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MARKET EXPRESS

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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 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

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RHL International 永利行

Strategic Investment Advisory & Agency

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

HONG KONG PROPERTY

Market Watch

COMPLETIONS, VACANCY AND PRICE

Although the Government has kept on reminding the public about the increase in housing supply, record-breaking high rentals as well as prices are still the headlines of the daily news. It is considered that the levy of heavy stamp duty shall able to manage the investment demand. In this regards, there is a query on whether the supply cannot be actually delivered to the market. Discussion on the introduction of vacancy tax is therefore being raised due to the concern that developers and owners have left the completed units vacant.

With reference to the statistics concerning Private Domestic – Class A, B and C typed of units, being released by the Rating and Valuation Department since the year 2010, it appears that there is no necessary relationship between the vacancy and the completions for most of the years.

Table 1 Class A Unit (Saleable Area less than 40sqm)

Year	Completions during the year (No. of Unit)	Vacancy at year end as a % of stock	No. Vacant at year-end	Rental Index - annual % of change	Price Index – annual % of change
2010	689	2.7%	9,592	NA	NA
2011	636	2.3%	8,067	7.6%	11.7%
2012	1,511	2.3%	8,083	13.9%	30.2%
2013	1,423	3.5%	12,426	5.5%	8.7%
2014	2,160	2.4%	8,599	7.0%	15.2%
2015	2,135	2.3%	8,331	4.4%	3.3%
2016	3,937	2.6%	9,319	1.7%	7.8%
2017	6,891	3.2%	11,761	9.0%	14.7%
2018	6,852(Prediction)	NA	NA	NA	NA
2019	9,649(Prediction)	NA	NA	NA	NA

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Strategic Investment Advisory & Agency

- Negotiation between Transaction Parties
- Provide Transaction Advisory Services

Table 2 Class B Unit (Saleable Area between 40 sqm to 69.9sqm)

Year	Completions during the year (No. of Unit)	Vacancy at year end as a % of stock	No. Vacant at year-end	Rental Index - annual % of change	Price Index – annual % of change
2010	6,742	4.5%	24,389	NA	NA
2011	4,586	4.0%	21,739	5.9%	11.5%
2012	4,496	4.1%	22,587	12.5%	24.9%
2013	4,688	3.6%	19,707	3.2%	7.4%
2014	8,446	3.6%	20,159	7.2%	14.1%
2015	5,047	3.2%	17,784	1.7%	2.7%
2016	7,162	3.6%	20,389	2.2%	8.1%
2017	7,665	3.3%	18,764	7.4%	14.4%
2018	5,811(Prediction)	NA	NA	NA	NA
2019	7,730(Prediction)	NA	NA	NA	NA

Table 3 Class C Unit (Saleable Area between 70sqm to 99.9sqm)

Year	Completions during the year (No. of Unit)	Vacancy at year end as a % of stock	No. Vacant at year-end	Rental Index - annual % of change	Price Index – annual % of change
2010	4,543	7.7%	9,977	NA	NA
2011	3,101	7.7%	10,188	5.9%	7.8%
2012	1,720	6.1%	8,187	8.4%	16.8%
2013	1,207	4.5%	6,076	1.1%	4.4%
2014	4,207	5.5%	7,612	5.8%	7.7%
2015	2,190	6.2%	8,711	2.5%	2.7%
2016	1,413	3.9%	5,526	- 0.9%	6.5%
2017	1,794	3.4%	4,789	6.8%	14.7%

Source: Rating and Valuation Department (RVD), RHL Research
Remark: vacancy estimated by RVD indicates that a unit was not physically occupied at the time of the survey conducted at the end of the year. Premises under decoration are classified as vacant. Therefore it is likely to have higher vacancy if most of the completions are occurred close to the end of a year.

Strategic Investment Advisory & Agency

- Negotiation between Transaction Parties
- Provide Transaction Advisory Services

Meanwhile, taking a look on the vacancy rates, percentage change of rental as well as price indices during the years, it also appears that there is no direct relationship between the recent changes in supply and the rental or price changes.

It appears the common belief of direct relationship between completions, vacancy and price does not exist. This phenomenon probably occurred due to the fact that the potential demand is still well exceed the supply. Any increase and additional supply has been absorbed without changing the current imbalance situation. Besides, such phenomenon may also represent the consequence of “too quickly increased” price. Due to the affordability level, majority of the potential buyers can now only select those “pricy, tiny and cramped” units. Developers have captured the trend and turn to provide more Class A units, from only 689 units at year 2010 to 6,891 units at year 2017, partly in the expense of Class C units. Nevertheless, even with obvious increase in supply, vacancy rate for Class A unit still stay at lower level. That reflects the demand is still over the supply. Meanwhile, for Class C unit, the drop of vacancy rate is likely due to the intensity of reduction of supply is higher than the decrease of demand. Overall, rental and price changes appears due to other factors than the supply.

Forward Planning and Solution

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

HONG KONG SNAPSHOTS

A Transforming Tai Kok Tsui

The government has planned to transform Tai Kok Tsui district by rezoning part of the industrial use land parcels to residential use few years ago so as to encourage the owners of the industrial building to develop residential estates in the area. It is estimated that the consortium and investors have driven mergers and acquisitions to provide commercial and industrial floor of about 430,000 sq. ft. as a respond to the plan. A developer is also planned to connect the 2 redeveloping industrial buildings with 2 commercial and residential development undergo construction. The project may provide more than 100,000 sq.ft. of commercial floor space and 2,000 residential units.

Shouson Hill Road Development to be the Most Expensive Residential Site

According to market information, a self-owner has expressed his interest to acquire a 92,000 sq.ft. seaview land parcel at Shouson Hill Road with a maximum gross floor area of 62,000 sq.ft. for HK$6 billion at an accommodation value about HK$87,000/sq.ft.. This transaction is expected to replace No.75 Peak Road which was sold in 2014 for HK$5.1 billion and shall become the most expensive residential site sale by private tender.

Transaction Price of Residential Units in Hong Kong Island Record High

According to the Rating and Valuation Department, price index of private residential unit in April has gone up for the consecutive 25 months. In particular, the average unit rate of units in Hong Kong Island with saleable area under 431 sq.ft. has raised up to about HK$16,885/sq.ft. which has up for 4% from last month. The starting price of a small size unit with saleable area 390 sq.ft. in Nan Fung Sun Chuen in Quarry Bay now worth at least HKD7.2 million.

Consortium Covets at and Offers High for Buildings in Causeway Bay

High redevelopment potential of sea-front buildings in Causeway Bay continues to attract developers to acquire aggressively. According to market information, a consortium has offered a unit rate of $30,000/sq.ft. to acquire domestic units of Hoi Kung Court, a harbour-facing location at Gloucester Road in Causeway Bay, at a similar acquisition price level of Jade Garden in Mid-Level West. By comparing with a recent transaction at Hoi Kung Court, a low floor unit with saleable 717 sq. ft. was sold for HKD12.5 million, which means the acquisition price offered was 70% higher than that of the ordinary market one. Other than Hoi Kung Court, the nearby Sun On Mansion has also been undergoing its acquisition since 2015.

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HONG KONG TRANSACTIONS OVERVIEW

(天水圍 Tin Shui Wai)
嘉湖山莊
Kingswood Villas
HKD 10,000 / sq.ft.

(粉嶺 Fanling)
粉嶺名都
Fanling Town Centre
HKD 13,000 / sq.ft.

(沙田 Sha Tin)
沙田第一城
City One Shatin
HKD 17,500 / sq.ft.

(荃灣 Tsuen Wan)
愉景新城
Discovery Park
HKD 14,000 / sq.ft.

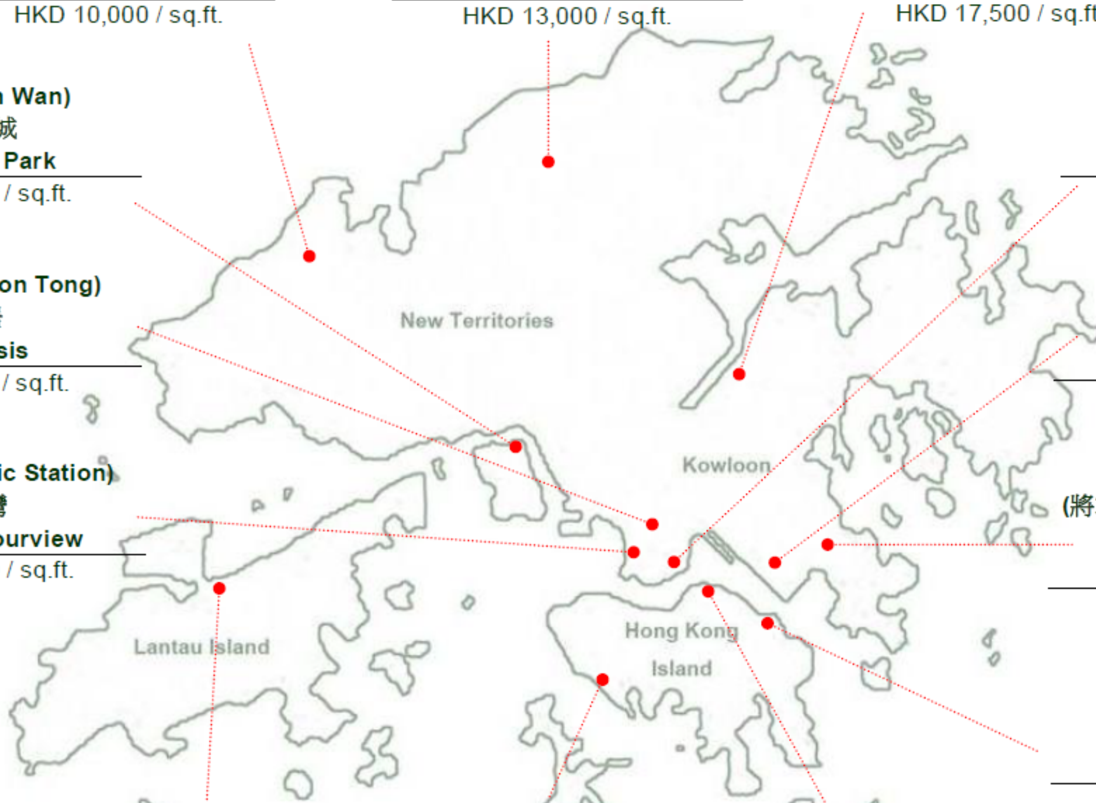
(紅磡 Hung Hom)
黃埔花園
Whampoa Garden
HKD 16,000 / sq.ft.

(九龍塘 Kowloon Tong)
又一居
Parc Oasis
HKD 20,000 / sq.ft.

(藍田 Lam Tin)
麗港城
Laguna City
HKD 14,000 / sq.ft.

(奧運站 Olympic Station)
維港灣
Island Harbourview
HKD 21,000 / sq.ft.

(將軍澳 Tseung Kwan O)
新都城
Metro City
HKD 16,000 / sq.ft.



(太古 Taikoo)
太古城
Taikoo Shing
HKD 20,000 / sq.ft.

(東涌 Tung Chung)
映灣園
Caribbean Coast
HKD 11,000 / sq.ft.

(鴨脷洲 Ap Lei Chau)
海怡半島
South Horizons
HKD 16,500 / sq.ft.

(北角 North Point)
和富中心
Provident Centre
HKD 19,000 / sq.ft.

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

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CHINA PROPERTY

Market Watch

“WAR FOR TALENT” STIMULATES HOUSING MARKET

Starting from March 2017, major cities in China have taken part in “War for Talent” and have introduced various talent introduction policies. Coinciding with relevant data, from 2018 to the present, over 35 cities have issued more than 40 talent introduction policies, heading by Shenzhen, Guangzhou, Nanjing, Zhengzhou, Chengdu, Hangzhou, Wuhan and Hefei. These cities are offering the most preferential and attractive policies: Shenzhen proposes that persons under the age of 35 who have a college education with a higher education degree or above can settle in Shenzhen; Nanjing relaxes the requirement for non-locals to apply for a permanent residence permit; Zhengzhou provides a first-time housing subsidy of RMB100,000 per person for young talents with doctoral degrees; and Chengdu employs full-time university graduates and above to settle with a diploma.

According to analyses, there are three main reasons for the outbreak of "War for Talent". Firstly, the transformation of the economic structure from the traditional manufacturing and real estate industries to high-end manufacturing and high-tech-led enterprises is on-going, a large amount of talents are essential for the whole process; secondly, followed by the current low fertility rate, cities must introduce young people to improve the aging urban population structure; thirdly, as the national regulatory policy tightened, financing of local government is getting difficult. The introduction of talent will empower the purchasing power, support the property market and relieve the debt pressure of local government.

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Professional Practice in Land and Planning Matter

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

The official statistics stated that as of the end of May, the number of talents settled in Xi'an, Chengdu, and Zhengzhou has exceeded 400,000, 100,000, and 130,000 respectively. Cities such as Shenyang, Chengdu, Dongguan, and Nanjing are affected by the talent introduction policy, and house prices have accelerated in the rising cycle. Chengdu and Nanjing have a particularly positive market response due to the fierce market itself and strong talent introduction; one month after the policy was announced, the average price of second-hand houses rose by more than 4% and 2%.

Cities such as Wuhan, Xi'an, Qingdao and Jinan are barely affected by the policy. These cities have been in an upward trend before the release of the talent policy,coupled with a long cycle of talent introduction strategies and slightly short-term impact, so there has been no significant change in the property market before and after the policy announcement.

In cities such as Taiyuan, Zhengzhou, and Hangzhou, due to the continued hot real estate market in 2017, the government adopted a high-pressure control policy to maintain the stability of the property market. A large number of purchases were suppressed, the housing market heat decreased, and the listing price continued to fall. After the release of the talent policy, the purchasing power increased and the market rebounded, returning to the previous steady increase. Shenyang's housing prices in 2017 were stable and then rose again after the release of the policies, representing a monthly increase of more than 2%. The "War of Talent" is still going on and chain-reaction of the property market is expected.

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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

Number of Unsuccessful Land Sale Tender Rises in China

With continuous introduction of real estate control policies in the Mainland, the provincial land markets have gradually returned to a more reasonable condition. Land markets in first-tier and second-tier cities have dropped to low level. Unsuccessful tendering has frequently occurred.

According to the market data, there are 8 unsuccessful land sale tenders in first-tier cities in the first 5 months this year, of which 6 were in Beijing. The total number and area of unsuccessful commercial land sale have increased by 166% and 700% respectively as compared with the corresponding period of last year. Besides, a total of 68 unsuccessful commercial land sale with total construction area of 8 million sq.m. were recorded in second-tier cities from January to May, which has risen by 53% in comparison with last year.

These sites are usually situated in unpopular locations such as rural areas. They generally have multiple land properties and are equipped with complex supporting facilities. All the above-mentioned factors make real estate developers in China unwilling to tender for the land.

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Source: Land Registry and RHL Research Department