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房地產市場快訊

張家界
Zhangjiajie



HONG KONG PROPERTY

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香港物業市場透視

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.

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

Brownfield and Land Resumption

HONG KONG PROPERTY -MARKET WATCH

Brownfield and Land Resumption

Last month, we saw the Britain nearly reach new Brexit deal although the House of Commons has voted to delay Brexit until legislation is prepared, the Sino-US reach preliminary agreement as a move to calm down the trade conflict... apart from the fluctuated global economic dynamic, local economic conditions, however, is on a one way direction– worsening. Under this backdrop, the Chief Executive, Mrs. Carrie Lam (“CE”), has delivered her Policy Address (the “PA”) on 16th October.

Although housing is not the only root cause of the recent protests and social unrest, it is certainly an important social issue long for solutions. The PA, under the housing and land supply aspects, have revealed at least two major directions: government determine to increase the public/ subsidized housing proportion by drawing most of the land resource in the future for public housing construction, and to increase the reliance on land resumption to speed up the land supply.

Redevelopment of existing brownfield is well accepted by the public as the priority choice of source of land. One of the major hurdle, however, is where to allocate the current operations, bearing in mind that a lot of the current operations, such as open storage of construction materials and machineries, containers, big trucks, car repairing workshops etc. are necessary needs for the society. While the long awaited “Study on Existing Profile and Operations of Brownfield Sites in the New Territories– Feasibility Study” is yet to be released, CE proposed to exercise resumption power on the private brownfield lots in certain selective areas.

"Strategic Investment Advisory & Agency"

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

Without the reduction of demand and with a foreseeable reduction of supply, rental for land lots with “existing use right” for open storage (brownfield), may be forced to maintain at the current level or at an even higher level.

Meanwhile, from now on until the completion of review and increase the capacity of infrastructure as well as rezoning of the existing brownfield areas, unless the efficiency of the government departments as well as the various established procedures can be improved significantly, such land supply, however, would still be a five years or beyond source.

The debate to exercise resumption power lying on “protect the right of private ownership of property” against “public interest”. While today’s social atmosphere may tend to perceive owners are greedy to make objection, the fundamental request to protect the right of private ownership indeed is considered as the main difference of “capitalist system and socialist system”.

Thus, the justification of the compensation amount is important and is expected to be very debatable.

We also anticipate that those developers who have land bank in the New Territories are motivated to develop, not only under the coming “Land Sharing Pilot Scheme” of which details are yet to be released, but also less government land will be released by the Government for private sector.



"Strategic Investment Advisory & Agency"

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

HONG KONG SNAPSHOTS

Raised Property Prices after the Release of Policy Address

Owners increased the property selling prices after the announcement of the Policy Address. After the release of Policy Address, the transaction volume of Kingswood Villas in Tin Shui Wai rebound recently. An apartment of 552 sq.ft. which was asked for HK\$5.75 million had been acquired by a first-time buyer with an additional HK\$50,000 requested by the seller and transacted at HK\$5.8 million.

At Garden Rivera, Sha Tin, a residential unit of 242 sq.ft. was originally asked for HK\$4.98 million. Due to the recent society unrest, the owner had cut the price to HK\$4.85 million. However, after the Policy Address, the owner had raised the price again by HK\$50,000 with the flat sold at HK\$4.9 million.

The Kimberley Hotel in Tsim Sha Tsui sold for nearly HK\$4.3 billion

The Kimberley Hotel in Tsim Sha Tsui had been sold for HK\$4.2957 billion approximately 10% and 28% less than the HK\$4.8 billion negotiate purchase price and HK\$6 billion asking price.

The 4-star hotel was built in about 1990 with the total gross floor area of about 243,301 sq.ft.. Its G/F, cockloft and 1/F are used for shops, café, and restaurant etc. while 2/F – 21/F provide about 546 rooms with the area of about 220 to 500 sq.ft..

According to the transaction price of nearly HK\$4.3 billion, the average price of a room is HK\$7.868 million.

The Kimberley Hotel in Tsim Sha Tsui had been sold at HK\$4.2957 billion.
(Source of Picture: RHL Photo Base)



"Professional Practice in Land and Planning Matter"

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

HONG KONG SNAPSHOTS

Retail Properties Rental Shrink

In the recent months, there is a decrease in the number of transaction and the rentals in the retail property market. According to the market information, the number of rental transaction of the retail properties was less than 150, which is the lowest figure since February 2015. In core districts like Causeway Bay and Mong Kok, reduction in the rentals are recorded. For instance, a retail shop with an area about 700 sq.ft. in Lee Garden Road of Causeway Bay, its monthly rent was decreased from about HK\$380,000 to about HK\$330,000, which is about 13% less after the tenant discontinues lease. In Mong Kok, a retail shop with an area about 2,200 sq.ft at Nathan Road had also recorded a rental cut of about 14%, from about HK\$350,000 per month to about HK\$300,000 per month.



(Source of Picture: RHL Photo Base)

"Professional Practice in Land and Planning Matter"

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

All Around 18 Districts: Wan Chai District



Districts include : Wan Chai, Causeway Bay, Tin Hau, Tai Hang, Happy Valley, Jardine's Lookout.

Population : About 179,400 (Population and Household Statistics analysed by District Council District 2017), accounting for 2.5% of the territorial population.

Median Monthly Household Income : HK\$50,000 (results of the Population and Household Statistics analysed by District Council District 2017).

**Source: Wan Chai District Council*

Hot Pick of the District: The Leighton Hill

No. 2B Broadwood Road, Happy Valley, completed in 2002.



Number of Blocks: 8

Number of Units: about 544

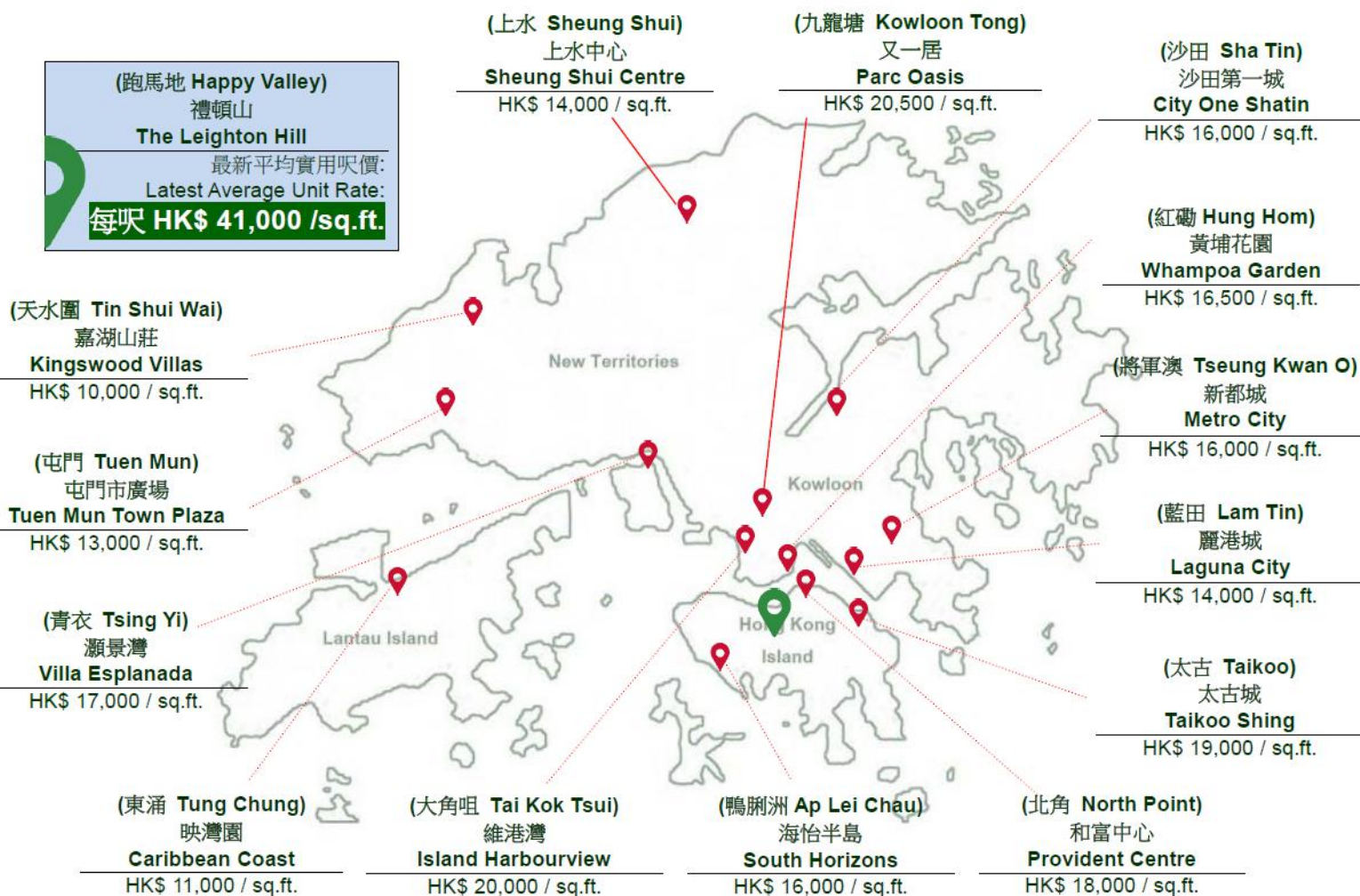
Facilities: Residential Club House

Other: Car Park

HONG KONG

TRANSACTIONS OVERVIEW

(跑馬地 Happy Valley)
禮頓山
The Leighton Hill
最新平均實用呎價:
Latest Average Unit Rate:
每呎 HK\$ 41,000 /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

**Land Market Transaction
Price and Volume
Fell in Q3,
Low Heat Expected to
Continues in Q4**

CHINA PROPERTY - MARKET WATCH

Land Market Transaction Price and Volume Fell in Q3, Low Heat Expected to Continues in Q4

Referring to the land market report, in Q3 of 2019, the land market was more severe than that in Q2. Because of the influence of the tightening of the financing environment, the attitude of the company's land acquisition had turned to be prudence. The land market is showing a trend to fall in terms of transaction volume and price.

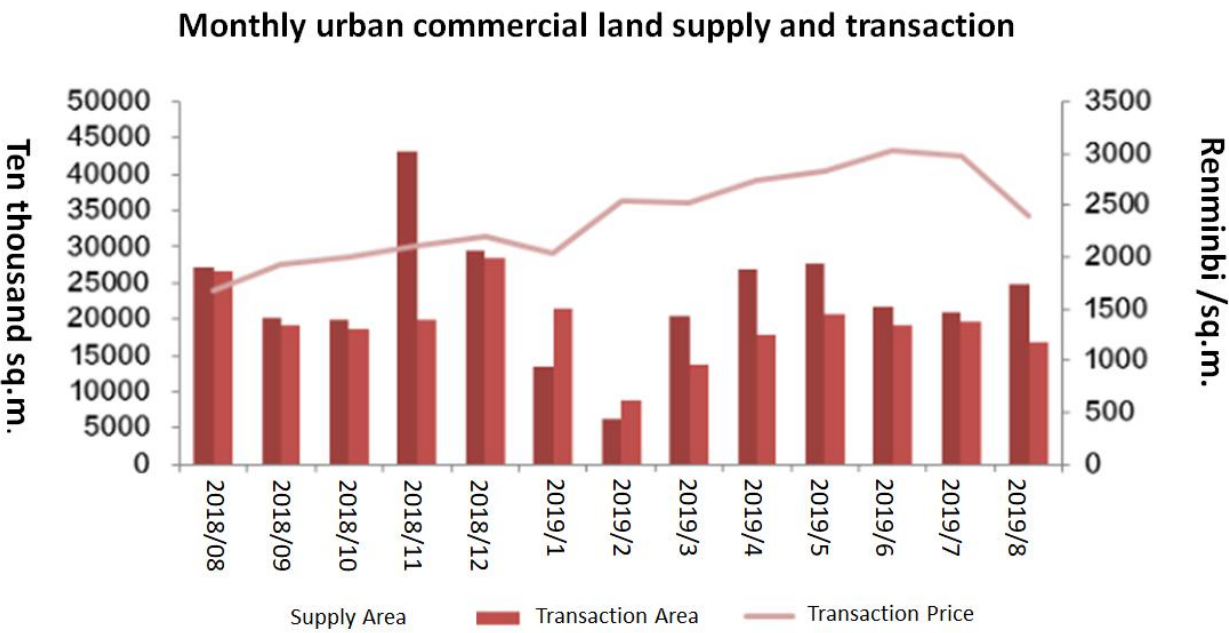
Since July, transaction volume of the 336 urban land markets has gradually dropped from a high level to a low level. As of September, the operating land transaction area in Q3 decreased by 11% from Q2, the decline in Q3 of last year reached 10%.

In the first three quarters of 2019, the total construction area of the monitored urban land markets was 164.23 million sq.m., a year-on-year decrease of 8%.

Also, the average land transaction price in Q3 of 2019 began to fall at a high level. Among them, the average land transaction price was RMB 2,686/sq.m. and RMB 2,482/sq.m. in July and September. The average transaction price in Q3 was RMB 2,494/sq.m. which dropped 12% from the previous month.

CHINA PROPERTY - MARKET WATCH

As Winter is coming, many northern cities will have a downtime, which will have certain negative impacts on new construction and other indicators. Meanwhile, due to various factors such as reduced funds for housing enterprises, difficulties in financing, and tight funding, the newly-started areas will also be decreased. On the whole, most local real estate companies have become more cautious in their attitudes toward land acquisition, especially for high-priced land in core first-tier and second-tier cities. Therefore, it is expected that the land market will continue to operate at low heat in Q4.



CHINA PROPERTY - MARKET WATCH

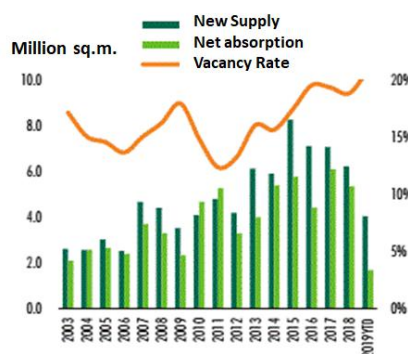
A New High of Vacancy Rate of Office Buildings in Major Cities

According to a report, in Q3 of 2019, Beijing's office supply in a single quarter had reached a new high of nearly a decade, coupled with overall weak market demand, climbed office vacancy rates. As of the end of Q3, the overall vacancy rate of prime office buildings in Beijing rose to 10.9% which was the highest level since Q2 of 2011. Beijing's five core business districts in Q3 were RMB 433.64/sq.m./month, 0.7% decreased from the previous month, 2.0% decreased year-on-year, and the vacancy rate was 5.6% which remained stable.

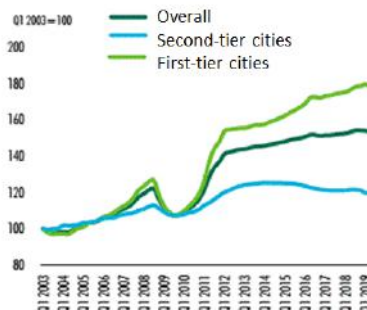
The new business district rents RMB 290/sq.m./month, and the vacancy rate was increased to 22%.

On the other hand, Shenzhen's Grade A office vacancy rate is 18.2%, and the local area vacancy rate is as high as 50%. At present, the situation in Shenzhen is not getting better but even worse. The average vacancy rate of Grade A office buildings has reached a new high of 23.3%. Qianhai area even reaching 65.7%. In Shanghai, the vacancy rate of office buildings rose by 4.4% year-on-year to 18.0%, a record high of nearly 10 years. The vacancy rate in Hangzhou also rose to 17.5%, and the vacancy rate in Xiamen reached 14%. Wuhan, Chongqing and Xi'an where residential prices have risen sharply, but office vacancy rates have been high, even exceeding 30%. Like Tianjin in the north, Changsha in Hunan, the vacancy rate is close to 50%.

Office market supply



Office Rental Rate



From the above data, it showed that the supply of office buildings in major cities is currently oversupplied. Although the economy may bottom up in the future, the demand for office buildings may not increase much. It is estimated that a situation of oversupply will be maintained. The vacancy rate of office buildings will further increase and lead to a continue decrease in office rent.

CHINA SNAPSHOTS

Land Bubble Index of
Residential Land for Selected Cities (May 2019)Selected Cities (Right)

Dalian
Qingdao
Shijiazhuang
Taiyuan
Nanjing
Xi'an
Lanzhou
Jiaying
Hefei
Wuhan
Chengdu
Chongqing
Hangzhou
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.

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

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.)

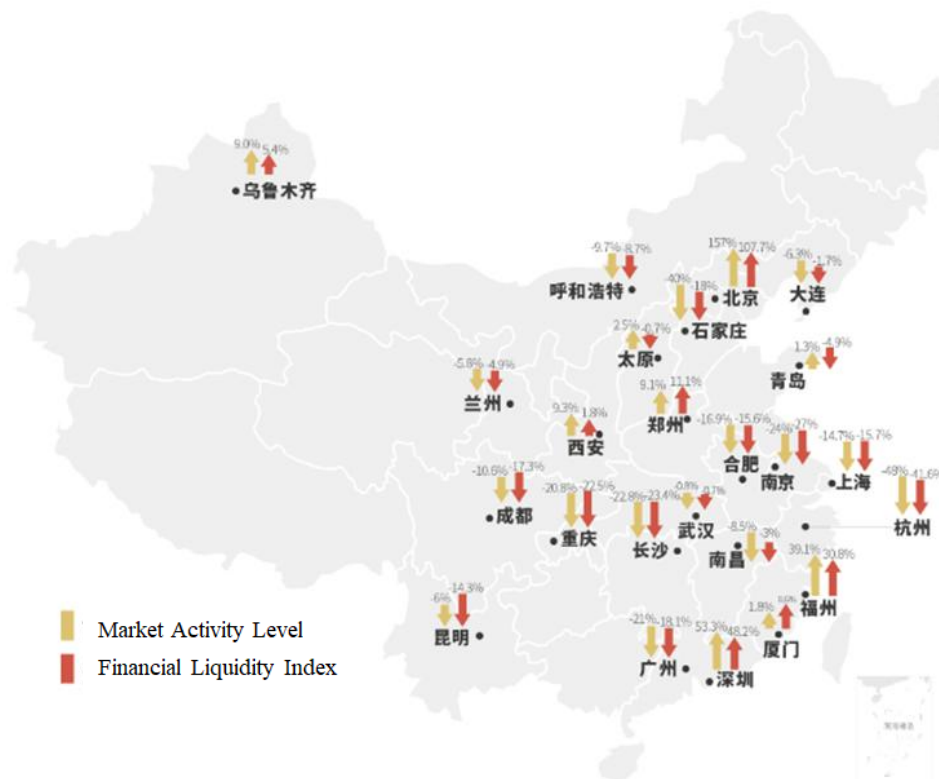
Land Price in Balanced Market is the balanced land price assuming a Perfectly Competitive Land Market. The balanced land prices are calculated by Residual Method with reference to the current home prices.

CHINA SNAPSHOTS

Market Activity Level and Financial Liquidity Index
for Selected Cities (May 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.

$$MAL = \left(\frac{\text{Current transaction volume of the certain city}}{\text{Current transaction volume of the PRC}} \right) \div \left(\frac{\text{Base period transaction volume of the certain city}}{\text{Base Period transaction volume of the PRC}} \right) * 100 * 100\%$$

3、Financial Liquidity Index

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

$$FLI = \left(\frac{\text{Current transaction price of the certain city}}{\text{Current transaction price of the PRC}} \right) \div \left(\frac{\text{Base period transaction price of the certain city}}{\text{Base Period transaction price of the PRC}} \right) * 100 * 100\%$$

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Source: Land Registry, CAAD and RHL Research Department

