

Press release

**LCQ5: Government properties**

Wednesday, July 7, 2010

Following is a question by the Hon Paul Chan and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (July 7):

Question:

In recent years, the community is concerned about the short supply of housing in Hong Kong and has urged the Government to make available more land on the market or strive to increase the supply of housing on the market. Yet, the Government Property Agency (GPA) invited tenders for purchase in one parcel of the two blocks with a total of 168 flats and car parking spaces of former government quarters at Ventris Road, Hong Kong last year, instead of selling them directly to members of the public, and the tender was eventually awarded to a real estate developer. In this connection, will the Government inform this Council:

(a) of the number of former government quarters sold by tender for purchase in one parcel by GPA in the past five years, and whether the Government had compared and reviewed the differences between the proceeds from the resale of such properties by the successful bidders and those yielded by the sale of such properties by the Government; if it had, list, by the date of sale, the respective locations, names, quantities, numbers of flats and car parking spaces involved and the prices of such properties, as well as the review outcome; and of the number of former government quarters which GPA plans to sell by tender for purchase in one parcel in the next five years, and list, by the intended date of sale, the respective locations, names, quantities, numbers of flats and car parking spaces involved and the estimated tender prices of such properties;

(b) given that quite a number of members of the public hope that the Government can increase the housing supply, whether the Government will review the current policy on the leasing and sale of government properties and, placing the interests of members of the public above all else, consider giving priority to leasing or selling all vacant government quarters to members of the public, instead of selling them by tender for purchase in one parcel to individual real estate developers, so as to avoid depriving the public the opportunities of renting or purchasing such properties; if not, of the reasons for that; and

(c) given that the Director of Audit pointed out in his report published in March 2008 that some government properties under the management of GPA had remained unused for a long period of time, and it has also been reported in recent months that the situation has not improved since then, whether the Government has held the officials of the relevant bureaux or government departments accountable for that or recorded relevant remarks in their performance appraisals; if it has, of the details; if not, the reasons for that, and whether it will take such actions against them?

Reply:

Acting President,

Government Property Agency (GPA) has in place a clear and effective strategy to deal with surplus government quarters properly. The ultimate objective of Government is to dispose of surplus government quarters in the open market. As an interim measure, some quarters pending sale would be let to private tenants at market rental to generate revenue for Government's coffers.

Generally, there are two ways to dispose of surplus government quarters. For quarters located on intact development sites which are suitable for residential use, GPA will return the sites together with the quarters to Lands Department for land sale. One example is the sale by auction of the former government quarters site at Mt. Nicholson Road at the end of this month. The remaining surplus quarters are mainly individual units or whole blocks of quarters in private housing estates, and will be disposed of by GPA by tender or public auction. The number of such surplus quarters has been small, and their disposal cannot effectively help increase the supply of residential flats. For instance, the 144 surplus government quarters sold by GPA over the past five years are insignificant when compared with over 1,400,000 private residential units in Hong Kong.

In putting up surplus government quarters for sale, GPA will adopt the most appropriate and cost-effective disposal method in light of the actual situation. If Government only owns individual residential units in a housing estate, GPA will sell the units concerned individually. Over the past five years, GPA sold a total of 20 such units.

If the surplus quarters involve a whole block of building in a housing estate, GPA will usually sell them in one parcel. This has the advantage of disposing of all the units concerned in one go, thus saving the high costs involved in managing and maintaining such old quarters. The additional administrative and marketing costs required for future resale of individual unsold units can also be avoided. In addition, selling in one parcel enables buyers to opt to make investment in refurbishing the building before reselling or leasing out the flats. Buyers may also seek to consolidate the ownership with a view to redeveloping the site. Under such circumstances, the selling price would, to a certain extent, reflect the redevelopment potential of the land, thus bringing more revenue for Government's coffers. Over the past five years, GPA sold out a total of 124 surplus quarters together with parking spaces by tender for purchase in one parcel, comprising the two blocks of quarters at Ventris Road as mentioned in the question and the single-block quarters at Wylie Court. For details, please see the Annex.

According to our understanding, some of above-mentioned 124 surplus quarters are still held by the buyers and have not yet been resold. Hence, we do not have complete information at this stage for comparing the selling prices of Government and the resale prices set by the buyers. As a matter of fact, we do not think it is appropriate to make such comparison. From Government's perspective, what is important is that we have sold the quarters concerned by open tender to the highest bidders. Such tender process has ensured that Government would obtain the highest price the market could offer at that time. The buyers will then decide whether to make further investment in refurbishing the properties for resale by taking into account factors such as the future price trend of the property market, purchasing power and needs of end-users, cost of capital, etc. The resale price will depend on the prevailing market conditions, and the buyers have to bear the risk of fluctuation in property prices. As for whether GPA will sell other surplus quarters in one parcel in the next five years, we have no specific plan at this moment.

The vacant government premises in the three buildings as mentioned in Report No. 50 of the Director of Audit (the Audit Report) published in March 2008 and reported by the media in recent months were originally reserved for use by the MTR Corporation Limited as mass transit railway entrance/exit areas (reserved areas). As we explained to the Public Accounts Committee (PAC) before, to change the use of the three reserved areas would involve, among others, various legal and technical issues. PAC has made recommendations on this matter and released its Report No. 50. According to the established mechanism, we reported the progress in the Government Minute (GM) submitted to the Legislative Council (LegCo) in October 2008, the annual progress report to PAC in November 2009 and the GM to LegCo in May 2010. In sum, we generally agree with the recommendations of the Audit Report and PAC. GPA, Buildings Department and other departments concerned have been actively following up the recommendations since then, with a view to identifying solutions to the legal and technical issues involved. GPA is taking forward the work relating to the change of the use of the reserved areas progressively. We will closely monitor the progress, and will report to Members the latest progress in detail in the annual progress report to be submitted to PAC this year.

Ends