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30 per cent drop in resumed land payments

Because of the drop in the value of land, the Government is to reduce payments for resumed land in the New Territories development areas by 30 per cent next month.

The new "full-rate" ex-gratia payments, announced by the Lands Department in the latest Government Gazette, is \$48 per sq ft for agricultural land and \$90 per sq ft for building land, effective from October 1.

However, real estate developers with a handsome collection of Letters B — land exchange entitlement certificates — were delighted as they learned the Government will slice an average 30-40 per cent off the present premium to be applied to Letters A and B exchanges, also known as Chart W.

The latest Chart W was recently revised by the Lands Department in its bi-annual review to adjust the premium to the present real estate market.

The new cash compensation rates for future land resumption reflected not only the present slow demand on New Territories land but also the continuous slump in the real estate market since it reached a peak in early 1981.

For resumption of agricultural land, the rate maintained its highest level at \$103 per sq ft in both the April and October reviews last year but started to slide in April when it took a 30 per cent drop to \$71 per sq ft and another 30 per cent fall to \$48 in this latest review.

For building land, the rate was \$220 per sq ft in the April and October reviews but dipped to \$145 per sq ft in April and to \$90 in this review.

The full-rate ex-gratia payments are the cash compensations which New Territories residents whose lands are acquired or resumed by the Government may opt for in lieu of Letters B documents.

Earlier, the Heung Yee Kuk had repeatedly urged the Government to increase the cash compensation rates to include the potential development value of the resumed land and asked for a price of over \$100 per sq ft.

A senior executive committee member of the Kuk said he was surprised at the sharp drop in the compensation rates.

But he was quite optimistic that in future Letters B negotiations a new cash compensation rate of about \$90 for agricultural land could be agreed upon when the potential value is included.

According to the Principal Government Land Agent of the Lands Department, Mr A. J. Harland, these newly-revised rates will be effective until a future agreement has been reached between the Government and the two other parties — the Kuk and real estates developers — when a new system is ironed-out to replace the present Letters B system.

In another development, the premium listed on Chart W took a drop ranging from eight per cent for Letters A

and B exchanges on land in Sai Kung to a dramatic 60 per cent cut for industrial land in Tuen Mun.

An average drop of 30-40 per cent was recorded across the board for most of the seven New Territories districts.

The announcement by the Lands Department was welcomed by property developers who had repeatedly called for the lowering of the premium for Letters A and B exchanges.

The vice-president of the Hongkong Real Estate Developers Association, Mr Fong Yun-wah, said the revised Chart W was still on the high side, despite the drop of more than 50 per cent since October last year.

He said that the lowering of the premium would attract more bidders in future tenders for land to Letters B holders.

"The latest edition of Chart W cannot truly reflect the market, although this time the revision is more encouraging than the one in April," he said.

Mr Fong suggested that the Lands Department, with the aid of their computer facilities, should revise the chart quarterly, rather than bi-annually.

A chartered surveyor, Mr Leung Chung-ying, said the new rates and the revision of Chart W did not reflect the true picture of the property market and he expected the drop in premium would provide the market with a big push.