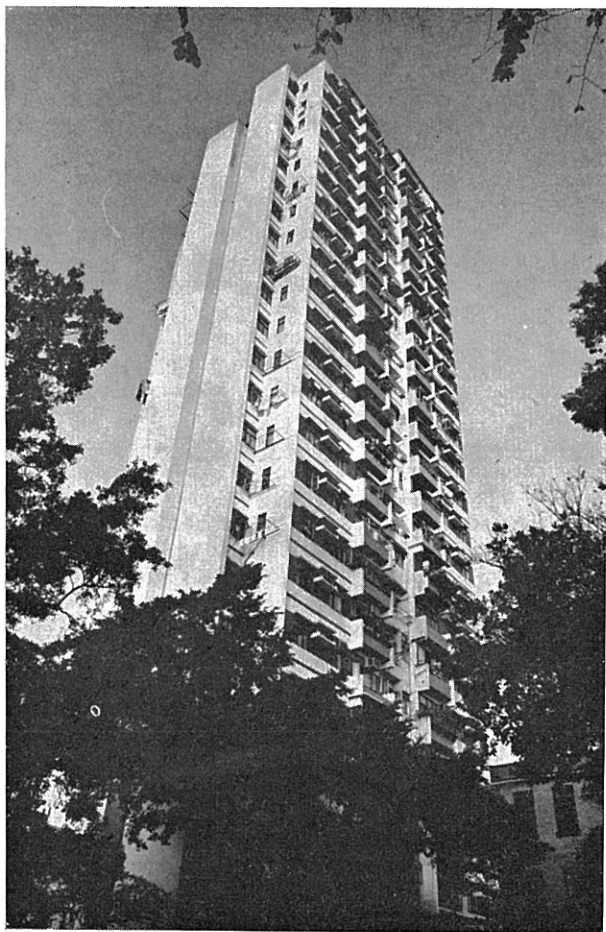


# Housing in Hong Kong: the role of the Quantity Surveyor

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## The Nature of Housing

Most housing in Hong Kong consists of a flat – or a flatlet – or even a single room in a large multi-storey concrete block. Multi-storey housing is the norm and is used from the cheapest levels of accommodation to extremely expensive developments of flats. This form of housing is located in all types of area, from the centre of the urban development to relatively undeveloped suburban localities. The bungalow or semi-detached or terrace developments which are so common in U.K. are unknown in Hong Kong, although a relatively small number of detached houses owned by the very wealthy do exist, as do a number of old stone cottages and single storey terrace houses in the New Territories villages, but in general terms, a "house" means a "flat" in Hong Kong. Land scarcity has led to the adoption of very high densities, and in Hong Kong Island in particular, with its very rugged topography, multi-storey developments are to be found on steep hill sides which, in all probability, would have been rejected as being unsuitable for multi-storey development in most other parts of the world.



*A high quality private development*

## Government Intervention in Hong Kong Housing

The economy of Hong Kong is based on the concept of an almost completely free *laissez-faire* approach, with government intervening to a minimum degree in the running of business. The idea of government supplied housing was quite foreign to this attitude, and it is only since 1955 that government has taken part in the supply of housing.

The Civil War in China which led to the foundation of the People's Republic caused an influx of refugees into Hong Kong. The population rose from about six hundred thousand in 1945 to about 2½ million in 1950 and the stock of housing was quite insufficient to cope with this sudden increased demand. People who were unable to find accommodation in the cities built themselves shacks out of packing cases and squatted on land to which they had no legal title. This was the source of the "squatter" problem – a problem which still exists in Hong Kong despite the strenuous efforts and far-reaching achievements of government. Government intervention in housing stems from a disastrous fire in a squatter settlement in 1953 when about 55 thousand people were made homeless in one night. After this disaster, it was decided to build government housing for the squatters and others: this was the first essay of the Hong Kong Government into the supply of housing and from this start the programme has been continued and extended until, at the present time, the position is being approached where nearly half of the population lives in government or government assisted housing.

The nature of the housing supplied by government consists, in general, of very small units in large multi-storey blocks built at a density of up to five thousand persons per hectare. The original housing consisted of primitive vertical concrete "refugee camps" built to the most basic possible spatial and quality standards, but as the housing situation has gradually improved, so have the spatial and quality standards of government housing, although the flats remain very small and very "basic" when compared with typical U.K. standards.

## Private Sector Housing

The nature of housing supplied through the private sector generally takes the form of flats and tenements. The spatial and quality standards of private sector housing range from being extremely low to being extremely high. At the low end of the scale are tenement floors which are subdivided into small cubicles, and which may be split down to the unit of a "bed space". At the upper levels of the supply are luxury flats with swimming pools, air-conditioning, piped music and all the trappings of high level living. The most common type of housing being supplied through the private sector is the "small flat", which typically has an area of about 45 sq. m. with quality standards at a very basic level.

Unlike the situation in U.K., the private landlord who supplies housing through the letting system still plays a prominent role in the housing supply of Hong Kong, although there is some evidence of a trend towards



*Public housing – the Wa Fu Estate with its associated school in the foreground*

preference for purchase (as approach to letting) being favoured by home seekers. This trend is greatly inhibited by the very high prices of even very small flats, and by the absence – in any strength – of house purchase lending institutions of the British building societies model.

#### **Quantity Surveying in Public Sector Housing**

Government housing is built and managed by the Hong Kong Housing Authority, which uses its own architectural staff for design work and private quantity surveying practices for the provision of bills of quantities. In general, the U.K. model of building design and production is adopted, with architects, quantity surveyors, engineers, clerks of works and contractors playing their customary roles.

What is perhaps surprising is the almost total lack of any attempt at the adoption of cost planning procedures in the Housing Authority. Here is a situation where the target is clearly defined: the provision of the maximum amount of accommodation at the lowest cost, but beyond some limited cost advice operations by private consultants the Authority has made no attempt to achieve the benefits which cost planning procedures could probably bring. In this connection, it should be borne in mind that Hong Kong has not suffered from the galloping inflation which has tended to invalidate cost planning efforts in U.K.

When the task is so obvious and when the expertise is available, it is indeed a pity that the Housing Authority is apparently reluctant to grasp the opportunity of investigating methods of providing better housing at no higher cost.

#### **Quantity Surveying in Private Sector Housing**

The nature of the contractual arrangements made for the supply of housing varies with the nature of the client. The large scale development companies frequently use a model similar in style to the British model, the architects and quantity surveyors usually being private practices, although some of the largest developers are tending to adopt the practice of employing a permanent "in house" surveyor (or surveying groups), with architectural services being provided by private practices.

In the next group – the "middle sized development companies" – the use of bills of quantities is usually dropped, and the quantity surveyor takes no part in the operation. The contracts are usually arranged on a drawings and specifications basis (even though some of these contracts may run into several million pounds). At this level, it is also common to find that the "architect" is an engineer, who takes the roles of architect, engineer, and – to some extent – quantity surveyor. At this level, the client is concerned with saving on professional fees, and to the unenlightened client the services of the quantity surveyor are easily dispensed with. There is also an obvious saving in having an engineer as "architect".

At the lowest level, the client tends to be a small development company, or a private individual seeking to gain a large profit from the supply of housing. The best arrangements in this group are similar to those in the second group, but the model deteriorates to an almost indefinable collection of arrangements with various contractors. At this level the client frequently takes an active part in the production process; he may personally make the "arrangements" with various contractors to have parts of the work done; he may act as his own "clerk of works"; he may even form himself into a contracting organization and build his own building. At the lowest levels it is unusual to find that the architect is a qualified architect. At best, the "architect" may be an engineer; at worst he may be someone with some understanding of construction who has somehow managed to have his drawings officially approved and who then organizes construction as instructed by the client. At this level, it is unlikely that the "architect" is paid a fee in accordance with the Hong Kong Institute of Architects scale of fees – it is quite possible that he is paid no fee at all by the client; possibly it is tacitly understood that his "fee" comes in the form of "kickbacks" from the contractors.

It is possible that a wider adoption of bills of quantities based contract would lead to lower costs in Hong Kong housing contracts. In Ireland, Shanley has suggested<sup>1</sup> that housing contracts based upon bills of quantities were generally about 5 per cent lower in cost than contracts based upon drawings and specifications only. In Hong Kong, research has shown<sup>2</sup> that contracts based upon bills of quantities tend to have offers by competing contractors much more closely grouped than tenders based upon drawings and specifications only. This does not necessarily mean that contracts based on bills of quantities had lower costs than those based on drawings and specifications, but it does suggest that the bills of quantities system produces more highly competitive tendering, and from this it is not too great an assumption to suggest that the costs of bills of quantities based contracts are lower.

If the foregoing suggestions are valid, it may be surprising to find that so few housing contracts are based on bills of quantities in Hong Kong. The answer to this paradox may lie in the attitudes of the typical client in Hong Kong. The sophisticated client tends to use the services of the quantity surveyor and furthermore the experience of the partners in one Hong Kong quantity surveying practice suggests that, once the local developer experiences the benefits of having quantity surveying services on a contract, he tends to return to the quantity surveyor for subsequent contracts. Thus

there is evidence to suggest that the Hong Kong businessman of the more sophisticated type understands and appreciates the benefits of using quantity surveying services in his developments.

The attitudes of the less sophisticated clients are different. They tend to see the basic function of the quantity surveyor as the preparation of a "quotation" by the contractor, and they take the standpoint of "why should we pay for the contractor making up his quotation?" The businessman may eventually accept the notion that it is more economic to have the complicated technical part of a building "quotation" prepared by one expert instead of having one version of the same prepared by every competing contractor; the socio-economic loss brought about by the non-quantities system may even be perceived and understood, but the businessman still tends to be reluctant to actually have to pay a fee for what he sees as someone else's job. It has already been suggested that there are indicators which show that the quantities system tends to produce buildings at slightly lower cost than does the non-quantities system, but these indicators are too few and too fragile to present a totally firm conviction that the quantities based contract is always more economical, and incontrovertible proof would be necessary in order to convince the less sophis-

ticated client of the benefits of appointing a quantity surveyor.

Whilst statistical arguments in favour of an increased use of quantity surveying may have little impact upon housing developers, it is possible that a more powerful catalyst may be found in the changing attitudes of contractors in Hong Kong. For many years, contractors in Hong Kong took a negative approach towards the formulation and presentation of contractual claims. In general terms, claims were made for additional work when this arose, but claims based upon the manipulation of contractual situations were seldom formulated or presented. This approach has changed in the last few years – possibly building contractors have been "inspired" by some huge successful claims in recent civil engineering contracts – and building contractors are now tending to adopt attitudes much more in line with those of typical U.K. contractors. Claims of entitlements for additional payments are now being prepared and presented in a much more vigorous and professional style and this may be the key which will open the door to the greater use of quantity surveying services in private development housing. When claims are presented in a competent way, the contractor requires the expertise of the quantity surveyor to prepare and process the documentation, and on the other side, the developer or his architect requires the aid of professional expertise to examine and evaluate the claims. Thus the benefits of the quantity surveyor's expertise may be brought within the developer's awareness and from this exposition, the developer may come to see his need for that prime asset in the quantity surveyor's vocabulary – his ability to control costs.

The land costs for housing development in Hong Kong tend to be very high and although this is compensated for to some extent by the high densities which are permitted, the cost of building work remains a large part of total development costs. In a recent sample of a number of developments, the building cost (expressed as a percentage of total development cost) had a mean value of 48 per cent. Thus, with building costs amounting to about half of total development cost, it is obviously in the developer's interest to keep building cost under control and a demonstration of the quantity surveyor's expertise to successfully achieve cost control may eventually lead even the most unsophisticated developer to the greater use of quantity surveying in private sector housing.

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*Private development at the bottom of the price range*