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Around the World

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Hong Kong

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Hong Kong has had a short but dynamic history as an entrepôt port, manufacturing center and more recently, as a services center for the financial industry. Its location, history and access to China have provided unique opportunities—allowing it to develop an economy ranked 34th in the world (2006 figures), on par with Iran, Thailand and Argentina.

The country is geographically small, covering just more than 16,400 square miles. Seventy-five percent of this land area is countryside, half of which is designated as Country Park. Seven million people are crowded on to the remainder of the land, with a population density of more than 43,000 people per square kilometer in Kowloon.

Starting in the mid-1950s land development has continued apace during the last half century. Initially this was for manufacturing facilities and later for office accommodation. Residential development has also been a constant requirement during this period. In 2008 the property market as a whole was worth around US\$53 billion, of which 83 percent was associated with residential accommodation.

Almost all land in Hong Kong is owned by the government, which sells a lease to use the land for a specific purpose. Currently lease periods are 50 years. Although the price will vary depending on the current economic conditions, prime plots of building land fetch billions of Hong Kong dollars—with only the larger property development companies having the resources to bid. The value of land has driven construction to the vertical, as Hong Kong's famous landscape testifies. Mixed use developments are now common. This started as shopping malls with residential property above a retail podium, but now major developments incorporate transport hubs, shopping, entertainment, office, hotel and residential facilities within the same complex.



The beginnings of property management

Management of property and building services in Hong Kong can be identified under three headings: housing management, property management and facility management.

The concept of a professional housing management in Hong Kong goes back to the 1950s, when the government started constructing basic low-cost housing for Chinese refugees. The dwellings had shared bathing and cooking facilities and required management to ensure the well-being of tenants. This housing management was generally related to government funded estates, which were managed in-house. However the distinction between housing and property management is now blurred by out-sourcing of such service to property management companies.

In the 1960s, pressure for space saw the private construction of multi-story buildings, where individual flats or offices were sold to buyers. To avoid argument amongst the owners, the government required the property developer to take responsibility for the housing estates and office buildings they constructed. This was generally done by starting separate companies—setting up with the objective of managing the properties constructed by the developer. This was the start of the property management industry in Hong Kong. There are now many companies operating to this business, most dealing only with the properties developed by their parent development company.

In 1993 government legislation provided owners of residences and offices the ability to set up owner's corporations to take responsibility for the management of the building as a whole. These owner's corporations now take responsibility for letting the property management contracts. The resultant competition has helped the development of independent property management companies.

Corporate influence

Facility management in Hong Kong dates back to the early 1990s. Formed in 1992, the Hong Kong Chapter of IFMA is one of IFMA's largest chapters outside of North

America. The driving force behind facility management in Hong Kong has been, initially, the many the many multi-national organization U.S. & European regional offices and global mainland companies. In 2008 Hong Kong had 1,298 regional headquarters and 2,584 regional offices. The influence of these companies is clear when it is understood that at the same time there were only 2,730 local company offices.

Deric Probst-Wallace, head of facility management for Synergis Ltd., a local property and facility management service provider, says, "Facility management is the model we use for corporate portfolios where we focus on supporting the client's core business. The goal is to deliver accommodation to the occupant—allowing them to carry out their business operations, whatever they may be."

Most companies operating as a facility management service provider will also provide property management services as the market for pure facility management is limited. Key targets for these services are the large Hong Kong companies with substantial property portfolios. Around 10 years ago, two such organizations—HSBC Bank and PCCW, the major telecommunications provider—were outsourced, both adopting a total facility management (TFM) model. The outsourcing model was complex but generally gave total facility management responsibility to the service provider with open-book accounting and incentives based on performance. HSBC is still operating under the TFM model and is considered a success. PCCW have, for various reasons, insourced the facility management function, retaining the out-tasking of various services.

A few other companies have followed this lead over the intervening years. Currently much excitement is being generated by China Light & Power, the electrical utility covering the mainland areas of Hong Kong, who is in the process of seeking facility management outsourcing partners.

The government is clearly also a key property owner in Hong Kong and two departments—the Government Property Agency and the Electrical and Mechanical Services Department—manage this extensive portfo-

lio. In addition, 140 buildings are outsourced to private property management companies. Other areas where facility management services are required are the many shopping malls and the club house facilities for private residential estates. Both areas are becoming more sophisticated with greater emphasis on concierge services and event management.

For the future, the trend toward facility management as a key discipline in the management of commercial and residential accommodation is likely to grow, but the overall market size is limited by the physical aspects of the territory. Hence many companies are turning to mainland China for growth. **FMJ**

Hong Kong Chapter of IFMA

Founded Sept. 14, 1992, the Hong Kong Chapter of IFMA was the first chapter in the Asia Pacific region and remains the longest running chapter in that area. The chapter currently has 170 members. For more information, contact Hong Kong Chapter President Graham Tier at graham.tier@hkjc.org.hk or visit www.ifma.org.hk.



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Garland is currently a senior manager with PCPD Facilities Management Ltd., a subsidiary company of PCCW. His role is the provision of support services to the major client-facing functions of PCPD Facilities Management Ltd.—operational services, project services and corporate services.

