

“We Are Bullish on Hong Kong Properties”

If It's Important, It's Worth Saying Three Times

21 November 2025

Diversification Rely on Low-Correlation

Hong Kong Property Stocks Has the Lowest Correlation to the Global Markets

Percentage Change, Weekly, 1 Year

	S&P 500 INDEX	S&P/ASX 200 INDEX	FTSE 100 INDEX	NIKKEI 225 INDEX	Euro Stoxx 50 Pr INDEX	HANG SENG INDEX	CSI 300 INDEX	HSP INDEX
S&P 500 INDEX	1.00	0.55	0.55	0.53	0.66	0.15	0.16	0.06
S&P/ASX 200 INDEX	0.55	1.00	0.63	0.43	0.55	0.16	0.15	0.12
FTSE 100 INDEX	0.55	0.63	1.00	0.45	0.73	0.36	0.26	0.31
NIKKEI 225 INDEX	0.53	0.43	0.45	1.00	0.70	0.28	0.24	0.22
Euro Stoxx 50 Pr INDEX	0.66	0.55	0.73	0.70	1.00	0.50	0.30	0.32
HANG SENG INDEX	0.15	0.16	0.36	0.28	0.50	1.00	0.60	0.62
CSI 300 INDEX	0.16	0.15	0.26	0.24	0.30	0.60	1.00	0.36
HSP INDEX	0.06	0.12	0.31	0.22	0.32	0.62	0.36	1.00

Percentage Change, Weekly, 3 Year

	S&P 500 INDEX	S&P/ASX 200 INDEX	FTSE 100 INDEX	NIKKEI 225 INDEX	Euro Stoxx 50 Pr INDEX	HANG SENG INDEX	CSI 300 INDEX	HSP INDEX
S&P 500 INDEX	1.00	0.61	0.52	0.56	0.64	0.29	0.19	0.20
S&P/ASX 200 INDEX	0.61	1.00	0.62	0.48	0.59	0.29	0.16	0.21
FTSE 100 INDEX	0.52	0.62	1.00	0.38	0.74	0.40	0.18	0.30
NIKKEI 225 INDEX	0.56	0.48	0.38	1.00	0.48	0.29	0.24	0.23
Euro Stoxx 50 Pr INDEX	0.64	0.59	0.74	0.48	1.00	0.46	0.26	0.32
HANG SENG INDEX	0.29	0.29	0.40	0.29	0.46	1.00	0.70	0.82
CSI 300 INDEX	0.19	0.16	0.18	0.24	0.26	0.70	1.00	0.56
HSP INDEX	0.20	0.21	0.30	0.23	0.32	0.82	0.56	1.00

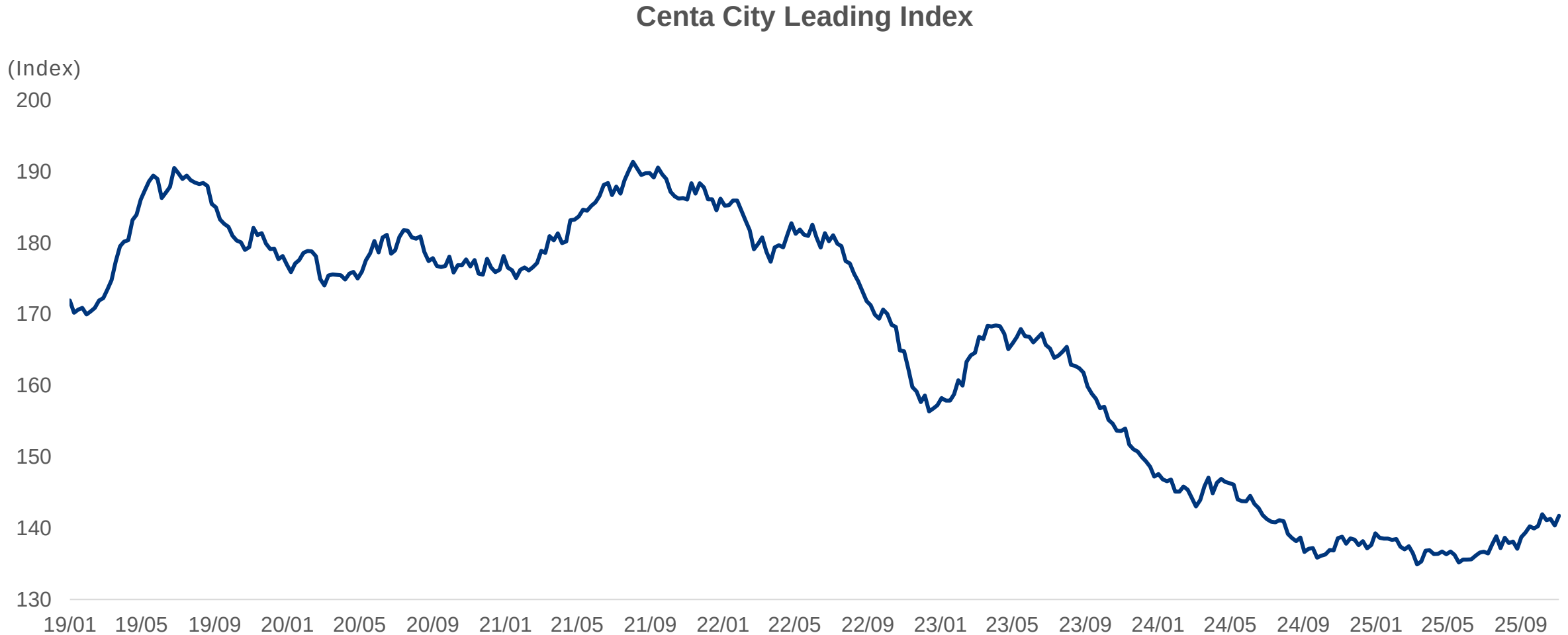
Percentage Change, Weekly, 10 Year

	S&P 500 INDEX	S&P/ASX 200 INDEX	FTSE 100 INDEX	NIKKEI 225 INDEX	Euro Stoxx 50 Pr INDEX	HANG SENG INDEX	CSI 300 INDEX	HSP INDEX
S&P 500 INDEX	1.00	0.66	0.65	0.63	0.70	0.40	0.31	0.33
S&P/ASX 200 INDEX	0.66	1.00	0.62	0.59	0.62	0.41	0.27	0.34
FTSE 100 INDEX	0.65	0.62	1.00	0.58	0.83	0.47	0.27	0.38
NIKKEI 225 INDEX	0.63	0.59	0.58	1.00	0.66	0.48	0.32	0.35
Euro Stoxx 50 Pr INDEX	0.70	0.62	0.83	0.66	1.00	0.50	0.31	0.38
HANG SENG INDEX	0.40	0.41	0.47	0.48	0.50	1.00	0.69	0.82
CSI 300 INDEX	0.31	0.27	0.27	0.32	0.31	0.69	1.00	0.54
HSP INDEX	0.33	0.34	0.38	0.35	0.38	0.82	0.54	1.00

Source: Bloomberg, KGI

We've Been Bullish on the Hong Kong Residential Market.....

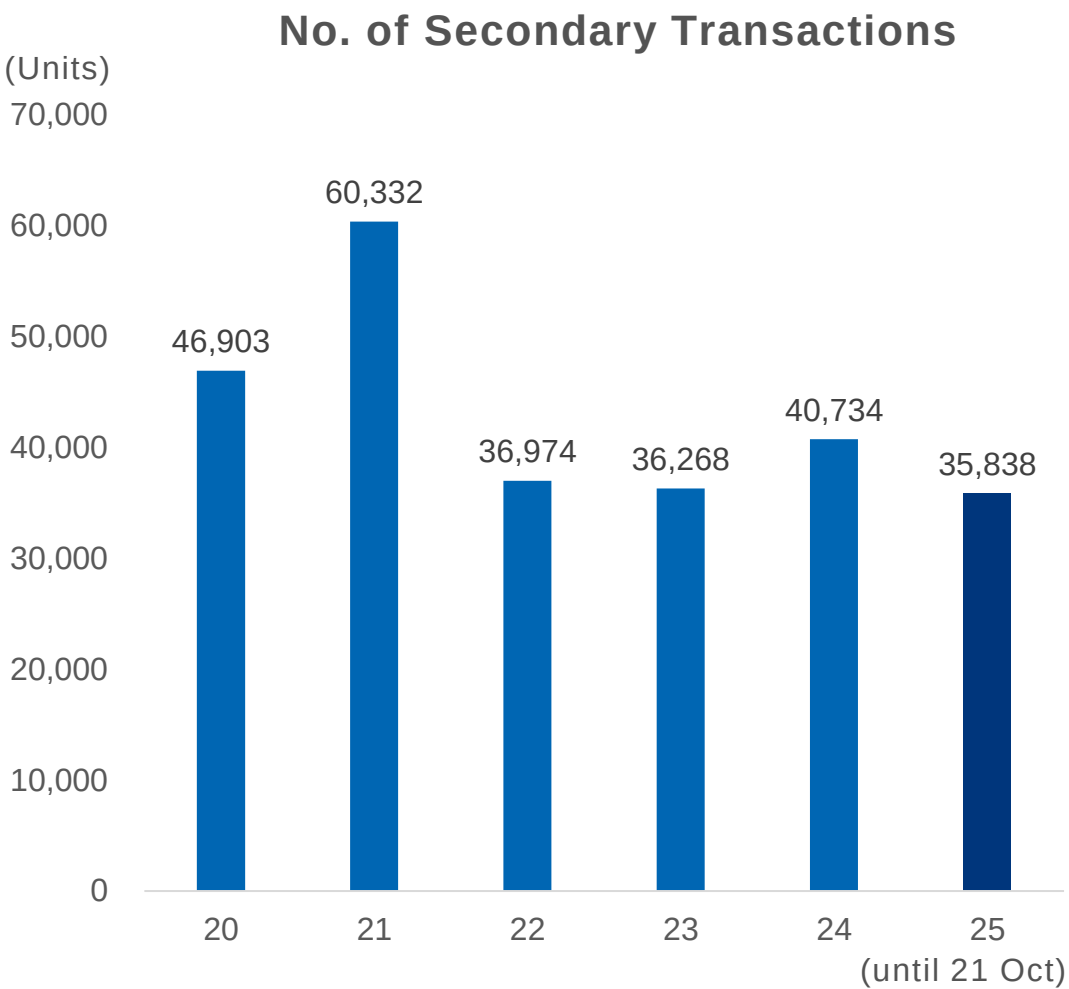
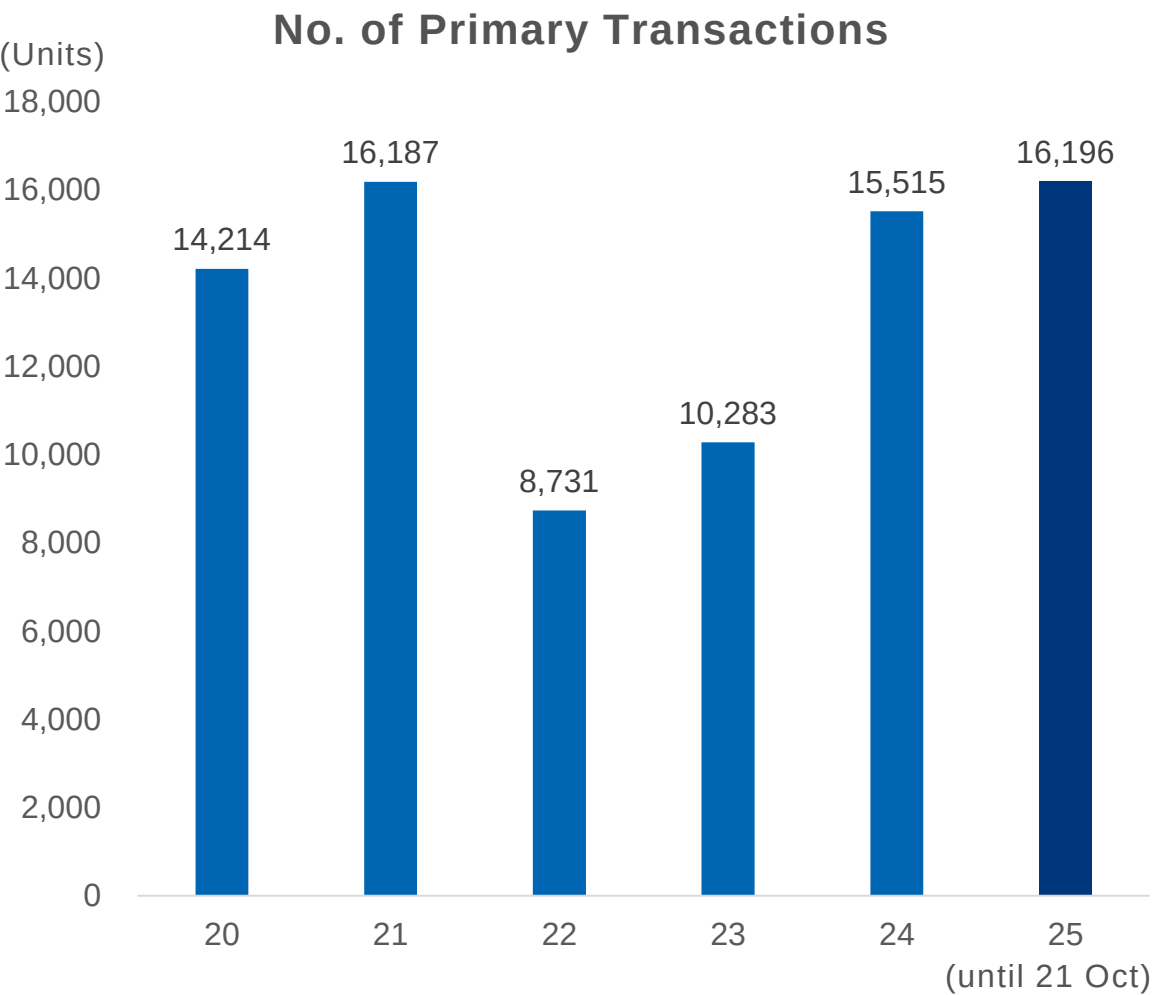
...Since Jan 2025 When the Market Expected a General Decline. Prices Increased by 2.5% YTD



Source: CEIC

Market Transactions Were Mainly on Primary Projects

Volume Is More Important Than Prices to the Developers



Source: Midland Holding

Positive Wealth Effect From Capital Market

Both Volume and Value Were up YoY%

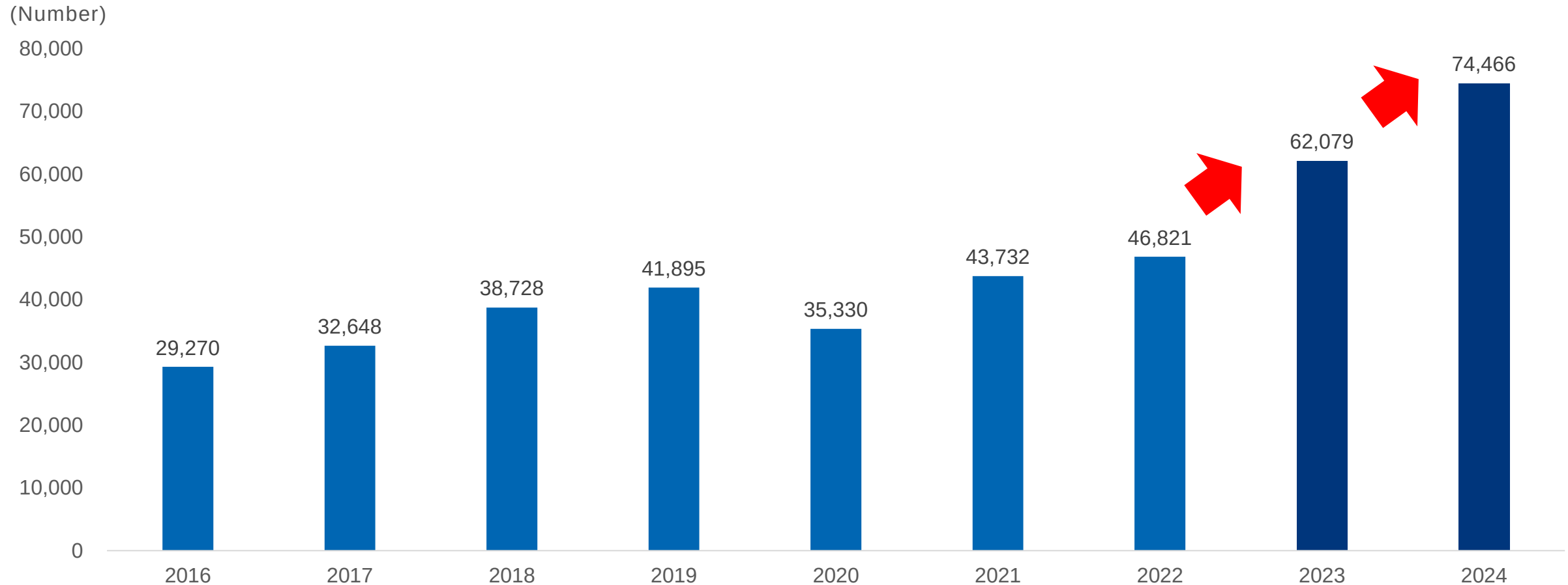
	First 3 Quarters of 2024	First 3 Quarters of 2025	Change
Primary Sales Volume	10,903	15,192	+39.3%
Primary Sales Value	\$132.9 billion	\$147.1 billion	+10.7%
Secondary Sales Volume	29,759	33,248	+11.7%
Secondary Sales Value	\$193.2 billion	\$215.7 billion	+11.7%

Source: Midland Holding

Hong Kong Is Increasingly Becoming an Asian Education Hub

There Will Be a Further Raise in Foreign Student Quota From 40% to 50% in 2026

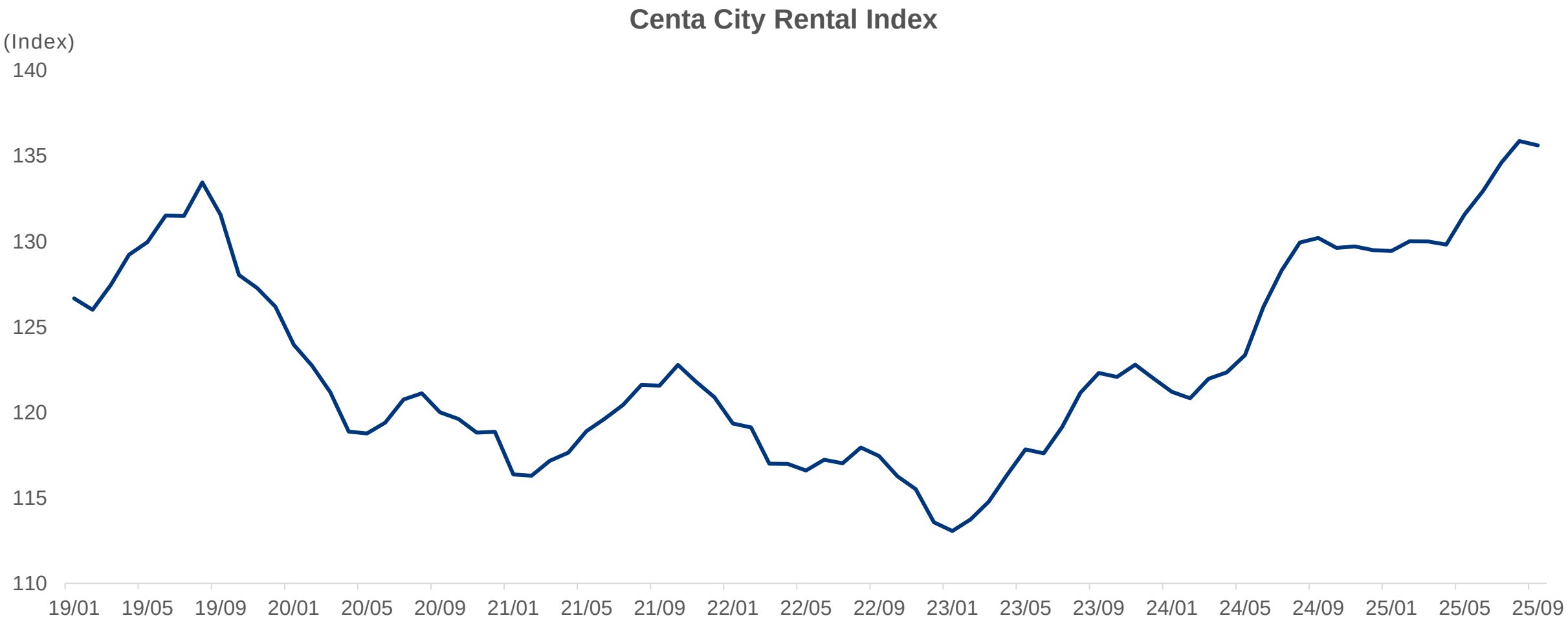
Statistics on Student Visa/Entry Permit Approved



Source: Hong Kong Immigration Department

This Drives >20% in Rental Growth Over the Last Two Years

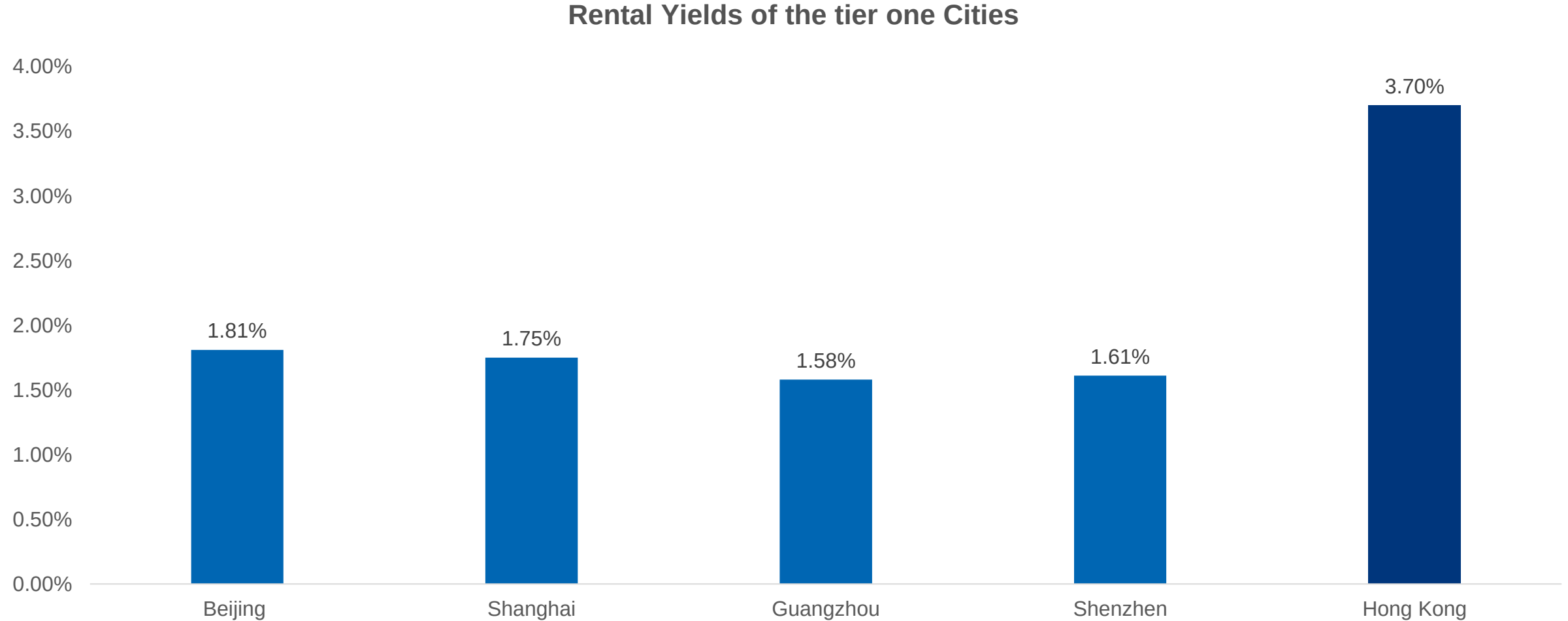
Centa City Rental Index



Source: CEIC

Hong Kong Residential Yield Is the Highest in China

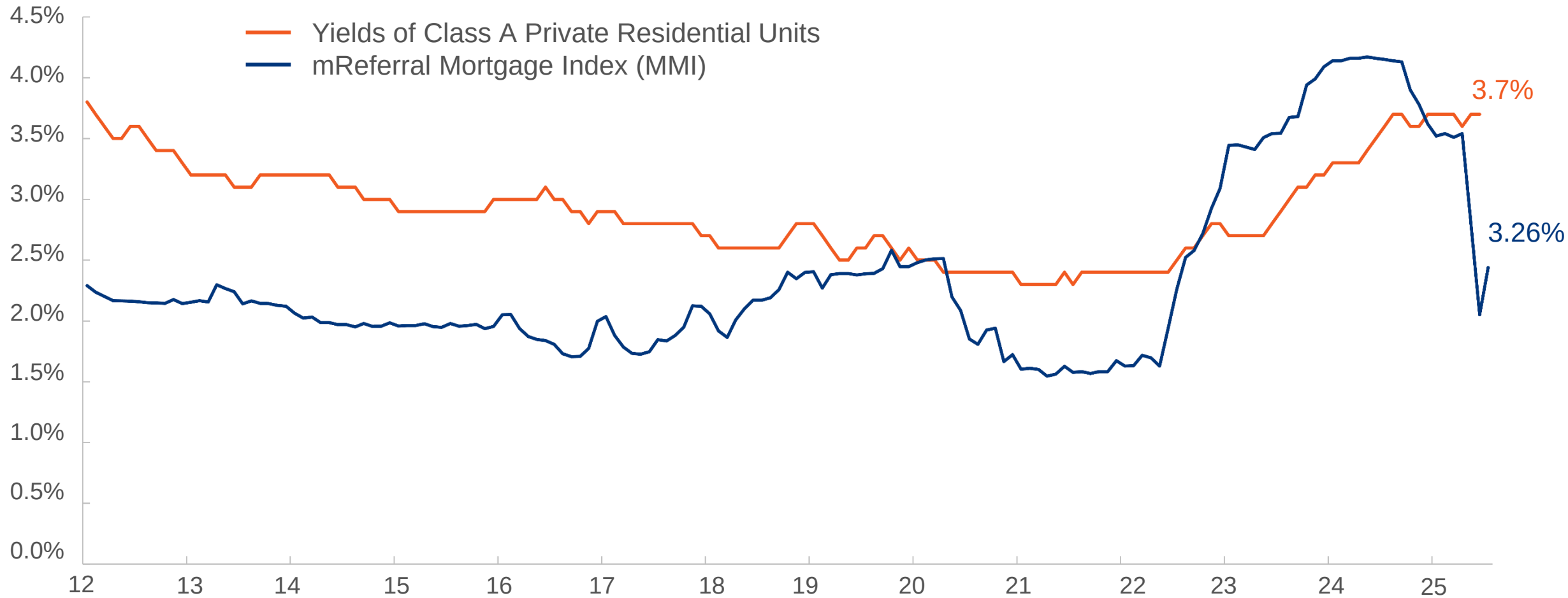
This Is Driving Investment (Buy-To-Rent) Demand



Source: Midland Holding

Hong Kong Residential Is Back to Positive Carry

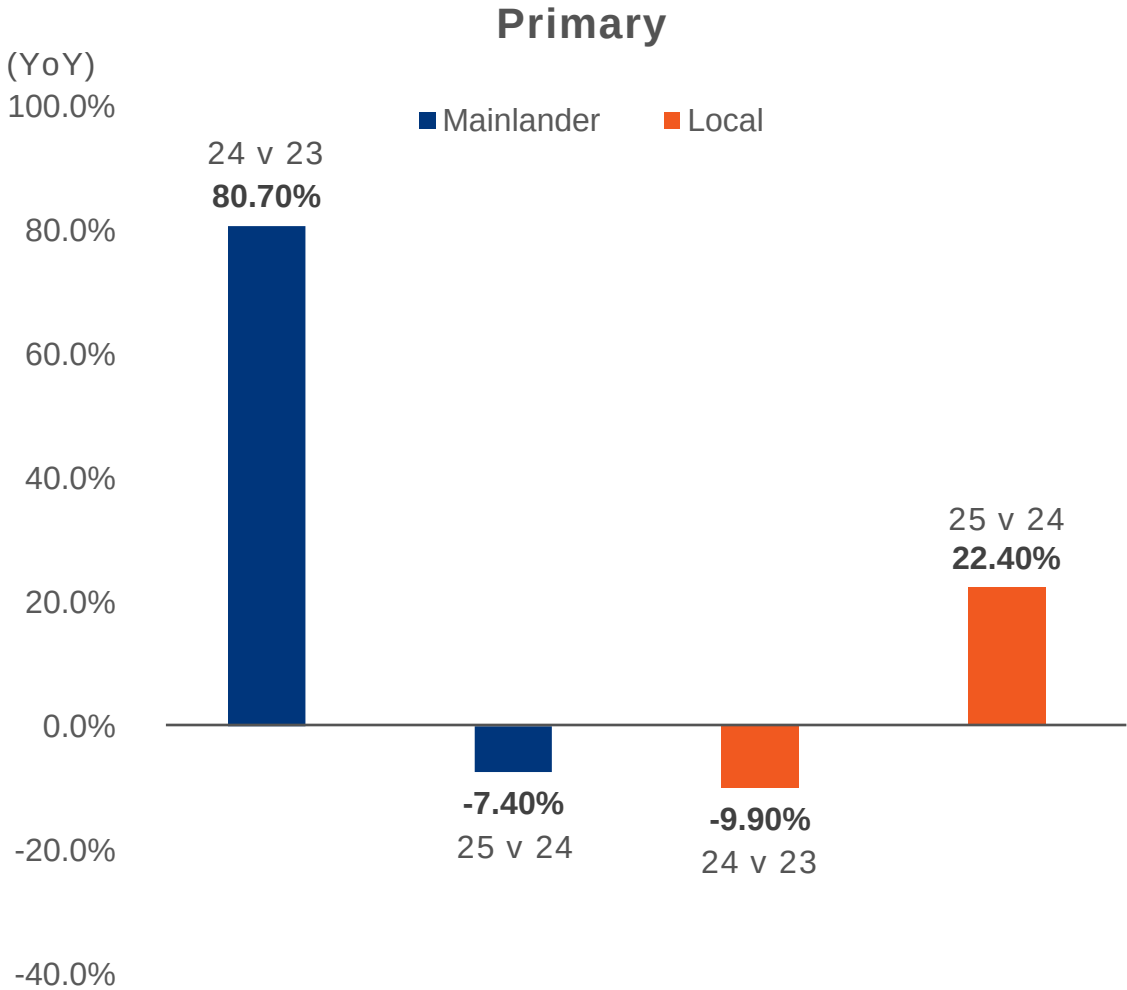
The Positive Carry Will Widen on 1) Further US Rate Cut; 2) Continued Growth in Rental



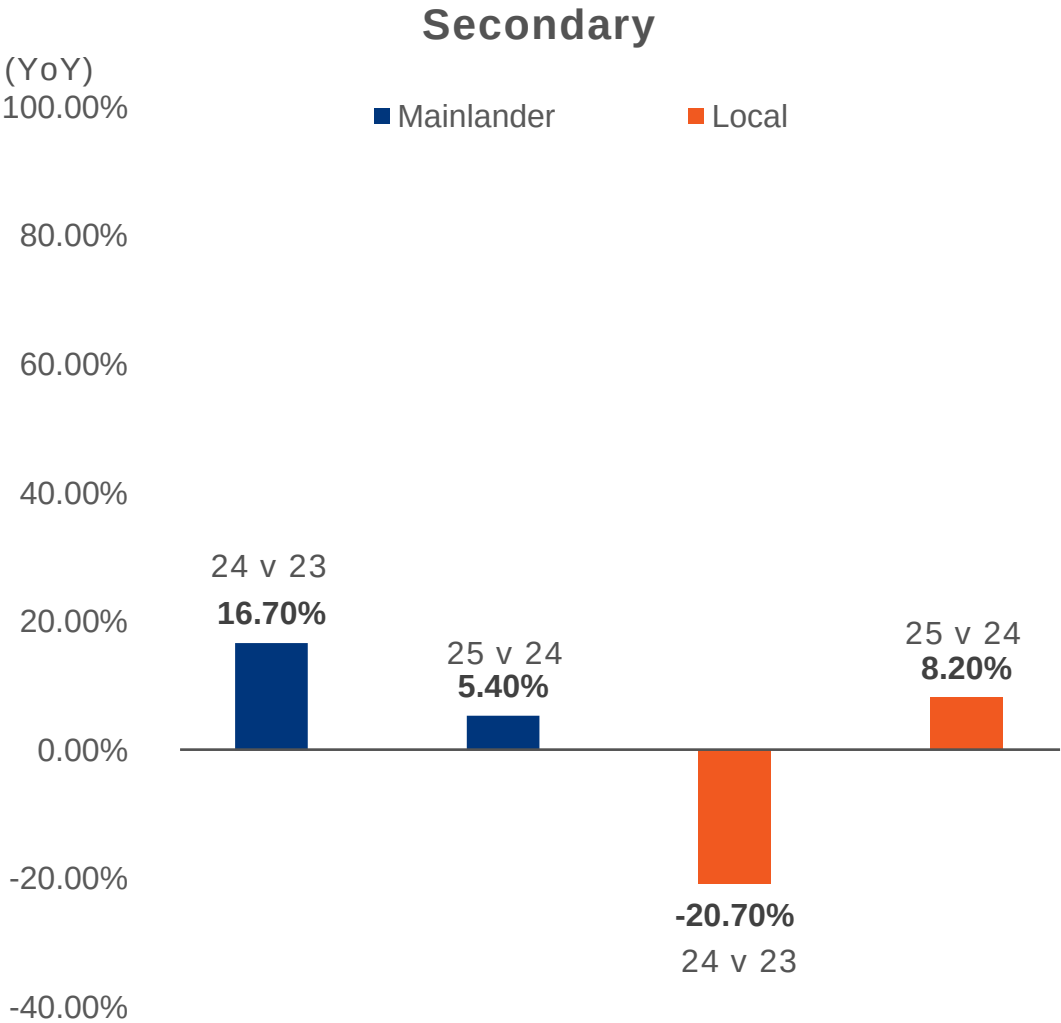
Source: Midland Holding

The Locals Are the Smart-Money to Buy Ahead of Positive Carry

Investment Demand Will Also Drive End-User Demand

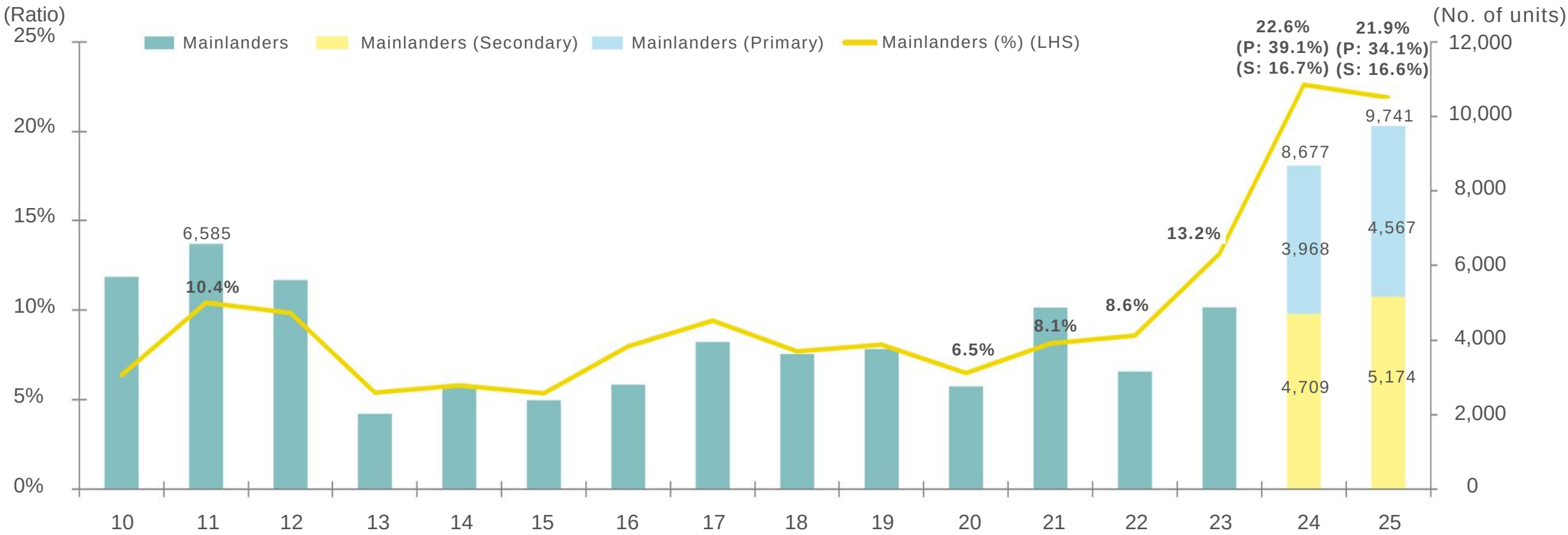


Source: Midland Holding



Mainland Buyer's Proportion at Highest Level Since QE

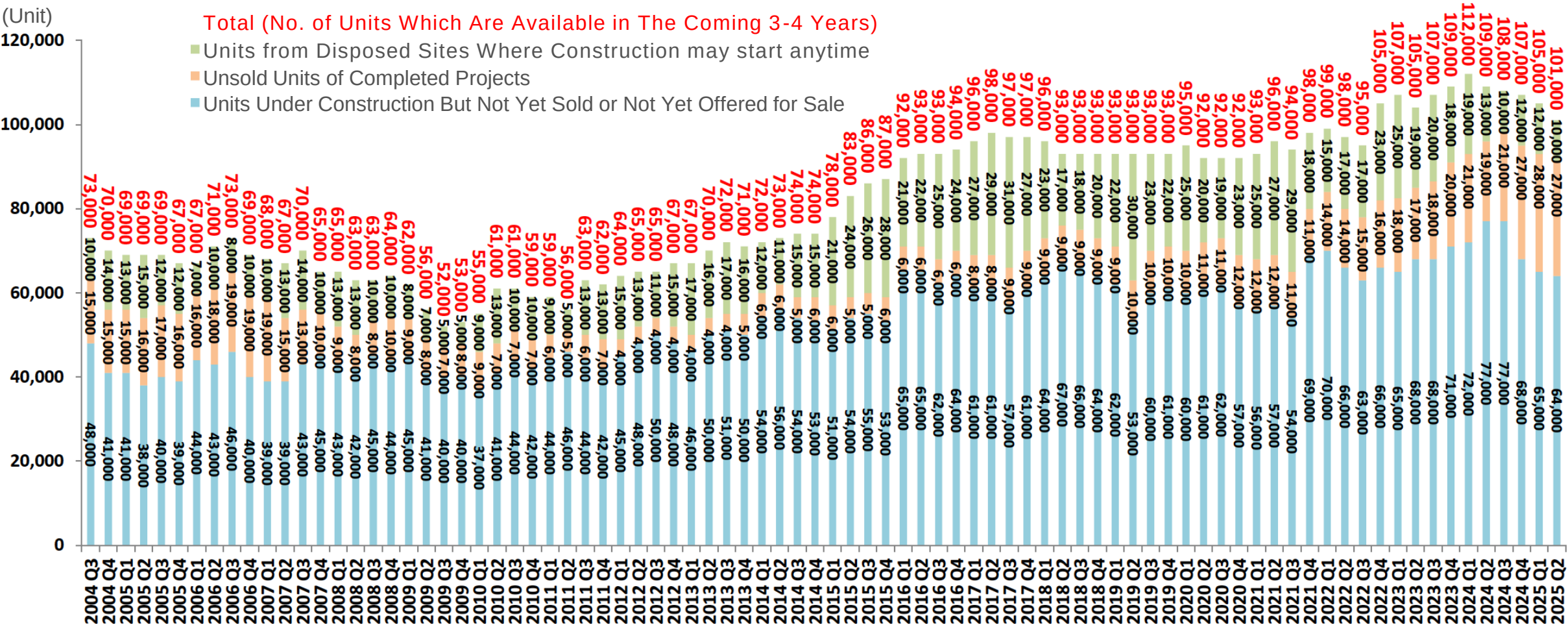
1 in Every 4 Units Sold Goes to Mainland Buyer



Source: Midland Holding

Residential Supply Is Declining Once Inventory Comes Down

New Land Supply Came Down From a Peak of 25,000 Units to Only 10,000 Units

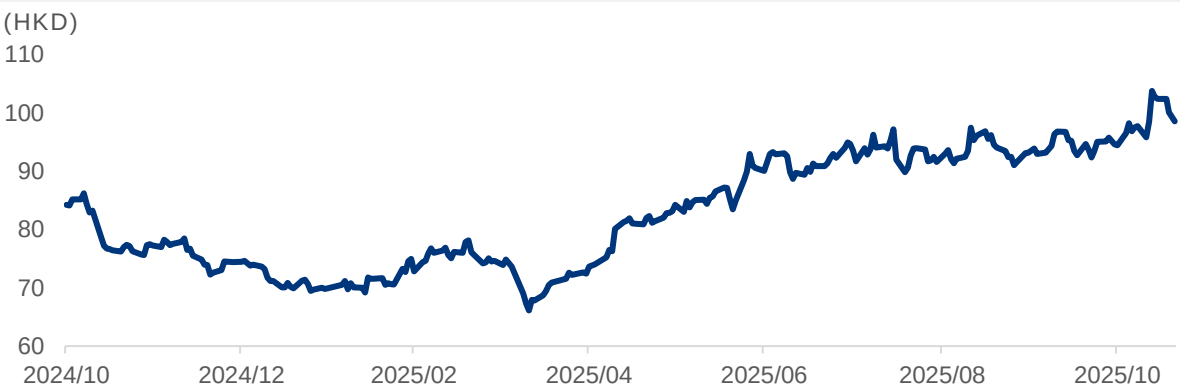


Source: Housing Bureau

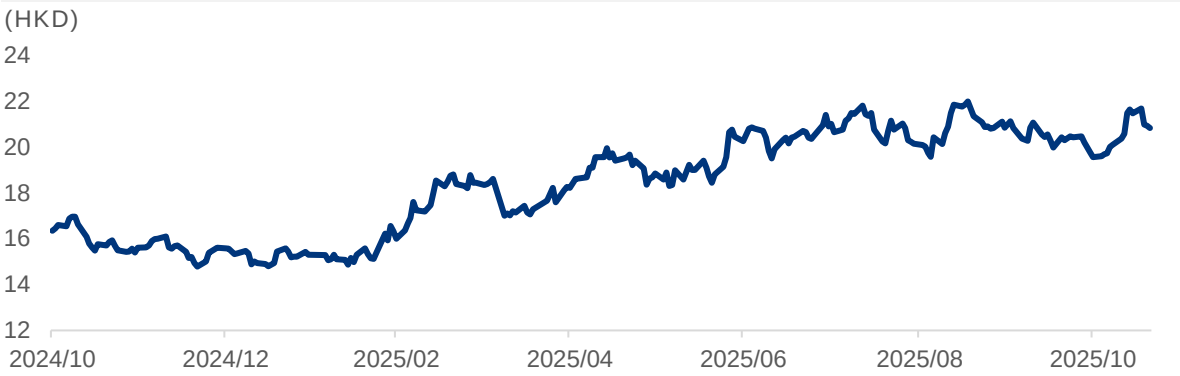
Inflection of Market Expectation From –Ve to +Ve Growth

Major Developers Outperformed the Hang Seng Tech Index (+30%) YTD

Sun Hung Kai Properties



Kerry Properties



Sino Land



Henderson Land



Source: Bloomberg, KGI

Commercial Real Estate Is No Longer a Drag to Developers

Bottoming Out of Sentiment in Both the Office and Retail Markets

Office Market

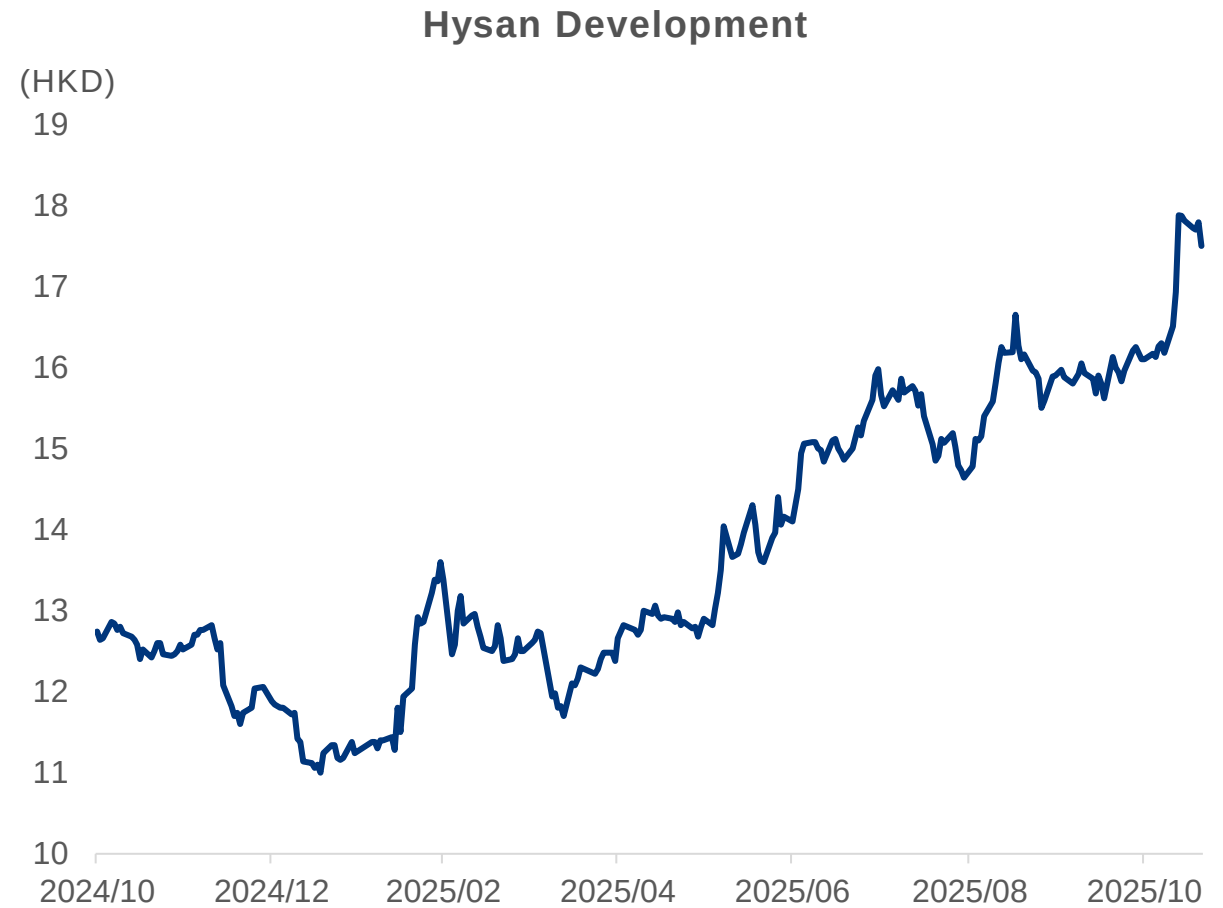
- Positive absorption with better sentiment and sizable deals
- Demand from the finance industry and mainland China firms
- Upgrade demand to Central or prime-located buildings as rents become affordable after correction
- Expect negative rental reversion to narrow; flat rental reversion by end 2026

Retail Market

- Continued mild recovery in retail sales (Sep 25 sales saw widened growth despite 3 Typhoons)
- Turning to flat rental reversion in mid-2026
- Positive tourism growth, stronger RMB & wealth effect
- Shopping malls gaining market share from street level shops

Share Rebounds Are Significant as Sentiment Was So Depressed

Hongkong Land and Hysan Are the Key Office and Retail Landlord Respectively



Source: Bloomberg, KGI

Investment Strategies

Adding Hong Kong Properties as a Way to Enhance Portfolio Diversification

- Given the low correlation of the Hong Kong property stock to the global capital market, we recommend adding the sector as a mean to enhance portfolio diversification
- Despite a potential slowdown scenario in the US, the direction of interest rate is towards the downside. This should further enhance the purchasing power in the housing market
- Commercial real estate has been an overhang to the property stocks before. Going into 2H25, we have witnessed the turn in confidence and fundamental in both the office and retail market. So far as CRE is not a drag to the developers, the incremental positive for the share price should come directly from the improvement in the residential market
- Developer share prices remain at attractive level, e.g. >5% dividend yield

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