

RHL International

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# MARKET EXPRESS

## 房地產市場快訊

銀河SOHO (北京)

Galaxy SOHO (Beijing)

HONG KONG PROPERTY

香港物業市場透視

CHINA PROPERTY

中國物業市場透視



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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

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**HONG KONG PROPERTY**

**A BRIGHTER JULY?**

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# HONG KONG PROPERTY -MARKET WATCH

## A BRIGHTER JULY?

The curse of “sell in May and go away” seems to be surprisingly fulfilled! In the last issue, we have mentioned that “all of a sudden, the US-China trade conflict has been lifted and evolved to a trade war level”. Later in mid-June, large-scale demonstrations triggered by the amendment bill of Fugitive Offenders and Mutual Legal Assistance in Criminal Matters took places in the city, which further intensified investors’ worries about the rapid deterioration of the business environment.

Following the demonstration with tensions in the society, the developer who had won the tender of Site 4 of Area 4C at Kai Tak decided to withdraw its winning bid of a HK\$11.1billion commercial land parcel. As disclosed in its public announcement, the concern of some of the Directors was “... the occurrence of recent social contradiction and economic instability would have negative impact on the growth of Hong Kong commercial property market...” Besides, as expected, the Legislative Council was unable to schedule for the funding approval within this Legislative Council year for the "Central Waters Artificial Island Related Study". We believe that the Government will also delay the discussion on the "Land Sharing Scheme" with the Legislative Council in order to avoid another unexpectedly controversy before the District Council election to be held at the end of this year.

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*"Strategic Investment Advisory & Agency"*

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



At first glance, the above events will reduce or delay the supply of housing which likely to be a support of the current property price level. However, those events also represent a reduction in real economic activity which may damage our economy and impact on employment. In the past two months, there were sensitive headlines or topics in newspapers such as "Review Hong Kong's status as a separate customs area for tech exports, urges US report", withdrawal of foreign capital, whether Hong Kong's currency to remain pegged to the US dollar in the near future etc.. Meanwhile, there was news in recent weeks such as that the US Federal Reserve not only to stop raising interest rate but looking for a cut, getting negotiations back on track to de-escalate trade tensions between China and U.S.. These latest news have all given investors a better hope of tomorrow in the midst of the storm, waiting for the "turning opportunity" in July.

Indeed, such a reversal of investment sentiment would have spurred many owners of non-self-use properties. They would like to sell the property at the current high price. Due to the foreign exchange depreciation and drop in property prices in the UK, Australia and other markets that are popular to Hong Kong investors, the attractiveness of investing in Hong Kong assets, in other words, continues to reduce. However, under the low debt to income ratio requirement, most of the potential buyers indeed can only participate in the primary market. Second-hand properties are difficult to be sold regardless of the price.

Meanwhile, the rental market is still providing a stable income to the owners under the support of low unemployment rate and low interest rate, such leads to a tough decision for the owners of the second-hand market not to give up their properties.

➤ The global economy is showing signs of recession cum loses of trust with the government, Hong Kong is facing challenges both internally and externally.



*"Strategic Investment Advisory & Agency"*

- *Negotiation between Transaction Parties*
- *Provide Transaction Advisory Services*

## HONG KONG SNAPSHOTS

### The Centre: City's Newly-Crowned Parking Space

A record-breaking high transaction price of car parking space in the Center unveiled earlier. According to the Land Registry, a transaction of an even-number car parking space on Level B2 of the development has been registered for the consideration of HK\$6.3 million in early June. Tracing the transaction history of the development, parking spaces of the Center were sold separately at the price ranging from HK\$5 million to HK\$6 million. Supply of Car parking spaces in Central is scarce with only few supplies by the Center, Bank of America Tower and some Grade B office towers.



A record-breaking high transaction price of car parking space in the Center unveiled earlier.

#### *"Forward Planning and Solution"*

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

## HONG KONG SNAPSHOTS

### Disposal of Tak Yue Mansion Floor Spaces Continues

More than half of the floor spaces at Tak Yue Mansion in Yau Ma Tei, including Nos.376 and 378 ground floor shops with roof, whole 1/F to 4/F and a number of residential units on 5/F to 8/F were sold for HK\$202 million earlier, media reports. Among the transactions, the shops with about 1,500 sq.ft. were sold at HK\$70 million at a unit rate of about HK\$46,667/sq.ft.. Nonetheless, the registration of Provisional Agreement for Sale and Purchase of the shops was shown “withheld” on the Land Register in late-June, implying that the transaction may not be able to complete. The about 48-year-old Tak Yue Mansion has long been owned by Lai’s Family, who started to dispose their shares of the building in recent years.



Lai’s Family continues to dispose part of their floor spaces at Tak Yue Mansion in Yau Ma Tei.

*"Forward Planning and Solution"*

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



## HONG KONG SNAPSHOTS

### Transaction Price of Duplex Units Rise Against the Market

In spite of the quiet trading of the second hand property market, the limited supply of special units drive their transaction price to record high. According to the market information, a duplex unit of saleable area about 1,367 sq.ft. at Tower 8 of Island Harbourview in Tai Kok Tsui was sold at HK\$38.8 million, with a unit rate of about HK\$28,383/sq.ft., which was 15% higher than another duplex unit transaction of Tower 9 made in 2018. Across the Harbour in Heng Fa Chuen, another duplex unit was also hit a high price of the estate. The transaction made was HK\$16.43 million, with a saleable area of about 904 sq.ft, and a flat roof of 167 sq.ft., the unit rate is HK\$18,175/sq.ft..



The duplex unit hitting the estate's highest price locates at Tower 8 of Island Harbourview in Tai Kok Tsui.

#### *"Forward Planning and Solution"*

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

## All Around 18 Districts: Southern District

Total Area : about 4,000 hectares

Location : Southern part of Hong Kong Island with Big Wave Bay to the east and Pok Fu Lam to the west

Districts include : Shek O, Tai Tam, Stanley, Chung Hom Kok, Repulse Bay, Wong Chuk Hang, Aberdeen and Ap Lei Chau.

Population : about 263,900 (Population and Household Statistics analysed by District Council District 2017), accounting for 3.6% of the territorial population.

Median Monthly Household Income : HK\$38,000 (results of the Population and Household Statistics analysed by District Council District 2017).

*\*Source: Southern District Council*



## Hot Pick of the South: South Horizons

Former Ap Lei Chau Power Station of the Hongkong Electric; Estate developed by 4 phases, between 1992-1995.

Number of Blocks: 34

Number of Units: 9,812



Source: Online Photo

### Facilities:

Residents' Club: Swimming Pools, Gymnasium, Jacuzzi, Children's Playroom, Reading Room, Function Rooms, Restaurants.

**Sports Complex:** Indoor Squash, Table Tennis, Badminton, Snooker, etc./

Outdoor Golf practice driving range and Tennis Courts

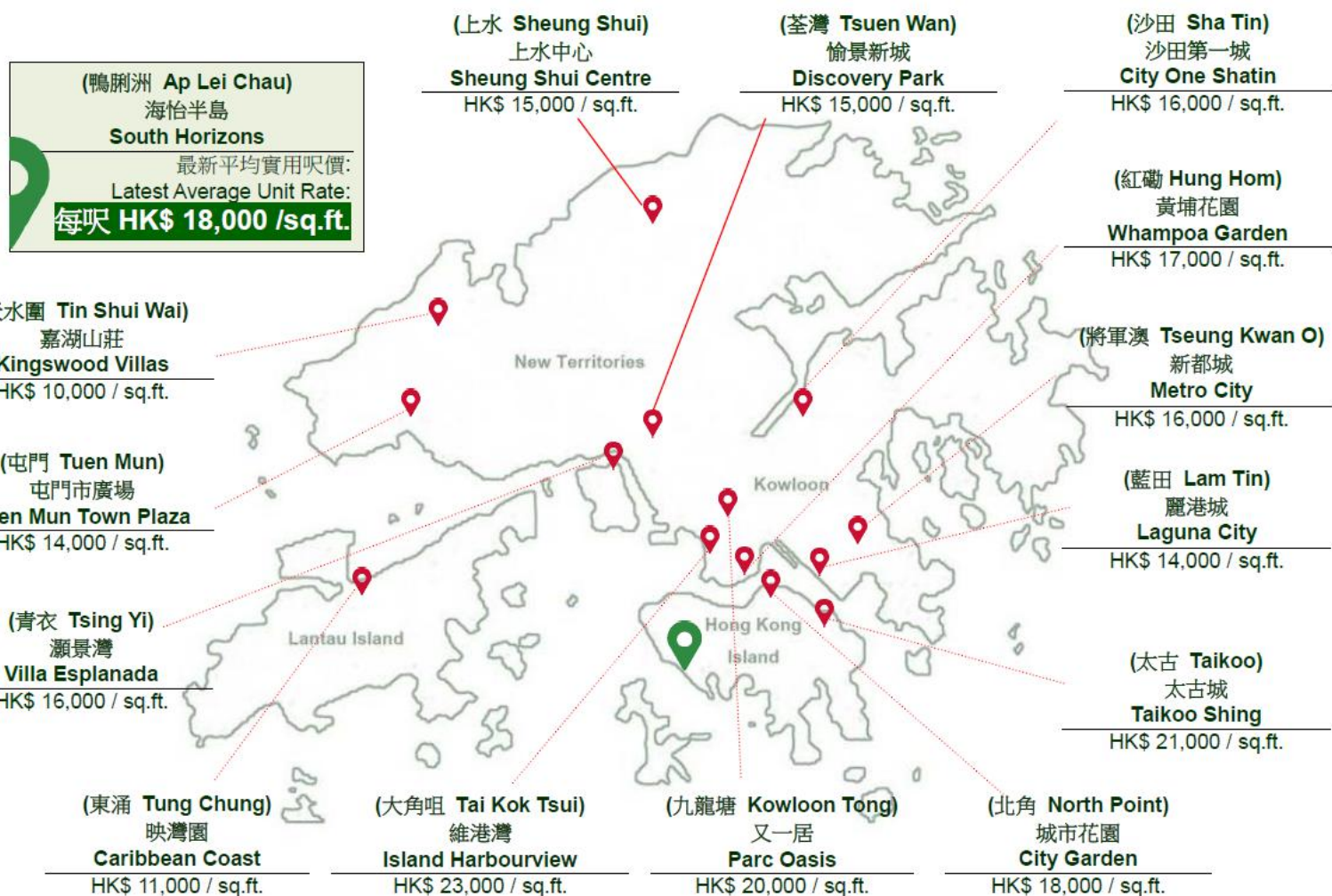
**Other:** Car Park, Shopping Arcade

### "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**

**China's Land Market  
Continues to be Active,  
Land Income in 50 Cities  
Increased by 13.2% Y-O-Y**

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## CHINA PROPERTY - MARKET WATCH

### China's Land Market Continues to be Active, Land Income in 50 Cities Increased by 13.2% Y-O-Y

Land market continues to be active in many Chinese cities since April. In terms of the cities, the land price of 35 pieces of residential lands were bidded at a price of over RMB 2 billion, and the hot cities mainly distributed in east of the China. Among the land parcels, the premium rates of 22 pieces of residential land have exceeded 20%.

According to related data, 783 pieces of residential land in 300 cities have been transferred in May 2019, which increased by 18% m-o-m and 20% y-o-y; the transacted area was 38.15 million sq.m., which increased by 17% m-o-m and 18% y-o-y. The average accommodation value of residential land transactions was RMB 4,966 /sq.m., representing an increase of 4% m-o-m and 30% y-o-y. From January to May 2019, the total amount of land income in 300 cities increased by about 11% y-o-y.

The land income in 50 cities was RMB 1.67 trillion in total, which rised by 13.2% y-o-y in the first half of 2019. Among the cities, land price of Hangzhou was the highest, reaching RMB 113.9 billion, followed by Tianjin, Wuhan, Suzhou and Beijing with the land prices more than RMB 70 billion. Besides, land revenues in Shanghai, Chongqing, Zhengzhou, Wenzhou and Fuzhou also have exceeded RMB 50 billion this year.

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*"Professional Practice in Land and Planning Matter"*

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

## CHINA PROPERTY - MARKET WATCH

### Differentiation of 100 Cities' Residential Inventory Digestive Cycle intensified, Residential Inventories of First-Tier Cities Increased for 12 months

According to the institutional data, as of the end of May 2019, the volumes of new-built commodity residential inventory in 100 cities was 450.05 million sq.m., dropped by 0.5% m-o-m but increased for 5.4% y-o-y. Although the volume of the inventory has been decreased m-o-m, it has been increased y-o-y constantly in the last 6 months due to the intensive push factor in the fourth quarter of last year.

In terms of classification, total inventory of new commercial residential buildings in first-tier cities, second-tier cities and third-and-fourth-tier cities was 28.05 million sq.m., 221.31 million sq.m. and 200.69 million sq.m. respectively with growth rates of 2.5%, -0.1%, and -0.6% y-o-y and 33.6%, 0.3%, and 8.2% m-o-m respectively.

The figures have shown that the differentiation of digestive pace in residential inventory among the 100-city has intensified.

In terms of the specific cities, in the 100 selected cities, Zhangzhou is the only city with a digestive cycle of more than 36 months; 13 cities with a cycle of 18 months to 36 months, including Sanya, Dachang, etc.; 27 cities with a digestive cycle ranging from 12 months to 18 months, such as Yinchuan and Beijing; 44 cities with the cycle ranging from 6 months to 12 months, including Xi'an and Taiyuan; 15 cities with a digestion cycle of less than 6 months, including cities such as Qinhuangdao and Kunshan.



## CHINA SNAPSHOTS

Land Bubble Index of Residential Land  
for Selected Cities (March 2019)

Selected Cities (Right to Left):

Dalian  
Qingdao  
Shijiazhuang  
Taiyuan  
Nanjing  
Zhengzhou  
Xi'an  
Hefei  
Wuhan  
Chengdu  
Chongqing  
Hangzhou  
Xiamen  
Zhuhai  
Nanning  
Kunming



## 1. Data Sources

Property database of China Appraisal Association Database ('CAAD').

## 2、LBI:

Land Bubble Index is to reflect the difference between Transacted Land Price and Land Price in Balanced Market.

$$LBI = \text{Transacted Land Price} / \text{Land Price in Balanced Market} - 1$$

In which:

Transacted Land Price is the actual transacted land prices which have deducted the influence of Non-commodity Residential Properties (such as Affordable Housings, Public Rental Housings, etc.)

Land Price in Balanced Market is the balanced land price assuming a Perfectly Competitive Land Market. The balanced land prices are calculated by Residual Method with reference to the current home prices.

*"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 SNAPSHOTS

## Market Activity Level and Financial Liquidity Index for Selected Cities (March 2019)

Selected Cities (Right to Left):

Urumqi  
Dalian  
Beijing  
Hohhot  
Shijiazhuang  
Qingdao  
Taiyuan  
Zhengzhou  
Lanzhou  
Shanghai  
Nanjing  
Hefei  
Xi'an  
Hangzhou  
Nanchang  
Wuhan  
Changsha  
Chongqing  
Chengdu  
Fuzhou  
Xiamen  
Shenzhen  
Guangzhou  
Kunming



## 1. Data Sources

Property database of China Appraisal Association Database ('CAAD').

## 2. Market Activity Level

The base period is January 2017, representing the base index of 100.

$MAL = \frac{\text{Current transaction volume of the certain city}}{\text{Current transaction volume of the PRC}} \div \frac{\text{Base period transaction volume of the certain city}}{\text{Base period transaction volume of the PRC}} \times 100 \times 100\%$

## 3. Financial Liquidity Index

The base period is January 2017, representing the base index of 100.

$FLI = \frac{\text{Current transaction price of the certain city}}{\text{Current transaction price of the PRC}} \div \frac{\text{Base period transaction price of the certain city}}{\text{Base period transaction price of the PRC}} \times 100 \times 100\%$

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Consultation"

- Consultancy Services in Greater Bay Area

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Source: Land Registry, CAAD and RHL Research Department

