

RHL International

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MARKET EXPRESS

房地產市場快訊

「千島湖」
屯門大欖涌水塘

"THOUSAND ISLAND LAKE"
TAI LAM CHUNG RESERVOIR,
TUEN MUN



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

**Property Investment
under a New World War**

HONG KONG PROPERTY - MARKET WATCH

Property Investment under a New World War

All a sudden, COVID-19 epidemic is no longer a nation or a regional issue. When World Health Organization declared COVID-19 a global pandemic on March 12, it appears too late for a lot of nations, particularly US and EU countries to exercise effective preventive/ mitigation measures. It became a global “war” against pandemic with nations locking down borders and the major stock markets reacted on an extremely pessimistic way.

Probably coercive measures go against the values of a free society, there are deep concerns that economic activities in US and EUs cannot be recovered as quicker as have been seen, at least at this moment, in Asian area such as Hong Kong SAR, Macau SAR, cities within mainland China and Singapore. These cities which exercised quarantine strategy and with residents support to wear mask, have shown success within two to three months to effectively control the spreading. The needs for a sudden reduction of economic activities in the western countries, together with the uncertainty of when this “war” shall end, cum the addition of “oil war”, causing the snowball fall of stock prices in all global stock markets.

We believed that COVID-19 shall under control, with huge expenses of life and money, at least another six months. Containment action will need to be maintained until a vaccine becomes available which is not a few months’ time. Indeed, as at the date of writing, Hong Kong is again facing an increasing cases due to the “return” of HK students and residents abroad which further pushes the Government to ban all visitors from foreign countries from entering the city for at least 14 days since March 25, and all flight transfer services suspended at the airport, etc..

"Strategic Investment Advisory & Agency"

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

Mainland China is only starting to resume the business activities “under strict control” while other major trade and business partners overseas are just on their way to exercise even intensive intervention package to cool down their activities.

In this regards, we, local enterprises, can only depend on the limited “local demand” and the limited financial support, if any, from the Government. Obviously, to Hong Kong as well as the world, the longer the end date of this “war”, the more the number of bankruptcy it will be. It is well acknowledged that rental of those prime shops where used to serve local customers and tourists must be reduced to cope with the loss of nearly all customers during this “war” period. However, Hong Kong’s position as a major tourism and financial center has not changed and hence the investment value of shops at real prime location is still a preference of long term investors. Meanwhile, luxury residential and Grade A office market may have a longer term impact. There is concern that lots of the international firms will cut their oversea office’s operating budget, including housing allowance and office rental.

Fundamentally, a cut of rental level shall have impact on property price. However, we are now again witnessing the worldwide interest rate cut and as well a “QE4”, which again shall twist the basic formula. The Federal Reserve Board of US has started to deliver emergency interest-rate cut on March 3. Thereafter, we have further seen the exercises of easing monetary as well as fiscal policies by all major economies to ensure the money liquidity. Yet, we are not that optimistic to these rescue actions, because firstly, we are already in a low interest rate and post QE3 environment.

"Strategic Investment Advisory & Agency"

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

Besides, the number of property transactions for all types of property have already been staying at low level for years. Also, before the available of vaccine, business and social activities must still be suppressed which eventually damage the supply chain and also cause closure of businesses relying on personal interaction. As a result, unemployment must increase before a “V” shape recovery.

Again, “mortgage payment is cheaper than rent” is not a new issue. We have been facing a low interest rate environment for quite a long time. If the world can handle well with the COVID-19 war in the next three months, we believe that the current financial incentives may help to have a quick recovery of the economy, although recession may not be avoided.

However, if the world economy cannot swing back quickly enough, unemployment is always the best indicator of property price trend.

Nevertheless, easing of money supply, however, may push reckless investments without too much concern on return. The stock trading and those transactions which can utilize the virtual platform (web-based) are benefitted. Transactions for top luxury residential houses/ duplex apartments which fit for wealthy buyers, who are benefitted from this “war” may come back to the market.

Lastly, the first private lot, being Lot 1069 in Survey District No. 3, which shall comprise Starter Homes Units, located at off Anderson Road of Kwun Tong, is now inviting tender submission. Land sale result is also a good indicator of the coming adjustment level of property price.

"Strategic Investment Advisory & Agency"

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

HONG KONG SNAPSHOTS

Property Market under Pressure

Price cut or transaction with loss in the secondary property market unveils under the lately-outbreak of the COVID-19. A high-level Unit A of Grand Promenade in Sai Wan Ho, with a saleable area of 1,139 sq.ft., was sold for HK\$27.8 million, with a unit rate of HK\$24,400/sq.ft., according to market sources. The transaction was slightly cheaper than the original price of HK\$27.2 million in 2016. Besides, a low-floor Unit D, studio, with a saleable area of 235 sq.ft. of Commune Modern in Fanling, has been offered for HK\$4.5 million in September last year. The asking price was later reduced to HK\$4.1 million due to the pandemic of COVID-19. After the negotiation, the property was finally transacted for HK\$4 million and the unit rate was HK\$17,021/sq.ft..



Grand Promenade in Sai Wan Ho
(Source: RHL Photo Base)

"Professional Practice in Land and Planning Matter"

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

HONG KONG SNAPSHOTS

February's Central Offices Rental Down by 3.2%: The Biggest Fall Since Financial Crisis

Tenants have been re-considering or adjusting their leasing plan under the COVID-19 outbreak. An international property consultant said that, there was about 189,300 ft. negative absorption in the overall Grade A office market in February. Attributing to the declining demands, vacancy rate of major office market rises with the overall rental falls at a larger pace, by 2.2% per month. In particular, rental level in Central's offices was even down by 3.2% to HK\$116.1/sq.ft., which is the largest single month reduction since global financial crisis between end of 2008 and early 2009.



(Source: Online Photo)

All Around 18 Districts: Tuen Mun District

Territory covers : Castle Peak range lying on its west, itself in the piedmont of Tai Lam to the east and bordering the coast of the Deep Bay further to the north.

Area : 8,200 hectares.

Population : about 480,500[^], accounting for 6.6% of the territorial population.

Median Monthly Household Income : HK\$29,500[^].

District in Evolution: The development of Tuen Mun New Town started in the 1960's when its population was a mere of 20,000 odd. With extensive reclamation and the completion of high rise buildings, it has grown into a big town with nearly 500,000 inhabitants. Besides village houses indigenous to the rural area, there are also a variety of other residential buildings, including newly-built village houses, private housing estates, single block buildings, low density residences, public housing and Home Ownership Scheme estates, mostly developed along the Tuen Mun River and in the vicinity of the West Rail stations.

*Source: Tuen Mun District Council

[^]Results of the Population and Household Statistics analysed by District Council District 2017



Hot Pick of the District: Tai Hing Gardens

former site of Tai Hing Cotton Mill factory and undeveloped hill, completed by 2 phases in 1989-1994.

Number of Blocks: 15

Number of Units: about 3,647

Facilities:

Residents' Club House, including:
Swimming pool, tennis courts,
squash courts, etc.

Other Facilities:

Shopping mall, car park.

HONG KONG TRANSACTIONS OVERVIEW

(屯門 Tuen Mun)
大興花園
Tai Hing Gardens
最新平均實用呎價:
Latest Average Unit Rate:
每呎 HK\$ 11,500 /sq.ft.

(上水 Sheung Shui)
上水中心
Sheung Shui Centre
HK\$ 13,000 / sq.ft.

(九龍塘 Kowloon Tong)
又一居
Parc Oasis
HK\$ 20,000 / sq.ft.

(沙田 Shatin)
沙田第一城
City One Shatin
HK\$ 17,000 / sq.ft.

(紅磡 Hung Hom)
黃埔花園
Whampoa Garden
HK\$ 16,000 / sq.ft.

(坑口 Hang Hau)
東港城
East Point City
HK\$ 13,000 / sq.ft.

(藍田 Lam Tin)
匯景花園
Sceneway Garden
HK\$ 15,000 / sq.ft.

(太古 Taikoo)
太古城
Taikoo Shing
HK\$ 18,000 / sq.ft.

(天水圍 Tin Shui Wai)
嘉湖山莊
Kingswood Villas
HK\$ 10,000 / sq.ft.

(東涌 Tung Chung)
東堤灣畔
Tung Chung Crescent
HK\$ 11,000 / sq.ft.

(堅尼地城 Kennedy Town)
寶翠園
The Belcher's
HK\$ 25,000 / sq.ft.

(鴨脷洲 Ap Lei Chau)
海怡半島
South Horizons
HK\$ 16,000 / sq.ft.

(大角咀 Tai Kok Tsui)
港灣豪庭
Metro Harbour View
HK\$ 18,000 / sq.ft.

(北角 North Point)
城市花園
City Garden
HK\$ 16,000 / 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

**Total Rental Transaction
Volume of 18 Key Cities
Dropped by nearly 80%
from the Previous
Month**

CHINA PROPERTY - MARKET WATCH

Total Rental Transaction Volume of 18 Key Cities Dropped by nearly 80% from the Previous Month

In February, transaction volume of the national key cities' leasing market decreased significantly. The total number of residential leasing transactions in 18 key cities fell by 78.9% month-on-month and decreased by 82.7% year-on-year in February 2019. The number of availability and the number of customers maintained a downward trend, but the downward trend in the number of customers slowed down. The market demand may pick up with the gradual resumption of labour.

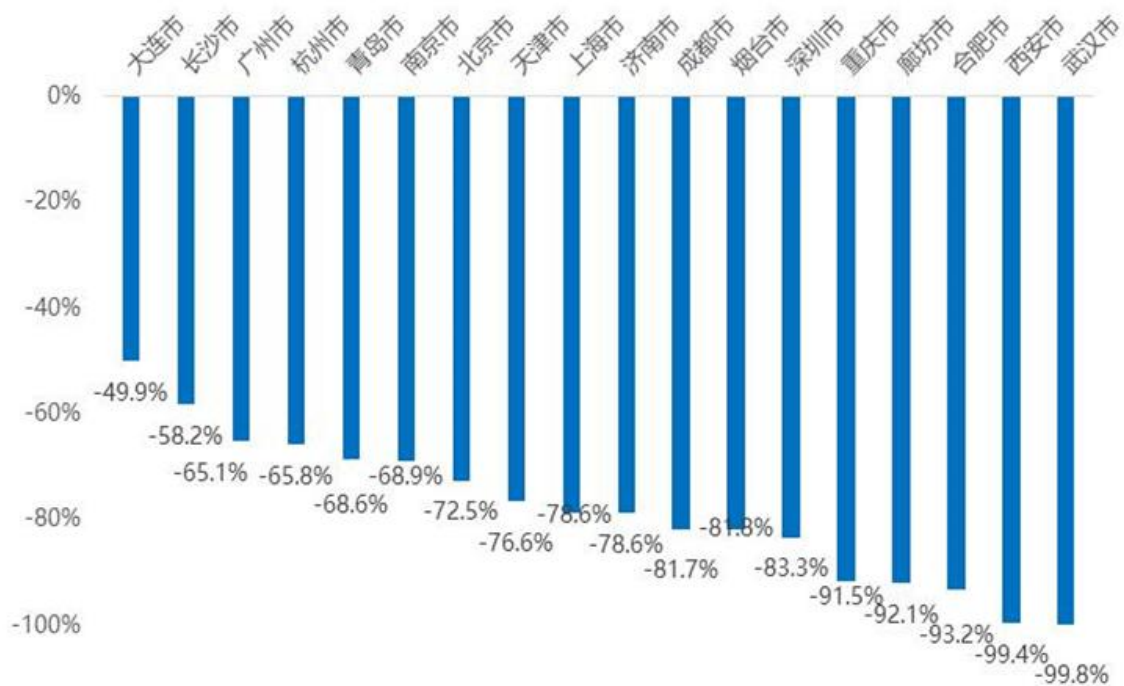
The main reason for the significant year-on-year and month-on-month decrease in February's trading volume was the frozen population movements due to the impact of the epidemic. The market supply and demand declined because of a large number of leasing people staying in their hometowns and did not return to their places of residence, and also due to community closures and banning of outsiders.

From the perspective of the city, in February, the volume of transactions in key cities across the country showed a significant month-on-month decrease. The transaction volume of Wuhan, Chongqing, Langfang, Hefei, and Xi'an dropped more than 90% month-on-month, and key cities fell by more than 50% across the board.

CHINA PROPERTY - MARKET WATCH

From the perspective of the trend, the decline in number of new customers has slow down compared with January. The decline in the number of availability has remained at a level comparable to January. With the gradual resumption of work in various cities, the source end will gradually pick up. The source end will still maintain a lower level of growth due to the closed community. However, as the resumption of work resumes, the declining rate of leasing demand will slow down. In March, compared with February, it is expected that the market transaction will rebound slightly.

18 City's Housing Rental Market Transaction Volume Changes



Source of Picture: Online Pictures

CHINA PROPERTY - MARKET WATCH

New “Repricing” Rules for Mortgage Interest Rates, Buyers' can Options Once

From March 1, the mortgage loan borrower can coordinate with the bank and choose among the fixed interest rate or convert it into LPR (Loan Prime Rate), which is the loan market quoted interest rate.

If the former is chosen, then the mortgage will keep at the current interest rate level unchanged, and will not be affected by changes in LPR interest rates. If the latter is chosen, changes in LPR interest rates will affect the monthly payment. It is worth noting that no matter which one is selected, there is only one option to choose, and it cannot be converted back again after the conversion.

The People's Bank of China announced at the end of last year that from March 1 to August 31 of 2020, it would switch the pricing benchmark for the stock floating-rate loans. Customers can negotiate with financial institutions to determine whether selecting the Loan Prime Rate (LPR) or a fixed rate.

If it is converted to a reference LPR, the interest rate in the remaining contract period will become the LPR plus and minus points, and the value of the plus and minus points will remain unchanged during the contract period. Both borrowers and lenders can re-negotiate the interest rate repricing cycle and repricing date, that is to say, the loan interest rate does not change with each period of LPR, but is recalculated and determined by the latest LPR on each repricing date. The interest paid varies as the LPR fluctuates.

CHINA PROPERTY - MARKET WATCH

Which one is more cost-effective? It depends on the trend of LPR. If the interest rate reduction cycle enters in the future and LPR generally shows a downward trend, it will be more favorable to switch to LPR as the pricing benchmark. Once inflation pressure rises, the LPR interest rate will also rise, which will also pay a greater cost.



Source of Picture: Online Pictures

This month's CAAD Property Indices are suspended due to the Coronavirus outbreak in the Mainland. We apologize for any inconvenience caused.

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