

RICS Response – The Hong Kong Policy Address 2025

Introduction

Hong Kong's built environment presented both challenges and opportunities in 2025. The city's interest rates recently rebounded to an elevated level from near zero territory, which presented challenges for development projects to achieve and predict viable returns. With global trade volatility coupled with financial uncertainty, Hong Kong must adapt and seize opportunities for innovation, sustainability, and redefine its edge to continue to evolve as an international city. As a leading professional body, RICS offers insights into 3 key strategic Government initiatives to support Hong Kong's ambitions for a future-ready city, they are: *1) Accelerate Development of the Northern Metropolis 2) Promote the Integrated Development of Education, Technology and Talents and 3) Facilitate Stable Living in a Caring and Inclusive Society.*

Recommendation 1 - Accelerate Development of the Northern Metropolis

R1A - Enhance Incentives for Private Sector Participation

To drive development activity in the Northern Metropolis, the Government should establish a Long-Term Development Financing Scheme (LTDFS), led by the Hong Kong Monetary Authority in collaboration with Government departments and various financial institutions. This scheme could offer low-interest or preferential-rate loans to qualified property developers for large-scale projects, with suggested mechanisms such as having interest rates partially pegged to GDP growth or development performance in the Northern Metropolis. This adaptive mechanism will provide a "safety net" for early-phase investments and incentivize more development into the area.

R1B - Establish a PPP and Finance Advisory Panel

A PPP (Public Private Partnership) and Private Finance Advisory Panel should be established as an advisory task force to support the Hong Kong Government in upskilling and facilitating knowledge transfer. Its purpose would be to ensure that the development of PPP commercial, financial, and operational models is appropriate for all stakeholders in the supply chain, including the Government, financiers, constructors, and operators. Recently, similar initiatives have been launched in the UK, offering valuable lessons for

Hong Kong to consider in developing its own approach.

- 1) Treasury's Infrastructure Taskforce: This taskforce was created to enhance value for money in capital investment and infrastructure delivery. It focuses on developing policies that attract private investment and introducing new financing models for infrastructure projects.
- 2) Office for Value for Money: Plans are underway to establish this office to ensure transparency and public confidence in how infrastructure funds are allocated and spent.

Overall, we welcome the Government's proposal to establish various committees to expedite the development of the Northern Metropolis in collaboration with the private sector. However, we believe it is essential for the Government to broaden its approach to PPPs beyond the traditional Build-Operate-Transfer (BOT) model. Given the current downturn in the property market, which shows no signs of near-term recovery, relying solely on land supply to the private sector as a stimulus mechanism is unlikely to be effective. Instead, we urge the Government to explore a wider range of PPP models that have been successfully implemented in other jurisdictions, such as Joint Ventures, and availability-based models, which can better align risk-sharing and long-term value creation.

Based on recent PPP initiatives by different Government bodies, it is evident that there has been a lack of consolidated know-how and institutional databases. Rather than collaborating, departments often appear to be competing to make their respective PPPs successful. This fragmented approach has led to inefficiencies and missed opportunities for synergy. Moreover, many of the current PPPs lack commercial viability and fail to attract interest from private sector players, especially international players. As a result, participation has been largely limited to domestic or Mainland Chinese entities, leading to insufficient bidder diversity and a lack of innovative solutions.

Projects released at the Expression of Interest (EOI) stage must first undergo detailed financial feasibility studies to ensure commercial viability. Without this, investor confidence is undermined, signaling a lack of preparation and casting doubt on the Government's role as a credible PPP partner. To address this, we recommend establishing a dedicated Government-led body of PPP experts to support departments across tendering, financial analysis, legal, and procurement. As a center of excellence, it would consolidate best practices, standardize procurement frameworks, and provide model tender documentation to enhance PPP execution and credibility.

We should consider highlighting the need to boost lender confidence in long-term financing (beyond 5–7 years) for large-scale Northern Metropolis projects. Many institutional investors and foreign funds require longer loan tenors to commit capital. Suggest the government work with HKMA to explore credit enhancement mechanisms or partial guarantees to improve bank appetite for extended-term project finance.

While developers understand land-based models, many foreign and non-traditional investors (e.g., infrastructure funds, tech operators) may lack visibility into the Northern Metropolis roadmap. We recommend establishing an investor briefing platform—jointly led by InvestHK and the Development Bureau—to provide regular updates, data packs, and sector-specific roadmaps. This would help inform capital allocation decisions beyond just land acquisition.

R1C - Increase Transparency for Land Applications

To unlock the full potential of the Northern Metropolis's San Tin Technopole, it is essential that the Government provides a clear and transparent roadmap for enterprises to apply for land and submit development proposals, including their projected economic contributions. This roadmap should also outline the availability of basic civil infrastructure, which is a critical enabler for private investment. Given the substantial capital required for development, the Government should consider minimizing the initial infrastructure-related capital expenditure (CAPEX) burden on private enterprises, especially for foundational utilities and transport links that traditionally fall under the public sector's remit. While the current I&T zoning allows for multi-use development, a more structured blueprint is needed to incorporate amenities such as retail and community facilities. Without this, we risk inefficient land use, fragmented planning, and unnecessary competition for limited space within the San Tin Technopole. Further lower cost financing options from the Government-backed institutions will help the private market to become actively involved in the new developments.

R1D - Remove Barriers and Ease Restrictions to Streamline Administrative Procedures

We fully support the implementation of flexible land-grant arrangements—including long-term tenancies and varied allocation methods such as open tendering, restricted tendering, and direct grants to accelerate the development of the Northern Metropolis. These unconventional approaches offer developers greater flexibility, reduce entry barriers, and help attract broader investment interest. It is strongly recommended that the

Government invite enterprises to submit proposals outlining their economic contributions, which could justify a more flexible land pricing mechanism, particularly where larger social benefits are demonstrated. In addition, we welcome the proposed “pay for what you build” and phased payments of land premiums, which can significantly reduce upfront land premium costs and not build excessive while the area is still under developing. We believe these initiatives will ease financial pressure on developers, improve project viability, and encourage more active participation in the Northern Metropolis.

R1E - Dedicated Legislation to Accelerate the Development of Northern Metropolis

The introduction of dedicated legislation to accelerate the development of Northern Metropolis by streamlining cross-boundary flows, relaxing planning restrictions, accelerating approval of building plans and expediting compensation payment for land resumption could attract more private developers to participate in the development of Northern Metropolis and speed up the project development. Accelerating development of the Lok Ma Chau Loop could facilitate collaboration between Shenzhen Park and Hong Kong Park to support development of new industries like AI, health technology and microelectronics with more high-quality R&D facilities.

R1F - Development Outline for the San Tin Technopole

As Hong Kong advances its Innovation and Technology (I&T) agenda—particularly through the development of the San Tin Technopole—it is encouraging to see multiple leading institutions playing active roles, including the Development Bureau (for San Tin Technopole), HKSTP (San Tin Campus), HSITP (the Loop), and Cyberport (Lau Fau Shan). Given the scale and ambition of these initiatives, it will be critical for these organizations to maintain regular and transparent communication with one another to foster synergy and avoid fragmentation.

At this early stage of development, differences in rental strategies, unclear supply pipelines and timing, and overlapping target sectors could inadvertently lead to inefficiencies or confusion among stakeholders and potential tenants. While each zone has its own thematic focus and strategic positioning, the risk of duplication is understandable during the formative phase. Establishing a mechanism for ongoing coordination, such as inter-agency working groups or shared planning updates, would help align objectives, optimize resource allocation, and present a more cohesive narrative to both local and international investors. Such collaboration will not only enhance the overall competitiveness of Hong Kong’s I&T ecosystem but also ensure that the San Tin Technopole and related innovation hubs develop in a complementary and mutually reinforcing manner.

Rather than relying solely on traditional land grant + build-to-rent models, we could propose a co-investment framework where private enterprises (e.g., data centre operators, R&D firms) take equity stakes in public-private ventures within San Tin Technopole. This shifts from “buy-lease-operate” to “partner-invest-grow,” aligning long-term interests. Example: A government-led data centre campus could invite hyperscalers or green tech firms to co-fund and co-own, bringing technical expertise and stable demand.

R1G - Expedite Transport Infrastructural Development

We are pleased to see a clear timetable in place and that construction of the rail projects at Kwun Tung and Hung Shui Kui has already commenced to expedite transport infrastructure development. This is crucial for aligning with the growth of the Northern Metropolis. Additionally, we must consider the details of connecting with the mainland, including construction standards, immigration methods, and any legislative requirements. This proactive approach will help us avoid uncertainties soon.

R1H – Driving Down Construction Costs

To effectively lower construction costs in Hong Kong, the Government should play a proactive role in enabling industry transformation. This includes adoption of innovative materials, modern construction methods, and digital / Artificial Intelligence (AI) technologies through applied R&D. Harmonizing Hong Kong’s building regulations and material testing standards with those of PRC can streamline compliance.

Establishing a platform for direct access to the PRC supply chain and facilitating direct procurement of materials and resources will enhance cost efficiency. These strategies will foster integration, improve sourcing transparency, and reduce reliance on intermediaries—ultimately driving down construction costs while maintaining quality and regulatory alignment.

Recommendation 2 - Promote the Integrated Development of Education,

Technology and Talents

R2A - Build an International Education Hub and Increase Student Hostel Supply

The Government’s initiative to expand student hostel supply is a strategic and forward-looking move. It directly tackles a key constraint in our city’s aspiration to become a leading international education hub and reflects thoughtful long-term policy planning. We commend the Government’s foresight in recognizing that world-class education extends beyond curricula and faculty—it requires a robust ecosystem that supports students holistically. The persistent shortage of affordable, high-quality, and conveniently located accommodation has long been a barrier to attracting top-tier international talent, both

students and academics.

(1) Incentivising non-university investors

While universities benefit directly from hostel supply, private investors and REITs may also play a role if properly incentivised. Consider recommending tax incentives, concessionary land terms, or yield support mechanisms (similar to UK PBSA – Purpose-Built Student Accommodation) to attract institutional capital.

(2) Attracting global universities, not just students

To truly become an international education hub, Hong Kong should aim to attract foreign universities to establish branch campuses, not just rely on local institutions expanding.

Examples of successful Sino-foreign models:

- University of Nottingham Ningbo China (UNNC) – First Sino-foreign university in China; awards UK degrees.
- Xi'an Jiaotong-Liverpool University (XJTLU) – Jointly operated with UK's University of Liverpool.
- Sino-British College (SBC), Shanghai – Partnership with multiple UK universities offering transnational programmes. These models show that Hong Kong can go beyond hosting mainland students — we should position ourselves as a gateway for global higher education in Asia, encouraging both outbound HK students to stay and inbound international talent to come.

R2B - Attracting New Entrants and Rebranding the Surveying & Construction Industry

Surveying is a profession that is underrepresented or under “marketed” - having more support from Government on the importance of this profession will surely encourage talent in HK to work join this profession. For example, championing digitization, reducing overtime, promote the adoption of technology to reduce repetitive tasks and improve work-life balance, making the industry more attractive to the younger generation, partner with the Education Bureau to introduce modern construction and urban planning concepts into secondary school STEM curricula. Apart from growing local talent is key, Government can also ensure the Top Talent Pass Scheme (TTPS) explicitly includes roles such as AI / BIM Specialists, Sustainable Building Certifiers, PropTech Solution Architects, experts in Railway etc., all of which are highly sort after roles.

R2C - Upskilling the Existing Workforce for Digital and Green Transition

A future-ready talent strategy must focus on upskilling the existing workforce. We recommend subsidized training and certification grants for professionals and technicians in AI and data analytics, BIM and other emerging technologies. Special attention should be given to site supervisors and managers, many of whom lack formal training. Targeted programs in project management, digital workflow coordination, data management, and safety data analytics can significantly enhance productivity and safety across the sector.

R2D - Alignment of Salary Benchmarking Between Public and Private and Private Sector

Encouraging the right skill set and character of surveyors to perform in the most suitable environment will allow more collaboration in the public and private sectors. Supporting talent in the Real Estate and Construction industry is not just about training more workers, it is about orchestrating a holistic transformation of the sector— rebranding its image, deeply integrating technology and sustainability into its core, and creating a supportive ecosystem that attracts, nurtures, and retains a diverse and skilled workforce from the site to the boardroom. By implementing these strategies, we can build not only world-class infrastructure, but also a world-class talent base to sustain its future as a leading global city.

Recommendation 3 - Facilitate Stable Living in a Caring and Inclusive Society

R3A – Increase Public Housing Supply and Enriching the Housing Ladder

Regarding the supply of public housing, we are pleased to see the increase in units, as the Government is actively addressing the basic housing needs of those in Hong Kong who require assistance. This initiative also represents a significant step forward in improving the current sluggish state of the construction industry. However, in this rapid construction process, it is crucial that we allocate more resources to prioritize quality and safety. Protecting our reputation for high-quality building and development is essential. To enrich the housing ladder, the increase in the ratio of quotas between Green Form and White Form applicants to purchase Home Ownership Scheme (HOS) flats to 50:50 from 40:60 could allow more public rental housing tenants to become owners easier, while more vacant public housing units could be released to those in the waiting list possibly with urgent housing needs.

R3B – Maintain Stable Private Housing Supply

In the 2024 Policy Address, the Government committed to a private residential supply target of 132,000 units over the next 10 years. However, the 2025 Policy Address revised this figure down to 126,000 units—a reduction of 6,000 units. While this adjustment may not significantly impact the overall supply-demand imbalance, it underscores the importance of maintaining a steady and transparent land sale program to address Hong Kong's long-term housing needs. Consistency in land supply is key to sustaining developer confidence and ensuring that housing targets remain achievable amid evolving market conditions.

R3C - Reduce Construction Costs and Improve Quality Control

We welcome the government's initiatives including support for streamlining approvals: simplifying statutory procedures and enhancing coordination will improve efficiency and reduce costs, especially for large-scale infrastructure projects like the Northern Metropolis and San Tin Technopole and public and private housing supply. Current different departmental roles of Building Department, Lands Department, Planning Department, and Fire Services Department have some degree of overlapping responsibilities, occasionally leading to inconsistent requirements and prolonged back-and-forth. Many approvals are handled sequentially rather than in parallel, extending timelines unnecessarily. Moreover, despite efforts to digitise, many departments still rely on manual vetting, which slows down processing. It will be important to encourage departments to process applications concurrently, especially for rezoning, lease modifications, and building plan approvals. Also create a centralized digital platform (a single-window system) for all submissions and tracking, reducing redundancy.

We are pleased to see that the DEVB has planned to conduct central procurement for steel reinforcement and Modular Integrated Construction (MiC) modules. This approach will not only help reduce construction costs but also enable better quality control. As the people of Hong Kong are aware, there have been incidents related to the poor quality of steel reinforcement and MiC. Therefore, we urge the Government to implement this policy promptly. It can save costs, improve quality, and is essential for rebuilding public confidence. The advancement of the adoption of Centralized, Framework and Direct Procurement is excellent progress. However, there needs to formal guidance established that integrates with the PAH and the SPR to ensure all departments are utilizing the approaches in a consistent manner.

Last but not least, the Government's decision to relax the gross floor area (GFA) exemption arrangement for car parks in private developments (up to 2-storey) for car parking use

would offer developers greater flexibility in design, reduce construction costs and improve project economics. This policy is expected to enhance land efficiency and increase parking provision in high-demand urban areas. Given the recent 30–50% decline in land prices, such measures may help stabilize land values and encourage more active participation in land tenders. Further policy review on the GFA exemption for the ramps is also required, in order to offer better quality developments especially for shopping centres and logistics, when the ramps often are not solely for parking and loading/unloading purposes.

R3D - Release Industrial Land in Urban Areas

It is critical for the Government to reassess industrial land demand within urban areas, particularly in districts where traditional industrial activity has declined. On Hong Kong Island, aging building stock and shifting market dynamics have created challenges for industrial zones. Chai Wan is a prime example, many industrial buildings are over 40 years old and face high vacancy rates, especially from the logistics sector. However, redevelopment remains unattractive under the current 'Industrial' zoning, which restricts more optimal land uses. Without zoning flexibility or a strategic repositioning framework, these areas risk long-term stagnation. A refreshed policy approach could unlock underutilized urban land and better align with Hong Kong's evolving economic landscape

R3E - Urban Renewal with a New Mind-set

We support the Government in promoting urban renewal with a more flexible approach such as relaxation of arrangements for the cross-district transfer of plot ratio to enhance the incentive for redevelopment and effectively alleviate the disputes in land resumption and compensation, allowing redevelopment projects to be implemented more smoothly.

R3F - Promulgate the Transport Strategy Blueprint

We strongly endorse this initiative, as establishing a clear and committed timeline for major infrastructure projects will send a powerful signal of progress and reliability. This clarity will instill confidence among corporations, investors, and developers, unlocking greater investment and fueling stronger demand for land and real estate in the affected areas. Fast-tracking the introduction of mass transit systems in key districts such as Kai Tak and Hung Shui Kiu will further amplify this momentum, reinforcing market confidence and accelerating growth in real estate development.

R3G - Streamline Project Approvals through Clear Timelines and Inter-Agency Coordination

We welcome the government's commitment to simplifying statutory and administrative

procedures by establishing clear service time commitments for building approvals and strengthening coordination across relevant departments. Delays in approval processes have long been a bottleneck in both public and private development, contributing to cost overruns and project uncertainty.

To ensure sustained impact, we recommend that key approval milestones be made publicly available in a dashboard format, enabling transparency and third-party monitoring. Additionally, standardised checklists and digital submission portals should be rolled out government-wide to minimise inconsistencies and reduce rework.

Recommendations for R3G:

1. Launch a public digital dashboard showing real-time status and timelines for major development applications across departments (e.g., BD, LandsD, PlanD, HyD, TD, CEDD, FEHD, etc.).
 2. Roll out standardised digital submission templates and automated validation checks to reduce errors and resubmissions.
 3. Establish a Development Facilitation Task Force, chaired by the Development Bureau (DEVB), to resolve inter-agency delays monthly and review process bottlenecks.
- Regional Reference: Singapore's Building and Construction Authority (BCA) operates a centralised e-submission and tracking system (CORENETX e-Submission), where all building plans are submitted digitally and approval stages are transparently tracked. This has reduced average approval times from weeks to days and significantly improved predictability for developers. (Source: <https://info.corenet.gov.sg/>)

R3H - Rationalising Parking Floor Area Exemptions

The relaxation of gross floor area (GFA) exemption rules for parking facilities in private developments is a practical and pro-development reform. Allowing full GFA exemption for up to two levels of above-ground car parks—and removing the mandatory requirement to build basement parking as a condition for exemption—will enhance design flexibility, reduce construction complexity, and lower costs.

This change is particularly beneficial for sites with challenging ground conditions or high water tables, where basement construction is technically difficult and expensive. It also supports faster project delivery by reducing excavation and structural requirements. By aligning incentives with efficient development, this policy can boost private sector

participation, especially in urban redevelopment projects.

Recommendations for R3H:

1. Pilot an extended waiver scheme for other community-benefiting facilities:
 - Allow partial or full GFA exemptions for essential ancillary uses such as electric vehicle (EV) charging hubs, logistics loading bays, and last-mile delivery lockers in private developments. These functions support sustainability and urban efficiency but are often penalised under current plot ratio rules. A pilot will test how flexible GFA treatment can encourage wider public benefits without increasing density.
2. Require developers to report cost and time savings from the new parking exemption:
 - As part of the post-approval monitoring process, require developers who use the revised parking GFA exemption to submit a brief performance report after project completion (within 12 months of occupation). This should include estimated savings in construction cost, reduction in build time, and design impacts. This data will help the government evaluate whether the policy is achieving its intended outcomes—faster, cheaper, and more viable developments—and inform future adjustments to GFA regulations.
 - Regional Reference: In the UK, many local authorities apply “performance-based planning” — requiring developers to report actual delivery metrics (e.g., build speed, unit cost) for large schemes. This data informs future housing policies and procurement strategies. Hong Kong can adopt a similar light-touch evaluation model to assess regulatory effectiveness.

Conclusion

Hong Kong stands at a crossroads, shaped by bold vision and collective ambition. The future we imagine is not built by any one group alone — it emerges when government, industries, and professional bodies unite in common cause. Now is the time to harness our shared purpose and confront the complexities of our city’s journey with courage and innovation. RICS proudly embraces the Government’s call to action for a future-ready metropolis. We champion new models of partnership, pioneering financial innovation, and an unwavering commitment to collaboration in accelerating the development of the Northern Metropolis. Together, let us lay the foundations for a Hong Kong that is not just

resilient and sustainable, but truly inclusive and thriving home where every generation can live, aspire, and succeed. The path forward is clear. Through determined partnership and visionary leadership, we can and will build the Hong Kong of tomorrow.

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