

HONG KONG

Retail Q1 2021

CUSHMAN & WAKEFIELD

25,500

Median HH Income (HKD)

YoY
Chg12-Mo.
Forecast

7.2%*

Unemployment Rate

-99.7%*

Tourist Arrival Growth

Source: Hong Kong Census and Statistics Department,
Hong Kong Tourism Board, Moody's Analytics

* The figure refers to the first two months of Q1 2021

HONG KONG ECONOMIC INDICATORS
Q1 2021

-3.0%

GDP Growth
(Q4 2020)

2.7%

Retail Sales Growth*

-8.0%

Private Consumption
Expenditure Growth
(Q4 2020)

0.3%

CPI Growth**
(Feb 2021)Source: Hong Kong Census and Statistics Department,
Moody's Analytics

* The figure refers to the first two months of Q1 2021

** Composite CPI, non-seasonally adjusted

Reviving Market Sentiment Supporting Domestic Retail Sales

Market sentiment recovered in Q1 as Chinese New Year is traditionally a peak season for local consumption. With travel restrictions in place, most local residents stayed in town for the long public holiday period, which greatly benefited domestic retailers. In addition, confirmed COVID-19 cases became more stabilized in the latter half of the quarter. The improvement enabled a relaxation of social distancing rules, with an easing of catering business restrictions to allow four people per table, and an extension of dine-in service hours. Combining these positive factors, the retail market generally looked in better shape, with total retail sales growing by 2.7% y-o-y to reach HK\$62.1 billion for the first two months of the quarter.

However, the mild recovery could still be dampened by deteriorating consumer confidence. Over time, the negative economic impacts from the pandemic accumulate, leading to a rising unemployment rate and a notable decline in household income. Even worse, the prevailing travel restrictions have still been keeping tourists away, with tourist arrival numbers for January and February combined slashed by 99.7% y-o-y.

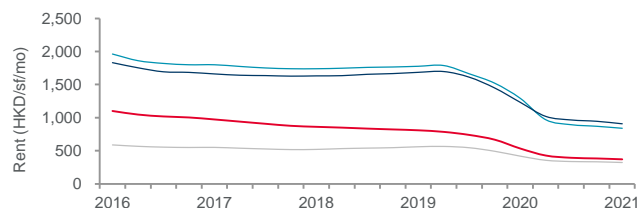
Short-Term Leases Helped Drive Down Vacancy Rates

Amid the current market situation retailers have adopted different strategies depending on their business sector. While F&B business owners may take advantage of the market adjustment and plan for new business or expansion, luxury brands may consolidate their stores, at least for the time being, to improve sales efficiency. While the recovery path has remained uncertain, landlords have been more open to short-term leases to fill vacant space, leading to lower vacancy rates citywide. In particular, the vacancy rate at Causeway Bay fell from 13.1% last quarter to 10.5%. Citywide average rents, however, continued trending downwards due to the higher cost-sensitivity of short-term lease tenants.

Tourism is the Key to Recovery

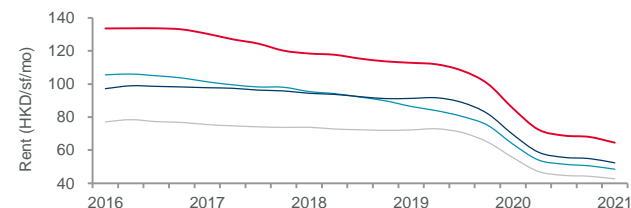
Despite strong support from local shoppers, our near-term outlook remains largely unchanged as travel restrictions continue to hinder tourist arrivals. This is a key challenge for both retailers and landlords, especially those in tourist-driven submarkets such as Tsimshatsui and Causeway Bay. Going forward, the territory-wide vaccination program and renewed discussions around regional travel bubbles are hopeful signs that the market is getting onto a recovery path. But we still face a long road ahead as countries are recovering at various speeds. During these difficult times it will be vital for retailers and landlords to be creative and agile in adopting the latest market strategies, including as e-commerce, omni-channel and crossover activities with other brands or industries.

HIGH STREET AVERAGE RENT



— Causeway Bay — Central — Tsimshatsui — Mongkok
Source: Cushman & Wakefield Research

F&B AVERAGE RENT



— Causeway Bay — Central — Tsimshatsui — Mongkok
Source: Cushman & Wakefield Research

HIGH STREET RENTS Q1 2021

	EFFECTIVE RENT			Q-O-Q CHANGE	12-MONTH OUTLOOK
	HKD/SF/MO	US\$/SF/MO	EUR/SF/MO		
Causeway Bay	840	108	91	-3.5%	▲
Central	371	48	40	-3.3%	▲
Tsimshatsui	906	117	98	-4.1%	▲
Mongkok	320	41	35	-3.3%	▲
HONG KONG AVERAGE	609	78	66	-3.6%	▲

Exchange Rate: 1 USD = 0.8405 EUR = 6.5104 RMB = 7.7624 HKD = 28.2715 TWD (as of March 10, 2021)

HIGH STREET VACANCY RATE

	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Causeway Bay	7.9%	13.2%	13.1%	10.5%
Central	12.7%	16.9%	18.3%	14.1%
Tsimshatsui	11.9%	16.7%	17.9%	16.7%
Mongkok	23.6%	23.6%	23.6%	18.2%

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SECTOR	SF (SALEABLE)
G/F & 1/F, LHT Tower, 31-31A Queen's Road Central	Central	American Eagle	Fashion & Accessories	3,026
Shop S & X on G/F & M/F, Hong Kong Mansion, 1-1L Yee Wo Street	Causeway Bay	Top 2 Fashion	Fashion & Accessories	1,073
Shop 154-156 on G/F, 154-158 Sai Yeung Choi Street South	Mongkok	Maxi-Cash	Watch & Jewellery	821
Shop B-C on G/F, 2 Pak Sha Road	Causeway Bay	Korea Red Ginseng	Consumer Products	420
Shop 6B on G/F, Haiphong Mansion, 53-55 Haiphong Road	Tsimshatsui	Vita Green	Health Care Products	300

Source: Cushman & Wakefield Research

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