

Contacts

Industry / Market Research and Feasibility Studies

Serena Lau

serena@rhl-int.com

(852) 3408 3398

Land & Planning Matters, Surveying Practice

Keith Siu

keith@rhl-int.com

(852) 3408 3338

Hong Kong Property Valuation

Tony Wong

tony@rhl-int.com

(852) 3408 3188

Mainland China, Macau and Overseas Property Valuation

Jessie Chen

jessie@rhl-int.com

(852) 3408 3302

Business Valuation

Alexander Lau

alex@rhl-int.com

(852) 3408 3328

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 finance and/or real estate related academic background and internationally recognized qualifications, such as CPA, FRM, 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 & VALUATION ADVISORY

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.

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

HONG KONG PROPERTY

Market Watch

SME-TYPED DEVELOPERS: CHALLENGES AND OPPORTUNITIES

Strategic Investment Advisory & Agency

- Provide Market Research and Analysis
- As a Matching Platform to Source Opportunities

The Chief Executive, Mrs. Carrie Lam, has announced a series of new housing policies and initiatives on June 29, one of which was related to the increase in supply of the subsidized housing. Meanwhile, the Land Supply Task Force continues to run the public consultation activities ("public consultation") and one of the talks in the town in July was how to tap into private agricultural land reserve in the New Territories, which led to the debate on "public private cooperation". These two pieces of news have indeed posed great challenges, if not opportunities, to small to medium sized developers.

There are three policy objectives mentioned by the CE, being:

- (1) To enhance the linkage between affordability of those who are going to buy subsidized sale flats;
- (2) To enhance the supply of the subsidized housing as well as to provide mitigation or relief measures for those who live in inadequate housing situation; and
- (3) To foster a more efficient delivery of built private flats for purchase or rental usage.

To meet the policy objectives, there are six initiatives being raised at the same time. The public might have paid more attention to the initiatives with regards to making subsidized housing cheaper and imposing a vacancy tax on newly built unsold homes.

Strategic Investment Advisory & Agency

- Negotiation between Transaction Parties
- Provide Transaction Advisory Services

To developers, the concern, however, should be the message behind the initiative to reallocate nine private housing sites in Kai Tak and Anderson Road Quarry for public housing. The government used to emphasize that there must have constant private land supply to stabilize the private property price. Probably the recent settlements of several major land exchange cases in the New Territories may give the Government the confidence in having sufficient private housing supply to supplement the above mentioned reallocation of sites for public tender. Certainly, the “power” of the conversion of private agriculture land (“land conversion”) to speed up the housing supply is obvious. Yet, the reality is that, most of the sizable private agriculture lands are held by major so called “big 4” developers.

With the likely increase in reliance on land conversion for private housing, will it lead to a shrinking number of disposal of government land to private sector in the future? It may or it may not, but the uncertainty has been created. Small to medium sized developers (“SME developers”) who do not have NT land reserves will be forced to compete for less number of parcel of government released private land. Assuming a stabilized global and local economic condition, SME developers shall then make a decision whether to raise the bidding price or quit the market.

Yet, there is still one good reason for SME developers to feel comfortable in bidding with higher land price. That is the need for the government to empower its effort on urban renewal, implying that the government is quite likely to be the one who can afford and shall pay the bill of higher housing prices in the future. We may further explore this topic in the coming articles.

Forward Planning and Solution

- Macro-economical Analysis
- Social and Economic Trend Monitoring
- Market Forecast

HONG KONG SNAPSHOTS

Entrance Fee for Whole Office Floor at the Centre: HK\$77M

An investor plans to subdivide the whole mid-level floor of the Centre in Central, which acquired in form of consortium in the end of 2017, into 12 units for disposal. The area of the units range from about 1,600sq.ft. up to 25,000sq.ft. as a whole floor. 6 units with an area from about 1,651 sq.ft. to 2,601 sq.ft. are planned to be disposed first. The asking unit rates are between HK\$47,000/sq.ft. and HK\$48,000/sq.ft., with the least asking price at about HK\$77 million.



Forward Planning and Solution

- Financial Feasibility and Economic Viability Assessment
- Value-added and Reliable Implementation Scheme

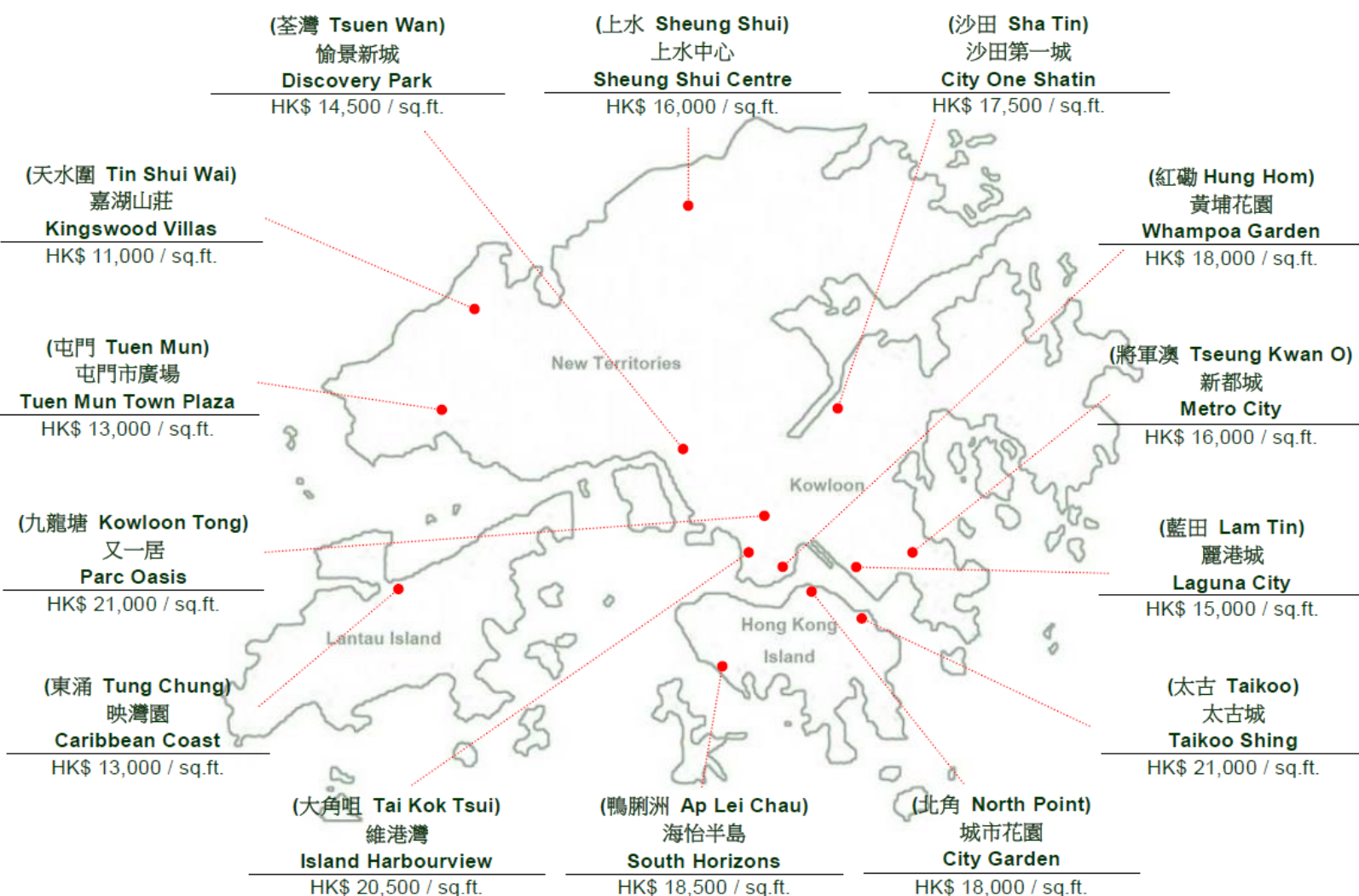
Leading the Market: “Apartment Room” Rentals

“Apartment room” rentals continue its lead in the market. An apartment unit with saleable area of 670 sq.ft on the medium level of the Grandiose in Tseung Kwan O was let with 3 individual rooms separately. One of the room with a saleable area of 110 sq.ft was leased for HK\$9,700 per month. The unit rent is about HK\$88/sq.ft.. Other than that, there are some room rentals transaction in Metro City, Ocean Shores and Lohas Park in the same district with the monthly rental at about HK\$6,500, HK\$7,500 and HK\$9,000, which recorded about HK\$81, HK\$150 and HK\$82 per sq.ft. respectively, a time more expensive than the ordinary apartments.

Historical High Tender Price: Industrial Site in Fanling

The Fanling On Lok Tsuen Industrial Site was awarded at a premium of HK\$732.9 million, Lands Department announced. With the maximum gross floor area of 202,632 sq.ft., the unit rate was HK\$3,617/sq.ft., which achieved a historically high price of industrial site across the city. The site was the only industrial land supply for the past 25 years of the district. In addition to the diverse use of the site, the project was thought attractive to the market.

HONG KONG TRANSACTIONS OVERVIEW



* 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

**LIMITED EFFECTS: GUANGZHOU'S
FIRST YEAR OF "EQUAL RIGHTS FOR
FLAT RENTAL AND PURCHASE"****Professional Practice
in Land and Planning
Matter**

- Lease Modification /
Land Exchange
- Premium Assessment
- Temporary Waiver
Application

In July 2017, Guangzhou took the lead in proposing “Equal Rights for Flat Rental and Purchase”, which then followed by Chongqing, Nanjing, Wuhan and other places launching similar measures. Judging from the policies issued by various localities, “Equal Rights for Flat Rental and Purchase” means the lessee can enjoy public service rights, including compulsory education, basic medical care and public health services, among which the most important is the children’s education and household registration. At some point, people’s demand for these rights is even greater than the property ownership rights themselves.

The call for the central government to increase the proportion of rental housing is also a hammer against Guangzhou’s talent recruitment. However, one year has lapsed, although the policy has provided a guarantee of rights to the citizens, the actual situation is still complicated and the city is facing three major difficulties under this policy.

First, the supply capacity of high-quality public resources is insufficient. In some cities with huge population, it is unable to fully implement “Equal Rights for Flat Rental and Purchase”. For first- and second-tier cities with large rental demand, the total amount of public resources, especially high-quality resources, is scarce. Therefore, the equal rights for tenants and properties owners is unrealistic.

Professional Practice in Land and Planning Matter

- Rate & Government Rent Appeal
- Compensation Claim Assessment
- Planning & Development Consultancy

Second, some local governments still have more requirements in terms of "equal rights" and the substantive changes are not significant. Taking Wuhan as an example, the Wuhan education system currently ranks the school places allocation like many other places in the country, that is, the first place is for the owner and the head of household; the second place is for the owner from other school districts; the third place is for the renter. If you do not change the priority of the renter in the allocation, the "Equal Rights for Flat Rental and Purchase" will only be a slogan instead of an influence.

Third, renting a home for household registration is currently limited to a smaller area. There are requirements for renting policies in cities such as Jinan and Wuxi. The owner of the house must agree with the renter to household register. The provision seems not difficult to implement. However, it requires agreement with the owner which thought to be beneficial to a small-scale renter, such as tenancy between relatives and friends.

At the same time, with the implementation of "Equal Rights for Flat Rental and Purchase", rents are likely to rise. High-quality scarce resources will bring high premiums. If this cannot be reflected in the housing prices, it will be reflected in higher rents. The "Equal Rights for Flat Rental and Purchase" may stimulate the renting demand of the school districts, which will lead to a sharp increase in housing rents in the school districts where the key primary and secondary schools are located.

Looking back to the policy's launch in 2017, the initial intention of "Equal Rights for Flat Rental and Purchase" was to unbind the house in terms of educational resources and investment, reduce people's expectation on appreciation of the house and benefit those who can't afford to buy a house with public services. In the long run, "Equal Rights for Flat Rental and Purchase" will stabilize housing prices and reduce the room for additional appreciation of real estate, so that the "crazy" property market will return to "rational". However, in the short term, the problems involved are numerous and complicated. Whether it produces the desired results or not, this policy still needs further observation to execute in the future.

Revitalization of Industrial Buildings

- 30-minute free consultation
- Coordinate with other professionals
- Submitting an application to the Town Planning Board for our client
- Submitting a "Temporary Waiver" or "No Objection Letter" application to the Lands Department

CHINA SNAPSHOTS

Half Year of Land Transactions over Trillion, mainly in 2nd, 3rd & 4th -tier cities

In the first half of 2018, the total amount of land transfer in 40 cities was RMB 1.0453trillion, 127.8% up from the same period in 2017, the highest in history. The first or second-tier city is still the centre of land transaction, but the situation varies greatly. Beijing, Shanghai, the first half of the land income grew negatively, Guangzhou, a weak increase of 3.6%. Differentiation in growth rate was obvious in second-tier urban, such as Fuzhou, Jinan, Hangzhou, Chengdu, the first half of the land income growth in more than 70% while Nanjing, Tianjin, Suzhou for the increase of 20% below. Third or fourth-tier cities, especially the Yangtze River Delta region, the first half of the land sales in RMB 20 billion to 40 billion, income growth reached more than 200%.

New Regulation issued in Tianjin: Prevention of Sale of Self-Sustaining Rental Housing under a Leased Surface

In July, Tianjin has issued a new regulation on strengthening the management of enterprises' self-sustaining rental housing, with several important aspects to pay attention to. First, the concept of self-sustaining property emphasizes small-to-medium type. The second is that such rental housing allows a long tenancy term, but not more than 10 years in order to prevent selling under a leased surface. Thirdly, centralized construction of rental housing to prevent the risk of poor quality rental housing. The Fourth, from the project management perspective, real estate registration in details are more clearly defined which is conducive to the future self-sustaining property operation process.



Room 1010, Star House,
3 Salisbury Road,
Tsimshatsui, Hong Kong



(852) 3408 3188

(852) 2730 6212

(852) 5307 9925 (Whatsapp)



info@rhl-int.com



www.rhl-int.com

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