

Executive Summary

In the past, we have repeatedly warned about the chronic shortage and deterioration of land and housing supply. Hong Kong is caught in a deadlock of “triple lows”, respectively in spade-ready land supply, housing completions and quality of living. As previously predicted, good-quality land that is ready for large-scale and high-density housing development has become rarer and rarer, since there has been a lack of large-scale and well-planned new town development over the past 20 years. Instead, smaller housing sites become more common, of which some may require significant upgrade of the surrounding infrastructures. As a result, the housing supply outlook remains challenging, with a constant downward revision on supply targets and frequent delays in housing completions. In addition to a continuous decrease in housing completions, the average size of new housing units is also expected to decline.

We urge the Government to take immediate action, by expediting all land supply initiatives and streamlining the approval processes in land and housing development. We also call on the society at large to be united in supporting the Government’s work in all land and housing development plans. The Government and the society must join hands and work together to save Hong Kong from its land and housing supply crisis.

Low supply of spade-ready land due to a lack of land development

Hong Kong has been increasingly plagued by a lack of good-quality land for housing. This is because there has been no large-scale land development over the past 20 years, and the stock from existing new towns has been gradually exhausted. The report cites the land available for private residential development as an example, with the supply falling from the peak level of 25,500 units recorded in 2017/18 to 13,020 units in 2020/21.

In addition to a reduction in quantity, a decrease in quality is also observed. In the Government’s land sale programme, the proportion of development sites providing fewer than 100 flats has climbed to 40% in 2021/22, from a low of 10% in 2015/16, setting a record high in nine years. Besides, a considerable amount of sites in the coming year’s land sale programme are non-spade-ready, some of which are still subject to Outline Zoning Plan amendments while others are pending for the land clearance procedure. It is apparent that the Government has exhausted its efforts in sourcing land for housing supply, but it has been a matter of hard labour to little avail.

Low housing completions in both public and private housing in the next five years

Although private housing completions saw a one-off rebound in 2020, the trend of slowdown in the private housing development cycle since mid-2018 remained on course. We forecast that the number of private residential completions in the next five years (i.e. 2021–2025) will average only 15,000 units per year. This is 28% lower than the 20,900 units completed in 2020.

Public housing supply in the next four years (i.e. 2021/22–2024/25) is also expected to lag behind the Long Term Housing Strategy (LTHS) target by 28%, with an annual average of 21,800 units.

Low quality in living with smaller and more unaffordable flats

The shortage in supply will also cast a negative light on the quality of living, as Hong Kong people will suffer from the consequence of living in smaller and more expensive flats. It is predicted that the average gross floor area of newly completed private housing units will continue to shrink to a record low of less than 600 square feet in 2024, almost one-third smaller than in 2012 (with the assumption of 80% efficiency, this is equivalent of the saleable area being less than 480 square feet).

Despite this, the trend of “nano-flats”, i.e. units that are smaller than 215 square feet in saleable area, should peak out gradually after 2022.

The 10-year LTHS housing supply target will only be achieved with Herculean effort

We have repeatedly pointed out that the Government's 10-year housing supply target as stipulated in the LTHS is too conservative to make up for the cumulative shortfall, let alone improve the quality of living for the public. However, even this low target will only be achieved with Herculean effort. To assess whether the Government could achieve its LTHS ten-year housing supply target, we have provided an exclusive ten-year forecast in public and private housing supply and a quantitative analysis on reaching the LTHS target.

The Government has announced in the 2020 Policy Address that it had identified all the land required for 316,000 public housing units in the next ten years. However, based on our forecast, if all land supply initiatives continue to progress at the current speed, only some 277,400 public housing units could be completed in the same period. To reach the figure stated in the Policy Address by the Government, New Development Areas (NDAs) and other major land-supply initiatives will need to be completed with an expedited timeline, which is approximately two years ahead of their current schedules. In addition, the annual supply of flats from rezoning needs to be increased by 5% over the current level.

For private housing, only an average of 12,000 units per year is expected to be completed in 2026–2030. This is 20% lower than the annual average of 15,000 units in 2021–2025, and fails to reach the annual target of 12,900 units in the LTHS. If the Government wishes to fulfil the LTHS target, NDAs and other major land development initiatives need to be completed one year ahead of the original schedule, and supply from private development needs to deliver 5% more units each year.

Even so, the forecast supply would still be lower than the 18,000-unit level stipulated in the LTHS before the Government adjusted the ratio of the public/private housing supply target in 2018. Our reason for comparing against the previous LTHS target is that, although we agree with the Government's policy of shifting the public-private mix from 60:40 to 70:30, we believe it would be more advantageous if the total housing supply target is raised at the same time. Otherwise, the revision is simply "robbing Peter to pay Paul".

Now is the defining moment to turn the tide of the city's woeful housing crisis

If all measures remain unchanged and proceed at the current pace, the Government will not achieve its own low target. Therefore, we advise the Government to take a bold step forward and expedite all major land-supply initiatives, including NDA development, rezoning, topside development on railways, and urban redevelopment, and others, while streamlining the current administrative procedures for land and housing development. We regard Lantau Tomorrow Vision as a key component in shifting stakeholders' expectations on the upcoming land and housing supply. It will be an important lever in speeding up the land clearance and resettlement issues that are often bottlenecks in other land development projects. We hope that the whole society could rally behind the Government's efforts to take forward all land and housing development projects proactively, so that we will have a chance to move away from the abyss and enable every citizen to have a comfortable home!