

MARKET FUNDAMENTALS

	YOY Chg	Outlook
30,000 Median HH Income (HKD)	<div></div>	<div></div>
3.2% ¹ Unemployment Rate (Dec 24 – Feb 25)	<div></div>	<div></div>
7.4% ² Tourist Arrival Growth	<div></div>	<div></div>
¹ Three-month moving average, seasonally adjusted ² The figure refers to Jan – Feb 2025 combined		

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.4% GDP Growth (Q4 2024)	<div></div>	<div></div>
-7.8% Retail Sales Growth ³	<div></div>	<div></div>
1.4% CPI Growth ⁴ (Feb 2025)	<div></div>	<div></div>
2.0% Private Consumption Expenditure Growth (Q4 2024)	<div></div>	<div></div>
³ The figure refers to the Jan - Feb of Q1 2025 ⁴ Composite CPI, non-seasonally adjusted		

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

HONG KONG OVERALL RETAIL SALES YET TO RECOVER

The structural changes in consumption preferences of visitors and locals continued to constrain the pace of Hong Kong's retail recovery in Q1. The city's overall retail sales for the January to February 2025 period dropped 7.8% y-o-y to record HK\$64.8 billion. In the key retail categories, although the number of visitor arrivals is increasing, tourists' more cautious spending habits have hampered sales in high-end segments such as the Jewellery & Watches and Fashion & Accessories sectors, which declined 15.8% and 6.4% y-o-y, respectively. The Supermarkets sector, which had performed steadily in the past few years, also recorded a 4.4% y-o-y drop. Meanwhile, other major sectors including Food, Alcohol & Tobacco and Medicines & Cosmetics posted modest y-o-y growth of less than 1%.

TSIMSHATSUI MOST ACTIVE IN LEASE TRANSACTION ACTIVITY

Leasing activity was relatively most active in Tsimshatsui in Q1, with landlords becoming more willing to offer greater rental discounts to potential tenants. For instance, Heirloom Fortune, a subsidiary of Lukfook Jewellery, opened its first Hong Kong store on Haiphong Road, spanning 770 sf, establishing a prime high-street presence at attractive rental levels. Local luxury retail chain UPSO also expanded its storefront visibility with a 440 sf space adjacent to its existing store on Haiphong Road. Souvenir retailers Elegant Tang Dynasty and Bee Cheng Hiang took stores in the same street. These new leases demonstrate the willingness of tourist-oriented brands to act on the current attractive rental level to build exposure to rising tourist numbers. Across other core districts, following the emergence of Russian supermarkets in mainland Chinese cities, Siberia Taiga, the first Russian-themed supermarket in Hong Kong, opened a 1,300 sf store on Sai Yeung Choi Street South in Mongkok.

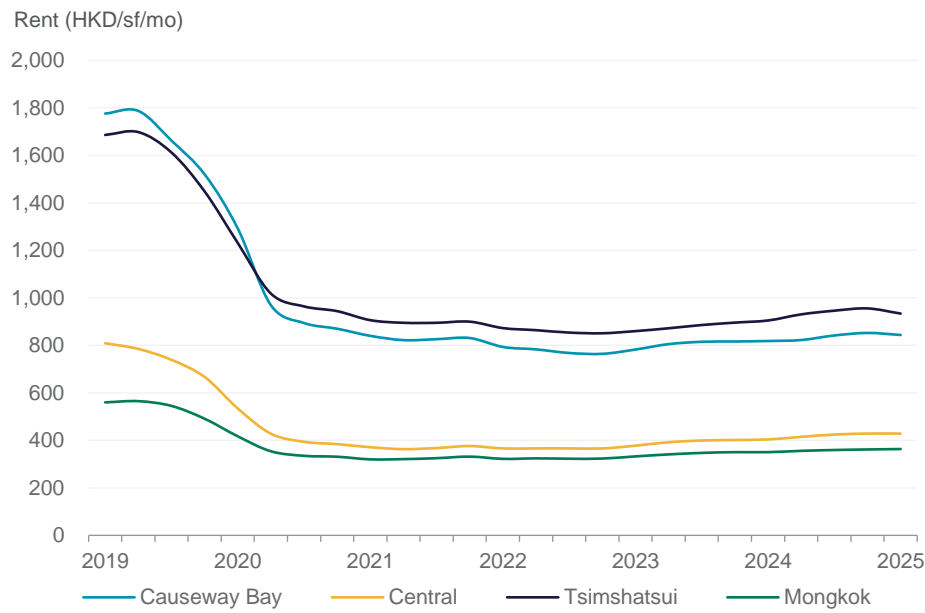
Causeway Bay's prime high street became the only core retail district to record greater vacancy in Q1, rising to 5.3% from 0% in Q4 2024. The vacancy rate in Central dropped slightly q-o-q from 8.6% to 7.1%, and in Tsimshatsui and Mongkok remained stable q-o-q, at 9.4% and 8.4%, respectively.

With retail landlords in Tsimshatsui and Causeway Bay now more pragmatic in offering rental level discounts to secure occupancy, overall rents in the two districts fell slightly at 2.3% and 1.0% q-o-q, respectively. In Mongkok, the entry of some aggressively moving tenants prompted a moderate q-o-q uptick of 0.5%. The Central district overall rental level was unchanged. In the F&B sector, rental levels remained soft, with Causeway Bay and Mongkok dropping in a range of 0.4% to 1.8% q-o-q. Tsimshatsui F&B rents remained unchanged, while Central F&B rents saw a 0.5% increase q-o-q, chiefly supported by high-end dining options.

IMPROVING TOURIST NUMBERS TO SUPPORT RETAIL MARKET SENTIMENT

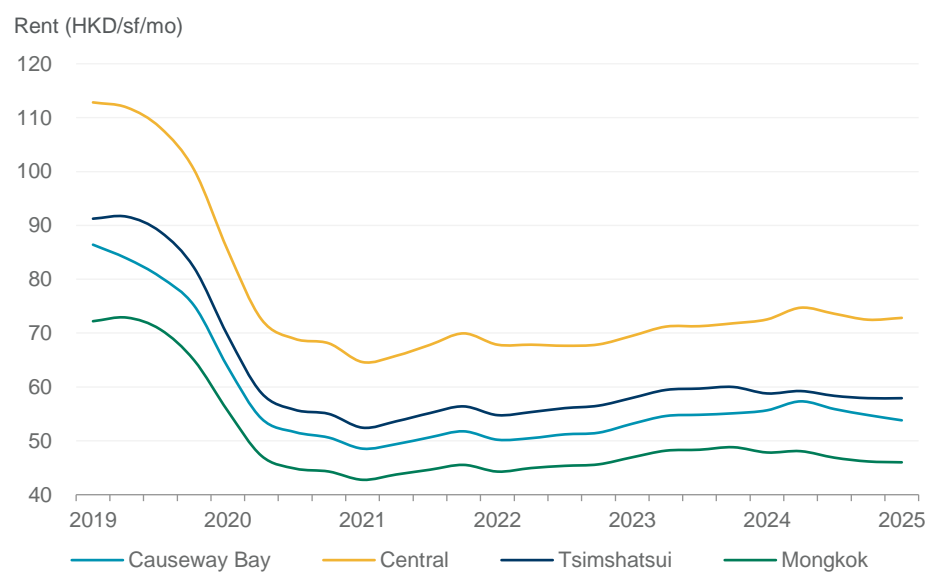
Looking ahead, the resumption of multiple-entry Individual Visit Scheme (IVS) and support for mega events will attract more visitors to Hong Kong. However, we expect tourist arrivals to pick up faster than the retail rental level recovery, given that the change in tourist spending habits still poses uncertainties for retailers' budgets. More brightly, we believe the market will see growing leasing demand from Chinese mainland retailers, catering to the consumption habits and preferences of incoming mainland residents. This will help support high street occupancy and hence retail rental performance in the later quarters of 2025. In addition, the wealth effect arising from the more promising financial market will further support local consumption sentiment.

HIGH STREET AVERAGE RENT



Source: Cushman & Wakefield Research

F&B AVERAGE RENT



Source: Cushman & Wakefield Research

HIGH STREET RENTS Q1 2025

	EFFECTIVE RENT			Q-O-Q CHANGE	12-MONTH OUTLOOK
	HKD/SF/MO	US\$/SF/MO	EUR/SF/MO		
Causeway Bay	844	109	100	-1.0%	▲
Central	429	55	51	0.0%	▲
Tsimshatsui	934	120	111	-2.3%	▲
Mongkok	363	47	43	0.5%	▲
HONG KONG AVERAGE	642	83	76	-1.1%	▲

Exchange Rate: 1USD = 0.9220EUR = 7.7729HKD (as of Mar 14, 2025)

HIGH STREET VACANCY RATE

	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Causeway Bay	2.6%	2.6%	0.0%	5.3%
Central	7.0%	8.6%	8.6%	7.1%
Tsimshatsui	10.6%	9.4%	9.4%	9.4%
Mongkok	11.1%	8.4%	8.4%	8.4%

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	DISTRICT	TENANT	SECTOR	SF (APPROX.)
G/F, 34-36 Sai Yeung Choi Street South	Mongkok	Siberia Taiga	Supermarket	1,300
Shop 5, G/F & C/L, Haiphong Mansion, 53-55 Haiphong Road	Tsimshatsui	Heirloom Fortune	Jewellery & Watches	770
Shop A, G/F, Po Fung Building, 32-34 Haiphong Road	Tsimshatsui	Elegant Tang Dynasty	Others	670
Shop C, G/F, Daily House, 35-37 Haiphong Road	Tsimshatsui	UPSO	Fashion & Accessories	440
Shop 8, G/F, Haiphong Mansion, 53-55 Haiphong Road	Tsimshatsui	Bee Cheng Hiang	F&B	270

Note:
Causeway Bay: Russell Street, Kai Chiu Road; Tsimshatsui: Canton Road, Haiphong Road; Central: Queen’s Road Central, Pedder Street; Mongkok: Sai Yeung Choi Street South, Argyle Street
Source: Cushman & Wakefield Research

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