

LCQ16: Supply of and demand for commercial sites and office space

Following is a question by the Hon Hui Chi-fung and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (November 11):

Question:

In the 2014 Policy Address, the Government proposed to convert suitable government sites in the existing central business districts into commercial uses so as to increase the supply of commercial sites. However, there are comments that following the outbreak of the Coronavirus Disease 2019 (COVID-19) epidemic, the demand for commercial sites and office space has dwindled, some commercial sites have not been successfully sold by tender (unsuccessful tendering) recently, and the vacancy rates of offices have surged. In this connection, will the Government inform this Council:

- (1) of the respective (i) vacancy rates and (ii) vacant floor area of Grades A, B and C offices in each District Council district in each of the past five years;
- (2) of the respective numbers and relevant details of unsuccessful tendering cases of (i) residential sites and (ii) commercial sites, in each of the past five years and, among such sites, which commercial sites the sale of which by tendering had been unsuccessful for more than one occasion;
- (3) of the respective rezoning/development details and latest progress of those government sites on the Hong Kong Island (including Murray Road Multi-storey Car Park in Central, Rumsey Street Car Park in Sheung Wan, Site 3 of the New Central Harbourfront (comprising the sites of the General Post Office and the Star Ferry Car Park), Queensway Plaza and the adjoining government sites, Caroline Hill Road site in Causeway Bay and the site of the Bus Terminus at Chung Kong Road) planned for rezoning for commercial uses since 2014; whether it will, in the light of the latest market situation, rezone such sites for other uses; if so, of the details; if not, the reasons for that; and
- (4) given that the COVID-19 epidemic is still rampant across the globe, and there is no definite time for recovery of the local economy and the global economy which have been hard hit by the epidemic, whether the Government will review the demand for commercial sites in the past five years and in the coming five years, as well as make planning afresh for the uses of the various sites not yet sold, so as to avoid an oversupply of commercial sites and office space; if not, of the reasons for that?

Reply:

President,

The answers to the different parts of the question are as follows:

(1) The Rating and Valuation Department (RVD) publishes annually the Hong Kong Property Review (see Note), which contains information and statistical data for each main property type in the past calendar year. The information about offices provided by the RVD is at Annex 1.

(2) The information provided by the Lands Department is at Annex 2.

(3) The present situation of several pieces of land mentioned in the question is at Annex 3.

(4) The Government's core strategy for land supply is to increase the supply in a sustained and stable manner in order to meet the housing, economic, social development, and other needs of the society. This strategy is not to be changed merely because of the tendering result for an individual sale site, short-term market fluctuations, or any short-term stress to the economy.

In this regard, we will determine the follow-up action after examining the situation of an individual sale site at any cancelled tender exercise. If commercial land supply is relatively strong in a long run for a particular district, we do not rule out a possibility of changing the use of a relevant site to others (e.g. residential). We therefore are studying whether it is suitable to put the commercial sites in the Kai Tak Development Area that were not disposed of in previous tender exercises to residential use. At the same time, while office rentals were seen to be declining in recent months under the economic downturn in Hong Kong as a result of the COVID-19 epidemic, the overall rental level of high-quality offices at the central business areas in our territory is still higher than that in other major cities of the Asia Pacific Region such as Tokyo and Singapore, according to market information. We see the need to continue providing a stable commercial land supply to meet long-term economic development needs, maintain Hong Kong's competitiveness, and provide enough land to harness the opportunity of any economic recovery timely.

Note: The annual Hong Kong Property Review is available at the following hyperlink: www.rvd.gov.hk/en/publications/index.html.