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HONG KONG CAR PARK ACHIEVES RECORD LAND PRICE WITH \$3BN SALE 1

Hong Kong car park achieves record land price with \$3bn sale

Sum paid for site implies office rent 50% above HK's priciest tower

A Hong Kong developer has paid \$3bn for an old five-storey car park, the latest indicator of the frenzied state of Hong Kong's property market.

The sale was the first in Hong Kong's premier Central district since the territory was handed over to China by the UK in 1997.

The sale sets the world's most expensive city even further apart from its rivals. Local developer Henderson Land bought a site covering 31,000 square feet, paying HK\$50,064 (\$6,400) per square foot based on its potential gross footage, once redeveloped.

Henderson's price was a record lump sum for Hong Kong and a record also per square foot.

The company would need to charge as much as \$419 per square foot per year in rent for office space — about 50 per cent more than the most sought-after units on the top floors of the city's premier building, Two International Financial Centre — according to analysts at Nomura who benchmarked to the yields achieved by Henderson's rivals.

Office rents have soared in Hong Kong and vacancy rates have remained stubbornly low as an influx of Chinese tenants has raised prices at Two IFC to as much as \$279 per square foot per year. Those rents are 75 per cent higher than the equivalent in New York, which hosts the world's second-most expensive offices.

But other property experts said that the price Henderson paid for its car park looked more eye-catching than eye-watering when the site's rarity and Hong Kong developers' long-term approach were taken into account.

"It seems outrageous but it's not totally stupid," said Peter Churchouse, a Hong Kong-based property expert, who estimated the development could yield between 2.5 and 3 per cent "The price seems high given we've got interest rates about to go up but that's not a totally unreasonable rate."

Prime commercial property in top Asian cities such as Hong Kong, Singapore and Tokyo rarely changes hands. For example Hongkong Land, the property arm of Hong Kong-based conglomerate Jardine Matheson, bought its first plots in Central in 1901 and still owns them today.

No other sites in Central Hong Kong are expected to come up in the next few years.

Mr Churchouse said he was far more bearish when Hongkong Land bought a site, now known as Exchange Square, in the 1980s, after which prices crashed 70 per cent.

"That almost brought them down — and others — but they've all learned the lesson and are now about the least leveraged developers in the world. That's also why Henderson can afford this deal," he added.

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Henderson is controlled by Lee Shau-kee, Hong Kong's second-richest tycoon and worth \$21bn, according to Bloomberg. At 89, Mr Lee is six months older than his great rival and the city's richest tycoon, Li Ka-shing, whose Cheung Kong empire also bid for the car park.

The site, at Murray Road, is squeezed between Mr Li's flagship Cheung Kong Center, home to companies including Goldman Sachs, Bloomberg and Barclays, and his smaller Hutchison House. While Mr Lee has been a partner in landmark developments such as the IFC complex, Henderson has never had a prime building of its own.

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