

## Market summary

Optimism about a revival in the city's housing market is reignited by the latest Land Registry records, which showed that 11,143 sales and purchase agreements (for all types of properties) had been signed in April, up 38.2% from 8,062 in the previous month and also up 1.8% from 10,945 registered a year ago.

By transaction value, all sales pacts together were worth HK\$40.22 billion, up 40.7% from HK\$28.6 billion in March, but down 8.6% from HK\$44.0 billion recorded during the same period a year ago.

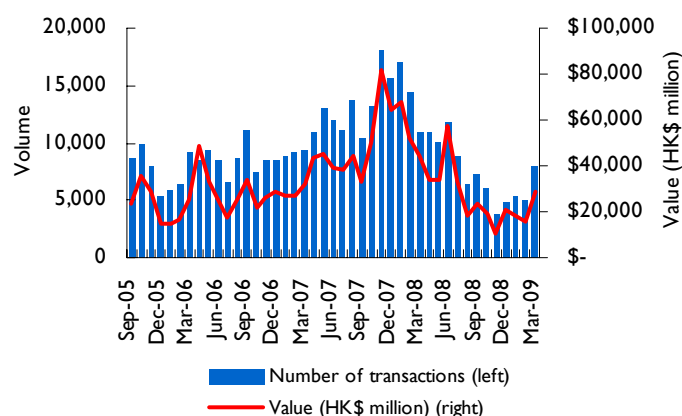
Of all property transactions, 8,998 were for residential units, representing a 26.7% rise in volume on a monthly basis, but a fall of 0.5% on a yearly basis. Total transaction value of residential property rose 15.4% from March to HK\$29.3 billion in April.

With regard to new home sales, 1,560 residential units were sold, amounting to HK\$7.8 billion in consideration value. The figures, largely thanks to better-than-expected sales at various new projects on sale, represent an upbeat 85.9% rise on a monthly basis, also hitting a record high ever since June 2008.

Secondhand home sales in April rose 35.3% and 40.5% to 7,438 deals and HK\$21.5 billion in value respectively from March. Transaction volume has hit a record high over the previous 14-month period. Average price of luxury residential property rose 0.5% to HK\$9,097.5 per sq ft, according to deals closed at major luxury housing estates.

Just when there are some signs that the housing market is trending up, Hong Kong's top healthcare officials have repeatedly warned that H1N1 flu is highly likely to spark a pandemic locally, just similar to what the Sars epidemic had done to the city in 2003. By coincidence, May and June are traditionally low season, so with a possible pandemic overhanging the city, the housing market is expected to cool off in the upcoming two months before the summer vacation.

## S&P agreements of all types of properties



## Key economic indicators

	Q108	Q208	Q308	Q408	Latest
Real GDP growth (% change y-o-y)	4.3	1.7	-2.5	-2.5	-2.3 (F)
Private consumption expenditure (% change y-o-y)	3.5	0	-3.2	-3.2	-3.2 (Q408)
CPI (% change y-o-y)	5.7	4.6	2.3	2.3	1.7 (Jan-Mar)
Unemployment rate (% change y-o-y)	3.5	3.8	4.1	4.1	5.2 (Jan-Mar)
Retail sales value (% change y-o-y)	3.5	3.8	4.1	4.1	-7.7 (Mar)
Retail sales volume (% change y-o-y)	7	4	-2.4	-2.4	-9.3 (Mar)

Source: Land Registry, Census & Statistics Dept, Vigers Research

# GRADE A OFFICE MARKET

## Sales market

Investment activity appears to be picking up gradually as cash-rich investors have re-emerged to seize buying opportunity.

Following a forced sale in March, market rumour has it that a lower-floor unit (Unit 704, 2,200 sq ft gross) at 9 Queen's Road Central was sold for HK\$26.4 million, equating to HK\$12,000 per sq ft. That compares with the unit price of HK\$9,015 per sq ft fetched earlier.

Headline-maker De Monsa, or an Indonesian investor as local media often refers to as, is rumoured to have sold a full-floor office (10,800 sq ft gross) on 18/F at Far East Finance Centre, Admiralty, for about HK\$130 million, equating to HK\$12,000 per sq ft. De Monsa reportedly bought the property in 2006 for HK\$108 million (HK\$10,000 per sq ft).

The aforementioned deals have yet to be closed by estate agents in due course. Noteworthy deals fully closed in April are shown in the following table.

## Leasing market

The lettings market has seen more rent-saving exercises, ie companies are taking up cheaper space on the Kowloon side, leaving prime space on the Island side vacant. Overall, occupier demand remained weak in April, even though technical rebounds appeared in

both the stock and housing markets. Without any solid improvement in external economic situation tenants are believed to continue to stay on the safe side in the short term.

Average rent for prime **Central** offices dropped 6.3% from HK\$95 psf/month in March to HK\$89 psf/month as at end-April. This compares with HK\$132 psf/month recorded in June a year ago. Vacancy rate in the core of Central, now estimated at 6.2%, is likely to head for the testing range of 8-10% in the few months ahead.

In **Wanchai North/Causeway Bay**, prime rents fell 14% to HK\$33.5 psf/month. Whilst **North Point/Quarry Bay** was no exception from the slide, where average rent for Grade A offices plunged 27% to only HK\$20 psf/month in April.

The submarket of **Tsim Sha Tsui** has performed little better than the overall market, thanks to a greater number of sales and leasing transactions recorded at Silvercord Centre. Average rent there has declined modestly by 8% to HK\$22 psf/month.

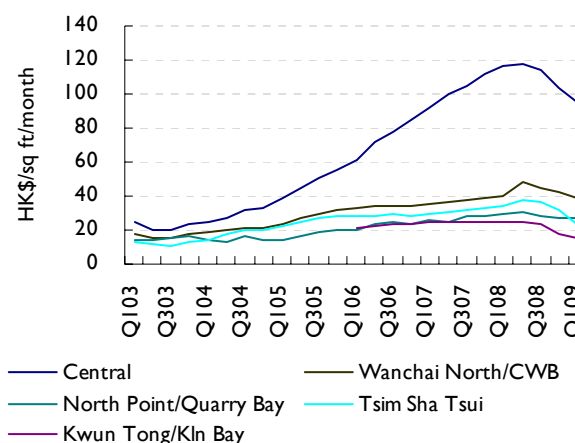
**Kowloon East** continues to serve well as magnet to attract longtime Island occupiers. According to the Land Registry, sportswear titan Adidas has leased 37,989 sq ft of office space at Tower 2 of Landmark East in Kwun Tong at a monthly rate of HK\$816,763, or HK\$22 psf/month. In general, average rent of this submarket rose 4.7% to HK\$15.7 psf/month.

### Notable deals in April 09

Property	GFA sq ft	Price HK\$m	Price HK\$/sf
Whole-floor unit, Tower A 1 Wang Kwong Road, Kowloon Bay	13,851 (G)	55.4	4,000
Low-floor unit, Tower B 1 Wang Kwong Road, Kowloon Bay	12,574 (G)	41.6	3,310
High-floor unit, Silvercord Centre, Tsim Sha Tsui	2,893 (G)	21.7	7,500
Low-floor unit, Office Tower, Convention Plaza, Wanchai	2,086 (G)	19.0	9,100

Source: EPRC, Vigers Research

### Prime rents by major submarket



Source: Vigers Research, Land Registry, market sources

# RESIDENTIAL MARKET

## Mass market

Of all property transactions, 8,998 were for residential units, representing a 26.7% rise in volume on a monthly basis, but a fall of 0.5% on a yearly basis. Total transaction value of residential property rose 15.4% from March to HK\$29.3 billion in April.

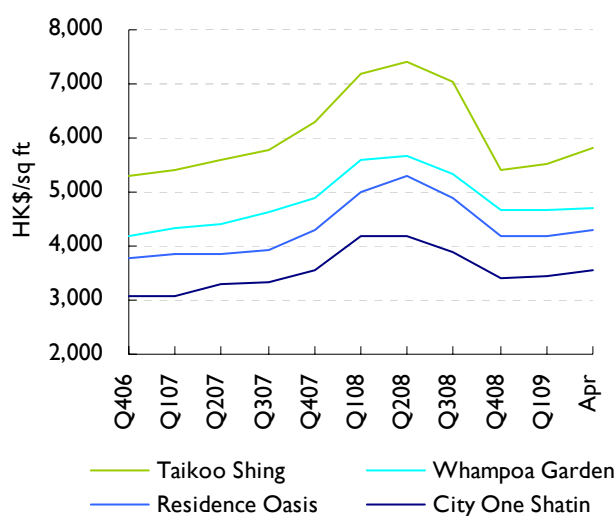
With regard to new home sales, 1,560 residential units were sold, amounting to HK\$7.8 billion in value. The figures, largely thanks to better-than-expected sales at various new projects on sale, represent an upbeat 85.9% rise on a monthly basis, also hitting a record high ever since June 2008. Secondhand home sales in April rose 35.3% and 40.5% to 7,438 deals and HK\$21.5 billion in value from March. Transaction volume has hit a record high over the previous 14-month period.

By key housing estate indicative of the mass market, the average price recorded at Taikoo Shing has risen 4.9% to HK\$5,800 psf, whilst that for City One Shatin has increased 2.9% to HK\$3,560 psf. Prices for an average apartment at Whampoa Garden and Residence Oasis are HK\$4,700 psf and HK\$4,300 re-

spectively, up 1.1% and 2.4% respectively month on month.

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Average home prices by key housing estate



Source: EPRC, Vigers Research

## New residential supply in April 2009

Project	Location	Unit size sq ft (G)	No. of units for sale	Average price HK\$psf	Developer
The Latitude	San Po Kong	571-2,032	1,159	\$8,200	SHKP
Celestial Heights Phase 2	Ho Man Tin	1,500-2,000	84	\$15,000	CKH
Central Park Towers II	Tin Shui Wai	652-1,052	1068	\$2,450	CKH
Babington	Mid-levels West	848-2,301	47	\$14,500	Wheelock
Florient Rise	Kowloon	598-1,300	63	\$6,968	Nan Fung Group, URA
Fortune Court	Mong Kok	498	16	\$5,175	Yu Tai Hing Co Ltd
Jadewater	Aberdeen	747-964	10	\$6,117	Asia Standard Group
Emerald Green	Yuen Long	686-1,448	672	\$3,300	SHKP
The Cullinan	Kowloon Station	752-2,070	176	\$14,710	SHKP, MTR
i-home	Kowloon	509-712	33	\$4,890	Chinese Estates, URA
Le Billionnaire	Kowloon City	1,051-1,163	30	\$5,665	Chinachem

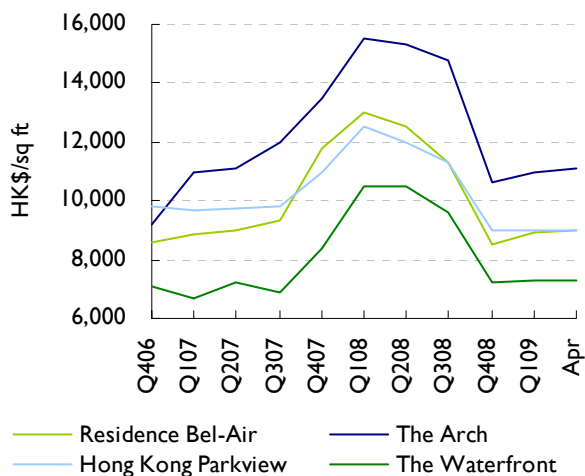
Source: Financial Chronicle, Vigers Research

## Luxury sector

Prices of luxury residential properties (worth HK\$20 million or above) rose 0.5% to an average of HK\$9,097.5 per sq ft, according to deals closed at major luxury housing estates.

Specifically, an average flat at Residence Bel-air now commands HK\$8,990 a square foot, up 1.01% from the previous month. The Arch and The Waterfront, both occupying a prime site in Tsim Sha Tsui, rose 0.9% and 0.3% respectively to HK\$11,000 psf and HK\$7,322 in price. Hong Kong Parkview is selling at HK\$9,000 psf, same as the previous month.

Average luxury home prices by key housing estate



Source: EPRC, Vigers Research

## Other highlights

- ◆ Regalia Bay, a prime oceanfront development in Stanley, Southside, posted eight sales for its townhouses in April. Average unit price was HK\$12,014 per sq ft, up 12.4% on March's average.
- ◆ A total of 64 apartments ranging in size from 883 to 1,721 sq ft were sold at The Cullinan, a residential complex on the waterfront of Victoria Harbour in Tsim Sha Tsui, in April. Average unit price of these transactions was HK\$15,114 per sq ft.

The performance in April suggested the end may be in sight for the downturn in the prime residential market, but that price growth would be limited to within a single-digit range, as, again, without a turnaround in the real economy, whether it be positive GDP growth (which was negative in Q1 09), improving employment situation (which stood at record high of 5.2% in March), or positive exports growth (-21.9% y/y in January-March), the momentum is not yet solidly positive.

# MONTHLY NEWS DIGEST

## Office

- Manulife has committed itself to a sizeable space arranged across four floors at Kwun Tong 223, a new-build office complex developed by Henderson and SHKP. Monthly rent to be paid by the insurer is HK\$1.56m a month, or HK\$13 psf/month. (Hong Kong Economic Times, 3.4.2009)
- Grade-A office rents have fallen 30% from last year, or 20% on a quarterly basis, to an average of HK\$84 psf as at Q1 09, a report from a property consultant showed. Analysts forecast that vacancy rate in core districts will climb to double-digit figures later this year. (Hong Kong Economic Times, 29.3.2009)

## Residential

- Fearing that HINI flu may eventually arrive, would-be buyers are increasingly cautious and staying on hold. As home-sellers persisted with their asking prices, sales registered at a few bluechip housing estates plunged by 30-70% over the final weekend of the month. (Hong Kong Economic Times, 30.4.2009)
- The latest figures from RVD suggest that homes in the New Territories with 1,000-1,721 sq ft in size saw an 8.6% rise in price in February. Bigger homes on the Island with an area of over 1,722 sq ft were also up 5.6% in price. (Hong Kong Economic Times, 8.4.2009)
- A prime residential project located at 2 Forfar Road, Kowloon Tong, developed by Wingtex Asia, is likely to hit the market shortly, its spokesman said. The project comprises 43 units, with 2,500 sq ft per unit on average. (Hong Kong Economic Times, 6.4.2009)
- A leading estate agency said, based on

the transaction records of 12 luxury projects on HK Island it tracks, that rental yield in the borough was 3.3% p.a. at end-March. The agency reasons that fall in rental supply and low interest rate environment are major contributors to the recovery. (Ming Pao, 24.4.2009)

## Retail

- The new multi-entry visa that Shenzhen residents eligible to apply is set to benefit the prime retail property market, an estate agency told Apple Daily, forecasting that prime space in core shopping districts will see 5-8% rise in rental values in this quarter. (Apple Daily, 16.4.2009)
- SHKP said that the eight shopping malls it manages had seen a 14.3% rise in retail sales on the previous quarter, estimated at HK\$152 million. Customer traffic has increased by 12.5% to 58.3 million, SHKP said. (Ming Pao, 2.4.2009)
- Wang On Group has bought a 46,716-sq ft shopping centre en bloc at (PTO)

Grandeur Terrace in Tin Shui Wai from Chun Wo Development Holdings Ltd for about HK\$303 million. The two-storey retail property currently houses 50 retail shops, generating a monthly rental income of HK\$1.8 million, which translates into a steady yield of 7% p.a. (Hong Kong Economic Times, 22.4.2009)

- A retail space located at 72 Thomson Road, Wanchai has been sold for HK\$21 million, or HK\$31,429 per sq ft. The shop comprises a 700-sq ft ground floor and a 700-sq ft upper floor. The seller, a machinery business, will continue occupying the space at a monthly rental of HK\$80,000 after selling it to the new landlord. (Sing Tao Daily, 17.4.2009)

### Industrial

- Total value recorded in the lettings market of industrial property in Q109 was HK\$20.73 million, down 16.1% on HK\$24.69 million recorded over the same period a year ago. The figure has been falling for three straight months, according to sources, down 57.1% on HK\$48.29 million since Q208. By volume, a total of 1,284 new leases were signed, a decline of 11% quarter on quarter. (Sing Tao Daily, 27.4.2009)

### Company news

- Church Pension Fund, the US\$8 billion pension fund serving the Episcopal Church, has hired Eric Mason, formerly of Carlyle Group, to open a Hong Kong office, people familiar with the situation said Wednesday. (Wall Street Journal, 9.4.2009)

- A subsidiary under People's Bank of China in Shenzhen has teamed up with Hong Kong Mortgage Corporation Ltd (HKMC) to launch mortgage insurance scheme later this year for first-time homebuyers in Shenzhen. The private mortgage insurance is intended for homebuyers paying a smaller amount of down payment typically below 20%. (Apple Daily, 16.4.2009)

- Henderson Land Co. expects property sales in its home market to hit HK\$10 billion this year, and targets China sales of about CNY5 billion from now through April 2010, Executive Director John Yip said. (Wall Street Journal, 24.4.2009)

- John Ho, Asia chief of hedge fund The Children's Investment Fund Management will leave the firm after a disagreement with its founder over strategy, according to a source familiar with the situation. (The Standard, 16.4.2009)

### Government & legislation

- RICS Hong Kong will take a proactive approach and invite RICS members and Hong Kong firms to register for Regulation together with an education program for the public and members about the benefits of this new regime. (Associated Press, 9.4.2009)

- Property developers should do more to tell the public what they are doing and to seek their views, rather than depend on the government, according to Council for Sustainable Development chairman Bernard Charnwut Chan. (The Standard, 7.4.2009)

### Land supply & development

- Revenue from land sales has fallen 99% to HK\$5.2 million in the first quarter compared with a year ago, according to the Lands Department. There were only 40 land transactions and 36 lease modifications during the first three months. (Commercial Radio Hong Kong, 17.4.2009)

- At a forced auction initiated by Wheelock Properties, the developer successfully acquired all ownerships of properties located at 211-215C, Prince Edward Road West. The portfolio was sold at the initial price of HK\$345 million. (Ming Pao, 23.4.2009)

- A prime residential site, set on a harbourfront in Aberdeen, which is worth HK\$5.71 billion, will be turned into a development comprising six 30-storey seaview apartment blocks, its developers Sino, K.Wah and Nanfung announced. (Hong Kong Economic Times, 24.4.2009)

- SHKP, Kerry and Paliburg said an Ap Lei Chau site they acquired earlier previously occupied as shipyard will be developed into a prime residential project to provide 780 units (700-3,000 sq ft). (Hong Kong Economic Times, 24.4.2009)

- Just moments before the forced sale of the properties on Seymour Road and Castle Road, individual landlords who had previously decided to put their ownership up for sale by public tender decided to sell theirs to Swire Properties eventually, ending the months-long standoff. The sites, all belonging to Swire now, will be developed into various luxury projects to supply 321 units as planned. (Hong Kong Economic Times, 28.4.2009)

### En-bloc sales

- A residential block with retail space underneath located at No 35 Jardine's Bazaar, Causeway Bay has been sold for HK\$65 million, or HK\$16,250 a square foot. The subject comprises a gross floor area of 4,000 sq ft and is built on an 800-sq ft site. (Sing Tao Daily, 7.4.2009)

- A five-storey building (7,000 sq ft) with vacant possession situated at 7-11 Mercer Street, Sheung Wan has been sold for HK\$42 million, or HK\$6,000 per sq ft. Expecting a monthly rental income of HK\$200,000 (HK\$28.6/sq m/month), the rental yield is forecast at 5.7% p.a. (Sing Tao Daily, 9.4.2009)

- Tak Hing Building, a 18-storey mixed-use block (45,000 sq ft) on Kwun Chung Street, Jordan, is about to be sold for HK\$200 million, said estate agents handling the deal. (Sing Tao Daily, 15.4.2009)

- The whole block of Informtech Industrial Centre (95,582 sq ft), located at 10-12 Yuen Shun Circuit, Shatin, has been sold for HK\$121 million or a unit price of HK\$1,266 per sq ft. (Sing Tao Daily, 1.4.2009)

- A residential block with retail space at 21-22 Hing Hon Road, Sai Ying Pun was reportedly sold to another property developer for HK\$138 million, 3.6 times of the amount the seller had paid in 2005. The residential development features a plot ratio of 8.8 and is allowed to comprise a three-storey retail space underneath. (Sing Tao Daily, 23.4.2009)

- Six decades-old residential blocks in an array at 56-66 Nga Tsin Long Road, Kowloon City have been sold to a listed developer for HK\$200 million, according to the agent who handled the tender sale. The unit price fetched is HK\$3,171 per sq ft. (Hong Kong Economic Journal, 30.4.2009)

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