

LCQ18: Housing supply

Following is a question by the Hon Starry Lee and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (January 19):

Question:

The housing problem in Hong Kong is acute. The Government of the last term reintroduced the Long Term Housing Strategy (LTHS) with a view to alleviating the social conflicts arising from the housing problem, but the housing problem still aggravated persistently in recent years. The average waiting time (AWT) of general applicants for public rental housing (PRH) rose to 5.9 years in September last year, and the number of inadequately housed households also reached a new high of 127 000 last year. However, according to the LTHS Annual Progress Report 2020 published by the Transport and Housing Bureau last month, the future 10-year housing supply target is no different from that of the preceding year, and there is no timetable for reducing the number of subdivided units (SDUs). Society in general criticises the aforesaid report at odds with reality and fails to address the call for a reformist mindset in respect of the housing problem. In this connection, will the Government inform this Council:

(1) whether it will consider incorporating into LTHS three major objectives of "allocating PRH units to applicants within three years", "helping youths in home ownership" and "bidding farewell to SDUs and small flats"; if so, of the details; if not, the reasons for that;

(2) whether it will consider replacing the current approach of housing demand projection, which is mainly predicated on "net increases in the number of households", with a "target-oriented" approach, as well as raising the future 10-year public housing supply target to at least 45 000 a year, so as to achieve "zero case backlog" in respect of PRH applications, restore the vision of three years' AWT for general PRH applicants, and help youths in home ownership; if so, of the details; if not, the reasons for that; and

(3) whether it will consider achieving the objective of bidding farewell to SDUs through increasing the supply of different types of public housing?

Reply:

President,

My reply to the question raised by the Hon Starry Lee is as follows:

The Government formulated the Long Term Housing Strategy (LTHS) in December 2014 and established three major strategic directions: (i) to provide more public rental housing (PRH) units and ensure the rational use of existing resources; (ii) to provide more subsidised sale flats (SSFs), expand the forms of subsidised home ownership and facilitate market circulation of

existing stock to help low- to middle-income families meet their home ownership aspirations; and (iii) to stabilise the residential property market through steady land supply and appropriate demand-side management measures, and promote good sales and tenancy practices for private residential properties.

According to the LTHS, the Government updates the long term housing demand projection annually and presents a rolling 10-year housing supply target to capture social, economic and market changes over time, and makes timely adjustments where necessary. The 10-year total housing supply target is derived according to the results of the housing demand projection for the coming 10 years. Such projection is based on objective data on four demand components, namely net increase in the number of households, households displaced by redevelopment, inadequately housed households (IHHs) and miscellaneous factors (note 1). We have been conducting the housing demand projection for the coming 10 years based on the established mechanism under the LTHS framework and objective data in order to set the 10-year housing supply target. With the efforts of the society and the Government, we can then plan early to identify land for housing development so as to meet the housing demand for the coming 10 years.

According to the said housing demand projection mechanism, the total housing demand for the 10-year period from 2022-23 to 2031-32 is estimated to be 422 800 units. We have therefore set the housing supply target at 430 000 units. The public/private split of new housing supply maintains at 70:30, hence the public and private housing supply targets for the above 10-year period are 301 000 units and 129 000 units respectively. As demand for different types of public housing has remained strong, the ratio between PRH/Green Form Subsidised Home Ownership Scheme (GSH) and other SSFs also maintains at 70:30. Correspondingly, the public housing supply target of 301 000 units comprises 210 000 units for PRH/GSH and 91 000 units for other SSFs. We will continue to review the relevant ratios in the annual update under the LTHS each year. Relevant projection details are set out at the annex of the LTHS Annual Progress Report 2021 (note 2).

As announced in the 2021 Policy Address and the LTHS Annual Progress Report 2021, the Government has identified about 350 hectares of land which is estimated to be able to provide about 330 000 public housing units in the said 10-year period. In other words, it can fully meet the public housing demand of 301 000 units.

The Hon Lee suggested incorporating the target of providing the first flat offer to PRH general applicants (i.e. family and elderly one-person applicants) at around three years on average into the housing demand projection of the LTHS. In fact, providing the first flat offer to PRH general applicants at around three years on average has always been the target of the Hong Kong Housing Authority (HA)'s work. In order to achieve this target, the Government will continue to spare no efforts in identifying land for housing development; while the HA will also strive to compress the time required for housing development where feasible. To further boost the public housing supply, the Government and the HA have implemented a series of

measures to increase housing supply as far as possible. Such measures include increasing the plot ratio of public housing sites; adopting new technologies; studying the adoption of the Design-and-Build procurement model in suitable projects; as well as the clearance of Shek Lei Interim Housing for public housing development; redevelopment of the HA's four factory estates for public housing use; additional development within or near existing public rental estates; and studying the redevelopment of Sai Wan Estate and Ma Tau Wai Estate with a view to including the adjacent areas into the redevelopment sites as far as possible so as to enlarge the site area, etc.

Helping low- to middle-income families (including young people) achieve home ownership has always been one of the strategic directions of the LTHS. In June 2018, we revised the pricing mechanism for the Home Ownership Scheme (HOS) and GSH, such that the pricing of HOS and GSH flats is delinked from market prices and is based on affordability instead, with the median monthly income of a non-owner occupier household adopted as the basis of the affordability test. In addition, within the term of the current Government, the HA has offered a total of 38 600 SSFs for sale, and also accelerated the sale of unsold Tenants Purchase Scheme flats to Green Formers. On January 6, 2022, the HA also decided that upon the completion of the Sale of GSH Flats 2020/21, any remaining GSH flats in Ching Fu Court will be put up for sale to eligible PRH applicants through the platform of the annual Express PRH Flat Allocation Scheme exercise. All the above measures can help low- to middle-income families (including young people) gain access to home ownership.

In terms of private residential properties, the Government has also implemented various demand-side management measures for residential properties to effectively reduce short-term speculative activities, external and investment demand, so as to ensure the healthy development of the residential property market.

As for incorporating "bidding farewell to subdivided units (SDUs) and small flats" into the policy objectives of the LTHS, as pointed out above, one of the demand components of the housing demand projection under the LTHS are IHHs. Therefore, addressing the housing needs of SDU residents has always been one of the objectives of the LTHS in setting the 10-year housing supply target. As the living conditions of many SDUs are less than ideal, we will try to meet the housing needs of low-income individuals and families through increasing the supply of transitional housing in order to improve their living conditions and thereby reduce the number of SDUs with poor living environment. In the long run, with adequate public housing supply, the problem of SDUs will be reduced.

Before housing supply is in place, the Government has recently implemented three breakthrough measures to improve the livelihood of families in poor living conditions and have been waiting for PRH for a prolonged period of time, which include:

(i) increasing the supply of transitional housing: as at December 2021, the Government has identified land for providing over 17 000 transitional housing units. We have further increased the supply target from 15 000 units to 20 000 units, and increased the amount of funding from \$8.3 billion to \$11.6

billion for non-government organisations to implement transitional housing projects;

(ii) launching the three-year Cash Allowance Trial Scheme (CATS): the Government launched the three-year CATS in late June 2021 to relieve the pressure on livelihood of grassroots families which have waited for PRH allocation for a prolonged period of time. As at end-December 2021, the Government had disbursed cash allowances to about 67 000 eligible PRH general applicant households; and

(iii) implementing the tenancy control of SDUs: the tenancy control of SDUs will take effect on January 22, 2022 to provide tenants with the much needed security of tenure and protect them from unwarranted rent hikes on tenancy renewal, without unduly compromising the interests and private property rights of landlords. The Rating and Valuation Department (RVD) has set up a new section responsible for the implementation of the legislation. The Government has also engaged non-government organisations to set up six District Service Teams to assist the RVD in promoting the new legislation to implement the tenancy control on SDUs at district level.

Note 1: The miscellaneous factors include (a) private permanent living quarters occupied by households with mobile residents only; (b) non-local students who may take up accommodation in Hong Kong; and (c) non-local buyers who take up flats without selling or leasing them.

Note 2: The relevant document is available on the following website:
www.thb.gov.hk/eng/policy/housing/policy/lths/LTHS_Annual_Progress_Report_2021.pdf