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# MARKET EXPRESS

## 房地產市場快訊



Kennedy Town

堅尼地城



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

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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.

- Industry Market Research & Analysis
- Project Feasibility Study and Advisory
- Financial Analysis
- Investment Advisory
- Due Diligence
- Valuation (including Real Estate, Business Valuation, Plant & Machinery)
- Real Estate Solutions and Surveying Practice



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## **HONG KONG PROPERTY- MARKET WATCH**

### **Foresight of the Proposed Amendment of Application Threshold for a Compulsory Sale**

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## HONG KONG PROPERTY - MARKET WATCH

### Foresight of the Proposed Amendment of Application Threshold for a Compulsory Sale

To cope with the ageing urban and improve the dilapidating living environment, in 1999, the government has implemented the “Land (Compulsory Sale for Redevelopment) Ordinance” (Chapter 545), allowing the majority owner who owns at least 90% of the share of the whole lot to make an application through the Lands Tribunal requesting for a compulsory sale order of the properties at the site. Following the amendment in 2010, whenever conditions fulfilled, majority owner with only 80% of the total share of the lot can submit an application. Experiencing the vibrant property market in previous years, urban redevelopment projects penetrated into every urban district without the lead of the Urban Renewal Authority. Nonetheless, the COVID-19 had hit hard the market, developers started to become more careful. The recent suspension of acquisitions of Mei King Mansion Phase 1 in To Kwa Wan has been a hot online topic. And coincidentally, the Chief Executive John Lee has suggested to lower the application threshold for Chapter 545 in his first “Policy Address”. So how would the city’s urban redevelopment direction be afterwards?

As early as 8 years ago, consortium has been acquiring properties at Mei King Mansion Phase 1 in To Kwa Wan, and the unit price offered to property owners had even reached HK\$16,000/sq.ft. this May. However, the acquisition was recently being announced suspended. According to online information, the agent responsible for the acquisition concluded that only 78.09% of the total shares have been collected, lower than the statutory threshold while portion of the owners had requested a unit price higher than the developer. These all have led to the failure of the acquisition.

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Following 8 years of property acquisition activities, the project at Mei King Mansion Phase 1 in To Kwa Wan was failed to achieve.  
(Source of Picture: RHL Photo Base)

Coincidentally, the Chief Executive John Lee has suggested to lower the application threshold in his “Policy Address”: threshold for private buildings of an age between 50 and 70 shall be lowered to 70% from 80% while aged 70 or above shall become 60%. Factory buildings at non-industrial zone with an age of at least 30 shall have the threshold of 70% of the total share. So will our urban be redeveloped at a faster speed?

A lower application threshold means the obtain of redevelopment ticket easier, in other words, property owners may have more opportunities to have their properties being acquired. In general, the price offered by developers must be market-based. In the current unstable market condition, it is no doubt that developers will be conservative towards the land price and even the offering price. To many of the old property owners who may wish to improve their living or understand clearly of their relatively limited bargaining power, they shall take the offers available. From the developers’ point of view, whenever many of the property owners share this notion in their minds, no matter what is the offered price, with that just slightly higher than the market one, the acquisition progress shall not be affected.

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A developer has also opined that, the group will not exclude the opportunity to relaunch several projects being put on hold before, following the implementation of the lowered application threshold. So up to now, no one knows will developers stop those in progress acquisition projects now and restart again when the easier threshold comes. Or with the expected ease of application submission, it is anticipated that developers could provide a lowered offering price to property owners, meaning a smaller amount of acquisition compensation available to them.

Indeed, there is always an exceptional. Developers could be more generous when many of the property owners are elderly or those have been living in the neighbourhood for years, or investors owning a number of properties of the site who used to have a strong stand on the acquisition price.

Although the threshold could be lowered to reduce the acquisition costs and time of the developers, the current taxation arrangement may not be doing them a favour. As most of the developers or consortium purchasing properties with the company names, they have to pay for the 30% Buyer's Stamp Duty first and apply for a rebate only when the buildings are being demolished. This could somehow restrict the cash flow of a developer for 2 to 3 years and procrastinating the acquisition progress. Financially a burden to the developers.

In sum, a lower application threshold could allow developers or consortium easier to apply for a compulsory sale order while property owners could have more opportunities to have their properties acquired. However, under the existing market situation and taxation requirement, it is still an unknown that whether the threshold-to-be-amended can boost the pace of urban renewal.



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## HONG KONG SNAPSHOTS

# Transaction Price of First-Hand Villa in Kowloon District broke record high amid Market Consolidation

Mont Rouge, situated along Lung Kui Road at Beacon Hill, has its last villa recently sold via tender. The villa, together with three car parking spaces, was sold at HK\$508 million with a unit rate surpassing HK\$70,000/sq.ft.. The transaction price has broken the record created by Villa 6 of the same development in January 2021 and marked a record high of first-hand villa not only for the project, but also for the whole Kowloon district.



The 3-storey Villa 1, comprising 5 ensuite bedrooms and amounting to a total saleable area of 7,171 sq.ft, with a flat roof of 691 sq.ft., garden of 5,014 sq.ft. and roof of 1,306 sq.ft., is the largest villa of the development. The developer remarked that 38 out of 45 units has been sold out with an aggregate transaction amount exceeding HK\$6.3 billion. It is also worth noting that despite breaking record high in terms of transaction price, the unit rate of Villa 1 is slightly lower than that of Villa 2, which was transacted in May 2020, by 1.5%.

The last villa of Mont Rouge, at Lung Kui Road at Beacon Hill, has been disposed to the market through tender recently.

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## HONG KONG SNAPSHOTS

### Commercial Floor at No.8 Russell Street in Causeway Bay Sold Shortly after the Cancellation of PASP

The commercial floor on 19/F of Emperor Watch and Jewellery Centre, No.8 Russell Street, in Causeway Bay has recently been sold at a price of HK\$110 million, according to market records. Deriving from the saleable area of 3,080 sq.ft. of the floor, the actual transacted unit rate of the property was about HK\$35,714/sq.ft.. Tracing the transaction history of the property, the 19/F had also been disposed earlier in May with the endorsement of a Provisional Agreement for Sale and Purchase at the same price which then being cancelled in September. Since the cancellation for less than a month, the property is now once again being coveted and acquired by another new buyer in October with another Agreement for Sale and Purchase signed.



The Emperor Watch and Jewellery Centre, No.8 Russell Street, located opposite to the Times Square.

(Source of Picture: RHL Photo Base)

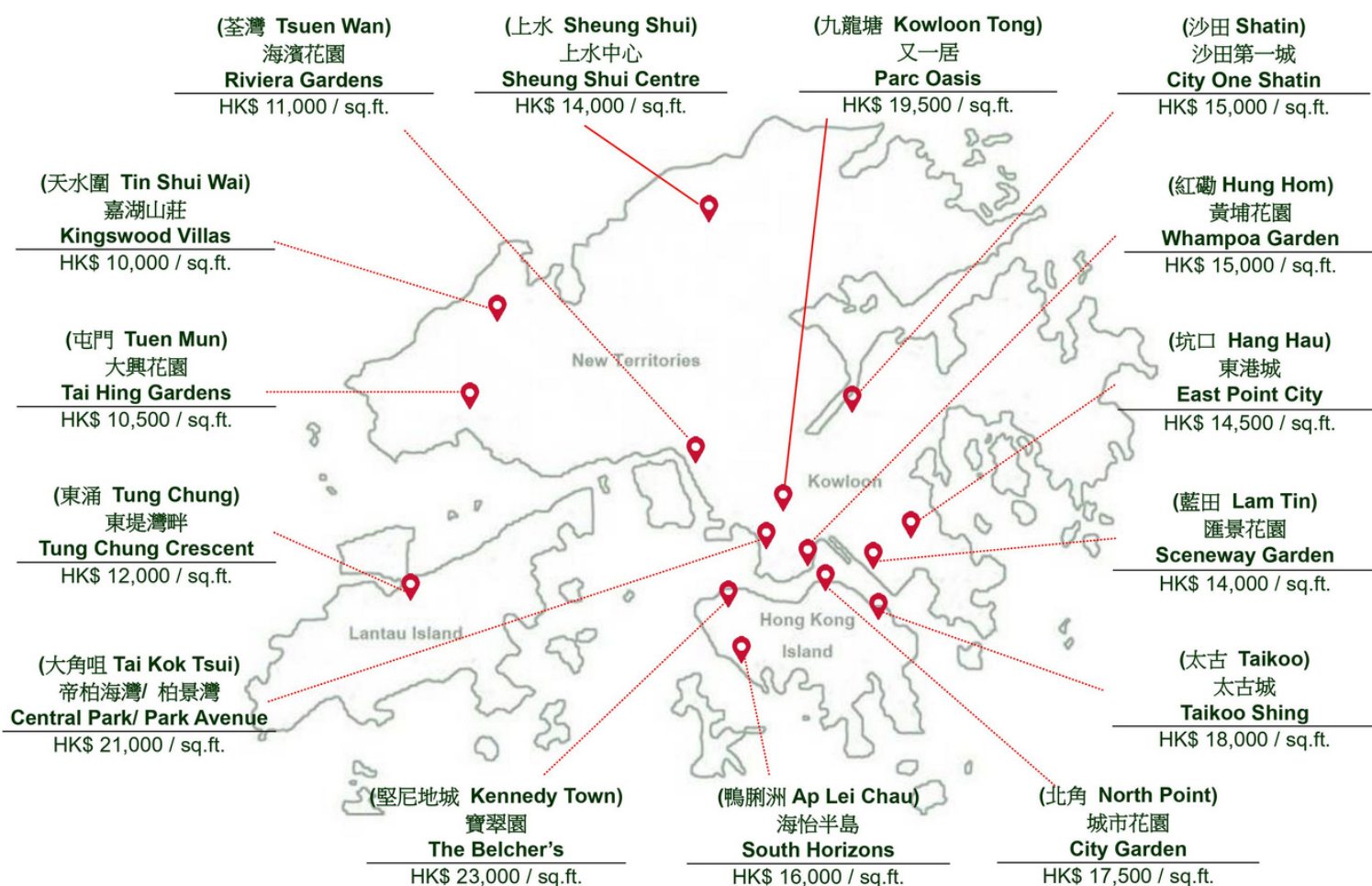
The 26/F of the same building had also been sold in August at a price of HK\$130 million. Having the same saleable area as 19/F, the unit rate of 26/F reached HK\$42,208/sq.ft..

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# 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 SNAPSHOT**

- **Another Developer Authorized by the Government to Operate the Elderly Care Business**
- **Beijing Fifth Ring Hotel sold for RMB 849 million**
- **Mortgage Rates Cut Again**
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- **Residential Price Index of Major Cities (September 2022)**



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## CHINA SNAPSHOT

### Another Developer Authorized by the Government to Operate the Elderly Care Business

Recently, another real estate developer has entered the pension real estate. The group is authorized to operate the pension assets of the Nanhai District Social Welfare Center and develop the pension business for a period of 40 years since last September. The goal is to promote the construction of institutions and communities that combine medical care and pensions and the development of the home care system. The first project is the development of retirement apartments in Nanhai, and the entire project is expected to be completed within about 18 months from the end of this month. The investment amount is about RMB 136 million.

At present, most of the mainland private pension projects are operated by real estate developers or insurance companies. The pension community has a beautiful environment and complete facilities. Most nursing homes have 24-hour on-site doctors, and some are located adjacent to hospitals, with large outdoor space, which can better care for the long-term patients. In addition to medical facilities, there are also a wealth of recreational facilities including fitness centers, swimming pools, karaoke rooms and other facilities, or the establishment of a university for the elderly, which greatly enriches the lives of the elderly.

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## CHINA SNAPSHOT

### Beijing Fifth Ring Hotel sold for RMB 849 million

No. 15 Dongsanhuan South Road, Chaoyang District, Beijing was successfully auctioned on September 23, with a transaction price of about RMB 849 million and the transaction time was September 22.

The target is located in the central business district of Beijing, adjacent to the Beijing embassy district. The building area is 30,530.52 square meters, the land use right area is 5,429.66 sq.m., and the total appraised price exceeds RMB 1.51 billion. The first auction price of the target is about RMB 1.061 billion, and the second auction price is about RMB 849 million.



Beijing Fifth Ring Hotel.  
(Source of Picture: Online Database)

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## CHINA SNAPSHOT

### Mortgage Rates Cut Again


Affected by the 5-year LPR reduction in August, the mortgage interest rates in 100 cities were lowered in September. As of September 19, the mainstream mortgage interest rates in 86 cities were as low as 4.1% for the first set and 4.9% for the second set. . As far as the mainstream interest rates of first home loans are concerned, the first-tier cities are all higher than the lower limit.

### Ministry of Finance: Residents who Buy Houses can Enjoy Tax Rebates Before 2024

The Ministry of Finance of the People's Republic of China issued an announcement that from October 1, 2022 to December 31, 2023, taxpayers who sold their own houses and repurchased houses in the market within 1 year after the sale of their existing houses will have to pay for the sale of their existing houses. The personal income tax will be refunded.

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## CHINA SNAPSHOT

### Residential Price Index of Major Cities (September 2022)

City	Sample Average Price (RMB/sq.m.)	M-o-M Change (%)	City	Sample Average Price (RMB/sq.m.)	M-o-M Change(%)
Shanghai	51,026	-0.14	Beijing	44,657	0.10
Chongqing	11,769	-0.20	Tianjin	14,971	-0.10
Guangzhou	24,648	-0.09	Shenzhen	54,537	-0.03
Nanjing	24,765	-0.02	Hangzhou	29,385	0.18
Chengdu	12,691	-0.08	Wuhan	13,294	-0.10
Dalian	13,865	-0.02	Suzhou	18,375	0.03
Xi' an	12,146	0.11	Xiamen	29,245	0.02
Ningbo	19,743	0.25	Changsha	9,457	0.17
Wuxi	14,369	0.20	Dongguan	19,537	-0.06
Shenyang	9,925	-0.07	Fuzhou	17,181	0.01

Source: Fangtianxia Hundred City Price Index

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