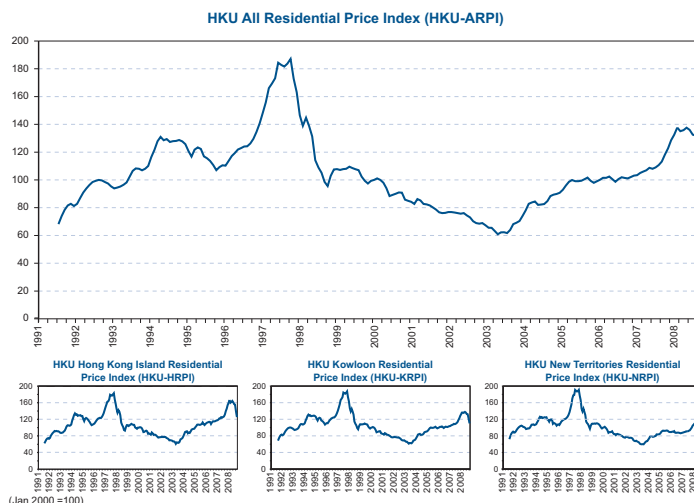


Market Review and Comments

- Sales activity in the residential market staged a rebound in December 2008 after hitting an exceptional low point in the previous month due to an increase of bargain-hunting activities. According to the Land Registry of the Hong Kong SAR Government, the number of building unit transactions rose 43.6% month-on-month (MoM) to 5,437 in December 2008. However, on an annualize basis, it fell 65.1% year-on-year (YoY) and was still below the 12-month moving average of 9,442.
- In view of the cautious lending policies adopted by most local banks, prospective buyers with strong equity positions continued to gain the upper hand in the market. However, they would not commit until asking prices were reduced to an attractive level that represented a significant discount on prevailing market prices. 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 9.7% MoM to 109.9 as at the end of November 2008. Among the three sub-districts, the Kowloon Residential Price Index ("HKU-KRPI") witnessed the sharpest decline by 10.3% MoM to 111.0, while the Hong Kong Residential Price Index ("HKU-HRPI") recorded a drop of 9.7% MoM to 125.3 and the New Territories Residential Price Index ("HKU-NRPI") fell by 9.2% MoM.
- In the primary market, the overall absorption rate improved from 61% in November 2008 to 87% in December 2008. This was attributable to the positive market response to the launch of Belgravia in South Side, Le Billionnaire in Kowloon City, City 18 in Yau Ma Tei and Bedford 28 in Mong Kok, where all of the launched units were 100% sold during the period between 16th December 2008 and 15th January 2009.
- With challenging internal and external environments, the level of unemployment is expected to rise further as the global financial turmoil and its effects are felt worldwide. The general market believes that the worst is yet to come and that prospective buyers will stay alert to how the global financial crisis and the looming economic downturn play out. However, positive market signals might emerge when local banks start adopting less restrictive lending policies, which is largely anticipated to be after the Lunar New Year 2009.

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



	3 Yrs	1 Yr	6 Mths	3 Mths	1 Mth	Current Mth Nov 2008*
Indices						
HKU-ARPI	99.3	118.1	135.8	132.6	121.7	109.9
HKU-HRPI	108.6	139.8	161.8	156.7	138.8	125.3
HKU-KRPI	98.7	116.3	133.1	131.3	123.8	111.0
HKU-NRPI	89.8	96.2	109.8	107.7	102.1	92.7
% Change						
HKU-ARPI	10.7%	-6.9%	-19.1%	-17.1%	-9.7%	-
HKU-HRPI	15.4%	-10.4%	-22.6%	-20.0%	-9.7%	-
HKU-KRPI	12.5%	-4.6%	-16.6%	-15.5%	-10.3%	-
HKU-NRPI	3.2%	-3.6%	-15.6%	-13.9%	-9.2%	-

* 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 16/12/2008 to 15/1/2009

Development	Area	# District	No. of Units Launched	Size Range (sq ft)	No. of Units Sold	Average Price (HK\$ / sq ft)
The Sail at Victoria	Kennedy Town	HKI	20	663 - 1,429	15	9,703
Belgravia	Island South	HKI	24	2,390 - 2,790	24	13,803
Le Billionnaire	Kowloon City	KLN	35	714 - 1,163	35	6,093
City 18	Yau Ma Tei	KLN	8	365 - 647	8	5,716
Prince Ritz	Kowloon City	KLN	10	738 - 1,144	1	6,344
CITE 33	Lai Chi Kok	KLN	26	670 - 965	20	6,368
Bedford 28	Mong Kok	KLN	21	511 - 607	21	4,965
Vista	Sham Shui Po	KLN	20	412 - 978	15	4,918
La Grove	Yuen Long	NT	80	586 - 1,060	74	2,906

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

Source: Financial Chronicle

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