



OUR HONG KONG  
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Land and Housing Policy Research Report

## Hong Kong Housing Landscape Navigator 2024

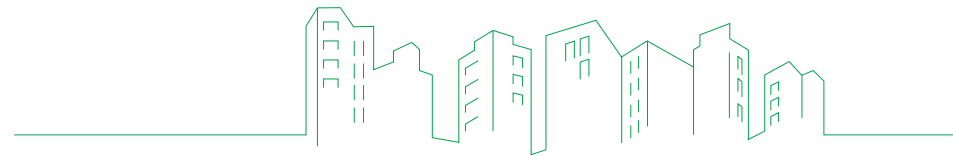
May 2024



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## Executive Summary

After years of strenuous effort in land creation and expediting housing supply, Hong Kong is now entering a “harvest phase” that heralds light at the end of the tunnel for its longstanding housing shortage. As the housing supply outlook continues to improve, the time is ripe to shift the policy focus from enhancing quantity to enhancing quality.

Our Hong Kong Foundation (OHKF) has offered an updated analysis, revealing that as supply from private land bank has offset the impact of the recent failed land tenders, an annual completion of 19,100 private housing units is anticipated for 2024–2028. For public housing, with construction delays reduced to 2% in 2023/24 and the anticipated boost of the 30,000 Light Public Housing (LPH) units, the average annual completions will be 35,000 units in 2024/25–2028/29 and meet the Long Term Housing Strategy (LTHS) target.

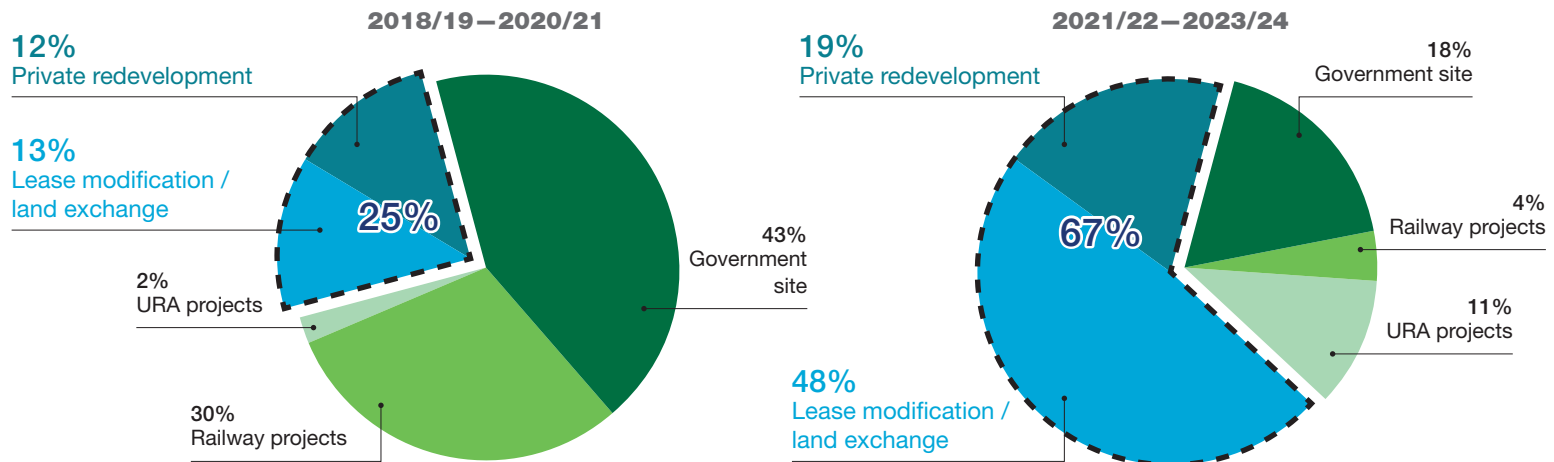
Riding on this positive momentum, Hong Kong’s basic housing needs will be gradually met over the next decade. This not only provides a basis of confidence, but also gives rise to a window of opportunities to improve Hong Kong’s quality of living. More specifically, we call for an increase in affordable homeownership opportunities and enhancing per capita living space in the public housing sector.

The following section will provide a detailed analysis of the upcoming trends in private and public housing supply, as well as the line of reasoning for enhancing the quality of living in Hong Kong.

## Part I: Private Housing Supply

1. Average annual completions are anticipated to be around 19,100 units in 2024–2028. Nevertheless, this will be skewed towards 2024 and 2025 with over 20,000 units each year, then tailing off to reach 15,000 to 17,000 units annually between 2026 and 2028. Such a trend is the result of developers adjusting their construction progress due to prevailing market circumstances, and delays stemming from instances of extreme weather experienced in 2023.
2. Observations from the different leading indicators across the private housing development cycle further validate this trend. In 2023, both approved pre-sale consent applications and the number of units under construction remained at recent-year highs, while that from disposed sites where construction may start anytime saw a continued decline. The former points to a high level of completions in the near term, while the latter suggests that completions in the later part of the next five years will decline.
3. Hong Kong also saw a record of six failed land tenders in government-controlled land supply in 2023, posing challenges to future housing supply. Nevertheless, the impact was offset by releasing the development potential of private land bank. The proportion of private-initiated projects in private housing land supply has increased from 25% between financial years 2018/19 and 2020/21 to 67% between financial years 2021/22 and 2023/24.
4. Though less certain than government-controlled land supply, private-initiated projects could make a significant contribution to future private housing supply. Looking further ahead, subject to the disposal success rate for government-controlled land supply and the pace of taking forward private-initiated projects, we forecast an average annual completion between 14,400 and 18,500 units in 2029–2033.

### Private housing land supply by land source, 2018/19–2020/21 vs. 2021/22–2023/24

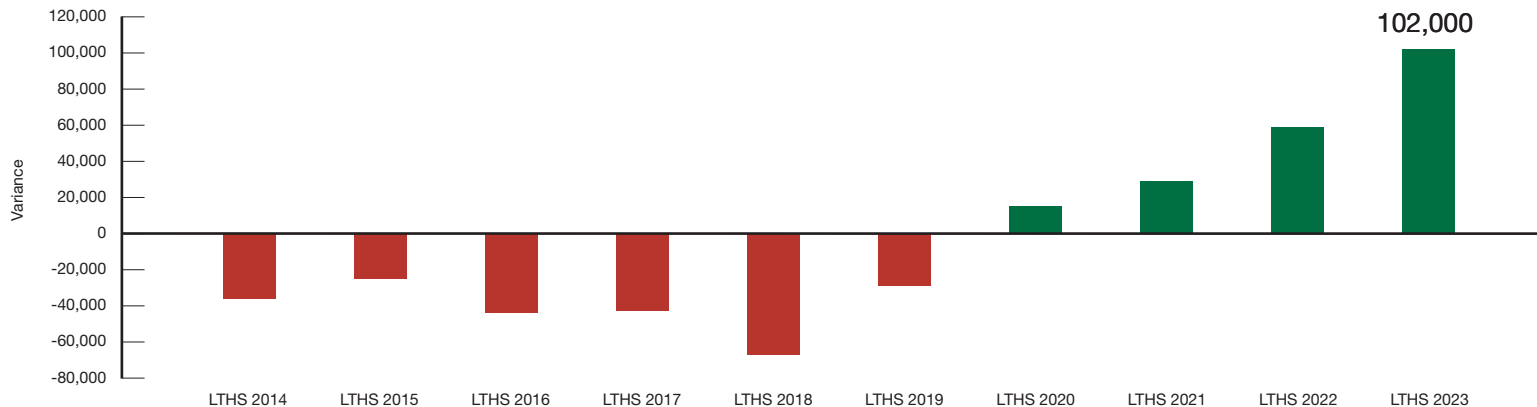


Sources: Lands Department, MTR Corporation, and Our Hong Kong Foundation

## Part II: Public Housing Supply

5. With the implementation of all 30,000 LPH units on track and delays in public housing completions significantly reduced to 2% in 2023/24, completions are forecasted at 35,000 units per annum in 2024/25–2028/29. This will not only meet the LTHS target of 30,800 units but also exceed it by 14%.
6. Our updated scenario analysis based on the latest completions forecast reaffirms that the Government’s Composite Waiting Time for subsidised rental housing (CWT) target of 4.5 years by 2026/27 is within reach. Nevertheless, if the previous recurring delays reoccur, the CWT will only be slightly reduced to 5.2 years. This serves as a caution against complacency.
7. Over the ten-year horizon, if all listed public housing sites are handed over to the Hong Kong Housing Authority (HKHA) on time with no subsequent construction delay, it is expected that all the potential supply according to the 2023 *Policy Address* could be materialised. Completions in this scenario could reach approximately 410,000 units and will exceed the LTHS target of 308,000 units by 33%.
8. Projections were also made in case of setbacks in site delivery and construction delays. Even under the most pessimistic scenario of a three-year delay in the former and a 15% delay in the latter, the resulting approximately 340,000 units maintain a 10% buffer above the LTHS target. Looking back at the early years of struggles in delivering the LTHS target, this projection exemplifies the progress we have made since the promulgation of the LTHS in 2014.

### Rolling 10-year potential public housing supply<sup>[1]</sup> vs. LTHS supply target

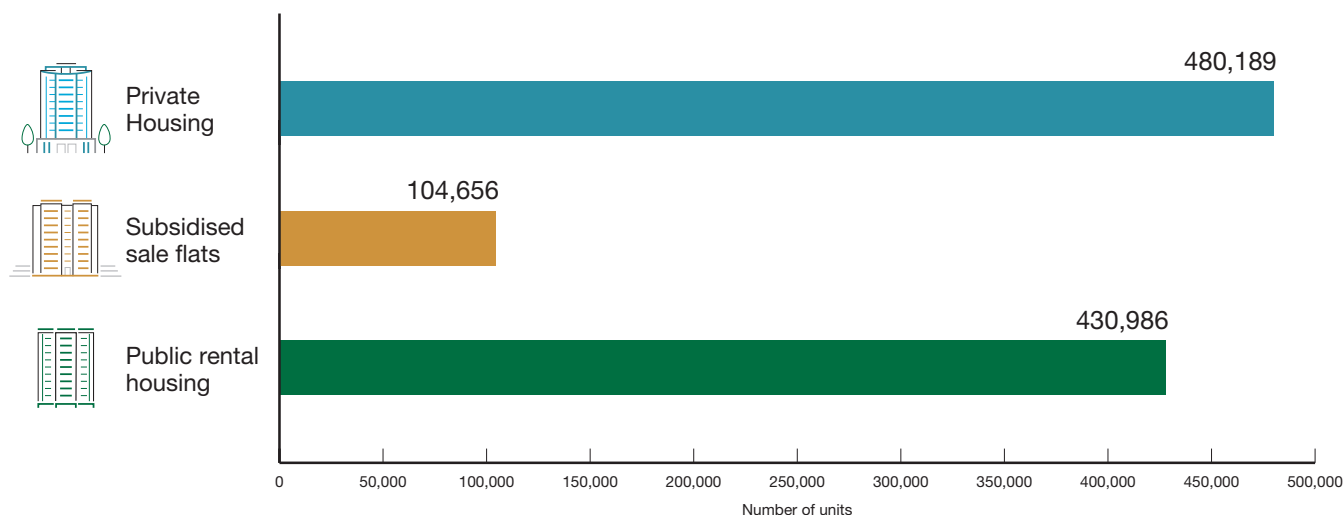


Note: [1] The rolling 10-year potential supply is defined as the number of public housing units that the Government has identified land to construct over the rolling 10-year period  
 Sources: Various editions of the Long Term Housing Strategy Annual Progress Report, Our Hong Kong Foundation

## Part III: Beyond Enhancing Quantity

9. As efforts to enhance quantity are coming to fruition, it is time to shift gears to quality. More foresight is needed not only because of construction lead times, but also because buildings have long serviceable lives, which means that any missteps today would take a long time to be undone. In particular, we call for more affordable homeownership opportunities and larger per capita living space.
10. Over the past two decades, there has been little change to Hong Kong's housing stock composition, with subsidised sale flats (SSFs) making up only around 15%. New completions in the meantime only served to reinforce the status quo and led to a demand-supply imbalance, exemplified by the perennial oversubscription rates in SSF sale exercises. Consequently, the unfulfilled demand was channelled towards private housing, as small private housing unit completions surged in recent years.
11. Increasing the supply of Green Form Subsidised Home Ownership Scheme (GSH) provides a viable middle ground to create more affordable homeownership opportunities without adversely affecting public housing waiting time. This can also free up more quota in the Home Ownership Scheme (HOS) for White Form applicants, building up towards the long-term prospect of increasing the proportion of HOS within the public housing supply target.
12. Nevertheless, as evident from the track record of past GSH sales exercises, small units have proven to be unpopular. To provide more incentives for current public rental housing (PRH) tenants to achieve homeownership and surrender their units, larger SSF units are needed to serve as a viable alternative that offers an upgrade in quality of living to promote upward social mobility.

### New housing completions by type, 1997 – 2023



Sources: Census and Statistics Department, Rating and Valuation Department, and Our Hong Kong Foundation

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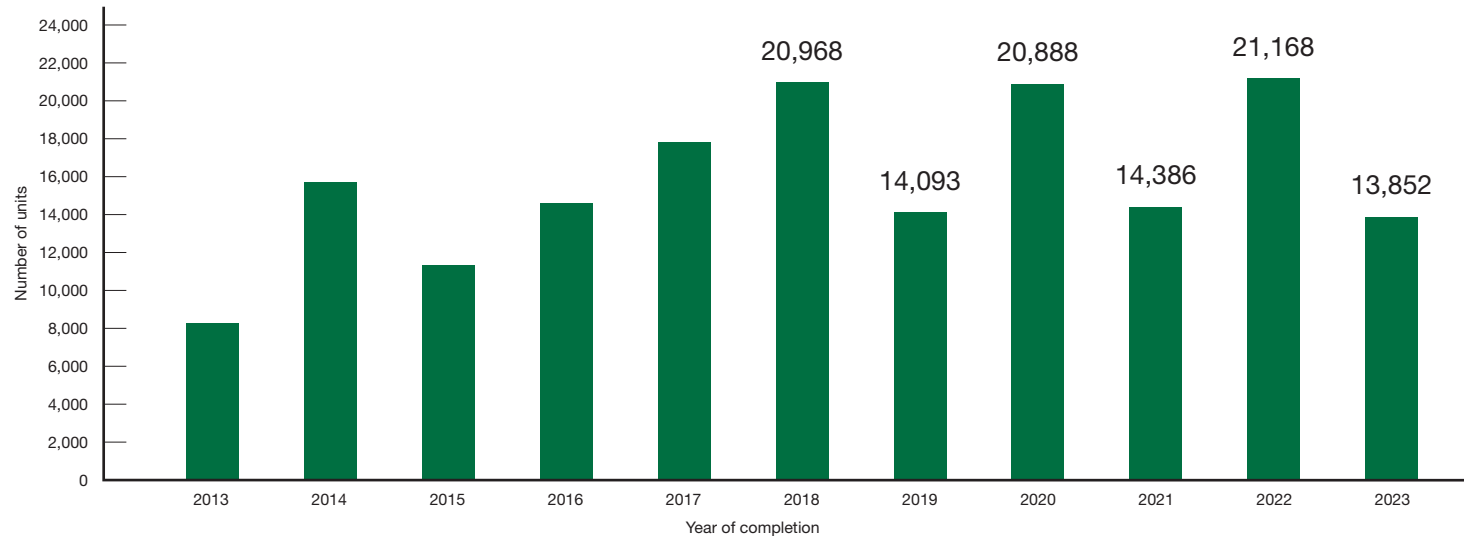
# Private Housing Supply





## Private housing completions have been fluctuating in recent years with 2023 being another relatively low year

Figure 1. Actual completions of private housing units, 2013–2023



Sources: Rating and Valuation Department, Our Hong Kong Foundation

After recording an 18-year high in 2022, private housing completions dipped again to a low of 13,852 in 2023, translating into a 35% year-on-year decline. This can be attributed to the fact that developers were adjusting their construction progress in response to the sluggish market sentiment and hence rising number of remaining stocks of first-hand projects, coupled with construction delays stemming from instances of the extreme weather conditions experienced in 2023.

As shown in **Figure 1**, following the steady increase between 2015 and 2018, private housing completions had experienced a rollercoaster ride for the past six years. Annual completions reached a high of around 21,000 units in 2018, 2020, and 2022, while hitting a low of around 14,000 units in 2019, 2021, and 2023.

## OHKF has provided more accurate forecasts on private housing completions than the RVD in six out of the past eight years

Figure 2. The Government's and OHKF's estimates vs. actual completions

Year	Number of units completed	Rating and Valuation Department's estimate	OHKF's estimate
2016	14,595	18,200	17,700 ✓
2017	17,791	17,122	20,200
2018	20,968	18,130	20,800 ✓
2019	14,093	20,415	18,500 ✓
2020	20,888	20,850	17,000
2021	14,386	18,228	15,900 ✓
2022	21,168	22,851	21,000 ✓
2023	13,852	19,953	19,100 ✓

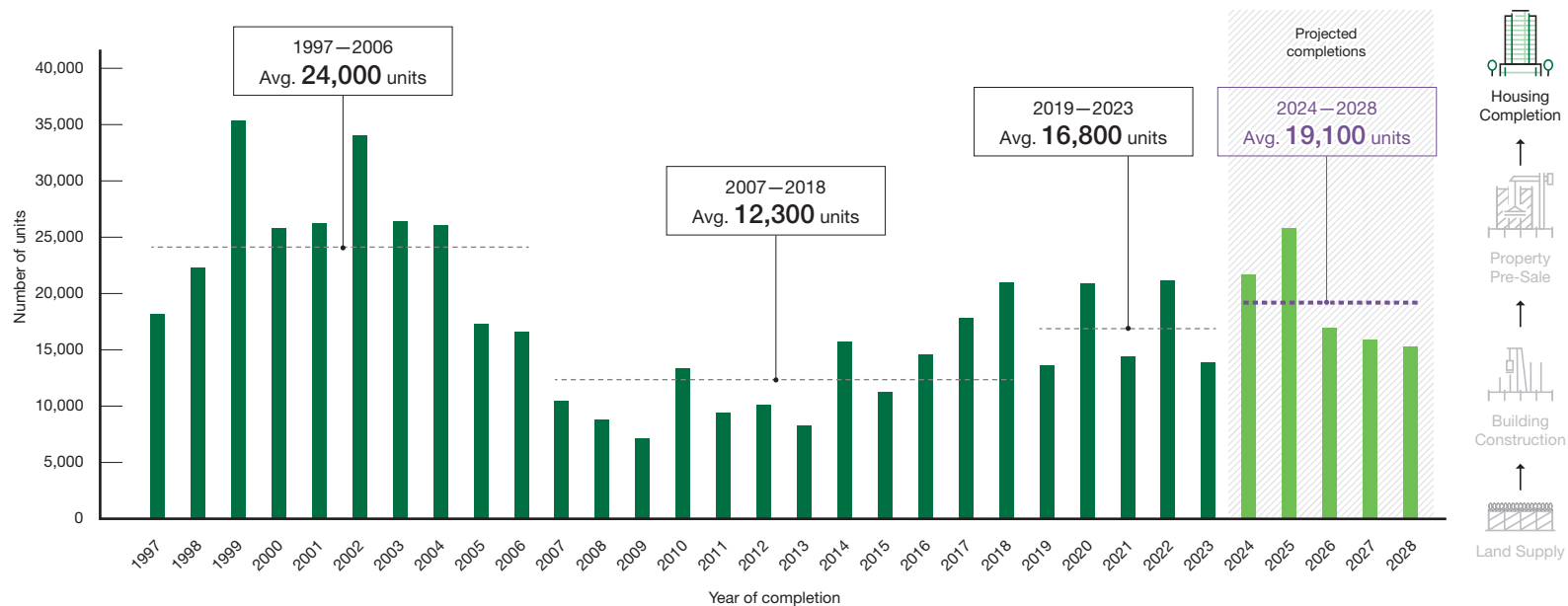
Sources: Rating and Valuation Department, Our Hong Kong Foundation

At the beginning of 2023, OHKF and the Rating and Valuation Department (RVD) estimated that 19,100 and 19,953 units would be completed respectively during the year. The final completion figure of 13,852 units meant that it missed OHKF's estimate by 28%, and the Government's estimate by 31%.

As we look back on the past eight years, our estimates have provided more accurate forecasts on private housing completions than that of the RVD on six occasions, more specifically, in 2016, 2018, 2019, 2021, 2022, and 2023.

## Private housing completions in the next five years are expected to remain at a relatively high level

Figure 3. Actual and projected completions of private housing units, 1997 – 2028



Sources: Rating and Valuation Department, Buildings Department, Lands Department, Town Planning Board, company data from various developers, and Our Hong Kong Foundation

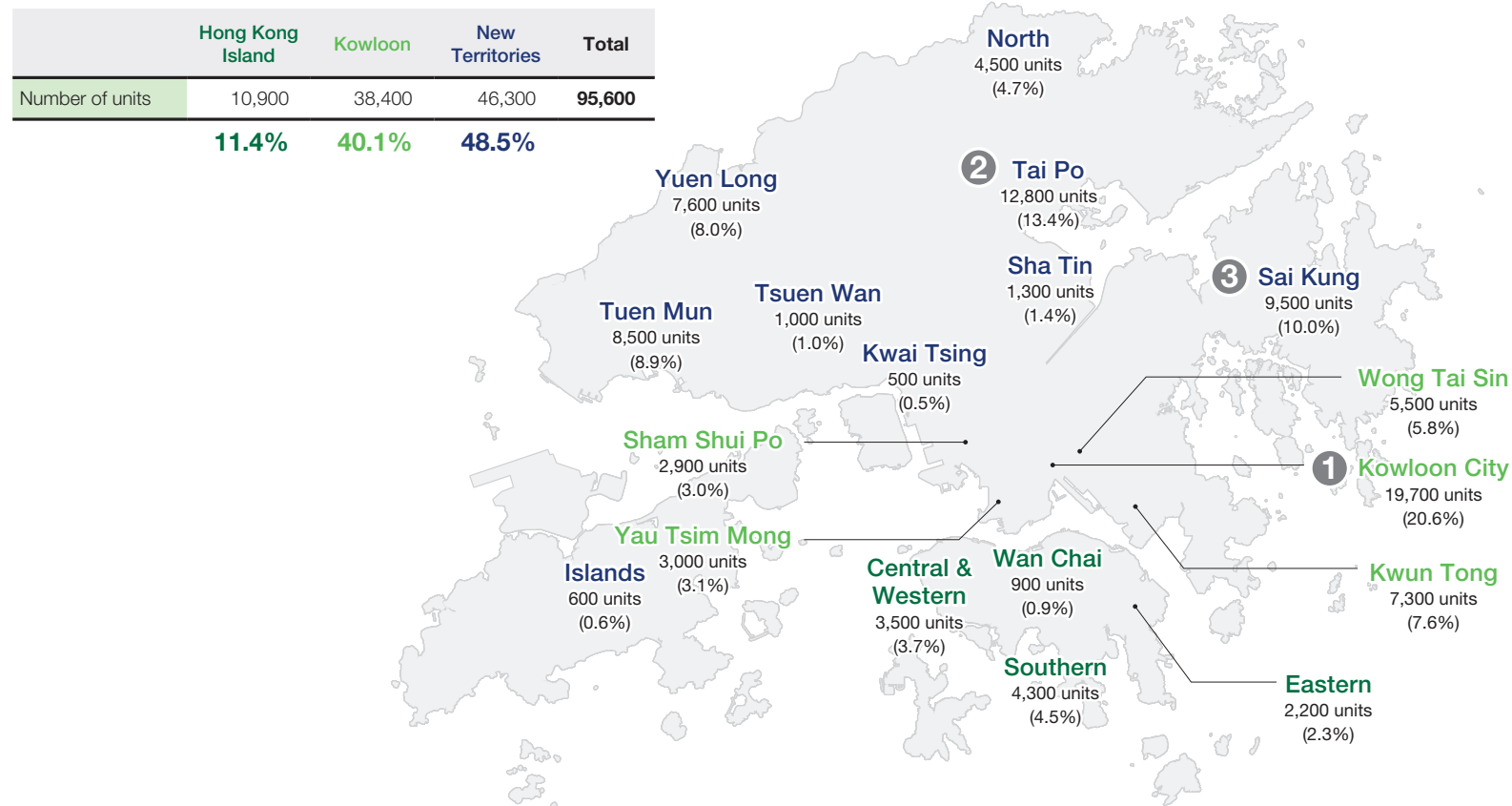
Similar to our previous forecast of 19,000 units for 2023–2027, we expect that private housing completions for 2024–2028 will remain at a comparative level of 19,100 units. This figure is a marked increase from that of 2019–2023 due to the aforementioned fluctuations observed since 2018, and is substantially higher than the level further back in time from 2007 to 2018, where it was only 12,300 units.

It is also worth noting that because of the delays in units originally slated for completion in 2023 as previously discussed, completions for the upcoming five years will be heavily skewed towards years 2024 and 2025, which are forecasted to be 21,704 units and 25,807 units respectively.

To further validate our forecast for the next five years, we have also examined trends in various leading indicators in the private housing development cycle (see **Figure 5 to 7**). The trends observed corroborate with our bottom-up approach, as will be discussed in the subsequent sections.

## Kowloon City, Tai Po, and Sai Kung are the top three districts for the projected private housing completions in the next five years

Figure 4. Projected private housing completions between 2024 and 2028, by district



Sources: Rating and Valuation Department, Buildings Department, Lands Department, Town Planning Board, company data from various developers, and Our Hong Kong Foundation

Before delving into the various leading indicators, upon breaking down the projected private housing completions by district, Kowloon City (including Kai Tak), Tai Po, and Sai Kung will be the top three districts with the largest supply in the next five years. Together, they account for more than 40% of all new private housing completions during the period.

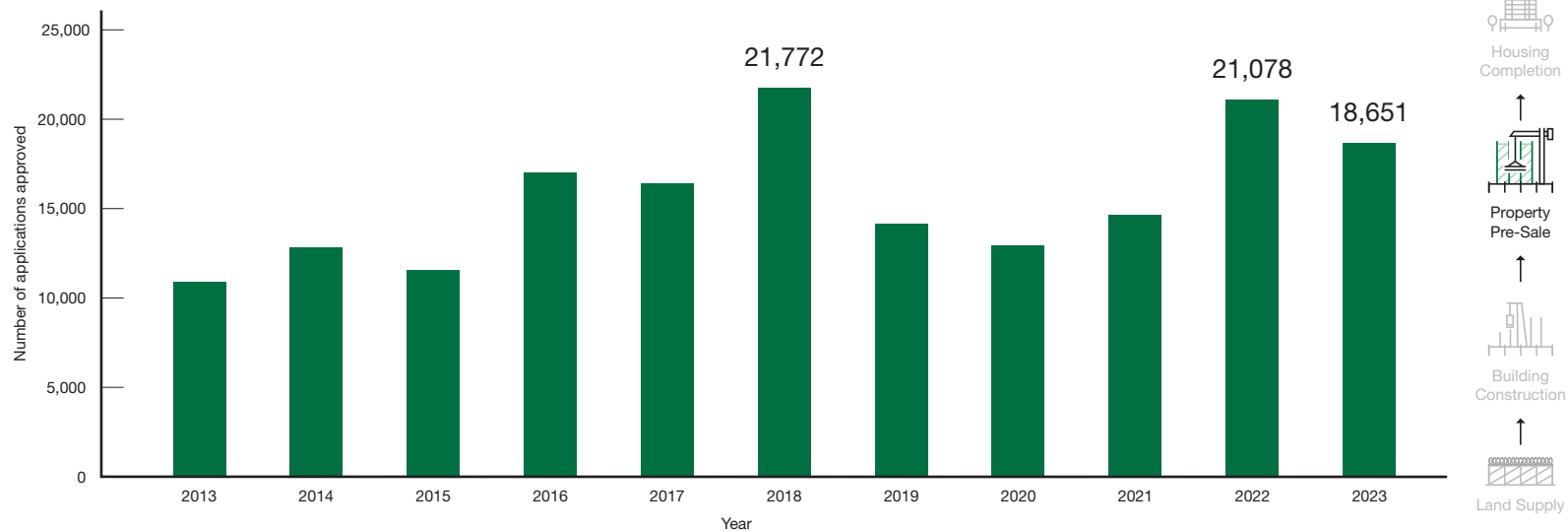
Kowloon City (including Kai Tak) will constitute approximately 19,700 units or around 21% of the total new private housing completions in the next five years. Most of them will come from the Government land sale sites in the former runway in Kai Tak and the two packages of Ho Man Tin station residential development.

Tai Po is anticipated to be the second-largest source of completions, with approximately 12,800 units. The majority will come from large-scale residential developments in Shap Sze Heung and Pak Shek Kok.

Sai Kung completes the podium by contributing approximately 9,500 units. These include Packages 11 to 13 of LOHAS Park Station Property Development that provide around 6,400 units, as well as around 3,000 units at Anderson Road.

## Private housing units approved to go to market in 2023 remained at a recent-year high, boding well for upcoming completions

Figure 5. Number of units with pre-sale consent applications approved, 2013–2023



Sources: Lands Department, Our Hong Kong Foundation



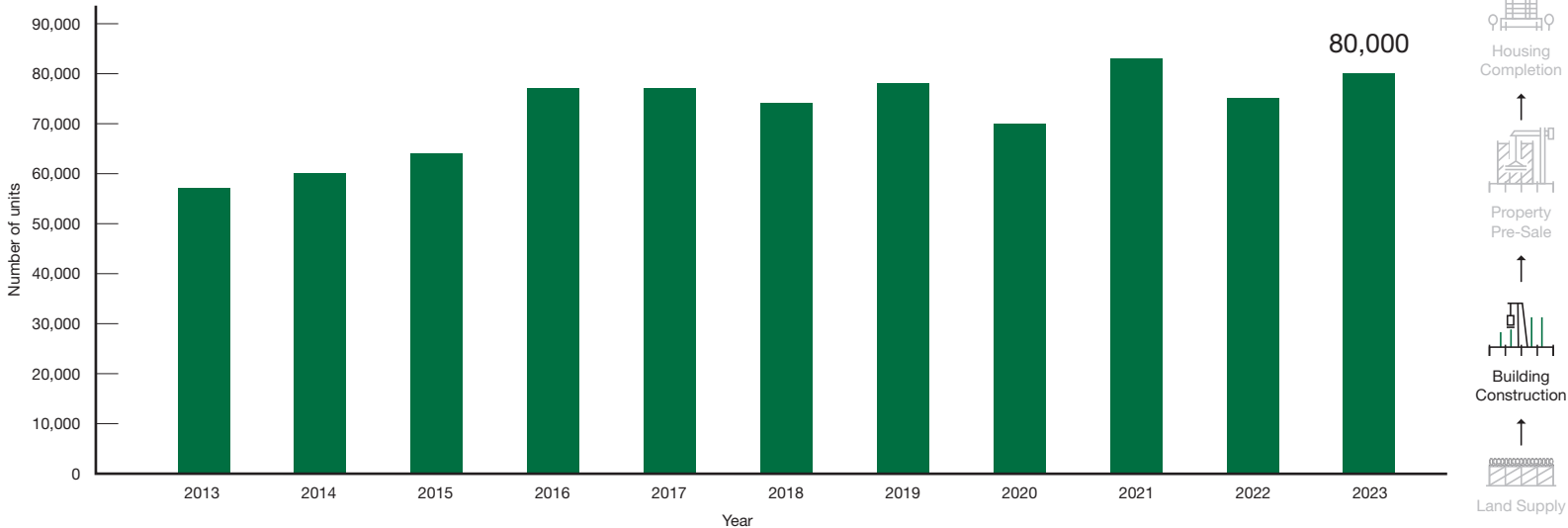
Having discussed the anticipated private housing completions by geography, the following sections will switch gears to elaborate on the various leading indicators foretelling the completion forecast in the next five years.

The first indicator lies in the trends observed in pre-sale consent applications. Since new residential projects in Hong Kong — except for redevelopment projects — are required to apply for presale consents before they can be launched in the market, this can foreshadow the number of units available for sale shortly, and hence serves as a proxy for the number of units to be completed in the next one to two years.

In 2023, the Lands Department issued presale consent for 36 residential developments involving 18,651 units. Despite declining from the 2022 figure of 21,078 units, units approved to go to market in 2023 are still enough to emerge as the second runner-up in the past 11 years.

The number of units under construction also remained at recent highs, suggesting a high level of average near-term completions

Figure 6. Number of units under construction, 2013–2023



Sources: Housing Bureau, Our Hong Kong Foundation

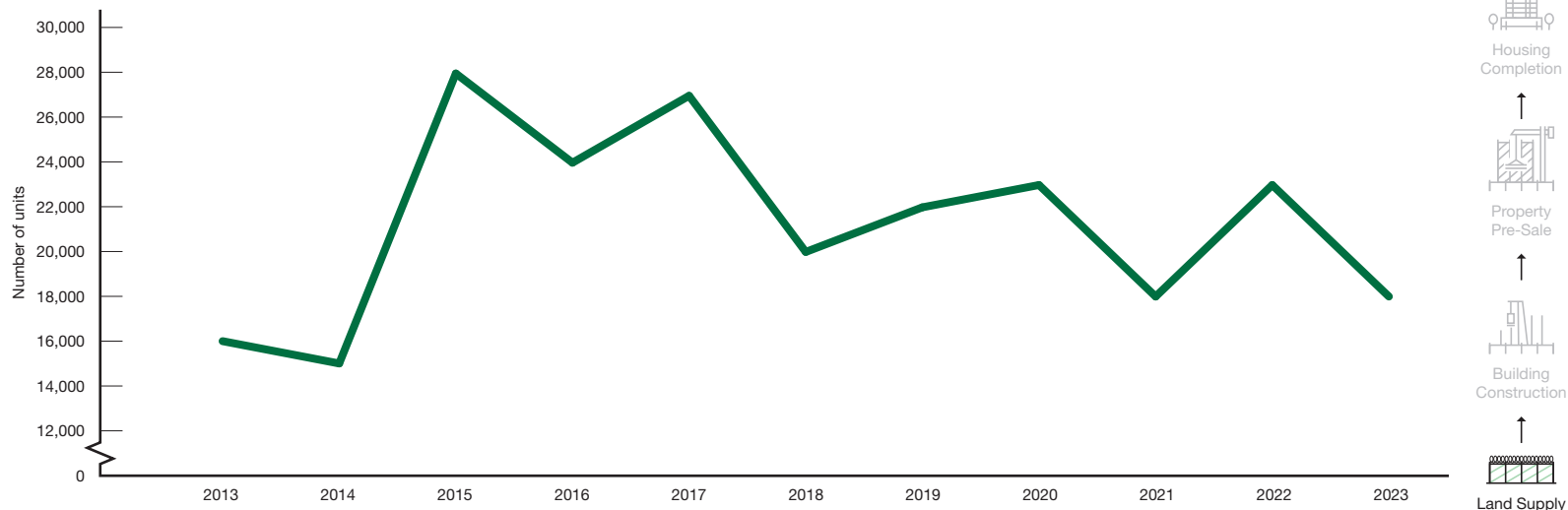
The second indicator lies in the trends observed in building construction. More specifically, this refers to the figures of private housing construction commencements and units under construction published by the Housing Bureau.

With fewer units being completed (13,852 units) than commencing general building and superstructure works (around 17,000 units) in 2023, this explained the increase in the number of units under construction from 2022 to 2023, as seen in **Figure 6**.

Moreover, standing at 80,000 units, the number of units under construction remains at recent year highs. As foundation and superstructure works generally last for two to four years before units are completed, this suggests that near-term private housing completions would remain at a high level.

However, with units from disposed sites declining in recent years, it suggests that completions in three to four years could tail off

Figure 7. Units from disposed sites where construction may start anytime<sup>[1]</sup>, 2013–2023



Note: [1] This figure refers to government sites sold by land sale, projects awarded by the MTR Corporation, redevelopment projects awarded by the Urban Renewal Authority and new cases of executed land exchange / lease modification for residential development

Sources: Housing Bureau, Our Hong Kong Foundation

The third indicator lies in the trends observed in spade-ready land supply, measured in terms of the estimated number of private housing units that can be built at disposed sites where construction may start at any time. These include government sites sold by land sale, projects awarded by the MTR Corporation, redevelopment projects awarded by the Urban Renewal Authority (URA), as well as new cases of executed land exchange / lease modifications for residential development.

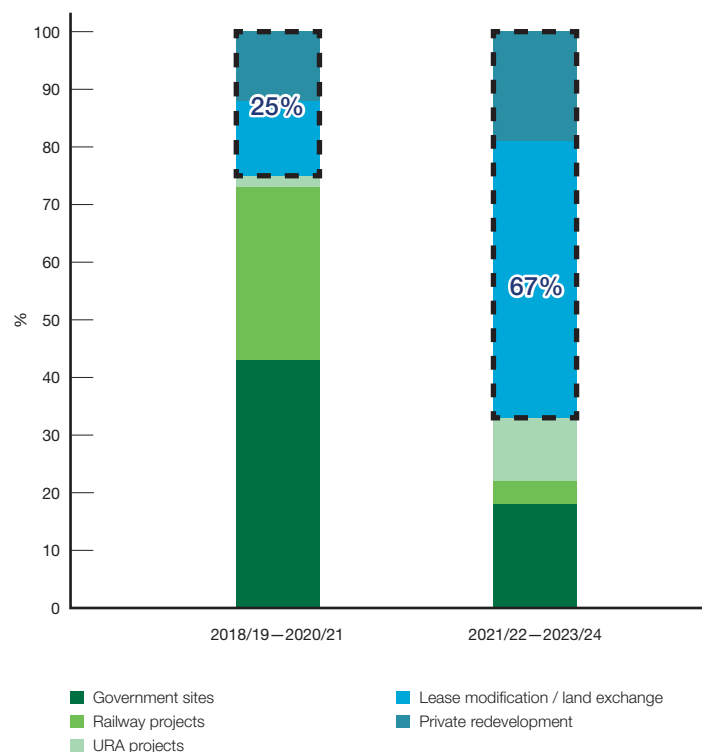
This indicator, however, is less favourable when compared to the other two leading indicators. It has been on a gradual decline since 2018, when the Government revised the public / private ratio in the LTHS housing supply target, changing it from 60:40 to 70:30. The continued decline observed in 2023 suggests that there are fewer units in the pipeline to be completed in the latter part of the next five years.

## Despite the recent slate of failed land tenders, private housing land supply was kept stable by tapping into private land bank

Figure 8. Instances of failed residential land tenders, 2021 – 2023

Date	Project Name	GFA (sq. ft.)	No. of Bids
Nov 2021	Tung Chung Traction Substation Property Development	940,000	5
Apr 2022	Tuen Mun Town Lot No. 561 at Castle Peak Road-Tai Lam, Tuen Mun, New Territories	1,300,000	5
Jan 2023	Rural Building Lot No. 1204 at Cape Road, Stanley, Hong Kong	480,000	4
Feb 2023	Oyster Bay – Package One	1,301,000	3
Aug 2023	Tsuen Wan Town Lot No. 430 at Yau Kom Tau, Tsuen Wan, New Territories	1,046,000	1
Nov 2023	Tung Chung Town Lot No. 55 at Area 106B, Tung Chung, New Territories	401,000	4
Nov 2023	Tung Chung East Station Package One Property Development	783,000	0

Figure 9. Private housing land supply by land source, 2018/19 – 2020/21 vs. 2021/22 – 2023/24



Sources: Lands Department, MTR Corporation, and Our Hong Kong Foundation

In discussing private housing land supply, it would be impossible not to mention the failed land tenders in the past year, as 2023 witnessed the highest number of failed bids in Hong Kong's land supply history.

Out of the twelve projects launched for tender in 2023 by the Government, the MTR Corporation, and the URA, six of them failed to secure winning bids. Among these, five land parcels are residential sites as shown in **Figure 8**. This is in stark contrast to the situation in previous years, where only two instances were recorded between 2021 and 2022. Held back by soaring mortgage rates stemming from interest rate hikes, sell-through rates in the primary residential market slowed and in turn reduced developers' appetite in the land market. Either their offers failed to reach the reserve price, or in the case of Tung Chung East Station Package One Property Development, no offers were submitted at all.

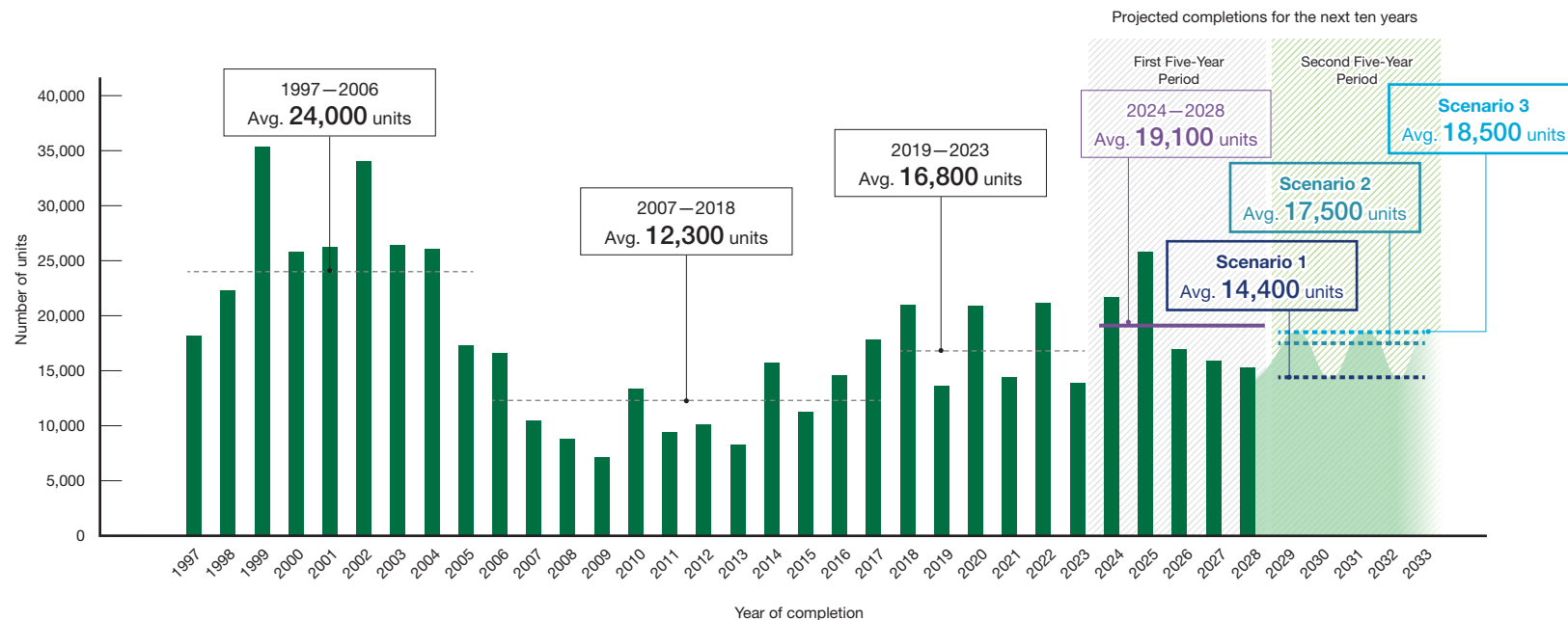
Nevertheless, if we cross-reference to **Figure 7**, it appears that the failed land tenders did not have much impact on the housing supply pipeline, as the number of units from disposed sites where construction may start anytime only dipped slightly. This, on the surface, may seem counterintuitive as theoretically speaking, given that fewer land plots were successfully disposed, it should lead to fewer units in this early stage of private housing development.

On closer scrutiny, however, this phenomenon can be explained as supply from private-initiated projects has offset the impact of failed land tenders in government-controlled land supply. As shown in **Figure 9**, the proportion of private-initiated projects has increased from 25% between financial years 2018/19 and 2020/21 to 67% between financial years 2021/22 and 2023/24.

Though less certain than government-controlled land supply, private-initiated projects could make a significant contribution to future private housing supply, as we will discuss later in the subsequent sections.

## The ten-year supply outlook continues to improve with land creation entering a "harvest phase" in the coming years

Figure 10. Actual and projected completions of private housing units, 1997–2033



Sources: Housing Bureau, Hong Kong Housing Authority, Hong Kong Housing Society, and Our Hong Kong Foundation

This year, we continue to conduct our exclusive ten-year forecast in private housing completions, although we have modified our methodology based on the latest developments. **(For details of the forecast methodology, please refer to Figure 11)**

In the *2023 Policy Address* and as later reiterated in the *2024/25 Budget*, the Government committed to make available sufficient land in the next five years to provide about 80,000 units. This is an increase compared to the 72,000 units pledged in the same policy documents of the previous year. Consequently, as efforts in land creation are coming to fruition and poised to enter a "harvest phase" in the coming years, the ten-year supply outlook has improved.



## With more resources at its disposal, the Government has greater flexibility to adjust the quantity and pace of private housing land supply

Figure 11. Scenario analysis for projected completions of private housing units, 2029–2033

Scenario	Key Assumptions	Projected Completions	
		Five-Year Total 2029–2033	Annual Average 2029–2033
Scenario 1	<ul style="list-style-type: none"> <li>▶ 81% disposal success rate<sup>[1]</sup> in spade-ready land to be made available by the Government in the coming five years</li> <li>▶ One-year delay in major cases currently in the planning and/or land administration process</li> </ul>	71,900 units	14,400 units
Scenario 2	<ul style="list-style-type: none"> <li>▶ Full disposal of spade-ready land to be made available by the Government in the coming five years</li> <li>▶ One-year delay in major cases currently in the planning and/or land administration process</li> </ul>	87,400 units	17,500 units
Scenario 3	<ul style="list-style-type: none"> <li>▶ Full disposal of spade-ready land to be made available by the Government in the coming five years</li> <li>▶ No delay in major cases currently in the planning and/or land administration process</li> </ul>	92,600 units	18,500 units

Note: [1] Based on the percentage of government-controlled land parcels in the Land Sale Programme of the past five financial years that were made available and successfully disposed, including government sites, MTR projects, and URA redevelopment projects

Sources: Rating and Valuation Department, Buildings Department, Lands Department, Town Planning Board, company data from various developers, and Our Hong Kong Foundation

As the forecast for private housing completions in 2029–2033 is less certain than the forecast for 2024–2028, three scenarios have been formulated to assess the possible permutations. Under the prevailing circumstances, the determinants for long-term private housing completions are twofold. The first, as discussed earlier, lies in the disposal success rate for government-controlled land supply. The second determinant would be the pace of taking forward private-initiated projects, with uncertainties exemplified in the recent failure to conclude land premium negotiations for six private sites in the Kwu Tung North / Fanling North New Development Areas by the deadline of 30 June 2023, later extended to 31 December 2023.

Scenario 1 paints a pessimistic scenario where setbacks are assumed for both government-controlled land supply and private-initiated projects. For the former, after tabulating the record of successful land disposals in the past five financial years, it results in an 81% disposal success rate. This is then applied as a discount on the 80,000 units that can be constructed on spade-ready land to be made available by the Government in the next five years. For private-initiated projects, as evident from the aforementioned deadline extension for land premium negotiation, more time could be needed to complete the planning and/or land administration process. Therefore, in addition to aggregating the potential supply from currently known major projects, we assumed an extra year of delay in their implementation to account for such possibilities. With these assumptions applied, it is expected that some 14,400 units can be completed annually in the five years between 2029–2033 from both government-controlled land supply and private-initiated projects.

In Scenario 2, it simulates a case where the Government proactively makes available land in the market and fully disposes of all government-controlled land supply in the coming five years. As evident from the Land Sale Programmes in the past five financial years, while some sites could be rolled over for one or more years, they were eventually successfully tendered. While it must be acknowledged that there were multiple failed land tenders in 2023, the Government has proactively responded by adjusting the Sites for Sale in the 2024/25 Land Sale Programme, substituting smaller parcels to replace the larger ones and retaining the flexibility to repartition the latter. In the case that all government-controlled land supply in the coming five years is realised, while keeping the pace of implementing private-initiated projects the same as in Scenario 1, the resulting annual average private housing completions in 2029–2033 stands at 17,500 units.

Scenario 3 explores the most optimistic scenario where not only all government-controlled land supply in the coming five years is realised, but there is also no delay in the private-initiated projects. Under such circumstances, the total private housing completions could reach some 92,600 units in the five years between 2029–2033, averaging 18,500 units per year.

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## Our observations for private housing supply

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1

### **An average annual completions of 19,100 units is forecasted in 2024–2028**

Completions will be skewed towards 2024 and 2025 with over 20,000 units in both years, then tailing off to reach 15,000 to 17,000 units annually between 2026 and 2028

2

### **Releasing private land bank was key to maintaining the recent land supply**

Despite multiple failed land tenders, the impact was offset by private-initiated projects, as their proportion has risen from 25% in 2018/19–2020/21 to 67% in 2021/22–2023/24

3

### **Average annual completions could hit 14,400 to 18,500 units in 2029–2033**

As it enters a “harvest phase” in land creation, the Government has more resources and hence greater flexibility to adjust the quantity and pace of land supply

To conclude so far, observations drawing from the various leading indicators in the private housing development cycle suggest that the average annual completions would reach 19,100 units in 2024–2028, albeit skewing towards 2024 and 2025 and tailing off afterwards. Nevertheless, the contributions from private-initiated projects cushioned the declining trend, as their proportion among the private housing land supply increased to offset the impact of the record number of failed land tenders witnessed in 2023. In addition, with efforts in land creation coming to fruition and entering a “harvest phase” in the coming years, the ten-year supply outlook has further improved. There are now more tools in the Government’s arsenal to adjust the quantity and pace of private housing land supply in response to changing market conditions.

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## Public Housing Supply



## Despite fewer subsidised housing completions, the overall public housing completions in 2023/24 saw signs of recovery

Figure 12. Actual completions of public housing units, 2013/14 – 2023/24



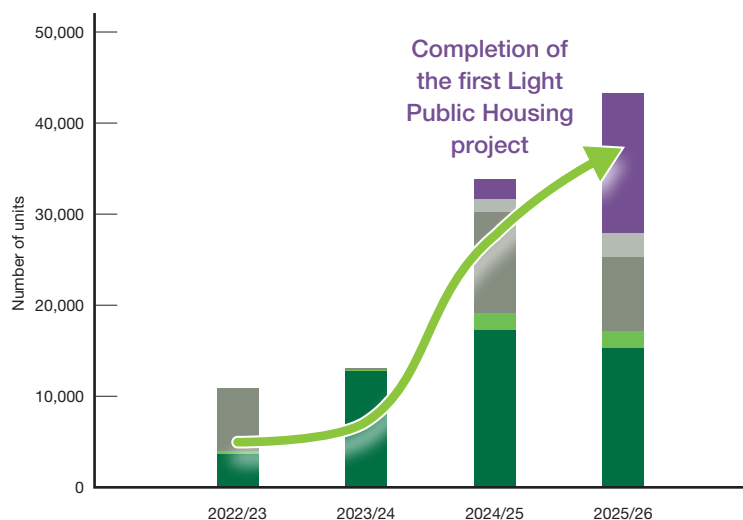
Sources: Housing Bureau, Hong Kong Housing Authority, Hong Kong Housing Society, and Our Hong Kong Foundation

Following the 58% year-on-year decline in the financial year of 2022/23 where only 10,900 public housing units were completed, completions saw signs of recovery in 2023/24. The final 2023/24 figure of 13,100 units translates into a 20% year-on-year increase.

As shown in **Figure 12**, segmenting the total completion figure by the respective types of public housing, it includes 12,800 units from the HKHA's PRH and GSH, 200 units from HKHA's HOS, and 100 units from the Hong Kong Housing Society (HKHS)'s PRH. It is worth noting that HOS completions in 2023/24 were almost close to zero, resulting in less than 3% of the total in 2022/23. Such drastic fluctuations inevitably give rise to concerns about the future supply situation.

## Public housing supply is entering a "harvest phase", while construction delays have been also significantly improved

Figure 13. Public housing production shows completions reaching a "harvest phase" in 2024/25



- Public Rental Housing & Green Form Subsidised Home Ownership Scheme units developed by the Hong Kong Housing Authority
- Rental Estates, Rural Public Housing, and post-2018/19 Senior Citizen Residences Scheme units developed by the Hong Kong Housing Society
- Home Ownership Scheme units developed by the Hong Kong Housing Authority
- Subsidised Sale Flats Projects, Light Public Housing Flat-for-Sale Scheme, Sandwich Class Housing Scheme, and pre-2018/19 Senior Citizen Residences Scheme units developed by the Hong Kong Housing Society
- Light Public Housing

Sources: Housing Bureau, Hong Kong Housing Authority, Hong Kong Housing Society, and Our Hong Kong Foundation

Figure 14. Recurrent delays of public housing completions over the past ten years

Updates on 5-year completions	Number of projects delayed	Number of units delayed	%
2014/15–2018/19	8	11,600	13%
2015/16–2019/20	17	28,300	30%
2016/17–2020/21	2	4,800	5%
2017/18–2021/22	5	6,700	7%
2018/19–2022/23	7	12,700	13%
2019/20–2023/24	11	15,400	16%
2020/21–2024/25	11	20,100	21%
2021/22–2025/26	12	20,800	21%
2022/23–2026/27	7	18,600	20%
✓ 2023/24–2027/28	3	2,800	2%
<b>Average</b>	<b>8.3</b>	<b>14,180</b>	<b>15%</b>

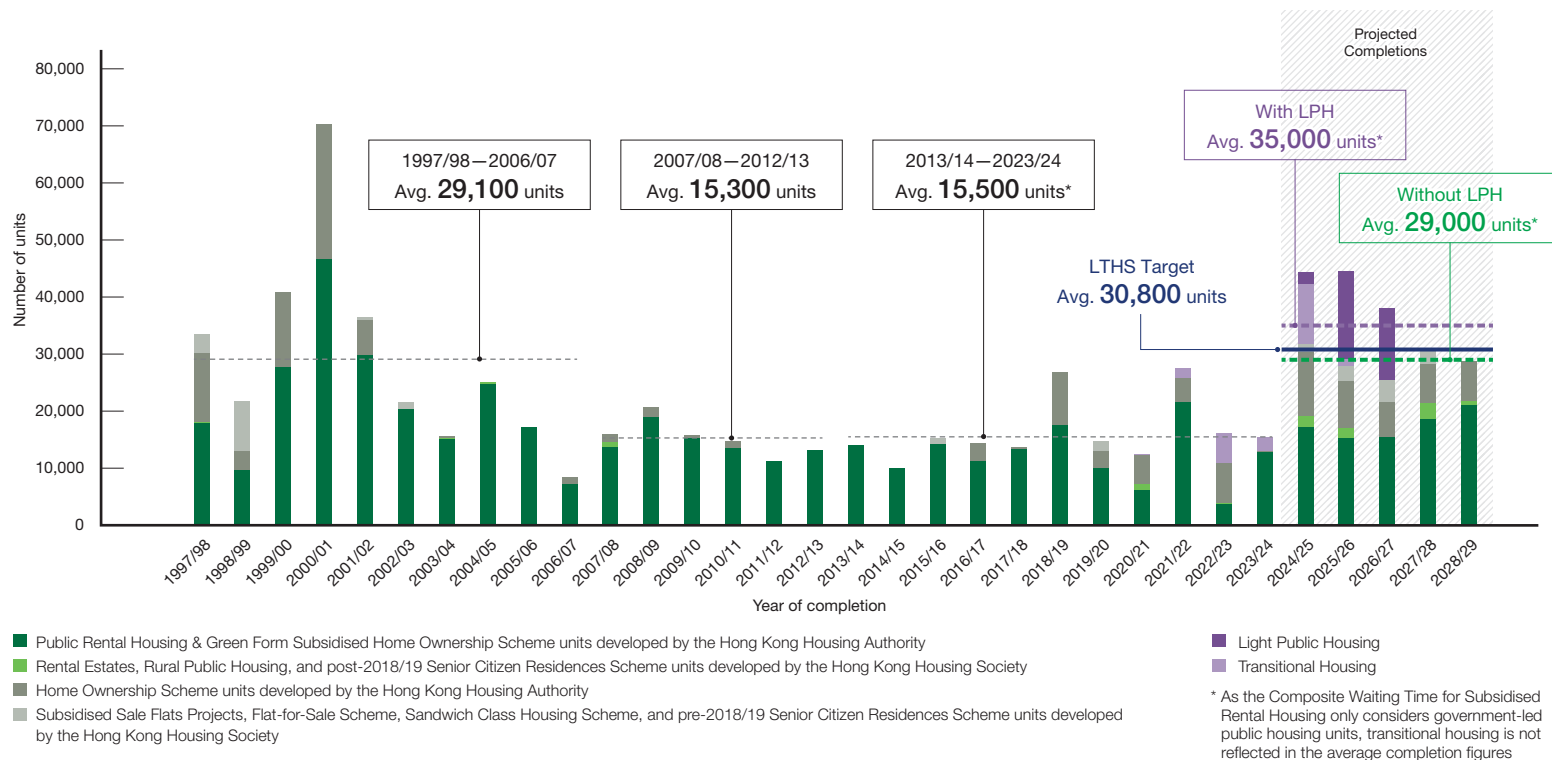
Moving forward to the near future, completion figures present a very different picture from the previous two years, as public housing supply will enter a “harvest phase” in 2024/25. This turnaround could be a result of two major factors. The first factor is the anticipated completion of the LPH projects starting from 2024/25.

The second factor is the significant improvement in recurring construction delays observed in the rolling 5-year public housing production forecast figures. We first brought up the severity of the problem in our previous report *Supply Quick Fixes Exhausted: How to Navigate the Undercurrents Ahead?* published in May 2022, when the delay rate stood at 21%. However, as shown in **Figure 14**, this number has been significantly reduced to 2% in 2023/24. Such a figure is the lowest in a decade and shows strong signs of ending such vicious delay cycle.

Assuming recurrent delays will not reoccur and LPH units will be completed as scheduled, public housing completions are anticipated to reach 33,800 units in 2024/25, which is 158% more than the 2023/24 figure and is expected to maintain such a high level afterwards, as shown in **Figure 13**.

## Completions in the next five years will reach the LTHS target on the premise of the timely completion of Light Public Housing

Figure 15. Actual and projected completions of public housing units, 1997/98 – 2028/29



Sources: Housing Bureau, Hong Kong Housing Authority, Hong Kong Housing Society, and Our Hong Kong Foundation



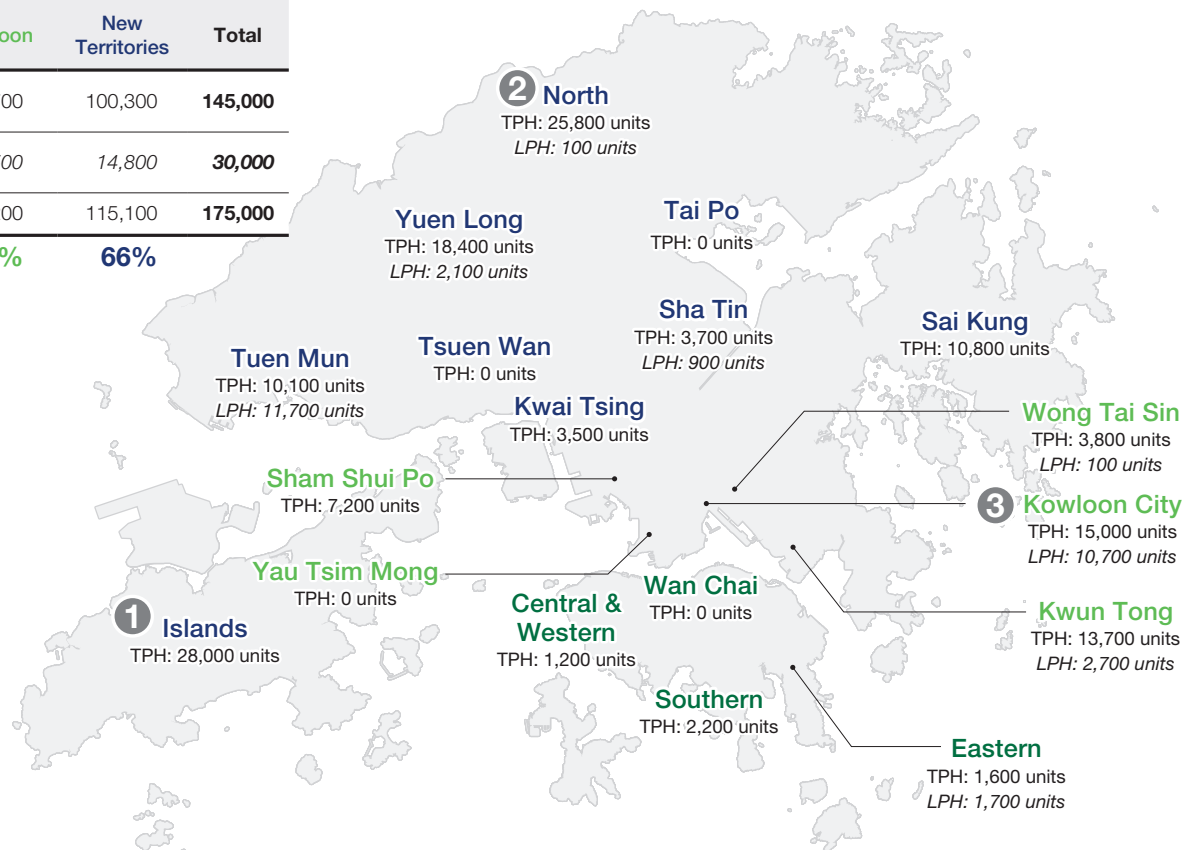
Looking further to the future between financial years 2024/25 and 2028/29 i.e., the “first five-year period” in the ten-year cycle, we expect that traditional public housing completions will rise to an estimated annual average of 29,000 units. While this is a significant improvement over that of the past ten years at 15,500 units, as well as a gradual improvement over the previous rolling five years at 25,700 units, the number is still 6% below the LTHS target of 30,800 units.

To solve the bottleneck of traditional public housing construction, the 2022 Policy Address introduced the LPH that adopted a standardised simple design and Modular Integrated Construction (MiC) approach, with as many as 30,000 additional units to be built by 2026/27. Implementation is on track with funding for all LPH units having been approved by the Legislative Council in 2023/24. Therefore, the five-year outlook will improve substantially to an estimated annual average of 35,000 units, not just meeting the LTHS target, but also exceeding it by 14%.

## Islands, North, and Kowloon City are the top three districts for the projected public housing completions in the next five years

Figure 16. Projected public housing completions between 2024/25 and 2028/29, by district

Number of units	Hong Kong Island	Kowloon	New Territories	Total
Traditional Public Housing (TPH)	5,000	39,700	100,300	<b>145,000</b>
Light Public Housing (LPH)	1,700	13,500	14,800	<b>30,000</b>
<b>Total</b>	6,700	53,200	115,100	<b>175,000</b>
	<b>4%</b>	<b>30%</b>	<b>66%</b>	



Sources: Housing Bureau, Hong Kong Housing Authority, Hong Kong Housing Society, and Our Hong Kong Foundation

Breaking down the projected public housing completions (including LPH) in the first five-year period by district, Islands (including Tung Chung), North, and Kowloon City (including Kai Tak) will be the top three districts with the largest supply. Together, they account for 45% of all new public housing completions during the period.

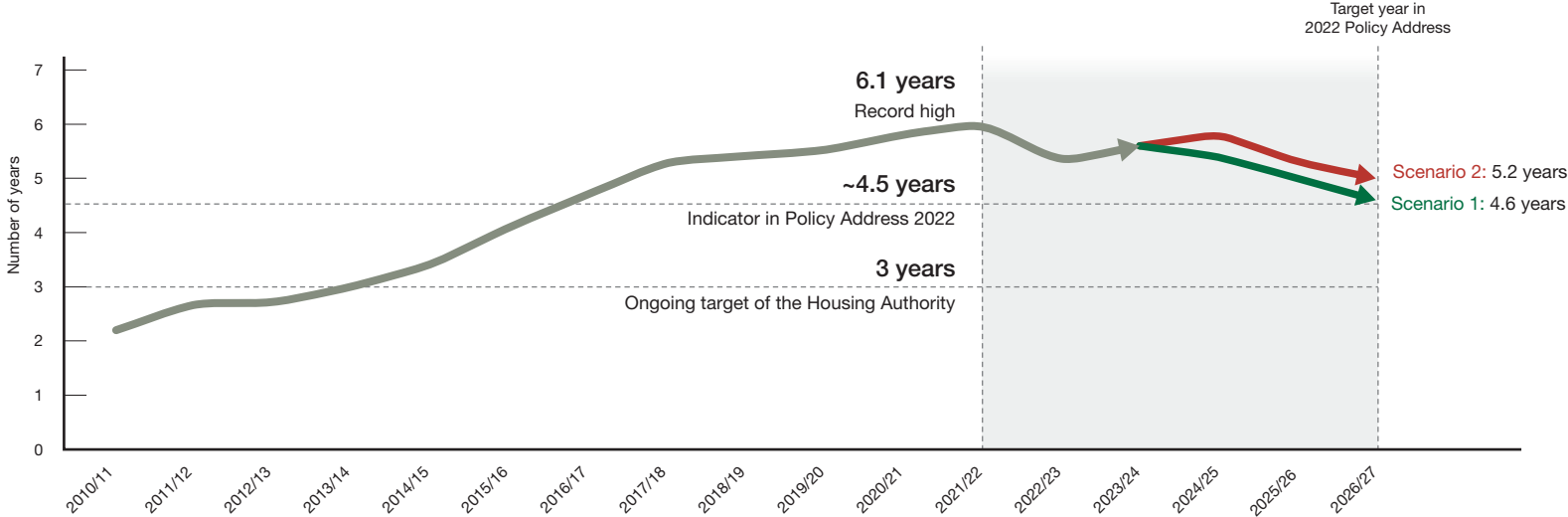
Islands is anticipated to be the largest source of completions, by supplying approximately 28,000 units or around 16% of the total new public housing completions in the next five years, which are contributed by the eleven public housing projects in the Tung Chung New Town Extension.

North will constitute approximately 25,900 units or around 15% of the total new public housing completions. Around 70% of the completions will come from the Kwu Tung North / Fanling North NDA.

Kowloon City completes the podium by contributing approximately 25,700 units, attributed to the thirteen traditional public housing sites and one LPH site in the Kai Tak Development area. It is worth noticing that all planned public housing sites in Kai Tak will be fully depleted within the first five-year period, marking the end of Kai Tak as a public housing land supply powerhouse.

The average waiting time is on track, falling to 4.6 years, yet caution should always be taken in the potential resurgence of delays

Figure 17. Average waiting time for public rental housing general applicants, 2010/11 – 2026/27



Key Assumptions	Scenario 1
	All projects on the Public Housing Production Forecast and Light Public Housing complete on time
Key Assumptions	Scenario 2
	15% <sup>[1]</sup> of the units in all public housing projects are delayed, including Light Public Housing

Note: [1] Based on the percentage of delayed public housing completions in the past ten editions of the Hong Kong Housing Authority's Housing Construction Programme, which stands at 15%  
Sources: Housing Bureau, Hong Kong Housing Authority, and Our Hong Kong Foundation

Further to the latest projected public housing completions at the point of writing and introduction of LPH, we now turn our attention to examining their potential impact on PRH waiting time and the feasibility of meeting the Government's KPIs. A scenario analysis was conducted to examine the possible changes in PRH waiting time under different circumstances.

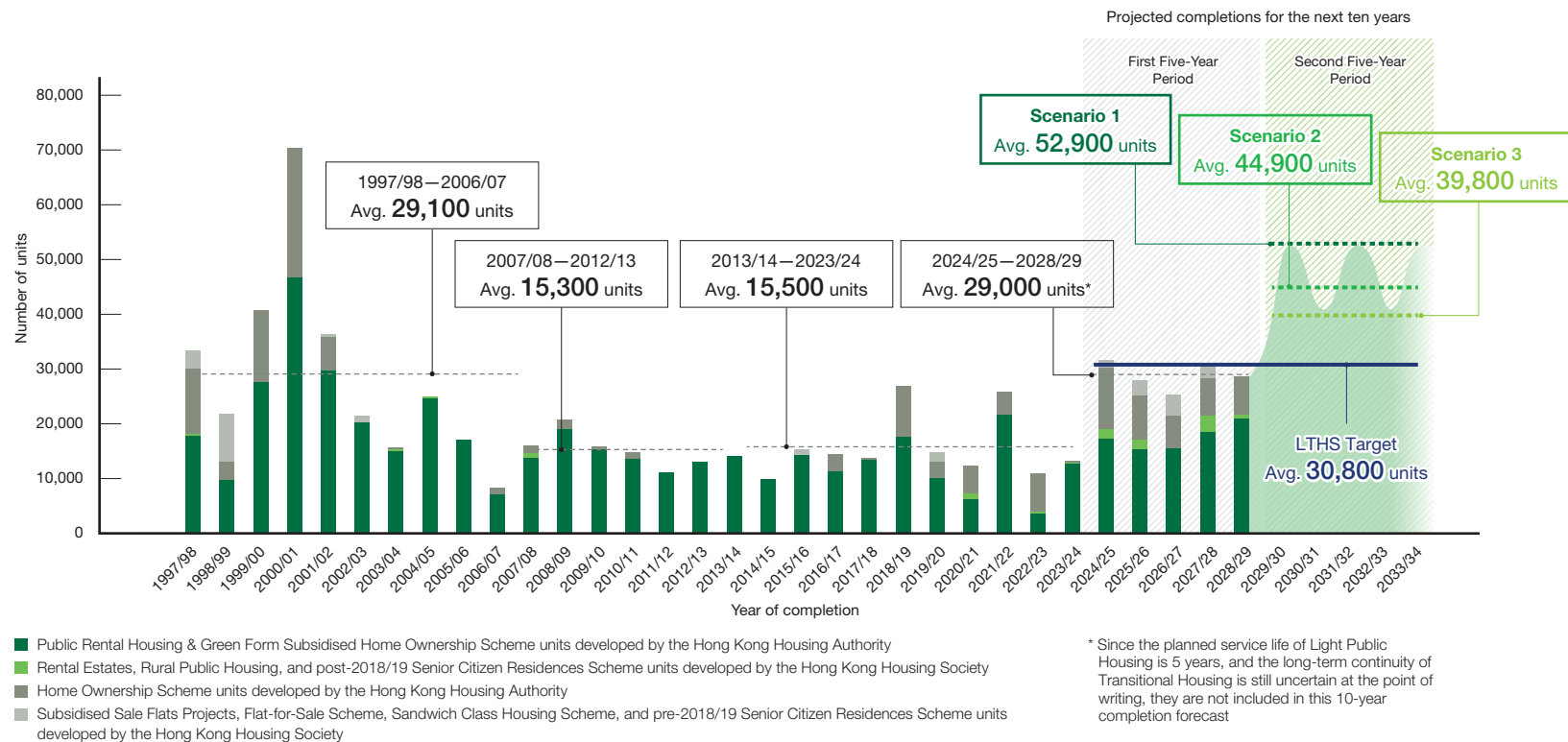
For the avoidance of doubt, several assumptions are included in the model to facilitate the scenario analysis. For instance, the net recovery of PRH units excluding transfers, actual allocation percentage, and the annual number of new applicants for the next two financial years are assumed to be equal to the annual average of the past five financial years.

In Scenario 1, we assume all planned public housing projects, including both traditional PRH and LPH units, will be completed on time. Under such ideal circumstances, the CWT is estimated to fall to 4.6 years by 2026/27, marginally reaching the Government's estimated CWT target of about 4.5 years and similar to the most optimistic scenario in our previous report. Based on such a scenario, the 30,000 additional LPH units and the absence of construction delays will be the key to achieving the KPI.

In Scenario 2, we assume a 15% construction delay in the completion of all traditional PRH and LPH units. This is derived based on the percentage of delayed public housing completions by comparing the past ten editions of the HKHA's Housing Construction Programme. As a result, the average waiting time for general applicants is estimated to only reduce slightly from 5.8 years as of December 2023 to 5.2 years by 2026/27, missing the KPI by 13%. This reflects the pessimistic scenario if the past recurring construction delays reoccur and serves as a caution against complacency.

## The ten-year public housing completion outlook continues to improve, building up a stronger buffer above the LTHS target

Figure 18. Actual and projected completions of public housing units, 1997/98 – 2033/34



Sources: Housing Bureau, Hong Kong Housing Authority, Hong Kong Housing Society, and Our Hong Kong Foundation

Next, we shift gears to the second five-year period spanning financial years 2029/30 to 2033/34. According to the Government's longstanding "back-loaded" supply pledge, two-thirds of the planned public housing completions in the coming ten years will be delivered in the second five-year period.

To examine the feasibility of the "back-loaded" supply pledge, we formulated an exclusive ten-year forecast for public housing completions. **(For details of the forecast methodology, please refer to Figure 19)**

In our previous report *10-Year Housing Supply Forecast 2023*, for the first time in many years, we expressed our cautious optimism about the realisation of the "back-loaded" supply pledge and the Government reaching the LTHS target. This year, the ten-year outlook continues to improve, to the extent that planned public housing completions are anticipated to not only exceed the LTHS target, but also build up an even greater buffer.

## Even in the most pessimistic scenario, projected public housing completions is still on track to exceed LTHS target by 10%

Figure 19. Scenario analysis for projected completions of public housing units, 2024/25 – 2033/34

Key Assumptions (Based on the forecast as of September 2023 by Development Bureau and Housing Bureau)		Projected Completions			Variance vs. LTHS Target (308,000 units)
		Annual Average 2029/30 – 2033/34	2nd Five-Year Total 2029/30 – 2033/34	Ten-Year Total 2024/25 – 2033/34	
Scenario 1	On-time public housing site delivery and construction progress	52,900 units	264,500 units	~410,000 units	<ul style="list-style-type: none"> <li>▶ Exceed LTHS target by ~33%</li> <li>▶ Fully materialise the 410,000 units that can be produced from the land identified according to the 2023 Policy Address</li> </ul>
Scenario 2	Three-year delay in delivery of some public housing sites and on-time construction progress	44,900 units	224,700 units	~370,000 units	<ul style="list-style-type: none"> <li>▶ Exceed LTHS target by ~20%</li> <li>▶ ~10% fewer units vs. Scenario 1</li> </ul>
Scenario 3	Three-year delay in delivery of some public housing sites and 15% delay in construction progress <sup>[1]</sup>	39,800 units	198,800 units	~340,000 units	<ul style="list-style-type: none"> <li>▶ Exceed LTHS target by ~10%</li> <li>▶ ~17% fewer units vs. Scenario 1</li> </ul>

Note: [1] Based on the percentage of delayed public housing completions in the past ten editions of the Hong Kong Housing Authority's Housing Construction Programme, which stands at 15%  
Sources: Housing Bureau, Development Bureau, Lands Department, Town Planning Board, Hong Kong Housing Authority, and Our Hong Kong Foundation



As the forecast for public housing completions in the second five-year period is less certain than that of the first five-year period, three scenarios have been formulated to assess the possible permutations. Following a similar approach in our previous report *10-Year Housing Supply Forecast 2023*, the determinant for long-term public housing completions lies in two risk factors, i.e., delay in public housing site delivery and construction progress.

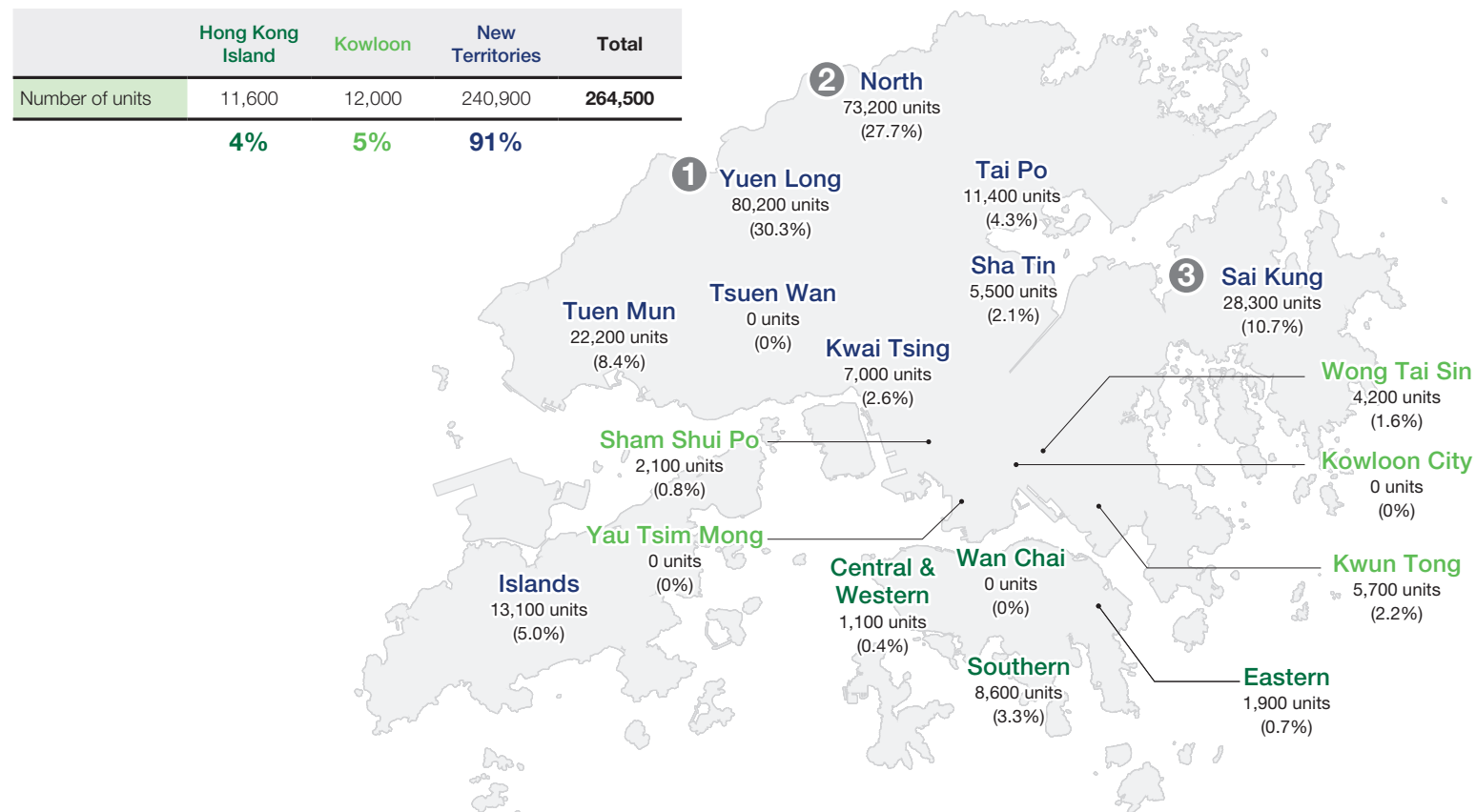
In Scenario 1, the public housing supply has been estimated based on the most up-to-date disclosures from the Development Bureau in October 2023. If all listed public housing sites are handed over to the HKHA on time, with no construction delays, it is expected that some 264,500 public housing units can be completed in the five years between 2029/30 and 2033/34. This translates to an annual average completion of 52,900 units. Altogether, the ten-year public housing completion forecast from 2024/25 to 2033/34 will be approximately 410,000 units, fully materialising all land identified for public housing according to the 2023 Policy Address.

In Scenario 2, we assume a three-year delay in the delivery of public housing sites such as brownfield clusters and Land Sharing Pilot Scheme (LSPS) sites. These are sites that have been earmarked in the 2022 Policy Address whereby their conversion from primitive land to spade-ready land will be reduced from at least 6 years to 4 years. If this fails to materialise, there will be a two-year delay in site delivery. In addition, given the sluggish market environment, industrial sites on the Land Sale Programme could see abortive tenders, thereby further delaying the resettlement of existing brownfield occupants. For the LSPS sites, land premium negotiations, referencing that for Kwu Tung North / Fanling North New Development Area, could also take longer than expected. We assume an extra year of delay to account for these possibilities, as site delivery will cumulatively be pushed back by three years. Assuming no further delay in construction progress, the resulting ten-year public housing completion forecast still manages to reach around 370,000 units, which is 20% higher than the LTHS target of 308,000 units.

In Scenario 3, we explore a less ideal situation based on Scenario 2. Not only did we assume three additional years for the delivery of several potentially problematic sites, but we factored in a 15% construction delay with reference to the past track record of recurring construction delays. Under such circumstances, the ten-year public housing completion forecast is estimated to be around 340,000 units, which is still 10% above the LTHS target.

## The Northern Metropolis remains the largest source of supply, while supply from Sai Kung district surges in the second five-year period

Figure 20. Projected public housing completions between 2029/30 and 2033/34, by district



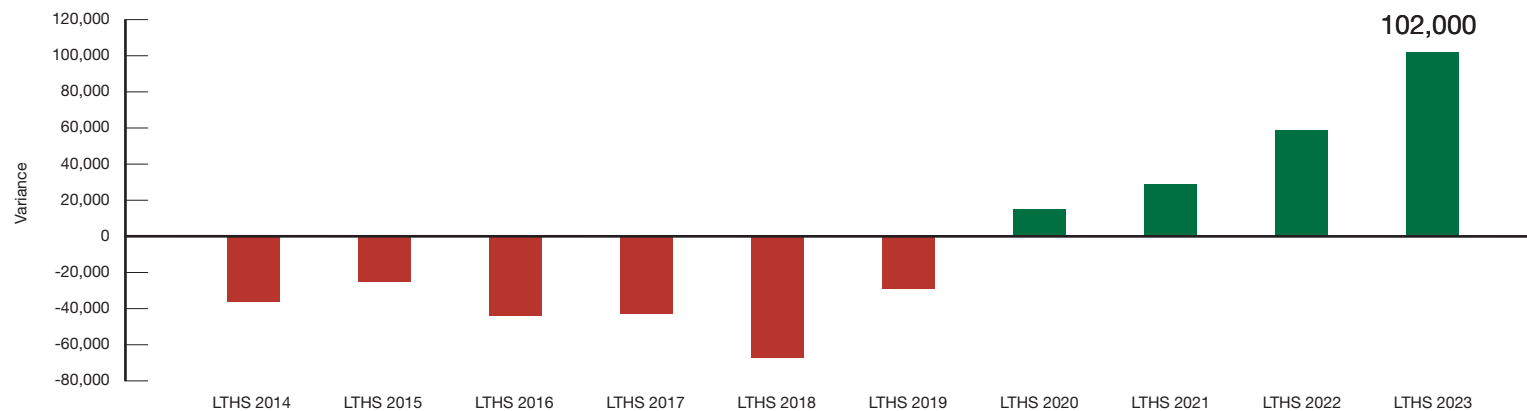
Sources: Housing Bureau, Development Bureau, Hong Kong Housing Authority, Hong Kong Housing Society, and Our Hong Kong Foundation

Similar to last year, the Northern Metropolis – roughly corresponding to the North and Yuen Long districts – remains the single largest source of projected public housing completions in the second five-year period. Standing at around 153,400 units, it contributes to around 58% of the estimated total completions, making it the backbone of the “back-loaded” supply pledge.

Nevertheless, it is worth noting that Sai Kung takes third place on the podium. Supply from the district is anticipated to surge from around 6% or 10,800 units in the first five-year period, to around 11% or 28,300 units in the second five-year period. This is largely due to the new public housing supply from Tseung Kwan O Area 137, which will begin to mature in the later part of the second five-year period.

## Efforts to boost public housing supply have come a long way from trailing to exceeding the LTHS target by more than 100,000 units

Figure 21. Rolling 10-year potential public housing supply<sup>[1]</sup> vs. LTHS supply target



Note: [1] The rolling 10-year potential supply is defined as the number of public housing units that the Government has identified land to construct over the rolling 10-year period  
Sources: Various editions of the Long Term Housing Strategy Annual Progress Report, Our Hong Kong Foundation

As observed from the scenario analysis in **Figure 19**, efforts over the years to increase public housing supply have started to pay off. Nevertheless, the journey since the promulgation of the LTHS in December 2014 is a stark reminder for us to refrain from complacency. Moreover, given that 2024 marks a decade of the LTHS, it is fitting at this time to take stock of the progress.

Referring to **Figure 21**, the Government initially struggled to identify adequate land to construct the public housing units needed to meet the LTHS ten-year supply target. In each of the first four editions of the LTHS Annual Progress Report, it was admitted that “[d]elivering the ten-year housing supply target is undeniably / remains a huge challenge for both the Government and the community”. The gap further widened in 2018 when the public / private split of new housing supply was revised from 60:40 to 70:30.

The turning point came in 2020, when for the first time since the LTHS was promulgated, adequate land (330 hectares) was identified to construct enough public housing units (316,000 units) to meet the target. Since then, the supply projection has gradually improved and reached 410,000 units in 2023, which exceeded the LTHS target by more than 100,000 units.

Despite the optimistic outlook, the journey is far from finished, especially considering the aspect of living quality. This will be discussed later in **Chapter 3**.

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## Our observations for public housing supply

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1

### Major risk factors have been removed for short- to medium-term supply

With delays reduced to 2% and the expected completion of 30,000 LPH units, annual public housing supply in the next 5 years will be 35,000 units, meeting LTHS thresholds

2

### If delays do not resurge, PRH waiting time is on track to reach ~4.5 years

Scenario analysis reaffirms average public housing waiting time will reduce to 4.6 years by 2026, but only to 5.2 years if the past recurrent construction delays resurge

3

### Despite the positive ten-year outlook, we must refrain from complacency

The LTHS target will be exceeded by ~10% even under the most pessimistic scenario, but we should not forget the strenuous efforts undertaken to achieve today's position

To conclude so far, with construction delays now reduced to 2% and the expected completion of 30,000 LPH units in the upcoming five-year period, major risk factors have been largely removed for short- to medium-term public housing supply. Assuming such efforts could be maintained to avoid delays from reoccurring in the future, the PRH CWT is on track to be reduced to about 4.6 years, close to meeting the major policy milestone. Looking further ahead, it is expected that the LTHS ten-year target will be exceeded by 10% even under the most pessimistic scenario. Nevertheless, reflecting on the ten years of strenuous efforts since the first promulgation of the LTHS in December 2014, we should remain steadfast in our pursuits and not rest on our laurels.

3.

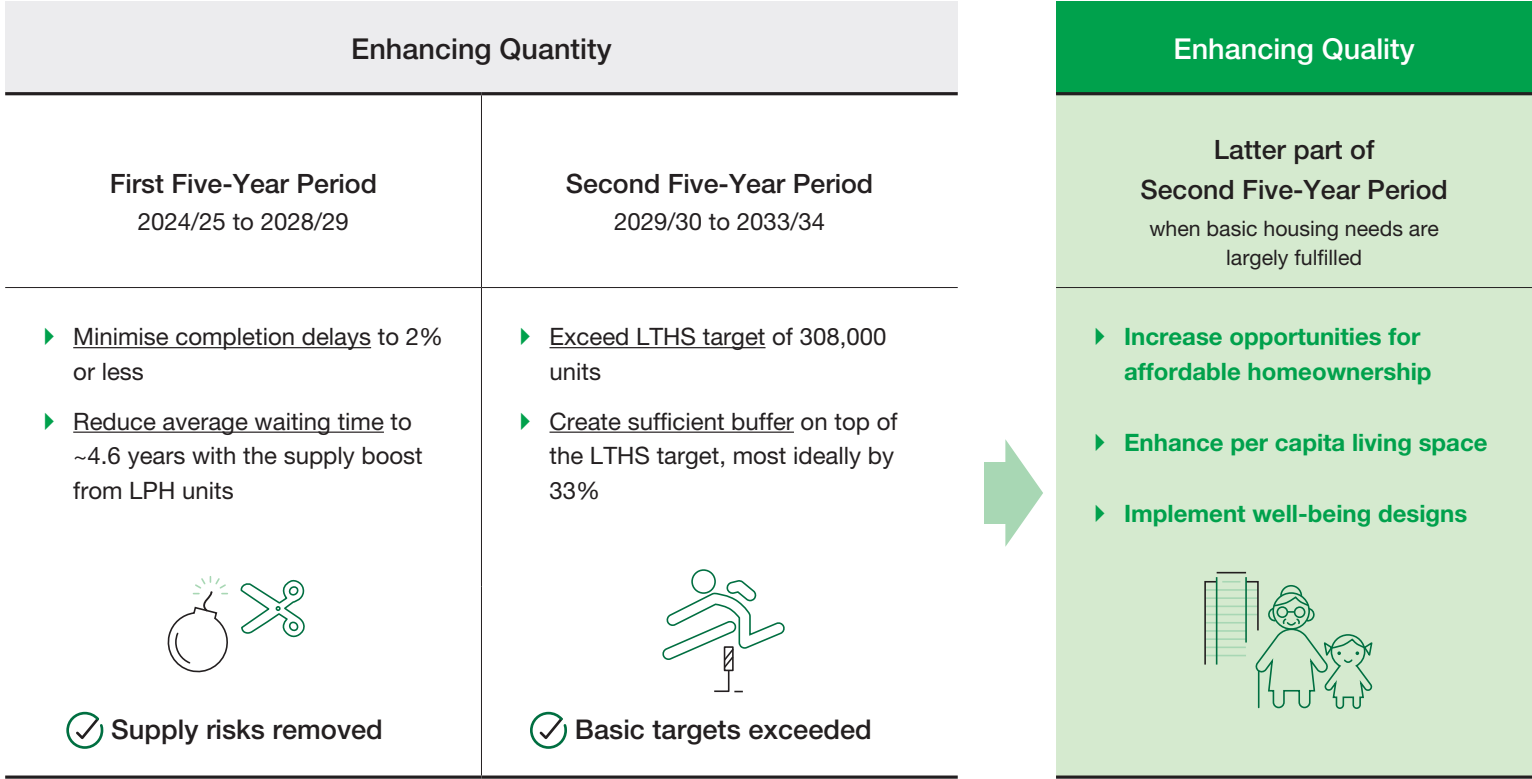
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## Beyond Enhancing Quantity



The preconditions to shift the policy momentum from enhancing quantity to enhancing quality are being gradually fulfilled

Figure 22. Shift of policy momentum from enhancing quantity to enhancing quality



Sources: Housing Bureau, Development Bureau, and Our Hong Kong Foundation



For a long time, there have been different voices in the society expressing the hope of further improving the quality of public housing. Regrettably, the Government has been long constrained by the pressures of meeting basic housing demands and LTHS targets, as the momentum and direction of the public housing initiatives have always been centred on enhancing quantity.

Given the various positive public housing indicators this year as discussed in **Chapter 2**, Hong Kong's basic housing needs will be gradually met over the next decade: in the first five-year period, major supply risks have been removed as construction delays fall to 2% or less, and the PRH CWT is expected to fall to about 4.6 years with the timely aid of LPH; in the second five-year period, it is expected that ten-year housing supply will most ideally exceed the LTHS target by more than 33%, creating a sufficient buffer against future uncertainties while exceeding basic needs.

Hence, a shift in policy momentum is due, where the focus should shift from quantity to quality. As the typical lead time for housing construction takes about five years, decisions made today will only have an effect during the second five-year period. Moreover, since buildings in Hong Kong with reinforced concrete structures are designed to have a serviceable life of around 50 years, any missteps would take a long time to be undone. This calls for more foresight to ensure that the window of opportunity to improve living quality in Hong Kong is not missed.

Three aspects stood out in terms of enhancing quality. First, increase opportunities for affordable homeownership; second, enhance per capita living space in public housing; third, implement well-being designs to improve the living conditions of marginalised groups such as the elderly, children, ethnic minorities, and persons with disabilities in public housing estates.

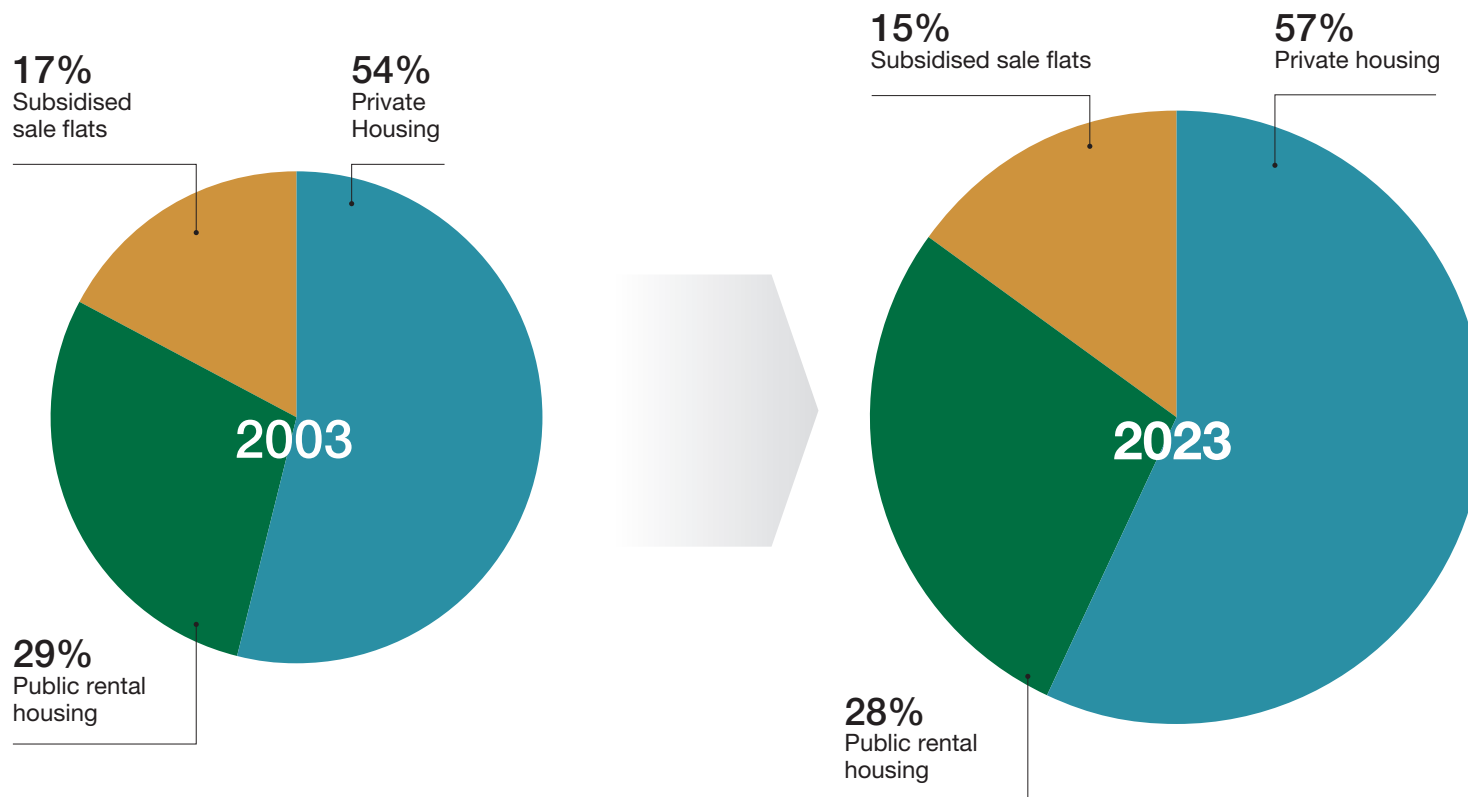
Since the third aspect is already in progress under the “WELL • BEING” project by the Housing Bureau and the HKHA, the subsequent paragraphs will focus on the first two aspects.

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## Nevertheless, there has been little change in Hong Kong's housing stock composition over the past two decades

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Figure 23. Stock of permanent living quarters by type, 2003 vs. 2023



Sources: Census and Statistics Department, Our Hong Kong Foundation

Before delving into the issue of increasing opportunities for affordable homeownership, it is more fitting to first take a more macro view, i.e. the housing stock composition. More specifically, even though the overall LTHS public housing supply target has been exceeded, the split within the target – currently 70:30 for PRH / GSH and other SSFs – deserves closer scrutiny.

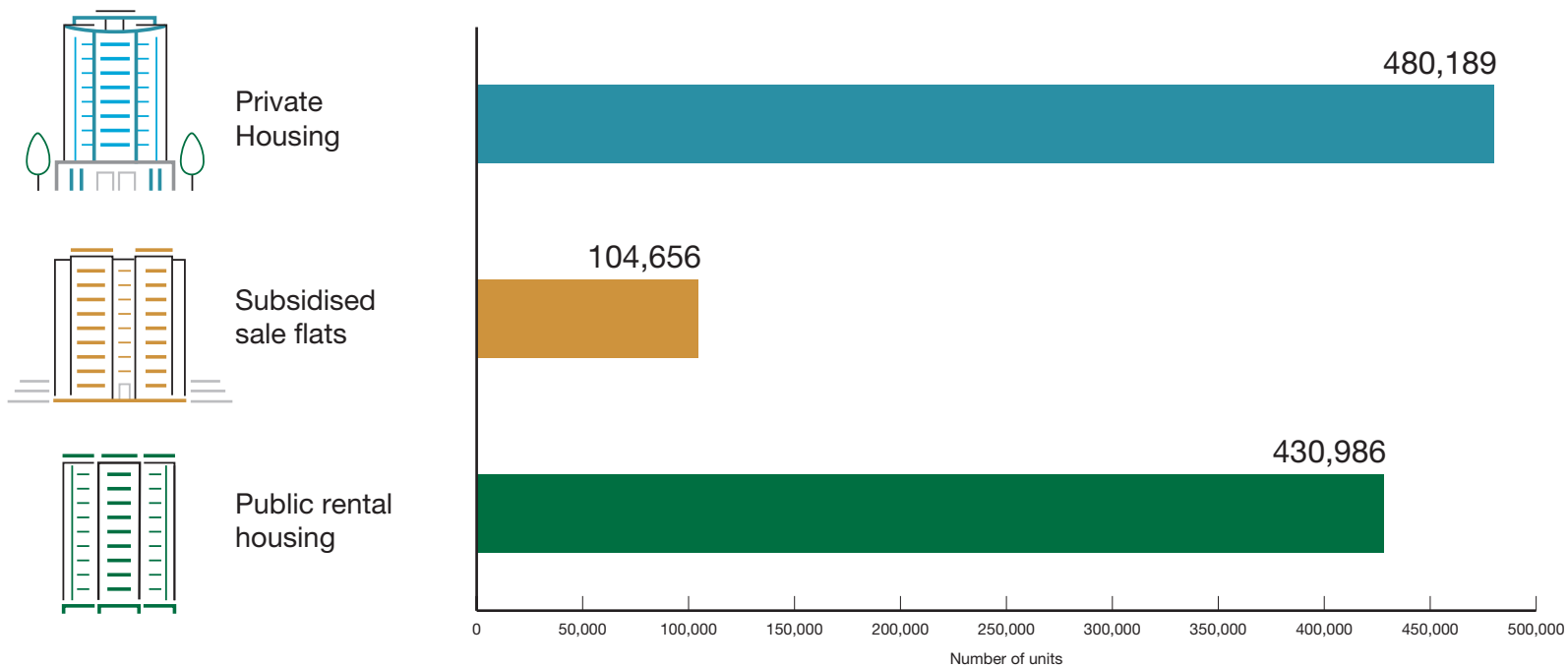
Nevertheless, there has been little change in Hong Kong's housing stock composition over the past two decades. As shown in **Figure 23**, the respective portion of PRH, SSF, and private housing among the entire housing stock has barely changed.

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## The total completions over the years have been M-shaped and continuously reinforced the existing housing stock composition

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Figure 24. New housing completions by type, 1997 – 2023

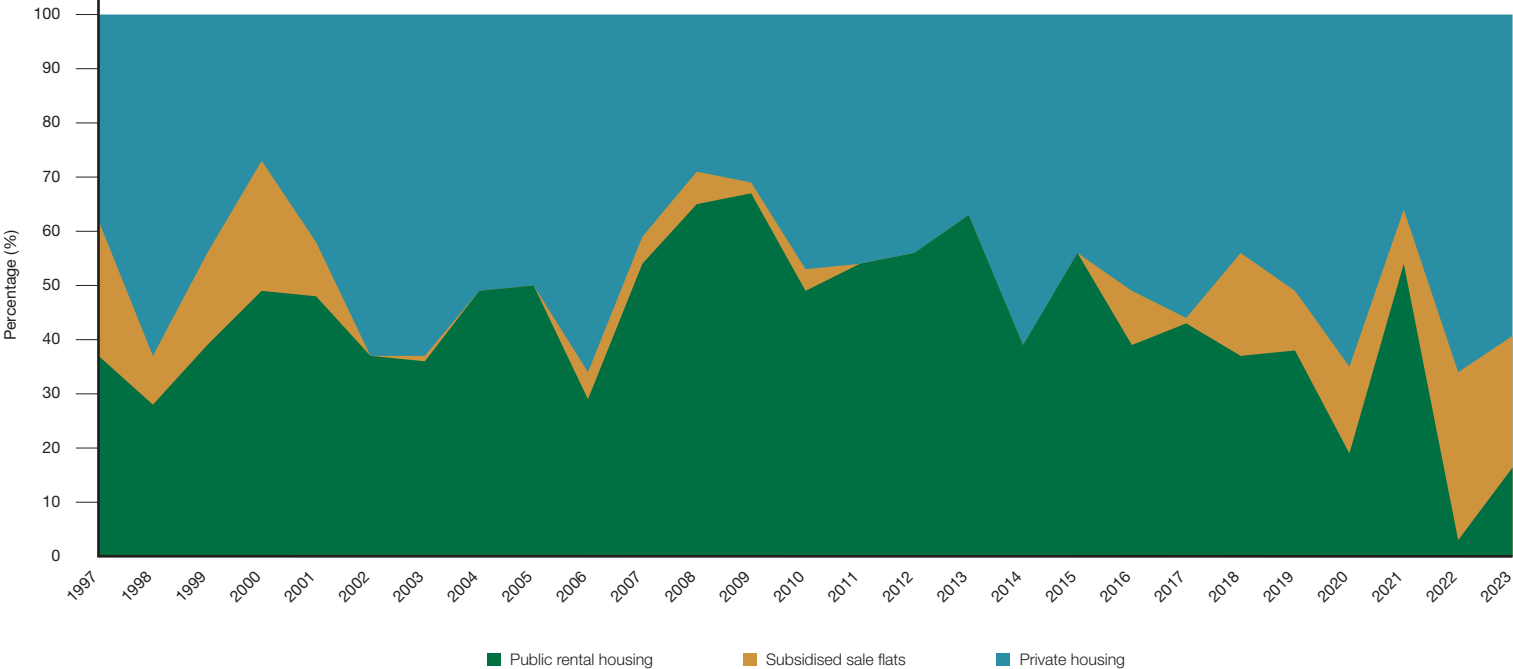


Sources: Census and Statistics Department, Rating and Valuation Department, and Our Hong Kong Foundation

The past stagnation in Hong Kong's housing stock composition is unsurprising upon breaking down the total new housing completions by type. As illustrated in **Figure 24**, completions have been “M-shaped” with private housing and PRH comprising more than 40% each, and SSF making up only 10%. Such proportion has served to reinforce the existing housing stock composition.

Despite fluctuations in the proportion of new completions, subsidised sale flat completions have been relatively few

Figure 25. Proportion of new housing completions by type, 1997 – 2023



Sources: Census and Statistics Department, Rating and Valuation Department, and Our Hong Kong Foundation

More granularity is revealed once the proportion of new housing completions by type is presented over the time horizon in **Figure 25**. The proportion of SSF completions hit a high in the late 1990s when the Government expanded the subsidised home ownership schemes to facilitate homeownership. It then went into a hiatus between 2002 to 2015 after the cessation of HOS production, with only a miniscule number of completions as the HKHA decided in January 2006 to offer for sale in phases the unsold and returned HOS units from 2007 onwards. The Government subsequently announced the resumption of HOS production in 2011, as SSFs made a comeback after the first batch of New HOS units was completed in 2016.

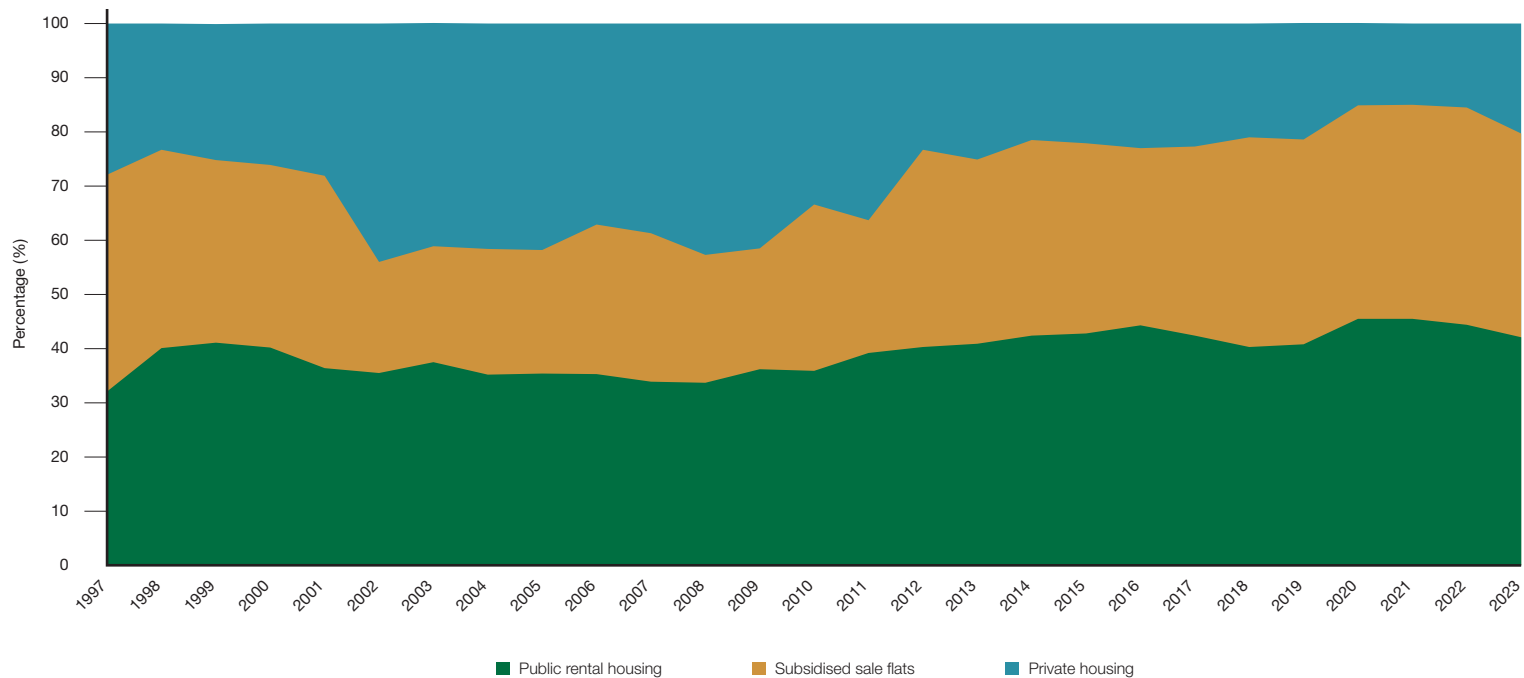
Nevertheless, despite fluctuations in the proportion of SSF completions as described above, affordable homeownership opportunities remained relatively few.

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## Compared against completions, demand, as delineated by income limits for various housing types, paints a very different picture

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Figure 26. Household income distribution by income limits for various housing types, 1997–2023



Sources: Census and Statistics Department, Hong Kong Housing Authority, and Our Hong Kong Foundation



Having delved into the housing supply landscape, let us now turn to that of demand.

For both PRH and SSF, the eligibility criteria for application involve income and asset limits that can be referenced to identify demand segments for these housing types. When a household has either income or asset holdings (taking into account the size of the household) above the respective levels set for SSF eligibility, it is deemed to be able to afford homeownership in the private market. The income and asset limits for SSF applicants can therefore be taken as the lower bound that delineates demand for private housing.

It should be noted that in delineating the demand for various housing types, only household income has been considered since data on household assets is not readily available. It is thus conceivable that such segmentation could have inadvertently misclassified some “asset-rich” households that are ineligible for PRH and SSF, even though the extent of this imprecision is difficult to determine. Nevertheless, household income is still the most useful proxy available to determine the demand segments for various housing types.

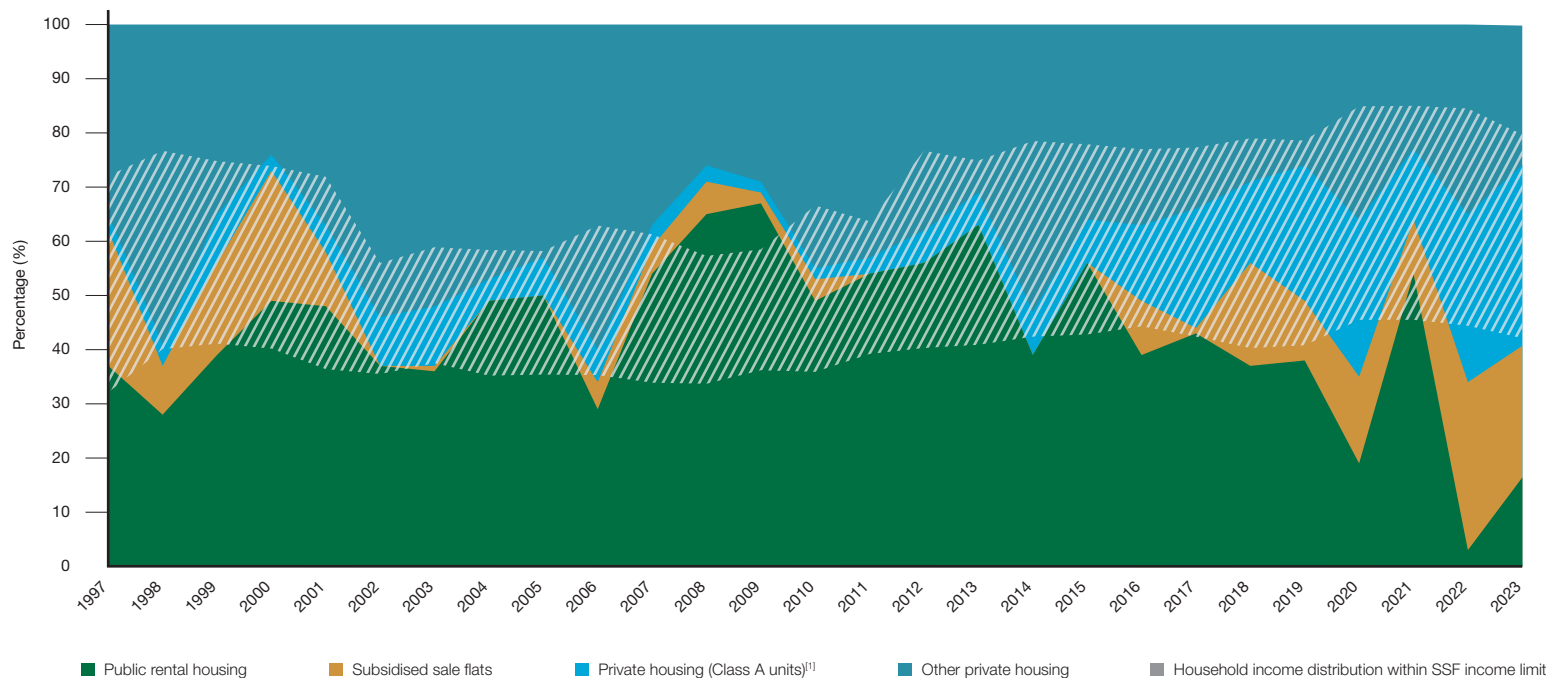
The result of this exercise is shown in **Figure 26**. It can be observed that rising income limits have expanded the eligibility for both PRH and SSF, with a marked uptick for the latter in recent years. Such a phenomenon has its roots in the methodology established by the HKHA in September 2012 to calculate the income and asset limits for SSF. According to this methodology, the amount of total household expenditure required to purchase a flat of about 40m<sup>2</sup> (431 square feet) saleable area in the Extended Urban Area<sup>1</sup> and the New Territories constitutes the basis for assessing the income and asset limits. Hence, as housing prices rose, so did the income limit and hence demand for SSF.

Based on the household income distribution in 2023, eligible households for SSF comprise 37.6% of the total households. In contrast, the proportion of SSF among new housing completions merely stood at 10% from 1997 to 2023. Even if we only consider the figure after the resumption of HOS production, which marginally increased to 15% since the first batch of New HOS units was completed in 2016, it still suggests a shortfall in the proportion of SSFs in new housing completions.

<sup>1</sup> The Extended Urban Area includes Sha Tin, Tsuen Wan and Kwai Tsing, Tseung Kwan O, Tai Po, North (Fanling and Sheung Shui), Tuen Mun, Yuen Long and Islands

## Unfulfilled demand for SSFs is channelled towards private housing, as small private housing unit completions surged

Figure 27. Proportion of new housing completions by type vs. household income distribution within SSF income limit, 1997 – 2023



Note: [1] Class A units are those with a saleable floor area of less than 430 sq. ft.

Sources: Census and Statistics Department, Rating and Valuation Department, and Our Hong Kong Foundation

To make it easier to visualise the shortfall, not only did we amalgamate **Figures 25** and **26** into **Figure 27**, but we also further dissected the private housing completions in **Figure 25**.

Two observations can be made in **Figure 27**. Firstly, there is a significant shortfall in the proportion of SSF completions versus the demand for SSF, represented by the proportion of eligible households whose income falls within the SSF income limit. Secondly, as eligibility and hence demand for SSF expanded since 2012, there has also been a surge in the completion of Class A private housing units, which are units with a saleable area of less than 430 sq. ft.

It can therefore be concluded that unfulfilled demand for SSFs is channelled towards the private housing market. This further corroborates the observation we made in our previous report *10-Year Housing Supply Forecast 2023*, where faced with few affordable alternatives, buyers had to rush into the private housing market for a small unit, or even nano-flat.

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The mismatch between demand and supply of subsidised sale flats is also encapsulated in the perennial oversubscription rates

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Figure 28. Oversubscription rates in sale of subsidised sale flats, 2014–2023



Note: [1] Includes both Green Form and White Form applications  
Sources: Hong Kong Housing Authority, Our Hong Kong Foundation

Another indicator of the imbalance between the demand and supply of SSF lies in the overwhelming response for each sale exercise for SSF as shown in **Figure 28**.

Understandably, some might point out that the oversubscription rates were distorted, especially that of the HOS, given that the number of units offered for sale was initially few at around 2,000 units. As it gradually increased to over 9,000 units in the 2023 exercise, the oversubscription rates fell to a low of 17.8 times. Nevertheless, the number of applications received is telling. Taking into account both Green Form and White Form applications, the number exceeded 100,000 in each exercise except for 2016 and was in excess of 300,000 on two occasions in 2019 and 2022.

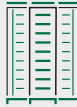








A similar trend was observed for the WSM. While the oversubscription rates came down as the quota was gradually increased from the initial 2,500 to 4,500, the number of applications exceeded 100,000 for three consecutive exercises in 2019, 2020 and 2022, before returning to 78,000 in 2023. It is also worth noting that while the WSM was originally intended as an interim measure before the New HOS units were completed in 2016/17, it was regularised with effect from 2018. The rationale, quoting the HKHA paper no. SHC 62/2017, was that “there has been continuing demand from White Form buyers for SSFs”.

The fervent homeownership demand was driven not only by White Form households but Green Form households as well. Findings from the *Public Housing Recurrent Survey* showed that the percentage of PRH households that were interested in buying new HOS units rose from 8% in 2014 to 22% in 2021. Those interested in buying GSH units rose from 12% in 2016 – the first year that this question was introduced – to 22% in 2021.

All these highlight the need for more affordable homeownership opportunities, which will serve to reinforce the housing ladder and promote upward social mobility.

## A balance needs to be struck between reducing the PRH waiting time and increasing affordable homeownership opportunities

Figure 29. Comparison of various public housing types in terms of impact on reducing the average PRH waiting time and affordable homeownership opportunities

	 <b>PRH</b>	 <b>HOS</b>	 <b>GSH</b>
Quota allocation for every 100 units built	<b>100</b> to PRH applicants	 <b>40</b> to Green Form applicants  <b>60</b> to White Form applicants	 <b>100</b> to Green Form applicants
Impact on reducing the average PRH waiting time	 <b>100/100</b>	 <b>40/100</b>	 <b>100/100</b>
Affordable homeownership opportunities	<b>0</b>	<b>100</b>	<b>100</b>

Sources: Hong Kong Housing Authority, Our Hong Kong Foundation

Based on the above discussion, it may be tempting at this stage to simply conclude that we should adjust the split within the public housing supply target i.e., the 70:30 ratio between PRH/GSH and other SSFs in favour of the latter to increase affordable homeownership opportunities. However, a more nuanced approach is called for considering that the public housing production plan for the first five-year period has relatively lower flexibility for change due to the construction lead time, and more importantly, the Government's longstanding KPI to reduce the average PRH waiting time to 3 years.

**Figure 29** is used to illustrate why this is the case. For every 100 PRH units built, all of them will be allocated to PRH applicants, though priority differs for general, elderly one-person, and non-elderly one-person applicants. Nevertheless, while all 100 units serve to reduce the average PRH waiting time, there will not be any affordable homeownership opportunities available.


Compared to the PRH, the case for the HOS is slightly different. Since 2020, the ratio for quota allocation between Green Form and White Form applicants has been set at 40:60. In other words, for every 100 HOS units built, assuming that the allocated quota for White Form applicants is fully utilised, only 40 units will be allocated to Green Form applicants and hence have an impact in reducing the average PRH waiting time. To put it simply, while building more HOS units instead of PRH units can effectively increase the number of affordable homeownership opportunities, this will have an adverse impact on reducing the average PRH waiting time.

To strike a balance between both pursuits, the GSH offers a viable middle ground. Given the "one-for-one" arrangement under GSH, each GSH flat serves the dual functions of addressing the homeownership aspirations of Green Form applicants and the housing needs of PRH applicants. Although it must be acknowledged that compared to PRH, the impact of GSH in reducing the average PRH waiting time will take a slight dent due to the additional turnaround time needed for vacant PRH unit refurbishment, the difference is nonetheless minimal as compared to the PRH versus the HOS.

However, merely building more GSH is not enough to drive changes in the homeownership decisions of existing PRH tenants. This brings us to the second aspect of enhancing quality – that of increasing per capita living space in public housing.

## As small GSH units have proven to be unpopular, larger units are needed to encourage homeownership among current PRH tenants

Figure 30. Sale status of various GSH launches, 2016–2022

 GSH	2016	2017	2019	2020/21 <sup>[1]</sup>	2022
Number of unsold flats after the end of the flat selection process	Sold out <i>(14 cases of forfeitures of preliminary deposits recorded after the first assignment)</i>	14	<b>523</b>	Sold out <i>(157 cases of forfeitures of preliminary deposits recorded after the first assignment)</i>	<b>107</b>
	Area distribution of unsold flats / cases of forfeitures of preliminary deposits recorded after the assignment				
< 200 sq. ft.	4	4	<b>523</b>	<b>43</b>	<b>107</b>
200–300 sq. ft.	4	3	0	<b>73</b>	0
300–400 sq. ft.	1	5	0	21	0
> 400 sq. ft.	5	2	0	20	0

Note: [1] Data updated as of 31 March 2024

Sources: Hong Kong Housing Authority, Our Hong Kong Foundation



To provide more incentives for existing PRH tenants to achieve homeownership and surrender their PRH units, the alternative has to offer an upgrade in their living quality. This is evident from the most recent *Survey on Applicants of the Sale of Home Ownership Scheme Flats 2020* at the point of writing, where the top two reasons given by Green Form applicants for applying for the Sale of HOS Flats 2020 were the desire to improve living conditions (63%) and the aspiration for homeownership (42%).

One needs to look no further than the sale status of the various GSH sale exercises to recognise the significance of unit size on existing PRH tenants' homeownership decisions. Referring to **Figure 30**, most unsold units at the end of the flat selection process, as well as those cases of forfeitures of preliminary deposits, are those with a saleable area of less than 400 sq. ft.

Two other figures are worth discussing. Firstly, despite being 12 times oversubscribed, there were still 523 unsold units at the end of the flat selection process for GSH 2019, all of which were nano-flats. Secondly, even though buyers have to incur monetary losses, 157 cases of forfeitures of preliminary deposits were recorded for Kai Chuen Court launched in GSH 2020/21, with close to 90% of them involving units below 400 sq. ft. This is in stark contrast to the high popularity when the units were first launched, as they were highly sought after by buyers due the convenient location adjacent to the Diamond Hill MTR Station.

These underscore the unpopularity of small SSF units and hence the need to increase the unit size, as we reiterate the viewpoint expressed in our previous report *Supply Quick Fixes Exhausted: How to Navigate the Undercurrents Ahead?* published in May 2022:

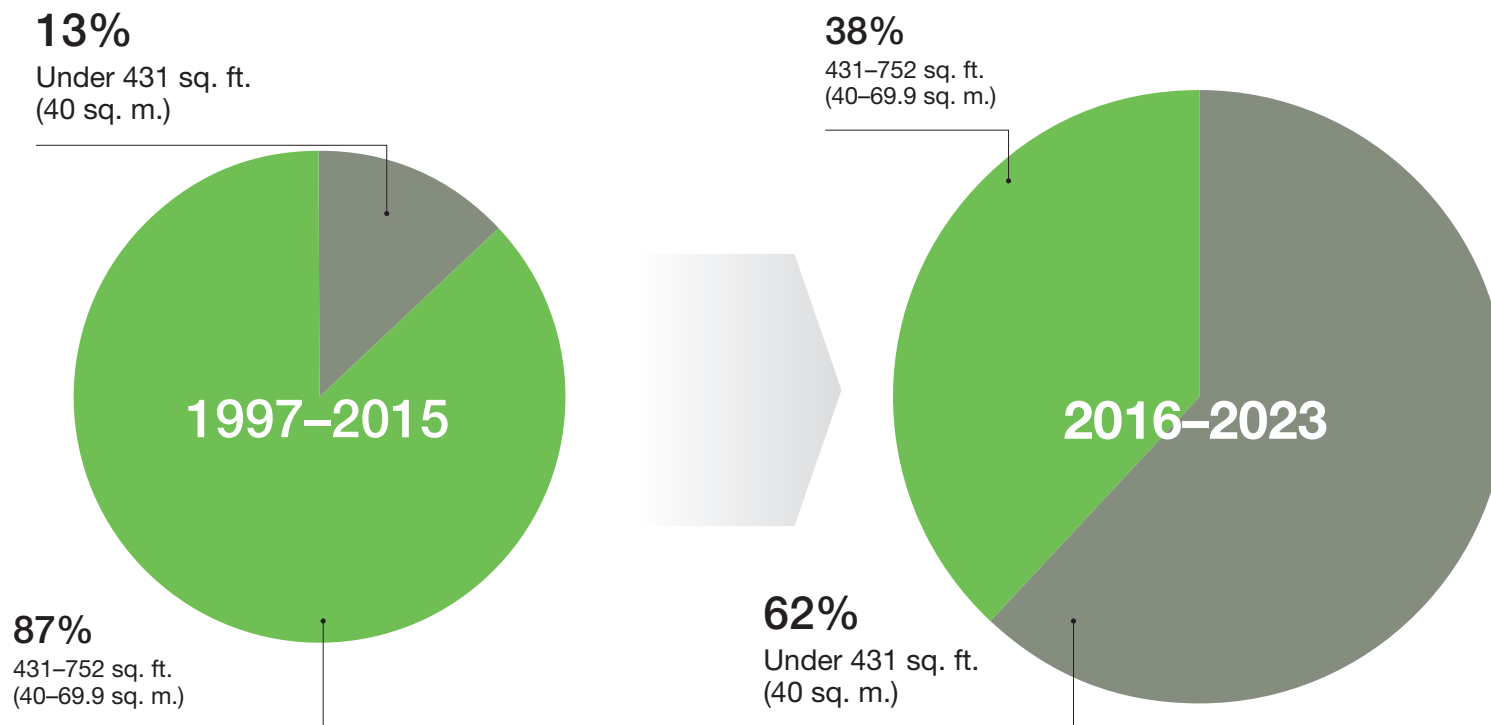
*“Given the small size and hence undesirable quality of GSH nano-flats, it can hardly be deemed as an upgrade in living quality. While it is undeniably a relatively easier route to home ownership, the incentive to switch from the existing PRH units is still low, thus rendering the original policy intention ineffective.”*

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**In recent years, however, the proportion of new subsidised sale flats under 431 sq. ft. has significantly increased**

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Figure 31. New subsidised sale flat completions by size, 1997–2015 vs. 2016–2023






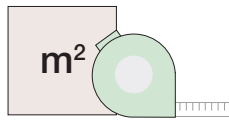

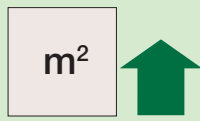
Sources: Census and Statistics Department, Our Hong Kong Foundation

Regrettably, the size of new SSF completions has been on a downward trend in recent years. As shown in **Figure 31**, before the era of the New HOS, the proportion of SSFs under 431 sq. ft. was only 13% between 1997 and 2015. This has significantly increased to 62% after the first batch of New HOS units was completed in 2016.

As an encouraging sign, however, the Government has pledged a minimum size of 26 sq. m. for new SSFs completed from 2026/27 onwards. Coupled with the “back-loaded” supply coming to fruition as forecasted in **Chapter 2**, it is hoped that the size of upcoming SSF completions can regain an upward trend.

**By increasing the supply of GSH, the SSF supply structure can be gradually enhanced over the next decade**

Figure 32. A gradual three-step approach to enhancing quality

First Five-Year Period (2024/25 – 2028/29)		Second Five-Year Period (2029/30 – 2033/34)
Earlier part	Latter part	
<p>Achieve the target of reducing the Composite Waiting Time for Subsidised Rental Housing to 4.5 years</p> 	<p>Identify more suitable projects to increase the ratio of GSH within PRH / GSH, while ensuring that the waiting time does not rebound</p> 	<p>Increase the ratio of HOS within public housing, thereby helping more White Form families achieve homeownership</p> 
<p>Realise the minimum size for SSF (including GSH), whereby the saleable area for newly built flats will be no less than 280 sq. ft. (26 sq. m.)</p> 	<p>On the premise of adequate GSH supply, increase the quota allocation ratio of White Form HOS applicants to provide more homeownership opportunities</p> 	<p>Continue increasing the saleable area for newly built SSF</p> 

In short, the above discussion highlighted the critical considerations in enhancing quality. First, a balance needs to be struck between reducing the PRH waiting time and increasing affordable homeownership opportunities. Second, larger units are needed to entice existing PRH tenants to achieve homeownership and surrender their PRH units, thereby kickstarting upward movements along the housing ladder.

These call for a pragmatic and gradual approach in the path to enhancing quality. As the first step, i.e., during the earlier part of the first five-year period, the Government's KPI set out in the *2022 Policy Address* should first be achieved, whereby the CWT would be shortened to 4.5 years and the minimum saleable area for newly built SSFs should be no less than 26 sq. m.

For the second step, i.e., during the latter part of the first five-year period, we can take advantage of the “interchangeability” between PRH and GSH units to identify suitable projects to increase the supply of GSH. As illustrated in **Figure 29**, this will provide more affordable homeownership opportunities without compromising on the average PRH waiting time. At the same time, since the GSH is able to meet a greater proportion of Green Form applicants' homeownership demands, more HOS quota currently reserved for the Green Form applicants can then be freed up and allocated to the White Form applicants. This serves as a short-term solution to meet the unfulfilled demand for SSFs as shown in **Figure 27**.

The third step will take place during the second five-year period. Subject to the then prevailing circumstances and market response after adjusting the quota allocation ratio of White Form HOS applicants, the ratio of HOS within public housing can be increased to address the longstanding undersupply of SSFs highlighted in **Figure 25**. In the meantime, the public housing sector should lead by example and continue increasing the saleable area of newly built SSFs, thereby demonstrating the Government's resolve to meet public aspirations for larger living space.

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## Our overall observations

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1

### **Total housing supply is on track to exceed the 440,000-unit LTHS target**

With land creation entering a “harvest phase”, the ten-year total housing supply could range from 507,500 to 598,200 units, creating a stronger buffer above the LTHS target

2

### **Nevertheless, efforts to leverage market forces and minimise delays must continue**

Releasing the potential of private land bank can offset the impact of failed tenders amid market uncertainties, while delays must be minimised to achieve the waiting time KPI

3

### **The time is ripe to shift the policy focus from enhancing quantity to quality**

To prevent adversely affecting PRH waiting time, more GSH units can be provided from 2026/27 onwards, followed by the HOS in the latter part of the second five-year period

As we enter the 10<sup>th</sup> anniversary of the promulgation of the LTHS, ongoing efforts to expedite land and housing supply are beginning to bear fruit. With tangible progress made in enhancing quantity, the chronic shortage is on track to be resolved. This, however, does not mean that we can afford to rest on our laurels. Rather, this heralds a new phase whereby our focus should shift to enhancing quality.

The completion outlook for both private and public housing has continued to improve and is on track to exceed the LTHS target of 440,000 units. For private housing, positive trends are observed in various leading indicators in the private housing development cycle, which suggest average completion levels remaining at relatively high levels in the coming five years. With land creation entering a “harvest phase”, it bodes well for completions in the second five-year period as there are now more tools in the Government’s arsenal to adjust the quantity and pace of private housing land supply in response to changing market conditions. For public housing, the significant reduction in construction delays and smooth implementation of the 30,000 LPH units further reaffirm the Government’s CWT target of 4.5 years is within reach by 2026/27. The “back-loaded” supply pledge has become more promising, and if all public housing projects move ahead as planned, it will build up a stronger buffer above the LTHS target.

However, we must remain vigilant about the potential hiccups along the way. As evident from the series of failed land tenders in 2023, market uncertainties could pose challenges in achieving the long-term private housing supply target. If not for private-initiated projects offsetting the impact of the failed land tenders, the completion outlook would have taken a significant dent. This underlines the importance of releasing development potential in the private land bank to complement government-controlled land supply. Meanwhile, the potential delays in site delivery and construction remain the greatest hurdles for public housing supply. Although the LTHS ten-year target will be exceeded by 10% even under the most pessimistic scenario, completions remain “back-loaded” and long-term supply is subject to many risk factors, hence their realisation should not be taken for granted. Moreover, it must be emphasised that the margin for error is much smaller in achieving the CWT target in the first five-year period.

Having laid solid foundations in enhancing quantity, the time is ripe to transform better living quality from a long-term aspiration to reality. More specifically, we call for an increase in affordable homeownership opportunities and per capita living space in the public housing sector. These stood out as trends over the past two decades have revealed a significant shortfall in the proportion of SSF completions versus the demand

for SSF, and the size of new SSF completions has been on a downward trend in recent years. Nevertheless, any changes need to strike a balance between the pursuit of reducing the PRH waiting time, while providing adequate incentives for existing PRH tenants to achieve homeownership and surrender their PRH units. We, therefore, outlined a gradual three-step approach to enhancing quality over the next decade that will avoid adversely affecting PRH waiting time, enhance the SSF supply structure, and promote upward social mobility.

At the point of writing, Hong Kong is at a crossroads once again. On the last occasion, we halted all land creation and slowed housing construction efforts for ten years, causing supply shortages and a decline in living quality, with repercussions that we are still grappling with and rectifying today. This was a stark reminder for us to be more forward-looking with our land and housing strategies, and avoid creating future problems while solving our current ones. Learning from this experience, not only should we continue with land creation and housing construction under a systematic approach that would make the most of limited resources, but we also have to grasp the window of opportunity in enhancing quality.

Admittedly, the road ahead in enhancing quality is long, but it must start now.





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## Authors

### **Ryan Ip, CFA, MRICS**

Vice President and Co-Head of Research,  
Our Hong Kong Foundation

### **Calvin Au**

Researcher,  
Our Hong Kong Foundation

### **Jason Leung**

Head of Land and Housing Research,  
Our Hong Kong Foundation

### **Alvin Chiu**

Assistant Researcher,  
Our Hong Kong Foundation

### **Andy Wong, MRTPI**

Senior Advocacy Manager,  
Our Hong Kong Foundation

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OUR HONG KONG FOUNDATION LIMITED

19/F Nan Fung Tower, 88 Connaught Road Central, Hong Kong

[www.ourhkfoundation.org.hk](http://www.ourhkfoundation.org.hk)

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