



Overview on the retail and carparking facilities in public rental housing estates and Home Ownership Scheme estates

FS07/17-18

1. Introduction

1.1 In Hong Kong, about 31% of households are living in public rental housing ("PRH") flats and 15% in subsidized sale flats (mainly the Home Ownership Scheme ("HOS") flats).¹ Under section 4(1) of the Housing Ordinance (Cap. 283), the Hong Kong Housing Authority ("HA") is required "to secure the provision of housing and such amenities ancillary thereto as the Authority thinks fit" for the persons concerned. In order to cater for the daily needs of public housing residents, retail and/or carparking facilities are provided in PRH and HOS estates. At present, a majority of these facilities are owned and operated by the private sector, while only a small portion are still owned by HA following its property divestment some 10 years ago.

1.2 In 2005, HA divested 180 properties, including retail and carparking facilities, through The Link Real Estate Investment Trust (renamed as Link Real Estate Investment Trust ("Link") in 2015) with a view to enabling HA to focus on its core function of providing subsidized public housing. Nonetheless, many stakeholders have expressed concerns that Link's market-oriented commercial approach in managing those facilities would lead to high rental increases, thereby driving out small neighbourhood shops and depriving the grass-root residents of affordable living necessities and goods.² The disposal of 45 divested properties by Link in recent years has also induced worries about further increase in rentals of the commercial facilities and conversion of them for more profitable uses at the expense of the interests of the public housing residents.

1.3 At the request of the Subcommittee on Issues Relating to Shopping Centres, Markets and Carparks in Public Rental Housing Estates and Home Ownership Scheme Estates, the Research Office has prepared this fact sheet to

¹ See Census and Statistics Department (2018).

² See Legislative Council Secretariat (2016 and 2018).

provide an overview on the retail and carparking facilities in PRH and HOS estates operated by HA, Link and other private operators in areas such as property distribution, rentals, occupancy rates and tenant trade mix of retail facilities to facilitate discussion of the subject matter.

2. Overview of the provision of retail and carparking facilities

2.1 Before divestment of its commercial facilities, HA held over 10 million sq feet of retail facilities in terms of internal floor area and some 100 000 parking spaces.³ In 2005, HA divested 180 properties through The Link Real Estate Investment Trust, covering (a) 149 properties with both retail and carparking facilities, (b) two with retail facilities only, and (c) 29 with carparking facilities only (**Figure 1**).

2.2 Since 2014, Link has disposed of 45 of its 180 properties. Despite this, it remains the largest provider of retail facilities (e.g. shopping centres and fresh markets) and parking spaces in PRH and HOS estates. At present, Link manages 135 properties in PRH and HOS estates, of which 104 properties have both retail and carparking facilities, two with retail facilities only and 29 with carparking facilities only. The 45 properties disposed of by Link comprise both retail and carparking facilities.

2.3 According to HA, after divestment of its 180 properties, there remained about 1.6 million sq feet of residual retail facilities in terms of internal floor area and 22 000 parking spaces under its management as at November 2005.⁴ Over the years, HA has expanded its portfolio of retail and carparking facilities with the completion of new public housing estates. At present, the retail facilities managed by HA amount to about 2.5 million sq feet in terms of internal floor area,⁵ including 36 shopping centres⁶ and 22 markets⁷. HA also manages 151 carparks providing about 30 000 parking spaces.

³ See Housing Department and Housing, Planning and Lands Bureau (2003).

⁴ See Hong Kong Housing Authority (2006).

⁵ See Hong Kong Housing Authority (2017a).

⁶ Figure is as at January 2018 based on information on the website of HA. See Hong Kong Housing Authority (2018a).

⁷ Figure is as at April 2018 according to information provided by the Housing Department. Some of the markets are located inside the shopping centres under HA.

Figure 1 – Commercial properties divested by HA

	2005	Position in 2018	
	Properties divested by HA	Properties managed by Link	Properties disposed of by Link ⁽¹⁾
Total no. of properties	180	135	45
- With both retail and carparking facilities	149	104	45
- With retail facilities only	2	2	0
- With carparking facilities only	29	29	0

Note: (1) Figures are based on the latest data of Link before the properties concerned were disposed of.
Sources: Link Real Estate Investment Trust (various years) and Link Real Estate Investment Trust (2018b).

3. Provision of retail facilities

3.1 At present, Link owns 106 properties with retail facilities (104 properties comprise both retail and carparking facilities and two with retail facilities only). A majority of them are located in the New Territories. These retail facilities are generally of a larger scale, with 68 or 64% of them having an internal floor area of over 50 000 sq feet (**Figure 2**). Of the 106 properties with retail facilities, 61 of them include fresh market (**Figure 3**). For the 45 properties which are now operated by other private companies, many of them are located in the New Territories, and around half have an internal floor area of larger than 50 000 sq feet.

3.2 The retail facilities of HA comprise 36 shopping centres and 22 markets. A majority of the shopping centres have a lettable area of below 50 000 sq feet. Of the 22 markets under HA, 16 of them are directly managed by HA while six are operated under the single-operator letting arrangement.⁸

⁸ See GovHK (2017a).

Figure 2 – Provision of retail facilities

	HA ⁽¹⁾	Link ⁽²⁾	Properties disposed of by Link ⁽³⁾
No. of properties with shopping centres/other retail facilities by region			
Hong Kong Island	3	10	5
Kowloon East	9	31	8
Kowloon West	5	9	2
New Territories East	7	32	13
New Territories West	12	24	17
Total	36	106	45
No. of properties by lettable area/internal floor area (sq feet)⁽⁴⁾			
Less than 10 000	6	16	4
10 000-49 999	22	22	17
50 000 or above	8	68	24
Total	36	106	45

Notes: (1) Figures refer to the number of shopping centres as at January 2018 based on information on the website of HA. The Research Office has written to the Housing Department requesting information on the number of shopping centres under HA. As at the publication of this fact sheet, the Housing Department has not yet replied to the information request.

(2) Figures are as at 31 March 2017 excluding properties that were disposed of by Link.

(3) Figures are based on the latest data of Link before the properties concerned were disposed of.

(4) Size of HA's retail facilities is measured by lettable area while size of the retail facilities operated by Link and other private operators is measured by internal floor area. The lettable/internal floor area covers the provision of market if there is any in the respective retail facilities.

Sources: Link Real Estate Investment Trust (various years) and Hong Kong Housing Authority (2018a).

Figure 3 – Provision of markets⁽¹⁾

	HA	Link
	No. of markets	No. of properties providing market
Hong Kong Island	2	4
Kowloon East	3	14
Kowloon West	5 ⁽²⁾	2
New Territories East	2 ⁽²⁾	25
New Territories West	10 ⁽²⁾	16
Total	22	61

Notes: (1) Number of markets provided in the properties disposed of by Link is not available.

(2) Of the six markets that are under the single-operator letting arrangement, one is in Kowloon West, one in New Territories East and four in New Territories West.

Sources: Link Real Estate Investment Trust (2018a) and the Housing Department.

Rental and occupancy rate of retail facilities

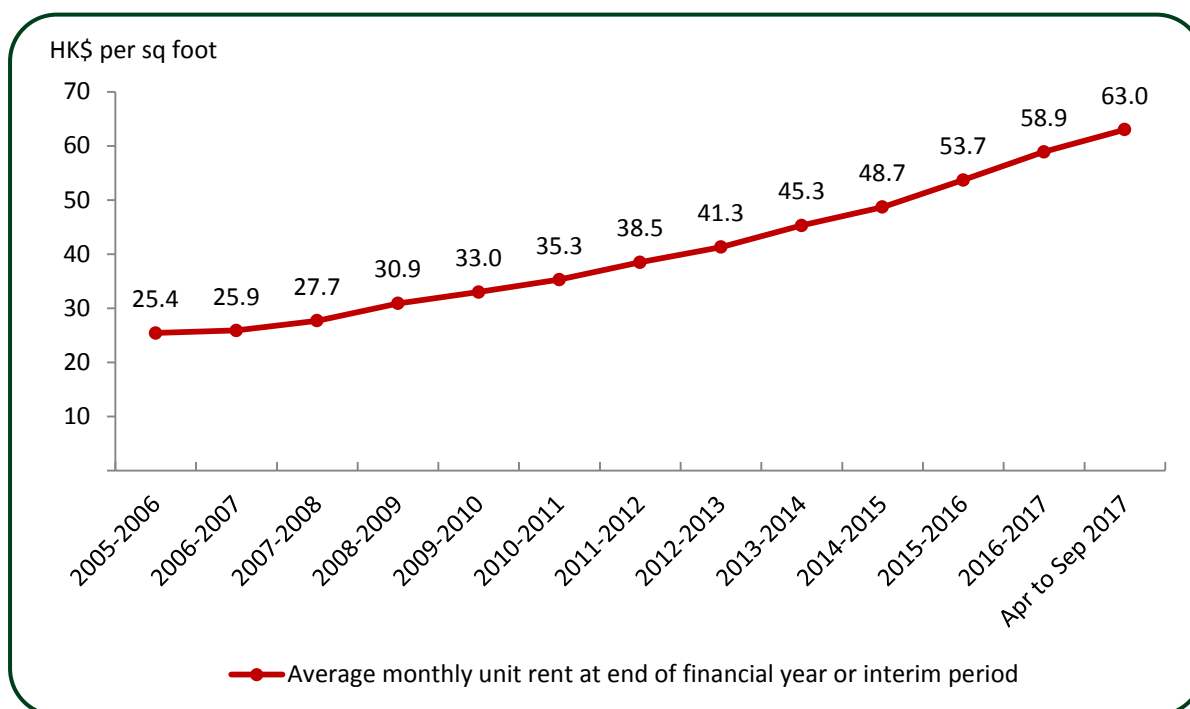
3.3 Regarding the retail facilities operated by Link, based on its annual reports, the average monthly unit rent per sq foot of leased internal floor area ("average monthly unit rent")⁹ increased from HK\$25.4 to HK\$58.9 between 2005-2006 and 2016-2017 (**Figure 4**), representing a cumulative increase of 132% and an average annual growth rate of 7.9%. The rate of increase was higher than that of the rental index for private retail properties¹⁰ published by the Rating and Valuation Department, which stood at an average of 5.2% for the period between 2006 and 2017. As to the rentals and occupancy rates of the retail facilities under HA and other private operators, such information is not publicly available.¹¹

⁹ Average monthly unit rent refers to the average base rent plus management fee per month per square foot of leased internal floor area. The figures include the rent of shops and markets/cooked food stalls but exclude the rent of self-use offices, and education/welfare and ancillary facilities.

¹⁰ The rental index for private retail properties measures the changes in rental by keeping the quality of the properties at a constant. See Rating and Valuation Department (2018).

¹¹ The Research Office has written to the Housing Department requesting information on the average monthly rentals and occupancy rates of the shopping centres and markets under HA. As at the publication of this fact sheet, the Housing Department has not yet replied to the information request.

Figure 4 – Average monthly unit rent⁽¹⁾ of retail facilities under Link⁽²⁾



Notes: (1) Average monthly unit rent refers to the average base rent plus management fee per month per square foot of leased area. The figures include the rent of shops and markets/cooked food stalls but exclude the rent of self-use offices, and education/welfare and ancillary facilities.

(2) Link has acquired a few shopping malls from the private market since 2011. As at March 2017, these newly-acquired shopping malls together accounted for about 2.0% of the total internal floor area of Link's properties and 2.6% of the aggregate property value. The figures from 2011-2012 onwards include these newly acquired properties.

Source: Link Real Estate Investment Trust (various years).

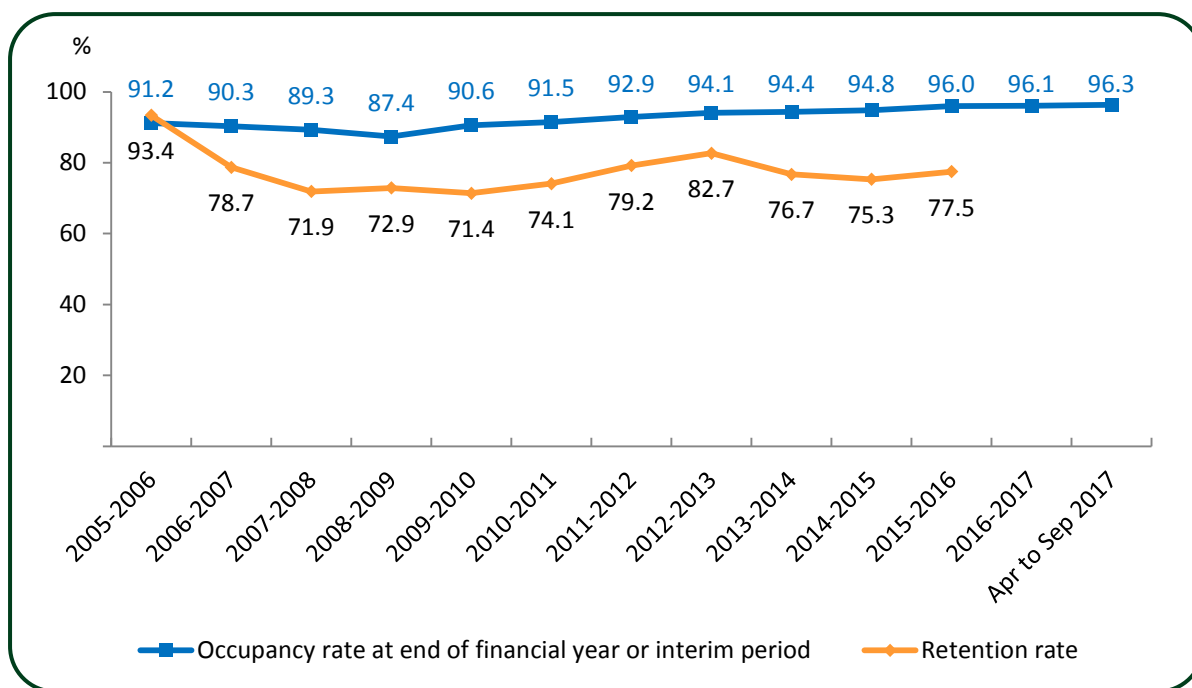
3.4 The average monthly unit rent charged by Link on markets/cooked food stalls was higher than that charged on shops. According to the latest available information, in 2012-2013, the average monthly unit rent for shops was HK\$38.7 per sq foot while the corresponding figure for markets/cooked food stalls was about 80% higher at HK\$70 per sq foot.¹² Recent trade mix figures illustrated in **Figure 6** also reveal a similar phenomenon. In 2016-2017, while markets/cooked food stalls accounted for 8.8% of the leased area, they contributed to 14.9% of the total monthly rent.

3.5 As indicated in **Figure 5**, the occupancy rate of Link's retail facilities modestly increased from 91.2% in 2005-2006 to 96.3% as at September 2017. During the initial five-year period from 2005-2006 to 2009-2010, the retention

¹² Information is based on Link's annual report 2013.

rate¹³ of tenants declined noticeably from 93.4% to 71.4%. Thereafter, it has edged up and stayed above 75% in the past few years.

Figure 5 – Occupancy rate and retention rate⁽¹⁾ of retail facilities under Link⁽²⁾



Notes: (1) Retention rate refers to the percentage of tenants being retained in the same shopping centre upon the expiry of leases. Figure after 2015-2016 financial year is not available.

(2) Link has acquired a few shopping malls from the private market since 2011. The figures from 2011-2012 onwards include these newly acquired properties.

Source: Link Real Estate Investment Trust (various years).

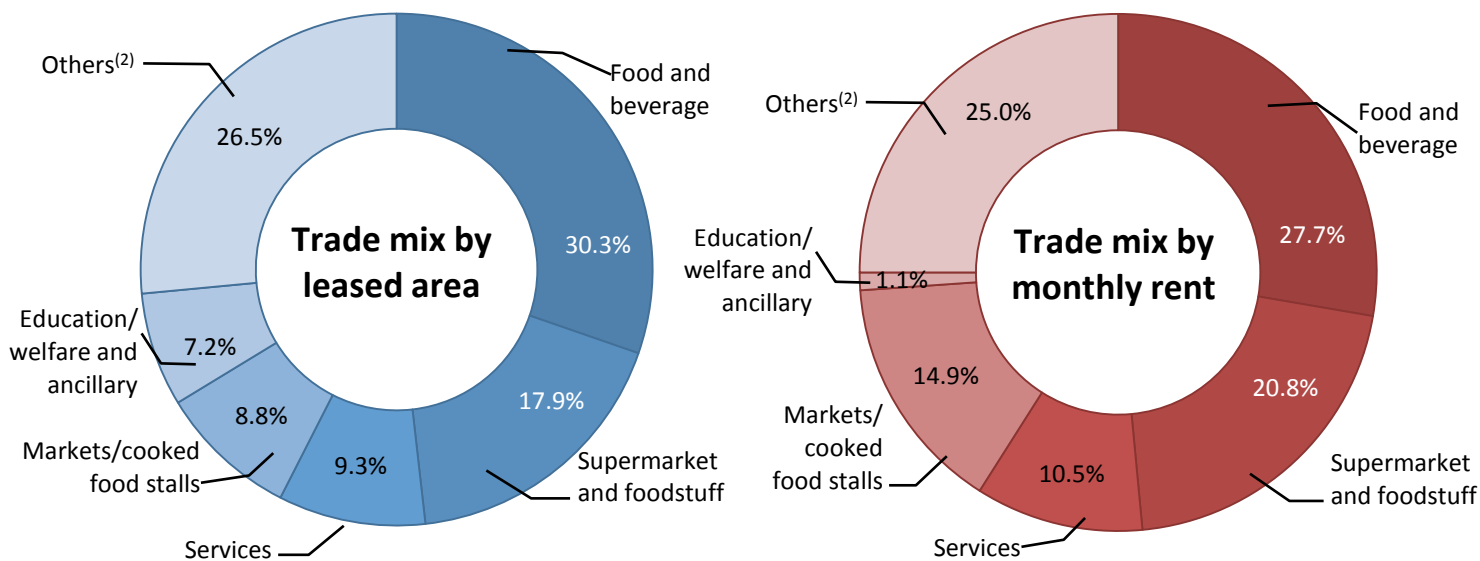
Trade mix of retail facilities

3.6 As to the trade mix of tenants of Link's retail facilities, "food and beverage" and "supermarket and foodstuff" categories together accounted for almost half of the total leased area and total monthly rent respectively in 2016-2017 (Figure 6). Nonetheless, there is a high variation in the trade mix of tenants among individual retail facilities. Larger shopping centres tend to have a more diverse range of trades, particularly in the "others" category (e.g. personal care, medicine, clothing, electrical and household products).¹⁴

¹³ Retention rate refers to the percentage of tenants being retained in the same shopping centre upon the expiry of leases.

¹⁴ See Link Real Estate Investment Trust (2018a).

Figure 6 – Trade mix of the retail facilities under Link⁽¹⁾



Notes: (1) Figures are as at 31 March 2017. Link has acquired a few shopping centres from the private market since 2011. The figures shown above include these newly acquired properties.

(2) The "others" category includes personal care/medicine, clothing, department store, electrical and household products, optical, books and stationery, newspaper, leisure and entertainment, and valuable goods.

Source: Link Real Estate Investment Trust (various years).

3.7 According to HA's information, the mix of trade of its 22 shopping centres¹⁵ broadly consists of "catering services and food", "supermarket/convenience store", "services",¹⁶ and "others"¹⁷ categories (Figure 7).¹⁸ Smaller shopping centres, with areas of less than 10 000 sq feet, basically fulfil public housing residents' need for dining and daily necessities as reflected by the higher proportion of shops in the "catering services and food" (33%-43%) and "supermarket/convenience store" (29%-33%) categories. In contrast, for larger shopping centres with areas of 50 000 sq feet or above, their trade mix is more diverse with 46%-67% of the shops falling under the "others" category.

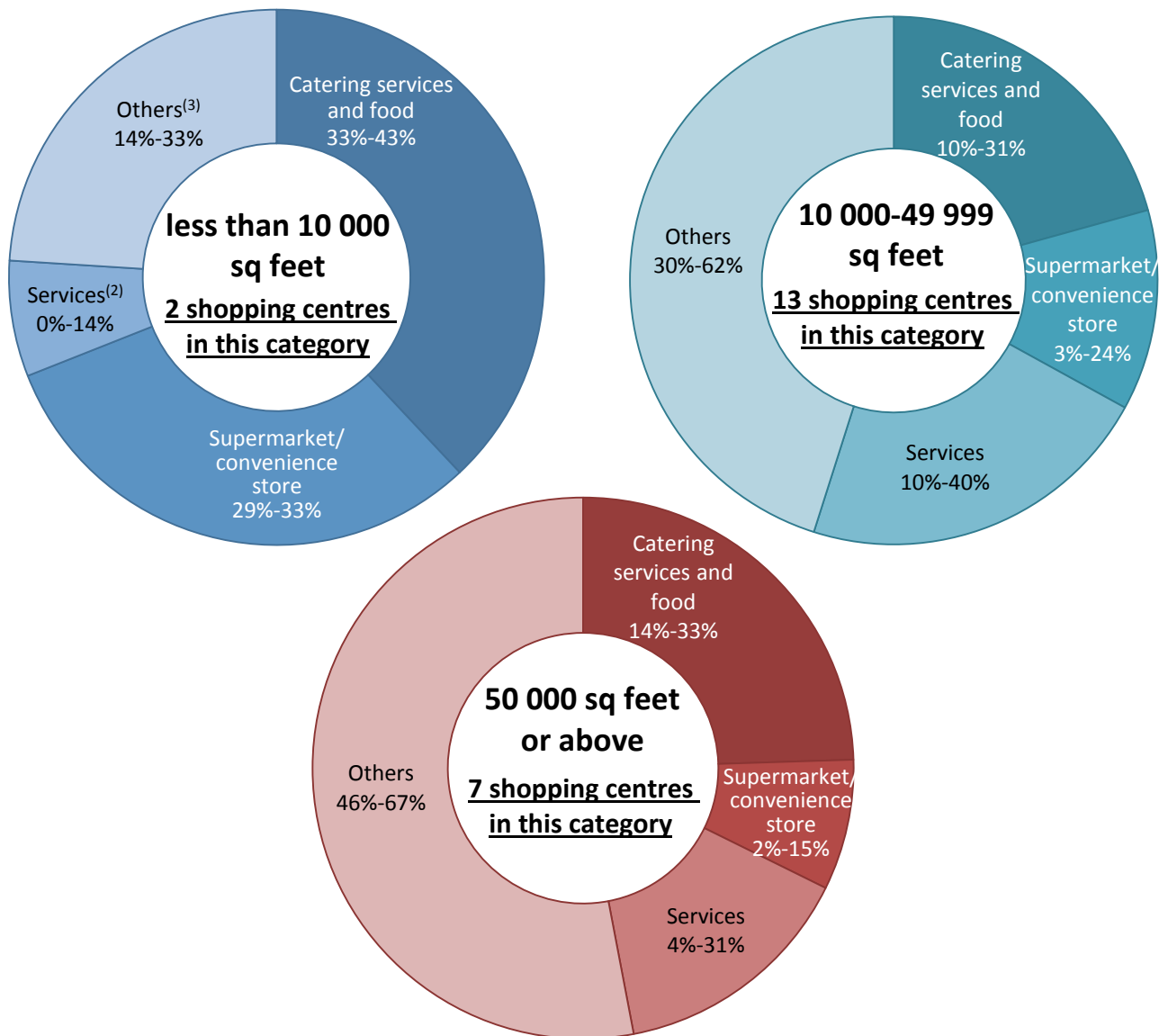
¹⁵ There are currently 36 shopping centres listed on the website of HA. However, HA only publishes the list of shops for 22 of the shopping centres.

¹⁶ The "services" category includes bank, clinic and laundry service provider.

¹⁷ The "others" category includes a range of trades that are broadly similar to those included in the "others" category of Link's retail facilities.

¹⁸ See Hong Kong Housing Authority (2018c).

Figure 7 – Trade mix of shops in 22 shopping centres under HA⁽¹⁾



Notes: (1) Trade mix is indicated by the range of percentage of shops in the respective trade categories in shopping centres grouped by lettable area. Market stalls under HA are not included in the trade mix.

(2) The "services" category includes bank, clinic and laundry service provider.

(3) The "others" category includes a range of trades that are broadly similar to those included in the "others" category of Link's retail facilities.

Source: Hong Kong Housing Authority (2018c).

4. Provision of carparking facilities

4.1 Currently, there are a total of about 109 500 parking spaces provided by HA, Link and other private property owners. Among them, Link manages about 60 900 parking spaces in PRH and HOS estates or 56% of the total. These parking spaces are found in 133 properties (104 properties with both retail and carparking facilities and 29 with carparking facilities only). Distribution of these carparking facilities by region is similar to that of its retail facilities as most of Link's properties offer both retail and carparking facilities. Among the 45 properties disposed of by Link since 2014, all include carparking facilities providing about 18 600 parking spaces or 17% of the total.¹⁹ As at end-2017, there were 151 carparks under HA providing around 30 000 parking spaces or about 27% of the total.²⁰ An overview on the carparking facilities and parking spaces managed by HA, Link and other private property owners is shown in **Figure 8**.

4.2 For the carparking facilities managed by Link, the utilization rate has increased markedly from 72.0% in 2005-2006 to 94.1% in 2014-2015 (**Figure 9**). Probably reflecting a greater demand, carpark rentals have been driven up. Between 2005-2006 and 2016-2017, the monthly income per parking space under Link increased substantially from HK\$913 to HK\$2,239, representing an average annual growth rate of 8.5%. The income growth was more pronounced after 2010. Between 2011-2012 and 2016-2017, the average annual growth rate of the monthly income per parking space even reached 12.9%.

¹⁹ Information on the average monthly charges and occupancy rates of the parking spaces owned by the new property owners is not available in the public domain.

²⁰ See Transport and Housing Bureau (2018).

Figure 8 – Provision of carparking facilities

	HA ⁽¹⁾	Link ⁽²⁾	Properties disposed of by Link ⁽³⁾
No. of carparks/properties with parking spaces⁽⁴⁾			
Hong Kong Island	Information not available	11	5
Kowloon East		41	8
Kowloon West		11	2
New Territories East		39	13
New Territories West		31	17
Total	151	133	45
No. of parking spaces			
Hong Kong Island	Information not available	4 825	1 363
Kowloon East		16 919	3 169
Kowloon West		3 278	601
New Territories East		20 146	6 038
New Territories West		15 688	7 443
Total	30 000	60 856	18 614

Notes: (1) Figures are as at 31 December 2017. The Research Office has written to the Housing Department requesting information on the distribution of the carparks and parking spaces under HA by region. As at the publication of this fact sheet, the Housing Department has not yet replied to the information request.

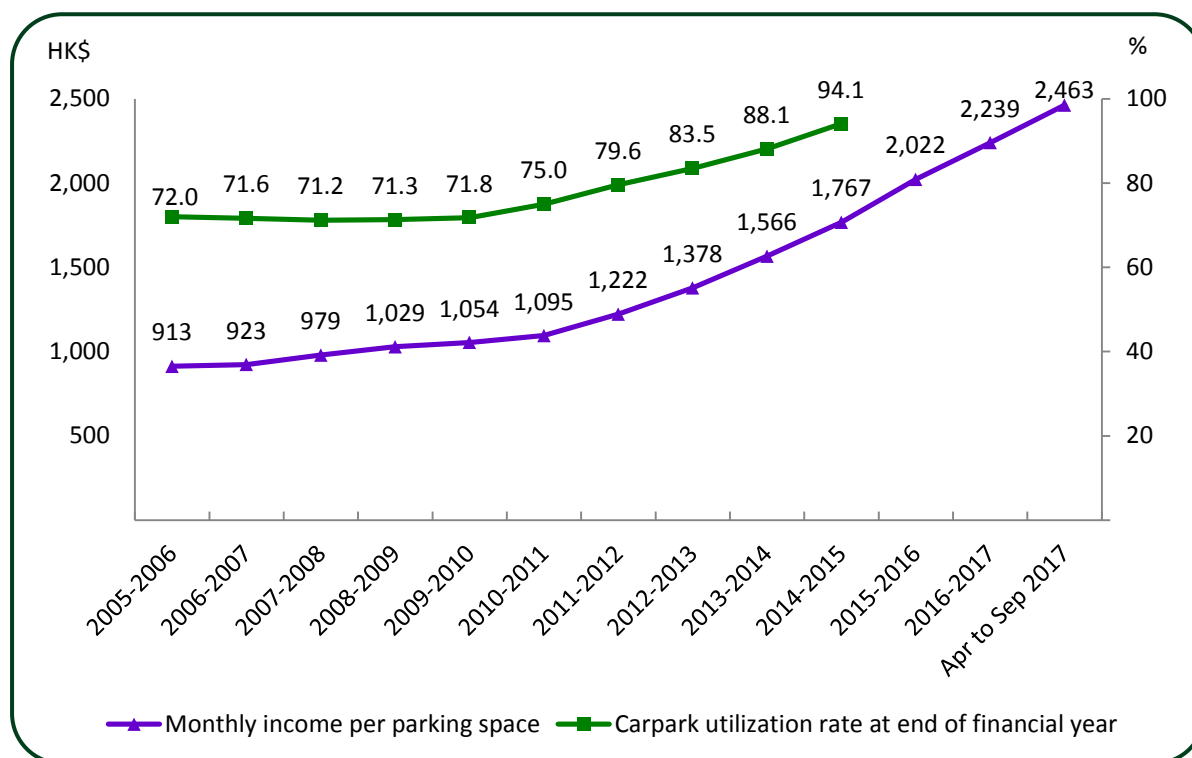
(2) Figures are as at 31 March 2017 excluding properties that were disposed of by Link.

(3) Figures are based on the latest data of Link before the respective properties were disposed of.

(4) Some of the properties of Link consist of more than one carpark.

Sources: Link Real Estate Investment Trust (various years) and Transport and Housing Bureau (2018).

Figure 9 – Monthly income per space and utilization rate⁽¹⁾ of carparking facilities under Link^{(2), (3)}



- Notes: (1) The carpark utilization rates in the 2015-2016 and 2016-2017 financial years are not available.
 (2) Link acquired a property, namely Lions Rise Mall, in September 2014 and disposed of the property in early 2018. Figures from 2014-2015 onwards cover the 61 parking spaces under this property.
 (3) Figure on monthly income per carpark space for the 2005-2006 financial year refers to the period between 6 September 2005 and 31 March 2006.

Source: Link Real Estate Investment Trust (various years).

4.3 As to the carparking facilities under HA, according to HA, the overall occupancy rate has increased significantly from 60% in December 2005 to 94% in December 2017.²¹ The changes in rentals over the same period are however not available.²² Nonetheless, HA has adopted the policy of charging market fees for its parking spaces, which vary with the vehicle type, location of the parking spaces and occupancy rate.²³ For example, the latest monthly charge for full-time covered parking spaces for private cars located on Hong Kong Island and in Kowloon ranges from HK\$2,320 to HK\$2,730 per month.²⁴ The monthly charge for similar parking spaces

²¹ See Hong Kong Housing Authority (2018b).

²² The Research Office has written to the Housing Department requesting information on the average monthly charges of the parking spaces managed by HA. As at the publication of this fact sheet, the Housing Department has not yet replied to the information request.

²³ See Hong Kong Housing Authority (2017).

²⁴ A lower monthly charge is imposed on parking spaces let under a floating parking system.

located in places like Tuen Mun and Yuen Long ranges from HK\$1,320 to HK\$1,550. Rental adjustments have been seen in recent years. In 2018, the monthly charges for parking spaces for private cars, light goods vehicles, and coaches/buses were increased by around 6%.²⁵ The corresponding rates in 2016 and 2017 were around 4% and 6% respectively.²⁶

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²⁵ See GovHK (2017b).

²⁶ See GovHK (2015b & 2016).

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