

Legco Panel on Housing

Subcommittee to study the letting and rent policies of non-domestic premises of the Housing Authority and Housing Society

Paper responding to the list of follow-up actions arising from the discussion at the meeting on 23 January 2002

1. Market Share and Shop Tenancy Categories

The Housing Society has currently maintained commercial premises of 52,600m² (Internal Floor Area), which include retail shops and market stalls in various housing estates. Major shop tenancy categories are as follows: -

	Trades	No. of Leases	%
1.	Restaurant	48	13.2%
2.	Bakery/Meats/Vegetables	35	9.6%
3.	Medical & Dental Clinics	36	9.9%
4.	Newspaper & Magazine/ Books/ Stationery/ Toys/ Gifts	25	6.9%
5.	Hair Saloon & Facial Service	28	7.7%
6.	Grocery/ Household Products	25	6.9%
7.	Supermarket/ Department Store	22	6.1%
8.	Laundry	20	5.5%
9.	Arts/ Piano Teaching/ Tuition Centre	18	5.0%
10.	Medicine & Drugs/Chinese Herbs	16	4.4%
11.	Fashion & Shoes	13	3.6%
12.	Convenience Stores	12	3.3%
13.	Bank	9	2.5%
14.	Miscellaneous	56	15.4%
	Total	363	100%

2. Letting by Tender or Negotiation

Most of the commercial premises under Housing Society are leased by open application or by negotiation (most are renewal cases). However, open tender will be adopted for some large commercial premises for particular uses such as supermarket, Chinese restaurant, shopping arcades and wet markets targeted for single operators.

Apart from monthly newspaper advertisements, latest leasing information and shop application form could be obtained by Fax on the 24-hour enquiry hotline: 28821717 or from our web site: www.hkhs.com

information are also available from Marketing Section of Housing Society's Head Office and all estate offices.

3. Restricted Tender

The Housing Society do not use restricted tender for letting its commercial premises as all tenders shall be conducted openly for all potential tenants.

However, priority for leasing vacant shops may be given to tenants who are affected by redevelopment of housing estates.

4. Planning of Commercial Facilities

In the planning for commercial facilities for the housing estates, Housing Society will take into consideration of the following factors: -

- Requirements in the land grant conditions;
- Population in the Housing Society estates, population in nearby estates and working population in the district;
- Commercial facilities in the district;
- Transportation facilities;
- Projected shopping habit of residents .

It will normally take not less than 5 years to complete the commercial facilities from its inception stage.

5. Determination of Trade Mix

The Housing Society will determine the trade mix of its commercial premises under the following considerations: -

- Trades of daily necessities for residents;
- Size and number of shops provided;
- Trend of the demand for retail trades;
- Trade mixes in the area.

6. Introduction of Large Chain Stores

The rationale behind the introduction of large chain stores is that they serve to act as an anchor tenant, which would not only attract other retail operators to lease our shops but also better customer flow. The overall viability of our shopping premises will therefore be enhanced.

Generally speaking, monopolization by large chain stores does not exist in the Housing Society's shopping arcades and up to now there is no superstore operation in HS housing estates. Housing Society takes the following measures to maintain fair competition: -

- Restriction on the scope of business for chain store operators e.g. restrict the varieties of goods/services for sale by chain stores;
- All large chain stores should undergo the same leasing procedure and no preference of lease terms are given to chain store operators.
- The commercial premises under the Housing Society are generally small in size, which will be more suitable for individual tenants' business operation.

7. Letting of Vacant Premises for Superstore

There is no such case that vacant premises, which were surrendered by tenants due to poor business, were leased to superstore in the past five years.

8. Transfer of Leases

The Housing Society has previously approved transfer of shop leases among family members. Generally, all commercial leases under Housing Society are not transferable.

9. Basis of Rental Valuation

In arriving at the open market rental value of the commercial property, the direct comparison method which is the most direct approach in arriving at a value is adopted. The method is to compare the subject property with similar properties for which transactions have already taken place. Evidence of rental transactions of similar properties within locality with similar attributes in the market which are termed “comparables” are taken. Unit rents of the comparables with reference to factors such as time tag, location, size, shop frontage, layout and terms of lease etc. are adjusted.

Taking into consideration of all relevant factors and adjustments and also the property market situation, the average unit rental value of the subject property can be arrived.

10.	Commercial premises leased out or renewed at reduced rents in the past 5 years	372 cases
	Commercial premises left vacant as a result of failure to agree at a mutually agreed rents in the past 5 years	52 cases (approx. 6% of total shop space)

11. Rents of Medical/Dental Clinics

Housing Society’s professional surveyors will adopt the same principles as other commercial premises in assessing the rents of medical and dental clinics. However, the Housing Society will at its discretion adjust the rents taking into the consideration of their services to residents when negotiating for lease renewal. For example, the Housing Society has leased some commercial premises to community medical clinics at monthly rents below market level.

12. Void Rate of Wet Markets

Wet markets directly managed by Housing Society:-

Wet Markets	Void Rate
Jat Min Chuen	6%
Lok Man Sun Chuen	0%
Cho Yiu Chuen	11%

Wet markets managed by Single Operator:-

Wet Markets	Void Rate
Verbena Heights	10%

13. Housing Society has no cases of single operators requesting early termination of tenancy due to poor business.

14. Conversion of vacant space to other purposes

The Housing Society will consider the following factors when planning conversion of vacant shop spaces for other purposes: -

- The conversion will bring positive advantages to the shopping arcades, e.g. improvement of shopping facilities, environment and customer flow, benefiting the shopping arcade as a whole;
- The conversion will increase the rental income and occupancy for the Housing Society;
- The conversion will improve trade mix for the customers.

15. Most of the Housing Society's wet markets are small in scale, targeted to serve residents of the estates. In general, Housing Society's wet markets are provided in accordance with land grant conditions. In the past 5 years, there was no provision of wet market in the completed properties. Due to the small scale, Housing Society's wet markets have no significant effect on the provision of wet market or shopping facilities within the district.