

Long Term Housing Strategy Annual Progress Report 2019

PURPOSE

This paper sets out the latest progress of key aspects of the Long Term Housing Strategy (LTHS) as at December 2019.

BACKGROUND

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

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

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

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

4. This annual exercise serves as an important policy tool to enable the Government to continually plan ahead on developing land and housing, in order to meet the housing needs of the community over the long term. Whether we can identify adequate land to meet the supply target depends not only on the efforts of Government departments, but also on factors beyond our control. The relevant work is set out in the ensuing paragraphs.

HOUSING DEMAND PROJECTION

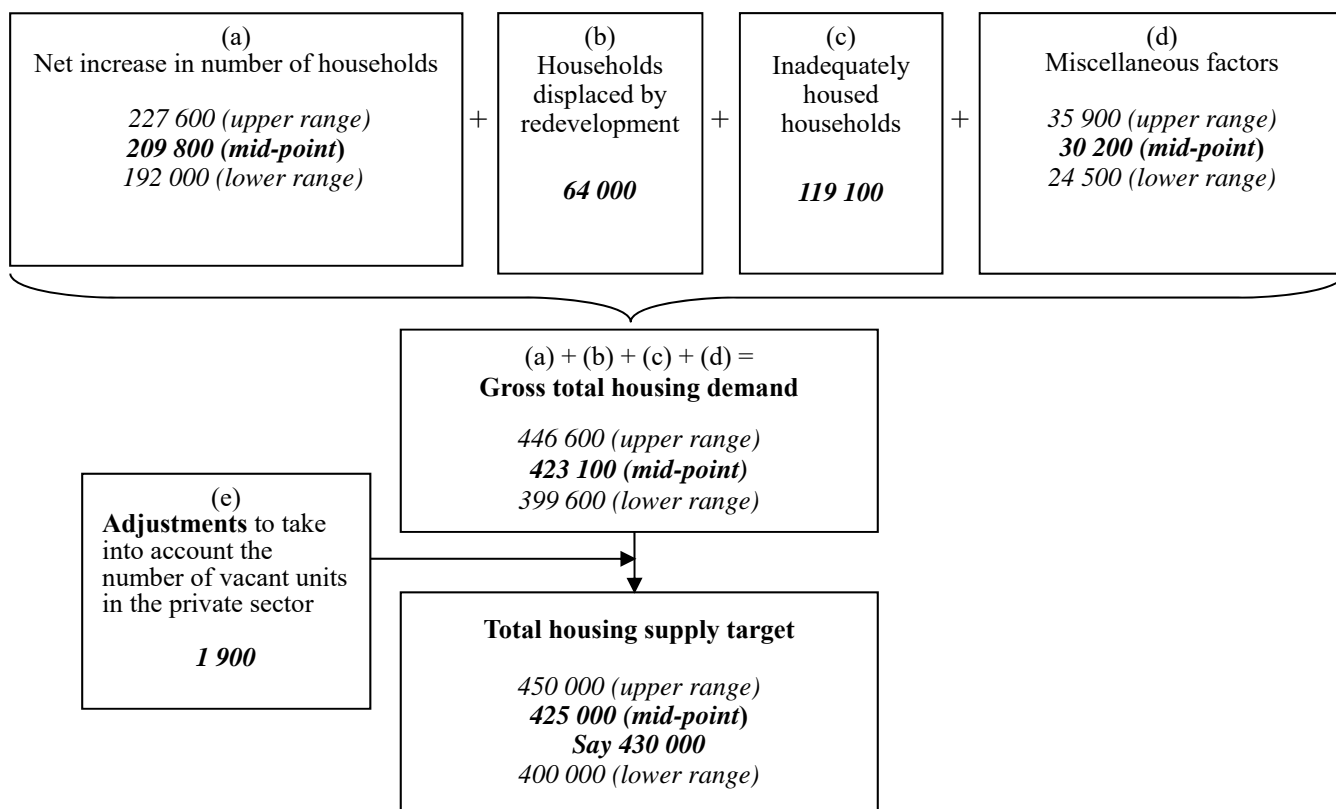
10-year Housing Supply Target

5. Based on the latest projection, the long term housing demand for the 10-year period from 2020-21 to 2029-30 ranges from 399 600 to 446 600 units, with the mid-point being 423 100 units. Adding to that a margin for vacancy of private flats¹, the 10-year total housing supply target should range from 400 000 to 450 000 units, with the mid-point being 425 000 units. This is rounded up to **430 000 units** to be adopted as the **total housing supply target for the 10-year period from 2020-21 to 2029-30**. This target is 20 000 units fewer than the supply target of 450 000 units for the 10-year period from 2019-20 to 2028-29 as announced in 2018. This is mainly owing to a reduction in the net increase in the number of households, which is independently assessed by the Census and Statistics Department (C&SD) based on its latest domestic household projections²; and a reduction in vacancy adjustment in private housing having regard to the Rating and Valuation Department's relevant data.

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

¹ Details are set out in paragraphs 17 – 18 at Annex.

² The domestic household projections are conducted by C&SD independently after each Population Census/By-census and once during the intercensal period. The latest domestic household projections, which are based on the set of 2016-based population projections, are available on C&SD's website (<https://www.statistics.gov.hk/pub/B71710FC2017XXXXB0100.pdf>).



Public/Private Split of New Housing Supply

7. Upon review in 2018, we revised the public/private split of new housing supply from 60:40 to 70:30 for the 10-year period from 2019-20 to 2028-29 as set out in the LTHS Annual Progress Report 2018. While the Government has committed to increasing public housing supply substantially to meet the community's demand, we should also ensure the steady and healthy development of private housing. We will therefore continue to adopt the **public/private split of 70:30** for the next 10-year period from 2020-21 to 2029-30. Accordingly, out of the total housing supply target of 430 000 units, the **public housing supply target will be 301 000 units and the private housing supply target will be 129 000 units.**

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

Split within the Public Housing Supply Target

9. The 2018 LTHS projection adopted the split of 70:30 between PRH/Green Form Subsidised Home Ownership Scheme (GSH) and Other SSFs. As demand for all types of public housing has continued to be strong, we will maintain this ratio between PRH/GSH and Other SSFs, such that the public housing supply target of 301 000 units for the 10-year period from 2020-21 to 2029-30 will be broken down into **210 000 units for PRH/GSH** and **91 000 units for Other SSFs**. We will continue to review this split in the annual update under LTHS each year.

Looking Ahead

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

HOUSING SUPPLY PROJECTION

Public Housing

11. As at end-September 2019, the **estimated total public housing production** of the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HKHS) **in the five-year period from 2019-20 to 2023-24** is about **100 700 units**, comprising 74 700 PRH/GSH units and 26 000 Other SSFs. Comparing the above projected housing production with that for the previous four five-year periods (i.e. the five-year periods counting from 2015-16 onwards), there has been a trend of steady increases –

	HA housing production (PRH/GSH + Other SSFs)	HKHS housing production (PRH[^] + SSFs)	Total housing production (PRH/GSH + Other SSFs)
2015-16 to 2019-20	86 400 (72 100 + 14 200)	2 800 (100 + 2 600)	89 200 (72 300 + 16 900)
2016-17 to 2020-21	85 100 (64 000 + 21 100)	2 700 (1 100 + 1 600)	87 800 (65 100 + 22 700)
2017-18 to 2021-22	94 800 (73 400 + 21 300)	2 900 (1 300 + 1 600)	97 700 (74 700 + 23 000)
2018-19 to 2022-23	98 100 (73 400 + 24 600)	2 900 (1 300 + 1 600)	101 000 (74 700 + 26 300)
2019-20 to 2023-24	95 300 (71 700 + 23 700)	5 400 (3 000 + 2 300)	100 700 (74 700 + 26 000)

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

[^] There is no GSH production under HKHS.

12. Assuming that all sites identified for PRH/GSH/Other SSFs by the Government as of now can be smoothly delivered on time for housing development, the estimated **public housing production for the 10-year period from 2020-21 to 2029-30 is about 272 000 units**, which is 24 000 units more than that for the last 10-year period from 2019-20 to 2028-29. While it still falls short of the public housing supply target of 301 000 units (paragraph 7 above) by 29 000 units, the extent of shortfall is much less than the projected shortfall of 67 000 units for the last 10-year period from 2019-20 to 2028-29 as announced in 2018. The increase in the estimated public housing production is mainly because of measures like reclamation (e.g. Tung Chung New Town Extension), development of New Development Areas (NDAs) (e.g. Kwu Tung North/Fanling North NDA) and rezoning of existing land.

Private Housing

13. As for private housing, the supply target of 129 000 units for the 10-year period from 2020-21 to 2029-30 will continue to be met through various land supply sources, including Government land sale, railway property development projects, projects of the Urban Renewal Authority (URA) and private development/redevelopment projects. Based on the latest projection as at end-September 2019, **the estimated supply of first-hand private residential flats for the coming three to four years is about 93 000 units.**

MEASURES TO EXPEDITE/INCREASE HOUSING SUPPLY

14. To meet the strong housing demands of the public, the Government will continue to adopt a multi-pronged approach to increase housing land supply. Furthermore, in respect of public housing, the Government and HA will continue to expedite the supply of different types of public housing, make more effective use of existing/planned public housing resources, and provide transitional housing, etc. As for private residential property market, with the aim of maintaining the healthy and stable development of the private residential property market, the Government has also introduced measures to encourage supply.

Increasing Overall Housing Land Supply

15. The Government would spare no efforts in pressing ahead with various planned initiatives including rezoning of existing land, as well as major development projects such as Tung Chung New Town Extension, Kwu Tung North/Fanling North NDA, Hung Shui Kiu/Ha Tsuen NDA and Yuen Long South Development. The Government is spearheading these projects through land resumption and infrastructure provision. To this end, about 700 hectares (ha) of private land will be resumed, of which some 400 ha expected to be resumed in the next five years, significantly more than the 20 ha resumed in the past five years. These projects are crucial to restoring the imbalance between housing demand and supply over the next 10 years and beyond.

16. Still eyeing on the need to boost short-to-medium term housing supply to meet the keen housing demands of the public, the Chief Executive has unveiled further measures in the 2019 Policy Address, with emphasis on stepped-up Government-led efforts through resumption of private lots suitable for public housing or Starter Homes (SH) development. The Government has been following up actively the following three specific measures announced in the 2019 Policy Address –

- (a) The Planning Department (PlanD) aims to assess, by phases, how many of the 450 ha of brownfield sites which have not been covered by NDAs or other development projects but have relatively higher potential for development would be suitable for public housing. It is targeting to finish the assessment of the 160 ha of brownfield sites that are closer to existing infrastructure and identify suitable sites therein by the end of the year. The Civil Engineering and Development Department (CEDD) will then commence technical studies on the shortlisted sites. The remaining 290 ha of brownfield sites will be covered in PlanD's next stage of review which is scheduled for completion by end-2020;
- (b) PlanD and CEDD are jointly reviewing around 10 private land parcels which have been zoned for high-density housing development in statutory outline zoning plans but without any development plans due to various reasons (e.g. fragmented ownership, infrastructural constraints) to see whether they are suitable for public housing developments. The Government expects to form preliminary views by mid-2020;
- (c) The Government has expedited the studies on the land use and supporting infrastructure of the three urban squatter areas in Cha Kwo Ling Village, as well as Ngau Chi Wan Village and Chuk Yuen United Village, with a view to completing them by end-2020 and end-2021 respectively. Over 7 ha of land is involved in these three developments, and about 10% of which are private land that will be resumed for integrated planning and development of a new community comprising mainly public housing. Subject to final outcomes of the studies, the preliminary estimate is that these three projects can provide

about 6 300 public housing units.

Land Sharing Pilot Scheme

17. Since announcement of the details of the Land Sharing Pilot Scheme (LSPS) in the 2019 Policy Address, the Government has been meeting with stakeholders to listen to their views. LSPS is aimed at tapping the market force in planning and construction, with a view to releasing as soon as possible private lots with consolidated ownership but not yet covered by Government's development studies supporting the use of land intended for public purposes, so as to speed up short- and medium-term housing supply. The Government will facilitate infrastructural improvement to allow higher development intensity and prescribe that at least 70% of the additional gross floor area (GFA) gained should be allocated for public housing or SH as intended by the Government. As such, land owners have to carve out part of their land and hand them over to the Government for the above-mentioned housing development, while the remainder of the site can be retained for private housing development. The project in question should be fairly sizeable and capable of delivering a minimum of 50 000 square metres of additional GFA and a minimum of 1 000 additional housing units. The land owners concerned will be responsible for providing infrastructure and other community facilities necessary to support the housing development projects, and the associated construction cost will be deducted from the land premium. The Government is making every effort to ready the scheme for accepting applications in early 2020.

Redevelopment of Buildings under the Civil Servants' Co-operative Building Society Scheme

18. To fully utilise the permissible plot ratios of land and to increase housing supply, the Government has invited the URA to identify one to two clusters of Civil Servants' Co-operative Building Society Scheme (CBS) lots suitable for high-density development for redevelopment as a pilot project, with a view to bringing planning and social gains and creating positive impacts on the local community. In this connection, URA has already identified two clusters of sites, involving more than 30 CBS buildings in Kowloon City suitable for redevelopment as a pilot project. URA plans to announce in early 2020 the commencement of the redevelopment of these buildings to maximise

the development potential of the concerned sites. Some of the resumed land will be earmarked for public housing development, and the total number of public and private flats after redevelopment is estimated to be about five times the existing number.

Increasing/Expediting Public Housing Supply

19. To expedite the supply of public housing, the Government implemented a number of policies and measures in recent years –

- (a) allowed a further increase of domestic plot ratio for public housing sites in selected Density Zones of the Main Urban Areas and New Towns by 10% (i.e. up to maximum 30% increase in total) where technically feasible, with a view to optimising land resources and maximising public housing supply in the short and medium terms;
- (b) re-allocated nine private housing sites at Kai Tak and Anderson Road Quarry for public housing development, which are expected to provide some 11 000 units; and
- (c) revised the land premium arrangement for subsidised housing projects of HKHS, enabling the latter to continue to provide rental units and SSFs and implement the re-development programme of aged rental estates on a financially sustainable basis.

20. Furthermore, HA is also exploring means to expedite the development process where practicable. HA will continue to closely liaise with relevant Government bureaux and departments at early planning stage to ensure timely availability of sites and supporting infrastructure; enlist local support by strengthening the communication with District Councils, local communities and other stakeholders so as to enhance the planning, layout, design and supporting facilities of public housing projects; and optimise the use of every site through site-specific design.

21. Looking ahead, the 2019 Policy Address has announced a number of measures to increase/expedite the supply of public housing and enrich the housing ladder, as set out in the ensuing paragraphs.

Exploring the feasibility of redeveloping HA's factory estates for public housing

22. The Government is currently undertaking the legislative process of the Fire Safety (Industrial Buildings) Bill for improving the fire safety standards of industrial buildings constructed before 1987. HA's six factory estates, with a total of about 8 000 units, will be regulated under this new ordinance. By HA's estimation, the fire safety improvement works required after the enactment of the Bill would be extensive, costly and lengthy, which would inevitably affect the business operation of the tenants. HA will take this opportunity to actively explore the feasibility of redeveloping individual factory estates as appropriate for public housing use, particularly to increase the supply of PRH units, taking into account individual site conditions and arrangements. HA has already commenced the preliminary assessments progressively, and will announce the results and recommendations upon completion of the study in due course.

Expediting the sale of HOS and GSH flats at affordable price

23. Upon the Government's announcement of resumption of HOS in 2011, HA has put up around 16 000 HOS flats³ and HKHS has made available over 2 600 SSFs for pre-sale. As regards GSH which aims to help better-off PRH households move up the housing ladder and at the same time releasing more PRH units for re-allocation to those with pressing needs, HA has put up around 3 400 units for pre-sale since the GSH pilot in 2016. The GSH has been subsequently regularised in 2018. The next GSH project involving 3 700 units will be launched for application by the end of December 2019.

24. Based on the revised pricing mechanism which adopts the affordability

³ Including HA's Sale of HOS Flats in 2014, 2016, 2017, 2018 and 2019.

of applicants as the basis⁴, flats for the Sale of HOS Flats 2019 are sold at 59% of the assessed market value (41% discount). As previously endorsed by HA, the discount for GSH would be fixed at 10% more than that determined for the preceding HOS sale exercise. As a result, flats for the Sale of GSH Flats 2019 are sold at 49% of the assessed market value (51% discount).

25. It is expected that as many as 12 000 HOS and GSH flats will be put up for sale in 2020 to meet the home ownership aspirations of the public as soon as possible. By experience, HA may be able to decide on the developments to be put up for pre-sale under HOS 2020 in the first half of 2020 and those under GSH 2020 in the fourth quarter of 2020.

Accelerating the sale of unsold Tenants Purchase Scheme (TPS) flats

26. TPS was introduced in early 1998 and terminated in 2005. At present, among the 180 000 flats roughly in the 39 TPS estates, there are about 42 000 unsold flats (23%). HA is making active preparations to accelerate the sale of these flats, so as to meet the home ownership aspirations of PRH tenants and solve the estate management and maintenance problems in TPS estates arising from mixed ownership.

27. A number of options can be explored, including putting up for sale the about 1 200 PRH units recovered from TPS tenants annually, which would have been used for rental purpose⁵; and providing a greater incentive to the TPS flat sitting tenants to buy their own flats. The Panel on Housing of the Legislative Council (LegCo) would be consulted in the first quarter of 2020 on proposed possible measures to accelerate the sale before HA decides on the way forward.

Launching the second SH pilot project for Hong Kong residents

28. SH aims to help higher-income families which are not eligible for HOS

⁴ Under the revised pricing mechanism introduced in June 2018, the affordability test is as follows –
(a) using the median monthly household income of non-owner occupier households (instead of the income limit of White Form family applicants) as the reference point; and
(b) ensuring at least 75% of HOS flats (instead of at least 50%) available for sale in the same batch are affordable.

⁵ Under the current policy, PRH flats recovered from TPS estates will be re-allocated to PRH applicants.

and yet cannot afford private housing to meet their home ownership aspiration in the face of persistently high property prices. In order to test out the SH concept earlier, the Government invited URA in June 2018 to assign its redevelopment project at Ma Tau Wai Road as the first SH pilot project. URA put up 450 SH units for pre-sale at 62% of their assessed market values, with an over-subscription rate of 45 times. All units were sold in June 2019.

29. In view of the public's strong demand for SH units and positive response in the community to the SH concept, the Government has decided to implement the second SH pilot project by putting up a site on Anderson Road in Kwun Tong⁶ for sale to test out the arrangements of enlisting private developers to provide SH units. The developer will be required under land sale conditions to pursue mixed development in the site, and offer about 1 000 SH units for sale at below-market prices to eligible applicants specified by the Government in addition to building private housing units. We will draw reference from the Ma Tau Wai Road pilot project in formulating the eligibility criteria and alienation restrictions. We plan to put up the site for sale and announce the project details in the first quarter of 2020.

More SH from URA projects

30. In light of the successful implementation of its first SH project, the Government will entrust URA with a new mission, inviting URA to provide more SH or other types of SSFs in its redevelopment projects. The Government will provide resources as appropriate to enable URA to continue carrying out its urban renewal mission.

More Effective Use of Public Housing Resources

31. In addition to increasing public housing supply, it is important to promote rational and effective use of public housing resources. The following schemes have been introduced to this end.

⁶ The site on Anderson Road was originally planned for developing private residential units. The Chief Executive's 2017 Policy Address announced that the site has been reserved for launching SH pilot project.

Trial Scheme for Full Rent Exemption for Elderly Under-occupation Households

32. HA launched a one-year trial scheme on 16 December 2019, whereby under-occupation households with all family members aged 70 or above can choose to move to smaller units and enjoy lifetime full rent exemption. This initiative aims to provide a rent-free housing option for such all-elderly households to transfer to new or refurbished units, and to save living expenses. Furthermore, this initiative will help increase the supply of larger units for allocation to households awaiting PRH allocation with more family members. 300 PRH units will be allocated for the scheme on a first-come-first-served basis during the trial period.

Flat-for-Flat Pilot Scheme for Elderly Owners

33. To further promote the circulation of SSFs, the Government has facilitated HKHS to launch a “Flat-for-Flat Pilot Scheme for Elderly Owners” on a trial basis. Under the Pilot Scheme, eligible elderly owners of HKHS’ SSFs with premium not yet paid can sell their original flat and then buy a smaller one in HA’s or HKHS’ Secondary Market. This Pilot Scheme aims to provide eligible elderly owners with a choice to move into SSFs which suit their needs better (e.g. a flat closer to where their children live for support and care), while vacating larger SSFs for eligible families in need of more living space. HKHS has started receiving applications since 14 October this year.

Letting Scheme for Subsidised Sale Developments with Premium Unpaid (Letting Scheme)

34. HKHS launched the Letting Scheme in September 2018 on a pilot basis, allowing the owners of its SSFs with premium unpaid, who have owned their flats for 10 years or more, to let part of their flats to eligible PRH applicants. In July 2019, HA decided to join HKHS’ enhanced Letting Scheme on a trial basis, allowing eligible owners of HA’s SSFs to let their flats with premium unpaid to eligible PRH applicants as well. Currently, around 340 000 HA owners have owned their flats with premium unpaid for 10 years or more. The enhanced Letting Scheme opened for applications by eligible owners and tenants from 18 November and from 9 to 20 December 2019 respectively. HA

and HKHS will conduct a mid-term review of the effectiveness of the Letting Scheme in the light of operational experience after one year of operation.

Increasing the annual quota for the White Form Secondary Market Scheme (WSM)

35. To address the home ownership aspiration of the public, WSM was regularised in November 2017⁷. The quota for WSM 2018 was 2 500, while that for WSM 2019 was increased to 3 000. In view of the continuing and ardent demand of White Formers for SSFs, the Chief Executive suggested in the 2019 Policy Address that HA should further raise the annual quota of WSM in 2020. Based on past practices, it is anticipated that HA will have a discussion on issues relating to WSM (e.g. the level of demand of WSM, its utilisation, etc.) in the first half of 2020. HA will decide on the annual quota for WSM 2020 accordingly.

Transitional Housing

36. Since it takes time to identify land for increasing housing supply, the Government will support and facilitate the implementation of various short-term initiatives on transitional housing to alleviate the hardship faced by families awaiting PRH and the inadequately housed. The Chief Executive announced in the 2019 Policy Address to increase the number of transitional housing projects substantially to provide a total of 10 000 such units within the next three years to relieve the pressure of families living in unpleasant conditions and those waiting for PRH for a long time. The provision set aside by the Government for transitional housing will increase from the \$2 billion announced earlier to \$5 billion. The Task Force on Transitional Housing (Task Force) submitted the detailed arrangement of the Funding Scheme to the LegCo Panel on Housing on 4 November 2019. It is anticipated that the funding

⁷ To address the home ownership aspirations of White Form applicants, HA launched two rounds of an interim scheme to allow White Form buyers to purchase SSFs with premium unpaid in 2013 and 2015 respectively. Over 4 000 White Form buyers achieved home ownership as a result. In November 2017, HA reviewed the interim scheme and decided to regularise it as WSM to provide more opportunities for White Form buyers to purchase SSFs with premium unpaid.

proposal of the Funding Scheme will be submitted to the LegCo Finance Committee by the first quarter of 2020.

37. The Task Force has earlier announced the provision of a total of over 6 000 units in three phases. The first phase, which includes the Community Housing Movement, commenced in 2017. Up to now, about 620 units have been provided in existing residential buildings, benefiting about 1 000 families. In the second phase, provision of about 960 units was announced, with intake of residents yet to commence.

38. Projects which provide approximately 4 500 units in the third phase were also announced at the “Symposium on Connecting and Co-creating of Transitional Housing” in early November 2019. These projects include those to be participated by the private developers, the Hong Kong Construction Association, etc. Together with those 1 580 units with resident intake completed or projects announced in the first and second phases (paragraph 37), the three phases will provide over 6 000 units in total.

39. The Task Force is planning several large-scale transitional estates on some larger Government and private land, and has obtained support from professional construction organisations (including the Hong Kong Construction Association, URA and HKHS) to provide professional advice and project management support to the proposing community organisations. Subject to the progress with relevant procedures and local views, and taking into account the 6 000-odd units being occupied or having been announced, it is estimated that about 10 000 transitional housing units can be provided in three years.

Healthy and stable development of the private residential property market

40. Maintaining the healthy development of the private residential property market remains one of the policy objectives of the Government. To achieve this objective, the Government will continue to adopt a two-pronged approach. Aside from securing land supply to meet demand for housing, we at the same time implement measures as and when necessary to minimise various adverse consequences that may arise from an overheated market.

41. The Government announced on 29 June 2018 its proposal to introduce **Special Rates on vacant first-hand residential units** by amending the Rating Ordinance, so as to encourage more timely supply of these units. The Government introduced the Rating (Amendment) Bill 2019 into the LegCo for scrutiny on 23 October this year.

42. In view of the overheated property market in recent years owing to severe housing demand-supply imbalance and the ultra-low interest rates environment with abundant liquidity, the Government has introduced several rounds of demand-side management measures, including the Special Stamp Duty, Buyer's Stamp Duty, Doubled ad valorem Stamp Duty, and New Residential Stamp Duty, so as to combat short-term speculative activities, curb external demand and reduce investment demand. Given that local property prices continue to stay out of line with economic fundamentals, the Government has to maintain the various demand-side management measures to guard against further increase in the risk, and to ensure the healthy development of the property market. The Government will remain vigilant and continue to monitor property market movements and the evolving external conditions.

Transport and Housing Bureau
December 2019

Housing Supply Target Projection for the 10-year Period from 2020-21 to 2029-30

Gross Housing Demand Projection

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

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

A. Net increase in the number of households (209 800 units)

2. The trend-based domestic household projections by the Census and Statistics Department (C&SD) form the basis of assessing the overall housing demand from the net increase in the number of households. Based on the latest domestic household projections published by C&SD in September 2017², the net increase in the number of households from mid-2020 to mid-2030 is

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

² The domestic household projections are conducted by C&SD after each Population Census/By-census and once during the intercensal period. The latest set of domestic household projections was published by C&SD in September 2017, based on the set of population projections from 2017 to 2066 and the results of the 2016 Population By-census (16BC).

about **209 800** units. This is adopted for the 10-year period from 2020-21 to 2029-30.

3. In line with previous projection exercises, an econometric modelling exercise has been conducted to estimate possible changes to household formation under different economic performance (as proxied by real Gross Domestic Product (GDP) growth rate) and housing market situations (as proxied by vacancy rate of private flats). According to the econometric modelling exercise, it is estimated that the net increase in households ranges from 192 000 to 227 600, representing a +/- **8.5%**³ from C&SD's domestic household projection of 209 800.

B. Households displaced by redevelopment (64 000 units)

4. Households displaced by redevelopment of old buildings in the public and private sectors have to be rehoused, thus generating new housing demand on top of the net increase in the number of households. Taking into account redevelopment need of public housing units under the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HKHS), as well as past trends in the private housing sector, a provision of about **64 000** units is made for households displaced by redevelopment for the 10-year period from 2020-21 to 2029-30, with breakdown as follows –

³ According to the econometric model, the number of households formed is higher when local macroeconomic performance is better or the housing market is less tight. As a working assumption, it is assumed as the base case that the real GDP growth in the next 10 years will average around 2.9% per annum. For the private domestic vacancy rate in the next 10 years, it is assumed to be the average rate over the past 10 years from 2009 to 2018 (4.1%).

To work out a lower limit of households formed, it is assumed that the real economic growth and the private domestic vacancy rate would be 1% point lower than the base case. Under this lower case scenario, the household formation in the next 10 years would be around 8.5% lower than the base case. Therefore, with C&SD's projected household formation of 209 800 units as the base case, the lower limit is 192 000.

To work out an upper limit of households formed, it is assumed that the real economic growth and the private domestic vacancy rate would be 1% point higher than the base case. Under this upper case scenario, the household formation in the next 10 years would be around 8.5% higher than the base case. Therefore, with C&SD's projected household formation of 209 800 units as the base case, the upper limit is 227 600.

Redevelopment programmes	Number of units
(a) <u>Redevelopment of public housing units</u> (based on the estimated number of public housing units to be redeveloped by HA and HKHS in the next 10 years from 2020-21 to 2029-30)	24 000
(b) <u>Redevelopment of private units</u> (based on past trend of private flats demolished from 2014 to 2018)	40 000
Total = (a) + (b)	64 000

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

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

6. The estimated number of public housing units under known redevelopment programmes in the next 10 years is **13 700**⁴ (paragraph 5(a)(i)).

⁴ Based on the known redevelopment programmes under HA and HKHS, the housing demand for 13 700 units in the 10-year period from 2020-21 to 2029-30 arises from the following redevelopments: (a) 1 950 units in HA's Pak Tin Estate; (b) 600 units in HA's Mei Tung Estate (Mei Tung House and Mei Po House); (c) 6 400 units in HA's Wah Fu Estate; (d) 1 430 units in HKHS' Ming Wah Dai Ha, (e) 910 units in HKHS' Yue Kwong Chuen; (f) 910 units in HKHS' Kwun Tong Garden Estate; (g) 1 100 units in HKHS' Chun Seen Mei Chuen; and (h) 400 units in HA's Shek Lei Interim Housing.

Drawing reference from the demolition rate of 15.6%⁵ for private residential units aged 50 years and above over a period of 10 years from the Rating and Valuation Department (RVD)'s data, it is estimated that the additional housing demand from public rental estates aged 50 years and above would be **10 300** units (about 15% of the 68 800 units in question)⁶ by the end of the 10-year projection period (paragraph 5(a)(ii)). Accordingly, the estimated total number of public housing units to be redeveloped in the 10-year period from 2020-21 to 2029-30 is 24 000 (= 13 700 under paragraph 5(a)(i) + 10 300 under paragraph 5(a)(ii)).

7. The number of public housing units demolished in the past 10 years (from 2009-10 to 2018-19) was 12 100 units (paragraph 5(b)). In accordance with the methodology set out in paragraph 5, the higher of the two figures in paragraphs 5(a) and 5(b), i.e. **24 000** units, has been adopted to be the estimated housing demand arising from public housing redevelopment from 2020-21 to 2029-30.

8. For the projection for housing demand arising from redevelopment of private units (i.e. paragraph 4(b) above), as in last year's LTHS update, based on past trend from 2014 to 2018, it is estimated that the number of households displaced by private housing redevelopment in the projection period will be

⁵ According to RVD's data, there were about 1 090 600 private domestic units in Hong Kong as at the end of 2009, of which about 36 000 units were built before 1960 (i.e. having reached age 50 in 2010). In each of the years of 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018, about 390, 430, 800, 580, 850, 810, 500, 430 and 260 units which were built before 1960 were demolished respectively. In other words, an average of 561 units per year is demolished in these nine years. Assuming this trend would continue for the coming year, the number of units which have reached age 50 in 2010 and would be demolished in the 10-year period from 2010 to 2019 would be 5 610 units (= 561 x 10), accounting for about 15.6% of the total stock. We have further applied this demolition rate in the projection for the period from 2020-21 to 2029-30.

⁶ There will be 68 800 units in 26 public rental estates (20 under HA and 6 under HKHS) aged 50 years and above in the coming 10 years which are not yet on the redevelopment timetable. Therefore, the estimated number of households to be displaced by public redevelopment in these estates will be 10 300 (= 68 800 x 15%).

40 000⁷.

C. Inadequately housed households (IHHs) (119 100 units)

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

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

10. In respect of category (a), based on the results of the 2016 By-Census (16BC) and the trend data as observed from the Population Censuses/By-censuses, it is estimated that there were about **21 200** households living in temporary structures in 2018. According to the 16BC, there were **5 600** households living in non-residential buildings (category (b)) and **5 800** households living in shared units (category (c)).

⁷ From 2014 to 2018, the average number of private flats demolished was about 2 000 per year. As regards the number of households displaced by private redevelopment, there may be more than one household in a unit in older private buildings, and this should be taken into account in the projection. However, there is currently no reliable data to come up with this projection. The only benchmark from which we can make reference is the Urban Renewal Authority (URA)'s data. According to URA's data from its urban redevelopment projects commencing between 2014-15 and 2018-19, there were on average about two households living in each private unit demolished/to be demolished. Therefore, it is estimated that the number of households displaced by redevelopment in the projection period will be 40 000 (= 2 000 x 2 x 10).

11. Regarding category (d), the number of households living in SDUs is estimated to be 96 400 based on the trend data from the results of the 16BC and past thematic household surveys on SDUs, as well as relevant information on the construction and demolition of buildings. Applying the demolition rate of private residential units aged 50 years and above (see footnote 5 under paragraph 6) to the number of households living in SDUs located in private buildings aged above 50 years (i.e. 63 700 units), it is estimated that about 9 900 households (= 63 700 x 15.6%) are living in SDUs which would be redeveloped in the next 10 years. To avoid double counting the households displaced by private housing redevelopment, the 9 900 units should be deducted. Accordingly, the estimated demand from households living in SDUs will be about **86 500** units (= 96 400 – 9 900).

12. Given the varied standards and living conditions of shared units and SDUs, not all households living there are necessarily inadequately housed. Besides, a unit shared by two or more households or subdivided into two or more units may be able to provide adequate housing for one household if it is not shared or subdivided. In other words, there may not be a need to provide adequate housing to all the households living in a shared unit or an SDU. Nevertheless, taking a conservative approach, we have continued to include all these households in this year’s housing demand projection.

13. Summing up the above components, the estimated number of IHHs is **119 100**, with the following breakdown –

	Category of IHHs	Estimated number
(a)	Households living in units made up of temporary structures	21 200
(b)	Households living in non-residential buildings	5 600
(c)	Households sharing the same unit with other households	5 800
(d)	Households living in SDUs	86 500
	Total	119 100

D. Miscellaneous factors (30 200 units)

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

- (a) private permanent living quarters occupied by households with mobile residents⁸ only

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

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

The estimated housing demand is **730** units each year, having regard to the average increase of about 2 670 student visas each year from 2009-10 to 2018-19; about 55% of these students (including undergraduates and postgraduate students) are not living in residential halls/hostels provided by post-secondary institutions according to information from the Education Bureau and the University Grants Committee; as well as the assumption that on average two non-local students will be sharing one housing unit; and

- (c) buyers from outside Hong Kong who may purchase flats without channelling them back to the market⁹ (i.e. not selling or leasing out their units)

Drawing reference from statistics of the Inland Revenue Department (IRD) and RVD, it is estimated that the housing demand from such buyers ranges from 1 020 to 2 160 units per year, i.e. a mid-point of

⁸ Mobile residents refer to Hong Kong permanent residents who have stayed in Hong Kong for at least one month but less than three months during the six months before or after the reference time-point, regardless of whether they are in Hong Kong or not at the reference time-point.

⁹ Although these units are bought by non-local buyers without being channelled back to the market, this does not imply that they are vacant units. These units may be occupied by owners as residence, second home, vacation home or for other purposes.

about **1 590** units per year¹⁰.

15. Assuming that the above past trends will continue in the next 10 years, the estimated additional housing demand arising from miscellaneous factors is 3 020 units per year (= 700 + 730 + 1 590), or **30 200** units over the 10-year period from 2020-21 to 2029-30, with an upper and lower range of 35 900 and 24 500 units respectively.

Gross total housing demand (423 100 units)

16. Taking the above four demand components together, the estimated gross total housing demand for the 10-year period from 2020-21 to 2029-30 is **423 100** units, being the mid-point between the upper and lower ranges of 446 600 and 399 600 units respectively for the 10-year projection period from 2020-21 to 2029-30.

Vacancy adjustment in the private housing sector (1 900 units)

17. As there are always a certain number of flats left vacant in the private housing sector at any point in time, the vacancy situation needs to be taken into account when setting the total housing supply target. In accordance with the established methodology under LTHS¹¹, the total housing supply target is

¹⁰ Using the average annual stamped transactions in 2009 to 2018 (86 190 cases as provided by IRD) as a rough indication, the purchases by non-local buyers would be around 4 310 cases per year as the upper range (on a crude assumption that about 5% of purchases were by non-local buyers) and 1 360 cases per year as the lower range (on a crude assumption that about 1.58% of purchases were by non-local buyers) in the coming 10 years. Applying the ratios of purchases by non-local buyers which would eventually be owner-occupied or left vacant, the projected demand from non-local buyers who may purchase flats without channeling them back to the market is around 2 160 units per year at the upper range (assuming 50% of non-local buyers' purchases would fall under this category) and 1 020 units at the lower range (assuming 75% of non-local buyers' purchases would fall under this category) in the coming 10 years, and the mid-point is about 1 590 units per year.

¹¹ Paragraph 3.1 of LTHS states that, "The results of the long term housing demand projection form the basis for deriving the ten-year housing supply target. In addition, there are always a certain number of flats left vacant in the private sector at any point in time. The number of vacant units at the beginning of the projection period, as well as the past average vacancy rate in the private sector, are taken into account together with the projected gross total housing demand over the next ten years in projecting the ten-year housing supply target..."

derived by **adding a vacancy adjustment** to the gross total housing demand to take into account the vacancy situation in the private housing sector. The vacancy adjustment (which is the **change** in the estimated number of vacant private housing units over the projection period) is the difference between the number of vacant units at the beginning of the projection period and the estimated number of vacant units at the end of the projection period.

18. With reference to RVD’s data on the number of vacant units at the beginning of the projection period (about 51 400 units¹²) and the average vacancy rate in the private housing sector in the past 10 years (i.e. 4.1% from 2009 to 2018), the vacancy adjustment for the 10-year projection period from 2020-21 to 2029-30 is **1 900** units (= 53 300 – 51 400)¹³.

Total housing supply target

19. Upon taking into account the above vacancy adjustment in the private housing sector, the projected total housing supply target in the next 10 years so derived ranges from 400 000 to 450 000 units, with the mid-point being 425 000 units. Details are summarised below –

¹² Based on RVD’s latest available data (i.e. as at end-2018).

¹³ The projection methodology of vacancy adjustment is summarised as follows –

Estimated total number of = private housing units at the end of projection period	X	Average vacancy rate	–	Actual number of vacant units at the beginning of projection period
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$$= 1\,300\,000 \text{ units} \times 4.1\% - 51\,400 \text{ units} = 1\,900 \text{ units}$$

