

# MAINLAND CHINA AND HONG KONG RESIDENTIAL MARKETS

Press Conference  
by Knight Frank and Beijing Holdways  
10 December 2015





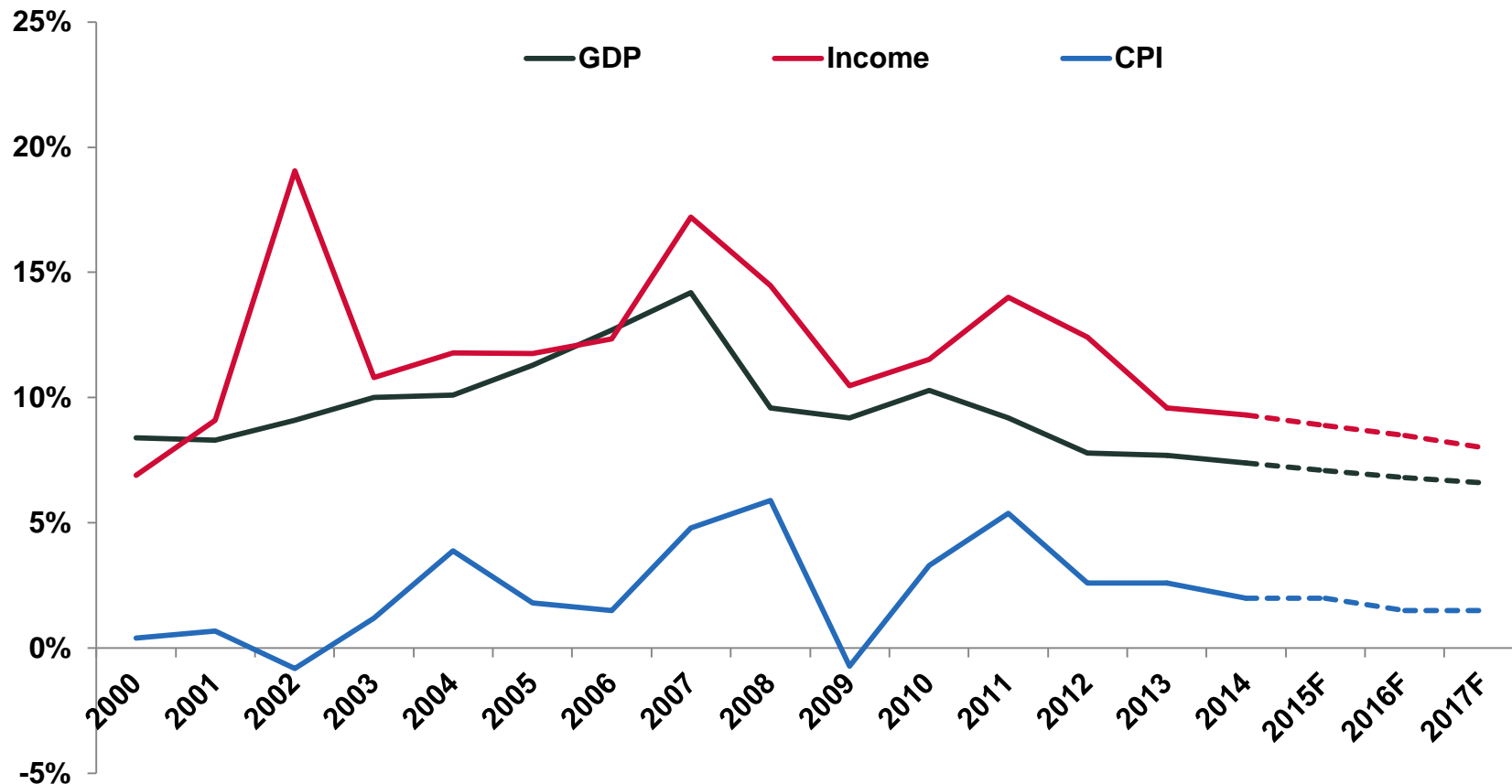
# MAINLAND CHINA'S ECONOMY AND POLICIES

**Presented by Nancy Cheng, Marketing Director,  
Beijing Holdways**



## Changes of Mainland China's GDP, Household

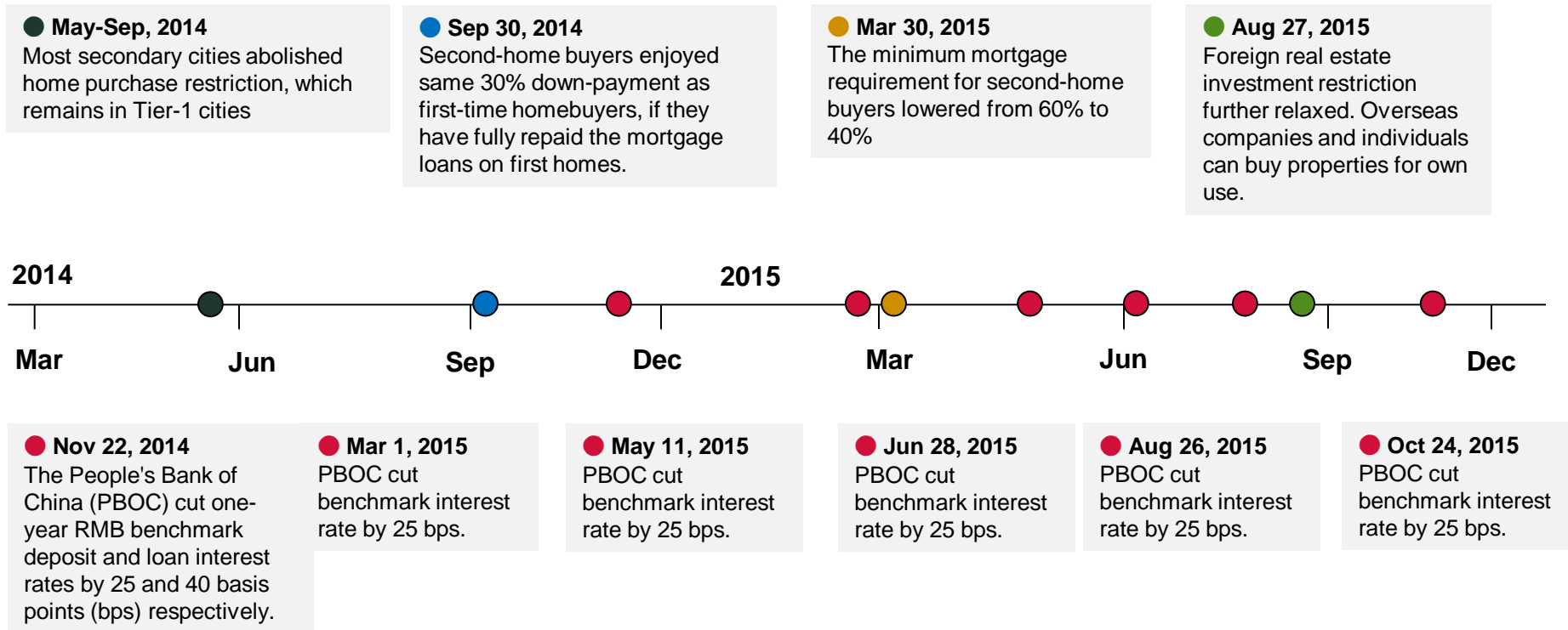
### Income & CPI



# MAJOR RESIDENTIAL MARKET POLICIES



**HOLDWAYS**



# IMPACT OF POLICY RELAXATION ON HOME PRICES



**HOLDWAYS**



Mainland Chinese cities	Home purchase restriction	Average home price Y-o-Y change in Sep 2015
Beijing, Shanghai, Guangzhou, Shenzhen and Sanya	Still in place	↑ 11%
Others	Removed	↓ 3%

Source: National Bureau of Statistics / Knight Frank Research



# CITIES TO BENEFIT FROM "ONE BELT ONE ROAD" INITIATIVE



**HOLDWAYS**



**Land-based "Silk  
Road Economic Belt"  
(SREB)**



**Ocean-based  
"Maritime Silk  
Road" (MSR)**

- Mainland China's target GDP growth above 6.5% in five years to 2020. PBOC is expected to cut interest rate by 50 bps and required reserve ratio by 150 bps before June 2016.
- Relaxation of Home Purchase Restriction (HPR) in Beijing, Shanghai, Guangzhou, Shenzhen and Sanya unlikely due to strong demand.
- Other relaxing measures such as the lowering of minimum mortgage ratios and transaction taxes expected in 2016.
- Cities along "One Belt One Road" route likely to see policy support, regarding especially infrastructure.



# MAINLAND CHINA'S RESIDENTIAL PRICE TREND, SALES AND INVENTORY

**Presented by David Ji, Director and Head of  
Research & Consultancy, Greater China**



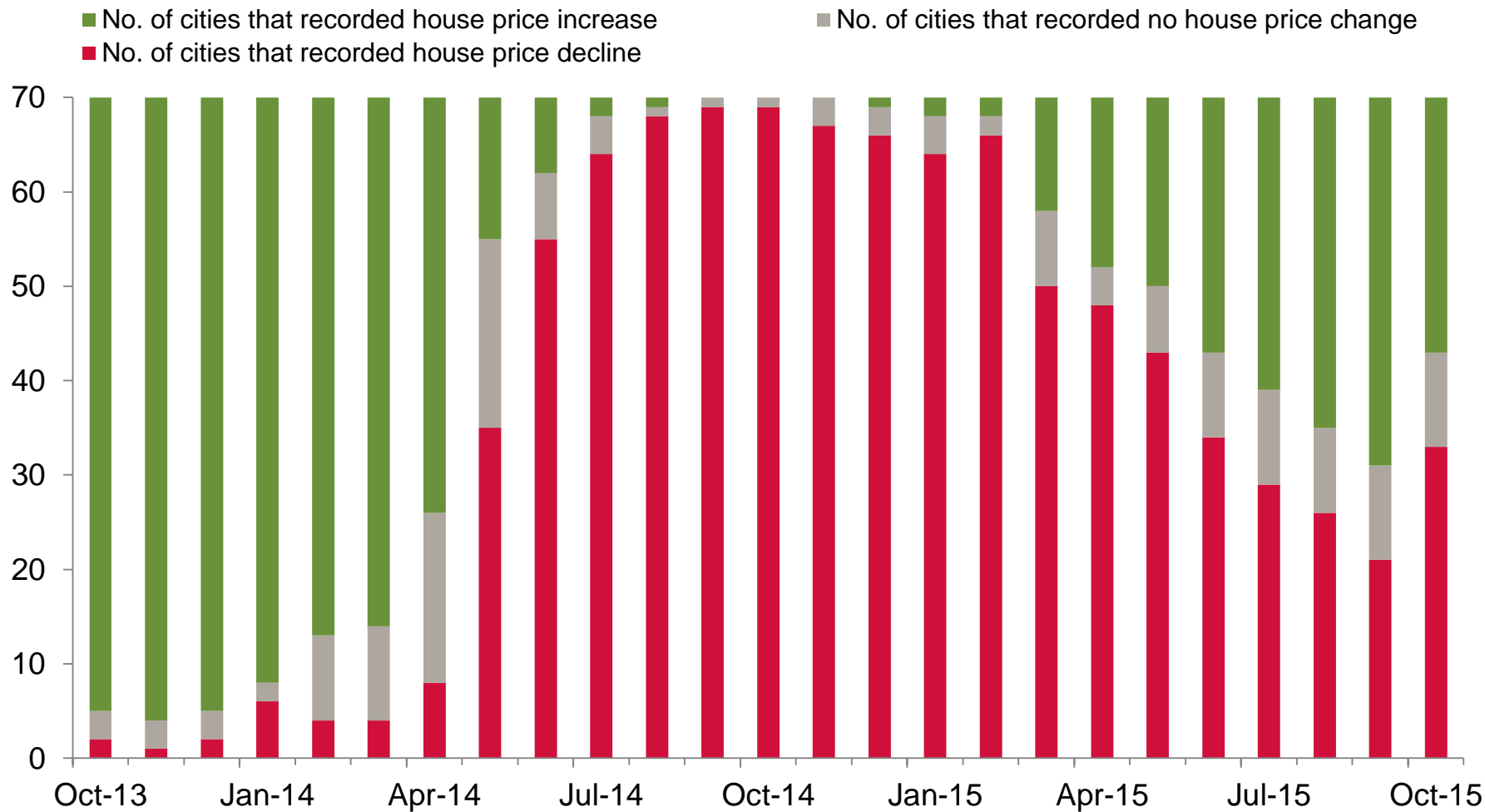
# MORE CHINESE CITIES SAW HOME PRICES INCREASE



**HOLDWAYS**



## Monthly residential price change in 70 major Chinese cities



Source: National Bureau of Statistics / Knight Frank Research

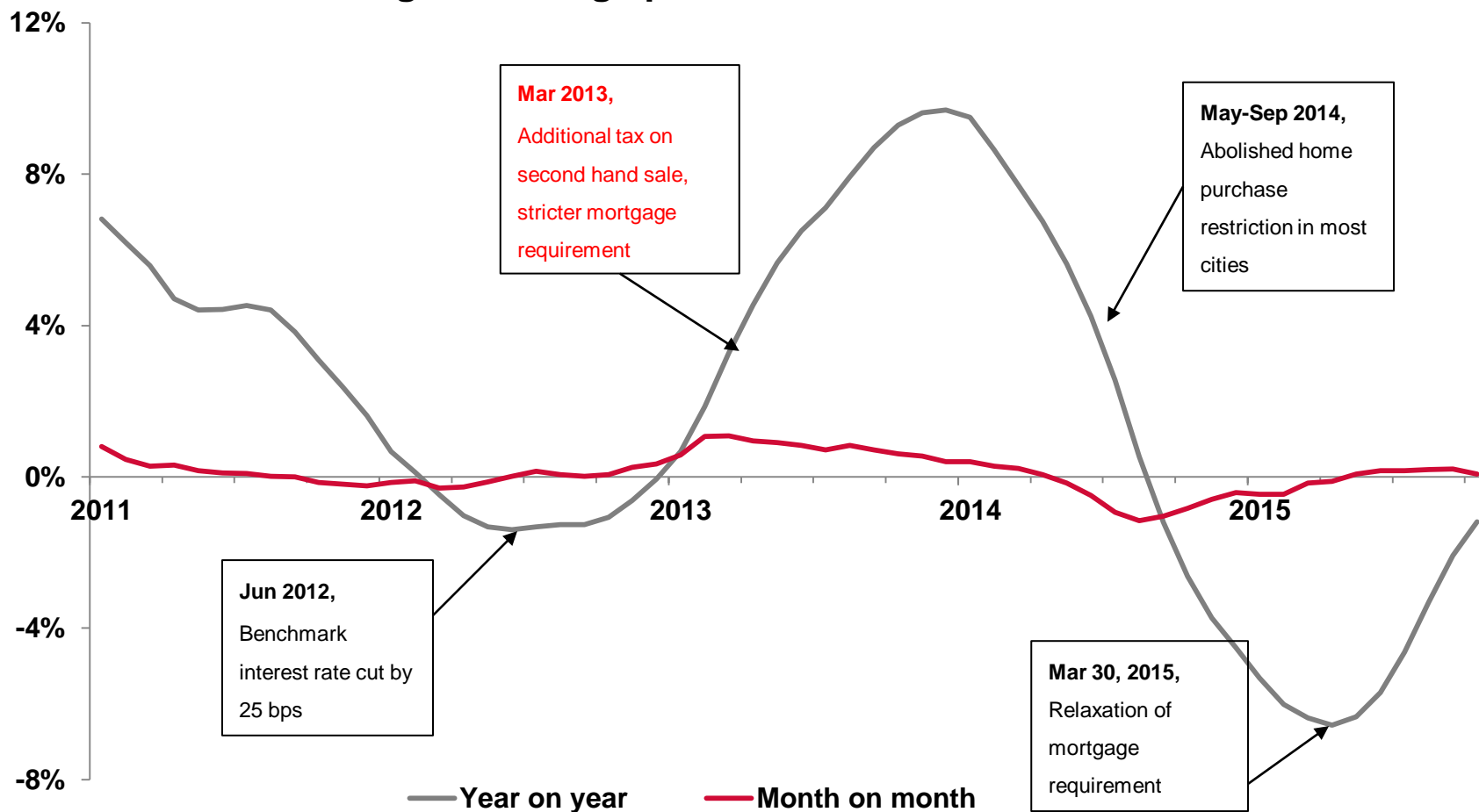
# MAKRET STARTED TO IMPROVE SINCE Q1 2015



**HOLDWAYS**



## Change in average prices for new homes in 70 cities



# 10 BEST AND WORST-PERFORMING MAINLAND CITIES IN HOME PRICES



**HOLDWAYS**



Rank	Mainland cities	Y-o-Y change	Mainland cities	Y-o-Y change
1	Shenzhen	↑ 40.5%	Zhanjiang	↓ 6.5%
2	Shanghai	↑ 12.7%	Dandong	↓ 6.2%
3	Beijing	↑ 8.1%	Jinzhou	↓ 5.8%
4	Guangzhou	↑ 7.1%	Xiangyang	↓ 5.0%
5	Nanjing	↑ 5.1%	Shaoguan	↓ 4.9%
6	Hangzhou	↑ 3.2%	Bengbu	↓ 4.7%
7	Xiamen	↑ 2.9%	Nanchong	↓ 4.5%
8	Wuhan	↑ 2.6%	Hohhot	↓ 4.5%
9	Zhengzhou	↑ 1.9%	Guilin	↓ 4.5%
10	Ningbo	↑ 1.8%	Yinchuan	↓ 4.4%

Note: October 2015

Source: National Bureau of Statistics / Knight Frank Research

# FIRST-TIER CITIES LUXURY HOME PRICES CONTINUED TO RISE

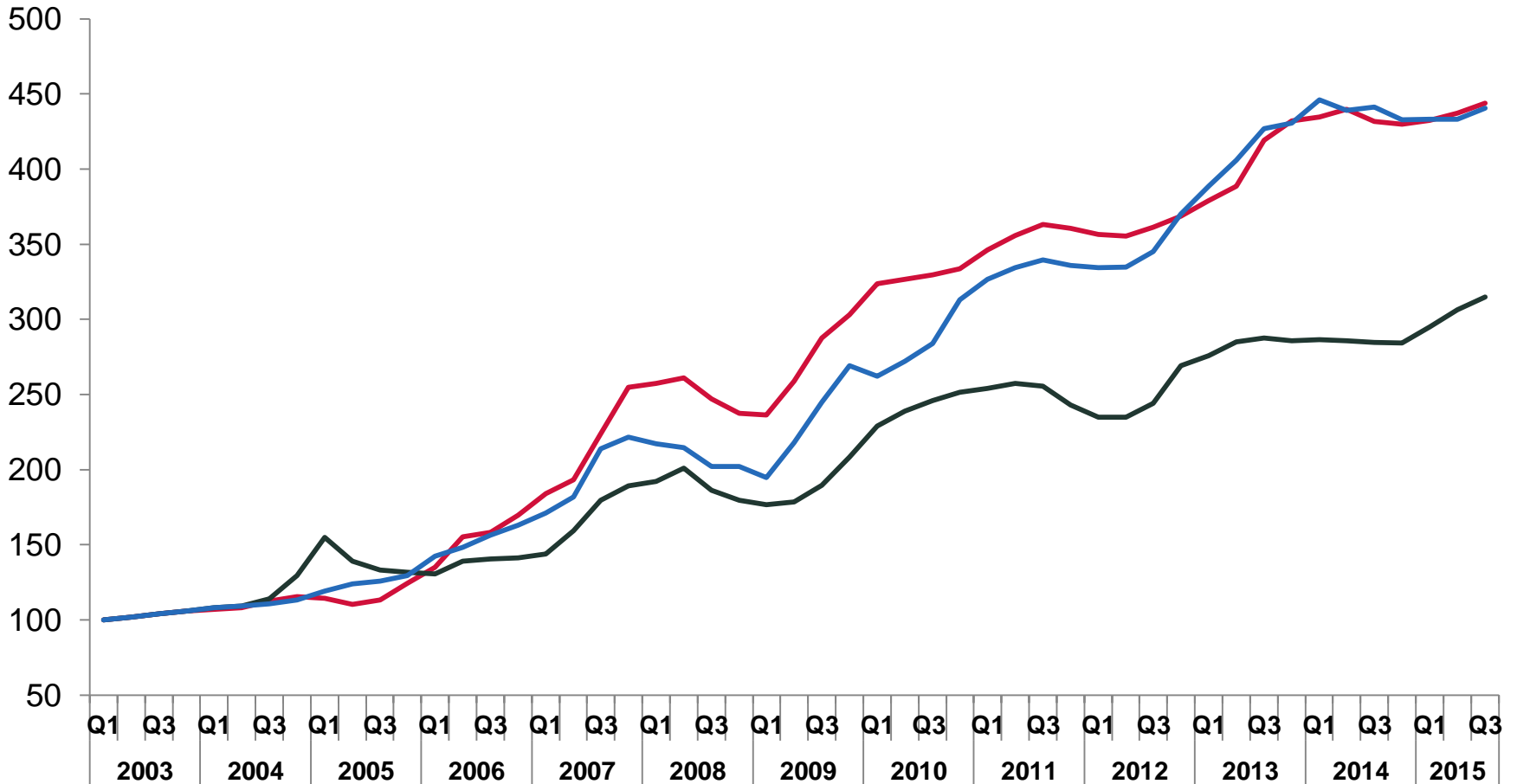


**HOLDWAYS**



**Index  
(Q1 2003 = 100)**

— Beijing — Shanghai — Guangzhou





# MASS HOME PRICES REBOUNDED AFTER HITTING THE BOTTOM IN LATE 2014

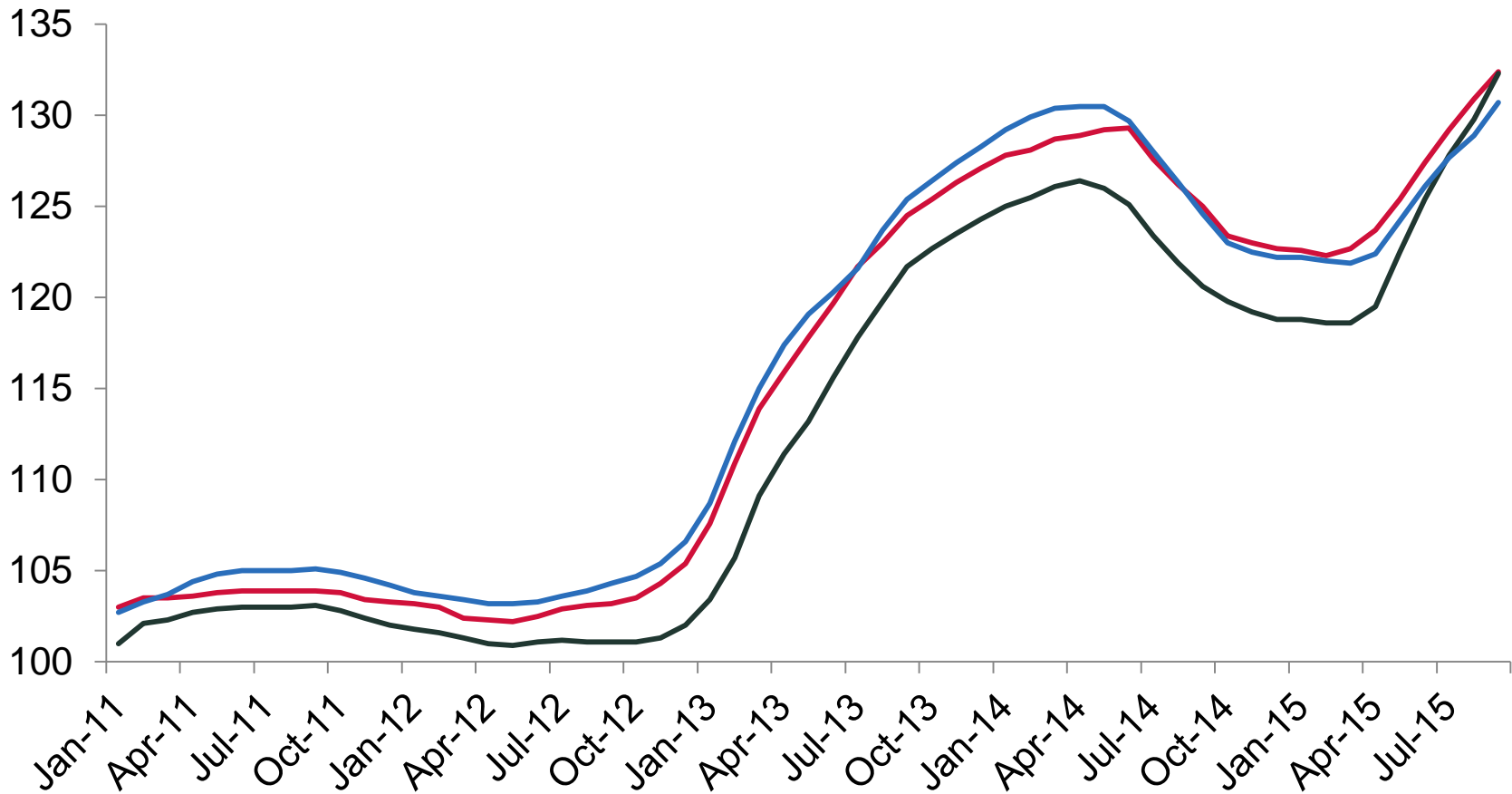


**HOLDWAYS**



Index  
(Jan 2010=100)

— Beijing — Shanghai — Guangzhou



# HOME PRICES LESS VOLATILE THAN STOCK PRICES

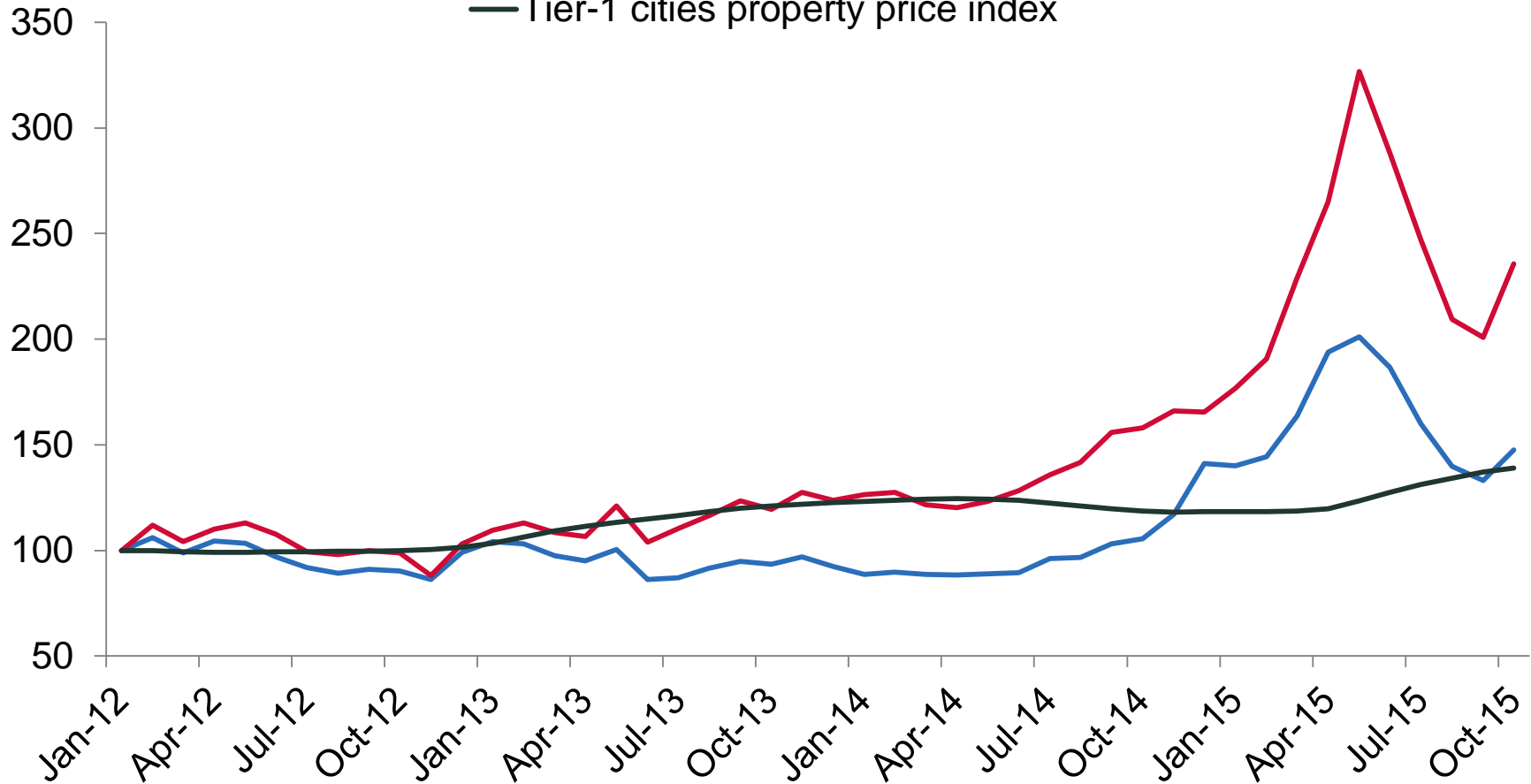


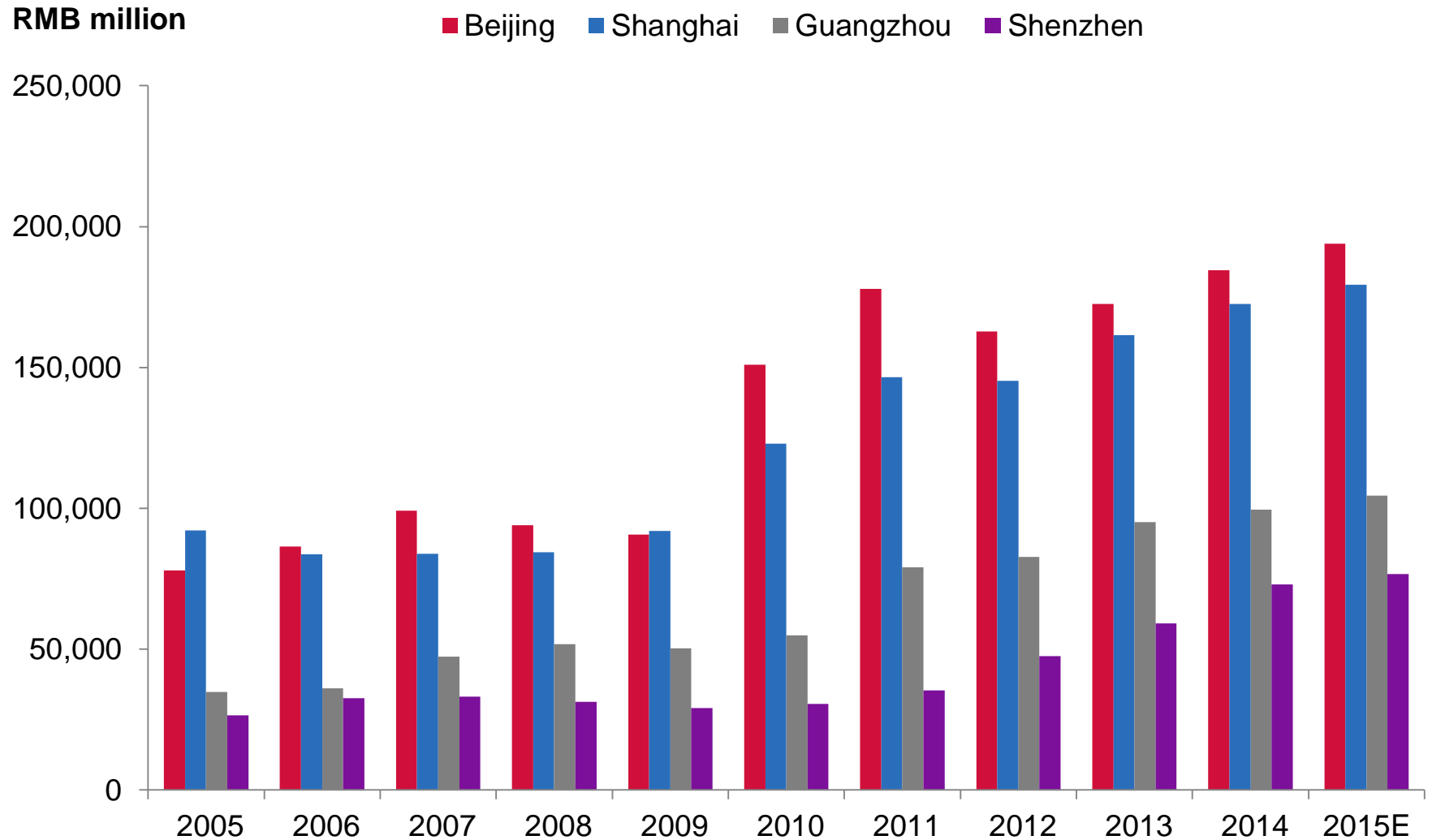
**HOLDWAYS**



**Index**  
(Jan 2012=100)

- Shanghai Stock Exchange Composite Index
- Shenzhen Stock Exchange Composite Index
- Tier-1 cities property price index

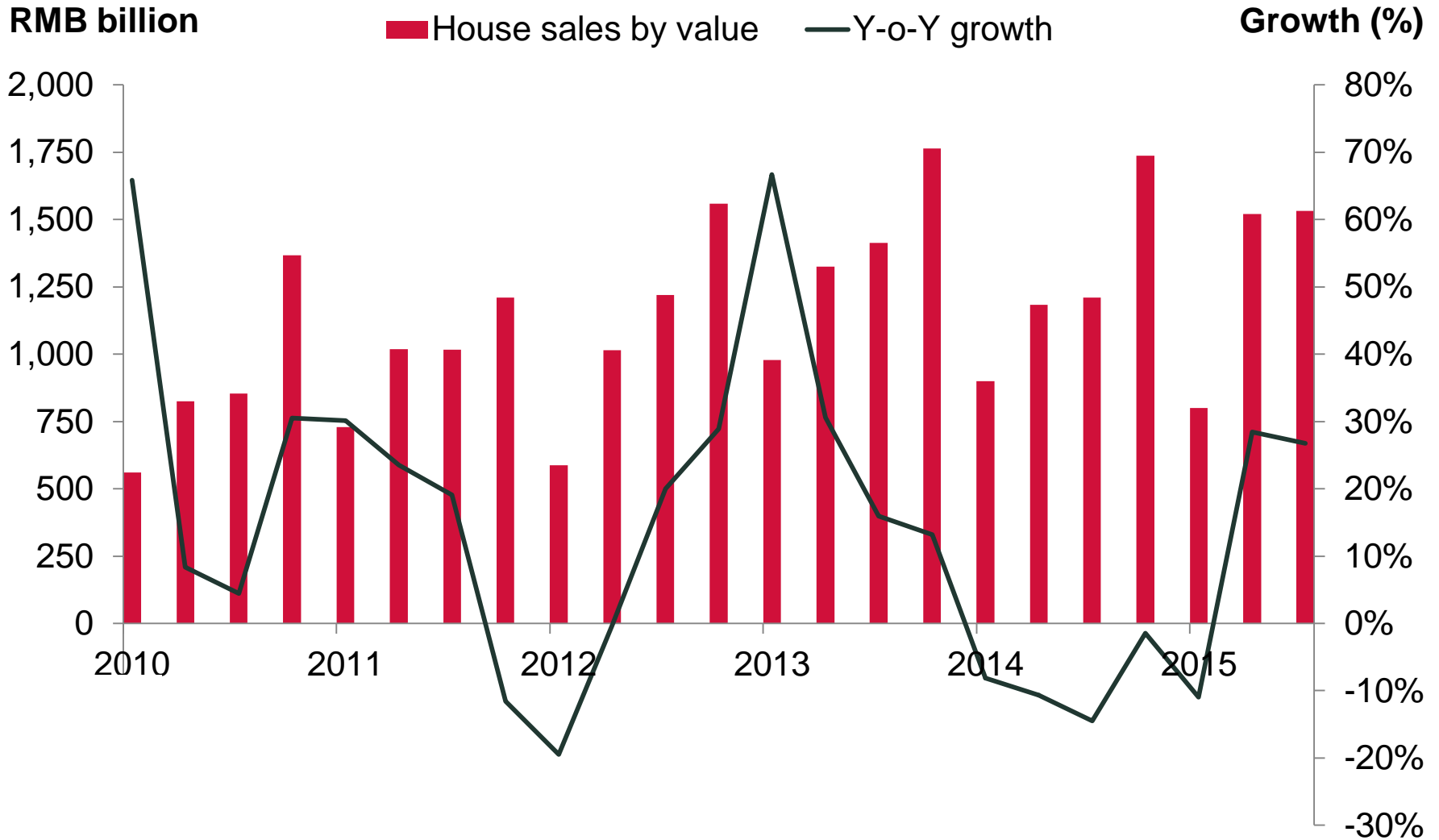




# HOUSE SALES VALUE



**HOLDWAYS**





# POLICY IMPACT—DEVELOPERS PULL BACK RESIDENTIAL STARTS



**HOLDWAYS**

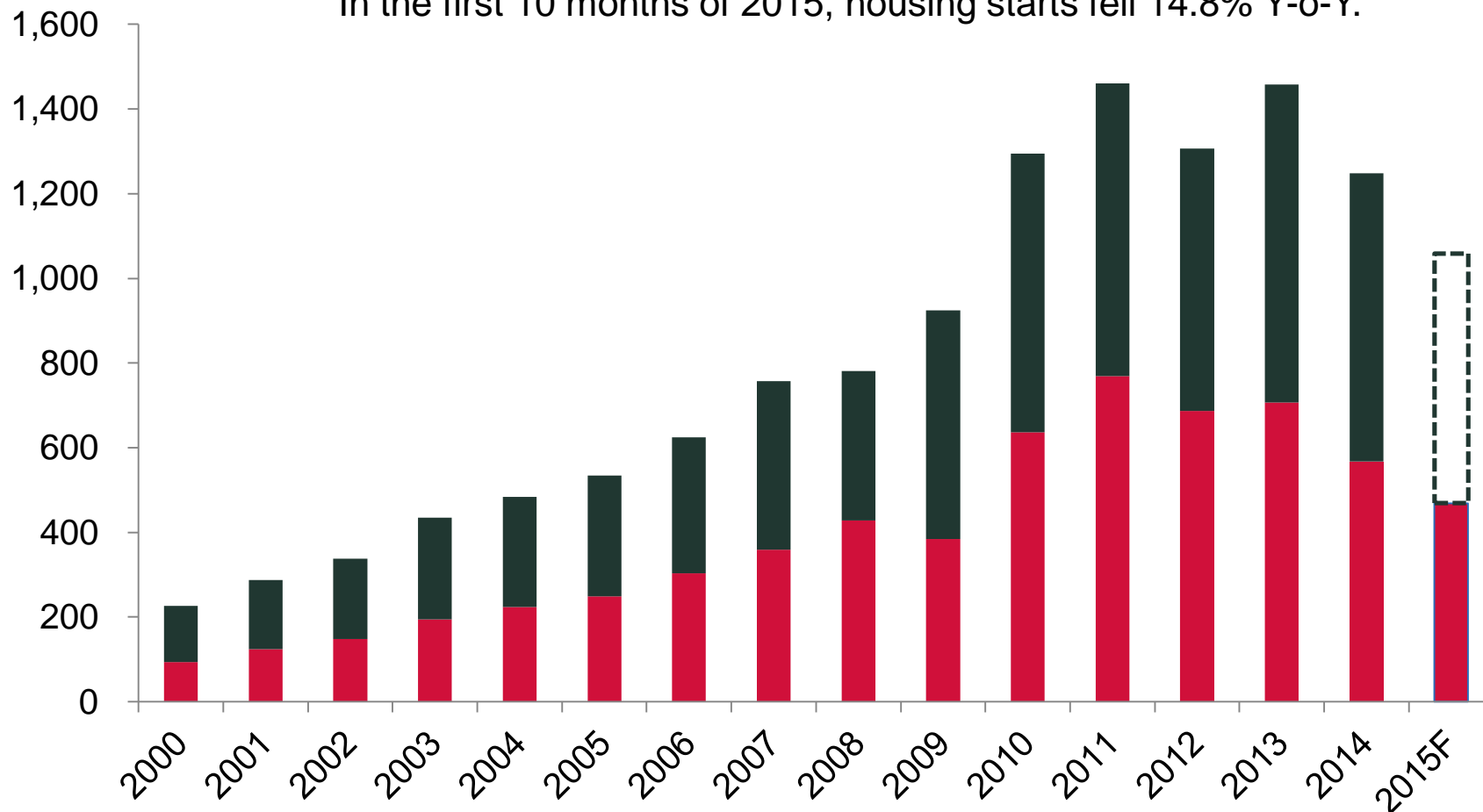


**Floor space  
(million sqm)**

■ First half

■ Second half

In the first 10 months of 2015, housing starts fell 14.8% Y-o-Y.



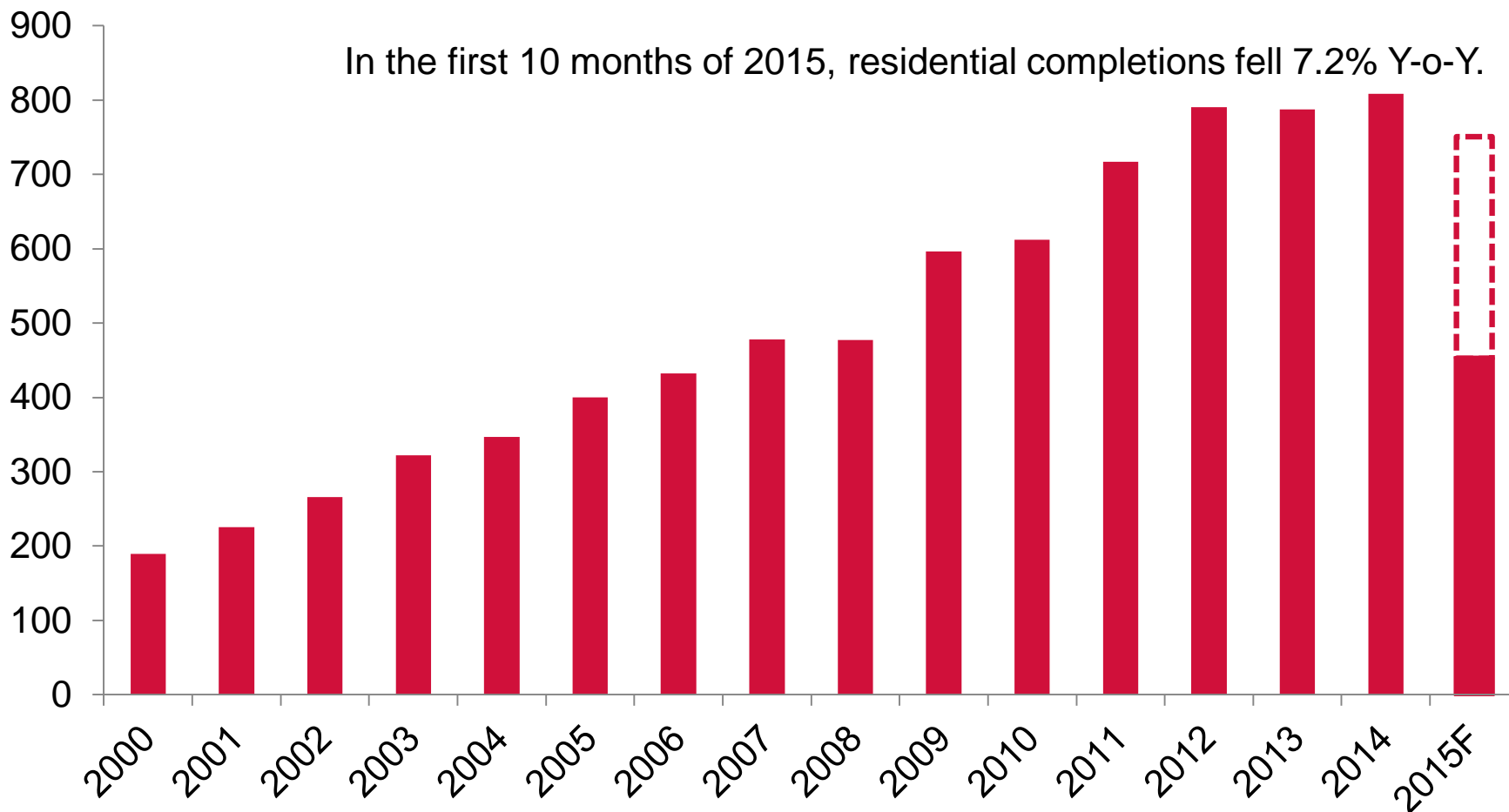
# RESIDENTIAL COMPLETIONS EXPECTED TO DECLINE IN 2015



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**Million sqm**



# HOW LONG IT TAKES TO CLEAR INVENTORY?

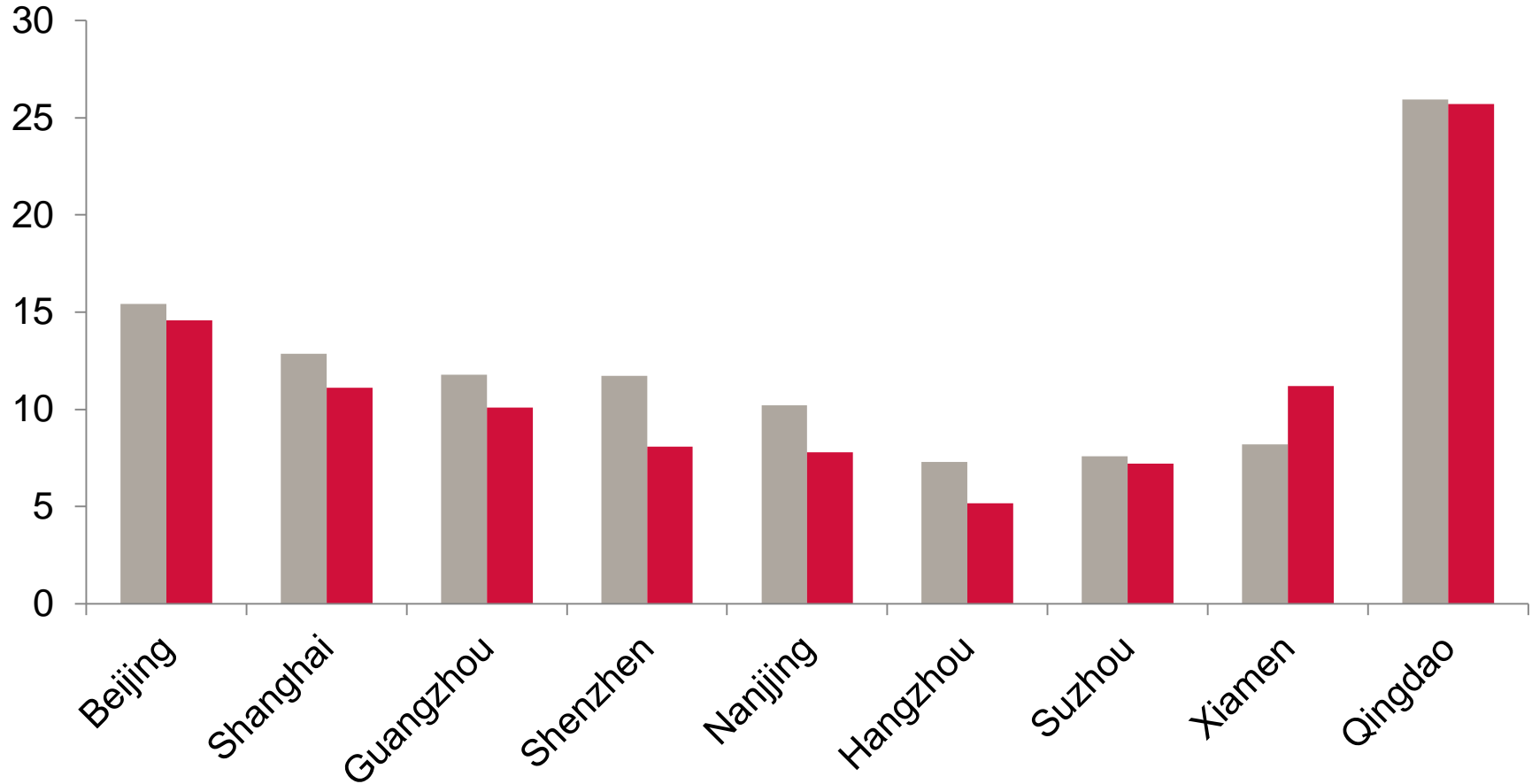


**HOLDWAYS**



## Number of months

■ 1Q 2015 ■ 3Q 2015



# MAINLAND RESIDENTIAL PRICE FORECASTS IN 2016



**HOLDWAYS**



**Knight  
Frank**

## 2016 price forecasts

First-tier cities

↑ 5-8%

Major second-tier cities

↑ 1-4%

Source: Knight Frank Research



# 10 BEST AND WORST-PERFORMERS IN HOME PRICES—2016 FORECAST



**HOLDWAYS**



Best-performing Mainland cities	Worst-performing Mainland cities
Shenzhen	Zhanjiang
Shanghai	Dandong
Beijing	Jinzhou
Guangzhou	Bengbu
Nanjing	Shaoguan

Source: Knight Frank Research



**HOLDWAYS**



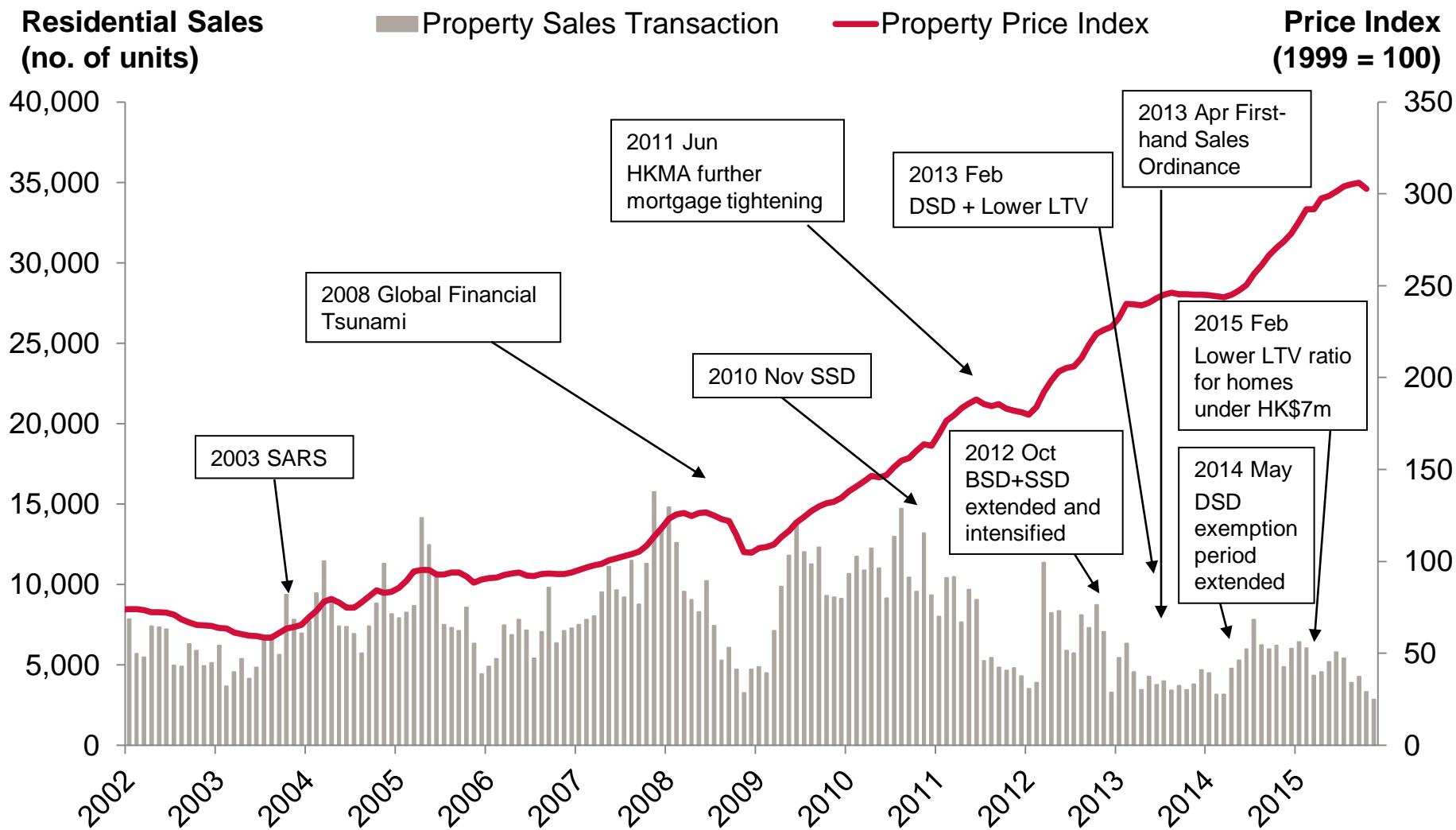
# HONG KONG RESIDENTIAL

**Presented by Thomas Lam,  
Senior Director and Head of Valuation & Consultancy**

# HONG KONG RESIDENTIAL SALES VOLUME AND PRICE



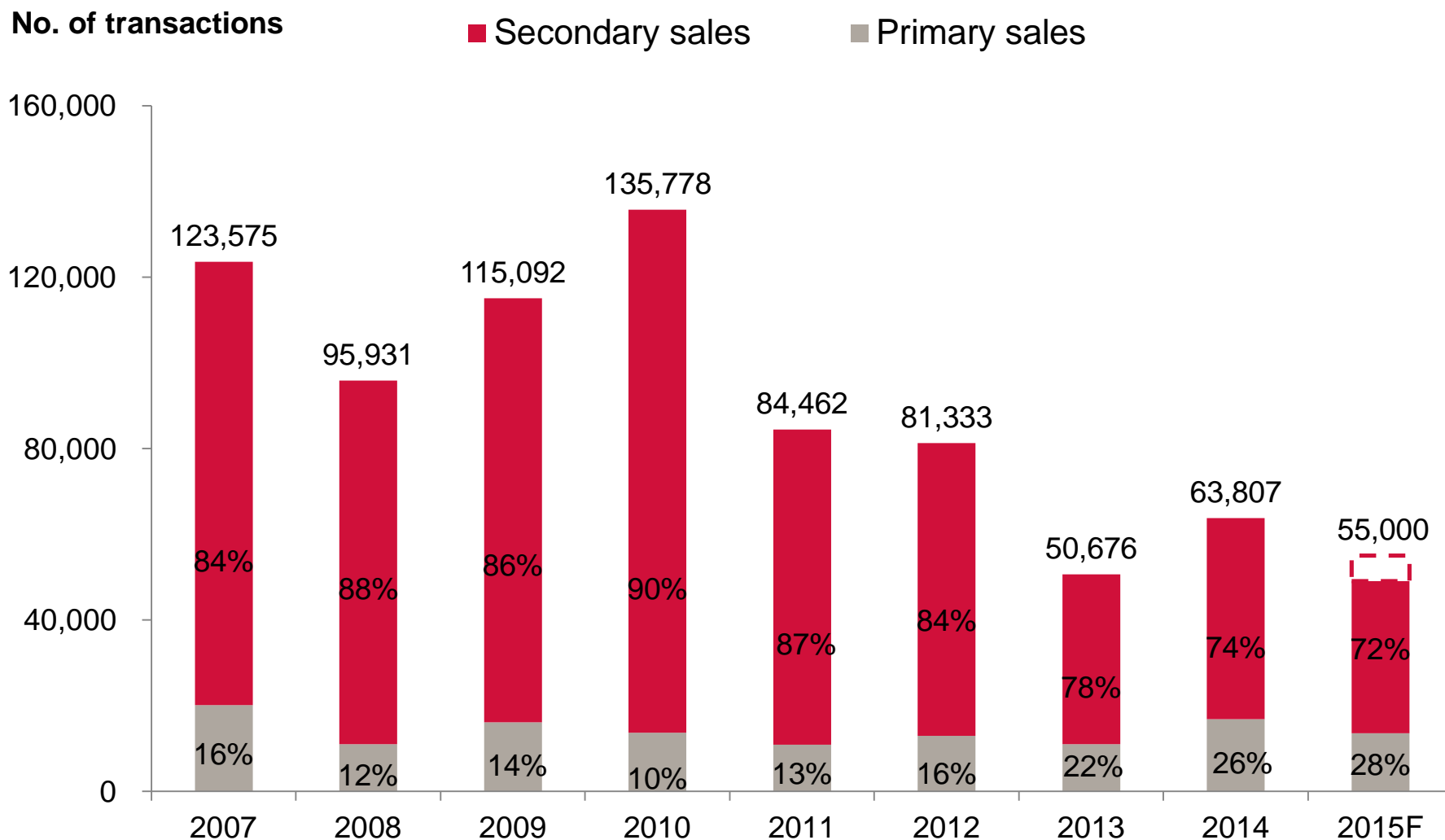
**HOLDWAYS**



# PRIMARY & SECONDARY RESIDENTIAL SALES



**HOLDWAYS**



\* 2015 figures until September

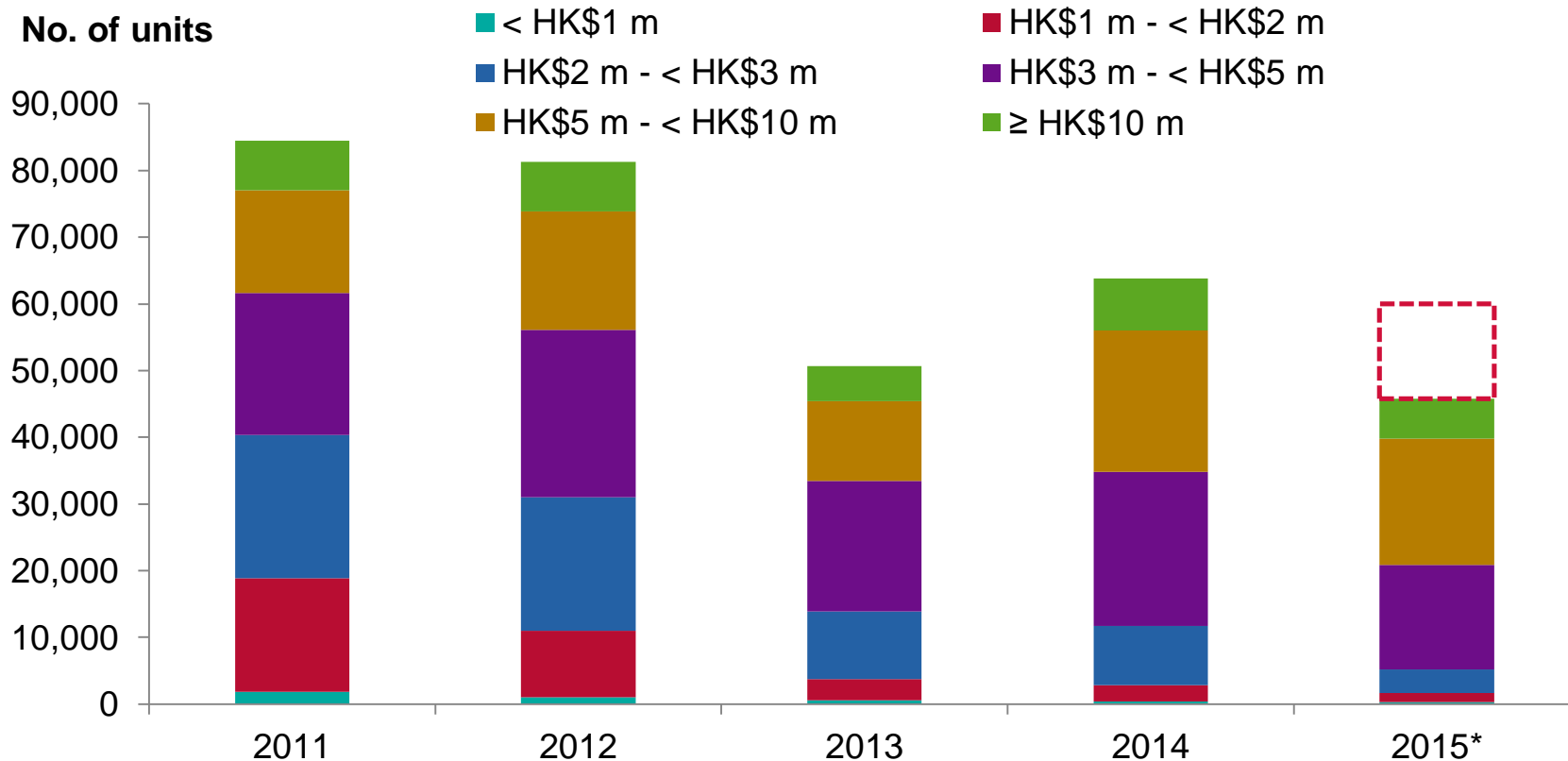
Source: Land Registry / Knight Frank Research



# RESIDENTIAL SALES BY CONSIDERATION



**HOLDWAYS**



	2011	2012	2013	2014	2015
> HK\$10 million	9%	9%	10%	12%	13%

\* First three quarters of 2015

Source: Land Registry / Knight Frank Research

# RESIDENTIAL SALES BY FLAT SIZE

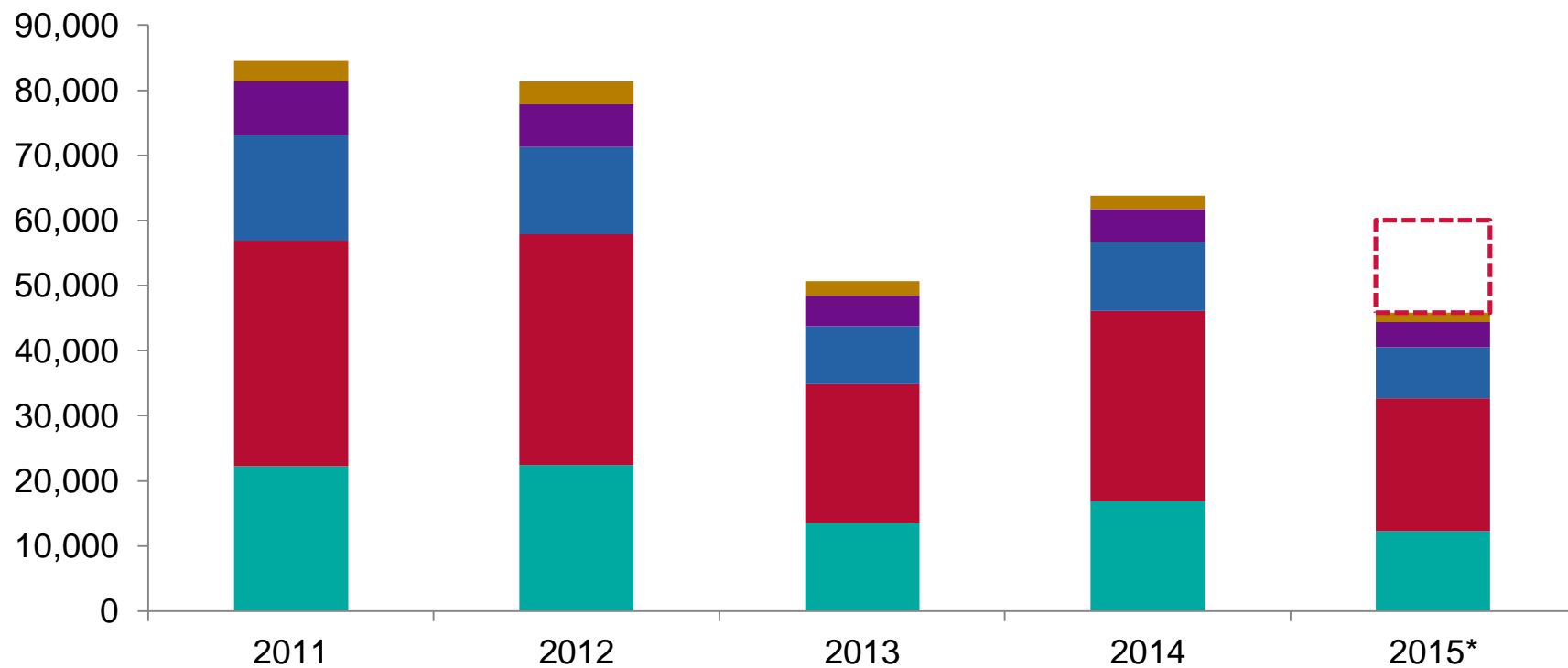


**HOLDWAYS**



**No. of units**

■ <400 sq ft 
 ■ 401-600 sq ft 
 ■ 601-800 sq ft 
 ■ 801-1,200 sq ft 
 ■ >1,200 sq ft



	2011	2012	2013	2014	2015
< 600 ft	67%	71%	69%	72%	71%

\* First three quarters of 2015

Source: MWPIC / Knight Frank Research

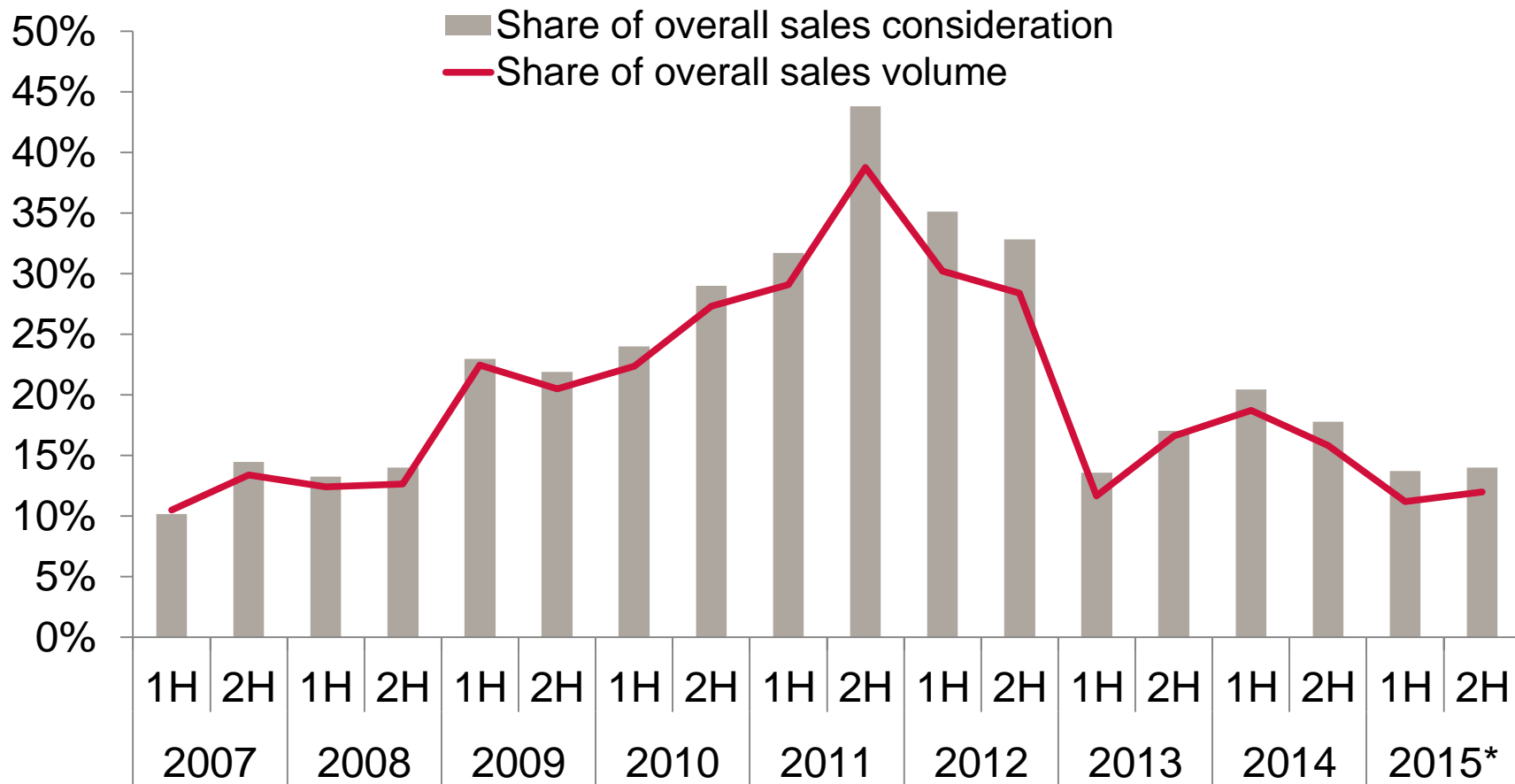
# SHARE OF MAINLAND BUYERS IN LUXURY RESIDENTIAL MARKET



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## Share of Mainland buyers of Hong Kong private residential units worth HK\$12 million or above



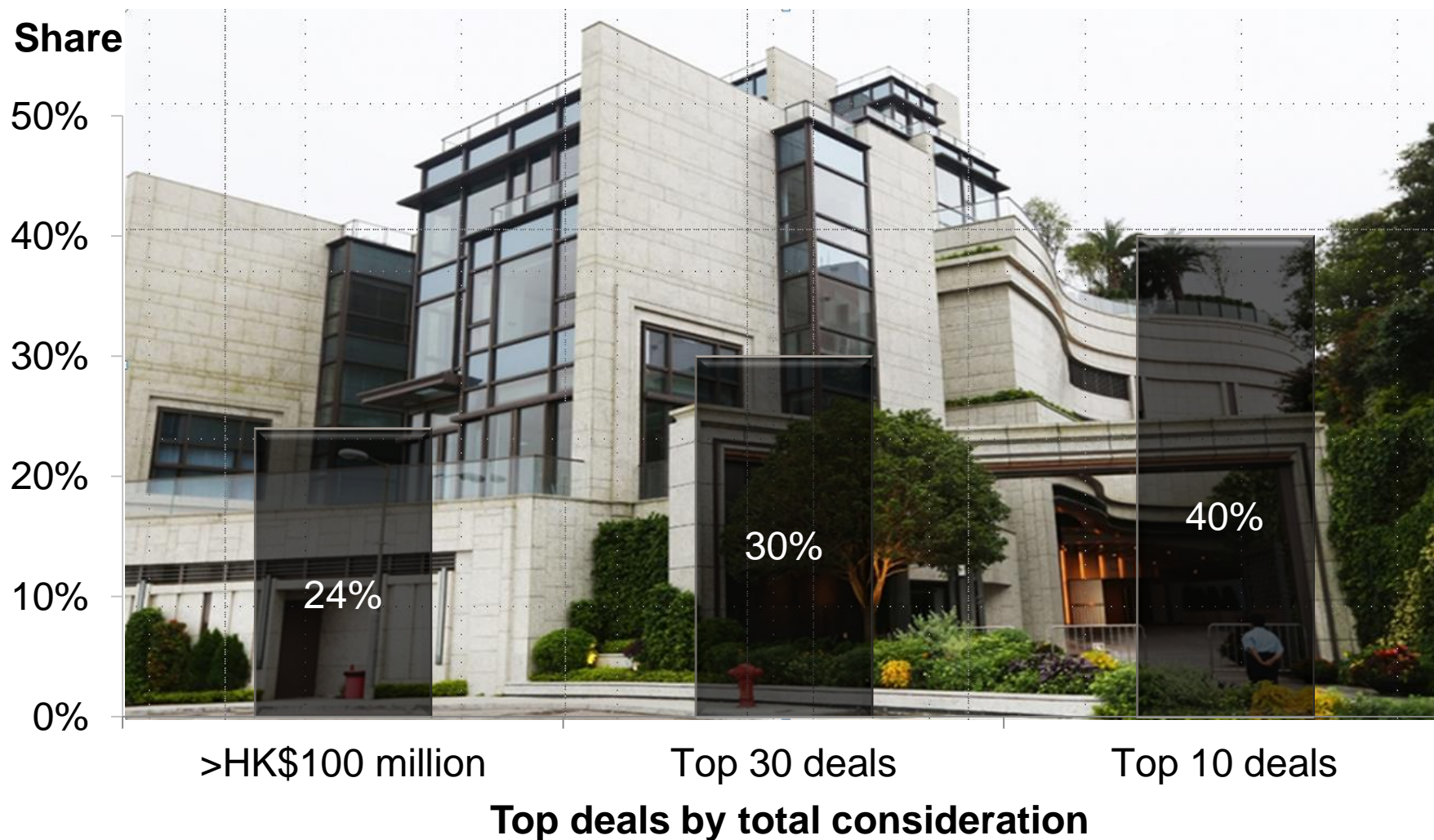
\* Estimation

Source: Public sources / Knight Frank Research

# SHARE OF LUXURY DEALS INVOLVING MAINLAND BUYERS



**HOLDWAYS**



Note: Covering luxury residential transactions in the first 10 months of 2015

Source: Public sources / Knight Frank Research

# GENERAL AFFORDABILITY



**HOLDWAYS**

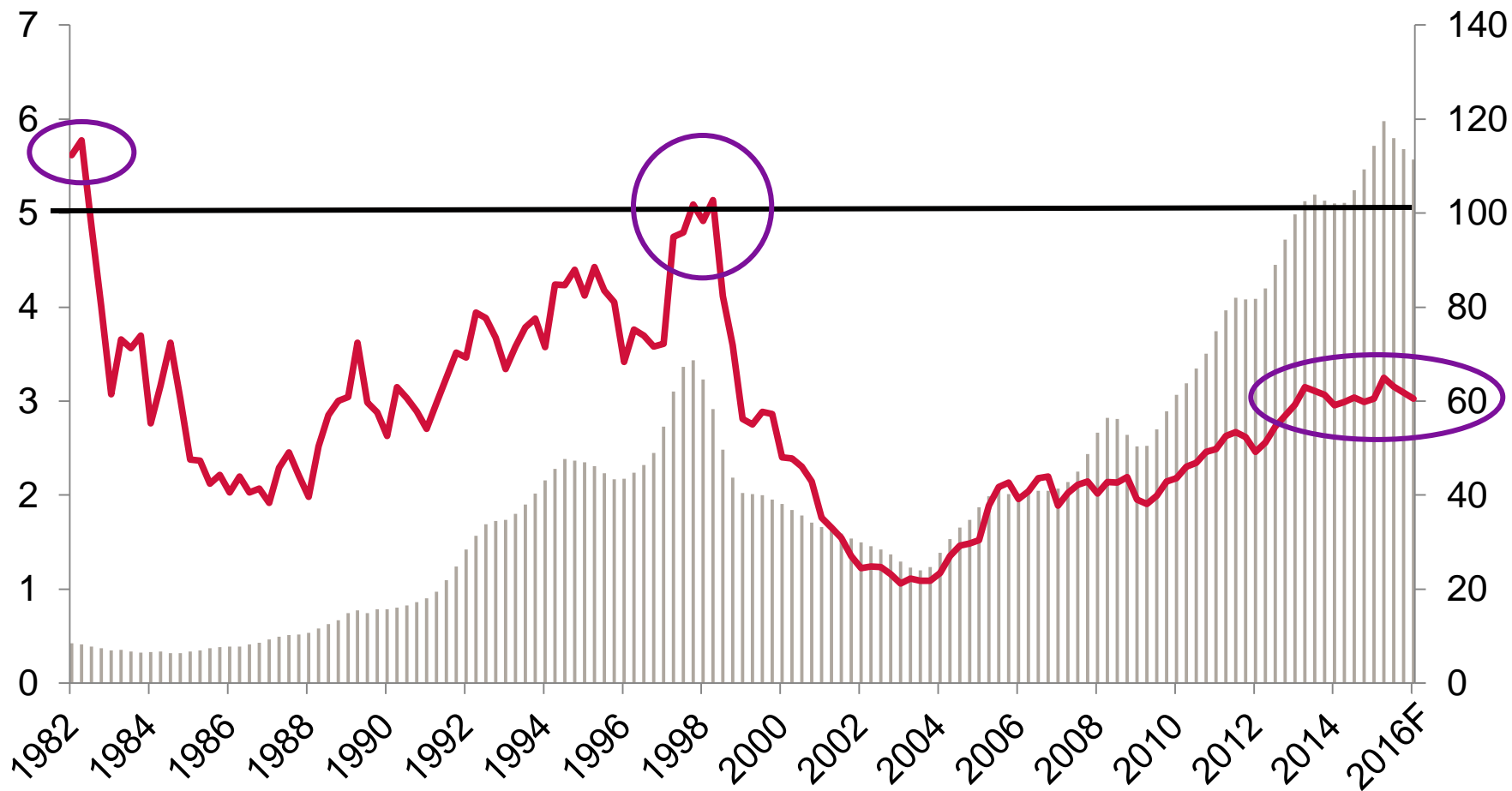


**Home Price  
(HK\$ Million)**

■ Average Home Price

— Affordability Ratio

**Affordability  
Ratio**



Note: Affordability Ratio=monthly mortgage payment / average private household monthly income, assuming **20-year repayment period**

Source: Rating and Valuation Department / Knight Frank

# IMPACT ON AFFORDABILITY IF MORTGAGE RATE RISES



**HOLDWAYS**



Mortgage rate changes	Monthly repayment (for every HK\$1 million loan)	% increase from current level
+0 bps (2.5%, current level)	HK\$5,300	-
+100 bps (3.5%)	HK\$5,800	+10%
+200 bps (4.5%)	HK\$6,330	+20%
+300 bps (5.5%)	HK\$6,880	+30%
+400 bps (6.5%)	HK\$7,460	+40%

**Note: Assume home prices remains unchanged at current levels and a 20-year repayment period**

Source: Knight Frank Research

# REDUCTION ON HOME PRICES TO KEEP AFFORDABILITY UNCHANGED



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Mortgage rate changes	Home price reduction
+0 bps (2.5%, current level)	-
+100 bps (3.5%)	↓ 9%
+200 bps (4.5%)	↓ 16%
+300 bps (5.5%)	↓ 23%
+400 bps (6.5%)	↓ 29%

Source: Knight Frank Research

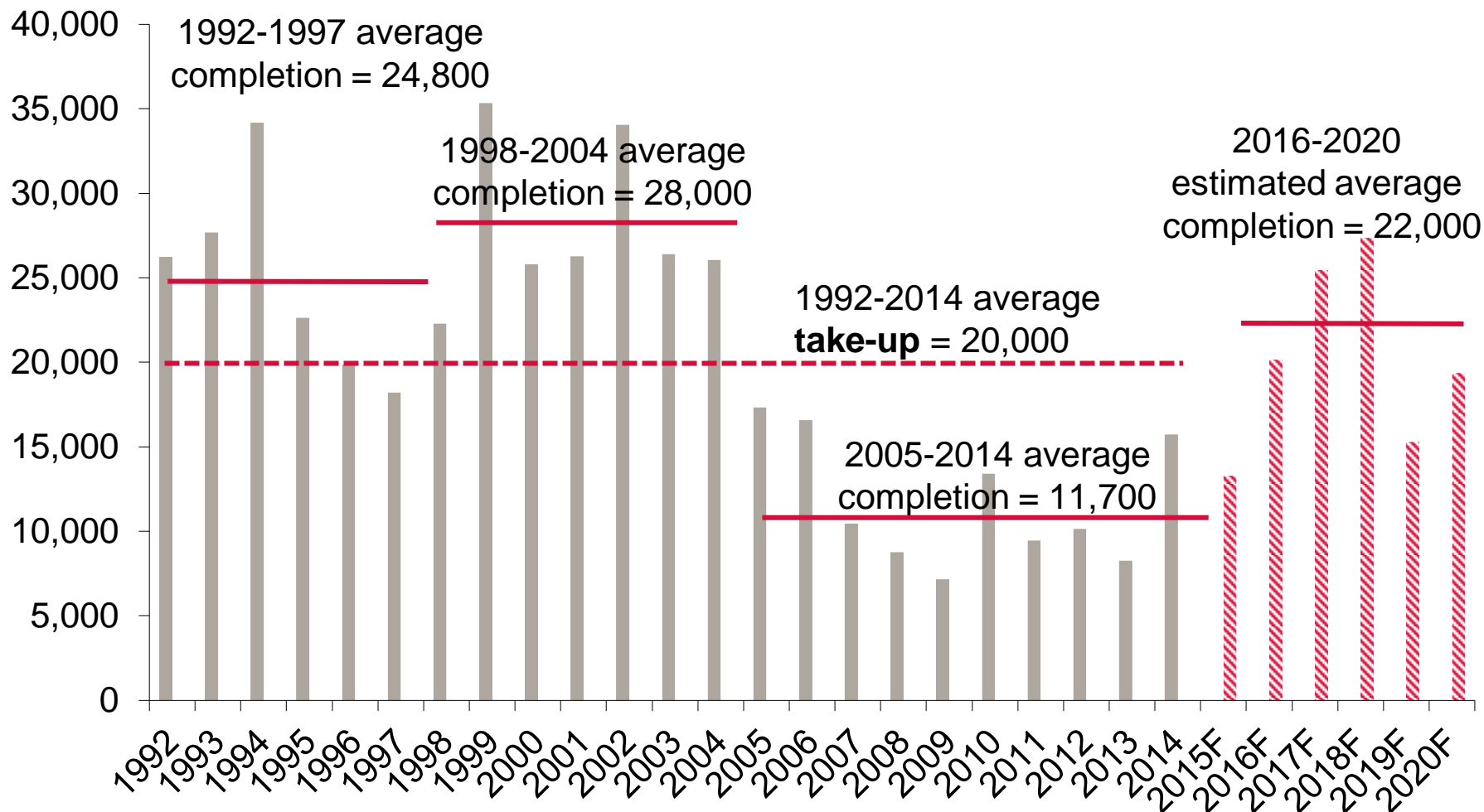
# COMPLETION OF RESIDENTIAL UNITS IN HONG KONG



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## No. of units

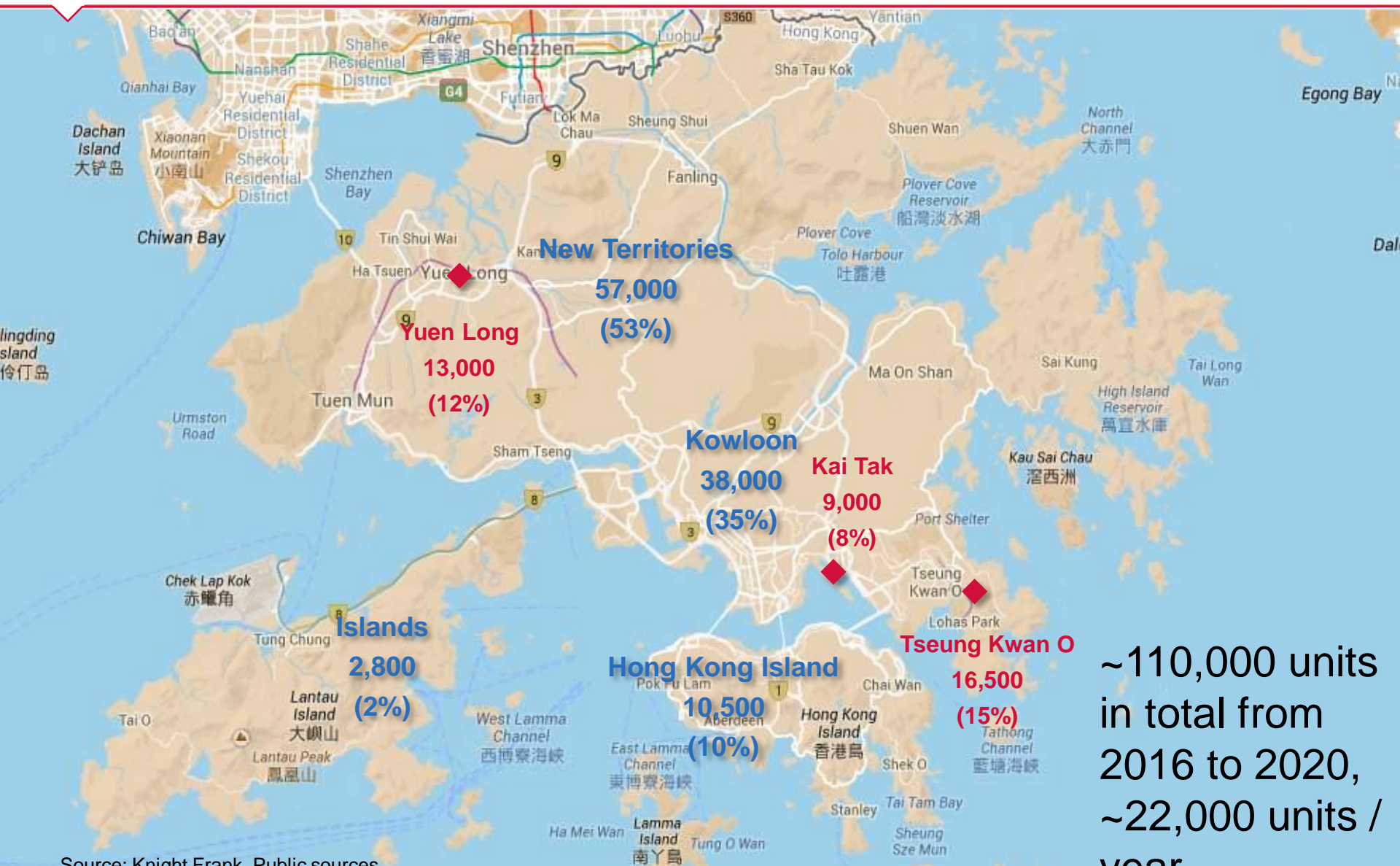




# ESTIMATED RESIDENTIAL COMPLETION FROM 2016 TO 2020



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Source: Knight Frank, Public sources

# HONG KONG RESIDENTIAL MARKET OUTLOOK IN 2016



**HOLDWAYS**



Indicator	2016 forecast
Luxury residential prices	↓ 5%
Luxury residential rents	↓ 5-8%
Mass residential prices	↓ 5-10%
Mass residential rents	↓ 5%

Source: Knight Frank Research

Q & A

**Knight Frank****Hong Kong**

4/F Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong  
Tel +852 2840 1177  
Fax +852 2840 0600

**Shanghai**

17/F Eco City  
1788 West Nanjing Road  
Jing'an District  
Shanghai 200040 PRC  
Tel +86 21 6032 1788  
Fax +86 21 6032 1799

**Beijing**

Suite 302, Tower E1, Oriental Plaza  
No 1 East Chang An Avenue  
Dong Cheng District  
Beijing 100738 PRC  
Tel +86 10 6113 8010  
Fax +86 10 8518 5755

**Guangzhou**

Unit 3306, Tower B, China Shine Plaza  
9 Linhe Xi Road  
Tianhe District  
Guangzhou 510610 PRC  
Tel +86 20 3877 1477  
Fax +86 20 3877 1470

**Macau**

Suite A, 16th Floor  
Edificio Great Will  
No 665 Avenida da Praia Grande  
Macau  
Tel +853 2838 9781  
Fax +853 2838 9782

**Taipei**

5/F, No 1 Songzhi Road  
Xinyi District  
Taipei City 110  
Taiwan (ROC)  
Tel +886 2 8729 8799  
Fax +886 2 8729 8788

**Holdways****Beijing**

2/F, Block 10, District 12 Headquarters Base,  
188 South Fourth Ring Road West  
Feng Tai District  
Beijing 100070 PRC  
Tel + 86 10 5128 4009  
Fax +86 10 6370 6691

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