

# **Executive Summary**

## **Introduction**

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As part of the Urban Renewal Strategy Review, an Economic Impact Assessment based on a Case Study of the Vision City and CityWalk redevelopment project (“the Project”) has been undertaken by Ove Arup and Partners Hong Kong and Colliers International. The Case Study includes both an assessment of the Project and of the surrounding 400m area within an approximate 15 minute walk of the Project in order to capture the economic linkages and distributional impacts the Project has generated.

## **Project Description and History**

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The Project is a major residential and commercial redevelopment in Tsuen Wan which was completed in late 2007. The commercial area (CityWalk) contains a wide variety of retail outlets while the residential complex (Vision City) is located above the commercial area. A 3,700 square meter public open space and community facilities are included in the development. The nearby Tsuen Wan and Tsuen Wan West MTR stations, bus stops, and taxi stands and a minibus terminus in the Project area provide convenient public access. The urban landscape surrounding the Project comprises a mixture of old and new buildings containing commercial, residential and government uses.

Prior to redevelopment, the Project site was already urbanised with residential, retail and commercial uses. Almost all of the buildings within the area were constructed before 1966 and most were in poor or deteriorating condition. Most of the private lots were under multi-ownership and too small for satisfactory re-development on their own.

## **Tsuen Wan**

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Tsuen Wan boasts a long history, from a humble primary industry based beginning to industrial and new town developments. The area is continuing to undergo change which is evident through its declining manufacturing and industrial base and transition towards residential, retail, hospitality and service based industries. The population in Tsuen Wan Town center has fallen steadily over the last several years. Higher skilled occupations are increasing amongst its residents and accordingly, incomes are higher than the wider Hong Kong average. New road and rail infrastructure has enhanced mobility and connectivity to and from Tsuen Wan.

## **Approach and Methodology**

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The approach adopted for the Case Study relied on published data, literature reviews, stakeholder interviews, stratified surveys and data analysis. The key focus of the methodology was to analyse the additional economic impact the Project has generated relative to conditions prior to its construction.

## **Surveys**

A survey of over 250 stakeholders (including residents, commercial tenants, shoppers and pedestrians, and businesses in the surrounding area) was undertaken which aimed to elicit feedback regarding the Project character

before redevelopment and structural changes in terms of employment, income, business activity, customer type etc, that have occurred since the Project was completed. For any given category of stakeholders a random selection process was utilised to eliminate sample bias. All data collected from the survey was entered into a database and statistically analysed.

### **Employment, Income and Retail Sales**

Employment and income were estimated at three key stages: 1) pre construction when property acquisition was undertaken, 2) construction and 3) operation after project completion. Construction phase employment opportunities were estimated based on those directly involved in the construction of the Project. Operational phase employment opportunities and income were estimated based on the survey results and published HK worker densities per area of commercial gross floor area (GFA).

The additional annual retail sales the Project generated were estimated by assessing and comparing the gross retail sales before and after the Project. Gross retail sales were estimated based on the survey data of CityWalk business tenants and shoppers and GFA.

### **Real Estate Prices and Property Levels**

Capital values were analysed at three separate levels including the Project itself, the 400m surrounding area and Tsuen Wan District level using transacted prices obtained from listings in the Economic Property Research Centre (EPRC).

The methodology for rental analysis was conducted at three separate levels, similar to the analysis of capital values. Rental estimates based on the rateable values for domestic and commercial property provided by the Rating and Valuation Department (RVD).

The Existing Use Values (EUV) of the Project before and after the redevelopment were assessed in accordance with the existing valuation standards. Three valuation methods were adopted, namely the 1) Direct Comparison Approach, 2) Direct Capitalisation of Income and 3) Discounted Cash Flow Analysis.

### **Property-related Government Revenues**

Property related government revenues included stamp duties, rates, government rent and property tax.

Stamp duty estimates were derived based on charges on applicable legally binding documents. Rates were calculated based on the rateable value which is an estimate of the annual rental value of the property at a designated valuation reference. Government rent was estimated based on that levied on applicable properties. Property tax was computed on the net assessable value at the standard rate for the relevant year of assessment.

### **Wider Economic Impacts**

The wider economic impacts were estimated using applicable multipliers for China and calculations of Gross Value Added (GVA) using data published by the Hong Kong Census and Statistics Department. Multipliers capture the flow on effects that the initial capital expenditure generates. GVA measures

the contribution to the economy of each individual producer, industry or sector in the economy. GVA is used in the estimation of Gross Domestic Product.

## **Economic Findings**

### **Employment, Income, Revenue and Wider Impacts**

The quantified economic impacts of the Project are significant and include employment, income, property and wider economic impacts. During acquisition, approximately HK\$2,400 Million was paid above the market price in home purchase allowance to affected property owners which acted as an additional stimulus to the economy. Project construction works injected an estimated HK\$1,760 Million directly into the economy and generated an additional approximate HK\$1,443 Million in flow - on economic activity. Around 1,227 jobs were directly employed in the Project construction from 2003 to 2007 and approximately 7,900 further positions were supported from the construction expenditure.

During the operational stage, the Project created around an additional 738 commercial and retail jobs and an estimated HK\$362 Million per year in additional retail sales at current values. The estimated additional employee GVA contribution to the Hong Kong economy is HK\$190 Million per year at current values. Some HK\$259 Million has been paid to Government revenues in the form of stamp duties from the sale of residential units in Vision City and a further HK\$21 Million per year since the Project opened through Government rents and rates.

### **Property Impacts**

There have been multiple increases in both the domestic and non-domestic components as capital values have been enhanced by the change in quality and scale of the re-development. The value of Vision City compared with the property before re-development based on current valuation is summarised below.

#### **Summary of Existing Use Values**

<b>Component</b>	<b>Prior to Development</b>	<b>Current Vision City/CityWalk</b>
Domestic Portion	HK\$562 Million	HK\$6,926 Million
Car Park Space (domestic portion)	-	HK\$99 Million
Non-domestic Portion	HK\$836 Million	HK\$1,888 Million
Total	HK\$1,398 Million	HK\$8,913 Million

The difference in values does not represent project profit as the after re-development values would include various project costs such as acquisition costs, construction costs and land premium. The enhancement in values is also due to the increase in project scale following redevelopment. Furthermore, the domestic units have already traded in the secondary market and have increased in capital value. The increase in capital values in a

secondary transaction would have subsequently benefited the unit owner and not the developer.

The results show that if the property was not re-developed, values would have actually declined. Since its completion, the Project has positively affected the immediate 400m radius vicinity where the appreciation of residential capital values have all outperformed Vision City and the whole district of Tsuen Wan. Although Vision City's current residential capital value is at a premium over the average in the immediate vicinity (400m radius), other nearby developments are starting to achieve higher prices.

While there is evidence of a positive impact on prices and rents, it is still localised within the immediate vicinity. It should be noted that Vision City has only been in existence since 2007 and a more widespread effect is anticipated in the longer-term.

### **Induced Linkages**

The Project is inducing change within the community in a number of ways. Many of the new residents in Vision City are from the higher income groups with household incomes above HK\$50,000 per month and the survey findings show that they are spending around 36% of their income in Tsuen Wan area, outside of the Project itself.

The Project is also attracting new visitors into Tsuen Wan, particularly in the younger age groups below 25 years. In addition, the Project is an attraction to tourists.

### **Synergies and Economic Clusters**

The Project does provide a significant improvement to the Tsuen Wan Town Center, compared to the previous poor building conditions. The Project is also generating synergies, particularly with Nina Tower, which will also be extended to include CityWalk2. Tourists from Nina Tower are moving through both CityWalk and into the area surrounding the Project. Nina Tower tenants and the tourists benefit in the additional attraction the Project provides, while the Project and the surrounding areas, captures expenditure. These synergies and the resulting clusters will continue to develop and grow over time. The Project is part of this change, and while it is not directly responsible for the change, it is a key component in enabling change to occur and a key component in sustaining the change already noted to be occurring.

### **Survey Results**

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In the following summary of the key findings from the survey it should be noted that averages are presented and all results are associated with standard deviations.

#### **400m Study Area**

##### Businesses in the 400m Study Area

The business community in the surrounding 400m area of the Project is well established with an average business in operation for 9 years. Local residents account for the highest patron type comprising 74% of all patron types, and 60% are repeat customers.

During the construction stage, the Project had a reported negative impact on 18% of businesses in the 400m surrounding area, the majority of which were located adjacent to the Project and were impacted through disruption to pedestrian flows, noise, and dust. However 49% reported no impacts during construction.

Since opening, the Project has had a relatively small impact on surrounding businesses. 7% reported a general increase in business turnover attributable to the Project due to higher patronage from Vision City residents and visitors from outside Tsuen Wan. 8% reported a decrease in turnover during the operational period which was attributable to the Project due to loss of patronage, competition (brands), and a changing customer demographic (younger, higher income and different preferences). 56% of surveyed businesses reported no change in business activity.

12% of businesses have reported a change in customer profile, of which 6% were attributed to new residents from Vision City and 4% to more tourists.

A concern to around half of the businesses in the surrounding area is the increase in rental price and 24% of businesses in the 400m study area feel that the Project is responsible for rental price increases. Analysis show that retail rental growth in Tsuen Wan since 1996 has been higher in the 400m radius compared to HK Island and Kowloon, while it is in line with New Territories. There are potentially other reasons leading to higher rental growth in Tsuen Wan and may not necessarily be due to the Project given similar price movements in the New Territories as a whole.

#### Relocated Businesses Remaining in the 400m Surrounding Area

The survey results showed that several businesses operating within the site prior to redevelopment had relocated into the surrounding area. Further such businesses were identified in the surrounding area and an additional survey was conducted of these to appreciate the impact on their business since relocation. Over 60% of such relocated businesses that were surveyed provide construction, car repair, medicine and food retail services.

The majority of these same surveyed businesses reported no change in turnover since relocation directly due to the Project. A small proportion (7%) of these businesses reported a slight decrease in turnover which they felt was related to the Project due to loss of patronage and competition.

#### Project influence on Pedestrians in the Surrounding 400m Area

30% of surveyed pedestrians in the 400m Study Area reported they had switched their shopping habits to CityWalk since its opening, for reasons including greater product choice, convenience, better atmosphere and a more pleasant shopping experience. Some pedestrians interviewed in the surrounding had also changed their habits and were shopping more in Tsuen Wan outside of CityWalk since its opening. Overall, most of the pedestrians in the surrounding 400m Study Area spent up to 50% of their total monthly expenditure in Tsuen Wan outside of CityWalk.

## **Project**

### Businesses in CityWalk

Most of the businesses in CityWalk are new branches of existing businesses while the remainder have relocated from other addresses in Hong Kong. Businesses relocated to CityWalk due to its convenient location, the new development, its appeal to customers, and relatively low rental price compared to other shopping malls in Tsuen Wan.

Local residents account for the highest types of patrons. Since opening, many CityWalk businesses have noticed a change in their customer profile most notably an increasing number of tourists.

A quarter of CityWalk businesses reported an increase in business activities since opening and 35% reported no change. The remaining 40% reported a decrease in business activity which was mostly attributed to the downturn in the economy. The majority of businesses have increased their staff numbers and shop sale workers are the dominant employee type.

### Project influence on Shoppers

Just over a quarter of shoppers interviewed in CityWalk have changed their habit since the Project opened. The reasons for this change include the atmosphere of CityWalk, the pleasant shopping experience, convenience and product choice. Almost a third of shoppers reported they visit CityWalk for other reasons apart from purely shopping such as to attend public events and performances.

Just over a quarter of shoppers reported they now shop more in Tsuen Wan outside of Citywalk after the opening of Citywalk. On average, those interviewed spend a third of their total monthly expenditure in Tsuen Wan outside of CityWalk.

### Vision City Residents

Around three quarters of residents were living in Tsuen Wan District before they relocated to Vision City indicating the attraction of the Project to local residents. On average, each resident visits CityWalk around 3 times per week. The majority of purchased items were food, however clothes, sportswear, furniture and necessities were also commonly purchased.

On average, Vision City residents spent 18% of their monthly income in CityWalk and 36% of their monthly income elsewhere in Tsuen Wan. 41% of Vision City residents have changed their shopping habits as a result of the opening of CityWalk, 67% of Vision City residents of whom spent more in CityWalk.

32% of Vision City residents hire help including education tutors, piano tutor, cleaner and helper, of which 42% of hired help are from the local Tsuen Wan area.

## **Feedback**

On the whole, community feedback on the Project is positive with 76% of interviewees reporting it a positive influence to Tsuen Wan.

### Businesses in the Surrounding 400m area

Businesses in the surrounding area are relatively equally divided between positive and negative feedback. Roughly 37% commented negatively about the Project citing increased rental prices and loss of patronage as a concern. By comparison, 35% commented positively seeing it as a quality development and benefiting from increased patronage of shoppers.

### Relocated Businesses that Remained in the 400m Study Area

Approximately 50% of relocated businesses commented that the Project is good for the local area due to higher patronage and none felt the Project was a negative influence on local businesses.

### Pedestrians in surrounding 400m area

Pedestrians in the surrounding 400m area are mostly supportive of the Project with 76% reporting the Project a positive influence to Tsuen Wan. This was due to the attraction of visitors and new residents to the area, visual amenity, increased shopping choice, and enhanced accessibility and connectivity.

### Shoppers in CityWalk

The majority of shoppers in CityWalk viewed the Project favorably with 92% perceiving CityWalk as a positive influence to Tsuen Wan due to more restaurants and shopping choice, better access and convenience, and a better environment.

### Businesses in CityWalk

A greater proportion of businesses in CityWalk viewed the business outlook positively rather than negatively. 68% were favourable in their outlook reporting an expected increase in business activity due to opening of CityWalk2, increasing patronage from residents in Vision City, plus other reasons such as seasonal demand and future economic recovery. 13% anticipated a decrease in business activity due to the economic downturn.

## **Summary of Findings**

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The Project is a new attraction for visitors to Tsuen Wan. It generates a distributional flow of spending into the community, and enhances linkages within its locality. It provides significant additional income in its acquisition, construction and operational stages and employment opportunities in these later two stages. Overall, the Project complements commercial activities locally and provides accessibility, an improved environment and additional and diversified choice in the community. Property and rental values have increased locally since the project was completed. In addition, the Project has contributed to the Hong Kong economy through Government Revenues and wider economic benefits associated with it.

The Project is however not without some negative impacts including temporary disruption to neighbouring local businesses during the construction phase and competition to some local retailers since the opening of CityWalk.

The findings of this assessment are nevertheless supportive that the Project provides positive additional economic benefits to Tsuen Wan which are greater than those available prior to its development. This finding is also supported by the results of the survey feedback which indicates that the majority of the community view the Project favourably.