

PHOENIX' SALE OF KOWLOON'S KWUN TONG VIEW CONFIRMED AT \$225M

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Hong Kong-base real estate investment house Phoenix Property Investors has sold Kwun Tong View for \$225 million (HK\$1.99 billion) to a local private investor, according to a recent announcement by Colliers International, which represented Phoenix in the asset disposal.

The sale follows a frustrated earlier attempt by Phoenix to sell the 144,780 square foot (13,500 square metre) office building in Kowloon's Kai Tak area to Li Ka-shing-linked Prosperity REIT last year, and comes after local media reports last week **predicted a sale of the property to China's HNA Group**.

Phoenix Gets 5% More for Waiting 8 Months

Although Phoenix partners Samuel W T Chu and Benjamin K Y Lee had to wait nearly another eight months to close another deal for Kwun Tong View, the sale of the 24-storey tower to the unnamed investor comes at a price more than five percent above the HK\$1.875 billion that Prosperity REIT had agreed to **when it signed a preliminary purchase agreement with Phoenix last September**.

That price works out to HK\$14,000 per square foot of gross leasable area for the former industrial building, which now is part of a row of grade A commercial towers in Kai Tak's up and coming commercial centre. Located next to Hong Kong Pacific Investment's One Pacific Centre, and just up the road from Sun Hung Kai's Millennium City project, Phoenix had acquired Kwun Tong View in 2014.

Since then the redevelopment specialists had converted the tower at 410 Kwun Tong Road, which is 350 metres from the Kwun Tong MRT station, into 117,159 square feet of office space across 18 floors, with another 27,600 square feet of retail space in its lower levels.

Rising Demand for Hong Kong Office Assets

Grade A office rental rates in Hong Kong's Central district, the city's traditional downtown rose by more than 13 percent last year according to research by JLL, which has helped to drive up demand for office assets while stoking interest in alternative downtown locations, such as Kai Tak.

Colliers' Deputy Managing Director of Capital Markets and Investment Services, Antonio Wu, whose team represented Phoenix in its discussions with Prosperity REIT, as well as with the new buyer,



Benjamin Lee (L) and Samuel Chu of Phoenix gain another HK\$115M for their wait



Kwun Tong View (right) brought in 5% more than it was sold for in September

noted the high level of interest in the commercial building, even after Prosperity's unit holders failed to support the proposed earlier purchase. "There have been numerous interests on the asset represented by our competitors including an offer from a local bank," Wu said. "With the extensive knowledge that we have on the property, we were able to convince the buyer to pay a higher price for the asset for their long term investment."

Kai Tak Appeals as an Alternative to Central

With top office rents in Hong Kong's Central district now some 50 percent higher than what tenants would pay in London or New York, space across Victoria Harbour in Kai Tak has been rising in popularity with multinational occupiers.

Kwun Tong View was over 88 percent leased in July last year, according to a statement at the time of Prosperity REIT's proposed acquisition, with the retail space completely let out and the office area at 85.9 percent occupancy.

With grade A office rents in Central said to average around HK\$165 per square foot per month, more companies are looking at locations in Kowloon East where asking rents in the area range from HK\$25-35 per square foot per month according to brokers familiar with the neighborhood.