

Housing

The government's policy objectives are to help grassroots families secure public rental housing to meet their basic housing needs; provide subsidised sale flats to build a progressive housing ladder; and maintain the healthy and steady development of the residential market, giving priority to Hong Kong permanent residents' needs.

Hong Kong had about 2,730,000 flats as at end-December 2016, comprising about 800,000 public rental units¹, 400,000 subsidised sale flats² and 1,530,000 private-sector flats. About 29 per cent and 16 per cent of the population live in public rental units and subsidised sale flats, respectively.

Long Term Housing Strategy

The government adopts a supply-led principle according to its Long Term Housing Strategy to address 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 market through steady land supply and demand-side management measures, and promote good sales and tenancy practices for private residential properties.

In December 2016, the government announced a total housing supply target of 460,000 flats for the 10 years from 2017-18 to 2026-27, maintaining the public-private split at 60:40. Accordingly, the public housing supply target is 280,000 units, comprising 200,000 PRH units and 80,000 subsidised sale flats, and the private housing supply target is 180,000 units. The government updates the long-term housing demand projection annually and presents a rolling 10-year supply target to reflect changing circumstances.

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

² Excluding 323 flats provided by the Urban Renewal Authority on a one-off basis in 2015-16.

The city finished building some 36,600 homes in 2016, comprising about 14,600 private-sector flats, excluding village houses, and around 22,000 public housing flats, comprising PRH and subsidised sale flats.

Housing Policy

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

The Housing Authority has a rolling five-year Public Housing Construction Programme to monitor the progress of each project. As at December 2016, about 70,800 PRH flats and 21,000 subsidised sale flats³ will be built over the five years from 2016-17.

It is the government's policy to maintain the healthy and stable development of the residential market. As at end-December, the estimated supply of first-hand private flats for the next three to four years was about 94,000 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 Housing Department has both policy and operational responsibilities for providing PRH. It offers secretariat and executive support to the Housing Authority and its committees. As the Transport and Housing Bureau's housing arm, it also 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.

The Housing Authority is a statutory body that implements most 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 for families facing short-term problems in finding suitable accommodation.

Public Rental Housing

In the fourth quarter, about 2.13 million people, or 29 per cent of the population, lived in public rental flats of the Housing Authority and Hong Kong Housing Society⁴. There were about 148,800 PRH general applicants, and 133,500 non-elderly one-person applicants under the Quota and Points System (QPS). The average waiting time⁵ for general applicants was 4.7 years.

³ Including Home Ownership Scheme (HOS) and Green Form Subsidised Home Ownership Pilot Scheme (GSH) 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 and prices.

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, has requested to put the application on hold pending the arrival of family members for a family reunion, or is imprisoned. 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.

The Housing Authority's revised estimated housing expenditure in 2015-16 was \$30.5 billion, about 6.6 per cent of public expenditure.

Rent Policy

The Housing Authority's long-established policy is to set affordable PRH rents. Its rents include rates, management and maintenance costs, and averaged about \$1,880 within the range of \$346 to \$4,690 per month as at December. Rent adjustments are based on changes in tenants' overall household incomes. The rents are reviewed every two years and the most recent review was completed in July.

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 16,700 households were recipients.

Better-off Tenants

Higher rents are levied on better-off tenants. At the end of December, about 23,700 households were paying higher rents. Tenants who have lived in PRH for 10 years or more have to declare their household incomes every two years. Those with household incomes exceeding income limits set by the Housing Authority or who choose not to declare their incomes pay additional rent. For households paying double rent, those with total household income and net assets exceeding both the prescribed income and asset limits, or that choose not to declare their household assets, are required to move out.

The Housing Authority endorsed refinements to its Well-off Tenants Policies in December. It will implement the refined policies in October 2017 to further ensure limited public housing resources are allocated rationally.

Estate Clearance

In May, the Housing Authority completed moving out or rehousing about 850 people from 504 families living in Long Bin Interim Housing in Yuen Long.

Sustainable Public Housing Stock

The Housing Authority adopts a life-cycle maintenance strategy to keep its public housing stock economically, socially and environmentally sound. Under a Total Maintenance Scheme, it proactively inspects and makes minor repairs or improvements to public rental housing, with about 38,000 flats in 24 estates checked in 2016.

Estates around 40 years old are monitored under the Comprehensive Structural Investigation Programme to ensure they are safe and economically sustainable. The Estate Improvement Programme and lift addition projects are also carried out to provide a good living environment and enhance pedestrian access within estates, respectively.

Allocation

In 2016, about 29,400 PRH flats were allocated for rehousing. Of the total, about 22,400 were allocated to general applicants and to non-elderly one-person applicants under the QPS, and

about 4,500 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 were 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 age, waiting time and whether the person has been residing in PRH. All applicants must meet the Housing Authority's residence requirements and pass detailed income and asset vetting and the Domestic Property Test.

Eligible applicants can be allocated PRH earlier by opting for less popular flats under an Express Flat Allocation Scheme. About 980 households benefited from this scheme in 2016.

Home Ownership

Subsidised sale flats

In response to the home ownership aspirations of low- to middle-income families, the government provides subsidised sale flats as part of its housing policy. The second batch of 2,657 new HOS flats were all sold in a pre-sale launched in February and are scheduled for completion in 2018.

In 2016, the Housing Society sold all 1,020 units in a pre-sale of its second batch of subsidised sale flats, after selling the first batch of 988 flats in 2012. The society will offer another 600 flats for pre-sale in 2017.

The Housing Authority allowed 2,500 eligible White Form applicants⁶ to buy flats in the secondary market of the Housing Authority's HOS or the Housing Society's Flat-For-Sale Scheme without paying the premium, under a new round of an interim scheme rolled out in August 2015. Some 43,900 applications were received. Letters of nomination were issued to some 1,520 successful White Form applicants by end-December 2016. After the scheme ends in the first half of 2017, the Housing Authority will conduct a comprehensive review of the scheme to decide on its future.

Green Form Subsidised Home Ownership Pilot Scheme

In his 2015 Policy Address, the Chief Executive proposed that the Housing Authority identify flats among its PRH developments under construction for sale to Green Form applicants⁷ in the form of a pilot scheme, with prices set at a lower level than those of HOS flats. The Housing Authority selected an 857-unit PRH project at San Po Kong for conversion to the Green Form Subsidised Home Ownership Pilot Scheme (GSH) in May 2015 and launched the pre-sale in October 2016. About 16,200 applications were received. The flats are expected to be ready for occupation in mid-2017. After the San Po Kong project, the Housing Authority will review the scheme to decide whether to proceed with other GSH projects.

⁶ White Form applicants are households who are not PRH tenants and meet the eligibility criteria for buying subsidised sale flats.

⁷ Green Form applicants are mainly PRH tenants and PRH applicants who have passed the detailed eligibility vetting.

Housing for People with Special Needs

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

The average waiting time for elderly one-person applicants was about 2.6 years in end-December. Harmonious Families Schemes encourage families to live with their elderly relatives in PRH estates to facilitate mutual care.

Private-Sector Housing

To ensure the healthy and stable development of the residential market, the government monitors the residential market and is alert to the risks of a property bubble. To this end, it has increased land supply, combated speculative activities, managed demand for homes, increased the transparency of transactions and prevented excessive expansion in mortgage lending.

To address the overheated market, the government further enhanced ad valorem stamp duty on residential property transactions in November 2016, after enhancing Special Stamp Duty and introducing Buyer's Stamp Duty in 2012, and doubling the ad valorem stamp duty in 2013. These demand-side management measures aim to curtail speculative activities, external demand and investment demand, to ensure the healthy and stable development of the market, and accord priority to the home ownership needs of Hong Kong permanent residents amid 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 (SRPA) have enhanced the transparency and fairness of sales in first-hand homes, strengthened consumer protection and provided a level playing field for vendors. Since the ordinance took effect in 2013, the SRPA has conducted about 26,500 examinations on sales-related documents and about 2,950 site inspections to sales offices and show flats.

Estate Agents

The practice and conduct of estate agents, who handle the vast majority of residential 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 37,300 and about 3,400, 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