

## **Press release**

### **LCQ1: Relocation of government offices**

Wednesday, March 2, 2011

Following is a question by the Hon Starry Lee and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 2):

Question:

The prices and rental for premises in commercial buildings, in particular Grade A offices, have continued to rise recently. According to the "Hong Kong Property Review" published by the Rating and Valuation Department, the prices and rental for Grade A offices in core districts in December 2010 had, as compared with the relevant figures 18 months ago, increased by 43% and by 16% to 20% respectively. This causes the operating costs of enterprises to increase drastically and will ultimately aggravate the burden on consumers. In view of the limited supply of commercial buildings in core districts, there are comments that some government departments and public organisations which have offices situated in these prime land lots are competing with the private sector for profits and failing to make good use of public resources. In his reply to my question at the Question and Answer Session of this Council on May 14, 2009, the Chief Executive pointed out that staff members in the Government Property Agency had been reviewing these issues. In this connection, will the Government inform this Council:

(a) the names of the government departments and public organisations with offices situated in core districts such as Central, Admiralty, Wan Chai, Causeway Bay, Tsim Sha Tsui and Mong Kok, etc. at present (set out in table in the appendix), and list by department and organisation in table form the location, uses, total floor areas, estimated prices (for government properties) or monthly rental (for non-government properties) of these offices, whether there is any relocation plan, and if so, the details of the plans, the dates of relocation and the addresses of the new offices;

- (b) of the number of government departments and public organisations which have relocated their offices away from core districts since May 2009, together with the details (including the dates of relocation and new addresses); whether the Government will conduct a comprehensive review of the feasibility of relocating the offices in (a) away from the core districts so as to vacate the sites for other development purposes; if it will, of the details and progress; if not, the reasons for that; and
- (c) what measures the authorities have to assist the trades in resolving difficulties in coping with increasing operating costs resulting from rising prices and rental of commercial buildings?

Reply:

President,

Our basic policy is to relocate those government offices with no location requirements out of high-value areas, including central business districts (CBD) (i.e. Sheung Wan, Central, Admiralty, Wan Chai, Causeway Bay, Tsim Sha Tsui and West Kowloon Reclamation), for more effective use of land resources so as to meet the development needs of our economy. The Government will review from time to time whether there are operational needs for departments to stay in CBD. If there is no need for departments to remain in CBD, we will release the land resources taken up by departments in CBD in two main ways.

For government-owned office buildings, we will identify sites in non-CBD or new development areas for construction of new offices to reprovision the departments concerned, with a view to freeing sites for other commercial development. The relocation of the Customs and Excise Department from Sheung Wan to North Point last year is one such example. We will also continue the preparatory work to relocate departments in the three government office buildings at the Wan Chai waterfront as and when appropriate.

For leased office premises, we will as far as possible relocate departments with no location requirements to government-owned or leased premises in other districts and arrange for early termination of the tenancies so that the properties concerned can be released in the private market. For example, the Government has over the years strived to reduce leased office space in districts commanding high rental such as Central and Admiralty. The area of office premises leased by the Government in Central and Admiralty has reduced from 11,450 square metres five years ago to the present level of 7,900 square metres, and is expected to be further reduced to 230 square metres in 2014.

On part (a) of the question, the floor area of government offices in CBD and Mong Kok is about 631,000 square metres. With the completion of projects including the construction of the Civil Aviation Department Headquarters and the Kai Tak Government Offices in the coming few years, we expect that this figure will fall further. A review conducted in May last year by relevant bureaux and departments reaffirmed that, in the long term, the Government would only retain an optimum amount of office space in CBD to cater for the operational needs of departments and meet unforeseeable demand. Information regarding the location, uses, floor areas, rent and relocation plans of government offices currently located in CBD and Mong Kok is set out in Annex I.

On part (b) of the question, since May 2009 we have arranged for five departments to move all or some of their offices out of CBD. For details, please refer to Annex II.

On part (c) of the question, we are concerned about the impact of rising price and rental of commercial buildings on the operating costs of the business sector. In his lately released Budget Speech the Financial Secretary also talked about the issue of supply of commercial buildings. He pointed out that we must maintain a steady and adequate supply of Grade A offices to enhance our competitiveness.

We will adopt a three-pronged approach in tackling this issue. First, we will ensure a steady land supply. The land available for sale next year includes sites that will provide a floor area of 600,000 square metres for commercial/business use. Second, we will continue to invest in transport infrastructure with a view to facilitating office decentralisation. The construction of various new railway lines will facilitate the development of districts such as Wong Chuk Hang, West Kowloon, and the Kai Tak Development into office nodes. Third, we will promote conversion or redevelopment of industrial buildings through the revitalisation of industrial buildings scheme to provide additional office space to meet the needs of our economy. In support of the revitalisation scheme, the Government is considering purchasing an industrial building for conversion into an office building for the relocation of the New Territories West Region Office of the Water Supplies Department (WSD). Apart from injecting new impetus into an old industrial area, this initiative can allow for more cost-effective use of the original site of the WSD office in the central commercial area in Mong Kok.

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