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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.

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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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- 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 Win-Win Decision on Pencil Tower and Public Housing Estate Development

HONG KONG PROPERTY-MARKET WATCH

The Win-Win Decision on Pencil Tower and Public Housing Estate Development

The Secretary for Housing said earlier that based on the current land supply situation in Hong Kong and high construction costs, the authorities will give priority to using large tracts of land to build public housing in the future while to lower the priority of single public housing blocks, or pencil towers. The author believes that this decision is a win-win situation for both the government and residents.

In the past, Hong Kong had limited land supply. In 2013, the Long Term Housing Strategy Steering Committee proposed to build 40-storey buildings in a "pin-type" manner on vacant land in existing housing estates to accommodate non-elderly single people aged 35 and above. The then Chief Executive also stated that land resources were inadequate which was impossible to completely eliminate public housing of pencil tower design and every piece of land in Hong Kong could be used to build houses. Therefore, in the absence of the Northern Metropolis and other new development areas, a large number of public housing units in the city were built in a pencil tower manner on smaller or marginal land in the urban area providing a smaller number of units.

While it is important to increase the supply of public housing to meet the needs of the public, from a cost-effectiveness and planning perspective, pencil tower public housing is always less effective than large-scale housing estate development.

In terms of cost-effectiveness, although the pencil tower public housing locations are close to those developed housing estates or in some urban areas with mature supporting facilities, there are still some located in remote areas or even restricted by geological and site environments. With the already high construction costs, the emergence of various construction difficulties will only push up the construction costs further. Media research showed that, the cost of building each public housing unit in recent years has increased from HK\$610,000 in 2019 to HK\$970,000 in 2024, an increase of 60%. One of the reasons is the higher cost of single-block public housing.

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Lin Tsui Estate, a single block public housing project completed in 2018 in Chai Wan.
(Source of Photo: RHL Photo Base)

Statistics also showed that, in 2016, three public housing projects had exceeded the "warning line" of HK\$1.2 million in construction costs per unit set at the time. All of these projects were single buildings, including those near Lai King Hill Road in Kwai Chung, Lai Cho Road in Kwai Chung and Area 29 West in Tuen Mun. These projects were subject to geological constraints, land size, and other site factors that pushed up the construction costs.

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Certainly, the rising costs also include factors such as labour and building materials. We cannot blame it entirely on the pencil tower public housing. However, since a single public housing block provides a small number of units and the population is less than that of a large housing estate, all foundations, pipelines, etc. that designed exclusively for these residents shall result in a failure to achieve "economies of scale" which large housing estates can enjoy in averaging the cost of the entire development project.

From a planning perspective, adding additional population to an already developed housing estate or area will not only shorten the distance between buildings, affecting the privacy of residents, but will also increase the burden on the original area's transportation, commercial, entertainment, and recreational facilities, such as recreational spaces, libraries, and clinics. As at the planning stage of a community, the authorities had already taken into account the population that each district could accommodate, and the facilities sufficiently-necessary for the living of the residents. Increasing the population at a later stage will only result in an over-demand for community services over the originally planned capacity. In addition, the narrowing distance between buildings may cause a walled-buildings effect, which may not be a good situation for local residents in terms of planning and environment.

Today, the government shall own more new land in the future new development areas. This will help the authorities to plan and design any public housing in the new areas more completely and comprehensively. At the same time, the simultaneous adjustment of the construction of single-block public housing to prioritize the development of large housing estates is believed to have a positive impact on cost control and the living quality of citizens.



CALVIN PANG
WRITER - HONG KONG
MARKET WATCH

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HONG KONG SNAPSHOTS

Former Restaurant Premises in Causeway Bay Rented for \$200,000 Per Month After 4 Years of Vacancy

The Red Pepper Restaurant in Causeway Bay, the first generation Sichuan restaurant in Hong Kong with half a century of history, has been vacant for 4 years since its closure in 2021. It was finally rented out recently at HK\$200,000 per month to another restaurant.

The shop is located on the ground floor of No. 7 Lan Fong Road and the first floor of Nos. 5 and 7 Lan Fong Road in Causeway Bay, with a saleable area of 2,670 sq.ft. with an open yard of about 420 sq.ft.. The owner has initially asked for a monthly rent of HK\$300,000, which was recently reduced to HK\$250,000 and eventually rented out at HK\$200,000 monthly, with a unit rent of HK\$75/sq.ft., according to market sources.

After the closing of the original restaurant in 2021, this self-owned shop has been sold for HK\$80 million, with a significant increase of more than 140 times in value compared to the purchase price in 1975. Based on the latest rental calculation, the property yield is 3%.



The rented premise was formerly one of the famous restaurants in the city.
(Source of Photo: RHL Photo Base)

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HONG KONG SNAPSHOTS

3 Foreign Flight Attendants Rented a 3-Bedroom Unit for HK\$22,500 at Regency Bay in Tuen Mun

Tuen Mun housing developments continue to benefit from the convenience of the Tuen Mun Chek Lap Kok Tunnel, attracting foreign flight attendants to move in. According to market sources, the unit that has just been rented out by 3 Thai-nationality flight attendants is a 3-bedroom Unit D on the lower floor of Block 1, Regency Bay, with a saleable area of 502 sq.ft..

The unit is a first-hand one with new decoration and appliances which is ready for immediate move in. The housing estate provides facilities such as clubhouse and direct bus to the airport, which only takes more than 10 minutes. All these have successfully attracted them to rent the unit at a monthly rent of HK\$22,500, with an average rent of HK\$44.8/ sq.ft..

Based on the owner's purchase price of approximately HK\$10.345 million in 2024, the unit has a market yield of 2.6%.



Regency Bay located at Light Rail
Tuen Mun Swimming Pool Stop.
(Source of Photo: RHL Photo Base)

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Latest Office Property Market Update

Office Property Purchase and Rental Transactions in the Market

Admiralty



Address:	Room 2605, 26/F, Bank of America Tower, No.12 Harcourt Road, Hong Kong
Transaction Price: (at October 2024)	HK\$31.283 million
Saleable Area:	1,090 sq.ft.
Unit Rate in Saleable Area:	HK\$28,700/sq.ft.
Last Transaction as at October 2017	
Price Change from Last Transaction:	+265.5%
Overall Market Change from Last Transaction:	-32.3% (Grade A Private Offices- Price Index by RVD)

Kowloon Bay



Address:	Office C, 33/F, YHC Tower, No. 1 Sheung Yuet Road, Kowloon Bay
Transaction Price: (at December 2024)	HK\$16.2 million
Saleable Area:	881 sq.ft.
Unit Rate in Saleable Area:	HK\$18,388/sq.ft.
Last Transaction as at November 2013	
Price Change from Last Transaction:	+9.3%
Overall Market Change from Last Transaction:	-15.4% (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

Wong Chuk Hang



Address:	Office Nos.22, 23, 25, 8/F, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang
Monthly Rental from October 2024:	HK\$50,000
Saleable Area:	1,921 sq.ft.
Unit Rental in Saleable Area:	HK\$26.0/sq.ft.

Tsim Sha Tsui



Address:	Office Unit Nos.201-202, 2/F, New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui
Monthly Rental from February 2025:	HK\$93,000
Saleable Area:	3,316 sq.ft.
Unit Rental in Saleable Area:	HK\$28.0/sq.ft.

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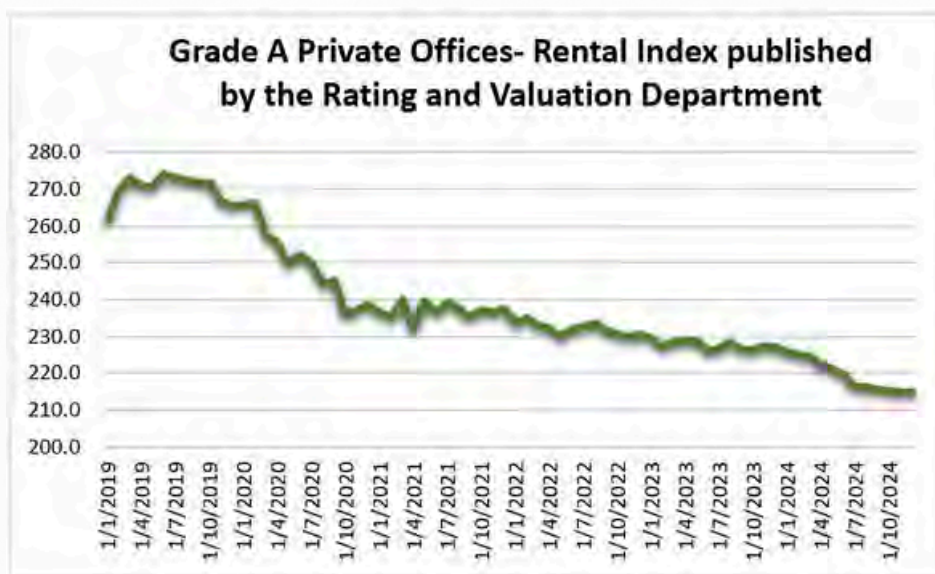
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Latest Office Property Market Update

Office Property Purchase and Rental Transactions in the Market

Statistics on Office Property Transaction Registered by the Land Registry	
Volume of Registered Transaction in 2024 Q3	148
Volume of Registered Transaction in 2024 Q4	202
Transaction Value of Office Property in December 2024	About HK\$3.635 billion
Transaction Value of Office Property in January 2025	About HK\$5.379 billion
Monthly Change in Transaction Value	+48%
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, the transaction volume of the office property increased in Q4 2024 with a rising transaction value in January 2025 compared to December 2024. The rental level is continuing its down arrow, yet at a gentler pace. According to the Grade A Private Offices Rental Index published by the Rating and Valuation Department (“RVD”), the latest index has dropped to 214.8 which keeps falling from the highest point in June 2019 at a narrow fluctuation gap in the past half year. Meanwhile, the price index has returned to its level in mid-2012. We believe that, with the relatively sufficient supply of Grade A offices and fewer demands than before, the rental level could be hard to rebound shortly. Being an inactive role in the Sino-US trade war lately, the office premises market shall be vulnerable to the future development of the city’s commercial and financial market.



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MAINLAND CHINA SNAPSHOT

- **Chongqing Releases New Standard for Low-Carbon Buildings**
- **Mainland China Residential Market: Stabilizing After a Fall?**
- **Residential Price Index of Major Cities (January 2025)**
- **Major Land Transaction (January - February 2025)**

MAINLAND CHINA SNAPSHOT

Second Half of 2024: Residential Land Sale Market Recovery?

Chongqing Municipality has recently released the Low Carbon Building Evaluation Standard, which applies to civil buildings and will come into effect on 1 March 2025.

According to the new standard, low carbon building evaluation is divided into two steps: pre-evaluation and evaluation. The pre-evaluation shall be conducted after the completion of the construction plan design of the building project, and the evaluation shall be conducted after the building has been put into use for one year and the utilisation rate has reached over 80%.

The evaluation indicators of the new standard include four categories, namely low-carbon design, low-carbon materials, low-carbon construction and low-carbon operation, and new indicators such as energy saving rate, water saving rate, application ratio of green building materials and utilisation rate of reusable materials have been added as basic requirements.



Rendering of Science Museum located at North Riverside Park, Wanzhou District, Chongqing City.
(Source of Photo: Wanzhou District Government)

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MAINLAND CHINA SNAPSHOT

Mainland China Residential Market: Stabilizing After a Fall?

In response to the favourable real estate policies in September 2024, the performance of the Mainland residential property market continued to improve. 4,425 new residential units were sold in Shenzhen in December 2024, which recorded a 184% growth on a year-to-year basis. Despite the fall in demand during the Chinese New Year in January caused by the trend of traveling abroad and returning to hometowns, the average price of newly built residential properties still rose by 1%.

The strong rebound in residential demand was further reflected in a 55% year-on-year uplift in the number of online residential contracts signed in Guangzhou over the same period. In the first half of January, 1,800 residential units were sold, which continued to reflect the rejuvenation. Shanghai's property market was also impressive, with new home sales up to 17% growth in Q4 2024 on a year-to-year basis. The sales of second-hand dwellings also performed well, reaching 73% growth compared to Q4 2023.

However, transactions are clustered in core locations. The demand is coming from the post-80s and post-90s buyers, who tend to take advantage of the opportunity to buy new homes to prepare for the birth of a child or for a prestigious school district, given the low mortgage rates and property prices.

Recent data from major cities suggests that the residential market is recovering, but there are still divergences in market performance. The non-core areas or third- and fourth-tier cities are still yet to be observed. Undoubtedly, 'Price-for-Volume' is still the main theme in the Mainland Residential Market.



The performance of the Mainland residential property market continued to improve.
(Source of Photo: Online Photo)

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MAINLAND CHINA SNAPSHOT

Residential Price Index of Major Cities (January 2025)

City	Sample Average Price (RMB/sq.m.)	M-o-M Change (%)	City	Sample Average Price (RMB/sq.m.)	M-o-M Change(%)
Shanghai	57,127	0.57	Beijing	45,621	0.09
Chongqing	11,643	-0.03	Tianjin	15,258	0.34
Guangzhou	24,735	0.16	Shenzhen	52,669	0.08
Nanjing	25,660	0.38	Hangzhou	30,604	0.12
Chengdu	14,019	-0.03	Wuhan	13,280	0.01
Dalian	13,625	-0.05	Suzhou	18,976	0.04
Xi'an	12,979	0.32	Xiamen	29,184	0.07
Ningbo	20,411	0.27	Changsha	9,665	0.01
Wuxi	14,370	0.08	Dongguan	18,877	0.07
Shenyang	9,818	-0.05	Fuzhou	17,276	-0.01

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MAINLAND CHINA SNAPSHOT

Major Land Transaction (January - February 2025)

Ningbo- Wholesale Market Land	
Transaction Date:	11-02-2025
Address:	Land at the southwest corner of the intersection of Fuyuan Road and Songxi Road, Xizhou Township, Xiangshan County, Ningbo
Consideration:	RMB 18,510,000
Usage:	Wholesale Market Land
Site Area:	11,821 sq.m.
GFA:	21,278 sq.m.
Plot Ratio:	1.8
Accommodation Value/ GFA sq.m.	RMB 870

Guangzhou- Industrial Land	
Transaction Date:	08-02-2025
Address:	Sub-lot 4, G09-KGW04, south of Daguang Expressway, east of Jingu North Road, Huadu District, Guangzhou, China
Consideration:	RMB 61,870,000
Usage:	M1 Industrial Land
Site Area:	41,518 sq.m.
GFA:	166,072 sq.m.
Plot Ratio:	4.0
Accommodation Value/ GFA sq.m.	RMB 373

MAINLAND CHINA SNAPSHOT

Major Land Transaction (January - February 2025)

Chengdu- Residential Land	
Transaction Date:	27-01-2025
Address:	No.16, Huishudian Road, Chenghua District; No.2 and No.3, South Dobaoji Road, Donghong Road Community Collective; Group 8, Donggui Community, Baohe Street, Chengdu
Consideration:	RMB 1,687,100,000
Usage:	R2 Residential Land
Site Area:	33,081 sq.m.
GFA:	82,701 sq.m.
Plot Ratio:	2.5
Accommodation Value/ GFA sq.m.	RMB 20,400

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