

## HONG KONG

Retail Q1 2020

CUSHMAN &amp; WAKEFIELD

28,900

Median HH Income (HKD)

YoY  
Chg12-Mo.  
Forecast

3.7%\*

Unemployment Rate

-94.0%\*

Tourist Arrival Growth

Source: Hong Kong Census and Statistics Department,  
Hong Kong Tourism Board, Oxford Economics

\* The figure refers to Feb 2020

HONG KONG ECONOMIC INDICATORS  
Q4 2019

-2.8%

GDP Growth

-19.4%

Retail Sales Growth

-4.3%

Private Consumption  
Expenditure Growth

2.9%

CPI Growth

Source: Hong Kong Census and Statistics Department,  
Oxford Economics

## COVID-19 Deals Second Severe Blow to the Retail Sector

Already hit hard after months of social unrest that started in June 2019, the retail sector received another severe blow as the COVID-19 outbreak brought Hong Kong to a standstill. In an attempt to curb the spread of the coronavirus, the government announced several restrictions including the closure of border ports in early February and mandatory 14-days quarantines for anyone coming from overseas in March. As a result, mainland Chinese visitor arrivals plunged a record 97.8% y-o-y in February, extending a 51.3% y-o-y drop in January. All in all, visitor arrivals in February fell to approximately 200,000, the lowest monthly level in over 20 years. Overall retail sales also took a hard beating with figures in February registering a record decline of 44.1% y-o-y. The decline was largely driven by a drop off in jewelry and watches, and cosmetics sales which recorded a 78.5% y-o-y and 56.5% y-o-y drop in February 2020 respectively.

## High Street Rentals Fell Sharply Across Major Districts

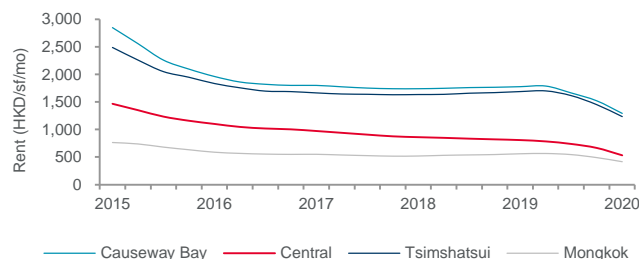
Weak demand and an increasing number of shop closures saw vacancy rates across all major retail submarkets climb to their highest level in recent years. As a result, rents posted their steepest drop since at least 2008, falling by 10-15% q-o-q across all major areas and continuing a downward trend that started in Q2 2019. Core districts remained the hardest hit in Q1 with Central rents declining by 20% q-o-q while rentals in Causeway Bay, Tsimshatsui and Mongkok each fell by 15% q-o-q.

Restaurant receipts, which as of end-2019 had already declined to a level slightly above that during SARS, are expected to fall sharply in Q1 as people have adopted social distancing and the government has introduced measure limiting capacity. As a result, F&B rentals across the board also recorded their steepest quarterly decline in at least a decade with rents falling to near 2010 levels.

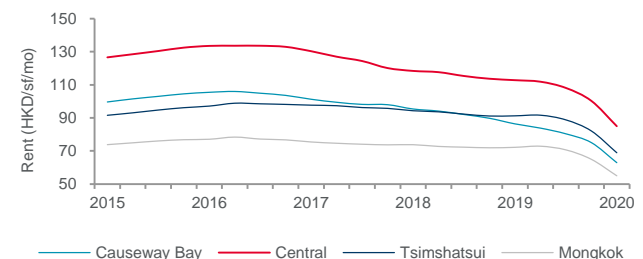
## Retail Outlook to Remain Extremely Bleak in Q2 2020

As the economic impact from the COVID-19 outbreak continues to grow, operators are expected to remain extremely cautious over the remainder of the year. In view of rising vacancy rates and weak visitor arrival figures, retail rents are forecast to decline further in Q2, by 20-40% in core areas in 1H 2020. The recent social distancing restrictions implemented by the government will see more closures of restaurants, leading to a further decline of F&B rentals. F&B rents in Central, Tsimshatsui and Mongkok are forecast to each drop by 25-30% while Causeway Bay rentals are set to retreat by 30-35% in 1H 2020. Nonetheless, we expect overall retail sales and restaurant businesses to bounce back to a level equivalent to that of the beginning of 2020 once the pandemic is over.

## HIGH STREET AVERAGE RENT



## F&amp;B AVERAGE RENT



## HIGH STREET RENTS Q1 2020

	EFFECTIVE RENT			Q-O-Q CHANGE	12-MONTH OUTLOOK
	HKD/SF/MO	US\$/SF/MO	EUR/SF/MO		
Causeway Bay	1,292	166	149	-15.0%	▼
Central	534	69	62	-20.0%	▼
Tsimshatsui	1,231	158	142	-15.0%	▼
Mongkok	417	54	48	-15.0%	▼
<b>HONG KONG AVERAGE</b>	<b>869</b>	<b>112</b>	<b>100</b>	<b>-15.0%</b>	<b>▼</b>

Exchange Rate: 1USD = 0.8965 EUR = 6.9574 RMB = 7.7710 HKD = 30.2114 TWD (as of Mar 03, 2020)

## HIGH STREET VACANCY RATE

	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Causeway Bay	0.0%	0.0%	2.6%	5.3%
Central	8.6%	10.0%	10.0%	14.2%
Tsimshatsui	0.0%	2.4%	3.6%	4.8%
Mongkok	5.5%	9.1%	12.7%	20.0%

## KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SECTOR	SF (SALEABLE)
Shop on G/F, No.70 Percival Street	Causeway Bay	SIXTY EIGHT	Clothing & Accessories	800
Shop 32A and 32B on G/F, JP Plaza No. 22-36 Paterson Street	Causeway Bay	Watsons	Healthcare	1,260
Shop 4(B) on G/F & 1/F, Manley House No. 86-98 Canton Road	Tsimshatsui	Standard Chartered Bank	Banking and Finance	2,119
Shop 6 on G/F, Star House No. 3 Salisbury Road	Tsimshatsui	Hoixie Cake Shop	Food & Beverage	719
Shop 10 on G/F, Hung Fai Building No. 43P-S Dundas Street	Mongkok	Saint Honore Cake Shop	Food & Beverage	456

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