



OUR HONG KONG
FOUNDATION
團結香港基金

Executive Summary

10-Year Housing Supply Forecast 2023

April 2023

Executive Summary

The lifting of the mandatory mask order in March 2023 marked Hong Kong's return to normal life after three years of pandemic. Coupled with the new measures announced in the 2022 Policy Address, the housing supply outlook has improved both in terms of quantity and quality. Nevertheless, its realisation hinges on resolving the challenges in the Northern Metropolis, which holds the key to long-term housing supply.

Our Hong Kong Foundation (OHKF) has offered an updated analysis, revealing that with the anticipated boost of the 30,000 Light Public Housing (LPH) units, the Composite Waiting Time for subsidised rental housing (CWT) is likely to be shortened from the peak of 6.1 years in 2021/22 to 4.6 years by 2026/27. Completion of 19,000 private housing units annually is anticipated for 2023–2027, which is an improvement over the 18,200-unit level for the past five years.

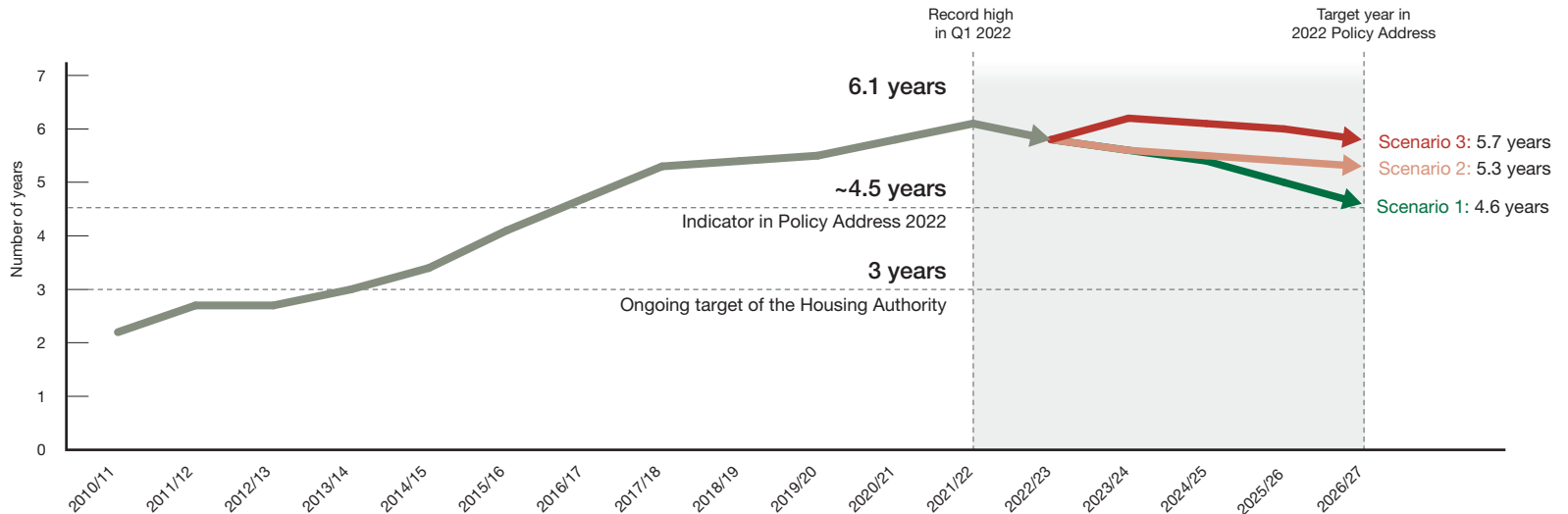
In terms of quality, trends in the sell-through rates indicate changed market preferences in favour of mid-size over nano-flats and small units. We are also witnessing a shift in the proportion of upcoming completions. Based on information disclosed in the latest sales brochures and building plans, mid-size units will form the bulk of newly completed units after 2023.

The following section will provide a detailed analysis of upcoming trends in public and private housing supply, as well as changes in market trends.

Part I: Public Housing Supply

1. On the premise of the timely delivery of 30,000 LPH units, completions are forecasted at 31,700 units per annum for the next five financial years (2023/24 to 2027/28). This will exceed the Long Term Housing Strategy (LTHS) annual target, while achieving the key performance indicator (KPI) of increasing public housing production by 50% as compared to the previous five-year period (2022/23 to 2026/27).
2. Our scenario analysis shows that the Government's CWT target of 4.5 years is within reach. However, this is only possible with the added boost from LPH units on top of the timely delivery of traditional public housing. This serves to highlight the importance of the LPH.
3. As for the ten-year forecast, if all listed public housing sites are handed over to the Hong Kong Housing Authority (HKHA) on time with no subsequent construction delay, it is expected that all the potential supply according to the 2022 Policy Address could be materialised. The resulting approximately 360,000 units will exceed the LTHS target of 301,000 units by 20%.
4. However, there are still potential obstacles ahead. The Northern Metropolis comprises 60% of the public housing supply in the second five-year period, making it by far the single largest source of projected completions. Nevertheless, over half of these, or some 70,000 units, will come from individual rezoning sites outside the planned New Development Areas (NDAs). Many of these sites involve existing tenants and occupants, which may take additional time to resolve before land resumption and clearance.

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

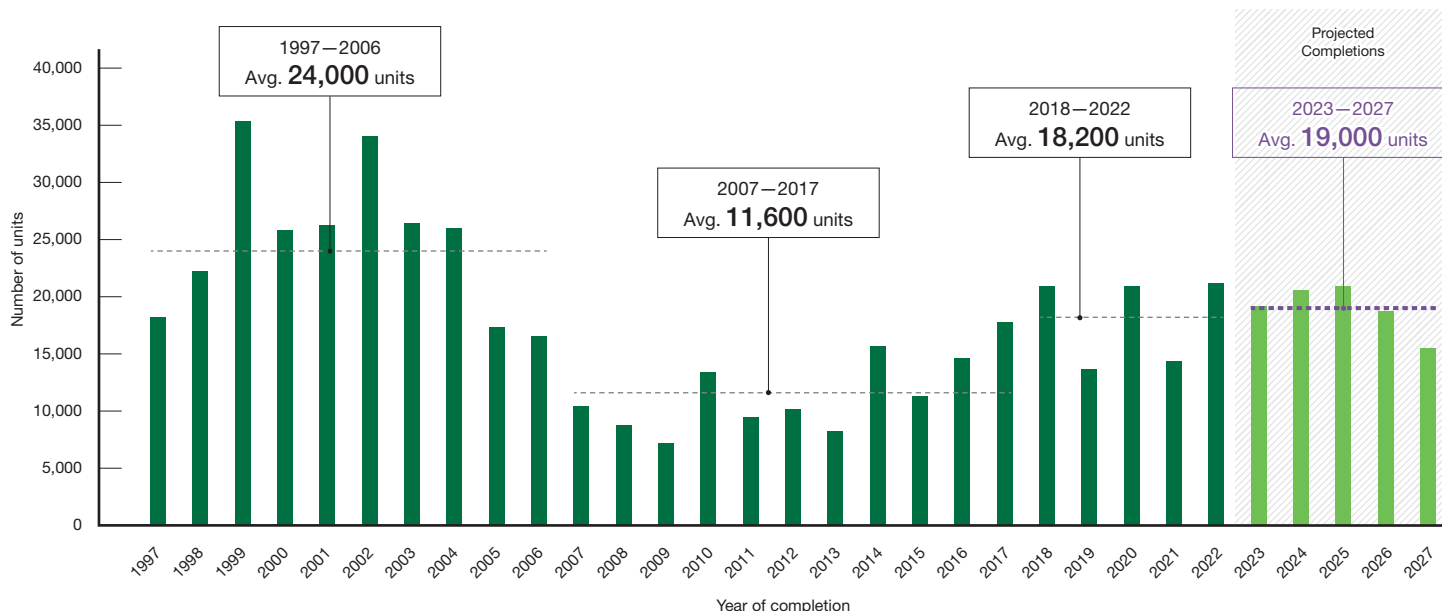


Sources: Housing Bureau, Hong Kong Housing Authority, and Our Hong Kong Foundation

Part II: Private Housing Supply

5. The average annual completions in the next five years (2023–2027) are anticipated to be around 19,000 units. This has been revised upwards compared to our previous rolling five-year estimate of 17,300 units. The revision is mainly due to the approximately 9,000 units provided in major cases that concluded their respective land administration processes in 2022/23.
6. We observe varying trends among different leading indicators across the private housing development cycle. While positive trends were found in pre-sale consent applications and building construction, the tailing off in spade-ready land supply since 2017/18 has yet to be reversed. The former further validates our improved forecast for the next five years, and the latter suggests completions thereafter are expected to decline.
7. As a result, we forecast an average annual completion of 13,900 units during the second five-year period (2028–2032), which is the same as the upper-bound scenario in our forecast last year. This reflects an anticipated acceleration in long-term private housing completions following the streamlining of statutory and administrative development procedures announced in the 2022 Policy Address.
8. Nevertheless, this is still a significant fall from the anticipated level in 2023–2027. For completions to stabilise, the key lies in unleashing the untapped development potential in the Northern Metropolis. Assuming all ongoing town planning applications within the Northern Metropolis can be taken forward, annual completions could reach as high as 18,800 units in 2028–2032.

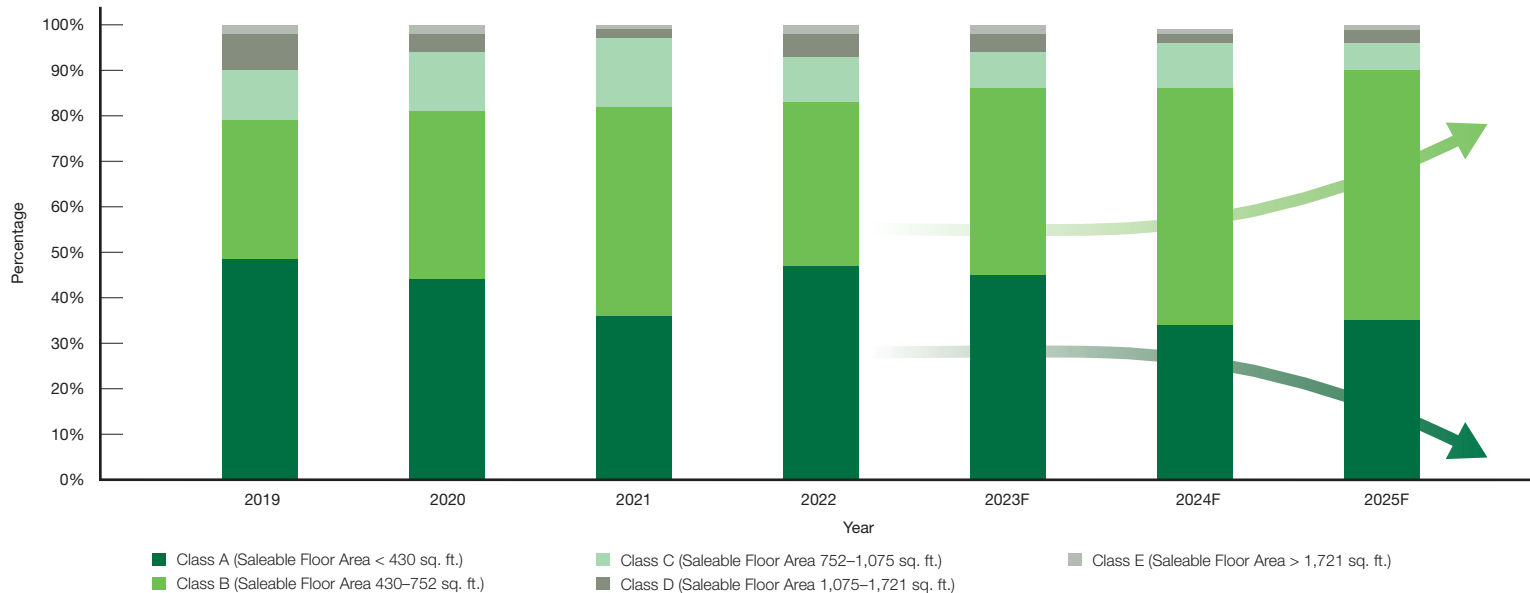
Actual and projected completions of private housing units, 1997–2027



Part III: Decoding Market Dynamics

9. First-time homebuyers used to scramble for units with a smaller lump sum irrespective of size to get a foot on a rung of the property ladder. In recent years, however, market preferences have changed to favour mid-size units.
10. On the demand side, relaxations in mortgage rules led to higher affordability and appetite for larger units. On the supply side, increased subsidised housing supply led to more affordable alternatives, reducing the need to rush into the private housing market for a small unit, or even nano-flat. Consequently, the sell-through rate of mid-size Class B units—those with a saleable floor area between 430 and 752 sq. ft.—overtook that of Class A units since the second quarter of 2020.
11. The Government made a clear stance to improve living space by announcing the minimum flat size requirement of 280 sq. ft. in December 2021. Accordingly, changes have begun to feed through to the design and construction stage. While Class A units will still be in demand and made up 47% of completions in 2022, this proportion is expected to gradually decline, as more Class B units will be built starting from 2024.
12. Among the Class A units, nano-flats are expected to take the largest hit from the changes in market circumstances. Nonetheless, the effect will be gradual as there are still units under construction that predate the minimum flat size requirement imposed by the Government. We expect the trend of nano-flat completions to peak in 2023 and gradually plateau in 2024–2025.

Actual and projected percentage of private housing completions by unit size, 2019–2025



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