



MARCH 2011

# HONG KONG LUXURY RESIDENTIAL

Monthly Report

**Knight Frank 萊坊**

## PRIMARY RESIDENTIAL MARKET REVIVES

In February 2011—the low season of Chinese New Year—the residential market in Hong Kong was relatively quiet. No major primary projects were launched and few secondary flats were released in the first three weeks of the month, with developers, landlords and buyers adopting a wait-and-see attitude as to whether more regulatory policies would arise. As no additional measures were proposed in the recent 2011–2012 Budget, uncertainties were dismissed and the market regained momentum immediately after the Budget’s announcement.

The primary residential market revived and became the market focus last month, activated by the resumption of a number of primary project launches. Four major new projects came online, the weekend immediately following the Budget announcement. One of these—Festival City phase 2 in Tai Wai—reportedly sold out its first batch of 250 units in the very first day of sales. With discounts of up to 14%, transaction prices averaged HK\$8,142 per sq ft—about 9% lower than those achieved in phase 1.

More units were later released and the project has so far sold more than 650 units—over 90% of the units launched. Meanwhile, CentrePoint in Sheung Wan reportedly sold over 90% of its first batch of units at about HK\$16,500 per sq ft. Avignon in Tuen Mun attained less satisfactory sales results, largely due to the fact that its average price of over HK\$9,500 per sq ft was double those of nearby secondary estates such as The Hillgrove and Aqua Blue.

Secondary sales in mass housing estates slowed in February, as there were fewer flats available, with many landlords having suspended sales in anticipation of the Budget. Fuelled by optimism about the market outlook following the Budget announcement, landlords resumed sales of their units and many raised asking prices. High prices prevented deals from being closed despite a significant rise in the number of flat viewings towards the end of the month.

In February, growth in mass home prices accelerated to over 3%, month on month, having gained over 2% in January. Prices at more housing estates surpassed their 1997 levels and price records were broken in a number of developments. For example, a mid-floor unit in Tai Po Centre was reportedly sold for HK\$6,060 per sq ft—a historic price-high for the estate—while a 474-sq-ft, high-floor unit in Nan Fung Sun Chuen in Quarry Bay reportedly changed hands at HK\$7,848 per sq ft—a price-high for the development since 1997.

A lack of available units in the private residential sector pushed more buyers to public rental housing, lifting prices there to new levels. An end-user, for instance, reportedly bought a high-floor unit in Hang On Estate in Ma On Shan for HK\$3,173 per sq ft, marking a new price-high for one-bedroom flats in the district. Meanwhile, an investor reportedly acquired a unit in lower Wong Tai Sin Estate for HK\$4,176 per sq ft, making it the second most expensive public rental housing flat in Hong Kong.

The average luxury home price edged up 1.7% in February. Island South experienced the biggest growth of 3.2%, followed by the Peak, with a 1.9% growth. A number of price-breaking deals were recorded, including a high-floor unit in Dynasty Court in Mid-Levels Central reportedly sold for HK\$77.68 million, or about HK\$29,000 per sq ft—a new high in the development and up 16% from 1997. A house in Constellation Cove in Tai Po, meanwhile, was reportedly sold for HK\$38 million, or HK\$11,700 per sq ft, making it the first deal at over HK\$10,000 per sq ft in the development.

Luxury home rents edged up another 1.8% in February—the fastest growth in ten months—on the back of robust leasing activity and strong demand from the corporate sector. The availability of quality units was limited, with vacancies particularly scarce on the Peak and among houses renting for HK\$160,000–200,000 per month. Rents are expected to edge higher in the coming months as the market enters the traditional high season.

In the past month, some banks raised their mortgage rates slightly by limiting the offering of HIBOR-linked plans and lifting rates for corporate buyers. Nonetheless, overall mortgage rates remained low, with most banks continuing to offer attractive mortgage packages. We believe the increase in mortgage rates of individual banks does not indicate that interest rates are about to rise. Yields from property investments are still far higher than those gained from bank deposits. Meanwhile, although the government may put more residential land up for sale in the coming year, housing supply would remain tight in the short term. With continuing demand from end-users and long term investors, we expect residential prices to further appreciate in the coming year.



## Luxury residential report

**Hong Kong's economy continued to recover, with the unemployment rate dropping to 3.8%—a new low in 26 months.**

Economic indicator	Period	Latest reading	2009	2010	2011 forecast
GDP growth	Q4 2010	+6.2%#	-2.7%	+6.8%	+4.7%
Inflation rate	January 2011	+3.6%	+0.5%	+2.4%	+2.9%
Unemployment	Three months to January 2011	3.8%#	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

**Luxury residential rents gained 1.8% in February, the fastest growth rate in ten months.**

District	Rent HK\$psf/ mth	Change			Price HK\$psf	Change		
		From Jan 11	From Nov 10	From Feb 10		From Jan 11	From Nov 10	From Feb 10
The Peak	61.9	3.9%	4.8%	16.3%	24,088	1.9%	8.6%	16.2%
Mid-Levels	49.5	1.2%	4.8%	17.1%	19,255	0.6%	6.1%	18.5%
Pokfulam	31.7	0.1%	2.3%	7.6%	16,754	-1.8%	-1.0%	2.3%
Jardine's Lookout & Happy Valley	41.7	2.5%	3.0%	10.2%	17,783	1.5%	6.0%	18.3%
Island South	47.8	0.4%	2.3%	11.7%	23,534	3.2%	7.1%	22.3%

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



Rents for luxury homes are expected to edge higher in the coming months, as the market enters the traditional high season.

Table 3  
Selected luxury residential leasing transactions

District	Building	Tower / floor / unit	Area (sq ft)	Rent (HK\$/mth)	Rent (HK\$/psf/mth)
Island South	Hong Kong Parkview	Tower 18 / penthouse	2,570	\$185,000	\$72.0
The Peak	The Mount Austin	Tower 1 / low floor / unit B	947	\$53,000	\$56.0
The Peak	11 Coombe Road	High floor	2,200	\$120,000	\$54.5
Mid-Levels Central	Branksome Crest	High floor / unit A	2,370	\$128,000	\$54.0
Island South	The Lily	Tower 4 / mid floor	3,536	\$185,000	\$52.3
Mid-Levels West	80 Robinson Road	Tower 1 / mid floor / unit B	1,409	\$61,000	\$43.3
Mid-Levels Central	Queen's Garden	Mid floor / unit B	2,960	\$124,000	\$41.9

Source: Knight Frank

Fuelled by optimism about the market outlook, some landlords resumed sales of their units and many raised asking prices.

Table 4  
Selected luxury residential sales transactions

District	Building	Tower / floor / unit	Area (sq ft)	Price (HK\$M)	Price (HK\$/psf)
Island South	56 Repulse Bay Road	House 21	3,281	\$109	\$33,222
Island South	Redhill Peninsula	Palm Drive / house 28	2,588	\$61	\$23,570
Tsim Sha Tsui	The HarbourSide	Tower 2 / 70/F / unit C	1,443	\$32.55	\$22,557
Mid-Levels Central	Dynasty Court	Tower 1 / 2/F / unit A	2,691	\$59	\$21,925
Mid-Levels West	80 Robinson Road	Tower 1 / 43/F / unit B	1,434	\$31.3	\$21,827
Island South	Brentwood	5/F / unit B	1,556	\$30	\$19,280
Sai Ying Pun	Island Crest	Tower 2 / 46/F / unit B	751	\$14.42	\$19,201

Source: Economic Property Research Centre

# RESEARCH



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