OUR HONG KONG FOUNDATION
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Land and Housing Policy Research Report

Hong Kong Housing Landscape Navigator 2025

April 2025

Content

Executive Summary

Hong Kong's housing landscape faces continued challenges. In the face of headwinds, dwindling private housing land sales and ballooning public housing construction expenditures have dominated headlines, while the role and necessity of subsidised housing have also come under scrutiny.

Our Hong Kong Foundation (OHKF) offers an updated analysis of these recurring themes. For private housing, with development periods lengthening by 33% in recent years, the resulting heightening development risks deterred developers' interest and willingness to submit competitive bids in the land sales market. Hence, while average annual completions are forecasted at 17,100 units in 2025–2029, a gradual decline is expected.

For public housing, a harvest phase in completion is forthcoming with the Long Term Housing Strategy (LTHS) target set to be exceeded by some 7% to 31%. Nevertheless, Light Public Housing (LPH) remains indispensable in reducing waiting time by 2026/27. Behind the positive supply outlook, however, is fast-growing costs. Given the buffer above the LTHS target, there is room for prioritisation based on cost-effectiveness to contain expenditures.

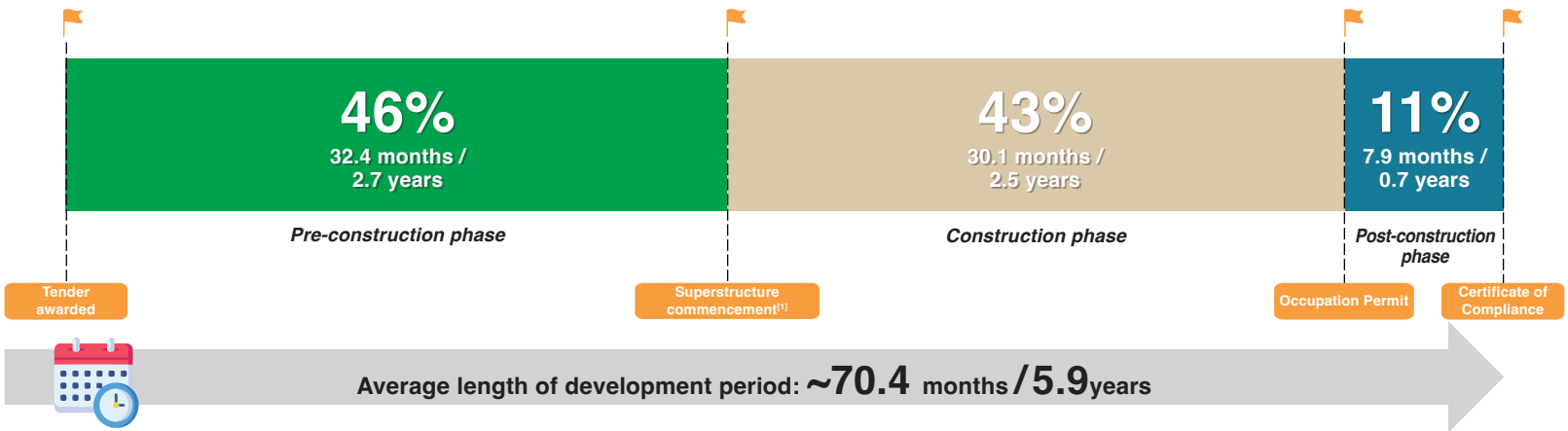
For subsidised housing, competition with private housing is limited despite a broadening overlap in lump sum prices. Serving as the primary home ownership avenue for low- to middle-income families, it offers a quicker solution than new units by releasing valuable public housing resources for more needy applicants. Larger subsidised housing units, however, are needed to entice upgrading and boost turnover.

The following section will provide a detailed analysis of the upcoming trends in private and public housing supply, coupled with a review of the role and function of subsidised housing.

Part I: Private Housing Supply

1. Average annual completions are anticipated to be around 17,100 units in 2025–2029. However, completions will be front-loaded with around 20,000 units in 2025 and 2026, then gradually decline to around 15,000 to 16,000 units annually between 2027 and 2029. Although we forecasted this trend in last year's report, its occurrence was pushed back due to longer development periods, where some 70% of units completed in 2024 experienced delays ranging from one to more than six months.
2. The noticeable slowdown in every stage of the private housing development cycle validates this trend. In 2024, approved pre-sale consent applications, superstructure commencements, and estimated flat yields from private housing land supply continued to decline. Weak fundamentals, compounded by higher development risk aversion, led to conservatism in the land sale market, where successful government land tenders since 2022/23 have become fewer and declined in plot size and accommodation value.
3. An analysis of over 100 government sites tendered between 2011 and 2020 that have completed the development cycle shows that development periods have lengthened by 33% in recent years. Further segmentation reveals that more than half, or 57%, of the development period involves the pre- and post-construction phases. These two phases could be significantly lengthened by site complexities and requirements to construct public facilities, which would entail multiple approvals from different authorities. We, therefore, urge the government to continue to streamline approval procedures and simplify conditions in its land grants.
4. Looking at a broader time horizon since 1997, pendulum swings were observed in average annual completions every ten years. Nevertheless, we expect that although completions will fluctuate in 2025–2034, the magnitude of change vis-à-vis 2017–2024 will be milder than between 1997–2006 and 2007–2016. Our scenario analysis shows that subject to interactions between policy adjustments and market recalibrations, average annual completions for 2030–2034 could range from 15,400 to 19,900 units.

Distribution of development period of government sites tendered between 2011 and 2020, by development stage

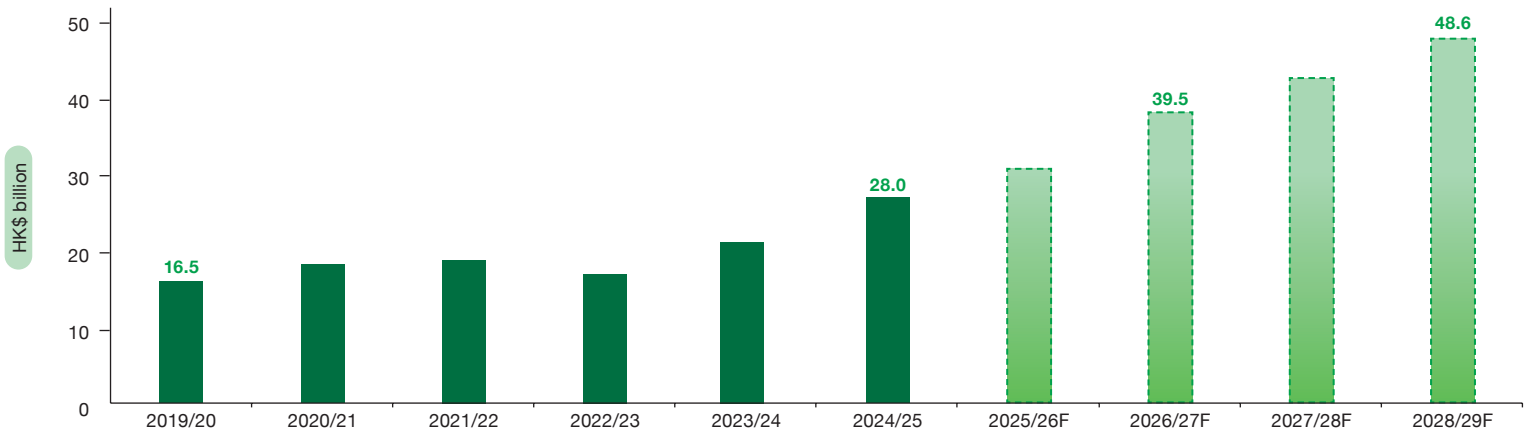


Note: [1] This is used as a proxy as information regarding the Notification of Commencement of Foundation Works filed with the Buildings Department by contractors is not publicly available
Sources: Lands Department, Buildings Department, and Our Hong Kong Foundation

Part II: Public Housing Supply

5. Public housing completions are entering a harvest phase. For the first time since the LTHS was promulgated in December 2014, traditional public housing completions alone—forecasted at 32,100 units per annum in 2025/26–2029/30—are enough to meet the LTHS target of 30,800 units, exceeding it by 4%. Adding up the LPH, which implementation is on track, average annual public housing completions would reach 37,700 units in 2025/26–2029/30.
6. Given more upcoming completions, plus more recovered flats stemming from enhanced effectiveness in combating tenancy abuse and intakes of subsidised housing, we expect a downward trend in the Composite Waiting Time for Subsidised Rental Housing (CWT). Nevertheless, our analysis shows that the 30,000 LPH units are indispensable to plug the short-term supply gap of traditional public rental housing (PRH) units in meeting the key performance indicator (KPI) of shortening the CWT to 4.5 years by 2026/27.
7. Over the ten-year horizon, the problem of back-loaded supply is easing, and a stronger buffer above the LTHS target is being built up. Having accounted for possible delays in site delivery to the relevant implementation agents and the subsequent construction delays, the resulting traditional public housing completions still exceed the LTHS production target of 308,000 units by some 7% to 31%.
8. However, the positive outlook on public housing completion comes with a hefty price tag. The Hong Kong Housing Authority (HKHA)'s annual construction expenditures are forecasted to increase by 73% in the coming four years, and this only reflects the financial commitments of 42% of the ten-year LTHS production target. Given the abovementioned supply buffer, the cost-effectiveness of developing sites with low flat yield capacity and complex terrain should be reconsidered to rein in ballooning construction expenditures.

Construction expenditures of Hong Kong Housing Authority, 2019/20–2028/29[1]

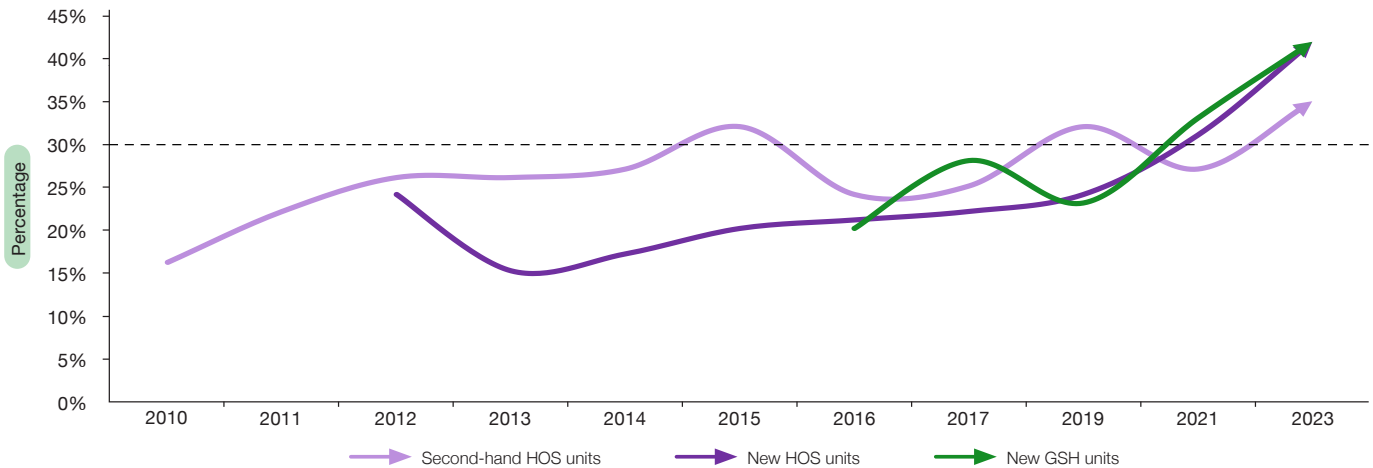


Note: [1] Construction expenditures include payments to contractors, in-house supervision, and administration costs
Sources: Hong Kong Housing Authority, Our Hong Kong Foundation

Part III: Subsidised Housing Spotlight

9. Given that home prices have trended downward since the all-time high in September 2021, the overlap in subsidised and private housing lump sum prices has expanded from HK$3–5 million to HK$1–5 million, leading to scepticism towards the necessity of subsidised housing. However, with only 3% of private housing transactions in 2024 between HK$1–3 million, the potential competition with subsidised housing, if any, is insignificant.
10. For units between HK$3–5 million, the potential clientele roughly corresponds to 18% of Hong Kong households with a monthly income of HK$25,000–39,999. This group near the median household income level is most susceptible to the overlap in lump sum prices and potential competition between the subsidised and private housing markets. For other low- to middle-income families, subsidised housing remains their first step towards home ownership, underlining its raison d'etre and necessity.
11. Moreover, trends in the past two decades show that subsidised housing has a greater impact on PRH unit recovery and turnover than combating tenancy abuse. As a quicker way of meeting the needs of PRH applicants, recovered units have become the mainstay of PRH allocation and reduction in PRH waiting time in the past two years. With over 30% of PRH households open to purchasing subsidised housing, up to 338,100 PRH units can be recovered if these unfulfilled home ownership demands are met.
12. However, there is a significant demand and supply mismatch in the subsidised sale flats (SSF) secondary market. The distribution of transactions of subsidised housing with premium unpaid in 2010–2024 shows that Green Form buyers overwhelmingly prefer larger units. Yet, new subsidised housing completions have been dominated by units under 431 sq. ft. in recent years. Owners of existing subsidised housing units could also be reluctant to sell as they cannot afford the leap to private housing.

Proportion of PRH households open to purchasing SSF, 2010–2023[1]



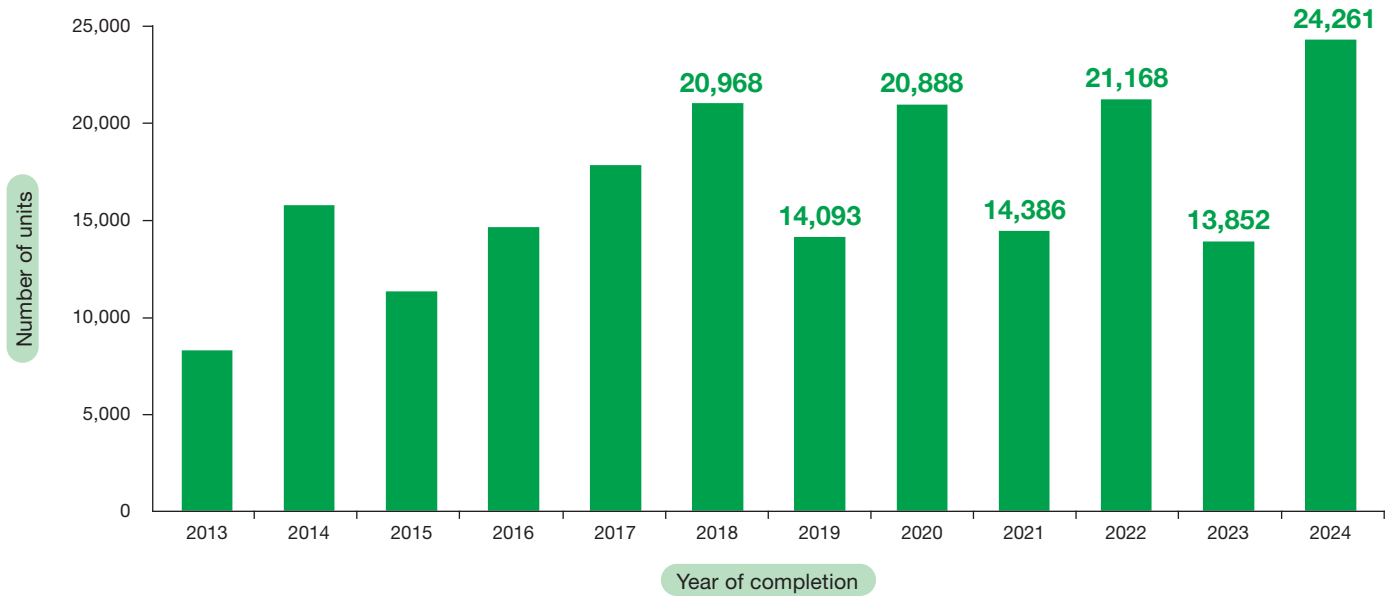
Note: [1] Including those who indicated "Yes" and "Not decided yet" in each edition of the Public Housing Recurrent Survey conducted by the Housing Department
Sources: Hong Kong Housing Authority, Our Hong Kong Foundation

1.

Private Housing Supply

Private housing completions have been fluctuating in recent years with 2024 being another relatively high year

Figure 1. Actual completions of private housing units, 2013–2024



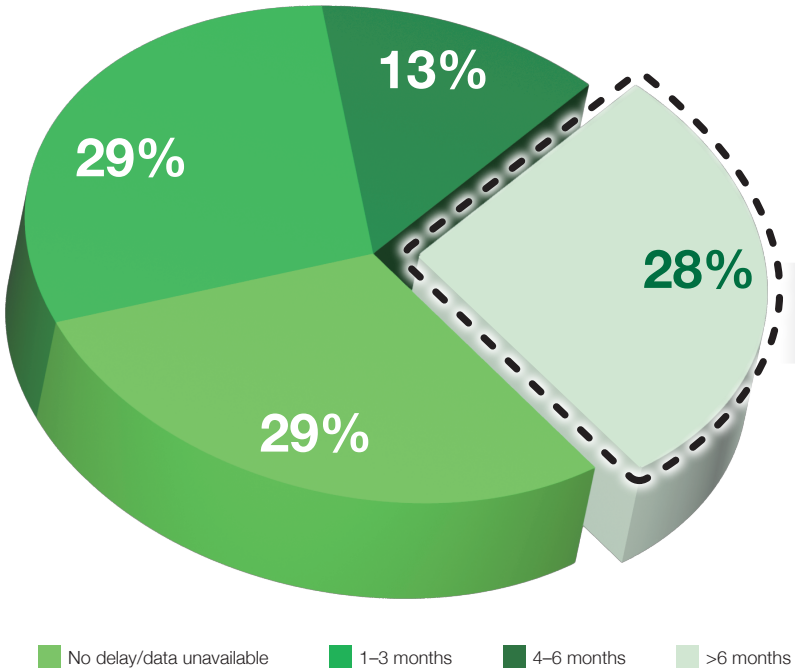
Sources: Rating and Valuation Department, Our Hong Kong Foundation

Following the dip in 2023, when only 13,852 private housing units were completed, completions rebounded strongly in 2024. The final 2024 figure of 24,261 units translates into a 75% year-on-year increase, marking a 20-year high since 26,036 units were completed in 2004.

As shown in **Figure 1**, following the steady increase between 2015 and 2018, private housing completions have experienced a rollercoaster ride for the past seven years. Annual completions reached a high of more than 20,000 units in 2018, 2020, 2022, and 2024 while hitting a low of around 14,000 units in 2019, 2021, and 2023.

On closer scrutiny, longer development periods had a hand in the 20-year high private housing completions in 2024

Figure 2. Delays in estimated material dates of private housing projects completed in 2024[1]



***~28%*, or some *6,800* units**
completed in 2024
have experienced delays of
more than 6 months vis-à-vis
the original estimated material date

Note: [1] Calculated based on the difference between the estimated material date of the respective projects as of 31 March 2025 and,
for projects governed by the Lands Department Consent Scheme: the estimated material date stated in the initial pre-sale consent application;
for other projects: the estimated material date stated in the first version of the sales brochure
Sources: Lands Department, sales brochures of various projects, and Our Hong Kong Foundation

Nevertheless, scrutinising the two-decade-high completion numbers reveals a more nuanced situation. By examining the changes in the estimated material dates of private housing projects completed in 2024, they suggest that the surge in new home completions had much to do with the lengthening of the development period.

Most units completed in 2024 were launched for pre-sale with their latest estimated material dates written in the respective sales brochures. For projects governed by the Lands Department Consent Scheme, this is compared to the estimated material date indicated in the initial pre-sale consent application. For projects covered by the old leases, their latest estimated material dates are compared to the estimated material date stated in the first version of the respective sales brochures.

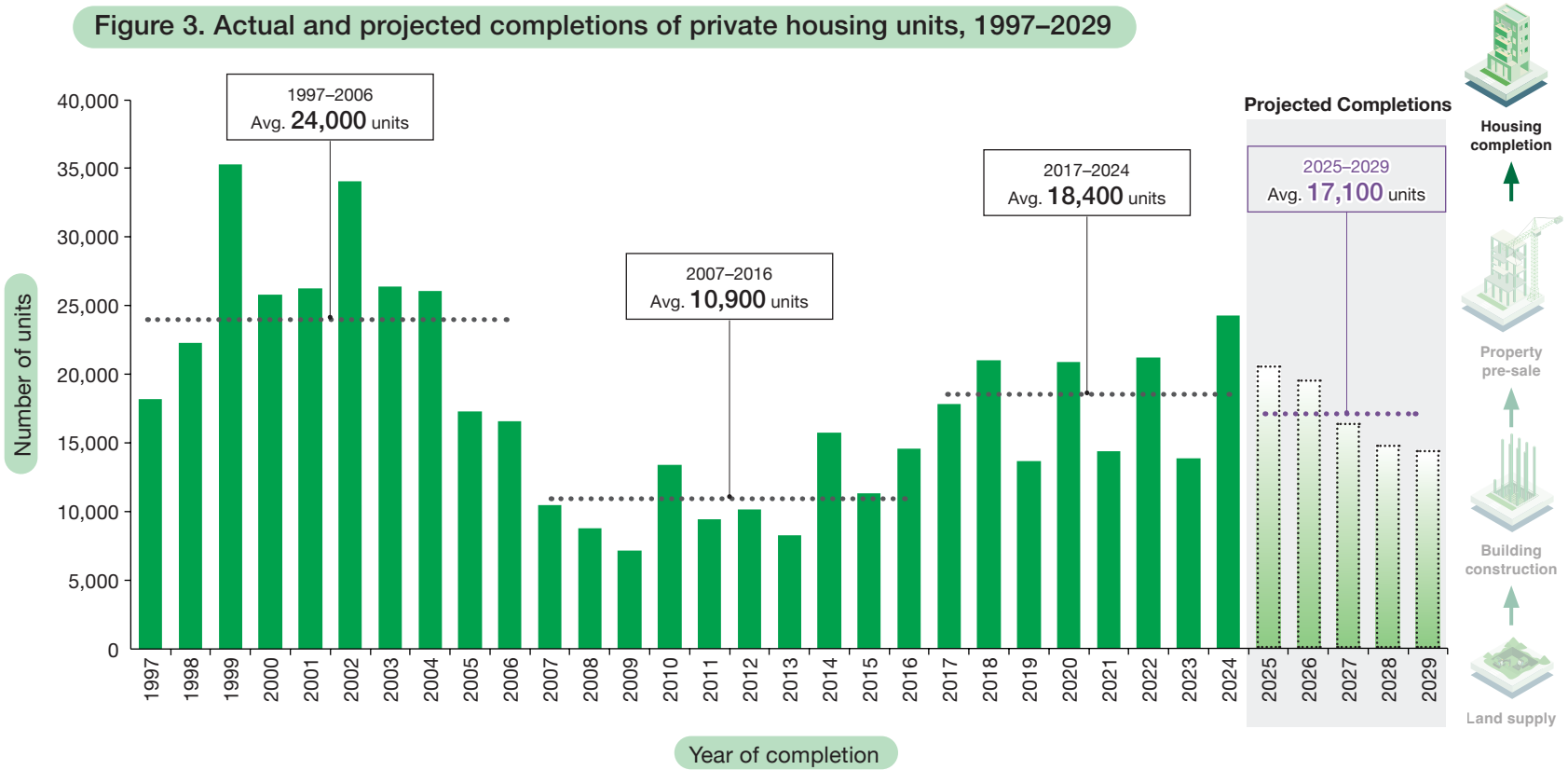
The result of this exercise is shown in **Figure 2**, where around 70% of units completed in 2024 have experienced delays ranging from one to more than six months. In particular, around 28%, or some 6,800 units, were delayed for more than six months vis-à-vis the original estimated material date. It is also worth noting that some projects had more than one extension to their estimated material dates. Therefore, it can be concluded that some of the completions in 2024 were contributed by backlogs accumulated from 2023.

Under the Residential Properties (First-hand Sales) Ordinance (Cap. 621), extensions to the estimated material date can be granted by the Authorized Person for delays caused by strike or lock-out of workmen, riots or civil commotion, force majeure or Act of God, fire or other accident beyond the developer's control, war, or inclement weather. Depending on the circumstances, more than one extension may be granted.

While it is difficult to ascertain the detailed reasons behind each project delay, we will revisit the issue of longer development periods in the subsequent sections.

Private housing completions in the next five years will be front-loaded, skewed towards 2025 and 2026 and then gradually decline

Figure 3. Actual and projected completions of private housing units, 1997–2029



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

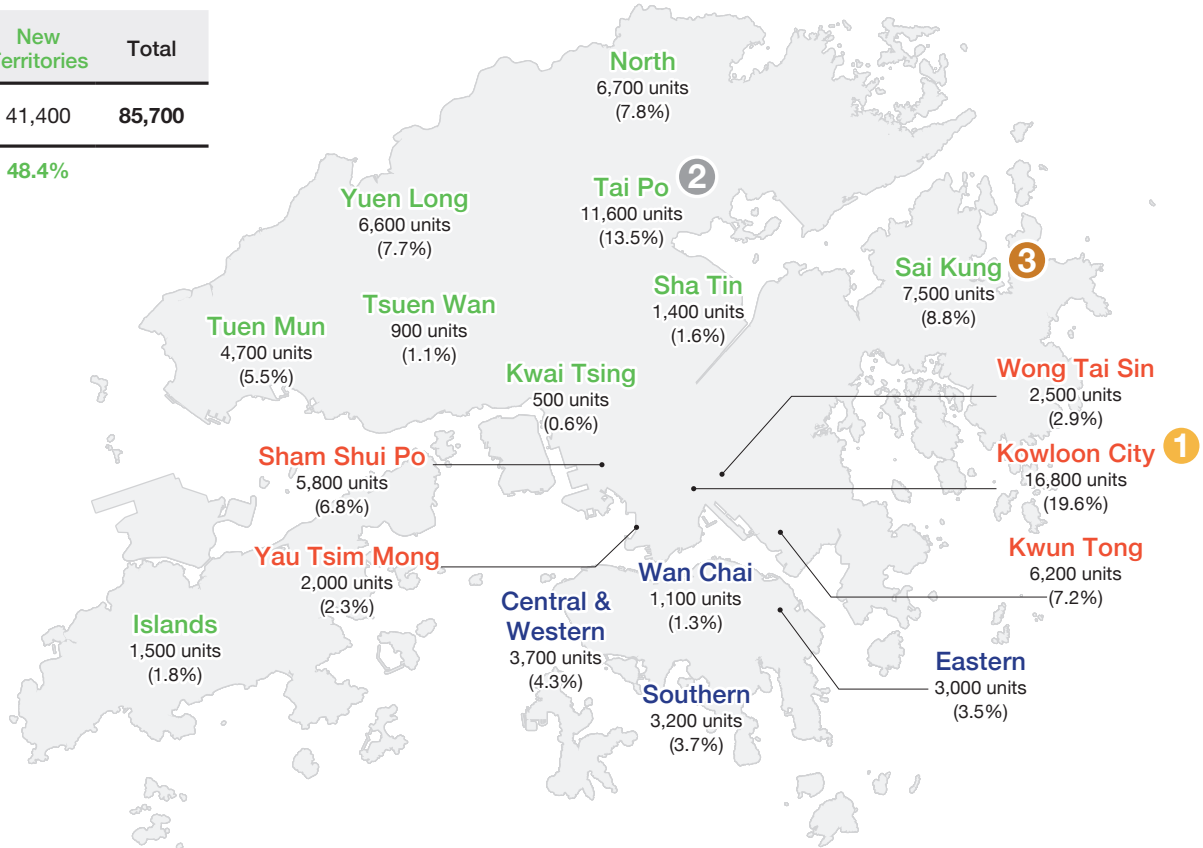
Similar to our previous forecast for 2024–2028, we expect private housing completions for 2025–2029 to be front-loaded, as the delays previously discussed pushed back the phenomenon. Average annual completions for 2025–2029 are forecasted to be some 17,100 units, skewed towards 2025 and 2026 at 20,069 and 19,669 units, respectively, then gradually decline from 2027 to 2029.

The noticeable slowdown in every stage of the private housing development cycle, from land supply to pre-sale consent application approval **(see Figures 5 to 7)**, corroborates our bottom-up approach and validates our forecast. The subsequent sections will discuss these trends in the various leading indicators.

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 2025 and 2029, by district

	Hong Kong Island	Kowloon	New Territories	Total
Number of units	11,000	33,300	41,400	**85,700**
	12.8%	**38.8%**	**48.4%**	



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.

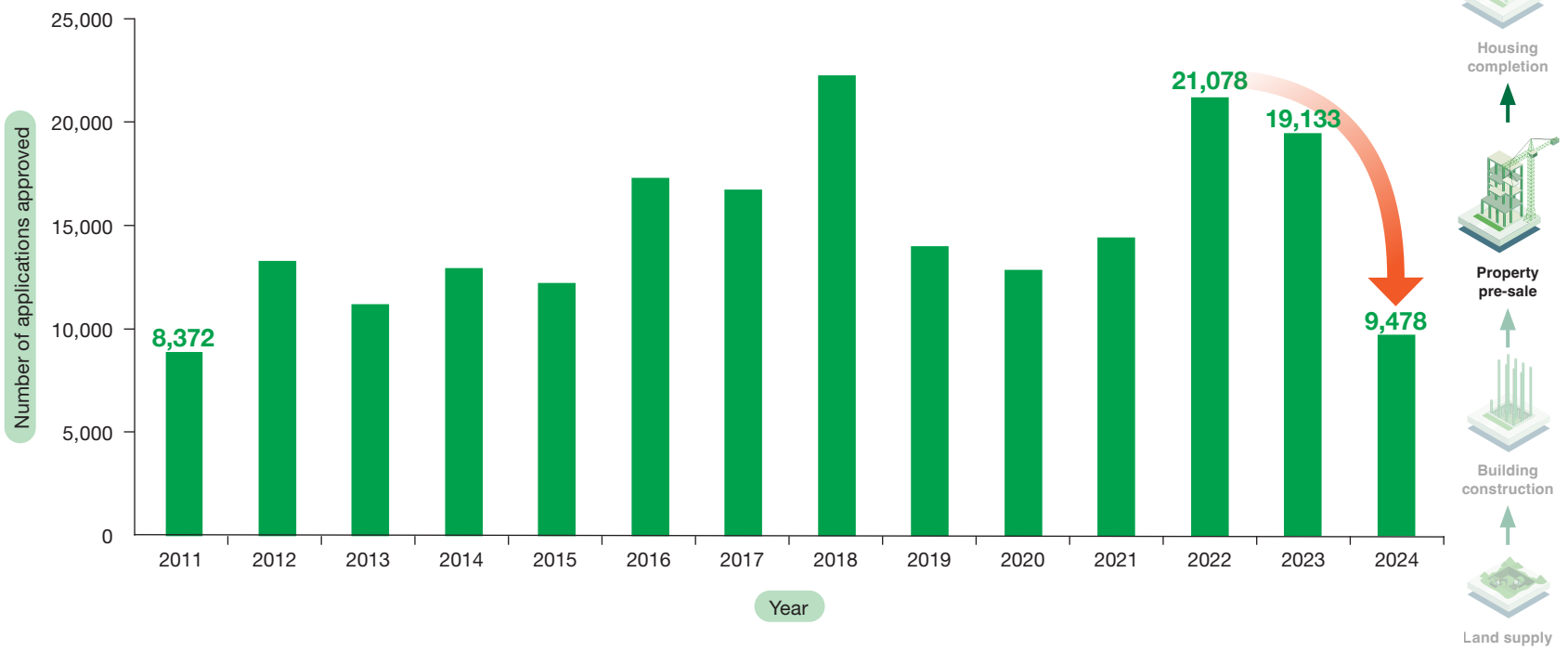
Kowloon City (including Kai Tak) will constitute approximately 16,800 units or around 20% of the total new private housing completions in the next five years. Most of them will come from government land sale sites in the former runway in Kai Tak, the two packages of Ho Man Tin station residential development, and redevelopment projects in Hung Hom and To Kwa Wan.

Tai Po is anticipated to be the second-largest source of completions, with approximately 11,600 units. Most will come from large-scale residential developments in Shap Sze Heung and Ma Wo Road.

Sai Kung completes the podium by contributing approximately 7,500 units. These include Packages 12 and 13 of LOHAS Park Station Property Development, which provide around 4,500 units, as well as around 3,000 units at Anderson Road.

Private housing units approved to go to market fell after 2022, suggesting completions would tail off in the short term

Figure 5. Number of units with pre-sale consent applications approved, 2011–2024[1]



Note: [1] Excluding subsidised housing units
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.

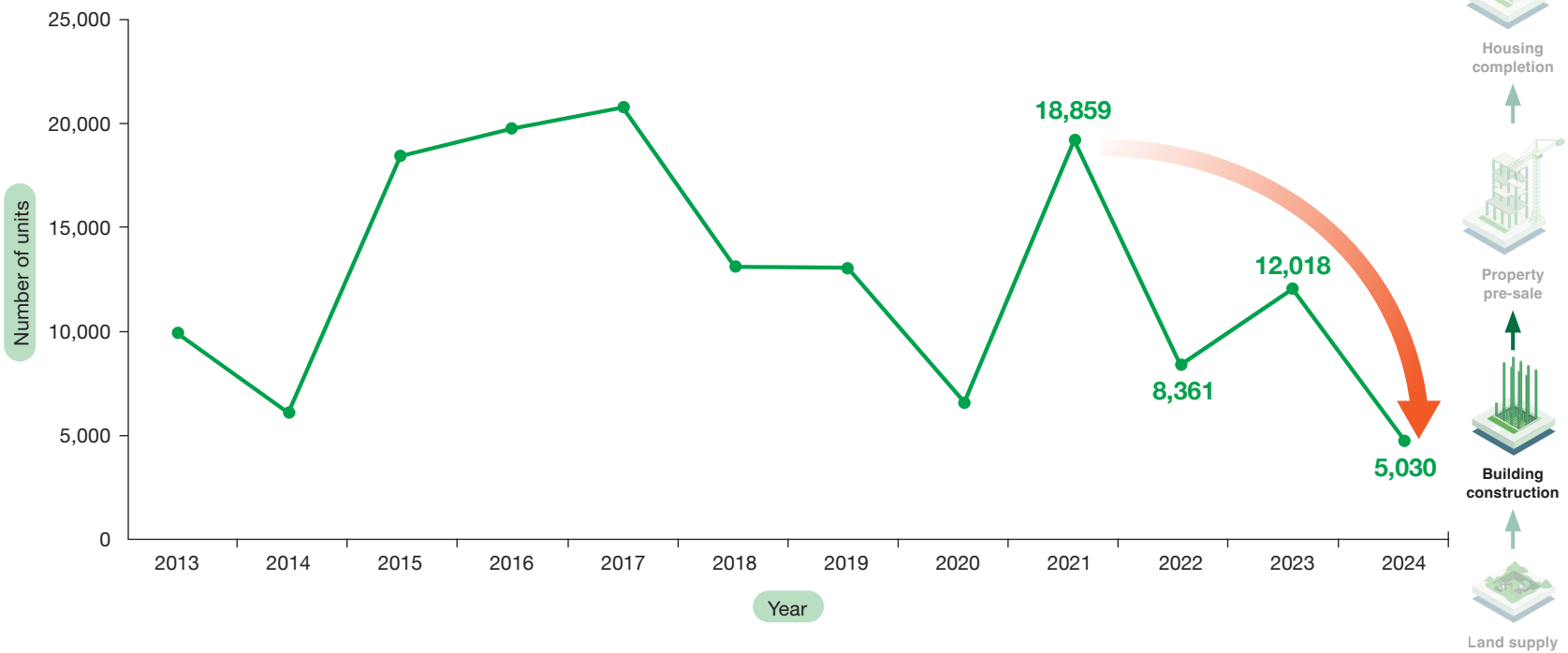
The first indicator lies in the trends observed in pre-sale consent applications. Other than redevelopment projects covered by old leases, new residential projects in Hong Kong are subject to the Lands Department Consent Scheme, where developers may apply for pre-sale consent at a maximum of 30 months in advance of the completion of a residential property development. This can foreshadow the number of units available for sale shortly, and after considering the time needed for approval, it also serves as a proxy for the number of units to be completed in the next one to two years.

In 2024, excluding subsidised housing projects, the Lands Department issued pre-sale consent for 23 private residential developments involving 9,478 units. This is not only a sharp plunge from the 19,133 units recorded in 2023 but is also the lowest in 13 years since 8,372 units were approved in 2011.

With two highs at around 20,000 units in 2022 and 2023, followed by a low in 2024, these suggest a front-loaded pattern in short-term completions.

The declining number of superstructure commencements since 2021 also suggests fewer completions in the near term

Figure 6. Number of superstructure commencements, 2013–2024



Sources: Buildings Department, Our Hong Kong Foundation

The second indicator lies in the trends observed in building construction. According to the Buildings Department, 5,030 units commenced general building and superstructure works in 2024, hitting a 23-year low. It is worth noting that there were three instances in 2024—June, November, and December—with no superstructure commencements.

Superstructure works generally last two to three years before units are completed. The declining number of superstructure commencements since 2021 foreshadows fewer completions in the near term.

Completions further on the horizon are also expected to fall with spade-ready land supply extending its decline since 2021/22

Figure 7. Private housing land supply, 2013/14–2024/25[1]

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 ofexecuted land exchange / lease modification for residential development

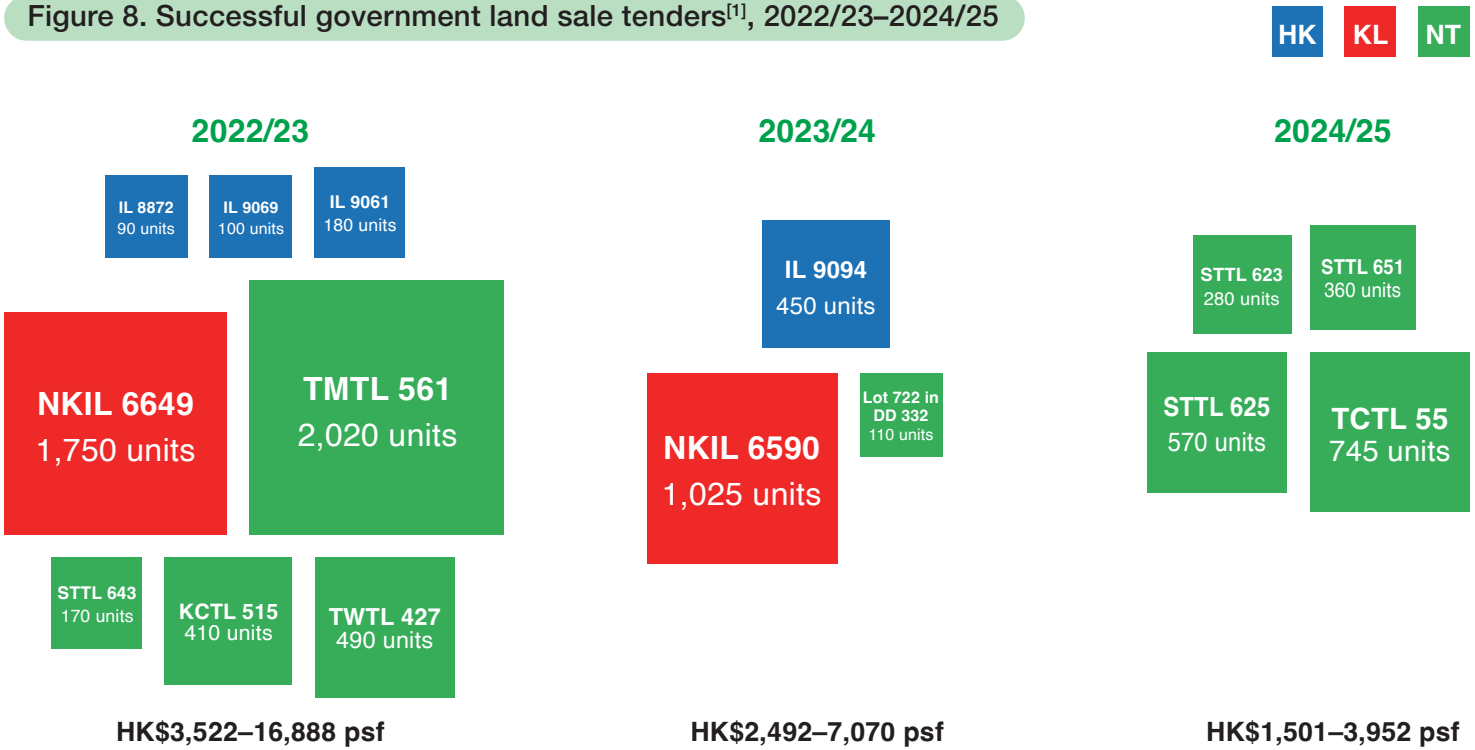
Sources: Lands Department, Our Hong Kong Foundation

The third indicator lies in the trends observed in spade-ready land supply, measured in terms of the estimated flat yields at these sites. These include government sites sold by land sale, projects awarded by the MTR Corporation, redevelopment projects awarded by the Urban Renewal Authority (URA), and new cases of executed land exchange/lease modifications for residential development.

This indicator also shows a decline similar to the other two leading indicators. The continued decline since 2021/22 suggests that fewer units are in the pipeline to be completed in the latter part of the next five years.

Successful government land tenders have become fewer and declined in plot size and accommodation value

Figure 8. Successful government land sale tenders[1], 2022/23–2024/25



Note: [1] Include government sites sold by land sale only, projects awarded by the MTR Corporation and redevelopment projects awarded by the Urban Renewal Authority are not included
Sources: Lands Department, Our Hong Kong Foundation

Much public attention centred on the subdued land sale activity and revenue for the 2024/25 financial year. Cross-referencing **Figure 7**, although the flat yield from private housing land supply fell sharply in 2024/25, changes in the dynamics of the land sale market have already begun in 2023/24. Nevertheless, such headwinds were not fully reflected in the supply numbers in 2023/24, as they were propped up by developers making full use of Hong Kong's muted land sales and discounted prices to apply for lease modifications or land exchanges and feed their land banks.

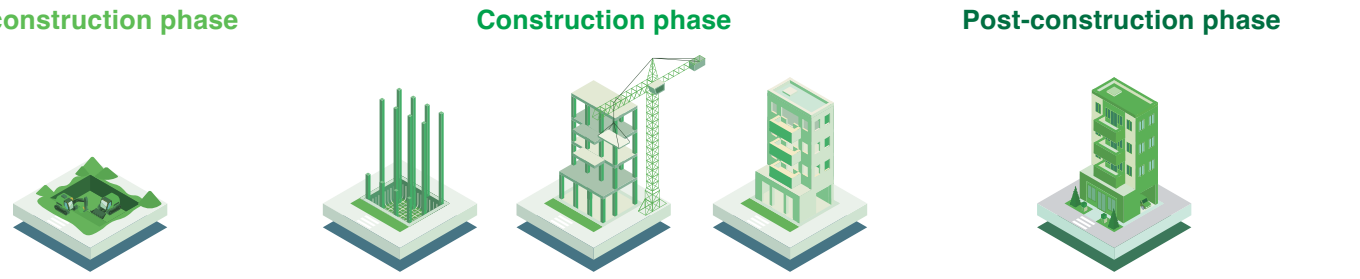
Figure 8 compares the characteristics of disposed government sites between financial years 2022/23 and 2024/25. Successful government land sale tenders in 2022/23 involved eight residential sites scattered across Hong Kong Island, Kowloon, and the New Territories. Larger sites, such as Tuen Mun Town Lot 561, with a maximum developable gross floor area (GFA) of more than 120,000 sq. m. and an estimated flat yield of 2,020 units, were also successfully sold. As for land premium, winning bids involved large lump sums (HK$8,703 million for New Kowloon Inland Lot 6649) and high accommodation values (HK$16,888 psf for Inland Lot 9061).

Land sales became muted in 2023/24 as new-home inventories climbed. The 2023/24 Land Sale Programme comprised 12 residential sites, with five released for tender. Two of the five sites released failed to meet their reserve price and were withdrawn. The accommodation value also decreased drastically, with the highest coming from Inland Lot 9094 at HK$7,070 psf—the lowest Hong Kong Island accommodation value in 21 years. Nevertheless, the three sites sold still came with a mix of geographies and involved a larger site in New Kowloon Inland Lot 6590.

Conservatism reigned in the 2024/25 land sale market. The Government remained cautious and launched only one residential site each quarter. All four sites sold came from the New Territories and are smaller in scale than previous years. The range of accommodation value also sharply declined, ranging from HK$1,501 to HK$3,952 psf. Correspondingly, the total land premium from the four residential sites amounted to HK$2,848 million, which is only a fraction of that in 2023/24—New Kowloon Inland Lot 6590 alone raked in HK$5,350 million.

The development period materially affects the financing costs, return on capital employed, and the scale of developers' profits

Figure 9. Illustration of cash flow in the residential development cycle[1]



Note: [1] Financing costs from various funding sources e.g., bank mortgages, syndicated loans, and bonds, are incurred throughout the entire property development cycle
Sources: Hong Kong Institute of Surveyors, Our Hong Kong Foundation

Commentaries have attributed the changes in the dynamics of the land sale market to interest rate hikes, high construction costs, and inventory backlogs in the private primary market. **Figure 9** illustrates the cash flow in the residential development cycle for a better understanding of how these factors interact and affect market responses.

At the start of the development cycle, cash outflow is incurred in the pre-construction phase for land acquisition. This is in the form of land premium for government sites and land exchange/lease modification transactions, and lump sum upfront payments for MTR and URA sites. For redevelopment sites, funding could be tied up even longer to acquire all the undivided shares in the lot, coupled with various types of stamp duty liabilities. It is worth noting that for residential projects, since developers will seek different funding sources, such as bank mortgages, syndicated loans, and bonds, financing costs are incurred from day one.

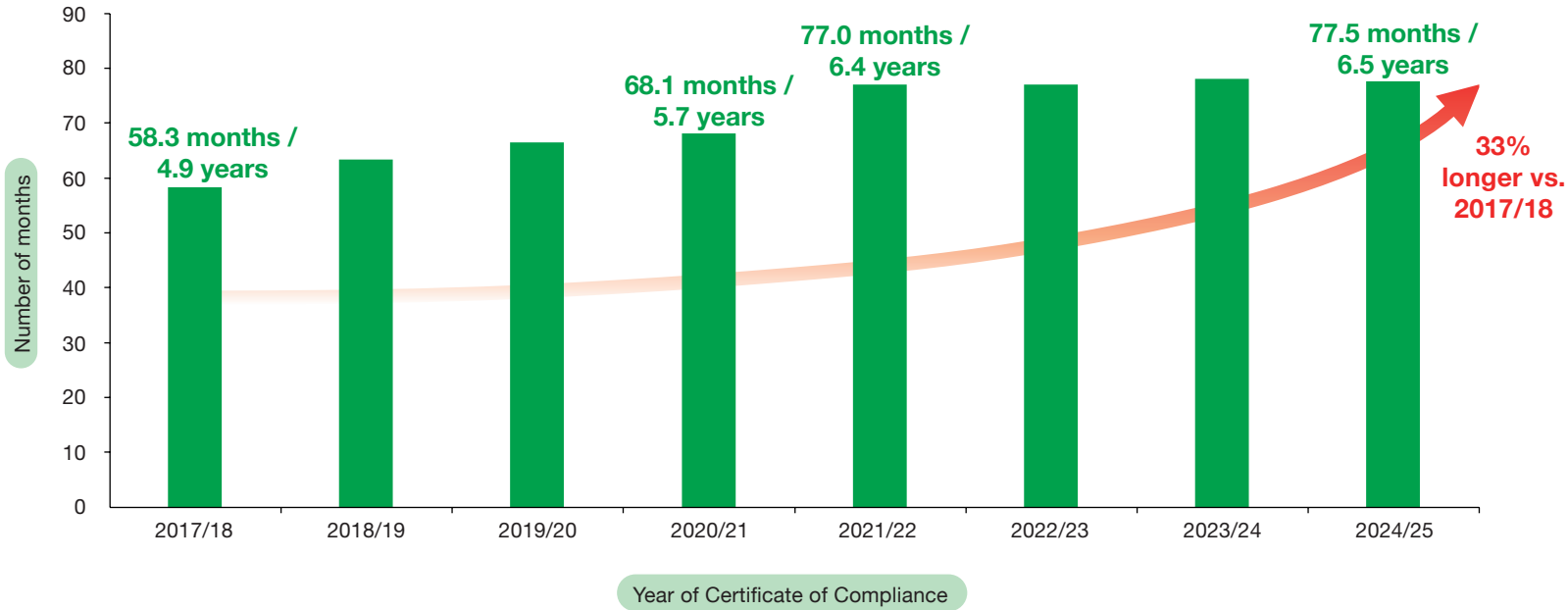
The construction phase also entails cash outflow. The most straightforward ones are construction costs and professional fees, which vary depending on the complexity of the residential project. Redevelopment sites incur additional demolition costs to remove existing buildings and structures. Moreover, different marketing costs are also incurred as units are usually pre-sold before completion. The design and construction of show flats and media advertising are examples of such advertising and promotional outlays that the public frequently encounters. Besides, commission has to be paid to estate agents related to each transaction, usually as a percentage of the transaction price. Lastly, the application for pre-sale and the preparation of relevant legal documents would involve legal fees.

Cash inflow comes at the end of the development cycle in the post-construction phase. In accordance with Hong Kong Financial Reporting Standards 15, revenue from the pre-sale of a property under development is booked when the homebuyer formally takes possession of the property, i.e., unit handover.

In short, interest rate hikes and high construction costs increase cash outflow, while inventory backlogs reduce cash inflow. The longer the development period, the longer the developer's funds are tied up, thus incurring higher financing costs and development risks. These will affect the scale of the developer's profit and escalate the necessary return on outlays and capital, which will, in turn, impact responses and the bid amounts in the land sale market.

With the development period lengthening by 33% in recent years, higher risks are incurred, thus affecting responses to land tenders

Figure 10. Development period of government sites tendered between 2011 and 2020[1], by year of Certificate of Compliance



Note: [1] Referring to the timeframe from the tender award date to the issuance date of Certificate of Compliance by the Lands Department for government sites tendered between 2011 and 2020
Sources: Lands Department, Our Hong Kong Foundation

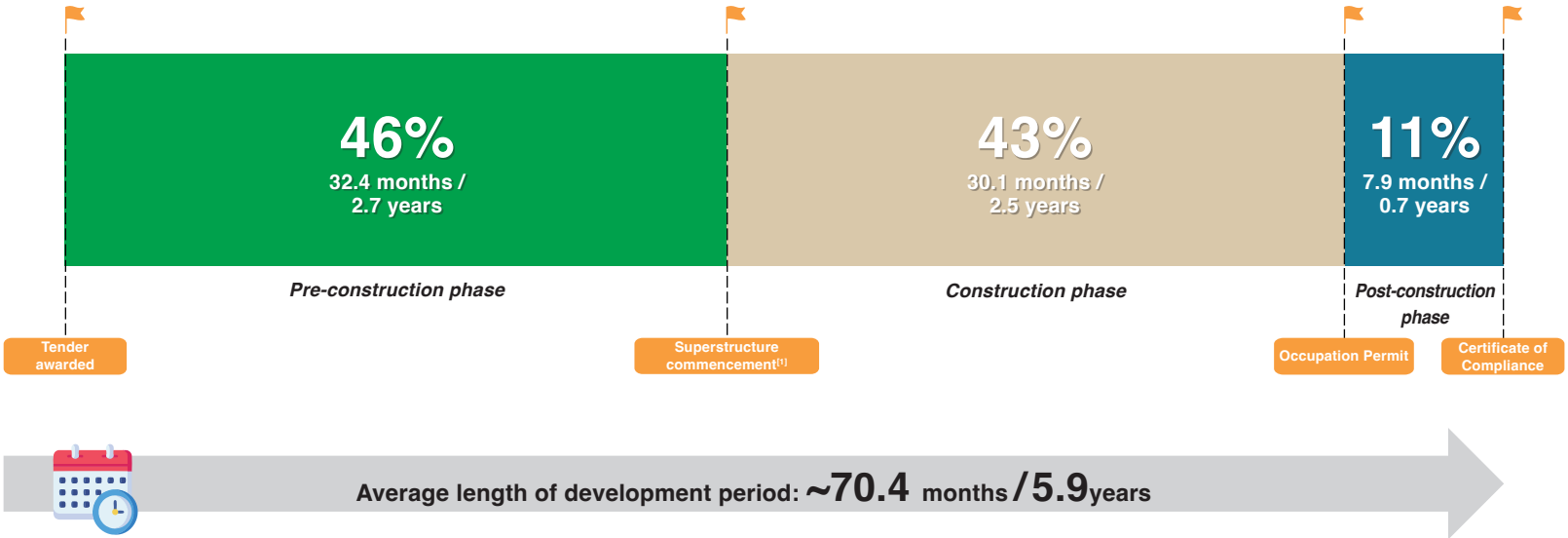
However, development periods have been lengthening by analysing trends in government sites sold in recent years.

For this exercise, we analysed over 100 government sites tendered between 2011 and 2020 that have completed the development cycle, ascertaining each residential project's development period by examining the timeframe from the tender award date to the Lands Department's issuance date of the Certificate of Compliance (CC).

The results are shown in **Figure 10**. Segmenting these sites by CC year, development periods have lengthened from 58.3 months, or 4.9 years in 2017/18, to 77.5 months, or 6.5 years in 2024/25, translating into a 33% increase.

More than half of the entire development period is taken up by the pre-and post-construction phases

Figure 11. Distribution of development period of government sites tendered between 2011 and 2020, by development stage



Note: [1] This is used as a proxy as information regarding the Notification of Commencement of Foundation Works filed with the Buildings Department by contractors is not publicly available
Sources: Lands Department, Buildings Department, and Our Hong Kong Foundation

We further broke down the development period of government sites tendered between 2011 and 2020 by development stage to ascertain the drivers behind the lengthened duration observed in **Figure 10**.

The duration of the pre-construction phase is defined as the difference between the tender award date and the date of the Notification of Commencement of General Building and Superstructure Works filed with the Buildings Department. At this point, critics would argue that this would lead to an artificially extended pre-construction phase and that the commencement date of foundation works is a more accurate milestone between the pre-construction and construction phases. While we acknowledge this, information regarding the Notification of Commencement of Foundation Works filed with the Buildings Department by contractors is not publicly available. Therefore, the Notification of Commencement of General Building and Superstructure Works filed with the Buildings Department is still the most useful proxy to segment the pre-construction and construction phases.

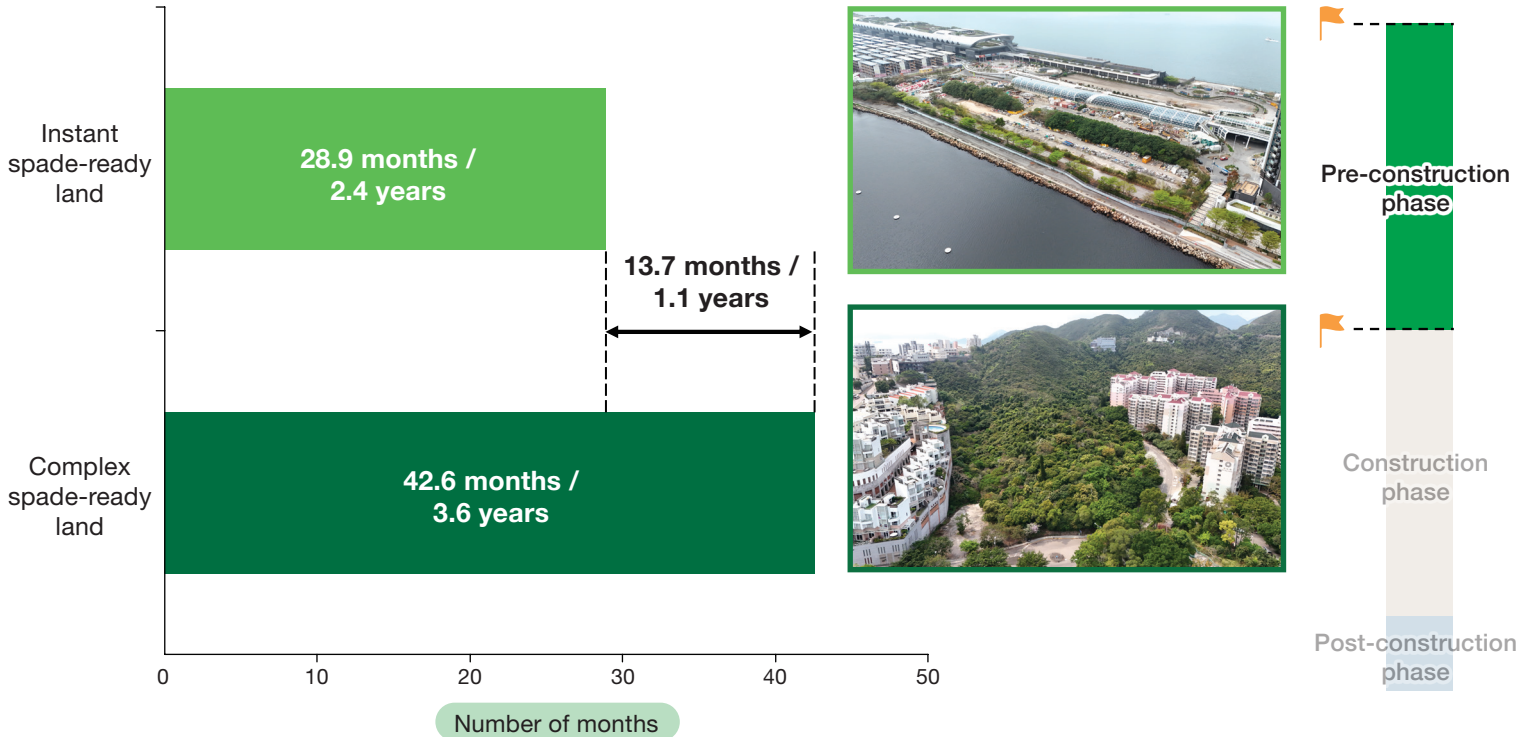
Other phases are less debatable. The duration of the construction phase is the difference between the date of the Notification of Commencement of General Building and Superstructure Works filed with the Buildings Department and the Occupation Permit (OP) issuance date. Lastly, the duration of the post-construction phase is the difference between the OP and CC issuance dates.

Using this segmentation, **Figure 11** shows that more than half, or 57%, of the development period involves the pre- and post-construction phases. Together, they add up to 40.3 months or 3.4 years. In other words, connecting the dots with the insight in **Figure 9**, developers will have land acquisition funding tied up for notably longer periods than the construction phase.

Such a phenomenon deserves closer scrutiny.

The pre-construction phase could be lengthened due to site complexities and the necessary regulatory approvals

Figure 12. Duration of pre-construction phase[1] of government sites tendered between 2011 and 2020



Note: [1] Based on the difference between the tender award date and the Notification of Commencement of General Building and Superstructure Works filed with the Buildings Department
Sources: Lands Department, Buildings Department, Hong Kong Institute of Surveyors, and Our Hong Kong Foundation

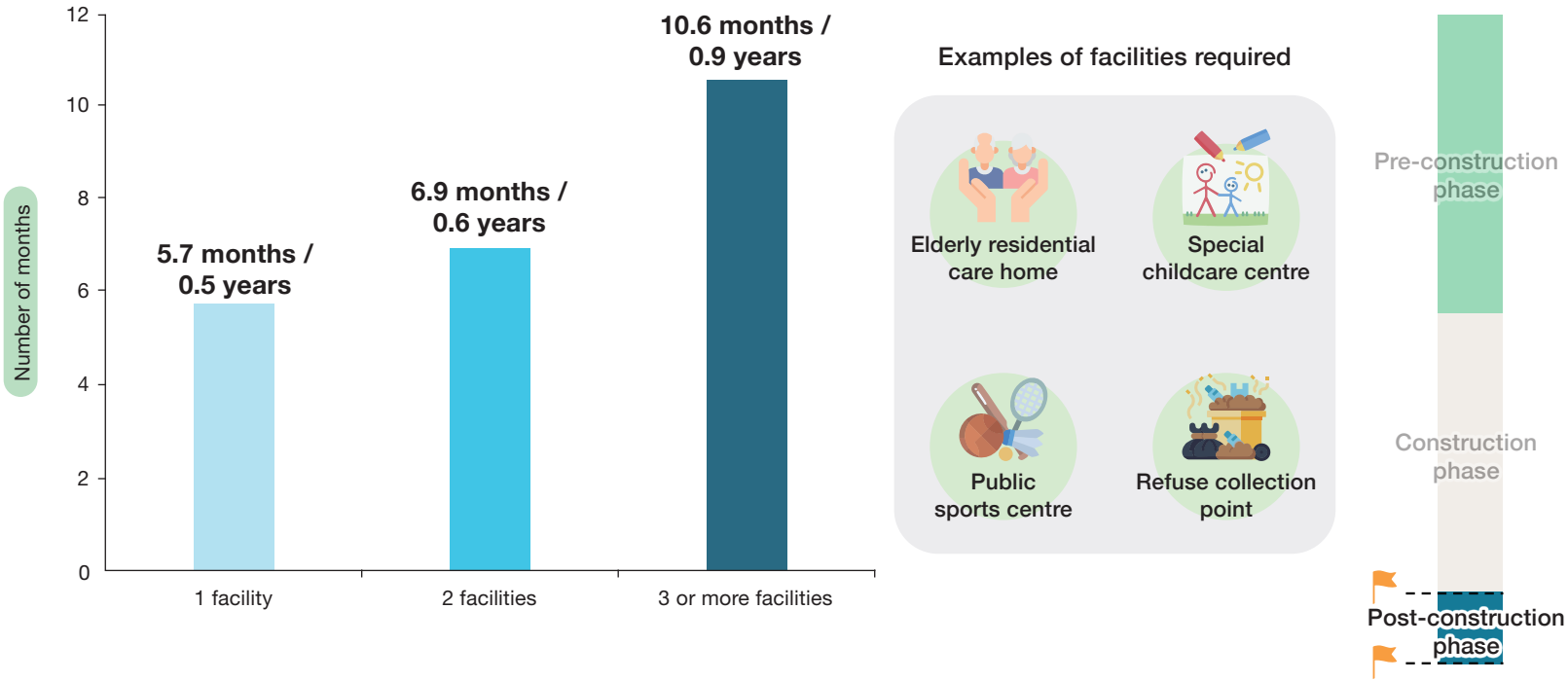
On closer inspection, site complexity significantly affects the duration of the pre-construction phase. As shown in **Figure 12**, we segmented the sites by site complexity into instant and complex spade-ready land based on prima facie evidence such as topography.

The results were stark. For instant and complex spade-ready land, the pre-construction phase took 28.9 months/2.4 years and 42.6 months/3.6 years, respectively, translating into a difference of 13.7 months/1.1 years.

The reason for such a difference is not hard to see. While both kinds of sites involve pre-construction issues such as site investigation and obtaining approval from the Buildings Department for General Building Plans, complex spade-ready land could incur additional time for other items, such as obtaining consent under planning approval or land grant conditions. Examples include Tree Removal clause, Drainage, Noise, Sewage, and Traffic Impact Assessments. Although many applications can be processed by government departments concurrently, developments requiring multiple approvals from different authorities will incur longer development periods.

Positive obligations imposed under Special Conditions in land grants increase the required approvals and development period

Figure 13. Duration of post-construction phase[1] of government sites tendered between 2011 and 2020



Note: [1] Based on the difference between the issuance dates of Occupation Permit and Certificate of Compliance by the Buildings Department and Lands Department respectively

Sources: Lands Department, Buildings Department, and Our Hong Kong Foundation

Although the post-construction phase comprises the smallest portion of the development cycle at 11%, it still entails various submissions before the residential development is completed.

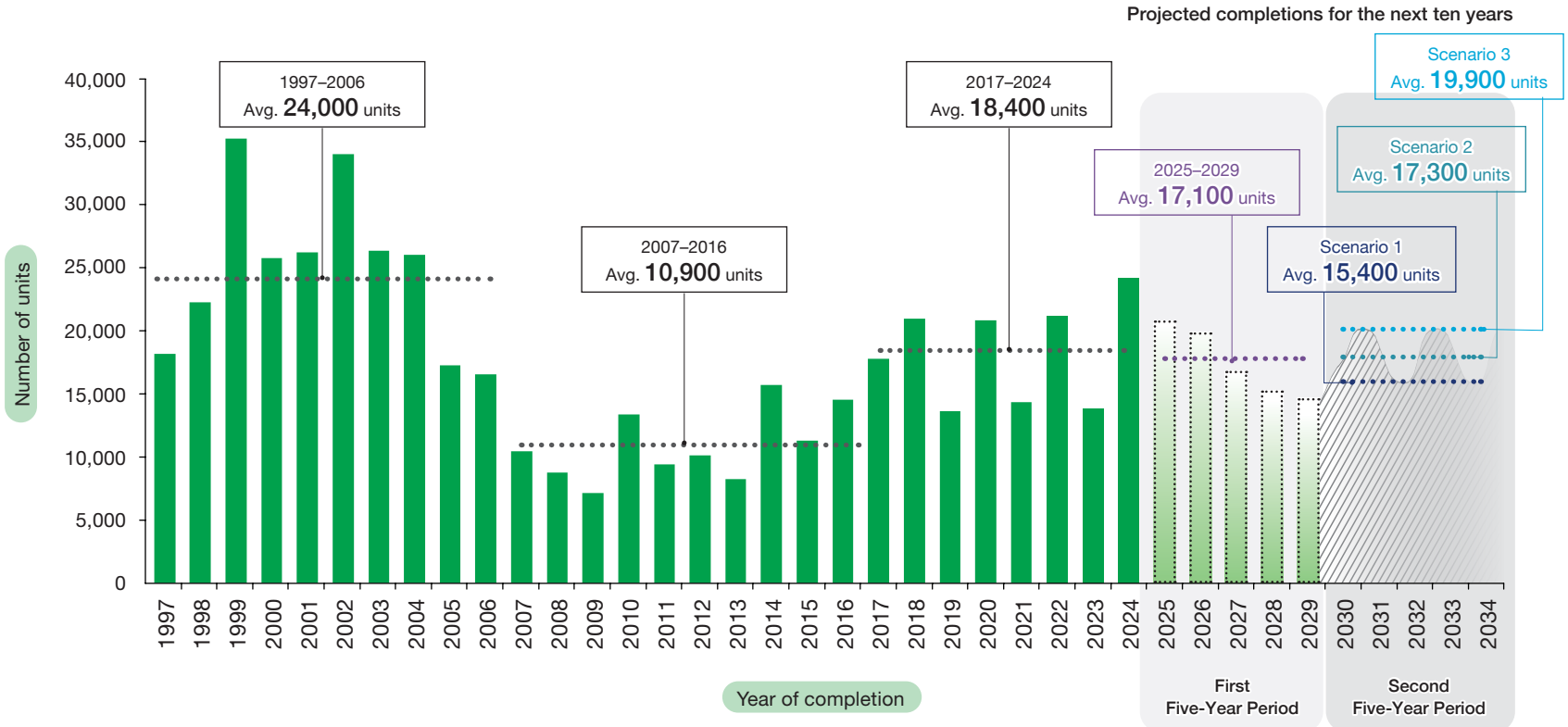
To simplify, the OP is proof that the building was constructed in accordance with the Buildings Ordinance (Cap. 123) and complied with the approved building plans. In contrast, the CC is issued when all the positive obligations imposed under the General and Special Conditions of the land grant have been complied with. In recent years, these Special Conditions stipulate various facilities to be constructed and provided for the Government or public use. Examples of relatively simple facilities include roads, footbridges, and pedestrian walkways, while examples of more complex facilities include elderly residential care homes and special childcare centres.

Figure 13 shows the impact of such conditions on the duration of the post-construction phase. While the difference between one and two facilities is insignificant, the time incurred significantly increases for sites with conditions that entail three or more facilities. This can be attributed to the exchanges needed to satisfy the requirements of various government bureaux and departments.

Armed with the insights from **Figures 12 and 13**, we can see why recent land sales, as shown in **Figure 8**, involved relatively smaller sites with simple tender conditions and no requirements to construct public facilities. Such straightforward sites will reduce development risks, incentivising developers' interest and willingness to submit competitive bids. We, therefore, urge the government to continue to streamline approval procedures and simplify conditions in its land grants.

A stable outlook is maintained for the ten-year private housing completions as the market's self-adjustment mechanism kicks in

Figure 14. Actual and projected completions of private housing units, 1997–2034



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

Looking at a broader time horizon since 1997, the change in average annual completions every ten years or so displays pendulum swings. As shown in **Figure 14**, from the highs of 24,000 units in 1997–2006, it swung to a low of 10,900 units in 2007–2016, then back to 18,400 units in 2017–2024. As we are about to enter the fourth ten-year segment, our latest exclusive ten-year forecast suggests that although completions will fluctuate, the magnitude of change will be milder than between 1997–2006 and 2007–2016.

Our methodology is unchanged from last year but is more granular based on the latest market dynamics. Nevertheless, since longer-term forecasts are more unpredictable than near-term forecasts, three scenarios were devised to reflect various circumstances. The resulting average annual completions for 2030–2034 range from 15,400 to 19,900 units. **(For details of the forecast methodology, please refer to Figure 15)**

Nevertheless, completion levels could vary subject to the interactions between policy adjustments and market recalibrations

Figure 15. Scenario analysis for projected completions of private housing units, 2030–2034

Scenario	Key Components			Projected Completions	
	Government sites (Based on the flat yield in the Land Sale Programme of the past five financial years)	MTR and URA projects (Based on the latest announced project completion timelines[1])	Private-initiated projects (Based on the latest market information[1])	Five-Year Total 2030–2034	Annual Average 2030–2034
Scenario 1	71% disposal success rate[1][2]		One-year delay	77,000 units	15,400 units
Scenario 2	Full disposal		One-year delay	86,300 units	17,300 units
Scenario 3	Full disposal		No delay	99,500 units	19,900 units

Notes: [1] Data updated as of 31 March 2025

[2] 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

To better capture the determinants for long-term private housing completions under the prevailing circumstances, besides incorporating major cases under construction at the time of writing, we adopted a more granular approach by examining individual sources in detail.

The first source is government sites. In the *2024 Policy Address* and later reiterated in the *2025/26 Budget*, the Government committed to making available sufficient land for no less than 80,000 units in the coming five years. Nevertheless, it is evident from past track record that subject to the market situation, the Government may not roll out all these sites despite having available land in hand. We assume such a pragmatic and prudent land supply policy will continue, and the flat yield from the Land Sale Lists in 2025/26–2029/30 will mirror that in 2020/21–2024/25, which will be reflected in the completions in 2030–2034.

The second source is MTR and URA projects, based on the latest announced project completion timelines. The former includes unawarded landbank such as Tung Chung East Station; the latter comprises various development projects in the Kowloon City, Sham Shui Po, Yau Tsim Mong, and Central & Western districts.

The third source is private-initiated projects, including cases currently in the land administration and planning processes, based on the most up-to-date disclosures from property developers at the time of writing.

Scenario 1 paints a pessimistic scenario with setbacks assumed for all three sources. After tabulating the record of successful land disposals for government sites and MTR and URA projects in the past five financial years, the result is a 71% disposal success rate. This is then applied as a discount on the estimated completions from these two sources. For private-initiated projects, as developers have remained rather conservative under the current market situation, more time could be needed to complete the planning and/or land administration process. We assumed an extra year of delay in their implementation to account for such possibilities. With these assumptions applied, it is expected that some 15,400 units will be completed annually in 2030–2034.

Scenario 2 simulates a case where the pace of implementing private-initiated projects is the same as in Scenario 1, but government sites and MTR and URA projects achieve full disposal. While the latter could be seemingly farfetched, this is not beyond imagination as all three parties have responded to market feedback and adjusted their tender strategies in recent years. For example, the Government has put up smaller sites in mature residential neighbourhoods in the 2024/25 Land Sale Programme, which are more attractive to the market given the current sentiment. Moreover, as evident in the past five financial years, while some sites could be rolled over for one or more years, they were eventually successfully tendered. Likewise, after receiving no tenders for the Tung Chung East Station Package 1 in November 2023, the MTR Corporation downsized the project and successfully tendered it in December 2024. The URA also piloted the Development Facilitation Services in the Shantung Street/Thistle Street Project in the same month, aimed to gather developers' views on relevant projects before commencing the tender process for promoting successful bidding. In this scenario, the annual average private housing completions in 2030–2034 stand at some 17,300 units.

Scenario 3 explores the most optimistic scenario, where all three sources proceed smoothly. Under such circumstances, the total private housing completions could reach around 99,500 units in 2030–2034, averaging some 19,900 units per year.

Our observations for private housing supply

1

A gradual decline in private housing completions is forthcoming

Completions will be skewed towards 2025 and 2026 with around 20,000 units in both years, then tailing off to reach 15,000 to 16,000 units annually between 2027 and 2029

2

Development periods have been prolonged by 33% in recent years

The pre- and post-construction phases comprise 57% of the residential development period, with complexities in them increasing the necessary approvals and time incurred

3

Long-term completions outlook remains stable as the market self-adjusts

Average annual completions between 2030 and 2034 could range from 15,400 to 19,900 units, subject to interactions between policy adjustments and market recalibrations

To conclude **Chapter 1**, the noticeable slowdown in every stage of the private housing development cycle suggests that completions will gradually decline, from around 20,000 units in 2025 and 2026 to around 15,000 to 16,000 units in 2027–2029. Together with other unfavourable factors, longer development periods have contributed to the subdued land sale activity in recent years. In particular, complexities in the pre- and post-construction phases have extended the time incurred, tying up funds for notably longer periods than the pure construction timetable. The resulting higher development risks deterred developers' interest and willingness to submit competitive bids. Nevertheless, as the market self-adjusts, a stable outlook is maintained for 2030–2034 with average annual completions expected at some 15,400 to 19,900 units.

2.

Public Housing Supply

Public housing completions in 2024/25 hit a 23-year high on the back of a strong rebound in subsidised housing completions

Figure 16. Actual completions of public housing units, 2013/14–2024/25

- 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, Flat-for-Sale Scheme, Sandwich Class Housing Scheme, and pre-2018/19 Senior Citizen Residences Scheme units developed by the Hong Kong Housing Society

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

Our year-in-review of public housing begins with completions, which surged 134% to a 23-year high of 30,600 units in 2024/25. Cross-referencing **Figure 18**, this is the highest annual figure since 2001/02 when public housing completions reached 36,417 units.

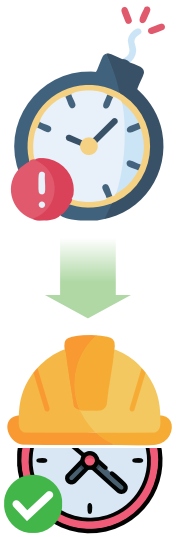
Figure 16 breaks down the total completion figure by the respective types of public housing: 18,000 units from the HKHA's PRH and Green Form Subsidised Home Ownership Scheme (GSH), 11,300 units from the HKHA's Home Ownership Scheme (HOS), 1,000 units from the Hong Kong Housing Society (HKHS)'s PRH, and 300 units from the HKHS' subsidised sale flats (SSF).

It is worth noting that the increase in completion numbers occurred across various types of public housing, most notably in subsidised housing, i.e., HKHA's HOS and HKHS' SSF, due to the low base effect of only 200 units in the previous financial year.

Excluding an isolated incident of contractor replacement, construction delays have come under control in the past two years

Figure 17. Delays of public housing completions identified in production forecast over the past ten years

Updates on 5-year completions	Number of projects delayed	Number of units delayed	%
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%
2024/25–2028/29 [1]	**11**	**10,200**	**7%**
Average	8.6	14,040	14%



Note: [1] 7 out of 11 projects or 5,300 out of 10,200 units were conducted by Paul Y. Engineering and subsequently replaced by other contractors; excluding these projects, the delay rate stands at 3%

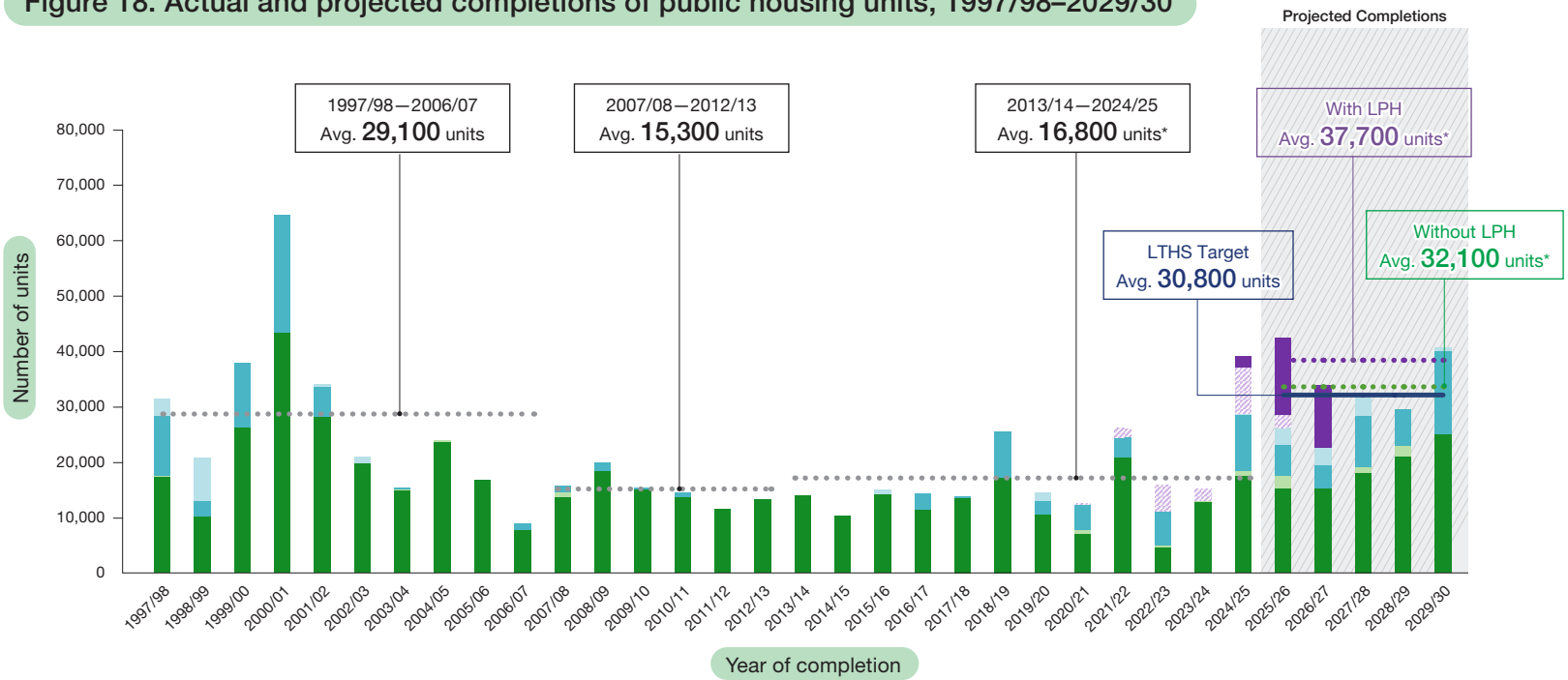
Sources: Housing Bureau, Hong Kong Housing Authority, Hong Kong Housing Society, and Our Hong Kong Foundation

Besides completions, we continued to track the construction delays as part of our year-in-review of the 2024/25 public housing landscape. As shown in **Figure 17**, compared to the heights of 20% and above during the COVID-19 pandemic, this number has been significantly reduced to 7% in 2024/25.

One might express concern over the rebound in the delay rate vis-à-vis 2023/24. On closer scrutiny, however, this is attributed to an isolated incident, where a long-standing construction firm, Paul Y. Engineering, was placed into provisional liquidation and had to be replaced by other contractors. Excluding this one-off impact, the delay rate stands at 3%, suggesting that construction delays have come under control.

The LTHS target is within reach in the next five years as the problem of back-loaded public housing supply gradually eases

Figure 18. Actual and projected completions of public housing units, 1997/98–2029/30



- 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, 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
- Transitional Housing

* As the Composite Waiting Time for Subsidised Rental Housing only considers government-led public housing units, transitional housing is not reflected in the average completion figures

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

Looking forward, between financial years 2025/26 and 2029/30, i.e., the "first five-year period" in a ten-year cycle, we expect that traditional public housing completions will rise to an estimated annual average of 32,100 units. This figure is not only close to double that in the past 11 years, but also marks a watershed moment—for the first time since the LTHS was promulgated in December 2014, traditional public housing completions alone are enough to meet the LTHS target of 30,800 units, exceeding it by 4%.

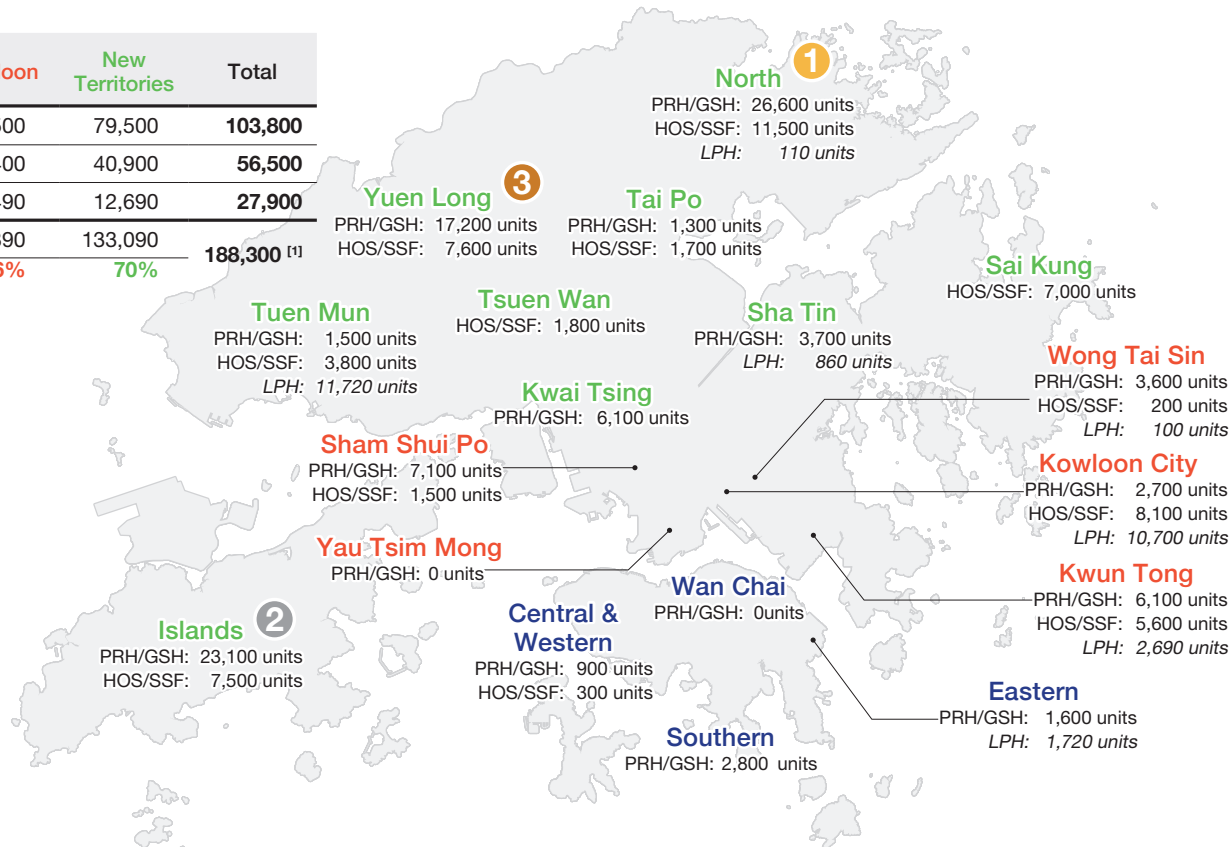
The *2022 Policy Address* introduced the LPH, which adopts a standardised simple design and a Modular Integrated Construction (MiC) approach to resolve the bottleneck of traditional public housing construction, where 30,000 additional units will be built by 2027/28. Implementation is on track with the first LPH project at Yau Pok Road, Yuen Long, being completed in the first quarter of 2025 to provide 2,100 units, and the remaining 27,900 units will be completed progressively in the next two to three financial years. Therefore, the five-year outlook will be boosted further to an estimated annual average of 37,700 units, exceeding the LTHS target by 22%.

With the problem of back-loaded public housing supply gradually easing, some may question the necessity of LPH. This will be discussed in the subsequent sections.

North, Islands, and Yuen Long are the top three districts for the projected public housing completions in the next five years

Figure 19. Projected public housing completions between 2025/26 and 2029/30, by type and by district

Number of units	Hong Kong Island	Kowloon	New Territories	Total
PRH/GSH	5,300	19,500	79,500	**103,800**
HOS/SSF	300	15,400	40,900	**56,500**
LPH	1,720	13,490	12,690	**27,900**
Total	7,320	48,390	133,090	**188,300** [1]
	4%	**26%**	**70%**	



Note: [1] Figures are as of December 2024, rounded to the nearest hundred and thus may not add up to the total due to rounding
Sources: Housing Bureau, Hong Kong Housing Authority, Hong Kong Housing Society, and Our Hong Kong Foundation

The *2024 Policy Address* announced the gradual adjustment of the ratio between PRH/GSH and SSF from the current 70:30 to 60:40. Hence, to provide a more granular analysis, projected public housing completions (including LPH) in the upcoming five years are broken down by district and housing type in this report.

Segmenting by housing type, PRH/GSH, SSF, and LPH completions will be 103,800 units, 56,500 units, and 27,900 units, respectively. If we only consider traditional public housing completions in the upcoming five years, the ratio of PRH/GSH and SSF is 65:35.

Segmenting by district, North, Islands (including Tung Chung), and Yuen Long will be the top three districts with the largest supply. Together, they account for 49% of all new public housing completions during the period, as the baton of public housing supply powerhouse is passed from Kai Tak to the Northern Metropolis and Tung Chung New Town Extension.

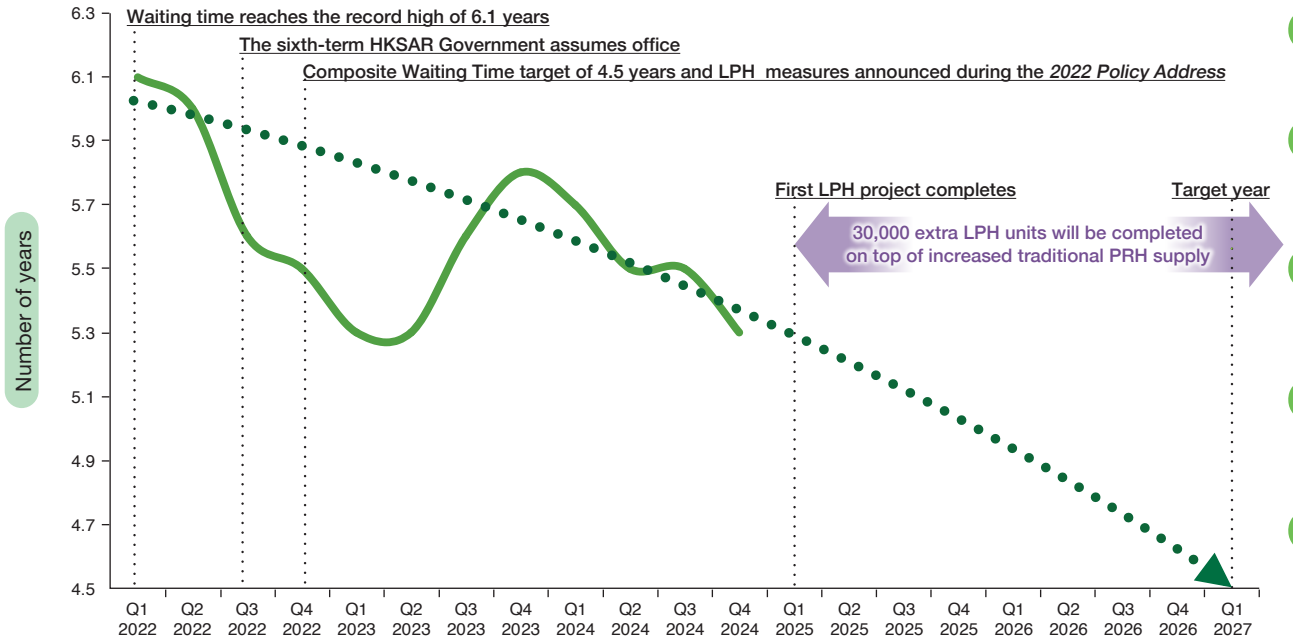
North is anticipated to be the largest source of completions, contributing around 20% of the total new public housing completions in the next five years, which amounts to approximately 38,210 units. 76% of these units will come from the Kwu Tung North/Fanling North New Development Area.

Islands will constitute approximately 30,600 units or around 16% of the total new public housing completions, contributed by 12 traditional public housing projects in the Tung Chung New Town Extension.

Yuen Long completes the podium by contributing approximately 24,800 units attributed to 14 traditional public housing sites, or around 13% of the total new public housing completions. The majority will come from sites located at Kam Sheung Road, Wang Chau, and Yuen Long South.

Despite fluctuations in PRH waiting time, the long-term downward trend remains unchanged given multiple positive factors

Figure 20. Actual and anticipated trend in Composite Waiting Time (CWT) for Subsidised Rental Housing



- The CWT has peaked in Q1 2022 and has reduced from 6.1 to 5.3 years in the past 12 quarters
- The number of general applicants has peaked in Q3 2020 and has been decreasing for 13 consecutive quarters
- PRH supply is entering a harvest phase with an annual average completion of 20,500 units in the next 5 years, up 56% from the past 5 years
- LPH projects will gradually complete starting from Q1 2025, providing 30,000 extra new units over the next 13 quarters
- There is an increasing number of recovered units available for allocation, with more than 12,000 units in 2023 and 2024

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

After outlining the latest projected public housing completions at the time of writing, we now discuss the trends in PRH waiting time and the feasibility of meeting the Government's KPI. Although the PRH waiting time has declined since its peak of 6.1 years in the first quarter of 2022, the subsequent fluctuations have led to concerns about whether the CWT will be further prolonged.

Nevertheless, the KPI of shortening the CWT to 4.5 years does not mean to "house applicants in 4.5 years". This, however, is a common confusion, and understanding the full picture requires clarifying the concept of PRH waiting time.

Firstly, the term "average waiting time" refers to the average of the waiting time of those general applicants (i.e., family applicants and elderly one-person applicants) who were housed to PRH over the past 12 months. Secondly, waiting time counts from the time of registration until the first housing offer, excluding any frozen period during the period. Notice that the definition of waiting time is based on "the first housing offer", but not "being housed", because applicants are entitled to three housing offers under the HKHA's policy. Depending on whether the applicant accepts the first, the second or the third offer, it may result in three different calculations of waiting time. It is, therefore, the HKHA's practice to count the waiting time up to the first housing offer, but not the time when the applicant is "housed".

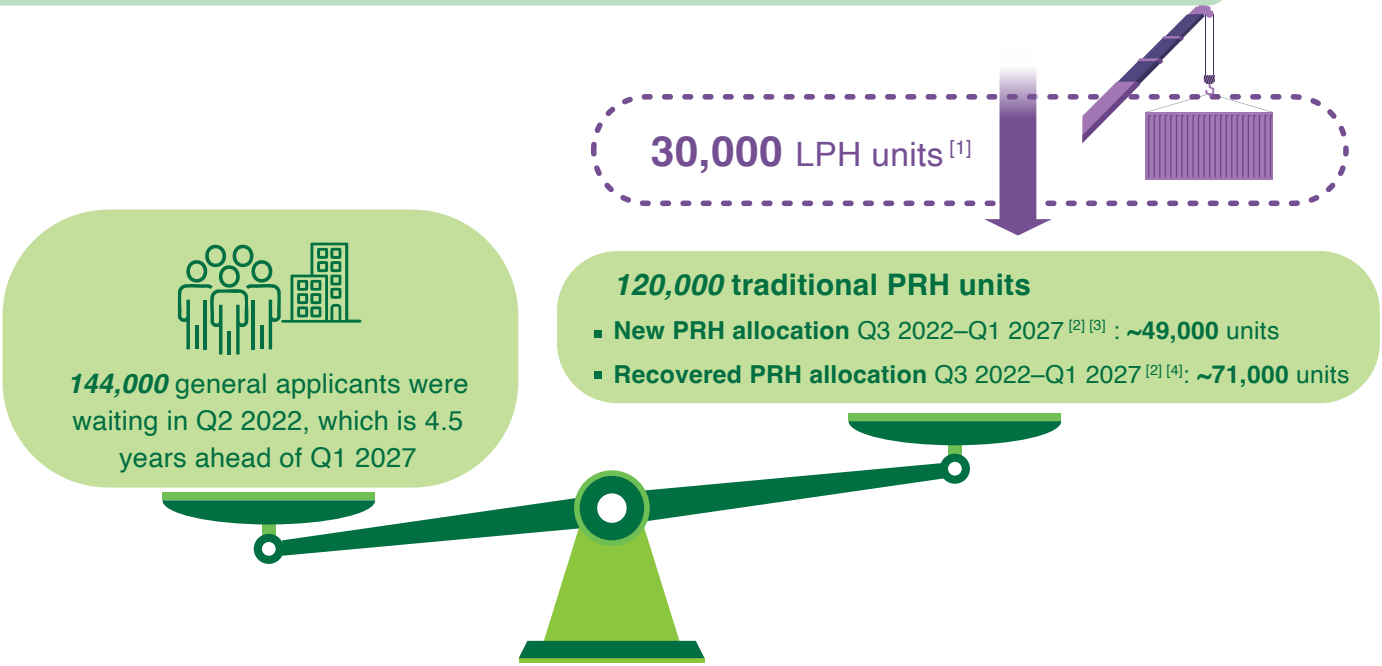
Combining these two definitions, the CWT target translates to "allocating units in 4.5 years on average", applicable only to general applicants, but not applicants under the Quota and Points System, i.e., non-elderly one-person applicants.

With these in mind, the variables affecting the CWT become evident. On the demand side, after peaking at 156,400 in the third quarter of 2020, the number of general applicants has decreased by 24% to 118,600 in the last quarter of 2024, suggesting that outstanding cases have been effectively processed. Yet, as the waiting time of these households could range from less than three years to more than six years, further fluctuations in the CWT are expected. On the supply side, given that more PRH and LPH completions are in the pipeline, coupled with more recovered units in 2023 and 2024, these contribute to more units becoming available for allocation.

All these positive factors suggest that the long-term downward trend remains unchanged.

LPH is necessary for achieving the PRH waiting time target despite the forthcoming harvest phase in public housing supply

Figure 21. Breakdown on PRH units needed to achieve the 4.5-year CWT target by 2026/27



Notes: [1] The latest projected completion date for all LPH units is before 2027/28, i.e., the actual completion date of some individual projects may fall within 2027/28. Nevertheless, the CWT target is still achievable if 80% of the LPH units could be completed by Q1 2027

[2] Assuming that the proportion of new and recovered PRH units allocated during Q3 2022 to Q1 2023 is 45:55

[3] Assuming that 97% of newly completed PRH units could be allocated by the next financial year, based on observations from figures between 2013/14 and 2023/24; all public housing projects categorised as PRH/GSH in the Public Housing Production Forecast are PRH-only projects

[4] Assuming that the annual number of allocation of recovered PRH units in 2024/25, 2025/26, and 2026/27 follows the 10-year average from 2014/15 to 2023/24

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

The above discussion on the CWT is also relevant in examining the necessity of LPH. Although **Figure 18** has shown that traditional public housing completions alone are enough to meet the LTHS target of 30,800 units in the next five years, this is a separate issue from the CWT. As the illustration in **Figure 21** shows, the 30,000 LPH units are indispensable to plug the short-term supply gap of traditional PRH units in meeting the KPI of shortening the CWT to 4.5 years by 2026/27.

To simplify, achieving the abovementioned target requires allocating enough units to general applicants such that their waiting time at the end of 2026/27, i.e., the first quarter of 2027, does not exceed 4.5 years. Tracing back to 4.5 years before the first quarter of 2027, this equates to the second quarter of 2022, when there were 144,000 general applicants on the waiting list. In other words, 144,000 PRH units are needed between the third quarter of 2022 and the first quarter of 2027.

The number of units available for allocation includes newly completed units and refurbished recovered units. At the time of writing, the actual figures are only available for financial years 2022/23 and 2023/24, and estimates have to be made for 2024/25 to 2026/27.

Nevertheless, the actual figures for 2022/23 come with a caveat. Although the HKHA discloses the approximate allocation numbers every quarter, the detailed breakdown of new and recovered units is only available on a financial year basis. To overcome this limitation, the ratio of new and recovered units between the third quarter of 2022 and the first quarter of 2023 is proxied using that in 2022/23, which is 45:55. The resulting figures are then added to the 2023/24 actual allocation of new and recovered units, respectively.

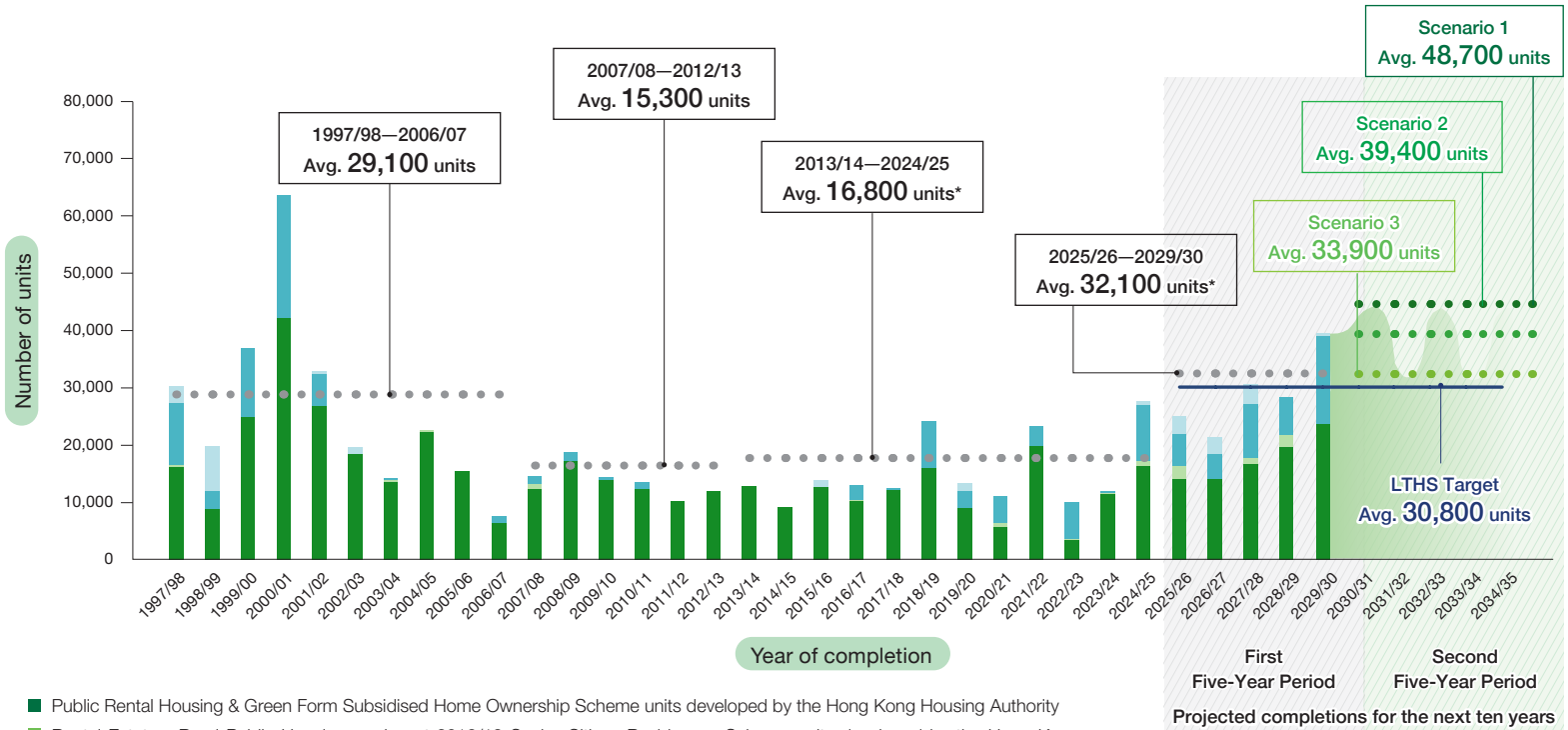
Next comes the estimates for 2024/25 to 2026/27, again broken down by new and recovered units. For the former, there are two key assumptions. Firstly, unless specifically indicated as GSH, all public housing projects categorised as PRH/GSH in the Public Housing Production Forecast are assumed to be PRH projects. This is because the conversion of PRH developments to GSH is only announced during each round of GSH sale exercises, and it risks more inaccuracies if attempts are made to second-guess which PRH development will be converted into GSH. Secondly, based on the figures between 2013/14 and 2023/24, it is assumed that 97% of newly completed PRH units will be allocated in the subsequent financial year. As for recovered units, the annual allocation is assumed to follow the 10-year average from 2014/15 to 2023/24.

Following the calculation process outlined above, it will result in some 49,000 new units and 71,000 recovered units that are available for allocation between the third quarter of 2022 and the first quarter of 2027. These add up to some 120,000 traditional PRH units, which is short of the 144,000 units needed for the 4.5-year CWT target by some 24,000 units. It is exactly this 24,000-unit short-term supply gap where the 30,000 LPH units come into play.

Some may persist and question whether all 30,000 LPH units are necessary when the short-term supply gap in traditional PRH is only 24,000 units. Taking the 30,000 LPH units minus the 24,000-unit short-term supply gap in traditional PRH, this translates into a 6,000-unit buffer, or a margin of error of around 12% for new traditional PRH completions. Cross-referencing **Figure 17**, given that the average delay rate in the past ten years is 14%, the buffer may not be as generous as it seems.

With further consolidation of the buffer above the LTHS target, the ten-year public housing completion outlook remains positive

Figure 22. Actual and projected completions of public housing units, 1997/98–2034/35



- 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, Flat-for-Sale Scheme, Sandwich Class Housing Scheme, and pre-2018/19 Senior Citizen Residences Scheme units developed by the Hong Kong Housing Society

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

* Since the planned service life of Light Public Housing is 5 years, and the long-term continuity of Transitional Housing is still uncertain at the point of writing, they are not included in this 10-year completion forecast

Next, we shift gears to the second five-year period, spanning financial years 2030/31 to 2034/35, for which we have formulated an exclusive ten-year forecast for public housing completions. **(For details of the forecast methodology, please refer to Figure 23.)**

In the years since the LTHS was first promulgated in December 2014, the ten-year public housing supply plan has been back-loaded, with two-thirds of the production target to be completed in the second five-year period. This situation is gradually changing as the harvest phase in public completions is forthcoming.

Two indicators support the above observation. Firstly, doing the arithmetic based on **Figure 22**, public housing completions between financial years 2025/26 and 2029/30, i.e., the "first five-year period", makes up 52% of the ten-year LTHS supply target. Secondly, for a second consecutive year, the ten-year outlook has improved such that planned public housing completions are anticipated to exceed the LTHS target by over 30%.

Even considering delays in site delivery and construction, projected completions are still on track to exceed the LTHS target by 7%

Figure 23. Scenario analysis for projected completions of public housing units, 2025/26–2034/35

Key Assumptions (Based on the forecast as of September 2024 by Development Bureau and Housing Bureau)		Projected Completions: Annual Average 2030/31–2034/35	Projected Completions: 2nd Five-Year Total 2030/31–2034/35	Projected Completions: Ten-Year Total 2025/26–2034/35	Variance vs. LTHS Target (308,000 units)
Scenario 1	On-time public housing site delivery and construction progress	48,700 units	243,400 units	~403,800 units	▸ **Exceed LTHS target by ~31%** ▸ Fully materialise the 403,800 units that can be produced from the land identified according to the 2024 Policy Address
Scenario 2	Three-year delay in delivery of some public housing sites and on-time construction progress	39,400 units	197,100 units	~357,500 units	▸ **Exceed LTHS target by ~16%** ▸ ~11% fewer units vs. Scenario 1
Scenario 3	Three-year delay in delivery of some public housing sites and 14% delay in construction progress [1]	33,900 units	169,500 units	~329,900 units	▸ **Exceed LTHS target by ~7%** ▸ ~18% fewer units vs. Scenario 1

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 14%
Sources: Housing Bureau, Development Bureau, Lands Department, Town Planning Board, Hong Kong Housing Authority, and Our Hong Kong Foundation

Nevertheless, as the forecast of public housing completions in the second five-year period is less certain than the first five-year period, three scenarios have been formulated to assess the possible permutations. Following a similar approach in our previous reports, the determinant for long-term public housing completion lies in two risk factors, namely, delay in 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 2024. If all listed public housing sites are handed over to the relevant public housing implementation agents on time and given no construction delays, it is expected that some 243,400 public housing units can be completed in the five years between 2030/31 and 2034/35. This translates to an annual average completion of 48,700 units. Altogether, the ten-year public housing completion forecast from 2025/26 to 2034/35 will be approximately 403,800 units, fully materialising all land identified for public housing according to the *2024 Policy Address*.

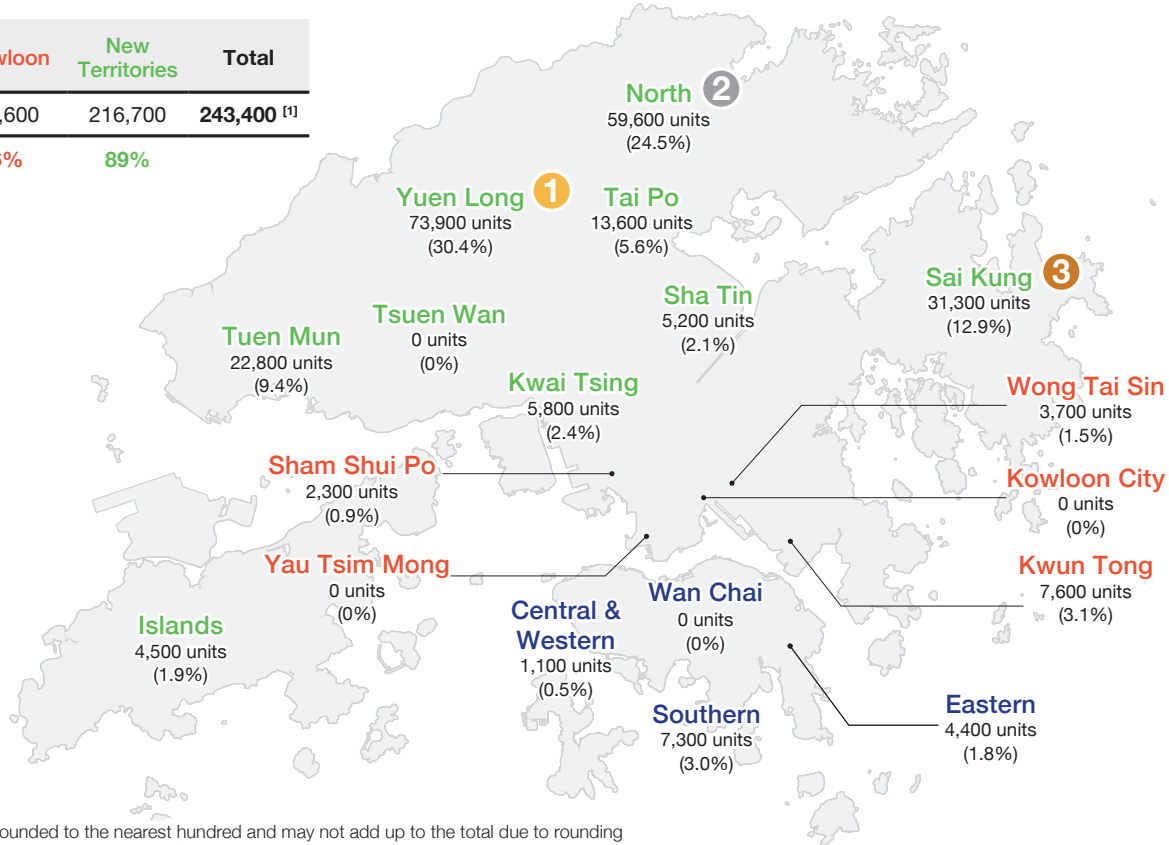
In Scenario 2, we assume a three-year delay in the delivery of public housing sites such as brownfield clusters, Land Sharing Pilot Scheme (LSPS) sites, and urban squatter areas. These are sites that have been earmarked in the *2022 Policy Address*, whereby their conversion from primitive land to spade-ready sites 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 current market environment, the tender period of sites for Multi-storey Buildings for Modern Industries on the Land Sale Programme has been extended. In the case of abortive tenders, the resettlement of existing brownfield occupants may be further delayed. 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 357,500 units, which is 16% 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 several potentially problematic sites to be delivered, but we also factored in a 14% construction delay, given the past track record of recurring construction delays shown in **Figure 17**. Under such circumstances, the ten-year public housing completion forecast is estimated to be around 329,900 units, which is still 7% 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 24. Projected public housing completions between 2030/31 and 2034/35, by district

	Hong Kong Island	Kowloon	New Territories	Total
Number of units	12,800	13,600	216,700	**243,400** [1]
	5%	6%	89%	



Note: [1] The estimated flat yield capacity is rounded to the nearest hundred and may not add up to the total due to rounding

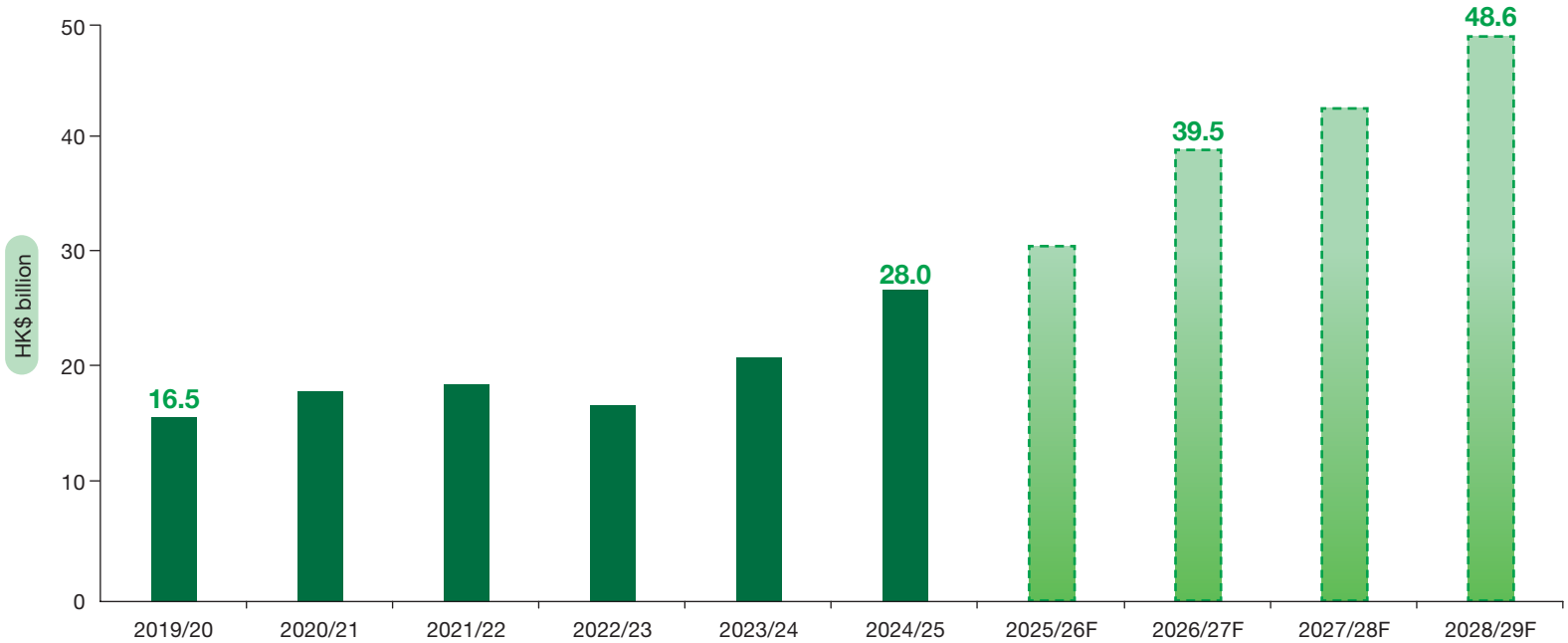
Sources: Housing Bureau, Development Bureau, Hong Kong Housing Authority, Hong Kong Housing Society, and Our Hong Kong Foundation

For a third consecutive 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 133,500 units, it contributes to around 55% of the estimated total completions, making it the backbone of long-term public housing supply.

It is also worth noting that Sai Kung took third place on the podium. Supply from the district is anticipated to surge from around 4% or 7,000 units in the first five-year period to around 13% or 31,300 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.

However, behind the positive public housing completion outlook are ballooning construction expenditures in the coming few years

Figure 25. Construction expenditures of Hong Kong Housing Authority, 2019/20–2028/29[1]



Note: [1] Construction expenditures include payments to contractors, in-house supervision, and administration costs
Sources: Hong Kong Housing Authority, Our Hong Kong Foundation

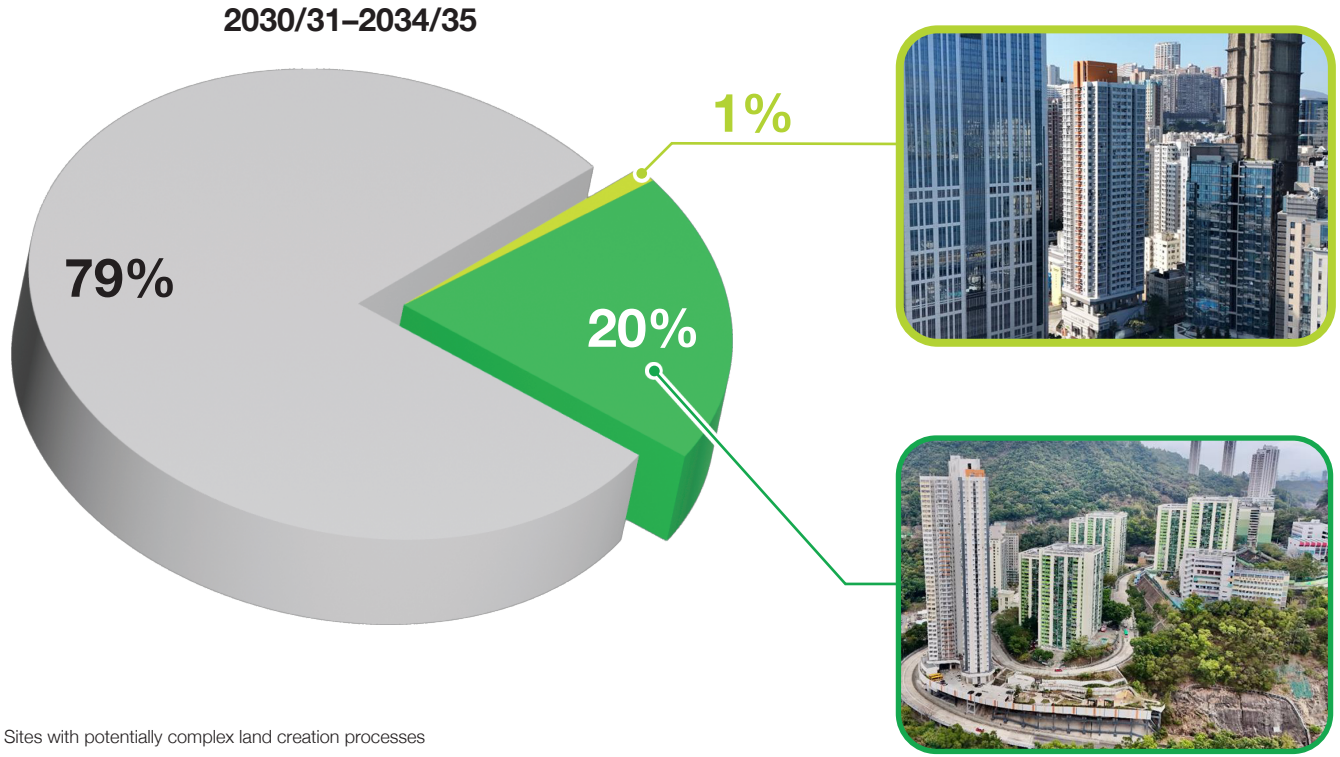
However, the positive outlook on public housing completion comes with a hefty price tag. Based on the latest financial forecasts at the time of writing, as indicated in HKHA paper no. F2 2/2025, HKHA's annual construction expenditure will rise significantly from HK$28 billion in 2024/25 to HK$39.5 billion in 2026/27 and further to HK$48.6 billion in 2028/29, or an increase of 41% and 73%, respectively.

More importantly, it must be noted that these financial forecasts only reflect the financial commitments for the production of some 129,100 units, or around 42% of the ten-year LTHS target of 308,000 units. While the LTHS target will be shared with the HKHS, this does not change the rising trend of construction expenditures beyond 2028/29.

While the increase in the number and scale of public housing projects to meet the forecasted demand under the LTHS inevitably leads to higher expenditures, it begs the question of whether the magnitude of increment can be moderated.

With a stable long-term supply buffer, it provides the basis to optimise the cost-effectiveness of public housing projects

Figure 26. Sites for public housing development in the second five-year period by type



- Sites with potentially complex land creation processes
- Small sites with estimated flat yield capacity of less than 1,000 units, excluding portions of large-scale projects
- Other sites that do not fall under the above categories

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

Besides the growing scale of the public housing development programme, another factor contributing to the continuous rise in construction expenditures is difficult site constraints that result in high development costs. For example, some sites could involve complex land creation processes due to slopes and/or complicated underground geological conditions. Others could be infill developments at small sites in congested areas with limited access.

Cross-referencing **Figure 23**, the buffer of 7% to 31%, or some 21,900 to 95,800 units above the ten-year LTHS target, provides the basis for optimising the cost-effectiveness of public housing projects. Given that most projects to be completed in the first five-year period have already entered the construction phase, the room for optimisation lies in those that fall into the second five-year period.

Figure 26 shows the results after we analysed such sites. Around 20% of them are sites with complex terrain, which could lead to prolonged and costly land creation processes. Another 1% are small sites with an estimated yield capacity of less than 1,000 units—excluding portions of large-scale projects—which could result in limited access and extended construction programmes. Amounting to some 50,900 units, the priority of developing these sites can be reconsidered. Eventually, some of these sites may still be taken forward, but the design should be revisited to contain the project costs.

Our observations for public housing supply

1

A harvest phase in public housing completions is forthcoming

Not only is the problem of back-loaded supply gradually easing, but the 30,800-unit LTHS target is also set to be exceeded in both the first and second five-year period

2

Yet, LPH is necessary for achieving the 4.5-year PRH waiting time target

The 30,000 LPH units are needed on top of traditional PRH units to bring the total supply to the 144,000-unit threshold required to reach the 4.5-year CWT target by 2026/27

3

Prioritisation is needed to rein in ballooning construction expenditures

Given a stable supply buffer in the second five-year period, the cost-effectiveness of developing sites with low flat yield capacity and complex terrain should be reconsidered

To conclude **Chapter 2**, public housing completions are entering a harvest phase as the problem of back-loaded public housing supply has started to turn around, with the 30,800-unit LTHS target set to be exceeded in the first and second five-year period. Nevertheless, for the 4.5-year CWT target to be achieved by 2026/27, there remains a short-term supply gap in traditional PRH completions. Therefore, the 30,000 LPH units are necessary to bridge this gap in the coming years. Looking further ahead, it is expected that the LTHS ten-year target will be exceeded by 7% to 31%, but construction expenditures will also significantly rise. The development pipeline of public housing projects with difficult site constraints should be critically reviewed to rein in ballooning construction expenditures.

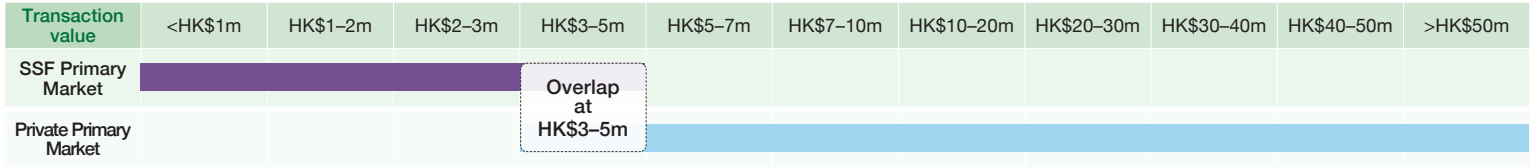
3.

Subsidised Housing Spotlight

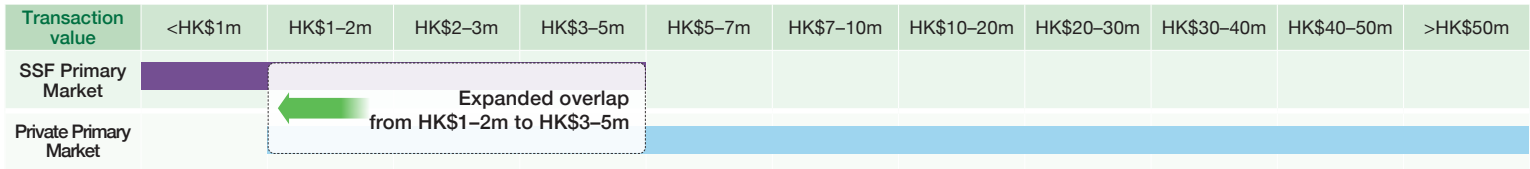
The property market downturn since 2021 has raised concerns on the potential competition between the private and public markets

Figure 27. Transaction value range by housing market, 2021 vs. 2024

Transaction value range by housing market, 2021



Transaction value range by housing market, 2024



Sources: Centaline, Our Hong Kong Foundation

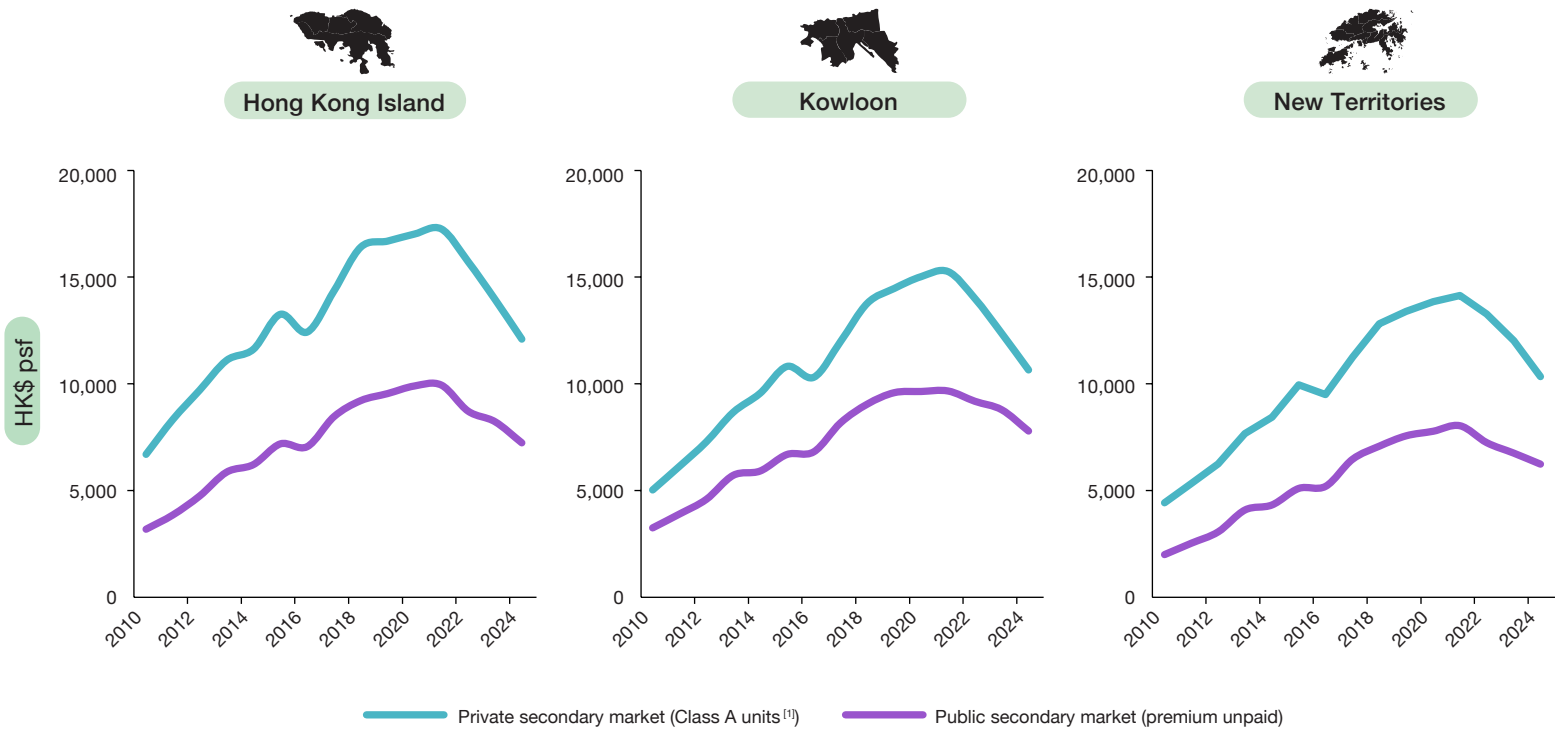
As Hong Kong's residential market has weakened in recent years, there has been increasing scepticism towards the necessity of subsidised housing. Concerns are growing regarding the overlap and potential competition between private and subsidised housing markets, particularly when home prices have trended downward since the all-time high in September 2021.

Ignoring factors such as unit size and location, a comparison of transaction value data in 2021 and 2024, as shown in **Figure 27**, supports these concerns to some degree. In 2021, subsidised housing transactions ranged from less than HK$1 million to HK$3–5 million, while private housing transactions ranged from HK$3–5 million to over HK$50 million. The overlap between the two markets was transactions with a value range of approximately HK$3–5 million.

In 2024, the overlap between the two markets expanded compared to 2021. While the high end of private housing transactions remained similar, as home prices had fallen approximately 27% from their September 2021 peak, the low end fell to HK$1–2 million. Consequently, the price overlap has significantly widened to transactions with a value range of approximately HK$1–2 million to HK$3–5 million.

Despite having narrowed since 2021, there has been a consistent differential in unit prices between private and public housing

Figure 28. Average unit transaction price in public and private secondary markets, 2010–2024



Note: [1] Class A units refer to those units with a saleable floor area of less than 430 sq. ft.
Sources: Hong Kong Housing Authority, Rating and Valuation Department, various news outlets, and Our Hong Kong Foundation

Nevertheless, despite a widening overlap in transaction prices between private and subsidised housing, an analysis of unit prices, as shown in **Figure 28**, reveals a persistent price differential amidst the market downturn. The private and subsidised housing secondary markets are used as a proxy as there are no official statistics regarding the unit prices in the private primary market.

At its peak in 2021, the average transaction price per square foot in the secondary market for subsidised housing with premium unpaid was approximately HK$10,300, HK$9,800, and HK$8,500 on Hong Kong Island, Kowloon, and the New Territories, respectively. The corresponding average price per square foot for Class A private units in the secondary market was approximately HK$17,600, HK$15,400, and HK$14,200—representing premiums of 71%, 57%, and 67%, respectively. By 2024, the unit price difference remained substantial, at 64%, 37%, and 55% across the three districts. This indicates that even during a downturn, the subsidised and private housing markets maintain a clear distinction in unit price, and the overlap only occurs in the lump sum price, hence, the potential competition may not be as significant as it seems.

Considering the distribution in transaction numbers, potential competition mostly occurs within the HK$3-5 million price range

Figure 29. Distribution of transaction volume, by property value and housing market, 2021 vs. 2024

Transaction value	<HK$1m	HK$1–2m	HK$2–3m	HK$3–5m	HK$5–7m	HK$7–10m	>HK$10m
2021 SSF Primary Market (828 transactions in total)	(43) 5%	(362) 44%	(354) 43%	(69) 8%	(0)	(0)	(0)
2021 Private Primary Market (17,469 transactions in total)	(17) >1%	(26) >1%	(79) >1%	(1,568) 9%	(3,625) 21%	(4,711) 27%	(7,443) 43%
2024 SSF Primary Market (1,888 transactions in total)	(106) 5%	(624) 33%	(656) 35%	(502) 27%	(0)	(0)	(0)
2024 Private Primary Market (16,869 transactions in total)	(18) >1%	(93) >1%	(428) 3%	(3,195) 19%	(4,949) 29%	(3,384) 20%	(4,802) 28%

Sources: Centaline, Our Hong Kong Foundation

To further ascertain the extent of potential competition between the subsidised and private housing markets, we now shift gears to examine the distribution of transaction volume by property value.

Due to supply constraints, a significant disparity has always existed in the total number of primary market transactions between subsidised and private housing. In 2021, there were 17,469 transactions in the private market, more than 21 times the 828 transactions in subsidised housing recorded. This figure decreased from 21 to 9 times but remained significant in 2024, with 16,869 private transactions versus 1,888 subsidised housing transactions. In other words, with subsidised housing transactions being only a fraction of that of private housing, the potential competition is limited.

Nevertheless, cynics would argue that the potential competition occurs in specific price ranges, especially where the lump sum price of subsidised and private housing overlaps. Cross-referencing **Figure 27**, these refer to transactions with a value range of approximately HK$3–5 million in 2021 and approximately HK$1–2 million to HK$3–5 million in 2024.

Turning to **Figure 29**, in 2021, there were only 69 transactions between HK$3–5 million in the subsidised housing primary market. Compared to the 1,568 transactions in the private housing primary market, the potential competition, if any, can only be insignificant.

A similar approach is used to scrutinise the transactions in 2024. For the lower end, with only 93 and 428 transactions in the HK$1–2 million and HK$2–3 million range in the private primary market, these constitute merely 0.6% and 3% of total transactions, respectively. These leave us with transactions between HK$3–5 million, which stand at 502 and 3,195 in the subsidised and private housing primary markets, constituting around 27% and 19% of the total transactions in the respective markets.

Cross referencing housing affordability, the potential competition only affects households near the median household income level

Figure 30. Household distribution in 2024, by monthly household income, housing affordability, and housing options

Monthly household income	Maximum affordable property value[1]	Affordable flat price range	Housing options[2]	2024 household distribution
<HK$8,000	HK$989,632	<HK$1m	PRH	14.4%
HK$8,000–14,999	HK$1,855,668	HK$1–2m	PRH/GSH	12.5%
HK$15,000–24,999	HK$2,783,576	HK$2–3m	GSH/HOS	16.2%
HK$25,000–39,999 (Median=HK$29,600[3])	HK$4,453,788	HK$3–5m	HOS/Private	18.3%
HK$40,000–49,999	HK$5,567,263	HK$5–7m	Private	9.2%
HK$50,000–79,999	HK$8,907,688	HK$7–10m	Private	15.5%
≥HK$80,000	>HK$10,000,000	>HK$10m	Private	14%

Likely covered by ***PRH / GSH*** 26.9% / 748,700 households

Likely covered by ***HOS*** 16.2% / 450,200 households

Likely covered by both HOS and ***private housing*** 18.3% / 509,400 households

Likely covered by ***private housing*** 38.7% / 1,073,000 households

Notes: [1] Calculation is based on the assumptions of a mortgage loan with a 90% loan-to-value ratio, 30-year loan tenure, and a 3.5% mortgage rate
[2] Only include housing options with >200 transactions in the primary market in 2021 or 2024
[3] Based on data from the Census and Statistics Department as of Q4 2024

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

Armed with the insight that the potential competition most likely occurs for subsidised and private housing units with a lump sum price between HK$3–5 million, their potential clientele deserves closer scrutiny to determine the necessity of subsidised housing.

Following the Census and Statistics Department's categorisation by income groups in the fourth quarter of 2024, the monthly household income was first converted into the maximum affordable property value by assuming a mortgage loan with a 90% loan-to-value ratio, 30-year loan tenure, and a 3.5% mortgage rate. This would allow us to group the households to the corresponding housing options based on their affordable price range and identify the potential clientele of each housing type.

It should be noted that only household income was considered when delineating the potential clientele for various housing types 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 for delineating the potential clientele of various housing types.

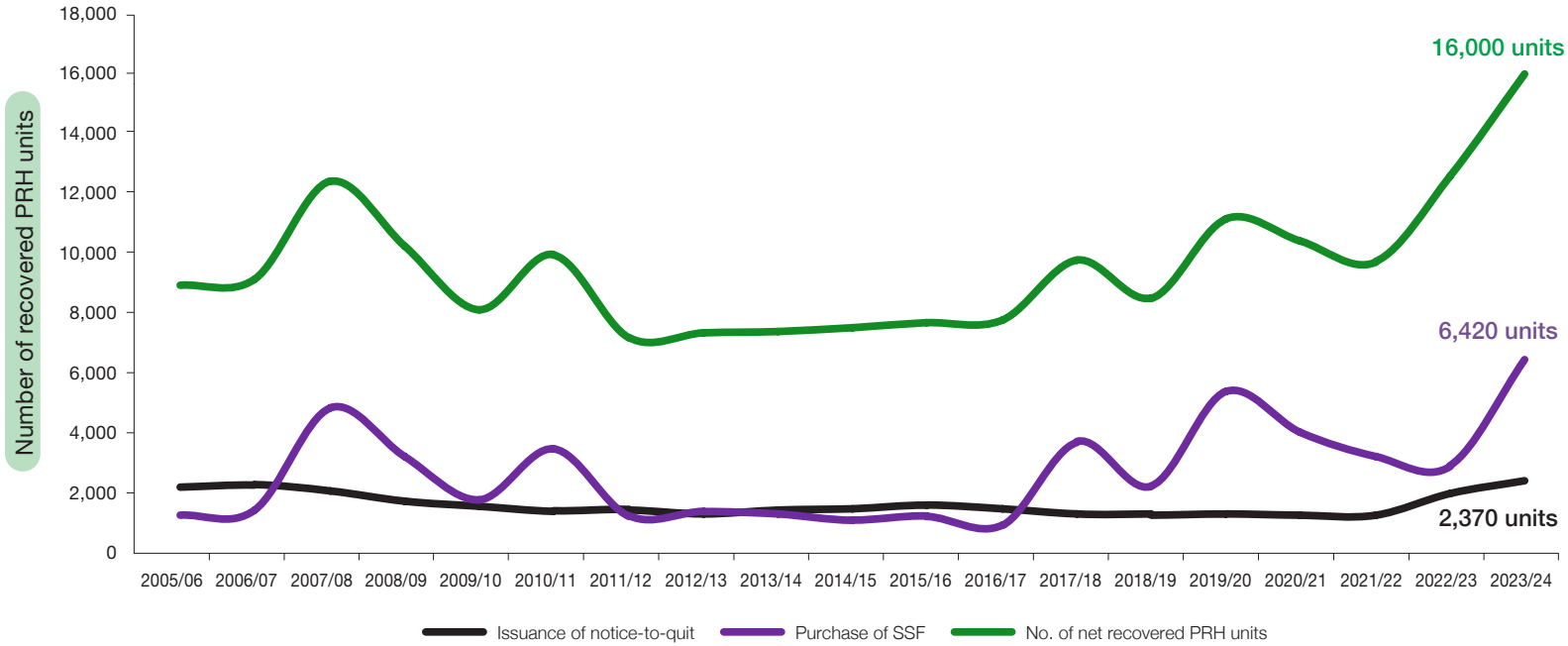
The result of this exercise is shown in **Figure 30**. With 18.3% of Hong Kong households earning a monthly income between HK$25,000 and HK$39,999, their maximum affordable property value is around HK$4.5 million and hence falls within the HK$3–5 million range. In other words, households near the median income level of HK$29,600 are the potential clientele most susceptible to the overlap in lump sum prices and potential competition between the subsidised and private housing markets.

Some may argue that since households with a monthly income level of up to HK$60,000 are also eligible for subsidised housing at the time of writing, the overlap in potential clientele should be beyond those households near the median income level identified above. However, based on the Hong Kong Housing Authority's most recent Survey on Applicants of the Sale of Home Ownership Scheme Flats 2022, only 9% of applicants have a budgeted flat price of HK$4.5 million and above. Similar findings observed for the 2019 and 2020 sale exercises suggest that potential competition is only limited to this group of clientele.

Turning to households below the median monthly income level, their affordability levels roughly correspond to the price range of various types of subsidised housing, i.e., GSH and HOS. While it must be admitted that more private housing units are increasingly within reach given the reduced home prices, subsidised housing is still the primary route for these households to achieve homeownership. Therefore, subsidised housing's raison d'être and function remain, i.e., to fulfil the homeownership aspirations of low- to middle-income families.

Subsidised homeownership is a major source of PRH unit recovery, with its effect more pronounced than combating PRH abuse

Figure 31. Number of net recovered PRH units vs. different PRH unit recovery sources, 2005/06–2023/24



Sources: Hong Kong Housing Authority, Legislative Council, and Our Hong Kong Foundation

Apart from serving as the first step for low- to middle-income families to achieve homeownership, subsidised housing also facilitates PRH turnover by providing an opportunity for PRH tenants whose financial conditions have improved to achieve homeownership, thereby releasing their PRH units for other more needy PRH applicants.

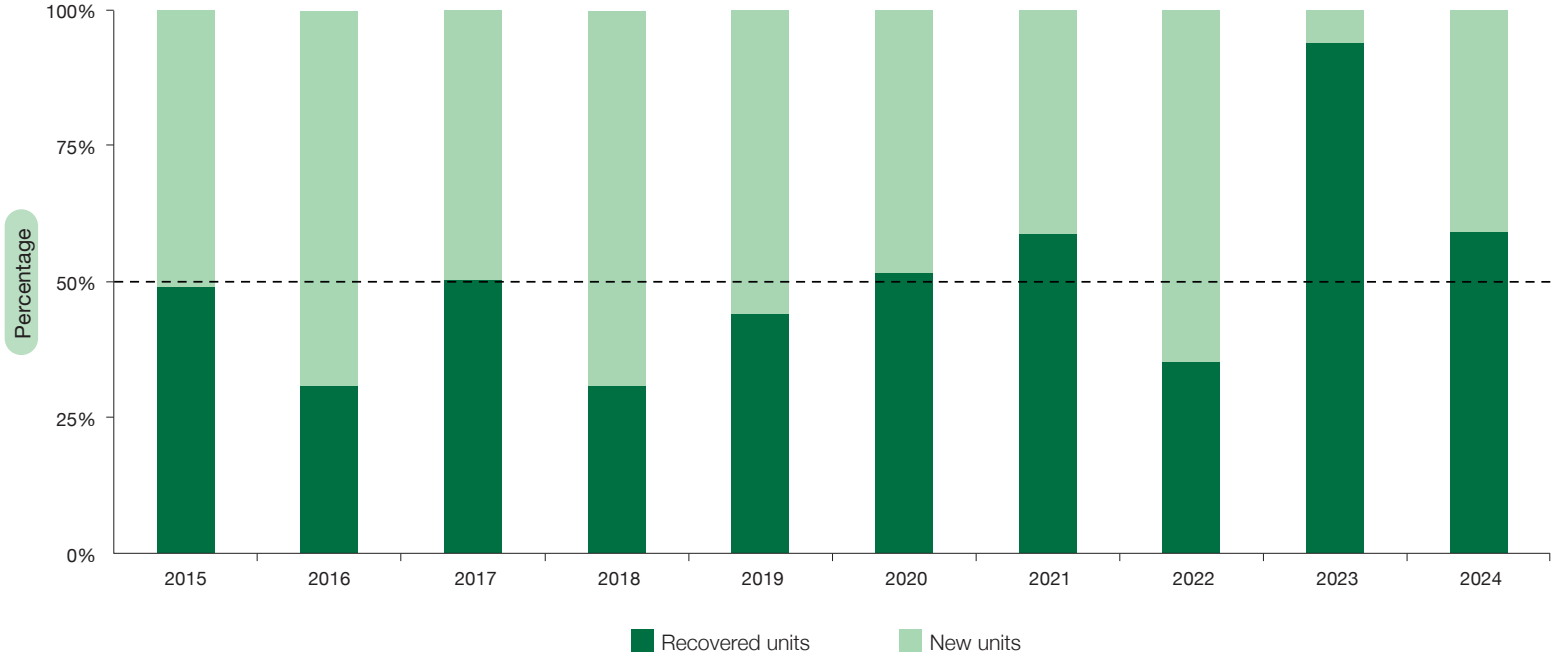
As an alternative source of PRH unit recovery, the Government has also intensified efforts to combat PRH tenancy abuse in recent years. Since taking office, the current-term Government has recovered over 7,000 units due to abuse or breach of tenancy conditions and introduced the Cherish Public Housing Resources Award Scheme.

Figure 31 compares the net recovery of PRH units from 2005/06 to 2023/24 by the two primary sources of recovery. The trend in net recovery closely mirrors the number of units vacated due to subsidised housing purchases, more so than the number of units recovered following tenancy termination notices (including those for abuse).

Therefore, while enforcement is effective, incentivising eligible tenants to voluntarily relocate is equally crucial. As tenancy abuse becomes less prevalent or more difficult to detect, a balance is needed in future policies to enhance PRH turnover further.

Constituting more than 50% of the total allocation, recovered units have become the mainstay of PRH allocation in the past two years

Figure 32. Distribution of PRH allocation to general applicants by unit source, 2015–2024



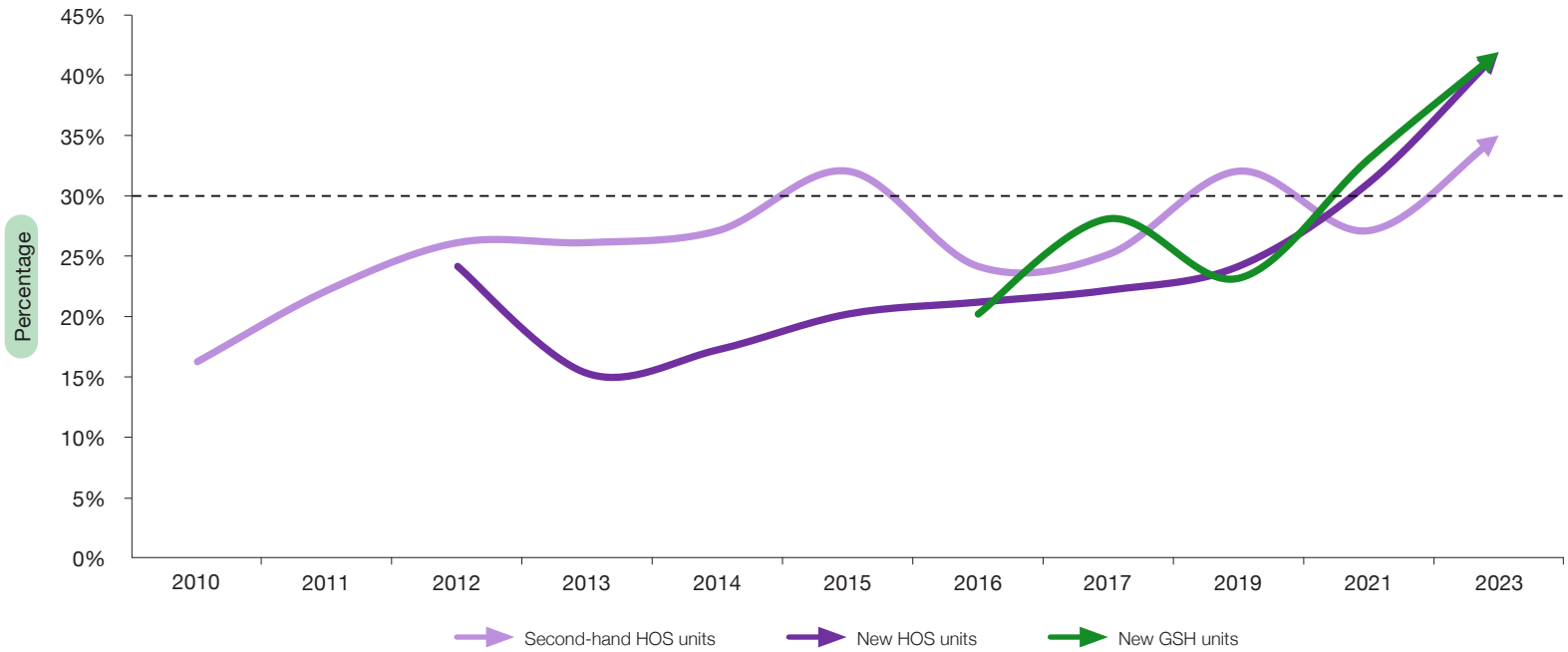
Sources: Hong Kong Housing Authority, Our Hong Kong Foundation

In **Chapter 2**, we discussed the concept of PRH waiting time and how it could be reduced as more units—comprising newly completed and recovered units—become available for allocation. With new units subject to the construction lead time and could take years before they are available, recovered units are a quicker way of meeting the needs of PRH applicants and reducing the PRH waiting time.

Figure 32 reveals that recovered units accounted for 48% of all PRH allocations over the past decade. They exceeded new completions on five occasions, including four of the past five years, reaching 94% in 2023. In short, by facilitating PRH turnover and increasing the number of recovered units available for allocation, subsidised housing also has a knock-on effect of reducing the PRH waiting time, underlining its necessity.

More and more PRH households are open to purchasing SSF, with the proportion exceeding one-third in recent years

Figure 33. Proportion of PRH households open to purchasing SSF, 2010–2023[1]



Note: [1] Including those who indicated "Yes" and "Not decided yet" in each edition of the Public Housing Recurrent Survey conducted by the Housing Department
Sources: Hong Kong Housing Authority, Our Hong Kong Foundation

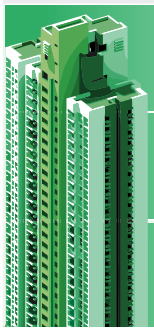
More importantly, there is still significant unfulfilled demand for homeownership among PRH households, which can release even more PRH units for allocation to PRH applicants, further reducing the PRH waiting time. Such intentions are revealed in the Public Housing Recurrent Survey (PHRS) conducted by the Housing Department, conducted annually before 2017 and biennially thereafter.

Figure 33 summarises the survey findings regarding the intention of PRH households to purchase various types of subsidised housing, with new HOS units added in 2012 following the resumption of the HOS and new GSH units added in 2016 with the launch of the GSH pilot scheme. It can be observed that despite fluctuations, more PRH households are open to purchasing subsidised housing. The latest 2023 survey reveals that over 30% of PRH households expressed an open attitude towards purchasing these subsidised housing options (responding “Yes” or “Don’t know/Not yet decided” ; “No” responses indicate a closed attitude). This open attitude is even more pronounced regarding new units, exceeding 40%.

The unfulfilled homeownership demand of PRH households gives rise to huge potential to boost PRH unit recovery and turnover

Figure 34. Potential number of recovered PRH units from SSF purchase based on latest survey results[1]

Number of PRH households (2023)	805,000	
Open to purchasing	Proportion	Potential represented number of households
Second-hand HOS flats	32%	257,600
New HOS flats	42%	338,100
GSH flats	42%	338,100



Potential PRH unit recovery number from SSF purchase

Up to 338,100

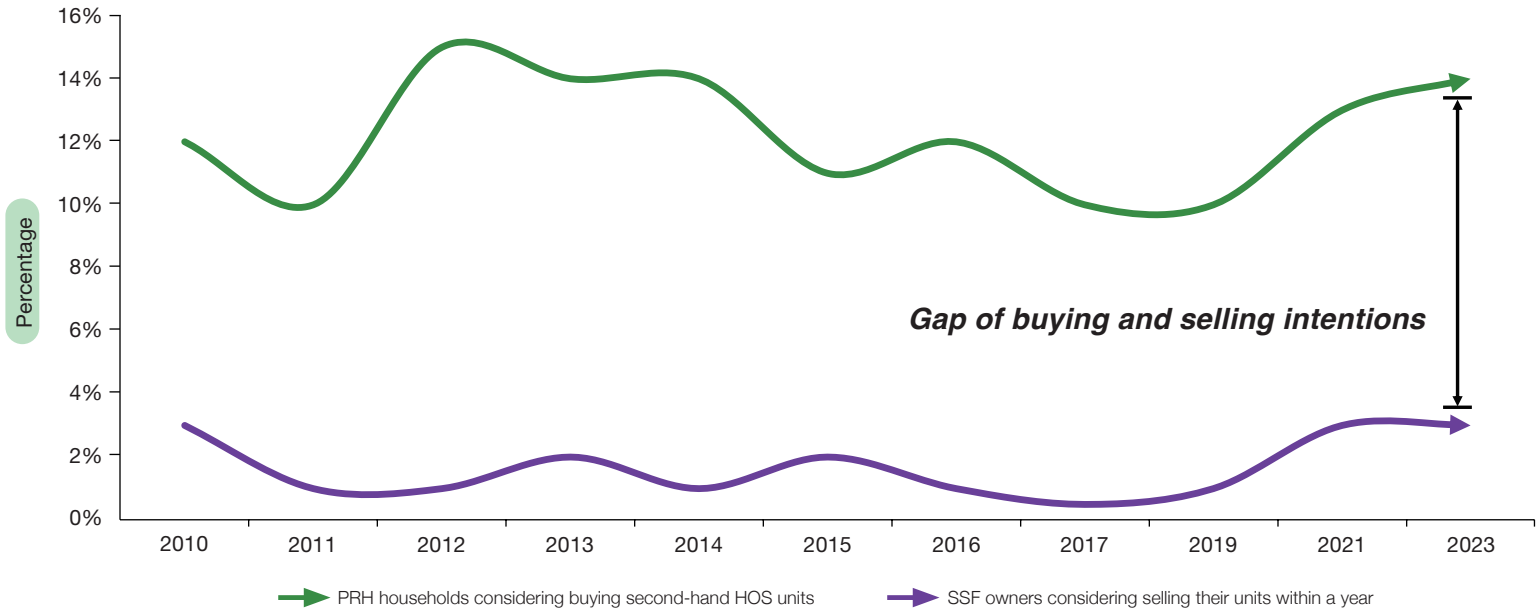
Note: [1] Specifically referring to the Major Findings of the Public Housing Recurrent Survey 2023 conducted by the Housing Department
Sources: Hong Kong Housing Authority, Our Hong Kong Foundation

We attempt to extrapolate the potential number of PRH units that can be recovered if the demand for homeownership of PRH households is fulfilled. Based on the 2023 PHRS findings, approximately 32%, 42%, and 42% of Hong Kong's PRH households are open to purchasing second-hand HOS units, new HOS units, and GSH units, respectively. With approximately 805,000 PRH households in 2023, this translates to some 257,600, 338,100, and 338,100 households open to purchasing these housing types.

Although PRH households' intention to purchase various types of subsidised housing is not mutually exclusive, they will eventually go for only one option. Hence, we adopt the largest number as the maximum potential demand for homeownership among PRH households. If this is fulfilled and they surrender their PRH units upon purchasing subsidised housing, the number of recovered units could reach 338,100, ten times that over the past decade.

Yet, there is a significant demand and supply mismatch in the SSF secondary market due to low intentions of existing owners to sell

Figure 35. Intention of purchasing vs. selling second-hand HOS units, 2010–2023[1]



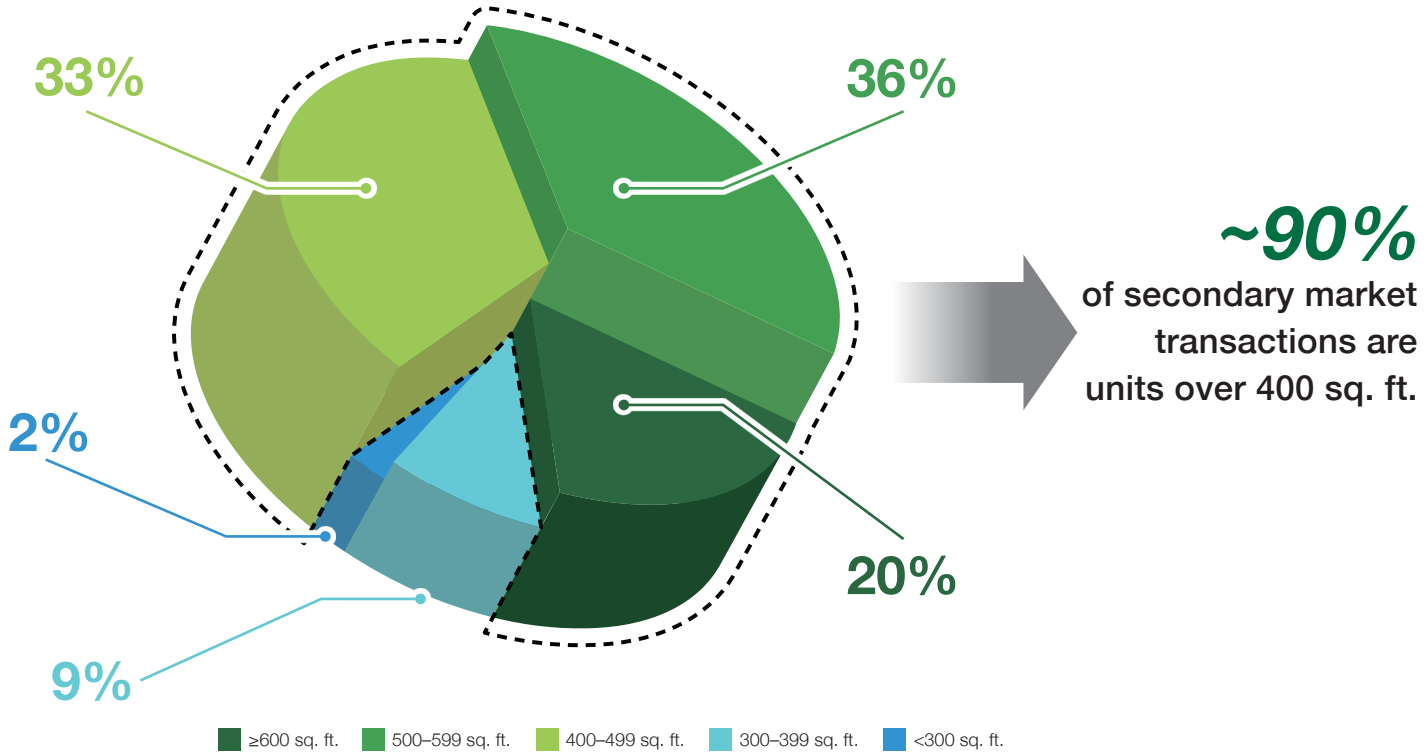
Note: [1] Specifically referring to the Major Findings of the Public Housing Recurrent Survey 2023 conducted by the Housing Department
Sources: Hong Kong Housing Authority, Our Hong Kong Foundation

However, a peculiar phenomenon was observed in our investigation of PRH households' intention to purchase various types of subsidised housing. Across the past ten editions of PHRS, an average of 12% of PRH households indicated they would consider purchasing second-hand subsidised housing. In contrast, subsidised housing owners have shown considerably less interest. An average of only 2% of owners indicated that they would consider selling within the next year, with the percentage never exceeding 3%.

This significant disparity in buying and selling intentions between PRH households and subsidised housing owners highlights a serious supply-demand imbalance in the secondary subsidised housing market.

The distribution of transactions in the secondary market reveal that Green Form buyers overwhelmingly prefer larger units

Figure 36. Distribution of transactions of SSFs with premium unpaid by floor area, 2010–2024



Sources: Hong Kong Housing Authority, Our Hong Kong Foundation

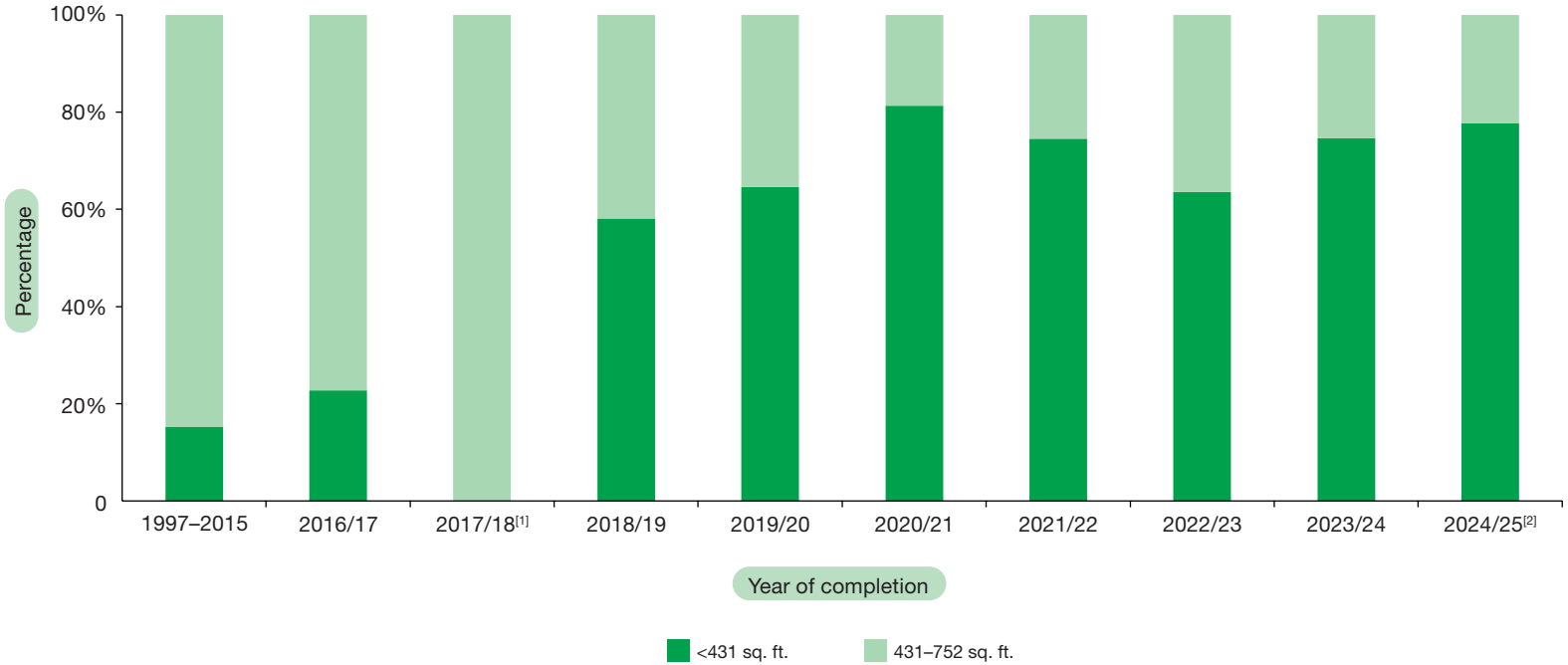
Upon closer scrutiny, PRH households' intentions of purchasing second-hand subsidised housing are far more nuanced.

Figure 36 shows the distribution of transactions of subsidised housing with premium unpaid over 15 years since 2010. The results are stark—nearly 90% of transactions involve units over 400 sq. ft. With actions reflecting mindset, this proves, beyond a shadow of a doubt, that Green Form buyers overwhelming ly prefer larger units.

The reason for such a mindset is not difficult to see. Besides monthly mortgage repayments, homeownership entails other expenses such as management fees, Government rent, and rates, which may even be higher than PRH rents. Therefore, for existing PRH households to have incentives to achieve homeownership and surrender their PRH units, the alternative must be larger to offer a genuine upgrade in their living quality. This is reflected in the Hong Kong Housing Authority's most recent Survey on Applicants of the Sale of Home Ownership Scheme Flats 2022, where 55% of Green Form applicants indicated that unit size is the major factor affecting their choice of units.

The demand-supply mismatch will be exacerbated further with smaller units dominating new SSF completions in recent years

Figure 37. Proportion of new SSF completions by floor area, 1997/98–2024/25



Notes: [1] The new completions in 2017/18 particularly refer to Ka Shun Court in Sha Tin district, namely 248 units ranging from 445 to 449 sq. ft.
[2] Data updated as of Q4 2024
Sources: Census and Statistics Department, Our Hong Kong Foundation

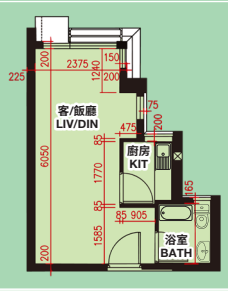
Regrettably, new subsidised housing completions have been dominated by units under 431 sq. ft. in recent years. The proportion of new subsidised housing completions under 431 sq. ft. was only 13% between 1997 and 2015. However, apart from the first two years after the first batch of new HOS was completed in 2016, this trend has reversed and reached 79% in 2024/25.

With public housing completions entering a harvest phase as forecasted in **Chapter 2**, it is hoped that unit sizes in upcoming subsidised housing completions can regain an upward trend.

With resale gains from small SSF units inadequate to afford a replacement unit, existing owners are unlikely to sell and upgrade

Figure 38. Case study on upgrading options for subsidised housing owners

Case of Lai Tsui Court
Building age: ~6 years
Studio unit (saleable area 287 sq. ft.)



Primary transaction price	HK$1,880,200 (May 2019)
Secondary transaction price	HK$2,790,000 (Dec 2024)
Capital appreciation/ resale gains	HK$909,800
Maximum affordable property value[1]	**HK$4,549,000**

Private housing options in nearby neighbourhoods

The Vertex
Building age: ~3 years

2-bedroom
(saleable area 447 sq. ft.)
HK$7,783,000
(Dec 2024)

The Pacifica
Building age: ~21 years

2-bedroom
(saleable area 445 sq. ft.)
HK$6,680,000
(Mar 2025)

Mei Foo Sun Chuen
Building age: ~51 years

2-bedroom
(saleable area 437 sq. ft.)
HK$4,550,000
(Mar 2025)

Note: [1] Assuming that the capital gains from the SSF unit will be used as downpayment for the replacement private housing unit with an 80% loan-to-value ratio
Sources: Hong Kong Housing Authority, Centaline, and Our Hong Kong Foundation

Having discussed the demand side, i.e., PRH households intentions of purchasing second-hand subsidised housing, we then turn our attention to the supply side, which is the low intentions of subsidised housing owners to sell their units, as shown in **Figure 35**.

This can be broken down further by the size of their units, which can be cross-referenced to **Figure 37**. For most of them holding on to the larger units completed before the era of the new HOS, the need to upgrade and sell their existing unit is relatively lower. Moreover, given the disparity in unit prices between subsidised and private housing, as shown in **Figure 28**, the costs of a similar-sized unit in the private housing market, not to mention an even larger one, could be prohibitive.

Subsidised housing owners holding on to smaller units could be reluctant to sell as they cannot afford the leap to private housing. While the barrier to entry for these smaller units is low, given the smaller lump sum price, it also means a smaller amount of capital appreciation upon future resale, to the extent that it is even smaller than the downpayment needed for an upgrade to private housing.

Figure 38 illustrates the difficulties that owners of small subsidised housing units face in upgrading to private housing by analysing cases of actual transactions. Consider a 287 sq. ft. studio unit in Lai Tsui Court, a GSH project launched in 2018 and completed in 2019. The initial sale price in 2019 was approximately HK$1.88 million; a resale in December 2024 fetched HK$2.79 million, yielding an HK$0.91 million profit.

We assume all profits are reinvested as a downpayment for purchasing a private replacement flat based on an 80% loan-to-value ratio. Ignoring factors such as monthly income and other expenses such as legal fees, stamp duty, and mortgage insurance premium, the theoretical maximum affordable property value is HK$4.55 million.

However, notwithstanding variables such as orientation, view, and floor level, recent transactions show this is insufficient for a comparable upgrade, i.e., a 2-bedroom unit in the same district. For example, a 447 sq. ft. unit in The Vertex, a three-year-old residential property, was sold for HK$7.78 million in December 2024, close to 71% higher than the theoretical maximum affordable property value of HK$4.55 million.

Even if the buyer is willing to compromise on the building age to around 20 years, such a replacement property is still out of reach. A 445 sq. ft. unit at The Pacifica—one of the “West Kowloon Four Little Dragons” estates—changed hands for HK$6.68 million in March 2025, 47% higher than the theoretical maximum affordable property value of HK$4.55 million.

Upon scrutinising the most recent transactions at the time of writing, only Mei Foo Sun Chuen, with a building age of over 50 years, offers a viable option, where a 437 sq. ft. unit was transacted for HK$4.55 million in March 2025.

Our overall observations

Private Housing	**Land sales may be hampered by complex site and tender conditions** Lengthened development periods and, hence, higher risks are key deterrents, as completions will be front-loaded in 2025–2026 and gradually decline between 2027–2029
Public Housing	**The impending harvest phase is not an endgame for lurking challenges** The LPH is necessary to plug short-term supply gaps to reach the 2026/27 CWT target, while ballooning construction expenditures call for a critical review of cost-effectiveness
Subsidised Housing	**Raison d'être remains despite fading appeal amidst the market downturn** SSFs have limited clientele overlap with private housing and remain as the first step to homeownership, but larger units are needed to impel upgrading and boost PRH turnover

With unfavourable factors such as high interest rates, construction costs, and inventory backlog, moods and narratives are understandably gloomy as conservatism takes hold. However, we should guard against such pessimism from becoming a self-fulfilling prophecy.

The private housing sector has been subject to these weak sentiments. Besides a slowdown in every stage of the development cycle, successful land tenders have declined in plot size and accommodation value. Weak fundamentals, compounded by lengthened development periods stemming from complex geological and development conditions, have prolonged the pre- and post-construction phases. The resulting heightened development risks have deterred developers' interest and willingness to submit competitive bids. As a result, although completions will average 17,100 units in 2025–2029, it will be front-loaded in 2025–2026 and gradually decline between 2027 and 2029. Subject to the interactions between policy adjustments and market recalibrations, longer-term completion levels could range between 15,400 to 19,900 units annually. To smooth out supply, the government should continue to streamline approval procedures and simplify conditions in its land grants.

The public housing sector faces a different kind of challenge. Fluctuations in the PRH waiting time led to doubts about whether reducing it to 4.5 years by 2026/27 is feasible. However, we remain steadfast in our view that the long-term downward trend remains unchanged, and the target is very much attainable. While the impending harvest phase in completions played a part, the added boost of 30,000 LPH units is indispensable. Meanwhile, our call for action lies in reining in ballooning construction expenditures, projected to rise by 73% in the next four years. With traditional public housing completions on track to exceed the LTHS target of 308,000 units by some 7% to 31%, there is room for prioritisation and the cost-effectiveness of developing sites with low flat yield capacity and complex terrain should be reconsidered.

Concerns about the subsidising housing sector centre around its raison d'être. It is seen to compete for the same clientele and has become less popular given a widening lump sum price overlap with private housing. Transactions in 2024, however, suggest that the impact is limited to households near the median income level of HK$29,600. Despite more private housing units within reach, subsidised housing remains the primary option for grassroots families to attain homeownership. PRH unit recovery and turnover are expedited in the process, with the potential to recover up to 338,100 PRH units if the unfulfilled homeownership demands of PRH households are met. Nevertheless, with most newly completed subsidised housing units under 431 sq. ft. in recent years, it is out of sync with the preferences of PRH households. Existing owners are also priced out of upgrading to private housing.

There are, however, signs that policies and measures are being devised to address these challenges. The Government, MTR Corporation, and the URA have responded to market feedback and fine-tuned their tender strategies. Looking at a broader time horizon since 1997, we are on track to avoid a pendulum swing in supply experienced between 1997–2006 and 2007–2016, boding well for maintaining a healthy private housing market. The Housing Bureau announced in February 2025 that it would set up a task force to look into cutting costs for building public housing, including design, materials, and procedures. Starting from units to be launched in 2025, subsidised housing will also see design enhancements to provide owners with greater flexibility in selecting preferable models.

Admittedly, Hong Kong's housing landscape is navigating turbulent waters. Nevertheless, we will continue to steer the public through these challenges, putting them into perspective by providing fact-based and data-driven analysis.

OUR HONG KONG FOUNDATION
團結香港基金

Our Hong Kong Foundation (OHKF) is a non-government, non-profit organisation founded in November 2014 by Honorary Chairman Mr Tung Chee-hwa, former Vice Chairman of the National Committee of the Chinese People's Political Consultative Conference and former Chief Executive of Hong Kong SAR. OHKF aims to contribute to Hong Kong's prosperity and stability as well as its sustainable development under the "One Country, Two Systems" principle. The Foundation has three operating units: the Public Policy Institute that focuses on public policy research, advocacy, and engagement as a think tank; the Academy of Chinese Studies that promotes traditional Chinese culture and tells the stories of China today, and Hong Kong Chronicles Institute that produces a book series about Hong Kong's development over time for preserving history and educating the people.

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