

Box 3.1

Latest Government measures on the property market (August and October 2010)

Further to the measures released in February and April, the Financial Secretary announced another round of measures in August to ensure a healthy and stable development of the property market. In October the Chief Executive introduced in the 2010-11 Policy Address further measures premised on three principles of the Government's housing policy. The major measures announced in August and October are summarised below :

(1) Ensure sufficient land and housing supply

Short-term measures

- Earmark three residential sites in Chai Wan, Hung Hom and Fanling for auction or tender on the Government's initiative.
- Sell by tender the former Yuen Long Estate site, with inclusion of restrictions on the minimum number and size of flats in the sale conditions, by end 2010.
- Continue to discuss with MTR Corporation Limited and the Urban Renewal Authority the provision of more small and medium flats in their residential developments along the West Rail and urban renewal projects respectively.

Medium to long-term measures

- Speed up infrastructure construction at the Kai Tak Development Area so that some residential sites in the area can be made available earlier, in 2015.
- Explore the feasibility of providing more residential land at the Anderson Road, Lam Tei and Lamma Island quarry sites and sites in the New Development Areas in the northern New Territories.
- Identify some 30 hectares of land currently earmarked for industrial and business use that may be turned into residential use.

Institutional arrangements

- Set up a "Steering Committee on Housing Land Supply", to be chaired by the Financial Secretary, to ensure that issues relating to housing land will be dealt with as a matter of priority to ensure a stable and adequate supply of such land.

(2) Discourage speculation and improve the transparency of property transactions

- Disallow confirmor transactions of first-hand uncompleted flats which are granted pre-sale consent by the Lands Department on or after 13 August 2010.
- Raise the amount of deposit to be forfeited from 5% of the total purchase price to 10% in case buyers cancel transactions for first-hand uncompleted flats.
- Set up a steering committee to discuss specific issues on regulating the sale of first-hand flats by legislation and put forward practical recommendations within one year.

Box 3.1 (Cont'd)

(3) Prevent excessive mortgage lending

- Apply a maximum loan-to-value ratio of 60% to properties valued at or above \$12 million and non-owner occupied properties.
- Standardise the limit on debt servicing ratios (DSRs) of mortgage applicants to 50%, from the previous range of 50% to 60%.
- Require banks to stress-test mortgage applicants' repayment ability with an assumed increase in mortgage rates of at least two percentage points, and cap the stressed DSR at 60%.

(4) Subsidise home ownership

- Introduce My Home Purchase Plan (MHPP). Under MHPP, the Hong Kong Housing Society will build "no-frills" small and medium flats for lease at prevailing market rent for a maximum of five years. Tenants will receive a Purchase Subsidy equivalent to half of the net rental they have paid during the tenancy period, and may use it for part of the down payment.

The full effects of these measures will take time to feed through. The Government will continue to closely monitor the market situation and introduce further measures when necessary.