

Briefing Residential sales

November 2016



SUMMARY

Reviving sentiment saw a rebound in volumes and further price rises in the luxury market.

- The satisfactory sale of the apartments at Mount Nicholson reflected strong local support for the luxury apartment segment over the third quarter
- New townhouse developments continue to attract Mainland interest
- Both townhouse and luxury apartment prices rose over the quarter, mainly due to improved market sentiment alongside buoyant primary launches
- Transaction volumes also improved on Hong Kong Island as a result of successful primary sales campaigns
- We expect both the townhouse and luxury apartment markets to continue to prosper over the remainder of the year, with most attention focused on the primary market.

"Local demand prevailed in the primary apartment market while Mainland interest focused on the townhouse segment. With primary market sentiment remaining robust we expect luxury prices and volumes to continue rising over the remainder of the year."

Simon Smith, Savills Research

→ Hong Kong Island residential sales market

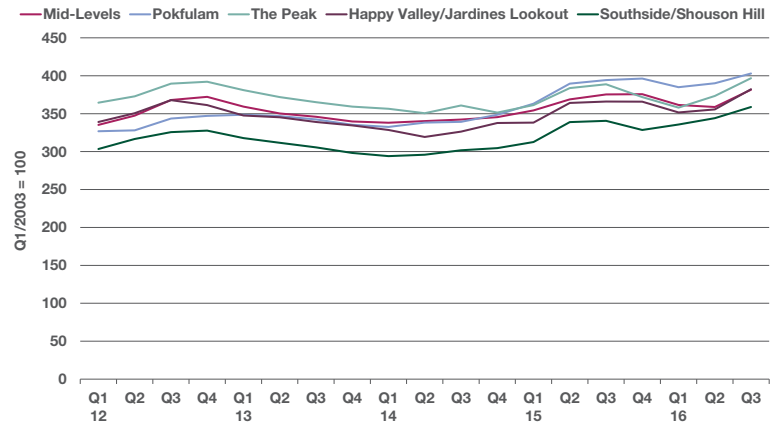
The primary luxury apartment market heated up in Q3/2016 with 12 of the 22 luxury units (2 individual units and 10 units that can be converted into 5 joint units) at Mount Nicholson on the Peak being sold at average prices of around HK\$76,000 per sq ft (lump sums ranged from HK\$272 to HK\$749 million) in October, with many local wealthy families buying into the developments apartments fancying the unobstructed views and privacy they offered.

Elsewhere Mid-Levels attracted the most market attention with nearly 60 primary units being sold in the three new projects (55 Conduit Road, Cluny Park and The Morgan) in Q3/2016 and another 16 being sold in October, all with average prices of around HK\$30,000 to HK\$35,000 per sq ft saleable and lump sums ranging from HK\$30 to HK\$120 million. The warm responses for new luxury apartments were again supported by local wealthy end users. Luxury apartment prices on Hong Kong Island increased by 5.5% over Q3/2016 as a result, with prices on the Peak and in Mid-Levels both recorded above-average growth of 6.3% and 6.4% respectively.

Boosted by the satisfactory sales of primary projects and a reviving market sentiment, volumes continued its rebound to 266 in Q3, a new high since Q4/2012 when BSD was introduced.

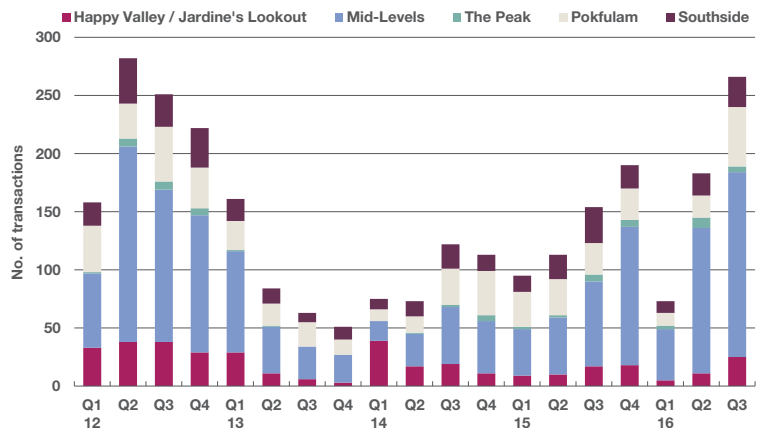
The townhouse market was again dominated by Mainland purchasers: a Mainland buyer purchased the five brand new houses (4,374-6,615 sq ft saleable) at 44-50 Chung Hom Kok Road, Stanley from Shun Tak for HK\$1.8 billion (HK\$68,000 per sq ft) by way of company transfer. Another site at 16A-16D Shouson Village Road, Southside (22,398 sq ft permissible GFA) was sold to Carnival Group, a Mainland developer, for HK\$1.3 billion (AV HK\$58,000 per sq ft). The appetite for Mainland buyers to hold or develop primary townhouse projects in Hong Kong remained high, and as such townhouse prices increased by 2.1% over the quarter.

GRAPH 1 **Luxury apartment price indices by district on Hong Kong Island, Q1/2012–Q3/2016**



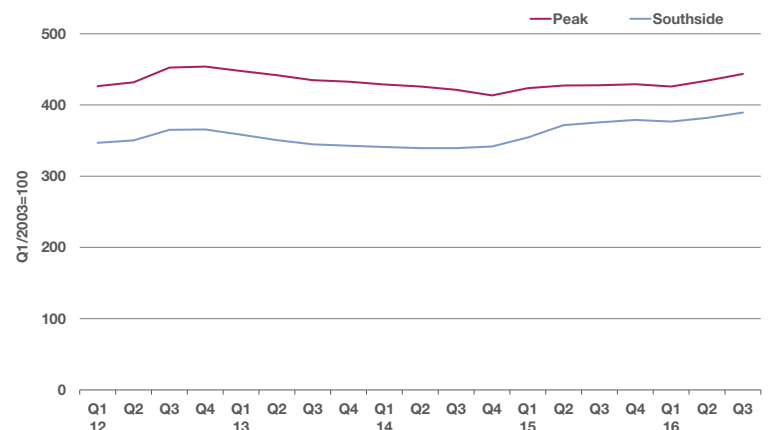
Source: Savills Research & Consultancy

GRAPH 2 **Luxury transaction volumes by district on Hong Kong Island, Q1/2012–Q3/2016**



Source: EPRC, Savills Research & Consultancy

GRAPH 3 **Townhouse price indices by district, Q1/2012–Q3/2016**



Source: Savills Research & Consultancy

Kowloon and the New Territories luxury residential market

Induced by reviving market sentiment, luxury prices in Kowloon and the New Territories also rebounded strongly by 6.5% and 4.9% respectively in Q3. The highest price growth was being registered in Ho Man Tin (+7.3% q-o-q), when the head-to-head competition among primary launches in the area, which suppressed price growth in the area over the past two quarters, came to an end in Q3 with many developers eyeing price increments after satisfactory sales in Q1 and Q2.

With many primary launches recording satisfactory sales results over the last two quarters and developers refocusing on pricing in Q3 and slowing further launches, transaction volume declined to 278 in Q3, a 33% q-o-q drop, with the heaviest decline being expectedly in Ho Man Tin, where a 73% drop was recorded over the period.

Outlook

With both local and Mainland money continuing to search for owner-occupation and redevelopment opportunities, we expect both townhouse and luxury residential market to continue to prosper over the remainder of the year, mainly in the primary and site markets.

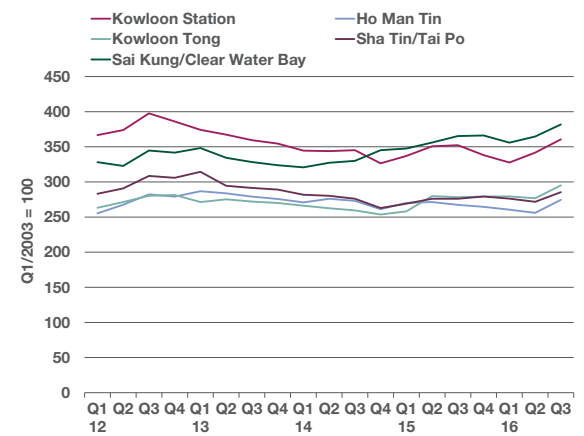
Luxury supply will again be focused in Mid-Levels in 2017 and 2018, with

200 and 250 luxury units expected to be completed respectively, of which SHKP's Stubbs Road project (72 luxury units) and Cheung Kong's Borrett Road project (181 luxury units) two of the larger scale projects yet to be launched to the market, and should attract market attention when they do over the next two years.

Land tender update

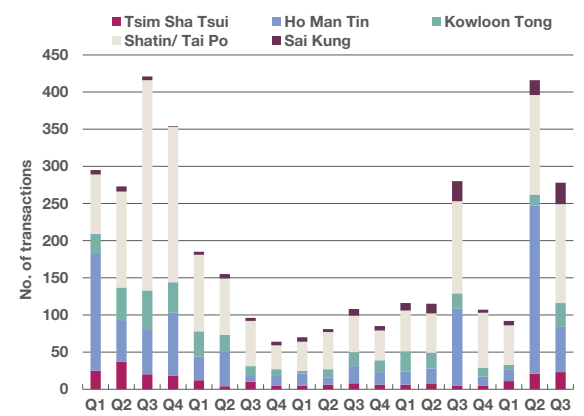
From July to early November ten residential land plots were tendered by the Government, with the land plot at NKIL6533, Beacon Hill (342,766 sq ft) fetching the highest AV (HK\$21,206 per sq ft), while the site at Kai Tak Area 1K Site 3 (654,596 sq ft) had the highest winning bid (HK\$8.837 billion). Out of the ten residential tenders, two were won by Mainland developers while the others were won by local ones, but there were paying 40% of the total premiums (HK\$12.8 billion out of HK\$32.3 billion), showing their clear appetites to enter the development market in Hong Kong. ■

GRAPH 4 Kowloon and the New Territories luxury residential price indices by district, Q1/2012–Q3/2016



Source: Savills Research & Consultancy

GRAPH 5 Luxury transaction volumes by district in Kowloon and the New Territories, Q1/2012–Q3/2016



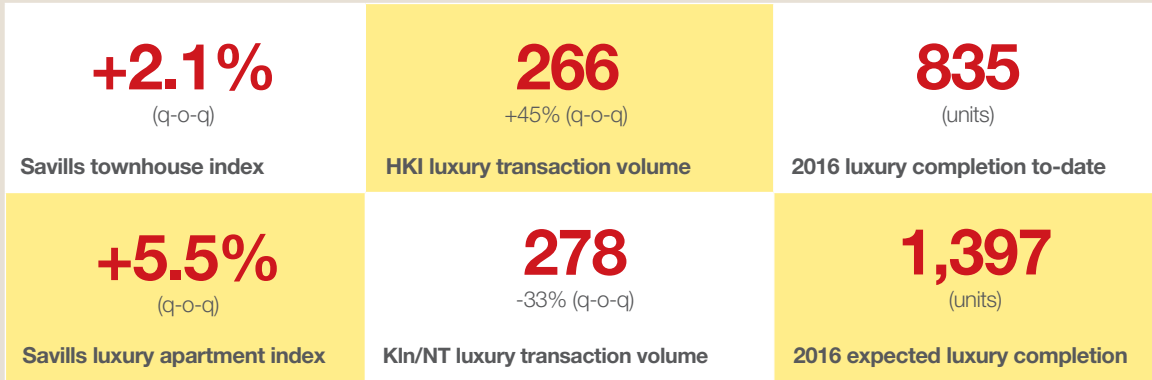
Source: EPRC, Savills Research & Consultancy

TABLE 1 Luxury residential price changes

Sector	Q3/2016	Q2/2016	Q1/2016	2015
Townhouses	+2.1%	+1.6%	-0.7%	+8.3%
Hong Kong Island luxury apartments	+5.5%	+1.1%	-2.8%	+9.3%
Kowloon luxury apartments	+6.5%	+0.4%	-0.6%	+5.3%
New Territories luxury apartments	+4.9%	0.0%	+1.0%	+6.2%

Source: Savills Research & Consultancy

The luxury residential market in numbers



Source: Savills Research & Consultancy

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