

立法會
Legislative Council

LC Paper No. CB(1)1215/16-17(04)

Ref: CB1/PL/HG

Panel on Housing

Meeting on 3 July 2017

**Background brief on short and medium-term measures to alleviate
the housing difficulties of residents of sub-divided units
prepared by the Legislative Council Secretariat**

Purpose

This paper provides background information on the short and medium-term measures to alleviate the housing difficulties of residents of sub-divided units ("SDUs"), and gives a summary of the major views and concerns expressed by Members on the subject.

Background

2. According to the Thematic Household Survey on Housing Conditions conducted by the Census and Statistics Department in 2015 ("the survey"), the total number of SDUs¹ in private domestic/composite buildings aged 25 years and above in Hong Kong was 88 800. This number covers SDUs in private domestic/composite buildings (excluding village houses) aged 25 and above (i.e. built on or before 31 December 1990). At the time of enumeration, those SDUs accommodated some 87 600 households² and 199 900 persons altogether. The median

¹ "SDUs" under this survey refer to units formed by sub-division of individual quarters into two or more units for rental purposes to more than one household.

² The Transport and Housing Bureau had incorporated the estimated total number of households living in SDUs in 2015's long term housing demand projection and had reported the figure in the Long Term Housing Strategy - Annual Progress Report 2015 released on 18 December 2015.

household size was 2.0 persons. The average area of SDUs per capita was 5.8 square metres.

3. As found in the survey, for the households living in SDUs, their median monthly rental payment was \$4,200, while their median rent to income ratio was 32.3%. As regards the reason for living in SDUs at the time of enumeration, 61.6% of households living in SDUs cited "more affordable rent (as compared with that of a whole unit of private quarters)". Another 36.3% cited "convenient to go to work/school" as the reason.

Hardships faced by tenants in SDUs

4. Grassroots tenants in the low-end private residential market, particularly those living in SDUs, commonly face the following difficulties³ –

- (i) the rent level has risen beyond the grassroots tenants' ability to afford, and they need to spend more than one third of their income on rent, hence adversely affecting their quality of life;
- (ii) the rate of increase in rent is too high and too frequent, and is faster than the growth of tenants' income and inflation;
- (iii) the notice period for termination of tenancy and rent increase is too short. Such a period could be as short as a few weeks or even days;
- (iv) it is common for landlords to refuse to enter into tenancy agreements in writing with the grassroots tenants, such that the landlords can evict their tenants at any time with very short notice;

³ As expressed by the SDU tenants and deputations attending the meeting of the Panel on Housing on 24 July 2014 which discussed tenancy control.

- (v) the units which the grassroots tenants are living in are small and are in poor conditions, and it is common for the landlords to refuse to carry out necessary maintenance; and
- (vi) it is common for the landlords to overcharge grassroots tenants on water and electricity charges.

Major views and concerns expressed by Members

5. Members have expressed views on measures to alleviate the housing difficulties of residents of SDUs at meetings of the Legislative Council and the Panel on Housing ("the Panel"). The major views and concerns expressed by Members are summarized in the ensuing paragraphs.

Transitional housing

6. Members of the Panel shared the view that the root cause for SDUs in Hong Kong was a serious lack of housing. They recognized that eradicating SDUs could not help resolve the more fundamental problem of housing shortage. Under the circumstances, they urged the Administration to provide transitional housing on idle urban sites for accommodating inadequately housed households, including SDU households and those on the Waiting List for public rental housing ("PRH"), and make use of redeveloped housing blocks for providing transitional housing.

7. The Administration advised that producing more PRH units was the fundamental solution to the housing problem faced by SDU tenants. However, housing construction took time and it was not possible to deliver a large number of PRH units within a short period of time. In addition, the supply of suitable sites for housing construction, particularly those in the urban area, was limited. To increase land supply for housing, the Development Bureau and the Planning Department had been carrying out land use reviews to identify potential sites for housing development subject to the completion of statutory planning procedures

for rezoning. For instance, rezoning procedures of the two "Government, Institution or Community" sites at Sau Ming Road, Kwun Tong and Tuen Mun Area 2 for public housing developments had been completed, while other sites were undergoing rezoning procedures. As regards the suggestion of providing the affected households with temporary accommodation in vacated PRH estates to be redeveloped, the Administration considered that this could lengthen the lead time required for taking forward the redevelopment projects, and would cause inconvenience to these households as they would need to be relocated again within a short period of time.

Tenancy control

8. Members of the Panel expressed grave concern about the rapid rise of the rental index for private domestic units during the past decade. Some members reiterated their request for reinstating tenancy control to alleviate the financial burden on grassroots tenants of private rental housing. In particular, the Administration should protect the tenancy of SDUs, cubicles and bedspaces at a rent of \$5,000 per month or below as such tenants were reportedly charged excessive rents or evicted without justifiable reasons. Consideration should also be given to mandating landlords and tenants to enter into a tenancy agreement that would need to be duly stamped. The Panel passed a motion at the meeting on 5 January 2015 urging the Government to consider and review afresh those tenancy control measures which were not of an across-the-board nature in order to alleviate the difficulties faced by SDU tenants.

9. The Administration advised that it would not be in the overall public interest to rush into any tenancy control measures as such measures might lead to unforeseen consequences to the property market and tenants. For instance, partial reinstatement of tenancy control at a particular rent level might reduce supply and lead to higher asking rents for the controlled premises, thereby aggravating the problems faced by the households who were in need of these premises. Nevertheless, with the estimated supply of 74 000 units of first-hand private residential flats for the three to four years following 2015 whilst public housing production was in full swing, it was envisaged that a large number of flats (for sale or lease) would be made available in the market in the coming

years and this would help address the housing needs of tenants including SDU tenants.

Rental subsidies

10. Some Members suggested that some forms of rental subsidy be provided to low-income tenants of private rental housing with a view to relieving their burden of rising rents. The Administration advised that considering that the housing supply in the market was still tight, any form of rental subsidy provided by the Government to the tenants would probably lead to rent increase by the landlords, turning the rental subsidy to additional rental income. The benefits might then be transferred to the landlords while the tenants are left with no concrete help.

Tenancy stabilization mechanism

11. Members expressed concerns that in the midst of the current demand-supply imbalance in housing, households renting private accommodation (especially grassroots households) were indeed under a heavy burden. At its meeting on 9 January 2017, the Panel passed a motion requesting the Government to immediately formulate and implement a "tenancy stabilization mechanism", which included the introduction of legislation that requires tenancy agreements to list rents and miscellaneous fees separately, and to set out a fixed tenancy term and a notice period for termination of tenancy. Members considered that this could provide further protection to tenants.

12. The Administration held the view that based on Hong Kong's past experience as well as overseas experience in implementing tenancy control measures, these measures often led to an array of unintended consequences, including those to the detriment of some of the tenants whom the measures sought to assist. These unintended consequences included reducing supply of rented accommodation; encouraging landlords to be more selective about their tenants, thereby limiting access to adequate housing by those with unstable financial means (e.g. daily-waged workers), ethnic minorities, persons with disabilities, and other socially disadvantaged groups; encouraging certain behaviour from landlords to offset the impact of the tenancy control measures (including

increasing initial rent and requiring the tenants to pay excessive miscellaneous charges); and discouraging proper maintenance of rented accommodation by landlords. The Administration remained of the view that implementing tenancy control measures in the midst of tight housing supply might be counterproductive, making the grassroots tenants suffer before the benefits could be realized.

Enacting legislation to regulate SDUs

13. Some Members noted with concern that in buildings where there were a large number of SDUs, residents often encountered problems of environmental hygiene, law and order, building structure and fire safety. These Members considered it necessary to enact legislation to regulate SDUs.

14. The Administration advised that even though the Long Term Housing Strategy ("LTHS") Steering Committee's public consultation document had put forward a suggestion to introduce a licensing or landlord registration system to regulate SDUs, the Administration noted that the community had expressed considerable reservations over the suggestion during the LTHS public consultation exercise. There were concerns that a licensing or landlord registration system would reduce the supply of SDUs and drive up the rents of SDUs, thus causing further hardship to SDU tenants. There were also concerns that a loose licensing or landlord registration system would compromise the safety of SDU tenants and residents living in the same buildings. Some property owners who were not SDU landlords were also concerned about the structural safety, environmental hygiene and building management of buildings with a large number of SDUs. In view of the concerns expressed by the community, the Administration had no plan to introduce a licensing or landlord registration system for SDUs. However, it would continue to take enforcement actions against irregularities relating to building and fire safety.

Recent developments

15. On 11 April 2017, Hon SIU Ka-chun wrote a letter to the Panel Chairman requesting that a public hearing be held on the short and medium-term measures to alleviate the housing difficulties of residents of sub-divided units. The Panel will receive deputations' views on and discuss with the Administration the subject at the meeting on 3 July 2017.

Relevant papers

16. A list of relevant papers is set out in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
29 June 2017

**Short and medium-term measures to alleviate the housing difficulties
of residents of sub-divided units**

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Housing	24 July 2014	Minutes of meeting (LC Paper No. CB(1)286/14-15)
Panel on Housing	--	Administration's consolidated response to follow-up actions arising from Panel meetings (CB(1)1915/13-14(02))
Panel on Housing	5 January 2015	Minutes of meeting (LC Paper No. CB(1)482/14-15)
Panel on Housing	6 July 2015	Minutes of meeting (LC Paper No. CB(1)1263/14-15)
Panel on Housing	9 January 2017	Minutes of meeting (LC Paper No. CB(1)628/16-17)
Panel on Housing	3 July 2017	Administration's paper on short and medium-term measures to alleviate the housing difficulties of residents of sub-divided units (LC Paper No. CB(1)715/16-17(01))

Hyperlinks to relevant Council Questions:

Date	Council Question
29 March 2017	Council question by Dr Hon Priscilla LEUNG