香港藝術發展局
Hong Kong Arts Development Council

"Survey on the Current Status of Industrial Buildings for Arts Activities and Future Demand" Report Summary

1. Target Group

1.1 Users of industrial buildings

Arts practitioners and groups of the performing arts, visual arts, film & media arts or literary arts sectors housing in industrial buildings for purposes of arts creation (including administration/office, rehearsal/training, exhibition/performance etc). However, arts support services such as film developing/printing, typesetting, distribution, transportation, advertising/promotion, consultation services and storage services are not counted.

1.2 Users of non-industrial buildings

Arts practitioners and groups housing in non-industrial buildings for purposes of arts creation mentioned in 1.1. above.

2. Survey Findings

2.1 Profile of respondents（Refer to Section 3 of the Report）

2.1.1 Users of industrial buildings:

- About 60.2% of the respondents had less than 10 years of experience involved in the arts and cultural work. 64.7% were aged 20-39.
- Visual arts (37.8%) and music (37.3%) were the major types of arts and cultural activities undertaken.
- For those who used the units under personal name, the percentages

of rental expenses out of total income was 24.7% and the maximum affordable amount of monthly rental was $4,072.

- For those who used the units under the name of organizations/groups, the percentages of rental expenses out of total income was 34.5% and the maximum affordable amount of monthly rental was $7,267.
- Among organizations/groups, about 70.1% employed less than 10 full-time/part-time staff.

2.1.2 Users of non-industrial buildings:

- A higher proportion of users had more than 20 years of experience involved in arts and cultural work while only 22.5% had less than 10 years of experience.
- The proportion of visual arts was higher.
- Nearly 70% were aged 40 or above. 26.8% were aged 20-39.
- For those who used the units under personal name, the percentages of rental expenses out of total income was 30% and the maximum affordable amount of monthly rental was $12,152.
- For those who used the units under the name of organizations/groups, the percentages of rental expenses out of total income was 34.4% and the maximum affordable amount of monthly rental was $30,940.
- Among organization/group, about 39.8% employed less than 10 full-time/part-time staff while more than 15% employed 50 staff or above.

2.1.3 From the above findings, most of the artists housing in industrial buildings were younger generation in terms of age and year of experience. The maximum affordable amount of monthly rental was one-third of the non-industrial buildings users. For organizations in industrial buildings, the majority of them was small organizations/groups and the maximum affordable amount of monthly rental was a one-forth of those in non-industrial buildings. In other words, industrial building provides budding artists with relatively low-rent units for arts and creative activities.

2.2 Situation of current usage（Refer to Section 4 of the Report）

2.2.1 Users of industiral buildings:

- 17.5% were owners and the average number of years owning the current unit was about 5.5 years. The average size of unit was about 2,015 square feet. On the other hand, 80.6% were tenants and the average number of years using the current unit was about 2.5 years. The average size of unit was about 1,250 square feet.
- 46% of tenants were sole-occupants while 53.7% were co-tenants/sub-tenants. The average number of artists and organizations/groups sharing the unit were 6 and 2.7 respectively.
- About 33.1% of tenants completed a whole period of lease from October 2009 to November 2010, of which 2% indicated that owners did not renew their contracts. Among those who renewed the contract, about 61.5% and 4.6% indicated that the rent increased and decreased respectively.
- Analyzed the users of industrial buildings by districts where the users mainly located, the proportions of rental increase in Kwun Tong was the highest (81.3%) with an average increase of 15.7% rental, followed by San Po Kong (66.7%) with average rental increase of 11.2%, Fo Tan (56.3%) with 11.8% average increase in rental, Ngau Tau Kok (54.5%) with an average increase of 10.9% rental. It was worth noting there were also 43.8% of Fo Tan respondants indicated that the rent remained unchanged.
- Among those tenants who indicated that the rent increased, the average increase was 14% (42.6% indicated that the rental increase was about 6-10%. About 26.2% and 16.4% indicated that the rental increase were less than 5% and over 20% respectively).
- The units were mainly located in Fo Tan (20.5%), Kwun Tong (19.6%), Ngau Tau Kok (12.7%) and San Po Kong (10.6%).
- The units were mainly used for purposes of workshop/studio/production house (69.6%), rehearsal (44.2%) and storage (30.9%). About one-third of users opened their units to public.

2.2.2 Users of non-industrial buildings:

- 35% of them were using commercial units while 21% indicated that they worked from home.
- 25.2% were owners and the average number of years owning the current unit was about 14.5 years. The average size of unit was about 1,413 square feet. On the other hand, 58.3% were tenants and the average number of years using the current unit was about 6.5 years. The average size of unit was about 1,579 square feet.
- 82.1% of tenants were sole-occupants while 17.9% were co-tenants/sub-tenants. The average number of artists and organizations/groups sharing the unit were 5 and 2 respectively.
- About 36.6% of tenants completed a whole period of lease from October 2009 to November 2010. The proportion of users indicated that the rent increased and unchanged was fairly even, about 46.8%and 48.9% respectively. None of the respondents indicated that the rent decreased.
- Analyzed the users of non-industrial buildings by districts where the users mainly located, the proportions of rental increase in Yau Tsim Mong was the highest (88.9%). Nearly half of the tenants in Wan Chai indicated that the rent increased while a similar proportion stated that the rental remained unchanged.
- Among those tenants who indicated that the rent increased, the average increase was 17% (About 26.3% indicated that the rental increase was about 11-15%, 21.1% indicated that the increase was about 6-10%).
- The units were mainly used for the purposes of workshop/studio/production house (45.5%), administration (32.5%) and rehearsal (32.2%).

2.2.3 The above findings showed that the majority of industrial buildings users was tenants. The average size of units was relatively small. The proportion and numbers of co-tenants/sub-tenants were higher than that of non–industral buildings users. Hence, the monthly rental for each co-tenant was relatively low and the usable space was limited.

2.2.4 For industrial buildings users who renewed the contract in the past 12 months, over 60% indicated that the rent increased, the proportion was higher than that of non-industrial buildings users. Although the findings showed that the average rental increase of industrial buildings users（14%） was lower than that of non-industrial buildings, the findings in 2.1 above also showed that the maximum affordable amount of monthly rental of industrial building users was only one-third of non-industrial buildings. In other words, their affordable level of rental increase is relatively low.

2.3 The key issues and concerns for usage of an industrial building unit（Refer to Section 5.1-5.8 of the Report）

2.3.1 Users of industrial buildings:

- The average of minimum ceiling height required to fulfil the needs was 10.9 feet.
- 71.7% indicated that there were no restrictions in using the current units. The others indicated that the major restrictions were “insufficient sound isolation” (7.1%) and “Building facilities are not ideal” (5.8%) etc.
- By ranking the importance of reasons for consideration of using industrial unit, the most important reason was “reasonable rental/selling price”(59.9%), followed by “accessibility”(37.2%) and “have synergistic effect with other nearby artists/groups” (16.2%).
- The majority (89.6%) would consider using or renting the current units in the next 12 months while 9.2% would not consider. Among the latter, 32.5% indicated the rent will be increased and 12.5% said owners refused to renew the contract.

2.3.2 Users of non-industrial buildings:

- The average of minimum ceiling height required to fulfil the needs was 11.5 feet.
- 76.7% indicated that there were no restrictions in using the current units. The others indicated that the major restrictions were “insufficient area” (10.8%), “managemant problems” (4.1%) and

"building facilities are not ideal" (4.1%) etc.

- 87.8% would continue to use or rent the current units in the next 12 months, the reasons included "private property" (10.5%), "free of charge" (9.9%), "rental was low" (9.6%) etc. On the other hand, 7.3% would not consider to use the current units because "rental was expensive" (18.5%), "no need" (14.8%) and "owner refused to renew the contract" (14.8%).
- 33.3% would consider using or renting the industrial buildings in the next 12 months. The most important reason was "reasonable rental/selling price"(63.4%), followed by "accessibility"(38.2%) and "large size of the unit" (21.5%).

2.3.3 From the above findings, both users of industrial buildings and non-industrial buildings indicated "reasonable rental/selling price" and "accessibility" as the most important reasons for consideration of using industrial buildings. The only difference was that users of industrial buildings considered more about "synergistic effect".

2.4 The impact and opinion of the Policy of Revitalising Industrial Buildings （Refer to Section 5.9-5.21 of the Report）

2.4.1 <u>Users of industrial buildings:</u>

- 81.6% heard of "the Policy of Revitalizing Industrial Buildings". Among them, 57.6% considered there were negative impacts, 38.1% considered there were no impacts and 3.4% considered there were positive impacts.
- For those considered having negative impacts, the major reasons were "rental increase/heavy burden"(82.4%) and "forced to move away/demolition of building"(4.9%). For those considered having positive impacts (3.4%), 41.7% indicated that the Policy would bring "greater future development".
- Over 75% of tenants worried the discontinuity of current tenancy agreement and over 85% concerned about the increase of rental beyond an affordable level.

2.4.2 Users of non-industrial buildings:

- 74.8% heard of "the Policy of Revitalizing Industrial Buildings". Among them, 67.4% considered that there were no impact. The proportion of users considered having positive impact（15.9%）and negative impacts（16.7%）was fairly even.
- For those who considered there were negative impacts, 80.4% said the major reason was "increasing rental fee". For those who considered there were positive impacts, 65.9% mentioned "more choices in the market".

2.4.3

Other opinions	Users of industrial buildings	Users of non-industrial buildings
Industrial building can be used for arts development	94% agreed	85.9% agreed
"The Policy of Revitalizing Industrial Buildings" will increase available space for cultural and creative organizations - Positive impact - Negative impact	 91.7% agreed 68.6% disagreed	 90.9% agreed 49.9% disagreed
Worries that "the Policy of Revitalizing Industrial Buildings" will change the occupancy of industrial building by high value-added industries and reduce the choices of industrial building	77.2% agreed 19.1% disagreed	51.8% agreed 33.3% disagreed
The government should renovate vacant premises and develop them into creative center/ arts village	72.4% agreed 25.3% disagreed	84.0% agreed 9.5% disagreed
The Government must retain a certain proportion of areas for cultural and creative groups under "the Policy of Revitalizing Industrial Buildings"	77.4% agreed 17.5% disagreed	78.3% agreed 12.2% disagreed
The Government should set up a special funding to directly subsidize cultural and creative organizations for rental of industrial building units	77.6% agreed 18.7% disagreed	70.7% agreed 18.4% disagreed
The government should purchase the industrial building and lease it to arts groups	57.4% agreed 38.9% disagreed	72.6% agreed 17.1% disagreed

3. Current Status and Recommendations

3.1 Art & Cultural Sector's Concern

3.1.1 Although the Lands Department only received 8 cases of redevelopment and 28 cases of whole premises conversion applications on industrial buildings respectively between April and November 2010, *Hong Kong Property Review's* statistics revealed that the policy activated industrial property transactions.

No. of Transactions	Flatted Factory	Increase /decrease	Office	Increase /decrease
2008 - July	498	—	216	—
Novermber	194	-304	76	-140
2009 - October	547	+353	282	+206
2010 - March	637	+90	342	+60
April	691	+54	308	-34
October*	838	+147	378	+70

* Provisional figures on number of transactions from May to October 2010. Sources: *Hong Kong Property Review – Monthly Supplement.* December 2010 issue.

3.1.2 According to the statistics, the transactions of private flatted factory increased by 291 cases in October 2010 over the same month a year earlier whilst the transactions of private office edged up by 96 cases. Since the Policy of Revitalizing Industrial Buildings announcement in around one year's time, the rate of increase in private flatted factory transaction is 300% higher than private office, exceeding the factory/private office ratios in the preceding year.

3.1.3 Economic recovery and urban renewal plan, combined with accessibilities of public transportation, help boost property selling as well as rental. Amid different pre-industrial zones, Kowloon urban has largely changed to non-industrial usage. Establishments located in this region not only attract companies engaged in different sectors to set their offices, they also capture investors to enter into the sales and lease market, partly because the Policy is value-added in the sense that handsome economic benefits can be realized upon property re-development. The gradual change in low rental flat supply will somehow weaken arts practitioners/groups' negotiating power. In reality, over 60% of the respondents in industrial buildings faced rental increase during the past year, and some were forced to quit their units. Statistics indicated that the majority tenants had to pay higher rental upon lease renewal.

3.2 Art & Cultural Sector's Needs for Creative and Production Space

3.2.1 In the past ten years, the successive economic recessions sustainably sprang a large amount of vacant industrial units, enabling arts practitioners/organizations to rent space for creation at relatively lower costs. For example, the clusters in Fo Tan started its development in the year 2000 and it now has over 200 artists working in nearly 60 studios. While San Po Kong has also started taking shape since 2001 and it now becomes an area where artists and arts groups gathered to stage rehearsals and performances actively.

3.2.2 The Government introduced the Policy of Revitalising Industrial Buildings with an aim to better utilize land resources through the re-development of vacant industrial buildings. This will undoubtedly benefit the whole economy with the increasing supply of usable floor space. The objective of the new incentive measures helps motivate the redevelopment and wholesale conversion of industrial buildings, so as to increase usable spaces that meet the needs of different business sectors.

3.2.3 The survey showed that most of the artists housing in industrial buildings were younger generation, who has limited capacity to counteract rising rental. The continuous shrinkage of budgeted spaces increased difficulty in the engagement of arts and cultural activities. Amongst the interviewees, part of the industrial buildings users had never taken part in arts and cultural activity/business prior to accommodating in the industrial units. More arts practitioners/organizations will be deprived of the opportunity to engage in related activities/businesses if they were not able to use the industrial flats.

3.3 The Adaptability of Master Schedule of Notes

3.3.1 Over the past twenty years, despite the Town Planning Board periodically revised the *Master Schedule of Notes to Statutory Plans*, which adopts a broadened definition of "industrial use" than what has stipulated in the *Factories and Industrial Undertakings Ordinance* as "factory", many arts practitioners/ groups industrial premises' users still failed to meet with the regulations of the Master Schedule and had to apply for temporary permits in order to facilitate the art and cultural activity/business.

3.3.2 The latest *Master Schedule of Notes to Statutory Plans* was revised by the Town Planning Board in 2003, an era in which creative industry was conceptually and thematically new. In recent years, the Kowloon West Cultural District stimulated discussions among the government and the general public. To support the development of an emerging industry, it is by no means sufficient to provide spaces for office or exhibit, research or storage but must also allow space for creation. The Town Planning Board and related authorities should step up their effort to examine all relevant rules in order to cope with the changing needs and expectation of our community.

3.4 Recommendations from ADC

3.4.1 The arts community generally admits that industrial buildings can be a hub for art development. Hidden need comes to surface when a particular flat is reasonably priced in terms of rental or sales, and traffic convenient. The Jockey Club Creative Arts Centre, renovated from an old factory premises, received tenant applications in excess of rental units during its opening, reflecting the hectic demand in creative and production units among arts workers. Creation and production space is fundamental to the development of all industries. Arts industry is part of the creative cultural industry, thus it is essential for the Government to pay due diligence to their need for creation and production space, and offer suitable assistance to nurture industry development.

3.4.2 An industry must rely on the participation of new blood to raise its quality and scale. At present, the affordable level of rental increase for the young generation in the arts sector is limited. With the impacts of the Policy of Revitalising Industrial Buildings and economic recovery, the arts community has already been adversely affected by the increasing rentals. Government is urged to pay more attention to the ecology of the arts industry and its long-term development.

3.4.3 Given the impacts of the Policy of Revitalizing Industrial Buildings and the demand for arts space from the arts community, the Hong Kong Arts Development Council has the following recommendations:

i. The Government should consider reviewing and revising *the Master Schedule of Notes to Statutory Plans* and its related regulations. Definition of "Industrial Use" should include artistic activities such as creation, production and rehearsal . It should also allow arts practitioners/groups to legitimately carry out correspondent activities in industrial buildings within the "Industrial Zone".

ii The Government should consider retaining a certain proportion of areas for arts and cultural activities under the Policy of Revitalising Industrial Buildings.

iii The Government should consider providing support to young emerging artists and small-sized arts groups who are currently housing in industrial buildings.

iv Take the Jockey Club Creative Arts Centre as a reference, the Government should consider renovating vacant premises and develop them into creative centre/arts village.