

Hong Kong Residential Market



Dear

Please see below the Snapshots of Hong Kong Residential Market:-

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Snapshot

- The recent resurgence in local COVID-19 cases prompted the government to impose tightening social distancing measures during the month, which had considerably dampened overall market activities as well as buyers' sentiment and transaction volume. As a result, developers held back the launch of new projects, and sales of new homes plummeted to a three-year low.
- With the heightened geopolitical risks and expectations of interest rate hikes in the U.S., the one-month HIBOR edged up from 0.09% in April 2021 to 0.2% as of end-February 2022. While the Hong Kong's bank Aggregate balance has dropped slightly from a record high of HK\$457 billion to about HK\$340 billion in February, it remained relatively high from the historical level, and the interbank rate is expected to stay low for longer.
- With the new amendments made to the MIP*, the cap on the value of a property eligible for a mortgage loan of a maximum cover of 80% and 90% loan-to-value ratio will be raised from \$10 million to \$12 million, and \$8 million to \$10 million, respectively. This policy will effectively lower the entry barrier for prospective home buyers and likely spur stronger stimulation for the residential market in the second half of the year amid the current slower market activity.
- The government revealed a total of 13 residential plots (Est. 8,250 private residential units) through the FY2022/23 land sale programme, combined with another 7,220 units from sites managed by the MTRC, URA, and private development projects. Five of the 13 sites will require further planning clearance, implying that only a part of these residential sites will be made available for sale by the government for the coming 12 months.

Trends



Residential Price Index

1.1%



January m-o-m

Overall residential price retreated by 2.3% from an all-time high in September 2021, marking four consecutive months of decline. The average residential price decreased by 1.1% m-o-m and returned to the level witnessed in March of last year.



Residential Rental Index

0.4%



January m-o-m

Overall average rent slipped by 0.4% over the previous month, marking four consecutive months of decrease. Average rents for large units (Class D&E) edged down by 0.3% m-o-m while smaller units (Class A, B & C) fell by 0.4% m-o-m, respectively.

Data Source: Rating & Valuation Department, Land Registry, Lands Department, Development Bureau Note: Provisional figures, subject to revision

Land Sale

The government has rezoned five commercial sites in Kai Tak into residential sites. Two of them will be available for sale in FY2022/2023. Among them, the site of No. 4, No. 5B and No. 10 in Area 2A, with a maximum developable GFA of 1.7 million sq. ft., is expected to yield up to 1,700 units.

Policy Update

The government will extend the minimum flat size requirement to all government land sale, MTRC and URA projects, as well as lease modification and land exchange applications by private developers, stating that each flat should reach at least 26 sq. m. (around 280 sq. ft.) in saleable area.

Sales Market

In February, the total residential sale transactions decreased by 32% m-o-m to 2,912 units, while the total primary (481) and secondary (2,431) sale transactions fell by 55.5% and 23.9% over the previous month, respectively, marking the lowest level of monthly transactions since January 2020.

New Supply

In February, there was no pre-sale consent issued and no applications from developers. Meanwhile, a total of 43 pre-sale consents are pending approval involving 23,590 units, 603 units less than the past month. Henderson Land withdrew the application for the pre-sale consent for the new project in Fanling.

Source: Rating & Valuation Department, Land Registry, Lands Department, Development Bureau

Outlook



Valuation Perspectives

The uncertainties stemming from the fifth wave of the COVID-19 outbreak, geopolitical tensions, and economic downturn will continue to weigh on residential sales activity and pricing in the short term.

Should the recent resurgence in local COVID-19 cases be contained within the second quarter, market sentiment and sales activity will likely recover strongly in the second half of the year, supported by pent-up demand and new projects.

While the supply of private housing land for FY2022-23 has increased from the previous year, the delivery of this supply will materially depend on various factors, including market conditions and the readiness for the sale of government sites. We recommend that the government continue to expedite land supply creation and consider relaxing the plot ratio for private development projects.

For more information, please contact:

Eddie Kwok

Senior Director
9471 2728
Eddie.kwok@cbre.com



cbre.com.hk