

7 October, 1980

SCMP

## Action is essential on commercial rents

IGNATIUS Cheung (SCM Post, September 27) states that market forces are the best form of rent control.

While this basic economic theory holds good in normal market conditions, it ignores the fact that the situation in Hongkong's commercially-rented property market is now far from normal.

There is a serious imbalance of too much demand and too little supply, which has created disastrous and far-reaching effects for many small businessmen forced to close down recently due to excessive rent demands.

While no business tenant can object to a reasonable increase in rent, it is only the larger companies such as banks, multi-nationals and others, who can absorb (ie pass on to the customer!) substantial increases.

The growing number of those operating on more modest profit margins who are forced to close down, must give cause for concern, and despite the Financial Secretary's recent statement, there is a "social" justification for intervention in this field of the property market.

Rigid control by way of maximum permitted increases is not the answer; a system whereby existing tenants are entitled to renew their leases at a fair market rent (fixed by a court or tribunal) would enable many business tenants to continue operating while still giving the landlord a reasonable return on his investment.

Obviously there will be cases where a renewal should not be allowed such as a tenant's bad record of rent payment or a landlord's intention to redevelop the premises, but these could be catered for in any legislation such as applies in the English Landlord and Tenant law.

One hopes the Government will closely monitor the situation so that, if necessary, fair and well-prepared legislation can be introduced.

But it may already be a case of closing the door after the horse has bolted.

D.G. KARSLAKE