

### PROPERTY MARKET SUMMARY

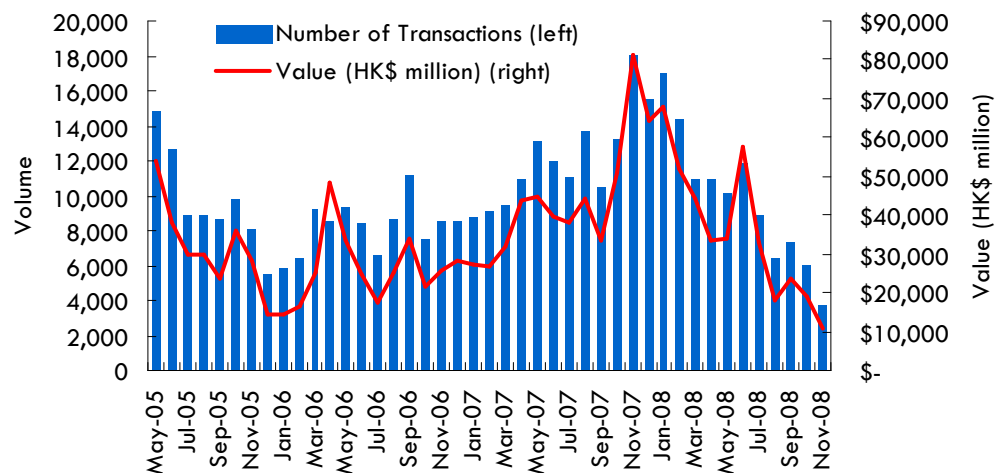
The number of Sales and Purchase Agreements filed with the Land Registry in November was 3,786, down 37.5% from October and 79.1% from a year ago. Total property transactions were valued at HK\$10,648 million, down 43.8% month on month and 86.9% year on year.

Of all property transactions in October, home sales accounted for 3,264, slumping 30.8% from October and 79.3% from a year ago. That represents the largest drop since November 1999 and carries on the decline since July this year. By value, it dropped 87.2% year on year to HK\$9 billion.

Homebuyers and banks are concerned about Hong Kong's economy as the aftermath of the financial crisis begins to take shape. Third-quarter GDP shrank 0.5 per cent, meaning that a recession is under way. Purchasing managers' index fell in November to its lowest since Sars too, clearly indicating that worst is yet to come. The benchmark Hang Seng Index has declined 46 per cent this year.

Moreover, both HSBC and BoC (HK) have pushed up interest rates on mortgages as banks are increasingly concerned about higher lending risks.

### SALES & PURCHASE AGREEMENTS OF ALL TYPES OF PROPERTIES



Source: Land Registry

### KEY ECONOMIC INDICATORS

	Q407	Q108	Q208	Q308	Latest
Real GDP growth (% change y-o-y)	6.9	7.3	4.2	1.7	1.7 (Q308)
Private consumption expenditure (% change y-o-y)	9.5	7.9	3.2	0.2	0.2 (Q308)
CPI (% change y-o-y)	3.5	4.6	5.7	4.6	1.8 (Oct 08)
Unemployment rate (% change y-o-y)	3.4	3.4	3.3	3.4	3.5 (Aug-Oct 08)
Retail sales value (% change y-o-y)	17.7	17.6	14.4	10.3	0.3 (Oct 08)
Retail sales volume (% change y-o-y)	13.6	11.7	7	4	-4.3 (Oct 08)

Source: Census and Statistics Department, Vigers Research

### MAJOR PROPERTY TRANSACTIONS

Category	Property	Consideration (HK\$ 'million)	Size (sq ft)	Average price (HK\$ psf)
Office	Whole Block, 99 Hennessy Road, Wan Chai	215	41,800	5,144
Residential	88 Fa Yuen Street, Mongkok	91.47	--	--
Retail	1/F-2/F, Punfet Building, 669-701 Nathan Road, Mongkok	145	8,051	18,010
Retail	All, 26-28 Lung Sum Ave, Sheung Shui	80	--	--

Source: EPRC, Vigers Research

GRADE-A OFFICE MARKET HIGHLIGHTS

SALES MARKET

Office property sales declined 1.7% from October, with only 59 deals closed in November, according to the Land Registry's records. But total sales value fetched rose 89% to HK\$428 million from October.

Various sources confirm that Morgan Stanley has closed a deal selling DBS Building to a local buyer for HK\$650 million, or HK\$7,166 psf. Located on prime Queen's Road Central, the office block has a total gross floor area of 90,703 sq ft. The asking price had reportedly been slashed 30 per cent off the initial asking price set earlier this year. The investment bank bought DBS Building from the Singapore bank for HK\$655 million in 2006.

In another en bloc sale, an office block located at No. 99 Hennessy Road, Wanchai was sold to an unnamed buyer for HK\$215 million, or HK\$5150 psf. The property is a 28-storey commercial office building and has a gross floor area of 41,800 sq ft.

LEASING MARKET

During the month, rental activity for prime Central office space almost stalled. Prime rents in the city's heart managed to stay at above HK\$100 psf/

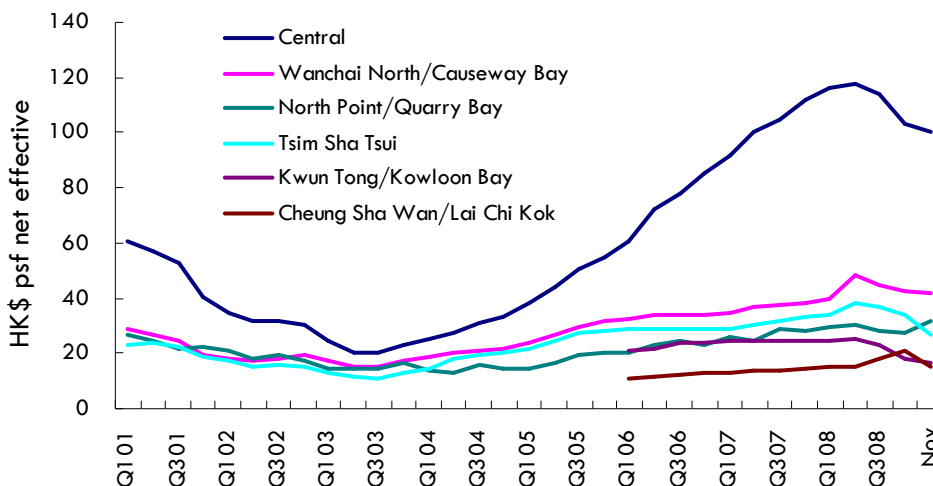
month levels, down 2% from October and down 9.1% from a year ago. However, the rental demand from primarily the banking sector is now thinning in response to the global downturn and business failures within the sector.

Elsewhere on Hong Kong Island, Quarry Bay has seen a 45,000-sq ft space take-up by an insurance company in One Island East in Taikoo Place, fetching HK\$50 psf/month (net effective) in rents, for an office spread over two floors.

Wanchai North/Causeway Bay saw more deals closed for prime rental offices on Wanchai waterfront, such as Shui On Centre, Dah Sing Financial Centre, Central Plaza, Convention Plaza (Office Tower) as well as Great Eagle Centre. Overall rents fell 1.2% to HK\$42.1 psf/month on a monthly basis.

Despite the fact that letting activity was quiet on the Hong Kong side, Kowloon's rental market was rather buoyant even overall rental levels fall. With the recent increase in supply from Landmark East and One Kowloon in Kwun Tong/Kowloon Bay, rents in this submarket fell 8.3% from October to HK\$16.5 psf/month, while rents for these two brand new developments ranged between HK\$22 and HK\$32 psf/month.

AVERAGE MONTHLY RENTS OF GRADE-A OFFICES BY MAJOR SUBMARKET



Source: EPRC, Vigers Research

Average rent in TST was HK\$27 psf/month, with rents on prime Canton Road in the range of HK\$22-30 psf/month and that in TST East somewhere within the HK\$18-24 psf/month range.

RESIDENTIAL PROPERTY MARKET HIGHLIGHTS

Of the 3,786 property transactions filed with the Land Registry, 3,264 were for residential properties, a decrease of 30.8% from September and 79.3% from a year ago. That represents the largest drop since November 1999 and carries on the decline since July this year. By value, it dropped 87.2% year on year to HK\$9 billion in November.

MASS MARKET

As reflected by the movements recorded in four major housing estates, average home price in mass market has further dropped 19.7% to HK\$4,250 psf from October.

More specifically, Residence Oasis and City One Shatin posted significant declines, priced at HK\$3,200 psf and HK\$3,200 psf respectively, down 16.3% and 18.0% from Q308. Prices of Taikoo Shing and Whampao Garden fell to HK\$5,200 psf and HK\$4,500 psf in November, a decrease of 26.0% and 15.9% from the Q308.

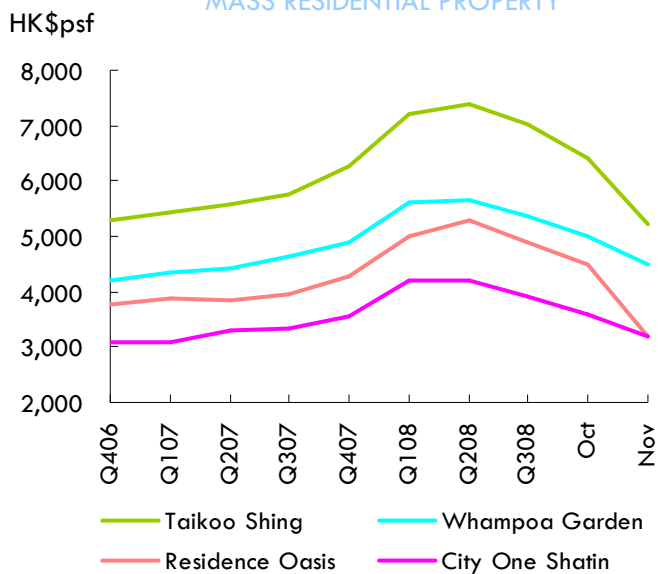
As the economy is still experiencing its worst slowdown since the Sars virus rampaged the city in 2003 with a recession under way, home prices are in an inevitable correction until the market sees light at the end of the tunnel.

LUXURY SECTOR

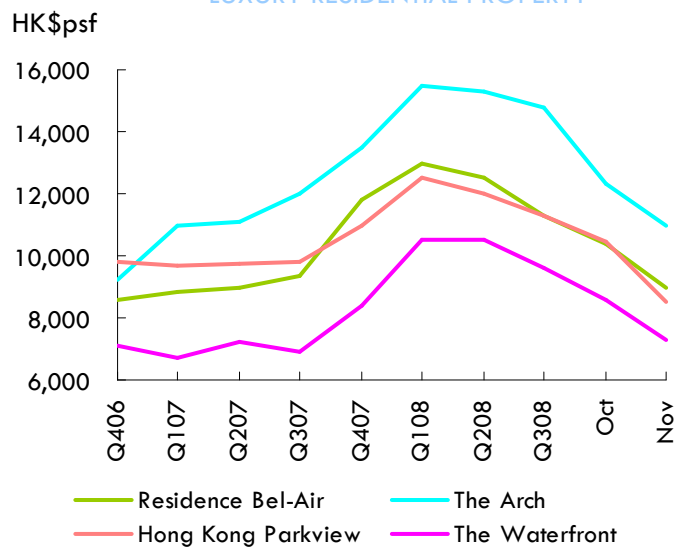
In November, deals closed for luxury homes valued over HK\$10 million totalled 99, falling by 33.6% from October and by 55.8% from last year. Prices of landmark luxury properties tracked by Vigers Research during November have all declined, averaging HK\$8,950 psf, down 23.8% from Q308.

Residence Bel-Air in Pokfulam and The Waterfront in TST were priced at HK\$7,941 and HK\$6,954 psf as of November, a decrease of 20.4% and 23.9% respectively from Q308. Hong Kong Parkview in Tai Tam and The Arch in TST also saw price cuts by 24.8% and 25.7% respectively, averaging HK\$8,500 psf and HK\$11,000 in November.

AVERAGE CAPITAL VALUES OF MASS RESIDENTIAL PROPERTY



AVERAGE CAPITAL VALUES OF LUXURY RESIDENTIAL PROPERTY



Source: EPRC, Vigers Research

## NEW RESIDENTIAL SUPPLY IN NOVEMBER 2008

Project	Location	Gross area (sq ft)	No. of units for sale	Average price (HK\$ psf)	Developer
AquaMarine	Kowloon West	662-784	7	\$5,301	Hang Lung Properties Ltd/ Hyundai Engineering Construction Co Ltd
Beacon Lodge	Sham Shui Po	670-955	68	\$6,652	Sun Hung Kai Properties Ltd/ Urban Renewal Authority
Great Hill	Shatin	1,830-3,426	10	\$9,884	K.Wah International Holdings Ltd
Green Crest	Yuen Long	1,979-2,078	5	\$4,514	Hsin Chong Group
La Grove	Yuen Long	570-1,100	542	\$3400	Sun Hung Kai Properties Ltd
La Maison Vineyard	Yuen Long	2,510-2,600	9	\$7,500	Sun Hung Kai Properties Ltd
Le Bleu Deus	Tung Chung	720-1,594	15	\$5,802	HKR International Ltd/Hong Leong Holdings Ltd/Reco Tung Chung Pte Ltd
Marbella	Ma On Shan	664-2,019	41	\$4,622	Chinachem Group
Peak One	Shatin	795-2,600	412	\$7,500	Sun Hung Kai Properties Ltd
Seasons Monarch	Yuen Long	2,568-3,107	59	\$2,584	Cheung Kong (Holdings) Ltd
The Babington	Mid-Levels West	902-2,226	6	\$10,909	Wheelock Properties (HK) Ltd
The Beverly Hills	Tai Po	2,640-4,033	9	\$6,921	Henderson Land Development Co Ltd
The Dynasty	Tsuen Wan	972-1,739	67	\$4,458	Sino Group/ Urban Renewal Authority

Source: Financial Chronicle, Vigers Research

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