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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 finance and/or real estate related academic background and internationally recognized qualifications, such as CPA, FRM, 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 & VALUATION ADVISORY

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.

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

## HONG KONG PROPERTY

Market Watch

THE HEADWAY OF HONG KONG'S  
PROPERTY MARKETStrategic Investment  
Advisory & Agency

- Provide Market Research and Analysis
- As a Matching Platform to Source Opportunities

On October 16, the Lands Department announced that the Government had rejected all the five tenders received for the purchase of Rural Building Lot No. 1211 at Nos. 2, 4, 6, 8, 9 and 11 Mansfield Road at the Peak of Hong Kong Island, for the reason that the tendered premiums were failed to meet the Government's reserved price of the site.

Sumptuous residential properties at the Peak area have been recognized as antique-like objects, with very limited supply but very niche-market demand as well. The price of such properties would be highly fluctuating with limited market transactions. With the tightening of foreign exchange control again from the Mainland China, wealthy mainland entrepreneurs, who have been an active and major buyers in the past several years, are mostly affected.

The "lack of buyers" situation would certainly pose a serious cash flow concern to developers. Yet, RMB internationalization is a national policy which means relaxation must be back. Besides, the Government has no urgency to dispose luxury property land. In this regard, this unsuccessful tender cannot be viewed as developers' pessimism in the Hong Kong property market.



## Strategic Investment Advisory & Agency

- Negotiation between Transaction Parties
- Provide Transaction Advisory Services

Nevertheless, it is a sound excuse for the general residential market to adjust from its peak. Whether it will be the beginning of the continuous downward movement should indeed be based on the fundamental supply and demand factors. It is worth noting to hear the news about the slowing down of development completion progress. On one hand, it may be a counter-action by the developers to cope with the slow and low demand. On the other hand, it may be read as the reluctance for developers to sell too early in anticipation of the fewer supply of land in the future.

We should maintain our view that, as far as the unemployment level maintains at the current low point, adjustment of property price would be limited. Meanwhile, with the completion and soon-to-be-complete of the “ten major infrastructure projects”, cautious signals are now “on” with a pool of construction workers, who have been active purchasers in the mass market due to obvious salary increment, to experience the low seasons, and unfortunately they are relatively difficult to turn to other fields.

Following the commission of the Hong Kong section of the Guangzhou– Shenzhen– Hong Kong Express Rail Link in September, China’s President Xi Jinping had officiated the opening ceremony for the Hong Kong– Zhuhai- Macao Bridge, the world’s longest sea-crossing bridge linking Hong Kong, Zhuhai and Macao. Both mega infrastructures are certainly expected to derive benefits to Hong Kong and hence the value of the assets here. Yet, the focus point is how and when, and whether any policies shall come to boost the Big Bay Area economic activities to meet the current challenges including but not limited to the trade dispute from western countries. The visit of President Xi and his team to Guangdong is therefore anticipated as the message of foreseeable important measures and policies.



## Forward Planning and Solution

- Macro-economical Analysis
- Social and Economic Trend Monitoring
- Market Forecast

# MARKET EXPRESS

## HONG KONG SNAPSHOTS

### State Theatre Building Being Put Up for Compulsory Sale

A developer has applied for a compulsory sale order of the State Theatre Building at King's Road, North Point to the Lands Tribunal to unify the ownership of the building for redevelopment purpose. The complex consists of 2 residential blocks, a shopping arcade and a grade one historic structure- former State Theatre. The Theatre, built at 1952, is the oldest stand-alone theatre structure in Hong Kong. The unique roof structure with its parabola-like arches roof trusses has been given a Grade One historic building status by the Antiquities Advisory Board. The developer would consider preserving the relevant part of the former State Theatre.



State Theatre Building

## Forward Planning and Solution

- Financial Feasibility and Economic Viability Assessment
- Value-added and Reliable Implementation Scheme

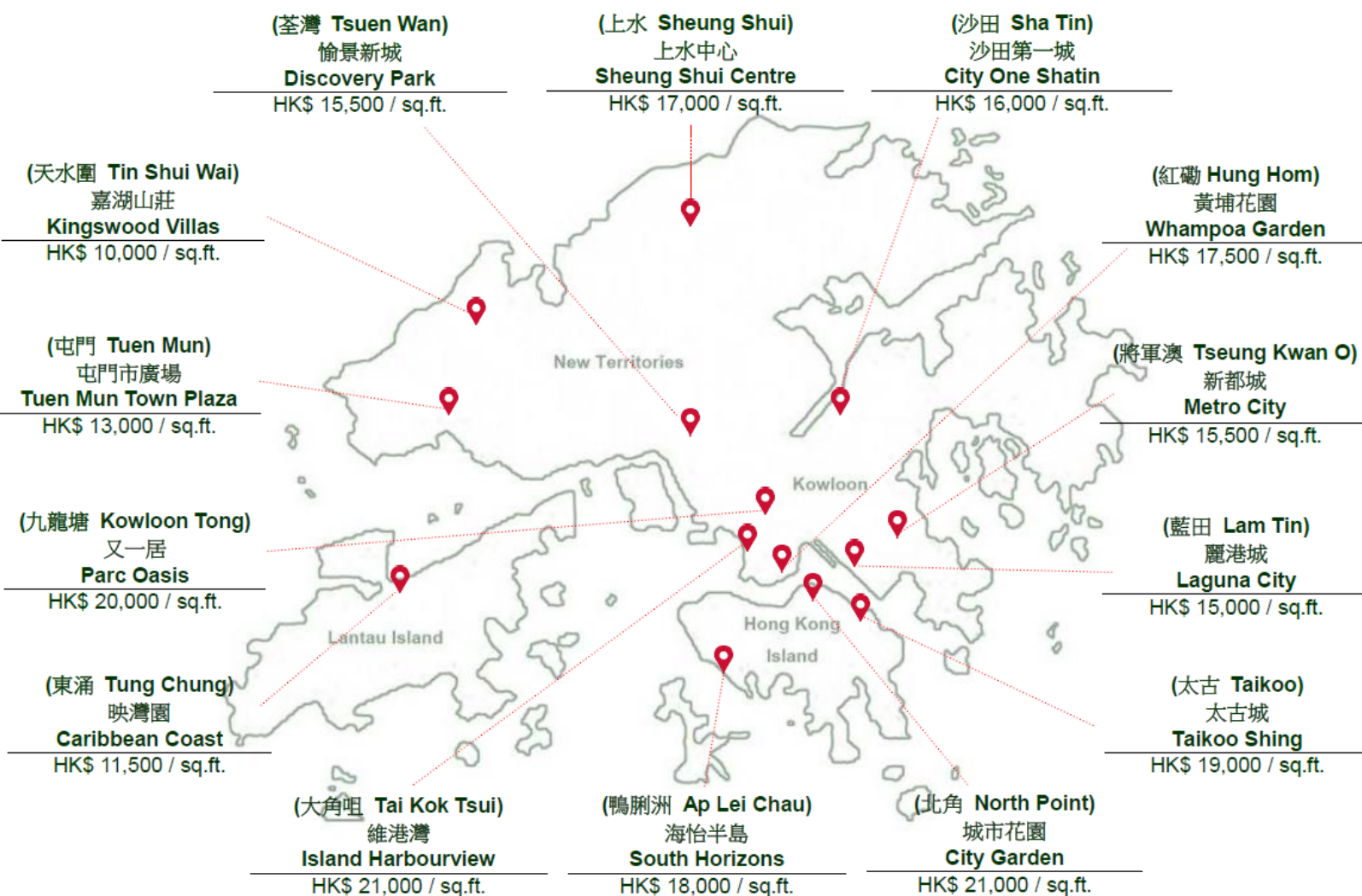
## Private Domestic Properties' Price Continues to Adjust

According to the Rating and Valuation Department, the latest private domestic price indices for September was about 1.4% lower than August. The price index for all domestic unit classes was 388.8, 1.44% down from August. However, an overall 14% surge was recorded since September 2017. On the other hand, in terms of saleable area, price index of units less than 430 sq.ft. has ended its uptrend and decreased for 1.42% while indices of other sizes units have dropped at a range from about 0.4% to 1.8%.

## Small Shops for a Betterment of Luxury Goods Shops

The retail market has been softened in this recent years which stopped the plans of some of the luxury goods sellers' to expand their business to save the rental expenses. According to the market information, a large shop located at Queen's Road Central which is rented by a long-established watch shop had been decided not to renew the lease and move to a smaller duplex one along the same street with a lower rent. The original rent is about HK\$2 million for an area of 19,000 sq.ft. while the new rent is about HK\$1.9 million for an area of 6,500 sq.ft.. Although the unit rent of the new shop is more expensive than the original one, the monthly rent cut is expected to relief part of the operational pressures of the seller.

## HONG KONG TRANSACTIONS OVERVIEW



\* 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

DOWNTURNING REAL ESTATE  
MARKET IN PRC: 2018Q4

In the first three quarters of this year, real estate market in the big cities was not as prosperous as expected. The traditional “Golden September and Silver October” looked dull in 2018.

According to the data released by the National Bureau of Statistics, in September 2018, the sales prices of newly-built commodity residential buildings of **Shanghai** and **Shenzhen** have dropped by 0.1% m-o-m and 0.2% m-o-m respectively. Meanwhile, there is no change in **Beijing** compared to August 2018. The sales price of new commodity residential buildings of **Guangzhou** rose by 0.4% m-o-m due to the continuous compensatory growth since 2017 Q3. In the second-hand property market, the price of **Beijing** and **Shanghai** both decreased by 0.2% m-o-m, **Shenzhen** has no change, while only **Guangzhou** rose by 0.2% m-o-m.

The prices of new commodity residential and second-hand residential sales in 31 second-tier cities rose by 1.1% m-o-m and 0.8% m-o-m respectively with the growth rate dropped by 0.2% m-o-m and 0.5% m-o-m respectively. The sales prices of new commodity residential and second-hand residential in 35 third-tier cities rose by 0.9% m-o-m and 0.8% m-o-m respectively, and the growth rate dropped by 1.1% m-o-m and 0.6 % m-o-m respectively.

Professional Practice  
in Land and Planning  
Matter

- Lease Modification / Land Exchange
- Premium Assessment
- Temporary Waiver Application

## Professional Practice in Land and Planning Matter

- Rate & Government Rent Appeal
- Compensation Claim Assessment
- Planning & Development Consultancy

City	New-built commodity residential sales price		Second-hand residential sales price	
	m-o-m changes (%)	y-o-y changes (%)	m-o-m changes (%)	y-o-y changes (%)
Beijing	100.0	100.4	99.8	97.8
Shanghai	99.9	99.8	99.8	97.9
Guangzhou	100.4	104.3	100.2	102.5
Shenzhen	99.8	100.0	100.0	107.0

Meanwhile, in terms of the transaction volume, the transacted size of the first-tier cities has fallen by 33% m-o-m, reflecting the quick subsiding purchasing power, which has been overdrawn by a series of reasons containing the roaring housing prices in the past years, the tightened credit policy and the uncertainties for future of the property market under the circumstance of trade war. Second-tier cities seems stronger than first-tier cities with a decline of -5% m-o-m. Cities such as **Hangzhou**, **Nanjing**, **Chengdu** and **Wuhan** are supported by demand sourcing from relocation of large enterprises, taking an electronics developer as an example. New vitality to the economy of the two second-tier cities and good news to the local property markets have been injected since the relocation of that developer's head office from **Beijing** to **Wuhan** and **Nanjing**. Third-tier cities still keeps momentum for rising with a change of 22% m-o-m as a result of renovating housing units in run-down areas, which is expected to be completed before 2021.

City	Transaction Volume (10,000 sq.m.)	m-o-m changes (%)	y-o-y changes (%)
Beijing	50.73	-13.51%	32.77%
Shanghai	102.38	-18.57%	40.77%
Guangzhou	57.64	-57.93%	-13.31%
Shenzhen	17.82	-19.10%	-36.13%
First-tier city	228.57	-33.00%	11.00%
Second-tier cities	1,156.19	-5.00%	0.40%
third-tier city	364.36	22.00%	9.00%

Some experts have pointed out that the house prices and transaction volumes are currently affected by the adoption of the state's package of regulatory policies. In addition, potential house purchasers have changed their expectations for the rising house prices as well as property investors may suffer from larger cost of capital and therefore intend to play the wait-and-see strategy.



## Revitalization of Industrial Buildings

- 30-minute free consultation
- Coordinate with other professionals
- Submitting an application to the Town Planning Board for our client
- Submitting a "Temporary Waiver" or "No Objection Letter" application to the Lands Department

## CHINA SNAPSHOTS

### First- and Second- Tier Cities in October: 25 Domestic Land Tenders Failed

According to institutional data, the numbers of residential land tenders failure for the first- and second-tier cities have already broken the historical records for the same period in October. As of the edition deadline, the total number of failure tenders was as high as 25 cases. Among them, **Kunming** has the largest number of land quotas, with a total number of 8 cases, followed by **Xi'an** with a total number of 4 cases. As the controlling policies are even more intensive, it is expected that the figures of failure tenders will increase in future. According to the analysis, the main reason for the unsuccessful tenders is that the capital chain of the housing enterprise is tight, money recovery is difficult, and the comprehensive pressure has increased. Therefore, a more conservative development strategy is adopted by different developers, which affects the enthusiasm for taking the lands.

## 8 Provinces on Trial: Government to Buy Public Rental Housing Operation Management Services

Number of completed public rental housing has been boomed in recent years. However, there are some serious issues with the operation management of the public rental housing revealed such as insufficient professionals, low service levels, and irregular management. To improve the management mechanism of public rental housing, the Ministry of Housing and Urban-Rural Development and the Ministry of Finance recently jointly issued a "Notice" which proposes to carry out pilot projects for the government to purchase public rental housing operation management services in 8 provinces, including **Zhejiang, Anhui, Shandong, Hubei, Guangxi, Sichuan, Yunnan, and Shaanxi.**

The "Notice" pointed out that the pilot areas should comprehensively sort out the contents of various types of public rental housing operations and management that are currently within the scope of government duties and arranged by fiscal expenditures. Any public rental housing operation management services that are suitable for market-oriented methods can be implemented through government procurement services. The purchase contents mainly include public rental housing and exit management matters, rent collection and house use management matters, discovery of illegal and illegal activities, maintenance matters, and comprehensive management matters.

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