

ASIA REAL ESTATE MARKET UPDATE

June 2021



HONG KONG



Hong Kong Office

Central leasing activity gathers momentum – Amongst several corporate expansions in Central, Citadel leased 23,960 sq ft at Two International Finance Centre and The Executive Centre took up 15,700 sq ft at AIA Central. Meanwhile, Sir Oswald Cheung's Chambers is relocating from New Henry House to a 13,540 sq ft premises at Jardine House.

A consortium comprising Billion Development, CSI, Asia Standard and C C Land acquired Kowloon Bay International Trade and Exhibition Centre for HK\$10.5 billion (HK\$5,917 per sq ft) from Hopewell Holdings. The buyers intend to redevelop the building into a Grade A office and exhibition complex of 1.78 million sq ft, riding on the site's strategic location at the edge of Kai Tak Development Area.

Hong Kong Retail

Retailers commit to prime districts – Growth in retail sales moderated to 12% y-o-y in April. Among the best performing trades, clothing sales surged 65% while sales of jewellery and watches jumped 93%, albeit from a low base.

Supported by a pick-up in retail spending and cheaper rents across the board, retailers are on the lookout for leasing opportunities in prime districts. Luxury goods retailer Dickson Concepts committed to a six-year lease term on a two-storey ground floor outlet of 17,000 sq ft at CMB Wing Lung Bank Centre Mall in Mongkok, for a monthly rent of HK\$3 million. Across the street, Aeon Stores is taking 25,000 sq ft of the ground and first floors of Gala Place for a monthly rent of HK\$1.2 million over six years.

In the investment market, a local family office is selling several retail assets, including the ground and first floor premises at H Cube in Tsuen Wan for HK\$120 million (HK\$13,710 per sq ft) and a ground floor shop at Railway Plaza in Tsim Sha Tsui for HK\$207 million (HK\$30,790 per sq ft). Discounts of up to 60% from the asking prices were given.

Hong Kong Residential

Buying frenzy continues – Prospective homebuyers continue to chase primary stock atop MTR hubs. Following the successful sale of Southland in Wong Chuk Hang, New World Development's offering of 338 flats at Pavillia Farm (Phase III) in Tai Wai received about 27,000 registrations of intent from prospective purchasers. It sold out within a day of launch at an average price of HK\$22,600 per sq ft, representing a 13% increase on the price of the previous phase earlier in the year.

Upbeat sentiment has seen about 6,500 home sales recorded per month in the year-to-date, up 60% on 2020, with the total consideration up 81% y-o-y.

SINGAPORE



Singapore Office

Strata-titled offices in demand – Following a price decline of 2.5% in the first quarter, the strata-title market picked up in recent weeks, with good quality office buildings in the CBD being most in demand.

A 13,110-sq ft floor at Samsung Hub was sold for a record price of S\$4,050 per sq ft (S\$53.1 million lump sum) - the highest unit price achieved in this 999-year leasehold building in Raffles Place financial district. In another part of the CBD, a 3,079-sq ft high-floor unit of Suntec City Tower 1, with a lease balance of 67 years, was transacted at a record price of S\$3,356 per sq ft. Most purchasers of premium strata-titled office spaces are long-term investors or owner-occupiers. There is an estimated 8.2 million sq ft of strata-titled office spaces within the CBD, which is about 9.3% of the total office space in Singapore, and only a small part of the inventory is of Grade A quality.

Singapore Retail

Slower sales growth since April – April retail sales were S\$3.3 billion, up 54% y-o-y due to the low base effect from the circuit breaker lockdown of April to June last year. Online retail sales were 11.2% of the total. Popular department store Robinsons, which had exited Singapore in January, has announced it will come back as an online-only retailer, launching on 24th June.

With restrictive anti-COVID measures re-introduced under phase 2 (heightened alert) between 16th May and 13th June, retail sales are likely to have moderated. However the full-year expectation is still for a positive trajectory.

Singapore Residential

Condo prices continue to climb – Overall resale condo prices rose 0.9% m-o-m (6.9% y-o-y) in May, even though volume fell 11% m-o-m due to the viewing restrictions introduced mid-month. Noticeably, buyers and agents have become more used to remote viewings and tightened measures.

New condo sales also took a hit. Excluding executive condominiums (ECs), only 891 new units were transacted in May, a 30% m-o-m decline. Momentum is expected to pick up as more new launches are rolled out. Park Nova, an ultra-high-end residential development in District 10, set new price records with a 5-bedroom 5,899 sq ft penthouse sold for S\$34.44 million (S\$5,828 per sq ft) and a 4-bedroom 4,499 sq ft penthouse sold for S\$26.03 million (S\$5,785 per sq ft).

SHANGHAI



Shanghai Office

Zhangjiang Everbright Business Park in one of China's first REITs – China approved its first batch of nine REITs in May, with SOEs aiming to raise RMB 31.4 billion, giving local governments another source of capital to finance infrastructure projects. One underlying asset is Zhangjiang Everbright Business Park, near Shanghai's Guanglan Road Station (Line 2). The 50,947 sqm industrial-zoned project of seven blocks is fully occupied as offices at an average rent of RMB 5.19/sqm/day. The valuation of RMB 1.47 billion (RMB 28,853 per sqm) will provide an initial dividend yield of 4.7%.

Recent notable leasing transactions are mainly from domestic occupiers. TMT company Mojing committed to 3,200 sqm on 29F of Lumina in Xuhui District at RMB 6.7/sqm/day face rental (RMB 5.2 effective) and Ruixi Tech will take 1,700 sqm on 17F of the same building at RMB 6.0/sqm/day face (RMB 4.9 effective). Yuhao Investment leased 500 sqm in Landmark Center, Hongkou District at RMB 7.6/sqm/day face (RMB 6.9 effective).

Shanghai Retail

New launch at Expo Museum – The 75,000 sqm retail component of One East, a mixed-use development connected to Expo Museum Station (Line 13) in Huangpu District, was launched with three major themes - Designer Labels, Hobbies & Lifestyle and Nightlife. Anchor tenants include jewellery brand Red Line, designer store LOOKNOW, AG, Night club 1 OAK (their first store in China), Space Plus and Paragon Cinema.

In the investment market, Brookfield acquired a 260,000-sqm retail portfolio from ADIA for USD 1.4 billion (approx. RMB 9 billion), with five assets in Shanghai, Beijing, Chongqing, Xi'an and Qingdao. The portfolio branded under Mosaic was managed by Pradera Retail Asia, a joint venture between the UK's Pradera and Australia's Macquarie Infrastructure and Real Assets.

Shanghai Residential

Supply decrease – Fourteen projects were launched for sale in May, bringing 3,879 units to the market, down 55% m-o-m, with 3,040 units sold out on their first day. Laoximen submarket recorded the highest unit price of RMB 146,800 per sqm, driven by transactions in Uni One. The second-hand high-end market showed resilience, with 84 units sold in May, up 18.3% m-o-m. Eleven transactions were in Shui On's Lakeville development in Xintiandi, with an average price of RMB 164,327 per sqm.

On the investment front, Singapore-listed Ascott Residence Trust announced the sale of a 168-unit Somerset serviced apartment building in Xuhui District for RMB 1.05 billion (approx. RMB 52,500 per sqm) to a domestic fund manager called Jiecheng Capital.

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