

Seminar on Office Development in Hong Kong

Planning for Office Land in Hong Kong

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Outline of Presentation

- ❑ Introduction
- ❑ Office Development Strategy under HK2030 Study
- ❑ Case Study : Kowloon East Office Node
- ❑ Potential of office nodes in the New Territories?
- ❑ Concluding remarks



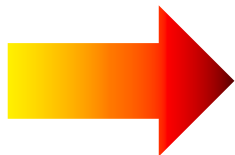
HK as a Global City

- World city network: the Globalization and World Cities Research Network (in 2000, 2004 and 2008) :

HK ranked 3rd, trailing after New York and London

- “Global Financial Centres Index” in 2010 :

HK joined London & New York as a genuinely global financial centre



HK as a strategic base for MNCs



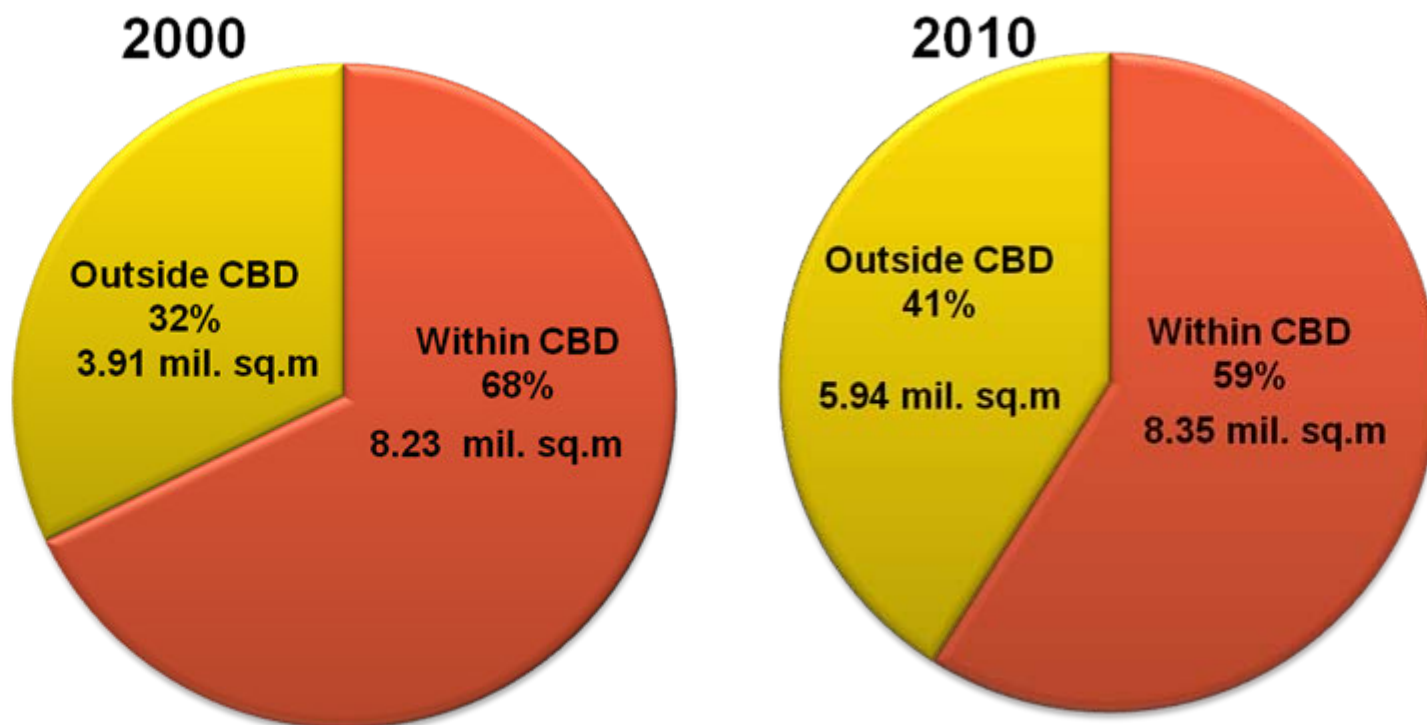
Regional HQs & Offices in HK

- Strong presence of RHQ & RO : up from 2,514 in 1997 to 3,638 in 2010 (+45%)
- 74% of the head/sole offices of RHQ & RO are in office buildings:
 - estimated GFA of 1.6 million m² (11% of total office stock), comprising 1.4 million m² in Grade A offices (15% of total)
 - 57% in Central & Western, Wan Chai & Yau Tsim Mong; 22% in Kwun Tong & Eastern



Dominance but declining share of CBD Stock

- CBD stock up from 8.23M sq m GFA to 8.35M in the past decade (+ 1.5%)
- But share down from 68% to 59%



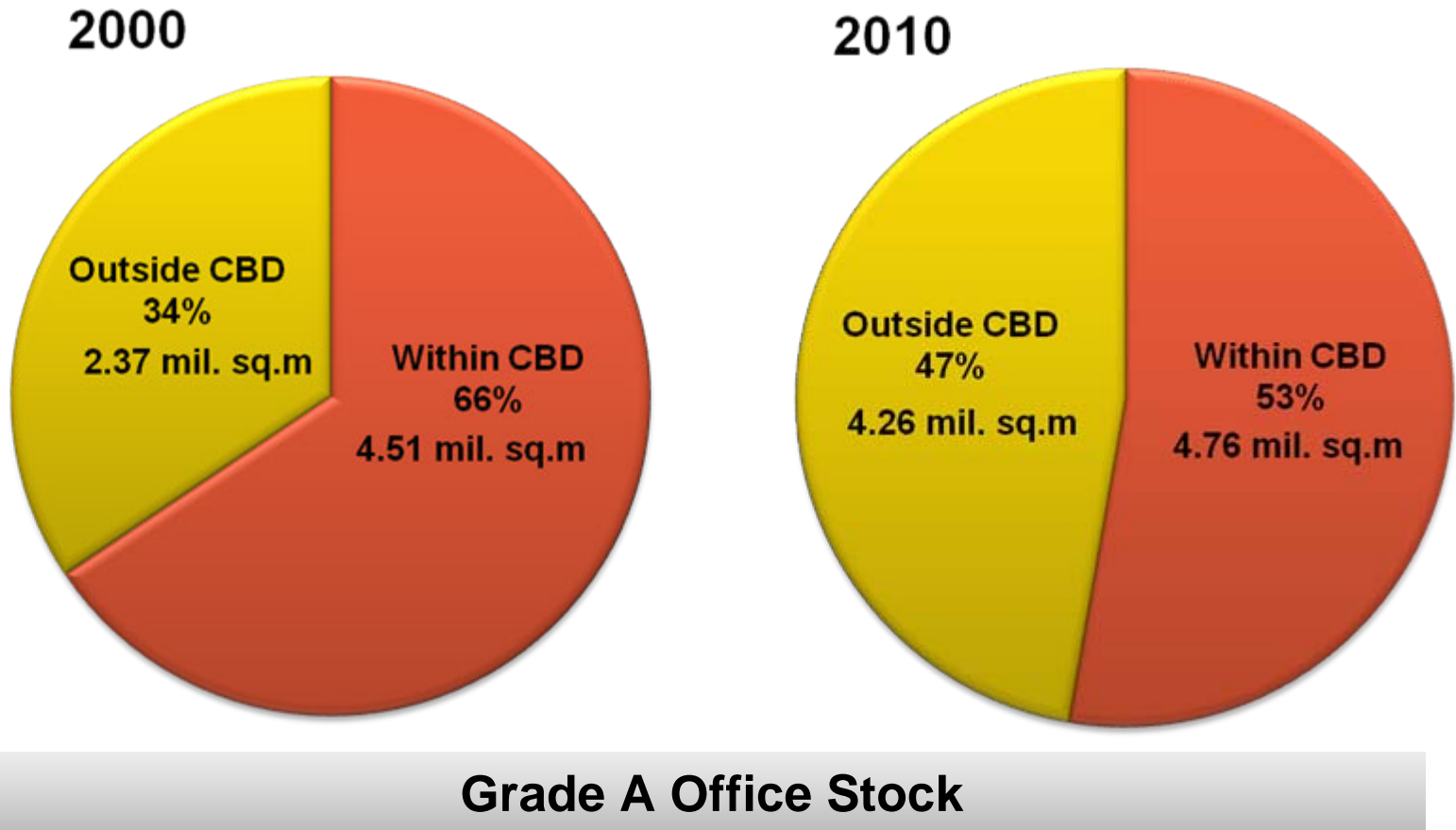
All Office Stock

Notes: CBD here includes Sheung Wan, Central, Wanchai/Causeway Bay and TST .
There may be slight discrepancy in figures due to rounding.
Provisional figures for 2010.



Dominance but declining share of CBD Stock

- CBD Grade A stock up from 4.5M sq m GFA to 4.76M in the past decade (+ 5.7%)
- But share down from 66% to 53%



Notes: CBD here includes Sheung Wan, Central, Wanchai/Causeway Bay and TST.
There may be slight discrepancy in figures due to rounding.
Provisional figures for 2010.



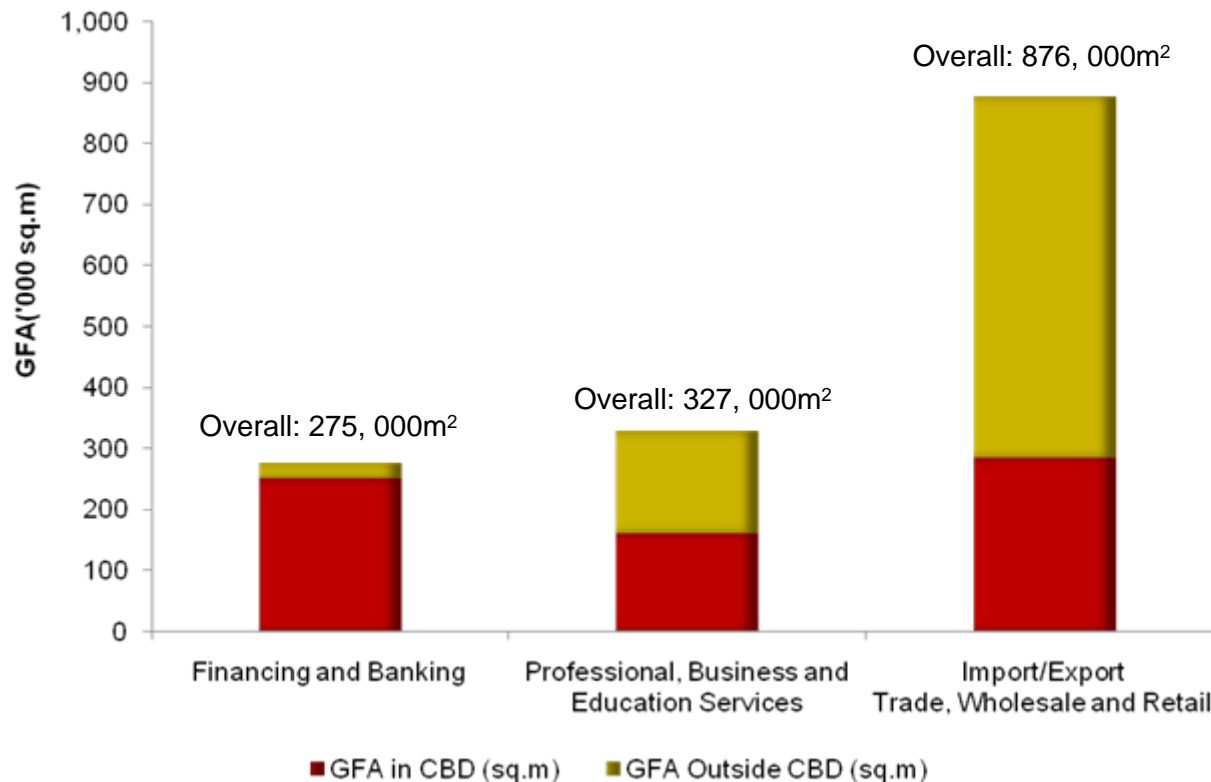
A low-angle, upward-looking perspective of several modern skyscrapers with glass facades. The buildings are arranged in a way that creates a sense of height and scale. A bright, glowing light source, likely the sun, is visible in the distance between the buildings, creating a lens flare effect and illuminating the scene. The sky is a pale, hazy blue.

Office Development Strategy

Recommended Office Development Strategy under HK2030 Study

Importance of ensuring adequate and steady supply of CBD Grade A Offices

the high value-added financial and business services sector is more tied to the CBD



GFA taken up by head/sole offices of RHQ & RO in HK by Major Line of Business (2010)

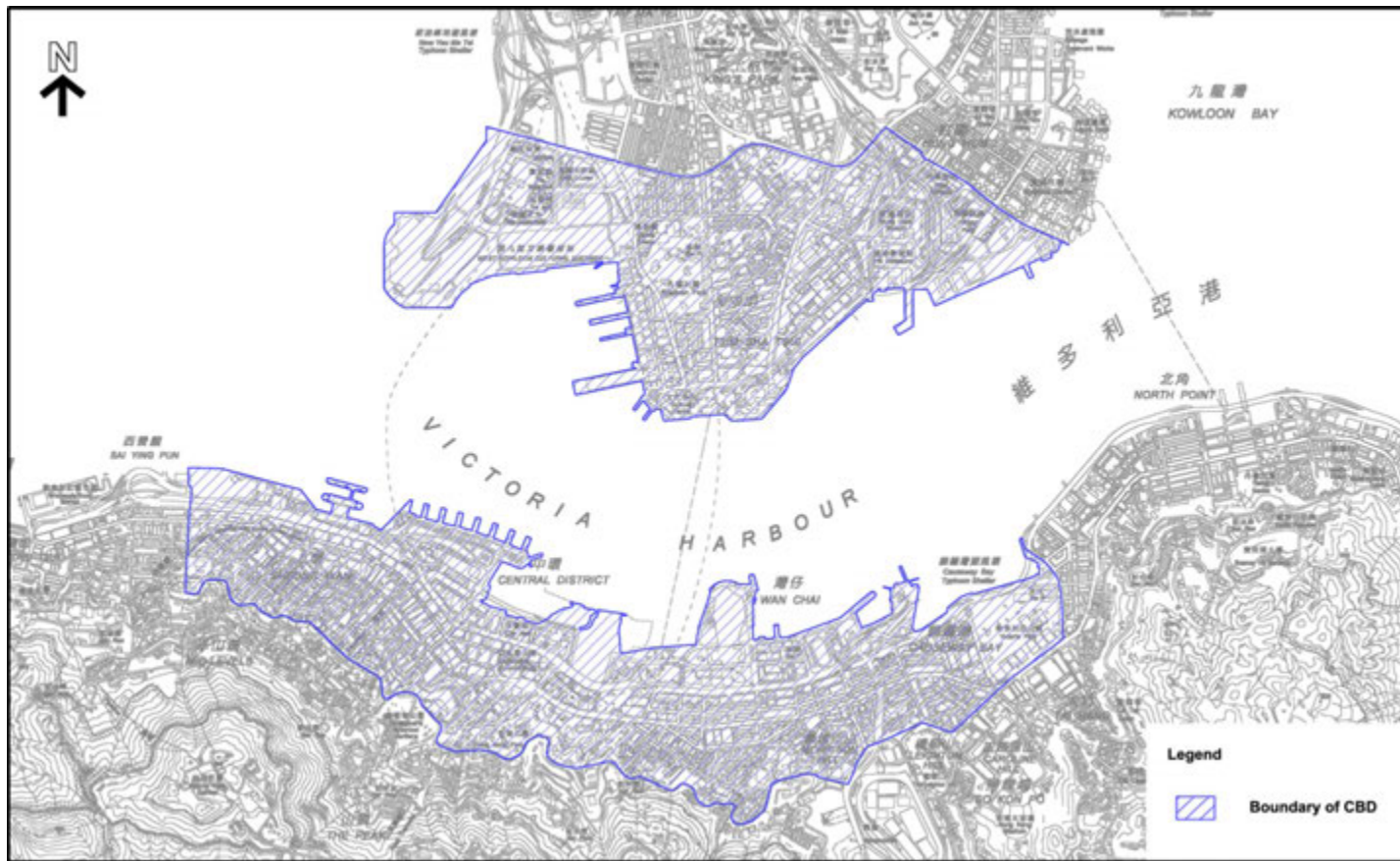
Note: Figures were compiled based on responses with "GFA" reported, representing about 89 % of the total number of RHQs and ROs. Some RHQs and ROs may report more than one major line of business in HK. Some of the GFA may not be in office buildings.



Recommended Office Development Strategy under HK2030 Study

Recommended strategy :

- further consolidating our CBD;
- relocating government accommodation not requiring prime location away from CBD; and
- developing new office nodes outside CBD



Further Consolidating the CBD

To make available sites through redevelopment

Wanchai Police Married Quarters



CGO West Wing



Further Consolidating the CBD

To strive for early delivery of new sites

Proposed Office Sites at the New Central Harbourfront



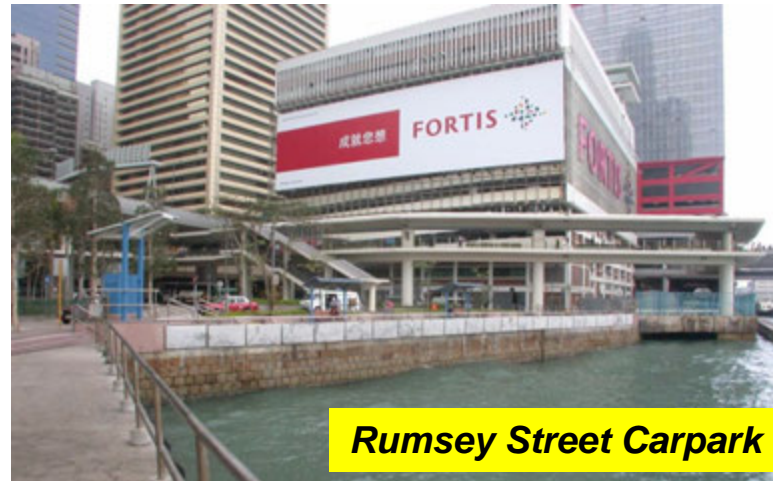
Further Consolidating the CBD

To redevelop government multi-car parking sites and bus terminus

Murray Road Carpark



Rumsey Street Carpark



Bus Terminus adjacent to Shun Tak Centre

Relocating Government Accommodation from CBD

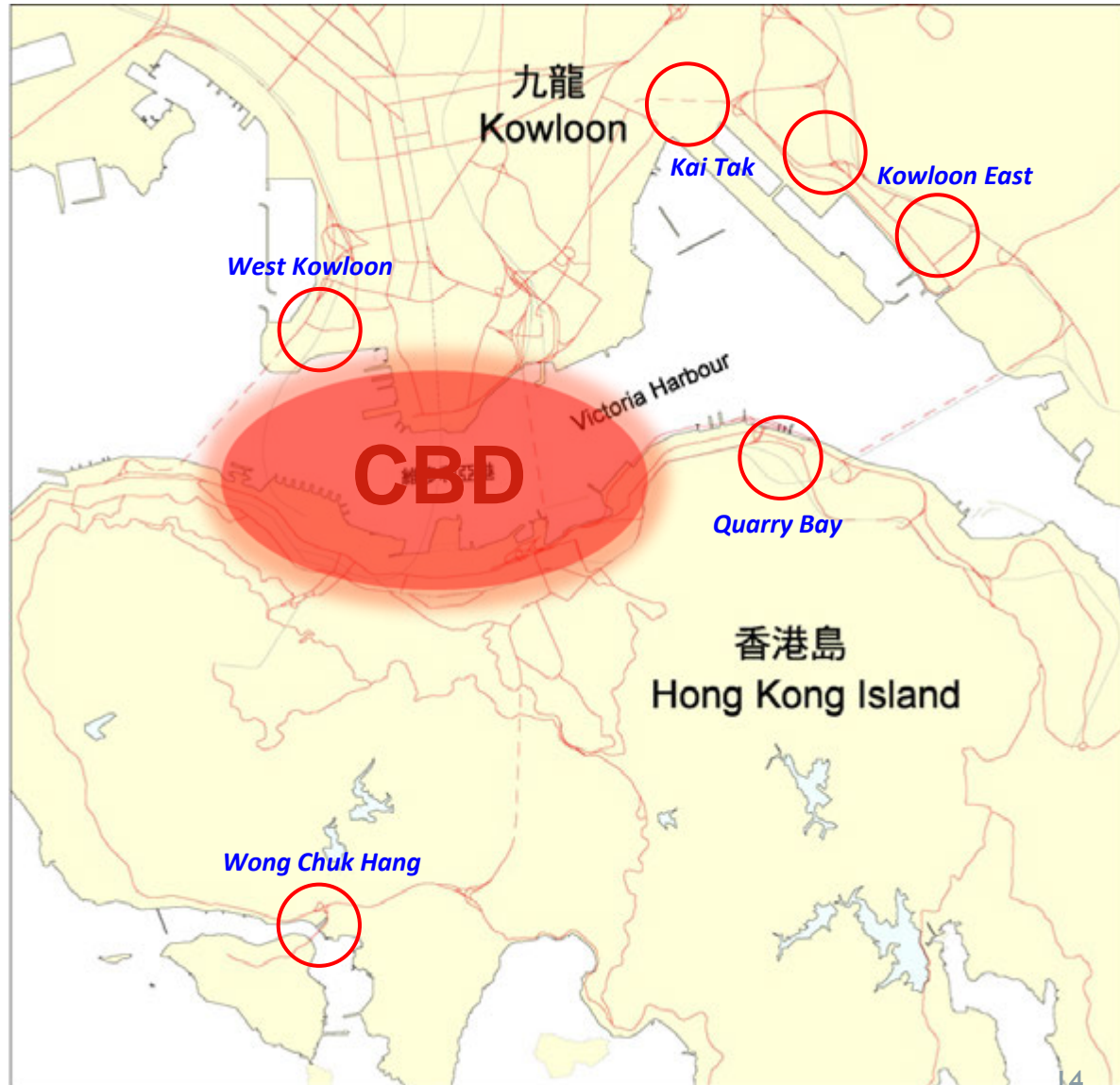
Freeing up space not requiring a prime location



***Wanchai Government
Offices Compound***

Develop Office Nodes outside CBD

To meet office demand and facilitate a filtering process



The Transforming Wong Chuk Hang



- 45 industrial buildings zoned “OU(B)” (8.3 ha)
- tourist & amenity attractions nearby
- South Island Line (East) scheduled for completion in 2015



Wong Chuk Hang at an early stage of transformation

New Quality Office Building



SIL (East)



L'hotel



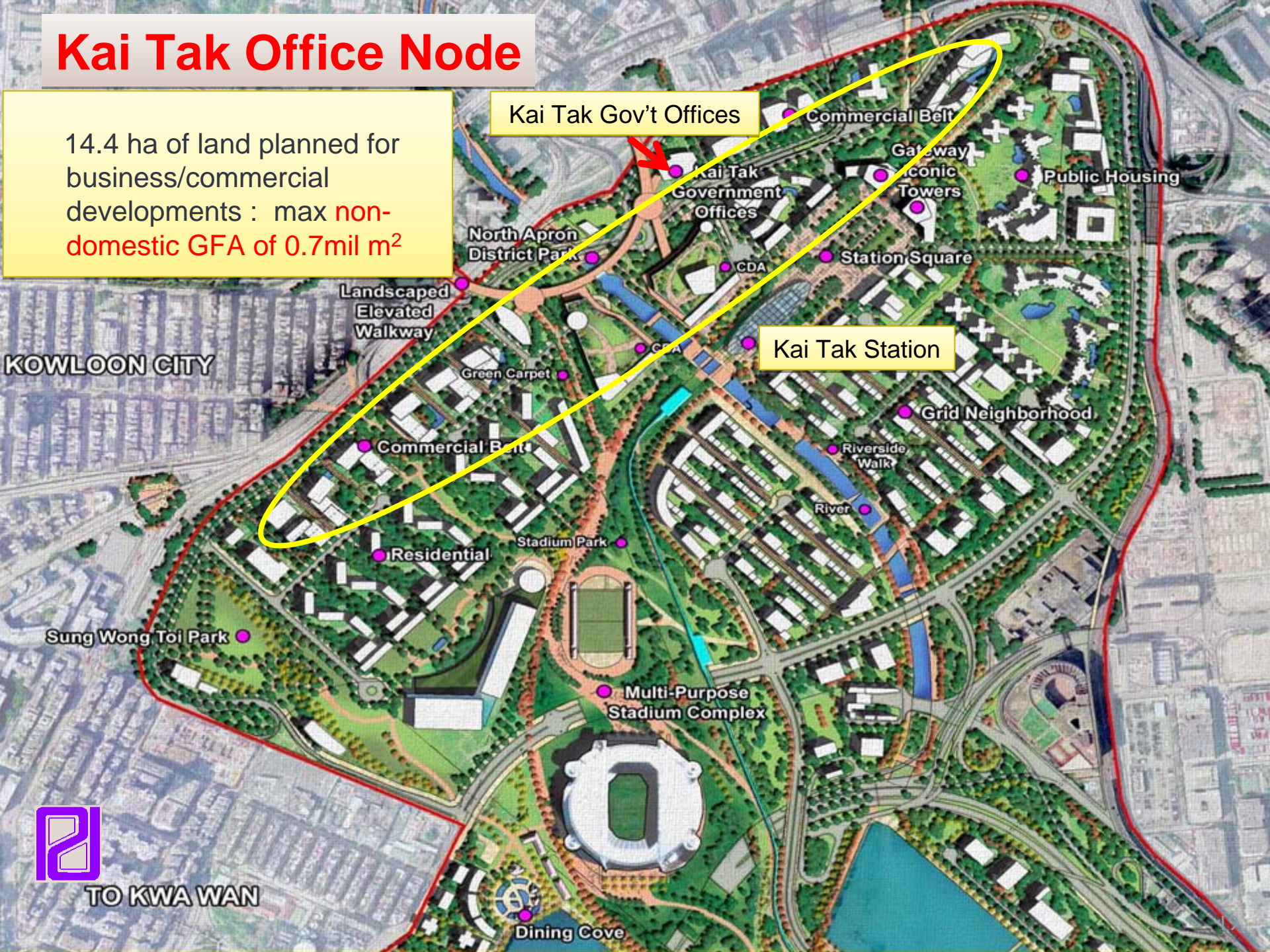
West Kowloon Office Node

- Potential office : about 0.6 million m² GFA
- Appeal to companies with strong business ties with the Mainland



Kai Tak Office Node

14.4 ha of land planned for business/commercial developments : max **non-domestic GFA of 0.7mil m²**



TO KWA WAN

Kai Tak Office Node

- Comprehensively planned with a range of supporting and regional facilities



Synergy between Office Nodes in Kai Tak and Kowloon East

Total existing and planned Grade A office GFA exceeding 2 mil m²



The Kowloon East Office Node



The Kowloon East Office Node

“OU (Business)” zone (68 ha) introduced in 2001 facilitates transformation

Existing industrial buildings : 286

Existing office stock : 1.4 mil m²
GFA (incl. 1.3 mil Grade A stock)

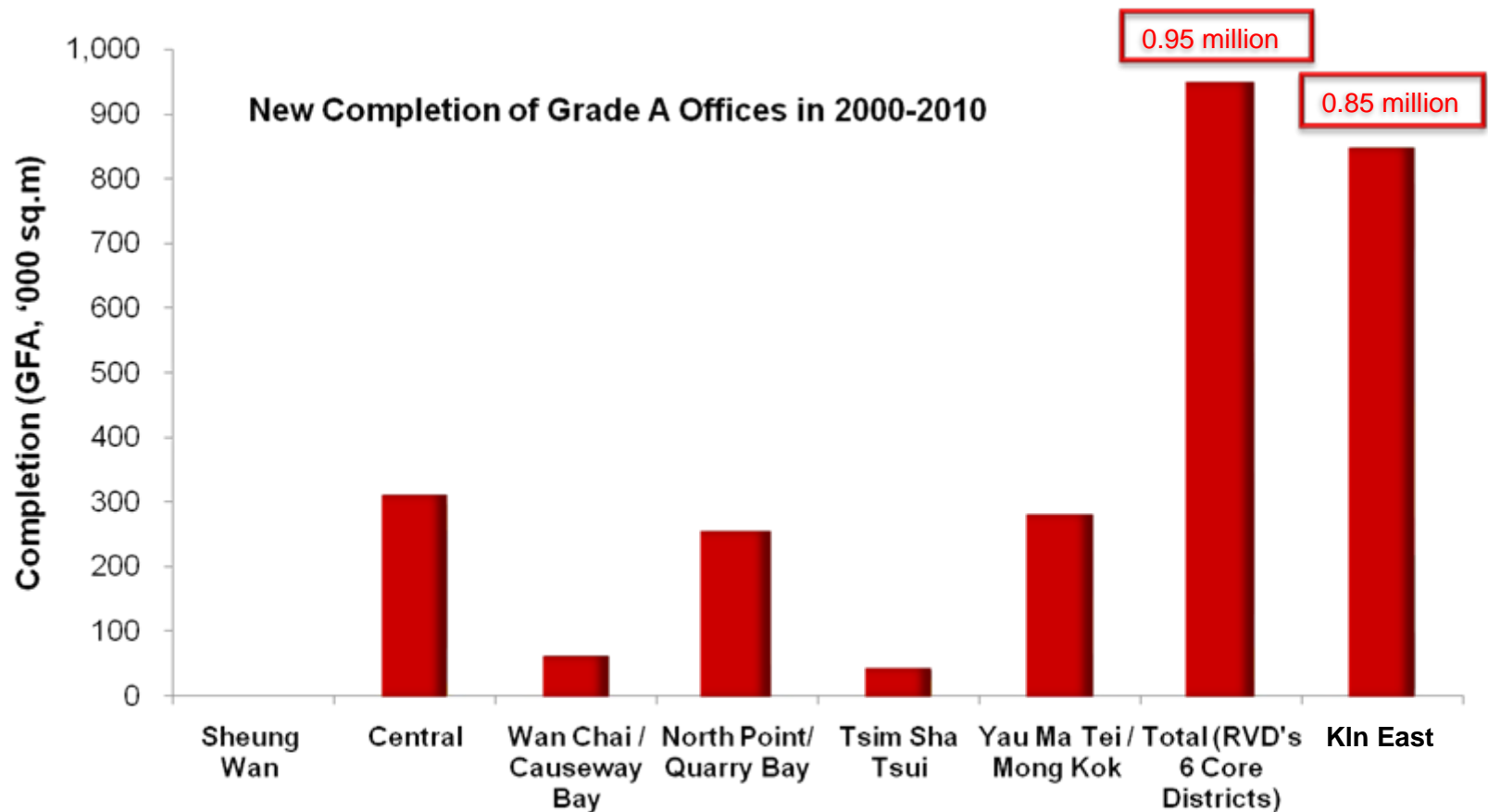
6 sale sites for commercial/
business uses:
site area : about 3 ha
estimated GFA : 0.35 mil m²

-  Other Specified Uses - OU (Commercial Uses with Public Transport Terminus)
-  Other Specified Uses - OU (MTR Depot with Commercial and Residential Development Above)
-  Other Specified Uses - OU (Trade Mart and Commercial Development)
-  Other Specified Uses - OU (Business)
-  Commercial - C
-  Existing Grade A Office Buildings
-  Sites in the Application List 2011-2012

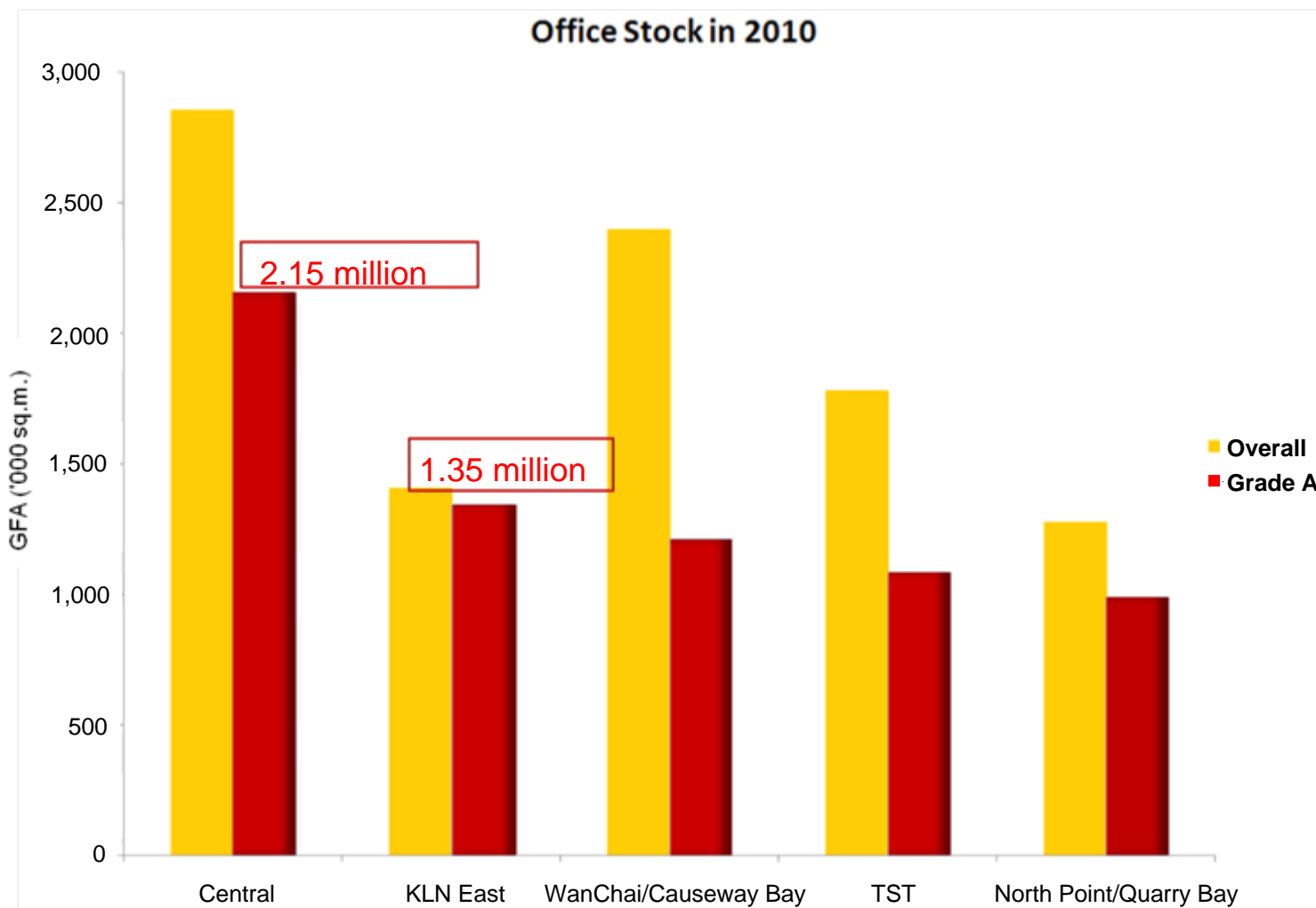
 Government-initiated Sale Sites

Kowloon East being a Major Source of New Grade A Stock

37% of new completion in the last decade came from KIn East, 18% from traditional office districts



Kowloon East ranks Second after Central in terms of Grade A Stock



Provisional figures for 2010

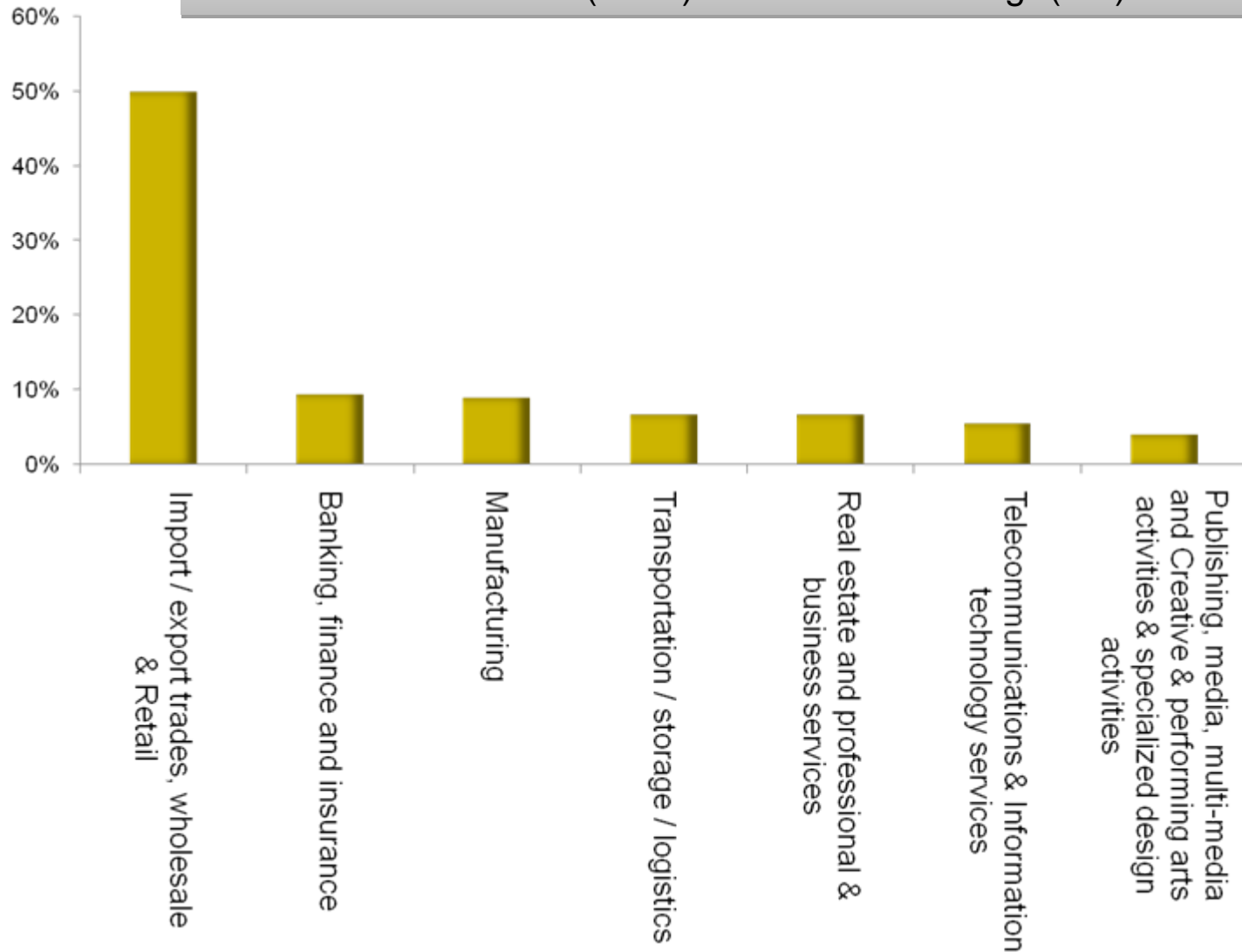
Survey on Business Establishments in Kowloon East

- Fieldwork of questionnaire survey : Nov – Dec 2010
- Sample size : All establishments in office buildings in Kln Bay & Kwun Tong : **2127**
- Successfully enumerated cases : **1262**
- Response rate : **60%**



Office Occupiers in KLN East by Industry Types

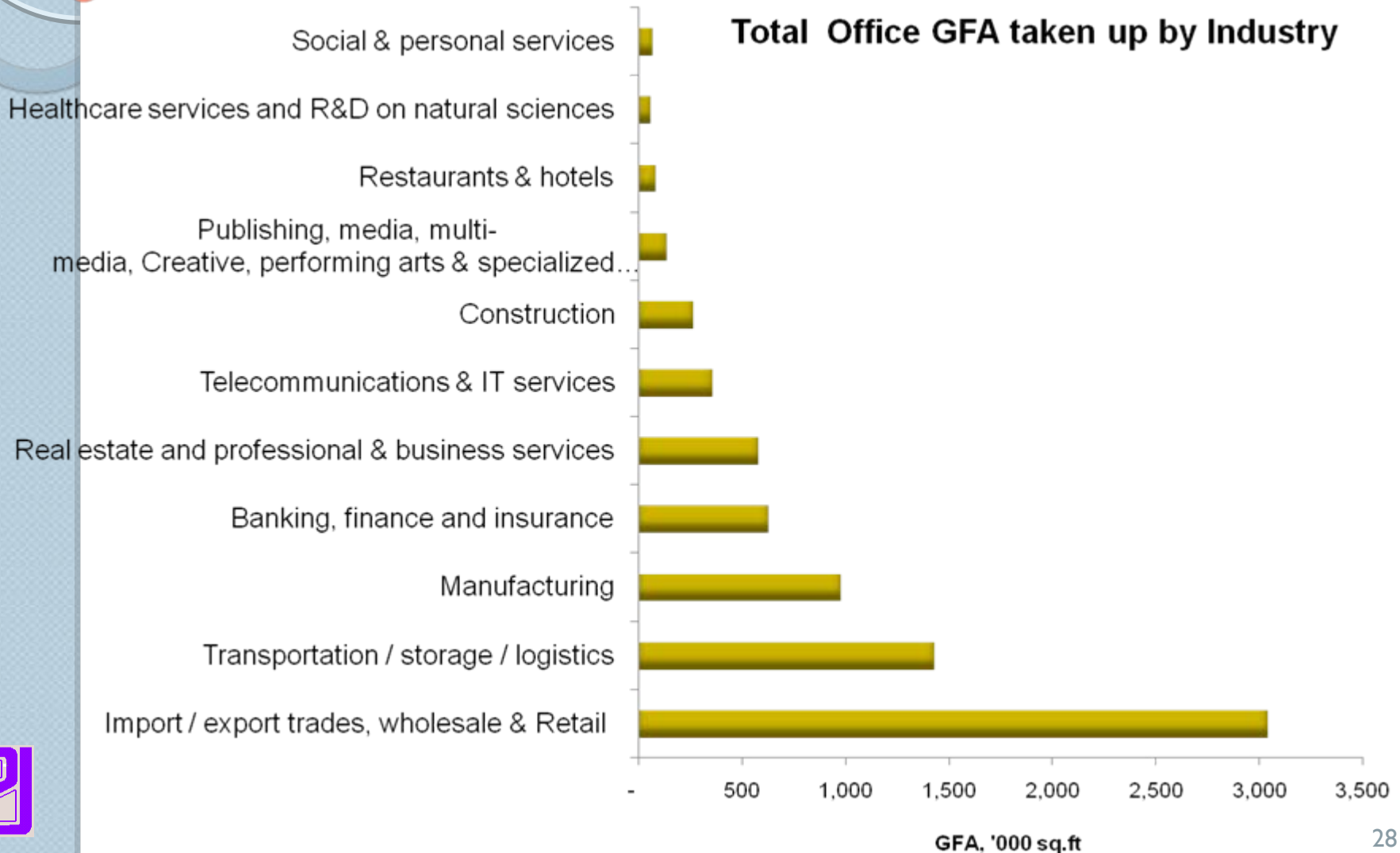
About 50% in “I/E trades, wholesale & retail”, followed by “Banking, finance and insurance” (9.5%) and “Manufacturing” (9%)



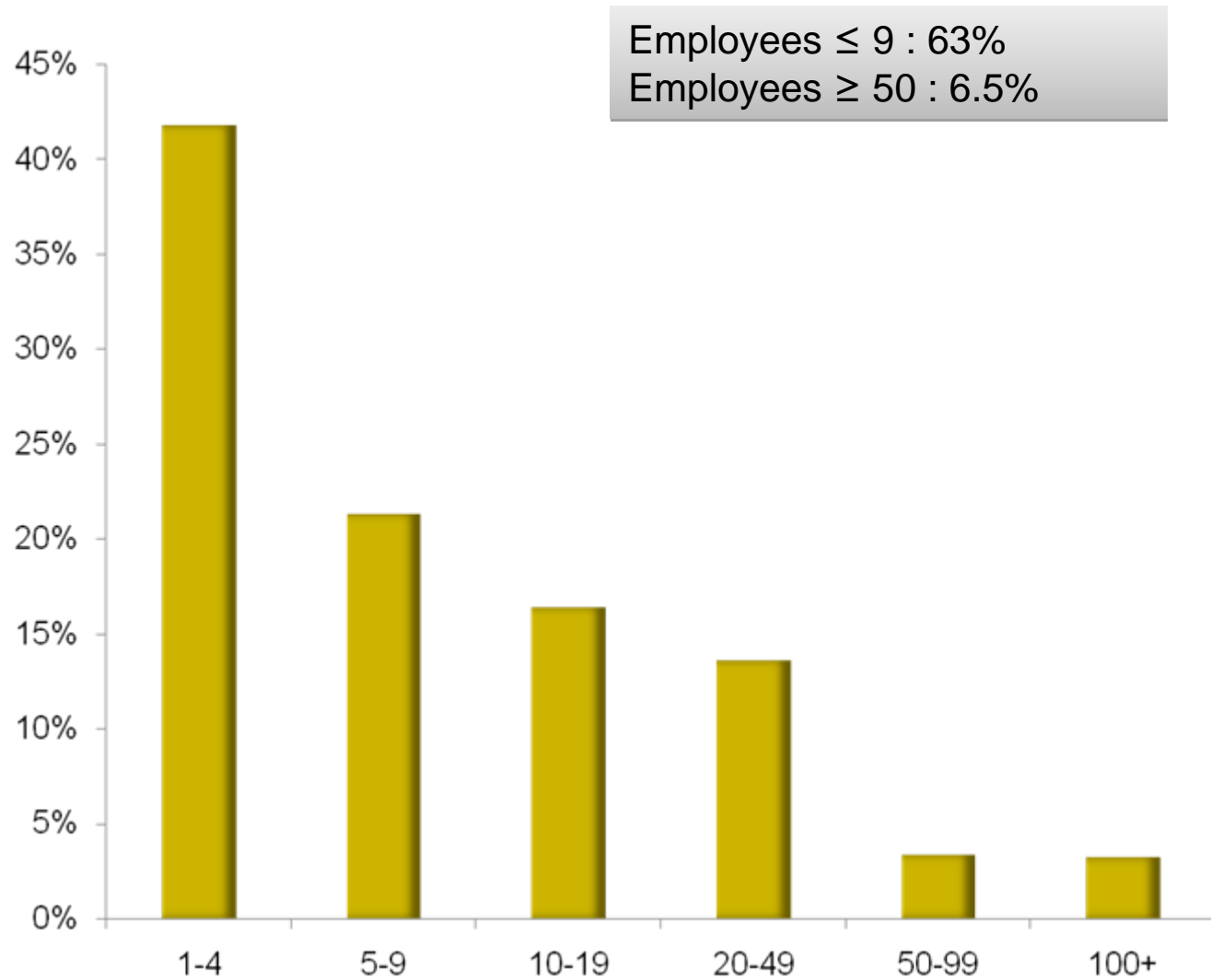
Gross Floor Area of the Present Work Location

"I/E, wholesale and retail" accounted for 40% of the total occupied office GFA

Total Office GFA taken up by Industry

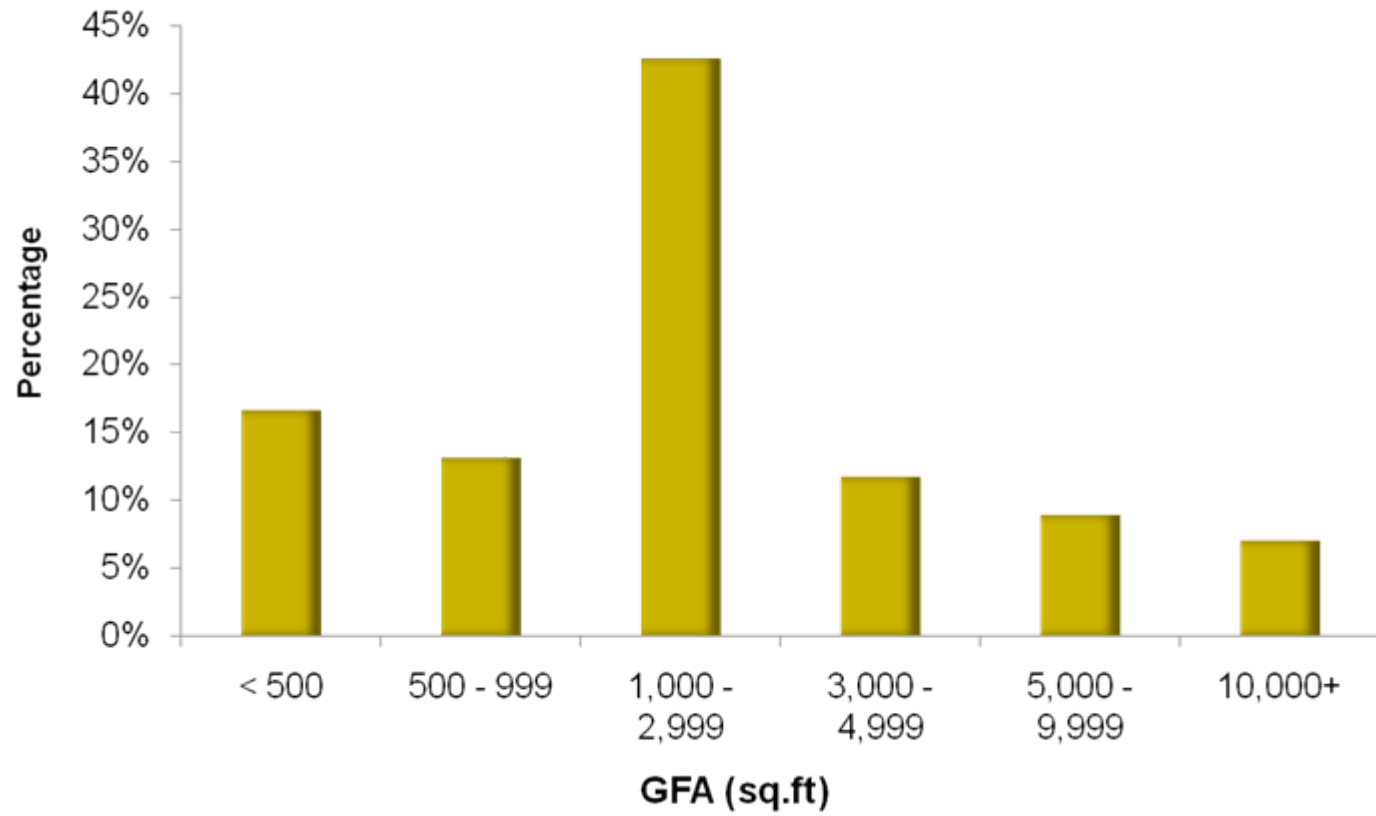


No. of Employees of Office Occupiers in Kowloon East



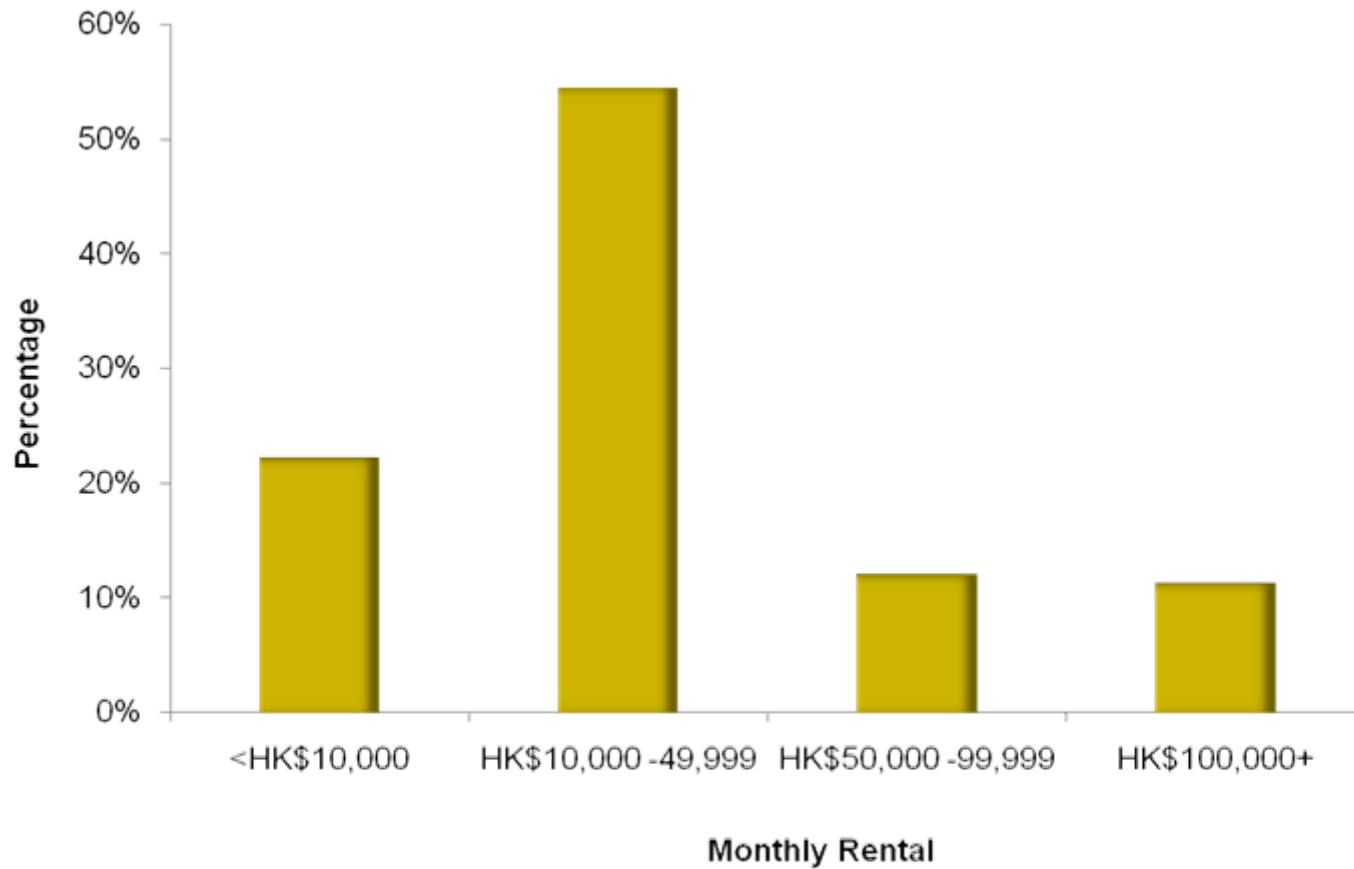
Gross Floor Area of the Present Work Location

Majority (43%) with office GFA of 1,000 - 2,999 sq ft



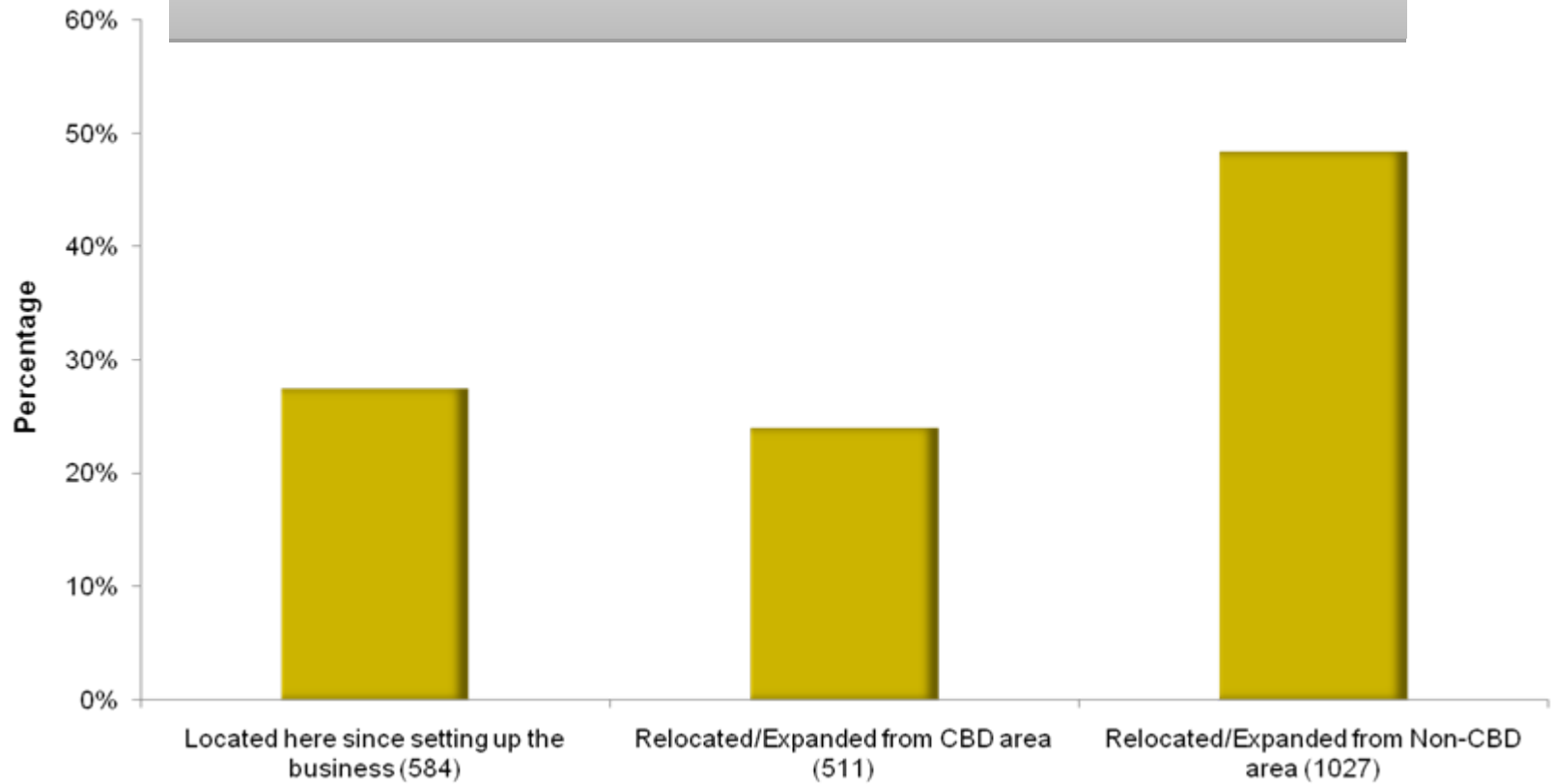
Monthly Rental

About 54% paid HK\$10,000 - 49,999



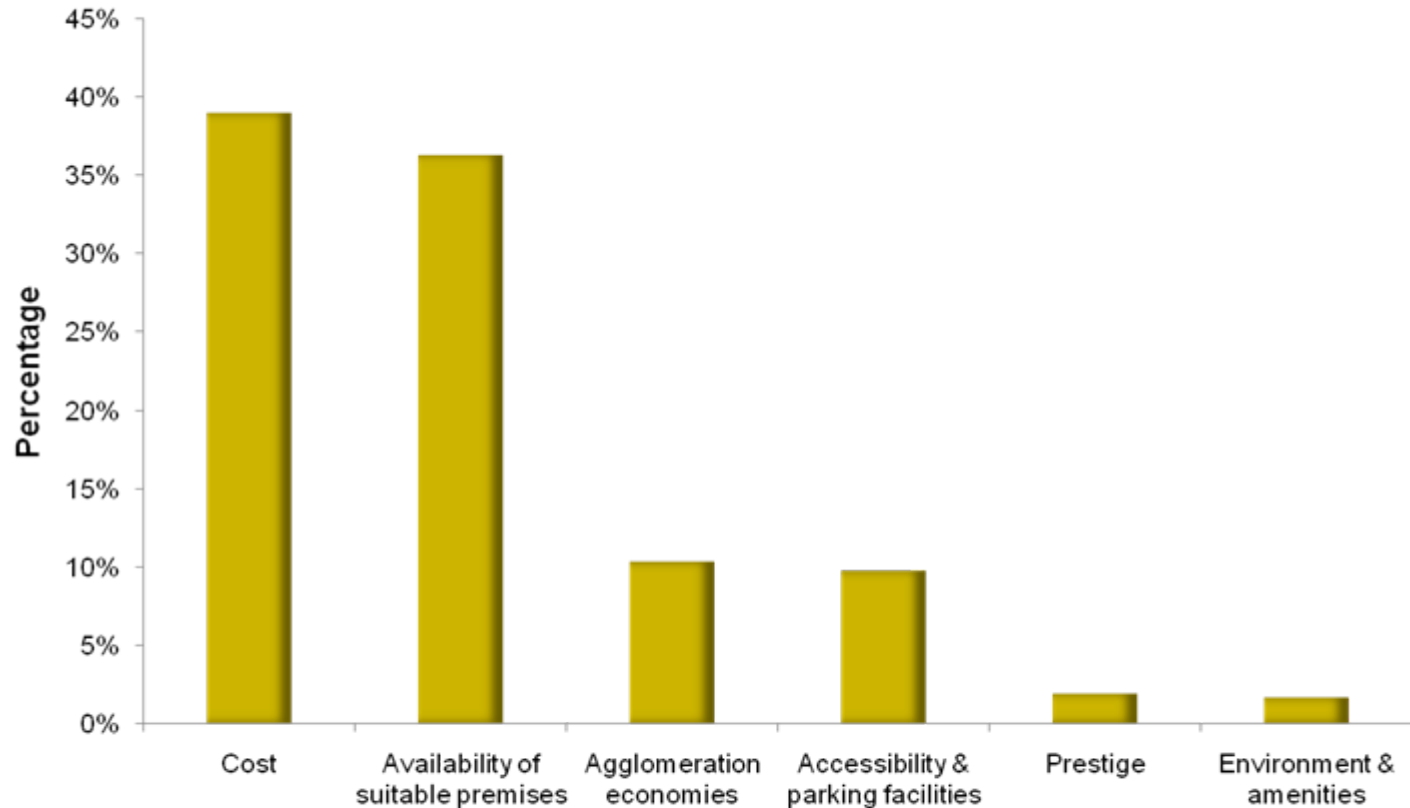
History of (Re)Location

48% relocated/expanded from non-CBD area
vs
24% from CBD area



The Most Important Reason for Choosing the Present Work Location

Cost (39%) & “Availability of suitable premises” (36%) are the two most important factors.



Factors influencing choice of *location*

– Level of Importance and Satisfaction

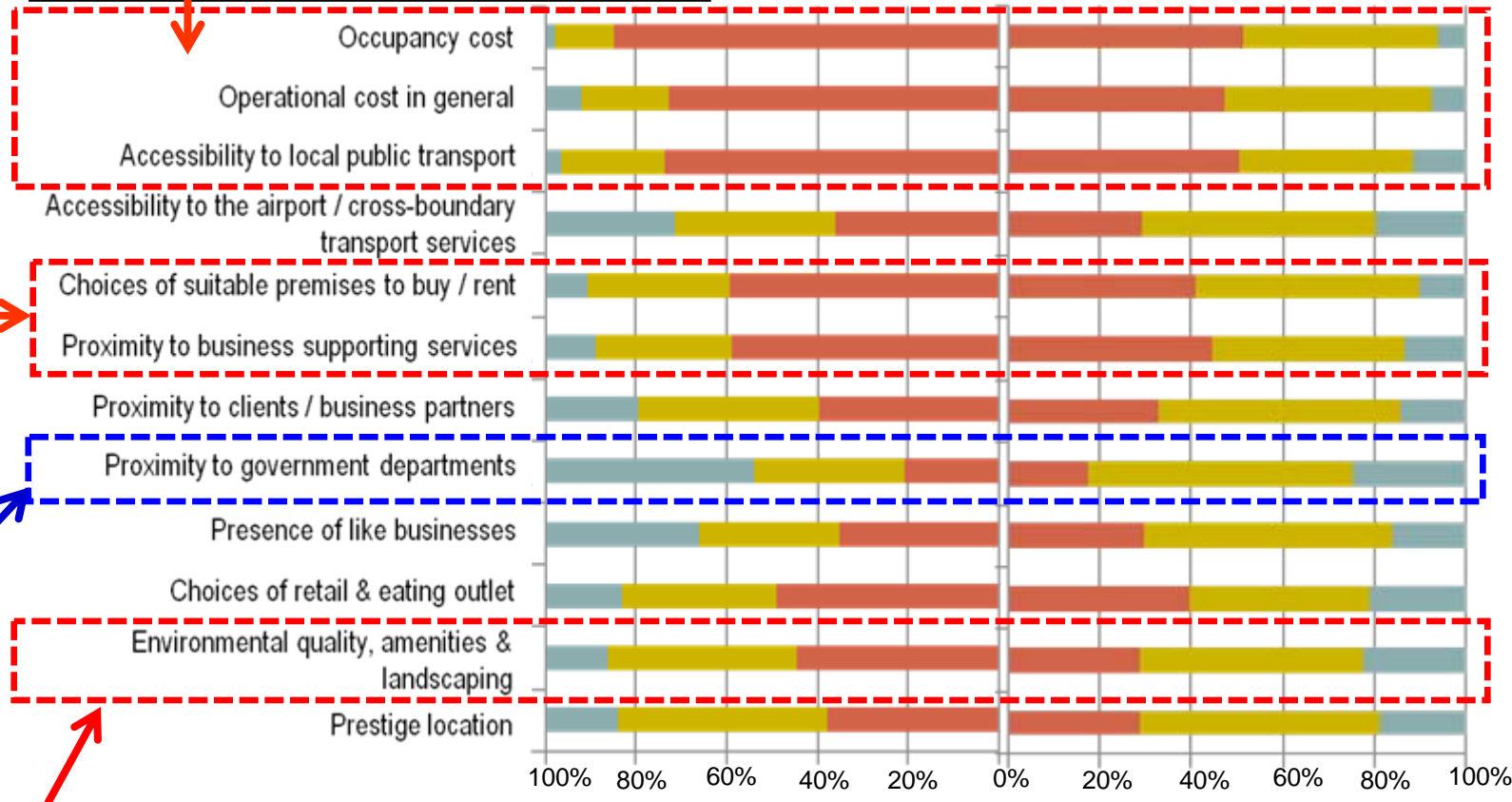
Very important, and majority found these aspects satisfactory or had neutral feeling.

Importance Satisfaction

Important to 59% of establishments, and majority found these aspects satisfactory or had neutral feeling.

Highest dissatisfaction (25%), though relatively unimportant

Important to about 45% of establishments, and dissatisfaction level is relatively high (22%).



Very or Quite Important / Satisfied

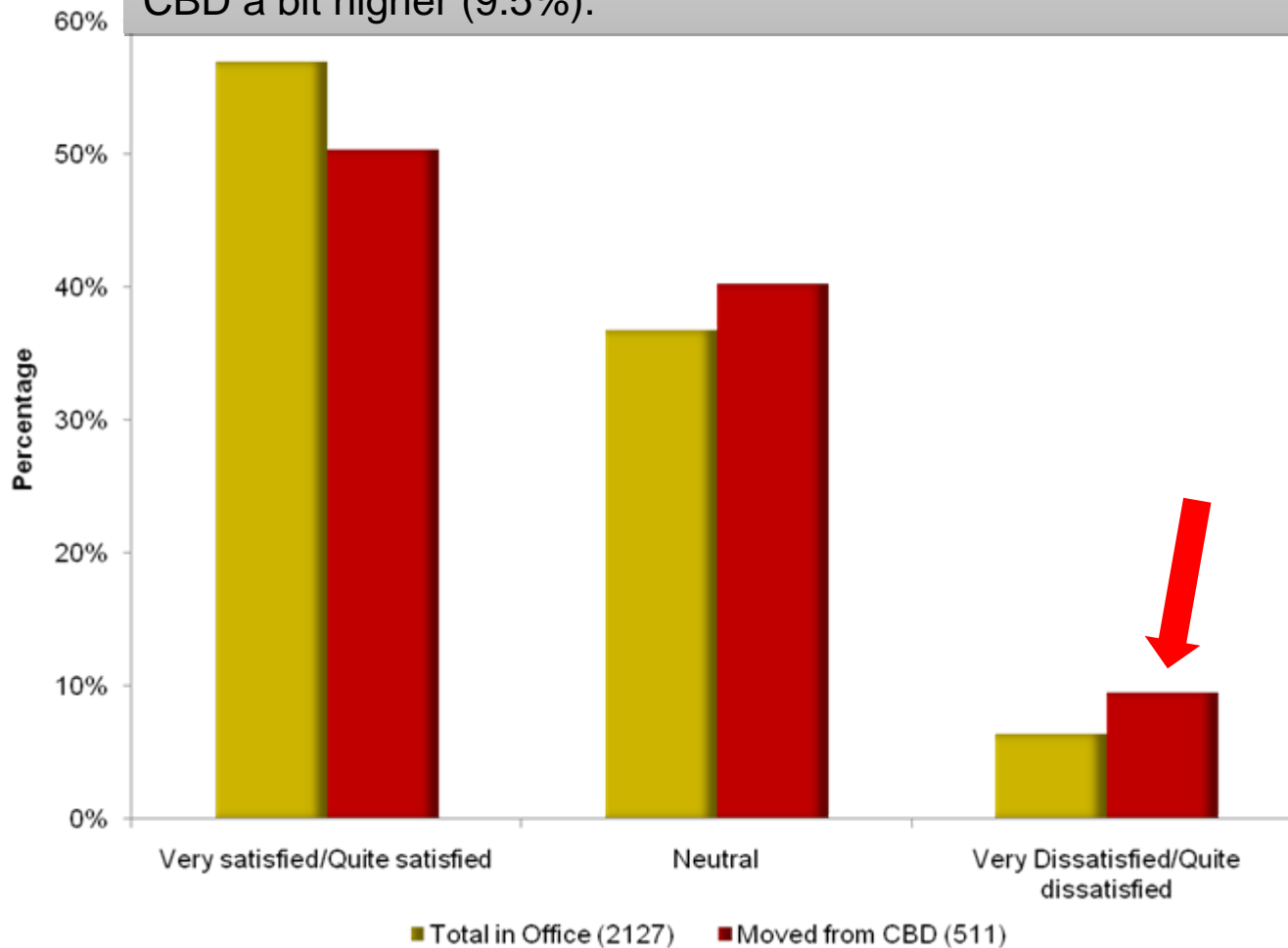
Neutral

Not Quite important or Not important at all / Very or Quite Dissatisfied

Overall Satisfaction Level Towards the Present Location

About 57% of business establishments are satisfied with the present location.

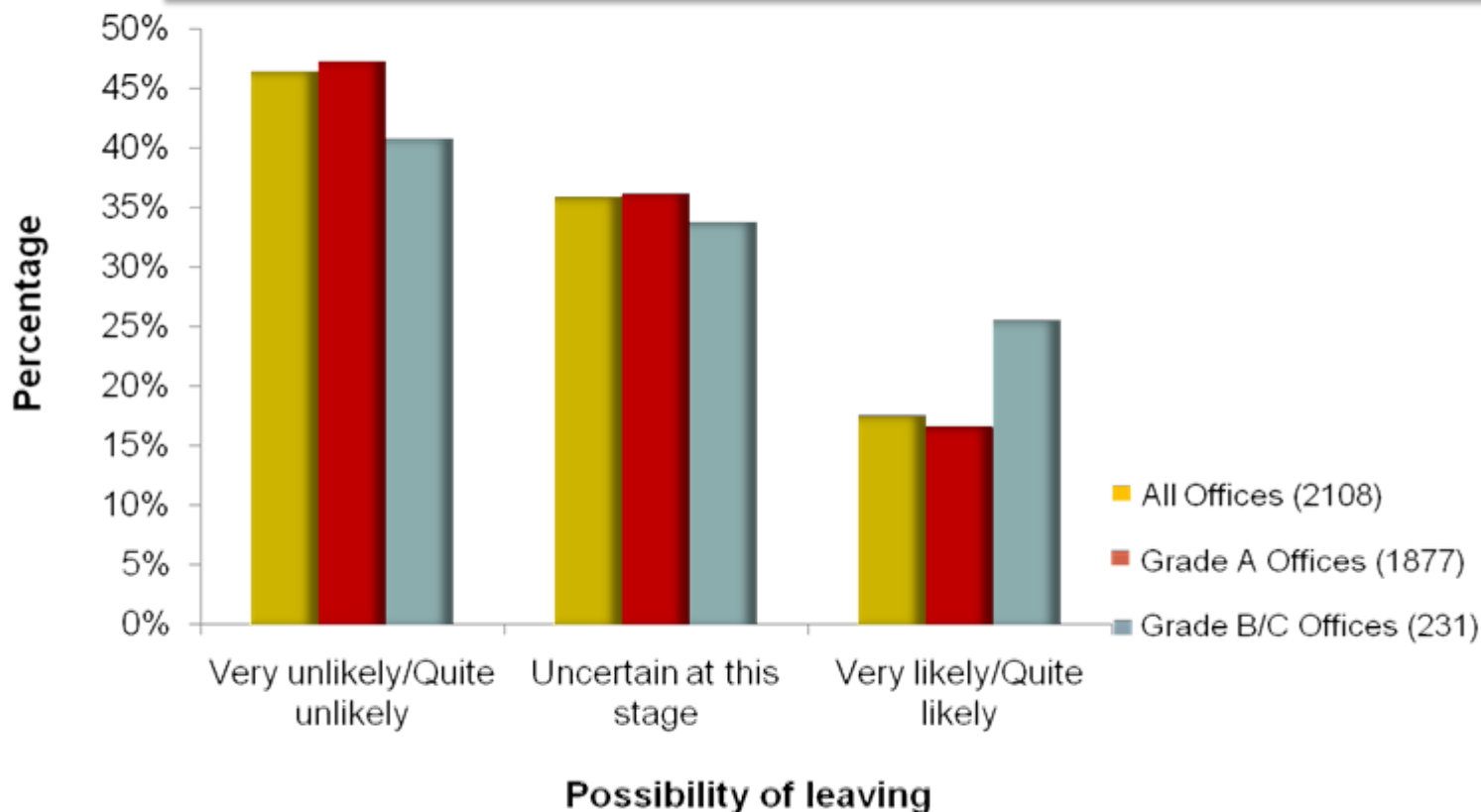
Dissatisfaction level is generally very low, with those relocated from CBD a bit higher (9.5%).



Possibility of leaving the Present Location in the Coming 5 Years / when Lease Expires

46% unlikely to leave; 18% may leave. Establishments in Grade B/C offices more likely to leave (26%) .

Cost (59%) is the most important consideration for those very / quite -likely to relocate.



Most Preferred Area for Relocation

Most prefer Non-CBD area (79%), only 13% prefer CBD.

Among those prefer CBD :

- majority (57%) relocated from CBD
- “banking, finance and insurance” accounts for the highest proportion (33%).

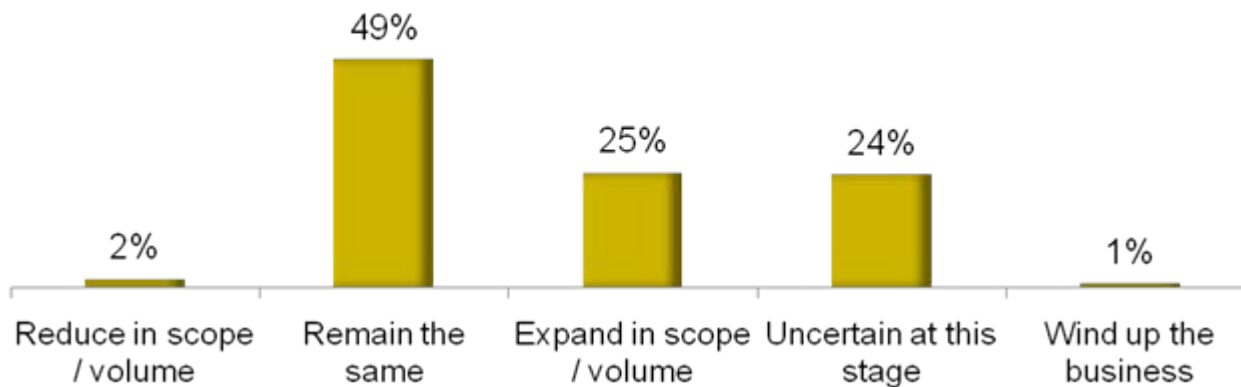
Most preferred area for relocation	No. of respondents
CBD	281 (13%)
Non-CBD	1656 (79%)
Uncertain at this stage	130 (6%)
Areas outside HK	41 (2%)
Total	2108 (100%)

** Regardless of whether the respondents have plan to relocate.*

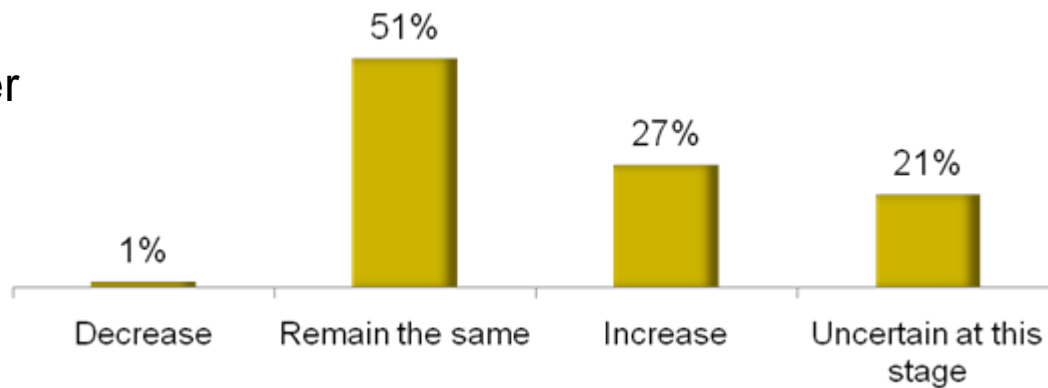


Expected Changes in the Coming 5 Years

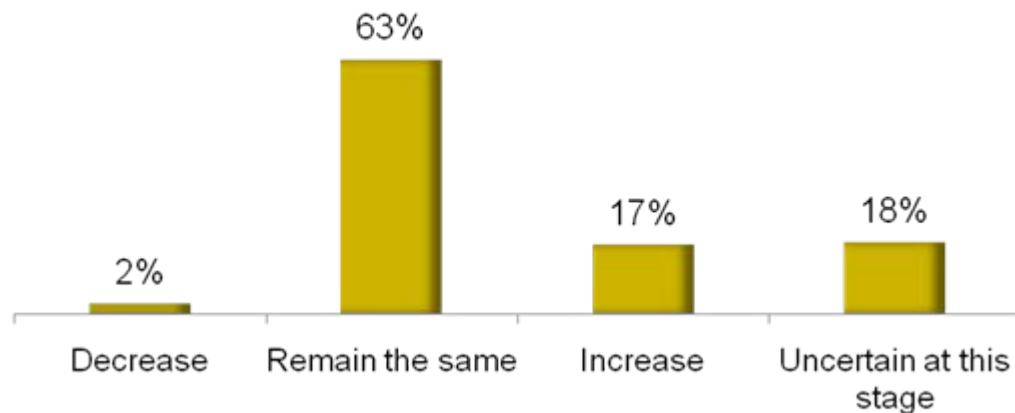
Business Activities



Staff Number



Floor Area



Some Initial Observations from the Survey

Gradual spatial segregation of functions (24% relocated/expanded from CBD) :
CBD becomes CFD

Continual office space demand reflected by plans to increase staff and floor space (respectively 27% and 17% of establishments) : need to increase supply

Cost is the dominant consideration influencing choice of office location : rising rental differential to further drive decentralization

“Accessibility to local public transport” is the second most important factor :
Government to enhance transport infrastructure

High satisfaction level with the present work location : "accessibility to local public transport", "cost" and "proximity to business supporting services" attained the highest rate

Scope for improving “proximity to gov’t depts“, "environmental quality, amenities & landscaping" and "prestige location" : **measures include - Kai Tak Govt Offices, urban design, area improvement and branding**



The Success of the Kowloon East Node

- land use zoning to promote development and redevelopment
- good accessibility with mass transit railway
- redevelopment of industrial buildings with large footprint
- critical mass
- further impetus provided by policy to revitalize industrial buildings
- private sector initiatives



The Success of the Kowloon East Node

- branding, strong anchor companies
- area improvement : setback for widened footpath and landscaping



Anchor companies



Setback for footpath widening



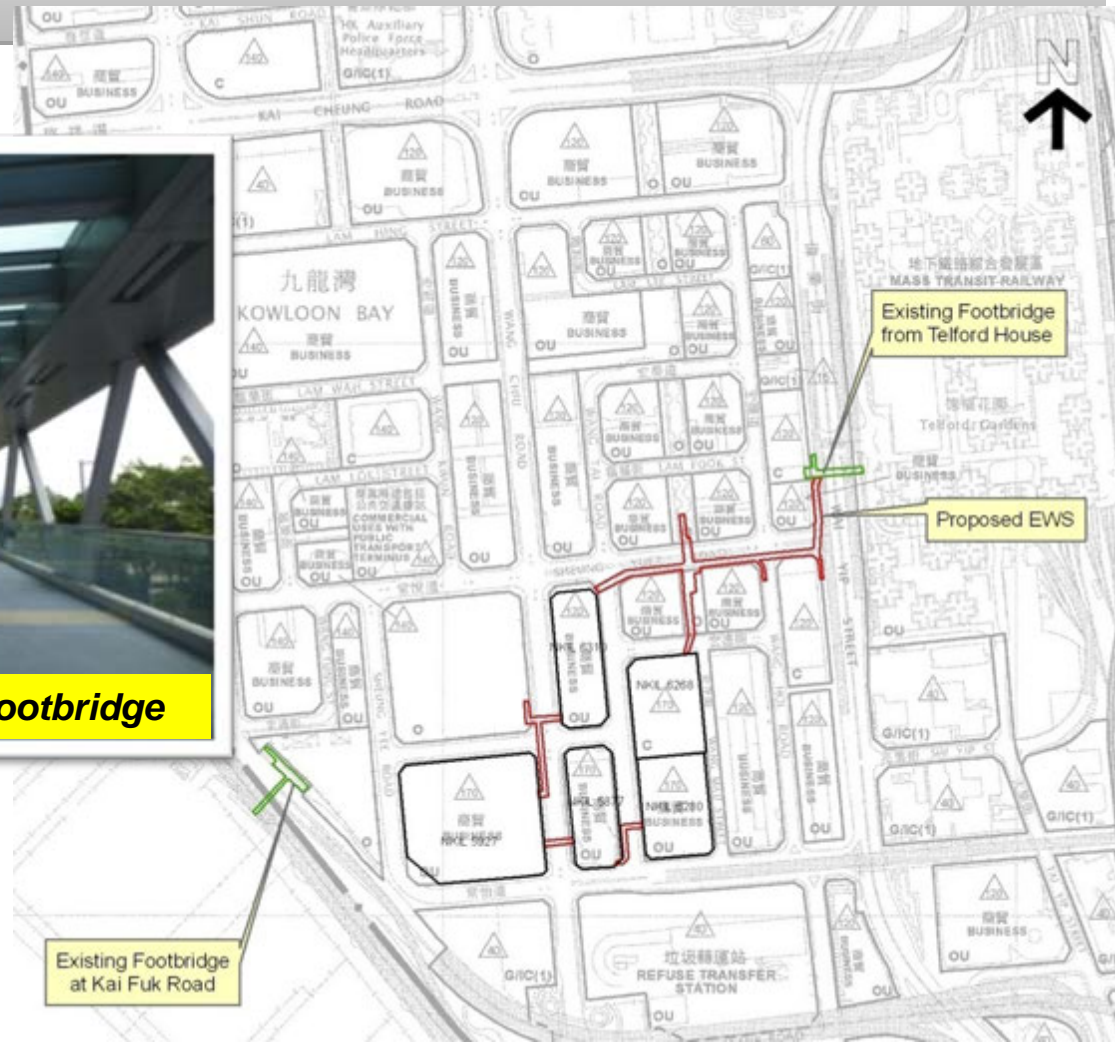
landscaping



Waterfront promenade

The Success of the Kowloon East Node

- Area improvement by private sector: footbridge connections between buildings and rail stations

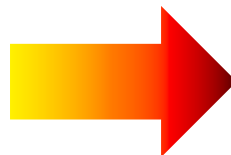




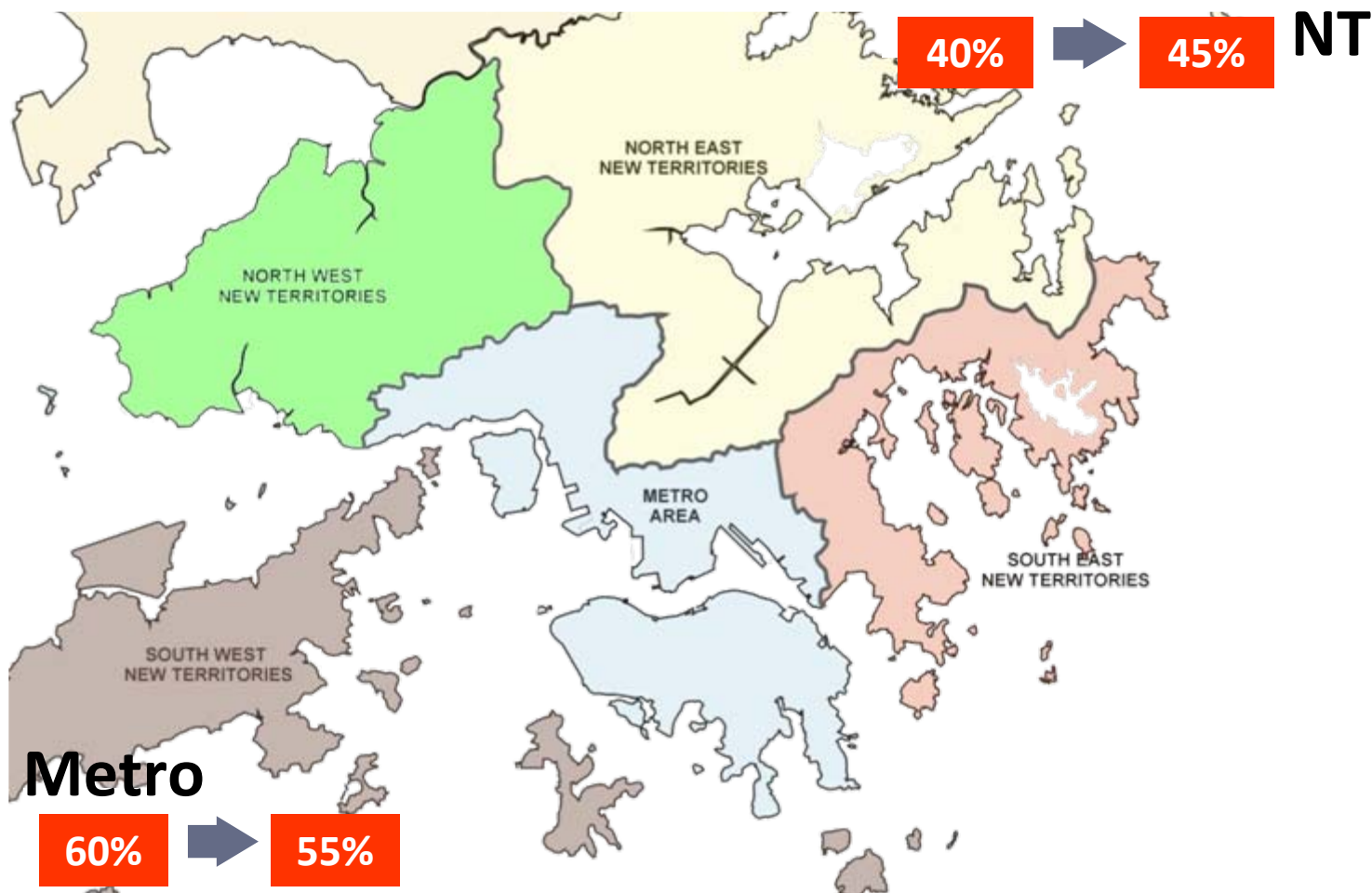
Potential of Office Nodes in NT?

Spatial distribution between jobs and population

Proportion of population living in the NT would rise from the current 40% to 45% by 2030



Desirable to bring jobs closer to homes to minimize travelling distance and time



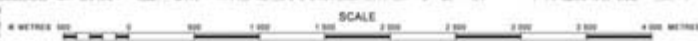
Possible and planned infrastructure and development projects in the N.T.

- NENT & Hung Shui Kiu New Development Areas
- Tuen Mun-Chek Lap Kok Link
- The HK-Macao-Zhuhai Bridge and the Tuen Mun Eastern Bypass
- The Northern Link
- The HK-SZ Western Express Line
- The Lok Ma Chau Loop
- The Liantang/Heung Yuen Wai Control Point



Inject impetus for office development in the N.T.?





Potential of office nodes in the N.T.

- Appeal to firms having strong business connections in PRD?
- Appeal to firms requiring large premises, cost sensitive and not requiring a prime location?
- Provide alternative office environment: low-rise, greening, energy saving
- Government offices as catalyst?
- Identify a target sector as anchor? Data centres?



Concluding Remarks

- To ensure adequate office land supply to sustain HK's economic growth
- To provide office land at different locations to meet different needs
- To consolidate opportunities in CBD
- To develop new nodes and enhance development through urban design, provision of infrastructure and amenities
- To explore new nodes in the N.T.

A low-angle, upward-looking perspective of several modern skyscrapers with glass facades. The buildings are arranged in a way that creates a strong sense of height and architectural scale. The sky is a clear, bright blue. The overall image has a clean, professional, and corporate feel.

Thank You