

**DEVELOPMENT BUREAU
GENERAL CIRCULAR NO. 2/2026**

**Flexible Land Grant Arrangement to
Support Industry Development –
Longer-term Tenancy**

(Note: This Circular should be read by the Directors of Bureau, Permanent Secretaries, Heads of Department and officers dealing with relevant matters.)

Purpose

This circular sets out a more flexible land grant arrangement to support policy-driven industry development through longer-term tenancy, which is applicable across the territory.

Prevailing Land Grant Arrangements

2. Under the prevailing land administration policy, the two common arrangements for granting government land for economic or industry uses are land grant (i.e. via a land lease) or short-term tenancy (STT). For land grant, land lease normally lasts for 50 years, with an upfront payment of land premium¹. This model provides greater tenure certainty to leaseholders but involves a more substantial upfront payment. Past examples include sites for general commercial or industrial uses, logistics facilities, data centres, etc.

3. On the other hand, STTs may be granted, with a maximum fixed term of 7 years. Some of the more common economic activities supported by STTs include open-air carparks, workshops, open or indoor storage, shipyards, etc. STTs are generally granted for sites that are not immediately required for permanent development. Upon expiry of the fixed term, if the site remains not immediately required for permanent development, in the interest of maintaining healthy competition, the Lands Department (LandsD) will normally re-tender the site so as to give other interested operators in the

¹ Where there are good policy reason(s), leases shorter than the typical 50-year tenure may be considered subject to the endorsement of the Executive Council, e.g. 12 years for electric vehicle charging station purposes.

market a fair opportunity of bidding the site. In lieu of upfront premium payment, STT tenants only need to make periodic rent payment, creating less cash flow burden at the inception stage.

More Flexible Arrangement through Longer-term Tenancy

4. As announced in the 2025 Policy Address, the Government would employ flexible land grant arrangements, including granting longer-term tenancies, to better incentivise industry development. From the tenant's perspective, longer-term tenancies have the benefits of greater tenure certainty while without the cash flow burden of substantial upfront premium payment. This circular sets out the new arrangement for granting longer-term tenancy, which would serve as an additional option for the relevant policy bureaux/departments (B/Ds) in considering the best land grant model to suit the needs of industries.

Longer-term Tenancy Framework

5. B/Ds may wish to take into account the following policy framework for longer-term tenancies in deciding whether the new arrangement should be adopted –

- (a) **Applicability** – longer-term tenancies are applicable to government sites across the territory which, if subject to longer tenure, would be more conducive to promoting industry development in B/Ds' views. The site concerned must be one that, at the time of application, is considered as one which can be made available for the use in question for longer fixed terms. Such tenancy may be granted through tender or direct grant, and can apply to new tenancies or existing tenancies when they are due for re-tender or renewal based on current terms;
- (b) **Policy-driven nature** – the primary objective for introducing longer-term tenancy is to promote industry development, whether for supporting the continued development of existing industries or incentivising the emergence of new and innovative industries. Given the policy-driven nature, responsible B/Ds should consider the merits of, and be prepared to articulate the case for, adopting longer-term tenancy (instead of normal STTs as mentioned in paragraph 3), having regard to the needs of industries amongst other things. Possible considerations may include whether the industry would involve substantial upfront capital investment that calls for the need

for longer-term tenancy to recoup investment;

- (c) Key features of the longer-term tenancy arrangement include –
- (i) **flexible tenure design** – the longer-term tenancy may last for a maximum of 21 years, with at most two renewals after expiry of the first fixed term. The total length of each tenancy and duration of respective terms can be tailor-made pursuant to B/Ds’ assessment and policy support having regard to the needs of industries, site availability, etc. For example, “7+7+7” (the longest possible tenancy under new arrangement) and other formulations such as “7+3” or “5+5+5” are all acceptable. The combination of tenancy terms as recommended by B/Ds will form the basis for tender or direct grant, with duration for respective terms specified upfront when the tenancy is first granted;
 - (ii) **tenure security** – shortly before expiry of the first or second term, the tenant will be given an “option to renew” to decide whether to continue to rent the site at a rent to be agreed with LandsD payable for the renewed term prior to each renewal (please see item (iii) below). When the tenant exercises the “option to renew” and agrees to the new rental for the renewed term as offered, Government will be bound to enter into a new fixed term with the tenant. The tenant is however not obliged to exercise the “option to renew” if the new rental is considered not acceptable. In such case, the tenancy will come to an end when the fixed term expires, and the tenant is not required to pay any compensation to the Government²; and
 - (iii) **rental certainty** – there will be no rent adjustment during the course of the first or subsequent term(s). Rent review will only take place prior to each tenancy renewal, to be assessed by LandsD having regard to prevailing market situation.

² A standard STT clause allowing the Government to terminate the tenancy during the course of a fixed term on grounds of public purpose (such as development of new towns, public housing and other public facilities) with compensation payment to the tenant will be incorporated into the longer-term tenancy. We however anticipate the clause will be invoked rarely, only when the need to get back the site for public development has not been anticipated before tenancy is entered into.

Arrangements for Tenancies Prevailing before this Circular and Site Search for New Tenancies

6. The Development Bureau (DEVB) has invited relevant B/Ds to consider whether existing sites being let out for economic or industry uses with their policy support are suitable for conversion to longer-term tenancies when they are next due for re-tender or renewal.

7. In accordance with the procedures as set out in DEVB General Circular No. 1/2016 on “Site Search and Site Reservation”, the Planning Department (PlanD) will assist B/Ds to conduct site search to identify new site suitable for granting a longer-term tenancy. LandsD will render advice and assistance from land administration perspective including drafting of tenancy terms and conditions, and dealing with tender or direct grant matters according to prevailing practice.

Enquiries

8. Enquiries on this Circular should be addressed to Assistant Secretary (Lands)3 of DEVB at 3509 8870, or Senior Town Planner/New Territories District Planning Division Headquarters of PlanD at 2158 6006, or Senior Estate Surveyor/M, Estate Management Section of LandsD at 2231 3732.



(Carmen Kong)

for Secretary for Development