

CE's speech in delivering "The Chief Executive's 2023 Policy Address" to LegCo (6)

VI. Earnestly Address People's Concerns and Difficulties in Daily Life

Land and Housing as the Top Priority

Policy Vision

89. Sufficient supply of land and housing is the key to making Hong Kong a better place for living and working. The Government is taking all possible steps to spearhead land production, and we are seeing signs of improvement in housing supply. We have identified sufficient land to meet housing demands in the coming 10 years, resolving the long-term housing shortage. To improve our living environment, we will focus on a few other long-standing housing concerns, including sub-divided units (SDUs), urban renewal, building safety, etc.

First-Year Progress

90. Measures put forward in my last Policy Address to enhance the quantity, speed, efficiency and quality of public housing supply are making good progress, as follows:

(i) the average waiting time for public rental housing (PRH) has been capped and reduced from the peak of around six years to 5.3 years. We are on track to meet the target of reducing the composite waiting time to 4.5 years by 2026-27, reversing the rising trend of many years;

(ii) under the PRH Advance Allocation Scheme, more than 2 000 PRH units will be completed in the first half of 2024, advancing the completion by about five to eight months and enabling PRH applicants to move in earlier;

(iii) the first batch of about 2 100 Light Public Housing (LPH) units will be completed in 2024-25, and about 30 000 units will be completed by 2027-28, to alleviate the severe shortage of supply in the coming five years. The supply of PRH in the second five-year period will increase significantly as a result of the Government's efforts to speed up and expand housing production, shortening the waiting time substantially; and

(iv) the Private Subsidised Sale Flat Pilot Scheme has been launched. Starting from 2023-24, three sites will be put up for tender for private developers to develop subsidised sale flats (SSFs), with the first two tender sites providing at least 2 000 units.

91. The Housing Bureau will release the Long Term Housing Strategy (LTHS) Annual Progress Report in end-October. The public housing demand for the next 10 years (from 2024-25 to 2033-34) is 308 000 units. The Government has

identified sufficient land for developing about 410 000 public housing units, i.e. about 100 000 units above the supply target. This will substantially shorten the waiting time for PRH. In the next five years (from 2024-25 to 2028-29), total public housing supply, including LPH, will reach 172 000 units. Compared with the five-year period at the beginning of the current-term Government (from 2022-23 to 2026-27), an additional of 67 000 households will be benefitted (Note 1).

92. As for overall land supply, it is estimated that there will be more than 7 000 hectares of land supply in the 30-year period up to 2048. After taking into account the projected land demand, there will be a land reserve of at least 1 000 hectares. To keep track of our land production, the Government released, for the first time, a 10-year supply forecast of developable land (spade-ready sites) last year. Based on the latest data, the supply of spade-ready sites will reach 3 370 hectares in the next 10-year period (from 2024-25 to 2033-34), with an increase of 90 hectares compared to the 10-year supply forecast made last year. Land production is progressing on schedule, and all such supply is from Government-led projects including the Northern Metropolis. The development of the Northern Metropolis will span across 20 years, and our target is to release all the land use and development proposals in 2024, commence land resumption by 2027, and form 40% of the new development land and complete 40% of the new flats by 2032.

Housing: Enhance Quantity, Speed, Efficiency and Quality

Public Housing

93. The Government will enhance public housing by adopting the following measures:

(i) extend the mortgage default guarantee period for SSFs in the second-hand marketâ€¦â€¦The Hong Kong Housing Authority (HKHA) will relax the arrangements on mortgage default guarantee for SSFs, including extending the current maximum mortgage default guarantee period of the second-hand market from 30 years to 50 years to allow purchasers to have mortgage loans of longer tenor and help the circulation of flats;

(ii) sustain HKHA redevelopment projectsâ€¦â€¦The HKHA is planning or undertaking 10 redevelopment projects (Note 2) to provide some 32 800 flats in total. It will also take the opportunity to provide additional local open space and recreational facilities in the redeveloped public housing estates;

(iii) promote smart estate managementâ€¦â€¦The HKHA will select 10 PRH estates as pilot sites next year for trial adoption of such innovative technologies as the Internet of Things sensors, AI and mobile devices. These will help daily estate management; and

(iv) optimise the Modular Integrated Construction (MiC) approach to enhance speed, efficiency and qualityâ€¦â€¦HKHA will continue to apply innovative construction technologies, as well as testing and improving the techniques of the MiC approach, to enhance building quality and expedite construction.

Establish a Task Force on Tackling the Issue of Subdivided Units

94. The issue of SDUs stems from the prolonged shortage of land and public housing, which is a very complicated and requires meticulous planning to resolve. The Government has been increasing the overall supply of public and private housing. In particular, the supply of PRH units in the coming decade will exceed the supply target projected in the LTHS, making it an opportune time to resolve this long-standing problem.

95. There are currently about 220 000 people living in around 110 000 SDUs. According to a preliminary survey, many SDUs offer undesirable living conditions, and most occupants are awaiting PRH allocation. That said, certain SDUs offer a slightly better living environment, and some occupants therein may have higher incomes and even possess properties, having opted to live in SDUs because of the convenient locations for going to work or study.

96. I will establish a Task Force on Tackling the Issue of Subdivided Units, led by the Deputy Financial Secretary, with the Secretary for Housing as deputy. I will assign the task force to study the issue in detail, presenting recommendations along the following directions in 10 months' time:

- (i) set the minimum standards of living conditions for SDUs in terms of their building safety, fire safety and hygiene requirements, living space, etc.;
- (ii) suggest measures to eradicate substandard SDUs;
- (iii) prevent the resurgence of substandard SDUs; and
- (iv) put forward solutions to address the problem in an orderly manner, covering necessary administrative and legislative proposals.

Private Housing

97. According to the LTHS, the supply target for private housing in the next decade is projected to be 132 000 units. The Government will make available sufficient land in the next five years to provide about 80 000 units.

98. While stabilising the supply of private housing, the Government continues to offer SSFs including the Home Ownership Scheme (HOS), the Green Form Subsidised Home Ownership Scheme (GSH), the Starter Homes for Hong Kong Residents, and the new Private Subsidised Sale Flat – Pilot Scheme, etc. This overall framework enriches the housing ladder that bridges the public housing and private housing markets.

Adjust the Demand-side Management Measures for Residential Properties

99. Against the backdrop of tight housing supply and solid demand for property purchase, the Government has since 2010 introduced several rounds of demand-side management measures to curb short-term speculation activities and reduce external demand. This has been done to ensure the steady development of the property market and accord priority to the home ownership needs of the people of Hong Kong. Nonetheless, over the past year, interest rates have risen significantly, various economies have shown moderated growth, and

transactions of the local residential property market have declined alongside a downward adjustment of property prices.

100. With the increasing housing supply in Hong Kong in the coming years and having considered the overall situation, the Government has decided to, with immediate effect from today, make the following adjustments to the demand-side management measures for residential properties:

(i) shorten the applicable period of the Special Stamp Duty (SSD) from three years to two years. In other words, if a property owner disposes of his/her property two years after acquisition, he/she will no longer need to pay the SSD, which amounts to 10% of the property price;

(ii) reduce the respective rates of the Buyer's Stamp Duty (BSD) and the New Residential Stamp Duty (NRSD) by half, from 15% to 7.5%. This arrangement will help alleviate the financial burden on Hong Kong Permanent Residents (HKPRs) who have already owned residential properties in their acquisition of another residential property, as well as reduce the costs of non-HKPRs in their acquisition of residential properties; and

(iii) introduce a stamp duty suspension arrangement for incoming talents' acquisition of residential properties. This is an enhancement of the stamp duty refund arrangement introduced last year for eligible incoming talents, whereby an incoming talent is required to pay the BSD and the NRSD at the time of property acquisition and will get a refund of the stamp duty paid when the talent concerned has resided in Hong Kong for seven years and become a HKPR. Under the suspension arrangement, the payment of stamp duty concerned is suspended at the time of property acquisition, but the talent is required to pay the relevant amount if he/she is subsequently unable to become a HKPR. This new arrangement applies to any sale and purchase agreement entered into from today onwards.

The Government will continue to closely monitor the property market to ensure its healthy and steady development.

Note 1: For the five-year period at the beginning of the current-term Government (from 2022-23 to 2026-27), the overall supply of public housing units was about 105 000 units.

Note 2: Including Pak Tin Estate (older part), Mei Tung Estate (older part), Wah Fu Estate, Sai Wan Estate, Ma Tau Wai Estate, Shek Lei Interim Housing, Yip On Factory Estate, Sui Fai Factory Estate, Wang Cheong Factory Estate and Kwai On Factory Estate.

(To be continued.)