



THE HONG KONG INSTITUTE OF
SURVEYORS

香港測量師學會

3 October 2023

By Fax (2537 9083),
Email (policyaddress@cepu.gov.hk) & Post

Policy Address Team,
Chief Executive's Policy Unit,
26/F, West Wing,
Central Government Offices,
2 Tim Mei Avenue,
Tamar, Hong Kong

Dear Honourable Mr LEE,

Re: HKIS Views to 2023 Policy Address

On behalf of the Hong Kong Institute of Surveyors (HKIS), I have much pleasure in submitting our views and expectations as below for your consideration.

1 LAND SUPPLY

1.1 Active Expansion and Development of Land Supply

1.1.1 There are various proposals to increase land supply nowadays, and the Institute considers that comprehensive planning and supporting facilities are required whether it is reclamation, rezoning of agricultural land in the New Territories, or even the release of part of the Kwai Tsing Container Terminal land or the marginal area of a country park for development. In view of this, the Institute recommends that the Government reunify the planning of land in the New Territories and upgrade the public transport network system to meet the needs of new towns' future development.

1.2 Northern Metropolis and Kau Yi Chau Artificial Islands

1.2.1 The Institute supports Government's policy to ensure sustainable and adequate long-term land supply Development of Hong Kong, including development of the Northern Metropolis and the Kau Yi Chau Artificial Islands. While comprehensive market studies and land use planning should be undertaken at the earliest opportunity, higher flexibility for change in land use should be promoted to effectively accommodate future market change that may arise in these new development areas, especially for the San Tin Technopole. As regards the Kau Yi Chau Artificial Islands, the Government should explain more to the Public about the related road and railway infrastructure provided therein as part of the overall improved transportation network in Hong Kong, rather than simply focusing on the debate on land reclamation.

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- 1.2.2 The development plan of the Northern Metropolis not only opens up land for housing and technology development, but also enjoys the complementary advantages of Hong Kong and Shenzhen, helping Hong Kong better integrate into the overall development of the country. Given the huge welfare implications of the Northern Development Plan, the Institute recommends that the Government implement and announce the development timetable for each phase as soon as possible, and review the progress of the development regularly, providing opportunities for the public and property landlords to participate in the development and accelerate the efficiency with market forces.
- 1.2.3 In view of the diversified modes of land grants in San Tin Technopole, including direct land grants to Innovation and Technology (I&T) leading enterprises, the Institute believes that the Government should formulate a transparent and clear mechanism to attract leading enterprises and star start-ups to enter Hong Kong with preferential land grant policies and tax incentives, combined with specific measures according to their industrial needs, so as to drive the development of surrounding industries and generate synergies, which can be divided into different industrial parks in the future to create new economic growth points.

1.3 Improvement of Public Infrastructure

- 1.3.1 Basic infrastructure facilities such as drainage, water supply and roads are the lifeblood of newly developed areas, and if private developers are involved to build infrastructure, it is recommended that the Government should first review and formulate relevant plans so that developers can understand how to cooperate and calculate the costs involved, so as to more effectively improve the construction of the district in a public-private partnership mode, and to avoid the situation that infrastructure facilities are still lagging after the completion of residential and commercial buildings.
- 1.3.2 The lagging of public infrastructure development has long been a significant obstacle to potential land developments, especially in the New Territories. The Government should continue to adopt the “Infrastructure-led Development Approach” and improve smart transport infrastructures in developed areas as far as possible.
- 1.3.3 As an example, the unrealised mass transportation system originally planned for the “runway area” of Kai Tak is contravening the vision and land use pattern of the Kowloon East masterplan. Substantial investment decisions have already been made by property developers and home buyers in the Kai Tak area. The situation should therefore be rectified, and the mass transportation system shall be resumed as a priority to improve accessibility of the “runway area” and problems related to the operation of the cruise terminal can be properly addressed.



- 1.3.4 The Government should also re-unify the planning of territory-wide land use and study new public transport networks as soon as possible to address the problem of insufficient infrastructure development in the New Territories and East Lantau Island in the future.

1.4 Sustainability Development and Blue-Green Assets

- 1.4.1 The Government proposed in "Hong Kong 2030+" to upgrade Hong Kong's Blue-Green Assets. There are achievements, including optimizing waterfront areas and improving river channels (such as the Tsui Ping River and the Kai Tak River). However, there is still room for improvement, particularly in the case of Victoria Harbour which still lacks vitality.
- 1.4.2 Taking southern Lantau Island as an example, the lack of roads and public transport facilities limits its capacity. The absence of high-quality resort hotels also limits tourism experience. Traffic and supporting facilities should be enhanced to allow more citizens and tourists to enjoy such wonderful resources.

1.5 Private Development within Village Environs and "V" zone

- 1.5.1 Land exchange application for private development (non-small houses) within Village Environs ("VE") would not be entertained by the Lands Department generally. The Government should review such policy to relax land supply restrictions in village areas. Many of private lands within VE are not owned by indigenous villagers, they cannot be used for small house development practically. Those private lands have been kept idle, resulting in inefficient utilization of land resources.

1.6 Provision of Institution or Community Facilities in Private Development

- 1.6.1 The Government should streamline and expedite the process of obtaining policy support for provision of institution or community facilities (including Residential Care Home for Elderly, church, etc.) in private developments. It can promote the provision of institution or community facilities in private projects via planning and lease modification applications.

1.7 Land Approval Process - GIC and Public Passage facilities

- 1.7.1 When it comes to handling land approval arrangements, we believe that the Government can play the role of a "facilitator" to help land applicants solve land problems and handle the approval process in a flexible manner so that more land resources can be properly utilized.



1.7.2 The Government should streamline the approval process for Government, Institution or Community (“GIC”) and Public Passage facilities in private developments. Provision of GIC and Public Passage facilities is common in Government tender sites and private developments. However, the process of obtaining following approvals for such facilities from numerous Government departments is lengthy and delaying the housing supply in the case of residential development.

- layout and design approval;
- delineation of maintenance liability of various components of facilities among Government departments; and
- certificate of completion.

1.8 Review of Parameters for Land Premium Assessment

1.8.1 Lease modification and land exchange applications are important source of new land supply from private sectors. HKIS supports the adoption of “standard rates” premium for land applications in the New Territories. For traditional method of premium assessment, the Lands Department should review such assessment parameters in order to reflect the latest market situation, including the marketing cost and the developer’s profit. The Lands Department should also obtain adequate and timely expert advice on construction costs from relevant Government departments for premium assessment purpose.

1.9 Land Lease Extension

1.9.1 Considering that a large number of land leases will expire in 2025, we agree with the proposal announced by the Development Bureau earlier to streamline land lease extension that is, the Government will only include the land leases that are not renewed in a “negative list”, and most of the other land leases can be extended. In addition, the Institute suggests that the authorities can advance the “three-year gazettal period before an expiry date” for land lease to ten years before expiration so that owners with unrenewed land can be informed of the authorities' decision and given enough time to process and make arrangements.



2 HOUSING POLICY

2.1 Private Subsidized Sale Flat - Pilot Scheme

- 2.1.1 The Housing Bureau has recently announced the policy framework for the Private Subsidized Sale Flat - Pilot Scheme, which will put up government sites for tender for private developers to build subsidized sales flats (SSFs) or encourage developers to apply for the rezoning of private land on hand to assist in the construction of subsidized housing. The Institute believes that in order to increase the incentives for developers to build SSFs on private land, it is necessary to adhere to the "infrastructure first" development principle and plan transportation roads and supporting facilities as early as possible to ensure that infrastructure such as power supply, water supply, sewage, and drainage are in place promptly.

2.2 Idle Land Conversion to Satisfy Housing Demand

- 2.2.1 According to data from the Planning Department in 2021, there are a total of 250 school premises sites that are vacant or about to be vacant. Among them, some old school buildings in urban areas have been closed or relocated without proper planning for many years, and some abandoned school buildings near downtown areas or residential buildings have been empty for nearly half a century. To address this problem of under-utilization of "Government, Institute or Community" (GIC) land, the Government should use these idle lands to rezone for private residential development or even public housing, including traditional public housing, light public housing, and transitional public housing. Despite these initially being GIC lands, they should be prioritized to satisfy the housing demand before being distributed and put back to their intended usage until the availability of pertinent land improves. In addition, many vacant school buildings are currently located in urban areas, including Kwun Tong, Sha Tin, Yau Tsim Mong and other places. With established community facilities and infrastructure nearby, it is believed that the land is made more cost-effective.

2.3 Review on Public and Subsidized Housing Policies

- 2.3.1 Public housing resources are scarce. The Institute believes that the Green Form Subsidized Home Ownership Scheme should be halted and all public housing units should be used for rental purposes to prevent any more rental public housing units from flowing into the open market.



- 2.3.2 The supply of public housing now fails to meet the demand and requires a long waiting period. The Government should tighten the Well-off Tenant Policies, lower the threshold for paying additional rent, and increase the rent payable, such as adjusting it to 3 to 4 times the normal rent, meanwhile lowering the income and asset limits for vacating public housing. This will hopefully avoid the abusive use of public housing and allow resources for people who are in need.
- 2.3.3 According to the new alienation restriction proposed by the Housing Authority (HA), from 2022 onwards, all Home Ownership Scheme (HOS) owners will not be able to apply for the resale of their flats at a supplementary land price for the first 15 years since the first assignment. The Institute is pleased to see the arrangement as the HOS scheme was originally intended to provide an opportunity for low- and middle-income families to home ownership. Hence, the Institute believes that HOS flats sold in the future will only be allowed to be sold to a nominee by the HA at a price agreed upon by the owners themselves in the HOS secondary market, and cannot be sold on the open market through land premium.
- 2.3.4 The reason is that families who purchase HOS flats benefit from public funds (i.e. taxpayer money) to purchase a home, once they can afford private housing, they should sell their original HOS flats back to the HA or resell them directly to eligible families. The Institute proposes that the resale price could reference the purchase price of flats and the Consumer Price Index (CPI) as indicators and that after the repurchase of the flats, the HA could resell them to eligible applicants to ensure that the resources of the subsidized housing are well utilized, so that buyers will not be enjoying double of the benefits, nor will the total stock of subsidized housing be reduced because HOS flats can be sold freely.

2.4 Senior Housing Requirements

- 2.4.1 Regarding the aging population in Hong Kong, the HKSAR Government estimates that in 20 years, about 1 in every 3 Hong Kong people will be aged 65 or above. As the shortage of Residential Care Homes for the Elderly is getting severe, the policy needs to keep “aging in place as the core, institutional care as back-up” in mind. The market has been lacking senior housing built by the Government and HA, yet targeting mid-income elderly that are financially sufficient is not their priority. The Institute believes that developers can take the initiative to build more elderly-friendly flats, such as by increasing the additional plot ratio as an incentive or offering concessionary land prices to promote the private elderly housing market.



- 2.4.2 The Institute advises that in the future, new development areas including the Northern Metropolitan Area and the "Lantau Tomorrow" plan, part of the land can be used as senior housing and communities, with medical, nursing services, and recreational facilities. In the long run, growing an elderly-friendly service residential neighbourhood can help alleviate the burden of the Government in terms of aging population.
- 2.4.3 The Hong Kong Housing Society (HKHS) launched the Tanner Hill project in North Point in 2015, aiming to provide residential services that include community facilities like medical equipment, etc. As occupants purchased it in the form of a life lease, residents do not have the right to resell the flats upon their death. Moreover, the entry contribution is substantial due to the nature of the lease. Therefore, after the launch, people who are interested in the project are more enthusiastic about renting than buying. The Institute proposes that in future urban renewal plans, the HKHS can adjust its existing policy to allocate some of these housings to eligible elderly for renting so that it could benefit more elderly people, help release some traditional residential units, and expedite the turnover of normal housing and help alleviate the shortage of housing supply.
- 2.4.4 In recent years, some elderly people have been choosing to go to the Mainland for elderly care, and some institutions operating elderly apartments in the mainland facilitate in a medical-and-elderly care integrated approach for Hong Kong elderly people. The Institute suggests that the Government can support organizations such as the Housing Society to build elderly housing with medical healthcare support such as outpatient services and Chinese medicine, etc. in the Greater Bay Area, so that retired Hong Kong elderly people can live in a spacious and affordable elderly apartments and live their old age in peace.

2.5 Transitional Housing and Youth Hostels

- 2.5.1 At the moment, the operation rights of transitional housing are scattered among different non-profit making organizations with different application eligibility and no unified allocation mechanism, which fails to maximize the effectiveness of unit allocation. The Institute believes that the Government can consider entrusting professional organizations to assist in coordinating the allocation arrangements for transitional housing, and at the same time review and make timely recommendations on the selection of suitable transitional housing sites, that can be redeveloped into single-block rental public housing.



- 2.5.2 The 2022 Policy Address proposed to expand the Youth Hostel Scheme and to subsidize NGOs to rent suitable hotels and hostels to convert into youth hostels, targeting to provide around 3,000 additional quotas within five years. The Institute believes that a multi-pronged approach should be taken to increase the supply of hostels and make good use of existing resources, in addition to speeding up the progress of youth hostels built by NGOs themselves, and providing more incentives to encourage NGOs, the Government can also study the conversion of vacant school buildings or community isolation facilities that have ceased to function, so as to bring relief to the housing problem of young people.
- 2.5.3 In the long run, the Institute believes that the authorities should improve the youth home ownership ladder and link it with other phased housing policies in addition to the transitional housing supply, so as to increase the affordable home ownership options for young people. The Institute suggests referencing the case of Affordable Housing in foreign countries, where private developers are required to allocate a certain proportion of private housing at a discounted price to eligible young people for ownership, allocate a certain quota of subsidized housing to young people to assist first-time home buyers, and restrict landlords from renting or reselling in the private market. In addition, the Affordable Housing units built by developers can be included in the same development project as the units in the private market, to avoid negative labelling of first-time homes.

2.6 The Private Housing Market - Review on Stamp Duty Arrangements

- 2.6.1 The HKSAR Government set up 'spicy measures' (including ad valorem stamp duty 'AVD' and buyer's stamp duty 'BSD') to stabilize property prices and combat speculation while hoping to prevent external demand (including non-Hong Kong permanent residents) from stimulating a sharp increase in property prices. At present, the Government has launched the Quality Migrant Admission Scheme to attract talents to settle and develop in Hong Kong, but at a relatively high cost of stamp duty as 30%, which may become a factor that deter foreign talents. Coupled with the current downturn in the local property market and the extinction of speculation, these kinds of measurements are no longer appropriate. The Institute recommends that the Government abolish the "pay before refund" tax arrangement and waive the 30% tax (15% BSD and 15% new AVD) payable by foreigners for their first home purchase in Hong Kong, which will not only help reduce the cost of foreign talents to set up in Hong Kong, but most importantly, attract foreign capital to invest in the Hong Kong property market. This will kick-start the property market, drive the related industry chain of real estate and promote economic recovery.



2.6.2 For the local public, the Institute also proposes to enhance the 15% AVD arrangement and relax the AVD for new residential buildings. First, to alleviate the financial pressure of citizens who acquire a new residential property as a replacement, start the chain of property change, promote the upward mobility of "property changers", and indirectly expedite the turnover of private units; Second, for buyers who already hold properties in Hong Kong, waiving the high amount of tax when they buy a second property will also help stimulate investment and second-hand property demand. The Institute believes that the Government should not worry about causing a sharp rise in property prices in Hong Kong, which has been lowered by about 12% from the peak according to Government data. Considering that the tone of Hong Kong's economy and the pace of recovery in the past few months have not been as satisfactory as expected, and the transaction volume of second-hand properties has been very quiet in the past two months, the Institute recommends that the Government should fine-tune its policies to support the public before the situation gets worse.

2.6.3 At present, the index of home purchase affordability is calculated based on private residential property prices and the overall median household income of Hong Kong, yet nearly half of Hong Kong households live in public housing and subsidized sale housing, which should not be counted. Therefore, the Institute is of the view that the affordability ratio should only be calculated with the median household income of households living in private housing so that the reference is applicable.

2.7 Housing for Overseas Talent

2.7.1 In response to the issue of talent accommodation, one of the Hong Kong think tank surveyed overseas talents working in Hong Kong last year. Among the respondents who have the intention to leave Hong Kong, more than 60% of them pointed out that the main reason was the poor living environment. The Institute recommends that the Government consider expanding the scope of existing Talent Apartments and build more in areas like Tai Po and Fanling in the New Territories, or San Tin Technopole, in order to alleviate the accommodation expenses of overseas or Mainland professionals.



2.7.2 Even though the Hong Kong Government has launched the Technology Talent Admission Scheme (techTAS) to attract scientific research talents since 2019, according to the data, pillar industries including finance and commerce still introduced the most talents under several talent entry policies. The Institute recommends that the Government consider providing housing subsidies for professionals in emerging industries for the first two years, such as data science, artificial intelligence, green technology and other fields. In particular, Hong Kong should provide them with a stable living and residential environment to attract external talents while also creating better conditions for retaining existing talents. Hopefully, this can allow them to feel comfortable and confident to develop and settle down in Hong Kong, bringing new impetus to Hong Kong's I&T development.

3 BUILDING POLICY

3.1 Building Repair Authority

- 3.1.1 Regarding building safety, it is important to recognize that the Building Authority should primarily serve as the law enforcement authority rather than the works agent for inspection and repair of private buildings. To address the challenges faced in enforcing the Mandatory Building Inspection Scheme and the reluctance of building owners to participate, a new policy approach is necessary to expedite the resolution of building safety issues.
- 3.1.2 The Institute suggests establishing a separate authority called the "Building Repair Authority" to assume the role of works agent in cases where owners fail to complete building inspections and repairs. This designated authority would have broader and more flexible powers to take over these works and implement them efficiently. For instance, a joint inspection and repair contract could cover multiple adjacent buildings with similar characteristics and construction to enhance efficiency. Enacting new legislation would empower this authority to address the persistent and unresolved social problem of building safety.
- 3.1.3 By implementing these measures, Hong Kong can overcome the challenges associated with building inspections and repairs, ensuring public safety and avoiding further delays.



3.2 Sustain Building Maintenance and Repairs by Reserve Fund

- 3.2.1 The aging issue of buildings is getting severe in Hong Kong, yet it would involve huge costs whenever buildings require major maintenance work, and owners have difficulty affording a large one-off payment for this. The Institute suggests that the Government should require building corporations to set up a Sinking Fund as a maintenance fund and have a certain proportion of the monthly property management fee allocated into the fund for future maintenance and repair works, so that it will avoid affecting building safety due to residents' inability to afford relevant costs. The fund should be on separate and independent building account but collectively managed by the proposed Building Repair Authority

3.3 Fixed penalties for non-compliance of MBIS

- 3.3.1 The latest government figures reveal an unreasonably low compliance rate for the Mandatory Building Inspection Directions concerning the common parts of buildings, as issued by the Building Authority. While the Buildings Ordinance grants the Building Authority the power to initiate prosecutions against non-compliant owners, the administrative and legal procedures involved in enforcing these actions are burdensome, labor-intensive, and time-consuming. Furthermore, the fines or penalties imposed by the court upon successful prosecution are often lenient, failing to incentivize responsible action by building owners.
- 3.3.2 To address these issues, a more effective penalty system should be implemented. Fixed fines with sufficient deterrent levels would serve as a more impactful measure, allowing the government to enforce compliance swiftly without the need for lengthy prosecution procedures that can span several years. Implementing a simplified fixed penalty system would enhance enforcement efficiency and ensure that fines are promptly administered.

3.4 Heavier fines and penalties for keeping unauthorized building works and non-compliance of statutory orders for buildings

- 3.4.1 In addressing the persistent issue of unauthorized building works and non-compliance with statutory orders, it is crucial to implement more substantial fines and penalties. Despite the government's previous efforts to combat unauthorized works, the problem still persists, including extensive works that pose significant risks to public safety. Many building owners continue to delay compliance with the statutory orders issued by the Building Authority. The existing light penalties and fines, often amounting to just a few thousand dollars, imposed by the courts after lengthy prosecution procedures by the Building Authority, fail to effectively deter such behaviour.



3.4.2 To rectify this situation, it is necessary to impose heavier fines for non-observance of statutory orders, utilizing a fixed penalty method for efficient enforcement. Additionally, the government should consider treating the "keeping" of unauthorized building works as a criminal offense, subject to appropriate penalties. The current prosecution approach focused on "carrying out unauthorized building works" is ineffective due to the significant burden of proof faced by the Building Authority in identifying the perpetrators, resulting in difficulties in achieving successful prosecutions.

3.5 Gross floor area concessions for car parks in private residential buildings

3.5.1 Underground car parks present substantial management and maintenance challenges that are ultimately unsustainable. Recognizing this concern, the Institute has actively advocated for the allowance of above ground car parks with similar gross floor area (GFA) concessions as their underground counterparts. It is worth noting that the government has recently granted full GFA concessions for above ground car parks in subsidized housing projects conducted by the Hong Kong Housing Society and the Urban Renewal Authority.

3.5.2 The Institute believes that this policy should be consistently applied to other private housing projects as well. By extending these concessions to above ground car parks, future owners can avoid the potential maintenance and management issues associated with underground facilities. This approach promotes sustainability while ensuring the practicality and convenience of parking provisions in residential developments.

3.6 Promotion of pre-purchase inspection of second-hand residential properties

3.6.1 The acquisition of second-hand residential properties often brings forth unauthorized building works and inherent structural issues, placing an unexpected burden on buyers for rectification and repairs shortly after purchase. To address this concern, it is imperative for the government to promote and support homebuyers in appointing professionals to conduct pre-purchase inspections of the units. This proactive measure aims to ensure that no unauthorized alterations or additions have been made to the property prior to purchase.

3.6.2 By conducting pre-purchase checks, prospective owners can gain a comprehensive understanding of potential liabilities associated with the property. This practice serves as a crucial and effective approach to gradually eliminate non-compliance and under-repair situations within individual properties.



3.6.3 Encouraging and facilitating pre-purchase inspections will not only protect buyers from unforeseen rectification and repair costs but also contribute to the overall improvement of building compliance and maintenance standards.

3.7 Integration of buildings and lands information for public safety management on the CSDI Platform

3.7.1 Due to aging building structures and extreme weather conditions, there is growing concern among the public regarding building safety. To address these challenges and create a resilient city, the government should establish a city safety management system based on the recently introduced CSDI Platform. This platform should integrate information related to building conditions, land use and ownership data, slopes and retaining walls, infrastructure, and community facilities, all of which impact public safety and disaster management. By incorporating these data into the CSDI Platform, the government can improve its management efficiency. Additionally, making certain non-confidential information accessible to the public will facilitate the co-creation of a smart city in Hong Kong.

4 OTHERS

4.1 Develop Hong Kong as a Green and Sustainable Financial Hub

4.1.1 The development of green and sustainable finance is mentioned in the 2022 Policy Address, and the Institute believes that the first step can be to improve the disclosure structure of the Stock Exchange's ESG reports. In the current Stock Exchange Guidelines, the disclosure of Scope 3 greenhouse gas (GHG) emissions by listed companies is not regulated, and there is a lack of consensus on its definition and scope. This results in inconsistencies in the information disclosed by companies, making it difficult for investors to grasp and compare emissions. The Institute proposes to define the Scope 3 emissions based on the Greenhouse Gas Protocol and allow professionals to define the minimum scope of disclosure. Taking the real estate industry as an example, the Institute proposes to promote the unitization of upstream and downstream GHG emissions calculations by referencing the Construction Industry Institute's proposal to include tenants' greenhouse gas emissions, waste and sewage disposal, and carbon emissions from new buildings, so as to provide a clear direction to listed companies in the real estate industry.



- 4.1.2 ESG is a major trend in the current investment market, hence the ESG report of a listed company should be consistent with the rest of its annual report and need to be verified by a ESG “auditor” involved before publishing it officially. The Institute believes that it is necessary to expedite the implementation of requiring listed companies to have ESG “auditor” ’s verification for ESG reports. Among many others, the real estate industry accounted for an especially large proportion of Hong Kong's overall carbon emissions, therefore ESG reports should have real estate experts to verify relevant contents to ensure that the information disclosed is correct, thereby enhancing investors' understanding of ESG-related risk management and opportunities of products, helping to prevent greenwashing by the industry in the long run.
- 4.1.3 While Governments around the world have begun to implement the allocation of carbon credits and carbon tax, Hong Kong's carbon trading market has only been around for less than a year, and the development is not mature yet. If the Hong Kong Government is to gradually move towards its 2050 carbon neutrality target, the development of the carbon trading market should be accelerated, and the Institute recommends the Government allocate more resources to examine ways to increase the transparency of carbon trading. Meanwhile, the Government should study aligning with the Mainland's policies, seize the opportunity to promote the development of the Greater Bay Area, and unify the national carbon emissions trading market's opportunities as soon as possible. Hopefully, this will allow Hong Kong and the country to achieve carbon neutrality before 2050 and 2060 respectively.

4.2 Balancing Data Centre and Cold Storage Warehouse

- 4.2.1 According to the Legislative Council's Statistical Highlights in May 2023, there are currently about 60 data centres in Hong Kong, with a total gross floor area of about 8 million square feet by 2022, while the private market will free up an additional 4.16 million square feet of land for data centre development by the end of 2025, nearly half of which will come from revitalized industrial buildings. However, it has been reported that nearly 85% of the new supply area has been pre-leased or reserved for self-use by data centre operators, indicating that the market demand is stronger.
- 4.2.2 Recently, there have also been many cases of industrial building redevelopment or modification, for example, a Chinese-funded company has applied for the redevelopment of three industrial buildings into data centres in Kwai Chung District, covering a total floor area of about 759,000 square feet, reflecting the continuous growth of supply and demand for data centres.



- 4.2.3 Owners do not need to apply to the Government for a change of land use if the warehouses are converted for cold storage. If part of the industrial building is converted into a cold storage warehouse for lease purposes, the conditions are similar to those converted into a data centre, and the applicant should ensure that the building complies with the regulations, such as load-bearing capacity, ceiling height, fire safety, etc. after the renovation, and then follow a large number of work preparations. Whereas, after the development of the data center, a substantial rental income of HK\$30 per square foot or more can be obtained through cloud computing and storage services. On the contrary, the users of cold storage warehouses have limitations, mostly limited to the cold chain logistics industry, and most of the cold storage space is used by the industry itself, hence the rental return is naturally relatively low with only about HK\$20 per square foot. Considering the huge potential for growth of the cold storage logistics market, the Institute suggests that the Government may consider relaxing the requirements for renovating cold storage warehouses for leasing purposes, and implement policies to support the development of relevant industries, so as to further enhance the advantages of Hong Kong's cold chain and create new impetus for Hong Kong's logistics development.
- 4.2.4 The future development of data centres and cold storage warehouse is subject to power supply, as most of the data centres or cold storage are located in converted industrial buildings. However, industrial buildings were not designed to be used as data centres or cold storage warehouse initially, which both consumes a significant amount of power. Hence, power companies would have to build substations to upgrade the power system. Even if operators have successfully selected a site, it will require several years to obtain power supply. The Institute believes that the Government should actively seek ways to shorten the approval process with power companies, or even relax relevant restrictions, so as to ensure that power facilities can cope with the future development of data centres and cold storage warehouses in Hong Kong.

4.3 Building Hong Kong into a Smart City

- 4.3.1 To truly make Hong Kong a smart city, the Government can first focus on smart mobility, such as driving the popularization of electric vehicles (EV), and encouraging citizens to replace their petrol and diesel vehicles with tax incentives. In addition, apart from the Government's active initiation in installing EV charging stations in Government buildings and public areas, the Institute also recommends the Government encourage private sectors, including developers, commercial building owners and car park operators, to set up more EV charging stations to expand the EV charging network.



4.4 Regular Meetings with Professional Institutes on Streamlining Measures

4.4.1 HKIS appreciates the effort that Government put in rolling out various streamlining measures for development process. We suggest Government departments to hold regular meetings with the respective professional institutes to gather the timely feedback on the existing measures and explore the possibility of putting forward new measures.

4.5 Manpower of Professional Staffs within Government

4.5.1 Apart from promoting streamlining for development process, the Government should also re-examine the workflow being handled by the professional staffs, streamline the manpower requirements of internal professional staffs and where possible outsource professional works to private sectors.

We sincerely hope that our ideas and proposals will be further explored by the Government. Please contact the HKIS Secretariat at 2526 3679 if you require further information or would like to set up a meeting to discuss the above proposals.

Thank you for your attention.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Wong Kwok Leung'.

Sr Wong Kwok Leung Paul
President
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