

Legislative Council Panel on Housing

Supply of Local Housing and Development in Private Property Price

Purpose

This paper provides Members with information on the supply of public and private housing and the development in the price of private residential properties.

Background

2. Under the housing policy re-positioned in 2002, the Government's role in housing is mainly to provide subsidized rental housing for low-income families which cannot afford private rental accommodation, and to maintain the average waiting time for public housing at around three years. The Government is committed to the full implementation of the policy of minimizing intervention in the property market, so as to maintain a fair and transparent business environment. During the past few years, favorable factors such as free market operation and the economic recovery have allowed the property market to grow steadily and the price of residential properties has seen steady recovery.

Supply of Public Housing

3. According to the current Public Housing Construction Programme, the Hong Kong Housing Authority (HA) will produce about 77,500 rental flats in the coming five years from 2007/08 to 2011/12 (please see **Annex 1** for details). With an average supply of around 15,500 public rental flats per year, the HA would be able to meet the demand for public housing and achieve the overall objective of maintaining the average waiting time of public housing applicants at about three years.¹ The Housing Department will continue to liaise with the relevant departments to identify suitable sites for public housing development, in order to maintain a steady supply of public housing flats.

¹ The waiting time of non-elderly single-person applicants is not taken into account in the calculation of the average waiting time of public rental housing applicants.

Supply of Surplus Subsidized Home Ownership Flats

4. The HA plans to sell some 16,600 unsold and returned Home Ownership Scheme (HOS) flats (collectively known as “surplus HOS flats”) to Green Form and White Form applicants in two phases per year from 2007 to 2009. Following the prevailing guidelines, the prices of surplus HOS flats will be set at 70% of the assessed market values. The HA offered 3,056 surplus HOS flats for sale in January 2007 and 3,052 have subsequently been sold.

5. There are some 2 700 surplus subsidized sale flats under the Hong Kong Housing Society’s (HKHS) Flat-for-Sale Scheme and Sandwich Class Housing Scheme. The HKHS offered 576 of them for sale in January 2007 and all of them have been sold. The HKHS will continue to sell the remaining flats at discounted prices in an orderly manner, and will synchronise the sales programme with that of the HA’s surplus HOS flats as far as practicable.

Private Housing Supply

6. The supply of private residential units has stabilized. According to the latest statistics, the number of newly completed residential units has dropped from over 30,000 in 2002 to about 17,000 in 2006. As at the end of March 2007, the first-hand residential flats available for sale in the next two to three years is forecast to be 68,000 units, which comprise the following:

- (i) about 19,000 completed and unsold units;
- (ii) about 39,000 units from projects under construction;
- (iii) about 3,000 units to be produced on the residential sites which have been sold to developers and on which construction could commence at any time; and
- (iv) about 7,000 units to be produced on the residential sites for which lease modifications have been completed and regrant premium paid.

In respect of potential supply, the Application List of 2007/08 comprises 28.7 hectares of private residential sites which are estimated to be capable of producing some 13,000 units. As for the supply during the next five years, there will be over 530 hectares of land available for residential uses. It is estimated that some 135,000 flats could be produced. The five-year figures only show the maximum supply of private residential sites known at present. The exact supply is subject to actual market demand and other factors such as progress of land formation, land premium agreement and land exchange.

Development in Price of Private Residential Property

7. Following the end of the SARS epidemic in 2003, the property market sentiment has improved. The Government consolidated the housing policy of minimizing market intervention, thus allowing the property market to adjust itself under the market mechanism. This, coupled with the sustained overall economic recovery, has allowed property prices to pick up from a low level. According to the private residential property price index published by the Rating and Valuation Department, the overall price index went up by almost 40% from 2003 to 2005. During the same period, the prices of large flats and small/medium flats² have increased by 64% and 38% respectively. After the significant upturn, the growth rate of property prices has become steadier since mid 2005. As at March 2007, the overall residential property price index has increased slightly by 3% compared to the same period in 2005. The rate of price increase is higher for large flats (11%), while that for small/medium flats (2%) is roughly similar to the rate of the overall property price increase.

8. Looking back on the past decade, there was a continuous drop in private property price from the 1997 peak until 2003, when the property price started to pick up. From 2005 to the first quarter of 2007, the growth of the property price has been steady (see **Annex 2**).

9. The overall private property price at present represents a 44% drop from the 1997 peak, with the rates of reduction being 27% for large flats and 45% for small/medium flats.

² According to the classification of the Rating and Valuation Department, a large flat has a saleable area of or more than 100 square metres. A small/medium size flat has a saleable area less than 100 square metres.

Conclusion

10. The Government will continue to consistently implement the existing housing policy to provide public rental housing to families in need and to avoid intervention in the private property market. Nevertheless, to enhance market transparency, the Government will continue to release regularly statistics on the supply of private first-hand residential units, keeping the public and the real estate industry abreast of the housing supply. The Government will also monitor closely the development of the private housing market and continue to implement a clear and consistent housing policy, to allow a healthy development of the property market in a stable, transparent and fair environment.

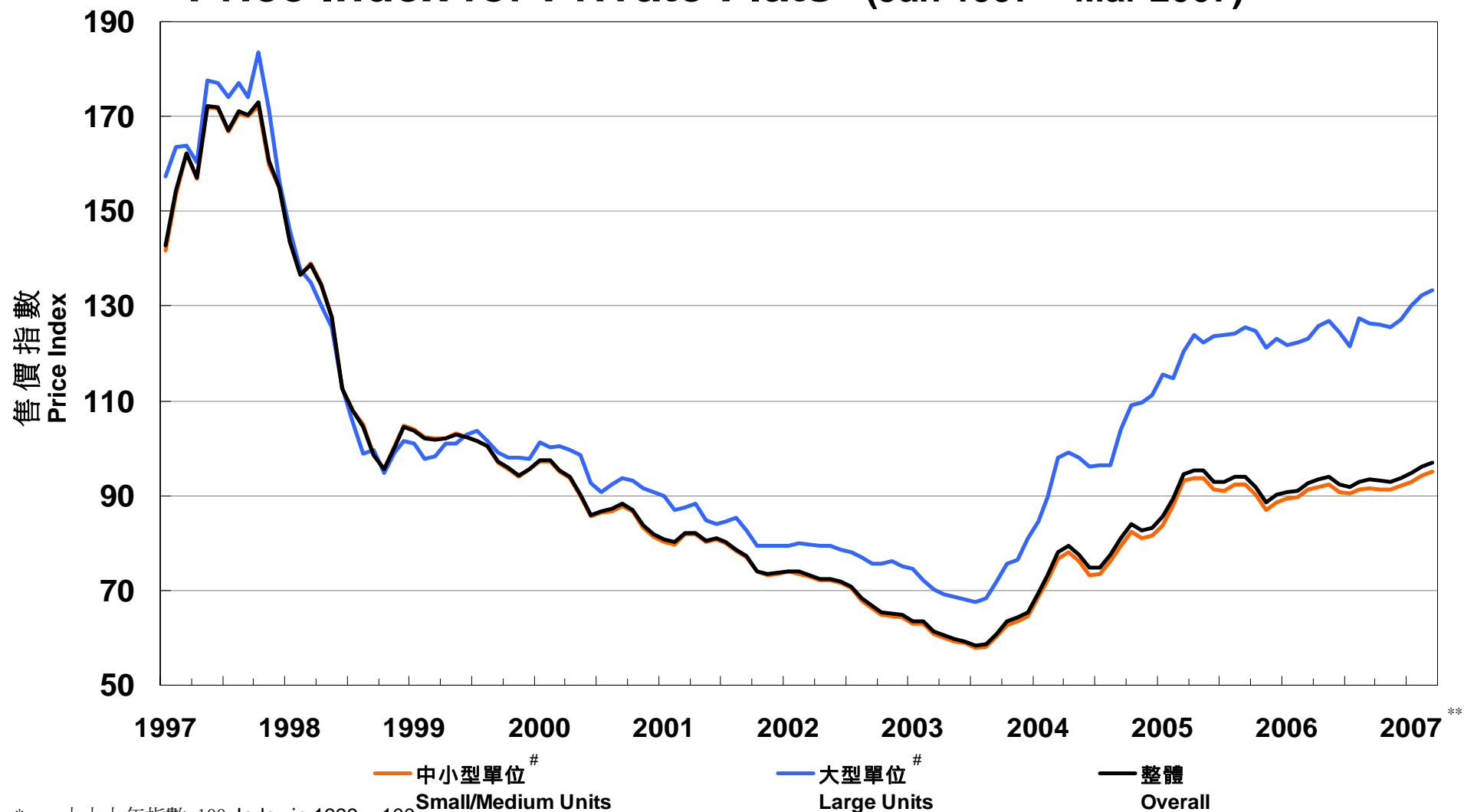
Housing, Planning and Lands Bureau
May 2007

Public Housing Production from 2007/08 to 2011/12

Year	Number of Flats to be Produced
2007/08	16 396
2008/09	22 226
2009/10	10 821
2010/11	14 306
2011/12	13 739
Total	77 488

私人住宅售價指數* (1997年1月至2007年3月)

Price Index for Private Flats* (Jan 1997 – Mar 2007)



* 一九九九年指數=100 Index in 1999 = 100

** 臨時數字 Provisional Figures

中小型單位 Small/Medium Units (<100m², 實用面積 saleable area) 大型單位 Large Units (≥100m², 實用面積 saleable area).

Source: 差餉物業估價署 Rating & Valuation Department