

香港特別行政區政府
The Government of the Hong Kong Special Administrative Region

房屋及規劃地政局
香港花園道美利大廈



**Housing, Planning and Lands
Bureau**

Murray Building, Garden Road,
Hong Kong

本局檔號 Our Ref. HD/PS 9/2/1/152
來函檔號 Your Ref.

電話 Tel No. 2761 5086
圖文傳真 Fax No. 2761 7445

14 December 2004

Clerk to LegCo Panel on Housing
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong
(Attn: Miss Odelia Leung)

**Legislative Council Panel on Housing
Hung Hom Peninsula
Valuation Report and Estimates of Premium**

I refer to Items (5), (13) and (18) of the list of information requested by legislators on the lease modification for Hung Hom Peninsula, seeking information and documents to which the Government had made reference during the mediation process.

The valuation report and information compiled by the Lands Department for the negotiation and mediation were provided to Members under cover of my letter to you on 30 March 2004. We have also, with the developer's consent, tabled a comparison between the estimates of premium exchanged between the Government and the developer at the mediation at Panel meeting on 8 March 2004. You may wish to re-circulate these documents, copy attached for easy reference, while we are compiling other information.

Yours sincerely,

(Miss Joey LAM)
for Secretary for Housing, Planning and Lands

b.c.c. Director of Lands (Fax No. : 2868 4707)
HPLB (Attn: Miss Diane Wong)(Fax No. : 2868 4530)
D of J (Attn: Mr Simon Lee) (Fax No. : 2869 0062)
AA/SHPL (Fax No. : 2537 5139)

Internal

DD/DC

Hunghom Peninsula PSPS

**Valuation Report and information compiled by the
Lands Department for the negotiation and mediation**

Explanatory Note

The flat sale price of \$38,000/m² net (\$3,021 psf gross) was arrived at by comparison with transactions in Royal Peninsula, a nearby development with Occupation Permit (OP) issued in December 2000 and Phases 4 & 9 of Whampoa Gardens, the closest phases of that development to Hung Hom Peninsula, with OPs of December 1987 and December 1988.

Royal Peninsula is a high quality development with luxurious finishes. Despite OP having been issued in December 2000, the developers were still selling units in the latter part of 2003 and the prices averaged about \$52,700/m² (\$3,890 psf gross). Flats in Whampoa Gardens (15 storeys over one storey of lobbies/shops) were fetching an average of about \$32,000/m² net (\$2,620 psf gross).

Even with upgrading, the Hung Hom Peninsula flats would be well below the standard of the Royal Peninsula and although new, the design is akin to that of the older Whampoa Gardens. Accordingly, a rate of \$38,000/m² for Hung Hom Peninsula was considered appropriate.

Lands Department

Flat Sale Comparables in Hung Hom

Item	Development (OP Date)	Period of transactions (No. of transactions)	Unit Price Range [\$/m ² (N)]	Average Unit Price [\$/m ² (N)]	Size Range [m ² (N)]
1	Royal Peninsula Hung Hom South Road, Hung Hom (12/2000)	07/2003 – 12/2003 (15)	40,277 – 67,992 (2/F – 45/F)	52,757	43.6 – 97.0
		04/2003 – 06/2003 (23)	42,002 – 56,996 (1/F – 32/F)	48,423	43.8 – 96.9
		01/2003 – 03/2003 (24)	37,927 – 66,283 (2/F – 32/F)	53,090	35.9 – 93.6
<p>Remarks : Five 35-42/s residential towers over 2/s clubhouse & 2/s basement carpark. Total 1,669 flats (incl. 5 duplex units) & 276 CPS. 7 - 8 flats/floor on typical floors on Block 1, 4 & 5 & 13 flats/floor on typical floors on Block 2.</p>					
2	Whampoa Garden Site 4, Tak Fung Street, Hung Hom (12/1987)	07/2003 – 12/2003 (7)	29,703 – 35,995 (5/F – 16/F)	32,158	55.1 – 76.4
		04/2003 – 06/2003 (4)	30,441 – 39,587 (7/F – 14/F)	35,265	60.6 – 74.9
		01/2003 – 03/2003 (4)	26,287 – 35,995 (2/F – 11/F)	31,078	60.6 – 76.4
<p>Remarks : Six 15/s residential towers over G/F lobby. Total 720 flats; 8 flats/floor on typical floors on all blocks.</p>					
3	Whampoa Garden Site 9, Tak Fung Street, Hung Hom (12/1988)	07/2003 – 12/2003 (10)	26,419 – 36,686 (3/F – 16/F)	32,172	51.1 – 79.7
		04/2003 – 06/2003 (14)	27,571 – 38,896 (2/F – 13/F)	32,922	56.5 – 79.7
		01/2003 – 03/2003 (11)	28,571 – 49,410 (2/F – 15/F)	35,887	56.8 – 82.3
<p>Remarks : Ten 15/s residential towers over G/F shops. Total 1,200 flats; 8 flats/floor on typical floors on all blocks.</p>					

Proposed Modification to allow Disposal of PSPS Flats in Open Market
Hung Hom Bay Reclamation
Kowloon Inland Lot No. 11076

(A) **Development Parameters**

Site Area	:	27,818 m ²	
Zoning	:	R(A)1	
Max Residential GFA	:	144,300 m ²	(i.e. P.R. 5.19)
Max Retail GFA	:	3,000 m ²	
No. of Flats	:	Not less than 2,450 & not more than 2,600	
No. of CPS	:	Not less than 1 per 7 flats & not more than 1 per 5 flats	

(B) **Existing Development** (O.P. issued on 6.8.2002 & C of C on 21.11.2002)

Actual Residential GFA	:	144,299.926 m ²	
Actual Residential SA	:	123,489.632 m ²	
No. of Blocks	:	7	
No. of Storeys	:	35 - 36 storeys	
No. of Flats	:	2,470	[Average Flat Size 58.4 m ² (G)]
Size of Flats	:	40 - 55 m ² (N)	
		(60% is 54.988 - 55m ² and contain 3 bedrooms)	
No. of Flats/Floor	:	10	
Saleable Ratio	:	85.578%	

(C) **Valuation**

				\$3,021.15 /ft ² (G)
After Value				\$3,530.29 /ft ² (N)
Dom SA	123,489.632 m ² (2) x	\$38,000 /m ² (N) (4)	\$4,692,606,016	
Less 2.625% for marketing & agency expenses				
Less 15% Bulk Discount/Profit			x 0.82375	\$703,890,902 Profit
CPS	413 nos. x	\$360,000 /space	\$3,865,534,206	
			\$148,680,000	
			\$4,014,214,206	
PV	0.213 yr (15) @	7%	0.9333	\$3,746,466,118
Less Costs				
Dom	144,299.926 m ² x	\$2,055.0 /m ² (G) (3)	\$296,536,348	
Club Hse	2,100 m ² (17) x	\$11,300 /m ² (G) (18)	\$23,730,000	
			\$320,266,348	
			x 1.06	\$339,482,329
			say \$363,975,935 (9)	\$218.56 /ft ²
PV	0.333 yr (16) @	7%	0.9777	\$355,272,552
				\$3,391,193,566
				After Value, say \$3,391.20 M
Before Value				
Dom SA	123,489.632 m ² (2) x	\$15,500 /m ² (N) (4)	\$1,914,089,296	
CPS	494 nos. x	\$350,000 /space	\$172,900,000	
			\$2,086,989,296	
Less Costs				
Interest on security sum for making good defects during defects liability period			\$675,000 p.a. (5)	
YP	0.236 yr (6) @	7%	0.2263	\$152,753
Commission charge on bank guarantee for scheduled defects liability period			\$675,000 p.a. (7)	
YP	5.225 yr (8) @	7%	4.2541	\$2,871,518
Commission charge on bank guarantee for management obligations			\$152,000 p.a. (9)	
YP	8.682 yr (10) @	7%	6.3462	\$964,622
Emergency Repairs Fund				\$1,235,000 (11)
Monitoring of residual settlement			say \$100,000 p.a	
YP	8.975 yr (12) @	7%	6.5021	\$650,210
Commission charge on bank guarantee for defects liability due to residual settlement			\$56,000 p.a. (13)	
YP	8.975 yr (14) @	7%	6.5021	\$364,118
				\$6,238,221
				\$2,080,751,075
				Before Value, say \$2,080.75 M

Premium Assessment

'After' Value	\$3,391.20 M		
'Before' Value	\$2,080.75 M		
	\$1,310.45 M	(\$9,081 /m ²)	\$844. /ft ²
			\$2,076 /ft ² (+ Guaranteed Price)

Notes

- (1) Market Price of the "modified" flats for disposal freely in market without alienation restriction
- (2) The residential SA certified by the AP, as advised by HD
- (3) Cost for upgrading the flats from ordinary finishes to enhanced finishes plus cost for providing air-conditioning and appliances, i.e. $(\$7,900/m^2 \times 15\% + \$250/m^2) * + \$390/m^2 + \$230/m^2$ (L&B Cost Index 2nd Qtr 2003)
(*Allow 15% for upgrading the finishes and an extra cost of $\$250/m^2$ for the dismantling works required, as verbally advised by L&B)
However, during mediation held in Dec 2003, Government offered to compromise by adopting an upgrading cost of $\$363,375,833$
- (4) Guaranteed unit price for the PSPS flats as stipulated in the lease conditions
- (5) Annual interest at 5% on $\$13.5M$ which is the security sum for making good the defects during the defects liability period
- (6) The remaining period of the defects liability period (460 days) from the date of issue of C of C
- (7) Commission charge at 1% on $\$67.5M$ for the bank guarantee for developer's obligations during the scheduled defects liability period
- (8) The bank guarantee shall be irrevocable for a period of 6 yrs and 3 months from the date of issue of C of C
- (9) Commission charge at 1% on $\$15.2M$ for the bank guarantee for developer's management obligations
- (10) The bank guarantee shall be irrevocable for a period of 10 yrs from the date of issue of OP
- (11) The Emergency Repairs Fund to be paid by the developer is $\$500$ per each residential unit, i.e. $\$500 \times 2,470 = \$1,235,000$
- (12) The developer is responsible to implement a monitoring plan for residual settlement for 10 years from the date of issue of C of C
- (13) Commission charge at 1% on $\$5.6M$ for the bank guarantee for developer's defects liability due to residual settlement
- (14) The bank guarantee shall be irrevocable for a period of 10 yrs from the date of issue of C of C
- (15) Deferment period of 11 months for completion of the upgrading works (8 months) and disposal of the flats (6 months + 2)
However, during mediation held in Dec 2003, Government offered to compromise by adopting a deferment period of 12.25 months
- (16) Allow 8 months for the upgrading works
- (17) Based on Developer's proposal (81 CFS will be deleted)
- (18) Cost of clubhouse of ordinary standard (L&B 2nd Qtr 2003)

**Lease Modification of Hunghom Peninsula:
Comparison between the two estimates of premium
by the Government and the Developer**

	Government	Developer
Sale proceeds		
2,470 Private Flats	\$4,693M [\$3,021/sq.ft.(gross)]	\$4,349M [\$2,800/sq.ft.(gross)]
Less		
Guaranteed Price payable to developer of the PSPS Flats	\$1,914M [\$1,232/sq.ft.(gross)]	\$1,914M [\$1,232/sq.ft.(gross)]
Allowance for Bulk "Purchase" of all 2,470 Flats in one go by a single developer	\$704M	\$719M
Cost of Upgrading Flats for Private Sale	\$363M	\$387M
Loss of Carparking Spaces for Conversion to Clubhouse	\$24M	\$36M
Interest incurred/foregone	\$261M	\$279M
Marketing Cost	\$123M	\$150M
Plus		
Saving of PSPS Costs *	\$6M	-
Premium	\$1,310M [\$843/sq.ft (gross)]	\$864M [\$556/sq.ft (gross)]

* Savings due to removal of need for bank guarantees, emergency repairs fund, etc. exclusive to PSPS developments

政府與發展商就紅灣半島修訂契約所作的補價預算的兩者比較

	政府	發展商
售樓收益		
2 470 個私人單位	46.93 億元 [每平方呎 3,021 元 (建築樓面面積)]	43.49 億元 [每平方呎 2,800 元 (建築樓面面積)]
減		
私人參建居屋計劃發展商可得的保證售價	19.14 億元 [每平方呎 1,232 元 (建築樓面面積)]	19.14 億元 [每平方呎 1,232 元 (建築樓面面積)]
發展商一次過買入全部 2 470 個單位可得的大批購買折扣	7.04 億元	7.19 億元
在私人市場公開售賣前所需作出的單位修飾的費用	3.63 億元	3.87 億元
停車位改建為會所引致的虧損	0.24 億元	0.36 億元
損失利息金額	2.61 億元	2.79 億元
銷售推廣費用	1.23 億元	1.5 億元
加		
私人參建居屋計劃節省 的費用*	6 百萬元	-
補價	13.1 億元 [每平方呎 843 元 (建築樓面面積)]	8.64 億元 [每平方呎 556 元 (建築樓面面積)]

* 因無需再為該私人參建居屋計劃提供按揭擔保和緊急維修基金等而節省的開支費用。