

Kowloon Station Phase 5-7: A Promising Long Term Project

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Purely based on what was published in the newspaper media, and assuming current economic and market conditions to continue, the Kowloon Station Phase 5-7 Project should have a good chance to be financially rewarding. Nonetheless, the revenues may take some time to materialize as a relatively long construction period is involved, while significant frontal expenses will be incurred though creative financing arrangement may help to reduce part of the concern and even raise the level of return (on equity). As a brief recap, the project consists of offices, residences, serviced apartments and retail facilities, and the floor area adds up to approximately 5,400,000 ft². There will be a 102 storey office tower.

Naturally, there are always advantages and disadvantages associated with any real estate development project (or for that matter, any business venture). Some of the **advantages** are:

- a) A **landmark** on its own = the 102 storey and 580 metre high tower will not only be one of the more prominent features in Hong Kong, but possibly in the region as well. This helps raise the marketing profile.
- b) Subject to more details, it looks to be a relatively sophisticated and technologically **advanced building** = this helps secure its prominence within the Grade A office stock.
- c) The Developer's **Brand Name** = the developer concerned has a track record of developing Grade A offices and projects of huge scales.
- d) **Convenient Site Location** = with the MTR subway system and the like.
- e) Potential **Pool of Workers** = notwithstanding the neighborhood has yet to be fully populated, the continued development of West Kowloon will imply more people settling there in years to come. This offers a pool of "nearby" potential employees and may be of importance to corporate users or tenants in the office tower or retail facilities.

Some of the **disadvantages** are:

- a) Traditionally **NOT a Central Business District** or Area = unlike Central on Hong Kong Island, extra marketing / promotion / effort may be required.
- b) **Huge Scheme** = while a big project may mean huge gains, it may also imply taking the extra steps to induce people to move in, whether on a sale or lease basis, as a lot of users / tenants / buyers are needed to make the project a success. [This aspect may turn into an advantage IF and WHEN a certain user mass is assembled].
- c) Increased **Market Risk** = everyone is subject to this but a project of this size more so, as apart from having a huge volume "floor spaces" to fill (up with users), it also takes years to build. The latter generally increases the market risks or level of uncertainty.

Please note the above observations were made based only on published information and market data, and do not necessarily reflect the actual project estimate.

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