

**Long Term Housing Strategy
Annual Progress Report 2023
(for the 10-year period from 2024-25 to 2033-34)**

PURPOSE

This paper sets out the latest progress of key aspects of the Long Term Housing Strategy (LTHS) as at September 2023.

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.

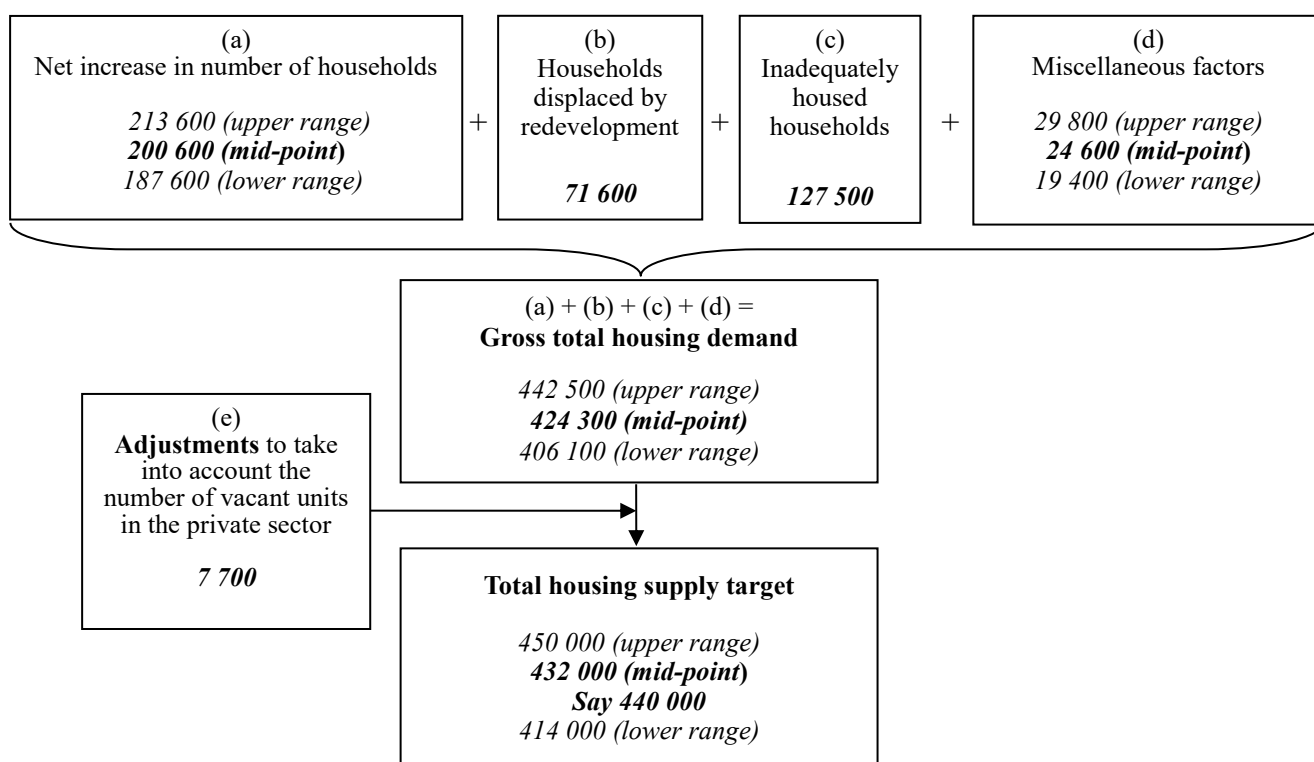
4. This annual exercise serves as an important policy tool to enable the Government to continually plan ahead on developing land and housing, in order to meet the housing needs of the community over the long term. The relevant work is set out in the ensuing paragraphs.

HOUSING DEMAND PROJECTION FOR 2024-25 TO 2033-34

10-year Housing Supply Target

5. Based on the latest projection, the projected **total housing supply target for the 10-year period from 2024-25 to 2033-34** is 432 000 units (rounded up to **440 000 units**), with an upper and lower range of 450 000 and 414 000 units respectively. Such target is 10 000 units more than the supply target of 430 000 units for the 10-year period from 2023-23 to 2032-33 as announced in 2022. This is mainly due to the increase in the net increase in the number of households, which is independently assessed by the Census and Statistics Department (C&SD) based on its latest domestic household projections¹.

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



¹ The latest domestic household projections, which are compiled based on the new set of population projections covering the period from 2022 to 2046 and the results of the 2021 Population Census, have been published on C&SD's website (https://www.censtatd.gov.hk/en/web_table.html?id=150-12001).

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 2024-25 to 2033-34. Accordingly, out of the total housing supply target of 440 000 units, the **public housing supply target will be 308 000 units and the private housing supply target will be 132 000 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 2024-25 to 2033-34. Correspondingly, the public housing supply target of 308 000 units will comprise **216 000 units for PRH/GSH and 92 000 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 2024-25 TO 2033-34

Public Housing

11. As at end-September 2023, 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 2024-25 to 2028-29** is about **141 800 units**, comprising about 92 000 PRH/GSH units and about 49 800 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 2020-21 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)
2020-21 to 2024-25	89 300 (62 600 + 26 700)	4 500 (3 100 + 1 400)	93 800 (65 700 + 28 100)
2021-22 to 2025-26	101 500 (71 700 + 29 800)	8 100 (4 000 + 4 200)	109 600 (75 600 + 34 000)
2022-23 to 2026-27	97 300 (64 500 + 32 800)	11 800 (4 000 + 7 900)	109 200 (68 500 + 40 700)
2023-24 to 2027-28	110 400 (77 700 + 32 700)	17 200 (6 500 + 10 700)	127 600 (84 200 + 43 400)
2024-25 to 2028-29	124 000 (84 800 + 39 100)	17 800 (7 100 + 10 700)	141 800 (92 000 + 49 800)

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 2023 Policy Address, **the Government has identified sufficient land for providing about 410 000 public housing units** in the coming 10-year period from 2024-25 to 2033-34, which can meet the estimated public housing demand of 308 000 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 43%), site rezoning (about 37%), and other projects (about 20%). 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 410 000 units, about **one-third** are scheduled for completion in the first five-year period (i.e. 2024-25 to 2028-29) whereas the other **two-thirds** fall in the second five-year period (i.e. 2029-30 to 2033-34). 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 get ready land capable of providing around **80 000 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 132 000 units for the 10-year period from 2024-25 to 2033-34.

15. As regards private housing supply in the shorter term, based on the latest projection as at end-September 2023, **the supply of first-hand private residential flats for the coming three to four years is about 107 000 units.**

**Housing Bureau
October 2023**

**Housing Supply Target Projection
for the 10-year period from 2024-25 to 2033-34**

Gross Housing Demand Projection (424 300 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 (200 600 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 August 2023², the net increase in the number of households from mid-2024 to mid-2034 is about **200 600** units. This is adopted for the 10-year period from 2024-25 to 2033-34.

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

² The domestic household projections published in August 2023 are compiled by C&SD based on the new set of population projections covering the period from 2022 to 2046 and the results of the 2021 Population Census.

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 187 600 to 213 600, representing a +/- **6.5%**³ from C&SD's domestic household projection of 200 600.

B. Households displaced by redevelopment (71 600 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 **71 600** units for households displaced by redevelopment for the 10-year period from 2024-25 to 2033-34, 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 2013 to 2022 (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 6.5% 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 6.5% 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 2024-25 to 2033-24) (see paragraphs 5 to 7 below)	31 600
(b) <u>Redevelopment of private units</u> (based on past trend of private flats demolished from 2013 to 2022 ⁴)	40 000
Total = (a) + (b)	71 600

5. According to the established methodology, we have projected the housing demand for the coming 10 years (covering the period from 2024-25 to 2033-34) 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 2013 to 2022, 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 2013-14 and 2022-23, 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 **16 200**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 **15 400** units⁷ (about 19.2% of the 80 200 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 **31 600** (i.e. 16 200 under paragraph 5(a)(i) + 15 400 under paragraph 5(a)(ii)).

7. The number of public housing units demolished in the past 10 years (from 2013-14 to 2022-23) was 8 600 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. **31 600** units, has been adopted as the estimated housing demand arising from public housing redevelopment from 2024-25 to 2033-34.

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 –

- (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);

⁵ Based on the known redevelopment programmes under HA and HS, the housing demand for 16 200 units in the 10-year period from 2024-25 to 2033-34 arises from the following redevelopments: (a) 2 100 units in HA's Ma Tau Wai Estate; (b) 8 000 units in HA's Wah Fu Estate; (c) 800 units in HA's Sai Wan Estate; (d) 1 300 units in HS' Ming Wah Dai Ha, (e) 800 units in HS' Yue Kwong Chuen; (f) 2 200 units in HS' Kwun Tong Garden Estate; and (g) 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 2013 to 2022, about 690 of these 36 000 units were demolished annually, representing a demolition rate of 19.2% over a 10-year period (i.e. 690 units x 10 years / 36 000 units). The demolition rate of 19.2% is used for projecting potential/possible redevelopment need for those PRH estates aged 50 years and above.

⁷ There will be 80 200 units in 28 public rental estates (including 21 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 15 400 (= 80 200 x 19.2%).

- (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). However, our latest references to estimate the housing demand of IHHs are the results of the 2021 Population Census (21C) and the 2016 Population By-census conducted by C&SD in 2021 and 2016 respectively. It should be noted that the above surveys were conducted before the launch of Transitional Housing (TH) in 2021, the effect of TH which should lead to a drop in the number of IHHs, has not been reflected. This methodology for projecting the number of IHHs based on past trend data would need to be further reviewed after the flow of residents from IHHs to TH can be established as more TH come into operation⁸. In the meantime, in order not to distort the housing demand arising from IHHs in this round of annual update, we suggest keeping the housing demand of IHHs as projected in LTHS Annual Progress Report 2022 (i.e. keeping the figure at **127 500** units) with the following breakdown –

⁸ If we were to adopt past trend data as in previous years, it is estimated that there were about 24 400 households under category (a), 7 000 households under category (b) and 3 200 households under category (c). Regarding category (d), the number of households living in SDUs is estimated to be 109 600. After deducting the number of SDUs located in private buildings aged above 50 years (i.e. 16 700) to avoid double counting, the housing demand from households living in SDUs is estimated to be 92 900 (i.e. 109 600 – 16 700).

	Category of IHHs	Projected figures in LTHS Annual Progress Report 2022⁹ (to be adopted in this round of annual update)
(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 (24 600 units)

10. 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 residents¹⁰ 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;

⁹ The estimate of the four categories of IHHs are compiled on the basis of the 21C conducted by C&SD. Details are depicted in paragraphs 8 to 13 of the Annex of LTHS Annual Progress Report 2022.

¹⁰ 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 **660** units each year, having regard to the average increase of about 2 200 student visas each year from 2013-14 to 2022-23; 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 market¹¹ (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 580 to 1 620 units per year, i.e. a mid-point of about **1 100** units per year¹².

11. Assuming that the above past trends will continue in the next 10 years, the estimated additional housing demand arising from miscellaneous factors is 2 460 units per year (i.e. 700 + 660 + 1 100), or **24 600** units over the 10-year period from 2024-25 to 2033-34, with an upper and lower range of 29 800 and 19 400 units respectively.

¹¹ 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.

¹² Using the average annual stamped transactions from 2013 to 2022 (about 64 633 cases as provided by IRD) as a rough indication, the purchases by non-local buyers would be around 3 232 cases per year as the upper range (on a crude assumption that about 5.0% of purchases were by non-local buyers) and 767 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 1 620 units per year at the upper range (assuming 50% of non-local buyers' purchases would fall under this category) and 580 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 1 100 units per year.

Gross total housing demand (424 300 units)

12. Taking the above four demand components together, the estimated gross total housing demand is **424 300** units, being the mid-point between the upper and lower range of 442 500 and 406 100 units respectively for the 10-year projection period from 2024-25 to 2033-34.

Vacancy adjustment in the private housing sector (7 700 units)

13. 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.

14. 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 47 200 units and 4.0% respectively from 2013 to 2022), the vacancy adjustment for the 10-year projection period from 2024-25 to 2033-34 is **7 700 units**¹³.

¹³ Vacancy adjustment is estimated by –

$$\begin{aligned} &= \text{Estimated total number of private housing units at the end of projection period} \times \text{Average vacancy rate in the past 10 years} - \text{Average number of vacant units in the past 10 years} \\ &= 1\,372\,000 \text{ units} \times 4.0\% - 47\,200 \text{ units} \\ &= 54\,900 \text{ units} - 47\,200 \text{ units} \\ &= 7\,700 \text{ units} \end{aligned}$$

Total housing supply target

15. 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 2024-25 to 2033-34 is **432 000 units (say 440 000 units)**, with an upper and lower range of 450 000 and 414 000 units respectively. Details are summarised below –

