SUMMARY

Hong Kong families accumulate their wealth by investing in residential properties. As their income improves, they tend to move into larger residential units. It is generally believed that investing in larger residential units produce higher return in the long run. However, the riskiness of larger residential units relative to smaller ones is seldom investigated.

Past researches carried out in US show that the larger residential units there produced both higher returns and higher risks. With reference to these researches, this study examines the risk-and-return relationship between different residential properties' sizes in Hong Kong. Comparisons are also made on their total returns; standard deviations and systematic risks. Finally, their risk-adjusted performances are compared and tested statistically.

The result shows that the larger residential units in Hong Kong have higher nominal returns than the smaller units. Besides, the larger units have both higher standard deviations and systematic risks. However, there is no excess return by 'buying larger and selling small' residential units.

KEYWORDS:

Size, Risk, Systematic risk, Risk-adjusted Return, Residential property, Hong Kong