

Housing Future at its Critical Juncture

Housing stands out as one of the most critical social problems haunting Hong Kong today.

Our “housing crisis” is characterized by a serious supply-demand imbalance, housing prices and rents at a level beyond the affordability of the general public and out of line with our economic fundamentals, the proliferation of inadequately housed households and subdivided units (SDUs), and long queues for public rental housing.

This Administration accords high priority to housing. Our three-pronged objectives are: to provide public rental housing to the grassroots; to assist lower to middle income households realise their home ownership aspirations; and to maintain a healthy and stable private housing market. In 2012 and 2013, we introduced two rounds of demand management measures which helped to contain market exuberance.

However, domestic demand for housing remains solid, so the ultimate solution to the current affordability crisis must lie in increasing supply continuously and with sufficient scale, so as to break the vicious cycle built up over the past years.

The new Long Term Housing Strategy just released by the Government has incorporated the principal recommendations of the Long Term Housing Strategy Steering Committee and the main views gathered during public consultation late last year. Under the vision to provide adequate and affordable housing for all families, we set a pragmatic supply-led strategy with a 60:40 public-private split in new housing production and a total supply target of 480,000 units in the coming decade (2015-16 to 2024-25).

We will improve circulation in public housing, explore new forms of subsidized home-ownership and make use of private sector participation. We also seek to promote good sales and tenancy practices.

Setting a production target is the easier part. Delivering the target requires the adequate and timely supply of land, especially through new development areas and the review and rezoning of some existing sites; as well as addressing local community concerns about traffic and environmental impacts and provision of social facilities. Coping with rising building costs and construction industry capacity present further problems.

Such challenges are daunting indeed, but they have to be tackled head-on. Hard choices and social trade-offs have to be made amid diverse interests and objectives.

No pain, no gain. We do not have the luxury of “zero impact” solutions. If we shelve large-scale new developments, avoid increasing density, give up rezoning, reclamation and land resumption, then where can we look to for releasing the much-needed land to meet our target of 480,000 new housing units in the coming decade?

Though still criticized by some sceptics as being too conservative, such target is what many of our grassroots and lower middle class families see as the foundation for a better housing future. Engaging in vague rhetoric without action simply ignores the plight of the needy. We need a change of heart and a shift in mindset.

In face of the proliferation of SDUs, some concern groups suggest building “transitional housing”, similar to temporary housing areas of the early 1990s, by making use of short-term vacant government sites. The reality is, first, we do not have a lot of such vacant sites as the Government tries to identify as many sites as possible for housing and other pertinent uses like service facilities, office and retail space, and logistics.

Second, even if a few such temporary sites are available, they might lack the necessary utilities and drainage systems which all take time to provide, beyond the transitional time-frame. In any case, the number of inadequately housed households to be rehoused is huge, for whom the mass supply of public housing is the fundamental and most practical answer.

Meanwhile we have to step up enforcement actions to eradicate illegal SDUs in industrial buildings and improve safety conditions of SDUs in residential and composite buildings.

With the Government taking firm demand-management measures to stabilize the property market, why is it not equally determined to combat rental hikes through rent control measures, some ask. There are always those in Hong Kong opposing government intervention into market transactions as a

matter of free-market principle. However, our consideration goes beyond the ideological.

Practically speaking, in the current situation of serious supply-demand imbalance, any rent control measures will only lead to landlords asking for higher starting rents and becoming more selective over tenants, ultimately harming prospective tenants. Others urge the Government to provide monthly rental subsidy to grassroots tenants, but again given the present supply shortage, rent subsidy will only serve to induce landlords to raise rent and reap the windfall profit.

We are in a real “housing dilemma” for which there is no quick-fix solution. We have to increase housing supply steadily, and this requires land, and planning and construction time. Recognizing the problem and acknowledging its complexity is the necessary first step towards problem-solving.

If we try to avoid the problem by, for example, arguing erroneously that there is no need for more new housing because there is already a surplus, or if we lack the guts to accept a trade-off between housing development and keeping various lands untouched, then we are doomed to failure. The vicious cycle will persist, and we will not see the end of the tunnel.

Now is the critical moment. We have to make our Long Term Housing Strategy work in order to rebuild confidence in a future where our younger generation can look forward to better and more affordable housing. For their future, there is no going back.

The Long Term Housing Strategy is the beginning, not the end, of our housing reform journey. We will be working on initiatives within the new strategic framework as we move along.

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