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Group Introduction

RHL International is one of the pioneering professional valuation and real estate consultants in Asia. Established since 1972, our group offers high quality professional services on Corporate Valuation & Advisory and Real Estate Solution & Surveying Practice. As an active participant in exchanging ideas and experience with regulators, government institutions and corporations, our group maintains vigilant to the dynamic changes in the market. Leveraging our extensive track record, technical resources and market intelligence, we are dedicated to provide tailored services to meet with the unique needs of our clients.

Professional Team

Our team comprises of professionals who have economics, finance, law and/or real estate related academic background and internationally recognized qualifications, such as CFA, CPA, registered professional surveyors, and with diverse experience and up-to-date knowledge of the current market environment. We committed to provide our clients with high standard services.

The Group is committed to provide high standard of professional services in compliance with international standard and Government Statutory requirements.

Corporate Advisor

Our experience in operating businesses in the mainland China and cooperating with overseas parties has become our competitive advantage in offering comprehensive client solution to overseas as well as mainland clients. We cover real estate as well as other industries such as natural resources, green energy and finance area.

- Industry Market Research & Analysis
- Project Feasibility Study and Advisory
- Financial Analysis
- Investment Advisory
- Due Diligence
- Valuation (including Real Estate, Business Valuation, Plant & Machinery)
- Portfolio, Asset and Facilities Management
- Corporate Valuation Advisory
- Real Estate Solutions and Surveying Practice



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Network Reshaping

Retail industry is continuing to undergo its less prosperous period, especially the luxury goods. From various market sources and our observations, a number of international brands have already started to pace for the foreseeable cooled atmosphere of the industry by re-shaping their shop networks.

As early as in 2008, a well-known French sumptuous brand had successively rented various shopping spaces in Harbour City, Tsimshatsui, to create its second largest flagship store in the world: from about 36,000 sq.ft., from G/F to 2/F to about 43,000 sq.ft. in 2015 with another temporary shop opened occupying approximately 7,000 sq.ft. area within this giant arcade.

With reference to sources, the big-name had agreed to extend its tenancy with the mall's owner, revamp the shops and to reshape the flagship. After a 1-year renovation work, we discover that, some of the areas rented by this brand previously had been replaced by other names and being decorated. As media reports, the original 22,000 sq.ft.-space on 2/F had been reduced by 2,000 sq.ft. subsequent to the completion of renovation. Apart from it, new brands are also substituting the temporary shop premises used by the big-name. Make it simple, following the launching of new flagship store, this French brand had relinquished a total of about 9,000 sq.ft. shopping spaces in the mall, a 20% cut in area.



Harbour City, Canton Road and the international well-known luxury brand's flagship store.

Although the termination of temporary shop is due to the end of the tenancy agreement, no one can deny the fact that the pictures of tourists lining up in front of different luxury shops had become rare to be seen in these years as Mainland China continues its policy to tackle the bribery and corruption problem, and change of travelling destinations.

Some global costume brandings targeting the middle-price or youth markets are also revamping their flagships networks.

As we mentioned before, an American fashion chain had decided to close its flagship store that has been standing in Capitol Centre, Causeway Bay for 6 years in this August, and mobilizing 1/10 of the original monthly rent of about HK\$13.8 million to be saved for opening another multi-storey shop at Sai Yeung Choi South Street, Mongkok, which has been opened last year. The picture for another U.S. clothing brand varies. As from various market sources, with a weak profit performance, the firm is going to cease the tenancy of its flagship at Pedder Building, Central, 3 years prior to the agreed termination date and to compensate the owner for about HK\$125 million in final.

To guarantee the rental income, many ground floor shop owners are willing to cut the rents today, unless it is a shopping arcade where developers are keen on pulling customers to patronize the malls through carrying out different promotions. According to a recent report composed by a world consultant, it had unveiled that a 3.1% rise in rental had been recorded in the city's main shopping malls. Although there is a rental fall of 5.2% in Hong Kong side's malls, an increase in 9% and almost 4% had been observed in Kowloon's and the New Territories' major arcades respectively.

Snapshots

Price Continues to Rise: Residential Parking Spaces

Subsequent to a unified Ad Valorem Stamp Duty (AVD) for residential property in the end of 2016, capital continues flowing into the car parking space market. Residential parking spaces transaction price keep rising. 2 parking spaces of the Riverpark, Tai Wai were sold at HK\$3.15 million and HK\$3.48 million in March, which set the highest priced car parking space in the New Territories. Moreover, a parking space of Hing Tin Estate, Lam Tin purchased in August 2016 at HK\$0.58 million was recently sold for HK\$0.8 million, almost 40% upsurge in value.

Another King of Public Housing!

A high floor level public housing unit at King Lam Estate, Tseung Kwan O was recently transacted at around HK\$2.28 million in the free market. The 164 sq.ft. saleable area unit generates a unit rate of HK\$13,902/sq.ft., creating a new height of transactions of public housing units in terms of unit rate. The transaction is 3.5% higher than the previous record made in late 2015 of a unit at Fung Tak Estate, Wong Tai Sin at the unit rate of HK\$13,429/sq.ft..

Retail Property Market: Empowered by Redevelopment Project

Being benefited from the residential redevelopment project located at Peel Street and Graham Street, Central, the transaction volume of the nearby shop properties experiences a growing trend. A ground floor shop having a saleable area of about 650 sq.ft. and a cockloft area of about 500 sq.ft. at Nos.28-32 Gage Street was transacted at around HK\$46.28 million, with unit rate of around HK\$71,000/sq.ft., while the property is currently tenanted to a bakery with monthly rent of HK\$70,000 with yield of 1.8%. Moreover, Shop D on ground floor and Cocklofts C to E at Nos.68-70A Hollywood Road was also sold at around HK\$96.8 million. The property having a total floor area of approximately 2,700 sq.ft. is currently under a tenancy of around HK\$231,000 per month with yield of 2.9%.

Latest Shop Transaction in Yuen Long

With a number of new residential developments complete and the increasing population in Yuen Long, the retail property market in the district was boomed accordingly. Recently, the sale of a ground floor shop, around 414 sq.ft., at Po Fat Building of Nos.22A-30 Tai Tong Road was completed with a transaction price of approximately HK\$44.8 million, or about HK\$108,200/sq.ft.. The property was sold with an existing tenancy with a monthly rent of \$105,000. The yield of this tenancy would be about 2.8%.

(奧運站 Olympic Station)

維港灣

Island Harbourview

HKD 17,000 / sq.ft.

(上水 Sheung Shui)

上水中心

Sheung Shui Centre

HKD 12,000 / sq.ft.

(沙田 Sha Tin)

沙田第一城

City One Shatin

HKD 13,500 / sq.ft.

(天水圍 Tin Shui Wai)

嘉湖山莊

Kingswood Villas

HKD 8,000 / sq.ft.

(青衣 Tsing Yi)

灝景灣

Villa Esplanada

HKD 13,000 / sq.ft.

(紅磡 Hung Hom)

黃埔花園

Whampoa Garden

HKD 14,000 / sq.ft.

(藍田 Lam Tin)

匯景花園

Sceneway Garden

HKD 12,500 / sq.ft.

(將軍澳 Tseung Kwan O)

新都城

Metro City

HKD 12,500 / sq.ft.

(太古 Taikoo)

太古城

Taikoo Shing

HKD 16,000 / sq.ft.

(東涌 Tung Chung)

東堤灣畔

Tung Chung Crescent

HKD 10,000 / sq.ft.

(鴨脷洲 Ap Lei Chau)

海怡半島

South Horizons

HKD 15,000 / sq.ft.

(北角 North Point)

城市花園

City Garden

HKD 14,500 / sq.ft.



* Average **saleable unit rate** of standard units
以上為各標準單位平均實用呎價

China Property Market Watch

Land Market in Second and Third-tier Cities Become Popular

The mainland real estate enterprises have taken positive in bidding land since the beginning of this year. Data as of 16 February has shown that, with a total cost of 195.163 billion, 25 enterprises have each spent more than 2 billion on bidding lands, of which 12 companies have each paid more than 5 billion. Due to the low supply during the Spring Festival, the enterprises will continue to increase land purchase as expected.

Benchmarking enterprises are active for hot cities and hot land plots. Land auctions in cities of Changsha, Qingdao and Shenzhen have reached an average premium rate of over 50%. Land prices of three residential plots in Xiamen and five in Nanjing have also touched their upper limit. In fact, for those quality land parcels in hot cities, the government has already attached substantial conditions. For examples, certain amount of talent housing and/or public rental housing are requested to be built; the size and the ratio of commercial spaces are restricted. But the market has shown that, those subsidiary conditions did not stop the housing enterprises from entering into the second and third-tier cities. Take Najing plot No.G98 as an example, after reaching the maximum bidding price, ballot was then used to decide the final buyer. China Merchants Land (Nanjing) Limited was the lucky one to win the land at RMB 98.1 billion and become the new land king in Nanjing.

Land Transaction among 15 cities in China in January 2017

City	Total Land						Residential land					
	No. of land (piece)		Site Area		Accommodation Value		No. of land (piece)		Site Area		Accommodation Value	
			(million sq. m.)		(RMB/ sq. m.)				(million sq. m.)		(RMB/ sq. m.)	
	Release	Deal	Release	Deal	Release	Deal	Release	Deal	Release	Deal	Release	Deal
Beijing	3	4	35	38	17,127	17,481	3	3	35	35	17,127	19,448
Shanghai	11	8	47	30	10,576	13,374	10	6	47	27	10,548	11,112
Guangzhou	7	11	33	33	410	8,442	0	4	0	11	-	16,363
Shenzhen	2	4	1	4	15,015	11,475	0	0	0	0	-	-
Hangzhou	24	26	85	91	6,154	7,570	11	10	37	35	12,660	17,822
Tianjin	24	22	95	114	5,203	4,225	6	4	51	34	7,868	14,382
Nanjing	27	17	116	82	1,808	4,055	2	7	11	43	5,946	4,243
Wuhan	41	23	277	166	4,728	4,665	19	11	183	106	5,675	5,716
Changsha	16	9	59	46	1,644	1,028	10	3	40	21	2,081	1,551
Qingdao	20	12	87	65	1,014	1,307	7	5	30	19	1,778	2,777
Xiamen	1	5	0.2	14	1,065	453	0	0	0	0	-	-
Zhengzhou	92	42	292	116	2,732	2,469	67	27	257	97	2,832	2,542
Kunming	30	26	147	140	1,333	1,346	17	11	88	59	1,517	1,548
Hefei	28	21	191	153	2,798	7,442	19	17	143	121	3,577	9,485
Xi'an	17	19	115	108	2,204	2,212	13	14	103	98	2,249	2,246

Source: Fang Holdings Limited / China Real Estate Index System
<http://fdc.fang.com/news/zt/201702/yb201701.html>

Says one insider, it is normal that housing enterprises are currently active in bidding lands in the second and third-tier cities. On the one hand, it is normally an essential time for enterprises to enlarge their land bank after Spring Festival. With reference to the market information, the supply to demand ratio is 0.70 among the nationwide 54 cities in January 2016. Most land markets remain in short supply; the new supplies in some cities like Beijing and Chongqing are less than the half of the transaction volume, which stimulates enterprises with the sense of urgency. On the other hand, as the land supply in the first-tier cities is relatively low, and with the general implementation of the "limit purchase and limit loan" policy, the demand for real estate is spilling over to the nearby second and third-tier cities. This is going to push housing enterprises to consider their strategic layout. The implementation of "fast-in-fast-out strategy" will in the short term make a good contribution to the company size and annual financial indicators.

Referring to the fifteen-year outline plan recently issued by the National Lands Department, a downward trend of future land supply is irreversible. Based on a conservative estimate, the average annual growth in construction land will fall at least 33% compared to the "second Five-Year" period by 2030, and high-stock cities are going to further tighten the land supply in 2017. While in Beijing and Shanghai, a target of "negative growth" on construction lands has been proposed, which greatly restrict the new supply of land in those first-tier cities. From this point of view, "the main battlefield" in the land market would probably stay in the hot second and third-tier cities whose boundary have been rapidly expanded in recent years.

Snapshots

“The Standard of Public Rental Housing Construction and Evaluation” Implemented in Beijing

“The Standard of Public Rental Housing Construction and Evaluation” promulgated by Beijing Municipal Commission of Housing and Urban-Rural Development has officially taken effect from 1st February 2017. This standard is the first local standard for Public Rental Housing Construction and Evaluation in the country. According to this standard, public rental housings are no longer bound by the previous "Design code for residential buildings", in which the minimum area constraint was 22 sq.m. Now, small units between 15~22 sq.m. are allowed to be built. Furthermore, the new criterion pays more attention on the needs of the elderly and young people and asks for higher requirements for the traffic of the public rental apartments. In addition, this standard innovatively introduces a evaluation system which adopts an international evaluation methodology to assess the building performance. Apartments that fail to get the qualification in the evaluation process will not be delivered.

“Big Action” in Tianjin, Serviced Apartment No Longer Permitted

Recently, Tianjin Planning Bureau, Bureau of Land Resources and Housing Management of Tianjin, and Construction Commission of Tianjin jointly issued a notice of the expiry of relevant documents for the construction and management of services apartment, thus any new project of serviced apartment in Tianjin will no longer obtain approval. The notice points out that, due to the difference between the previously performed “Notice on Strengthening the Construction and Management of Serviced Apartment” and “Urban Land Classification and Planned Construction Land Standard” issued by Housing and Urban-Rural Development on 1st January 2016, the Tianjin government decides to abolish the previous performed notice. After the invalidity of the notice, construction of serviced apartment in Tianjin will no longer be approved. Those land use rights grant contracts that contain serviced apartment before the expiry of the abolished notice should keep on the planning, land/housing management and construction procedures according to the original notice.



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