

# Ditch polluted HK, buy into S'pore, Merrill Lynch tells clients



PHOTO: AFP

**NOT JUST AN ENVIRONMENTAL PROBLEM:** Merrill Lynch's advice to "sell Hong Kong office landlords" is the first time a big investment bank has spelt out how worsening pollution could undercut Hong Kong's competitive edge.

## HONG KONG

UNITED States investment bank Merrill Lynch is advising clients to sell shares in Hong Kong office landlords in favour of Singapore's, saying the city's air pollution will drive professionals to move further south.

"The investment response is clear: Buy (shares in) Singapore office landlords, sell Hong Kong office landlords," it said in a report released late on Tuesday.

The report forecast a 5 per cent decline in Hong Kong office rents next year and downgraded the city's largest landlords, including Hongkong Land, Great Eagle and Hysan Development.

Its Singapore picks included City Developments, Suntec Reit and CapitaCommercial Trust.

Merrill Lynch's "sell" advice is the first time that a big investment bank has spelt out how worsening pollution could under-

cut Hong Kong's competitive edge.

With 70 per cent of the pollution coming from manufacturing centres in the Pearl River Delta in southern China, the report said aggressive, direct action with Beijing was the only solution.

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## BEIJING NEEDS TO GET TOUGH

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MERRILL LYNCH'S REPORT, which said aggressive, direct action with Beijing was the only solution to Hong Kong's pollution woes. Seventy per cent of the pollution in the territory comes from manufacturing centres in the Pearl River Delta in southern China.

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The report predicted that mass immigration would help double Singapore's population in the next decade, with a steady flow of financial service professionals expected to come from Hong Kong.

"Hong Kong's loss is, to a large extent, Singapore's gain," it said.

The report came days after a government report on better air quality estimated that it would cost HK\$51 billion (S\$10.2 billion) to clear Hong Kong's air pollution if drastic measures were taken immediately.

It also took a swipe at the methodology on calculating the city's pollution index, which has been criticised by environmentalists as "outdated".

While the air was getting poorer, it said, the index did not show that pollution was getting worse.

In recent months, international chambers of commerce in Hong Kong have warned that their member businesses are pulling out of the city or deciding not to locate there because of the health implications for their families and staff.

Business leaders here also called on the government to act against rising pollution, or risk losing the territory's status as a major finance hub.

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