



OFFICE SERVICES

Office market districts diverge

Hong Kong’s office market continues to undergo a period of transition as rents and vacancy rates head in opposite directions. In some districts, there have been rental increases due to healthy leasing demand, while rents in other districts remain under pressure as tenants relocate to lower cost areas. In Central, some landlords of prime new buildings have increased asking rents and have taken a stronger stance in rental negotiations due to healthy demand for space in their portfolios. Rents for Grade A offices in Central increased 1.4% in October to average HK\$77.3 psf per month. While some rental growth has been noted for prime properties in Central, rents in other districts have been somewhat flat. Causeway Bay rents remained under pressure in October, falling some 5.9% over the month to average HK\$34.8 psf per month. Vacancy in the district averaged 11.1% in October, rising 21 basis points over the month.

Across the harbour, rents in Tsim Sha Tsui softened 1.7% over the month to average HK\$29 psf per month in October. With cost minimisation remaining a priority, many tenants are moving to Kowloon East, given the abundance of new supply in that district and a difference in rents of more than HK\$10 psf per month, which to most tenants, would more than justify such a move. Continued take-up of space in the area has helped push down vacancy rates. The average vacancy rate in Kowloon East fell 1.2 percentage points over the month to average 21.8% in October

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RESIDENTIAL SERVICES

Hong Kong apartment price sets new world record

It was reported that a 6,158-sf top floor duplex at 39 Conduit Road, a luxurious residential scheme by Henderson Land Development, was sold for HK\$439 million, or HK\$71,280 psf, setting a new world record in price per square foot for an apartment and surpassing the One Hyde Park development in London. Prices have skyrocketed to near astronomical heights. In order to closely monitor the property market and ensure stability, the Hong Kong Monetary Authority has tightened the loan-to-value (LTV) ratios for residential mortgages on properties valued at HK\$20 million or more from 70% to 60%.

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New Supply



Rent



Demand



Vacancy Rate



New Supply



Rent

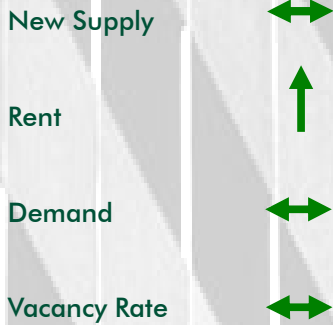


Demand



Vacancy Rate





RETAIL SERVICES

Low rents drive fashion and cosmetics retailers to relocate

Central rents remained under pressure, while slight rental increases were recorded in the three other prime districts of Causeway Bay, Tsim Sha Tsui and Mongkok. Although the fashion industry did not witness a significant recovery in October, the modest rent level was amongst the factors causing fashion and cosmetics chain stores to relocate. In the period under review, Staccato footwear took up a shop at Queen’s Road Central, L’occitane expanded to Sai Yeung Choi Street South, Bonjour Cosmetics expanded in Star House, and Beijing Tong Ren Tang relocated to Yee Wo Street for better exposure.

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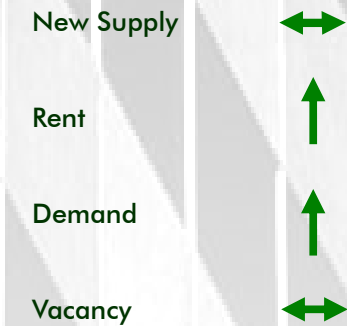
INDUSTRIAL & LOGISTICS SERVICES

New policy measures set to stimulate industrial property market

The Hong Kong government has released a wide-ranging set of measures to stimulate gentrification of traditional industrial areas for higher and better uses. Whilst this will not have an immediate impact, developers and investors have already begun assessing how to maximise benefits from the new policy. Initially it would appear that the biggest impact will come from converting industrial buildings into “funky” office space in areas where the supply and demand characteristics work best and the rental premium on changing the use is substantial enough to cover the building upgrade works.

The new measures come just as the logistics sector and associated property market have begun to stabilise. According to the Census and Statistics Department, Hong Kong’s export value and import value respectively fell 8.6% and 3.1% y-o-y in September, after y-o-y decreases of 13.9% and 9.8% in August. As the trade declines eased off, leasing activities have picked up. Companies such as Goodman have been noticing significant increases in leasing enquiries; Goodman has heads of agreement out on a number of properties, which may result in take-up in excess of 200,000 sf in the fourth quarter.

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INVESTMENT PROPERTIES

Investment sales extend to decentralised areas

The property investment market has been active for the past few months, fuelled by the sustained low interest rate environment and hot money inflows. CBRE's Investment Properties team has recently been appointed as the sole agent to market the sale of three quality properties: Concord Square in Tsuen Wan, the Kindergarten of Vista Paradiso in Shatin, and various lots at D.D. 100 in Sheung Shui. Concord Square is a seven-storey shopping arcade offering more than 200,000 sf of gross floor area. The property is for sale by way of private tender, which will close on 11 December 2009. The Kindergarten and the lots in Sheung Shui are residential developments available for sale by private treaty.

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INVESTMENT & PROJECT MARKETING

Developers market prime Asia projects in Hong Kong

Developers with projects located around Asia see Hong Kong as an important marketing hub, in light of the SAR's thriving luxury residential market and continuous influx of capital. A Singapore project by Daniel Libeskind, "Reflections at Keppel Bay", showcased in Hong Kong at Pacific Place Conference Centre on 10 - 11 October. The development covers approximately 84,000 sm of waterfront land with 750 m of shoreline, and offers views of Mount Faber, Keppel Club Golf Course, Labrador Park, Sentosa and its upcoming Integrated Resort, and the city skyline. Residential units are located in six high-rise towers as well as low-rise villas.

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Price



Demand



Price



Demand

