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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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Avoid extreme “By the Father”

A popular phrase “Success by the Father” has been well-known in recently years, especially in the residential property market. Various research found that Hong Kong parents were willing to subsidize their children in purchasing a unit, a purchaser even bloated that “the utmost important factor to purchase a residential unit is having a rich dad” and “depends on reincarnation”. While it is understandable for parents to care about the children and subsidize them, they should also consider their financial ability before making the decision of assisting home-acquisition.

Middle class parents may be able to provide their children a relatively cozy and worry-free home in their self-acquired property, but may not have enough cash to acquire extra property. Property refinancing could be a feasible option. For example, a 50-year old landlord “A” owns a property “X” of about HK\$6 million. The landlord “A” is prepared to subsidize his 25-year old son “B”, who is classified as a first-time home buyer with monthly income about HK\$15,000, acquiring a residential property “Y” with a value of HK\$4 million for his marriage. Assuming the actual mortgage rate at 2.15%, a feasible mortgage plan for son “B” would be as follow:

Property “Y” Mortgage Plan	
<u>Basic Information</u>	
Property Value	\$4,000,000
Loan-to-Value Ratio	40% ¹
Repayment Period	30 years
Interest Rate	2.15%
<u>Stress Test</u>	
Assumed Interest Rate	5.15% ²
Min. Monthly Income Requirement	\$14,560
<u>Cost Budget</u>	
Downpayment	\$2,400,000
Stamp Duty	\$90,000
Agent Commission	\$40,000
Miscellaneous	\$20,000
Total	\$2,550,000

Property “X” Refinancing Plan	
<u>Basic Information</u>	
Property Value	\$6,000,000
Mortgage Outstanding Loan Amount	\$1,000,000
Maximum Cash Out Amount (Maximum Loan-to-Value Ratio)	\$2,600,000 52%
Repayment Period	20 years ³
Proposed Cash Out Amount	\$2,550,000
Loan-to-Value Ratio	51%
Interest Rate	2.15%
Monthly Repayment	\$13,338

¹Bounded by Stress Test

²Actual Interest Rate +3%

³Depending on individual circumstances, affected by building age

In case the property market bubble under the current conditions bursts suddenly, leading to a 20% decline in overall property price, back to the price level in around June 2014; even though it may not trigger banks to call back loan, property “Y” may become a negative equity, cumbering the asset value of property “X”, scourging the financial status of the whole family.

Current Property Conditions

<u>Property X, Y</u>	
Total Property Value	\$10,000,000
Total Loan Amount	\$4,150,000
Loan-to-value Ratio	41.5%
Net Property Value	\$5,850,000

20% decline Conditions

<u>Property X, Y</u>	
Total Property Value	\$8,000,000
Property Impairment	(\$2,000,000)
Total Loan Amount	\$4,150,000
Loan-to-value Ratio	51.8%
Net Property Value	\$3,850,000

Therefore, parents should avoid recklessly spare no effort in subsidizing their children in acquiring property, as it is a critical decision to the affordability of ordinary families. Be smart and reliable parents by understanding the risk of property market and evaluate the financial capability of oneself.

Snapshots

Overwhelming Enthusiasm

A total number of 35 letters of intention regarding the first phase of estate development project of Kam Sheung Road Station of the MTR Corporation was received earlier, among which Chinese-funded parties were acknowledged. The around 449,000 sq.ft. project site is located at the southwestern side of Kam Sheung Road Station has a built area of approximately 1.237 million sq.ft., and is anticipated to have no less than 1,652 flat units. Together with the constraints on the flat sizes, the project is estimated to have a maximum worth of over HK\$8.4 billion.

Quarter Highest Land Premium Revenue since 2015

The Lands Department announced the land premium revenue for the first quarter in 2017 was about HK\$8.209 billion, 24.1% increase from Q4 2016. More than 70% land premium revenue was generated from the Phase 1 site development at Ho Man Tin Station that worth about HK\$6.282 billion. Another large amount of land premium was from Cheung Kong Centre in Central with a land premium of HK\$350 million. According to reports, 140 car parking spaces would be converted into 70 double-decker mechanical parking spaces with some of the original parking spaces changed into retail floor.

Hotel, Out; Office, In!

According to the information from the Town Planning Board, an application had been made to convert Crowne Plaza Hong Kong Causeway Bay into a commercial building recently. The hotel, located at No.8 Leighton Road Causeway Bay, covered with an area of about 10,700 sq.ft.. It is an existing 29-storey hotel tower providing about 263 rooms with a gross floor area of 161,000 sq.ft. According to the applicant, the application is to cater for the demand of office development in that district, the purposed development include a 26-storey commercial building accommodated with 1 floor of basement car park; among all, 6 storeys will be allocated for shops and restaurant while 19 storeys for office use. The total gross floor area and height is similar to the existing building, which includes about 38,800 sq.ft. for shops and restaurants and 122,000 sq.ft. for office use.

Transaction of Grade B office stroke highs

Grade A office transactions has driven a rise in number of transactions of Grade B office. According to news sources, 2 office units on high floor level of Universal Trade Centre in Central with an area of 3,526 sq.ft. was sold at about HK\$57.47 million with a unit rate of HK\$16,300/sq.ft., marked a record high unit rate for the building. The property had been appreciated for 16% in 4 years. Other than that, the whole 24/F of No.9 Des Voeux Road West in Sheung Wan had also stroke the new highs of that building transaction record. The floor of area about 7,192 sq.ft. was transacted at a unit rate of about \$16,800/sq.ft., the most expensive one in the same development.

(奧運站 Olympic Station)
帝柏海灣/ 柏景灣
Central Park/ Park Avenue
HKD 19,000 / 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 13,000 / sq.ft.

(天水圍 Tin Shui Wai)
嘉湖山莊
Kingswood Villas
HKD 8,000 / sq.ft.

(紅磡 Hung Hom)
黃埔花園
Whampoa Garden
HKD 14,000 / sq.ft.

(青衣 Tsing Yi)
灝景灣
Villa Esplanada
HKD 13,000 / 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 13,500 / 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 15,000 / sq.ft.

(北角 North Point)
城市花園
City Garden
HKD 16,000 / sq.ft.

(太古 Taikoo)
太古城
Taikoo Shing
HKD 16,500 / sq.ft.



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

Analysis on the National-level New Districts of China (1)

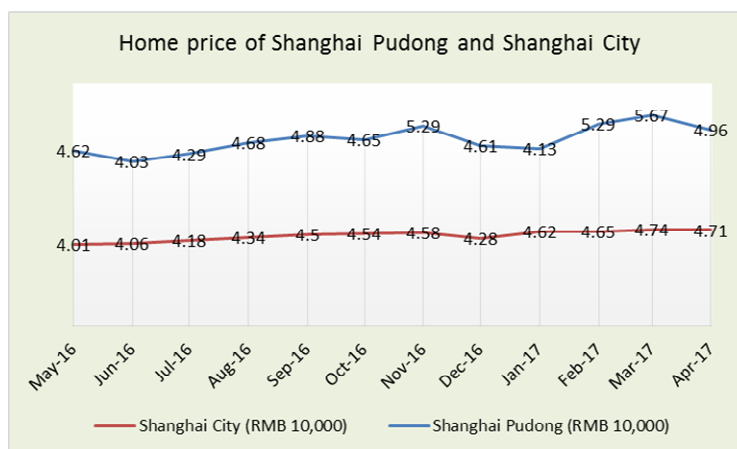
April 1st, 2017, the CPC Central Committee and State Council together issued a notice that the New National District-----Hebei Xiong'an District was established. Since the second day of the announcement, the stock market has been booming, steel, cement, aluminum and building-related stocks were all rising continuously. Investors from Beijing, Tianjin and surrounding areas are showing high expectations on this new district, particularly on construction part. Thousands of them have rushed into the city and sought for real estate investment opportunities, the demand for local properties has reached an unprecedented height. However, according to reports, Xiong'a District has strictly implemented the real estate control policies. To be specific, they have cracked down illegal transactions on second-hand housing and small property housing, suppressed illegal constructions, and outlawed illegal agencies who exaggerated propaganda and drove up market prices. Xiong'an District has also forced the public to concentrate their attention on the national-level new districts of China.

Combining information from the past years, we find that the Chinese government has approved 19 national-level new districts from 1992. For the development of those new areas, great supports will be provided by the government, not limited in policy and capital issues. System reform and innovation will also be encouraged. Therefore, after the establishment of new districts, most of them have met a rapid growth in GDP and led to enhance the development of surrounding areas quickly. Using Tianjin Binhai New District as an example, back in 1994 the GDP was only registered at 11.24 billion yuan, while in 2016, it has breakthrough trillion, namely more than 80 times in 1994. Jinpu is another fast-developing New District, the GDP was 170.3 billion yuan in 2014 and reached 229.6 billion yuan in 2016. Such progress are really not easy to perform, while the national economic is bearing the downward pressure.

As for the establishment of the new district, what impacts will be built to the surrounding property prices and local market trend? Will the property increase rate in the new areas take the leading position compared to the local average rate? We have selected housing prices in several national new districts to make the following comparison.

(1) Shanghai Pudong New National District

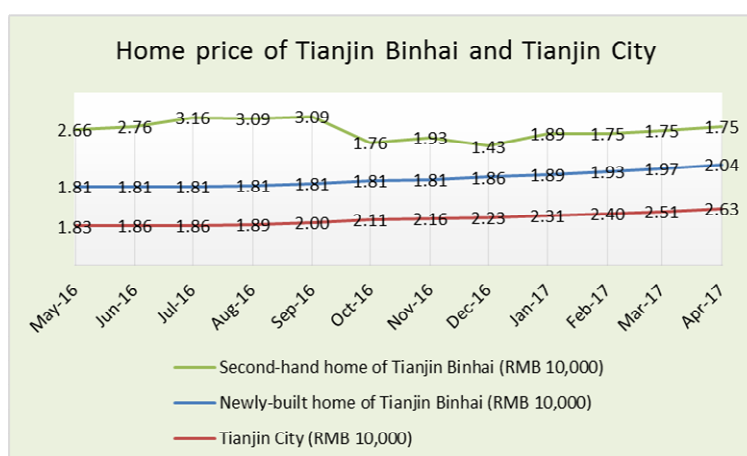
According to the average newly-built home price comparison (excluding the protection of housing) between Pudong and Shanghai, we can find that the prices in Pudong are with larger fluctuation than the whole picture of Shanghai City. Also, as stated from the market information, average home price in Pudong has been going through drastic increment from 2009 to 2016 – RMB23,400 to RMB48,800, nearly doubled in seven years. Home market in Binhai grows a little more rapid than the whole city – who has arisen 1.8 times during the same period.



(2) Tianjin Binhai New National District

In the period from 2009 to 2014, the average transaction price of real estate in Binhai New National District increased significantly (62.38%), higher than the average increase (42.24%) in general. However, after 2014, a large number of new residential properties have been built up, while the industry introducing did not achieve as successfully as

expected, together resulting in property oversupply. The developers who entering this market at the early stage are facing the inventory pressure, which gives them limited choice but abating price and seeking for a greater volume of sales. The most updated data show that market trend of average second-hand home price between Binhai and Tianjin are basically parallel, while the movements of newly-built home prices are easy to defect because of the diversity of home supply in Binhai.





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