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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

HONG KONG PROPERTY

Market Watch

VACANCY TAX AND THE CURRENT VACANCY RATE

Strategic Investment
Advisory & Agency

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

There are discussions regarding the possibility to impose a vacancy tax recently. Vacancy tax has not been mentioned in the Financial Budget and hence it is unlikely to have any material action this year. Nevertheless, it is the public impression that developers and investors have hold up the available domestic unit for sell or for lettings. Certainly if the Government now acknowledge that domestic units are not commodity for trade but for people livelihood, and with the development of big data platform, implementation of vacancy tax in the future is not a surprise.

Meanwhile, is the current vacancy figure alarming? The Rating and Valuation Department (RVD) has released their preliminary findings of its annual review of production and activities in the local property market recently. Regarding the private domestic, the following tables are extracted for reference:

ALL UNITS COMPLETIONS, TAKE-UP AND VACANCY No. of units

	2013	2014	2015	2016	2017	2018	2019
Completions	8 250	15 720	11 300#	14 600	17 790	[18 130]	[20 370]
Take-up*	8 060	16 520	10 530	11 880	16 950	n/a	n/a
Vacancy	46 570	43 260	42 040	43 660	42 940	n/a	n/a
% ^①	4.1	3.8	3.7	3.8	3.7	n/a	n/a

SMALL / MEDIUM UNITS (Saleable Area less than 100 m²) COMPLETIONS, TAKE-UP AND VACANCY No. of units

	2013	2014	2015	2016	2017	2018	2019
Completions	7 310	14 810	9 380 #	12 520	16 350	[16 010]	[18 670]
Take-up*	6 390	14 210	8 970	11 040	14 860	n/a	n/a
Vacancy	38 210	36 370	34 830	35 240	35 310	n/a	n/a
% ^①	3.7	3.5	3.3	3.3	3.3	n/a	n/a

LARGE UNITS (Saleable Area 100 m2 or above) COMPLETIONS, TAKE-UP AND VACANCY No. of units

	2013	2014	2015	2016	2017	2018	2019
Completions	940	910	1 920	2 080	1 440	[2 120]	[1 700]
Take-up*	1 670	2 310	1 560	840	2 090	n/a	n/a
Vacancy	8 360	6 890	7 210	8 420	7 630	n/a	n/a
% [∅]	9.7	7.9	8.1	9.2	8.2	n/a	n/a

Remarks:

“Private domestic” excludes flats built under the Home Ownership, Private Sector Participation, Buy or Rent Option, Tenants Purchase, Urban Improvement, Flat-For-Sale and Sandwich Class Housing Schemes, etc. Figures exclude village houses.

Completions of 2015 include 16 flats completed and designated as subsidised sale flats in the year but sold to the public in the open market at prevailing market prices in 2017. There is no amendment to other related take-up and vacancy figures.

* Take-up represents the net increase in the number of units occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year’s demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected).

∅ Vacancy at the end of the year as a percentage of stock.

[] Forecast figures

The latest 2018 vacancy percentage reveals that the vacancy level is still maintaining at low level among the past five years. In this regards, instead of worrying that there are a lot of units being hold up and leave vacant, the vacancy rate in fact indicates the insufficient supply or over demand situation.

Probably the figure which trigger our Financial Secretary Paul Chan Mo-po to hint the possibility to impose vacancy tax is the continue increase in the number of unsold unit in completed projects. According to the Statistics on Private Housing Supply in Primary Market a statistics being released by Transport and Housing Bureau, as at 31st December 2017, the unsold units in completed projects, which are projects completed since 2010, is 9,000. For the past five years, the unsold units were around 4,000 to 6,000. It is the question on whether the increase of unsold unit is due to intentionally hold up, mismatch of price or slower absorption. Yet, the increase of primary unsold units also means an even lower vacancy rate for secondary market.

Strategic Investment Advisory & Agency

- Negotiation between Transaction Parties
- Provide Transaction Advisory Services

Forward Planning and Solution

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

HONG KONG SNAPSHOTS

60 year-old Shamrock Hotel Intends to be Put onto Market

According to market sources, owner of the 10-storey Shamrock Hotel, with 160 guest room standing at Nathan Road in Jordan for 60 year-old, intends to place the building onto the market. The hotel is currently built with a gross floor area of 70,000 sq.ft.. Under the site of area about 9,000 sq.ft., the maximum gross floor area would be around 108,684 sq.ft., that is more than the current hotel total floor area. The under usage of permitted plot ratio is estimated to bring the site a high redevelopment potential.

New Development in Sai Ying Pun Sold at New High

A high level studio unit with a saleable area 209 sq.ft. has been tendered for about HK\$8.363 million or at a unit rate of HK\$40,014/sq.ft., marking the most expensive unit rate for a studio flat in the territory. The transaction was made at a new development in Sai Ying Pun, where another studio flat had made a record-breaking high unit rate of HK\$38,713/sq.ft. few days ago.

Forward Planning and Solution

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

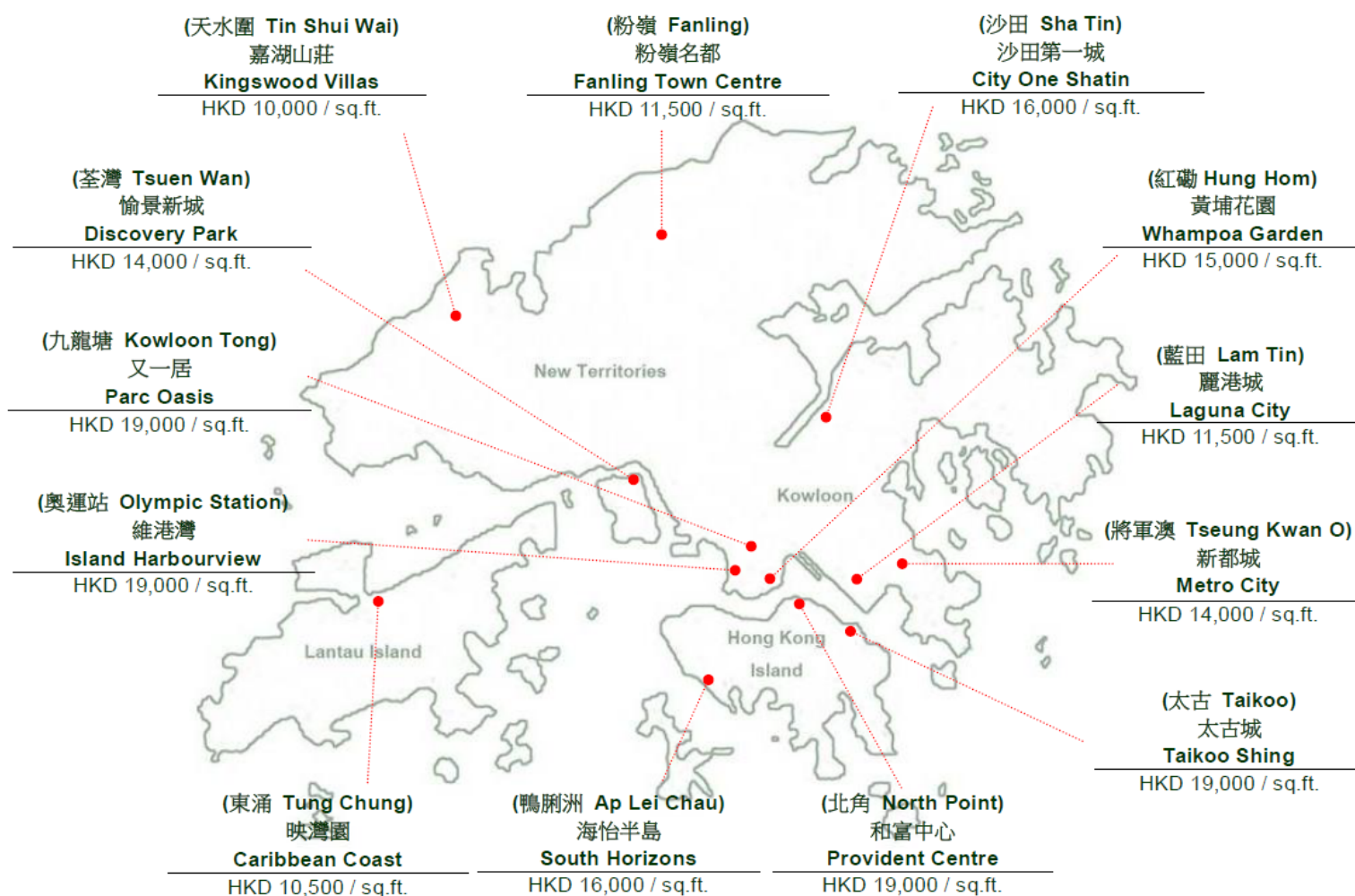
Transaction Price of Residential Car Park Units Rises

Due to the exclusion of trading of car park unit in the doubled ad valorem stamp duty, the low investment capital requirement for car park unit has attracted investors and buyers. The price of car park unit keeps high. For example, 2 car park units in Kingswood Villas in Tin Shui Wai were sold for HK\$1.44 million and HK\$1.4 million respectively, which broke the most expensive parking space record of the development. Other than that, the car park units in La Cite Noble and Lohas Park Phase 1 in Tseung Kwan O were also sold for HK\$1.845 million and HK\$2.154 million respectively.

Yau Tong Railway Ventilation Building Attracts Developers

The Yau Tong Railway Ventilation Building has received a total of 36 letters of intent. The site is located at the intersection of Ko Chui Road and Lei Yue Mun Road. The site area is about 43,000 sq.ft. and the maximum gross floor area is about 325,000 sq.ft, which can provide about 500 residential units. As the maximum height of the site is 190m above the Hong Kong Principal Datum, some of the units may enjoy sea view.

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



Professional Practice in Land and Planning Matter

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

CHINA PROPERTY

Market Watch

INCREASING THE SUPPLY OF CO-OWNERSHIP HOUSING AND ENHANCING THE INHABITANT NATURE OF RESIDENTIAL PROPERTIES

“Houses are built to be inhabited, not for speculation” was made clear at the 19th National Congress of the Communist Party of China last year. The Congress stressed the inhabitant nature of housing and brought forward that China would build up a housing system with the same importance of rental housing and home purchasing.

To meet the housing demand of different levels and to accelerate the building of subsidized housing projects, the government has established a hierarchical supply system:

For low- and mid- income people, main measures to meet their basic inhabitant demand are by small-sized rental housing with low rent rates; To meet the owner-occupied housing demand of sandwich group, medium-sized home ownership with proper price is the solution; For the citizens with high revenue, enhanced control of market price of rental housing and home purchasing would be taken to satisfy their housing needs of different levels.

Rental subsidized housing (i.e. public rental housing) aims at low- and mid- income people, while co-ownership housing is launched for the aforesaid sandwich group. So what is co-ownership housing? As stipulated in the “Provisional Regulations of Co-ownership Housing of Beijing City” effective from 30 September 2017, co-ownership housing is a type of policy-based housing subsidized by the government, built by the constructors, and sold at lower price compared with commodity housing of similar locality and similar quality.

Professional Practice in Land and Planning Matter

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

Buyers of co-ownership housing share the ownership with the government for certain portion, with limited property rights of use and disposal.

In Beijing, co-ownership housing is mainly supplied for families who meet the requirement of home purchase restriction and who have not owned any house. The shares of the private owner are not allowed to be transferred within five years after buying the co-ownership housing. After five years, the private owner's portion can be disposed of at market price. But the new buyers have to be other families that meet the same requirements for co-ownership housing. The nature of the houses remains unchanged and the new buyers hold the same shares of ownership. Such housing can be leased out, yet the benefits yielding from whether leasing or transferring should also be shared with the government by their respective portions. For example, for a property with 70% shares of the government and 30% shares of the individual, assuming the transaction price is RMB3,000,000, then the individual owner could earn RMB2,100,000, while the remaining RMB900,000 would be taken back by the government.

March 17, the Secretary of National Ministry of Housing and Urban-Rural Construction Wang Menghui said that, the two important ways to solve housing problem are launching co-ownership housing and developing rental housing. So far, 12 pilot cities including Guangzhou, Shenzhen, Nanjing and Hangzhou, etc. have established 51 state-owned leasing companies and developed a public platform for property leasing, management and services. It is estimated that land supply for rental housing and co-ownership housing in China will account for 30% of all new land supply until 2020. Committee of Housing and Urban-Rural Construction of Beijing City also announced that land supply for around 250,000 units of co-ownership housing will be completed within the coming five years.

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

A Hundred Cities' Residential Inventory Drop for 32 Consecutive Months

As of the end of March 2018, the total inventory of newly built commercial housing in 100 cities was less than 500 million sq.m. and 75% of the cities had a year-on-year decline in inventory, which led to the decline in the size of Hundred Cities' inventory for 32 consecutive months. The digestion cycle for such inventory is 10.5 months.

The period of digestion in first-tier cities is even larger than those in second-tier cities and third-tier cities. In the new houses, the pre-sale control is severe. Developers may delay the launching time to market because of profitability issues. As a result, the pace of launching new properties will slow down and lead to active price cuts. Because of this, the price index of the first-tier cities fell first.

With the current housing demand and property market regulation, the second-tier cities like Hangzhou and other cities are even experiencing a panic buying phenomenon. There are even more thousands of people rushing to subscribe for hundreds of residential units.

Shenzhen Sold 18 Plots in the First Quarter

In the first quarter of this year, Shenzhen sold a total of 18 lands, only 13 in the same period of last year. The area of sales was 620,000 square meters, an increase of 417% from the same period last year. The amount of sales amounted to 6.92 billion yuan, a decrease of 47% year-on-year. It is worth noting that four residential lands were sold in the first quarter, and land restrictions and leases are expected to be the main method for the sale of residential land in the future.

The 18 transaction lands included 8 industrial and 4 residential lands and the others included 2 storages, 1 commercial suit, 1 environmental sanitation facility, 1 cultural and sports facility and 1 logistics. Among the 4 residential sites, 3 were "only rented and not for sale" residential land and 1 was 5 years limited residential land.

In recent years, the number of residential lands openly auctioned in Shenzhen has been very few and urban redevelopment has become the main supply for land development. Shenzhen's land development policy has also begun to change and developers have begun to shift from incremental to inventory markets.

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