

Legislative Council Panel on Housing

Rent Relief Measures for Commercial Tenants of the Hong Kong Housing Authority and the Hong Kong Housing Society

PURPOSE

This paper briefs Members on the measures taken by the Hong Kong Housing Authority (“HA”) and the Hong Kong Housing Society (“HS”) to assist their commercial tenants¹ to tide over the financial difficulties amid the global financial turmoil, and the rates concession as announced by the Financial Secretary (“FS”) on 25 February 2009 and 26 May 2009. The rates concession also benefited HA and HS’s commercial tenants.

BACKGROUND

2. The retail sector and small-scale factory operators have been hit hard by the global financial crisis. HA and HS have been keeping a close watch on the development of the economic situation and rendered assistance to their commercial tenants.

RELIEF MEASURES

Rent relief measures

3. To assist the retail sector and factory operators in overcoming the economic difficulties, the Commercial Properties Committee (“CPC”) of HA decided on 25 November 2008 to offer rent relief to its commercial tenants. A concession in rent at 50% of the net rent, excluding rates and air-conditioning charges, was given to the commercial tenants for the 2-month period from January to February 2009. Supermarkets/superstores and banks were excluded from this rent concession exercise. Under the above rent relief measure, about 2 400 retail tenants and 3 600 factory tenants benefited from the rent concession which cost the HA a loss of rental income of about \$34.8 million.

4. HS introduced a rent re-assessment exercise² in January 2009 for its commercial tenants³ to apply for rent re-assessment. For cases which the

¹ HA’s commercial tenants include retail and factory tenants, whereas there are only retail tenants for HS.

² The rent re-assessment exercise did not involve supermarkets, superstores and banks.

³ HS has a total of 455 commercial tenants.

reassessment outcome had indicated that there should be a downward adjustment of the rent, HS had granted rent rebate to the tenants concerned covering the period from 1 January 2009 up to the expiry date of the tenancies. As at 3 June 2009, 284 commercial tenants were granted rent rebate. The total amount of rebate from January 2009 to the expiry dates of respective tenancies is about \$12.5 million.

Rent adjustment upon renewal of tenancies

5. In addition, HA and HS have taken into account relevant local economic changes when assessing the renewal rents for fixed term tenancies for shops and factory units so as to achieve a reasonable market rental level for the tenants. Appropriate consideration is given to comparable rental evidence, physical conditions of the leased premises, and population and environmental changes of the public housing and factory estates concerned etc. Sitting tenants are welcome to express their views on the business environment and provide rental evidence on the rental level to the Housing Department and the HS for consideration in assessing the renewal rents.

Promotional activities to enhance business environment of HA's commercial facilities

6. Meanwhile, as suggested by CPC members, HA has stepped up effort in improving patronage of its shopping centres by organising promotional activities during various festivals such as Chinese New Year and Mother's Day. Such efforts will continue as appropriate.

Rates concession in 2009/10

7. Commercial tenants of HA and HS also benefited from the rates concession announced by the FS on 25 February 2009 and on 26 May 2009 to waive rates for 2009/10, subject to a ceiling of \$1 500 per quarter for each rateable tenement. HA and HS have taken and will continue to take parallel action to pass on the concession to eligible non-domestic tenants/licensees.

RECENT ECONOMIC SITUATION

8. According to the Census and Statistics Department, retail sales⁴ have staged a relatively stable improvement since February 2009. It is expected that the launch of the new package of relief measures by the FS will benefit the various sectors of the community and help stimulate consumption sentiments and the economy would regain its momentum later this year.

⁴ The year-on-year percentage change for February, March and April 2009 (provisional figures) are -12.7%, -7.7% and -4.4%.

9. For HA and HS's retail premises which are mainly operated by small and medium enterprises catering for the daily necessities of local residents, businesses are relatively steady and less susceptible to the global economic fluctuation. There are no signs of winding up of businesses or increase in early termination of tenancies since the outbreak of the global financial turmoil in late 2008.

WAY FORWARD

10. It would be prudent for HA and HS to keep a close watch on the local economy and the business environment of their commercial tenants. If necessary, additional effective relief measures would be considered to ease the plight of the commercial tenants to tide over the economic difficulties.

11. Members are invited to note the measures so far introduced and the considerations made in light of the latest economic situation.

**Transport and Housing Bureau
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