

Hong Kong Property Market Monitor

Residential sales momentum weakens substantially in May

Office

- In May, the completion of two new projects – Cheung Kong Center II in Central and KTR 350 in Kwun Tong – marked a notable development. Partly driven by new completions, the overall market recorded a positive net absorption of 21,200 sq ft during the month. In the leasing market, the insurance sector continued its momentum of expansion. In a notable case of expansion, AIA International leased one floor of 18,400 sq ft (GFA) at The Gateway Tower 2 in Tsimshatsui, to expand within the building.
- The overall vacancy rate rose to 13.5% as at end-May. Due to new completions, Central and Kowloon East's vacancy rose to 12.0% and 18.5%, respectively. While vacancy in Wanchai / Causeway Bay and Hong Kong East dropped 0.2 and 0.1 percentage points, respectively.
- Overall net effective rent dropped further by 0.8% m-o-m in May, for the 25th consecutive month since May 22. Among the major office submarkets, Central and Hong Kong East saw rents decrease further, by 1.3% and 0.8%, respectively. Rents also fell in the Tsimshatsui and Kowloon East submarkets, declining by 0.5% and 0.9%, respectively.
- Previously owned by Shimao Group Chairman Xu Rongmao, one high-zone floor at The Center was reportedly sold for a consideration of HKD 730 million (HKD 28,177 per sq ft, GFA), a 15% discount from the unit purchase price in 2017.

50.0

 Average Monthly Rent
(May 24, HKD per sq ft)

-0.8%

 Rental Growth
(May 24, m-o-m)

21,200

 Net Absorption
(May 24, sq ft)

Source: JLL



Grade A Office Vacancy (end-May 2024)

Overall	13.5%
Central	12.0%
Wanchai / Causeway Bay	10.0%
Hong Kong East	13.4%
Tsimshatsui	9.5%
Kowloon East	18.5%

Source: JLL


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Major Office Leasing Transactions (May 2024)

Property	Monthly Rental (HKD per sq ft)	Area (sq ft)
The Gateway Tower 2 (High zone)	Mid-high 40s	18,400 (G)
One International Finance Centre (Mid-zone)	Low 100s	11,000 (L)
Millennium City 6 (High-zone)	Mid-low 20s	8,100 (G)

Source: Market Sources

Residential

- In June, Fed policymakers' updated economic projections indicated that they expected to lower borrowing costs only once in 2024, a departure from the three reductions previously forecast in March. With one-month HIBOR remaining at around 4.5% since mid-May, local mortgage rates are unlikely to decrease this year.
- The transaction volume in May dropped to 1,934 units in the primary market and 3,612 units in the secondary market, respectively, resulting in the total volume falling by 35.1% m-o-m. In May, mass residential capital values edged up by 0.2% m-o-m, after rebounding by 0.9% in April.
- Compared to the market situation in March and April, the pace of project launches have slowed noticeably in May, and the sell-through rates for new project launches turned less satisfactory, reflecting a marked decline in buying sentiment. 'THE HADDON' in Hung Hom offloaded 13 out of 63 units (20.6%) on the first day of the project launch, and 'The Highline' in Kennedy Town sold 44 out of 81 units (54.3%).
- Among major luxury sales transactions, a unit at 'Mont Verra' in Shek Kip Mei was sold for HKD 600.0 million or HKD 72,824 per sq ft, SA.

53.4	5,546	1,934	3,612	0.2%
Total Residential S&P Value	Total Residential S&P Volume	Primary S&P Volume	Secondary S&P Volume	Mass Capital Value Growth
(May 24, HKD B)	(May 24)	(May 24)	(May 24)	(May 24, m-o-m)

Source: The Land Registry, JLL

Retail

- Total retail sales plunged by 14.7% y-o-y in April. Most major retail categories recorded sales decline, with "jewellery, watches and clocks, and valuable gifts" and "clothing, footwear and allied products" falling by 28.7% and 24.0%, respectively. On the other hand, online sales rose by 11.4%, contributing to 8.2% of the total retail sales in April.
- Inbound visitations in April neared 3.4 million, equivalent to 64% of the level in April 2018 (pre-pandemic level). The relaxation of the Individual Visit Scheme (IVS) to eight more Mainland cities, including Urumqi in Xinjiang Province and Harbin in Heilongjiang Province, which took effect on 27 May, is expected to give impetus to inbound tourism.
- Leasing momentum in prime shopping districts continued to accelerate. In Mongkok, Futu Securities reportedly committed to the G-M/F shop unit (2,300 sq ft) at 67-69 Argyle Street for a monthly rental of about HKD 1.0 million, which was 54% below the peak rental by the previous long-term tenant, Lao Feng Xiang. Meanwhile, in Tsimshatsui, Lung Fung Group leased several G-1/F shop units (4,987 sq ft in total) at Star House for a reported monthly rental of about HKD 700,000.
- In Kwun Tong, three 1/F shop units (10,635 sq ft in total) at TG Place were sold for HKD 106.4 million (HKD 10,000 per sq ft) by Billion Development and Project Management Ltd to BIEL Crystal at an estimated initial yield of 5.6%, with the property currently tenanted by restaurants.

17.2%	7.5%	-14.7%
[3,391,381 persons]	[2,482,581 persons]	[29,576 HKD mln]
Visitor Arrivals	PRC Visitor Arrivals	Retail Sales
(Apr 24, y-o-y)	(Apr 24, y-o-y)	(Apr 24, y-o-y)

Source: Hong Kong Tourism Board, Census and Statistics Department


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Major Residential Sales Transactions (May 2024)

Property	Price (HKD million)	Unit Rate (HKD per sq ft)
Mont Verra Twr 01 (Unit A, 06-07/F)	600.0	72,824 (SA)
33 Island Road (Unit 2)	468.0	97,257 (SA)
Mount Pokfulam (Unit 86D)	333.6	70,000 (SA)

Source: EPRC, SRPE, Market Sources



Major Retail Leasing Transactions (May 2024)

Property	Monthly Rental (HKD per sq ft)	Area (sq ft)
67-69 Argyle Street (G/F, with M/F, 67-69 Argyle Street)	435	2,300 (G)
Star House (Shop 01B and 9B on G/F, with Shop 101B on 1/F, 3 Salisbury Road)	140	4,987 (G)
11 Pak Sha Road (G/F, 11 Pak Sha Road)	242	1,653 (G)

Source: Market Sources

Industrial

- Total trade rose by 7.6% y-o-y in April. Imports ticked up slightly by 3.7% while total exports increased by 11.9% notably.
- The leasing momentum was lifted by two notable transactions in May. YesAsia Holdings, a listed online retailer, leased 147,468 sq ft in Mapletree Logistics Hub Tsing Yi as an expansion from its first autonomous mobile robotics warehouse in Goodman Interlink within the same precinct. Meanwhile, A&S Group expanded its lease in Cainiao Smart Gateway in Chek Lap Kok to 155,000 sq ft, including its previous commitment of 55,682 sq ft in late-2023.
- A notable sales transaction was recorded in May. Emperor International disposed of a floor in Safety Godown Industrial Building in Chai Wan for HKD 100.0 million (HKD 2,758 per sq ft, GFA). The buyer is a logistics-related operator.
- The Town Planning Board approved Soundwill Holdings' application to relax the plot ratio for cold storage redevelopment at 13-17 Wah Sing Street in Kwai Chung with a GFA of 218,127 sq ft. The subject building's previous planning applications of plot ratio relaxation for permitted industrial use and data centre were approved earlier in 2022.



Major Industrial Sales Transactions (May 2024)

Property	Price (HKD million)	Unit Rate (HKD per sq ft)
Safety Godown Industrial Building (Unit A-B, 11/F)	100.0	2,758 (G)
Ko Fai Industrial Building Block C (2/F)	66.8	3,135 (G)
Tsing Yi Industrial Centre Phase 2 (Unit 21, 28 & 32, G/F)	45.3	6,026 (G)

Source: EPRC, Market Sources

3.7%	11.9%	13.9%	-10.1%	7.6%
Imports	Total Exports	Air Freight Cargo	Container Throughput	Aggregate Trade
(Apr-24, y-o-y)	(Apr-24, y-o-y)	(Apr-24, y-o-y)	(Apr-24, y-o-y)	(Apr-24, y-o-y)

Source: Census and Statistics Department, Airport Authority Hong Kong, Hong Kong Maritime and Port Board

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Key Economic Indicators

Real GDP Growth¹ (1Q24, y-o-y)	2.7%
Unemployment Rate² (Feb 24 – Apr 24)	3.0%
Composite Consumer Price Index Growth (Apr 24, y-o-y)	1.1%
Hang Seng Index (end May 24)	18,080 pts (1.8% m-o-m)
HSBC Best Lending Rate (May 24)	5.875%
HKAB 1-month HIBOR (end May 24)	4.47%

¹ Revised figure

² Provisional figure

Source: Census and Statistics Department, HSI Company Limited, Hong Kong Monetary Authority

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