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55,000 homes face bigger rent rises

BY RENU DARYANANI

About 55,000 households face bigger rent increases from the end of this year under new laws the Government is to introduce as part of its policy to phase out rent control.

The Secretary for Housing, Mr Donald Liao, announced yesterday that the Government is on schedule in its programme to abolish all rent controls within another eight years.

A Bill gazetted yesterday proposes that from December 19 the minimum rent for certain post-war premises should be increased from the present 30 per cent to 45 per cent of the prevailing market rent.

Mr Liao said the proposals were in keeping with the Government's previously stated intention to accelerate the phasing out of rent control provided circumstances allowed it, bearing in mind the need to avoid adverse social consequences.

"We believe that given the present softening of the rental market, now is the most opportune moment to continue the process of rent decontrol," Mr Liao said.

"We hope with the improving economy, property development will be stimulated

and more accommodation produced, again lessening the need for rent controls," he added.

According to the Government, domestic rents have dropped by an average of 15-20 per cent in the past year. The drop from the time of the property boom in late 1981 has been about 30 per cent.

Of the 55,000-odd private tenancies in Hongkong, only about 141,000 tenancies of post-war premises are under rent control now.

About 55,000 of these will be affected by the changes

proposed in the Landlord and Tenant (Consolidation) (Amendment) Bill 1984, gazetted yesterday.

The Government invites public comment on the Bill which will be introduced in the Legislative Council on May 16. The second and third readings are scheduled for June 13.

About 22,000 tenants whose rents are governed by Part Two of the main ordinance will face the bigger increases from December 19 under the proposal to increase the minimum rent

from 30 to 45 per cent of the prevailing market rate.

"They will have increases, but many only marginally exceeding 30 per cent of their present rents," Mr Liao said.

He said that though the increases might be sizeable, a tenant's final rent would still be substantially below the prevailing market rate.

At present, the maximum rent increase allowed every two years for premises under Part Two is 30 per cent of the current rent or half the differ-

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ence between the prevailing and the market rent, whichever is the lesser.

The Bill states that from December 19, the rent increases should be based on the prevailing market rent and the current rent or 30 per cent of the current rent, whichever is the lesser.

"Removing the halving factor will affect about 23,500 tenants whose controlled

These premises would still be protected by security of tenure at the prevailing market rent, Mr Liao said.

The \$35,000 rateable value used as a cut-off point will be the old one applying on June 10 last year, as the new rateable values which took effect from this month have yet to be fully established, he said.

Of the 2,000 tenancies affected, about 73 per cent are held in the name of corporations.

"They are not expected to suffer any undue hardship because rents in this bracket have been coming down and the average level of controlled rent is already close to the prevailing market level.

"Furthermore, no hardening of rents seems likely for this sector in the coming year. There are many large flats vacant and a good supply is forecast for this year and next," Mr Liao added.

Other proposals in the Bill include:

• The removal of rent control from fully furnished premises in new leases.

It is thought this would encourage landlords to provide such accommodation, on a short-term basis, for organisations who bring overseas personnel to Hongkong for specific projects.

These leases would not last longer than a year, to avoid abuse. The agreements would require endorsement by the Commissioner for Rating and Valuation, he said.

• It is proposed that for about 2,700 pre-war domestic premises, the multiplication factor to be applied to the standard rent (rent as at December 1941) to arrive at the permitted rent will be raised from 16 to 21.

"For an average upper floor tenement, the proposed change would result in an increase of about 31 per cent or \$200 a month on its current rent which would bring its level up to about 45 per cent of the prevailing market

rate," Mr Liao said.

• It is also proposed to make it possible to transfer tenancies from Part Two to Part Four.

This may be done on application by a landlord or a tenant whose rent has reached at least 77 per cent of the prevailing market rent where a 30 per cent increase would lift the rent up to the prevailing market rent.

By transferring the tenancy to Part Four, tenants would be assured that in future they would pay no more than the prevailing market rent in return for security of tenure.

"This proposal should be welcomed by those tenants currently paying rent above the prevailing market level," Mr Liao said.

Meanwhile, the Commissioner of Rating and Valuation, Mr Ray Fry, says the Government hopes to begin work on an entirely new landlord and tenant ordinance next year.