

Box 3.1**Latest Government measures on the property market (August to October 2012)**

In August and early September the Government announced a series of short and medium-term measures to step up its efforts to increase land and flat supply. Also, after the US Federal Reserve announced another round of quantitative easing measure in mid-September, the HKMA introduced a further package of macro-prudential measures, the fifth since October 2009, to strengthen the risk management of the banking sector's mortgage lending business. In October the Government announced an enhancement of the SSD to further curb speculative activities, and the introduction of a Buyer's Stamp Duty (BSD) targeting at non-local buyers to ensure that the housing needs of local people are accorded priority in a tight supply situation. These measures are summarised below:

(1) Ensure sufficient and steady land and flat supply*Short-term measures*

- To arrange to sell the about 1 000 flats under the first My Home Purchase Plan (MHPP) in Tsing Yi at a discounted price to target families by end-2012.
- Put up six residential sites on the 2012-13 Land Sale Programme for government initiated land sale in the fourth quarter of 2012; one West Rail development project at Tsuen Wan West Station to be tendered in the same quarter; together providing for about 2 650 flats.
- Sell 830 units of unsold Home Ownership Scheme (HOS) flats early next year.
- Convert Chai Wan Industrial Building into 180 public rental units in the middle of 2013 and invite the Urban Renewal Authority to redevelop two industrial buildings in the form of a pilot scheme.
- Expedite the approval for pre-sale applications for uncompleted flats.

Medium-term measures

- Incline to sell the remaining 4 000 units originally planned for MHPP as subsidised sale flats at discounted prices.
- Grant part of the Kai Tak Development site originally reserved for the Urban Renewal Authority to provide additional "Flat-for-Flat" units but yet to have development programme to the Housing Authority to develop HOS flats.
- Change 36 Government, Institution or Community sites and other government sites for residential use to provide about 11 900 public and private flats.
- Convert an open space in Cheung Sha Wan to build 2 300 public rental units.
- Explore the potential of converting existing industrial buildings for transitional residential use under the planning and buildings regulatory regime.

Hong Kong Property for Hong Kong People (HKPHKP)

- Implement the HKPHKP measure to give priority to the housing needs of Hong Kong people in making use of land for residential development. For selected land sale sites, the sale and re-sale of flats built on these sites will be restricted to Hong Kong Permanent Residents (HKPR) through land sale conditions. The Government will implement this measure on a pilot basis for two sites located at the Kai Tak Development Area to be sold in the first quarter of 2013.

Box 3.1 (Cont'd)*Long-term Housing Strategy*

- Formulate a Long Term Housing Strategy (LTHS) to assess the needs of different sectors and income groups in the society. The Government has subsequently established a two-tier institutional framework for the LTHS, comprising the Steering Committee which would have an overview and offer advice on various housing aspects and initiatives, and the inter-departmental Working Group which would compile and examine relevant housing related information, review housing and other relevant policies and formulate appropriate options for the consideration of the Steering Committee. The Government plans to publish a report and consultation paper in the second half of 2013 with recommendations for measures.

(2) Prevent excessive growth in mortgage lending*For all mortgage loan applicants*

- Standardise the maximum loan tenor for all new property mortgage loans to 30 years.

For mortgage loan applicants with outstanding mortgage loans

- Lower the maximum debt servicing ratio (DSR) from 50% to 40% and the maximum stressed DSR from 60% to 50%.
- Reduce the maximum loan-to-value (LTV) ratio from 40% to 30% for mortgage loans assessed based on applicants' net worth.
- Further reduce the applicable maximum LTV ratio by 20 percentage points, instead of the previous 10 percentage points, for applicants whose principal income is derived from outside Hong Kong.

(3) Enhance the SSD

- Extend the restriction period from two years to three years.
- Raise the SSD rate to 20% for resale within six months; 15% for resale for more than six months but 12 months or less; and 10% for resale more than 12 months but 36 months or less.

(4) Introduce a BSD payable by non-HKPR buyers

- Charge a BSD rate of 15% for all residential properties acquired by any person or entity except a HKPR, on top of the existing stamp duty and the SSD, if applicable.

These measures would help ensure a healthy and stable development of the property market. The Government will closely monitor the market situation and introduce further measures when necessary.