

Briefing Residential leasing

July 2015



Image: Monmouth Villa, Mid-Levels East

SUMMARY

Savills second quarter luxury residential indices have revealed that rental growth across all districts and sectors was in positive territory.

- The recent Stock Connect scheme as well as the IPO pipeline are likely to be behind the turnaround in sentiment.
- Overall luxury apartment rents rose by 3.6%, ahead of townhouse rents which recorded a rise of 1.8%, and well in front of serviced apartment rents which grew by a marginal 0.7% over the quarter.
- The typical tenant profile has also shifted and we are seeing fewer 'traditional' western expatriates and more Asians, including Indians as well as Mainland and Hong Kong returnees.
- In Southside, developments continue to attract tenants while Kowloon's attraction lies in the new stock alongside its relative convenience.
- Sai Kung is seeing steady demand and rental rises there, previously so rapid, have slowed.
- In the serviced apartment market, demand has been consistent with budgets of HK\$20,000 to HK\$50,000 per month proving popular.

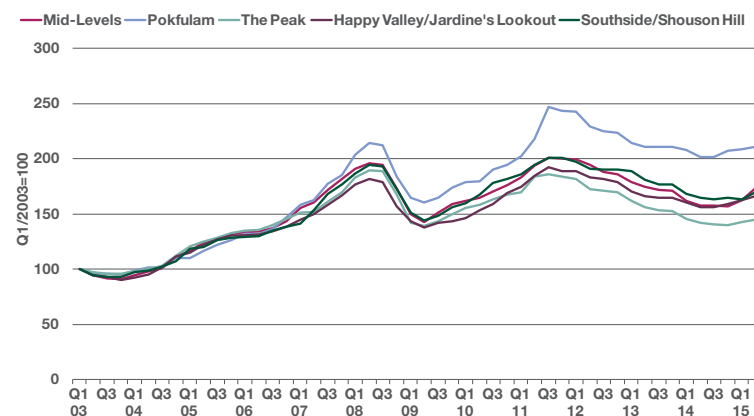
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 "Rents rallied over Q2 as a buoyant financial services sector fed luxury leasing demand." Simon Smith, Savills Research

➔ **Market commentary**

The luxury residential leasing market has seen strong growth in the second quarter with central Mid-levels proving to be the most active market among all the core districts. Budgets of around HK\$100,000 per month saw the fastest pick up (Queen’s Garden and Dynasty Court), mostly from financial services firms such as insurers, hedge funds and asset managers. The recent Stock Connect scheme as well as the IPO pipeline are likely to be behind the turnaround in sentiment.

Savills second quarter luxury residential indices have revealed that rental growth across all districts and sectors was in positive territory.

GRAPH 1 **Hong Kong Island luxury rental indices by district, Q1/2003–Q2/2015**



Source: Savills Research & Consultancy

TABLE 1 **Mid-Levels, The Peak and Southside transactions, Q2/2015**

District	Unit	Address	Saleable area (sq ft)	HK\$ per month (incl. mgnt. & rates)	HK\$ per sq ft saleable
The Peak	Apartment	Carolina Garden	2,145	98,000	46
The Peak	Apartment	La Hacienda	2,806	120,000	43
Mid-Levels	Apartment	Arezzo	976	75,000	77
Mid-Levels	Apartment	Valverde	995	61,000	61
Southside	House	Shouson Peak	2,927	200,000	68
Southside	Apartment	Manhattan Tower	1,999	120,000	60

Source: Savills Residential Leasing, Savills Research & Consultancy

TABLE 2 **Luxury apartment rental movement by district, Q1/2015, Q2/2015 and 2014**

	Q2/2015 (%)	Q1/2015 (%)	2014 (%)
Mid-Levels	+6.6	+3.8	-8.5
Pokfulam	+1.1	+0.8	-1.7
The Peak	+1.1	+2.4	-8.4
Happy Valley/Jardine's Lookout	+2.2	+2.2	-3.4
Southside/Shouson Hill	+3.7	-0.8	-6.9
Overall	+3.6	+2.0	-6.3

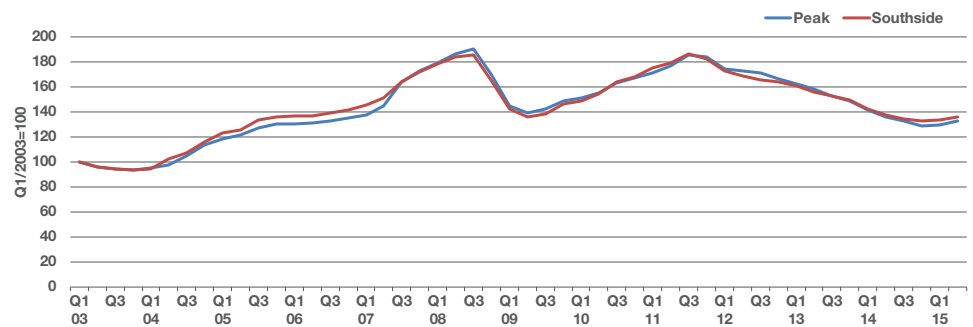
Source: Savills Research & Consultancy

Leading the growth was Mid-levels at 6.6% Q-o-Q, followed by Kowloon at 5.1%. Overall luxury apartment rents rose by 3.6%, ahead of townhouse rents which recorded a rise of 1.8%, and well in front of serviced apartment rents which grew by a marginal 0.7% over the quarter.

The typical tenant profile has also shifted and we are seeing fewer 'traditional' western expatriates and more Asians, including Indians as well as Mainland and Hong Kong returnees. Below HK\$100,000 per month, budgets of HK\$50,000 to HK\$80,000 per month remain popular while the bigger HK\$300,000 to HK\$500,00 per month band is still very quiet.

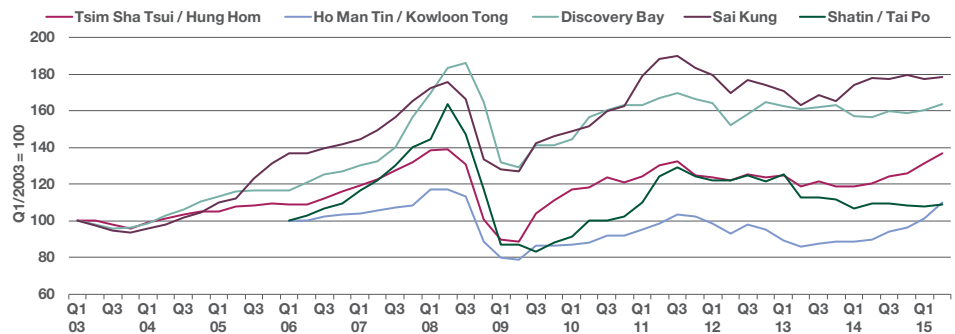
In Southside, developments such as The Repulse Bay, Repulse Bay Apartments and The Lily continue to attract tenants while over in Kowloon, The Austin and The Coronation are both leasing well. Kowloon's attraction lies in the new stock alongside its relative convenience. Getting in to Central from the area is now arguably easier than commuting from Mid-levels where Conduit,

GRAPH 2 **Townhouse rental indices by district, Q1/2003–Q2/2015**



Source: Savills Research & Consultancy

GRAPH 3 **Kowloon and New Territories luxury apartment rental indices by district, Q1/2003–Q2/2015**



Source: Savills Research & Consultancy

TABLE 3 **Kowloon transactions, Q2/2015**

District	Unit	Address	Saleable area (sq ft)	HK\$ per month (incl. mgnt. & rates)	HK\$ per sq ft saleable
Kowloon Station	Apartment	Sorrento	1,087	50,000	46
Ho Man Tin	Apartment	The Regalia	1,028	38,300	37
Tsim Sha Tsui	Apartment	The Masterpiece	604	35,000	58
Tsim Sha Tsui	Apartment	The Masterpiece	1,466	100,000	68
Kowloon Tong	Apartment	Meridian Hill	989	47,000	48

Source: Savills Residential Leasing, Savills Research & Consultancy

TABLE 4 **Discovery Bay & Sai Kung transactions, Q2/2015**

District	Unit	Address	Saleable area (sq ft)	HK\$ per month (incl. mgnt. & rates)	HK\$ per sq ft saleable
Discovery Bay	Apartment	Glamour Court	591	21,000	36
Discovery Bay	Apartment	Chianti	638	18,600	29
Sai Kung	House	Floral Villas	2,299	120,000	52
Sai Kung	House	Fairway Vista	2,100	130,000	62
Sai Kung	House	Silver Crest Villa	1,792	90,000	50

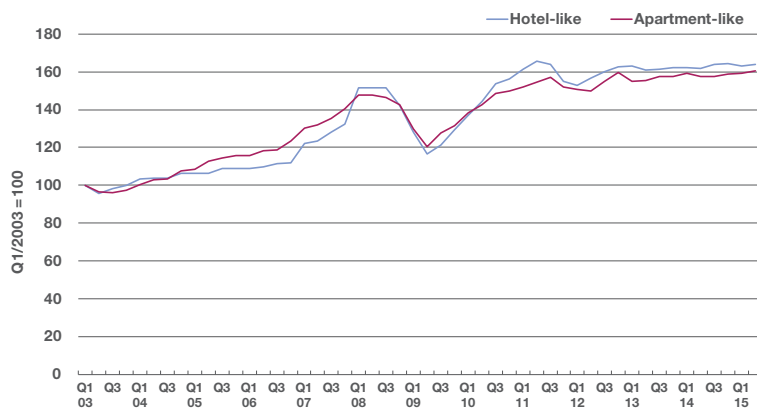
Source: Savills Residential Leasing, Savills Research & Consultancy

TABLE 5
Two-year rental movements of luxury apartments, Q1/2013–Q2/2015

	From Q2/2013 to Q2/2015 (%)
Mid-Levels	-1
Pokfulam	+0
The Peak	-8
Happy Valley/Jardine's Lookout	+0
Southside	-6
Tsim Sha Tsui	+15
Ho Man Tin/Kowloon Tong	+28
Discovery Bay	+2
Sai Kung	+10
Shatin/Tai Po	-4

Source: Savills Research & Consultancy

GRAPH 4
Serviced apartment rental indices, Q1/2003–Q2/2015



Source: Savills Research & Consultancy

Robinson and Caine Roads are all increasingly prone to congestion.

Sai Kung is seeing steady demand and rental rises there, previously so rapid, have slowed. A decent village house with a pool and garden (and possibly an illegal structure or two) will now cost around HK\$150,000 per month. Although much improved with good supermarkets in Tseung Kwan O and Choi Hung, shopping is far from convenient and the area tends to attract people more driven by the local ambience and outdoor lifestyle than anything else.

Serviced apartment sector

In the serviced apartment market, demand has been consistent with budgets of HK\$20,000 to HK\$50,000 per month proving popular. We have noted more demand recently for longer term leases of one to two years as companies are increasingly reluctant to subsidise household goods moves. Larger units are also becoming popular such as Pacific Place Apartments in Admiralty and Gateway Apartments in Tsim Sha Tsui and both developments are attracting more families. ■

Please contact us for further information

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