1% y-o-y.

The combination of improved sentiment coupled with continued strong tourist spending has translated into growing retail sales. For the five months to May, the value of retail sales increased 18.3% compared to the same period last year. In May alone, the value of retail sales increased 19.7% y-o-y to total HK\$25.9 billion, up from a y-o-y increase of 15.5% in April.

Local retailers appeared to be increasing their market share over the quarter with the improvement in domestic consumption. For instance, Fortress leased the former Sephora space at Hollywood Plaza in Mongkok, while Broadway, another electronics retailer, leased space in Excelsior Plaza in Causeway Bay. There also remained strong demand by international brands looking to expand or establish their foothold in Hong Kong. For instance Burberry leased a prime located shop measuring 9,200 sf along Canton Road in Tsim Sha Tsui, while CB Richard Ellis concluded a landmark transaction over the quarter, helping the landlord of Capitol Centre in Causeway Bay lease 52,000 sf of space to Forever 21 for around HK\$11 million per month. The fast fashion retailer is expected to open its doors to Hong Kong shoppers by the end of next year.

Total Retail Sales in Hong Kong

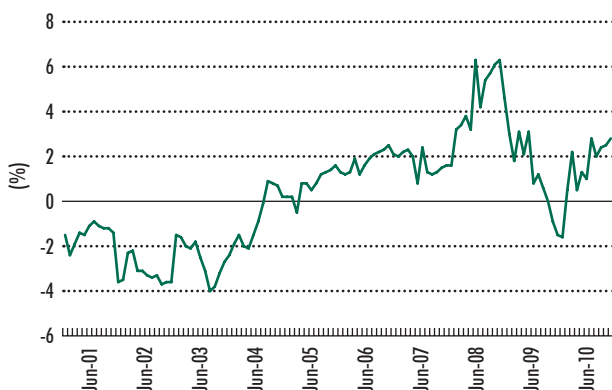


Source: Census & Statistics Department

Selected Leasing Transactions in Q2 2010

District	Property	Size (sf)	Tenant
Causeway Bay	Shop 3-10, G/F, Whole of 1/F, 2/F, Fortune Plaza, 44-48 Yun Ping Road	12,000 (gross)	The Standard Chartered Bank
Causeway Bay	B/M, G/F, 1/F, 2/F, 3/F, 4/F, Capitol Centre, 5-19 Jardine's Bazaar	52,000 (gross)	Forever 21
Causeway Bay	Shop 13-16, G/F, Shop 13-15, 1/F, Excelsior Plaza, 24 East Point Road	6223 (gross)	Broadway AV Shop
Causeway Bay	Shop 4, 5, G/F, 1/F, Excelsior Plaza, 24 East Point Road	2290 (gross)	Bossini
Causeway Bay	G/F, 19 Yun Ping Road	1479 (gross)	Swarovski
Central	Shop A, B, G/F, B/F, Prosperous Building, 48-52 Des Voeux Road Central	B/M: 2,800 (gross) G/F: 2,400 (gross)	Watson's
Central	Shop 1, G/F, Tak Shing House, 19 Des Voeux Road Central	780 (net)	Smartone
Tsim Sha Tsui	Shop G18, G/F, 1/F, Park Lane Shopper's Boulevard Site D, 111-139 Nathan Road	G/F: 677 (gross) B/F: 591 (gross)	ECCO
Tsim Sha Tsui	Shop 4, 5, G/F, 1/F, 2/F, Silvercord, 30 Canton Road	9,218 (gross)	Burberry
Mongkok	Shop G1-G6, G/F together with B/F, Hollywood Plaza, 610 Nathan Road	8,310 (gross)	Fortress

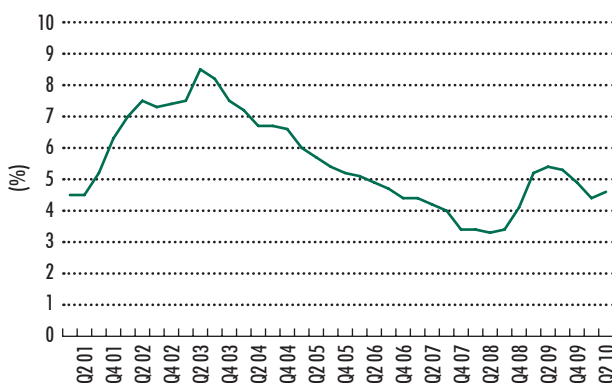
Hong Kong Inflation Rate



Source: Census & Statistics Department

The composite Consumer Price Index (CPI) increased 2.8% y-o-y in June, slightly higher than the 2.5% y-o-y increase recorded in May. Analysed by component, the strongest increase in prices was noted for electricity, gas and water (+63.4%) as more households used up Government electricity subsidies; meanwhile food prices increased 3.0%, while clothing and footwear was up 2.7%. Year to date the Composite CPI rose by 2.2% over a year earlier. Inflationary pressure is expected to remain moderate over the second half of the year on the back of improving economic conditions and rising housing rents.

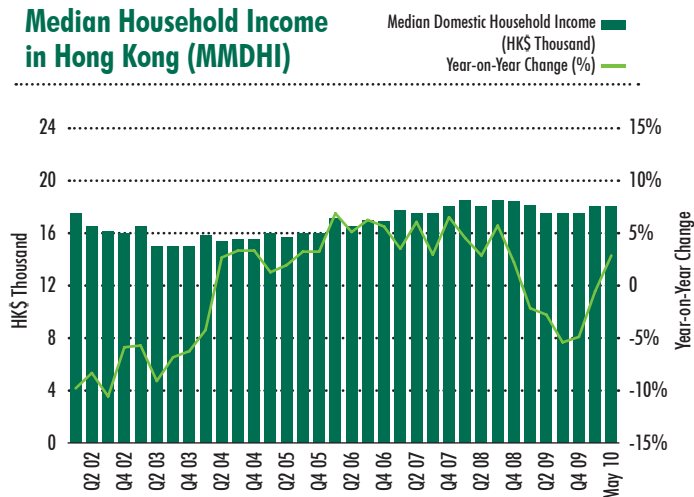
Hong Kong Unemployment Rate



Source: Census & Statistics Department

The unemployment rate averaged 4.6% for the three months to June, unchanged from May. Job creation was most notable in the construction sector, while job growth was also noted in social services and financing services. It is interesting to note that total employment increased by around 8,800 over the period, which given the stable unemployment rate reflects jobs growth to absorb the increased labour supply.

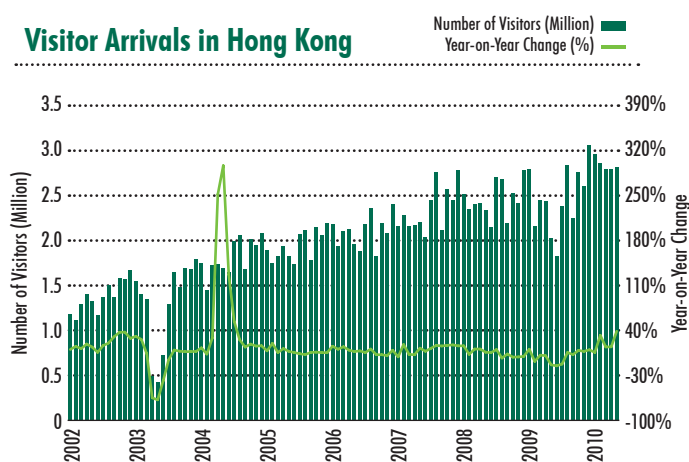
Median Household Income in Hong Kong (MMDHI)



Source: Census & Statistics Department

Hong Kong's median monthly domestic household income averaged HK\$18,000 from March to May, unchanged from the first quarter of the year but up from HK\$17,500 in the fourth quarter 2009. It is expected that the MMDHI may rise in the coming quarter, given the improved operating environment as companies have increased both headcounts and wages.

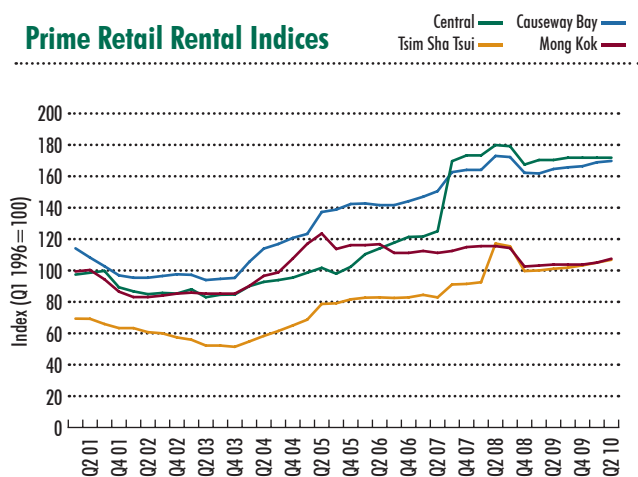
Visitor Arrivals in Hong Kong



Source: Hong Kong Tourism Board

In May, visitor arrivals reached 2.815 million, which represents an increase of 38.9% y-o-y. The Hong Kong Tourism Board announced that almost 250,000 mainland Chinese tourists visited Hong Kong during the Labour Day holidays (1-3 May), 40% higher than in the same period last year, and with more than half of the tourists arriving under the Individual Visit Scheme. The strong rebound can also be attributed to the fact that at this time last year tourist arrival numbers were down due to fears surrounding the outbreak of H1N1. Chinese tourists remained the strongest source market, with over 1.7 million tourist arrivals in May, up 46.8% y-o-y, followed by tourist arrivals from South and South East Asia, which rose 48.5% y-o-y to total over 326,000.

Prime Retail Rental Indices



Source: CBRE Research

Prime retail rents continued to find support over the quarter on the back of robust retail sales and strong tourist arrival figures. Local retailers selling electronics, cosmetics and consumer goods have also been expanding to capture the improvement in domestic consumption. Retail rents in Mongkok averaged \$290 psf, up 2.4% q-o-q, the strongest quarterly increase amongst the main retail districts in Hong Kong. Tsim Sha Tsui rents increased 1.7% y-o-y to average \$427 psf, while Causeway Bay rents rose half a percentage point higher over the quarter to average \$477 psf. Meanwhile the average prime retail rent in the Central business district remained unchanged at \$470 psf.

Prime Shopping Districts in Hong Kong



MTR System

-  Kwun Tong Line
-  Tsuen Wan Line
-  Island Line
-  Airport Express
-  Tseung Kwan O Line

Prime Shopping Districts in Hong Kong

Central

This traditional banking and financial centre of Hong Kong is also a popular shopping hub for shoppers from medium- to high-income groups. Strategically linked with the Airport Railway and MTR, and supported by a number of Grade A office buildings, 5-star hotels and prestigious shopping centres in the area, Central has a large catchment area and attracts a broad spectrum of shoppers including tourists, expatriates, office workers, singles and families.

Causeway Bay

This area attracts a broad mix of international tourists, local shoppers, including office workers from commercial buildings within the area, young shoppers and family shoppers. The area has a comprehensive mix of retailers and restaurateurs catering to young, rich, budget minded and family clientele.

Tsim Sha Tsui

This area has the largest concentration of hotels and attracts tourists, affluent young shoppers predominantly from Kowloon, and office workers from commercial buildings within the area. There is a wide array of retailers ranging from necessity to luxury goods, restaurants, tailors and entertainment venues such as discos and karaoke bars.

Mong Kok

Strategically located along both MTR and KCR lines, Mong Kok also attracts a wide spectrum of shoppers, mainly local residents and Chinese tourists. The area consists of a number of modern fashion and accessories boutique stores catering to the young and hip crowd.

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Inflation Rate:

This refers to the Composite Consumer Price Index (CPI) compiled by the Census and Statistics Department to provide an indicator of overall price movements affecting households. A weighting system is used to represent the relative importance, in terms of expenditure, of individual items in the basket of goods and services consumed by households. The weight of each item represents the importance of the item in the total expenditure of households.

Saleable Area:

The saleable area of a shop unit is measured up to the centre line of the wall separating adjoining units. The full thickness of the external walls and walls separating the units from the common areas, staircases, etc. are included.

Gross Floor Area:

The gross floor area of a shop unit is measured by adding the proportionate share of the common area to the saleable area of the unit.

All monetary values are presented in Hong Kong dollars unless otherwise specified.

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