

## **Hong Kong Residential Price-Differential Trends**

Real Estate Tech, July 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

---

“Location, location and location” is perhaps the most common motto which people would have heard of whenever real estate comes to mind. Lately, some would argue that “Timing, timing and timing” is more important especially if one wishes to make a profit from it. While it is not the intention here to discuss the merits of the two sayings, location remains a critical factor in real estate decisions and values. In Hong Kong, location means the difference of having to pay \$50 more per square foot per month for an office of the same grade in Central, being the center of business actions, than for one in Shau Kei Wan. Location may also mean a residential location with an altitude difference of 250 metres above sea level, implying better view and cleaner air, hence commanding \$5,000 per square foot more over residences way down the hill. In short, it has mostly been about distance, horizontal or vertical, which matters in Hong Kong.

However, during the past decade or so, this simple and smooth pattern in the residential market seems to have been altered somewhat and taken on additional dimensions. Please refer to the charts below for better clarity. The reasons may have been the following :

- 1. Improving Transportation Network and Infrastructure, thus Improved Mobility:** the highways, the subway, the light rail, the various cross harbor tunnels etc have all contributed to shortening the “inconvenience gap” between Central and other less central locations, which in turn leads to a decreasing price gap between the real estate of one location over another. For instance, residences above or next to the subway are priced higher than most in the same locality.
- 2. Preference for New Large Scale Developments** with in-house recreational facilities and built-in convenience: apart from personal preferences or social trends, the fact that many are working couples i.e. both husband and wife have jobs, contributes to a need for easy access to markets, shops, restaurants, schools and the like. For instances, newly-built residences with retail and recreational amenities are likely to be more popular, thus priced higher, than a single tower of the same quality.
- 3. Improved Unit Facilities and Decoration Works** for even the mass market residences: in the old days, decoration works done to a Ho Man Tin residential unit would definitely be visually different and of a higher quality than that done for a Hunghom residence. Now, the difference, at least on a visual level, is narrowing. For instance, real estate developers now offer attractive decoration packages to buyers which was unheard of even 8 years ago. This implies that at least the construction cost portion between different locations is also narrowing.

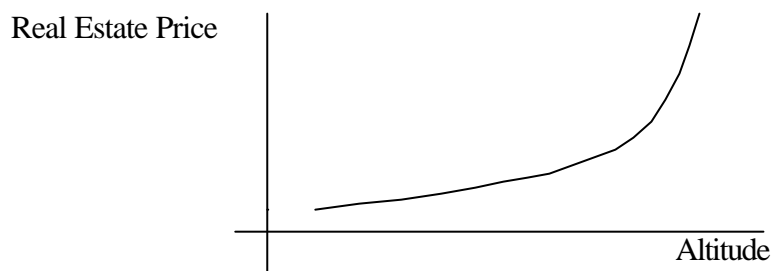
4. Higher and Better Views via Taller Buildings without the need to have the development site situated way above sea level: this is made possible by the ability to build more and more storeys. Thus a 38<sup>th</sup> floor penthouse would command just about the same price as a residential unit on a so-called “Mid-Level” location. This again has the effect of enhancing a higher overall average price for the locality.

5. **Old Dilapidated but Well-Located Buildings**: have filled some of the more demanded or central locations while awaiting renovation or redevelopment. Due to their building age, state of maintenance, and general lack of modern facilities, in addition to limitation on access to mortgage, their prices remain at a lower than should be level and thus help to pull the overall price for the locality down a bit.

By no means are the factors all encompassing, they just serve to illustrate a different angle as to how residential prices and patterns may be viewed apart from using the century-old saying mentioned above, given technological and social changes.

### Illustrative Charts

In the old days:



Today:

