

## Will 24-Hour Border Crossing Depress Hong Kong Real Estate Prices?

Stephen Chung

Senior Vice President / Director of Real Estate Analysis

Zeppelin Property Consultants Limited

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There were recently calls for lengthening the border crossing (between Hong Kong and Shenzhen) operational hours, with some suggesting even a 24-hour round the clock arrangement. Opponents were quick to point out this would further depress the retail markets on the Hong Kong side, especially those in the North New Territories, and **home owners were afraid this would induce more people to “emigrate” north thus further reducing demand on housing.**

This article does not intend to discuss the pros and cons of having a 24-hour border crossing facility but will like to **analyze the probable effects which such a facility may have on real estate prices**, particularly those of residential properties close to the border.

Initial rough projections suggest that **there would be some effects**, as a 24-hour border crossing arrangement offers some convenience to certain segments (not all) of the population, implying an “added value” which in turn would be reflected in asset prices including real estate. However, this alone does **NOT** necessarily mean any increase in prices for Shenzhen properties will automatically bring about a decrease in prices for Hong Kong properties.

**Reasons** are as follows:

- a) **IF the Shenzhen properties are bought for “convenience”**, recreational or as second home purposes, then downward pressures on Hong Kong real estate prices may not be too acute.
- b) Even IF the Shenzhen real estate buyers acquire these properties as prime residences, this does not immediately imply dismay for Hong Kong properties as one would need to **inquire if these buyers would have become Hong Kong (private market) home owners** IF they have not gone for their Shenzhen properties.

Furthermore, a 24-hour cross border arrangement is unlikely to significantly close the real estate price gap between Hong Kong (North New Territories) and Shenzhen as **a convenient border crossing arrangement is NOT the only factor a home buyer would consider** when making his or her decision to buy. Other factors such as quality of schools, availability of social facilities, safety and security, legal system and the like are also vital. **Analogy** = Both Tuen Mun and Shatin are within Hong Kong borders so there is no border crossing issue between these two districts. Yet, the former has lower real estate price levels

than the latter. IF having no transport or border crossing hurdle is the ONLY factor to consider, then their price levels should be the same.

Readers may also wish to **ponder this question** = Are the folks who will cross the border during midnight / early morning hours i.e. benefit most from a 24-hour operation on a regular basis part of the potential home buying pool in Hong Kong? The author does not know yet he feels this should be investigated before jumping to unnecessarily pessimistic views.

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