

## *Rating and Valuation Department*

### *Hong Kong Property Review 2015*

#### *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 vacant because they were not yet issued with Certificate of Compliance or Consent to Assign after obtaining the Occupation Permit. 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).
- Completions, take-up and vacancy figures **exclude** village houses.

## **PRIVATE DOMESTIC**

Completions in 2014 increased by 90% to 15 720 units. About 67% of the completions were in the New Territories, 21% in Kowloon and 12% on Hong Kong Island. At district level, Tsuen Wan, Yuen Long and Sai Kung combined accounted for 42% of overall completions.

Take-up, at 16 520 units, was more than the year's completions. Yet, vacancy at the year-end declined the fourth year to 3.8% of total stock, equivalent to 43 260 units. Among these 43 260 units, about 7 130 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 completions in 2015 and 2016 are around 13 290 and 20 140 units respectively. In 2015, half of the completions will come from the New Territories. District-wise, Sha Tin and Kowloon City will provide 16% and 19% of the new supply respectively. In 2016, the new supply in the New Territories will increase to 71%, with Sai Kung and Yuen Long contributing 24% and 26% of the completions respectively.

The residential property market price hiked and stayed generally buoyant from April onwards. The overall price index in the fourth quarter of 2014 increased by 12% as compared to the fourth quarter of 2013. Rents also hiked from April onwards, with the overall rental index in the fourth quarter having increased by 5% as compared to the same period in 2013.

## PRIVATE OFFICE

Office completions in 2014 were 104 000 m<sup>2</sup>, 16% lower than 2013 level. Grade A space completions were 86 000 m<sup>2</sup>, of which about 69% were in Sha Tin and Tsuen Wan, and Grade B completions were 14 000 m<sup>2</sup>.

The overall take-up turned positive to 153 000 m<sup>2</sup> for the year. The majority of take-up was Grade A office at 116 000 m<sup>2</sup> while the take-up of Grade B was 37 000 m<sup>2</sup>. Increasing take-up led to a decrease in year-end vacancy to 6.3%, amounting to 693 000 m<sup>2</sup>. The vacancy rate of Grade A office dropped to 6.4%, Grade B to 5.8% while that of Grade C edged up to 6.2%. In core districts, the vacancy rates of Central, Wan Chai / Causeway Bay and Tsim Sha Tsui slipped.

Completions are likely to surge to 219 000 m<sup>2</sup> in 2015 and then lower to 170 000 m<sup>2</sup> in 2016. Grade A space completions in 2015 are estimated at 171 000 m<sup>2</sup>, mainly on Kowloon side amounting to 75% of the anticipated supply. Completions in 2016 will be 150 000 m<sup>2</sup>, with Kwun Tong alone contributing 35%. Grade B space forecast completions are about 48 000 m<sup>2</sup> in 2015 and 14 000 m<sup>2</sup> in 2016. There will be nil completion of Grade C office space in 2015 but 6 000 m<sup>2</sup> in 2016.

Overall office prices recorded a moderate gain of 4% in the fourth quarter when comparing with the same period of 2013. Prices of Grade A office in the last quarter of 2014 stabilised at the level of the corresponding quarter in 2013 while Grade B and C office prices recorded a growth of 4% and 1% respectively over the same period. Overall office rentals likewise rose by 4%, with those of Grade A, B and C office increasing by 3%, 5% and 7% respectively between the fourth quarter of 2014 and the same period in 2013.

## **PRIVATE COMMERCIAL**

Completions in 2014 were 57 000m<sup>2</sup>, with Kowloon and the New Territories contributing 40% and 38% of the completions respectively. Take-up turned positive to 16 000 m<sup>2</sup> for the year and vacancy rate increased marginally to 7.3% at 795 000 m<sup>2</sup>.

More completions are expected in 2015, with 103 000 m<sup>2</sup> in total and Wan Chai surging to 22 000 m<sup>2</sup>. In 2016, the completions will further grow to 121 000 m<sup>2</sup> of which Yuen Long alone will provide 25% of the total supply. Another 16% and 14% will come from Sai Kung and Central and Western district respectively.

Both retail prices and rents continued climbing up in 2014, recording a growth of 7% and 5% respectively in the fourth quarter of 2014 over the same period of 2013.

## **PRIVATE FLATTED FACTORIES**

Completions in 2014 decreased to 36 000 m<sup>2</sup>, with 76% coming from Kwai Tsing. Take-up improved but was still at a negative of 13 000 m<sup>2</sup>, and vacancy at the year-end edged down to 5.6% of stock.

Completions in 2015 and 2016 are expected to drop further to 27 000 m<sup>2</sup> and 29 000 m<sup>2</sup> respectively.

The rising trend of prices and rents continued throughout 2014. Prices went up by 4% while rents registered a growth of 9% in the fourth quarter of 2014 against the same period of a year earlier.

## **PRIVATE INDUSTRIAL/OFFICE**

There were no industrial/office completions in 2014. Take-up was at a negative of 4 000 m<sup>2</sup> and the vacancy rate increased to 7.5% at 45 000 m<sup>2</sup>.

There is unlikely to be any new supply in 2015 and 2016.

# PRIVATE DOMESTIC

## ALL UNITS COMPLETIONS, TAKE-UP AND VACANCY

	2010	2011	2012	2013	2014	2015	2016
							No. of units
Completions	13 410	9 450	10 150	8 250	15 720	[13 290]	[20 140]
Take-up*	8 030	11 400	7 550	8 060	16 520		
Vacancy	51 530	47 920	48 000	46 570	43 260		
% ☆	4.7	4.3	4.3	4.1	3.8		

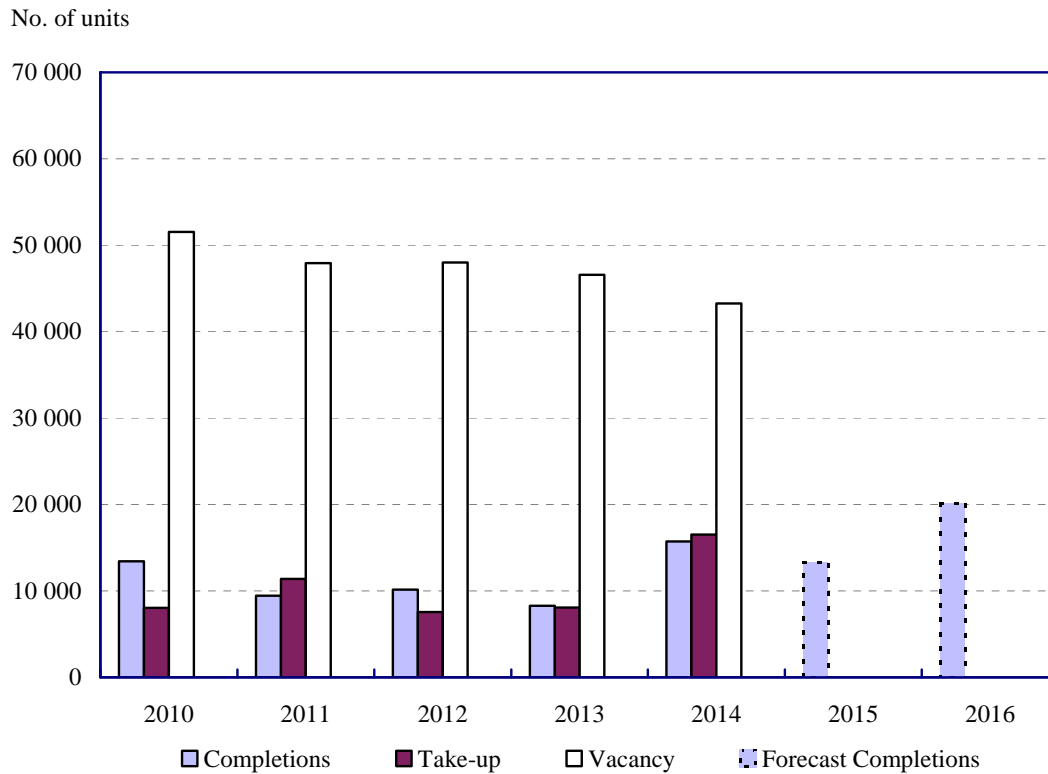
“Private domestic” excludes flats built under the Home Ownership, Private Sector Participation, Buy or Rent Option, Tenants Purchase, Urban Improvement, Flat-For-Sale and Sandwich Class Housing Schemes.

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

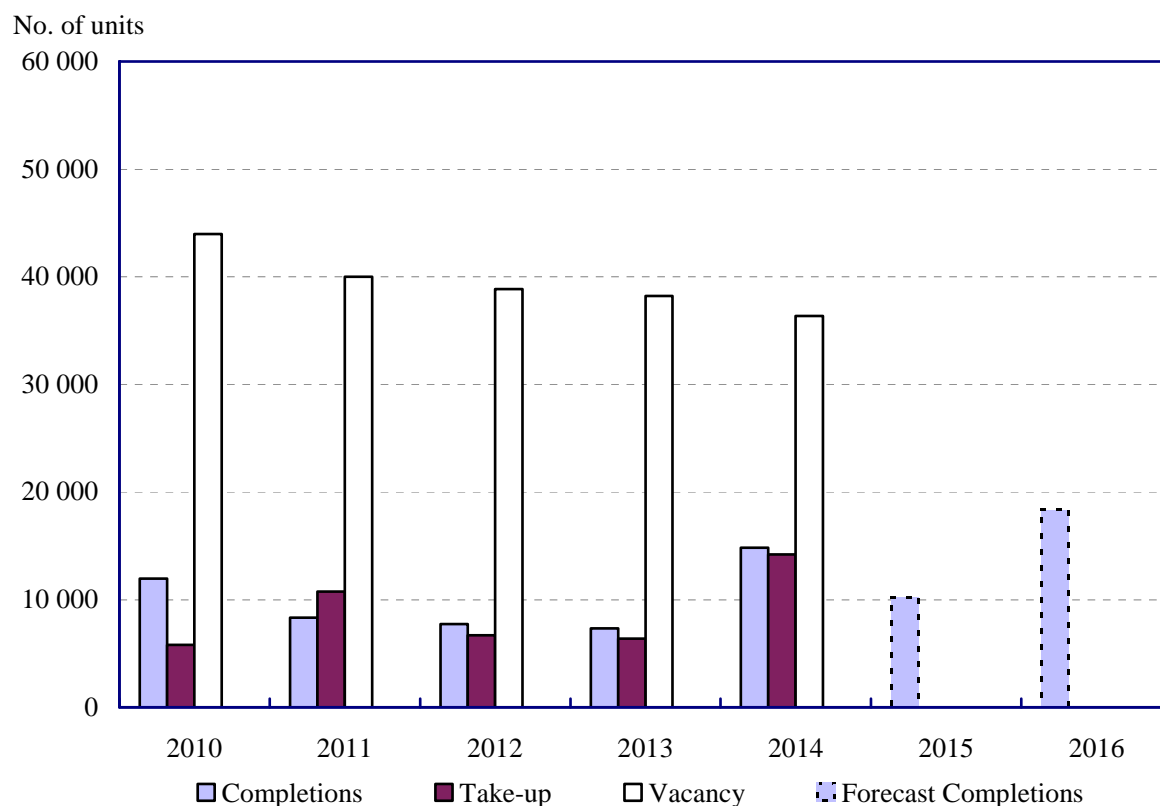
	2010	2011	2012	2013	2014	2015	2016
							No. of units
Completions	11 970	8 320	7 730	7 310	14 810	[10 190]	[18 330]
Take-up*	5 790	10 770	6 680	6 390	14 210		
Vacancy	43 960	40 000	38 860	38 210	36 370		
% ☆	4.3	3.9	3.8	3.7	3.5		

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

	2010	2011	2012	2013	2014	2015	2016
							No. of units
Completions	1 440	1 130	2 420	940	910	[3 100]	[1 810]
Take-up*	2 240	630	870	1 670	2 310		
Vacancy	7 570	7 920	9 140	8 360	6 890		
% ☆	9.2	9.5	10.7	9.7	7.9		

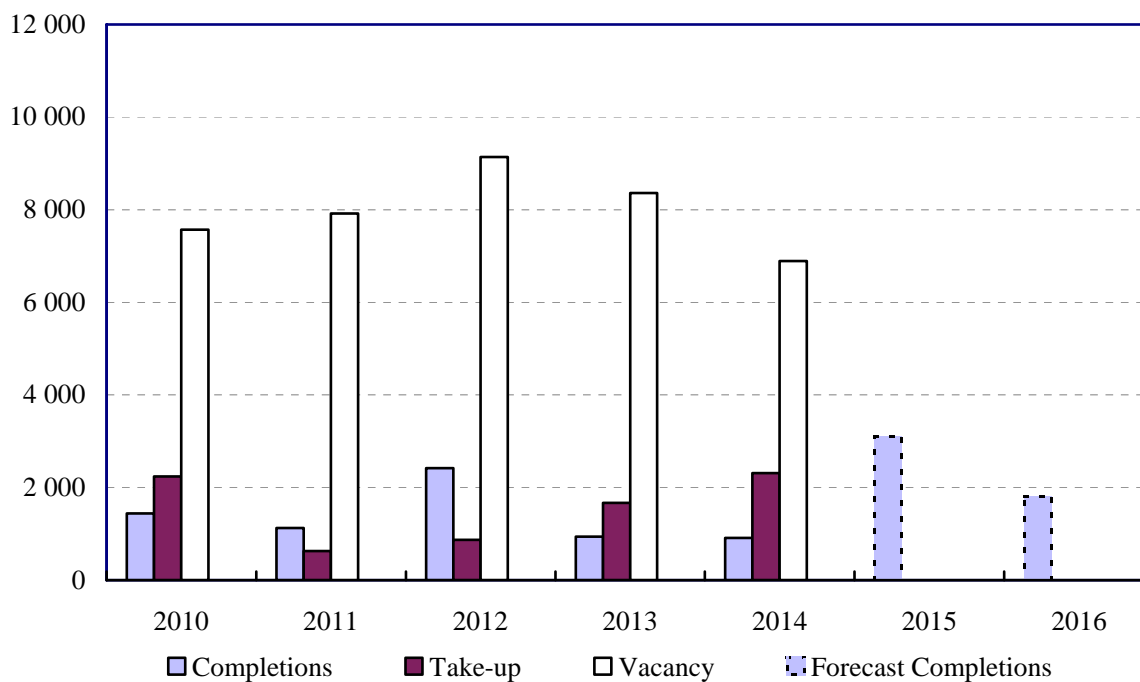
Figures exclude village houses.

\* 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

No. of units





# PRIVATE OFFICE

## ALL GRADES COMPLETIONS, TAKE-UP AND VACANCY

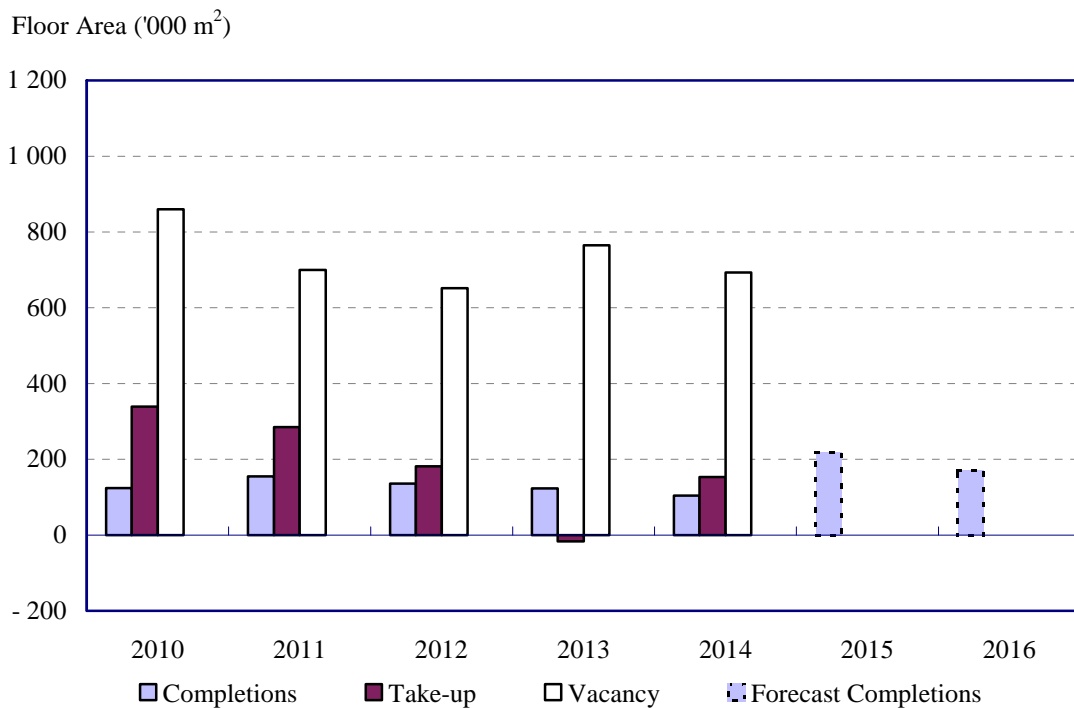
	2010	2011	2012	2013	2014	2015	2016
Completions (‘000 m <sup>2</sup> )	124	155	136	123	104	[219]	[170]
Take-up* (‘000 m <sup>2</sup> )	339	285	182	- 17	153		
Vacancy (‘000 m <sup>2</sup> )	860	700	652	764	693		
% ☆	8.0	6.5	6.0	7.0	6.3		

\* 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

	2010	2011	2012	2013	2014	2015	2016
Completions (‘000 m <sup>2</sup> )	115	125	104	97	86	[171]	[150]
Take-up* (‘000 m <sup>2</sup> )	292	233	134	12	116		
Vacancy (‘000 m <sup>2</sup> )	576	448	418	502	455		
% ☆	8.5	6.6	6.1	7.2	6.4		

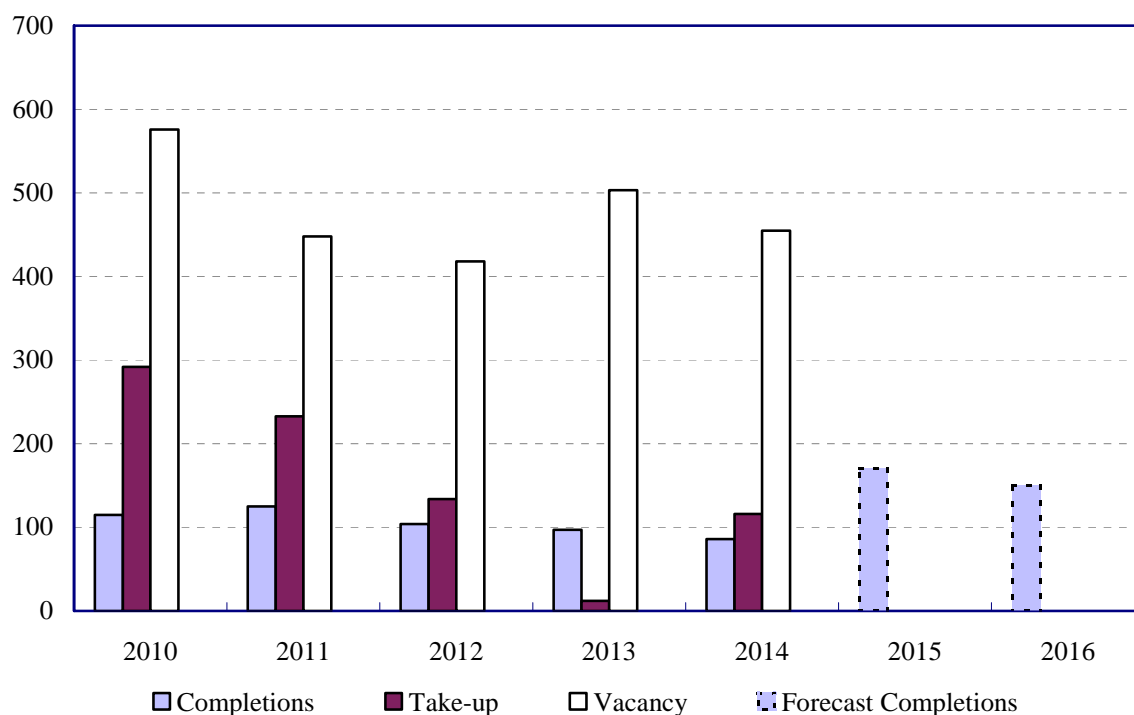
\* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures.

☆ 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.

Floor Area (‘000 m<sup>2</sup>)



## PRIVATE OFFICE

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

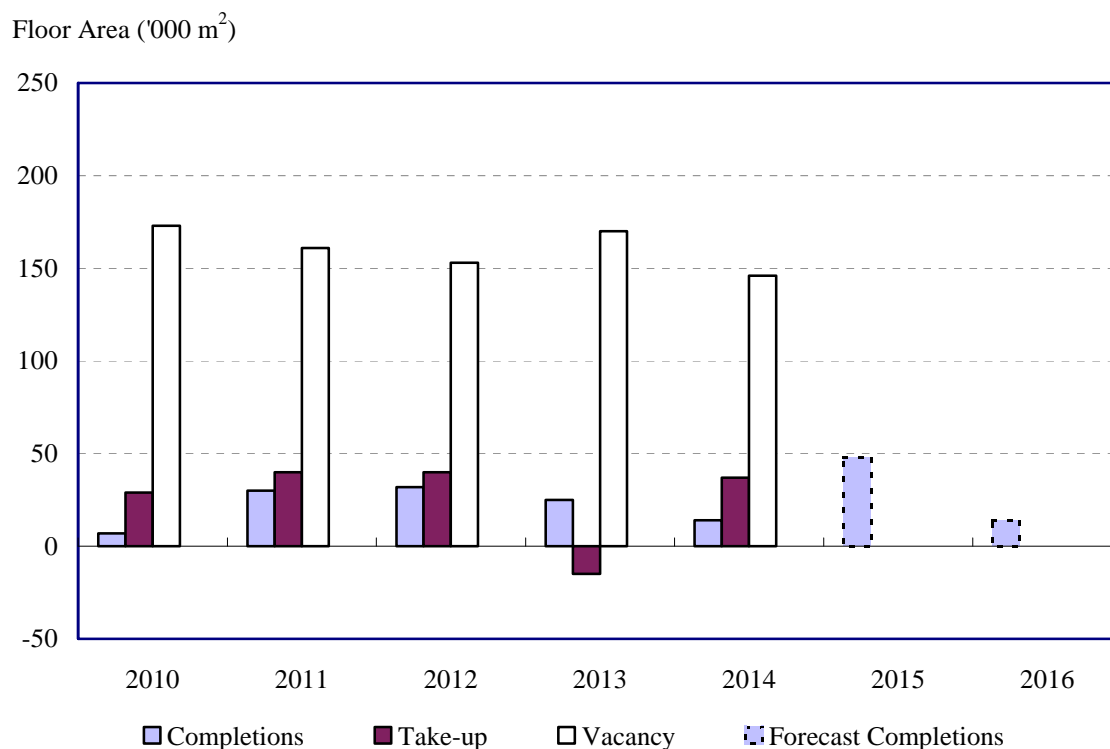
	2010	2011	2012	2013	2014	2015	2016
Completions ('000 m <sup>2</sup> )	7	30	32	25	14	[48]	[14]
Take-up* ('000 m <sup>2</sup> )	29	40	40	- 15	37		
Vacancy ('000 m <sup>2</sup> )	173	161	153	170	146		
% ☆	7.1	6.6	6.1	6.8	5.8		

\* 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

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 C COMPLETIONS, TAKE-UP AND VACANCY

	2010	2011	2012	2013	2014	2015	2016
Completions (‘000 m <sup>2</sup> )	2	0	0	1	4	[0]	[6]
Take-up* (‘000 m <sup>2</sup> )	18	12	8	- 14	0		
Vacancy (‘000 m <sup>2</sup> )	111	91	81	92	92		
% ☆	7.3	6.0	5.4	6.1	6.2		

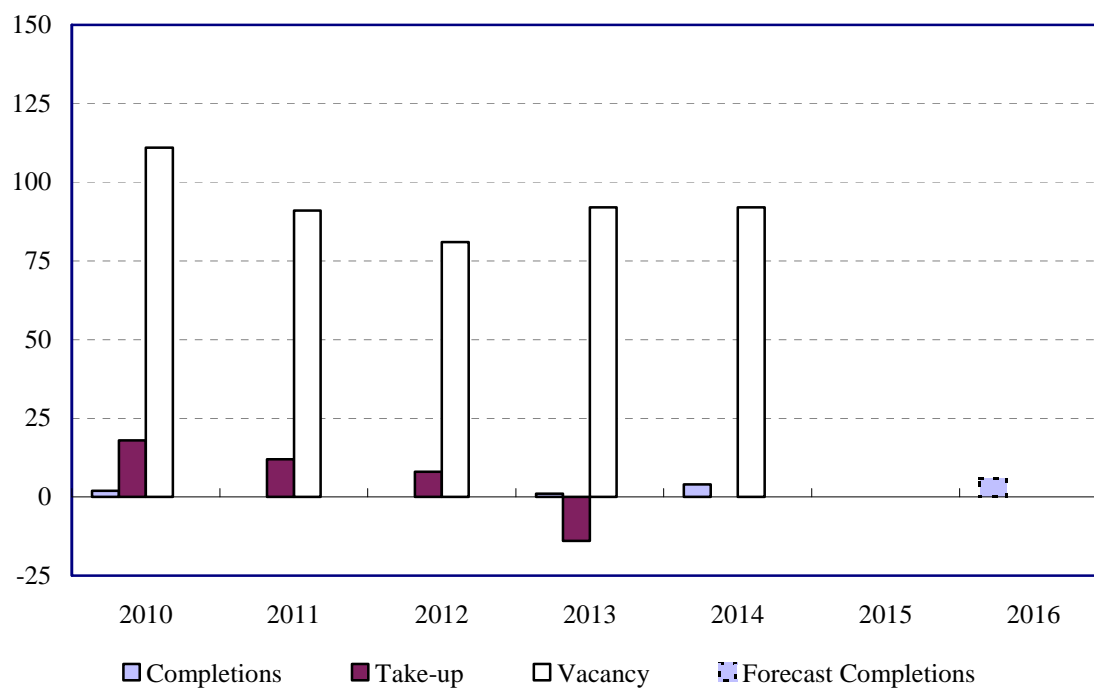
\* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures. A negative figure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

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

[ ] Forecast figures

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.

Floor Area (‘000 m<sup>2</sup>)



## PRIVATE COMMERCIAL

### COMPLETIONS, TAKE-UP AND VACANCY

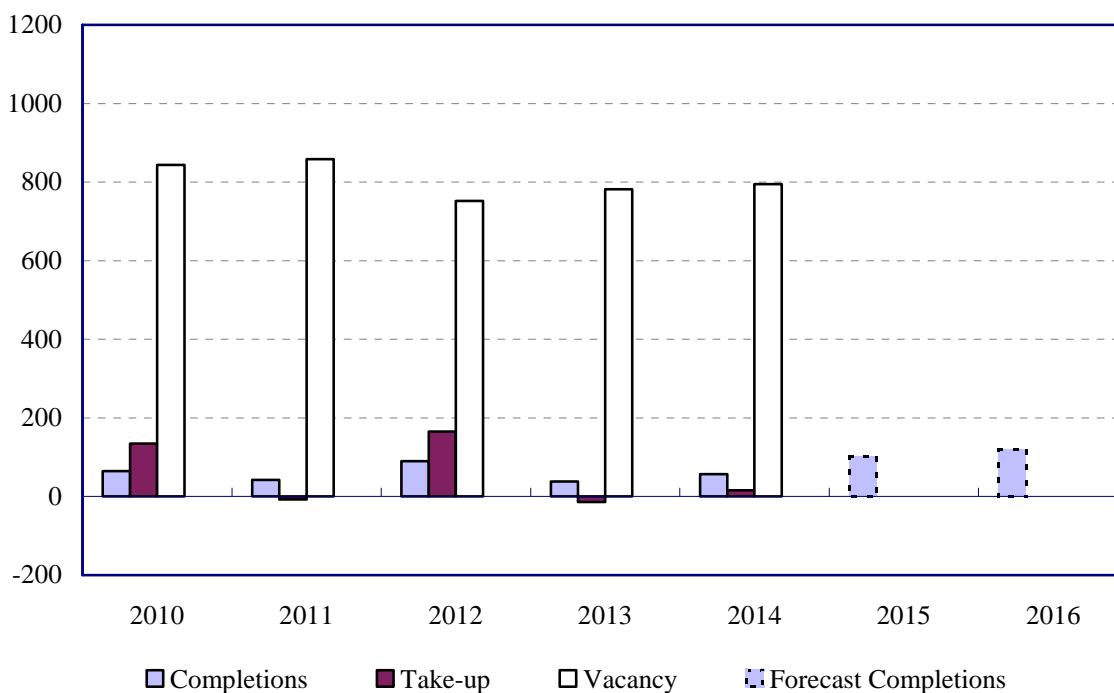
	2010	2011	2012	2013	2014	2015	2016
Completions (’000 m <sup>2</sup> )	65	42	90	38	57	[103]	[121]
Take-up* (’000 m <sup>2</sup> )	135	-7	165	-14	16		
Vacancy (’000 m <sup>2</sup> )	844	859	752	782	795		
% ☆	7.9	8.0	6.9	7.2	7.3		

\* 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

Floor Area (’000 m<sup>2</sup>)



## PRIVATE FLATTED FACTORIES

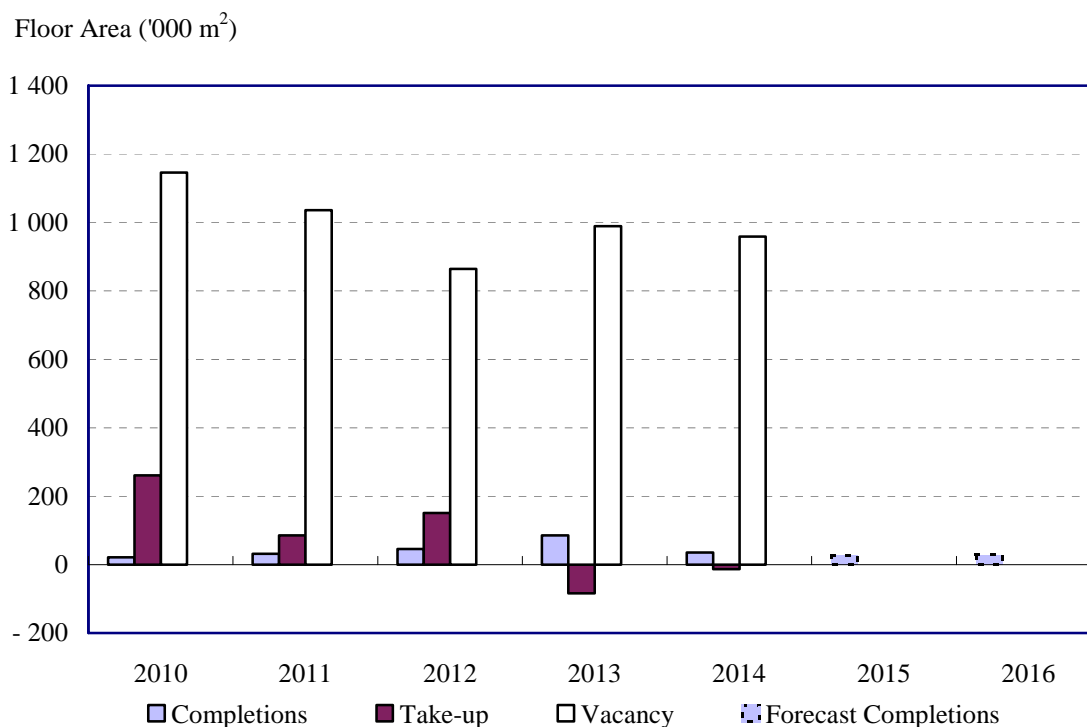
### COMPLETIONS, TAKE-UP AND VACANCY

	2010	2011	2012	2013	2014	2015	2016
Completions (‘000 m <sup>2</sup> )	21	32	46	85	36	[27]	[29]
Take-up* (‘000 m <sup>2</sup> )	261	85	151	- 84	- 13		
Vacancy (‘000 m <sup>2</sup> )	1 146	1 036	864	989	959		
% ☆	6.7	6.0	5.0	5.8	5.6		

\* 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

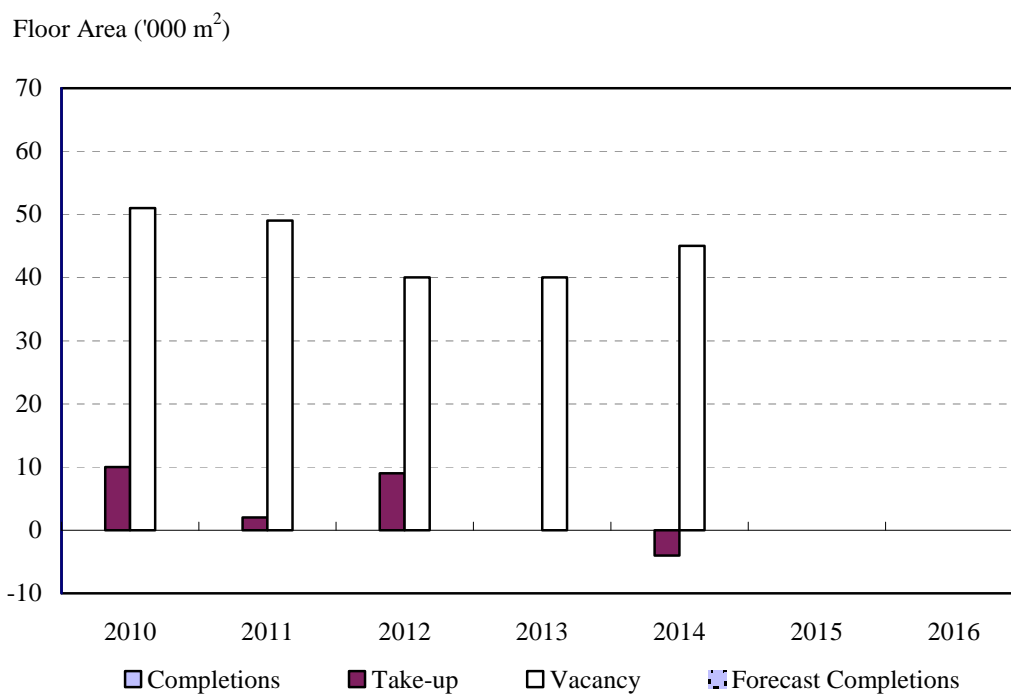
### COMPLETIONS, TAKE-UP AND VACANCY

	2010	2011	2012	2013	2014	2015	2016
Completions ('000 m <sup>2</sup> )	0	0	0	0	0	[0]	[0]
Take-up* ('000 m <sup>2</sup> )	10	2	9	0	- 4		
Vacancy ('000 m <sup>2</sup> )	51	49	40	40	45		
% ☆	8.6	8.2	6.7	6.8	7.5		

\* 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
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	247.7	245.0
	Dec	245.0	247.8	245.1
2014	Jan	244.7	246.6	244.7
	Feb	244.3	244.5	244.3
	Mar	243.7	244.2	243.7
	Apr	245.0	245.8	245.0
	May	247.4	247.1	247.4
	Jun	250.3	250.3	250.3
	Jul	256.6	251.5	256.4
	Aug	261.5	254.5	261.2
	Sep	266.7	257.6	266.3
	Oct	270.9	260.2	270.5
	Nov*	274.7	261.4	274.2
	Dec*	278.8	262.9	278.2

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

#### Technical Notes :

- (i) Small / Medium units are those with saleable area less than 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)

<b>Private Domestic Properties</b>	<b>2013</b>	<b>2014</b>			
	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q*</b>
Small / Medium Units (Saleable Area less than 100m <sup>2</sup> )	245.1	244.2	247.6	261.6	274.8
Large Units (Saleable Area 100m <sup>2</sup> or above)	248.2	245.1	247.7	254.5	261.5
<b>Overall</b>	<b>245.2</b>	<b>244.2</b>	<b>247.6</b>	<b>261.3</b>	<b>274.3</b>

<b>Non-Domestic Properties</b>	<b>2013</b>	<b>2014</b>			
	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q*</b>	<b>4Q*</b>
Offices :      Grade A	374.8	(372.7)	373.0	375.3	376.4
Grade B	442.1	439.8	443.0	452.9	459.1
Grade C	443.4	439.9	442.0	445.4	449.5
<b>Overall</b>	<b>414.1</b>	<b>417.2</b>	<b>420.8</b>	<b>425.2</b>	<b>428.8</b>
Retail Premises :	505.9	505.5	513.7	523.0	539.9
Flatted Factories :	655.9	653.2	662.4	672.9	684.2

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

() Indicates fewer than 20 transactions.

#### 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)

<b>Private Domestic Properties</b>	<b>2013</b>	<b>2014</b>			
	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q*</b>
Small / Medium Units (Saleable Area less than 100m <sup>2</sup> )	158.5	157.0	158.5	163.2	167.7
Large Units (Saleable Area 100m <sup>2</sup> or above)	142.3	141.0	140.8	142.3	144.6
<b>Overall</b>	<b>156.8</b>	<b>155.3</b>	<b>156.6</b>	<b>160.9</b>	<b>165.2</b>

<b>Non-Domestic Properties</b>	<b>2013</b>	<b>2014</b>			
	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q*</b>	<b>4Q*</b>
Offices : Grade A	214.6	214.6	217.6	221.2	221.8
Grade B	204.6	207.8	210.6	214.1	215.2
Grade C	188.0	190.0	193.9	197.5	201.2
<b>Overall</b>	<b>208.1</b>	<b>209.1</b>	<b>212.2</b>	<b>215.8</b>	<b>216.9</b>
Retail Premises :	167.9	169.3	172.5	174.2	175.8
Flatted Factories :	151.8	153.9	158.2	162.6	165.1

\* 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 2014**

(based on Appendices B &amp; C)

Private Property Category (Territory-wide)	% Change*	
	$\frac{4Q\ 2014^*}{4Q\ 2013}$	
	Price	Rent
Domestic Premises :		
Small / Medium Units (Saleable Area less than 100m <sup>2</sup> )	12.1	5.8
Large Units (Saleable Area 100m <sup>2</sup> or above)	5.4	1.6
<b>Overall</b>	<b>11.9</b>	<b>5.4</b>
Offices :		
Grade A	0.4	3.4
Grade B	3.8	5.2
Grade C	1.4	7.0
<b>Overall</b>	<b>3.5</b>	<b>4.2</b>
Retail Premises :	6.7	4.7
Flatted Factories :	4.3	8.8

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