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Message from the Chairman

"Think Global, Work Regional"

Dear ISCM members and fellow friends,

As the Founding Chairman for the past two decades, I am very honoured to resume this pivotal role as Chairman in 2024, especially during this critical time that calls for unity, resilience, and transformative growth in the mall industry, both regionally and globally.



I extend heartfelt thanks to the dedication and contributions of our former and present Honourable, Advisory, Board, and Committee members. Their unwavering commitment has led us to significant milestones, and we look forward to their continuous support.

2024 marks the Year of Change. As you are aware, the upcoming elections in over 70 countries will reshape international dynamics, carrying significant economic and regulatory implications that demand strategic adaptability. Market fluctuations caused by geopolitical and economy uncertainty, coupled with rising interest rates will significantly impact the consumer market. It is crucial for us to stay agile, adapt instantly and change exponentially to thrive in this super-competitive market situation.

As e-commerce continues to rise, shopping centres have transcended from mere retail spaces to vibrant hubs for socialising, art, dining, and more, embracing experiential retail. Recognising the power of art and culture in the post-Covid period, we strive to enhance the mall experience for customers by fostering collaborations with art and cultural entities and by integrating creativity and technology to new heights.

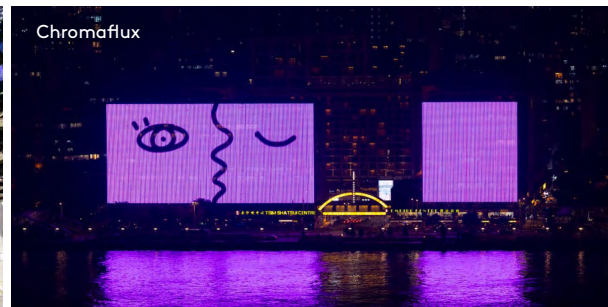
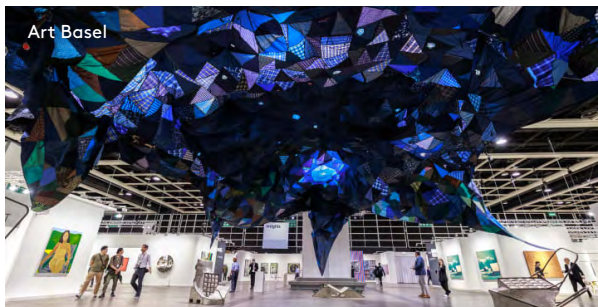
The expertise of various fields such as architecture, surveying, interior design, digital and smart technology, art and culture, retailing, entertainment, food and beverage, and asset management is instrumental in ensuring the success of shopping centres. By strengthening our relationships with these professionals, we can tap into their insights and industry trends, enabling us to excel in "Think Global, Work Regional" and remain as a leading force in the industry.

No matter how difficult the challenges may be, with courage and persistence, we believe that we can overcome them, shape a brighter future for the industry, and contribute to the enduring success of Hong Kong and the Greater Bay Area together!

Maureen Fung
Chairman (2024-26)
Founding Chairman

From Sports to Culture: Hong Kong's Mega Events to Attract Tourists and Boost International Appeal

The Hong Kong government is sparing no effort in its endeavour to attract a diverse range of mega events, spanning sports, art, culture, finance, and business activities, with the aim of drawing high-value visitors from across the globe. Adding to the excitement, the recent expansion of the Individual Visit Scheme (IVS) to include Xi'an in Shaanxi Province and Qingdao in Shandong Province, effective from 6 March, is expected to bring a significant surge of high-value overnight tourists from these two cities, both boasting populations exceeding 10 million.



The first half of 2024 boasts an impressive lineup of 80 events

At the forefront of this endeavour is the Hong Kong Tourism Board (HKTB), which is spearheading a series of major events in collaboration with various partners. These highly anticipated gatherings, including the prestigious Hong Kong Sevens, Hong Kong Tennis Open, Clockenflap, Hong Kong International Dragon Boat Races, Hong Kong Cyclothon, and Hong Kong Wine & Dine Festival, are poised to captivate discerning visitors and solidify Hong Kong's reputation as a premier event destination. Notably, in March, the HKTB harnessed the year-round promotional platform, 'Arts in Hong Kong,' to showcase internationally renowned art and cultural events, such as Art Basel Hong Kong, Art Central, and ComplexCon Hong Kong, generating an electrifying buzz throughout the city.

The first half of 2024 boasts an impressive lineup of 80 events, including the Art@Harbour 2024" held on both sides of Victoria Harbour which will enchant and engage the public until 2 June. Among the standout exhibitions is the teamLab: Continuous, an innovative showcase featuring over 200 luminous eggs placed in Tamar Park and along the picturesque Victoria Harbour. On the Kowloon side, a digital art exhibition Chromaflux presented by Sino Group and artists from Hong Kong, the Czech Republic, France and Germany takes the spotlight. These captivating attractions are projected to inject the city with an irresistible blend of joy and excitement, drawing an estimated two million visitors.

Expanding on the success of the Temple Street Night Market promotion last December, Hong Kong is raising the nocturnal pulse of the city with the introduction of "Night Vibes" activities across 18 districts.

The Hong Kong Tourism Board reports a surge in visitor arrivals, recording a total of 7.83 million in the first two months of this year alone, marking a three-fold increase compared to the same period last year. During the recent four-day Easter holiday, Hong Kong welcomed an influx of 400,000 inbound visitors, with the majority originating from mainland China. However, it is crucial to note that this Easter holiday did not coincide with the mainland's holiday period. As a result, industry experts anticipate that the upcoming five-day Labour Day holiday in May will provide a more accurate measure of Hong Kong's current appeal to tourists.

Peter Shiu Ka-fai, member of the Legislative Council of Hong Kong and Chairman of the Liberal Party, believes that organising a greater number of large-scale events will enhance Hong Kong's allure. He suggests that the government should broaden its focus beyond attracting Asian and Western visitors, urging the expansion of the Individual Visit Scheme to encompass additional cities. Furthermore, he advocates for improved transportation facilities to facilitate the seamless movement of visitors from the Greater Bay Area, further cementing Hong Kong's position as a regional hub for tourism and business.

Hong Kong's Culinary Scene Embraces Chinese Mainland Brands, Filling Market Gap

Renowned for its dynamic culinary scene and wide range of cuisines, Hong Kong has recently witnessed a surge in the presence of Chinese mainland food and beverage (F&B) brands. While the dining scene in Hong Kong has been dominated by the exquisite flavours of Japanese and Korean fare, the influx of Chinese mainland catering establishments since 2023 has added a new dimension to the city's gastronomic offering. With competition intensifying, the Hong Kong Federation of Restaurants and Related Trades (HKFORT) urges local establishments to step up their game by delivering top-notch service and exceptional offerings.



photo credit: Hey Tea

Hey Tea strategically harnesses Hong Kong's advantages to facilitate the brand's global expansion

Making a comeback

"With its status as an international business and cultural hub, Hong Kong's dynamic restaurant scene offers Mainland enterprises a wealth of opportunities to expand their operations and share their concepts with a global audience," said Jimmy Chiang, Associate Director-General of Investment Promotion at Invest Hong Kong.

Invest Hong Kong is the government agency assisting overseas and mainland entrepreneurs to set up business in Hong Kong. Little Sheep (小肥羊), one of its assisted companies, for example, is making a comeback. Renowned for its Mongolian-style hot pot, Little Sheep after opening its first restaurant in Hong Kong in 2004 and expanding to prime locations, experienced a setback when its largest Mongkok branch closed in 2016.

Little Sheep has now returned with a flagship store in Mongkok, much to the delight of Joey Wat, CEO of Yum China, owner of Little Sheep. "Hong Kong, as one of

the world's great restaurant capitals, has always prided itself on its love of cuisines from around the world. We look forward to continuing to share our authentic Inner Mongolian hot pot experience with our customers in Hong Kong with this exciting new addition," said Wat.



photo credit: Invest Hong Kong

Little Sheep has recently opened a flagship store in Mongkok

Another assisted company of Invest Hong Kong, Tai Er (太二) expanded its presence in the city with the opening of four suancai fish (酸菜魚) outlets in strategic locations including Tsim Sha Tsui, Sha Tin, Kowloon Tong, and Kai Tak in December 2023. Tai Er is an F&B affiliated brand of the Hong Kong-listed Jiunaojiu Group (九毛九), which operating more than 670 different branded restaurants in mainland China, Malaysia, Singapore and Canada. The Group said it has plans to open more outlets in the region via Hong Kong in the future.



photo credit: Invest Hong Kong

Tai Er opened four outlets in last December

Tai Er's decision, according to Jimmy Chiang, showcases the allure of Hong Kong's vibrant restaurant industry. "Hong Kong is a gourmet paradise with customers from all over the globe. Local brands, brands from the mainland, and those from the West gather and interact in our global hub, creating one of the world's most sophisticated food and beverage ecosystems," Chiang added.

A springboard to overseas market

Joining Little Sheep and Tai Er are several other Chinese mainland F&B chains, such as Nong Geng Ji Hunan Home-Style Cuisine (農耕記湘菜館), XiTaLaoTaiTai (西塔老太太烤肉), Muwubbq (木屋燒烤) and Tanyu (探魚烤魚). These established brands have defied the odds by entering the Hong Kong market and finding success.

One notable addition to Hong Kong's culinary landscape is Nong Geng Ji, which made its debut in October 2023. With approximately 70 restaurants primarily located in Shenzhen, Nong Geng Ji is renowned for its tantalising Hunan cuisine. Owner Feng Guo-hua views Hong Kong not only as a gateway to the market for spicy food but also as a stepping stone for expanding into foreign markets. Feng's ambitious vision includes exploring countries such as Malaysia, the Philippines, the United States, as well as Australia, Canada, and Japan.



Hunan cuisine such as Nong Geng Ji have become highly popular among Hong Kong residents as a favoured regional cuisine

Beyond serving as a springboard for international expansion, Hong Kong holds appeal for F&B owners aiming to package their brands in a more international manner, catering to foreign markets. Moreover, the surge in mainland F&B operators can be attributed, in part, to the increasing number of individuals arriving in Hong Kong through the city's Top Talent Pass Scheme. Additionally, Hong Kong's integration efforts with the Greater Bay Area (GBA) have fostered a greater assimilation of the local lifestyle and language with that of mainland China, further fueling the rise of Chinese mainland F&B brands in the city.

According to Cathie Chung, Senior Director of Research at JLL, operators from the mainland accounted for 28% of all newcomers in Hong Kong last year — a remarkable increase from less than 5% in 2022. "The number of new brands from mainland China surged by more than ten times last year, reflecting a remarkable expansion of mainland Chinese operators into Hong Kong, with F&B operators the most aggressive in the expansion. We will see this trend continue in 2024 due to the strong preference among Hong Kong residents for Chinese cuisine, the increasing popularity of northbound travel, and the distinct advantages of Hong Kong as a platform for mainland Chinese brands to expand globally."

Unique dining experience

Winston Yeung, Chairman of the Hong Kong Federation of Restaurants and Related Trades, emphasises that the strong purchasing power of Hong Kong residents is a significant factor in attracting mainland F&B brands to establish outlets in the city. He highlights the trend of local residents crossing the border during weekends and holidays to dine and shop, which serves as a key driver for this development.

While Hong Kong boasts a diverse dining scene, there is a noticeable lack of popular regional cuisines from mainland China, such as Sichuan and Hunan cuisine. When residents travel to the northern regions, they particularly enjoy exploring these culinary styles. "The emergence of mainland F&B brands in Hong Kong has not only filled this gap but has also provided a unique dining experience that resonates with local tastes," Yeung adds.

He also points out that shop rents have decreased by approximately 30% to 40% compared to pre-epidemic levels. This reduction in rental costs has attracted mainland brands to seize the opportunity and expand their presence in Hong Kong.

Survival of the fittest

The list of Chinese mainland F&B brands entering Hong Kong continues to grow. Hefu Noodle (和府撈麵) recently opened its first store in Causeway Bay, while Peking Hotpot (新京熹) secured a lease in Central. Another renowned brand, Hey Tea (喜茶), known for its cheese Chinese tea, successfully ventured into Hong Kong in late 2018, experiencing rapid expansion before temporarily closing several outlets due to the pandemic. Lately, the brand has made a comeback and reopened three new outlets in the city.



photo credit: Hefu Noodle



photo credit: Peking Hotpot

Hefu Noodle and Peking Hotpot has just launched their very first location in the heart of Hong Kong's prime districts

Hey Tea's story is particularly remarkable. Originating in Shenzhen, the tea shop chain gained popularity with long queues forming outside its Shanghai store, where customers would patiently wait for up to four hours to savor its renowned cheese tea. The brand embarked on a global expansion, starting with Hong Kong. In an interview, Nie Yunchen, founder of Hey Tea, said, "In the long run, we will not only eye on Hong Kong market but also expand our overseas business from here. We will use Hong Kong to manage our overseas business and take our brand to the global stage. Our aim is to promote our innovative tea culture to the world via the city."

Last summer, Hey Tea achieved a significant milestone by opening its first store outside of Asia, strategically located in the heart of London's Chinatown, adjacent to the Bank of China amidst a bustling array of Chinese culinary establishments. Hey Tea then expanded its presence to Canada, Australia, Malaysia, and the United States. The brand's New York City store, situated on Broadway, had a strong start, selling a record-breaking 2,500 cups on its first day of opening.

The rise of Chinese mainland F&B brands in Hong Kong reflects the evolving culinary landscape of the city and the growing demand for diverse dining experiences. These brands bring with them a rich tapestry of regional Chinese cuisines and flavors, offering both locals and tourists an extensive range of options. The success of these brands also demonstrates the resilience and adaptability of Chinese mainland F&B operators in a highly competitive market.

Considering the current period as a "survival of the fittest" scenario for the local food and beverage industry, Winston Yeung emphasises the importance for businesses to enhance their competitiveness in terms of offerings and services in order to thrive in this challenging environment.

Hong Kong's Retail Market 2024 Outlook: Navigating Challenges and Rental Trends

Given Hong Kong's sluggish retail market caused by a combination of economic downturn and evolving consumer preferences, Ms Lucia Leung, Director of Research & Consultancy for Greater China at Knight Fright, offers her insights on rental trends in the retail sector. These trends closely align with sales performance, resulting in moderate declines during periods of weak sales. The disparity between local consumption and tourism poses a notable challenge, prompting the retail sector to explore fresh strategies in the face of intense competition from mainland shopping malls.



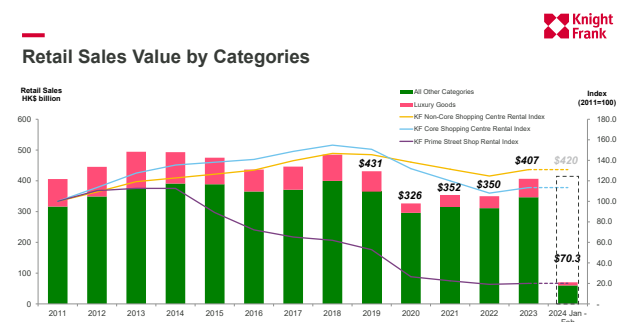
photo credit: Wikimedia Commons

Knight Frank noted that the retail rents in Hong Kong roughly follow the trends of luxury retail sales

Luxury sales remain resilient

Hong Kong's retail market remained soft against the backdrop of subdued economic conditions and changing consumption patterns of local residents and visitors. Despite the growth in total retail sales in 2023 (up % 16.2 YoY to HK\$406.7 billion), the increase in sales was due mainly to the low base effect in the same period in 2022 (Fig. 1). For the first two months of 2024 taken together, it was provisionally estimated that the value of total retail sales edged up slightly by 1.4% compared with the same period in 2023, according to the Census and Statistics Department, HKSAR. The figures demonstrate that Hong Kong's retail market is not yet out of the woods and that conditions remain difficult.

Fig.1 Hong Kong Retail Sales Trend (2011-2023)



Source: Knight Frank Research / Census and Statistic Department

The retail market has indeed changed structurally along with the changing spending habits of Chinese visitors. They became more used to remaining on the mainland and shopping online. With fewer Chinese mainland tourists coming to Hong Kong primarily for shopping but for in-depth tourist experience, with activities such as sightseeing, outdoor adventures and cultural experiences, sales value of luxury goods totalled HK\$60.1 billion in 2023, rose by 54.9% from the same period last year, but was 29.5% lower than the pre-pandemic level in 2018.

Retail rents forecast

To navigate the challenging market landscape, it is imperative that we conduct thorough analyses and implement proactive measures. Given the weak retail market we are now facing, can we foresee how will the rental trends go forward? Will weaker retail sales put pressure on shop rentals?

If we delve into the historical data of retail sales performance and retail rental trends in Hong Kong, we can see how retail rents and sales intertwined. It is evident that in the period of a downtrend retail sales, rents were likely following on a downward trajectory. Nonetheless, the changes in rents are far more moderate than those in retail sales, with no significant fluctuations. Indeed, retail rents have fallen sharply during the financial tsunami in 2008, the stock market crash in the Chinese mainland from 2015 to 2016, the social unrest in Hong Kong in 2019, and subsequently COVID-19.

Following the outbreak of the pandemic, retail businesses witnessed a notable decrease in sales turnover, leading to a decline in rental values. Consequently, the asset value of retail shops experienced a significant drop, with many undergoing corrections of 70% to 80% compared to their peak levels. Retailers are gradually filling up vacant shops at a much lower rent level, especially in core shopping districts.

Our research team has conducted a correlation analysis to project retail rental trends since 2018, which further contributed to our understanding of the dynamics between retail sales and rents. In the analysis, we found that the retail rents roughly follow the trends of luxury retail sales. Even data provided by the government over the past three decades reveals that when rental prices weaken, the vacancy rate tends to rise, leading to a subsequent downward adjustment in rents. These data further highlight the significance of market conditions in shaping rental dynamics.

Looking ahead, retail sales are expected to remain soft amid weak local consumption. Shop rentals are expected to remain under pressure while absorption is taking place slowly. The prevailing trend of local residents heading north for consumption to outnumber the number of

mainland tourists coming to Hong Kong will remain a huge challenge for Hong Kong's retail market. The imbalance will continue to strain the business of Hong Kong retailers.

In the long term, the retail sector must seek a new identity and edge amid keen competition from shopping malls in Chinese mainland. We hinged our hopes on more inbound tourists coming to Hong Kong under the government's new policy to include more Chinese cities in the Individual Visit Scheme. Coupled with the proposed mega-events and upcoming new tourist infrastructure, such as Kai Tak Sports Park, The East Kowloon Cultural Centre and SKYCITY to name a few, it is hoped that it will stimulate a recovery in the hotel and aviation sectors, create more opportunities for retailers in related industries and attract more overseas visitors to Hong Kong.



Lucia Leung

Director,
Research & Consultancy,
Greater China Knight Frank

Membership Application

Our Membership is open to any individual person who is a practitioner in shopping centre industry. Students who have enrolled in the course of shopping centre management at HKU School of Professional and Continuing Education (HKU Space) or other relevant courses will also be considered.

Grade of Membership	Annual Fee
Fellow Member	HK \$1650
Full Member	HK \$1100
Associate Member	HK \$ 720
Student Member	HK \$ 280

Online application can be completed at the following link:

www.iscm.org.hk



Institute News

CPD Training

HKIH - ISCM Joint Legal Case Study Seminar DMC Issues Related to Shopping Malls and Residential Buildings

On 27 April, a total of 120 industry peers participated in the first-ever seminar co-hosted by ISCM and The Hong Kong Institute of Housing (HKIH), in collaboration with the Department of Public and International Affairs of City University of Hong Kong. The seminar was open to members of both institutes, as well as students and members of the Department of Public and International Affairs.

During the seminar, Mr Peter Chan, a seasoned lawyer and partner at Chung & Kwan Solicitors, shared valuable insights from his extensive experience. He discussed numerous precedent court cases and shared his own encounters with cases involving DMC buildings, which include shopping centers and residential buildings. Mr Chan also shed light on how property professionals handle such cases and provided insights into the Court's opinions in their judgments. The seminar was designed to be interactive and engaging, fostering a dynamic exchange of ideas among the participants.



(From the left) Mr Stephen Lau (Chairman of External Affairs Committee, HKIH), Professor Eddie Hui (Chair Professor, Department of Public and International Affairs), Mr Peter Chan (Partner, Chung & Kwan Solicitors) and Ms Michelle Lee (Vice Chairman - Internal Affairs, ISCM)

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