

Overpricing blamed for tender troubles

INDEPENDENT SURVEYORS SAY the government is overpricing low-quality building plots in light of cancellations in the past three months of tenders for two sites on its land sale list, after developers' bids fell short of their reserve prices.

The most recent site was located at Au Tau in Yuen Long, where the Lands Department rejected 10 bids because all of them failed to meet the valuations set by its surveyors.

"The pricing of the government is too aggressive and does not reflect the true worth of the site," said Charles Chan Chiu-kiok, managing director of Savills Valuation and Professional Services (Greater China).

The Au Tau site is surrounded by the Yuen Long and Tsing Long highways, with the elevated West Rail cutting through it, which makes the plot more prone to noise pollution.

Meanwhile, the Tsing Yi plot withdrawn three months earlier carried a term compelling developers to cover maintenance costs for nearby slopes.

Chan questioned whether government surveyors had taken into account the extra costs in those cases in their pricing.

"From my understanding, there are no quantity surveyors in the Lands Department to price sites," he said. Such surveyors would be responsible for looking precisely into potential additional costs in the development of sites being tendered.

Chan said the department may need to borrow this specific group of professionals from other government departments. Failure to do so would result in unrealistic valuations, as developers have the biggest stake in not overestimating a site's worth.

"It is not very likely that the 10 bidders could have rigged the [Au Tau] tender," Chan said, noting the bids submitted were well over HK\$2,000 per buildable square foot.

He believes the government will revise the reserve price when the site is put out for tender again later.

Since last September, home prices have dropped an aggregate of 9 percent. Hong Kong Institute of Surveyors president Lau Chun-kong said land prices usually fall proportionally greater than flat prices.

"But I believe the government is lagging behind the market in its valuation of land, as it takes a lot of time drafting and circulating documents," said Centaline surveyor Victor Lai Kin-fai.

Another site in Tai Po that would provide more than 1,000 flats ends its public tender tomorrow.

It too is a flawed site, as part of it is in a greenbelt area, and faces a judicial review sought by green groups opposed to homes being built on such spaces.

In the face of the legal risk involved, surveyor Leo Cheung Sing-din, head of business valuation at Icon City Group, has lowered his estimate by 15 percent from HK\$5.2 billion to HK\$4.4 billion.

He said the total investment cost may well exceed HK\$10 billion.

Cheung expects cautious bidding for the Shan Tong Road site, which could also see the tender canceled if the reserve price is not met.

If that happens, the government's housing target set for the financial year of 19,000 units can no longer be met, as developers consider undertaking a large project in times of downward home prices to be risky business.