

RHL International

OCT 2021

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# MARKET EXPRESS

## 房地產市場快訊

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HONG KONG PROPERTY

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香港物業市場透視

CHINA PROPERTY

中國物業市場透視

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- Industry Market Research & Analysis
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## **HONG KONG PROPERTY- MARKET WATCH**

### **New Way to Redevelop Yau Ma Tei and Mong Kok**

# HONG KONG PROPERTY - MARKET WATCH

## New Way to Redevelop Yau Ma Tei and Mong Kok

The Urban Renewal Authority has started its Yau Ma Tei and Mong Kok Districts (“YM districts”) Study since 2017 to explore ways of enhancing the efficiency of land use and the redevelopment potential in the two districts for more effective and sustainable ways for urban renewal. Lately, the Study suggests that, within the about 212 hectares study area of YM districts, 5 development nodes have been identified, including Waterway Park at Flower Market area, revitalization and relocation of Yau Ma Tei Fruit Market, revitalization and consolidation of nearby on-street stalls at Mong Kok Market, provision of 1.8 hectares of recreational lands.

Besides that, the more eye-catching idea should be the transfer of plot ratio from those development-limited lots to other sites, and by closing or consolidating streets to form more cohesive redevelopment sites for future developments of Starter Homes and other private residential or mixed developments.

Study area of the District Study for Yau Ma Tei and Mong Kok of the Urban Renewal Authority.

(Source of Picture: LegCo document)



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- *As a Matching Platform to Source Opportunities*

The Study unveils that, among the 3,350 buildings in YM districts and Tai Kok Tsui, about 65% are of 50 years building age, of which, 47% are in “marginal”, “varied” and “poor” conditions, and 37% are “Three-Nil Buildings”, that is buildings without incorporated owners, residents’ corporation and management. By 2047, it is predicted that about 80% of the building stock will be at least 70 years old. Nonetheless, the redevelopment momentum in the Study Area has been slow, with only 53 Occupation Permits (for domestic and composite buildings) issued in the past 20 years. Over 800 buildings are classified as having nil or negative redevelopment potential.

As the existing urban renewal model in high density districts with serious urban decay is neither sustainable nor financially viable, the introduction of plot ratio transfer among sites, and domestic-/ non-domestic portions within the same plot, and site amalgamation have been identified to be a new direction for the district’s future evolution.

From the writer’s point of view, the plot ratio transfer and street consolidation are viable, and our city is not lacking similar precedent site amalgamation case, such as the 7-street redevelopment at the current Vision City in Tsuen Wan. According to the analysis, there are over 400 building blocks which have an existing plot ratio equal to and 400 building blocks exceeding the maximum permissible level under the Outline Zoning Plan and/or Building (Planning) Regulations.

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In-situ redevelopment of such building blocks is basically not financially attractive or viable under the existing mechanism. So the transfer of development rights of sites curtailed by planning action (“sending sites”(SS)) or sites with very limited redevelopment potential to sites where growth or increase in intensity is intended (“receiving sites”(RS)) is believed to be able to enhance the sites’ attractiveness and provide more potential rewards to developers for cooperating with the Urban Renewal Authority to redevelop the sites, which could also relief its fiscal balancing pressure at each site.

Even so, following the plot ratio transfer, the SSs’ planning value would be lowered to become public recreational spaces, old buildings retainment etc..

At this moment, whether such transfer of gross floor area from the SS can finally be received by the RS depends on the planning permission applications to be submitted to the Town Planning Board later as any planning applications should be subject to a public opinion collection process which could bring uncertainties to the process.

Another suggestion is to allow domestic and non-domestic plot ratio of the same site interchangeable provided that such plot ratio maintains the limit of the Outline Zoning Plan. In fact, many of the building blocks from the inner secondary streets with its non-domestic portions on lower floors are facing low efficient in usage in reality due to less populous location for business. Hence allowing flexible interchangeable plot ratio for additional domestic floor area shall impose positive financial reason for redevelopments, that can expedite urban renewal and increase housing units to help solving the housing problem in the long term.

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At last, as all these suggestions are subject to further announcements and discussions among the Authority and the government, we are not in the best position to comment on the workability of these findings in practice.

Nonetheless, from the redevelopment perspective, any master planning blueprint is more efficient and effective than the existing small-scale site-to-site redevelopments. Driving to a more sustainable society, such suggestions are somehow achieving and optimizing the scarce urban lands which are worthy to experiment.



If the suggestions are implemented, it is believed that Yau Ma Tei and Mong Kok districts would have a tremendous change in outlook.

(Source of Picture: RHL Database)



**CALVIN PANG**

**WRITER- HONG KONG  
MARKET WATCH**

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## HONG KONG SNAPSHOTS

### Redevelopment Schemes Unveil at District Iconic Buildings in Lai Chi Kok

Urban land for industrial or commercial use is limited which forces land owners to speed up for redevelopment. According to the information from the Town Planning Board, applications for redevelopment at several district iconic developments in Lai Chi Kok have been received, including Li Fung Tower and Hong Kong Spinners Industrial Building. 2 to 3 office towers or factory buildings have been proposed in situ providing a floor area of at least 1.3 million sq.ft..

For the proposal of Li Fung Tower, Nos.868- 888 Cheung Sha Wan Road, a relaxed plot ratio to 14.4 was proposed for the building of a 27-storey office tower with a floor area of 287,700 sq.ft..

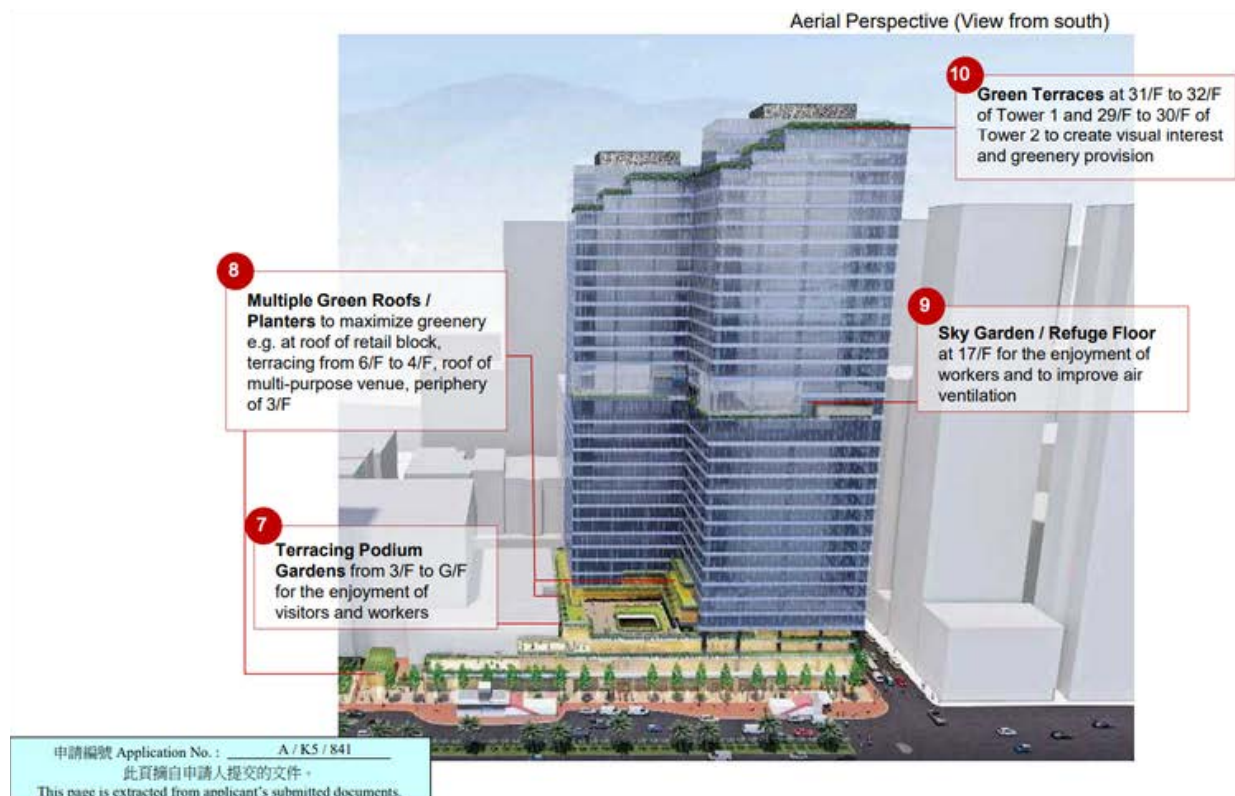


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## HONG KONG SNAPSHOTS

For Hong Kong Spinners Industrial Building (Phase 1 and 2) at Nos. 800 and 828 Cheung Sha Wan Road and Nos.601- 603 Tai Nan West Street, 2 schemes have been submitted. One was erecting 2 31- and 33- storey office buildings with retail spaces on podium while another one was building a 28-storey industrial building. Both proposals would generate 1.077 million sq.ft. floor areas.



The proposed 2 office towers with retail spaces planned on podium to be redeveloped at the existing Hong Kong Spinners Industrial Building (Phase 1 and 2).  
(Source of Picture: Town Planning Board's online documents)

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## HONG KONG SNAPSHOTS

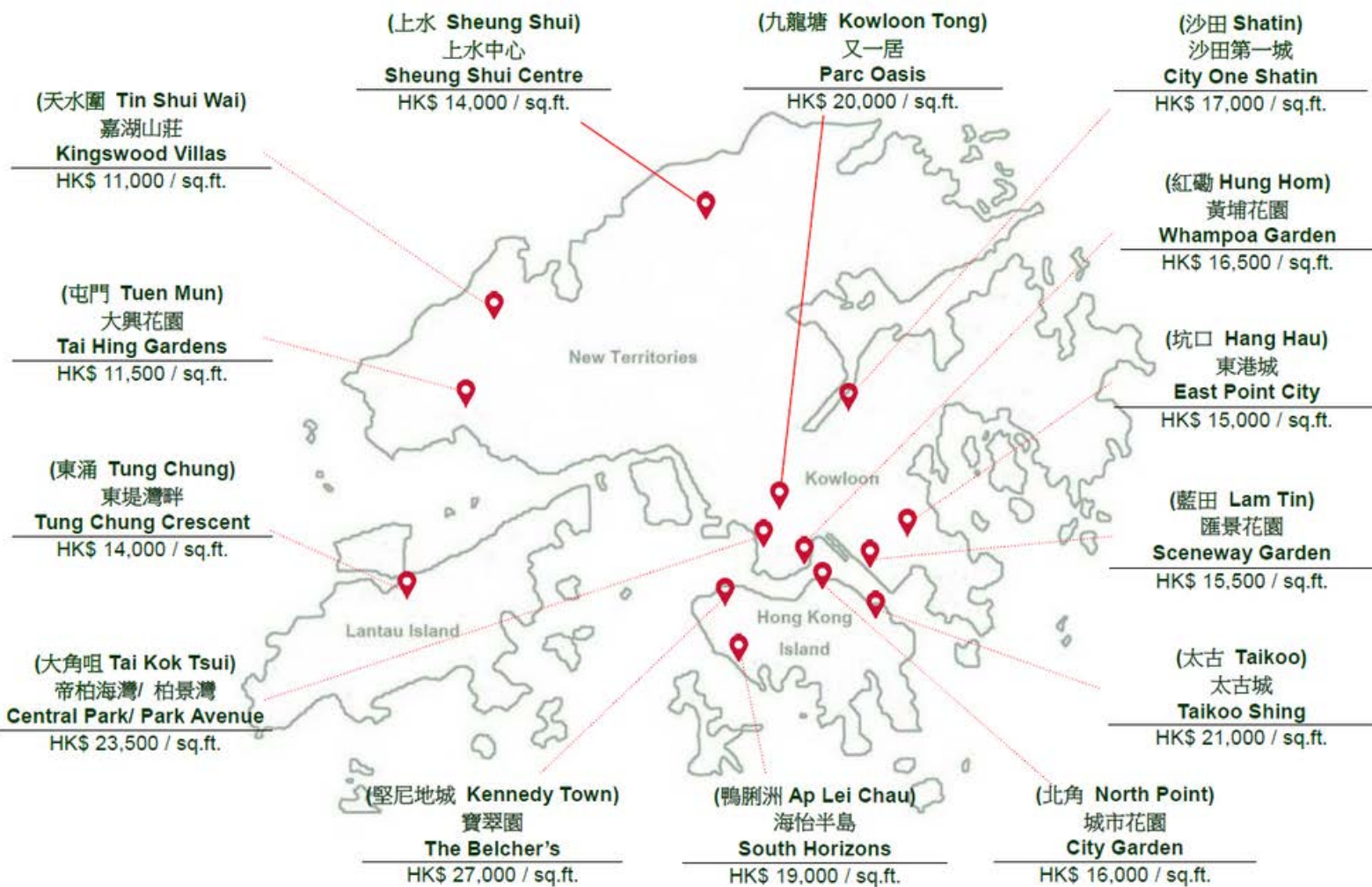
### Second-Hand Price-Cut Domestic Transactions Continues

Stock market in Hong Kong has been turbulent recently, some property owners have even decided to sell their properties at lower prices. A high-rise unit at Seven Victory Avenue in Ho Man Tin, with a saleable area of about 247 sq.ft., was just sold at HK\$6million, which was about 2% higher than the purchasing price 4 years ago. Besides, a saleable area of about 848 sq.ft. Flat C on the low to middle level at 86 Broadway Street, Phase 3 of Mei Foo Sun Chuen in Lai Chi Kok was recently sold at HK\$10.38 million with a price reduction for HK\$1.82 million. The unit rate sold is about HK\$12,241/sq.ft..



The Seven Victory Avenue located at Victory Avenue in Ho Man Tin.  
(Source of Picture: RHL Photo Base)

# HONG KONG TRANSACTIONS OVERVIEW



\* Average saleable unit rate of standard units  
以上為各標準單位平均實用呎價



### Indonesia Capital Relocation

**Current capital:** Jakarta

**Area:** About 661.5 square km (including Jakarta's cities/municipalities)

**Issues related to Jakarta:**

- Overcrowded with approximately 10.7 million people
- Severe air pollution as the PM2.5 concentration is currently 2 times above the WHO annual air quality guideline value
- Frequent natural disasters which disturb urban development, including floods, storms, earthquakes, and land subsidence due to climate change and uncontrolled ground water extraction
- Poor traffic planning, insufficient public transportation, and growth of traffic causing traffic jams.
- Sea level has been rising even though sea walls had been constructed for protecting from being flooded. It is said that 40% of Jakarta is below sea level.
- The Indonesian Government wants to expand its financial industry and commercial sector which needs more spaces for expansion.

**New proposed capital:** Island of Borneo

**Location:** East Kalimantan on the island of Borneo.

**Area and population:**

- About 127,000 square km
- Population: home to more than 3.7 million people

**Relocation Budget:**

- US \$32 billion plan to relocate (19% from state budget for 2021)

**Reason for choosing :**

- Well-known part of the archipelago and least prone to natural disasters



Source: (Nikkei Asia, 2020)



### Borneo:

- To balance the regional development as the President deemed that the national paradigm of development should be have changed from Java-centric to Indonesia-centric

### New Capital Plan:

- Future Plan: To build a smart and green city to attract investment, create jobs, and spur economic activities and growth in the eastern half of Indonesia
- Emerging Challenge: the most important aspect is infrastructure access to the area for logistics purpose, including port, airport, railway, etc.

### Timeline:

- 2019: Indonesia President Joko Widodo announced the capital relocation for the first time officially
- 2021: The Government worked on a master plan, technical details, and construct the basic infrastructure.
- August 17, 2021: During the anniversary of Indonesian independence, the Government announced the commence of the construction for new capital
- August 28, 2021: the President announced that the plan would be resumed by next year (2022) after the pandemic.
- September 2021: The new strategic master plans set in place
- 2023: The state civil servants in ministries, institutions, and central agencies are expected to move to the new capital gradually by 2024.

### Emerging Issues & Concerns:

- The new design of a new presidential palace is not popular among citizens
- Opportunities of attracting global funding amid the pandemic might decrease
- Opportunities for the government's plans to attract private investors for the new capital
- Borneo, which is the home to orangutans (an endangered species), can face with an irreversible damages in terms of natural environment (i.e. forests)
- The project can risk of corruption which has been rampant in Indonesia.
- East Kalimantan Province, the site selected, lacks heavy industry and cannot provide enough raw materials for the construction of the capital. Furthermore, the location of the new capital is not located on the sea, and foreign building materials will have to be transported to the construction site by local roads with low capacity after landing, which is estimated to increase costs.

# 大灣區前瞻

## Greater Bay Area Special

The Guangzhou-Hong Kong-Macau Greater Bay Area also referred as Greater Bay Area (GBA), is a megalopolis, consisting of two special administrative regions of Hong Kong and Macau, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou and Zhaoqing in Guangdong Province. GBA- with a total area of 56,000 km<sup>2</sup>, and with a total population of approximately 72 million people at end 2019, is the largest and the richest economic region in South China. The GDP is USD 1,679.5 billion and GDP per capita is USD 23,371. GBA also is the largest and most populated urban area and is among the 5th largest bay areas in the world, comparable with the bay areas of London, New York, San Francisco, and Tokyo.

The development of the GBA is accorded the status of key strategic planning in the country's development blueprint. The objectives are to further deepen cooperation amongst Guangdong, Hong Kong and Macau, fully leverage the composite advantages of the three places, facilitate in-depth integration within the region, and promote coordinated regional economic development, with a view to developing an international first-class bay area ideal for living, working and traveling.

## MACAU

Macau is located in the Pearl River Delta in the southern Guangdong Province on the western side of the Pearl River estuary, adjoining the city of Zhuhai to the north, and 60km away from Hong Kong across the sea. Macao pursues an open economic policy. Its tax rate is among the lowest in the region. Fiscal system is sound. There is no limit in foreign exchange. It is a free port and has its own customs territory. Macao is an economy with strong economic vitality in the Asia-Pacific region. It is also an important gateway linking Mainland China with international markets. Since the establishment of the Macao Special Administrative Region, the economy has maintained high growth rates driven by the tourism and gambling industries. The gambling and junket activities are the main pillars of Macao, accounted for 50.9% of its overall industrial structure in 2019.

Permanent Residents : 0.68 million

Total Area : 33 sq.km.

GDP : MOP 194.4 billion

GDP per Head : MOP 285,000

Total Merchandise Trade : MOP 103.37 billion

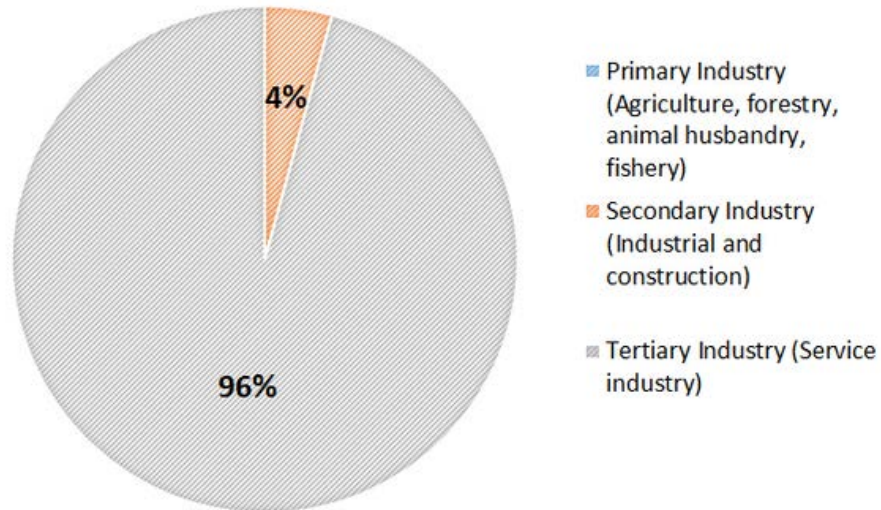
Export Value : MOP 10.81 billion

Import Value : MOP 92.56 billion

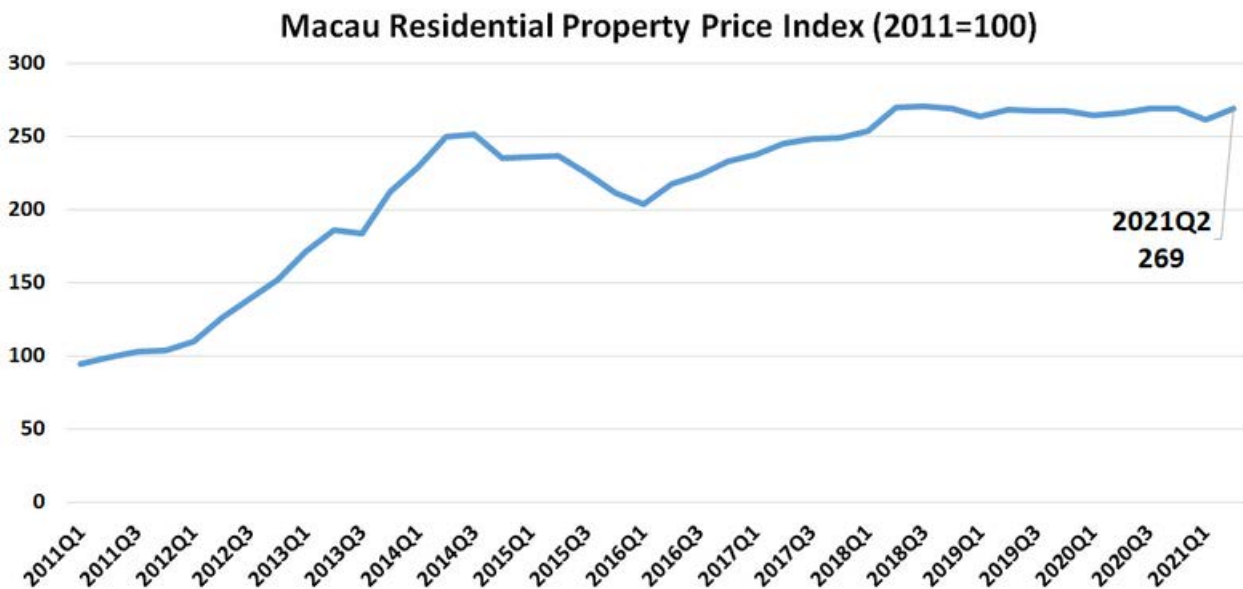


# MACAU REAL ESTATE OVERVIEW

## Industry Structure



## Residential Property Price Index



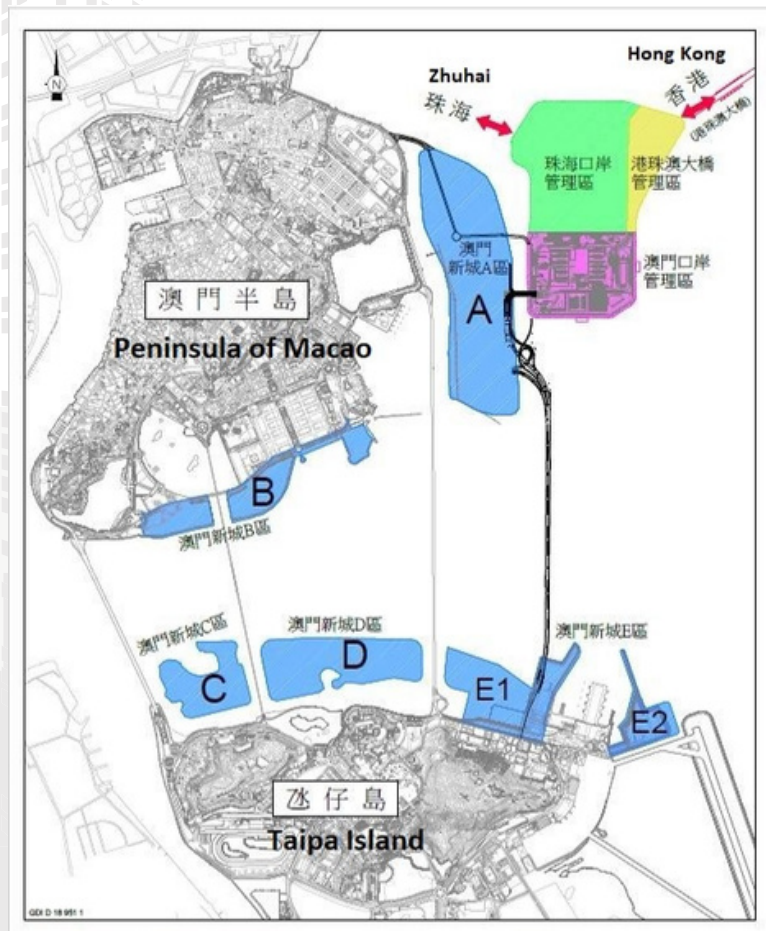
Source: Macau DSEC



# MACAU REAL ESTATE OVERVIEW

## Macau New Urban Reclamation Zone

- The new urban zone reclamation is divided into five parts, with a total area of about 350 hectares. According to the plan, Area A is located in to the east of the Macau Peninsula, with the largest area of the five districts, about 138 hectares. It is planned to be used for commercial and residential communities, infrastructure, waterfront parks, public social facilities and diversified industrial land. Area B is located in the south of the Macau Peninsula, with an area of about 47 hectares. It is planned to be used for road infrastructure, tourism and leisure, and park greening. Areas C and D are located in the northern area of Taipa Island, with an area of 33 hectares and 59 hectares respectively. The main plan is for commercial and residential communities. Area E is located at the northeast corner of Taipa Island, adjacent to the Pak On Ferry Terminal under construction and the International Airport, covering an area of 73 hectares. The main plans are public community facilities, transportation infrastructure facilities, commercial and residential communities, and diversified industrial land.
- At present, the reclamation projects in areas A, B and E have been completed. Area C has been delayed due to lack of sand, geological subsidence and the impact of the COVID-19. District D has completed the bidding and started the project. The longest construction period is 1450 working days and is expected to be completed in 2024.



# MACAU REAL ESTATE OVERVIEW

## Hengqin Guangdong-Macao In-Depth Cooperation Zone

- On September 5, China announced that Hengqin New Area in Zhuhai will be built as a "co-construction, co-management and sharing" zone between Guangdong Province and Macau. Macau will take the lead in the economic field and be responsible for bringing in foreign investment, while Guangdong Province will focus on party building and social management.
- The implementation area of Hengqin Guangdong-Macao Deep Cooperation Zone is the customs control area between the "first line" and "second line" of Hengqin Island, with a total area of about 106 square kilometers. The "first line" is between Hengqin and the Macao Special Administrative Region, while the "second line" is between Hengqin and other areas within the customs territory of the PRC.



Source: Macau Daily

# MACAU REAL ESTATE OVERVIEW

## Macau Light Rapid Transit

- The Macau Light Rapid Transit is the city's urban rail transit system and the first railroad in Macau. Construction of the first phase of the main line began in February 2012, and the first Taipa section was opened to traffic on 10 December 2019.
- In line with the future development plan of the Macau government and major infrastructure projects, the Macau Light Rapid Transit System will be built in several phases to connect the old urban areas with the new development areas.
- Currently, the Hengqin Extension and the Seac Pai Van Line have been tendered and are expected to be completed in around 2024.



System map of completed Macau Light Rail network

Source: Macau Light Rapid Transit

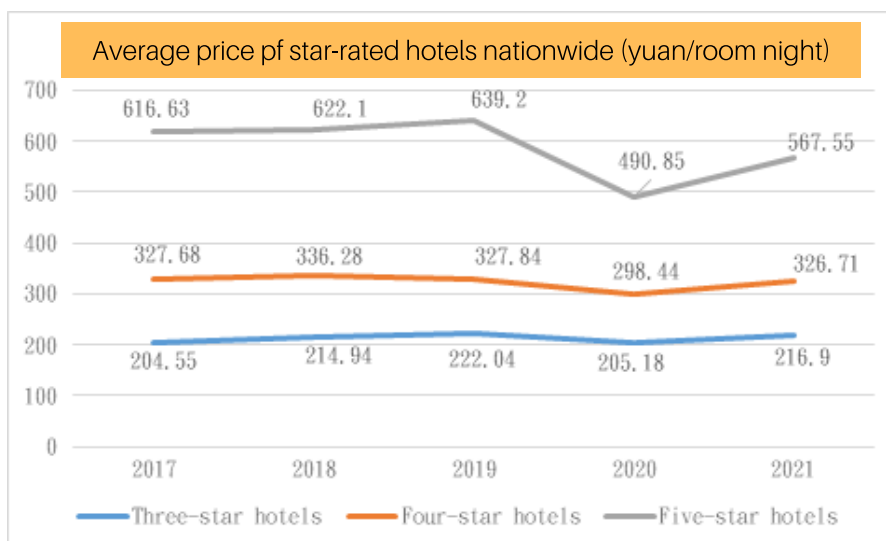
# CHINA MARKET WATCH

## Good Time for Hotel Investment?

In 2021, Trip.com Group Limited released three travel data for May Day, Dragon Boat Festival and Summer Holidays. The data show that this year's domestic tourism market has recovered strongly, and hotel orders have even exceeded the level of the same period in 2019.

Among them, "May Day" travel data show that high-star hotels accounted for nearly 40% of hotel orders, of which resort hotels and theme park hotels are most sought after by consumers. Trip.com Group Limited's "May Day" total order volume increased by about 270% year-on-year in 2020, which was an increase of more than 30% compared to the same period in 2019.

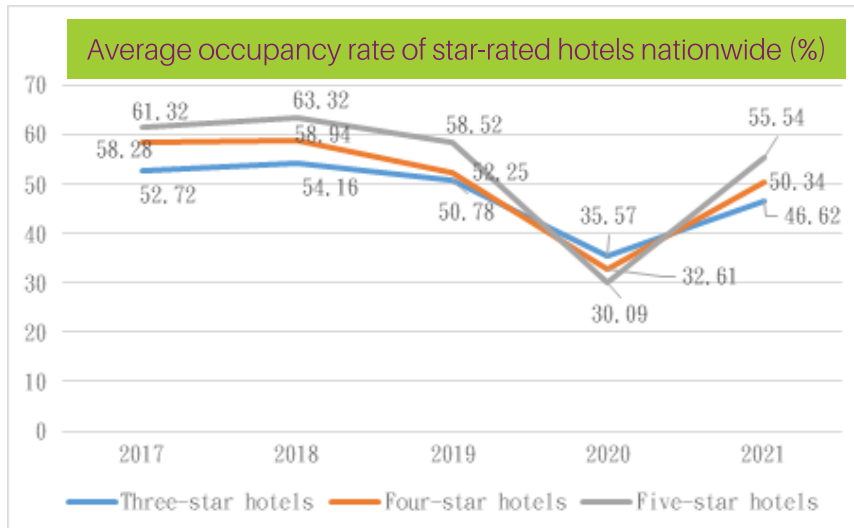
Is the increase in order volume due to hotel discounts, or is it true profit recovery? We also referred to the information published by the National Tourism Administration. According to the latest indicators for the second quarter of 2021, it can be seen from the following chart that in 2021, whether in terms of room or occupancy rate, hotel operating data will basically return to before the epidemic.



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## CHINA MARKET WATCH



It can also be seen from the above graph that the decline of five-star hotels in 2020 far exceeds that of three-star and four-star hotels. Performance has been severely affected.

But, the first to rebound in 2021 was also the five-star hotel, which basically returned to the level before the epidemic. It may be due to the epidemic in the mainland is under control, life and business have basically returned to normal while the overseas epidemic still fluctuated, therefore high-end customers who went overseas for long vacations in the past have chosen to stay for vacation.

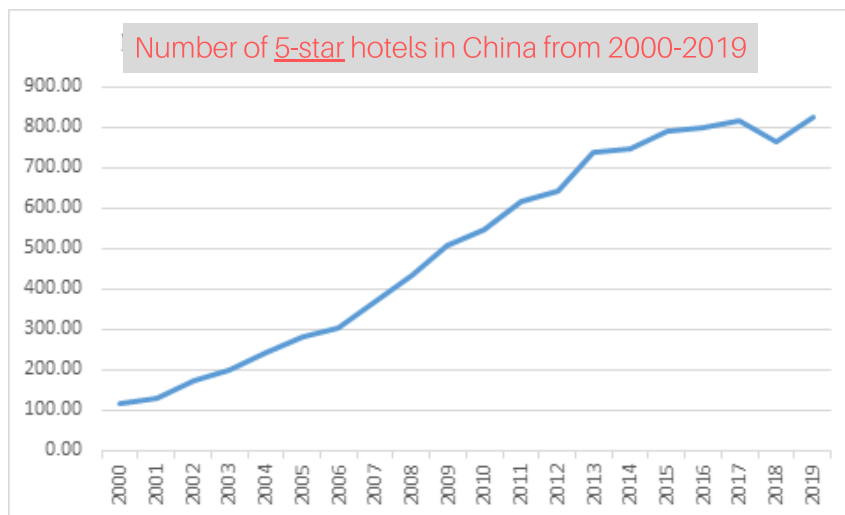
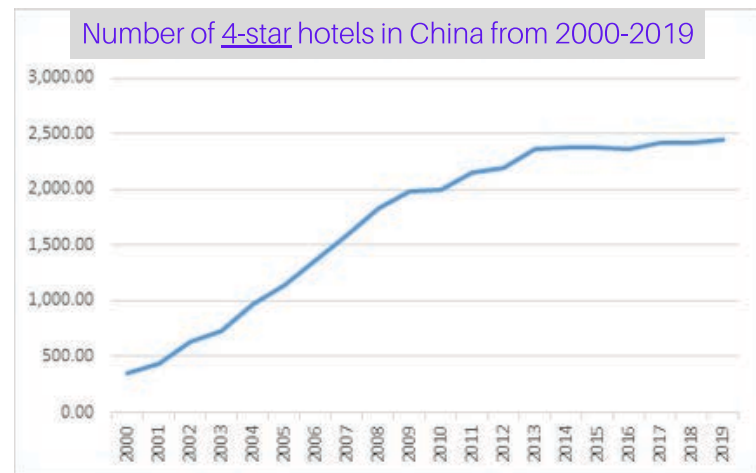
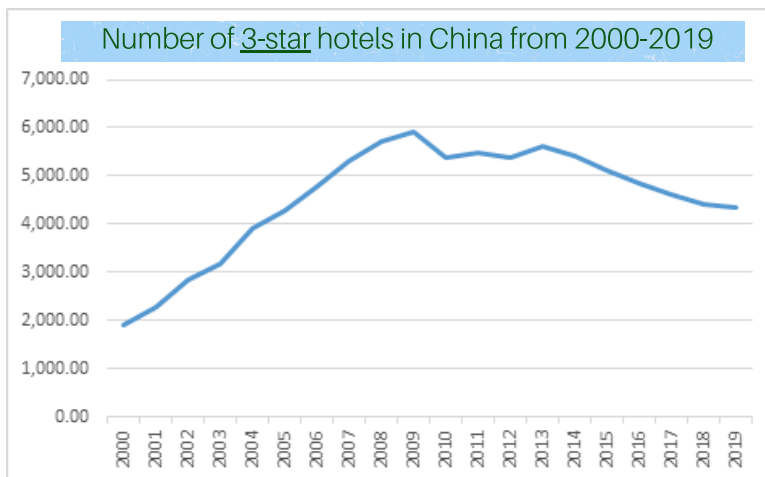
Is the improvement in hotel data a short-lived or bottoming out? Is it because of retaliatory consumption or really picking up? In addition to the recovery of epidemic, the economic side and supply of hotels are also need to be considered.

Even before the epidemic, mainland hotels faced great challenges in the past few years. In the past stage of rapid economic development, there was a large demand for commercial properties. Therefore, most local governments encouraged developers to develop commercial properties, launched a large number of comprehensive land which bundled residential development together with hotels and shopping malls, which lead to oversupply of hotels.

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## CHINA MARKET WATCH



It can be seen from the above chart that hotels have been increasing rapidly since 2000 until around 2014. Among them, three-star and four-star hotels grew rapidly before 2008. However, in recent years, the rate of increase in hotels has decreased significantly, and the supply has stabilized.

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## CHINA MARKET WATCH

At the same time, China's tourism industry is still developing rapidly, theme parks and cultural tourism projects are blooming everywhere, and the demand for hotels still exists. Moreover, with the development of new economy, even without the endorsement of other entertainment and tourism spot, the hotel business itself still has a large room for imagination. Hotel is no longer a single accommodation function, but develops into a variety of different themes, such as parent-child hotels for the child care market, study tours, training hotels for white-collar workers, bookstore hotels, e-sports hotels for young people, hobby hotels, and Chinese-oriented hotels. Health care hotels for the elderly, or IP hotels with other brands.

However, in terms of hotel categories, star-rated hotels have relatively stable development benefited with its scale, diversified services, and a wide customer base, suitable for businesses, families and young people. But the competitiveness of individual hotels is very fierce with weakness in cost control, sales channels, quality monitoring, etc. It is reported that the number of hotel closures reached around 150,000 in 2020, most of which are small or medium-sized hotels. Therefore, to survive, independent hotels must focus on reducing operating costs, and join franchising is also a general trend. Major hotel groups are actively deploying.

In the post-epidemic era, there are various good news for hotel: cool down of supply, good China's economic fundamentals, the 14th Five-Year Plan which encourage consumption promotion, development of cultural, tourism, and health projects. It is expected the occupancy rate and room prices will rise steadily. Hotel, as one kind of investment property, has good potential in long run.



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## CHINA SNAPSHOT

### Residential Price Index of Major Cities (August 2021)

City	Sample Average Price(RMB/sq.m.)	M-o-M Change(%)	City	Sample Average Price(RMB/sq.m.)	M-o-M Change(%)
Shanghai	51,666	0.09	Beijing	44,085	0.14
Chongqing	11,714	0.28	Tianjin	15,016	0.01
Guangzhou	24,247	0.15	Shenzhen	54,490	0.09
Nanjing	24,440	-0.07	Hangzhou	29,149	0.49
Chengdu	12,392	0.65	Wuhan	13,237	-0.19
Dalian	13,896	0.4	Suzhou	18,168	0.53
Xi'an	11,563	1.58	Xiamen	29,128	-0.1
Ningbo	19,032	0.41	Changsha	9,253	0.26
Wuxi	14,055	0.38	Dongguan	19,213	0.13
Shenyang	10,020	0.37	Fuzhou	17,115	-0.05



Source: Fangtianxia Hundred City Price Index



(Source of Picture: Canva Photo Base)

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