

Assessing the Vacancy Situation of Housing Units in Hong Kong

PURPOSE

In the recent public discussions on the Long Term Housing Strategy (LTHS), various views have been expressed on the vacancy situation of housing units in Hong Kong. At its meeting held on 27 September 2013, the Subcommittee on the Long Term Housing Strategy (the Subcommittee) established under the Panel of Housing of the Legislative Council requested the Government to provide information on the handling of vacant public rental housing (PRH) units and relevant figures. This note explains how the vacancy situation of housing units in Hong Kong has been calculated; responds to views expressed during the public discussion thus far; and provides the information requested by the Subcommittee for Members' reference.

VACANCY SITUATION OF PUBLIC RENTAL HOUSING UNITS

2. To accurately assess the vacancy situation of PRH units, reference must be made to the administrative records of the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS), on the basis of whether the units are physically occupied. As the vacancy situation changes from time to time, the vacancy figures can only indicate the vacancy situation at a particular time point. According to the HA's administrative records, there were 724 988 lettable PRH units under the HA as at end-June 2013, which include 718 289 flats let, 3 010 flats under offer, and 3 689 lettable vacant units. (Flats under refurbishment are regarded as lettable vacant units. The Housing Department (HD) strives to reduce the time required for refurbishment so that the flats can be allocated as soon as possible. As at end-June 2013, the average time required for flat refurbishment was 41 days, which is lower than the target of not exceeding 44 days in the HA's key performance indicator.)

3. Dividing the number of lettable vacant PRH units under the HA (3 689 units) by the total stock of lettable PRH units under the HA (724 988 units), the vacancy rate as at end-June 2013 is calculated to be 0.5%, which is lower than the target of below 1.5% in the HA's key performance indicator. For rental

units under the HS, there were a total of 446 vacant units as at end-June 2013, representing 1.3% of the HS's total stock of rental units.

4. In addition to lettable PRH units, there were also about 4 632 unlettable PRH units under the HA as at end-June 2013, which include flats affected by clearance, Housing for Senior Citizens (HSC) Type 1 flats and Converted One-person (C1P) flats pending conversion. For flats affected by clearance, although some of these flats are not occupied by tenants, they cannot be used for allocation since they will be cleared soon. For HSC Type 1 flats and C1P flats pending conversion, these flats originally would have been allocated to two or more tenants. However, to tie in with the conversion programme, they will not be allocated to other tenants even if there is only one tenant living in the unit. The conversion will start when all existing tenants in that unit have moved out. As these unlettable units cannot be used to satisfy housing demand, they are not included in assessing the vacancy situation of PRH units.

5. The HA upholds the principle of optimisation of PRH resources. As soon as newly completed flats or refurbished flats become available, they will be allocated to applicants on the Waiting List (WL) or in other rehousing categories. For the sake of fairness, PRH flats are generally allocated by means of random computer batching. Applicants are not given any choice in respect of a particular housing estate, or the floor or the orientation of any flat on offer. WL applicants are entitled to three housing offers. Whether they accept the offers is purely a matter of personal choice. If the applicants decline an offer, the flat concerned will be allocated to other WL applicants, also chosen by random computer batching. Therefore, the vacant period of each flat depends on whether and when an applicant accepts it. The HD has implemented the following measures to expedite the letting of less popular flats and those with a longer vacancy period -

- (a) offering rent concession in respect of flats that have been left vacant for 12 months or more; and
- (b) conducting the Express Flat Allocation Scheme exercise annually to let out less popular flats, so that some WL applicants may be allocated PRH flats at an earlier stage.

The HA has also recently endorsed to convert the PRH flats in Tin Lee House in Lung Tin Estate, Tai O, which has had a high vacancy rate for an extended

period, to Home Ownership Scheme (HOS) flats for sale.

VACANCY SITUATION OF PRIVATE HOUSING UNITS

6. As regards private housing, the Rating and Valuation Department (RVD) conducts a survey every year to provide a snapshot of the year-end vacancy position of private domestic flats, which comprises a full survey in respect of domestic premises completed within two calendar years, as well as a random sample survey covering 3% of the rated domestic premises completed before. If a unit is not physically occupied at the time of the survey, or if a unit is under decoration and pending occupation by the owner or tenant in future, it is treated as a vacant property. According to the latest figures published in the RVD's Hong Kong Property Review 2013, there were about 48 000 vacant private domestic units in Hong Kong as at the end of 2012, representing a vacancy rate of about 4.3% which is the lowest level since 1997. Besides, the significant increase in the price and rent of private units in recent years is mainly due to the imbalance between supply and demand of private units. If there are still a lot of vacant units in the private market as suggested by some, it would logically follow that there should not be pressure on the supply and the price and rent of private units should not have increased significantly. Therefore, the high price and rent in recent years would support the findings that the vacancy rate of private units is very low.

DIFFERENT VIEWS ON ASSESSING THE VACANCY SITUATION OF HOUSING UNITS IN HONG KONG

7. The above figures show that the current vacancy rate of housing units in Hong Kong is very low and that there is a serious imbalance in the supply and demand for housing. However, we note that various methods to assess the vacancy situation of housing units have been suggested by different sectors. The suggestion is that there are a lot of vacant units in Hong Kong available to satisfy housing demand and there is less need to develop land for housing. Relevant views and our response are set out in the ensuing paragraphs.

Comparing the number of permanent living quarters and domestic households

8. Some suggested that based on information in the Census and Statistics Department (C&SD)'s Hong Kong Monthly Digest of Statistics, there were 2 648 000 permanent living quarters in Hong Kong as at the first quarter of 2013. At the same time, C&SD's General Household Survey (GHS) results for January to March 2013 indicates that there were 2 386 000 domestic households in Hong Kong. By comparing the two figures, it is deduced that there are 260 000 "vacant" housing units in Hong Kong.

9. Although there is a difference of about 260 000 in the two figures, we must emphasize that this should not be taken to the simplistic conclusion that there are about 260 000 "vacant" units in Hong Kong to satisfy the housing needs of the community. This is because the figure of "permanent living quarters" is based on information in C&SD's Register of Quarters, the usage and coverage of which are different from those of the GHS. Specifically, the Register of Quarters is set up and updated regularly for the purpose of conducting the Population Census/By-census. As regards the GHS, it is a continuous sample survey conducted for the purpose of collecting information on the labour force, unemployment and underemployment. As both the Register of Quarters and the GHS are not intended to be used to assess the vacancy situation in Hong Kong, the two figures really should not be directly compared, and certainly should not be used to try to project the vacancy situation of domestic flats in Hong Kong.

10. Besides, as the GHS only covers land-based households with at least one "usual resident"¹, it does not cover households with "mobile residents"² only; Hong Kong people who have emigrated; as well as non-local people who own or rent units (such as for temporary residence) in Hong Kong. In addition, some households also have second homes.

11. On the other hand, according to the C&SD's definition, in addition to all residential units in Hong Kong, the figure of "permanent living quarters" also includes non-residential units usually with people living therein, such as quarters known to be used for residential purposes in commercial and industrial

¹ "Usual residents" refer to Hong Kong permanent residents who have stayed in Hong Kong for at least three months during the six months before or for at least three months during the six months after the reference moment, regardless of whether they were in Hong Kong or not at the reference moment; as well as Hong Kong non-permanent residents who were in Hong Kong at the reference moment.

² "Mobile residents" are Hong Kong permanent residents who have stayed in Hong Kong for at least one month but less than three months during the six months before or for at least one month but less than three months during the six months after the reference moment, regardless of whether they were in Hong Kong or not at the reference moment.

buildings; quarters in buildings of elderly homes, hospitals and penal institutions for accommodating staff; as well as quarters in buildings for accommodating students and staff in boarding schools. These units have their own specific uses and cannot be used to satisfy the housing needs of people living therein or that of other people in Hong Kong. Therefore, regardless of the occupancy situation of these units, they should not be used to assess the vacancy situation of housing units in Hong Kong.

Comparing the number of public housing units and households

12. As stated in the LTHS Consultation Document, there were 1 157 700 public housing units in Hong Kong as at end-March 2013 (including the HA and the HS's PRH and subsidised sale units) according to administrative records; while there were 1 091 200 households living in public housing according to C&SD's GHS results. By comparing the two figures, some have erroneously concluded that there are about 70 000 "vacant" public housing units.

13. We have to point out that the two figures above are from different sources and have adopted different definitions and coverage. Specifically, the HA and HS's administrative records are basically the stock figures, while C&SD's GHS results provide snapshot situations of the "resident population" at a particular reference time period. As such, they cannot be directly compared to infer the vacancy situation.

14. On PRH, some PRH households (especially families with more members) may be occupying more than one PRH flat. According to the HA's administrative records, about 5 200 households were occupying more than one PRH flat as at end-June 2013, mainly because these households have more family members and there is no single flat which can accommodate the whole household. On the other hand, as only households with members satisfying the criteria of "usual resident" under the "Hong Kong resident population" are regarded as "domestic households" in the GHS, if some PRH households do not have at least one member who is "usual resident" and hence do not satisfy the criteria of "domestic households" under the GHS (e.g. those who need to travel a lot between Hong Kong and Mainland for work and do not usually stay in Hong Kong), they will not be included in the GHS's number of domestic households living in PRH. However, from the perspective of the HA and the HS, although these PRH households need to travel between Hong Kong and

Mainland frequently, they still have housing needs in Hong Kong. So long as they have not breached the tenancy requirements, they will not be regarded as having abused PRH resources and their tenancy records will still be included in the HA and the HS's administrative records³. Clearly, it is not appropriate to assess the "vacancy" situation of PRH units by comparing the number of public housing units and the number of households under the GHS.

Comparing the number of newly completed PRH units and authorized persons living in PRH

15. According to some views, during the period from January 2012 to June 2013, there were 20 185 newly completed PRH units, but there was only an increase of 9 134 authorized persons living in PRH, implying that there are some 10 000 vacant PRH units.

16. Again, we have to point out that the two figures cannot be directly compared. For the number of PRH units, the production of newly completed PRH units in a certain time period is based on their date of completion. There may be a time difference of a few months from the completion date to the date of handing over the units to PRH tenants, because the HD has to conduct checks on these newly completed PRH units and arrange meetings with prospective PRH tenants for processing the allocation. According to the HA's records, of the 20 185 newly completed PRH units from January 2012 to June 2013, only 13 600 units were taken over by PRH tenants, and the remaining units are or will soon be under offer. Therefore, these units have not been captured in the change in number of authorized persons living in PRH.

17. As regards the number of authorized persons living in PRH, apart from households who are first allocated PRH units, the change in number of authorized persons living in PRH is also affected by various factors, which include the number of households surrendering their PRH units, the addition or deletion of family members by existing PRH tenants, purchase of PRH units by PRH tenants under the Tenants Purchase Scheme, etc. Therefore, it is not appropriate to assess the vacancy figures by comparing the number of newly completed PRH units and the change in number of authorized persons living in PRH.

³ Of course, the HD is carrying out vigorous investigations to combat real cases of PRH abuse to ensure the rational use of precious PRH resources.

Vacant units due to redevelopment projects of aged PRH estates

18. To facilitate redevelopment projects of aged PRH estates, households living in these estates will be arranged to move out gradually. According to some views, if the time of moving out of these households is earlier than the time of clearance, these vacant units cannot be used for allocation and the PRH resources may not be put into effective use.

19. To ensure redevelopment projects can proceed as early as possible, demolition and redevelopment of aged PRH estates will generally proceed as soon as all affected tenants have moved out. Under the established practice, the HD will give an early notice of estate clearance to tenants, usually about 30 months before the target demolition date. Experience shows that while affected tenants will move out in batches, the majority of them will only vacate their PRH flats at a rather late stage, usually six months prior to the target demolition date. Therefore, most of the PRH units in estates pending redevelopment will be vacant for a relatively short period of time.

20. To encourage the early removal of tenants affected by estate clearance, affected tenants may apply for rehousing under a “thinning-out exercise”⁴, which will enable successful applicants to move to flats in new estates. Although PRH flats so vacated will have a longer vacancy period, based on past experience, only a small number of affected tenants will join the “thinning-out exercise” soon after the announcement of the estate clearance. Generally speaking, the HA expects that only about 10% of flats can be recovered through such exercises in the first six months after the announcement of estate clearance operations.

Vacancy situation of subsidised sale units

21. According to some views, in addition to PRH and private units, the vacancy situation of subsidised sale units (e.g. HOS units) should also be taken into account.

⁴ Under the “thinning-out exercise”, when suitable flats in new estates are available for rehousing tenants affected by estate clearance, the HA will invite those tenants by notices.

22. Our view is that subsidised sale units constitute a special category of residential units which is different from either PRH or private units. As different from the case of PRH units, households of subsidized sale units are owners of their own properties. At the same time, however, these units are different from the private residential units in that there are live-in requirements in subsidised sale units with premium not yet paid; and these units cannot be freely traded on the open market unless premium has been paid. Therefore, currently the Government has not compiled vacancy figures of subsidized sale units. That said, since those subsidised sale units with premium paid⁵ can be traded on the open market to satisfy the society's housing needs, the Transport and Housing Bureau is exploring with the RVD on ways to assess the vacancy situation of these units.

CONCLUSION

23. We welcome the active discussion of the community on the housing issues, which will help the public gain a better understanding of the housing situation in Hong Kong and facilitate meaningful discussion on the LTHS. However, the assessment methodology and the interpretation of data suggested by some sectors in the community differ significantly from the Government's established practice in calculating the number of vacant units. From the Government's perspective, both the HA and the HS's administrative records as well as RVD's vacancy figures are premised on whether the units concerned are physically occupied. As regards the above alternative methods as suggested by some sectors in the community, their figures are obtained from different records compiled and surveys conducted for different purposes. Hence, they cannot be directly compared with each other to project the vacancy situation.

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⁵ According to the HA and the HS's administrative records, there were some 70 000 subsidised sale units with premium paid as at end-June 2013.