

# Taking the Plunge

In early 2002, the lease on **Chris Dillon's** office was up for renewal. Business was good and the thought of paying rent was losing its appeal. Why not buy an office, he thought. His story:

**U**ntil this point, I'd never considered buying property in Hong Kong. I knew real estate was the basis for much of Hong Kong's wealth. But the territory's property was expensive and having lived through crashes in Western Canada in the 1980s, Japan in the 1990s and Hong Kong after the Asian financial crisis in 1997—I had no illusions about property being a risk-free investment.

In 2002, the real estate market was sluggish. Many people's mortgages were worth more than their properties. However, I believed the market was near the bottom of a cycle. If I was correct, buying an office could be a good investment. And if prices fell, I reasoned, they probably wouldn't drop too much further.

But there was one hitch. I don't speak Cantonese, and I couldn't find any authoritative, English-language information about buying property in Hong Kong.

Around that time, I got to know several expatriate property owners. After hearing their stories, I decided to take the plunge. In March 2002, I bought and refurbished a floor in a small office building in Central. Over the next five years, I purchased and renovated an apartment in Pokfulam and half a floor in an industrial building in Wong Chuk Hang.

Along the way, I benefited from the insights and advice of many people and made many educational mistakes which I decided to record in a book, due to hit the bookstores in November.

The following lessons I learned are adapted from the book, which I titled *Landed: The Expatriate's guide to buying and renovating property in Hong Kong*;

**1. Hong Kong real estate is expensive.** It's no secret that properties on the

Peak are among the world's priciest. But even a modest apartment in a less desirable place, like Sha Tin or Tsuen Wan, can easily cost US\$1 million. That's expensive by any standard. And that's before you've paid stamp duty or had the apartment renovated.

**2. Hong Kong real estate can be volatile.** After the collapse of the Thai baht in July 1997 and the subsequent Asian financial crisis, some property prices dropped nearly 70%. Certain sectors have still not recovered fully.

**3. The market is managed.** The government owns virtually all the land in Hong Kong. By carefully controlling the supply, the government maintains an artificial property shortage and keeps prices high. Zoning regulations, which create an often-artificial distinction between residential, commercial and industrial property, also prop up values.

**4. Construction quality can be poor.** Builders frequently use the cheapest materials they can find. This is compounded by ugly architecture and questionable interior design choices. You may have just bought a multi-million dollar apartment, but you'll probably need to spend several million more to make it habitable.

**5. You may be seen as a rube.** Some market participants will interpret your status as an outsider as an indication that you have more money than sense. And because this is almost

certain to be a one-off transaction, vendors have few incentives to negotiate or offer concessions.

**6. The market is biased against old property.**

Despite recent changes, it is still much easier to buy and arrange a mortgage for a new property than for an old one.

**7. Barriers to entry are high.**

Recently, 95% mortgages have become available. But a 30% down payment remains the norm. And "interest-only" mortgages and other creative financing techniques that are common elsewhere are unavailable in Hong Kong. High costs can lead to high levels of stress, particularly among first-time buyers.

In spite of these drawbacks, there was some good news.

**8. Prices elsewhere have caught up with Hong Kong.**

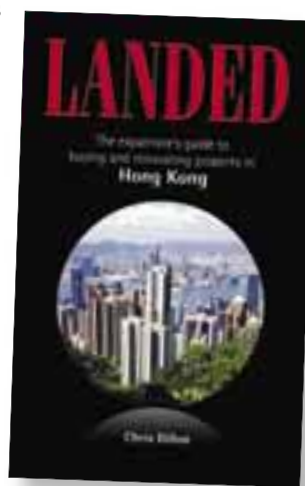
Before the Asian financial crisis in 1997,

Hong Kong property was among the most expensive in the world in absolute terms. London, New York and other cities have since caught up with and in some instances surpassed us. While there are no guarantees in life, that makes for more sustainable valuations.

**9. Everyone here is in the real estate business.**

Property plays such a large role in the local economy that the government has a powerful incentive to maintain an orderly market. In the years after 1997, Hong Kong survived a real estate rout that would have caused the banking system to collapse in many other places. Our financial system and most of our property owners weathered the storm.

**10. Hong Kong is benefiting from China's growth.**



The China boom cannot go on forever. But for the foreseeable future it will continue to deliver a steady stream of buyers from the Mainland who will exert upward pressure on Hong Kong real estate prices. Hong Kong's growing integration with China's economy is enriching local people and attracting expatriates from around the world, many of whom prefer to live in Hong Kong. All of these factors benefit our property market.

#### 11. Mortgages are accessible.

Lenders are awash with liquidity and, with Hong Kong's high down payment requirements, mortgages are seen as a secure, desirable way to recycle that cash. If you meet their requirements, banks and other lenders are keen to compete for your business.

#### 12. The rule of law is one of our greatest assets.

You don't want to go to court – ever. But if it's unavoidable, Hong Kong's legal system is among the cleanest, most transparent in Asia. The rule of law remains one of Hong Kong's greatest advantages and, 10 years after the handover, it has not been affected by the change in sovereignty.

#### 13. Real estate is a proven path to wealth.

From newly arrived immigrants to the middle class and the city's wealthiest families, many of Hong Kong's fortunes were made with real estate. It is a well-established, competitive and generally transparent industry. You don't have to reinvent the wheel to participate.

#### 14. The market is accessible to expatriates.

Contracts are commonly executed in English, and English-speaking real estate agents and solicitors are relatively easy to find. Buying here is well within your grasp. FCC

#### **Landed: The Expatriate's guide to buying and renovating property in Hong Kong**

By Chris Dillon  
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# Fear and Loathing in TV-land

*Hong Kong on Air* is a soap opera in book form, says reviewer **James Baxter**.

As a print journalist once dragooned into working briefly in TV, I remember the relief I felt when my secondment ended and I returned to what I regarded as “real news journalism”.

I don't mean to imply that TV news is any less authentic than the print version. It was just as a news junkie I found the “no pictures, no news” strictures frustrating. The lack of context or depth was also annoying. There is a flip side, of course. Televised images can have a far more powerful impact than any written description, no matter how well crafted, as military public relations officers know well. Hence the blanket access enjoyed by the media covering the Vietnam War is but a distant dream for today's war correspondents.

However, on reading *Hong Kong on Air*, I'm glad that I escaped television, especially financial television. This is a rollicking read, with many of the more toe-curling incidents drawn from real live life during that heady countdown period to the 1997 handover of Hong Kong and only lightly “fictionalised”. But there's a vein of cynicism about the industry running through the story. The author has worked in both print and broadcast journalism (as well as diplomacy) but I do wonder if his memories of his days in TV – and of his TV colleagues – are pleasant ones.

Those who pick up this novel hoping for a nostalgic rerun of events in the late 1990s – the Beijing invec-

tive directed at the last Governor, the Sino-British wars of words over the airport, container terminal nine and Legco, the bloopers made by visiting instant-expert hacks – will be disappointed. This is a soap opera set in a TV studio in Chai Wan, a shoebox flat in Mid-levels and the Jewish Community Centre restaurant. It is the relationships between the protagonists that fills the pages.

And what protagonists. In most soap operas, there are normally one or two characters who are likeable, if not downright loveable. Even villains tend to have one or two redeeming features. That's not the case here. None of them evoke much in the way of approval or even sympathy. There's the naïve semi-house-husband, Jeff. Even his mother appears to hold him in contempt. He's married to the ambitious but irritatingly wimpy newspaper-turned-TV journalist, Laura, who is bullied by the egotistical “banana” anchor, an American of Asian descent who has reinvented himself as “Deng Jiang Mao”. Even the non-TV character, a Japanese female investment banker, is a liar and adulterer.

Nepotism is alive and well in the guise of the boss, who is the station-owner's son and given to mass sackings and rampant favouritism. As for the news coverage of the handover and the subsequent Asian financial crisis, well that shows all the depth of a sparrow on ice-skates. My TV friends say this sounds eerily authentic.

The author, Muhammad (formerly Eliot) Cohen, has argued that the book seeks to debunk widely held myths among the public about Big Media. I suspect the book serves more to reinforce them. That said it's still a jolly good, backstabbing read. FCC

#### ***Hong Kong on Air***

By Muhammad Cohen  
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<http://www.hongkongonair.com>

