



OFFICE SERVICES

Falling market presents opportunities for tenants

Market volume has continued to fall and landlords are coming around to the realisation that the market has changed dramatically in a very short space of time. Despite a general lack of new letting transactions on Hong Kong Island, those deals that are being concluded point to a rental decline of as much as 30% since the market peaked in the third quarter of 2008.

On the positive side, we have witnessed an increased number of tenants who lack the capex budget to fit-out from scratch that are now prepared to consider the numerous fully fitted options available on a sub-lease or surrender basis, particularly in Central and Central-fringe districts.

The increasingly aggressive leasing packages offered by the landlords of office developments in Kowloon East have led to more relocations from Kowloon CBD to the district. Two companies currently based in The Gateway, namely Fairchild Semiconductor and Total Petrochemicals, have recently confirmed plans to relocate their offices to Millennium City, taking 13,000 sf and 8,500 sf in Millennium City 5 and Millennium City 6 respectively. Also, companies seeking to upgrade their offices are taking advantage of the opportunity presented by the new supply in Kowloon East. Bogart Lingerie, currently located in an industrial building in Kwun Tong, has recently confirmed commitment to 30,000 sf in Henderson's Kwun Tong 223 development.

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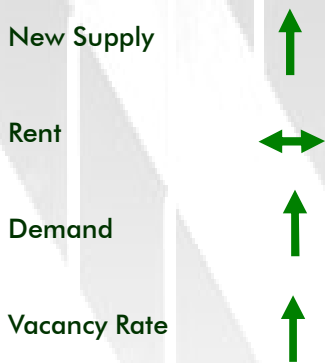
RESIDENTIAL SERVICES

Residential market enjoys rebounds in price and volume

The residential property market showed signs of stabilising, with both the price and volume of sales transactions rebounding to ten-month highs since the onset of the financial crisis. The current market is mainly dominated by end-users; there are also a small number of long-term investors. Sales have been robust in both the first and secondary markets. One prominent example is Sun Hung Kai's project, "The Latitude" in San Po Kong, which brought in about \$4.5 billion in sales of over 600 units within a short time. This recent rebound is expected to slow down in next few months because of worries about the global spread of Swine Flu and a second wave of repercussions from the financial crisis.

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New Supply



Rent



Demand



Vacancy Rate



RETAIL SERVICES

Retailers target mainland tourists

Retailers targeting mainland tourists have opened Chinese medicine shops in Tsimshatsui, Causeway Bay and Mongkok. Also, Bonjour cosmetics leased a new location in Causeway Bay, while WanKee Sports opened a new store in Mongkok. Rents on second-tier streets have generally experienced slight declines due to the drop in demand; for example, Shu Uemura recently relocated to Russell Street at a rent lower than that paid by the previous tenant. Meanwhile, rents at high streets have risen marginally due to sustained demand from international brands.

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INDUSTRIAL & LOGISTICS SERVICES

Downward momentum slows

The rate of decline in trade volume slowed in April, but y-o-y figures still do not paint an optimistic figure. Most occupiers remain focused on restructuring their current lease commitments to save costs, and landlords have been responsive by way of offering lower rentals and larger incentives. Sumitomo and GAC are notable tenants that have recently renewed their existing leases at preferential rates. Havi Foods is relocating to a ground floor unit in Shatin, which is to be custom fitted to suit their requirements for food storage and distribution. Sales activity remained subdued. The industrial market will continue to take its lead primarily from the China and US markets, and if the fledgling recovery gains pace this may see improved demand for space and increased activity in the market.

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INVESTMENT PROPERTIES

Sale of Grandeur Terrace shops yields 7%

All of the shops in Grandeur Terrace in Tin Shui Wai were transacted for a total of about \$300 million, with a yield of 7%. A residential site of around 7,009 sf located at 56-66 Nga Tsin Long Road was sold to a local developer for about \$200 million.

CBRE appointed as sole agent of Tatami Hampton Hotel

The Investment Properties team has been recently appointed as the sole marketing agent of the Tatami Hampton Hotel, located at No. 11 Chang Sha Street, Mongkok. Completed in 2000, the Tatami Hampton Hotel is a 19-storey hotel providing a total of 108 guestrooms. The property is prominently situated at Chang Sha Street close to its junction with Nathan Road. The locality predominantly comprises high street shops, restaurants and prime office buildings including Langham Place and Bank Centre.

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New Supply



Rent



Demand



Vacancy



Price



Demand





INVESTMENT & PROJECT MARKETING

New Mainland visa scheme to benefit Hong Kong retailers

As Mainland visitors have become one of the pillars of Hong Kong's retail market, many will benefit from the proposed Individual Visit Scheme allowing qualified Shenzhen residents to travel to Hong Kong on a multiple entry visa. The scheme may be extended to about 2.2 million Shenzhen residents. Retailers in Causeway Bay and Tsim Sha Tsui stand to gain the most, thus prime shops along Peking Road, Canton Road, Nathan Road and Lockhart Road are very popular amongst retail investors for long-term holding.

CBRE markets Park Mansion Roppongi project in Tokyo's Midtown

The Investment & Project Marketing team has been appointed by Mitsui Fudosan to conduct marketing in Hong Kong regarding the Park Mansion Roppongi, Tokyo project. This project is a luxury residential project located in the glitter of Tokyo's Midtown, opposite the Ritz-Carlton Tokyo, with magnificent views overlooking Midtown Garden and Hinokicho Park.

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Price



Demand

