PROPERTY

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Point of sale
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Where: Palm Springs, Yuen Long

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Secondary market
118
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PROPERTY DIGEST

Millennium Plaza floor up for tender

A 15,451 square feet office floor and two parking spaces at Grand Millennium Plaza in Sheung Wan will be offered for tender, according to sole agent Savills. The indicative price for the property is HK$300 million, it said. The 28-storey grade A office comprises a retail podium and 23 floors of office space with a combined gross floor area of 383,091 square feet. The tender will close on June 13. Peter Yuen, head of sales and investment at Savills, said leasing demand for grade-A offices in core areas has always been promising, resulting in positive investment sentiment. "With the continued support from the mainland corporations for grade-A offices on Hong Kong Island and the rare availability of a floor of over 10,000 square feet, I believe that this opportunity will generate a lot of interest from both investors and end users," he said. Sandy Li

Home prices rise sharply in Australia

Australian home prices rose sharply in April as demand revived after a run of softer months, a potential red flag for policymakers worried about the risk of a borrowing-fuelled bubble. Monday's figures from property consultant CoreLogic RP Data showed its index of home prices for the combined capital cities jumped 1.7 per cent in April, from March when they edged up only 0.2 per cent. Annual growth picked up to 7.3 per cent, from 6.4 per cent in March, breaking a run of slower months. The upturn is unlikely to be entirely welcomed by the Reserve Bank of Australia which signalled alarm last year when a surge in borrowing for investment properties risked overheating the market. Reuters

UK home loans surge by the most since 2007

Mortgage lending in Britain surged by the most since October 2007 last month, a further sign of the stampede for investment properties before a tax rise took effect in April. Net advances rose to £7.4 billion (HK$84 billion) in March, from £3.6 billion a month earlier, the Bank of England said last week. Mortgage lending data showed banks approved 71,357 loans for house purchase, down from 73,195. Net lending increased by £1.9 billion in March, compared with £1.4 billion a month earlier. Bloomberg

STRATEGY

CIFI chairman Lin Zhong says that the Shanghai market is still healthy as the proportion of speculative buyers is low. Photo: Felix Wong

CIFI to continue focus on Shanghai

Despite curbs, developer has faith in the long run for financial capital

Summer Zhen
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CIFI Holdings (Group), a Shanghai-based property developer that has grown rapidly in recent years, sees great potential in the city and plans to continue with its focus on China's financial capital.

Shanghai introduced the toughest curbs on homebuyers in March, choking off sales and triggering concerns about prices crashing in the city.

"Transactions have declined, price growth has slowed, but prices will still go up. We are positive about the Shanghai market in the long run," CIFI chairman Lin Zhong said. "The market is still pretty healthy as the proportion of speculative buyers is low."

In the year to March, prices of new homes in Shanghai rose 30 per cent, the fastest growth ever tracked by the National Bureau of Statistics. To rein in prices, the government has stipulated the city's non-local residents must pay social insurance or taxes in Shanghai for at least five years before they can buy property, rather than two years before.

Lin is not worried about the impact from the new policy, saying demand from locals remains buoyant. According to Lin, Shanghai's average living space per person is relatively low compared with the national average, which is only about 20 square metres.

"There is demand from upgraders, newly married couples and those who are relocating as old builds are demolished," Lin said, adding population inflows into Shanghai will continue and prop up home prices in the city.

"The market is huge. The transaction volume in Shanghai has already exceeded that of Hong Kong."

In the first quarter, CIFI's contracted sales nearly tripled from the same period a year ago to 11 billion yuan (HK$13.18 billion), to which Shanghai and its satellite city of Suzhou, contributed most.

Lin said he expects CIFI's sales in Shanghai this year to surpass last year. However, the developer plans to slow land purchases this year, after rapid expansion last year, given the high price of land.

Established in 2000, CIFI has expanded into 16 Chinese cities and had a land bank of 12.5 million square metres as of last year.

With the central government trying to prop up the property sector, home price recovery has spread from first-tier cities to second-tier ones such as Suzhou and Nanjing in the past few months.

Lin said he believes property markets in Wuhan, the capital of Hubei province, and the northern coastal city Tianjin, will heat up soon, going by the trend.

Instead of expanding into new cities, Lin said his company would conceptrate on where it has a presence, with a strong focus on Shanghai, to better manage risks.

¥11b
CIFI's contracted sales in the first quarter, in yuan, nearly triple the figure a year ago

In C-Suite on P3, Lin Zhong talks about why the company will slow land buying this year.

INVESTMENT

HK investors find sweet spot in Japanese property

Sandy Li
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The rising Japanese yen and falling home prices in Hong Kong have not deterred local investors from buying Japanese properties, industry experts say, because flat values in the city are still high, which compresses annual yields.

"Despite declining Hong Kong home prices, we have not seen lots of buyers return to the local residential market so far," Landscope Christie's International Real Estate chief executive Koh Keng-shing said.

Hong Kong's home sales had been dominated by the primary residential market, he said, as developers had reduced selling prices and provided stamp duty subsidies to lure buyers away from the secondary market.

There had also been a subdued response to sales in the secondary residential market due to higher transaction costs, Koh added, pointing out the local market was focused on end users.

He said investors were still interested in buying overseas properties as a major investment alternative. "The surge in the Japanese yen has little impact on their investment," he said.

"In contrast, some investors have become more active in looking for properties in order to bet on the stronger yen." The yen surged to an 18-month high of 105.79 to the US dollar yesterday after the Bank of Japan failed last week to deliver the further monetary easing expected by the market. In Hong Kong, home prices have fallen about 12 per cent from the September peak.

Koh said investors could enjoy a currency gain even if home prices in Japan failed to rise.

Property appraisal firm Tokyo Kantei said home prices in the secondary market in the greater Tokyo area rose 7 per cent last year.

Koh said the annual investment yield for residential flats in Tokyo would be one to two percentage points higher than Hong Kong's average of two or three per cent, while yields in Osaka could be two to three percentage points higher than those for investment properties in Hong Kong.

He said Japanese flats ranging in price from HK$5 million to HK$10 million were the most popular among individual Hong Kong investors.

Foreign investors, including those from Hong Kong, flocked to Japan after 2012 as a falling yen made properties there more affordable.

Home prices in Japan are just a fifth of those in Hong Kong and are also lower than those in mainland China's first-tier cities such as Shanghai and Beijing, but come with high occupancy rates, with almost 90 per cent of rental units in Tokyo leased.

RETAILING

STORES AT RISK FROM 'VIRTUAL' SHOPPING

Just when department stores are suffering from competition brought on by e-commerce, virtual reality shopping has emerged as a new threat

Naomi Ng
naomi.ng@scmp.com

Shopping in virtual reality could be the next big thing in mainland China, with industry experts saying department stores and traditional retail brands need to evolve before the e-commerce wave wipes them out.

Virtual reality allows viewers looking through a goggle-like headset plugged into a mobile device or a computer to be transported and completely immersed in a three-dimensional environment, that could be a purely digital creation or based on reality.

British virtual reality content provider Infinity is road testing its virtual shopping concept, in which people can purchase items while watching a movie or video in "shopping mode" in the comfort of their own homes while wearing a virtual reality headset.

"For example if you see a movie [through the virtual reality headset], and you like the lady's dress, then you can just click on it and purchase it," said Johnny Hon Sei-hoe, executive chairman at Gate Ventures, an investment company which holds a 61 per cent stake in Infinity.

"We believe that's a big thing going forward. In the future a lot of the media content will be driven by e-commerce companies or retail brands," he said, adding that virtual shopping malls could be ready as soon as the end of this year.

Mainland China is the largest e-commerce market in the world, and Hon said virtual shopping, an extension of online shopping but in a virtual reality format, could take off there.

The rise of e-commerce in China has led to dwindling sales for department stores and traditional retail brands, with some forced to close.

"Department stores originally were designed as a one-stop shopping destination ... but really, over the past five years, they've lost out to shopping centres and the past three years, lost out to e-commerce," said James Hawkey, head of retail at JLL in China.

At least 449 mainland department stores have pulled down the shutters since 2012, according to Linkshop, a mainland website that tracks the retail industry.

Dalian Wanda, one of China's biggest private property developers, announced last year that it would close about 40 of its 99 department stores due to the slump in the retail business.

"Traditional department stores will continue to suffer," said Hawkey, who added that major mainland department stores reported declining sales last year.

Hon said retail brands or stores in Hong Kong that failed to develop a proper e-commerce strategy would also lose out.

"Hong Kong lags behind on [innovation and e-commerce]. We see it as competitive disadvantage if Hong Kong is stuck with this traditional [mentality relying on] tourists buying stuff," he said.

Hon said that the current downturn in retail sales, which Hong Kong's richest man Li Ka-shing called one of the worst in decades, was a result of the city focusing too much on property and too little on innovation.

It's a by-product of property prices rising too much over the past 20 years

JOHNNY HON SEI-HOE, GATE VENTURES

"It's a by-product of property prices rising too much over the past 20 years, so everybody just focused on buying property as their main investment," he said.

While Hon and Hawkey both agree that virtual reality shopping is not likely to deter people from going to shopping malls, they said mall owners would have to pick tenants that had developed key online-to-offline strategies.

Mainland department stores would have to evolve to differentiate themselves, either by developing strong private labels like Marks & Spencer in Britain, or becoming more like shopping centres, which focus more on a social experience.

"People are social animals, so I think the future for shopping centres is that they need to become amazing places to spend your time," Hawkey said.

"A virtual shopping centre doesn't fulfil social needs."

Gate Ventures' Johnny Hon with the Infinity headset. If you see it and like it, 'you can just click on it and purchase it', he says. Photo: Bruce Yan

HOUSING

Urbancorp runs into trouble amid Toronto boom

Bloomberg in Toronto

In a car parking in midtown Toronto, a portable office advertising homes for Urbancorp sits empty, a stark symbol of what can go wrong for even one of Canada's largest property developers in the city's feverish real estate market.

The sales centre was where Urbancorp marketed 41 townhouses. The project, called The Manors of St Clair West, sold out, according to the company's website. It has not been open for a year.

Now Urbancorp has filed for bankruptcy protection on the project, along with seven of its related companies comprising about 720 residential units across the city as it seeks to restructure and reduce debt.

It is also facing at least 20 lawsuits from builders, real estate brokerages, and the city claiming a total of about C$5 million (HK$30.9 million).

Meanwhile, the agency that administers new home warranty protection has moved to deregister the company, and its Israeli creditors are seeking settlement after trading in its bonds was halted.

Urbancorp is the first major developer to run into trouble in the current boom which has added about 157,230 condominiums to Toronto's skyline in the past decade and sent prices up by about a third between 2010 and 2016.

We have such a hot market you can just build bad products and someone will buy

CARL LANGSCHMIDT, CONDOS.CA

Fuelled by immigration, foreign money and a trend towards downtown living, Toronto is one of the world's frothiest housing markets.

"We have such a hot market that you can just build bad products and someone will buy it," said Carl Langschmidt, a realtor and founder of data website condos.ca.

He says he no longer promotes units in Urbancorp buildings, after one of his buyers could not open a refrigerator in one of their lofts because it was blocked by a pillar and he heard poor reviews about customer care, quality, and delays on projects.

Urbancorp initiated restructuring proposals for eight of its companies under Canada's bankruptcy and insolvency act, claiming they are insolvent. It plans to sell assets "to maximise real-estate values" for the benefit of creditors and other stakeholders, the company said in an April 22 statement.

"This will allow us to reduce debt in an efficient manner while continuing to focus on our core business," and ensure the 1,058 homes the company has under construction are delivered, chief executive Alan Saskin said.

Urbancorp has built or planned at least two dozen condo and townhouse projects in Toronto in the last 25 years.

Homebuyer Alex Oren put down about C$75,000, or 10 per cent of the price, for a townhouse in Urbancorp's Ravines of Lawrence project in February 2014. Despite efforts to find out how the project was progressing, he says he heard nothing until last week, when media reports claimed that Urbancorp said the project was insolvent.

Property / Hong Kong & China / RETAIL PROPERTY

Retail Properties

Virtual shopping malls a further threat to mainland China's dwindling department stores

Mainland China is the largest e-commerce market in the world

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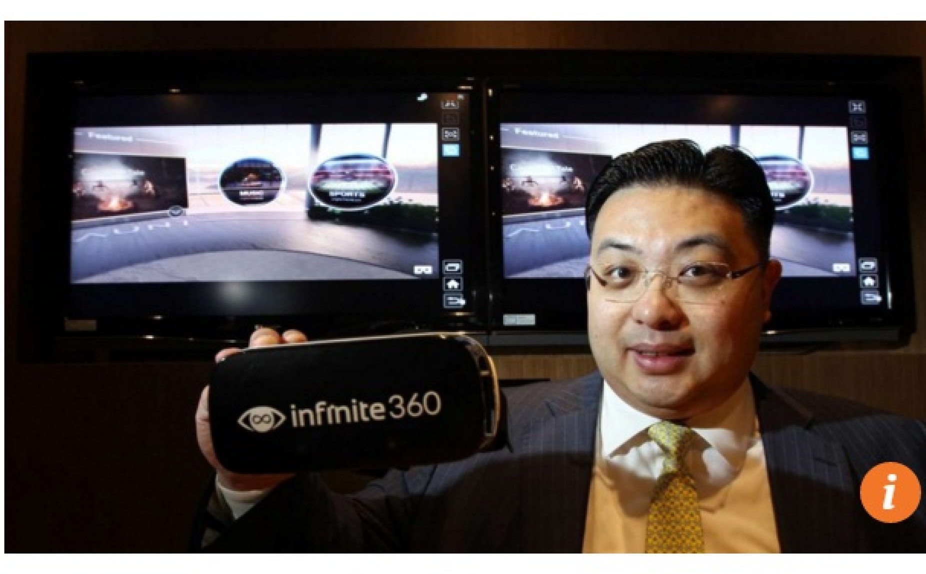

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Infinity also produces content for Oculus, a virtual reality technology company acquired by Facebook for US$2 billion.

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