

CHINA AND HONG KONG RESIDENTIAL MARKETS

June 2014 Press Conference
by Knight Frank

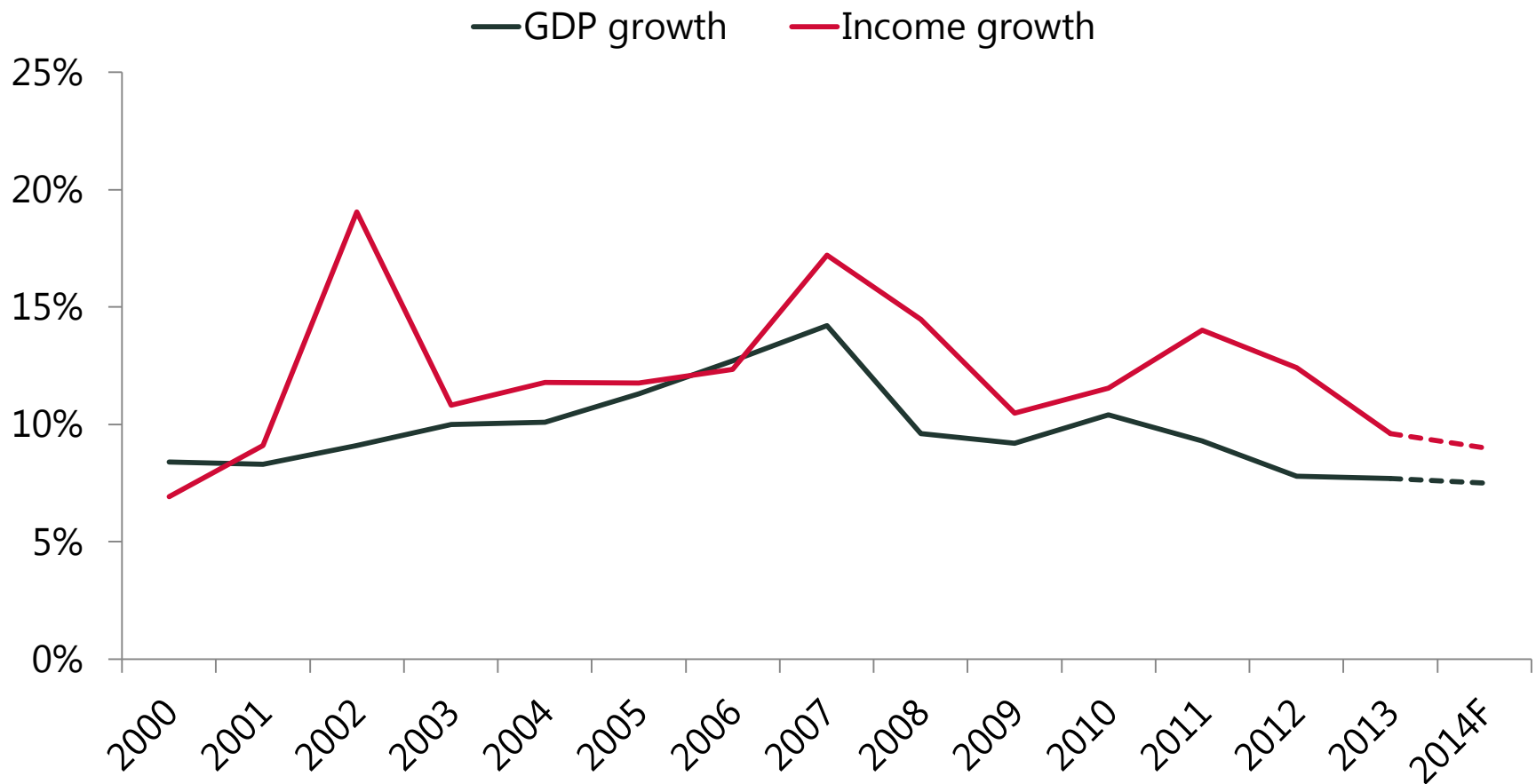
CHINA RESIDENTIAL

Presented by David Ji, Director and Head of Research
& Consultancy, Greater China



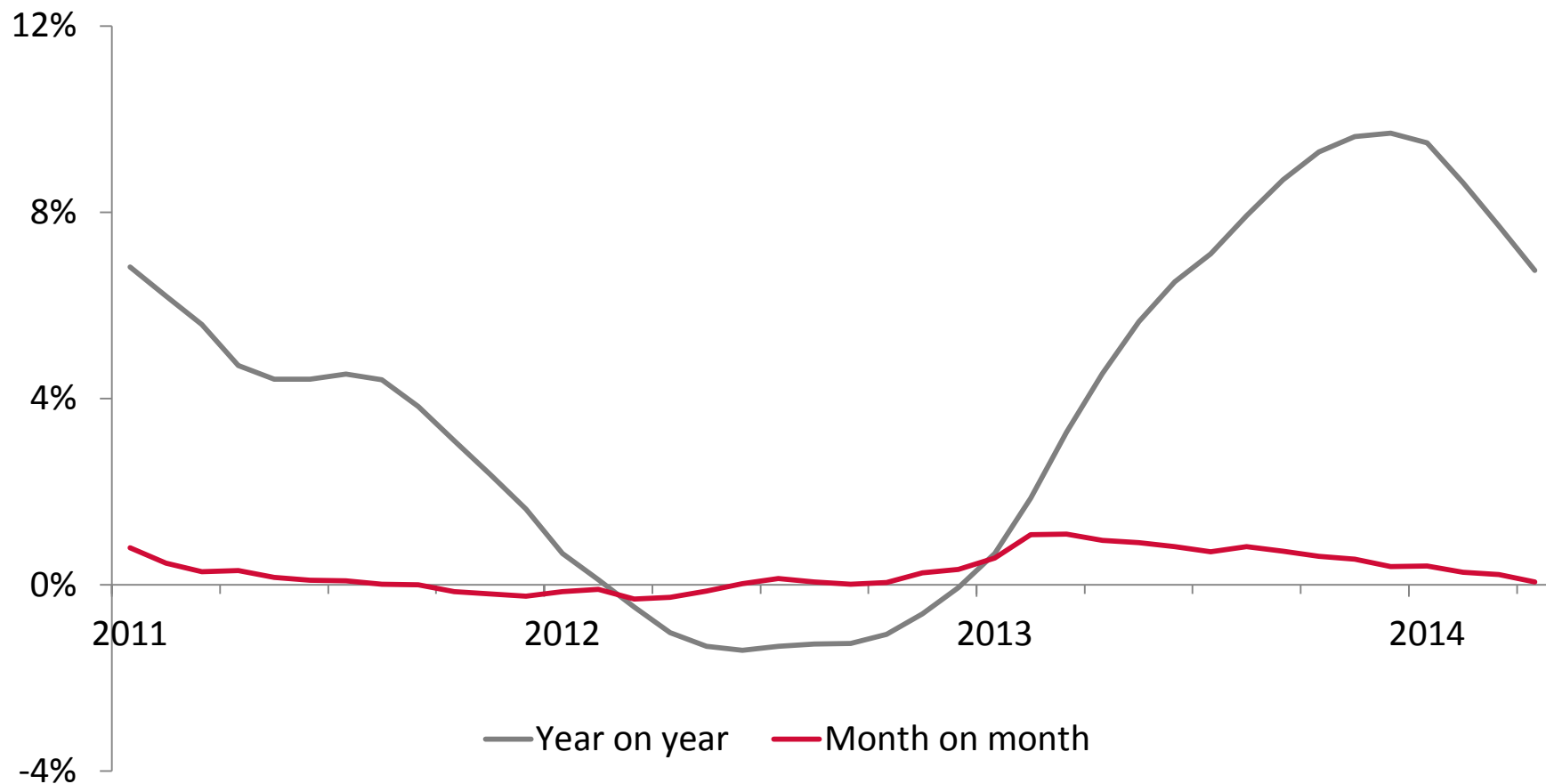
GDP AND INCOME GROWTH SLOWDOWN AFFECTS RESIDENTIAL MARKET

Growth of China's GDP and Household Income



OVERALL HOUSE PRICE CONTINUED SLOWING DOWN UNDER POLICY EFFECT

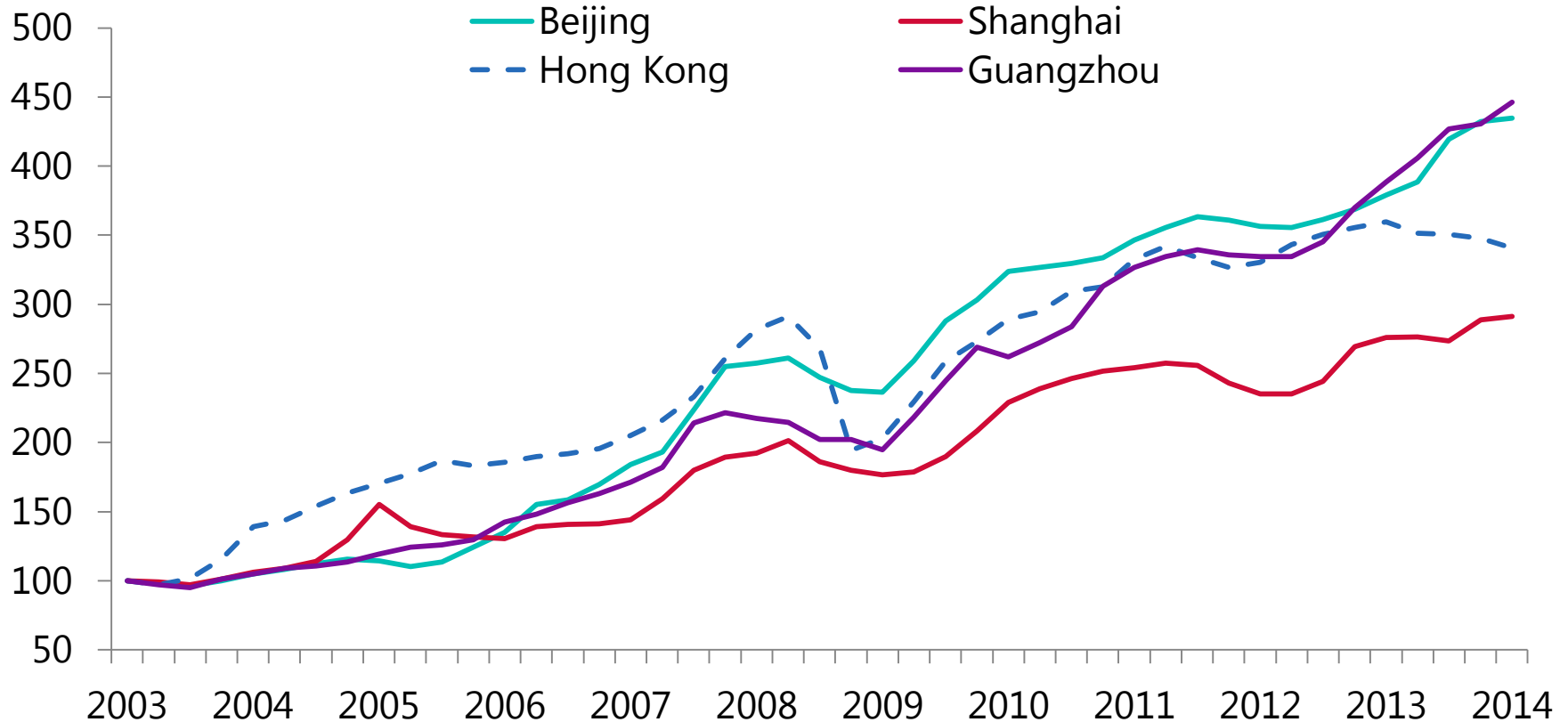
Change in average prices for new homes in 70 Chinese cities



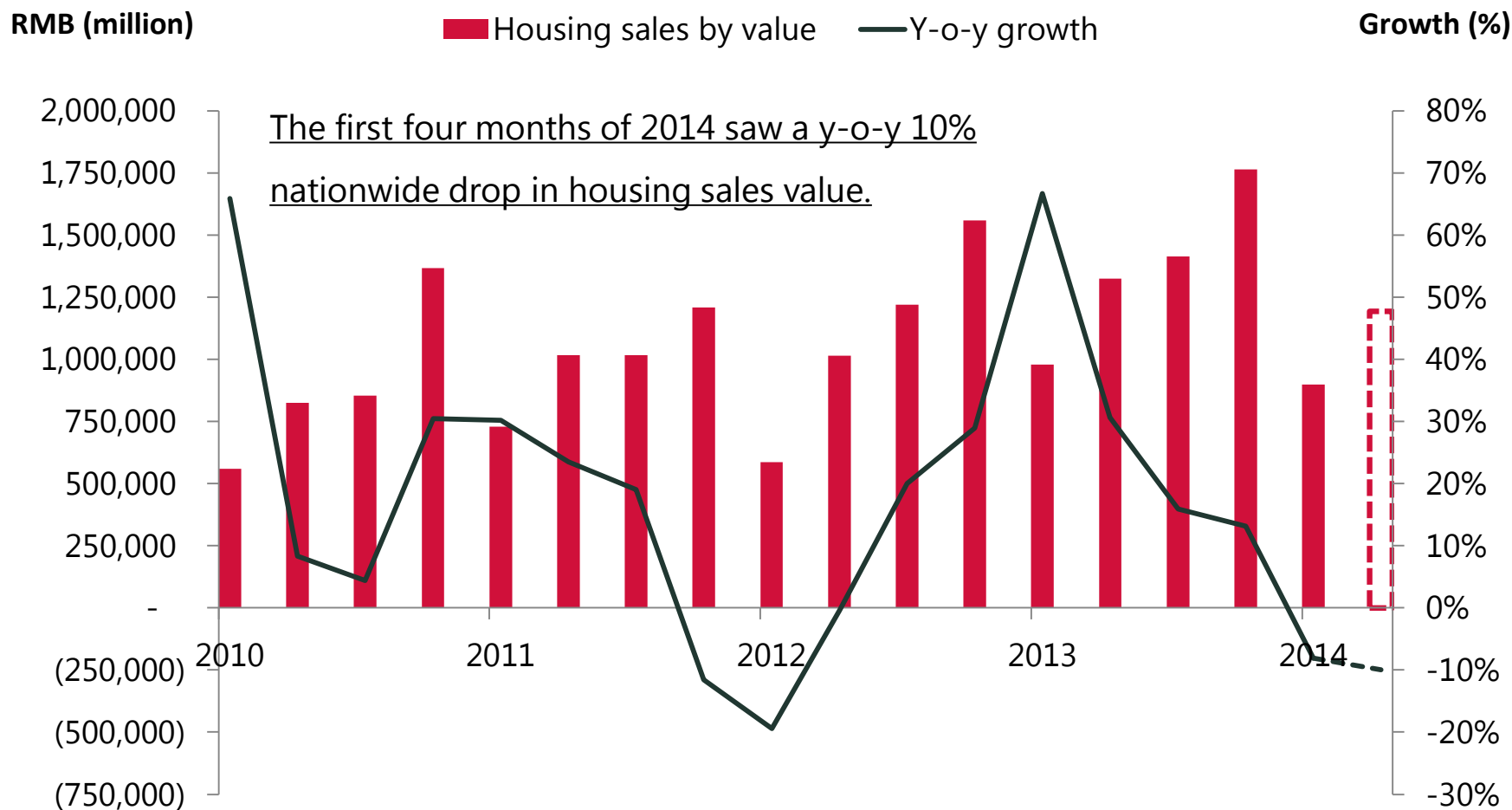
ALTHOUGH LUXURY PRICES IS STILL RISING THANKS TO SHORTAGE

Luxury residential price indices in major cities

Q1 2003
= 100



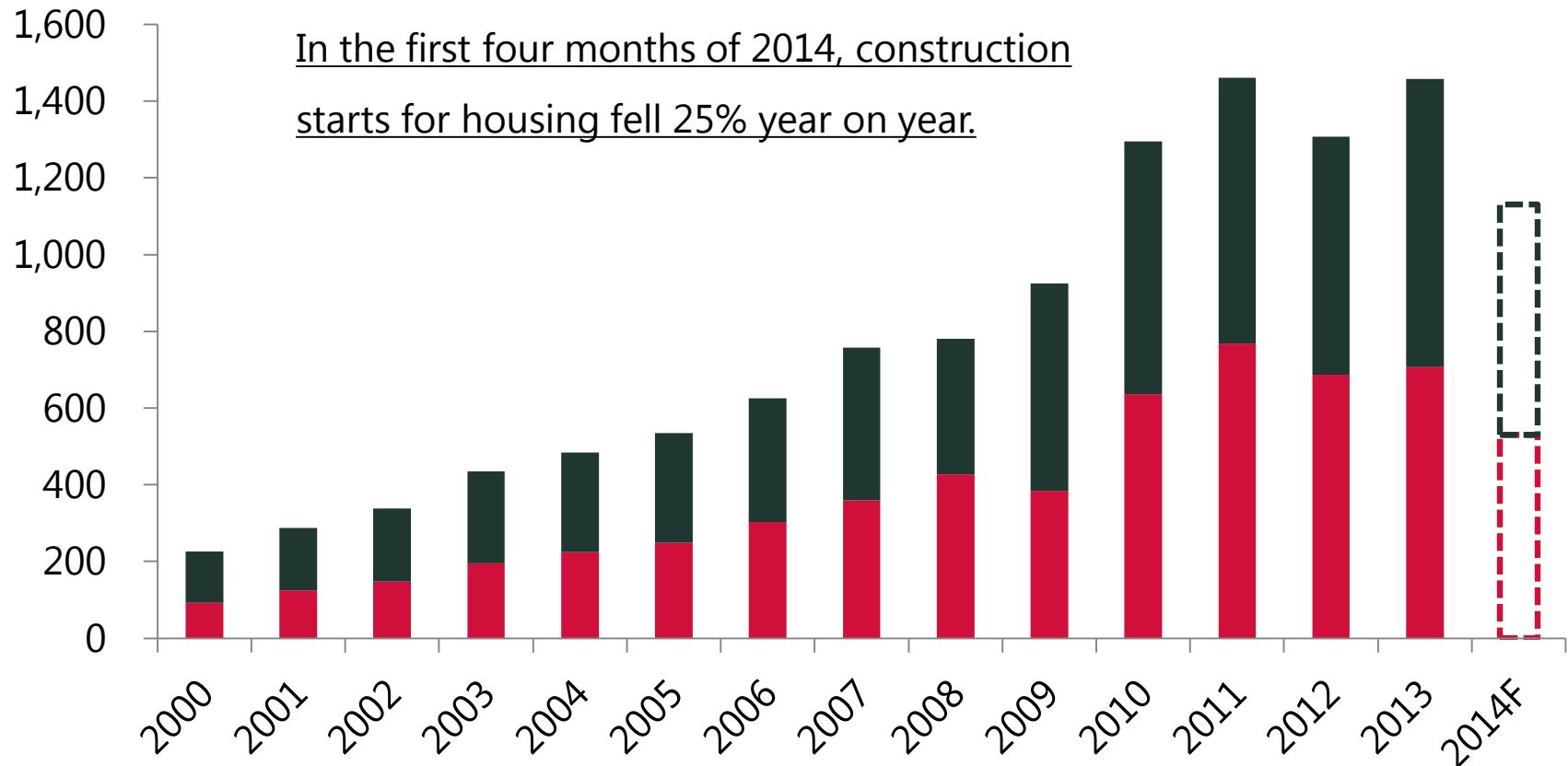
HOUSING SALES ALSO SAW LARGE DECLINE



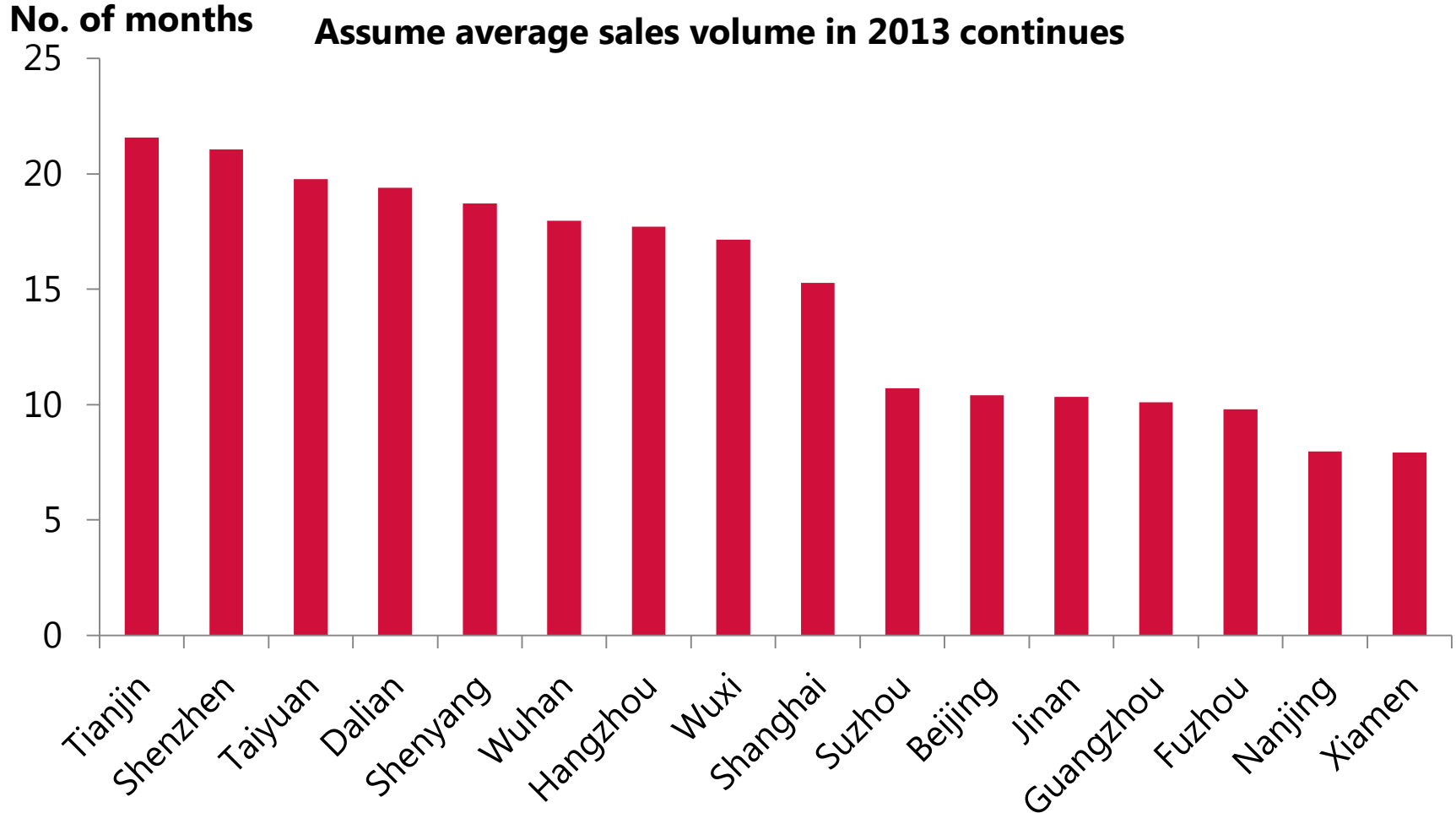
RESIDENTIAL STARTS – DEVELOPERS ALSO TOOK A HIT

Floor space

■ First half ■ Second half

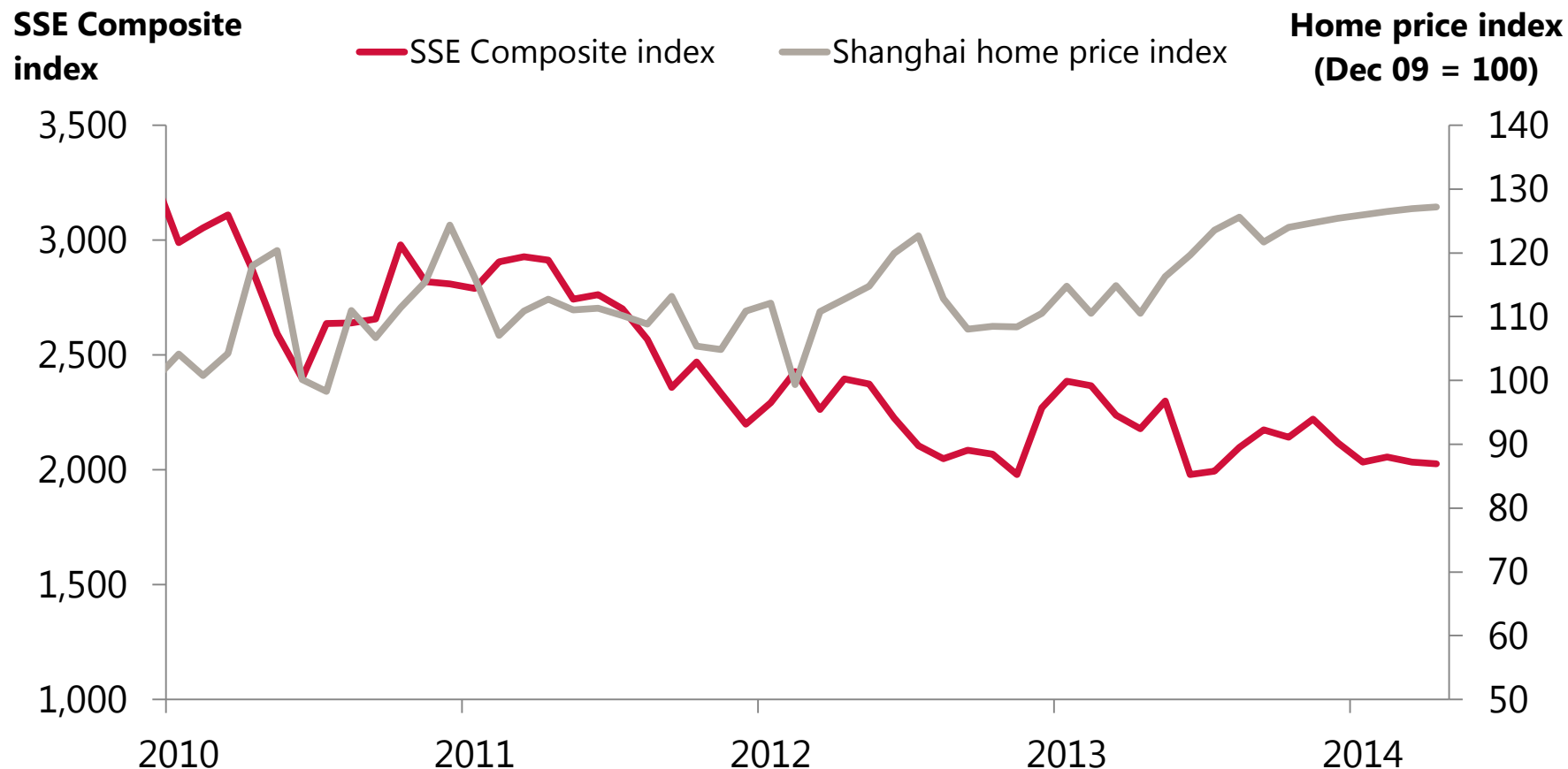


MEANWHILE, MUCH TIME WILL BE NEEDED TO ABSORB INVENTORY IN SOME MAJOR CITIES



RESIDENTIAL SALES DECLINE ALSO AFFECTS DEVELOPERS' SHARE PERFORMANCE

Shanghai residential price index VS SSE index



PRICE CUT CASES IN CHINA RESIDENTIAL MARKET

	Shanghai	Beijing
Project type	Mass residential	Mass residential
Location	Sub-urban	Sub-urban
First phase launch price	RMB25,000 per sqm (3Q 2013)	RMB21,000 per sqm (4Q 2013)
Second phase launch price	RMB22,000 per sqm (2Q 2014)	RMB17,000 per sqm (2Q 2014)
Price cut from the first phase	12%	19%

Source: Knight Frank

CHINA PROPERTY MARKET FORECAST - DOWNBEAT ACROSS THE BOARD

City / sector		Urban districts			Sub-urban districts
		2014 1H	2014 2H forecast	2014 full year forecast	2014 full year forecast
First-tier cities	Luxury	↑3%	↑3-5%	↑6-8%	↓5-10%
	Mass	↑2%	↑1-3%	↑3-5%	
Second-tier cities	Luxury	↑2%	↑1-3%	↑3-5%	↓10-15%
	Mass	↑1%	↑0-1%	↑1-2%	

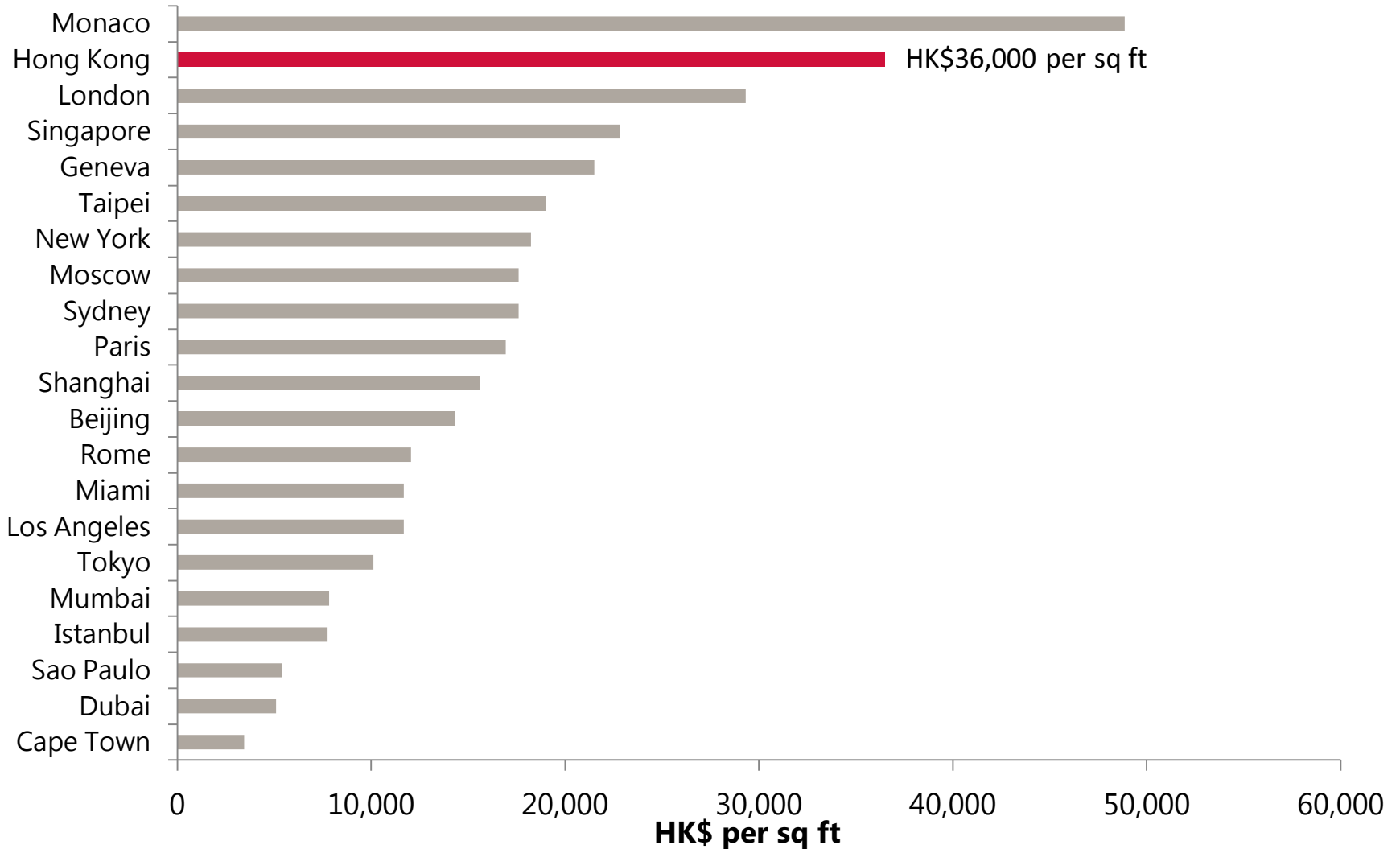
Source: Knight Frank



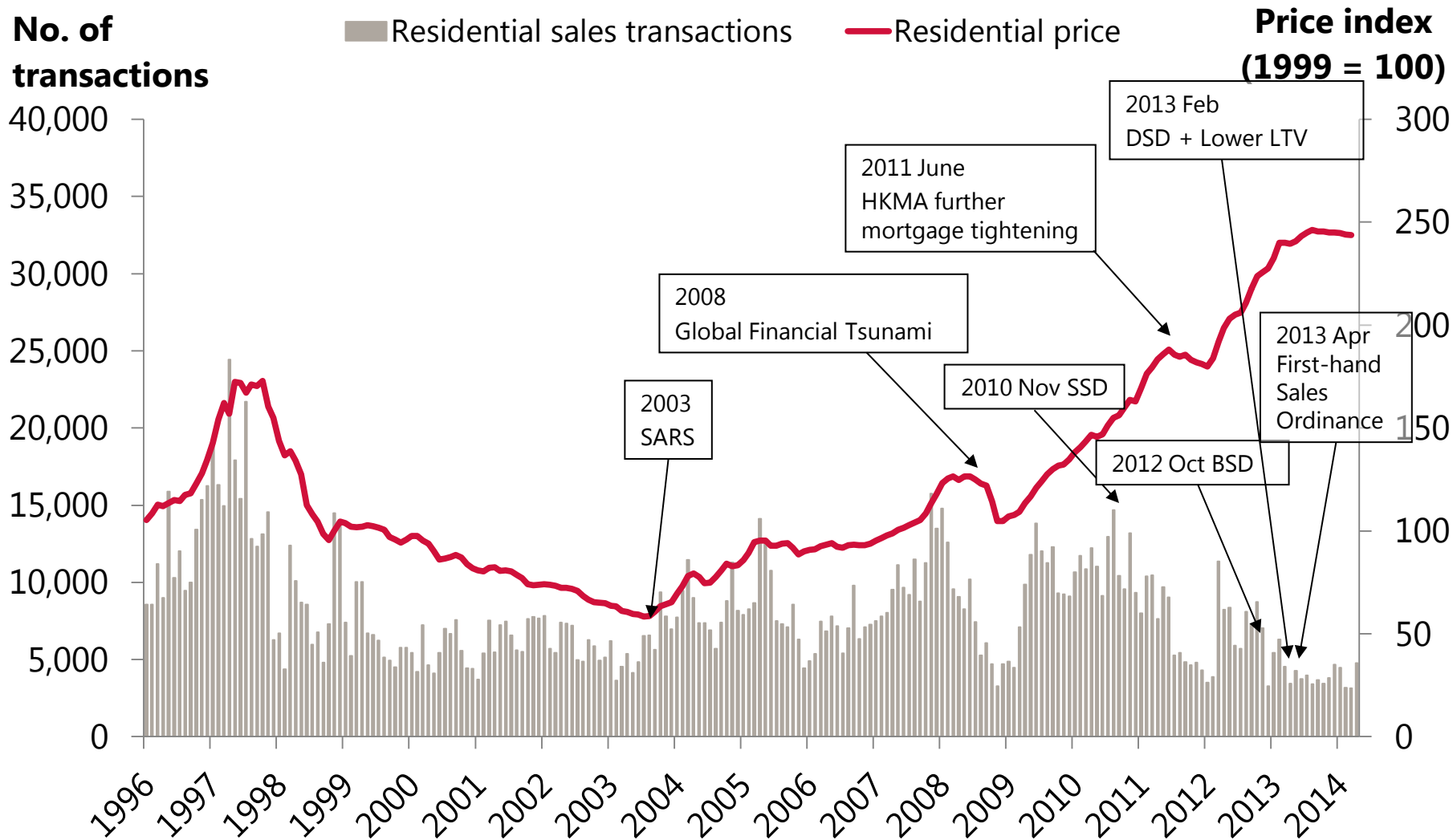
HONG KONG RESIDENTIAL

**Presented by Thomas Lam,
Senior Director and Head of Valuation & Consultancy**

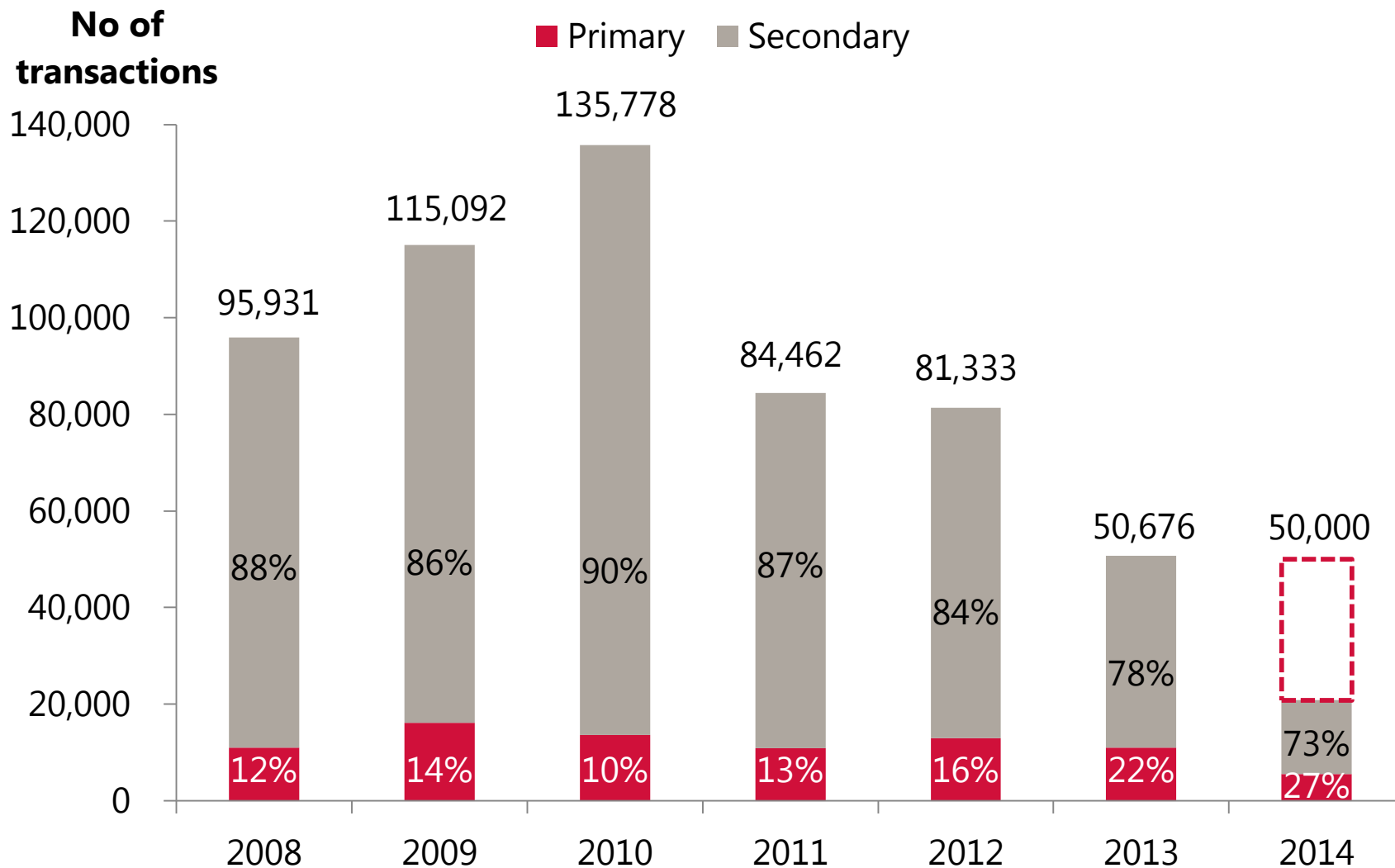
GLOBAL PRIME RESIDENTIAL PRICES



HONG KONG RESIDENTIAL SALES AND PRICES

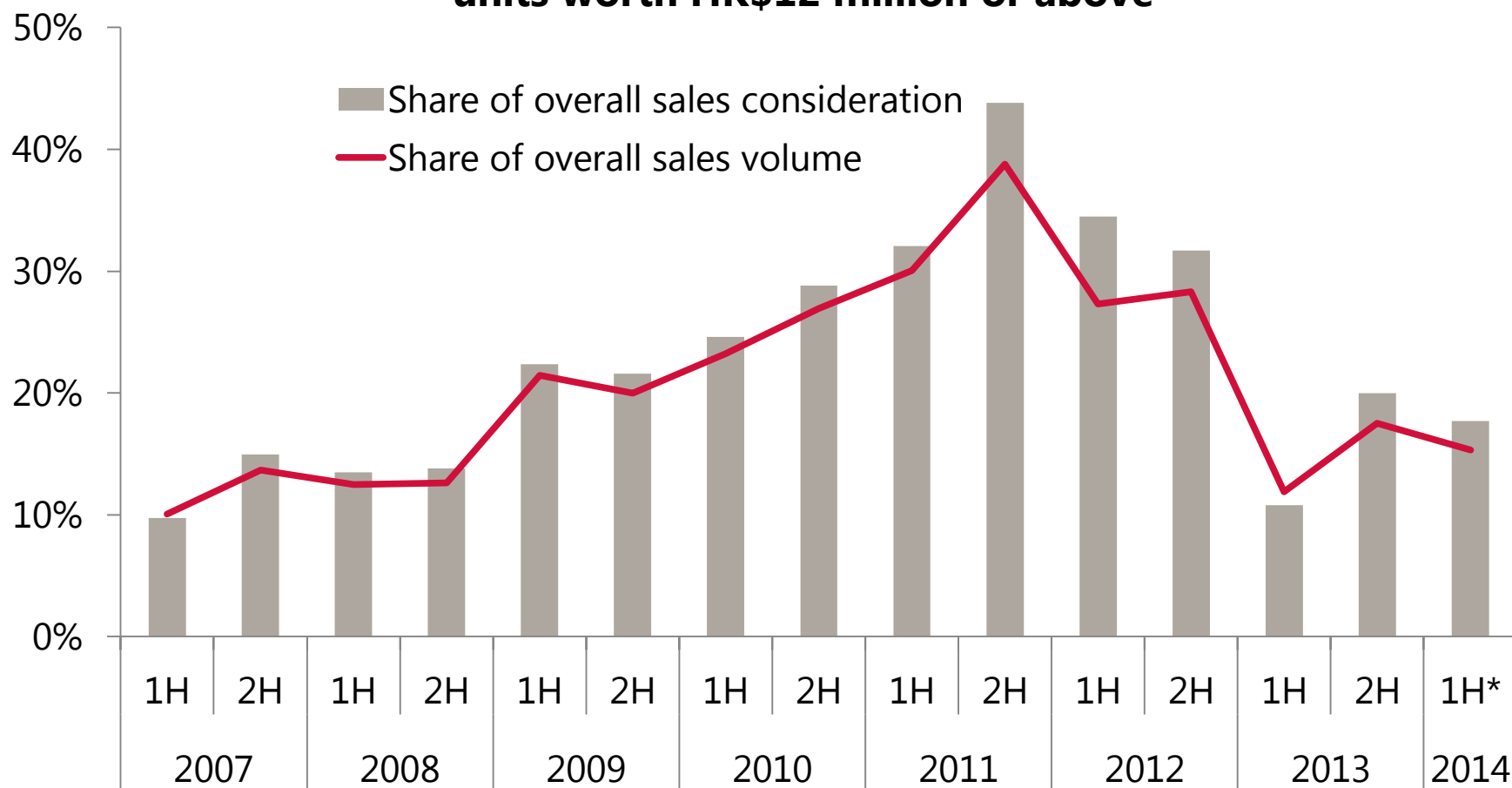


PRIMARY & SECONDARY RESIDENTIAL SALES



SHARE OF MAINLAND BUYERS IN HK LUXURY RESIDENTIAL MARKET

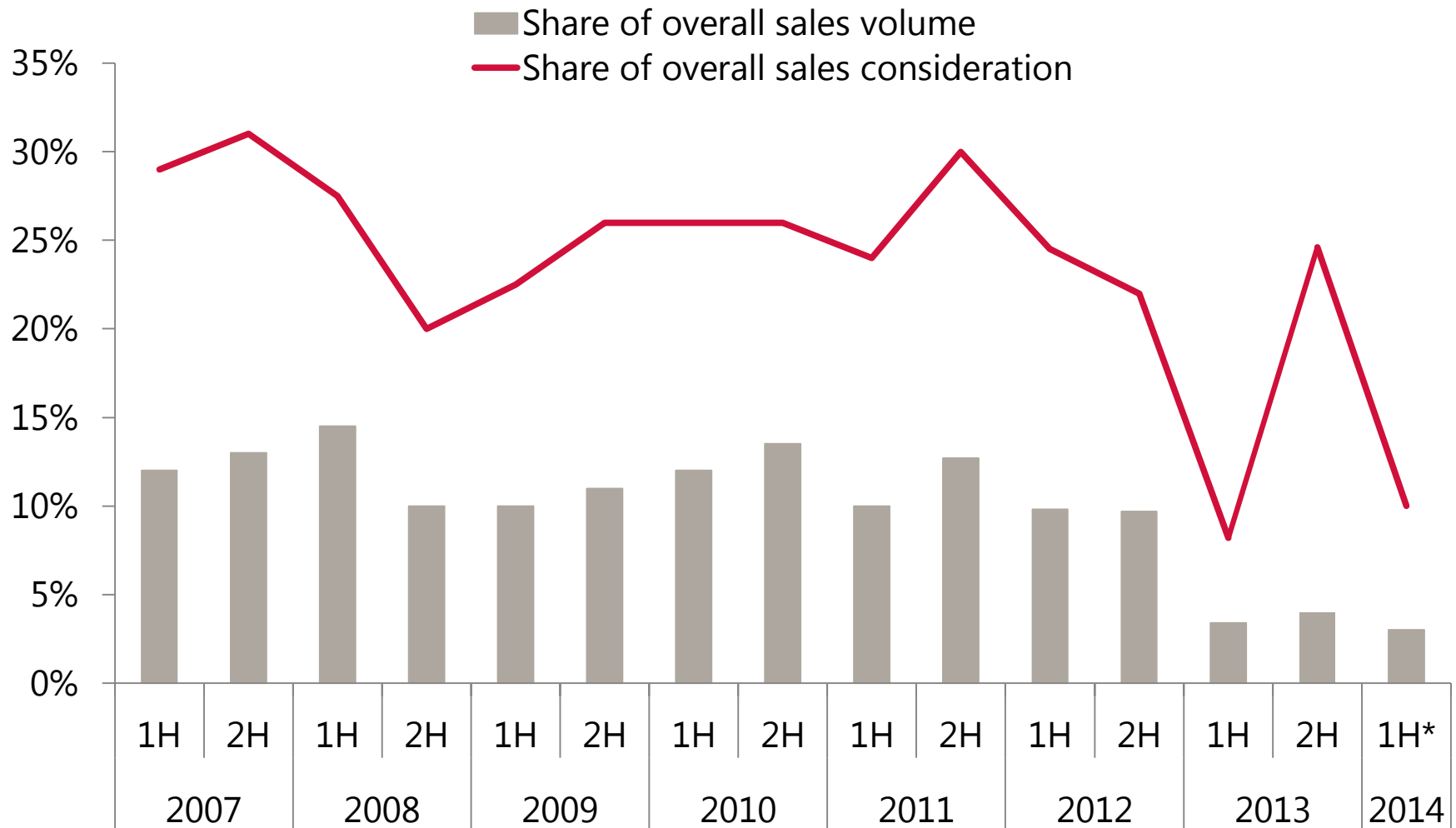
Share of Mainland buyers of Hong Kong private residential units worth HK\$12 million or above



* Estimation

Source: Public sources / Knight Frank

SHARE OF COMPANY BUYERS IN HK PRIVATE RESIDENTIAL MARKET

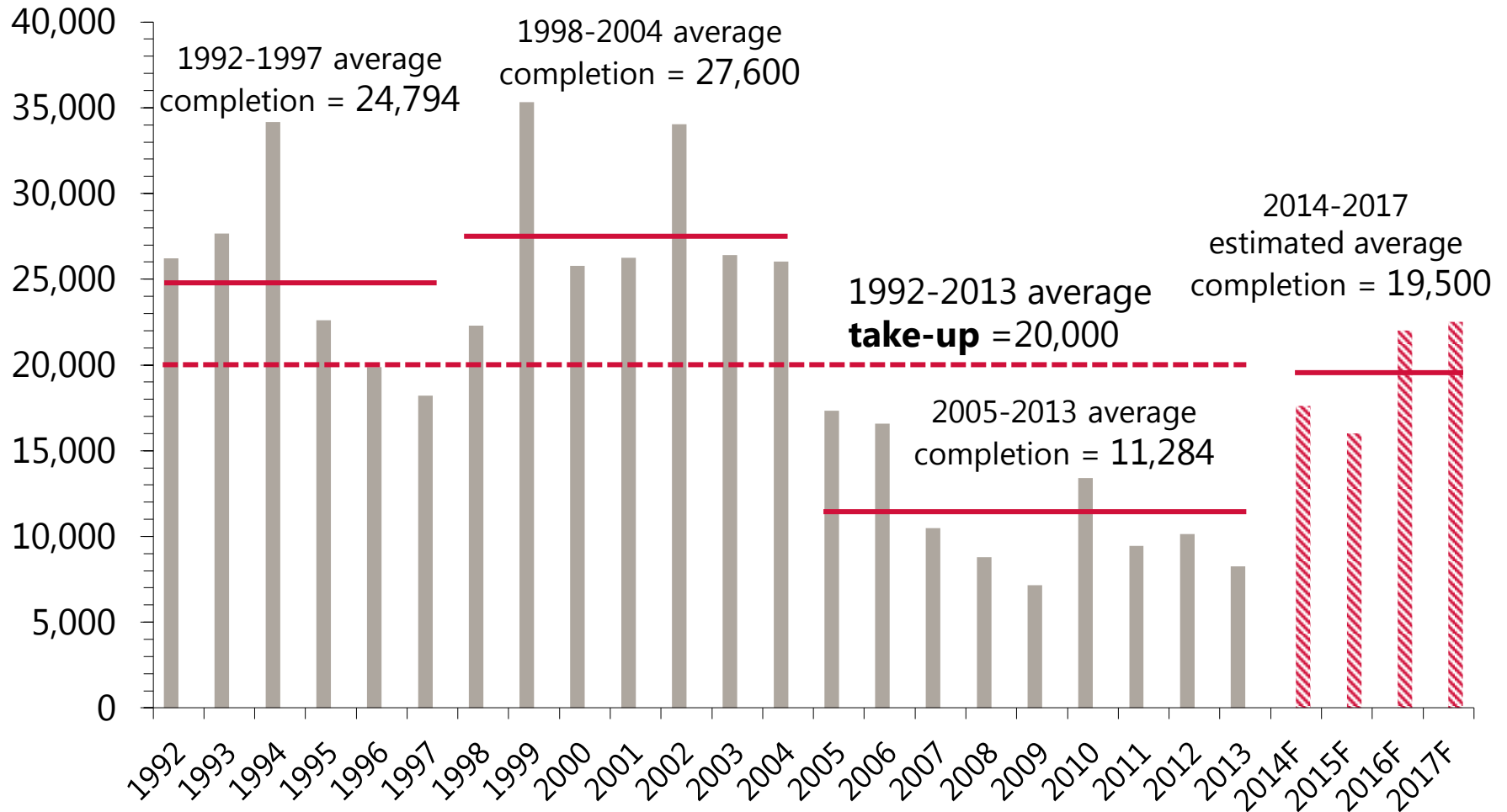


* Estimation

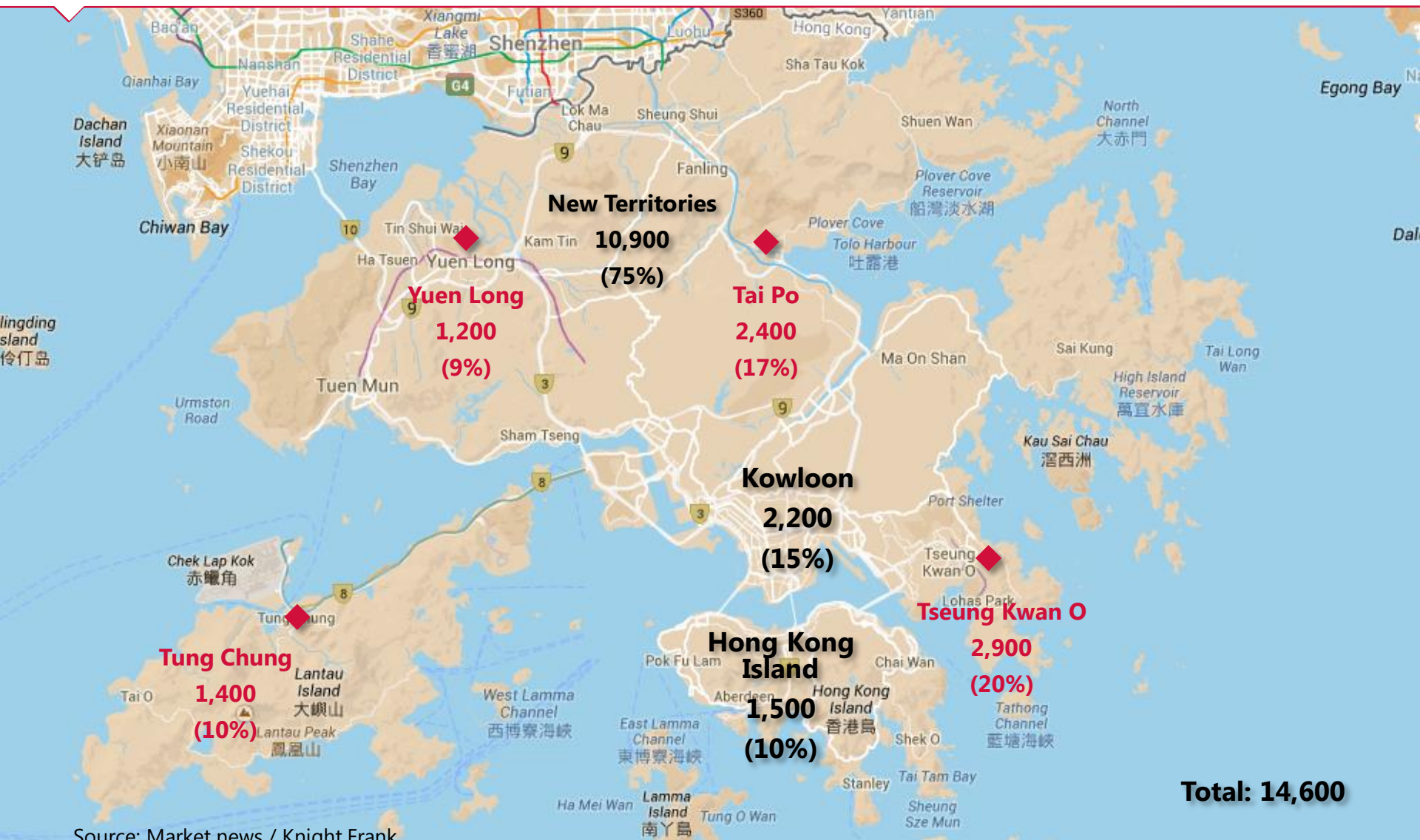
Source: Public sources / Knight Frank

COMPLETION OF RESIDENTIAL UNITS IN HONG KONG

No. of units

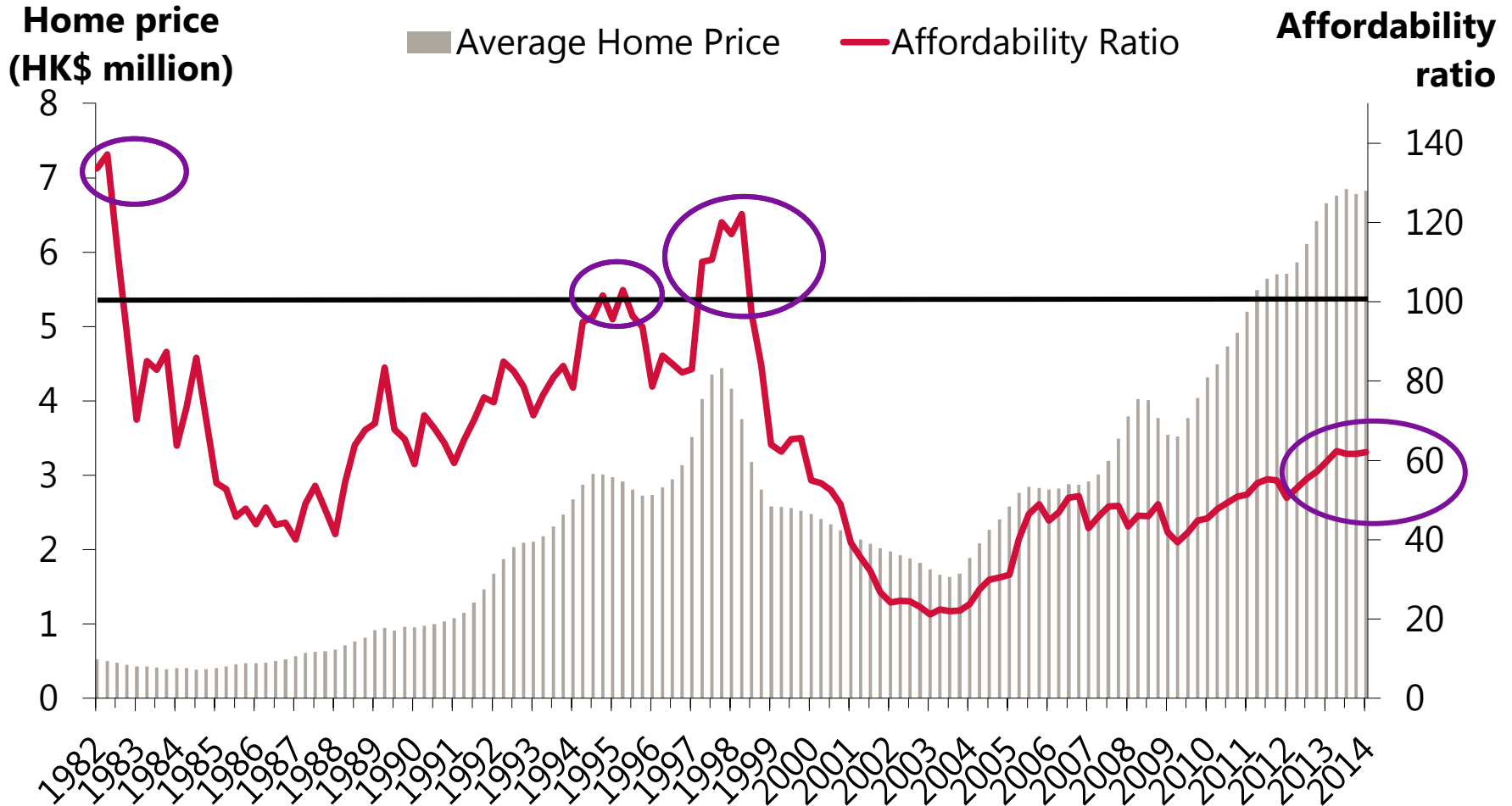


POTENTIAL RESIDENTIAL SUPPLY IN 2H 2014



Source: Market news / Knight Frank

GENERAL AFFORDABILITY IN HONG KONG



A CASE STUDY ON AFFORDABILITY: TAIKOO SHING

Taikoo Shing (unit size = 490 sq ft)

Year	1987	1997	2008	2013	2014*	
Monthly household income (HK\$)	\$6,550	\$22,300	\$25,000	\$30,000	\$30,400	▲360% compared with 1987
Prime-based mortgage rate	7.9%	9.2%	3.0%	2.5%	2.5%	
Average unit price (HK\$ per sq ft)	\$1,150	\$9,000	\$8,000	\$13,000	\$12,800	▲1,000% compared with 1987
Total flat price (HK\$)	\$560,000	\$4,400,000	\$3,900,000	\$6,400,000	\$6,300,000	
Down-payment (HK\$)	\$169,000	\$1,320,000	\$1,170,000	\$1,920,000	\$1,890,000	
Down-payment as years of annual income	2.2 years	4.9 years	3.9 years	5.3 years	5.2 years	
Monthly payment (HK\$)	\$2,800	\$25,200	\$11,500	\$17,700	\$17,400	
Affordability ratio	43%	113%	46%	59%	57%	

A CASE STUDY ON AFFORDABILITY: CITY ONE SHATIN

City One Shatin (unit size = 310 sq ft)

Year	1987	1997	2008	2013	2014	
Monthly household Income (HK\$)	\$6,550	\$22,275	\$25,000	\$30,000	\$30,400	▲ 360% compared with 1987
Prime-based mortgage rate	7.9%	9.2%	3.0%	2.5%	2.5%	
Average unit price (HK\$ per sq ft)	\$1,250	\$6,900	\$5,100	\$10,100	\$10,600	▲ 750% compared with 1987
Total flat price (HK\$)	\$388,000	\$2,100,000	\$1,600,000	\$3,100,000	\$3,300,000	
Down-payment (HK\$)	\$116,000	\$630,000	\$480,000	\$930,000	\$990,000	
Down-payment as years of annual income	1.5 years	2.4 years	1.6 years	2.6 years	2.7 years	
Monthly payment (HK\$)	\$1,970	\$12,000	\$4,700	\$8,600	\$9,100	
Affordability ratio	30%	54%	19%	29%	30%	

HONG KONG RESIDENTIAL MARKET FORECASTS

Sector	2014 1H	2014 2H forecast	2014 full year forecast
Luxury residential price	↓1%	↓3-5%	↓5%
Mass residential price	↓0.2%	↓5%	↓5%

Source: Knight Frank



LOUIS VUITTON

HONG KONG
RETAIL

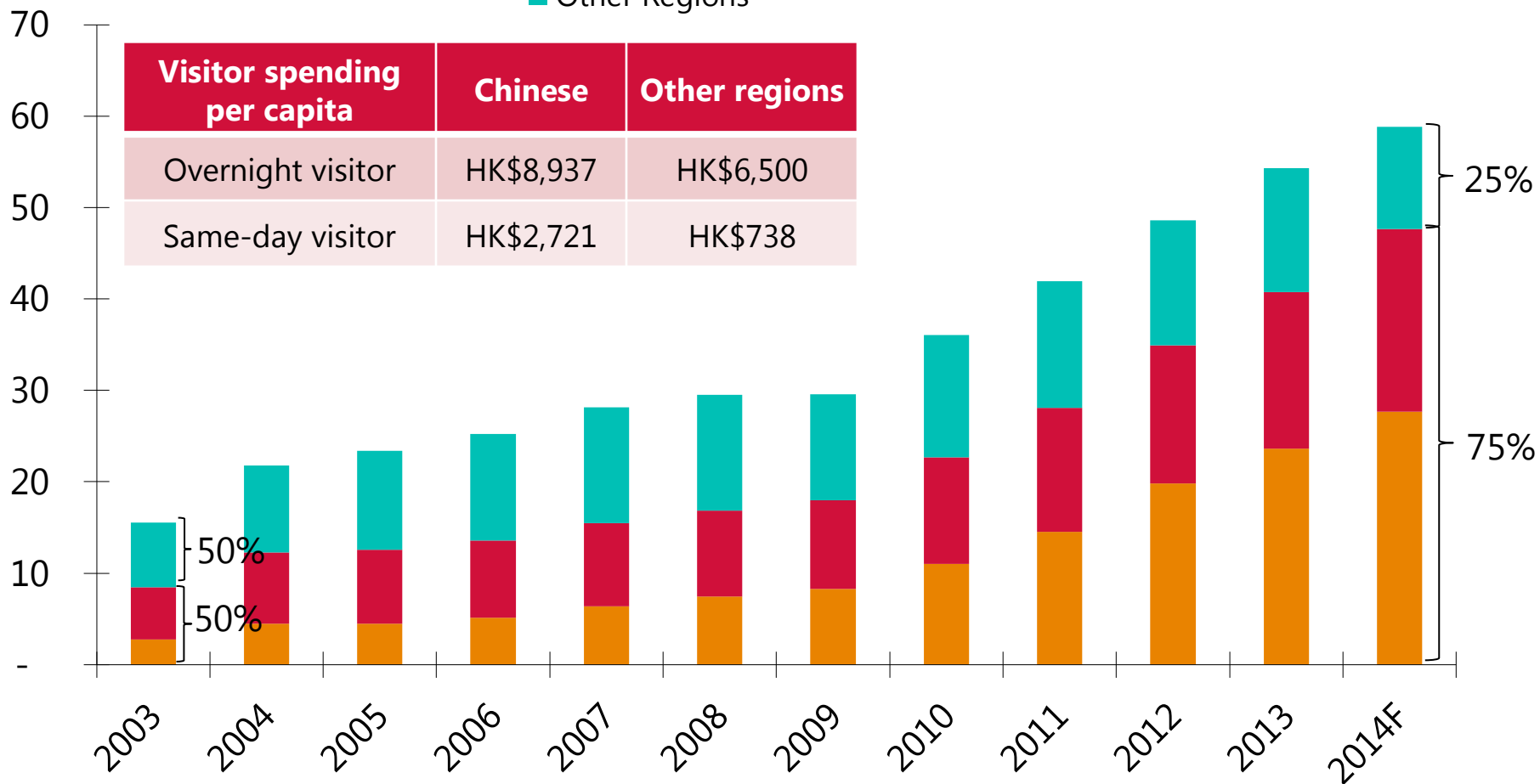
LOUIS VUITTON

Pedder Street
華打街

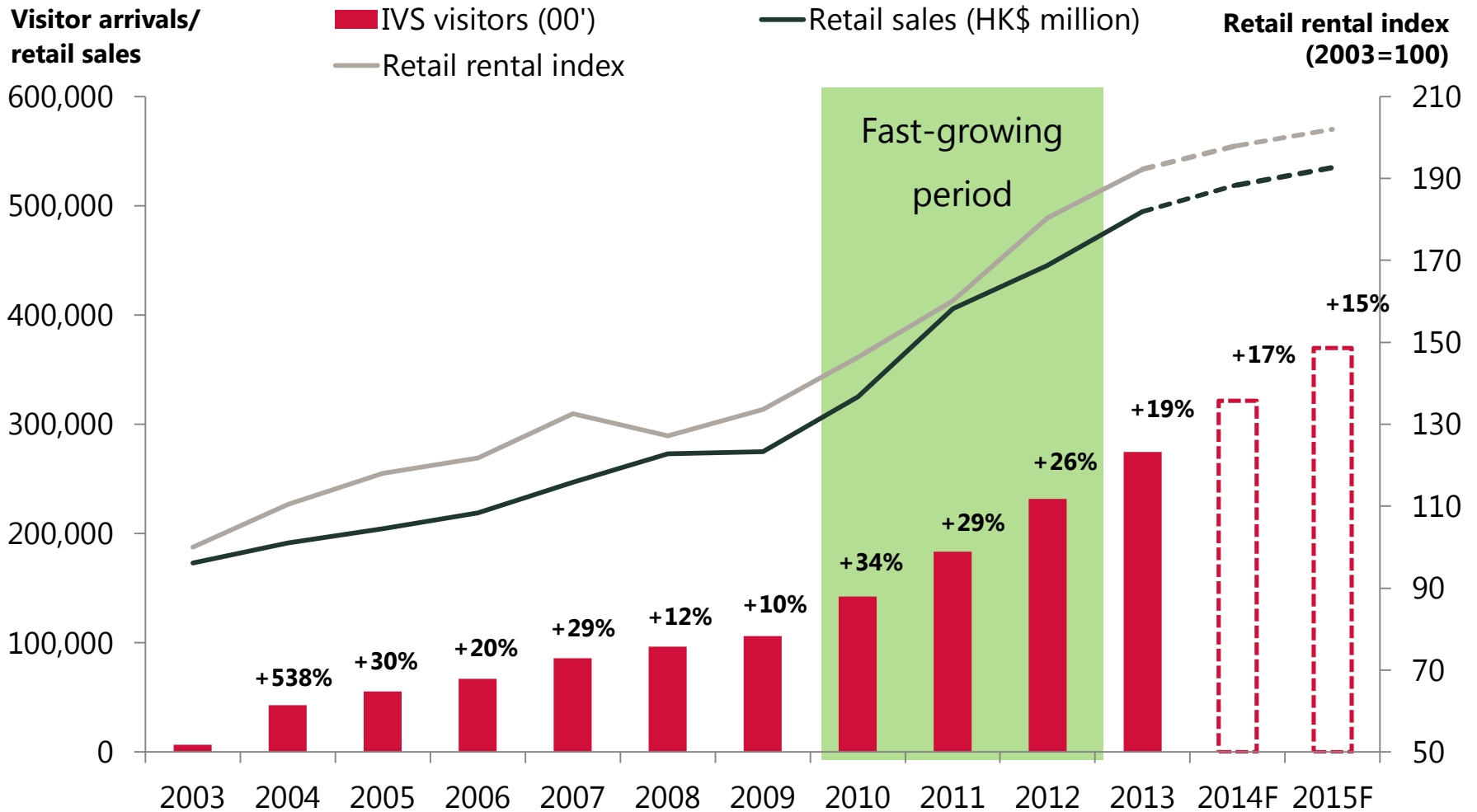
HONG KONG INBOUND TOURIST ARRIVALS

No. of visitors (Million)

- Mainland China (Same day)
- Mainland China (Overnight)
- Other Regions



INDIVIDUAL VISITOR SCHEME (IVS) VISITORS & HK RETAIL MARKET



Source: Hong Kong Tourism Board / Knight Frank

Note: IVS started in July 2003

Q & A

