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## Contacts

### Industry / Market Research and Feasibility Studies

Sr Serena Lau  
serena@rhl-int.com  
(852) 3408 3398

### Land & Planning Matters, Surveying Practice

Sr Keith Siu  
keith@rhl-int.com  
(852) 3408 3338

### Hong Kong Property Valuation

Mr. Tony Wong  
tony@rhl-int.com  
(852) 3408 3228

### Mainland China, Macau and Overseas Property

Sr Jessie Chen  
jessie@rhl-int.com  
(852) 3408 3302

### Business Valuation

Mr. Alexander Lau  
alex@rhl-int.com  
(852) 3408 3328

## 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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## Scientific analysis of revised "Well-off Tenants Policies"

The Hong Kong Housing Authority (HA)'s Subsidised Housing Committee (SHC) had endorsed the implementation details of the revised "Well-off Tenants Policies" at its meeting in February, which will be implemented from the declaration cycle in October 2017, considering that it was necessary to examine ways to better utilize Public Rental Housing (PRH) resources at the same time to ensure that efforts would be focused on allocating PRH resources to those with more pressing housing needs.

According to the details of the revised "Well-off Tenants Policies", PRH tenants with household income exceeding 5 times of PRH income limits (PRHILs), or with assets exceeding 100 times of PRHILs should vacate their flats. According to the Income and Total Net Asset Limits effective from 1<sup>st</sup> April 2016, the income limits of each family size are as follow:

Household Size	Maximum Income Limit per month (HK\$)	Total Net Asset Limit (HK\$)
1-person	54,850	1.10M
2-person	84,350	1.69M
3-person	111,950	2.24M
4-person	133,450	2.67M

In the case one chooses to rent a residential unit, the choices which monthly rental is less than 20% of monthly income includes:

	District	Development	Room Nos.	Saleable Area (sq. ft.)	Monthly Rental (HK\$)
1	Tin Shui Wai	Kingswood Villas	2	About 440	About 9,500
2	Fanling	Fanling Centre	2	About 370	About 9,500
3	Sha Tin	City One Shatin	2	About 300	About 9,500
4	Jordan	Man Wah Sun Chuen	2	About 300	About 9,000

In the case one chooses to buy a residential unit, according to the existing prudential measures on Loan-to-Value Ratio and Debt-Servicing Ratio for Property Mortgage Loans, the choices for first time homebuyers purchasing property valued under HK\$4 million or below at maximum LTV Ratio 80% includes:

	District	Development	Room Nos.	Saleable Area (sq. ft.)	Price (HK\$)	Down Payment and miscellaneous fees (HK\$)	Monthly Repayment (HK\$)
1	Tin Shui Wai	Kingswood Villas	2	About 450	About 3.7M	About 860,000	About 11,000
2	Fanling	Flora Plaza	2	About 370	About 4.0M	About 930,000	About 12,000
3	Tseung Kwan O	Beverly Garden	2	About 430	About 4.0M	About 930,000	About 12,000
4	Diamond Hill	Grand View Garden	2	About 420	About 4.0M	About 930,000	About 12,000

From the above tables, the monthly rental or repayment of a residential unit of about 300 to 400 sq.ft. counts for about 1/5 of a 1-person family with monthly income over HK\$54,850, which is easily affordable. Comparing with the Master Pay Scale of Civil Service Bureau effective from 1st April 2016, a monthly rental of HK\$54,850 is close to Point 30, of which \$56,755 professional rank starting point. Further compare with the 2016 3rd Quarter monthly household income median of \$8,800, monthly income over HK\$54,850 exceeds it by more than 5 times. Hence it is hard to find reasonable justifications for those persons continue occupying social resources for the grassroots.

Assuming leaving aside 10% of total asset (HK\$0.1 million) for reserve, tenants are able to use the remaining HK\$1 million to rent the above units for about 8.7 years, or to pay 20% of down payment in purchasing a residential unit. On the presumption that one has regular income to handle daily expenses, theoretically one may be self-reliant. However, in case one has no regular income, but has to vacate their flats due to the exceeded asset limit alone, even a great fortune can be depleted by idleness. Fortunately, under the current almost full employment, such situation is rare. The Government may consider set another income limit for those tenants who exceeded the asset limit to cater those without regular income, such as make reference to the household income median, but such measure should be carefully studied to avoid discouraging employment.

*\*Information and Statistics above are for easy explanation only.*

## Snapshots

### Po Ming Court Unit sold with Profit over HK\$1M

A domestic flat on a medium floor of Block B of Po Ming Court in Tseung Kwan O was recently transacted at a price of HK\$2.808 million, with a unit rate of HK\$13,183 divided from its saleable area of 213 sq.ft.. The previous owner bought the unit at \$1.7 million in 2012 and sold it with a gain of over HK\$1.1 million with a profit of 65% in 5 years. In fact, this type of property is of the lowest price within the district, and has always been popular among investors and first-time property buyers, leading to an obvious boost in property price.

### Causeway Bay 21,000 sq.ft. shop sold for HK\$500 Million

According to market information, portion of the Sincere Department Store located at Ground Floor, whole 1/F and 2/F of 108-120 Percival Street, Causeway Bay, with an area of about 21,000 sq.ft., had been sold at about HK\$500million, the average unit rate was about HK\$23,000/sq.ft.. In addition to another portion of the Ground Floor shop of the same building which transacted for HK\$210million in 2014, the whole property was priced at about HK\$700million. Comparing with the purchase price of HK\$1.142billion, a book loss of at least HK\$430million was recorded.

### Partitioned Shop Great Loss Again

A partitioned shop at One Terminal, Tuen Mun with saleable area of about 44 sq.ft. was sold at HK\$0.69million or a unit rate of about HK\$15,682/sq.ft.. Comparing with the first transaction price of the subject shop for HK\$3.152million when the whole shopping mall was sub-divided into more than 300 partitioned shops in 2014, the shop had been devalued for about HK\$2.46 million.

### Record High Priced Commercial Land: King Lam Street Lot

Subsequent to the receipt of 9 tenders for the commercial site at King Lam Street, Cheung Sha Wan, the government had granted it to a local developer for HK\$7.8billion which records the most expensive commercial land in the city, with an accommodation value of HK\$7,808/sq.ft.. In lack of the non-domestic site in the vicinity for 3 years, the 83,000 sq.ft. site is expected to be built with floor area about 998,200 sq.ft., and became the largest commercial lot in West Kowloon district. Tracing back, the last commercial land sold in the district was 50% cheaper than this 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 11,500 / 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 7,500 / sq.ft.

(青衣 Tsing Yi)

灝景灣

**Villa Esplanada**

HKD 12,500 / sq.ft.

(紅磡 Hung Hom)

黃埔花園

**Whampoa Garden**

HKD 14,500 / sq.ft.

(藍田 Lam Tin)

匯景花園

**Sceneway Garden**

HKD 12,000 / sq.ft.

(將軍澳 Tseung Kwan O)

新都城

**Metro City**

HKD 12,500 / sq.ft.

(太古 Taikoo)

太古城

**Taikoo Shing**

HKD 16,500 / sq.ft.

(東涌 Tung Chung)

東堤灣畔

**Tung Chung Crescent**

HKD 9,500 / 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 14,000 / 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

## Further Suppressive Policies Issued For Local Property Market in Shenzhen

According to the market statistic, the supply for commercial residential housing steadily increased in 2016. There were 36 projects delivered, adding 28.3% to the housing supply, accumulating more than 1 million sq.m., which was the highest ever. The average price was approximate RMB53,000/sq.m., Y-o-Y of which increased 10.9%, also broken the record. The average price was approaching to that of first-hand residential flats. However, the Y-o-Y of transaction was 19% less, only 8750 transactions were conducted in 2016.

In order to curb the speculation in property market, measures were carried out again. In January 2017, the Urban Planning, Land & Resources Commission of Shenzhen Municipality had announced to restrict the price of residential housing and commercial residential housing for the first time.

The new regulations are directed against the pre-sale flats, on-sale flats and decoration. It stated that the average of quoted prices of pre-sale flats cannot be higher than or substantially below the average price of the same projects or surrounding projects which are of similar type, and no application for changing of price afterwards is allowed. In addition, the decoration prices must be stated separately and there must not be any compulsory decoration packages with the sale of flats.

In other words, the property prices is anticipated to decline, while not to a large extend. This policy can prevent fluctuations in housing prices which eases the overheated local property market, and thus, benefits people who buy flats for inhabitation. On the contrary, this will be a barrier to developers, due to the assumption of cost of construction remaining unchanged, their profits will be reduced, and the reservation for residential flats will be minimized. The policy is also a hinderer to investors. Together with the tightening measures implemented before, including purchase limits and tightened mortgage restrictions etc., it is forecasted that the housing price in Shenzhen may experience a slight drop in this year.

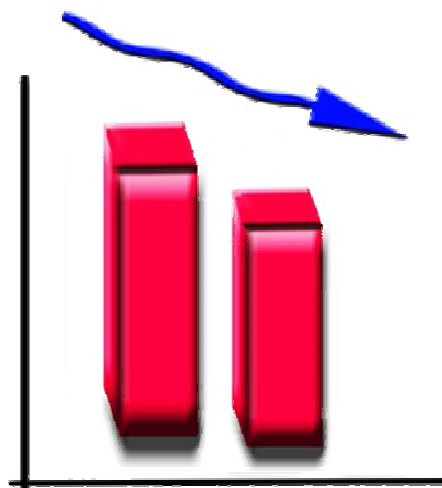


**Trend of Shenzhen's First and Second Hand Domestic Property Transaction**  
 Blue: Number of First Hand Property Transaction  
 Pink: Number of Second Hand Property Transaction

## Snapshots

### Beijing Intends to Downsize the Total Area of Construction Land

The total area of construction land in Beijing currently amounts to 2,921 sq.km., however, according to the Thirteenth Five-Year Plan, the government of Beijing planned to reduce 30 sq.km. annually to reach the target of 2,800 sq.km.. The government further emphasized that this step-by-step reduction plan is one of the major means to release Beijing from non-capital functions.



### Housing and Construction Committee of Shanghai: Additional Area is not legally registered

Housing and Construction Committee of Shanghai recently emphasized that the *additional area*, which refers to the gross floor area exceeding the certificated GFA, is and will not be legally registered. Additional Area is a prevailing practice for years and has become a knotty issue for government's building regulation. Some officers has drafted solutions for this issue, such as imposing administrative penalties to developers on building additional areas or mandatory dismantling the not-delivered additional area.



**Property Market**

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[info@rhl-int.com](mailto:info@rhl-int.com) | [www.rhl-int.com](http://www.rhl-int.com)

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