

MARKET FUNDAMENTALS

29,900
Median HH Income (HKD)

YOY Chg: ▼ Outlook: ▲

3.1%¹
Unemployment Rate (Sep - Nov 24)

YOY Chg: ▲ Outlook: ▲

33.8%²
Tourist Arrival Growth

YOY Chg: ▲ Outlook: ▲

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

ECONOMIC INDICATORS

1.8%
GDP Growth (Q3 2024)

YOY Chg: ▲ Outlook: ▲

-5.0%
Retail Sales Growth³

YOY Chg: ▼ Outlook: ▲

1.4%
CPI Growth⁴ (Nov 2024)

YOY Chg: ▲ Outlook: ▲

1.5%
Private Consumption Expenditure Growth (Q3 2024)

YOY Chg: ▲ Outlook: ▲

³ The figure refers to the Oct - Nov of Q4 2024
⁴ Composite CPI, non-seasonally adjusted

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

HONG KONG RETAIL SALES CONTINUE TO CONTRACT

The structural changes seen in the consumption habits of tourists and local residents continued to impact the Hong Kong retail market through 2024. For the January to November period, citywide total retail sales recorded HK\$344.0 billion, representing a y-o-y drop of 7.1%. Among the key retail categories, only Medicines & Cosmetics witnessed an increase in sales at 5.1% y-o-y, while the Jewellery & Watches and Fashion & Accessories sectors, formerly very popular with tourists, declined by 14.7% and 10.3% y-o-y, respectively.

CHINESE MAINLAND BRANDS DRIVING MARKET ACTIVITY

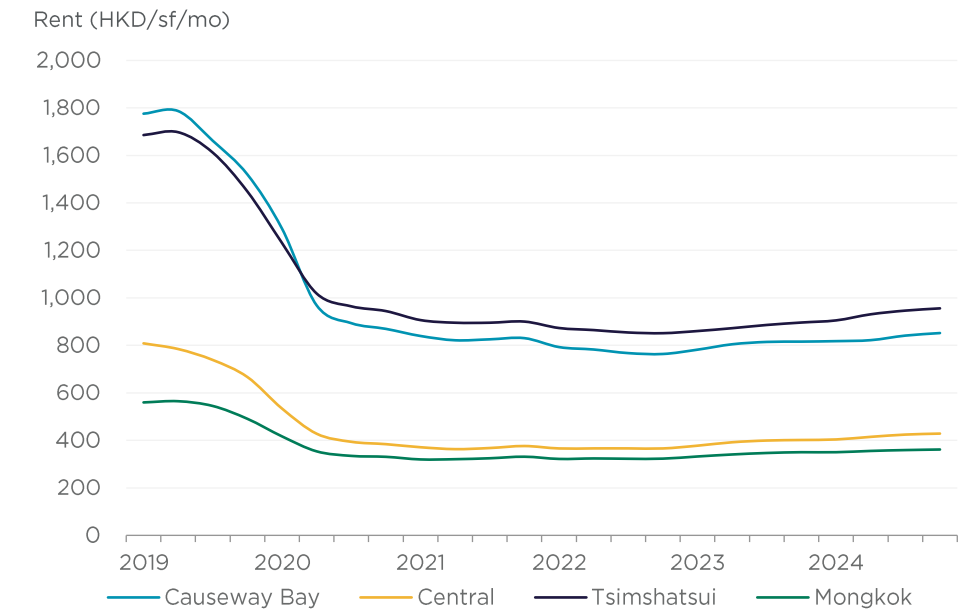
The Hong Kong retail market continued to see active leasing demand from Chinese mainland brands in Q4. Luxury goods retail outlet Unibuy signed a five-story mega store lease on Canton Road in Tsim Sha Tsui, marking the most eye-catching deal in the quarter. Mixue Ice Cream & Tea leased a 500 sf store in Sai Yeung Choi Street South in Mongkok, as the brand's second store in the same district. Meanwhile, drone technology firm DJI expanded to Causeway Bay and leased a 900 sf space on Russell Street. International and local retailers also undertook expansion. The U.S.-based athleisure footwear brand Sketchers leased a three-story store on Sai Yeung Choi Street South, while a local foreign exchange chain rented a further 650 sf space on Haiphong Road in Tsimshatsui.

Improved leasing momentum continued to support the overall retail market in Q4, leading to a fall in the overall high street vacancy rate. Across the core districts, Causeway Bay recorded a vacancy rate of 0%, for the first time since Q3 2019, indicating that brands are willing to return to the traditional tourist-oriented districts while the rental level remains attractive. Vacancy in Central, Tsimshatsui, and Mongkok remained stable q-o-q, at 8.6%, 9.4% and 8.4%, respectively. As a result, high street retail rents across districts continued to pick up steadily in Q4, with q-o-q increases ranging from 0.6% to 1.3%. However, the downward trend in F&B rents persisted, dropping in a range of 0.7% to 2.0% q-o-q across submarkets.

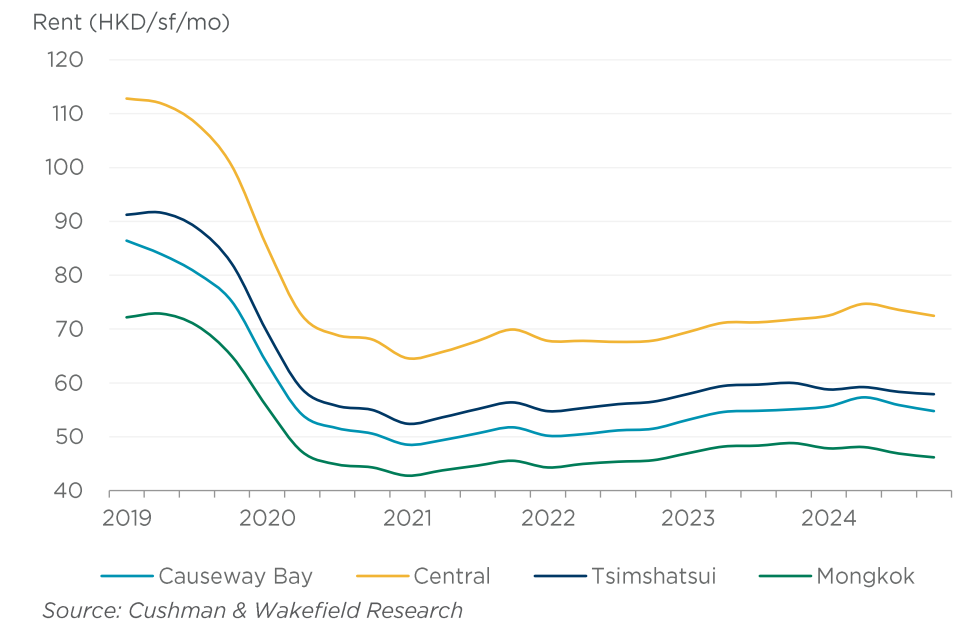
MILD RECOVERY EXPECTED IN 2025

Looking ahead to 2025, we believe the series of economic and consumption stimulus measures launched by the Central Government are likely to benefit the city's retail market, including the recent resumption of multiple-entry Individual Visit Schemes for Shenzhen residents. We expect tourist spending to gradually rise and hence bringing single-digit growth to high street retail rents across core tourist districts in 2025.

HIGH STREET AVERAGE RENT



F&B AVERAGE RENT



HIGH STREET RENTS Q4 2024

	EFFECTIVE RENT			Q-O-Q CHANGE	12-MONTH OUTLOOK
	HKD/SF/MO	US\$/SF/MO	EUR/SF/MO		
Causeway Bay	852	110	104	1.3%	▲
Central	429	55	52	1.0%	▲
Tsimshatsui	956	123	117	1.0%	▲
Mongkok	362	47	44	0.6%	▲
HONG KONG AVERAGE	650	84	79	1.0%	▲

Exchange Rate: 1USD = 0.9506EUR = 7.7753HKD (as of Dec 16, 2024)

HIGH STREET VACANCY RATE

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Causeway Bay	2.6%	2.6%	2.6%	0.0%
Central	7.0%	7.0%	8.6%	8.6%
Tsimshatsui	11.8%	10.6%	9.4%	9.4%
Mongkok	11.1%	11.1%	8.4%	8.4%

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	DISTRICT	TENANT	SECTOR	SF (APPROX.)
Basement to 3/F, China Hong Kong Centre, 122-126 Canton Road	Tsimshatsui	UNIBUY	Fashion & Accessories	8,500
G/F-2/F, Michaelson House, 38-40 Sai Yeung Choi Street South	Mongkok	SKECHERS	Athleisure	3,000
Shop B5, G/F, Lai Yuen Apartments, 59-61 Russell Street	Causeway Bay	DJI	Electronic Goods	900
G/F, 45 Haiphong Road	Tsimshatsui	Money Exchange	Banking & Finance	650
Shop G03-G04, CTMA Centre, 1N Sai Yeung Choi Street South	Mongkok	Mixue Ice Cream & Tea	F&B	500

Source: Cushman & Wakefield Research

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