

RHL International

MAY 2021

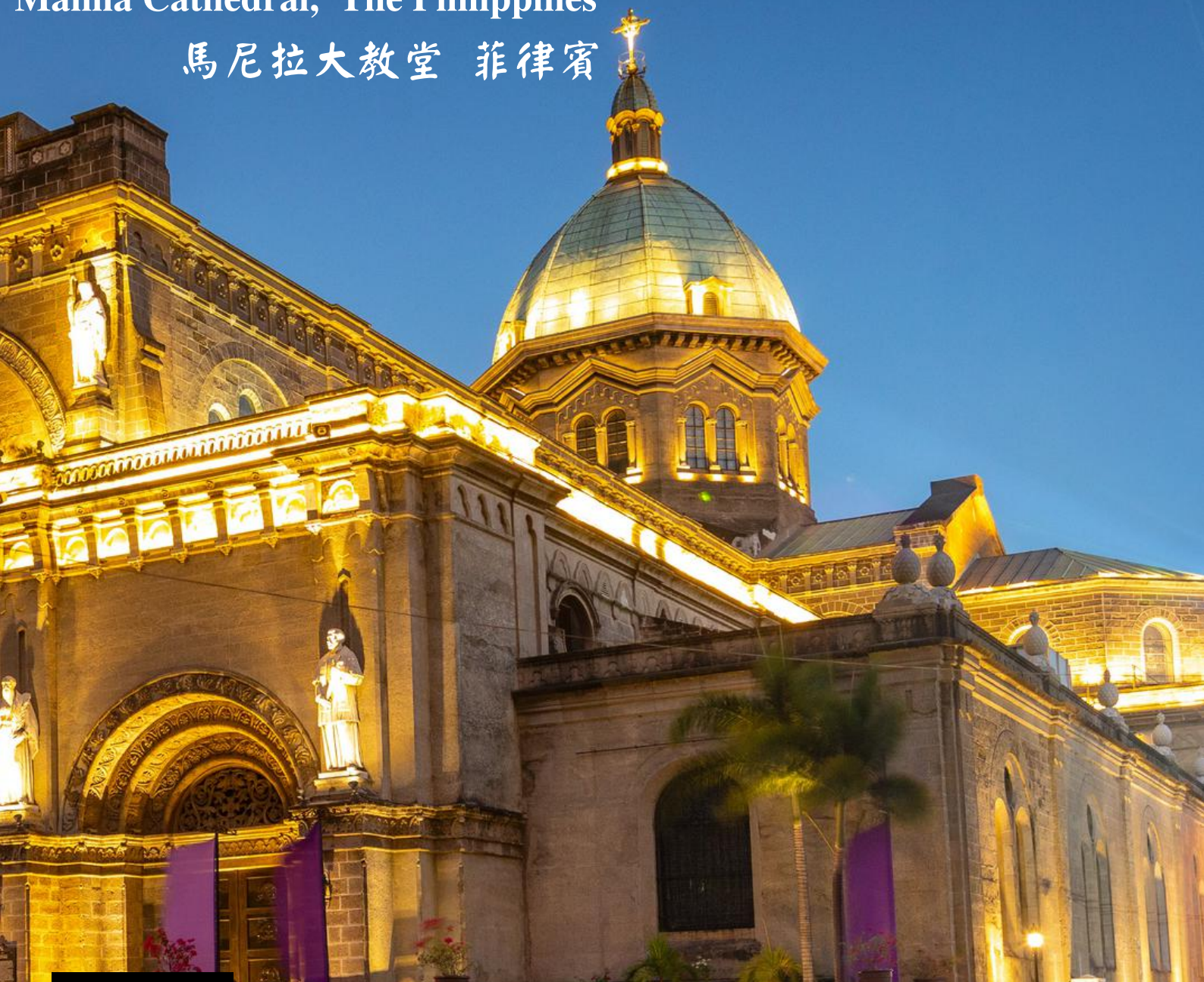
ISSUE NO.245

MARKET EXPRESS

房地產市場快訊

Manila Cathedral, The Philippines

馬尼拉大教堂 菲律賓



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- MARKET WATCH

Falling Office Rentals, Optimistic or Pessimistic?

HONG KONG PROPERTY - MARKET WATCH

Falling Office Rentals, Optimistic or Pessimistic?

Office supply is always a critical hardware to support the development of a financial centre which has long been in high demand in Hong Kong. Nonetheless, experiencing over year-long pandemic, operations of various businesses have been jeopardized and changed, either relinquish tenancy or reduce space. Together with the National Security Law, the totally-converted political atmosphere has led to many nations' concerns over the city's business environment, and hence, multi-national corporations ("MNCs") have started to relocate their office from Hong Kong to other nearby areas. It is expected that the office rental will continue be under pressure.

Due to the reducing office floor area by MNCs or their exit from Hong Kong, an analysis has shown that, up to Q1 of 2021, floor space being relinquished is about 724,000 sq.ft., a 17% rise from the end of 2020. Overall office space waiting for let in Q1 is 14%, the second highest figure since 2004.

In terms of rental, according to the rental index for Grade A private office in core areas conducted by the Rating and Valuation Department, comparing with the peak at first half year in 2019, rentals of Grade A offices across major commercial areas, including Sheung Wan/ Central, Wan Chai/ Causeway Bay and Tsim Sha Tsui, have been down by 25%, 21% and 20% respectively.

"Strategic Investment Advisory & Agency"

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

Despite the falling office rental helps relieving expenditure of tenants, under the current occasional rebounding of new COVID-19 cases, we anticipate that tenants will continue to be patient and careful and to seek for premises providing further benefits for them. As market figures unveils, the net in-take of office in Q1 2021 was negative 900,000 sq.ft.. Consequently, the fall in office rental is expected to continue under the circumstances of rising area to let, weak demand.

To catch the eyes of potential tenants, office owners may focus on the requested rental. The owner of a serviced-office at No.151 Hollywood Road has set its unit rental to HK\$25/sq.ft. only, report says. For comparison, unit rentals at Manulife Financial Centre and AIA Kowloon Tower in Kwun Tong are about HK\$25/sq.ft. and HK\$28/sq.ft. respectively, which is also at a similar level for the latest Grade A Capital Tower in Kowloon Bay.

The serviced-office at No.151 Hollywood Road in Sheung Wan.
(Source of Picture: RHL Photo Base)



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

Inevitably, low rental environment accelerates the growth of expanding companies. An insurance institute has announced its signing of office leasing arrangement for moving into 4 floors, around 145,000 sq.ft. spaces at International Trade Tower in the non-core Ngau Tau Kok area. This transaction would be the largest Grade A office rental transaction since July 2019 with the monthly rental of about HK\$4 million or a unit rental of about HK\$28/sq.ft., sources.

Although the Chief Executive of the Hong Kong Monetary Authority opines that, foreign financial corporations entering and leaving a financial centre is ordinary while international comments towards Hong Kong are based on biased information, it is undeniably that MNCs terminating their tenancies or shrinking the office spaces have exerted pressure on the rentals already. Whether it is optimistic or pessimistic, we leave it here for your judgment.



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- *Negotiation between Transaction Parties*
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HONG KONG SNAPSHOTS

Pilot Scheme for Land Premium Launches

The Development Bureau announced the launch of pilot scheme for charging land premiums at a standard rates for the redevelopment of industrial buildings to other usages for a period of two years. In order to enhance the completion of lease modification procedures of industrial buildings, the scheme provides an alternative to the conventional mechanism of premium assessment to promote the optimization of the use of land.

Under the scheme, the city would be divided into 5 districts, each set with a standard rate for 3 types of uses involved in lease modifications of industrial buildings which completed before 1987, including "industrial/godown" use before redevelopment, "commercial/modern industrial" use and "residential" use after redevelopment.

Levels of standard rates and computation examples

Levels of standard rates

Region	Before use	After use	
	Industrial/ godown	Commercial/ modern industrial	Residential
Hong Kong Island	\$40,000/m ²	\$75,000/m ²	\$130,000/m ²
Kowloon East ¹	\$40,000/m ²	\$65,000/m ²	\$100,000/m ²
Kowloon West ²	\$35,000/m ²	\$60,000/m ²	\$110,000/m ²
New Territories South ³	\$35,000/m ²	\$50,000/m ²	\$75,000/m ²
New Territories North ⁴	\$20,000/m ²	\$30,000/m ²	\$55,000/m ²

Note: The standard rates will remain unchanged during the two-year pilot period.

Source: Press Releases of the Government of the Hong Kong Special Administrative Region

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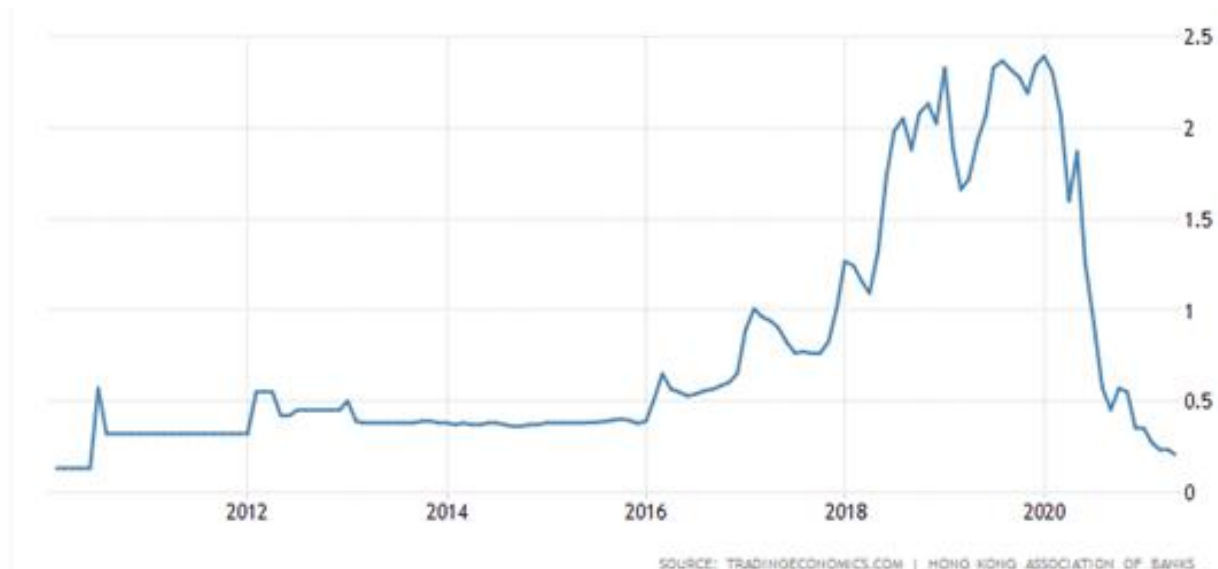
- Lease Modificaion / Land Exchange
- Premium Assessment
- Temporary Waiver Application

HONG KONG SNAPSHOTS

Hong Kong Interbank Offered Rates (HIBOR) Fell to Near 11-Year Low

According to information from the Treasury Market Association, Hong Kong Interbank Offered Rates (HIBOR) has recently fallen to a new low. The one-month mortgage interest rate has fallen to 0.09679%, or by 0.61 pips, which is a record low in 11 years since May 2010. Some have pointed out that Hong Kong's abundant funds are the main reason for pushing down the interest rates. It has been more than half a year since the balance of the banking system in Hong Kong has exceeded the historical high of HK\$450 billion. It is expected that the interest rate will still hover around 0.1% which shall improve property owners' mortgage burden and enhance the confidence of new buyers to enter the market.

HIBOR level in near 11 years



HONG KONG SNAPSHOTS

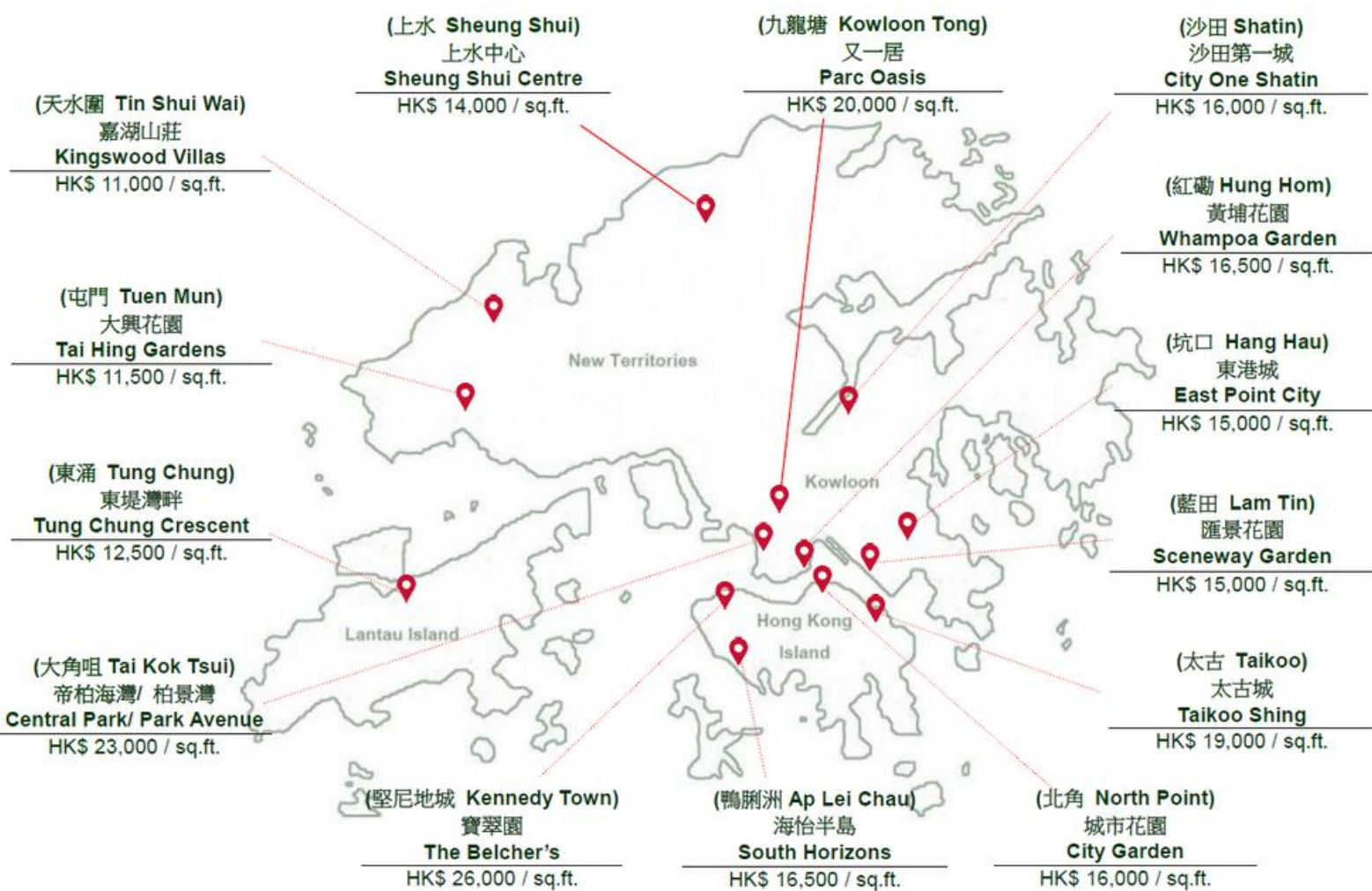
Luxury Housing Market in Bittersweet

Luxury housing sales have been in a mixed mood. A single-numbered house on Locarno Avenue of Valais in Kwu Tung, Sheung Shui, which has a saleable area of 2,425 sq.ft. and a garden of 1,406 sq.ft., sold recently after a 4% price cut. The house was originally listed for HK\$39 million, with the asking price reduced by HK\$1.6 million or about 4%, it was sold for HK\$37.4 million, or at a unit rate of HK\$15,423/sq.ft.. It is understood that the former owner had acquired the property in 2010 for HK\$41.62 million, and the loss is about HK\$4.22 million.

On the other hand, the House No. 17 with a saleable area of 4,234 sq.ft., garden of 988 sq.ft., 2 parking spaces and furnishings in the house, at Villa La Plage, Tuen Mun was tendered by the developer. The transaction price was over HK\$132.9 million and the unit rate was HK\$31,389/sq.ft. which both have set a new highest record of the development.

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



It is an archipelago country located in Southeast Asia. Its geographic location is in the western Pacific Ocean, separated by the Celebes Sea to the south and Indonesia, across the South China Sea to the west and Vietnam, and to the east is the Philippine Sea. As a tropical country, the Philippines suffers from earthquakes and typhoons all year round.

The Philippine archipelago is composed of 7,641 islands, which can be divided into three island groups: Luzon, Visayas and Mindanao. There are many races and cultures in the Philippine Islands. With the development of religion and trade, various places have been influenced by Indian, Chinese, and Islamic cultures.

Capital : Manila

The largest city : Manila

Official language : Tagalog, English

Official words : Tagalog, English

Currency : Philippine Peso

Area : 299,764 sq.km.

Population : 108,116,615 (2019 in World Bank)

Political system : Republic



Gross Domestic Product
(Figures in 2019 from World Bank)
376.796 (billion USD)



**Annual Change of
Consumer Price Index**
(World Bank, 2019): **2.48%**



Economic Structure
(Composition of GDP in 2019)
Services (61.01%) Industry (30.17%)
Agriculture (8.82%)

Manila

Manila is the capital of the Philippines and was established as the capital when it became independent on July 4, 1946. She is located on the east coast of Manila Bay, Luzon, the largest island in the Philippines. In the past, Manila has become a colony of many countries, including the Spanish occupation in 1571, the American invasion of Manila in 1898, and the Japanese occupation of the Philippines in 1942. In the Second World War, Manila had been severely damaged, and thus the city was rebuilt and developed rapidly after the war.





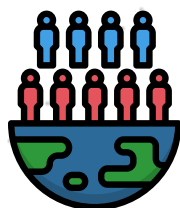
Manila



Population of Manila (2015)
1,780,148
(2019 Philippine Statistical Yearbook)



Number of Cities in National
Capital Region
16
(2019 Philippine Statistical Yearbook)



Population Density of Manila
in 2015
71,263 per sq.km.
(2019 Philippine Statistical
Yearbook)



Total Households in Occupied
Housing Units in National
Capital Region in 2015
3,095,484
(2019 Philippine Statistical
Yearbook)

Area of the City
24.98 sq.km.

(2019 Philippine Statistical Yearbook)

Existing Supply of Office in Manila
Metro for Q3 of 2020
9.1 million sq.m.
(JLL 3Q20 Report on Metro Manila)



The Use of Land

New Supply of Residential Units
for Manila Metro in Q3 of 2020
More than 7,000 units
(JLL 3Q20 Report on Metro Manila)

Quezon City has provided most of
the space of retail for Manila Metro
in Q3 of 2020, and the percentage is
27% for the whole region
(JLL 3Q20 Report on Metro Manila)



Special Purpose for
Urban Planning in the
City

Under the help from Japan International Cooperation Agency, National Economic Development Authority proposed a Roadmap for Transport Infrastructure Development for Metro Manila and its surround areas in March 2014 for expanding the road networks for continuing expansion of urban area.

大灣區前瞻

Greater Bay Area Special

The Guangzhou-Hong Kong-Macau Greater Bay Area also referred as Greater Bay Area (GBA), is a megalopolis, consisting of two special administrative regions of Hong Kong and Macau, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou and Zhaoqing in Guangdong Province. GBA- with a total area of 56,000 km², and with a total population of approximately 72 million people at end 2019, is the largest and the richest economic region in South China. The GDP is USD 1,679.5 billion and GDP per capita is USD 23,371. GBA also is the largest and most populated urban area and is among the 5th largest bay areas in the world, comparable with the bay areas of London, New York, San Francisco, and Tokyo.

The development of the GBA is accorded the status of key strategic planning in the country's development blueprint. The objectives are to further deepen cooperation amongst Guangdong, Hong Kong and Macau, fully leverage the composite advantages of the three places, facilitate in-depth integration within the region, and promote coordinated regional economic development, with a view to developing an international first-class bay area ideal for living, working and traveling.

DONGGUAN CITY

Dongguan City, abbreviated as Guan, is a prefecture-level city under the Guangdong Province of the People's Republic of China, located in the south of Guangdong Province. The city is bordered by Guangzhou City to the northwest, Huizhou City to the northeast, Shenzhen City to the south and the Pearl River Estuary to the southwest. Dongguan City is a two-tier city, but the municipal government has divided the 32 townships into six districts: City District, Songshan Lake District, Southeast District, Eastern Industrial Park District, Binhai District and Shuixiang District.

Positioning: Advanced Manufacturing Center in Guangdong, Hong Kong and Macau Bay Area

Permanent Residents: 8.26 million

Total Area :2,460 sq.km.

GDP :RMB 758.2 billion

GDP per Head :RMB 91,000

Total Merchandise Trade :RMB 1.2 trillion

Export Value :RMB 702.7 billion

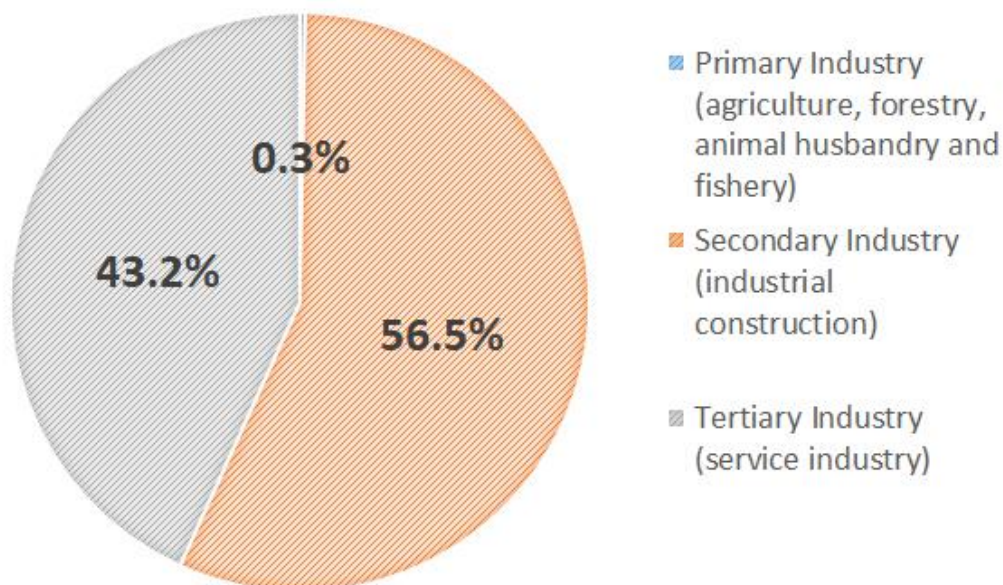
Import Value :RMB 523.7 billion



(Source of Picture: Canva Photo Base)

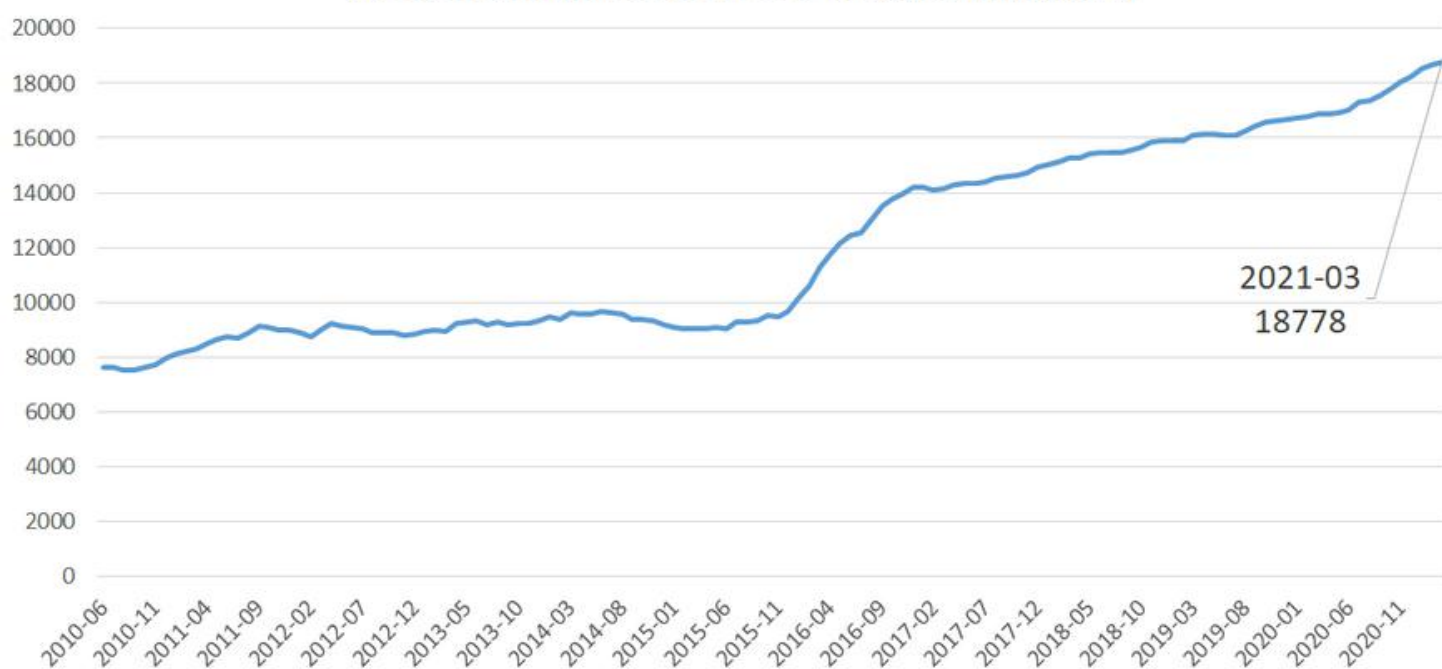
DONGGUAN CITY REAL ESTATE OVERVIEW

Industry Structure



Residential Housing Price Trend

Average Residential Sample Price in Dongguan (RMB/sq.m.)



DONGGUAN CITY REAL ESTATE OVERVIEW

Land Sales Status

Residential Land Use

Month	No. of Transaction	Transaction Area (sqm)	Average Transaction Price (RMB/sqm)	A.V. (RMB/sqm)
2020-08	2	80,537.23	51,241.45	20,470
2020-09	10	447,909.36	18,355.56	7,948
2020-10	5	174,882.04	34,209.60	13,402
2021-01	2	48,472.22	31,303.07	10,635

Industrial Land Use

Month	No. of Transaction	Transaction Area (sqm)	Average Transaction Price (RMB/sqm)	A.V. (RMB/sqm)
2020-08	4	250,377.69	731.02	237
2020-09	2	21,667.40	1,035.20	314
2020-10	13	511,150.53	1,306.01	392
2020-11	10	301,355.41	1,298.07	389
2020-12	11	650,112.42	1,157.82	316
2021-01	9	714,148.72	841.13	278

Residential policy: Insist on housing and housing without speculation

Purchase

- First-hand: Dongguan household registration/outside city household registration are limited to 2 units.
- Second-hand: Non-Dongguan household registration is limited to 2 sets of first and second-hand properties.
- Social security: foreign residents are required to have one year of social security for their first property.

Price

- Actual transaction price
- The actual transaction price shall not be higher than the declared price or lower than 90% of the declared price, and may be adjusted upward by no more than 5% after 180 days of declaration.
- The first declaration shall not be higher than 10% of the average price of new commercial housing of the same type in the district in the previous three months.

Sales

- Newly purchased housing (including new commercial housing and second-hand housing), must obtain a real estate title certificate for three years before listing and trading.

Loan

- The first set requires a 30% down payment, the second set requires a 40% down payment, and a 60% down payment for non-common residences (over 144 square meters).

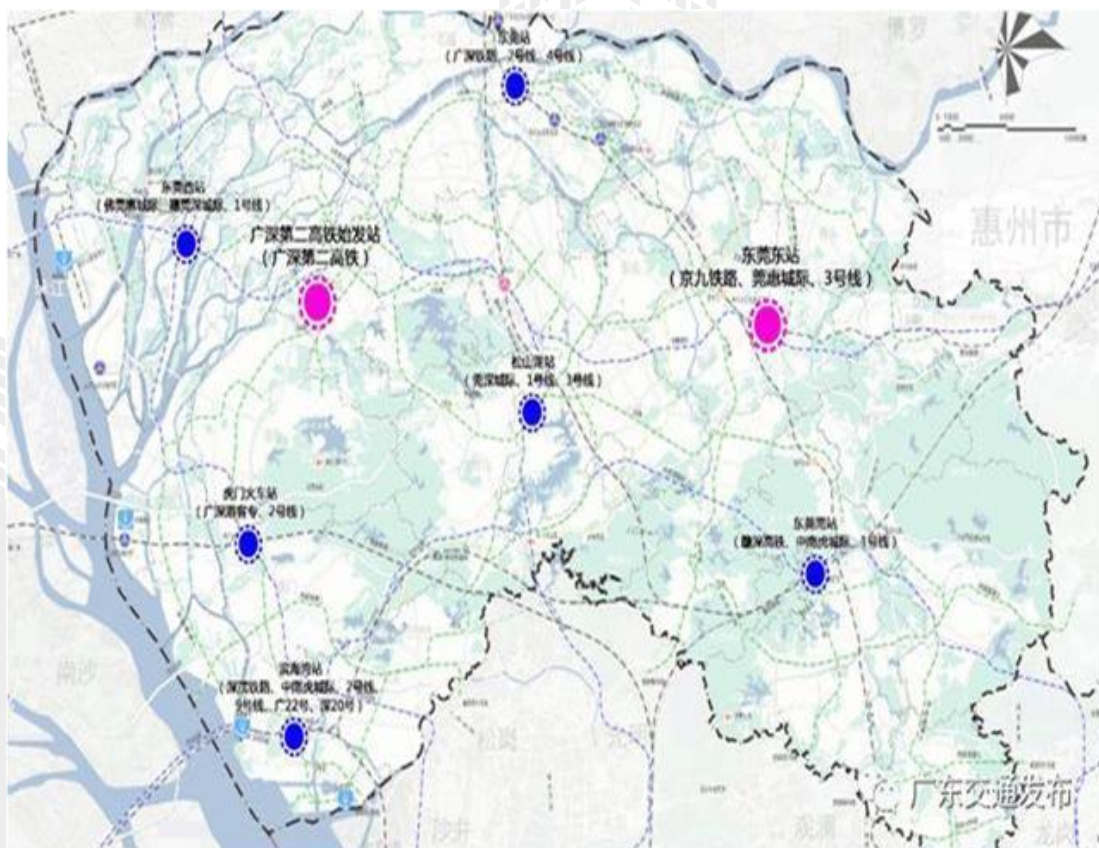
DONGGUAN CITY REAL ESTATE OVERVIEW

New infrastructure: Foshan-Dongguan Intercity Railway via Guangzhou

On August 3, 2020, the National Development and Reform Commission agreed to implement a number of intercity railroad projects in the Greater Bay Area in an orderly manner to improve the quality of intercity transportation supply in the Greater Bay Area.

These projects will build a transportation circle with one hour access between major cities in the Greater Bay Area, two hours access between major cities and prefecture-level cities in Guangdong Province and three hours access between major cities and neighboring provincial capitals. It create a "Greater Bay Area on the tracks" and improve the modern integrated traffic and transportation system.

Among them, the Foshan-Dongguan intercity railroad via Guangzhou will be implemented in an orderly manner after the relevant construction conditions are finalized. It involve a total mileage of 107 km and a total investment of 95.3 billion RMB, and the main sites include Foshan New Town, Fangcun, Yuzhu and Xintang.



CHINA SNAPSHOT

Guangzhou - First City to Implement New Land Sale Policy

The Guangzhou government has listed 48 pieces of land for sale on March 26, with a total land area of over 3.93 million sq.m. and a total listing price of over RMB 90.1 billion. Guangzhou is the first first-tier city to implement the new land policy since the two “Centralization” policy for residential land sales issued in 2021.

Guangzhou planned to limited land sales to three times in one year, which is March, July and October.

The new land policy has been promulgated in Mainland China in February 2021, which requires two “Centralization” for residential land sales. Land sales announcements should be issued less than 3 times a year and the land transaction should also be limited in 3 certain periods. The new policy will be implemented in 22 major cities, allegedly, 4 first-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen, and 18 second-tier cities including Nanjing, Suzhou, Hangzhou, Xiamen, Fuzhou, Chongqing, Chengdu, Wuhan, Zhengzhou, Qingdao, Jinan, Hefei, Changsha, Shenyang, Ningbo, Changchun, Tianjin and Wuxi.



(Source of Picture: Canva Photo Base)

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

CHINA SNAPSHOT

GBA Duty-Free City to be Built: Luohu District, Shenzhen

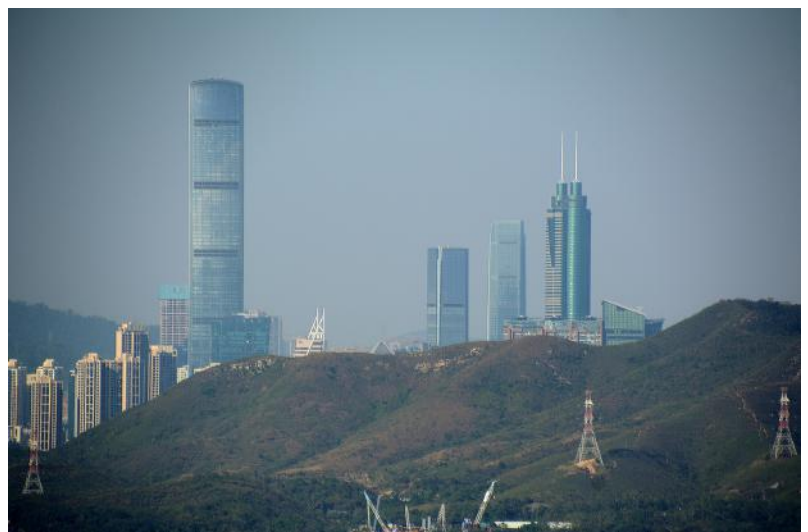
Recently, government of Shenzhen Luohu District has disclosed its 14th Five-Year Development Plan for industrial Development of Luohu District (draft for public comments). Luohu District plans to develop a cross-border consumption center that is an international first-class duty-free city integrating duty-free shopping, technology experience, culture and art, and special food and beverage.

The Luohu government will strive for duty-free policies and support leading enterprises to apply for duty-free business qualifications. The development of Duty-Free City will reply on three major ports including Luohu port, Wenjindu port and Liantang port.

Hong Kong and Shenzhen will play different important roles in the duty-free consumer market in the future. Hong Kong is the major market for international brands to enter the Mainland China, while Shenzhen is the key market to introduce mainland brands to overseas. There will be a win-win situation if both cities can take their respective advantages.



(Source of Picture: Canva Photo Base)



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CHINA SNAPSHOT

Zhuhai Formally Implement New-Typed Industrial Land Policy

In March 2021, Zhuhai government has promulgated Measures for the Management of New-typed Industrial Land(M0) in Zhuhai (for trial implementation).

New-typed industrial land (M0) refers to industrial land that incorporates innovative industrial functions such as R&D, incubation, experimentation, creativity and pollution-free production, as well as commercial, dormitory, municipal facilities, transportation facilities and other supporting facilities.

The policy refers to the qualification recognition of the enterprises who can apply for the new-typed industrial land, land use management, planning management, transfer provisions and regulatory measures. The qualification recognition herein stipulates that each district government (management committee) shall be responsible for the examination and approval of industrial and user of new-typed industrial land(M0) industry in their respective regions.

Meanwhile, the management plan specifies the land location and makes it clear that new-typed industrial land (M0) will not be planned in downtown and other core areas, but will be prioritized in major high-tech zones, Nanping Science and Technology Industrial Park, Hengqin New district and government-approved science and technology innovation parks and key industrial zones in respective district.



(Source of Picture: Canva Photo Base)

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CHINA SNAPSHOT

Residential Price Index of
Major Cities (March 2021):

City	Sample Average Price(RMB/sq.m.)	M-o-M Change(%)	City	Sample Average Price(RMB/sq.m.)	M-o-M Change(%)
Shanghai	50,589	0.19	Beijing	43,621	0.07
Chongqing	11,411	0.65	Tianjin	14,906	-0.04
Guangzhou	23,833	1.07	Shenzhen	54,353	0.06
Nanjing	24,190	0.03	Hangzhou	28,699	0.41
Chengdu	12,047	0.59	Wuhan	13,146	0.11
Dalian	13,643	0.41	Suzhou	17,814	0.05
Xi'an	10,962	0.27	Xiamen	29,073	0.07
Ningbo	18,653	0.02	Changsha	9,061	0.13
Wuxi	13,617	0.84	Dongguan	18,778	0.60
Shenyang	9,825	-0.01	Fuzhou	17,068	0.24

Source: Fangtianxia Hundred City Price Index

(Source of Picture:
Canva Photo Base)*"Professional Practice in Land and Planning Matter"*

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