

## *Rating and Valuation Department*

### *Hong Kong Property Review 2012*

#### *Preliminary Findings*

##### *Meanings of Terms*

To assist in the interpretation of the findings, the definitions of the terms used are explained below:

- **Completions** refer to premises issued with an occupation permit.
- **Take-up** represents the net increase in the number of units or floor area occupied in the year under review. The figure was arrived at by adding the completions in that year to the vacancy figure at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures.
- **Vacancy** indicates the number of units or floor area not physically occupied at the time of the survey conducted at the end of the year. It should be noted that some domestic units were not yet issued with Certificate of Compliance or Consent to Assign and could not have been occupied. Units under decoration are also classified as vacant.
- It should be noted that the **take-up** and **vacancy** figures bear **no** relationship to the number of units sold by the developers (i.e. primary market transactions) or still retained by them (the unsold stock).
- Completion, take-up and vacancy figures **exclude** village houses.

## **PRIVATE DOMESTIC**

Completions in 2011 were about 9 450 units, 30% lower than the level in 2010. By region, about 72% were in the New Territories, 17% in Kowloon and the remaining 11% on Hong Kong Island. On district level, Sha Tin provided the largest number of new units, at 29% of overall completions, followed by Tseung Kwan O at 26%.

Take-up in 2011 increased by 42% to 11 400 units. As a result, vacancy at the year end decreased to 47 920 units, or 4.3% of total stock. About 3 800 vacant units were not yet issued with Certificate of Compliance or Consent to Assign, and could not have been occupied.

It was estimated that about 11 890 units and 14 930 units will be completed in 2012 and 2013 respectively. In 2012, about 54% of completions will come from the New Territories with Sha Tin contributing 16% of the new supply and Tuen Mun 11%. In 2013, the New Territories will continue to dominate the scene, accounting for 87% of the forecast completions. Tseung Kwan O and Yuen Long will provide some 28% and 24% of the completions respectively.

Under a low-interest environment with a vibrant economy, residential prices continued the upward path in the first half of the year but began to change the course in the third quarter. The overall price index for the final quarter of 2011 was 12% higher than the same period in 2010. Rents rose alongside prices but the rising trend tapered in the third quarter. Overall, the rental index in the fourth quarter of 2011 increased 8% when compared with a year ago. (See Appendices A to C)

## **PRIVATE OFFICE**

Office completions in 2011 were 155 000 m<sup>2</sup>, up 25% on 2010 level. Grade A space completions were 125 000 m<sup>2</sup>, all being in non-core districts, and Grade B completions were 30 000 m<sup>2</sup>.

Overall take-up reduced slightly to 285 000 m<sup>2</sup>, with 233 000 m<sup>2</sup>, 40 000 m<sup>2</sup> and 12 000 m<sup>2</sup> being Grade A, B and C space respectively. Vacancy decreased by 1.5 percentage points to 6.5%, equivalent to 700 000 m<sup>2</sup>. The vacancy rate of Grade A office declined to 6.6%, Grade B to 6.6% and Grade C to 6%.

Completions are estimated to remain at similar level of 153 000 m<sup>2</sup> in 2012 and drop slightly to 116 000 m<sup>2</sup> in 2013. Grade A space forecast completions in 2012 will be around 105 000 m<sup>2</sup>, predominantly in non-core districts with Kwai Tsing and Kwun Tong providing in total about 70% of the anticipated supply. Completions in 2013 will slide to 95 000 m<sup>2</sup> and 56% of the new supply will be in Kwun Tong. Grade B space forecast completions will be around 48 000 m<sup>2</sup> in 2012 and 18 000 m<sup>2</sup> in 2013, whereas Grade C sub-sector will only see 3 000 m<sup>2</sup> coming on stream in 2013.

Office prices showed sign of easing after posting strong gain in the first two quarters. Prices of Grade A office in the last quarter of 2011 were 16% higher than the 2010 last quarter level. Grade B and Grade C office prices soared 22% and 24% respectively over the same period. Rents also followed a rising trend but the rate of growth tailed off in the fourth quarter. The rental index for Grade A office in the last quarter increased by 20%, while Grade B and Grade C office rents rose 11% and 10% respectively compared with the previous year.

## **PRIVATE COMMERCIAL**

Completions in 2011 were 42 000 m<sup>2</sup>, 35% lower than the level in 2010. Tseung Kwan O accounted for 32% of the completions. Take-up turned negative, about 7 000 m<sup>2</sup>, and vacancy was held steady at 8% of stock, amounting to 859 000 m<sup>2</sup>.

It is estimated that completions will rise sharply to 111 000 m<sup>2</sup> in 2012 and Wan Chai will provide 25% of the new supply. In 2013, the completions will be reduced to lower level of 52 000 m<sup>2</sup>. Nearly 50% of the estimated completions will be on Hong Kong Island and Wan Chai will continue to account for 30% of the space completion.

The rising trend of prices and rents persisted throughout the year. Prices surged 19% in the fourth quarter of 2011 when compared with the last quarter of 2010, while rents leapt 9%.

## **PRIVATE FLATTED FACTORIES**

Completions in 2011 increased noticeably to 32 000 m<sup>2</sup>, coming chiefly from two projects in Sham Shui Po. Take-up was about 85 000 m<sup>2</sup>, and vacancy at the year end edged down to 6% of stock.

Completions in 2012 will probably increase to 48 000 m<sup>2</sup>, and another 27 000 m<sup>2</sup> industrial space will be completed in 2013.

Prices continued to escalate as the year began but lost momentum in the third quarter, ending with an increase of 27% in the fourth quarter of 2011 against the same period in previous year. Rents also grew 8% year-on-year.

## **PRIVATE INDUSTRIAL/OFFICE**

There were no industrial/office completions in 2011. Against a take up of 2 000 m<sup>2</sup>, the vacancy at the end of 2011 fell slightly to 8.2% of stock, equivalent to 49 000 m<sup>2</sup>.

Again, there is unlikely to be any new supply in 2012 and 2013.

**PRIVATE DOMESTIC**

**ALL UNITS  
COMPLETIONS, TAKE-UP AND VACANCY**

No. of units

	2007	2008	2009	2010	2011	2012	2013
Completions	10 470	8 780	7 160	13 410	9 450	[11 890]	[14 930]
Take-up*	19 850	6 890	11 090	8 030	11 400		
Vacancy	52 470	52 940	47 350	51 530	47 920		
% ☆	4.9	4.9	4.3	4.7	4.3		

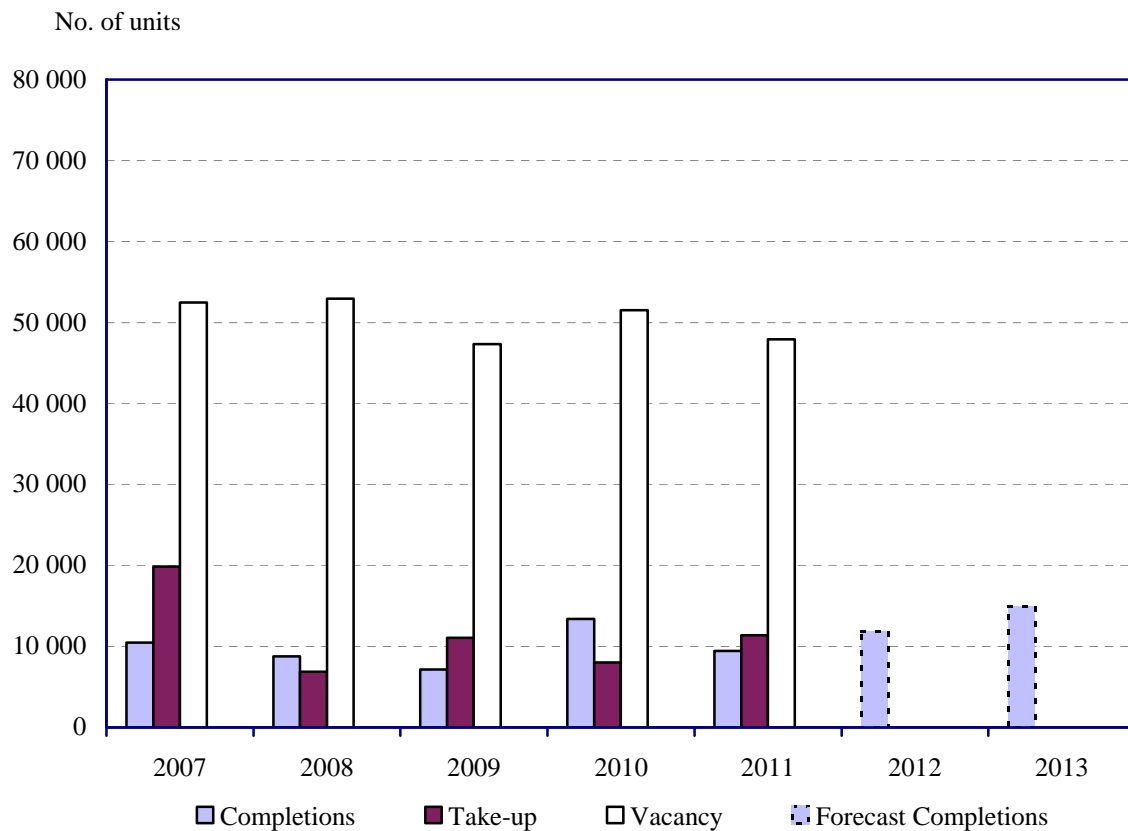
“Private domestic” excludes flats built under the Home Ownership, Private Sector Participation, Buy or Rent Option, Tenants Purchase, Urban Improvement, Flat-For-Sale and Sandwich Class Housing Schemes.

Figures exclude village houses.

\* Take-up figures represent the net increase in the number of units occupied in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures.

☆ Vacancy at the end of the year as a percentage of stock.

[Forecast figures]



**PRIVATE DOMESTIC**

**SMALL/MEDIUM UNITS (Saleable Area less than 100 m<sup>2</sup>)  
COMPLETIONS, TAKE-UP AND VACANCY**

No. of units

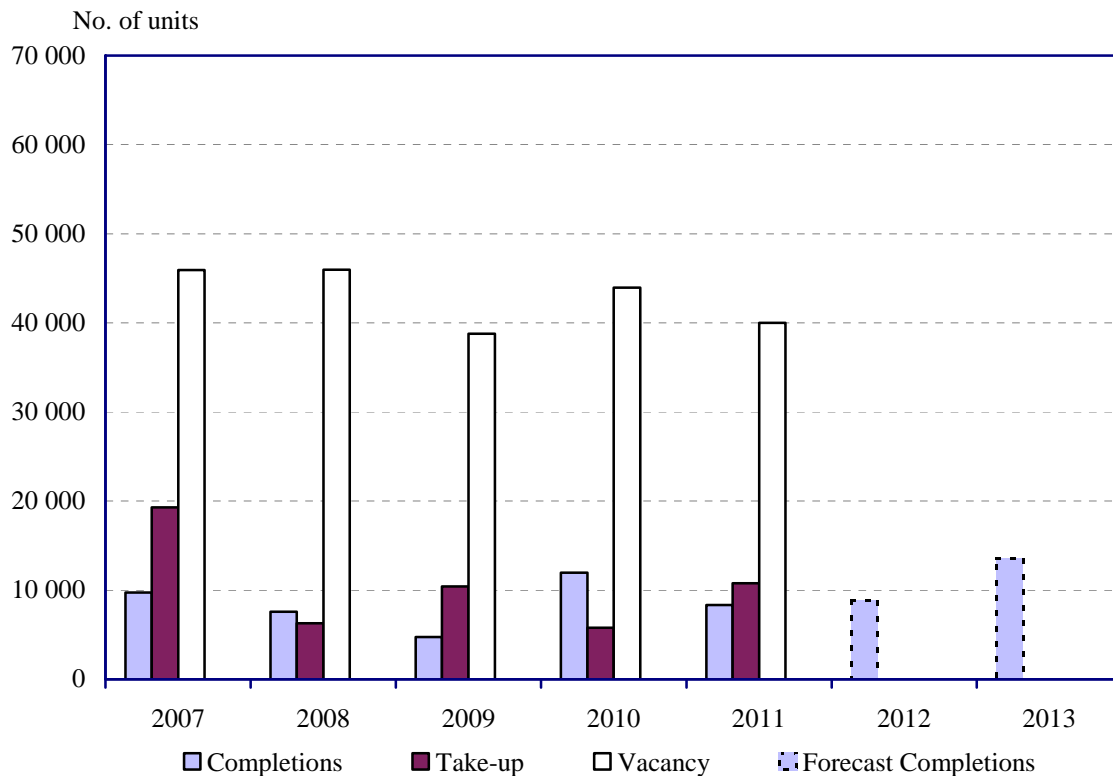
	2007	2008	2009	2010	2011	2012	2013
Completions	9 730	7 600	4 740	11 970	8 320	[8 870]	[13 590]
Take-up*	19 300	6 290	10 420	5 790	10 770		
Vacancy	45 920	45 950	38 770	43 960	40 000		
% ☆	4.6	4.6	3.8	4.3	3.9		

Figures exclude village houses.

\* Take-up figures represent the net increase in the number of units occupied in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures.

☆ Vacancy at the end of the year as a percentage of stock.

[Forecast figures]



## **PRIVATE DOMESTIC**

### **LARGE UNITS (Saleable Area 100 m<sup>2</sup> or above) COMPLETIONS, TAKE-UP AND VACANCY**

No. of units

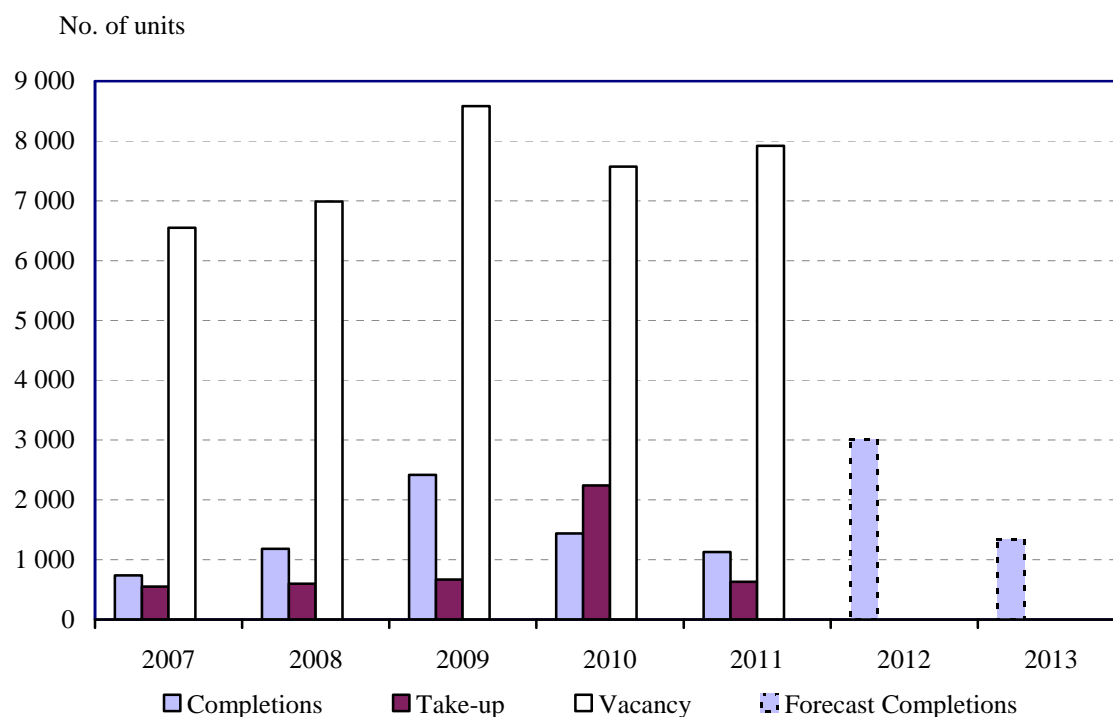
	2007	2008	2009	2010	2011	2012	2013
Completions	740	1 180	2 420	1 440	1 130	[3 020]	[1 340]
Take-up*	550	600	670	2 240	630		
Vacancy	6 550	6 990	8 580	7 570	7 920		
% ☆	8.4	8.8	10.5	9.2	9.5		

Figures exclude village houses.

\* Take-up figures represent the net increase in the number of units occupied in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures.

☆ Vacancy at the end of the year as a percentage of stock.

[Forecast figures]





**PRIVATE OFFICE**

**ALL GRADES  
COMPLETIONS, TAKE-UP AND VACANCY**

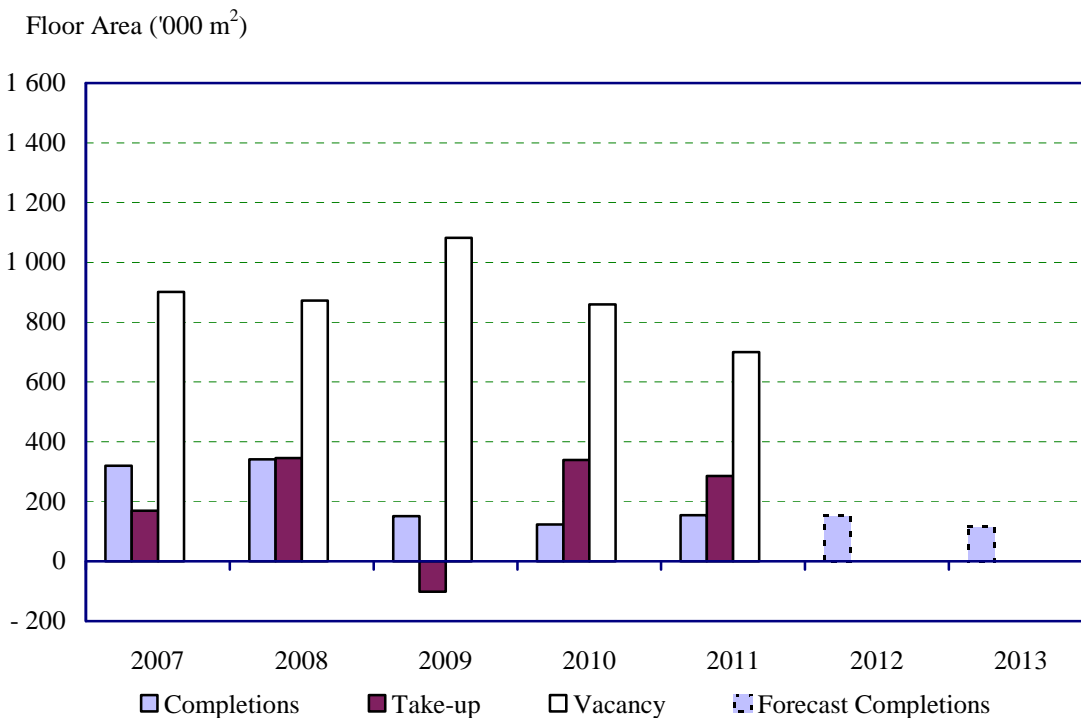
	2007	2008	2009	2010	2011	2012	2013
Completions ('000 m <sup>2</sup> )	320	341	151	124	155	[153]	[116]
Take-up* ('000 m <sup>2</sup> )	170	345	- 101	339	285		
Vacancy ('000 m <sup>2</sup> )	901	873	1 083	860	700		
% ☆	8.9	8.4	10.3	8.0	6.5		

\* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[Forecast figures]

N.B. Office grades are determined in accordance with criteria which principally reflect the qualities of construction, finishes, facilities and management. Location is not a criterion.



**PRIVATE OFFICE**

**GRADE A  
COMPLETIONS, TAKE-UP AND VACANCY**

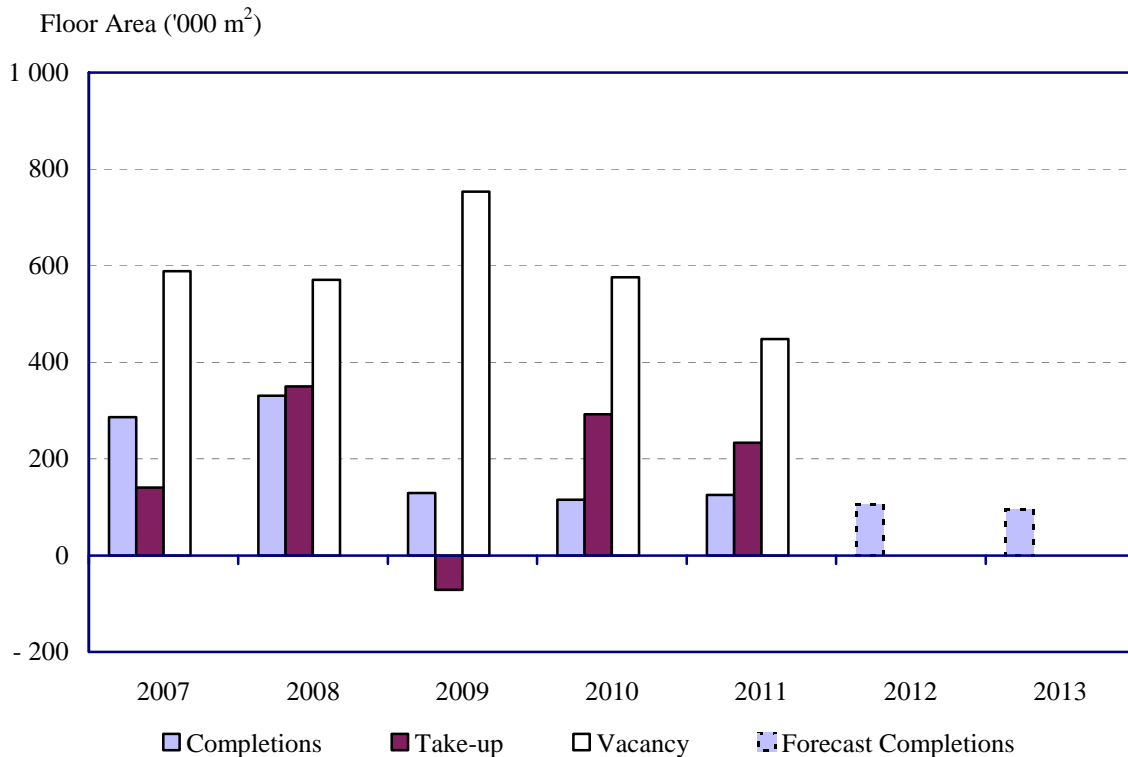
	2007	2008	2009	2010	2011	2012	2013
Completions ('000 m <sup>2</sup> )	286	331	129	115	125	[105]	[95]
Take-up* ('000 m <sup>2</sup> )	140	350	- 71	292	233		
Vacancy ('000 m <sup>2</sup> )	589	571	753	576	448		
% ☆	9.7	8.9	11.5	8.5	6.6		

\* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[Forecast figures]

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**PRIVATE OFFICE**

**GRADE B  
COMPLETIONS, TAKE-UP AND VACANCY**

	2007	2008	2009	2010	2011	2012	2013
Completions ('000 m <sup>2</sup> )	31	9	19	7	30	[48]	[18]
Take-up* ('000 m <sup>2</sup> )	14	3	- 22	29	40		
Vacancy ('000 m <sup>2</sup> )	181	168	195	173	161		
% ☆	7.3	6.9	8.0	7.1	6.6		

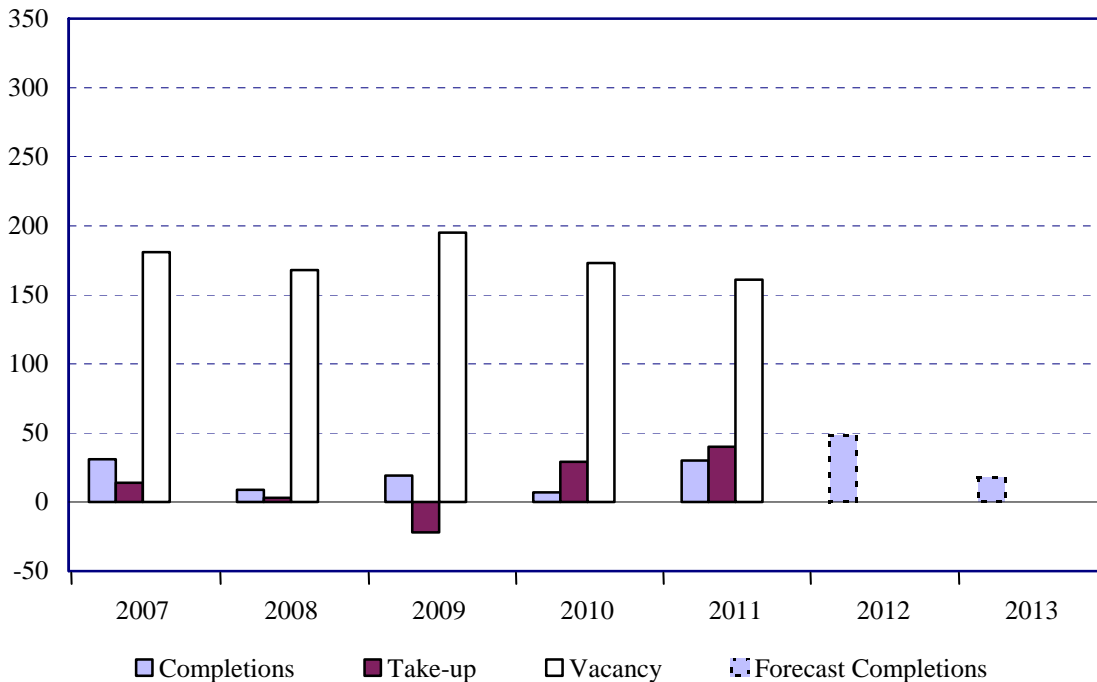
\* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[Forecast figures]

N.B. Office grades are determined in accordance with criteria which principally reflect the qualities of construction, finishes, facilities and management. Location is not a criterion.

Floor Area ('000 m<sup>2</sup>)



**PRIVATE OFFICE**

**GRADE C  
COMPLETIONS, TAKE-UP AND VACANCY**

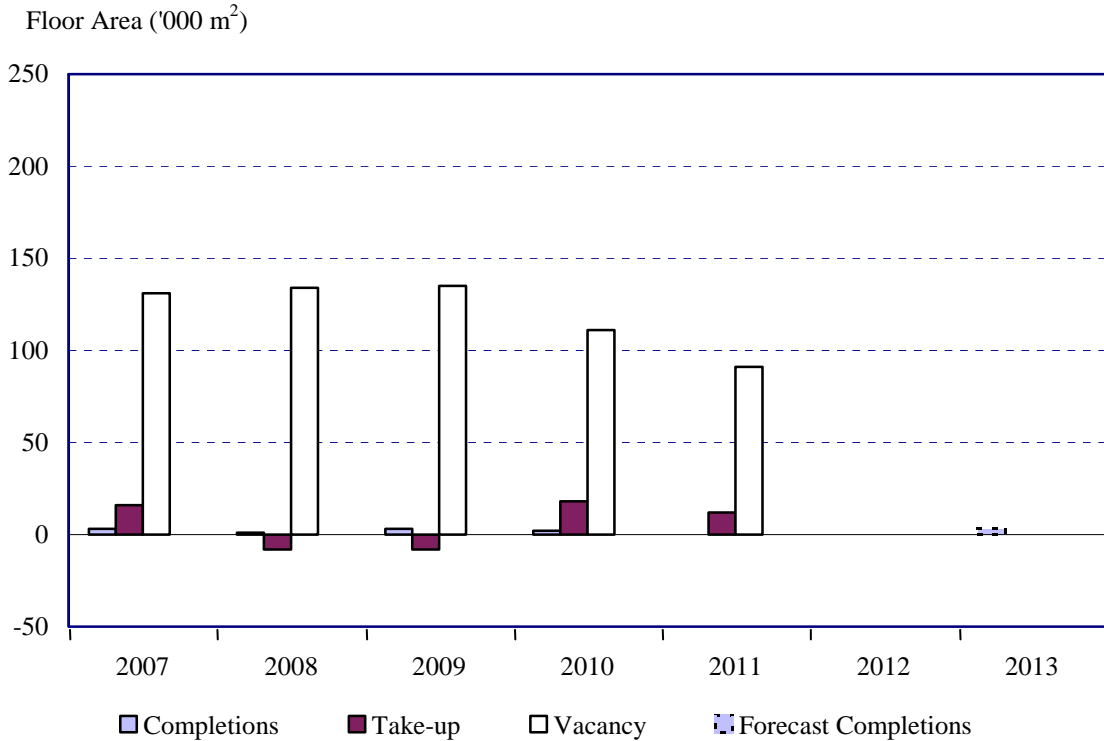
	2007	2008	2009	2010	2011	2012	2013
Completions ('000 m <sup>2</sup> )	3	1	3	2	0	[0]	[3]
Take-up* ('000 m <sup>2</sup> )	16	- 8	- 8	18	12		
Vacancy ('000 m <sup>2</sup> )	131	134	135	111	91		
% ☆	8.4	8.6	8.9	7.3	6.0		

\* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[Forecast figures]

N.B. Office grades are determined in accordance with criteria which principally reflect the qualities of construction, finishes, facilities and management. Location is not a criterion.



# PRIVATE COMMERCIAL

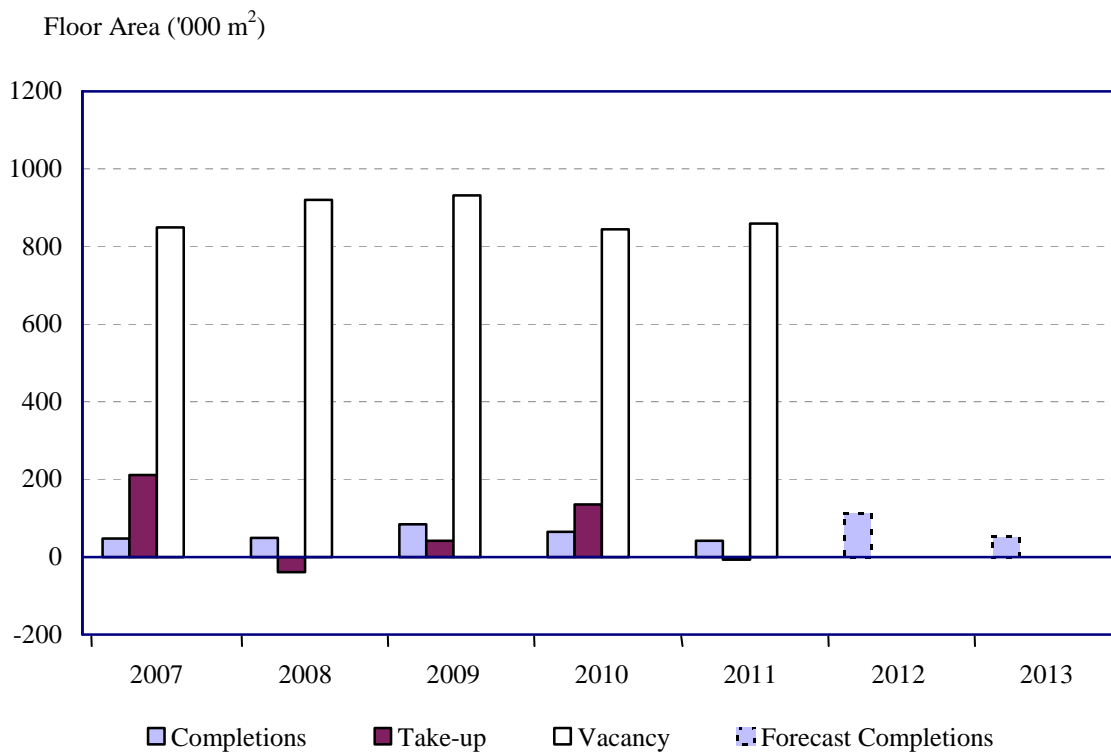
## COMPLETIONS, TAKE-UP AND VACANCY

	2007	2008	2009	2010	2011	2012	2013
Completions ('000 m <sup>2</sup> )	48	49	84	65	42	[111]	[52]
Take-up* ('000 m <sup>2</sup> )	211	- 39	42	135	- 7		
Vacancy ('000 m <sup>2</sup> )	849	920	932	844	859		
% ☆	8.1	8.7	8.7	7.9	8.0		

\* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[Forecast figures]



# PRIVATE FLATTED FACTORIES

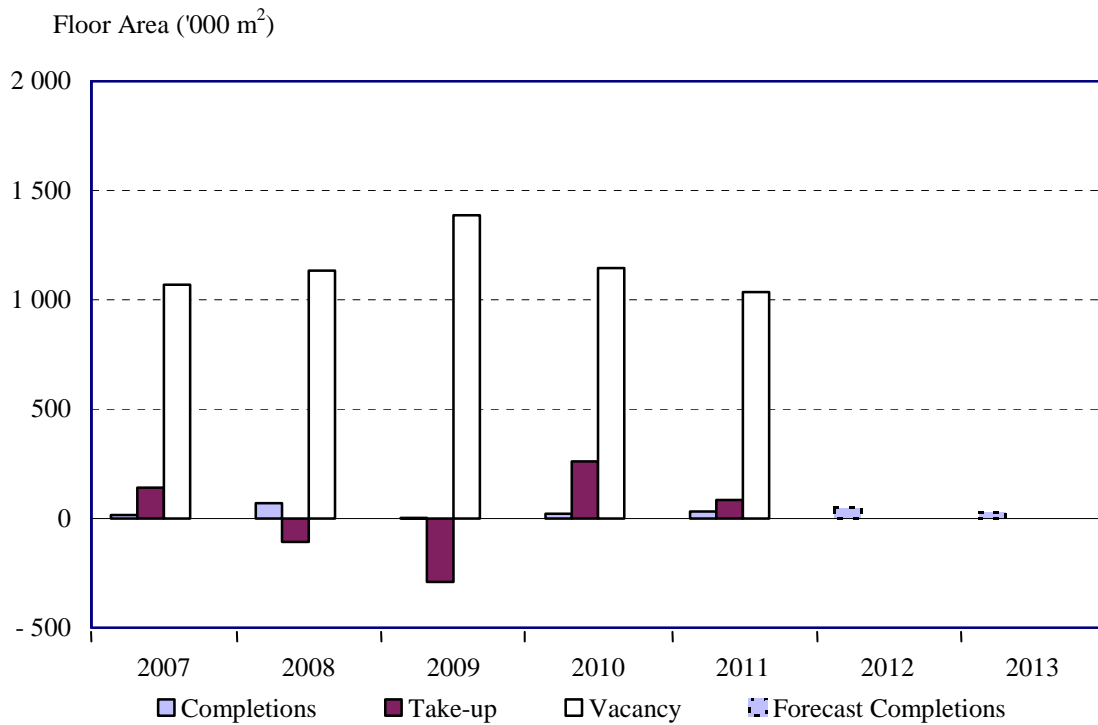
## COMPLETIONS, TAKE-UP AND VACANCY

	2007	2008	2009	2010	2011	2012	2013
Completions ('000 m <sup>2</sup> )	16	70	3	21	32	[48]	[27]
Take-up* ('000 m <sup>2</sup> )	141	- 107	- 290	261	85		
Vacancy ('000 m <sup>2</sup> )	1 070	1 134	1 388	1 146	1 036		
% ☆	6.2	6.5	8.0	6.7	6.0		

\* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[Forecast figures]



**PRIVATE INDUSTRIAL/OFFICE**

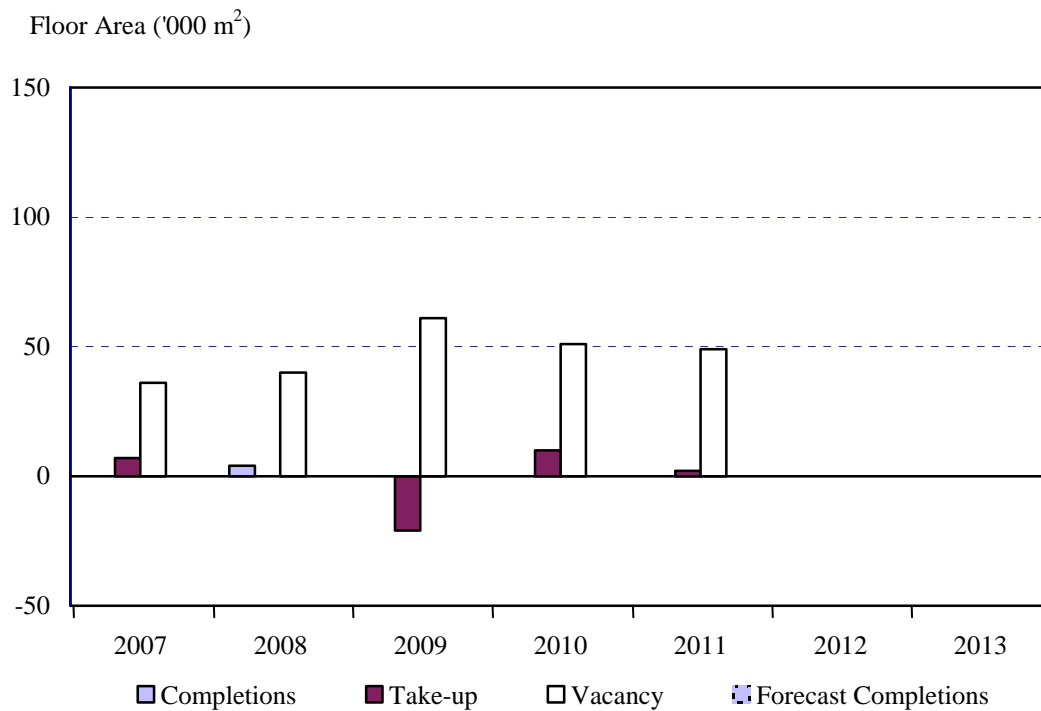
**COMPLETIONS, TAKE-UP AND VACANCY**

	2007	2008	2009	2010	2011	2012	2013
Completions ('000 m <sup>2</sup> )	0	4	0	0	0	[0]	[0]
Take-up* ('000 m <sup>2</sup> )	7	0	- 21	10	2		
Vacancy ('000 m <sup>2</sup> )	36	40	61	51	49		
% ☆	5.8	6.5	10.0	8.6	8.2		

\* Take-up figures represent the net increase in the occupied floor space in the year under review and are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year's demolition and the year-end vacancy figures. A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[Forecast figures]



**MONTHLY PRICE INDICES FOR DOMESTIC PREMISES**

(1999 = 100)

Year	Month	Small & Medium	Large	Overall
1997	Oct (Peak)	172.3	183.4	172.9
2010	Jan	136.5	181.4	138.3
	Feb	139.0	182.6	140.7
	Mar	141.6	189.9	143.4
	Apr	144.9	190.5	146.6
	May	144.2	187.8	145.8
	Jun	145.4	188.9	146.9
	Jul	149.7	195.1	151.3
	Aug	153.4	197.6	154.9
	Sep	154.5	201.3	156.1
	Oct	158.7	202.6	160.2
	Nov	162.3	204.8	163.7
	Dec	161.6	202.7	163.0
2011	Jan	168.1	210.2	169.5
	Feb	175.2	212.1	176.4
	Mar	178.3	215.8	179.5
	Apr	182.0	222.2	183.3
	May	184.6	225.3	185.9
	Jun	186.8	228.4	188.1
	Jul	184.1	225.5	185.5
	Aug	183.3	221.2	184.5
	Sep	184.5	219.7	185.6
	Oct	181.9	220.9	183.2
	Nov	180.7	217.9	182.0
	Dec*	179.5	217.2	180.8

\* Provisional - liable to change as further data becomes available for analysis.

**Technical Notes :**

- (i) Small/Medium units are those with saleable area less than 100m<sup>2</sup>. Large units are those with saleable area 100m<sup>2</sup> or above.
- (ii) The indices are based on an analysis of prices paid for completed properties sold in the secondary market. Date of sale is the date on which an Agreement for Sale and Purchase is signed. Provisional agreement is generally reached 2-3 weeks earlier.



**PRICE INDICES**

(1999 = 100)

Private Domestic Properties	2010	2011			
	4Q	1Q	2Q	3Q	4Q*
Small and Medium Units (Saleable Area less than 100m <sup>2</sup> )	160.9	173.9	184.5	184.0	180.7
Large Units (Saleable Area 100m <sup>2</sup> or above)	203.4	212.7	225.3	222.1	218.7
<b>Overall</b>	<b>162.3</b>	<b>175.1</b>	<b>185.8</b>	<b>185.2</b>	<b>182.0</b>

Non-Domestic Properties	2010	2011			
	4Q	1Q	2Q	3Q*	4Q*
Offices :					
Grade A	261.8	283.9	305.5	312.2	303.2
Grade B	257.2	280.7	310.5	315.0	314.6
Grade C	239.7	262.6	286.1	299.7	297.8
<b>Overall</b>	<b>253.8</b>	<b>276.7</b>	<b>301.2</b>	<b>309.3</b>	<b>304.6</b>
Retail Premises :	284.4	304.6	324.6	333.1	339.2
Flatted Factories :	316.4	349.0	387.2	401.5	401.1

\* Provisional - liable to change as further data becomes available for analysis.

Technical Notes :

The indices are based on an analysis of prices paid for completed properties sold in the secondary market. Premises of all ages and in all locations are included. Where appropriate, the date of agreement is taken as the date of sale.

**RENTAL INDICES**

(1999 = 100)

Private Domestic Properties	2010	2011			
	4Q	1Q	2Q	3Q	4Q*
Small and Medium Units (Saleable Area less than 100m <sup>2</sup> )	126.4	127.4	133.2	136.9	136.3
Large Units (Saleable Area 100m <sup>2</sup> or above)	132.9	134.4	140.2	142.3	140.4
<b>Overall</b>	<b>127.0</b>	<b>128.0</b>	<b>133.8</b>	<b>137.4</b>	<b>136.7</b>

Non-Domestics Properties	2010	2011			
	4Q	1Q	2Q	3Q*	4Q*
Offices : Grade A	157.6	163.0	172.8	183.4	188.5
Grade B	155.9	158.7	165.0	169.6	173.1
Grade C	139.2	140.1	145.7	151.3	153.3
<b>Overall</b>	<b>154.3</b>	<b>158.4</b>	<b>166.7</b>	<b>174.9</b>	<b>179.1</b>
Retail Premises :	127.6	128.0	133.2	136.6	139.0
Flatted Factories :	112.5	113.4	117.5	121.1	121.9

\* Provisional - liable to change as further data becomes available for analysis.

Technical Notes :

The indices are based on an analysis of rentals paid for completed properties. Premises of all ages and in all locations are included. Where appropriate, the commencement date of a tenancy agreement is adopted as the effective date. However, rents are normally agreed earlier (2-4 weeks earlier for fresh lettings and 1-3 months for lease renewals). Rent-free periods are taken into account if known.

**PRICE AND RENTAL MOVEMENTS IN 2011**

(based on Appendices B &amp; C)

Private Property Category (Territory-wide)	% Change*	
	<u>4Q 2011*</u> 4Q 2010	
	Price	Rent
Domestic Premises : Small and Medium Units (Saleable Area less than 100m <sup>2</sup> )	12.3	7.8
Large Units (Saleable Area 100m <sup>2</sup> or above)	7.5	5.6
<b>Overall</b>	<b>12.1</b>	<b>7.6</b>
Offices : Grade A	15.8	19.6
Grade B	22.3	11.0
Grade C	24.2	10.1
<b>Overall</b>	<b>20.0</b>	<b>16.1</b>
Retail Premises :	19.3	8.9
Flatted Factories :	26.8	8.4

\* Provisional - liable to change as further data becomes available for analysis.