Revitalization of Industrial Buildings in Hong Kong

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[1] Introduction – The Problem

A change of economic structure in the past 20 years lead to:

1. Traditional manufacturing industry wind down
2. Factories were relocated to the mainland
3. Industrial buildings became vacant or under-utilized
4. Wasting valuable land resources
[1] Introduction

Old Industrial Building in the urban area

High vacancy rate of industrial building, some units are changed to warehouse uses.


A. Change in Statutory Framework to cope with the Economical changes

1. Town Planning - a two-pronged approach Promote optimum use of land
2. Broadening the permissible uses in industrial buildings
3. Rezoning surplus and suitable industrial land for non-industrial uses
4. New land use zoning – “Other Uses (Business)” zone (OU(B))
5. Allowed a mix of office, commercial and non-polluting industrial uses was introduced in traditional industrial areas.
6. About 500 hectares of industrial land had been rezoned for non-industrial uses, including about 200 hectares to OU(B) use.

Statutory Zoning Plan

A Close up View
### The actual situation:
1. Owners reluctant to carry out redevelopment / wholesale conversion / temporary change of use;
2. Redevelopment pace lag behind the economic demand

### Hindrance Factors:
1. Fragmented ownership in multi-storey Industrial buildings
2. Payment of full market premium for lease modification for redevelopment
3. Payment of waiver fees in the event of conversion
4. Difficult to raise finance for redevelopment.
5. Unauthorized change of the use of industrial buildings for commercial activities is common

### Other Hindrance Factors in Mixed Industrial and non-industrial use:
1. Potential fire hazard which causes danger to occupants
2. Only a full scale redevelopment or conversion is viable
3. Owners hardly fulfill necessary building and land requirement

### In view of this situation
Government hopes to facilitate industrial buildings redevelopment or conversion through injection of the incentive new industrial buildings revitalization policy.
The New Policy

1. Allow wholesale conversion of an entire industrial building without redevelopment
2. Nil waiver fee provides great incentive for revitalization
3. Fire risk of mix-use of industrial and other commercial activities are therefore eliminated.
4. No reversion back to industrial use
5. Multiple owners have to be agreed with each other and applied jointly for a wholesale conversion.

Under this Policy

1. According to statistics, there are around 1,400 industrial buildings in Hong Kong.
2. About 1,000 can meet the requirements for wholesale conversion.
3. Revitalization of old industrial buildings through wholesale conversion will help to create job opportunities and increase competitiveness, and is beneficial to Hong Kong in the long run.
[5] Further Measures to encourage Redevelopment

Besides wholesale conversion of industrial building to facilitate redevelopment of industrial buildings through –

1. Allowing the majority owners of industrial buildings to apply under the Land (Compulsory Sale for Redevelopment) Ordinance for a compulsory order to sell the whole lot for redevelopment, if the majority owners own not less than 80% of the undivided shares of the lot;

2. Approving tailor-made lease modification

3. the land premium payable will be assessed according to the optimal use and proposed intensity

4. Pay for what you build (instead of the maximum development intensity)

5. Option for payment of 80% of the land premium by annual installments for up to five years


- The above revitalization measures formally came into effect on 1 April 2010 and the progress of implementation has been encouraging.

- By the end of January 2012, the Lands Department of Hong Kong Government had received 68 no of building applications.

- 18 no were completed.

- Most of these were applications for wholesale conversion. These approved applications will provide converted or new premises with a total gross floor area of over 400 000 sq.m.
Re-vitalization of Industrial Buildings in Hong Kong

End

Q & A
### Valuation for Land Premium and Waiver Fee

1. **Basis of Valuation for redevelopment**

   - GDV of redeveloped property
   - Less Demolition Cost
   - Construction Cost
   - Other fees / costs
   - = After land value

   Land Premium = After land value – Before land value

2. **Basis of Valuation for Waiver Fee**

   Rental of new use – Rental of industrial use = Waiver Fee