Long Term Housing Strategy
Annual Progress Report 2016

Purpose

This paper sets out the up-to-date implementation progress of key aspects of the Long Term Housing Strategy (LTHS) as at December 2016.

Background

2. The Government formulated LTHS after deliberation of the LTHS Steering Committee and a three-month public consultation. LTHS was announced in December 2014, which establishes three major strategic directions in order to gradually avert the current supply-demand imbalance –

(a) to build more public rental housing (PRH) units and to ensure the rational use of existing resources;

(b) to provide more subsidised sale flats, expand the forms of subsidised home ownership and facilitate market circulation of existing stock; and

(c) to stabilise the residential property market through steady land supply and appropriate demand-side management measures, and to promote good sales and tenancy practices for private residential properties.

3. According to LTHS, the Government updates the long term housing demand projection annually and presents a **rolling ten-year housing supply target** in order to capture social, economic and market changes over time and to make timely adjustment where necessary. This supply target is not determined according to the supply of land already identified by the Government. Instead, the supply target which can satisfy the housing demand is projected purely based on objective data of different demand components and the target will serve as a planning guide for the Government to identify land for housing development.

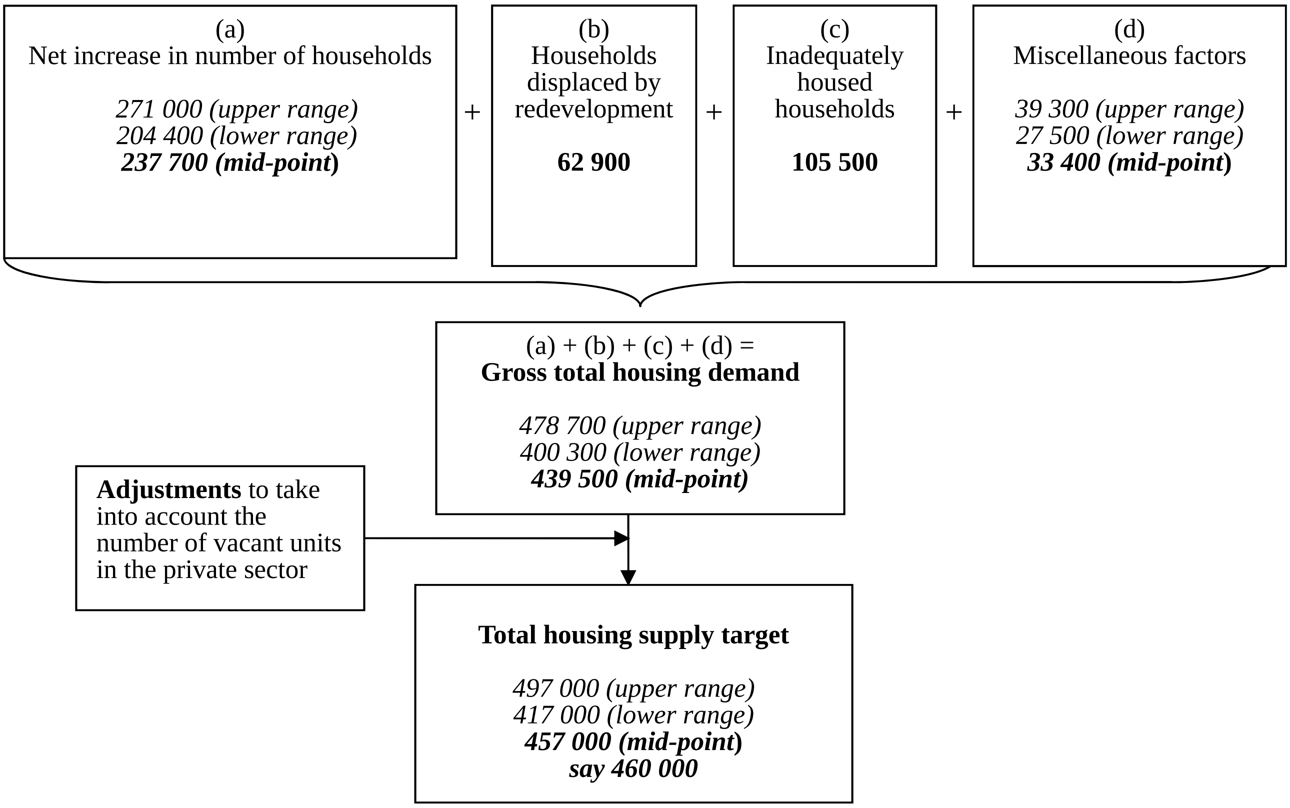
4. This annual exercise serves as an important policy tool to enable the Government to plan ahead on a continuous basis by finding land for housing development according to the supply target, in order to meet the housing need of the community over the long term. On the other hand, whether we can identify adequate land to meet the supply target depends not only on the efforts of relevant Government departments, but also on factors which are beyond our control. The relevant work and challenges confronting us are set out in the ensuing paragraphs.

Annual updating of the long term housing demand projection and the Ten-year supply target

Latest projection

5. Based on the latest projection, the long term housing demand for the ten-year period from 2017-18 to 2026-27 ranges from 400 300 to 478 700 units, with the mid-point being 439 500 units. Adding to that a margin for vacancy of private flats[1], the ten-year total housing supply target should range from 417 000 to 497 000 units, with the mid-point being 457 000 units, rounding off to **460 000 units** as the **total housing supply target for the ten-year period from 2017-18 to 2026-27**. The projection results are set out in detail at **Annex**, and summarised in the following diagram –

[1] Based on about 42 040 vacant private residential units as at end-2015, and the average vacancy rate of about 4.5% from 2006 to 2015.



Split between public and private housing

6. To underline the Government's commitment in increasing public housing supply while ensuring the stable and healthy development of the private market, we will **continue to maintain the public / private split of 60:40 for the supply of new housing units** for the ten-year period from 2017-18 to 2026-27, i.e. the public housing supply target will be 280 000 units and the private housing supply target will be 180 000 units. In order to balance the continued demand of the grassroots for PRH and the home ownership aspirations of low-to-middle income families, of the 280 000 public housing units, we will maintain **the target of providing 200 000 PRH units and 80 000 subsidised sale units**.

Looking ahead

7. The projection model for deriving the rolling ten-year total housing supply target involves many variables. Therefore, we have to keep in view the evolving objective environment every year. The Population By-census conducted by the Census and Statistics Department (C&SD) in 2016 will update the domestic household projections and other variables derived from the last

Population Census, which will be reflected in next year's updating of the ten-year housing supply target.

Housing land supply and flat production

Latest position

Public housing

8. Based on the latest information, the total public housing production of the Hong Kong Housing Authority (HA) and Hong Kong Housing Society (HS) in the five-year period from 2016-17 to 2020-21 is about **94 500 units**, comprising 71 800 PRH units and 22 600 subsidised sale flats. **The total housing production is higher than the estimated housing production figures of the previous four five-year periods** (i.e. the five-year periods counting from 2012-13, 2013-14, 2014-15 and 2015-16), **and is showing a steady increase**[2] –

	HA housing production (PRH + subsidised sale flats)	HS housing production (PRH + subsidised sale flats)	Total housing production (PRH + subsidised sale flats)
2012-13 to 2016-17	67 700 (64 700 + 3 000)	1 100 (100 + 1 000)	68 900 (64 900 + 4 000)
2013-14 to 2017-18	71 600 (68 400 + 3 300)	1 100 (100 + 1 000)	72 800 (68 500 + 4 300)
2014-15 to 2018-19	79 300 (69 400 + 9 800)	2 100 (100 + 2 000)	81 400 (69 600 + 11 800)
2015-16 to 2019-20	89 400 (73 200 + 16 200)	3 700 (1 100 + 2 600)	93 100 (74 300 + 18 800)
2016-17 to 2020-21	91 700 (70 700 + 21 000)	2 700 (1 100 + 1 600)	94 500 (71 800 + 22 600)

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

[2] Part of the housing production in 2016-17 includes figures from the slippage of around 9 000 flats from 2015-16 due to reasons including labour shortage and Water Supplies Department's new inspection requirements introduced since 2015.

9. On land supply for public housing, as of now, **assuming that all sites identified can be smoothly delivered on time for housing development, the Government has identified land for the construction of about 236 000 public housing units for the ten-year period from 2017-18 to 2026-27**. **There is a gap with the ten-year supply target.**

Private housing

10. As for private housing, the supply target of 180 000 units for the ten-year period from 2017-18 to 2026-27 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 2016, **the projected supply of first-hand private residential property market for the coming three to four years is about 93 000 units**.

Measures to expedite/increase overall housing land supply

Short to medium term

11. Delivering the ten-year housing supply target is undeniably a huge challenge for both the Government and the community. There is no easy or painless option to increase or to expedite land supply in the short run. The most immediate and effective way to augment housing land supply in the short to medium term is to make more optimal use of the developed areas in the existing urban areas and new towns, as well as nearby land in the vicinity of existing infrastructures, through land use reviews and increasing development intensity where planning terms permit. These are already being pursued in full steam by the Government under its multi-pronged approach to increase land supply.

Land use reviews

12. The Planning Department (PlanD) has been conducting land use reviews to examine Government land which is currently vacant, under short

term tenancies, or under different short-term, “Government, Institution or Community” (G/IC) and other Government uses, as well as Green Belt (GB) sites. With these efforts, as announced in the 2014 Policy Address, we have identified in total **some 150** potential housing sites, most of which we aim to make available for housing development in the five years of 2014-15 to 2018-19 for providing over 210 000 flats (with over 70% for public housing), subject to timely amendments to their respective statutory plans for change of land use and / or increase in development intensity.

13. Among the said some 150 potential housing sites, there are about 70 GB sites with a total area of over 150 hectares (ha) (only about 1% of the total area of land zoned GB over the whole territory) which are considered appropriate to be rezoned for residential use, and are capable of providing over 80 000 public and private housing units (with over 70% for public housing). Albeit vegetated, these GB sites have relatively low conservation value and buffering effect. As these sites are close to supporting infrastructural facilities, including transport, water supply, sewerage, etc., they are considered suitable for urban expansion and have good potential to be rezoned for housing purpose.

14. Among these some 150 potential housing sites, as at end-November 2016, 53 of them have completed the statutory rezoning procedures and have been made available for housing development estimated to provide a total of about 67 800 housing units; another 17 sites have their statutory rezoning procedures initiated, and if completed (excluding three sites that were reverted to the original zonings or the proposed rezoning of which was not agreed by the Town Planning Board (TPB)) are estimated to provide a total of about 16 700 housing units. Among these 84 500 units which have their rezoning procedures initiated / completed, some 52 100 are public housing units and 32 400 are private housing units.

15. For the various initiatives to increase land supply as announced in the 2013 Policy Address, by end-2013, a total of 42 sites were zoned or being rezoned for residential use in the short to medium term (capable of providing about 40 000 flats in total, including 24 300 public housing and 15 700 private housing units). These 42 sites were therefore not counted within the aforesaid some 150 sites announced in the 2014 Policy Address. Some 38 of them have already been allocated for housing developments for providing about 39 400 housing units (24 300 public housing and 15 100 private housing units).

16. The Government will continue to carry out land use reviews in suitable areas so as to identify more developable sites for housing and other uses in the short to medium term. We will consult the District Councils (DCs) and relevant stakeholders on the development of individual sites as and when they are ready, and submit to TPB for consideration.

<u>Increasing development intensity where planning terms permit</u>

17. The Government announced in the 2014 Policy Address that except for the more densely populated parts of the northern Hong Kong Island and the Kowloon Peninsula, the maximum domestic plot ratio that can be allowed for housing sites located in other Density Zones of the Main Urban Areas and New Towns would be raised generally by about 20% as appropriate. It should be noted that the increase in development intensity of individual housing sites is not automatic, and will continue to be subject to necessary approval by TPB under the statutory planning mechanism (where applicable). The increase in the maximum domestic plot ratio of a site will continue to be subject to relevant planning principles and considerations, and will be pursued only when there is scope in terms of development capacity, and the various constraints and impacts so arising (if any) can be addressed or mitigated through appropriate measures.

18. TPB has, between July 2012 and end-November 2016, approved applications to relax the development intensity of 44 housing sites, leading to an additional supply of about 8 640 units. Moreover, in view of the continued pressing demand for housing supply, the Civil Engineering and Development Department and PlanD conducted a planning review and technical study in early 2015 to explore the feasibility of further increasing housing supply in Kai Tak Development (KTD). The review and study completed in September 2016 recommended, amongst others, that about 11 000 additional residential flats be provided in the area, yielding a total of about 50 000 flats in KTD for supporting a total population of about 134 000. Public consultation on the recommended proposal is underway with a view to commencing the statutory planning procedures for the proposed amendments to the Kai Tak Outline Zoning Plan (OZP) in early 2017.

Medium to long term

19. Medium to long term land supply projects including the **Kwu Tung North, Fanling North (KTN/FLN) and Hung Shui Kiu (HSK) New Development Areas (NDAs)**; **the Tung Chung New Town Extension**; and **Yuen Long South (YLS) development** are expected to provide land for residential developments in phases in the latter part of the ten-year period from 2017-18 to 2026-27 (e.g. KTN/FLN NDAs will provide about 60 000 new flats in total, 60% of which are public housing). Detailed design and site investigation of site formation and engineering infrastructure works for the advance and first stage works of these two NDAs have already commenced since end-2014. Subject to further funding approval of the Legislative Council (LegCo), major works are expected to commence in 2018 the earliest, with the first population intake targeted in 2023.

20. The Tung Chung New Town Extension will provide about 49 400 new flats with the first population intake expected in 2023. The planning and engineering (P&E) study was completed in April 2016, and the statutory planning process and other preparatory work are in progress. Detailed design and site investigation have already commenced in June 2016. Subject to funding approval of LegCo, the Government aims for the reclamation in Tung Chung East to start in 2017-18. Upon completion, HSK NDA will provide about 61 000 housing units, with the first population intake expected in 2024. The Government has formulated the revised Recommended Outline Development Plan (RODP) and is working on the details of the implementation arrangements. YLS development will provide about 27 700 new flats with the first population intake expected in 2026. The P&E study is still on-going and the Stage 3 Community Engagement was completed in April 2016.

21. As part of the Government's on-going efforts in identifying suitable areas for the long-term development of Hong Kong, we will carry out a P&E study for the re-planning of Tseung Kwan O Area 137, which is a sizeable piece of land in the urban area with potential for large-scale developments. We will explore in the study the feasibility of residential, commercial and other developments, with a view to making more optimal use of this formed land of some 80 ha, after accommodating the desalination plant and taking into account considerations including the potential environmental impact, as well as traffic and infrastructural capacities. The P&E study will be commissioned in end-2016/early 2017 at the earliest.

22. **Releasing land occupied by brownfield sites** is one of the main directions in the Government's multi-pronged land supply strategy alongside other land supply initiatives and sources. Given the origin and history of brownfield sites, they are primarily on private agricultural land in the rural New Territories (NT) and their distribution is scattered. Priority is accorded to developing areas concentrated with large-scale brownfield sites by way of new town development approach, so as to release the land for high density development through comprehensive planning and infrastructure upgrading. Large clusters of brownfield sites are concentrated in the north and north-western NT where there are large amount of private agricultural land at locations relatively accessible by the road network. In this regard, HSK NDA, YLS development and KTN/FLN NDAs altogether would release some 340 ha of brownfield sites for development. These brownfield sites are often intermingled with existing villages, squatters, unauthorised structures, farmland and other rural uses. Inevitably some of these establishments and land uses would be affected in the process.

23. Meanwhile, it is recognised that many of these brownfield operations are serving support functions for various economic sectors or industries such as port back-up, logistics, recycling, construction industry, vehicle repairing/body building, etc., which are still necessary in Hong Kong. There is thus a need to consider how to provide space to accommodate such operations which are needed locally in a land efficient manner. To this end, we are conducting studies, taking HSK NDA as a pilot case, to explore feasible measures to accommodate brownfield operations through land efficient means such as multi-storey buildings. The studies are targeted for completion in around mid-2018. We have reserved about 24 ha of land in the northern part of the HSK NDA in the revised RODP for such purpose. Looking forward, PlanD will commission a study in the first half of 2017 on the existing profile and operations of brownfield sites in the NT. The study findings will provide a fuller picture of brownfield sites in the territory and the brownfield operations thereon, and allow the Government to formulate appropriate policies for tackling brownfield sites in different areas, with a view to achieving the objectives of optimising land utilisation, releasing brownfields potential and improving the rural environment.

24. For the longer term, we are also exploring new sources of developable land, including **reclamations on an appropriate scale outside Victoria Harbour**; **rock cavern and underground space developments**, etc.

Sustainable land supply for the future

25. Land and space has been a major factor constraining the development of Hong Kong in various aspects (including housing provision, economic activities, community facilities and leisure and recreation space). Past experience indicates that a long lead time is required from planning to realisation of land development. For the sustainable development of Hong Kong, there is a need for the Government to adopt a visionary, proactive, pragmatic and action-oriented approach to tackle the planning issues critical to Hong Kong's future, and to formulate a robust territorial development strategy in the light of the latest planning circumstances and challenges ahead.

26. Against this background, the Government commenced the **Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030** (**Hong Kong 2030+**) Study in early 2015 to provide an update to the "Hong Kong 2030: Planning Vision and Strategy" (Hong Kong 2030) promulgated in 2007. Building upon the foundation of Hong Kong 2030, Hong Kong 2030+ aims to examine the strategies and feasible options for the overall spatial planning, land and infrastructure development, and the shaping of the built and natural environment for Hong Kong beyond 2030. We need a stronger focus on strengthening our position as a liveable, competitive and sustainable Asia's World City. To this end, three building blocks, namely "Planning for a Liveable High-density City", "Embracing New Economic Challenges and Opportunities" and "Creating Capacity for Sustainable Growth", and a conceptual spatial framework that translate these building blocks in spatial planning terms, are proposed under Hong Kong 2030+, which is under public engagement from late October 2016 to end-April 2017. More details of the proposals under Hong Kong 2030+ have been uploaded to the website[3] and submitted to LegCo[4].

27. As advocated under Building Block 3 "Creating Capacity for Sustainable Growth" of Hong Kong 2030+, it would be prudent to adopt a multi-pronged land supply approach, to plan well in advance for sufficient capacity, and to build in additional buffer in the overall land use planning under the proposed vision-driven capacity-creating approach. Taking into account the anticipated demand and foreseen circumstances for housing, economic uses,

---

[3] Relevant details are available at the website www.hk2030plus.hk.

[4] Please see LegCo Paper No. CB(1)51/16-17(07).

G/IC uses, open space and transport facilities, the Hong Kong 2030+ estimated that there is an overall long-term land requirement of more than 4 800 ha (including 1 700 ha for housing) in order to meet the various needs. Discounting the existing, committed and planned developments and redevelopment of existing built-up areas, broadly speaking there is an anticipated land shortfall of at least 1 200 ha in the long run against the estimated land requirement. To address the estimated land shortfall and to cater for other initiatives proposed under the three buildings blocks, two strategic growth areas, namely East Lantau Metropolis (ELM) and NT North (NTN), are proposed in Hong Kong 2030+.

28. The basic concept of **ELM** is to create artificial islands by reclamations in the waters near Kau Yi Chau and the Hei Ling Chau Typhoon Shelter, and to make better use of the under-utilised land in Mui Wo, with the aim of creating a smart, liveable and low-carbon development cluster accommodating a population of about 400 000 to 700 000. The proximity of the ELM with the metro area would provide much needed land and space for developing a new core business district as well as providing decanting sites for redevelopment in the old urban areas. The development of ELM would also provide the necessary stepping stones and opportunities for improving the strategic transport linkages between the metro areas and the Northwest NT through Lantau Island.

29. Meanwhile, through comprehensive planning and more efficient use of the brownfield sites and abandoned agricultural land in the NT, developing **NTN** would provide land for building new communities (with a total population capacity of about 255 000 or 350 000 subject to development scale) and developing modern industries and industries preferring a boundary location, while improving the overall environment of the existing area. Through the concept of rural-urban-nature integration, as well as the identification of areas of high quality farmland as agricultural priority areas under the New Agricultural Policy, the development of NTN will strike a balance between urban and rural uses. It is also expected that some 200 ha of brownfield sites would be released through the development of NTN.

Major challenges confronting public housing supply

Planning and construction

30. In terms of public housing land supply, based on the latest estimate set out in paragraph 9 above, we have yet to secure all the sites needed to meet the relevant supply target. The Government has been striving to secure sites for public housing development, and HA has been working hard to fast-track the development process where possible. HA has been successful in pushing forward "spade-ready" sites[5], including completing six newly-built Home Ownership Scheme (HOS) projects[6] and the Eastern Harbour Crossing Site Phase 7 in around five years. One of the current challenges is that HA has virtually used up all "spade-ready" sites in hand. About 80% of the sites in projects for which HA has consulted DCs in the past six years are not "spade-ready".

31. In cases where the site is not "spade-ready", it would normally require at least about seven or more years to complete public housing development projects[7]. Sites that are not "spade-ready" take longer time to develop partly because HA must go through various processes to make them "spade-ready" and such processes are always subject to uncertainties. The following is an analysis of those relevant processes and how they affect HA's efforts -

(a) **Planning and consultations** - To develop a project, technical studies need to be conducted first to collect data, explore options, and assess how impacts from the proposed development can be overcome. HA conducts as many as 25 studies of various scales[8]. For straight

---

5 "Spade-ready" sites refer to those which have been properly zoned, and do not require resumption, clearance, reprovisioning of existing facilities, site formation or provision of additional infrastructure.

6 Including Ching Chun Court in Tsing Yi, Sheung Chui Court in Tsuen Wan, Mei Ying Court in Sha Tin, Mei Pak Court in Sha Tin, Wang Fu Court in Yuen Long and Ka Shun Court in Sha Tin.

7 For example, although Queen's Hill Site 1 is Government land and partially formed, it requires rezoning and lacks basic infrastructure for supporting the public housing development. Based on the latest estimation, under a fast-tracked programme, the first phase of Queen's Hill Site 1 will be completed in 2020-21 the earliest, with a lead time of around seven years.

8 The studies required for each project depends on individual site conditions. Generally speaking, HA conducts some 15 studies for potential public housing sites, which include site potential study, architectural feasibility study, traffic and transport impact assessment, drainage impact assessment, sewerage impact assessment, noise impact assessment, air quality assessment, water supply and utilities impact assessment, geological and geotechnical appraisal, ground investigation, microclimate studies, air ventilation assessment, tree survey and impact assessment, visual appraisal and land surveying.

forward cases, such studies may take about 12 months, but for large-scale or complex cases, or when more complicated issues are revealed in the study, it may take longer time[9]. Where appropriate, consultations will be conducted in parallel with the technical study. Consultations often start with informal consultations, followed by formal public consultations. Consultations take time and often generate demands that lead to further amendments to the development layout, which can prolong the study and cause parts of the study abortive. Therefore, the time required to complete such consultations varies[10];

(b) **Statutory planning and other procedures** - For individual projects, the Government must seek TPB's approval for rezoning of relevant non-residential land, and HA must also submit planning applications to TPB for increasing plot ratio for relevant public housing sites. The process of statutory rezoning normally takes about 11 months to complete, but when the amendments involve controversial issues and attract substantial amount of representations or comments[11], an extension of up to six months may be required. Furthermore, in recent years, some TPB's decisions have been subjected to judicial reviews (JR)[12]. At the same time, developments may involve other statutory procedures such as environmental impact assessment, road works, drainage works, etc. Development projects need to undergo the statutory procedures to ensure their compliance with the statutory requirements and that they would not bring about unacceptable impacts. Public engagement and consultation will also be involved in the process;

9 A recent example is Pokfulam South. To lessen the impacts on ecology and minimise tree felling, the development area needs to be reduced. Therefore, extra time is required for refining the layout options and ascertaining the technical feasibility of the revised site layout. The study started in early 2015, and is still in progress.

10 It may take two to three months for straight forward cases like Lai Cho Road in Kwai Chung and Tung Chung Area 54, or as long as over 30 months for complicated cases such as Chung Nga Road West in Tai Po to address DC's concerns on various issues including the building height, the impact on the nearby burial ground and land resumption issues, etc.

11 For example, over 3 500 representations/comments/further representations were received for the Tsing Hung Road project in Tsing Yi.

12 For example, in the case of Tai Wo Hau Road site in Kwai Chung, the court has granted an interim stay of submission of the draft Kwai Chung OZP for Chief Executive in Council's approval, pending the determination of the JRs concerned. The project completion date is uncertain as the court hearing date is yet to be fixed.

(c) **Land resumption and clearance** - Some projects require land resumption and clearance and it takes a relatively longer time to complete the relevant procedures[13];

(d) **Provisioning and reprovisioning of facilities** - HA needs to provide community facilities for development projects. If reprovisioning of existing facilities (e.g. parks, community halls, sports grounds, etc.) is required, the process will be even more complicated, and the time required for development will also vary depending on individual circumstances[14];

(e) **Site formation and infrastructure provision** - Some sites require site formation and/or provision of additional infrastructures. The lead time for these works also varies depending on complexity of the projects[15];

(f) **Sites involving Government-funded works** - For cases involving Government-funded works (such as public transport interchange, community hall, road improvement works, etc.), the time required to secure LegCo's funding approval often has an impact on the lead time for the completion of public housing developments[16]; and

(g) **Building construction** - The time required for building construction can vary widely depending on the complexity of projects. It normally

---

13 For example, it took around 24 months to complete the land resumption and clearance procedures for the Fo Tan site. It is also a common phenomenon where graves are found on sites during detailed land survey. For these sites, additional time would be required for grave clearance, for instance, in the North East NT NDAs.

14 For example, in the case of Tuen Mun Area 29 West, inclusion of a clinic and a residential care home for the elderly in a 1 000-unit PRH project adds about two and a half years to the development programme. In the case of Ma On Shan Road site which requires relocating facilities for temporary uses (including a bicycle park, a community farm and an archery field) and carrying out the diversion works for underground utilities running from the NT to Kowloon, it is estimated that a total of about five years are required to make the site ready for housing development.

15 For example, Wang Chau Phase 1 requires site formation and road works, which adds about three years to the development programme. For complicated sites such as Ka Wai Man Road Phase 2 in Central and Western District, it is estimated that a longer lead time is required for natural terrain hazard measures, and road and site formation works.

16 Seven public housing related government-funded projects require LegCo's funding approval in 2016-17, including the Ancillary Facility Block in Tseung Kwan O Area 65C2. The timely funding approval granted by LegCo is essential to the completion of the relevant housing projects.

takes about three and a half years for the construction of a 40-storey public housing block. However, sites involving more difficult or complex ground conditions require longer time for foundation works[17]. Besides, during the construction stage of individual projects, HA also encounters unforeseeable factors that may affect the completion time of the projects. Apart from shortage of labour[18], to comply with the Water Supplies Department's new inspection requirements introduced since 2015, more time will inevitably be required for conducting relevant inspections.

The issue of redeveloping aged PRH estates

32. There have been views in the community that the Government may consider redeveloping aged PRH estates to increase the supply of PRH. As pointed out in the LTHS and the Director of Audit's Report No. 62 published in April 2014, while redevelopment may increase PRH supply over the long term, it will immediately reduce the number of flats which can be allocated to those waiting for PRH because flats need to be reserved for rehousing tenants displaced by the redevelopment in the short term. Besides, the gain in flat supply from redevelopment will take a long time to realise, very often towards the latter if not the last phase of the redevelopment project. Hence, redevelopment of aged PRH estates can at best serve as a supplementary source to increase PRH supply. It is also not advisable to carry out massive redevelopment programmes which will result in freezing a large number of units that may otherwise be allocated to PRH applicants with pressing housing needs, given the current high demand for PRH. HA will continue to consider redevelopment on an estate-by-estate basis in accordance with its policies and criteria[19].

[17] Projects involving construction of refuge floors, basement or podium, or a combination of such, for maximising development potential would require a longer time, such as Tung Chung Area 39, Shek Mun Estate Phase 2 in Shatin and Northwest Kowloon Site 6.

[18] Due to the industry-wide shortage of labour, including rigger/metal formwork erector, steel bender, carpenter, plumber and drainlayer, etc., the completion dates of a number of projects such as Anderson Road Sites A, C1 and D in Kwun Tong, Shatin Area 52 Phases 3 and 4, etc. have been delayed.

[19] According to the "Refined Policy on Redevelopment of Aged PRH Estates" formulated by HA in 2011, HA will consider redevelopment of individual estates with reference to four basic principles, viz. structural conditions of buildings, cost-effectiveness of repair works, availability of suitable rehousing resources in the vicinity of the estates to be redeveloped, and build-back potential upon redevelopment.

Suggestions on transitional housing

33. There have also been suggestions in the community for the Government to build transitional housing on vacant sites for applicants waiting for PRH. However, under the current situation of inadequate supply of developable land, the Government will not leave any usable sites idle. If there are suitable sites for housing development, we will directly build PRH flats because this is the quickest way to benefit PRH applicants. Furthermore, there is very high demand for short term tenancy sites for various social and economic uses. Even if sites which do not have other immediate use are to be granted under short term tenancy for the development of transitional housing, the Government still need time to complete additional infrastructural works (such as the provision of sewerage) before the sites can be used for housing construction. In any case, the size and number of such sites are bound to be very limited. They may not be able to provide the intended short term accommodation for a large number of households.

Meeting the challenges

34. As pointed out in paragraph 9 above, assuming that all sites identified can be delivered on time for housing construction, the Government has so far only identified land for the construction of about 236 000 public housing units for the ten-year period from 2017-18 to 2026-27. There is still a considerable gap before we meet our ten-year target of building 280 000 public housing units. Despite the difficulties, we will continue to adopt the following measures to overcome the above challenges –

(a) relevant bureaux/departments will closely liaise with HA to ensure timely availability of sites and supporting infrastructure;

(b) to communicate proactively with the local communities, and to enlist their support for the public housing projects and address their concerns as far as practicable through consultations and other forms of exchanges with DCs, local communities and other stakeholders;

(c) to increase flat production of each public housing site through relaxation of development restrictions (e.g. plot ratio, building height) in an appropriate scale where planning condition permits, and to enlarge or amalgamate sites, or both, to create larger buildable platforms;

(d) to adopt site-specific design to fully utilise the development potential of each site. We will also continue to improve the construction process and built quality, as well as expedite flat production by adopting the pre-cast building technology and lean construction at sites; and

(e) to work with industry stakeholders to improve and implement labour training and procurement schemes to mitigate the labour shortage problem.

35. HA will continue to work closely with relevant Government departments to identify suitable sites for public housing development, and study how to better utilise identified and existing public housing sites to increase the supply for public housing. Sometimes, we inevitably face conflicts and tensions between different interests and demands in certain housing projects. The Government must strike appropriate balance to maximise public interest and accord priority to handling the current housing problem (in particular the problem of affordable housing shortage), and keep moving forward. The community as a whole also need to work together and accept the necessary trade-offs to avert the situation of continued inadequacy in housing land supply.

Allocation of PRH

Average waiting time (AWT)

36. It is the Government and HA's objective to provide PRH to low-income families who cannot afford private rental accommodation, with the target of providing the first flat offer to general applicants (i.e. family and elderly one-person applicants) at around three years on average. The AWT[20] target of around three years is not applicable to non-elderly one-person applicants under

[20] Waiting time refers to the time taken between registration for PRH and the first flat offer, excluding any frozen period during the application period (such as when the applicant has not yet fulfilled the residence requirement, when the applicant has requested to put his or her application on hold pending arrival of family members for family reunion, or when the applicant is imprisoned). The AWT for general applicants refers to the average of the waiting time of those general applicants who were housed to PRH in the past 12 months.

the Quota and Points System (QPS). As at end-September 2016, there were about 152 500 general applications for PRH, and about 134 000 non-elderly one-person applications under QPS. The AWT for general applicants was 4.5 years. Among them, the AWT for elderly one-person applicants was 2.4 years. The increasing AWT reflects the reality that the supply of PRH cannot catch up with the demand for a long time, and that the number of applicants has increased substantially in recent years. As time is required to identify land for housing construction, coupled with the various problems and challenges stated above, we are facing great difficulty in increasing PRH supply. This inevitably will exert further pressure on AWT.

Examining the priorities of demands for PRH

37. While LTHS advocates the supply-led principle to increase land and housing supply, it also advocates the rational use of PRH resources. The relevant analysis in paragraphs 4.7 and 4.8 of the LTHS is as follows –

> "4.7 Despite the best efforts of the Government and the HA, the supply of new PRH units cannot be unlimited from the perspective of both land and financial resources. To ensure that precious PRH resources are used to assist those in genuine need, PRH applicants have to meet eligibility criteria on income and assets. The HA reviews the income and asset limits annually to keep them in line with the prevailing socio-economic circumstances.
>
> 4.8 In addition to eligibility criteria on income and assets, it is necessary to have other measures to allocate PRH flats in a fair and rational manner and to ensure the rational use of PRH resources."

38. In light of the increasing demand for PRH, HA agrees that while the best efforts are being made to increase PRH supply, it is equally necessary to examine how to better utilise existing PRH resources in parallel to ensure that HA could focus its efforts towards allocating PRH resources to those with more pressing housing needs, as well as to combat abuse of PRH. HA's Subsidised Housing Committee (SHC) agreed at its meeting of 31 October 2016 to implement the following measures starting from 2017-18 –

(a) merging the Territory-wide Over-crowding Relief Exercise and the Living Space Improvement Transfer Scheme, and reducing the number of flats earmarked from about 2 000 flats every year currently to about 1 000 flats, so that more flats can be released for allocation to PRH applicants. After the two transfer schemes are merged, priority will still be given to overcrowded tenants with an internal floor area below 5.5 square metres per person. In addition, transfer schemes will be arranged in the latter half of each year in order to expedite flat allocation to PRH applicants;

(b) reducing the two rounds of flat selection each year under the Express Flat Allocation Scheme to one round, so that relevant flats can be released earlier for the Housing Department (HD) to allocate them under the normal procedures; and

(c) stepping up enforcement actions against tenancy abuse to convey HA's determination in combating tenancy abuse and the message of proper use of valuable PRH resources to the community.

39. At the meeting, SHC also examined the "Well-off Tenants Policies" [21] and considered that they should be refined. At the subsequent meeting of 9 December 2016, SHC endorsed the following **amendments to the "Well-off Tenants Policies"** –

(a) PRH tenants with household income exceeding five times of PRH income limits, or with asset exceeding 100 times of PRH income limits, should vacate their flats;

(b) PRH tenants with private domestic property ownership in Hong Kong, irrespective of their levels of household income or assets, should vacate their flats;

---

[21] HA's Housing Subsidy Policy and the Policy on Safeguarding Rational Allocation of Public Housing Resources are commonly referred to as the "Well-off Tenants Policies". In gist, under the current "Well-off Tenants Policies", after living in PRH for ten years, tenants are required to declare their income biennially. Those with household income equivalent to two to three times of the PRH income limits are required to pay 1.5 times net rent plus rates. Those with household income exceeding three times of the PRH income limits are required to pay double net rent plus rates. Households paying double net rent plus rates have to declare their assets at the next declaration cycle and thereafter on a biennial basis. Households exceeding the prescribed income and asset limits (income exceeding three times of the PRH income limits and asset exceeding 84 times of the PRH income limits) are required to vacate their PRH flats within 12 months, during which double net rent plus rates or market rent, whichever is the higher, is charged.

(c) for tenants who do not have private domestic property ownership in Hong Kong and whose household income or assets do not exceed the levels in (a) above, if their household income is equivalent to two to three times of the PRH income limits, they will still be required to pay 1.5 times net rent plus rates; if their household income is equivalent to three to five times of the PRH income limits, they will be required to pay double net rent plus rates. Households that are required to vacate their PRH flats but have a temporary housing need may apply for a fixed-term licence to stay in PRH for a period of not more than 12 months, during which a licence fee equivalent to the double net rent plus rates or market rent, whichever is higher, is charged;

(d) after living in PRH for ten years, tenants will have to declare both their income and assets in the biennial declarations, including whether they own any private domestic property in Hong Kong;

(e) households whose members are all aged 60 or above, households with all members receiving Comprehensive Social Security Assistance, as well as households who are on shared tenancies will continue to be exempted from the "Well-off Tenants Policies"; and

(f) implementing the refined "Well-off Tenants Policies" starting from the declaration cycle in October 2017.

40. The above measures will not have an immediate effect in reducing the AWT in the short term. The supply-led principle under the LTHS remains indispensable in addressing the supply-demand imbalance of PRH. Nonetheless, in light of the increasing demand for PRH, as well as the large number of inadequately housed households waiting for PRH, HA considers that it is still necessary to examine the relevant policies and implement the above measures in order to better allocate PRH resources to applicants with more pressing needs, and to enable relevant policies to be more equitable.

41. Earlier, HA decided in October 2014 to conduct regular checking on the eligibility of **QPS applicants** who have waited for five years but not yet due for detailed vetting within the next two years, with a view to removing those applicants who were no longer eligible for PRH. This will enable HA to have a better grasp of the situation of applicants, and hence a better assessment of the demand for PRH. The 2015-16 checking exercise was completed in

end-March 2016. A total of 28 039 applications were checked, among which 14 085 were cancelled and 1 052 switched to general family applications. For applicants who have passed the checking, they will be subject to further checking after five years from the checking date if they still fall into the target group of checking by then. HA has also commenced the 2016-17 checking exercise in July 2016.

42. HA will continue to examine other policies and measures relevant to the priorities of demands for PRH.

Subsidised home ownership

Expediting supply of subsidised sale flats

43. The Government has resumed the HOS. The first batch of 2 160 new HOS flats scheduled for completion in 2016-17 were put up for pre-sale in end-December 2014 and were sold out. HA's second batch of 2 657 new HOS flats (which are scheduled for completion in 2018), together with HS's 1 020 new subsidised sale flats (which are scheduled for completion in 2019) were put up for pre-sale under a joint application exercise in end-February 2016 and were also sold out.

44. Whether there will be joint application arrangements in future will be subject to the timing of putting up flats for sale by HA and HS. HA will put up about 2 000 new HOS flats for sale in early 2017. HS will also offer around 600 subsidised sale flats for sale in the second half of 2017. Therefore, HA and HS will not arrange joint application in 2017.

45. Taking into account previous experience, HA will largely follow past sales arrangements in future sales exercises, but will improve the price-setting arrangement (such as reducing the time between price-setting and commencement of flat selection where practicable), so that flat prices can better reflect the market situation at the time of flat selection.

Expanding forms of subsidised home ownership

46. In his 2015 Policy Address, the Chief Executive proposed to HA that suitable flats among its PRH developments under construction be identified for sale to Green Form (GF) applicants in the form of a pilot scheme, with prices set at a level lower than those of HOS flats.

47. In May 2015, HA decided to implement the "Green Form Subsidised Home Ownership Pilot Scheme" (GSH), and selected the PRH development project at San Po Kong for sale under GSH. The project provides a total of 857 flats. It was put up for pre-sale on 20 October 2016 and received overwhelming response. It is expected that the flats will be ready for occupation in mid-2017. HA will review the effectiveness of GSH and decide on its way forward after the San Po Kong project.

Promoting circulation

48. In August 2012, HA endorsed an interim scheme to allow buyers with White Form (WF) status to purchase subsidised sale flats with premium not yet paid under the HOS Secondary Market Scheme (the Interim Scheme). The first round of the Interim Scheme with a quota of 5 000 was launched in January 2013 and concluded in April 2015. A total of 2 406 WF buyers achieved home ownership as a result. Without the Interim Scheme, these WF buyers might have found it difficult to purchase flats in the private property market.

49. Given the strong demand for subsidised sale flats in the society, HA decided to implement one more round of the Interim Scheme with a quota of 2 500 in August 2015. About 43 900 applications were received. A total of 2 489 successful applicants eventually applied for the Certificate of Eligibility to Purchase, which was valid for 12 months. As at early December 2016, about 1 450 successful applicants have achieved home ownership under this round of the scheme. HA will conduct a comprehensive review of the Interim Scheme upon the completion of the new round in the first half of 2017 to decide on its future.

Healthy and stable residential property market

50. Maintaining the healthy and stable development of the private residential property market remains one of the important housing policy objectives of the Government. To help stabilise the property market and minimise adverse consequences arising from an overheated market, the Government will continue to adopt a **two-pronged approach**. On the one hand, we will ensure a stable supply of land to meet market demand. On the other hand, we will implement demand-side management measures as and when necessary to suppress speculative and external demands and to restrict investment demands, in order to give priority to meeting the home ownership needs of Hong Kong permanent residents.

51. The medium-term supply of private housing has significantly increased in view of the Government's continuous efforts to maintain a steady housing land supply. As at end-September 2016, the projected supply from the first-hand private residential property market for the coming three to four years is approximately 93 000 units, a record high since the first release of the quarterly statistics on supply in September 2004. The figure also represents an increase of about 43% when compared with the projected supply of 65 000 units when the current-term Government took office in 2012.

52. In view of the continuous and rapid rebound of residential property prices since April 2016 and renewed signs of exuberance in the market, the Government decided to raise the ad valorem stamp duty (AVD) rates chargeable on transactions for residential property to 15% across different value bands with effect from 5 November 2016. The new measure aims to stabilise the residential property market, to guard against further increase in the risks of a housing bubble, and to accord priority to the home ownership needs of those Hong Kong permanent residents who do not own any residential property in Hong Kong. The exemptions provided for under the existing doubled ad valorem stamp duty (DSD) regime will continue to apply. The major exemption is where the buyer is a Hong Kong permanent resident acting on his own behalf and does not own any other residential property in Hong Kong at the time of acquiring residential property. Under such circumstances, the new stamp duty rate of 15% will not apply and the relevant transaction is only subject to the lower AVD rates at Scale 2. The refund mechanism for Hong Kong permanent resident buyers to replace their single residential properties under the existing DSD regime will also be retained. The Government will

continue to stay vigilant, and closely monitor the property market movements and changes of external conditions.

Transport and Housing Bureau
December 2016

Annex

Details of the total housing supply target projection for the ten-year period from 2017-18 to 2026-27

According to the projection methodology adopted by the Long Term Housing Strategy (LTHS) published 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 factors[1].

Projection for the period from 2017-18 to 2026-27

(a) Net increase in the number of households

2. The latest domestic household projections published by the Census and Statistics Department (C&SD) in September 2015 are used as the basis for assessing the overall physical housing demand from the net increase in the number of households. Based on C&SD's latest available information, the net increase in the number of households from mid-2017 to mid-2027, amounting to about **237 700 units**, is adopted for projecting the housing demand for the ten-year period from 2017-18 to 2026-27.

3. Similar to previous projection exercises, in order to conduct scenario analysis on household formation under different economic and property situations, an econometric modeling exercise has been undertaken to quantify

[1] Miscellaneous factors taken into account are (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.

the relationship between household formation and economic performance (as proxied by real Gross Domestic Product (GDP) growth rate) and housing market situations (as proxied by vacancy rate of private flats). Results show that the number of household formation will be in the range of 204 400 to 271 000, representing a **+ / – 14%** [2] from C&SD's domestic household projection of 237 700 households over the ten-year projection period from 2017-18 to 2026-27.

(b) Households displaced by redevelopment

4. Households displaced by redevelopment of old buildings in the public and the 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 the redevelopment of public housing units by the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS), as well as past trends in the private sector, it is estimated that there will be a new housing demand of about **62 900 units** from households displaced by redevelopment for the ten-year period from 2017-18 to 2026-27, with the breakdown as follows –

---

2 According to the econometric model adopted, the number of households formed is higher when the local macroeconomic performance is better or the private domestic vacancy rate is higher. Under the base case, in order to project the household formation in the next ten years, it is assumed that the real GDP growth in the next ten years will average at around 2.9% per annum. In making the GDP growth assumption, reference has been made to the GDP forecasts announced in August 2016, the 2016-17 Budget and the Consultation Document on Retirement Protection. For the private domestic vacancy rate in the next ten years, it is assumed to be the average rate over the past ten years from 2006 to 2015 (4.5%).

In order 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 ten years would be around 14% lower than the base case.

In order 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 ten years would be around 14% higher than the base case.

Redevelopment programmes	Number of units
(a) Redevelopment of public housing units (based on the number of units demolished by HA and HS in the past ten years from 2006-07 to 2015-16)	20 900
(b) Redevelopment of private units (based on past trend of the number of private flats demolished from 2011 to 2015[3])	42 000
Total = (a) + (b)	**62 900**

5. We have fine-tuned the way in which we estimate the demand arising from the redevelopment of public housing units under the LTHS framework. Our considerations are as follows -

(a) under the LTHS methodology, redevelopment programmes already announced by HA and HS form the basis for estimating housing demand from households to be displaced by the redevelopment of public housing units. In previous projections conducted in 2014 and 2015 (as well as the one conducted by the LTHS Steering Committee in 2013), this source of demand was assessed purely on the basis of the redevelopment programmes announced by HA and HS. For example, in last year's projection for 2016-17 to 2025-26, it was estimated that the demand from redevelopment of public housing would be 7 400 units, comprising 2 900 units in HA's Pak Tin Estate, 2 200 units in HA's Wah Fu Estate and 2 300 units in HS's Ming Wah Dai Ha. Adopting the same approach for this year's projection, housing demand arising from the redevelopment of public housing units for 2017-18 to 2026-27 would be 11 600 units, comprising 2 900 units in Pak Tin Estate, 6 400 units in Wah Fu Estate and 2 300 units in Ming Wah Dai Ha;

[3] From 2011 to 2015, the average number of private flats demolished was about 2 100 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 make a projection of this situation. The only benchmark that we can draw reference from is Urban Renewal Authority (URA)'s data. According to URA's data from its urban redevelopment projects commenced between 2011-12 and 2015-16, there were on average about two households living in a private unit demolished. Therefore, it is estimated that the number of households displaced by redevelopment in the projection period will be 42 000 (= 21 000 x 2).

(b) at the same time, under HA's existing policy, in considering the redevelopment of individual aged PRH estates, HA takes into account various factors including structural safety; cost effectiveness of repair works based on findings of the Comprehensive Structural Investigation Programme; build-back potential; as well as the availability of suitable rehousing resources. Likewise, one of the aspects of HS's work is the redevelopment and rehabilitation of its aged rental estates;

(c) the assessment of whether to redevelop aged rental housing estates is an on-going work of HA and HS, conducted independently of the housing demand projection exercise. It is possible that after we roll forward a new ten-year supply target, HA/HS may announce new redevelopment project(s) that require existing tenants to be vacated within the same ten-year period. Since the long term housing supply target is in essence a planning tool to guide the Government's efforts in identifying land for housing, it would be more reasonable if the projection model can capture housing demand arising from redevelopment as fully as possible;

(d) therefore, while using the redevelopment programmes announced by HA and HS totaling 11 600 units (comprising 2 900 units in Pak Tin Estate, 6 400 units in Wah Fu Estate and 2 300 units in Ming Wah Dai Ha) as the basis for estimating housing demand from households displaced by public redevelopment for 2017-18 to 2026-27, we consider it appropriate to also take into account other relevant benchmarks to help account for the element of uncertainty mentioned in paragraph 5(c) above. In this regard, one possible benchmark would be the redevelopment programmes of HA and HS over the past ten years; and

(e) we note that a total of 20 900 public housing units under HA and HS were demolished in the past ten years from 2006-07 to 2015-16. Since this number is based on historical statistics, and is higher than the assessed demand on grounds of known redevelopment projects only, we consider that we may adopt 20 900 units as the estimated demand from households displaced by redevelopment of public housing units in the next ten years from 2017-18 to 2026-27. To a certain extent this can better capture new demand from the redevelopment of public housing units in the coming ten years which has yet to be confirmed. In conducting annual update of the long term housing demand projection in future, we will continue to take into account new information on redevelopment programmes when available, and to benchmark the resulting demand against past statistics.

(c) Inadequately Housed Households

6. For households living in public housing which have been built to satisfy the housing needs of the community, they are regarded as living in adequate housing. As regards households living in private housing, the following circumstances are taken into account in determining whether they 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 subdivided.

7. In respect of paragraph 6(a), based on the 2011 Population Census and updated with the findings of the General Household Survey (GHS) conducted by C&SD, it is estimated that in 2015[4] there were about 16 000 households living in temporary structures. As for paragraph 6(b), according to the 2011 Population Census, there were 3 000 households living in non-residential buildings (there are no updates from GHS as it does not cover such units). As for paragraph 6(c), according to the 2011 Population Census and updated with GHS, there were 11 000 households living in shared units.

8. As for paragraph 6(d), since information on households living in sub-divided units (SDUs) has been collated from the 2016 Population By-census, in order not to disturb SDU households repeatedly, C&SD has not

[4] For the purpose of the annual updating of the demand projection, the 2011 Population Census results were updated based on annual trend data observed from GHS over the years from 2011 to 2015.

commissioned a separate Thematic Household Survey (THS) on SDUs as in 2014 and 2015. However, since the detailed results of the 2016 By-census will only be available in mid-2017, it is necessary to estimate housing demand from SDU households for the current demand projection exercise based on the results of the 2014 and the 2015 THS as appropriate.

9. There are two types of SDUs: (a) those without observable physical partitions (i.e. rooms, cubicles, bedspaces and cocklofts inside a unit of quarters) and (b) those with observable physical partitions. Regarding households living in SDUs **without** observable physical partitions, C&SD advises that a reliable estimate could not be derived from the 2014 and the 2015 THS due to the small sample size. However, a similar figure on households sharing the same unit with other households is available from the Population Census and GHS. As the coverage of the Population Census and GHS is more comprehensive and the estimated figure (i.e. 11 000 households, as shown in paragraph 7 above) is larger than the estimate based on results of the latest THS conducted in 2015 (i.e. 5 600 households), following the prudent approach adopted in previous projection exercises, the figure of 11 000 households is adopted for the purpose of projecting housing demand from those households.

10. As for households living in SDUs **with** observable physical partitions, C&SD has estimated the number by: (a) updating the coverage of target buildings in the 2015 THS (i.e. by including new buildings that have reached age 25 and deducting old buildings that have been demolished); (b) assuming that the number of SDUs with observable physical partitions in these buildings has increased in 2016 at a similar rate as in 2015; and (c) applying the occupancy rate as observed in the 2015 THS to estimate the number of households living therein. As estimated by C&SD, 83 300 households are living in SDUs with observable physical partitions in 2016, of which 43 800 households are living in buildings aged above 50 years -

	Results of 2014 THS	Results of 2015 THS	C&SD's estimate for 2016
Number of households living in SDUs	**85 500**	**87 600**	**N/A**
Number of households living in SDUs without observable physical partitions	5 400	5 600	N/A
Number of households living in SDUs **with** observable physical partitions	80 100	82 000	83 300
Of which, number of households living in SDUs with observable physical partitions aged above 50	*34 800*	*40 700*	*43 800*

11. Drawing reference from data of the Rating and Valuation Department (RVD), the demolition rate of private residential units aged above 50 years would be 17.8% over a period of ten years[5]. Applying the demolition rate of private units aged above 50 over ten years to those SDUs located in buildings aged above 50 years, it is estimated that about 7 800 (= 43 800 x 17.8%) SDUs would be redeveloped in the next ten years. Households living therein should be deducted from the estimate of IHHs to avoid double counting with households displaced by private redevelopment. Accordingly, the estimated demand from households living in SDUs will be about 75 500 units (= 83 300 – 7 800).

12. In respect of households living in shared units and SDUs, it is observed that not all households living in these units are necessarily inadequately housed given the fact that these units vary in standards and actual living environments. It is also observed that 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

[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 and 2015, about 390, 430, 800, 580, 850 and 810 units which were built before 1960 were demolished respectively. In other words, an average of about 640 units per year is demolished in these six years. Assuming this trend would continue for the future four years, the number of units which have reached age 50 in 2010 and would be demolished in the ten-year period from 2010 to 2019 would be about 6 400 units (= 640 x 10), accounting for about 17.8% of the total stock of 36 000 units. We have further applied this demolition rate in the projection for the period from 2017-18 to 2026-27.

need to provide adequate housing to all households living in a shared unit or an SDU. Nevertheless, we note that THS has its limitations as it only covers private domestic / composite buildings aged 25 years and above. We have therefore continued to adopt a conservative approach and included all these households in this year's housing demand projection. The Population By-census in 2016 will have a more comprehensive coverage of households living in SDUs. We trust the Population By-census results will enable us to have a better understanding of the situation of SDUs, and shed light on whether it is necessary to continue to adopt the above approach on this issue in future projection exercises.

13. Summing up the above estimations, the estimated number of IHHs is 105 500, with the breakdown summarised as follows –

	Category of IHHs	**Estimated number**	**Source of information**
(a)	Households living in units made up of temporary structures	16 000	2011 Population Census and updated with the trend based on GHS
(b)	Households living in non-residential buildings	3 000	2011 Population Census
(c)	Households sharing the same unit with other households	11 000	2011 Population Census and updated with the trend based on GHS
(d)	Households living in SDUs with observable physical partitions	75 500	Estimated based on results of the 2014 and the 2015 THS
	Total	**105 500**	

(d) Miscellaneous Factors

14. Apart from the above demand components, there may also be demands in the next ten years which are unaccounted for in C&SD's domestic household projections. These include –

(a) an annual increase of some 700 households with mobile residents[6]

[6] 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.

only who are occupying private permanent living quarters, based on the past trend as observed from results of the 2001 Population Census and the 2011 Population Census;

(b) non-local students who might take up accommodation in Hong Kong. On this, reference has been drawn from the past trend of the number of student visas issued (from about 16 900 in 2010-11 to about 28 400 in 2015-16, i.e. an average increase of about 2 300 per year), and figures from the Education Bureau and the University Grants Committee from 2011-12 to 2015-16 that about 60% of these students (including undergraduates and postgraduate students) were not living in residential halls / hostels provided by the institutions. Assuming a similar trend of increase in the number of non-local students in the next ten years (i.e. a net increase of some 1 380 non-local students per year needing to find their own accommodation in the private housing market), and further assuming that on average two non-local students will share one housing unit, the estimated housing demand will amount to some 690 units per year; and

(c) apart from the demand from the local population, there may be some buyers from outside Hong Kong who may purchase flats but without channelling them back to the market (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 demand of non-local buyers who may take up flats but without channelling them back to the market[7] will be in the range of 1 360 to 2 540 units per year, i.e. a mid-point of about 1 950 units per year[8].

15. Assuming that the past trends as detailed above will continue in the next ten years, there will be an additional housing demand of some 3 340 units per year (= 700 + 690 + 1 950), or a total of 33 400 units over the ten-year period from 2017-18 to 2026-27, with an upper and lower range of 39 300 and 27 500 units respectively.

---

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

8 IRD's stamp duty statistics show that purchases of residential properties by non-local buyers (including non-local individual and non-local company buyers) had been generally rising in 2007 to 2011. Their purchases as a share of total transactions rose from 3.5% in 2007 to 4.5% in 2010 and further to 6.5% in 2011. After the Government introduced BSD, their purchases averaged at 1.8% of total transactions in January 2013 to June 2016. With reference to the above, it is crudely assumed that the share of purchases by non-local buyers would be 5.0% (average share of non-local buyers among all transactions in 2009 to 2011) as the upper range and 1.8% as the lower range. Using the annual average number of stamped transactions in 2006 to 2015 (101 600 cases) as rough indication, the purchases by non-local buyers would be around 5 080 cases per year as the upper range and 1 820 cases per year as the lower range in the coming ten years, with a mid-point of 3 450 cases.

According to analysis conducted on transactions suspected to involve non-local buyers, around 52% to 55% of the properties purchased in 2010 to 2012 were let out and had active records in RVD's rental database. Yet the share plunged to an average of 25% in 2013-2015 combined (21% in 2013, 28% in 2014 and 25% in 2015), which might reflect the more significant effect of BSD on investors than owner-occupiers. Based on the above, it is assumed that in the upper case where the share of purchases by non-local buyers is taken as 5% (or 5 080 cases), half of the purchases (50%) by non-local buyers would be owner-occupied or left vacant, and the remaining 50% would eventually be channelled back into the leasing market for the local population for take-up; whereas in the lower case where the share of purchases by non-local buyers is taken as 1.8% (or 1 820 cases), it is assumed that 75% of the purchases would be owner-occupied or left vacant. Applying these ratios to the total purchases by non-local buyers, the projected demand by non-local buyers would thus be around 2 540 units per year as the upper range and 1 360 units as the lower range in the coming ten years, and the mid-point would be about 1 950 units per year.

Gross total housing demand

16. In sum, it is estimated that there will be a net increase of 237 700 households in the projection period, with an upper and lower range of 271 000 and 204 400 households respectively. As regards households displaced by redevelopment, it is estimated that there will be 62 900 households displaced by redevelopment in the projection period. The estimated number of IHHs is 105 500. As for the miscellaneous factors, it is estimated to be 33 400 units, with an upper and lower range of 39 300 and 27 500 units respectively. Summing up these demand components, the estimated gross total housing demand will be 439 500 units (mid-point) for the projection period from 2017-18 to 2026-27, with an upper and lower range of 478 700 and 400 300 units respectively.

Total housing supply target

17. As there are always a certain number of flats left vacant in the private sector at any point in time, to derive the total housing supply target, we have to take into account the number of vacant units at the beginning of the projection period (about 42 040) and the possible vacancy rate at the end of the projection period. On this, we have drawn reference from the average vacancy rate in the private housing market from 2006 to 2015 (about 4.5%) as the basis of estimation. According to projection results of the gross total housing demand, and taking into account the vacancy situation of private flats, it is projected that the total housing supply in the next ten years should range from 417 000 to 497 000 units, with the mid-point being 457 000 units, rounding off to 460 000 units. Details are summarised below –

(a)
Net increase in number of households

271 000 (upper range)
204 400 (lower range)
237 700 (mid-point)

+

(b)
Households displaced by redevelopment

62 900

+

(c)
Inadequately housed households

105 500

+

(d)
Miscellaneous factors

39 300 (upper range)
27 500 (lower range)
33 400 (mid-point)

(a) + (b) + (c) + (d) =
Gross total housing demand

478 700 (upper range)
400 300 (lower range)
439 500 (mid-point)

Adjustments to take into account the number of vacant units in the private sector

Total housing supply target

497 000 (upper range)
417 000 (lower range)
457 000 (mid-point)
say 460 000