



香港地產建設商會

THE REAL ESTATE DEVELOPERS ASSOCIATION OF HONG KONG

香港中環德輔道中十九號環球大廈1403室
Room 1403, World-Wide House, 19 Des Voeux Road Central, Hong Kong.
Tel: 2826 0111 Fax: 2845 2521

The Real Estate Developers Association of Hong Kong -- Views on Subsidizing Home Ownership

- It is perhaps useful to remind ourselves from time to time that public policies are the embodiment of long term vision and best formulated with full public engagement.
- In reviewing the policy of “Subsidizing Home Ownership”, a distinction should be clearly made between “housing need” and “home ownership desire”. We need to answer, collectively as a community, the following questions: i) To what extent should the former and/or the latter be the Government’s responsibility? ii) Should allocating a greater portion of public resources to fulfill people’s home ownership aspiration be made at the expense of other equally urgent policy demands, such as health care, infrastructure and education?
- By way of background, Annex I shows the annual housing production by the private sector. An average of 28,000 units per annum were produced between 1978 and 2003 but, since that time, completions have been on a declining trend falling to 8,700 units in 2008 and 7,000 units in 2009. Over the same period, mortgage rates have fluctuated substantially but have fallen from quite high levels only 10 years ago to an extremely low point today.
- The decline in housing production is entirely predictable. It is attributable to the rigid triggering threshold adopted by the Government until recently in administering the Application List. The great difficulty in reaching agreement with the Lands Department on lease modification premia is another contributor, resulting in delay and even abortion of many residential development projects.
- Concurrently, there has been greater public participation in the development process, including various levels of public consultation and town planning representation, etc. While such participation is expected of and in conformity with an open government, the development cycle has nevertheless become more protracted. The average time taken for the delivery of housing supply to the market is now significantly lengthened from 3 years to 5 years.
- On the other hand, the current low interest environment is not unique to Hong Kong. It is the making of the Fed in conjunction with major central banks around the world, in reaction to the global economic turmoil of 2008. But these exceptional circumstances are not to stay forever.



香港地產建設商會

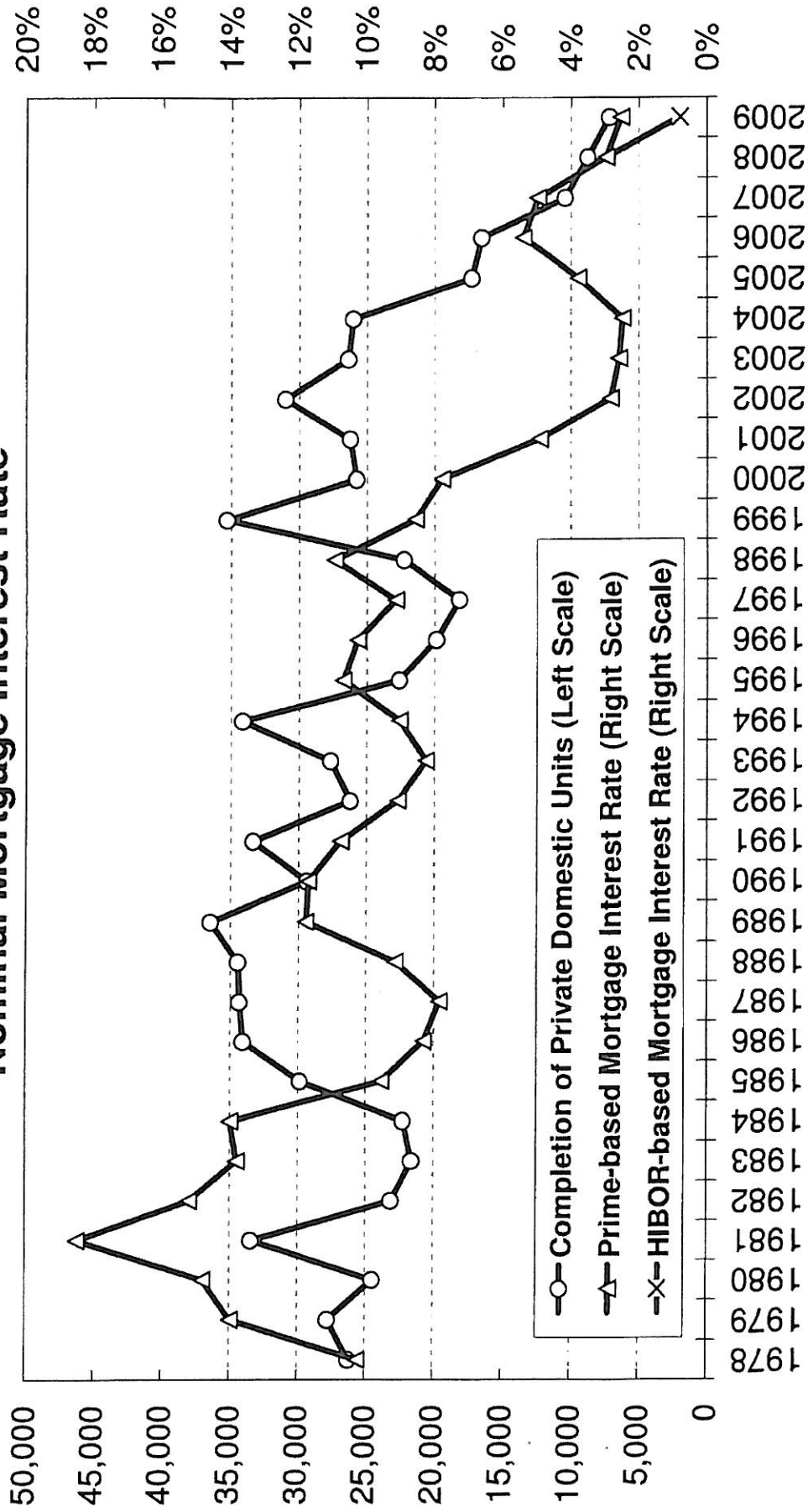
THE REAL ESTATE DEVELOPERS ASSOCIATION OF HONG KONG

香港中環德輔道中十九號環球大廈1403室
Room 1403, World-Wide House, 19 Des Voeux Road Central, Hong Kong.
Tel: 2826 0111 Fax: 2845 2521

- While there are calls from some quarters for the reintroduction of the HOS programme as a solution to the hike in housing prices, it should be noted that even if the HOS programme were to restart today, the resultant flats would not be available for occupation for another 3 to 5 years.
- The good news is that the supply side from the private sector is beginning to improve with forecast supply of 14,000 units for this year 2010 and 11,000 for year 2011. The more flexible policy now adopted towards the trigger mechanism has led to the release of more sites for sale by public auction, complemented by Government's decision to put a smaller number of specific sites up for sale.
- The current housing policy was promulgated in 2002 after much thorough consideration and wide consultation. It has redefined the role of the Government by unequivocally stating that *"Government should withdraw from its role as property developer by halting the production and sale of subsidized flats and reduce radically its share in the overall housing production."*
- The public sector and the private sector have different roles to play. The public sector, represented by the Housing Authority, has been very effective in producing public rental housing, with the remarkable record of cutting the average waiting time for the allocation of public rental flats down to 2 years (*Source: Housing in Figures in 2010 by Hong Kong Housing Authority*). Thus, satisfying the public's "housing need" is no longer a problem. In contrast, the responsibility of meeting the public's "home ownership desire" should best be left to the private sector which is much more sensitive to the preferences and aspirations of home-buyers.
- Hong Kong thrives on the free market. Any intervention by the Government should be kept to a minimum as the benefits arising from such intervention will only be short-lived but the distortion it brings to the market will linger on for a long time.

September 2010

Completion of Private Domestic Units vs. Nominal Mortgage Interest Rate



Note: Completion excluding village housing from 2001 onwards, and HIBOR-based mortgage interest rate as low as one-month HIBOR plus 65 basis points
Source: Rating and Valuation Department, Hang Seng Bank, and Hong Kong Monetary Authority