

Creating Resilience

# Hong Kong Retail Recovery: Opportunities and Challenges

VIEWPOINT  
HONG KONG

CBRE RESEARCH  
MARCH 2023



## Retail market set to rebound

Hong Kong’s return to normalcy after three years of anti-pandemic restrictions presents significant growth opportunities for retailers and F&B operators. CBRE expects the return of tourists to boost consumption demand and inject new momentum into the city’s retail market.

### Demand recovery on its way

Hong Kong’s retail market enjoyed a golden era in the decade after the SARS epidemic in 2003, followed by a period of slower growth beginning in 2014 amid a structural shift in tourist consumption. With Hong Kong’s economy now picking up after three years of pandemic-driven turbulence, retail demand is poised for a strong recovery, aided by the full re-opening of the border with mainland China and the lifting of all anti-pandemic restrictions.

Inbound tourism has increased steadily since the start of 2023. Tourists, especially those from mainland China, which accounted for about 30% of the city’s retail sales prior to the pandemic, are expected to return in greater numbers over the course of this year, driving growth of tourist-oriented trades.

While it may take some time for Hong Kong’s retail market to fully rebound and return to pre-pandemic levels, the outlook is brightening as the economic recovery picks up momentum.

This Viewpoint by CBRE examines the success factors behind Hong Kong’s retail market, assesses its future competitiveness, and outlines emerging challenges. It also provides retail property stakeholders with recommendations for capitalising on the upcoming rebound.

Mainland tourists’ ranking of Hong Kong as a place to visit

#1

after China’s borders reopen

Seven-day moving average of tourist arrivals (March 19-25)

86,600  
or

45%

of H1 2019 daily average figures

Proportion of mainland tourists

81%

of total inbound travellers between March 19-25

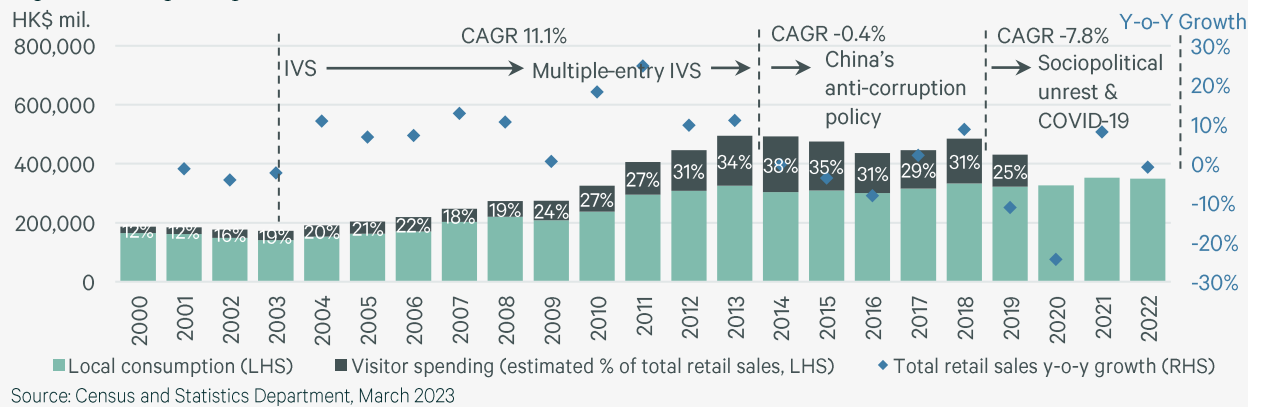
## The rise and fall of Hong Kong’s retail market

### The golden era

Beginning in 2003, Hong Kong’s retail market flourished for over a decade following the launch of the Individual Visit Scheme (IVS) in the aftermath of the SARS epidemic. Visitor arrivals more than tripled from 16 million in 2003 to 54 million in 2013, with growth primarily driven by mainland Chinese tourists. Stronger tourist demand saw retail sales increase by a Compound Annual Growth Rate (CAGR) of 11.1% over the same period.

For reasons such as higher taxes levied on luxury goods in China; the HKD’s currency advantage over the RMB; Hong Kong’s reputation for authentic and high-quality products; and the Chinese tradition of gift-giving, mainland Chinese tourists displayed a robust appetite for high-end goods during this period. Watches & jewellery and electrical goods logged a CAGR of 17.4% and 14.7%, respectively, from 2003 - 2014. This spurred robust demand from luxury retailers for prime retail premises, driving up rents on high-streets by close to 200%.

**Figure 1: Hong Kong total retail sales**



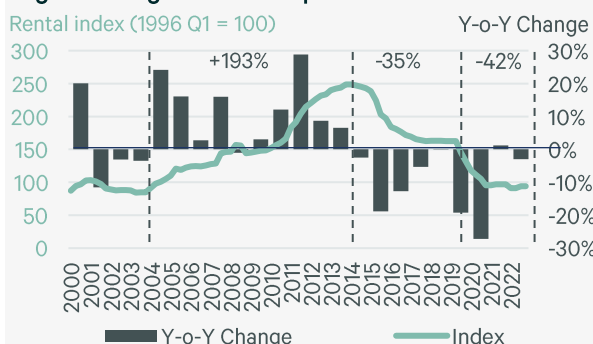
### The slowdown

In 2014, mainland China’s launch of an anti-corruption campaign dented luxury goods demand, with Hong Kong’s retail sales falling for the first time since 2003. Per capita tourist shopping expenditure fell by circa 30% from 2013 to 2018 as demand shifted from luxury to mid-range items. Sales of watches & jewellery were most affected, falling by an annual average of 15% between 2014 and 2016. This prompted luxury brands to downsize, causing a change in tenant composition on some high streets and rents to fall by 35% from 2014-2018.

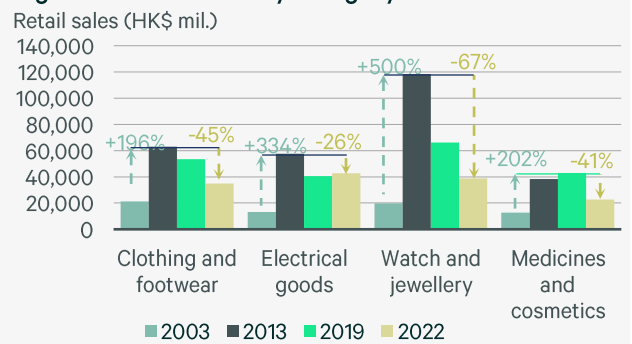
### The downturn

Widespread sociopolitical unrest in H2 2019 followed by the onset of the COVID-19 pandemic in early 2020 along with associated social distancing measures and travel bans hit Hong Kong’s retail market hard. Tourist arrivals were non-existent while domestic consumption was relatively weak due to the economic downturn. Weak consumption demand resulted in the largest and longest retail sales contraction in Hong Kong’s history. The downcycle from mid-2019 to 2022 also saw high-street shop rents contract by a further 42%.

**Figure 2: High-street shop rental trends**



**Figure 3: Retail sales by category**









## Recovery in sight

Following three years of pandemic-driven turbulence, retail demand is now recovering along with the gradual return of inbound tourists. The beginning of 2023 marked a return to normalcy as cross-border travel resumed and all restrictions in Hong Kong related to COVID-19 were lifted. The resulting increase in economic and business activity coupled with Hong Kong’s inherent strengths means the city’s retail market is now poised to make a comeback. However, the pace of recovery will depend on how recent financial market turbulence and ongoing geopolitical tension impacts the global economy.

## Retail success factors

With the barriers to entry having been lifted, Hong Kong will remain a popular tourist destination. Its strategic location, accessibility and diversity make it a natural hub that can entice a steady flow of visitors, while the city’s tax-free status and reputation as a place where authentic goods can be bought are highly valued by luxury shoppers.

**Figure 4: Key attributes underpinning the success of Hong Kong’s retail sector**

<p><b>Accessibility</b></p> 	<ul style="list-style-type: none"> <li>• Hong Kong is a gateway city in China, which has the largest population in the world.</li> <li>• There are 86 million people in the Greater Bay Area (GBA), within a two hour journey from Hong Kong.</li> <li>• 49 Chinese cities participate in the Individual Visit Scheme.</li> </ul>
<p><b>Affordability</b></p> 	<ul style="list-style-type: none"> <li>• Over 20% of China’s High-Net-Worth Individuals (HNWIs) reside in the Greater Bay Area (GBA). Hong Kong, Beijing and Shanghai are ranked within the top 12 globally in terms of the number of HNWIs.</li> <li>• There is no consumption goods tax in Hong Kong.</li> </ul>
<p><b>Authenticity</b></p> 	<ul style="list-style-type: none"> <li>• The government’s Intellectual Property Department and various retailer associations run the No Fakes Pledge scheme to promote no trading of counterfeit and pirated goods and enhance awareness of intellectual property protection among retailers and consumers.</li> <li>• Over 7,000 retail outlets are participating in the No Fakes Pledge scheme in 2023, with over 770 brands enrolled for more than five years.</li> </ul>
<p><b>Connectivity</b></p> 	<ul style="list-style-type: none"> <li>• It takes 15 minutes from Hong Kong to Shenzhen and 60 minutes to Guangzhou South via the high speed rail and 30 minutes to Macau via the Hong Kong-Zhuhai-Macao Bridge. Many key Chinese cities are within a three hour plane journey.</li> <li>• There is easy point-to-point access via the MTR, buses, minibuses, taxis, trams and ferries, which serve a combined 12 million passengers per day.</li> <li>• Hong Kong International Airport has won more than 80 World’s Best Airport awards, with over 71 million passengers and nearly 420,000 flights handled in 2019.</li> <li>• Hong Kong boasts Asia Pacific’s best and the world’s third most efficient ground and port infrastructure as rated by the World Economic Forum.</li> <li>• The city is ranked the best in the world for ICT readiness by the World Economic Forum, allowing retailers to more efficiently connect with customers through e-commerce and digital marketing.</li> </ul>
<p><b>Diversity</b></p> 	<ul style="list-style-type: none"> <li>• Hong Kong is an internationally-known food and shopping hub with a diverse range of retail and F&amp;B options, from international brands to local boutiques and from street food to Michelin-starred restaurants.</li> <li>• There are three widely spoken languages in Hong Kong, including Cantonese, Mandarin and English.</li> </ul>
<p><b>Safety</b></p> 	<ul style="list-style-type: none"> <li>• Hong Kong was rated the world’s eighth and Asia’ third safest city by The Economist in 2021.</li> </ul>

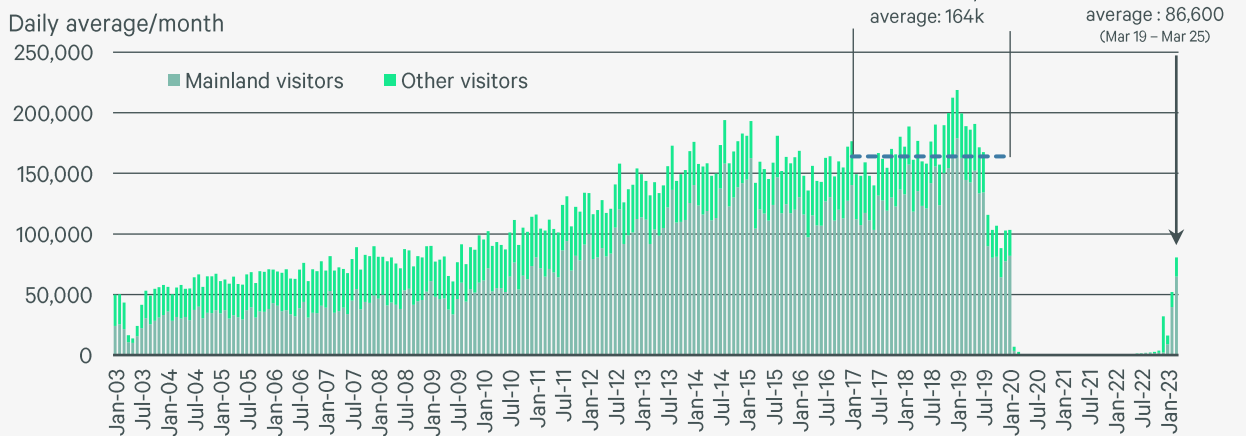
Source: CBRE Research, March 2023

## Hong Kong: a premier travel destination

### Tourists are starting to return

Inbound tourism to Hong Kong has been on a steady rise since the start of 2023. As of March 25, the seven-day moving average of inbound visitors had nearly doubled since the first week after the full border opening in February to an average of 86,600 visitors per day. Although current daily inbound tourist arrivals remain at about 50% of pre-pandemic levels, this suggests significant growth potential for tourist arrivals, which will translate into opportunities for retailers as the recovery picks up steam. The proportion of inbound mainland tourists currently stands at 80%, similar to pre-pandemic levels during 2017-2019.

**Figure 5: Visitor arrivals to Hong Kong**



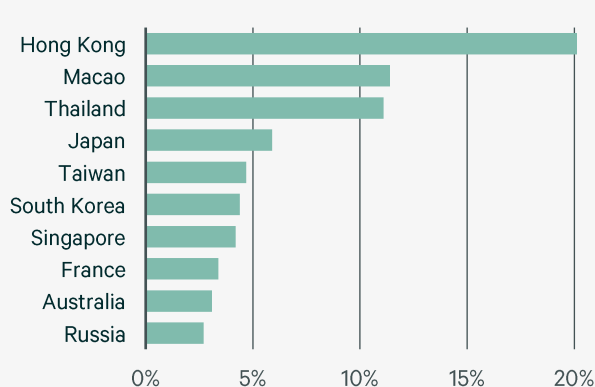
Source: Census and Statistics Department, Immigration Department, March 2023

### #1 destination for mainland travellers

Recent surveys by several respected research houses suggest that Hong Kong remains the most popular destination for mainland Chinese tourists, eclipsing Macao, Thailand and Japan.

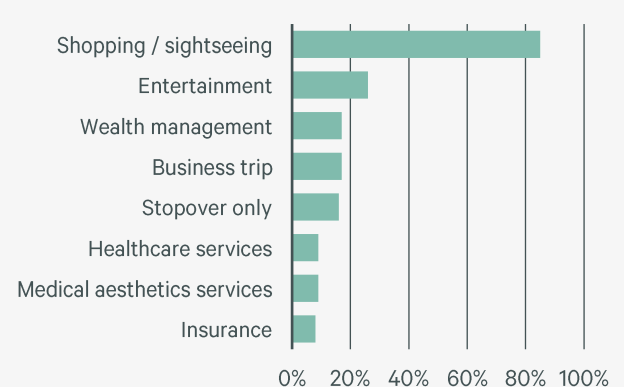
Shopping continues to be a major draw for mainland visitors and is one of the top three reasons for mainland tourists to visit Hong Kong, according to a study conducted by international consulting firm Oliver Wyman. A separate study conducted by McKinsey & Company also found that 85% of travellers from the GBA who plan to visit the city in 2023 cited shopping and sightseeing as their primary purposes. In addition to retail, visitors from the GBA to Hong Kong are keen to avail of the city’s financial services and high quality healthcare.

**Figure 6: Target travel destinations of Chinese tourists**



Source: Dragon Trail International January 2023 Report, March 2023

**Figure 7: Purposes of visiting Hong Kong – travellers from the GBA**



Source: McKinsey GBA consumer survey 2023, March 2023

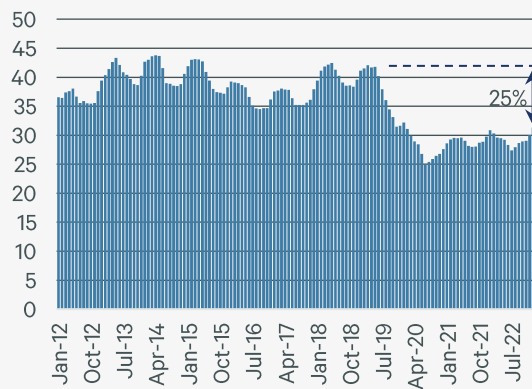
## Recovery brings opportunity

### Renewed demand from tourist-oriented retailers

The six-month moving average of total retail sales in January 2023 was 25% below Q1 2019's peak. While domestic consumption has largely rebounded to pre-pandemic levels, with private consumption expenditure standing just 2% below the level before the turn of the market in mid-2019, tourist consumption must recover from nearly zero. A further recovery in tourist arrivals and tourist consumption over the rest of the year will see total retail sales return to pre-pandemic levels.

**Figure 8: Total retail sales**

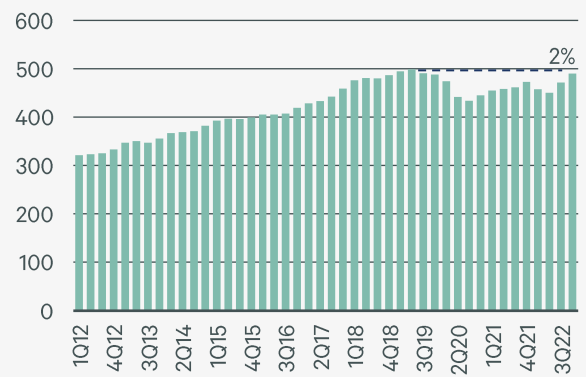
6-month moving average (HK\$ bil.)



Source: Census and Statistics Department, March 2023

**Figure 9: Private consumption expenditure**

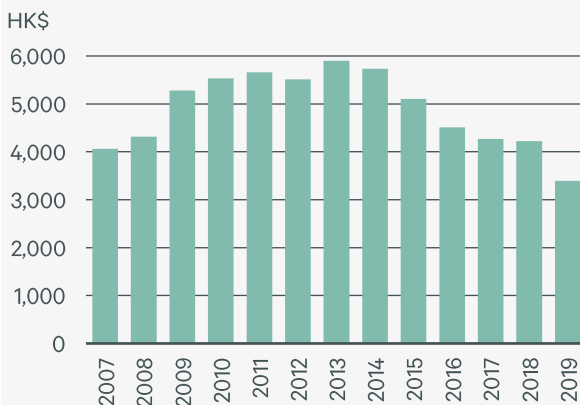
2-quarter moving average (HK\$ bil.)



Source: Census and Statistics Department, March 2023

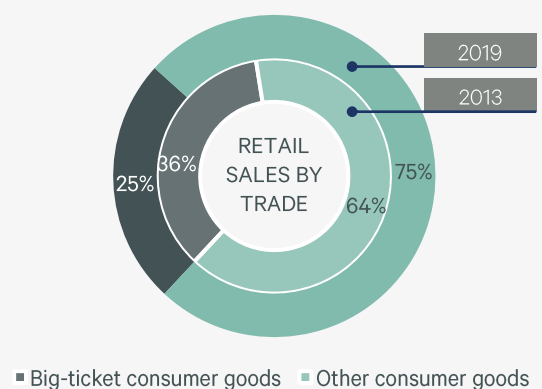
Although mainland Chinese tourists are expected to gradually return, economic and income uncertainty will likely see them retain a prudent attitude towards spending, a pattern that has emerged since 2013/2014. While demand from tourists will ensure the healthy performance of luxury brands, mainland Chinese tourists' changing spending habits will trigger stronger demand for necessities and healthcare goods such as medicines, cosmetics and beauty products. These are small-ticket items compared with luxury leather goods and watches and jewellery but will nevertheless generate demand for street shops in busy tourist districts. Recent months have seen retailers in these categories start to re-establish their presence on high streets in core districts. A comparison of the tenant profile of high streets before and after the market downturn shows that the share of these trades could potentially increase from the current mid-teen levels to the pre-pandemic level of 25%.

**Figure 10: Per capita shopping expenditure of mainland Chinese tourists**



Source: Census and Statistics Department, CBRE Research, March 2023

**Figure 11: Nature of total retail sales before the market downturn**



Source: Census and Statistics Department, CBRE Research, March 2023

### Popularity of in-store shopping

While the pandemic has accelerated the growth of e-commerce, in-store shopping remains important for consumers. As discussed in CBRE’s recent report [“Voices from Hong Kong: How will people live, work and shop in the future?”](#), local consumers in Hong Kong are more inclined to shop in physical stores than their global and Asia Pacific counterparts. In particular, the ability to see and try goods along with their immediate availability makes a compelling case for offline purchasing. About half of respondents said they intend to buy more products in-store now that anti-pandemic restrictions have been eased. These trends will ensure retailers focus on providing in-store brand experiences for consumers in order to drive sales.

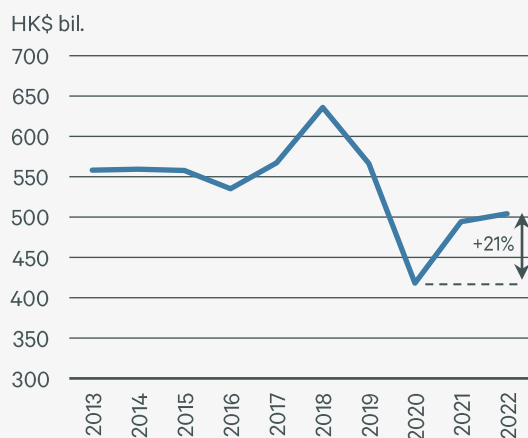
With CBRE estimating that over 80% of local consumers shop both online and offline, omnichannel will remain a prominent trend. 50% of these consumers make more than half of their purchases in physical stores. Given the increase in footfall witnessed since the lifting of anti-pandemic restrictions and the re-opening of the border, demand for physical stores is set to recover. Retailers are advised to capitalise on this opportunity to channel more capital into boosting brick-and-mortar sales.

### Sustainable local consumption demand

Local consumption has proven to be a resilient driver of retail sales in Hong Kong since the onset of the pandemic. The government’s issuance of electronic consumption vouchers has helped push up local spending in recent years, partly driving the 21% growth in local consumption of goods between 2020 and 2022, bringing the latest figures to near pre-pandemic levels.

Although recent interest rate hikes and financial sector turbulence will constrain local household consumption of discretionary items, domestic consumption is expected to stay relatively healthy. This will come on the back of the local labour market’s return to pre-pandemic levels, with the city’s overall unemployment rate standing at 3.3% as of February 2023, similar to Q4 2019’s level. While the current median monthly figure remains below 2019 levels, household incomes rebounded y-o-y in 2021-2022. With Hong Kong enjoying close to full employment and poised for an economic recovery, the labour market and household income will continue to improve, reducing the likelihood of a fall in domestic consumption.

**Figure 12: Local consumption on consumer goods\***



\*estimated consumption on consumer goods from private consumption expenditure  
Source: Census and Statistics Department, CBRE Research, March 2023

**Figure 13: Labour market conditions**



Source: Census and Statistics Department, CBRE Research, March 2023

### Demand for dining-out remains resilient

CBRE expects the return of tourists to also generate stronger demand for F&B. Prior to the onset of sociopolitical unrest and the pandemic, visitors’ spending on meals outside of hotels accounted for an average of 27% of total restaurant receipts between 2016 and 2018, of which those from mainland tourists averaged 18%. Should inbound tourist arrivals continue to increase and eventually reach 2016-2018 levels, total visitor spending on meals outside hotels is expected to reach HK\$30 billion in 2023. This would bring total restaurant receipts to over HK\$110 billion, a 28% increase from 2022.

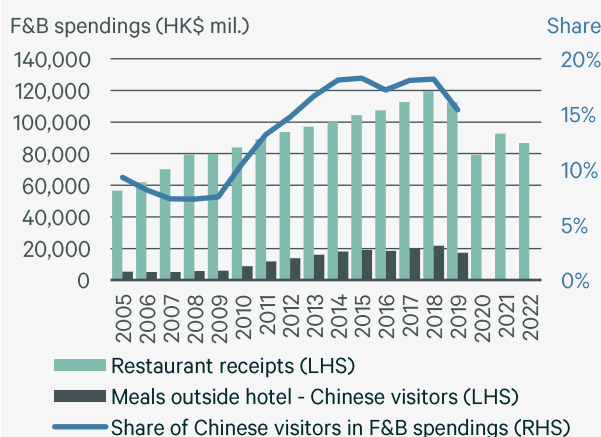
The re-opening of Hong Kong’s borders has led to the return of business travellers, with anecdotal evidence suggesting a solid recovery in the number of overseas executives coming to Hong Kong for face-to-face meetings and conferences since the start of 2023. The Hong Kong Convention and Exhibition Centre and AsiaWorld-Expo calendars show that 84 events are scheduled to be held between April and December this year, at least two-thirds of which are expected to involve overseas exhibitors and visitors. Prior to 2019, MICE events typically attracted about two million overseas visitors to Hong Kong every year.

Many upmarket restaurants in core business districts have reported brisk trade, highlighting the strength of business-dining. Japanese fine-dining restaurants are particularly popular, accounting for 53% of all new overseas F&B entrants between 2020 and 2022. CBRE also foresees growth in demand for trendy cafes, cocktail bars and lounges catering to younger and increasingly affluent diners, with their profile and popularity aided by the growing trend of food vlogging.

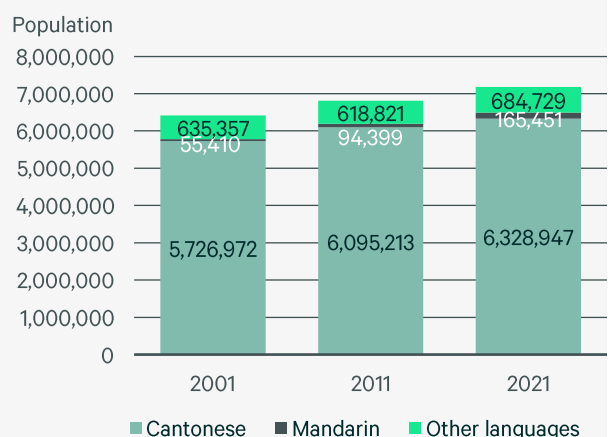
In addition to visitor spending, demand for dining-out will also be influenced by the growing population of new immigrants from mainland China. On the back of various entrant schemes for mainland Chinese residents, including the One-way Permit, the Admission Scheme for Mainland Talents and Professionals (ASMTP), Quality Migrant Admission Scheme (QMAS) and mainland graduates, the number of Hong Kong’s mandarin-speaking population has tripled from 2001 to 2021.

The growing number of new immigrants and visitors will drive growth in the number of restaurants that offer mainland Chinese cuisines such as Sichuan hotpot, which according to a study by consultancy firm Frost and Sullivan, comprises one-fourth of the Chinese cuisine market in mainland China.

**Figure 14: F&B spending**



**Figure 15: Population by usual language**



Source: Census and Statistics Department, CBRE Research, March 2023

## Challenges facing the Hong Kong retail market

### More retail options in mainland China

#### Hainan as a rising star

Following the launch of a pilot free trade zone initiative in 2018, the Chinese government unveiled a major plan in June 2020 to transform Hainan into a free trade port, making it the largest special economic zone in China. In addition to lower tax rates for corporates and individuals, the Hainan development plan calls for the island to be marketed as an international tourist destination. Since July 2020, an annual duty-free shopping allowance of RMB 100,000 per person has been offered to attract tourists, with no limit on the number of purchases. By 2035, it is anticipated that Hainan would be established as a mature free trade port with an independent customs regime and a duty-free zone to facilitate trade and investment.

Pandemic-related travel restrictions have induced many mainland Chinese travellers to select Hainan as one of their preferred domestic travel and shopping destinations. The island welcomed 81 million domestic and overseas visitors in 2021, a figure that is 25% higher than what Hong Kong has achieved in 2018. Total duty-free sales during the year amounted to RMB 50 billion, about 30% of Hong Kong's HKD 210 billion tourist consumption in 2019.

Under current regulations, brands in Hainan are required to work with duty free operators run by state-owned license holders or operate their own duty-paid stores. The annual duty-free shopping allowance currently only covers 45 categories of offshore duty-free commodities, including watches, jewellery, cosmetics, small leather goods and electronic products.

Due to its duty-free allowance policy, products in Hainan are generally competitive in pricing. According to a study by Bain & Company in 2021, the price of listed luxury beauty duty-free products in Hainan could be 30%-55% lower than brands' official listed prices during the Christmas season. Hainan is set to become an attractive travel and shopping destination for mainland Chinese tourists.

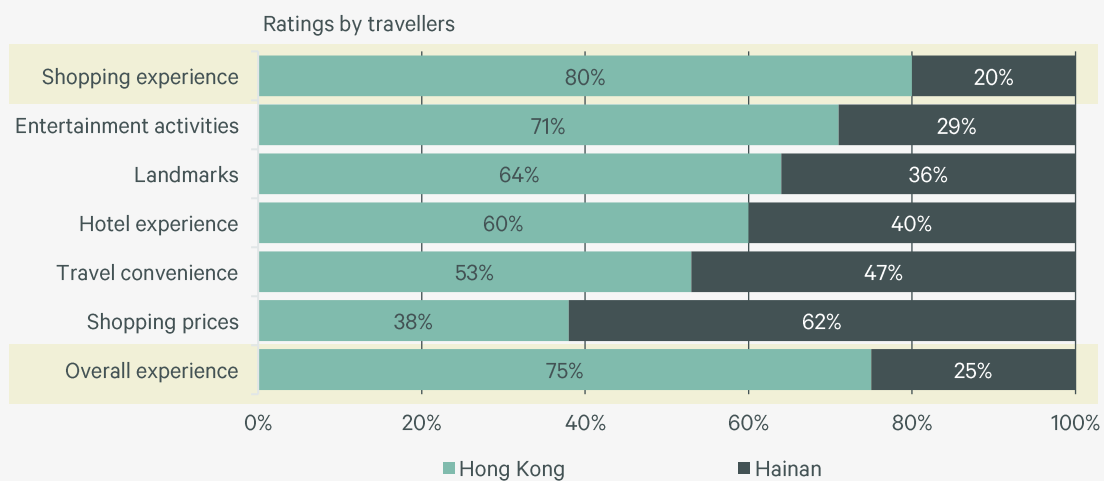


Hong Kong continues to provide a strong overall offering

Despite the rapid expansion of luxury retail sales in Hainan, many tourists continue to recognise that Hong Kong offers a superior shopping experience. A survey conducted by Oliver Wyman revealed that about 80% of consumers who had travelled to both Hong Kong and Hainan over the last five years believed that the former offered a stronger overall shopping experience, despite its price disadvantages.

The two cities differ in their tourist offering, with Hong Kong providing a vibrant local culture and nightlife in addition to a comprehensive shopping experience, and Hainan positioned as more of a leisure and luxury shopping hub with beaches and resorts. To capitalise on tourists' demand for a premier, well-rounded travel experience, retailers are advised to maintain and add to their presence in Hong Kong.

**Figure 16: Travel experience comparison between Hong Kong and Hainan**



Source: Oliver Wyman's consumer survey December 2022, March 2023

### More extensive retailer footprint in mainland China

Apart from Hainan, mainland Chinese tourists can now shop more easily in other Chinese cities as luxury brands add to their footprint. Over the past three years, numerous luxury brands including Gucci and Saint Laurent's parent company Kering, Hermes, and LVMH, have opened new stores in emerging tier I and leading tier II cities on the mainland in order to reach consumers who were unable to travel abroad.

E-commerce for luxury goods is also gaining ground as more mainland Chinese consumers engage in omnichannel shopping. Tmall Luxury Pavilion is now established one of the most popular e-commerce platforms for luxury brands in China, with more than 200 luxury brands, including Burberry, Kering and LVMH, setting up digital shops on the platform since its launch in 2017. In 2021, the number of consumers on the platform increased by 153% compared to 2019, with gross merchandise volume rising by 309% over the same period.

Omnichannel is enabling luxury brands in mainland China to build relationships with Chinese VIP customers, who previously preferred to shop in Hong Kong or abroad. Hong Kong's status as a destination for luxury shopping will inevitably be impacted by Chinese consumers' increasing propensity to shop at home.

## Mainland Chinese tourists' desire for global travel experiences

Prior to the onset of the pandemic, several major markets relaxed visa policies to attract mainland tourists, who are among the highest spenders per capita worldwide. These included the UK and France, which streamlined or shortened the visa application process for mainland Chinese visitors in 2013 and 2014, respectively. Japan and Korea also eased entry rules in 2015, making visas valid for up to five years and permitting multiple entries. Some Southeast Asian countries have followed suit, with Thailand issuing multiple entry visas to mainland Chinese tourists with a validity period of six months.

These measures, coupled with the RMB's strength against other currencies during this period, prompted mainland Chinese travellers to travel abroad more frequently. The number of mainland Chinese visitors to Japan rose from 1.8 million in 2014 to 8.6 million in 2019, while arrivals to Thailand increased from 4.6 million to 11.1 million. In France, mainland Chinese arrivals increased from 1.7 million to 2.2 million over the same period.

Traditionally known as keen shoppers, recent years have seen a change in mainland Chinese tourists' preferences, with visitors now also seeking cultural experiences. As travel normalises, these popular international destinations will need to offer new and alternative attractions for mainland Chinese tourists.

## Reduced hotel options in Hong Kong

The absence of tourists over the last three years has prompted some owners of Hong Kong hotels to convert properties to alternative use. This has negatively impacted room availability and make Hong Kong a less affordable place for tourists.

One trend has involved the conversion of hotels into co-living space. Weave Living has been an active player in this segment of the market, purchasing and then repositioning several hotels to co-living use since 2020. The group's recent acquisitions include Rosedale Hotel Kowloon in Tai Kok Tsui in a joint-venture with PGIM and Grand City Hotel in Tsuen Wan.

Other hotel owners are planning to convert buildings to residential use to capture more stable returns. These include CSI Properties, which is set to redevelop the Novotel Hong Kong Nathan Road Kowloon in Jordan into residential / commercial use. Elsewhere, CK Asset plans to redevelop Harbour Plaza Resort City in Tin Sui Wai for residential purposes.

**Figure 17: Examples of hotel buildings in Hong Kong converted / planning to convert to alternative use**

Property	Location	Owner	Proposed usage
Rosedale Hotel Kowloon	Tai Kok Tsui	Weave Living / PGIM	Co-living space
Grand City Hotel	Sai Ying Pun	Weave Living	Co-living space
68 Robinson Road	Mid-levels	Weave Living / LaSalle Investment	Serviced Apartment
Novotel Nathan Road	Jordan	CSI Properties	Residential / Commercial
Harbour Plaza Resort City*	Tin Shui Wai	CK Asset Holdings	Residential / Commercial
Royal View Hotel*	Tsuen Wan West	Sun Hung Kai Properties	Residential / Elderly Day Care Centre

\* Planning application approved  
Source: CBRE Research, March 2023

## Recommendations for retail property stakeholders

### The time to expand is now

While many retailers and F&B operators have scaled back their operations in response to the challenging business environment, CBRE believes that now is the opportune time to switch to growth mode as the market shows signs of improvement.

With consumers demanding in-store product viewing and testing before purchasing, physical stores will remain essential. Retailers should therefore consider allocating more capital into boosting brick-and-mortar sales. As footfall continues to increase following the lifting of all anti-pandemic restrictions, more in-store opportunities for consumers will help drive sales, especially as most consumers are omnichannel shoppers. The next 12 to 18 months will see total retail sales improve and gradually close the 25% gap with pre-pandemic levels.

Similarly, smaller scale F&B units limit operators’ ability to capture demand growth. CBRE’s comparison of average total restaurant receipts in the four-year period before and after the market downturn (2015-2018 vs. 2019-2022) shows a 16% difference in total restaurant receipts, which could potentially narrow once inbound tourism returns to levels immediately prior to the onset of the pandemic.

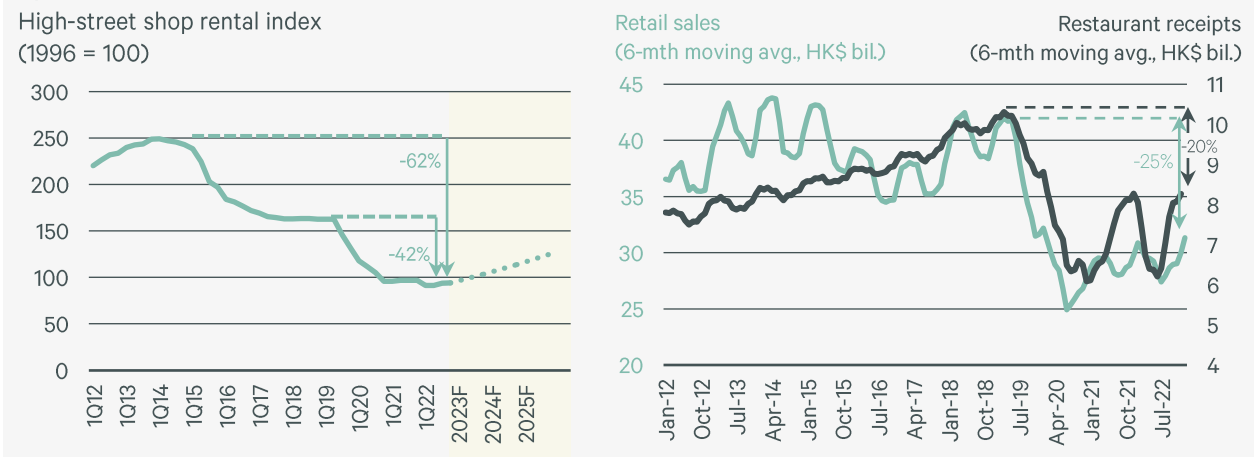
### Re-focus on core district high-streets

Prime shopping districts will benefit the most from the resurgence of tourist retail demand, allowing retailers to consider a return to core district high-streets. With rents now roughly 40% below their mid-2019 peak, falling vacancy along with rising demand will see leasing costs climb in the next 12 to 24 months. The current period therefore presents a narrow window of opportunity for retailers.

Although leasing in core shopping districts is expected to gain momentum, landlords are advised to adopt a more flexible mindset and offer attractive rents at this early stage of the recovery. Affordability will be a key criteria for most retailers as they look to stabilise operations in the wake of recent market turbulence.

Renewed demand for retail properties will push up occupancy, which could bring about a potential rental rebound, enticing investors to purchase retail properties. To cushion the impact of higher financing costs, investors will likely focus on assets in areas popular with tourists where sales volume will increase the most.

**Figure 18: Declines in retail rents and sales**



Source: CBRE Research, March 2023

### Consider emerging retail hotspots

Upcoming tourist hotspots with new landmarks

Recent years have seen several new attractions open in Hong Kong, many of which will attract visitors from overseas. West Kowloon has enhanced its arts and cultural offering with a range of new tourist attractions including M+ Museum and Palace Museum, in addition to an existing waterfront promenade.

Several upcoming commercial developments with open areas for community use and enjoyment at waterfront promenades alongside Victoria Harbour, including the Site 3 development at the new Central harbourfront and future commercial developments at West Kowloon waterfront, are also set to become new landmarks and transform the areas into new tourist hotspots.

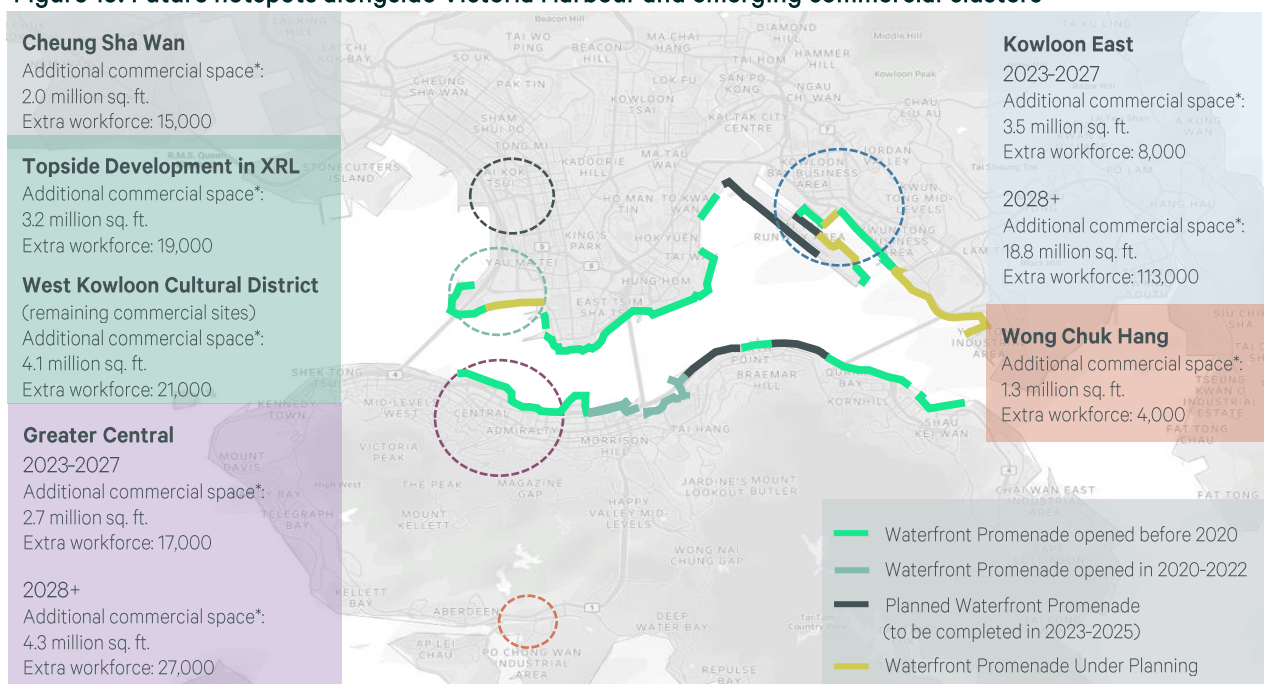
As discussed in CBRE’s 2022 report “[Tapping into New Growth Opportunities in the F&B Market](#)”, these new landmarks, coupled with the emergence of new leisure and recreation trends on the back of the rising popularity of outdoor destinations, will direct foot traffic to promenades and surrounding areas. Retail premises in and around these emerging tourist hotspots will benefit, driving retail leasing demand, led by F&B and other lifestyle trades.

Emerging office clusters

Major new commercial developments in emerging office clusters will also offer retail leasing opportunities, especially for F&B operators. CBRE foresees a rise in demand for dining establishments for business lunches and casual eateries around emerging office clusters including Cheung Sha Wan and Wong Chuk Hang, which currently host a white-collar working population of around 19,000 people.

Kai Tak, which forms part of Hong Kong’s CBD2, is being developed as a new middle-class residential district with commercial and recreational facilities. In addition to strong demand for neighbourhood retail from what will eventually be a large catchment of 158,000 residents, two new shopping malls (one in Airside and the other in the SOGO department store) will be integrated with the Kai Tak Sports Park, which also includes 640,500 sq. ft. of retail space, to create a new retail and leisure hotspot for Kowloon East.

**Figure 19: Future hotspots alongside Victoria Harbour and emerging commercial clusters**



\*Commercial space includes office, retail and hotel, in GFA  
 Source: Harbourfront Commission, West Kowloon Cultural District Authority, Civil Engineering and Development Department, Leisure and Cultural Services Department, CBRE Research, March 2023

### North Lantau – Chek Lap Kok and Tung Chung

With numerous new and planned developments in the pipeline, North Lantau also possesses considerable retail potential. Located next to the Hong Kong International Airport in Chek Lap Kok, New World Development's 11 Skies will serve as Hong Kong's largest retail, dining and entertainment hub, boasting 2.66 million sq. ft. of retail and dining space comprising 120+ dining concepts, scheduled to open in phases from 2022 to 2025. The project is also near the Hong Kong-Zhuhai-Macao Bridge and Tuen Mun-Chek Lap Kok Link, which will not only attract locals and tourists from overseas, but also those from the Greater Bay Area.

Future developments will include initiatives to develop Tung Chung and Siu Ho Wan into new residential districts, both of which will drive retail and F&B demand. Tung Chung is expected to house a total population of 294,000, with 184,000 additional residents due to move in from 2024. Elsewhere, 21,000 residential units will be built in Siu Ho Wan to accommodate 57,200 people. While these new catchment areas will take more than a decade to be completed, they will be integrated with new entertainment and retail offerings in Chek Lap Kok, solidifying North Lantau as a future hotspot for retailers and F&B operators.

## Hong Kong retail sector outlook

Hong Kong's retail market has already bottomed-out and is poised for a steady recovery over the course of 2023. The normalisation of travel as well as a six-month global promotional campaign titled "Hello Hong Kong," which includes 500,000 free air tickets to entice tourists beginning March 1, 2023, will support the flow of inbound arrivals. High value-added visitors are also expected to flock to Hong Kong this year to experience international business, leisure and sports events.

Hong Kong will remain a top destination as a place to visit, particularly for mainland tourists. As mainland tourists are increasingly seeking leisure and outdoor activities rather than pure shopping, the city must respond accordingly. While core shopping districts will offer the strongest revenue growth, retailers and F&B operators are advised to look beyond traditional core districts and towards emerging tourist hotspots along both sides of Victoria Harbour where current and future cultural attractions are located.

Although a recent wave of uncertainty in the global financial markets may pose headwinds and the weaker RMB against the USD/HKD will affect spending by mainland tourists, CBRE believes Hong Kong's retail sector is now on the path to recovery and will continue to offer attractive opportunities to both local and overseas retailers.

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