

MARKET FUNDAMENTALS

30,000
Median HH Income (HKD)

YOY Chg	12-Month Forecast
▲	▲

3.0%¹
Unemployment Rate (Jun - Aug 24)

YOY Chg	12-Month Forecast
▲	▲

43.7%²
Tourist Arrival Growth

YOY Chg	12-Month Forecast
▲	▲

¹ Three-month moving average, seasonally adjusted
² The figure refers to Jan - Aug 2024 combined

ECONOMIC INDICATORS

3.3%
GDP Growth (Q2 2024)

YOY Chg	12-Month Forecast
▲	▲

-10.9%
Retail Sales Growth³

YOY Chg	12-Month Forecast
▼	▲

2.5%
CPI Growth⁴ (Aug 2024)

YOY Chg	12-Month Forecast
▲	▲

1.7%
Private Consumption Expenditure Growth (Q2 2024)

YOY Chg	12-Month Forecast
▲	▲

³ The figure refers to the Jul - Aug of Q2 2024
⁴ Composite CPI, non-seasonally adjusted

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

YEAR-TO-DATE 2024 RETAIL SALES CONTINUE TO CONTRACT

Hong Kong total retail sales for the January to August 2024 period dropped by 7.7% y-o-y to HK\$249.8 billion, mainly due to the impact of inbound tourists' and local residents' changing consumption patterns and the strong Hong Kong dollar eroding shoppers' purchasing power compared to other destinations. Of the key retail sales categories, Jewellery & Watches and Fashion & Accessories, formerly popular with tourists, declined 15.8% and 11.0% y-o-y, respectively. The sole key category to witness positive growth was Medicines & Cosmetics, which climbed 6.8% y-o-y.

HIGH STREET LEASING ACTIVITY GAINS MOMENTUM

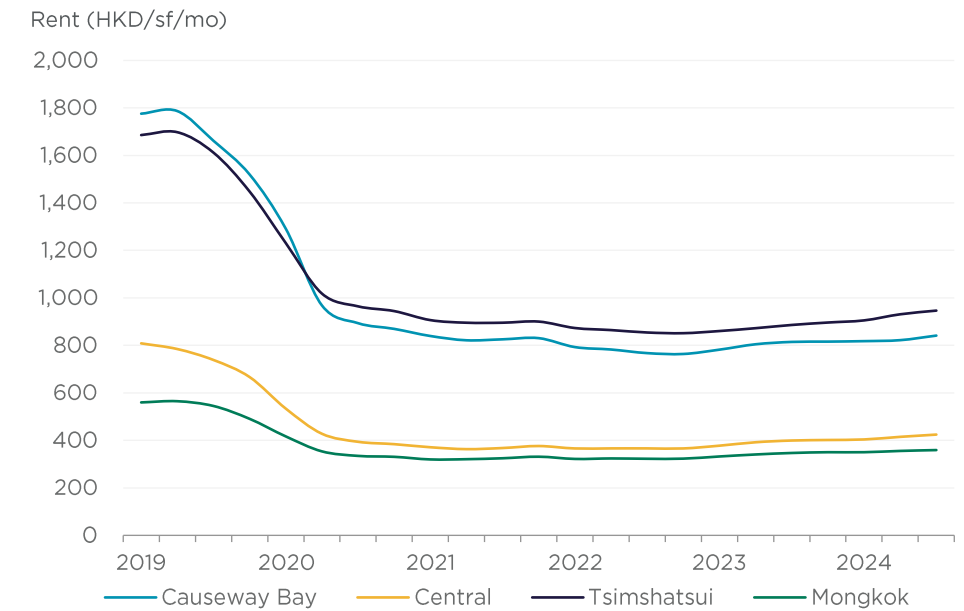
New leasing activities by local and international brands picked up in Q3, aided by attractive rents at prime locations. In Central's Queen's Road Central street, Spanish fashion group Mango leased a 11,400 sf two-floor space, while local chain Emperor Watch & Jewellery signed a flagship outlet on the same street. In Causeway Bay, Matin Kim, a subsidiary of international athleisure group Fila, leased 1,200 sf on Kai Chiu Road, while Swiss luxury watchmaker Omega expanded by leasing a 500 sf retail space next to its existing ground floor shop on Russell Street, allowing the brand to enjoy a superior storefront. Another notable deal was Futu Securities' rent of a 600 sf new store on Russell Street as part of its expansion plan to gain exposure.

Vacancy rates eased on the Kowloon side, with Mongkok dropping 2.7 percentage points q-o-q to 8.4%, and Tsimshatsui falling 1.2 percentage points q-o-q to record 9.4%. Vacancy in Causeway Bay remained stable at 2.6%, while Central rose slightly to record 8.6%. Stronger leasing sentiment supported high street rents to further recover in Q3. Rents in Causeway Bay, Central, Tsimshatsui and Mongkok picked up in a range of 1.0% to 2.3% q-o-q. However, in the F&B sector, restaurant operators have faced challenges due to the changed spending patterns of tourists and residents. F&B rents dropped in a range of 1.5% to 2.5% across districts through the quarter.

GROWING TOURIST FOOTFALL EXPECTED

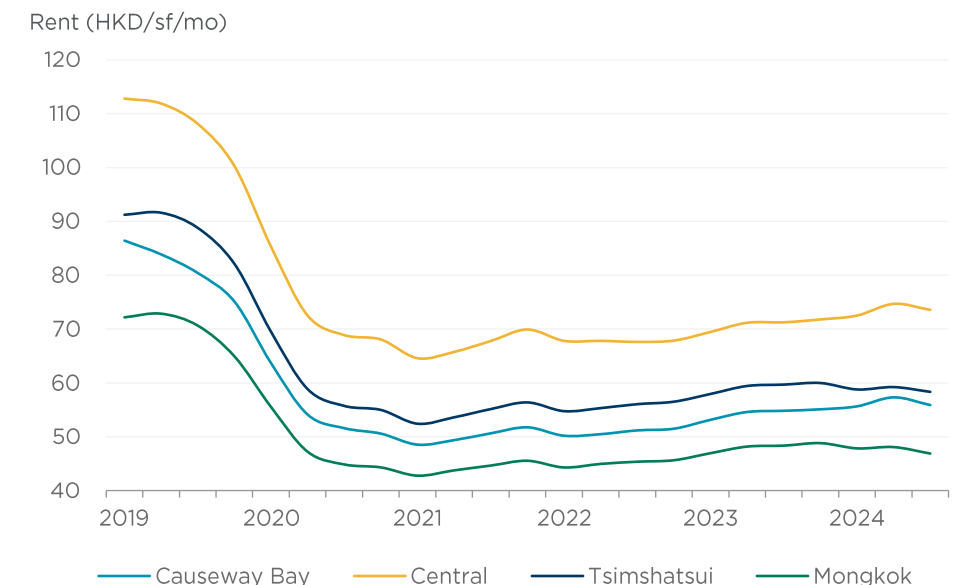
The Central Government has recently announced an increase in duty-free allowances for mainland visitors, as well as a series of stimulus measures to boost the economy and consumption, which could in turn benefit the Hong Kong retail market. The U.S. Fed's rate cut will also reduce financing costs and revive spending sentiment. The rate cut is expected to gradually weaken the Hong Kong dollar, strengthening tourists' relative consumption power. These factors will boost tourist footfall and consumption in the city, supporting the gradual recovery of overall retail sentiment. We expect high street retail rents across districts to rise by 4% to 9% for the full-year 2024.

HIGH STREET AVERAGE RENT



Source: Cushman & Wakefield Research

F&B AVERAGE RENT



Source: Cushman & Wakefield Research

HIGH STREET RENTS Q3 2024

	EFFECTIVE RENT			Q-O-Q CHANGE	12-MONTH OUTLOOK
	HKD/SF/MO	US\$/SF/MO	EUR/SF/MO		
Causeway Bay	842	108	98	2.3%	▲
Central	424	54	49	2.3%	▲
Tsimshatsui	946	121	110	1.7%	▲
Mongkok	359	46	42	1.0%	▲
HONG KONG AVERAGE	643	82	75	1.9%	▲

Exchange Rate: 1USD = 0.9040EUR = 7.7961HKD (as of Sep 9, 2024)

HIGH STREET VACANCY RATE

	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Causeway Bay	2.6%	2.6%	2.6%	2.6%
Central	8.5%	7.0%	7.0%	8.6%
Tsimshatsui	10.7%	11.8%	10.6%	9.4%
Mongkok	10.9%	11.1%	11.1%	8.4%

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	DISTRICT	TENANT	SECTOR	SF (APPROX.)
G/F & 1/F, Asia Standard Tower, 59-65 Queen's Road Central	Central	Mango	Fashion & Accessories	11,400
Shop A on G/F & 1/F, Shanghai Commercial Bank Tower, 12 Queen's Road Central	Central	Emperor Watch & Jewellery	Jewellery & Watches	8,100
G/F & 1/F, 10 Kai Chiu Road	Causeway Bay	Matim Kim	Fashion & Accessories	1,200
Shop G1-G4, G/F, Lai Yuen Building, 59-61 Russell Street	Causeway Bay	Futu Securities	Banking & Finance	600
Shop D, G/F, Soundwill Plaza, 38 Russell Street	Causeway Bay	OMEGA	Jewellery & Watches	500

Source: Cushman & Wakefield Research

ROSANNA TANG

Executive Director, Head of Research, Hong Kong
27th Floor, One Island East,
Taikoo Place, 18 Westlands Road, Quarry Bay
Tel: +852 2956 7021
rosanna.tang@cushwake.com

JULIA LAW

Manager, Research, Hong Kong
27th Floor, One Island East,
Taikoo Place, 18 Westlands Road, Quarry Bay
Tel: +852 2956 7042
julia.law@cushwake.com

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