

# **Opening remarks of the Secretary for Transport and Housing at the Legislative Council**

## **Special Finance Committee Meeting (Housing) on 5 April 2017**

(Translation)

Chairman,

Resolving the housing problem is a priority of the current-term Government. After public consultation, the Government formulated the Long Term Housing Strategy (LTHS) in 2014. The LTHS adopts the “supply-led” principle; sets the new public and private housing supply at 60:40; and rebuilds the housing ladder with a view to addressing the long term housing needs of different sectors of the community.

2. In the past few years, the Hong Kong Housing Authority (HA) launched the “Interim Scheme of Extending the Home Ownership Scheme (HOS) Secondary Market to White Form Buyers” and the “Green Form Subsidised Home Ownership Pilot Scheme” to facilitate public housing circulation. To support HA’s development of public housing, the Government established the Housing Reserve in 2014, which currently stands at \$77 billion.

3. The Government also introduced several rounds of demand-side management measures to address the exuberance of the property market, combat short-term speculation, curb local and external investment demand, and accord priority to local home-ownership needs. The Government also rolled out residential land continuously. The supply of first-hand residential properties for the coming three to four years is projected to be 94 000 units. While the property market had cooled down during the period from September 2016 to March 2017, in the light of a global low-interest rate and credit easing environment, the demand has been increasing continuously, which in turn fuels the property market. Major cities elsewhere also face similar problems.

4. We certainly cannot rely on demand-side management measures alone to address the problem. The fundamental approach is to increase supply on a continuous basis, particularly the supply of public housing. This is because under the current situation of high property prices and rental level, more and more members of the public have to resort to public rental housing (PRH). The number of general applicants for PRH (i.e. family and elderly one-person applicants) has increased by 40%<sup>1</sup> since the current term Government took

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<sup>1</sup> The number of general applicants was about 106 100 as at end-June 2016, and about 148 800 as at

office

5. Limited land supply remains the major obstacle. Assuming that all sites identified can be smoothly delivered on time, only 236 000 public housing units can be built in the coming ten-year period, which lags behind the ten-year supply target of 280 000. We are concerned that this discrepancy would be further widened given the difficulties encountered in pursuing with a number of projects, which will further lengthen the waiting time for PRH.

6. The imbalance in housing demand and supply will make it more difficult for people in need to attain early PRH allocation; as well as for people with lower and middle income and the younger generation to achieve home ownership. This will intensify the sense of disappointment and frustration. We have reached a critical point where the community needs to make important trade-offs.

7. The Government announced the 15% New Residential Stamp Duty in November 2016. Up till February 2017, the number of residential property transactions subject to the doubled ad valorem stamp duty / new rate of 15% has dropped by more than 80%<sup>2</sup>. Among residential property transactions where buyers are Hong Kong permanent residents (HKPRs), buyers of more than 90% of these cases did not own other residential property in Hong Kong at the time of transaction. These data shows that the new measure is effective in reducing investment demand. Had the Government not introduced the new measure in November 2016, the property market would have become even more exuberant.

8. The Government is concerned about recent reports on acquisition of multiple residential properties under a single instrument by HKPR buyers with a view to avoiding payment of stamp duty at the new rate. We are examining whether these are only extreme cases or whether they have become a common phenomenon. We will also closely monitor the overall development of the property market.

9. Chairman, I am happy to answer Members' questions on policies. The Controlling Officers and other colleagues will also stand ready to answer questions on implementation and the use of financial resources.

## **Transport and Housing Bureau**

### **April 2017**

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end-December 2016 (a total increase of about 42 700).

<sup>2</sup> Dropped from about 2 360 cases in November 2016 to about 387 cases in February 2017.