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**Speech by the Secretary for Transport and Housing
at the Legislative Council
Special Finance Committee Meeting (Housing)
on 22 March 2011**

Madam Chairman,

I would like to brief Members on the Transport and Housing Bureau (THB)'s major initiatives on housing matters in the new financial year.

Supply of PRH

2. The objective of the Government and the Hong Kong Housing Authority (HA) remains to be providing public rental housing (PRH) flats to low-income families who cannot afford private rental accommodation, with a target of maintaining the average waiting time (AWT) for the general PRH applicants at around three years. We will continue to identify suitable sites and to monitor the progress of the supply of PRH sites to ensure adequate land supply for public housing development.

3. According to the five-year rolling Public Housing Construction Programme (PHCP) of the HA, the total new PRH flat production forecast for the forthcoming five years starting from 2010/11 will be about 75 000 flats, averaging about 15 000 flats per year. Together with the existing PRH flats anticipated to be recovered every year, we believe that there will be adequate PRH flats to achieve the target of maintaining the AWT for the general PRH applicants at around three years. The Subsidised Housing Committee (SHC) of the HA approved on last Tuesday the upward adjustment of Waiting List (WL) income and asset limits starting from 1 April. As for the monthly income limits, the limit for a one-person household will be raised to \$8,740, a two-person household to \$13,410, a three-person household to \$15,260 and a four-person household to \$18,560. The above figures are exclusive of the 5% contribution of the household income under the Mandatory Provident Fund (MPF) to make up the actual income limits; if inclusive of the MPF contribution, the income limit of a four-person household will be nearly \$20,000. On the asset limits, the limit of a four-person household will be raised to \$397,000. We hope to take timely actions to cater for the impact on the income of low-income households incurred by the volatile macro-economic situation, fluctuating consumer prices and the Minimum Wage Ordinance to be implemented on the first of May. It is estimated that with this adjustment, households eligible for PRH applications will increase by about 25 000. We will keep in view the number of applicants on the WL, as well as closely

monitor the demand so as to make appropriate adjustments to the production level according to the latest demand and supply in the rolling PHCP.

To pay rents for PRH tenants for two months

4. In view of the possible impact of recent inflation and rising prices on people's livelihood, the Financial Secretary (FS) proposed to pay rents for PRH tenants for two months. THB will shortly seek approval from the Finance Committee of the Legislative Council (LegCo) for the funding required. It is expected that the proposal can be implemented after mid-2011 to provide relief to PRH tenants.

Sale of First-hand Residential Properties

5. As for the private residential property market, the Government has all along been committed to enhancing the transparency of property transactions to ensure healthy development of the market. Over the past two years, THB implemented a number of measures including the "nine new measures" through the Lands Department's Consent Scheme (the Consent Scheme) and the guidelines issued by the Real Estate Developers Association of Hong Kong to enhance the transparency and clarity of the property and transaction information on uncompleted first-hand private residential properties.

6. To further strengthen the regulation of the sale of first-hand residential properties, we have established the Steering Committee on the Regulation of the Sale of First-hand Residential Properties by Legislation (the Steering Committee) to discuss specific issues pertaining to the regulation of the sale of first-hand properties by legislation. Other than Consent Scheme projects, the Steering Committee intends to include other projects, such as projects developed under old lease conditions in the proposed legislation. The Steering Committee has commenced work in November 2010 and will come up with practical recommendations by October 2011. Our target is to take forward the subsequent consultation in the form of a White Bill in order to expedite the process. We will report to the LegCo Panel on Housing on the progress of the Steering Committee this April.

Special Stamp Duty

7. The Government has been closely monitoring the development of the private residential property market and has remained vigilant against the possible risk of a property bubble posed by abundant liquidity and exceptionally low interest rates at present. On 19 November 2010, the Government

announced new measures to curb short-term speculative activities, including the proposal to introduce the Special Stamp Duty (SSD) to ensure the healthy and stable development of the property market. With the introduction of these measures, we note that the number of short-term speculative activities has decreased significantly and there was a significant drop of confirmor cases in the first two months of 2011. We are working closely with the Bills Committee concerned to enable the necessary legislation to be enacted as soon as possible. I want to take this opportunity to remind anyone who bought a residential property on or after 20 November 2010 that, if they sell the property in question in two years or less after acquiring the property, they need to pay the SSD when the new law comes into effect.

8. We all understand that the fundamental cause for fluctuations in property prices is related directly to the supply and demand. The socio-economic situation and interest rates are two other major factors. We note that the imposition of the SSD is effective in that speculators have stopped their speculative activities as there is no more room for profit. However, in an environment of ultra-low interest rate, flourishing economy and demand from genuine users, the number of residential flat transactions and property prices will not drop drastically overnight. In fact, the SSD is not a measure to curb the rise in property prices. The measure aims to combat speculation in order to minimize the impact on genuine home buyers. The Government's policy objective is to maintain the steady and healthy development of the property market. As the FS has said, we will continue to monitor the market situation closely, and will not hesitate to take further actions to safeguard the socio-economic and financial stability when necessary.

Aspirations for Home Ownership

9. There is aspiration from some members of the public that there be opportunities for people to purchase affordable homes. We understand that home purchase is the dream of many people which may also be the most important investment in their life. Property buyers normally decide to make such a long-term commitment after thorough consideration and detailed planning. The statistics available reveal that many people in Hong Kong have realized their aspiration for home ownership by making the most important investment in their life. Of the 1.25 million households residing in private buildings in Hong Kong as at the fourth quarter of 2010, 870 000 or about 70% own their properties. As such, high volatility in the property market and steep rises or falls in the property prices will not only affect many people who have all along been striving to fulfill their dreams but also the overall economy and even the social stability of Hong Kong.

10. As I have just said, the policy objective of the Government is to ensure a healthy and steady development of the property market. In February, April, August, October and November 2010, the Government announced a basket of short, medium and long-term measures in four areas to ensure the healthy and steady development of the property market. The four areas include increasing land supply to tackle the problem at source, combating speculative activities, enhancing the transparency of property transactions, and preventing excessive expansion in mortgage lending. The FS has already set out the measures in the Budget Speech to maintain a steady and adequate supply of land for public and private housing.

11. As to subsidizing people in buying property in the private market, the matter has to be tackled carefully, especially when the Government has already done a certain amount of work on both sides of the housing ladder. Flat supply is the result of long-term planning and efforts while buying property is a long-term commitment. Facing the highly fluctuating property market, the Government has to carefully analyze what the real problem is and should not undermine the long-term stability in order to tackle the short-term fluctuations. Also, members of the public have to think carefully before making their home purchase decision and be aware of future uncertainties, such as the increase of interest rate and economic fluctuations, and should not make a hasty decision leading to unaffordable consequences.

My Home Purchase Plan

12. To assist households with the ability to pay mortgages in the long run, but who cannot afford the down payment, the Government will introduce in collaboration with the Hong Kong Housing Society (HKHS), My Home Purchase Plan (MHPP) premised on the concept of “rent-and-buy”. Participants can save up for their home purchase of “no-frills” flats under MHPP in a certain period of time. MHPP also increases the supply of “no-frills” small and medium sized private residential flats.

13. The first MHPP project at Tsing Luk Street will provide about 1 000 small and medium-sized “no-frills” units. The project will invite applications in 2012 and be completed in 2014. We are exploring with HKHS how to accept applications from the public at an early stage.

14. The second MHPP project will be at Sha Tin Area 36C, near Siu Lek Yuen. Depending on the flat sizes, about 700 small and medium-sized flats will be built on the site. The exact number of flats to be built will have to be worked out after further study. We will work out the implementation details for the Sha Tin project with the HKHS as soon as possible.

15. The Government has already earmarked sites in Tsing Yi, Sha Tin, Diamond Hill, Tai Po, Tuen Mun and other areas aiming for a total of some 5 000 flats to be built under MHPP. We will also expedite the preparatory work so that these MHPP projects can be implemented as early as possible. Details will be announced once all the preparatory work is completed. On the other hand, we note that there are calls in the community for further enhancing the MHPP. We will carefully listen to these views when working out the details of the MHPP.

Conclusion

16. To conclude, the Government will continue to allocate resources to provide PRH flats for low-income families or individuals to resolve their housing problems, and maintain the AWT for the general PRH applicants at around three years. We will not use PRH sites for other purposes so as not to affect those with the most pressing housing needs. We will monitor closely the development of the private residential property market and take appropriate steps to enhance its stability and transparency. We will also expedite the preparatory work for MHPP as far as possible so that MHPP can assist those who have housing needs and affordability as soon as possible.

17. My colleagues and I are pleased to answer questions from Members. Thank you Madam Chairman.

Transport and Housing Bureau
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