

RHL International

# Property Market Express

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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



# CONTENTS

## **Hong Kong Property-Market Watch**

- **The Disappeared Underground City** P.4-8

## **Hong Kong Snapshots**

- **Whole Block Hotel in Cheung Sha Wan Sold for HK\$220M** P.9
- **Self-Use Shop of Well-Known Japanese Restaurant in Hung Hom Sold with a Value Appreciation of 1.6 Times in 17 years** P.10

## **Latest Office Property Market Update** P.11-13

## **China Snapshot**

- **Beijing: RMB 450 Million Siheyuan Opened to Auction** P.15-16
- **‘Commodity Housing Trade In Scheme’ Proposed: Shanghai** P.17-18
- **Residential Price Index of Major Cities (Apr 2024)** P.19
- **Major Land Transaction (May 2024)** P.20-21



# **HONG KONG PROPERTY- MARKET WATCH**

## **The Disappeared Underground City**

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# HONG KONG PROPERTY-MARKET WATCH

## The Disappeared Underground City

The concept of underground shopping malls is not new. In Taipei and Japan, there are many large and small underground shopping streets, providing a convenient urban access and a comfortable shopping environment for citizens and tourists. However, in Hong Kong, where land is scarce but people and cars are many, underground shopping streets are extremely rare. Until the middle of last year, the first underground shopping street in the city was completed and opened in stages in Kai Tak. In fact, Hong Kong has always been developing at high altitudes, with few advocacy for underground development. In 2013, the government proposed the development of underground space and later selected multiple locations for pilot studies, yet, the only sound was the noise from the stairs. It was not until recently when the authorities responded to the Legislative Council that the underground space development was put on hold. What will be the future of the underground space in Hong Kong? Should we still strive to build underground city now?

The government proposed the development of underground space as early as the 2013 Policy Address, and subsequently selected Tsim Sha Tsui West (Kowloon Park), Causeway Bay and Happy Valley, and Admiralty/Wan Chai for pilot studies, and received funding from the Legislative Council to launch the "Pilot Study on Underground Space Development in Selected Strategic Urban Areas". When the study results were announced in 2019, it was recommended that priority should be given to the development of the underground space in Kowloon Park. The underground city accommodates 5 floors, of which 3 are basements and 2 are ground floors. The total floor area is 32,000 sq.ft., which is approximately one quarter of the Kowloon Park. The development was originally planned for an all-weather pedestrian passageway, community centre, public space, food and beverage retail facilities, parking facilities and loading and unloading facilities.

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At that time, the authorities predicted that the underground space project could be completed within 3 to 4 years if it can be carried out by a single phase, or within 6 to 7 years by phasing, and could also be included in the land supply plan for the next decade. However, in an earlier reply to the Legislative Council, the Development Bureau stated that due to the current market conditions and public fund expenditure control, it is not the right time to promote the project, and the underground city plan has therefore been suspended.



The imaginary image of the Kowloon  
Park Underground Space Development.  
(Source of Photo: Online Photo)

Although it is indeed disappointing that the underground city plan has not been implemented, considering the current general environment in Hong Kong, it is understandable from an economic point of view that the plan will not continue for the time being. Affected by the epidemic and local residents choosing to leave Hong Kong for consumption, Hong Kong's tourism and retail industries are getting less vibrant than before.

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Even after the epidemic and its immigration control have passed, coupled with political reasons, in addition to the support from the number of mainland tourists visiting Hong Kong, the number of foreign tourists arriving Hong Kong is still lower than before. Nowadays, whether you are walking on the streets or in shopping malls, you can easily find vacant shops with signboards of "Shop for Lease for Sale". The bustling business situation of the past is no longer the case.

As we all know, the cost of excavation projects is extremely high. With the current high vacancy rate of commercial properties, the overall economic benefit of the underground space development is expected to be low. Facing the uncertain business outlook, the future demand for commercial land is still difficult to grasp. Under a fiscal deficit of hundreds of billions, it is undoubtedly for the authorities becoming conservative in infrastructure investment and reprioritizing projects as a fiscally responsible step for Hong Kong.

Nonetheless, from a community perspective, there is a lack of land resources in urban areas, especially in the long-developed Yau Tsim Mong District. Old buildings are standing nearby and there are not many areas that can be newly-built. Underground space may provide new space for the existing facilities to be moved in to free up urban space. As for the local social welfare facilities and parking space supply that have not been able to fully meet the demand, the current suspension of the project will indeed hinder the development of the community and the improvement of public interests. If the authorities fail to re-promote the plan in the short term, they should also actively provide alternatives to support social development.

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At the same time, even if it is not the right moment to launch the plan, the authorities can still take precautions, review all opinions and plans, and re-launch the plan at the appropriate time, so that the community can continue to develop and increase Hong Kong's mid- to long-term land supply. We believe that after the economy takes off to a certain extent, the underground space development plan is still feasible.



Multiple entrances and exits will be opened for the Kowloon Park Underground Space Development.  
(Source of Photo: Consultation Summary of Phase 2 of "Pilot Study on Underground Space Development in Selected Strategic Urban Areas")



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MARKET WATCH

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## HONG KONG SNAPSHOTS

### Whole Block Hotel in Cheung Sha Wan Sold for HK\$220M

According to media reports, the "Hotel Ease Access · Lai Chi Kok" in Cheung Sha Wan was recently sold for HK\$220 million, with an average room price of HK\$1.85 million. Based on the total floor area of approximately 38,700 sq.ft., the transaction price per floor area was about HK\$5,676/sq.ft.. The hotel was launched for sale as early as June 2023, with a market value of nearly HK\$410 million at that time.

The hotel is located at No.42A Wing Hong Street in Cheung Sha Wan. It was formerly the 21-storey Focus Commercial Building completed in 1997. The renovation project completed in 2022, providing 119 guest rooms, 3 private car parking spaces and 1 loading and unloading facility. The building covers a site area of 3,540 sq.ft. and has a total floor area of 38,762 sq.ft..

Tracing the Land Register, the original owner acquired the building for HK\$218 million in June 2012, and converted it into a hotel which opened in 2022. This transaction includes hotel decoration and furniture for sale. The new buyer need not spend additional capital on renovation before it can be put into operation. After deducting the modification costs, etc., the original owner left the market at a loss.



"Hotel Ease Access·Lai Chi Kok" in Cheung Sha Wan was formerly a commercial building before conversion.  
(Source of Photo: RHL Photo Base)

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## HONG KONG SNAPSHOTS

### Self-Use Shop of Well-Known Japanese Restaurant in Hung Hom Sold with a Value Appreciation of 1.6 Times in 17 years

A famous Japanese restaurant in Sung Kit Street in Hung Hom, which has been in business for nearly 30 years, had lately disposed one of its premises for HK\$8.2 million in April, with an appreciation of HK\$5.05 million for about 17 years.

The above-mentioned shop is Shop No.68 on ground floor of Nos.9- 105 Sung Kit Street. With a saleable area of 531 sq.ft., the average unit rate is HK\$15,443/sq.ft.. The shop was originally let by this restaurant 20 years ago and subsequently purchased and self-used since May 2007 at a price of HK\$3.15 million. Following a 17-year ownership, the value of the premises was up by HK\$5.05 million or increased by 1.6 time.

According to media reports, the 9 self-used shop premises at Sung Kit Street owned by the same restaurant have been put onto the market for sale in June 2022, at an asking price of HK\$130 million in total.



This Japanese restaurant has been owning several shop premises along the same street for decades. The one lately sold was a corner shop.  
(Source of Photo: RHL Photo Base)

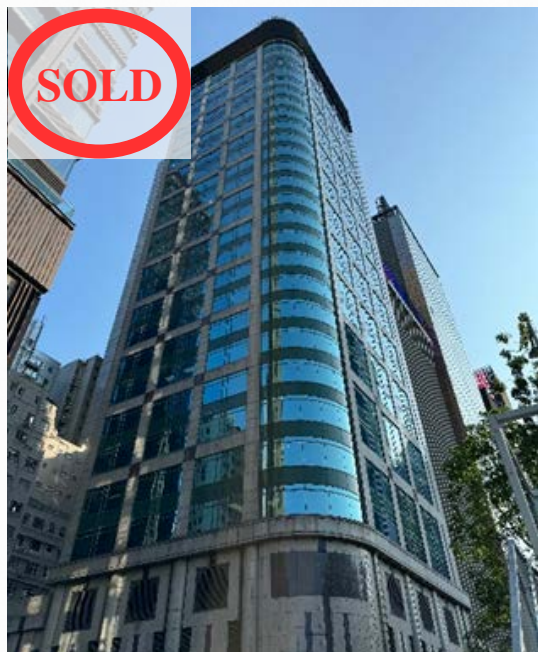
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# Latest Office Property Market Update

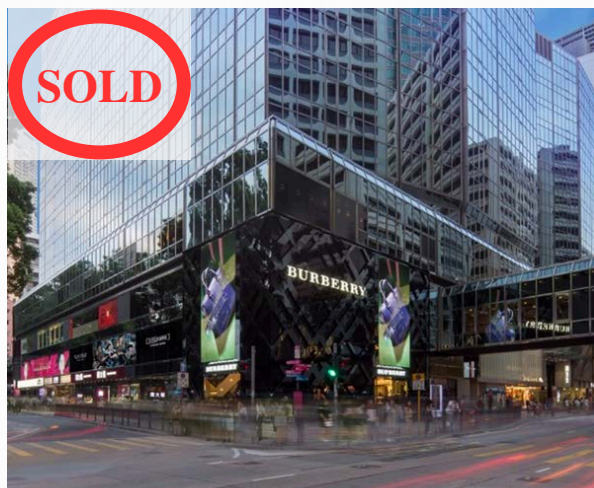
*Office Property Purchase and Rental Transactions in the Market*

## Wan Chai



Address:	13/F, The Sun's Group Centre, No.200 Gloucester Road, Wan Chai
Transaction Price: (at February 2024)	HK\$104.9096 million
Saleable Area:	5,060 sq.ft.
Unit Rate in Saleable Area:	HK\$20,733/sq.ft.
Last Transaction as at December 2017	
Price Change from Last Transaction:	-33.3%
Overall Market Change from Last Transaction:	-16.7% (Grade A Private Offices- Price Index by RVD)

## Tsim Sha Tsui



Address:	Office No.609, 6/F, Tower 1, Silvercord, No.30 Canton Road, Tsim Sha Tsui
Transaction Price: (at March 2024)	HK\$16 million
Saleable Area:	1,175 sq.ft.
Unit Rate in Saleable Area:	HK\$13,617/sq.ft.
Last Transaction as at September 1999	
Price Change from Last Transaction:	+251.1%
Overall Market Change from Last Transaction:	+300.8% (Grade A Private Offices- Price Index by RVD)

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# Latest Office Property Market Update

*Office Property Purchase and Rental Transactions in the Market*

## Admiralty



Address:	Offices 1-3, 5-7 and 18-22, 11/F, Bank of America Tower, No.12 Harcourt Road, Admiralty
Monthly Rental from February 2024:	HK\$371,430
Saleable Area:	5,308 sq.ft.
Unit Rental in Saleable Area:	HK\$70.0/sq.ft.
Last Tenancy since February 2022	
Rental Compared with Last Tenancy:	+2.3%
Overall Market Change from Last Tenancy:	-4.2% (Grade A Private Offices- Rental Index by RVD)

## Kwun Tong



Address:	Unit Nos.1-3 on 11/F and CPS Nos. P37- P43, One Harbour Square, No.181 Hoi Bun Road, Kwun Tong
Monthly Rental from February 2024:	HK\$497,880
Saleable Area:	11,278 sq.ft.
Unit Rental in Saleable Area:	HK\$44.2/sq.ft.
Last Tenancy since February 2015	
Rental Compared with Last Tenancy:	-9.6%
Overall Market Change from Last Tenancy:	+0.3% (Grade A Private Offices- Rental Index by RVD)

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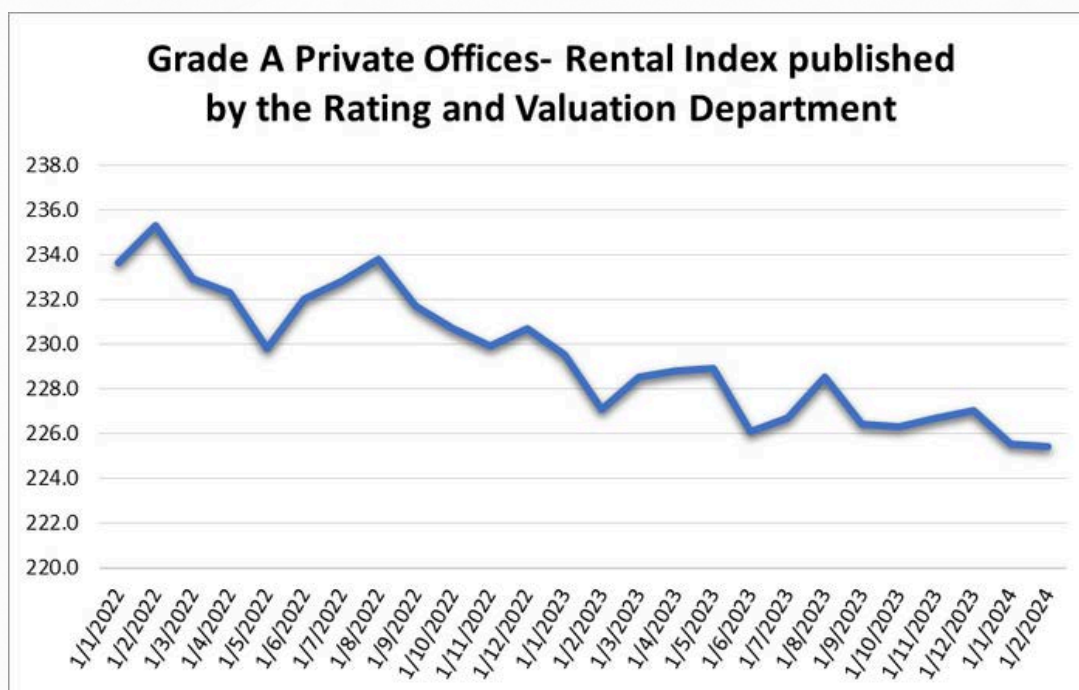
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# Latest Office Property Market Update

## *Office Property Purchase and Rental Transactions in the Market*

Statistics on Office Property Transaction Registered by the Land Registry	
Total Registered Transaction Volume in 2023 Q4	149
Volume of Registered Transaction in 2024 Q1	129
Transaction Value of Office Property in April	About HK\$601 million
Transaction Value of Office Property in March	About HK\$548 million
Monthly Change in Transaction Value	+9.7%
Source of Information: Land Registry and Centaline Property Market Big Data	

Hong Kong's economy is still facing uncertainties, although the pace of new office tower supply is slowing down last year, the overall market intake is diminishing at the same time. "Hong Kong Property Review 2024" published by the Rating and Valuation Department ("RVD") unveils that, the general vacancy rate of all grades office has hit 14.9% while the rate for Grade A office has even reached 17.3%. Meanwhile, the statistics by the Land Registry showed that, the transaction value of office in April was slightly increased by 4.7%. According to the Grade A Private Offices Rental Index published by RVD, the latest index has dropped to the lowest level of 225.4 and price index continues to fall. We anticipate that, with the relative sufficient supply of Grade A office, and more corporations tend to cut the office space under the hybrid working model, the rental level could be hard to rebound shortly.



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## **CHINA SNAPSHOT**

- **Beijing: RMB 450 Million Siheyuan Opened to Auction**
- **‘Commodity Housing Trade In Scheme’ Proposed: Shanghai**
- **Residential Price Index of Major Cities (Apr 2024)**
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## CHINA SNAPSHOT

### Beijing: RMB 450 Million Siheyuan Opened to Auction

In late April, a royal Siheyuan (courtyard house built in the Qing Dynasty) in Beijing was rarely put on the legislation auction platform as the owners of this rare asset being enforced to sell out by the Xiamen Court. The auction of this premise was related to a notarized debt document enforcement case. The parties subject to execution including two companies, one of which was the owner of this Siheyuan. This prime asset was treated as the collateral to gain a RMB 160 million loan from a bank in September 2018.

The Siheyuan was appraised with a market value of RMB 530 million by China Institute of Real Estate Appraisers and Agents. According to the law, the asset would be auctioned with 15% off of the market value, which was RMB 450 million as the starting and reserved price. According to the reserved price, the Accommodation Value will be RMB 26,952 per sq.m..

The subject Siheyuan is placed at No.28 Dianmen West Street, Xicheng District in Beijing. It is close to Beihai Park as well as Shichahai, which is defined as a supreme prime with high scarcity in Xicheng District, Zone 2, Beijing. The total GFA is 16,696.1 sq.m. and the site area is 6,285.76 sq.m.. The plot is classified as commercial use which is specific in entertainment and dietary use with land expiry on 30th October 2036. However, it was believed that the estate was utilized as a residential house in the past and some unauthorized structures might have been constructed. Although the current use and the physical structures might have potential differences with the registered real estate certificate, the buyers should strictly obey related regulations.

To perform valuation for Siheyuan, 4 specific elements are taken into account as they are distinct from the conventional residential assets. First, the traditional deluxe region including the Dongsi area in Dongcheng District, the Qianmen area and Shichahai area of Xicheng District that have strong prestigious background and high connection with the royal family in the past. The Siheyuan that built outside these areas are failed to share the same high value and they may be only considered as villas in valuation.

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Second, the layout and Feng Shui design also affect the value of a Siheyuan. The authentic Siheyuan faces south and the gate is situated in the southeast corner of the courtyard. Also, the entrance should have a shadow wall while the land size is preferably rectangular or square layout.

Third, the more famous or prestigious families or celebrities like the ancient ministers or the relatives of the 'Eight Banners' in the Qing Dynasty lived at the Siheyuan before, the higher the value was considered. As the buyers of this kind of property are usually tycoons, plutocrats or superstars, they are prone to pay more for the fame that come with the assets themselves. Thus, the special value will be one of the premium.

Lastly, privacy is another concern in the valuation of Siheyuan. It would be ideal if the Siheyuans were clustered together, while no other high-rise skyscrapers are located in proximity, otherwise people on high storeys inside the buildings can observe the details and lives of the people living inside the Siheyuans. The style, urban planning and design of the surrounding neighbourhood can be one of the crucial factors contributing to the value of this sumptuous courtyard.



The Siheyuan opened to auction in Beijing.  
(Source of Photo: Online Photo)

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## CHINA SNAPSHOT

### ‘Commodity Housing Trade In Scheme’ Proposed: Shanghai

On May 3, the Shanghai Real Estate Industry Council and Shanghai Real Estate Estate Broker Trade Association proposed the scheme of ‘Commodity Housing Trade In’, targeting helping the residents who plan to sell out their second-hand properties and hence purchase new homes.

According to the procedures of this scheme, the residents should first confirm their willingness to purchase new homes, simultaneously, brokers will prioritize their original old houses on the selling list by more promotion. After the transaction of old homes, the new estates will be exchanged by paying the extra premium, which follows the terms on the contracts signed. If within a certain period, the sale of old homes encounters failure, residents enjoy the refund of premium and return of old homes unconditionally.

A lot of industry experts agreed that in the short run, the scheme of ‘Commodity Housing Trade In’ is beneficial to the marketability of first and second-hand residential properties. The tons of first-hand house stock can be digested at a higher pace while the increase of second-hand house stock can be one of the means to provide low-rent housing, affordable housing and public rental housing. This plan pinpoints to stimulate the housing market and boost up the economy circulation.

This scheme was proposed and implemented in other cities including Suzhou, Ningbo, Zhengzhou and Shenyang etc. in similar ways. For instance, in Zhengzhou and Lianyungang, the developers or state-owned enterprises choose suitable new house stocks and directly purchase old homes from the residents. The value of the old home can become part of the payment for the new house. The developers will sell those second-hand premises by themselves, rent them out or turn them into staff accommodation. The favourable news after the announcement of the scheme in Ningbo had embodied the use of it. Within a week after the announcement, the volumes of second-hand transactions uplifted by 15% on a month-to-month basis. The new houses preparation cases climbed 20% meanwhile.

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Shanghai, as one the most remarkable metropolitan which joined the scheme and acted as one of the trial sites, is foreseen that more cities will follow. The real estate markets may face another wave which may change the current housing and economic dynamics.

Despite this scheme is classified as a way to promote the transaction of houses, accelerate urban development, improve residents' living quality together with tackle the financial risks for developers who own a high volume of housing stock, some evident obstacles are still waiting to be managed. Reasonability and fairness in the valuation of old houses are required to ensure. The time gap between the exchanges shall be shortened to lower the difficulties for the residents.



Shanghai, as one the most remarkable metropolitan which joined the scheme and acted as one of the trial sites, is foreseen that more cities will follow.  
(Source of Photo: Online Photo)

## CHINA SNAPSHOT

### Residential Price Index of Major Cities (Apr 2024)

City	Sample Average Price (RMB/sq.m.)	M-o-M Change (%)	City	Sample Average Price (RMB/sq.m.)	M-o-M Change(%)
Shanghai	52,677	0.71	Beijing	45,489	0.51
Chongqing	11,648	-0.10	Tianjin	15,103	-0.01
Guangzhou	24,692	-0.06	Shenzhen	53,186	0.52
Nanjing	25,208	0.41	Hangzhou	30,074	0.04
Chengdu	13,364	0.60	Wuhan	13,215	-0.02
Dalian	13,547	-0.05	Suzhou	18,572	-0.18
Xi'an	12,532	0.62	Xiamen	29,157	0.03
Ningbo	20,139	0.09	Changsha	9,629	-0.29
Wuxi	14,342	0.00	Dongguan	19,271	-0.04
Shenyang	9,795	-0.01	Fuzhou	17,135	0.11

Source: Fangtianxia Hundred City Price Index

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## CHINA SNAPSHOT

### Major Land Transaction (May 2024)

Tianjin- Industrial Land	
Transaction Date:	15-5-2024
Address:	Dongli District, Tianjin
Consideration:	RMB 77,400,000
Usage:	Industrial Land
Site Area:	72,060 sq.m.
GFA:	79,266 sq.m.
Plot Ratio:	1.1
Accommodation Value/ GFA sq.m.	RMB 976

Hangzhou- Residential and Commercial Land	
Transaction Date:	14-5-2024
Address:	Qiantang District Plot, Hangzhou
Consideration:	RMB 1,900,380,000
Usage:	Residential and Commercial Land
Site Area:	97,188 sq.m.
GFA:	98,160 sq.m.
Plot Ratio:	1.01
Accommodation Value/ GFA sq.m.	RMB 19,360

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## CHINA SNAPSHOT

### Major Land Transaction (May 2024)

Changsha- Residential Land	
Transaction Date:	14-5-2024
Address:	Yuhua District Plot, Changsha
Consideration:	RMB 831,450,000
Usage:	R2 Residential Land
Site Area:	33,004 sq.m.
GFA:	113,203 sq.m.
Plot Ratio:	3.43
Accommodation Value/ GFA sq.m.	RMB 7,345



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