

# LCQ10: Projection model of Long Term Housing Strategy

Following is a question by the Hon Wilson Or and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (Jun 3):

Question:

On December 16, 2014, the Government promulgated the Long Term Housing Strategy (LTHS). Pursuant to LTHS, the Government updates the long term housing demand projection annually and sets a rolling 10-year housing supply target. Some comments have pointed out that the methodology set out in LTHS for projection of housing demand has failed to reflect genuine housing needs, and LTHS has not incorporated all of the new policies being implemented by the current-term Government. In this connection, will the Government inform this Council:

(1) whether it will revise the methodology in LTHS for projection of housing demand by, among other things, taking into account the following factors: the sum of all of the annual shortfalls between targeted and actual housing supply since the introduction of LTHS, as well as the fact that the demand for household splitting has been suppressed by the low housing supply;

(2) whether it will incorporate into the vision of LTHS the following housing policy put forward by the current-term Government: to focus on home-ownership and strive to build a housing ladder to rekindle the hope of families in different income brackets to become home-owners; of the latest progress of the implementation of this policy by the Government;

(3) whether it will incorporate into LTHS the supply target for transitional housing units, so as to facilitate progress monitoring; if not, of the reasons for that; and

(4) whether it will reinstate the Long Term Housing Strategy Steering Committee to be tasked with the responsibilities of conducting a comprehensive review on the long term housing strategy, and giving advice on the implementation of the suggestions made in (1) to (3) above; if so, of the timetable; if not, the reasons for that?

Reply:

President,

My consolidated reply to the questions raised by the Hon Wilson Or is as follows:

Following deliberation of the Long Term Housing Strategy (LTHS) Steering

Committee and a three-month public consultation, the Government formulated and announced LTHS in December 2014. Under LTHS, the Government takes into account four major housing demand components (i.e. net increase in the number of households, households displaced by redevelopment, inadequately housed households (IHHs) and miscellaneous factors (note 1)) and adopts objective data in projecting the gross housing demand (i.e. the number of new housing units required to provide adequate housing to each and every household) in the next 10-year period in order to determine the total housing supply target for the next 10 years. This updating exercise is conducted annually to capture social, economic and market changes over time, and make timely adjustments where necessary.

Based on the above projection framework, the total housing supply target for the next 10-year period from 2020-21 to 2029-30 is 430 000 units. According to the public/private split of 70:30 for new housing supply, the public housing supply target is 301 000 units and the private housing supply target is 129 000 units. When announcing the above housing supply targets, the Government also pointed out that assuming that all sites identified could be smoothly delivered on time for housing development, the estimated public housing production for the above 10-year period would be about 272 000 units. Comparing with the public housing supply target of 301 000 units, the production shortfall is 29 000 units.

Under the LTHS projection model, we update the housing demand projection for the next 10 years annually to reflect the latest situation. The production shortfall represents the housing demand that has yet to be met in the next 10 years. Such unmet housing demand will continue to be counted towards the gross housing demand for the next 10-year period through the rolled-forward projection. For example, the housing needs of households still living in inadequate housing will continue to be reflected in the IHH component in the next round of projection, until such households are adequately housed. Therefore, the annual updating of LTHS has already taken into account all housing demand that has yet to be met.

In addition, we will keep in view the evolving environment and latest data, and consider how best to reflect the latest developments in the housing demand projection methodology and supply targets. Since the announcement of LTHS in 2014, we have enhanced the housing demand projection methodology from time to time as necessary (note 2). As in the past, we will take into account the latest data and relevant developments when updating the housing demand projection for the next 10-year period (i.e. from 2021-22 to 2030-31).

Apart from setting a rolling 10-year housing supply target, LTHS has also established three major strategic directions. One of the strategic directions is to provide more subsidised sale flats (SSFs) in Hong Kong, expand the forms of subsidised home ownership and facilitate market circulation of existing stock. Hence, the strategic direction of LTHS is in line with the Government's vision of striving to build a housing ladder. Over the past few years, the Government and the Hong Kong Housing Authority (HA) have implemented measures to enrich the housing ladder, including HA's endorsement in November 2017 to regularise the scheme of allowing White Form

buyers to purchase SSFs with premium unpaid as the White Form Secondary Market Scheme (WSM), HA's endorsement in January 2018 to regularise the Green Form Subsidised Home Ownership Scheme (GSH), as well as the Government's announcement in June 2018 to implement the "Starter Homes" Pilot Project for Hong Kong Residents (SH Pilot Project).

On transitional housing, the Chief Executive announced on January 14 this year the provision of 15 000 transitional housing units over the next three years. Given the short term nature of transitional housing, the timing and amount of its supply are unstable and may be subject to changes in different periods of time. It is therefore not suitable to include transitional housing in the 10-year housing supply target. In fact, one of the demand components to be considered during the annual update of long term housing demand projection is IHHs, which cover households living in units made up of temporary structures (e.g. huts, squatters and roof-top structures); units located in non-residential buildings (e.g. commercial and industrial buildings); units shared with other households (e.g. rooms, cubicles, bedspaces and cocklofts in private permanent buildings); and subdivided units. As mentioned above, when determining the total housing supply target under LTHS, the Government has already taken into account the housing needs of IHHs.

In conclusion, we consider that the established framework of LTHS enables the Government to continually plan ahead on developing land and housing, in order to meet the housing needs of the community over the long term. Therefore, we currently have no plan to conduct a comprehensive review on LTHS or reinstate the LTHS Steering Committee.

Note 1: Including private permanent living quarters occupied by households with mobile residents only; non-local students who may take up accommodation in Hong Kong; and non-local buyers who take up flats without selling or leasing them.

Note 2: For example, we improved the projection methodology of housing demand arising from public housing redevelopment when updating the housing demand projection in 2018. Given the large number of housing units in aged rental housing estates, we consider it prudent to include in the projection not only the known redevelopment programmes in the next 10 years, but also the potential/possible redevelopment need in the next 10 years. Please refer to the annex to the LTHS Annual Progress Report 2018 for details.