

## **A China Real Estate Portfolio Should Include Hong Kong**

Real Estate Tech, April 1997.

By Stephen Chung BS BBldg(HKU) MS in Real Estate Development(MIT) ARICS AHKIS MAACE PQS RPS

Zeppelin Property Consultants Ltd – Phone(852)24016388 / 6619 Fax(852)2401 3084

Real Estate Development, Investment, Asset Management, Marketing, and Operational Analysis

---

Through our communication and involvement with foreign real estate investment groups, we have come to realize that many have not considered (or even thought of) including Hong Kong as one of the major metropolitan locations in which they would invest in China. The most cited reason is that real estate price in Hong Kong have reached astronomical proportions and thus are considered expensive, or even overpriced.

While this view above is highly understandable, taken into account paid for one square foot of floor space in Hong Kong (especially residential one) could buy 5 to 7 times the quantity in any other major Western cities including New York, London, Toronto, and the like, let alone the cities in China, it misses some of the important ingredients which Hong Kong possesses (over other cities in China) thus making Hong Kong real estate prices / values several times higher than the rest:

- a) A core of very seasoned and financially strong real estate developers
- b) A core of very competent real estate, building, and construction professionals
- c) A well funded, liquid, and competitive banking and financial system
- d) A high level of enthusiasm among the public to own and invest in real estate
- e) An open, accommodative, competitive pro-business environment supported by an essentially competent government, effective tax policies, and fair legal systems
- f) A government well experienced in land and town planning matters

This is NOT to say that one should only concentrate on Hong Kong alone. On the contrary, cities such as Beijing, Tianjin, Shangzhou, Guangzhou, and the like, offer very promising long term profitability and out due to one's intuitive judgment that Hong Kong is overpriced simply because its prices are many times higher than those in China, as there are reasons for Hong Kong's higher prices. Remember it is not the amount of floor space which US\$1,000 can buy that matters, it is the amount of profit which the same US\$1,000 can fetch which counts, given any set of investment time-frame and returns to risks ratios.