

S. C. M. P.

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20,000 flats could be put out for rent

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Twenty thousand vacant flats could be put out for rent during the second half of this year, giving tenants a greater choice and probably lower rents.

This could be the result if a further round of amendments to the proposed Landlord and Tenant Bill are made law.

One of the most important proposals of the Landlord and Tenant (Consolidation)

(Amendment) Bill, which was gazetted yesterday, specifies the exclusion of all new tenancies created after June 30.

Two categories of flat-owners likely to be influenced by the Bill to let out their property earlier without hurting their prospects of higher earnings in the event of an upturn in the real estate market are:

- Those who own a considerable portion of about 14,700 flats built before June 18, 1981, which are officially described as "under vigorous rent control" if rented under present legislation.

The Government estimated the total number of vacant flats at the beginning of the year at about 32,000 units.

The figure includes the 14,700 units.

- The owners of about 30 per cent of 24,000 flats to be completed this year which are expected to be rented out.

The Secretary for Housing, Mr Donald Liao, said the Bill proposes to extend the life of Part II of the principal ordinance by two years, until December 18, 1985, offering continued protection for tenants of post-war domestic premises from excessive rent increases.

The Bill also contains several other proposals for consideration by the Legislative Council.

They include:

- The introduction from December 19 of an additional regulator to the method of determining permissible rent increases.

- The exclusion, from December 19, of existing tenancies with a current rateable value of \$50,000 and above.

Under the existing factor system, the permitted rent increase is half the difference between the current rent and the fair market rent, or 30 per cent of the current rent, whichever is smaller.

In cases where the new rent determined by this formula is less than 30 per cent of the fair market rent, the permitted increase should be an amount necessary to bring the current rent up to 30 per cent of the fair market rent.

Mr Liao said the purpose is to prevent very low rents, many of which have been under control for more than 10 years, from falling further below market levels and to provide for the eventual rais-

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ing of such rents closer to market levels.

"As the increases affected by the additional regulator will be on very low base rents, they will not be excessive in dollar terms," he said.

"And in such cases the new rent will be no more than 30 per cent of the fair market rent."

An analysis carried out by the Rating and Valuation Department early this year showed that only about 7,000, or five per cent, of protected sole tenants would be affected by this proposal.

"For most protected tenants the biennial permitted increase will still be derived from the existing factor system," Mr Liao explained.

Commenting on the exclusion of tenancies from Part II of the ordinance, Mr Liao said they would be accorded security of tenure under Part IV.

This means that sitting tenants will have security of tenure as long as they are prepared to pay a fair market rent.

Where mutual agreement on a tenancy renewal cannot be reached, the tenant can apply to the Lands Tribunal for a new tenancy at a fair market rent to be determined by the tribunal.

Mr Liao said tenants who took out fresh lettings of post-war premises after June 30, whatever the age of the build-

ing, would be in the same position as tenants of buildings completed after June 1981, which have already been excluded from Part II controls for the past two years.

Premises with rateable values of \$80,000 and above and \$60,000 and above were excluded from Part II in 1981 and last year respectively, and the further exclusion proposed is a continuation of the progressive removal of luxury flats from rent control.

About 1,100 tenancies would be affected by the proposal to exclude premises with a rateable value of \$50,000 and above.

"Of these, some 80 per cent are held by corporate tenants," Mr Liao pointed out.

He said it was proposed to change the term "fair market rent" to "prevailing market rent," but the definition would remain unchanged. He said the change was to remove any misleading connotation of the term "fair."

Provision is made for the surrender, by agreement, of a tenancy protected under Part II. Such an agreement will be subject to endorsement by the Commissioner of Rating and Valuation, who is required to satisfy himself that the tenant involved understands its effect.

Such proposed arrangement, according to analysts, will enable two willing parties

to reach mutual agreement without going through time consuming and or even costly legal proceedings.

Another proposal recommends that where a principal tenant has sublet the whole of the premises he should not be accorded any security of tenure. The Landlord may apply for repossession in such cases.

"However," Mr Liao stressed, "sub-tenants of the premises would become direct tenants of the landlord and continue to enjoy security of tenure."

The Bill also seeks to strengthen the existing provision prohibiting the letting and selling of premises following repossession for self-occupation or redevelopment.

"Under the new provision, the prohibition will be in force both during the period of stay of execution of the possession order and 24 months after the date of delivery of vacant possession by the tenant," he said.

In addition, the misuse of premises following repossession will be prohibited, and the landlord will not be permitted to use such premises for any purpose other than as a residence for the person for whom possession was obtained.

As a further form of protection, harassment with intent to induce a tenant to quit would become a criminal offence under the ordinance.

Anyone convicted of such an offence will be liable to a \$500,000 fine and, on a subsequent conviction, to 12 months' imprisonment.

Mr Liao said the Government reviewed the legislation well in advance of its current expiry date at the end of this year in order to give plenty of notice of proposals for future controls and to allow time for public comment on them.

The Bill will be introduced to the Legislative Council on April 27 for its first and second readings. The resumption of debate will not take place until May 25, and the third reading on June 8.

Public views expressed during this time will be taken into account and representations may be submitted to Umelco or the Secretary for Housing.