The Way I see the Building & Real Estate Industry - A Local and Global Perspective of Accomplishments, Challenges and Directions for Surveyors
The Way I see the Building & Real Estate Industry - A Local and Global Perspective of Accomplishments, Challenges and Directions for Surveyors

**Date:**
March 6, 2009 (Friday)

**Time:**
6:30 – 8:00pm

**Venue:**
Chiang Chen Studio Theatre,
The Hong Kong Polytechnic University

**Speaker:**
Mr. Kam-hung Yu
Senior Manager Director
Valuation & Advisory Services Greater China
CB Richard Ellis
FKHIS FRICS RPS(GP) FHIREA
Flowchart

1. Real Estate Development Process
2. Local vs Regional vs Global
3. Opportunities and Challenges
4. Our Future
Demand and Supply of Land

- Demand for various uses: Housing, Working, Tourism...etc
- Change of Harbour (Reclamation)
- Change of Green Area
- How to balance

???

Back to Flowchart
- Public consultation
- Master planning / Economic planning
- Formulation of the land use pattern
- Development density control
- Site boundary formation
- Feasibility study of the land
- Land allocation via various methods

Others:
- Town Planning Application
- Land administration Inputs
  - Land exchange, Lease modification,
    Payment of Premium

Main Professional Involved:
- Planner
- General Practice Surveyor
- Land Surveyor
Real Estate Financing and Site Acquisition

- Carry out development feasibility study
- Form optimum development scheme
- Site Valuation
- Site acquisition
- Carry out financial analysis
- Preparation of budgets
- Formulate optimum capital structure

**Main Professional Involved:**
- Architect
- Financial Analyst
- General Practice Surveyor
- Building Surveyor
- Accountant
- Preparation of budgets and master plan
- Formulate design and layout
- Submit building plans
- Conduct Market Study

**Main Professional Involved:**
- Architect
- Engineer
- Quantity Surveyor
- General Practice Surveyor
- Building Surveyor
- Arbitrator
- Tendering and Procurement
- Budgeting and Cost estimation
- Insurance and contractual advice

**Main Professional Involved:**
- Quantity Surveyor
- Architect
- Engineer
- Arbitrator
- General Practice Surveyor
- Building Surveyor
Project Development and Construction

- Development and construction project management
- Financial management – progress payment and claims settlement
- Design amendments and drawings submission
- Construction Monitoring – Time, Cost and Quality
- Final Account settlement
- Dispute settlement

**Main Professional Involved:**
- Architect
- Quantity Surveyor
- Engineer
- Building Surveyor
- Arbitrator
Marketing

- Evaluate the market situation and conduct research
- Formulate the marketing plan
- Conduct marketing campaign
- Formulate Property Management Strategy

**Main Professional Involved:**
- General Practice Surveyor
- Property and Facility Management Surveyor
- Property Agent / Marketing Expert

Back to Flowchart
Legal Formality

- Obtain various approvals and documents from government
- Advice on various building control measures

**Main Professional Involved:**
- Legal Professional
- Building Surveyor
- General Practice Surveyor

Back to Flowchart
Asset Management

- Design optimum tenant-mix and maintain optimum tenant Profile
- Building and Facility Maintenance and Management
- Building Safety
- Refurbishment and renovation
- License application
- Enhancement the building value
- Corporate Real Estate management

**Main Professional Involved:**
- General Practice Surveyor
- Property and Facility Management Surveyor
- Building Surveyor
Redevelopment

- Determine the needs for redevelopment
- Feasibility study on redevelopment
- Compulsory Sale
- Land Resumption
- Master Planning

**Main Professional Involved:**
- General Practice Surveyor
- Planner
- Building Surveyor
- Land Surveyor
Local vs Regional vs Global

- **Local:**
  - Private sector (Developers, Institutional Companies, Investors and Consultancy firm)
  - Public sector (Government and quasi-government organization)

- **Regional:**
  - China market
  - Other Asian cities

- **Global:**
  - EMEA
  - North America

- Others
Local:

Last decades: real estate profession prospered due to blooming economy of Hong Kong, which was real estate-driven.

1997 Asian Financial Crisis: the rate of economic growth dropped significantly and property market suffered from a long downturn period.

→ Demand for properties dropped significantly

→ Oversupply of real estate-related professional services

2003: HK’s economy was recovered.
Private sector: Developer, Investors and private consultancy and institutional firms
- Private sector faces “cut-throat competition”

Public sector: Government and quasi-government organizations
- Higher demand of services by the public → increase the daily duties and workloads of professionals in the public sector
- The job nature of the non-civil-service contract (“NSCS”) staff and civil servants is almost identical, but their remuneration package and benefits are significantly different
- Salaries of new civil servants are geared to their civil service experiences only, but not those in private sector
Local Market – General Practice Surveyor

**GP**

- Property Development
- Valuation, Consulting & Advisory
- Sales & Marketing
- Asset and Facilities Management

### Public Sector

<table>
<thead>
<tr>
<th>Organization</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Organization</td>
<td>✓</td>
</tr>
<tr>
<td>Quasi-government Organization</td>
<td>✓</td>
</tr>
</tbody>
</table>

### Private Sector

<table>
<thead>
<tr>
<th>Organization</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultancy Firms</td>
<td>✓</td>
</tr>
<tr>
<td>Institutional Firms</td>
<td>✓</td>
</tr>
<tr>
<td>Developers / Investors</td>
<td>✓</td>
</tr>
</tbody>
</table>
Local Market – General Practice Surveyor

General Practice Surveyor: Challenges:

- Rapid Changing Environment??
- More Demand??
- Limited Job Opportunities??
- Strong Competition ??
- Limited Job Opportunities??
- Strong Competition ??
- More Demand??
- Rapid Changing Environment??


Local Market – Planning and Development Surveyor

P&D

Planning

Property Development

<table>
<thead>
<tr>
<th>Public Sector</th>
<th>Confidential Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Organization</td>
<td>✓</td>
</tr>
<tr>
<td>Quasi-government Organization</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultancy Firms</td>
</tr>
<tr>
<td>Institutional Firms</td>
</tr>
<tr>
<td>Developers / Investors</td>
</tr>
</tbody>
</table>
### Planning and Development Surveyor:

<table>
<thead>
<tr>
<th>Role of Surveyor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government Organization/Quasi-government Organization</strong></td>
</tr>
<tr>
<td>1. Strategic director</td>
</tr>
<tr>
<td>2. With foresight and planning and development knowledge</td>
</tr>
<tr>
<td>3. Involve in planning stage as well as property development stage</td>
</tr>
<tr>
<td><strong>Developers / Investors</strong></td>
</tr>
<tr>
<td>1. Director of planning</td>
</tr>
<tr>
<td>2. AO grade government official, with AO type training</td>
</tr>
</tbody>
</table>
Building Surveyor:

Private vs Public:
- Salary level of BS working in private sector: about 3/4 of public sector in general
- Private Practice was more active since 1990’s when more owners know BS more and more jobs were outsourced to private sector by the Government
- Jobs in private sector are more diversify
- Difficult to switch between private and public sector
- Experienced BS working in public sector for long time may not able to catch up with the private sector practice since it requires diversified areas of knowledge
Building Surveyor:

Challenges:

- Not many graduates choosing to be BS each year
- Not many new construction projects in Hong Kong
  - Scope of work is narrow
  - Mainly deal with existing building such as building maintenance, renovation, heritage conservation, UBW removal, etc
- Competition within the local market and among other professionals render BS projects become less profitable
- Professionals are facing more challenges and difficulties than before
Difficult to switch between private and public sector since many practitioners in private sector are not of professional grade
Challenges:

- Not many graduates take APC exam each year
- New construction works are limited since the Asian Financial Turmoil
- Limited job opportunities from the Government over the last ten years while private sector are only dealing with construction work
- Resources for LS in private sector are limited as many construction works are dominated by engineers or architects
- Limited channels for local professionals to catch up with new technologies
### Local Market – Quantity Surveyor

**QS**

- **Procurement**
- **Cost Planning**
- **Project Management**
- **Dispute Resolution**

<table>
<thead>
<tr>
<th><strong>Public Sector</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Organization</td>
<td>✓</td>
</tr>
<tr>
<td>Quasi-government Organization</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Private Sector</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultancy Firms</td>
<td>✓</td>
</tr>
<tr>
<td>Institutional Firms</td>
<td>✓</td>
</tr>
<tr>
<td>Developers / Investors</td>
<td>✓</td>
</tr>
</tbody>
</table>

**OVER 80%**
**Quantity Surveyor:**

- Mostly working in private sector (mostly consultancy firms, contractors and developers)
- Only very little government department is employing QS because many current government jobs are using contractors to do most of the procurement procedures
- Wide salary level range with average comparable to the public sector generally (depends on grading and experience)
- Longer working hours and wide scope of work when compare to public sector
- Difficult to switch between private and public sector

**Challenges:**

- Long working hours and tough working environment → Surveying graduates not choosing QS
- Number of construction projects in HK is decreasing in the past ten years
- Financial Tsunami causes suspension of construction projects
More jobs to private sector due to
“Outsourcing of projects causes shrinking of public sector”
Property and Facility Management Surveyor:

Challenges:

- Slow growth → Not many development in HK??
- Cost cutting → Limit the potential of expansion of industry??
- Low starting salary → unattractive to graduates
Regional and Global Market

Macau’s blooming market for the past few years with lots of mega projects completed such as residential, retail, office, hotels, casinos etc.

1. Rio Hotel
2. Galaxy StarWorld
3. Wynn Macau
4. Grand Lisboa
5. Crown Macau
6. The Venetian
7. MGM Grand Macau
8. Ponte 16
9. Galaxy Cotai Mega Resort
10. City of Dreams
11. One Central Macau
12. Oceanus
13. Nam Van
14. Luxury Residential at Taipa
15. Macau Studio City
16. Four Seasons

All of these were completed in the past few years.
Regional and Global Market - General Practice Surveyor

General Practice Surveyor:

1970’s

- Hong Kong: 90%
- Other Cities: 10%

NOW

- Hong Kong: 50%
- China & Other Cities: 50%
### General Practice Surveyor:

<table>
<thead>
<tr>
<th>Regional and Global Market</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>🟢</td>
</tr>
<tr>
<td>Macau</td>
<td>🟢</td>
</tr>
<tr>
<td>Taiwan</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td></td>
</tr>
<tr>
<td>Middle East</td>
<td>🟢</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td></td>
</tr>
<tr>
<td>Others...</td>
<td></td>
</tr>
</tbody>
</table>

#### Unfamiliar with China market, i.e.
- cultural aspect, design aspect...etc

#### Different planning and property development policy in different province

#### M & A

#### Others

#### IPO valuation

#### Market feasibility study

#### Unfamiliar with China market, i.e.
- cultural aspect, design aspect...etc

#### Different planning and property development policy in different province
Planning and Development Surveyor:

- Developers or investors in HK will have more projects in China → bring more opportunities to P&D surveyors.
- Planning and development is essential for every development.
- But there is just China Real Estate Appraiser in China who are responsible for valuation only, but not planning and development.

→ P&D surveyors from HK have an important role.

More Developments in China
More Opportunities
Building Surveyor:

- Lower or similar salary level in other regions
  → Not much working opportunities in other regions
- Surveyors in HK may not be familiar with the statutory requirements, laws, regulations and ordinances in other markets including Mainland as well as Southeast Asia
Land Surveyor:

- Due to legal issues, HK professionals are not permitted to handle geographical information of China and hence cannot practice in China.
- Salary level to work in other regions are not much higher than in Hong Kong.

<table>
<thead>
<tr>
<th>Regional and Global Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>China X</td>
</tr>
<tr>
<td>South-east Asia ✓</td>
</tr>
<tr>
<td>Middle-east Asia ✓</td>
</tr>
<tr>
<td>Others…. ✓</td>
</tr>
</tbody>
</table>
Quantity Surveyor:

- Other cities/countries (including PRC and America) start to adopt the HK(British) procurement system
- Blooming economies in the emerging market creates lots of construction projects, hence, job opportunities
- Lack of professionals in the area of procurement in other regions
- Foreign companies request HK professional to be project management roles
- Diversify scope of works and services

<table>
<thead>
<tr>
<th>Regional and Global Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>China ✓</td>
</tr>
<tr>
<td>South-east Asia – Thai, Viet, Singapore… ✓</td>
</tr>
<tr>
<td>Middle-east Asia – UAE (Dubai) ✓</td>
</tr>
<tr>
<td>Others (EMEA, North America)… ✓</td>
</tr>
</tbody>
</table>
Property and Facility Management Surveyor:

- Financial crisis caused suspension of completion of projects, hence, no new management position in short term
- Foreign markets developers would only employ HK professionals as management levels or senior levels
- Hong Kong professional have advantages because of having higher ethical standards
- 
  → employ HK professionals as senior management levels
- Much development projects are to be completed in the future in PRC as well as other emerging markets
Opportunities and Our Future

- New Challenges
- Rising Expectations
- Demand from wider geographical origins
- Needs for multilateral professional development
- Demand from different sectors

Create Opportunities
General Practice Surveyor:

- Speed up of urban and rural renewal
- Speed up of the public and infrastructure projects (e.g. new railway projects and regional highways as well as the development of HK-Zuhai-Macau Bridge)
- More mega projects such as large shopping mall
- To restrict the preparation and submission of planning applications to professionals only
- Future trend: Service-oriented → Require contribution of professional young surveyors

- Better planning of development
- Price setting
- More advanced leasing and marketing techniques and agency services
- Facility management and asset management
Opportunities and Our Future - Local

**Building Surveyor:**
- Mandatory Building Inspection Scheme
- Classification of Building State
- Allocation of more resources to building maintenance, construction and infrastructures by Government
  - creates more job opportunities during the financial turmoil
- Public involves more in building maintenance works → awareness of the importance of BS has been increased

**Quantity Surveyor:**
- Insufficient supply of QS
- Government creates more job opportunities during the financial turmoil by increasing its expenditure in building maintenance, construction and infrastructure → more resources
- Diversification of scope of work including project management, contract management, dispute resolution, etc
Opportunities and Our Future - Local

Property and Facility Management Surveyor:

- Stable growth in long term (size of the industry depends on number of existing units)
- Intrusion of Green Management concept
- Seek more mutual recognition in the industry
- Seek for eligible recognition as Registered Professional Housing Manager (RPHM)
- Extend business to Mainland industry

Land Surveyor:

- New technologies create new job opportunities and widen scope of works
- Insufficient professional grade LS in long term
- Geographical Information System and 3D Laser Scan Modelling
- New job opportunities created by the government
Opportunities and Our Future - Regional

Regional:

General Practice Surveyor:
- Living standard of China is improving → demand in property market
- Developers or investors in HK will have more projects in China → bring more opportunities to HK surveyors
- HK surveyors have wider vision and can solve the problem with flexibility
- More innovative

Planning and Development Surveyor:
- Planning and development in China is not comprehensive, but it is essential for every development → bring more opportunities to HK surveyors
- Lots of HK developer would like to enter into China market which create lots of opportunities to HK surveyors
Opportunities and Our Future - Regional

Building Surveyor:
- Conduct due diligence
- More construction project in Mainland → more wider range of works
- Diversify scope of works and services

Quantity Surveyor:
- Other cities/countries (including PRC and America) starts to adopt the HK(British) procurement system
- Blooming economies in the emerging market creates lots of construction projects, hence, job opportunities
- Lack of professionals in the area of procurement
- Foreign companies request HK professional to be project management roles
- Diversify scope of works and services
Conclusion & Suggestion

- Continuous Learning and Sustainable Development
- Life-Learning / Advancement of Professionalism

- Professional Diversification / Specification
- Creativity
- Languages
- Export of Professionalism
Thank you

Acknowledgement
The Hong Kong Institute of Surveyors
The Hong Kong Polytechnic University
Prof. Barnabas Chung
Mr. Edwin Tsang (P&D), Chairman of PDD, HKIS
Mr. Gary Yeung (PFM), Vice-chairman of HKIS
Mr. James Law (BS), Head of Building Consultancy Services (CBRE)
Mr. Lesly Lam (LS), Honorary Treasurer of HKIS
Mr. K. W. Leung (GP), Director of Valuation (CBRE)
Mr. Stephen Lai (QS), Managing Director of RLB
Q & A
1. Real Estate Development Process
2. Local vs Regional vs Global
3. Opportunities and Challenges
4. Our Future