



Advocacy Paper

2023 Hong Kong Policy Address Recommendations

September 2023



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About Royal Institution of Chartered Surveyors (RICS)

As a globally recognised professional body, everything we do is designed to effect positive change in the built and natural environments.

Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction, and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

With over 134,000 highly qualified trainees and professionals, and offices in every significant financial market, we are ideally placed to influence policy and embed our standards within local marketplaces in order to protect consumers and businesses. In doing so, we can innovate and progress the development of spaces and places, so they are fit for future generations, in addition to the challenges faced in the present.

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Introduction

On 25th October 2023, Hong Kong's Chief Executive will present his second Policy Address on how to implement concrete measures to *'further improve governance, create strong impetus for growth, address people's concerns and difficulties in daily life as well as uniting the community.'*¹ As a leading professional body for qualifications and standards in land, property, infrastructure and construction, RICS would like to take this opportunity to propose policy recommendations, so as to enhance Hong Kong's socio-economic well-being, regional competitiveness, and sustainability standards.

RICS is aware that the global economic outlook remains uncertain against the backdrop of inflation, rising interest rates and tightening credit conditions, despite the re-opening of international borders. In the past 12 months, there have structural changes in many property markets globally. Investment market conditions in Europe and North America awaits much recovery, with most countries expecting no economic growth or negative growth in the property market. RICS 2023 Global Commercial Property Monitors ('GCPM') suggests that Middle East and Africa ('MEA') and the APAC countries may be the regions for positive growths in terms of investment appetite, occupier demand and capital values.² Regarding Hong Kong's performance where property markets show signs of slowing down, RICS calls for strategic policy focus on enhancing the city's competitiveness while balancing the needs of society and the environment.

Many practitioners, industry representatives, associations and think tanks have voiced their views and proposed initiatives that are related to housing and land supply. Without repeating similar content in whole, RICS would like to focus on the propositions on four key areas, as formulated after consulting our corporate members from a range of professional pathways. As listed below, these areas are fundamental to the city's continued success as an international hub for finance, commerce, education, sustainability and more: -

1. Long-term Housing Strategy
2. Future Land Supply
3. Achieving Net Zero by 2050
4. Surveyor Profession

¹ <https://www.info.gov.hk/gia/general/202307/31/P2023073100217.htm?fontSize=1>

² <https://www.rics.org/news-insights/market-surveys/global-commercial-property-monitors>

Summary

Our views and recommendations are summarized as follows:

Long-term Housing Strategy

Demand-side Management Measures ('DMM')

- (1) Abolish Demand-side Management Measures ('DMM') Gradually

Quality and sustainable development in Public Rental Housing ('PRH') and Subsidized Sale Flats ('SSF')

- (2) Promote quality and sustainable development in Public Rental Housing ('PRH') and Subsidized Sale Flats ('SSFs')
- (3) Conduct carbon footprint assessment regarding the development and maintenance of PRH and SSFs

Future Land Supply

Common Guiding Principles in Master Planning

- (4) Adopt Common Guiding Principles of sustainability development and Smart City Technologies at the planning stage for new development proposals and housing estates
- (5) Establish a task force to pool collective wisdom from public and private sectors, so as to formulate inter-departmental policies
- (6) The task force will explore policies to optimize the co-existence of the following key elements: smart infrastructure, spatial design, smart transport, energy management (e.g. smart grids), district cooling systems, digital platforms for waste management and sustainable district features.

Northern Metropolis

- (7) Further study on the frequency of review and categorization of rates to reflect development costs in an accurate manner

- (8) Consult professional bodies, consulting firms and developers, such as RICS, on financial models, cost controls and risk mitigation to develop public confidence in the scheme – leverage on professional expertise to ensure timely completion of the project
- (9) Set out concise KPIs for Northern Metropolis Co-ordination Office in prioritizing the development of brownfields and private land
- (10) Involve the local community in the planning and development process of the Northern Metropolis. Engage with residents, businesses, and organizations to gather input, address concerns, and ensure that the project meets their needs.

Lantau Tomorrow Vision Plan and Kau Yi Chau Artificial Islands ('KYCAI')

- (11) Relocate Kwai Chung/Tsing Yi container terminals to create MEGA Terminal Port Hub ('MTPH') on KYCAI, which presents the opportunity to build, upgrade and modernize container port facilities and the entire logistics supply chain.
- (12) Release urban land for redevelopment at Kwai Chung/ Tsing Yi as CBD3
- (13) consult key industry players, logistics operators and mainland and overseas new ports to identify space and design requirements for modern ports
- (14) Conduct thorough assessment on energy consumption and carbon life cycle
- (15) Prioritize the use of local construction waste as fill materials
- (16) Preserve natural habitats and biodiversity where practical
- (17) Adopt renewal energy sources and green transportation models

Hong Kong government Land Sale

- (18) Replace scattered GIC facilities within private developments with one-stop GIC towers in each district, to achieve economies of scale in operation and maintenance, and enhance accessibility for public users and visitors
- (19) Renew of the provision of GIC facilities regarding Hong Kong government sale sites, in particular the sites with a small scale (i.e. <2,000 m²)
- (20) Develop an additional 5% GFA, on top of the proposed maximum GFA in larger public housing estates in the pipeline, to provide GIC facilities in a timely manner

Achieving Net Zero by 2050 – Hong Kong's Road Map

Green Standards for New Buildings

- (21) Mandate the fulfilment of the highest sustainable standard, such as 'BEAM Platinum', for all Hong Kong government sale sites
- (22) Mandate the fulfilment of a certain rating under the BEAM Plus New Buildings assessment framework for all private sites and major renovations

Green Standards for Existing Buildings/ Hong Kong government Buildings

- (23) All public sector buildings to join the 'BEAM Plus EX' assessment and to obtain a certain rating, as a minimum requirement
- (24) Offer financial incentives for existing building owners to join the 'BEAM Plus EX' assessment, and obtain a certain rating, as a minimum requirement

Carbon Footprint Tracking for Life Cycle of Buildings

- (25) Engage professional bodies to build and standardize a common assessment method for the life-cycle carbon emission of buildings in Hong Kong

Regulatory Sustainability Requirement for Landlord and Tenants

- (26) Implement Minimum Energy Efficiency Standard for all commercial buildings with a total GFA of above 10,000 m², and to impose appropriate penalty for non-compliance
- (27) Establish local green lease standard forms to facilitate the adoption and implementation of green leases
- (28) Promote the use of green lease by requiring that all new leases to be signed by the Hong Kong government are green leases

eConveyancing

- (29) To fully adopt eConveyance and set out roadmap to eliminate conveyance in papers
- (30) To explore the potential of regulated eConveyance and automate land registry on blockchain
- (31) To convert from deed registration to title registration, which should be implemented on newly granted land (such as Hong Kong government sale site, private treaty grants and land exchange) first

Surveying Profession

Enhance the public image of the surveying profession

- (32) To popularize two coined terms of 'built environment' (i.e. instead of real estate, transportation, urban development and etc) and sustainable development whenever possible.

- (33) The Hong Kong government to lead by example by popularizing the term 'built environment' and stressing 'sustainability development' in its' publicity and marketing materials
- (34) Rebrand the industry's image through marketing and PR campaigns

Increase Manpower Supply for Qualified Professionals

- (35) Recognize RICS surveyors as professionally qualified surveyors in public works consultancies and as resident quantity surveyors for NEC projects

Training of Local Talents and Support for Practitioners

- (36) Extend the 'Anti-epidemic Fund – Support for Engineering, Architectural, Surveying, Town Planning and Landscape Sectors' for 3 years to support the training of graduates and assistant professionals in the built environment
- (37) Provide 'Retaining Measure', which covers up to 30% of the monthly salary, for private employers to recruit professionals at a higher salary - the aim is to narrow the salary gaps between public practice and private practice, which will help private firms retain talents and nurture capable successors

Students as Future Talents

- (38) Provide more fundings to increase admission places regarding surveying and construction-related programmes at the tertiary level
- (39) Extend the job search period for another 6 months for non-local graduates of surveying and construction.
- (40) Provide funding for relevant student exchange programmes, conversion programmes for non-local graduates, and admission scholarships

Fostering Research & Development

- (41) Increase quotas for surveying-related research postgraduate programmes by 50%
- (42) Establish small research funding scheme for undergraduate students
- (43) Provide international research collaboration for students

Early education on sustainable development

- (44) Introduce sustainable development as a separate subject or to introduce the concept of sustainability in all relevant subjects at pre-tertiary education

Attract Professional Talents from the Mainland and Overseas Markets

- (45) Identify gaps and establish policies that create favourable conditions for attracting talents from the Mainland

- (46) Collaborate with professional institutions and education sectors in setting up bridging courses where the qualifications fall short of the local standards
- (47) Provide incentives to private sector firms and/or offering tax rebates, subsidies, and appropriate incentives for suitable candidates.
- (48) Extend recruitment policies for graduates and overseas-trained professionals from Southeast Asian countries.
- (49) Collaborate with RICS to attract global talents through promoting Hong Kong's construction industry within its' extension membership network

Details of each recommendation will be elaborated in the following sections.

Background

As the real estate sector's heightened funding needs, a special note here on the monetary policy and its implications on the sector is helpful. While there are signs about interest rate hikes easing rising prices and inflation, the high Fed rate also intensifies financial constraints. According to RICS 2023 Q2 commercial property survey, more than half of the respondents viewed credit conditions as 'deteriorating'. Moreover, although the Fed's rate hiking may pause to ensure the price stability, the high interest rate is likely to sustain for a while, at least well into 2024. As Hong Kong is importing monetary tightening due to the dollar peg, the funding pressure is likely to persist in the coming year.

As Hong Kong borders re-opened in Feb 2023, the market pulse in Hong Kong has been dynamic. Total Retail sales, in particular, is poised for a strong bounce back of 19.6% YoY at HK\$33.1 billion in June. Although there are concerns that the upward trend may not be sustained owing to the ongoing increase in residents traveling outside Hong Kong, there are continued growths regarding the number of incoming visitors. As for the goods trade segment, it might be temporarily under pressure due to suppressed global demand. It is generally accepted in the market that although recovery may require more time than expected, Hong Kong' local consumption, tourist spending and trading is on a steady pace to recovery.

In the first 9 months of 2023, Hong Kong's property markets have seen varied performances amid some uncertainties. The residential leasing market has been rejuvenated with increasing rents due to the Hong Kong government's 'compete for talents' immigration policy while the price

index and transaction volumes have diminished due to uncertain prospects of interest rate hikes and credit tightening. Meanwhile, the office market has seen an increased leasing volume, with sizable transactions recorded in Central, Wong Chuk Hang and Kai Tak. Flight for quality and green features are the key trends. The overall office market is expected to further stabilize in 2H 2023. The industrial market remains active with a mild increase in rents and capital values following the previous years' rise. With a low unemployment rate of 2.8%, a four-year low, it is generally forecasted that Hong Kong economy will continue to show strength and resilience in surviving covid economic destructions, as it did from Asian Financial Crisis and SARS. It is now the time for the Hong Kong government and society to plan ahead for the best position to rebound.

Hong Kong as the 'Super Connector' for finance, I&T and more

As a 'super connector' between the East and the West, Hong Kong is known for its status as an international hub for finance, transportation, professional services and exhibitions conventionally. As set out in the Framework Agreement on Deepening Guangdong-Hong Kong-Macau Cooperation in the Development of Greater Bay Area ('GBA'), Hong Kong's strategic goals are (1) enhancing its' role as the international financial hub, and (2) developing into an innovation and technology ('I&T') hub.

With close proximity to Shenzhen's I&T zone in Huanggang and Futian, the Northern Metropolis, as strategically developed as Hong Kong's I&T hub for clustered I&T development, will delivery synergy effect that propels the bay area to surpass achievements that would otherwise be achieved in a long time. Both Hong Kong government support and innovative policy are required to facilitate the speedy development of the Northern Metropolis, given that prevailing development controls may be slowing down the process.

1. Long-term Housing Strategy

Housing shortage has been most of the most pressing socio-economic issue that Hong Kong is facing. In the past year, the administration has demonstrated strong determination to provide more housing through various means and measures. However, Hong Kong remains one of the world's least affordable cities to buy or to let, despite recent declines in transaction values and volumes. In addition to existing initiatives, the Hong Kong government may consider the following recommendations to tackle housing problems in the short and long term.

1.1. Demand-side Management Measures ('DMM')

Under the prevailing framework of property transaction taxes, there are three Demand-side Management Measures ('DMM'), namely the Special Stamp Duty ('SSD'), the Buyer's Stamp Duty ('BSD') and the New Residential Stamp Duty ('NRSD'). The DMMs were introduced in stages when housing prices were booming. In retrospect, such DDMs were supposed to be temporary policies, which should be subject to review as market conditions changed.

As the residential market cools down with a decline in transactions and capital values, many of the aforementioned policies are now considered outdated. It is time to abolish some of the DMMs while reserving the possibility of re-introducing them again should market conditions change significantly. The threat of re-introducing these stamp duties is deemed sufficient to prevent the formation of housing price bubbles.

The DMMs may be abolished by phases. The first one to be abolished may be the SSD. The main purpose of the SSD is to curb short-term speculative activities, which may drive housing prices up to unrealistic levels. Without debating on the validity of this assumption, the risk of formation of a housing bubble due to short-term speculation is very unlikely under the current economic climate. There is also empirical evidence which shows that although SSD can eliminate short-term speculators (i.e. flippers), it is largely ineffective in cooling down a hot property market.³ According to research published in 2022, the presence of flippers is not entirely bad as it can correct mis-pricing and improve market efficiency.⁴ The SSD also has unintended harmful side-effect, such as limiting the liquidity of the secondary market.⁵ Furthermore, abolishing the SSD can also facilitate urban redevelopment by reducing the redevelopment costs for the Urban Renewal Authority ('URA') and private developers.

The second DMM to be abolished may be the NRSD, which aims at reducing investment demand for housing. The investment demand for incoming-producing assets (including housing) has been suppressed by rising real interest rates in Hong Kong, which is likely to persist for a long time. In addition, empirical evidence casts doubt on the effectiveness of this policy due to the possible use of 'surrogates' to buy a second housing unit.⁶

The BSD may be the last one to be considered for abolition since it can reduce non-local demand, which is desirable from a social, if not an economic, perspective. Abolishing this DDM may deliver symbolic meaning of welcoming foreign investments, which may be promoted as a competitive edge when compared of Singapore's foreign stamp duty of 60%.⁷ In reality, non-local demand

³ Chau, K. W., Wong, S. K., & Li, K. C. (2020). The unintended consequences of real estate transaction tax, 26th Pacific Rim Real Estate Society Conference, 19-22 January 2019, Canberra, Australia; Agarwal, S., Chau, K. W., Hu, M., & Wan, W. X. (2021). Tobin Tax Policy, Housing Speculation, and Property Market Dynamics. <http://dx.doi.org/10.2139/ssrn.3641624>

⁴ Wong, S.K., Deng K. K. & Chau K.W. (2022) Do Short-Term Real Estate Investors Outperform the Market? *Journal of Real Estate Research*, 44(2), 287-309, <https://doi.org/10.1080/08965803.2021.2008608>

⁵ Chau, K. W., Wong, S. K., & Li, K. C. (2020). The unintended consequences of real estate transaction tax, 26th Pacific Rim Real Estate Society Conference, 19-22 January 2019, Canberra, Australia; Agarwal, S., Chau, K. W., Hu, M., & Wan, W. X. (2021). Tobin Tax Policy, Housing Speculation, and Property Market Dynamics. <http://dx.doi.org/10.2139/ssrn.3641624>

⁶ Wong, S. K., Cheung, K. S., Deng, K. K., & Chau, K. W. (2021). Policy responses to an overheated housing market Credit tightening versus transaction taxes. *Journal of Asian Economics*, 75, 1013

⁷ Inland Revenue of Singapore (2023) Additional Buyer's Stamp Duty. <https://www.iras.gov.sg/taxes/stamp-duty/>

has shrunk to a negligible level under the current economic environment – the BSD is performing negligible function in a practical sense and the time to abolish the measure has come.

Recommendations:

(1) Abolish Demand-side Management Measures ('DMM') Gradually

1.2. Quality and sustainable development in Public Rental Housing ('PRH') and Subsidized Sale Flats ('SSF')

The Hong Kong government is the largest housing provider, with the Housing Authority and being responsible for PRH and the Housing Society being responsible for most of the SSFs. In terms of historical completion, the total number of PRH units and SSFs completed is 1,302,000, representing 43.4% of the overall housing stock.⁸

The quantity of completed flats is certainly important. However, there shall be a clear mandate to enhance quality and sustainability, which are equally important in ensuring the well-being of residents. Currently, with Hong Kong's aging PRH and SSFs, many estates may face problems of high maintenance costs, deteriorating building safety and poor living conditions. To alleviate such problems, RICS recommends that to give more consideration to quality control and sustainability during the design stage of new housing estates for PRH and SSFs.

By doing so, it would be less costly and difficult for the Hong Kong government and residents to maintain building quality in the medium and long terms. It is expected that good and sustainable designs would help preserve the quality of such housing stock and lengthen the buildings' service life in general.

Furthermore, the Hong Kong government is recommended to conduct carbon footprint assessment the development and maintenance of PRH and SSFs. HA, HS and relevant authorities, who operate as a major housing provider in the public/subsidized sector, shall investigate into the carbon emissions throughout the life cycle of buildings. From the inception of a housing estate to the choice of materials and decommissioning, life cycle emission analysis enables stakeholders to identify viable opportunities to enhance sustainability through design, construction and operation. Eventually, both newly completed and older projects' carbon emission performance shall be improved.

Recommendations:

(1) Promote quality and sustainable development in Public Rental Housing ('PRH') and Subsidized Sale Flats ('SSFs')

(2) Conduct carbon footprint assessment regarding the development and maintenance of PRH and SSFs .

⁸ Census and Statistics Department (2022) Hong Kong Figures 2023 Edition. Hong Kong.

https://www.censtatd.gov.hk/en/data/stat_report/product/B1010006/att/B10100062023AN23B0100.pdf

2. Future Land Supply

The Hong Kong government has proposed to secure 7 300 hectares (ha) of land supply for future development⁹, with two strategic growth areas, namely the Northern Metropolis and Kau Yi Chau Artificial Islands ('KYCAI'). RICS supports such land creation proposals, concurring with the Hong Kong government's view that having adequate land supply in the pipeline and a sufficient land bank for future generations are both important. Unlike old urban areas where large-scale redevelopment may be technically and financially challenging, new development proposals present the opportunity for master planning, cityscape design and the adaptation of innovative planning principles. The Hong Kong government should grasp this golden opportunity to formulate master policies and guiding principles for the whole area to adopt and implement.

2.1. Common Guiding Principles in Master Planning

Looking from a macro and more practical perspective of city management, RICS underscores that now is the time to plan for master sustainability initiatives and the construction of Smart City for land and housing projects, in particular for Northern Metropolis, Lantau Tomorrow Vision and new housing estates. The built environment and the construction sector can support the design and construction in many areas, such as smart infrastructure, smart spatial planning and smart transport.

Guiding Principle 1: Sustainable Development

Sustainable development is development that 'meets the needs of the present without compromising the ability of future generations to meet their own needs'. It should be adopted as a major guiding principle at the design and conceptual stage. Through planned infrastructure, home-job balance, public green space and green buildings, all citizens living and working in the new development space can enjoy the social, economic and environmental benefits of sustainable development.

Guiding Principle 2: Smart City Technologies

The concept of Smart City lies at the interplay of urban planning, technology adaptation and policy support. To fully reap the benefits of Smart City, such as optimizing workflows and optimizing productivity and effectiveness, prudent advanced planning is essential.

Task Force to Implement Guiding Principles

RICS recommends that the Hong Kong government sets up a task force to further refine the schematic design for the planning of new districts, with which there should be a consultation department to collect and consolidate the best adaptations of sustainability development and Smart City technologies for further implementation. Being the mastermind of minds, this new task force will coordinate with relevant Hong Kong government departments to invent a 'sustainability and Smart City' proposal specifically designed for the particular development area.

⁹ exceeding the land demand of 6 200 ha from 2019 to 2048 as indicated in the Hong Kong 2030+ Study Report

With the heads of relevant bureaus and Hong Kong government departments, representatives from the academic and professional bodies, industries experts from the private sector, the task force's pooling of collective wisdom will generate a synergy effect for inter-departmental Smart City policies to be formulated.

Particularly, the task force will explore policies to optimize the co-existence of the following key items: smart infrastructure, spatial design, smart transport, energy management (e.g. smart grids), district cooling systems, waste collection and sustainable district features. It is expected that such public-private effort will enable the optimization of Smart City Technology.

Recommendations:

- (1) Adopt Common Guiding Principles of sustainability development and Smart City Technologies at the planning stage for new development proposals and housing estates*
- (2) Establish a task force to pool collective wisdom from public and private sectors, so as to formulate inter-departmental policies*
- (3) The task force will explore policies to optimize the co-existence of the following key elements: smart infrastructure, spatial design, smart transport, energy management (e.g. smart grids), district cooling systems, digital platforms for waste management and sustainable district features.*

2.2. Northern Metropolis

Northern Metropolis, which covers Yuen Long, Fanling/ Sheung Shui and various New Development Areas ('NDAs'), has a total area of 30 000 hectares – it will develop more than 3 000 hectares of new development land over the next 20 years. According to the Development Bureau's estimation, about half of the proposed new development land is private land. (i.e. about 1,500 hectares) In order to expedite the development of an I&T economy and provide more housing in the NDAs, policies and proactive measures should be formulated in providing land owners the opportunities to participate more in relevant developments. With more flexibility and more initiatives, private developers shall be more encouraged to further unlock the development potential.

Review the Standard Rate Mechanism in Northern Metropolis

With a view to provide certainty in land premium and expedite premium assessment procedures, the Lands Department announced in March 2022 the use of standard rates in land premium assessment to lease modification applications in NDAs for projects implemented through the 'enhanced Conventional New Town Approach'.¹⁰ In June 2023, the Lands Department has lowered the standard rates regarding the uses after land exchange by as much as 33.3% in Kwu Tung North NDA, after considering that there were substantial changes in the economy and property market.

¹⁰ 'Standard rates' is an alternative option to the conventional mechanism for premium assessment.

The adoption of standard rates by developers could only be feasible if the rates are not out of tune with market conditions and reflect the actual development circumstances in the NDAs. In today's rapidly changing market, the standard rates would need more frequent review and revisions to reflect the change in market conditions.

On top of market conditions, the residual land value chargeable, which is the difference between land values before and after the land exchange under the standard rate framework, should reflect actual development costs, risks and period accurately. The reason is that when it comes to the residual value of land, the calculation would hinge on many factors, including the scale of development, accessibility to major public transportation, the timing of availability of essential infrastructure such as water supply and drainage systems, etc.

In view of Northern Metropolis's case, timing of the provision of essential infrastructure should be considered a key factor in the assessment of land premium. The longer it takes for the infrastructure to complete, the higher the gross development cost would be. The stakes are particularly high when faced with high interest rates and a prolonged development period. Take the timing of essential infrastructure in the Fanling North NDA as an example. The earliest completion time of the main water supplies and flushing water works is estimated at 2029, meaning that private residential projects would not be ready for disposal until then. To mitigate risks of potential delay of the water works, the developer could only adopt a delayed timeline for project disposal, which would inevitably increase the gross development cost. The above indicates that the prevailing single rate for each property type for the assessment of the before and after land value does not suffice to reflect the actual development circumstances of the sites in the NDAs.

RICS recommends the Lands Department to engage professional consultants and stakeholders in New Territories property development in formulating a mechanism to consider certain relevant development factors for the setting of standard rates. Further study on the frequency of review and categorization of rates would assist to set up the system for keeping the standard rates close to the market reality, thus achieving the aim of expediting premium assessment procedures and subsequent development.

Recommendations:

- (1) Further study on the frequency of review and categorization of rates to reflect development costs in an accurate manner*
- (2) Consult professional bodies, consulting firms and developers, such as RICS, on financial models, cost controls and risk mitigation to develop public confidence in the scheme – leverage on professional expertise to ensure timely completion of the project*
- (3) Set out concise KPIs for Northern Metropolis Co-ordination Office in prioritizing the development of brownfields and private land*

(4) Involve the local community in the planning and development process of the Northern Metropolis. Engage with residents, businesses, and organizations to gather input, address concerns, and ensure that the project meets their needs.

2.3. Lantau Tomorrow Vision Plan and Kau Yi Chau Artificial Islands ('KYCAI')

According to 2021's Conceptual Spatial Framework under the final recommendations of 'Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030' (Hong Kong 2030+), the development of the KYCAI can provide about 1 000 hectares of development land, which serves as an important land bank. With an increased development capacity, Hong Kong will be well-positioned to grab opportunities when they emerge and cater for future use. The first phase of KYCAI will deliver about 300 hectares of land within the upcoming decade.

As advocated in RICS's Statement on land supply¹¹, RICS supports the reclamation proposition. Considering KYCAI's strategic and central location to connect the Central CBD with the New Territories, RICS proposes creating MEGA Terminal Port Hub ('MTPH') on the artificial islands, as an alternative to creating CBD3. MTPH presents the ideal opportunity to build, upgrade and modernize Hong Kong's container port facilities and the entire logistics supply chain.

By relocating existing ports from Kwai Chung/Tsing Yi to KYCAI, Hong Kong Ports ('HKP') operators can adopt modern transshipment handling and container automation with latest technologies and digitalization tools, so as to develop 24/7 operation models and reduce operating costs. Take Singapore as an example, the island state has commenced a four-phase reclamation project, namely Tuas Port, to grow handling capacity. Commenced in 2015, the first phase has officially completed last year. The Maritime and Port Authority of Singapore ('MPA') works with port operators to drive the adaptation of AI and digitalization, such as the Next Generation Vessel Traffic Management System and a private 5G network to support 5G-enabled AGVs and Automated Cranes at Tuas Port.

Furthermore, RICS proposes to further reserve land parcels adjacent to the new MTPH for (1) logistics-related facilities, which would serve as an operational base for the handling of air-freight containers from Chek Lap Kok airport and for (2) complementary sectors and related industries that have high levels of interactions with port operation, which creates a synergy effect to boost growths.

In addition to the benefits of automation, the relocation of ports presents another major advantage: the MTPH can release large parcels land at Kwai Chung/ Tsing Yi for the redevelopment of urban land uses, such as commercial and residential uses.

Regarding design considerations and space specifications for MTPH, operational requirements can be highly specific and vastly different from the existing operating models. It is recommended

¹¹ RICS (2018) *Statement on Consultation on Land for Hong Kong: Our Home, Our Say! Response*

that the Hong Kong government consult key industry players, logistics operators, technology partners and mainland and overseas new ports to identify space and design requirements for modern ports, so as to provide capacity for the industry to modernize and evolve in face of competition from neighbouring ports.

Sustainability Considerations and Environmental Protection

RICS recommends that the Hong Kong government conduct an assessment on energy consumption and carbon life cycle of the proposed reclamation project to minimize the environmental impact.

To reduce energy consumption and carbon footprint, it is recommended that the reclamation project adopt more local fill materials where practical. At present, Hong Kong generates over 15 million tons of inert construction waste each year, with the majority of which transported to Guangdong for disposal. It would be ideal if the use of local waste can be maximized as a major fill material. Also, during the construction stage, the preservation natural habitats and biodiversity should be considered. Relevant measures, such as creating green belts and wildlife corridors, and implementing strict regulations on development in environmentally sensitive areas, should be implemented.

As for the operation stage, it is recommended that the Hong Kong government considers the use of renewal energy sources and green transportation models, so as to implement green living and reduce carbon emissions.

Recommendations:

- (1) Relocate Kwai Chung/Tsing Yi container terminals to create MEGA Terminal Port Hub ('MTPH') on KYCAI, which presents the opportunity to build, upgrade and modernize container port facilities and the entire logistics supply chain.*
- (2) Release urban land for redevelopment at Kwai Chung/ Tsing Yi as CBD3*
- (3) consult key industry players, logistics operators and mainland and overseas new ports to identify space and design requirements for modern ports*
- (4) Conduct thorough assessment on energy consumption and carbon life cycle*
- (5) Prioritize the use of local construction waste as fill materials*
- (6) Preserve natural habitats and biodiversity where practical*
- (7) Adopt renewal energy sources and green transportation models*

2.4. Hong Kong government Land Sale

As a major source of land supply for commercial use and private residential housing, Hong Kong government land plays a key role to stabilize land supply. In recent years, it is common to see mandatory requirements of providing Hong Kong government, Institution and Community ('GIC')

facilities within Hong Kong government land sale sites, such as day care centres and community halls.

However, while the provision of such facilities may meet public needs, such policy direction may present certain problems and challenges when implemented. Firstly, the locations of these GIC facilities are too scattered around different private developments, resulting in an adverse impact on management efficiency and accessibility. It is time-consuming and not cost effective that citizens need to visit various locations for various public services. Secondly, for some of the GIC facilities constructed within smaller private developments, the scale and capacity are considered too small. With such restriction in size, the economies of scale and operational efficiency may be compromised, resulting in higher overhead costs for operation, management and maintenance.

To address the above challenges, RICS proposes setting up a one-stop GIC complex for each district to replace scattered facilities in different private complexes, so as to promote scalable operation and management efficiency. Particularly, this model will help relative public services achieve economies of scale and efficient use of resources. Furthermore, by not requiring land bidders to fulfil such developer's obligations to build for the Hong Kong government, developers would have greater flexibility in terms of master layout design, building design, project positioning and construction timeline. The value of the land may therefore increase, ceteris paribus. RICS therefore calls for a renewal of the provision of GIC facilities regarding Hong Kong government sale sites, in particular the sites with a small scale. (i.e. site area <2,000 m²)

On top of new GIC complexes providing multiple functions at one address, RICS proposes reserving 5% of GFA for GIC facilities in all public housing estates and Hong Kong government buildings in the pipeline. RICS considers the proposed percentage a meaningful scale and capacity for operation efficiency and long-term maintenance. Unlike Hong Kong government sale sites whose completion timeline involves more uncertainty associated with public tender, public projects' development timeline is more certain. RICS believes that reserving GFA in all future Hong Kong government projects represents a timely solution to deliver specific social facilities, so as to respond to societal needs locally within the district.

Recommendations:

- (1) Replace scattered GIC facilities within private developments with one-stop GIC towers in each district, to achieve economies of scale in operation and maintenance, and enhance accessibility for public users and visitors*
- (2) Renew of the provision of GIC facilities regarding Hong Kong government sale sites, in particular the sites with a small scale (i.e. <2,000 m²)*
- (3) Develop an additional 5% GFA, on top of the proposed maximum GFA in larger public housing estates in the pipeline, to provide GIC facilities in a timely manner*

3. Achieving Net Zero by 2050 – Hong Kong's Road Map

Extreme weather events increased over the past year, causing huge economic losses and devastating impacts on human life, animals, and natural resources. The urgency for change needed to achieve Net Zero by 2050 is getting more pressing by day. Buildings play a significant role in reaching the all-important targets since they account for the lion's share of all emissions. The acceleration of net zero carbon buildings to 100% by 2050 must be expedited today, so as to minimize the catastrophic natural disasters due to climate change.

Given that promoting Net Zero in real estate development and building operations generally contain a fairly broad spectrum, RICS would like to call for specific policies on regulations on minimum energy efficiency requirements, proper standardized tools and monitoring frameworks.

3.1. Green Standards for New Buildings

In Hong Kong, BEAM Plus is a widely adopted as an initiative to assess building sustainability performance independently. Its' major aims include enhancing the health and wellbeing of occupants, reducing the environmental impact of buildings, as well as to make buildings more energy-efficient and carbon efficient for the net zero target by 2050. RICS would like to recommend that the Hong Kong government requires all new buildings fulfil BEAM Plus requirement as a mandatory requirement, which is generally is in line with the practice of the other economies. For example, the Singapore Hong Kong government implemented the 'e-GreenGov.SG' initiative to require, if feasible, all public sector buildings new and existing (upon major retrofit) to achieve the highest Green Mark Platinum Super Low Energy ('SLE') standards, which is the highest rating in the classification.

Current Policy Control on Hong Kong government Sale Sites

The Hong Kong government has been mandating some of the Hong Kong government sale sites to adopt green building designs through land administration control. i.e. Some Hong Kong government' sale site's Conditions of Sale would stipulate that the building must obtain 'Provisional Gold Rating' or the like in some commercial Hong Kong government sale sites.

However, such 'green clauses' are yet to be standardized to cover all Hong Kong government sale sites, not to mention that the Hong Kong government is merely requiring the 'Gold Rating', instead of the highest standard of the 'Platinum Rating'. By comparison, Singapore mandates that all Hong Kong government land sales sites are required to reach the highest environmental sustainability standard, namely Green Mark Platinum SLE rating with maintainability badge, since 2022. It is recommended that Hong Kong developers shall be held accountable for

obtaining the highest green building standards available when involving in Hong Kong government land sales. They shall be required for completing final rating assessment upon the completion of projects.

Current Policy Control on Private Site

There is no policy to mandate green building designs on private land. Currently, GFA concessions are offered to encourage voluntary participation of the BEAM Plus Assessment. RICS therefore calls for the adaptation of a mandatory policy to obtain a certain final rating under the BEAM Plus New Buildings assessment framework for all new projects on private site, which covers the demolition, planning, design, construction and commissioning of a new building project; major renovations, retrofitting, alterations and additions should also be required to complete the same. By adopting an affordable range of best practices, it seeks to reduce the environmental impacts of a new building while also improving environmental quality and user satisfaction.

As such, implementing policies in both Hong Kong government sales sites and private sites where sustainable designs and features will ensure net-zero performance in the long term may be warranted to reduce real estate related carbon emissions, generating meaningful momentum for green standard application for a greener future.

Recommendations:

- (1) Mandate the fulfilment of the highest sustainable standard, such as 'BEAM Platinum', for all Hong Kong government sale sites*
- (2) Mandate the fulfilment of a certain rating under the BEAM Plus New Buildings assessment framework for all private sites and major renovations*

3.2. Green Standards for Existing Buildings/ Hong Kong government Buildings

In addition to new buildings, the Hong Kong government may encourage the participation of completed buildings in BEAM Plus, so as to achieve the long-term goal of carbon neutrality.

With Reference to the Hong Kong Green Building Council's ('HKGBC') statistics, there are over 42,000 private buildings in Hong Kong. Together with public buildings, building-related activities accounted for some 90% of total electricity consumption and 60% of the total carbon emission. BEAM Plus Existing Buildings ('BEAM Plus EB') has been in place for the measurement of the actual building performance and the evaluation of its' facilities management practices.

Current Situation of Existing Buildings

There are no Hong Kong government incentives to specifically raise energy and carbon performance, nor mandatory policy control to mandate sustainable performance for completed developments.

By comparison, the Singapore administration has launched a SGD\$63 million cash incentive scheme, namely 'Green Mark Incentive Scheme for Existing Buildings 2.0), to help landlords lower the upfront capital costs of energy efficient retrofits for their buildings. RICS recommends that the Hong Kong government to reflect on Hong Kong's way out to enhance the level of sustainable performance of existing buildings.

For example, the Hong Kong government may join the 'BEAM Plus Existing Building' ('Beam Plus EB') assessment with all public sector buildings, which include Hong Kong government offices, schools and public housing estates. As the BEAM EB measures the actual performance of a building and evaluates its facility management practices. Such exemplary efforts will push the boundaries of energy and carbon efficiency in the built environment.

Regarding the existing stock of some 42,000 private sector buildings, the Hong Kong government may offer financial incentives, such as subsidies and tax concessions for building owners to participate in the 'BEAM Plus EB' assessment. By identifying more and more existing buildings' energy and carbon performance under the framework, landlords and occupants will be able to benchmark their buildings' performance continually. With an increasing rate of green buildings, Hong Kong's built environment will become more future proof in the face of environmental challenges.

Recommendations:

- (1) All public sector buildings to join the 'BEAM Plus EX' assessment and to obtain a certain rating, as a minimum requirement*
- (2) Offer financial incentives for existing building owners to join the 'BEAM Plus EX' assessment, and obtain a certain rating, as a minimum requirement*

3.3. Carbon Footprint Tracking for Life Cycle of Buildings

As advocated in our 2022 policy address paper, it is Hong Kong government to promote carbon footprint tracking of lift cycle of buildings. When considering the carbon footprint of buildings, one must take note of the embodied carbon from the inception of a building till its decommissioning. Life cycle carbon emission allows developers and occupiers to fully understand their emissions and to identify opportunities to make design, construction, operation decisions more sustainable. Hong Kong Construction Industry Council (CIC) Carbon Assessment Tool allows the tracking of project carbon footprint from raw material extraction till the end of construction, focusing on performance in new buildings and infrastructure projects. Separate schemes under BEAM Plus New Buildings and Existing Buildings also measure carbon emissions at construction phase and operating phase respectively, yet individually.

Hong Kong needs unified tools for developers to track the entire life cycle emission of buildings. RICS has recently launched the Whole Life Carbon Assessment standard second edition (WLCA), which updates the existing standard to be used globally and to cover all built assets and infrastructure projects throughout the built environment cycle. We recognised this will help both the public and private sector to measure their impact on climate change.

We urge the Hong Kong government to start working with professional bodies to build and standardize a common assessment method for the life-cycle carbon emission of buildings in Hong Kong, aligning and referring to both RICS's WLCA standard and the existing international standards, such as EN15978 'Sustainability of construction works - Assessment of environmental performance of buildings - Calculation method' and other available life cycle carbon emission assessment tools and reporting frameworks, such as the International Cost Management Standard (ICMS) (3rd Edition) by the ICMS Coalition and the International Building Operation Standard (IBOS) published by RICS. Such standardized common assessment tool and reporting standard will facilitate development of a future mandatory carbon emission monitoring mechanism for our building stock.

Recommendations:

- (1) Engage professional bodies to build and standardize a common assessment method for the life-cycle carbon emission of buildings in Hong Kong*

3.4. Regulatory Sustainability Requirement for Landlord and Tenants

The compliance for green building certifications is mostly on voluntary basis in Hong Kong. More developers and landlords are providing sustainable credentials for their portfolios, as MNC tenants and corporate occupiers would mostly require green credentials for their leases and property transactions. However, there is limited accountability for developers to maintain such certifications upon expiry. In other words, the operational sustainability performance is neglected.

RICS recommends that the Hong Kong government implements mandatory emission and energy performance requirements through regulations and frameworks, as implemented in other major cities. In New York, the 'carbon cap' law¹² is enacted in 2019 to put an upper limit on emission of most buildings that are over 25,000 sq. ft. Owners are required to report emission information annually. Exceeding the emission limit would render a fine as a punishment. In the UK, fulfilling the Minimum Energy Efficiency Standard ('MEES') is required for all newly rented

¹² Urban Green Council 2022, All About Local Law 97, accessed 26 Aug 2022, < <https://www.urbangreencouncil.org/content/projects/all-about-local-law-97> >

commercial properties¹³, making it unlawful for landlords to renew or grant new leases if the required standards are not met; for private domestic units, all landlords must have an up-to-date Energy Performance Certificate ('EPC') with the minimal rating of E before marketing to sell and let. Successfully, such compliance requirements directly link owners' sustainability compliance to revenue generations and value of the properties.

As the first step to promote energy efficiency through regulatory requirements, RICS recommends that the Hong Kong government requires all sizable commercial buildings with a total GFA of above 100,000 m² to achieve a minimal rating regarding the Minimum Energy Efficiency Standards. To ensure the compliance of landlords, appropriate penalties and fines shall be adopted for non-compliance.

- (1) *Implement Minimum Energy Efficiency Standard for all commercial buildings with a total GFA of above 10,000 m², and to impose appropriate penalty for non-compliance*

Hong Kong government to lead by example to adopt green lease for her new leases

Generally speaking, the adoption of green lease remains uncommon in Hong Kong. Tenants are still in its early stage of implementing green initiatives. Taking on an active role, some developers sponsor facility management and eco-efficiency programs to assist tenants through the green transition, free energy audits and technical energy saving advice are provided on a complementary basis. In some occasions, landlords may adopt sustainable fit-out or operation guides proactively in building designs and maintenance. Yet, such landlord provisions are may non-binding.

The obligations under green lease would be beneficial to both the landlords and tenants, in terms of data sharing and helping each other in monitoring their sustainability performance. The data generated from operation data and consumption records can be beneficial in formulating effective solutions and fulfilling green objectives.

RICS recommends that the Hong Kong government set an example by adopting green lease with relevant sustainability clauses for all new leases signed by the Hong Kong government. As references, the Australian Hong Kong government adopted the Green Lease Schedule, which requires all Hong Kong government agencies to incorporate green schedule in all their new leases, setting out that the minimum ongoing operational building energy performance standard must be achieved by both landlords and tenants. In other places, such as Singapore, the Building and Construction Authority developed a schedule of standard lease clauses on sustainability.¹⁴

¹³ UK Hong Kong government 2019, *Non-domestic Private Rented Property: Minimum Energy Efficiency Standard – Landlord Guidance*, accessed 20 Aug 2022, <https://www.gov.uk/Hong_Kong_government/publications/non-domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance>

¹⁴ Building and Construction Authority of Singapore 2021, *Green Lease Toolkit – Green Schedule*, accessed 25 Aug 2022, <https://www1.bca.gov.sg/docs/default-source/docs-corp-buildsg/sustainability/20210917_green-lease-toolkit_upload.docx?sfvrsn=a94a4e7d_2>

Recommendations:

- (1) *Establish local green lease standard forms to facilitate the adoption and implementation of green leases*
- (2) *Promote the use of green lease by requiring that all new leases to be signed by the Hong Kong government are green leases.*

3.5. eConveyancing

As called for in RICS's 2022 Policy Advocacy Paper, Electronic conveyancing ('eConveyancing') should be adopted in Hong Kong – digitalizing the process of property transactions minimize the time and professional manpower required for manual checking of paperwork and processes. Buying, leasing and selling real assets without paper deeds will save clients, bankers and solicitors their time and professional efforts required for manual checking and exchange of documents.

Moreover, eConveyancing will help protect private property rights. In today's marketplace, losing the physical copy of the title deeds may adversely affect the marriageability of the property and hence a significant discount on the capital value. By replacing paper deeds with digital deeds, private property rights will be better protected.

eConveyancing is currently not an available option in Hong Kong. Real estate buyers, developers, banks and law firms all work separately during the conveyance process, which is time consuming and involves countless paperwork. New World Development has co-developed a property-purchase platform with Hong Kong Applied Science and Technology Research Institute Company Limited ('ASTRI') and Bank of China Hong Kong back in 2019, with an aim to save time and resources in the property-buying process. It explores using smart contract on a blockchain, allowing decentralized Finance (DeFi) and eliminating intermediaries. However, no further updates of the platform can be found since the launch.

eConveyance has been increasingly popular across the globe. In New South Wales of Australia, all mainstream property transactions must be lodged electronically, and all paper-based certificates of titles were no longer permitted from 2021. In Sweden, society adopts blockchain as a technical solution for real estate transactions and the mortgage deed processes, which limits information asymmetries by allowing all parties (including banks, land registry, brokers, buyers and sellers) to monitor the progress of the transaction on an APP, up to signing the final verification record for the transfer. Land registry can automate the title registration, and grant the property title to the buyer and register it. In Singapore, conveyance procedures will be fully digitalized. Singapore Land Authority, which is responsible for the registration of land leases, issued a public tender for the development of an eConveyance platform in May 2022. Since 2016, the Authority has gradually converted about one million paper Housing & Development Board ('HDB') land leases to digital versions in a database, which now covers all HDB and private property deeds.

Registering land titles / deeds via blockchain can shorten conveyancing process, reduce transaction cost, enable ownership documents to be traceable, time-stamped and indisputable, and allow tokenization for fractional ownerships. Before integrating land registry on blockchain, Hong Kong needs to solve the outstanding issues with registration by deed. The current registration approach does not provide title, as they are simply isolated records of transactions. The Land Title Ordinance was enacted in 2004 for registration by title, but it is yet to be brought into operation. The Secretary of Development has proposed in June 2022 to consult the Legislative Council in Q4 2022 on enabling early implementation of the title registration system.

Pilot programmes of land registry integrated on blockchain has been observed overseas, in some cities in the United States, Zambia, Rwanda, Colombia, Georgia, Sweden, and several states in India. The Republic of Georgia has launched a blockchain land titling project. It registers land title, as well as secure and validate official record, via a private blockchain. Georgian citizens can register their property on the blockchain to reduce the friction in registration and the cost of property rights registration. However, it is worth notice that Moody's warns on risks of private and centralised blockchains, which are more exposed to fraud risks as system design and administration remains concentrated with one or few parties.

Recommendations:

- (1) *To fully adopt eConveyance and set out roadmap to eliminate conveyance in papers*
- (2) *To explore the potential of regulated eConveyance and automate land registry on blockchain*
- (3) *To convert from deed registration to title registration, which should be implemented on newly granted land (such as Hong Kong government sale site, private treaty grants and land exchange) first*

4. Surveying Profession

With surveyors' and consultants' competence, professionalism and global expertise, Hong Kong is well-established as a leading city in the delivery of high-quality developments. In the Employer-Consultant-Contractor eco-system, surveyors and project consultants play a major role in ensuring timely and economic delivery of the master development plan, providing professional advice and advancing industry practices, whilst safeguarding public interests as professionals.

4.1. Enhance the public image of the surveying profession

There is a need to rectify the misconception of the real estate industry that often seen as not caring the needs of citizens enough. Promoting the use of the following two coined terms, namely (1) Built Environment (*建設環境*); and (2) Sustainable Development (*可持續發展*), would be helpful in enhancing the public image of the surveying profession.

To enhance the public visibility of the real estate industry's contributions, RICS proposes to use the coined term, 'built environment', when referring to the real estate or development industry.

Strategically, such term signifies that the real estate and construction industry is a part of the built environment community. The other term, 'sustainable development', shall be highlighting more when mentioning and referring to 'the built environment'. This will create a symbolic meaning to enhance the public perception associated with the industry as time goes by, demonstrating to society that real estate stakeholders strive to achieve sustainable development and maintain harmonious relationship between the built and natural environment ('自然環境').

As an initiative, the Hong Kong government can help popularize the term 'built environment' in its publicity and marketing materials. For example, the Legco functional constituent Architectural, Surveying, Planning and Landscape could consider a functional constituent of the built environment. Applying the same logic, architects, surveyors, urban planners and landscape architects should be addressed as built environment professionals; land use, housing and infrastructure development problems would be termed as built environment problems.

Although most people are familiar with one or two types of surveyors in our industry, some may have overly generalized ideas of the profession, which inevitably leads to a misconceived view of what a surveyor is in a narrow and literal sense, or what the surveyor profession covers as a broad subject of studies. This may have an adverse impact on the appeal of surveying as a subject to study at tertiary level and as a professional career, which may diminish potential interests to enter the profession. RICS are of the view that the 'built environment professional' is an accurate description of the surveyor. Addressing surveyors as built environment professionals can give the public a more accurate and holistic view about the surveying profession, which may help attract new blood.

Similarly, regarding the use of the term 'sustainable development', it should always be stressed at all stages from inception, feasibility study, planning, design, construction, delivery, operation, maintenance and management, disposal / transaction to redevelopment or conservation.

Recommendations:

- (1) To popularize two coined terms of 'built environment' (i.e. instead of real estate, transportation, urban development and etc) and sustainable development whenever possible.*
- (2) The Hong Kong government to lead by example by popularizing the term 'built environment' and stressing 'sustainable development' in its' publicity and marketing materials*
- (3) Rebrand the industry's image through marketing and PR campaigns*

4.2. Increase Manpower Supply for Qualified Professionals

RICS urges to increase manpower supply for the surveyors and professional practitioners of the industry, which include general practice surveyors, land surveyors, building surveyors and quantity surveyors. According to the latest forecast conducted by the Hong Kong Construction Industry Council ('CIC'), the industry will see a shortage of such professionals by 4,000 to 4,500 people in 2024 and a shortage of 6,000 people in 2027. This is the combined result of falling birth rates, emigrating professionals, and professionals flocking to public sector for higher salaries and stability offered. The high attrition rate in the private sector has prompted concerns over

efficiency and productivity which are the key drivers for delivering the sustainable development for the future of our built environment.

It is anticipated that the shortage would get worse with the increase in construction demands associated with new mega developments within the next 10 to 20 years. The Northern Metropolis, Lantau Tomorrow, the 2nd 10th Year Hospital Development Plan, the 10-year housing target create competing demands for qualified professionals. Currently, the issue regarding the shortage of surveyors is mainly left to the private sector to resolve, which is not ideal. Private organizations are, in fact, finding it extremely challenging to recruit and retain talents without support from the Hong Kong government.

A viable recommendation, as proposed by the RICS, is that the Hong Kong government should extend the definition of 'professional qualified' surveyors employed by consultant firms involved in public works/projects to include chartered members of the RICS. Referring to the current system of qualification recognition, surveyor members accredited by RICS, an international professional institution, are not considered as 'professionally qualified' under the Architectural and Associated Consultants Selection Board ('AACSB').¹⁵ In cases where there may be gaps in primary skillsets and/or local practice experience, bridging courses and/or Continued Professional Development ('CPD') training addressing the gaps could be provided.

Furthermore, in view of the rising demand for professional resident quantity surveyors in construction projects procured using the New Engineering Contract (NEC), there is an opportunity for RICS chartered members to fill up this demand gap, if RICS's chartered membership could be recognized by the Hong Kong government's relevant departments and public authorities.

Recommendations:

- (1) Recognize RICS surveyors as professionally qualified surveyors in public works consultancies and as resident quantity surveyors for NEC projects*

4.3. Training of Local Talents and Support for Practitioners

RICS believes that the Hong Kong government should extend its existing 'Anti-epidemic Fund – Support for Engineering, Architectural, Surveying, Town Planning and Landscape Sectors' ('the Support Measure'), which is a training subsidy scheme for graduates and assistant professionals in the relevant fields, which were in place for 3 years during the pandemic. It is generally admitted that after the pandemic, professional firms are increasingly finding it challenging to maintain their sustainable business under the current market conditions and intense competition. Challenges include manpower shortage, fee-diving in professional consultancies

¹⁵ AACSB Handbook sets out guidance for procuring departments which employ the services of consultants in the architectural and associated fields for the implementation of Hong Kong government projects.

and increasing liability burdens. RICS urges that the Hong Kong government continues to provide training support and employment subsidies for at least another 3 years.

In addition to the above, the lack of newly qualified professionals is another reason for manpower shortage in the industry. RICS proposes that the Hong Kong government should consider providing a retaining subsidy, i.e. the 'Retain Measure', for qualified members to remain/join the private sector. To address the salary gap between the public and private sector, a subsidy of at least 30% of the salary of the private sector professionals could be considered.

To further retain talents, the Hong Kong government is recommended to rebrand the industry through highlighting: (I) its significant contributions and values to our sustainable urban development, including sustainable living environment, affordable housing solutions, property and asset management, (II) the changed industrial /work environment with digital transformation and innovative technologies (e.g., BIM, VR/AR/MR, IoT, Digital Twin, PropTech, etc.), (III) high upward mobility due to increasing market demands and extensive continuous professional development opportunities for professionals at different stages, ranging from technical, professional, to managerial levels, and (IV) global exposure opportunities due to international professional recognitions (e.g., RICS) and mega development plans like the Greater Bay Area.

Recommendations:

- (1) Extend the 'Anti-epidemic Fund – Support for Engineering, Architectural, Surveying, Town Planning and Landscape Sectors' for at least 3 years to support the training of graduates and assistant professionals in the built environment*
- (2) Provide 'Retaining Measure', which covers up to 30% of the monthly salary, for private employers to recruit professionals at a higher salary - the aim is to narrow the salary gaps between the public and private sector, which will help private firms retain talents and nurture capable successors*

4.3.1. Students as Future Talents

Regarding surveying-related programmes provided by local universities and tertiary education institutions, the number of admissions and graduation is dropping drastically. Unlike the STEM programmes (i.e. Science, Technology, Engineering, and Mathematics as subjects of studies), surveying is generally not considered a department for great research funding and development grants, which is the mainstream KPI amongst universities. In a practical sense, universities tend to focus on their KPIs given resources are limited.

Local Students

RICS proposes that the Hong Kong government should consider increasing relevant fundings by at least 5% to subsidize more admission places in surveying and construction-related programmes. The proposed increase will lead to an annual increment of at least 150 admission places at UGC-funded undergraduate and sub-degree levels, which will help ease the manpower power in the short to medium terms.

Non-local students

RICs recommends that under the condition that the Hong Kong government provides the same number of admission places for local students, the number of non-local intake may be increased by 50%. As the local's places are well reserve, the universities may admit more non-local students. Such numerical increase will lead to an increase of the non-local ratio by as much as 28%¹⁶, which is still a healthy ratio when compared to comparable programmes in Mainland and abroad.

In view of the manpower shortage forecasted by the GIC, it is expected that, to a large extent, the increment of non-local students will not affect local student's job prospects. To further incentivize non-local students of surveying and construction degrees in developing a career in Hong Kong upon graduation, the Hong Kong government may consider an extended job search period for another 6 months.

In parallel, RICS suggest that the Hong Kong government offers funding for (I) inter-universities student exchange programmes between local and non-local universities, (2) conversion programmes for non-locals, and (3) admissions scholarships.

Recommendations:

- (1) Provide more fundings to increase admission places regarding surveying and construction-related programmes at the tertiary level*
- (2) Extend the job search period for another 6 months for non-local graduates of surveying and construction.*
- (3) Provide funding for relevant student exchange programmes, conversion programmes for non-local graduates, and admission scholarships*

4.3.2. Fostering Research & Development

Research, development and innovation are the cornerstones of sustainable success in every industry. Surveying is no exception, especially when the industry is facing various challenges and opportunities, such as labour shortage, aging workforce, and rapid digital transformation.

However, the number of local students engaging in scientific research in surveying is quite limited, especially when compared to other subjects of studies. To groom local research talents, attract overseas research talents, and foster international research collaborations, the Hong Kong government is recommended to (I) increase the Hong Kong PhD Fellowship Awards, the Research Grants Council of Hong Kong, for surveying-related programmes, (II) establish small research funding scheme for undergraduate students so as to nurture their research interest and capability in early years, and (III) provide international research collaboration opportunities for students to explore, learn and increase their research impacts. These initiatives shall enhance the global standing of the Hong Kong construction industry in terms of qualify research and findings, drawing attract talents, resources and opportunities to the entire construction sector.

¹⁶ Subject to the intake of the particular programme, given the low base effect

Recommendations:

- (1) Increase the Hong Kong PhD Fellowship Awards, the Research Grants Council of Hong Kong, for surveying-related programmes*
- (2) Establish small research funding scheme for undergraduate students*
- (3) Provide international research collaboration for students*

4.3.3. Early education on sustainable development

More overseas countries are taking steps towards teaching climate studies in the classroom, such as New Zealand and Mexico. In 2021, The United Nations Education, Science and Culture Organization ('UNESCO') declared that environmental studies should be taught and made a core curriculum component in all countries by 2025¹⁷. In the same declaration, it also called for improving teacher training on environmental education.

In Hong Kong, climate change is taught only as part of the curriculum of General Studies in primary school, and briefly discussed in Liberal Studies in secondary education. The concept of sustainability and its relevance to the built and natural environment should be introduced in primary and secondary school curricula. Issues like climate change, environmental protection and intergeneration equity are essential for students to understand the balance between satisfying the current development needs and the wellbeing of future generations. The Hong Kong government can consider introducing sustainable development as a separate subject or introduce the concept of sustainability in all relevant subjects.

Recommendations:

- (1) Introduce sustainable development as a separate subject or to introduce the concept of sustainability in all relevant subjects at pre-tertiary education*

4.4. Attract Professional Talents from the Mainland and Overseas Markets

The Hong Kong government is implementing initiatives in extending employment for professionals under the Admission Scheme for Mainland Talents and Professionals ('ASMP'), so as to recruit Chinese residents of Mainland who possess special skills, knowledge, or experience of value to work in Hong Kong.

The built environment applauds such initiative, but so far with only a few successful cases, it remains to be seen how the ASMP would be effective in solving the manpower shortage. To enhance the effectiveness of recruiting talents from Mainland, RICS considers that policies support should be in place to create favourable working and living conditions for graduates and/or professionals from the Mainland.

¹⁷ <https://en.unesco.org/news/unesco-declares-environmental-education-must-be-core-curriculum-component-2025>

Generally, Mainland practitioners have 2 major concerns when it comes to developing a professional career in Hong Kong. Firstly, there may be gaps relating to professional competence, technical knowledge, practice standards and language proficiency. Secondly, high living costs may be considered deterrents.

To address the first concern, the Hong Kong government may consider collaborating with professional institutions, such as RICS and education institutions to set up bridging courses where there is an inadequacy in meeting professional standards. Additionally, the Hong Kong government may consider providing incentives to private sector firms and professional institutions to help upskill candidates' professional practice, improve language competency and any other skill gaps. Incentives could be in the form of financial sponsorship to private sector firms or offering tax rebates for candidates taking the necessary bridging courses.

To address the second concern of high living costs, it may be worthwhile for Hong Kong government to consider the provision of cross-border transport subsidies to attract candidates whose base is in the Greater Bay Area ('GBA'), such as Shenzhen, Zhongshan and Zhuhai.

RICS sees tremendous opportunities to integrate with Mainland on multiple fronts, particularly with the GBA region as a source of major economic cluster. The integration enhances the connectivity in mindsets, social norms and cultural values, in addition to physical connectivity and infrastructure. The knowledge and experience sharing of professional and international best practice between Hong Kong and Mainland would create synergy effects on improving professional standards and creating economic growths.

The ASMTF and recruitment fairs are currently targeting graduates and professionals from Mainland – RICS recommends that the Hong Kong government considers extending the Scheme to graduates and qualified professionals from Southeast Asia countries. Adequate mechanisms should also be introduced to recognize overseas qualified personnel, so as to uphold quality standards.

To further replenish the pool, the Hong Kong government is suggested to further expand the ASMTF to also focus on attracting international professionals, especially from regions with similar professional practice, education system and qualification requirements. As a globally recognized professional body, RICS has over 134,000 members, and over 1,200 accredited undergraduate and postgraduate programmes around the world, including the United Kingdom, China, Australia, Europe, Middle East, Africa, India, Japan, Malaysia, and Singapore. The Hong Kong government is recommended to ride on RICS' readily available international network to attract qualified surveyors to Hong Kong.

In collaboration with the Hong Kong government, RICS can promote Hong Kong's construction industry to surveyors around the world through member news, conferences, exchanges, study tours, and so on. In parallel, it is important for the Hong Kong government to take lead in strengthening the recognitions of MRICS professionals in public works contracts, so as to boost global image of the construction sector in Hong Kong.

Recommendations:

- (1) Identify gaps and establish policies that create favourable conditions for attracting talents from the Mainland*
- (2) Collaborate with professional institutions and education sectors in setting up bridging courses where the qualifications fall short of the local standards*
- (3) Provide incentives to private sector firms and/or offering tax rebates, subsidies, and appropriate incentives for suitable candidates.*
- (4) Extend recruitment policies for graduates and overseas-trained professionals from Southeast Asian countries.*
- (5) Collaborate with RICS to attract global talents through promoting Hong Kong's construction industry within its' extension membership network*

Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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