

Housing

The government's policy objectives are to help grassroots families secure public rental housing to meet their basic housing needs; help the public 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 residential property market, with priority given to Hong Kong permanent residents' needs.

Hong Kong had about 2,700,000 flats as at end-December 2015, comprising about 790,000 public rental units¹, 400,000 subsidised sale flats and 1,520,000 private-sector flats. About 30 per cent and 17 per cent of the population live in public rental units and subsidised sale flats, respectively.

Long Term Housing Strategy

As announced in the Long Term Housing Strategy in December 2014, the government has adopted a supply-led principle to gradually avert the supply-demand imbalance.

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

In December 2015, the government announced its latest total housing supply target of 460,000 flats for the 10 years between 2016-17 and 2025-26, with the public-private split maintained at 60:40. Accordingly, the public housing supply target is 280,000 units (200,000 PRH units and 80,000 subsidised sale flats) and the private housing supply target is 180,000 units. The 10-year target is updated annually on a rolling basis to reflect changing circumstances, based on the latest housing demand projection.

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

Housing Policy

The government provides PRH, mainly through the Hong Kong Housing Authority², to low-income families who cannot afford private rental accommodation. It aims to provide the first flat offer to general applicants (i.e. family and elderly one-person applicants) at around three years on average in the long run.

The Housing Authority has a rolling construction programme to achieve the public housing supply target. About 75,600 PRH flats and 17,800 subsidised sale flats³ will be built over the five years from 2015-16.

It is the government's policy to maintain the healthy and stable development of the residential property market. As at end-December, the estimated supply of first-hand private flats for the next three to four years was about 87,000 units.

Institutional Framework

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

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

Public Rental Housing

In the fourth quarter of 2015, about 2.15 million people, or 30 per cent of the population, live in public rental flats of the Housing Authority and Hong Kong Housing Society⁴. There were also about 147,000 PRH general applicants and 143,700 non-elderly one-person applicants under the Quota and Points System (QPS). The average waiting time⁵ for general applicants was 3.7 years.

The Housing Authority's revised estimated housing expenditure in 2014-15 was \$23.7 billion, or about 5.4 per cent of public expenditure.

² The Housing Authority is a statutory body that implements most of the city's public housing programmes. It provides PRH to low-income families which cannot afford private rental accommodation and subsidised sale 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 Subsidised sale flats are mainly Home Ownership Scheme (HOS) flats.

⁴ The Housing Society is an independent, not-for-profit organisation. One of its major functions is to provide subsidised housing to target groups at affordable rents.

⁵ Waiting time refers to the time taken between registration for PRH and the first flat offer, excluding any frozen period during the application period (such as when the applicant has not yet fulfilled the residence requirement or has requested to put the application on hold pending the arrival of family members for a family reunion). The average waiting time for general applicants refers to the average of the waiting times of those general applicants who were housed to PRH in the past 12 months.

Rent Policy

The Housing Authority's long-established policy is to set PRH rents at affordable levels. Its rents include rates, management and maintenance costs, and ranged from \$315 to \$4,264 per month as at December, with the average being about \$1,700. The rent adjustment mechanism is based on changes in tenants' overall household incomes. PRH rent reviews are conducted every two years and the next review will be conducted in mid-2016.

Rent Assistance

The Housing Authority's Rent Assistance Scheme offers rent cuts of 25 or 50 per cent to tenants facing temporary financial difficulties. As at end-December, about 15,300 households were recipients.

Better-off Tenants

Better-off tenants are required to pay higher rents. At the end of December, about 22,900 households were paying higher rents. Tenants who have lived in public housing estates for 10 years or more have to declare their household incomes every two years. Those with household incomes exceeding the prescribed income limits set by the Housing Authority or who choose not to declare their incomes have to pay additional rent. Households with total household income and net assets both exceeding the prescribed income and asset limits, or are paying double rent and choose not to declare their household assets, are required to move out.

Estate Clearance

The clearance of Long Bin Interim Housing in Yuen Long involved the moving out of about 850 people from 504 families. By December 2015, about 840 people from 500 families were rehoused or moved out.

Sustainable Public Housing Stock

The Housing Authority adopts a life-cycle maintenance strategy to keep its public housing stock economically, socially and environmentally sound. Since the launch of the Total Maintenance Scheme in 2006, it has checked and made minor repairs or improvements on the spot to some 797,000 flats, with 59,000 flats in 39 estates checked in 2015.

Estates around 40 years old are monitored under the Comprehensive Structural Investigation Programme to ensure they are safe and economically sustainable. Two other schemes, the Estate Improvement Programme and Lift Addition Programme, seek to provide a good living environment and enhance pedestrian access within estates, respectively.

Allocation

In 2015, about 21,400 PRH flats were allocated for rehousing purposes. About 9,300 of these were new flats and about 12,100 were refurbished flats. Of the total, about 14,300 were allocated to general applicants and non-elderly one-person applicants under the QPS, and about 4,600 to existing tenants for various types of transfers. The rest were allocated to other miscellaneous categories such as applicants for Compassionate Rehousing and families who are affected by the government's clearance actions, fire, natural disasters and emergencies.

General applicants are allocated PRH according to the order of their registrations and choice of districts. For non-elderly one-person applicants, priority under the QPS is determined by their age at the time of registration, waiting time and whether he or she has been residing in PRH. All applicants must meet the Housing Authority's residential requirements and satisfy the Comprehensive Means Test and the Domestic Property Test.

Eligible PRH applicants can be allocated PRH earlier by opting for less popular flats under the Express Flat Allocation Scheme. About 1,040 households benefited from this scheme in 2015.

About 240 eligible households whose squatter huts or rooftop structures were cleared by the government were rehoused in 2015.

Home Ownership

Subsidised sale flats

In response to the aspirations of low- to middle-income families for home ownership, the government provides subsidised sale flats as part of its housing policy. The first batch of 2,160 newly built HOS flats in five developments were sold by August 2015 and are expected to be completed in 2016-17.

In his 2015 Policy Address, the Chief Executive announced two sites in Tseung Kwan O and Tuen Mun had been set aside for the Housing Society to develop around 600 subsidised sale flats.

An interim scheme launched by the Housing Authority in 2013 allows 5,000 eligible White Form applicants (i.e. households who are not PRH tenants and meet the Housing Authority's eligibility criteria for subsidised sale flats) to buy flats in the HOS secondary market without paying the premium. More than 2,400 applicants achieved home ownership in the first round, which was completed in April 2015. The Housing Authority rolled out a new round of the scheme in August with a quota of 2,500. It received about 43,900 applications and issued approval letters to successful applicants in early 2016. After this round is completed, the Housing Authority will conduct a comprehensive review of the scheme.

Green Form Subsidised Home Ownership Pilot Scheme

In his 2015 Policy Address, the Chief Executive proposed that the Housing Authority identify flats among PRH developments under construction for sale to Green Form applicants⁶ in the form of a pilot scheme, with prices set at a lower level than those of HOS flats. In May 2015, the Housing Authority selected a PRH project at San Po Kong, with about 860 flats, for conversion to the Green Form Subsidised Home Ownership Pilot Scheme. The flats are planned for pre-sale in the second half of 2016 and are expected to be ready for occupation in mid-2017.

Housing for People with Special Needs

Single elderly persons can apply for PRH under the Single Elderly Persons Priority Scheme, and can share a flat with unrelated elderly persons under the Elderly Persons Priority Scheme. The

⁶ Green Form applicants are mainly PRH tenants and PRH applicants who have passed the detailed eligibility vetting and are due for flat allocation in about a year's time.

average waiting time for elderly one-person applicants was about 2.1 years as at December 2015. There are various Harmonious Families Schemes encouraging families to live with their elderly relatives in PRH estates to facilitate mutual care.

Completion of Flats

The city finished building some 22,800 homes in 2015, comprising about 11,300 private housing flats (excluding village houses) and around 11,500 public housing flats, including PRH and subsidised sale flats.

Private-Sector Housing

To ensure the healthy and stable development of the residential market, the government monitors the residential property market and is alert to the risks of a property bubble. To this end, it has implemented various measures, including increasing land supply, combating speculative activities, managing demand for homes, increasing the transparency of 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 the ad valorem stamp duty in February 2013. 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 a tight housing supply.

Sale of First-hand Residential Properties

The Residential Properties (First-hand Sales) Ordinance and the work of the Sales of First-hand Residential Properties Authority have enhanced the transparency and fairness of sales in first-hand homes, strengthened consumer protection and provided a level playing field for vendors.

Estate Agents

The practice and conduct of estate agents, who handle the vast majority of residential property transactions, 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 end-December, individual and corporate licence holders numbered about 37,600 and about 3,300, respectively. The EAA's main functions include issuing 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