



JULY 2010

# HONG KONG LUXURY RESIDENTIAL

Monthly Report

**Knight Frank 萊坊**

## LAND AUCTION STIMULATES MARKET

The auction of a luxury residential site in Ho Man Tin on 8th June represented a turning point in Hong Kong's residential sales market. Prior to the auction, a number of negative factors were dampening market sentiment. These included the disappointing auction results of two mass residential sites in Fanling and Tung Chung; the withdrawal of the tender for Nam Cheong Station; uncertainties brought about by new government policies to cool the overheated residential market and volatility in the local stock market amid the deepening financial crisis in Europe.

The Ho Man Tin site was sold for HK\$10.9 billion—higher than even the most optimistic forecast at HK\$10.5 billion. The accommodation value of HK\$12,540 per sq ft was close to the average secondary price in the district, reflecting developers' confidence in the outlook for the luxury residential market. Meanwhile, market sentiment began to improve in June with the impact of recent negative news

starting to wane.

After the better-than-expected land sales result in Ho Man Tin, developers resumed the launch of new projects, aiming to capitalise on improving market confidence and pent-up purchasing power. The Hermitage in Tai Kok Tsui—the first project launched after the implementation of the government’s new policies—received an overwhelming response, with all 231 flats in the first batch sold within three hours of launching. Other projects well received included the remaining 838 Sandwich Class Housing Scheme units in Cascades in Ho Man Tin, The Pinnacle in Tseung Kwan O and Highland Park in Kwai Chung. They were all re-launched in May and 99% of the units were sold before the deadline in June.

Robust activity in the primary market led to a revival in the secondary sector. Some owners raised asking prices, with some even returning deposits to buyers to resell property at higher prices. A number of major mass residential estates saw vibrant sales activity, with over 100 transactions registered in both Mei Foo Sun Chuen and Taikoo Shing, over 150 deals concluded in Kingswood Villas in Tin Shui Wai and over 200 transactions recorded in City One Shatin. Prices of mass residential units in the secondary market edged up 1.2% in June after dipping about 2% in May.

Unlike the mass residential sector, the high-end sales market did not see a rebound in transaction volume. Potential buyers of high-end homes were generally resistant to owners’ raised asking prices, while Mainlanders continued to stay on the sideline with their liquidity being squeezed by recent tightening measures. However, some developments still saw relatively active sales, such as Leighton Hill in Happy Valley, where nine deals were closed in June. Luxury residential prices rebounded 1.9% in June after a slight fall in May.

The luxury residential leasing sector remained active in the traditional peak season of June, with families aiming to relocate before the start of the summer holiday and a new school year. Luxury houses—with limited supply and strong demand—saw fast absorptions at raised rent levels, particularly those on the Peak, which recorded rent growth of 2.3% in June. Luxury rents grew 1.0% in the month, overall.

Last month, we underestimated the resilience of the local property market, which stabilised swiftly after the better-than-expected land auction in early June. Looking ahead, luxury residential prices are likely to remain relatively stable with the positive factors of low interest rates and a lack of alternative investment channels offsetting the negative factors, which include slowing capital inflow from the Mainland amid tightening measures and the worry of a slowdown in developed economies.

The primary residential market is likely to remain active, with a number of new projects being launched. New developments in the pipeline include Larvotto in Ap Lei Chau, Lime Stardom in Tai Kok Tsui, Perfetto in Tsuen Wan, Broadwood Twelve in Happy Valley and the remaining units at Festival City in Tai Wai. Robust activity in the leasing sector is expected to extend into July, but the market may turn quiet in August when it enters the traditional slow season.



## Luxury residential report

Certain leading indicators are pointing to a notable slowdown in the global economy in the months ahead.

Table 1 Economic indicators and forecasts					
Economic indicator	Period	Latest reading	2008	2009	2010 forecast
GDP growth	Q1 2010	+8.2%#	+2.1%	-2.7%	+4.5%
Inflation rate	May 2010	+2.5%	+4.3%	+0.5%	+1.5%
Unemployment	Three months to May 2010	4.6%#	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

Luxury home prices rebounded 1.9% in June after a slight fall in May.

Table 2 Luxury residential market indicators—June 2010								
District	Rent	Change			Price	Change		
	HK\$psf/mth	From May 10	From Mar 10	From Jun 09	HK\$psf	From May 10	From Mar 10	From Jun 09
The Peak	56.8	2.3%	5.2%	16.2%	21,406	2.2%	2.7%	12.8%
Mid-Levels	45.5	1.8%	5.3%	24.3%	16,980	3.2%	2.9%	32.0%
Pokfulam	30.3	-1.0%	1.4%	23.7%	16,633	1.6%	-1.0%	40.4%
Jardine's Lookout & Happy Valley	39.4	0.0%	1.8%	26.0%	15,542	1.5%	0.0%	34.3%
Island South	47.2	0.9%	7.5%	25.0%	20,002	0.2%	2.5%	37.2%

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



**The leasing sector remained active in the traditional peak season of June.**

Table 3 Selected luxury residential leasing transactions					
District	Building	Tower / floor / unit	Area (sq ft)	Rent (HK\$/mth)	Rent (HK\$/psf/mth)
Island South	56 Repulse Bay Road	Duplex (with terrace)	4,143	\$280,000	\$67.6
Island South	Tai Tam Village	House	3,000	\$148,000	\$49.3
Mid-Levels East	HighCliff	High floor / unit A	3,816	\$178,000	\$46.6
The Peak	Orient Crest	House	3,261	\$150,000	\$46.0
The Peak	Villa Verde	Low floor / unit B	2,500	\$110,000	\$46.0
Mid-Levels West	Po Shan Mansion	High floor / unit B	2,800	\$90,000	\$45.6
Pokfulam	Bel-Air No.8	Tower 6 / high floor / unit B	939	\$32,000	\$34.0
Source: Knight Frank					

**Unlike the mass residential sector, the luxury sales market did not see a rebound in transactions, with buyers resistant to owners' aggressive pricing.**

Table 4 Selected luxury residential sales transactions					
District	Building	Tower / floor / unit	Area (sq ft)	Price (HK\$M)	Price (HK\$/psf)
The Peak	Peak Gardens	4/F / unit 16	1,640	\$47.5	\$28,963
Island South	Grosvenor Place	17/F	2,809	\$68.8	\$24,493
Island South	Pine Crest	14/F / unit B	2,250	\$55	\$24,444
Happy Valley	Leighton Hill	Tower 3 / 33/F / unit A	1,911	\$42.8	\$22,397
Mid-Levels Central	Clovelly Court	Tower 1 / 6/F / unit B	2,809	\$59	\$21,004
Mid-Levels Central	Hong Villa	20/F	3,833	\$80	\$20,871
Island South	Regalia Bay	House C28	4,212	\$78	\$18,519
Source: Economic Property Research Centre					



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Brazil  
Caribbean

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New Zealand

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France  
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Ireland  
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