



Hong Kong Luxury Home Prices May Rise 15%, Cheung Kong Says

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By Chia-Peck Wong

Jan. 20 (Bloomberg) -- Hong Kong's luxury home prices may rise as much as 15 percent this year, and there are no bubbles in the city's and China's property markets, said **Cheung Kong (Holdings) Ltd.**, the builder owned by Asia's second-richest man, **Li Ka-shing**.

Prices for luxury homes may increase 10 percent to 15 percent this year, and for new mass-market homes 15 percent to 20 percent, said Cheung Kong Executive Director **Justin Chiu** in Hong Kong today. Revenue from China home sales may exceed 30 billion yuan (\$4.4 billion) this year, he said. That compares with his September forecast of 1.5 billion yuan for 2009 sales.

"I don't really see a bubble," Chiu said. "There shouldn't be too much concern about the governments trying to crush the market."

Chiu's comments pit him against investor **Jim Rogers**, who said yesterday that real estate prices in the city and Shanghai are in a bubble and "should decline." **Property prices** in 70 cities across China climbed 7.8 percent in December, the fastest pace in 18 months. Hong Kong's real estate prices rallied the most among the world's major housing markets last year, according to property adviser Knight Frank LLP.

Prices in the last six months of 2009 rose by 30 percent in Hong Kong and 20 percent in China, leading Chiu to conclude that speculators may be at work.

'Buyers Be Careful'

"We think that the substantial increase in such a short time, there could be a speculation element," he said. "That's why I advise buyers to really see whether they have the means to commit to buying an apartment. They should be careful."

Record new loans fueled a 75.5 percent jump in China's property sales last year. Home prices in Hong Kong, a trading and financial hub for China, are at their highest in almost 12 years, leading the World Economic Forum and Goldman Sachs Group Inc. to caution about the formation of asset bubbles.

Homes sales in China, Hong Kong and Singapore by Cheung Kong, the world's second-biggest developer by market value, may exceed HK\$100 billion if the company obtains government consent for all projects, Chiu said.

Cheung Kong's share price fell 1.9 percent to HK\$98.10 as of 2:40 p.m. in Hong Kong. The stock's 37 percent gain last year made it 2009's worst performer in the six-member Hang Seng Property Index. It has dropped 1.8 percent this year, compared with the 4.5 percent decline in the index.

Mobius Disagrees

Fred Hu, Goldman Sachs's chairman for Greater China, said Jan. 18 that property prices in China require monitoring for signs of bubbles forming.

Prices at some luxury residential projects in Shanghai doubled last year, with Shui On Land Ltd.'s Casa Lakeview recording sales of 100,000 yuan (\$14,600) per square meter in December, **Lee Wee Liat**, an analyst at Nomura International Hong Kong Ltd., said last week.

Mark Mobius, who oversees \$34 billion of developing-nation assets at Templeton Asset Management Ltd., disagrees with Rogers, saying Jan. 7 the bubble in China's property market isn't about to burst. Gross domestic product rose 10.5 percent in the fourth quarter from a year earlier, according to the median of 41 forecasts in a Bloomberg News survey for the release scheduled tomorrow.

"The Chinese will act rationally and they're not going to kill the market," he said.

Rogers, author of "A Bull in China," said in an interview yesterday that real estate in Shanghai and Hong Kong is "very overpriced."

Hong Kong 'Limited'

Garry Evans, head of global equity strategy at HSBC Holdings Plc, said in a Bloomberg Television interview yesterday that "China is no way near a bubble."

Hong Kong developers, including **Kerry Properties Ltd.**, **Shui On** and **Hang Lung Properties Ltd.**, are building homes, offices and shopping malls in China to capture market share in the world's fastest-growing major economy. The strategy will continue even as China acts to cool the property market, analyst **Adrian Ngan** said.

"It's a long-term strategy, it's a must, because the growth in Hong Kong is very much limited," Ngan, a Hong Kong-based analyst at CCB International Ltd., said before Chiu's comments.

To cool property speculation, China this month reinstated a sales tax on homes sold within five years of their purchase, and the country's Cabinet on Jan. 10 urged strict application of a 40 percent down-payment requirement for second homes.

China accounts for about 10 percent of Hong Kong-based Cheung Kong's earnings, Ngan said.

Hang Lung

Ronnie Chan, chairman of Hong Kong-based Hang Lung Properties Ltd., said the tightening measures in China will not have an impact on the company's real estate projects in the country because "we have zero debt."

Hang Lung's strategy of focusing only on developing commercial properties in China helps the developer avoid being affected by volatility in residential prices, the target of tightening efforts, Chan said at a financial forum in Hong Kong today.

Hong Kong home prices, where average values climbed 33 percent, rose the most among the world's major housing markets last year, according to property adviser Knight Frank LLP. An index of existing homes is at its highest since March 1998, according to a weekly weighted measure developed by **Centaine Property Agency Ltd.** and the City University of Hong Kong.

Billionaire Li, 81, is dubbed "Superman" by Hong Kong's media because of his track record for investing. He has a 41.7 percent stake in Cheung Kong after adding to his holdings 29 times since December, stock exchange filings show.

Li, estimated to be worth \$16.2 billion by Forbes magazine in March, correctly predicted in 2007 that China's stock market was in a "bubble."

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