



TOO LOFTY

Unlike in New York or London, loft living in Hong Kong remains elusive, thanks to the labyrinthine process of converting old industrial buildings for residential use.

STORY JIMMY CHOW

COURTESY HABITAT PROPERTY / AG WILKINSON & ASSOCIATES / HKIS / SCMP

While loft living is perhaps a dream for many, the reality is that turning industrial buildings in Hong Kong into loft-style apartments is extremely difficult, if not impossible, according to property experts. Unlike in New York or London where landlords and tenants have more flexibility in converting industrial buildings into accommodation, Hong Kong's tough planning and building rules have made a loft apartment an elusive dream.

Most developers usually find it easier and more profitable to tear down a dilapidated structure and replace it with an apartment complex. For one thing,

renovating an industrial building to make it compliant with Hong Kong's residential building code can prove to be a Herculean task.

"To consider a redevelopment plan, the developer has to look at several factors," says Chris Hui, director of agency for development and investment at AG Wilkinson & Associates, a surveying firm well known for handling redevelopment site sales. "First, there's the maximum economic value the site can achieve after redevelopment based on different land uses. Second, the developer must consider the marketability of the project and its ability to generate cash flow," Hui adds.

Redeveloping an industrial site typically entails demolishing the existing structure and replacing it with a commercial building, usually comprising office and retail spaces, or a hotel, he says. Of course, the industrial building should be located in an area where business or commercial uses are allowed. Hotel use is allowed in most commercial zones, but will need planning permission if the site is situated in a business zone. Hotel use is also not permitted in industrial zones.

HIGH HURDLE

In 2010, the government rolled out an incentive scheme to promote

ABOVE

The sweeping views from Habitat Property's renovated *tong lau* in Kennedy Town, showing the potential of industrial conversions.

RIGHT

Insight founder Eva Mercer in her studio, carved out of industrial space in Chai Wan.



TOP
Chris Hui

LEFT
Artist Brian Sze in his studio inside The Genesis, Hong Kong's first industrial-turned-commercial building, at 33-35 Wong Chuk Hang Road in Aberdeen.

“TO PROMOTE CONVERSIONS, THE GOVERNMENT SHOULD PLAY A FACILITATIVE ROLE AND MUST BE WILLING TO OFFER A DEEP DISCOUNT ON OR EVEN WAIVE THE LAND PREMIUM FOR [CONVERTED INDUSTRIAL BUILDINGS]”

— Chris Hui, AG Wilkinson & Associates



the revitalisation of industrial buildings aged at least 15 years by allowing other uses through “wholesale conversion” – that is, converting the building in its entirety. A total of 154 applications had been received as of April this year (see following table), and the scheme remains open for application until March 2016.

There are several key criteria for an industrial conversion plan to be eligible. Firstly, the building's new use should comply with those allowed for the zone specified, namely industrial, commercial and business. Secondly, all the building owners must back the conversion application. And thirdly, the total

gross floor area (GFA) and site coverage of the converted building should be unchanged, while its height should not exceed the level set by planning authorities.

If qualified, owners will be exempted from paying the waiver fee for changing the use of the industrial building during its lifetime or until the expiry of the current lease, whichever is earlier. In cases where the owners or the developer would like to convert an industrial building for residential use, it must be on either a residential or commercial site. In the latter case, a green light is needed from the Town Planning Board. The review, which may take some two years, is usually very

strict to assess if the proposed residential use will not negatively impact the area, Hui says.

According to government statistics, over half of private industrial buildings are in commercial areas. That explains why office, retail and hotel properties are the most common conversion options. “Residential buildings are also subject to more stringent building code standards, such as plot ratio and site coverage requirements,” Hui says.

DIFFICULT SITUATION
Parts of an industrial building's structure often have to be demolished to comply with the plot ratio and site coverage set

for a residential building, which can sometimes make conversions technically and financially non-viable. The Buildings Ordinance also stipulates a different set of design standards for residential buildings, adding more hurdles to industrial conversion projects.

“So far I haven’t seen a private industrial building being converted into a residential building legally and successfully,” Hui notes. “To promote conversions, the government should play a facilitative role and must be willing to offer a deep discount on or even waive the land premium for an industrial building on a non-residential site being converted into a residential property.”

A developer who plans an industrial conversion is required to acquire all units within the same building, says Andrew Kung, chairman of the building surveying division of the Hong Kong Institute of Surveyors (HKIS). However, because many industrial buildings are co-owned by several landlords, one reluctant co-owner can stymie a conversion plan. A developer can take the issue to the Lands Tribunal for a compulsory sale order, but this can be a lengthy process.

Kung also highlights the risks of illegally occupying industrial building for residential purposes in the wake of the recent eviction of residents of illegal flats in a Tsuen Wan industrial building.



“The Buildings Department is in a difficult situation. It’s obligated to ensure all buildings are safe for people to live or work in. If it doesn’t take action to stop people from living in industrial buildings, the trend will spread and may lead to more illegal conversions,” Kung says.

THE TONG LAU OPTION
He also points out that other

industrial tenants may be engaged in risky operations, such as storing inflammable goods. “The explosion of a garage in Wong Tai Sin [on April 25] reminds us of the potential danger of mixing industrial activity with residential use,” Kung warns, adding that many industrial buildings are usually far from public amenities and leisure facilities, and are often plagued by heavy truck traffic.



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CLOCKWISE FROM TOP LEFT
The view from inside The Genesis in Wong Chuk Hang. Its neighbours include the Butcher’s Club, a hybrid restaurant and food store (right), and the newly opened Hyper Space leisure centre.

BELOW LEFT
Andrew Kung

If lofts are too lofty in Hong Kong, a modernised *tong lau*, or decades-old tenement building, could offer a taste of loft living. Habitat Property founder Victoria Allan and her team recently transformed a 1960s *tong lau* in Kennedy Town into eight New York loft-style apartments. As the *tong lau* is already on a residential site, there was no need to apply for planning permission. Even

so, Allan and her team still took five years to acquire all units, plus another five years to ensure all alterations complied with the building code.

“If we had demolished the property and rebuilt it, of course, we would have been granted more GFA for the new building [because of a higher plot ratio]. But the development permission would only allow each unit to cover

about 30-35 per cent of the site area – which would have meant a tall, thin building with very small apartments of 400-500 square feet inside, which is something we didn’t want to do,” Allan explains.

In the end, her vision and strategy have proved successful. All the units, with net floor area of 960-1,320 sq ft each, were leased out shortly after they were put on the market earlier this year. ☺

APPLICATIONS UNDER THE REVITALISATION MEASURES

(Position as at the end of April 2015)

	Wholesale Conversion	Redevelopment	Total
Applications received	133	21	154
Approved	91	17	108
Executed	64	7	71
Pending execution	6	4	10
Withdrawn or terminated by applicants after approval or execution	21	6	27
Under processing	19	4	23
Withdrawn by applicants during processing	18	0	18
Rejected due to not meeting the eligibility criteria	5	0	5

SOURCE: HK LANDS DEPARTMENT