

9th April 2020

The Hon Matthew Cheung Kin-chung, GBM, GBS, JP,
Chief Secretary for Administration
The Government of the Hong Kong Special Administrative Region

Respected Chief Secretary,

RE: Anti-epidemic Fund for Real Estate Industry

We trust the HKSAR Government has dedicated overwhelming efforts to fight the novel coronavirus infection and provide relief to industries and the public affected by the epidemic.

Asia Pacific Real Estate Association (APREA) represents our members in the real estate industry. As one of the critical business components driving economic growth in our international hub, our industry has been substantially impacted by the economic consequences precipitated by the pandemic. The continuous statutory social containment measures are heavily affecting not only our commercial and retail tenants but also property owners. Considerable pressure has mounted from tenants requesting for rent relief. Anticipatory breach and repudiation of leasing agreements in both retail and commercial leases are foreseeable if business operations remain disrupted.

We are extremely grateful that the Government has given the necessary support and assistance to aid businesses amid the extremely difficult environment by launching the second round of Anti-epidemic Fund measures. Sadly, the pandemic relief package provided by the HKSAR Government excludes commercial property owners and landlords, an essential pillar of the Hong Kong business sector. We are not a different class of economic group that can be by-standers of the devastation.

Being a key stakeholder of the Hong Kong economy, our members as property owners wish to support tenants affected by the business disruption. However, there will be a massive impact on cashflow if such requests are accommodated across the tenant base. Particularly, as some of our members are REITs in Hong Kong who are required by the Hong Kong law to distribute at least 90% of their taxable income to their unitholders. Under the mechanism, the REIT managers rely on stable rental incomes to fulfil their statutory distribution obligations. En masse lessees' breaches and repudiations will seriously damage their balance sheets, which will impact not only the companies and their staff but also its unitholders.

Consequently, we humbly propose to the Government to consider taking positive measures to help our industry by extending coverage of the Anti-pandemic Fund to commercial and retail property owners.

Our Proposal

- A fund matching rental relief to tenants (i.e. landlords admit a 10% relief from their tenants, the Government will match the same to the tenants, under a conditional promise from the tenants that an anticipatory breach or repudiation of the tenancy agreements are not being performed);
- Relief package to support landlords by a certain percentage if rental relief for their tenants have been extended;
- Provide aid to commercial and retail property management companies or owners' organisations on expenditures related to additional healthcare equipment and implementation of coronavirus containment procedures. (i.e. temperature surveillance, sanitising, extra staffing)

We are keen to explore with you and your conscientious team, represent our members to share the views, to work together in fighting against the epidemic, and protect our Hong Kong economy as best as we can. Please feel free to reach out to me, or my **Hong Kong Chapter Chief, Gordon Tang** at gordon.tang@aprea.asia should you require further information.

We thank you for your time and look forward to hearing from you.

Yours sincerely,



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About APREA

APREA is a non-profit society that represents the property investment industry across AsiaPac. Our members include prominent pension, insurance and sovereign wealth funds, investment managers, family office platforms, developers, professional firms and thought leaders.

APREA's focus is cross-border investment and engages closely with governments to help open-up and expand property investment markets by working with governments to improve business ground rules.

At present, APREA hosts chapters in China, Japan, India, Australia, Malaysia, Singapore, Hong Kong and the Philippines.

APREA's policy solutions address:

- REITs & securitisation frameworks;
- Infrastructure and nation-building programs;
- Housing affordability;
- Sustainability & ESG;
- Investor-focused practices for fund managers; and,
- Informed, skilled and transparent markets.

