

Finalist Summaries:

Team 80:

Overview

Our proposal pinpoints two major problems of the housing market – (i) lack of affordable housing options, and (ii) overseas housing demand. Our proposal consist of three solutions – Community Housing Movement, Industrial Building Revitalization and Increasing the Buyer’s Stamp Duty (BSD) rate.

First Problem: Lack of Affordable Housing Options

According to a 10-year data analysis, the total housing stocks in HK are actually sufficient for accommodating the local households. However, the imbalance between public and private housing supply results in unmet housing needs of the lower income groups, as data reveals that it takes more than 5 years to get a public rental housing unit. This pushes them into the private market where they are forced to live in expansive and substandard subdivided units (SDU).

In light of this, two supply-side initiatives for the public market are proposed to solve the problem of unaffordable housing options.

1. Community Housing Movement

First, the Community Housing Movement focus on strengthening the collaboration between the government and NGOs in exploring more suitable units for community housing. In 2019, the average monthly rent of SDU account for a considerable portion of 37% of the median household income of the tenants, rendering the SDU highly unaffordable. We are eager to provide more community housing units that keeps the rent-to-income ratio of 25% or less – which is a benchmark for whether rent is affordable. Big data will be utilized to provide an online-matching platform for owners and potential tenants, where such platform can create a more efficient and transparent market by reducing information costs.

2. Industrial Building Revitalization

In 2019, the government allowed greater flexibility in legal requirements and exempted waiver fee for converting industrial buildings (IBs) into transitional housing. However, only two applications have been received. Three reasons for the lack of incentives for private sectors to join the scheme are – high renovation cost, rent control, and time-consuming procedures. In light of this, we have proposed two IB Revitalization models:

2.1 Government-led Revitalization

Instead of having to finance the conversion on their own, private owners of IB will sign an agreement with the government and allow it to revitalize and operate the IB for 5-10 years to lower the investment cost and risk; the owners will enjoy part of the revenue; and most importantly, relaxation on planning control and lease terms upon completion of government operation and return of IB to the owners.

2.2 Private Sector-led Revitalization

The high renovation cost of the project puts risk on liquidity and lowers the profitability for private companies. As our DCF analysis demonstrates, the payback period of the project is more than 5 years, but the current policy only grant a 5-year waiver period for transitional housing use. Therefore, we suggest extending the waiver period to up to 10 years, and allowing the owners to resell the renovated units as residential units after project completion.

Second Problem: Overseas Housing Demand

Overseas buyers takes up 20% of the new housing supply every year, which was intended to satisfy local's increase in population and allow local to move up the housing ownership ladder. In other words, while activities are not satisfying local user's need, it supports the growth in property prices.

3. Raising the Buyer's Stamp Duty

Since the HK housing market has experienced exceptionally high growth rate of 11% in the past decade, the current BSD rate of 15% and the positive outlook in HK's property market is just insufficient in bringing down overseas speculations. Referring to other places with foreign buyer's tax implementation (eg. Vancouver, Sydney), we suggest BSD in HK should be raised in accordance with the property growth rate to counteract rising property price, for example, up to 55%, in order to make the tax effective and direct housing back to the local users.

Conclusion

Our multi-pronged solutions apply to both the public and private markets. With a short-term suggestion that acts as a transitional shelter until long-term supply catches up, a medium-term suggestion with great developmental potential, and a long-term suggestion that can help to combat overseas speculation which is one of the major contributors to HK's astronomically high property price. We hope the solutions proposed would be value-adding to the government's short- and long-term strategies, and would contribute to combating the persistent housing crisis in the long-run.