



PROPERTY INSIGHTS

Hong Kong | Quarter 1, 2018

Hong Kong Property Market Insight Q1 2018

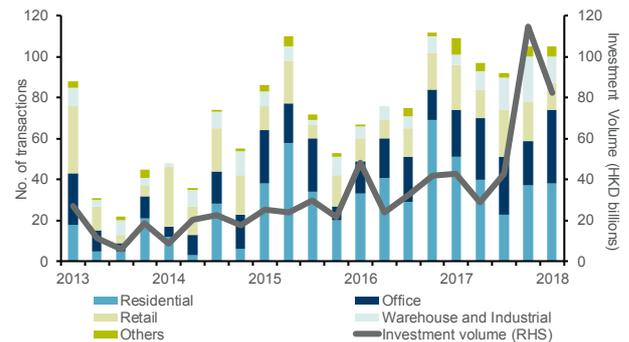
Market Overview

Market Highlights

- Hong Kong commercial and luxury residential property investment markets remained red-hot in Q1 2018 with the total investment volume of properties transacted at over HKD 100 million amounting to HKD50.59 billion, about 25% of the all-time annual record of HKD211.92 billion achieved in 2017.
- Office properties remained the most sought-after commercial asset class with the transaction volume of such properties reaching HKD25.79 billion, double the 5-year historical quarterly average of HKD11.76 billion.
- The lack of en-bloc shopping center transactions in the retail investment market saw total investment volume property over HKD100 million dropping by 80.7% q-o-q to HKD5.65 billion in Q1.
- Investment demand for luxury residential properties remained strong with the total volume amounting to HKD12.27 billion.
- In the view of the strong demand exhibited in Q1 for both commercial and luxury residential property and continuing positive market sentiment, it is expected that transaction volumes for the year will surpass the record HKD211.92 billion achieved in 2017.

Figure 1

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



Source: Cushman & Wakefield research

Trends & Updates

Economic Overview

The economy maintained positive at 3.4% in Q4 2017 and unemployment rate remained low and relatively stable at 2.9%. Property investment remained robust, especially in the luxury sector.

Office Market

Office properties remained the most sought-after asset class in this quarter. A little less than 60% of the investment volume was contributed by the sale of several en-bloc office buildings. In the 5th most expensive office transaction in the city ever, a joint venture between China Taiping and China Creative Capital acquired 18 King Wah Road - a newly completed Grade A office development - from Henderson Land for HKD9.95 billion for HKD30,174 per sqft, setting a record high in terms of both consideration and unit price in Hong Kong East.

Sales price of strata-titled office properties in core areas continued to trend higher against a rising rental market. For instance, a unit in the high zone of Convention Plaza was sold for HKD551.1 million (HKD55,000 per sqft), achieving the second highest price in the city on a per sqft basis. This quarter also saw a growing interest in the Kowloon East office investment market on the back of stronger-than-expected leasing demand for office space from MNCs. Among the notable transactions, C-Bons Group sold 9 floors in C-Bons International Centre in Kwun Tong for HKD2.09 billion (HKD 13,265 per sqft) while PRC developer Fullsun International Holdings Group acquired 5 floors in Enterprise Square Three in Kowloon Bay from CSI Properties for HKD1.34 billion (HKD18,268 per sqft).

Retail Market

There has been a lack of en-bloc shopping center transactions in Q1 with the total investment volume of property over HKD100 million being HKD5.65 billion. 35% of this came from the sales of several retail

Table 1

Economic indicators

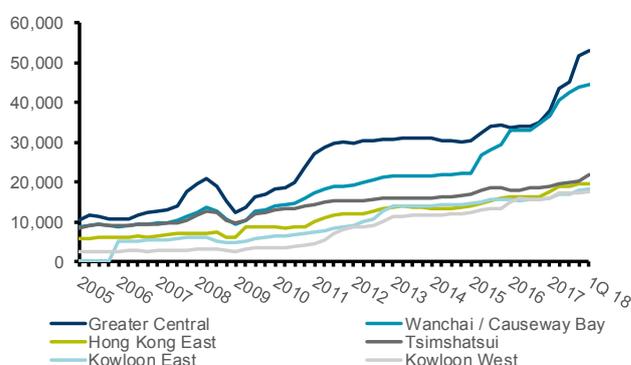
	Q3 17	Q4 17	12 Month Outlook
GDP Growth	3.7%	3.4%*	▼
CPI Growth	1.4%	1.7%	▬
Unemployment Rate	3.0%	2.9%	▲

Source: Census and Statistics Department

*preliminary figure

Figure 2

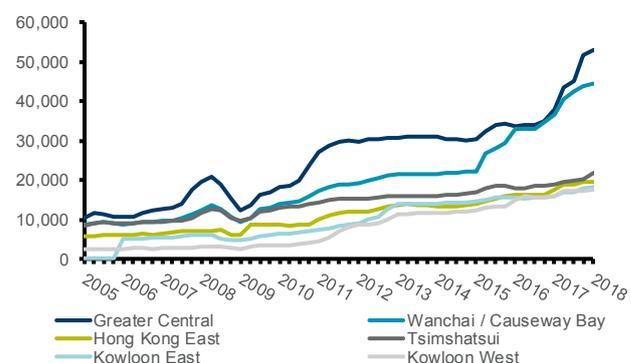
Grade A Office Capital Value (HKD/sf, NFA)



Source: Cushman & Wakefield research

Figure 3

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



Source: Cushman & Wakefield research

shops at the Galleria at 9 Queen's Road Central in Central. Also in the quarter, real estate investment company Chelsfield reportedly purchased a three-storey shop in the building from Hermes for HKD670 million (HKD89,300 per sq ft) while the adjacent two-storey shop was sold to a group of local investors for HKD1.34 billion.

Residential Market

Investment demand for luxury residential properties remained strong with the total volume amounting to HKD12.27 billion. Jointly developed by The Wharf (Holdings) and Nan Fung Group, Mount Nicholson on The Peak remained in the spotlight with 2 properties changing hands, fetching a combined HKD2.54 billion.

Outlook

In view of the strong demand exhibited in Q1 for both commercial and luxury residential property and continuing positive market sentiment, it is expected that transaction volumes for the year will surpass the record of HKD211.92 billion achieved in 2017.

In the office market, it is expected that investors will extend their focus to Grade A office properties in Kowloon East on the back of strong leasing enquiries from MNCs while en-bloc office buildings in prime locations will remain highly sought-after. Capital values in Greater Central are expected to climb higher as vendors continue to hold firm on their aggressive asking prices given low holding costs and limited available saleable stock.

In the retail sector, investment activity, especially in non-core areas, is likely to continue to pick up on the back of strong visitor arrival figures and positive local consumption demand.

Demand for luxury residential properties is expected to remain strong as investors are keen on acquiring "high-status" assets.

Table 2

Significant Investment Transactions, Q1 2018

PROPERTY	PURCHASER	VENDOR	SECTOR	PRICE (HK\$M)
NKIL 6562 (Kai Tak Area 1L Site 3) & NKIL 6565 (Kai Tak Area 1K Site 3)	Henderson Land	HNA	Residential Site	15,959
18 King Wah Road	China Tai Ping and China Create Capital	Henderson Land	En-bloc Office	9,950
TMTL 500, Kwun Chui Rd	China Evergrande	Henderson Land	Residential Site	6,600
NKIL (6564) Kai Tak Area 1L, Site 1	Wheelock Properties	HNA	Residential Site	6,359
W Square	Winland Group	Wing Tai Properties	En-bloc Office	2,850
18/F - 21/F, 23/F, 25/F - 28/F, C-Bons International Center	Angelo Gordon and Chellaram Family	C-Bons Holding	Office	2,089
Bonham Circus	Macau Investor	Pamfleet	En-bloc Office	1,695

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HONG KONG

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