

**Business Facilitation Advisory Committee
Pre-construction Task Force**

*Survey on the Business Environment
of the Real Estate and Construction Sectors*

Purpose

This paper is to seek members' views on a proposal to conduct a survey to gauge the views of the property developers and professionals on the business environment of the real estate and construction sectors.

Background

2. Members of the Pre-construction Task Force generally feel that the current regulatory regime governing the pre-construction activities, in particular the development approval process by departments concerned, impedes property development and results in the shrinkage of the property market. Many developers and professionals might have chosen to downsize/cease their businesses in Hong Kong and invest/work elsewhere because of the regulatory barriers. At the last Task Force meeting held on 11 September 2006, a Task Force member reiterated his grave concerns about the shrinkage of the local real estate industry and the adverse impact on the economy as a result of the drain of capital and manpower. After discussion, members agreed to look further into the current situation.

3. The Secretariat has carried out some background research. According to the Third Quarter Economic Report 2006, the big companies surveyed in the latest Business Tendency Survey¹ were generally positive about the near-term economic outlook. Sentiment among property developers in land acquisition showed signs of improvement most recently. Yet construction activity remained weak in overall terms.

4. There are many factors of varying importance affecting the business environment and the business/investment plans of the developers and professionals. A low and simple tax system, a corruption free government,

¹ Views collected refer only to those of the respondents on their own establishments rather than those on the respective sectors they are engaged in, and are limited to the expected direction of quarter-to-quarter change.

rule of law and independent judiciary, free flow of information, political stability and security are often cited as the five most important factors for making investment in Hong Kong. According to the American Chamber of Commerce's 2005 Business Outlook Survey, the top five attributes considered by their member companies in deciding their continued investment in Hong Kong are the communication network, legal and regulatory system, geographic location, stable government and political system and availability of high quality personnel.

Proposal and objectives of survey

5. In order to gauge the views of the developers and professionals on the business environment of the real estate and construction sectors and to identify potential improvement opportunities, it is proposed to commission a survey to –

- (a) collect the views of the developers and professionals on –
 - the business environment of the two sectors
 - favourable and unfavourable factors affecting their current investment/business plan and the relative importance of these factors
 - the impact of the regulatory regime on their current and future business/investment plans and any regulatory problems
 - suggestions to tackle these regulatory problems
- (b) gauge their commitment and business confidence in the two sectors over the next three years.

Survey coverage

6. For professionals, it is proposed to cover surveyors, architects, planners and engineers who are members of the Hong Kong Institute of Surveyors, Hong Kong Institute of Architects, Hong Kong Institute of Landscape Architects, Hong Kong Institute of Planners and Hong Kong Institution of Engineers, and other relevant professional bodies as proposed by members of the Task Force.

7. For developers, it is proposed to cover developers who are members of the Real Estate Developers Association of Hong Kong.

8. For the construction industry, it is proposed to consult the Hong Kong Construction Association.

Methodology of survey

9. The detailed design of the survey will be subject to the advice of the consultant. Our tentative plan is to conduct both quantitative and qualitative research as follows –

(a) Quantitative research

- A survey to collect some baseline figures of the jobs available in Hong Kong vis-à-vis other markets, as well as the business activities in the past few years and some forecast.

(b) Qualitative research

- To get qualitative input from professionals (both junior and senior) by arranging focus group meetings.
- To conduct some one-on-one interviews with property developers of various sizes, covering developers for different types of projects and including developers with projects outside Hong Kong.

Duration of the survey

10. It is planned to complete the survey within three months.

Discussion

11. Members are invited to comment on the proposal and suggest the way forward.