

RHL International

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MARKET EXPRESS

房地產市場快訊

Donghu Moshan
Cherry Blossom Park, Wuhan
武漢東湖磨山櫻園



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

Things Have To Change

HONG KONG PROPERTY -MARKET WATCH

Things Have To Change

The COVID-19 pandemic remains severe around the globe. At the time, we noticed the end of 76-day lockdown from Wuhan of China in April, a lot of countries are still facing the dilemma of strict social distancing which led to supply chain disruptions and business closures or pre-mature resumption of work and study to prevent the economic depression.

Nevertheless, without the vaccines, which are said to be unprecedented speed in developing but still take at least another six months for application, members of the public should be urged to go out less and avoid social activities such as meal gatherings or other gatherings and maintain an appropriate social distance with other people as far as possible.

Slowdown of the global economy is unavoidable.

Globally, many governments have introduced pandemic-induced fiscal relief packages with financial discipline being set aside. Locally, we have witnessed the significant increase in unemployment rate. According to the latest labour force statistics released on April 20 by the Census and Statistics Department, the seasonally adjusted unemployment rate soared by 0.5 percentage point to 4.2% in January– March 2020, the highest in more than nine years. Thanks for the accumulative fiscal surplus of over HK\$1.13 trillion, Hong Kong government can step into the second round of measures involving over HK\$130 billion in the Anti-epidemic Fund during this “rainy day”, hoping to release, to certain extent, the pressure to close down and massive staff layoffs by many businesses.

"Strategic Investment Advisory & Agency"

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

With the continuous daily nil to single-digit increase of new cases, Hong Kong is expected to resume most of the local activities, with relaxation of social distancing, in May. However, being an international business hub in Asia, a lot of business activities will still be discouraged due to the entry restriction on non-Hong Kong residents coming from overseas countries or regions by planes, which is unlikely to fully remove in short period of time due to the yet to be under controlled overseas spreading. That is, who can recover faster is still a loser, if others cannot pick up quickly, under this pandemic war. Industries such as convention and exhibition, hospitality and food & beverage etc. will subject to continuous hard hit in the coming months.

While the local economic activities shall gradually come back, it is worth to observe if the social distancing due to the local social unrest and epidemic in nearly a year shall change the spending habit and pattern of the public, which shall then change the source of tenant as well as demand on spaces. Several observations as follows are worth to note:

- With the increasing necessity and the government funding support on e-commerce and work from home, will this result in a partially change on the demand from office to residence?
- Will online shopping, once outpaced by Hong Kong's rich and convenient physical shopping environment, increase its influence to substitute the demand of physical premises? Or it shall bring in win-win situation as an additional sale channel?
- Will cloud economy grows amid pandemic induce more Hong Kong young generation to join the e-commerce businesses which encourage more demand on mini-storage and operation spaces suit for start-up?

"Strategic Investment Advisory & Agency"

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

For medium to long term, there is a voice of anti-globalization and in particular pin-pointing to China. However, in reality, Asia is expected to be the biggest consumer market and economic growth engine. Whether Hong Kong's property price shall return or even reach higher level than before will subject to the adaptability and flexibility of the city's enterprises in continuing the making of the city a regional financial hub of Asia and taking the advantage of Hong Kong's geographic location and advanced infrastructures.

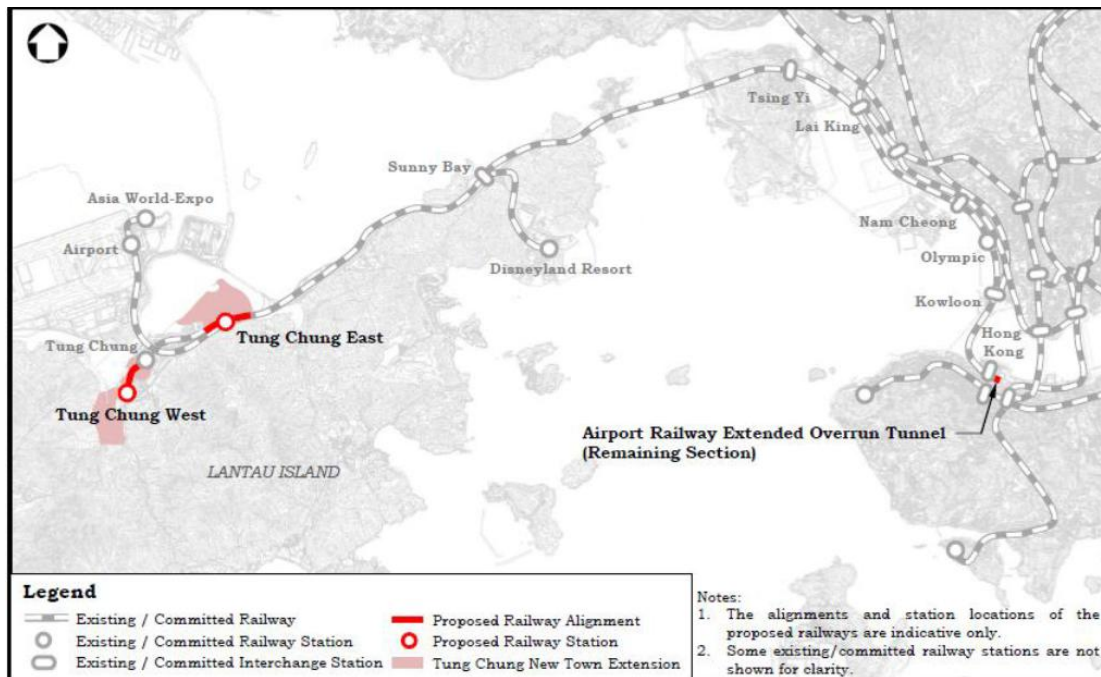
Continuous upgrading and expansion of infrastructures with sufficient land supply is necessary to support a healthy society. It is noted that MTR Corporation Limited has been invited by the Government to proceed with detailed planning and design of Tung Chung Line (TCL) Extension project in early April, which comprises the Tung Chung West (TCW) Extension, a 1.3-kilometre-long extension from the existing Tung Chung Station of TCL to a new station at the TCW area; a new intermediate station on TCL at the Tung Chung East reclamation area; and the Airport Railway Extended Overrun Tunnel (Remaining Section), which enables the turning around of trains for enhancing operation efficiency and train frequency. Also, the Government is expected to release the details and to receive application regarding their "Land sharing Scheme".



"Strategic Investment Advisory & Agency"

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

Facing COVID-19, everywhere in the world must look at the situation and look for their ways to turn things around to create opportunities for the future.



⬆ Railway Scheme of TCL extension.

(Source: LC Paper No.CB(4)438/19-20(03), Legislative Council Panel on Transport Subcommittee on Matters Relating to Railways)

"Strategic Investment Advisory & Agency"

- Negotiation between Transaction Parties
- Provide Transaction Advisory Services

HONG KONG SNAPSHOTS

Jordan Road Ground Floor Shop Sold with a 40% Price Off

According to market information, Shop C on G/F of Nos.40-44 Jordan Road was sold at about HK\$28 million, following a cumulative price cut of 40% after 2 price adjustments made from its original asking price at HK\$48 million. The shop, with an existing tenancy, was with an area of about 650 sq.ft. and the transacted unit price is about HK\$43,000/sq.ft.. The shop was currently tenanted by a restaurant at a monthly rental of HK\$80,000, the new buyer is estimated to enjoy a return yield of about 3.4%.



📌 Following 2 price cuts, the Jordan Road shop (on the right) was finally sold for HK\$28 million with the existing tenancy.

(Source: RHL Photo Base)

"Professional Practice in Land and Planning Matter"

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

HONG KONG SNAPSHOTS

Mong Kok Residential Site Awarded with AV HK\$3,512/sq.ft.

The Lands Department had unveiled the tender result for a residential plot at Reclamation Street and Shanghai Street near the junction with Dundas Street in Mong Kok. The lot was awarded at a premium of HK\$85.9 million. Total site area was about 2,718 sq.ft., with the maximum gross floor area about 24,461 sq.ft., the accommodation value (“AV”) was about HK\$3,512/sq.ft.. With the land being required for development by sites A and B with a scavenging lane in-between, the AV is the 16-year cheapest urban government residential site recorded since 2004 that fell below HK\$4,000/sq.ft..



It is the first residential land's AV transacted for below HK\$4,000/sq.ft. in the urban area since 2004.
(Source: RHL Photo Base)

All Around 18 Districts: Yau Tsim Mong District

Area Covers: Southern part of the Kowloon peninsula, bounded by the waterfront to the south and the west, the MTR East Rail Line to the east and Boundary Street to the north.

Area : 7 km².

Population : about 333,600[^], accounting for 4.6% of the territorial population.

Median Monthly Household Income : HK\$35,000[^].

District in Evolution: Economic activities in YTM District are mainly supported by commercial activities and supplemented by tourism and light industries where Tsim Sha Tsui and Mong Kok are the major financial areas providing banking, insurance, real estate, stocks and shares, import and export business and professional agencies. It is also a major shopping and retail centre in Hong Kong, including retail/ wholesale outlets and open bazaars at landmark streets. Near one fifth of the city's most outstanding hotels can be found in YTM.

*Source: Yau Tsim Mong District Council

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



Hot Pick of the District: Central Park/ Park Avenue

Completed by 2 phases in 2001:

Phase 1: Central Park;

Phase 2: Park Avenue.

Number of Blocks: 9

Number of Units: about 2,936

Residents' Club House Facilities include:

Indoor/ Outdoor swimming pools,
multi-purpose badminton & basketball courts,
gymnasium, squash courts, golf-practice room etc.

Other Facilities:

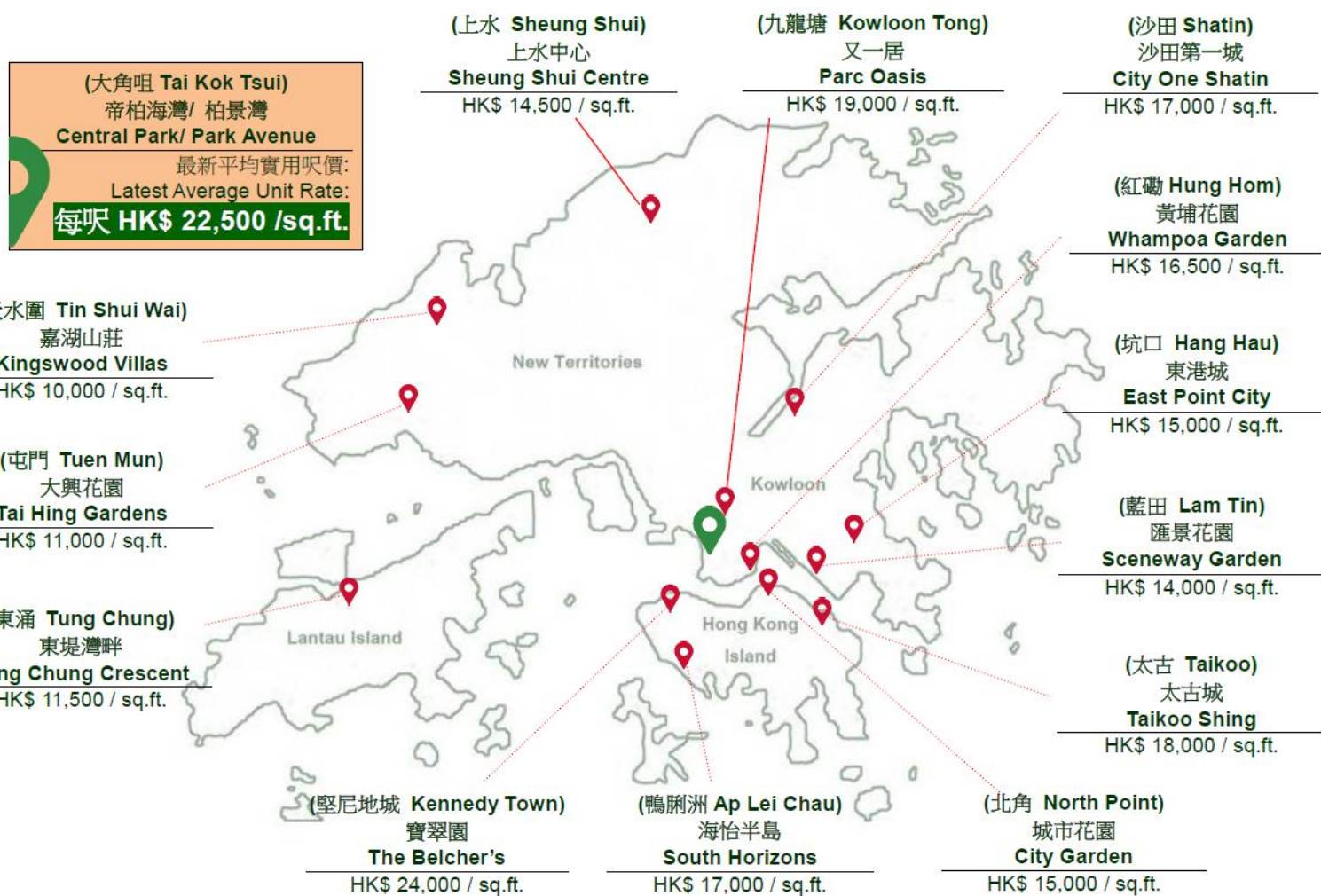
Shopping mall, car park.



Source of Picture: RHL Photobase

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

What has the COVID-19 brought to the PRC Real Estate Market?

CHINA PROPERTY - MARKET WATCH

What has the COVID-19 brought to the PRC Real Estate Market?

Under the influence of the new coronavirus COVID-19, the Chinese real estate market is under unprecedented pressure.

1. Residential Property Market

- The latest data released by the National Bureau of Statistics on the 16th March showed that there was no transaction record in 24 cities' second-hand house market and the second-hand housing price index month over month turned negative. Property sales centers have been closed, although some developers applied the VR technology and released discount promotion to attract the willing buyers, the transaction volume was still dropping.
- The cliff-like decline in property sales will definitely cause developers to re-schedule their sales plans for 2020. In order to catch up with the stagnation of sales in the first half of the year, it is foreseeable that developers will launch more home purchase discounts in the second half year.
- After experiencing the new crown virus, the property management level of the real estate, the design of ventilation and duct, supporting community services, public leisure and recreational space will become the focus of property selection.

CHINA PROPERTY - MARKET WATCH

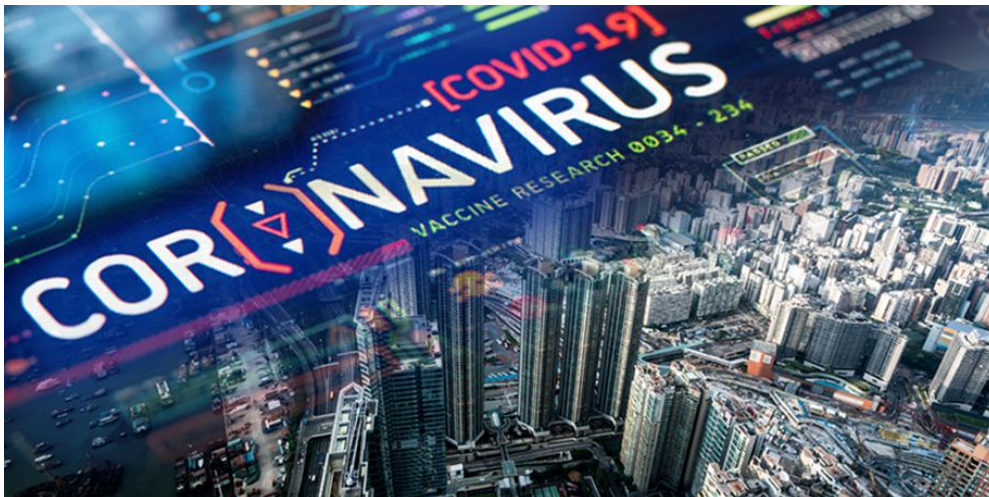
2. Retail Property Market

- In order to avoid the "closing tide", some commercial operators have provided additional rent-free periods or directly reduced rents. Fortunately, since April, most shopping malls and shops in the mainland have already opened and even a wave of "revenge consumption" has appeared. Luxury brands in certain tier cities have even achieved 8-digit sales in a day record.
- Due to the restrictions on cross-regional travel, weekend travel can only stay in the local city, coupled with rising temperatures, it is expected that major shopping centers will usher in the first business peak of this year. If the rental income is calculated on the basis of the sales commission, the operator is expected to recover part of the losses during the Spring Festival holiday under "revenge consumption".
- However, the traditional retail model still faces major challenges. After the epidemic, it is expected that more retailers will develop new marketing models, use live broadcast platforms, short videos, etc. to interact with consumers. The trend of developing of online / offline full pipeline sales is inevitable.

CHINA PROPERTY - MARKET WATCH

3. A Surge in Demand for Logistics Real Estate

- During the epidemic situation, online shopping became the only option for consumption. With the further popularization of online shopping and e-commerce, the demand for logistics storage space and data centers will continue to rise.
- The epidemic will eventually pass. Besides affecting the development and sales of the real estate market in the short term, the new crown virus will have a longer-term impact on changes in living habits, attitudes and concepts. Whether it is home office, distance learning or online shopping, it will give architects and developers new inspiration.
- Real estate sales in 2020 are destined to be a difficult year, but when transactions are frozen and real estate sales are stopped, it is difficult to predict the market price trend. As the epidemic is gradually controlled, the rest of the country is resuming work and the developer competition is just started.



Source: Online Photo

CHINA SNAPSHOTS

Residential Price Index of CAAD (Jan 2020)

City	Index	City	Index
Beijing	115.6	Suzhou	144.0
Shanghai	98.2	Qingdao	192.6
Shenzhen	131.0	Xi'an	120.1
Guangzhou	144.9	Dalian	138.1
Hangzhou	164.0	Zhuhai	100.1
Nanjing	122.7	Shijiazhuang	114.3
Fuzhou	150.0	Zhengzhou	119.0
Xiamen	117.2	Tianjin	93.5
Quanzhou	149.6	Nanchang	140.7
Changsha	142.7	Nan'ning	161.3

Rise m-o-m
 Decline m-o-m
 Stable m-o-m

Y-o-Y Changes: 14.5% Average Price: RMB27,144/sq.m.

M-o-M Changes: -0.4% Median Price: RMB27,865/sq.m.

147.6

1. Residential Price Index Reference Base Period

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

2. Data Sources

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

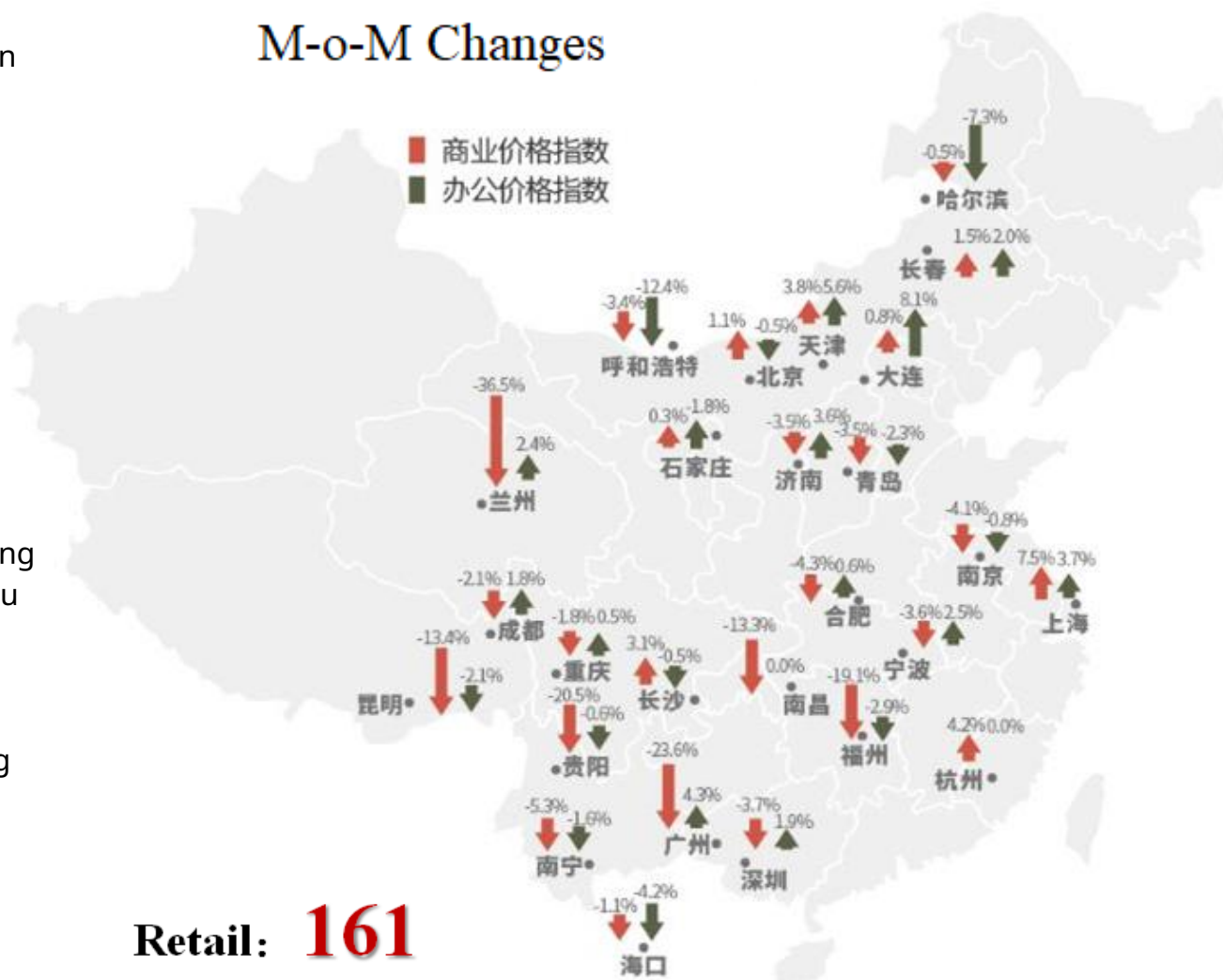
CHINA SNAPSHOTS

Commercial Property Index of CAAD (Jan 2020)

Selected Cities (Right to Left):

Harbin
Changchun
Ningbo
Dalian
Fuzhou
Hangzhou
Qingdao
Tianjin
Jinan
Hefei
Nanchang
Beijing
Shenzhen
Shijiazhuang
Guangzhou
Changsha
Hohhot
Haikou
Chongqing
Guiyang
Nanning
Chengdu
Lanzhou
Kunming

M-o-M Changes



Retail: 161

M-o-M Changes: -5.22%

Office: 105

M-o-M Changes: -0.17%

1. Residential Index Reference Base Period

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

2. Data Sources

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

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Source: Land Registry, CAAD and RHL Research Department

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