

Hunghom Peninsula PSPS

**Valuation Report and information compiled by the
Lands Department for the negotiation and mediation**

Explanatory Note

The flat sale price of \$38,000/m² net (\$3,021 psf gross) was arrived at by comparison with transactions in Royal Peninsula, a nearby development with Occupation Permit (OP) issued in December 2000 and Phases 4 & 9 of Whampoa Gardens, the closest phases of that development to Hung Hom Peninsula, with OPs of December 1987 and December 1988.

Royal Peninsula is a high quality development with luxurious finishes. Despite OP having been issued in December 2000, the developers were still selling units in the latter part of 2003 and the prices averaged about \$52,700/m² (\$3,890 psf gross). Flats in Whampoa Gardens (15 storeys over one storey of lobbies/shops) were fetching an average of about \$32,000/m² net (\$2,620 psf gross).

Even with upgrading, the Hung Hom Peninsula flats would be well below the standard of the Royal Peninsula and although new, the design is akin to that of the older Whampoa Gardens. Accordingly, a rate of \$38,000/m² for Hung Hom Peninsula was considered appropriate.

Lands Department

Flat Sale Comparables in Hung Hom

Item	Development (OP Date)	Period of transactions (No. of transactions)	Unit Price Range [\$/m ² (N)]	Average Unit Price [\$/m ² (N)]	Size Range [m ² (N)]
1	Royal Peninsula Hung Hom South Road, Hung Hom (12/2000)	07/2003 – 12/2003 (15)	40,277 – 67,992 (2/F - 45/F)	52,757	43.6 - 97.0
		04/2003 – 06/2003 (23)	42,002 – 56,996 (1/F – 32/F)	48,423	43.8 – 96.9
		01/2003 – 03/2003 (24)	37,927 – 66,283 (2/F – 32/F)	53,090	35.9 – 93.6
Remarks : Five 35-42/s residential towers over 2/s clubhouse & 2/s basement carpark. Total 1,669 flats (incl. 5 duplex units) & 276 CPS. 7 - 8 flats/floor on typical floors on Block 1, 4 & 5 & 13 flats/floor on typical floors on Block 2.					
2	Whampoa Garden Site 4, Tak Fung Street, Hung Hom (12/1987)	07/2003 – 12/2003 (7)	29,703 – 35,995 (5/F – 16/F)	32,158	55.1 – 76.4
		04/2003 – 06/2003 (4)	30,441 – 39,587 (7/F – 14/F)	35,265	60.6 – 74.9
		01/2003 – 03/2003 (4)	26,287 – 35,995 (2/F – 11/F)	31,078	60.6 – 76.4
Remarks : Six 15/s residential towers over G/F lobby. Total 720 flats; 8 flats/floor on typical floors on all blocks.					
3	Whampoa Garden Site 9, Tak Fung Street, Hung Hom (12/1988)	07/2003 – 12/2003 (10)	26,419 – 36,686 (3/F – 16/F)	32,172	51.1 – 79.7
		04/2003 – 06/2003 (14)	27,571 – 38,896 (2/F – 13/F)	32,922	56.5 – 79.7
		01/2003 – 03/2003 (11)	28,571 – 49,410 (2/F – 15/F)	35,887	56.8 – 82.3
Remarks : Ten 15/s residential towers over G/F shops. Total 1,200 flats; 8 flats/floor on typical floors on all blocks.					

Proposed Modification to allow Disposal of PSPS Flats in Open Market
Hung Hom Bay Reclamation
Kowloon Inland Lot No. 11076

(A) **Development Parameters**

Site Area	:	27,818 m ²	
Zoning	:	R(A)1	
Max Residential GFA	:	144,300 m ²	(i.e. P.R. 5.19)
Max Retail GFA	:	3,000 m ²	
No. of Flats	:	Not less than 2,450 & not more than 2,600	
No. of CPS	:	Not less than 1 per 7 flats & not more than 1 per 5 flats	

(B) **Existing Development** (O.P. issued on 6.8.2002 & C of C on 21.11.2002)

Actual Residential GFA	:	144,299.926 m ²	
Actual Residential SA	:	123,489.632 m ²	
No. of Blocks	:	7	
No. of Storeys	:	35 - 36 storeys	
No. of Flats	:	2,470	[Average Flat Size 58.4 m ² (G)]
Size of Flats	:	40 - 55 m ² (N)	
		(60% is 54.988 - 55m ² and contain 3 bedrooms)	
No. of Flats/Floor	:	10	
Saleable Ratio	:	85.578%	

(C) **Valuation**

After Value

Dom. SA	123,489.632 m ² (2)	x	\$38,000 /m ² (N) (1)	\$4,692,606,016	\$3,021.15 /ft ² (G)
Less 2.625% for marketing & agency expenses)		\$3,530.29 /ft ² (N)
Less 15% Bulk Discount/Profit)	x 0.82375	\$703,890,902 Profit
				\$3,865,534,206	
CPS	413 nos.	x	\$360,000 /space	\$148,680,000	
				\$4,014,214,206	
PV	1.021 yr (15)	@	7%	0.9333	\$3,746,466,118
Less Costs					
Dom	144,299.926 m ²	x	\$2,055.0 /m ² (G) (3)	\$296,536,348	
Club Hse	2,100 m ² (17)	x	\$11,300 /m ² (G) (18)	\$23,730,000	
				\$320,266,348	
				x 1.06	\$339,482,329
				say \$363,375,833 (3)	\$218.56 /ft ²
PV	0.333 yr (16)	@	7%	0.9777	\$355,272,552
					\$3,391,193,566

After Value, say \$3,391.20 M

Before Value

Dom. SA	123,489.632 m ² (2)	x	\$15,500 /m ² (N) (4)	\$1,914,089,296	
CPS	494 nos.	x	\$350,000 /space	\$172,900,000	
				\$2,086,989,296	
Less Costs					
Interest on security sum for making good defects during defects liability period			\$675,000 p.a. (5)		
YP	0.236 yr (6)	@	7%	0.2263	\$152,753
Commission charge on bank guarantee for scheduled defects liability period			\$675,000 p.a. (7)		
YP	5.225 yr (8)	@	7%	4.2541	\$2,871,518
Commission charge on bank guarantee for management obligations			\$152,000 p.a. (9)		
YP	8.682 yr (10)	@	7%	6.3462	\$964,622
Emergency Repairs Fund					\$1,235,000 (11)
Monitoring of residual settlement			say \$100,000 p.a.		
YP	8.975 yr (12)	@	7%	6.5021	\$650,210
Commission charge on bank guarantee for defects liability due to residual settlement			\$56,000 p.a. (13)		
YP	8.975 yr (14)	@	7%	6.5021	\$364,118
					\$6,238,221
					\$2,080,751,075

Before Value, say \$2,080.75 M

Premium Assessment

'After' Value	\$3,391.20 M
'Before' Value	\$2,080.75 M
	<u>\$1,310.45 M</u>
(\$9,081 /m ²)	\$844 /ft ²
	\$2,076 /ft ² (+ Guaranteed Price)

Notes

- (1) Market Price of the "modified" flats for disposal freely in market without alienation restriction
- (2) The residential SA certified by the AP, as advised by HD
- (3) Cost for upgrading the flats from ordinary finishes to enhanced finishes plus cost for providing air-conditioning and appliances, i.e. $(\$7,900/\text{m}^2 \times 15\% + \$250/\text{m}^2)^* + \$390/\text{m}^2 + \$230/\text{m}^2$ (L&B Cost Index 2nd Qtr 2003)
(*Allow 15% for upgrading the finishes and an extra cost of $\$250/\text{m}^2$ for the dismantling works required, as verbally advised by L&B)
However, during mediation held in Dec 2003, Government offered to compromise by adopting an upgrading cost of $\$363,375,833$
- (4) Guaranteed unit price for the PSPS flats as stipulated in the lease conditions
- (5) Annual interest at 5% on $\$13.5\text{M}$ which is the security sum for making good the defects during the defects liability period
- (6) The remaining period of the defects liability period (460 days) from the date of issue of C of C
- (7) Commission charge at 1% on $\$67.5\text{M}$ for the bank guarantee for developer's obligations during the scheduled defects liability period
- (8) The bank guarantee shall be irrevocable for a period of 6 yrs and 3 months from the date of issue of C of C
- (9) Commission charge at 1% on $\$15.2\text{M}$ for the bank guarantee for developer's management obligations
- (10) The bank guarantee shall be irrevocable for a period of 10 yrs from the date of issue of OP
- (11) The Emergency Repairs Fund to be paid by the developer is $\$500$ per each residential unit, i.e. $\$500 \times 2,470 = \$1,235,000$
- (12) The developer is responsible to implement a monitoring plan for residual settlement for 10 years from the date of issue of C of C
- (13) Commission charge at 1% on $\$5.6\text{M}$ for the bank guarantee for developer's defects liability due to residual settlement
- (14) The bank guarantee shall be irrevocable for a period of 10 yrs from the date of issue of C of C
- (15) Deferment period of 11 months for completion of the upgrading works (8 months) and disposal of the flats (6 months \div 2)
However, during mediation held in Dec 2003, Government offered to compromise by adopting a deferment period of 12.25 months
- (16) Allow 8 months for the upgrading works
- (17) Based on Developer's proposal (81 CPS will be deleted)
- (18) Cost of clubhouse of ordinary standard (L&B 2nd Qtr 2003)

Proposed Modification to allow Disposal of PSPS Flats in Open Market
Hung Hom Bay Reclamation
Kowloon Inland Lot No. 11076

(A) Development Parameters (from Conditions of Sale & Outline Zoning Plan)

Site Area	:	27,818 m ²	
Zoning	:	R(A)1	
Max Residential GFA	:	144,300 m ²	(i.e. P.R. 5.19)
Max Retail GFA	:	3,000 m ²	
No. of Flats	:	Not less than 2,450 & not more than 2,600	
No. of Car Parking Space	:	Not less than 1 per 7 flats & not more than 1 per 5 flats	

(B) Completed Development

Actual Residential GFA	:	144,299.926 m ²
Actual Residential Saleable Area (SA)	:	123,489.632 m ²
No. of Storeys	:	35 - 36 storeys
No. of Flats	:	2,470
Size of Flats	:	40 - 55 m ² (net)
		(60% is 55m ² and contain 3 bedrooms)
No. of Flats/Floor	:	10
Saleable Ratio	:	85.578%

(C) Valuation

Domestic SA	123,489.632 m ²	x	\$38,000 /m ² (net) *	\$4,692,606,016
		i.e.	\$3,021 /ft ² (gross)	

* The flat sale price of \$38,000/m² (net) [\$3,021/ft² (gross)] was arrived at from the analysis of transactions in the nearby Royal Peninsula development and Phases 4 & 9 of Whampoa Garden. Royal Peninsula is a new development, with Occupation Permit issued in Dec 2000, and in July - Dec 2003, the developers were still selling the flats. The average price was about \$52,700/m² (net) [\$3,890/ft² (gross)]. This development has luxurious high quality finishes. Whampoa Garden Phases 4 & 9 (the closest phases to Hung Hom Peninsula) have Occupation Permit dates of Dec 1987 & Dec 1988 respectively. They are 15 storeys over one storey entrance lobby/shops. The average sale price for the period from July to Dec 2003 was about \$32,000/m² (net) [\$2,620/ft² (gross)]. Even with upgrading, the Hung Hom Peninsula flats would be significantly below the standard of modern private developments.