

Long Term Housing Strategy Annual Progress Report 2018

Purpose

This paper sets out the latest progress of key aspects of the Long Term Housing Strategy (LTHS) as at December 2018.

Background

2. Following deliberation of the LTHS Steering Committee and a three-month public consultation, the Government formulated and announced LTHS in December 2014. LTHS adopts a “supply-led” and “flexible” strategy and establishes three major strategic directions to gradually avert the current supply-demand imbalance –

- (a) provide more public rental housing (PRH) units and ensure the rational use of existing resources;
- (b) provide more subsidised sale flats (SSFs), expand the forms of subsidised home ownership and facilitate market circulation of existing stock; and
- (c) stabilise the residential property market through steady land supply and appropriate demand-side management measures, and promote good sales and tenancy practices for private residential properties.

The 2017 Policy Address (2017 PA) reaffirms the Government’s commitment towards increasing the supply of housing units on the basis of LTHS.

3. According to LTHS, the Government updates the long term housing demand projection annually and presents a **rolling ten-year housing supply target** to capture social, economic and market changes over time, and make timely adjustments where necessary. This supply target is determined not by the supply of land available at the time, but by quantitative projections of different demand components.

4. This annual exercise serves as an important policy tool to enable 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. Whether we can identify adequate land to meet the supply target depends not only on the efforts of Government departments, but also on factors beyond our control. The relevant work and challenges are set out in the ensuing paragraphs.

Annual update of the long term housing demand projection and the ten-year supply target

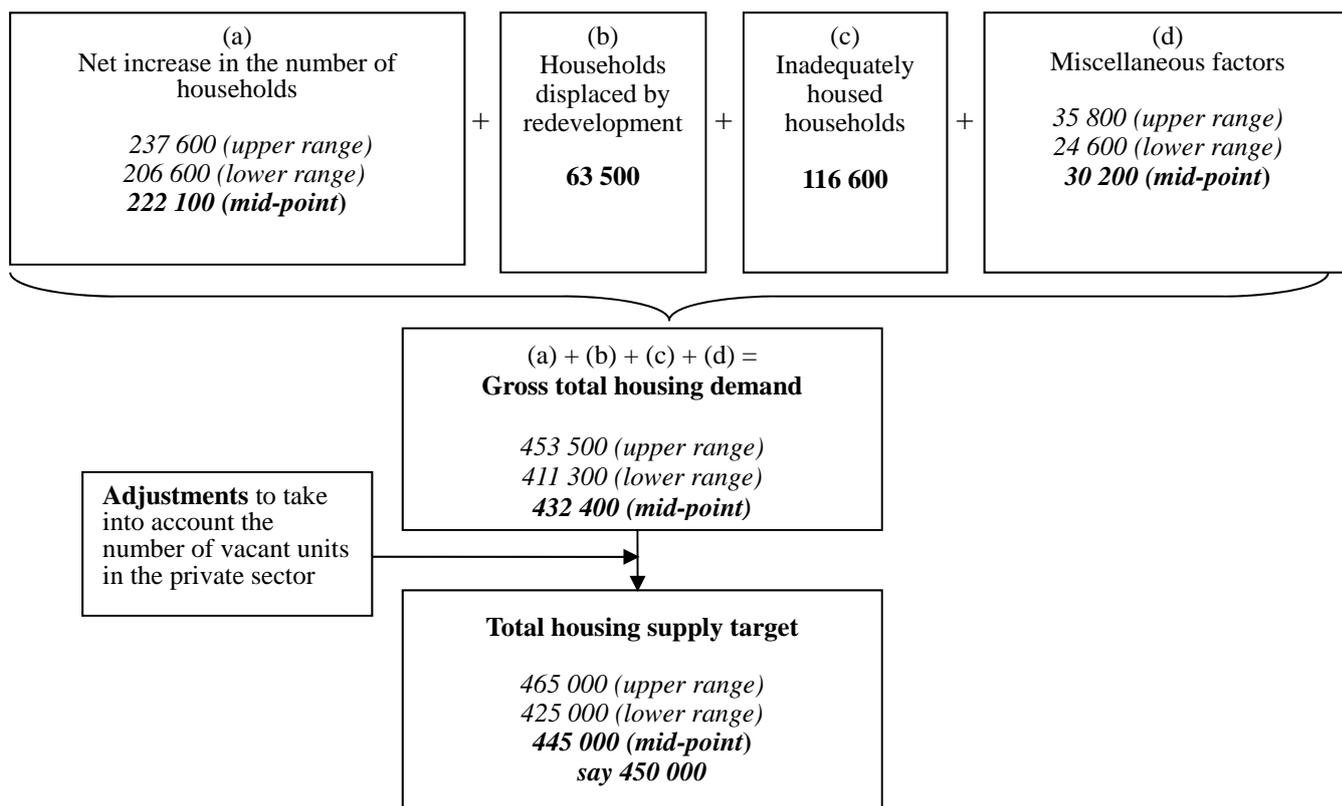
Latest projection

5. Based on the latest projection, the long term housing demand for the ten-year period from 2019-20 to 2028-29 ranges from 411 300 to 453 500 units, with the mid-point being 432 400 units. Adding to that a margin for vacancy of private flats¹, the ten-year total housing supply target should range from 425 000 to 465 000 units, with the mid-point being 445 000 units. This is rounded up to **450 000 units** to be adopted as the **total housing supply target for the ten-year period from 2019-20 to 2028-29**. Such target is 10 000 units fewer than the supply target of 460 000 units for the ten-year period from 2018-19 to 2027-28 as announced in 2017. This is mainly due to the reduction in the net increase in the number of households, which is independently assessed by the Census and Statistics Department (C&SD) based on its latest domestic household projections².

6. The projection results are set out in detail at **Annex**, and summarised in the following diagram –

¹ Based on about 42 900 vacant private residential units as at end-2017, and the average vacancy rate of about 4.2% from 2008 to 2017.

² The domestic household projections are conducted by C&SD independently after each Population Census/By-census and once during the intercensal period. The latest domestic household projections, which are based on the set of 2016-based population projections, are available on C&SD's website (<https://www.statistics.gov.hk/pub/B71710FC2017XXXXB0100.pdf>).



Public/private split of new housing supply

7. For the ten-year period from 2019-20 to 2028-29, we will **revise the public/private split from 60:40 to 70:30**, i.e. the supply targets for public and private housing will be 315 000 units and 135 000 units respectively, having regard to the following –

- (a) LTHS has not stipulated a fixed ratio for the public/private split and envisages that the Government will review and, where necessary, adjust the splits between public and private housing, and between PRH and SSFs, taking into account relevant factors including the demand for different types of housing and the market situation³; and
- (b) There have been diverse views as to whether the public/private split should be maintained at 60:40. Recently, arising from the persistent shortfall of PRH and SSFs, there has been increasing support for raising the public housing ratio to a public/private split

³ See paragraph 3.2 of LTHS.

of 70:30. In the 2018 Policy Address (2018 PA), the Government committed to allocating 70% of housing units on the Government's newly developed land to public housing development. 2018 PA also indicated that the public/private split under LTHS might need to be adjusted, and that the Government would have full regard to the latest developments and views from various sectors when announcing the updated housing supply target under LTHS.

8. In line with established practice, we will continue to review this ratio on an annual basis, taking into account prevailing socio-economic circumstances at the time.

Categorisation of the housing supply targets

9. Since the promulgation of LTHS in 2014, the housing supply targets have been categorised into private housing, and PRH and SSFs under public housing. Such categorisation reflects that other than private housing, the supply of new residential flats comprised only PRH and SSFs provided by the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS).

10. As foreshadowed in last year's LTHS Annual Progress Report, there was a need to reflect new developments in the supply targets in due course, including HA's decision to regularise the Green Form Subsidised Home Ownership Scheme (GSH) in January 2018 and the Government's announcement of the Starter Homes (SH) Pilot Scheme for Hong Kong Residents in June 2018. Specifically, we will **revise "PRH" to "PRH/GSH"**. This new categorisation takes into account the interchangeability between PRH and GSH, as well as the fact that the target group of GSH is essentially the same as that of PRH (i.e. Green Formers including PRH tenants and PRH applicants who have passed the detailed eligibility vetting), and that the "one-for-one" arrangement under GSH will not reduce the supply of PRH⁴.

11. As for SH, 2017 PA indicated that the Government would provide SH units only on the premise that the existing supply of public housing will not be

⁴ Upon the purchase of GSH units by Green Formers, HA can allocate the PRH flats originally resided by or to be allocated to such Green Formers to those waiting for PRH.

affected. In line with this principle, SH units will count towards private housing.

12. The remaining category of housing supply in between “PRH/GSH” and “private housing” will be “**Other SSFs**”, which includes Home Ownership Scheme (HOS) units under HA and SSFs under HS.

Split between PRH/GSH and Other SSFs

13. In the past few rounds of annual projections under LTHS, the split between PRH and SSFs has not been presented as ratios; but if it was, the ratios would have been around 70:30. As demand for all types of public housing has continued to be strong, we will maintain this ratio between PRH/GSH and Other SSFs, such that the public housing supply target of 315 000 units for the ten-year period from 2019-20 to 2028-29 will be broken down into –

- (a) **220 000 units for “PRH/GSH”**, or 20 000 units more than last year’s supply target for PRH; and
- (b) **95 000 units for “Other SSFs”**, or 15 000 units more than last year’s supply target for SSFs.

We will continue to review this split in the annual update under LTHS each year.

Looking ahead

14. The Government will continue to increase housing supply on the basis of LTHS. As the projection model for the rolling ten-year total housing supply target involves many variables, we will continue to keep in view the evolving environment and consider how best to reflect new developments in the projection methodology as well as the supply targets each year.

Housing land supply and flat production

Latest position

Public housing

15. As at end-September 2018, the total public housing production of HA and HS in the five-year period from 2018-19 to 2022-23 is about **100 800 units**, comprising 74 600 PRH/GSH units and 26 300 other SSFs. Comparing the above projected housing production with that for the previous four five-year periods (i.e. the five-year periods counting from 2014-15 onwards), **the projected five-year production shows a steady increase –**

	HA housing production (PRH/GSH + Other SSFs)	HS housing production (PRH[^] + SSFs)	Total housing production (PRH/GSH + Other SSFs)
2014-15 to 2018-19	79 300 (69 400 + 9 800)	1 100 (100 + 1 000)	80 400 (69 600 + 10 800)
2015-16 to 2019-20	87 500 (73 200 + 14 200)	3 700 (1 100 + 2 600)	91 200 (74 300 + 16 900)
2016-17 to 2020-21	91 300 (70 300 + 21 100)	2 700 (1 100 + 1 600)	94 100 (71 400 + 22 700)
2017-18 to 2021-22	96 800 (73 400 + 23 400)	2 900 (1 300 + 1 600)	99 700 (74 700 + 25 100)
2018-19 to 2022-23	97 500 (72 900 + 24 600)	3 300 (1 700 + 1 600)	100 800 (74 600 + 26 300)

Note: Figures may not add up to total due to rounding.

[^] There is no GSH production under HS.

16. As regards land supply for PRH/GSH/Other SSFs, as of now, **assuming that all sites identified can be smoothly delivered on time for housing development, the Government has identified land for the construction of about 248 000 public housing units for the ten-year period**

from 2019-20 to 2028-29. While it is more than the estimated public housing production of 237 000 units as announced in 2017 (for the ten-year period from 2018-19 to 2027-28), it still lags behind the public housing supply target of 315 000 units.

Private housing

17. As for private housing, the supply target of 135 000 units for the ten-year period from 2019-20 to 2028-29 will continue to be met through various land supply sources, including Government land sale, railway property development projects, projects of the Urban Renewal Authority (URA) and private development/redevelopment projects. Based on the latest projection as at end-September 2018, **the supply of first-hand private residential property market for the coming three to four years is about 93 000 units.**

Measures to expedite/increase overall housing land supply

New measures

Re-allocating private housing sites for public housing

18. The Government has been re-allocating for use of public housing, where appropriate, sites originally planned for private housing. The Government will continue to do so.

19. As one of the six housing initiatives announced on 29 June 2018, the Government decided to re-allocate for public housing nine sites at Kai Tak and Anderson Road Quarry, which were originally intended for sale in the coming few years. These sites are expected to provide some 10 600 public housing units, which will help narrow the public housing shortage in later years. One of the sites in Kai Tak will be allocated to HS for the redevelopment of Chun Seen Mei Chuen. HS can then make use of the original site of Chun Seen Mei Chuen to redevelop Lok Man Sun Chuen by phases. The remaining new units on the above-mentioned Kai Tak site can also be used to rehouse other eligible non-owner occupier households affected by Government development and projects by URA. As for the remaining eight sites, HA and HS will each take up one site in Kai Tak and three sites in Anderson Road Quarry for SSF

development, having regard to the original planning intentions for these sites and other developments in the vicinity.

Increasing development intensity for public housing sites

20. Following the Executive Council's approval, the Government will enhance the development intensity of public housing sites such that their maximum domestic plot ratio will be allowed to increase beyond the current 20% cap by up to 10% points (i.e. maximum 30% in total) where their technical feasibility permits and with the approval of the Town Planning Board as appropriate. This measure will enable us to take fuller advantage of projects in the pipeline to increase public housing units more readily, while better utilising spare infrastructural capacity, if any, to meet the strong public housing demand.

Existing measures

21. We will continue to adopt a multi-pronged approach in supplying more housing land on a sustained basis. On the one hand, we will pursue vigorously planned projects to ensure timely delivery of committed units. On the other hand, 2018 PA has announced a package of measures to boost housing supply. Paragraphs 22 to 24 below summarise the ongoing projects and PA measures respectively. Following a five-month public engagement exercise, the Task Force on Land Supply (Task Force) is finalising its recommendation report for submission to the Government by the end of this year. We hope the Task Force's recommendations can provide more insightful ideas to make our land supply strategy more robust and sustainable.

Ongoing projects

22. Major ongoing projects being undertaken by the Government at full steam under the multi-pronged approach include –

- (a) **Rezoning of 210 sites** – Our target has been delivering land capable of producing some 380 000 housing units in the short-to-medium term, the majority (over 310 000) of which comes from the rezoning of some 210 sites. As at early November 2018, 119 sites had been zoned or rezoned for housing development, providing a total of about 163 000

flats (public/private split of 74:26). Another 27 sites have their statutory rezoning procedures initiated with an estimated total yield of about 32 000 flats (public/private split of 94:6);

- (b) **Four new development area (NDAs)/new town extension projects** – Reclamation for the **Tung Chung New Town Extension** is progressing well, while site formation and infrastructural works for the first phase development of **Kwu Tung North and Fanling North NDAs** are expected to commence in the latter half of 2019. We are also pressing ahead with the implementation of the **Hung Shui Kiu NDA** and **Yuen Long South** development. These four major development projects are a key source of housing land supply in the medium-to-long term, producing altogether about 210 000 housing units in phases starting from 2023-24 (as against our total target of 230 000 if other measures are taken into account); and
- (c) **Streamlining development controls** – The steering group under the Development Bureau (DEVB) has formulated the first batch of streamlining proposals⁵ and completed consultation with industry stakeholders. Practice notes will soon be issued to promulgate the changes. The steering group is working on the second batch of proposals. To expedite the approval process, the Buildings Department will develop an Electronic Submission Hub to receive and approve building plans and applications for private development electronically in phases starting from 2021-22.

PA measures

23. In 2018 PA, the Government committed to allocating more land to public housing development, and that 70% of the housing units on Government's newly developed land would be for public housing.

24. Major measures to increase housing land supply announced in 2018 PA include –

⁵ The first batch of proposals concerns building height control, site coverage of greenery requirement and landscaping requirement.

- (a) **Lantau Tomorrow Vision** – “Lantau Tomorrow” is a vision spanning two to three decades pivotal to the future development of Hong Kong. The Central Waters is in proximity with the Hong Kong Island, Lantau and various major infrastructures. Creation of artificial islands at this strategic location can effectively increase land supply for housing and other activities. In terms of housing units, the Kau Yi Chau artificial islands of 1 000 hectares can provide 150 000 to 260 000 units, 70% of which (105 000 to 182 000 units) are public housing. The Government plans to seek the Legislative Council (LegCo)’s funding approval in the first or second quarter next year for the planning and engineering studies mainly on the 1 000-hectare artificial islands near Kau Yi Chau. The Government will take into account the findings of the Task Force’s recommendation report in firming up the details of the proposed studies;
- (b) **Developing brownfield sites in the New Territories** – The major development projects in paragraph 22(b) above will turn about 340 hectares of brownfield sites into developable land for housing and other purposes. In view of the strong public aspiration that brownfield sites should be developed to boost housing supply and improve rural planning, DEVB will advance the study covering about 200 hectares of brownfield sites in the New Territories North. DEVB will also initiate a study on the remaining 760 hectares of scattered brownfield sites to identify those with greater development potential. Meanwhile, DEVB expects to complete two ongoing studies on brownfield operations this year, with a view to formulating policy strategies and implementation measures on the relocation and consolidation of brownfield operations in a more land efficient manner;
- (c) **Land Sharing Pilot Scheme (LSPS)** – To make better use of privately owned land parcels not covered in Government’s planned development and unleash their development potential to meet the needs for both public and private housing in the short-to-medium term, DEVB will formulate details of the LSPS having regard to the principles of fairness and transparency as well as the directional pointers in 2018 PA. These include the requirement for LSPS applicants to reserve for public housing no less than 60% to 70% of the additional gross floor

areas made available by infrastructural improvements or other measures. The Government targets to introduce the pilot scheme next year, after making reference to the Task Force’s recommendation report in finalising the detailed arrangements; and

- (d) **Redevelopment of Buildings under the Civil Servants’ Co-operative Building Society Scheme (CBS)** – To unlock the potential of urban sites currently occupied by low-to-medium rise CBS buildings, DEVB has invited URA to identify one to two clusters of CBS lots suitable for high-density development as pilot sites. URA has also been requested to earmark some of the resumed land for public housing development. Subject to the completion of the planning studies and the approval of the URA Board, URA will submit the implementation proposals to the Government in the first half of 2019, with a view to announcing and commencing the pilot projects in the latter half of 2019.

Major challenges to meeting the public housing supply target

25. As set out in paragraph 16 above, we have yet to secure all the sites needed to meet the public housing supply target. Alongside the Government’s efforts in securing sites for public housing development, HA has been working hard to fast-track the development process where possible. However, the majority of the sites identified require the completion of necessary processes (including planning and consultation, statutory planning procedure, land resumption and clearance, provision and reprovision of facilities, site formation and provision of infrastructure, LegCo’s funding approval, etc.) in order to be delivered on time for housing construction.

26. About 80% of the sites of the projects for which we have consulted DCs in the past eight years (from 2010-11 to 2017-18) are not “spade ready”⁶. Therefore, the Government needs to go through various processes to turn those sites into “spade-ready” sites and such processes require time and are subject to uncertainties. The processes involved and how they affect HA’s efforts are

⁶ Sites that have been properly zoned, and do not require resumption, clearance, reprovisioning of existing facilities, site formation or provision of additional infrastructure.

summarised as follows –

- (a) **Planning and consultations** – To develop a project, technical studies are required to collect data, explore options, and assess how to overcome impacts from the proposed development. Depending on the complexity of the projects, the technical studies may take one to two years to complete. When findings of technical studies are ready, relevant departments and HA will conduct consultations. Time needed to complete the consultation exercise varies depending on individual project and local situations;
- (b) **Land resumption and clearance** – Some projects require land resumption and clearance and it takes a relatively longer time to complete the relevant procedures;
- (c) **Provision and reprovision of facilities** – HA needs to provide community facilities for public housing development projects. If reprovisioning of existing facilities (e.g. parks, community halls and sports grounds) is required, the process will be even more complicated. The time required varies depending on individual circumstances;
- (d) **Site formation and infrastructure provision** – Some sites require site formation, road works and/or provision of additional infrastructures. The lead time for these works also varies depending on the complexity of the projects;
- (e) **Sites involving Government-funded items** – For projects involving Government-funded works (such as public transport interchange, community hall and road improvement works), timely funding approval from LegCo is critical for delivering projects on time; and
- (f) **Building construction** – The time required for building construction varies widely depending on the complexity of projects. It normally takes about three and a half years for the construction of a 40-storey public housing block. However, sites involving more complex ground conditions or slopes, or those involving construction of refuge floors, basement or podium for maximising development potential,

would take about four years or more to complete. Besides, individual project during construction stage also encounters unforeseeable factors such as shortage of labour in construction industry and inclement weather that may affect the completion time of the projects.

Redevelopment of aged PRH estates

27. There have been views in the community that the Government may consider redeveloping aged PRH estates to increase the supply of PRH. There have indeed been considerable deliberations on this issue in the past⁷. As explained in LTHS, while redevelopment may increase PRH supply over the long term, it will immediately reduce the number of flats which can be allocated to those waiting for PRH because such flats, instead of being allocated to PRH applicants, will have to be used to rehouse tenants displaced by redevelopment. While redevelopment will lead to more flats when it is completed, this will take a few years, which will lengthen PRH applicants' waiting time. Hence, it is not advisable to carry out massive redevelopment programmes, given the current high demand and long waiting time for PRH.

28. Along with such strategy, HA will continue to consider redevelopment on an estate-by-estate basis in accordance with the "Refined Policy on Redevelopment of Aged PRH Estates" formulated in 2011. According to this policy, HA will consider redevelopment of individual estates with reference to four basic principles, viz. structural conditions of buildings, cost-effectiveness of repair works, availability of suitable rehousing resources in the vicinity of the estates to be redeveloped, and build-back potential upon redevelopment. Since 2005, HA has implemented the Comprehensive Structural Investigation Programme, which helps determine the fulfillment of the first two principles. It aims to ascertain the state of structural safety of aged PRH estates, the repair works needed for sustaining them for at least 15 years and the cost-effectiveness of such repair works. HA has also been implementing various programmes to update and maintain the physical conditions of flats and common areas of PRH estates.

⁷ Including the three-month public consultation on LTHS in 2013, Report No. 62 of the Director of Audit and LegCo Public Accounts Committee Report No. 62 on "Planning, construction and redevelopment of PRH flats", the Subcommittee on the Long Term Housing Strategy under the LegCo Panel on Housing, and HA's Annual Special Open Meetings and Regular Open Meetings in recent years.

Meeting the challenges

29. As pointed out in paragraph 16 above, assuming that all sites identified can be delivered on time for housing construction, the Government has so far only identified land for the construction of about 248 000 public housing units for the ten-year period from 2019-20 to 2028-29. This falls short of our ten-year target of building 315 000 public housing units.

30. For sites that have been identified for public housing, we will continue to adopt the following measures to overcome challenges –

- (i) working closely with relevant government bureaux/departments for early planning to ensure timely availability of sites and supporting infrastructure;
- (ii) communicating proactively with District Councils, local communities and other stakeholders to enhance the planning, layout, design and supporting facilities of public housing projects and address their concerns as far as practicable;
- (iii) adopting site-specific designs to optimise the development potential of each site. HA will continue to liaise with relevant departments or submit planning applications to maximise flat production through relaxation of development restrictions (e.g. plot ratio, building height) at an appropriate scale; and to enlarge or amalgamate sites, or both, to create larger development site area where planning and infrastructure permit and without compromising the environmental quality to an unacceptable extent. HA will also continue to review the vacant land within existing estates, such as ballcourts, open spaces, public transport interchanges or vacant school premises released for development to better utilise the development potential of existing estates and improve the overall estate facilities;
- (iv) continuing to improve the construction process and built quality, as well as expedite flat production by adopting the pre-cast building technology and lean construction at sites. HA is carrying out a

viability study for adopting Modular Integrated Construction (MiC) in public housing construction to enhance the construction process. The study is expected to be completed by end 2018 tentatively. In parallel, HA is considering the feasibility of increasing applications of precast concrete components in public housing projects; and

- (v) working with industry stakeholders to improve and implement labour training and procurement schemes, including different contractors co-operative training schemes and the Supplementary Labour Scheme, to mitigate the labour shortage problem.

31. As set out in the 2017 and 2018 Policy Address, since it takes time to identify land for increasing housing supply, the Government will support and facilitate the implementation of various short-term initiatives on transitional housing to alleviate the hardship faced by families awaiting PRH and the inadequately housed.

32. The Task Force on Transitional Housing under the Transport and Housing Bureau is a team comprising five dedicated officers (including two project directors) led by the Under Secretary for Transport and Housing. It seeks to provide co-ordinated support for community initiatives on transitional housing depending on the needs of individual projects, in consultation with relevant Bureaux and departments. Such support includes offering advice on administrative or statutory procedures, as well as assistance in applying for funding.

33. In the past few months, the Task Force on Transitional Housing convened two inter-departmental meetings to discuss how best to facilitate the increase in the supply of transitional housing under relevant government policies. For example, the Buildings Department promulgated the Guidelines on Applications for Special Modification or Exemption for Transitional Housing Initiatives in Domestic Buildings in October 2018.

34. The Task Force on Transitional Housing is currently assisting and facilitating more than 10 projects advocated by various non-governmental organisations, including the Community Housing Movement operated by the Hong Kong Council of Social Service, the Modular Social Housing scheme

located on Nam Cheong Street in Sham Shui Po which is supported by the Hong Kong Community Care Fund, etc.

PRH

Average waiting time (AWT) for PRH

35. PRH is the first rung on the housing ladder, and is a long-established safety net for low-income families. Both the Government and HA remain committed to providing PRH to low-income families who cannot afford private rental accommodation, with HA's target of providing the first flat offer to General Applicants (i.e. family and elderly one-person applicants) at around three years on average. As at end-September 2018, there were about 150 200 general applications for PRH, and about 117 500 non-elderly one-person applications under the Quota and Points System. The AWT⁸ for General Applicants was 5.5 years. Among them, the AWT for elderly one-person applicants was 2.9 years.

36. Increasing PRH supply is the fundamental solution to reducing the waiting time for PRH. The increasing AWT reflects that despite the best efforts of the Government and HA in boosting PRH supply, the increase in PRH supply in recent years has yet to completely absorb the accumulated demand for PRH within a short period of time. This, together with the various challenges above, will inevitably continue to exert pressure on AWT.

37. In addition to new PRH supply, recovery of PRH units is another major source of supply. On average, there is a net recovery of over 7 000 PRH units per year from tenants. With more SSF projects coming on stream, we expect that more PRH units could be recovered for allocation. Taking the year 2017/18 as an example, the net recovery from PRH tenants reached 9 700 units.

⁸ 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, when the applicant has requested to put his or her application on hold pending arrival of family members for family reunion, or when the applicant is imprisoned). The AWT for General Applicants refers to the average of the waiting time of those General Applicants who were housed to PRH in the past 12 months. The AWT target of around three years is not applicable to non-elderly one-person applicants under the Quota and Points System.

Rational use of PRH resources

38. At the same time, LTHS also underlines the importance of the rational use of existing PRH resources. From time to time, HA reviews relevant policies and adopts appropriate measures. One major measure is the refined “Well-off Tenants Policies”⁹. Upon the completion of the first declaration cycle involving around 1 000 PRH tenants in October 2017, 14 were found to exceed the prescribed income/asset limits, or have private domestic property ownership in Hong Kong, and were therefore required to surrender their PRH units to HA. The second declaration cycle started in April 2018 and is expected to be completed in March 2019.

39. As announced in 2018 PA, the Government suggested that HA launch a new initiative whereby under-occupation households with all family members aged 70 or above can choose to move to smaller units and enjoy lifetime full rent exemption. This initiative aims to provide a rent-free housing option for such all-elderly households to transfer to new or refurbished units, and to save living expenses. Furthermore, this initiative will help increase the supply of larger units for allocation to households awaiting PRH allocation with more family members. HA will discuss this suggestion in 2019.

40. HA will continue with its efforts in combatting tenancy abuse to ensure proper use of valuable PRH resources. The Housing Department (HD) has been adopting a three-pronged approach to deter tenancy abuse¹⁰. In addition to estate staff’s periodic visits to PRH households to detect tenancy abuse, HD also investigates suspected abuse cases referred by frontline management and reported by the public, and conducts in-depth investigations into randomly selected cases. Publicity programmes have also been launched to promote the messages and raise public awareness on the rational use of PRH resources

⁹ HA’s Housing Subsidy Policy and the Policy on Safeguarding Rational Allocation of Public Housing Resources are commonly referred to as the “Well-off Tenants Policies”. Households who have been living in PRH for 10 years are required to make a declaration biennially. Under the revised “Well-off Tenants Policies”, those with household income exceeding five times of the PRH income limits (PRHILs), or with total net household assets exceeding 100 times of the PRHILs, or with private domestic property ownership in Hong Kong, are required to vacate their PRH units.

¹⁰ Tenancy abuse commonly includes non-occupation of flats, subletting of flats, engaging in illegal activities inside flats, non-domestic use of flats and making false declarations.

through different channels, and to encourage reporting on tenancy abuse.

41. HA also reviews practices to give priority to PRH applicants with more pressing need for PRH. One such measure is the introduction of a one-year frozen period for applicants whose household members all live in PRH. This measure lowers the priority of such applicants and thereby raises the priority of applicants who are living in private rental accommodation (especially those living in “sub-divided units”). As at end-September 2018, some 500 general applications have been subject to this frozen period arrangement.

42. Similarly for non-elderly one-person applicants under QPS, those who are living in PRH are deducted 30 points to reflect their relatively lower priority. Separately, since 2015-16, HA has been conducting an annual checking of the eligibility of QPS applicants who have waited for five years but not yet due for detailed vetting within the next two years. Three rounds of such checks have been completed, and have proven to be effective in removing applicants who are no longer eligible for PRH. HA will continue to conduct the annual checking exercise.

Subsidised home ownership

43. Subsidised home ownership is an essential element of the housing ladder and a core component of LTHS. HOS flats and other forms of SSFs serve as the first step for home ownership for low to middle-income families. As envisaged in LTHS¹¹, the Government will consider how to expand the forms of subsidised home ownership and, where appropriate, introduce supplementary schemes of SSFs. Following such strategic direction, subsidised home ownership has been enriched from solely HOS to also include GSH and SH (through its pilot scheme) now. Additional initiatives have also been put in place to promote circulation and ensure rational use of existing stock, as well as to make SSFs more affordable.

¹¹ See paragraph 5.3 of LTHS.

Making SSFs more affordable

44. As one of the six housing initiatives announced on 29 June 2018, the Government decided to make SSFs more affordable by revising the affordability test as follows –

- (a) using the median monthly household income of non-owner occupier households (i.e. \$39,500 for the Sale of HOS Flats 2018) instead of the income limit of White Form (WF) family applicants (i.e. \$57,000 for the Sale of HOS Flats 2018) as the reference point; and
- (b) ensuring at least 75% of HOS flats (instead of at least 50%) available for sale in the same batch are affordable.

HA subsequently decided in July 2018 to adopt the revised affordability test for the Sale of HOS Flats 2018. As a result, this batch of HOS flats is being sold at 52% (48% discount) instead of the original 70% (30% discount) of the assessed market value. As previously endorsed by HA, the discount for GSH would be fixed at 10% more than that determined for the preceding HOS sale exercise. As a result, flats for the Sale of GSH Flats 2018 will be sold at 42% of the assessed market value (58% discount).

45. Arising from the revised SSF pricing mechanism, the alienation restrictions for SSFs to be launched for sale by HA from 2019 will be tightened correspondingly. Under the new restrictions, owners will be barred from paying premium and selling their flats in the open market within the first ten years from first assignment from HA. They will be allowed to re-sell in the Secondary Market without premium payment to eligible buyers at not more than the original price during the first two years after first assignment and at freely negotiated prices as from the third year. The revised restrictions will strike a balance between deterring short-term speculations and facilitating market circulation of SSFs.

HOS and SSFs

46. Upon the Government's announcement of resumption of HOS in 2011, HA and HS have together put up around 13 000 HOS flats and SSFs for

pre-sale¹². Among these, HA has put up three batches of new HOS flats for pre-sale (usually around two years in advance of the estimated completion dates) between 2014 and 2017, comprising over 6 800 flats from ten developments, all of which were sold. Of these developments, nine have been completed for occupation and one is expected to be ready for occupation in 2018-19. In parallel, HS has put up over 1 600 SSFs for pre-sale since 2014. All these SSFs were sold.

47. For HA's Sale of HOS Flats 2018 (involving 4 431 flats), there are some 272 000 applications (of which more than 80% are WF applications), representing an over-subscription rate of about 60 times¹³. Balloting was conducted in November 2018 and flat selection will start in late-February 2019.

GSH

48. GSH aims to help better-off PRH households move up the housing ladder and address their home ownership aspirations, and at the same time releasing more PRH units for re-allocation to those with more pressing needs. With the regularisation of GSH in January 2018, there is an additional channel for Green Formers to achieve home ownership at affordable prices.

49. The next GSH project at Cheung Sha Wan (Lai Tsui Court), involving 2 545 units, will be launched for application on 28 December 2018. HA will continue to select suitable sites for conversion to GSH projects each year.

50. To prepare for the increasing supply of SSFs, HA will continue to streamline the application and sales procedures where possible, with a view to enhancing the efficiency of the flat selection process and recovery of PRH flats from SSF buyers. For instance, HA endorsed in November 2018 piloting the streamlined application arrangements, which will be applied to HOS and GSH in 2018 for the first time. All valid but unsuccessful HOS Green Form applications will be automatically carried over to the subsequent GSH sale

¹² Including HA's Sale of HOS Flats in 2014, 2016, 2017 and 2018; and HS' Subsidised Sale Flats Projects (i.e. Greenhill Villa launched in 2016 and Mount Verdant and Terrace Concerto launched in 2017).

¹³ There were two rounds of applications for the Sale of HOS Flats 2018. After the first round of application in March 2018, HA reopened applications in October 2018 following the revised HOS pricing mechanism announced by the Government in June 2018 (details of which are provided under paragraph 44).

exercise in the same year, such that applicants need not submit a separate application or pay the application fee for that GSH¹⁴.

SH Pilot Scheme for Hong Kong Residents

51. To help the higher-income families who are not eligible for HOS and yet cannot afford private housing to meet their home ownership aspirations in the face of hiking property prices, the Government announced in 2017 PA its plan to introduce the SH Pilot Scheme for Hong Kong Residents as a new form of subsidised home ownership.

52. We initially proposed to use a residential site at Anderson Road on the Government's 2018-19 Land Sale Programme to provide about 1 000 SH units. Since it would take several years before SH units at the Anderson Road site can be put up for pre-sale given the time required for disposal of the site and construction work, the Government announced on 29 June 2018 to test out the SH concept earlier by inviting URA to assign its redevelopment project at Ma Tau Wai Road as an SH pilot project. The Ma Tau Wai Road project can provide 450 SH units with flat size between 24 m² (260 ft²) and 47 m² (507 ft²). The pre-sale exercise of the project will be launched in late December 2018. The Government will take into account the experience from the pilot project at Ma Tau Wai Road in considering the way forward of SH.

Promoting circulation and ensuring rational use of existing stock

White Form Secondary Market Scheme (WSM)

53. In the past, SSFs with premium unpaid in the Secondary Market could only be sold to Green Formers. To address the home ownership aspirations of WF applicants, HA launched two rounds of an interim scheme to allow WF buyers to purchase SSFs with premium unpaid in 2013 and 2015 respectively. Over 4 000 WF buyers achieved home ownership as a result. In November 2017, HA reviewed the interim scheme and decided to regularise it as WSM to provide more opportunities for WF buyers to purchase SSFs with premium unpaid.

¹⁴ Applicants who wish to change their family composition have to cancel the carried over HOS applications and submit new GSH applications upon payment of the application fee. Those who do not wish to apply under GSH may notify HA to cancel the application.

54. WSM 2018, with a quota of 2 500, was launched in March 2018. Approval letters were issued to successful applicants in October 2018 to apply for the Certificate of Eligibility to Purchase (with a validity period of 12 months) for purchasing a flat with premium unpaid in HA's HOS Secondary Market or HS' Flat-for-Sale Scheme Secondary Market.

“Flat-for-Flat Pilot Scheme for Elderly Owners”

55. To further facilitate the circulation of SSFs, 2018 PA mentioned that the Government had accepted HS's recommendation of launching a “Flat-for-Flat Pilot Scheme for Elderly Owners” on a trial basis for its SSFs with premium not yet paid. Under this scheme, owners aged 60 or above, who have owned their Flat-for-Sale Scheme flats for at least ten years, can sell their original flats and then buy a smaller one in the Secondary Market without payment of premium. With a view to making better use of existing housing resources and promoting circulation of SSFs, this pilot scheme enables eligible elderly owners to move into flats which suit their needs better (e.g. a flat of smaller size but closer to where their children live), while vacating larger flats for eligible families in need of more living space. Elderly owners may also get some cash through trading down their flats.

56. HS is formulating details of the pilot scheme. The Government will continue to liaise with HA and HS with a view to launching the pilot scheme as soon as possible.

“Letting Scheme for Subsidised Sale Developments with Premium Unpaid”

57. HS launched the “Letting Scheme for Subsidised Sale Developments with Premium Unpaid” (Letting Scheme) in September 2018, allowing eligible flat owners in HS' SSF units to sublet their rooms to targeted tenants, without paying premium. HS is reviewing the scheme. 2018 PA proposes that HA consider joining the scheme and allowing owners of SSFs with premium unpaid to sublet their flats to needy families.

Healthy and stable residential property market

58. Maintaining the healthy development of the private residential property market remains one of the policy objectives of the Government. To minimise adverse consequences arising from an overheated market, the Government will continue to adopt a two-pronged approach. We will ensure a stable land supply to meet demand for housing, and at the same time implement measures as and when necessary to manage various kinds of housing demands.

59. Despite the modest fall in the prices of private residential properties from the recent peak in July 2018 (following a consecutive increase of 28 months), the index of home purchase affordability¹⁵ remained high at around 74% in the third quarter of 2018, significantly above the long term average of 44% over 1998 to 2017. Should interest rates increase by three percentage points to a more normal level, the ratio would soar to 97%. The Government will remain vigilant and continue to monitor property market movements and the evolving external conditions.

60. Two of the six new initiatives announced by the Government on 29 June 2018 aim to encourage more timely supply of first-hand private residential flats. These are the proposed “Special Rates” on vacant first-hand private residential units and the revised Consent Scheme to improve sales practices.

Introducing “Special Rates” on vacant first-hand private residential units

61. The Government will amend the Rating Ordinance (Cap. 116) to introduce “Special Rates” on vacant first-hand private residential units. The amendment will require developers of first-hand private residential units with the Occupation Permit issued for 12 months or more to furnish annual returns to the Government on the status of the units. Units that have not been rented out for more than six months during the past 12 months will be subject to “Special Rates”. “Special Rates” will be collected by the Rating and Valuation Department annually at two times (i.e. 200%) the rateable value of the units concerned. The Government is preparing the legislative proposals with a view to introducing an Amendment Bill into LegCo during the 2018-19 legislative

¹⁵ The ratio of mortgage payment for a 45-square metre flat to the median income of households, excluding those living in public housing.

session.

62. Since the announcement of the new initiative, developers have apparently become more proactive in selling their first-hand private flats in completed projects. As at 30 September 2018, there were about 8 900 unsold first-hand private residential units in completed projects, 300 units less than the figure in the last quarter as at 30 June 2018 (9 200 units).

Amending the Lands Department (LandsD) Consent Scheme to improve sales practices

63. To improve market transparency and enhance consumer protection, the Government has amended the LandsD Consent Scheme, requiring developers to offer for sale no less than 20% of the total number of residential units subject to the relevant pre-sale consent at each turn of sale, regardless of the sales method (including tender and auction). If the remaining unsold residential units are less than 20%, the developer has to offer for sale all remaining units in one go. The new requirement which came into effect on 29 June 2018 applies to pre-sale consent applications being processed by LandsD at that time and all new applications received after that date. Since the implementation of the new requirement, LandsD has issued 12 pre-sale consents for residential developments involving 6 979 residential units in the third quarter of 2018, which was the record-high since the first quarter of 2005. Four of the developments have been launched for sale in compliance with the new requirement.

**Transport and Housing Bureau
December 2018**

Details of the total housing supply target projection for the ten-year period from 2019-20 to 2028-29

According to the projection methodology adopted by the Long Term Housing Strategy (LTHS) promulgated in December 2014, housing demand is defined as the total number of new housing units required to provide adequate housing to each and every household over the long term. The methodology takes into account the following components in projecting the number of new housing units required –

- (a) net increase in the number of households;
- (b) households displaced by redevelopment;
- (c) inadequately housed households (IHHs); and
- (d) miscellaneous factors¹.

Latest Projection

(a) Net increase in the number of households (222 100 units)

2. The trend-based domestic household projections by the Census and Statistics Department (C&SD) form the basis of assessing the overall housing demand from the net increase in the number of households. Based on the latest domestic household projections published by C&SD in September 2017², the net increase in the number of households from mid-2019 to mid-2029 is about **222 100 units**. This will be taken into account in projecting the

¹ The miscellaneous factors taken into account include (a) private permanent living quarters occupied by households with mobile residents only; (b) non-local students who may take up accommodation in Hong Kong; and (c) non-local buyers who take up flats without selling or leasing them.

² The domestic household projections are conducted by C&SD after each Population Census/By-census and once during the intercensal period. The latest set of domestic household projections was published by C&SD in September 2017, based on the set of population projections from 2017 to 2066 and the results of the 2016 Population By-census (16BC).

housing demand for the ten-year period from 2019-20 to 2028-29.

3. In line with previous projection exercises, an econometric modelling exercise has been conducted to quantify the relationship between household formation and economic performance (as proxied by real Gross Domestic Product (GDP) growth rate) and housing market situations (as proxied by vacancy rate of private flats) in order to reflect possible changes to household formation under different economic and property market situations. Results show that the net increase in households ranges from 206 600 to 237 600, representing a $\pm 7\%$ ³ from C&SD's domestic household projection of 222 100.

(b) Households displaced by redevelopment (63 500 units)

4. Households displaced by redevelopment of old buildings in the public and private sectors have to be rehoused, thus generating new housing demand on top of the net increase in the number of households. Taking into account redevelopment need of public housing units under the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS), as well as past trends in the private sector, it is estimated that there will be a new housing demand of about **63 500 units** for households displaced by redevelopment for the ten-year period from 2019-20 to 2028-29, with breakdown as follows –

³ According to the econometric model, the number of households formed is higher when local macroeconomic performance is better or the housing market is less tight. Under the base case, in order to project the household formation in the next ten years, as a working assumption, it is assumed that the real GDP growth in the next ten years will average around 2.9% per annum. For the private domestic vacancy rate in the next ten years, it is assumed to be the average rate over the past ten years from 2008 to 2017 (4.2%).

To work out a lower limit of households formed, it is assumed that the real economic growth and the private domestic vacancy rate would be 1% point lower than the base case. Under this lower case scenario, the household formation in the next ten years would be around 7% lower than the base case.

To work out an upper limit of households formed, it is assumed that the real economic growth and the private domestic vacancy rate would be 1% point higher than the base case. Under this upper case scenario, the household formation in the next ten years would be around 7% higher than the base case.

Redevelopment programmes	Number of units
(a) Redevelopment of public housing units (based on the estimated number of public housing units to be redeveloped by HA and HS in the next 10 years from 2019-20 to 2028-29)	23 500
(b) Redevelopment of private units (based on past trend of private flats demolished from 2013 to 2017 ⁴)	40 000
Total = (a) + (b)	63 500

5. In estimating the housing demand of households displaced by redevelopment of public housing units, our existing practice is to draw reference from (a) the number of public housing units to be redeveloped in the next ten years, based on known public housing redevelopment programmes and (b) the number of public housing units demolished in the past ten years. The higher of (a) and (b) is taken to be the estimated demand from households displaced by redevelopment of public housing units.

6. In this projection, we have further refined the methodology of estimating the number of public housing units to be redeveloped in the next ten years as explained below –

- (a) Under the existing methodology, the number of public housing units to be redeveloped in the next ten years is estimated on the basis of **known** redevelopment programmes already announced by HA and HS. The estimated number of public housing units under known

⁴ From 2013 to 2017, the average number of private flats demolished was about 2 000 per year. As regards the number of households displaced by private redevelopment, there may be more than one household in a unit in older private buildings, and this should be taken into account in the projection. However, there is currently no reliable data to come up with this projection. The only benchmark from which we can make reference is the Urban Renewal Authority (URA)'s data. According to URA's data from its urban redevelopment projects commencing between 2013-14 and 2017-18, there were on average about two households living in each private unit demolished/to be demolished. Therefore, it is estimated that the number of households displaced by redevelopment in the projection period will be 40 000 (= 2 000 x 2 x 10).

redevelopment programmes in the next ten years is 14 300⁵;

- (b) As set out in LTHS, while redevelopment may increase PRH supply over the long term, it will in the short term reduce PRH stock available for allocation, hence adding further pressure on the lengthening average waiting time for PRH. That said, HA and HS will continue to assess whether to redevelop individual aged rental housing estates, independently from the housing demand projection exercise;
- (c) Given the large number of housing units in aged rental housing estates, we consider it prudent to include in the supply target a provision for **potential/possible** redevelopment need in the next 10 years under LTHS as a long-term planning guide for the Government's efforts in identifying land for housing; and
- (d) Drawing reference from the demolition rate of 16.6%⁶ for private residential units aged 50 years and above over a period of ten years from the Rating and Valuation Department (RVD)'s data, it is estimated that the additional housing demand would be about 15% of the 61 300 units in the public rental estates aged 50 years and above by the end of the ten-year projection period. i.e. 9 200 units⁷. Accordingly, the estimated total number of public housing units to be redeveloped in the next ten years is 23 500 (= 14 300 + 9 200).

7. Following the above refined methodology, we have compared the

⁵ Based on the known redevelopment programmes under HA and HS, the housing demand for 14 300 units in the ten-year period from 2019-20 to 2028-29 arises from the following redevelopments: (a) 2 390 units in HA's Pak Tin Estate; (b) 600 units in HA's Mei Tung Estate; (c) 6 400 units in HA's Wah Fu Estate; (d) 2 200 units in HS' Ming Wah Dai Ha, (e) 910 units in HS' Yue Kwong Chuen; (f) 300 units in HS' Kwun Tong Garden Estate; (g) 1 000 units in HS' Chun Seen Mei Chuen; and (h) 500 units in HA's Shek Lei Interim Housing.

⁶ According to RVD's data, there were about 1 090 600 private domestic units in Hong Kong as at the end of 2009, of which about 36 000 units were built before 1960 (i.e. having reached age 50 in 2010). In each of the years of 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017, about 390, 430, 800, 580, 850, 810, 500 and 430 units which were built before 1960 were demolished respectively. In other words, an average of about 600 units per year is demolished in these eight years. Assuming this trend would continue for the coming years, the number of units which have reached age 50 in 2010 and would be demolished in the ten-year period from 2010 to 2019 would be about 6 000 units (= 600 x 10), accounting for about 16.6% of the total stock.

⁷ There will be 61 300 units in 22 public rental estates (18 under HA and 4 under HS) aged 50 years and above in the coming ten years which are not yet on the redevelopment timetable. Therefore, the estimated number of households to be displaced by public redevelopment in these estates will be 9 200 (= 61 300 x 15%).

number of public housing units demolished in the past ten years (14 900 units from 2008-09 to 2017-18) with the estimated number of public housing units to be redeveloped in the coming ten years (23 500 units from 2019-20 to 2028-29). The higher figure of 23 500 units has been adopted to be the estimated housing demand arising from public housing redevelopment from 2019-20 to 2028-29.

(c) Inadequately housed households (IHHs) (116 600 units)

8. Households living in public housing which have been built to satisfy the housing needs of the community are regarded as living in adequate housing. As regards households living in private housing, the following circumstances are taken into account in determining whether households are inadequately housed for the purpose of the projection –

- (a) whether the housing unit is made up of temporary structures (e.g. huts, squatters and roof-top structures);
- (b) whether the unit is located in a non-residential building (e.g. commercial and industrial buildings);
- (c) whether the unit is shared with other households (e.g. those living in rooms, cubicles, bedspaces and cocklofts in private permanent buildings); and
- (d) whether the unit is a subdivided unit (SDU).

9. In respect of category (a), based on the results of the 16BC and the trend data as observed from the Population Censuses/By-censuses, it is estimated that there were about 20 800 households living in temporary structures in 2017. As for categories (b) and (c), according to the 16BC, there were 5 600 households living in non-residential buildings and 5 800 households living in shared units.

10. Regarding category (d), the number of households living in SDUs is estimated to be 93 900 based on the trend data from the results of the 16BC and past thematic household surveys on SDUs, as well as relevant information on the construction and demolition of buildings. Applying the demolition rate of private residential units aged 50 years and above (see paragraph 6(d)) to SDUs located in buildings aged above 50 years (i.e. 57 200 units), it is estimated that about 9 500 units (= 57 200 x 16.6%) would be redeveloped in

the next ten years. Households living therein should be deducted to avoid double counting with households displaced by private redevelopment. Accordingly, the estimated demand from households living in SDUs will be about 84 400 units (= 93 900 – 9 500).

11. Given the varied standards and living conditions of shared units and SDUs, not all households living there are necessarily inadequately housed. Besides, a unit shared by two or more households or subdivided into two or more units may be able to provide adequate housing for one household if it is not shared or subdivided. In other words, there may not be a need to provide adequate housing to all the households living in a shared unit or an SDU. Nevertheless, taking a conservative approach, we have continued to include all these households in this year’s housing demand projection.

12. Summing up the above components, the estimated number of IHHs is **116 600**, with the following breakdown –

	Category of IHHs	Estimated number
(a)	Households living in units made up of temporary structures	20 800
(b)	Households living in non-residential buildings	5 600
(c)	Households sharing the same unit with other households	5 800
(d)	Households living in SDUs	84 400 ⁸
	Total	116 600

(d) Miscellaneous factors (30 200 units)

13. Apart from the above three demand components, there may also be demands in the next ten years which are not covered in C&SD’s domestic household projections. These include –

- (a) private permanent living quarters occupied by households with

⁸ As explained in paragraph 10, this excludes the estimated number of households living in SDUs located in buildings aged above 50 years so as to avoid double counting with households displaced by private redevelopment.

mobile residents⁹ only –

The estimated increase of such households is **700** each year based on past trends as observed from Population Censuses/By-censuses conducted by C&SD;

- (b) non-local students who might take up accommodation in Hong Kong

–

The estimated housing demand is **610 units** each year, having regard to the average increase of about 2 260 student visas each year from 2008-09 to 2017-18; more than 50% of these students (including undergraduates and postgraduate students) are not living in residential halls/hostels provided by post-secondary institutions according to information from the Education Bureau and the University Grants Committee; as well as the assumption that on average two non-local students will be sharing one housing unit; and

- (c) buyers from outside Hong Kong who may purchase flats without channelling them back to the market¹⁰ (i.e. not selling or leasing out their units) –

Drawing reference from statistics of the Inland Revenue Department and RVD, it is estimated that the housing demand from such buyers ranges from 1 150 to 2 270 units per year, i.e. a mid-point of about **1 710 units** per year¹¹.

⁹ Mobile residents refer to Hong Kong permanent residents who have stayed in Hong Kong for at least one month but less than three months during the six months before or after the reference time-point, regardless of whether they are in Hong Kong or not at the reference time-point.

¹⁰ Although these units are bought by non-local buyers without being channelled back to the market, this does not imply that they are vacant units. These units may be occupied by owners as residence, second home, vacation home or for other purposes.

¹¹ Using the annual average number of stamped transactions in 2008 to 2017 (90 810 cases as provided by the Inland Revenue Department) as a rough indication, the purchases by non-local buyers would be around 4 540 cases per year as the upper range (on a crude assumption that about 5% of purchases were by non-local buyers) and 1 530 cases per year as the lower range (on a crude assumption that about 1.7% of purchases were by non-local buyers) in the coming ten years. Applying the ratios of purchases by non-local buyers which would eventually be owner-occupied or left vacant, the projected demand from non-local buyers who may purchase flats without channelling them back to the market is around 2 270 units per year at the upper range (assuming 50% of non-local buyers' purchases would fall under this category) and 1 150 units at the lower range (assuming 75% of non-local buyers' purchases would fall under this category) in the coming ten years, and the mid-point is about 1 710 units per year.

14. Assuming that the above past trends will continue in the next ten years, the estimated additional housing demand arising from miscellaneous factors is 3 020 units per year (= 700 + 610 +1 710), or **30 200 units** over the ten-year period from 2019-20 to 2028-29, with an upper and lower range of 35 800 and 24 600 units respectively.

Gross total housing demand (432 400 units)

15. Taking the above four demand components together, the estimated gross total housing demand is **432 400 units**, being the mid-point between the upper and lower ranges of 453 500 and 411 300 units respectively for the ten-year projection period from 2019-20 to 2028-29.

Total housing supply target

16. As there are always a certain number of flats left vacant in the private sector at any point in time, we have to adjust the gross total housing demand by taking into account the number of vacant private units at the beginning of the projection period (about 42 900 units) and the possible vacancy rate at the end of the projection period to derive the total housing supply target. On this, we have made reference to the average vacancy rate of 4.2% in the private sector from 2008 to 2017 as the basis for estimation. The projected total housing supply target in the next ten years so derived ranges from 425 000 to 465 000 units, with the mid-point being 445 000 units. Details are summarised below –

