



International Property Consultants

Chesterton Petty Limited
16/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

14 November 2005

The Board of Directors
The Link Management Limited
(for itself as manager of The Link Real Estate Investment Trust ("The Link REIT")
and for and on behalf of The Link REIT)

Goldman Sachs (Asia) L.L.C.
The Hongkong and Shanghai Banking Corporation Limited
UBS AG acting through its business entity UBS Investment Bank

Dear Sirs,

EXECUTIVE SUMMARY

i. Shopper Profile Analysis

Shopper profiles for the Retail Facilities are set out in Table A by Area (as defined in section 1 of this report). For the purposes of this report, "shoppers" means (and is restricted to) the population of the Housing Estates within which the Retail Facilities are located (which house approximately 31% of Hong Kong's population) and excludes the population of nearby housing estates and private blocks. However, the shopping catchments of some of the larger Retail Facilities extend to other Housing Estate residents as well as to residents in private flats.

In general, the shopper profile is older and less well-off than that of Hong Kong as a whole. There is generally a lower proportion of persons within the typically higher-spending age range of 15 - 44 years compared with Hong Kong as a whole. The age profile tends to be younger in the new towns and older in the well-established urban areas.

The median monthly household income of the shoppers is approximately 84% of that of Hong Kong as a whole. The highest median household incomes among shoppers of the Retail Facilities can be found in Hong Kong Island and in the new towns of Tseung Kwan O and Sha Tin.

30% of the shopper households own their homes compared to approximately 54% in Hong Kong as a whole. This means that while average household incomes are lower, approximately 70% of the shopper households have 80 to 90% of their incomes available for non-housing-related expenditure. This compares favourably to owner-occupier households, where the equivalent percentage is typically approximately 70% of median household income.

The highest proportion of owner-occupier shoppers are in Sha Tin and Fanling/Sheung Shui/Tai Po, mirroring the general trend in these areas. The lowest rent to income level is in Fanling/Sheung Shui/Tai Po.

Table A:
Shopper Profiles of the Retail Facilities by Area

	Hong Kong Island	Kowloon Central	Kowloon East	Kowloon West	Sha Tin/ Ma On Shan	Fanling/ Sheung Shui/ Tai Po	Tseung Kwan O	Tsuen Wan/ Kwai Chung/ Tsing Yi/ Tung Chung		Tuen Mun	Yuen Long/ Tin Shui Wai	Retail Facilities Overall	Hong Kong Overall
Existing Population(1).....	169,400	314,900	276,100	75,200	255,700	242,700	139,500	309,000		196,400	163,800	2,142,600	6,835,600(2)
Future Population (2008)(1).....	165,900	296,400	296,300	82,700	266,500	242,500	139,800	302,900		222,600	154,900	2,170,500	7,058,900(3)
Existing Households(1)....	50,400	98,700	89,400	25,400	76,300	69,800	41,100	92,900		65,400	48,500	657,800	2,222,500(2)
Existing proportion of households owning the accommodation they occupy(1)	19.3%	28.1%	27.2%	21.9%	43.6%	44.5%	30.6%	17.5%		30.7%	27.1%	29.7%	54.1%(2)
Age profile(1):													
0 - 14 years	11.2%	11.6%	12.2%	12.9%	12.1%	13.9%	18.8%	14.5%		15.7%	21.8%	14%	15.2%(2)
15 - 29	24.4%	19.0%	20.2%	18.3%	26.2%	29.6%	24.7%	23.1%		26.4%	23.4%	23.6%	20.1%(2)
30 - 44	21.2%	24.6%	24.1%	21.1%	20.8%	19.2%	23.5%	23.1%		21.2%	26.4%	22.6%	28.0%(2)
45 - 59	23.5%	20.1%	20.1%	20.6%	24.6%	25.0%	22.5%	21.4%		24.8%	19.1%	22.2%	21.6%(2)
60+	19.7%	24.7%	23.4%	27.0%	16.3%	12.3%	10.5%	18.0%		12.0%	9.3%	17.6%	15.1%(2)
Existing median monthly household income(1)	HK\$ 16,200	HK\$ 12,600	HK\$ 12,300	HK\$12,300	HK\$14,200	HK\$13,000	HK\$15,000	HK\$12,500		HK\$11,500	HK\$12,000	HK\$13,000	HK\$15,500(2)
Median rent to income ratio(1)	13.3%	16.2%	17.4%	17.4%	13.5%	10.7%	15.1%	15.3%		11.9%	14.3%	14.4%	15.1%(4)

Notes:

- (1) Source: Hong Kong Housing Authority.
- (2) Source: Population and Household Statistics 2004, Census and Statistics Department (C&SD).
- (3) Source: Projections of Population Distribution 2004 — 2013, Planning Department.
- (4) Source: 2001 Census, C&SD.

ii. Competition Analysis

Table B sets out the competitive analysis for the Retail Facilities together with a benchmark against equivalent parameters for private sector retail floorspace. The total IFA of the Retail Facilities comprises approximately 9.1% of Hong Kong's total retail floorspace. Many of the Retail Facilities function as local centres to the Housing Estates in which they are located and this is reflected in their low floorspace per resident ratios. Conversely, private retail centres tend to be larger and serve a larger catchment, including, for the major retail centres, substantial office populations as well as overseas visitors. The increased size of catchment explains the higher ratios derived in, for example, Hong Kong Island, Kowloon West and Kowloon Central.

It is notable that the vacancy rates for the Retail Facilities in some Areas are lower than comparable private retail centres. This is particularly evident in Tseung Kwan O, Kowloon East and Yuen Long/Tin Shui Wai.

The additional private retail floorspace which is anticipated to be completed in the period to end 2008 has been estimated by the Property Consultant. This has been used together with the forecast population growth to calculate the ratio of future retail floorspace per resident in each of the Areas analysed in this report. The analysis highlights that Kowloon West, Kowloon East, Tseung Kwan O and Tsing Yi, Kwai Chung and Tsuen Wan are likely to experience the largest increases in retail floorspace over this period. Retail floorspace per resident is, however, forecast to remain relatively stable in these Areas, indicating that the additional supply is largely offset by the expected increase in the populations of these Areas. However, localised areas with an oversupply of retail floorspace remains a possibility within these Areas. Overall retail floorspace per resident is forecast to remain relatively stable and, based on the current forecast of completions of additional retail space, it is unlikely that any major imbalances will develop in the supply and demand of retail floor space over the period to end 2008.

Table B:
The Property Consultant's Competition Analysis by Area

	Hong Kong Island	Kowloon Central	Kowloon East	Kowloon West	Sha Tin/ Ma On Shan	Sheung Shui/ Fanling/ Tai Po	Tseung Kwan O	Tsuen Wan/ Kwai Chung/ Tsing Yi/ Tung Chung	Tuen Mun	Yuen Long/ Tin Shui Wai	Overall
Retail Facilities' floorspace (IFA) ⁽¹⁾⁽⁷⁾	71,046 sq.m.	162,105 sq.m.	125,010 sq.m.	32,223 sq.m.	129,907 sq.m.	91,975 sq.m.	63,085 sq.m.	118,639 sq.m.	99,334 sq.m.	67,317 sq.m.	960,641 sq.m.
Retail Facilities' floorspace (IFA) as a% of total retail supply in each area ⁽²⁾	2.3%	15.8%	20.4%	1.2%	28.3%	19.9%	22.9%	11.6%	24.4%	14.9%	9.1%
Vacancy rate of Retail Facilities ⁽³⁾⁽⁷⁾	6.1%	8.5%	9.6%	12%	7.5%	8.9%	5.7%	8.9%	6.4%	3.5%	7.8%
Private sector vacancy rate ⁽⁸⁾	8.4%	11.2%	21.9%	10.5%	7.1%	5.9%	16.5%	16.9%	10.6%	8.8%	10.8%
Retail Facilities' average rental levels/m ² ⁽⁴⁾⁽⁷⁾	\$ 265	\$ 260	\$ 326	\$ 192	\$ 240	\$ 236	\$ 335	\$ 266	\$ 231	\$ 340	\$ 269
Average private rental levels/m ² ⁽⁵⁾	\$ 884	\$ 1,015	\$ 1,015	\$ 1,015	\$ 669	\$ 669	\$ 669	\$ 669	\$ 669	\$ 669	\$ 881
Retail Facilities' floorspace (IFA) per resident ⁽⁶⁾⁽⁷⁾	0.4 sq.m.	0.5 sq.m.	0.5 sq.m.	0.4 sq.m.	0.5 sq.m.	0.4 sq.m.	0.5 sq.m.	0.4 sq.m.	0.5 sq.m.	0.4 sq.m.	0.4 sq.m.
Private retail floorspace per resident ⁽⁹⁾⁽⁹⁾	2.4 sq.m.	1.1 sq.m.	0.8 sq.m.	3.9 sq.m.	0.5 sq.m.	0.6 sq.m.	0.5 sq.m.	1.0 sq.m.	0.6 sq.m.	0.7 sq.m.	1.4 sq m.
Proposed private supply to 2008 ⁽⁶⁾⁽¹⁰⁾	7,000 sq.m.	55,000 sq.m.	66,400 sq.m.	103,000 sq.m.	—	—	58,000 sq.m.	60,000 sq.m.	—	15,000 sq.m.	364,400 sq.m.
Future Retail Facilities' floorspace (IFA) per resident ⁽⁵⁾⁽⁷⁾	0.4 sq.m.	0.5 sq.m.	0.4 sq.m.	0.4 sq.m.	0.5 sq.m.	0.4 sq.m.	0.5 sq.m.	0.4 sq.m.	0.4 sq.m.	0.4 sq.m.	0.4 sq.m.
Future private retail floorspace per resident ⁽¹⁰⁾⁽¹¹⁾	2.4 sq.m.	1.2 sq.m.	0.9 sq.m.	3.9 sq.m.	0.5 sq.m.	0.6 sq.m.	0.6 sq.m.	1.0 sq.m.	0.6 sq.m.	0.7 sq.m.	1.4 sq.m.

Notes:

- (1) The Property Consultant has taken into account all floorspace within the Retail Facilities, excluding ancillary floorspace, as at 30 September 2005.
- (2) Retail Facilities' floorspace (IFA) is as at 30 September 2005. Total private retail supply in each area is as at 31 December 2004 as per Rating and Valuation 2005 Property Review plus the Retail Facilities' floorspace (IFA) and the Housing Society Retail floorspace. The Housing Society is a non-government organisation that aims to serve the needs in housing and related services of low income Hong Kong residents.
- (3) Vacancy rates are presented for 31 December 2004 to make the comparison with Rating and Valuation 2005 Property Review which covers the end of 2004.
- (4) Excludes Government/welfare lettings and rentals to kindergartens at non-market rents. Value refers to a base rent as at 31 July 2005.
- (5) Resident here refers to residents of the Housing Estates within which the Retail Facilities are located.
- (6) Only includes centres larger than 5,000 sq.m. anticipated to be completed before the end of 2008. Based on IFA and using an IFA to GFA ratio of 0.65
- (7) Source: HKHA
- (8) Source: Rating and Valuation 2005 Property Review
- (9) Source: Population and Household Statistics 2004, C&SD
- (10) Source: Estimated IFA as per the Property Consultant
- (11) Source: Projections of Population Distribution 2004 — 2013, Planning Department

1. Introduction

This report presents background material, shopper profiles and competition analysis for the Retail Facilities.

Information is provided for the following broad areas (the “Areas”):

- Hong Kong Island
- Kowloon Central
- Kowloon East
- Kowloon West
- Sheung Shui — Fanling — Tai Po
- Sha Tin — Ma On Shan
- Tseung Kwan O
- Tuen Mun
- Tsuen Wan — Kwai Chung — Tsing Yi — Tung Chung
- Yuen Long — Tin Shui Wai

Definitions

Unless the context otherwise requires, terms defined in the Offering Circular relating to the offering of Units in The Link Real Estate Investment Trust, of which this report forms part, have the same meanings when used in this report.

“Hong Kong 2030” means the long term strategic planning strategy published by the Government.

Source information and definitions used in Tables in this Report

Existing Shopper Profiles

For the purposes of Tables in this report setting out the “Existing Shopper Profile” for each Area:

“Shoppers” means the shoppers at Retail Facilities in the relevant Area as at June 2005;

“Existing Population”, “Median monthly domestic household income”, “Existing Age Profiles” and “Existing Proportion of Households Owning the Accommodation they Occupy” figures for each Area are extracted from the “Population and Household Statistics 2004” published by the Census and Statistics Department of the Government (“C&SD”);

“Future Population” figures for Shoppers are extracted from HKHA population forecasts dated June 2004;

“Existing Age Profiles”, “Median monthly domestic household income” and “Median rent to income ratios” figures for Shoppers are extracted from HKHA internal records dated June 2004 to make the comparison with the “Population and Household Statistics 2004” published by the Census and Statistics Department of the Government (“C+SD”) which cover mid 2004;

“Existing median mortgage payment and loan repayment to income ratios” and “Median rent to income ratios” figures for each Area are extracted from the 2001 Census for Hong Kong.

Competition

For the purposes of the tables in this report setting out the “Competition Analysis” for each Area:

“Total Floorspace (IFA)” figures for the Retail Facilities includes all retail floorspace in each Area excluding ancillary areas and is extracted from internal HKHA records;

"Total Floorspace (IFA)" figures for the Private Centres are as at end 2004 and are extracted from the "Hong Kong Property Review 2005" prepared by the Rating and Valuation Department of the Government;

"Vacancy Rates" for the Retail Facilities are extracted from internal HKHA records and presented as at 31 December 2004 to make the comparison with the "Hong Kong Property Review 2004" prepared by the Rating and Valuation Department of the Government, which covers the end of 2004;

"Average rental levels/sq.m. IFA" figures for the Retail Facilities excludes government/ welfare lettings and kindergartens at non-market rent and are extracted from internal HKHA records as at 31 July 2005;

"Average rental levels/sq.m. IFA" for the Private Centres are extracted from the "Hong Kong Property Review 2005" prepared by the Rating and Valuation Department of the Government and presents figures for Hong Kong Island, Kowloon or the New Territories as appropriate;

"Existing floorspace per resident" and "Future floorspace per resident" of the Retail Facilities are derived by dividing the Total Floorspace IFA by the existing "Residents" and "Future Residents".

"Residents" refers to the existing population of the Housing Estates within which the Retail Facilities in the Area are located.

"Future Residents" are mid 2008 population estimates of the Housing Estates within which the Retail Facilities in the area are located extracted from HKHA internal records;

"Private retail floorspace per resident" figures for the area are derived by dividing the Private retail Floorspace IFA by the existing population for the Area which is extracted from the "Population and Household Statistics 2004" report published by the C&SD;

"Proposed private supply" figures for the Private Centres only include centres above 5,000 sq.m. that are anticipated to be completed by the end of 2008, assumes the IFA:GFA ratio is 0.65 and are extracted from figures compiled by the Property Consultant;

"Future private floorspace per resident" figures for the area are derived by dividing the existing and proposed private supply by the mid 2008 population projection for the Area extracted from the "Projections of Population Distribution 2004-2013" published by the Planning Department of the Government.

2. Hong Kong Island

2.1 Background

Hong Kong Island (also referred to in this section of this report as the "Area") contains a number of activities of territorial and regional significance including the Central Business Area, government and administrative functions, major private retail centres, and a variety of tourist and visitor attractions. Most of these activities are located on the north shore of Hong Kong Island while the Retail Facilities are concentrated in the east and the south of the Area. Broadly speaking, the Government's planning intention for Hong Kong Island does not envisage major new development areas notwithstanding the ongoing Central Reclamation Phase 3 and proposed Wanchai Development Phase 2.

All areas of Hong Kong Island, including the Retail Facilities, are well-served by public transport, although currently only the north shore is served by MTR. Accessibility along the north shore is likely to be enhanced by both the proposed Central — Wan Chai Bypass/Island Eastern Corridor Link and the North Hong Kong Island Line.

MTRC has recently received approval from the Government to proceed with the detailed planning of the West Hong Kong Island Line and to continue the study on the proposed South Hong Kong Island Line. *Hong Kong 2030* assumes that either the South Hong Kong Island Line or Route 7, a new road providing additional capacity in the western part of the Area, will be completed by 2020. Accessibility to Southern District and associated Retail Facilities is thus likely to be enhanced if these proposals are implemented.

2.2 Shopper Profile

The shoppers using the Retail Facilities in the Area comprise a relatively small proportion of Hong Kong Island as a whole at 14% of population and 12% of households (see Table 1). This proportion is not expected to change significantly as the population of Hong Kong Island is forecast remain stable to mid 2008 (according to the *Projections of Population Distribution 2004 — 2013* prepared by the Planning Department) against a slight reduction in the forecast population of the shoppers in the Area.

In general, the shopper profile for the Retail Facilities in the Area is older and less well-off than that of the rest of Hong Kong Island. There are a lower proportion of persons within the typically higher-spending age range of 15 — 44 years at 45% compared with almost 48% in the Area as a whole.

While the median monthly household income of shoppers is only 79% of that for the whole Area, the median rent to income ratio for shoppers is also much lower, implying that a significantly greater proportion of shopper household income is available for non-housing-related expenditure. As would be expected, a much lower proportion of the shopper households own the accommodation they occupy compared with the Area as a whole.

Table 1: Existing Shopper Profile — Retail Facilities compared with the Area (Hong Kong Island)

	Retail Facilities' Shoppers	Area
Existing population	169,400	1,251,200
Future population (2008).....	165,900	1,249,900
Existing households	50,400	417,600
Existing proportion of households owning the accommodation they occupy	19.3%	59.6%
Existing age profile:		
0 — 14 years	11.2%	13.6%
15 — 29.....	24.4%	18.9%
30 — 44.....	21.2%	28.8%
45 — 59.....	23.5%	22.4%
60+	19.7%	16.1%
Existing median monthly domestic household income (HK\$).....	16,200	20,460
Existing median mortgage payment and loan repayment to income ratio. . .	N/A	28.6%
Median rent to income ratio	13.3%	18.5%

Notes:

Refer to definitions and sources listed in section 1 of this report

2.3 Competition

The Retail Facilities in the Area comprise around 2.3% of total retail floorspace on Hong Kong Island and are concentrated in the east and south of the Island. Stanley Plaza is the only Retail Facility in the Area over 10,000 sq.m. in size. The majority of the other Retail Facilities in the Area are relatively small and generally serve their local populations. Consequently, the Retail Facilities in the Area have a much lower floorspace per resident at 0.4 sq.m. compared with 2.4 sq.m. for private centres. Vacancy rates for the Retail facilities in the Area (6.1%) are not significantly different from private sector levels (8.4%).

Figure 1 on page VIII-9 illustrates the location, age and size of the Retail Facilities and private sector shopping centres on Hong Kong Island. Future supply is also indicated for proposed centres above 5,000 sq m IFA anticipated to be completed by end of 2008.

The Retail Facilities along the north-eastern shore of Hong Kong Island have significant competition from the large, attractive and accessible private centres located along the Island MTR line.

While the more southerly Retail Facilities are relatively isolated, the quality of public transport means that the private centres along the Island MTR line can be accessed reasonably easily by bus or mini bus, particularly for weekend trips. Stanley Plaza is an exceptional case and is likely to benefit from the general increase in tourists as well as the variety of improvements to visitor facilities currently underway in Stanley. Planning controls limit the scope for significant additions to commercial floorspace in Stanley.

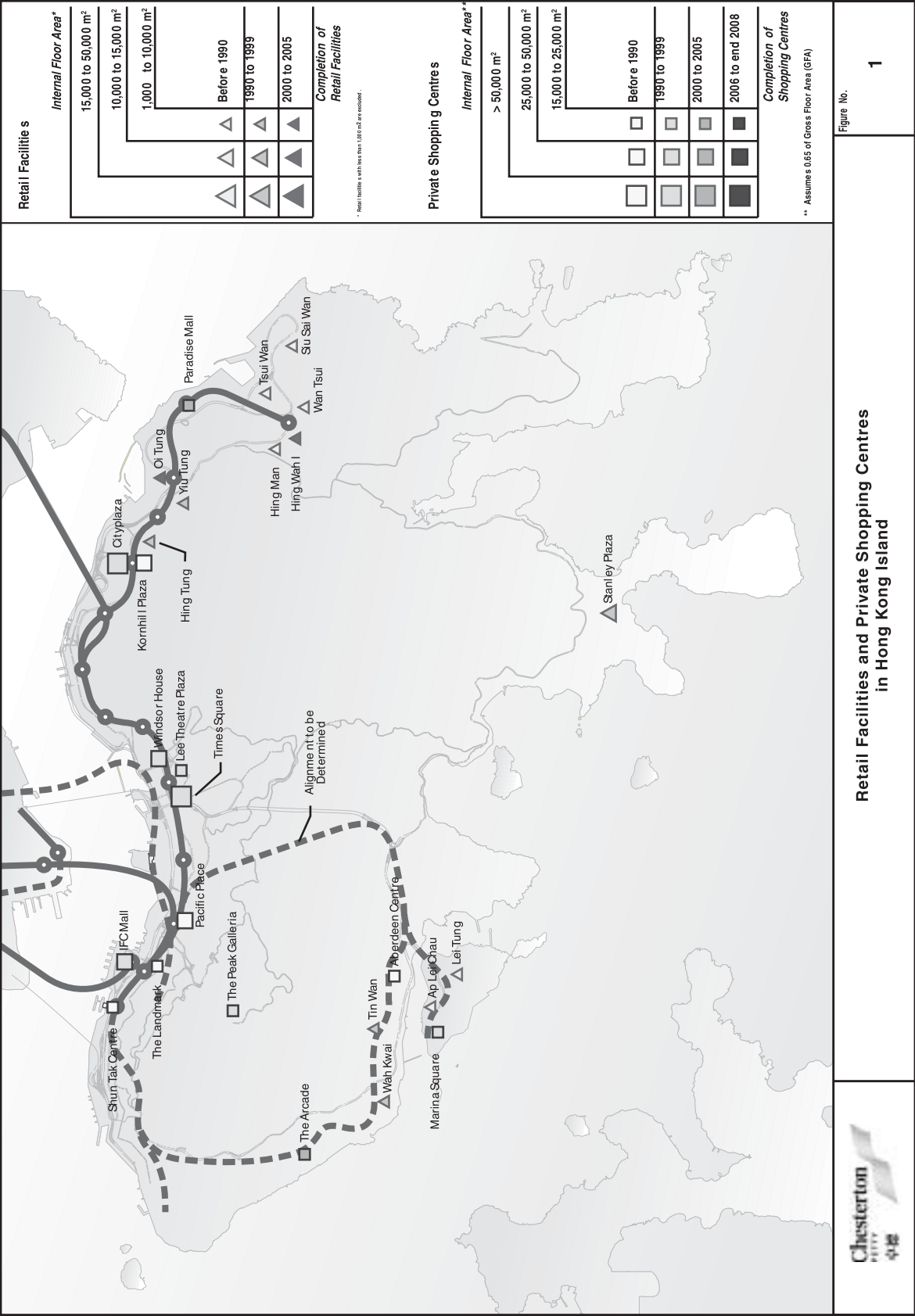
Relatively few private centre stock additions are anticipated up to end 2008. New centres include small extensions at Landmark in Central and the World Trade Centre in Causeway Bay.

Table 2: Competition — Retail Facilities compared with Private Centres (Hong Kong Island)

	<u>Retail Facilities</u>	<u>Private Centres</u>
Total floorspace (IFA)	71,046sq.m.	3,043,100sq.m.
Vacancy rate	6.1%	8.4%
Average rental levels/sq.m. IFA	HK\$ 265	HK\$ 884
Existing floorspace per resident	0.4sq.m.	2.4sq.m.
Proposed new supply by 2008 (IFA)	—	7,000sq.m.
Future floorspace per resident (IFA)	0.4sq.m.	2.4sq.m.

Notes:

Refer to definitions and sources listed in section 1 of this report.



3. Kowloon Central

3.1 Background

Kowloon Central (also referred to in this section of this report as the “Area”) is characterised by a mix of high-density public and private housing and former industrial areas. Public housing is predominantly concentrated in Wong Tai Sin. Older private residential development is generally located in Kowloon City, of which the Hung Hom — To Kwa Wan area has been designated by the Government as an urban renewal target area. The San Po Kong industrial area is gradually transforming to business uses.

Kowloon Central includes the former Kai Tak International Airport, now known as the South East Kowloon Development (“SEKD”). The Government’s scheme for SEKD envisaged a design population of 260,000 persons on completion, although it is now being reviewed with the aim of minimising the extent of reclamation. Whatever the outcome of such review, the Area is likely to see a significant increase in population over the long-term comprising both public and private housing and associated facilities.

The Area is highly accessible from most of Hong Kong Island, Kowloon and the New Territories. Strategic road corridors include Leung Cheung Road, Kwun Tong Road, Tate’s Cairn Tunnel, and Prince Edward Road East. The Area is served by the Kwun Tong MTR.

Hong Kong 2030 assumes completion of the Central Kowloon Route/Road T2/Western Coast Road by 2020. These roads will act to relieve the Area of through-traffic and should generally ease traffic conditions. The general accessibility of the Area is likely to be enhanced through various ongoing and planned improvements to the rail network. The Sha Tin to Central Link is planned to pass through the Area with an interchange at Diamond Hill and stations within the SEKD.

3.2 Shopper Profile

The shoppers using the Retail Facilities in the Area comprise a significant proportion of Kowloon Central as a whole at 39% of population and 38% of households (see Table 3). The population of Kowloon Central is forecast to decrease by 2.1% by mid 2008 according to the *Projections of Population Distribution 2004 — 2013* prepared by the Planning Department. However, in the longer term, increases can be anticipated with the redevelopment at the SEKD, the majority of which lies within Kowloon City. Pending the ongoing review of SEKD, both public and private housing are envisaged to be developed in its early phases. Substantial increases in population are not expected elsewhere in the Area.

In general, the shopper profile for the Retail Facilities in the Area is older and less well-off than that of the rest of Kowloon Central. There is a higher proportion of persons in the age range above 60 at 25% compared with 20% in the Area as a whole.

The median monthly household income of shoppers is 85% of that for the whole Area while the median rent to income ratio for shoppers is about the same as that in the Area as a whole. This implies that a relatively high proportion of shoppers’ household income is available for non-housing expenditure. A lower proportion of shopper households own the accommodation they occupy at 28% compared to 50% within the Area as a whole.

Table 3: Existing Shopper Profile — Retail Facilities compared with the Area (Kowloon Central)

	Retail Facilities' Shoppers	Area
Existing population	314,900	804,000
Future population (2008)	296,400	786,800
Existing households	98,700	257,000
Existing proportion of households owning the accommodation they occupy	28.1%	50.3%
Existing age profile:		
0 — 14 years	11.6%	13.9%
15 — 29	19.0%	18.0%
30 — 44	24.6%	27.2%
45 — 59	20.1%	20.8%
60+	24.7%	20.1%
Existing median monthly domestic household income (HK\$)	12,600	14,880
Existing median mortgage payment and loan repayment to income ratio	N/A	28.9%
Median rent to income ratio	16.2%	15.9%

Notes:

Refer to definitions and sources listed in section 1 of this report

3.3 Competition

The Retail Facilities in the Area comprise 15.8% of the total retail floorspace of Kowloon Central. Most of the Retail Facilities in the Area are concentrated in Wong Tai Sin although there are two facilities within the Kowloon City area. Lok Fu, the largest Retail Facility in the Area at almost 40,000sq.m. IFA, serves as a regional shopping centre. There are other large-scale Retail Facilities at Wong Tai Sin, Oi Man, Tsz Lok, and Choi Wan. The Retail Facilities in the Area have a lower floorspace per resident at 0.5sq.m. compared with 1.1sq.m. for private centres. Their vacancy rates for the Retail Facilities in the Area (8.5%) are slightly lower than private sector levels (11.2%).

Figure 2 on page VIII-13 illustrates the location, age and size of the Retail Facilities and private sector shopping centres in Kowloon Central. Future supply is also indicated for proposed centres above 5,000 sq m IFA anticipated to be completed by end of 2008.

There are two broad groups of Retail Facilities in the Area: (i) those in Wong Tai Sin and either directly accessible by the Kwun Tong MTR line, or at least in reasonable proximity to it; and (ii) two Retail Facilities within the Kowloon City area. Several of the Retail Facilities in Wong Tai Sin are highly accessible by MTR and thus have both a large potential catchment and a high degree of competition from large private centres such as Plaza Hollywood and Festival Walk in Kowloon Tong. Due to the close proximity of a number of centres, catchments overlap and some of the Retail Facilities in the Area are effectively in competition with each other. Lung Cheung Mall is a special case and lies directly next to the Wong Tai Sin Temple, a significant visitor attraction and of major cultural significance within Hong Kong. The increasing numbers of mainland China tourists, encouraged by the ability to visit Hong Kong in an individual capacity, therefore present special opportunities in this Area.

The largest new centre expected to be developed in Kowloon Central is the St Joseph Home Redevelopment project near Choi Hung MTR (close to Kowloon East) which is anticipated to have a GFA of approximately 53,900sq.m.

Table 4: Competition — Retail Facilities compared with Private Centres (Kowloon Central)

	<u>Retail Facilities</u>	<u>Private Centres</u>
Total floorspace (IFA)	162,105sq.m.	850,200sq.m.
Vacancy rate	8.5%	11.2%
Average rental levels/sq.m. IFA	\$ 260	HK\$ 1,015
Existing floorspace per resident	0.5sq.m.	1.1sq.m.
Proposed new supply by 2008 (IFA)	—	—
Future floorspace per resident (IFA)	0.5sq.m.	1.2sq.m.

Notes:

Refer to definitions and sources listed in section 1 of this report.



4. Kowloon East

4.1 Background

Kowloon East (also referred to in this section of this report as the “Area”) is characterised by a mix of high-density public and private housing and the large-scale industrial areas of Kowloon Bay, Kwun Tong, and Yau Tong. In broad terms, the area to the north-east of Kwun Tong Road comprises residential development and the area to the south-west comprises former industrial and shipyard areas. New secondary business centres are emerging in the former industrial areas as the economy continues to restructure, with new uses encouraged by statutory zonings and proximity to MTR stations. Redevelopment activity has been significant following the removal of the airport height restrictions and implementation of a large-scale public housing redevelopment programme.

Increases in residential development are expected in the Area arising from redevelopment of existing housing estates and the redevelopment of the Kwun Tong Town Centre by the Urban Renewal Authority.

The Area is highly accessible from most of Hong Kong Island, Kowloon and the New Territories. The Area is served by both the Kwun Tong and Tseung Kwan O MTR lines with interchange to Tseung Kwan O. Strategic road corridors include Kwun Tong Road, the Eastern Harbour Crossing and the Tseung Kwan O Road/Tunnel.

Hong Kong 2030 assumes completion of the Central Kowloon Route/Road T2/ Western Coast Road by 2020. These roads will reinforce links between the Area and the West Kowloon reclamation, the SEKD and Tseung Kwan O.

4.2 Shopper Profile

The shoppers using the Retail Facilities in the Area comprise a high proportion of Kowloon East as a whole at 48% of the population and 47% of the households (see Table 5). The population of Kowloon East is forecast to increase by some 6% by mid 2008 according to the *Projections of Population Distribution 2004 — 2013* prepared by the Planning Department.

In general, the shopper profile for the Retail Facilities in the Area is older and less well-off than that of the rest of Kowloon East. There are a higher proportion of persons in the age range above 60 years at 23% compared with 21% in the Area as a whole.

The median monthly household income of shoppers is very similar to that for the whole Area while the median rent to income ratio for shoppers is actually higher than that for the Area as a whole at 17% compared to 15%. The proportion of shopper households owning the accommodation they occupy is lower than the rest of the Area at 27% compared to 40%.

Table 5: Existing Shopper Profile — Retail Facilities compared with the Area (Kowloon East)

	Retail Facilities' Shoppers	Area
Existing population.....	276,100	571,400
Future population (2008)	296,300	603,400
Existing households.....	89,400	189,500
Existing proportion of households owning the accommodation they occupy.....	27.2%	39.2%
Existing age profile:		
0 — 14 years.....	12.2%	13.9%
15 — 29	20.2%	18.8%
30 — 44	24.1%	26.3%
45 — 59	20.1%	20.2%
60+.....	23.4%	20.7%
Existing median monthly domestic household income (HK\$)	12,300	13,100
Existing median mortgage payment and loan repayment to income ratio	N/A	29.4%
Median rent to income ratio	17.4%	15.1%

Notes:

Refer to definitions and sources listed in section 1 of this report.

4.3 Competition

The Retail Facilities in the Area comprise 20.4% of the total retail floorspace of Kowloon East. The Retail Facilities in the Area lie predominantly to the north of Kwun Tong Road and are either directly accessible by MTR or are a short bus ride away. Sau Mau Ping is one of the largest and newest facilities at approximately 15,000sq.m. IFA. The Retail Facilities in the Area have a lower floorspace per resident at 0.5sq.m. compared with 0.8sq.m. for the private centres, reflecting their predominantly local function. Vacancy rates for the Retail Facilities in the Area (9.6%) are much lower than private sector levels (21.9%).

Figure 3 on page VIII-16 illustrates the location, age and size of the Retail Facilities and private shopping centres in Kowloon East. Future supply is also indicated for proposed centres above 5,000 sq m IFA anticipated to be completed by end of 2008.

There are a number of major private shopping centres in Kowloon East many of which are highly accessible by MTR. Of these, the most notable are Telford Plaza and the recently opened APM centre in terms of footfall levels and the number of brand name retailers. There are also several major private retail centres which lie outside of the Area but which are easily accessible from it including Hollywood Plaza and Festival Walk. Competition for higher-spending households will increase as planned additional centres are constructed within the Area.

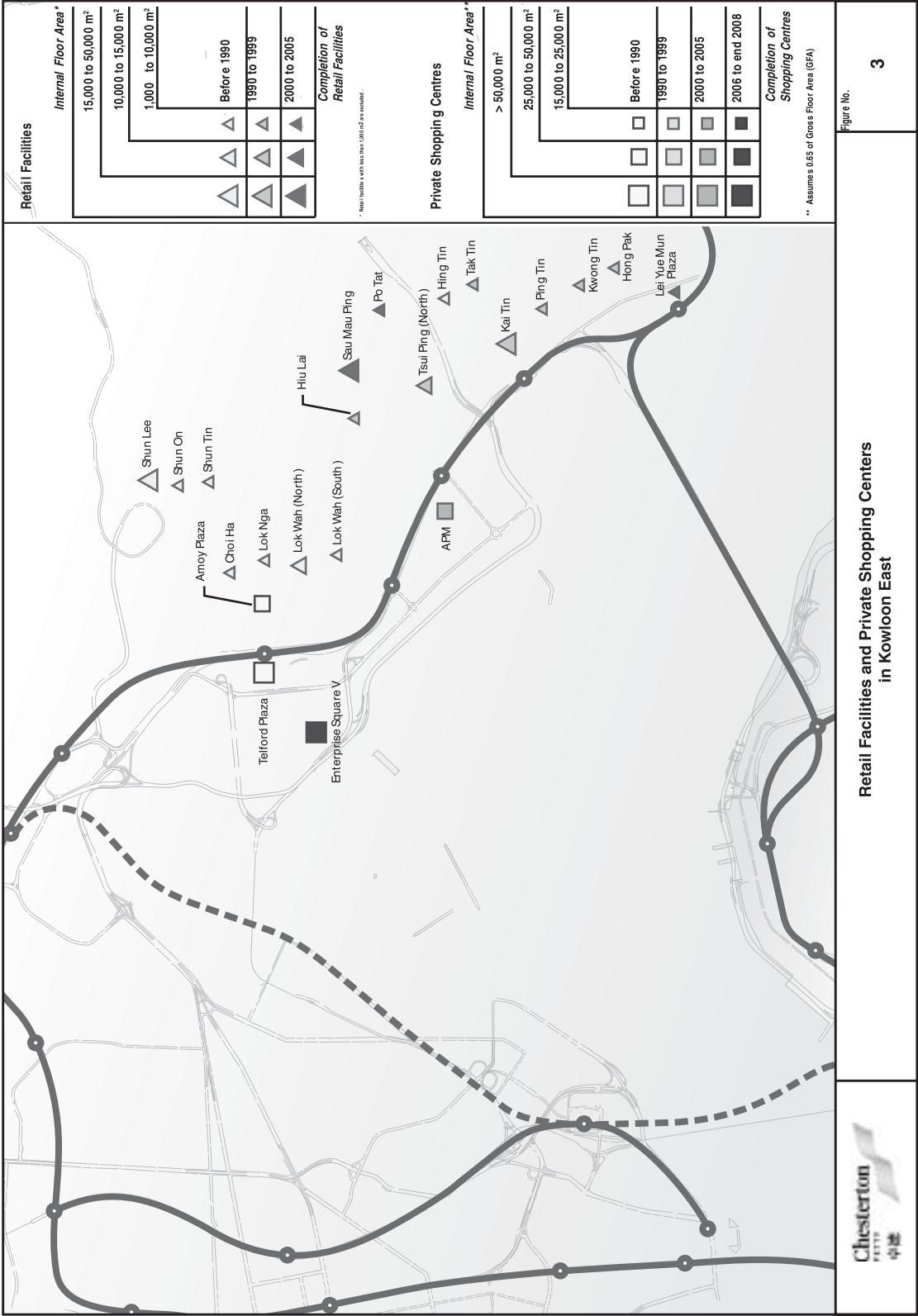
Over 100,000sq.m. GFA is expected to be developed in Kowloon East in the period to end 2008 with the completion of Enterprise Square Five ("Megabox") in Kowloon Bay.

Table 6: Competition — Retail Facilities compared with Private Centres (Kowloon East)

	Retail Facilities	Private Centres
Total floorspace (IFA).....	125,010sq.m.	478,900sq.m.
Vacancy rate.....	9.6%	21.9%
Average rental levels/sq.m. IFA.....	\$ 326	HK\$ 1,015
Existing floorspace per resident.....	0.5sq.m.	0.8sq.m.
Proposed new supply by 2008 (IFA).....	—	66,400sq.m.
Future floorspace per resident (IFA).....	0.4sq.m.	0.9sq.m.

Notes:

Refer to definitions and sources listed in section 1 of this report.



5. Kowloon West

5.1 Background

Kowloon West (also referred to in this section of this report as the “Area”) includes part of Hong Kong’s Central Business Area at Tsim Sha Tsui, comprising both business and tourist functions. Kowloon West also includes the well-known shopping areas of Nathan Road and Mongkok as well as a number of market streets in Mongkok and Sham Shui Po. Much of the remainder of the Area is made up of the older residential areas of Yau Ma Tei, Mongkok and Sham Shui Po. The area around the Sham Shui Po MTR station between Tai Po Road and Tung Chau Street has been designated as an Urban Renewal Target Area.

The Area is expected to undergo considerable change as the public housing redevelopment programme continues, urban renewal projects are implemented by the Urban Renewal Authority and Housing Society, the Cheung Sha Wan industrial area continues to transform into a secondary business centre, and new residential development is constructed on the West Kowloon Reclamation.

Kowloon West is well-served by public transport including the Tsuen Wan MTR Line as well as bus and mini bus services. The Airport Express Railway and Tung Chung MTR Line serve the West Kowloon Area and general accessibility will be enhanced by construction of the Kowloon Southern Link (KSL) (an extension of West Rail from Nam Cheong Station which will connect with the KCR Extension to Tsim Sha Tsui). Construction work on KSL is scheduled to start in late 2005 for completion around early 2009.

East Rail has recently been extended southwards by 1.1 km from Hung Hom to a new station at Tsim Sha Tsui East where it interchanges with MTR Tsuen Wan Line and connects to nearby major commercial centres.

Hong Kong 2030 assumes completion of the Central Kowloon Route by 2020. These roads will reinforce links between the Area and the West Kowloon reclamation, the SEKD and Tseung Kwan O and should relieve traffic congestion in the Area.

5.2 Shopper Profile

The shoppers using the Retail Facilities in the Area comprise a relatively small proportion of Kowloon West as a whole at 11% of both population and households (see Table 7). The population of Kowloon West is forecast to increase by 4% by mid 2008 according to the *Projections of Population Distribution 2004 — 2013* prepared by the Planning Department. This increase is attributable to the ongoing development of the West Kowloon Reclamation as well as ongoing HKHA projects.

In general, the shopper profile for the Retail Facilities in the Area is older than the rest of the Area. There are a lower proportion of persons within the typically higher-spending age range of 15 — 44 years, at 39% compared with 47% in the Area as a whole.

Median monthly household income of shoppers is actually comparable to that of the Area as a whole given the large number of low income residents in the Area residing within old private housing stock. The median rent to income ratio for shoppers is lower than the Area as a whole at 17% compared with 21%, implying that a significant proportion of shoppers’ household income is available for non-housing-related expenditure. As would be expected, a lower proportion of shopper households own the accommodation they occupy (22%) compared with the Area as a whole (54%).

Table 7: Existing Shopper Profile — Retail Facilities compared with the Area (Kowloon West)

	Retail Facilities' Shoppers	Area
Existing population	75,200	657,600
Future population (2008)	82,700	686,000
Existing households	25,400	230,000
Existing proportion of households owning the accommodation they occupy	21.9%	53.7%
Existing age profile:		
0 — 14 years	12.9%	13.0%
15 — 29	18.3%	19.7%
30 — 44	21.1%	27.0%
45 — 59	20.6%	22.2%
60+	27.0%	18.1%
Existing median monthly domestic household income (HK\$)	12,300	13,230
Existing median mortgage payment and loan repayment to income ratio	N/A	31.9%
Median rent to income ratio	17.4%	21.1%

Notes:

Refer to definitions and sources listed in section 1 of this report.

5.3 Competition

The Retail Facilities in the Area comprise just over 1% of the total retail floorspace of Kowloon West. There is only one Retail Facility in Yau Tsim Mong with the remainder scattered within Sham Shui Po. Reflecting their predominantly local function, the Retail Facilities have much lower floorspace per resident rates per person at 0.4sq.m. compared with 3.9sq.m. for private centres. Vacancy rates for the Retail Facilities in the Area (12%) are higher than private sector levels (10.5%).

Figure 4 on page VIII-19 illustrates the location, age and size of the Retail Facilities and private sector shopping centres in Kowloon West. Future supply is also indicated for proposed centres above 5,000 sq m IFA anticipated to be completed by end of 2008.

The older, well-established core area of Mongkok/Tsim Sha Tsui draws tourists as well as shoppers from all over Hong Kong. The area contains many food and beverage and entertainment outlets and has recently been subject to pedestrianisation schemes, which have enhanced the shopping environment. A recently opened private centre, Langham Place, has created a new core in Mongkok and counters activities in Sai Yeung Choi Street. New areas are also developing on the West Kowloon Reclamation and fringe areas. Within Sham Shui Po, Cheung Sha Wan Plaza and the Dragon Centre already serve as Area level private shopping centres. However, Olympic Centre acts as the major private centre in the Area, and benefits from critical mass and proximity to an MTR station.

Over 158,000 sq.m. private retail GFA is expected to be developed in Kowloon West up to end 2008 and potential oversupply is a concern. Major private centres are expected to be developed at Hoi Fai Road, Hanoi Road and Kowloon Station ("Union Square").

Table 8: Competition — Retail Facilities compared with Private Centres (Kowloon West)

	Retail Facilities	Private Centres
Total floorspace (IFA)	32,223sq.m.	2,553,100sq.m.
Vacancy rate	12%	10.5%
Average rental levels/sq.m. IFA	\$ 192	HK\$ 1,015
Existing floorspace per resident	0.4sq.m.	3.9sq.m.
Proposed new supply by 2008 (IFA)	—	103,100sq.m.
Future floorspace per resident (IFA)	0.4sq.m.	3.9sq.m.

Notes:

Refer to definitions and sources listed in section 1 of this report.



6. Fanling/Sheung Shui/Tai Po

6.1 Background

The "Area" referred to in this section of this report principally comprises the new towns of Fanling/Sheung Shui and Tai Po. The Area has been identified as Hong Kong's 'technology corridor' incorporating the University of Science and Technology, Hong Kong Science Park, and the Tai Po Industrial Estate. A New Development Area was proposed at Fanling/Sheung Shui as part of the Government's *Planning and Development Study on the North East New Territories*. It appears that this proposal has been abandoned for the time being.

The Area is well-served by public transport and lies on KCRC's East Rail which functions both as a suburban railway and the principal railway line to mainland China. The Sheung Shui to Lok Ma Chau Spur Line will branch off the existing East Rail line just north of Sheung Shui and run to the new Lok Ma Chau Terminus close to the border with Shenzhen (the "Border"). A new station will be connected by a pedestrian bridge across Shenzhen River with Huanggang on the other side of the Border. Construction of the Spur Line is expected to be completed during 2007.

Long-term proposals have been made in the Government's *Railway Development Strategy* for a Regional Express Line (REL) linking the urban area's of Hong Kong with the Border providing both a fast domestic service with limited stops and, possibly, providing through train services. In 2004, the Government invited the KCRC to study the feasibility of operating express rail services using West Rail and the proposed Northern Link, with a short section branching out to connect with the Mainland railway.

6.2 Shopper Profile

The shoppers using the Retail Facilities in the Area comprise a relatively high proportion of the Area as a whole at 41% of the population and 38% of households (see Table 9). The population of Fanling/Sheung Shui/Tai Po is forecast to increase by 4% by mid 2008 according to the *Projections of Population Distribution 2004 — 2013* prepared by the Planning Department. Growth is expected to occur mainly in Fanling/Sheung Shui, although this may actually be less than forecast by the Planning Department on the assumption that the proposed New Development Area referred to in 6.1 above will not proceed.

In general, the shopper profile for the Retail Facilities in the Area is older and slightly less well-off than that of the rest of the Area. However, the differences in the age profile are not as pronounced as in other areas.

The median monthly household income of shoppers is 87% of that for the whole Area. Median rent to income ratio for shoppers is also lower at almost 11% compared to over 12% for the Area as a whole, implying that a significantly greater proportion of shoppers' household income is available for non-housing-related expenditure for both shopper and non-shopper households. A relatively high proportion of shopper households own the accommodation they occupy (45%) as is the case for the Area as a whole (63%).

Table 9: Existing Shopper Profile — Retail Facilities compared with the Area (Sheung Shui/Fanling/Tai Po)

	Retail Facilities' Shoppers	Area
Existing population	242,700	595,900
Future population (2008)	242,500	619,600
Existing households	69,800	184,600
Existing proportion of households owning the accommodation they occupy	44.5%	63.1%
Existing age profile:		
0 — 14 years	13.9%	16.0%
15 — 29	29.6%	22.8%
30 — 44	19.2%	26.8%
45 — 59	25.0%	23.1%
60+	12.3%	11.2%
Existing median monthly domestic household income (HK\$)	13,000	15,000
Existing median mortgage payment and loan repayment to income ratio	N/A	25.6%
Median rent to income ratio	10.7%	12.3%

Notes:

Refer to definitions and sources listed in section 1 of this report.

6.3 Competition

The Retail Facilities in the Area comprise 19.9% of total retail floorspace in Fanling/Sheung Shui/Tai Po. There are two broad groups of Retail Facilities: (i) those in Tai Po New Town, and (ii) those in Fanling/Sheung Shui. The Tai Yuen and Tai Wo Centres are each over 10,000sq.m., although generally the Retail Facilities in the Area are smaller in scale. Floorspace per resident is lower than for private centres at 0.4sq.m. compared with 0.6sq.m. Vacancy rates for the Retail Facilities in the Area (8.9%) are higher than private sector levels (5.9%).

Figure 5 on page VIII-22 illustrates the location, age and size of the Retail Facilities and private sector shopping centres in Fanling/Sheung Shui/Tai Po. Future supply is also indicated for proposed centres above 5,000 sq m IFA anticipated to be completed by end of 2008.

Tai Po is dominated by the Tai Po Mega Mall, an older private area shopping centre. The largest centres in Fanling are the Landmark North and its adjoining centres near the KCRC station. These are old centres, lower in quality compared to those in the Central Business Area and with fewer brand name retailers, reflecting the income level and age profile of these new towns.

No additional private centre stock additions are anticipated by the end of 2008.

Table 10: Competition — Retail Facilities compared with Private Centres (Fanling/Sheung Shui/Tai Po)

	Retail Facilities	Private Centres
Total floorspace (IFA)	91,975sq.m.	368,900sq.m.
Vacancy rate	8.9%	5.9%
Average rental levels/sq.m. IFA	HK\$ 236	HK\$ 669
Existing floorspace per resident	0.4sq.m.	0.6sq.m.
Proposed new supply by 2008 (IFA)	—	—
Future floorspace per resident (IFA)	0.4sq.m.	0.6sq.m.

Notes:

Refer to definitions and sources listed in section 1 of this report

