

RESEARCH &amp; FORECAST REPORT

# HONG KONG RESIDENTIAL MARKET



## Residential Outlook Looking Gloomy

### SALES ACTIVITY SLOWED SIGNIFICANTLY

Subject to policy risks, financing difficulties and interest rate hikes, sales activity in the Hong Kong residential market slowed significantly, with the total number of sales and purchases of residential units falling by 28.9% QoQ during the three-month period ending August 2011. The luxury segment experienced a deeper deceleration, with the number of luxury residential sales transactions in the three traditional luxury districts that sold for over HK\$20 million, decreasing by 48% QoQ. The new round of mortgage rate hikes further dampened market sentiment and prompted potential buyers to maintain their wait-and-see attitude. It is not just the interest rate increase that eroded buyer confidence but also a general concern about global economic growth ahead. As far as wealthy mainland Chinese buyers are concerned, the market showed signs of broader investor caution over tighter credit conditions in mainland China. The dampened market sentiment resulted in softening demand from mainland Chinese buyers for properties in Hong Kong. The proportion of mainland Chinese buyers in Hong Kong decreased from 30 - 40% in 2Q 2011 to less than 20% in 3Q 2011.

### MARKET INDICATORS FORECAST

OVERALL PERFORMANCE	↓
NEW SUPPLY	↓
TENANT DEMAND	↓
INCENTIVES	→
RENTS	↓
CAPITAL VALUES	↓
YIELDS	↑

### FUTURE CHANGES

Although the US has vowed to maintain ultra-low interest rates until 2013, this is unlikely to help boost home buyer sentiment as the market remains vulnerable to credit risks. The current credit crunch in mainland China coupled with a subdued sentiment will prompt mainland Chinese buyers to retreat from the Hong Kong residential market. Moreover, surging interest rates will eventually weaken home owners' holding power. However, supported by a tight residential supply situation in the high-end sector, luxury residential prices are not expected to dramatically decline. The cyclical downturn will lead to an 13% correction in overall luxury residential prices over the next 12 months, considering an average cyclical downtrend of about 6.5 quarters.

### SOFTENING LEASING DEMAND

In the leasing market, the average luxury residential rent is expected to undergo a mild downward adjustment of 3% over the next 12 months. The slowdown in global economic growth will lead to slowing residential leasing demand in Hong Kong, subject to a hold back in the inflow of expatriates from various industries, such as the banking and finance sector. The drag down in rents will give rise to a further drop in prices as the sales market will no longer be supported by a sustainable rental growth.

## Sales Market

### SALES ACTIVITY SLOWED SIGNIFICANTLY

During 3Q 2011, the weaker-than-expected US economic activity and the lingering European debt crisis shattered investor sentiment, which had already weighted on the stock markets. Since the market was still subject to policy risks, financing difficulties and interest rate hikes, sales activity in the Hong Kong residential market slowed significantly, with the total number of sales and purchases of residential units falling by 28.9% QoQ during the three-month period ending August 2011.

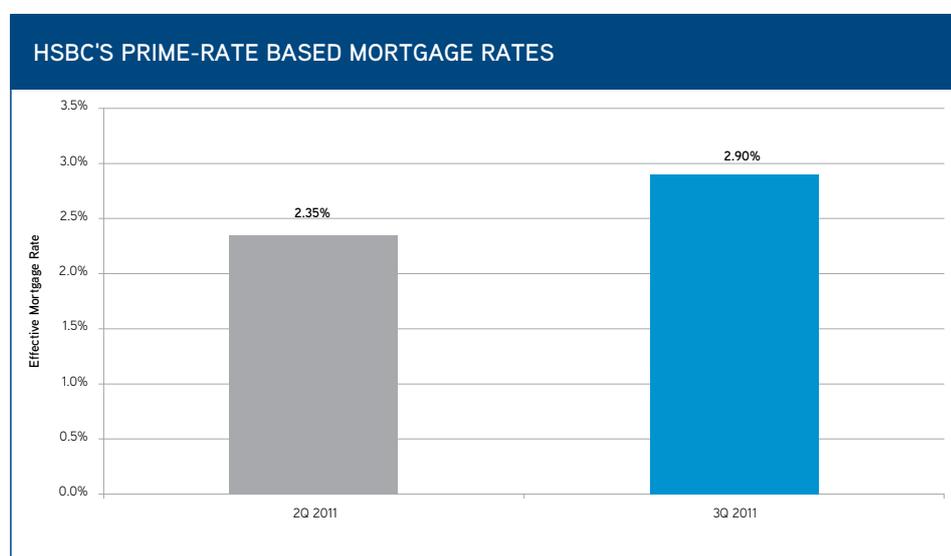
In the luxury segment, sales activity experienced a deeper deceleration across the board, with the number of luxury residential sales transactions in the three traditional luxury districts of The Peak, Mid-levels and South Side, that sold for over HK\$20 million, decreasing by 48% QoQ during the three-month period ending August 2011. Similarly, the number of sales transactions in the top-end market (i.e. sales transactions of properties above HK\$100 million) declined by 47% QoQ over the same period. As far as wealthy mainland Chinese buyers are concerned, the market showed signs of broader investor caution over tighter credit conditions in mainland China given a greater downside risk on global growth prospects. The dampened market sentiment resulted in softening demand from mainland Chinese buyers for properties in Hong Kong. The proportion of mainland Chinese buyers in Hong Kong decreased from 30 - 40% in 2Q 2011 to less than 20% in 3Q 2011.

Therefore, unavoidable bargaining occurred in the residential market, while buyers continued to face difficulties in mortgage financing subject to policy risks and interest rate hikes. Local banks raised their interest rates and maintained their conservative approach to property valuations. Some individual homeowners were willing to negotiate the selling prices of their flats and slash asking prices by 10% - 15% to facilitate a transaction. On the other hand, vendors with greater holding power were in no rush to sell flats at substantial discounts, possible due to the relatively low interest rate environment still prevalent.

### INTEREST RATE HIKES

In terms of financing, major local banks raised their mortgage rates during 3Q 2011 and mortgage rates just started to return to a normal level – averaging 3% to 4% over the past decade. For example, HSBC announced that it raised its HIBOR-based mortgage interest rate (H) from H plus 1.8 - 2.3% to H plus 2.3 - 2.7% in August 2011. With the 1-month HIBOR rate at 0.2%, the new HIBOR-based rate would range from 2.5 to 2.9%. In terms of Prime rate-based mortgage rates, HSBC also raised it from P minus 2.7% to P minus 2.1 - 2.4%.

The new round of mortgage rate hikes initiated by HSBC further dampened market sentiment and prompted potential buyers to maintain their wait-and-see attitude. It is not just the interest rate increase that eroded buyer confidence but also a general concern about global economic growth ahead.



Source: HSBC

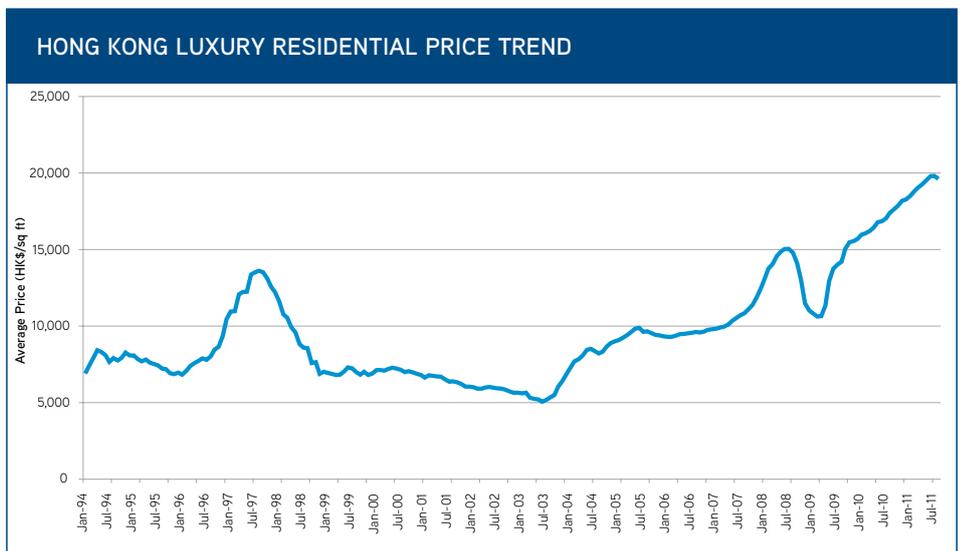
## LUXURY PRICES PEAKED OUT

LUXURY RESIDENTIAL PRICES (BY SUB-MARKETS)								
DISTRICT	1Q 10	2Q 10	3Q 10	4Q 10	1Q 11	2Q 11	3Q 11	3Q 2011 (% QoQ)
The Peak	\$25,063	\$26,875	\$28,050	\$29,313	\$30,938	\$32,413	\$33,063	2.0%
Mid-levels	\$11,443	\$11,803	\$12,000	\$12,725	\$13,188	\$13,663	\$13,838	1.3%
South Side	\$17,338	\$17,713	\$18,613	\$19,288	\$19,538	\$19,925	\$19,725	-1.0%
<b>Overall</b>	<b>\$16,058</b>	<b>\$16,783</b>	<b>\$17,391</b>	<b>\$18,189</b>	<b>\$18,806</b>	<b>\$19,520</b>	<b>\$19,629</b>	<b>0.6%</b>

Source: Colliers

During 3Q 2011, the growth of luxury residential prices tapered off significantly, with a mild growth of 0.6% QoQ to HK\$19,629 per sq ft as of August 2011, following the 3.8% QoQ increase in May 2011. The average price had surpassed the previous high in mid-2008 by 30%, in which residential properties on The Peak displayed strongest growth of 52%. The average luxury residential prices had already peaked out.

During 3Q 2011, the growth of luxury residential prices tapered off significantly, with a mild growth of 0.6% QoQ to HK\$19,629 per sq ft as of August 2011.



Source: Colliers

## SELLING AT DISCOUNTS

To allow room for bargaining, the market had been filled with stories of homeowners cutting prices during 3Q 2011. For example, a house owner chopped HK\$5 million or 6.25% off the asking price (from HK\$80 million to HK\$78 million) before selling the 4,212 sq ft house at Regalia Bay in Stanley for HK\$68.3 million (HK\$16,216 per sq ft). The deal indicates a 15% drop in prices between the asking price of HK\$80 million and actual transaction of HK\$63.8 million. In fact, the original owner bought the flat in October 2007 for HK\$58 million, meaning this purchaser gained 10% from the deal.

There were a few cases of individual mainland Chinese homeowners selling their properties at discounts on the back of tighter credit conditions in mainland China. During the quarter, a mainland Chinese owner sold a 5,368 sq ft house in The Giverny, Sai Kung, at a loss, for HK\$58 million (HK\$10,805 per sq ft). The deal represents a 26% or HK\$20 million loss in transacted price, as the property was purchased for HK\$78 million in June 2008. In Regalia Bay, a 4,902 sq ft house was also sold at a discount for HK\$96 million, although it was originally purchased in January 2008 for HK\$110 million, demonstrating a 13% or HK\$14 million loss.

However, up until 3Q 2011, price slashing had not yet been fully reflected in the overall luxury residential market.

## MAJOR RESIDENTIAL SALES TRANSACTIONS

MONTH	PROPERTY	GFA (sq ft)	PRICE (HK\$ m)	UNIT PRICE (HK\$ / sq ft)
<b>SOUTH SIDE</b>				
Jun-11	Regalia Bay, Phase 2, House B55	4,104	\$78.00	\$19,006
Jun-11	Regalia Bay, Phase 2, House B32	4,094	\$68.38	\$16,702
Jun-11	Grand Garden, Block 1, 19/F, Flat A	3,054	\$74.20	\$24,296
Jun-11	Grand Garden, Block 1, 15/F, Flat A	3,054	\$70.80	\$23,183
Jun-11	Shouson Peak, House 17E	4,392	\$205.00	\$46,676
Jun-11	Shouson Peak, House 17B	4,045	\$187.80	\$46,428
Jun-11	Repulse Bay Heights, House 1	4,018	\$101.50	\$25,261
Jun-11	Fortuna Court, 12/F, Flat B	2,857	\$96.42	\$33,749
Jun-11	Fortuna Court, 9/F, Flat A	2,857	\$88.00	\$30,802
Jun-11	Carrianna Repulse Bay, 11/F, Flat A	2,161	\$64.40	\$29,801
Jun-11	Belgravia, 26/F, Flat A	2,390	\$84.30	\$35,272
Jul-11	Belgravia, 17/F, Flat B	2,790	\$78.00	\$27,957
Aug-11	Carrianna Repulse Bay, 19/F, Flat A	2,161	\$55.32	\$25,600
Aug-11	Redhill Peninsula - Palm Drive, House 72	3,119	\$58.50	\$18,756
Aug-11	Regalia Bay, Phase 1, House D16	4,902	\$118.50	\$24,174
<b>MID-LEVELS</b>				
Jun-11	Azura, 46/F, Flat B	2,078	\$62.76	\$30,200
Jun-11	Azura, 49/F, Flat B	2,078	\$67.12	\$32,300
Jun-11	Harbourview, 17/F, Flat B	2,346	\$70.38	\$30,000
Jun-11	Garden Terrace No 2, 23/F, Flat A	3,002	\$66.00	\$21,985
Jun-11	Grenville House, Block G, H, 7/F, Flat H	3,700	\$93.88	\$25,373
Jun-11	Estoril Court Block 1, 11/F, Flat A	3,347	\$60.00	\$17,927
Jul-11	Regence Royale, Tower 2, 11/F, Flat B	2,522	\$58.01	\$23,000
Aug-11	Harbourview, 19/F, Flat A	2,350	\$72.85	\$31,000
Aug-11	Century Tower I, 16/F, Flat A	2,330	\$42.80	\$18,369
Aug-11	Century Tower I, 25/F, Flat A	2,330	\$47.20	\$20,258

Source: Colliers

# Leasing Demand

## LARGER PROPORTION OF EXPATRIATE ARRIVALS FROM NON-FINANCE COMPANIES

Despite the global economic turbulence, no significant impact was seen in the leasing market during 3Q 2011. Without an increasing number of stocks for lease on the back of slowing sales, the market continued to experience sustainable occupation demand, with a larger proportion of expatriate arrivals from non-finance companies, such as insurance, IT and manufacturing enterprises. Meanwhile, the banking and finance sectors remained the largest contributors to total expatriate arrivals. A majority of the leasing deals were recorded at monthly rents of HK\$30,000 to HK\$80,000, contributing 42% of the total in 3Q 2011. Due to the seasonal factor, there were less expatriate family arrivals compared to the previous quarter subsequent to the opening of the school year.

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As of the end of 3Q 2011, budgets for staff at junior levels ranged from HK\$20,000 to HK\$60,000 per month, middle management levels from HK\$60,000 to HK\$150,000 per month, and senior executives from HK\$150,000 and above per month.

## RENTS SURPASS MID-2008 PEAK BY 4.5%

Housing continues to become less affordable for expatriates in Hong Kong, as luxury residential rents continued to ride on an upward trend during 3Q 2011, thanks to the relentless demand from expatriates for large-sized apartments or houses. The average luxury residential rents surpassed the previous peak in mid-2008 by 4.5%, while rents on The Peak showed remarkable growth of 18%, with rents averaging HK\$68.56 per sq ft in August 2011.

## THE LACK OF INTERNATIONAL SCHOOLS WITHOUT A NEAR-TERM SOLUTION

Without a near-term solution, the problem about the lack of access to quality international schools and limited school places exists. Coupled with inflated housing rentals, this continued to deter senior employees of multinational firms from relocating to Hong Kong and these expats had been considering opportunities in other financial centres in Asia, such as Singapore.

But so far, the delay in confirmation to rent standard homes from this batch of expatriates did not slow overall demand for housing, as demand had still been outstripping supply. Hong Kong offers bright prospects for growth of businesses due to its geographical proximity to inland mainland cities. The continual inflow of expatriates coupled with limited luxury residential properties available for lease gave support to underpin the luxury residential leasing market.

# Rental Trend

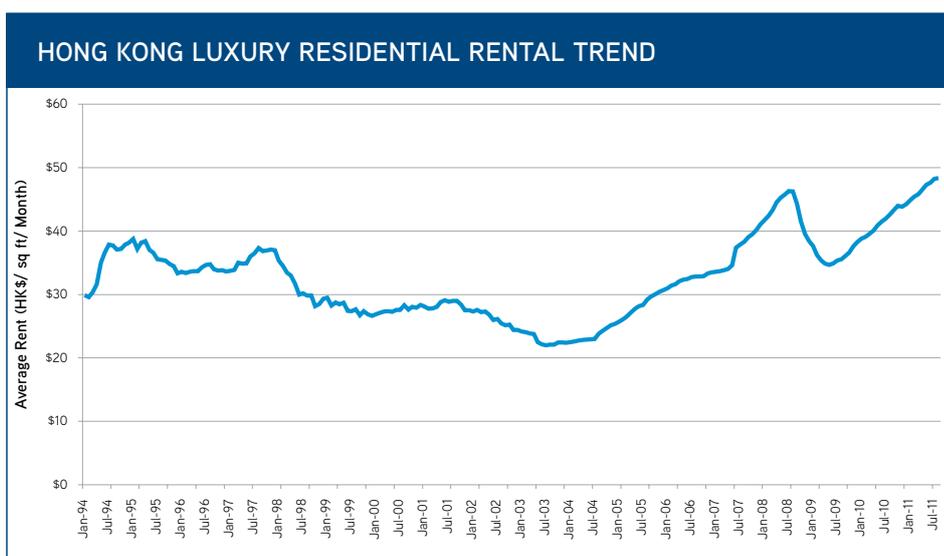
LUXURY RESIDENTIAL RENTALS (BY SUB-MARKETS)								
DISTRICT	1Q 10	2Q 10	3Q 10	4Q 10	1Q 11	2Q 11	3Q 11	3Q 2011 (% QoQ)
The Peak	\$50.13	\$52.15	\$54.31	\$56.96	\$60.88	\$66.55	\$68.56	3.0%
Mid-levels	\$37.54	\$39.97	\$41.90	\$43.20	\$44.97	\$45.79	\$46.88	2.4%
South Side	\$40.81	\$42.29	\$44.18	\$45.32	\$46.55	\$48.48	\$49.31	1.7%
<b>Overall</b>	<b>\$39.08</b>	<b>\$40.93</b>	<b>\$42.60</b>	<b>\$43.83</b>	<b>\$45.42</b>	<b>\$47.30</b>	<b>\$48.37</b>	<b>2.3%</b>

Source: Colliers

Several corporate landlords became more negotiable on rents in the wake of increasing downside risks in the global economic environment. Yet there was still a mismatch between corporate housing budgets and landlords' asking rents. Tenants who could not justify the widening gap between budgets and rents turned to downgrading flat sizes, or moving away from the traditional luxury residential areas to other districts, such as West Kowloon, Olympic Station or Tung Chung.

MAJOR RESIDENTIAL LEASE TRANSACTIONS						
MONTH	PROPERTY	DISTRICT	GFA (sq ft)	RENTAL (HK\$ / MONTH)	UNIT RENTAL (HK\$ / sq ft / MONTH)	
Jun-11	Bamboo Grove	Mid-levels	2,600	110,000	42.31	
Jun-11	Branksome Grande	Mid-levels	3,030	113,000	37.29	
Jun-11	The Harbourview	Mid-levels	2,350	143,000	60.85	
Jul-11	The Summit	Mid-levels	3,254	188,000	57.78	
Aug-11	Queen's Garden (Renewal)	Mid-levels	2,830	196,000	69.26	
Aug-11	Garden Terrace (Renwal)	Mid-levels	3,726	130,000	34.89	
Jun-11	Hong Kong Parkview	South Side	2,714	120,000	44.22	
Jul-11	Borrett Mansion	South Side	2,800	130,000	46.43	
Jul-11	Carmina Place	South Side	2,628	116,000	44.14	
Jul-11	Regalia Bay	South Side	4,218	178,000	42.20	
Aug-11	Cedar Drive, Redhill Peninsula	South Side	3,000	118,000	39.33	
Aug-11	Residence Bel-Air	South Side	3,200	140,000	43.75	
Aug-11	The Lily	South Side	3,700	196,000	52.97	

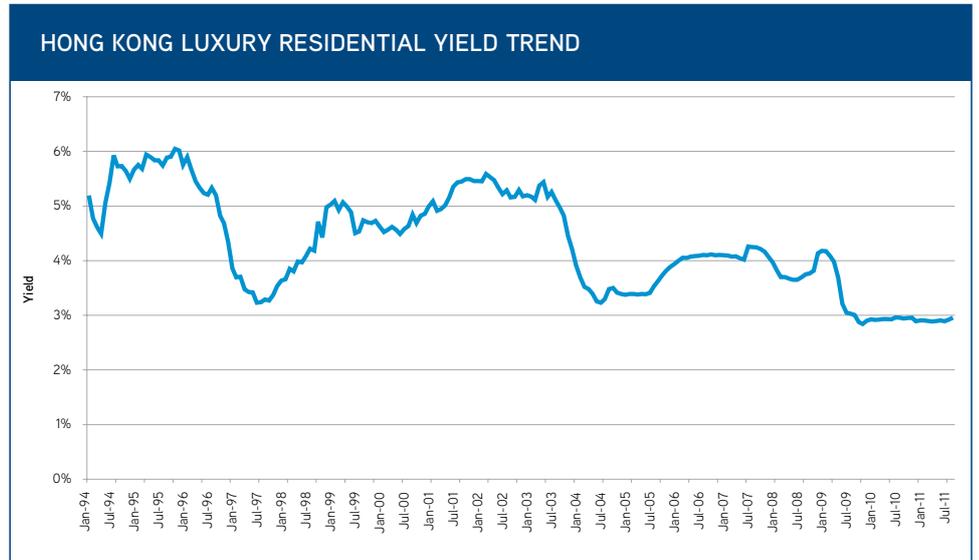
Source: Colliers



Source: Colliers

The demand-supply imbalance coupled with inflationary pressure continued to drive rents upwards, with the average luxury residential rents edging up further by 2.3% QoQ, to HK\$48.37 per sq ft per month as of August 2011, after rising by 4.2% QoQ in the previous quarter.

# Investment Market



Source: Colliers

Overall luxury residential yield in the three traditional luxury residential districts edged up from 2.72% in May 2011 to 2.77% at the end of August 2011, indicating that the growth rate of luxury residential rents had outpaced prices during the quarter.

Regarding land sales, a total of 11 sites were sold in the government’s public land auction or via tender during 3Q 2011, in which six sites were designated for residential use and none of the sites were located in the traditional luxury residential districts of The Peak, Mid-levels and South Side.

## GOVERNMENT LAND SALE RESULTS 3Q 2011 – RESIDENTIAL SITES

DATE	LOT NO.	LOCATION	MAXIMUM GFA (sq ft)	LUMP SUM (HK\$ MILLIONS)	ACCOMMODATION VALUE (HK\$/sq ft)	PURCHASER	AUCTION OR TENDER
28-Jul-11	TCTL 36	Area 55A, Tung Chung, Lantau Island	1,394,369	\$3,770	\$2,704	Sun Hung Kai Properties	Tender
9-Aug-11	STTL 525	Area 56A, Kau To, Shatin, New Territories	1,031,461	\$5,500	\$5,332	Sino Land (40%)/ Kerry Properties (40%/ Manhattan (20%)	Auction
25-Aug-11	IL 8920	Oil Street, North Point, Hong Kong	755,647	\$6,267	\$8,294	Cheung Kong	Tender
6-Sep-11	TKOTL 113	Area 66A, Tseung Kwan O, New Territories	792,898	\$3,120	\$3,935	Sun Hung Kai Properties	Auction
6-Sep-11	Lot No. 1282 in DD No. 253	Pak Shek Wo, Sai Kung	12,107	\$121.50	\$10,036	International Group	Auction
6-Sep-11	Lot No. 4309 in DD No. 124	Tan Kwai Tsuen Road, Yuen Long, New Territories	120,471	\$361	\$2,997	Paliburg (50%)/ Regal (50%)	Auction

**Total: About 4.1 million sq ft \$19,139.5 M**

Source: Lands Department, HKSAR Government

## POOR LAND AUCTION RESULTS REFLECT DEVELOPERS' CAUTION

In early August, the strong sell-off in both the Hong Kong and global stock markets amid growing economic gloom resulted in a noticeable deterioration in business confidence and the worse-than-expected land auction results during 3Q 2011. The poor land auction results of Kau To Shan (drew only one bid) and Oil Street (sold at a lower-than-expected price) reflected local developers' caution on Hong Kong's medium-to-long-term property market outlook. The land of the Tseung Kwan O site was sold by auction to Sun Hung Kai Properties at below market expectations, while the Tan Kwai Tsuen site in Yuen Long and the Pak Shek Wo San Tsuen site in Sai Kung were sold at the middle range of market consensus. The increasing downside risks in the external environment and more parcels of land being put up for sale by the government in coming months have prompted developers to remain cautious.

## RESIDENTIAL SITES OFFER FOR SALE

Despite the unenthusiastic atmosphere in land auctions during 3Q 2011, the Hong Kong government will offer seven sites in the Application List for tender sale in 4Q 2011 with an attempt to increase land supply, where the five residential sites are estimated to provide 1,770 units. The remaining two sites are designated for business and hotel purposes, which could provide a gross floor area of 351,980 sq ft and an estimated 750 rooms, respectively.

## FIVE RESIDENTIAL SITES TO BE OFFERED FOR GOVERNMENT TENDERS IN 4Q 2011

SITE	LOT NO.	GFA (sq ft)	ESTIMATED MARKET VALUE (HK\$ m)	ESTIMATED ACCOMMODATION VALUE (HK\$/sq ft)	TENDER INVITATION DATE	TENDER CLOSES
Cheung Sha Site 406, Lantau	Lot 724 in DD 332	31,904	\$191	\$6,000	28-Oct-11	25-Nov-11
Cheung Sha Site 407, Lantau	Lot 726 in DD 332	32,507	\$195	\$6,000	28-Oct-11	25-Nov-11
Mui Mo Lantau	Lot 726 in DD 4	49,407	\$98.80	\$2,000	Nov-11	-
Tseung Kwan O Area 66B2	TKOTL 119	489,011	\$1,956	\$4,000	Dec-11	-
Ex-Perowne Barracks North site, Area 48, Castle Peak Road, Tuen Mun	TMTL 423	937,125	\$5,623	\$6,000	Dec-11	-

**Total: About 1.5 million sq ft (1,770 units) \$8,063.8 Million**

Source: Lands Department, HKSAR Government

UPCOMING TENDERS BY MTRC					
SITE	GFA (sq ft)	ESTIMATED MARKET VALUE (HK\$ m)	ESTIMATED ACCOMMODATION VALUE (HK\$/sq ft)	TENDER INVITATION DATE	TENDER CLOSES
Nam Cheong MTR Station	2,608,763	\$13,200 - \$15,650	\$5,000 - \$6,000	20-Sep-11	17-Oct-11
Tsuen Wan 5 (Bayside) project at West Rail's Tsuen Wan West Station	2,240,527	\$15,684 - \$17,924	\$7,000 - \$8,000	4Q 2011 or Early 2012	To be confirmed
Tsuen Wan 5 (Cityside) project at West Rail's Tsuen Wan West Station	891,518	\$5,346-\$6,686	\$6,000-\$7,000	4Q 2011 or Early 2012	To be confirmed
<b>Total: About 5.7 million sqft (6,639 units)</b>					

Source: : MTRC

MTRC has also planned to tender the property development projects in 4Q 2011. In addition to the Nam Cheong site (estimated to provide a total of 3,313 units), the railway property development projects in Tsuen Wan 5 (Bayside) and the Tsuen Wan 5 (Cityside) projects at the West Rail's Tsuen Wan West Station are estimated to bring a total of 3,326 flats, about 55% of which (1,832 units) will be small- and medium-sized flats.

### SUPPLY IS 38% BELOW GOVERNMENT'S ANNUAL TARGET

The government has engaged in political pressure to maintain a constant supply of land to improve the current limited supply situation in the residential market. Chief Executive Donald Tsang emphasised an annual target of 20,000 new private flats over the next ten years to meet demand, according to the 2010 - 11 Policy Address delivered in October 2010.

As of the end of September 2011, a total of 17 residential sites were sold via public land auctions and tenders since the announcement of the 2011 - 12 Land Sale Programme in February 2011. This could provide about 5,700 flats to the market. Together with the three above railway station projects by MTR Corporation, providing another 6,639 units, this would bring a total of 12,339 units to the marketplace. The total supply was still 38% below the government's annual target of 20,000 new private flats as of 3Q 2011.

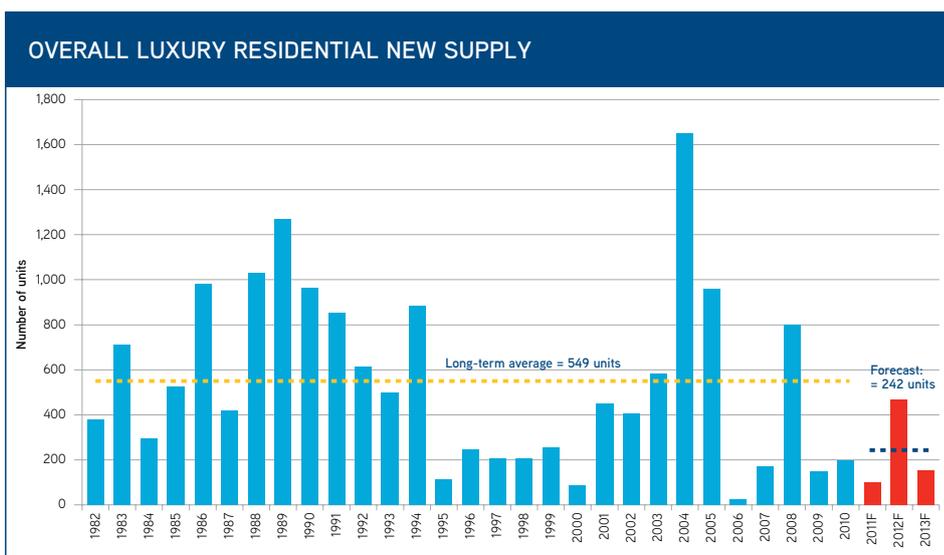
# Supply

However, there was no significant improvement in the prevailing tight supply situation in the luxury sector in 3Q 2011. As of August 2011, the overall luxury residential supply between 2011 and 2013 was 54% below its long-term average of 549 units.

PROJECTED NEW SUPPLY OF LUXURY RESIDENTIAL UNITS IN 2011					
DEVELOPMENT	HOUSE*	APARTMENT*	DEVELOPER / OWNER	NO. OF UNITS	STATUS
<b>THE PEAK</b>					
54 Mount Kellett Road	3 @ 2-s	-	Manhattan Group	3	Completed in May 2011
3 Black's Link	2 @ 3-s	-	Fortune Link Development Ltd	2	Completed in June 2011
59 Mount Kellett Road	1 @ 2-s	-	Wincord Investment Ltd	1	Under Construction
37 Severn Road	3 @ 3-s, 4 @ 3-s	-	SHKP	7	Under Construction
<b>SOUTH SIDE</b>					
43 Beach Road	-	2 @ 3-s	Silver Mark Ltd	4	Completed in Feb 2011
216 Victoria Road (Tower II)	-	1 @ 4-s	Lo & Son Land Invest Co Ltd	32	Completed in May 2011
4A South Bay Road	1 @ 3-s	-	Infinitive Ltd	1	Under Construction
2 Belleview Drive	1 @ 4-s	-	Emperor Group	1	Under Construction
18 Carmel Road	1 @ 4-s	-	Horizon East Investment Ltd	1	Under Construction
<b>MID-LEVELS</b>					
9A-H Seymour Road, 5, 6, 6A, 7 & 7A Ying Fai Terrace	-	1 @ 48-s	Wing Tai Asia	82	Under Construction

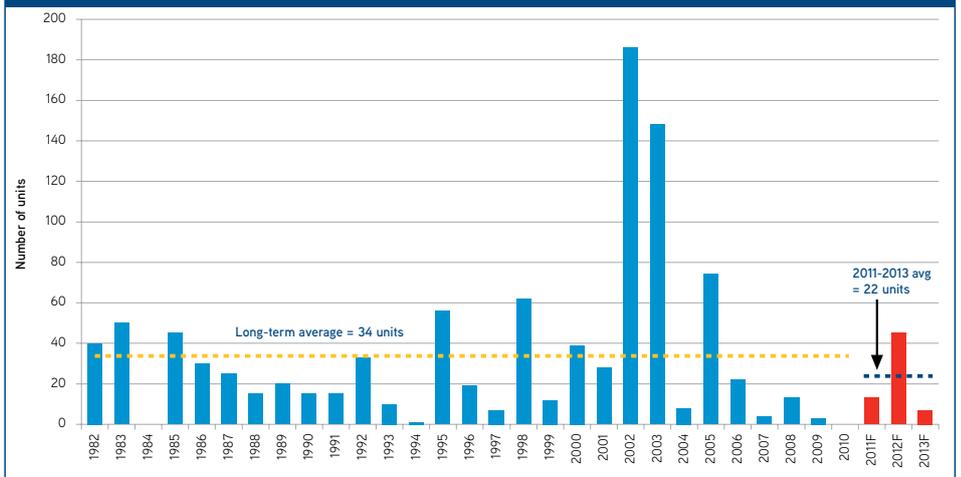
\* No. of block @ No. of storey

Source: Colliers



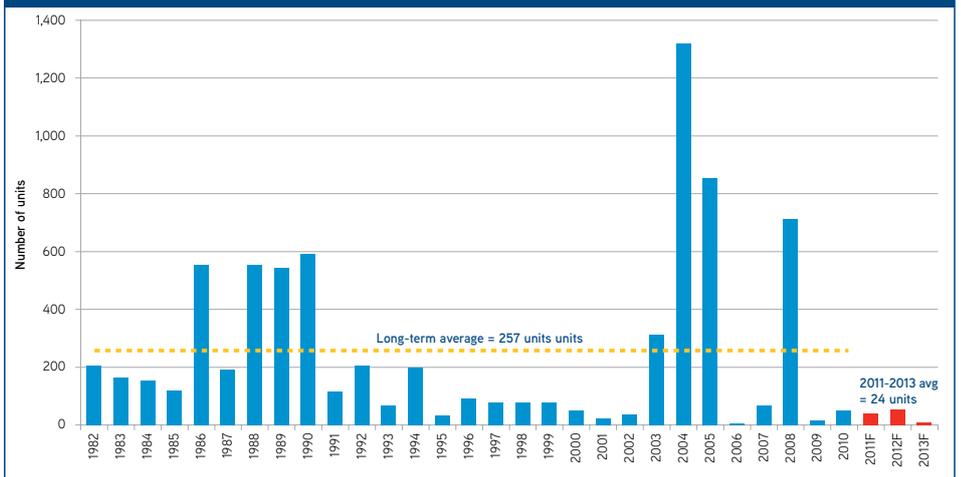
Source: Colliers

LUXURY RESIDENTIAL NEW SUPPLY ON THE PEAK



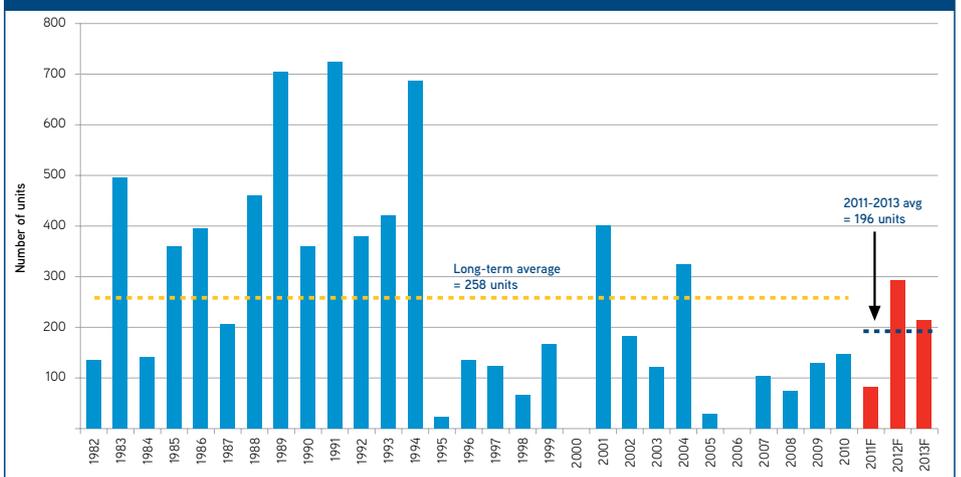
Source: Colliers

LUXURY RESIDENTIAL NEW SUPPLY ON SOUTH SIDE



Source: Colliers

LUXURY RESIDENTIAL NEW SUPPLY ON MID-LEVELS



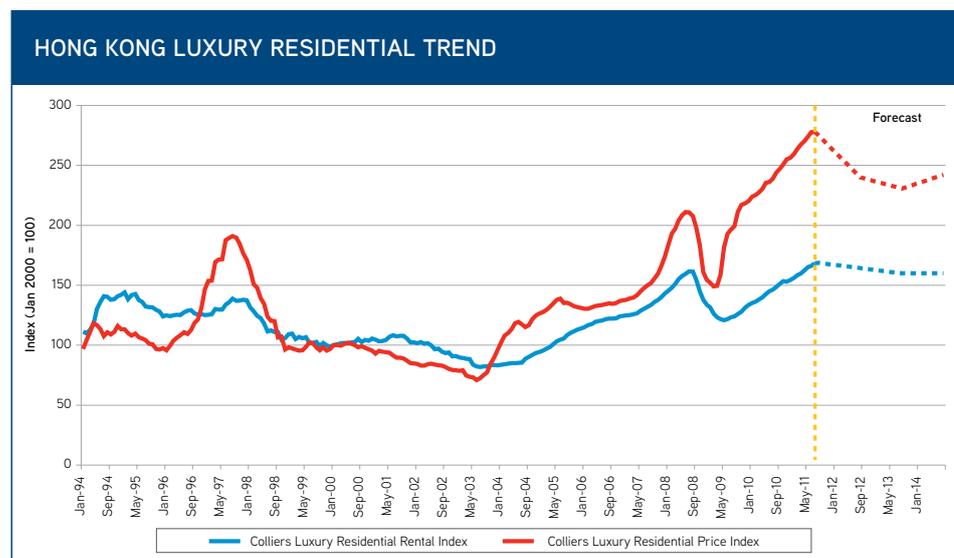
Source: Colliers

# Market Outlook

Looking ahead, the deteriorating global economic outlook, tightening credit conditions in mainland China and mortgage rate hikes in Hong Kong will erode the market's confidence and pose further downside risks to the Hong Kong luxury residential market, leading to a slowdown in both sales volume and prices. The enduring stringent stress tests adopted by local banks and the persistent low loan-to-value ratio will continue to affect residential sales activity, especially from end-user demand.

The current credit crunch in mainland China coupled with a subdued sentiment will prompt mainland Chinese buyers to retreat from the Hong Kong residential market. Although the US has vowed to maintain ultra-low interest rates until 2013, this is unlikely to help boost home buyer sentiment as the market remains vulnerable to credit risks. However, the Hong Kong property market is still relatively well-placed as economic growth in the territory is not expected to weaken like developed western economies. Supported by a tight residential supply situation in the high-end sector, residential prices are not expected to dramatically decline. The cyclical downturn will lead to an 13% correction in overall luxury residential prices over the next 12 months, considering an average cyclical downtrend of about 6.5 quarters.

In the leasing market, the average luxury residential rent is expected to undergo a mild downward adjustment of 3% over the next 12 months. The slowdown in global economic growth will lead to slowing residential leasing demand in Hong Kong, subject to a hold back in the inflow of expatriates from various industries, such as the banking and finance sector. The drag down in rents will give rise to a further drop in prices as the sales market will no longer be supported by a sustainable rental growth.



Source: Colliers

## 512 offices in 61 countries on 6 continents

United States:	125
Canada:	38
Latin America:	18
Asia Pacific:	214
EMEA:	117

- \$1.5 billion in annual revenue in 2010
- 979 million square feet under management
- Over 12,500 professionals

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