

Market summary

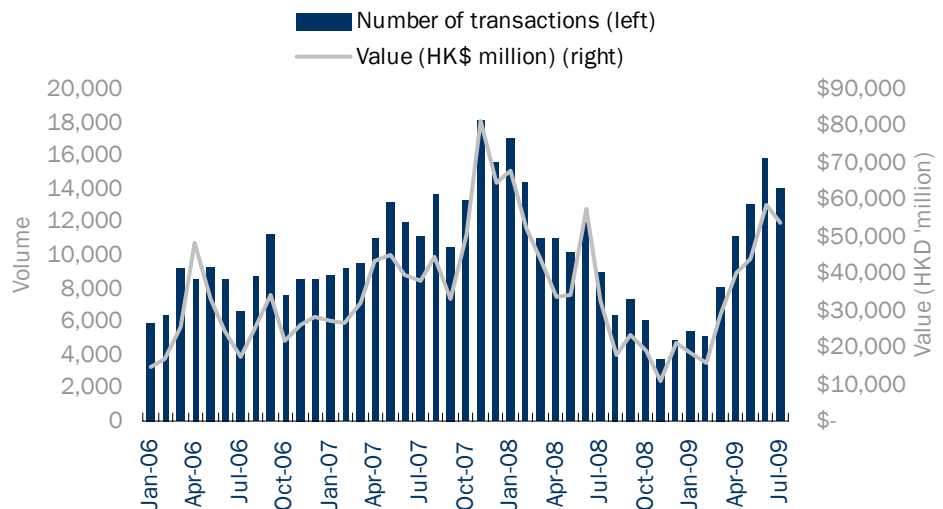
With China's central bank force-feeding the economy with enormous lending, Hong Kong's property market now appears to be an investment hotspot for mainland investors, either seeking a place to stash their excessive monies or simply securing a citizenship. Watching the way the market develops, we are being told that the current rebound does not need much fundamental to support it – the city's jobless rate has, albeit showing signs of relief, increased to 5.4% lately. The GDP reading is minus 7.8% for the first quarter. Both retail sales volume and value have worsened at an annualised rate of over minus 6.2% as at May.

Defying economic gravity, and loaded with a full tank of liquidity, sales across all property sectors have climbed to a 17-month high, though compared with June transaction volume has been down modestly by 10.9% to 14,025, the Land Registry figures have shown. In terms of transaction value, it has declined by 7.6% to HK\$53.74 billion, yet that still represents the second highest figure since June one year ago.

In the secondary market, a total of 9,658 homes worth HK\$32.25 billion were sold during the month, down 3.2% and 2.0% respectively from June. But both figures spell out yet another 17-month high since February 2008. Among popular housing estates, best-selling Kingswood Villas and Mei Foo Sun Chuen recorded 147 and 111 transactions respectively. City One Shatin and Taikoo Shing were right on their heels at third and fourth places, with 106 and 103 units changed hand.

After months of rosy sales figures, new home sales finally softened in July. A total of 1,282 homes from new projects on sale, amounting to HK\$8.69 billion in consideration values, were snapped up by local and mainland homebuyers. That compares to 2,696 units and HK\$14.96 billion registered in June.

S&P agreements for all types of properties



Sources: The Land Registry, Vigers Research

Key economic indicators

	Q208	Q308	Q408	Q109	Latest
Real GDP growth (% change y-o-y)	4.3	1.7	-2.6	-7.8	-7.8 (Q109)
Private consumption expenditure (% change y-o-y)	3.5	0	-4.1	-5.5	-7.8 (Q109)
CPI (% change y-o-y)	5.7	4.6	2.3	1.7	-0.9 (June)
Unemployment rate (% change y-o-y)	3.5	3.8	4.1	5.2	5.4 (Mar-May)
Retail sales value (% change y-o-y)	3.5	3.8	4.1	5.2	-6.2 (May)
Retail sales volume (% change y-o-y)	7	4	-2.4	-5.9	-6.4 (May)

Sources: Census and Statistics Department, Vigers Research

Developers reported 340 (HK\$1.48 billion) and 167 transactions (HK\$880 million) respectively from sale of new units at Primrose Hill in Tsuen Wan and Lime Habitat in North Point. Le Prestige, the second phase project of LOHAS Park in Tsueng Kwan O, only went on sale in mid-July and so its actual figures have yet to be shown in next month's S&P records.

With increasing activity always comes more speculations. Usually a thermometer to diagnose if the market has a fever, confirmor sales, aka flip deals, have risen by 11% to 220 in July. As more off-plan projects are due to hit the market the following months, we expect the figure to go up between August and September.

In terms of prices, of the flats sold at 50 key housing estates, more than 70% have fetched prices last seen in August before the onset of the financial crisis. For instance, a 9.42% rise in average prices is recorded between July and Q209 at four bluechip housing estates we have long tracked.

Despite the ongoing war of words of whether this recovery is a sustainable one, one good news for the city's homeowners is that the number of residential mortgage loans in negative equity fell 61% to 3,767 cases by the end of June from 9,553 cases at the end of March, according to Hong Kong Monetary Authority.

With special thanks to rising home prices again.

Prime office market

Sales market

There were 110 office transactions registered in July, down 63.2% from June, data from the Land Registry showed. But in terms of quality, instead of quantity, the commercial property market is essentially marked by a number of en-bloc deals, estimated at 20 in the year to July. Below are a handful of large individual deals closed in July.

- ◆ Sinopec bought from De Monsa two office floors (19/F and 24/F), with 33,036 sq ft of floorspace, at Convention Plaza Office Tower in Wanchai for HK\$456 million, or HK\$12,900 psf.
- ◆ Property trader Lo Wah is said to have bought up the whole block of Manley Commercial Building on Queen's Road East in Sheung Wan for about HK\$198 million.
- ◆ The owner of Koon Wing Motors Ltd, Ma Ah-muk, has splashed out HK\$230 million, or HK\$4,035 psf, on the purchase of 19 office floors (57,000 sq ft) at Nan Dao Commercial Building from Nanyang Commercial Bank.
- ◆ A significant portion of Neich Tower in Wanchai, comprising 135,000 sq ft of floorspace, was sold for HK\$688 million, or HK\$6,200 psf.

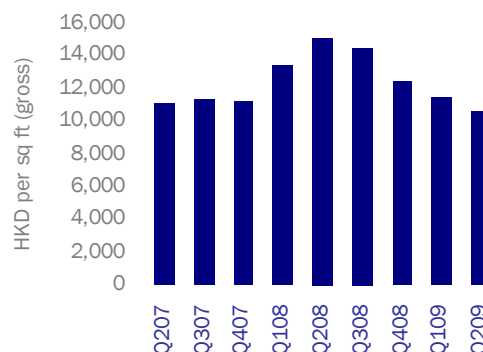
And apart from the above sales cited from market sources, below are completed deals worthy of note filed with the Land Registry in July.

Top office property deals

Property	District	Sales price HK\$m	Sq ft (G)	HK\$/ sq ft
A full floor at Convention Plaza	Wanchai	191.8	16518	11612
08-09, 14/F, Convention Plaza	Wanchai	53.8	4,411	12197
A full floor at Tower B, 1 Wang Kwong Road	Kowloon Bay	49.4	12360	4000
04, 26/F, Concordia Plaza	TST East	25.5	2123	12000

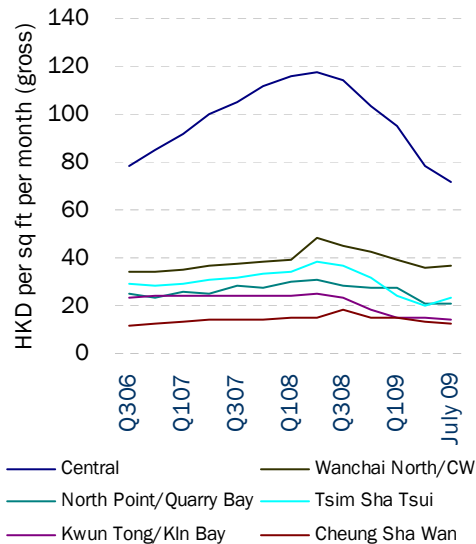
Sources: The Land Registry, Vigers Research

Average capital values of prime office property



Source: Vigers Research

Average prime rents by major submarket



Source: Vigers Research

Leasing market

Despite investment activity and various en-bloc deals, rental levels in particularly Central have dipped to historical lows.

Prime rents in the financial hub fell by 7.7% to HK\$72 psf/month from Q209 in July. The Center has seen most deals at rental rates ranging from HK\$38 psf (G) to HK\$43 psf (G). Another two prime locations, Cheung Kong Centre and IFC2, have registered a few more deals at HK\$100-108 psf (L).

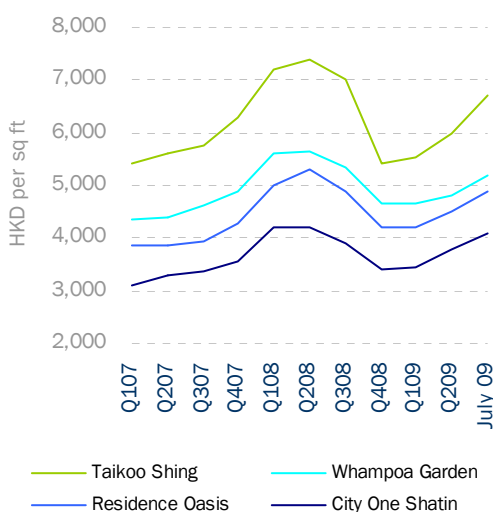
Wanchai North/Causeway Bay rents averaged HK\$37 psf (G) in July, up 2.8% on Q209, with Central Plaza and Times Square reporting rental levels of HK\$40 psf (L) and HK\$35 psf (G) respectively.

Prime rents in North Point/Quarry Bay remain unchanged and stand at HK\$21 psf (G), as take-up level was quite low. Only a few units at Prosperity Millennium Plaza and K. Wah Centre were let out at HK\$15-18 psf (G).

Occupier demand was strong in Tsim Sha Tsui, especially for prime spaces on Canton Road and Nathan Road, such as Miramar Tower, Silvercord, Star House, and Peninsula Centre. Rental levels rebounded from HK\$20 psf (G) to HK\$23 psf (G) in the area.

In Kowloon East, a high level of vacant stocks remains yet to be absorbed. Average rents have been suppressed to HK\$14 psf (G) from HK\$15 psf (G) in Q209. Rents for Millennium City offices stand at HK\$15.5 psf (G), whilst in the inner part Enterprise Square and Futura Plaza are priced at about HK\$14 psf (G) on average.

Average flat prices by key housing estate



Source: Vigers Research

Housing market

Secondary market

In the secondary market, a total of 9,658 homes worth HK\$32.25 billion were sold during the month, down 3.2% and 2.0% respectively from June. But both figures spell out yet another 17-month high since February 2008.

Among popular housing estates, best-selling Kingswood Villas and Mei Foo Sun Chuen recorded 147 and 111 transactions respectively. City One Shatin and Taikoo Shing were right on their heels at third and fourth places, with 106 and 103 units changed hand.

A 9.42% rise from Q209 in average prices is registered at four sampled popular housing estates, boosted much by low mortgage rates and seemingly insatiable demand from across the border.

In greater detail, Taikoo Shing registered a sharp rise in volume with prices surging by 11.7% to HK\$6,700 psf. Average prices of Whampoa Garden and Residence Oasis were up 8.3% and 8.9%, reaching HK\$5,200 psf and HK\$4,900 psf respectively. City One Shatin was up 7.9% to HK\$4,100 psf.

New home sales

After months of rosy sales figures, new home sales finally softened in July. A total of 1,282 homes from new projects on sale, amounting to HK\$8.69 billion in consideration value, were snapped up by local and mainland homebuyers. That compares to 2,696 units and HK\$14.96 billion reported in June.

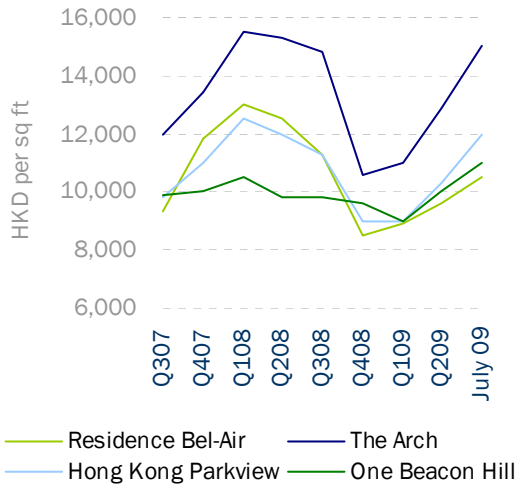
Developers reported 340 (HK\$1.48 billion) and 167 transactions (HK\$880 million) from sale of new units at Primrose Hill in Tsuen Wan and Lime Habitat in North Point. Le Prestige, the second phase project of LOHAS Park in Tsueng Kwan O, only went on sale in mid-July and so its figures have yet to be shown in next month's S&P records.

New residential projects on sale

Project	District	Unit size sq ft	Units for sale	Avg price HK\$/sq ft	Developer
8 Royal Green	Sheung Shui	576-1,032	20	4,031	Henderson Land
Forfar	Kowloon	2,342-2,498	20	12,631	Wing Tai Asia
Harbour Place	Hung Hom	630-770	20	7,557	NWS/SHKP
Lake Silver	Ma On Shan	710-2,416	167	5,306	Sino, MTR
Le Prestige	Tsueng Kwan O	842-1,308	132	4,614	CKH, Nan Fung, MTR
Primrose Hill	Tseung Wan	388-1,205	29	5,175	Kerry Properties
Sky One	Sha Tin	391-536	16	7,137	SHKP
The Dynasty	Tseung Wan	972-1,739	11	6,776	Sino, URA
The Latitude	San Po Kong	663-1,906	14	6,742	SHKP
The Sail at Victoria	Victoria Road	663-1,429	25	9,902	HK Land

Source: Financial Chronical, Vigers Research

Average sales flat prices at prime housing estates



Source: Vigers Research

Prime residential

Though mass market sales have weakened to a little extent, the prime residential market is seen consistently on the rise, and values have shot up as if there has never been anything called financial crisis.

According to figures from the Land Registry, there were 141 residential properties worth HK\$20 million apiece sold in the market in July, up 5.2% on the 134 deals registered in June. In terms of prices, an average luxury flat at four sampled housing estates commands HK\$12,125 a square foot, up 13.3% from Q209.

To be precise, average flat prices of Residence Bel-air rose 9.38% to HK\$10,500 psf. The Arch rose an astonishing 16.2% to HK\$15,000 psf. Hong Kong Parkview posted another stunning 16.5% growth in values to HK\$12,000 psf. One Beacon Hill was up 10% to HK\$11,000 psf.

News round-up

OFFICE

- Henderson Land said it had completed a lease involving eight floors of space (247,000 sq ft) being let to Manulife. Also granted the naming right, the insurer will move into its new space early next year. The rental rate is believed to be HK\$10 psf/month. (Ming Pao, 7.7.2009)

- A 2,102-sq ft unit (Unit 4, 26/F) at Concordia Plaza in TST East has fetched HK\$25.2m, or HK\$12,000 psf. The purchase price reflects an initial 2.8% rental yield for the new landlord. (Sing Tao Daily, 9.7.2009)

RESIDENTIAL

- Owners of Merry Terrace once again are putting their property up for sale en bloc by tender, up 33% from a HK\$3 billion bid they used to receive. By net floor area, that translates into an average unit price of HK\$19,657 psf, comparing with the average home prices of HK\$11,000-13,000 within the same neighbourhood. (Sing Tao Daily, 7.7.2009)

- An anonymous suitor is rumoured to have emerged as the "third party" seeking to take part in the acquisition of the cluster of decades-old buildings located between Leighton Road and Haven Street in Causeway Bay, where land traders Soundwill and Richfield had long fought hard for their territories. (Hong Kong Economic Times, 15.7.2009)

- Hong Kong's mortgage rates, at the lowest in at least 19 years, are getting close to the bottom and can rise "quickly," said Peter Wong, head of the local unit of HSBC Holdings Plc. If the rate rebounds, it can rebound pretty quickly," Wong said in an interview. "I would caution people to calculate their cash flow more carefully." (Bloomberg, 14.7.2009)

- Confirmor sales, better known as flip deals, soared by 77-92% respectively from May to 349 in volume, or HK\$800 million by value, in June. Over

97% were reported profitable, the estate agency citing its figures said. (Apple Daily, 16.7.2009)

- A 20% rebound in average property prices in Hong Kong since the beginning of the year, ignoring the realities of recession and rising jobless rate, has triggered concerns a market bubble may be forming, experts warned. (South China Morning Post, 29.7.2009)

- New residential mortgage lending in Hong Kong jumped to a record high in June. New mortgage loans approved leaped 36.5% month-on-month to a new high of HK\$38.4 billion, the Hong Kong Monetary Authority said. That is the highest since May 1995. (The Standard, 29.7.2009)

- Cheung Kong (Holdings) has sold more than 1,200 flats in its Le Prestige development since July 17, generating close to HK\$6 billion. The company off-loaded 60 hillview units at the Tseung Kwan O development on July 26, executive director Justin Chiu Kwok-hung said. Flats are selling from about HK\$5 million each, or HK\$4,100 to HK\$5,800 psf. (The Standard, 27.7.2009)

- Of the 50 bluechip housing estates across the city, 36, or 72%, have seen prices revisit pricing levels last seen in August before the onset of the financial crisis, according to figures from a major estate agent chain. (Hong Kong Commercial Daily, 30.7.2009)

- Kai Tak Mansions, comprising four residential blocks in Choi Hung, are now for sale at an asking figure of HK\$2 billion, or HK\$3,600 psf if being acquired in its entirety. (Ming Pao, 30.7.2009)

PRIME RESIDENTIAL

Between January and June there were 2,631 sales of prime residential property filed with the Land Registry, shooting up by 1.1 times from one year ago. Luxury flats sold at new-builds also soared by 1.35 times over the

same period. (Apple Daily, 15.7.2009)

- Sales of single-family homes, including detached houses, townhouses and the like, rose 60% to 176 in volume in June month on month, according to stats from the Lands Registry. Most notably, secondhand house sales soared by an astonishing 90% in two months. (Hong Kong Commercial Daily, 23.7.2009)

- A 2,002-sq ft, three-bedroomed penthouse apartment, with access to its own 1,372-sq ft roof terrace, at Aqua 33, a luxury residential project in Pokfulam developed and marketed by Macau Lands Development, was sold for HK\$25.52 million, or HK\$12,750 a square foot. (Vigers, 15.7.2009)

INDUSTRIAL

- A mixed-use floor with 10,730 sq ft of area on 1/F in Fook Cheong Building, located at 63 Hoi Yuen Street, Kwun Tong, was sold for HK\$30m, equating to HK\$2,796 psf, an agent reported. (Sing Tao Daily, 13.7.2009)

RETAIL

- A 7,340-sq ft (net), two-storey space (Unit A, G/F) at Roomy Mansion at 3-80 Fu Yan Street, Kwun Tong has been sold for HK\$105.27 million, or HK\$14,541 a square foot. The price reflects 5.7% initial yield. (Sing Tao Daily, 3.7.2009)

- A 9,600-sq ft space with direct street frontage at 79-81 Kimberly Road, Tsim Sha Tsui has fetched HK\$72 million, offering an initial yield of 4.7% pa. (Apple Daily, 8.7.2009)

- Emperor International Holdings said its subsidiary, Chance Yield, agreed to dispose the property located on Yee Wo Street at HK\$238 million. The property is ground floor and 1st floor of a commercial building with a total saleable area of 2,772 sq ft. (Sing Tao Daily, 27.7.2009)

EN-BLOC DEALS

- Active property trader Tam Pak-wing has reportedly purchased into a commercial block from Lee Hysan's family at 2 Carnarvon Road, Tsim Sha Tsui for HK \$390 million, equating to HK\$9,500 a square foot. (Apple Daily, 8.7.2009)
- A 12,600-sq ft apartment block in the prime location of Tai Tam (19 Tai Tam Road) has reportedly been sold for HK \$245 million, equating to HK\$19,444 psf. Tenanted, the purchase price reflects a 1.8% initial yield only. (Sing Tao Daily, 14.7.2009)
- The 28-storey, 230,000-sq ft Ryoen Industrial Centre, located at 26-38 Chuen Ping Street, Tsuen Wan, is reported to have been sold for HK\$202 million, or HK\$878 psf. The purchase price implies 6.1% initial yield. (Sing Tao Daily, 16.7.2009)
- A mysterious buyer has purchased strategically two decades-old residential blocks on Ferry Street, just neighbouring the properties held by Henderson Land. With a total floor area of 5,600 sq f, the properties fetched HK\$12 million, or HK\$2,143 psf. (Sing Tao Daily, 20.7.2009)

- Located at 124-131 Gloucester Road, about 135,000 sq ft of floor-space of Neich Tower was sold for HK\$688 million, or HK\$6,200 psf. (Hong Kong Economic Times, 29.7.2009)
- At 46-48 Pak Tin Par Street, Tsuen Wan, Manchester Tower has been sold for HK\$92.8 million, or HK\$1,326 psf. The 10-storey building has 7,000 sq ft of floorspace. Leased out at HK\$500,000 per month, the purchase price reflects 6.5% initial yield. (Sing Tao Daily, 30.7.2009)

GOVERNMENT & LEGISLATION

- At a press conference, the five major estate agent bodies criticised that the Land Registry and Rating & Valuation Department over their cost-ineffective, time-consuming way provided for agents to conduct land records search. They urge the authorities to build a centralised property database, to which agents can have access via a single platform more "cost-effectively". (Hong Kong Economic Times, 3.7.2009)
- There were 23,074 estate agents registered with EAA at end-June, reversing the downtrend saw over the past few months. Besides, company

registrations had raised to a record number of 1,742. (am730, 9.7.2009)

DEVELOPMENT & LAND SUPPLY

- Two well located sites in Hunghom and Kwai Chung have been returned to the Lands Department by Government Property Agency. Their values are assessed at HK\$1.735 billion. They may be available for land auction as early as next year. (Hong Kong Economic Times, 20.7.2009)
- The Lands Department registered 22 land transactions, worth a total land premium of HK \$18.33 million, in Q209. Eighteen were lease modifications with 15 for non-residential developments. The other four were lots granted by private treaty to the Housing Authority for public housing developments. (HK Govt News, 15.7.2009)

OTHERS

- Small- and medium-sized estate agents have expanded by about 10% in headcounts and office locations over the past few months, according to HKCPPC, to 1,350 and 220 respectively. The association expects its agent network will grow by another 10-20% by year-end. (The Sun, 24.7.2009)

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