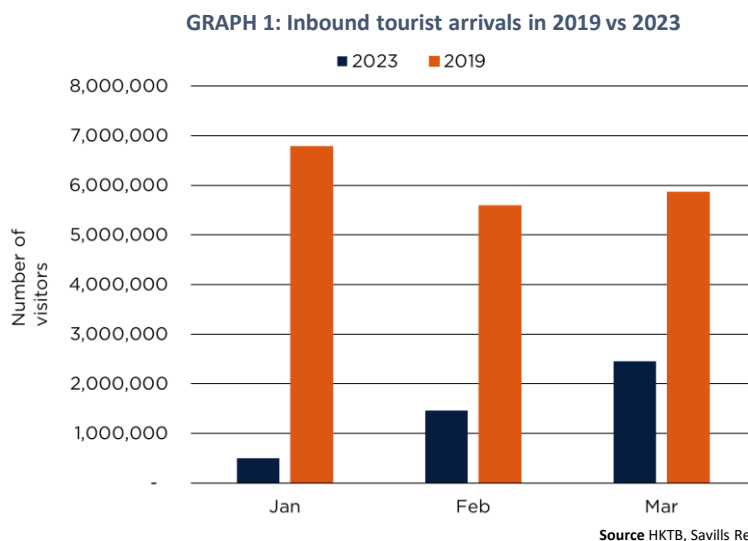


With retailers still cautious in taking up prime spaces, high vacancies are still recorded in core street shops

“Rent of prime street ad shopping mall experienced a quarterly increase of 3.9% and 5% respectively, marking the first rise since Q1 2019.”

JACK TONG, SAVILLS RESEARCH & CONSULTANCY



Due to the full resumption of cross-border travel, a total of 4.4 million visitors came to Hong Kong in the first quarter, a lower-than-expected number reaching 24% of the pre-covid level in 2019. With increasing footfalls from the tourists, we noticed that leasing enquires from the tourism dependent sectors such as medicine and cosmetics escalating in the first quarter in 2023, a total of 6 deals and 2 deals were recorded in Tsim Sha Tsui and Mong Kok respectively.

Meanwhile other retailers were still cautious expanding into prime areas, vacancy rates of four major prime streets remained high. In Q1/2023, Canton Road saw around 40% of the prime shops still being vacant, while Russell Street and Sai Yeung Choi Street South fared better with 27% and 23% vacancy respectively. Landlords of street shops at Queen’s Road Central were force to accept changing tenant profile by welcoming drug stores, mid-end fashion and bakery shop, with vacancy dropping to 20% as a result.

After border reopening, the Hong Kong Government actively initiated several favorable campaigns such as Hello Hong Kong to further attract tourists back to the territory. Meanwhile, the government successfully hosted a number of world-class events, such as Hong Kong Marathon, Art Basel Hong Kong and Hong Kong Sevens, to reposition Hong Kong as the Asian’s premier Meetings, Incentives, Conventions and Exhibitions (MICE) destination. With the launch of future MICE events, such as the upcoming Digital Economy Summit in April and Jewellery & Gem Fair in June, more business travelers with high spending potential is likely to rejuvenate the local retail market.

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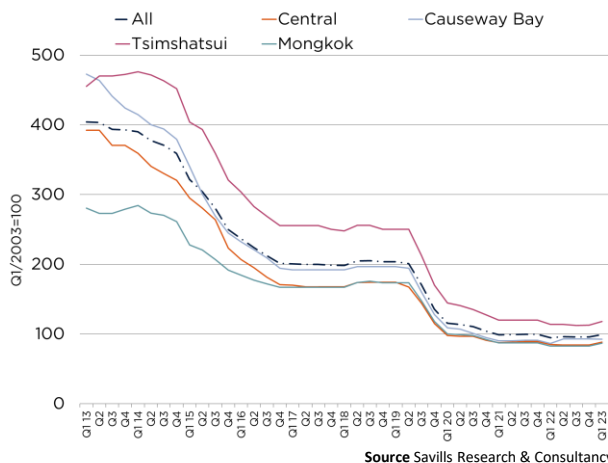
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TABLE 1: Prime Street Shop Rental Changes

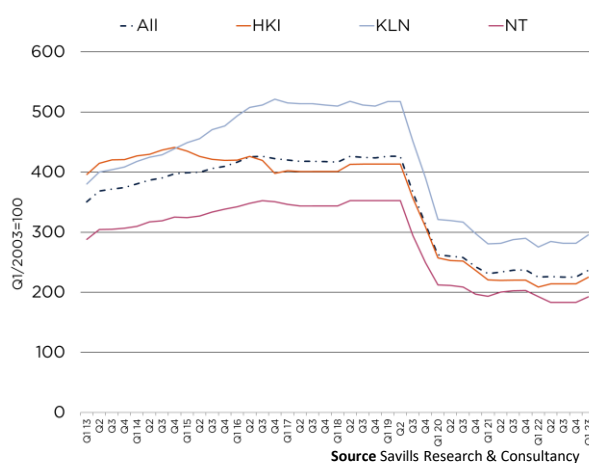
	2018	2019	2020	2021	2022	2023 Q1 (QoQ%)
Overall	+2.4%	-33.2%	-23.4%	-4.3%	-3.8%	+3.9%
Central	+3.8%	-34.0%	-20.8%	-2.1%	-5.3%	+5.0%
Causeway Bay	+2.4%	-34.9%	-25.9%	-3.8%	+0.8%	+0.8%
Tsim Sha Tsui	0%	-32.0%	-25.0%	-6.1%	-5.5%	+5.0%
Mong Kok	+3.9%	-32.0%	-21.9%	-5.2%	-5.0%	+5.0%



Source Savills Research & Consultancy

TABLE 2: Major Shopping Centre Rental Changes (Base Rent)

	2018	2019	2020	2021	2022	2023 Q1 (QoQ%)
Overall	+1.6%	-30.5%	-22.8%	-2.1%	-5.1%	+5.0%
Hong Kong Island	+3.0%	-30.6%	-23.4%	-6.9%	-2.6%	+5.2%
Kowloon	-0.4%	-29.2%	-23.7%	-2.7%	-2.9%	+5.0%
New Territories	+2.6%	-32.0%	-21.0%	+3.1%	-9.8%	+4.8%



Source Savills Research & Consultancy

Therefore, we have seen a more diverse mix of retailers making their moves to secure prime spaces of late. For instance, an art gallery rented two floors of 6,800 sq ft at 8 Queen’s Road Central, the Swiss watch retailer Swatch Group leased 8,700-sq-ft shop as their flagship store at Canton House in Central and the chained jewelry brand Luk Fook leased 3,000-sq-ft ground floor unit at 8 Russell Street in Causeway Bay.

TABLE 3: Tourism dependent sectors transactions in core locations, Q1/2023

District	Location	Area (sq ft)	Monthly Rent (HK\$)	Unit rent (HK\$ psf)	Trade category
Central	54-56 Queen’s Road Central	8,735	HK\$1,000,000	HK\$114	Watch
Causeway Bay	8 Russell Street	3,805	HK\$700,000	HK\$184	Jewelry
Tsim Sha Tsui	14-16 Canton Road	1,000	HK\$550,000	HK\$550	Drug store
Tsim Sha Tsui	36-44 Nathan Road	1,500	HK\$500,000	HK\$333	Fashion
Tsim Sha Tsui	86-98 Canton Road	952	HK\$300,000	HK\$315	Drug store

Source Market news, Savills Research & Consultancy

TABLE 4: Existing retail stock per capita (by district)

District	Existing Population	Population growth rate until 2029	Total existing major shopping centre stock (million sq ft)	Per capita shopping centre stock (sq ft / residential population)
Kowloon City	433,000	14.8%	4.44	10.3
Wong Tai Sin	423,100	4.3%	2.27	5.4
Tuen Mun	550,400	13.9%	2.62	4.8
Yuen Long	662,700	6.0%	2.81	4.2
North	359,800	37.9%	1.40	3.9
Sai Kung	501,900	10.4%	4.48	8.9
Total	7,411,945	6.5%	62.1	8.1

Source Planning Department , Savills Research & Consultancy

Savills Forecast in 2023	
Prime Street Shop	+8% to 12%
Prime Shopping Mall	+10%

MARKET TO WATCH

Apart from the tourist-oriented areas, we also expect there will be a stable rental growth in neighborhood malls especially in the high densely populated areas. Surrounded by well-developed community facilities and infrastructures, instead of travelling to the prime shopping areas, residents tend to purchase daily necessities in their self-contained community, paving a high development potential for the neighborhood associated tenants entering in the non-core areas.