

## Macau Home Prices May Climb as Much as 20% as Casino Growth Fuels Demand - Bloomberg

Written by Administrator

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One Central Macau, a complex of residences and shops sits on the waterfront in Macau, China. Photographer: Jerome Favre/Bloomberg

Low interest rates, a lack of new supply and rising personal incomes driven by a 58 percent surge in casino revenue helped real estate prices in the former Portuguese colony in southern China climb 15 percent in 2010 even as the government introduced measures to stamp out speculation. Photographer: Jerome Favre/Bloomberg

Prices for some luxury projects, such as the One Central Residences co-developed by Ho's Shun Tak Holdings Ltd. and Hongkong Land Holdings Ltd., have risen to about 6,000 patacas (\$748) to 7,000 patacas a square foot at the end of last year from about 4,000 patacas in early 2009, according to Jones Lang. Photographer: Jerome Favre/Bloomberg

A man walks past an illuminated LVMH Moët Hennessy Louis Vuitton SA store at One Central Macau, in Macau, China. Photographer: Jerome Favre/Bloomberg

Casino revenue in Macau may climb 30 percent to \$30 billion this year as visitors from mainland China increase, CLSA Ltd. said in a report last month. China contributed more than half the number of Macau's 25 million tourist arrivals last year. Photographer: Jerome Favre/Bloomberg

Macau surpassed the Las Vegas Strip as the world's biggest gambling hub in 2006, after the government allowed the entry of overseas operators including Las Vegas Sands Corp., the world's biggest casino company by market value, and Wynn Resort Ltd., ending billionaire Stanley Ho's four-decade monopoly. Photographer: Daniel J. Groshong/Bloomberg

[Macau](#) home prices, which have recovered to pre-global credit crisis levels, may rise as much as 20 percent this year as the city's economy benefits from an expanding casino industry.

Residential values in the world's biggest gambling hub will gain 20 percent in 2011, according to [Midland Holdings Ltd.](#), Hong Kong's largest publicly traded real estate agency. [Jones Lang](#)

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[LaSalle Inc](#)

the world's second-biggest commercial property broker, predicts a 10 percent gain, while London-based

[Savills Plc](#)

forecasts a 15 percent jump.

Low interest rates, a lack of new supply and rising personal incomes driven by a 58 percent surge in [casino revenue](#) helped real estate prices in the former Portuguese colony in southern [China](#)

climb 15 percent in 2010 even as the government introduced measures to stamp out speculation.

"The [property market](#) is now being supported by locals whose incomes have risen off the casino boom, and also the huge demand for rental from foreign workers coming in for the new casinos and other infrastructure projects," said Gregory Ku, managing director for Macau at [Jones Lang](#)

Casino revenue in Macau may climb 30 percent to \$30 billion this year as visitors from mainland China increase, CLSA Ltd. said in a report last month. China contributed more than half the number of Macau's 25 million tourist arrivals last year.

Macau's casino revenue grew to more than four times that of the [Las Vegas Strip](#) after the government allowed the entry of overseas operators in 2002, including

[Las Vegas Sands Corp](#)

., the world's biggest casino company by market value, and Wynn Resort Ltd., ending billionaire

[Stanley Ho](#)

's four-decade monopoly.

## Local Investors

Prices for some luxury projects, such as the [One Central Macau Residences](#) co-developed by Ho's [Shun Tak](#)

[Holdings Ltd](#)

. and Hongkong Land Holdings Ltd., have risen to about 6,000 patacas (\$748) to 7,000 patacas

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a square foot at the end of last year from about 4,000 patacas in early 2009, according to Jones Lang.

About 10 percent of those who bought the properties last year were foreign investors, compared with about 35 percent between 2007 and 2008, said Ku.

“The credit crisis has pretty much driven out all the foreign funds looking to make a quick profit,” he said.

[Galaxy Entertainment Group Ltd](#) ., the casino operator part- owned by Permira Advisers LLP, plans to hire as many as 8,000 workers this year after the opening of its 600-table casino in Macau’s Cotai district, Chief Financial Officer Robert Drake said Feb. 15. Macau, the only region in China where casinos are legal, has a [population](#) of 550,000.

### Huge Demand

The city’s government is building a light-rail system aimed to be finished in 2014 and is working with neighboring Hong Kong and Zhuhai to build a bridge connecting the three cities.

“People are earning more and that’s creating a huge demand to upgrade to better properties,” said Franco Liu, managing director for Savills’s Macau unit. “With limited new land supply in the next few years, there’s so much pressure on prices to keep going up.”

Prices of some luxury apartments have risen as much as 80 percent from the trough during the credit crisis, prompting the government last year to impose higher property transaction taxes and raise mortgage down payments for transactions larger than 3.3 million patacas.

That may lead luxury prices to lag “slightly behind” those in the mass market this year, said Savills’s Liu.

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“The measures may push some buyers to shift to lower value properties because they can get a higher mortgage and fall into a lower tax brackets,” he said.

### Luxury Prices

With no standard definition for Macau luxury prices, property agencies normally distinguish them from those in the broader market based on location and prices, said Stanley Poon, managing director for Macau at [Centaline Property Agency Ltd.](#) , [Hong Kong](#) 's biggest closely held realtor. Centaline forecasts Macau home prices to rise 15 percent in 2011.

Macau's luxury home prices fell as much as 40 percent in early 2009 from a previous height in 2007, according to Centaline, after several foreign funds sold investments and developers halted projects as liquidity dried up during the credit crisis.

The number of property transactions fell to 17,000 in 2009, a seven-year low, before rebounding to 30,000 last year, according to data from the Macau government.

Macau's economy may rise 26 percent in 2010 from a year earlier, according to a forecast by Secretary of Economy and Finance Francis Tam. The jobless rate of 2.7 percent in the fourth quarter was the lowest since 1999, according to government statistics.

### Limited Supply

About 80 percent of Macanese own their homes, whose values are still at “a substantial discount” to properties in Hong Kong, about an hour by ferry, said Tom Ashworth, [fund manager](#)

for

[Macau Property Opportunities Fund Ltd](#)

., which has about \$333 million in assets and is developing residential projects including the Fountainside in Macau. Hong Kong home prices have surged about 60 percent in the past two years.

“That gap's got to close,” Ashworth said. “It's not going to go to parity, but we believe the current

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70 percent discount to Hong Kong could definitely narrow to maybe 50 percent.” Ashworth compared prices at One Central Macau and Hong Kong’s Bel-Air, a luxury apartment project in Hong Kong’s Island South district where units are selling at about HK\$20,000 (\$2,567) a square foot.

Approval for new real estate and infrastructure projects has slowed since the jailing of a former senior government official in 2008 that sparked a series of anti-graft measures by the government, said Ronald Cheung, managing director for Macau at Midland.

About 2,500 new apartments in projects including the One Grantai and The Riviera Macau are expected to be completed in 2011, down from 3,400 in 2010, he said. Annual completion will probably fall below 1,000 in each of 2012 and 2013 before rebounding in 2014.

“This two-year gap will continue to push up both rents and prices for new units,” Cheung said. “Buyers are also mindful of the threat of inflation that’s driven by the low [interest rates](#),” which are near 20-year low, he said.

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