

**Address by
H.E. The Governor
Sir Murray MacLehose
G B E , K C M G , K C V O,
at the opening session
of the Legislative Council
7 October 1981**

(extract on Housing)

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Housing

39. Our hopes for a better-housed population have been constantly deferred - by rephasing in the recession of 1974 and in the over-heated economic situation of 1979, and subsequently and most importantly by the wave of immigration. Though, as I shall show, our housing production is now beating all records, there is still a clear need for expansion of the housing programme.

Public Sector

40. Following completion of 33 000 units in 1979-80, the public sector completed a record number of 37 600 flats in the last financial year: 27 400 for rental including 600 by the Housing Society, and for sale 8 700 under the government's Home Ownership Scheme, and 1 500 under the Private Sector Participation Scheme. This high level can be maintained; the sites and the money are there; it is good by any standard, but the situation with which we are now faced calls for something more.

41. In the first place we have decided to revise the Home Ownership Scheme as soon as possible so that the high land values that have been included in the price do not frustrate the social purpose of average of 5 000 units a year to be built under the scheme. In future, as in public housing estates for rental, land value will be excluded from the charge. This should reduce prices to about half those in the free market, well within the means of the families for whom the scheme is intended. The Secretary for Housing is to give details but obviously with such favourable and subsidized terms there must be safeguards against profiteering on resale. The proposal is to forbid resale except to the Housing Authority, for the first 10 years, thereafter a premium would be payable on sale to make good to the government the large element of subsidy in the original price adjusted to current open market prices.

42. Similar arrangement will also apply to the additional 5 000 units a year planned for sale in the Private Sector Participation Scheme, and the further 2 500 planned for the Middle Income Housing programme.

43. Thus, there will be 12 500 units a year for sale at prices well within the means of the middle and lower-middle income groups, insulated against the vagaries of the land market. Since completions on this scale are essential to our needs, if sites offered to the Private Sector Participation Scheme do not attract adequate tenders they will be taken over and developed as part of the Home Ownership Scheme.

44. With a rental scheme planned to run at about 30 000 units year, the annual completion of public sector units including those produced under the Home Ownership and Private Sector Participation Schemes and the Middle Income Housing Programme, should thus steadily rise from the current level of at least 35 000 units to over 42 000 by 1985-86.

The Private Sector

45. The performance of the private sector in the year ended March 31, with 21 500 units completed, was rather less than in the previous year. However, the forecast is for this year's total to exceed 31 000 units. This should raise the figure of completions for the public and private sector combined to about 71 500 for the current year, compared with 59 100 units for last year.

Forecast if future requirements

46. Where will construction on the scale planned get us? The dimensions of our housing shortage are very hard to quantify with accuracy. A comparison of the number of households recorded in the census against our stock of self-contained flats in the public and private sectors produces a shortage of some 260 000 flats. This is on various assumptions including that 50 per cent of one and two person households will continue to share accommodation with others. If we succeed in completing an average, and I stress the word average, of about 40 000 a year in the public and 26 000 a year in the private sector, over the next five years, that is to say 330 000 new flats by the end of the financial year 1985-86, after allowing for increase in population and demolition of existing flats for redevelopment and the trend towards the formation of more, smaller households, the shortfall should be reduced to about 90 000, and unforeseen circumstances apart, the problem should be reduced to manageable proportions in the second half of this decade.

47. I am aware of the many pitfalls in these figures and predictions, but I have dared to use them to illustrate how immense the task facing us is, and how essential it is that both public and private sectors continue to build to their maximum capacity if the task is to be accomplished.

Conclusion

48. Two further points on this important subject.

49. Firstly, the solution to this problem assumes a large contribution by the private sector. Consequently, if private sector production falls off, either ways of encouraging it, or an increase in government construction, must be considered.

50. Secondly, the sharp rise in land and property prices, in addition to interest rates, has greatly aggravated the effects of housing shortage. Housing otherwise available has become beyond the means of those who need it, and the proportion of family incomes spent on rents or mortgages has been grossly inflated. This is perhaps the greatest single cause of unhappiness and worry in Hong Kong at this time. You will note that the government's answer is to build over 42 000 flats a year which will be either sold or rented on a basis that totally excludes land value on the open market.

Rent Control

51. In June, this Council passed the Landlord and Tenant (Consolidation) (Amendment) Ordinance, which extended the present framework of rent controls for a further two years, while at the same time adjusting the maximum permitted increase in controlled rents from 21 per cent to 30 per cent biennially, and excluding by two annual phases flats with a very high rateable value.

52. A large number of recommendations made by the Committee of Review remain to be put into effect. Legislation will be introduced this session: to establish a tribunal system to provide reasonable security of tenure to tenants of premises not otherwise protected by the ordinance and who are prepared to pay a fair market rent; additional protection for sub-tenancies; and safeguards with regard to the redevelopment of controlled premises.