

Housing

The government's policy objectives are to assist grassroots families to secure public rental housing to meet their basic housing needs; assist the public to choose accommodation according to their personal circumstances and what they can afford; provide subsidised sale flats to build a progressive housing ladder; and maintain the healthy and steady development of the private property market, with priority to be given to Hong Kong permanent residents' needs.

There were about 2,660,000 flats in Hong Kong as at December 2014, comprising about 780,000 public rental units¹, 400,000 subsidised sale flats and 1,490,000 private sector flats. About 29 per cent of Hong Kong's population live in public rental units, and another 17 per cent live in subsidised sale flats.

Long Term Housing Strategy

The government announced its Long Term Housing Strategy (LTHS) in December 2014, making an important policy shift by adopting a supply-led strategy to avert the current supply-demand imbalance.

The LTHS has three major directions: (1) to build more public rental housing (PRH) units and to ensure the rational use of existing resources; (2) to provide more subsidised sale flats, expand the forms of subsidised home ownership and facilitate the market circulation of existing stock; and (3) to stabilise the residential property market through steady land supply and appropriate demand management measures, and to promote good sales and tenancy practices for private residential properties.

Using the methodology recommended by the LTHS Steering Committee, the government has updated the projection of long term housing demand and adopted a new total housing supply target of 480,000 units for the ten-year period from 2015-16 to 2024-25 with a public-private split of 60:40. Accordingly, the public housing supply target will be 290,000 units (200,000 PRH units and 90,000 subsidised sale flats) and the private housing supply target will be 190,000 units. To maintain flexibility, the government will review the long term housing demand

¹ Including public rental housing and interim housing flats under the Hong Kong Housing Authority and rental flats under the Hong Kong Housing Society.

projection annually and generate a rolling ten-year housing supply target to reflect changes in circumstances.

Housing Policy

The government provides PRH to those with low income who cannot afford private rental accommodation mainly through the Hong Kong Housing Authority (HKHA)², with the target of providing a first flat offer to general applicants (ie family and single elderly one-person applicants) by around three years on average.

The HKHA has a rolling public housing construction programme to achieve the public housing supply target. According to the latest programme released in December 2014, about 77,100 PRH flats and 10,600 Home Ownership Scheme (HOS) flats will be built over the five years from 2014-15.

The government's policy is to maintain the healthy and stable development of the private property market. As at end December, the government estimates that the supply of first-hand private residential flats for the coming three to four years is approximately 74,000 units.

The Steering Committee on Housing Land Supply, chaired by the Financial Secretary, proactively co-ordinates the overall plans for development and supply of land in Hong Kong for various uses, and adjusts land supply in response to changes in demand.

Institutional Framework

The Secretary for Transport and Housing is responsible for housing matters, assisted by the Director of the Housing Department, and is also the HKHA's chairman.

The Housing Department has both policy and operational responsibilities for providing PRH. It provides secretariat and executive support to the HKHA and its committees. The Transport and Housing Bureau's housing arm monitors developments in the private housing market, ensures home buyers have access to accurate, comprehensive and transparent property transaction information, and oversees policy matters relating to the regulation of estate agents.

Public Rental Housing

As at end-December 2014, about 2.11 million people, or 29 per cent of Hong Kong's population, live in public rental units of the HKHA and Hong Kong Housing Society (HKHS)³.

The revised estimated HKHA housing expenditure in 2013-14 is \$20.7 billion, or approximately 4.5 per cent of public expenditure. At the end of December 2014, there were about 133,700

² The HKHA is a statutory body responsible for implementing the majority of Hong Kong's public housing programmes. The HKHA provides PRH to low income families who cannot afford private rental accommodation and Home Ownership Scheme flats to low to middle-income families. It also runs interim housing and transit centres to provide temporary accommodation to families facing short-term problems in finding suitable accommodation.

³ The HKHS is an independent, not-for-profit organisation. One of its major functions is to provide subsidised housing to specific target groups at affordable rents.

PRH general applicants and 137,300 applicants under the Quota and Points System (QPS). The average waiting time⁴ for general applicants was 3.2 years.

Rent Policy

The HKHA's long-established policy is to set PRH rents at affordable levels. PRH rents are inclusive of rates, management and maintenance costs, and monthly rents ranged from \$315 to \$4,264 per flat as at December 2014, with the average being about \$1,700. Under the existing income-based rent adjustment mechanism, rents may be adjusted upwards or downwards according to changes in tenants' overall household income. PRH rent reviews are conducted every two years. The most recent rent review was completed in July 2014.

Rent Assistance

The HKHA's Rent Assistance Scheme (RAS) helps public housing tenants facing temporary financial difficulties and currently offers eligible tenants rent cuts of 25 or 50 per cent. As at the end of December, about 15,800 households were receiving RAS.

Better-off Tenants

Better-off tenants are required to pay higher rents. At the end of December, about 22,200 households were paying higher rents. Tenants who have lived in public housing estates for 10 years or more have to declare household income biennially. Those with a household income exceeding the prescribed income limit set by the HKHA or who choose not to declare their income have to pay additional rent. Households with total household income and net assets both exceeding the prescribed income and asset limits, or those who choose not to declare their household assets, are required to move out.

Estate Clearance

The clearance of Blocks 1, 2, 3 and 12 of Pak Tin Estate was completed in April 2014, with about 2,900 people from 900 families rehoused. The clearance of Long Bin Interim Housing's eight blocks will require about 820 people from 500 families to move out. By December, about 360 people from 230 families had been rehoused or moved out.

Sustainable Public Housing Stock

The HKHA adopts a life-cycle maintenance strategy to keep its public housing stock economically, socially and environmentally sound. Since the introduction of the Total Maintenance Scheme in 2006, some 733,000 flats have been checked and on the spot minor repairs or improvements made, with 77,000 flats in 56 estates checked in 2014.

Estates over, or approaching, 40 years old are monitored under the HKHA's Comprehensive Structural Investigation Programme to ensure they are safe to live in and are economically sustainable.

⁴ Waiting time refers to the time taken between registration for PRH and the first flat offer, excluding any 'frozen' period (such as when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; etc). The average waiting time for general applicants refers to the average of the waiting time of those general applicants who were housed to PRH in the past 12 months.

The HKHA has an ongoing 'Estate Improvement Programme' to provide a good living environment for its tenants. It also has a Lift Addition Programme to improve accessibility within estates and beside existing footbridges.

Allocation

In 2014, about 27,400 PRH flats were allocated to various re-housing categories by the HKHA. About 11,600 of these were new flats and about 15,800 were refurbished flats. Of the total, about 63 per cent were allocated to general applicants and non-elderly one-person applicants under the QPS, about 26 per cent to sitting tenants for various types of transfers, about 7 per cent under Compassionate Rehousing, about 3 per cent to junior civil servants and pensioners, less than 1 per cent to families affected by estate clearance and the remainder provided to those affected by squatter clearances, removal of rooftop structures, fire, natural disasters and emergencies, and other applicants.

Flats are allocated to general applicants according to the order of their registration and their choice of districts. For non-elderly one-person applicants, allocation is based on the QPS in which priority is determined by the applicant's age at the time of registration, waiting time and whether he or she has been residing in PRH. All applicants need to meet the HKHA's residence requirement and must satisfy the Comprehensive Means Test and the Domestic Property Test.

To speed up the allocation of the less popular flats, the HKHA pools these for selection by eligible PRH applicants under the Express Flat Allocation Scheme. About 1,330 households were allocated PRH flats under this scheme in 2014.

The HKHA also offers accommodation to people whose squatter huts or rooftop structures are cleared by the government, provided they meet certain criteria, and about 320 households were rehoused in 2014.

Home Ownership

Home Ownership Scheme

In response to the aspirations of low to middle-income families for home ownership, the HOS is part of the government's housing policy. The first batch of 2,160 newly built HOS units in five developments are expected to be completed in 2016-17, and pre-sale was launched at the end of 2014.

In mid-2014, the HKHA launched the sale of 85 HOS flats in Tin Lee Court, converted from a PRH block in Lung Tin Estate at Tai O, Lantau Island. There were some 12,400 applications and all flats were sold in September.

The HKHA introduced an Interim Scheme in January 2013 to allow 5,000 eligible White Form (WF) applicants (ie households who are not PRH tenants and meet the HA's eligibility criteria for subsidised sale flats) to purchase flats without premium paid in the HOS Secondary Market. As at December 2014, over 2,300 WF applicants have achieved home ownership through this scheme. In response to demand, the HKHA decided in November to provide an additional

quota of 2,500 places in the second half of 2015. A comprehensive review of the scheme will then be conducted.

Housing for People with Special Needs

Single elderly persons can apply for PRH under the Single Elderly Persons Priority Scheme. Unrelated elderly persons who wish to share a flat may do so under the Elderly Persons Priority Scheme. The average waiting time for elderly applicants was about 1.7 years as at December 2014. The various Harmonious Families Schemes encourage families to live with, and to take care of, their elderly relatives in PRH estates.

Completion of Housing Units

Some 21,330 residential units were completed in 2014, of which about 15,700 were private housing flats (excluding village houses) and around 5,630 public housing flats of the HKHA.

Supporting Infrastructure

The infrastructure to support housing development is provided in a programmed and structured manner. To avoid delays in housing development caused by a lack of infrastructural facilities, the government has adopted a fast-track approach to address possible problems. As at December 2012, there were nine such projects in different stages of implementation, with an estimated combined cost of about \$5.5 billion.

Private Sector Housing

Private Residential Property Market

To ensure the healthy and stable development of the property market, the government monitors closely the private residential property market's development and remains alert to the risks of a property bubble. To this end, various measures have been implemented by the government, such as increasing land supply, combating speculative activities, managing demand for residential properties, increasing the transparency of property transactions, and preventing excessive expansion in mortgage lending.

To address the overheated property market, the government enhanced Special Stamp Duty and introduced Buyer's Stamp Duty in October 2012 and doubled ad valorem stamp duty in February 2013, with the relevant legislation enacted in February and July 2014 respectively. These demand-side management measures aim to combat speculative activities, ensure healthy and stable development of the property market, and accord priority to the home ownership needs of Hong Kong permanent residents in the midst of the present tight housing supply.

Sale of First-hand Residential Properties

Developers of private residential property may apply to the Director of Lands for consent to put up units for sale before completion. In approving pre-sale applications from developers, the Lands Department will require the applicants to provide, among other things, specified property information in their sales brochures and price lists.

The Residential Properties (First-hand Sales) Ordinance came into full effect in 2013. It aims to enhance the transparency and fairness of the sales of first-hand residential properties, strengthen consumer protection, and provide a level playing field for vendors of first-hand residential properties. The Sales of First-hand Residential Properties Authority has been established to ensure the efficient implementation of the ordinance.

Estate Agents

The practice and conduct of estate agents, who conduct the vast majority of residential property transactions in Hong Kong, are governed by the Estate Agents Ordinance and its subsidiary legislation. Individuals or companies engaging in estate agency work must obtain a licence from the Estate Agents Authority (EAA). As at 31 December 2014, there were about 35,500 individual licence holders and about 3,200 corporate licence holders. The EAA's main functions include the issuing of licences, promulgating best practices, conducting inspections, investigating complaints, imposing penalties on licensees who break the rules, providing training and promoting consumer education.

Websites

Hong Kong Housing Authority/Housing Department: www.housingauthority.gov.hk

Hong Kong Housing Society: www.hkhs.com

Transport and Housing Bureau: www.thb.gov.hk