

Legislative Council Panel on Housing

Rents for Retail and Carparking Facilities as well as Factory Premises of the Housing Authority and its Relief Measures

PURPOSE

This paper briefs members on the rent policy, the rent level changes of the retail facilities (including wet markets), carparking and factory premises of the Housing Authority (HA) and the recent rent relief measures offered to the retail and factory tenants to assist them to tide over the financial difficulties amid the global financial turmoil.

BACKGROUND

Rent Policy

2. Retail facilities (including wet markets) and factory premises of the HA are normally let by tender at a fixed term of three years, whilst the carpark charges are subject to an annual review. It is the established policy of the HA that rents are revised to market level upon expiry of the existing tenancy.

3. The rents of HA's retail facilities (including wet markets), carparking and factory premises are fixed at a reasonable market level. In assessing the renewal rents, due considerations will be given to factors including the local economic situation, comparable rental statistics, the physical characteristics of the premises, and population and environmental changes of the concerned public housing estates. The sitting tenants can express their views on the business environment and rental level with the Department for consideration in assessing the renewal rents.

Statistics on rent level changes

4. The average rent increase for renewal of tenancies during the past six months (from July to December 2008) is around 2.0% as compared with last renewal (i.e. around 3 years ago), which is considered moderate when compared with the 13.6%¹-increase in the average rental index of the retail premises in the private market.

¹ According to the statistics of Rating and Valuation Department (RVD), the average rental index of the private retail premises from July to November 2009 fetched an increase of 13.6% when compared with the indices three years ago.

5. Similarly, the average rent increase on renewal of tenancies for HA's factory units in the recent six months (from July to December 2008) is about 11.4%. However, the average rent of private flatted factories has surged by 33% when compared with the indices three year ago.

6. As for carparking facilities, notwithstanding that there are increases in the monthly charges for some popular car parks of the private sector, the Housing Society and The Link Management Limited, and despite a slight increase in occupancy rate of HA's car parks during the year of 2008, HA decided to maintain the carpark charges of 2009 at the 2008 level in view of the uncertain economic and market outlook. The freezing of HA carpark charges is widely accepted by the car users.

RENT RELIEF MEASURES

7. Noting that the local small-and-medium-sized firms are severely affected by the global financial tsunami, the HA has endorsed on 25 November 2008 to offer rent relief for its retail and factory tenants. A temporary concession in rental at 50% of the net rent, excluding rates and air-conditioning charges are granted to retail and factory tenants for a period of two months from 1 January 2009 to 28 February 2009. Yet, supermarkets/superstores and banks are excluded from this rent concession exercise.

8. About 2 400 retail tenants (including wet markets) and 3 600 factory tenants are benefited from the above measure which will cost the HA a loss of rental income of about \$34.8 million. The measure was well received by the public housing commercial tenants as a means to respond to the imminent economic downturn.

9. In addition, in order to help the factory tenants of HA to ride out the difficulties, flexible approach will be adopted in reviewing rents under the existing rent review mechanism in the coming few months. Factory tenants may be allowed to continue their operation under a licence at the original rent fixed three years ago if necessary. This gives both parties more time to negotiate on the new market rent with reference to the latest rental statistics of the property market. Once both parties reach consensus on the new market rent, it will take retrospective effect from the original effective date of the renewed

tenancy.

WAY FORWARD

10. HA would continue to monitor closely the local economy and if necessary, would further explore appropriate rental measures.

11. Members are invited to note the rents for retail and carparking facilities as well as factory premises of the HA, its relief measures and the way forward.

**Transport and Housing Bureau
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