

**Tamar development project and
land-use planning for Central Reclamation Phase III**

Introduction

1. Reference is made to the letter from Legislative Council dated 25th November 2005 inviting the Hong Kong Institute of Surveyors (HKIS) to express our views on “Tamar development project and land-use planning for Central Reclamation Phase III”.

Re-launch of the Project

2. It is extremely unfortunate that the Government had to defer the Tamar development project due to the outbreak of SARS in 2003. However, Hong Kong has been rapidly recovered and the economic climate in Hong Kong as well as the financial strength of the Government have been much improved during the last two years. HKIS believes that it should be a good time for the Government to re-launch the Tamar development project.
3. The Government has to rent the extra office space in other private owned office buildings currently due to the shortage of office space in the Government buildings. Such problem can be solved by construction of the new Central Government Complex at Tamar site. The implementation of this project can also make the civil servants work more conveniently and facilitate the workflow with better co-ordination between the public and different departments of the Government. It is believed that this can also improve the efficiency and effectiveness of the work by the Government if the Government can have a new and modernized office building.
4. According to the data from a leading surveying consultancy firm as listed in Figure 1, it is clearly shown that there is a lack of supply of Grade A office space in Core Central in coming few years while the vacancy rate of office space in Core Central has been kept decreasing due to the large amount of take-up in the past few years. This also contributes to the fact that the rental of the Grade A office space in Core Central has been drastically increased in the past two years. In 2004, the amount of take-up of Grade A office space in Core Central is over 1,160,000 square feet (sq. ft.). However, such value drops about 40% in 2005 and the amount of take-up of Grade A office space in surrounding area like Wan

Chai has been increased a lot from around 13,000 sq. ft. to around 450,000 sq. ft. This phenomenon shows that the current supply of Grade A office space in Core Central is definitely not enough at all. Nevertheless, there will only be about 119,000 sq. ft. as new supply of Grade A office space in Core Central in the next three years. This problem will adversely affect the business development of Hong Kong due to inadequate supply and extremely high rental cost of Grade A office space. As a result, the competitive advantage of Hong Kong over other international cities as an international business and financial centre will be much reduced.

Year	Core Central				Wan Chai			
	New Supply (sq. ft. net)	Take-Up (sq. ft. net)	Vacancy Rate (%)	Rental (\$/sq. ft./month)	New Supply (sq. ft. net)	Take-Up (sq. ft. net)	Vacancy Rate (%)	Rental (\$/sq. ft./month)
2003	1,520,000	528,033	16.50	\$15 – 25	0	87,424	6.97	\$10 – 15
2004	0	1,162,600	7.46	\$25 – 35	474,000	12,957	12.01	\$15 – 22
2005*	335,896	599,171	5.28	\$35 – 45	0	455,566	4.50	\$22 – 30
2006**	119,000	-	-	-	0	-	-	-
2007**	0	-	-	-	0	-	-	-
2008**	0	-	-	-	0	-	-	-

Figure 1 The Grade A office new supply, take-up and vacancy rate in Core Central and Wan Chai

* As of November 2005

** Forecasted values

Source: A leading surveying consultancy firm

The existing Central Government Offices and the surrounding area are situated at Core Central. Their re-location will give the opportunities for redevelopment. This can provide adequate supply of office space under future redevelopment which is very important since it is expected that the supply of office space in Core Central will be in shortage in the long run as explained above. As a result, HKIS supports the implementation of the Tamar development project.

- There are suggestions that the proposed project should be constructed in other sites such as Kai Tak etc. However, HKIS thinks that those suggestions are immature because it requires a lot of time for the Government to do the feasibility studies as well as public consultation for those suggestions. Besides, a further planning process will be required for rezoning by the Town Planning Board which

may need a further 2 years or more before tendering process. This means that the project would be further deferred for a long time if the Government decided to look for the possibility of implementing the project in alternative sites.

6. In particular, the problem of unemployment in the construction industry remains very serious although the economic condition of Hong Kong is much better than before. According to the figures from the Census and Statistics Department, the unemployment rate of construction industry is higher than 11% in the first nine months of 2005 whereas the overall unemployment rate is only around 5.7-6.0% at the same period. As a result, more employment opportunities in the construction industry should be created as soon as possible by implementing more construction projects in Hong Kong such as the Tamar development project.

Project Scope

7. As stated in the press release from the Government titled “Developing Tamar into prime civic core accords with community long-term interest” dated 16 November 2005, the Government has suggested imposing a specific height restriction of 130mPD to 160mPD as the maximum ceiling for new buildings to be developed at Tamar and reducing the development intensity. HKIS agrees that these suggestions can make the project more compatible to the environment. The new height restriction is lower than the allowable maximum building heights of 180mPD as specified in the Approved Central District (Extension) Outline Zoning Plan (OZP) No. S/H24/6 which should be more acceptable. Furthermore, the total floor area of the project will be reduced when compared with the proposal in 2003. The total construction floor area (CFA) of the proposed Central Government Complex will be reduced from 136,200 square metres (m²) to 110,030 m² while the LegCo Complex will be reduced from 36,000 m² to 26,020 m². This can ensure that there will not be a great increase in the area per floor of the buildings due to the new building height restriction. Moreover, the Government suggests that the previously proposed Exhibition Gallery will be excised from the scope of project in order to reduce the development intensity. The above measures help preserve the beautiful harbour view as well as the open view to the prominent ridgeline. This can definitely ease concerns from the public since the new proposal is better than the original proposal in 2003.

8. The Government is committed to developing a Civic Place of at least 2 hectares at Tamar as a recreational open space according to the OZP. It can serve as a green space for leisure and enjoyment of the public and integrate the future Waterfront Promenade to form part of extensive open space network in the new central waterfront. This is a good idea in order to give an excellent space for the public to enjoy the waterfront. The total area of open space will amount to more than 47% of the total area of the Tamar site so that the public can have an opportunity to enjoy the harbour. However, if this site was sold to the private developers for commercial development, it would be more difficult for the Government to promote the green area in this site. This would also affect the public interest. This means that the public should benefit from the Tamar development project.
9. Based on the above points, HKIS believes that the proposed Tamar development project can bring huge amount of benefit to both the Government as well as the public and the economy of Hong Kong should also get benefit. As a result, the project should be implemented as soon as possible.

Views on land-use planning for Central Reclamation Phase III

10. According to the OZP, about half of reclaimed area is zoned "Open Space" (about 8.78 ha or 47%). This can provide more area for recreational activities and also a vibrant waterfront promenade for direct access and enjoyment by the public and the tourists as well. Currently, one major problem in the Central District is that there is not enough green area. So we believe that the about half of reclaimed area for "Open Space" can be useful for solving this problem.
11. A certain amount of reclaimed area (about 2.71 ha or 14%) is zoned for roads and other ancillary uses. This can provide necessary transport infrastructure such as the Central-Wan Chai Bypass to ease traffic congestion since currently there are not enough roads in the Central District. The problem of traffic congestion may even become more serious when more high-rise buildings will be erected in the Central District in future.
12. Besides, the extent of reclamation has already been scaled down from 32 ha to 18.73 ha in response to the public concerns. In particular, only about 14% of reclaimed area (2.63 ha) is zoned "Comprehensive Development Area". This can

ensure the long-term demand of high quality Grade A office space in Core Central and relieve the shortage problem, which can help maintain the competitive advantage of international business and financial centre in Hong Kong.

13. The aforesaid views are mainly related to suitability of time to re-launch the Tamar development project, its project scope and also the land-use planning for the Central Reclamation Phase III. HKIS is pleased to provide further views relating to the Tamar development project and the Central Reclamation Phase III.

The Hong Kong Institute of Surveyors

9th December 2005