

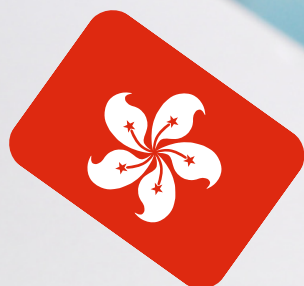
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RHL International

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PROPERTY MARKET EXPRESS

房地產市場快訊



**PROPERTY
DEED**



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HONG KONG PROPERTY

香港物業市場透視

CHINA PROPERTY

中國物業市場透視

Industry / Market Research and
Feasibility Studies

Serena Lau

serena@rhl-int.com

(852) 3408 3398

Land & Planning Matters,
Surveying Practice

Keith Siu

keith@rhl-int.com

(852) 3408 3338

Hong Kong Property Valuation

Tony Wong

tony@rhl-int.com

(852) 3408 3322

Mainland China, Macau and
Overseas Property Valuation

Jessie Chen

jessie@rhl-int.com

(852) 3408 3302

Business Valuation

Alexander Lau

alex@rhl-int.com

(852) 3408 3328

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

**Streamline the
Arrangement of Extension
of Land Leases:
for the Government,
for the Public**

HONG KONG PROPERTY - MARKET WATCH

Streamline the Arrangement of Extension of Land Leases: for the Government, for the Public

Lease extensions have been faced by many of the lands after the handover of the city. According to the government's data, many of which will be expiring since 2025. To cope with the increasing demands for lease extension works, the authority has earlier proposed to introduce a bill to the Legislative Council this year, aiming to allow extension of lease by way of the government publishing gazette notices about three years before expiry of each batch of leases to declare whether they will be extended or not.

Summarized by the government figures, there will be general purpose leases of about 2,400 lots expiring from June 2025 to June 29 2047. Amongst them, the earliest batch of leases expiring in June 2025 involves about 50 lots for nonindustrial use in the Yau Tsim Mong district. As for June 30 2047, around 300,000 lots of general purpose leases will expire concurrently on the same day.

Lands in Hong Kong is mainly granted by the government, permitting the owners to enjoy the rights of possession. The terms of leases usually last for 75 years, 99 years and 999 years. Back to June 27 1997, land granted in the New Territories and area at north of Boundary Street in Kowloon expired. Under the arrangement of the British-Sino Joint Declaration, those lots expired on that day could be extended till June 30 2047 without the needs for the payment of land premium, but the land rent that equals to 3% of the property's rateable value. Meanwhile, only land rent is required for lands extended after May 27 1985.

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To streamline the procedure of lease extension, the authority recommends introducing a new primary legislation to establish a statutory mechanism for the government to extend expiring general purpose leases by drawing reference to the New Territories Leases (Extension) Ordinance (Cap. 150) enacted in 1988 for the en bloc extension of all land leases in the New Territories, the new legislation will confer legal effect on lease extension. A “negative listing” approach will be adopted to list out only those land leases which will not be extended; in other words, land leases which expire during the specified period stated in the gazette notice are extended if they are not listed in the relevant gazette notice. Land leases extended under the statutory mechanism will be extended for a term of 50 years without payment of any additional premium, but an annual rent equivalent to 3% of the rateable value of the property will be charged. The mechanism solely applies to land leases not containing a right of renewal whilst short term tenancies and special purpose leases are excluded.

We consider the proposed mechanism is reasonable which affects the government and public the least. It saves manpower of the authority to handle the complex procedure including document-checking, and also facilitate the market knowing the notion for the authority extending leases beyond 2047. With many of such leases being multi-owned and involving a vast number of owners, it would not be workable to use the conventional mechanism to conduct title checking and execute new land lease with every owner. The uncertainty and disturbance involved may there be avoided to the owners concerned and the property market.

Tracing the statistics, since the establishment of the HKSAR, a sum of 25 general purpose leases have expired with only 2 failed to be extended as the relevant owners could not be found, 1 involved lease modification which was not an extension on original terms, and the remaining 22 leases were granted extension without payment of an additional premium. Such that we believe that the operation of the proposed mechanism shall be relatively easy.

In conclusion, the suggested streamline mechanism for the lease extension can both save the labour power and resources allocation for the government and expedite the efficiency of works. Minimizing the inconveniences to the owners, the proposed practice also allows a clear picture for the public knowing how the government is dealing with the lease extensions.



CALVIN PANG
WRITER - HONG KONG
MARKET WATCH

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HONG KONG SNAPSHOTS

Tender Awarded for Site in Kennedy Town

The Lands Department announced that the tender for a site at the junction of Sai Ning Street and Victoria Road, Kennedy Town, has been awarded to the highest tenderer at a premium of HK\$1,720,000,000. Applying the plot ratio of 10 to this 24,327 sq.ft.-site, maximum gross floor area can reach 243,266 sq.ft., the accommodation value is about HK\$7,070/sq.ft.. Estimating some units on mid-to-high levels of the development can enjoy a seaview, under the adjusting market conditions and various special conditions of the land grant, including developer to relocate the hundred-year historical arch and foundation stone of the former Tung Wah Smallpox Hospital, size limit of flats, etc., the tender prices of developers had been conservative. The new transacted accommodation value of the site was at least 20% lower than the other site from the same area last year which was about HK\$9,500/sq.ft..



Developer has to relocate the arch and foundation stone of the former Tung Wah Smallpox Hospital to designated area. (Online photo)

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

HONG KONG SNAPSHOTS

Hotel at King's Road Devalued by 40% in 6 Years

Market sources confirmed earlier that, the Butterfly on Victoria, a hotel at Nos.31-33 King's Road in Tin Hau, has been transacted at a cost of HK\$468 million. The 23-storey hotel provides 132 guest rooms, each room worth about HK\$3.55 million according to the latest transaction price. The former owner acquired the premises in 2017 at a price of nearly HK\$800 million, or about HK\$6.06 million for each room. The property devalued by about HK\$330 million or 41% since 2017.

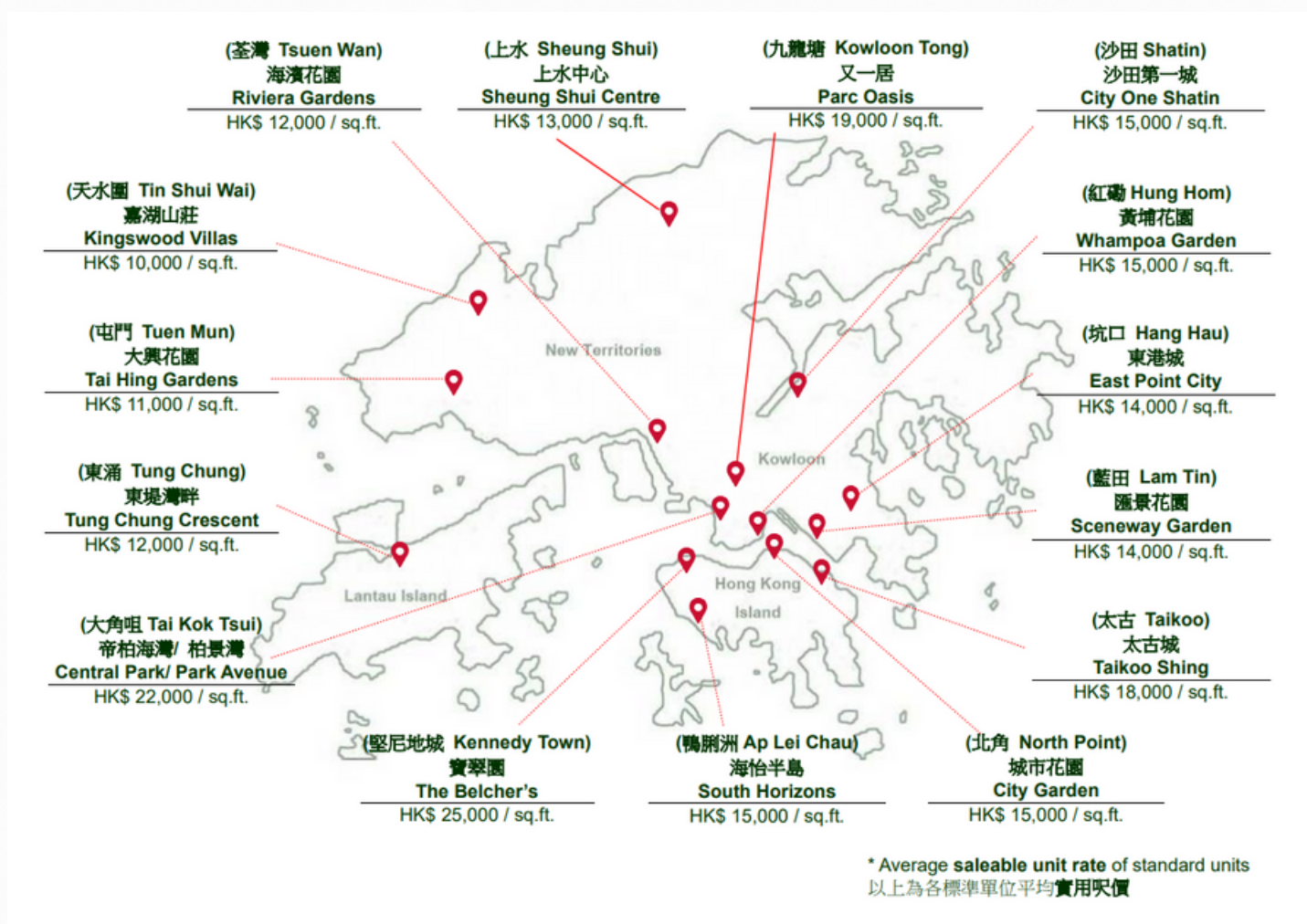


The hotel located at King's Road, Tin Hau, closes to MTR Tin Hau Station.
(Source of Photo: RHL Photo Base)

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

HONG KONG TRANSACTIONS OVERVIEW





CHINA SNAPSHOT

- **Review of Second Anniversary of Shenzhen Second-Hand Properties' Reference Prices**
- **Downshift of LPR for Property Mortgage**
- **Beijing: Conspicuous Residential Land Bidded with 15% of Premium**
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CHINA SNAPSHOT

Review of Second Anniversary of Shenzhen Second-Hand Properties' Reference Prices

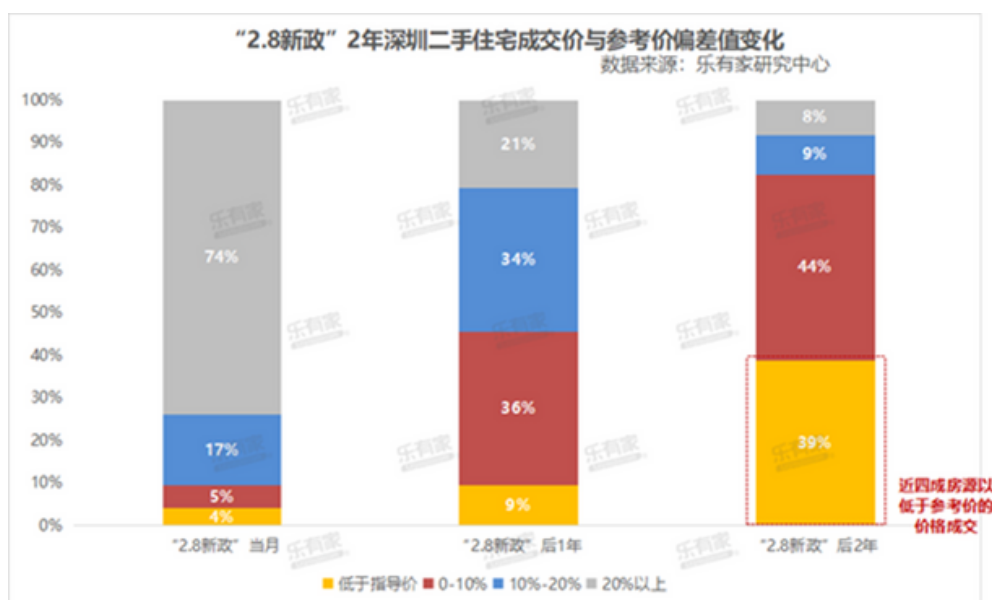
In February 2021, Shenzhen was the first city in China implemented the "Second-Hand House Reference Price" and this brought a tremendous impact to the second-hand property market. The asking prices of the premises gradually slid from a high level to the level that was closed to the reference prices. At the early stage of the policy, 90% the owners just adopted the 'wait-and-see' approach which basically rejected to lower their asking prices to stick to the official references prices. However, after 6 months of the implementation of that instrument, the transaction volume precipitous dropped which became the driving force to urge the possessors to minimize the gap between their asking and reference prices so as to maintain competitiveness in the market.

In the month when the reference price for second-hand housing was released, about 10% of the listings in Shenzhen had a deviation value of 10% or less from the reference price. When the reference price was implemented for one year, most of the listings were still well above the reference price until the second year, when most of the listings had a deviation value of 10% or less from the reference price, and even nearly 40% of the houses were sold at one below the reference price, and the volume of transactions of second-hand residential properties slumped by 57% on year-on-year basis. In 2022 it continued to slump by 47% year-on-year, with the annual transaction volume of only 20,000 units at the beginning of the year, hitting the lowest record in nearly two decades and shrinking by nearly 80% compared to the market peak in 2020.

CHINA SNAPSHOT

Under the influence of the policy, the demand for investment has dropped drastically, investors have withdrawn from the market, and the market has shifted from a "seller's market" to a "buyer's market". While the second-hand market has remained stagnant, buyers have turned to the first-hand property market. Some new flats were offered at preferential prices during the epidemic, which were lower than the prices of second-hand flats in the same districts. As a result, there was a reversal of the first-hand and second-hand prices, which has further suppressed the prices of second-hand flats.

In 2023, as the market warmed up and the change in real estate policy, the reference price policy in many cities had already existed in name only, but most of the banks in Shenzhen had not yet relaxed the reference price. With the listing price close to the reference price and the volume of housing transactions picking up moderately. The market expects that the Shenzhen government may make adjustments to the policy. However, it is believed that even if Shenzhen adjusts its reference price policy, the property market will not rebound in the short term under the general policy direction of suppressing property speculation.



"Strategic Investment Advisory & Agency"

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

CHINA SNAPSHOT

Downshift of LPR for Property Mortgage

Home buyers across the country saw the first mortgage rate adjustment in 2023. On June 20, the central bank announced the latest Loan Market Offer Rate (LPR) was 3.55% for the one-year LPR and 4.2% for the five-year plus LPR. After this round of interest rate cuts, the 5-year mortgage rate has once again set a new low in nearly 20 years. The first mortgage rate in Shenzhen changed from 4.60% to 4.5% (new LPR + 30 basis points) after the rate cut. Calculated on the basis of a 3 million 30-year commercial loan, under the equal principal and interest repayment method, the monthly mortgage cost of home buyers dropped by RMB 178.77, and they paid RMB 64,400 less for a 30-year mortgage.

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- *Premium Assessment*
- *Temporary Waiver Application*

CHINA SNAPSHOT

Beijing: Conspicuous Residential Land Bidded with 15% of Premium

On June 16, Beijing sold three lands, among them, the X47R1 land in Jingkai District was the most conspicuous one. Under the stringent conditions of large volume and the requirement of constructing 53,000 sq.m. of residential units, the site still attracted 31 real estate developers to participate in the bidding. Eventually, Zhonggao Land, a state-owned enterprise from Nantong, Jiangsu Province, acquired the land by paying RMB 7.912 billion as well as fulfilling the requirement of building 53,000 sq.m. of houses. The accommodation value was around RMB 44,400/sq.m. which led to 15% of premium. This site is the first Beijing residential project of Zhonggao Land.

The purely residential land is located in Yizhuang Hexi District, the site area is about 7.74 hectares and the 2.3 plot ratio induces the building size of about 178,000 sq.m.. The area where the plot locates is a mature area in Yizhuang, which is expected to be a 10-minute walk from the metro station, and is surrounded by a number of core industrial parks, which is a scarcity. In the past two years, the supply of new homes in the Yizhuang sector has been concentrated in the Taihu and Majuqiao sectors. As for the Hexi plate, only one unrestricted residential land was launched in the market in 2020, which was taken by Zhonghai, priced at around RMB 70,000/sq.m. of housing. The other property next to it, Yizhuang Jinmao Mansion, is priced as high as RMB 100,000/sq.m..

In terms of price, the sales guide price of Lot X47R1 in Jingkai District is RMB 77,000/sq.m. for term housing and RMB 79,000/sq.m. for existing housing. Compared with the new housing projects in the immediate neighbourhood, the prices are basically the same and even lower than the listing prices of the neighbouring sub-new second-hand flats, thus the subject plot shows high attractiveness.

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- Compensation Claim Assessment
- Planning & Development Consultancy

CHINA SNAPSHOT

**Residential Price Index of Major Cities
(June 2023)**

City	Sample Average Price (RMB/sq.m.)	M-o-M Change (%)	City	Sample Average Price (RMB/sq.m.)	M-o-M Change(%)
Shanghai	51,171	0.05	Beijing	44,748	0.03
Chongqing	11,702	-0.18	Tianjin	14,919	0.01
Guangzhou	24,652	0.09	Shenzhen	53,722	-0.48
Nanjing	24,770	0.15	Hangzhou	29,443	-0.12
Chengdu	12,852	0.10	Wuhan	13,198	-0.10
Dalian	13,744	-0.02	Suzhou	18,400	-0.02
Xi'an	12,217	0.09	Xiamen	29,260	0.05
Ningbo	19,888	0.04	Changsha	9,528	0.04
Wuxi	14,265	-0.16	Dongguan	19,320	0.05
Shenyang	9,860	-0.02	Fuzhou	17,165	-0.02

Source: Fangtianxia Hundred City Price Index

Source: Fangtianxia Hundred City Price Index

CHINA SNAPSHOT

Major Land Transaction (July 2023)

Beijing- Logistic Land	
Transaction Date:	10-7-2023
Address:	Pinggu District Industrial Park Plot
Consideration:	RMB 309,470,000
Usage:	W1 Logistic
Site Area:	89,021 sq.m.
GFA:	106,825 sq.m.
Plot Ratio:	1.2
Accommodation Value/ GFA sq.m.	RMB 2,897

Shanghai- Residential Land	
Transaction Date:	11-7-2023
Address:	Shanghai Pilot Free Trade Zone Plot
Consideration:	RMB 830,000,000
Usage:	Residential
Site Area:	23,695 sq.m.
GFA:	59,237 sq.m.
Plot Ratio:	2.5
Accommodation Value/ GFA sq.m.	RMB 14,012

Guangzhou- B29 Commercial Land	
Transaction Date:	10-7-2023
Address:	Whampoa District Plot
Consideration:	RMB 28,790,000
Usage:	B29 Commercial
Site Area:	8,630 sq.m.
GFA:	6,904 sq.m.
Plot Ratio:	0.8
Accommodation Value/ GFA sq.m.	RMB 4,170

CONTACT



(852) 3408 3188

(852) 2730 6212

(852) 5307 9925 (Whatsapp)

EMAIL

info@rhl-int.com



WEBSITE

www.rhl-int.com



WECHAT

永利行評值



微信公众号
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