

REPORT ON AREA ASSESSMENTS 2009 OF INDUSTRIAL LAND IN THE TERRITORY

1. Background

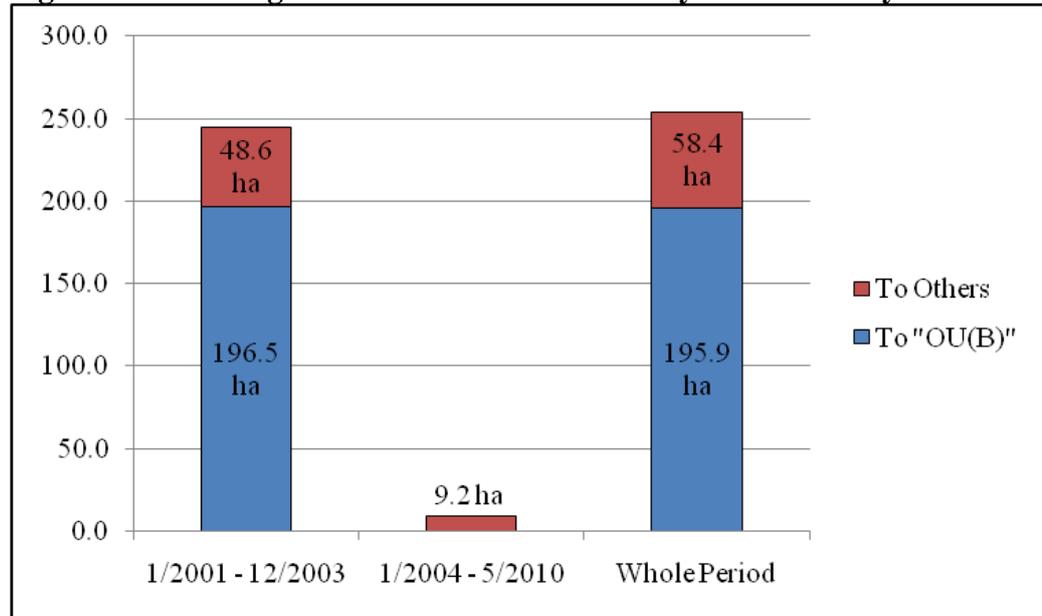
- 1.1 In 1999, Planning Department (PlanD) completed the “Study to Review the Planning Framework for Reservation and Provision of Industrial Land” (the Study) which proposed a set of criteria for undertaking area assessments of industrial land in the territory and introduced the “Business” zone concept to cater for the changing needs of the industrial and business sectors. The findings and recommendations of the Study were noted and agreed by the Town Planning Board (the Board) in October 1999.

Area Assessments 2000

- 1.2 Based on the agreed findings and recommendations of the Study, PlanD undertook the first Area Assessments of Industrial Land in the Territory in 2000 (Area Assessments 2000), which recommended that about 165 ha of industrial land be rezoned to “Other Specified Uses” annotated “Business” (“OU(B)”) ¹, about 47 ha to other non-industrial use while about 292 ha be retained for industrial use. The findings were presented to the Board on 20.10.2000 and the Board agreed that detailed rezoning proposals of individual sites be worked out and submitted to the Board for consideration on an individual outline zoning plan (OZP) basis.
- 1.3 Actions to rezone “Industrial” (“I”) land started in January 2001. In the course of detailed planning and in the light of changes in local circumstances, adjustments have been made to the amount of industrial land recommended under the Area Assessments 2000 for rezoning. Up to March 2003, 196.5 ha (171.8 ha in the Metro area and 24.7 ha in the New Territories) and 48.6 ha (37.9 ha in the Metro area and 10.7 ha in the New Territories) of “I” land was rezoned to “OU(B)” and other non-industrial uses respectively in areas covered by 20 OZPs (16 in the Metro areas and four in the New Territories) (**Figure 1 and Appendix 1**).

¹ The criteria for rezoning to “OU(B)” adopted in Area Assessments 2000 included: (i) relatively new and vibrant areas that should be retained as employment centres; (ii) relatively accessible; (iii) with a number of rezoning requests/planning approvals for industrial/office and commercial uses; and (iv) provision of a buffer to address industrial/residential interface problems.

Figure 1 Rezoning of “I” Land between January 2001 and May 2010



Area Assessments 2005

- 1.4 In April 2003, the Rural and New Town Planning Committee (RNTPC) of the Board considered two rezoning requests in respect of industrial sites at Siu Lek Yuen and Tuen Mun Area 12 on 4.4.2003. The RNTPC agreed that the rezoning of industrial areas should not be undertaken on a piecemeal basis and the Administration should continue to monitor the supply and demand of industrial land in the territory. In this connection, PlanD was requested to update the Area Assessments 2000. The updated Area Assessments (Area Assessments 2005), which were completed in December 2005, recommended that further rezoning of industrial land to non-industrial uses should be undertaken cautiously. Only four areas, i.e. Kennedy Town, San Po Kong, Siu Lek Yuen and Fanling Area 48, with a total area of about 16.2 ha were considered suitable for rezoning to or allowing for other environmentally compatible uses. The Board endorsed the findings and recommendations of Area Assessments 2005 in January 2006. So far, zoning amendments were made to Siu Lek Yuen and San Po Kong only. The former (about 7.5 ha) was rezoned to “I(1)” in September 2006 to allow planning application for ‘Hotel’ and other non-industrial uses, and the latter (about 2.7 ha) was rezoned to “Open Space” and “Residential (Group E)” (“R(E)”) in August 2008. For the remaining two areas, Kennedy Town (about 0.8 ha) is subject to a land use review expected to be completed in the second half of 2010, after which a submission of relevant amendments to the OZP will be made to the Board for consideration. Fanling Area 48 is related to a rezoning request covering about 5.2 ha, which has not yet been considered by the Board as submission of further information by the proponent is still pending. Rezoning of the area would be subject to the Board’s consideration of the rezoning request.

- 1.5 From January 2001 to May 2010, about 195.9 ha and 58.4 ha “I” land has been rezoned to “OU(B)” and other uses such as “Government, Institution or Community” (“G/IC”) (about 17.5 ha), “R(E)” (about 9.8 ha) and “Comprehensive Development Area” (“CDA”) (about 5.3 ha) respectively (**Figure 1**). There remains about 297.2 ha of “I” land in areas covered by 12 OZPs. The majority (about 188.0 ha or 63.3%) is in the New Territories covered by five OZPs while the remaining 109.2 ha or 36.7% is in the Metro areas covered by seven OZPs (**Appendix 1 and Plans 1 and 2**).
- 1.6 In view of the concern on the underutilization of the industrial buildings in the territory and the need for updated information in considering applications for proposed conversion/redevelopment/rezoning of industrial buildings to other uses, the Board in 2008 requested PlanD to further update the Area Assessments 2005. Accordingly, a further updating of the Area Assessment was undertaken in 2008 to 2009 (the Area Assessments 2009).

2. Area Assessments 2009

General Approach and Methodology

- 2.1 The purpose of the Area Assessments 2009 is to review the not yet developed industrial land reserved in the “I” and “OU(B)” zones and find out how the floor space of the existing industrial buildings in these two zones is being used. Following the general approach and methodology adopted in the Area Assessments 2005, the Area Assessments 2009 focus on the industrial land and premises in the “I” and “OU(B)” zones having records in the Rating and Valuation Department (R&VD)² but exclude rural industries zoned “Industrial (Group D)” on the OZPs and special industrial uses (such as oil depots, marine- or port-related industries and industrial estates).
- 2.2 There are a total of 1,316 existing industrial buildings in the “I” and “OU(B)” zones. For the 503 existing industrial buildings within “I” zones, a full survey of all the 37,074 relevant units was carried out between November 2008 and April 2009³. For the 813 existing industrial buildings within “OU(B)” zones, a sample survey of 34,045 out of the 57,587 relevant units (about 59%) was undertaken between July and September 2009³. Information on occupancy/vacancy of individual unit and the condition of each building was mainly obtained from on-site surveys, while information on building age, gross floor area (GFA) and number of storeys was obtained from the records of relevant departments.
- 2.3 The surveyed units are categorized by the following uses:
- (a) Industrial use – it refers to any unit wholly or predominantly used for industrial purposes, which may involve manufacturing/workshop, warehouse/storage or both⁴;
 - (b) Ancillary office – it refers to any unit predominantly used as office ancillary to other use in the same unit, which may or may not be industrial-related;
 - (c) Office use – it refers to any unit wholly or predominantly used as office not ancillary to other use, if any, existed in the same unit; and
 - (d) Others – it refers to any unit predominantly for uses other than (a) to (c) above.

² Housing Authority’s factory estates, which have no R&VD’s record, were not included in both Area Assessments 2005 and the updated Area Assessments.

³ The response rates of the surveys for the “I” and “OU(B)” zones in terms of GFA are 91.9% and 87.4% respectively.

⁴ 50% of a unit would be categorized as manufacturing/workshop and the remaining 50% would be categorized as warehouse/storage if both uses are found to be the predominant uses of the unit.

Areas Zoned “I”

- 2.4 There are a total of 26 areas zoned “I” in the territory (Plans 1 and 2), including six in Hong Kong Island (mainly in Chai Wan), two in Kowloon (i.e. Lai Chi Kok and West Kowloon), four in Kwai Chung/Tsuen Wan (mainly in Kwai Chung), seven in the Northeast New Territories (NENT) (mainly in Fo Tan and On Lok Tsuen) and seven in the Northwest New Territories (NWNT) (mainly in Tuen Mun). In total, these 26 areas cover about 297.2 ha of land with 503 existing industrial buildings providing a total of about 10.55 million m² GFA, all represent a slight reduction from the Area Assessments 2005 which cover about 304.9 ha of land, 537 industrial buildings and 10.82 million m² of GFA (Appendix 2).
- 2.5 In terms of land area, the “I” zones in NENT remains to have the largest share (110.4 ha or 37.1%), followed by those in Kwai Chung/Tsuen Wan (77.7 ha or 26.1%) and in NWNT (77.6 ha or 26.1%) (**Figure 2 and Appendix 2**). In terms of both the number of industrial buildings and GFA, Kwai Chung/Tsuen Wan remains the largest provider (182 buildings or 36.2% and 4.59 million m² GFA or 43.5%), followed by those in NENT (167 buildings or 33.2% and 2.55 million m² GFA or 24.2%) and in NWNT (120 building or 23.9% and 2.35 million m² GFA or 22.3%) (**Figures 3 and 4 and Appendix 2**).

Figure 2 Distribution of “I” Zones in terms of Land Area

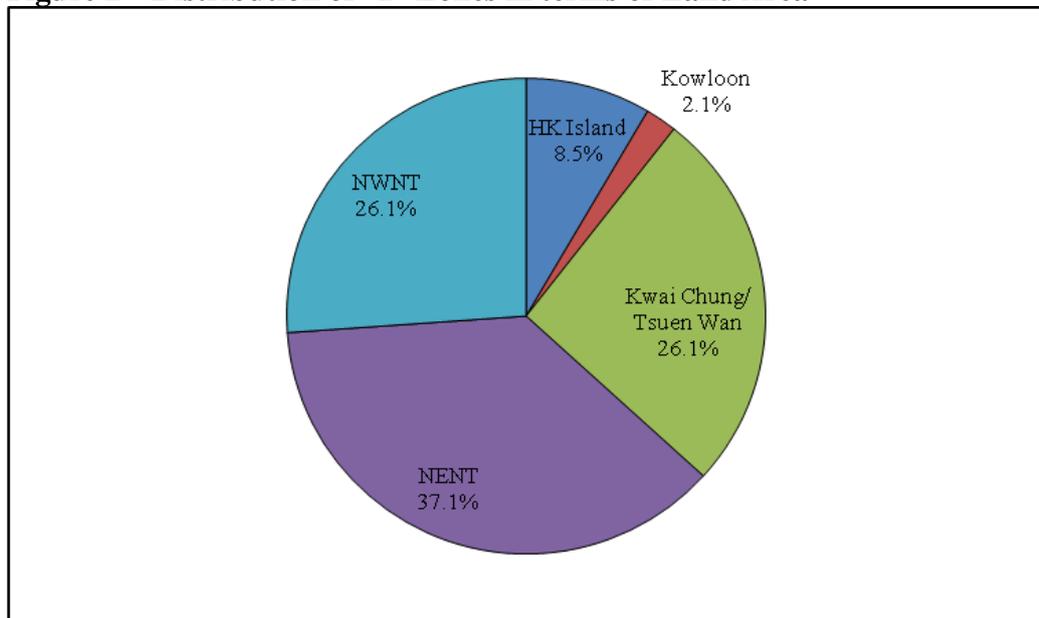


Figure 3 Distribution of “I” Zones in terms of No. of Industrial Buildings

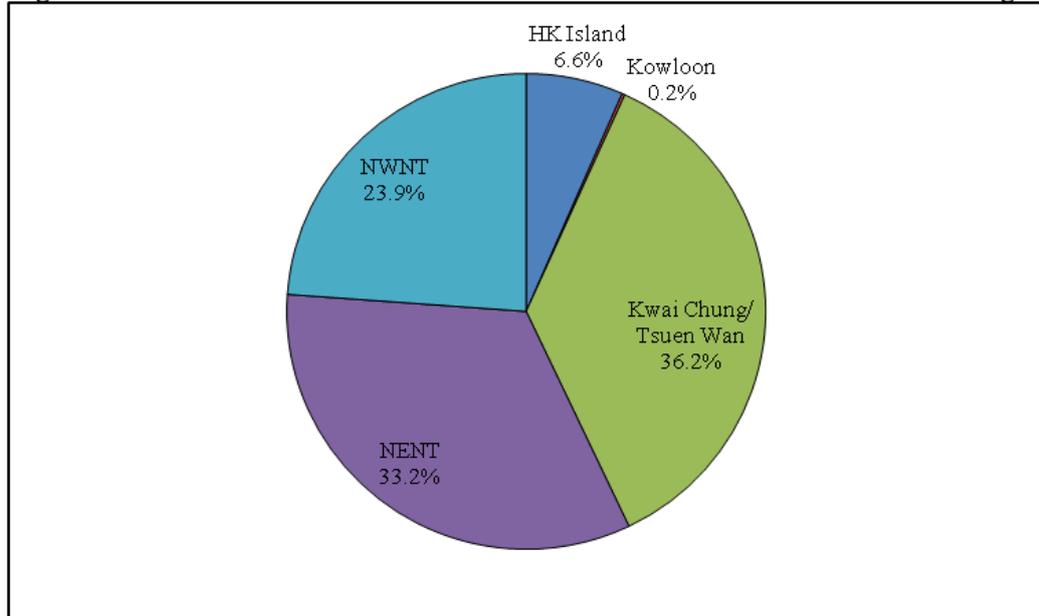
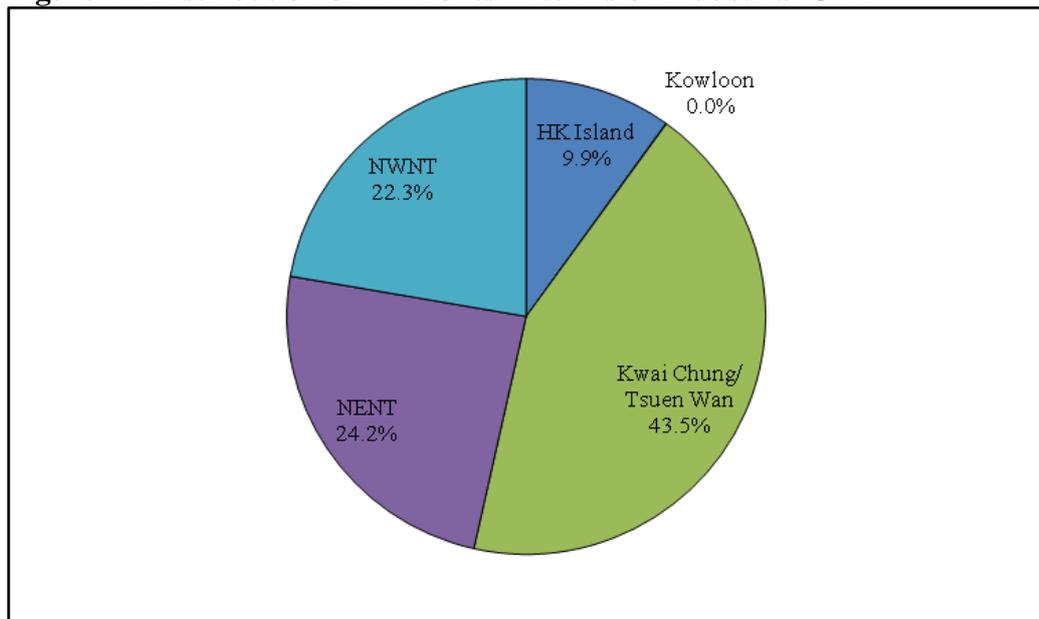


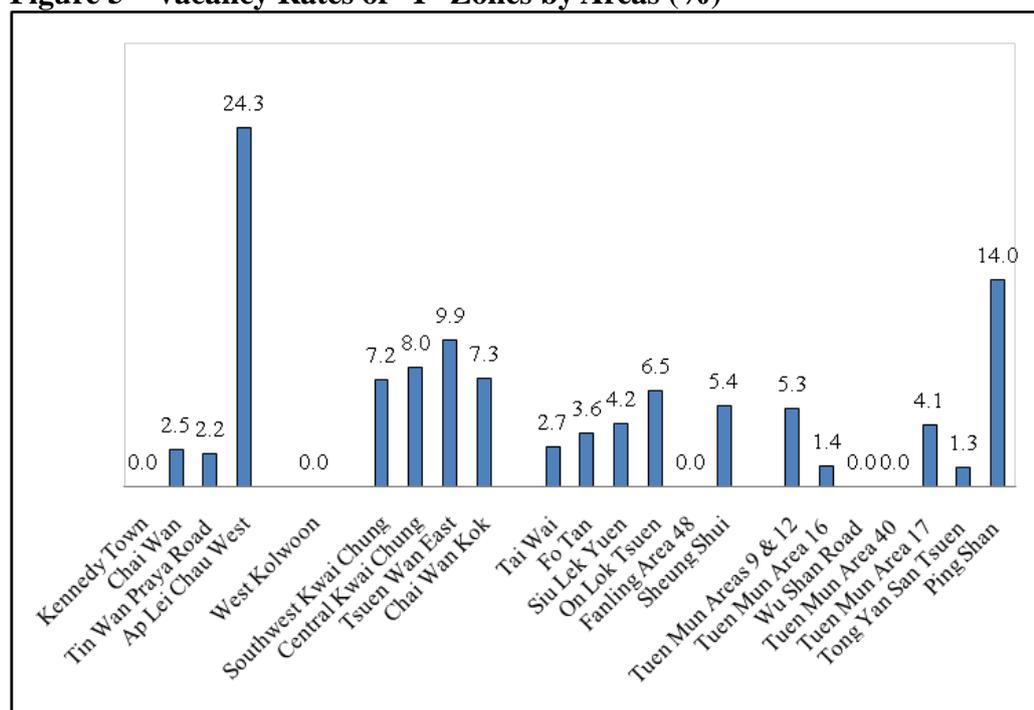
Figure 4 Distribution of “I” Zones in terms of Industrial GFA



- 2.6 Four out of the 26 areas do not contain any industrial building in the R&VD’s record and therefore have not been subject to any detailed survey on land use and vacancy. They include Po Chong Wan, Ap Lei Chau Praya Road, Lai Chi Kok and Sha Tin Area 65. These areas are primarily used as shipyard, workshop, godown, bus depot and/or temporary training ground.
- 2.7 About 53.1 ha (17.8%) of land in the “I” zones is undeveloped. Many of these sites have been put under temporary uses (such as car park, workshop, storage and works area/depot) for many years. They are mainly concentrated in Southwest Kwai Chung (about 8.0 ha), Sheung Shui (about 7.5 ha), Chai Wan (about 6.8 ha) and Fo Tan (about 5.0 ha).

- 2.8 The overall vacancy rate of the industrial buildings surveyed is about 6.5% (0.69 million m² GFA), which is slightly lower than the 6.9% identified in the Area Assessments 2005. The rather stable vacancy rate in the “I” zone is however in contrast with the decreasing trend derived from the vacancy rates identified by the R&VD for the period of 2006 to 2008 (i.e. 6.9% in 2006, 5.0% in 2007 and 4.5% in 2008) (**Appendices 2 and 3**). Such discrepancy may probably be due to the different survey periods adopted⁵.
- 2.9 The vacancy rate in individual area varies and does not prima facie suggest any regional/locational pattern. In five areas with industrial buildings mostly or wholly under single ownership (i.e. Kennedy Town, West Kowloon, Fanling Area 48, Tuen Mun Wu Shan Road and Tuen Mun Area 40), no vacancy rate has been recorded. Other than these five areas, Tong Yan San Tsuen has the lowest vacancy rate (1.3%), followed by Tuen Mun Area 16 (1.4%), Tin Wan Praya Road (2.2%), Chai Wan (2.5%) and Tai Wai (2.7%). Ap Lei Chau West has the highest vacancy rate of 24.3%, followed by Ping Shan (14.0%) and Tsuen Wan East (9.9%) (**Figure 5 and Appendices 2 and 4**).

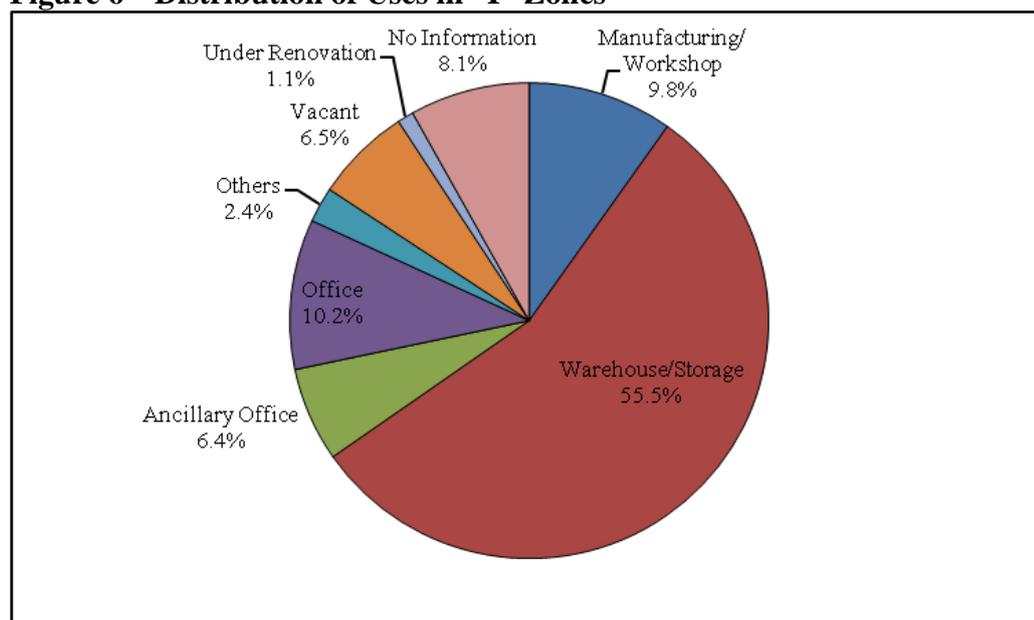
Figure 5 Vacancy Rates of “I” Zones by Areas (%)



⁵ PlanD’s survey was conducted between November 2008 and April 2009 for “I” zone and between July and September 2009 for “OU(B)” zone, while the R&VD’s survey was conducted in the 4th quarter of 2008. The findings of the latter may not fully reflect the impacts of the global financial tsunami in mid-2008. The vacancy rate in 2009 recently released by R&VD is closer to the findings of PlanD’s Area Assessments 2009. However, such data need to be further processed before the vacancy rate and take-up rate for each “I” and “OU(B)” area can be derived. The data included in this report only show the 2008 figures.

- 2.10 Based on the R&VD's findings, the overall take-up for 2008 is about 54,071m². The positive take-up mainly comes from Tuen Mun Areas 9 and 12 (33,674m²), On Lok Tsuen (20,479m²), Fo Tan (16,495m²) and Ap Lei Chau West (13,852m²) (**Appendices 2 and 3**).
- 2.11 An analysis on the users of the industrial buildings shows that industrial use is the largest user, occupying about 65.3% or 6.88 million m² of the existing floor space (**Figure 6**). It is the predominant use in 20 out of the 22 "I" areas which have been subject to this survey. 17 areas have over 60% of the floor space for industrial uses. On detailed breakdown, warehouse/storage is the largest user, occupying about 55.5% or 5.85 million m² of the existing floor space, while that for manufacturing/workshop is about 9.8% or 1.03 million m². Both the warehouse/storage and manufacturing/workshop uses are mainly concentrated in Tuen Mun Areas 9 and 12, Tsuen Wan East, Southwest Kwai Chung and Fo Tan. These four areas take up about 62.5% (3.66 million m²) and about 56.7% (0.58 million m²) of the warehouse/storage and manufacturing/workshop floor space in all the "I" zones respectively (**Appendix 4**).

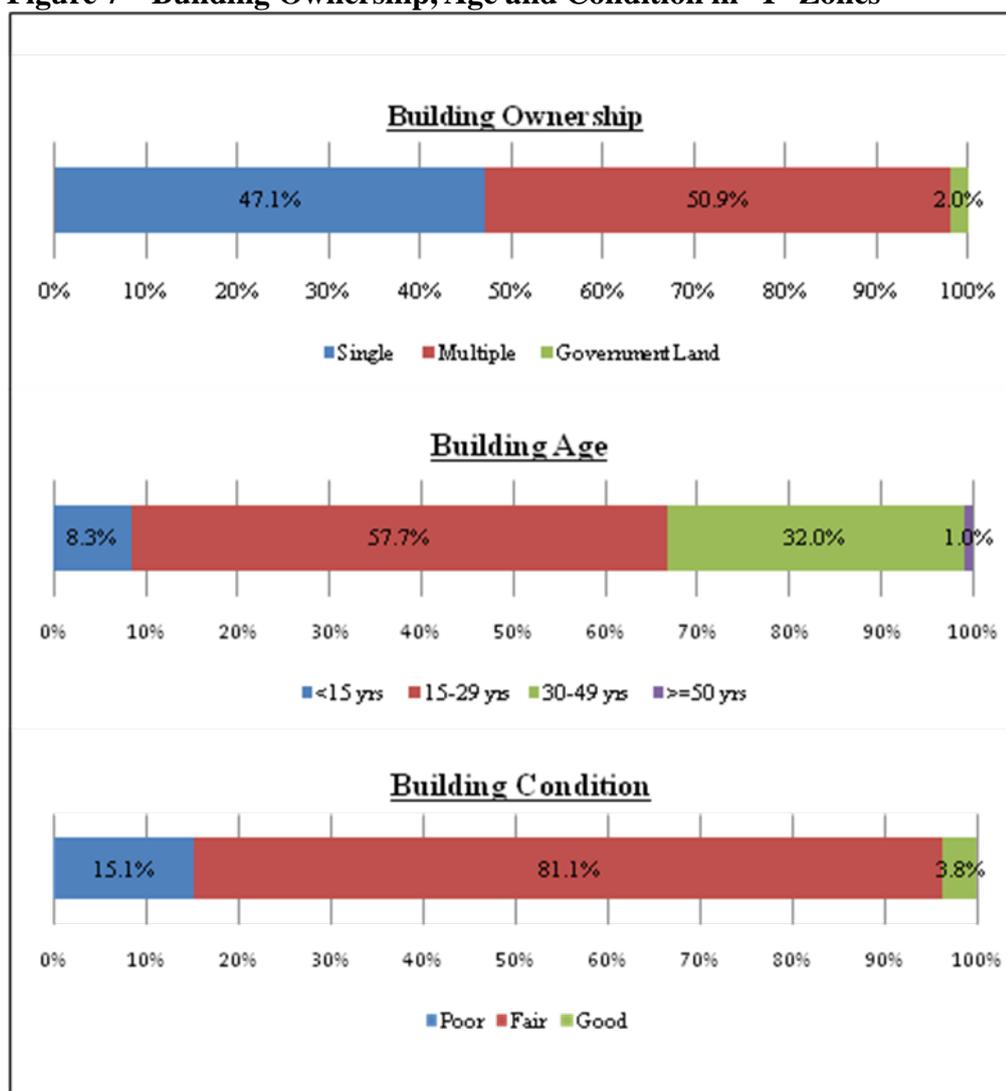
Figure 6 Distribution of Uses in "I" Zones



- 2.12 Office is the second largest user, occupying about 10.2% or 1.07 million m² of the floor area (**Figure 6**). It is mainly concentrated in Fo Tan, Southwest Kwai Chung, Tsuen Wan East and Chai Wan Kok. These four areas take up about 60.4% (0.65 million m²) of the office floor space in all the "I" zones (**Appendix 4**).
- 2.13 Ancillary office is the third largest user, occupying about 6.4% or 0.68 million m² of the floor space (**Figure 6**). It is mainly concentrated in Fo Tan, Central Kwai Chung, Chai Wan Kok and Southwest Kwai Chung. These four areas take up about 65.0% (0.44 million m²) of the ancillary office floor space in all the "I" zones (**Appendix 4**).

- 2.14 The other uses occupy about 2.4% (0.25 million m²) of the floor space (**Figure 6**). They are mainly arts/music/film studios, eating places, shop and services, training centres/educational institutions, and research/design/development centres (**Appendix 4**).
- 2.15 In terms of ownership, 50.9% or 256 buildings are under multiple ownership, 47.1% or 237 buildings are under single ownership, and the remaining 2.0% or 10 buildings are on government land (**Figure 7**). More buildings in the Metro areas are under multiple ownership while in the New Territories, more are under single ownership.
- 2.16 On building age, 8.3% or 42 buildings are below 15 years. 57.7% or 290 buildings are between 15 and 29 years, while 33.0% or 166 buildings are 30 years or more as at December 2008 (**Figure 7**).
- 2.17 81.1% or 408 buildings are in fair condition and 15.1% or 76 buildings are in poor condition. The remaining 3.8% or 19 buildings are in good condition (**Figure 7**).

Figure 7 Building Ownership, Age and Condition in “T” Zones



- 2.18 Although some of the areas zoned “I” are not located in central locations nor close to any major public transport interchanges, they serve as employment centres of the local workforce and play an important role in contributing to a more balanced distribution of jobs and homes in the territory. On the other hand, some existing industrial operations are not compatible with the surrounding land uses and there is scope to rezone the sites for other uses.
- 2.19 Details of the Area Assessments 2009 of respective “I” zones are at **Appendix 5**.

Areas Zoned “OU(B)”

- 2.20 There are a total of 18 areas zoned “OU(B)” in the territory (**Plans 1 and 2**), including four in Hong Kong Island (mainly in Wong Chuk Hang), six in Kowloon (mainly in Kwun Tong), five in Kwai Tsing/Tsuen Wan (mainly in Kwai Chung), two in NENT (mainly in Shek Mun) and one in NWNT (i.e. Yuen Long). In total, these 18 areas cover about 200.1 ha of land with 813 existing industrial buildings providing a total GFA of about 15.37 million m², all represent a slight reduction from the Area Assessments 2005 which cover about 200.8 ha of land, 831 industrial buildings and 15.67 million m² of GFA (**Appendix 6**).
- 2.21 In terms of land area, number of buildings and GFA, the “OU(B)” zones in Kowloon have the largest shares (53.3% for land area, 64.9% for buildings and 55.2% for GFA, followed by Kwai Tsing/Tsuen Wan (26.5% for land area, 17.8% for buildings and 28.2% for GFA) and Hong Kong Island (7.8% for land area, 12.1% for buildings and 9.6% for GFA) (**Figures 8, 9 and 10 and Appendix 6**).

Figure 8 Distribution of “OU(B) Zones in terms of Land Area

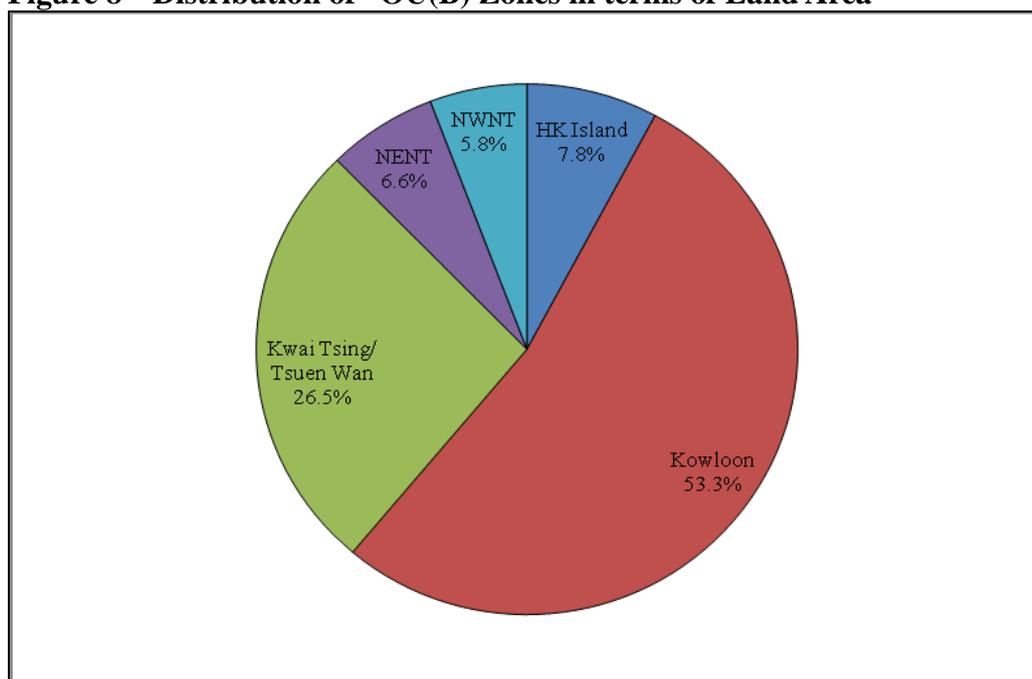


Figure 9 Distribution of “OU(B) Zones in terms of No. of Industrial Buildings

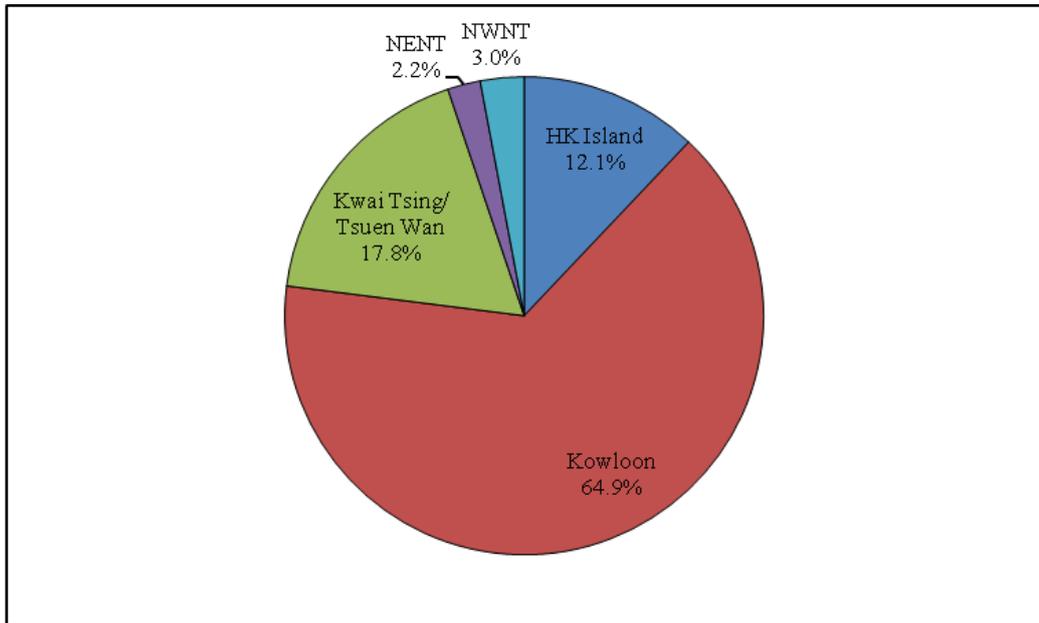
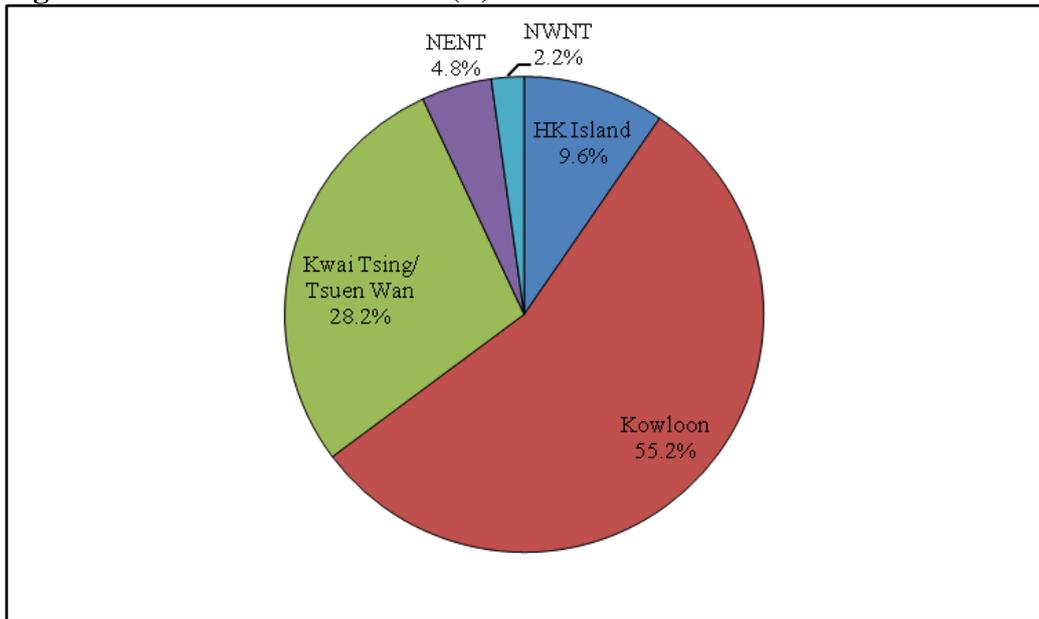


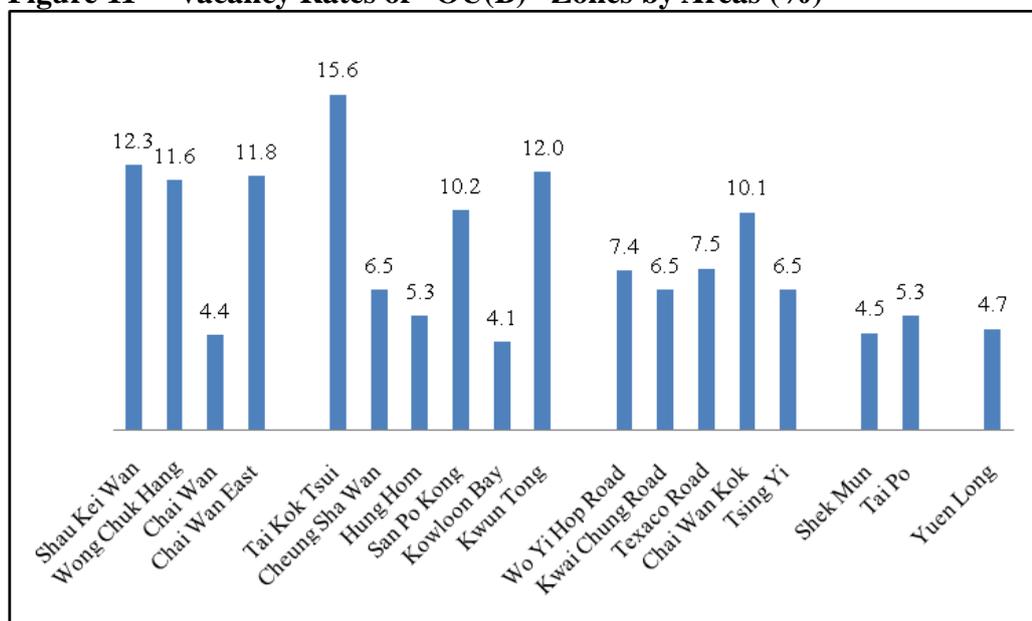
Figure 10 Distribution of “OU(B) Zones in terms of Industrial GFA



2.22 From January 2001 to December 2009, a total of 52 “OU(B)” sites have obtained planning approvals for redevelopment/wholesale conversion for non-industrial uses, all in the Metro areas. Majority of them (90.4% or 47 sites) are for hotel developments. Other applications include office cum hotel developments, office cum vehicle repair workshop, and minor relaxation of building height restrictions for permitted office/commercial development. In terms of location, 29.8% of the approved hotel developments are in Wong Chuk Hang, 21.3% in Kwun Tong, 17.0% in Cheung Sha Wan, 10.6% in San Po Kong, 8.5% in Kwai Chung/Tsuen Wan, and the remaining 12.8% in other parts of Metro areas including Kowloon Bay, Tai Kok Tsui and Shau Kei Wan (Appendix 7).

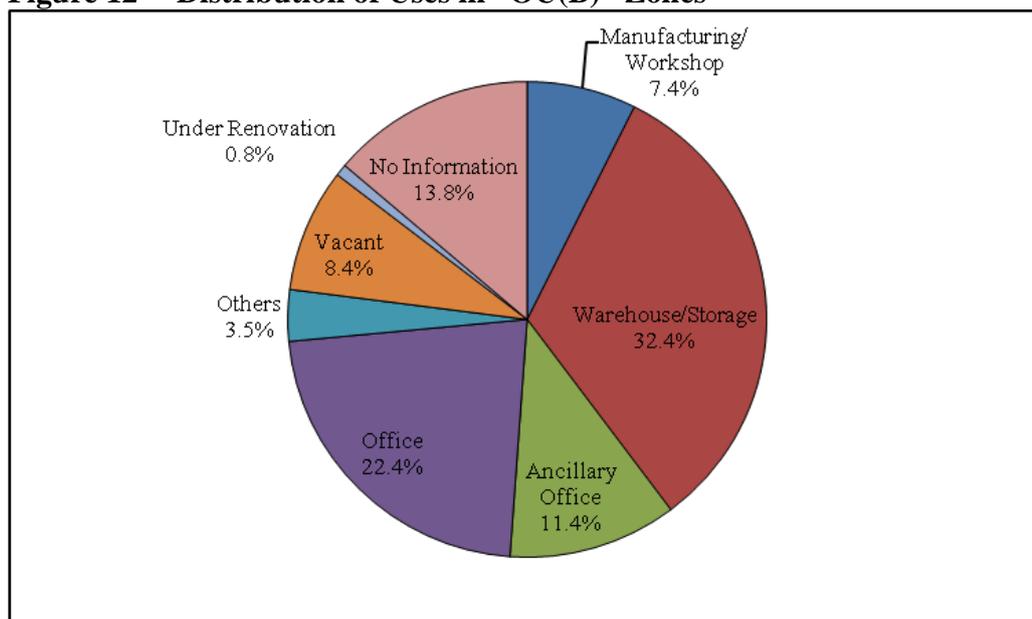
- 2.23 Up to October 2009, there are 65 site/building-based applications for lease modifications involving about 8.1% (16.2 ha) of the land within the “OU(B)” zones. 54 applications are for office (which is a use always permitted in the “OU(B)” zones), five for office/hotel, five for hotel and one for church. Of these, 37 applications have been executed and the remaining 28 are being processed (**Appendix 8**).
- 2.24 About 7.9 ha (3.9%) of land in the “OU(B)” zones is undeveloped, mainly concentrated in Shek Mun (about 2.4 ha), Yuen Long (about 1.8 ha) and Kowloon Bay (about 1.2 ha).
- 2.25 There are currently 698 flatted factory buildings, 52 purpose-built factory buildings, 37 I-O buildings and 26 warehouse/godown buildings within the “OU(B)” zones in the territory. The overall vacancy obtained in the Area Assessments 2009 is 8.4% (1.29 million m² GFA) which is higher than the 5.8% derived from the vacancy rates identified by R&VD in 2008 and the 6.4% identified in the Area Assessments 2005 (**Appendices 6 and 9**). Similar to the “I” zones, the discrepancy with the R&VD’s figure may probably be due to different survey periods and methodologies adopted⁵.
- 2.26 The areas near MTR stations generally have lower vacancy rates, including Kowloon Bay (4.1%), Chai Wan (4.4%), Shek Mun (4.5%) and Yuen Long (4.7%). Seven areas have vacancy rates higher than 10%, including Tai Kok Tsui (15.6%), Shau Kei Wan (12.3%), Kwun Tong (12.0%), Chai Wan East (11.8%), Shaung Hom (11.6%), San Po Kong (10.2%) and Chai Wan Kok (10.1%) (**Figure 11 and Appendices 6 and 10**).

Figure 11 Vacancy Rates of “OU(B)” Zones by Areas (%)



- 2.27 Based on the R&VD's findings, the overall take-up for 2008 is about -166,430m². The negative take-up mainly comes from Kwun Tong (-68,889m²), Chai Wan Kok (-61,730m²), San Po Kong (-26,111m²), Kwai Chung Road (-18,965m²) and Kowloon Bay (-11,633m²) (**Appendices 6 and 9**).
- 2.28 On users, industrial use is the largest user, occupying about 39.8% or 6.12 million m² of the existing floor space. It is the predominant uses in 16 out of the 18 "OU(B)" areas (**Figure 12**). Six areas have more than 50% of floor area for industrial uses. On the detailed breakdown, warehouse/storage is the larger user, occupying about 32.4% or 4.98 million m² of the floor space, while that for manufacturing/workshop is about 7.4% or 1.13 million m². The warehouse/storage use is mainly concentrated in Kwun Tong, Wo Yi Hop Road and Kwai Chung Road. These three areas take up about 43.2% (2.15 million m²) of the warehouse/storage floor space in all the "OU(B)" zones. The manufacturing/workshop use is mainly concentrated in Kwun Tong, Wo Yi Hop Road, Wong Chuk Hang and San Po Kong. These four areas take up about 52.1% (0.59 million m²) of the manufacturing/workshop floor space in all the "OU(B)" zones (**Appendix 10**).

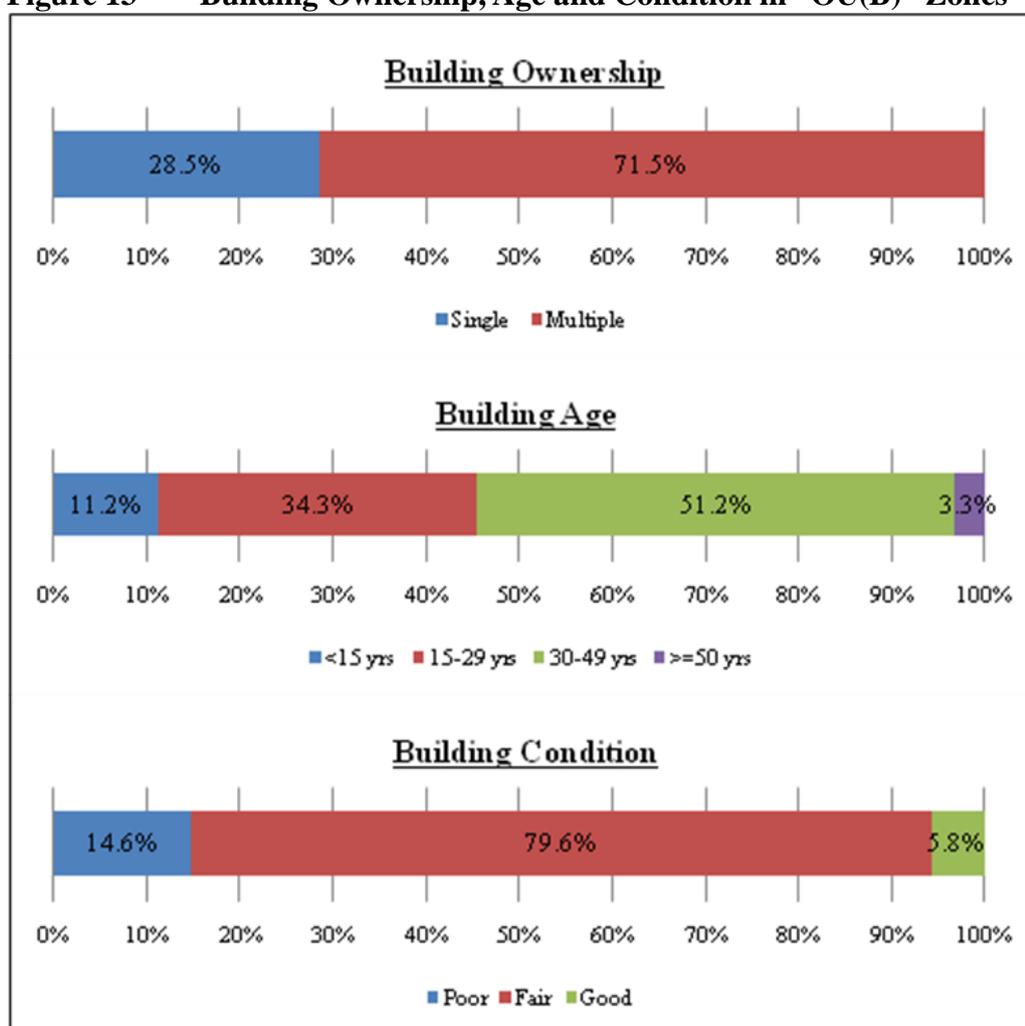
Figure 12 Distribution of Uses in "OU(B)" Zones



- 2.29 Office is the second largest user, occupying about 22.4% or 3.44 million m² of the total floor space (**Figure 12**). It is mainly concentrated in Kwun Tong, Cheung Sha Wan and Wo Yi Hop Road. These three areas take up about 53.5% (1.84 million m²) of the office floor space in all the "OU(B)" zones (**Appendix 10**).
- 2.30 Ancillary office is the third largest user, occupying about 11.4% or 1.76 million m² of the total floor space (**Figure 12**). It is mainly concentrated in Kwun Tong, Cheung Sha Wan, San Po Kong and Wo Yi Hop Road. These four areas take up about 61.7% (1.08 million m²) of the ancillary office floor space in all the "OU(B)" zones (**Appendix 10**).

- 2.31 The other uses occupy about 3.5% (0.53 million m²) of the floor area (**Figure 12**). They are mainly arts/music/film studios, eating places and shop and services (**Appendix 10**).
- 2.32 In terms of ownership, the figures for the multiple and single ownership are 71.5% (581 buildings) and 28.5% (232 buildings) (**Figure 13**). All areas except Tai Po have more buildings under multiple ownership than single ownership.
- 2.33 In terms of building age, 11.2% (91 buildings) are below 15 years, 34.3% (279 buildings) are between 15 and 29 years, and the remaining 54.5% (443 buildings) are 30 years or more, as at November 2009 (**Figure 13**).
- 2.34 In terms of building condition, 79.6% (647 buildings) are in fair condition and 14.6% (119 buildings) are in good condition. The remaining 5.8% (47 buildings) are in poor condition (**Figure 13**).

Figure 13 Building Ownership, Age and Condition in “OU(B)” Zones



- 2.35 Details of the Area Assessments 2009 of respective “OU(B)” zones are at **Appendix 11**.

3. Projected Floor Space Requirement for Manufacturing Industries

- 3.1 According to the information of R&VD, the total stock of industrial floor space in flatted factories, I-O buildings and storage buildings as at end 2009 was 28.43 million m², with an overall vacancy rate of 7.6%.

	Flatted factories	I-O buildings	Storage	Total
Stock as at end 2009 (GFA, million m ²)	23.04 (81.0%)	0.82 (2.9%)	4.57 (16.1%)	28.43
Vacancy	8.0%	10.0%	5.2%	7.6%

With a moderate vacancy rate of 5.2%, storage buildings performed better than flatted factories and I-O buildings. While flatted factories and I-O buildings recorded a higher vacancy rate, the usage of flatted factories has aroused concerns because of its large stock and the dwindling manufacturing industries. There remains 297.2 ha of “T” land accommodating about 500 flatted factories, as at end 2009. The current exercise focuses on projecting the future requirement of manufacturing floor space to serve as a broad indicator for possible rezoning of industrial sites for other uses.

- 3.2 The total floor space occupied by manufacturing industries has declined from a total GFA of 26.98 million m² in 1983 to 8.91 million m² in 2008 (i.e. a reduction of 18.07 million m² or 67.0%)⁶. While the decrease continued, the average annual rate of decrease was becoming lower, with 3.6% for the period from 1998 to 2008 against 7.4% for the period from 1988 to 1998. Within the manufacturing sector, “printing, publishing and allied industries” and “food manufacturing” have already constituted about 39% of the total floor space occupied by manufacturing industries in 2008. These industries mainly cater for local consumption and did not show decreasing trend in the past ten years, pointing to the need to adopt a prudent approach in rezoning industrial land. For other manufacturing industries, their floor space requirements were also shrinking at a decreasing rate. It is projected that the floor space requirement of manufacturing industries would continue to decrease, but at a lower rate: reducing from 8.91 million m² in 2008 to 7.58 million m² in 2020 (i.e. a further drop of 1.33 million m² or 15% or reducing 1.3% per annum).
- 3.3 As mentioned above, the overall requirement for manufacturing floor space is projected to further decrease by 1.33 million m² GFA by 2020. PlanD’s assessment reveals that about 64% of manufacturing floor space is within flatted factories and the rest are in other types of premises. It is therefore estimated that the requirement for flatted factories by manufacturing industries would decrease by 0.85 million to 1.33 million m² GFA by 2020. The above figures could serve as broad indicators for rezoning industrial sites for other uses.

⁶ Based on the estimates of total floor space used by the manufacturing industries available from the Annual Survey of Industrial Production conducted by the Census and Statistics Department.

- 3.4 In rezoning individual industrial sites, factors such as the conditions and utilization of individual buildings, the spatial distribution of those more vibrant manufacturing industries and the local context should be taken into account. Priority could be given to rezoning those undeveloped and vacant sites, as judging from the past experience in land disposal, it is unlikely that there would be interests in developing these sites for industrial purposes.
- 3.5 A note detailing the assessment of industrial floor space requirement is at **Appendix 12.**

4. Key Observations

Vacancy

- 4.1 The vacancy of industrial buildings in the “OU(B)” zones (8.4%) is more much higher than that in the “I” zones (6.5%). Seven out of the 18 “OU(B)” areas have vacancy rates higher than 10% while only two out of the 26 “I” areas have vacancy rates higher than 10%. It is observed that buildings in “OU(B)” zones with the following characteristics generally have higher vacancy rates:
- (a) *buildings with applications/approvals for redevelopment, i.e. subject to redevelopment plan or pressure* – the higher vacancy rates of these buildings are largely because they are in the vacating process to make way for redevelopment. Wong Chuk Hang and Kwun Tong have more buildings of this kind than other areas;
 - (b) *old building age* – higher vacancy is found in older buildings (particularly those over 30 years) partly because their maintenance is usually less satisfactory and the building services provided therein such as loading/unloading facilities and fire service installations may not be up to modern standards; and
 - (c) *buildings with small floor plates* – buildings with floor plate less than 450m² generally have higher vacancy rates largely because the units in these buildings are too small to meet the enterprise requirements nowadays. Many buildings of this kind are also aged over 40 years, such as those in Tai Kok Tsui and Kwun Tong.

Industrial Use

- 4.2 Compared with the Area Assessments 2005, the total floor space for industrial use identified in the Area Assessments 2009 has decreased by about 19.8% (from 8.58 million m² to 6.88 million m²) in the “I” zones and by about 18.1% (from 7.47 million m² to 6.12 million m²) in the “OU(B)” zones. In terms of absolute amount, the decreases in these two zones are very similar (i.e. 0.27 million m² in the “I” zones and 0.30 million m² in the “OU(B)” zones). This suggests that the industrial uses in these two zones have been shrinking.
- 4.3 Warehouse/Storage is still the largest user in the “I” and “OU(B)” zones. Compared with the Area Assessments 2005, the total floor space for this use has decreased by about 16.0% (from 6.97 million m² to 5.85 million m²) in the “I” zones, but increased by about 13.2% (from 4.40 million m² to 4.98 million m²) in the “OU(B)” zones. The increase in the “OU(B)” zones is partly due to the recent increase in mini self-storage facilities for rental in some flatted factory buildings, particularly those near Kwun Tong, Kwai Fong and Chai Wan MTR stations. Overall, the total warehouse/storage floor space in the two zones remains relatively stable (with a slight decrease by 4.7% or 0.54 million m²), indicating that the territorial demand for warehouse/storage floor space has no significant fluctuation over the past few years.

- 4.4 Significant contractions of the manufacturing/workshop sector is found in both “I” and “OU(B)” zones. Compared with the Area Assessments 2005, the total floor space for this use has been decreased by about 36.0% (from 1.61 million m² to 1.03 million m²) in the “I” zones and by about 63.1% (from 3.06 million m² to 1.13 million m²) in the “OU(B)” zones. Such decreases in the floor space are much larger than that in the share of the manufacturing sector in terms of the Gross Domestic Product (GDP) and employment. For the GDP, the decrease in the manufacturing share between 2005 and 2008 is only 24.5% (from 3.4% to 2.5% of the total GDP) while for the employment, the number of local-based employments in the manufacturing sector has decreased by 8.5% only during the same period (from 136,840 to 125,240).

Office and Ancillary Office

- 4.5 Compared with the Area Assessments 2005, the floor space for office use has increased by about 57.4% (from 0.68 million m² to 1.07 million m²) and by about 9.7% (from 0.31 million m² to 0.34 million m²) in the “I” and “OU(B)” zones respectively.
- 4.6 There has been an increase of about 4.6% for the floor space for ancillary office in the “I” zones (from 0.65 million m² in the Area Assessments 2005 to 0.68 million m² in the Area Assessments 2009) while in the “OU(B)” zones, a decrease of about 31.0% (from 2.55 million m² to 1.76 million m²) has been recorded. This shows that the floor space demand for ancillary office use remains quite stable in the “I” zones over the past few years. The decrease in the “OU(B)” zones may be partly due to the competing demand for office and warehouse/storage uses (including the mini self-storage facilities) in the past few years.

Undeveloped Sites

- 4.7 There is a larger amount of land area but a lesser number of industrial buildings in the “I” than “OU(B)” zones. Relatively more land in the “I” zones is undeveloped⁷ (about 53.1 ha or 17.8%) while in the “OU(B)” zones, the undeveloped sites covers about 7.9 ha or 3.9% only. Subject to the local planning circumstances of each “I” and “OU(B)” area, there may be scope for rezoning the undeveloped sites to or allowing other environmentally compatible uses.

⁷ Including vacant land and land for temporary uses and open storage.

5. Scope for Rezoning

5.1 Given that the overall vacancy rates of the “I” and “OU(B)” zones are 6.5% and 8.4% respectively, about 53.1 ha of land in the “I” zones has not yet been developed, and the demand for flatted factory buildings by the manufacturing industries is estimated to decrease by 0.85 million m² by 2020, there should be scope to better utilize the land resources by rezoning some industrial sites to other suitable uses, which will also help resolve the existing or potential industrial/residential (I/R) interface problems in some areas. Apart from local planning circumstances, the following criteria have been adopted in identifying industrial sites for rezoning:

- (a) sites with high vacancy rate;
- (b) sites under high percentage of single ownership;
- (c) sites with old building age;
- (d) sites with completed or committed developments for non-industrial uses; and/or
- (e) undeveloped or vacant sites.

In considering the sites for rezoning, regards have also been made to whether the proposals would have adverse cumulative impact on the existing employment opportunities provided by the industrial uses. Any major proposal that may significantly affect the balance of homes and jobs would be avoided.

5.2 Based on the above criteria, the following four groups of “I” and “OU(B)” sites are considered to have potentials for rezoning:

(a) Developed “I” sites

To non-industrial uses

- (i) Tsuen Wan East – The site to the north of Yeung Uk Road including the Housing Authority’s ex-Tai Wo Hau Factory Estate site (**Plan A11c at Appendix 5**) covering a total area of about 5.7 ha. The vacancy rates of the Tsuen Wan East area and the site are high (9.9% and 19.2% respectively). Many existing industrial buildings on the site are over 30 years old and under single ownership. There are established and recently completed residential and commercial redevelopments and planned commercial development in the surrounding area (including Chelsea Court, H Cube and Indi Home to the south, New Haven to the north, Tai Wo Hau Estate to the east, and Vision City, The Dynasty, Nina Tower, L’Hotel Nina et Convention Centre and the planned “Commercial” (“C”) site at TWTL 393 to the west). Consideration may be given to rezoning the site for comprehensive residential development with commercial facilities and open space provision. This proposed rezoning could eliminate the potential I/R interface problem between the future developments on the site and the existing industrial uses to the south of Yeung Uk Road. More importantly, it would give the impetus

for land use restructuring and upgrading Tsuen Wan East.

- (ii) Siu Lek Yuen (**Plan A15 at Appendix 5**) – Within the area (about 7.5 ha), eight out of the ten sites are under single ownership, including a 2.1 ha bus depot at the centre part of the site. Over 70% of the industrial floor space of the area is for warehouse/storage use, followed by office/ancillary office use (about 20%). The major environmental constraints for redevelopment of the area are the bus depot and the environmental impacts from the Ma On Shan Rail, nearby major trunk roads and industrial activities. If the bus depot can be relocated, it would provide an opportunity to transform and upgrade the area for residential use, the area can be rezoned to “R(E)” for residential development.
- (iii) Fo Tan (Site E on **Plan A14c at Appendix 5**) – Site E (about 1.4 ha) located to the south of Au Pui Wan Street is adjacent to a “CDA(1)” site near the East Rail Fo Tan Station. The site is subject to traffic noise impact from Fo Tan Road. About half of it is occupied by two buildings, one of which is over 40 years old and under single ownership. The remaining half is used as a temporary car park and a petrol filling station. Consideration may be given to rezoning the site for comprehensive residential and commercial development, which is compatible with the adjacent “CDA(1)” site and would optimize the use of the land near the railway station.
- (iv) Tuen Mun Area 9 (Site A on **Plan A20c at Appendix 5**) – The site (about 2.1 ha) is located to the east of Tsun Wen Road adjacent to West Rail Tuen Mun Station. Within the site, three out of the four buildings are under single ownership, all aged about 30 years or above (including a vacant bus depot in the middle). The three industrial buildings are mainly used for warehouse/storage purpose. As another bus depot on the opposite side of Tsun Wen Road is the major source of environmental nuisance, if that bus depot can be relocated, the site can be rezoned mainly to “CDA” for residential use.
- (v) Kennedy Town – The godowns and associated wharf facilities in the area (about 0.8 ha) are incompatible with the existing and planned residential developments nearby (**Plan A1 at Appendix 5**). The only two buildings in the area are over 20 years old and are both under single ownership. Subject to the ongoing land use review of the area, the site could be rezoned for some waterfront-related commercial, leisure and/or tourism uses.

The above rezoning proposals involve a total area of about 17.5 ha and 38 existing industrial buildings (20 in Tsuen Wan East, ten in Siu Lek Yuen, two in Fo Tan, four in Tuen Mun Area 9 and two in Kennedy Town) with a total existing GFA of about 0.73 million m².

To “OU(B)” zone

To provide more flexibility in the use of the industrial land, the following developed “I” sites are considered suitable for rezoning to “OU(B)” which allows a mix of non-polluting industrial uses, information technology and telecommunications industries, office and other commercial uses:

- (vi) Ap Lei Chau West – All five existing buildings in the area are to the north of Lee Nam Road (about 3.7 ha) (**Plan A5c at Appendix 5**). Their overall vacancy rate is 24.3%, and about 37% of the floor space is under non-industrial uses. All the buildings are not very old (not exceeding 20 years) and two of them are under single ownership.
- (vii) Fo Tan (Sites C and D on **Plan A14c at Appendix 5**) – Both sites are near the East Rail Fo Tan Station but adjacent to other industrial buildings in the area. Site C (about 1.3 ha) is located to the east of Wo Shui Street, involving three buildings of more than 20 years old under single ownership, one of which is predominantly for ancillary office use. Site D (about 0.8 ha) is located to the south of Wo Heung Street, involving two buildings of about 30 years old under single ownership. Rezoning of the two sites for residential use may create I/R interface problem. As the sites are adjoining a “CDA(1)” site, rezoning them to “OU(B)” which allows for non-polluting industrial or non-industrial uses can better address the potential I/R interface problem between these two “OU(B)” sites and the “CDA(1)” site and allow for more flexibility in the use of the sites near the railway station.
- (viii) Tuen Mun Area 9 (Site B on **Plan A20c at Appendix 5**) – The site to the north of Pui To Road between Tsun Wen Road and Kin On Street (about 7.5 ha) is within walking distance from the West Rail Tuen Mun Station. Three out of the eight buildings within the site are under single ownership, and two of them are bus depots. The average building age is about 27 years old. The overall vacancy rate of the existing six industrial buildings of 10.4% is much higher than the figure for the area (i.e. 5.3%). Three of the industrial buildings have vacancy rates of 10.7%, 15.7% and 16.9% respectively. To provide more flexibility in the use of the industrial land and avoid potential I/R interface problem that may be created by any residential development at Site A as mentioned in subparagraph (iv) above, it is considered more suitable for rezoning the site to “OU(B)”.

The above rezoning proposals to “OU(B)” involve a total area of about 13.3 ha and 18 existing industrial buildings (eight in Tuen Mun Area 9, five in Ap Lei Chau West and five in Fo Tan) with a total existing GFA of about 0.68 million m².

(b) Undeveloped “I” sites

To “G/IC” and “Open Space” zones

- (i) Chai Wan – A number of undeveloped and vacant sites (about 6.6 ha in total) are located to the west and northwest of the Chai Wan Public Cargo Working Area (**Plan A2c at Appendix 5**). Most of the sites are under temporary uses including car parks, bus depots and works areas. Some sites, if developed for industrial uses, would likely cause I/R interface problems with the existing residential development at Tsui Wan Estate. The sites are also considered not suitable for residential development as they are subject to severe traffic noise impact including that from Wing Tai Road and/or Shing Tai Road which will be up to 80dB(A)⁸ and that from the existing MTR line which may exceed the night time Noise Control Ordinance standards. In view of the demand for territorial and regional Government, institution and community (GIC) facilities (such as institution of higher education and Government vehicle depot) and the possibility to use the sites for relocating some GIC facilities currently occupying prime sites in the main urban areas, consideration may be given to rezoning these sites to “G/IC” and “Open Space”. An air ventilation assessment undertaken for the Chai Wan area also supports maintaining a low-rise GIC and open space belt at the waterfront.

To “R(E)” and “C” zones

- (ii) Fo Tan (Sites A and B on **Plan A14c at Appendix 5**) – Site A (about 4.3 ha) to the north of Kwei Tei Street and Site B (about 0.5 ha) at Wo Sheung Tun Street are located in the northwestern fringe of the industrial area. For Site A, it is largely under various temporary uses including bus depots, storage, workshop and car park. To the south of Kwei Tei Street are all industrial buildings. The Housing Department is conducting an assessment on redeveloping the ex-Fo Tan Cottage Area and part of the subject industrial site (about 1.07 ha) for public rental housing. As the site is subject to I/R interface problems, and noise and air quality impacts arising from the bus depot at Site B and the nearby industrial establishments, consideration may be given to rezoning Site A mainly to “R(E)” for comprehensive public housing development so that the environmental constraints could be better dealt with. For the only industrial building within the site (about 0.2 ha) which is a data center building under single ownership, consideration may be given to rezoning it to “C” to ensure that the site will not be reverted to industrial use upon redevelopment, thus avoiding any I/R interface problem for the future housing development.

⁸ 80dB(A) exceeds the relevant requirement of the Hong Kong Planning Standards and Guidelines by 10 dB(A).

Site B, currently a temporary bus depot, is situated on a raised platform which is quite separated from the surrounding industrial buildings and can be rezoned to “R(E)” for residential use.

To “CDA” zones

- (iii) Fanling Area 48 – The whole area (about 5.2 ha) is mostly occupied by temporary storage and workshop uses on private land intermixed with some squatter settlements on Government land (**Plan A18 at Appendix 5**). Nearly half of the land is under single ownership while the remaining half is Government land. A rezoning request proposing “CDA”, “Residential (Group D)” and “G/IC” zones for the whole area has been received but not yet considered by the Board pending the submission of further information from the proponent⁹. The proposed residential use in the area may be subject to traffic noise impact from Fanling Highway and the adjoining roads together with I/R interface problem. Having said that, rezoning the whole area for comprehensive residential development would help upgrade the existing environmental conditions and could be considered subject to working out a feasible development option.

The above rezoning proposals for the undeveloped “I” sites involve a total area of about 16.6 ha and one existing industrial building (in Fo Tan) with an existing GFA of about 13,790m².

(c) Developed “OU(B)” sites

To “R(E)” zones

- (i) Yuen Long – Most sites to the west of Wang Yip Street West and to the north of Tak Yip Street (about 3.9 ha in total) are either Government land or under single ownership. Three out of the seven existing buildings are seven storeys or below and the remaining four are 19 storeys or below. Located at the periphery of the industrial area and adjacent to an open nullah¹⁰, this part of the industrial area has potential for residential uses with commercial facilities. Consideration may be given to rezoning the site to “R(E)” which would be compatible with the “CDA” zone to the south and the “Residential (Group D)” zone and an “Other Specified Uses” annotated “Comprehensive Development to Include Wetland Restoration Area” zone to the north (**Plan B18c of Appendix 11**).

⁹ The proponent’s latest proposal is to rezone the whole area to three “CDA” zones based on the land ownership pattern.

¹⁰ Under the Feasibility Study on Rehabilitation of Yuen Long Nullahs (2009) conducted by the Drainage Services Department, proposals have been made to improve the water quality, resolve the odour concern and beautify the nullah.

- (ii) Tai Kok Tsui – In view of the potential traffic noise impact from the elevated West Kowloon Corridor, the “T” site in between Tai Kok Tsui Road and Elm Street was rezoned to “OU(B)” in 2001 (**Plan B5c at Appendix 11**). The vacancy rate of the area is 15.6%, and three out of the existing four industrial buildings on the site are over 40 years old. As two committed hotel developments in the western portion of the site could serve as an environmental buffer from the traffic on the West Kowloon Corridor and the industrial site on the opposite side of Elm Street has already been rezoned to “R(E)”, it is proposed to rezone the remaining part of the “OU(B)” site (about 0.2 ha with a total GFA of about 25,090m²) to “R(E)” to allow for residential developments (**Plan B5c at Appendix 11**).

5.3 To tackle issues relating to the columbarium in the territory, the Food and Health Bureau (FHB) is undertaking a public consultation to solicit views on a package of proposals relating to the columbarium policy. To increase the supply of columbarium facilities, the Government has proposed to introduce a district-based columbarium development scheme and has initially identified 12 potential sites for columbarium development. Two potential sites, zoned “T” on the OZP, are identified based on the following site selection criteria:

- (a) at the fringe of the industrial area;
- (b) easily accessible but away from populated area; and
- (c) compatible with surrounding land uses.

Details of the two potential “T” sites are:

- (a) Southwest Kwai Chung – An area at the northwestern corner of Southwest Kwai Chung (about 5.4 ha) is mainly occupied by a temporary car park (**Plan A9c at Appendix 5**). The area is adjacent to the Tsuen Wan Chinese Permanent Cemetery and separated from a residential development (i.e. Rivera Gardens) to its northwest by Tsing Tsuen Road.
- (b) Sha Tin Area 65 – The whole site (about 2.8 ha) comprising an ex-quarry area is temporarily used by the Construction Industry Council Training Academy as a training ground (**Plan A16 at Appendix 5**). It is within 500m of the Ma On Shan Rail Shek Mun Station. The adjacent refuse transfer station and Tate’s Cairn Highway can serve as buffer between the site and the existing school and residential developments to the west.

If the sites are found feasible and suitable for columbarium use by the Government, the relevant District Council would be consulted on the detailed rezoning proposals before they are submitted to the Board for consideration.

5.4 The table below shows a summary of the industrial sites proposed for rezoning:

Area	Total Land Area (ha) and Total Existing GFA (m ²) of the Sites Involved				
	Proposed Uses				Total
	Residential	Business	Columbarium	Others	
“I” Site					
Chai Wan	---	---	---	6.6 ha	6.6 ha
	---	---	---	---	---
Fo Tan	5.8 ha 37,989m ²	1.9 ha 172,505m ²	---	0.6 ha 13,790m ²	8.3 ha 224,284m ²
Fanling Area 48	5.2 ha 2,280m ²	---	---	---	5.2 ha 2,280m ²
Tsuen Wan East	5.0 ha 323,252m ²	---	---	0.7 ha ---	5.7 ha 323,252m ²
Kennedy Town	---	---	---	0.8 ha 51,141m ²	0.8 ha 51,141m ²
Ap Lei Chau West	---	3.7 ha 259,423m ²	---	---	3.7 ha 259,423m ²
Tuen Mun Area 9	1.9 ha 67,596m ²	7.3 ha 246,789m ²	---	0.4 ha ---	9.6 ha 314,385m ²
Southwest Kwai Chung	---	---	5.4 ha 13,666m ²	---	5.4 ha 13,666m ²
Sha Tin Area 65	---	---	2.8 ha ---	---	2.8 ha ---
Siu Lek Yuen	7.5 ha 252,509m ²	---	---	---	7.5 ha 252,509m ²
Sub-total	25.4 ha 683,626m ²	12.9 ha 678,717m ²	8.2 ha 13,666m ²	9.1 ha 64,931m ²	55.6 ha 1,440,940m ²
“OU(B)” Site					
Yuen Long	3.9 ha 133,283m ²	---	---	---	3.9 ha 133,283m ²
Tai Kok Tsui	0.2 ha 25,090m ²	---	---	---	0.2 ha 25,090m ²
Sub-total	4.1 ha 158,373m ²	---	---	---	4.1 ha 158,373m ²
Total	29.5 ha 841,999m²	12.9 ha 678,717m²	8.2 ha 13,666m²	9.1 ha 64,931m²	59.7 ha 1,599,313m²

5.5 Overall, the above rezoning proposals involve a total land area of about 59.7 ha with a total existing GFA of 1.60 million m², including about 12.9 ha (21.6%) (with an existing GFA of 0.68 million m²) is proposed to be rezoned to “OU(B)” to provide more flexibility in the uses of the industrial land. The remaining 46.8 ha of land is proposed for non-industrial uses, of which about 29.5 ha (49.4%) (with an existing GFA of 0.84 million m²) is proposed to be mainly rezoned for residential developments. The remaining 17.3 ha (29.0%) (with an existing GFA of 0.08 million m²) is proposed for other non-industrial uses (including the potential sites for columbarium).

5.6 The total existing GFA proposed to be rezoned for non-industrial uses is about 0.92 million m², which is slightly larger than the estimated decrease in demand of 0.85 million m² GFA for flatted factory floor space by the manufacturing industries by 2020. If all the rezoning proposals are taken on board, the total land area of the “I” zones in the territory would decrease by about 18.7% (55.6 ha) from 297.2 ha to 241.6 ha while that of the “OU(B)” zones would increase by about 4.5% (9.0 ha) from 200.1 ha to 209.1 ha.

- 5.7 As the rezoning proposals would not be taken forward all at once, we do not envisage that it would result in shortage of industrial floor space in the territory. Past experience suggests that even if industrial land is rezoned, redevelopment of industrial buildings is a lengthy process, and will take a long lead time to materialize. We will closely monitor the situation to ensure that there will be adequate supply of industrial land to meet the demand.
- 5.8 While the 0.92 million m² industrial floor space proposed to be rezoned to non-industrial uses will lead to loss of existing jobs, some industrial premises are vacant or underutilised and new jobs will be created by the proposed redevelopment under the new zonings. It is considered that the rezoning proposals would not cause any significant impact on the balance of homes and jobs.
- 5.9 Revitalisation of industrial buildings is a new policy initiative announced in the 2009-10 Policy Address. Measures are introduced to encourage redevelopment in “OU(B)” and other non-industrial zones and wholesale conversion of industrial buildings in “I”, “OU(B)” and “C” zones. The new measures will also help address the existing vacancy problems in the “I” and “OU(B)” zones by encouraging better utilization of the existing premises for uses permitted as of right or with planning permission under the relevant OZPs.

6. Next Steps

- 6.1 Should the findings and key observations of the Area Assessments 2009 be endorsed by the Board as the basis of rezoning industrial land to other uses, PlanD, in consultation with concerned departments, will work out the detailed rezoning proposals of individual industrial sites for the Board's consideration in the context of proposed amendments to the relevant OZPs.
- 6.2 The requirements of industrial land will be monitored and further review will be conducted, if necessary.

**Planning Department
September 2010**