

Press Release
LCQ2: Leasing out government properties by
Government Property Agency
Wednesday, April 26, 2017

Following is a question by the Hon Leung Kwok-hung and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (April 26):

Question:

At present, the Government Property Agency (GPA) usually leases out the shops, canteens and offices (commercial premises) in the government properties under its management on three-year tenancy contracts awarded by open tenders or invitation of quotations. Some tenants of such premises have relayed to me that the lack of security of tenancy renders it difficult for them to make long-term business plans, and the relationships they have established with their customers will end upon expiry of the tenancy contracts. In this connection, will the Government inform this Council:

(1) as I have learnt that the Housing Department (HD) will discuss the renewal of tenancy contracts with the sitting tenants of its commercial premises six months before the expiry of tenancy, and will leased out the commercial premises concerned through open tenders only when the two parties have failed to reach a new tenancy agreement, whether GPA will consider adopting this practice; if so, when this will be implemented; if not, of the reasons for that;

(2) given that HD grants its new tenants of commercial premises rent-free periods determined according to the sizes of the premises concerned, whether GPA will adopt this practice; if so, when this will be implemented; if not, of the reasons for that;

(3) of the respective numbers of commercial premises that GPA leased out through (i) open tenders and (ii) invitation of quotations and, among such premises, of the number of those which were leased out to new tenants with rental income less than before;

(4) of the respective numbers of commercial premises that GPA failed, in each

of the past five years, to lease out through the two aforesaid methods;

(5) whether GPA has assessed the loss of rental income arising from the failure to lease out its commercial premises through the two aforesaid methods in the past five years; if so, of the outcome; if not, the reasons for that;

(6) of the administrative costs involved in the open tenders and invitation of quotations conducted by GPA for its commercial premises in each of the past five years; and

(7) whether GPA has assessed the quantity of construction waste generated by the renovation and removal works carried out by new and old tenants of its commercial premises; if so, of the quantity concerned in each of the past five years?

Reply:

President,

My reply to each part of the question raised by Hon Leung Kwok-hung is as follows:

(1) and (2) When leasing out government premises for commercial uses by way of commercialisation, the Government Property Agency (GPA) generally adopts the open tender approach in accordance with the relevant government procedures and regulations, and invites bids from interested parties for the properties concerned about three to four months before the expiry of the existing tenancy. The existing tenant and other interested parties may participate in the bidding. Under the fair play principle, GPA does not discuss with the existing tenant on tenancy renewal matters before expiry of the tenancy concerned.

In setting the tenure of the tenancy, GPA endeavours to strike a balance among considerations such as impact on the tenant's business operations, maintaining a fair bidding process in leasing out the properties, and the variety of choices provided to service users, etc. To uphold the principle of fair competition, GPA generally adopts the open tender approach to determine whether to let the properties concerned to the existing tenant or to a new tenant,

unless there are full justifications to suggest otherwise.

As regards rent-free period, there is no such provision in the lease terms concerned of the open tender. The prospective tenants may reflect the considerations of rent-free period in their bidding prices, having regard to the lease terms of the open tender.

(3) The respective number of lettings of shops, canteens and offices through open tender and quotation in the past five years, and in which the number of lettings to new tenants with lower rents received than before are set out in Table 1 of the Annex.

Rents paid by tenants are affected by various factors such as lease terms, property uses, characteristics and conditions of properties, property market conditions, etc. Hence, rental income from properties may fluctuate.

(4) and (5) The respective number of shops, canteens and offices that GPA could not successfully lease out by open tender and quotation in the past five years are set out in Table 2 of the Annex.

In general, the market rents of properties are reflected in the bids obtained through open tenders or quotations. Since nobody was interested in renting the properties concerned at that moment, no rental losses were incurred to the Government in these unsuccessful cases.

The properties of the seven aforementioned unsuccessful cases were then handed back to their managing departments to arrange for suitable gainful uses in accordance with the relevant regulations.

(6) GPA has been handling the tendering and quotation tasks with its existing manpower, and has met the related expenses from its existing resources. The department does not have the statistics on the breakdown of expenditure for these tasks.

(7) The tenant shall be responsible for any renovation or dismantling works required for the leased government property. GPA has no information on the quantity of construction wastes generated by the renovation or dismantling works undertaken by new or existing tenants.

Ends