



SEPTEMBER 2010

# HONG KONG LUXURY RESIDENTIAL

Monthly Report

**Knight Frank 萊坊**

## POLICIES COOL SALES BUT NOT PRICES

The government announced another series of tightening policies on 13th August, aimed at curbing property speculation, increasing land supply and preventing an excessive increase in mortgage lending. Confirmation transactions of uncompleted first-hand flats are now prohibited; a maximum loan-to-value ratio of 60% will be applied to properties valued at HK\$12 million or above; and loans for properties valued below HK\$12 million will be capped at HK\$7.2 million. Meanwhile, on top of the current application list system—which sells land upon application by developers—the government has committed to continuing actively putting sites up for auction.

After the announcement of the measures, potential homebuyers expected to see price cuts. However, as supply remained tight, most owners remained firm on prices. With the gap between asking and bidding prices widening, residential sales transactions dropped over 30% in August compared with

July, with decreased transactions recorded in both the primary and secondary markets.

The policies had some effect on slowing sales transactions, but failed to cool price growth, and prices continued to climb last month. Mass residential prices increased another 1.8% in August, after rising 2.5% in July. Meanwhile, luxury residential prices grew a further 2.4% in August, month on month, with the Peak experiencing the most notable price gain of 4.0%, followed by 2.8% in Island South.

A number of record-breaking transactions of luxury homes took place this past month. A house at 19 Cooper Road in Happy Valley was sold for HK\$350 million or HK\$36,935 per sq ft, while another at 11 Headland Road in Island South hit a new high for Stanley houses, selling at HK\$660 million. A house at Le Palais in Island South was sold at HK\$100 million or HK\$22,873 per sq ft, marking a new record for that development.

The number of primary residential sales fell in August, with no major new projects being launched. Transactions mainly involved the remaining units of new projects released during previous months, such as YOHO Midtown in Yuen Long, The Hermitage in Tai Kok Tsui and Lake Silver in Ma On Shan. Prices were raised amid the limited supply of new flats.

Despite the tightening policies, developers remained optimistic about the market outlook, reflected by their active participation in the land auction held in late August. After 65 bids, the luxury residential site at 1 Ede Road in Kowloon Tong was sold to Kerry Properties for HK\$1.285 billion, representing an accommodation value of HK\$16,587 per sq ft. The price—95% higher than the opening bid—hit a new high for sites in Kowloon, and three days after the auction, the adjacent luxury residential site at 3 and 5 Ede Road was successfully triggered for sale by a consortium for HK\$1.053 billion, or an accommodation value of HK\$11,600 per sq ft.

The leasing market remained slow in August, as most tenants had settled their housing situation ahead of the new school year. The average rent of luxury homes remained flat in the month, rising a mere 0.2% compared with July. However, one major deal involved a 2,144-sq-ft high-floor unit in The Cullinan at Kowloon Station, reportedly rented by an international firm for HK\$115,000 per month or HK\$53.6 per sq ft—the highest per-sq-ft rent achieved at Kowloon Station. Hong Kong luxury rents have now experienced 16 consecutive months of growth and rebounded a total of 31.4% from the most recent trough of May 2009, but are still 11.8% below the previous peak recorded in July 2008.

Market activity is likely to remain subdued in the coming month as buyers await the Chief Executive's annual policy address on 13th October to see whether a new round of market cooling measures will be announced. However, home prices are expected to remain firm, as all favourable factors—including ultra-low mortgage rates, limited new supply, improving employment conditions and an increasing trend of Mainlanders rebalancing their asset portfolios to include Hong Kong properties—are unlikely to change in the near term.



## Luxury residential report

The unemployment rate fell to 4.3% in the three months to July 2010—the lowest rate since October 2008.

Table 1 Economic indicators and forecasts					
Economic indicator	Period	Latest reading	2008	2009	2010 forecast
GDP growth	Q2 2010	+6.5%#	+2.1%	-2.7%	+4.5%
Inflation rate	July 2010	+1.3%	+4.3%	+0.5%	+1.5%
Unemployment	Three months to July 2010	4.3%#	3.6%	5.4%	4.0%
Prime lending rate	Current	5.00–5.25%	5.3%*	5.0%*	5.0%*

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

The recent cooling measures had some effect in slowing sales transactions, but failed to dampen price growth.

Table 2 Luxury residential market indicators—August 2010								
District	Rent	Change			Price	Change		
	HK\$psf/mth	From Jul 10	From May 10	From Aug 09	HK\$psf	From Jul 10	From May 10	From Aug 09
The Peak	58.1	2.4%	5.7%	13.1%	21,549	0.7%	2.9%	8.4%
Mid-Levels	45.2	-0.7%	3.0%	19.2%	17,531	3.2%	5.5%	27.8%
Pokfulam	30.2	-0.2%	-0.3%	17.0%	16,950	1.9%	-1.1%	28.9%
Jardine's Lookout & Happy Valley	39.2	-0.3%	0.6%	20.8%	15,775	1.5%	0.9%	25.4%
Island South	47.4	0.4%	5.2%	20.1%	20,783	3.9%	4.2%	28.8%

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

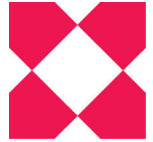


The leasing market remained slow in August, as most tenants had settled their housing situation ahead of the new school year.

Table 3 Selected luxury residential leasing transactions					
District	Building	Tower / floor / unit	Area (sq ft)	Rent (HK\$/mth)	Rent (HK\$/psf/mth)
The Peak	Watford Villa	House	3,280	\$240,000	\$73.2
Island South	127 Repulse Bay Road	High floor / unit B	3,216	\$226,000	\$70.3
Island South	Burnside Villa	House	2,784	\$160,000	\$57.5
The Peak	Haking Mansion	Low floor / unit A	1,948	\$100,000	\$51.4
Mid-Levels Central	Hillsborough Court	Tower 4 / high floor / unit A	1,369	\$69,000	\$50.4
Mid-Levels Central	Dynasty Court	Tower 4 / mid floor / unit A	1,970	\$82,000	\$41.6
Pokfulam	Bel-Air No. 8	Tower 8A / high floor / unit A	2,398	\$95,000	\$39.6
Source: Knight Frank					

A number of record-breaking transactions of luxury homes took place this past month.

Table 4 Selected luxury residential sales transactions					
District	Building	Tower / floor / unit	Area (sq ft)	Price (HK\$M)	Price (HK\$/psf)
Island South	Ocean Bay	House D	3,185	\$98.00	\$30,769
Island South	Redhill Peninsula	House 6	2,082	\$64.00	\$30,740
Island South	Beachfront	House 11	3,047	\$92.00	\$30,194
Island South	Manhattan Tower	16/F / unit A	2,243	\$63.00	\$28,087
Mid-Levels Central	Mayfair	27/F / unit A	2,905	\$76	\$26,162
Mid-Levels Central	Regence Royale	Tower 2 / 17/F / unit A	2,697	\$62.00	\$22,989
Happy Valley	Leighton Hill	Tower 9 / 36/F / unit C	1,455	\$31.15	\$21,409
Source: Economic Property Research Centre					



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Brazil  
Caribbean

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New Zealand

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