

Retailing in the Twenty- Minute City



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Foreword

This booklet aims to take the reader through the opportunities for retailers entering Hong Kong for the first time or looking to expand into new areas of the city. It reviews:

- Hong Kong's dynamic market and the tremendous opportunities it can offer;
- The available retail space options;
- Characteristics of different neighbourhoods;
- What to know when looking to lease a retail outlet; and
- Business opportunities offered by connectivity to the Greater Bay Area (GBA)

This booklet will give you the relevant information to develop a strategy out of the many elements you have to consider. From there, you can connect with InvestHK and professional advisors who will help you establish a successful Hong Kong business.

A Resilient City

Hong Kong has been one of the most resilient cities in a world facing exceptional challenges. Backed by strong local consumer demand, an efficient business environment and the opportunities presented by the Greater Bay Area (GBA), Hong Kong is an outstanding platform for retailers to build their brands and expand their product range.

Rents at a five-year low and more options for different types of rental mean now has never been a better time to develop a retail strategy for Hong Kong. A positive macroeconomic outlook is also set to ignite rapid growth of the Hong Kong retail sector in the coming years.

Hong Kong's efficient and world-class infrastructure has positioned it as a highly accessible city, where consumers can reach most retail destinations within 20 minutes¹ from the Central Business District (CBD).

¹ <https://www.colliers.com/en-hk/news/colliers-hong-kong-twenty-minute-city>



A Pivotal Position within Asia

Hong Kong's pivotal position within Asia and connection to mainland China offer brands multiple opportunities to use the city to launch their products.

Its cosmopolitan population and status as an international financial and business centre give retailers in Hong Kong every chance to strengthen their sales and become more visible in a region ready for new products and services. English, as well as Chinese, is an official language. A large number of the local workforce has international experience.

Expected Return of Mainland and International Visitors

Retail brands come to Hong Kong for international as well as local consumers. Though the numbers of mainland and international tourists has fallen in recent years, they are expected to make a strong comeback in the years to come and will continue to be important sources of shoppers for retailers in Hong Kong.

New Neighbourhoods

By bringing commercial, industrial, residential and recreational areas to life this policy will generate strong retail demand, supported by the extension of the transport network² which will connect these new locations.

Please scan the QR code for more details about how the transport network is expanding,:



The large-scale residential development that will be central to the policy of new town creation will require extensive retail facilities selling everything from the daily basics to food & beverage (F&B) and entertainment.

² Hong Kong Public Libraries, Leisure and Cultural Services Department



Dynamic Market



Hong Kong's dynamic retail market makes it a key destination for launching or expanding brands in Asia.

The city's international outlook, business-friendly environment and free trade port are just some of the reasons why Hong Kong has been so successful for retail brands that not only want to grow within the city itself but also expand to mainland China and the rest of Asia.

Even with travel restrictions, Hong Kong retail sales provisionally reached US\$45.3 Bn in 2021 compared to US\$62.2 Bn in 2018. This shows Hong Kong retail market's resilience despite challenging economic conditions.

Annual retail sales totalled US\$45.3 Bn in 2021. The major performers were supermarkets, electrical goods and jewellery, watches, clocks and valuable gifts, for a combined total of US\$17.2 Bn.

Mainland China visitors contributed over US\$19.4 Bn in retail sales in 2018 (accounting for 90.7% of the total visitors spent on shopping). Of this figure, US\$5.0Bn and US\$3.2 Bn went on cosmetics, and jewellery and watches respectively³, representing half of the total sales of these respective types of outlet⁴.

In 2021, the retail landscape changed, with strong domestic consumption supporting an increase of almost US\$3.4 Bn in sales at all retail outlets including supermarkets from 2020 to 2021. The retail segments popular with visitors are set to rebound in the months to come as the momentum from domestic consumption continues.

³ A Statistical Review of Hong Kong Tourism 2018, HKTB

⁴ Figures are processed based on the exchange rate of US\$1 = HK\$7.8



Major contributors to Hong Kong retail sales by outlet in 2021



Supermarkets
US\$ 6,870 Mn



Electrical goods
US\$ 5,375 Mn



Jewellery, watches and clocks,
and valuable gifts
US\$ 4,971 Mn



Department stores
US\$ 4,455 Mn



Clothing, footwear and
allied products
US\$ 4,903 Mn



Medicines and
cosmetics
US\$ 2,841 Mn

Source: Census and Statistics Department
Remarks: The exchange rate of US\$1=HK\$7.8 is used to convert all retail figures



Colliers' Fact:

A 16,500 sq. ft.

Japanese department

store that opened

in Hong Kong in

November 2020

recorded sales of

over US\$10Mn in the

following month,

equivalent to US\$608

per sq. ft.



Key reasons for entering the Hong Kong retail market

1. Retail culture and variety

Hong Kong consumers have a passion for quality products.

The city has over 63,000 retail outlets^{5&6} and over 28,000 F&B establishments⁷, enabling consumers to enjoy products and good food from all over the world.

2. Sophisticated marketing, events and advertising support

Retailers can avail of a multitude of marketing services to promote their products successfully. A workforce of around 14,000 people⁸ is all ready and able to deliver effective marketing plans and strategies, work in the city's almost 4,000 advertising and market research establishments⁹.

- Social media has a penetration rate of over 85.6% of the Hong Kong population¹⁰
- 44% of internet users aged 16-64; higher than for most countries, use social media for brand research,¹¹
- As of 30 September 2021, 94 daily newspapers, 451 periodicals, five local television channels and three broadcast channels either circulate or operate in the city^{12&13}. Many international news agencies, newspapers with international readership and overseas broadcasting corporations have regional headquarters or representative offices in Hong Kong.

3. Great market size

Retail sales in Hong Kong were approximately US\$45.3Bn¹⁴ in 2021, supported almost wholly by local consumers.

Hong Kong has a strong history of inbound, especially from mainland China, tourism. There is clear anticipation it will return. The influx following the reopening of the border will create major

⁵ Number of establishments, persons engaged and vacancies (other than those in the civil service) in the retail trade analysed by type of retail outlet (June 2022), Census and Statistics Department

⁶ Refer to Census and Statistics Department, an establishment is defined as an economic unit which engages, under a single ownership or control, in one or predominantly one kind of economic activity at a single physical location, e.g. an individual factory, workshop, retail shop or office.

⁷ Openrice, as of 30 September 2022

⁸ Quarterly Report of Employment and Vacancies Statistics (June 2022) by Census and Statistics Department

⁹ Quarterly Report of Employment and Vacancies Statistics (June 2022) by Census and Statistics Department

¹⁰ Digital 2021: Hong Kong, DataReportal, 9 February 2021

¹¹ Digital 2021: Hong Kong, We Are Social, 9 February 2021

¹² Hong Kong: The Facts, The Media, GovHK, November 2021

¹³ Refer to the source, the television channels refer to three domestic free television programme service licensees and two domestic pay television programme service licensees; and three broadcast channels refer to one government-funded public service broadcaster and two sound broadcasting licensees

¹⁴ Retail sales by type of retail outlets in 2021 (Provisional figures), Census and Statistics Department

benefits for F&B, tourism & leisure, and especially retail. Luxury and major high-street brands looking to base themselves in the core shopping districts will be in prime position to benefit from this demand.

4. Efficient border clearance

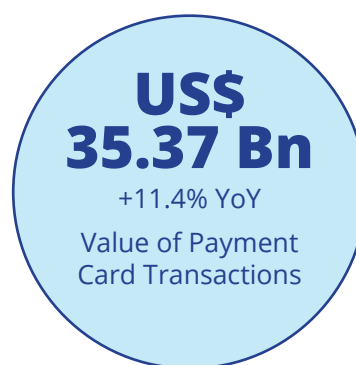
Hong Kong's efficient border clearance – ranked in the top 10 globally¹⁵ – means goods flow in and out of the city easily, putting them in the hands of consumers sooner.

5. Easy to pay

Consumers can pay within seconds using one of the 22 different point-of-sale systems that operate in Hong Kong. Many shops accept multiple currencies including RMB and digital wallets.

Fast fact:

The recovery of the Hong Kong retail market accelerated in 2021. Overall sales grew 8.1% YoY¹⁶ and the number and value of retail sales and transactions using payment cards also increased:



Source: Statistics of Payment Cards Issued in Hong Kong for Fourth Quarter 2021, Hong Kong Monetary Authority (HKMA)

¹⁵ Global Competitiveness Report, 2019, World Economic Forum

¹⁶ Total retail sales in 2021, Census and Statistics Department



Colliers' Fact:

Expect a higher rent for units in shopping malls that are connected directly to MTR stations. The closer to an MTR exit means the higher the traffic flow.



Colliers' Tip:

Hong Kong shoppers generally look for a highly efficient shopping experience.

You may see three sales staff ready to serve customers in a 70sq. ft. kiosk.

Make sure you hire sufficient sales staff to service your customers.

6. Stable exchange rate

A linked exchange rate system at the rate of HK\$ 7.8 to US\$ 1 and a stable RMB exchange rate mean that visitors often find more predictable and competitive prices for luxury goods in Hong Kong.

7. Duty-free

Unlike other countries, states or cities with high rates of luxury tax and a goods and services tax (GST), Hong Kong is a duty-free port and does not have GST or VAT, making it extremely attractive to international shoppers.

8. Subway shopping

The majority of Hong Kong's population uses public transport. This has led to retail demand centring on the nodes of the main subway stations of the MTR (Mass Transit Railway). This helps commuters and leisure passengers find their preferred brands, and products quickly. About 127 million trips were taken on MTR services during the month of August 2022¹⁷.

A total of 1,566 retail shops, covering 68,656 sq. m., lie within MTR stations¹⁸. These consist of a mix of F&B, cake shops, convenience stores, lifestyle products and passenger services such as offline-to-online (O2O) shops and more.

9. Small shops work too

Hong Kong's high cost of land puts an onus on getting the most out of the smallest retail units. Speed and convenience are important to Hong Kong consumers, so shop size matters less than being able to grab what they want efficiently.

10. No Fakes Pledge

Hong Kong attracts international and mainland Chinese shoppers with its distinctive retail culture and commitment to only selling authentic goods under the Intellectual Property Department's "No Fakes Pledge" scheme, and values its reputation for being corruption-free, business-friendly and high quality.

Scan this QR code for more details about the "No Fakes Pledge" scheme.



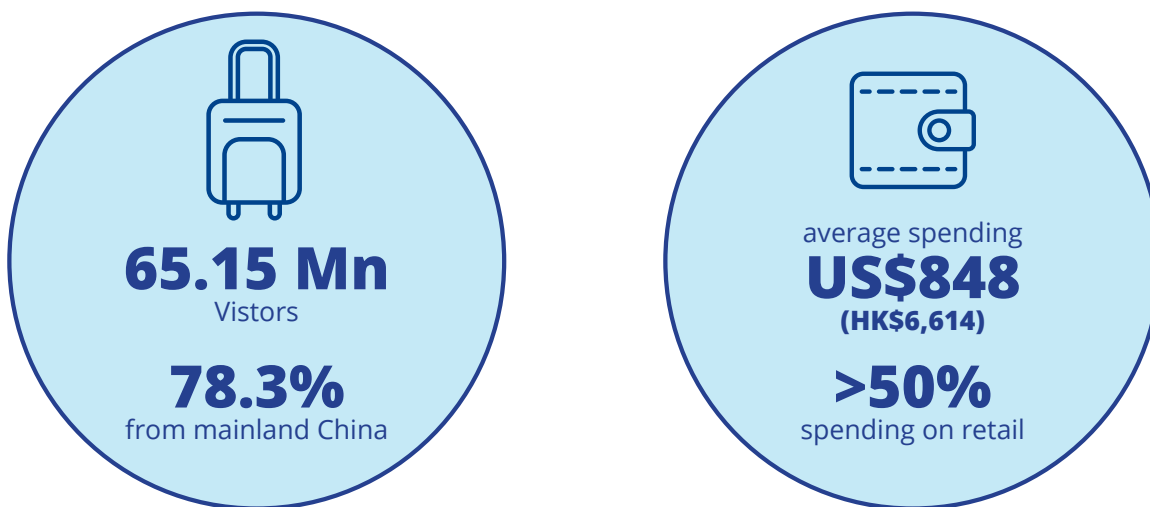
¹⁷ Patronage Updates; <https://www.mtr.com.hk/en/corporate/investor/patronage.php>

¹⁸ MTR Corporation Limited Interim Report 2022

11. Diverse pool of tourists

As an international business city and tourist destination, Hong Kong connects business and social spending from all over the world.

Hong Kong is consistently ranked #1 in the Asia Pacific region and #6 in the world in rankings of the top city destinations¹⁹. Meetings, Incentives, Conventions and Exhibitions (MICE) arrivals contributed to over 50% of all visitors in 2019²⁰. In 2018, Hong Kong recorded 65.15 Mn visitors, of which 78.3% were from mainland China. Almost half stayed overnight, with each one spending an average of USD848 (HK\$6,614), more than 50% of which was on retail²¹. They availed of the many shopping themes and festivals during the year, including Chinese New Year, Valentine's Day, Easter, Summer, Back to School, Christmas and New Year.



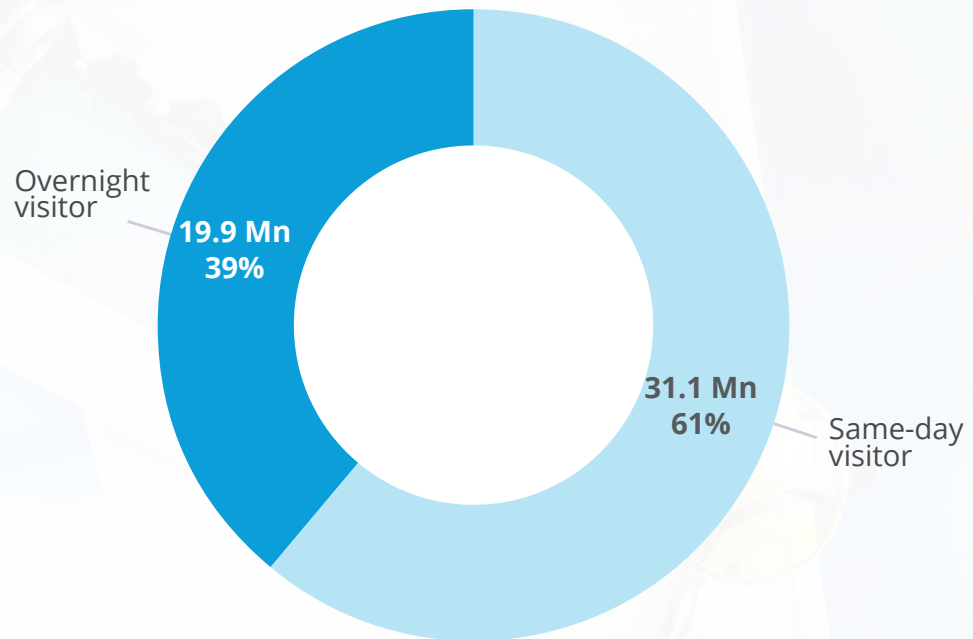
¹⁹ "Top 100 City Destinations 2018" report, UK-based market research company Euromonitor International

²⁰ A Statistical Review of Hong Kong Tourism 2019, Partnetnet, HKTb

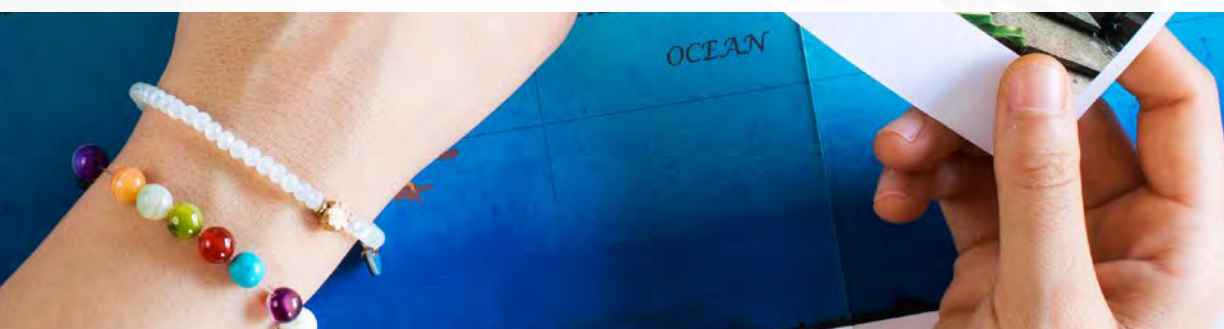
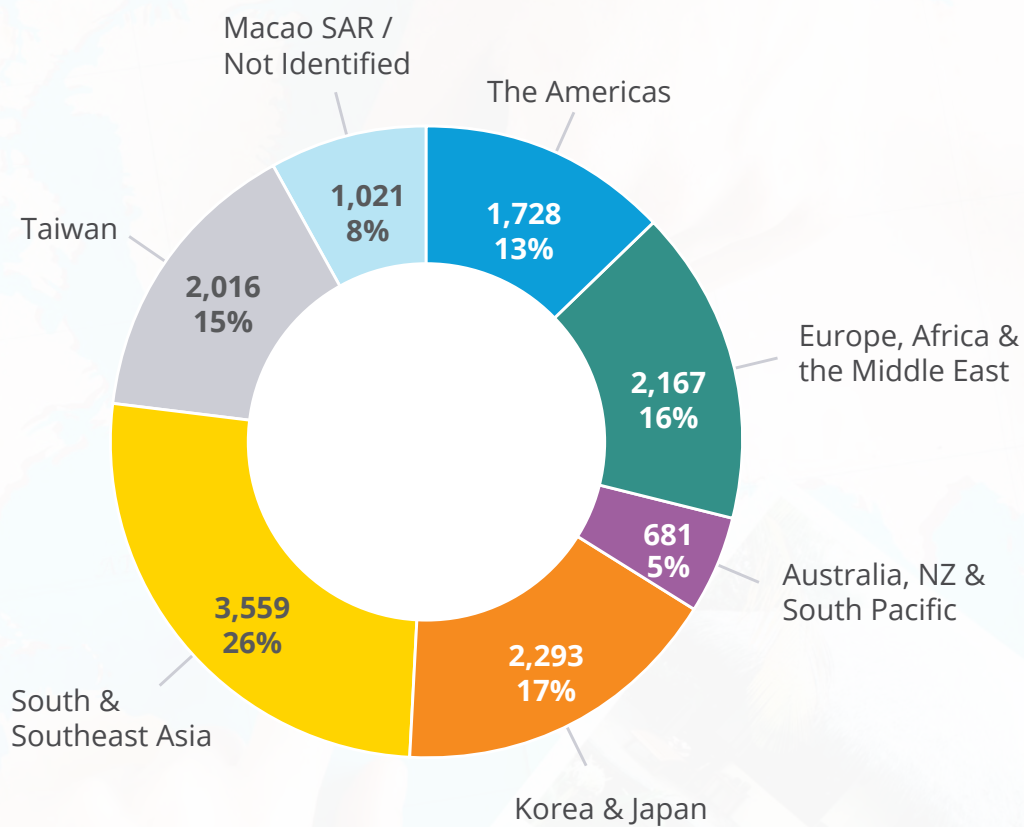
²¹ A Statistical Review of Hong Kong Tourism 2019, Partnetnet, HKTb

The composition of visitor arrivals by territory of residence in major market areas in 2018 indicates that Hong Kong is attractive to a diverse pool of international travellers from across the globe, favouring retailers that promote their products and services using Hong Kong as a shop window.

China visitor arrivals (Mn) by type in 2018²²



Composition of Visitor Arrivals by Country / Territory of Residence by Major Market Areas in 2018 ('000) (excluding mainland China) ²³



²² A Statistical Review of Hong Kong Tourism 2019, Partnernet, HKTB

²³ A Statistical Review of Hong Kong Tourism 2019, Partnernet, HKTB



Hong Kong – the Basics

Hong Kong comprises Hong Kong Island, Kowloon and the New Territories, covering a total area of 1,110km². With a population of over 7.4 Mn²⁴, it is a dense, convenient and highly developed city for shoppers and foodies alike.

Half of the world's population live within five hours' flying time of Hong Kong, which is located on the southeast coast of mainland China. It is well-connected by air to over 220 destinations worldwide, including over 40 in mainland China²⁵.



Area of 1,110km²;
6,930 persons per km²²⁶



A super dense city: <25% land
developed and 40% of the land is
country parks and nature reserves.²⁷

Unique retail landscape

Hong Kong has the greatest concentration of malls between subways of any urban area in the world, as well as over 500²⁸ skyscrapers²⁹. These malls are some of the Asia's most visited destinations, attracting many thousands of people to eat, shop, meet and be entertained.

Hong Kong is the world's most compact retail environment. Every square kilometre consists of 5,606 sq. m. of leasable mall space³⁰. This convenience has given Hong Kong the densest concentration of shopping malls in the world and one of its most dynamic retail markets.

²⁴ 2021 Population Census in Hong Kong, the Census and Statistics Department

²⁵ Hong Kong International Airport Fact Sheet

²⁶ Hong Kong – the Facts, GovHK

²⁷ Hong Kong – the Facts, GovHK

²⁸ Council on Tall Buildings and Urban Habitat (3 January 2022)

²⁹ Skyscraper refers to any building with a height over 150m, Council on Tall Buildings and Urban Habitat

³⁰ "How Hong Kong Became A 'City of Malls'", <https://edition.cnn.com/style/article/hong-kong-shopping-malls/>, January 28 2020

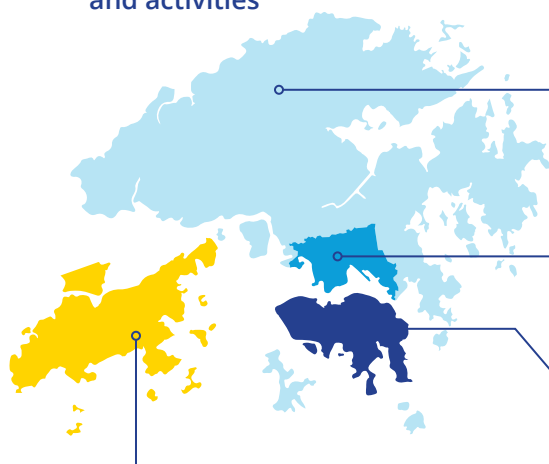


Asia's World City

As well as its densely built environment, Hong Kong is well-known for its international culture and active property market. Its world-class infrastructure, simple customs practices and professional talent pool support Hong Kong role's as a desirable business location.

Hong Kong is a Special Administrative Region of China. It operates a free-market economy and its own independent legal system³¹. At the same time, its status as an international financial and trading centre, and gateway to mainland China gives it advantages over other cities in the region that retailers may also be considering as a base.

Hong Kong map and major roles and activities



New Territories
3.98Mn population
4,137 persons/km²*

Future **Northern Metropolis** will accommodate 2.5Mn population and consolidate a holistic metropolis with a total area of 30,000 ha

Kowloon
2.23Mn population
47,557 persons/km²

1. Establishing **CBD2 – Kai Tak**, the largest commercial district comprising of over 34.4 Mn sq. ft., over taking CBD1 – Central in Hong Kong Island
2. Developing the **West Kowloon Cultural District**, covering over 40 ha of reclaimed land to promote art and culture on a global scale

Lantau Island
183,000 population#
1,125 persons/km²

Lantau Tomorrow Vision – the government is conducting a planning and engineering study of the artificial islands involving a total reclaimed area of about 1,000 ha, and relevant transport infrastructure

Hong Kong Island
1.20Mn population
14,957 persons/km²

1. The first internationally recognised **CBD1 – Central** in Hong Kong

Source: Colliers, Census and Statistics Department, Civil Engineering and Development Department, Lands Department and Development Bureau and Policy Address

*According to the Census and Statistics Department, the population of the Islands are included in the New Territories density calculation

#This figure refers to the population of the islands in Hong Kong

³¹ One Country, Two Systems; https://www.brandhk.gov.hk/uploads/brandhk/files/factsheets/Hong_Kong_Themes/One-country-two-systems-E.pdf

An aerial photograph showing a dense, vibrant green forest canopy. The trees are closely packed, creating a textured pattern of various shades of green, from deep forest green to bright, sunlit yellow-green. The perspective is from directly above, looking down into the foliage.

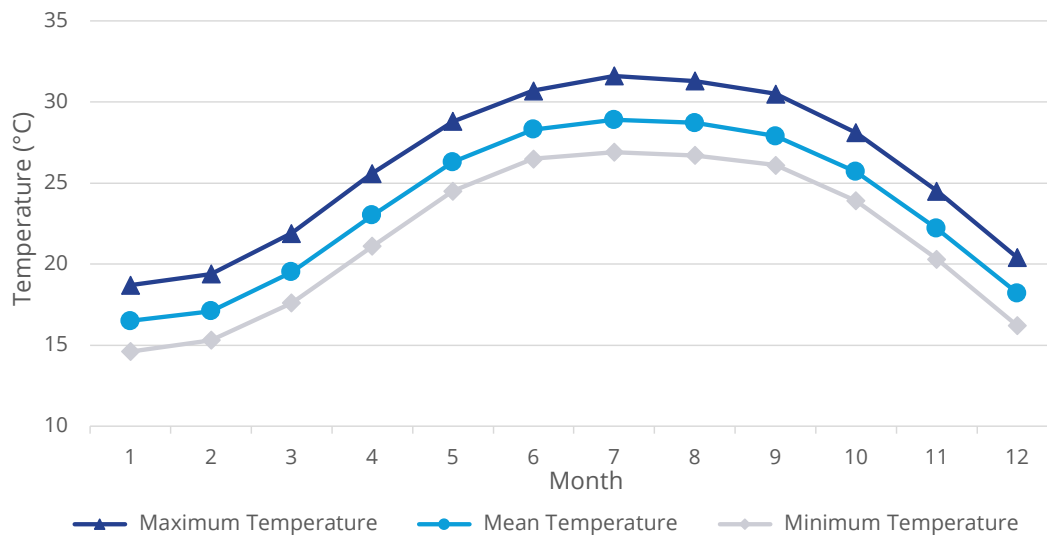
Hong Kong's Climate

Climate can affect what the population likes and is able to do outside at any particular time of the year. However, retailers can take advantage of seasonal differences to adapt their ranges and create demand for their products throughout the year.

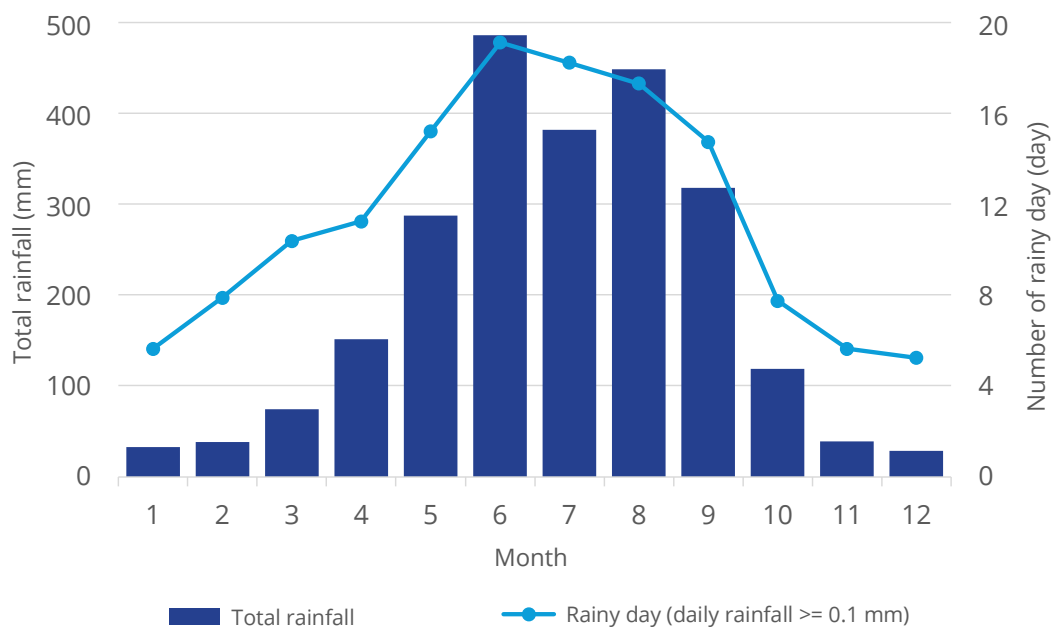
Hong Kong's climate is sub-tropical. January and February are cloudy and temperatures can get down to 10 °C, sometimes lower, though usually for no longer than two weeks. March and April are milder although with occasional spells of high humidity. May to August is hot and humid with occasional showers and thunderstorms. Afternoon temperatures often exceed 31°C.

About 80 percent of the rain falls between May and September. June and August are usually the wettest months while January and December are usually the driest³². Hong Kong is most likely to be affected by tropical cyclones in July and September. November and December have pleasant breezes, plenty of sunshine and comfortable temperatures.

Monthly means of daily maximum, mean and minimum temperature between 1991-2020³³ (°C)



Monthly mean of rainfall in Hong Kong between 1991-2020



³² <https://www.hko.gov.hk/en/cis/climahk.htm>

³³ https://www.hko.gov.hk/en/cis/normal/1991_2020/normal.htm

3

Business Advantages in Hong Kong

Apart from the dynamic nature of the Hong Kong market, retailers benefit from operating a business in Hong Kong because:

One of the world's freest economies

Hong Kong was ranked as the world's freest economy in 2022³⁴, with an open economy that safeguards the flow of goods and capital.

No tariffs

Hong Kong only imposes excise duties on four commodities: liquor, tobacco, hydrocarbon oil and methyl alcohol³⁵. There are no tariffs on imported goods and no goods and services tax (GST) or value added tax (VAT) otherwise.

- US\$712 Bn of imports in 2021³⁶
- US\$1,382 Bn of merchandised trade total value in 2021³⁷

Tax-Free List³⁸



Sales Tax/
VAT/GST



Capital Gains
Tax



Investment
Withholding Tax



Estate
Duty



Global
Tax



Wine
Duty

Hong Kong has a simple tax system and robust financial infrastructure

Hong Kong's tax system is independent, low and simple – it only taxes profits, salaries and property³⁹. Seventy of the 100 biggest banks in the world have a base⁴⁰ in Hong Kong.

³⁴ Economic Freedom of the World 2022 Annual Report, Fraser Institute, 2022

³⁵ Types and Duty Rates; https://www.customs.gov.hk/en/trade_facilitation/dutiable/types/

³⁶ Trade and Industry Department

³⁷ Trade and Industry Department

³⁸ Low, Simple and Competitive Tax System, InvestHK

³⁹ Inland Revenue Department

⁴⁰ Banking; <https://www.hkma.gov.hk/eng/key-functions/banking/>



A stable currency⁴¹ and capital that can move freely

Since 1983, Hong Kong has had a Linked Exchange Rate System at the rate of HK\$7.8 to US\$1. This maintains a stable external value against major world currencies to support Hong Kong's role as a trading and financial centre.

Proven as a launchpad for global companies

Its track record as an international financial hub has seen Hong Kong launch many international and mainland corporations, many of which retain their regional headquarters here.

- 1,457 regional headquarters; 2,483 regional offices and 5,109 local offices in 2021⁴²
- 156 licensed banks as of 30 September 2022⁴³

Language⁴⁴

Over 80% of higher-skilled workers speak and write English and Chinese, further strengthening the City's role as an international business centre.

Efficient Customs

Hong Kong handled 5.0 Mn tonnes of total air cargo throughput in 2021 – 42%, or HK\$4,340 Bn (US\$ 556.4 Bn), of the total value of Hong Kong's external trade. Export and import air cargo collection take only 15 and 30 minutes respectively⁴⁵. This efficient customs clearance system and infrastructure means retailers can confidently provide customers with an estimated arrival date for their goods with only a minimal chance of delay.

More than a regional hub

Hong Kong has developed an integrated transportation network that enables the efficient movement of people and goods around the territory, to and from mainland China and around the world.

⁴¹ Hong Kong's Linked Exchange Rate System, HKMA

⁴² Report on 2021 Annual Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong, Census and Statistics Department (2021)

⁴³ List of Authorized Institutions and Local Representative Offices under the Supervision of the HKMA, 30 September 2022

⁴⁴ Use of Language by Hong Kong Population, Census and Statistics Department (2016); latest related information is obtainable from 2016 data only

⁴⁵ Hong Kong's International Airport

Colliers' Tip:

As retailers look into leasing shops, they should identify prime logistics service providers simultaneously



MTR, the “Spider Web”

Hong Kong's subway system is one of the most efficient in the world and carries over 10 Mn passenger journeys are made every day⁴⁵, with trains running as frequently as every two minutes. All subway stations connect with the other transportation networks, taking residents and visitors to any part of the city quickly.

MTR facts and figures⁴⁷:

- 99 stations
- 12 service lines
- Route length of 271km
- 5G services available at 70 stations
- 42,792 advertising units including LED screens and digital panels

[Scan this QR code for more details about the MTR](#)



Goods move swiftly through Hong Kong

Moving products through Hong Kong's networks of roads and highways is fast and efficient. Benefiting from several boundary crossings and numerous road tunnels, retailers can choose from a number of warehousing options across the city to move their goods swiftly.

Key features of the road network system are⁴⁸:

- Six land boundary crossing points between Hong Kong and mainland China, enabling access for manufactured or imported goods
- Harbour-crossing tunnels and highways established to deliver products to all locations within Hong Kong
- 15 prime ramp-up logistics buildings to provide prime cold-storage, logistics and warehousing services

⁴⁶ Data of September 2021, MTR Corporation Limited official website

⁴⁷ Our Network; MTR Corporation Limited Interim Report 2022

⁴⁸ Logistics Industry in Hong Kong, Hong Kong Trade Development Council (HKTDCC)

Hong Kong is an aviation hub

Hong Kong has a consistently high annual volume of visitors and air traffic. The award-winning HKIA was the world's busiest air cargo gateway and the world's fourth busiest international passenger airport in 2018⁴⁹:

- >74.6 Mn passengers
- 428,000 flights
- Around 120 airlines servicing over 220 destinations worldwide

Hong Kong can sign air services agreements (ASAs) with its aviation partners, which offer flexibility to expand air passengers and cargo business. Hong Kong has 67 aviation partners and about 50 out of 140 countries along the Belt and Road corridors have signed ASAs⁵⁰.

In 2024, the Third Runway System will start to operate, further increasing HKIA's capacity to handle up to 100 Mn passengers and 9 Mn tonnes of cargo annually⁵¹.

Scan this QR code
for more details
about the Third
Runway System



⁴⁹ Air Traffic Statistics in 2018, Civil Aviation Department

⁵⁰ International Aviation Hub, 2021 Policy Address (October 2021)

⁵¹ International Aviation Hub, 2021 Policy Address (October 2021)

4

Global Trendsetter

4.1 O2O and retail

Online-to-offline (O2O) commerce is a business strategy designed to bring potential customers from online channels to physical stores to make a purchase. It brings people from Instagram, email, and digital ads to a brick-and-mortar store⁵².

E-commerce has grown rapidly around the world but many online-to-offline businesses still find their physical shops to be highly effective in promoting their brands to walk-in customers, because of:

- Able to focus on their target customers for better brand experience; and
- Increased connectivity with their existing customer base

In 2021, non-store retailing online retail sales value had recorded an increase of +29.7% YoY⁵³.

For example, one local e-shopping platform provides a “one-stop-shop” platform for customers to order groceries online. Between 2020 and 2021, a surge in demand saw their number of shops and customers increase from 68 to 93 and 681,000 to 845,000 respectively. The company’s Gross Merchandise Volume on completed orders grew by 11.1% between 2020 and 2021, from US\$750 Mn to US\$830 Mn. The increasing level of acceptance by the population of O2O shopping has become the main driver for this growth.

It is expected Hong Kong to likely remain a “brick-and mortar top shopping destination” for the foreseeable future. A white paper by e-commerce platform Shoptline reflects this as a trend, revealing that over half of Hong Kong merchants on the platform already have physical stores, whilst over a fifth or 21.6% are planning to set up one in the future. Similarly, 20% of its merchants are planing to focus on O2O as part of their future plans in the long term, such as opening pop-up stores.

Colliers' Tip:

Another advantage of a click and collect service is that a retailer can capture this revenue online, while providing customers with a convenient pick-up service, but usually does not need to share this revenue with their landlord.

⁵² <https://en.shopify.hk/enterprise/o2o-online-to-offline-commerce>

⁵³ Retail sales by type of retail outlets in 2021 (Provisional figures), Census and Statistics Department

4.2 Pop-Ups

A pop-up store strategy is a good example of how Hong Kong retailers have innovated to attract shoppers.

Most shopping malls and high streets have pop-up store space. Retailers can choose their ideal location by looking at the trade mix of a mall that has the same type of consumers they want to target. Pop-up stores within high-street shops will be subject to whether landlords can accept more flexible terms and adjusted rents.

Pop-up stores increase brand awareness and bring new and enticing images to new and existing customers. Luxury, fashion, lifestyle, art, toys and figures, ath-leisure brands and all sorts of collaborations and collections of goods all use them for promotion and launch strategies. Landlords can use them to:

- Leverage their existing podium and business-allowable free space;
- Test out new trades and elements and commercial viability;
- Increase excitement and draw a new and consistent traffic flow to their malls and outlets; and
- Additional space for existing retailers with insufficient room to sell their products in their own shops.

4.3 Continued Expansion of Retailers

Throughout 2021, many smart-technology brands increased their presence in Hong Kong. One of the tech accessories retailer had opened eight shops between 2020 to mid-2022. One in seven Hong Kong millennials (typically those aged between 26 and 40 years old) owns their smart-technology products.



Case study 1

A Japanese speciality retailer opened its first store in Hong Kong in 2019 and has added eight more since then. The annual results of the brand's parent company for the year ending 30 June 2021 showed that Hong Kong had contributed approximately 40% (US\$190.5 Mn) of the company's total revenue in Asia. This remarkable growth demonstrated the importance of the city to their business strategy. The strong level of acceptance of overseas products and the power of local consumers are the key drivers of this particular retailer's success in Hong Kong.



Case study 2

A French sporting goods retailer has successfully expanded its presence with another eight shops in both prime and neighbourhood districts since its first shops opened in Causeway Bay and Mong Kok. Between 2019 and 2021, the company added approximately 95,000sq. ft. to its retail shop area in Hong Kong.



Setting up in Hong Kong



Hong Kong's stable and mature business environment makes it easy to open a retail business.

This section highlights retailers' leasing options when moving into Hong Kong for the first time. It is vital to understand all the constituent elements of the leasing process, including what to be aware of when signing a lease agreement.

5.1 Your options

A retailer has one decision to make when leasing a store in Hong Kong; shopping mall or high street. It will make its decision based on trade mix, price point, target customers and the strength of its brand. The characteristics of each, as well as their pros and cons, are set out below:

Characteristics of High Streets and Malls:

	High Street	VS	Mall
Landlord Type	Developers, funds and families own most of the prime high-street shops in the significant retail districts		Prime shopping malls are usually owned by funds or major developers
Rent	Rent payable for high-street space is always on base rent		Premier shopping malls either charge a base rent or turnover rent, whichever is higher
Design	Generally allows maximum flexibility on façade & shopfront design and signage size		Retailers are required to follow stringent shopfront or signage design guidelines from the landlords



Pros and cons:

Pros

- | High Street | Mall |
|---|--|
| <ul style="list-style-type: none"> • Favourable to young brands as track record is irrelevant; the ability to secure space is purely subject to availability and budget • Excellent visibility for a flagship store to create brand recall • Convenient for individual, onsite shoppers • Much lower management fees compared to mall management fees • Curb side or private parking • Stock drop-off to your doorstep may be available • More exclusivity for one brand, avoiding customer-poaching by competitors • More flexible operating hours | <ul style="list-style-type: none"> • Groups, families and even staff will appreciate the concentration of entertainment facilities, amenities, F&B, and possibly even parking space • Precise mall positioning, zoning and trade mix in which you will always know your neighbours and customers • Existing high, stable footfall attracted by marketing activities and anchor tenants • High level of security, tenant and property management • Frequent marketing promotional events within the premises • Relatively more stable and negotiable rent level • More secure utility supply • Potentially lower vacancy rate under high portfolio landlord or developer • Excellent indoor environment can ensure footfall, especially during monsoon season, hot and humid weather |
| <h3>Cons</h3> <ul style="list-style-type: none"> • High competition for space • Uncertainty about neighbour vacancies and tenant mix • All marketing and promotional plans require to be self-managed • Need to pay attention to building usage laws; most building works require licensing, which might call for professional advice • Need to verify utility supply is consistent and sufficient • The building might be old and in need of structural or technical work | <ul style="list-style-type: none"> • High management fees • High cost for deliveries and transporting stock to shop • Cannot avoid competition • Usually requires proven track record or high-profile business operation • May take longer to confirm shop fitout with the landlord as developers need to "approve" tenant's initial design and fitout plans |

Cons

VS

Many retailers treat having a high street shop as a marketing cost as it enables them to establish a presence, even if there are more things to consider when making this choice. A high street shop can also be a good option for retailers who want to create impactful visibility around their brand when they first come to Hong Kong.



Colliers' Tip:

Register your company as soon as possible to obtain relevant licences and to be eligible for limited liability and advantageous tax rates.



Colliers' Tip:

Setting up a warehouse or engaging a logistics partner is essential for the stock management of your store. Many conveniently located industrial districts are available.

5.2 Setting up your retail business

Hong Kong has a strong ecosystem of professional services firms, such as property agencies, law and accountancy firms, to advise you on and manage all aspects of setting up a business, including securing your first premises.

For the property itself, this will include market mapping, inspections, negotiations, background checks, building compliance, documentation, and more. A property agency can advise you on suitable locations, rents and size depending on your business strategy.

Hong Kong has a significant talent pool of multilingual and experienced sales and management staff to support your operations, including 262,600 working in retail⁵⁴

Another aspect is the storage of goods. Finding a convenient warehouse and managing the inventory will help your operations.

5.3 Before you sign the lease

Once you have decided to lease a shop, you will need to sign a tenancy agreement with the landlord. This is typically for an initial two- or three-year period. These are some of the specifics that new entrants to Hong Kong should pay attention to:

Legal Documentation

The tenancy agreement, which is a secure and legally binding document under Hong Kong law, will usually be in English, along with Chinese, the territory's other official language. It sets out the rights and obligations of both parties. The tenancy agreement will cover:

- Use of premises and any restrictions
- The contract terms, commencement date, expiry date and any options to renew
- Payment terms including the rent, management fees, government rates
- Deposits usually cover three months' rent, management fees and government rates, paid upfront in the form of a security deposit plus one month's rent as "advance payment"

Rent and management fees (if any) adjustment and review terms

- Premises maintenance liability
- Public liability insurance
- Utilities and relevant deposits
- Miscellaneous payments
- Changes in rent under any options or rent review
- Break clauses

⁵⁴ Number of employed persons by industry and occupation (Second Quarter 2021), Census and Statistics Department

Leasing in a mall

Leasing a retail outlet within a mall has a number of pros and cons. In addition to what was in the table on a previous page, things to pay attention to include:

House rules and fitting out guide

- Approval of the fitout and design layout before renovation
- Promotional levies, both deposit and ongoing
- Property and tenant management practices

Leasing a high street shop

Leasing a shop on the high street usually means lower management fees than those in shopping malls, however, you may need to pay more attention to:

- Whether the landlord is a long term real estate investor or a short term speculator (this may affect your renewal term)
- The pattern of ownership to determine the stability of your lease
- Structural and technical elements if the building is old
- The consistency and sufficiency of utility supplies to support your operation
- The usage guidelines for the building and premises and whether any additional licence is required to ensure your operation complies with them
- Ensuring you do not carry out any unauthorised building works to avoid any disputes

Negotiating with landlords

Landlords in Hong Kong will provide an asking rent and expect a tenant to make their own offer. The landlord's offer will include rent, a rent-free period, lease terms, management fees, government rates & rent, and promotion fees, if any, and will usually be made based upon recent market transactions, retail sales performance, pedestrian flow, trade and tenant mix, demographics, etc.

Expect to have a number of rounds of negotiations, unless the unit is in high demand, in which case you may need to accept close to the asking rent.

Retail rents are a combination of a base rent that changes to a turnover rent once an agreed sales threshold has been reached. Base rents will depend on a number of factors but primarily the popularity of the unit or location. Turnover rents will depend upon trade and traffic flow.

Colliers' Tip:

Break clauses include the length of the notice period, penalties, fees and liabilities. If a tenant exercises the break clause, they must deliver vacant possession – free of people and possessions. If the landlord breaks the lease, they may pay damages.



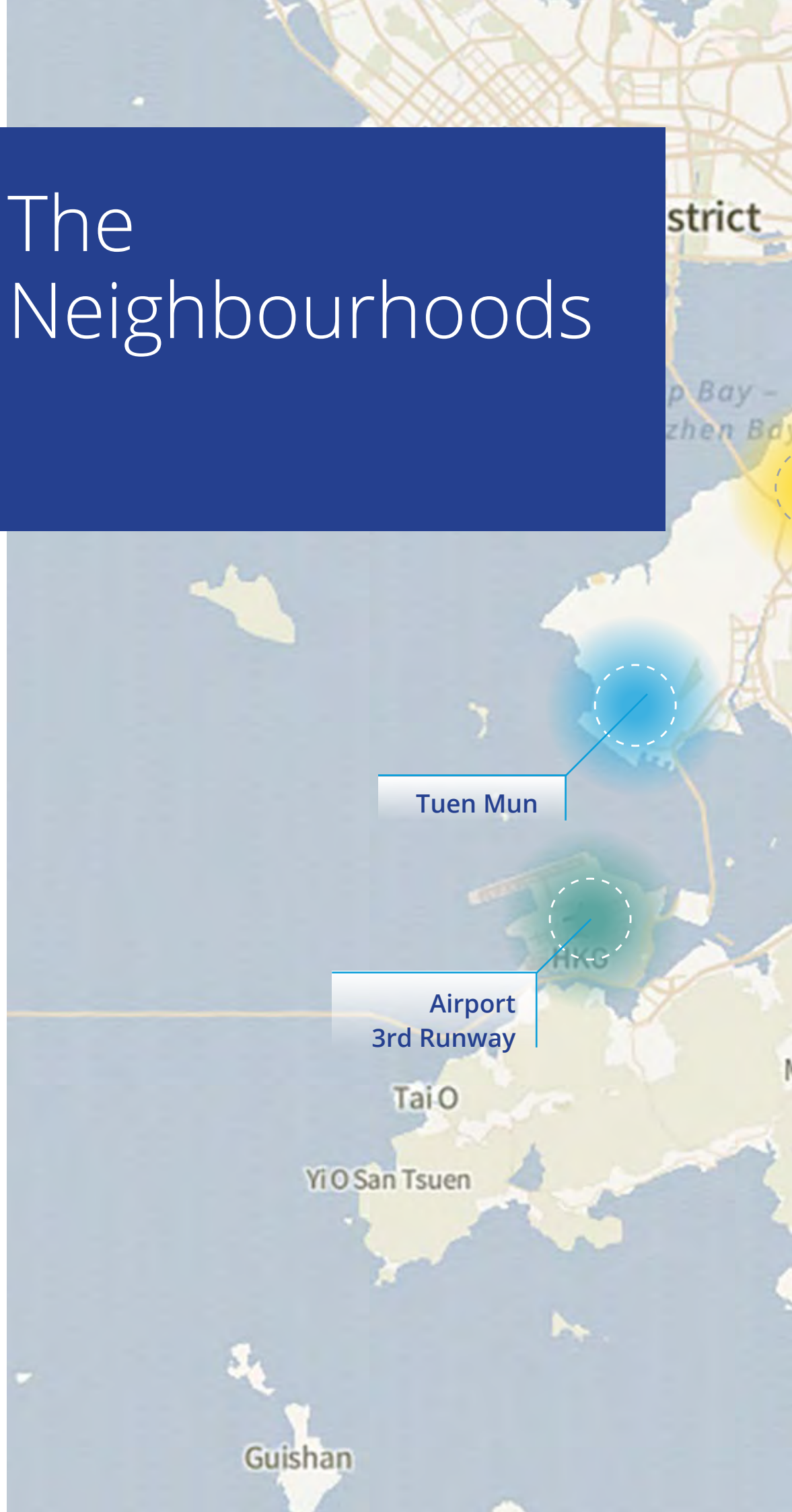
Colliers' Tip:

Hong Kong subtropical climate means heavy rainfall, humidity and heat, which makes well-connected and air-conditioned malls popular, especially in the summer months.





The Neighbourhoods





Colliers' Tip:

Despite the relatively high rents, retailers can expect to generate immense sales numbers due to amazing customer traffic.

Retailers will often look to open their first Hong Kong shop in one of the core shopping districts: Causeway Bay and Central on Hong Kong Island, and Tsim Sha Tsui and Mong Kok in Kowloon. This helps them establish a foundation to expand into other districts and malls more easily.

These areas are always teeming with tens of thousands of visitors, workers or residents, including from adjoining neighbourhoods. They are prime locations for retailers because of their ability to change constantly to meet the latest consumer needs. They are also focal points for tourism.

Hong Kong major shopping districts







6.1 The established districts

6.1.1 The Central business district

Introduction

Central was Hong Kong's first central business district (CBD), and is home to major international banks and financial services corporations and professional service providers, who are all willing to pay premium prices for the cachet of having offices there.

Central is home to more than 120 Grade A office buildings, the two most iconic being the 72-storey Bank of China Tower and the 1,362-ft. high Two International Finance Centre (Two ifc). The most significant luxury shopping malls are Landmark and International Finance Centre (ifc mall). The main shopping streets are Queen's Road Central and Des Voeux Road Central.

Major establishments in Central





Surrounding Central

Just above Central, in the direction of the residential neighbourhood of Mid-Levels, tourists and local consumers throng the heritage triangle of Central Market, PMQ (Police Married Quarters) and Tai Kwun, each with their own rich history and culture. The Shelley Street escalator, one of the longest in the world, moves people between Central and Mid-Levels quickly.

Not far from here is the SOHO (South of Hollywood Road) entertainment zone, including Lan Kwai Fong (LKF), Wyndham Street, Lyndhurst Terrace and the famous stone-paved Pottinger Street. They are full of bars and restaurants that serve local and international customers all day and long into the night.

Other attractions around Central are the Central Harbourfront Event Space and Observation Wheel and the Zoological and Botanical Gardens, Hong Kong's oldest park.

Demographics in Central⁵⁵

Key facts	
Working Environment	<ul style="list-style-type: none">• >120 Grade A commercial buildings, with a net floor area of more than 14.4 Mn sq. ft.• >240,000 strong workforce in Central and Western District of which 150,000 are finance, insurance or other professionals
Residential Development	<ul style="list-style-type: none">• Approximately 240,000 residents in Central and Western District• >17,000 people live in Mid-Levels East, more than half of them earn over US\$5,150 monthly⁵⁶• >140 housing estates in Mid-Levels Central
Tourism	<ul style="list-style-type: none">• > 10% of Hong Kong's 29.3 Mn overnight visitors in 2018 spent time in Lan Kwai Fong/SOHO• At least 55 hotels with 9,340 rooms available• An average of 11,000 overnight tourists have visited this area each day in previous years

Central has over 1,400 F&B outlets⁵⁷ with different price ranges and target customers to service the mixed and large population. Whether you are looking for a venue for an executive lunch meeting or a quick bite on your way to see a client, the multitude of F&B options will not disappoint you.

⁵⁵ Colliers, Census and Statistics Department (2021) and HKTB

⁵⁶ Census and Statistics Department (2016); latest related information is obtainable from 2016 data only

⁵⁷ Openrice (as of end of February 2022)

Accessibility in and around Central

As a transport hub, Central has excellent infrastructure that makes all areas of Hong Kong easily accessible via bus, tram, which has been going since 1904⁵⁸, ferry, which started in 1898⁵⁹, and the MTR. Central MTR station is connected to four railway lines, including the Airport Express, which only takes 24 minutes⁶⁰ to reach Hong Kong International Airport (HKIA). The recently completed Sha Tin to Central Link phase two will further enhance accessibility to the New Territories.

Almost 80,000 pedestrians use the Central Elevated Walkway, an extensive footbridge network spanning Admiralty, Central and parts of Sheung Wan, every day⁶¹. Heading north from its start on Queen's Road Central, its route takes people to and from the harbourfront and Star Ferry Pier, via several buildings including Central Market and numerous Grade A commercial buildings. Turning south towards Mid-Levels it passes up through SOHO and into Mid-Levels, the residential district that lies between Central and The Peak.

The heritage triangle – Central Market, PMQ and Tai Kwun

	Description
Central Market⁶²	Its Bauhaus structure developed in 1939 housed a wet market selling fresh produce and local services, but ceased operating in 2003. It re-opened in September 2021 as a revitalised "Playground for All" offering a whole new retail-tainment experience and tourist destination.
PMQ⁶³	The Police Married Quarters was built in 1951. Since its revitalisation, with the right to operate granted to a non-profit making social enterprise that is collaborating with local institutions, PMQ operates as a facility to showcase design and the arts, also comprising shops, designer or entrepreneur flats and food & beverage opportunities.
Tai Kwun⁶⁴	The Hong Kong Jockey Club and the Government of the HKSAR jointly operate the renovated former Central Magistracy, Central Police Station of Hong Kong and Victoria Prison on a non-profit basis. It is now a retail and entertainment location, and also includes a museum portraying the colonial history of the site, and showcasing arts, heritage, culture and lifestyle in Hong Kong.

⁵⁸ HK Tramways official website

⁵⁹ Since the Star Ferry Company became a public company (Star Ferry official website)

⁶⁰ Hong Kong Airport official website

⁶¹ Transport Department Survey, 2016

⁶² Central Market official website

⁶³ PMQ official website

⁶⁴ Tai Kwun official website



Retail opportunities in Central

All kinds of consumers frequent Central, making it an area of great appeal to any retailer. High-income professionals, expatriates, visitors and local residents avail of the work, tourism and cultural opportunities and established nightlife. Whether you are selling home living & lifestyle products, jewellery, luxury goods or daily necessities, you can always find the right consumers in Central.

The diverse and cosmopolitan nature of the population means that retail leasing in and around Central is very active and retailers compete aggressively to secure outlets. Key opportunities in Central are:

1. Landmark and IFC shopping malls
2. First-tier high streets for luxury brands
3. Second-tier high streets for lifestyle and F&B
4. Art-orientated, niche retail and entertainment sites in the surrounding neighbourhoods

Future opportunities in Central

In addition to the existing infrastructure and retail clusters, several commercial developments due to be completed between 2023 and 2027 will positively impact the retail scene in Central. The most significant include:

1. The Henderson (2023)⁶⁵

Designed by Zaha Hadid Architects, The Henderson is a 36-storey commercial building standing 190m tall. Christies, the world-famous auction house, announced in July 2021 that it will relocate its Asia-Pacific headquarters, comprising gallery space, auction rooms and offices there⁶⁶.

2. Cheung Kong Center II (2023)⁶⁷

This 41-storey Grade A office building, together with The Henderson development nearby, will shift the Central's core towards Admiralty, allowing greater pedestrian flow between the two districts.

3. New Central Harbourfront Site 3 (2027-2032)⁶⁸

Comprising over 1.6m sq. ft. of office and retail space and other community areas, this will be a mega commercial complex connecting the harbourfront with Central and creating a super-retail-triangle together with the IFC and Landmark shopping malls.

⁶⁵ The Henderson, Henderson Land Development Company Limited official website

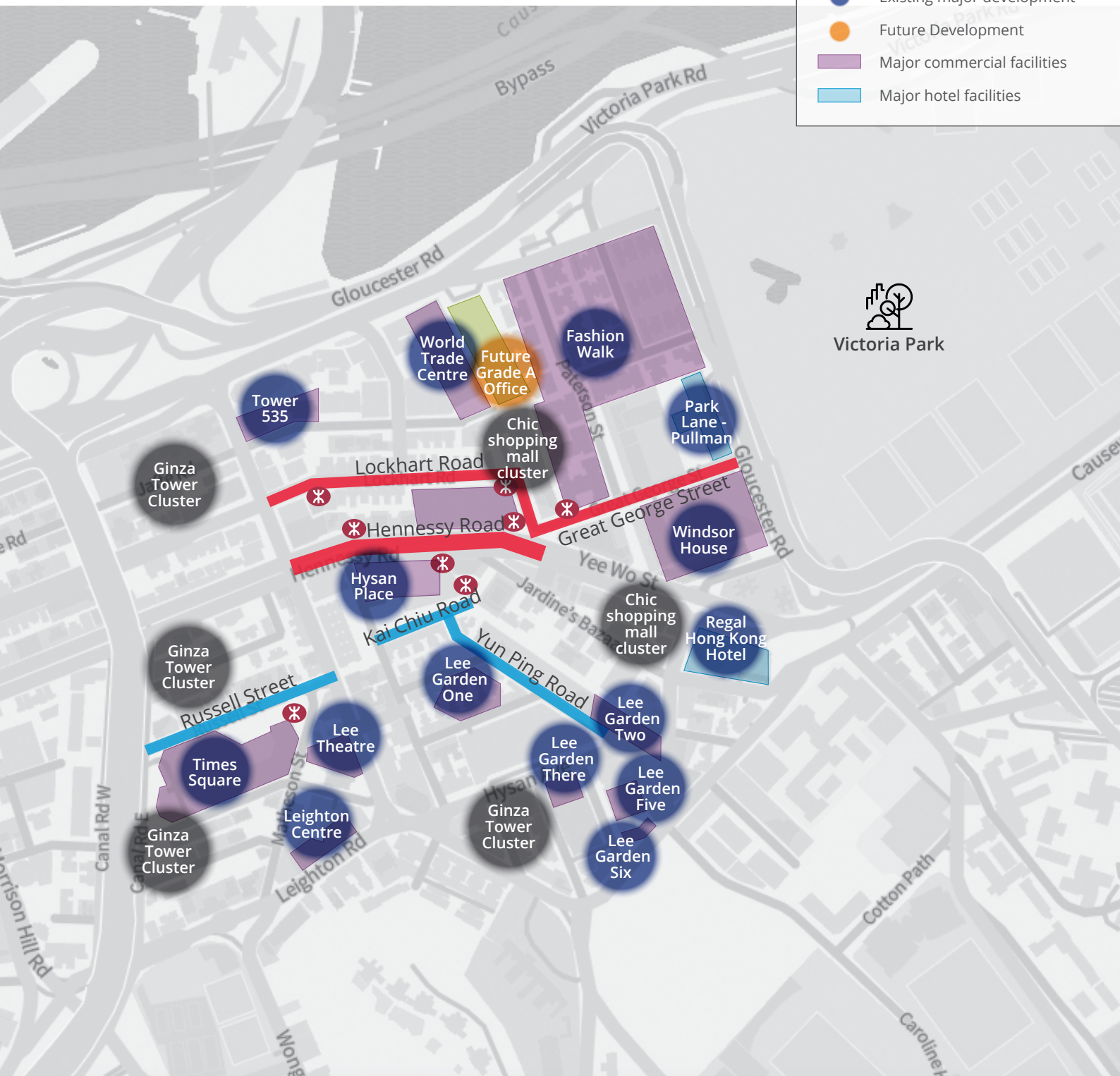
⁶⁶ Christie's announces new Asia Pacific headquarters at 'The Henderson' in Hong Kong Opening in 2024; <https://www.christies.com/features/Christies-New-Asia-Pacific-Headquarters-at-The-Henderson-11781-1.aspx>

⁶⁷ Hello, Cheung Kong Center 2.0; <https://www.ejinsight.com/eji/article/id/1907082/20180803-Hello-Cheung-Kong-Center-2-0>

⁶⁸ Tender awarded for Site 3 of New Central Harbourfront; <https://www.info.gov.hk/gia/general/202111/03/P2021110300605.htm>

6.1.2 Causeway Bay prime shopping district

Major establishments in Causeway Bay





Introduction

Causeway Bay, a part of the Wan Chai district, is considered the heart of Hong Kong's retail scene. Discerning shoppers rarely miss the opportunity to explore the retail offerings in this mix of old and new buildings where luxury brands sit side by side with mom-and-pop stores.

Established brands want to ensure they have a presence on Causeway Bay's main streets and malls, so it's not unusual for some of them to have several branches within walking distance of each other. The area's over 1,200 F&B outlets and cafes help to keep its retail scene going all day long.

The table below summarises some of the key demographic information and facts about Wan Chai District⁶⁹ :

Key facts	
Working Environment	<ul style="list-style-type: none">Wan Chai District has a working population of about 96,000
Residential Development	<ul style="list-style-type: none">About 167,000 people live in the whole of Wan Chai DistrictAbout 200 residential estates
Tourism	<ul style="list-style-type: none">Wan Chai District has 20,709 hotel rooms⁷⁰Overnight visitors have ranked it among the five most popular shopping districts in Hong Kong⁷¹

Tourism in Causeway Bay

Several regular events consistently draw crowds, maintaining the area's reputation as a tourist magnet:

1. Happy Valley Racecourse draws enthusiastic Wednesday night crowds to see many of the world's best horses, jockeys and trainers in action every week.
2. Victoria Park, the largest park on Hong Kong Island, offers a chance to chill, meet friends and exercise. It is home to ancient trees and various outdoor sporting facilities. The park hosts an annual flower expo and other crowd-pleasers such as a Chinese New Year fair.

⁶⁹ Colliers, Census and Statistics Department (2021) and HKTB

⁷⁰ Hong Kong HKTB (as of 2021)

⁷¹ A Statistical Review of Hong Kong Tourism 2018, Partnernet, HKTB

Accessibility around Causeway Bay

People who wish to get to Causeway Bay are spoilt for choice – buses operate to and from all major districts and the Causeway Bay MTR station offers travellers a variety of exits that take them to all the retail hotspots.

Hong Kong's beloved “ding-dings” or trams are another option. They move steadily along the north shore of Hong Kong Island, from Kennedy Town to Shau Kei Wan, connecting the main shopping districts along its routes, including Causeway Bay.

Retail opportunities in Causeway Bay

Causeway Bay has over 10 prime shopping malls connected by a labyrinth of streets offering a wide variety of retail opportunities both on the ground and at height. Major buildings can offer flagship type shops, including shopping malls, which can be a single ground floor or multi-floors (from Ground Floor up to 3rd Floor) with full curtainwall façade for major fashion, life-style, sports and luxury brands; therefore, Causeway Bay is a popular location for brands making their debut in Hong Kong. A large number of vertical commercial buildings have licences for F&B offerings that make them convenient for new outlets.

Future opportunities in Causeway Bay

Overlooking the Noonday Gun and Causeway Bay Typhoon Shelter, the former Excelsior Hotel site will deliver 680,000 sq. ft. of new Grade A office space in the coming years. Adjacent to the World Trade Centre and with a pedestrian way connecting it to the SOGO department store, the new complex will enhance Causeway Bay's position as Hong Kong's main multi-functional shopping district.

6.1.3 Tsim Sha Tsui, popular with international visitors and locals

Major establishments in Tsim Sha Tsui



Introduction

Across Victoria Harbour, forming a cape on the Kowloon peninsula, Tsim Sha Tsui (TST) is a key destination for the international visitors who come here to pick up electronics, jewellery and high-end fashion as well as to enjoy gourmet dining experiences. To add to the experience, they can walk along the waterfront to take in the world's largest permanent light show and have their photographs taken against the world-famous Hong Kong skyline.

TST, as it is affectionately known, is part of the Yau Tsim Mong District, Kowloon's core urban area. The first road in Kowloon, Nathan Road, connects it on a North-South axis, running from the Star Ferry pier in the south to Boundary Street in the north.

Visitors can find a kaleidoscope of tourist and retail attractions in this area, including the 1881 Heritage project, The Peninsula Hotel, The Old Kowloon Canton Railway Clock Tower, Kowloon Park, Temple Street and Ladies Markets and the famous Sai Ying Choi Street in Mong Kok.

Canton Road is parallel to Nathan Road and it is here that shoppers will find Hong Kong's largest mall, Harbour City. Several hotels are dotted along Canton Road, which is the main focal point for shopping within the TST district and so a key location for retailers wanting to launch their brand in Hong Kong. Running south to north between the Star Ferry pier and China Hong Kong City Ferry terminal, the road has approximately 2.1 Mn sq. ft.⁷² of retail and F&B outlets.

To the east, is the equally well established tourist area of TST East, with its hotels and retail opportunities. More focused on tourist retail, restaurants and spas, this is the entertainment area of TST. An underground subway system makes access easy and efficient but it can also be reached at ground level.

⁷² Harbour City official website

Colliers' Tip:

Retailers selling products with art and experiential elements could find Tsim Sha Tsui to be an unmissable location because of the existing connections with the arts venues in the area.



Key facts and demographics about Yau Tsim Mong⁷³

Key facts	
Working Environment	<ul style="list-style-type: none">• More than 9 Mn sq. ft. GFA (gross floor area) of Grade A office space• About 31.2% of the working population are professionals, compared to 27.5% in Hong Kong overall: ⁷⁴
Demographics	<ul style="list-style-type: none">• More than 310,000 people live in Yau Tsim Mong
Tourism	<ul style="list-style-type: none">• About 60 hotels offering 19,185 rooms⁷⁵• About 45% of 29 Mn overnight visitors to Hong Kong in 2018 went to Tsim Sha Tsui⁷⁶

Cultural activities in Kowloon

To the west of TST, on the reclaimed land created to access Hong Kong International Airport (HKIA), lies the West Kowloon Cultural District. The museums, other cultural venues and commercial elements there solidify Hong Kong's position as a globally recognised arts and culture centre.

Scan this QR code for more details about West Kowloon Cultural District.



Tourism within TST

With a multitude of hotels and serviced apartments, tourists have plenty of accommodation choices, enabling them to move around the district efficiently, to avail of all the shopping, dining, entertainment and social media photo opportunities TST has to offer.

Visitors have rated TST as the most popular shopping district in Hong Kong.

⁷³ Colliers, Census and Statistics Department (2021) and HKTB

⁷⁴ Census and Statistics Department (2016); latest related information is obtainable from 2016 data only

⁷⁵ HKTB (2021)

⁷⁶ A Statistical Review of Hong Kong Tourism 2018, Partnernet, HKTB

Accessibility around TST

You can get to TST from the major CBD districts of Admiralty and Central in Hong Kong Island via:

1. The Star Ferry in 8-10 minutes
2. MTR: the harbour crossing from Admiralty takes five minutes
3. Driving through the Western Harbour Tunnel gets you there in fifteen minutes

Passengers from the northwest of the city, the New Territories and Shenzhen can also get to TST MTR station conveniently via the multiple MTR service lines.


On the west of TST, Kowloon Station is the first stop from Central on both the Airport Express line to HKIA and the Central to Tung Chung commuter line. Above Kowloon station is The Elements shopping mall and above the mall is a mixture of residential, hotel and serviced apartments. Totalling 10 Mn sq. ft. the overall project boasts one of the highest hotels in the world as well as being connected to the new High Speed Rail Link into mainland China and the West Kowloon Cultural District, an emerging location that will be discussed in section 6.3.2 in the coming page.

Retail opportunities in TST

An unmissable shopping zone for tourists is only one part of TST's story. It also has its own well-established CBD. Retailers that choose to set up in TST will benefit from a diverse and large number of pedestrians. The district has a number of prime shopping malls, some linked to high-end hotels, together with a wide variety of streets that are highly popular with both locals and tourists.

Future opportunities in TST

The former InterContinental Hong Kong hotel on Salisbury Road, which is attached to the K11 MUSEA shopping mall and Rosewood Hotel complex, is undergoing refurbishment and will reopen as the Regent Hong Kong to provide another accommodation option for visitors and a driver of demand for retail opportunities across TST.



Some of the well-known retail, dining and entertainment locations in the area are:

iSquare

iSQUARE is a 31-storey complex at the junction of Nathan Road and Peking Road. A number of transport options make it accessible from anywhere in Hong Kong. It offers 56,000 square metres of space, with renowned watches & jewellery, fashion & accessories, beauty & health, lifestyle & entertainment brands. It also has a supermarket and a department store. Its cinema houses a total of five grand cineplexes, including the largest IMAX® theatre in Hong Kong. iSQUARE is also home to multinational fine dining restaurants.

SOGO

SOGO has the largest Japanese-style department stores in Hong Kong. It attracts both local Hong Kong people and international tourists alike to its range of outlets that include beauty, housewares & lifestyle, electrical appliances and sports & fitness, as well as a freshmart. Its TST store is on Nathan Road with MTR, bus and minibus stops nearby.

H Zentre

H Zentre on Middle Road in TST incorporates retail, dining and wellness in the one building, including purpose-built facilities for medical centres and clinics. It is also well connected to MTR stations and is not far from the Star Ferry and a range of tourist and cultural must-sees.

6.1.4 Mong Kok for the local consumer

Major establishments in Mong Kok





Mong Kok means “crowded corner” in Cantonese. This reflects the area’s reputation as one of the busiest and most dense commercial districts in Kowloon.

Bright neon shop signs, a mix of historic and modern buildings and numerous local markets bring in flocks of locals and tourists.

Bounded by Pitt Street, Ferry Street, Boundary Street and the MTR’s East Rail Line, Mong Kok is one of Hong Kong’s major historical shopping districts with a distinctly local vibe.

The most famous streets for retail in the district, and still extremely vibrant and popular, are Sai Ying Choi and Shanghai Streets, which offer a wide variety of mid-priced goods and services. Lifestyle, F&B and medical beauty outlets are all prominent in this area.

Some interesting facts regarding the district’s demographics⁷⁷ are listed as below:

Key facts	
Working Environment	<ul style="list-style-type: none">• Over 1.1 million square feet GFA of Grade A office space• It is a service-oriented working area
Residential Development	<ul style="list-style-type: none">• A neighbourhood dense with local residents.
Tourism	<ul style="list-style-type: none">• Yau Ma Tei and Mong Kok have about 46 hotels and 7,457 rooms• About 29% of Hong Kong’s 29 million overnight visitors in 2018 came to Mong Kok⁷⁸

⁷⁷ Colliers, Census and Statistics Department (2021) and HKTB

⁷⁸ Census and Statistics Department (2016); latest related information is obtainable from 2016 data only

Key destinations for specialty shopping:

- Flower Market
- Goldfish Market
- Temple Street
- Ladies' Market
- "Sneaker Street" on Tung Choi Street

Accessibility in Mong kok

To service locals and non-residents alike, Mong Kok has a comprehensive network of buses, taxis and the MTR to connect people to the rest of Hong Kong.

Retail opportunities in Mong kok

Retailers, especially those targeting millennial and Gen Z consumers, will usually explore opportunities in Langham Place, Gala Place, the Forest and TOP. Given that Mong Kok has a local vibe, brands usually expand into this area rather making it their first venture in the Hong Kong market.

Retailers who target young, local consumers find the streets of Mong Kok the best place to expand and benefit from the large number of local pedestrians there.

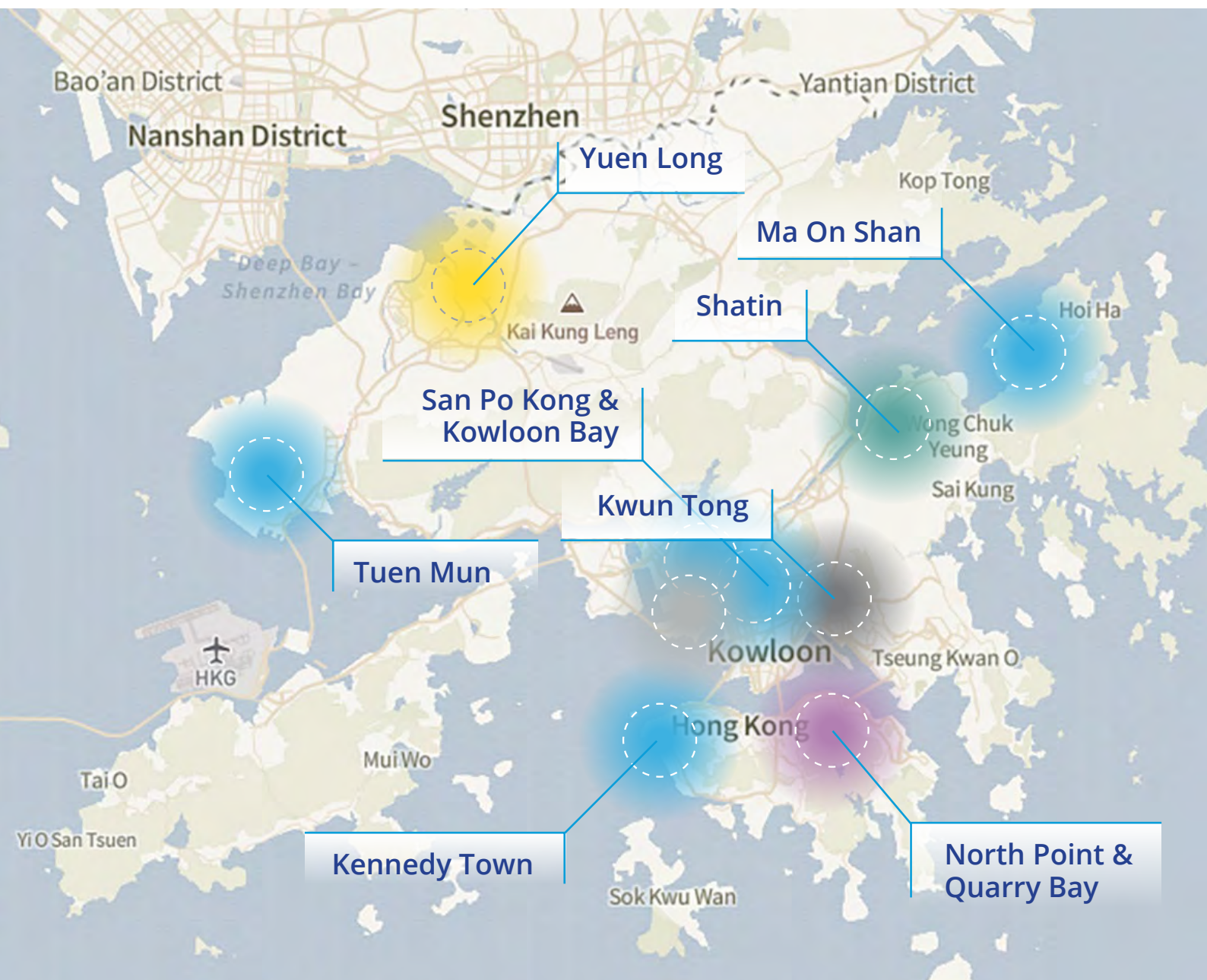
Future opportunities in Mong Kok - Sai Yee Street Redevelopment

East of Nathan Road, the Sai Yee Street area is undergoing large scale redevelopment. With an expected floor area of 1.3 Mn sq. ft., this complex will be connected to the MTR's Shatin to Central Link, which will bring consumers from both Hong Kong Island and the New Territories. A planned pedestrian footbridge extension between Sai Yee Street and the Western waterfront via the TOP and Langham Place malls, will further strengthen connectivity and offer greater retail opportunities.

6.2 The emerging neighbourhoods

In addition to the districts described above, an active urban revitalisation and new development programme is raising the profile of Hong Kong's numerous emerging neighbourhoods that have retail podiums and malls, including home living, fast fashion, daily necessities and F&B.

Emerging neighbourhoods in Hong Kong



6.2.1 North Point

North Point is an established district with a residential focus on Hong Kong Island. Retailers should look at what the area has to offer, if they haven't done so already, because the numerous residential and commercial developments along the harbourfront, have attracted a new working population that has redefined the overall value proposition of this old district for retailers.

6.2.2 Quarry Bay

Along from North Point is Quarry Bay, a decentralised office district developed out of the old sugar refinery and dockyards that dominated this area in the past. Now an established decentralised CBD in its own right, Quarry Bay is also a key retail destination for brands targeting professional services consumers as well as middle income residents. The recent opening of the Central to Wan Chai Bypass and Island Eastern Corridor Link, makes it accessible from Central within minutes.

6.2.3 Kennedy Town

After a decade of revitalisation, the western end of Hong Kong Island — the area between Sai Ying Pun and Kennedy Town — is now an established mid- to high-end residential district. This neighbourhood is a hotspot for young professionals, expatriates and families because of its proximity to Central CBD.

The continuing harbourfront revitalisation scheme⁷⁹ will create more public space and connect Kennedy Town to Quarry Bay, creating more and more opportunities for retailers.

6.2.4 San Po Kong

A continued revitalisation scheme has replaced the old manufacturing days of this industrial area in Kowloon with new apartments. Its emergence as a second-tier commercial area makes it a prime prospect for retailers that want to expand their presence in Hong Kong.

⁷⁹ Central & Western District; Home Affairs Department - Central and Western District (had.gov.hk)



6.2.5 Kowloon Bay

Kowloon Bay is one of the earliest revitalised neighbourhoods in the Kowloon East area. It comprises 6.7 Mn sq. ft. GFA⁸⁰ worth of grade A office space and over 100,000 people^{81 82} Kwun Tong District's population of 686,700 sustains the traffic flow of existing mega retail facilities including Megabox (1.1Mn sq. ft. retail floor area⁸⁴) and Telford Plaza (more than 930,000 sq. ft.⁸⁵). In the short to mid-term, the new Kai Tak commercial and residential development and the redevelopment of Kowloon Bay International Trade & Exhibition Centre (KITEC) into a mega-scale commercial development (up to 2.87 Mn sq. ft. GFA) will help to increase both the transient and permanent population, enhancing the overall retail and commercial potential of Kowloon Bay.

6.2.6 Kwun Tong

Situated in the eastern part of Kowloon, this also used to be a dense industrial area. The potential of Kwun Tong as another decentralised CBD district offers interesting retail opportunities and commercial spaces for showrooms.

6.2.7 Tuen Mun New Town

Over 500,000⁸⁵ people live in this district now which has created a surge in demand for retail services. Several new infrastructure projects including the Tuen Mun-Chek Lap Kok Tunnel (connecting to the airport) and Tuen Ma MTR line have greatly enhanced the connectivity of Tuen Mun and the Northern New Territories and increased the number of people visiting this residential neighbourhood.

⁸⁰ Colliers Research (March, 2022)

⁸¹ 2016 Population By-census Statistics, Census and Statistics Department (2016)

⁸² Population and household statistics analysed by District Council District 2020, Census and Statistics Department

⁸³ Megabox official website

⁸⁴ Telford Plaza official website

⁸⁵ Census and Statistics Department (2021)

6.2.8 Ma On Shan

This has become a new hotspot in the Northern New Territories in recent years. The mix of mid-high private residential developments and subsidised government housing gives it a mixed population of more than 200,000⁸⁶ according to the 2021 by-census. The opening of the Tuen Ma MTR line and new residential developments that are about to be completed suggests this new town will continue to add residents and hence, drive strong demand for retail and local F&B offerings.

6.2.9 Yuen Long

New developments have added significant numbers of residents over the past few years to this district, attracting many retailers to explore the opportunities.

6.2.10 Shatin

This district, with a population of over 690,000⁸⁷, is along the East Rail line. This route provides access to Lo Wu and Lok Ma Chau stations and boundary crossing points (BCPs) to Shenzhen in mainland China. It is one of the hottest destinations for same-day shoppers and visitors from mainland China. The main retail locations are New Town Plaza and Citylink Plaza.

⁸⁶ Table E2021H; 2021 population census - main table (new town) Census and Statistics Department

⁸⁷ Census and Statistics Department (2021)



6.3 Upcoming districts or locations

Hong Kong is continuously developing new sites to attract local and visiting shoppers alike, reinforcing its reputation as a world-class destination for retail. Hong Kong's developers are due to complete more than 5 Mn sq. ft. of prime retail space before the end of 2025. Negotiating space in these neighbourhoods at the right time will be critical to a retailer's success. Below is a preview of what is to come.

Upcoming major projects and districts in Hong Kong



6.3.1 3rd Runway – 11 Skies

New World Development's 11 Skies project⁸⁸ is part of the expansion of HKIA. At 2.66 Mn sq. ft., it will be the Hong Kong's largest retail (including medical and beauty facilities), dining and entertainment hub, offering opportunities for merchants wishing to target mainland consumers or mainland brands targeting international customers. 11 Skies is due to open in phases starting from 2022. This district will be connected to the western Greater Bay Area via the Hong Kong-Zhuhai-Macau road bridge, within Tuen Mun-Chek Lap Kok Link. 11 SKIES will benefit from the high volume of passengers who travel through Hong Kong International Airport, which recorded 71.5 Mn last year, and the 86 Mn people residing in the Greater Bay Area (the GBA)⁸⁹.



6.3.2 West Kowloon Cultural District⁹⁰

To facilitate the growth of arts and culture, the Hong Kong Government has developed the West Kowloon Cultural District (WKCD) in TST. The mega project covers more than 40 hectares of reclaimed land and offers more than 8 Mn sq. ft. of offices, retail, open space and arts and culture facilities such as M+, Asia's first global museum of contemporary visual culture, the Palace Museum, which exhibits over 900 priceless treasures from the Palace Museum in Beijing, and the harbourfront promenade area. It will strengthen TST's position as Hong Kong's most popular tourist district and a prime destination in its own right, boosting the number of pedestrian visitors to the area. The government has approved developing up to 20% of the total gross floor area (the GFA) as retail dining and entertainment (the RDE).

An increasingly diverse workforce, residents, and visitors will support the WKCD. It connects to Kowloon Station for the Airport Express Line and West Kowloon Station for the Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL), bringing in a flow of international and mainland visitors. The rail connects Hong Kong to 58 mainland stations without interchange.

⁸⁸ A Game-Changing Retailtainment Destination; <https://www.11-skies.com/>

⁸⁹ <http://www.asiaworld-expo.com/en-us/visiting/around-awe/skycity/>

⁹⁰ Town Planning Board

The WKCD will form a high-density business district. Some of the existing residential clusters and The Elements – a high-tier mega shopping mall offering about 1 Mn sq. ft. of retail space – will be linked to a future retail, dining and entertainment development to synergise retail and become a new focal point for merchants. The comprehensive development will undoubtedly boost the area's permanent and transient population.⁹¹

6.3.3 Wong Chuk Hang⁹²

Wong Chuk Hang, in the south of Hong Kong Island, is considered an emerging district thanks to the government's revitalisation and urbanisation initiatives. These include repositioning the Ocean Park theme park as a new resort and leisure attraction, opening of the Water World, transforming old industrial buildings into commercial spaces to form a new commercial district; and building the Wong Chuk Hang MTR Station residential development.

The commercial and tourism development will see the area's permanent and transient population swell, offering new opportunities to retailers, who will be able to avail of the more than 500,000 sq. ft. in retail space under development.

⁹¹ Colliers – Residential developments include The Harbourside, The Arch, The Waterfront, The Cullinan and Sorrento.

⁹² MTR Corporation, Ocean Park official websites

6.3.4 Kai Tak

The site of the previous international airport at Kai Tak is a significant part of CBD2 in Kowloon East. New developments, including new office buildings, the Kai Tak Sports Park, the Kai Tak Cruise Terminal, Runway Park and the Kwun Tong Promenade, along with improved infrastructure, are reshaping the area. In particular, the Kai Tak Sports Park will open in 2024. The main stadium will house up to 50,000 spectators and will become the venue for the flagship rugby event, the Hong Kong Sevens.

Scan this QR code for more details about the Kai Tak Development.



6.3.5 Northern Metropolis

This area located on the border with the mainland city of Shenzhen is a new city planned from scratch and based on growth, sustainability and liveability. It will be home to more than 2.5 Mn people and will dovetail with another of Hong Kong's massive long-term projects the Lantau Tomorrow Vision reclamation. The government is allocating HK\$100 Bn (US\$12.8 Bn) from its 2022/23 Budget to expedite the implementation of infrastructure works relating to land, housing and transportation required.⁹³

Scan this QR code for more details about the Northern Metropolis Development Strategy.



⁹³ https://www.budget.gov.hk/2022/eng/pdf/Budget22-23_Eng_Leaflet.pdf



Greater Bay Area

Hong Kong's integration within the GBA in support of the region's economic development will increase cross-border collaboration, especially within the innovation and technology sectors. Leveraging its professional services sector, Hong Kong is an international gateway for the free flow of people, goods, capital and information.

The GBA comprises the two Special Administrative Regions of Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province. This is a key strategic plan in China's development blueprint, having great significance for the country's implementation of innovation-driven development and commitment to reform and opening-up. The objectives of the GBA are to:

- Further deepen cooperation amongst Guangdong, Hong Kong and Macao, fully leveraging the composite advantages of the three places;
- facilitate in-depth integration within the region; and
- Promote coordinated regional economic development, with a view to developing an international first-class bay area for living, working and travelling.⁹⁴

GBA at glance⁹⁵



GDP

US\$ 1.668 Tn (2020)



Population

86 Mn (2020)



Land Area

56,000 km²

Scan this QR code
for more details
about the GBA.



To stimulate Hong Kong's business activities, the Hong Kong International Airport expedites clearance by providing integrated Electronic Data Interchange (EDI) linkage between the right major air cargo operators and the Customs and Excise Department.

This will:

- Allow pre-arrival customs clearance, covering all types of cargo down to the “house” air waybill level;
- Provide a “priority consignments” facility and automatic assignment of default constraint codes; and
- Enable authorised service providers to provide cross-boundary bonded truck services to mainland China

This efficient customs process will benefit retailers shifting and moving their goods within Hong Kong and to and from mainland China, adding to the fact that setting up a retail business in Hong Kong is not only simple and well-supported, it will also help retailers access the GBA conveniently.

Scan this QR code
for more details
about Hong Kong
International Airport.





Conclusion



Hong Kong represents a golden opportunity for retailers to build their brands and expand their product range over the next five years.

Hong Kong's retail market has significant mid-to-long term potential, backed by:

- Sustainable local consumer demand;
- An efficient business environment; and
- The opportunities presented within the GBA.

There has never been a better time to develop a retail strategy in Hong Kong; rents are at a five-year low, occupiers have multiple options to choose from, and consumers are interested in new retail experience.

Demand is also flourishing in burgeoning neighbourhood developments as transport networks open new residential areas, providing a solid foundation for retail demand, particularly the F&B, entertainment and electronics sectors.

Hong Kong is continually enhancing and developing infrastructure, facilities and connectivity. Further, the government's robust initiatives, such as the Northern Metropolis development – based on the Hong Kong 2030+ vision and strategy – and the GBA offer retailers excellent long-term opportunities to expand.

Retailers should not miss the current opportunities to enter Hong Kong's vibrant market.

For further inquiries, contact InvestHK (enq@InvestHK.gov.hk).



About Invest Hong Kong

Invest Hong Kong is the government department of the Hong Kong Special Administrative Region (HKSAR) responsible for attracting Foreign Direct Investment, supporting overseas and Mainland China businesses to set up and expand in Hong Kong. Its mission is to attract and retain foreign direct investment which is of strategic importance to the economic development of Hong Kong. Since its inception, the Department has helped thousands of companies from all over the world to set up or expand in Hong Kong. In all its work, the Department applies the following core values: passion, integrity, professionalism, customer service, business friendliness and responsiveness. InvestHK has staff and representatives in key business cities worldwide looking after target markets in Asia Pacific, Europe, Middle East and North and South America.

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