

26,200

Median HH Income (HKD)

YoY  
Chg12-Mo.  
Forecast

6.3%\*

Unemployment Rate

-99.8%\*

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 Q4 2020

HONG KONG ECONOMIC INDICATORS  
Q3 2020

-3.5%

GDP Growth

-6.4%\*

Retail Sales Growth

-8.5%

Private Consumption  
Expenditure Growth

-2.2%

CPI Growth

Source: Hong Kong Census and Statistics Department,  
Oxford Economics

\* The figure refers to the first two months of Q4 2020

## Fourth Wave of COVID-19 Cases Batters City's Retail Sector

A fourth wave of COVID-19 cases emerging in early November continued to inflict pressure on the city's weakened retail sector, as tourism remained severely restricted and social distancing measures were tightened. Tourist arrivals in the quarter remained at negligible levels, limited by continued border closures and quarantine requirements while plans for a Hong Kong-Singapore travel bubble were scuttled in the wake of an increase in local cases. Year-to-date through November, the number of mainland Chinese visitors registered just 2.7 million, the lowest level since 1998. As a result, retail sales for much of the year have been almost entirely dependent on local consumption. In November, retail sales fell by 4.0% y-o-y in the 22nd consecutive month of contraction, but while the rate of decline has fallen sharply in recent months, that is due in large part to the low base in the latter half of 2019 as sales suffered due to social unrest.

## Overall Vacancy Rate Remains Elevated Continuing to Put Downward Pressure on Rentals

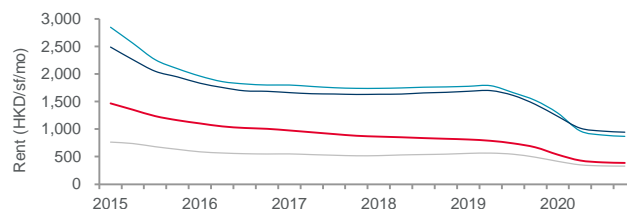
With retailer sentiment remaining weak amidst the pandemic, the city's overall vacancy rate among high street shops in core locations remained elevated, edging higher to 18.5% in Q4 from 17.7% the previous quarter. Some landlords have turned to discounted short-term leases to retailers selling items such as mobile phone accessories and face masks in the hope of a recovery next year. As a result, the vacancy rate in Causeway Bay in Q4 remained little changed from last quarter at 13.1%. Amidst weak demand, retail rentals remained soft, falling by 2.2% q-o-q overall in what was the mildest quarterly decline since mid-2019. Rentals for F&B premises experienced a similar decline, down by 1.4% q-o-q as businesses suffered under a fourth wave of COVID-19 cases and a new round of social distancing measures.

## Near Term Set to Remain Challenging While Vaccine Boosts Hopes of Recovery in 2H 2021

The near-term outlook for Hong Kong's retail sector remains gloomy as the fourth wave of COVID-19 cases has led to increased social distancing measures and quarantine periods are extended amidst concerns of a new variant strain of the virus. Without a rebound in tourism to underpin any recovery, the retail sector will remain under pressure in 1H 2021. While vacancy levels may come off their current highs as some landlords lease out spaces on a short-term basis, retail rents across major submarkets are forecast to fall by 5-10% in the first half of the year. Restaurants will suffer the most as long as restrictions on dine-in services remain, with F&B rentals forecast to fall by 10-15% over the next six months.

Longer term, as a roll out of vaccines locally and around the region begins in the first half of the year, that should allow borders to gradually re-open with a rebound in tourism in the second half of the year supporting increasing retail sales and a stabilization in rentals. Meanwhile, the market is expected to see further moves away from luxury to retail targeting local consumption, including growth in lifestyle and athleisure as well as new food hall concepts lending support to the F&B sector.

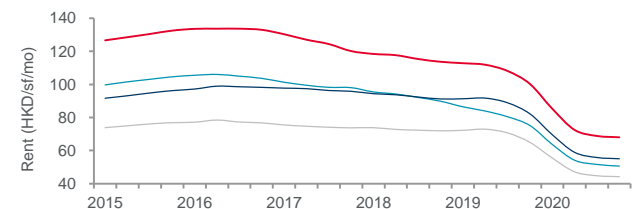
## HIGH STREET AVERAGE RENT



— Causeway Bay — Central — Tsimshatsui — Mongkok

Source: Cushman &amp; Wakefield Research

## F&amp;B AVERAGE RENT



— Causeway Bay — Central — Tsimshatsui — Mongkok

## HIGH STREET RENTS Q4 2020

	EFFECTIVE RENT			Q-O-Q CHANGE	12-MONTH OUTLOOK
	HKD/SF/MO	US\$/SF/MO	EUR/SF/MO		
Causeway Bay	870	112	94	-2.6%	▼
Central	384	50	42	-2.7%	▼
Tsimshatsui	944	122	103	-2.0%	▼
Mongkok	331	43	36	-1.2%	▼
<b>HONG KONG AVERAGE</b>	<b>632</b>	<b>82</b>	<b>69</b>	<b>-2.2%</b>	<b>▼</b>

Exchange Rate: 1USD = 0.8409 EUR = 6.5746 RMB = 7.7515 HKD = 28.4780 TWD (as of November 25, 2020)

## HIGH STREET VACANCY RATE

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Causeway Bay	5.3%	7.9%	13.2%	13.1%
Central	14.2%	12.7%	16.9%	18.3%
Tsimshatsui	4.8%	11.9%	16.7%	17.9%
Mongkok	20.0%	23.6%	23.6%	23.6%

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SECTOR	SF (SALEABLE)
G/F-3F, 32 Argyle Street	Mongkok	China CITIC Bank	Banks/Investment Banks	1,652
G/F & M/F, 59-61 Sai Yeung Choi Street South	Mongkok	Ngan Long Restaurant	F&B	1,380
Shop B, G/F, Melbourne Plaza, 33 Queen's Road Central	Central	Homebake	F&B	900
Shop A & B on G/F, Entertainment Building, 30 Queen's Road Central	Central	Breitling	Watch & Jewellery	623
G/F, 4 Kai Chiu Road	Causeway Bay	Hello Milk Tee	Fashion & Accessories	600

Source: Cushman & Wakefield Research

## Reed Hatcher

Head of Research, Hong Kong

16/F, Jardine House,  
1 Connaught Place, Central

Tel: +852 2956 7054 / [reed.hatcher@cushwake.com](mailto:reed.hatcher@cushwake.com)

[cushmanwakefield.com](https://cushmanwakefield.com)

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