

Hysan Development

14 HK

‘Lee Gardens Three’ in the making?

- Hysan’s 2012 results indicate that an upgrading of its entire portfolio is already paying dividends
- Plan to redevelop Sunning Court and Sunning Plaza is positive, in our view; we estimate it should add HKD2.02/share to NAV
- We see significant room for value creation; raising target price to HKD48.16, reaffirm Buy

Target (HKD): **42.80 → 48.16**
Upside: **20.9%**
7 Mar price (HKD): **39.85**

- 1 Buy (unchanged)
- 2 Outperform
- 3 Hold
- 4 Underperform
- 5 Sell



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■ What's new

Hysan Development (Hysan) posted strong underlying net profit growth of 23.8% YoY to HKD1,622m for 2012, in line with our forecast of HKD1,610m which was 4.9% above consensus.

The group also has announced a plan to redevelop Sunning Court and Sunning Plaza, which we are calling Lee Gardens Three, into a retail-office complex to strengthen the appeal of its Lee Gardens hub. We see this an important strategic step in Hysan’s attempt to bring out the full potential of its portfolio.

■ What's the impact

Portfolio rejuvenation well under way. While the new contribution from Hysan Place was the main driver of 2012 net profit growth, underlying growth for the rest of the portfolio was also strong. Retail revenue was up 9.5% YoY despite an increased vacancy rate at Lee Theatre Plaza due to AEI work.

Redevelopment plan offers commercial benefits and strategic value, in our view. The plan would give Hysan around an extra 90,000sq ft of GFA. Moreover, we see the redevelopment as a positive step towards further rejuvenating the portfolio (see pages 4-5). We estimate that the redevelopment will add HKD2.1bn to NAV, or HKD2.02 per share.

■ What we recommend

We continue to see Hysan as a company that has been moving ahead to unlock the full potential of its prime commercial portfolio in Hong Kong. In our view, the 2012 results confirm that this transformation is well under way, and we expect the redevelopment plan to add further impetus.

We our reiterate Buy (1) rating and raise our six-month target price to HK48.16 from HKD42.80, based on an unchanged 30% discount to our revised end-2013E NAV of HKD68.80 (formerly HKD61.20) (see page 6 for NAV breakdown). Risks include a plunge in Hong Kong retail spending in Hong Kong.

■ How we differ

We think the importance of Hysan Place extends beyond its rental contribution, as it symbolises a new chapter for Hysan in its decade-long

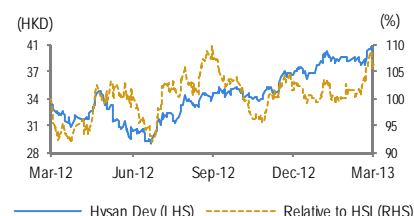
attempt to unlock the value of its prime commercial property portfolio in Hong Kong.

Forecast revisions (%)

Year to 31 Dec	13E	14E	15E
Revenue change	4.4	6.7	n.a.
Net profit change	-	-	n.a.
Core EPS (FD) change	-	-	n.a.

Source: Daiwa forecasts

Share price performance



12-month range	29.05-40.20
Market cap (USDbn)	5.43
3m avg daily turnover (USDm)	6.70
Shares outstanding (m)	1,056
Major shareholder	Lee Hysan Estate Company (40.9%)

Financial summary (HKD)

Year to 31 Dec	13E	14E	15E
Revenue (m)	2,823	3,130	3,444
Operating profit (m)	2,247	2,524	2,784
Net profit (m)	1,910	2,160	2,404
Core EPS (fully-diluted)	1.809	2.045	2.277
EPS change (%)	17.8	13.1	11.3
Daiwa vs Cons. EPS (%)	2.0	6.9	n.a.
PER (x)	22.0	19.5	17.5
Dividend yield (%)	2.9	3.0	3.3
DPS	1.150	1.200	1.300
PBR (x)	0.7	0.7	0.7
EV/EBITDA (x)	19.4	17.2	15.4
ROE (%)	3.3	3.6	4.0

Source: FactSet, Daiwa forecasts

Financial summary

■ Key assumptions

Year to 31 Dec	2008	2009	2010	2011	2012	2013E	2014E	2015E
Completed investment properties (m sq ft)	3.7	3.7	3.7	3.7	4.4	4.4	4.4	4.4
Blended average office rent (on GFA) (HKD/sq ft)	29.2	30.3	31.3	34.6	35.7	39.0	42.4	47.7
Blended average retail rent (on GFA) (HKD/sq ft)	59.2	61.2	66.2	66.0	81.2	91.5	103.4	112.3
Blended average residential rent (on GFA) (HKD/sq ft)	30.8	30.1	31.1	32.3	37.6	37.6	40.0	42.6

■ Profit and loss (HKDm)

Year to 31 Dec	2008	2009	2010	2011	2012	2013E	2014E	2015E
Property rental - office	720	747	770	820	908	1,081	1,175	1,323
Property rental - retail	626	648	700	789	1,250	1,414	1,605	1,746
Other Revenue	292	285	294	313	328	328	350	375
Total Revenue	1,638	1,680	1,764	1,922	2,486	2,823	3,130	3,444
Other income	63	38	49	90	73	56	59	62
COGS	(217)	(235)	(250)	(262)	(423)	(438)	(463)	(510)
SG&A	(134)	(133)	(140)	(173)	(179)	(186)	(194)	(204)
Other op.expenses	(2)	(7)	(8)	(8)	(8)	(8)	(8)	(8)
Operating profit	1,348	1,343	1,415	1,569	1,949	2,247	2,524	2,784
Net-interest inc./(exp.)	(155)	(131)	(117)	(122)	(156)	(154)	(153)	(151)
Assoc/forex/extraord./others	326	161	133	170	211	226	240	262
Pre-tax profit	1,519	1,373	1,431	1,617	2,004	2,319	2,611	2,895
Tax	(264)	(189)	(201)	(226)	(288)	(314)	(353)	(392)
Min. int./pref. div./others	(54)	(71)	(82)	(81)	(94)	(95)	(98)	(99)
Net profit (reported)	1,201	1,113	1,148	1,310	1,622	1,910	2,160	2,404
Net profit (adjusted)	1,201	1,113	1,148	1,310	1,622	1,910	2,160	2,404
EPS (reported)(HKD)	1.156	1.064	1.091	1.240	1.536	1.809	2.045	2.277
EPS (adjusted)(HKD)	1.156	1.064	1.091	1.240	1.536	1.809	2.045	2.277
EPS (adjusted fully-diluted)(HKD)	1.156	1.064	1.091	1.240	1.536	1.809	2.045	2.277
DPS (HKD)	0.680	0.680	0.740	0.800	0.950	1.150	1.200	1.300
EBIT	1,348	1,343	1,415	1,569	1,949	2,247	2,524	2,784
EBITDA	1,350	1,350	1,423	1,577	1,957	2,255	2,532	2,792

■ Cash flow (HKDm)

Year to 31 Dec	2008	2009	2010	2011	2012	2013E	2014E	2015E
Profit before tax	1,519	1,373	1,431	1,617	2,004	2,319	2,611	2,895
Depreciation and amortisation	2	7	8	8	8	8	8	8
Tax paid	(183)	(469)	(161)	(181)	(204)	(251)	(282)	(314)
Change in working capital	64	24	72	5	109	70	44	45
Other operational CF items	(223)	(55)	(51)	(82)	(63)	(80)	(95)	(119)
Cash flow from operations	1,179	880	1,299	1,367	1,854	2,066	2,286	2,515
Capex	0	(242)	(871)	(980)	(802)	(450)	(600)	(950)
Net (acquisitions)/disposals	(759)	959	(274)	(551)	0	0	0	0
Other investing CF items	0	0	0	0	0	0	0	0
Cash flow from investing	(759)	717	(1,145)	(1,531)	(802)	(450)	(600)	(950)
Change in debt	765	179	632	0	0	0	0	0
Net share issues/(repurchases)	2	1	1	0	0	0	0	0
Dividends paid	(641)	(642)	(733)	(790)	(845)	(1,162)	(1,267)	(1,193)
Other financing CF items	(140)	(127)	(109)	(154)	(135)	(132)	(138)	(140)
Cash flow from financing	(14)	(589)	(209)	(944)	(980)	(1,294)	(1,405)	(1,333)
Forex effect/others	0	0	0	0	0	0	0	0
Change in cash	406	1,008	(55)	(1,108)	72	322	281	232
Free cash flow	1,179	638	428	387	1,052	1,616	1,686	1,565

Source: FactSet, Daiwa forecasts

Financial summary continued ...
■ Balance sheet (HKDm)

As at 31 Dec	2008	2009	2010	2011	2012	2013E	2014E	2015E
Cash & short-term investment	1,015	1,984	1,993	2,961	2,311	2,633	2,914	3,146
Inventory	0	0	0	0	0	0	0	0
Accounts receivable	94	83	98	134	158	165	170	175
Other current assets	1,331	489	320	507	605	610	615	620
Total current assets	2,440	2,556	2,411	3,602	3,074	3,408	3,699	3,941
Fixed assets	203	396	429	530	580	590	620	636
Goodwill & intangibles	0	0	0	0	0	0	0	0
Other non-current assets	38,893	41,090	45,714	55,236	64,769	65,475	66,225	67,200
Total assets	41,536	44,042	48,554	59,368	68,423	69,473	70,544	71,777
Short-term debt	550	400	650	1,507	699	699	699	699
Accounts payable	320	314	433	532	469	565	610	635
Other current liabilities	836	499	552	589	599	612	635	650
Total current liabilities	1,706	1,213	1,635	2,628	1,767	1,876	1,944	1,984
Long-term debt	3,201	3,491	3,937	5,156	5,242	5,242	5,242	5,242
Other non-current liabilities	3,919	606	665	840	967	985	1,003	1,029
Total liabilities	8,826	5,310	6,237	8,624	7,976	8,103	8,189	8,255
Share capital	5,206	5,253	5,267	5,299	5,315	5,315	5,315	5,315
Reserves/R.E./others	26,263	31,963	35,410	43,454	52,808	53,715	54,660	55,797
Shareholders' equity	31,469	37,216	40,677	48,753	58,123	59,030	59,975	61,112
Minority interests	1,241	1,516	1,640	1,991	2,324	2,340	2,380	2,410
Total equity & liabilities	41,536	44,042	48,554	59,368	68,423	69,473	70,544	71,777
EV	44,309	42,988	43,302	44,352	44,277	43,780	43,429	43,127
Net debt/(cash)	2,736	1,907	2,594	3,702	3,630	3,308	3,027	2,795
BVPS (HKD)	30.278	35.571	38.674	46.168	55.041	55.899	56.795	57.871

■ Key ratios (%)

Year to 31 Dec	2008	2009	2010	2011	2012	2013E	2014E	2015E
Sales (YoY)	19.7	2.6	5.0	9.0	29.3	13.6	10.9	10.0
EBITDA (YoY)	17.2	0.0	5.4	10.8	24.1	15.2	12.3	10.3
Operating profit (YoY)	17.4	(0.4)	5.4	10.9	24.2	15.3	12.3	10.3
Net profit (YoY)	3.7	(7.3)	3.1	14.1	23.9	17.8	13.1	11.3
Core EPS (fully-diluted) (YoY)	5.0	(7.9)	2.6	13.6	23.9	17.8	13.1	11.3
Gross-profit margin	86.8	86.0	85.8	86.4	83.0	84.5	85.2	85.2
EBITDA margin	82.4	80.4	80.7	82.0	78.7	79.9	80.9	81.1
Operating-profit margin	82.3	79.9	80.2	81.6	78.4	79.6	80.6	80.8
Net profit margin	73.3	66.3	65.1	68.1	65.2	67.7	69.0	69.8
ROAE	3.8	3.2	2.9	2.9	3.0	3.3	3.6	4.0
ROAA	2.9	2.6	2.5	2.4	2.5	2.8	3.1	3.4
ROCE	3.7	3.4	3.2	3.0	3.1	3.4	3.7	4.0
ROIC	3.2	3.0	2.8	2.7	2.8	3.0	3.4	3.7
Net debt to equity	8.7	5.1	6.4	7.6	6.2	5.6	5.0	4.6
Effective tax rate	17.4	13.8	14.0	14.0	14.4	13.5	13.5	13.5
Accounts receivable (days)	17.8	19.2	18.7	22.0	21.4	20.9	19.5	18.3
Current ratio (x)	1.4	2.1	1.5	1.4	1.7	1.8	1.9	2.0
Net interest cover (x)	8.7	10.3	12.1	12.9	12.5	14.6	16.5	18.4
Net dividend payout	58.8	63.9	67.8	64.5	61.8	63.6	58.7	57.1
Free cash flow yield	2.8	1.5	1.0	0.9	2.5	3.8	4.0	3.7

Source: FactSet, Daiwa forecasts

■ Company profile

Hysan Development (Hysan) was founded by the Lee family in 1970 to redevelop the Lee family's properties and was listed on the Hong Kong Stock Exchange in 1981. Hysan currently owns an investment-property portfolio in Hong Kong comprising 4.4m sq ft (4.2m sq ft on an attributable basis), of which 3.7m sq ft is at Causeway Bay. In addition, the group owns 0.69m sq ft of luxury residential properties in Hong Kong's Mid-level area and has a 24.7% stake in Grand Gateway 66, one of the largest and most prominent mixed commercial-property complexes in Shanghai.

'Lee Gardens Three' in the making?

Results show promise

While the new contribution from Hysan Place (HKD431m in gross rental income) was the main contributor to Hysan's strong 2012 results, rental growth for the rest of the portfolio was also strong. Retail rents for the rest of the portfolio rose by 9.5% YoY despite a higher vacancy rate at the Lee Theatre Plaza due to AEI work.

We think the 2012 results also confirm our view that the completion of Hysan Place would bring benefits to Hysan's entire portfolio. Overall, we continue to see Hysan as a company that holds arguably some of the most prime commercial property in Hong Kong in terms of location, and believe the group has been working on extracting greater commercial value from its portfolio for probably over a decade already.

In this light, we consider the most important aspect of the Hysan Place completion as not the property's direct rental contribution, but rather the symbolic meaning that Hysan is entering a new chapter in terms of unlocking value in the portfolio.

■ Hysan: 2012 results highlights

	2011 (HKDm)	2012 (HKDm)	YoY change %
Office	789	1,250	58.4%
Retail	820	908	10.7%
Residential	313	328	4.8%
Turnover	1,922	2,486	29.3%
Property expenses	(262)	(423)	61.5%
Net property income	1,660	2,063	24.3%
Investment income	90	55	-38.9%
Other gains and losses	(34)	18	-152.9%
Administrative expenses	(173)	(187)	8.1%
EBIT	1,543	1,949	26.3%
Underlying net profit	1,310	1,622	23.8%

Source: Company, Daiwa

■ Hysan: AEI history

2001	Acquired the Sincere Group's 30% minority stake in Lee Theatre Plaza for HKD516m
2002	Completed renovation of Bamboo Grove
2003	Completed renovation of Sunning Court Completed renovation of the retail podium of Caroline Centre and changed its name to Lee Gardens II (with a bridge linking Lee Gardens and Lee Gardens II)
2004	Completed renovation of 11 Leighton Road
2006	Announced the redevelopment of Hennessy Centre
2009	Completed renovation of AIA Plaza (now 18 Hysan Avenue)
2011	Completed renovation of Leighton Centre retail podium and office common areas

Source: Company, Daiwa

Redevelopment plan offers commercial and strategic benefits

However, we think the most important aspect of the 6 March results was Hysan declaring its plan to redevelop Sunning Court (a residential building completed in 1982) and Sunning Plaza (an office building completed in 1982), which we are calling Lee Gardens Three. In our view, this redevelopment is a positive move for the three following reasons.

First, we see clear commercial benefits, as the redevelopment would allow Hysan to fully utilise the plot ratio of these two buildings and add about 90,000 sq ft of GFA to its portfolio. The market value of the new office and retail areas in the new development is also likely to be higher, even after adjusting for the redevelopment cost. We estimate that this redevelopment exercise will add HKD2.1bn or HKD2.02/share to NAV.

■ Hysan: impact of redevelopment plan for Sunning Court and Sunning Plaza

Our estimate on the existing NAV of Sunning Plaza and Sunning Court

		GFA (sq ft)	Stake (%)	Mkt value (HKD/ sq ft)	Mkt value (HKDm)	HKD/ share	Cap. rate (%)	Spot rent (HKD/ sq ft) (gross)
Sunning Plaza	S	14,147	100%	7,200	102	0.10	5%	30
	O	262,853	100%	9,600	2,523	2.39	5%	40
Sunning Court	R	98,000	100%	12,000	1,176	1.11	4%	40
		375,000			3,801	3.60		

Our estimate on the NAV of Sunning Plaza and Sunning Court after factoring in their redevelopment potential

		GFA (sq ft)	Stake (%)	Mkt value (HKD/ sq ft)*	Mkt value (HKDm)	HKD/ share	Cap. rate (%)	Spot rent (HKD/ sq ft) (gross)
Redeveloped property	S	167,147	100%	17,000	2,841	2.69	4%	70
	O	297,853	100%	10,400	3,098	2.93	5%	60
		465,000	100%		5,939	5.62		
NAV enhancement						2,138	2.02	

Source: Daiwa

* after adjusting for HKD4,000/sq ft as an all-in cost for redevelopment

Second, and more importantly, this redevelopment should greatly strengthen the appeal of the Lee Gardens hub of Hysan's portfolio. We have been of the view that Hysan's portfolio nicely fits into what we see as the 'retail triangle' in Causeway Bay (defined as Sogo HK-Hysan Place in the north, Times Square-Leighton Centre-One Hysan Avenue in the Southwest, and Lee Gardens hub in the Southeast), and we consider the Lee Gardens hub to be a cluster for luxury fashion brands (see our report on 11 January 2012: [Ready for take-off](#)).

In recent years, many premier international fashion brands have been keen to open large flagship stores in Hong Kong. In this light, redeveloping Sunning Court and Sunning Plaza into an integrated retail-and-office complex of 0.46m sq ft should put Hysan in a good position to ride on this trend; the redevelopment should bring critical mass to the size of Hysan's retail portfolio for luxury brands, especially given that many of them occupy high-street retail space with high and wide frontages, which are scarce in Causeway Bay. Note that added together, the combined retail floor area of the Lee Gardens One, Lee Gardens Two, 18 Hysan Avenue and Lee Gardens Three would be over 600,000 sq ft and would offer critical mass as an area for shopping for luxury and fashion brand products.

In addition, as we argued in our January 2012 report, we believe high-street shop retail space is one of the most undervalued parts of Hysan's portfolio. As such, we see Hysan's latest attempt to strengthen the Lee Gardens hub of its portfolio as an important strategic move towards creating an integrated retail portfolio and bringing out the full potential of the high-street retail space in its portfolio.

Last September, the group branded its Causeway retail portfolio LEEGARDENS, which it described as 'a multifaceted, yet integrated shopping environment that combines significant street frontage with shopping malls of different characteristics, complemented by a vibrant streetscape.' We see this as a credible strategy that would help to maximise the value of Hysan's retail portfolio and address some issues it is facing (see our January 2012 for a more detailed analysis of the challenges facing Hysan's retail portfolio and possible ways it could address them).

■ **Hysan's retail portfolio: street-level frontage**

- | | |
|---------------------------|-----------------------------|
| 1 The Lee Gardens 利園 | 6 One Hysan Avenue 希慎道壹號 |
| 2 Lee Gardens TWO 利園二期 | 7 111 Leighton Road 禮頓道111號 |
| 3 Lee Theatre Plaza 利舞臺廣場 | 8 18 Hysan Avenue 希慎道18號 |
| 4 Leighton Centre 禮頓中心 | 9 Hysan Place 希慎廣場 |
| 5 Sunning Plaza 新寧大廈 | |

Sunning Court (to be redeveloped) is behind Sunning Plaza



Source: Daiwa

Finally, and perhaps most importantly, we see Hysan's unveiling of its redevelopment plan for Lee Gardens Three (completion targeted for 2018) just after the completion of Hysan Place and before the completion of the AEI for Lee Theatre Plaza as a sign that the change in management orientation did not stop with the completion of Hysan Place.

We believe Hysan has become more active and ambitious and is keen to leverage the improved management depth of knowledge and expertise it has built up through executing Hysan Place. All along, our view has been that there is significant value to be unlocked in Hysan's portfolio and it appears to us that the prospects of this potential being realised look stronger than ever.

Overall, to take into account the redevelopment value of Lee Gardens Three and the rise in spot rents for some of Hysan's properties, we are revising up our end-2013E NAV to HKD68.80 from HKD61.20. We are also raising our six-month target price to HKD48.16 from HKD42.80, based on an unchanged 30% discount to our revised end-2013E NAV. We believe the assumptions in our NAV estimates are not aggressive, especially given that Hysan's portfolio has many high-street shops retail space, leaving room for upward revisions if the group can continue to upgrade its portfolio and boost its retail sales.

The Lee Gardens area is close to some of the most luxurious residential areas in Hong Kong, and as such, patronage from high net-worth individuals in Hong Kong could become a special niche for Hysan's portfolio. To this end, we see the building of Lee Gardens Three as an important strategic step in terms of strengthening Hysan's potential in this area. We therefore reaffirm our Buy (1) rating.

■ Hysan: breakdown of end-2013E NAV

	HKDm	HKD/share	m sq ft	Blended avg. price HKD/sq ft GFA
Completed investment properties				
Hong Kong				
- Office	28,877	27.2	2.3	12,307
- Retail	30,353	28.6	1.5	20,444
- Residential	10,503	9.9	0.7	15,200
	69,732	65.8	4.5	15,421
China				
- Retail	3,756	3.5	0.3	11,773
- Office	860	0.8	0.2	4,816
- Residential	592	0.6	0.2	2,676
	5,208	4.9	0.7	7,245
Completed investment properties	74,941	70.7	5.2	14,299
Total property assets	74,941	70.7	6.0	12,593
Investments and others	1,268	1.2		
Gross NAV	76,209	71.9		
Net debt	(3,308)	(3.1)		
NAV	72,901	68.8		

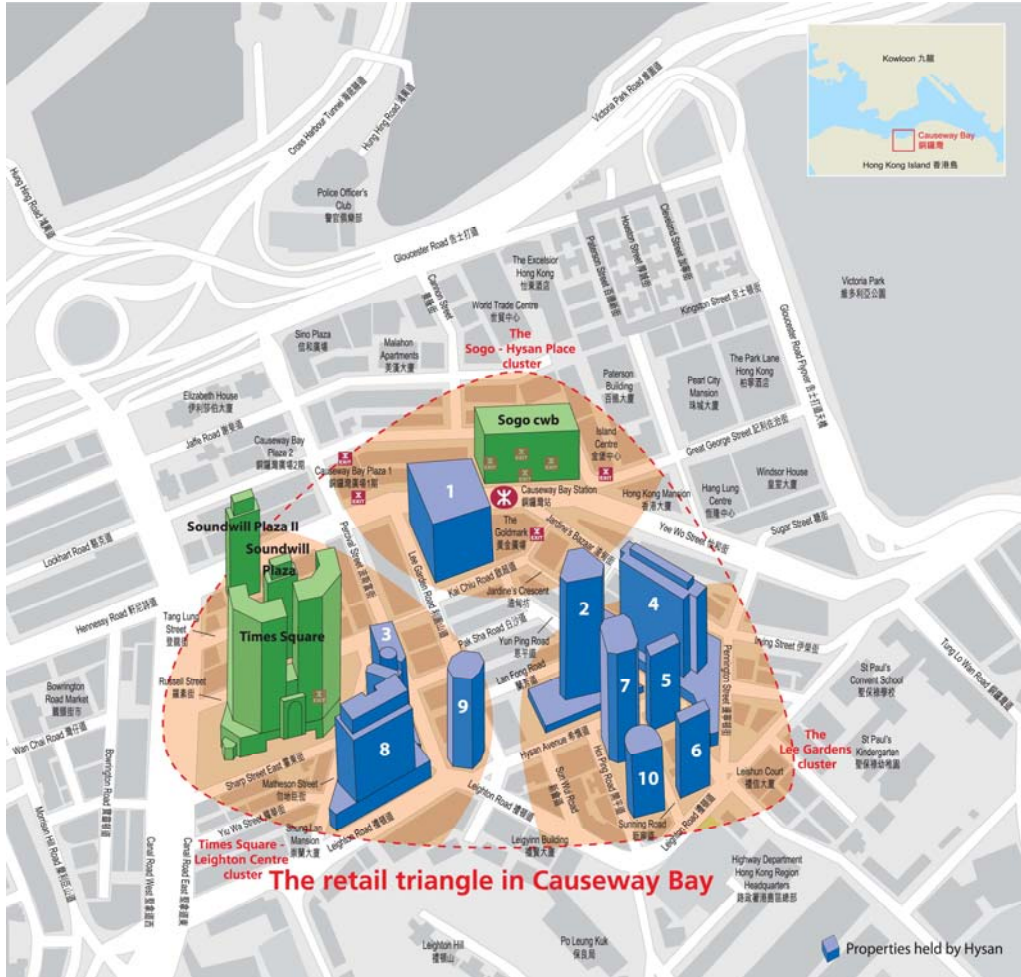
Source: Daiwa

■ Hysan: NAV of completed investment properties in Hong Kong

Project	District	Use	Interest (%)	Attri. GFA (sq ft)	Attri. MFA (sq ft)	NAV		NAV/share (HKD)	Assumptions Cap rate (%)
						(HKD/sq ft)	(HKDm)		
Completed retail property for Investment									
Lee Gardens	Causeway Bay	Retail	100%	200,000	200,000	16,800	3,360	3.2	5.0%
Lee Theatre Plaza	Causeway Bay	Retail	100%	317,000	317,000	16,800	5,326	5.0	5.0%
Lee Gardens Two	Causeway Bay	Retail	65%	169,000	169,000	16,800	2,839	2.7	5.0%
AIA Plaza	Causeway Bay	Retail	100%	10,191	10,191	16,800	171	0.2	5.0%
111 Leighton Road	Causeway Bay	Retail	100%	7,319	7,319	16,800	123	0.1	5.0%
Sunning Plaza/ Sunning Court redevelopment	Causeway Bay	Retail	100%	167,147	167,147	17,000	2,841	2.7	4.0%
Leighton Centre	Causeway Bay	Retail	100%	128,217	128,217	21,600	2,769	2.6	5.0%
One Hysan Avenue	Causeway Bay	Retail	100%	35,770	35,770	21,600	773	0.7	5.0%
Hysan Place	Causeway Bay	Retail	100%	450,000	450,000	27,000	12,150	11.5	4.0%
Sub-total				1,484,644	1,484,644	20,444	30,353	28.6	
Completed office for Investment									
Lee Gardens	Causeway Bay	Office	100%	703,000	703,000	12,000	8,436	8.0	5.0%
Lee Gardens Two	Causeway Bay	Office	65%	458,000	458,000	12,000	5,496	5.2	5.0%
AIA Plaza	Causeway Bay	Office	100%	121,809	121,809	10,800	1,316	1.2	5.0%
111 Leighton Road	Causeway Bay	Office	100%	72,681	72,681	10,800	785	0.7	5.0%
Sunning Plaza/ Sunning Court redevelopment	Causeway Bay	Office	100%	297,853	297,853	10,400	3,098	2.9	5.0%
Leighton Centre	Causeway Bay	Office	100%	299,783	299,783	10,800	3,238	3.1	5.0%
One Hysan Avenue	Causeway Bay	Office	100%	133,230	133,230	10,800	1,439	1.4	5.0%
Hysan Place	Causeway Bay	Office	100%	260,000	260,000	19,500	5,070	4.8	4.0%
Sub-total				2,346,356	2,346,356	12,307	28,877	27.2	
Completed residential for Investment									
Bamboo Grove	Mid-levels	Residential	100%	691,000	691,000	15,200	10,503	9.9	3.0%
Sub-total				691,000	691,000	15,200	10,503	9.9	
Total				4,522,000	4,522,000	15,421	69,732	65.8	

Source: Daiwa

■ Hysan: Causeway Bay portfolio and the retail triangle



Source: Daiwa

■ **Current situation on Yun Ping Road and the Lee Garden cluster**



Source: Daiwa



Source: Daiwa



Source: Daiwa



Source: Daiwa

■ **Causeway Bay retail: from a 'dual-centre market' to a 'retail triangle'**

Year	Description
Before 2003	A dual centre retail market with Sogo HK and Times Square being the two dominant players.
2003-now	Evolving into an integrated retail cluster; with a retail triangle taking shape (the three poles being Sogo HK in the north, Times Square in the Southwest, and Lee Gardens in the Southeast). Selected high streets within this triangle are gaining prominence, with the most outstanding one being Russell Street.
2012 onwards	Retail triangle clearly emerging (Sogo HK-Hysan Place in the north, Times Square-Leighton Centre-One Hysan Avenue in the Southwest, and Lee Gardens in the Southeast). Increasing regional specialisation among different areas within this triangle. The whole area increasingly emerging as an integrated retail cluster where shoppers can walk around freely and conveniently, in ways not dissimilar to London's West End (Oxford-Regent-Bond streets). Previously less prominent areas within this triangle notably rise in terms of importance, including Lee Gardens as well as the Leighton Centre-One Hysan Avenue area. More high streets within this triangle gaining prominence – will this include Yun Ping Road, Hysan Avenue, Leighton Road, Percival Street and Lee Gardens Road?
2020	The retail triangle in Causeway Bay becomes recognised as comparable to Regent-Oxford-Bond streets in London's West End? The retail triangle grows into a Greater Causeway Bay encompassing the entire Causeway Bay district as well as the fringe areas linking Wanchai to the west and Tin Hau to the east?

Source: Daiwa

■ **Hysan: Hong Kong portfolio**

	Retail GFA (sq ft)	Office GFA (sq ft)	Residential GFA (sq ft)	Total GFA (sq ft)	Year of completion
Causeway Bay					
One Hysan Avenue	35,770	133,230	-	169,000	1976
Leighton Centre	128,217	299,783	-	428,000	1977
Sunning Court	-	-	98,000	98,000	1982
Sunning Plaza	14,147	262,853	-	277,000	1982
111 Leighton Road	7,319	72,681	-	80,000	1988
AIA Plaza	10,191	121,809	-	132,000	1989
Lee Gardens Two	169,000	458,000	-	627,000	1992
Lee Theatre Plaza	317,000	-	-	317,000	1992
Lee Gardens	200,000	703,000	-	903,000	1994
Hysan Place	450,000	260,000	-	710,000	2012
Mid-levels					
Bamboo Grove	-	-	691,000	691,000	1982
Grand total:	1,331,644	2,311,356	789,000	4,432,000	

Source: Company, Daiwa

■ The Sunning Plaza; the Sunning Court; and the Lee Gardens hub



Source: Daiwa

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