

FIG WORKING WEEK 2007

Land Markets and Real Estate Development in Mega Cities

Asian Experiences

Hong Kong



Land Tenure System in Hong Kong

Lease Term

- In Hong Kong all land are owned by Government (except the land on which St. John's Cathedral Church stands) and they are leased (sold) for different uses and development at a premium with each subject to a set of lease conditions.
- In the early days, common lease terms were 75, 99 or 999 years. Subsequently and in the urban areas of Hong Kong Island and Kowloon, lease term was standardized to 75 years (renewable for another 75 years). For land in the New Territories and New Kowloon they were sold for the residue of a term of 99 years less three days from 1 July 1898 (i.e. expiry date was 27 June 1997).

Land Tenure System in Hong Kong

- From 27 May 1985 (the effective date of Sino-British Joint Declaration), land grants are governed by the provisions of Annex III to the Joint Declaration and most of the leases expiring in or before July 1997 have been extended to 30th June 2047 without payment of land premium but subject to payments of an annual rent equivalent to 3% of the property's rateable value as at the lease expiry date.

After 1997, Land is normally granted at a premium for a term of 50 years and also subject to the payment of an annual Government rent at 3% of the property's rateable value.



Land Disposal

- Land for commercial, industrial or residential (except public housing) developments are usually sold by auction or tender to the highest price bidder/tenderer.



Land for community and non-profit making purposes, such as schools are normally granted by private treaty at a nominal premium.

Land Disposal

- To modify lease conditions restricting development on a lot, premium equivalent to the difference in land value between the development permitted under the old lease and that permitted under the modified lease is charged (a major source of Government revenue).
- Land pending its permanent use is commonly allocated by short term tenancy for temporary use.

Development Controls in Hong Kong

Lease Control

- Before World War II Conditions of Grant are much simple which stipulate lease term, government rent, use, and development bulk, such as building height/storey.
- Most sites in N.T. are subject to the General and Special Conditions of Sale as stipulated in the Government Notifications (commonly known as GNs 365 and GNs 364) published at different time between 1906 to 1946.
- All post-war land Grants are each subject to a set of General and Special Conditions drawn up for the lot. There are more conditions governing usage, development period, development restrictions on height/storey, density, site coverage, carparking, sales, etc.

Sales of uncompleted development (Pre-sale) & Mortgage Payment

- In 1953, Mr. Henry Fok (何福) first introduced sales of uncompleted development i.e. flats are sold prior to their completion. Purchasers paid deposit and balance would be settled upon completion of transaction. Moreover, mortgage payment was also introduced.
- The advent of strata-title sales, pre-sales and mortgage payment allowed more and more people to own their properties without a large amount of upfront payment. At the same time, developers enjoy an early cash in-flow instead of receiving sales proceeds only upon completion of development.



Challenges Ahead

- Developments built in 50s and 60s are no longer able to meet current standards and requirements and redevelopment would be one of the options. However, due to fragmented ownership redevelopment by the owners jointly is extremely difficult even there is upside potential.



Dilapidated Buildings in To Kwa Wan

Challenges Ahead

- In the past we have emphasized too much on redevelopment and little works have been done on preservation and conservation. Moreover, to maximize return, lots are usually redeveloped into much higher density for higher financial gain but with little consideration of environmental impacts.



Reborn of Murray House

Challenges Ahead

- Buildings/Area Decay – at present over 7,500 private buildings (about 20% of the total number of private buildings) are aged 40 years or above which required urgent attention on repair and re-generation.



Renovated Buildings in Tai Kok Tsui



Kwun Tong Pending Redevelopment

Challenges Ahead

- Due to structural economic changes traditional type industrial buildings are no longer in demand (only 0.4% of total stock was taken up from 2001-2005) and as at 2005, gross floor area of flatted factories is about 200 million sq.ft. which is equivalent to 36% of total private residential floor area.
- There are high vacancies in these old industrial buildings and owners are unwilling to spend money on repair. Changes of use becomes almost impossible due to difficulties in fulfilling current fire and safety regulations as well as lease and planning requirements.



Public Sector

Government set up Urban Renewal Authority – Redevelopment;
Rehabilitation; Preservation; Revitalization



Statutory Measure

- Compulsory Repair Order
- Compulsory Sales for Redevelopment

Incentives to Private Sector

- Grant & Loan to private sector for repair and renovation works
- Transfer of Development Rights
- Encourage Redevelopment through Land Premium Concessions.

*** Thank You ***