Research Office
Legislative Council Secretariat

Information Note

# Measures to cool down the residential property markets in selected places

IN17/20-21

## 1. Introduction

1.1 In Hong Kong, the high prices of private residential properties have rendered home ownership unaffordable to many families aspiring to settle in their own flats. The Government has implemented several rounds of demand-side management and macro-prudential measures since 2009 as well as pledged to increase land supply for home building, with a view to stabilizing the private residential property market. Yet, flat prices continued on an almost uninterrupted uptrend that had been sustained by persistent low interest rate environment and firm demand from both end-users and investors. After two brief periods of price adjustment observed since mid-2018, amid the United States-Mainland trade tension, lingering local social incidents and the outbreak of the Coronavirus Disease 2019 ("COVID-19") pandemic in early 2020, trading activities picked up notably and flat prices reverted to an increase in recent months. This has prompted discussions about whether a new round of market-cooling measures and/or supply-side policy initiatives is required to stabilize the residential property market and help aspiring home buyers get onto the "housing ladder".

1.2 Similar to Hong Kong, many places have been facing surging housing prices and deteriorating housing affordability during the past one to two decades, fuelled by favourable factors including the sustained low interest rates, demand from non-residents and robust population growth. Tight supply situation is often featured in these property markets as well. The concern over worsening housing affordability, coupled with potential risks to financial stability emanating from the potential sharp correction in flat prices, has resulted in the implementation of various market-cooling initiatives in these places.

1.3 At the request of Hon Alice MAK Mei-kuen, the Research Office has prepared this ***Information Note*** which studies the major measures adopted in selected places for cooling their overheated residential property markets. The note will first review the market-cooling measures adopted in Hong Kong, followed by an overview of similar measures implemented in other places. The note will then put focus specifically on South Korea and New South Wales ("NSW") of Australia, which have both seen a surge in residential property prices during parts of the past decade and the launch of multi-pronged measures to rein in their markets' exuberance. The study will cover (a) the salient features of the major measures adopted; (b) the implementation experiences and outcomes; and (c) related issues of concern.

## 2. Hong Kong

2.1 In Hong Kong, home ownership has been an aspiration of many families as it is embedded in the common culture that purchasing one's own home helps foster a sense of stability, enables wealth accumulation and provides future financial security given the anticipation of property price appreciation in the long run. Nonetheless, the continued low interest rate environment, alongside the tight housing demand-supply balance and the inflow of capital, has contributed to sustained rise of residential property prices and worsened housing affordability over the past decade.

2.2 Though there was discernable income growth over the past decade, the even faster rise in flat prices [1] led to deterioration of the **home purchase affordability ratio** (where a higher ratio represents worsening affordability)[2] from 45% in the fourth quarter of 2010 to 75% in the second quarter of 2021, much higher than the long-term average of 47% over 2001-2020.[3] Reflecting the deteriorating housing affordability, the rise in the number of owner-occupier households living in private flats cooled to 111 100 between 2010 and 2020,[4] while there was a total

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1 According to Rating and Valuation Department (2021), the private residential property price index surged by 142% from 162.3 in the fourth quarter of 2010 to 393.5 in the second quarter of 2021. Meanwhile, according to Census and Statistics Department (2021), the median monthly household income increased by 46% over the same period.

2 The home purchase affordability ratio cited here refers to the ratio of mortgage payment for a 45-square metre flat (assuming 70% loan-to-value ("LTV") ratio and tenor of 20 years) to median income of households (excluding those living in public housing). Meanwhile, other common housing affordability ratios could be calculated by dividing the sale prices of typical houses by a benchmark annual household income in that place. Given home prices usually form part of the numerator of an affordability ratio while household income would often serve as the denominator, a rise in the ratio would mean that home purchase has become more difficult financially for the typical households.

3 See Government of the Hong Kong Special Administrative Region (2021).

4 Within the increase in the number of owner-occupier households over the decade, 82 600 was actually recorded between 2018 and 2020 while the rise in such households between 2010 and 2018 was a mere 28 500. For comparison, increase in owner-occupier households living in private flats between 1990 and 2000 was 171 900 and that between 2000 and 2010 was 129 400.

increase of 201 100 households living in private flats (regardless of tenure of accommodation) over the same period. Consequently, the proportion of owner-occupier households among all households living in private flats had indeed decreased from 69.4% in 2010 to a low of 63.6% in 2018 before recovering to 67.4% in 2020.[5]

## Measures to cool down the residential property market

2.3 In order to address the overheated property market, the Government has introduced successive rounds of **demand-side management measures** since 2010 to reduce short-term speculative activities, and non-local and investment demand. These measures include the introduction of the: (a) Special Stamp Duty ("SSD") in November 2010 to curb short-term speculative activities in residential properties;[6] (b) Buyer's Stamp Duty ("BSD") in October 2012 to suppress the demand from non-Hong Kong permanent residents;[7] and (c) Doubled Ad Valorem Stamp Duty ("DSD")[8] in February 2013 and New Residential Stamp Duty ("NRSD")[9] in November 2016 to raise the transaction costs for local buyers with multiple residential properties and thereby dampen demand from these buyers.

2.4 The Hong Kong Monetary Authority ("HKMA") has also launched several rounds of **macro-prudential measures** since 2009 to reduce the possible risks to financial stability arising from an overheated property market. The major measures involved the gradual lowering of the caps on the LTV ratio[10] and debt servicing ratio ("DSR"),[11] and extending the additional prudential measure of extra reduction in LTV cap from luxury homes to investment properties. Later, the maximum LTV ratios were further cut for borrowers with multiple mortgages (i.e. typically not owner-occupied for some properties concerned) as well as

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5 See Census and Statistics Department (2021).

6 SSD is applicable to any residential property resold within 36 months. The current SSD rates are on a progressive scale ranging from 10% to 20% with a higher rate applicable to properties held for a shorter period.

7 BSD is payable at a flat rate of 15% on the value of the property concerned.

8 DSD was initially imposed on residential and non-residential properties with a tax rate at 1.5% to 8.5% depending on the value of the property concerned. It was applicable to transactions concerning non-residential properties only up to November 2020.

9 NRSD is payable at a flat rate of 15% in lieu of the DSD rates for any residential property acquired on or after 5 November 2016.

10 LTV ratio is the ratio of the loan amount to the value of the property concerned. The cap on LTV ratio was successively lowered from 60%-70% in 2009 to the current 30%-60%.

11 DSR is the ratio of the monthly mortgage repayment amount to the monthly income of a borrower. The cap on DSR was successively lowered from 50%-60% in 2010 to the current 30%-60%.

borrowers who repay their debt with foreign income (hence may not be local residents). According to HKMA, the macro-prudential measures aim to strengthen the resilience of the banking sector to cope with the possible fall in property prices, as well as help restraint the excess exuberance in housing prices through the proper control of credit conditions and household leverage (especially for those with weaker financial positions).

2.5 On the supply side, the Government has strived to increase land and housing supply over the past decade to meet the strong end-user demand. In particular, the Government formulated the **Long Term Housing Strategy** ("LTHS") in December 2014 to address the housing demand-supply imbalance through the strategic directions to (a) provide more public rental housing units and subsidized sale flats as an alternative way to satisfy the housing demand of lower to middle income households; and (b) stabilize the private residential property market through steady land supply, appropriate demand-side management measures, and promotion of good sales practices for such properties. Pursuant to LTHS, the Government updates the long-term housing demand projection annually to capture social, economic and market changes over time.

## Observed outcomes and issues of concern

2.6 According to the Government, the demand-side management and macro-prudential measures implemented over the past decade or so have helped reduce speculative activities and non-local demand. For example, in the second quarter of 2021, **short-term resale** cases only accounted for 0.7% of total transactions, well below the monthly average of 20% in January to November 2010 (i.e. the period before the introduction of SSD). Over the same period, **purchases by non-local buyers** accounted for 0.3% of total transactions, compared to the monthly average of 4.5% in January to October 2012 (i.e. the period before the introduction of BSD). The Government also believed that flat purchases by **investors** (especially those who own more than one property) were moderated by the additional stamp duties and tightened credits to such buyers, as purchases subject to NRSD stayed at 4.8% of total transactions in the second quarter of 2021, compared to the monthly average of 26.5% in January to November 2016.[12]

[12] See Government of the Hong Kong Special Administrative Region (2021).

2.7 Notwithstanding the subdued speculative activities and non-local demand, and the fading investor demand after the introduction of NRSD in 2016, the low interest rate environment and tight new housing supply have continued to render support to the residential property prices (see **Figure 1**). On the supply of new residential flats specifically (as measured by completions of residential units), the annual average increased from around 23 700 units (comprising 12 700 public and 11 000 private units) between 2011 and 2015 to around 34 000 units (16 400 public and 17 600 private units) between 2016 and 2020 but remained short of the average annual housing demand estimated to be some 44 000 units between 2016-2017 and 2025-2026.[13] Against the above, there have been suggestions for the Government to consider introducing more potent taxation measures to further suppress demand or increase supply in order to stabilize the property market and address the issue of housing affordability. These include taxes on vacant land or vacant residential properties and capital gains tax ("CGT") on the sale of residential properties.[14]

2.8 As to vacant-flat tax, the Government introduced a bill in September 2019 to amend the Rating Ordinance (Cap. 116) for implementing the "Special Rates" on vacant first-hand private residential units.[15] The Government reckoned that the proposed measure would, by increasing the costs of the developers in keeping the properties vacant, encourage developers to expedite the supply of first-hand private residential units from their completed projects, which totalled some 9 000 units as at end-March 2018 (or around 9% of the then projected supply of private flats in the next three to four years).[16]

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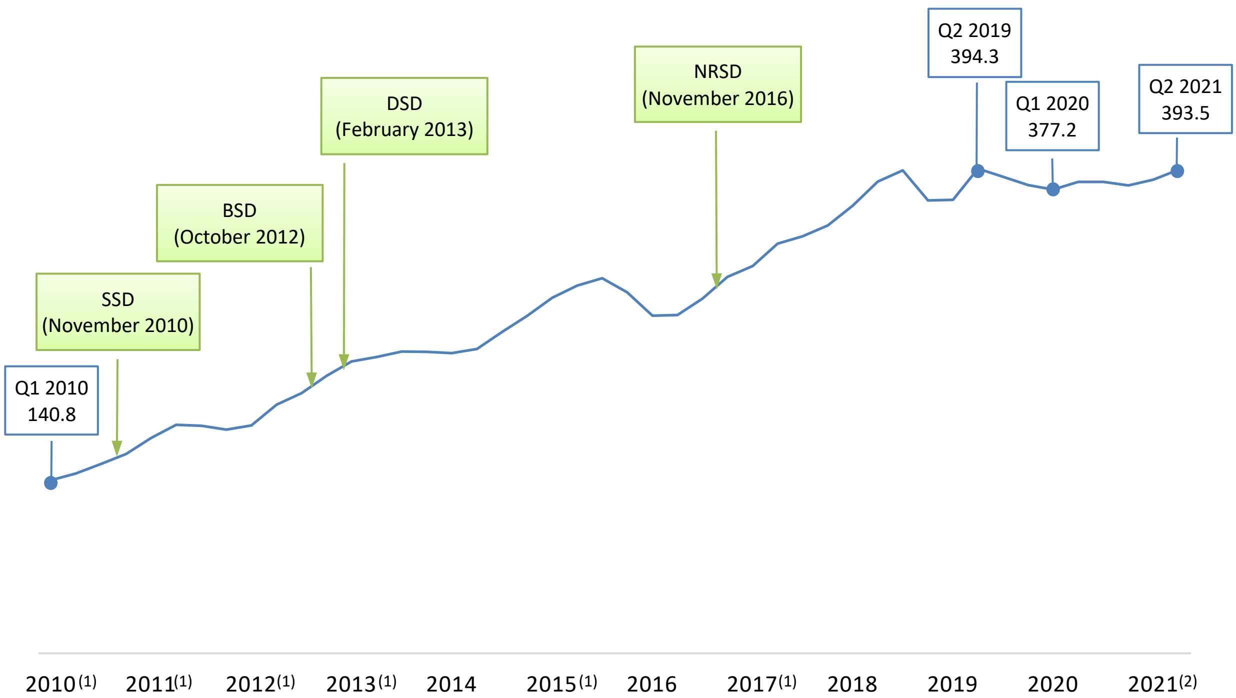
13 According to the Government's projection in 2015, the gross total housing demand, i.e. the total number of new housing units required to provide adequate housing to every household in the 10-year period between 2016-2017 and 2025-2026 was about 436 500 units (mid-point projected value). See Transport and Housing Bureau (2020).

14 See Minutes of Joint Meeting of the Panel on Housing and Panel on Welfare Services (2018), Government of the Hong Kong Special Administrative Region (2018a) and 東方日報 (2019 年).

15 Under the proposed legislative amendments, developers of first-hand private residential units with occupation permits issued for 12 months or more will be required to furnish the Government with annual returns on the occupancy status of the units. Unsold units that have not been occupied or rented out for more than six months during the past 12 months will be considered as vacant and subject to "Special Rates", which will be collected by the Rating and Valuation Department annually at two times the rateable value of the units concerned.

16 See Transport and Housing Bureau (2019).

**Figure 1 – Quarterly private residential property price index in Hong Kong**




Notes: (1) HKMA has introduced successive rounds of macro-prudential measures since 2009.
(2) Figures up to the second quarter of 2021.

Sources: Government of the Hong Kong Special Administrative Region (2018b) and Rating and Valuation Department (2021).

2.9 Some stakeholders supported the vacant-flat tax measure as it would increase the supply of residential units, and some others had further suggested extending the measure to cover vacant second-hand residential properties. On the other hand, there were views that developers might try transferring the additional costs involved to the buyers, potentially resulting in higher prices in the primary market.[17] The Government withdrew the Rating (Amendment) Bill 2019 in November 2020 in the light of the divergent views of the stakeholders and the poor economic situation amid the COVID-19 pandemic.[18]

2.10 As for the suggestion of introducing CGT for curbing speculation in the residential property market, the Financial Secretary has stated in the 2021-2022 Budget that it is not the appropriate time to introduce new taxes in view of the financial pressure faced by individuals and businesses amid the prevailing economic environment and the COVID-19 pandemic.[19]

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17 See Legislative Council Secretariat (2019) and Minutes of Meeting of the Panel on Housing (2019).

18 See Government of the Hong Kong Special Administrative Region (2020).

19 See The 2021-22 Budget (2021).

## 3. Overview of market-cooling measures implemented in other places

3.1 Similar to Hong Kong, many places around the world, especially large cities, have struggled to bring property prices under control and boost housing affordability. Years of low interest rates, together with other favourable factors such as demand from non-residents, population growth and tight housing supply, have contributed to property price boom since the early 2010s and thereby made home purchase less affordable.[20] Various market-cooling measures have thus been introduced to prevent further market exuberance that may make home ownership more difficult for aspiring buyers and pose significant risks to financial stability.

### Common market-cooling measures

3.2 Depending on their local economic and property market situations, different places have adopted one or more of the following **common** measures to stabilize their residential property markets and help ease the pressure on housing affordability: (a) introducing **tax measures** to curb speculative activities and investment demand of local and/or foreign buyers; (b) adopting **macro-prudential measures** to tighten oversight regarding mortgage lending; and/or (c) **increasing land and housing supply** to meet the strong housing demand that accelerates property price hike and leads to deteriorating housing affordability.

3.3 **Tax measures** observed in some other places include **introducing new property taxes** such as acquisition/transfer tax and CGT; and **setting differential rates for existing property-related taxes**, such as higher rates imposed on specific groups of purchasers (e.g. non-local buyers and local investors) or purchases of specific types of properties (e.g. high-value properties or properties in designated areas with buoyant speculative activities) to **disincentivize** market speculation and investment demand.

3.4 For example, **British Columbia** of Canada in 2016 imposed a foreign buyer tax in Metro Vancouver,[21] where the influx of foreign buyers had pushed up local

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[20] Amid the COVID-19 pandemic, housing prices in many places remained firm or even rebounded as they emerged from the pandemic. The property markets' resilience has been supported by accommodative monetary policy adopted to promote economic recovery, historic low mortgage rates, and interruption of the pandemic on construction works which exacerbates the supply shortage issue. See 7News.com.au (2021) and Insider (2021).

[21] Metro Vancouver is one of the 27 regional districts in British Columbia.

residential property prices. The foreign buyer tax is imposed on top of the regular property transfer tax on foreign individuals or corporations buying residential properties. The tax rate was initially set at 15% and increased to 20% in 2018, and it has remained unchanged since then. The above tax measure has contributed to a drop in the share of transactions made by foreign buyers from a high of 15% in 2016 to below 3% recently.[22]

3.5 Likewise in **New Zealand,** the government introduced the "bright-line test" in 2015 under which profits made from a residential property bought and sold within a certain period of time (two, five or 10 years)[23] are subject to income tax.[24] Nonetheless, the impact of the tax measure on reducing short-term speculation in the residential property market is not entirely conclusive.[25] Against this, there are views that property investors may not be deterred from selling the properties before they can be exempted from the additional tax as long as the net profits after tax payments remain sufficiently attractive.[26]

3.6 Places that have put in place tax measures often complemented them with **macro-prudential measures** with a view to managing the risks posed by an overheated property market to the financial system and limiting the availability of credit to home buyers, thereby help control housing demand in the short run. The major macro-prudential measures involve the setting of limits on the LTV ratio, DSR and/or the debt payment-to-income ("DTI") ratio.[27] Additional lending regulations may also be applied to cap banks' lending to home buyers and/or to specific target groups outside owner-occupiers such as investors and individuals with multiple residential properties. For example, **Australia** and **New Zealand** have set benchmarks for the ratio of new mortgage lending or the growth rate of mortgage lending to specific target groups, while **the Mainland** has set limits on the ratio of outstanding mortgage loans to total outstanding loans of financial institutions. Evidence suggested that borrower-based measures, such as limits on DSR, LTV and DTI ratios can be effective in dampening mortgage credit growth. However, macro-prudential measures may not be effective in clamping down

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22 See Bank for International Settlements (2020).

23 The period is set at two years for properties acquired between 1 October 2015 and 28 March 2018, five years for those acquired between 29 March 2018 and 26 March 2021, and 10 years for those acquired after 26 March 2021.

24 The income tax rates are on a progressive scale ranging from 10.5% to 39%.

25 The proportion of houses bought and sold within two years reportedly fell from 15% in 2015 to 6% in 2020 in Auckland, but the corresponding proportion actually increased marginally in the rest of New Zealand from 7% to 8% over the same period.

26 See Interest.co.nz (2020).

27 Similar to DSR, the DTI ratio refers to the monthly total loan payments of a person relative to his or her gross monthly income.

housing booms that are driven by the persistent demand-supply imbalance, increased housing demand from foreigners, and/or where buyers do not depend on bank lending to finance their home purchases.[28]

3.7 To address property price rise and housing affordability issues that are brought by demand-supply imbalance, some places have strived to **increase land and housing supply** in order to meet the demand of owner-occupiers. For example, **Shenzhen** set out a plan in 2018 to provide 1.7 million new housing units of various types by 2035, with government housing accounting for about 60% of the new supply. The plan represents an estimated completion of about 100 000 new units per year, reportedly doubling the then-prevailing level of provision in Shenzhen.[29] Meanwhile, **New Zealand** announced in March 2021 that it would increase housing supply as part of its latest efforts to bring down the persisting high property prices. A major initiative is the launch of a NZ$3.8 billion (HK$20.2 billion) Housing Acceleration Fund to support vital infrastructure needed for new housing and help speed up large-scale construction projects.[30]

## Other market-cooling measures

3.8 In addition to the aforementioned common measures, some places such as Australia and British Columbia have imposed **taxes on vacant properties** to motivate owners of empty or under-utilized properties to rent out their properties. A home that is not a principal residence, if not disposed, must be rented out for at least certain months in a year to be exempt from the vacant-flat tax. **British Columbia** imposed the speculation and vacancy tax ("SVT") in 2018 on owners of residential properties in certain urban centres.[31] In the **City of Vancouver**, the local government has introduced its own empty homes tax[32] which, together with the provincial SVT, has reportedly contributed to an increase in rental housing supply in the municipality.[33] While more ample supply in the rental market should help alleviate aspiring home owners' pressure in rushing into

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28 See International Monetary Fund (2014) and He, D. et al. (2016).

29 See Hong Kong Economic Journal (2018).

30 See New Zealand Labour Party (2021).

31 The current tax rate is 2% of the assessed value of properties whose owners are foreigners or derive at least 51% of their household income from abroad, and 0.5% for citizens or permanent residents of Canada.

32 The City of Vancouver, one of the municipalities of Metro Vancouver, introduced the empty homes tax in 2017. Owners of properties that are not being used as principal residences or rented out for at least six months of the year and do not qualify for an exemption are charged the empty homes tax, at 3% of the assessed taxable value of the properties concerned.

33 See Daily Hive (2021).

purchasing their own properties, there have been doubts on the long-term impact of SVT on lowering home prices to the extent of materially improve housing affordability, given that persistent demand-supply imbalance continues to push up prices in both the sale and rental markets.[34]

3.9 A few other places have imposed a **tax on vacant land** to discourage land banking and promote development for increasing property supply. For example, **Ireland** has introduced a levy on vacant residential sites since 2018.[35] Nonetheless, administration problems encountered by the local authorities in implementing the levy, such as difficulties in establishing market value and ownership of the vacant sites, have limited its effectiveness in promoting development.[36] Moreover, there are views casting doubt on the long-term effectiveness of such taxes. The **New Zealand** government once considered introducing a vacant land tax in 2018 to cool down the overheated residential property market. The plan was subsequently put on hold after evaluating its costs and benefits. As assessed by the New Zealand government, a vacant land tax could help reduce land banking and increase housing supply in the near term, but these effects "are likely to be small and transitory". Indeed, the New Zealand government was of the view that over several years, such taxes would likely prove to be taxes on the development of new housing and may have harmful effects on "housing-supply responsiveness by reducing developer flexibility and risk-taking".[37]

3.10 Meanwhile, some places have put in place administrative measures to ban speculative short-term sales altogether and limit home purchases to residents who have already settled in those places for a number of years. More specifically, **Shenzhen** prohibits purchasers from selling their properties within three years, and only allows persons who have either secured Shenzhen residency permits for at least three years or made income tax payment/social security contributions to Shenzhen for no less than five consecutive years to purchase properties in the city.[38]

3.11 Another relatively less common approach for stabilizing residential property prices is to **set caps or guidance on property prices**. For example, **South Korea** reintroduced caps on pre-sale prices of new privately-built apartments

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[34] See Western Investor (2021).
[35] The levy is payable at 7% of the market value of the vacant sites.
[36] See Raidió Teilifís Éireann (2021).
[37] See New Zealand Treasury (2021).
[38] See South China Morning Post (2021b) and 央視網 (2021 年).

in mid-2020, with a view to controlling the soaring property prices in designated areas (more details in the next section).[39] In the Mainland, **Shenzhen** set reference property prices starting from February 2021 for some 3 600 property developments citywide which banks will follow when approving mortgage loans. Reference prices are generally set at below-market levels to compel banks to tighten mortgage loan financing based on lower valuations, and thereby help curb housing demand given home buyers have to come up with larger down payment.[40]

3.12 Following the overview above regarding measures adopted by places around the world to stabilize their residential property markets, the ensuing sections will study in detail the market-cooling measures adopted in South Korea and NSW with specific reference to their implementation experiences, outcomes and issues of concern.

## 4. South Korea

4.1 In South Korea, residential property price index rose by 63% from 68.1 in December 2003 to 111.3 in June 2021.[41] During the period, the index had seen a marked increase between 2003 and 2008, stabilized in the ensuring eight years, and has thereafter displayed a discernable rising trend since late 2016.[42,43] Buoyancy of the market in recent years has been driven by a number of factors including:[44] (a) sustained low interest rates; (b) strong investment demand fuelled by the "jeonse" system of rental payment that appears to heavily favour the

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39 The pre-sale price cap system was first introduced by the then-President Roh Moo-hyun's government in 2007, before he was succeeded by Lee Myung-bak in February 2008, to curb the surge in property prices. In 2015, the then-President Park Geun-hye lifted the pre-sale price cap system in an attempt to boost the South Korean economy.

40 See South China Morning Post (2021a).

41 See Korea Real Estate Board (2021).

42 In South Korea, the property market softened in the late 2000s after the government imposed controls on housing loans, raised CGT on sale of properties in designated areas and introduced the pre-sale price cap system. The 2008 global financial crisis also contributed to the trend. In response, the government tried to address the market downturn through deregulation and easing of the taxation and macro-prudential regulations introduced by the previous administration in the early 2010s. Housing prices began to recover in 2015 and have been on a discernable rising trend since late 2016.

43 The impact of the pre-sale price cap measures in place between 2007 and 2015 could not be clearly established as the softening of property prices during the period had been fuelled by other factors such as the repercussions of the 2008 global financial crisis.

44 See Shin, H. S. and Yi, H. C. (2019) and Park, W. (2020).

landlords in terms of financing arrangement;[45] (c) acceleration in household formation (especially single-person households) that generates additional housing demand; and (d) regulatory constraints on redevelopment in urban areas that hinder new housing construction in highly populated areas.

4.2 Rising residential property prices has rekindled public concern since late 2016 when housing affordability started to deteriorate visibly in selected cities including the Seoul Metropolitan Area (covering Seoul, the neighbouring Gyeonggi Province and Incheon),[46] as housing prices grew at a much higher rate than that of the incomes of the population.

## Measures to stabilize the residential property market

4.3 In response to heightened public concern about housing affordability, the South Korean government has swiftly introduced many rounds of market-cooling measures since President Moon Jae-in took office in May 2017.[47] The measures target at **curbing speculative activities** and **investment demand**, and the major measures so implemented since June 2017 feature:

(a) **steepened rates for CGT to curb short-term speculation** in the residential property market through: (i) **setting the CGT rate** at 70% for sale of properties held less than one year, 60% for between one year and less than two years, and a basic tax rate[48] for two years or more; and (ii) **imposing a CGT surcharge** on owners holding multiple properties when they sell properties in designated areas;

(b) **tax measures for curbing investment demand among owners with multiple properties** which include:

45 Under the "jeonse" system, landlords receive a large sum of leasehold deposit instead of monthly rental payment from the tenants. The "jeonse" deposit will be between 50% to 80% of the value of the property concerned, which will be returned to the tenants in full after the tenancy period that usually lasts for at least two years. The landlords can use the interest-free deposit money for investments, thereby generating profit. For example, the landlords can purchase homes by investing relatively smaller sums - the gap between the down payment and the "jeonse" deposit that the buyer will receive from a tenant.

46 Around 50% of the population in South Korea resides within the Seoul Metropolitan Area.

47 The major rounds of market-cooling measures were introduced in June 2017, September 2018, December 2019 and July 2020 respectively.

48 The basic tax rate is a progressive tax schedule ranging from 6% to 42%.

(i) increasing the local **acquisition tax** rate to 8% for individuals holding two properties and 12% for those holding three or more properties;[49]

(ii) nearly doubling the national **Comprehensive Real Estate Tax** to between 1.2% and 6% for people with three or more properties or owning multiple properties in designated areas;[50]

(iii) requiring owners holding multiple properties to pay the local **property tax**[51] even if they have entrusted their properties under a trustee which previously allowed them to reduce their tax burden;

(c) **macro-prudential measures**:[52] tightening household mortgage lending, particularly for properties located at designated areas with signs of speculative activities or strong investment demand ("designated areas")[53] through the measures of:

(i) reducing the LTV ratio from 70% to 40% or below, and outright banning offering mortgages to properties valued at 1.5 billion won (HK$10.4 million) or above;[54]

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49 Acquisition tax is a local tax imposed on purchase or inheritance of assets such as real estate, motor vehicles and boats. The new tax rates for owners holding multiple homes represent sharp increases from the previous maximum rate of 4% which originally applied only to individuals who own four or more homes. For acquisition of residential properties by a corporation, the top rate for acquisition tax (12%) also applies.

50 The Comprehensive Real Estate Tax, introduced in 2005, is charged on the aggregated value of land (including vacant and developed land) and houses owned by individuals and companies that exceeds a specified value limit. For residential properties, the regular tax rates range from 0.5% to 3.2%, varying according to the aggregated value (after deduction of the relevant allowance) and the number of properties owned.

51 Property tax is a local tax imposed on owners of land, buildings, houses, vessels and aircraft. For residential properties, the tax base is 60% of the value of the properties concerned and the tax rates vary according to the value of the tax base. For example, for a tax base valued over 300 million won (HK$2.1 million), the tax amount is 570,000 won (HK$3,900) plus 0.4% of the value exceeding 300 million won (HK$2.1 million).

52 See Financial Services Commission (2018 & 2019).

53 The designated areas include designated districts in Seoul and cities in the Gyeonggi Province.

54 The LTV ratio for properties in designated areas that valued below 900 million won (HK$6.2 million) is 40%. For properties valued between 900 million won (HK$6.2 million) and 1.5 billion won (HK$10.4 million), the LTV ratio is 40% up to 900 million won (HK$6.2 million) and 20% for the remaining 600 million won (HK$4.1 million). Mortgage lending is not provided to buyers of properties in designated areas that worth more than 1.5 billion won (HK$10.4 million).

(ii) reducing the DTI ratio from 60% to 40% or below;

(iii) prohibiting home buyers from taking out mortgage loans for purchasing a second home in the designated areas, thus reducing credit supply to property investors; and

(iv) restricting investment using "jeonse" deposit by limiting owners holding multiple homes or those purchasing homes valued over 900 million won (HK$6.2 million) to take out loans with their "jeonse" deposit as collateral.

4.4 In addition to the aforementioned tax and macro-prudential measures put in place since 2017, most of which focuses on dampening speculative activities and investment demand, the South Korean government stepped up its efforts in cooling the property market in 2020 through:

(a) reintroducing caps on pre-sale prices of new privately-built apartments in designated areas (mainly in Seoul and the Gyeonggi Province) with a view to driving down property prices in the designated areas by 5% to 10%.[55] The price caps are set at levels below the market prices and based on the actual prices paid by contractors for land purchases, construction costs and other necessary expenses; and

(b) promulgating a new rule to the "jeonse" system, where landlords are required to guarantee a two-year extension of a "jeonse" contract after the first two-year contract and cap increases of "jeonse" deposit at 5% when renewing the contract, with a view to protecting the rights of tenants and making the potential return from buy-to-let somewhat less attractive.

Observed outcomes and issues of concern

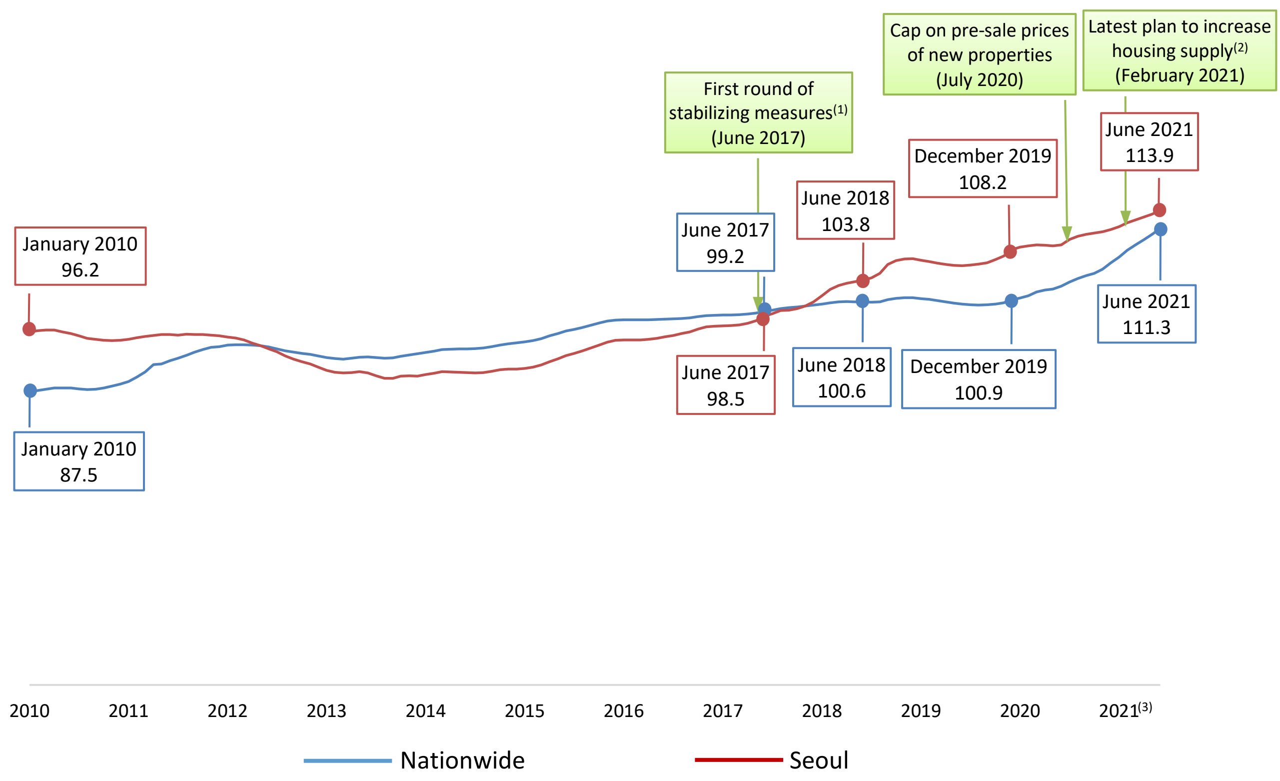
4.5 The successive rounds of market-cooling measures launched by the South Korean government since mid-2017 have been tailored to controlling property price rises. The range and intensity of the measures differ by region (designated areas or non-designated areas), the type of activities involved (speculative, investment or end-user purchase), buyers' household status (owners with multiple properties or owner-occupiers), holding period of property bought

[55] See KBS World (2020).

and sold, and the value of property in question, so as to enhance their effectiveness and reduce any adverse side effects.

4.6 Nonetheless, the South Korean government's efforts for the past four years have fallen short of curbing the overheated residential property market (see **Figure 2**). Flat prices, particularly in Seoul, are still on the rise amid a series of taxation and lending regulations to reduce speculative activities and investment demand. Nationwide home prices also recorded noticeable increases since 2019. Reflecting this, the **Korea-Housing Affordability Index** ("K-HAI")[56] of Seoul surged by 62% from 102.4 in the fourth quarter of 2016 to 166.2 in the first quarter of 2021 and exceeded the previous peak of 164.8 recorded in the second quarter of 2008.[57]

### Figure 2 – Residential property price index in South Korea




Notes: (1) Major subsequent rounds of stabilizing measures were launched in September 2018, December 2019 and July 2020.
(2) The South Korean government had previously announced plans to increase housing supply in the Seoul Metropolitan Area in late 2018 and mid-2019 involving a relatively small number of housing units.
(3) Figures up to June 2021.

Source: Korea Real Estate Board (2021).

[56] K-HAI is an index indicating the loan repayment burden for a family with median income purchasing a median-priced home with a standard loan.

[57] For comparison, K-HAI for the country as a whole increased relatively modestly from 58.9 in the fourth quarter of 2016 to 63.6 in the first quarter of 2021. See Korea Housing Finance Corporation (2021).

4.7 Added to this, the government drawn some criticisms from the community regarding its measures rolled out in 2020. Regarding the reintroduction of the price caps on new apartments, it could have the adverse effect of reducing the incentives for private developers to invest in new development projects, and may eventually lead to shrinkage of housing supply for allocation under the housing subscription system[58] which supposedly helps first-time buyers to get onto the "housing ladder". Similarly, the new rules regulating the "jeonse" system, while aiming to protect tenants' rights, aroused concerns over a reduction in the supply of rental housing that could push some prospective tenants into buying their own houses and further boost the housing demand when housing affordability remained unfavourable.

## Recent developments

4.8 Against the above, there have been views that the South Korean government must address the fundamental housing demand-supply imbalance by increasing land and housing supply in order to effectively stabilize residential property prices in the long run.[59] Indeed, the government has recently complemented its property market stabilizing strategies (mainly curbing speculative activities and investment demand) with increasing land and housing supply.

4.9 In the latest housing supply plan announced in February 2021, the South Korean government has laid down an aggressive target of securing land for supplying about 836 000 housing units by 2025,[60] comprising 323 000 units in Seoul,[61] 293 000 in the Gyeonggi Province and Incheon, and 220 000 in five other major cities. The plan to massively increase housing supply in the next few years is supported by measures such as (a) easing restrictions on the floor area ratio of residential buildings near subway stations and rezoning semi-industrial zones into residential areas; and (b) expediting redevelopment projects by streamlining the approval procedures.

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58 Under the housing subscription system, a portion of the housing units will be allocated to priority household groups such as first-time buyers, newlyweds and large families during the pre-sale process. All eligible households must currently be non-home owners and have opened a subscription savings account into which they pay a monthly deposit for a specified period of time. Meanwhile, 7% to 15% of units in a private housing project are reserved for first-time buyers which will be allocated through a lottery.

59 See Jones, R. S. (2020) and Park, W. (2020).

60 There will be a mix supply of private and public housing, of which 70% to 80% of the units are for sale. See Ministry of Land, Infrastructure and Transport (2021).

61 The figure represents a marked increase from a total completion of some 173 000 new housing units in Seoul between 2017 and 2020.

## 5. New South Wales

5.1 In Australia, flat prices had been on a sustained rising trend between mid-1990s to mid-2000s,[62] before stabilizing in the ensuing eight years. Prices were again on a distinct uptrend upon entering 2013 and reached the peak in the second quarter of 2017, recording a 42.1% increase in the residential property price index of the eight capital cities over the period. The surge was most pronounced in Sydney of NSW, at 68.7%.[63]

5.2 At the national level, the housing affordability ratio[64] rose from 4.3 in 2001 to 7.2 in 2017 when housing prices reached its peak. The deterioration of housing affordability was more obvious in some major capital cities with more rapid housing price growth over the years. For example, Sydney's housing affordability ratio increased from 5.8 in 2001 to 8.4 in 2017, and so did that in Melbourne from 4.7 to 7.1.[65]

5.3 The property market's buoyancy during the period was attributable to a host of socio-economic factors, including: (a) low interest rates; (b) strong investment demand by local and foreign home buyers; and (c) tight demand-supply balance, with housing demand underpinned by high rates of immigration bolstering while new housing construction and supply being stalled by the complex and long development approval process arising from stringent planning and regulatory constraints.[66] Rising residential property prices have caused concerns about worsening housing affordability and the potential risk to the macro-economic and financial stability.

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62 Real house prices in Australia increased by more than 6% annually between 1995 and 2005. This rate was well above the average annual rate of increase in the 20 years up to 1995 of just 1.1%. See Parliament of New South Wales (2014).

63 See Australian Bureau of Statistics (2021).

64 Housing affordability ratio cited here is defined as the ratio of median housing prices to median annual household incomes.

65 See Aussie (2020) and CoreLogic (2017).

66 See Parliament of Australia (2008), Parliament of New South Wales (2014) and Reserve Bank of Australia (2015).

5.4 To cope with the challenges posed by the revived rise in housing prices since 2013, the federal and local governments have introduced a range of measures to stabilize the residential property market starting from the mid-2010s. In the ensuing paragraphs, the nationwide measures taken by the Australian federal government, as well as those adopted by the NSW government specifically covering the state, will be studied in detail. NSW is considered to have the most heated market for private housing in Australia, and its housing affordability pressure has been the most intense among all states and territories.

## Measures introduced by the federal government

5.5 In 2017, the federal government introduced a number of measures to **curb foreigners' demand**. The major measures so implemented, all of which remain effective today, include:

(a) **removing the main residence CGT exemption**[67] for foreign residents who own a home in Australia. The change is applicable to properties (i) acquired before 9 May 2017 and disposed after 30 June 2020; or (ii) acquired on or after 9 May 2017;

(b) **increasing the withholding tax rate** from 10% to 12.5%[68] and **reducing the CGT withholding threshold** from A$2 million (HK$12 million) to A$750,000 (HK$4.4 million) for foreign resident home owners from 1 July 2017;

(c) setting a 50% **cap on foreigners' ownership in new developments** with at least 50 apartments;[69] and

67 Before the introduction of the measure, any taxpayer's main residence can be exempt from CGT where a gain is made on the disposal of the dwelling that is an individual's main residence throughout the ownership period.

68 The foreign resident capital gains withholding arrangement, which commenced on 1 July 2016, imposes a payment obligation on purchasers of certain taxable Australian properties from foreign resident vendors. The purchaser is required to withhold 12.5% of the purchase price and pay it to the Tax Commissioner. This arrangement ensures the relevant CGT can be collected from the foreign resident vendor concerned at the time of disposal.

69 In Australia, property developers must apply for a new dwelling exemption certificate ("NDEC") as a pre-approval for selling new dwellings in a development to foreigners. The 50% cap on foreign ownership, which is applicable to applications received from 9 May 2017, is one of the conditions for the issue of NDECs by the Foreign Investment Review Board. The Board is a non-statutory board tasked to, among others, assess applications from foreigners who would like to invest or buy a home in Australia.

(d) **introducing an annual vacancy fee for foreign owners of residential properties**,[70] applicable to those who are unable to demonstrate that the residential dwelling they own has been occupied, leased or made genuinely available on the rental market for at least 6 months (equivalent to 183 days) in a "vacancy fee year" (covering 12 months).[71]

5.6 The Australian Prudential Regulation Authority ("APRA")[72] substantially increased the intensity of its **macro-prudential oversight** of residential mortgage lending business conducted by authorized financial institutions from 2014 through to 2018. The measures focused particularly on limiting mortgage lending to investors and interest-only loans,[73] which accounted for a large share of the mortgage loan market at that time. For example, APRA announced in December 2014 the introduction of a 10% cap on the annual growth of housing lending to investors. In March 2017, APRA required authorized financial institutions to limit new interest-only lending to be no more than 30% of total new residential mortgage lending. The caps had helped improve lending standards and reduce the growth of higher risk lending.[74]

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70 The vacancy fee payable is tiered to the value of the residential property owned. For example, an annual vacancy fee of A$6,350 (HK$38,000) will be charged on properties valued below A$1 million (HK$6 million). For properties valued between A$1 million (HK$6 million) and A$2 million (HK$12 million), the vacancy fee payable rises to A$12,700 (HK$75,000).

71 Introduced in December 2017 as part of the Australian government's comprehensive housing affordability plan, the vacancy fee is intended as a financial incentive for foreign owners to consider disposing of their properties or making their dwellings available for rent. Foreign owners who do not lodge the annual vacancy fee return with the Australian Taxation Office may be liable to pay a vacancy fee regardless of the occupancy status of the property concerned. Civil penalties may also be imposed for failing to lodge the return.

72 APRA, which is accountable to the Australian Parliament, is an independent statutory authority supervising institutions in the banking, insurance and superannuation sectors.

73 For an interest-only mortgage, the borrower is required to pay only the interest on the loan for a certain period. The principal is repaid either in a lump sum at a specified date, or in subsequent payments. Some borrowers with weaker financial positions but good credit history may take advantage of this arrangement to support their home purchases.

74 APRA eventually removed the benchmarks on lending to investors and interest-only lending in June and December 2018 respectively. Nevertheless, the authorized financial institutions have committed to meeting the requirements set out by APRA in the relevant prudential practice guide regarding mortgage lending policies and practices.

5.7 At the same time, the government attempted to stimulate the supply of affordable rental housing by providing up to **an additional 10% CGT discount** to local residents[75] who invest in qualifying affordable housing[76] from 1 January 2018.

## Measures introduced by the New South Wales government

5.8 At the state level, the NSW government also launched a comprehensive package of measures in 2017 to complement the nationwide initiatives mentioned above, with a view to addressing the deteriorating housing affordability. The package comprises the following major components:[77]

(a) **curbing foreigners' investment demand** by: (i) doubling the foreign investor surcharge stamp duty[78] from 4% to 8%; and (ii) increasing the foreign investor surcharge land tax[79] from 0.75% to 2%; and

(b) **increasing housing supply** by measures such as: (i) fast tracking the approval process for new developments; (ii) accelerating council-led rezoning in Sydney and regional areas; and (iii) speeding up the delivery of infrastructure to service new homes and support growing communities.[80]

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75 Currently, a 50% CGT discount is available to local home-owners who sell a property held for at least 12 months and meet other specified criteria. An additional 10% discount will bring the CGT discount to a maximum of 60%.

76 To be qualified as affordable housing, the investment property must be an eligible dwelling that is managed for rent through a registered community housing provider for a minimum period of three years. In addition, the property must be provided to low to moderate income tenants with rent charged at a discount below the private market rental rate.

77 See NSW Government (2017a & 2017b).

78 Foreign persons purchasing residential land or property will attract a surcharge in addition to any stamp duty already payable at the specified rate. In Australia, foreign persons include foreign individuals, corporations, trusts and governments.

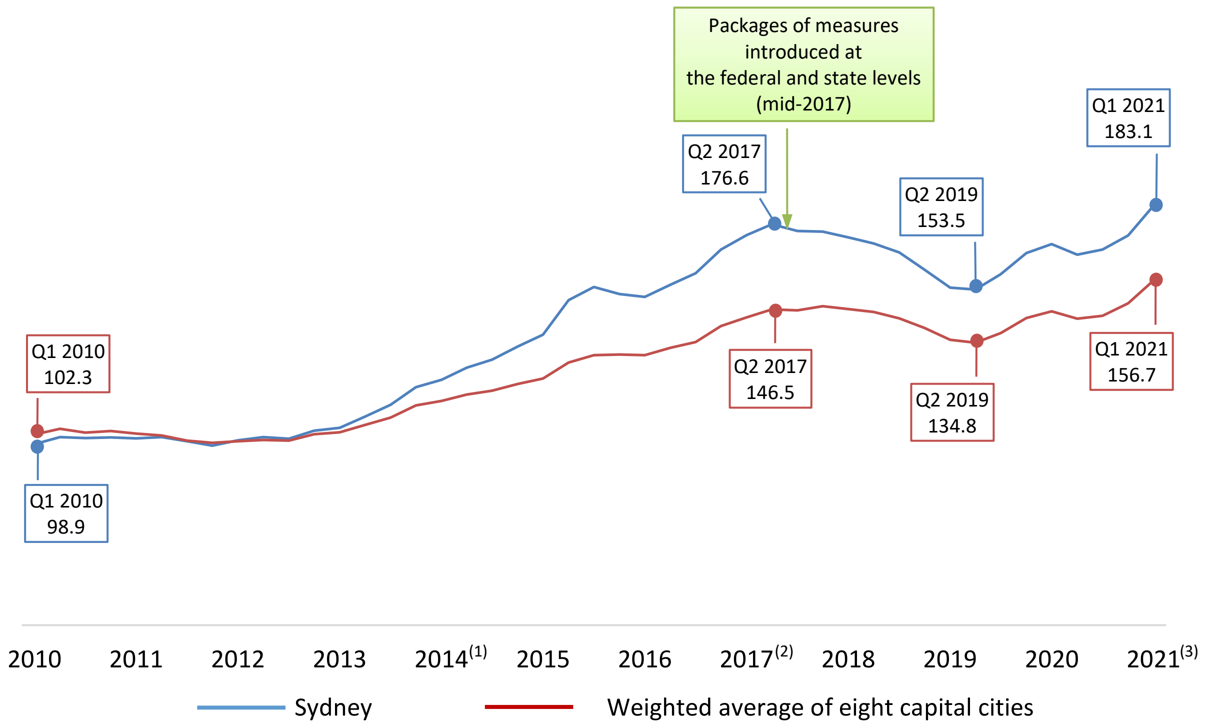
79 Land tax is usually exempted when the lots are used for specified purposes such as for principal place of residence or primary production, or the value of the properties is below the specified thresholds. Nevertheless, a foreign person owning residential land would be required to pay surcharge regardless of whether the person is liable to the land tax.

80 In July 2017, the NSW government announced to embark on a A$3 billion (HK$17.8 billion) Housing Infrastructure Program to ensure funding is allocated to infrastructure projects that open up the development of new homes in the right areas and at reasonable prices.

## Observed outcomes

5.9 The various measures launched by the federal and local governments in mid-2017 have helped cool down the overheated property market of NSW (more specifically, its capital city Sydney) in the months ensued alongside other key cities. The tightening of lending regulations by APRA also helped. As shown in **Figure 3**, Sydney's residential property price index retreated from the peak in the second quarter of 2017 and fell by a cumulative 13.1% up to the second quarter of 2019. This was more than the 8.0% decline observed for the weighted average of eight capital cities over the same period.[81]

### Figure 3 – Quarterly residential property price index in eight capital cities of Australia and Sydney




Notes: (1) APRA introduced various measures between December 2014 and June 2018 to limit the growth rate of investor mortgage loans.
(2) APRA introduced various measures between March 2017 and December 2018 to limit the proportion of new interest-only lending to total new residential mortgage lending.
(3) Figures up to the first quarter of 2021.

Source: Australian Bureau of Statistics (2021).

[81] See Australian Bureau of Statistics (2021).

5.10 Among the market-cooling measures implemented, the amendments to federal CGT rules, coupled with the increase in the state's foreign investor stamp duty and land tax surcharges, have dampened investment demand by foreign investors. Reflecting this, the number of approvals by the Foreign Investment Review Board for foreigners' residential property investment in NSW declined from 4 224 in 2016-2017 to 1 337 in 2018-2019.[82] Meanwhile, APRA's caps on lending to investors and interest-only loans have curbed the surge in lending for investment purposes as well as loans made to borrowers with weaker financial positions. According to APRA,[83] investor loan approvals as a share of total mortgage loan approvals eased from about 40% in September 2014 to around 30% in September 2018. The share of interest-only lending to total new residential mortgage lending approved also reduced from around 40% in early 2017 to some 20% in September 2018.[84]

5.11 Increase in housing supply has also contributed to stabilizing the property market in NSW.[85] In Sydney, around 182 000 new homes were built in the five years between 2015-2016 and 2019-2020, much higher than the 100 000 new completions in the previous five-year period.[86] The high level of new home construction came on the back of record housing approvals and commencements, a healthy economy and record low interest rates.

## Recent developments

5.12 It is noted that residential property prices started rebounding in mid-2019 and remained on the rise since then. In NSW, Sydney's property price index increased by 19.3% between the second quarter of 2019 and the first quarter of 2021 (see Figure 3), higher than the eight capital cities' average increase of 16.2% over the same period. Low mortgage rates, loosening of APRA's lending restrictions, and the release of pent-up demand from aspiring home owners (particularly first-time home buyers who can take advantage of some government incentives on home purchases) have contributed to the latest rebound.

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82 See Foreign Investment Review Board (various years).
83 See Australian Prudential Regulation Authority (2019).
84 The caps on lending to investors and interest-only loans were introduced in December 2014 and March 2017 respectively.
85 See Propertyology (2019).
86 See Data.NSW (2021) and NSW Department of Planning, Industry and Environment (2021).

5.13 For first-time home buyers in particular, the prospects of getting a bargain before further price rebound have enticed them into the market.[87] First-time home buyers are also granted benefits by the government, such as (a) stamp duty concessions for purchasing new or established properties up to a specified value;[88] and (b) the First Home Owner Grant of A$10,000 (HK$59,300) for purchasing a new property or land to build a new house up to a specified value.[89]

## 6. Concluding remarks

6.1 All the places studied in this note have generally adopted similar approaches in stabilizing their residential property markets. They have made use of **demand-side** and **anti-speculation measures** (e.g. heavier taxes on property holding, especially for foreigners and investors with more than one property, and transfer and capital gains on the sale of properties for short-term sales made), **macro-prudential tools** (e.g. limits on LTV ratio and DSR to control credit conditions and household leverage), and/or **supply-side policies** (e.g. increase supply of land and housing, and impose tax on vacant land and/or properties). The types and intensity of market-cooling measures adopted tend to vary with the housing market situations, financial systems and tax regimes in the places studied. The **Appendix** provides a summary of the major stabilizing measures adopted in Hong Kong and the selected overseas places.

6.2 In Hong Kong, the **demand-side management** and **macro-prudential measures** implemented since 2009 have helped curtail speculative activities and non-local demand. Demand from investors, especially those who own more than one property, was also dampened to a certain extent. Yet, the low interest rate environment and strong demand continues to render support to the market, and the tight flat supply has further added upward pressure on prices. As the uptrend of housing prices is likely to persist given demand still outstrips supply, there have

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87 See Nine.com.au (2021).

88 For example, for purchases made between 1 August 2020 and 31 July 2021, stamp duty exemption is offered to buyers of new properties that value less than A$800,000 (HK$4.7 million) or existing properties that value less than A$650,000 (HK$3.9 million).

89 The NSW government has provided grant to first-time home buyers as early as in 2000 and the coverage of the scheme has been modified over the years. The latest scheme introduced in July 2017 mainly supports first-time home buyers of new properties meeting the specified value thresholds. To qualify for the First Home Owner Grant, the purchase price of the new property developed by a third party must not exceed A$600,000 (HK$3.6 million) and that of the property to be built by the purchaser must not exceed A$750,000 (HK$4.4 million).

been calls for the Government to step up its efforts on **increasing land and housing supply** to arrest the rising trend of property prices.

6.3 The South Korean government has introduced comprehensive and tailored **demand-side management** and **macro-prudential measures** since the second half of 2017 in order to stabilize the residential property market. They include imposing punitive taxation on disposal, transfer and holding of residential properties, targeting particularly at owners holding multiple properties and designated areas with high level of speculative activities, and tightening regulations concerning property lending. While these market-cooling measures aim at curbing market speculation and investment demand, they tend to have short-term impact as end-user demand still appears to outstrip housing supply in the major urban areas. Indeed, public discontent with deteriorating housing affordability has recently prompted the government to shift the focus of its market-cooling measures to **massively increase housing supply** to address the fundamental imbalance in the property market. Reflecting this, the government will ease building regulations and support redevelopment projects in urban areas as part of the efforts to increase the number of new homes by up to 836 000 nationwide by 2025.

6.4 In NSW, the package of market stabilizing measures initiated at the federal and state levels in the mid-2017 helped stabilize the overheated property market in the ensuing two years. The package featured a **multi-pronged combination of measures** such as increasing tax burden for foreign investors, tightening the availability of credits (especially for investors and buyers with weaker financial positions) and increasing the housing supply. Nevertheless, the resurgent in home prices recently after relaxation of macro-prudential measures and first-time home buyers taking advantage of home purchase incentives would warrant close monitoring.

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23 September 2021
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## Measures to cool down the residential property markets in Hong Kong, South Korea and New South Wales[1]

| | Hong Kong | South Korea | New South Wales |
|---|---|---|---|
| **A. Background information** | | | |
| Population | • 7.47 million as at end-2020 | • 51.70 million as at April 2021 (50% living in the Seoul Metropolitan Area) | • 8.17 million as at end-2020 (about 66% living in Sydney) |
| Change in residential property price index | • From 162.3 in Q4 2010 to 393.5 in Q2 2021 | • From 68.1 in December 2003 to 111.3 in June 2021 for the country as a whole (from 63.0 to 113.9 for Seoul) | • From 98.9 in Q1 2010 to 183.1 in Q1 2021 (Sydney) |
| Housing affordability | • Ratio of mortgage payment to median household income: 45% in Q4 2010 vs 75% in Q2 2021 | • Debt service burden for the median income household purchasing a median priced house in Seoul: 102.4 in Q4 2016 vs 166.2 in Q1 2021 | • Ratio of median housing prices to median annual household incomes in Sydney: 5.8 in 2001 vs 8.4 in 2017 |
| **B. Demand-side management measures** | | | |
| Tax measures for curbing short-term speculative activities | • Imposing the Special Stamp Duty in November 2010 | • Raising the capital gains tax ("CGT") rates for properties held less than a specified period of time<br>• Imposing a CGT surcharge on owners holding multiple properties selling properties in designated areas | • Not applicable |
| Tax measures for curbing non-local demand | • Imposing Buyer's Stamp Duty in October 2012 | • Not applicable | • Removing the main residence CGT exemption for foreign property owners<br>• Increasing the CGT withholding tax rate for foreign property owners<br>• Increasing the foreign investor surcharge stamp duty and foreign investor surcharge land tax (state tax measures) |

Note: (1) All are federal measures unless specified otherwise.

## Measures to cool down the residential property markets in Hong Kong, South Korea and New South Wales

| | Hong Kong | South Korea | New South Wales |
|---|---|---|---|
| **B. Demand-side management measures (cont'd)** | | | |
| Cap on properties sold to foreigners | • Not applicable | • Not applicable | • Imposing a 50% cap on foreigners' ownership in new developments with at least 50 apartments |
| Tax measures for curbing investment demand of owners holding multiple properties | • Imposing the Doubled Ad Valorem Stamp Duty in February 2013, and replacing it with the New Residential Stamp Duty in November 2016 | • Increasing the local acquisition tax rates<br>• Increasing the Comprehensive Real Estate Tax rates<br>• Requiring owners holding multiple properties to pay local property tax even if they have entrusted their properties under a trustee | • Not applicable |
| **C. Macro-prudential measures** | | | |
| Tightening of lending regulations | • Lowering the caps on the loan-to-value ("LTV") ratio and debt servicing ratio<br>• Extending the prudential target from luxury homes to investment properties | • Tightening lending for properties in the designated areas by progressively reducing the LTV ratio and debt payment-to-income ratio<br>• Prohibiting home buyers from taking out mortgage loans for purchasing a second home in the designated areas<br>• Restricting owners holding multiple properties to take out loans using the "jeonse" deposit as collateral | • Imposing a 10% cap on the annual growth of housing lending to investors<br>• Limiting new interest-only lending to be no more than 30% of total new residential mortgage lending |

## Measures to cool down the residential property markets in Hong Kong, South Korea and New South Wales

| | Hong Kong | South Korea | New South Wales |
|---|---|---|---|
| **D. Supply-side measures** | | | |
| Increasing housing supply | • Updating the Long Term Housing Strategy to set out a rolling 10-year housing supply target every year | • Laying down an aggressive target of securing land to supply about 836 000 housing units by 2025 (of which 323 000 would be in Seoul) | • Increasing housing supply by measures such as speeding up the approval process for new developments and committing funding on infrastructure development (state measures) |
| **E. Other measures** | | | |
| Price caps on new properties | • Not applicable | • Imposing caps on pre-sale prices of new privately developed apartments in designated areas in mid-2020 | • Not applicable |
| **F. Observed outcomes of market-cooling measures** | | | |
| Impact on property prices | • Demand-side management measures introduced since 2010 have helped subdue speculative activities, purchases made by non-local persons and, to some extent, investment demand. Yet, persistent low interest rates and demand-supply imbalance continue to drive property price growth. | • The government's market-cooling efforts for the past four years have fallen short of curbing the overheated residential property market.<br>• Public discontent with deteriorating housing affordability has recently prompted the government to shift the focus of its market-cooling efforts to massively increase housing supply. | • Sydney's residential property price index retreated from the peak in Q2 2017 and fell by a cumulative 13.1% up to Q2 2019.<br>• Residential property prices rebounded in mid-2019 due to low interest rates, easing of macro-prudential measures and strong demand from owner-occupiers (particularly first-time home buyers). |

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