

LegCo Panel on Food Safety and Environmental Hygiene
List of follow-up actions
(as at 5 November 2001)

(2) Alignment of market rental adjustment mechanism

Statistics on successful cases of appeal

Between 1.1.2000 and 31.10.2001, there were 29 applications to the Department for review of market rental assessment. Re-assessments were subsequently made by the Rating and Valuation Department. 17 of these cases were successful resulting in downward adjustment to the rents.

2. Under section 6A of the Public Markets Regulation (Cap. 132), a lessee not satisfied with the decision on rental adjustment may appeal to the Municipal Services Appeals Board within 30 days of the notice of the adjustment. For the same period, two appeals were lodged with the Board, of which one was allowed.

Detailed criteria adopted by the Rating and Valuation Department in assessing the Open Market Rental (OMR)

3. OMR is defined as the rent at which the market stall might reasonably be expected to be let on the terms of the tenancy in the open market at the valuation date.

4. The rental comparison method is employed in assessing the OMR. Evidence of value for the rental assessments comes mainly from the auction results in the subject and other similar markets. As these open auction rents will reflect all the attributes and drawbacks of the respective stalls and markets concerned, they are regarded as the major reference in assessing the OMR of the stalls. Rents of shops selling similar market goods in nearby private developments may also be referred to as secondary evidence.

5. The OMR of the stall is assessed taking into account -

- (i) the trade permitted;
- (ii) the size and layout of the stall;
- (iii) the location of the stall within the market; and
- (iv) the location of the market.

6. In assessing the OMR of a stall, reference will be made to rents for stalls of similar trade. Suitable adjustments will be made for size and layout of

the stall including such factors as the width of its frontage, the advantage of additional frontages etc. The trading potential and hence the rental value of the stall is closely related to its location within the market and the location of that market. Therefore, the OMR will be assessed having regard to the location of the stall within the market such as corner position, proximity to busy entrance or to main pedestrian route of the market etc., as well as the overall location of the market itself.

Differences between the rentals for stalls leased out through open auctions and restricted auctions

7. Vacant market stalls are normally let out by open auction. The upset prices for the stalls are set at 100% of the OMR as assessed by the Rating and Valuation Department.

8. Restricted auctions are held in special circumstances, e.g. when stalls in a market are set aside for auction to resitees from a hawker clearance operation. The upset prices for these stalls will be set at 75% of the OMR.

9. In both open and restricted auctions, a stall will be let out to the bidder making the highest bid at the fall of the hammer.

10. Two stalls assessed to have the same OMR and let out at the upset price should have a basic rental difference of 25%. The bid price for a stall under an open auction can be a few times that for a comparable stall under restricted auction.

Recent trend for the bidding price of market stalls

11. As the bidding price of market stalls vary with the OMR and hence upset price of the stalls and also with bidders' preference, there is no conclusive trend for the bidding price of market stalls. The tables at *Annex A* showing the bidding prices for comparable stalls at one market on Hong Kong Island, in Kowloon and in the NT respectively at the open auction exercises in 2000 and 2001 will illustrate this point.

Bidding Prices for Cooked Food Stalls of similar size (10.08 m²) of a Cooked Food Market in Kowloon (Open Auction)

	Mar 2000	Apr 2000	Oct 2000	Apr 2001
Individual bidding prices	\$9,000	\$7,012	\$9,000	\$7,300
Average bidding prices	\$9,000	\$7,012	\$9,000	\$7,300

Bidding Prices for Wet Goods Stalls of similar size (2.16 m²) of a Public Market on Hong Kong Island (Open Auction)

	Jan 2000	May 2000	Jun 2000	Oct 2000	Nov 2000	Dec 2000	Feb 2001	Mar 2001	Jun 2001
Individual bidding prices	\$543	\$554	\$503	\$650	\$950	\$950	\$700	\$700	\$700
	\$550	\$554	\$477		\$750	\$850	\$700	\$650	
		\$503							
Average bidding prices	\$546.5	\$537	\$490	\$650	\$850	\$900	\$700	\$675	\$700

Bidding Prices for Dry Goods Stalls of similar size (2.2 m²) of a Public Market in New Territories (Open Auction)

	Jan 2000	Mar 2000	Apr 2000	Jun 2000	Jul 2000	Jan 2001	Jul 2001	Sep 2001
Individual bidding prices	\$1,400	\$1,770	\$1,500	\$710	\$1,100	\$1,100	\$1,700	\$1,450
	\$1,800		\$5,000					\$2,400
	\$900		\$900					\$500
	\$850		\$1,250					
	\$900		\$7,000					
	\$750		\$1,250					
Average bidding prices	\$1,100	\$1,770	\$2,816.67	\$710	\$1,100	\$1,100	\$1,700	\$1,466.67