

**For discussion on
26 October 2004**

**LEGISLATIVE COUNCIL
PANEL ON PLANNING, LANDS AND WORKS**

Land Supply

PURPOSE

Members of the Panel are concerned about the land supply in the next five years. As requested, this paper provides an update on the subject for Members' reference.

BACKGROUND

2. There are two main sources of land supply in Hong Kong as follow :

(a) Government land

Government land is supplied through land sale to the public, and private treaty grants to approved bodies for specified uses.

(b) Private sources

Private land owners can redevelop their own land in accordance with the town plan and land lease conditions. Developers can also acquire land for development from

other private land owners in the open market.

ARRANGEMENTS FOR LAND SUPPLY

3. It has been Government's policy to provide adequate land to meet the development needs of our community. As from 2004, Government land is sold through the Application List system. Experience so far indicates that the amount of land available in the Application List at any one time provides a choice for applicants to trigger. To this extent, the Application List system is market-driven. It enables the market to determine the quantity and timing of land to be put up for sale.

4. The 2004-05 Application List was announced in January 2004 (see copy at Annex) and comprised 17 sites (14 residential and three commercial/business sites). The 14 residential sites have a total area of about 10.5 hectares. The three commercial/business sites have a total area of about 2.6 hectares. The 14 residential sites, if all sold, will produce some 7,800 flats with estimated flat completion as from 2007. So far, five residential sites on the Application List have been sold.

5. Each year, the Application List is prepared taking into account relevant factors such as the prevailing market conditions, the needs of the property sector and the overall economic situation. The preparation of the Application List for the next financial year has yet to

commence. We will take into account the aforementioned factors when deciding the number, size, location, uses of the site to be included in the new Application List. Our objective is to achieve a balanced mix of sites available for application that would facilitate the stable development of the property sector.

6. Other than land sale through the Application List system, Government also grants land by private treaty to some organisations for projects which fall within Government's policy areas. Common examples include schools, hospitals, religious and welfare facilities. Also, private treaty grants have been made to the railway corporations for railway property developments and to the Urban Renewal Authority (URA) for the agreed projects. In order to ensure that flat supply from these sites will not cause undue disruption in the market, we have undertaken an exercise to co-ordinate an even and steady flow of supply over the next few years. These involve the phased flat production from 2007 to 2016 of some 67,000 units in the case of the railway corporations. As regards the URA, some 8,200 units would be produced from 2005 to 2010.

7. Government's objective is to provide sufficient land for the development needs of our community. We estimate that about 99 hectares of land for housing development are now readily available for disposal. Nevertheless, we will keep the estimated land supply under regular review and will determine the actual quantity of land available for

disposal each year when formulating the Application List and having regard to other committed land grants.

OUTLOOK

8. The robust result of the recent land auctions on 12 October 2004 has prompted speculation that Government will take a hard line on future land premium assessments. There are misapprehensions that this will make it more difficult to be successful in triggering the sale of Government land under the Application List system. Similarly, there is concern that lease modification premium will become less affordable. It has been further suggested that the combined effect of all these is a drastic reduction of the supply of land and hence flat production in the years beyond 2007.

9. The above analysis is misguided and is not backed up by any hard evidence. Government's land premium assessment is based on the open market value of the land taking into account the prevailing market conditions. Different sites, because of their size, location and the zoning of the land involved will have different development potential and are subject to different intensity of development. The open market value of each site is therefore different from one and another. The transaction prices of one or two sites cannot be taken as the price level for all other land. Hence, the worry that the sale of Government land or conclusion of lease modifications would be stifled by the result of the one or two land auctions is unfounded.

10. The current mechanism for land supply is entirely market driven. The recent land auction results reflect the successful bidders' perception of the market direction in the coming years. If the same perception is shared, other developers would come forward and apply for the remaining sites in the Application List to meet the anticipated demand in the market. The Administration will closely monitor the developments in the market in the next few months so as to draw up a suitable Application List for 2005-06.

CONCLUSION

11. In sum, there will be continuous supply of land in the years ahead through the Application List system and through Government's private treaty grants to the committed projects such as the railway property developments and URA projects. It should also be noted that market forces are at play in respect of lease modifications by private developers. If there is market demand, private developers will seek lease modifications to achieve their development plans and this will complement the source of land supply by Government.

12. Government's objective is to ensure an adequate supply of land together with the necessary supporting infrastructure to meet market demand in a timely manner. There is sufficient land supply to meet market demand and the needs of the prevailing market conditions.

Housing, Planning and Lands Bureau

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