

## *Rating and Valuation Department*

### *Hong Kong Property Review 2013*

#### *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 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 2012 were about 10 150 units, 7% higher than the level in 2011. About 49% of the completions were in the New Territories, 34% in Kowloon and 17% on Hong Kong Island. On district level, Tai Po and Tuen Mun provided in total 24% of overall completions.

Take-up, at 7 550 units, was less than the year's completions. Yet, vacancy at the year end stayed at 4.3% of total stock, equivalent to 48 000 units, due to demolition during the year. About 5 960 vacant units were not yet issued with Certificate of Compliance or Consent to Assign, and could not have been occupied.

The number of units forecast for completion in 2013 and 2014 are around 13 550 and 15 820 respectively. In 2013, close to 83% of completions will come from the New Territories, with Tseung Kwan O and Yuen Long each providing 25% of the new supply. In 2014, the share of the New Territories will fall to 56%, where Yuen Long and Tsuen Wan will contribute in total some 27% of the completions.

After a brief consolidation in the second half of 2011, residential prices resumed the rising trend with appreciable growth in 2012. The overall price index for the last quarter of 2012 increased 24% when compared with a year ago. Rents also headed in same direction as prices. Overall, the rental index in the fourth quarter was 10% higher than the same period in 2011. (See Appendices A to C)

## PRIVATE OFFICE

Office completions in 2012 were 136 000 m<sup>2</sup>, 13% lower than 2011 level. Grade A space completions were 104 000 m<sup>2</sup>, of which about 31% were in the core districts on Hong Kong Island, and Grade B completions were 32 000 m<sup>2</sup>.

Overall take-up reduced to 182 000 m<sup>2</sup>, with 134 000 m<sup>2</sup>, 40 000 m<sup>2</sup> and 8 000 m<sup>2</sup> being Grade A, B and C space respectively. As take-up was higher than completions in the year, overall vacancy edged down fractionally to 6%, amounting to 652 000 m<sup>2</sup>. The vacancy rate of Grade A office declined to 6.1%, Grade B to 6.1% and Grade C to 5.4%. While there was a notable drop in vacancy of Grade A office in Kwun Tong, core districts on Hong Kong Island saw a corresponding increase in vacant space in this sub-sector.

Completions are likely to increase to 158 000 m<sup>2</sup> in 2013 and 159 000 m<sup>2</sup> in 2014. Grade A space completions in 2013 are estimated to be 123 000 m<sup>2</sup>, predominantly in non-core districts with Kwun Tong providing about 45% of the anticipated supply. Completions in 2014 will be 132 000 m<sup>2</sup> and 77% of the new supply will again be in Kwun Tong. Grade B space forecast completions are around 31 000 m<sup>2</sup> in 2013 and 21 000 m<sup>2</sup> in 2014. It is also forecast that there will be 4 000 m<sup>2</sup> and 6 000 m<sup>2</sup> of Grade C office coming on stream in 2013 and 2014 respectively.

Office prices began to pick up in the second quarter after an adjustment at the beginning of the year. Prices of Grade A office in the last quarter of 2012 were 14% higher than the corresponding quarter in 2011. Grade B and Grade C office prices soared 23% and 26% respectively over the same period. Rents also climbed from quarter to quarter but at a slower pace than prices. The rental index for Grade A office in the last quarter increased by 7%, while both Grade B and Grade C office rents rose 9% compared with the previous year.

## **PRIVATE COMMERCIAL**

Completions in 2012 were 90 000 m<sup>2</sup>, two times the level in 2011. While 45% of the completions were on Hong Kong Island, Wan Chai alone accounted for 30% of total completions. Take-up was about 165 000 m<sup>2</sup>, and vacancy decreased to 752 000 m<sup>2</sup>, or 6.9% of stock.

It is estimated that completions will fall to 58 000 m<sup>2</sup> in 2013 and Wan Chai will provide 27% of the new supply. In 2014, the completions will remain at similar level of 60 000 m<sup>2</sup>. About 51% of the estimated completions will be in Kowloon with Sham Shui Po and Kwun Tong together providing 30% of total supply. Wan Chai will continue to account for 21% of the space completion.

The rising trend of prices and rents continued throughout the year. Prices in the fourth quarter of 2012 surged 38% when compared with the last quarter of 2011, and rents leapt 13% over the corresponding period.

## **PRIVATE FLATTED FACTORIES**

Completions in 2012 increased noticeably to 46 000 m<sup>2</sup>, all coming from Tsuen Wan. Take-up was about 151 000 m<sup>2</sup>, and vacancy at the year end edged down to 5% of stock.

Completions in 2013 will likely be 16 000 m<sup>2</sup>, and another 35 000 m<sup>2</sup> industrial space will be completed in 2014.

Prices escalated uninterruptedly during the year, culminating in 41% increase in the fourth quarter of 2012 over the same period in previous year. Rents also registered a year-on-year growth of 12%.

## **PRIVATE INDUSTRIAL/OFFICE**

There were no industrial/office completions in 2012. Take-up during the year was 9 000 m<sup>2</sup>, and the vacancy at the end of 2012 fell to 6.7% of stock, equivalent to 40 000 m<sup>2</sup>.

There is unlikely to be any new supply in 2013 and 2014.

**PRIVATE DOMESTIC**

**ALL UNITS  
COMPLETIONS, TAKE-UP AND VACANCY**

No. of units

	2008	2009	2010	2011	2012	2013	2014
Completions	8 780	7 160	13 410	9 450	10 150	[13 550]	[15 820]
Take-up*	6 890	11 090	8 030	11 400	7 550		
Vacancy	52 940	47 350	51 530	47 920	48 000		
% ☆	4.9	4.3	4.7	4.3	4.3		

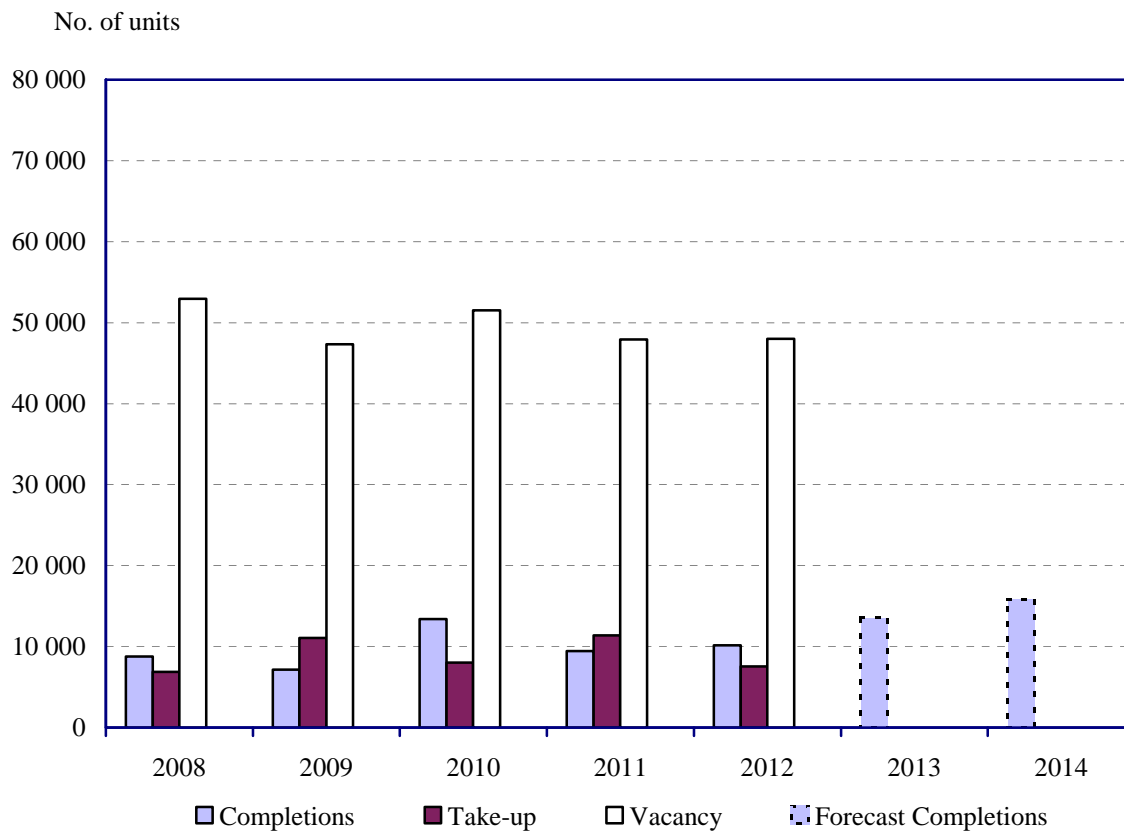
“Private domestic” excludes flats built under the Home Ownership, Private Sector Participation, Buy or Rent Option, Tenants Purchase, Urban Improvement, Flat-For-Sale and Sandwich Class Housing Schemes.

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 m<sup>2</sup>) COMPLETIONS, TAKE-UP AND VACANCY**

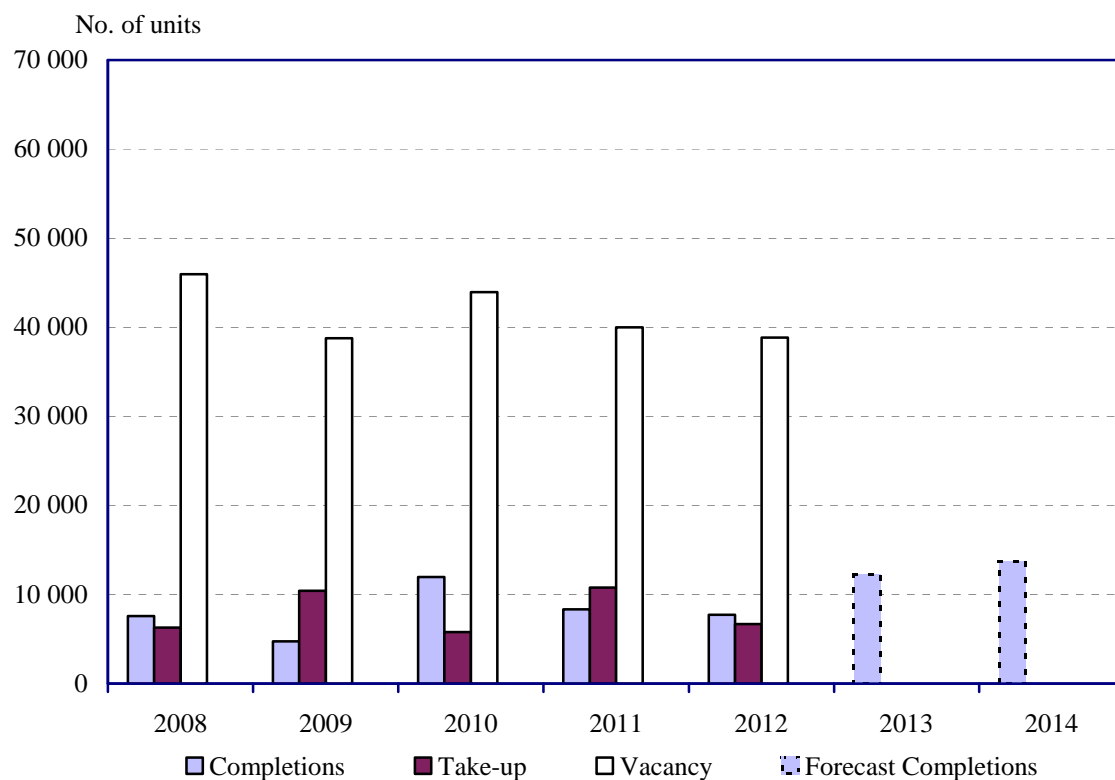
	2008	2009	2010	2011	2012	2013	2014
							No. of units
Completions	7 600	4 740	11 970	8 320	7 730	[12 270]	[13 750]
Take-up*	6 290	10 420	5 790	10 770	6 680		
Vacancy	45 950	38 770	43 960	40 000	38 860		
% ☆	4.6	3.8	4.3	3.9	3.8		

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**

**LARGE UNITS (Saleable Area 100 m<sup>2</sup> or above)  
COMPLETIONS, TAKE-UP AND VACANCY**

No. of units

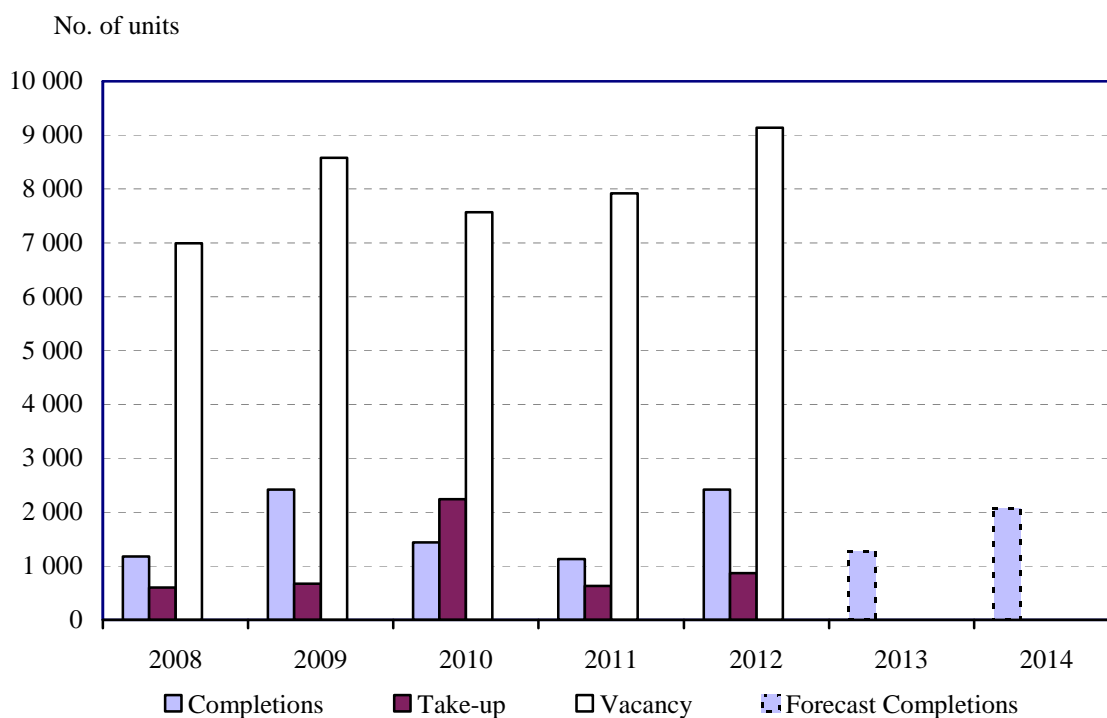
	2008	2009	2010	2011	2012	2013	2014
Completions	1 180	2 420	1 440	1 130	2 420	[1 280]	[2 070]
Take-up*	600	670	2 240	630	870		
Vacancy	6 990	8 580	7 570	7 920	9 140		
% ☆	8.8	10.5	9.2	9.5	10.7		

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.

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

[Forecast figures]





## **PRIVATE OFFICE**

### **ALL GRADES COMPLETIONS, TAKE-UP AND VACANCY**

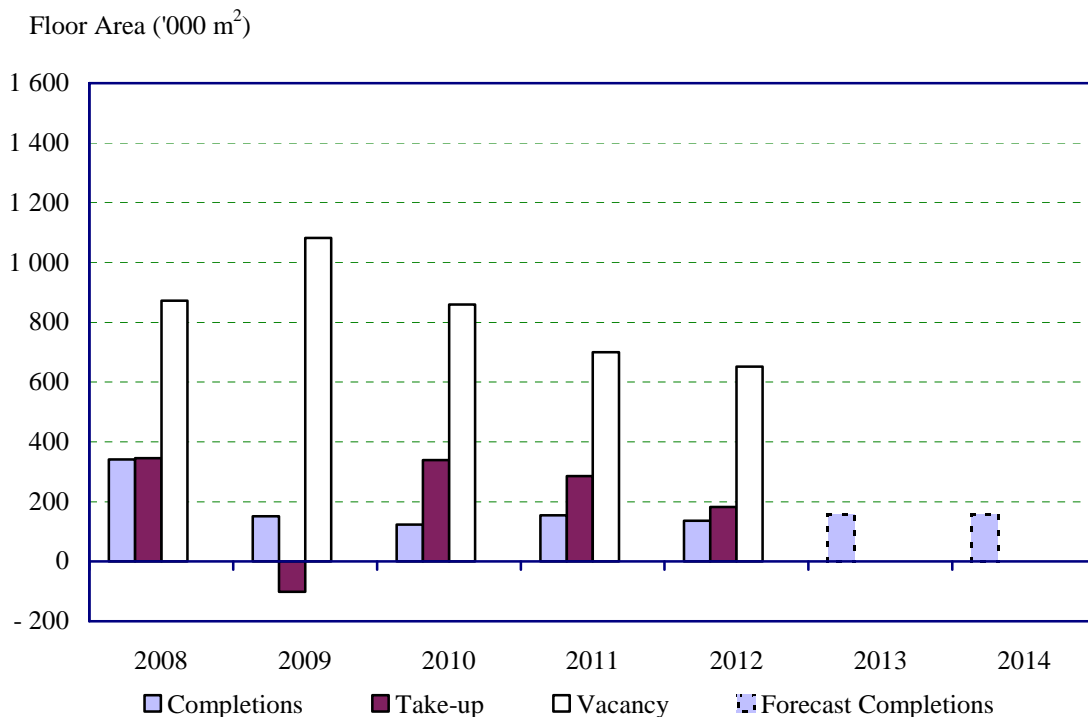
	2008	2009	2010	2011	2012	2013	2014
Completions (‘000 m <sup>2</sup> )	341	151	124	155	136	[158]	[159]
Take-up* (‘000 m <sup>2</sup> )	345	- 101	339	285	182		
Vacancy (‘000 m <sup>2</sup> )	873	1 083	860	700	652		
% ☆	8.4	10.3	8.0	6.5	6.0		

\* 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

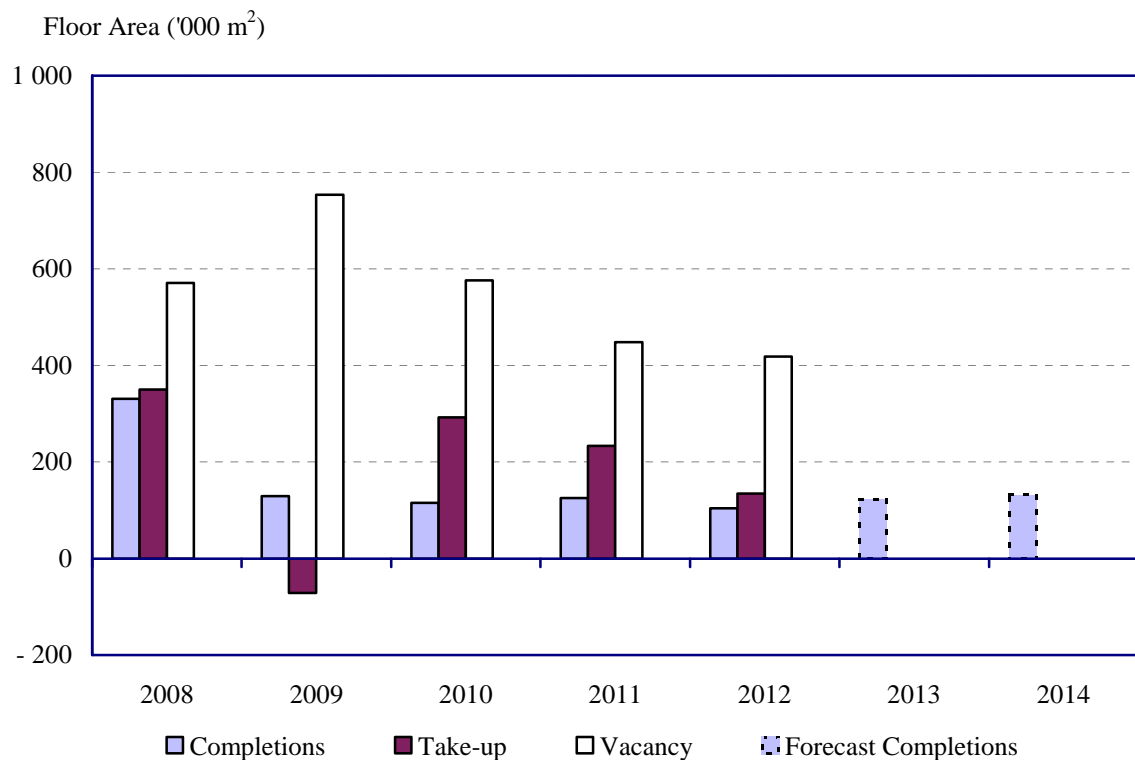
	2008	2009	2010	2011	2012	2013	2014
Completions ('000 m <sup>2</sup> )	331	129	115	125	104	[123]	[132]
Take-up* ('000 m <sup>2</sup> )	350	- 71	292	233	134		
Vacancy ('000 m <sup>2</sup> )	571	753	576	448	418		
% ☆	8.9	11.5	8.5	6.6	6.1		

\* 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 OFFICE

### GRADE B COMPLETIONS, TAKE-UP AND VACANCY

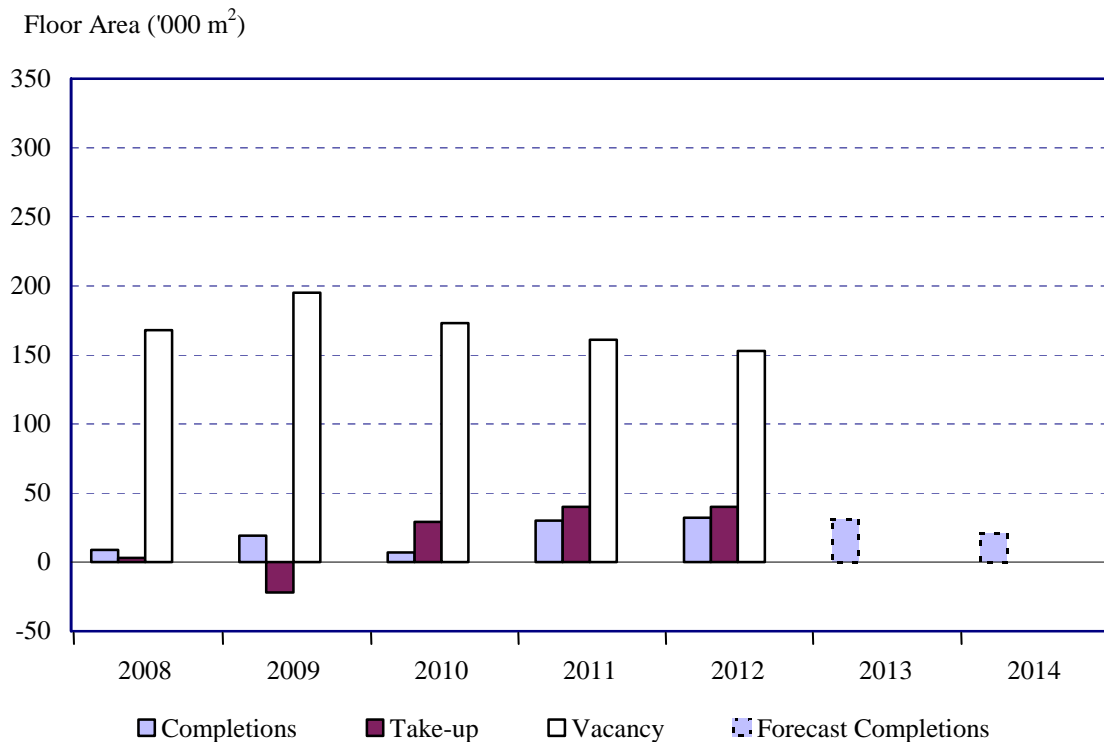
	2008	2009	2010	2011	2012	2013	2014
Completions (‘000 m <sup>2</sup> )	9	19	7	30	32	[31]	[21]
Take-up* (‘000 m <sup>2</sup> )	3	- 22	29	40	40		
Vacancy (‘000 m <sup>2</sup> )	168	195	173	161	153		
% ☆	6.9	8.0	7.1	6.6	6.1		

\* 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 OFFICE

## GRADE C COMPLETIONS, TAKE-UP AND VACANCY

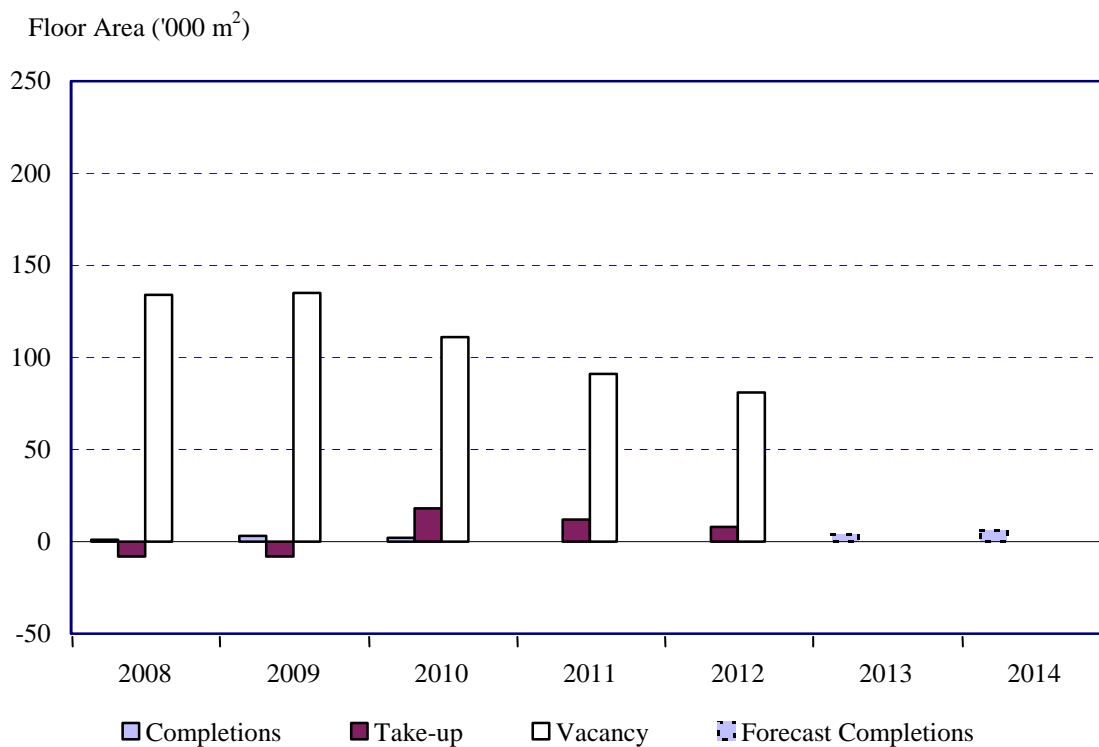
	2008	2009	2010	2011	2012	2013	2014
Completions ('000 m <sup>2</sup> )	1	3	2	0	0	[4]	[6]
Take-up* ('000 m <sup>2</sup> )	- 8	- 8	18	12	8		
Vacancy ('000 m <sup>2</sup> )	134	135	111	91	81		
% ☆	8.6	8.9	7.3	6.0	5.4		

\* 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 COMMERCIAL

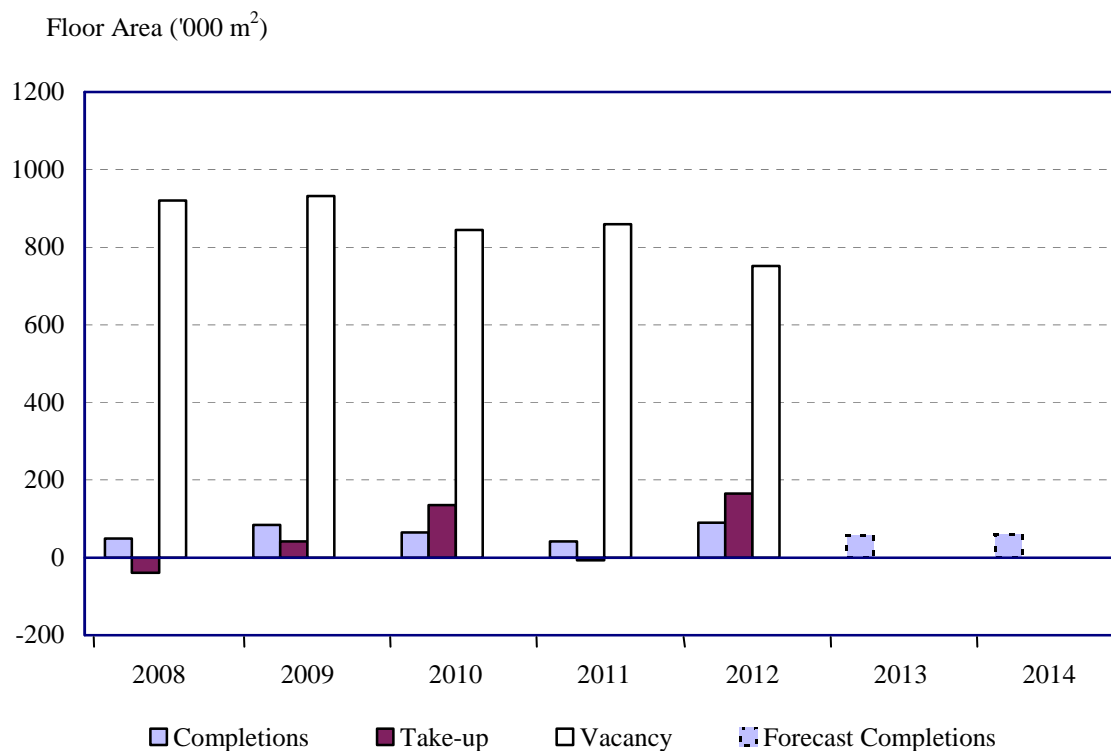
### COMPLETIONS, TAKE-UP AND VACANCY

	2008	2009	2010	2011	2012	2013	2014
Completions ('000 m <sup>2</sup> )	49	84	65	42	90	[58]	[60]
Take-up* ('000 m <sup>2</sup> )	-39	42	135	-7	165		
Vacancy ('000 m <sup>2</sup> )	920	932	844	859	752		
% ☆	8.7	8.7	7.9	8.0	6.9		

\* 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

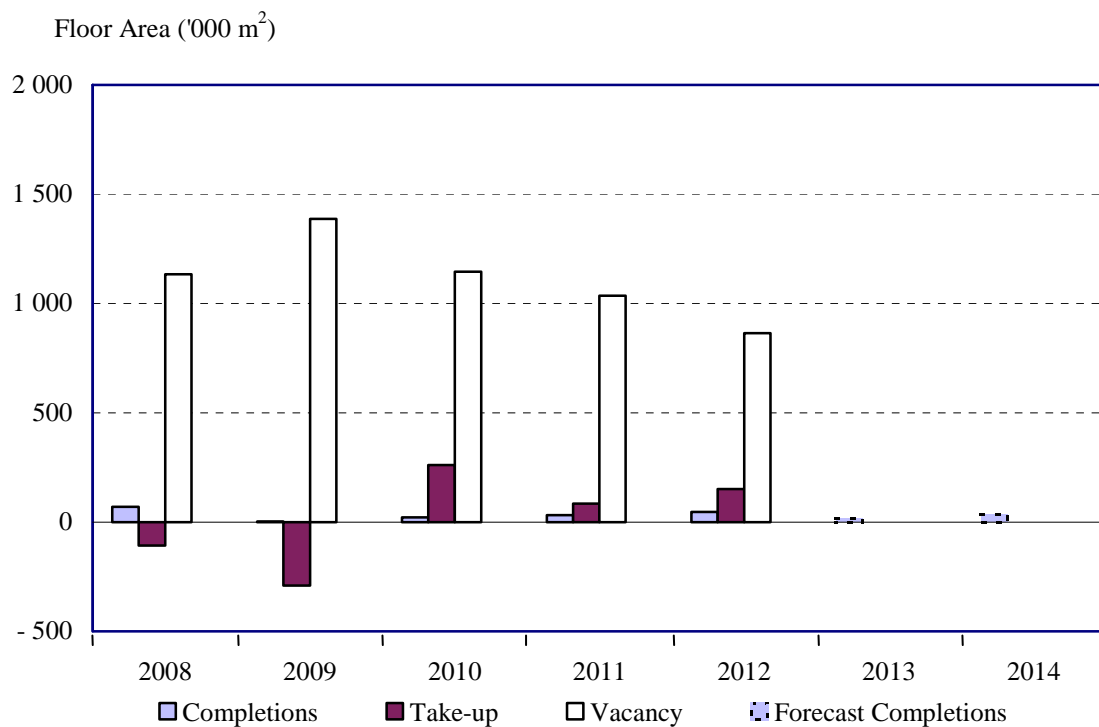
### COMPLETIONS, TAKE-UP AND VACANCY

	2008	2009	2010	2011	2012	2013	2014
Completions ('000 m <sup>2</sup> )	70	3	21	32	46	[16]	[35]
Take-up* ('000 m <sup>2</sup> )	-107	-290	261	85	151		
Vacancy ('000 m <sup>2</sup> )	1 134	1 388	1 146	1 036	864		
% ☆	6.5	8.0	6.7	6.0	5.0		

\* 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]



## PRIVATE INDUSTRIAL/OFFICE

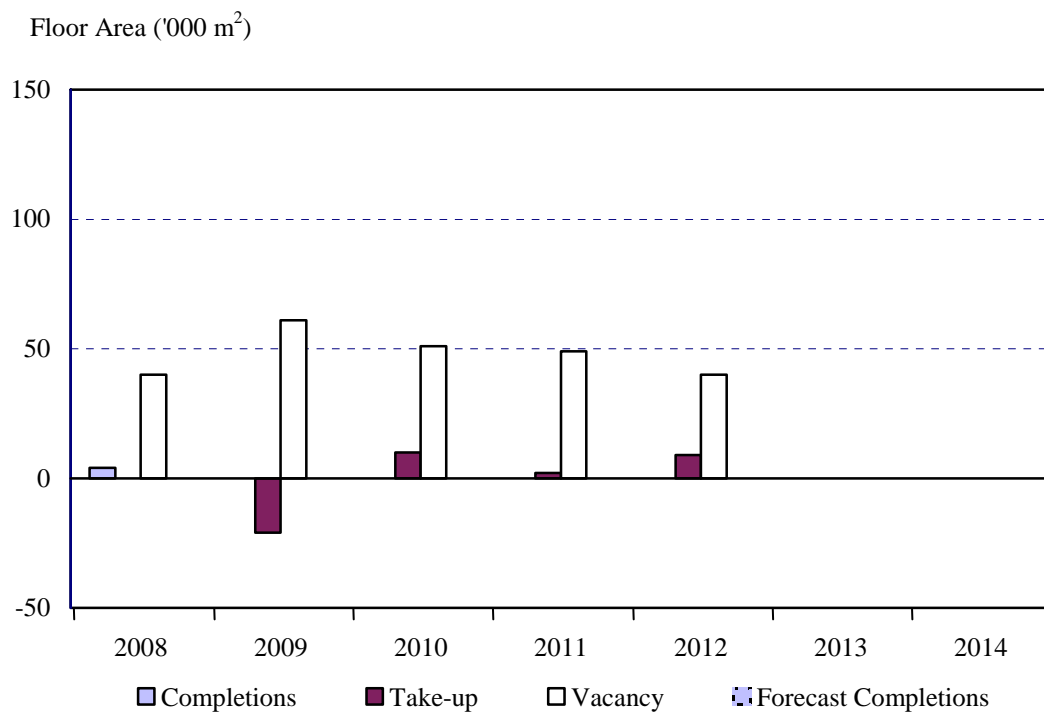
### COMPLETIONS, TAKE-UP AND VACANCY

	2008	2009	2010	2011	2012	2013	2014
Completions ('000 m <sup>2</sup> )	4	0	0	0	0	[0]	[0]
Take-up* ('000 m <sup>2</sup> )	0	- 21	10	2	9		
Vacancy ('000 m <sup>2</sup> )	40	61	51	49	40		
% ☆	6.5	10.0	8.6	8.2	6.7		

\* 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
2011	Jan	168.1	210.2	169.5
	Feb	175.2	212.1	176.4
	Mar	178.3	215.8	179.5
	Apr	182.0	222.2	183.3
	May	184.6	225.3	185.9
	Jun	186.8	228.4	188.1
	Jul	184.1	225.5	185.5
	Aug	183.3	221.2	184.5
	Sep	184.5	219.7	185.6
	Oct	181.9	220.9	183.2
	Nov	180.7	217.9	182.0
	Dec	179.8	217.2	181.1
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	246.6	227.5

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

#### Technical Notes :

- (i) Small/Medium units are those with saleable area less than 100m<sup>2</sup>. Large units are those with saleable area 100m<sup>2</sup> 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	2011	2012			
	4Q	1Q	2Q	3Q	4Q*
Small and Medium Units (Saleable Area less than 100m <sup>2</sup> )	180.8	184.2	201.2	210.5	224.9
Large Units (Saleable Area 100m <sup>2</sup> or above)	218.7	216.3	233.6	241.3	246.8
<b>Overall</b>	<b>182.1</b>	<b>185.3</b>	<b>202.3</b>	<b>211.6</b>	<b>225.7</b>

Non-Domestic Properties	2011	2012			
	4Q	1Q	2Q	3Q*	4Q*
Offices : Grade A	303.3	297.6	310.4	325.8	346.1
Grade B	313.5	312.5	336.5	359.6	384.6
Grade C	298.1	299.3	326.0	345.1	376.0
<b>Overall</b>	<b>304.4</b>	<b>302.1</b>	<b>322.8</b>	<b>341.9</b>	<b>367.2</b>
Retail Premises :	344.2	363.2	402.1	439.1	476.5
Flatted Factories :	401.9	418.7	461.4	509.2	567.9

\* 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	2011	2012			
	4Q	1Q	2Q	3Q	4Q*
Small and Medium Units (Saleable Area less than 100m <sup>2</sup> )	136.4	133.3	139.7	146.6	151.3
Large Units (Saleable Area 100m <sup>2</sup> or above)	140.0	137.6	139.9	142.8	145.9
<b>Overall</b>	<b>136.8</b>	<b>133.6</b>	<b>139.7</b>	<b>146.2</b>	<b>150.7</b>

Non-Domestic Properties	2011	2012			
	4Q	1Q	2Q	3Q*	4Q*
Offices : Grade A	188.8	190.9	194.9	199.7	201.6
Grade B	173.2	177.7	181.5	186.6	189.2
Grade C	153.6	157.6	162.7	165.4	167.4
<b>Overall</b>	<b>179.4</b>	<b>182.6</b>	<b>186.5</b>	<b>190.8</b>	<b>192.7</b>
Retail Premises :	139.3	143.3	149.9	154.3	157.4
Flatted Factories :	122.2	125.1	131.5	133.9	137.1

\* 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 2012**

(based on Appendices B &amp; C)

Private Property Category (Territory-wide)	% Change*	
	<u>4Q 2012*</u> <u>4Q 2011</u>	
	Price	Rent
Domestic Premises : Small and Medium Units (Saleable Area less than 100m <sup>2</sup> )	24.4	10.9
Large Units (Saleable Area 100m <sup>2</sup> or above)	12.8	4.2
<b>Overall</b>	<b>23.9</b>	<b>10.2</b>
Offices : Grade A	14.1	6.8
Grade B	22.7	9.2
Grade C	26.1	9.0
<b>Overall</b>	<b>20.6</b>	<b>7.4</b>
Retail Premises :	38.4	13.0
Flatted Factories :	41.3	12.2

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