



# 香港地產建設商會

## THE REAL ESTATE DEVELOPERS ASSOCIATION OF HONG KONG

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

3 April 2013

By fax and mail

Mr. Duncan Pescod, JP  
Permanent Secretary for Transport and Housing  
Housing Authority Headquarters  
33 Fat Kwong Street  
Homantin  
Kowloon

### **New Round of Measures to Address the Overheated Property Market**

I wish to thank you and your colleagues for meeting with our members on 15 March. I have summarized below the views expressed by our members during the meeting and trust that you would give them due consideration.

Firstly, we are afraid that this latest round of “demand-side management” measures in doubling the ad valorem stamp duty on *all* property transactions will bring even greater distortion to an already distorted property market. Our overheated property market is the result of a shortage in housing supply (caused by the Government’s constriction on land supply in the previous years) exacerbated by a super-low interest rate environment and abundance of liquidity, both arising from the quantitative easing measures taken by the Fed and other central banks.

We have pointed out time and again that the solution lies in increasing land supply. We are encouraged to see that the Government is finally taking steps to enhance land supply. This is beginning to bear fruit as corroborated by the findings of our own supply forecast survey showing an increase in new housing coming onto the market in the next few years.



# 香港地產建設商會

## THE REAL ESTATE DEVELOPERS ASSOCIATION OF HONG KONG

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

In contrast, the “demand-side management” measures taken by the Government are, to say the least, unfair to the investors who had been making investment decisions in the property market based on the merits of a housing policy that is clear and certain, which is now suddenly thrown into complete disarray. The risk appetite of developers will inevitably be curtailed by such change in policy and the result is a reduction in housing supply in the long run.

While the Government has repeatedly justified such “extreme” measures in the name of “extraordinary times”, we are disappointed that it refuses to provide a set of objective criteria upon which achievement it would be prepared to withdraw from the market.

The latest proposal to double the ad valorem stamp duty on all and not just the residential properties is the proverbial last straw. It has sent a clear message to international investors that they are not welcome to do business in Hong Kong. The reputation that we have been fostering painstakingly as an open economy with a level playing field and the destination of choice for foreign investments has been tarnished significantly.

Locally, the 6-month window proposed for those owners who intend to sell their current homes and buy later is too short to be of use, as such homeowners will be subject to undue time pressure and may have to accept a lower than market offer for their existing homes and suffer monetary losses. Further, with the 20-month presale period currently set for the sale of uncompleted properties, they will not be able to purchase a flat from pre-sale projects, thus needlessly limiting their freedom of choice.

To address the overheated property market, we believe the Government should:

1. Set a good example to bring down land price by being more realistic with the land premium.
2. Speed up the delivery of housing supply by extending the pre-sale period of uncompleted properties from 20 months to 30 months, and removing hurdles in the development process by being more realistic with the premium assessment,



# 香港地產建設商會

## THE REAL ESTATE DEVELOPERS ASSOCIATION OF HONG KONG

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

---

simplifying the protracted DD&H approval procedure, and streamlining other control procedures which are often repeated under different authorities.

Insofar as the “demand-side management” measures is concerned, the Government should:

1. Introduce a sunset clause with periodic reviews in the enabling legislation.
2. Extend the window for exemption for owners to trade up/down from 6 months to 24 months.

At our meeting, I believe we have come to the agreement that the market has a mind of its own. I would urge the Government to be extremely cautious in trying to temper with the market and refrain from taking any action that may destroy the underpinning principles of the economic success of Hong Kong.

Yours sincerely

Stewart Leung  
Chairman, Executive Committee