



JANUARY 2010

HONG KONG LUXURY RESIDENTIAL

Monthly Report

Knight Frank 萊坊

SALES MARKET GATHERS PACE

After the recent financial crisis, Hong Kong's residential market made a strong comeback in 2009, thanks to a low interest-rate environment, an enormous influx of capital and loose lending policies from commercial banks. According to the Land Registry, 115,092 residential units were sold in 2009, an increase of about 20% from 2008. Meanwhile, the total consideration amounted to HK\$852 billion, a growth of 23.9% from the previous year. Transactions of luxury homes worth HK\$10 million or above surged 43.9% year on year, to 6,701.

The residential market saw a period of mild consolidation last October and November, as buyers adopted a wait-and-see attitude after the government warned of a possible asset bubble. However, there was a revival in market activity in December, with the government stopping short of introducing drastic tightening measures. With further signs of economic recovery and market optimism on the rise,



homebuyers rushed to buy by the end of the year. Sales in large, popular estates, such as Taikoo Shing, City One Shatin and Mei Foo Sun Chuen, were brisk, with each recording over 100 transactions in December.

Demand from Mainland Chinese for Hong Kong homes remained strong over the past month, especially for luxury residential properties. For example, a house in Shek O was sold to a Mainland tycoon for HK\$480 million, while three units in Grand Promenade in Sai Wan Ho were acquired by a Mainland Chinese buyer for HK\$276.8 million. The growth of luxury home prices—after slowing between August and November last year—accelerated to 3.4% in December.

In the first half of January, market momentum was further stimulated by another mortgage war among commercial banks. One commercial bank offered a mortgage rate of 1.95% to attract customers and over the past month, the average mortgage rate hovered at historically low levels, with HIBOR-based mortgage plans becoming increasingly popular. According to the Hong Kong Monetary Authority, the proportion of new mortgage loans priced with reference to HIBOR has exceeded those priced to the prime lending rate in recent months.

The leasing market remained quiet during the December holiday season, but started to show signs of resurgence in the first half of January. The average rent of luxury residential property dipped only 0.6% in December and stood firm in the first half of January. The number of companies raising housing budgets for their staff was on the rise, stimulating demand for units in the rental range of between HK\$30,000 and HK\$70,000 per month.

After two residential sites in Tai Po were sold at an average accommodation value of HK\$7,215 per sq ft in late December, a site in Tseung Kwun O has been triggered for sale and will be auctioned on 22nd February. It seems the government has come up with a more reasonable assessment of land prices and this will accommodate developers' efforts to replenish their land banks.

There are a number of primary residential projects coming on stream in the first quarter of 2010, with Festival City in Tai Wai and YOHO MIDTOWN in Yuen Long being two of the new projects in the spotlight. We forecast that residential prices will increase about 15–18% over the next 12 months. In the leasing sector, more expatriates are expected to enter Hong Kong, lending support to luxury residential rents, which we estimate will grow 15% over 2010.



Luxury residential report

The declining unemployment rate is expected to fuel confidence in the housing market.

Table 1 Economic indicators and forecasts					
Economic indicator	Period	Latest reading	2008	2009 estimate	2010 forecast
GDP growth	Q3 2009	-2.4#	2.4%	-3.3%	3.5%
Inflation rate	November 2009	+0.5%	4.3%	0.7%	1.5%
Unemployment	Three months to December 2009	4.9%#	3.6%	5.2%	4.7%
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

Luxury residential rents saw a mild correction during the December holiday season.

Table 2 Luxury residential market indicators—December 2009								
District	Rent	Change			Price	Change		
	HK\$psf/mth	From Nov 09	From Sep 09	From Dec 08	HK\$psf	From Nov 09	From Sep 09	From Dec 08
The Peak	51.2	-1.0%	-2.1%	7.7%	20,395	0.0%	1.9%	19.4%
Mid-Levels	40.0	-0.3%	0.8%	6.7%	15,181	2.9%	4.9%	41.7%
Pokfulam	27.2	1.7%	1.3%	9.3%	15,195	5.4%	8.4%	56.4%
Jardine's Lookout & Happy Valley	35.8	-1.7%	0.6%	9.4%	14,566	3.6%	5.0%	41.7%
Island South	40.6	-0.6%	-0.7%	6.8%	18,521	6.7%	9.0%	61.0%

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



Leasing activity picked up during the first half of January.

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	2,370	\$123,000	\$51.9
Island South	Stanley Court	House	2,700	\$125,000	\$46.3
Peak	La Hacienda	House	3,200	\$130,000	\$40.6
Island South	Carmina Place	Mid floor / unit C	2,628	\$100,000	\$38.0
Island South	Hong Kong Parkview	Tower 12 / high floor / unit 69	2,794	\$105,000	\$37.6
Peak	Carolina Garden	Low floor / unit C	2,800	\$105,000	\$37.5
Pokfulam	Bel-Air No.8	Tower 6 / low floor / unit C	1,601	\$50,000	\$31.2
Source: Knight Frank					

Sales activity gathered pace, after a mild correction in October and November.

Table 4 Selected luxury residential sales transactions					
District	Building	Tower / floor / unit	Area (sq ft)	Price (HK\$M)	Price (HK\$/psf)
Island South	13 Big Wave Bay Road	House	-	\$480	-
Tsim Sha Tsui	The HarbourSide	Tower 2 / 51/F / unit C	1,383	\$32.8	\$23,717
Mid-Levels East	Colonnade	15/F / unit B	1,857	\$36.8	\$19,817
Mid-Levels East	The Legend	Tower 1 / 42/F / unit B	1,542	\$22.65	\$14,689
Happy Valley	Villa Rocha	Block B / 25/F / unit 2	1,313	\$17	\$12,947
Wan Chai	Convention Plaza Western Apartment	20/F / unit 14	1,315	\$15.5	\$11,787
Pokfulam	Bel-Air on the Peak	Tower 9 / 25/F / unit A	1,408	\$14.38	\$10,213
Source: Economic Property Research Centre / Knight Frank					



RESEARCH

Americas

USA
Bermuda
Brazil
Caribbean

Australasia

Australia
New Zealand

Europe

UK
Belgium
Czech Republic
France
Germany
Hungary
Ireland
Italy
Poland
Portugal
Russia
Spain
The Netherlands
Ukraine

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia

China
Hong Kong
India
Indonesia
Macau
Malaysia
Singapore
Thailand

Hong Kong contacts

Alan Child

Executive Chairman
T: (+852) 2846 9522
E: alan.child@hk.knightfrank.com

Renu Budhrani

Executive Director
Residential Agency
T: (+852) 2846 9550
E: renu.budhrani@hk.knightfrank.com

Xavier Wong

Director, Head of Research
Research Department
T: (+852) 2846 4819
E: xavier.wong@hk.knightfrank.com

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers and investors, as well as financial and corporate institutions. All recognise the need for the provision of expert independent advice, customised to their specific needs.

Our worldwide research reports are also available at www.knightfrank.com.

© Knight Frank 2010

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research.