

**Legislative Council meeting on 7 December 2016**  
**Motion on**  
**“Formulating a housing policy to alleviate the keen housing demand”**  
**Progress Report**

**Purpose**

At the Legislative Council meeting of 7 December 2016, the motion on “Formulating a housing policy to alleviate the keen housing demand” moved by Hon Paul TSE was carried. Wording of the motion is at **Annex**. This paper reports progress on relevant actions taken.

**Long Term Housing Strategy**

2. The Government promulgated the Long Term Housing Strategy (LTHS) in December 2014. LTHS adopts the supply-led and flexible principles, and establishes three major strategic directions i.e. (a) to build more public rental housing (PRH) units and to ensure the rational use of existing PRH resources; (b) to provide more subsidised sale flats (SSFs), expand the form of subsidised home ownership and facilitate market circulation of existing stock; and (c) to stabilise the residential property market through steady land supply and appropriate demand-side management measures, and to promote good sales and tenancy practices for private residential properties. The Government published the LTHS Annual Progress Report 2016 on 20 December 2016 and briefed the Legislative Council (LegCo) Panel on Housing on 9 January 2017.

3. As set out in the LTHS, the Government updates the long term housing demand projection annually and presents a rolling ten-year housing supply target in order to capture changes in social, economic and market circumstances over time and to make timely adjustment where necessary. Based on the latest housing demand projection, the Government has adopted 460 000 units as the total housing supply target for the ten-year period from 2017-18 to 2026-27, while maintaining the 60:40 split between public and private housing supply. Accordingly, the public housing supply target is 280 000 units, including 200 000 PRH units and 80 000 SSFs; and the private housing supply target is 180 000 units. The housing demand projection has taken into account the housing needs of different sectors of the community, including the new housing needs of young people arising from the formation of households as a result of their pursuit of an independent living or marriage; as well as the housing needs of inadequately housed households (including households living in sub-divided units).

## **Land Supply**

4. Land supply is a major constraint to housing supply in Hong Kong. Achieving the 10-year housing supply target is a huge challenge for both the Government and the community. To take forward the LTHS and to facilitate the sustainable development of Hong Kong, the Government adopts a multi-pronged approach to implement various short, medium and long-term initiatives to increase land supply.

5. For land supply in the short to medium-term, the Government can provide a total of over 380 000 residential units (about 60% of which is public housing) by way of changing existing land uses and increasing development intensity, which involve some 210 housing sites identified through land use reviews, Kai Tak Development Area, Diamond Hill Comprehensive Development Area, reuse of three quarry sites, railway property developments, urban renewal projects, etc.

6. For land supply in the medium to long-term, various new development areas (NDAs) and new town extensions (including Kwu Tung North and Fanling North NDAs, Tung Chung New Town Extension, Hung Shui Kiu NDA and Yuen Long South Development), together with potential railway property development projects being planned (including Siu Ho Wan Depot and Pat Heung Depot), can provide over 220 000 residential units. In sum, the various short, medium and long-term land supply initiatives can provide over 600 000 housing units in total.

7. Releasing brownfield sites is also one of the main directions in the Government's multi-pronged land supply strategy. Through comprehensive planning, major land development projects of Hung Shui Kiu NDA, Yuen Long South and Kwu Tung North and Fanling North NDAs together will provide a total of some 940 ha of developable land and release about 340 ha brownfield sites. Meanwhile, the Civil Engineering and Development Department will continue its studies on the possibility of consolidating brownfield operations in multi-storey buildings to optimise land utilisation, using Hung Shui Kiu as a pilot case. At the same time, the Government is considering the appropriate policies and strategies for tackling brownfield sites in different areas, with a view to achieving the objectives of optimising land utilisation, releasing brownfields potential and improving the rural environment. To this end, the Planning Department will commence a comprehensive survey on the distribution and uses of brownfield sites in the New Territories. The study findings will provide more detailed information of the brownfield sites in the territory and the brownfield operations thereon.

8. In the long run, to plan for the long-term future of Hong Kong, the Government is conducting the study on “Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030” and its public engagement. The Government proposes to explore the development of two strategic growth areas, namely, the East Lantau Metropolis and the New Territories North, so as to meet the anticipated long-term land demands and to provide expansion space for regenerating the existing urban areas and plan for Hong Kong’s sustainable development, amongst others. Besides, the Government will continue to study reclamations outside the Victoria Harbour and the development of caverns and underground space as sources of additional land and space.

### **Public Housing**

9. The total public housing production for the five-year period from 2016-17 onward developed by the Hong Kong Housing Authority (HA) and Hong Kong Housing Society (HKHS) is about 94 500 units, comprising 71 800 PRH units and 22 600 SSFs.

10. Regarding SSFs, a total of 3 700 flats by HA and HKHS were sold in 2016, and a further total of about 2 600 flats will be put up for pre-sale in 2017. HA is preparing for the pre-sale of Home Ownership Scheme projects in 2018, such as preparing land leases and the deeds of mutual covenant. If various preparation work can be completed smoothly, HA can offer about 4 400 flats for pre-sale next year.

11. The key to achieving the ten-year supply target is to be able to identify sufficient land in a timely manner. As at now, with regard to public housing, assuming that all sites identified can be smoothly delivered on time for housing development, about 236 000 public housing units can be built within the ten-year period from 2017-18 to 2026-27. This still lags behind the ten-year supply target of 280 000 units. Relevant Government departments will continue their efforts in identifying new potential sites for public housing development.

12. In the course of land development and land use rezoning, as well as other necessary preliminary work, we face huge challenges or even uncertainties. These work include local consultation; technical studies; statutory planning; land resumption and clearance; provisioning and reprovisioning of facilities; site formation and infrastructure provision, etc. Quite often, we need to spend a long period of time to handle and to respond to various views. Sometimes, we even face legal challenges. For projects involving Government-funded works, such as road improvement works,

funding approval by the Legislative Council is essential. The time required to secure the funding approval often has an impact on the lead time for the completion of the relevant public housing developments. As to the construction works, it normally takes about three and a half years for constructing a 40-storey public housing block. However, the time required for building construction can be longer depending on the complexity of the projects, other unforeseeable factors, shortage of labour, etc. Relevant Government departments will work closely with HA and make concerted efforts to increase public housing supply.

### **Private Residential Property Market**

13. With regard to the private residential property market, the Government has been adopting a two-pronged approach to maintain the healthy and stable development of the private residential property market. To address the demand-supply imbalance at source in the long run, the Government has strived to increase the housing land supply through short, medium and long-term means under the “supply-led” strategy. At the same time, the Government has introduced demand-side management measures in a timely manner to minimise possible adverse consequences of various kinds arising from an overheated market.

14. The medium-term supply of private housing has been steadily increasing in view of the Government’s continuous efforts. According to the latest estimate as at end-December 2016, the projected supply from the first-hand private residential property market for the coming three to four years is approximately 94 000 units, a record high since the first release of the quarterly statistics on supply in September 2004.

15. The several rounds of demand-side management measures introduced by the Government have effectively combated short-term speculation; curbed external and investment demand; helped stabilise the residential property market and guard against further increase in the risks of a bubble. To accord priority to the home ownership needs of Hong Kong permanent residents (HKPRs), demand-side management measures already provided the following exemptions: buyers who are HKPRs acting on their own behalf can be exempted from the Buyer’s Stamp Duty; and buyers who do not own any other residential property in Hong Kong at the time of acquisition of the properties concerned will be exempted from the new ad valorem stamp duty (AVD) of 15%, and will only be subject to the lower rates at Scale 2.

16. There have been signs of cooling off in the market after raising the AVD rates chargeable on residential property transactions to a flat rate of 15% with effect from November 2016. The overall price index for December 2016 (mainly reflecting market situation in November 2016) was comparable with that for November 2016 with a slight month-on-month increase of 0.07%, which was much lower than the monthly increase before introduction of the new measure, i.e. about 3% in September and October. On transaction volume, the number of residential property transactions dropped significantly by 51% from around 6 740 in November 2016 to 3 286 in January 2017. According to the data from the Inland Revenue Department, the number of residential property transaction cases subject to Double Stamp Duty or the new flat rate of 15% in January 2017 is 406, representing a drop of more than 80% as compared with 2 360 cases in November 2016. In addition, among those residential property transactions where buyers are HKPRs in January 2017, 95% involve buyers who do not own any other residential property in Hong Kong at the time of acquisition. These demonstrate the effectiveness of the new measure. The Government will remain vigilant and continue to closely monitor developments in the property market and the evolving external environment.

**Transport and Housing Bureau  
February 2017**

**Motion on**  
**“Formulating a housing policy to alleviate the keen housing demand”**  
**moved by Hon Paul TSE**  
**at the Council meeting of 7 December 2016**

That given the ongoing low interest rate environment and insufficient land supply in Hong Kong, and the influx of capital from the Mainland into Hong Kong for massive purchases of local land and properties, etc., property prices have continued to soar, thus rendering it difficult for households of newly-wed couples, young people, retired rank-and-file staff of the disciplined services, residents of subdivided units and singletons waiting for public rental housing, etc. to find a decent home; in this connection, this Council urges the Government to expeditiously formulate an appropriate housing policy to help the aforesaid people who are in desperate need of housing.