



APRIL 2011

HONG KONG LUXURY RESIDENTIAL

Monthly Report

Knight Frank 萊坊

JAPAN DISASTERS AFFECT HK HOME SALES

Following Hang Seng Bank's February move to limit the offering of HIBOR-linked mortgages to selected customers only, other major banks hiked their mortgage rates for HIBOR-linked plans in March. Coupled with the natural disasters and on-going nuclear crisis in Japan, sentiment in Hong Kong's residential market was adversely affected and secondary sales in most major housing estates were down last month. With potential buyers taking a wait-and-see attitude, the market recorded a number of deal cancellations involving forfeited deposits during the month.

Despite the fall in sales volume, only some landlords lowered their asking prices and flats were generally snapped up quickly after price cuts. Secondary, mass-residential prices remained firm, growing another 2–3% in March and the market continued to witness record-breaking deals. A high-floor unit in Taikoo Shing, for example, was reportedly sold for HK\$12.98 million or HK\$12,614 per

sq ft—a new price-high for the estate. Meanwhile, a sea-view unit at phase 8 of Mei Foo Sun Chuen was reportedly sold for HK\$14.85 million or HK\$8,110 per sq ft, the second-highest price in the development and a unit in The Long Beach in Tai Kok Tsui was reportedly sold for HK\$25.5 million or HK\$16,787 per sq ft, breaking previous price records for the estate.

The primary residential market remained hot as developers speeded up the launch of new projects. With developers adopting a market-pricing strategy and offering various beneficial packages, the project launches were well received. Reportedly, the first batch of 103 units in The Gloucester in Wan Chai was almost sold out, while phase 2 of Festival City in Tai Wai sold another 1,000 units in March. A total of about 1,200 primary units were sold in March—a new high since the government introduced the Special Stamp Duty in November 2010.

Luxury home prices grew a modest 0.4% in March and a number of notable transactions were observed. A house at 6 Stanley Beach Road in Island South was reportedly sold for HK\$328.8 million or HK\$62,976 per sq ft, replacing House B at 37 Island Road nearby to become the most expensive house in Asia. Another house at 12 Headland Road in the same district was reportedly sold for HK\$547 million or HK\$54,057 per sq ft, marking a new price-high for the development. Meanwhile, a mid-floor unit in Leighton Hill in Happy Valley reportedly changed hands for HK\$52 million or HK\$27,211 per sq ft, another price-high for the development.

The average luxury home rent continued its path of steady growth in March. The luxury residential leasing market entered the traditional peak season, with demand further boosted from unconfident potential buyers shifting from buying to leasing and Japanese expatriates relocating to Hong Kong after the earthquake in Japan. According to the Immigration Department, more than 270 professionals from Japan have been given Hong Kong work visas since the earthquake, while more applications are pending approval. In the mass leasing market, demand was so strong that in a number of estates, the number of leasing transactions surpassed that of sales.

Looking forward, the primary residential market is expected to remain heated, with developers planning to launch more new flats in the second quarter to cope with housing demand during the Easter and Golden Week holidays. More than 3,000 primary units from eight projects are expected to be launched in April, including One Regent Place and Uptown in Yuen Long, Imperial Cullinan in Tai Kok Tsui and Lions Rise in Wong Tai Sin. Several developers targeting Mainland buyers have started marketing campaigns in China.

The government has stepped up its efforts to curb speculation in the local property market by launching a positive mortgage database. Banks may refuse mortgage applications, lower loan-to-value ratios or offer higher mortgage rates if applicants do not share their mortgage data. Such a move is expected to further suppress speculative activity, as speculators tend not to disclose their mortgage histories as it can limit their ability to own multiple flats. Transactions could remain slow in the coming months as speculators retreat and the market consolidates amid the Japan crisis and rising local mortgage rates. However, sustained favourable factors, such as strong end-user demand and the low interest-rate environment, will continue to support residential prices.



Luxury residential report

Hong Kong's inflation rate rose to 3.7% in February 2011—a new high over the last 30 months.

Table 1 Economic indicators and forecasts					
Economic indicator	Period	Latest reading	2009	2010	2011 forecast
GDP growth	Q4 2010	+6.2%#	-2.7%	+6.8%	+4.7%
Inflation rate	February 2011	+3.7%	+0.5%	+2.4%	+2.9%
Unemployment	Three months to February 2011	3.6%#	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

Mortgage-rate hikes and the disasters in Japan affected market sentiment in Hong Kong and dragged down the number of secondary residential sales.

Table 2 Luxury residential market indicators—March 2011								
District	Rent	Change			Price	Change		
	HK\$psf/mth	From Feb 11	From Dec 10	From Mar 10	HK\$psf	From Feb 11	From Dec 10	From Mar 10
The Peak	62.6	1.2%	5.9%	16.1%	24,242	0.6%	9.3%	16.3%
Mid-Levels	49.8	0.5%	3.3%	15.1%	19,407	0.7%	6.2%	17.7%
Pokfulam	32.3	2.1%	3.7%	8.2%	17,253	3.0%	3.7%	2.7%
Jardine's Lookout & Happy Valley	41.7	0.0%	2.5%	7.8%	17,853	0.4%	4.4%	14.9%
Island South	48.4	1.2%	2.6%	10.2%	23,534	0.0%	7.1%	20.6%

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



Leasing demand was further boosted from unconfident potential buyers deciding to rent rather than buy and expatriates relocating to Hong Kong from Japan after the earthquake.

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	Branksome Crest	High floor / unit A	2,369	\$152,000	\$64.2
The Peak	1 Plantation Road	Tower 1 / low floor / unit A	2,210	\$122,000	\$55.2
Mid-Levels Central	The Albany	Mid floor / unit A	2,546	\$128,000	\$50.3
Island South	127 Repulse Bay Road	Low floor / unit A	2,990	\$144,700	\$48.4
Island South	The Redhill Peninsula	Cedar Drive / house	2,985	\$140,000	\$46.9
The Peak	Orient Crest	House	2,887	\$120,000	\$41.6
Pokfulam	Vista Mount Davis	Mid floor / unit B	2,100	\$84,000	\$40.0

Source: Knight Frank
Note: All transactions are subject to confirmation.

Luxury prices grew a modest 0.4% in March, with a number of notable transactions being observed.

Table 4

Selected luxury residential sales transactions

District	Building	Tower / floor / unit	Area (sq ft)	Price (HK\$M)	Price (HK\$/psf)
Island South	Somerset	8/F / unit C	3,099	\$90	\$29,042
Happy Valley	Broadwood Twelve	48/F / unit A	1,653	\$48	\$29,038
Mid-Levels Central	Dynasty Court	Tower 1 / 27/F / unit A	2,691	\$76.8	\$28,540
Island South	The Redhill Peninsula	Palm Drive / house 53	2,901	\$62.18	\$21,434
Mid-Levels Central	Hillsborough Court	Tower 4 / 28/F / unit A	1,369	\$28.749	\$21,000
Mid-Levels West	80 Robinson Road	Tower 2 / 47/F / unit A	1,434	\$29	\$20,223
Island South	37 Repulse Bay Road	Tower 2 / 13/F / unit B	1,680	\$32.5	\$19,345

Source: Economic Property Research Centre
Note: All transactions are subject to confirmation.

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