



MAY 2011

HONG KONG LUXURY RESIDENTIAL

Monthly Report

Knight Frank 萊坊

SECONDARY MARKET REMAINS SLOW

Secondary residential property sales remained slow in April, down 26.1% month on month according to the Land Registry. The decline was mainly attributable to the increased costs of buying amid the Hong Kong government's current regulatory policies and further hikes in local mortgage rates. The supply of primary units at competitive prices also distracted market attention away from the secondary market, while the on-going nuclear crisis in Japan continued to impose a psychological effect on purchasing confidence. Despite the fall in sales volume, residential prices did not drop, as most sellers remained firm on asking prices. The pace of growth of mass residential prices had slowed for two consecutive months, rising less than 1% in April, while luxury home prices edged up another 1.0% last month, similar to the rate recorded in March.

A number of record-breaking transactions were reported. In the luxury sector, an odd number house in Bel-Air on the Peak in Pokfulam was acquired at HK\$196 million or HK\$37,400 per sq ft, while another in Le Palais in Tai Tam was sold at HK\$110 million or HK\$25,160 per sq ft, both breaking price records in the respective estates. In the mass market, a low-floor unit in Taikoo Shing was sold for HK\$16.8 million or HK\$13,581 per sq ft, breaking the previous price record set a month ago. Meanwhile, a high-floor unit in Chelsea Heights in Tuen Mun was sold for HK\$3.48 million or HK\$6,483 per sq ft, hitting a price record for the development.

The subsidised housing sector also saw major deals. A public rental unit in Lei Cheng Uk Estate in Cheung Sha Wan was reportedly sold for HK\$2.5 million or HK\$3,597 per sq ft, breaking the price record for public rental housing. Meanwhile, a Sandwich Class Housing Scheme unit in Bel Air Heights in Diamond Hill was reportedly sold for HK\$5.25 million or HK\$6,991 per sq ft, a price close to those of private residential estates nearby and one that broke the previous price record for the development.

Meanwhile, primary residential sales dropped 34.0% in April, as fewer new units were launched compared with in March. Although several new projects were released, they were smaller developments comprising fewer than 1,000 units each. The market's focus fell on One Regent Place and Uptown in Yuen Long, which attained satisfactory sales results as they were released with various beneficial packages and at prices comparable with secondary prices in the district. Reportedly, the projects sold over 90% and 80% of the units launched in April, respectively.

The leasing sector remained strong in the middle of its traditional peak season with expatriate families having to make leasing decisions before the start of the new school year. Robust demand further lowered the availability of quality units, with a number of fully-rented developments having considerably long waiting lists. Given tight supply and spiralling rentals, some anxious tenants even negotiated lease renewals prior to their natural lease expiry in order to protect themselves from further rental increases anticipated over the next few months. The tight supply and large number of renewals resulted in fewer new leasing transactions being concluded in April. Luxury home rents rose at a faster pace of 1.5% last month. They could grow another 5–10% in the second quarter.

The government reaffirmed its determination to increase land supply by putting up nine residential sites, which would provide a total of 2,650 flats, for auction and tendering in the coming quarter. A residential site at 7 Ko Shan Road in Hung Hom was sold in April for a high price of HK\$1.525 billion or an accommodation value of HK\$9,934 per sq ft, immediately fuelling price hikes in nearby secondary estates. The satisfactory sales result reflected developers' confidence in the outlook for the local residential market, as the limited supply situation will remain until new units are completed in a few years' time. This is supported by figures from the Rating and Valuation Department stating that residential completions would decline from 13,410 units in 2010 to 10,670 in 2011, before rebounding to 13,700 in 2012.

Looking forward, primary residential sales are expected to rebound as two major projects—namely Lions Rise in Wong Tai Sin and Imperial Cullinan in Tai Kok Tsui—are scheduled for release in May, providing over 1,500 units in total. In the secondary market, transactions may slightly recover with the fading impact of the Japanese nuclear crisis and boosted by satisfactory land auction results. Although a number of central banks have raised their interest rates, sharp rises in interest rates are not expected in Hong Kong. In addition to other sustained favourable factors, such as strong end-user demand and limited supply, home prices are expected to remain firm in the near term.



Luxury residential report

Hong Kong saw a 7.2% year-on-year economic growth in the first quarter of 2011—a new high over the last four quarters.

Table 1 Economic indicators and forecasts					
Economic indicator	Period	Latest reading	2009	2010	2011 forecast
GDP growth	Q1 2011	+7.2%#	-2.7%	+6.8%	+4.7%
Inflation rate	March 2011	+4.6%	+0.5%	+2.4%	+2.9%
Unemployment	Three months to March 2011	3.4%#	5.4%	4.4%	4.3%
Prime lending rate	Current	5.00–5.25%	5.0%*	5.0%*	5.0%*

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

Luxury rents grew a modest 1.5% in April, with a number of notable transactions being observed on the Peak and in Island South.

Table 2 Selected luxury residential leasing transactions					
District	Building	Tower / floor / unit	Area (sq ft)	Rent (HK\$/mth)	Rent (HK\$/psf/mth)
Mid-Levels Central	Aigburth	High floor / unit B	3,050	\$180,000	\$59.0
The Peak	37 Baker Road	Mid floor / unit	2,100	\$120,000	\$57.1
The Peak	Chelsea Court	Block 1 / low floor / unit A	1,509	\$83,000	\$55.0
Island South	127 Repulse Bay Road	Mid floor / unit B	3,028	\$151,000	\$49.9
The Peak	Eredine	Low floor / unit B	3,300	\$158,000	\$47.9
Island South	84 Repulse Bay Road	Duplex	2,800	\$130,000	\$46.4
Island South	Deepdene	Mid floor / unit	2,319	\$98,000	\$42.3

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



A flat at 39 Conduit Road set a new price record for apartments in Hong Kong, selling at HK\$63,999 per sq ft.

Table 3 Selected luxury residential sales transactions					
District	Building	Tower / floor / unit	Area (sq ft)	Price (HK\$M)	Price (HK\$psf)
Mid-Levels West	39 Conduit Road	66 th floor / unit A	5,636	\$360.7	\$63,999
Mid-Levels West	Azura	49 th floor / unit A	1,665	\$51.57	\$30,973
Repulse Bay	Grosvenor Place	10 th floor	2,809	\$83	\$29,548
Happy Valley	Broadwood Twelve	47 th floor / unit A	1,653	\$47.5	\$28,736
Happy Valley	Leighton Hill	Tower 7 / 16 th floor / unit B	1,911	\$52	\$27,211
Tsim Sha Tsui	Cullinan I	Sun Sky / 76 th floor / unit B	1,752	\$46.8	\$26,712
Kowloon Tong	One Lasalle	3 rd floor / unit B	3,025	\$55.38	\$18,307
Source: Economic Property Research Centre Note: All transactions are subject to confirmation.					

Despite the fall in sales volume, prices grew slightly with most sellers remaining firm on asking prices.

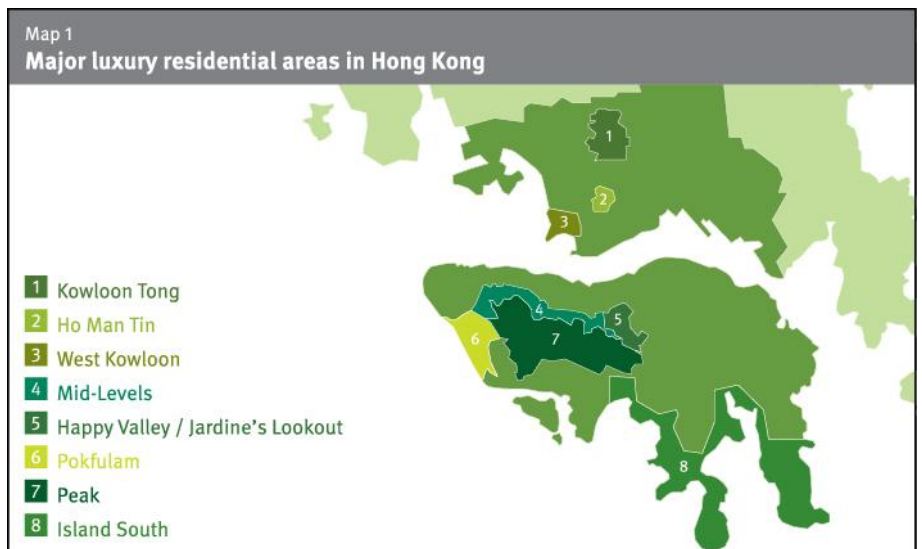
Table 4 Luxury residential market indicators—April 2011								
District	Rent	Change			Price	Change		
	HK\$psf/mth	From Mar 11	From Jan 10	From Apr 10	HK\$psf	From Mar 11	From Jan 11	From Apr 10
The Peak	63.8	1.9%	7.1%	16.0%	24,242	0.0%	2.5%	15.8%
Mid-Levels	50.1	0.8%	2.5%	14.3%	19,673	1.4%	2.8%	18.4%
Pokfulam	33.4	3.1%	5.4%	10.1%	17,401	0.9%	2.0%	1.6%
Jardine's Lookout & Happy Valley	42.2	1.1%	3.7%	8.1%	18,217	2.0%	4.0%	16.5%
Island South	48.9	1.1%	2.7%	8.6%	23,544	1.4%	3.2%	18.0%
Source: Knight Frank Rents and prices are subject to revision.								



Home prices are expected to remain firm in the near term due to sustained favourable factors, such as strong end-user demand and limited supply.



The limited supply situation will remain until new units are completed in a few years' time.





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