

Press Release



Government announce measures to consolidate prevailing housing policy

The Government announced today (October 15) ways to further implement and consolidate relevant policies and measures on the basis of the prevailing housing policies to help strengthen public confidence and revitalize the property market.

In his statement on housing policy delivered in the Legislative Council, the Secretary for Housing, Planning and Lands, Mr Michael Suen, said that it had been almost a year since the Government repositioned its housing policy to address the imbalance of supply and demand in the property market and implemented measures to restore confidence of the public and investors.

"The property market has begun to stabilize and there have been initial signs of rebound in recent months. We believe that we must implement and consolidate the relevant policies and measures on the existing basis to further coordinate the supply of new flats. This will help strengthen public confidence in the market and help the property market regain its vitality.

Although the supply of private residential housing is still abundant, the production "peak" has passed. It is anticipated that while the supply of flats will remain in excess of 20 000 in both 2004 and 2005, the number will decrease to only about 10 000 and 4 000 in 2006 and 2007 respectively, Mr Suen said.

"As the supply of new private flats in the next few years will be on the decrease and the situation of supply in excess of demand will hopefully be rectified gradually," Mr Suen said.

"To uphold the implementation of government policies, we will regulate the demand for land through market forces to foster a healthy and normal development of the property market, the Government has decided to resume the Application List System from January 2004.

"In addition to lowering the risk of over-supply and reducing government intervention in the property market, supplying land through the Application List System can also provide the property market with information on land sales by the Government and increase the transparency of the market.

"The Government is preparing a new Application List and making operational arrangements to tie in with the resumption of land sales through the System next year.

"Before deciding on how to draw up the Application List, the

Government will take into account market situation and development needs, and consider carefully the quality, the location of individual sites as well as the number of flats that can be built on these sites," he said, adding that details would be announced in January 2004.

Reiterating the Government's principles of land sale by open tender and public auctions, Mr Suen maintained that the sites on the List would not be sold at a pathetic price.

Addressing the public concern on the property development projects of the two railway companies, Mr Suen said the Government would step up liaison with the two railway corporations on the pace and the timing of tendering their property developments to enable an orderly disposal of the property developments according to market demand.

For projects involving the Kowloon-Canton Railway Corporation (KCRC), the production of 7,200 residential units at its Tai Wai Maintenance Centre and Tai Wai Station of the Ma On Shan Rail would be carried out by phases and the first batch will be completed no earlier than 2008.

Development schedules for the remaining developments at Wu Kai Sha Station and Che Kung Temple Station of the Ma On Shan Rail have yet to be finalized, pending KCRC's review on the development priorities of individual projects and its further coordination with the Government.

As for property developments along the West Rail, the Government has decided to review the development and timetables for the property sites along the West Rail first according to the latest market situation.

On the other hand, Mass Transit Railway Corporation has undertaken to review the planning for Tseung Kwan O Area 86 which involves 21 000 flats to be developed by phases. It is anticipated that the first batch of flats will not be completed until 2007 the earliest.

In a related move, a concessionary measure that aims at providing the developers with some flexibility is being planned in response to concerns about the bunching of new flats to be completed in the near future.

"The Government proposes to extend the period of the building covenant of development projects which originally will expire between 1 November 2003 and 31 October 2004 for one year without additional charges, " Mr Suen said.

"We hope that the proposed concessionary measure can provide the developers with some flexibility in adjusting the completion date of the project according to market situations before offering them for sale," he said.

Taking on last year's announcement to cease the production and sale of the Housing Authority's Home Ownership Scheme (HOS) flats and as a determined gesture for the Government to withdraw from the private property market, recommendations will be made to the

Authority for not putting up for sale, in form of subsidized housing, unsold and returned HOS flats before the end of 2006.

In the meantime, the Authority is actively exploring various disposal options for the 10 000 HOS flats that are completed or under construction but have never been offered for sale.

To benefit the overall property market, the Government has undertaken to secure an early passage of the Landlord and Tenant (Consolidation) (Amendment) Bill 2003, which was submitted to the Legislative Council for scrutiny in June this year.

If passed, the legislation would serve to relax all excessive protection of security of tenure, thus enabling the rental market to revitalize and to attract more property investors, Mr Suen noted.

Noting the close link between the property market and the economy, Mr Suen said that the local economy has started to improve and the property market has become more active after Severe Acute Respiratory Syndrome (SARS).

At one point, he said, property prices in the second quarter of this year had dropped by 5 to 10 percent as a result of the sustained blow brought about by SARS on HK's economy and property market.

Mr Suen said that good signs of recovery of HK's economy were evidenced by favourable news and statistics, including the strong growth in export figures; significant increase in the number of Mainland visitors to Hong Kong and the resultant improvements in employment and business opportunities; and benefits to the local economy brought by the introduction of the Capital Investment Entrant Scheme.

"People feel optimistic about the future economic prospects, which will hopefully lead to greater demand for properties," he added.

With measures to intensify the existing policies and work toward the objective of "big market, small government", Mr Suen believes that the private property market will become active again and sustain a healthy and steady development when the economy improves further.

The only "measure" to deal with the situation, Mr Suen reckoned, was to gain the public's trust that the Government steadfastly committed to a clear, comprehensive and consistent housing policy. "As long as we continue this clear and adamant message to the Hong Kong people, public confidence in the property market will be restored," he noted.

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