MARKETBEAT

HONG KONG

Retail Q3 2020

	YoY Chg	12-Mo. Forecast
25,500 Median HH Income (HKD)	▼	▼
6.1%* Unemployment Rate	▲	▲
-99.7%* Tourist Arrival Growth	▼	▲

Source: Hong Kong Census and Statistics Department, Hong Kong Tourism Board, Oxford Economics
** The figure refers to the first two months of Q3 2020*

HONG KONG ECONOMIC INDICATORS Q2 2020

	YoY Chg	12-Mo. Forecast
-9.0% GDP Growth	▼	▲
-18.5%* Retail Sales Growth	▼	▲
-13.3% Private Consumption Expenditure Growth	▼	▲
0.7% CPI Growth	▼	▲

Source: Hong Kong Census and Statistics Department, Oxford Economics
** The figure refers to the first two months of Q3 2020*

Retail Sales Continued to Plunge in August Amid Third Wave of COVID-19 Cases

The COVID-19 pandemic continued to take a heavy toll on the city's retail market as mainland tourist arrivals remained at negligible levels amid continued border closures. For the first two months of Q3, mainland tourist levels were down 99.7% from the same period last year. A third wave of COVID-19 cases in early July, and resulting social distancing measures, also struck another blow to the city's struggling retail sector, which has become increasingly reliant on local consumption since the start of the outbreak in late January. Overall retail sales plunged 23.1% y-o-y and 13.1% y-o-y in July and August respectively, marking the 19th straight month of contraction. Although the drop in sales in August appeared less severe than previous months, that was largely attributable to the poor sales performance last August as the city was gripped by social unrest. With the new wave of cases prompting new social distancing measures, including a ban on evening dine-in services in restaurants, supermarkets benefited as sales surged by 16.5% y-o-y in July and August combined (compared to growth of just 1.4% y-o-y over the same period last year).

Overall Vacancy Rate Climbed to a Record High

As the COVID-19 pandemic continued to batter the city's retail sector, the city's overall vacancy rate among high street shops in core districts climbed to a record high of 17.7% in Q3. Among the four major districts, Causeway Bay saw the steepest jump with the vacancy rate surging, from 7.9% in Q2 to 13.2% as an increasing number of retailers closed shops in the area. Rising vacancy levels continued to exert downward pressure on landlords with overall rentals falling by 6.6% q-o-q to the lowest level in more than 12 years. Although the rents continued to drop, the decline was milder than in previous three quarters.

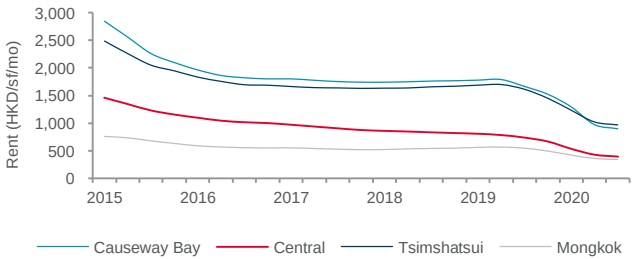
Meanwhile, F&B rentals continued to soften this quarter with the overall rentals down by 5.0% q-o-q, impacted by the ban on evening dine-in services over a month and a half in July and August.

Overseas Demand to Remain Weak Whilst Local Consumption Sentiment Expected to Improve

The city's retail sector is expected to continue to face challenges over the near term as the economy remains weak and inbound tourism is unlikely to recover over the remainder of the year. However, with overall rentals already down by 37.3% year to date in Q3 and some landlords opting to leave shops vacant rather than sign new long-term leases at significantly discounted rentals, further rental declines are expected to be limited.

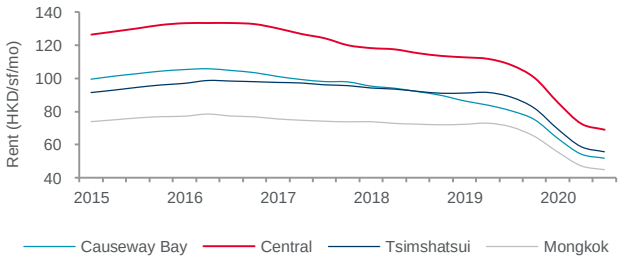
Nonetheless, as the third wave of the pandemic has come under control and social distancing restrictions gradually loosened since mid-August , we expect local consumer sentiment to improve which could help boost the city's retail sales slightly, particularly in the F&B sector which has been particularly hard hit over the past two months.

HIGH STREET AVERAGE RENT



Source: Cushman & Wakefield Research

F&B AVERAGE RENT



MARKETBEAT

HONG KONG

Retail Q3 2020

HIGH STREET RENTS Q3 2020

	EFFECTIVE RENT			Q-O-Q CHANGE	12-MONTH OUTLOOK
	HKD/SF/MO	US$/SF/MO	EUR/SF/MO		
Causeway Bay	894	115	98	-7.8%	
Central	394	51	43	-7.9%	
Tsimshatsui	964	124	105	-5.3%	
Mongkok	335	43	37	-5.4%	
HONG KONG AVERAGE	**647**	**83**	**71**	**-6.6%**	

Exchange Rate: 1USD = 0.8471 EUR = 6.9204 RMB = 7.7516 HKD = 29.4311 TWD (as of August 24, 2020)

HIGH STREET VACANCY RATE

	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Causeway Bay	2.6%	5.3%	7.9%	13.2%
Central	10.0%	14.2%	12.7%	16.9%
Tsimshatsui	3.6%	4.8%	11.9%	16.7%
Mongkok	12.7%	20.0%	23.6%	23.6%

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SECTOR	SF (SALEABLE)
B/F & G/F Entrance, Entertainment Building, 30 Queen's Road Central	Central	Decathlon	Athleisure	3,218
Shop A-D on G/F, The Camphora, 51-52 Haiphong Road	Tsimshatsui	Milan Station	Fashion & Accessories	1,236
G/F, 1/F & 2/F, 12 Kai Chiu Road	Causeway Bay	SaSa	Medicine & Cosmetics	1,084
Shop 13-15, 1A-1K Sai Yeung Choi Street South	Mongkok	Wilson Communications	Telecommunications	1,064
Shop 1-2 on G/F, Sun Kong House, 2J - 2Q Sai Yeung Choi Street	Mongkok	Bauhaus	Fashion & Accessories	881

Source: Cushman & Wakefield Research

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About Cushman & Wakefield

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