

RHL International

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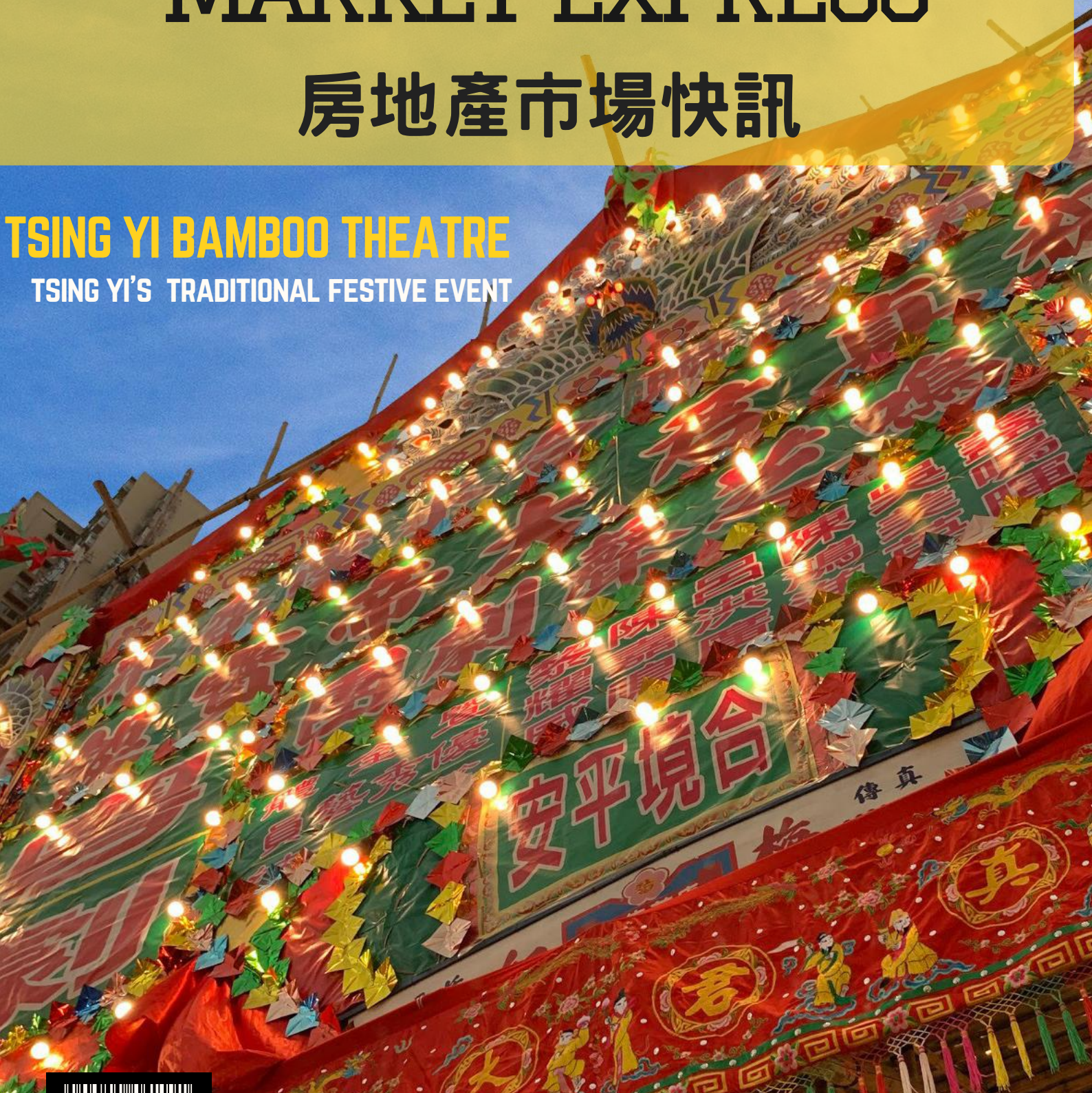
ISSUE NO.221

MARKET EXPRESS

房地產市場快訊

TSING YI BAMBOO THEATRE

TSING YI'S TRADITIONAL FESTIVE EVENT



HONG KONG PROPERTY

香港物業市場透視

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CHINA PROPERTY

中國物業市場透視

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.

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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.

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- 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

Industry / Market Research and Feasibility Studies

Serena Lau

serena@rhl-int.com

(852) 3408 3398

Land & Planning Matters, Surveying Practice

Keith Siu

keith@rhl-int.com

(852) 3408 3338

Hong Kong Property Valuation Tony Wong

tony@rhl-int.com

(852) 3408 3188

Mainland China, Macau and Overseas Property Valuation

Jessie Chen

jessie@rhl-int.com

(852) 3408 3302

Business Valuation

Alexander Lau

alex@rhl-int.com

(852) 3408 3328

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HONG KONG PROPERTY

TALK OF THE TOWN ON LAND POLICIES

HONG KONG PROPERTY -MARKET WATCH

TALK OF THE TOWN ON LAND POLICIES

Recently, hot topics in the market are certainly the Court of First Instance of the High Court handed down a judgment on a judicial review of the Small House Policy, the issuance of more Practice Notes for the revitalization of industrial buildings by the Lands Department, and the release of the Land and Housing Policy Advocacy report by Our Hong Kong Foundation under the heading of “Hanging on the Housing Supply Cliff—are there any more bandages around?”.

Court of First Instance of the High Court ruled on April 8 that the Free Building Licence (FBL) arrangement under the Small House Policy, being a lawful traditional right and interest of the indigenous inhabitants of the "New Territories" within the meaning of Article 40 of the Basic Law, is lawful and constitutional, while the Private Treaty Grant (PTG) and Land Exchange arrangements under the Policy are not. Some have opined that there are nearly 600 hectares of government land in the rural areas can therefore be released, but in fact, most of these lands are scattered, and hence not much land suitable for high-density housing.

Indigenous villagers of the New Territories are also Hong Kong residents. On one hand, those possess no small houses need to demand for a home in the public or private markets, on the other hand, those indigenous villagers who have the small houses can sell their completed ones in the market, which is actually a supply. Taking into account the statistics in 2017, the Government had approved a total of 752 applications for the construction of small house. On the assumption that there are three units per each case, over 2,000 units will be available for own use or to be released onto the market. In order to release more housing supply, perhaps the public's concern should be focused on how to achieve an effective usage of the land within the village zone.

"Strategic Investment Advisory & Agency"

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

Last year, the Chief Executive had announced in her "2018 Policy Address" that policy on the revitalization of the industrial building would be launched again. New measures have been expected by the market for further promoting the renovation or redevelopment of the entire industrial building. However, in view of the submission to the Legislative Council from the Development Bureau afterward, the general direction of the measures mentioned has turned the market doubtful about the effectiveness of the measures.

At present, the ownership of most industrial buildings is fragmented, and the measures taken this time are not more attractive than before. That is, not enough incentive to promote market investors and/or small owners to participate is observed.

Till the end of December last year, during the period from 2010 to 2016, in accordance with the previous round of revitalization of industrial buildings, only 121 cases were Government-approved and owner-signed for building modification; and only 14 cases were for re-redevelopment. The number of cases in which modifications or redevelopments are eventually carried out will only be less than the above figures. Nonetheless, due to the difficulty of law enforcement and the huge market demand for non-industrial use, many industrial units/buildings have already been used in violation of the regulations and land grants. It is foreseeable that this situation will continue.

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- *Parties*
- *Provide Transaction Advisory Services*

Without an obvious change in demand for housing, “Hanging on the Housing Supply Cliff” is never a sensational slogan under the recent Land and Housing Policy Advocacy report by Our Hong Kong Foundation. Although the Development Bureau is currently working on the funding application for the relevant study on the "Lantau Tomorrow Vision", in a bid to provide more suitable land for development in short to medium term to address the urgent needs for housing of Hong Kong citizens, the Government still must find ways to avoid not only further increase of brownfields but also effective use of brownfields, and to keep communication with developers who have a large land reserves in the New Territories in their hands.



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- *Parties*
- *Provide Transaction Advisory Services*


HK SPECIAL

FACILITATING THE REZONING ON BROWNFIELD SITES, SURVEYOR TESTS THE MECHANISM ON A 200,000SQ.FT. SITE IN FANLING

The use of brownfield sites has been considered as one of the way outs for the inadequate land supply for housing in Hong Kong recently. Unfortunately, application for rezoning usually involves the commission on various impact assessments, of which may give private owners significant financial burden and seriously-reduces their willingness to consider any change. To encourage a better use of brownfield sites, Sr Serena S.W. Lau, the former President of the Hong Kong Institute of Surveyors and Fellow of HKIS, advocates that the Town Planning Board shall allow a 2-stage process in handling applications for rezoning of amalgamated scattered brownfield sites.

Taking Sr Lau's existing attempt at Lung Yeuk Tau, Fanling, as an example. She has linked up with 4 individual owners of adjoining lots to jointly apply for the rezoning of the areas together with adjoining government land, which shall amount to nearly 200,000sq.ft.. Usually such application shall accompany with various technical assessment reports which indeed posing financial burden and discouraging brownfield owners who are usually without development experience and/or own smaller piece of land to join hand with the adjoining lots to form a larger site to seek for redevelopment. Under the test case, it is therefore to propose that in the first stage, an application to rezone such brownfield area from the current "Recreation" to "Other Specified Uses" annotated "Community/ Recreation Facilities and Fanling Bypass with Commercial/ Residential Development" under Section 12A of the Planning Ordinance without full submission of various technical reports, but any flat development must subject to the further application under Section 16.

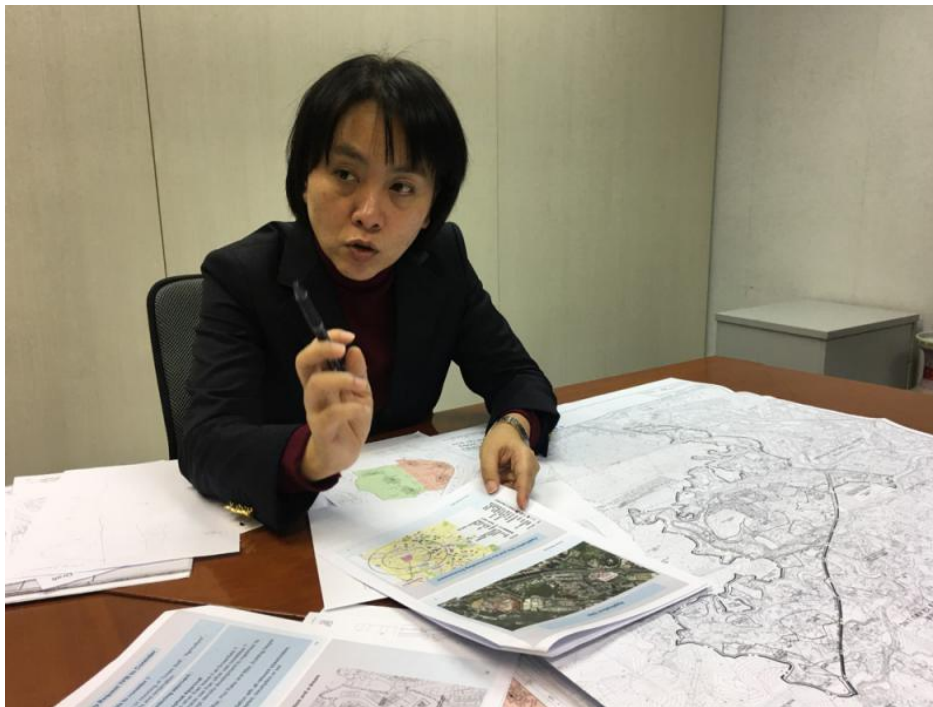
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- *Financial Feasibility and Economic*
 - *Viability Assessment*
 - *Value-added and Reliable*
 - *Implementation Scheme*
- 

HK SPECIAL

In the second stage, appropriate and comprehensive development scheme with relevant technical reports shall then be provided under Section 16 of the Ordinance for the examination and approval of the Town Planning Board. Indeed, upon the green light be given under Section 12A, there are sufficient procedures for public feedback and relevant requirements can be stipulated to guard the coming Section 16 application.

Under such two-stage procedure, it shall remove one of the major barriers for the individual lot owners of brownfield sites to rezone and reuse the site. For the test case as an example, it may probably release about 2,000 residential units with some of them allocated for Starter Homes Pilot Project for Hong Kong Residents.



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-

HONG KONG SNAPSHOTS

COMMENCED CONSTRUCTION OF PRIVATE RESIDENTIAL UNITS FELL BY 59% YEAR-ON-YEAR

Transport and Housing Bureau has announced that the commenced construction of first-hand private residential units in the first quarter of 2019 was 2,300, a 15% up than previous quarter, but 59% down year-on-year. The commencement of construction was at a low level for the third consecutive season. It is estimated that the vacant tax legislation is just around the corner, and developers are slowing down construction projects to ease the burden of paying vacant taxes. Some analysts pointed out that the current potential supply of about 93,000 units to reflect the peaking construction period of the previous years. 4 to 5 years later when the supply of private land is reduced, the medium-term land supply will be insufficient, and the supply will be dragged down.

UNIT RATE OF PREMIUM AT 16 BOWEN ROAD: RECENT YEARS' HIGHEST

The Lands Department has announced the amount of premium for March 2019. The premium of No.16 Bowen Road, Mid-Levels, Hong Kong was over HK\$304 million. The site area is about 15,500 square feet, with the redevelopment gross floor area about 14,876 sq.ft., the unit rate of premium is about HK\$20,465/sq.ft. which is the highest in recent years. Building Plans for the construction of two 3-storey houses has been approved by the Buildings Department in 2015.



The former house of businessman Mr. Peter Chan has been demolished after transaction, revealed by media.

(Source: Online Photo)

HONG KONG SNAPSHOTS

RESIDENTIAL CAR PARKING SPACES HIT HIGH PRICES

Transaction volume and prices of residential car parking spaces in several urban residential estates soar. In Manhattan Hill, Mei Foo, one of the transactions made was for HK\$3.6 million, breaking the record as the most expensive car parking transactions in the estate. Other than that, the most valued parking space among all Home Ownership Scheme estates in the city was born in Charming Garden, Tai Kok Tsui recently. The price of an even-number parking space on G/F of the parking block has reached HK\$2.24 million since its acquisition price of HK\$0.297 million in 2003. Meanwhile, the most expensive odd-number car parking space listed at Victoria Harbour in North Point was sold at HK\$5 million, which deemed to be the most expensive car parking transaction in the Eastern District.



Selling at over HK\$2.2 million, a parking space at Charming Garden had been crowned for the most expensive parking space among all the HOS estates across the territory.

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All Around 18 Districts: Kwai Tsing District

Total Area : about 2,237 hectares.

Location : Southwest part of the New Territories.

Districts include : Tai Wo Hau, Kwai Chung, Kwai Hing, Kwai Fong, Shek Yam, On Yam, Shek Lei, Lai King, Tsing Yi.

Population: about 508,000 (Population and Household Statistics analysed by District Council District 2017), accounting for 6.9% of the territorial population.

Median Monthly Household Income HK\$28,500 (results of the Population and Household Statistics analysed by District Council District 2017).

**Source: Kwai Tsing District Council*



Kwai Tsing's Hot Pick: Villa Esplanada

No.8 Nga Ying Chau Street, Tsing Yi
Site of former CRC Oil Depot,
the estate is divided into 3 phases.

Completion Years:
1998- 2000.

Number of Blocks:
10 (all 3 phases, omitted Block No.4)

Number of Units: 2,824

Facilities:
Swimming Pool, Gymnasium,
Indoor Activities Room,
Table Tennis Court,
Squash Court, Function Room,
Children's Playroom, Reading Room,
Restaurant, Outdoor Playground,
Car Park, Shopping Arcade, etc.



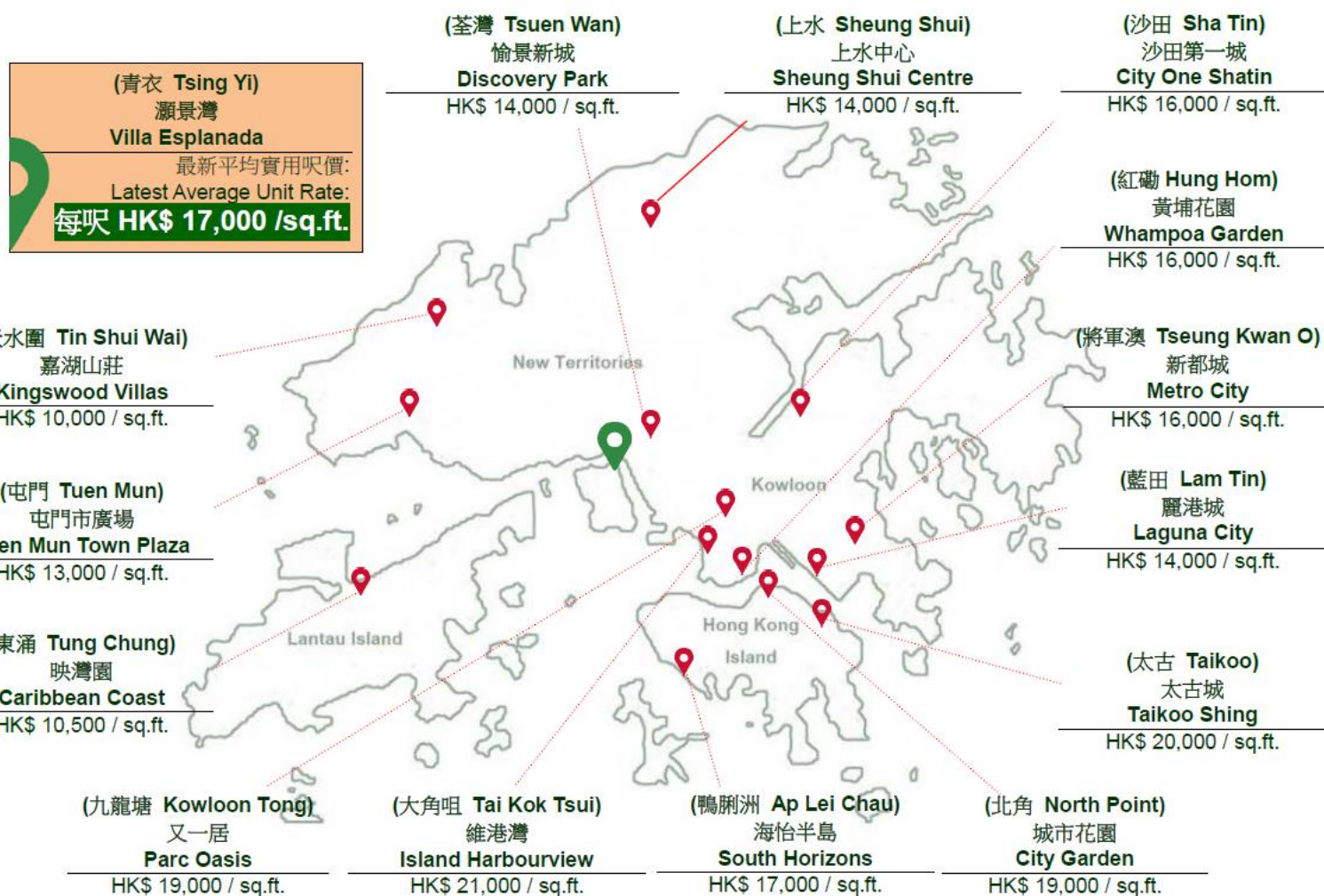
**Source: Online Photo*

"Forward Planning and Solution"

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

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

PRC SPECIAL-

**THREE MINUTES TO
UNDERSTAND THE
LATEST INDUSTRIAL
LAND POLICY IN
GUANGZHOU**

CHINA PROPERTY - PRC SPECIAL

THREE MINUTES TO UNDERSTAND THE LATEST INDUSTRIAL LAND POLICY IN GUANGZHOU

In April, Guangzhou City issued the “Measures for the Implementation of Improving the Utilization Rate of Industrial Land in Guangzhou”. This article will extract the key terms and explain them below for your reference.

The policy stipulates the new favourite of industrial land in recent years: the latest provisions of M0 land:

What is M0 land?

New industrial land (M0) refers to the land used for research, creativity, design, pilot test, testing, pollution-free production and other supporting facilities to meet the space needs of innovative enterprise development and innovative talents.



Site selection of M0 land

- In principle, the site is selected within **500 meters** of the municipal core area, the district core area and the rail transit station.
- The land area is controlled within 10% of the area of the industrial area.

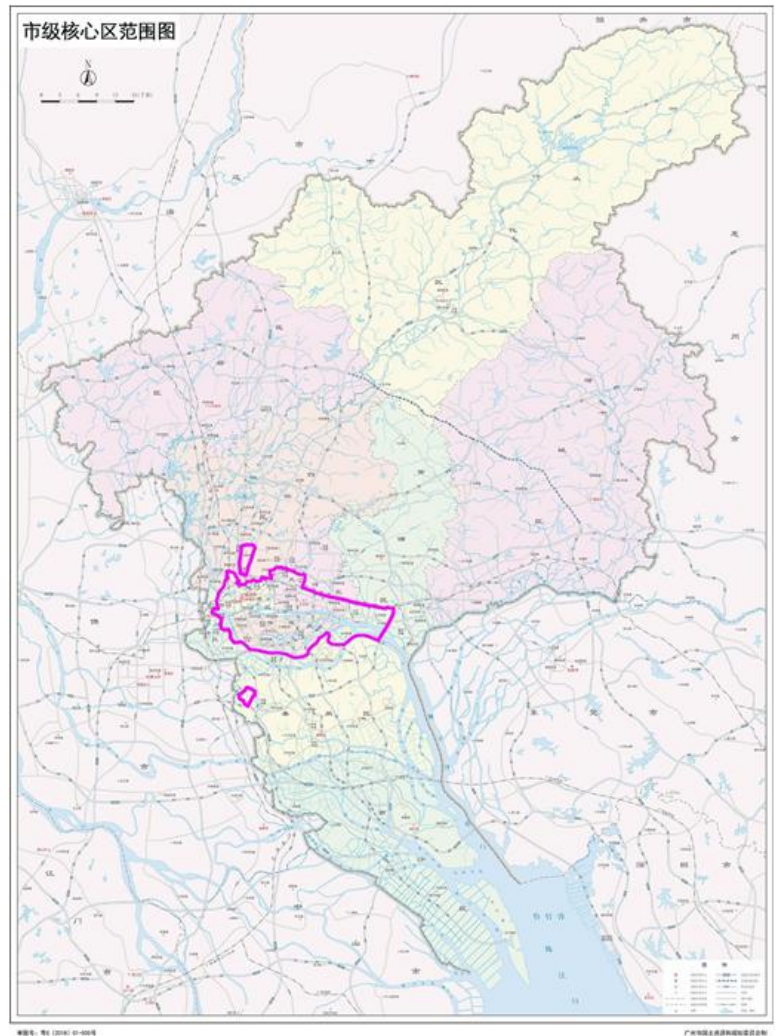
"Professional Practice in Land and Planning Matter"

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

CHINA PROPERTY - PRC SPECIAL

M0 land development requirements:

- The plot ratio is not less than **3.0**.
- To develop high-standard workshops, three-story and above multi-story buildings should be built.
- Additional facilities shall be no more than **30 %** of the total accountable gross floor area; For the construction of independent land occupation, the land area is not more than **10%** of the total land area.
- It is forbidden to build non-productive supporting facilities such as commercial houses, expert buildings, hotels, guest houses and training centers.
- The buildings can be divided to register and transfer by blocks and floors.
- The maximum transfer period is **50 years**.



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Land price:

- The land transfer reserve price can be executed at 70% of the lowest price standard for industrial land, such as the local land.
- The reserve price is estimated at 20% of the official floor price at the time of transfer, multiplied by the total floor area of the land (excluding the floor area to be transferred without compensation), and determined according to the actual transfer period. The pricing formula is: $P = C \times 20\% \times S \times (N / 50)$.


Among them: P is the new industrial land transfer reserve price. C is the official floor price at the time of transfer. S is the total floor area of the land (excluding the floor area to be transferred without compensation). 50 years is the maximum transfer period for industrial land and N is the actual transfer period.

How to apply for a conversion to M0 land:

- If the industrial land has all of the following conditions, it can be adjusted to the M0 land by paying the land transfer fee:
 - 1.With state-owned construction land use right.
 - 2.No enterprise-related idle land or Violation of the supply contract.
 - 3.With planning conditions for new industrial land (M0)
 - 4.Have fulfilled other requirements to for land (M0)
- The land transfer fee must be paid in accordance with the relevant regulations, and the period limit should be amended.

"Revitalization of Industrial Buildings"

- *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 PROPERTY - PRC SPECIAL

General industrial land:

At the same time, there are also management of general industrial land, including:

- Encourage the supply of industrial land by lease, transfer after lease and flexible transfer.
- Compliance with the land use rights transfer policy, the right to use industrial land can be transferred.
- The industrial buildings that have been confirmed by the manufacturing enterprises on the state-owned general industrial land may be divided and registered according to the fixed boundaries such as buildings and floors. The minimum unit construction area is not less than 500 square meters.
- If any application for adjustment to commercial, office, commercial housing, tourism during the land transfer period, the land transfer right must be recovered and the compensation amount is determined based on the original condition of the building at the time of recovery and the remaining land period.



If you have any questions about the use, planning, changing of use, and calculation of land premiums for industrial land, please contact us for further communication.

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Guangzhou Industrial Land Planning Control Indicators

Categories		Max Plot Ratio	Min Plot Ratio	Max building density	Min building density	Building height limit	Greening rate
Within industrial District	New industrial Land(M0)	5.0	3.0	60%	35%	Be coordinated with the urban planning and landscape requirements of the surrounding area.	No more than 20% for one plot
	Type one of industrial Land(M1)	4.0	2.0	----	30%	Height of industrial buildings is controlled within 40 meters, and there are special production process requirements, which can be appropriately improved after demonstration.	
	Type Two of industrial Land (M2)	3.5	1.2	80%	30%		
	Type three of industrial Land (M3)	3.0	1.2	60%	30%		
Beyond industrial District	New industrial Land(M0)	5.0	3.0	60%	35%	Be coordinated with the urban planning and landscape requirements of the surrounding area.	
	Type one of industrial Land(M1)	4.0	2.0	50%	35%	Height of industrial buildings is controlled within 40 meters, and there are special production process requirements, which can be appropriately improved after demonstration.	
	Type Two of industrial Land (M2)	3.0	1.2	50%	35%		
	Type three of industrial Land (M3)	2.0	1.2	50%	35%		

PS: 1.The plot ratio of industrial land with special requirements for production process should be no less than 0.8.

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CONTACT



(852) 3408 3188

(852) 2730 6212

(852) 5307 9925 (Whatsapp)

EMAIL

info@rhl-int.com



WEBSITE

www.rhl-int.com



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Source: Land Registry, CAAD and RHL Research Department

