

<b>Doc Type</b>	CPC
<b>Paper No</b>	15/97
<b>Title</b>	Progress Report on the Work of the Letting Panel January - December 1996
<b>CONTENTS</b>	<p>CPC 15/97</p> <p>THE HONG KONG HOUSING AUTHORITY</p> <p>Memorandum for the Commercial Properties Committee</p> <p>Progress Report on the Work of the Letting Panel January - December 1996</p> <p>PURPOSE</p> <p>To inform Members of lettings by negotiation overseen by the Letting Panel during 1996.</p> <p>BACKGROUND</p> <p>2. The Letting Panel was formed in 1986 to oversee the letting of commercial premises by negotiation; its role was subsequently extended to cover management contracts. The Terms of Reference of the Panel, and Guidelines for Lettings by Negotiation are reproduced at Annexes A and B.</p> <p>3. Arrangements for such lettings have been progressively simplified to promote efficiency and speed of occupancy. In 1992, authority was delegated to the Department to approve minor lettings with a total term rent below \$2M. Under changes introduced in 1996, straightforward lettings/contracts endorsed by the Letting Panel can be approved departmentally; formal approval of the Commercial Properties Committee is therefore required only for particularly significant or complex cases.</p> <p>LETTINGS BY NEGOTIATION DURING 1996</p> <p>4. During 1996 the Panel endorsed 32 lettings with a total Internal Floor Area (IFA) of 24,934m<sup>2</sup>, generating a total minimum monthly rental of \$5.9M. In addition, 68 minor lettings (2,804m<sup>2</sup> IFA) were approved under delegated authority, generating a total minimum monthly rental of \$1.3M. A breakdown of these lettings by trade is given at Annex C.</p> <p>5. The most significant letting during the year was that of the department store at Tsz Wan Shan Shopping Centre. Three single-operator-markets at Hing Tung, Kwong Tin and Chung On Estates were also let during the year, bringing the total number of markets under privatized management to ten.</p> <p>6. Negotiation continues to be particularly useful in securing 'anchor' tenants in new centres, and in attracting popular retail chains which sustain the attractiveness of existing centres. During the year, 50 new major retailers have been identified and four have already successfully bid for shops. Negotiation also facilitates flexibility in leasing and permits consideration of offers of rising rent, turnover rent or other non-standard terms, and has helped to maintain low vacancy at a time of poor market sentiment. However about 80% of all lettings continue to be by open tender which provides a fair and transparent means to</p>

enable traders to begin or expand business in housing estates.

#### MANAGEMENT CONTRACTS AWARDED

7. Management contracts awarded during 1996 are summarised at Annex D.

8. A total of seven carpark management contracts comprising 22,197 parking spaces in 65 estates were awarded to three operators. This included both renewals of contracts for Phases I and II and a new management group designated Phase VII.

9. Following the satisfactory performance of the trial agency management scheme in Yiu On and Fu Heng Shopping Centres, endorsement was given for extension to a further eight shopping centres under four contracts. Three agents were awarded contracts for commencement later this year. In view of the encouraging results in the first phase of agency management of factory estates, contracts were also let for the appointment of PMAs for six other factories, completing the transfer of factories to private management.

10. This paper is issued for Members' information, but if Members so wish may be discussed at the meeting to be held on the 6 March 1997.

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