

	YoY Chg	12-Mo. Forecast
30,000 Median HH Income (HKD)	▲	▲
2.9%¹ Unemployment Rate (Sep 23 – Nov 23)	▼	▲
6,673%² Tourist Arrival Growth	▲	▲

Source: Hong Kong Census and Statistics Department, Hong Kong Tourism Board, Moody's Analytics
¹ Three-month moving average, seasonally adjusted
² The figure refers to Jan – Nov 2023 combined

HONG KONG ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
4.1% GDP Growth (Q3 2023)	▲	▲
10.7% Retail Sales Growth ³	▲	▲
12.2% Private Consumption Expenditure Growth (Q3 2023)	▲	▲
2.6% CPI Growth ⁴ (Nov 2023)	▲	▲

Source: Hong Kong Census and Statistics Department, Moody's Analytics
³ The figure refers to the Oct – Nov of Q4 2023
⁴ Composite CPI, non-seasonally adjusted

Expansion Activities Led by Tourism-Oriented Retail Sectors

The revival of tourist arrivals continued to drive Hong Kong's retail market recovery in Q4. The city's total retail sales for the January to November 2023 period recorded notable growth of 17.1% y-o-y from the low base of last year, amounting to HK\$370.3 billion. Tourism-orientated retail sectors saw the most significant growth, with Jewellery & Watches sales up 55.5% y-o-y, while Fashion & Accessories and Medicines & Cosmetics sector sales rose by 44.3% and 39.6% y-o-y, respectively.

Retail leasing and expansion activities in Q4 were chiefly driven by jewellery & watches and medicines & cosmetics brands, aiming to capture the rebound in tourist spending. Local jewellery retailer Emperor Watch & Jewellery expanded in Tsimshatsui by leasing a ground floor shop at Hanley House on Canton Road. International skincare brand The Body Shop opened a new store on Sai Yeung Choi Street South in Mongkok, while a local drugstore chain expanded to Causeway Bay's Kai Chiu Road. The prior high street rental correction cycle has also allowed retail banks, which generally have lower rental affordability levels than luxury brands, to expand their presence in prime locations and to strengthen their customer network. A notable deal was DBS Bank's lease of a mega-sized flagship space of almost 13,000 sf at New World Tower in Central.

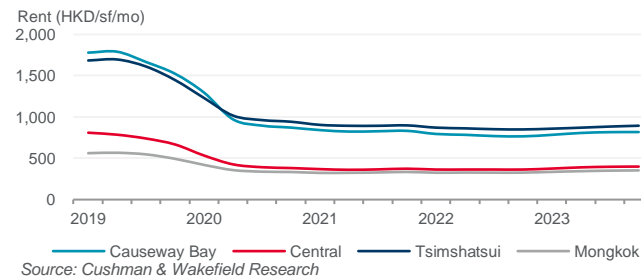
Steady Rental Recovery Supported by Further Drop in Vacancy Rates

More vigorous leasing activity prompted vacancy rates in key retail districts to further drop in Q4. On a q-o-q basis, the vacancy rate in Causeway Bay dropped 2.7 percentage points to 2.6%, back to its 2019 level. Vacancy in Tsimshatsui fell 1.2 percentage points to 10.7%, while vacancy rates in Central and Mongkok remained stable at 8.5% and 10.9%, respectively. As a result, high street rents continued to recover on the back of the strengthened leasing sentiment. Causeway Bay, Central, Tsimshatsui and Mongkok all recorded mild rental growth ranging from 0.2% to 1.2% q-o-q, bringing y-o-y growth of 5% to 10%. F&B rents across submarkets also moved up by 0.5% to 1.0% q-o-q, with y-o-y growth ranging from 5% to 7%.

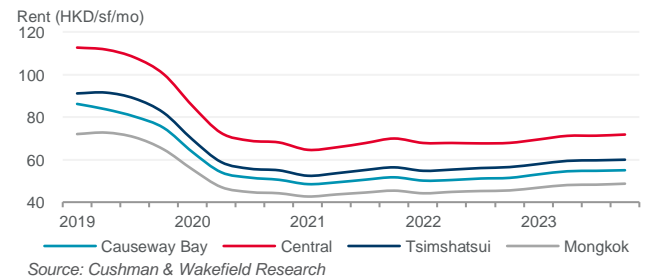
Experiential Offerings and New Mainland Brands to Boost the Retail Market in 2024

As consumers focus more on seeking experiential consumption, retailers in turn are exploring ways to provide more diverse retail offerings at physical stores to attract customer traffic. Looking ahead to 2024, we expect to see more upgrading and consolidation activities on high streets, especially for international brands, hence supporting further drops in overall vacancy and strengthened rental performance. Furthermore, with Hong Kong residents taking more frequent trips northbound to mainland China cities, mainland retailers and F&B operators are becoming more confident in seizing the opportunity to expand their footprint in Hong Kong while rents are still at relatively attractive levels, as well as taking advantage of Hong Kong as a stepping stone for international expansion. We forecast retail high street rents to maintain moderate growth in the range of 2% to 7% in 1H 2024.

HIGH STREET AVERAGE RENT



F&B AVERAGE RENT



HIGH STREET RENTS Q4 2023

	EFFECTIVE RENT			Q-O-Q CHANGE	12-MONTH OUTLOOK
	HKD/SF/MO	US\$/SF/MO	EUR/SF/MO		
Causeway Bay	816	105	95	0.2%	▲
Central	402	51	47	0.6%	▲
Tsimshatsui	896	115	104	1.2%	▲
Mongkok	350	45	41	0.9%	▲
HONG KONG AVERAGE	616	79	72	0.7%	▲

Exchange Rate: 1USD = 0.9103EUR = 7.8063HKD (as of Dec 15, 2023)

HIGH STREET VACANCY RATE

	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Causeway Bay	7.9%	5.3%	5.3%	2.6%
Central	9.9%	7.0%	8.5%	8.5%
Tsimshatsui	15.5%	13.1%	11.9%	10.7%
Mongkok	10.9%	10.9%	10.9%	10.9%

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	DISTRICT	TENANT	SECTOR	SF (APPROX.)
Shop 18 on G/F and LG/F, New World Tower, 16-18 Queen's Road Central	Central	DBS Bank	Banking	12,880
G/F, 4 Kai Chiu Road	Causeway Bay	ZAKURA	Medicines & Cosmetics	1,300
Shop C on G/F, Yau Shing Commercial Centre, 51 Sai Yeung Choi Street South	Mongkok	The Body Shop	Medicines & Cosmetics	670
Shop 4, G/F, Hanley House, 68-80 Canton Road	Tsimshatsui	Emperor Watch & Jewellery	Jewellery & Watches	640
G/F, 76 Percival Street	Causeway Bay	BELIEVE	Fashion & Accessories	510

Source: Cushman & Wakefield Research

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