

## Better Invest in "Real" Luxury Residences

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"Luxury residences" (or similar) is one of the most abused phrases used. This could be subjective, but the author thinks this applies only to properties in very exclusive locations such as the Peak, Repulse Bay and the like. As for investment, one may consider the larger but under-utilized "estate-type" lots. Some of the reasons are:

a) The wealth gap is increasing = whether this is a desirable social trend is another question, but it does imply the upper class will do even better. Also, unlike most middle class, their income source may not originate from Hong Kong alone, i.e. their ability to withstand local economic downturn is somewhat better as they may have incomes from other geographical sources as an offset.

b) The net worth of the owner is usually several times higher than the luxury residence he/she owns = unless they take very high risks in the businesses they do, such as using high leverages, otherwise the chance for a foreclosure is fairly limited. On the other hand, the home may represent the bulk of personal investment for a middle class family.

c) Very limited supply = to re-create a middle class residential complex is easier compared to say re-creating another Peak or Repulse Bay. Even if so, the Peak remains "the Peak". Also, luxury neighborhoods usually mean low density building and developments i.e. number of units will be quite limited.

The key is properly identifying the real luxury properties. Having just a granite or marble tiled entrance lobby does not qualify as one.

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