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## Millennials Favour Hong Kong Property Amidst Rate Hike Anticipation, Risking Their Financial Future: Manulife Investor Sentiment Index (MISI)

- *Sentiment towards owning property hits four-year peak though still negative*
- *Nearly half of the millennials intend to buy local property within the next three years*
- *A quarter of millennials regard home purchase as their top financial priority; while one third of millennials worry they will still be paying their mortgage in retirement*

**Hong Kong** – The latest Manulife Investor Sentiment Index (MISI) survey revealed that overall investor sentiment towards owning a property has climbed to its highest level in four years, particularly amongst millennials, despite anticipated interest rate hikes and the fact that one in five respondents feel the overpriced property market is a concern.

The survey showed that sentiment towards residential property has increased 11 points from -17 in the 4<sup>th</sup> quarter of 2015 to -6 in the 4<sup>th</sup> quarter of 2016. An increasing sense of stability in the market and improving signals for market conditions ahead (36% and 32% respectively among optimists) were cited as the top reasons for the rise in property expectations.

### **Hong Kong Millennials focus on “pursuing a home” at the expense of retirement savings**

The desire for home ownership as the biggest financial priority was particularly acute amongst millennials, with a quarter (24%) ranking saving for and purchasing a home as their top financial priority, while the older respondents are more concerned about saving for retirement.

Among millennials, 23% report they intend to purchase property in Hong Kong within a year and 25% intend to buy in one to three years. 61% of the surveyed millennials who want to buy a property say the purpose for their purchase is as a residence rather than rental income (41%).

However, millennials may be focusing on property at the expense of their long term financial planning, with only 13% of millennials ranking retirement saving as their top priority. Nearly a third millennials (34%) also believe they may still be paying down a mortgage during retirement suggesting millennials may be carrying their debt into retirement and should be wary of relying on property investment as a source of income in their retirement.

**Guy Mills, Chief Executive Officer, Manulife (International) Limited**, commented: “Hong Kong people are not alone in the desire to own property – our data shows this remains a key priority across Asia. But the high cost of entry presents a particular challenge to Hongkongers of all ages and incomes. The risk of higher US interest rates is another source of uncertainty when



it comes to property purchase, especially for the younger generation who have not been through multiple investment cycles.”

“Millennials should not limit their financial planning to property alone,” said Mr. Mills. “Home ownership is something almost everyone aspires to, but when it comes to financial planning, a single-minded focus on one asset class alone may leave them unduly vulnerable – especially if they opt to create a down payment on their mortgage through cash savings instead of diversified investments. People of all ages need to strike the balance between the short term priorities of their current life stage with their long-term goals, and work towards a diversified and sustainable investment portfolio.”

### **Optimism from millennial investors, despite growing financial pressures on millennials**

Another clear trend to emerge from the survey is the optimism Hong Kong respondents hold for their financial future, with 57% believing they are ahead of schedule or on track to achieve their financial goals. Millennials stand out as the most hopeful group, with 1 in 5 confident that they can improve from their current lifestyle when they retire.

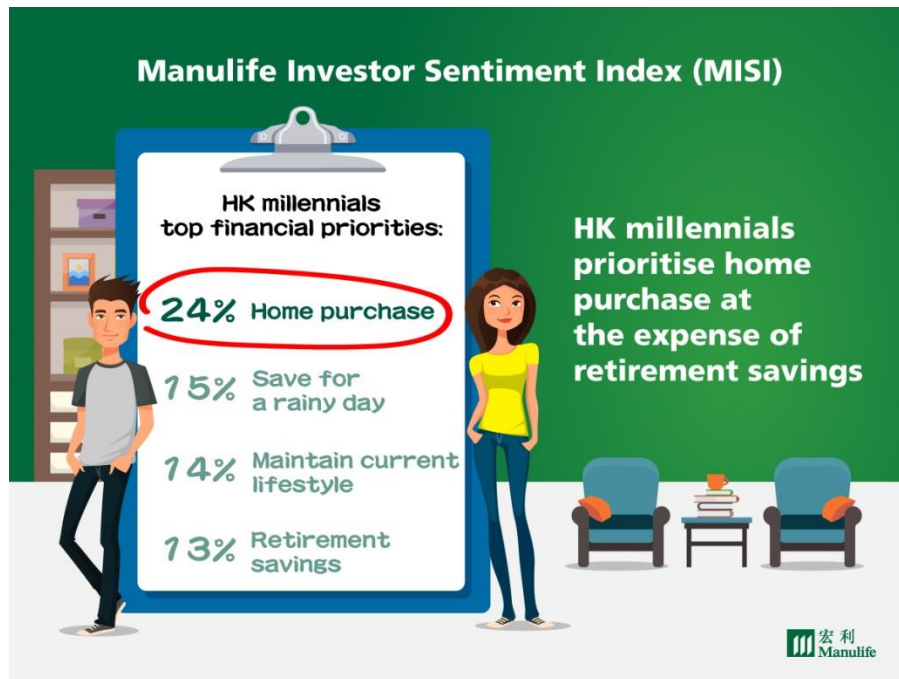
Despite this optimism, the survey revealed growing financial pressures, which suggest Hongkongers may be unrealistic about their retirement future. Many Hong Kong people worry about their financial responsibilities in retirement, with 30% still expecting to be supporting their children and a further 39% expecting to support their parents. Conversely 4 in 10 (39%) don't expect to get any support from their own children in return. 34% also feel that healthcare will become unaffordable when they retire.

Mr. Mills said: “Hong Kong people understand the growing financial pressures on retirees but still seem to be optimistic about their ability to maintain their existing standard of living in retirement. They need to set realistic savings goals for their retirement based on their monthly income, particularly millennials who may also be saving to purchase a home. This includes planning for unexpected eventualities such as no longer being able to work if their health deteriorates in old age”.

The survey also revealed that only a quarter of the respondents say they intend to purchase real estate overseas. Millennials are more open to foreign assets than their predecessors, with 4 out of 10 millennials reporting they expect to buy property abroad in the future. However, the survey indicates relatively fewer would-be buyers expect to actually reside abroad; nearly half say the primary purpose of the investment property would be for rental.

*For more findings and related information from the Manulife Investor Sentiment Index, please visit [www.manulife.com.hk](http://www.manulife.com.hk)*





### About Manulife Investor Sentiment Index in Asia

Manulife’s Investor Sentiment Index in Asia is a yearly proprietary survey measuring and tracking investors’ views across eight markets in the region on their attitudes towards key asset classes and issues related to personal financial planning. The Index is calculated as a net score (% of “Very good time” and “Good time” minus % of “Bad time” and “Very bad time”) for each asset class. The overall index is calculated as an average of the index figures of asset classes. A positive number means a positive sentiment, zero means a neutral sentiment, and a negative number means negative sentiment.

The Manulife ISI is based on 500 online interviews each in Hong Kong, China, Taiwan, Thailand, Singapore, Malaysia and the Philippines, and 500 face-to-face interviews in Indonesia. Respondents are middle class to affluent investors, aged 25 years and above who are the primary decision maker of financial matters in the household and currently have investment products.

The Manulife ISI is a long-established research series in North America. The Manulife ISI has been measuring investor sentiment in Canada for the past 18 years, and extended this to its John Hancock operation in the U.S. in 2011 and Asia in 2013. Asset classes taken into Manulife ISI Asia calculations are stocks/equities, real estate (primary residence and other investment properties), mutual funds/unit trusts, fixed income investment and cash.

The latest survey was conducted between September 2016 and October 2016 by TNS, a leading global research firm.

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