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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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ISO 9001 : 2015  
Certificate No.: CC 6139  
RHL Appraisal Limited  
Provision of corporate and  
real estate valuation



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## Brownfield Development (II)

In the last issue, we discussed the meaning and definition of Brownfield, as well as the major prospective Brownfield development plans in Hong Kong. In this issue, we shall take a look at the benefits of Brownfield developments, the associated challenges and the issues that existing Brownfield owners may wish to take note of.

### **What are the reasons for developing Brownfield sites?**

As discussed in the last issue, Brownfield sites in Hong Kong refer to agricultural land situated in the New Territories. In these districts, it is common to observe the operation of various industrial activities, which locate in close proximity to squatter settlements and cultivated land. These industrial activities include open storage, industrial warehouse, logistics operations, recycling yards, construction plants and material depots etc.. Despite the fact that these operations are incompatible with the surrounding environment, they do offer a suitable provision of developable land for urban expansion, as they locate on flat and easy accessible land. The development of these Brownfield sites therefore provide direct and indirect benefits, such as dealing with environmental pollution during the course of reclamation, reallocate and optimise land resources, as well as promoting the economic values of those land, and the economic development of neighboring communities through the creation of further employment opportunities.

### **Developing Brownfield sites is not without challenges**

From the research conducted by the Hong Kong Government, it is proposed that more than 600 hectares of Brownfield sites shall be developed in the Yuen Long South and Hung Shui Kiu New Development Area (“NDA”). The costs of restoring the area would depend on the actual pollution level, the land rehabilitation works required and the risks of legal liability involved. As the scheme involves a large area of private land, the issues that may arise shall not be overlooked.

**A word of caution for Brownfield Sites owners!**

Complement to the proposed development projects, it is necessary for the Government to resume private land. Upon publication in the Gazette, the resumption of those private land would usually be required to be returned to the Government within three months' time. Of course, if you are the registered owner of the land or have a legal interest in the land, a statutory compensation for the resumption of land would be offered to you, vide the issuance of a standard compensation proposal, after the relevant announcement is made and posted for the plot of land. For the final settlement of all compensation claims, the statutory compensation payable is assessed on the open market value basis of the resumed property as at the date of resumption, although the recommended payment by the Government is generally equivalent to the ex-gratia compensation rate as set out on the zoning map. On the other hand, owners of estates are generally entitled to statutory compensation, which is calculated as the sum of the professionally assessed market value, and in addition the standard ex-gratia compensation payment according to the zonal compensation rate.

In the past, it is commonly observed that the initial compensation payment for land resumption is not accepted by the landowners. Actually, if landowners reject the compensation payment recommended by the Government, they may appeal and submit to the Government with a counter offer in writing, providing evidence to support the compensation claims. If an agreement cannot be reached, the parties may submit the case to the Lands Tribunal to determine the final compensation amount.

As the process is complex and involves a range of professional valuation matters, we would highly recommend you to consult or appoint an independent professional surveyor in undertaking such appeals on behalf of you, to ensure that the appeal is handled efficiently and effectively. As for landowners or business operators wishing to acquire land, attention should be paid on the planned and permitted land use, as well as land grant restrictions etc.. In case where prospective land owners face difficulties in determining whether a particular land use comply with the associated statutory requirements, it is highly advisable to seek professional opinions from a qualified surveyor, or to appoint a qualified surveyor to handle applications or lodge appeals to the relevant Government departments on your behalf.

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Development Bureau and Planning Department of the HKSAR has lodged a public engagement of "Hong Kong 2030+ : Towards a Planning Vision and Strategy Transcending 2030". Clients should play attention on the likely impact on the development potential on your property holding under the proposed strategy. Should you have any query, please feel free to contact our surveyors.

# 2016 Property Market Review

## Land Supply

### Land Supply Target

Long Term Housing Strategy Annual Progress Report 2016 pointed that, comparing land identified for public housing construction and public housing supply target, there was a difference of about 44,000 units, or 15%. For private residential land, it was expected that the supply of the future 10 years would meet the target of 180,000 units.

### Brownfield Research

Since the outbreak of Wang Chau public housing estate incident, the city widely recognized development of brownfield to increase the land supply as a long term measure, which has mentioned in My Blog in 2013 and Policy Address 2015. The Brownfield Operations Task Force which set up in 2014 started consultancy study, reviewing the feasibility of integrating brownfield operations into multi-storey industrial buildings, so as to release developable land for new town development. The study is expected to be completed on or before mid-2018.

### Government land tender

Various Government land tenders recorded transactions with considerations exceeding the price ceiling of market estimations, including the latest of a land parcel in Kai Tak Area 1L Site 3, which successfully tendered out to a Chinese-background group by a sky-high consideration HK\$8.8 Billion, or equivalent to accommodation value of about HK\$13,600/sq.ft., which greatly exceeded the price ceiling of market estimations by 90%. Comparing the price of new residential development in the district in terms of saleable area of about HK\$15,000/sq.ft., the accommodation value was just about 90% of the saleable area.

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## General Residential Market

### Introduction of New Cooling Measures

According to the latest statistics of the Rating and Valuation Department, the overall residential price in September 2016 has dropped by 3.4% compared to same time last year, which has been the highest level. However, comparing to the two-year low in March 2016, the price level bounced by 8.8%. In view of the trend of rising residential price, the Financial Secretary announced in November 2016 that, the Government announced that the Stamp Duty Ordinance would be amended to increase ad valorem stamp duty (AVD) rates for residential property transactions to a flat rate of 15%. Once the Ordinance has been passed, any instrument executed on or after 5 November 2016 for the sale and purchase or transfer of residential property (non-first property), unless specifically exempted or provided otherwise, will be subject to the proposed new AVD rate.

## Public Housing

### Adjustment of Well-off Tenants Policies

The Housing Authority passed to adjust the Well-off Tenants Policies, which expected to come into effect in October next year. Under the amended policy, tenants must vacate their flats if they own a private residential flat in Hong Kong, and either if the household's income exceeds the income limit by 5 times, or if the household's total assets exceed the waiting list income limits by 100 times; exemptions would be given to households whose members are all above the age of 60, or receiving comprehensive social security assistance. Under the current practice, household income and asset limit for a 4-person family is either HK\$133,000 per household income or HK\$2.66million per household total asset.

## Private Residential

### Studio flats became popular with tricky designs

Residential units in new developments became tinier and tinier, and has extended from urban area to rural area. The record breaker of new tiniest flat in Hong Kong was located in Tuen Mun, with saleable area of only 128 sq.ft., which was even less than a standard private car park of about 135 sq.ft.. The remaining actual living space after deducting the kitchen, toilet and wall thickness was only about 70 sq.ft., which would be even less than half of the area of a standard private car park.

## Snapshots

### Property sold with over 10% Price Cut!

A semi-detached house at 1<sup>st</sup> Street of Section I of Fairview Park was sold previously at the price of HK\$10.18M. The 3-bedrooms unit with a saleable area of approximately 1,036 sq. ft. was transacted at a unit rate of about HK\$9,800/sq. ft.. The vendor decided to reduce the original asking price of HK\$11.5M by 11% after making reference to the recent transactions in the estate, and still gaining HK\$6.8M out of the vendor's purchase, considering the unit rate of the transactions within Fairview Park in this month remains below HK\$10,000/sq.ft. in the second-hand market.

### Banks propose Fixed Interest Rate Mortgage after Interest Rate rises.

US Federal Reserve System increased interest rate in December and expected to have 3 more raises in 2017, while analysts in Hong Kong expected the chances for the city's rate to rise is sound. Recently Hong Kong Interbank Offered Rate (HIBOR) keeps increasing, mortgage clients start considering different mortgage plans, some banks are proposing the launch of fixed interest rate for first to first two years plan which is lower than the market mortgage interest rate.

### Parking Spaces sought for Speculation.

The volume and transaction price of the car parking space market is keep rising after the rise in residential property Ad Valorem Stamp Duty (AVD). Although the actual profit for those transactions varied from HK\$20,000 to HK\$180,000/space, after deducting the stamp duty and agency commission, speculators were keen of buying car parking space for short term investment. According to news sources, a car parking space in Golden Lion Garden in Tai Wai was sold for HK\$800,000 just 2 days after its last transaction and gained for HK\$100,000. Meanwhile, a car parking space in Tai Wo Centre in Tai Po was sold for HK\$1,148,000 with only HK\$48,000 profitable after its 2 weeks ownership.

### Grade A Office Price Rises.

An office unit of gross floor area about 674 sq.ft. on middle-low level in Bank of America Tower Central was sold at HK\$23,590,000 with a unit rate of HK\$35,000/sq.ft. which became the highest transacted unit rate that set at HK\$33,800/sq.ft. in mid-year of 2016 within the building and reached a new record for Grade A office Index.



(荃灣 Tsuen Wan)

愉景新城

**Discovery Park**

HKD 11,500 / sq.ft.

(九龍站 Kowloon Station)

漾日居

**The Waterfront**

HKD 22,000 / sq.ft.

(沙田 Sha Tin)

沙田第一城

**City One Shatin**

HKD 13,000 / sq.ft.

(青衣 Tsing Yi)

盈翠半島

**Tierra Verde**

HKD 14,000 / sq.ft.

(屯門 Tuen Mun)

大興花園

**Tai Hing Gardens**

HKD 8,500 / sq.ft.

(紅磡 Hung Hom)

黃埔花園

**Whampoa Garden**

HKD 13,000 / sq.ft.

(觀塘 Kwun Tong)

麗港城

**Laguna City**

HKD 10,500 / 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 15,500 / sq.ft.

(東涌 Tung Chung)

映灣園

**Caribbean Coast**

HKD 8,500 / sq.ft.

(鴨脷洲 Ap Lei Chau)

海怡半島

**South Horizons**

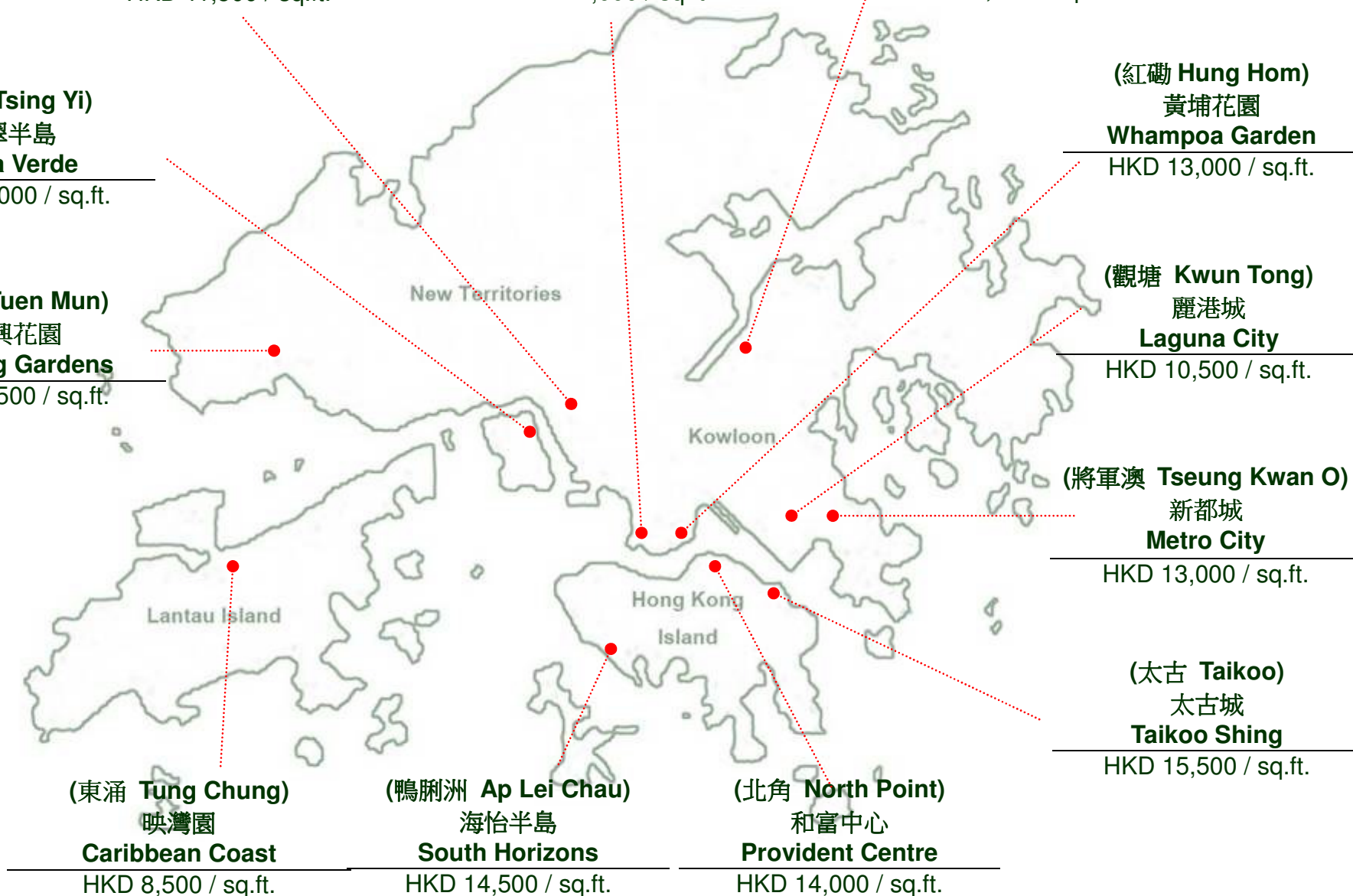
HKD 14,500 / sq.ft.

(北角 North Point)

和富中心

**Provident Centre**

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

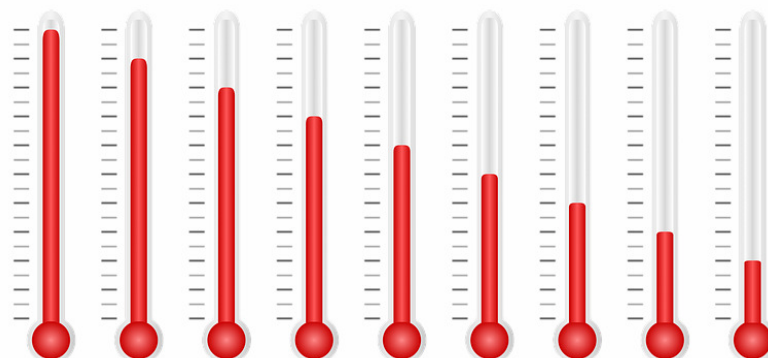
## Market Consistently Be Regulated Since November, Property Market Cooling Down All Over China

According to the data from National Bureau of Statistics on 13th December, from January to November this year, the national real estate development and investment recorded a total of RMB9,338.7 billion, an increase of 6.5% nominal growth rate. This is the first drop of real estate investment since the four consecutive month's growth.

Since the four consecutive month's growth, a total of 22 cities in the country have launched the limit purchase and limited credit policy for the property market. Some hot cities' markets were then affected by the introduction of new policies. Specifically, Beijing's commercial residential housing recorded a total of 8,508 transactions in October, a decrease of 41%, is the lowest in five months. Shanghai recorded a number of 18,501 transactions in October, the month-on-month growth rate fell by 18.21%; and Shanghai's real estate market significantly has a sign of cooling. From October 31 to November 6, the number of transaction has consistently dropped; in addition, hot second-tier cities are also affected by the regulation and control. For example, Xiamen in October only obtained 40% of average number of transaction.

Even though the regulations and control received optimistic result, some hot cities still remain their control on the real estate market. On December 12 2016, Zhuhai City Housing Provident Fund Management Centre announced that the city's provident fund loans to the minimum down payment ratio must not be less than 30%, compared to the previous minimum 20% level. Huailai County in Hebei Province recently issued a regulation that starting from 30 November 2016, the non-residents of the county can only purchase one set of house, and the purchase of the first payment ratio must be not less than 30%. For those non-county residents in this county who has one set or more houses, they will temporarily not be permitted to make any purchase in the county.

Cities achieved some success and cooled down the market with their consistent regulation and control. However, it is estimated that the market would not appear any significant huge drop because of the regulations and remain steady in the future development. In the long run, the stability of the property market also requires housing, land supply, real estate tax system to cooperate with, but not only rely on the current temporary control.





## Snapshots

### Chinese Cities with Land Sales Income Up to RMB100billion

Centaline Property Research Center's data shows that till December 12, the number of city that have land sales income up to RMB100 billion or more has reached to 7, a record. These cities are, Nanjing, Suzhou, Shanghai, Hangzhou, Tianjin, Hefei and Wuhan. Among them, the land transfer income of Nanjing, Suzhou, Shanghai are having a total of more than RMB150 billion.

For the 50 highest land transfer revenue cities, a total of RMB2.33 trillion has been recorded, an increase of 34%. In 2016, many cities' land transaction premium rate and land turnover have created historical record.

Starting from October, the local government had strict control to the market and cooled down the national land market's turnover. In November and December, the number of high-premium land has continued to decline, the total only 4 cases of land turnover were with more than 100% premium rate, while only 8 cases have more than 50%. Comparing to the frequent high premium rates land transfer previously, it has obviously been cooled down.





**Property Market**

**EXPRESS | 房地產市場快訊**

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