

**Long Term Housing Strategy  
Annual Progress Report 2021  
(for the 10-year period from 2022-23 to 2031-32)**

## **PURPOSE**

This paper sets out the latest progress of key aspects of the Long Term Housing Strategy (LTHS) as at December 2021.

## **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 by quantitative projections of different demand components, not by the supply of

land available at the time.

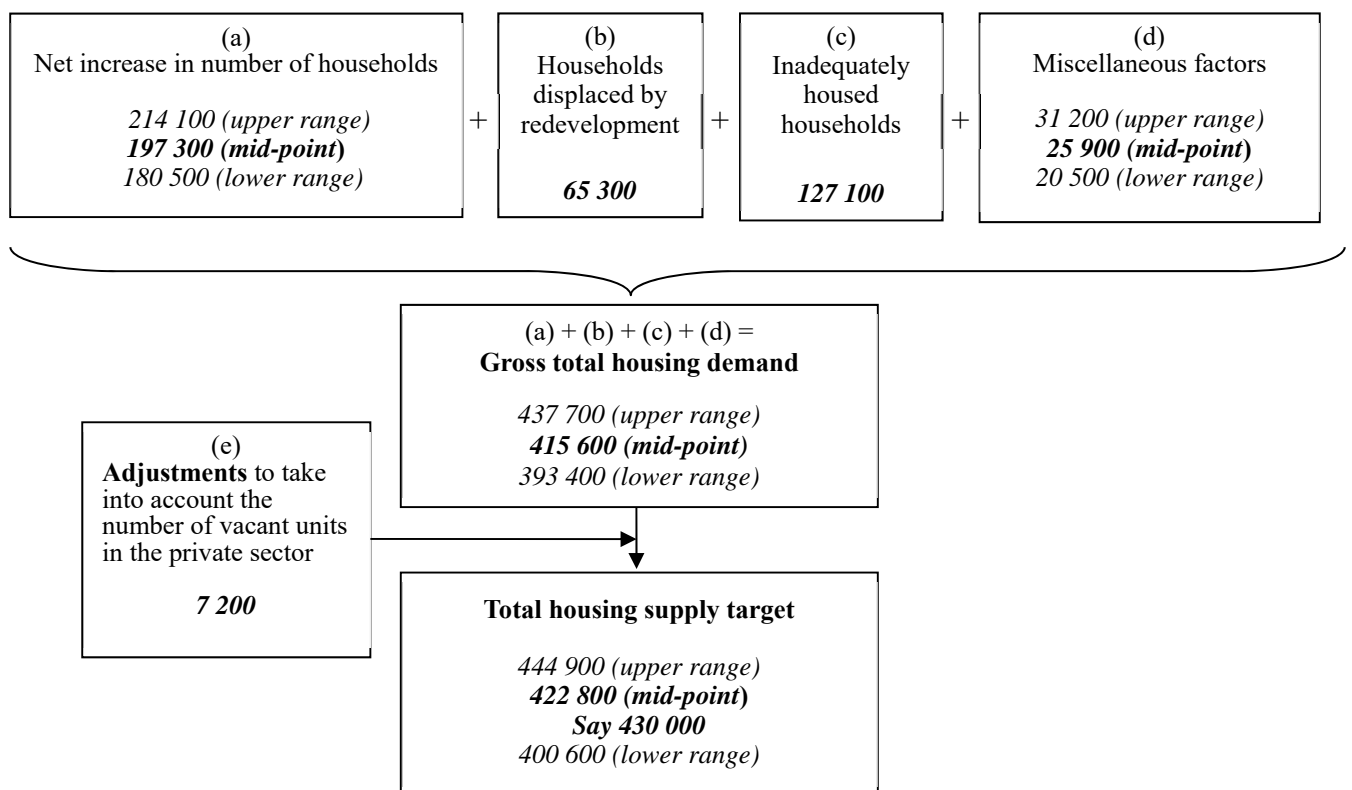
4. This annual exercise serves as an important policy tool to enable the Government to continually plan ahead on developing land and housing, in order to meet the housing needs of the community over the long term. The relevant work is set out in the ensuing paragraphs.

## HOUSING DEMAND PROJECTION FOR 2022-23 TO 2031-32

### 10-year Housing Supply Target

5. Based on the latest projection, the projected **total housing supply target for the 10-year period from 2022-23 to 2031-32** is 422 800 units (rounded up to **430 000 units**), with an upper and lower range of 444 900 and 400 600 units respectively. This target is the same as the supply target for the 10-year period from 2021-22 to 2030-31 as announced in 2020.

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



## **Public/Private Split of Total Housing Supply Target**

7. Since the LTHS annual update in 2018, we have revised the public/private split of new housing supply from 60:40 to 70:30. Balancing the Government's commitment to increase public housing supply substantially to meet the community's demand and the demand for private housing, we will maintain the **public/private split of 70:30** for the next 10-year period from 2022- 23 to 2031-32. 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 the 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. In recent years, the ratio between PRH/Green Form Subsidised Home Ownership Scheme (GSH) and other SSFs has been kept at around 70:30. As demand for all types of public housing has remained strong, we will maintain this ratio for the 10-year period from 2022-23 to 2031-32. Correspondingly, the public housing supply target of 301 000 units will comprise **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 FOR 2022-23 TO 2031-32

### Public Housing

11. As at end-September 2021, 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 2021-22 to 2025-26** is about **106 900 units**, comprising 73 100 PRH/GSH units and 33 800 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 2017-18 onwards), **the trend has generally been on the rise –**

	<b>HA housing production (PRH/GSH + other SSFs)</b>	<b>HKHS housing production (PRH<sup>^</sup> + SSFs)</b>	<b>Total housing production (PRH/GSH + other SSFs)</b>
2017-18 to 2021-22	93 900 (72 600 + 21 300)	2 600 (1 000 + 1 600)	96 500 (73 500 + 23 000)
2018-19 to 2022-23	95 100 (70 500 + 24 700)	2 900 (1 300 + 1 600)	98 100 (71 800 + 26 300)
2019-20 to 2023-24	81 500 (62 600 + 18 900)	4 400 (2 100 + 2 300)	85 900 (64 700 + 21 300)
2020-21 to 2024-25	88 300 (62 600 + 25 700)	6 300 (3 500 + 2 800)	94 600 (66 100 + 28 500)
2021-22 to 2025-26	96 900 (69 100 + 27 800)	10 000 (4 000 + 6 100)	106 900 (73 100 + 33 800)

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

<sup>^</sup> There is no GSH production under HKHS.

12. As announced in the Chief Executive's 2021 Policy Address (2021 PA), **the Government has identified about 350 hectares (ha) of land required for providing about 330 000 public housing units** in the coming 10-year period from 2022-23 to 2031-32, which can meet the estimated public housing demand of 301 000 units as set out in paragraph 7 above. Such supply, in terms of

housing units, mainly comes from New Development Areas (NDAs) and major development projects (about 39%); site rezoning (about 36%); and other projects (about 25%) including development of brownfield clusters; redevelopment of HA's factory estates; part of Siu Ho Wan Depot site topside development, etc.

13. Of the 330 000 units, about **one-third** involving about 84 ha of land are scheduled for completion in the first five-year period (i.e. 2022-23 to 2026-27) whereas the other **two-thirds** involving about 266 ha of land fall in the second five-year period (i.e. 2027-28 to 2031-32). The timetable of projects within the first five-year period is usually more certain as statutory rezoning and other related processes<sup>1</sup> of most of these projects have been completed. For projects with scheduled completion dates within the second five-year period, most sites are at land production/study stage and their availability for public housing construction hinges on the completion of a series of processes, such as rezoning; gazettal of road works; land resumption and clearance; provisioning and reprovisioning of facilities; site formation and infrastructural works; funding approval by the Legislative Council (LegCo), etc. The time required depends on complexity of individual sites. All Government departments concerned will press ahead with the relevant work and to improve internal coordination, with a view to completing the necessary processes and making the sites ready for housing development in time.

## **Private Housing**

14. As for private housing, as mentioned in the 2021 PA, the Government will strive to secure approximately 170 hectares of land in the coming 10 years, and make available to the market sites for the production of about **100 000 units** through land sales and tender exercises for railway property developments. As such supply has not yet taken into account development projects undertaken by the Urban Renewal Authority (URA) and other private land development projects, the Government is confident that sufficient land can be secured to meet the private supply target of 129 000 units for the 10-year period from 2022-23 to 2031-32.

15. As regards private housing supply in the shorter term, based on the latest

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<sup>1</sup> Including application for funding for works, land resumption and clearance, reprovisioning of affected facilities, site formation, provision/improvements of road or infrastructure facilities, etc.

projection as at end-September 2021, the supply of **first-hand private residential flats for the coming three to four years** is about **94 000 units**.

## **CONTINUOUS EFFORTS IN EXPEDITING/INCREASING HOUSING SUPPLY**

### **Increasing Overall Housing Land Supply in the Longer Term Beyond 2031-32**

16. As mentioned in the 2021 PA, the Government will continue to work on further phases of ongoing/soon to commence large-scale projects (notably further phases of Hung Shui Kiu/Ha Tsuen NDA, Yuen Long South Development Area and topside development at Siu Ho Wan Depot) and take forward projects under planning (such as San Tin/Lok Mau Chau Development Node, New Territories North New Town and Man Kam To, Kau Yi Chau Artificial Islands) to provide about 400 000 to 500 000 public and private housing units in the years beyond 2031-32. Together with the 165 000 to 186 000 housing units estimated to be generated from newly identified land under the Northern Metropolis Development Strategy, and subject to studies to be undertaken, the supply of housing units may go up to 565 000 to 686 000 units in the period of 10 to 15 years after 2031-32.

### **Increasing/expediting Public Housing Supply**

17. Aside from increasing housing land supply, the Government/HA have also implemented various policies and measures to **increase public housing supply**<sup>2</sup> and **optimise public housing resources**<sup>3</sup>. New initiatives will be taken forward as far as practicable. Those in the pipeline are set out in

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<sup>2</sup> For example, we have raised the share of public housing in new housing supply from 60% to 70% for the 10-year period under the LTHS framework; raised domestic plot ratio for public housing sites in selected Density Zones of the Main Urban Areas and New Towns by up to maximum 30% where technically feasible to maximise yield (as against the previous maximum of 20%); and revised the land premium arrangement for the subsidised housing projects of the HKHS to enable the provision of more public housing units by HKHS, etc.

<sup>3</sup> For example, HA and HKHS have launched a pilot scheme which allows eligible owners of SSFs with premium unpaid to let their flats to eligible PRH applicants. HA has also provided incentives to under-occupation PRH households whose family members are all aged 70 or above for transfer to suitably-sized flat.

paragraphs 18 to 23 below. Please also see the Administration’s paper submitted to the LegCo Panel on Housing on “Housing-related Initiatives in the Chief Executive’s 2021 Policy Address and Policy Address Supplement”<sup>4</sup>.

### *Delivering More Units as Early as Possible*

18. At present, Hong Kong Housing Authority (HA) has achieved about 90% precast rate in certain public housing projects and is able to build a typical floor with over 20 public housing units in six working days. HA and the Hong Kong Housing Society (HKHS) will adopt more widely **Modular Integrated Construction (MiC)** and innovative construction technology to speed up public housing construction. So far, MiC will be adopted for four public housing projects (involving a total of about 2 410 units) in Tung Chung, Kwun Tong, Anderson Road Quarry sites and Hung Shui Kiu<sup>5</sup>.

19. Besides, HA will leverage private sector expertise to speed up public housing construction by adopting a new **“Design and Build” contract procurement model** in suitable projects to allow contractors to undertake design and construction in a single contract. The Housing Department can then focus its existing design manpower on expediting the pre-construction planning of new projects with a view to letting out the construction contracts as early as possible. The standard design and material standards will also be improved to further enhance the efficiency of the construction of public housing.

### *Redevelopment of HA’s Aged Public Housing/Factory Estates*

20. HA endorsed in 2020 the **redevelopment of Shek Lei Interim Housing (SLIH)** and the associated clearance arrangements, with December 2022 as the target clearance date. If SLIH can be cleared as scheduled and used for public housing development together with the adjoining ex-primary school site under the relaxed planning restrictions, we estimate that about **1 600 units** can be provided upon the completion of its redevelopment in 2028.

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<sup>4</sup> See LC paper no. CB(1)1400/20-21(01), which is available on the following link – <https://www.legco.gov.hk/yr20-21/english/panels/hg/agenda/hg20211020.htm>

<sup>5</sup> The three projects in Tung Chung, Kwun Tong and Anderson Road Quarry sites are under HA, while the project at Hung Shui Kiu is under HKHS.

21. HA endorsed in 2021 the **redevelopment of four factory estates** (namely Yip On Factory Estate in Kowloon Bay; Sui Fai Factory Estate in Fo Tan; Wang Cheong Factory Estate in Cheung Sha Wan; and Kwai On Factory Estate in Kwai Chung) as public housing. To shorten the redevelopment programme, HA will proceed with the clearance of the four factory estates and thereafter demolition of the buildings while the rezoning exercise of the sites is in progress. Subject to completion of the necessary rezoning process, these sites are capable of producing about **4 800 units** in 2031 and beyond.

22. In response to the Chief Executive's suggestion in the 2021 PA, HA is examining the **redevelopment of Sai Wan Estate and Ma Tau Wai Estate** under suitable conditions and the inclusion of the adjacent areas into the redevelopment sites so that these two precious urban sites could provide more public housing units to meet public aspirations. The initial estimate is that redevelopment of these two estates can provide about **5 000 units** in total upon completion<sup>6</sup>.

### ***Redevelopment of Tai Hang Sai Estate***

23. The Government has been facilitating the redevelopment of Tai Hang Sai (THS) Estate. The Executive Council has approved in September 2021 for the Hong Kong Settlers Housing Corporation Limited (HKSHCL) and the URA to jointly implement the project, on condition that the HKSHCL will provide proper rehousing arrangements for the existing tenants. The URA submitted a planning application to the Town Planning Board in late October 2021 for further relaxation of the plot ratio to enhance the development potential of the site. Subject to the approval of the application, the redevelopment project of THS Estate can provide about 3 300 units upon completion, which include about 1 300 units for rehousing the existing tenants by the HKSHCL and about 2 000 SH units to be provided by the URA, doubling the existing 1 600 units.

### **Meeting Home Ownership Aspirations**

24. As aspirations for home ownership remains strong, the Government and HA have endeavoured to provide more subsidised housing units to families of

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<sup>6</sup> The completion date of these 5 000 units is subject to study.



different income brackets and will continue with the following efforts –

- (a) upon the Government’s revision of the pricing mechanism for SSFs in 2018 to delink the selling prices of SSFs from prices of the private housing market and set the prices at a level that is affordable to target households, about 16 300 **Home Ownership Scheme (HOS)** flats have been put up for sale under the revised pricing policy so far;
- (b) since HA’s regularisation of **GSH** in January 2018, about 8 400 GSH flats have been put up for sale to help better-off Green Form applicants<sup>7</sup> move up the housing ladder while releasing more PRH units for re-allocation to those with more pressing needs;
- (c) to address the home ownership aspirations of White Form applicants, HA regularised the **White Form Secondary Market Scheme (WSM)** in November 2017. The WSM quota had also increased from 2 500 in 2018 to 4 500 in 2020;
- (d) to further meet the home ownership aspirations of Green Form applicants, HA also accelerates the **sale of unsold flats in the existing 39 Tenants Purchase Scheme (TPS) estates**. Recovered flats in TPS estates are put up for sale in HOS and GSH sale exercises to eligible Green Form applicants. 813 recovered TPS flats have been included in the sale exercise of GSH 2020/21; and
- (e) the Government introduced the **Starter Homes for Hong Kong Residents (SH) pilot projects** to help the higher-income families who are not eligible for HOS and yet cannot afford private housing to meet their home ownership aspirations. In addition to eResidence (i.e. the first SH pilot project at Ma Tau Wai Road), the Government is taking forward three SH projects with over 3 000 SH units in total, namely a URA redevelopment project adjacent to eResidence; a private residential site at Anderson Road successfully tendered; and the redevelopment of the Tai Hang Sai Estate involving URA (as mentioned in paragraph 23 above).

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<sup>7</sup> Green Form applicants are mainly PRH tenants and PRH applicants who have passed the detailed eligibility vetting and obtained a Green Form Certificate.

## **Interim measures to help families in poor living conditions**

25. The Government has put in place interim measures to help families in poor living conditions and have been waiting for PRH for a prolonged period.

### ***Transitional Housing***

26. Before supply is in place, the Government has been promoting the development of transitional housing. By making better use of vacant land and premises, we aim to provide transitional housing to relieve those people living in inadequate housing. With the facilitation and co-ordination of the Task Force on Transitional Housing under the Transport and Housing Bureau, as at November 2021, we have identified land for providing over 15 000 transitional housing units, of which about 2 000 units were completed<sup>8</sup>, over 4 400 units are under construction, and projects with over 10 200 units have commenced consultation, procurement or tender procedures. Also, the Chief Executive announced in the 2021 Policy Address to increase the overall supply of transitional housing to 20 000 units in the coming few years by providing 5 000 additional units, and increase the amount of funding under the relevant funding scheme to \$11.6 billion. We will keep working hard with a view to providing 20 000 units as soon as possible.

27. To utilise housing resources efficiently and to support the hotel and guesthouse industry during the difficult times of COVID-19, we launched the “Pilot Scheme to Subsidise Using Rooms in Hotels and Guesthouses as Transitional Housing” (the Pilot Scheme) funded by the Community Care Fund (CCF) in April 2021, under which NGOs may rent suitable rooms in hotels and guesthouses with relatively low occupancy rates as transitional housing. It is estimated that the Pilot Scheme could provide some 800 transitional housing units in total. Hitherto, the Pilot Scheme has approved a total subsidy of about \$72 million for six projects to provide about 600 units.

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<sup>8</sup> Including about 600 units provided through the “Pilot Scheme to Subsidise Using Rooms in Hotels and Guesthouses as Transitional Housing” (as mentioned in paragraph 27 below).

### *Cash Allowance Trial Scheme (CATS)*

28. The Government launched the three-year CATS in late June 2021 to provide cash allowance to eligible public rental housing (PRH) General Applicant (GA) households, (i.e. applicant households with two or more persons, and applicants under the Single Elderly Priority Scheme) who are not living in PRH, not receiving the Comprehensive Social Security Assistance, and have waited for PRH for more than three years but have not been offered the first PRH allocation, with a view to relieving the pressure on livelihood of grassroots families which have waited for PRH allocation for a prolonged period of time. As at end-October 2021, the Government had disbursed cash allowances to about **60 000 eligible PRH GA households**, amounting to over 90% of the eligible applications received.

### *Tenancy Control of Subdivided Units (SDUs)*

29. The Landlord and Tenant (Consolidation) (Amendment) Bill 2021 to implement tenancy controls on SDUs was passed by the LegCo on 20 October 2021 and will come into force on 22 January 2022. The new law will provide reasonable and effective protection for SDU tenants, including mandating lease terms setting out the respective rights and obligations of SDU landlords and tenants, providing security of tenure for a total of four years for tenants, limiting the rent increase between the first and the second term tenancy and prohibiting landlords from overcharging tenant on utility charges, etc.

### **Healthy and stable development of the private residential property market**

30. The Government strives to maintain a healthy development of the private residential property market. On the one hand, the Government has adopted a supply-led strategy aimed at a continued increase in housing land supply in the long run; on the other hand, the Government has adopted demand-side management measures to stabilise the residential property market.

31. At present, the housing supply is still tight. The overall residential property prices remain at a level beyond the affordability of the general public. According to the latest information from the Rating and Valuation Department,

the mortgage-to-income ratio for private sector households with median household income (i.e. the home purchase affordability ratio<sup>9</sup>) in the third quarter of 2021 was 75%, which was much higher than the average of 47% over the past 20 years (i.e. from 2001 to 2020). The Government will maintain the various demand-side management measures for residential properties for the time being. The Government will, as always, continue to keep watch on the residential property market conditions and take timely and appropriate measures in response to market changes by making reference to relevant indicators.

**Transport and Housing Bureau**  
**December 2021**

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<sup>9</sup> Home purchase affordability ratio refers to the ratio of mortgage payment for a 45-square metre flat to the median income of households (excluding those living in public housing) at the prevailing mortgage rate under a 70% loan-to-value ratio for a tenure of 20 years.

**Housing Supply Target Projection  
for the 10-year Period from 2022-23 to 2031-32**

**Gross Housing Demand Projection (415 600 units)**

According to the projection methodology adopted by the 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 factors<sup>1</sup>.

**A. Net increase in the number of households (197 300 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 domestic household projections published by C&SD in September 2020, the net increase in the number of households from mid-2022 to mid-2032 is about **197 300** units. This is adopted for the 10-year period from 2022-23 to 2031-32.

3. In line with previous projection exercises, an econometric modelling exercise has been conducted to quantify the relationship between household formation and (a) economic performance (as proxied by real Gross Domestic Product (GDP) growth rate); and (b) housing market situations (as proxied by vacancy rate of private flats) in order to reflect possible changes to household

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<sup>1</sup> 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.

formation under different economic and property market situations. Results show that the net increase in households ranges from 180 500 to 214 100, representing a  $\pm 8.5\%$ <sup>2</sup> from C&SD's domestic household projection of 197 300.

## **B. Households displaced by redevelopment (65 300 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 (HS), as well as past trends in the private sector, we propose to make a provision of about **65 300 units** for households displaced by redevelopment for the 10-year period from 2022-23 to 2031-32, with breakdown as follows –

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<sup>2</sup> 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. The Office of Government Economist has advised that under the base case, in order to project the household formation in the next 10 years, as a working assumption, it is assumed that the real GDP growth in the next 10 years will average around 3% per annum; and 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 2011 to 2020 (4.0%).

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.

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.

<b>Redevelopment programmes</b>	<b>Number of units</b>
(a) <u>Redevelopment of public housing units</u> (based on the estimated number of public housing units to be redeveloped by HA and HS in the next 10 years from 2022-23 to 2031-32) (see paragraph 5 - 7 below)	25 300
(b) <u>Redevelopment of private units</u> (based on past trend of private flats demolished from 2011 to 2020 <sup>3</sup> )	40 000
<b>Total = (a) + (b)</b>	<b>65 300</b>

5. For paragraph 4(a) above, according to the established methodology, we have projected the housing demand for the coming 10 years (covering the period from 2022-23 to 2031-32) arising from households displaced by public housing redevelopment by taking the higher of –

- (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 HS; 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**.

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<sup>3</sup> From 2011 to 2020, 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 2011-12 and 2020-21, 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).

6. The estimated number of public housing units under known redevelopment programmes in the next 10 years (paragraph 5(a)(i)) is **14 500**<sup>4</sup>. Drawing reference from the Rating and Valuation Department (RVD)'s data<sup>5</sup>, it is estimated that the additional housing demand from public rental estates aged 50 years and above would be **10 800** units<sup>6</sup> (about 15% of the 71 700 units in question) 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 next 10 years is **25 300** (= 14 500 under paragraph 5(a)(i) + 10 800 under paragraph 5(a)(ii)).

7. The number of public housing units demolished in the past 10 years (from 2011-12 to 2020-21) was 7 600 units (paragraph 5(b)). In accordance with the methodology set out in paragraph 5, the higher figure from paragraph 5(a) and 5(b), i.e. **25 300** units, has been adopted to be the estimated housing demand arising from public housing redevelopment from 2022-23 to 2031-32.

### **C. Inadequately housed households (IHHs) (127 100 units)**

8. 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);

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<sup>4</sup> Based on the known redevelopment programmes under HA and HS, the housing demand for 14 500 units in the 10-year period from 2022-23 to 2031-32 arises from the following redevelopments: (a) 620 units in HA's Pak Tin Estate; (b) 310 units in HA's Shek Lei Interim Housing; (c) 7 900 units in HA's Wah Fu Estate; (d) 1 300 units in HS' Ming Wah Dai Ha, (e) 910 units in HS' Yue Kwong Chuen; (f) 2 360 units in HS' Kwun Tong Garden Estate; and (g) 1 100 units in HS' Chun Seen Mei Chuen.

<sup>5</sup> Reference is made to RVD's data on the demolition situation of the 36 000 private domestic units that were built before 1960 as at the end of 2009 (i.e. having reached age 50 in 2010). From 2010 to 2020, about 540 of these 36 000 units were demolished annually, representing a demolition rate of about 15% over a 10-year period (i.e. 540 units x 10 years / 36 000 units). The demolition rate of 15% is used for projecting potential/possible redevelopment need for those PRH estates aged 50 years and above.

<sup>6</sup> There will be 71 700 units in 27 public rental estates (21 under HA and 6 under HS) 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 10 800 (= 71 700 x 15%).



- (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).

9. It has been our established practice to estimate the housing demand of IHHs based on relevant statistics/projection of C&SD (i.e. with reference to data in its Population Censuses/By-Censuses, Thematic Household Surveys on SDUs and related trend data). In light that a more updated survey on SDUs commissioned by the Task Force for the Study on Tenancy Control of Subdivided Units (TCSU) was conducted in late 2020/early 2021<sup>7</sup>, we consider it necessary to also take into account such survey findings in this year's housing demand projection concerning IHHs. As a prudent approach for projecting the housing demand of IHHs, the higher of the relevant statistics/projection of C&SD or the findings of TCSU's survey has been adopted for each category of IHHs in this year's projection<sup>8</sup>.

10. In respect of category (a), based on the results of 2016 Population By-Census (16BC) and the trend data observed from the 2011 Population Census and the 16BC, it is estimated that there were about 22 100 households living in temporary structures in 2020. As there is no directly comparable findings under TCSU's survey<sup>9</sup>, C&SD's projection, i.e. **22 100**, is adopted as the

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<sup>7</sup> To gather the latest information about the number of SDUs and the socio-economic characteristics of SDU tenants in Hong Kong, TCSU commissioned Policy 21 to conduct a comprehensive survey in late 2020/early 2021. Details on the survey findings are provided in paragraphs 13 to 20 in Chapter 3 of TCSU's report published in March 2021, which is available on the following website – [https://www.thb.gov.hk/eng/contact/housing/studyOnTenancyControl\\_Report.pdf](https://www.thb.gov.hk/eng/contact/housing/studyOnTenancyControl_Report.pdf)

<sup>8</sup> More updated statistics relating to IHHs based on the findings of the 2021 Population Census (which was conducted by C&SD from June to August 2021) are expected to be available for the housing demand projection under LTHS in 2022.

<sup>9</sup> C&SD's 16BC covered various forms of temporary structure, including huts, squatters and roof-top structures, whereas TCSU's survey only covered roof-top structures. According to the findings of TCSU's survey, there were 4 067 units of roof-top structures in 2020.

relevant housing demand.

11. In respect of category (b), 5 600 households were living in non-residential buildings according to the 16BC; while based on the findings of TCSU's survey, it is estimated that there were 6 927 units occupied for domestic purposes in industrial and commercial buildings in 2020. As such, the latter, i.e. 6 927 rounded to **7 000**, is adopted as the relevant housing demand.

12. In respect of category (c), 5 800 households were living in shared units according to the 16BC; while there were 4 998 units of similar structures<sup>10</sup> in 2020 based on the results of TCSU's survey. The higher of the two figures, i.e. **5 800**, is adopted as the relevant housing demand.

13. Regarding category (d), the number of households living in SDUs is estimated to be 102 700, based on the results from the 16BC and updated with the trend data observed from the 16BC, thematic household surveys on SDUs as well as relevant information on the construction and demolition of buildings. On the other hand, there were 100 943 SDUs based on the findings of TCSU's survey. As such, the higher of the two figures, i.e. 102 700, is adopted. In order to avoid double counting, we need to deduct households living in private residential buildings which would be subject to redevelopment in the next 10 years. The number is derived by applying the demolition rate of private residential units aged 50 years and above (i.e. 15%; see footnote 5 under paragraph 6) to the number of households living in SDUs located in private buildings aged above 50 years (i.e. 69 800 as estimated by C&SD), i.e. 10 500 (= 69 800 x 15%). Accordingly, **92 200** (= 102 700 – 10 500) is adopted as the relevant housing demand from households living in SDUs.

14. 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.

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<sup>10</sup> Including 3 415 cubicles, 258 loft spaces, 1 165 space capsules and 160 bed spaces.

15. Summing up the above components, the estimated number of IHHs is **127 100**, with the following breakdown –

	<b>Category of IHHs</b>	<b>Estimated number</b>
(a)	Households living in units made up of temporary structures	<b>22 100</b>
(b)	Households living in non-residential buildings	<b>7 000</b>
(c)	Households sharing the same unit with other households	<b>5 800</b>
(d)	Households living in SDUs	<b>92 200</b>
	<b>Total</b>	<b>127 100</b>

#### **D. Miscellaneous factors (25 900 units)**

16. 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 residents<sup>11</sup> 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

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The estimated housing demand is **660** units each year, having regard to

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<sup>11</sup> 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.

the average increase of about 2 200 student visas each year from 2011-12 to 2020-21; and on the assumptions that about 60% 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; and 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 channeling them back to the market<sup>12</sup> (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 690 to 1 760 units per year, i.e. a mid-point of about **1 230** units per year<sup>13</sup>.

17. Assuming that the above past trends will continue in the next 10 years, the estimated additional housing demand arising from miscellaneous factors is 2 590 units per year (= 700 + 660 + 1 230), or **25 900** units over the 10-year period from 2022-23 to 2031-32, with an upper and lower range of 31 200 and 20 500 units respectively.

### **Gross total housing demand**

18. Taking the above four demand components together, the estimated

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<sup>12</sup> Although these units are bought by non-local buyers without being channeled 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.

<sup>13</sup> Using the average annual stamped transactions from 2011 to 2020 (about 70 400 cases as provided by IRD) as a rough indication, the purchases by non-local buyers would be around 3 520 cases per year as the upper range (on a crude assumption that about 5.00% of purchases were by non-local buyers) and 930 cases per year as the lower range (on a crude assumption that about 1.32% 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 1 760 units per year at the upper range (assuming 50% of non-local buyers' purchases would fall under this category) and 690 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 1 230 units per year.

gross total housing demand is **415 600 units**, being the mid-point between the upper and lower ranges of 437 700 and 393 400 units respectively for the 10-year projection period from 2022-23 to 2031-32.

### **Vacancy adjustment in the private housing sector (7 200 units)**

19. As there are always a certain number of flats left vacant in the private housing sector at any point in time, we need to take into account the vacancy situation when setting the total housing supply target. In accordance with the established methodology under LTHS, the total housing supply target is derived by **adding a vacancy adjustment** (which is the change in the estimated number of vacant private housing units over the 10-year projection period) to the gross total housing demand to take into account the vacancy situation in the private housing sector.

20. With reference to RVD’s data on the average number of vacant units and the average vacancy rate in the private housing sector in the past 10 years (i.e. about 46 300 units and 4.0% respectively from 2011 to 2020<sup>14</sup>), the vacancy adjustment for the 10-year projection period from 2022-23 to 2031-32 is **7 200 units**<sup>15</sup>.

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<sup>14</sup> Based on RVD’s latest available data (i.e. as at end-2020).

<sup>15</sup> According to the established projection methodology, vacancy adjustment is the difference between the estimated number of vacant units at the end of the projection period and the number of vacant units at the beginning of the projection period. It has been the established practice to take the actual number of vacant units on the last day of the preceding calendar year as “the number of vacant units at the beginning of the projection period”. However, it is observed that under this snapshot approach, the number of vacant units fluctuates quite significantly from year to year (e.g. 42 900 units in end-2017, 51 400 units in end-2018, 44 900 units in end-2019, and 52 400 units in end-2020), leading to significant fluctuations in the vacancy adjustment in the respective years. In order to minimise the impact of the fluctuations on the vacancy adjustment, refinement is made to the projection methodology of vacancy adjustment such that the average number of vacant units in the past 10 years (instead of the actual number of vacant units on the last day of the preceding year) is taken as the proxy for the number of vacant units at the beginning of the projection period. Vacancy adjustment is therefore –

$$\begin{aligned}
 &= \text{Estimated total number of private housing units at the end of projection period} \quad \times \quad \text{Average vacancy rate in the past 10 years} \quad - \quad \text{Average number of vacant units in the past 10 years} \\
 &= 1\,337\,000 \text{ units} \times 4.0\% - 46\,300 \text{ units} \\
 &= 53\,480 \text{ units (rounded to 53\,500 units)} - 46\,300 \text{ units} \\
 &= 7\,200 \text{ units}
 \end{aligned}$$

## Total housing supply target

21. Upon taking into account the above vacancy adjustment in the private housing sector, the projected total housing supply target for the 10-year projection period from 2022-23 to 2031-32 is **422 800 units (say 430 000 units)**, with an upper and lower range of 444 900 and 400 600 units respectively. Details are summarised below –

