

(Translation)

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Speech by the Secretary for Transport and Housing
at the Legislative Council
Special Finance Committee Meeting (on Housing)
on 23 March 2010

Madam Chairman,

I would like to brief Members on the Government's major initiatives on housing in the new financial year.

Supply of Public Housing and Review of Rent

2. On public rental housing (PRH), the Government and the Hong Kong Housing Authority (HA) will continue to identify suitable land and to monitor the progress of the supply of public housing sites to ensure adequate land supply for public housing development. We believe that in the next five years, there will be adequate supply of public housing to maintain the average waiting time of general PRH applicants at about three years.

3. Noting that some members of the public have not yet benefited from the economic upturn and to strengthen economic recovery, the Financial Secretary (FS) has proposed to pay rents for PRH tenants for two months. The Transport and Housing Bureau (THB) will seek approval from the Finance Committee of the Legislative Council (LegCo) for the funding required in due course. It is expected that the proposal can be implemented after mid-2010.

4. This year, in accordance with the established policy, we will conduct the first rent review under the new rent adjustment mechanism. THB has briefed the Legislative Council Panel on Housing (the Panel) on matters concerning the first rent review via papers submitted in January and March this year. Under the new mechanism, PRH tenants' affordability provides an objective basis for determining PRH rent. Only when there is an increase in the overall household income of PRH tenants will HA increase the rent, and the upward adjustment will be capped at 10%. On the contrary, if there is a drop in PRH tenants' overall household income, HA will adjust the PRH rent downwards. We are collecting the income data required for the first rent review which is expected to be completed around mid-2010. Before the LegCo recess, we will brief the Panel, HA and the general public on the findings.

Private Property Market

5. We have been closely monitoring the development of the private residential property market. THB has been keeping track of the supply of first-hand private residential flats. According to the latest figures in February this year, some 57 000 new flats will be available in the private residential market in the next three to four years, representing an increase of 4 000 units as compared with January this year. Of these, about 33 000 will be small-sized flats with a saleable area of less than 70 square metres, amounting to about 58% of the total supply. Apart from the above estimate of 57 000 first-hand private residential flats, it is estimated that there will be a further supply of around 7 200 first-hand private residential flats upon the conversion of various residential sites into “disposed sites” or the completion of tendering of various sites in the coming few months.

6. At present, the property market as a whole remains reasonably healthy. However, in the light of the abundant liquidity in the global financial markets, the inflow of funds which has fuelled the prices of luxury flats, a very low-interest rate environment and the keen competition in the mortgage market, there is a potential risk of a property bubble. The private residential market has recorded a 28% increase in the overall flat prices from 2008 to 2009.

7. It is the policy objective of the Government to ensure a healthy and stable development of the property market. The FS has proposed four measures in the Budget Speech, namely, increasing the supply of land and the supply of small and medium-sized residential flats; strengthening the regulation of the sale of uncompleted first-hand private residential flats; increasing the transaction cost of property speculation; and preventing excessive expansion in mortgage lending. The above measures aim to reduce the risk of a property bubble while preventing public policies from causing unnecessary fluctuations in the property market.

8. One of the four measures mentioned above is to strengthen the regulation of the sale of uncompleted first-hand private residential flats. Through the Lands Department’s Consent Scheme and the guidelines issued by the Real Estate Developers Association of Hong Kong, THB has strengthened the regulation of the sale of these flats in the past one to two years, including standardising the definition of “saleable area” and the format of the price list. Developers are also required to show the prices in “saleable area” of individual flats and to make public transactions of uncompleted residential properties within 5 working days after the signing of the Preliminary Agreements for Sale and Purchase, etc. so that home buyers are better informed about the properties and their transaction prices for enhanced consumer protection.

9. We are exploring further measures to strengthen the regulation of the sale of uncompleted first-hand private residential flats, including strengthening the regulation of show flats.

10. Also, to reduce the potential risk of speculation in luxury flats, the Government will increase the rate of stamp duty on transactions of properties valued more than \$20 million to 4.25% with effect from 1 April this year. Applications for deferred payment of stamp duty will not be allowed for such transactions.

11. Recently, there are public concerns that many people cannot afford to purchase a flat following the surge in private property prices. There are views that the Government should revitalise the Home Ownership Scheme (HOS) Secondary Market and resume the building of HOS flats, etc. to assist the general public, especially the younger generation, in acquiring home ownership. The FS has indicated earlier that the decision of the Government to suspend building HOS flats was a major one and it is not going to re-enter the market lightly. To purchase a property or not is a matter of personal choice and affordability.

12. We should also be aware that HOS flats are a form of subsidised housing. When eligible persons purchase HOS flats from the HA, they immediately enjoy discounts on the market value. They are only required to pay the premium, according to the respective discount rates at which the flats have been offered, to cover the difference in the market value when they sell or let these flats in the open market in the future. About 40% of the existing HOS flats were sold at a discount rate of below 35%, while the remaining 60% were sold at a discount rate of 35% or above, with the highest reaching 60%.

13. All along, the land for the HA's HOS development has been provided by the Government. At present, our land supply can only sustain the Government's objective of maintaining the average waiting time for PRH at about three years. The Government is tackling the problem of rising property prices at source by providing a steady supply of land, with a view to maintaining an equitable and stable environment for the free and efficient operation of the property market. To further enhance the supply of small and medium-sized residential flats, the Government will liaise with the Mass Transit Railway Corporation and the Urban Renewal Authority to increase the supply of these types of flats. The Government is also prepared to sell by open tender a site of about 1.2 hectares near the West Rail Long Ping Station in Yuen Long for private residential purpose, and will increase the supply of small and medium-sized flats by specifying in the land sale conditions the minimum

number of flats and the minimum and maximum floor area to be built. Regarding the supply of small and medium-sized residential flats in the market, there were 9 900 transactions of small and medium-sized residential flats in the market in the first two months of this year, which accounted for 44% of all transactions of residential properties in the same period.

14. Moreover, more than 250 000 HOS flats of which premium has not been paid may be sold in the Secondary Market. By promoting the turnover of these flats, we can also boost the supply of small residential flats. The Housing Department (HD) is actively exploring possible means to revitalise the HOS Secondary Market, and assessing various proposals to see whether they could help those who can in the long run afford and are in genuine need of purchasing their own homes. The HD will also consider whether the supply and demand in the HOS market can be effectively matched, and the HA's financial liabilities and risks, etc. We are now actively collecting data for the assessment. It is expected that HA will conduct discussions on the various feasible options and further details from May onwards. Also, the Hong Kong Housing Society has put on sale all 838 surplus flats under its Sandwich Class Housing Scheme (SCHS) this month. When HA discusses the sale of surplus HOS flats at the end of the month, THB will propose to put on sale the remaining over 4 000 surplus HOS flats in one go. We believe that there will be a significant increase in the supply of small and medium-sized residential flats in the next few months.

Conclusion

15. To conclude, the Government will continue to allocate resources to assist low-income families to resolve their housing problems through HA. We will monitor closely the development of the private residential property market and take steps to enhance its stability and transparency. We will address the aspirations of the community by increasing the supply of small and medium-sized residential flats through the revitalisation of the HOS Secondary Market and the sale of surplus HOS and SCHS flats. My colleagues and I will be pleased to answer questions from Members. Thank you Madam Chairman.

Transport and Housing Bureau
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