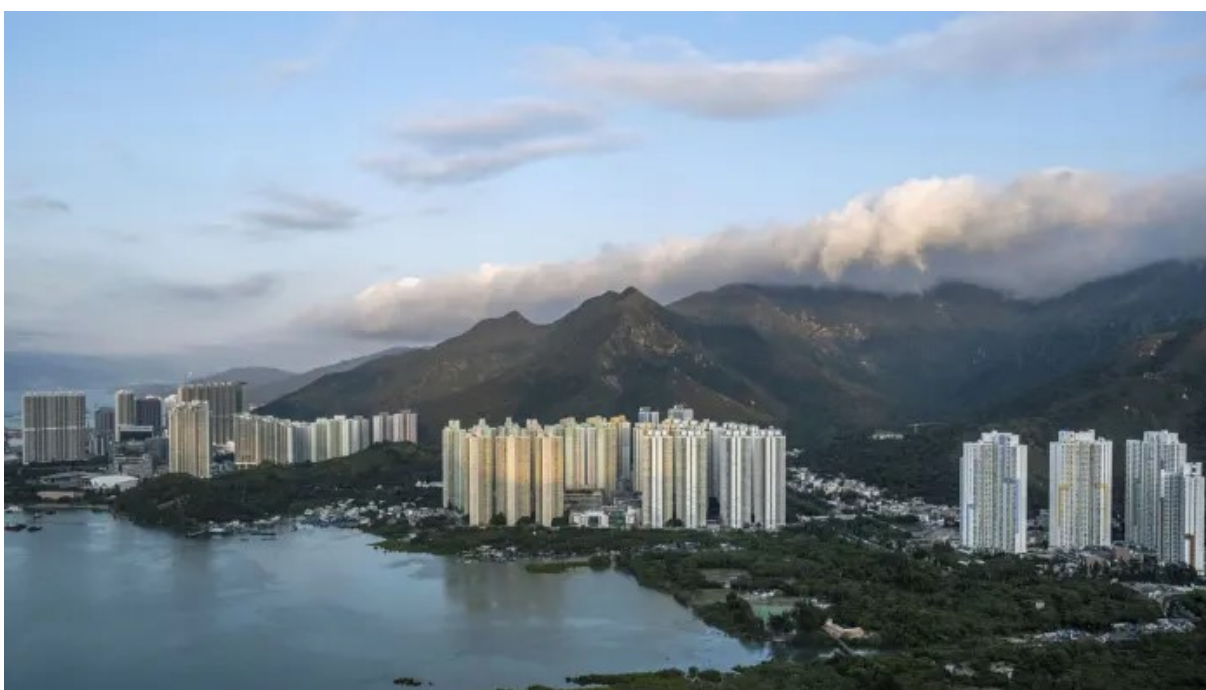


Hong Kong

Hong Kong's property barons set to benefit from affordable housing drive

City's developers well-positioned to capitalise on Beijing's efforts to promote social justice



Hong Kong's leader Carrie Lam has announced measures to address the problem of housing shortages in the territory, which Beijing blames for social unrest © Paul Chin/Bloomberg

Primrose Riordan, Chan Ho-him and Jennifer Creery in Hong Kong YESTERDAY

China is threatening to smash the empires of Hong Kong's real estate magnates — once so powerful they were seen as shadow governors of the Asian financial centre — and force them to fix the city's housing woes.

Despite Beijing's anger, the tycoons, who made their fortunes on Hong Kong's rise to become one of the world's most expensive real estate markets, are set to benefit once again as the government lays out new policies on affordable housing.

While Hong Kong's property billionaires, such as nonagenarian [Li Ka-shing](#) of CK Asset Holdings, have been overtaken by those in China and India on the [region's rich lists](#), they remain among Asia's wealthiest and most influential business leaders. The [Kwoks](#) of Sun Hung Kai are the region's second-richest family, according to a 2020 Bloomberg survey. Others include the sons of another nonagenarian, [Lee Shau-kee](#) of Henderson Land, who is worth \$31bn, and [Adrian Cheng](#) of New World Development, a third-generation scion of the late property and jewellery billionaire Cheng Yu-tung.

For decades, the real estate magnates enjoyed outsized influence in Hong Kong's political bodies [until anti-government protests](#) erupted in 2019. Beijing blamed the demonstrations on [popular discontent](#) with the city's expensive housing market rather than on Hong Kongers' desire to protect civic freedoms granted to them after the city's handover to China from the UK in 1997.

up a fifth of Hong Kong's fiscal revenue.

But after pressure from Beijing, Carrie Lam, Hong Kong's leader, last month announced affordable housing measures, including a scheme to convert districts in Hong Kong's rural New Territories, near the border with mainland China, into a vast residential area dubbed the Northern Metropolis. If fully developed to plan, the metropolis would have a population of 2.5m people living in up to 926,000 new and existing homes.

Despite the planned increase in housing supply, Philip Tse, China property analyst with Bocom International, said the policy could benefit the tycoons. The northern metropolis could take 15 to 20 years to materialise. In the meantime, housing prices were expected to rise due to low levels of available land, said Tse. "The shortage could become more severe, giving them [the tycoons] stronger pricing power," he added.

The government focus on the New Territories could also help developers unlock agricultural areas in their land banks that previously were bound up in red tape. Four big developers, Henderson, Sun Hung Kai Properties, New World and CK Asset, have amassed sizeable land banks, mostly in the New Territories totalling more than 100m sq ft of undeveloped farmland, according to analysts and company reports. The four declined to comment. [Real estate stocks rallied](#) after Lam's announcement of the northern metropolis.

The head of a Hong Kong investment firm said it started buying Henderson Land in light of the northern metropolis plan. "By the time they start building, their [net asset value] will double," the executive said.

Analysts said while the big developers were affected by the pandemic, their most recent financial results were more stable. Sun Hung Kai reported a 1.7 per cent year-on-year rise in underlying profit, which excludes property revaluations, to HK\$29.9bn (\$3.8bn) for the year ended June 30, while New World's underlying profit was up almost 6 per cent during the same period.

Henderson's underlying profit rose 51 per cent in the first half of 2021 compared with a year earlier, partly attributed to an acquisition. CK Asset, trumpeting its "ample liquidity", reported a 30 per cent rise in net profit for the first six months of 2021 compared with a year earlier.

political insurance; they are under increasing pressure.

Indeed, New World two years ago donated almost 3m sq ft of farmland reserves to the Hong Kong government, while Henderson said it would lend almost 500,000 sq ft to the government for transitional housing for those awaiting public housing placement. While analysts said developers might have to donate more to survive, this would barely affect profits.

“You donate 20,000 sq ft or even 100,000 sq ft . . . this is nothing to them,” said Bocom International’s Tse.

A Chinese official said while Beijing was [deeply unhappy with the tycoons](#), it could not directly intervene in land policy due to the “one country, two systems” framework granting Hong Kong considerable autonomy after the handover.

But whatever the tycoons’ financial strength, Beijing is keen to curb their political influence. China diluted their power in a [recent election](#), which a pro-Beijing lawmaker said was needed to clear obstacles to new housing policies.

“The excessive and unlawful monopoly by [Hong Kong’s] property developers must be broken, and social justice needs to be achieved,” Tian Feilong, director of the Chinese Association of Hong Kong and Macau Studies, a semi-official think-tank, told The Financial Times.

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