



PROPERTY INSIGHTS

Hong Kong | Quarter 3, 2017

Hong Kong Property Market Insight Q3 2017

Market Overview

Market Highlights

- In Q3, investment volumes for commercial and luxury residential properties over HKD 100 million climbed 8% q-o-q to reach HKD 29.33 billion.
- Growth was underpinned by strong demand for en-boc commercial properties with a total of six office towers and two industrial buildings changing hands during the quarter.
- Local investors dominate the commercial investment market in this quarter, with notable transactions included the purchase of Cubus in Causeway Bay for HKD2.0 billion (about HKD 29,000 per sq ft) and Gee Luen Hing Industrial Building in Wong Chuk Hang for HKD 1.1 billion (about HKD 8,100 per sq ft), respectively.
- Ahead, positive investment sentiment for office investment will remain, especially in Central and Wanchai areas.

Figure 1

Number of Transactions Over HKD 100 million by Sector and Total Investment Volume (HKD billion)



Source: DTZ/Cushman & Wakefield research

Trends & Updates

Economic Overview

The economy maintained positive at 3.8% in Q3 and unemployment rate remained low and relatively stable at 3.1%. Property investment remained robust and confidence in the retail market returned amidst growing tourist volume.

Office Market

In the Central office market, vendors remained aggressive on their asking prices against the record high prices paid for a commercial development site at Murray Road in Q2 2017.

Tai United Holdings sold the top floor at The Center in Sheung Wan to a Mainland Chinese firm for HKD 738.0 million (HKD 55,854 per sq ft), setting a new record high for unit price in the city. The vendor was able to book a 48% profit over a 15-month holding period. Positive investment sentiment also saw a handful of strata-titled properties outside of Central transacted at record high unit prices.

Retail Market

In the commercial land sales market, New World Development won the land sale tender for a business development site in Cheung Sha Wan (NKIL 6572) for HKD 2.97 billion (A.V. HKD 7,997 per sq ft). With two other nearby commercial development sites acquired via public tender earlier this year, New World Development is solidifying its position as one of the largest landlords in the area with a total of 1.9 million sq ft (gross) of office/retail space there expected to enter the market before 2024. Meanwhile, local developers Sino Land and Manhattan Group won two residential development sites for a combined HKD 1.71 billion, ending the winning streak held by PRC developers in 1H17.

Table 1

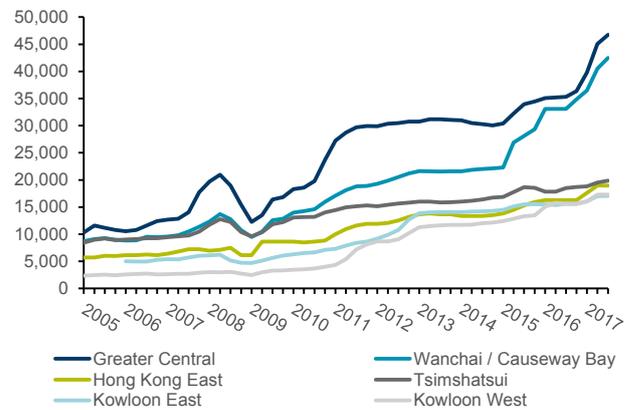
Economic indicators

	Q1 17	Q3 17	12 Month Outlook
GDP Growth	4.3%	3.8%	■
CPI Growth	0.5%	1.9%	■
Unemployment Rate	3.2%	3.1%	▲

Source: Census and Statistics Department

Figure 2

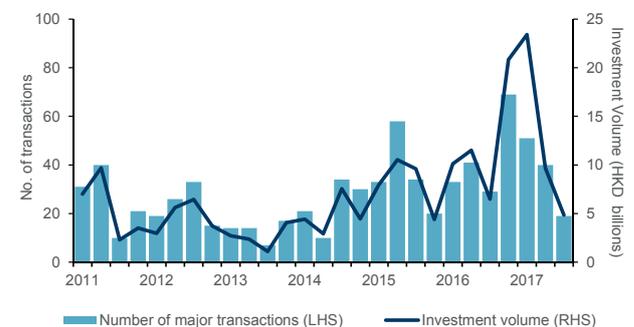
Grade A Office Capital Value (HKD/sf, NFA)



Source: DTZ/Cushman & Wakefield research

Figure 3

Residential Investment Volume (HKD million) and Number of Transactions above HKD 100 million



Source: DTZ/Cushman & Wakefield research

Residential Market

The buying frenzy for residential units in the primary market remained as several new launches received an overwhelming response from buyers. For instance, MTR Corporation and Chinachem Group sold all 953 units at PARC CITY in Tsuen Wan within two weeks of launching the project. Meanwhile, demand for luxury residential properties remained robust with two houses at Mount Nicholson on The Peak changing hands for a combined HKD 1.27 million in the quarter.

Outlook

It is expected that positive investment sentiment for office properties in core office areas, especially in Central and Wanchai, to remain intact against rising rentals. With vendors continuing to hold firm on their

already-high asking prices, transaction prices are likely to surpass current record levels, and set new benchmark highs. Looking ahead, investors are likely to be on the look-out for opportunities at en-bloc properties as the government is considering to reactive the industrial revitalization scheme that ended in March 2016.

The sales performances in the primary residential market remains optimistic over the new-term on the back of strong pent-up demand and attractive packages offered by the developers.

Meanwhile, retail investment activity is likely to gain traction as investors are set to re-enter the property market in anticipation of a recovery brought about by improving tourist arrivals and hotel occupancy rates.

Table 2

Significant Investment Transactions, Q3 2017

PROPERTY	PURCHASER	VENDOR	SECTOR	PRICE (HK\$M)
The Wave, Kwun Tong G/F - 3/F, Thai Kong Building, Causeway Bay LG/F, East Point Centre, Quarry Bay	Bank of China	Tang Shing Bor	Retail / Industrial	3,100
Cubus	Local Investor	Fubon Financial	En-bloc Office	2,000
Hung Chien Court Wyler Garden (GFL)	TBC	Zhu Hong Jun	Retail	1,800
87% of Tin Fung Industrial Mansion	Prime Prestige Global Limited (Walter Kwok)	Ki Yip Property Investment	Industrial	1,730
Gee Luen Hing Industrial Building	Local Investor	TBC	Industrial	1,111
L'Hart	Wheelock Properties / Nan Fung Group	Henry Group	En-bloc Office	965

GENERAL DISCLOSURE

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COUNTRY SPECIFIC

HONG KONG

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