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Hong Kong Apartment Breaks Price Records

The apartment is one of a string of record-breaking sales in the super luxury market

An anonymous buyer bought two adjacent apartments in a luxurious tower in the Hong Kong gated community of Mount Nicholson for a total of HK$1.16 billion (US$148.5 million) earlier this week, according to Wheelock Properties, which handled the sales for the joint project between developers Wheelock & Co. and Nan Fung Development.

The smaller of the two flats, a 4,242-square-foot residence, was sold for HK$560 million (about US$72 million), averaging HK$132,000 (about US$16,898) per square foot and setting a price record for Asia.

The larger one, sized at 4,579 square feet, cost the buyer HK$605 million (about US$77 million), or HK$131,000 (US$16,771) per square foot.

It's unknown whether the buyer plans to combine the two apartments.

Before this, the most expensive home sold in the region in terms of price per square foot was a HK$522 million (US$66.8 million) penthouse at Henderson Land Development's 39 Conduit Road, in the Mid-Levels neighborhood, averaging HK$105,000 (US$13,446) per square foot, public records show.

To put it in perspective, Manhattan's most expensive apartment, a penthouse at One57 on Billionaires' Row, sold for US$100.5 million in 2015, with an average US$9,198 per square foot.

"The market response to Mount Nicholson has been overwhelming," said Cello Chan, assistant general manager of project marketing of Wheelock Properties. "We achieved satisfactory sales results with record-breaking transaction prices."

Two homes have sold for over HK$1 billion (US$128 million) this year at Mount Nicholson, comprising 19 single-family houses and 48 apartments in four towers over three phases. The Phase I includes 17 detached houses, Phase II has two houses and 24 apartments, and Phase III includes 24 apartments.

"The record prices being paid reflect the strong demand and limited supply of 'super' luxury properties available on the market, which currently accounts for just 2% of the city's housing stock," Denis Ma, head of research at Jones Lang LaSalle (JLL) in Hong Kong, told Mansion Global.

Simon Smith, head of research at Savills Hong Kong, concurred. "This tells us that Hong Kong remains an attractive place for ultra-high net worth people to live and work in, but also reflects the scarcity value of this type of property," he said.

Super-luxury market continues to strengthen

As Hong Kong and China rapidly churn out billionaires, super-luxury homes are coveted in the city-state, which is ranked Asia's—and arguably the world's—most expensive property market.

In 2016, the Asian continent added a new billionaire about every other day, most of them from China and India, according to a world wealth report by UBS Wealth Management and PricewaterhouseCoopers.

There are 647 billionaires residing in China's mainland and 66 live in Hong Kong, according to a separate report, Hurun's The Richest People in China released in October.

The vast majority of buyers in the top-end of Hong Kong residential market are either mainland Chinese or local residents acquiring properties for their own use, according to Mr. Ma.

"The string of record-breaking transactions shows that buyers remain confident about the outlook for Hong Kong's residential property market," he said.

The high-end market will likely continue to strengthen during the remainder of the year and into 2018, according to Thomas Lam, senior director and head of valuation and consultancy at Knight Frank Hong Kong.

"Demand should remain strong amid robust financial markets around the globe," Mr. Lam said. "It is also less susceptible to potential government policy risks as luxury buyers typically have strong purchasing power."

So far in 2017, the luxury residential market in Hong Kong had been lagging behind the mass market. "Given the scarcity of luxury properties in prime locations, the super luxury market is likely to remain strong and outpace the mass market in 2018," Mr. Lam said.

Mount Nicholson to benefit from robust demand

Mount Nicholson is well positioned to benefit from the strong market demand for mega-sized ultra-luxury properties.

During this week's release, six units had to be re-tendered the following day due to keen competition, potentially selling for higher prices.

Situated on The Peak, the most prestigious address in Hong Kong, Mount Nicholson is a gated community set amid natural woodlands overlooking Victoria Harbour.

Over seven years in the making, the development was originated by an international creative team led by acknowledged masters in concept planning, architecture, interior design and craftsmanship, including Robert A.M. Stern Architects, Yabu Pushelberg, Champalimaud and David Collins Studio.

China finance official flags property tax in 'near future'

China could implement a property tax in the "near future," Huang Qifan, deputy chairman of the economic and finance committee under the National People's Congress, said at a conference on Thursday.

Huang said that a property tax will help curb speculation in the sector. China has been discussing a recurring property tax for years, but public progress on the initiative ground to a halt after a very limited pilot scheme was rolled out in 2011.

"I believe (a property tax) will happen in the near future, not take 10-20 years. It could happen in the next several years," he said.

Huang was appointed to the largely rubber-stamp parliament earlier this year and is considered a leading financial expert in China but is best known for his term as mayor of Chongqing.

Property tax touted as cure for China's ills

China may start to levy a long-expected property tax in the coming few years, a senior official with the top legislature's financial committee said at the 8th Caixin Summit on Thursday.

The central government has accelerated the drafting of a property tax law since it started to experiment with this kind of tax in some cities in 2011, hoping to diversify local governments' sources of income and control property speculation.

But the draft law has not yet been submitted to the National People's Congress (NPC) for deliberation due to debates over the law and concerns about the possible social impact of the new tax.

Huang Qifan, a vice chairman of the NPC's Financial and Economic Affairs Committee, said at the Caixin summit: "Generally speaking, this is an important reform arrangement for a healthy and sustainable housing market. You won't have to wait for 10 years or 20 years. The government will start levy the tax in the next few years."

China minister reveals roadmap for property tax

China's finance minister, Xiao Jie, recently outlined the principles and roadmap in relation to rollout of a property tax.

The message was included in a book that was published to help the public understand the lengthy work report that President Xi Jinping delivered to the 19th Party Congress last month.

Hong Kong has no property tax. The closest thing to that in the territory is "Rates and Government rent". Currently, property owners need to pay around 3 and 5 percent of annual rental income as rates and government rent.

For instance, property owners pay around HK$8,000 per year in rates and government rent for annual rental income of HK$100,000 for a property.

This is relatively cheap compared to property tax levied in other countries, which are usually based on the market value of the property.

For example, US property owners need to pay 1 to 3 percent of their property value as property tax. That means the owner of an apartment with market value of HK$4 million needs to pay HK$40,000 to HK$120,000 as property tax. Therefore, the holding cost of properties is much higher.

It's widely believed that China will follow the American style property tax, in order to cool down the red-hot housing market in a more effective way.

In fact, Chinese authorities have been mulling over the idea of property tax since late 1990s. But they have held back from launching it, for fear of bringing a dramatic shock to economic growth.

After all, the housing sector is one of the pillars underpinning the nation's economy, and local governments also rely heavily on land sales revenue.

But now, China's housing market has become quite mature, with existing commercial housing units reaching nearly 500 million.

As the nation's new-home sales growth has started to moderate this year, it's a good time for the authorities to introduce property tax.

Xiao has revealed three basic principles of property tax introduction.

First, the tax will be based on market price of the property; second, the authorities would prepare the legal framework first before implementation; and lastly, local authorities would be granted more flexibility, implying it will be a gradual process and that practices of different cities would vary.

For example, the property tax will be launched in big cities first, where home prices have been spiking in recent years.

It is believed most local governments would prefer a lower property tax rate in order to keep their cities competitive.

Introduction of the new tax does not necessarily spell bad news for property developers. After all, their business depends on underlying supply demand and macro issues like interest rates and liquidity.

Shanghai and Chongqing have already adopted a property tax pilot scheme since 2011. But both cities have seen their home prices skyrocket over the years. It's the same case we've seen in London, New York or Toronto.

China should institute a property tax

China should institute a property tax but the introduction should be gradual so as not to cause too great a shock to the market, the Financial News, a newspaper managed by the People's Bank of China, said in a commentary Tuesday.

The newspaper noted Chinese Finance Minister Xiao Jie's comments that the government must analyze and interpret President Xi Jinping's 19th Communist Party Congress Report that the creation and implementation of a property tax should be advanced based on the principle of "create the law first, fully authorize power to related regulators, and advance step by step."

Xiao said China should tax commercial and residential property units based on their value, but at the same time reduce taxes on property construction and sales transactions to create a modern property tax system.