

**Box 3.1**

**Latest government measures on the residential property market**

The Government announced a series of measures in February 2010 to promote the healthy and stable development of the property market, targeting at four different aspects. Further measures along the same directions were rolled out in April. These measures are summarised below:

**(1) Increase flat supply**

In the 2010-11 Budget, the Financial Secretary announced two measures to fine-tune the land supply arrangements. First, depending on the market situation, six urban residential sites designated in the 2010-11 Application List will be put up for open auction or tender over the next two years if those sites are not successfully triggered for sale. Subsequently in April, the Government announced that the two sites in Homantin and at the Peak would be auctioned in June and July respectively. Second, as a pilot, specific flat number and flat size restrictions will be imposed in the Condition of Sale for a large residential site in Yuen Long to increase the supply of mass market flats. Meanwhile, the Government will liaise with the MTR Corporation Limited and Urban Renewal Authority to increase the supply of mass market flats in some of their projects. Separately, the Hong Kong Housing Authority will actively explore means to revitalize the secondary market for flats under the Home Ownership Scheme.

**(2) Discourage property speculation**

To increase the transaction cost of property speculation, the stamp duty rate on transactions of properties valued over \$20 million was raised from 3.75% to 4.25% with effect from 1 April 2010, and buyers in such transactions are no longer allowed to defer stamp duty payment. The Government will consider extending the measures to transactions of properties valued at or below \$20 million if there is excessive speculation in the trading of these properties. Also, the Inland Revenue Department will closely follow up on property transactions involving speculation and will levy profits tax on profits arising from transactions constituting a business.

**(3) Improve transparency in property market**

To facilitate effective operation of the market, in November 2009 the Government announced three measures including shortening the lead time for developers to make public details of transactions, requiring developers to list the price per square foot in saleable area of individual flats and adopting a reasonable floor numbering system.

On 21 April 2010, the Government requested the Real Estate Developers Association of Hong Kong to issue new guidelines on nine measures regarding the sales of first-hand private residential flats, including the minimum number of units to be included in the first price list for each batch of units put up for sale in a development, the timing of the provision of sale brochures and price lists, the requirements on show flats, and the reporting on transactions relating to the members of the Board of the developer and their immediate family members. The Government will implement these measures within a few months, and will closely monitor their effectiveness. Should they prove to be ineffective, the Government may introduce legislative regulation.

**Box 3.1 (Cont'd)**

**(4) Prevent excessive expansion in mortgage lending**

In October 2009 the HKMA issued a set of guidelines to banks, lowering the maximum loan-to-value ratio for mortgages on properties valued at \$20 million or above and requiring banks to process mortgage loan applications prudently. In April 2010, the HKMA conducted a new round of on-site examinations of the major mortgage lenders to ensure that prudential lending practices had been followed. The HKMA is also considering the inclusion of mortgage data in the positive credit data sharing arrangement to help banks access more comprehensive credit information for more effective management of credit risks.

These measures aim at striking a balance between reducing the risk of property bubble and preventing public policies from causing unnecessary fluctuations in the property market. The Government will continue to closely monitor the situation and introduce further measures when necessary.