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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

UNDERESTIMATION ON DEMAND AND THE DEFICIENCY ON LAND SUPPLY

Strategic Investment Advisory & Agency

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

There were various public documents released by the Government in last month (December) which might reveal the coming residential market situation, including the Long Term Housing Strategy Annual Progress Report 2017 ("Annual Report") and the discussion papers being uploaded on the web site of the Task Force of Land Supply ("Task Force").

For the ten-year period from 2018-19 to 2027-28, the total housing supply target is to maintain at 460,000 units. This supply target is determined not by the supply of land available at the time, but by quantitative projections of different demand components, which included (i) Net increase in number of households; (ii) Households displaced by redevelopment; (iii) Inadequately housed households; (vi) Miscellaneous factors, and (v) Adjustments to take into account the number of vacant units in the private sector. It is worth to note that the estimation on Households displaced by redevelopment appears too conservative. It is because the assessment is based on the average number of private flats being demolished from 2012 to 2016, which was about 2,000 per year and based on the number of units demolished by Housing Authority ("HA") and Housing Society ("HS") in the past ten years from 2007-08 to 2016-17.

Regarding the public housing, HA and HS can still exercise great effort to upkeep and maintain the ageing buildings in order to defer the redevelopment schedule. Unfortunately, for the majority of ageing private buildings, due to fragmented ownership pattern and other reasons, they cannot be properly maintained and has posed building safety issues with increasing public concern. Thus, in the coming years, it is foreseeable

Strategic Investment Advisory & Agency

- Negotiation between Transaction Parties
- Provide Transaction Advisory Services

that the Government must impose policies to expedite the urban renewal progress. Taking reference of the information as revealed from HK2030+ public engagement document, there will be 326,000 private housing units aged 70 or above in 2046. If we wish to remove them by 2046, from now on, on average, we should handle nearly 10,000 units per year. And if there are two households likely to split out per unit, that means we should add 200,000 on top of the existing estimation within 10 years!

Nevertheless, let's look at the way to identify land for meeting the estimated demand. From October to December in 2017, the Task Force has looked into various options, including brownfield sites, vacant government sites and sites under short term tenancy and temporary government land allocation, reclamation outside Victoria Harbour, making use of rock caverns and underground space, optimising use of existing land, relocation of and topside development over Kwai Tsing Container Terminals, developing country parks, reclaiming the reservoirs, tapping into the potential of private land and village type development in the New Territories.

Even so, from the published documents, the source of land which may be available for medium term (say 5 to 10 years) is only those brownfield sites owned by private owners. How to direct those owners who possess suitable sites to develop and release the pressure of housing supply would be a question that the Task Force needs to seek public comments and consensus. The unavoidable question will be how to find a win-win solution which shall ensure the impartiality of Town Planning Board and the professional surveyors from the Lands Department.

Forward Planning and Solution

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

HONG KONG SNAPSHOTS

Short Term Tenancy Unit Rent at Amoy Garden Over HK\$60

A saleable area of 255 sq.ft. residential unit with roof in Amoy Garden, Ngau Tau Kok tenanted with a 3-month short tenancy of monthly rental as HK\$16,000 at a unit rent of about HK\$62.7/ sq.ft. The monthly rental of this short term tenancy is about 18.5% higher than the similar units subject to normal tenancy with a monthly rental of around HK\$13,500 in the market.

Co-working Office Continues to Expand

Co-working office has been demanded by tiny companies in recent years. According to market information, a business centre operating shared-office premises has leased 2 office floors with an area of about 22,000 sq.ft. at a unit rent of HK\$50/sq.ft. at No.700 Nathan Road, the former Trade and Industry Department Building. The operator had also leased a 25,000 sq.ft. floor area previously at Lee Garden Three in Causeway Bay. In fact, supply of co-working office in Hong Kong has been increased at a fast pace in the past year. A report unveils that, up to last November, the co-working office floor area has reached 1.1 million sq.ft., almost a 60% rise in one year.



Forward Planning and Solution

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

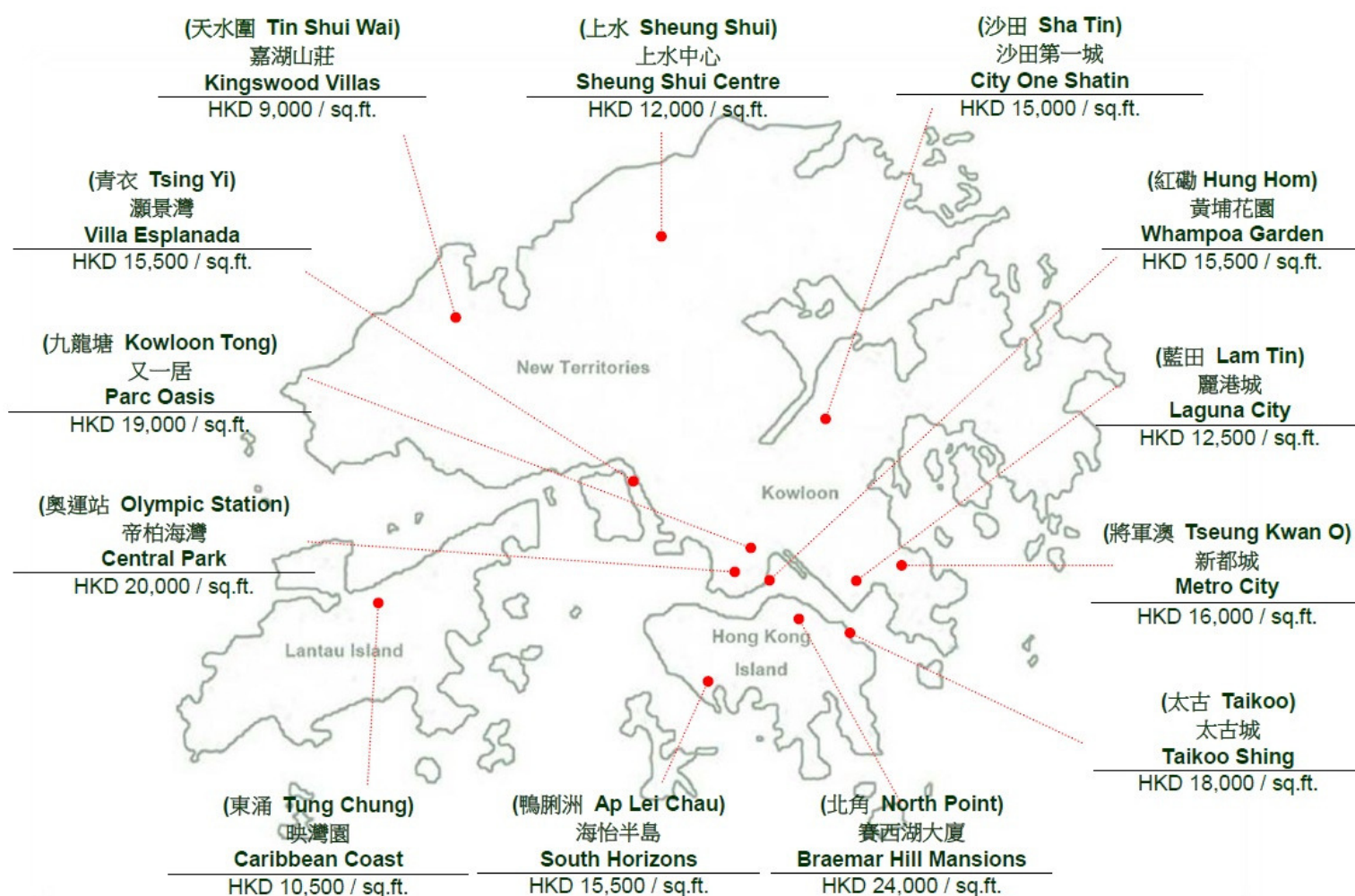
Public Tender for Residential Land in Kwun Tong

Lands Department announced that the tender for a residential land parcel of Lot No.1068 located off Anderson Road in Kwun Tong has been ended in last December. The site was part of the Anderson Road Quarry. The site area is about 57,630 sq.ft. with the maximum gross floor area is about 259,337 sq.ft.. As the site is at the new development area with limited infrastructure, market forecasted it could fetch HK\$2billion to HK\$2.59 billion, or at an accommodation value of HK\$8,000/sq ft to HK\$10,000/sq ft..

The Small-Sized Industrial Units Continued to be Sought After

As Buyer's Stamp Duty (BSD) and Special Stamp Duty (SSD) restrictions are not imposed to the industrial properties, market of industries premises continues to be active, especially for the small-sized industrial units. According to the market information, there were about 3,200 deals with the consideration of HK\$5 million or below among the nearly 4,600 transactions in total for the first 11 months in 2017 that counts for about 70% of the overall transaction volume.

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

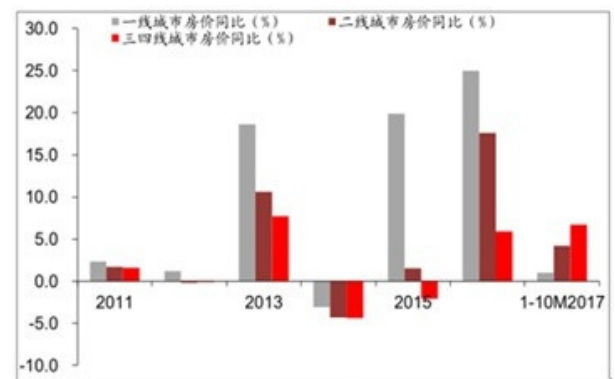
Market Watch

DE-STOCKING COMPLETES, COOLING DOWN OF HOUSING MARKET IN THIRD- AND FORTH-TIER CITIES

In the past year, the first- and second-tier cities in China have launched various rounds of housing market control policies, which has effectively curbed the soaring property price in these cities and the price tends to be steady or even slightly downwards recently. Property transactions during the traditional “Golden Week” of National Day Holiday also appeared gloomy. In the situation of purchase and loan restriction in the first- and second-tier housing markets, most demand for investment have spilled over to the third- and forth-tier cities, making the latter cities to take the lead of rise in housing price.

From January to October 2017, the growth of total sold area and sales amount of commodity houses in the third- and forth-tier cities are 18.7% and 27.2% higher than that of first- and second-tier cities.

Price Growth of Commodity Houses in
2011-2017 (up to Oct 2017)



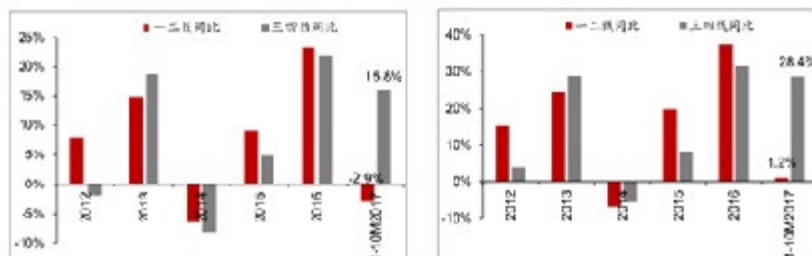
Source: <http://www.cxyxx.com/industry/201712/594661.html>

From 2017, the developers in China have adopted the land purchase strategy which focuses on the third- and forth-tier cities within the radiation range of large cities. In the first half year, the top 10 cities with the highest land premium rate out of 50 nation-wide cities are Qingyuan, Nanchang, Zhuhai, Hefei, Jiaxing, Huizhou, Foshan, Zhaoqing, Zhangzhou and Zhenjiang.

Price Growth of Commodity Houses in 2011-2017 (up to Oct 2017)

Growth of Total Sold Area of Commodity Houses from 2012 to Oct 2017

Growth of Total Sales Amount of Commodity Houses from 2012 to Oct 2017

Source: <http://www.chyxx.com/industry/201712/594661.html>

Professional Practice in Land and Planning Matter

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

The average land premium rate of these cities is at 80%, while the highest rate has reached 214%. The third-tier cities have accounted for 8 among these top 10 cities.

Besides the spillover effect, monetized resettlement of shanty town rebuilding in some third- and forth-tier cities also increase the demand for commodity housing, which helps de-stocking as well as boosting the housing price. Monetized resettlement including monetary housing compensation, government's requisition and organizing residents to select and purchase commodity houses, etc., thus increasing the monetized purchase of houses. In addition, these cities have issued preferential policies for residential units with small-to-medium size and low-to-middle price, bringing large demands for the property market. Take Sanya for example, the city has completed the mission of resettling more than 20,000 units in 2016, and plans to resettle about 15,000 units in 2017, which cannot be disregarded compared with 30,000 units of total commodity house sales of Sanya in 2016. It has been pointed out that the demand brought by shanty town resettlement accounts for about 10% to 18% of the sales of commodity housing in these cities. Along with the further implement of rebuilding plans, this ratio would continue to go up.

In the process of de-stocking in the third- and forth- tier cities, the area of commodity houses available for sale nationwide has successively declined on the year-on-year basis. By the end of November 2017, the nationwide area available for sale is 596.06 million sq.m., 6.53 million sq.m. lower than the end of October and a drop of 13.7% from the last year. The inventory turnover period of commodity houses for sale is less than 6 months at current stage.

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

A market analyst said that, the orientation of "houses are for living, not for speculation" has been strengthened in 2018. While the overall environment of strictly control of property market would not change, de-stocking will no longer be the mainstream policy after the 19th National Congress. The third- and forth- tier cities, which take up 60% of the area available for sale, will gradually cancel those stimulation measurements for de-stocking. This would turn off the support for commodity house transaction. A chief analyst of a property agency also holds the opinion that, as the restriction policies will soon be extended to the third- and forth- tier cities, it is hard to continue the hot housing market in those cities.

CHINA SNAPSHOTS

The Land Market in Yangtze River Delta Region Cools Down

In Nanjing, 8 pieces of lands located at popular districts like Pukou, Jiulonghu and Fangshan were publicly auctioned earlier. Yet, the average accommodation value went below RMB 20,000 per sq.m. A manager of a marketing agency admitted that the land price of major cities has shown a declining trend recently with prime examples of Nanjing, Suzhou, Xiamen and Shanghai. Such a phenomenon was in line with the 'houses are for living, not for speculation' policy implemented by the central government.

35,000 Houses Jointly Owned by the Government and Individuals are Available in Beijing

According to the Beijing Municipal Commission of Housing and Urban-rural Development, 35,000 houses jointly owned by the government and individuals will be released into the market for public application. Through sharing the property ownership, the supply of low-to-medium priced housing can be increased while the public need of owning a home can be satisfied, ultimately alleviating the housing problem. Apart from that, as the land supply for these purposed houses surges, a set of standards to supervise the construction and appraisal has been utilized to improve both the housing and the living quality largely.

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