

**Long Term Housing Strategy
Annual Progress Report 2020
(for the 10-year Period from 2021-22 to 2030-31)**

PURPOSE

This paper sets out the latest progress of key aspects of the Long Term Housing Strategy (LTHS) as at December 2020.

BACKGROUND

2. Following deliberation of the LTHS Steering Committee and a three-month public consultation, the Government formulated and announced LTHS in December 2014. LTHS adopts a “supply-led” and “flexible” strategy and establishes three major strategic directions to gradually avert the current supply-demand imbalance –

- (a) provide more public rental housing (PRH) units and ensure the rational use of existing resources;
- (b) provide more subsidised sale flats (SSFs), expand the forms of subsidised home ownership and facilitate market circulation of existing stock; and
- (c) stabilise the residential property market through steady land supply and appropriate demand-side management measures, and promote good sales and tenancy practices for private residential properties.

The current-term Government reaffirms its commitment towards increasing the supply of housing units on the basis of LTHS.

3. According to the LTHS, the Government updates the long term housing demand projection annually and presents a **rolling 10-year housing supply target** to capture social, economic and market changes over time, and makes timely adjustments where necessary. This supply target is determined by quantitative projections of different demand components, not by the supply of

land available at the time.

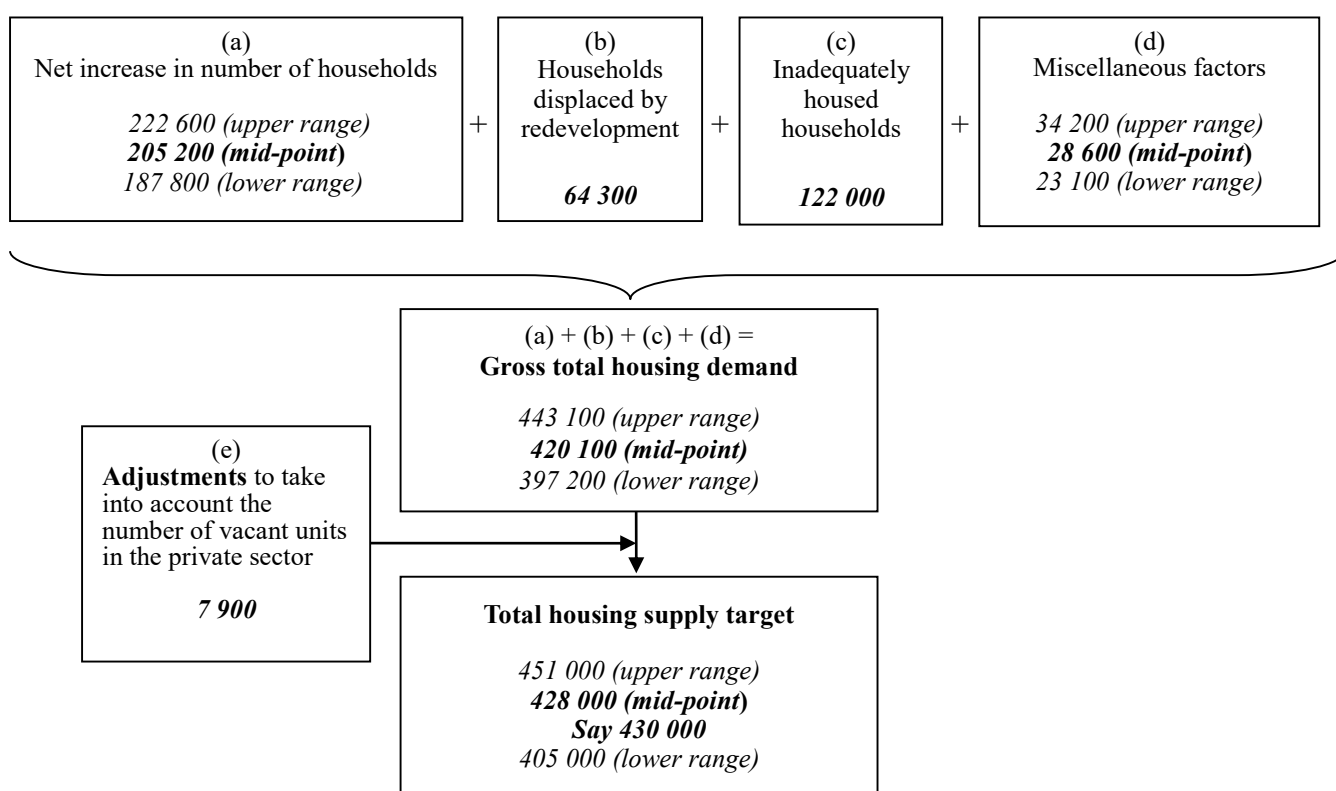
4. This annual exercise serves as an important policy tool to enable the Government to continually plan ahead on developing land and housing, in order to meet the housing needs of the community over the long term. The relevant work is set out in the ensuing paragraphs.

HOUSING DEMAND PROJECTION

10-year Housing Supply Target

5. Based on the latest projection, the projected **total housing supply target for the 10-year period from 2021-22 to 2030-31** is 428 000 units (rounded to **430 000 units**), with an upper and lower range of 451 000 and 405 000 units respectively. This target is the same as the supply target for the 10-year period from 2020-21 to 2029-30 as announced in 2019.

6. The projection results are set out in detail at Annex, and summarised in the following diagram –



Public/Private Split of Total Housing Supply Target

7. Since the LTHS annual update in 2018, we have revised the public/private split of new housing supply from 60:40 to 70:30. Balancing the Government's commitment to increase public housing supply substantially to meet the community's demand and the demand for private housing, we will maintain the **public/private split of 70:30** for the next 10-year period from 2021-22 to 2030-31. Accordingly, out of the total housing supply target of 430 000 units, the **public housing supply target will be 301 000 units and the private housing supply target will be 129 000 units.**

8. In line with the established practice, we will continue to review this ratio on an annual basis, taking into account prevailing socio-economic circumstances at the time.

Split within the Public Housing Supply Target

9. In the past two rounds of annual updates, the ratio between PRH/Green Form Subsidised Home Ownership Scheme (GSH) and Other SSFs has been kept at around 70:30. As demand for all types of public housing has remained strong, we will maintain this ratio for the 10-year period from 2021-22 to 2030-31. Correspondingly, the public housing supply target of 301 000 units will comprise **210 000 units for PRH/GSH and 91 000 units for Other SSFs.** We will continue to review this split in the annual update under LTHS each year.

Looking Ahead

10. As the projection model for the rolling 10-year total housing supply target involves many variables, we will continue to keep in view the evolving environment and consider how best to reflect new developments in the projection methodology as well as the supply targets each year.

HOUSING SUPPLY PROJECTION

Public Housing

11. As at end-September 2020, the **estimated total public housing production** of the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HKHS) **in the five-year period from 2020-21 to 2024-25 is about 101 300 units**, comprising 70 500 PRH/GSH units and 30 800 Other SSFs. Comparing the above projected housing production with that for the previous four five-year periods (i.e. the five-year periods counting from 2016-17 onwards), **there has been a trend of steady increase –**

	HA housing production (PRH/GSH + Other SSFs)	HKHS housing production (PRH[^] + SSFs)	Total housing production (PRH/GSH + Other SSFs)
2016-17 to 2020-21	80 800 (63 000 + 17 800)	2 700 (1 100 + 1 600)	83 600 (64 100 + 19 500)
2017-18 to 2021-22	94 800 (73 400 + 21 300)	2 600 (1 000 + 1 600)	97 400 (74 400 + 23 000)
2018-19 to 2022-23	95 100 (70 400 + 24 700)	2 900 (1 300 + 1 600)	98 000 (71 700 + 26 300)
2019-20 to 2023-24	92 200 (69 100 + 23 200)	5 000 (2 700 + 2 300)	97 300 (71 800 + 25 500)
2020-21 to 2024-25	95 200 (67 100 + 28 100)	6 200 (3 400 + 2 800)	101 300 (70 500 + 30 800)

Note: Figures may not add up to total due to rounding.

[^] There is no GSH production under HKHS.

12. As announced in the 2020 Policy Address, **the Government has identified the 330 hectares (ha) of land required for providing 316 000 public housing units**, representing an increase of 44 000 units over the 272 000 units in the last 10-year period from 2020-21 to 2029-30. Such supply, in terms of housing units, mainly comes from New Development Areas (NDAs) and major

development projects (about 35%)¹, a number of sites which have been/will be rezoned for public housing development (about 40%)², and other projects including the partial development of the Fanling Golf Course (FGC) and a number of brownfield clusters with housing development potential (the review of which has already been completed) and so on (about 25%)³.

13. Of the 316 000 units, about one-third are scheduled for completion in the first five-year period (i.e. 2021-22 to 2025-26) whereas the other two-third fall in the second five-year period (i.e. 2026-27 to 2030-31). The timetable of projects within the first five-year period is usually more certain as relevant consultation, statutory rezoning and other processes⁴ of most projects have been completed. As regards projects with scheduled completion dates falling in the second five-year period, the statutory rezoning of most sites concerned has been completed and such sites will be available for housing construction upon completion of other processes such as land resumption and clearance, reprovisioning of affected facilities, site formation and infrastructural works, etc. The above timeframe and processes are challenging. The Government departments concerned will not take the underlying challenges lightly, and are striving to take forward the relevant work and improve internal coordination, with a view to completing the necessary processes and handing over the sites for development in time. The Government will work with implementing agents (including HA and HKHS), and endeavour to explore means to expedite the development process and optimise the development potential of each and every public housing site where practicable.

¹ Including Tung Chung New Town Extension (TCNTE), Kwu Tung North/Fanling North (KTN/FLN), Hung Shui Kiu/Ha Tsuen (HSK/HT) and Yuen Long South (YLS) NDAs, and major developments such as those at Kai Tak and Anderson Road Quarry.

² For instance, Queen's Hill project, five sites in Pokfulam, Kam Sheung Road Sites 1, 4A and 6, etc.

³ Other examples include Diamond Hill project, redevelopment of Pak Tin Estate, Tuen Mun Area 54, etc.

⁴ Including application for funding for works, land resumption and clearance, reprovisioning of affected facilities, site formation, provision / improvements of road or infrastructure facilities, etc.

Private Housing

14. As for private housing, the supply target of 129 000 units for the 10-year period from 2021-22 to 2030-31 will continue to be met through various land supply sources, including Government land sale, railway property development projects, projects of the Urban Renewal Authority (URA) and private development/redevelopment projects. Based on the latest projection as at end-September 2020, **the supply of first-hand private residential flats for the coming three to four years is about 92 000 units.**

MEASURES TO EXPEDITE/INCREASE HOUSING SUPPLY

15. Inadequate housing supply is currently an issue of great public concern. The Government has always been determined to resolve the problem with its best endeavour. Increasing overall housing land supply is the fundamental solution to the housing supply problem. In this aspect, the Government will continue to adopt a multi-pronged approach to increase housing land supply. As for public housing supply specifically, the Government and HA will continue to expedite the supply of different types of public housing, and meanwhile optimise existing housing resources to help families that have long been waiting for PRH and residents in poor living conditions. etc. As for private residential property market, the Government will continue to implement measures that aim at maintaining the healthy and stable development of the private residential property market.

Increasing Overall Housing Land Supply

16. To tackle the problem of land shortage, the Government has been adopting a multi-pronged approach to identify and form land, forging ahead to increase land supply in a sustained and all-embracing manner based on the eight priority land supply options recommended by the Task Force on Land Supply (TFLS) as the blueprint. Our core strategy is to promote Government-led planning and infrastructure provision as well as resumption of brownfields and agricultural land in the New Territories (NT) for housing development pursuant to the Lands Resumption Ordinance (Cap.124). In the meantime, we will, through the proposed Kau Yi Chau (KYC) Artificial Islands and near-shore reclamation outside Victoria Harbour, explore reclamation on a suitable scale to

form new land for holistic planning, so as to create room for housing and other developments.

17. The implementation progress of the various measures to form land as recommended by the TFLS is as follows. ***For brownfield development***, more than half (i.e. about 800 ha) of brownfield sites in the NT have been covered by the NDAs and other housing development projects. For the remaining 450 ha of scattered brownfields with possible development potential, we have completed examining 160 ha, as well as identified eight brownfield clusters and commenced most of the engineering feasibility studies with a view to transforming the sites into “spade-ready” sites within six years to supply over 20 000 public housing units in future. The Planning Department will finish the examination of the remaining 290 ha of brownfield sites by the end of this year. ***For Land Sharing Pilot Scheme (LSPS)***, the LSPS was launched in May this year for three years with a view to tapping market force to unleash as soon as possible the development potential of private lots with consolidated ownership, so as to boost public and private housing supply in the short to medium term. Quite a number of enquiries including some 10 projects mainly located in the NT have been received thus far. The Development Bureau (DEVB) will strive to submit individual cases for the Chief Executive in Council’s consideration as soon as possible in 2021, such that the projects can be implemented early. ***For the partial development of the FGC***, the study on the 32 ha of land east of Fan Kam Road commenced in September 2019 is in good progress. It is estimated that about 9 000 public housing units could be provided, and that the study would be completed and stakeholders would be consulted in early next year as scheduled. Detailed design and statutory rezoning would commence after the completion of the statutory environmental impact assessment process in the latter half of next year, such that site formation and supporting infrastructure works could commence as early as possible upon the land is reverted to the Government in September 2023 for completion of public housing development in 2029. ***In regards pressing ahead with NDAs***, for TCNTW, the reclamation works commenced in December 2017 and first parcel of reclaimed land for housing construction was handed over to HA in March 2020; for KTN/FLN, the works commenced in September 2019 and 68 ha of private land was resumed in December 2019; for HSK/HT, the works commenced in July 2020 and 12 ha of private land was resumed in October 2020; for YLS, the statutory rezoning has already commenced; and for NT North, Phase 1 study covering San Tin/Lok Ma

Chau Development Node commenced in September 2019 while the remaining study and detailed design as well as the planning and engineering study for the other two development areas (i.e. the NT North New Town and Man Kam To Logistics Corridor) are targeted for commencement within next year. ***For the study on reclamation for KYC Artificial Islands***, the Government will commence the planning and engineering study as well as the transport infrastructure study for the 1 000-ha KYC Artificial Islands as soon as possible following funding approval by the Legislative Council in December this year. ***For Near-shore reclamation projects and re-planning of Tuen Mun West (TMW)***, the Government will continue to prepare for conducting the planning and engineering study on the development potential of the 220 ha near-shore reclaimed land at Lung Kwu Tan (the reclamation extent will be established in the study) and coastal area at TMW (including the River Trade Terminal), and will strive for early commencement of the study. ***For cavern development***, the Construction of stage 1 works for relocation of Sha Tin Sewage Treatment Works to caverns is in progress. Studies for relocating Diamond Hill Fresh Water and Salt Water Service Reservoirs and the Public Works Central Laboratory in Kowloon Bay to caverns are also underway.

18. Of the 210 sites with housing development potential identified previously, 70% have completed statutory rezoning. In addition, 2019 and 2020 Policy Address announced the following measures for forming land, so as to further boost land supply –

- (a) The engineering feasibility studies on redeveloping three urban squatter areas at Cha Kwo Ling, Ngau Chi Wan and Chuk Yuen United Villages into high-density public housing have made good progress, and are targeted for completion in succession within 2021. We are striving to commence the rezoning procedures for the respective sites progressively in the first half of 2021. Provided that we proceed with these procedures smoothly, it is expected that site formation and infrastructure works will start in phases in 2025. These three projects are expected to provide a total of 6 300 public housing units;
- (b) DEVB is reviewing 10 private land parcels zoned as “Comprehensive Development Area” or “Residential (Group A)”. These land parcels are of higher plot ratio (generally speaking, at 7.5 or above in the urban area,

and at 5 or above in the NT), with relatively low-rise existing structures (say, only a few storeys) and without any specific development plan. We expect that the related work will be completed by the end of this year;

- (c) The URA commenced two pilot projects in May 2020 to redevelop two clusters of Civil Servants' Co-operative Building Society Scheme lots in Kowloon City. After redevelopment, the total number of flats is estimated to be about five times the existing number (from about 600 to 3 000), with about one-third (i.e. 1 000 units) for subsidised housing; and
- (d) We have formulated the Outline Zoning Plan for the development at Mass Transit Railway Corporation Limited's Siu Ho Wan Depot Site, which is around 30 ha in size. The Site may provide about 20 000 residential units in the medium to long term, of which around 50% will be public housing.

19. Not only do we have to identify sufficient land for housing construction but streamline the development process in order to ensure a timely supply of housing units as well. As such, the 2020 Policy Address suggests expanding the composition and remit of the Steering Group on Streamlining Development Control, with a view to streamlining the approval process and rationalising the relevant requirements. The process and requirements concerned are not confined to the aspects of planning, lands and building, but also involve aspects overseen by departments other than those under DEVB. Our top priority is to increase and expedite housing and land supply. The expanded remit will cover both public and private development projects. Besides, a Development Projects Facilitation Office will be set up under DEVB to coordinate with bureaux and departments involved to expedite the approval process and help resolve issues, including early escalation of unresolved issues to higher levels for steer (such as the Committee on Planning and Land Development chaired by the Secretary for Development) where necessary, so as to speed up the processing of development approval applications for larger-scale private residential development projects leading up to commencement of works.

Increasing/Expediting Public Housing Supply

20. Besides increasing the overall land supply, the Government/HA have also implemented a number of policies and measures in recent years to address the problem of inadequate housing supply. ***On increasing public housing supply***, we have raised the share of public housing in new housing supply from 60% to 70% for the 10-year period under the LTHS framework; re-allocated nine private housing sites for public housing development; allowed an increase of domestic plot ratio for public housing sites in selected Density Zones to a maximum of 30% in total where technically feasible; and revised the land premium arrangement for the subsidised housing projects of the HKHS to enable the provision of more public housing units by HKHS, etc.. ***On enriching the housing ladder***, we have delinked the selling prices of SSFs from prices of the private housing market and set the prices at a level that is affordable to target households; regularised the GSH and White Form Secondary Market Scheme; undertaken to accelerate the sale of the unsold flats in 39 Tenants Purchase Scheme (TPS) estates for which HA is in the final preparation stage to put up over 700 recovered flats for sale; and introduced Starter Homes (SH) pilot projects, where URA sold 450 units at eResidence (i.e. the first SH pilot project) in June 2019 and launched the sale of the remaining 43 units at eResidence in November 2020⁵. Separately, the Government successfully sold by tender a private residential site on Anderson Road in May 2020 for the development of SH. ***On optimising public housing resources***, amongst other things, HA and HKHS have launched a pilot scheme which allows owners of SSFs with premium unpaid to let their flats to eligible PRH applicants⁶. HA has also provided incentives to under-occupation PRH households whose family members are all aged 70 or above for transfer to suitably-sized flat⁷.

21. The Government will continue to put in place measures in accordance with the above mentioned policy principles. Specific initiatives that will

⁵ URA has decided to assign the redevelopment project adjacent to eResidence as another SH project, which is expected to provide about 260 units for sale in 2024.

⁶ As at end-November 2020, around 370 and 260 applications from owners and tenants had been approved respectively and more than 40 tenancy agreements had been signed.

⁷ As at end-November 2020, HA had approved about 290 applications, among which around 50 households had accepted the offers, accounting for 17% of the quota of 300.

increase/expedite the supply of public housing, as announced in the 2020 Policy Address, are set out below.

Shek Lei Interim Housing (SLIH)

22. SLIH in Kwai Chung was constructed in the 1960s, comprising a total of 1 928 units in two blocks. According to the Comprehensive Structural Investigation by HA in 2015, the two blocks would not be structurally sustainable beyond 2022 without substantial structural repair/strengthening works required, rendering it not cost-effective to maintain SLIH beyond that point. HA has decided to clear SLIH with December 2022 as the target clearance date. If SLIH can be cleared as scheduled and utilised for public housing development together with the adjoining ex-primary school site under the relaxed planning restrictions, we estimate that about 1 600 units⁸ can be provided upon the completion of its redevelopment in 2028.

Redevelopment of HA's Factories Estates

23. In the 2019 Policy Address, the Chief Executive proposed that HA explore the feasibility of redeveloping six factory estates of HA for public housing use. Preliminary findings of HA's study indicate that three of the six sites can be used for public housing development. Technical aspects such as environment, traffic, infrastructure and air ventilation are currently under HA's further assessments and it is expected that the necessary studies can be completed in the first quarter of 2021. HA will then conduct rezoning procedures in accordance with the Town Planning Ordinance and commence the demolition and decontamination works and so on upon departure of the factory tenants. It is estimated that a total of over 3 000 public housing units will be provided in 2031.

Redevelopment of Tai Hang Sai (THS) Estate

24. The THS Estate at Shek Kip Mei is a private housing estate which provides subsidised rental flats to low-income families. The Hong Kong Settlers Housing Corporation Limited (HKSHCL), a non-governmental

⁸ For the 1 928 units in SLIH, the internal floor area ranges from 12.73 m² to 18.58 m²; in accordance with HA's current construction standard, the internal floor area of the redeveloped public housing units will range from 14 m² to 36 m². Since the internal floor area of the redeveloped units will be larger than that of those currently in SLIH, the number of units provided upon redevelopment will be smaller.

organisation, is responsible for its construction and management. With a view to making the best use of the development potential of this site and improving the estate facilities as soon as possible, HKSHCL and URA have reached an intention of collaboration in taking forward the redevelopment plan of THS Estate. According to preliminary estimates of the two parties, the redevelopment plan can provide over 3 300 flats (including 1 300 rehousing rental flats and 2 000 SH units) upon completion, doubling the existing 1 600 flats.

Striving to help families in poor living conditions

25. While new housing supply is not yet sufficient, the Government has put in place measures to help families in poor living conditions and those that have long been waiting for PRH.

Transitional Housing

26. Identifying land to increase housing supply is the fundamental solution to housing problems. Before supply is in place, the Government has been promoting the development of transitional housing. By making better use of vacant land and premises, we aim to provide transitional housing to relieve those people living in inadequate housing. With the facilitation and co-ordination of the Task Force on Transitional Housing under the Transport and Housing Bureau, as at October 2020, about 1 200 transitional housing units were completed. Including the 3 400 units currently under in-depth deliberation, the Government has already identified adequate land for the provision of about 13 200 units in total for the coming three years. We are pressing ahead with this initiative with a view to achieving the target of 15 000 units in the coming three years.

27. The guesthouse industry in Hong Kong has been hard hit by the COVID-19 pandemic. As a new initiative under 2020 Policy Address, the Government will seek funding from the Community Care Fund to implement a pilot scheme to subsidise non-governmental organisations to rent suitable hotels and guesthouses for use as transitional housing. Apart from subsidising voluntary organisations to rent hotels or guesthouses, we are considering providing subsidies to the hotels or guesthouses concerned through the transitional housing scheme to carry out alteration works, so as to provide a suitable accommodation for those families moving in. The Government has also proposed to inject an

additional \$3.3 billion into the transitional housing funding scheme. Subject to the funding approval by the Legislative Council, the Government's total commitment to transitional housing projects will increase to \$8.3 billion.

Study on Tenancy Control of Subdivided Units (SDUs)

28. Since its establishment in April this year, the Task Force for the Study on Tenancy Control of Subdivided Units has been adopting a multi-pronged approach and pressing ahead with various areas of work, including appointing consultants to undertake research studies on the issue of SDUs, and establishing three dedicated working groups to explore issues covering namely, the social, economic and legal aspects related to SDUs. The Task Force is currently collecting views of various sectors on whether and how tenancy control of SDUs should be implemented, and strives to complete the study in the first quarter of 2021 and submit its report to the Government for consideration. The Government will actively follow up on the Task Force's recommendations upon receiving its study report.

Cash Allowance Trial Scheme

29. The Government will launch a three-year trial scheme to provide cash allowance for grassroots families which have waited for PRH allocation for a prolonged period of time so as to relieve their pressure on livelihood. Under the trial scheme, eligible General Applicant households (i.e. families with two or more persons and elderly one-person applicants) which are not living in public housing, not receiving the Comprehensive Social Security Assistance and have been waiting for PRH for more than three years without being given the first flat offer will be provided with cash allowance. The Government is working out the implementation details of the scheme, and aims to start receiving applications in mid-2021 and disbursing cash allowance from July onwards. The Government will review the trial scheme in a timely manner.

Healthy and stable development of the private residential property market

30. Maintaining the healthy development of the private residential property market is one of the important objectives of the Government's housing policies. The Government has continued to adopt a two-pronged approach by striving to

increase both land and housing supply to meet demand, and using demand-side management measures to stabilise the residential property market.

31. At present, the housing supply is still tight. Over the past year, while there has been a slight retreat in residential property prices owing to global and local factors, the overall residential property prices remain at a level beyond the affordability of the general public. According to the latest information from the Rating and Valuation Department, the mortgage-to-income ratio for private sector households with median household income (i.e. the home purchase affordability ratio⁹) in the third quarter of 2020 was 77%, which was even higher than that of 73% in the third quarter of 2019 last year, and much higher than the average of 45% over the past 20 years (i.e. from 2000 to 2019). The Government will maintain the various demand-side management measures for residential properties. The Government will continue to closely monitor the residential property market conditions and take timely and appropriate actions in response to market changes having regard to relevant indicators.

Transport and Housing Bureau
December 2020

⁹ Home purchase affordability ratio refers to the ratio of mortgage payment for a 45-square metre flat to the median income of households (excluding those living in public housing) at the prevailing mortgage rate under a 70% loan-to-value ratio for a tenure of 20 years.

Housing Supply Target Projection for the 10-year Period from 2021-22 to 2030-31

Gross Housing Demand Projection (420 100 units)

According to the projection methodology adopted by the Long Term Housing Strategy (LTHS) promulgated in December 2014, housing demand is defined as the total number of new housing units required to provide adequate housing to each and every household over the long term. The methodology takes into account the following components in projecting the number of new housing units required –

- A. net increase in the number of households;
- B. households displaced by redevelopment;
- C. inadequately housed households (IHHs); and
- D. miscellaneous factors¹.

A. Net increase in the number of households (205 200 units)

2. The trend-based domestic household projections by the Census and Statistics Department (C&SD) form the basis of assessing the overall housing demand from the net increase in the number of households. Based on the domestic household projections published by C&SD in September 2020, the net increase in the number of households from mid-2021 to mid-2031 is about **205 200** units. This is adopted for the 10-year period from 2021-22 to 2030-31.

3. In line with previous projection exercises, an econometric modelling exercise has been conducted to quantify the relationship between household

¹ The miscellaneous factors taken into account include (a) private permanent living quarters occupied by households with mobile residents only; (b) non-local students who may take up accommodation in Hong Kong; and (c) non-local buyers who take up flats without selling or leasing them.

formation and (a) economic performance (as proxied by real Gross Domestic Product (GDP) growth rate); and (b) housing market situations (as proxied by vacancy rate of private flats) in order to reflect possible changes to household formation under different economic and property market situations. Results show that the net increase in households ranges from 187 800 to 222 600, representing a $\pm 8.5\%$ ² from C&SD's domestic household projection of 205 200.

B. Households displaced by redevelopment (64 300 units)

4. Households displaced by redevelopment of old buildings in the public and private sectors have to be rehoused, thus generating new housing demand on top of the net increase in the number of households. Taking into account redevelopment need of public housing units under the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HKHS), as well as past trends in the private housing sector, a provision of about **64 300** units is made for households displaced by redevelopment for the 10-year period from 2021-22 to 2030-31, with breakdown as follows –

² According to the econometric model, the number of households formed is higher when local macroeconomic performance is better or the housing market is less tight. Government Economist has advised that under the base case, in order to project the household formation in the next 10 years, as a working assumption, it is assumed that the real GDP growth in the next 10 years will average around 2.8% per annum; and for the private domestic vacancy rate in the next 10 years, it is assumed to be the average rate over the past 10 years from 2010 to 2019 (4.0%).

To work out a lower limit of households formed, it is assumed that the real economic growth and the private domestic vacancy rate would be 1% point lower than the base case. Under this lower case scenario, the household formation in the next 10 years would be around 8.5% lower than the base case. Therefore, with C&SD's projected household formation of 205 200 units as the base case, the lower limit is 187 800.

To work out an upper limit of households formed, it is assumed that the real economic growth and the private domestic vacancy rate would be 1% point higher than the base case. Under this upper case scenario, the household formation in the next 10 years would be around 8.5% higher than the base case. Therefore, with C&SD's projected household formation of 205 200 units as the base case, the upper limit is 222 600.

Redevelopment programmes	Number of units
(a) <u>Redevelopment of public housing units</u> (based on the estimated number of public housing units to be redeveloped by HA and HKHS in the next 10 years from 2021-22 to 2030-31)	24 300
(b) <u>Redevelopment of private units</u> (based on past trend of private flats demolished from 2010 to 2019)	40 000
Total = (a) + (b)	64 300

5. For the projection for housing demand arising from redevelopment of public housing units (i.e. paragraph 4(a) above), as in last year's LTHS update, the higher of the following is adopted –

- (a) the number of public housing units to be redeveloped in the next 10 years, based on (i) known public housing redevelopment programmes already announced by HA and HKHS; and (ii) potential/possible redevelopment need for those PRH estates aged 50 years and above by the end of the 10-year projection period; and
- (b) the number of public housing units demolished in the past 10 years.

6. The estimated number of public housing units under known redevelopment programmes in the next 10 years is **13 900**³ (paragraph 5(a)(i)). Drawing reference from the demolition rate⁴ for private residential units aged 50 years and above over a period of 10 years (2010-2019) from the Rating and

³ Based on the known redevelopment programmes under HA and HKHS, the housing demand for 13 920 units (rounded to 13 900 units) in the 10-year period from 2021-22 to 2030-31 arises from the following redevelopments: (a) 1 820 units in HA's Pak Tin Estate; (b) 570 units in HA's Mei Tung Estate (Mei Tung House and Mei Po House); (c) 6 900 units in HA's Wah Fu Estate; (d) 1 410 units in HKHS' Ming Wah Dai Ha, (e) 910 units in HKHS' Yue Kwong Chuen; (f) 910 units in HKHS' Kwun Tong Garden Estate; (g) 1 100 units in HKHS' Chun Seen Mei Chuen; and (h) 300 units in HA's Shek Lei Interim Housing.

⁴ According to RVD's data, there were about 36 000 private domestic units in Hong Kong that were built before 1960 as at the end of 2009 (i.e. having reached age 50 in 2010). Some 5 500 of these units were demolished from 2010 to 2019, representing a demolition rate of 15.3% (i.e. 5 500 / 36 000) in a 10-year period.

Valuation Department (RVD)'s data, it is estimated that the additional housing demand from public rental estates aged 50 years and above would be **10 400** units (69 300 units x 15%)⁵ by the end of the 10-year projection period (paragraph 5(a)(ii)). Accordingly, the estimated total number of public housing units to be redeveloped in the 10-year period from 2021-22 to 2030-31 is **24 300** (= 13 900 under paragraph 5(a)(i) + 10 400 under paragraph 5(a)(ii)).

7. The number of public housing units demolished in the past 10 years (from 2010-11 to 2019-20) was 6 700 units (paragraph 5(b)). In accordance with the methodology set out in paragraph 5, the higher of the two figures in paragraphs 5(a) and 5(b), i.e. **24 300** units, has been adopted to be the estimated housing demand arising from public housing redevelopment from 2021-22 to 2030-31.

8. For the projection for housing demand arising from redevelopment of private units (i.e. paragraph 4(b) above), based on the past trend from 2010 to 2019, it is estimated that the number of households displaced by private housing redevelopment in the projection period will be **40 000**⁶.

C. Inadequately housed households (IHHs) (122 000 units)

9. Households living in public housing which have been built to satisfy the housing needs of the community are regarded as living in adequate housing. As regards households living in private housing, the following circumstances are taken into account in determining whether households are inadequately housed for the purpose of the projection –

⁵ There will be 69 300 units in 26 public rental estates (20 under HA and 6 under HKHS) aged 50 years and above in the coming 10 years which are not yet on the redevelopment timetable. Therefore, the estimated number of households to be displaced by public redevelopment in these estates will be 10 400 (= 69 300 x 15%).

⁶ With the accumulation of more historical data, the projection on housing demand from redevelopment of private units from 2021-22 to 2030-31 is based on the trend in the past 10 years as opposed to the trend in the past five years in the previous LTHS annual updates. From 2010 to 2019, the average number of private flats demolished was about 2 000 per year. As regards the number of households displaced by private redevelopment, there may be more than one household in a unit in older private buildings, and this should be taken into account in the projection. However, there is currently no reliable data to come up with this projection. The only benchmark from which we can make reference is the Urban Renewal Authority (URA)'s data. According to URA's data from its urban redevelopment projects commencing between 2010-11 and 2019-20, there were on average about two households living in each private unit demolished/to be demolished. Therefore, it is estimated that the number of households displaced by redevelopment in the projection period will be 40 000 (= 2 000 x 2 x 10).

- (a) whether the housing unit is made up of temporary structures (e.g. huts, squatters and roof-top structures);
- (b) whether the unit is located in a non-residential building (e.g. commercial and industrial building);
- (c) whether the unit is shared with other households (e.g. those living in rooms, cubicles, bedspaces and cocklofts in private permanent buildings); and
- (d) whether the unit is a subdivided unit (SDU).

10. In respect of category (a), based on the results of the 2016 By-Census (16BC) and the trend data as observed from the Population Censuses/By-censuses, it is estimated that there were about **21 600** households living in temporary structures in 2019. According to the 16BC, there were **5 600** households living in non-residential buildings (category (b)) and **5 800** households living in shared units (category (c)).

11. Regarding category (d), the number of households living in SDUs is estimated to be 99 400 (amongst which 67 900 units are located in private buildings aged above 50 years) based on the trend data from the results of the 16BC and past thematic household surveys on SDUs, as well as relevant information on the construction and demolition of buildings. Applying the demolition rate of private residential units aged 50 years and above (i.e. 15.3%, see footnote 4) to the number of households living in SDUs located in private buildings aged above 50 years (i.e. 67 900 units), it is estimated that about 10 400 households (= 67 900 x 15.3%) are living in SDUs which would be redeveloped in the next 10 years. To avoid double counting the households displaced by private housing redevelopment, the 10 400 units should be deducted. Accordingly, the estimated demand from households living in SDUs will be about **89 000** units (= 99 400 – 10 400).

12. Given the varied standards and living conditions of shared units and SDUs, not all households living there are necessarily inadequately housed. Besides, a unit shared by two or more households or subdivided into two or more units may be able to provide adequate housing for one household if it is not shared or subdivided. In other words, there may not be a need to provide adequate housing to all the households living in a shared unit or an SDU.

Nevertheless, taking a conservative approach, we have continued to include all these households in this year's housing demand projection.

13. Summing up the above components, the estimated number of IHHs is **122 000**, with the following breakdown –

	Category of IHHs	Estimated number
(a)	Households living in units made up of temporary structures	21 600
(b)	Households living in non-residential buildings	5 600
(c)	Households sharing the same unit with other households	5 800
(d)	Households living in SDUs	89 000
	Total	122 000

D. Miscellaneous factors (28 600 units)

14. Apart from the above three demand components, there may also be demands in the next 10 years which are not covered in C&SD's domestic household projections. These include –

- (a) private permanent living quarters occupied by households with mobile residents⁷ only

The estimated increase of such households is **700** each year based on past trends as observed from Population Censuses/By-censuses conducted by C&SD;

- (b) non-local students who might take up accommodation in Hong Kong

The estimated housing demand is **730** units each year, having regard to the average increase of about 2 660 student visas each year from 2010-11 to 2019-20; about 55% of these students (including undergraduates

⁷ Mobile residents refer to Hong Kong permanent residents who have stayed in Hong Kong for at least one month but less than three months during the six-month period before or after the reference time-point, regardless of whether they are in Hong Kong or not at the reference time-point.

and postgraduate students) are not living in residential halls/hostels provided by post-secondary institutions according to information from the Education Bureau and the University Grants Committee; as well as the assumption that on average two non-local students will be sharing one housing unit; and

- (c) buyers from outside Hong Kong who may purchase flats without channelling them back to the market⁸ (i.e. not selling or leasing out their units)

Drawing reference from statistics of the Inland Revenue Department (IRD) and RVD, it is estimated that the housing demand from such buyers ranges from 880 to 1 990 units per year, i.e. a mid-point of about **1 430** units per year⁹.

15. Assuming that the above past trends will continue in the next 10 years, the estimated additional housing demand arising from miscellaneous factors is 2 860 units per year (= 700 + 730 + 1 430), or **28 600** units over the 10-year period from 2021-22 to 2030-31, with an upper and lower range of 34 200 and 23 100 units respectively.

Gross total housing demand

16. Taking the above four demand components together, the estimated gross total housing demand for the 10-year period from 2021-22 to 2030-31 is **420 100** units, with an upper and lower range of 443 100 and 397 200 units

⁸ Although these units are bought by non-local buyers without being channelled back to the market, this does not imply that they are vacant units. These units may be occupied by owners as residence, second home, vacation home or for other purposes.

⁹ Using the average annual stamped transactions in 2010 to 2019 (79 450 cases as provided by IRD) as a rough indication, the purchases by non-local buyers would be around 3 970 cases per year as the upper range (on a crude assumption that about 5% of purchases were by non-local buyers) and 1 180 cases per year as the lower range (on a crude assumption that about 1.48% of purchases were by non-local buyers) in the coming 10 years. Applying the ratios of purchases by non-local buyers which would eventually be owner-occupied or left vacant, the projected demand from non-local buyers who may purchase flats without channeling them back to the market is around 1 990 units per year at the upper range (assuming 50% of non-local buyers' purchases would fall under this category) and 880 units at the lower range (assuming 75% of non-local buyers' purchases would fall under this category) in the coming 10 years, and the mid-point is about 1 430 units per year.

respectively, based on the econometric modelling exercise conducted on net increase in the number of households (see footnote 2) and buyers from outside Hong Kong who may purchase flats without channelling them back to the market (see footnote 9).

Vacancy adjustment of the private housing sector (7 900 units)

17. As there are always a certain number of flats left vacant in the private housing sector at any point in time, the vacancy situation needs to be taken into account when setting the total housing supply target. In accordance with the established methodology under LTHS¹⁰, the total housing supply target is derived by **adding a vacancy adjustment** to the gross total housing demand to take into account the vacancy situation in the private housing sector. The vacancy adjustment (which is the **change** in the estimated number of vacant private housing units over the projection period) is the difference between the number of vacant units at the beginning of the projection period and the estimated number of vacant units at the end of the projection period.

18. With reference to RVD’s data on the number of vacant units at the beginning of the projection period (about 44 900 units¹¹) and the average vacancy rate in the private housing sector in the past 10 years (i.e. 4.0% from 2010 to 2019), the vacancy adjustment for the 10-year projection period from 2021-22 to 2030-31 is **7 900** units (= 1 320 000 x 4.0% – 44 900)¹².

¹⁰ Paragraph 3.1 of LTHS states that, “The results of the long term housing demand projection form the basis for deriving the ten-year housing supply target. In addition, there are always a certain number of flats left vacant in the private sector at any point in time. The number of vacant units at the beginning of the projection period, as well as the past average vacancy rate in the private sector, are taken into account together with the projected gross total housing demand over the next ten years in projecting the ten-year housing supply target...”

¹¹ Based on RVD’s latest available data (i.e. as at end-2019).

¹² The projection methodology of vacancy adjustment is summarised as follows –

=	Estimated total number of private housing units at the end of projection period	X	Average vacancy rate	–	Actual number of vacant units at the beginning of projection period
=	1 320 000 units	x	4.0%	–	44 900 units
=	7 900 units				

Total housing supply target

19. Upon taking into account the above vacancy adjustment in the private housing sector, the projected total housing supply target for the 10-year projection period from 2021-22 to 2030-31 is **428 000 units (say 430 000 units)**, with an upper and lower range of 451 000 and 405 000 units respectively. Details are summarised below –

