

LCQ17: Land leases expiring in 2047

Following is a question by the Hon Chiang Lai-wan and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (November 27):

Question:

The Government has indicated that there are more than 30 000 leases for lands in the New Territories (including New Kowloon) which were made for terms expiring in mid-2047. Regarding the extension of such land leases and related matters, will the Government inform this Council:

(1) of the following information on the lands, which are under the aforesaid land leases at present and in multiple ownerships, for residential use or for both commercial and residential uses: (i) the total land area, (ii) the number of lots and (iii) the total number of residential units involved (including units for both commercial and residential uses); if the Lands Department (LandsD) has not kept such information, when LandsD will finish the work to keep the information;

(2) as LandsD indicated in March 2017 that (i) the compilation of the reference materials on the specific procedures and workflow involved in the processing of lease extension was expected to complete by mid-2017, and (ii) the possibility of further streamlining and shortening the workflow involved would be explored, whether the two tasks have been completed and whether the reference materials have been made public at present; if the tasks have not been completed or the materials have not been made public, of the reasons for that;

(3) given that a large number of land leases will be expiring in mid-2047, whether LandsD has assessed the additional manpower and financial resources needed for coping with the relevant work, such as collating and compiling information on land leases and extending land leases; if LandsD has, of the additional manpower and estimated expenditure needed;

(4) whether it will expeditiously make public the terms and procedures for extension of the aforesaid land leases; if not, when it will do so;

(5) whether financial institutions relayed to the authorities in the past three years that the uncertainty about whether and for how long those land leases could be extended in 2047 had affected their decisions on the applications for mortgage loans related to the properties concerned; if so, of the details; and

(6) whether it knows if there were cases in the past three years in which financial institutions refused to grant mortgage loans with a term beyond mid-2047 for the properties on a particular land on the grounds that the land lease concerned will expire in that year; if so, of the details?

Reply:

President,

The Government has clear and unequivocal policy for handling matters related to the extension of expiring land leases all along.

According to the policy statement promulgated by the Hong Kong Special Administrative Region (HKSAR) Government in July 1997, leases not containing a right of renewal (excluding short term tenancies and special purpose leases) may, upon expiry and at the sole discretion of the Government, be extended for a term of 50 years without payment of an additional premium, but an annual rent shall be charged equivalent to three per cent of the rateable value of the property, adjusted in step with any changes in rateable value thereafter. Under this policy, generally the lease terms of land leases granted since the establishment of the HKSAR Government have been for 50 years and extending beyond 2047.

Depending on the date of grant and the term of the lease, currently effective land leases will expire on different dates, including on, before, or after June 30, 2047.

Since the establishment of the HKSAR, the Lands Department (LandsD) has been dealing with matters related to the extension of expiring land leases in accordance with the aforementioned policy. Factors to be taken into account when considering lease extension include whether serious breaches are found under the original lease and whether such breaches were purged before the specified period; and if the original lease was granted on certain policy considerations (e.g. promoting the development of an individual industry), whether such policy considerations remain valid.

As regards specific procedures, under the existing arrangements where the land lease is approved for extension, for land under single ownership, or multiple ownership with all owners unanimously agreeing to the lease extension arrangement, the lease will generally be extended through the execution of a lease extension document between the LandsD and all owners. For land under multiple ownership but owners not unanimously agreeing on or having difficulties in unanimously agreeing on the arrangement for lease extension (e.g. residential buildings with alienated units), after the expiry of the current lease, the Government will grant a new lease to the Financial Secretary Incorporated, which will then assign the undivided shares of the individual premises to their registered owners. This arrangement ensures that even if individual owners do not agree with or cannot execute the lease extension arrangement, the interests of other owners who are ready to accept the lease extension and complete the assignment procedures will not be affected. Generally speaking, the LandsD will begin processing extension of a lease three years before its expiry. For more complicated cases or those with a large number of owners, the department may commence relevant work earlier.

My answer to the various parts of the question is as follows:

(1) A large number of land leases will expire on June 30, 2047. The LandsD is collating the information on the number of lots involved, their user categorisation, and the number of interests, etc. The compilation exercise will be completed by phases from 2021 onwards.

For land leases expiring on or before June 29, 2047, according to the statistics compiled by LandsD based on information from the Land Registry, currently effective land leases for general commercial/residential/industrial purposes will expire in 2025 the earliest. From 2025 to June 29, 2047, land leases of a total of about 2 400 lots (on sub-divided lot basis) for general commercial/residential/industrial purposes will be expiring. Statistics of number of interests involved is being collated.

(2) to (4) As aforementioned, the Government has a policy and a set of mechanism in place to handle matters related to the extension of expiring land leases. To assist the understanding of the public, the website of LandsD has a dedicated page to provide relevant policy information, regularly updated lease extension statistics and relevant releases.

As regards the procedures of lease extension, we are exploring whether there are other suitable arrangements under which the extension could be effected through streamlined procedures and more convenient means. We will announce the specific arrangements at a suitable juncture.

(5) and (6) The Government has particularly explained to relevant professional sectors matters related to lease extension, including communicating with the banking sector via the Hong Kong Monetary Authority (HKMA) in October 2016, making clear that the Government has unequivocal policy to deal with extension of land leases, including reaffirming its authority to grant land leases with terms extending beyond June 30, 2047; as well as meeting with the Hong Kong Institute of Surveyors in May 2017 to explain the specifics in the execution of land lease extension. The professions considered the Government's policy as clear and unequivocal.

The HKMA considers that the Government's explanation has properly and comprehensively addressed the concerns of the banking industry. It does not see the need for the banks to alter their mortgage policies. In fact, currently there are banks arranging mortgage loans with terms longer than those of the leases of the relevant premises. The HKMA has not received any complaint in this respect.