

## Mid-Level Properties – A Buyers' Reminder

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June 2000

"Mid-Levels" here refers to places such as Conduit Road, Robinson Road, Cloudview Road the like on Hong Kong Island. These were and probably still are popular residential areas. Homes in these areas had sold for more than \$10,000 per square foot during the last peak market, and are still commanding on average \$5,000-6,000 per square foot. Nonetheless, these prices may reflect and carry some of their geographical characteristics, some of which are listed below:

- a) **"Reputable School Networks"** = these areas are known for their good school networks (and schools) generally, especially with reference to secondary schools. It is a known secret that parents who are not residents of these neighborhoods (school districts) to "borrow" the addresses of friends / relatives who are in order to get their children into such schools. Hence, a certain "good school" premium is likely to have been factored into the prices and subject to formal research, a speculative guess would be 10%. One probable question to ask is whether the recent proposed educational reform is likely to reinforce (or deplete) this particular characteristic.
- b) **"Unobstructed harbor view"** = this characteristic has been gradually eroded during the past years as newer and higher buildings are being created in these neighborhoods. As such, the prices for the (harbor facing) units in the newer buildings may not have a high portion of "harbor view" premium yet those built earlier are likely to contain such premiums (depleted when a new building is built in front of it).
- c) **"Succession"** = these neighborhoods now house many (senior) professional and managerial executives who are also entering their middle age (with some even nearing retirement). Sooner or later many will need to relocate and thus sell their properties, and this creates a potential succession (take up) issue because (1) these executives (the baby-boomers) outnumber in general the next generation i.e. unless the economy really expands, there is likely to be less new executives to take up the existing supply, and this is assuming the new generation executives will want to move into these neighborhoods; (2) the level of skills e.g. language abilities of the new generation executives are falling and this in turn will affect their income-earning abilities, if the current doubt that skill levels have been on the decline is proven true; and (3) if the current executives sell their properties in more or less the same time, there may be sudden surge of listings though this will return to normal given time.

This is not meant to discourage interest in Mid-Level properties, and its advantages such as cleaner air, easy access to CBD etc still hold. It is just to help prospective investors and buyers assess the situation from a broader angle. Overall, newer and properly managed buildings may fair better.

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