

RatingsDirect®

Hong Kong Developers Can Withstand Likely Slower Growth In The Property Market

Primary Credit Analyst:

Cindy H Huang, Hong Kong (852) 2533-3543; cindy.huang@standardandpoors.com

Secondary Contact:

Christopher Yip, Hong Kong (852) 2533-3593; christopher.yip@standardandpoors.com

Media Contact:

Cecilia S Ho, Hong Kong (852) 2532-8061; cecilia.ho@standardandpoors.com

HONG KONG (Standard & Poor's) Aug. 28, 2015--The Hong Kong property market is likely to start to slow in the rest of 2015 and into 2016, according to an article that Standard & Poor's Ratings Service released today, titled "Tougher Tests Await Developers In Hong Kong's Surging Property."

"The Hong Kong property market has proved surprisingly resilient to external volatilities, with strong growth in 2014 and the first seven months of this year," said Standard & Poor's credit analyst Cindy Huang. "But the growth momentum is likely to slow in the rest of 2015 and into 2016 as macroeconomic conditions tighten and property supply increases."

We expect rising supply to lead to higher competition among developers, which are likely to continue to adopt a more flexible pricing strategy and focus on asset turnover.

Standard & Poor's has revised its base-case forecast for primary sales in Hong Kong for this year.

"We now expect a 5%-10% year-on-year increase in primary sales, compared with our previous anticipation of a 10%-15% decline. Our revised estimate is based on 5%-10% growth in the average selling price and stable year-on-year transaction volume," said Ms. Huang.

The average selling price in the first seven months of the year rose 8.4% while annualized primary transaction volume remained largely in line with that of 2014. We attribute the momentum to record-low interest rates and slow housing completions since January 2015. Only 5,100 units were completed in the first six months, representing just 32% of the total units completed in 2014.

We expect the developers that we rate to have a sufficient buffer to withstand slower growth and a more competitive market. We base our view on the companies' significant portfolio of investment property, good funding diversity and financial flexibility, and generally prudent financial leverage.

RELATED RESEARCH

- Hong Kong's Property Developers Face A Bumpier 2015, March 9, 2015

Under Standard & Poor's policies, only a Rating Committee can determine a Credit Rating Action (including a Credit Rating change, affirmation or withdrawal, Rating Outlook change, or CreditWatch action). This commentary and its subject matter have not been the subject of Rating Committee action and should not be interpreted as a change to, or affirmation of, a Credit Rating or Rating Outlook.

The reports are available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. If you are not a RatingsDirect subscriber, you may purchase copies of these reports by calling (1) 212-438-7280 or sending an e-mail to research_request@standardandpoors.com. Ratings information can also be found on Standard & Poor's public Web site by using the Ratings search box located in the left column at www.standardandpoors.com. Members of the media may request copies of these reports by contacting the media representative provided.

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.