

LCQ15: Rents of shop premises under the Hong Kong Housing Authority

Following is a question by the Hon Leung Man-kwong and a written reply by Secretary for Housing, Ms Winnie Ho, in the Legislative Council today (December 4):

Question:

The Hong Kong Housing Authority (HA) began to offer rent concessions to its eligible non-domestic tenants in October 2019, and the relevant measure ended at the end of last year. It is learnt that since the resumption of paying the original rents early this year, many tenants of shop premises chose to close down due to a plunge in their businesses, and many gave up renewing their tenancies as the rents remained unaffordable even with the offer of rent reductions during tenancy renewal negotiations. In this connection, will the Government inform this Council:

- (1) of the number of shop premises in various housing estates under HA due for renewal and the proportion of successful renewals in the past six months, together with a breakdown by trade;
- (2) of the number and percentage of shop premises offered with rent reductions during tenancy renewal negotiations, the respective percentages of rent reductions offered to such shop premises, as well as the proportion of successful renewals in the past six months, together with a breakdown by trade;
- (3) of the number of shop premises in various housing estates under HA due for renewal in the coming six months;
- (4) of the basis or calculation mechanism adopted by HA for determining the rents of shop premises for tenancy renewal; and
- (5) whether HA will consider formulating a rent adjustment mechanism to review and adjust the rents for shop premises with tenancies that have not been expired during economic downturn or when tenants meet with operating difficulties?

Reply:

President,

The Hong Kong Housing Authority (HA) has sustained its attention to the leasing status of its commercial premises, and has been actively introducing different trades of goods and services to provide convenience to residents in shopping. As at end of September 2024, the overall vacancy rate of the HA's commercial premises was 3.95 per cent, which was relatively ideal compared with that of about 6.8 per cent in the private sector in the third quarter.

In many of the HA's shopping centres, such as Ching Long Shopping Centre, On Tat Shopping Centre, JoysMark, and Ying Tung Shopping Centre, most of the commercial premises, if not all, have been leased out to provide residents with diversified shopping choices and services.

The HA adopts a comprehensive leasing strategy for letting its vacant commercial premises, including making marketing efforts and proactively approaching potential tenants from different trades that meet the needs of residents, with a view to introducing suitable trades to the estates. This diversification of tenants' trades enhances the chance of leasing out the vacant premises. Besides, the HA has established a hotline and posted QR codes at its shopping centres to provide leasing information on its commercial premises, allowing potential tenants from different trades to directly access tendering information. Recently, several commercial premises located at Shui Chuen O Shopping Centre, Hoi Lai Shopping Centre, and On Kay Commercial Centre have been successfully let out after such diversification of trades, reflecting the favourable effects of the above comprehensive leasing strategy.

In the past half year (i.e. the 6 months from April to September 2024), the HA successfully leased out around 130 commercial premises, reflecting the keen market demand for the HA's commercial premises. In fact, the HA's shopping centres, which offer a stable business environment and customer base, are consistently popular among tenants. The HA had recently invited tenders for the leasing of two vacant shops in Kai Long Court and Choi Ying Place, and 26 and 10 tenders were received respectively. Both shops have been successfully let out, and this reflected the strong interest from tenderers and their keen demand for the HA's premises. In addition, the HA has also launched the innovative "Well Being·Start-Up" Programme (the Programme) under its shopping centres, offering premises for free for seven months for young people to trial their business plans, with a view to encouraging and supporting them in pursuit of their entrepreneurial dreams. The Programme has been well received since its launch, with about 180 applications received. Currently, the selected 17 teams are operating in different shopping centres under the HA. We hope to leverage the vitality and innovative ideas of the youth to provide residents with a more diversified choice of products and shopping experience, attract more visitors to the shopping centres and achieve a win-win situation for both residents and tenants.

The Housing Department's reply to the question raised by the Hon Leung Man-kwong is as follows:

(1) to (4) In the past half year (i.e. the 6 months from April to September 2024), over 250 tenants successfully renewed their tenancies, accounting for 82 per cent of the tenants whose tenancies were due for renewal. The breakdown of the shops concerned by trade type is set out below:

	Trade	Successful Renewal Cases
1	Food and Beverage	41

2	Merchandise Retails	116
3	Service Industries	96

In the coming half year (from December 2024 to May 2025), about 310 tenancies of shops under the HA will expire, and the HA is striving to liaise with each of the tenants on the tenancy renewal arrangements. In arranging for the renewal of shop tenancies, the HA will re-assess the rent for each case according to its prevailing market value with reference to the latest market situation and rental information of comparable lettings in the HA as well as the private property market. The HA will also take into account other relevant factors which affect rental values, such as the location, the trade in operation, as well as the size and pedestrian flow of the premises, etc. The HA will also liaise with tenants on the rent upon tenancy renewal in a pragmatic manner, with a view to reaching a consensus on the tenancy renewal as soon as possible so as to avoid bringing any inconvenience to residents.

(5) The HA lets out its commercial premises according to business principles, and assesses the rental amount based on the prevailing market value. In general, commercial premises are let out by way of invitation of tenders, and potential tenants submit bids based on their own business strategy. Once the tender is awarded, the successful tenderer is required to, throughout the tenancy period, pay monthly rent according to the tender submitted. While the HA understands the difficulty faced by tenants in times of economic downturn, it is necessary to uphold the fairness of the tendering system. It would be unfair to the unsuccessful tenderers if the tenant requests rent concession due to unexpected business situations or other reasons. To safeguard the fairness of the tendering system, the rent is therefore set to remain unchanged during the tenancy period. Nevertheless, the HA will re-assess the rental amount upon tenancy renewal based on the prevailing market value and liaise with the tenants in a pragmatic manner. Reasonable adjustments have been made to the rent for individual tenants upon re-assessment for tenancy renewal. Tenants may also approach their estate offices to express their views on and discuss the new rental amount for tenancy renewal. The HA will continue to keep in view the economic situation as well as relevant measures of the Government, and provide appropriate assistance to the HA's tenants where necessary.