

(Draft)

(Please refer to speech to be delivered at the meeting for final version)

**Speech by the Secretary for Transport and Housing
at the Legislative Council**

**Special Finance Committee Meeting (Housing)
on 7 April 2016**

(Translation)

Chairman,

Housing is a fundamental livelihood issue. Although there are changes in the property market conditions in recent months, and that private property prices and rentals have dropped, they are still beyond the affordability of many members of the public. There is also a sharp increase of 45.6% in applications for public rental housing (PRH) from mid-2012 to end 2015.

2. The reality is that housing is in short supply and demand remains solid as the number of households is growing at a rate faster than that of the population. Many of the grassroots, especially those living in subdivided units, are desperate to improve their living conditions while many others, including the younger generation, aspire to own a home. Increasing supply is the fundamental solution to the problem. No quick fix is available.

3. Shortly after its inauguration, the current-term Government began to examine and formulate a long-term strategy. The Long Term Housing Strategy promulgated in December 2014 adopted the supply-led strategy with a view to gradually averting the serious supply-demand imbalance and rebuilding the housing ladder to help the low and middle-income households achieve home ownership.

4. Under the framework of LTHS, we make an annual projection of the rolling ten-year total housing demand. Based on the latest projection made at the end of last year, we have adopted a total housing supply target of 460 000 units for the ten-year period from 2016-17 to 2025-26, with a public-private split of 60:40. Public housing supply target is 280 000 units, comprising 200 000 PRH units and 80 000 subsidised sale flats.

5. While the public housing construction programme for the five-year period from 2015-16 stands at 97 100 units, which is higher than that of the last three five-year periods, we cannot underestimate the difficulties and challenges brought about by this massive building programme. On the one hand, the supply of land for public housing is insufficient. On the other hand, different communities more than often have reservations on planning of housing projects.

6. Assuming all sites identified can be delivered on time for housing construction, we can construct about 255 000 public housing units in the coming ten-year period. This still falls short of the public housing supply target of 280 000 units. We will strengthen our communications with all District Councils and address concrete concerns. We also appeal to all districts to accord priority to the overall interests of the community and to support the Government's continuing efforts in identifying land for housing construction and boosting the land supply for housing through short and medium-term measures such as expediting the rezoning process and increasing development density.

7. The Hong Kong Housing Authority (HA) requires substantial resources to implement the massive public housing construction programme. The construction expenditure for the five-year period starting from 2015-16 is estimated to be some \$120 billion. The Government has set aside a cumulative total of \$74 billion for the Housing Reserve as a financial support to HA.

8. On the private residential market, with the Government's sustained efforts, including regular Land Sale, the supply of private residential flats has been increasing steadily. According to the latest estimation as at end 2015, the supply of first-hand private residential units for the coming three to four years is about 87 000 units. A further increase in supply is expected.

9. Some suggested that the Government should provide rent subsidy or implement rent control to tackle the affordability problem for renting a flat in the private market. We need to be careful in trying to address the problem. We have repeatedly stated that given the tight supply situation, providing rent subsidy will only encourage landlords to increase rent without bringing practical benefits to tenants. Besides, rent control may lead to a drop in the supply of rental flats, landlords asking for higher rent upfront, and encourage "cherry-picking" behavior of the landlords. This will be at the expense of the disadvantaged group.

10. The ultimate solution lies with increasing production and expanding land resources. To this end, the whole society needs to face the reality and make trade-offs between competing interests.

11. Mr Chairman, the Controlling Officer, my colleagues and I will be happy to answer questions from Members on housing expenditure and the allocation of resources.

Transport and Housing Bureau
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