

SECTOR UPDATE

Property – Hong Kong Landlords

Robust Trend Of Northbound Spending And Weakened Tourism Arrivals During Dragon Boat Festival; Rate Cut and Policy Support Are Potential Catalysts

During the Dragon Boat Festival, the number of northbound Hong Kong residents per day averaged 357,000, which is 9% less than that of the Easter holiday. However, daily mainland tourist arrivals averaged 110,000, marking a decrease of 9% and 28% compared with the Qingming and Labour Day holidays respectively. Continue to watch for policy catalysts for retail landlords. A rate cut will lead to a re-rating of leading landlords with resilient rents. Maintain OVERWEIGHT. Top pick: Wharf REIC.

WHAT'S NEW

- Hong Kong Immigration announced the data for Hong Kong resident departures and mainland visitor arrivals for 2024's Dragon Boat Festival.

ESSENTIALS

- Robust trend of northbound shopping/spending.** During the Dragon Boat Festival in 2024, the average number of Hong Kong residents going northwards per day reached 357,000, which is 9% lower than the Easter holiday, but 40%/109%/2% higher than the Qingming/Labour Day/Buddha's Birthday holidays respectively. The average number of Hong Kong residents going northwards per day during major Hong Kong holidays in 2024 is 53% higher than in 2023. The trend of northbound consumption is resilient. During 3M24, the average monthly number of Hong Kong residents going northwards was 7.2m, which is 2m higher than the monthly average for the whole year of 2023. Assuming an average per capita consumption amount of HK\$500-1,500, we estimate the annual incremental northbound consumption amount to be HK\$12b-36b, equivalent to 3-9% of Hong Kong's retail sales in 2023.
- Hong Kong tourism continues to lose momentum.** During the 2024 Dragon Boat Festival, the daily average of Chinese tourists visiting Hong Kong was 110,000, marking a decrease of 9% and 28% compared with the Qingming and Labour Day holidays, respectively. The elevated exchange rate of the Hong Kong dollar is expected to continue deterring tourist spending in Hong Kong.

AVERAGE DAILY NUMBER OF HK RESIDENT DEPARTURES AND MAINLAND TOURIST ARRIVALS DURING RECENT HOLIDAYS

Holiday	Dates		HK residents travelling northwards	HK residents departures through airport	Mainland tourists arrivals
Easter	29 Mar-1 Apr	[a]	393,461	46,395	49,699
Qingming	4 Apr	[b]	255,209	29,650	120,654
Labour Day	1 May	[c]	171,269	24,086	153,236
Buddha's Birthday	15 May	[d]	351,191	38,897	62,012
Dragon Boat Festival	8-10 Jun	[e]	357,251	32,787	110,237
	Easter	[e/a-1]	-9%	-29%	n/m
Dragon Boat Festival vs	Qingming	[e/b-1]	40%	11%	-9%
	Labour day	[e/c-1]	109%	36%	-28%
	Buddha's Birthday	[e/d-1]	2%	-16%	n/m

Source: HKSAR Government; HK Immigration

PEER COMPARISON

Company	Ticker	Rec	Price @	Target	Upside/(Downside)	Market Cap	PE		P/B		Yield	
			Current Price (12 Jun 24) (HK\$)	Price (HK\$)	to TP (%)		2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (%)	2025F (%)
Wharf Real Estate Investment Co	1997 HK	BUY	21.25	31.20	46.8	64,519.8	9.4	8.4	0.3	0.3	6.6	7.3
Link REIT	823 HK	BUY	32.25	44.10	36.7	82,361.5	11.4	11.3	0.5	0.5	8.1	8.2

Source: Bloomberg, UOB Kay Hian

OVERWEIGHT

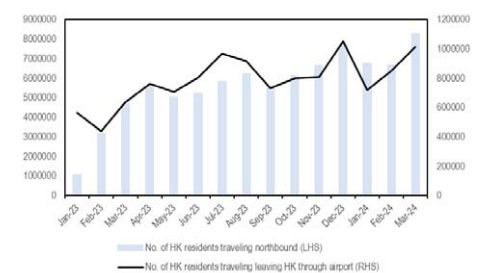
(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
Wharf REIC	1997 HK	BUY	21.25	31.20

Source: UOB Kay Hian

MONTHLY DATA OF HK RESIDENT DEPARTURES



Source: Hong Kong immigration, UOB Kay Hian

ANALYST(S)

Jieqi Liu
+852 2826 1392
jieqi.liu@uobkayhian.com.hk

Damon Shen
+86 21 54047225 ext.820
damonshen@uobkayhian.com

- **Despite the fundamental pressures, the following near-term catalysts merit attention:**
 - a) the anticipated interest rate cut is poised to result in a re-rating of leading landlords who possess stronger bargaining power with tenants and are expected to have relatively stable rents; and b) according to Paul Chan, HKSAR government is actively pursuing an increase in the HK\$5,000 tax exemption for mainland tourists visiting Hong Kong. Although this policy will not be able to address all the challenges of Hong Kong's retail sector, it is expected to positively improve the sector's sentiment.

ACTION

- **Maintain OVERWEIGHT on Hong Kong landlords**, on the back of near-term catalysts and the attractive valuations of leading retail landlords. Wharf REIC remains our top pick, as it will be a key beneficiary of possible policy supports.

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W