

How Does Hong Kong Prepare for Future Boost In Demand In Construction Works?

July 10, 2008

Hong Kong property markets have been experiencing a prolonged boom, under the direct influence of decisions taken by the US Federal Reserve. In fact, property has become such a hot commodity in Hong Kong that companies that aren't able to directly buy into the Hong Kong property market through lack of real estate to buy, have been trying to acquire controlling stock in other property companies. However, this boom in demand puts enormous pressure on Hong Kong's construction industry. There have been varied developments in the industry to try to keep up with demand, including an increasing focus on prefabrication, and development of new standards and best practices in order to try to streamline work and create higher levels of efficiency. We look at these developments, which are boosting the construction industry and the property market in Hong Kong generally.

Hong Kong's property boom has been directly influenced by the credit crunch in the US, to a greater degree than nearly any other economy on the planet. Hong Kong's own currency is tied to the US dollar, and so the Federal Reserve's decisions to cut interest rates in the US has meant that Hong Kong banks must also officially cut rates. Local rates have gone down by around 100 basis points, compared to a 3% drop in US federal fund rates. Hong Kong's economy is also being boosted by its physical proximity to one of the world's economic powerhouses du jour, China.

Property prices are currently at their highest level in a decade, and Merrill Lynch is only the largest of analysts to predict up to a 50% increase in prices over the next three years. Sun Hung Kai properties is a property developer in Hong Kong, who states that their mainland divisions are planning a push in Hong Kong real estate, in order to capitalize on the rising prices.

The construction industry in Hong Kong must now make unprecedented changes in order to cope with the boost in demand. Prefabrication is one area which the industry must focus on developing in order to keep up with demand. The benefits of prefabrication include lower time and reliance on site labor, which will be important for residential property development in Hong Kong. Details in designs can also be improved, and quality control becomes much quicker, simpler and more compartmentalized. Standardization and modularization are now buzzwords in the industry, and will remain so with the boom in the Hong Kong property market continuing.

The industry is under continual pressure to raise productivity, improve the quality of facilities that are constructed, and reduce costs. It is with this in mind that prefabrication techniques and processes are being explored under a research agenda by the Construction Industry Institute of Hong Kong. Prefabricated items like E&M, facades, slab units have recently been used Charter House in Central District and Rosedale in the Park with great success.

The Construction Industry Institute of Hong Kong has also recently commissioned research into creating a sustainable future for the construction of Hong Kong residential properties, ensuring that it prospers through this current boom and survives after it has passed. The deliverables of the research include guidelines to assist stakeholders, assessment of socio-economic and external impacts on the future

magnitude of orders, and a clear direction for local practitioners, to ensure that a majority of construction partners are aware of and implement best practices.

The property boom in Hong Kong is set to continue, and the construction industry is preparing itself well for the pressures that will be placed upon it.

Source: Gregory Smyth