

Slow recovery amid uncertainties

“ Market sentiment in the luxury residential sector has slightly improved with mid-brackets volumes going up after full border reopening. ”

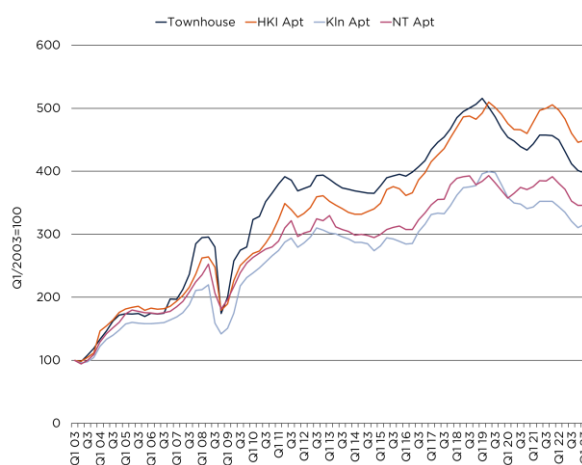
JACK TONG, SAVILLS RESEARCH & CONSULTANCY

TABLE 1: Residential Price Growth by Segment, Q2/2022 to Q1/2023

	Q2/2022	Q3/2022	Q4/2022	Q1/2023
Townhouses	-4.1%	-4.5%	-2.6%	-1.0%
Hong Kong Island Luxury Apartment	-2.9%	-4.7%	-3.1%	+0.6%
Kowloon Luxury Apartment	-2.7%	-4.2%	-2.7%	+1.1%
New Territories Luxury Apartment	-2.5%	-5.1%	-1.8%	+0.1%

Source Savills Research & Consultancy

GRAPH 1: Townhouse and Luxury Apartment Price Indices by District, Q1/2003 – Q1/2023



Source Savills Research & Consultancy

The residential segment looks set to face a bumpy road to recovery in 2023. Positive factors include more billionaires coming to Hong Kong via various talent schemes, as well as business and economy gradually resuming to normal, giving an impetus for residential demand to recover.

Nevertheless, a major setback for the sector is oversupply, with over 100,000 primary units likely to be available for sale for the next four years, against an annual demand of around 18,000 units for first-hand properties. Potential structural deficit of the Government, as well as developers' attitudes towards backlog units will be another two key factors impacting the pace of recovery of the segment. We saw mild increments of 1.1% in Kowloon apartment prices in Q1 amid hasten momentum in Kowloon Station quality apartments favoring Mainland buyers, whilst Hong Kong Island and New Territories remained flat.

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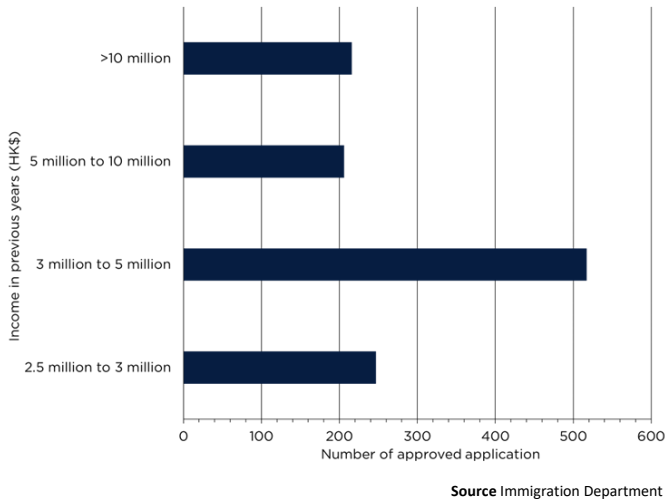
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GRAPH 2: Approved cases under Top Talent Pass Scheme (Category A), Up to end of Feb 2023



The Government launched a series of measures in late 2022 including the Top Talent Pass Scheme trawling for talents. In the first two months of launching, the scheme saw 1200 high income talents (>HK\$2.5 million annual income) approved to reside in Hong Kong, 422 of which earned HK\$5 million per annum or more and could be potential luxury residential buyers.

On the luxury front, developers held firm on asking prices for their luxury projects and as such, over 130 houses and 760 luxury apartments are currently completed and unsold on Hong Kong Island. With developers unlikely to move on pricing easily in the near future, primary luxury volume is expected to remain extremely low in 2023, with the market likely to be dominated by distress sales, where pricing can be 20% to 40% below market values.

TABLE 2: Major Super Luxury Transactions (over HK\$200 million) on Hong Kong Island, Q1/2023

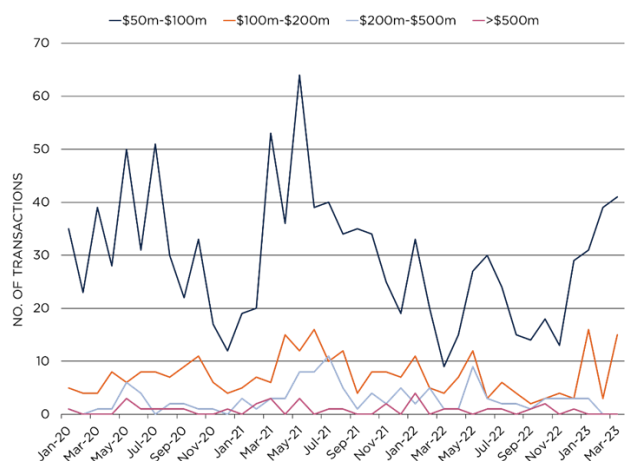
Date	Property	Floor Area (sq ft)	Consideration (HK\$ Million)	Average Price (HK\$ per sq ft)
Mar	45 Baker Road, The Peak	4,207 (Max GFA)	\$1,200	\$285,239 (A.V)
Mar	24 Middle Gap Road, The Peak	8,165 (Max GFA)	\$880	\$107,777 (A.V.)
Jan	8/F, Mount Nicholson Phase III Tower D, The Peak	4,596 (saleable)	\$390	\$84,856 (saleable)
Jan	Unit A, G/F – 2/F, Dukes Place, 47 Perkins Road, Mid-Levels East	4,102 (saleable)	\$287	\$70,000 (saleable)

Source EPRC, Savills Research & Consultancy

Luxury volume swiftly rebounded in the mid-price bracket, HK\$50m-HK\$100m and HK\$100m-HK\$200m transaction volumes were up 85% and 240% respectively over the quarter, denoting reviving interests among local and Mainland buyers after border reopening.

Nevertheless, some significant transactions were recorded in the super luxury segment in Q1, most with average unit prices above HK\$100,000, and a majority of which being redevelopment sites on the Peak and Southside. For instance, a newly completed house at 45 Baker Road at the Peak was transacted at HK\$1.2 billion, marking a new Asia record with an average unit price on permitted GFA of HK\$285,239.

GRAPH 3: Luxury Transaction Volumes by Price Range, January 2020 to March 2023



Source Land Registry, Savills Research & Consultancy