

Hong Kong Private Residential Market - Future Star and Dog

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Future Star = The super-luxury residences in very exclusive neighbourhoods. For instance, a house or mansion on the Peak, a sea-side resort / home along the South Side (Stanley, Shek O, Repulse Bay) or the like, and preferably with plenty of garden space and a relatively long private driveway (leading up to the home).

Some of the reasons are : (1) the existing stock is in very limited supply (2) low plot ratios and other restrictions further limit new supply in such existing neighbourhoods (3) to create new comparative neighbourhoods would take many years assuming this being a possibility (4) demand is great and will increase as more billionaires are created (5) potential areas in the New Territories such as Sai Kung, being relatively under-developed, are now included in the government plans to provide more mass housing, thus further reducing the number of potential sites for new super-luxury neighbourhoods (6) the residents / owners in such neighbourhoods are not as susceptible as owners of mass housing to home mortgage levels / interest rates, thus implying prices / values could be better sustained under normal circumstances.

Future Dog = Some of the large-sized units in middle / upper middle class neighbourhoods. For instance, residential flats around 1,000-1,500 square feet gross in Mid-Levels and in particular those in buildings 15 years or older with few, if any, recreational facilities yet which sites have already been built to maximum plot ratios.

Some of the reasons are : (1) Individual circumstances notwithstanding, many such units are presently occupied by senior salaried professionals and managers whose ages range from late 30s to early 50s. Their earning power is generally high. 5-15 years from now, many of these present owners would want to relocate or scale down (due to retirement, emigration, or their children having grown and moved out etc). However, the then generation of 30s - 50s professionals and managers may not afford the same high price level (on a relative basis) as the present group due to overall declining average skill levels (thus commanding lower salary levels), overall trend by major businesses in Hong Kong to control salary levels (to maintain Hong Kong's competitiveness), and the increasing number of people competing for such professional and managerial positions due to increased output of university graduates. This does not necessarily imply that prices for this sector would drop, just that compared to other sectors, price appreciation in this sector would be lacklustre. (2) As most of the future supply are expected to come from the New Territories, fewer resources would be spent by both public and private entities on such existing neighbourhoods. (3) Many families in this sector are there due to the better school networks. Should this factor change, e.g. via some of these schools relocating or setting up a twin school in the newer areas such as Tai Po, Shatin, many of such families would follow suit especially when similar-sized units in the New Territories are less expensive yet offer better living environment and facilities.