

Residential Leasing



Rents present mixed picture in Q3

An unsettled market saw rental falls in Kowloon and the New Territories as families departed with slight increases on Hong Kong Island helped by financial services activity.

- The luxury leasing market presented a mixed picture during the third quarter, with rents on Hong Kong Island recording a rise of 1.0%, while Kowloon and the New Territories decline slightly by 0.1% and 0.8% respectively.
- All districts on Hong Kong Island recorded moderate rental increments in Q3/2021, with Southside (1.4%) registering the largest rise, followed by Happy Valley/Jardine's Lookout (1.2%) and Pokfulam (0.9%).
- The luxury apartment market on Hong Kong Island is facing very limited availability especially in the townhouse segment.
- All submarkets in Kowloon and the New Territories recorded slight rental declines except Ho Man Tin/Kowloon Tong (+0.8%) and Sha Tin/Tai Po (+0.2%).
- In Kowloon and the New Territories, luxury leasing markets have remained weak with fewer expat family arrivals and

therefore lower demand for areas close to international schools.

- The availability of townhouses in the Peak and Southside districts is still limited, particularly older townhouses.

“On-going rental weakness in the New Territories alongside more available school places suggests that we experienced a rise in departures at the end of the school year with fewer new family arrivals.”

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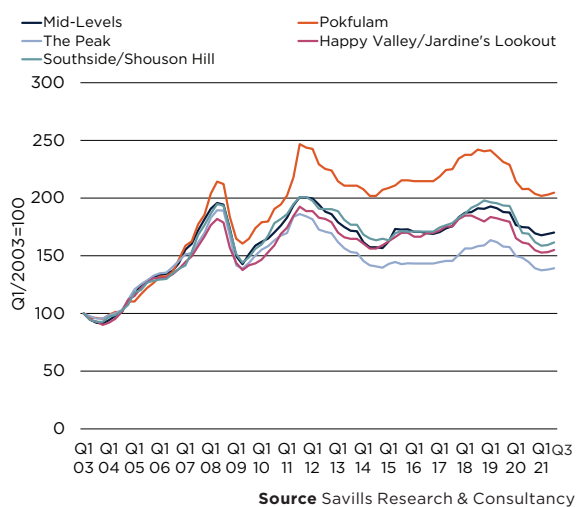
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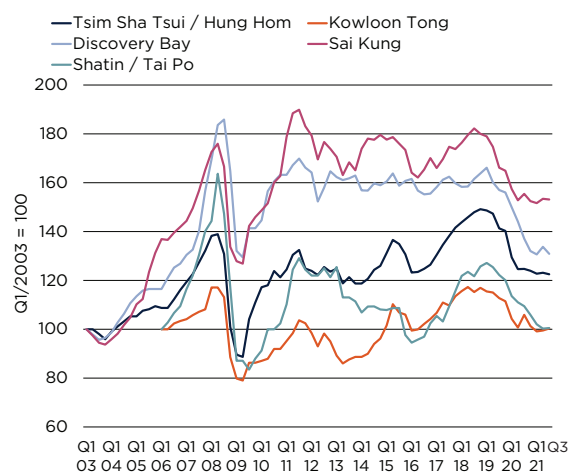


GRAPH 1: Hong Kong Island Luxury Rental Indices By District, Q1/2003 to Q3/2021



Source Savills Research & Consultancy

GRAPH 2: Kowloon and New Territories Luxury Rental Indices By District, Q1/2003 to Q3/2021



Source Savills Research & Consultancy

TABLE 1: Savills Residential Rental Indices, Q3/2021 vs Q3/2021

	Q2/2021 (QOQ%)	Q3/2021 (QOQ%)
Luxury Apartments - Hong Kong Island	+0.5	+1.0
Luxury Apartments - Kowloon	+0.3	-0.1
Luxury Apartments - New Territories	+0.8	-0.8
Townhouses	+0.9	+1.1
Serviced Apartments	+1.6	+0.4

Source Savills Research & Consultancy

MARKET COMMENTARY

The luxury leasing market moved in separate directions during the third quarter, with rents on Hong Kong Island recording a rise of 1.0%, while Kowloon and the New Territories decline slightly by 0.1% and 0.8% respectively. We note some upgrade demand while a trickle of new arrivals is also leaving quarantine to look for accommodation. Fewer families seem to be the norm with younger single executives or couples without children a stronger demand driver over this quarter. If there is a silver lining, it is that there are plenty of school places available these days, in contrast to two or three years ago.

We have also seen many more French families arriving recently. Usually working in finance and on budgets of HK\$60,000 to HK\$100,000 per month, they prefer Southside or Clearwater Bay/Sai Kung. Their district preferences are explained by the fact that French schools are located in Jardine's Lookout, Happy Valley and Tseung Kwan O.

All districts on Hong Kong Island recorded moderate rental increments in Q3/2021, with Southside (1.4%) registering the largest rise, followed by Happy Valley/Jardine's Lookout (1.2%) and Pokfulam (0.9%). Hong Kong's IPO pipeline remains healthy, the unemployment rate in the financing, insurance, real estate, professional and business services industry fell to a one-year low of 3.7% in August, while Central office vacancy stabilised; all factors behind the slight rise in residential rents on the island.

The luxury apartment market on Hong Kong Island is facing very limited availability and this is especially true for

budgets of HK\$70,000 per month plus in Mid-levels, while Pokfulam also remains tight. With more singles and young couples looking for apartments, accommodation on the island has again become an option for many with Kennedy Town attracting a lot of interest for its new stock of buildings and its vibrant bar and restaurant scene.

In Kowloon and the New Territories, Ho Man Tin/Kowloon Tong are proving particularly popular among locals and Mainlanders. As an upmarket residential submarket in central Kowloon, the area offers not only a peaceful ambience, but also incredibly convenient access to vibrant neighbourhoods like Mongkok and Yau Ma Tei. The fact that the district has one of the best school networks in Hong Kong including La Salle College and Diocesan Boy's School, never fails to attract locals and Mainlanders at the beginning of each academic year.

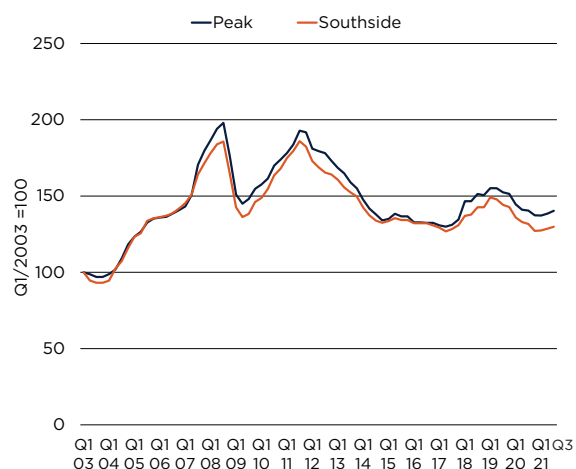
All submarkets in Kowloon and the New Territories recorded slight rental declines except Ho Man Tin/ Kowloon Tong (+0.8%) and Sha Tin/Tai Po (+0.2%) while submarkets remained strong along the new Tuen Ma Line which links East Kowloon and the New Territories. Discovery Bay (-2.2%) saw the largest rental decline among the submarkets in Kowloon and the New Territories, followed by the New Territories (-0.8%) and Tsim Sha Tsui/ Hung Hom (-0.5%). In Kowloon and the New Territories, luxury leasing markets have remained weak with fewer expat family arrivals and therefore lower demand for areas close to international schools. We

TABLE 2: Mid-Levels, The Peak and Southside Transactions, Q3/2021

DISTRICT	UNIT TYPE	ADDRESS	SALEABLE AREA (SQ FT)	HK\$ PER MONTH (INCL. MGT. & RATES)	HK\$ PER SQ FT SALEABLE
Mid-Levels	Apartment	Winfield Building	1,953	140,000	72
Mid-Levels	Apartment	Tregunter Tower	3,014	142,800	47
Mid-Levels	Apartment	Tavistock	3,838	265,000	69
The Peak	House	The Mount Austin	3,787	260,913	69
The Peak	House	46 Plantation Road	4,406	380,000	86
The Peak	House	34 Black's Link	3,460	200,000	58
Southside	House	63 Deep Water Bay Road	2,882	180,000	62
Southside	House	50 Stanley Village Road	2,719	153,300	56
Southside	Apartment	Fairmount Terrace	2,334	160,300	69

Source Savills Research & Consultancy

GRAPH 3: Townhouse Rental Indices By District, Q1/2003 to Q3/2021



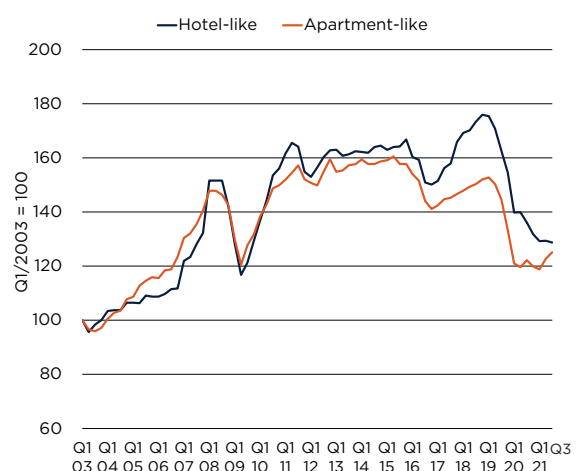
Source Savills Research & Consultancy

TABLE 3: Kowloon Transactions Q3/2021

DISTRICT	UNIT TYPE	ADDRESS	SALEABLE AREA (SQ FT)	HK\$ PER MONTH (INCL. MGT. & RATES)	HK\$ PER SQ FT SALEABLE
Tsim Sha Tsui	Apartment	The Harbourside	1,084	68,000	63
Tsim Sha Tsui	Apartment	The Harbourside	1,054	60,000	57
Tsim Sha Tsui	Apartment	Masterpiece	1,016	58,000	57
Kowloon Station	Apartment	Grand Austin	1,127	51,000	45
Kowloon Station	Apartment	Sorrento	1,365	72,000	53
Kowloon Station	Apartment	The Austin	1,403	67,500	48
Kowloon Station	Apartment	The Cullinan	1,361	102,000	75
Kowloon Station	Apartment	The Cullinan	1,295	82,000	63

Source Savills Research & Consultancy

GRAPH 4: Serviced Apartment Rental Indices By Type, Q1/2003 to Q3/2021



Source Savills Research & Consultancy

TABLE 4: New Territories Transactions, Q3/2021

DISTRICT	UNIT TYPE	ADDRESS	SALEABLE AREA (SQ FT)	HK\$ PER MONTH (INCL. MGT. & RATES)	HK\$ PER SQ FT SALEABLE
Sai Kung	House	The Giverny	2,371	80,000	34
Sai Kung	Apartment	Mount Pavilia	1,732	68,000	39
Sai Kung	Apartment	Mount Pavilia	1,600	56,000	35
Sai Kung	House	Springfield Villa	2,100	68,000	32
Discovery Bay	Apartment	Seahorse Lane	1,626	70,000	43
Discovery Bay	House	La Costa	1,215	51,000	42

Source Savills Research & Consultancy

also note that many families chose to leave Hong Kong after the end of the school term in June/July although exact figures are hard to come by.

Townhouse rents registered a rental increase of 1.1% over the quarter, up from an increase of 0.9% in Q2/2021. The availability of townhouses in the Peak and Southside districts is still limited, particularly older townhouses. During the quarter, several deals were inked at around HK\$150,000 to HK\$200,000 per month, mostly

to Mainlanders. Despite the slight rebound over three consecutive quarters, townhouse rents remain low compared with their peak in Q1/2019.

SERVICED APARTMENT MARKET

In the serviced apartment sector, we are seeing more demand from Japanese tenants in Kowloon on budgets of HK\$40,000 to HK\$50,000 per month. There is plenty of competition for tenants and special promotions are not unusual, often offering studios or suites in the HK\$20,000

to HK\$40,000 per month range. Generally, occupancy levels showed a minor improvement over the quarter. Serviced apartment rents have stabilized from the last quarter with an overall 0.4% increase, while rents for hotel-like units have fallen slightly (-0.5%). Apartment-like units recorded a mild increase of 1.9%. With their convenient locations near business districts and their affordable rents, local young professionals continue to take an interest in serviced accommodation.