

RHL International

Property Market Express 房地產市場快訊

NOV 2024

ISSUE NO.287



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.

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- 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

Second-Hand Market under the Domination of First-Hand Properties

HONG KONG PROPERTY-MARKET WATCH

Second-Hand Market under the Domination of First-Hand Properties

Chief Executive John Lee recently announced his third Policy Address during his tenure. In addition to many housing-related policies, it also includes a number of measures related to the property market, such as relaxing mortgage loan conditions for residential properties and changing the "New Capital Investment Entrant Scheme" regulations, etc.. Although the government has withdrawn the residential property demand management measures as early as February this year and the Hong Kong Monetary Authority ("HKMA") revised the regulatory measures for property mortgage loans, further relaxation of the property market restrictions will eventually stimulate the property market sentiment in the immediate and short term. However, in the long term, will the second-hand market for small and medium-sized houses benefit from this?

According to the latest announcement, the mortgage loan-to-value ratio ceiling for all residential properties and non-residential properties is unified to 70%, and the "Debt-to-Income Ratio" ceiling is unified at 50%:

1. For all residential properties, regardless of the value of the property, whether it is self-occupied or owned by a company, and whether the buyer is a "first-time buyer," the maximum mortgage ratio is uniformly 70%.
2. The maximum loan-to-value ratio for property mortgage loans based on "asset level" has been increased from 60% to 70%, which is in line with property mortgage loans based on "Debt-to-Income Ratio". Applicable to all residential properties and non-residential properties (including office, shops and industrial buildings, etc.).
3. The upper limit of the "Debt-to-Income Ratio" for non-owner-occupied properties is raised from 40% to 50%, which is in line with the upper limit of the "Debt-to-Income Ratio" for owner-occupied properties. Applicable to all residential and non-residential properties.

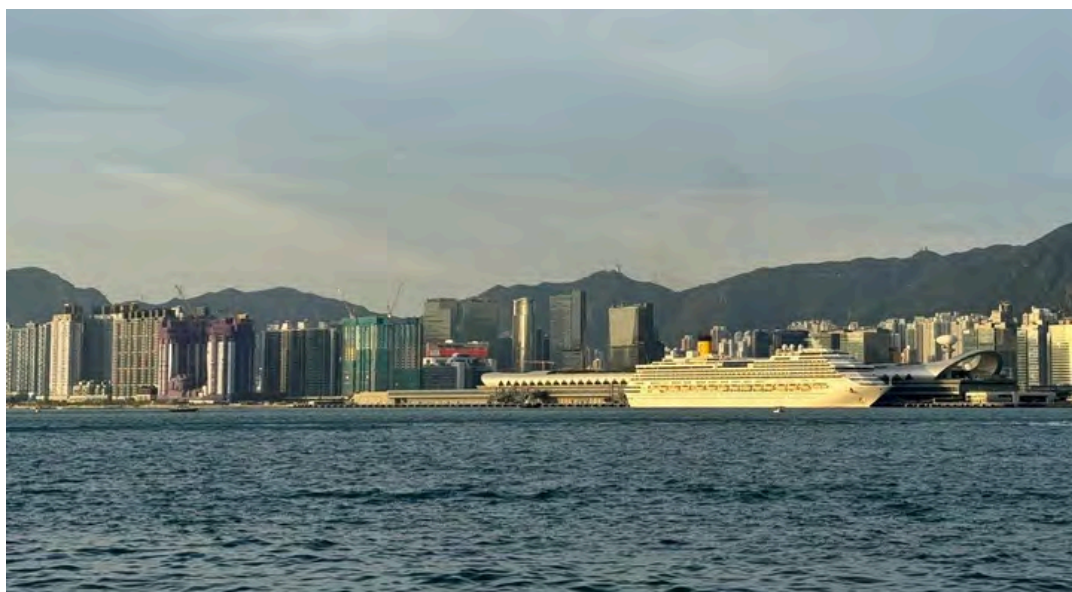
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4. Cancelling the requirement that if a mortgage applicant has made loans or guarantees for other mortgage properties when applying for a mortgage, the applicable mortgage loan-to-value limit and the "Debt-to-Income Ratio" limit must be lowered by 10 percentage points.

In addition, the government will improve the existing "New Capital Investment Entrant Scheme" to allow investment in residential properties. The transaction price of the property must be HK\$50 million or above, and the total investment in real estate shall be calculated to be capped at HK\$10 million.

Taking a comprehensive look at this time's property market relaxation measures, both the small and medium-sized residential units and high-value luxury homes are involved, but it is believed that it will not stimulate the second-hand residential market, especially the small and medium-sized domestic properties. Looking at the figures from the HKMA, we can see that since the government lifted and revised regulatory measures on property mortgage loans in February this year, the residential property market transactions have improved slightly. Residential property transaction amount recorded an average of 3,300 nos. per month in Q1 this year and increased to an average of 6,000 nos. in Q2. Unfortunately, the market sentiment has not sustained, and transaction volume fell back to a monthly average of 3,400 in Q3.



Overlooking the Kai Tak development area and Kowloon East CBD2
from Hong Kong Island East.
(Source of Photo: RHL Photo Base)

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There is still an endless supply of new projects in the market. Since the new housing market lagged behind the second-hand market obviously last year, with only about 10,752 units sold throughout the year, developers, in order to speed up sales, have continued to launch many new housing units in the market this year with "happy prices" and "shocking prices", and successfully attracting a large amount of purchasing power transferring from the second-hand market to the first-hand property market, making it difficult for small owners of second-hand properties to compete with the low prices of new properties for sale. Data from the Land Registry shows that in the first nine months of this year, the proportion of transactions in Hong Kong's first-hand property market has risen from 25% last year to more than 31% now. With the launch of at least two large new projects in October, it is predicted that the second-hand market will only remain passive.

In terms of property prices, from the Rating and Valuation Department's private residential property price index, index representing units with a salable area of less than 431 sq.ft. has fallen by 4.5% since February, while the one for flats with salable areas between 432 sq.ft. and 752 sq.ft. has fallen by 3.1% since February. Both indices have recorded a cumulative decrease ranging from 26% to 30% since the highest points in 2021. Other non-residential properties also continue to adjust, with prices of offices, flattened factory buildings and retail properties falling further by 15%, 10.1% and 12.2% respectively in the first eight months of this year. These figures indicated that the stimulus of the withdrawal of market control measurements has a short-lived and limited effect on the second-hand market. On the contrary, the price of first-hand properties is close to the second-hand market level, which will undoubtedly put pressure on the property prices in the overall market.

To benefit from the new relaxation measures, it is believed that some more times shall be taken for the second-hand market, and let it be realized only after those new developments from developers be digested.



CALVIN PANG
WRITER - HONG KONG
MARKET WATCH

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- *Provide Transaction Advisory Services*

HONG KONG SNAPSHOTS

2-Bedroom Flat Sold for HK\$8.38M, Unit Rate of HK\$18,664/sq.ft.: Park Avenue, Tai Kok Tsui

A 2-bedroom unit at Park Avenue of Olympic Station in Tai Kok Tsui had lately been sold for HK\$8.38 million. According to agency sources, a northeast-facing Flat E on high-level of Tower 8 at Park Avenue of Olympic Station, with a salable area of 449 sq.ft. and street with urban view, was sold for HK\$8.38 million or a unit rate of HK\$18,664/sq.ft.. The original owner purchased the property in February 2016 for HK\$7.48 million. After more than 8 years ownership, the property has been appreciated by 12% during the period and brought a book profit of HK\$900,000 to the vendor.

With reference to market information, a 483 sq.ft.-Flat G on middle-level of Tower 9 which has the similar view has been sold for HK\$8 million or a unit rate of HK\$16,563/sq.ft. earlier.



The lately transacted unit was on high-level of Tower 8,
facing Hoi Wang Road.
(Source of Photo: RHL Photo Base)

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HONG KONG SNAPSHOTS

Land Premium in First Three Quarters Receivable: HK\$4.6 Billion

The Lands Department announced that, in Q3 of 2024, a total land premium of about \$1.89 billion has been made, recording a fall of about 20% from Q2. The overall land premium receivable in the first 3 quarters this year is about HK\$4.6 billion, an 80% down from year before.

There have been 22 lease modifications and 2 land exchanges registered in the Land Registry from July to September 2024, of which 5 were modifications of a technical nature involving nil premium; and the project at Heung Fan Liu in Sha Tin has brought a premium of HK\$1.21 billion to the government.

Among these 24 land transactions, 6 are located on Hong Kong Island, 14 are in Kowloon and 4 are in the New Territories. The transactions exclude Small House cases.



Lands Department of HKSAR.
(Source of Photo: Online Picture)

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Latest Retail Property Market Update

Retail Property Purchase and Rental Transactions in the Market

Kwun Tong



| | |
|--|--|
| Address: | Shop A on G/F, Yenfu Mansion, Nos. 121-141 Hip Wo Street, Nos.92-112 Shui Wo Street, Kwun Tong |
| Transaction Price: (at August 2024) | HK\$19.7 million |
| Saleable Area: | 550 sq.ft. |
| Unit Rate in Saleable Area: | HK\$35,818/sq.ft. |
| Last Transaction as at September 1968 | |
| Price Change from Last Transaction: | +Nearly 140 times |

Sheung Wan



| | |
|--|---|
| Address: | Shop 2 on G/F, V Heun Building, No.138 Queen's Road Central, Sheung Wan |
| Transaction Price: (at July 2024) | HK\$51.28 million |
| Saleable Area: | 439 sq.ft. |
| Unit Rate in Saleable Area: | HK\$116,811/sq.ft. |
| Last Transaction as at October 1989 | |
| Price Change from Last Transaction: | +Nearly 69 times |

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Latest Retail Property Market Update

Retail Property Purchase and Rental Transactions in the Market

Tsuen Wan



| | |
|--|--|
| Address: | Shop B on G/F including Cockloft, Tak Yan House Stage 6, Nos.325- 331 Sha Tsui Road, Tsuen Wan |
| Monthly Rental from July 2024: | HK\$70,000 |
| Saleable Area: | 850 sq.ft. |
| Plus Cockloft: | 245 sq.ft. |
| Unit Rental in Saleable Area: | HK\$82.4/sq.ft. |
| Last Tenancy since May 2019 | |
| Rental Compared with Last Tenancy: | -17.6% |
| Overall Market Change from Last Tenancy: | -12.5% (Private Retail - Rental Index by RVD) |

Tsim Sha Tsui



| | |
|-------------------------------------|--|
| Address: | Shop D on G/F, Alpha House, Nos.27-33 Nathan Road, Tsim Sha Tsui |
| Monthly Rental from September 2024: | HK\$200,000 |
| Saleable Area: | 645 sq.ft. |
| Unit Rental in Saleable Area: | HK\$310/sq.ft. |

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Latest Retail Property Market Update

Retail Property Purchase and Rental Transactions in the Market

| Statistics on Retail Property Transaction Registered by the Land Registry | |
|---|-------------------------|
| Volume of Registered Transaction in 2024 Q2 | 258 |
| Volume of Registered Transaction in 2024 Q3 | 212 |
| Transaction Value of Retail Property in August | About HK\$1.23 billion |
| Transaction Value of Retail Property in September | About HK\$1.059 billion |
| Monthly Change in Transaction Value | -13.9% |
| Source of Information: Land Registry and Centaline Property Market Big Data | |

After the reopening of Hong Kong's border for nearly 2 years, the local retail industry is yet to become as vibrant as before the pandemic. It is even observed in China's golden week, the local retail shops were only attracting visitors rather than spending, together with the habit of Hong Kong citizens travelling and spending northbound to the Mainland China during a weekend, flow of shoppers is sparse nowadays. After reaching the highest point in June last year, retail properties' rental level started to go down since January this year, until the occurrence of another plateau period since March this year. According to the Private Retail- Rental Index published by the Rating and Valuation Department, the latest figure is 166.1, about 4% down from the highest point. Being mixed with the feelings of having and not having improvement in the market, it is believed that shops' rentals shall go gently with the current level. Meanwhile, transaction volume in Q3 has decreased obviously from Q2, showing the pessimistic overview towards the retail property market.



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MAINLAND CHINA SNAPSHOT

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- **Cancellation of House Purchasing Limitation Boosts First-Hand & Second-Hand Estate Transactions: Guangzhou**
- **Residential Price Index of Major Cities (September 2024)**
- **Major Land Transaction (October 2024)**

MAINLAND CHINA SNAPSHOT

14 Main Buildings at Min Tian International Logistics Centre Topped Out: Fuzhou

On October 21, the official website of the Bureau of Traffic and Transportation of Fuzhou City announced the latest progress in the construction of the Min Tian International Logistics Centre project. The project is located in Fuzhou City, with a total investment of RMB 4.37 billion. The area of 1,453 acres aims to build a regional business distribution center with the functions of wholesale trade of agricultural and sideline products, sorting, processing and distribution, e-commerce, and strategic reserve, etc..

The Mintian International Logistics Centre project is one of the key projects for the implementation of the National Integrated Freight Transportation Hub. In order to ensure the smooth progress of the project, Fuzhou Traffic and Transportation Department actively follow up the progress of the project, and timely-coordinate to solve problems in the implementation process. At present, the 14 main building has been fully topped out and they are being decorated and renovated. It is expected the outdoor landscape engineering construction and equipment debugging to be completed by December.

Once the project is in operation, it is predicted the project can realize an annual trading turnover of RMB 40 billion with an annual trading volume of 3.5 million tons, bringing an employment to 30,000 people. After the completion of the project, Mintian International Logistics Centre will become a first-class market for people's livelihood in Fuzhou City, providing a strong guarantee for the food supply and safety in Fuzhou and its surrounding areas.



Min Tian International Logistics Centre in Fuzhou City.
(Source of Photo: website of the Bureau of Traffic and Transportation of Fuzhou City)

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MAINLAND CHINA SNAPSHOT

Cancellation of House Purchasing Limitation Boosts First-Hand & Second-Hand Estate Transactions: Guangzhou

The market is looking forward to more measures from the central government to stimulate the property market, and Guangzhou finally lifted the purchase restriction for residents to buy properties from September 30. After the releasing of the purchase restrictions, the sale atmosphere of new properties in Guangzhou has instantly become more active. In the 10 days since the introduction of the measures, the city's first-hand residential subscription amounted to 6,687 units, which is 2.37 times on year-to-year basis. Simultaneously, the second-hand residential online sales of 3,771 units, a year-on-year increase of 23%. The first-hand property prices immediately showed an upturn, while the second-hand market was slower to warm up.

Guangzhou government fully liberalized the purchase restriction by lifting the purchase restriction on all housing purchases, no longer examining the eligibility of buyers and no longer restricting the number of units to be purchased. In addition, the mortgage interest rate has been lowered to a minimum of 2.9%, and the maximum mortgage rate for a two-unit property at a national level can be 85%. The threshold for purchasing a property has been greatly lowered, which has brought a strong boost to the market atmosphere, which is conducive to the increase in the willingness of first-time home buyers, buyers of replacement flats and real estate investors.

As a first-tier city, Guangzhou's property market is gradually improving, with increase of sale volume. With the relaxation of the property market policy, market demand is expected to increase significantly. This will include not only those who just need to buy, but also those who want to improve and those who want to invest. More households will consider purchasing a home, further boosting the volume of transactions. The increase in demand may have an impact on housing prices.

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Since 2022, nearly 20 cities, including Qingdao, Zhengzhou, Hefei, Wuhan and Xiamen, have abolished their purchase restrictions one after another. Apart from Guangzhou, Shanghai, Shenzhen and Beijing have also adjusted their property purchase restrictions. For Example, in September this year, Beijing issued a document to relax the purchase restrictions. Beijing families are limited to purchase 2 sets, people of single status are limited to purchase 1 set. Also, non-Beijing local people who have consecutively pay for social security for 3 years can additionally purchase one more estate within Zone 5.

Under the policy support, it is expected that prices may rise slightly in the short run, especially in popular locations. In the long run, whether prices will stabilize will depend on the balance of supply and demand in the market. The relaxation of policies will help boosting overall confidence in the market. Buyers will be more proactive in purchasing properties in the face of favorable policies, which will help boost the overall market dynamics. As the market picks up, developers' confidence will also increase. Many developers are likely to accelerate the pace of project launches and introduce new properties to meet the market demand.



Conceptual image of a new community developed by Poly Group in Guangzhou.
(Source of Photo: Online Photo)

MAINLAND CHINA SNAPSHOT

Residential Price Index of Major Cities (September 2024)

| City | Sample Average Price (RMB/sq.m.) | M-o-M Change (%) | City | Sample Average Price (RMB/sq.m.) | M-o-M Change(%) |
|-----------|--|------------------------|----------|--|--------------------|
| Shanghai | 54,673 | 1.26 | Beijing | 45,437 | -0.11 |
| Chongqing | 11,639 | -0.13 | Tianjin | 15,183 | 0.18 |
| Guangzhou | 24,666 | -0.31 | Shenzhen | 52,727 | -0.67 |
| Nanjing | 25,153 | -0.29 | Hangzhou | 30,389 | 0.27 |
| Chengdu | 13,573 | 0.67 | Wuhan | 13,235 | -0.11 |
| Dalian | 13,639 | -0.10 | Suzhou | 18,755 | -0.10 |
| Xi'an | 12,823 | 0.14 | Xiamen | 29,291 | -0.04 |
| Ningbo | 20,069 | -0.48 | Changsha | 9,577 | -0.13 |
| Wuxi | 14,362 | -0.07 | Dongguan | 18,958 | -0.87 |
| Shenyang | 9,804 | -0.07 | Fuzhou | 17,268 | -0.18 |

MAINLAND CHINA SNAPSHOT

Major Land Transaction (October 2024)

| Guangzhou- Commercial Land | |
|-----------------------------------|---|
| Transaction Date: | 21-10-2024 |
| Address: | North side of Shixin Highway, Xiancun Town, Zengcheng District, Guangzhou |
| Consideration: | RMB 42,150,000 |
| Usage: | Commercial Service |
| Site Area: | 7,520 sq.m. |
| GFA: | 7,520 sq.m. |
| Plot Ratio: | 1 |
| Accommodation Value/ GFA sq.m. | RMB 5,605 |

| Beijing- Residential Land | |
|-----------------------------------|---|
| Transaction Date: | 15-10-2024 |
| Address: | Lot R2 Type II Residential Land of Nanxinbao Village, Democracy Village and Baiyequan Village Shantytown Renovation Project YQ00-0309-0017, Yanqing District, Beijing |
| Consideration: | RMB 246,000,000 |
| Usage: | R2 Residential |
| Site Area: | 12,998 sq.m. |
| GFA: | 20,796 sq.m. |
| Plot Ratio: | 1.6 |
| Accommodation Value/ GFA sq.m. | RMB 11,829 |

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MAINLAND CHINA SNAPSHOT

Major Land Transaction (October 2024)

| Tjin- Industrial Land | |
|-----------------------------------|---|
| Transaction Date: | 10-10-2024 |
| Address: | North of Tongxiang Road, Liqizhuang Street, Xiqing District, Tjin |
| Consideration: | RMB 30,870,000 |
| Usage: | Industrial |
| Site Area: | 30,267 sq.m. |
| GFA: | 45,401 sq.m. |
| Plot Ratio: | 1.5 |
| Accommodation Value/ GFA sq.m. | RMB 680 |

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