

# MarketView

## Hong Kong Retail

www.cbre.com.hk

Fourth Quarter 2009

### Quick Stats

		Y-o-Y change	Q-o-Q change
Inflation Rate	1.3% (Dec 09)	↓	↑
Unemployment Rate	4.9% (Oct 09- Dec 09)	↑	↓
Visitor Arrivals	2.6 million (Nov 09)	↑	↓
Prime Retail Rental Value	HK\$414 psf	↑	↔

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

### Hot Topics

- Retail sales value in November 2009 jumped 11.7% y-o-y; cumulative sales from January to November amounted to \$245 billion, 1% lower than a year earlier.
- 2009 visitor arrivals are estimated to total 29.59 million, or 0.3% higher y-o-y. Mainland Chinese tourist arrivals are estimated to have increased 6.5% y-o-y to total 17.69 million.
- Three new shopping malls, Heritage 1881, K-11 and i-Square, opened in Tsim Sha Tsui over the fourth quarter.
- Emperor International Holdings paid a record high of \$843 million or \$696,000 psf saleable area for a shop located on Canton Road in Tsim Sha Tsui.

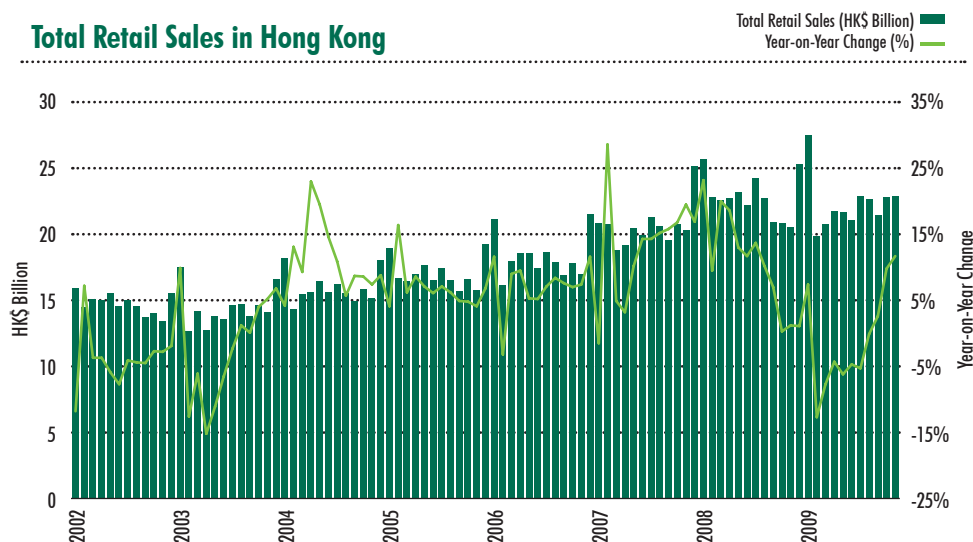
Hong Kong's retail sector ended the year on an unexpectedly positive note, with retail sales value rebounding 11.7% y-o-y in November on the back of improving economic conditions. GDP expanded 0.4% q-o-q in the third quarter, marking the second quarter of expansion after four consecutive quarters of decline. Meanwhile, the unemployment rate averaged 4.9% for the three months to December, down 0.5 percentage points from the peak in August. With the recovering economy, the Hang Seng Index closed 2009 with a 52% gain, the best performance in the last 10 years, while property prices also increased by about 30% on average. A better economic outlook coupled with capital gains in the stock and property markets helped to boost local sentiment.

Christmas shopping promotions began even earlier this year starting in November, as landlords hoped to benefit from improving consumer confidence, as well as stimulate tourist spending in the lead up to the holidays. Long queues of people reappeared outside luxury stores in Causeway Bay and Tsim Sha Tsui. The provisional number of total visitor arrivals in 2009 reached 29.6 million, an increase of 0.3% over 2008, while the number of visitors

from Mainland China increased 6.5% y-o-y to total 17.7 million. While retail sales in recent months already surpassed levels recorded before the onset of the financial crisis last year, there was a sharp rise in sales of expensive items and consumer durable goods in November. Car sales increased the most, up 52.5% y-o-y, followed by a 26.1% y-o-y increase in sales of jewellery and watches.

Retail rents were largely stable over the fourth quarter, rising 0.5% q-o-q to average \$414 psf. However, some retailers were willing to pay above market rates in order to secure prime shop locations. For example, Beijing Tong Ren Tong opened a new shop on Yee Wo Street in Causeway Bay, while City Chain leased a 1,350 sf shop on Haiphong Road in Tsimshatsui. Investors remained optimistic on the retail sector outlook, and retail locations with a high concentration of mainland Chinese tourists were in high demand. For instance, Emperor International Holdings paid HK\$843 million or HK\$696,000 psf saleable area in order to secure a prime retail shop on Canton Road in Tsimshatsui. The shop is leased to a sister company, Emperor Watch and Jewellery.

### Total Retail Sales in Hong Kong



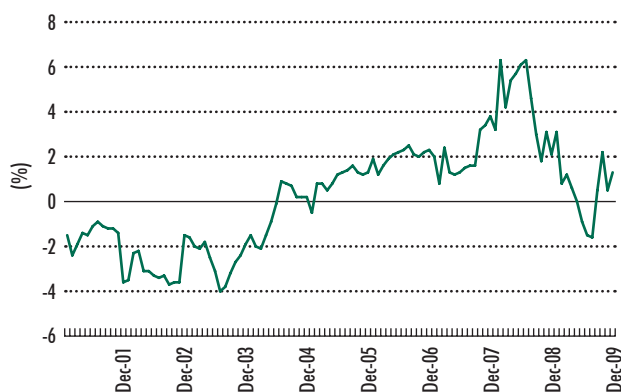
Source: Census &amp; Statistics Department

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## Selected Leasing Transactions in Q4 2009

District	Property	Size (sf)	Tenant
Central	Shop B, G/F, Winway Building, 50 Wellington Street	2,019 (gross)	Lu Lu Cheung
Causeway Bay	G/F, M/F, 1/F, One Hysan Avenue	21,967 (lettable)	I.T Group
Causeway Bay	Shop 4, G/F, Ying Kong Mansion, 2-6 Yee Wo Street	570 (gross)	Beijing Tong Ren Tong
Causeway Bay	G/F, 501 Lockhart Road	1,000 (gross)	Body Labo
Tsimshatsui	Shop A, G/F, Imperial Building, 54A-66 Canton Road	1,220 (gross)	Colourmix
Tsimshatsui	Shop 8, G/F, Star House, 3 Salisbury Road	1,466 (gross)	Bonjour
Tsimshatsui	G/F, 1/F, 49 Haiphong Road	G/F: 750 (gross) 1/F: 600 (gross)	City Chain
Tsimshatsui	G/F, Cambridge House, 26-28 Cameron Road	3,200 (gross)	Citibank
Mongkok	G/F, 2R Sai Yeung Choi Street South	1,000 (gross)	City Chain
Mongkok	Shop 8A, G/F, Sun Hing Building, 603-609A Nathan Road	2,200 (gross)	3D Gold

### Hong Kong Inflation Rate



Source: Census & Statistics Department

The Composite Consumer Price Index (CPI) increased 1.3% y-o-y in December 2009, higher than the 0.5% y-o-y increase recorded in November. Netting out the effect of government subsidies, the underlying inflation rate in December turned slightly positive at 0.3% y-o-y, after staying slightly negative for five consecutive months. The rise in inflation was attributed mainly to increases in the price of food, package tours and gas.

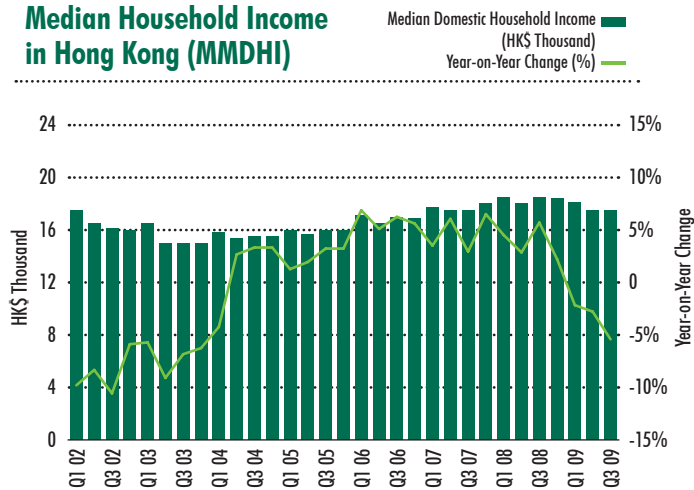
### Hong Kong Unemployment Rate



Source: Census & Statistics Department

The seasonally adjusted unemployment rate fell 0.4 percentage points to average 4.9% for the three months to December, falling below 5% for the first time since January 2009. Construction sector unemployment dropped for the eighth consecutive month, while unemployment in age groups 15-19 and 20-24 also eased. The labour sector is expected to continue improving with the commencement of major construction projects such as the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link.

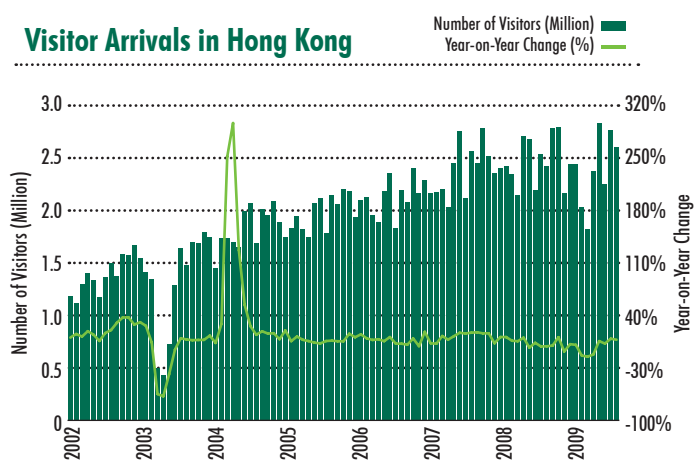
### Median Household Income in Hong Kong (MMDHI)



Source: Census & Statistics Department

The median monthly household income in Hong Kong stood at \$17,500 in the third quarter of 2009, unchanged from the previous quarter and \$1,000 lower than a year earlier. Although employers remained cost conscious, companies in some sectors started increasing headcounts. Household income is expected to see some improvement in 2010 on the back of a more optimistic economic outlook.

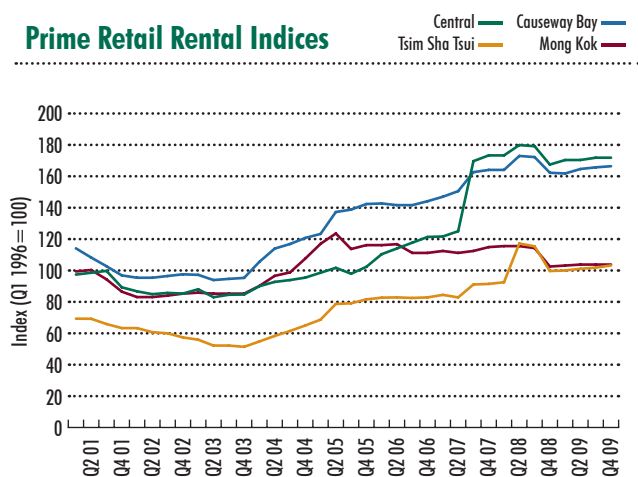
### Visitor Arrivals in Hong Kong



Source: Hong Kong Tourism Board

Visitor arrivals in November increased 10% y-o-y to total 2,663,603. The Mainland China market continued to mark the strongest growth in November, with arrivals increasing 13.3% y-o-y. The rise in tourist arrivals is believed to be bolstered by improved travel sentiment, as well as the success of a new policy enacted in April, which allows permanent residents in Shenzhen to apply for multiple entry visas via the Individual Visit Scheme. As visitor traffic during the holiday season remained strong, full-year 2009 total visitor arrivals is estimated to have increased 0.3% from 2008.

### Prime Retail Rental Indices



Source: CBRE Research

Overall, prime retail rents were largely unchanged over the fourth quarter. Rents in Causeway Bay were up, rising 0.4% q-o-q to average \$468 psf, while Tsim Sha Tsui witnessed rental growth of 1.4% q-o-q to average \$413 psf. In general, retailers remained cautiously optimistic on the outlook of the retail sector given recent improvement in retail sales. However, retailers targeting Mainland Chinese tourists were more willing to pay a premium in order to secure prime located shops in major tourist areas such as Tsim Sha Tsui and Causeway Bay.

## 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.

## TERMINOLOGY

### 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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