

Rating and Valuation Department
Hong Kong Property Review 2014
Preliminary Findings

Meanings of Terms

To assist in the interpretation of the findings, the definitions of the terms used are explained below:

- **Completions** refer to premises issued with an occupation permit.
- **Take-up** represents the net increase in the number of units or floor area occupied in the year under review. The figure was arrived at by adding the completions in that year to the vacancy figure at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures.
- **Vacancy** indicates the number of units or floor area not physically occupied at the time of the survey conducted at the end of the year. It should be noted that some domestic units were not yet issued with Certificate of Compliance or Consent to Assign after obtaining the Occupation Permit and could not have been occupied. Units under decoration are also classified as vacant.
- It should be noted that the **take-up** and **vacancy** figures bear **no** relationship to the number of units sold by the developers (i.e. primary market transactions) or still retained by them (the unsold stock).
- Completion, take-up and vacancy figures **exclude** village houses.

PRIVATE DOMESTIC

Completions in 2013 were about 8 250 units, which was around 81% of the level in 2012. About 82% of the completions were in the New Territories, 12% in Kowloon and 6% on Hong Kong Island. At the district level, Yuen Long and Sai Kung combined accounted for 65% of overall completions.

Take-up, at 8 060 units, was less than the year's completions. Yet, vacancy at the year-end declined moderately to 4.1% of total stock, equivalent to 46 570 units, due to demolition during the year. Amongst these 46 570 units, about 1 410 units were vacant because they were not yet issued with Certificate of Compliance or Consent to Assign after obtaining the Occupation Permit.

The number of units forecast for completion in 2014 and 2015 are around 17 610 and 12 660 respectively. In 2014, close to 61% of completions will come from the New Territories, with Tsuen Wan, Tseung Kwan O and Yuen Long each providing 12% to 14% of the new supply. In 2015, the New Territories will remain the major supplier, providing 58% of the new supply, with Tseung Kwan O alone contributing some 17% of the completions.

The rising trend of residential prices continued for the first eight months of 2013 but started to subside in the fourth quarter, resulting in an overall year-on-year increase of 9% as compared to the fourth quarter of 2012. Rents however maintained a steady growth throughout 2013. Overall, the rental index in the fourth quarter was 4% higher than the same period in 2012.

PRIVATE OFFICE

Office completions in 2013 were 123 000 m², 10% lower than 2012 level. Grade A space completions were 97 000 m², of which about 57% were in Kwun Tong, and Grade B completions were 25 000 m².

A negative overall take-up of 17 000 m² was recorded for the year. However, the take-up of Grade A office actually remained positive at 12 000 m² while that of Grade B and C turned negative to 15 000 m² and 14 000 m² respectively. Take-up in newly completed space was low and thus leading to an increase in year-end vacancy to 7%, amounting to 764 000 m². The vacancy rate of Grade A office climbed up to 7.2%, Grade B to 6.8% and Grade C to 6.1%. Vacancy in the core districts remained fairly stable except in Tsim Sha Tsui which saw vacant units increased noticeably.

Completions are likely to increase to 148 000 m² in 2014 and double to 277 000 m² in 2015. Grade A space completions in 2014 are estimated to be 115 000 m², solely in the non-core districts with Kwun Tong and Sha Tin providing some 63% of the anticipated supply. Completions in 2015 will be 253 000 m², with 20% come from core districts and 45% from Kwun Tong. Grade B space forecast completions are about 29 000 m² in 2014 and 21 000 m² in 2015. There will be 4 000 m² and 3 000 m² of Grade C office space coming on stream in 2014 and 2015 respectively.

Office prices rose further in the first half of 2013 but began to soften in the fourth quarter. Prices of Grade A office in the last quarter of 2013 were 6% higher than the corresponding quarter in 2012. Grade B and Grade C office prices grew 13% and 17% respectively over the same period. Rental movement in 2013 was similar to that of prices, with a year-on-year increase of 7% in the last quarter of 2013. The rental index for Grade A office in the last quarter increased by 6%, while Grade B and Grade C office rents went up by 8% and 11% respectively when compared with the previous year.

PRIVATE COMMERCIAL

Completions in 2013 were 38 000 m², less than half of the level in 2012. While 45% of the completions were on Hong Kong Island, Wan Chai alone accounted for 30% of total completions. Negative take-up of 14 000 m² was recorded for the year and vacancy increased to 782 000 m², or 7.2% of stock.

More completions are expected in 2014 with 63 000 m² and North district alone will provide 17% of the new supply. In 2015, the completions will further grow to 97 000 m² of which 24% will come from Sha Tin. Another 16% and 17% will come from Wan Chai and Tsim Sha Tsui respectively.

The rising trend of prices and rents continued in 2013 but subsided towards the year-end. Both prices and rents in the fourth quarter of 2013 went up by 6% when compared with the last quarter of 2012.

PRIVATE FLATTED FACTORIES

Completions in 2013 nearly doubled that of the previous year to 85 000 m², with 82% coming from Tsuen Wan. Take-up turned negative to 84 000 m², and vacancy at the year-end climbed up to 5.8% of stock.

Completions in 2014 are expected to be 35 000 m², and another 30 000 m² industrial space will be completed in 2015.

Prices went up further in 2013 but started to move back at the year-end, resulting in a 15% increase in the fourth quarter of 2013 over the same period in previous year. Rents however grew continuously throughout 2013 and registered a year-on-year growth of 10% in the fourth quarter of 2013.

PRIVATE INDUSTRIAL/OFFICE

There were no industrial/office completions in 2013. Take-up during the year also turned negative to 300 m², and the vacancy at the end of 2013 hovered around 40 000 m², accounting for 6.8% of stock.

There is unlikely to be any new supply in 2014 and 2015.

PRIVATE DOMESTIC

ALL UNITS COMPLETIONS, TAKE-UP AND VACANCY

	No. of units						
	2009	2010	2011	2012	2013	2014	2015
Completions	7 160	13 410	9 450	10 150	8 250	[17 610]	[12 660]
Take-up*	11 090	8 030	11 400	7 550	8 060		
Vacancy	47 350	51 530	47 920	48 000	46 570		
% ☆	4.3	4.7	4.3	4.3	4.1		

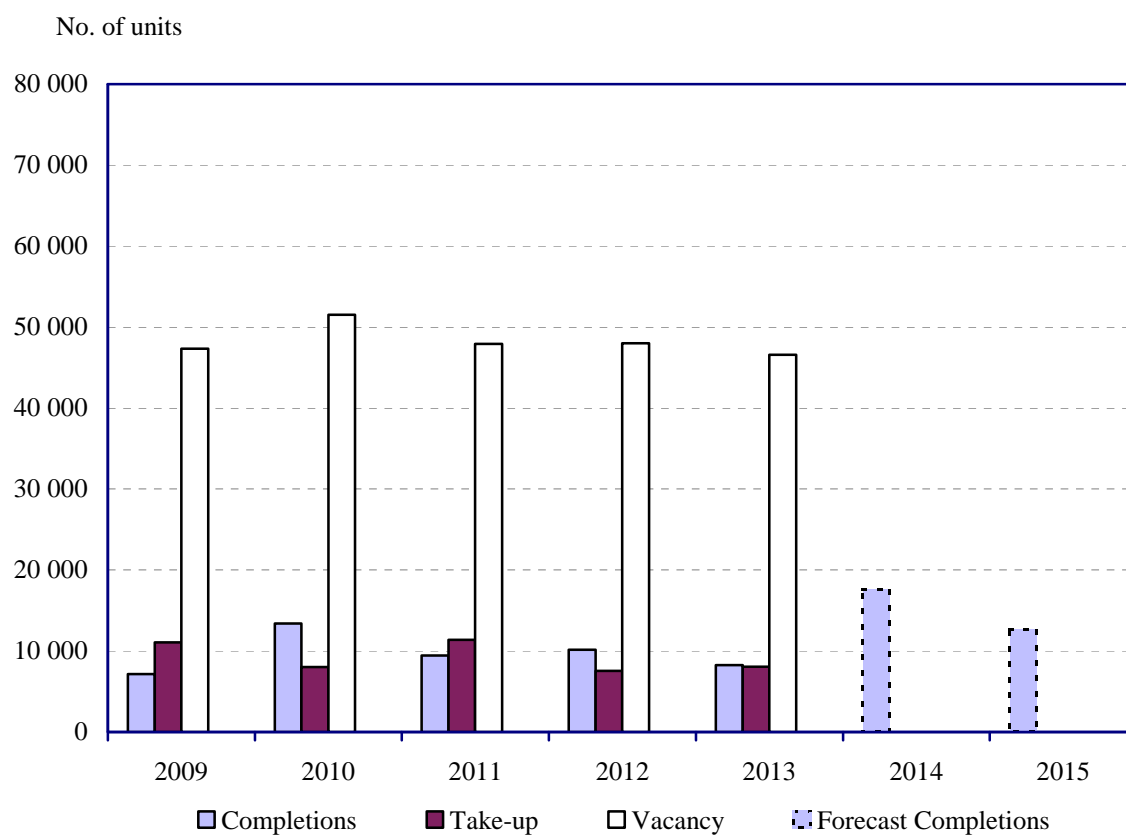
“Private domestic” excludes flats built under the Home Ownership, Private Sector Participation, Buy or Rent Option, Tenants Purchase, Urban Improvement, Flat-For-Sale and Sandwich Class Housing Schemes.

Figures exclude village houses.

* Take-up figures represent the net increase in the number of units occupied in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures.

☆ Vacancy at the end of the year as a percentage of stock.

[] Forecast figures



PRIVATE DOMESTIC

SMALL/MEDIUM UNITS (Saleable Area less than 100 m²) COMPLETIONS, TAKE-UP AND VACANCY

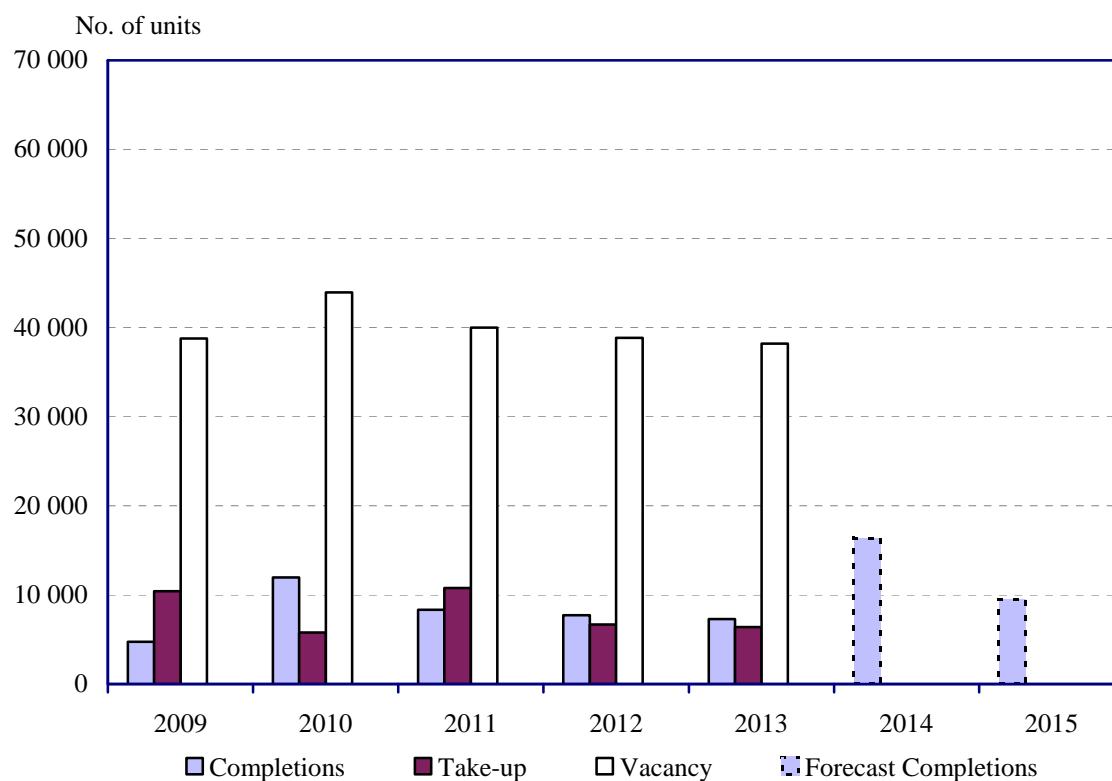
	No. of units						
	2009	2010	2011	2012	2013	2014	2015
Completions	4 740	11 970	8 320	7 730	7 310	[16 400]	[9 480]
Take-up*	10 420	5 790	10 770	6 680	6 390		
Vacancy	38 770	43 960	40 000	38 860	38 210		
% ☆	3.8	4.3	3.9	3.8	3.7		

Figures exclude village houses.

* Take-up figures represent the net increase in the number of units occupied in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures.

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[] Forecast figures



PRIVATE DOMESTIC

LARGE UNITS (Saleable Area 100 m² or above) COMPLETIONS, TAKE-UP AND VACANCY

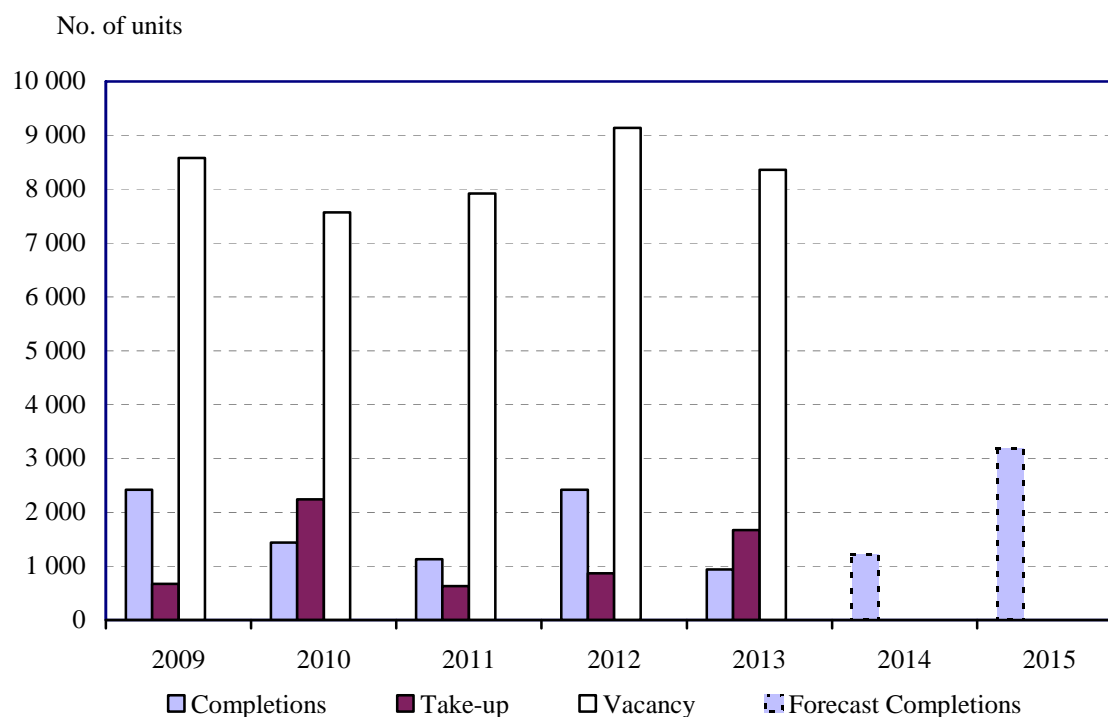
	No. of units						
	2009	2010	2011	2012	2013	2014	2015
Completions	2 420	1 440	1 130	2 420	940	[1 210]	[3 180]
Take-up*	670	2 240	630	870	1 670		
Vacancy	8 580	7 570	7 920	9 140	8 360		
% ☆	10.5	9.2	9.5	10.7	9.7		

Figures exclude village houses.

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[] Forecast figures



PRIVATE OFFICE

ALL GRADES COMPLETIONS, TAKE-UP AND VACANCY

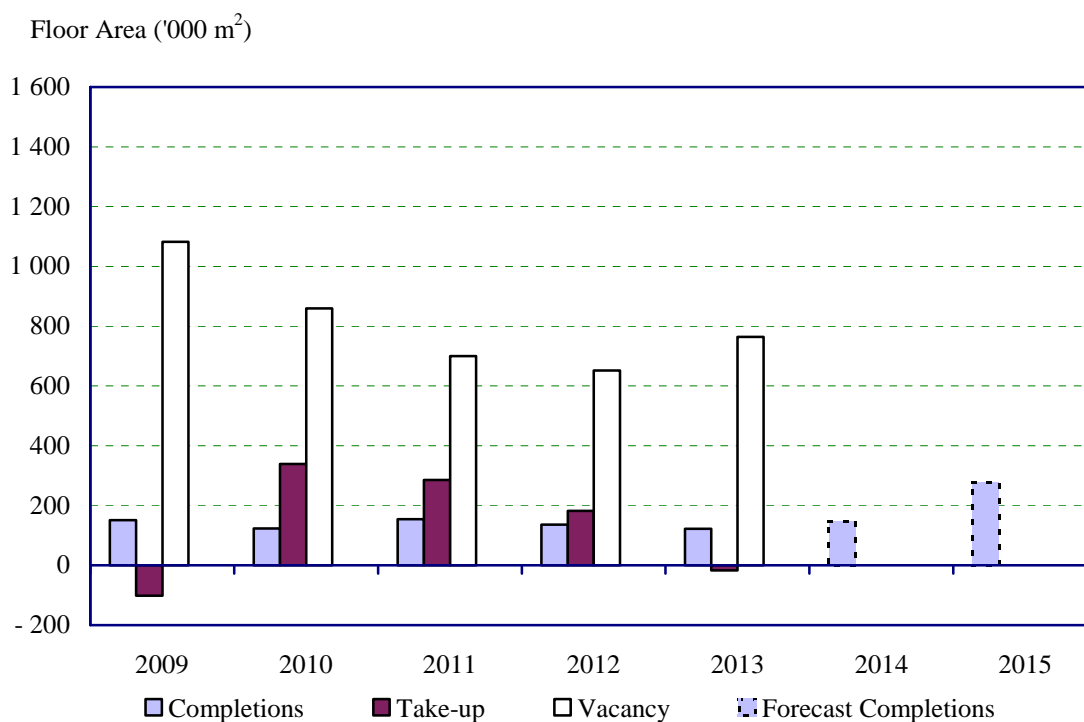
	2009	2010	2011	2012	2013	2014	2015
Completions (’000 m ²)	151	124	155	136	123	[148]	[277]
Take-up* (’000 m ²)	- 101	339	285	182	- 17		
Vacancy (’000 m ²)	1 083	860	700	652	764		
% ☆	10.3	8.0	6.5	6.0	7.0		

* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[] Forecast figures

N.B. Office grades are determined in accordance with criteria which principally reflect the qualities of construction, finishes, facilities and management. Location is not a criterion.



PRIVATE OFFICE

GRADE A COMPLETIONS, TAKE-UP AND VACANCY

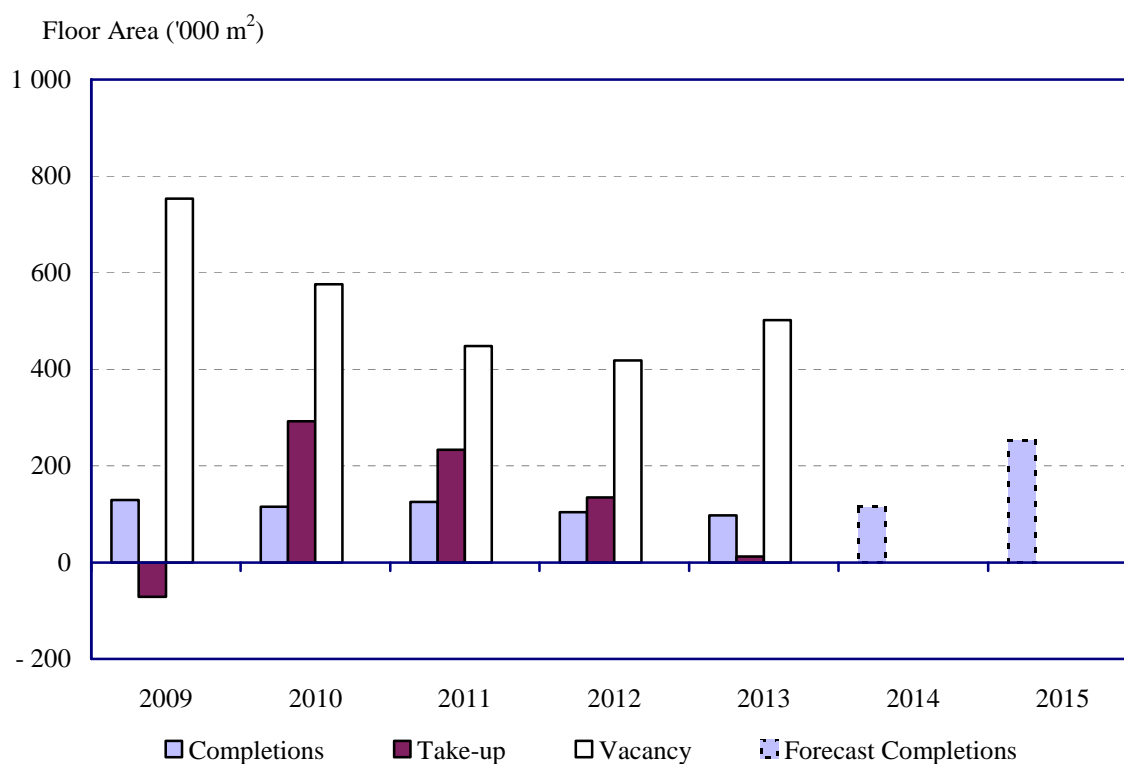
	2009	2010	2011	2012	2013	2014	2015
Completions (’000 m ²)	129	115	125	104	97	[115]	[253]
Take-up* (’000 m ²)	- 71	292	233	134	12		
Vacancy (’000 m ²)	753	576	448	418	502		
% ☆	11.5	8.5	6.6	6.1	7.2		

* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[] Forecast figures

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PRIVATE OFFICE

GRADE B COMPLETIONS, TAKE-UP AND VACANCY

	2009	2010	2011	2012	2013	2014	2015
Completions (’000 m ²)	19	7	30	32	25	[29]	[21]
Take-up* (’000 m ²)	- 22	29	40	40	- 15		
Vacancy (’000 m ²)	195	173	161	153	170		
% ☆	8.0	7.1	6.6	6.1	6.8		

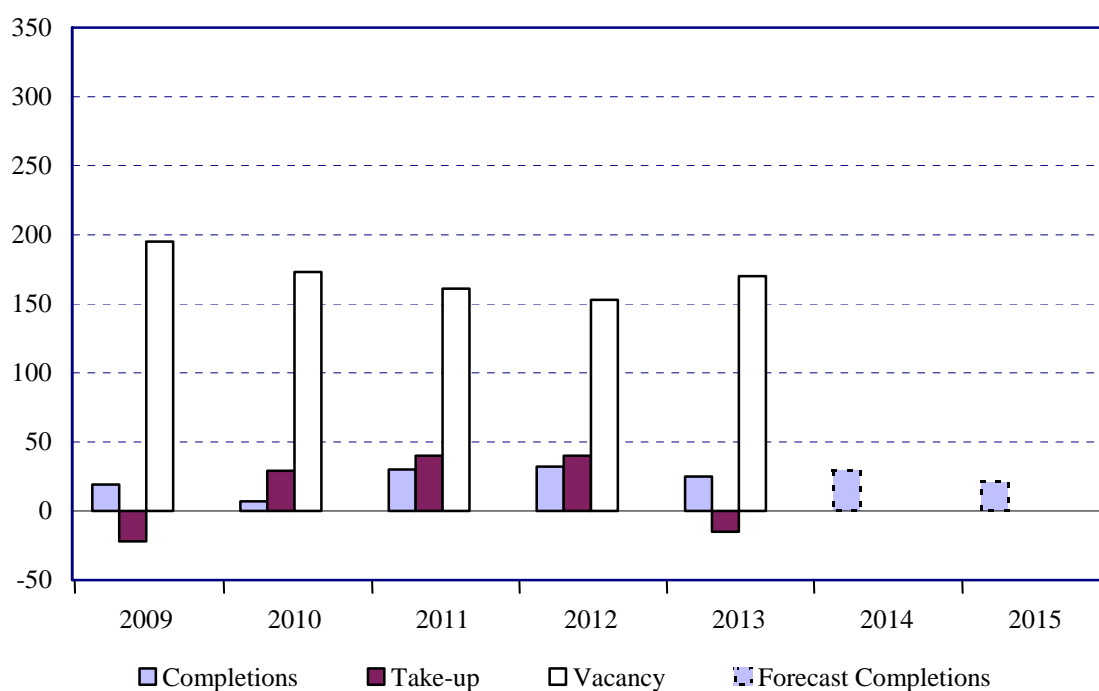
* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[] Forecast figures

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Floor Area (’000 m²)



PRIVATE OFFICE

GRADE C COMPLETIONS, TAKE-UP AND VACANCY

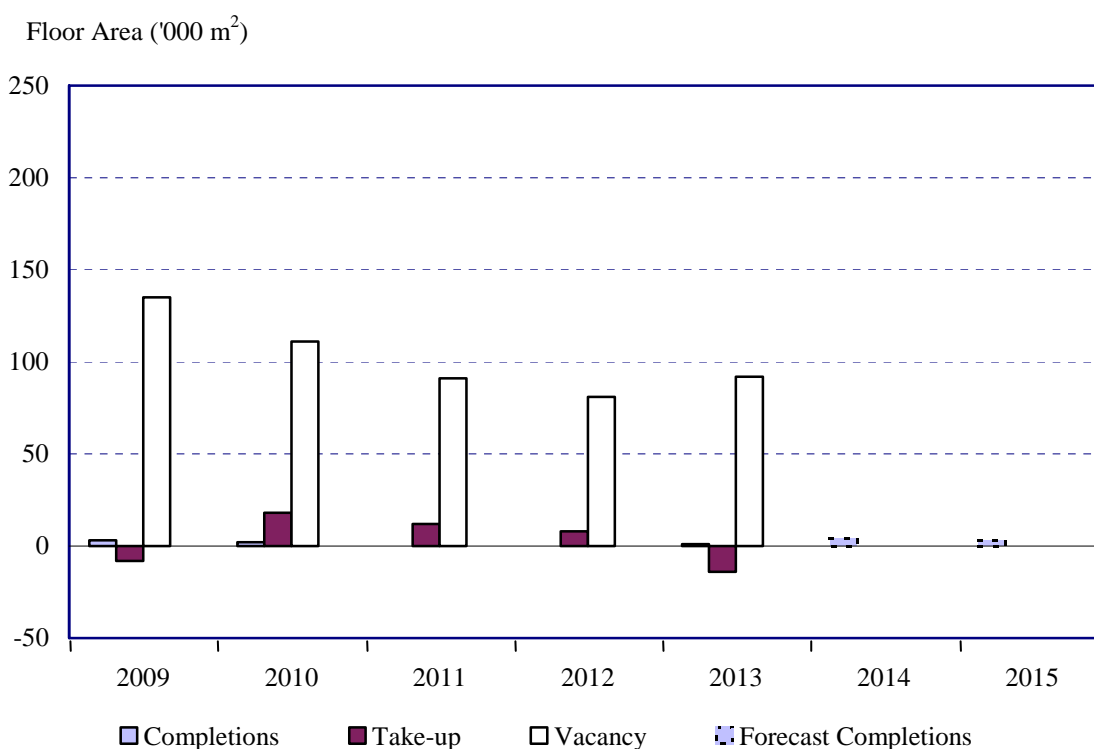
	2009	2010	2011	2012	2013	2014	2015
Completions (’000 m ²)	3	2	0	0	1	[4]	[3]
Take-up* (’000 m ²)	- 8	18	12	8	- 14		
Vacancy (’000 m ²)	135	111	91	81	92		
% ☆	8.9	7.3	6.0	5.4	6.1		

* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[] Forecast figures

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PRIVATE COMMERCIAL

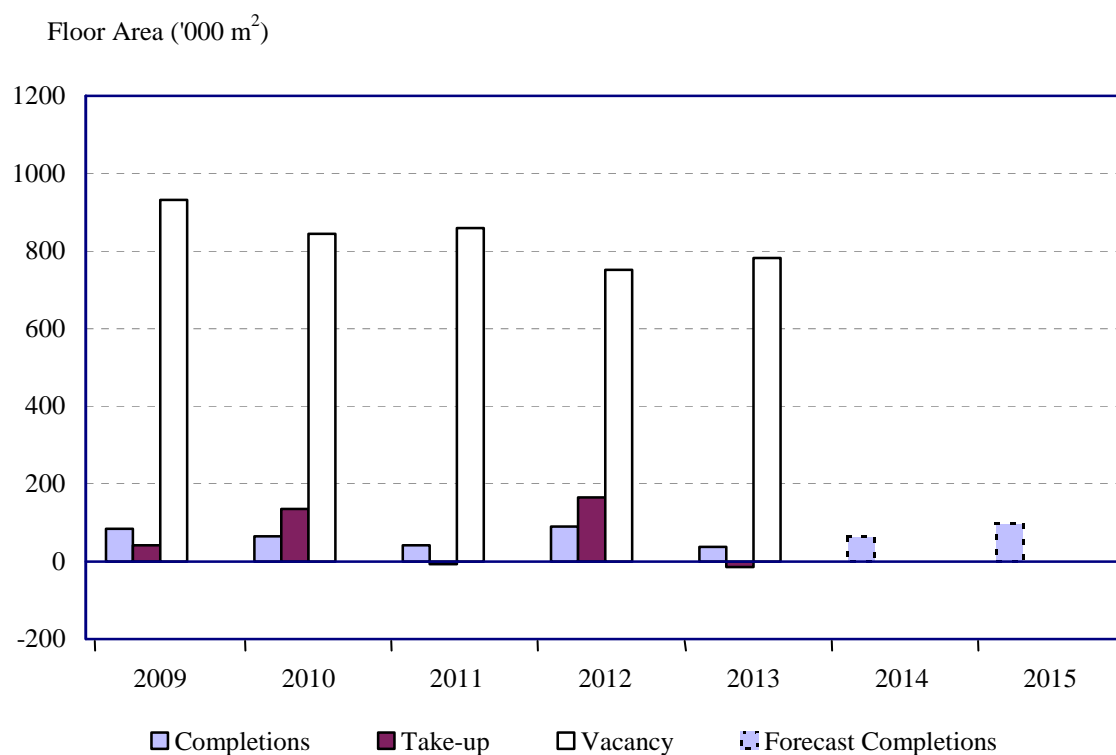
COMPLETIONS, TAKE-UP AND VACANCY

	2009	2010	2011	2012	2013	2014	2015
Completions ('000 m ²)	84	65	42	90	38	[63]	[97]
Take-up* ('000 m ²)	42	135	-7	165	-14		
Vacancy ('000 m ²)	932	844	859	752	782		
% ☆	8.7	7.9	8.0	6.9	7.2		

* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[] Forecast figures



PRIVATE FLATTED FACTORIES

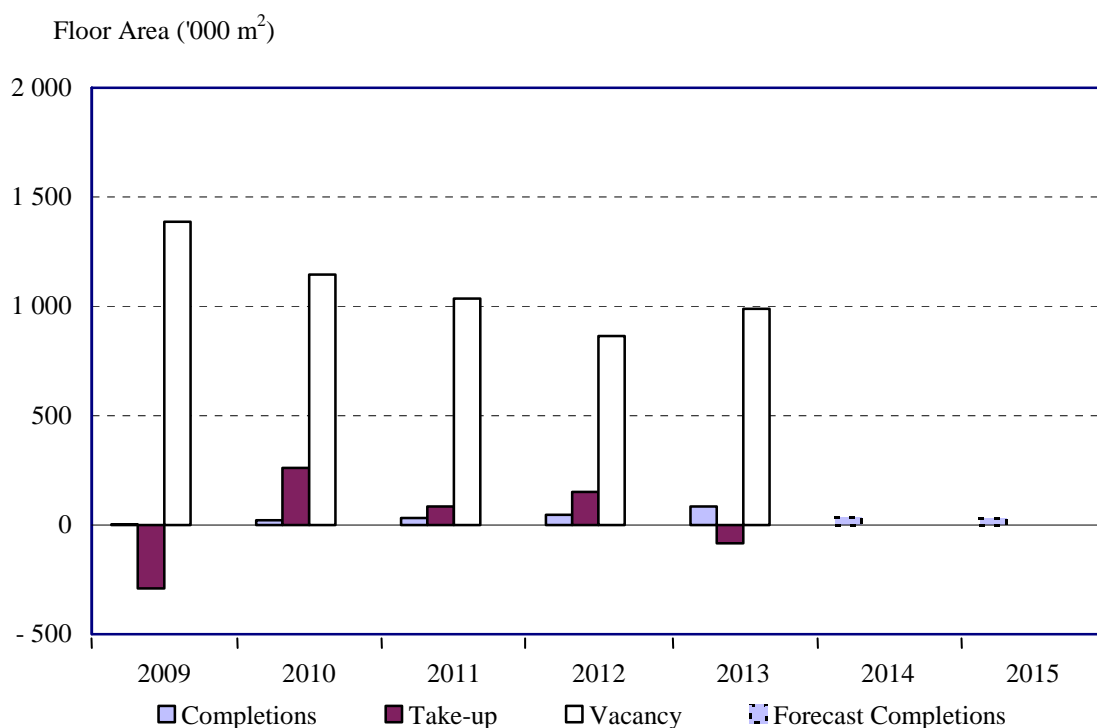
COMPLETIONS, TAKE-UP AND VACANCY

	2009	2010	2011	2012	2013	2014	2015
Completions (’000 m ²)	3	21	32	46	85	[35]	[30]
Take-up* (’000 m ²)	- 290	261	85	151	- 84		
Vacancy (’000 m ²)	1 388	1 146	1 036	864	989		
% ☆	8.0	6.7	6.0	5.0	5.8		

* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[] Forecast figures



PRIVATE INDUSTRIAL/OFFICE

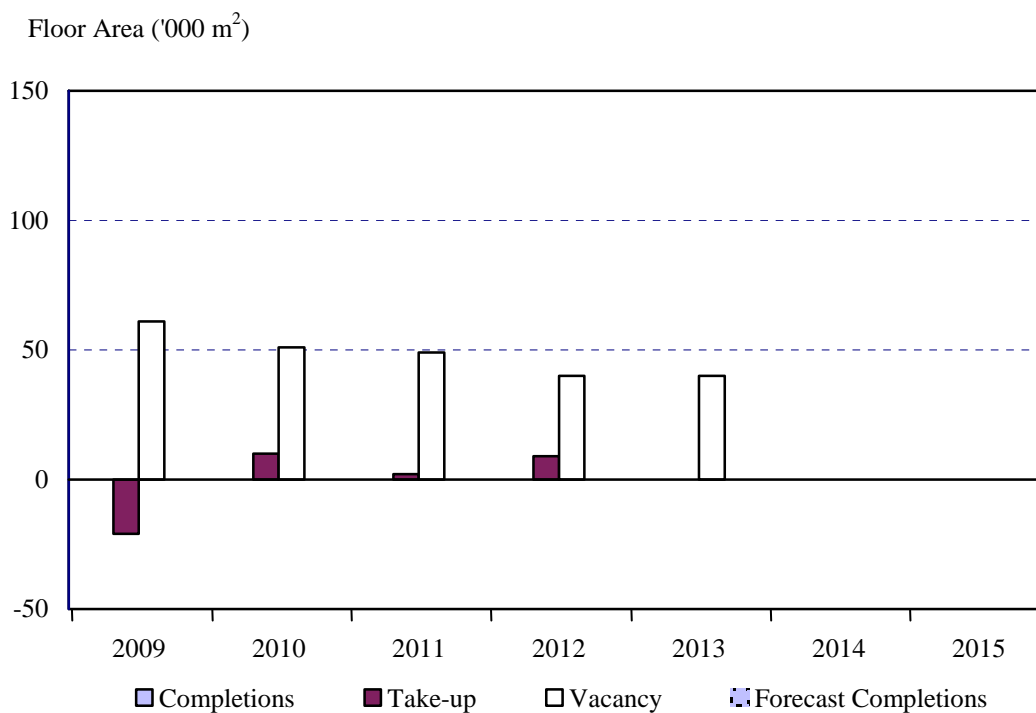
COMPLETIONS, TAKE-UP AND VACANCY

	2009	2010	2011	2012	2013	2014	2015
Completions (’000 m ²)	0	0	0	0	0	[0]	[0]
Take-up* (’000 m ²)	- 21	10	2	9	0		
Vacancy (’000 m ²)	61	51	49	40	40		
% ☆	10.0	8.6	8.2	6.7	6.8		

* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[] Forecast figures



Appendix A

MONTHLY PRICE INDICES FOR DOMESTIC PREMISES

(1999 = 100)

Year	Month	Small & Medium	Large	Overall
1997	Oct (Peak)	172.3	183.4	172.9
2012	Jan	178.6	211.8	179.8
	Feb	182.7	215.4	183.8
	Mar	191.2	221.6	192.2
	Apr	197.5	228.2	198.5
	May	202.1	234.2	203.2
	Jun	204.0	238.3	205.1
	Jul	204.9	239.8	206.1
	Aug	209.7	240.4	210.8
	Sep	216.8	243.6	217.8
	Oct	222.8	246.9	223.7
	Nov	225.1	247.0	225.9
	Dec	226.8	246.4	227.6
2013	Jan	231.9	247.9	232.5
	Feb	239.5	254.5	240.0
	Mar	239.5	250.1	239.9
	Apr	238.9	250.9	239.4
	May	240.4	251.3	240.8
	Jun	243.1	247.7	243.3
	Jul	244.9	250.0	245.1
	Aug	246.1	251.3	246.3
	Sep	245.3	249.7	245.5
	Oct	245.3	249.1	245.4
	Nov*	244.9	247.6	245.0
	Dec*	245.1	247.3	245.2

* Provisional - liable to change as further data becomes available for analysis.

Technical Notes :

- (i) Small/Medium units are those with saleable area less than 100m². Large units are those with saleable area 100m² or above.
- (ii) The indices are based on an analysis of prices paid for completed properties sold in the secondary market. Date of sale is the date on which an Agreement for Sale and Purchase is signed. Provisional agreement is generally reached 2-3 weeks earlier.

Appendix B

PRICE INDICES

(1999 = 100)

Private Domestic Properties	2012	2013			
	4Q	1Q	2Q	3Q	4Q*
Small and Medium Units (Saleable Area less than 100m ²)	224.9	237.0	240.8	245.4	245.1
Large Units (Saleable Area 100m ² or above)	246.8	250.8	250.0	250.3	248.0
Overall	225.7	237.5	241.2	245.6	245.2

Non-Domestic Properties	2012	2013			
	4Q	1Q	2Q	3Q*	4Q*
Offices : Grade A	352.2	379.3	384.1	378.3	374.3
Grade B	389.4	419.9	435.0	440.0	441.3
Grade C	379.0	411.5	423.4	444.5	443.8
Overall	371.7	400.3	409.6	415.7	413.9
Retail Premises :	477.4	501.3	509.0	510.6	504.2
Flatted Factories :	570.0	636.7	657.8	671.3	657.2

* Provisional - liable to change as further data becomes available for analysis.

Technical Notes :

The indices are based on an analysis of prices paid for completed properties sold in the secondary market. Premises of all ages and in all locations are included. Where appropriate, the date of agreement is taken as the date of sale.

RENTAL INDICES

(1999 = 100)

Private Domestic Properties	2012	2013			
	4Q	1Q	2Q	3Q	4Q*
Small and Medium Units (Saleable Area less than 100m ²)	151.2	152.6	154.9	157.3	158.4
Large Units (Saleable Area 100m ² or above)	145.9	143.9	141.9	142.6	142.4
Overall	150.7	151.7	153.5	155.8	156.8

Non-Domestics Properties	2012	2013			
	4Q	1Q	2Q	3Q*	4Q*
Offices : Grade A	202.2	204.9	211.6	215.0	213.8
Grade B	189.2	194.6	199.4	204.1	204.7
Grade C	168.1	172.9	180.8	187.1	187.4
Overall	193.2	196.9	203.5	208.0	207.5
Retail Premises :	157.7	160.4	165.7	168.1	167.3
Flatted Factories :	137.1	140.5	146.1	150.7	151.3

* Provisional - liable to change as further data becomes available for analysis.

Technical Notes :

The indices are based on an analysis of rentals paid for completed properties. Premises of all ages and in all locations are included. Where appropriate, the commencement date of a tenancy agreement is adopted as the effective date. However, rents are normally agreed earlier (2-4 weeks earlier for fresh lettings and 1-3 months for lease renewals). Rent-free periods are taken into account if known.

PRICE AND RENTAL MOVEMENTS IN 2013

(based on Appendices B & C)

Private Property Category (Territory-wide)		Change (%)* <u>4Q 2013*</u> <u>4Q 2012</u>	
		Price	Rent
Domestic Premises :	Small and Medium Units (Saleable Area less than 100m ²)	9.0	4.8
	Large Units (Saleable Area 100m ² or above)	0.5	-2.4
	Overall	8.6	4.0
Offices :	Grade A	6.3	5.7
	Grade B	13.3	8.2
	Grade C	17.1	11.5
	Overall	11.4	7.4
Retail Premises :		5.6	6.1
Flatted Factories :		15.3	10.4

* Provisional - liable to change as further data becomes available for analysis.