

From Housing Market Outlook to Land Supply Strategy

13 July 2016



OUR HONG KONG
FOUNDATION
團結香港基金



Overview

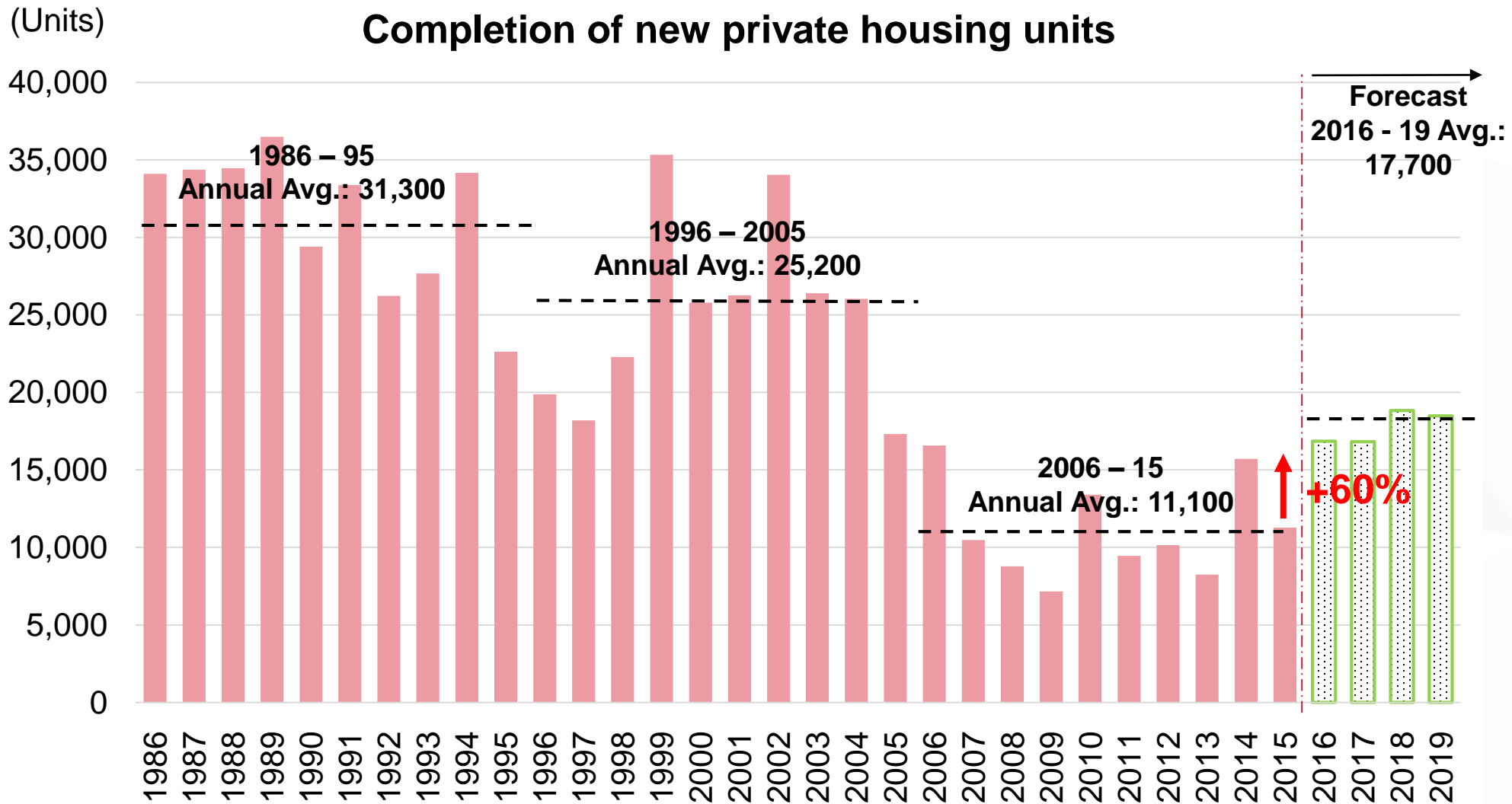
➤ **Housing market outlook :**

1. Increase in land supply in recent years
2. Expected new private unit completion in 2016 to 19: 18k p.a.
3. Supply of public housing trails significantly
4. Medium-term land supply situation warrants concerns
5. Housing demand continues to be strong

➤ **Policy implications :**

1. Increasing land supply via a multi-pronged approach
2. The “Brownfield First” principle is unrealistic
3. Imminent need to establish a land reserve

An Expected Increase in Private Homes Completion



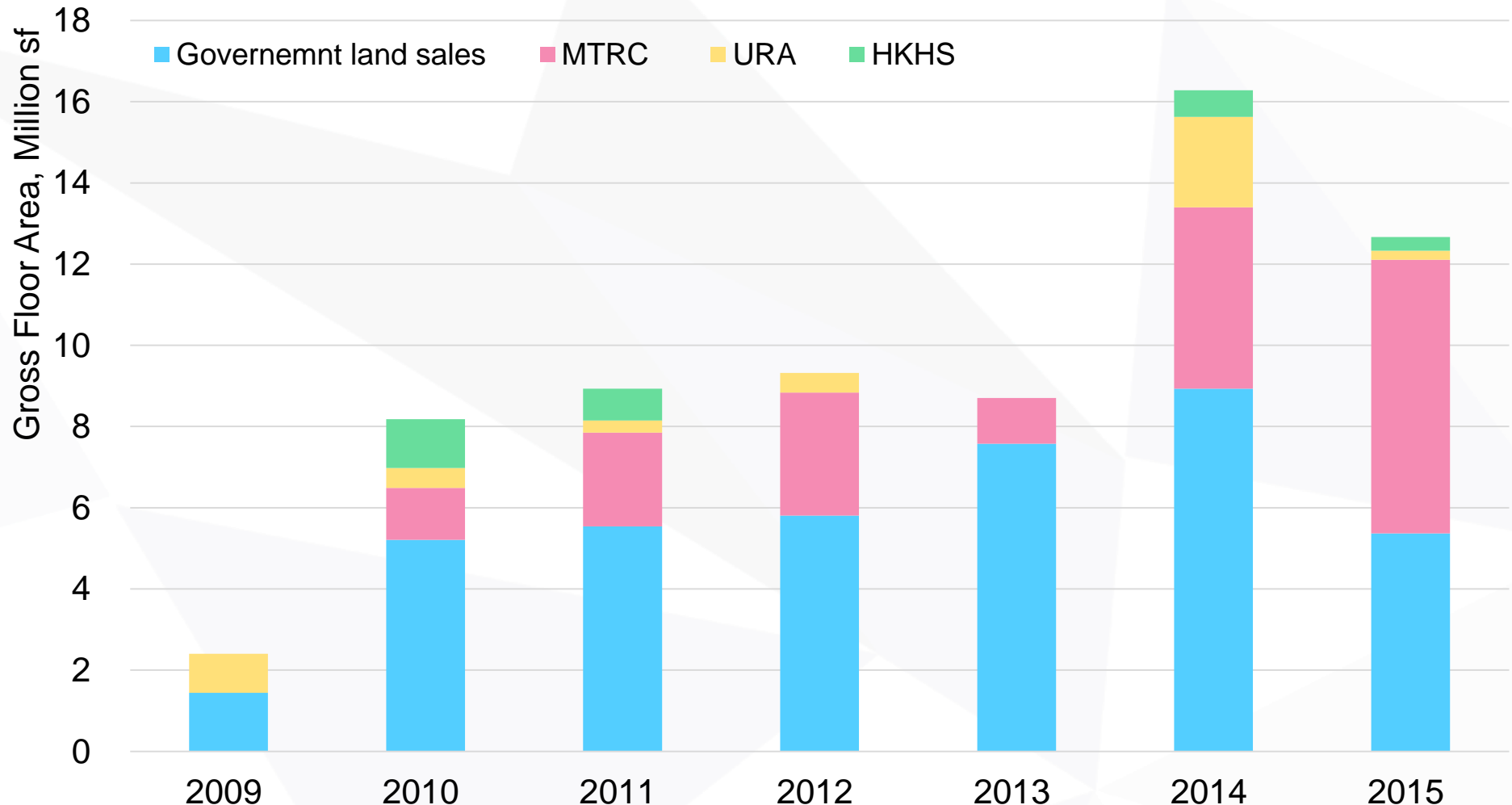
Source: Rating and Valuation Department and Our Hong Kong Foundation.

Private unit completions forecast

Forecast of Future Private Housing Supply (2016)#					
District	Development Name	Developer*	No. of Units @	Residential GFA (sf)	Source
Yuen Long	Yuccie Square	Cheung Kong	1,129	610,310	Land Tender
Yuen Long	Ngau Tam Mei	Cheung Kong	67	101,290	Land Auction
Islands	Century Link (Phase 2)	SHK	932	546,990	Land Tender
Islands	Century Link (Phase 1)	SHK	1,407	819,990	Land Tender
Sai Kung	The Wings IIIA	SHK	960	720,980	Land Auction
Sai Kung	The Wings IIIB ^(e)	SHK	326	234,220	Land Tender
Yuen Long	Park Vista Phase 2A	SHK	1874 [^]	1,072,990	Private
Yuen Long	Grand YOHO (Phase 1)	SHK	1,128	739,990	Private
Islands	18 Peng Lei Road ^(e)	Sino	54	36,840	Land Tender
Tuen Mun	8 Kwun Fat Street	Emperor	14	38,840	Land Tender
Sai Kung	Twin Peaks	K Wah	372	270,500	Land Tender
Sai Kung	Corinthia By The Sea	Sino	536	413,580	Land Tender
Sai Kung	The Beaumont II	Cheung Kong	872	548,810	Private
Yuen Long	Tan Kwai Tsuen, Hung Shui Kui	Far East	24	48,360	Private
Shatin	Double Cove	Henderson	474	387,170	Private
Shatin	Double Cove ^(e)	Henderson	176	330,660	Private
Sai Kung	Mount Pavilia	New World	680	1,057,080	Private
Islands	TUNG WAN, PENG CHAU	Sino	10	14,370	Land Tender
Sai Kung	Pik Sha Road 18 ^(e)	Chinachem	10	31,680	Private
New Territories Sub-total			11,045	8,024,650	
Kowloon City	Ultima (Phase 2)	SHK	271	454,500	Land Auction
Kowloon City	The Zumurud	Cheung Kong	228	394,530	Land Auction
Kowloon City	Inverness Park	Chinachem	134	229,590	Land Auction
Kowloon City	Homantin Hillside	Wing Tai	173	153,080	Land Auction
Kowloon City	The Grampian	Hanison	14	35,050	Private
Kowloon City	La Lumiere	Cheung Kong	216	105,030	Land Tender
Sham Shui Po	High One	Henderson	187	56,800	Private

Residential Land Supply Surged in Recent Years

Residential land supply (GFA) sold or tendered, 2009 to 2015

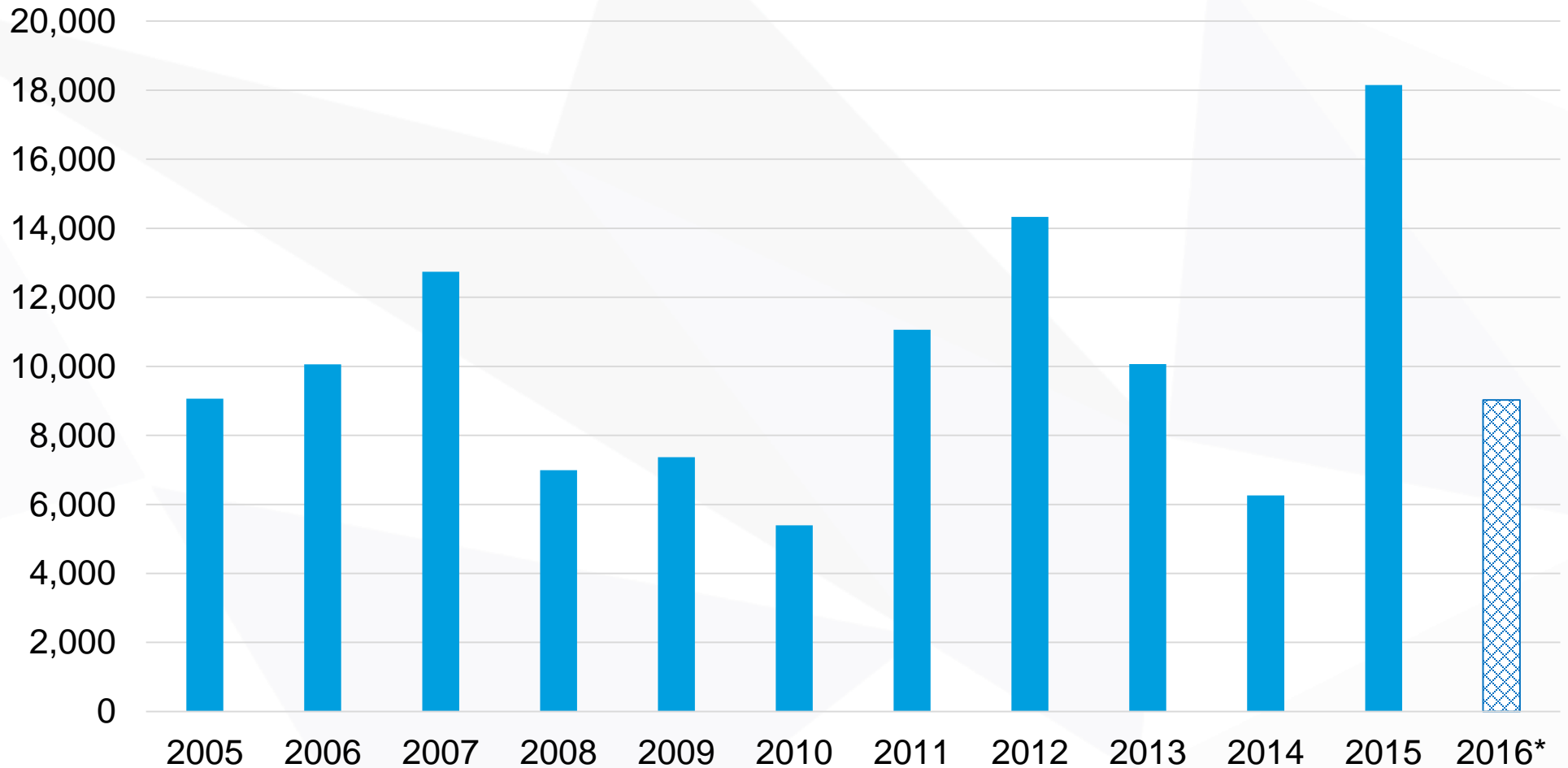


Note: (*) Does not include private development (e.g. land exchange, lease modifications, urban redevelopment projects of private developers etc.).

Source: Our Hong Kong Foundation.

Number of private units commenced hit the highest level in 10 years

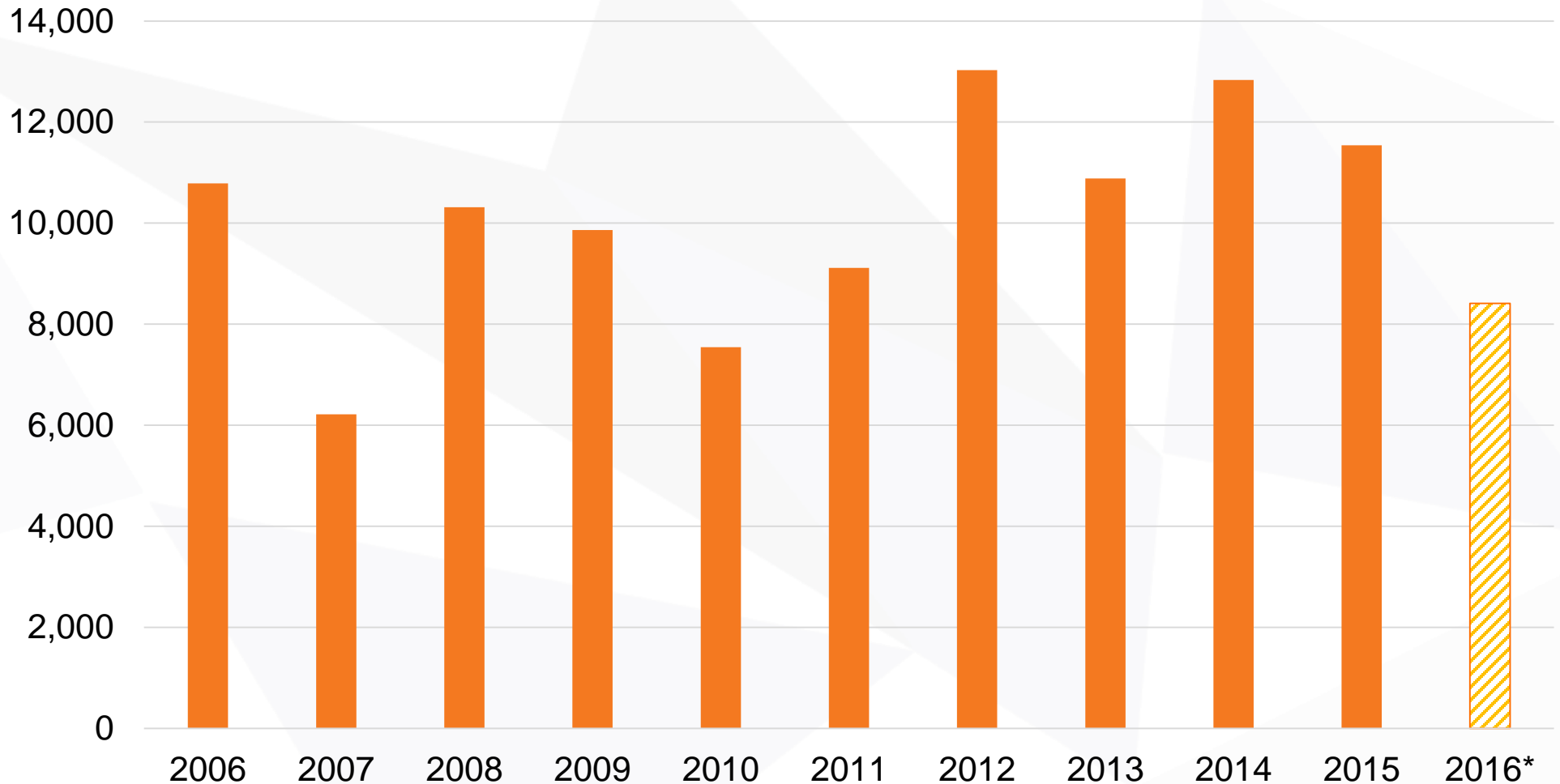
Number of private units with superstructure work commenced



Note: (*) As of April 2016.
Source: Buildings Department.

Number of units with pre-sale consent approved also hovers around high level

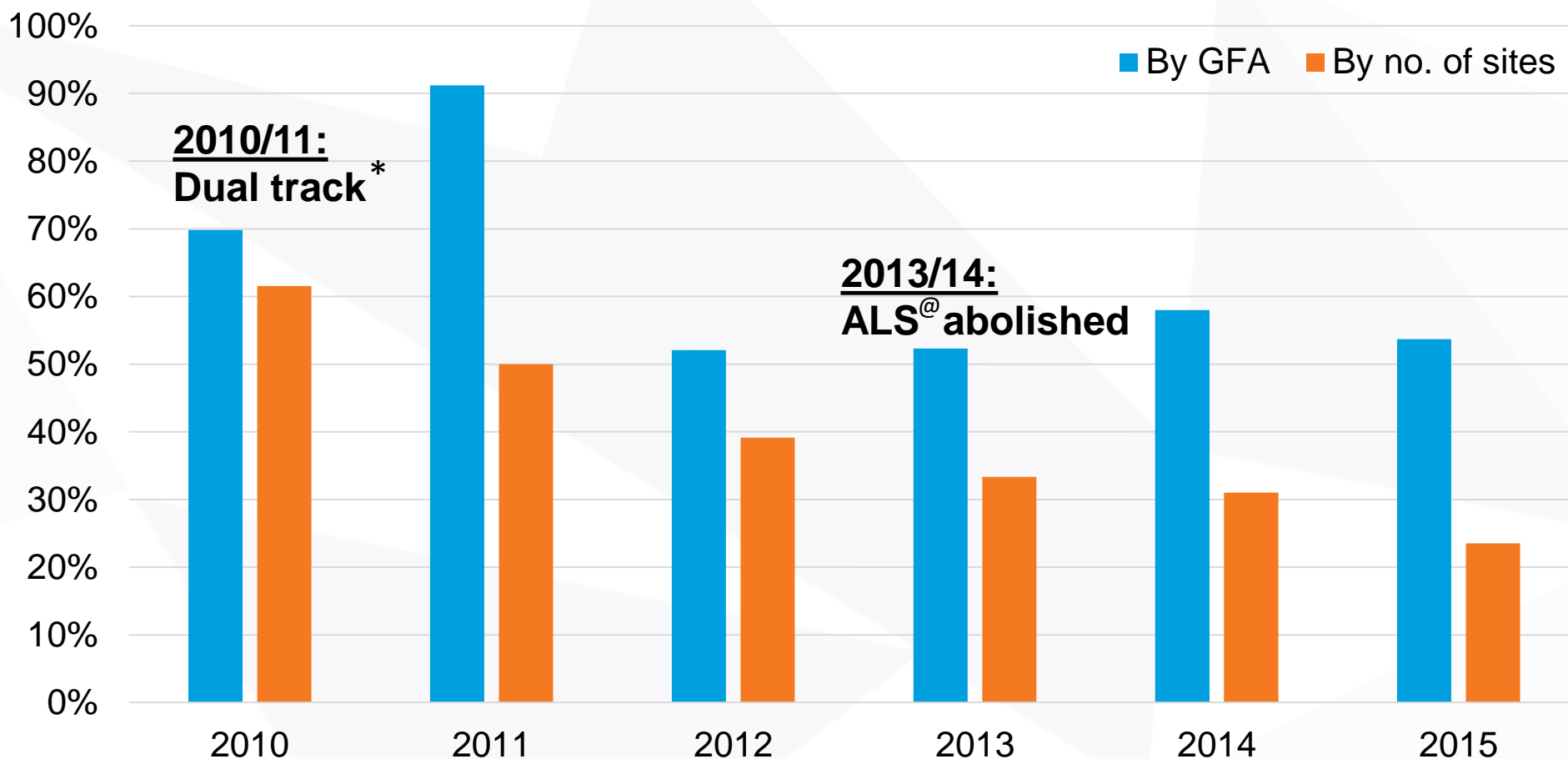
Number of residential units with pre-sale consent approved



Note: (*) As of June 2016.
Source: Lands Department.

Changes in Land Sales / Tender Market

Share of the largest three participants in Gov't land sales / tender



Notes: (*) The "Application List System" and regular lands sales concurrently existed.

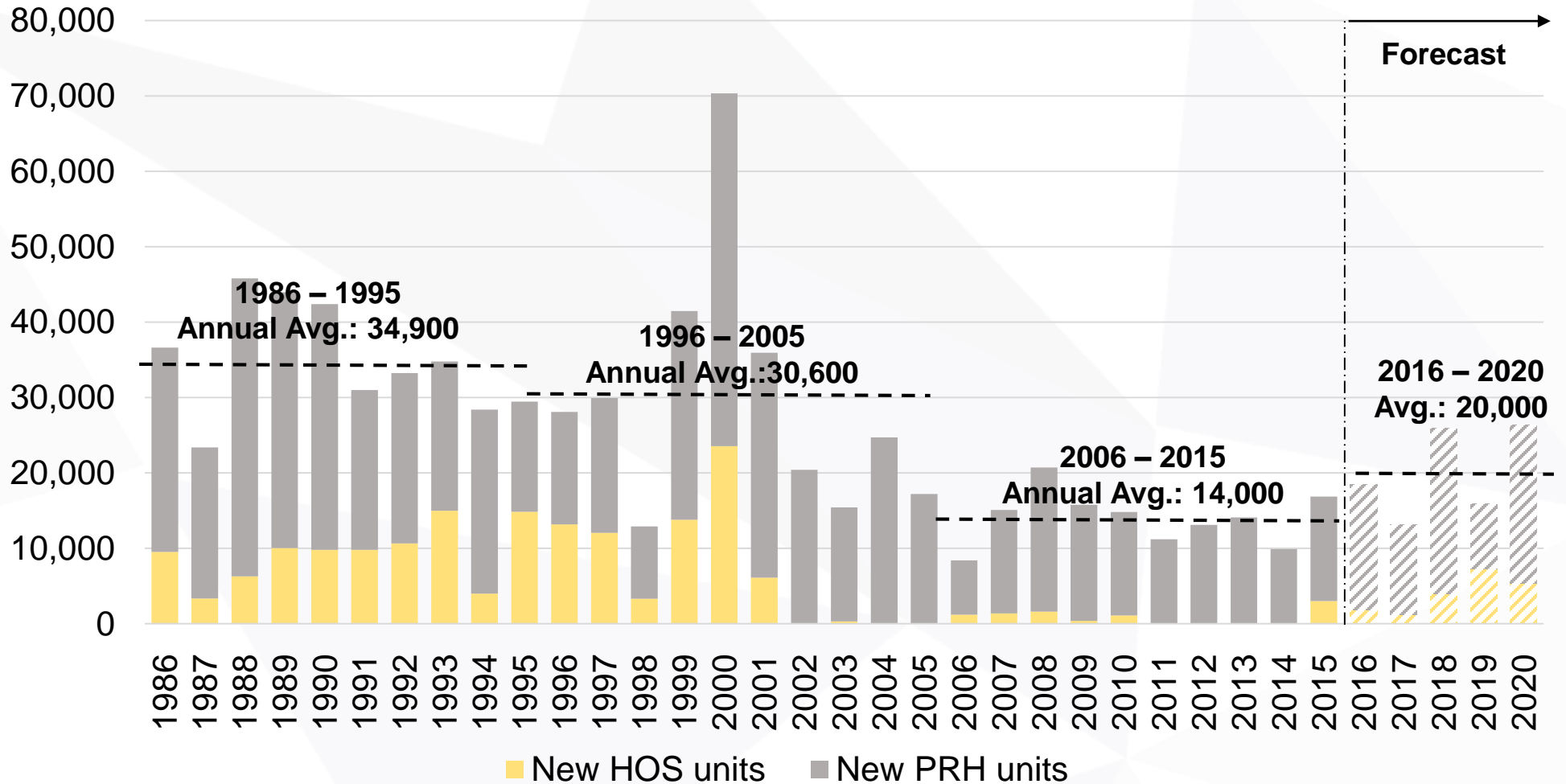
(@) Refers to the "Application List System".

Only includes residential land.

Source: Our Hong Kong Foundation.

Supply of PRH and HOS

Completion of new PRH and HOS units



Supply Target: Satisfactory for Private; Some Catch-up Needed for Public

Type of Housing		Completion (Units)	2 Years	5 Years	10 Years
			2016 – 2017	2016 – 2020	2016 – 2025
Public Housing	Public Rental Housing	Target [^]	40,000	100,000	200,000
		Expected	28,600	80,100	?
	Homeownership Scheme	Target [^]	16,000	40,000	80,000
		Expected	3,100	19,800	?
Total supply of Public Housing		Target [^]	56,000	140,000	280,000
		Expected	31,600	99,900	255,000
Private Housing		Target [^]	36,000	90,000	180,000
		Expected	33,700	70,900*	?
All Housing		Target [^]	92,000	230,000	460,000
		Expected	65,300	170,900	?

Notes: (A) Assume that the total housing target stipulated in the Long Term Housing Strategy is evenly distributed over the 10-year period.

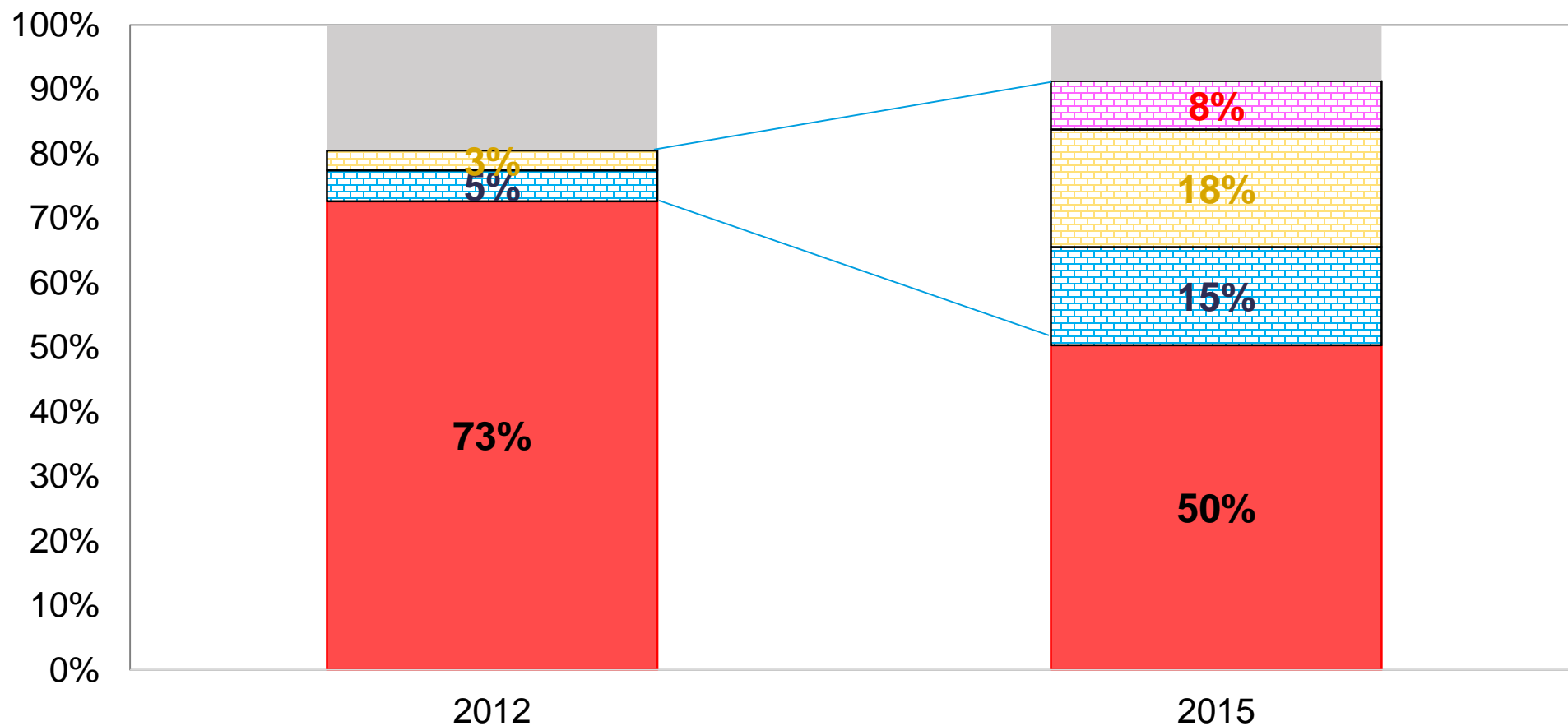
(?) Question marks denote unavailable information.

(*) Figures are OHKF projections for the next 4 years (2016 – 2019).

Sources: Transport and Housing Bureau, Rating and Valuation Department, Our Hong Kong Foundation.

Extremely Difficult to Find Land

Government Land Sales / Tender 2012 and 2015, by former use of sites



Total GFA sold / tendered: 9.0 million sf

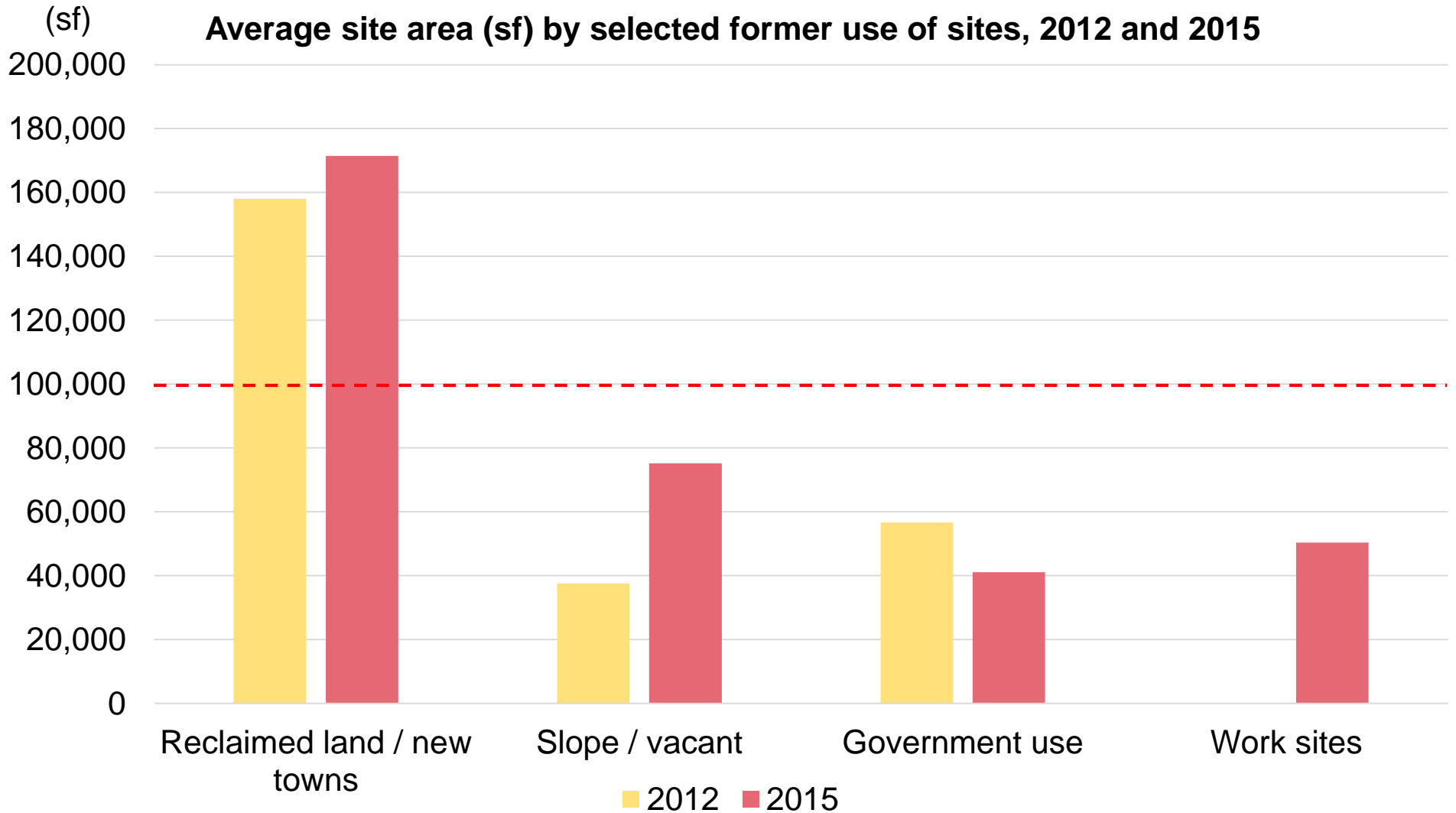
7.8 million sf

■ Reclaimed land / New towns ■ Slope / vacant ■ Government use ■ Work sites ■ Others

Note: Includes non-residential use.

Source: Our Hong Kong Foundation.

Extremely Difficult to Find Land



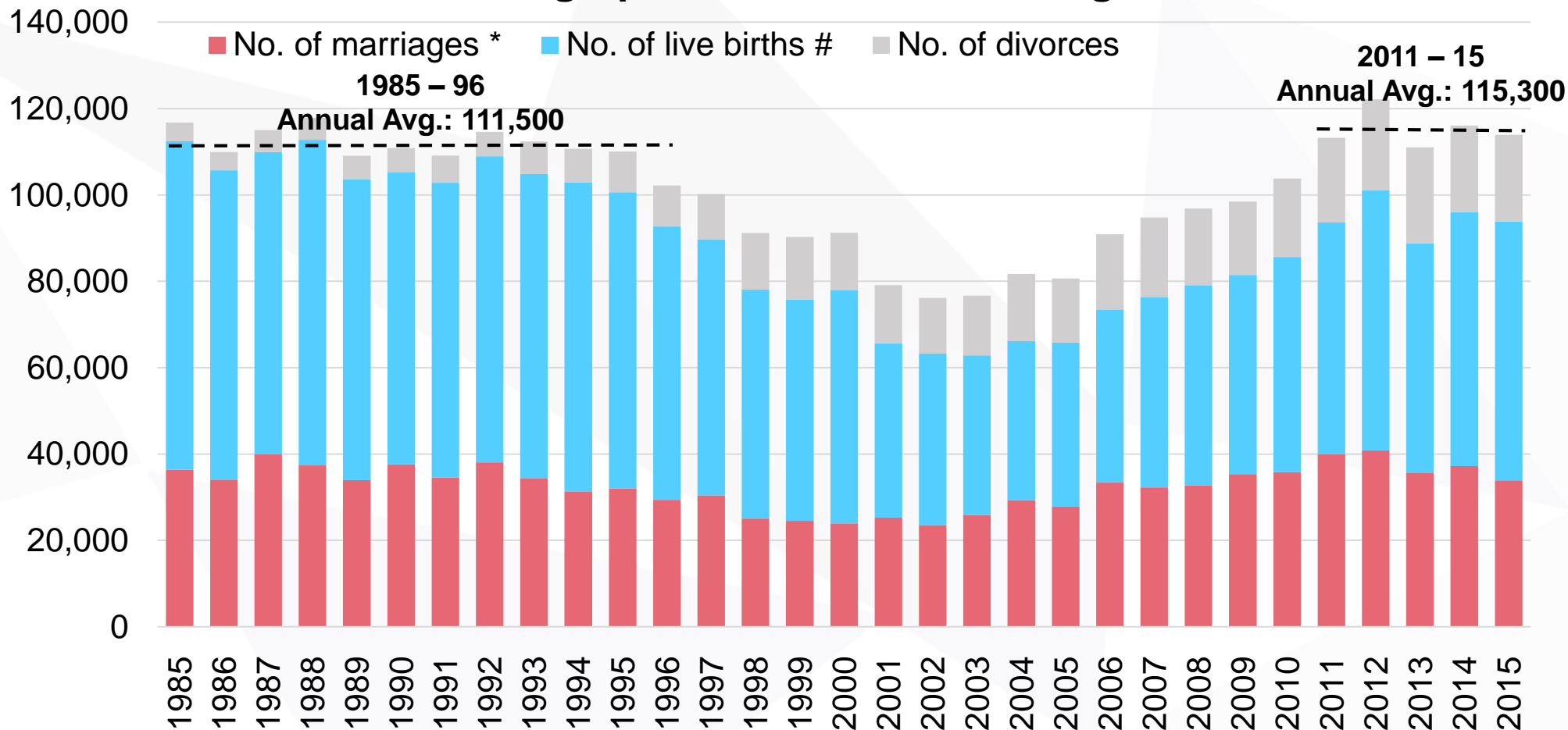
Note: Includes non-residential land.

Source: Our Hong Kong Foundation.

Demographic Demand: as strong as 1980 / 90s

(No. of Cases)

Demographic demand for housing



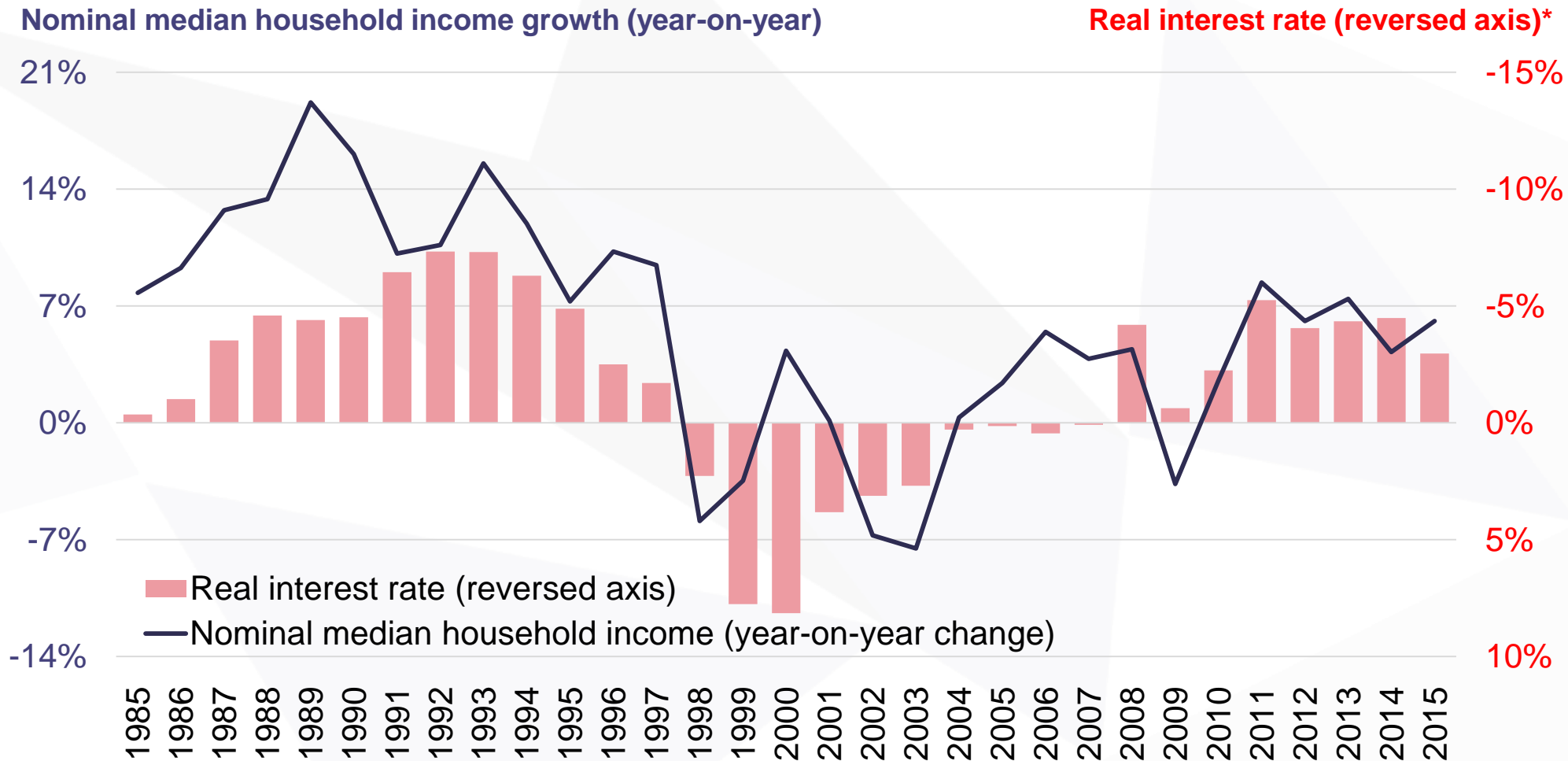
Notes: (*) First marriages only.

(#) Births from parents who are both permanent residents of Hong Kong.

Sources: Rating and Valuation Department.

And Supported By Affordability

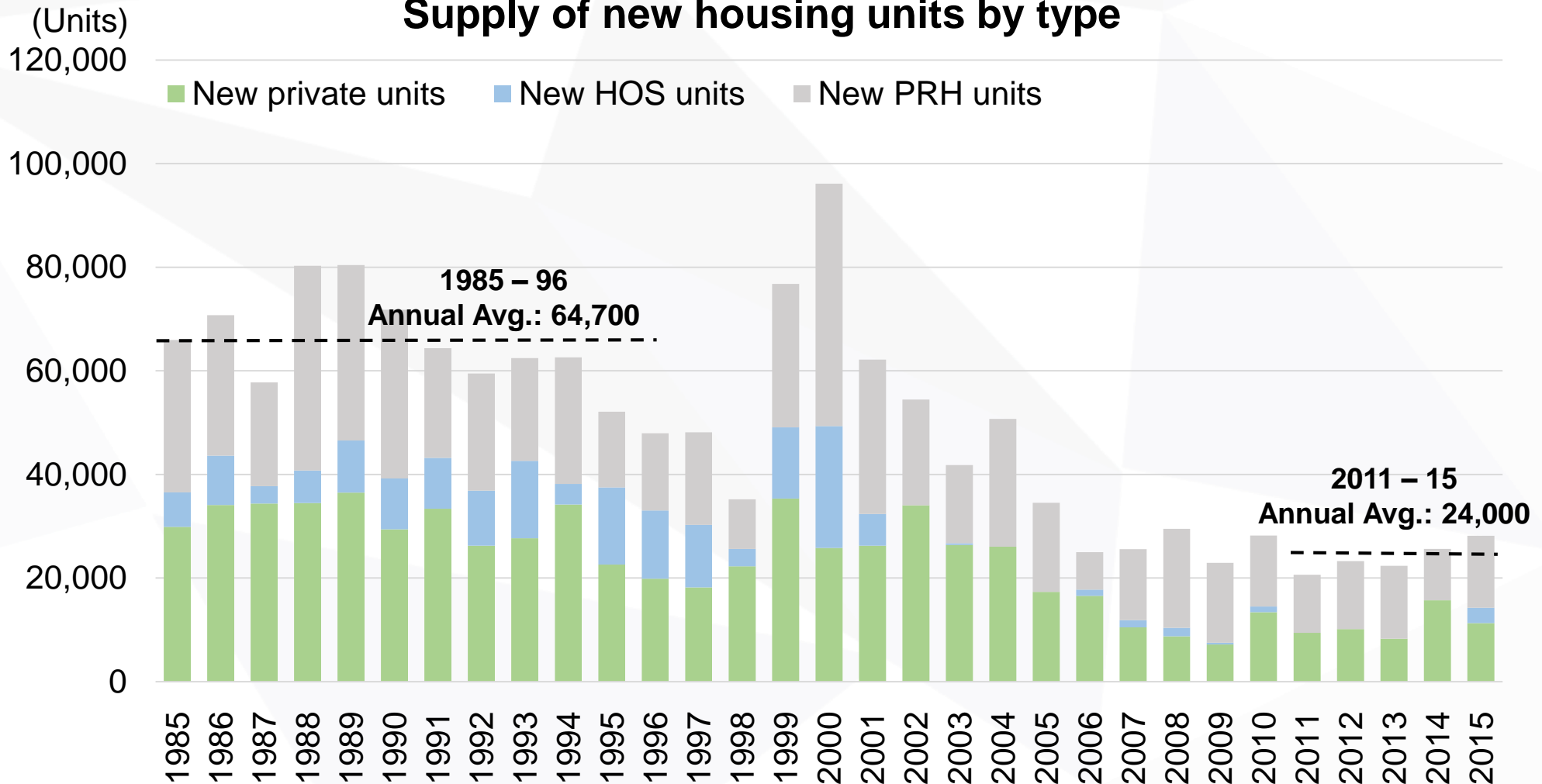
Household income and real interest rate



Note: (*) Refers to the excess of Deposit Rate over Inflation Rate (measured by the Consumer Price Index) on a reversed axis.
 Source: Census and Statistics Department, CEIC.

But Supply Only 40% of 1980 / 90s

Supply of new housing units by type



Conclusions So Far

- Substantial genuine end-user demand for housing → supply still relatively low
- No room for “slacking off” in land supply
- Absence of large-scale land development project for a prolonged period of time → very difficult to catch up

“Brownfield First”: Is that feasible?

What is brownfield?

1. No standardised definition
2. Various definition in different jurisdictions

Jurisdiction	Definition
United Kingdom	Previously developed land with future potential for being redeveloped
United States	Abandoned industrial land which has been contaminated
Hong Kong	Agricultural land in the rural New Territories, occupied by various haphazard industrial operations, which are often incompatible with the surroundings.

Land Development Takes Time...

Wing Tai Road, Chai Wan

2015

Housing Authority Proposal presented to District Council

2016 - 20

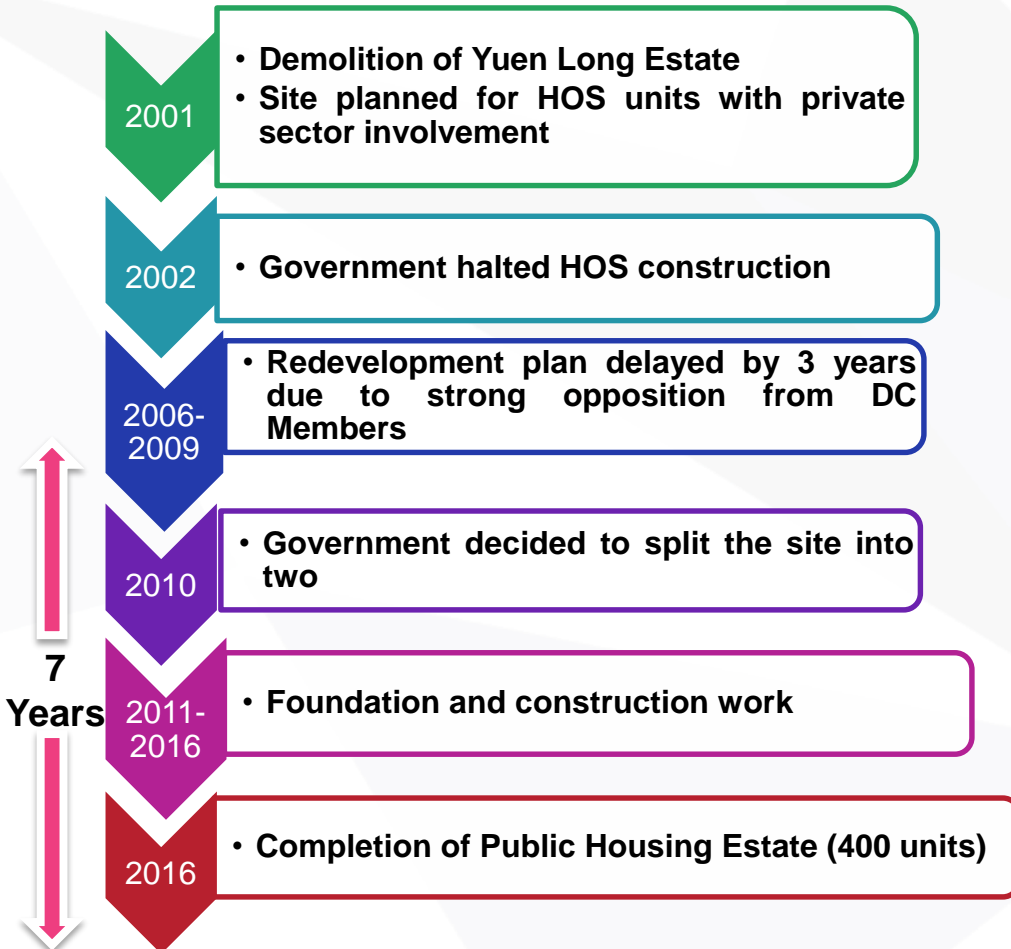
Demolition and Construction Work

2020

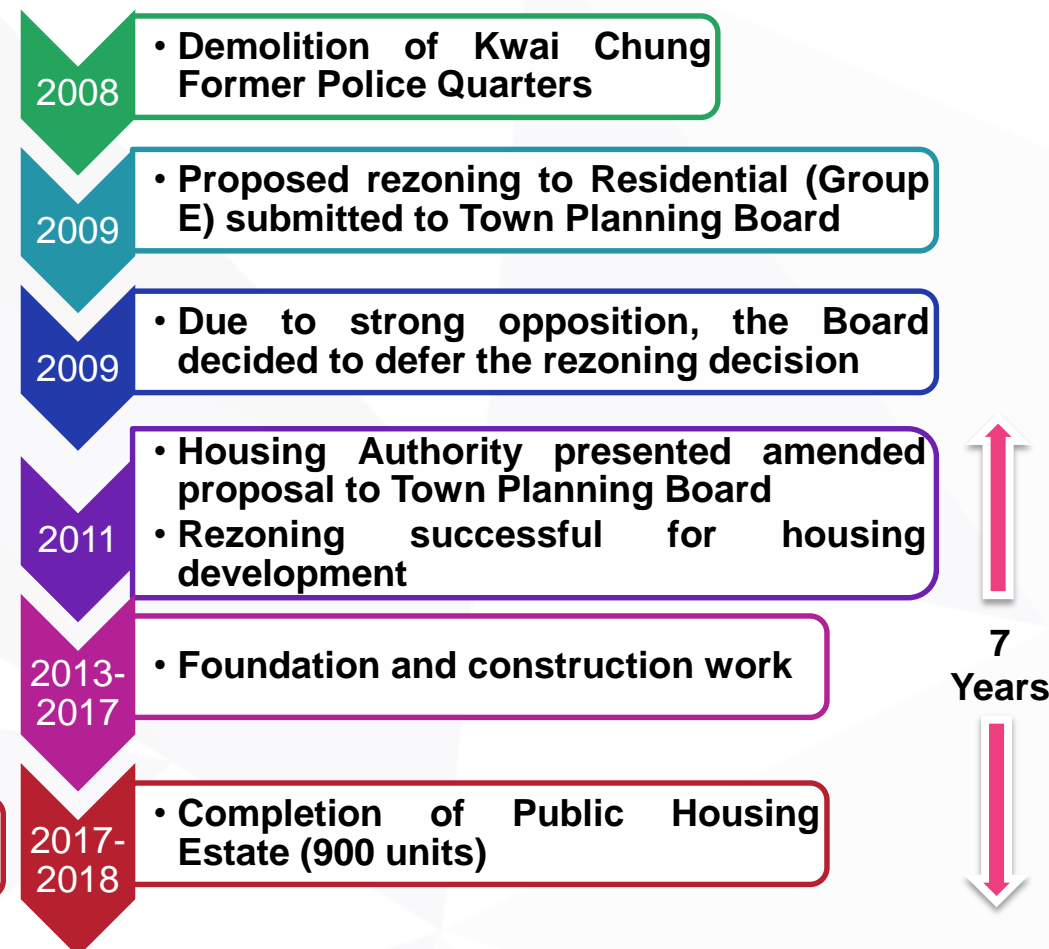
Public Housing Estate Completed (approx. 800 units)

Often Complicated by Objection at the Community Level

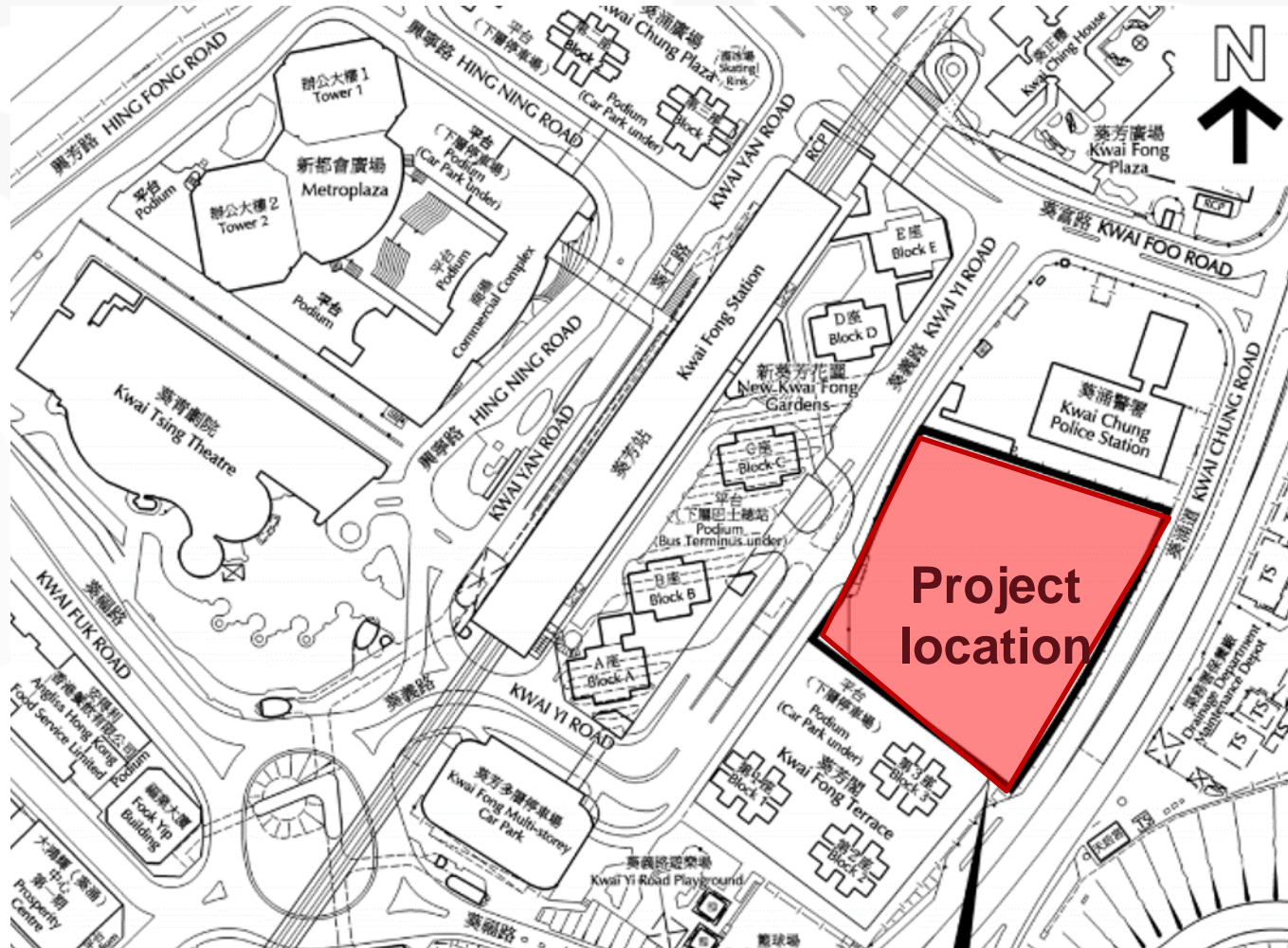
Redevelopment of Yuen Long Estate



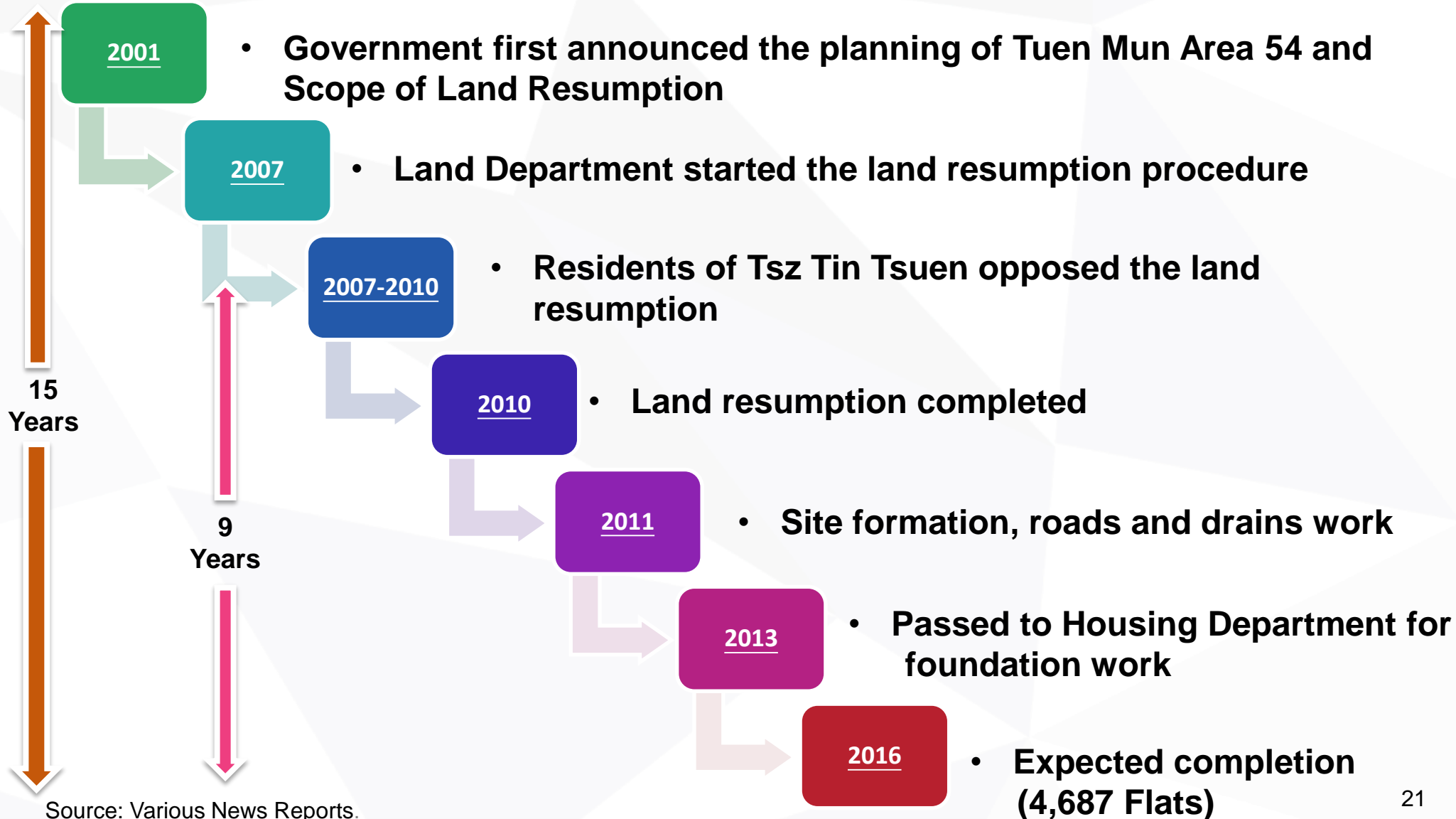
Kwai Chung Former Police Quarters



PRH Project at Kwai Chung Former Police Quarters



Land Resumption and Resettlement is Not Simple: Tsz Tin Tsuen

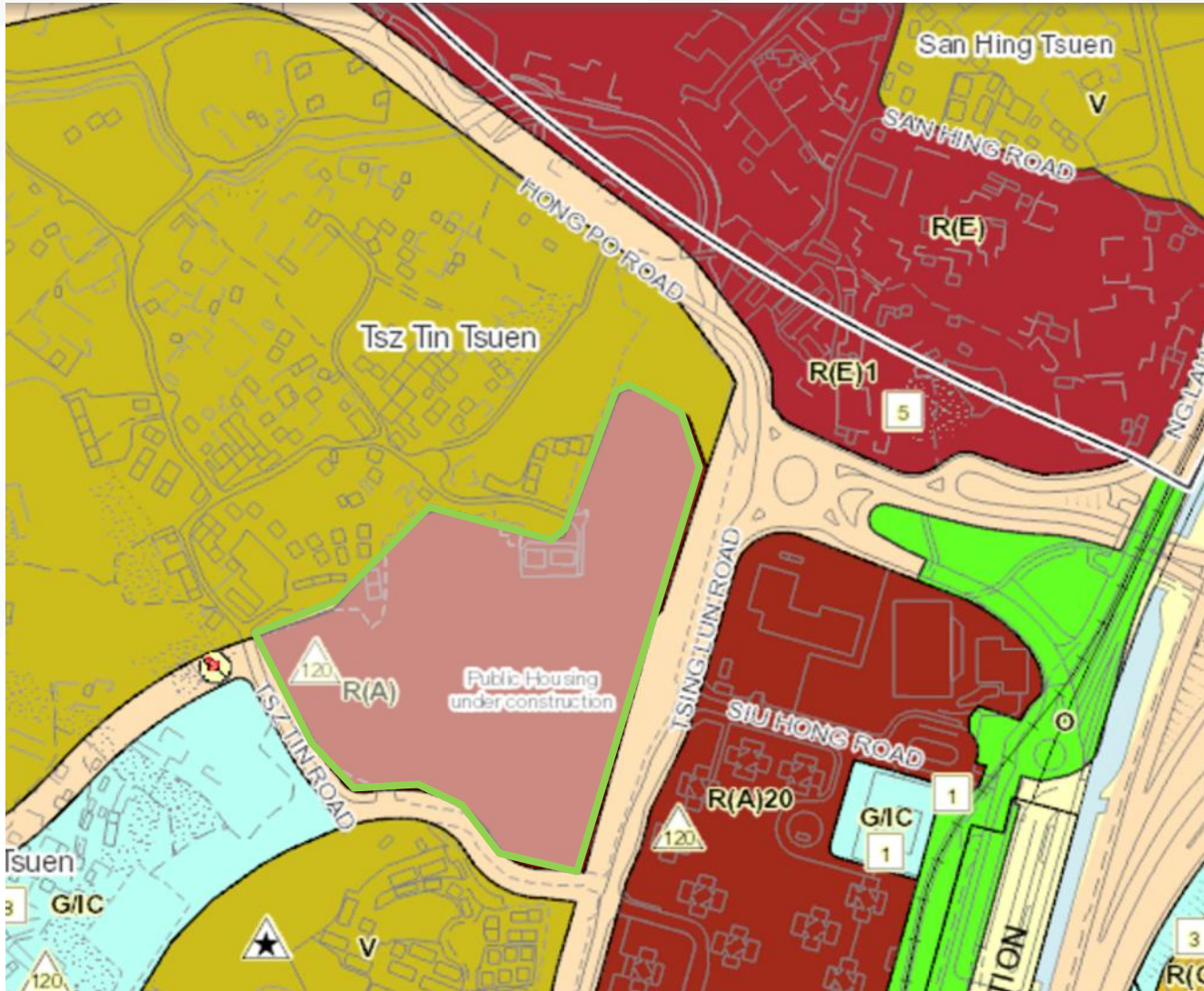


Source: Various News Reports.

PRH Project at Tsz Tin Tsuen (Yan Tin Estate)



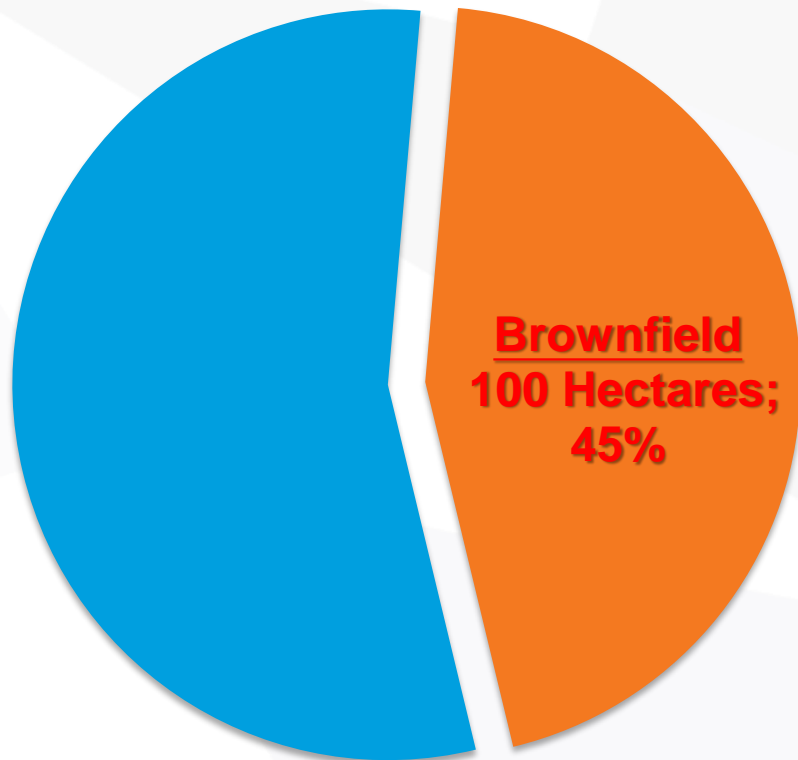
PRH Project at Tsz Tin Tsuen (Yan Tin Estate)



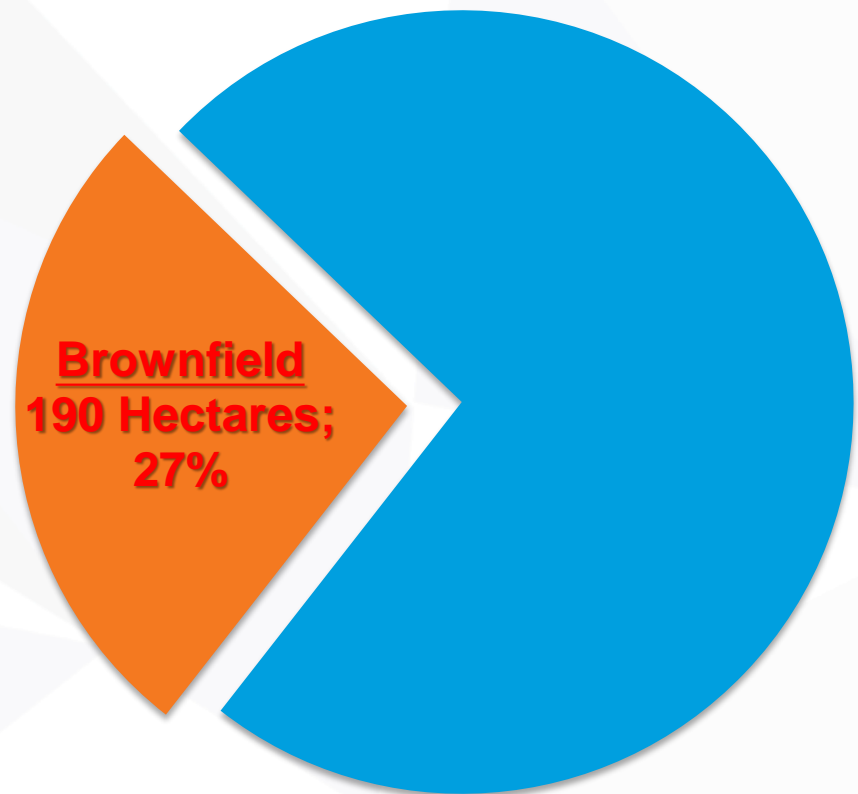
Source: Town Planning Board.

Many Brownfield Sites Already Covered in New Development Area (NDA)

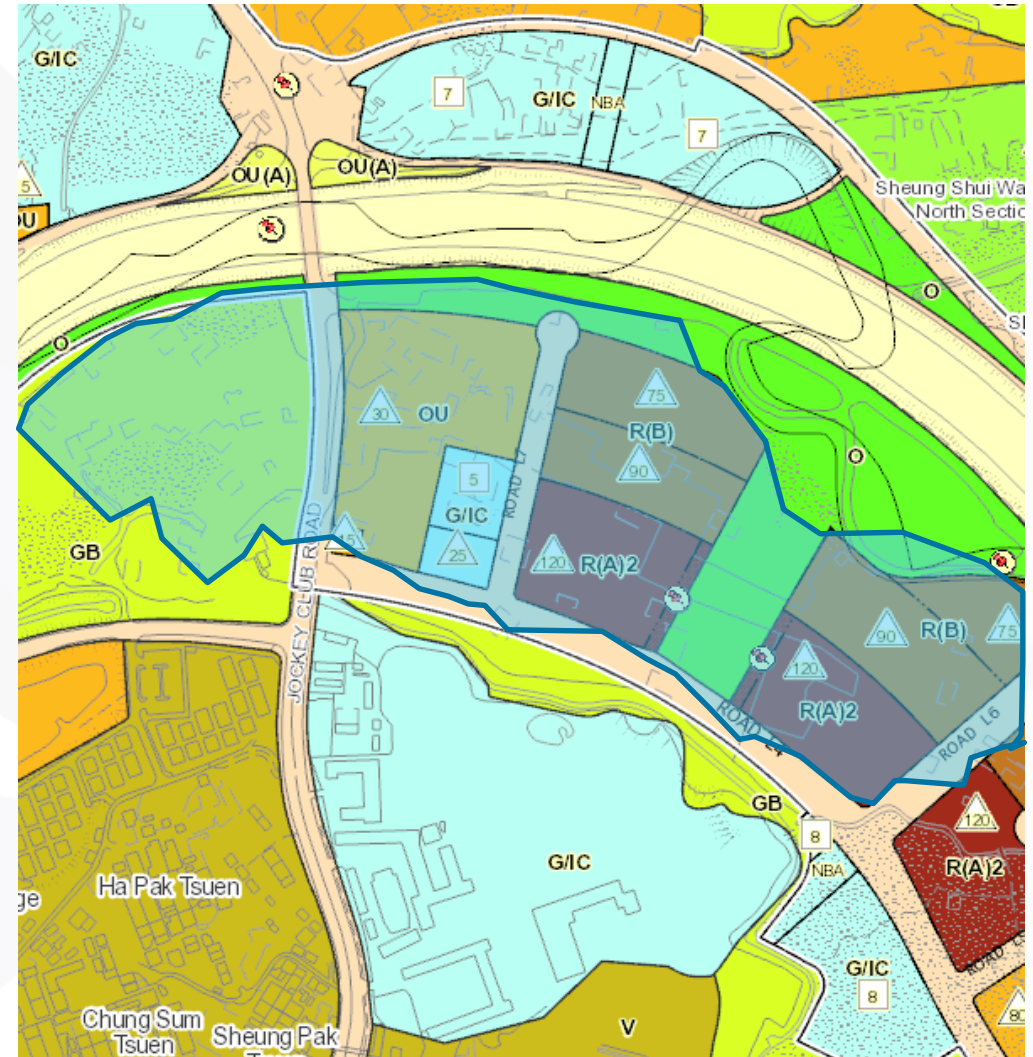
Yuen Long South NDA



Hong Shui Kiu NDA



Brownfield sites covered by NDA: Fanling North



Conclusions

1. Land supply is costly and time-consuming
2. Efficiency in existing land utilization should be improved
3. A policy prioritising any particular land supply avenue is unrealistic
4. A multi-pronged approach must be adopted for land supply
5. Establishment of a land reserves is essential over the long term