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HONG KONG PROPERTY
香港物業市場透視

MAINLAND CHINA PROPERTY
中國內地物業市場透視

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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

Relaxation of MIP to Get Through the Hard Times Together

HONG KONG PROPERTY-MARKET WATCH

Relaxation of MIP to Get Through the Hard Times Together

A new arrangement under the Mortgage Insurance Programme (MIP) has been put in place from 8 August 2024 by HKMC Insurance Limited (HKMCI) to approve on a case-by-case basis eligible homeowners' applications for renting out their self-occupied properties, so as to help them meet their special needs arising from changes in personal or family circumstances.

A homeowner may apply, through a bank, for waiver of the owner occupancy requirement under the MIP to rent out their property if the homeowner's family is expecting newborn(s) or adopting child(ren), resulting in a change in housing needs; the homeowner has become unemployed and requires more flexible housing or financial arrangements; or the homeowner has other special needs to rent out the property, and has been residing in the relevant property for not less than 12 months.

With reference to the announcement of HKMCI, a homeowner making an application must submit a signed undertaking and provide relevant proof or explanation for the request to waive the owner occupancy requirement. In general, applications from homeowners who possess other residential properties in Hong Kong other than their MIP properties will not be accepted. As regards homeowners whose applications are approved, they will be subject to undertakings that so long as the waiver is in effect, they should primarily reside in Hong Kong; and that they and their spouses or cohabitants who are also obligors under the MIP (if any) should not purchase any additional residential properties in the city.

HKMCI hoped that the above-mentioned new arrangement can assist those with special needs. The owner occupancy requirement remains a key eligibility criterion of the MIP. If a homeowner is found renting out the property without prior approval, the HKMCI will take appropriate action.

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From the writer's point of view, it is good to give homeowner assistance and choice by providing flexibility and discretion in response to sudden changes and substantive special needs of owners or families itself.

In addition to the financial situation of individual owners such as unemployment, including the need to switch to a larger unit due to the birth of a new baby in the owner's family, some different needs arise. Under the current situation, it is not easy to sell the current residence for a flat due to the falling property prices. In fact, looking at the data from the Hong Kong Monetary Authority, in the first quarter of this year, there were more than 30,000 residential mortgages with negative equity. Among properties with negative equity, mortgage cases are also the main ones. The loan-to-value ratio of such loans is generally higher. It is believed that with the current downward trend in property prices, it is difficult for this type of owners to sell their units for family needs. The new arrangement shall allow owners in need to rent out their current units first and rent a more suitable unit afterwards, provide an appropriate assistance.



In addition to the financial situation of individual owners such as unemployment, the need to switch to a larger unit due to the birth of a new baby in the owner's family is included in the new arrangement.

(Source of Photo: HKHA)

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At the same time, relevant measures can also bring relief to unemployed property owners' housing supply pressure. However, since property owners who take out mortgages generally live in their homes, unless they face the above three situations, there shall not be an immediate increase in rental housing supply. Furthermore, with the current unemployment rate in Hong Kong being only 3%, we believe that not many mortgage owners would rent out their self-occupying properties due to unemployment.

No matter what, Hong Kong's property market and economic activities have not been as vivid as before since the epidemic. Now, it is hoped that the new arrangement of the mortgage insurance will allow property owners to tide over the difficulties together.



CALVIN PANG
WRITER - HONG KONG
MARKET WATCH

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HONG KONG SNAPSHOTS

Ownership Unified at Ha Lung Industrial Building for HK\$728 Million: Wong Chuk Hang

Ha Lung Industrial Building at No. 52 Wong Chuk Hang Road had earlier gone through a compulsory auction process, and the developer finally unified the ownership of the building at a reserve price of HK\$728 million successfully. The developer applied for this compulsory sale of the property in 2022 with the court order received in June this year.

The property is currently a 13-storey factory building. Completed as early as 1971, the building is about 53 years old. The project site occupies an area of 7,830 sq.ft.. If it is to be redeveloped with a plot ratio of about 15 times, a maximum total of about 117,500 sq.ft. floor area shall be provided.



The property is currently a 13-storey factory building.
(Source of Photo: Online Photo)

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HONG KONG SNAPSHOTS

First-Hand Purchased Property Sold at a Loss of HK\$1.66 Million at Lions Rise: Wong Tai Sin

The unclear trend of property market pushes some foreign buyers selling their units and leaving the market. A 4-bedroom unit at Lions Rise in Wong Tai Sin was sold earlier for HK\$18 million, with a unit rate of HK\$18,484/sq.ft., which is relatively high in the same development. However, the original owner acquired the unit first-hand as early as 2012, and now leaving the market with a loss of HK\$1.66 million, or a depreciation by 8.4%.

This 4-bedroom with 2 ensuite Unit D is on the high-level of Tower 2, with a saleable area of 978 sq.ft., facing south. According to reports, the original owner is a mainlander and decided to put the property up for sale at a price of HK\$20 million as he was unclear about Hong Kong's market outlook. With the negotiated price accepted, the property was sold at HK\$18 million, equivalent to a unit rate of HK\$18,484/sq.ft..



This 4-bedroom with 2 ensuite is on the high-level of Tower 2, with a saleable area of 978 sq.ft., facing south.

(Source of Photo: Online Photo)

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Latest Office Property Market Update

Office Property Purchase and Rental Transactions in the Market

Admiralty



Address:	Unit 9, 37/F, Tower 2, Lippo Centre, No.89 Queensway, Admiralty
Transaction Price: (at June 2024)	HK\$40.1 million
Saleable Area:	1,760 sq.ft.
Unit Rate in Saleable Area:	HK\$22,784/sq.ft.
Last Transaction as at June 2009	
Price Change from Last Transaction:	+51.9%
Overall Market Change from Last Transaction:	+91.9% (Grade A Private Offices- Price Index by RVD)

Tsim Sha Tsui



Address:	Unit 11, 5/F, Concordia Plaza, No.1 Science Museum Road, Tsim Sha Tsui
Transaction Price: (at July 2024)	HK\$24.735 million
Saleable Area:	1,166 sq.ft.
Unit Rate in Saleable Area:	HK\$21,214/sq.ft.
Last Transaction as at December 1999	
Price Change from Last Transaction:	+368.7%
Overall Market Change from Last Transaction:	+274.4% (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

Causeway Bay



Address:	Office No.1805, 18/F, Island Centre, No.1 Great George Street, Causeway Bay
Monthly Rental from September 2024:	HK\$26,500
Saleable Area:	588 sq.ft.
Unit Rental in Saleable Area:	HK\$45.1/sq.ft.

Kwun Tong



Address:	Office D, 30/F, Legend Tower, No.7 Shing Yip Street, Kwun Tong
Monthly Rental from February 2024:	HK\$61,094
Saleable Area:	1,832 sq.ft.
Unit Rental in Saleable Area:	HK\$33.3/sq.ft.

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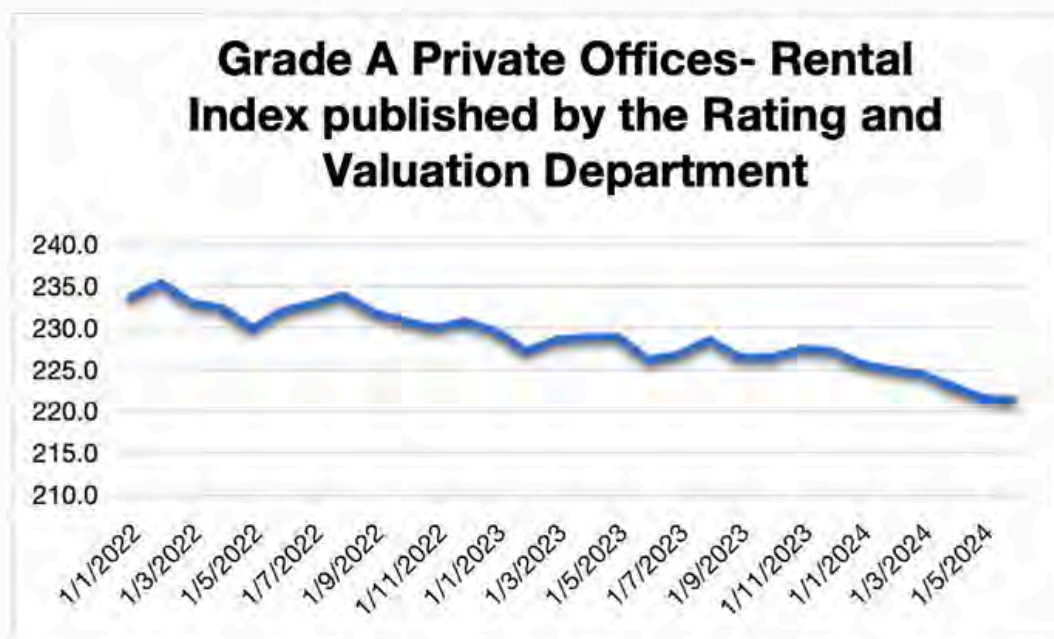
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Latest Office Property Market Update

Office Property Purchase and Rental Transactions in the Market

Statistics on Office Property Transaction Registered by the Land Registry	
Total Registered Transaction Volume in 2024 Q1	129
Volume of Registered Transaction in 2024 Q2	173
Transaction Value of Office Property in June	About HK\$1.01 billion
Transaction Value of Office Property in May	About HK\$1.808 billion
Monthly Change in Transaction Value	-44.1%
Source of Information: Land Registry and Centaline Property Market Big Data	

Summarizing the market statistics from the Land Registry and Centaline Property Market Big Data, although the transaction volume and value of the office property have been increased in Q2 of this year, the rental is continuing its fall. According to the Grade A Private Offices Rental Index published by the Rating and Valuation Department (“RVD”), the latest index has dropped to the lowest point of 221.3, lower than the lowest level in June 2014 while the price index has fallen to below the lowest point in the end of 2012. We anticipate that, with the relative sufficient supply of Grade A office and fewer demands than before, the rental level could be hard to rebound shortly.



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MAINLAND CHINA SNAPSHOT

- **Potential Concerns in buying the ‘Commodity Flats and Apartment’ Bundles**
- **Shanghai : Sold Out of Luxury Flats along the Bund**
- **Residential Price Index of Major Cities (July 2024)**
- **Major Land Transaction (August 2024)**

MAINLAND CHINA SNAPSHOT

Potential Concerns in buying the ‘Commodity Flats and Apartment’ Bundles

Around late of July 2024, one of the giants among China Real Estate Developers, Vanke Group, launched a new sale scheme for its new residential development in Dongguan. The scheme is stunning if the buyer purchases a commodity residential flat in Dongguan with a size 140 sq.m. or more, an apartment in Twin-Moon Bay Resort, Huizhou will be named as a ‘gift’ with no ‘cost’ to the buyer. In fact, the two properties will literally become a package and are bound to sell to buyers.

Under the gloomy economy and over-supply in real estate markets particularly in the types of residential flats together with apartment buildings, most of the developers hope to clear their stocks by not only lowering their profit margin via the means of offering discounts, selling apartments with decent fit-outs, furniture, car parking spaces or offering zero management fee for few years to the buyers, but also binding their properties in different developments as bundles to attract more customers while accelerating the speed in inventory clearing.

For all intents and purposes, this ‘bundle deal’ sale strategy brings more pros than cons to the developers, though their profit margin will be compressed sharply, or the net sale income is almost equivalent to the total investment cost, their cost of stock holding will be reduced. As property development must involve a leverage process, the longer time for keeping assets without a sale revenue refund, the higher the finance cost will increase on a compound basis which can bring a crisis to a firm’s cash flow. Meanwhile, the unit rate of the residential flats themselves can be maintained at an ideal level, as the transaction prices of the residential flats fail to show the amortized unit rate after including the cost of the apartments in the package. It will create a seemingly better prospect for the property market of that region, which can support the future valuation and asking price for the upcoming sale of residential flats. Meanwhile, the bundle with generally higher total prices can increase the gross profit of the firm as well and the clearing of stock can minimize the debt ratio, which is beneficial to those listed enterprises’ stock prices and investors’ confidence.

However, to the ‘bundle’ buyers, the deal may not be a financially consummate plan as traps may be set implicitly. For instance, the tenure of the ‘gift’, apartment may be vague as it may not yet obtain the occupation permits or preselling licenses that are granted by the government. The land expiry of the

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apartment is only 50 years which is less than commodity flat. The apartment may experience a long time of holding and construction period, which induces the remaining year for the leasehold lessening. It is known that the time closer to the land expiry, the depreciation rate for the tenure will further speed up, which creates a steeper downward-sloping curve in valuation than the commodity flats. Also, the building's architectural quality, construction material or fitting out standard can have different levels of defects.

Moreover, locations can be another concern, like in the case of an apartment in Twin-Moon Bay Resort, Huizhou, which is a relatively remote area with limited working opportunities and population. This will negatively influence its market value. If for investment purposes, the vacancy rate is expected to be high. The demand is active only during summer because of the natural scenery and beaches nearby. Lastly, owning two properties implies paying two terms of management fee and tax etc. which produce higher costs in the long run.

Thus, paying the generally higher unit rates of that bundles than the overall market should not be the best option for buyers, especially since the gift 'apartment' may potentially carry a certain level of concerns in legal, building quality, valuation and financial aspects. Buyers are recommended to be rational before signing the contracts and even committing due diligence by themselves or professionals like lawyers. In a nutshell, this kind of sale strategy undoubtedly stimulates the transaction and bolsters the property market to prevent a further downward trend. Buyers may enjoy the benefit of obtaining an apartment for leisure use or investment purposes at a relatively lower cost. After reducing the actual market value of the commodity flat from the total price of the package, the investment yield shall be impressive compared to the general way of purchasing an apartment.



If the buyer purchases a commodity residential flat in Dongguan with a size 140 sq.m. or more, an apartment in Twin-Moon Bay Resort, Huizhou will be named as a 'gift' with no 'cost' to him.
(Source of Photo: Online Photo)

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Shanghai : Sold Out of Luxury Flats along the Bund

On August 18, under the fatigue property market condition, it was astonishing that one of the high-raised luxury residential developments in Shanghai fulfilled an extraordinary sale volume, 100% of commodity flats were sold out even though it was the secondary time of open market sale for this development achieved around RMB 5.7 billion in sale volume. The aggregated sale volume of 2 rounds was up to RMB 15.6 billion.

The development, 'One, The Bund' is the main project of Sunac China Holdings Limited in 2024. Based on the prime location along the Bund in Shanghai and the landmarked architectural look of this 130-meter-high residential skyscraper, it was expected the demand would be relatively high before the opening of the sale. Most of the buyers are attracted by the 270-degree landscape perspective that offers the river and urban city line view of Shanghai.

From this Shanghai residential case, it can be observed that buyers are still willing to pay and compete for high-quality and luxurious real estate located in prime locations of the tier-one metropolitans. One of the essential factors driving the high demand is scarcity. Similar residential developments are difficult to find on secondary hand markets as the wealthy class does not treat the estates as living places only but also the prestigious image brought along with them. Thus, at the current age, developers are still passionate about bidding some lots with excellent locations, high plot ratios and large sizes even paying premiums as the sale outcomes are predicted like this Shanghai development.



Under the fatigue property market condition, it was astonishing that 'One, The Bund' in Shanghai fulfilled an extraordinary sale volume
(Source of Photo: Onine Photo)

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MAINLAND CHINA SNAPSHOT

Residential Price Index of Major Cities (July 2024)

City	Sample Average Price (RMB/sq.m.)	M-o-M Change (%)	City	Sample Average Price (RMB/sq.m.)	M-o-M Change(%)
Shanghai	53,364	0.39	Beijing	45,646	0.36
Chongqing	11,672	-0.06	Tianjin	15,173	0.11
Guangzhou	24,771	0.01	Shenzhen	53,288	0.33
Nanjing	25,252	0.26	Hangzhou	30,201	0.14
Chengdu	13,479	0.16	Wuhan	13,289	0.26
Dalian	13,650	0.04	Suzhou	18,700	0.14
Xi'an	12,713	0.23	Xiamen	29,291	-0.04
Ningbo	20,270	-0.02	Changsha	9,607	-0.38
Wuxi	14,370	-0.01	Dongguan	19,261	0.27
Shenyang	9,806	0.04	Fuzhou	17,284	0.11

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Major Land Transaction (August 2024)

Suzhou- Residential Land	
Transaction Date:	16-08-2024
Address:	South Turnip Avenue and East Ting Yuen Street, Industrial Park, Suzhou
Consideration:	RMB 133,890,000
Usage:	R2 Residential Land
Site Area:	27,892 sq.m.
GFA:	44,627 sq.m.
Plot Ratio:	1.6
Accommodation Value/ GFA sq.m.	RMB 3,000

Shanghai- Commercial Land	
Transaction Date:	08-08-2024
Address:	Lot B1-04, Unit N12-0401, Songnan Community, Baoshan District, Shanghai
Consideration:	RMB 499,030,000
Usage:	Commercial Land
Site Area:	24,788 sq.m.
GFA:	69,406 sq.m.
Plot Ratio:	2.8
Accommodation Value/ GFA sq.m.	RMB 7,190

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MAINLAND CHINA SNAPSHOT

Major Land Transaction (August 2024)

Shanghai- Industrial Land	
Transaction Date:	31-07-2024
Address:	Lots 17-19, Fengxian City Industrial Comprehensive Development Zone, Fengxian District, Shanghai
Consideration:	RMB 18,300,000
Usage:	Industrial Land
Site Area:	12,194 sq.m.
GFA:	24,388 sq.m.
Plot Ratio:	2
Accommodation Value/ GFA sq.m.	RMB 750

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