



FEBRUARY 2011

HONG KONG LUXURY RESIDENTIAL

Monthly Report

Knight Frank 萊坊

PRICES RISE WITH IMPROVED SENTIMENT

Government measures introduced in November 2010 to curb the surge in residential prices continued to suppress home sales in January 2011, with speculators continuing to stay away from the market. According to the Land Registry, the number of residential sales transactions fell a further 14.2% in the month, following a 29.3% decline in December 2010. However, residential prices continued to edge up, at an even faster pace, with market sentiment having further improved on the back of strong demand from end-users and investors. Many buyers aimed to buy before the Lunar New Year to avoid further price rises after the holiday period.

A number of major mass housing estates recorded red-hot sales activity in January. Taikoo Shing in Quarry Bay and South Horizon in Island South, for example, reportedly saw transaction volumes hit new monthly highs over the past 38 months, exceeding their previous peaks in 2007. Kornhill in Quarry Bay

also reportedly saw a transaction level that exceeded its previous peak recorded in October 2010. Meanwhile, Mei Foo Sun Chuen and City One Shatin, the most active housing estates in Hong Kong last month, reportedly registered about 170 transactions each.

The average mass residential price, after remaining stable in December 2010, saw a notable increase of over 2% in January. More estates reportedly saw their average prices surpass their 1997 peaks, including City Garden in North Point (at HK\$8,879 per sq ft), Chi Fu Fa Yuen in Pokfulam (at HK\$6,531 per sq ft) and Whampoa Garden in Hung Hom (at HK\$5,146 per sq ft). Meanwhile, a high-floor unit at Tierra Verde in Tsing Yi was reportedly sold for HK\$10,272 per sq ft, marking a new price-high for apartments in Tsing Yi.

In the luxury sector, the average home price surged 4.4% in January—the largest monthly growth of the past 18 months. The Peak experienced the most noticeable price rise of 6.6%, followed by Mid-Levels with an increase of 4.8%. A number of developments recorded transactions at record-breaking prices. A house at La Hacienda on the Peak, for instance, was reportedly sold for \$42,188 per sq ft. Leighton Hill in Happy Valley and Residence Bel-Air in Pokfulam also reportedly saw prices reach new highs of HK\$24,933 and HK\$24,317 per sq ft, respectively.

The surge in luxury home prices was attributable to continuing capital inflow from cash-rich buyers, particularly from the Mainland. Notable examples included a Mainland tycoon's acquisition of a number of properties at The Arch at Kowloon Station, reportedly for about HK\$340 million or HK\$45,000 per sq ft and a Chinese entrepreneur's purchase of House B at 37 Island Road in Island South reportedly for HK\$440 million or HK\$62,882 per sq ft.

Luxury home rents remained stable, rising by a modest 0.9% in January. Leasing activity slowed during the traditional low season, but quality units, with limited availability, tended either to be renewed upon lease expiry or absorbed quickly upon release. The market is likely to remain stable in February during the Chinese New Year season and revive in March when notable rental increments are expected.

Improved buyer confidence encouraged developers to resume the launch of new projects. Park Nara in Yuen Long received a satisfactory market response and had sold almost 90% of its units. Primary sales will become more active in the coming months with a number of new projects coming online, including Uptown in Yuen Long and Avignon in Tuen Mun.

To stabilise rising home prices, the government is expected to announce more measures to increase land supply—particularly for mass residential development—in the 2011-2012 Budget on 23 February. The government is likely to increase land supply by putting more land on the List of Sites for Sale by Application and actively selling residential parcels through land auctions. As such land will take several years to be developed into housing units, residential supply will remain tight in the short term. Combined with a strong economic foundation, home prices are set to continue growing in the coming year.



Luxury residential report

Hong Kong's economic environment is forecast to remain strong, setting a favorable backdrop for the property market.

Table 1 Economic indicators and forecasts					
Economic indicator	Period	Latest reading	2009	2010	2011 forecast
GDP growth	Q3 2010	+6.8%#	-2.7%	+6.6%^	+4.7%
Inflation rate	December 2010	+3.1%	+0.5%	+2.4%	+2.9%
Unemployment	Three months to December 2010	4.0%#	5.4%	4.3%^	4.3%
Prime lending rate	Current	5.00–5.25%	5.0%*	5.0%*	5.0%*

Source: EIU CountryData / Census & Statistics Department / Knight Frank
 ^ Estimate # Provisional * HSBC prime lending rate

The average luxury home price surged 4.4% in January—the largest monthly growth of the past 18 months.

Table 2 Luxury residential market indicators—January 2011								
District	Rent	Change			Price	Change		
	HK\$psf/mth	From Dec 10	From Oct 10	From Jan 10	HK\$psf	From Dec 10	From Oct 10	From Jan 10
The Peak	59.6	0.7%	1.8%	12.4%	23,645	6.6%	4.5%	14.1%
Mid-Levels	48.9	1.6%	6.2%	17.9%	19,145	4.8%	5.3%	20.1%
Pokfulam	31.6	1.5%	3.8%	10.6%	17,053	2.5%	0.3%	7.4%
Jardine's Lookout & Happy Valley	40.7	0.0%	2.7%	9.3%	17,517	2.4%	5.1%	18.4%
Island South	47.6	1.0%	0.6%	12.8%	22,809	3.8%	5.8%	20.1%

Source: Knight Frank
 Rents and prices are subject to revision.



The luxury residential leasing market is expected to revive in March and more notable rental increments are expected.

Table 3 Selected luxury residential leasing transactions					
District	Building	Tower / floor / unit	Area (sq ft)	Rent (HK\$/mth)	Rent (HK\$psf/mth)
Mid-Levels Central	The Harbourview	High floor / unit B	2,346	\$117,600	\$50.1
Island South	84 Repulse Bay Road	Duplex	2,800	\$138,000	\$49.3
Island South	Blue Water	Penthouse	2,700	\$130,000	\$48.1
Mid-Levels Central	Dynasty Court	Tower 2 / mid floor / unit B	2,266	\$108,500	\$47.9
The Peak	Altadena	High floor / unit C	4,500	\$210,000	\$46.7
Mid-Levels Central	Yale Lodge	Low floor	3,300	\$150,000	\$45.5
Pokfulam	Residence Bel-Air	Tower 1 / high floor / unit A	2,365	\$96,000	\$40.6
Source: Knight Frank					

Market sentiment further improved on the back of strong demand from end-users and investors.

Table 4 Selected luxury residential sales transactions					
District	Building	Tower / floor / unit	Area (sq ft)	Price (HK\$M)	Price (HK\$psf)
Island South	Double Bay	House B11	3,880	\$160	\$41,237
Island South	The Redhill Peninsula	Cedar Drive / house 66	4,013	\$128	\$31,896
Mid-Levels East	Serenade	Tower 1 / 61-62/F / unit C	2,605	\$80.755	\$31,000
Happy Valley	Leighton Hill	Tower 7 / 32/F / unit A	1,911	\$44.5	\$23,286
Mid-Levels Central	Tregunter Tower	Tower 3 / 47/F / unit D	3,034	\$64	\$21,121
Wan Chai	Starcrest	Tower 1 / 19/F / unit A	1,158	\$23.48	\$20,276
Mid-Levels West	80 Robinson Road	Tower 2 / 38/F / unit D	1,154	\$22.65	\$19,627
Source: Economic Property Research Centre					



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