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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

### CO-HOUSING BY THE GOVERNMENT, GOING OUT FROM PLIGHT

#### Strategic Investment Advisory & Agency

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

In the last edition, we have investigated the potential difficulties in providing "lawful co-housing units"; in this edition, we will dig into the effectiveness of the project.

The advocating "lawful co-housing units" mainly treats social-welfare or non-profit making organizations as the major service providers. In fact, a similar project letting flats to grass-root families which satisfy the requirements has been carried out for at least 4 years. The rental scheme, "Empowerment Housing", is supporting women and juveniles of single-parents families by providing flats at each of the tenant's affordable rental level. Although 140 families have been benefited from the scheme, there are only around 40 flats in service. Without the monetary help from a charitable funding, the number of flats under the Empowerment scheme should be minimal. So, to empower a socially-responsible project, except a leading social-welfare or non-profit making organization, supply of property from the kindhearted individuals and policy facilitation are required.



Apartment Building of "Empowerment Housing"  
Picture from internet

## Strategic Investment Advisory & Agency

- Negotiation between Transaction Parties
- Provide Transaction Advisory Services

Facing a continuous rise in property's rentals and high costs for building's renovation, it seems to be a bit challenging task for the operator spotting a locationally suitable but also financially feasible property to renovate and introduce the programme to the community in a short period of time.

Back to the reality, to provide a better living environment than those private sub-divided units to the PRH applying families in a short-to-medium terms, there have been some comments that the society should not forget "Interim Housing" started in 1990s. This temporary housing arrangement was for those not eligible for a flat in a public housing estate, but affected by disaster, fire, and redevelopment. It replaced Temporary Housing Area with buildings that are more resilient and space saving. In terms of the construction period, as the interim housing reuses some of the old blocks in public housing estates or pre-fabricated building components, a shorter time would be needed to have such units being available to those PRH applying families. However, the supply of vacant public housing block is almost zero. It is still not easy to have Interim Housing today.

No matter how, what Hong Kong is facing now, is the long waiting time to be housed in the public housing. With reference to the latest information from the Housing Authority, cutting off in December 2016, the waiting time for public housing of a normal application is 4.7 years, longer than the official target time, 3 years. The way to shorten the queue is to speed up the building programme, otherwise more will no other choices but fall into the private sub-divided units market or the illegal domestic environment, and boosting that market.

In final, in what way the "co-housing" by the government be launched still needs our collective brain-storming. But one point we cannot deny is that, under such a serious housing problem, it is believed that all classes in the society should be joyful to discover any workable short-to-medium terms solution, and to reach the spirit of 'donate whatever you can' to save the others

## Forward Planning and Solution

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

## HONG KONG SNAPSHOTS

### Secondary Market of Public Housing Record High

According to the information from the Housing Authority, 2 transactions of the public housing in the HOS Secondary Market have broken the record high again. One of the transactions was made in Hin Keng Estate, Tai Wai with HK\$3.83 million (without paying premium) or at a unit rate of about HK\$6,767/sq.ft.. The transaction of this medium level flat with saleable area about 556 sq.ft. recorded the second expensive Public Housing without paying premium in the New Territories, following the one made for HK\$3.9 million in Yiu On Estate, Ma on Shan previously.

### Commercial site in Cheung Sha Wan tendered at HK\$2.9B

The Lands Department recently awarded the commercial site in Cheung Sha Wan to a developer at HK\$2.967 billion which had 2 new plots in the district, bringing its investment in the area to HK\$14.79 billion in this year. The subject site is located at the junction of Wing Hong Street, Yu Chau West Street and Wing Ming Street, the price tag of the 30,925 sq.ft. site, yielding a total gross floor area of 371,100 sq.ft., representing an Accommodated Value at about HK\$7,996/sq.ft..

## Forward Planning and Solution

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

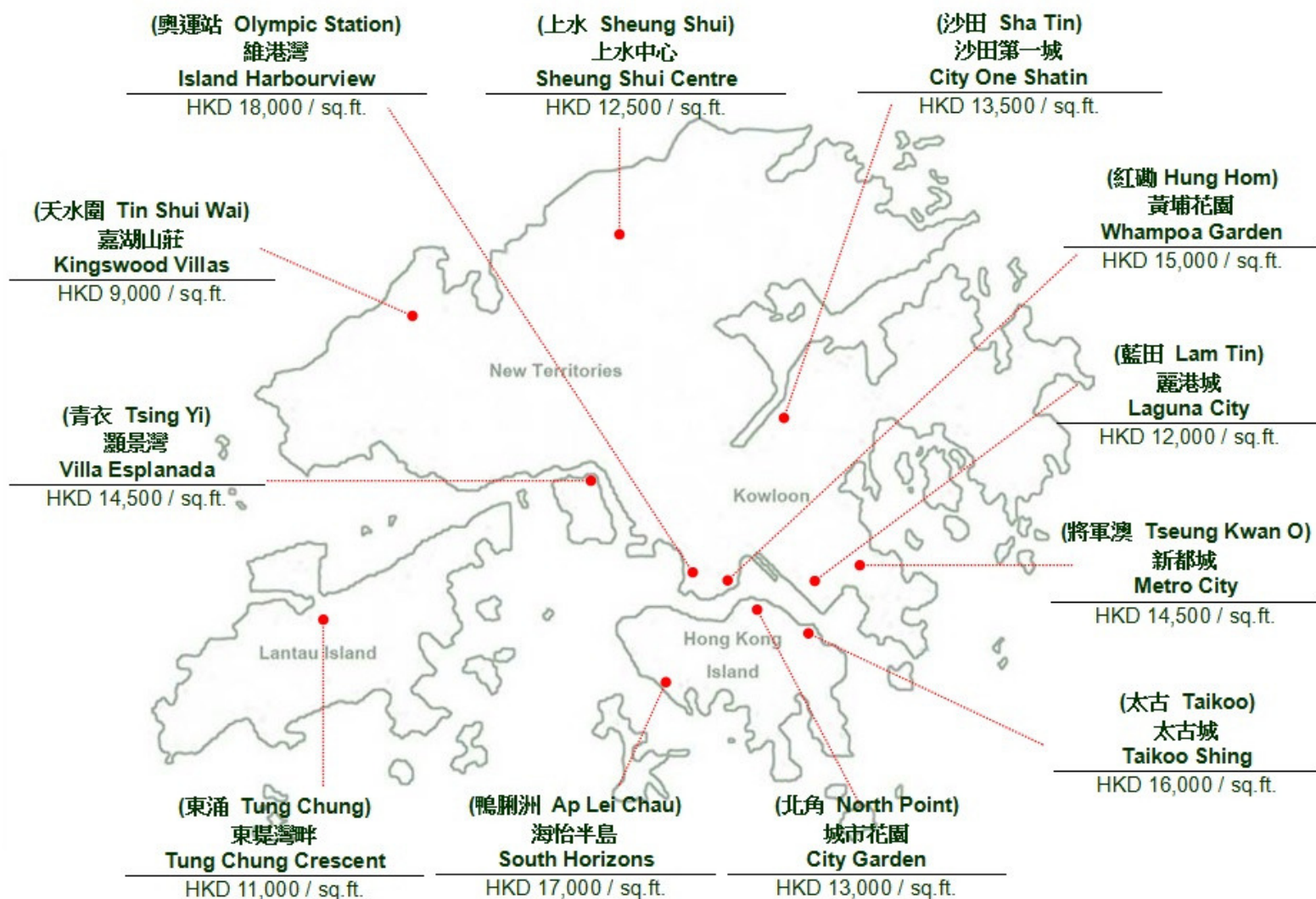
### Subdivided flat in Whampoa Estate with Asking Rental at HK\$100/sq.ft.

As media reports, a flat of saleable area 360 sq.ft. in Whampoa Estate has been converted into 3 sub-divided units to attract university student tenants. Two of the rooms with private bathroom and open kitchen with saleable area about 140 sq.ft. were asked for a monthly rental HK\$9,500 with the unit rent at about HK\$68/sq.ft.. Another one with saleable area about 60 sq.ft., with private bathroom but without cooking space, was asked for a monthly rental of HK\$6,000 which sets the unit rent at about HK\$100/sq.ft..

### Sin Tat Plaza Street Shop Rent Out with a Rent cut of 60%

According to estate agencies, there are more than 30 vacant shops at Sin Tat Plaza, Mong Kok, from ground to upper floors while there was almost zero rental transaction in the past few months. A small size street-facing ground floor shop rented with a new monthly rental of HK\$20,000 sliding from a current monthly rental of HK\$50,000. Moreover, the current average unit rate of ground floor shop is about HK\$65,000/sq.ft. that slumped from the one of about HK\$220,000/sq.ft. in 2014 and HK\$170,000/sq.ft. in 2010.

## 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

**CHINA LAUNCHED VARIOUS NEW  
SCHEMES FOR LAND SALE  
THE HIGHEST PRICE BIDDER MAY NO  
LONGER BE THE ABSOLUTE WINNER**

Land prices in China has been skyrocketing in recent years, especially for land transactions in the first-tier and second-tier cities, where the top bidders were replaced quickly. There is no doubt that rising land prices are pushing up the home prices. Therefore, Chinese authorities has launched a basket of controlling policies and developed different condition of sales, in order to change the current money-oriented pattern of land sales and to repress the over-heating land market.

**New Scheme A : Lease Only & Not for Sale**

“Lease Only & Not for Sale” refers to the land parcels that will be developed into properties only used for leasing out and cannot be sold.

Shanghai has been the first mover and sold two “Lease Only & Not for Sale” land parcels in this July. These two land parcels were located in Zhangjiang Area of Pudong New District and Jiading New Town and finally bade by two government-related real estate operators with a total consideration of RMB1.15 billion, which is also the reserve price. The Accommodation Value is approximately RMB6,000/sq.m., well below the surrounding land parcels, where were averaged at RMB25,000/sq.m..

## Professional Practice in Land and Planning Matter

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

### New Scheme B: Bid on Developer-Operated Area

The rule of “Bid on Developer-Operated Area” requires that when the premium rate touches the highest forecast line, it enters the competition on the ratio of developer-operated area to the total gross floor area. Developer-operated area refers to the properties that must be held and operated by the developer for a specific period of time (usually more than 20 years) and cannot be sold in strata title.

On June 5, Hangzhou City auctioned three parcels of residential land located in the main urban area. The first offer premium has reached 70% and the auction directly entered into the competition of developer-operated ratio.

The final transacted developer-operated ratio were representatively 41%, 36% and 36% for the three land parcels.

According to Beijing Municipal Planning and Land Resources Management Committee, by August 23, Beijing has sold 15 parcels of developer-operated land. Developer-operated ratios of over half of such land concentrated between 20% and 40%.

### New Scheme C: Bid on Affordable Housing Area

Some cities has requirements both on the developer-operated area and affordable housing area, which represents those properties constructed by the developer, transferred to the local government when completed and only can be purchased by eligible talents or low-income residence.

Zhuhai City has recently introduced new land sale policies regarding bid on affordable housing area. According to the new policies, for commercial land and residential land, when the land premium has reached a certain rate, the conditions of auction will convert into competition on the affordable housing area form on land price. Besides Zhuhai, many major cities in China has also implemented similar policies in land sale.

## 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

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### New Scheme D: Restricted Property Price

"Restricted property price" means that in the land sale, the price of completed properties have been restricted and the highest bidder of land price will be the winner.

On July 30, Beijing has sold three ordinary commodity housing lands in Daxing and Changping. The average prices and the highest prices of such three land parcels has been set clearly in the condition of sale.

### New Scheme E: Fuse and Lottery

"Fuse and Lottery" means that when the auction price reached the pre-set premium rate, the auction will be ceased and converted into "Lottery Phase". In the Lottery Phase, the final winner must be really lucky. Chansha City has launched the "Fuse and Lottery" since this April.

The purpose of the aforesaid five new schemes is the same – to stabilize the real estate market and to control the overheating property market. The new schemes show out government's temptation and determination on the market and may become mainstream of the future land sales. However, the new schemes set up higher requirements on developers' cash flow and operation, become huge challenge for small-to-medium size developers and may accelerate the re-shuffle of mainland developers.

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