

**Legislative Council Panel on Housing
Subcommittee on the
Long Term Housing Strategy**

26 June 2013



**Projection of Long Term Housing Demand
for the Period 2013/14 to 2022/23**

Purpose

- The Long Term Housing Strategy (LTHS) Steering Committee has discussed the methodology for projecting the long term housing demand for the ten-year period from 2013/14 to 2022/23 and the preliminary projection results
- This paper briefs Members on the details of the deliberations of the LTHS Steering Committee

Guiding Principles

- The long term housing demand projection is premised on a large number of variables
- Thus, **a range of projections**, instead of a fixed target, is suggested to be produced to reflect the possible housing demand scenarios under different socio-economic and property market situations
- To capture changes over time, the projection methodology and the projection results will be **reviewed on an annual basis** to provide updated projections

Projection Methodology

- For the purpose of the projection of long term housing demand, housing demand is defined as the total number of **new** housing units required to be built if each and every household is to be accommodated in adequate housing over the long term
- Only the following components will count towards the number of new housing units required –
 - (a) net increase in the number of households;
 - (b) those who will be displaced by redevelopment; and
 - (c) those who are inadequately housed

Preliminary Projection Results

(a) Net increase in the number of households

- The latest domestic household projections published by the Census and Statistics Department (C&SD) in January 2013 are used as the basis for assessing the overall physical housing demand from the net increase in the number of households. The average growth rate from mid-2011 to mid-2021, amounting to about **29 400 new households per year**, is adopted in the projection
- To conduct scenario analysis on household formation under different economic and housing market conditions, an econometric modeling exercise has been undertaken. The results show that the number of household formations will be in the range of 271 950 to 316 050, representing a +/-7.5% from the C&SD's domestic household projections of 294 000 households over the ten-year projection period (i.e. 29 400 households per year)

Preliminary Projection Results (Cont'd)

(b) Households displaced by redevelopment

- Households displaced by the redevelopment of old buildings in the public and private sectors have to be rehoused, thus generating new housing demand
- Based on announced redevelopment plans from the Housing Authority and the Housing Society, as well as past trends in the private sector, it is estimated that there would be a total of about 24 700 units to be redeveloped in the next ten years
- When more information on the redevelopment programmes are available and announced later, they will be taken into account in future annual reviews of the projection on housing demand

Preliminary Projection Results (Cont'd)

(c) Inadequately housed households (IHHs)

- We consider that households in public housing (i.e. public rental housing (PRH) and subsidized sale flats), which have been built to satisfy the housing needs of the community, should be regarded as living in adequate housing

- For households living in private housing, it is considered that the following circumstances should be taken into account –
 - (a) if the housing unit is made up of temporary structures (e.g. huts, squatters and roof-top structures);
 - (b) if the unit is located in non-residential buildings (e.g. commercial and industrial buildings);
 - (c) if the unit is shared with other households (e.g. those living in rooms, cubicles, bedspaces and cocklofts); and
 - (d) if the unit is sub-divided

Preliminary Projection Results (Cont'd)

(c) Inadequately housed households (IHHs) (Cont'd)

- Households who are currently inadequately housed will require adequate housing (through public or private housing) and hence generate new housing demand in the long run
- Although not all of these households are inadequately housed per se, since it is indeed difficult to differentiate the living conditions of these households and the actual living environment varies under different circumstances, after balancing different views, the Steering Committee is inclined to adopt a conservative approach to include **all** of them in the projection of long term housing demand
- Based on the results of the 2011 Population Census and the “Survey on Sub-divided Units in Hong Kong”, the estimated number of IHHs in Hong Kong is 74 900

Preliminary Projection Results (Cont'd)

(d) Miscellaneous

- A “miscellaneous” factor is included to reflect the demand in the next ten years which would otherwise be unaccounted for in C&SD’s domestic household projections
- Taking into account private permanent living quarters occupied by “mobile residents only” households; non-local students who might take up accommodation in Hong Kong; and the demand of non-local buyers who may take up flats but without channeling them back to the market, it is projected that a housing demand of some 3 450 units per year would be generated

Preliminary Projection Results (Cont'd)

(e) Gross total housing demand

- Summing up components (a) to (d) above, the gross total housing demand would be 428 100 units for the projection period from 2013/14 to 2022/23. This ultimately needs to be converted into public and private housing supply targets
- While the public/private split is subject to further study by the LTHS Steering Committee, the estimated private housing demand needs to be further adjusted to take into account the vacancy rates at the beginning and end of the projection period

Preliminary Projection Results (Cont'd)

Total housing supply target

- After adjusting for private sector vacancies at the beginning and end of the projection period, the total housing supply target would be **447 700 units, with a range of projections from 416 500 to 478 800 units** based on results of our econometric analysis

Limitations

- We are mindful that as with all methodologies used to derive projections for future events, the projection results inevitably have limitations
- We consider that these limitations can be addressed by producing a range of projections under different socio-economic and property market situations, and by reviewing the projection methodology and the projection results on an annual basis to provide updated projections
- In so doing, the assumptions and the methodology for projecting the total housing demand for the upcoming ten-year period can be updated, re-examined and enhanced continuously to cater for the latest developments

Way Forward

- Members are invited to note the projection methodology and preliminary results of the long-term housing demand for the ten-year period from 2013/14 to 2022/23 as deliberated by the LTHS Steering Committee
- The public will be consulted on the long term housing demand projection, including the split between the public and private housing supply, during the three-month public consultation period to be conducted later this year