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# Auction of two residential sites defy new bid to cool property market

Prices paid for two lots, in Tseung Kwan O and Ma On Shan, show cooling measures have not dented confidence of developers

Yvonne Liu and Peggy Sito - Thursday, 08 November, 2012

Two residential sites have sold for higher-than-expected prices only two weeks after the government introduced new measures to cool the property market.

The Lands Department yesterday announced Sun Hung Kai Properties had won a Tseung Kwan O site for HK$2.545 billion, or HK$4,517 per square foot. That is about 7 per cent more than market expectations of up to HK$2.37 billion. The site was 3.94 per cent cheaper than the adjacent site sold to a consortium of Sino Land and K Wah International on September 28.

Another site in Ma On Shan was sold to Cheung Kong (Holdings) for HK$2.901 billion, or HK$5,160 per sq ft, 5.43 per cent higher than the maximum valuation of HK$2.76 billion.

Surveyors had cut their expectations by 10 per cent as they believed that the cooling measures released on October 26 would dampen developers' interest.

"The positive response to the sites showed developers believe the measures will not affect the sale of flats on those sites. The sites will provide mass residential housing mainly for local end-users," said Charles Chan Chiu-kwok, managing director at Savills Valuation and Professional Services.

The site acquired by Sun Hung Kai Properties near Tseung Kwan O MTR Station could yield a total gross floor area of 563,300 sq ft.

Company managing director Victor Lui Ting said the price was reasonable as it was close to an MTR station and enjoyed a sea view. It will spend HK$6 billion developing the project.

The site in Ma On Shan's Lok Wo Sha could provide a gross floor area of 562,000 sq ft.

Meanwhile, Tom Palmer, a senior fellow at the Cato Institute think tank in Washington, said new stamp duty targeting property investors would "make Hong Kong less attractive to foreign investors".

Palmer said that the most important thing was "not to put some kind of cap on prices".

Speaking after a forum on welfare populism, Palmer said the government should increase supply and allow the market to adjust to the market conditions.

"What you will see is that a lot of people will move to Shanghai and other places," he said. "One of the important elements for Hong Kong is that it is an open city. It is the gateway to China. If Hong Kong is going to close up, people will go straight to China."

He suggested the government look at easing land use restrictions and open up areas for development.

"You have to have the right medicine for your disease and [new taxes] are not the right medicine," Palmer said.

In the same forum, Financial Secretary John Tsang Chun-wah reiterated that government intervention would help restore the balance. "Once the balance has been restored, we will return to the status quo," he said.