

**Long Term Housing Strategy
Annual Progress Report 2022
(for the 10-year period from 2023-24 to 2032-33)**

PURPOSE

This paper sets out the latest progress of key aspects of the Long Term Housing Strategy (LTHS) as at October 2022.

BACKGROUND

2. Following deliberations 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.

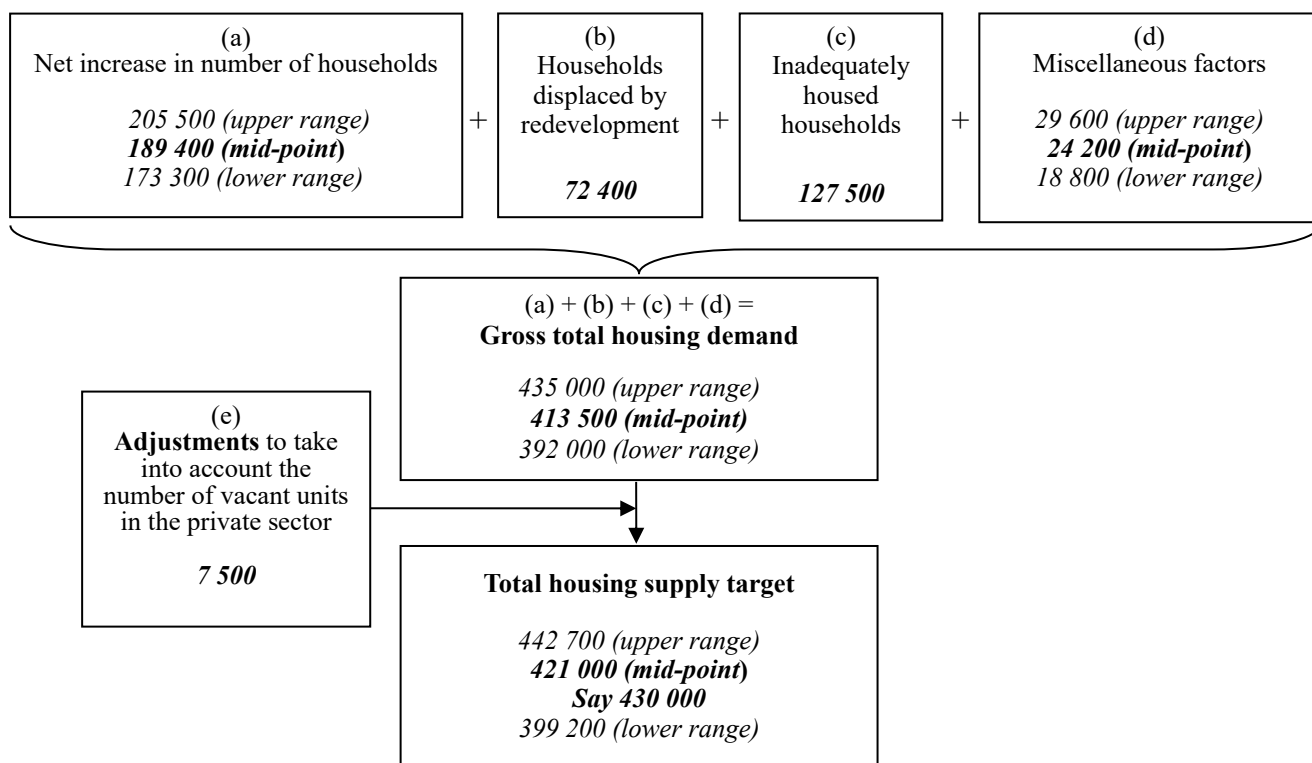
4. This annual exercise serves as an important policy tool to enable the Government to continually plan ahead on developing land and housing, in order to meet the housing needs of the community over the long term. The relevant work is set out in the ensuing paragraphs.

HOUSING DEMAND PROJECTION FOR 2023-24 TO 2032-33

10-year Housing Supply Target

5. Based on the latest projection, the projected **total housing supply target for the 10-year period from 2023-24 to 2032-33** is 421 000 units (rounded up to **430 000 units**), with an upper and lower range of 442 700 and 399 200 units respectively. This target is the same as the supply target for the 10-year period from 2022-23 to 2031-32 as announced in 2021.

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 2023-24 to 2032-33. 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 70:30. As demand for all types of public housing has remained strong, we will maintain this ratio for the 10-year period from 2023-24 to 2032-33. 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 2023-24 TO 2032-33

Public Housing

11. As at end-September 2022, the **estimated total public housing production** of the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS) **in the five-year period from 2023-24 to 2027-28** is about **128 000 units**, comprising about 83 000 PRH/GSH units and about 45 000 other SSFs. Comparing the above projected housing production with that for the previous four five-year periods (i.e. the five-year periods counting from 2019-20 onwards), **the trend has been on the rise in general –**

	HA housing production (PRH/GSH + other SSFs)	HS housing production (PRH[^] + SSFs)	Total housing production (PRH/GSH + other SSFs)
2019-20 to 2023-24	73 800 (55 500 + 18 300)	3 000 (1 300 + 1 600)	76 800 (56 800 + 20 000)
2020-21 to 2024-25	89 300 (62 600 + 26 700)	5 900 (3 100 + 2 800)	95 200 (65 700 + 29 500)
2021-22 to 2025-26	104 100 (74 300 + 29 800)	8 100 (4 000 + 4 200)	112 200 (78 200 + 34 000)
2022-23 to 2026-27	93 700 (61 800 + 31 800)	11 800 (4 000 + 7 900)	105 500 (65 800 + 39 700)
2023-24 to 2027-28	110 600 (76 100 + 34 500)	17 100 (6 500 + 10 600)	127 700 (82 600 + 45 100)

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

[^] There is no GSH production under HS.

12. As announced in the Chief Executive's 2022 Policy Address (2022 PA), **the Government has identified sufficient land for providing about 360 000 public housing units** in the coming 10-year period from 2023-24 to 2032-33, 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 and major development projects (about 38%); site rezoning (about 37%); 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. The Government would make the best use of the valuable land resources through optimisation of development potential (such as increasing plot ratio and building height where feasible and appropriate), to increase public housing production.

13. Of the 360 000 units, about **one-third** are scheduled for completion in the first five-year period (i.e. 2023-24 to 2027-28) whereas the other **two-thirds** fall in the second five-year period (i.e. 2028-29 to 2032-33). The timetable of projects within the first five-year period is relatively more certain as most of these projects are under construction or at the later stage of land production. 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 timely completion of the necessary processes (e.g. rezoning, consultation with local communities, infrastructure construction, land resumption, clearance, reprovisioning of affected facilities, funding approval by the Legislative Council, site formation works, etc). Their production programme is more fluid. 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, the Government will strive to get ready land capable of providing no less than **72 000 units** through land sale and railway property developments in the coming five years. Coupled with development projects undertaken by the Urban Renewal Authority and other private land development projects, we should be able to meet the private housing supply target under LTHS. The Government will continue to spare no efforts in creating sufficient land to meet the private housing supply target of 129 000 units for the 10-year period from 2023-24 to 2032-33.

15. As regards private housing supply in the shorter term, based on the latest projection as at end-September 2022, the supply of **first-hand private**

residential flats for the coming three to four years is about 95 000 units.

CONTINUOUS EFFORTS IN INCREASING/EXPEDITING HOUSING SUPPLY

Establishing the “Steering Committee on Land and Housing Supply” and the “Task Force on Public Housing Projects”

16. With a view to strengthening the momentum of development and improving people’s livelihood, the current-term Government has been pressing ahead with raising the production and speed of public housing supply. To this end, the “Steering Committee on Land and Housing Supply” chaired by the Financial Secretary and the “Task Force on Public Housing Projects” (Task Force) chaired by the Deputy Financial Secretary have been established to co-ordinate work relating to land and housing.

Increasing/Expediting Public Housing Supply

17. The Task Force is responsible for overseeing the production of public housing. Its terms of reference include monitoring the timely handover of sites earmarked for construction of public housing projects; exploring measures to expedite their construction and intake; producing and continually updating forecast of new public housing supply; considering and resolving major cross-bureaux or inter-departmental issues affecting the timely completion of public housing projects, as well as considering and formulating measures to increase the supply of public housing.

18. As tasked by the Chief Executive, the Task Force has submitted a report to the Chief Executive within the first 100 days of the current term of the Government. The Chief Executive has accepted the proposals and announced in the 2022 PA a series of measures to increase and expedite public housing supply. In particular, the Government will develop Light Public Housing (LPH) with a target to provide about **30 000 LPH units** in the five-year period from 2023-24 to 2027-28, with a view to filling the supply gap of public housing supply in the short term and providing an option for PRH applicants who have waited for three years or more to improve their living environment. The Task Force would

oversee the implementation of the measures proposed and continue to explore ways to increase the quantity and pace of public housing supply.

Housing Bureau
October 2022

Housing Supply Target Projection for the 10-year period from 2023-24 to 2032-33

Gross Housing Demand Projection (413 500 units)

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

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

A. Net increase in the number of households (189 400 units)

2. The trend-based domestic household projections by the Census and Statistics Department (C&SD) form the basis of assessing the overall housing demand from the net increase in the number of households. Based on the latest set of domestic household projections published by C&SD in September 2020², the net increase in the number of households from mid-2023 to mid-2033 is about **189 400** units. This is adopted for the 10-year period from 2023-24 to 2032-33.

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

² The latest set of domestic household projections was published by C&SD in September 2020. It is based on the set of population projections from 2020 to 2069 and the results of the 2016 Population By-census. C&SD has been publishing the results of the 2021 Population Census (21C) gradually and is updating the domestic household projections based on the results of 21C and the latest population trend. The new set of domestic household projections will be available in the first half of 2023 and will be adopted in the LTHS Annual Progress Report 2023.

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 formation under different economic and property market situations. Results show that the net increase in households ranges from 173 300 to 205 500, representing a $\pm 8.5\%$ ³ from C&SD's domestic household projection of 189 400.

B. Households displaced by redevelopment (72 400 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 **72 400** units for households displaced by redevelopment for the 10-year period from 2023-24 to 2032-33, with breakdown as follows –

³ According to the econometric model, the number of households formed is higher when local macroeconomic performance is better or the housing market is less tight. 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 2012 to 2021 (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.

Redevelopment programmes	Number of units
(a) <u>Redevelopment of public housing units</u> (based on the estimated number of public housing units to be redeveloped by HA and HS in the next 10 years from 2023-24 to 2032-33) (see paragraph 5 – 7 below)	32 400
(b) <u>Redevelopment of private units</u> (based on past trend of private flats demolished from 2012 to 2021 ⁴)	40 000
Total = (a) + (b)	72 400

5. According to the established methodology, we have projected the housing demand for the coming 10 years (covering the period from 2023-24 to 2032-33) 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 of HA and HS; and
 - (ii) *potential/possible* redevelopment need of 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**.

⁴ From 2012 to 2021, 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 2012-13 and 2021-22, 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 (i.e. 2 000 x 2 x 10).

6. The estimated number of public housing units under known redevelopment programmes of HA and HS is **19 600**⁵ (paragraph 5(a)(i)). Drawing reference from the Rating and Valuation Department (RVD)'s data⁶, it is estimated that the additional housing demand from public rental estates aged 50 years and above would be **12 800** units⁷ (about 16.8% of the 76 000 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 **32 400** (i.e. 19 600 under paragraph 5(a)(i) + 12 800 under paragraph 5(a)(ii)).

7. The number of public housing units demolished in the past 10 years (from 2012-13 to 2021-22) was 7 500 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. **32 400** units, has been adopted as the estimated housing demand arising from public housing redevelopment from 2023-24 to 2032-33.

C. Inadequately housed households (IHHs) (127 500 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 –

⁵ Based on the known redevelopment programmes under HA and HS, the housing demand for 19 610 units arises from the following redevelopments: (a) 130 units in HA's Shek Lei Interim Housing; (b) 2 490 units in HA's Ma Tau Wai Estate; (c) 8 250 units in HA's Wah Fu Estate; (d) 750 units in HA's Sai Wan Estate; (e) 2 570 units in HA's Pak Tin Estate; (f) 1 320 units in HS' Ming Wah Dai Ha, (g) 860 units in HS' Yue Kwong Chuen; (h) 2 240 units in HS' Kwun Tong Garden Estate; and (i) 1 000 units in HS' Chun Seen Mei Chuen.

⁶ 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 2021, about 606 of these 36 000 units were demolished annually, representing a demolition rate of 16.8% over a 10-year period (i.e. 606 units x 10 years / 36 000 units). The demolition rate of 16.8% is used for projecting potential/possible redevelopment need for those PRH estates aged 50 years and above.

⁷ There will be 76 000 units in 27 public rental estates (including 20 under HA and 7 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 12 800 (= 76 000 x 16.8%).

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

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).

10. As regards this year's projection, estimate of the four categories of IHHs as mentioned in paragraph 8 above are compiled on the basis of the 2021 Population Census (21C) conducted by C&SD. According to the results of the 21C, it is estimated that there were about **23 700** households under category (a), **7 000** households under category (b) and **3 200** households under category (c).

11. Regarding category (d), the number of households living in SDUs is estimated to be 107 400, based on the results from the 21C. 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 above 50 years (i.e. 16.8%; see footnote 6 under paragraph 6) to the number of households living in SDUs located in private buildings aged above 50 years (i.e. 82 100 as estimated by C&SD), which is 13 800 units (i.e. $82\,100 \times 16.8\%$). Accordingly, **93 600** units (i.e. $107\,400 - 13\,800$) is adopted as the relevant housing demand from households living in SDUs.

12. Given the varied standards and living conditions of shared units and SDUs, not all households living there are necessarily inadequately housed. Besides, a unit shared by two or more households or subdivided into two or

more units may be able to provide adequate housing for one household if it is not shared or subdivided. In other words, there may not be a need to provide adequate housing to all the households living in a shared unit or an SDU. Nevertheless, adopting a conservative approach, we have continued to include all these households in this year's housing demand projection.

13. Summing up the above components, the estimated number of IHHs is **127 500**, with the following breakdown –

	Category of IHHs	Estimated number
(a)	Households living in units made up of temporary structures	23 700
(b)	Households living in non-residential buildings	7 000
(c)	Households sharing the same unit with other households	3 200
(d)	Households living in SDUs	93 600
	Total	127 500

D. Miscellaneous factors (24 200 units)

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

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

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

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

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

The estimated housing demand is **540** units each year, having regard to the average increase of about 1 800 student visas each year from 2012-13 to 2021-22; 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 market⁹ (i.e. not selling or leasing out their units) –

Drawing reference from statistics of the Inland Revenue Department (IRD) and RVD, it is estimated that the housing demand from such buyers ranges from 640 to 1 720 units per year, i.e. a mid-point of about **1 180** units per year¹⁰.

15. Assuming that the above past trends will continue in the next 10 years, the estimated additional housing demand arising from miscellaneous factors is 2 420 units per year (i.e. 700 + 540 + 1 180), or **24 200** units over the 10-year period from 2023-24 to 2032-33, with an upper and lower range of 29 600 and 18 800 units respectively.

⁹ 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.

¹⁰ Using the average annual stamped transactions from 2012 to 2021 (about 68 860 cases as provided by IRD) as a rough indication, the purchases by non-local buyers would be around 3 443 cases per year as the upper range (on a crude assumption that about 5.0% of purchases were by non-local buyers) and 848 cases per year as the lower range (on a crude assumption that about 1.2% 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 1 720 units per year at the upper range (assuming 50% of non-local buyers' purchases would fall under this category) and 640 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 1 180 units per year.

Gross total housing demand

16. Taking the above four demand components together, the estimated gross total housing demand is **413 500** units, being the mid-point between the upper and lower ranges of 435 000 and 392 000 units respectively for the 10-year projection period from 2023-24 to 2032-33.

Vacancy adjustment in the private housing sector (7 500 units)

17. 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.

18. 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 46 500 units and 4.0% respectively from 2012 to 2021¹¹), the vacancy adjustment for the 10-year projection period from 2023-24 to 2032-33 is **7 500** units¹².

¹¹ Based on RVD's latest available data (i.e. as at end-2021).

¹² Vacancy adjustment is estimated by –

$$\begin{aligned} &= \begin{array}{l} \text{Estimated total number of} \\ \text{private housing units} \\ \text{at the end of projection period} \end{array} \quad \times \quad \begin{array}{l} \text{Average vacancy} \\ \text{rate in the past} \\ \text{10 years} \end{array} \quad - \quad \begin{array}{l} \text{Average number of} \\ \text{vacant units} \\ \text{in the past 10 years} \end{array} \\ &= 1\,350\,000 \text{ units} \times 4.0\% - 46\,500 \text{ units} \\ &= 54\,000 \text{ units} - 46\,500 \text{ units} \\ &= 7\,500 \text{ units} \end{aligned}$$

Total housing supply target

19. 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 2023-24 to 2032-33 is **421 000 units (say 430 000 units)**, with an upper and lower range of 442 700 and 399 200 units respectively. Details are summarised below –

