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PROPERTY MARKET EXPRESS 房地產市場快訊

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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

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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

Tung Chung East Station Tender: The Importance of Learning from a Failure

HONG KONG PROPERTY-MARKET WATCH

Tung Chung East Station Tender: The Importance of Learning from a Failure

The tender result for the project site of Phase 1 of MTR Tung Chung East station has come to a failure due to the receipt of zero tender document which has marked the poorest-reacted MTR residential development in the past decade since the last project without tender document received at Light Rail Tin Wing stop. Are the developers feeling pessimistic about the future local market?

As part of the MTR Tung Chung Line extension, Tung Chung East and Tung Chung West stations will be added onto the existing Tung Chung Line, anticipating to commence services in 2029. The whole development at Tung Chung East station will be evolved by phases with the area in final equipped with facilities including shopping, community and public transportation interchange, etc.. The unsuccessful tender of this site located at the opposite side of the station; proposed to allow for a maximum of 700,000 sq.ft. of domestic floor area or about 1,200 flats and 87,500 sq.ft. of shopping facilities.

Although it is now late to comment on this irreversible fact, the failure can somehow be predicted, depending on whether the empowered body can avoid the same to happen again beforehand.

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In 2023, tenders of 2 development sites or lands within the district had been failed, encompassing the MTR Oyster Bay station project early this year and the lately residential plot at Tung Chung Town Lot No.55. Despite the development to be erected above the Oyster Bay station (formerly-known as Siu Ho Wan station), the developer needs to pay for a HK\$1.2 billion fee as initial expenses and whether to be chosen by MTR depends on the dividend ratio among both sides while the developer is also responsible for the building of part of the podium, station facilities and depot, etc., and shopping arcade to be returned to the MTR after completion. All these conditions have stopped the developers moving their step forward. Meanwhile, the TCTL 55 is not close to the station and its scale of development has been hindered by the capacity of the sewage system, making the site risky for development proposal.

The same, this time, the Tung Chung East site is located on a reclaimed land, far from the city centre. Even daily community services will be provided in this new development area, the station needs to take 6 years to complete, the fastest. Without any established transportation and infrastructure network, developers entering the area now can only be the pioneer to open the land. Lacking any referencing market transaction in the area and high interest rates have put a development onto a risky position which let the developers hesitate to place a tender.

More importantly, the harshness of the terms in the tender have been a giant consideration to developers. The developer has to pay for an initial expenses of HK\$1.1 billion to and a favourable dividend ratio for the MTR; whilst the developer is also required to construct a vehicular access and return the shopping mall to MTR upon completion. All these terms are like those listed in the one for Oyster Bay station project.

In fact, the terms in a tender have always been crucial to the fate of a tender. The previous tender without any market action was the project at MTR Light Rail Tin Wing stop in Tin Shui Wai. The site had finally been tendered following 2 failures in 2013 and 2014. The success was ascribed to the relaxed tender terms modified by the MTR which excluded the payment for initial expenses, responsibility in relocating railway facilities and cancellation of dividends among parties. The consortium would be granted a right to develop only if it had offered a price higher than the premium itself. Meanwhile, the MTR has first ever added a buy-back terms in the tender, allowing it to acquire the whole project back at a cost of 1.6 times the market value to alleviate the risks of the developers.

By observing these we know that, neglecting the location of a site itself, the terms in a tender are key in partnering with a developer. Business is business, it is no doubt that either MTR or developers are targeting at making the biggest money. However, if the decision-making MTR wishes to enable any step forward of a project, it should be more open-minded to cooperate with developers.

In the conditions that after the 2 consecutive failures of tender at Tin Wing stop, if the MTR did not learn from this lesson, under the current conservative market atmosphere and without any tender conditions being modified, it is believed that no market action and tender document could happen again when Oyster Bay or Tung Chung East station project is to be launched for its second time in the future.



The simulated image of MTR Tung Chung East station.
(Source of Photo: MTR Tung Chung Line extension website)



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MARKET WATCH

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HONG KONG SNAPSHOTS

Land Premium Unit Rate in Yau Tong Back to the Level 11 Years Ago

A developer has lately completed the land exchange with the government and settled the land premium for a development site at Tung Yuen Street and Shung Yiu Street in Yau Tong, at a cost of more than HK\$1.346 billion. Based on the maximum floor area of about 659,900 sq.ft., the accommodation value for the site is about HK\$2,040/sq.ft., which is at least 60% down from the level 4 years ago recorded at the adjacent residential project.

The current exchanged site is Yau Tong Inland Lot No.46, occupying a site area of 132,000 sq.ft., where 5 domestic blocks providing 1,393 flats with other car parking spaces are expected to be constructed. Tracing back the information, a planning permission has been approved by the Town Planning Board before allowing a redevelopment in-situ at a plot ratio of 5 and each block is about 23 or 29 storeys.

The last site completed with land premium settlement in the district was the one next to the current one, dated back to 2019, it costed about HK\$5,283/sq.ft.. Comparing with another project settled in 2012 at Tung Yuen Street and Shung Tak Wai which was about HK\$2,200/sq.ft., the lately unit rate is even cheaper than that after 11 years.



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- Compensation Claim Assessment
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HONG KONG SNAPSHOTS

3-Storey Shop at HSH Kowloon Centre in Jordan Leased

A 3-storey shop of about 6,000 sq.ft. at basement, ground floor and first floor of HSH Kowloon Centre, No.192 Nathan Road, Jordan, has lately been let to a local restaurant at a rental of HK\$450,000 per month or a unit rent of HK\$75/sq.ft.. The rental level has been dropped by 80% after a decade.

As observed from the hoarding outside the shop, the new tenant is currently operating another restaurant at Nathan Road in Mong Kok. Situating at this conspicuous spot of Nathan Road and Austin Road, the highly-concentrated pedestrian flow has attracted the operator in final.

The premises has been tenanted to a local boutique since early 1990s at a monthly rental of HK\$750,000 and climbed to HK\$1.2 million per month in 2011. The highest level crowned to the shop was in July 2013 when a jewellery shop succeeded in offering a monthly rental of HK\$2.4 million to the owner. Afterwards with the happening of social events, the rental was reduced to HK\$2 million in 2015 and further been vacated in 2016.

In November 2016, another local boutique had also rented the shop at HK\$900,000 per month, and some short-term tenancies made later. In the past 2 years, the premises had been used by the owner of the building itself for first-hand properties sales.

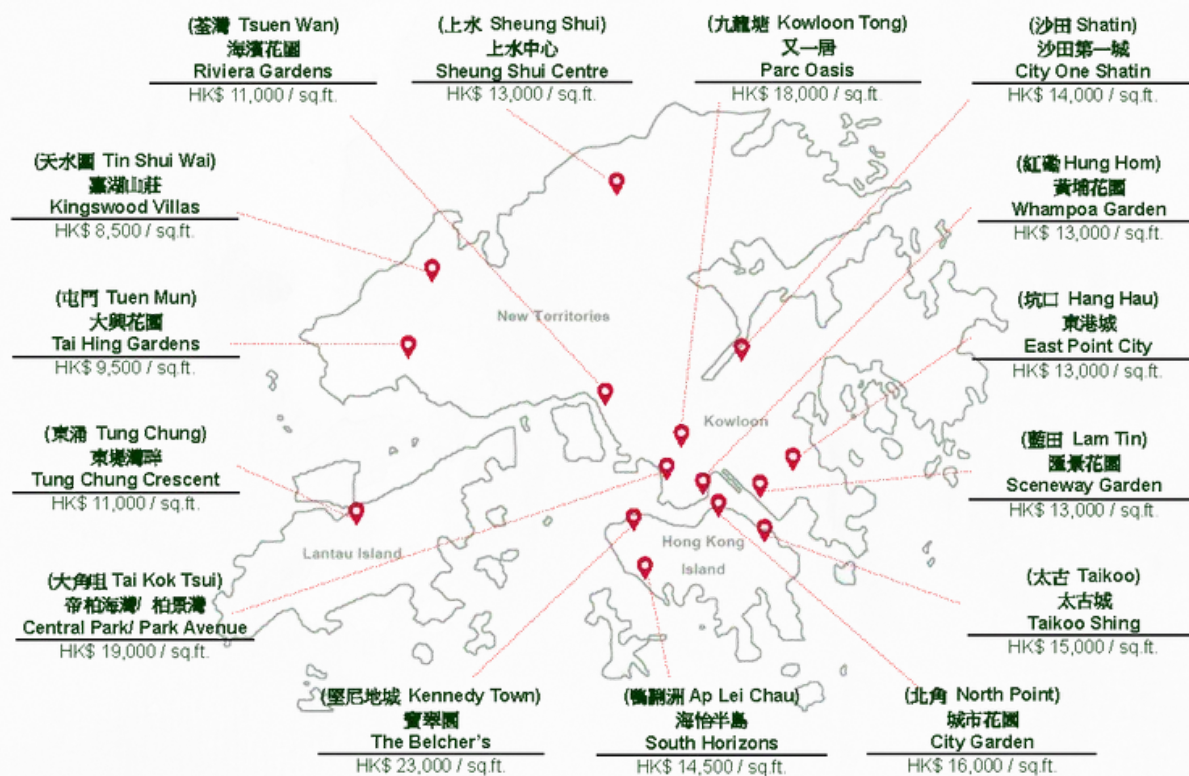
2 rental transactions lately revealed at Island Harbourview and Central Park of Olympic Station.



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- Premium Assessment
- Temporary Waiver Application

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

- **The Largest Legoland is going to launch in Shenzhen in 2024**
- **Underperformance of Real Estate Enterprises in Financing in 2023**
- **Residential Price Index of Major Cities (Oct 2023)**
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CHINA SNAPSHOT

The Largest Legoland is going to launch in Shenzhen in 2024

The largest Legoland Resort in the world is expected to open in Shenzhen in 2024. The construction site spans 584,000 sq.m in Dapend New District, Shenzhen, which includes a theme park, a water park as well as three supplementary hotels. The theme park is combined by 9 thematic zones and be able to provide more than 100 recreational facilities, theatre performances and tourist attractions. Legoland will integrate Chinese culture and contemporary technological innovations, which are dedicated to ushering in a new chapter of recreational experiences for families in the Greater Bay Area. Due to a potential increase in tourists, the demand for hotels and other hospitality real estate around Dapend New District is foreseen as prime investment alternatives as it may create cash flow for landlords. Dapend, as a new development zone in Shenzhen, may grab this opportunity to arouse both public and private sectors' attention in the allocation of more resources in developing the community.

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CHINA SNAPSHOT

Underperformance of Real Estate Enterprises in Financing in 2023

Due to the general depression in China's real estate market, more policies pinpointed in assisting private real estate enterprises in rational financing were implemented throughout 2023. For instance, issuing loans, bonds, and allotment of shares together with IPOs in both overseas and local areas were shored up by government policies. However, the overall financing performance for those enterprises was still sluggish. From January to August, the total financing amount of 80 property enterprises is RMB454.885 billion, which is 18.33% less on a year-to-year basis.

Under the haze of property crisis, financial institutions tended to support the financing process for those enterprises with state background or related to daily essentials industries so as to shy away from the latent risk. Thereby, only limited prime private estate corporations such as Dalian Wanda Commercial Properties Co together with Midea Real Estate Group were capable of issuing loans this year. The specifications of these groups were sharing homogeneities like steady and stable financial performance coupled with conglomerated style business modes. A sound corporate image is prone to gain market recognition while a group's business growth can accelerate the financing process for real estate. The favour of the capital market can construct a financial moat for the groups, which eventually constitutes a positive circulation.

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

CHINA SNAPSHOT

Residential Price Index of Major Cities (Oct 2023)

City	Sample Average Price (RMB/sq.m.)	M-o-M Change (%)	City	Sample Average Price (RMB/sq.m.)	M-o-M Change(%)
Shanghai	51,311	0.22	Beijing	44,886	0.11
Chongqing	11,636	-0.20	Tianjin	14,929	0.07
Guangzhou	24,633	0.02	Shenzhen	53,389	-0.12
Nanjing	24,844	0.25	Hangzhou	29,506	-0.07
Chengdu	12,922	0.28	Wuhan	13,207	0.20
Dalian	13,727	-0.21	Suzhou	18,447	0.03
Xi'an	12,296	0.21	Xiamen	29,308	0.13
Ningbo	19,937	-0.01	Changsha	9,540	0.21
Wuxi	14,260	0.02	Dongguan	19,289	0.17
Shenyang	9,813	-0.02	Fuzhou	17,118	-0.31

Source: Fangtianxia Hundred City Price Index

CHINA SNAPSHOT

Major Land Transaction (Oct 2023)

Beijing- R2 Residential & A61 Elderly Care Land	
Transaction Date:	31-10-2023
Address:	Fengtai District Plot
Consideration:	RMB 5,440,000,000
Usage:	R2 Residential & A61 Elderly Care Use
Site Area:	58,385 sq.m.
GFA:	124,684 sq.m.
Plot Ratio:	2.2
Accommodation Value/ GFA sq.m.	RMB 43,630

Tianjin- Commercial Land	
Transaction Date:	18-10-2023
Address:	Dongli District Plot
Consideration:	RMB 9,600,000
Usage:	Commercial Service Use
Site Area:	1,333 sq.m.
GFA:	1,333 sq.m.
Plot Ratio:	1
Accommodation Value/ GFA sq.m.	RMB 7,201

Ningbo- Industrial Land	
Transaction Date:	17-10-2023
Address:	Beilun District Plot
Consideration:	RMB 22,990,000
Usage:	Industrial Use
Site Area:	18,031 sq.m.
GFA:	10,819 sq.m.
Plot Ratio:	0.6
Accommodation Value/ GFA sq.m.	RMB 2,125

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