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1997 'hurting the property market'

Political uncertainty in Hongkong following the visit of the British Prime Minister, Mrs Margaret Thatcher, is adding stress to the ailing property market, the vice-president of the Real Estate Developers Association, Mr Fong Yun-wah, said yesterday.

He said trading in both commercial and industrial properties, as well as luxury-class flats, had become stagnant.

However, residents are buying smaller properties under \$400,000, as most of the purchasers would have little chance of leaving Hongkong whatever the future holds.

Prospective buyers of larger properties are adopting a "wait and see" attitude and will not make any decision until something more concrete is known about the 1997 negotiations, Mr Fong said.

He denied any knowledge of a major outflow of capital from Hongkong by property developers.

Mr Fong stressed that he has great faith in Hongkong's future but said it was a very difficult time for developers because of the reigning climate of uncertainty.

He said the position was not helped by the brief statement issued by Peking — after the joint communique — following Mrs Thatcher's insistence on Britain's sovereignty and the validity of long-standing treaties.

Since Mrs Thatcher and the Chinese leadership agreed on the importance of confidentiality in the diplomatic negotiations, Mr Fong criticised the disclosure of the divergence of views.

Developers, he said, had also shown concern over a subsequent statement from a Chinese Foreign Ministry spokesman stating that "he did not think it would be possible for Britain to continue to play an administrative role even if Britain conceded sovereignty over Hongkong."

He stressed the importance of speed in the negotiations and said there should be regular joint statements on the progress of the talks.

Mr Fong said property sales had dropped by an average 30 per cent this year compared to the previous 12 months.

At one stage the figure was as high as 50 per cent from last year's peak.

Other developers said they expect the outcome of talks to be favourable to maintaining the status quo in Hongkong, but all expressed concern over the prospect of lengthy diplomatic talks.

Several suggested that as far as Peking is concerned Hongkong might take a back seat in top Government circles as China had more important priorities, such as the Taiwan problem.