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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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real estate valuation



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Land Sourcing

It is a general consensus that the limited supply of land and dense population are the main causes for the short supply of housing, as well as sky-high real estate price. This is also one of the most concerned social issues of today. One of the key focuses in housing strategies as discussed in the 2017 Policy Address, was the sourcing of land from the country park area, which actually accounts for 40% of Hong Kong's total land area. In fact, the portion of developed land in Hong Kong accounts for slightly less than a quarter of the total land area and the development density is somewhat uneven. As an indirect result, only a relatively small proportion of the population who are wealthier middle class, could afford to live in a relatively low density community. On the other hand, in the more densely populated areas, the living environment of the majority of the population is often described as micro-flats.

To achieve the ten-years housing target of the Long Term Housing Strategy, the Government has been advocating a housing land strategy that involves the development of brownfields and green belt area, land reclamation, development of New Development Areas (NDAs), as well as endorsing rezoning exercise to encourage urban renewal. Meanwhile, the development of country park sites has always been a controversy between development and conservation initiatives. From the repeated failure of the rezoning of green belt area under the scrutiny of the Town Planning Board, it is evident that stakeholders' interests are not in alignment. And while the number of completed housing units has gradually increased in the past few years, it is not uncommon to see a large number of residential units of less than 200 sq.ft. on the market. This reflects that although the housing target may be met and achieved, the general public is faced with less per capita living space and a general decline in the quality of living.

From the economic perspective, the various means of land sourcing are expected to promote economic growth, through enhancing regional economic development, alleviating housing demands and creating further employment opportunities. The sourcing of land however, is not a low-cost exercise. For instance, the development of brownfields involve many land resumption procedures and compensation matters before the land can be utilize. On balance, the effective use of land resource remains a complex discourse when weighing out the relevant costs and benefits.

Although the development of country parks involve little land resumption and resettlement matters, the development of country park sites is generally rather difficult and implicate high developmental costs, because of the remote location and high development costs in slopes exploration and the construction of retaining walls. As a point of fact in this year's policy address, the suggestion for the utilization of country park area actually refers to the border areas of country parks, as some of its ecological value is not so high, and the value of public enjoyment from such areas is low. It is also recommended that these areas could be used for development for non-estate purposes such as the building of public housing estates and non-profit elderly homes.

To put it simply, although the Policy Address advocates to use land located on the fringe of country parks where is mainly covered by green belt area, the notion to develop area nearby country parks is expected to arise a series of focuses from green groups. To smoothen the development process, it is the best for the government to lobby with different parties and professionals, otherwise, the developments would always be heard only, be challenged, or ended up with a limited economic benefit.

Snapshots

Number of Pre-Sale Consents Skyrocketed in 2016, Highest in the Past 12 Years

The Lands Department announced the number of issued pre-sale consents in 2016 as 17,008 compared with the number in 2015 as 11,540, the number increased in 47%. It is the peak from the past 12 years since 2004 with the number of 19,274.

Rent of Grade A Office in Central Keep Rising

According to market statistics, the rent of Grade A office in Central kept raised in the recent year with the vacancy rate remained at an extremely low rate of 1.5%. Reports had shown that a foreign financial institution has renewed its tenancy of an office unit with an area of 3,500 sq. ft. at Two IFC at a unit rent of HK\$185/sq.ft. which hit the one year highs out of the building. As Two IFC is one of the indicative office buildings in the Central district for rental, the low vacancy rate and high rent proved that there is a high demand for the Grade A office. One can be ascribed to the demand from Chinese-background enterprises.

Most Expensive Hotel Room Transaction in City Expected, J Plus Hotel Sold for HK\$1.7 billion

According to market information, the J Plus Hotel in Causeway Bay has recently been sold at a price of HK\$1.7billion. The property, located at the junction of Pennington Street and Irving Street, comprises a built area of nearly 50,000 sq.ft.. The 25-storey building provides a total of 56 hotel rooms. Based on the transaction price, each room worth HK\$30.36million, and shall be the most expensive hotel room transaction expected in the city.



J Plus Hotel in Causeway Bay was sold at HK\$1.7billion previously.

Tens of Developers Expressed Interests for Site A of Peel Street/ Graham Street Project

The URA had received Expression of Interests from 43 developers for the development of Site A of Peel Street/Graham Street project. The site, located at Peel Street, with a site area of about 890 sq. m. is estimated to provide a total gross floor area of about 7,830 sq.m. for domestic use, and about 1,460 sq.m. for multi-purpose activities hall and commercial purposes. Due to the rare land supply for residential developments in the core Central area, the response of this expression was enthusiastic and the number of letters of interest had reached a high record among all projects.

(奧運站 Olympic Station)

維港灣

Island Harbourview

HKD 16,000 / 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 8,000 / 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 13,000 / sq.ft.

(藍田 Lam Tin)

匯景花園

Sceneway Garden

HKD 12,500 / 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 15,000 / 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 15,500 / 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's Real Estate Market in 2016 Stably Transited, Residential Stock Market may See Further Opportunity

In 2016, there was a rapid growth in the second-hand housing market with a turnover reached RMB 11 trillion and a growth rate of more than 30%. In Beijing, Shanghai and Shenzhen (three of the first-tier cities in China), the turnover of second-hand housing market was more than RMB 3 trillion, which exceeded 2 times of the turnover of the first-hand market. Meanwhile, in the other 30 typical cities, the total turnover of second-hand housing exceeded RMB 5 trillion, which was 1.1 times of the first-hand market.

It is reported that in a mature market of developed countries, the cycle to develop new houses in a city is generally about 20 years. Beijing, for example, from 1988 to 2008, has basically completed the existing pattern and the existing new housing development cycle. Since then, including Beijing and some of the major cities, the amount of second-hand housing transaction has exceeded the new house's one and the gap continue to widen. According to the relevant research reports which pointed out that, in 2016, the size of China's rental market of 1.1 trillion, but only 7% of the size of the housing market. Meanwhile in developed countries, the scale is with the proportion of 30% -50%. In the next 5 to 10 years, China's rental market is expected to enter the stage of rapid development and is expected to have the market volume of about 1.6 trillion in 2020, 2.9 trillion in 2025 and more than 4 trillion in 2030. As the industry estimates, China's future urban economic activity and real estate transaction activity will be more reflected in the stock market. The Chinese real estate market will gradually transit from the incremental mode into a stock mode, from the new housing development and sales-oriented transited to the sale of second-hand housing and rental-based.

Being aware of this market trends, in 2016, the Chinese government has also introduced a number of policies to guide and nurture the development of the housing stock market to enhance the second-hand housing buyers and property tenant's confidence:

- In June, China issued "the Opinions on Accelerating the Development and Development of the Housing Leasing Market". It proposed to improve the effective supply of the rental market, expand the effective demand of the rental market, clarify the rights and obligations of the market players, standardize the development of the rental market and to promote the housing market by the sale of both the main changes to the rental;
- In August, the Ministry of Housing and Urban-Rural Development of China published 16 specific provisions to protect the right of buying, selling and intermediary in the second-hand housing transaction by standardizing the real estate agency's service behaviour, perfecting the industry management system and strengthening the supervision of the intermediary market;
- Ministry of Housing and Urban-Rural Development of the People's Republic of China announced to establish real estate market credit records for real estate brokers and other market participants nationwide and implement joint disciplinary actions against serious dishonesty subjects;
- In November, Beijing launched three "land price-limited" lands and required all residential units to comply with the "90/70 Policy" which the value-dwelling houses of size 90 sq.m., including affordable houses, and the proportion of the area must reach more than 70% of the total area of development and construction. Moreover, during the bidding process, they set the price cap and switch to bid for area ownership after the price reaching to the upper limit. In this new stage of transfer mode, all three lands were competed in 'all hold' condition.

With the government's supportive policies and reference to the previous real estate market development pattern, under China's tighten land and financial market environment, the housing stock market is expected to arrive at a real "golden era" in 2017.

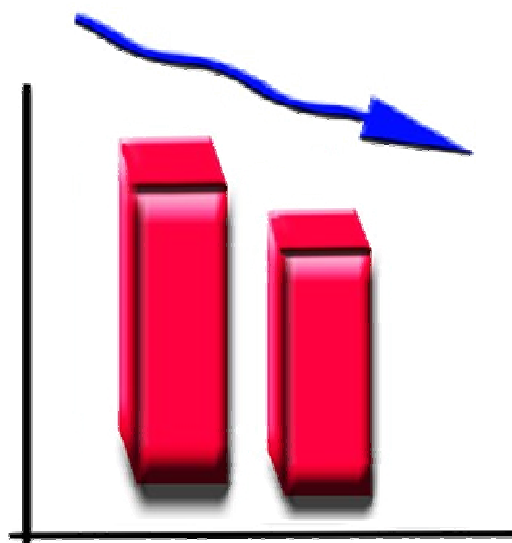
Snapshots

Control of Nanjing's Land and Increase in Supply of High Value Residential Land

The newly drafted "13th Five-Year Plan for Land and Resources Protection and Utilization in Nanjing" proposes to control the land supply for real estate by increasing the land supply for residential use where the value of land is apparent. This will moderately control the release of land in some uncertain area. While the commercial office land input will be precisely increase according to the demand. This can also be seen as the latest idea from Nanjing to control the real estate market by dealing with the land supply.

Beijing's Newly Constructed Commercial House Prices' Month to Month Ratio First Down in 22 Months

The National Bureau of Statistics had released the latest residential sales price statistics of 70 large and medium-sized cities. The average new housing index rise in December is the lowest in 2016 and a decrease of new commercial housing prices' month to month ratio appeared in 20 cities. Beijing, Nanjing, Chengdu, Zhengzhou and more than 10 cities appeared a drop for the first time during the year. Data shows that there are totally 11,565 sets of commercial housing unit transaction in Beijing in the fourth quarter of 2016. The month to month ratio fell by 42%. In 2016 December, Beijing's new commercial housing transaction unit price has dropped to RMB38,200/sq.m..





Property Market

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info@rhl-int.com | www.rhl-int.com

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