

# Zeppelin's Real Estate Tech

1Q 2019: A Real Estate Newsletter by Zeppelin Real Estate Analysis Limited

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The second meeting between Kim and Trump amounted to not much in addition to the continuing trade war saga between China and the US. Meanwhile, the UK Brexit deadline is nearing be it hard or soft, deal or no deal. Closer to home, the Hong Kong stock market has seen some gains with the index being around 28,000 plus.

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- **Hong Kong: speculating on older residential real estate ripe for redevelopment**
- **Toronto residential condos: unit prices across the GTA**
- **Toronto residential condos: where the pre-sale projects are**

**"The truly (insert most any adjective) rarely consider themselves (same adjective)."**

We would also like to hear from prospective readers / writers who wish to share their real estate experience with us.

**This quarterly (generally published in spring, summer, fall, and winter) newsletter** is circulated freely via email to over thousands of readers comprising real estate developers, investors, fund managers, financiers, owners, users, top executives, senior managers, prominent academics and related professionals from Hong Kong and abroad. Our content is / has also been published in newspapers and web portals such as the [South China Morning Post](#), [China Daily](#), [Hong Kong Economic Journal](#), [21<sup>st</sup> Century Business Herald](#), [Apple Daily](#), [Sing Tao](#), [Quamnet Magazine](#), [The Standard](#), [MITCRE Alumni Newsletter](#), [Surveying Newsletter](#), [Reidin.com](#), [Centanet.com](#), [Netvigator.com](#), [Hongkong.com](#), [E-finet.com](#), [Red-dots.com](#), [PacificProperties.net](#), [Soufun.com](#) and [House18.com](#). We had also been quoted in the [Asian Wall Street Journal](#) and interviewed by [USA Today](#), [i-Money](#), [Ming Pao](#), [Radio Hong Kong](#), [Cable TV \(Money Café\)](#), [DBC Radio](#), and [Commercial Radio](#). We also publish monthly articles and analyses in the months in between. This newsletter is now into its [24<sup>th</sup> year](#) and [90<sup>th</sup>](#) issue.

**We also operate a website [www.real-estate-tech.com](http://www.real-estate-tech.com)** through which we intend to share some of our real estate knowledge and ideas with interested parties. There are close to 1,000 content items, in English or Chinese, including analyses, articles, charts, and tables, plus spreadsheets, tutorials, e-books, and the like, the majority of which is free with some requiring a token fee. The website is regularly visited by thousands from all over the world and focuses on China / Hong Kong real estate markets.

**Zeppelin Real Estate Analysis Limited** is involved in real estate development, investment, and management with a focus on [independent real estate analysis](#). Together with **Zeppelin Partners Limited**, we offer services related to [real estate asset management](#) [analysis, investment strategy, and portfolio allocation], [project management](#) [architectural design, cost control, and contract administration], and [facility management](#) [facility utility assessment, facility strategy, and building maintenance]. We are based in Hong Kong with associated operations in Mainland China and we also have access to regional and global professional networks.

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## Who? Me?

### **Stephen Chung**

Managing Director, Zeppelin Real Estate Analysis Limited  
Founder and Writer, Real Estate Tech Quarterly Newsletter  
Real Estate Website Developer, [www.Real-Estate-Tech.com](http://www.Real-Estate-Tech.com)

**Stephen is an independent real estate analyst – number cruncher and chartered surveyor** and has been involved in real estate development, investment, and management in Hong Kong / China / Asia and North America.

**Stephen provides relevant real estate market insights and macro-micro assessments** to real estate developers, investors, owners, financiers, funds, and civic organizations, and possesses many years of experience in building economics, project management, facility strategy, marketing, and research.

**Stephen is also a regular real estate writer - columnist** and his articles have been published in both English and Chinese media including the following:

- China Daily
- Hong Kong Economic Journal
- South China Morning Post
- Apple Daily, Sing Tao Daily
- Quamnet Magazine
- Real estate and finance websites such as Soufun.com, Finet.com etc
- Journals of professional institutes such as the Hong Kong Institute of Surveyors

**Stephen is an honorary adjunct professor** of the University of Hong Kong and has been invited to speak to audiences from:

- Universities: such as the University of Hong Kong, City University of Hong Kong, York University
- Professional Institutes: such as the Hong Kong Institute of Surveyors, Canadian Institute of Quantity Surveyors, Royal Institute of Chartered Surveyors
- Business Associations: such as the Rotary Clubs

**Stephen has written 4 real estate books in Chinese to date as follows:**

Online book = Easy Real Estate Lectures  
Hard copy = Real Estate Investment Know-How above 101  
Hard copy = The Real Estate Market Turning Point  
E-Report = USA Residential Real Estate Analysis

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**Our services can be obtained and delivered via** a) tailor-made professional consultation; b) online report purchases; c) emailed discussions and advice; and / or d) phone discussions.

## Hong Kong: speculating on older residential real estate ripe for redevelopment Real Estate Tech, 1Q 2019

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Nice to own all of them (Courtesy of your humble author)

An acquaintance has recently decided to buy a residential unit in an old building which is ripe for redevelopment. He is betting that some developer might have an eye on the building sometime in the future, thus capturing the redevelopment value of the property beside the normal capital appreciation.

It is not a bad idea although acquiring older properties to bet on future site acquisition and redevelopment requires much more intense research than meet the eyes e.g. which neighborhoods, streets, buildings, or even units are the better candidates. Above all, patience is also required because there is no telling if a developer is forthcoming with a price proposal.

**Here we are only concerned with one question:** which unit in the old building should one go for in the event there is more than one unit from which to choose (and your budget is only enough to buy one unit)? And the simple answers are:

- 1) For the same price, buy the unit with the larger / largest (net) floor area; OR
- 2) For units of the same size, buy the unit with the lower / lowest price tag

Why? Because many developers prefer (though not must, nor are obliged) to offer a single unit price, for instance \$30K / ft<sup>2</sup> net, to all the residential unit owners, irrespective of their unit scale, orientation, floor level, interior décor, floor plan (including 1 Bed, 2 Bed etc.), and the like. In short, the larger in terms of floor area the old unit is, the higher the acquisition sum.

Conceptually, this implies the owners of the better half of the units are, in a way, 'subsidizing' the owners who hold the lesser half of the units. But then why will the better half unit owners agree to a deal, or any deal? This is because the lesser half unit owners might not be sufficiently enticed to agree to the deal, which in turn means the better half unit owners cannot capture the 'redevelopment value' of their units. No one gets to benefit (and move out).

Admittedly, a fairer allocation would be based on the (existing) market prices of each and every unit but then the problem mentioned above would be amplified, sometimes even leading to suspicion and envy amongst and between the owners.

In short, don't always pick the 'best' or 'most liked' unit in an old building...

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## Toronto residential condos: unit prices across the GTA

Real Estate Tech, 1Q 2019

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A Toronto residential condo complex (courtesy of your humble author)

Using real estate data from <https://condos.ca>, we have compiled the residential condominium secondary sales unit prices, expressed in C\$ per net ft<sup>2</sup> floor area, across the Greater Toronto Area (GTA) which comprises the City of Toronto, and which in turn contains Downtown Toronto. Here we go:



Downtown Toronto



City of Toronto



Greater Toronto Area (GTA)

A few observations:

- 1) Generally, the further away from the downtown core, the lower the unit price per ft<sup>2</sup> net it is. Very roughly, Downtown unit prices could be 50% higher than those in the rest of the City and 100% more than those in the rest of GTA.
- 2) Within the same map, neighborhoods which are better served by transportation including main arteries, highways, roads, and subways-rails generally tend to have higher unit prices.
- 3) While unit prices more or less reflect the (perceived) characteristics and quality of regions and neighborhoods, they may also be influenced by factors such as the general age of the condominium buildings. For instance, newly built towers can command a premium.

The average price of a residential condominium stands at around C\$600,000.

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## Toronto residential condos: where the pre-sale projects are

Real Estate Tech, 1Q 2019

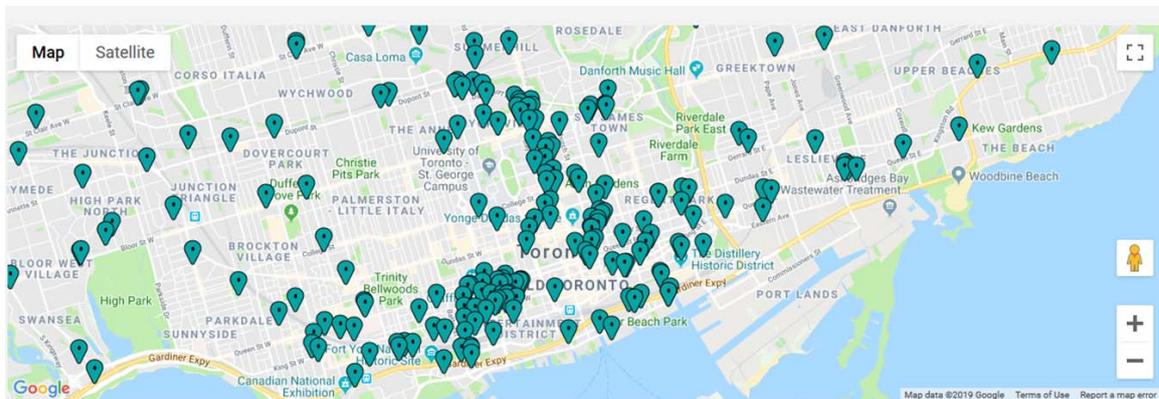
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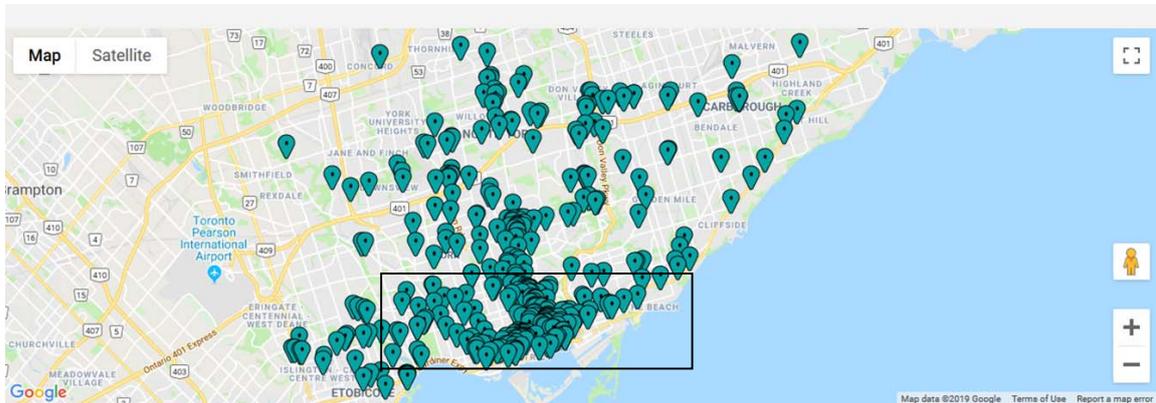


Many had been pre-sales (courtesy of your humble author)

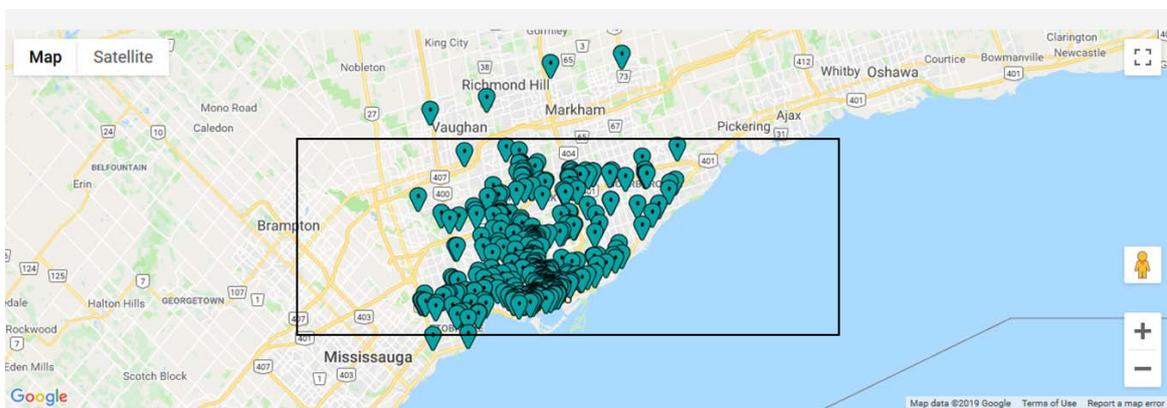
Based on <https://condos.ca>, there are at the time of writing around 250 residential condo projects being planned or built in the Greater Toronto Area (GTA) comprising the City of Toronto which in turn includes Downtown Toronto. Here are three maps showing where these potential pre-sale projects are located (one symbol represents one project):



Downtown Toronto



City of Toronto



Greater Toronto Area (GTA)

A few observations:

- 1) Most residential condominium (potential pre-sale) projects are located within the City and of these, a significant portion lies within the downtown areas. That is to say, as one progresses into the more suburban regions of GTA, the fewer projects there are.
- 2) Many projects are near or at major arteries, roads, and / or subway and rail stations.
- 3) A random sampling of these projects indicates a) the unit floor size tend to range from 350 ft<sup>2</sup> net to around 900 ft<sup>2</sup> net; b) 1 Bed and 2 Bed units are most numerous; c) there are usually over a hundred units per project; d) the downtown projects tend to be tall and 40 levels or more are not uncommon; and e) many projects come with a wide spectrum of amenities and facilities, including co-working space, mini theaters, and a modern kitchen / party room for entertaining guests of residents.

Notwithstanding the quantity of projects and units, in addition to the price curve now being in the high cycle, investors and homeowners wanting to be in the top echelon neighborhoods might not have a whole lot of selection.

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- **In Real Estate Investment:** you encounter challenges in 1) Selecting which markets (cities), sectors (residential, office, retail etc), and properties-projects to invest; 2) Striving for the best possible risk-adjusted portfolio return; or 3) Sensing the volatility of a market or sector; 4) Deciding which corporate strategies, tactics, priorities, properties, and projects to pursue; 5) Getting a **INDEPENDENT SECOND OPINION** on which you can trust... **you need an independent real estate analyst like us**
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- **Contact us:**

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