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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 economics, finance, law and/or real estate related academic background and internationally recognized qualifications, such as CFA, CPA, 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 Advisor

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.

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



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Provision of corporate and
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Review on the Residential Properties (First-hand Sales) Ordinance

The Residential Properties (First-hand Sales) Ordinance (the Ordinance) (Cap. 621) came into effect on 29th April 2013, with an objective to further enhance the transparency, fairness and consumer protection of the sales arrangement and transactions of first-hand residential properties.

According to the data and statistics provided by the Sales of First-hand Residential Properties Authority (SRPA), since the effective of the Ordinance 4 years ago up to 31st December 2016, SRPA received an accumulative total 229 complaints; in which 53 offences where prosecution action has been taken in related to 3 developments involved, fined to a sum of HK\$1.7 million. Considering duplicate complaints from the same prosecution, an about 23% offence where prosecution action has been taken is seen to be a warning to others of the trade.

Nevertheless the regulation under the Ordinance is effective by now, facing the advancement in building technology, changes of sales strategy of developers and salespersons, and application of new technologies, the Ordinance should be reviewed and modified timely. In fact, SRPA has issued a supplementary modification gazette dated in May 2014; or issued practice notes and guidelines to behaviours regulated by the Ordinance. However, Section 88 stated that the guidelines issued under this section are not subsidiary legislation. Self-discipline of the trade is required in complying with the non-legally binding practice notes and guidelines.

For example, the SRPA issued a reminder regarding “Lobby to a fireman’s lift which forms part of a first-hand residential property”, that the vendor may be required to set out such information in the “relevant information” section of the sales brochure. Scanning through those sales brochures printed after the reminder, some of the developments with “Lobby to a fireman’s lift which forms part of a first-hand residential property” still have not set out the relevant information, and no follow up actions have been taken up so far.

In addition, with new technology, especially those red-hot panoramas, augmented reality (AR) and virtual reality (VR), the trade has made use of them to let potential purchasers to have a preview of those “show flats”. A review may consider welcoming the usage of new technology under the regulations of the Ordinance.

Section 95 of the Ordinance stated that, “the Secretary may, by notice published in the Gazette, amend Schedule...”. It depends on the SRPA how to utilize the flexibility in making timely and suitable modifications in balancing the trade behaviour and protecting consumers in the review of the Ordinance.

Snapshots

Expanded Map of Mainland's Developer

A Hong Kong-listed developer under the State-owned Assets Supervision and Administration Commission of the State Council of China in partnership with its sister company had won the bid of the medium to high density residential site in Kwun Chui Road, Tuen Mun for HK\$3.17 billion in June, the maximum total gross floor area is about 472,949 sq.ft with the accommodation value of HK\$6,700 per sq.ft. Compared with the nearby land parcel sold in 2015 with accommodation value of HK\$4,621/sq.ft., there is an upsurge of land price for about 45% within 2 years.

City's King of Land Boosts Prices of Grade A Offices of HK Island

Being stimulated by the land transaction of Murray Road, a mid-level sea view office unit of Harbour Centre in Wan Chai, of about 3,952 sq.ft., was sold for HK\$120 million, with the highest unit price ever recorded within the building, reaching HK\$30,364/sq.ft.. Moreover, a mid-level sea view office unit of Bank of America Tower in Central with an area of about 3,184 sq.ft. was sold at HK\$108 million, the unit rate was HK\$33,920/sq.ft..

Short-term Parking Space Investment

Short-term investment on parking spaces has contributed to a higher price for parking space. Recently, several short-term secondary car parking transactions have been made in Cliveden in Tsuen Wan following the first-hand sale from the developer. One of the transactions was of HK\$490,000 which was up by about 75% in a week. Other than that, the price of a parking space in Hong Kong Garden in Sham Tseng was also raised by 16% within a month compared with its last transaction.

Strong Demand for Properties for Rent

As summer season is approaching, the supply of large housing estates for rent is running out, number of these housing estates' recorded increase in rent. In Hung Hom, the properties for rent like Whampoa Garden and Harbour Place were in short supply. A number of tenants pre-rent the premises without site inspection was revealed. A flat of saleable area 389 sq.ft. on mid-floor level in Whampoa Garden Phase II was pre-leased for a monthly rental of HK\$17,000 which raised for 6% compared with previous monthly rental while a low-floor level flat of saleable area 592 sq.ft. in Harbour Place was pre-leased by China's students for a monthly rental of HK\$23,000, 9% higher than the previous one.

(奧運站 Olympic Station)

維港灣

Island Harbourview

HKD 17,000 / sq.ft.

(上水 Sheung Shui)

上水中心

Sheung Shui Centre

HKD 13,000 / sq.ft.

(沙田 Sha Tin)

沙田第一城

City One Shatin

HKD 13,500 / sq.ft.

(天水圍 Tin Shui Wai)

嘉湖山莊

Kingswood Villas

HKD 8,500 / sq.ft.

(青衣 Tsing Yi)

灝景灣

Villa Esplanada

HKD 13,000 / sq.ft.

(紅磡 Hung Hom)

黃埔花園

Whampoa Garden

HKD 14,000 / sq.ft.

(藍田 Lam Tin)

麗港城

Laguna City

HKD 12,000 / sq.ft.

(將軍澳 Tseung Kwan O)

新都城

Metro City

HKD 13,000 / sq.ft.

(太古 Taikoo)

太古城

Taikoo Shing

HKD 17,500 / sq.ft.

(東涌 Tung Chung)

東堤灣畔

Tung Chung Crescent

HKD 10,500 / sq.ft.

(鴨脷洲 Ap Lei Chau)

海怡半島

South Horizons

HKD 16,500 / sq.ft.

(北角 North Point)

城市花園

City Garden

HKD 15,000 / sq.ft.



* 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

Shanghai Ceased the Approval of Quasi-Residential Properties

On 17 May 2017, Shanghai Management Committee of Housing and Urban-Rural Construction announced to stop the approval of the quasi-residential properties, to strengthen the construction and sales of commercial and office developments, and to review the unsold quasi-residential projects.

Quasi-residential properties are properties erected on commercial land but function as residential, or as two-way (office and residential usage) apartments or loft apartments. The land use term of such properties are usually 40 or 50 years, while the term of pure residential properties is 70 years, which can be extended automatically when expired. There are further disadvantages of quasi-residential: owners cannot apply for permanent residence by merely owning these properties; community facilities nearby are insufficient due to original urban planning for commercial districts; management fee, utility expenses and transaction tax of such are much higher than pure residential.

Despite the above shortcomings, the number of quasi-residential properties keeps increasing in Shanghai in the past few years. Due to the increasingly strict home buying restrictions, portion of demand for home purchase has flowed into quasi-residential properties, which are not restricted both for purchase and for mortgage. Besides, precisely because of such defects, quasi-residential properties generally have more favorable prices than pure residential properties.



Source: <http://imgs.soufun.com/newshezuo/201705/09/56/54765c56f7ec26577daed151b1d1ce71.jpeg>

The main reasons behind the newly announced measurements are to protect the interests of the buyers and to regulate the illegal behaviours of the developers. To satisfy the strong demand for quasi-residential, some developers transform their commercial buildings into residential functional units by changing the partition of the buildings, adding cocklofts and some water pipes, and connecting gas pipelines without permission. These transformation differs from the original planning design, thus violating relevant regulations. It also brings potential fire safety risks and unsatisfied ventilation and lighting, which should be strictly regulated.

In an attempt to remediate the construction of quasi-residential properties, new measurements have taken effect:

- 1) It will be stated clearly in the commercial land transfer contract that no quasi-residential properties can be built thereon;
- 2) Secondly, for those quasi-residential projects that have been approved but have not yet commence the construction work, the building plans are subject to review and the planning permits and construction permits will be re-issued upon satisfaction of requirements of commercial standards. Those under-construction and unsold projects will be re-examined for their layout and utilities. Once any unapproved alternation has been found, the developers will be requested to make corrections until re-approval. Otherwise, such properties are not permitted to be sold and registered.
- 3) Thirdly, regarding the sold but not delivered quasi-residential units, they must be altered back to office units, otherwise the buyers are not allowed to check-in and to register as an owner. If there is any misleading sales conduct of developers, the buyers are encouraged to take legal actions to protect their legal rights.
- 4) In addition, high attention must be aroused for quasi-residential owners in regards to safety issues, such as the differences in the fire safety requirements for commercial and residential projects. If any fire accident occurs, the owners shall take the responsibility together with the developers.

Viewing the above measurements, obviously the Shanghai government would not like to see quasi-residential properties in the market any more. In fact, Shanghai, cities including Beijing, Tianjin, Hefei, Nanjing, Chengdu and Shenzhen have also taken similar actions to regulate quasi-residential properties.

Snapshots

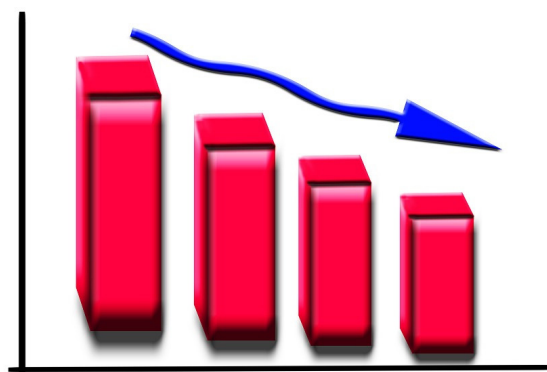
"Commercial Bank Collateral Management Guidelines" issued, Bank Loans to Property Market May Reduce

Recently, Commercial Bank Collateral Management Guidelines ("Guidelines") issued by China Banking Regulatory Commission (CBRC) stressed that a comprehensive assessment of the debtor's solvency should be considered as the prerequisite when commercial banks issue mortgage loans, in order to avoid the over-reliance on collateral and ignore the first source of repayment.

It is common using real estate property as the collateral, the implementation of new "Guidelines" may lead to the situation that only with a real estate mortgage is not enough to get bank loans, a comprehensive assessment of the debtor is also required. To be regarded as a tighten signal, the "Guidelines" intend to prevent market risks and protect the security of collateral; on the other hand, to regulate the market, preventing false information to disrupt the property market.

Land Revenue of Nanjing City Dwindled by 41%

According to the data released by Nanjing Bureau of State-owned Land Administration in end-June, in the first half of 2017, Nanjing City has held 3 land auctions to transfer land use rights of 22 parcels of lands at a total land transferring fee of approximately RMB 43 billion, 41% straight down when comparing to the second half of 2016. 14 out of the 22 transacted land parcels are permitted for residential usage with a total transferring fee of RMB 36.5 billion, accounting for 85% of the total revenue. Jiangning District has contributed 6 transacted land parcels while the other lands are distributed evenly among Jiangbei District, Chengbei District, Chengnan District, Chengdong District and Hexi District.





Property Market

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