

RHL International

# 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.

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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**

**Industrial?  
Non-Industrial?**

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# HONG KONG PROPERTY-MARKET WATCH

## Industrial? Non-Industrial?

Earlier, a dead body found at an industrial building in To Kwa Wan had revealed that 3 illegally overstayed workers were suspected of using an industrial unit for non-industrial purposes. It is certainly against the law to overstay in Hong Kong and work as an illegal worker, and we do not intend to discuss this topic here today. However, many industrial building units are now being used for a variety of purposes, including offices, restaurants, and commercial units. As an owner of the industrial unit, how should you pay attention to whether the use of your unit complies with legal requirements? If it really violates the permitted purpose, how should the owners deal with it?

In Hong Kong, the permitted users of all private properties are mainly governed by the following types of documents, including the Outline Zoning Plan, land leases, a building's Deeds of Mutual Covenant which applies to multi-storey buildings, the Occupation Permit, and the Approval Building Plans.

The Outline Zoning Plan is a statutory plan prepared by the Town Planning Board ("TPB") in accordance with the Town Planning Ordinance, showing the land uses within each individual area. The plans are accompanied by notes indicating the uses permitted under the plans, divided into "Column 1 Uses" and "Column 2 Uses". "Column 1 Uses" are the uses that are often permitted in the relevant zone and do not require any permission from the TPB, while "Column 2 Uses" may be permitted with or without conditions on application to the TPB.

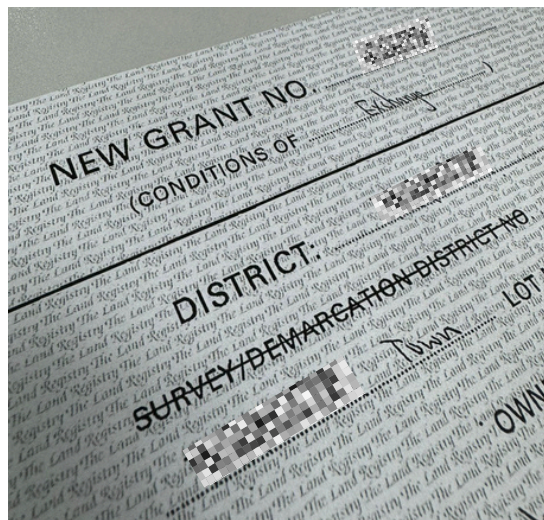
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At present, industrial buildings in the city are mainly located at areas under 2 types of zoning, one is “Industrial” and the other is “Other Specified Uses (Business)”. In areas generally zoned for “Industrial”, “Industrial Use” is usually permitted under the first column and in areas of “Other Specified Uses (Business)” zoning, “Non-polluting Industrial Use” is usually the always permitted one. For the current commonly-seen “Shop and Services” located on the ground floor of industrial buildings, they are listed in the Column 2. After applying for a "Planning Permission" to the TPB in accordance with Section 16 of the Town Planning Ordinance, they may be permitted for use with or without any conditions.

Even after a relevant planning permission is approved, owners should still pay attention to the land lease user restrictions of the building where the property is located. Since the land lease has user restriction on each piece of land or buildings to be built on it, if the use is limited to “general industry”, all units in the building concerned can only be used for industrial purposes. If the property owner intends to engage in non-industrial activities in the unit, such as “Shop and Services”, depending on the expected duration of the activity, the owner can apply to the Lands Department for either a “Temporary Waiver” or a “No Objection letter”.



Even after a relevant planning permission is approved, owners should still pay attention to the land lease user restrictions of the building where the property is located.

(Source of Photo: Online Photo)

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“Temporary Waiver” is a temporary approval, usually for a fixed term in the first one to three years, and then extended quarterly until the government or the owner provides a three months' notice to terminate the exemption; “No Objection Letter” is in a sense of permanent form, based on the remaining lifetime of the building, both of which relax the land lease user restrictions on the use of the unit. However, it should be noted that the time and calculation method of the fees required for “Temporary Waiver” and “No Objection Letter” are different. The former's waiver fee is calculated based on the difference in rental before and after the property's user is changed, and is paid annually or quarterly; the latter one is calculated based on the difference in market value of the property before and after the change of user, paid in one lump sum, and can be transferred with the property.

Owners who successfully completed the above two applications can legally convert the original industrial unit into commercial use. If the property's user has been changed without application, once being discovered, the Lands Department will issue a Warning Letter to the owner concerned, requiring the owner to correct the situation within 28 days. If the situation is not corrected accordingly, such letter will be registered on the Land Register as an encumbrance of the property by the government and a tolerance fee will be charged to the owner; if the relevant actions still being ignored by the owner, the authority may take back the property.

Due to the words limit, the above picture is purely a summary of the general situation of converting a factory unit from “Industrial” to “Shop and Services”, and other uses shall not be concluded simply. The application process is complicated and lengthy which also requires submission of different documents to and negotiation with the authorities. Over the years, RHL has assisted many private organizations and companies in lodging applications to the TPB and the Lands Department to change the use and correct the situations. If readers are interested in changing the use of your properties, please feel free to consult and reach out to our professional team for assistance.



**CALVIN PANG**  
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MARKET WATCH

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## HONG KONG SNAPSHOTS

### **Kwun Tong: First Leasing at Bal Residence with a Return of Over 3%**

The first and ever leasing case of the development has been recorded at The Bal Residence in Kwun Tong, market sources revealed. This rental transaction is a low-floor one-bedroom Flat F, with a saleable area of 349 sq.ft., facing the southeast. The owner initially listed the property in the market at a monthly rental of HK\$16,000, but then reduced to and rented out at HK\$15,300 per month, equivalent to a unit rent of HK\$44/sq.ft.. The owner acquired this first-hand property in August 2023 for HK\$5.93 million, and the expected yield rate is about 3.1%.

Bal Residence is located at No. 18 Hang On Street in Kwun Tong providing 156 units, mainly one-bedroom units. The first round of sales of the development launched in March 2023, and other several rounds afterwards with prices reduced.



The first and ever leasing of Bal Residence in Kwun Tong has been recorded lately.  
(Source of Photo: RHL Photo Base)

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## HONG KONG SNAPSHOTS

### Wan Chai: Studio Flat at The Avenue Let for HK\$2.1K at Unit Rate of HK\$62.1/sq.ft.

A high-level Flat E of Tower 2 at The Avenue in Wan Chai which has a saleable area of 338 sq.ft. was lately let. The original asking monthly rent of this studio unit was HK\$22,500 and was then rented for HK\$21,000 per month 2 weeks being put on the market. The average unit rent in saleable area was HK\$62.1/sq.ft.. It is understood that the owner purchased the property at HK\$7.8 million in 2014, and now enjoys a rental return of 3.2%.



The Avenue situated at the city centre with high accessibility of transportation.  
(Source of Photo: RHL Photo Base)

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# Latest Industrial Property Market Update

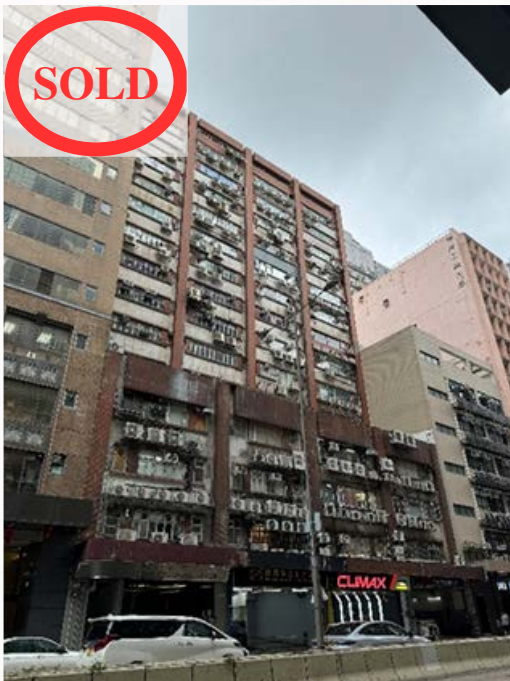
*Industrial Property Purchase and Rental Transactions in the Market*

## Lai Chi Kok



Address:	Unit 2 on 13/F, Global Gateway Tower, No.63 Wing Hong Street, Lai Chi Kok
Transaction Price: (at May 2024)	HK\$12.6208million
Saleable Area:	1,272 sq.ft.
Unit Rate in Saleable Area:	HK\$9,922/sq.ft.
Last Transaction as at March 2017	
Price Change from Last Transaction:	-24.5%
Overall Market Change from Last Transaction:	-0.4% (Private Flatted Factories- Price Index by RVD)

## Kwun Tong



Address:	Workshop 2 on 3/F, Shiu Fat Industrial Building, Nos.139-141 Wai Yip Street, Kwun Tong
Transaction Price: (at March 2024)	HK\$8.3 million
Saleable Area:	1,483 sq.ft.
Unit Rate in Saleable Area:	HK\$5,597/sq.ft.
Last Transaction as at April 2019	
Price Change from Last Transaction:	-14.4%
Overall Market Change from Last Transaction:	-19.6% (Private Flatted Factories- Price Index by RVD)

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# Latest Industrial Property Market Update

*Industrial Property Purchase and Rental Transactions in the Market*

## San Po Kong



Address:	Workshop D on 8/F, Wing Chai Industrial Building, Nos.222- 224 Choi Hung Road, San Po Kong
Monthly Rental from March 2024:	HK\$53,000
Saleable Area:	3,085 sq.ft.
Unit Rental in Saleable Area:	HK\$17.2/sq.ft.
Last Tenancy since June 2023	
Rental Compared with Last Tenancy:	-15.2%
Overall Market Change from Last Tenancy:	-1.1% (Private Flatted Factories - Rental Index by RVD)

## Tsuen Wan



Address:	Unit C on 11/F, Goodman Tsuen Wan Centre, No.68 Wang Lung Street, Tsuen Wan
Monthly Rental from June 2024:	HK\$58,938
Saleable Area:	3,223 sq.ft.
Unit Rental in Saleable Area:	HK\$18.3/sq.ft.
Last Tenancy since June 2021	
Rental Compared with Last Tenancy:	+15.8%
Overall Market Change from Last Tenancy:	+2.4% (Private Flatted Factories - Rental Index by RVD)

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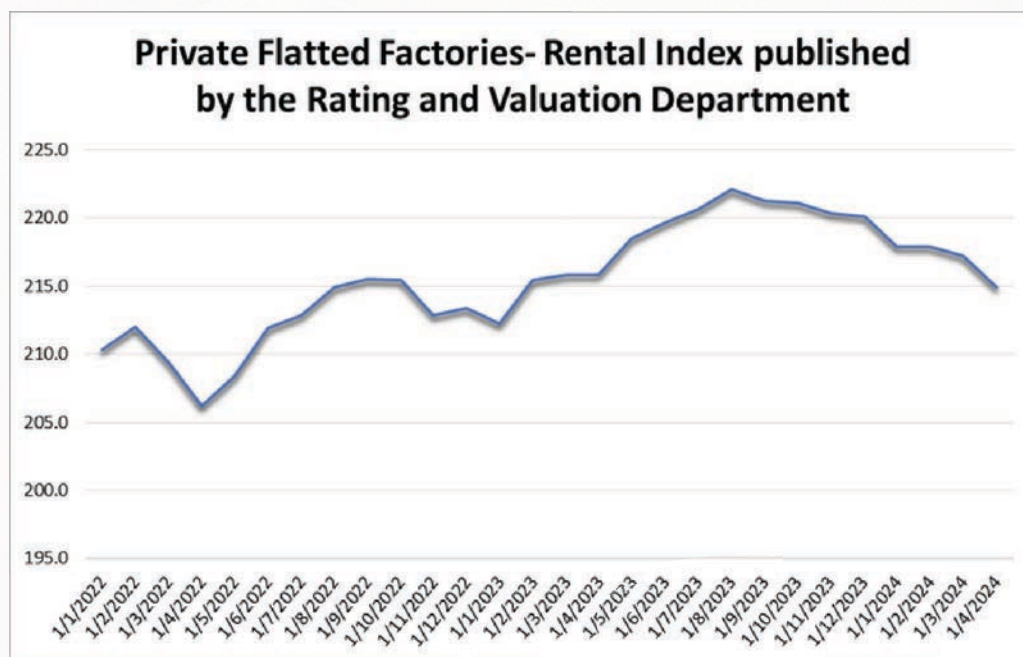
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# Latest Industrial Property Market Update

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

Statistics on Industrial Property Transaction Registered by the Land Registry	
Total Registered Transaction Volume in 2023 Q4	374
Volume of Registered Transaction in 2024 Q1	359
Transaction Value of Industrial Property in May	About HK\$1.206 billion
Transaction Value of Industrial Property in April	About HK\$1.283 billion
Monthly Change in Transaction Value	-6.0%
Source of Information: Land Registry and Centaline Property Market Big Data	

As revealed from the statistics by the Land Registry and Rating and Valuation Department, as in 2024 Q1, there were 359 nos. of transaction registered, slightly reduced compared with 2023 Q4; and transaction value in May was also down by 6.0%. At the same time, price index is lacking support and continue to fall. According to the Private Flatted Factories- Price Index, the index has been falling since the highest point reached in 2022 in recent years. Meanwhile, the rental index started to run out of supports lately after its plateau period at the years' peak, the latest rental index was only 214.9, a 3.2% down from the highest point. We estimate that, although demand for the rental of factory premises still exists, under the current market environment, pressure on rental and transaction price are anticipated.



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## **CHINA SNAPSHOT**

- **Potential Appreciation of Zhongshan House Price after the Opening of Shenzhen- Zhongshan Bridge**
- **‘Old, Obsolescent and Small’ Residential Flats Were Put into Buyers’ Shopping Carts**
- **Residential Price Index of Major Cities (May 2024)**
- **Major Land Transaction (June 2024)**

## CHINA SNAPSHOT

# Potential Appreciation of Zhongshan House Price after the Opening of Shenzhen- Zhongshan Bridge

The Shenzhen- Zhongshan Bridge has opened on June 30 2024. The 24 km distance of this bridge will take less than 30 minutes to travel between Shenzhen and Zhongshan instead of taking 2 hours to pass through Dongguan and Guangzhou as before. It starts from the south side of Shenzhen Baoian International Airport and eventually reaches Cuiheng New District, Zhongshan.

Based on the evident improvement in physical distance between these two cities, it is believed that the real estate development in Zhongshan will enjoy price appreciation. Referring to another recent massive infrastructure project, the Hong Kong-ZhuHai- Macau Bridge, the property price level seems not to be mirrored the accessibility improvement provided by the Bridge. One of the reasons can be the remote distances between the city centres and bridge entrances in each city. Basically, if travelling from Hong Kong city centre (Tsim Sha Tsui or Central) to the core areas of Macau and Zhuhai, including the customs clearance procedures, more than 2 hours are required. However, the Shenzhen- Zhongshan Bridge tends to connect the core districts between two cities Qianhai, Shenzhen and East District City Centre, Zhongshan within 40 minutes.

Currently, even under the downward-sloping property price trend, the average price in Qianhai is still up to RMB 70,000+/sq.m., it is attractive to the residents to travel less than 45 minutes in commuting if they work around the west of Shenzhen. The house price in Zhongshan is between RMB 10,000 to 20,000/sq.m.. The tremendous gap in house prices between the two cities will undoubtedly conduit the escalation in housing demand in Zhongshan based on the flood of Shenzhen residents after the launching of the Shenzhen-Zhongshan Bridge.



The picture shows the Shenzhen- Zhongshan Bridge connecting to its West Artificial island.  
(Source of Photo: Online Photo)

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## CHINA SNAPSHOT

# ‘Old, Obsolescent and Small’ Residential Flats Were Put into Buyers’ Shopping Carts

In May 2024, the ‘Old, Obsolescent and Small’ residential flats in Shenzhen and Hangzhou are becoming popular assets on the markets. The increase in the transaction of these assets is helping the recovery of the property market.

Owing to the transformation of policy, the reduction of down payment and transaction costs had already attracted more buyers and investors to engage in the market. Due to the nature of relatively low consideration, tax and transaction costs of the ‘Old, Obsolescent and Small’ residential flats, more young generation with relatively low budgets are targeting these premises that are usually located in the core districts of the city. Although, this kind of residential asset is usually more than 30 years old of building age and with GFA around 40 to 60 sq.m., they are usually situated in some well-developed area with great accessibility and a school network. For instance, Xufei Hualong Garden in East Gate, Luohu which is completed in 1993 and is surrounded by some prestigious schools. It is one of the popular ‘Old, Obsolescent and Small’ flats as there were two apartments that transacted by only listing out for a week. Right now, the unit rate for this estate is around RMB41,200/sq.m., which dropped 65% from the peak price.

The people who buy these high-age premises usually invest more capital in interior design for self-use. However, the ‘Old, Obsolescent and Small’ flats lack the room for value appreciation and they take a relatively long period to wait for the urban regeneration or land resumption initiated by the government.



The ‘Old, Obsolescent and Small’ residential flats are usually situated in some well-developed area with great accessibility and a school network. i.e. Xufei Hualong Garden in East Gate, Luohu.  
(Source of Photo: Online Photo)

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## CHINA SNAPSHOT

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

City	Sample Average Price (RMB/sq.m.)	M-o-M Change (%)	City	Sample Average Price (RMB/sq.m.)	M-o-M Change(%)
Shanghai	53,075	0.76	Beijing	45,534	0.10
Chongqing	11,655	0.15	Tianjin	15,107	0.03
Guangzhou	24,748	0.23	Shenzhen	53,135	-0.10
Nanjing	25,179	-0.12	Hangzhou	30,149	0.25
Chengdu	13,440	0.57	Wuhan	12,303	-0.09
Dalian	13,554	0.05	Suzhou	18,631	0.32
Xi'an	12,583	0.41	Xiamen	29,332	0.60
Ningbo	20,251	0.56	Changsha	9,652	0.24
Wuxi	14,372	0.21	Dongguan	19,260	-0.06
Shenyang	9,806	0.11	Fuzhou	17,196	0.36

*Source: Fangtianxia Hundred City Price Index*

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## CHINA SNAPSHOT

### Major Land Transaction (June 2024)

Chongqing- Residential Land	
Transaction Date:	12-06-2024
Address:	Plot in Longjiang New District, Wushan County, Chongqing City
Consideration:	RMB 113,150,000
Usage:	Residential Usage
Site Area:	68,558 sq.m.
GFA:	102,837 sq.m.
Plot Ratio:	1.5
Accommodation Value/ GFA sq.m.	RMB 1,100

Beijing- Industrial Land	
Transaction Date:	03-06-2024
Address:	Industrial project on plot 0549, YZ00-0606 block, Yizhuang New Town, Daxing District, Beijing
Consideration:	RMB 364,620,000
Usage:	Industrial Usage
Site Area:	203,587 sq.m.
GFA:	305,380 sq.m.
Plot Ratio:	1.5
Accommodation Value/ GFA sq.m.	RMB 1,194

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## CHINA SNAPSHOT

### Major Land Transaction (June 2024)

Shanghai- Commercial Land	
Transaction Date:	31-05-2024
Address:	Plot 11-02, 14-05 and 12-01, unit SJS6-0002, Yexie Town, Songjiang District
Consideration:	RMB 267,740,000
Usage:	Commercial Usage
Site Area:	54,981 sq.m.
GFA:	115,866 sq.m.
Plot Ratio:	2.1
Accommodation Value/ GFA sq.m.	RMB 2,311

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