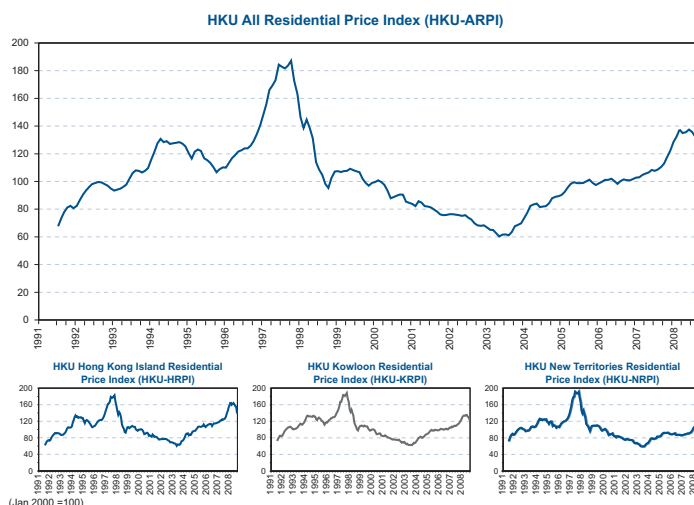


Market Review and Comments

- Residential sales activity in both primary and secondary market slowed considerably in December in face of the worsening global financial turmoil. According to the Land Registry of the Hong Kong SAR Government, the number of building unit transactions decreased 37.5% month-on-month (MoM) and 79.1% year-on-year (YoY) to 3,786 in November 2008, which was the lowest level in 17 years. In fact, this was even lower than the level recorded during the outbreak of SARS in 2003.
- In order to entice prospective buyers, vendors reduced their asking prices to such an attractive level that represented a significant discount on prevailing market prices. In general, the pace of downward adjustment of residential property prices accelerated in December 2008. According to the University of Hong Kong Real Estate Index Series ("HKU-REIS"), the University of Hong Kong All Residential Price Index ("HKU-ARPI") fell 7.7% MoM to 121.7 as at the end of October 2008. Meanwhile, the Hong Kong Residential Price Index ("HKU-HRPI") witnessed a sharper decline by 10.7% MoM to 138.8 and the Kowloon Residential Price Index ("HKU-KRPI") recorded a drop of 5.0% MoM to 123.8.
- In the primary market, the overall absorption rate improved from 29% in October 2008 to 61% in November 2008. Thanks to encouraging market response to the launch of both La Grove in Yuen Long and Peak One in Shatin, a total of 213 units were sold during the period between 16th November 2008 and 15th December 2008.
- Lately, Hong Kong Mortgage Corporation has enhanced its Mortgage Insurance Programme by lowering the threshold of insurance coverage from 70% loan-to-value ratio (LTV) to 60% LTV in an attempt to assist banks in managing their risk exposure and more importantly, facilitate their extension of mortgage financing to homebuyers.
- Although residential property prices might continue to come down further by another 20% in the next 12 months, initial positive signals on an increase in market turnover might emerge when banks start adopting less restrictive lending policies in 1Q 2009.

The University of Hong Kong Real Estate Index Series (HKU-REIS)



	3 Yrs	1 Yr	6 Mths	3 Mths	1 Mth	Current Mth Oct 2008*
Indices						
HKU-ARPI	101.7	113.2	135.1	136.0	131.9	121.7
HKU-HRPI	112.6	131.6	159.9	161.2	155.4	138.8
HKU-KRPI	99.1	113.6	133.6	135.3	130.3	123.8
HKU-NRPI	92.0	93.1	109.7	109.4	107.8	102.1
% Change						
HKU-ARPI	19.7%	7.5%	-9.9%	-10.5%	-7.7%	-
HKU-HRPI	23.3%	5.5%	-13.2%	-13.9%	-10.7%	-
HKU-KRPI	24.9%	9.0%	-7.3%	-8.5%	-5.0%	-
HKU-NRPI	11.0%	9.7%	-6.9%	-6.7%	-5.3%	-

* The most recent index values published on the 18th of every month or the next working day are based on transactions that took place in the calendar month before the previous month (i.e. up to 6 weeks ago) as it takes time for these transactions to be registered with the Land Registry.

Source: Versitech Limited, the Technology Transfer Office of The University of Hong Kong

Primary Residential Launches from 16/11/2008 to 15/12/2008

Development	Area	# District	No. of Units Launched	Size Range (sq ft)	No. of Units Sold	Average Price (HK\$ / sq ft)
The Babington	Mid-levels	HKI	6	902 - 1,139	0	10,909
Marbella	Sha Tin	NT	41	664 - 2,019	0	4,622
The Great Hill	Sha Tin	NT	10	1,830 - 3,426	0	9,884
Beacon Lodge	Sham Shui Po	KLN	30	670 - 955	0	6,756
Peak One	Shatin	NT	36	1,846 - 2,596	36	6,836
The Beverly Hills (Phase 1)	Tai Po	NT	9	2,644 - 4,033	0	6,921
The Dynasty	Tsuen Wan	NT	23	972 - 1,739	0	6,301
City 18	Yau Ma Tei	KLN	10	372 - 1,003	10	6,348
Green Crest	Yuen Long	NT	5	1,979 - 2,078	1	4,514
La Grove	Yuen Long	NT	158	585 - 1,167	154	2,856
La Maison Vineyard	Yuen Long	NT	9	2,510 - 2,600	7	7,550
Seasons Monarch	Yuen Long	NT	13	2,505 - 2,787	5	2,627

HKI: Hong Kong Island; KLN: Kowloon; NT: New Territories

Source: Financial Chronicle

Colliers International (Hong Kong) Limited

Suite 5701 Central Plaza
18 Harbour Road
Wanchai Hong Kong
Tel 852 2828 9888
Fax 852 2828 9899
Company Licence No. C-006052

Piers Brunner
Chief Operating Officer, Asia,
Managing Director, Hong Kong
Tel 852 2822 0727
Fax 852 2810 5970
Email Piers.Brunner@colliers.com
Estate Agent's Licence No. E-183614

Index Information:

BBG: HKRE <go> 9 <go> / 15 <go> or GCPD <go>
Reuters 3000Xtra: 0#HKUREIS or HKUREIS/INFO

www.gfigroup.com/property
http://www.gfigroup.com/markets/commodities/Property-Asia.aspx
www.colliers.com/hongkong
www.reutersrealestate.com/derivatives

© Colliers International (Hong Kong) Limited 2008

Reproduction of the contents of this publication is prohibited without gaining prior permission from Colliers International.

This report and other research materials may be found on our website at www.colliers.com/hongkong. Questions related to information herein should be directed to the Research Department at the number indicated above. This document has been prepared by Colliers International for advertising and general information only. Colliers International makes no guarantees, representations or warranties of any kind, express or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising therefrom. Colliers International is a worldwide affiliation of independently owned and operated companies.

COLLIERS
INTERNATIONAL