

# Hong Kong Residential Market

VALUATION & ADVISORY SERVICES  
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## Snapshot

- **HIBOR-based mortgage rate cap upwards adjustment**

Starting from mid-September, major banks adjusted upward the HIBOR-based mortgage rate cap and cut cash rebate, which drove up the financing cost. Transaction volume was largely affected, with overall residential transaction volume shrank by 11.9% m-o-m, mainly driven by drop in secondary transaction volume, plunged by 24.2% m-o-m to merely 1,898 units (first time below 2,000 units since 2019).

- **Residential price edged down for four consecutive months**

Residential price went down by 1.4% m-o-m in August 2023, dropped four months in a roll, according to data from Rating and Valuation Department. Residential rent went on a different direction, recorded a steady increase for eight straight months (rose by 5.6% year-to-date). As such, residential property experienced yield expansion.

- **Amendments to the Mortgage Insurance Programme**

On 22 September, amendments are made to the Mortgage Insurance Programme (MIP) for residential properties under construction so that the applicable eligibility criteria align with those for completed residential properties. The relaxation is positive to the residential market, benefiting transaction of primary sales under construction, as those units with property values up to HK\$10 million could also achieve maximum loan-to-value (LTV) ratio of 90%.

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## Land Sales Program

### Tender Results

The government tender for a residential site (NKIL 6590) at Area 2A Site 2 and Site 3, Kai Tak received 6 bids and was awarded a joint venture (parent companies are Sino Land Company Limited, China Overseas Land & Investment Limited, Great Eagle Holdings Limited and Chinese Estates Holdings Limited) for HK\$5,350 million (A.V. HK\$ 5,392 per sq. ft.). The maximum developable GFA of the site is 523,911 sq. ft. (48,673 sq. m.). The building covenant period is on or before 31 December 2030.

### Upcoming Tender

The government put up for tender a private residential site (TCTL 55) at Area 106B, Tung Chung, with tender closing on 27 October 2023. The site has a site area of about 10,648 sq. m. (114,614 sq. ft.). With a plot ratio of 3.5, the site is capable of providing up to 37,268 sq. m. (401,149 sq. ft.) of maximum developable GFA.

### MTRC

MTRC invited interested parties to submit Expression of Interest for Tung Chung East Station Package One Property Development, where the deadline for submission is on 6 October 2023. The development is situated opposite to the future MTR Tung Chung East Station which is under construction and targeted for completion in 2029. Package One is located at the south-eastern part of the Development, with a maximum residential GFA of 64,650 sq. m. and a maximum commercial GFA of 8,133 sq. m.

Source: Lands Department, URA, MTRC, Market Source

## Luxury Residential

In September 2023, only 92 transactions were recorded for high-end residential ( $\geq$ HK\$20 million), a level similar to September 2019 where transaction volume dropped to below 100 units. Despite a significant drop in transaction volume, developers were still able to offload their assets at a relatively good price. This indicates quality assets still able to capture buyers.

For primary sales, 4 notable transactions worth more than HK\$100 million were recorded during the month. This includes a luxury apartment at 21 Borrett Road traded for HK\$180.8 million (HK\$83,937 per sq. ft.) by CK Asset. Mainland developers on the other hand let go a total of 3 units in Kai Tak. CR Land & Poly Property sold 2 units at Pano Harbour for HK\$167.436 million (HK\$61,354 per sq. ft.) and HK\$121.941 million (HK\$58,401 per sq. ft.), while Longfor sold a duplex at Upper RiverBank for HK\$103.88 million (HK\$42,348 per sq. ft.).

On the other hand, luxury estates with illegal structures or inferior attributes developed in different direction. In the wake of recent landslides, Redhill Peninsula suffered significant price cut.

### Selected Primary Sales Transactions

Unit	Property Name	Type	District	Developer	Price (HK\$ mil)	Saleable Area (sq. ft.)	Unit Price (HK\$/sq. ft.)
Unit 2, 20/F	21 Borrett Road	Luxury Apartment	Mid-Levels West	CK Asset	180.8	2,154	83,937
Unit A, 38/F, Tower 8	Pano Harbour	Luxury Apartment	Kai Tak	CR Land & Poly Property	167.4	2,729	61,354
Unit A, 27/F, Tower 1	Pano Harbour	Luxury Apartment	Kai Tak	CR Land & Poly Property	121.9	2,088	58,401
Mansion B, Unit D, G, 2 & 3/F	Upper RiverBank	Duplex	Kai Tak	Longfor	103.9	2,453	42,348

Source: SRPE, MWPIC, Market Source

## Outlook



### Valuation Perspectives

Market is speculating the government may relax the Buyer's Stamp Duty (BSD) and the revised Ad Valorem Stamp Duty (AVD) during the upcoming policy address. BSD relaxation is expected to release purchasing demand from non-HK Permanent Residents and company buyers. Loosening of AVD may release purchasing demand from non-first-time home buyers, which may also stimulate demand from upgraders as well as investors. By releasing purchase demand, residential transaction volume may bottom out. However, we expect residential property price may not change much.

On the other hand, the government may keep Special Stamp Duty (SSD) unchanged as the policy was put in place to reduce speculation on residential property.

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