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HONG KONG PROPERTY
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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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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

The Road of Hung Shui Kiu

HONG KONG PROPERTY-MARKET WATCH

The Road of Hung Shui Kiu

The government has earlier invited land holders to apply for in-situ land exchange for designated sites in the Hung Shui Kiu/Ha Tsuen New Development Area (“NDA”) in Yuen Long. There are also opinions received that the government should convert some non-residential floors into residential or other mixed uses. In response to this, the Development Bureau has replied in social media earlier, stating that it is initially believed that without affecting the industrial positioning of the NDA, commercial and commercial and residential mixed land on both sides of Hung Shui Kiu Station may be conditionally feasible for conversion of no more than 20% of the floor area to residential use. However, the changes only provide flexibility without affecting the positioning of the NDA. As for other original land exchange applicants in the future, if they propose adjustments to the use requirements, the authorities will still consider them one by one.

Facing the continuous increase in the vacancy rate of local commercial buildings and the opinions of the industry on the land planning of the Hung Shui Kiu Station town centre, in order to achieve comprehensive development, the authorities believe that up to 20% of the floor area can be converted into residential usage, but the changes must pass the relevant technical assessments, and apply through the Town Planning Board. In addition, the authorities allow some commercial and mixed-use land to be subdivided, allowing the market to flexibly allocate commercial floor area for office, hotels, entertainment and cultural uses, etc., without limiting the floor area of individual uses.

The writer believes that the conversion from commercial to residential use is feasible, and that mixing commercial and residential properties and subdividing land is also a general trend. In fact, the COVID-19 epidemic in 2020 has completely changed the normality of global work. Many companies no longer require employees to return to the office to work every day, and have reduced the actual size of their offices. As a result, the demand for office space in major business centers around the world has dropped, office space over-supplied, and vacancy rates soared.

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According to the Rating and Valuation Department figures, as of the end of last year, there were approximately 21.1 million sq.ft. of vacant private office space, with a vacancy rate of 14.9%; and the overall vacant space of private commercial premises was 13.1 million sq.ft, with a vacancy rate of approximately 10.3%. Even if the relevant project is launched a few years later, I believe that given the current economic environment and demand performance, it will not be easy for the market to absorb the floor space of the new commercial buildings by then.

Although the Hung Shui Kiu NDA is located in the Northern Metropolis where is a focusing development area by the Hong Kong government in the future, as the authorities vigorously develop railway and road connections between the area and the Mainland and promote the integration of the two places, the current trend of Hong Kong people travelling northward will only be accelerated. In addition to daily consumption, it is believed that the Mainland will also be the first choice for corporate activities and daily company operations. Assuming the property prices and rental levels of the two places remain at a certain distance, it is estimated that the office and commercial buildings in Hung Shui Kiu will not be as competitive as Mainland. Therefore, the Hong Kong government's plan to convert some non-residential floors into residential uses should be understood as a short-to-medium run manifestation of the good use of land resources and an inevitable result of how to cope with Hong Kong's integration with the Mainland; but in the long run, the Hong Kong government shall carefully consider the city's future direction of development.



Hung Shui Kiu/ Ha Tsuen NDA provides several transportation infrastructures, connecting the mainland and different parts of Hong Kong.
(Source of Photo: Website of Hung Shui Kiu/ Ha Tsuen NDA)

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As for commercial and residential mixed-use and subdivided land, it will mainly help attracting more small and medium-sized developers to join the competition. After the economic downturn in the past few years, even the financial capabilities of traditional large developers have been challenged. It is no longer feasible to rely on them alone to promote private property development in new districts. On the contrary, subdividing land will not only allow more small and medium-sized developers to obtain business opportunities, but also help increasing land competition and atmosphere of the NDA, which will have a certain positive effect on the perception of the development of the area.

The Hung Shui Kiu/ Ha Tsuen NDA located at the west of the Northern Metropolis, provides high-end professional services and logistics hubs such as finance, law, insurance and wealth management. It is planned that after the opening of the Hong Kong-Shenzhen Western Rail Link, the area will be connected with Nanshan District and Qianhai Cooperation Zone in Shenzhen to promote cooperation with Shenzhen. The authorities have planned approximately 10.76 million sq.ft. of commercial floor area, and have also planned mixed commercial and residential land next to the Tuen Ma Line Tin Shui Wai Station to serve as a regional commercial centre and provide employment opportunities in the area.



CALVIN PANG
WRITER - HONG KONG
MARKET WATCH

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HONG KONG SNAPSHOTS

2-Bedroom Flat Depreciated by Nearly 30% in 3 Years: Amoy Garden, Kowloon Bay

The outlook of the property market remains unclear, and some property owners have accelerated their speed to sell one at reduced prices. A two-bedroom unit at Amoy Gardens in Kowloon Bay was recently sold for HK\$4.08 million, with a unit rate of about HK\$10,562/sq.ft.. Although the transaction was at market level today, the property has been depreciated by nearly 30% since the original owner acquired the unit 3 years ago.

According to media reports, the 2-bedroom flat was Unit 02 on the lower floor of Block E at Amoy Gardens, with a saleable area of 390 sq.ft.. The original owner initially put the property on the market for HK\$4.3 million, which a month later attracted inquiries from customers from the area. The new buyer decided to take over the property after viewing it three times. Following negotiations, the price was reduced by HK\$220,000 and sold for HK\$4.08 million, equivalent to approximately HK\$10,562/sq.ft..

The previous second-hand transaction of the same kind was Unit 02 on the lower floor of Block G, with the same area and layout. It was sold for HK\$4.15 million at the end of August, which is similar to the current transaction price.

The original owner purchased the unit for approximately HK\$5.86 million in January 2021. After holding the unit for 3 years, he incurred a book loss of approximately HK\$1.6 million when resold. The unit depreciated by 27% during the period.



A variety of restaurants and shops are provided at the arcade beneath Amoy Gardens.

(Source of Photo: RHL Photo Base)

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HONG KONG SNAPSHOTS

Studio Flat Rented at HK\$13,500 with a Unit Rent of HK\$67.5/sq.ft.: Aquila · Square Mile, Tai Kok Tsui

At Aquila · Square Mile in Tai Kok Tsui, a Unit P on the middle floor of Block 1 was leased for HK\$13,500 per month after the property was put onto the market for one week only. After being contacted by a mainland student, the unit was rented at zero negotiation price, with a unit rental of HK\$67.5/sq.ft.. The saleable area of this 200 sq.ft. unit is an open layout with a view of the nearby buildings. According to media reports, this mainland student has decided to rent the unit after viewing the property once because of its close distance to the MTR Olympic Station, and paid one year's rent in advance.

Tracing the transaction records, the owner of the unit has acquired the flat in June 2020 at a cost of HK\$4.913 million; and this monthly rental shall bring a yield of 3.3% to the owner.



Aquila · Square Mile in Tai Kok Tsui.
(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 6 on 25/F, CRE Centre, No.889 Cheung Sha Wan Road, Lai Chi Kok
Transaction Price: (at August 2024)	HK\$5.06 million
Saleable Area:	664 sq.ft.
Unit Rate in Saleable Area:	HK\$7,620/sq.ft.
Last Transaction as at February 1996	
Price Change from Last Transaction:	+92.4%
Overall Market Change from Last Transaction:	+299% (Private Flatted Factories- Price Index by RVD)

Kwai Fong



Address:	Workshop No.15, 2/F, Block 1, Golden Industrial Building, Nos.16-26 Kwai Tak Street, Kwai Fong
Transaction Price: (at August 2024)	HK\$4.248 million
Saleable Area:	1,355 sq.ft.
Flat Roof Area:	36 sq.ft.
Unit Rate in Saleable Area:	HK\$3,135/sq.ft.
Last Transaction as at November 1996	
Price Change from Last Transaction:	+324.8%
Overall Market Change from Last Transaction:	+329% (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

Wong Chuk Hang



Address:	Workshop 1 on 25/F, Sungib Industrial Centre, No.53 Wong Chuk Hang Road, Wong Chuk Hang
Monthly Rental from Auust 2024:	HK\$26,800
Saleable Area:	997 sq.ft.
Unit Rental in Saleable Area:	HK\$26.9/sq.ft.

San Po Kong



Address:	Workspace H on 5/F, Wong King Industrial Building, Nos.192-198 Choi Hung Road, San Po Kong
Monthly Rental from June 2024:	HK\$33,000
Saleable Area:	1,950 sq.ft.
Unit Rental in Saleable Area:	HK\$16.9/sq.ft.

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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	
Volume of Registered Transaction in 2024 Q1	359
Volume of Registered Transaction in 2024 Q2	491
Transaction Value of Industrial Property in July	About HK\$1.541 billion
Transaction Value of Industrial Property in August	About HK\$1.840 billion
Monthly Change in Transaction Value	+19.4%
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 Q2 2024, there were 491 nos. of transactions registered, increased by at least 35% compared with Q1 2024; and transaction value in August was also up by almost 20%. However, price index is lacking support and continue its 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 stabilize after running out of supports lately after its plateau period at the years' peak, the latest rental index is 215.1. Although the business environment is still under shadow, facing the slightly reduced rental, some companies may expedite their paces in finding premises to let for business expansion; whilst some may continue acquiring premises in the low-price level today. We anticipate pressure on transaction-price exists





MAINLAND CHINA SNAPSHOT

- **Compensation Scheme for Residential Regeneration in Nanshan District, Shenzhen**
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MAINLAND CHINA SNAPSHOT

Compensation Scheme for Residential Regeneration in Nanshan District, Shenzhen

In early September 2024, Shenzhen Nanshan District Urban Renewal and Land Preparation Bureau announced the compensation scheme for the land resumption and residential development project for two of the residential estates, namely “Long Fai Garden” together with “Longlian Garden” in Nanshan District. This project is the first large-scale residential renewal to be conducted in Nanshan District. The idea of this campaign germinated in 2020 and with public consultation conducted accordingly in 2021, the terms and conditions of the compensation were determined after the discussion and appraisal.

The redevelopment scheme was designated at Taoyuan Street Neighborhood due to the prime location of these two big residential plots and the future potentiality of developing a high-speed railway station hub nearby. The railway effect and the property value theoretically are positively related by reference to most of the historical metro/railway-orientated developments. Currently, the site area and the gross floor area (GFA) for “Long Fai Garden”, built in 1998, are 89,274 sq.m. and 180,370 sq.m. respectively. The plot situates opposite “Long Fai Garden” is “Longlian Garden”, whose phases 1 and 2 were completed in 1997. By a plot ratio of 1.63, the total site area, 76,629 sq.m. induces a GFA of 46,977 sq.m..

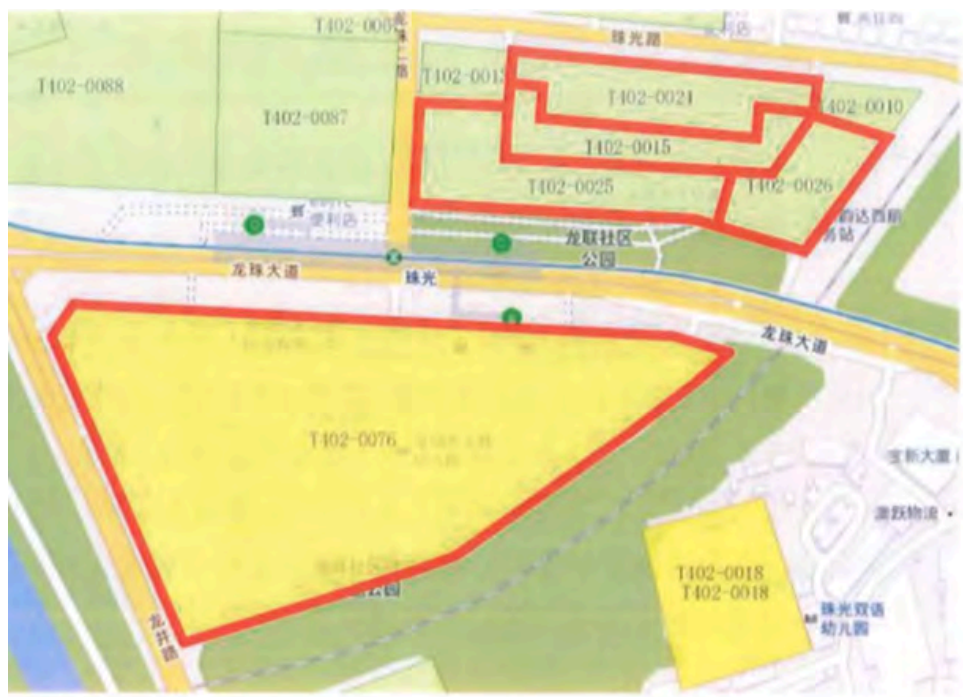
Now, the compensation scheme for the premises resumption is classified into “tenure and premise exchanging” as well as “monetary” ways. Regarding the former option, a ratio of 1: 1.2 of the current GFA of the premise will be compensated to the owner. The resettlement houses will be located within the development area of “Special Planning for the Renovation Project of Longhui Garden and Longlian Garden Shantytowns in Nanshan District”. It is noticeable that the GFA and usage of the current premise will only strictly follow the record on real estate registers. In respect of the latter choice, the values of the current dwellings will be compensated by cash after the property appraisal by qualified surveying and valuation institutions. However, the appraisal details embracing valuation methodologies, assumptions, criteria or standards were not disclosed to public at current moment.

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Other than the primary compensation mentioned above, renovation and decoration, relocation expenses and temporary resettlement expenses are compensated with certain conditions. Within 40 days, once the house resumption notice is hung, and owners signed the contracts and moved out within the negotiated period, RMB 100,000 will be the cash bonus given to each premise. Meanwhile, relocation compensation will be set at RMB 40/sq.m. on a GFA basis. The recompense of interior design is under the GFA basis of RMB 1,000/sq.m..

This urban regeneration scheme disclosed a comprehensive compensation standard and bonus system to the public, with public consultation and a 95% supporting rate shoring up the undergoing of the project. The government dig into the residents' needs with an all-rounded perspective in respect of financial as well as living needs, before the compulsory purchase order. This is a role model of running a massive redevelopment campaign with transparency, fairness and integrity to improve the residents' living quality. The real estate professionals are also looking forward to inquiring into the process and valuation details in the recompense by "monetary" way. More technical standards and codes of practice could be established by referring to this example.



Residential re-development sites in Nanshan District, Shenzhen.
(Source of Photo: Online Photo)

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MAINLAND CHINA SNAPSHOT

Ministry of Natural Resources Issues Guidance to Promote Urban Underground Space

On September 12, Ministry of Natural Resources announced the “Guidance Opinions on Exploring and Promoting the Development and Utilization of Underground Space in Urban Districts”. The main focus of this implementation is promoting upcoming underground space adoption with detail-premised planning licenses, tenure classification and protection and sophisticated monitoring.

The Ministry targeted spending around 5 years promoting and investigating the potentialities in underground city development in a few of the main metropolitans with higher land use demand together with better governance. The most crucial prerequisite is that the city is equipped with natural conditions, like the solid horizon, in constructing underground space in order to secure public safety and the extensive scale of the underground volume.

During the enlargement of underground space, the government is dedicated to matching the utilization of the ground land usage to induce compound effectiveness in urban land resources. For instance, some public infrastructures and facilities will be built across two layers. Meanwhile, making use of the underground area shall reserve adequate room for railway construction and other utilities maintenance. The cultural and historical relics shall be protected as well. At the current moment, commercial and retail premises, storage together with logistical use properties are greatly encouraged to develop on underground levels while residential, education and elderly care homes are forbidden to be established.

In respect of the tenure and land usage system, it is also noticeable that the Government would like to keep the existing ground land usage and classes, but the underground land usage can be permitted with different uses via the means of leasehold concession. There would be separate “standard land price” or “designated land price” established for urban underground space. Besides, underground space will be assigned with real estate title certificates with the exclusive right to transfer, assign, lease and mortgage.

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From the perspective of urban planning, the extension of land use spaces into the underground levels will increase the land supply of cities especially the central districts with crowded populations. The commercial and retail properties may have higher flexibility in their business uses as the usable areas are uplifted. Higher agility and variety in the business models may be induced, for instance, some real-life gaming-related shops can be located on underground levels. Besides, the underground storage and logistic assets which located nearby will be ancillary to the business use for retail shops. Though the development of underground space can improve the current urban structure by offering a better business environment to merchants, and providing a better shopping experience to buyers, it can bring a harmful impact on the current property owners. Under this gloomy investment market, the unit rates and rents of commercial retail and office assets are recorded a continuous downward trend, the supply increase via the conduit of constructing more underground spaces may further aggravate the fall in unit rates and rents, which prompts a tremendous shock to the existing office and retail landlords.

However, following the successful paths in progressing in underground retail streets in Taipei and Tokyo, some of the metropolitans like Shanghai may have the potential to duplicate their planning structures. Their homogeneities in the aspect of high building and population density shore up the demand for retail space. However, Taipei and Tokyo appear to be exceptional cases, most of the cities in China are recommended to slow down this progress before conducting comprehensive investigations, in order to avoid “white elephant” projects emerging.



The image above is Yaesu Underground Shopping Street in Tokyo, Japan
(Source of Photo: Online Photo)

MAINLAND CHINA SNAPSHOT

Residential Price Index of Major Cities (August 2024)

City	Sample Average Price (RMB/sq.m.)	M-o-M Change (%)	City	Sample Average Price (RMB/sq.m.)	M-o-M Change(%)
Shanghai	53,991	0.80	Beijing	45,488	-0.35
Chongqing	11,654	-0.15	Tianjin	15,155	-0.112
Guangzhou	24,743	-0.11	Shenzhen	53,083	-0.38
Nanjing	25,226	-0.10	Hangzhou	30,306	0.35
Chengdu	13,482	0.02	Wuhan	13,250	-0.29
Dalian	13,482	-0.69	Suzhou	18,773	-0.04
Xi'an	12,805	0.72	Xiamen	29,304	0.04
Ningbo	20,165	-0.52	Changsha	9,590	-0.17
Wuxi	14,373	0.02	Dongguan	19,125	-0.71
Shenyang	9,811	0.05	Fuzhou	17,299	0.09

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MAINLAND CHINA SNAPSHOT

Major Land Transaction (September 2024)

Beijing- Residential Land	
Transaction Date:	19-09-2024
Address:	R2 Type II Residential Land, A334 Child Care Land, Parcel DX04-0102-6030, 6029, Xihongmen Township, Daxing District, Beijing
Consideration:	RMB 2,225,000,000
Usage:	R2 Residential, A334 Childcare Land
Site Area:	29,897 sq.m.
GFA:	65,733 sq.m.
Plot Ratio:	2.2
Accommodation Value/ GFA sq.m.	RMB 33,849

Guangzhou- Industrial Land	
Transaction Date:	14-9-2024
Address:	Lots AB0805139 and AB0805142, North side of Zhonggang Avenue, Zhonglutan Town, Baiyun District
Consideration:	RMB 596,000,000
Usage:	W1 Logistics Warehouse
Site Area:	351,328 sq.m.
GFA:	1,126,807 sq.m.
Plot Ratio:	3.21
Accommodation Value/ GFA sq.m.	RMB 529

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MAINLAND CHINA SNAPSHOT

Major Land Transaction (September 2024)

Shanghai- Commercial Land	
Transaction Date:	11-09-2024
Address:	Lot 020-09, Block 41, Block 12, Huayang Road Street, Changning District (North Block of Huichuan Road)
Consideration:	RMB 2,615,520,000
Usage:	Restaurant and Hotel, Office Building Land
Site Area:	23,215 sq.m.
GFA:	92,861 sq.m.
Plot Ratio:	4
Accommodation Value/ GFA sq.m.	RMB 28,166

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