

Motion on
“Formulating a target ratio of housing expenses
and a standard for the average living space per person”
at the Legislative Council (LegCo) meeting of 9 October 2013
Progress Report

Purpose

At the LegCo meeting on 9 October 2013, the motion on “Formulating a target ratio of housing expenses and a standard for the average living space per person” moved by the Hon Tony TSE Wai-chuen and amended by the Hon WONG Kwok-hing was passed. The wording of the motion passed is at Annex. This report sets out the Government’s position and the follow-up action taken in respect of the motion.

Ratio of Housing Expenses

2. The Secretary for Transport and Housing clearly stated that the Government did not consider it appropriate to set any ‘hard’ target on the ratio of housing expenses. At present, nearly one-third of the population of Hong Kong reside in public rental housing (PRH). About 17% of the population live in subsidised sale flats, including Home Ownership Scheme (HOS) flats. As such, about half of the population of Hong Kong reside in Government-subsidised public housing. The housing expenses of these households are relatively low.

3. The Government considers that the serious imbalance between supply and demand is the crux of the current housing problem. This has driven up property prices and rental to the extent that they have exceeded the affordability of the general public. The Government has therefore launched two rounds of demand-side management measures to stabilise the property market in late 2012 and early 2013 respectively, and has endeavoured to increase the overall housing supply. On the prices of private residential properties, there was an overall increase of 24% in the first ten months of 2012. With the announcement of the enhanced Special Stamp Duty and the introduction of the Buyer’s Stamp Duty in end October 2012, there had been an immediate and significant cooling-effect on the property market, which had slowed down the rising trend. For the full year of 2012, an increase of 26% was recorded. However, signs of exuberance re-surfaced in the property market in early 2013, with an average monthly increase of 2.7% for the first two months of the year. The introduction of a new round of demand-side management measures in mid February 2013 (i.e. doubling the ad-valorem stamp duty) has substantially cooled down the property market. Overall property prices showed a slight increase of 0.2% per month on average between March and November 2013. It is therefore clear that the two rounds of demand-side management measures are effective in stabilising the property market.

Average Living Space Per Person

4. Over the past ten years, the overall actual internal floor area per person of PRH households has increased from about 11.3 square metres in March 2003 to about 13 square metres in end-September 2013. The Long Term Housing Strategy (LTHS) Steering Committee (the Steering Committee) recommended in its Consultation Document that, subject to the provision of sufficient land for PRH developments, the Hong Kong Housing Authority (HA) can consider relaxing its existing allocation standard for PRH progressively, for instance starting with estates in non-urban districts, so as to improve the living space of PRH households. The public consultation on LTHS just ended on 2 December 2013. The Steering Committee is now in the process of compiling a report on public consultation for submission to the Government. The Government will take into account the report and the views from various sectors in formulating the LTHS and related policy measures. Recommendations that fall within the HA's purview will be referred to the HA for consideration.

5. As for private housing, the Government does not collect any data on the average living space per person for private housing. Generally speaking, the size of flats offered by developers depends on the supply and demand of the market. In the long term, the average living space per person can be progressively improved when the housing supply is adequate and members of the public can afford it.

Housing Ladder and Housing Supply

6. With regard to the reconstruction of a housing ladder to facilitate upward mobility, the Government will provide subsidised home ownership flats on top of PRH and help PRH tenants who have the financial means to purchase HOS flats via their Green Form status. This helps better-off PRH tenants move up the housing ladder, facilitate upward social mobility, and at the same time release PRH flats for re-allocation to applicants on the Waiting List (WL), who are more in need of PRH.

7. The Government has identified sufficient land to meet the target of producing about 179 000 PRH flats within ten years (i.e. from 2012/2013 to 2021/2022). In response to the home ownership aspirations of low-and middle-income families, the Government has made the supply of HOS flats a permanent feature of the housing policy, and has undertaken to provide a total of about 17 000 HOS flats over the four years starting from 2016/17, with an annual average of 5 000 HOS flats thereafter. The key to prompt delivery of public housing projects hinges on whether the HA could secure sites which have been properly zoned for residential use and are resumed, cleared and formed, with adequate infrastructure. Furthermore, the support of District Councils and

the local communities, together with other necessary resources including manpower resources, are also important factors.

8. On the housing supply target, the Steering Committee recommended that 470 000 flats be adopted as the total housing supply target for the next ten years, and proposed that the Government adopt a supply-led strategy, with public housing accounting for a higher proportion of the new housing production. It has also initially proposed that the ratio between public housing and private housing be 60:40. The Government will continue to adopt a multi-pronged strategy on land supply to increase land supply in the short, medium and long term, through the continued and systematic implementation of a series of measures, including the optimal use of developed land as far as practicable and creating new land for development, such that adequate land can be made available to meet the housing supply target recommended by the Steering Committee.

Redevelopment of Aged Public Housing Estates

9. According to the HA's existing Refined Policy on Redevelopment of Aged Public Rental Housing Estates (the Refined Policy), in considering whether existing old housing estates should be redeveloped, the HA will take into account the findings of the Comprehensive Structural Investigation Programme on structural safety and cost effectiveness in repair works, as well as build-back potential and availability of suitable and adequate decanting resources. The HA will also consider the scope for full or partial redevelopment of estates if there will be substantial net gain in flats production upon redevelopment. In addition, the HA will consider the availability of adequate and suitable decanting resources before determining the feasibility and implementation programme for any redevelopment proposals.

10. The HA has completed an initial review on the build-back potential of the 22 aged housing estates according to the above Refined Policy, and will conduct a series of studies, having regard to the specific site characteristics and developable area in the vicinity of individual housing estates. Upon completion of the preliminary studies, the HA will be able to confirm the development potential and feasibility of redeveloping individual housing estates and draw up the relevant implementation programme, etc. Local consultation will also be conducted prior to further implementation.

Relaunch of the Home Starter Loan Scheme (HSLs)

11. Regarding the suggestion from some members of the public to relaunch the HSLs, which was introduced more than a decade ago to assist eligible home buyers to purchase their own home, the Government considers that under the current tight housing supply situation, any government loan

scheme will only be counter-productive and will have the effect of pushing up property prices. Therefore, the Government has no intention to relaunch the relevant scheme at this stage.

Relaunch of Group B Estates under the Hong Kong Housing Society, and Buy or Rent Option

12. Given the pressing demand for PRH at the moment, the increasing number of applicants on the WL and the tight housing land supply, we need to strike a balance and to set priorities for the use of housing land. We believe that the limited housing land resources should first be deployed for increasing PRH supply. When land resources are more abundant in future, the Government can further consider other forms of subsidised housing.

Relaunch of the Tenants Purchase Scheme (TPS)

13. We note that some members of the community have asked for relaunching the TPS. We want to point out that apart from new flats built each year, recovered flats are also an important source of PRH supply. Selling PRH flats to tenants will inevitably affect the turnover and supply of PRH flats, which will directly affect the HA's ability to maintain the average waiting time for general applicants at around three years.

14. Moreover, since the introduction of the TPS, the HA has encountered many problems in respect of management of the PRH flats in the TPS estates. Since the HA's estate management polices cannot be fully implemented in these TPS estates, PRH tenants living in the TPS estates and those living in non-TPS estates are subject to different management regimes. In view of this, the Government has no intention to relaunch the relevant scheme.

Land Sale Programme

15. The Government has been increasing land supply in a proactive manner to meet the market demand for land. The Government has resumed government-initiated sale of land since 2010/11 and abolished the Application Mechanism since 2013/14, fully resuming the lead in sale of government land. The Government announces land sale programme in advance on a quarterly basis, providing transparency and certainty for the market. In the first three quarters of 2013/14, a total of 24 residential sites have been sold/ will be put up for sale, capable of producing about 8 200 flats, equivalent to the total number of flats that could be built on the land sold in the whole year of 2012/13. This demonstrates the Government's determination to increase the land supply for private housing. The Government will continue to supply land proactively, with the target that the land supply for housing through various sources including government land sale and private development could provide land

capable of constructing about 20 000 private residential flats per year on average, so as to ensure the healthy and steady development of the property market.

Expediting Urban Renewal

16. To address the aspirations of property owners and speed up the pace of urban renewal, the Chief Executive, in his 2013 Policy Address, invited the Urban Renewal Authority (URA) to forge ahead with its “demand-led” redevelopment scheme. The “demand-led” redevelopment pilot scheme is well received since it was introduced in July 2011. URA has already commenced seven “Demand-Led” projects.

17. The third round of “Demand-Led” Scheme was closed for application on 30 September 2013. URA received a total of 50 applications. URA is considering all the applications according to the established assessment criteria and will recommend the selected projects in the coming months for inclusion into URA’s 2014/15 Business Plan. URA will later seek approval of its Board and the Financial Secretary for commencement of the selected projects.

New Development Areas (NDAs) of North East New Territories (NENT), Hung Shui Kiu (HSK) and Tung Chung

18. It should be noted that the objective for implementing the NDAs is to cater for the long-term housing demand of Hong Kong residents and the social and economic development. In July this year, the Government announced the NENT NDAs Project. Under the NENT NDAs Project, the Government will proceed with the development of the Kwu Tung North (KTN) and Fanling North (FLN) NDAs, as extension to Fanling/ Sheung Shui New Town, with a view to addressing the housing (particularly subsidised housing) and other development needs of Hong Kong. The development intensity of the KTN and FLN NDAs has been increased to address the shortfall of housing land, with an increase of housing units by some 13 400 units from some 47 300 to some 60 700 units. The proportion of subsidised housing has also been increased to 60 percent and more land has been earmarked for subsidised housing.

19. The HSK NDA Planning and Engineering Study commenced in November 2010. The three-month Stage 2 Community Engagement focusing on the Preliminary Outline Development Plan (PODP) completed on 15 October 2013. According to the PODP, the HSK NDA will accommodate a total population of about 218 000. About 446 hectares is proposed for development, providing land for about 60 000 new housing units, of which 51% will be public housing (including HOS units). The HSK NDA could help improve the overall housing mix and provide Government, Institution and Community facilities and about 100 000 job opportunities for the neighbouring new towns, i.e. Tin Shui Wai, Tuen Mun and Yuen Long.

20. With the anticipated completion of the Hong Kong – Zhuhai – Macao Bridge and the Tuen Mun – Chek Lap Kok Link, Lantau Island, particularly Tung Chung, is poised to become an important transport hub to overseas destinations and the Pearl River Delta region. The Planning Department and Civil Engineering and Development Department are undertaking the Tung Chung New Town Extension Study to examine the feasibility of extending the Tung Chung New Town and leverage on future economic opportunities that would help create more jobs for Tung Chung residents. The two-month Stage 2 PE of the study to consult the public on the initial development options was completed on 21 July 2013. According to the initial land use options, the “Livable Town” and “Economic Vibrancy” options in Tung Chung East will provide about 38 000 and 33 000 flats respectively, while Tung Chung West will provide about 15 000 flats. The expanded Tung Chung New Town can potentially accommodate about 250 000 to 270 000 population. The study is expected for completion in 2015.

**Transport and Housing Bureau
Development Bureau
December 2013**

**Motion on
“Formulating a target ratio of housing expenses
and a standard for the average living space per person”
moved by Hon Tony TSE
at the Council meeting of 9 October 2013**

Motion as amended by Hon WONG Kwok-hing

That, given that the legislation and relevant guidelines of Hong Kong on residential housing standards mainly regulate hardware such as building safety and hygiene, etc., but no policy or clear objectives and guidelines with legislative effect have been formulated regarding software such as the average living space per person and the ratio of housing expenses to household income, etc.; in addition, with the continuous increases of the residential housing prices and rents in recent years, housing expenses have imposed a heavy burden on the public and seriously affected their quality of life; according to statistics, the home purchase affordability rate, which reflects mortgage payment expenditure, has risen to 56% in the first quarter of 2013, and the 2009/10 Household Expenditure Survey also indicates that housing expenses account for 37% of the total household expenditure of private residential housing households in Hong Kong, a percentage which is far higher than the average of around 21% in member countries of the Organization for Economic Co-operation and Development; in addition, the Chief Executive has indicated that more than half of the private dwellings in Hong Kong have a saleable area smaller than 50 square metres; he has also pointed out that the Government must properly formulate long-term planning, so as to provide a more spacious living environment to the next generation; in this connection, this Council urges the Government to:

- (1) expeditiously formulate a comprehensive target ratio of housing expenses, and set concrete policies and measures with a view to maintaining the ratio of housing expenses to household income of private residential housing households at a reasonable level, so as to alleviate the public’s burden of housing expenses on home renting and mortgages;
- (2) increase the supply of public rental housing and subsidized housing flats on a need basis, and increase the supply of private residential housing flats through proactive Government-initiated land sales, with a view to increasing the supply of flats, thereby lowering the levels of rents and prices of residential housing of various types;
- (3) formulate and implement a standard for the average living space per person, and through increasing land for building residential housing and new flats,

including the expeditious redevelopment of aged public rental housing estates and urban renewal, as well as the conduct of continuous consultation, study, planning and development of the three major new development areas of North East New Territories, Hung Shui Kiu and Tung Chung, coupled with comprehensive long-term planning, gradually increase the average living space per person for households of public and private housing, so as to improve the living environment of the public; and

- (4) while alleviating the public's burden of housing expenses and increasing the average living space per person, review and reconstruct a housing ladder to facilitate upward mobility, including studying and reviewing the schemes on assisting people in acquiring homes, such as the feasibility and applicability of re-launching the Group B Rental Estates, the Home Starter Loan Scheme, the Buy or Rent Option, and the Tenants Purchase Scheme, etc., so as to meet the needs of people from different social groups and strata, and provide more incentives for public rental housing households to encourage them to move upwards and acquire their own homes, so as to improve the quality of their living environment and strengthen the turnover of housing units.