

# HOW COMPETITIVE IS THE PRIVATE RESIDENTIAL PROPERTY MARKET?

競爭政策研究報告（中文撮要）

香港私人住宅物業市場

“安得廣廈千萬間？”



CONSUMER COUNCIL 消費者委員會

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## Brief Report

1. Housing is critically important to Hong Kong people as shelter and as a favourite form of investment. The sale of land for housing is a significant source of Government revenue. About 45% of all households now own the property they live in,<sup>1</sup> and many more wish to do so. Those who are homeowners seek to find other homes where space is less limited and which are of better quality.

2. Since the trough in the early 1980s, residential prices have generally grown faster than income. From 1985 to 1995, property prices increased faster than inflation (consumer price index A) in 10 out of the eleven years, with an average real price increase of 11% a year (Annex 1).<sup>2</sup> Although property prices have slackened since June 1994, the average price has not dropped below 1993 levels. After 18 months of decline, prices in the first quarter of 1996 have started to rise. In 1995, the affordability ratio<sup>3</sup> represented 73% of average household income (Annex 2), far exceeding the 40-50% of monthly repayment of mortgage loan to household income considered by banks to be the maximum affordable. The affordability ratio in the first quarter of 1996 has slightly improved but is still high at 64%. The efficiency of the private residential market has therefore become a particular focus of consumer interest.

### Scope of Study

3. This is a study of the private residential property market. It seeks to :
- a) assess the degree of competition in the private residential property market;
  - b) examine restrictive practices, if any, in the market which may affect the consumer; and
  - c) make policy recommendations, if necessary, to promote competition and protect consumer interests.

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<sup>1</sup> 1995 data is provided by the Census and Statistics Department. In terms of number of privately owned housing units, the Housing Branch in its review of the Long Term Housing Strategy estimated that Hong Kong's owner-occupation rate was 52% in 1995.

<sup>2</sup> This is despite economic shocks during the period including the 1987 stock market crash, 1989 Tiananmen Square, 1990-91 Gulf War, 1991 collapse of BCCI and short period of crisis for some banks. Annex 1 shows residential property price increases against inflation for the period 1980-95.

<sup>3</sup> Government estimate. Ratio of monthly repayment of mortgage loan to median household income. See Chapter 1 paragraph 6.

## Methodology

4. This report is based on the analysis of a Consultancy Team of the Department of Building and Real Estate, the Hong Kong Polytechnic University (HKPU) and the Consumer Council's own investigations.

5. The HKPU and the Council held discussions with Government branches and departments, individual developers, the Real Estate Developers Association (REDA), public bodies, banks and securities houses, lawyers, estate surveyors, property agents, various professional and interest groups. A total of 64 organizations were interviewed.

6. Data used in this study was supplied by individuals, companies and Government departments. The Council has made every effort to ensure data accuracy. In some areas we have been able to use multiple data sources to cross-check the validity of the data we obtained. The relevant data source and methodology employed are provided in footnotes to the chapters. Constraints in data collection sometimes imposed limitations on the time span adopted for the study.<sup>4</sup>

7. Where possible, the study uses data from 1980 to 1995. This covers both the ups and downs of the property market and contains, as well as long stretches of favourable economic conditions, a number of economic and political shocks (see footnote 2). Due to limited resources and availability of data, our studies of market share and case studies on market behaviour concentrated on recent years, that is from 1991 to 1994 and from 1990 to mid-1995 respectively. Data up to mid-1996 is also included to provide a more comprehensive and up-to-date analysis of market conditions.

## Market Structure

8. The private housing market consists of new and second-hand property. The latter is a much bigger market with a larger trading volume, accounting for 60-70% of the annual property sales volume between 1985 and 1994.<sup>5</sup> However, the fact that most owners of second hand property only own the one unit they occupy means that the influence of individual owners selling property is much smaller than the influence which developers owning whole blocks of units can exercise in the market.

9. The market for new private residential property is not necessarily the product of free and competitive market forces. There are two crucial factors affecting the current market structure:

- a) the role of Government as monopoly provider of new land, and regulator of building development; and

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<sup>4</sup> Chapter 1, paragraph 17 refers.

<sup>5</sup> Based on HKPU consultancy's research on assignments of private housing units in the Land Registry.

- b) the high market concentration of developers of private housing.

### **Role of government**

10. Land is a scarce resource. Government controls the supply of new land and controls the planning, building and, in some cases, sale of buildings. The Government's philosophy is 'to provide sufficient land, supporting infrastructure and a financial environment which induces private sector investment in property development.'<sup>6</sup> It also seeks to provide a healthy living environment and ensure building safety, and to discourage excessive speculation. Income from land disposals accounted for about 11% of total Government revenue in 1994/95.

11. Government provides accommodation for over half of Hong Kong's population through the Housing Authority and Housing Society. Public housing on such a scale also has an impact on the private sector property market.

### **Market concentration**

12. In the market for new residential property, private developers play an important role in supplying housing stock from new land and redeveloped land. The study found a high degree of market concentration among developers from 1991-94 (Annex 3):<sup>7</sup>

- a) 70% of total new private housing was supplied by seven developers.
- b) 55% came from just four developers.
- c) One developer consistently supplied 25% of new housing units.

13. This degree of market concentration, is not necessarily bad or anti-competitive. To some extent it will reflect the efficiencies resulting from economies of scale, and successful business strategies and confidence in the market even in market downturns.

14. The study therefore looked at the market structure to see how far it was 'contestable'. In a fully contestable market all the participants act in a fiercely competitive manner resulting in maximum efficiency with prices close to costs. If the market is not contestable, i.e. there is no threat of new entrants to the market, and there is high market concentration, then there is also a risk of abuse of market power. For example, producers would have increased opportunity to charge higher prices and engage in anti-competitive behaviour. No market is fully

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<sup>6</sup> Report of the Government Task Force on Land Supply and Property Prices, June 1994.

<sup>7</sup> This period was chosen to reflect current, as opposed to historical, market structure. We were unable to include 1995 due to data limitations. MTRC was not included in the analysis because it produced no residential developments in the period. We are aware that in the last 15 years, a total of 31,000 residential flats have been produced on MTRC sites, equal to one year's private housing production. Due to developments above the airport railway, MTRC will be an important force in the market in the coming years. However, all its residential projects have been joint ventures with developers. Of the projects which produced the 31,000 residential units, 9 out of 13 projects involved major developers (i.e. a developer with at least 5% market share).

contestable. The study examined how far the market was contestable and how contestable it is likely to be in future.

### Is the Market Contestable?

15. The economists Demsetz, Baumol, Willig and Panzar<sup>8</sup> define a contestable market as one in which:

- a) entry is 'free'
- b) exit is 'costless'
- c) entry is a comparatively fast process.

### Market entry and exit

16. Free entry, in this definition, means that a new firm need not incur any costs that are not also incurred by a firm already producing in the industry. We also looked at whether new entrants face any other comparative disadvantages.

17. There was and is no legal barrier to entry in Hong Kong. But, potential new entrants have the following disadvantages compared to existing firms:

- a) higher land costs: The price of land in Hong Kong is high by global standards. In the period 1993-95, individual land lots at sites with good residential development potential sold for \$2-5 billion each (Annex 4).<sup>9</sup> However, land exchange entitlements and land banks acquired pre-1985 when land was less expensive gave incumbents a 'cheap' source of land supply. In theory, this enabled them to put in high bids for new land auctioned by the Government and yet have an average cost of land that was still much lower than new entrants'. The difference in average land costs was a severe barrier for new entrants. By bidding high, developers with landbanks could potentially forestall new entry to the market and at the same time increase the asset value of their existing portfolio;
- b) higher financing costs: Developers with established track records would have access to low interest bank loans and other financial instruments. New entrants which have no established track records would not be able to secure finance as easily or at comparable rates
- c) weaker bargaining power: Large developers enjoyed economies of scale and greater bargaining power in hiring professionals and contractors; and

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<sup>8</sup> Harold Demsetz 'Why Regulate Utilities?', Journal of Law and Economics, April 1968. William J Baumol, John C Panzar, Robert D. Willig, 'Contestable Markets and the Theory of Industry Structure', San Diego, California 1982.

<sup>9</sup> Total land sale revenue in 1994/5 and 1995/6 was \$31 billion and \$45 billion respectively.

- d) limited and variable access to land resources: New entrants were largely dependent on the amount of Government land released each year, and suffered from tendering procedures which were restricted to holders of Letters A and B<sup>10</sup> at some sites. Land banks also enabled major developers to maintain smooth production levels regardless of Government supply levels (Annex 5).

18. It has been suggested that small developers can form consortia to compete with large developers. Although consortia can in theory help small developers, in practice small developers were much less attractive to potential partners and they usually found it difficult to compete with the bidding consortia formed by large developers.

19. Foreign developers generally only participate at the periphery of any local residential property market, in part because they lack knowledge of the market and a local vertical network of financial backers and contractor teams. Overseas companies may also have been deterred by experiences in their own country's property markets, different risk assessment methods and by concerns about the territory's future.

20. The main concern with regard to ease of exit is recovery of the huge land acquisition costs. Whether it is possible to achieve a costless exit after having met the basic obligations is entirely a function of the market at the time.

#### **Speed of entry**

21. The turnaround time for land to be converted into housing units is about 3-4 years. New firms therefore cannot enter and exit within a very short period of time.

#### **Degree of contestability**

22. It is obvious from the above that the market is not very contestable. In the past 10 years, some major developers changed their business strategies and left the market. Market downturn screened out some others. Whilst new entrants have emerged, no new firms became major players (i.e. capable of producing 5% or more of the annual supply of new private housing) in the market after 1981. The greatest obstacle has been the hefty costs and limited availability of land.

23. Recently, the bid for one of the MTRC airport railway sites was won by a consortia including Singaporean interests and local partners. This shows that a foreign company with a local partner did find it possible to enter the market. It remains to be seen whether the market structure will be affected in any significant way.

24. The market structure since 1995 has not and, from the information available to the study, does not appear likely to alter in a way which will greatly

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<sup>10</sup> Letters A and B mean a land exchange entitlement granted by the Government in consideration of the surrender of any agricultural or building land in the New Territories to the Government. Most of the Letters A and B were acquired by a handful of developers in the 70s and 80s.



improve contestability in the foreseeable future, with the exception of the end of tendering restricted to holders of Letters A and B. This was based on the need to honour historical commitments and will cease after June 1997. Also, many of the big developers will have to commit huge funds for the development of sites above the new airport railway. This may reduce their appetite for smaller sites and increase the opportunities for smaller developers to take part in development of non-airport railway sites in the next few years.

25. Otherwise, there is little change in the market fundamentals: residential land supply is still subject to great constraints; and developers still have land banks comprising a gross floor area of approximately 70-80 million sq.ft. (although these sites need approval to develop for residential use). Big developers still have easy access to capital - one developer is in the process of arranging a multi-billion loan facility which has been several times oversubscribed.

#### **Competition from non-private sector developers**

26. While there was little competitive pressure from potential new entrants, there was also little competitive pressure from other sectors of the primary housing market. Restrictions on those eligible for subsidized housing means substitutability only exists in one direction. Government policies to encourage home ownership increased demand for sales flats in both the public and the private sector. The private sector's share of the housing market has increased over time.

#### **Market Behaviour of Developers**

27. The study examined whether any of the sales strategies, pricing policies or other aspects of developers' market behaviour had the effect of reducing competition in the market and affecting consumer interest. Developers had complete freedom. However, their choice of behaviour, i.e. which strategies made the best commercial sense, was very heavily influenced by the above market structure. Developers operating in a market with an abundant supply of land, for example, would be unlikely to adopt the same commercial strategies as developers operating in a market with a restricted land supply like Hong Kong's. To take another example, participants in a market with low barriers to entry like, say, mobile phones where there is a continual threat of a new manufacturer suddenly launching a cheaper or innovative product, would behave differently from participants in a market with high barriers to entry and long production time like the Hong Kong property market.

28. With regard to the market behaviour of major developers, we made the following observations in 3 case studies over the period 1990-95 for developments in Tseung Kwan O, Ma On Shan and Lam Tin (Annex 6A):

- a) the sales of properties on competing sites alternated;
- b) flats were released in batches.

29. These supply techniques meant less choice for consumers, higher prices, reduced ability to make price comparisons and, in the booming market conditions prevailing at the time, to some extent, enabled developers to influence market

atmosphere. Developers contend that such techniques were in practice the result of heated competition among developers. But this heated competition could be the result of interdependence under an oligopoly (market with a limited number of participants holding a dominant share). If this were the case it would reflect imperfect market competition and not be in consumers' best interests.

30. In another three case studies (covering 1994 to 1996, i.e. including an 18 month period of declining market prices) of developments in Tai Po, Yuen Long and Shatin, flats in different developments were generally released for public sale at different times, even though the products varied in terms of location, type of development and range of unit size (Annex 6B). Flats have also continued to be released in batches. For developers, this is to test market reaction. But the effect is regulating supply which is a form of price discrimination. It would not be possible in a highly competitive market. We do not know how often it occurred that public sales alternated, nor how it happened.

31. Since the market downturn in mid-1994, information available from Government indicated that major developers on occasion completed projects later than estimated completion dates.<sup>11</sup> For example, production of 9 projects involving 10,400 units by 5 major developers due to be completed in 1996 has been rescheduled until the beginning of 1997, two projects have exceeded the completion dates as specified in the building covenant (Annex 7).<sup>12</sup>

32. Our study also found that long-term vacancy rates (the proportion of flats vacant 2 years after completion)<sup>13</sup> were significantly higher among flats owned by developers than vacancy rates in the market overall - 11% of 17,300 new units compared to 4% of 885,700 housing stock in 1995. In some cases, this was a result of developers not being able to sell at the prices they were asking. Less accessible locations could also have affected sales in some new developments. Prices were sometimes below secondary market prices. However, in other cases, when prices at certain sites were significantly lowered, units sold very quickly. The high vacancy rates could be reduced if prices were lowered or purchasers entered the market instead of holding off, expecting a fall in market prices. High vacancy rates or downward price rigidity is unlikely in highly competitive markets. Such a situation if lasting for a long period is against the interests of potential home purchasers.

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<sup>11</sup> Based on information from the Rating and Valuation Department. The reported completion dates are based on information derived from Buildings Department returns, architects' and developers' plans and returns, and/or site visits by Government officials.

<sup>12</sup> Three developers of projects involving about 6500 units have responded to our enquires. One developer said that the slippage of its two projects was caused by a technical problem and a foundation problem respectively. Another one said that his development projects would be on schedule. A third developer said pre-sale consent was not yet available. Note: Pre-sale consent is dependent on progress made in developing a project so it is unclear in this case whether failure to gain consent was a cause or effect of slippage in the estimated completion date.

<sup>13</sup> Data from the Rating and Valuation Department's quarterly survey of long-term vacancy trends in newly completed units.

33. As for availability of the units on the market, in the period January 1994 - May 1996, the Government issued consents for presale of 57 residential developments involving nearly 40,040 housing units. Of these, only forty percent has been put onto the market (up to May 1996). The remaining sixty percent have either not been put up for sale or been reserved for internal sale (the Consent Scheme restricts internal sales to 10% of units in each development). This is unlikely in highly competitive markets where developers would want to sell units as soon as possible.

34. We also found that only 7% of the cases were put out for sale within a month of the granting of the consent. On average, the time gap was about 120 days and in five extreme cases, the time gap was over 540 days (Annex 8).

35. Developers apparently adapt their business strategies to suit the market climate. Developers competed fiercely with each other at times, for example in bidding for building lots, especially when the market was rising. There were even occasions when developers entered into litigation with one another. This might be taken to signify a highly competitive market but could also signify interdependence under an oligopoly.

36. Although the limiting and regulating of supply observed in the case studies and above paragraphs could result in less choice and higher prices for purchasers, they make perfect business sense and do not constitute any contravention of the law of Hong Kong. Indeed, developers have complete freedom to decide when to sell and developers stressed that "when to sell or not is ... a matter of commercial discretion of the developers in the free market". Developers say that they would sell their units as promptly as possible. However, the observations show that this may not always be the case. It was also said that developers decided their sales strategies bearing in mind the results of their sales exercises, its implications on their corporate performance and share prices, and current market circumstances.

37. The scarcity of land, heavy demand for new property aggravated by the segmentation of the first and second markets (discussed below), and high entry threshold explain why these market strategies would be the 'right', or most commercial strategies from the point of view of the major developers. However, they would have been difficult to sustain in a market where there was a real threat of new entrants or competitors filling the supply gap in between sales. Developers were acting honestly and commercially in the given circumstances. But the fundamental issue is the market structure which enables developers to exercise market power.

### **Market Performance of Developers**

38. While profits seemed to be highly uncertain in the early 1980s with a number of developers failing to survive market downturns, in the period 1985-95, developers made higher gains with all four major property developers studied performing much better than the overall stock market. This was after substantial reinvestment in new land acquisition. At project level, in the five case studies involving 13 residential developments, estimated profits were particularly high

for developments on land acquired through Letters A and B (Annex 9).<sup>14</sup> They ranged from 77% to 364% of the total estimated development costs. For lots obtained by public auction, the estimated profit margins ranged from 6% to 109%.

39. However, HKPU's case studies also show that two other developers which are not of comparable size to the large developers suffered losses ranging between 37% and 69% of costs at project level when the market fell (1980-84). The means by which land was acquired, the market environment at the time of land acquisition and at the time of project completion were critical factors in determining the level of developers' returns.

## **Land and Housing Supply**

40. Constraint in land supply is a determining factor in the local property market.

### **New land supply**

41. New land supply was carefully controlled by Government for, among other things, fiscal interests, and, until 1997, by limits in the Sino-British Joint Declaration. New land mainly comes from reclamation and opening up new areas. The pace at which new land can be supplied is subject to constraints such as transport, infrastructure capacity and environmental concerns. After the Government Task Force report in 1994, the Government has taken progressive steps to co-ordinate efforts in producing more new land. Other measures proposed include a land inventory system and a one-year land reserve in order to cater for unanticipated changes in external demand. Implementation of the proposals are in progress and being closely followed up by relevant departments, though we have yet to see the results of the land inventory system.

42. Government land disposal figures for the period 1985/86 - 1996/97 show that Government residential land supply has varied from 40 to 80 hectares per year. Maintaining a supply of land capable of meeting anticipated demand is critical to maintaining a steady supply of property units (Chapter 4, table 1).

### **Redeveloped land**

43. The change in Hong Kong's economic base from manufacturing to service industries and the relocation of many Hong Kong-owned factories to southern China, created considerable scope for building new housing projects on redeveloped land. Although redeveloped land accounted for approximately 2/3 of new private housing since 1990, its full potential had not been realised with a considerable number of industrial buildings or sites lying empty in Kwun Tong and other areas. Zoning restrictions, lack of infrastructure, environmental improvements and land resumption costs were obstacles to the most efficient use of these resources.

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<sup>14</sup> The land costs of Letters A and B tendered sites constituted 10-20% of the price of a unit in the case studies.

### **Land conversion**

44. The time taken for land formation and the land conversion process poses further constraints. The turn-around time for new land to be converted into housing units is almost 3-4 years for the private market and currently 7 years (including site formation work) for public housing units. Hence housing supply cannot be immediately increased by increasing the land supply should there be a sudden upsurge in demand. For complicated projects, the process can, at times, take up to ten years.

### **Housing supply**

45. Continued high prices for private residential property compared to average income, and long waiting times and waiting lists for public housing, as well as household formation rates indicate significant unmet demand. Private housing supply fell below Government published estimates in 12 out of the 16 years to the end of 1995. The discrepancy between estimated and actual supply ranged from +9% to -35%. These forecasts are based on developers production plans and the Rating and Valuation Department's estimates. The lower than estimated private housing actual or forecast supply in 95, 96 and 97, imply a dramatic increase in private sector production supply in the years 1998 - 2001 if the Government's estimated increase in the supply of housing announced in the Long Term Housing Strategy is to be realised. There may be a bunching effect towards the second half of the period.

46. The supply available to potential home buyers could also have been affected by developers and speculators not releasing units onto the market. The Government's Task Force Report said that "about 18% of the units in large developments completed in 1992 were still vacant at the end of April 1994, i.e. over a year. These are prima facie cases of hoarding." This study found that at the end of 1995, 14% of new units (about 2,500 units) were vacant two years after completion (of which 11% were held by developers (paragraph 32 refers) and the rest by private individuals and others). These were properties for which consents for sale had been issued.

### **Market Segregation**

47. Hong Kong has a very highly segregated property market. It is divided according to property age and location with consumers showing a strong preference for:

- a) new properties. For examples: even though new units accounted for 3-5% of housing stock, nearly 70% of mortgage loans involved property of less than 10 years old; and
- b) properties in urban areas. 1994 vacancy rates for properties in the New Territories were 9.4% compared to 4.7% for private housing overall in that year.

48. Market segregation reduced substitutability of units between these markets. It restricted purchasers' choice and led to greater demand in the primary market (new properties). In rising markets, it has fuelled speculation in new property. As a result prices spun to new heights, and prices for new units

in urban areas acted as a benchmark for older units. Although prices for first- and second-hand units were interdependent, because of the dispersed ownership of the latter, and preference for new developments, developers were able to exert a strong influence despite their small market share.

49. The main barriers to market integration were:

- a) poor tradability of older housing units due to lack of recognised certification and warranties about their condition and quality; and
- b) difficulties of obtaining home mortgage financing for older residential units; between 1989 to 1994, nearly 70% of mortgage loans involved property of less than 10 years old;
- c) infrastructure planning and transportation to housing units in less accessible areas lagging behind consumer expectations.

50. The market segregation exaggerated the importance of new housing and increased the influence of developers on the property market in Hong Kong.

## Recommendations

51. The study found that the market in new residential property in Hong Kong is not highly competitive and not very contestable. It identifies some barriers to competition, in particular the shortage and high cost of land and comparative advantage of those with existing land banks. However, the Council found that there was no suggestion of collusion amongst developers, and recognises that whatever developers do are commercial responses to the prevailing market structure and that any measure of the success and profitability of developers should also take into account the risks involved. Nonetheless, it is questionable whether the best interests of consumers have been served under the prevailing market structure in Hong Kong.

52. Although the problem lies with the market structure, the Consumer Council believes that it would not be appropriate for Government to take drastic action to "correct" the situation by breaking up the dominant participants as in the case of the US Government breaking up its communication giants, AT&T and US Steel. In our case, breaking up individual firms would not be effective in dealing with the market competition issues because it would only have a limited effect on the underlying market structure. The Council believes it would be in Hong Kong's best interest to encourage competition, improve the working of the market and safeguard against possible abuse of market power by:

- a) improving the competitiveness of the market structure by lowering barriers to entry and increasing the substitutability between primary and secondary market housing,
- b) introducing measures to prevent possible anti-competitive market behaviour, and
- c) enhancing consumers' market role by facilitating their access to reliable property information.

## **Improving the Competitiveness of the Market Structure**

### **Recommendation 1: Lower Barriers to Entry**

53. Increasing the number of players would help to improve market efficiency through increased competition. The Government can seek to encourage new entry to the property market as it has in the telecommunications market; and systematically consider the implications on competition of policies which directly or indirectly affect the property market. We ask the Government to:

#### **Review the size of lots in Government land auctions**

- a) Consider ways of removing impediments to small developers seeking to compete in auctions of prime development land. Obviously, lot sizes of 4 to 21 hectares such as that granted to the MTRC would be too big for most developers and require enormous capital outlay. Government should review the sizes of the land lots, and consider providing more lots of "manageable size" in a way which would satisfy planning requirements and consumer aspirations for community facilities whilst allowing the participation of more developers. This may require Government to look imaginatively at ways in which the well-integrated environments and good facilities associated with developments on larger land sites can be delivered in developments on a series of adjoining land sites through detailed planning guidelines.

#### **Improve the efficiency of the development mechanism**

- b) Allocate more resources to extend the fast-tracked and co-ordinated development mechanism to all residential development or redevelopment projects irrespective of size. To ensure that faster processing of planning and building applications also increases private sector production rates, Government should monitor the effect of faster processing on the rate at which units in developments are put on the market in each case.

#### **Open more opportunities to new entrants**

- c) Open more opportunities to new entrants by giving them a greater role in property development controlled or sponsored by Government and quasi-government corporations. Possible channels would be the Private Sector Participation Scheme and residential projects facilitated by the Land Development Corporation (LDC) on redeveloped land. For example:
  - i) the Government or quasi-Government bodies could wherever possible develop projects in conjunction with contractors or smaller developers, enabling them to develop the capacity to take on larger projects. The Government should also consider developers' suggestion that developers require more incentives to participate in PSPS projects, such as greater freedom in project management, design and other parts of the development process;
  - ii) we support the Government's decision announced in its Urban Renewal paper (June 1996) to enhance the role of

the Land Development Corporation (LDC) by injecting financial resources and upgrading it to an Urban Renewal Authority. This will allow it more freedom to develop projects and to select partners for joint venture, thereby reducing its dependence on the resources of big developers.

**Recommendation 2:  
Improve Residential Land Supply**

54. The Government should:

- a) adopt a vigilant programme in land formation, and preparation of redeveloped land in order to ensure consistent land supply; and
- b) outline its planned land sales for a rolling five-year period and maintain the year-on-year supply programme. This would particularly help new entrants who are largely dependent on Government supply.

55. The Council supports the Government's efforts to create a one-year land reserve as recommended by the 1994 Task Force. This would work on the same principle as buffer stocks in primary strategic materials widely adopted by countries throughout the world.

56. For optimum use of existing land, the Government should:

- a) re-zone more obsolete industrial areas for residential purposes to reflect Hong Kong's changed economic base;
- b) consider public, and encourage private sector, investment in environmental and infrastructure improvements to make more disused industrial sites suitable for residential use;
- c) review the maximum permissible plot ratios in the outline zoning plans with the aim of relaxing the requirements where environmental and infrastructural factors permit.

**Recommendation 3:  
Balance Housing Supply and Demand**

57. The Government should urgently review its estimates of available supply, and discuss with the Real Estate Developers Association ways to improve the reporting of statistics to enable Government to keep abreast of changes in developers' assessments.

58. Government should support the private sector's role as facilitators in converting land into housing supply. In particular, the Government should examine and address causes of slippages external to the project. For example:

- a) where developments depend on new infrastructure, consider the possibility of involving developers in its provision, and enhance cooperation between Transport and Lands, Planning and Building Departments;



- b) with respect to planning and consent approvals, ensure the Administration has resources sufficient for the task and employ incentives, such as time limits in performance pledges, inter-office cooperation and a management strategy to ensure a fast, efficient and streamlined administrative process. We believe that result of the Government's consultancy study to examine how the existing procedures and time for lease modifications and land exchanges can be further shortened, would lead to further improvements.

59. The ideal state is for the free market mechanism to work with minimal government involvement in the market. However, even with the adoption of the above recommendations to improve the operation of the free market, competition in the market is unlikely to improve significantly in the short term. In view of the limit on the pace of change in market structure and bearing in mind people's immediate accommodation needs, the Government should maintain reasonable regulatory control on developers.

60. The Government should ensure that the supply of residential properties meets demand, particularly given the scarcity of the land resource and the time taken to convert land into units. In line with the spirit of the building covenant, Government should:

- a) improve the terms in the building covenant in the land lease to specify that developers are to make units available on the market within a specified period, giving a reasonable grace period, e.g. 6 months after the end of the covenant period. The Government would not dictate the specific timing, but only seek assurance about the supply of units to the market. This part of the agreement should be well publicized at the time when the Government makes the land available and developers enter into the agreement;
- b) monitor developers' track record. If a developer's projects regularly slip behind the covenant date without valid reasons, then Government should take this into account in considering further applications by that developer for, for example, fast-track development procedures or applications for land modification.

61. For public sector housing supply:

- a) the Government should ensure the declared target of 240,000 public units are produced and supplied steadily over the period 1997-2001 to meet its public sector targets. Failure to do this is likely to have an impact on private housing demand; and
- b) Government's announcement that the LDC will focus more on residential redevelopment is also welcome in this context.

**Recommendation 4:  
Enhance Marketability of Older Properties and Property in Less Accessible Areas**

62. There is an urgent need to integrate the housing markets, in particular to make older property a financeable prospect, in order to increase consumer choice and improve competition in the market as a whole. This requires action to:

a) Increase confidence in tradability of older properties.

The imbalance between demand for new and old housing units would be reduced if banks become more confident in financing older properties. The Council:

- supports the Hong Kong Institute of Surveyors' proposal to devise a recognised building certification programme to assess the quality of existing buildings; and
- will pursue with developers of new properties the provision of comprehensive building warranties to enhance the long-term saleability of properties.

The Government should endorse the above initiatives.

The Council welcomes the Government's announcement of the introduction of a mandatory building inspection scheme; proposal to give owners' corporations more powers to upgrade the common parts of a building; and proposed Rehabilitation Fund for renovation work.<sup>15</sup>

b) Facilitate mortgage financing.

- The Consumer Council considers the Government's proposed mortgage corporation would facilitate an increase in residential mortgage loans. The Council therefore supports the move, with the proviso that the risk management aspects of the arrangement are properly addressed; and that the initiative will result in easier access to loans for older properties.
- The Council recommends that Government considers ways to encourage the setting up of specialized mortgage agencies. Such agencies would increase choice for the consumer, and enhance the accessibility of home financing for financially responsible home-buyers who are unable to meet the stringent criteria currently set by commercial banks. This will be particularly important if the mortgage corporation is not pursued.

c) Improve transport infrastructure

Housing demand would be eased by better utilisation of actual and potential property developments in less accessible areas.

- The Council recommends the Government take steps to improve the transportation and infrastructure planning for

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<sup>15</sup> Urban Renewal in Hong Kong, Planning Environment and Lands Branch, June 1996.

less accessible areas in order to enhance their viability and attractiveness to consumers.

## **Introducing Measures to Prevent Anti-Competitive Market Behaviour**

### **Recommendation 5:**

#### **Establish Sector Specific Rules**

63. Government should implement as soon as possible the recommendations of the Law Reform Commission on disclosure of information for new properties to equalize the treatment of developments under the Consent and Non-Consent Schemes. In addition, the Government should extend the anti-speculation measures to Non-Consent Scheme developments in order to reduce the distorting effect of excessive speculation on the market and ensure uniform treatment. Consumers cannot be expected to differentiate between Consent and Non-Consent Scheme developments.

64. Government should work with the Real Estate Developers' Association to develop a code of practice for residential property industry to improve consumer information by:

- a) the provision of adequate and accurate information in the sales literature;
- b) for non-consent scheme, agreement of the ways and means of placing the property on the market, such as the method of balloting for units which is voluntarily practiced by REDA at present; and
- c) mandatory use of saleable floor area instead of gross floor area as the standard measurement of flat size.

### **Recommendation 6:**

#### **Ensure Fair Competition**

65. The property development sector is at present not subject to any competition rules similar to that prescribed in the licences for Telecommunications operators and Broadcasters. For the property development industry, this Council considers a territory wide competition law will suffice. Competition laws in other countries prohibit abuse of market power and actions which have the effect of preventing, restricting or distorting competition in all but a few exempted sectors of the economy. The laws may include various clauses which permit investigation of, for example, price fixing, collusion and tie-in sales, which are against the public interest. Such a territory wide competition law would guide the conduct of developers and other participants in the market.

## **Facilitating Consumer Access to Reliable Property Information**

66. Adequate market information helps the consumers to make decisions in the market on a rational basis, and in this way enables the market to operate efficiently.

### **Recommendation 7:**

#### **Increase transparency of information**

67. The Government should use Consent Scheme procedures to require developers to notify the Government of the timing of their sales programmes and units available in each sale; and whether those units will be for public or internal sale. Developers should be able subsequently to modify the sale plans provided they first notify the Government and inform the public of any such changes. This would help Government to make an accurate assessment of the housing supply, and increase information to potential buyers helping them to make informed decisions. It is purely a notification procedure and does not imply any control or approval of developers' sales decisions.

68. The Government should also consider public access to its housing property data. More accurate property data for consumers would help consumers make informed decisions and make them less vulnerable to market rumours. The proposed integration of the departmental database can help to enhance the data collection and compilation mechanism within the Government, and should enable the Government to provide more timely and comprehensive analyses of the property market.

69. The Government should ensure that the performance pledges of the Government departments involved in land and property development promote transparency in the process, by including, for example, regular publication of information about the progress or delays to development projects, i.e. publish specific reasons for granting an extension of the building covenant period.

# Chapter 1

## Introduction

### Cultural Aspirations

1. The desire to own our home is deeply rooted in Chinese culture. Besides its obvious connection with the need for shelter, it is a potent symbol of material success and, therefore, one of the strongest motivational forces. Those who have accommodation seek to find homes where space is less limited and which are of better quality. In Hong Kong, with a rising population and severely limited land availability, property is also a favourite form of investment.

### Economic Importance

2. Indeed, property is inextricably linked to our economy. Development companies comprise the largest single sector of the stockmarket and at the end of last year, property and construction companies accounted for 29% of market capitalization in the Hong Kong Stock Exchange. The Hong Kong Government also derives about 30% of its annual revenue from property-related activities.<sup>1</sup>

### Market Trends

3. The two most notable market trends over recent decades have been the increase in home ownership and rise in property prices in Hong Kong.

4. Demographic factors, strong economic growth, negative real interest rates, favourable mortgage loan support, influx of overseas capital and cultural factors have all contributed to strong housing demand. As a result, and with Government policies to encourage homeownership, the percentage of owner-occupied households has increased significantly from 18% in 1971 to 45% in 1995.<sup>2</sup> This trend is expected to continue after 1997 due to the inflow of mainland Chinese.

5. Since the trough in the early 1980s, residential prices have generally grown faster than inflation. From 1985 to 1995, property

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<sup>1</sup> Including land sales, rates, property tax, properties & investments, and stamp duty (figures contain both property and stock market transactions; separate figures for property transactions are not available)

<sup>2</sup> Hong Kong Social and Economic Trends, Census and Statistics Department. 1995 data is provided by the Census and Statistics Department.

prices increased faster than inflation (consumer price index A) in ten out of the eleven years, with an average real price increase of 11% a year.<sup>3</sup> The unadjusted rate of price increases in Hong Kong fluctuated between 10% and 40% (Annex 1). Although property prices have slackened since June 1994, the average price has not dropped below 1993 levels. After 18 months of decline, prices in the first quarter of 1996 have started to rise.

6. Since the mid-1980s, residential property prices have generally grown faster than income. From 1985 to 1995, the affordability ratio, based on mortgage repayments against average household income, averaged 58% and has been much higher in the last five years. The 1995 figure shows that the typical monthly repayment<sup>4</sup> for a small-sized flat (40m<sup>2</sup>) in an urban area represented 73% of average household income. The ratio has slightly improved in the first quarter of 1996, but is still high at 64% (Annex 2). This compares to the 40-50% ratio of size of monthly mortgage repayment to household income considered by banks to be the maximum affordable. In Europe and North America, the mortgage burden seldom exceeds 35% of average household income.

7. As a result of the discrepancy between house price and income levels in Hong Kong, many potential buyers cannot afford to purchase a home. Property in Europe and North America is much more affordable, allowing a much higher proportion of households in US, Canada, and European Union countries to own their own homes.

8. High residential and other property costs are also a negative factor for international firms considering locating in Hong Kong. High property prices therefore detract from rather than enhance efforts to ensure Hong Kong's future as an international services centre.<sup>5</sup>

## Objectives and Scope of Study

9. Given the scarcity of land in Hong Kong, the efficiency in the production and allocation of housing units to meet the escalating needs of our community is of great concern to the Consumer Council. The Council considered it necessary to undertake a study which would provide an overall assessment of the residential property market in Hong Kong. This forms part of the Council's studies of the competitive environment in

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<sup>3</sup> This is despite economic shocks during the period including the 1987 stock market crash, 1989 Tiananmen Square, 1990-91 Gulf War, 1991 collapse of BCCI and short period of crisis for some banks. Annex 1 shows residential property price increases against inflation for the period 1980-95.

<sup>4</sup> based on a 30% downpayment and a repayment period of 20 years (figures obtained from the Financial Services Branch).

<sup>5</sup> KPMG Study on Promotion of Hong Kong Services for Hong Kong Government Secretariat, April 1995.

various sectors of the Hong Kong economy.

10. The three main objectives and terms of reference for the study are:

- a) to assess the degree of competition in the residential property market;
- b) to examine restrictive practices, if any, in the market which may affect consumers; and
- c) to make policy recommendations, if necessary, to promote competition and protect consumer interests.

11. Hong Kong's residential property market is made up of two equal-sized sectors: (a) the public or subsidized housing sector, and (b) the private housing sector. Each sector consists of both primary (new) and secondary (old) housing markets.

12. All four quadrants (public, private, primary, secondary) of the housing market compete with one another to varying degrees in satisfying housing demand. While the study does not lose sight of this feature, it concentrates on the private housing sector, and particularly the primary market.

## Study Approach

13. This report is based on the analysis of a Consultancy Team of the Department of Building and Real Estate, the Hong Kong Polytechnic University (HKPU) and the Consumer Council's own investigations.

14. Apart from using primary data provided by government, the HKPU and the Council collected opinions and information through interviews and discussions with various organizations including:

- a) Government branches and departments (including Housing Branch, Lands Department, Rating and Valuation Department, and Planning Department)
- b) developers and the Real Estate Developers Association (REDA)
- c) public bodies (including Land Development Corporation, Mass Transit Railway Corporation, and Housing Society)
- d) banks and securities houses
- e) legal profession
- f) estate surveyors and property agents
- g) interest groups

15. A total of 64 organizations were interviewed.
16. We also used data and information collected from the following sources:
  - a) information compiled from previous complaints cases received by the Council
  - b) company annual reports
  - c) academic papers on the development of Hong Kong residential property market and government housing policies
  - d) property journals
  - e) data compiled from development sales brochures by the Council
  - f) magazine and newspaper reports.
17. The study was carried out under the following data constraints:
  - a) the scale and complexity of residential property market operations together with the lack of centralised sales information precluded a detailed comprehensive study of market operations;
  - b) some Government statistics are up to two years old by the time they are published, or, as in the case of census information, are not collected annually. Hence, while all the published statistics used in the study are the most recent available, in some series they do not include figures for 1995 or 1996; and
  - c) constraints in data collection imposed limitations on the time span used for various parts of the study.
18. The Council has made every effort to ensure data accuracy. In some areas we have been able to use multiple data sources to cross-check the validity of the data we obtained. The relevant data source and methodology employed are provided in footnotes to the chapters.

## Study Period

19. The consultancy team's findings were based on:
  - a) general data about the housing market in the period 1980-94,
  - b) detailed analysis of developers' market share and market performance in the period 1991-94, and
  - c) specific case studies over the period 1990-95.



20. Where possible the general data covers the period 1980-94 in most series of statistics used in the report. This covers both the ups and downs of the property market and contains, as well as long stretches of favourable economic conditions, a number of economic and political shocks (see footnote 3). However, data was not available for the early part of this period in all cases. Due to limited resources, lack of centralised sales information and limited historical data, our studies of market share and case studies on market behaviour concentrated on recent years, that is 1991 to 1994 and 1990 to mid-1995 respectively.

21. Where possible, we have included developments in the market in 1995 to mid-1996 to bring the analysis up-to-date and take into account the changing market environment.

### **Steering Group on Residential Property Market**

22. The study was supervised by a Steering Group, established in July 1994, Members are:-

#### **Chairman**

Prof the Hon Edward CHEN Kwan-yiu, CBE, JP

#### **Members**

Mr Nicholas BROOKE

Mr William CHAO (From January 1996)

Ms Audrey EU Yuet-mee, QC, JP (Up to December 1995)

Mr Thomas KWOK Wai-yan

Dr TSANG Shu-ki (From January 1996)

Mr Peter WONG Tung-shun

### **HKPU Consultancy Team**

23. In August 1994 the Consumer Council commissioned a Consultancy Study Team from the Department of Building and Real Estate at the Hong Kong Polytechnic University (HKPU) to carry out a study entitled 'Consumer Council Consultancy Study on Competition in Residential Property Market in Hong Kong' and with the above terms of reference.

24. The Consultancy Team from the HKPU consists of:-

Mr Thomas POON Nai-tung

Mr CHAN Man-wai

Mrs Ann CHEUNG LO Ann-chien

Mr CHIANG Yat-hung

Mr Lennon CHOY Hung-tat

Mr Bo TANG Bo-sin

Mr Simon TSUI Yig-pui

Dr Andy WONG Kam-din

Mr Stanley YEUNG Chi-wai

## Structure of the Report

25. The report comprises seven chapters, namely:

Chapter 1 - Introduction

Chapter 2 - Market Structure

Chapter 3 - Market Behaviour and Performance

Chapter 4 - Land and Housing Supply

Chapter 5 - Product Differentiation

Chapter 6 - Bargaining Power of Buyers

Chapter 7 - Overall Conclusions and Recommendations

26. Key tables and findings from the Consultancy team and the Consumer Council are annexed to this report.

27. The Consumer Council has consulted the Real Estate Developers Association (REDA), the Housing Branch and other relevant Government departments and branches, the Hong Kong Institute of Architects, the Hong Kong Institute of Surveyors, Housing Department, Housing Society and Land Development Corporation on the report. Their views have been reflected in the report.

28. The Consumer Council would like to express its sincere thanks to all those individuals, organizations, Government branches and departments which supplied information, tendered advice, and assisted in this study.

## Chapter 2

# Market Structure

### Introduction

1. Hong Kong is a free-trading economy. There are no legal barriers to entry in the property development sector. Anyone can become a housing developer if he sees a business opportunity. The consumer is free to secure a deal, on a mutually voluntary basis, with any seller of private housing in the market.

2. The private housing market consists of new and second hand property. The latter is a much bigger market with a larger trading volume, accounting for 60-70% of the annual property sales volume between 1985 and 1994.<sup>1</sup> However, the fact that owners of second hand property generally only own the one unit they occupy means that the influence of individual owners selling property is much smaller than the influence which developers owning whole blocks of units to sell can exercise in the market.

3. The market for new residential property is not necessarily the product of free and competitive market forces. There are two crucial factors affecting the current structure of the market in Hong Kong. They are:

- a) the role of Government as monopoly provider of new land, and regulator of building development, and
- b) the high market concentration among developers.

4. In carrying out these functions, the Government's philosophy is 'to provide sufficient land, supporting infrastructure and a financial environment which induces private sector investment in property development.'<sup>2</sup> It also seeks to provide a healthy living environment and ensure building safety, and to discourage excessive speculation. Income from land disposals accounted for about 11% of total Government revenue in 1994/95.

5. This chapter looks at these and other aspects of market structure to see how far it has been, and is likely, for competition to be able to flourish in the market.

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<sup>1</sup>Based on HKPU consultancy's research on assignments of private housing units in the Land Registry.

<sup>2</sup> Report of the Government Task Force on Land Supply and Property Prices, June 1994.

## Role of Government

6. Almost all land in Hong Kong is held by the Government in public trust. The private sector can acquire land for development through public auction, public tender and private treaty grant. The Government sets strict annual limits on land supply through its disposal programme. Since 1984, if the Government wished to increase the annual supply of land for all types of development<sup>3</sup> by more than 50 hectares it has had to seek the agreement of the Sino-British Land Commission. It is not clear at this stage whether the future Land Commission will continue its present role and whether the 50 hectares limit will still apply after July 1997.

7. Within this constraint, the Government's main interests in forming land disposal policy have been: to ensure sufficient supply of land; to raise revenues from land sales; and to honour past commitments, for example, land exchange entitlements.

8. As regulator, the Government controls, through approval procedures, the three stages of the development process (planning, land and building) and some stages of the sales process. In carrying out these functions it aims: to ensure land sold to developers is converted into residential buildings; to promote building safety and a healthy environment; and to discourage excessive speculation.

9. The Government also provides accommodation for over half of Hong Kong's population through the Housing Authority and Housing Society. Public housing on such a scale also has an impact on the private sector property market.

## Market Concentration

10. Private developers play an important role in supplying housing stock from new and redeveloped land. In order to establish how the market was structured we therefore also looked at the level of concentration in the market for new residential property development. Market concentration and contestability (described below) is a key test in establishing the degree of risk of abuse of power in a particular market in countries with competition laws.<sup>4</sup>

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<sup>3</sup> excluding land granted to the Hong Kong Housing Authority for public rental housing.

<sup>4</sup> The measures of competitiveness set out in the US anti-trust collusion index and the UK Fair Trading Act are:

US anti-trust collusion index - under this criterion, competitive pricing in a market will be significantly prejudiced as and when the four largest firms control 50% or more of the industry's total assets;

11. The study found a high degree of market concentration among developers (Annex 3). Table 1 below shows that from 1991-94.<sup>5</sup>

- a) one developer consistently produced over one-quarter of the total annual supply, representing the largest market share in the primary housing market;
- b) 55% came from just four developers; and
- c) 70% of total new housing was supplied by seven developers.

Table 1: Market Concentration of Private Housing Units by Market Share, 1991-94

Developer	1991	1992	1993	1994	1991-94
A	30%	30%	15%	28%	26%
B	12%	9%	11%	8%	10%
C	5%	7%	10%	16%	10%
D	10%	17%	3%	7%	9%
E	6%	4%	5%	11%	6%
F	2%	3%	4%	4%	3%
G	1%	0%	0%	0%	0%
H	0%	0%	0%	2%	1%
I	1%	3%	0%	1%	1%
J	3%	6%	3%	9%	5%
K	3%	5%	9%	0%	4%
Total	72%	82%	60%	86%	75%
Market Share of Top 3	52%	56%	46%	55%	46%
Market Share <sup>6</sup> of Top 4	58%	63%	45%	64%	55%

Note: Developers F, G, H and I are not considered major developers because their contributions to supply are relatively insignificant.

Sources: Compiled by HKPU from raw data supplied by the Rating and Valuation Department and information supplied by developers.

12. This shows that a few major developers have held a consistently dominant market share. Table 2 shows that developers tended to focus

UK Fair Trading Act - the Act states that a monopoly situation exists if a company or its inter-related firms control at least one quarter of the goods and services in the market.

<sup>5</sup> The period analysed reflects current, as opposed to historical, market structure. We were unable to include 1995 due to data limitations. MTRC was not included in the analysis because it produced no residential developments in the period. We are aware that in the last 15 years, a total of 31,000 residential flats have been produced on MTRC sites, equal to one year's private housing production. Due to developments above the airport railway, MTRC will be an important force in the market in the coming years. However, all its residential projects have been joint ventures with developers. Of the projects which produced the 31,000 residential units, 9 out of 13 projects involved major developers (i.e. a developer with at least 5% market share).

<sup>6</sup> Taking the public housing production into account, the market share of the top 4 developers in the overall housing market was around 23% in the period of 1991-94.

on different segments of the housing market. This would have had the effect of reducing the amount of direct competition between them, and increased the degree of dominance within individual property classes. Large developers tended to concentrate on production of mass housing units (Classes B and C flats). However, no single developer seems to have dominated the supply to all housing classes.

Table 2: Market Concentration of Three Most Dominant Developers by Housing Class, 1991-1994

Ranking (In descending order)	Class A (below 39.9 sq.m.)	Class B (40 to 69.9 sq.m.)	Class C (70 to 99.9 sq.m.)	Class D (100 to 159.9 sq.m.)	Class E (over 160 sq.m.)	All Classes
1	C	A	A	B	B	A
2	J	B	B	H	F	B
3	D	D	D	F	D	C
Range of Cumulative Market Share of Top 3	20% + to 50% +	40% + to 80%	65% to 80%	35% + to 70%	10% to 90% +	35% to 55%

Sources: Compiled by HKPU from raw data supplied by the Rating and Valuation Department and information supplied by developers.

13. This degree of market concentration is not necessarily 'bad' or anti-competitive. To some extent it will reflect the efficiencies resulting from economies of scale, and the success of individual companies' business strategies. According to Demsetz, Baumol, Panzar, and Willig,<sup>7</sup> a market with only a few firms (or just one) can also be very competitive, provided it is contestable, i.e. there is a threat of entry by other firms.

### Contestability

14. In a fully contestable market all the participants act in a fiercely competitive manner. This results in maximum market efficiency with prices close to costs. If the market is not contestable and there is high market concentration, there is a risk of abuse of market power, e.g. it creates opportunities for producers to charge higher prices and engage in anti-competitive behaviour. The economists Demsetz, Baumol, Panzar and Willig define a contestable market as one in which:

- a) entry is 'free'
- b) exit is 'costless'
- c) entry is a comparatively fast process.

<sup>7</sup> Harold Demsetz 'Why Regulate Utilities?', *Journal of Law and Economics*, April 1968. William J Baumol, John C Panzar, Robert D. Willig, 'Contestable Markets and the Theory of Industry Structure', San Diego, California 1982.

15. The study applied these three tests to the residential property market.

**a) Market entry**

16. **Free entry**, in this definition, means that a new firm need not incur any costs that are not also incurred by a firm already producing in the industry; that is, the entrant is not at a cost disadvantage with respect to an incumbent. Free entry therefore requires the entrant to have access to the same technology and input resources as the incumbent. We also looked for other, for example, institutional factors that might inhibit entry without necessarily incurring extra costs for new entrants.

17. The study found that in the period 1985-95, new firms faced the following cost disadvantages vis-à-vis existing firms:

- a) higher land costs: The price of land in Hong Kong is high by global standards. In the period 1993-95, individual land lots at sites with good residential development potential sold for \$2-5 billion each (Annex 4). However, land exchange entitlements and land banks acquired pre-1985 when land was less expensive gave incumbents a 'cheap' source of land supply. In theory, this enabled them to put in high bids for new land auctioned by the Government and yet have an average cost of land which was still much lower than new entrants'. The difference in average land costs was a severe barrier for new entrants. By bidding high, developers with landbanks could potentially forestall new entry to the market and at the same time increase the asset value of their existing portfolio;
- b) higher financing costs: New entrants were not able to secure finance as easily and at a comparable rate to that obtained by big developers with established track records. All major developers had large capital resources through past profits and good access to bank and other forms of finance. With huge up-front capital requirements, financing was a very important feature of the market;
- c) higher construction costs: Large developers enjoyed economies of scale giving them, for example, the ability to retain experienced in-house professionals and contractors who helped them to economise on costs and secure Government consents. Their size also gave them greater bargaining power in engaging external professionals and contractors.

18. New entrants were also inhibited in this period by:

- a) Limited and variable access to land resources: New entrants were largely dependent on Government land released each year. New entrants also suffered from restricted tendering practices at some sites which gave holders of Letters A and

B exclusive rights to take part. Land banks enabled major developers to maintain smooth production levels regardless of Government supply levels (Annex 5);

- b) difficulty in forming consortia to contest successfully bid in land auctions; and
- c) lack of experience of the Government's land and building controls.

19. Foreign developers generally only participate at the periphery of any local property market, in part because they lack knowledge of the market and a local vertical network of financial backers and contractor teams. Property development tends to be a very localized industry. Overseas companies may also have been deterred by experiences in their own country's property markets during the period. With regard to Hong Kong, overseas companies may also, have had concerns about the territory's future and the different risk assessment methods used.

#### **b) Costless exit**

20. **Costless exit** means that any firm can leave an industry and recoup all the costs it incurred when entering.

21. The main concern with regard to ease of exit is recovery of the huge land acquisition costs. Whilst a typical land lease specifies that land has to be developed by the purchaser, in practice development could be carried out by another company under the name of the original purchaser. However the liability under the lease will still rest with the original purchaser until such time as he has complied with all the terms of the lease and obtained the relevant certificate of compliance from the Government. Whether it is possible to achieve a costless exit after having met the basic obligations is entirely a function of the market at that time.

#### **c) Speed of entry**

22. Contestability also depends on speed of entry and price adjustment, i.e. how much warning incumbents would have of a new entrant and how quickly they could adjust prices. If existing players would have long enough warning of a new entrant to undercut prices before the new supply became available it would be difficult for a newcomer to enter.

23. Baumol describes the process as follows: "The crucial feature of a contestable market is its vulnerability to hit-and-run entry. Even a very transient profit opportunity need not be neglected by a potential entrant, for he can go in, and, before prices change, collect his gains and then depart without cost, should the climate grow hostile."<sup>8</sup> Actually entry

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<sup>8</sup>Quoted in 'Optimal Regulation: The Economic Theory of Natural Monopoly' by K.E. Train, MIT press, 1994.



will never have to occur, because the threat of entry alone would be enough to keep an incumbent monopolist operating at zero profit with efficient production.

24. Property development is a long process. The turnaround time for land to be converted into housing units is about 3-4 years. New firms cannot "hit and run" within a very short period of time. Except in the rare event that a new entrant was able to buy a completed or nearly-completed property before it was put on the market, the existing developers could easily adjust their price levels and market strategies, before the new supply came on stream.

#### **Assessment of contestability in the period 1985-95**

25. As a result of economic and some institutional barriers to entry, the market was not fully contestable. In the past 10 years, only one new entrant has emerged to be able to produce 5% or more of annual production of new private housing units. This is Sino Land which entered the market in 1981.

26. The successful bid for one of the MTRC Airport Railway Projects by a consortia formed with outside interests signifies external interest in entering Hong Kong's property development scene.<sup>9</sup> It should be noted that the Singaporean interest teamed up with a local company and that the project is unique in that the MTRC will take an active part in smoothing out the necessary approvals needed for the development process, a major barrier for foreign entrants. It remains to be seen whether the market structure will be affected in any significant way. The residential property market is generally a very localized market hardly contested by entrants outside Hong Kong.<sup>10</sup>

27. Existing major developers have been able to sustain their market position in property cycles in the past. Market downturn screened out some developers - often the smaller, less experienced developers with inadequate finance capital and small landholdings. Some major developers changed their market strategies, left the residential market and moved into commercial property. Some entered at the wrong time, encountered cash problems and were forced to leave the market. Large developers were in a much stronger position to survive market downturns because of their low gearing ratios (paragraph 39 below).

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<sup>9</sup> Recently, a consortium led by Singapore's Wing Tai Group was successful in bidding for an MTRC site in partnership with two local developers, Lai Sun Development and Worldwide Investments Company. The development project will provide 6 residential towers by 2000,

<sup>10</sup>REDA disagreed with the Council's analysis and said that Hong Kong has attracted overseas investors into the market: "companies and governmental agencies notably from Singapore, Taiwan and China have large property interests in Hong Kong as well as own and trade property stocks." However, the Council discusses actual involvement in the development process as developers, not as investors.

28. The greatest of these obstacles to entry was undoubtedly the hefty costs and limited availability of land. As noted above, this is not subject to free market forces but to Government control.

### Specific problems

29. We considered the following issues and any changes planned in detail to assess whether contestability was likely to deteriorate or improve in future if no further action were taken.

### Land lot size

30. For many small local players, the scale of Government sales sites is often too large, requiring huge up-front capital investment if the land has good development potential.

31. In the period 1993-95, 45 land sites<sup>11</sup> were put out for sale. Of these, over 50% were of a lot size over of 5,000 sq.m., and 17 had a lot size of over 1 hectare. Most of these large land lots were purchased by major developers. About 70% of residential units were built on these large land lots. In monetary terms, 11 land sites commanded a land premium over \$1 billion each. In terms of development potential, 11 land sites were large scale developments that were able to produce 500 units or more (Annex 4). These figures show that Government land sales sites were large in lot size and required huge capital investment. As a result only major developers are generally able to bid. Developers with smaller capital resources could only participate at the periphery of the residential property market.

32. In the case of the sites above the new airport railway put up for auction by the Mass Transit Railway Corporation, the land lots released for development in phases 1 and 2 are so large that major developers have tended to join forces to bid for the right to develop the sites.<sup>12</sup>

33. Reducing the scale of high-value sale sites offered in land auctions would be one possible means of increasing competition. However, some consumers are typically willing to pay higher prices for units in a single large development because the total environment and neighborhood are more effectively planned and designed. Also, from a town planning perspective, small-scale or piece-meal development has limitations, especially in providing open space and community facilities. These limitations might be overcome only if Government could encourage

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<sup>11</sup> Including land sales sites for residential use. About 22% of the 45 land sales sites were bought by one single major developer, 29% by 6 other major developers, and the rest of the land sites, about 49%, were bought by other developers.

<sup>12</sup> The massive phase 2 property development project above the MTRC new airport railway stations involves a large site area of 6.81 hectares. Six consortia have been formed, with several major developers joining forces to bid at each site. On completion, the sites will provide 19 residential blocks yielding a total of about 3,000 residential units.

developers to share responsibility for providing public facilities such as parking, swimming or other recreational facilities, and an attractive environment.

#### Land exchange entitlements

34. Letters A and B<sup>13</sup> ceased being issued by Government in 1983, and were acquired from the original holders by a handful of developers. As ownership of Letters A and B is a pre-requisite for bidding for certain Government development sites in the New Territories, this means that bidding for these properties has been confined to those developers. This creates an institutional barrier to new entrants and explains why the profit margins for developments on these sites have been so much greater than those for developments on public auction land (chapter 3 paragraph 34).

35. Although a flexible attitude has been adopted recently to allow a Cash Tender for these sites, the Government will do so only when no Letters A and B Tenders acceptable to Government are received. This is due to the unwillingness of some entitlement holders to surrender their entitlements, saving them up for future use.<sup>14</sup>

36. Such an entry barrier will diminish as Government proceeds to exchange specified land sites with these entitlement holders, instead of going through tendering procedures. In May 1996, the Government gazetted the New Territories Land Exchange Entitlements (Redemption) Bill. This Bill is to provide for the payment of redemption money to the holders of the land exchange entitlements. The aim is to ensure that all outstanding Letters A and B are redeemed before 30 June 1997.<sup>15</sup> In the meantime it will continue to be a source of considerable advantage to the incumbent developers.

#### Development control mechanisms

37. Some developers said that the Government's extensive development control mechanism imposed significant costs, and created uncertainty.

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<sup>13</sup> Letters A and B mean a land exchange entitlement granted by the Government in consideration of the surrender of any agricultural or building land in the New Territories to the Government. Most of the Letters A and B were acquired by a handful of developers in the 70s and 80s.

<sup>14</sup> REDA's response was that Letters A & B could be "freely purchased by anyone. The great majority of property developers did not even enter this market as it meant tying down capital. It was possible that the profitability of land bought by Letters A/B tenders were in some cases higher than land bought in auctions".

<sup>15</sup> The amount of Letters A and B commitments outstanding as at the end of 1995 was 2,431,746 sq.ft. which is equivalent to 972,698 sq. ft. of building land.

38. The average approval time is a minimum of 3 months for new developments, and longer for lease modification and land exchange cases. The 3-month average does not include the processing of amendments which may considerably lengthen the wait. In the case of lease modifications (which apply to most redeveloped sites) and land exchanges, the average time limits varied between 259 days for a straightforward modification lease to 808 days for a more complicated case in 1995. A protracted period for approval would deter market entry, particularly for small developers who often cannot afford the time, effort and money involved in completing the lengthy approval procedures.<sup>16</sup>

#### **Property development financing**

39. New entrants to property development find it difficult to borrow from local banks. The Hong Kong Monetary Authority restricts the amount of property-related lending, including mortgages, which banks can do to 40% of the value of a bank's total lending. The restricted supply of bank finance means that developers in Hong Kong have very low gearing ratios/debt levels (10-20% bank debt to 80-90% equity) compared to 80-90% bank debt for their counterparts overseas. Since equity finance may also be difficult to arrange and is more expensive than bank finance (because of the need to pay dividends to shareholders) this is a significant barrier.

40. Banks may be less willing to lend the funds which are available for property-lending to new or small developers, who may have only a short track record and difficulty in providing appropriate guarantees.

41. Large developers have good access to bank loans because of their track records with banking institutions, much greater capital resources and economies of scale. Major developers are able to obtain loans from financial institutions at the Hong Kong Inter-Bank Offered Rate (HIBOR).

42. Major developers have alternative sources of finance through, for example, public listing and issue of financial papers - one large developer is in the process of arranging a multi-billion dollar five-year loan facility which was several times oversubscribed.

#### **Joint bidding in land auctions**

43. Major property developers often formed consortia to bid for large lot sites. On one occasion, in the first land auction of the 1994/95 financial year, a joint venture of more than a dozen property developers was formed to make an uncontested bid for two residential sites at well below the expected market price.

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<sup>16</sup>The approval time has reduced to 259 days in 1995 from 288 days in 1992 for a straightforward modification lease, and to 808 days in 1995 from 1032 days in 1992 for a more complicated land exchange case.

44. In theory joint bidding could help small developers with limited individual resources. However, small developers were less successful in finding bidding partners and are less able to bear the transaction costs involved in joint bidding than the large firms. As for foreign companies, a major Singapore company was recently successful in bidding for a Mass Transit Railway Corporation site in partnership with two local developers. In this case, joint bidding enhanced the competitive environment.

#### **Forward assessment of market contestability**

45. The market structure since 1995 has not and, from the information available to the study, does not appear likely to alter in a way which will greatly improve contestability in the foreseeable future, with the exception of the end of tendering restricted to holders of Letters A and B. This was based on the need to honour historical commitments and will cease after June 1997. The Government has made arrangements for the redemption of all outstanding Letters A and B by June 1997. These arrangements are in the form of exchanges and legislation. Also, many of the big developers will have to commit huge funds for the development of sites above the new airport railway. This may reduce their appetite for smaller sites and increase the opportunities for smaller developers to take part in development of non-airport railway sites in the next few years.

46. Otherwise, there is little change in the market fundamentals: residential land supply is still subject to great constraints; and developers still have land banks comprising a gross floor area of approximately 70-80 million sq.ft. (although these sites need approval to develop for residential use). Big developers still have easy access to capital as shown in the example cited in para. 42 above.

#### **Competition from other sectors of the housing market**

47. To assess the level of competition in the market we also considered other providers of housing and how far they exerted competitive pressure on the private sector developers and provided a substitute for potential purchasers of new private housing.

#### **Secondary property market**

48. The private housing market consists of new and second-hand property. The latter is a much bigger market with a larger trading volume, accounting for 60-70% of the annual property sales volume between 1985 and 1994.<sup>17</sup> However, the fact that most owners of second hand property only own the one unit they occupy means that the influence of individual owners selling property is much smaller than the influence which developers owning whole blocks of units can exercise in the market. The substitutability is discussed in detail in chapter 5.

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<sup>17</sup> Based on HKPU consultancy's research on assignments of private housing units in the Land Registry.

### Public sector housing

49. Between 1981 and 1995, an average of 70,600 housing units were produced per year. Public housing, including rental flats (39%) and sale flats (19%) comprised on average 58% of the total new housing supply with the private sector making up the remainder.

50. Access to the public housing sector is restricted to people whose income falls below a certain level - a level at which it would normally be difficult for them enter the private sector housing market.<sup>18</sup> In this way, public housing is designed to supplement the private sector market rather than compete with it, and there is little substitutability between them.

51. Public sales flats which the owner is entitled to sell after a certain period, should, over time, increase supply in the secondary housing market. The Housing Society is building more public sales flats<sup>19</sup> to private sector design standards, and has recently reduced the time which must elapse before these flats can be sold on the open market from 10 years to 5 years. In time, these units could become plausible substitutes for new private housing and exert competitive pressure at the lower end of the market. However, the impact will be small given that public sales flats of this standard only account for 5-6% of the annual housing supply. Owners' willingness to sell their flats will depend on whether they have the inclination and ability to find other accommodation. That is also very uncertain.

52. Flats provided by the LDC on redeveloped land are available to home buyers. While these again may provide an alternative to private housing supply in the medium term, the LDC's partnerships with three major developers for the construction of 8 projects means that these projects currently provide more extra business than competition for major developers. At present, 11 out of 26 LDC's development projects<sup>20</sup> are or were (some projects have been completed) joint ventures. The rationale for LDC forming joint ventures with private developers is that LDC will benefit from the professional expertise, manpower and financial resources of the private sector in handling very large projects. The Government's recent policy statement on Urban Renewal proposes that the LDC should

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<sup>18</sup> A possible exception is Sandwich Class housing. These are public sales flats for households with an income of \$25,001-\$50,000 per month. Approximately 3,000 Sandwich Class houses constituting 4% of annual new housing supply are available each year.

<sup>19</sup> Including Sandwich Class Housing Scheme, Flat-for-Sale Scheme and Urban Improvement Scheme units.

<sup>20</sup> Including projects completed and those under construction / acquisition / planning which comprise a total of 53,658 m<sup>2</sup> site area, i.e. about 46% of LDC's total site area. Of these 11 projects, 5 projects related to residential/commercial uses and the rest of them were commercial or government/institution & community facilities.

continue to seek joint venture partners.<sup>21</sup> The question of whether LDC should function in the same way in future, particularly given LDC's stronger financial position and increased experience in property development, is worth consideration.

53. Finally, the Government has introduced initiatives to encourage better-off public housing sector tenants to move into the private sector housing market, by, for example the offer of interest-free Government loans which started in 1992/93. This increases demand for private sector housing at the bottom end of the market. In a recent development located in the New Territories by for example, 25% of purchasers were public sector tenants.<sup>22</sup> It does not increase competition in the private housing market - income eligibility restrictions and the 7-year waiting list mean that while private sector housing is substitutable for public sector housing, the reverse is not true, i.e. substitutability only exists in one direction.

### Rental

54. People's aspiration to buy their own home means that rental is very much the second choice by Hong Kong residents. The number of households living in private rented accommodation shrank from 45% of the total number of households in 1971 to about 15% of the total in 1994.<sup>23</sup> We do not consider this a substitute for the majority of permanent residents seeking accommodation in the private sector.

### Conclusion

55. Although there is no statutory provision restricting entry to the residential property development market, the market is currently not very contestable and competition with other sectors of the primary market is limited. In this context, the high degree of market concentration is a cause of concern as it gives developers more influence over housing supply and may raise the risk of possible abuse of market power in future.

56. There are a variety of responses available. The US anti-trust approach is to break up the big companies as, for example, it broke up the telecommunications giant AT&T. The Council's approach is not to enforce divestiture of major developers but to increase competition by lowering the barriers to market entry. By making adjustments to the land disposal process and development control mechanisms, it would be possible to reduce the barriers to competition without the need for expensive Government subsidies or increased Government intervention.

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<sup>21</sup> Urban Renewal in Hong Kong: Planning, Environment and Lands Branch, June 1996

<sup>22</sup> as estimated by the developer, Sun Hung Kai.

<sup>23</sup> Figures for 1971-91 are based on Annual Digest of Statistics; figure for 1994 is HKPU estimation based upon various Government sources.

# Chapter 3

## Market Behaviour and Performance

### Introduction

1. Like any commercial enterprise, developers adopt market strategies which they believe will most effectively increase profits and reduce commercial risks. Market strategies or behaviour is largely affected by the market structure which we discussed in the previous chapter.

2. Developers operating in a market with an abundant supply of land, for example, would be unlikely to adopt the same commercial strategies as developers operating in a market with a restricted land supply like Hong Kong's. To take another example, participants in a market with low barriers to entry like, say, mobile phones where there is a continual threat of a new manufacturer suddenly launching a cheaper or innovative product, would behave differently from participants in a market with high barriers to entry and long production time like the Hong Kong property market.

3. The Consumer Council's object in this study is to seek to establish whether or not any of the:

- a) marketing,
- b) pricing, or
- c) supply strategies,

or other aspects of developers' market behaviour had the effect, intended or otherwise, of reducing competition in the market and affecting consumer interest.

4. Our analysis is based on a series of case studies carried out by the consultancy team over the period 1990-95 and the Council's own further studies of the market from the end of 1995-96. We compare the behaviour observed with the behaviour one would expect in an economic model of a market that was fully competitive. Market performance (profitability) is also discussed.

### Marketing Strategies

5. Three case studies were conducted in Tseung Kwan O, Ma On Shan and Lam Tin of eight residential developments, analysing four



developers' sales programmes from 1990 to 1995 (Annex 6A). These revealed:

- a) Alternating sales - the public sales programmes of the developments alternated with those of competing sites, i.e. properties of a similar class in locations nearby.
- b) Release of residential flats in batches, rather than all at once.

#### **Alternating sales**

6. The case studies show that there is seldom confrontation in timing between the public sales of housing units. In the Ma On Shan case, when the market slumped last year, Henderson's Sunshine City, Nan Fung's Ma On Shan Centre and Cheung Kong's Bayshore Towers competed by lowering prices. However, the new prices were announced not at the same time but a week or more after each other.

7. In another three case studies (covering 1994 to 1996, i.e. including an 18 month period of declining market prices) of developments in Tai Po, Yuen Long and Shatin, flats in different developments were generally released for public sale at different times, even though the products varied in terms of location, type of development and range of unit size (Annex 6B).

8. In a highly concentrated market, particularly within different classes of property or market niches, not releasing flats at the same time as a competitor similarly allows possible monopolistic pricing of new units and reduces consumers' ability to make value for money comparisons. Due to the lack of a central source of detailed sales information we do not know how often alternating sales occurred in the market as a whole, nor how it happened. However, developers said that the supply of comparable products in the vicinity was one of the considerations taken into account by developers in deciding their sales strategies.

#### **Release in batches**

9. Property prices increased by a couple of percentage points for each new batch in rising markets. In the Laguna City development at Lam Tin, a total of 1,488 units, about 90% of the total supply, were put up for sale on the open market in four batches over a period of nearly 2 months (25.1.91 - 18.3.91). The price of the flats increased by an average 8% each time. Only releasing a certain number at one time has also been common practice in the period from mid-1995 to the present.

10. For developers, releasing residential flats in batches tests market reaction. But this has the effect of regulating supply which is a form of price discrimination. Price discrimination enables firms to charge different prices to different groups of buyers (for example, to sell additional units

put out for sale at a later date at higher prices). It would not be possible in a highly competitive market because other developers would fill the supply gap. In the booming market conditions prevailing between 1990 and 1994, release of flats in batches enabled developers, to some extent, to influence market sentiment by fuelling expectations of even higher prices for the units yet to be released.

#### **Effect on consumers**

11. In sum, the limiting and regulating of supply meant less choice for consumers, higher prices, little chance to make price comparisons and, in rising markets, encouraged a 'hothouse' market atmosphere. In the market climate prevailing in the early 1990s, consumers were so anxious to secure property that overnight queues for properties which had not been completed, and the sale of all units put up for sale on the first day, were frequent occurrences.

12. Developers contend that such techniques were in practice the result of heated competition among developers. It is likely that this heated competition is the result of interdependence under an oligopoly (a market with a limited number of participants holding a dominant share). If that were the case it would reflect imperfect market competition and not be in consumers' best interest.

13. The effects of these two strategies on consumers were compounded by speculative activities in the market (discussed in chapter 4) and the lack of information available to consumers from developers about their sales plans. While Government could provide some information about the number of units for which consents to sales had been granted each month, this did not give consumers a clear signal about when those units were likely to come onto the market as developers are free to decide when to put the property up for public sale. Developers only need to have sales brochures available 7 days, and price lists 3 days, before public sales of consent scheme developments. There is no similar requirement for non-consent scheme developments. The importance of information to consumer choice and the efficient operation of the market is discussed further in chapter 6.

#### **Market prices**

14. The study looked at the relationship between prices in the first- and second-hand housing markets, to assess how much influence developers might have had on price levels in the private housing market as a whole.

15. Developers had direct control over prices in the primary market for new units. Although these comprised only 3-5% of the total housing stock between 1985 and 1994, sales of new housing units accounted for

30-40% of the total transaction volume<sup>1</sup>. The consultancy team found that the relationship between prices in the primary and secondary markets was interdependent. In the case studies, developers appear to have set prices with reference to similar property in the location (if such property existed), physical attributes of the new development, and, to a lesser extent, pricing by competitors. Pricing of the new units often tended to set a benchmark for similar, second-hand units in the same locality. The influence of the prices of new units on similar units in the second-hand market was likely to be greater in a rising market.

16. In the market slump, some projects, such as Sun Hung Kai's Royal Ascot Phase 2 and Cheung Kong's Kingswood Villas Phase 5 have lowered their prices<sup>2</sup> to approximately the secondary housing market price level. These are examples of competitive behaviour which may in turn have caused prices in the second-hand market to drop further.

17. Developers' moves to sell their properties at prices below the second-hand market prices are believed to be prompted by a need to accelerate cash returns. Most developers still have many developments in the pipeline (eg, projects referred to in paragraph 21 below) and are taking on massive new projects like the airport railway station complexes.

18. During the first quarter of 1996, a number of new developments were released for sale with most at notably higher asking prices as developers moved from undercutting market prices to offering new units at a premium to secondary market levels.

19. The pre-sale market for new properties acts in some respects like a property futures market where investors feel they can achieve their investment objectives more efficiently, and where price discovery takes place. Price information is then transmitted to the market in completed new units and the secondary market. In many instances, trading in these "futures" markets surpasses that in the secondary market, at least for a specific location within a given period of time. In these cases, the pre-sale market transactions set market prices.

### Supply of units to the market

20. Developers' pivotal role in the conversion of land into housing supply is discussed in chapter 4. Here we look at whether developers'

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<sup>1</sup> Based on HKPU research on assignments of private housing units in Land Registry.

<sup>2</sup> The concessionary price offered in Royal Ascot Phase 2 was only available to purchasers who selected to pay the full prices immediately for flats which were not ready for occupation until 10 months later.

commercial behaviour was to make units available to the market as fast as possible.

### **Completion of projects**

21. Since the market downturn in mid-1995, information available from Government indicated that major developers on occasion completed projects later than Government's estimated completion dates.<sup>3</sup> For example, production of 9 projects involving 10,400 units by five major developers due to be completed in 1996, has been rescheduled until the beginning of 1997. This includes two projects which have exceeded the completion dates as specified in the building covenant.

22. Three developers of projects involving about 6500 units have responded to our enquires as to the cause of delay. One developer said that the slippage in the estimated timetable for completion of its two projects was caused by a technical problem and a problem with the foundations respectively. Another one said that his development projects would be on schedule. A third developer said pre-sale consent was not yet available. It should be noted that pre-sale consent is dependent on progress made in developing a project. It is unclear in this last case whether failure to gain consent was a cause or effect of slippage in the estimated completion date. (For details of other replies, see Annex 7.)

### **Vacancy rates for developers' new units**

23. The Rating and Valuation Department's last quarterly survey showed that long-term vacancy rates (the proportion of flats vacant one or more years after completion) at the end of 1995 were significantly higher among flats owned by developers than vacancy rates in the market overall - 11% of about 17,300 units completed in 1993 were still unoccupied in the hands of developers, i.e. more than two years after completion, and 9% of about 27,500 units completed in 1994, were unoccupied in the hands of developers, i.e. more than one year after completion. These were properties for which consent to sale had been issued.

24. This compares to a steady 4% vacancy rate for property in the market overall. In 1995, the overall vacancy rate was 4.1% of the 885,700 units in the market as a whole.

25. Without more information it is not clear how far these figures reflect developers not putting units onto the market and how far they reflect developers putting units onto the market at too high prices, ie

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<sup>3</sup> Based on information from the Rating and Valuation Department. The reported completion dates are based on information derived from Buildings Department returns, architects' and developers' plans and returns, and/or site visits by Government officials.

prices above the level of market demand and affordability. These prices were sometimes the same or slightly below secondary market prices. Demand may have been affected in some cases by:

- a) less accessible locations (vacancy rates were considerably higher in these areas than the market as a whole (chapter 5, paragraph 26 refers)) or developments of lower building quality; and
- b) in a weak market, lack of consumer confidence and expectation of falling market prices.

26. Developers were free to respond to slow demand by lowering prices further. When prices at certain sites were significantly lowered, units sold very quickly. The high vacancy rates could be reduced if prices were lowered or purchasers entered the market instead of holding off, expecting a fall in market prices. High vacancy rates or downward price rigidity is unlikely in highly competitive markets. Such a situation if lasting for a long period is against the interests of potential home purchasers.

#### **Timing of sales after granting of consent**

27. The study also analysed the proportion of units developers put out for sale in the market after the issue of consent to sale. In the period January 1994 - May 1996, the Government issued consents for the presale of 57 residential developments involving 40,040 housing units. Of these, only forty percent of units, about 17,150 units, were put up for sale in the market within a 29-month period<sup>4</sup>. The other 22,890 units (57%) have not been put onto the market. This may be a reflection of market conditions and may partly be due to developers reserving units for internal sale. However, internal sales are restricted to a maximum of 10%. If units are not promptly released for sale, the supply of new units to the market will be limited.

28. We observed that the time gap between when the developers of the aforesaid residential developments received the consents to sale from the Government and when they put out their units for public sale was quite lengthy. Only 7% of the cases were put out for sale within a month of the granting of the consent. On average, the time gap was about 120 days and in five extreme cases, the time gap was over 540 days (Annex 8). The long period between sale and consent may distort the effective supply in the residential property market.

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<sup>4</sup> Property sale information is obtained from the Hong Kong Property Journal.

### To sell or not to sell

29. Developers have complete freedom to decide when to sell and developers stressed that "when to sell or not is...a matter of commercial discretion of the developers in the free market". Developers say that they would sell their units as promptly as possible. However, the observations show that this may not always be the case.

30. Economic theory dictates that 'a monopolist maximises profits at a lower level of output than would prevail under competition. High profits and low output are different sides of the same coin.'<sup>5</sup> It has been suggested that developers holding onto housing supply, i.e. lowering output, either by not putting units up for sale, or by not lowering the prices significantly, would not benefit developers because of the interest charges incurred while the flats were empty. While interest rate charges are obviously a vital consideration, it may be that the benefits of withholding completed flats for a short time nevertheless outweigh the costs. The following may be relevant considerations:

- a) prices of properties have an effect on the corporate net worth of a developer. The worth of developers with huge land banks is affected by the prevailing market value of the land held. If prices are not maintained, the value of their land bank (and net corporate valuation) would fall. Developers have said that they base their sales strategies on the result of sales exercises to test market reaction, the implications on their corporate performance and share prices, and the current market circumstances;
- b) unlike in 1984, developers now have low gearing or bank debt ratios. The need to realise the value of their assets (cash flow) immediately may be only one of several concerns. If a developer can afford to bolster market demand in the face of a 70% ceiling on bank mortgages by offering top-up loans or deferred payment schemes (chapter 5 paragraph 19 refers), it would have the financial means to withhold flats from the market for limited periods;
- c) the cost of bank interest would primarily depend on land costs, which are the biggest single cost element. In the case of land acquired by Letters A and B, the cost of the land would have been much less than for land acquired by public auction (paragraph 34 refers).

31. The effect on consumers of units not being put up for sale, or prices not being lowered, is reduced choice and lack of competitive pricing. For this reason, practices which restrict supply in jurisdictions

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<sup>5</sup> Chapter 9 of Encyclopedia of Competition Laws, Sweet and Maxwell, 1987-96.

with competition law may attract the attention of competition authorities<sup>6</sup>. The supply consequences of a slower than expected output of units on the market are discussed further in chapter 4.

## Market Performance

32. The most obvious risk associated with market dominance is abuse of market position by charging 'unfair prices'. It is difficult to define unfair prices, except that in vague terms fair prices represent costs plus a 'reasonable' rate of return. In the UK, therefore, since unfair prices can be expected to result in excessive profits, the Monopolies and Mergers Commission tests for unfair pricing by scrutinising profit levels and comparing them with average returns on capital. In reaching a decision on whether pricing is unfair, it takes into account a number of factors including the degree of risk involved, the amount of competition in the market, the level of investment required and the dominant firm or firms' efficiency. In this study, we also looked at the level of profits in the industry through case studies.

33. We studied the comparative profitability of Hong Kong's major residential developers in terms of:

- a) the price-cost margin at individual project level; and
- b) the actual rate of return and the competitive risk-adjusted rate of return for developers at corporate level.

It should be noted that we did not have access to detailed cost information from developers or the capacity to undertake a comprehensive efficiency audit of the industry.

### At project level

34. At project level, thirteen residential developments completed between 1980-95 by nine developers were analysed (Annex 9). They revealed wide estimated profit margins. The land costs of Letters A and B tendered sites generally constituted 10-20% of the price of a unit, whereas the land costs for publicly auctioned land amounted to 30% to 50% of the price of a unit. Profitability appeared to be especially high when developers acquired the housing sites by means other than public

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<sup>6</sup> Actions which are prohibited or give rise to investigation by competition authorities vary from country to country but have included, for example, price fixing, price discrimination, division of markets, interlocking directorates. The scope of various competition laws will be discussed in the Consumer Council's forthcoming report on competition policy.

auction. For Letters A and B<sup>7</sup> tender sites, the estimated profit margins for developers ranged from 77% to 364% of the total estimated development costs. For lots obtained by public auction, the estimated profit margins ranged from 6% to 109%.

#### At corporate level

35. The Capital Asset Price Model (CAP-M) was used to estimate development companies' profitability. This model provides a risk-adjusted rate of return as a benchmark with which to compare companies' stock returns.

36. While profits seemed to be highly uncertain in the early 1980s with a number of players failing to survive market downturns, in the period 1985-95, all four major property development companies being studied appeared to perform much better than the overall stock market (column b of Table 3). This was after substantial reinvestment in new land acquisition. All four companies appeared to provide a risk-adjusted return above that of the stock market at the given risk level (column c of Table 3). Since stock return reflects long-term company profitability, excess stock return can be interpreted as reflecting a company's ability to generate exceptional profits.

Table 3: Measurement of Profitability of Property Development Companies against the Hang Seng Index, 1985-95

(%)

Company	Average annual return (a)	Average excess return over HSI (b)	Average risk adjusted excess return (c)
Cheung Kong	2.91	1.07	13.77
Sun Hung Kai	2.51	0.67	2.58
Henderson	3.53	1.69	12.45
Sino Land	3.24	1.40	6.36
Hang Seng Index (HSI): 1.84			

Note: Column (b) displays the difference between actual annual returns by companies and HSI.

Column (c) displays the difference between actual annual returns by companies and CAP-M estimated return.

<sup>7</sup> Letters A and B mean a land exchange entitlement granted by the Government in consideration of the surrender of any agricultural or building land in the New Territories to the Government. Most of the Letters A and B were acquired by a handful of developers in the 70s and 80s.



37. The above corporate profitability analysis included, in most instances, the company's investments in other businesses within and outside Hong Kong. One company made losses on its overseas investments which meant profit margins were much lower than returns from local property investment at project level.

38. Nevertheless, the two analyses show that for large companies property development has been a very profitable business both at project level and corporate level. At project level, the timing and means of acquiring land, market environment, and the timing of sale of property units, and at corporate level, past corporate decisions, choices of individual developers, market forces and luck were important factors in determining the level of profits achieved.

## Conclusion

39. We observed that the level of market competition and developers' strategies and behaviour varied according to the market environment. Developers competed fiercely with each other at times, for example in bidding for building lots, especially when the market was rising. There were even occasions when developers entered into litigation with one another. This might be taken to signify a highly competitive market but could also signify interdependence under an oligopoly.

40. It is important to note that the study found no evidence of collusion between developers in Hong Kong, nor did it think collusion was likely to occur. However, this does not mean that individual companies' strategies could not either now or in the future have anti-competitive effects.<sup>8</sup>

41. The sales techniques, pricing strategies and profit levels observed are all legal in Hong Kong, and make perfect business sense in a market characterised by high concentration of market power. The scarcity of land, heavy demand for new property aggravated by the segmentation of the first and second markets, and high entry threshold explain why these market strategies would be the 'right', or most commercial strategies from the point of view of the major developers. However, they would have been difficult to sustain in a market where there was a real threat of new entrants or competitors filling the supply gap in between sales. Developers were acting honestly and commercially in the given circumstances. But the fundamental issue is the market structure which enables developers to exercise market power.

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<sup>8</sup> UK competition law, for example, covers the situation in which a group of firms, between them representing a dominant segment (25%) of the sector, could engage, intentionally or otherwise, in a set of common practices or parallel behaviour which operates in an anti-competitive way. It terms this a "complex monopoly".

# Chapter 4

## Land and Housing Supply

### Introduction

1. This chapter examines the ability of land and housing supply to respond to changing market demand. A prompt response to market signals and efficient land conversion process would help ensure an adequate future supply of property and, by making the supply more predictable, stabilize property prices. We look at:

- a) the overall availability of land, constraints on new land and alternative sources of supply,
- b) Government forecasting of housing need and production, and
- c) the efficiency of the land conversion process - to see how quickly and fully land supply is translated into housing units on the market.

2. We also refer briefly to the role of public housing supply in fulfilling housing need.

### Availability of Land

3. The Government, as the sole supplier of land, directly controls the availability of land for property development through:

- a) sale of new land,
- b) approval of re-development, and
- c) control of rezoning of land.

### New land

4. The key constraint on the availability of housing in Hong Kong is the very limited supply of land suitable for housing as a result of hilly terrain and the territory's small area. New land mainly comes from reclamation and the opening up of new areas. The pace at which new land can be supplied is therefore subject to constraints such as transport, infrastructure capacity and environmental concerns.

5. The following table shows Government land disposal figures for private/commercial and assisted housing purposes over the period 1985/86 to 1996/97. It is observed that the annual residential land supply has varied from 40 to 80 hectares per year (except the low level of land supply in 1985/86). Maintaining a supply of land capable of meeting anticipated demand is critical to maintaining a steady supply of property units.

**Table 1: Government Land Disposal Figures, 1985/86 - 1996/97**

(unit: hectares)

Year	Residential / Commercial			Assisted Housing						Total
	High Density	Low Density Resid.	Sub-total	HOS	SCH	PSPS	HKHS	Village Houses	Sub-total	
1985/86	9.17	0.54	9.71	/	/	/	/	2.90	2.90	12.61
1986/87	16.20	1.00	17.20	6.00	/	11.26	/	3.00	20.26	37.46
1987/88	20.65	3.50	24.15	10.52	/	6.97	/	2.00	19.49	43.64
1988/89	21.34	1.98	23.32	13.17	/	3.81	2.70	3.00	22.68	46.00
1989/90	19.44	3.60	23.04	12.15	/	5.04	0.00	2.00	19.19	42.23
1990/91	16.00	3.00	19.00	11.08	/	7.58	0.60	2.00	21.26	40.26
1991/92	20.55	3.65	24.20	16.43	/	6.57	0.08	2.00	25.08	49.28
1992/93	20.42	2.61	23.03	14.17	/	3.07	2.56	2.00	21.80	44.83
1993/94	18.38	/	18.38	16.09	4.80	1.57	3.17	2.00	27.63	46.01
1994/95	26.95	5.95	32.90	20.74	9.29	2.75	3.59	3.00	39.37	72.27
1995/96	37.70	5.49	43.19	18.59	3.10	13.62	1.69	3.00	40.00	83.19
1996/97	38.43	6.08	44.51	26.62	1.70	10.49	0.83	3.00	42.64	87.15

Note: HOS - Home Ownership Scheme

SCH - Sandwich Class Housing Scheme

PSPS - Private Sector Participation Scheme

HKHS - Hong Kong Housing Society

Source: Lands Department.

6. After the Government Task Force on Land Supply and Property Prices report in 1994, the Government has taken progressive steps to coordinate efforts in producing more new land and in recent years annual land supply has increased in scale. In 1995/96 and 1996/97, most of the residential/commercial land supply will be on sites associated with the airport railway. Other measures proposed include a land inventory system and a one-year land reserve in order to cater for unanticipated changes in external demand. The relevant Government departments are implementing these proposals, though we have yet to see the results of the land inventory system. The recommended increase in the land supply in future years means that Government needs to allocate more resources to the land development control process to cope with the subsequent increase in development activity.

7. The study notes the Government's continuing interest in revenue from land sales (in 1994/95, land sales accounted for 11% of total government revenues). That creates an incentive for the Government to keep residential land supply as close to assessments of demand as possible, and adjust its carefully planned disposal programme if bids for land lot do not reach the reserve price. For example, in 1994, one residential land site with a site area of 8,400m<sup>2</sup> (about 7% of the total disposal programme for the year) was withdrawn from the land auction when the land lot failed to reach the reserve land price (Annex 4). The lot was re-auctioned at a later date.

8. By controlling supply, the Government can influence land prices, and continue to obtain budgeted revenues from land sales.

#### **Sino-British Joint Declaration**

9. Another restricting factor in recent years on the availability of new land has been the 50 hectares annual limit laid down in the Sino-British Joint Declaration (chapter 2, para 6). This limit could be exceeded, but not without approval from the Sino-British Land Commission. Since the setting up of the Land Commission, the approved land disposal quota has exceeded the 50 hectares limit, inclusive of all land. The amount of residential land approved since 1987/1988 has exceeded 40 hectares, and has increased from 72 hectares in 1994/1995 to 87 hectares in 1996/1997.

10. The Declaration also requires the Government to seek the Land Commission's annual approval for all aspects of the land disposal programme including land allocation, development intensity and timing. It is therefore difficult to make any subsequent modifications. Largely as a result of this, the Government only announces its land disposal programme one year in advance, even though it has internal forecasts of land sales for the next five years.

11. This lack of long-term information about land supply is a barrier to new entrants, especially foreign investors who might need a longer planning period to enter a new market, and provides opportunities for speculation because potential buyers are unsure about future supply.

#### **Redeveloped land**

12. With constraints on new land supply, there is an increasing need for more efficient use of existing sites. There is an imminent need to address the issue of re-development and urban renewal. According to the Government's policy paper on Urban Renewal "in 10 years time, more than 40% (about 260,000 units) of the private housing stock in the urban area will be over 30 years old and reaching obsolescence." Joint venture opportunities between property developers and owners of dockyards, power stations and oil depots for the purpose of building large housing estates are more difficult to come by.

13. The change in Hong Kong's economic base from manufacturing to service industries and the relocation of many Hong Kong-owned factories to southern China, has created considerable scope for building new housing projects on redeveloped land.

14. The scope for reusing land for residential purposes has not reached its full potential with a considerable number of industrial buildings or sites lying empty in Kwun Tong, San Po Kong, Tsuen Wan and other areas. The main obstacles to the use of these areas for housing are zoning restrictions, land resumption costs, and the need for infrastructure (roads, water and sewerage) or environmental improvements (landscaping of degraded areas) at some sites.

15. Other countries which have experienced declines in their manufacturing sector, like the UK, have provided fast-track or simplified planning procedures for large tracts of disused industrial areas and grants for treating contaminated land to encourage private sector re-development. They have also invested in substantial environmental improvements to make such areas suitable for residential use.

16. The Government has already taken a number of initiatives, including re-zoning of certain non-residential land for residential purposes and establishing the Land Development Corporation for urban renewal, to increase the contribution from redeveloped land. According to the Government Task Force on Land Supply and Property Prices, redeveloped land from lease modifications and land exchanges accounted for 174 hectares in 1993, compared to the 25 hectares of new land provided for residential and commercial use. Since 1990, redeveloped land has accounted for approximately 2/3 of new private housing.

17. The Consumer Council welcomes the Government's "Urban Renewal" policy announced in June 1996, to facilitate and expedite urban renewal, in particular to "achieve better utilization of land in the urban area by thinning out population from over-crowded areas and making land available to meet various development needs including housing."<sup>1</sup>

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<sup>1</sup> Urban Renewal in Hong Kong: Planning, Environment and Lands Branch, June 1996.

## Availability of Housing Supply

### Government housing strategy

18. The Government has what it describes as a "private sector-led housing strategy."<sup>2</sup> This means that the Government estimates housing demand and supply, but the private sector decides how much and when to supply residential property through its purchases of land and land entitlements. The Government aims to meet the remaining housing requirement through public sector housing.

19. This has several important consequences:

- a) if forecasts underestimate future levels of housing demand and supply, or  
if the supply of houses is restricted further down the line, i.e. houses are produced but not available on the market, there will be a shortfall in housing supply;
- b) the public housing supply has to expand to fill housing needs unmet by private housing supply. If for any reason private housing supply is restricted, the taxpayer has to pick up the tab;
- c) on the other hand, increased private housing production and a more efficient private sector housing market (leading to better allocation of housing resources) would relieve pressure on the public housing sector and taxpayers.

20. The public housing sector in Hong Kong is currently one of the largest (58% of total housing stock) in the developed world.<sup>3</sup> It is therefore vital that the private sector has sufficient land supply and that the market is fully competitive to ensure land is converted into available housing units as efficiently as possible, at affordable prices.

### Housing demand

21. Housing demand has increased as a result of demographic changes within Hong Kong and external demand. The average annual household growth rate according to HKPU's analysis was 3.2% between 1971 and 1991. Increased household formation has been due to marriage, decreases in household size, and changing household composition. On average, about 36,700 new households were created each year over the period.

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<sup>2</sup> Andrew Wells, Deputy Secretary for Housing, at 'Housing a Quality of Life' Forum, 6 May 1996.

<sup>3</sup> Larger for example than the public housing sector in Japan, the US and the UK.

22. Meanwhile, investors from China and overseas, seeking to take advantage of the buoyancy of the property market, also bought property in the territory. Hong Kong is such an open economy that anyone, whether local or foreign, resident or non-resident, who is interested in buying property can have easy access to it. The 1992 -1994 boom in the property market was, for example, believed to be fuelled by the negative real interest rates and an influx of foreign investors.

23. It is therefore very difficult to make accurate assessments of housing demand. However, the continued high prices for private housing compared to average income, and long waiting times (an average seven years between 1985 and 1995) and waiting lists for public housing, as well as household formation rates, show that supply has consistently lagged behind demand in the residential property market.

#### Private housing supply

24. The following table compares the supply estimates published by the Government based on developers' production plans and the Rating and Valuation Department's estimates, and actual supply of private domestic units in 1980 -1995.

**Table 2: Actual and estimated number of private residential units produced in 1980-1995**

Year	Actual Supply (a)	Estimated Supply (b)	Difference (a)-(b)	% Difference ((a)-(b))/(a)
1980	24,490	28,370	-3,880	-15.8%
1981	33,475	33,880	-405	-1.2%
1982	23,140	27,310	-4,170	-18.0%
1983	21,620	24,060	-2,440	-11.3%
1984	22,270	20,225	2,045	+9.2%
1985	29,875	30,195	-320	-1.1%
1986	34,105	37,140	-3,035	-8.9%
1987	34,375	38,600	-4,225	-12.3%
1988	34,470	37,700	-3,230	-9.4%
1989	36,485	37,655	-1,170	-3.2%
1990	29,400	27,415	1,985	+6.8%
1991	33,400	32,545	855	+2.6%
1992	26,220	33,510	-7,290	-27.8%
1993	27,670	37,326	-9,656	-34.9%
1994	34,170	33,361	809	+2.4%
1995	22,620	26,164	-3,544	-15.7%
1980-95 average	29,240	31,590	-2,350	-8.1%

Note: Estimated data is compiled in respect of all known development and re-development sites in the territory in accordance with information derived from Buildings Department returns, architects' and developers' plans and returns, Rating and Valuation Department's estimates and/or site visits.

Source: Hong Kong Government Property Reviews, various issues.

25. In 12 out of the 16 years to the end of 1995, actual supply fell short of published estimates. Shortfalls in private housing production occurred in rising as well as falling markets. The historical 16-year average of private residential sales flats was about 29,000. However, below average supplies were found in 7 years i.e. 1980, 1982-1984, 1992-1993, 1995. The discrepancy between estimated and actual supply ranged from +9% to -35%. This supply lag, coupled with restrictions on the supply of housing units further down the line, may have contributed to the rise in property prices until mid-1994.

26. The Government has also had to adjust estimates of supply in current and forward years.<sup>4</sup> The original forecast of 27,272 units to be completed in 1996 has been revised to 19,090 units, 30% lower than the original forecast. The 1996 forecast is the lowest level in more than 16 years and 35% lower than the historical 16-year average. It is a particular cause for concern. Nor is private housing supply in 1997 going to improve much. Government's latest estimates show that 26,800 new private residential units would be completed in 1997.

27. This discrepancy between estimated and actual private housing supply does not seem to be caused by a shortage of total residential land supply. Two factors are at play: First, disposal of housing land and development control on private development are controlled by Government. Second, the number of flats to be released onto the market and the timing of delivery of flats are determined by the developers. It has been suggested that Government knows the development potential of the sites that have been sold, and how long it would take the private sector to convert those sites into units. The problem could be due to the slowdown in private sector production rates. Developers, however, pointed to the complicated development control process and delays as the main reasons.

28. Like the release of housing units discussed in Chapter 3, this may partly come back to the question of the competitiveness of the market. In a market with effective competition, the cost of the land would make developers want to convert it into a saleable commodity (housing units) as soon as possible. The prices of units would go up and down as for any commodity as supply responds to demand, demand is met, supply contracts, demand rises again, etc.

29. In theory, under an uncompetitive market, where the supply of land is restricted by Government or held by a limited number of developers, developers could control the rate of production knowing that few other developers would have the capacity to fill the supply gap. Thus, they could be more confident of future price rises likely to offset

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<sup>4</sup> Rating and Valuation Department Press Release, March 1996



the cost of holding undeveloped land (in the case of land held under Letters A and B entitlements or unrestricted leases) or seek to slow development of land subject to building covenants. In other words, to an extent, they could treat the land like a strategic asset, adjusting the rate of land conversion according to corporate objectives, such as desired earnings stream, and changes in market prices.

30. An extreme example of this type of market behaviour is the Central Selling Organization (CSO), which controls most of the world's diamond supply and will only release diamonds at a certain rate to maintain prices.

#### **Building covenants**

31. There is, of course, much less potential for this type of behaviour in the market for new residential property in Hong Kong with developers required to complete property development subject to building covenants in three to four years. However, the policy provides the opportunity for developers to extend the completion date should they wish to.<sup>5</sup>

32. According to the Government, of the 303 lots sold at Government auction or by tender since 1 April 1988, the developer applied for and has been granted an extension in 35 or 11.5% cases. The periods of extension generally ranged from 3-12 months.

33. The main cause of the shortfall in supply in 1996 is the slippage of 9 developers' projects referred to in chapter 3 paragraph 22. Of these at least 2 projects have passed their original building covenant period (Annex 7).

34. The slowdown in housing production rates in 1996 and 1997 may in some cases be a reaction to the slide in property prices from mid-1994 to the beginning of 1996. Other possible causes of slippage are technical difficulties with the land, and the time taken by Government to deal with planning applications and other administrative procedures. A number of different Government offices and boards are involved, such as the Town Planning Board and Land Office. Also, for developments dependent on new infrastructure, delays in their provision would also delay the availability of the new accommodation. Transport infrastructure is managed by the Transport Department which has its own priorities not necessarily the same as the Lands, Planning and Buildings or Housing Departments'.

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<sup>5</sup> According to the building covenant in land lease, developers are required to complete the developments within the specified period. If they fail to do so, they will be required to pay a premium (2% annual interest rate of the current land value of the site for the first year delay, 4% for the second year delay, 8% for the third year delay etc.) to the Government for extensions of completion date.

### Public housing supply

35. The supply of public housing varied from one year to another (Table 3). According to the Housing Department, the fluctuation in public housing supply may be contributed by availability of land, and high concentration of production in the last quarter of some year. Also, if the production is presented by financial year which is the time frame for production programme monitoring, the fluctuation will be different and less prominent. The shift of rental/public sale flat production target<sup>6</sup> also explained the higher fluctuation in public sale flats production - the coefficient of variation was 59% which was comparatively more volatile than public rental production. Notwithstanding these factors, maintaining a stable production of public housing of meeting demand is a crucial balancing force to the private housing production.

**Table 3: Supply of public sale and rental flats, 1981-1995**

(no. of units)			
Year	Public Sale Flats	Public Rental Flats	Total Public Supply
1981	7,446	27,210	34,656
1982	7,610	37,081	44,691
1983	8,522	26,993	35,515
1984	13,195	28,127	41,322
1985	20,206	29,621	49,827
1986	6,480	28,210	34,690
1987	9,758	25,022	34,780
1988	8,802	29,676	38,478
1989	18,776	46,553	65,329
1990	17,518	35,632	53,150
1991	16,826	24,936	41,762
1992	5,740	11,039	16,779
1993	33,109	31,533	64,642
1994	4,440	17,098	21,538
1995	14,472	17,349	31,821
1981-95 average	12,860	27,739	40,599
Standard Deviation	7,574	8,626	13,610
Deviation/Average	59%	31%	34%

Source: Statistics on Quarterly Production of Private and Public Flats from the Housing Department.

36. Demand for both public rental and public sale flats has consistently exceeded supply over the period. Between 1985 and 1995, the average waiting time for public rental flats was reduced from 8 years to 7. With regard to public sale flats, the Home Ownership and Private Sector

<sup>6</sup> Before the implementation of the Long Term Housing Strategy production target in 1988, public rental constituted almost 75% of the total public housing supply. But started in the 90s, more Home Ownership Scheme(HOS) flats were built and the HOS production had thus been increased to about 50% of the total public housing supply.

Participation Schemes were 6.5 times over-subscribed by green form applicants (existing public sector tenants) and 17 times over-subscribed by white form applicants (non-public sector tenants) in the period February 1978 to April 1995. The Sandwich Class Housing Scheme from December 1994 to January 1995 was 4 times over-subscribed. These figures indicate that the public housing sector is unable to produce housing fast enough to meet the demand from eligible consumers, let alone spill-over demand from the private sector. Such an acute shortage of public and private sector housing increases pressure on private property prices.

37. We note that the average production time for Housing Authority development of new sites (from site formation/infrastructure to completion of units) is 7 years, due to be reduced to just over 5 years by 2006. This compares with a current average of 3-4 years for development of residential sites by the Housing Society and the private sector.

38. The private sector is involved in the production of 5,000 sales flats a year through the Private Sector Participation Scheme.

#### **The Land Development Corporation**

39. Apart from the Housing Authority, the Housing Society and private developers, the Land Development Corporation (LDC) is also able to supply residential units in urban areas through its re-development projects. In practice, the residential element of urban renewal projects tends to be relatively small-scale. Taking into account all completed projects and those under construction or planned, the LDC will have added 4,593 residential units or 236,388 m<sup>2</sup> gross floor area<sup>7</sup> equivalent to 15% of annual average private residential unit production since its inception.

40. Residential housing is an important part of urban renewal, but the LDC will need to have more resources and to make housing provision a higher priority if it is to become a major player in the residential property market.

#### **The Government's future plans**

41. According to the Government Long Term Housing Strategy, Government plans to produce 511,000 public and private units between 1995 and April 2001. By averaging these 511,000 units over the six-year period, it is estimated that 85,160 units comprising 52,660 public units and 32,500 private units should be produced in each year beginning 1995. However, given the private and public residential completions in 1995 and estimates for 1996 and 1997 (for private units only) have been much lower than this, a dramatic increase in both sectors in the years 1998-2001 would be required if the Government's estimated increase is

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<sup>7</sup> Figures as at May 1996.

to be realised. This bunching towards the second half of the 6-year planning period is not ideal in supply terms.<sup>7</sup>

### Vacancy rates

42. Even if the production of new units matches estimates, the supply of new units available to the consumer may be restricted if vacant properties are withheld from the market. Vacancy rates in flats held by developers were discussed in chapter 3. This chapter looks at vacancy rates amongst new flats as a whole, i.e. those belonging to private individuals and developers.

43. In 1990-95, the overall vacancy rate for private housing in the first- and second-hand market ranged from 3.5% to 4.1%, i.e. 26,150 to 40,712 units. The housing stock as at the end of 1995 was around 885,700 units. However, vacancy rates for newly completed flats have been much higher than 4% during the last few years in the short- and long-term:

- a) **short-term vacancy rates.** More than 60% (about 18,800 units) of the total annual supply of about 30,000 new flats were vacant at the end of the year in which they were completed for the years 1992-1994;
- b) **long-term vacancy rates.** Up to the end of 1995, the Rating and Valuation Department's sample indicated that 14%, 14% and 44% of the flats completed in 1993, 1994 and April - September 1995 respectively, were vacant one to

<sup>7</sup> Housing supply 1995-97 against long-term target (Rating & Valuation Department estimates, March 1996)

	<i>Government Target 1995-April 2001 (estimated annual figures)</i>	<i>Actual 1995</i>	<i>Estimate 1996</i>	<i>Estimate 1997</i>	<i>Supply to be realised by 1998-April 2001</i>
Public housing units	316,000 (52,660)	37,680	39,020	n/a	n/a
Private housing units	195,000 (32,500)	22,620	19,090	26,800	126,490
Total	511,000 (85,160)	60,300	58,100	n/a	n/a

two years after completion.<sup>8</sup> These are units for which consent to sale have been issued.

44. It is unclear how many of these properties were vacant because no home buyers had been found, and how many are being deliberately kept vacant, i.e. not available on the market. But, given the increase over the overall vacancy rate and the fact that:

- a) there was a strong demand for new units in this period (reflected in the very high prices for new units in 1992 and 1994); and
- b) the length of time for which these units have been vacant;

it is likely that a substantial proportion of the completed units have not been put on the market. This suggests that even if Government's estimate of production of private units were accurate, there would still be insufficient housing supply to meet housing demand.

45. In the past 5 years (1991-1995), the average annual take-up and number of vacant units for private flats was 24,000 units and 35,200 units respectively. The Government considers that by adding together new supply and vacant units for private flats, the availability of supply is sufficient to meet annual take-up. Again, the point is that the vacant units may not be available as some of units are withheld from the market. Also, the annual take-up figures only represent the availability of units at some prices.

#### **Excessive speculation**

46. Speculation may be one reason why units are withheld from the market. With negative real interest rates and strong growth in property prices over a sustained period, property is bound to attract speculation.

47. While speculation also helps developers to sell their units faster, bears the risk in times of market decline, and improves market responsiveness by giving early warning of likely changes in demand. However, excessive and rampant speculation distorts the supply of the residential property, ties up economic resources and fuels prices in a rising market, making it more difficult for the genuine home buyer to buy property.

48. Speculative activities take two forms: rapid turnover of ownership, and hoarding of properties. The Government Task Force on Land Supply

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<sup>8</sup> Rating and Valuation Department's quarterly surveys of long-term vacancy trends in newly completed units.

and Property Prices found evidence of widespread speculation in the residential property market. For example, "about 10% of sale and purchase agreements (a total of 214,683 agreements) presented for stamping between February 1992 and March 1994 involved short-term resales<sup>9</sup> and about 23% involved new properties offered for sale after January 1992" and "about 18% of the units in large developments completed in 1992 were still vacant at the end of 1994. These are prima facie cases of hoarding."

49. The HKPU study for the Consumer Council also found that in the period 1983-1994:

- a) vacancy rates of mid-sized units tended to increase when prices were above average and decrease with price decreases;
- b) a large number of housing units changed hands within a short period of time after their first sale, and some of them changed several times before being acquired by the end-users; and
- c) a substantial number of housing units in the hands of individual owners were left vacant after completion.

50. We therefore support Government's initiatives to dampen excessive property speculation following the report of the Task Force in June 1994. These include:

- a) restricting forward sales to not more than 9 months (subsequently relaxed to 12 months in January 1996) before the date of completion; and
- b) prohibiting resale of uncompleted units before assignment.

51. These measures, though, are only applicable to Consent Scheme developments, which roughly account for 70% of new flats.<sup>10</sup> The Consent Scheme requires owners of developments on new land and some redeveloped sites to seek Government consent if they wish to pre-sell the units (i.e. sell them before completion). However, there are other developments, equally attractive to speculators, which are not subject to the Consent Scheme.

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<sup>9</sup> Short-term resales mean resold before assignment and resold shortly after assignment.

<sup>10</sup> Figure from the Housing Branch.

## Conclusion

52. The study found continued shortfalls in supply of residential property in both the public and private sectors. The Government has set up a Working Group on Housing Demand to improve its forecasting of housing demand. This will seek to incorporate changes in demand arising from demographic change and immigration. Also, the land made available for housing in 1995/96 will be double that available in 1994/95.

53. It is not, however, simply a case of better estimates and increased land supply. The housing units have to be built and, in the case of private developments, made available on the market, before housing needs can be met. This would involve Government putting in more resources to expedite the development control process. Also, at present, the building covenant in land lease only requires developers of new land to complete the developments within a certain period of time and to make fit for occupation. The weakness of this control is that they are:

- a) not comprehensive - they do not cover schemes on private and redeveloped land which do not require lease modification of any form;
- b) provide no mechanism for ensuring units are completed and released onto the market within a reasonable period:
  - if they obtain Government approval and pay the required interest on the land value of the site, completion can be delayed;
  - developers have to obtain the Government's consent to sell uncompleted units on Consent Scheme properties, but the Government provides no incentives or sanctions to ensure when the completed units are available for sale or leasing are put up for sale; and
- c) the Lands Department only seeks to establish that construction is in progress and the developer show as a general intention to complete the building.

54. As chapter 3 suggested, in a highly concentrated market where there is a lack of contestability, the observed supply of units made perfect business sense. Developers have complete freedom to decide when to release units onto the market. But without appropriate checks or the threat of new entrants or competitors with the capacity to fill the supply gap, developers were able to delay production and sales of housing units.

55. Finally, the Government's land supply policy should take a broad economic and social view of its management of Hong Kong's land resource, and adopt a less restrictive, more transparent and balanced supply policy. It would also benefit the economy as a whole by moderating the inflationary effects of a tightly restricted supply.

# Chapter 5

## Product Differentiation

### Introduction

1. There is a very high degree of product differentiation between the primary and secondary housing markets in Hong Kong compared to other countries, with a strong consumer preference for new housing units (the primary market). This is particularly remarkable given the high demand for property in Hong Kong and the fact that new units account for just 3-5% of total housing stock.
2. In order to provide for a more efficient housing market, there is an urgent need to integrate the primary and secondary housing markets. More substitutability between new and second hand property would enhance consumer choice and, with regard to competition, reduce the primary market's share of the housing market. This would reduce the influence of developers and improve competition in the residential market as a whole.
3. This chapter examines the effects of product differentiation between these two markets and also between housing units in urban and less accessible areas. The study concentrates on the underlying reasons behind consumers' preferences, in particular the institutional or market structural reasons, to see how far the apparent imbalance can be addressed.

### Segregation Between Old and New Housing Units

4. Leaving aside the physical aspects of a particular unit, the consumers' main considerations in choosing which home to buy are:
  - a) tradability and market value of the property; and
  - b) ability to obtain mortgage finance.

#### Tradability of older properties

5. The market value of older buildings in Hong Kong is substantially lower than new buildings partly because of their shorter lifespan, arising from the shorter period of unexpired crown lease and, in some cases, the poorer condition of the buildings. This is very different from some overseas countries where the tradability of properties of fifty or a hundred years old is no different or, in some cases, even higher than the tradability of new properties. In the following paragraphs, we examine:

- a) methods of certifying the condition of older properties, and
- b) building warranties for new properties

to enhance the long-term sales value and tradability of buildings.



### Building certification

6. Under this type of scheme, the condition of existing buildings would be examined and certified by qualified building professionals at regular intervals. The professionals use an agreed and standardized evaluation system in consultation with Government. Such a system is already being adopted in countries like Singapore.

7. Building certification can give important and objective information about the property to the consumers. It can also reassure financial institutions about the quality of older properties. Specifically, building certification and warranty programmes may help:

- a) to conserve and re-vitalize the value of existing housing stock;
- b) to improve potential purchasers' confidence in buying older properties;
- c) to give lending institutions a means of assessing the risk attached to individual properties, encouraging a more flexible approach to bank lending for older properties;
- d) to encourage owners to maintain and invest in their properties; and, ultimately,
- e) to improve the tradability of older housing units.

8. The Council has received a proposal from the Institute of Surveyors which could form a useful basis of a Building Certificate Scheme for the above purpose. The Hong Kong Institute of Planners' recommendations on urban rehabilitation, upgrading, refurbishment and re-vitalisation would also help to improve the market value of older housing stock.

### Building warranties

9. These are in operation in most developed countries. Such programmes protect consumers and property owners, and form part of total quality management systems in the construction and real estate industries.

10. At present, the effective defect liability period for new property in Hong Kong ranges from six months to one year. However depending on when and how the unit is acquired, the purchaser may be left with a very short defect liability period.

11. A higher quality standard will increase the value of the property and enhance tradability in the secondary market as well as increase acceptability by lending institutions in terms of mortgages.

### Bank Mortgage Financing Policy

12. In Hong Kong, the predominant share of residential mortgage loans comes from banks. The Hong Kong Monetary Authority (HKMA) issued a guideline to restrict banks' lending to property development and investments to 40% of total loans. This limit includes loans for industrial, residential, commercial and other properties.

13. According to the HKMA's survey, residential property mortgage loans constituted around 21.2% of the banks' loan portfolio in 1994.<sup>1</sup> By including loans to finance property development and investment, the average percentage of property-related loans stood at 38.4% between 1989-1994. This means that banks have almost reached the top of their limit. As a result, there appears to be a rationing of bank mortgage lending. There appears to be preferences to properties in project developments or new units which are considered low risk, and older properties are considered higher risk.

14. Compared to purchasers of new property, purchasers of older property have to pay:<sup>2</sup>

- a) larger downpayments. Purchasers of new properties can obtain mortgages for up to 70% of the banks' valuation for small to medium-sized flats and 55% for luxurious flats but banks will typically only lend up to 50% of their valuation on older properties, leaving the consumer with a substantial capital outlay. The funding gap is further widened as banks tend to value older property at lower than the purchase price of the property;
- b) higher mortgage rates. Some banks charge higher interest rates for loans for older property; and
- c) shorter repayment periods. Most banks set a maximum range of between 20-25 years on the sum of the loan maturity and building age. For properties over five years old this entails very high premiums.

15. For example, in Table 1 below, for a 10 year-old unit costing \$2M, a purchaser will have to find \$1M as a downpayment, compared to \$600,000 if the property was new; pay an interest rate which is 0.5% higher than the rate for loans for new property, and repay the loan in 10 years. If the banks valuation is 10% lower than the purchase price (which is not uncommon), the purchaser will have to find \$1.1M downpayment.

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<sup>1</sup> The HKMA's survey on residential mortgage loans in Hong Kong was conducted in October 1994. A total of 33 authorized institutions which covered over 90% of the total residential mortgage loans were selected.

<sup>2</sup> 'New housing' here refers to the submarket of units completed within the last 5 years and well-managed estate-type units. 'Older property' refers here to units completed 5 years ago or more and flats in piecemeal sites.

16. Given these punitive terms and conditions, marginal customers are deterred from buying older flats and the bulk of residential mortgage loans are concentrated on very new developments. The same HKMA survey showed that 68.2% of residential mortgage loans involved property of less than 10 years old. The fact that banks' use a lower valuation than the market value of the property when assessing mortgage risk for older buildings, and impose harsher terms and conditions to mortgages for older buildings suggests that it is saleability as well as market value which concerns them.

#### **Alternative sources of mortgage finance**

17. Whilst we expect banks to continue to provide the majority of home mortgage finance, there are already a limited number of alternative sources.

#### **Government assistance for home purchase**

18. The Government provides low-cost loans to help low-to-middle income home buyers to purchase flats from the private sector. However this assists only a small number of households. In 1995/96, the amount of interest-free loans for Home Ownership Scheme under the Housing Authority stands at HK\$400,000 - HK\$600,000 for 3,000 eligible applicants. The Sandwich Class Housing Scheme implemented by the Housing Society assists another 3,000 eligible families with loans up to a maximum of HK\$550,000 or 25% of the net purchase price of a domestic property.

#### **Developers' top-up finance**

19. Over the past year or so, developers have offered top-up financing schemes in the form of second mortgages to buyers of new housing units. Some developers gave purchasers the option to defer repayment of both the principal and the interest for three years as a further inducement. Developers' top-up finance is only available to buyers in the primary market.

20. Whilst the offer attracts purchasers who cannot afford the 30% down-payment (the gap between the maximum value of the mortgage available from financial institutions and the purchase price), these home buyers have to pay out more in total for the property. The comparison of mortgage financing facilities by the Financial Services Branch in Table 1 shows that purchasers pay 52% more in total interest by participating in developers' top-up schemes.

**Table 1: Comparison between bank's mortgage schemes for old and new property and for new property with and without developer's top-up finance**

	10-year old property	New property	New property with top-up finance
Bank's mortgage scheme	Loan amount equals to 50% of flat price; 10-year repayment period	Loan amount equals to 70% of flat price; 20-year repayment period	Loan amount equals to 70% of flat price; 20-year repayment period
Developer's top-up scheme	Nil	Nil	Loan amount equals 20% of flat price; 20 year repayment period; repayment deferred for 3 years
Price (\$)	2,000,000 (assuming no difference in valuation)	2,000,000	2,120,000 (6% extra)
Down payment (\$)	1,000,000	600,000	212,000
Fees & charges (\$)	70,000	70,000	82,400
<b>A: Initial Payment (\$)</b>	<b>1,070,000</b>	<b>670,000</b>	<b>294,400</b>
Loan amount (\$)	1,000,000	1,400,000	1,908,000
Mortgage rate* (%)	10.5	10	10
Monthly instalment in the first 3 years (\$)	13,494	13,510	14,321
Monthly instalment from 4th to 20th years (\$)	13,494	13,510	20,084
<b>B: Total Loan Payment (\$)</b>	<b>1,619,280</b>	<b>3,242,400</b>	<b>4,612,692</b>
<b>A + B: Total Payment (\$)</b>	<b>2,689,280</b>	<b>3,912,400</b>	<b>4,907,092</b>
<b>Total Interest Payments + Fees (\$)</b>	<b>689,280</b>	<b>1,912,400</b>	<b>2,907,092</b>

Note: \* at January 1996.

Source: figures in the first two cases are derived from Financial Services Branch figures.

### Mortgage corporation

21. We welcome the HKMA's recent commitment to pursue the setting up of a Mortgage Corporation. The development of a Mortgage Corporation should, if properly implemented, promote home ownership, facilitate the development of a secondary mortgage market, promote mortgage securitization and boost the development of fixed-rate instruments.

22. Mortgage securitization would increase the availability of funds for home loans by redirecting long-term funds, such as insurance and pension funds, to home-purchase. There is a risk that this may increase property prices. However, HKMA is of the view that it is controllable by using existing mechanisms to encourage prudent lending. Indeed, HKMA believes that the

successful development of the secondary mortgage market using a Mortgage Corporation would enhance liquidity and reduce concentration risks<sup>3</sup> which exist at present, thereby improving the efficiency of the financing process.

23. It is noted that the proposed corporation will only purchase mortgages which are "first legal charge" but not "second legal charge" mortgages. In addition, the corporation is considering the imposition of a maximum property age limit on buildings in its mortgage portfolio as "very old properties tend to have much lower secondary market liquidity." It depends, however, the definition of "very old properties". If it is more flexible than current banking practice, the Corporation may increase the flow of funds to the secondary housing market. The Council considers it more appropriate to evaluate a property based on market value instead of property age.

#### **Experience in other countries**

24. Hong Kong is unusual among developed economies in not having specialised mortgage agencies like the Building Societies in the UK, or savings banks in Germany. Historically, such institutions have been able to offer higher interest on deposits and lower interest on mortgages than banks partly because they have not had to pay dividends to shareholders. With proper regulation, which ensures, in particular, that lending is confined to residential property, these institutions have been categorised as low risk.<sup>4</sup>

### **Segregation Between Urban and Less Accessible Areas**

25. There is a substantial difference in price for housing units in urban and less accessible areas. The average price for a medium-sized flat on Hong Kong Island was about \$4,400 per sq.ft. over the period 1990 to 1995, compared to \$2,800 per sq.ft. for a similar sized flat in new towns such as Tuen Mun and Junk Bay.

26. In 1994, vacancy rates for properties in the New Territories were 9.4%, compared to 4.7% for private housing overall in that year. The Rating and Valuation Department surveys also indicate a large time gap between completion and actual occupation of new housing in the New Territories, reflecting a mismatch between supply and demand. In 1993, only 21% of New Territories housing projects were fully occupied 19 months after completion. The time gap between completion and actual occupation for new housing was somewhat longer in 1994. Only 7% of developments completed in 1994 were close to full occupation at the end of the year in which their occupation permits were issued.

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<sup>3</sup> risks arising from a) maturity mismatch due to financing long-term mortgages with short-term bank deposits and b) banks' current high exposure to property.

<sup>4</sup> The US equivalent called Thrifts which were allowed to invest in a number of high-risk non-residential projects and were poorly regulated, collapsed. Bad debt ratios and ratio of mortgage to property value are also relevant to risks. However, for demographic and social reasons, property itself is regarded as low risk in the long-term.

27. Improved infrastructure planning and transportation will facilitate integration of the urban and less accessible housing markets. But, before this happens, potential home buyers intending to reside in the urban area would need to compete among themselves for a limited number of units.

## Conclusion

28. Product differentiation between the primary and secondary housing markets, urban and less accessible areas, reduced substitutability between these markets. It restricted purchasers' choice and led to greater demand in the primary market. In rising markets, it has fuelled speculation in new property. As a result prices spun to new heights, and prices for new units in urban areas acted as a benchmark for older units. Although prices for first and second hand units were interdependent, because of the dispersed ownership of the latter, and preference for new developments, developers were able to exert a strong influence despite their small market share.

29. The distinct segregation of the markets by age and location is mainly caused by:

- a) poor tradability of older housing units due to lack of recognised certification and warranties about their condition and quality;
- b) difficulties in obtaining home mortgage financing for older residential units; and
- c) infrastructure planning and transportation to housing units in less accessible areas lagging behind consumer expectations.

30. As a growing number of households find property prices too high to be affordable, there will be greater pressure on Government to provide more housing assistance in the form of subsidized leasing, home mortgage loans and sandwich class housing loans.

## Chapter 6

# Bargaining Power of Buyers

### Introduction

1. The market of new flats in Hong Kong is unique in that purchasers will buy flats before they are completed. This market pattern detracted from optimum consumer protection, because of which the Government introduced the Consent Scheme in the sixties to control over the sale of units in uncompleted developments.

2. For the past 20 years, the Consumer Council has been playing an active role in advocating better protection to flat purchasers. In 1977, the Council submitted a report on "Sale and Purchase of Flats in Hong Kong" to the Government recommending further measures to safeguard the rights of the purchaser in property transactions. Some of the recommended measures were adopted. For instance, the Sale and Purchase Agreement between the vendor and the purchaser must follow a set of procedures agreed by the Government and the Law Society; in which consumer protection clauses including cooling-off period and interest payment to purchasers upon delayed completion were provided.

3. In 1985, the Council, in conjunction with professional organizations and government departments, worked out a standard measurement method of saleable area to describe areas in uncompleted units for sale. The Real Estate Developer's Association (REDA) supported the proposal and recommended it to its members. The Government and the Law Society implemented under the Consent Scheme under the Non-Consent Scheme respectively.

4. Later, with the co-operation of developers, the Government implemented several procedures including personal registration and balloting in the public sale of uncompleted properties. That was to avoid any disorder being created in public place.

5. In 1991, the Council published a report on "A Study on the Disclosure of Information to Prospective Purchasers of Uncompleted Units." Some of the ideas were adopted in the Law Reform Commission's 1995 report on "Descriptions of Flats on Sale" which seeks to improve the quality and reliability of sales brochures and price lists for the better protection of purchasers. Proposals included the standardizing of the methods of measuring gross floor area and saleable area. In December 1995, the Council reached an agreement with the REDA to extend the duration of the defect liability period from 6 months to 1 year.

6. Although consumer protection in purchasing property has improved significantly as result of discussions among the Council, the Government, REDA and various organizations, the Council considers there is no room for complacency as there are more challenges ahead.

7. The bargaining power of consumer vis-à-vis developer in a particular sale is generally dependent on the prevailing market conditions. However, accurate information is vital for consumers to make what may be the most important purchasing decision of their life, on an informed and rational basis.

8. In this chapter, we look at how the legal profession, estate agents and Government can improve information to the consumer. Improving the information flow, and hence consumers' ability to make informed choices, would also give suppliers better signals about consumer preference. This contributes to an efficient market.

### **Bargaining Power of Buyers**

9. The Consumer Council supports initiatives in three areas to strengthen the position of the buyer:

- a) improving the quality of legal services;
- b) improving the performance of estate agents; and
- c) improving the quality of market and property information available for public use.

#### **Legal issues**

10. The Consultation Paper on Legal Services put forward by the Attorney General's Chambers contains a number of proposals to increase consumer protection in the following areas:

- a) abolish scale fees for conveyancing,
- b) separate legal representation, and
- c) pay interest on deposits.

11. **Abolish scale fees** We welcome Government's recent move on abolishing the scale fees system. The setting of scale fees is anti-competitive and reduces pressure for practices to compete on price, to reduce costs and to be innovative in practice management and service delivery. We do not believe that abolition of scale fees would result in shoddy services - that is a matter of professional ethics. We also consider



that legal practitioners should give consumers full advance information on the legal charges and other hidden or extra fees and disbursements involved in conveyancing work.

12. **Separate legal representation** To avoid conflict of interest and protect consumer welfare, we support the Government's proposal to prohibit joint legal representation in all conveyancing transactions. Buyers should not be required to pay the seller's legal costs. Separate representation should not incur any extra costs for consumers.

13. **Pay interest on deposits** We cannot see why the interest on deposits in general, and particularly those related to property transactions, which can be quite sizable, should be retained by the solicitor. We support the Government's proposal that the interest accrued<sup>1</sup> should be given back to the consumer.

14. We consider the same rationale should be applied to new property transactions. For new developments, the recent adjustment of the initial deposit to 10% of the average purchasing price for all flats offered for sale in any one development, instead of at exactly 10% of the price of a particular flat, would reduce the amount of administrative work and expedite the refund of deposits and interest accrued to unsuccessful bidders in ballots for units in uncompleted buildings. We shall pursue this with the Real Estate Developers Association.

15. To sum up, we believe that consumer interests would be enhanced by:

- a) fair and competitive legal charges;
- b) better understanding of the fees for legal services involved;
- c) refund of interest payments related to property transactions; and
- d) observation of professional and business ethics in property transactions.

16. The Consumer Council will continue to press for changes which improve legal services for consumers in parallel with the above related issues.

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<sup>1</sup>"Solicitors receive money on behalf of their clients in connection with a client's purchasing of property. This money, if not used immediately, is deposited in the solicitor's clients' account, where it earns interest." - Consultation Paper on Legal Services.

### Property agents

17. Complaints from consumers about property agents centre around business ethics, quality of service and agency commissions. Many of these concerns are being taken up in the impending Estate Agents Bill, gazetted on November 1995. The Bill deals with the licensing of estate agents and measures to ensure quality service to the community. There has been wide public support for the legislation, though estate agents have expressed reservations about some aspects of the Bill, in particular, the proposed penalty for supplying inaccurate information to clients. As a result of this measure, sales agents will have to ensure the accuracy of information provided - a major source of consumer complaints in the past.

18. The Consumer Council is in full support of policies to ensure that estate agents:-

- a) as intermediaries, facilitate the smooth operation of the market by passing accurate information between buyers and sellers;
- b) provide an ethical service and refrain from engaging in anti-competitive practices, for example, price-fixing; and
- c) do not engage in hoarding or excessive speculation.

### Information about pre-sale and completed flats

19. The provision of full and reliable information is especially important in the case of pre-sales units since buyers do not have the chance to inspect the properties fully at the time of purchase. We fully support the Law Reform Commission's proposals for mandatory disclosure by developers of key information in forward sales to equalize the treatment of developments under Consent and Non-Consent Schemes.

20. On measurement of flat size, we believe gross floor area measurements, which are often the only measurements given in newspaper advertisements, make it difficult for consumers to compare the size of units in different projects. Consumers are much less interested in the exact measurements of common parts such as stairways and corridors which are included in the gross floor area. The saleable area is much more important to consumers as it tells them the real price of the unit, i.e. private space they are getting. Hence we support the use of calculations of saleable area instead of gross floor area as the standard measurement of flat size, although information on the latter is still useful in calculating the net-to-gross ratio. Methods of calculating flat size are particularly important in Hong Kong, where unlike almost anywhere else in the world, the prices of residential units are expressed in terms of measurements (so many HK dollars per square foot or per square meter).

**Sale of small houses in the New Territories**

21. Measures have long been in place to safeguard purchaser's interest in property deals in general, and specifically with respect to uncompleted properties under the Consent and Non-Consent Schemes in Hong Kong. However, property transactions involving small village houses are a completely different ball game.

22. The Consumer Council understands that pursuant to the Government's Small House Policy, all building licences or private treaty grants issued to male indigenous villagers would contain restrictions against alienation other than to another indigenous villager. Therefore any alienation even by will is in breach of the licence or grant rendering title voidable subject to re-entry by the Crown. It is therefore clear that small houses cannot be disposed of before the restrictions against alienation are complied with (e.g. the issue of a certificate of compliance upon full payment of premium for modification of use). In practice however, the Council understands that there have been transfers in breach of licence or grant conditions. Some solicitors have expressed the view that some form of transfer can be done. The Council considers that such a transfer is either of an interest in land (which is prohibited) or a transfer of some other thing; in which case a buyer is not getting what he thinks he is getting, namely, an interest in land.

23. The Council therefore urges the Government to publicise again this restriction against alienation which appears to be based on sound policy ground. The Council also asks the Law Society to issue a statement or guideline to the effect that its members should not participate in any scheme which either involves a breach of building licence or private treaty grant conditions, or results in transferring something other than an interest in land.

**Availability of market information**

24. Unlike developers, the average consumer generally has little idea about the overall direction of the residential market. Consumer knowledge about the prices and quality of flats in the property market is also limited as a result of:

- a) the variable quality of information. Not all information is accurate, and consumers cannot rely equally on information from all sources;
- b) the cost of collecting information, where this outweighs the marginal benefit; and
- c) lack of experience in interpreting available information.

25. Furthermore, we consider it important for Government to facilitate property information flow by setting up a mechanism to provide accurate, update and authoritative information about the property market and housing development data for possible public use.

26. The Consumer Council has been contributing its share in disseminating latest property information through "Choice" magazine with information supplied from the Inland Revenue Department, the Lands Department, the Rating and Valuation Department, and the Town Planning Department.

27. We note that the Government plans to introduce an Integrated Housing Information System (IHIS) and Land Disposal Inventory System (LDIS) by the end of 1996 to collate updated information on land and housing supply, housing demand and movements in the property market. The main objective of the system is to strengthen Government's role in monitoring housing supply and the property market.

28. The Rating and Valuation Department also plans to introduce around this summer a new service to enable the public to have easy access to certain property information such as date of completion and saleable area of a domestic property through an interactive voice system. Consumers would benefit from these systems if more comprehensive information such as ownership of a property, availability of housing supply and movements of housing prices were made available for public use. It would also minimize the danger of false rumours and panic buying.

## **Conclusion**

29. Improvements in information and in the services provided by intermediaries in the residential property market can enhance the position of the consumer in the market, and smooth the operation of the market.

30. The Consumer Council therefore welcomes recent Government proposals to improve the quality, effectiveness and cost of legal services, and to regulate the activities of estate agents for the benefit of consumers. We also think that Government could facilitate the flow of better market information to consumers, and should implement the Law Reform Commission's recommendation to change the standard measurement of flat size to saleable floor area.

31. Meanwhile the Consumer Council will strengthen its efforts to ensure that consumers are kept up to date with all changes in law, regulation and information availability which affect them.

# Chapter 7

## Overall Conclusions and Recommendations

### Introduction

1. The highly concentrated market for new private residential property has resulted from a combination of factors in particular, the shortage of land supply. The high entry threshold to the market, comparative advantage of those with existing land banks, and the preference for new properties gives the big developers great leverage and their behaviour exerts a strong influence over the market. However, the Council found that there was no suggestion of collusion amongst developers, and recognises that whatever developers do are commercial responses to the prevailing market structure and any measure of the success and profitability of developers should also take into account the risks involved in property development. Nonetheless, it is questionable whether the best interests of consumers have been served under the prevailing market structure in Hong Kong.

2. Although the problem lies with the market structure, the Consumer Council believes that it would not be appropriate for Government to take drastic action to "correct" the situation by breaking up the dominant participants as in the case of the US Government breaking up its communication giants, AT&T and US Steel. In our case, breaking up individual firms would not be effective in dealing with the market competition issues because it would only have a limited effect on the underlying market structure. The Council believes it would be in Hong Kong's best interest to encourage competition, improve the working of the market and safeguard against possible abuse of market power by:

- a) improving the competitiveness of the market structure by lowering barriers to entry, and increasing the substitutability between primary and secondary market housing;
- b) introducing measures to prevent possible anti-competitive market behaviour, and
- c) enhancing consumers' market role by facilitating their access to reliable property information.

We deal with each of these in turn.

### Improving the Competitiveness of the Market Structure

3. The private property market in Hong Kong is not, and cannot be, a perfectly competitive one, as the disposal of land, including new land as well as land made available through re-zoning and re-development, is controlled by the Government. The Government therefore has a duty to exercise these important powers carefully. The Consumer Council regards it as crucial that the

Government should take into consideration market efficiency and consumer welfare, alongside fiscal revenue targets, in the formulation of its land supply policy. Government policy should not be primarily determined by its interest in deriving incomes from land sales.

4. A monopolist aiming at maximizing profit will reduce supply below the optimal level in order to push up price. The consequence will be an abnormal gain for the monopolist, at the expense of society in terms of dead-weight welfare loss because of reduced transactions. Allocation of resources is therefore still not optimal despite the fact that land is sold to the highest bidder through public auction.

5. Should the Government choose to act as a profit-maximizer in its role as the monopolist, society as a whole will still suffer even if the Government redistributes some of its surplus for efficiency or equity considerations.

6. In the following paragraphs we recommend specific ways in which Government could adjust policy to reflect these considerations. With regard to market structure, we recommend actions to:

- a) lower barriers to entry
- b) improve residential land supply
- c) balance housing supply and demand, and
- d) enhance the marketability of older properties and property in less accessible areas.

7. However, besides taking specific initiatives to improve competition, the Government should also systematically consider the impact on competition of all policies which have a significant effect on the residential property market. We have in mind policies such as anti-speculation measures, controls on banks' property-related lending, and public housing policy.

### **Recommendation 1: Lower Barriers to Entry**

8. Increasing the number of players or posing the threat of new entry would help to improve competition and promote further market efficiency. The Government should therefore seek to lower the barriers to entry to the private housing market (chapter 2).

#### **Action 1: Review the size of lots in Government land auctions**

9. The cost of prime Government land sale sites form a major barrier to entry. We understand that smaller lot sizes may not always be desirable in respect of economies of scale and environmental conditions. On the other hand, lot sizes of 4 to 21 hectares such as that granted to the MTRC would be too big for most developers and require enormous capital outlay. Government should

review the sizes of the land lots, and consider providing more lots of "manageable size" in a way which would satisfy planning requirements and consumer aspirations for community facilities whilst allowing the participation of more developers. We believe that, with well co-ordinated or master planning, it would be possible to provide more lots of "manageable size" so that more developers would have a chance to bid for them.

10. *The Consumer Council recommends* that the Government should consider ways of removing impediments to small developers in competing in auctions of prime development land. It might be possible, for example, to provide more lots of "manageable size". This may require Government to look imaginatively at ways in which the well-integrated environment and good facilities associated with developments on larger land sites, can be also realised in developments on a series of adjoining land sites through detailed planning guidelines.

### **Action 2: Improve the efficiency of the development mechanism**

11. We welcome Government initiatives to assist developers in the development process, and its decision to fast-track the development and redevelopment mechanisms for housing projects of 500 units or more, i.e. to refer to the Housing Project Action Team large projects which need Government assistance. Problems involving smaller scale developments, in which more small developers are involved, are dealt with by the Housing Branch. We are concerned that the bottom limit on the size of projects eligible for the "fast track" may create an unfair competitive advantage for the major developers. Also, new entrants and smaller developers might have a greater need for such assistance as they generally have less experience of the approval process and may suffer more from the financial effects of extended approval processes than large developers.

12. *The Council recommends* that Government should take into account the need to promote competition as well as faster housing production in allocating its planning control resources. Specifically,

- a) Government should allocate more resources to enable faster processing and coordinated development of all residential property development or redevelopment projects irrespective of size.
- b) To ensure that faster processing of planning and building applications does in fact increase private sector production rates, Government should also monitor the effect of faster processing on the rate at which units in these developments are put on the market in each case.

### **Action 3: Open more opportunities to new entrants**

13. The Government can also encourage new entry to the market as it has in the telecommunications market. In residential property, it can open more opportunities to small developers by giving them a greater role in property

development controlled or sponsored by Government and quasi-government corporations. Possible channels would be the Private Sector Participation Scheme and residential projects facilitated by the Land Development Corporation (LDC) on redeveloped land. For example:

- a) the Government or quasi-Government bodies could wherever possible develop projects in conjunction with contractors or smaller developers, enabling them to develop the capacity to take on larger projects. The Government should also consider developers' suggestion that developers require more incentives to participate in PSPS projects, such as greater freedom in project management, design and other parts of the development process;
- b) We support the Government's decision announced in its Urban Renewal policy paper (June 1996) to enhance the role of the LDC by injecting financial resources and upgrading it to an Urban Renewal Authority. This will allow it more freedom to develop projects and to select partners for joint venture, thereby reducing its dependence on the resources of big developers.

## **Recommendation 2: Improve residential land supply**

14. Given the scarcity of land suitable for housing in Hong Kong, the residential property market is extremely sensitive to actual and anticipated changes in land supply. Government controls the supply of new land and redeveloped land which requires lease modification, and information about future supply. The Consumer Council believes the market would operate more efficiently if there is more transparency about the Government's land disposal plans. Scarcity of land also means that it is especially important for the Government to optimise the use of available land in the light of Hong Kong's changing social, economic and environmental requirements.

### **Action 4: Publish medium-term land disposal programmes**

15. Since the Government has only been able to announce its new land disposal programme one year in advance, there has been very little information available about the long-term supply of new land for residential property development. This is an impediment for new entrants to the residential property market, especially foreign developers who may need longer-term planning to enter a new market. The lack of transparency has also led to unnecessary short-term panic buying of residential property.

16. *The Council recommends* that when, in 1997, land disposal policy is no longer subject to the Sino-British Declaration, the Government should release information on the land disposal programme for a rolling five-year period instead of announcing the land disposal programme on a year-to-year basis. It should also maintain the annual supply.



17. While land supply policies have had to take into account the volatility of the Hong Kong private property market, they have been slow in responding to demand. This has created lags in housing supply, followed by rapid home price increases. Past records indicate that property booms always took place when supply lagged behind demand for one or two years. Projects started in boom years could not relieve the immediate shortage because of the three-year lead time between the release of land and the availability of housing units.

18. *The Council supports* the Government's efforts to create a one-year buffer stock as recommended by the 1994 Task Force. This would work on the same principle as buffer stocks in primary strategic products widely adopted by countries throughout the world, giving Government an emergency supply to meet significant increase in demand unforeseen in the Government's medium-term disposal plans.

#### **Action 5: Re-zone more industrial areas for residential purposes**

19. The contraction of the manufacturing sector in Hong Kong and the relocation of the airport in the near future, could enable more land in urban areas to be modified for residential use. This would relieve pressure on new land and, by attracting investment, rejuvenate these areas. However, residential developments or re-development's are only permitted on land zoned for residential use.

20. *The Consumer Council recommends* that the Government should re-zone more industrial areas for residential purposes to reflect Hong Kong's changed economic base, and housing needs.

#### **Action 6: Make more sites ready for residential use**

21. The number of industrial sites already suitable for residential use are extremely limited. We recognise that most will require substantial infrastructure and environmental improvements if they are to be made use of, but believe that these obstacles can and should be overcome given the need for more residential land.

22. *The Council recommends* that the Government consider public, and encourage private sector, investment to provide the environmental and infrastructural improvements necessary to make more old industrial sites and zones suitable for residential use.

#### **Action 7: Review maximum permissible plot ratios**

23. To achieve better utilization of land, *the Council recommends* that Government review the maximum permissible plot ratios in the outline zoning

plans with the aim of relaxing the requirements where environmental and infrastructural factors permit.

### **Recommendation 3: Balance housing supply and demand**

24. We recognise that forecasting housing demand is difficult especially because of external factors which have increased demand from outside Hong Kong. We therefore welcome the Government's decision to set up a Working Group on Housing Demand to improve Government forecasts of housing demand. We hope that adequate account will be taken of new immigrants and foreign investors in Hong Kong property as well as internal demographic growth.

#### **Action 8: Improve accuracy of estimates of housing supply**

25. Private and public housing production rates have persistently fallen below supply estimates based on developers production plans and the Rating and Valuation Department's estimates.

26. *The Consumer Council recommends* Government should urgently review its estimates of available supply. It should discuss with the Real Estate Developers Association ways by which statistics can keep up with changes in developers' production plans.

#### **Action 9: Accelerate the property development process**

27. What is most important to consumers in the short term, however, is the need for land to be converted more quickly into units available on the market. Government should do all that is possible to support the private sector's role as facilitators in converting land into housing supply.

28. In particular, *the Council recommends* the Government should examine and address causes of slippages external to the project. For example,

- a) where developments depend on new infrastructure, consider the possibility of involving developers in its provision, and enhance cooperation between relevant Government departments, for example, Lands, Planning, Building, Highways and Transport Departments;
- b) with respect to planning and consent approvals, ensure the Administration has resources sufficient for the task and employ incentives, such as time limits in performance pledges, inter-office co-operation and a management strategy to ensure a fast, efficient and streamlined administrative process. We believe that result of the Government's consultancy study which examines how the existing procedures and time for lease modifications and land

exchanges can be further shortened would lead to further improvements.

**Action 10: Modify building covenants to facilitate housing supply**

29. Private developers play an important role as facilitators in converting land into housing supply. We believe the Government should take action to improve competition in the market (for example, with the actions recommended above) so that developers are under stronger competitive pressure to realise the development potential of land as soon as they acquire it. However, since competitive or market pressure may only be partially improved in the short term, the Government should also maintain reasonable regulatory control on developers.

30. *The Council recommends* that, in line with the spirit of the building covenant, the Government should:

- a) improve the terms in the building covenant in the land lease to specify that developers are to make units available on the market within a specified period, giving a reasonable grace period, e.g. 6 months after the end of the covenant period. The Government would not dictate the specific timing, but only seek assurance about the supply of units to the market. Also, the change would not alter developers' freedom to set the asking price for the property and should pose no difficulty for the majority of developers while ensuring the timely supply of property to the market. This condition should be well publicized at the time when the Government makes the land available and developers enter into the agreement;
- b) monitor developers' track record. If a developer's projects regularly slip behind the covenant date without valid reasons, then Government should take this into account in considering further applications by that developer for, for example, fast-track development procedures or applications for land modification.

**Action 11: Supply of public sector sale flats**

31. The Council welcomes the Government's plans to increase the number of housing units by 511,000 by April 2001 to meet forecast increases in demand. However, noting the low figures for public housing supply last year and the forecast for this year, *the Council hopes that* the Government will ensure the declared target of 240,000 public units are produced and supplied steadily over the period 1997-2001 to meet its public sector targets. Otherwise it will impact on private housing demand.

32. We support Government initiatives, with incentives that are sensitive to consumer needs, to promote private sector involvement in public sector housing provision. In this way public housing can take advantage of, for example, faster

construction rates in the private sector. In this context we welcome Government's announcement that the LDC will focus more on residential development in the future.

**Recommendation 4:  
Enhance marketability of older properties and property in less accessible areas**

33. Despite strong demand for property, there is a high degree of differentiation between the markets for old and new property. While the market for new property and property less than 10 years old is very active, the market for older units is severely underdeveloped. Older units account for 95-97% of all housing stock but only just over 30% of loans. Although a more homogeneous market would not increase the total number of available units, it would dramatically increase consumer choice, market efficiency and lead to better housing allocation. Households would, for example, find it easier to move to smaller or larger flats, or flats nearer to their place of work, according to their changing needs.

34. This requires action on two fronts: to reduce the perceived risks associated with loans to older properties, and to facilitate mortgage financing of the secondary market.

**Action 12: Devise a recognized building certification programme**

35. The imbalance between demand for new and old housing units would be reduced if banks were more confident in financing older properties.

36. *The Council supports* the Hong Kong Institute of Surveyors' proposal for a recognized building certification scheme to assess the quality of existing buildings but with certain provisos. This should be made available at a reasonable cost to vendors, purchasers and mortgage institutions. It should cover many areas including, but not limited to: structural stability, condition of the building fabric and the engineering services, state of maintenance, absence of illegal structures.

37. Certification is likely to improve the marketability and secure improved mortgage terms for well-maintained properties. At the same time property owners would be encouraged to maintain high standards of building management to ensure that property did not deteriorate.

**Action 13: Provide comprehensive building warranties**

38. The Council will pursue with developers of new properties the early implementation of comprehensive building warranties. This will enhance the

long-term saleability of the property and provide consumer protection. Building warranties should include the following provisions:

- a) warranty for repair of initial minor defects for at least twelve months (as recently agreed by the Real Estate Developers Association);
- b) warranty for repair of major structural and engineering service defects for a period of at least ten years; and
- c) warranty certificates for major equipment i.e. lifts, roofing etc. should be transferred to the building management or owners corporation upon completion of the property.

39. *The Council welcomes* the Government's announcement of the introduction of a mandatory building inspection scheme; proposal to give owners' corporations more powers to upgrade the common parts of a building; and proposed Rehabilitation Fund for renovation work.

#### **Action 14: Create framework for specialized mortgage agencies**

40. The liquidity of the secondary market is constrained by the 40% cap on property-related lending by banks, and the lack of low cost alternative sources of home financing. This limits the availability of residential property finance. Due to the huge demand for loans in a booming market, banks offer much less favourable mortgage terms for older property, e.g. lower loan cap, higher interest rates, shorter loan maturity period. The consequent segregation of first-hand and second-hand property gives developers greater power in determining the market price of property. Pricing of new properties often tends to set a benchmark for the secondary market.

41. The Government has proposed the establishment of a **Mortgage Corporation** to securitise mortgage financing papers. The spreading of risk through securitization would allow financial institutions to underwrite more property mortgages. This, in turn, should improve the availability of home financing for the consumer.

42. The Council considers the proposed Mortgage Corporation would lead to an increase in residential mortgage loans. *The Council therefore supports* the move, with the provisos that the initiative will result in easier access to loans for older properties; and that the risk management aspects of the arrangement are properly addressed. The Corporation, although set up as a private company, would be Government owned and, if it made a loss, the Government would be under pressure to bail it out. The Corporation therefore needs prudent risk management policies to protect taxpayers' interest.

43. In any event, lending would still be primarily controlled by banks which may continue to direct available funds primarily towards new property. *The Council recommends* that the Government examine ways of encouraging the establishment of specialized mortgage agencies in Hong Kong. These would:

- a) increase the availability of home financing;
- b) increase consumer choice. Similar institutions in other countries have historically been able to offer cheaper rates to borrowers and better rates to savers than banks;
- c) enhance the competitiveness of the mortgage lending market, putting pressure on lending policies which discriminate against older properties; and

in turn, improve the efficient operation of the market as a whole.

**Action 15: Improve transport infrastructure for developments in less accessible areas**

44. Housing demand would also be eased by better utilisation of actual and potential property developments in less accessible areas, e.g. some parts of the New Territories. Mainly due to transport problems and lack of infrastructure, most people are unwilling to live in these areas even though housing is considerably cheaper than in urban areas. There are currently a number of vacant units in existing properties, and potential for further developments to be built.

45. *The Council recommends* the Government take steps to improve the transportation and infrastructure planning for less accessible areas in order to enhance their viability and attractiveness to consumers.

## **Introducing Measures to Prevent Anti-competitive Market Behaviour**

46. While a more competitive market structure may improve competition it may not be sufficient to ensure fair competition at all times. Chapter 3 identified a number of potential restrictive practices in the residential property market which affect consumer interests. The Council considered the legislative and voluntary options for discouraging such practices and for maintaining general good industry practice.

### **Recommendation 5: Establish sector specific rules**

47. Restrictive practices among television broadcasters and fixed telephone operators are prohibited through legislation and licensing provisions. It would be difficult to impose similar provisions on developers, given that they are not subject to a licensing regime; legislation would be difficult to formulate and would require frequent revision to keep up-to-date with market developments.

48. While the Council does not see a case for any new sector specific legislation, it does see a need for:

- a) reforms to existing legislation to improve consumer protection, and for
- b) developers to promote general good industry practice through self-regulation.

49. *The Council supports* the measures proposed by the Law Reform Commission on disclosure of information for new properties to equalize the treatment of developments under the Consent and Non-consent Schemes.

**Action 16: Extend anti-speculation measures to Non-Consent Scheme Developments**

50. Purchasers, in general, would not be able to differentiate between Consent and Non-Consent Scheme developments. We note that the current anti-speculation measures are applicable to Consent Scheme Developments, but not to Non-Consent Scheme developments (most developments on redeveloped land obtained through rezoning and urban-renewal) even though these account for the majority of the annual housing supply and also attract speculators.

51. *The Council recommends* that the Government should equalize the treatment of development by extending the anti-speculation measures to Non-Consent Scheme Developments. This would reduce the distorting effect of excessive speculation on the market and ensure uniform treatment.

**Action 17: Develop a code of practice for property development**

52. An industry-wide code of practice would enhance the transparency of the actions taken by developers in the sale of residential property.

53. *The Council recommends* that the Government works together with Real Estate Developers' Association to develop a code of practice for the sale of residential property to improve consumer information by:

- a) the provision of adequate and accurate information in the sales literature;
- b) in Non-Consent Scheme Developments, agreement of the ways and means of placing the property onto the market, such as the method of balloting for units which is voluntarily practiced by REDA at present; and
- c) mandatory use of saleable floor area instead of gross floor area as the standard measurement of flat size.

## Recommendation 6: Ensure fair competition

54. Sector specific rules should be supported by a competition law which aims at promoting efficiency in all sectors of the Hong Kong economy. Competition laws in other countries prohibit abuse of market power and actions which have the effect of preventing, restricting or distorting competition. They may include various clauses which permit investigation of, for example,

- a) collusion: companies making explicit agreement on timing of sales, pricing strategy etc. so as to restrict competition,
- b) tie-in sales (say, where a lending institution would only grant a mortgage conditional on the borrower also taking other services such as insurance or valuation from the lender).

55. Adoption of a comprehensive competition law in Hong Kong would provide a vehicle for investigating possible restrictive practice which could have effects on consumer interests in residential property and other markets,<sup>1</sup> and more importantly, deter companies from adopting such behaviour. The Council will cover these issues in its main competition report.

## Facilitating Consumer Access to Reliable Property Information

### Recommendation 7: Increase transparency of information

56. Access to accurate, authoritative and up-to-date property information helps potential buyers to make appropriate market decisions which in turn facilitates more effective market competition.

#### Action 18: Notification of sale plans

57. More reliable and accurate information on future housing supply and developers' sales plans would assist consumer decision-making and minimize panic buying and rumour-mongering in the property market.

58. *The Council recommends* that the Government should require developers when applying for a consent to sale to state: their plan for the disposal of the completed residential units, the timing of their sales programmes and whether those units will be for public or internal sale. Developers should be able subsequently to modify the sale plans provided they notify the Government

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<sup>1</sup> The UK Fair Trading Act covering complex or behavioural monopolies has led to investigation of, for example, common pricing policies by manufacturers of Concrete Roofing Tiles and wholesale petrol suppliers; and anti-competitive distribution policies by a dominant group of cinema film distributors.



and inform the public of any such changes. It is purely a notification procedure and does not imply any control or approval of developers' sales decisions.

59. We consider this recommendation is practical in that when developers apply for a consent to sale, they should already know how and when they plan to sell the units. Making such information public would not give unfair advantage to competitors since prior to the announcement of each sale, developers are already well appraised of each others' sales plans.

60. This recommendation would help Government to make an accurate assessment of the housing supply, and increase information to potential buyers helping them to make informed decisions.

**Action 19: Public access to Government's proposed centralized housing property database**

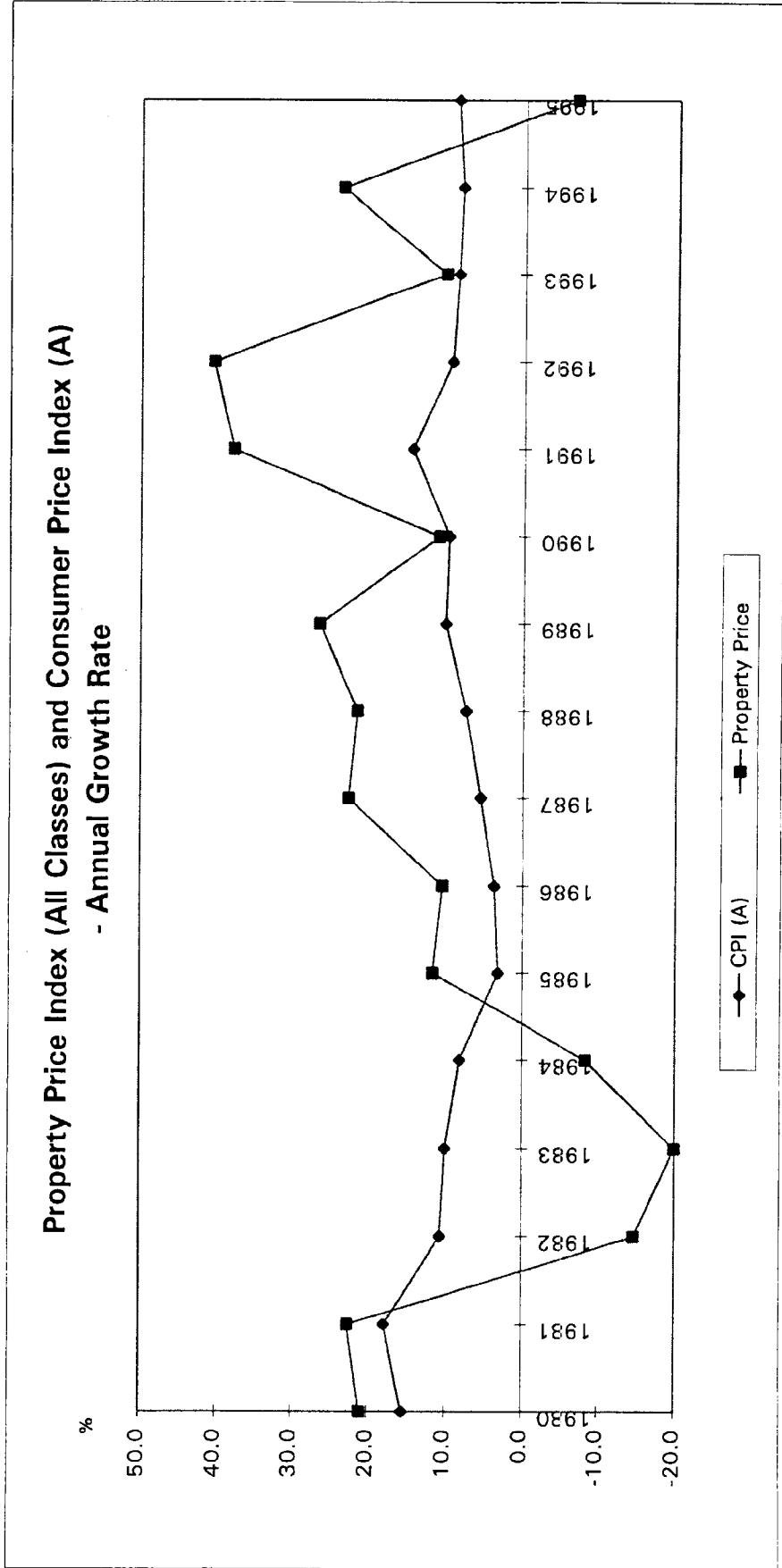
61. Closely connected to the above issue is the Government's ability to provide accurate, update and authoritative information about the property market and housing development to the public.

62. Apart from the existing scattered property information, *the Council recommends* that the Government should consider public access to its housing property data where possible. It would benefit consumers if more accurate data, such as factual information on flat size, building age, ownership, registered transactions, future housing supply and progress of developments was readily available. This would assist decision-making and reduce consumers' vulnerability to market rumours.

**Action 20: Increase transparency in development process**

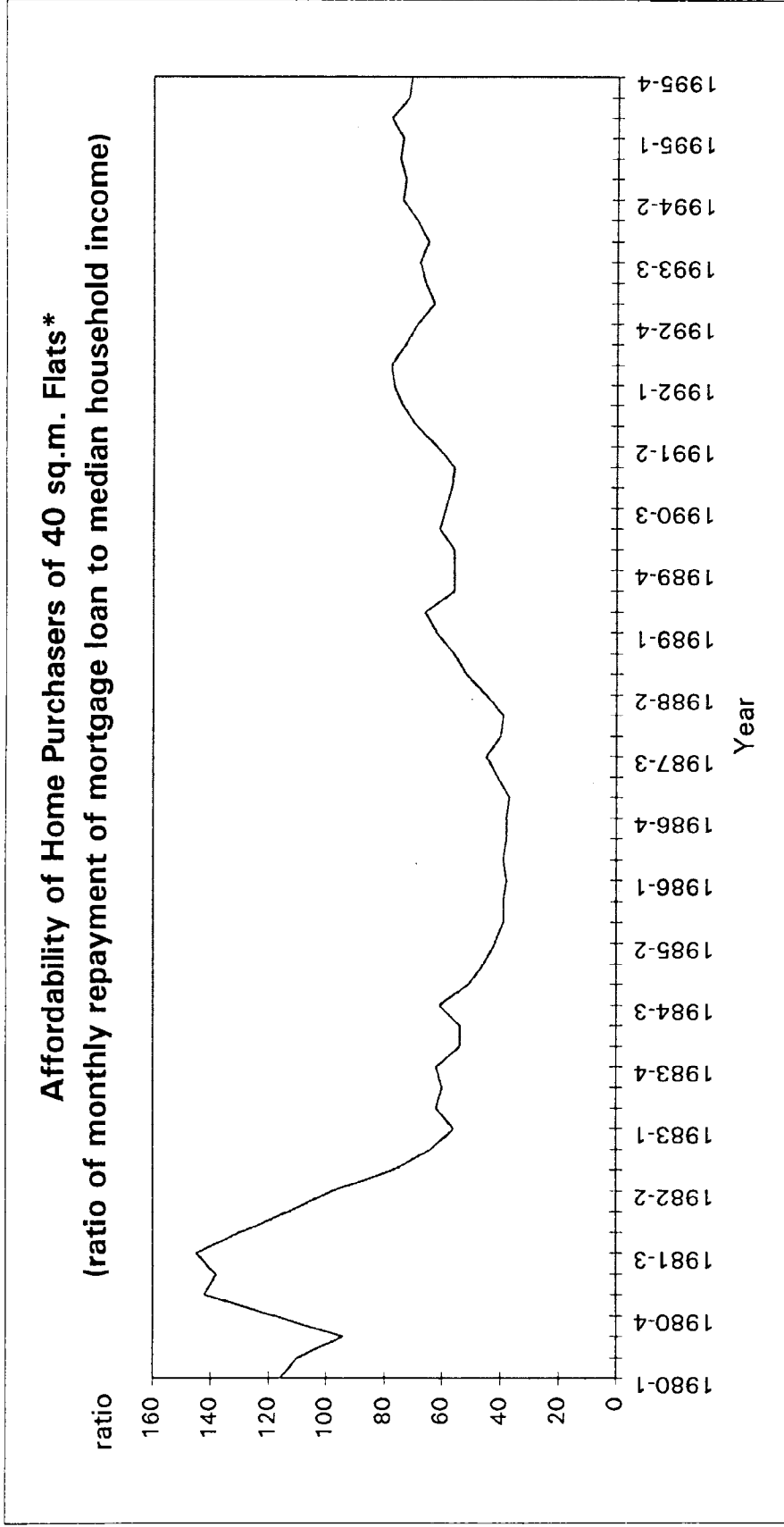
63. *The Council recommends* the Government should ensure the performance pledges of the Government departments involved in land and property development promote transparency in the process by including, for example, regular publication of information about the progress or delays to development projects, i.e. publish specific reasons for granting an extension of the building covenant period.

**Annex 1**



Source: Hong Kong Annual Digest of Statistics, various issues.

**Annex 2**



**Note: \* assume 70% mortgage ratio**  
**Source: Economic Analysis Division, Financial Services Branch.**

## **Annex 3 : Market Concentration in New Housing Supply**

### **Methodology**

1. The HKPU analysed the occupation permit figures from the Rating and Valuation Department. Nine publicly listed development companies plus two private companies were found to have had a substantial share of the new housing production market in recent years. The analysis included all housing projects undertaken in the names of developers' the subsidiary companies.<sup>1</sup>

2. Housing units in a joint venture project were apportioned among the involved developers in accordance with their respective shares in the development. Where a developer had a joint venture with organizations which are not ordinarily in the property development business, such as the site owners, no apportionment was made and all the housing units were counted as the supply of that developer.

### **Overall Pattern**

3. Table 1 indicates that, from 1991 to 1994, these eleven developers altogether produced between 60-86% of the annual total number of private housing units, about 63-89% in terms of the total residential floor space produced. The remaining market production is believed to be shared by fringe players in the market.

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<sup>1</sup> MTRC was not included in the analysis because it produced no residential developments in the period. We are aware that in the last 15 years, a total of 31,000 residential flats have been produced on MTRC sites, equal to one year's private housing production. Due to developments above the airport railway, MTRC will be an important force in the market in the coming years. However, all its residential projects have been joint ventures with developers. Of the projects which produced the 31,000 residential units, 9 out of 13 projects involved major developers (i.e. a developer with at least 5% market share).

Table 1: Market Share of 11 Developers in Production of New Housing Units, 1991-1994

Developer	1991	1992	1993	1994	1991-94
A	30%	30%	15%	28%	26%
B	12%	9%	11%	8%	10%
C	5%	7%	10%	16%	10%
D	10%	17%	3%	7%	9%
E	6%	4%	5%	11%	6%
F	2%	3%	4%	4%	3%
G	1%	0%	0%	0%	0%
H	0%	0%	0%	2%	1%
I	1%	3%	0%	1%	1%
J	3%	6%	3%	9%	5%
K	3%	5%	9%	0%	4%
Total	72%	82%	60%	86%	75%

Data Sources: Compiled from raw data supplied by Rating and Valuation Department, Hong Kong Government and information supplied by developers.

4. Table 1 also shows that the market shares of these developers vary from year to year depending largely upon their building programmes and production strategy. Table 2 presents the rankings of the top five developers. It shows that these five developers produced some 51-71% of the total new housing supply on an annual basis. Out of this 51-71%, over 75% actually came from the top three developers. Their ranking and market share proportions are largely similar in terms of supply of residential floor space.

Table 2: Ranking of Top Five Developers in Production of New Housing Units, 1991-1994.

Ranking (High to Low)	1991	1992	1993	1994	1991-94
1	A	A	A	A	A
2	B	D	B	C	B
3	D	B	C	E	C
4	E	C	K	J	D
5	C	J	E	B	E
Market Share of Top Five	61.5%	68.1%	51.0%	70.8%	60.3%
Market Share of Top Three	51.1%	55.0%	37.0%	54.7%	45.2%

5. There is obviously a high concentration of new private housing supply from a few developers. In particular, Developers A, B and C are the three corporate developers which consistently came within the top five producers of private housing units in the market in the four year period. Developer A was consistently the largest producer, both in terms of residential units and floor space. In three out of the four years, Developer A produced not less than 28% of the total number of housing units and 29% of the total domestic floor space. Only in 1993 did these figures drop to 15% and 17%, respectively. This was

also the year in which we see a decrease in the market share of all these major developers.

### Market Share By Flat Size

6. The market concentration of these developers in different housing classes was also examined. These housing classes are based upon the conventional flat size classifications used by the Rating and Valuation Department.

7. Tables 3 & 4a-e present the findings. Generally speaking, the total market share of these eleven developers was very high in nearly all housing classes. In particular, these developers appear to dominate the supply of Housing Classes B and C, i.e. flats with a unit saleable area of 40 sq.m. to 99.9 sq.m. For these types of flats, their combined market share for each of the years 1991-1994 was consistently higher than their market shares of total housing production (ie all classes). The figures ranged from 62% to 93%!

Table 3: Market Concentration by Housing Class:1991-94

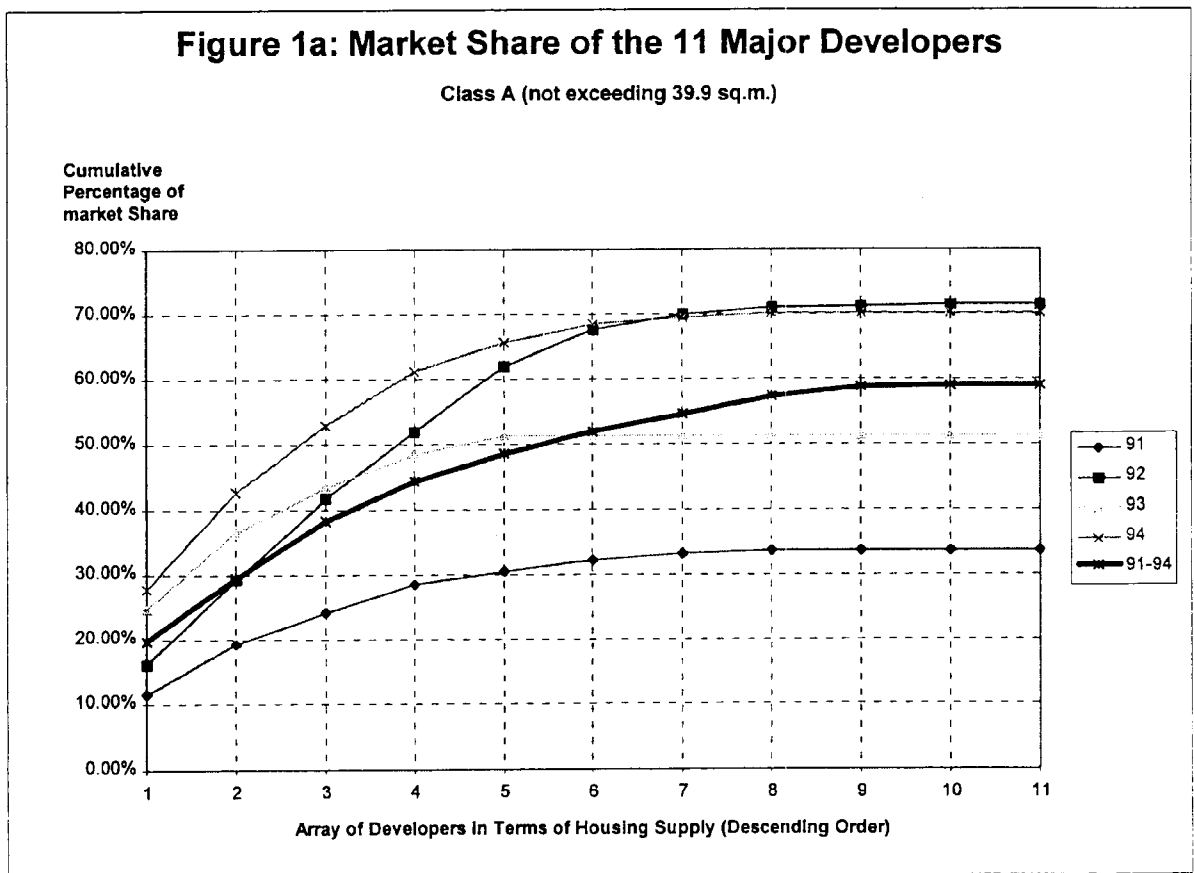
	1991					
	Class A	Class B	Class C	Class D	Class E	Total
Market Share of 11 Major Developers	34%	78%	91%	63%	50%	72%
	1992					
	Class A	Class B	Class C	Class D	Class E	Total
Market Share of 11 Major Developers	71%	92%	85%	49%	23%	82%
	1993					
	Class A	Class B	Class C	Class D	Class E	Total
Market Share of 11 Major Developers	51%	62%	91%	48%	10%	60%
	1994					
	Class A	Class B	Class C	Class D	Class E	Total
Market Share of 11 Major Developers	70%	92%	93%	87%	99%	86%
	1991-94					
	Class A	Class B	Class C	Class D	Class E	Total
Market Share of 11 Major Developers	59%	79%	91%	65%	50%	75%

8. Tables 4a-e indicate the rankings, in terms of market share in production, of the top three developers in the five Housing Classes, respectively. It is inappropriate to only present the top five rankings because many of the developers did not have any production of a particular flat type in some years.

9. For Class A flats, the supply to this lower end of the housing market was consistently dominated by the same developers, especially Developers C, D and J (Table 4a). In 1994, these three developers accounted for over 50% of the overall market production in this class. There appears to be a trend of increased concentration in production by these few developers in this housing sector. However, it is worth noting that Developers D and J were not the corporate giants which dominated the overall market. Figure 1a shows the cumulative market share of these eleven developers in the supply of Class A units.

Table 4a: Ranking of Top Three Developers in Production of New Housing Units, 1991-1994, Class A.

Developer	1991	1992	1993	1994	1991-94
A					
B					
C	1	3	1	1	1
D	2	1		3	3
E					
F					
G					
H					
I	3				
J		2	3	2	2
K			2		



10. For Class B flats, there was again a high concentration in production by a few developers (Table 4b). Developer A was top of the rank in all four years. Developers B and D followed but their dominant market positions have been challenged by others in recent years. A closer look reveals that there has been no consistent pattern in terms of the collective market share of the top 3 players in the four year period. It fluctuated between 40-80% of the total (Figure 2b). This was attributable to a number of factors, such as the production strategies of individual developers, economies of scale in production, lumpiness in flat supply,

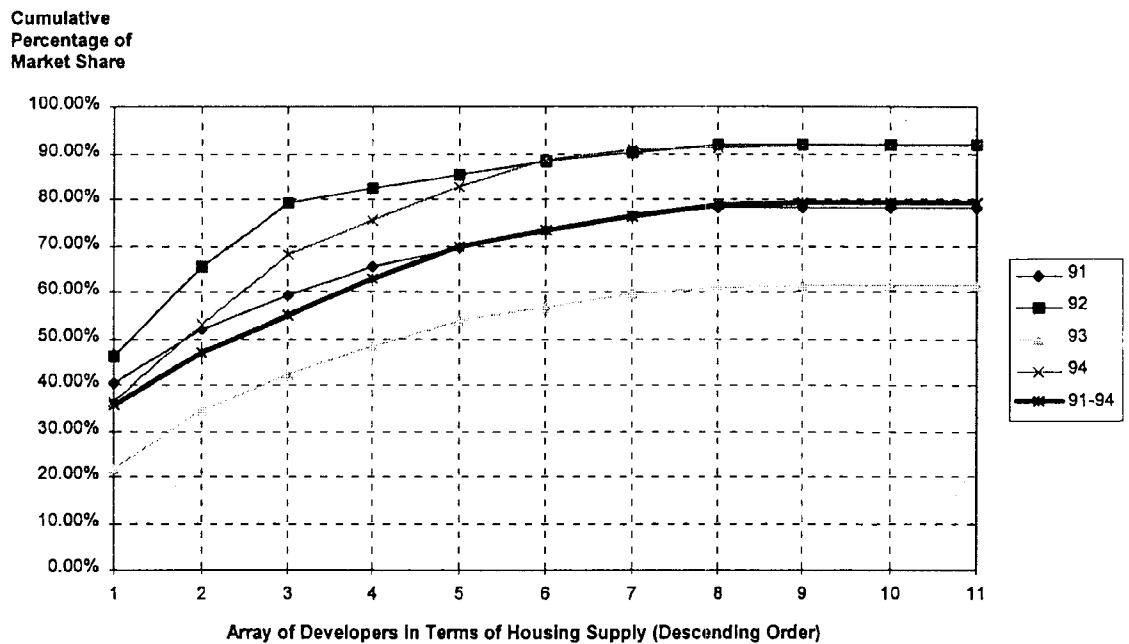
availability of appropriate sites for this housing class, and so on.

Table 4b: Ranking of Top Three Developers in Production of New Housing Units, 1991-1994, Class B.

Developer	1991	1992	1993	1994	1991-94
A	1	1	1	1	1
B	2	3	2		2
C				3	
D	3	2			3
E			3	2	
F					
G					
H					
I					
J					
K					

Figure 1b: Market Share of the 11 Major Developers

Class B (40 to 69.9 sq.m.)

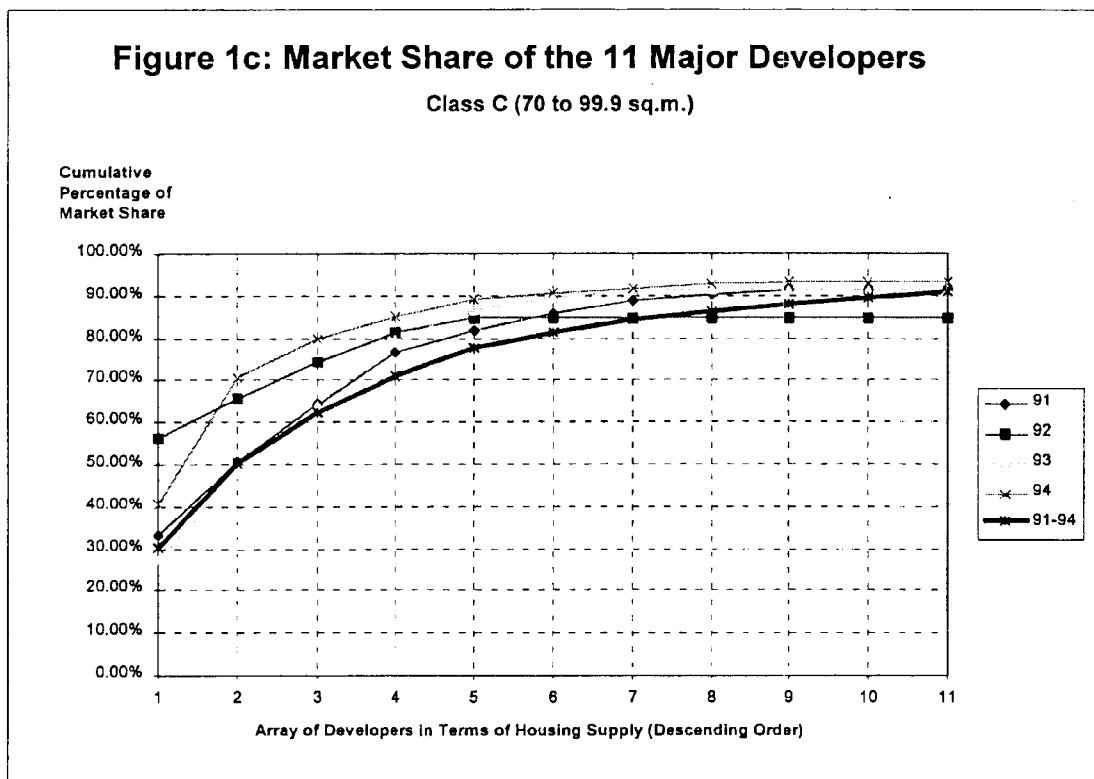


11. Market concentration for Class C supply displays a somewhat similar picture. Developers A and B were the dominant producers in this housing sector (Table 4c). This trend was more evident in recent years. It is worth noting that the top three players took up about 80% of the market share in 1994 (Figure 1c).



Table 4c: Ranking of Top Three Developers in Production of New Housing Units, 1991-1994, Class C.

Developer	1991	1992	1993	1994	1991-94
A		1	2	1	1
B	2	2	3	2	2
C					
D	1	3			3
E	3				
F				3	
G					
H					
I					
J					
K			1		



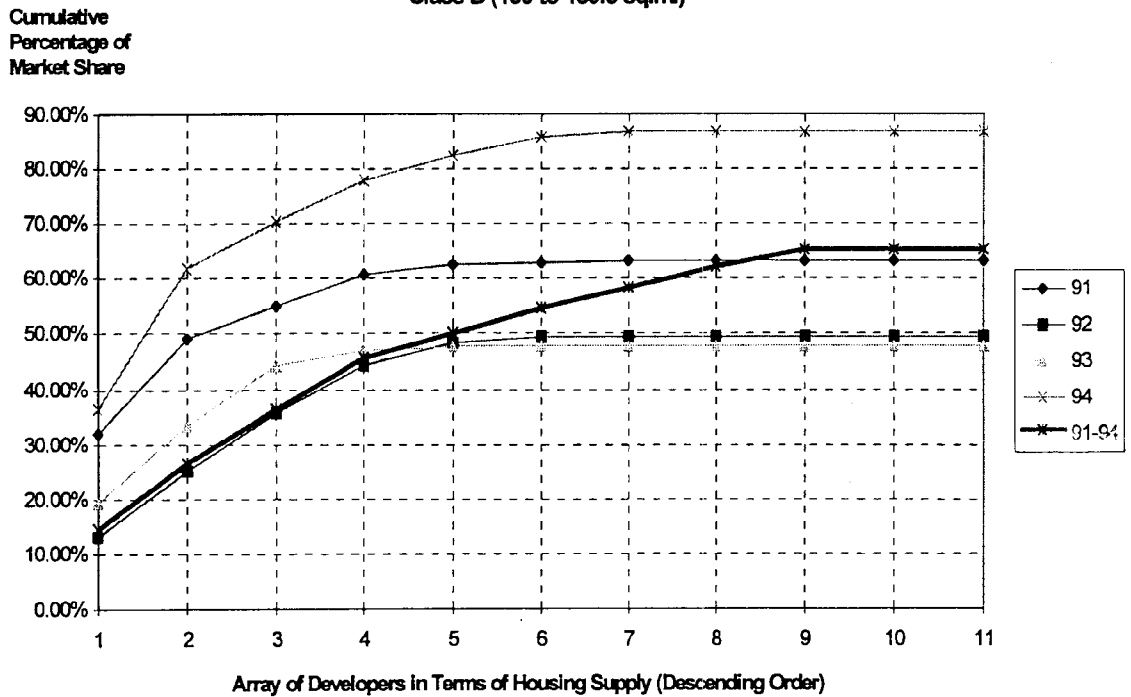
12. For Class D supply, it is obvious that there have been no consistently dominant developers (Table 4d). The market share of the top three developers ranged between 35% and 70% in the 4 year period (Figure 1d).

Table 4d: Ranking of Top Three Developers in Production of New Housing Units, 1991-1994, Class D.

Developer	1991	1992	1993	1994	1991-94
A		1			
B	1		1		1
C		3		3	
D	2		3		
E					
F	3			2	3
G					
H				1	2
I					
J		2			
K			2		

Figure 1d: Market Share of the 11 Major Developers

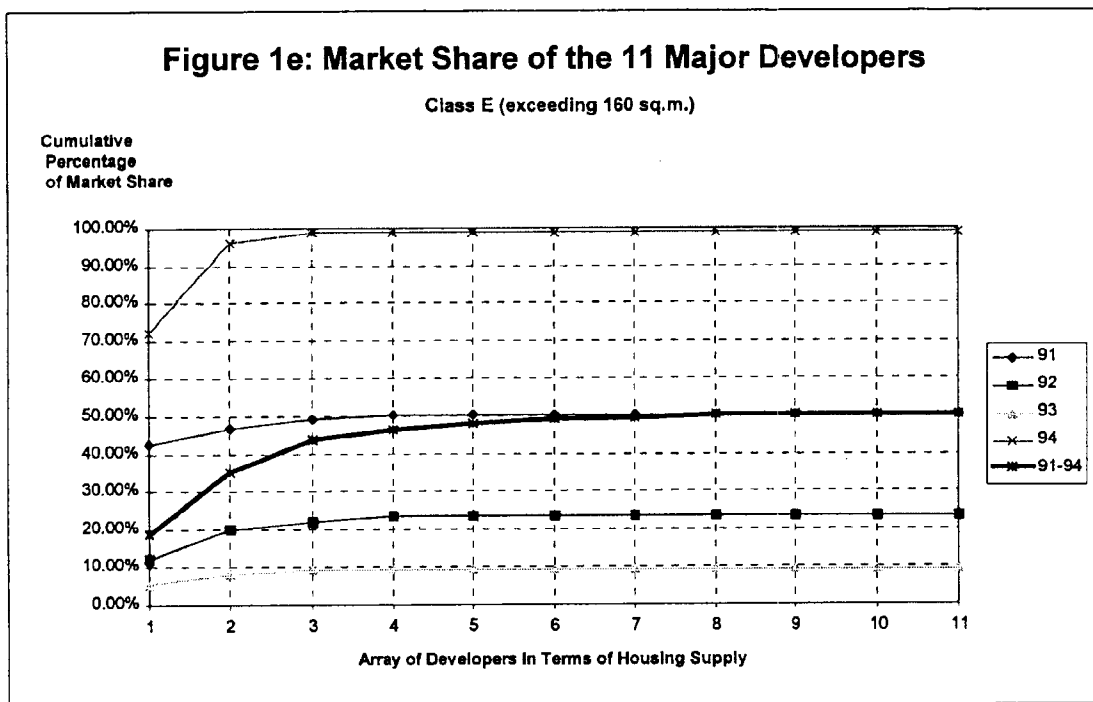
Class D (100 to 159.9 sq.m.)



13. Class E flats refer to the top end of the housing market. Supply to this market sector was dominated by several top developers, except in 1994 (Table 4e). However, according to the findings below, the market concentration of the eleven developers in this housing class was comparatively low, except in 1994 (Figure 1e).

Table 4e: Ranking of Top Three Developers in Production of New Housing Units, 1991-1994, Class E.

Developer	1991	1992	1993	1994	1991-94
A	2	3	2		
B	1		3		1
C		3	1		
D	3	1		2	3
E					
F				1	2
G					
H					
I				3	
J					
K		2			



14. Table 5 is the summary table which presents the three largest producers in each of the housing classes over the study period.

Table 5: Rankings of the Three Most Dominant Developers in Each Housing Class, 1991-1994.

Ranking(In Descending Order)	Class A (Below 39.9 sq.m.)	Class B (40 to 69.9 sq.m.)	Class C (70 to 99.9 sq.m.)	Class D (100 to 159.9 sq.m.)	Class E (Over 160 sq.m.)	All Classes
1	C	A	A	B	B	A
2	J	B	B	H	F	B
3	D	D	D	F	D	C
Range of Cumulative Market Share of Top Three	20% + to 50% +	40% + to 80%	65% to 80%	35% + to 70%	10% to 90% +	35% to 55%

15. **Market Concentration** - Summary of observations regarding market concentration in the production of new private housing in Hong Kong:

- There was a high concentration in terms of the production of new housing units by a few developers. Between 37% to 55% of the total annual supply in the market was provided by three developers.
- One developer (Developer A) consistently produced the largest number of housing units and amount of residential floor space in the four year period. Generally speaking, these represented a market share of over 25% of the total annual supply.
- Two other developers (Developers B and C) were also dominant players in housing production. Although within the top five, their market share proportions tended to vary from year to year probably depending upon their building programmes and market strategies. Developer D was also a dominant supplier to the market.
- Market concentration in the production of various flat sizes shows Developers A and B dominated the supply to Housing Classes B and C, both of which represented the mass housing units in the primary market.
- Developer A, the largest player overall, seemed to have focused largely on the production of mid range Class B and Class C type flats, but considerably reduced its market presence in Classes A, D and E.
- Developer C clearly dominated Class A flats and substantially reduced its presence in other housing markets. On the other hand, Developer B dominated the up-market Class D and Class E type flats but also showed considerable presence in the supply of flats in Classes B and C.

These are important features of the structure of the Hong Kong private sector housing market.

Annex 4: Government Land Sale of Residential Sites, 1993-95

DATE	DISPOSAL TYPE	LOT NO.	USE	LOCATION	DISTRICT	SITE AREA	PERMISSIBLE MIN. GFA	PERMISSIBLE MAX. GFA	PRICE (\$K MILLION)	ESTIMATED AVERAGE FLAT	ESTIMATED SCALE OF DEVELOPMENT (LARGE/SMALL)**	BUYER	DEVELOPER
12-Jan-93	AUC	NKIL 6157	CR	Shung Lung St. & Yi Lun St.	Sun Po Kong	3,093.0 m <sup>2</sup>	30,000.0 m <sup>2</sup>	30,000.0 m <sup>2</sup>	\$705.00	600	Large	Bright Success Inv. Ltd.	Nan Fung Dev.
12-Jan-93	AUC	KIL 11035	R2	5 Cox's Rd.	Kin.	1,395.0 m <sup>2</sup>	5,270.0 m <sup>2</sup>	3,800.0 m <sup>2</sup>	\$360.00	163	Small	Empower Int'l Holdings Ltd.	Empower Int'l Holdings Ltd.
12-Jan-93	AUC	YLT 456	R2	Town Park Rd. North	Yuen Long	10,320.0 m <sup>2</sup>	18,576.0 m <sup>2</sup>	30,950.0 m <sup>2</sup>	\$345.00	310	Small	Good Path Ltd.	Sun Hung Kai Prop.
3-Feb-93	AUC	NKIL 6180	CR	Lung Cheung Rd.	Diamond Hill	25,060.0 m <sup>2</sup>	95,000.0 m <sup>2</sup>	159,700.0 m <sup>2</sup>	\$3,530.00	3194	Large	Charis Co. Ltd., Mullien Co. Ltd., Weierste Co. Ltd., Bright Smart Ltd. & Excellon Base Ltd.	World Int., Wharf, HK Realty & Trust
30-Mar-93	AUC	STTL 353	R1	Ma On Shan Town Centre Area 100	Sha Tin	8,450.0 m <sup>2</sup>	26,891.0 m <sup>2</sup>	43,151.0 m <sup>2</sup>	\$930.00	684	Large	Farness Empire Properties Ltd.	Sino
30-Mar-93	AUC	LOT 4284 DD124	CR	Hung Shui Kiu	Yuen Long	1,845.0 m <sup>2</sup>	7,100.0 m <sup>2</sup>	9,500.0 m <sup>2</sup>	\$155.00	109	Small	Realty Co. Ltd.	Kerr Prop.
22-Jun-93	AUC	STL 98	R3	Ma Loo Path	Sha Tin	15,320.0 m <sup>2</sup>	5,444.0 m <sup>2</sup>	9,740.0 m <sup>2</sup>	\$505.00	1701	Small	Perfect Properties Int'l Ltd.	Sino
9-Jul-93	AUC	YLT 466	R2	Town Park Rd. North	Yuen Long	10,320.0 m <sup>2</sup>	18,576.0 m <sup>2</sup>	30,950.0 m <sup>2</sup>	\$600.00	185	Small	Mount City Ltd.	Sino
9-Jul-93	AUC	TMIL 368	R1	Cash Park Rd.	Tuen Mun	2,783.0 m <sup>2</sup>	11,000.0 m <sup>2</sup>	12,660.0 m <sup>2</sup>	\$266.00	159	Small	Jin Chin Ltd.	Sino
29-Nov-93	AUC	YLT 439	R2	Ma Tin Rd. Yuen Long	Yuen Long	4,350.0 m <sup>2</sup>	2,830.0 m <sup>2</sup>	13,050.0 m <sup>2</sup>	\$297.00	131	Small	Ever Lead Ltd.	HK Macau Holdings Ltd.
29-Nov-93	AUC	LOT 733 DD4	NIND	Mai Wo, Lantau Island	Lantau Island	840.0 m <sup>2</sup>	3,980.0 m <sup>2</sup>	1,980.0 m <sup>2</sup>	\$18.00	26	Small	Hong Int'l (HK) Ltd	Hing Investment
15-Dec-93	AUC	NKIL 5924	CR	Oil Lung Ping Rd.	Kin.	43,520.0 m <sup>2</sup>	49,140.0 m <sup>2</sup>	87,811.0 m <sup>2</sup>	\$3,940.00	1932	Large	Active Benefit Ltd.	Sino, DBS, Chinesem...
15-Dec-93	AUC	P. C. LOT 561	CR	Peng Chau	Peng Chau Island	1,945.0 m <sup>2</sup>	4,900.0 m <sup>2</sup>	8,220.0 m <sup>2</sup>	\$82.00	75	Small	Credit World Ltd.	Sino
1-Mar-94	AUC	TPTL137	R2	Area 7, Tai Po	N.T.	18,490.0 m <sup>2</sup>	26,626.0 m <sup>2</sup>	44,376.0 m <sup>2</sup>	\$2,140.00	1654	Large	Lead Bright Ltd.	Sino
1-Mar-94	AUC	KL11004	R2	JFO Ma Tau Wai Rd. & Farm Rd.	Yuen Long	7,050.0 m <sup>2</sup>	22,900.0 m <sup>2</sup>	37,500.0 m <sup>2</sup>	\$2,260.00	375	Small	Direct Profit Dev. Ltd.	Hing Lung
26-May-94	AUC	TMIL283	R2	Area 4C, Tuen Mun	Tuen Mun	7,877.0 m <sup>2</sup>	15,800.0 m <sup>2</sup>	25,894.0 m <sup>2</sup>	\$650.00	1810	Large	Morcktown Ltd.	Kwong Sang Hong
26-May-94	AUC	FSSTL126	R1	Area 19, Tuen Wo Hui	Fanning	20,780.0 m <sup>2</sup>	64,112.0 m <sup>2</sup>	106,853.0 m <sup>2</sup>	\$2,040.00	1750	Large	Chokow Inv. Ltd.	HK Park View Group Ltd.
26-May-94	AUC	YLT 463	R1	Fung Kam St., Yuen Long	Yuen Long	5,889.0 m <sup>2</sup>	19,000.0 m <sup>2</sup>	29,200.0 m <sup>2</sup>	\$810.00	292	Small	Landstar Inv. Ltd.	Phiburg Estate
26-Jul-94	AUC	TPTL119	R3	Area 30, Tai Po	Tai Po	23,800.0 m <sup>2</sup>	11,424.0 m <sup>2</sup>	19,040.0 m <sup>2</sup>	\$890.00	1190	Small	Admarch Ltd.	Chic Hoong Kong Holdings Ltd.
26-Jul-94	AUC	TPTL138	R1	Area 2, Tai Po	Tai Po	2,114.0 m <sup>2</sup>	7,600.0 m <sup>2</sup>	8,335.00	\$335.00	117	Small	Landstar Inv. Ltd.	Phiburg Estate
23-Aug-94	AUC	TPTL138	R2	Area 7, Tai Po	Tai Po	15,250.0 m <sup>2</sup>	15,740.0 m <sup>2</sup>	25,230.0 m <sup>2</sup>	\$950.00	315	Small	Landstar Inv. Ltd.	Chic Hoong Kong Holdings Ltd.
20-Oct-94	AUC	FSSTL116	R3	Fanning Area 298	Fanning	13,430.0 m <sup>2</sup>	6,447.0 m <sup>2</sup>	10,744.0 m <sup>2</sup>	\$470.00	107	Small	Admarch Ltd.	Chic Hoong Kong Holdings Ltd.
20-Oct-94	AUC	TPTL337	R1	Chk Fu St., Tai Wai	Sha Tin	280.4 m <sup>2</sup>	706.0 m <sup>2</sup>	1,044.0 m <sup>2</sup>	\$47.00	11	Small	Landstar Inv. Ltd.	Chic Hoong Kong Holdings Ltd.
23-Nov-94	AUC	TPTL139	R1	Area 2, Tai Po	Tai Po	2,387.0 m <sup>2</sup>	8,500.0 m <sup>2</sup>	10,440.0 m <sup>2</sup>	\$372.00	11	Small	Landstar Inv. Ltd.	Chic Hoong Kong Holdings Ltd.
23-Nov-94	AUC	NKIL8208	R1	212 Lai Chi Kok Rd.	Lai Chi Kok	83.5 m <sup>2</sup>	284.0 m <sup>2</sup>	470.0 m <sup>2</sup>	\$14.00	5	Small	Viney Construction Co. Ltd.	HK Resort
23-Nov-94	AUC	SIL811	NIND	351-381, Shau Kei Wan Rd.	Shau Kei Wan	452.0 m <sup>2</sup>	4,070.0 m <sup>2</sup>	1,800.00	\$180.00	81	Small	Shou Tai Group	Phiburg Estate
14-Dec-94	AUC	YLT 462	R1S	Town Park Rd. N.	Yuen Long	8,431.0 m <sup>2</sup>	23,393.0 m <sup>2</sup>	30,000.0 m <sup>2</sup>	\$171.00	1331	Small	Treasure Prop. Ltd.	Hing Lung Resources Holdings Ltd.
25-Jan-95	AUC	STL1108	R3	Kw To	Sha Tin	6,500.0 m <sup>2</sup>	2,340.0 m <sup>2</sup>	20,630.0 m <sup>2</sup>	\$1,020.00	208	Small	Way Charm Inv. Ltd.	Eton Prop.
22-Feb-95	AUC	KL11008	R2	9 Cox's Rd. & 1/8 Cox's Path	Kin.	4,126.0 m <sup>2</sup>	12,900.0 m <sup>2</sup>	20,630.0 m <sup>2</sup>	\$53.50	2	Small	Senman Int'l Ltd.	Eton Prop.
22-Feb-95	AUC	STL 74	R1	4/8 No. 7 Shau Kei Wan St.	Sha Tin	210.8 m <sup>2</sup>	480.0 m <sup>2</sup>	658.50	\$25.50	1251	Large	Great Cheer Dev. Ltd.	Hing Lung
14-Mar-95	AUC	NKIL 435	R2	Area 30 Ma On Shan	Sha Tin	10,800.0 m <sup>2</sup>	32,700.0 m <sup>2</sup>	54,500.0 m <sup>2</sup>	\$1,240.00	1008	Large	Goodform Ltd.	Hing Lung
14-Mar-95	AUC	NKIL 5217	R2	Fung Shing St., Ngan Chai Wan	Ngan Chai Wan	13,892.0 m <sup>2</sup>	39,240.0 m <sup>2</sup>	65,400.0 m <sup>2</sup>	\$1,610.00	95	Small	Everfine Inv. Ltd	Sun Hung Kai Prop.
27-Mar-95	AUC	YLT 467	R2	Town Park Rd., Yuen Long	Yuen Long	2,135.0 m <sup>2</sup>	3,979.0 m <sup>2</sup>	6,495.0 m <sup>2</sup>	\$70.00	95	Small	Goodform Ltd.	Hing Lung
27-Mar-95	AUC	KL 11075	R1	Chung Hui St., Ho Man Tin	Ho Man Tin	15,210.0 m <sup>2</sup>	15,210.0 m <sup>2</sup>	25,350.0 m <sup>2</sup>	\$920.00	340	Small	Everfine Inv. Ltd	Sun Hung Kai Prop.
27-Mar-95	AUC	KTOL 49	CR	Area 37, Tseung Kwan O	Sai Kung	6,970.0 m <sup>2</sup>	29,184.0 m <sup>2</sup>	49,607.0 m <sup>2</sup>	\$1,060.00	748	Large	Macwan Ltd	Phiburg Estate
27-Mar-95	AUC	STTL 438	CR	Ma On Shan Town Centre	Sha Tin	10,306.0 m <sup>2</sup>	30,320.0 m <sup>2</sup>	51,530.0 m <sup>2</sup>	\$1,320.00	515	Large	Great Land (HK) Ltd.	Ovensen China
30-Mar-95	AUC	L323 DD213	R3	Sha He, Sai Kung	Sai Kung	900.0 m <sup>2</sup>	324.0 m <sup>2</sup>	640.0 m <sup>2</sup>	\$30.00	4	Small	Grand Apex Ltd.	Sino
30-Mar-95	AUC	YLT 450	R2	Town Park Rd. North, Yuen Long	Yuen Long	16,301.0 m <sup>2</sup>	28,342.0 m <sup>2</sup>	48,903.0 m <sup>2</sup>	\$465.00	489	Small	Grand Apex Ltd.	Phiburg Estate
28-Jun-95	AUC	KL11063	R3	Area 30, Tai Po	Kin.	15,844.0 m <sup>2</sup>	13,440.0 m <sup>2</sup>	22,000.0 m <sup>2</sup>	\$1,330.00	1440	Small	Cosma Gan Inv. Ltd.	Phiburg Estate
28-Jun-95	AUC	TPTL117	R2	King's Park Rise	Kin.	26,310.0 m <sup>2</sup>	12,828.0 m <sup>2</sup>	21,048.0 m <sup>2</sup>	\$500.00	180	Small	Lawa Success Dev. Ltd.	Henderson
28-Jun-95	AUC	SIL825	R1	Shau Kei Wan West St. East	Shau Kei Wan	1,295.3 m <sup>2</sup>	6,690.0 m <sup>2</sup>	12,440.0 m <sup>2</sup>	\$320.00	134	Small	Grand Talent Dev. Ltd	Henderson
28-Sep-95	AUC	RBL 1119	R3	Area 37, Tai Po	Tai Po	15,300.0 m <sup>2</sup>	7,344.0 m <sup>2</sup>	12,440.0 m <sup>2</sup>	\$280.00	8	Small	Perfect Idea Ltd	Chow Kong
27-Nov-95	AUC	TPTL 97	R3	26 Mount Kellett Rd.	Peak	1,938.0 m <sup>2</sup>	7,480.0 m <sup>2</sup>	11,443.0 m <sup>2</sup>	\$107.00	44	Small	Global Success Ent. Ltd.	Chow Kong
27-Nov-95	AUC	TWTL 377	CR	Wai Tra St.	Tuen Wan	572.0 m <sup>2</sup>	2,004.0 m <sup>2</sup>	3,950.0 m <sup>2</sup>	\$95.00	152	Small	Wai Fung Inv. Ltd.	Hon Kwok Co.
19-Dec-95	AUC	IL 8870	R2	Stubbs Rd.	Mid Level	3,045.0 m <sup>2</sup>	9,135.0 m <sup>2</sup>	15,225.0 m <sup>2</sup>	\$860.00	152	Small	AP City Ltd.	Hing Lung
19-Dec-95	AUC	IL 8871	CR	44 Jardine's Crescent	Causeway Bay	550.0 m <sup>2</sup>	4,950.0 m <sup>2</sup>	1,910.00	\$191.00	99	Small	Star World Prop. Ltd.	Hon Kwok Co.

Note:

[ ] actual or permissible figures.

\* Lot YLT 462 was withdrawn from the auction in December 1994 and re-auctioned in March 1995 as Lot YLT 450.

\*\* estimated figures are calculated by dividing permissible min/max GFA with estimated average flat size.

\*\*\* development that may produce 500 flats or above will be regarded as large scale development.

Sources: Lands Department, Housing Society, Brooke Hillier Parker Research.

## Annex 5 : Landholding of Developers

1. HKPU collected various estimates from securities analysts regarding the amount of residential floor space that the landbanks of developers might generate (Tables 1 & 2). Based on these estimates, it appears that major developers have sufficient landholdings to support years of development.

Table1: Estimates of landholding of major developers

Developer	Land Bank(Mil Sq.Ft.)	HK(%)	Kln(%)	NT(%)
Sun Hung Kai	24.5	3	18	79
Henderson	18.9	16	19	65
Cheung Kong	17.1	10	34	56
New World	6.7	33	15	52
Hang Lung	3.6	10	15	75
Sino	3.1	0	45	55

Data source: Lam (1995), Standard Chartered Securities Research Limited.

Table 2: Estimates of residential floor space which might be generated from developers' landbanks

Developer	Floor Space Estimates (mil sq.ft. GFA)
Sun Hung Kai	27.3
Henderson	21.2
New World	16.2
Cheung Kong	15.4
Sino	4.4
Hang Lung	4.3

Data source: Jardine Fleming Securities Limited, Hong Kong, 1994.

2. Some of the landholdings of the major developers included in table 1 are in the form of Letters A and B entitlements (Table 3). Possession of these entitlements provides great advantages to local developers in pursuing property developments on Government tender sites in the New Territories. Letters A and B entitlements have been the only means of acquiring certain development sites from Government in the New Territories.

Table3: Estimates of Letters A/B Entitlements Held by Developers

Developer	Letters A&B Entitlement in Site Area(million sq. ft.)
Sun Hung Kai	16.0
New World	14.0
Henderson	12.3
Cheung Kong	7.8
Hang Lung	0.7
Sino	0.5

Data source: Jardine Fleming Securities Limited, Hong Kong, 1994.

## **Annex 6: Market Behaviour of Developers**

### **PART A**

1. The HKPU has undertaken several case studies to examine the market behaviour of developers in the housing market. Specifically, they examined how and whether developers compete among themselves in the pricing and timing of their sales.

2. The HKPU has undertaken three case studies of eight residential developments by four developers over the period 1990 to mid-1995. These three case studies include housing sites in Tseung Kwan O, Ma On Shan and Lam Tin, respectively. The first two case study areas comprise potentially competing housing development undertaken by different developers. This will give good illustration of developers' behaviour in a competitive environment. The third case study area is intended to demonstrate the situation in which new housing supply is largely dominated by one single developer. The above three case studies involve land obtained by the developers through tenders and land exchange.

#### **Case Study 1 - Tseung Kwan O**

3. Two private residential developments were included in this case study. These housing sites are:

- (a) Well On Garden (Nan Fung)
- (b) Finery Park (Henderson Land)

4. Both sites were acquired by the developers in 1991 through Letters A and B tenders. They are directly adjacent to each other. Both developments were planned to cater for the mass housing and were sold approximately at the same time. It is worthwhile to compare developers' behaviour in their sale prices and marketing strategies.

5. Table 1 summarizes the sales programme of these two development in the open market. Both of them were offered to the market as uncompleted pre-sales flats in 1993, before banks contracted lending to those pre-sales units. Nan Fung's Well On Garden was the first private housing project in Tseung Kwan O, followed by Henderson's Finery Park.

#### **Pricing of Flats**

6. Developers tended to set the sale prices of their flats based upon (i) the transaction price of comparable properties achieved in the secondary market, and (ii) the sale prices offered by its competitor.

7. Well On Garden was the first and foremost private housing development in the area and there was no secondary market at that time. What Nan Fung did was to undertake internal sale for Block 1 flats to test the market reaction at the beginning of March 1993 before the open market sale. The HKPU has no information on how Nan Fung conducted its internal sale. However, they understand that the market reacted well with secondary sale price reaching \$2,500 p.s.f within days. This became Nan Fung's reference in setting its open market sale prices.

**Table 1: Pricing Strategy and Market Response - Tseung Kwan O**

Date	Well On Garden				Finery Park			
	Block(s)	No. of Unit	% Sold on 1st day	Average Price p.s.f.	Block(s)	No. of Unit	% Sold on 1st day	Average Price p.s.f.
4/3/93	1-4	1,280	Consent to Sale					
18/3/93	3	320	100%	\$2,784				
11/5/93					1,2	688	Consent to Sale	
30/5/93					1	120		\$3,170
11/7/93					2	60		\$3,666
11/7/93					2	40		\$3,666
11/9/93					1,2	128		\$3,685
2/10/93	4	169		\$3,526				
13/10/93					1,2	110		\$3,669
16/10/93	4	169		\$3,534				
9/11/93					1,2	103		\$3,676
9/12/93					1,2	100		\$3,671
9/2/94					1,2	68		\$4,228
7/3/94					1,2	55		\$5,642
28/5/94					1,2	52		\$5,542
19/8/94					1,2	108		\$4,700
20/10/94					1,2	105		\$4,460
26/11/94					1,2	97		\$4,445
24/12/94					1,2	96		\$4,448
23/1/95					1,2	93		\$4,152
23/3/95					1,2	76		\$4,211
1/5/95					1,2	73		\$4,021
27/11/95					1,2	44		\$3,759
11/1/96					1,2	28		\$3,675
5/2/96					1,2	18		\$3,987
30/5/96					1,2	6		\$4,618
26/6/96					1,2	5		\$4,856

Sources: Hong Kong Property Journal, Lands Department and information supplied by developer of Finery Park.

8. On 18 March 1993, all 320 flats in Block 3 were put to the market for sale. The average sale price was set at \$2,784 p.s.f. Market response was good and all flats were sold out. The sale prices of Block 3 flats subsequently rose to about \$3,100 p.s.f in the secondary market.

9. Henderson clearly referenced the secondary market in setting its price offer. When 120 units of Block 1 were put to the open market on 30 May 1993, its average sale price was set at \$3,170 p.s.f, which was 14% higher than the first sale price for Well On Garden. These 120 units were well over-subscribed. In response, the developer pushed out additional units to the market. Average sale price was then risen to 3,666 p.s.f.

10. On 11 July 1993, Henderson launched a sale of 100 units of Block 2, Finery Park in two lots. Average prices were \$3,666 p.s.f. Market absorption was slow with only 60% sold eventually. It was in the midst of housing market downturn coupled with the imposition of Government's anti-speculation measures.



11. Nan Fung conducted its last open sale of Well On Garden in October 1993. A total of 338 flats were offered in two lots, with average prices at \$3526 p.s.f. and \$3534 p.s.f.

#### **Timing of Sale**

12. There was no direct confrontation in timing of the two open market sale of these two developments. There was generally a time gap of some 2 to 3 months in-between their sale offers to the market and they tended to alternate each other in timing.

13. The investigation shows that Nan Fung and Henderson obtained from Government the consent to pre-sale of all the flats on 4 March 1993 and 11 May 1993, respectively. After obtaining the approval, they did clearly schedule the timing of their sales in phases. It is not clear whether they did co-ordinate their sales programmes or it was an outcome of their independent business strategy after considering their rival's action. This outcome gives both advantages and disadvantages. The advantages are: Buyers with limited financial resources have the chance to put in bid for flats in both developments. In case of a very popular housing development, this arrangement will also avoid tying up too much finance capital and considerable interbank shift in liquidity in the banking sector within a short period of time. However, the disadvantages include: Lack of competition reduces consumer choices. As a result, buyers may have to face up with higher prices. In addition, this situation may also encourage entry of 'hot money' and speculation.

#### **Quantity of Sale**

14. Both developers did not sell all the flats in the open market. Based on the available data from the Hong Kong Property Journal, only 658 (51%) out of 1,280 units in Well On Garden and 220 (32%) out of 688 units in Finery Park were put to public sales. The rest of the units were sold by the developers through internal sales or other means of allocation.

15. Internal sale of the flats is one means used by the developers to offload their inventory risks and to test the market response. Information on who actually bought these flats is not available. Obviously these buyers have the privilege over the general public. There were also re-sale of these internal sale flats to the secondary market. Block 1 flats of Well On Garden was sold to the market with its set sale prices plus a profit margin of \$30,000 per flat.

16. All the public sales in these development were conducted through buyers' subscription and computer balloting. It is common practice for developers to divide the entire sale in several smaller lots and push additional units to the market after getting a favourable initial market response. Developers have the benefits in limiting the market supply at one time and therefore charging a potentially higher price.

## Case Study 2 - Ma On Shan

17. Ma On Shan is a newly developed new town in the New Territories. Four major housing developments are considered:

- (a) Sunshine City (Henderson Land) - Letter A and B Tender
- (b) Ma On Shan Centre (Nan Fung) - Letter A and B Tender
- (c) Bayshore Towers (Cheung Kong) - Cash Tender
- (d) Villa Athena (Joint venture development between Sun Hung Kai & YMCA) - Private Treaty

18. These developments have dominated the private new housing supply in Ma On Shan over the past three years. Table 2 shows the consent dates, average offer prices, number of units offered and sold for the four developments.

**Table 2 : Pricing Strategy and Market Response - Ma On Shan**

Date	Sunshine City				Ma On Shan Centre				Bayshore Towers				Villa Athena				
	Block(s)	No. of Unit	% Sold on 1st day	Average Price p.s.f.	Block(s)	No. of Unit	% Sold on 1st day	Average Price p.s.f.	Block(s)	No. of Unit	% Sold on 1st day	Average Price p.s.f.	Block(s)	No. of Unit	% Sold on 1st Day	Average Price p.s.f.	
6/4/92	A,B	480	Consent to Sale														
23/4/92	A	240		\$3,192													
1/5/92	C,D	480	Consent to Sale														
14/6/92	C	240		\$3,311													
3/3/93	N,P,Q,R	928	Consent to Sale														
5/3/93					1-4	1,048	Consent to Sale										
19/3/93	N,Q	232		\$3,203													
7/4/93					2	280	70%	\$3,104									
15/5/93	P	232		\$3,345													
20/6/93	R	172		\$3,766													
7/7/93					3	128	90%	\$3,808									
23/7/93												1-10	1,184	Consent to Sale			
31/7/93						120		\$3,814									
14/8/93												2,3,6,7,8	494	95%	\$4,457		
27/8/93					3	171		\$3,882									
4/9/93												9	104	80%	\$4,898		
8/1/94												1,4	100	80%	\$4,855		
8/1/94												1,4	68	80%	\$4,953		
22/1/94												9	52	95%	\$5,199		
22/1/94												9	48	95%	\$5,313		
8/2/94	E,H, J-M	2,256	Consent to Sale														
5/3/94	J	108		\$4,707													
5/3/94	J	80		\$5,332													
25/3/94	K	68		\$5,621													
25/3/94	H,L	64		\$5,748													
26/3/94					4	112	30%	\$5,593									
10/4/94	K	68		\$5,822													
10/4/94	H,L	64		\$5,748													
7/5/94	M	68		\$5,354													
26/5/94	M	68		\$5,048													
13/6/94								\$5,065									
28/6/94								\$4,710									
7/8/94	L	68		\$4,620													
7/8/94	L	32		\$4,678													
21/8/94	E	68		\$4,808													

21/8/94	K	24		\$4,499															
25/9/94	E	68		\$4,770															
25/9/94	K	32		\$4,759															
27/9/94								1-6	1,102	Consent to Sale									
12/10/94								4,5	120	100%	\$4,400								
12/10/94								4,5	170	100%	\$4,549								
12/10/94								2	132	100%	\$4,831								
24/10/94								3	58	100%	\$4,800								
24/10/94								3	136	100%	\$4,884								
24/10/94								1	24	100%	\$4,987								
26/10/94								1	152	90%	\$5,080								
28/11/94													10	17					\$5,408
28/11/94													10	15					\$5,161
15/1/95	G	88		\$4,405															
16/1/95														13					\$5,142
13/5/95						50	80%	\$3,486											
18/7/95	F	248		\$4,092															
25/7/95								8	84	85%	\$4,200								
28/7/95	E,G,H,K,L, M	360		\$4,914															
7/10/95	E-H, K-M	258		\$4,209															
9/11/95	E-H, J-M	160		\$4,205															
11/1/96	E-H, J-M	150		\$4,184															
20/1/96	E,L, M	80		\$4,330															
2/2/96	E,L,M	80		\$4,291															
7/2/96	E,L,M	80		\$4,389															
27/2/96	E,L,M	52		\$4,806															
11/5/96	E,L	24		\$4,849															
21/5/96	E	23		\$4,831															
21/6/96	E	23		\$4,842															
4/7/96	E	13		\$4,735															

Sources: Hong Kong Property Journal, Real Estate Times Monthly, Lands Department and information supplied by developers of Sunshine City, Bayshore Towers and Villa Athena.

### Pricing of Flats

19. After obtaining the consent to sale on 6 April 1992, Henderson's Sunshine City was the first private residential development on sale in Ma On Shan. Of the total 4,700 units, 240 of them were put on the market at an average price of \$3,192 p.s.f. on 23 April 1992. The market response was overwhelmingly good, with an over-subscription rate of 8.5 times, and all units were sold out. Then, another lot of 240 units were put on the market in May 1992 at a slightly higher price of \$3,311 p.s.f. and again, all were sold. In March 1993, 232 units were put on the market at \$3,203 p.s.f. but this time because of the quiet market condition, only 40% of them were reported to be have been sold.

20. Obtaining the consent to sell on 5 March 1993, units of Nan Fung's Ma On Shan Centre, with a total 1,048 units, were made available for sale starting from 7 April 1993. 280 units were put on the market and 70% of them were sold at an average price \$3,104 p.s.f. In August 1993, units of Sun Hung Kai's Villa Athena were also put on the market for sale. 494 units were offered on the market at \$4,457 p.s.f. and 95% of them were sold out. During the period of March - August 1993, units of both Henderson's Sunshine City and Nan Fung's Ma On Shan Centre were put on the market. However, it was observed that the sales programmes of these units alternated with

each other and sales prices were rising. In line with the upward market trend, prices of these developments reached their peak levels in March/April 1994.

21. The property market became cooling down after Government showed its intention to intervene in the overheated market in March 1994. In May 1994, Henderson Land decided to reduce prices and successfully sold about 68 units at \$5,048 p.s.f. to \$5,354 p.s.f. in Sunshine City. Nan Fung followed suit and reduced prices in Ma On Shan Centre to \$4,710 p.s.f. During the market downturn, Henderson decided to cut prices further to attract potential purchasers. Subsequently, about 168 units in Sunshine City were sold at \$4,608 p.s.f. to \$4,770 p.s.f. during August and September 1994.

22. Cheung Kong's Bayshore Towers, which was the first development subject to Government's restrictions on re-sale of pre-sale flats, was the last development offered to the market in the locality. In October 1994, the first batch of 422 units was sold at an average price of \$4,400 p.s.f. rising gradually up to \$5,100 p.s.f. for the last batch of additional units put to the market. The developer, Cheung Kong, successfully sold about 800 units (70% of the total 1,102 units in Bayshore Towers) in a relative quiet market condition.

23. In this case study, when the market slumped, Henderson's Sunshine City, Nan Fung's Ma On Shan Centre and Cheung Kong's Bayshore Towers competed by lowering prices. However, the prices were announced not at the same time but generally a week or more after each other. Henderson's Sunshine City and Nan Fung's Ma On Shan Centre launched at roughly the same periods in 1993/94 and appeared to be close substitutes in the eyes of the consumers. Cheung Kong's Bayshore Towers came late to the market but seemed to undercut Henderson in its sale prices. For instance, the sale price of Bayshore Towers when first offered to the market in 12 October 1994 was \$4,400 p.s.f. This was at a discount to Henderson's offer at \$4,770 p.s.f. on 25 September 1994. Sun Hung Kai's Villa Athena did not seem to have followed the price trends of the other developments, probably because it was targeted for the upper end of the market, and most of its units were sold out in early 1994.

#### **Timing of Sale**

24. The HKPU has observed the phenomena that the developers alternated their sale programmes. The average time gap in-between their sale dates for the developments was about 20 days. There were some overlaps in promotion periods of the two housing developments, Sunshine City and Ma On Shan Centre, but their actual public sales did not overlap each other.

25. All developers in this case did get the sale consent from Government long before the actual public sale dates. They did plan long ahead in their property sales.

#### **Quantity of Sale**

26. Not all the flats were sold in the open market at a time. Developers also divided the sales in lots and released the units in small batches depending upon the prevailing market response. Based on information from the Hong Kong Property Journal, about 45% in Sunshine City, 82% in Ma On Shan Centre, 72% in Bayshore Towers and 76% of Villa Athena were sold in the public sales at the time of analysis. All these units were

sold through subscription and computer balloting. The remaining portions were either being held by developers, internally sold or under construction.

### Case Study 3 - Lam Tin

27. Lam Tin comprises two new large housing developments - Laguna City and Sceneway Garden - developed by the same developer, Cheung Kong. The developer obtained the site together with some adjacent building lots and, through planning application and lease modification, developed it into a housing estate. Sceneway Garden is a housing development on MTR podium.

### Pricing of Flats

28. Flats were put to the open market for sale sixteen times during the period of 1990 to 1995 for Laguna City and four times during 1990-1991 for Sceneway Garden (Table 3). The pricing of the new flats closely followed the price level of the secondary market - normally slightly below the second hand market level.

### Timing of Sale

29. Laguna City flats were put to the open market for sale in May 1990 for the first time. Since then, more flats were open for sale at time intervals of two, three or five months until June 1992 for 11 times. After that, no new flats were open for sale for a period of two years. Phase IV were open for sale in May 1994 (2 times), in September 1994, January 1995 and May 1995. Sceneway Garden flats were put out for sale for the first time in October 1990. Then more flats were put out for sale in November 1990 - less than 10 days between each sale. The fourth sale occurred about four months later in which all the remaining flats were sold at prices substantially higher than the previous sales.

**Table 3: Pricing Strategy and Market Response - Lam Tin**

Date	Laguna City				Sceneway Garden			
	Block(s)	No. of unit	% sold on 1st day	Average price p.s.f.	Block(s)	No. of unit	% sold on 1st day	Average price p.s.f.
28-Apr-90	1-8, 13-17	2,800	Consent to sale					
18-May-90	1-6	1,296	90%	\$1,674				
21-Aug-90	7, 16	416	70%	\$1,732				
11-Oct-90	13	224	90%	\$1,756				
13-Oct-90	14, 15	448	90%	\$1,760				
24-Oct-90					1-17	4,112	Consent to sale	
30-Oct-90					3, 4, 10	768	-	\$1,626
8-Nov-90					6, 15	496	95%	\$1,641
15-Nov-90					2, 16	480	80%	\$1,677
8-Jan-91	24-31	1,704	Consent to sale					
25-Jan-91	25, 29	424	80%	\$1,686				
31-Jan-91	26, 30	424	80%	\$1,806				
8-Mar-91	24, 28	424	100%	\$1,944				
18-Mar-91	31	216	100%	\$2,128				
26-Mar-91					1, 7, 8, 9, 12, 14, 17	1,335	90%	\$2,425

12-Jul-91	32-38	1,504	Consent to sale				
5-Aug-91	17, 32, 35	632					
16-Aug-91	33, 37, 38	648	-	\$3,050			
16-Jun-92	9, 18	416	Consent to sale				
30-Jun-92	9, 18	416	-	\$4,018			
6-Apr-94	10-12, 19-23	1,648	Consent to sale				
14-May-94	10, 20	128	100%	\$6,115			
21-May-94	21	104	100%	\$6,285			
22-Sep-94	11, 19	208	75%	\$5,885			
14-Jan-95	19, 22	128	40%	\$5,384			
6-May-95	11, 19, 22	242	90%	\$5,301			

Sources: Hong Kong Property Journal, Lands Department, and information supplied by developer.

### Quantity of Sale

30. The developer did not put all the flats to the market for sale at one time. Instead, only a certain percentage of the total supply were put to the market each time of sale.

### Market Competition

31. Laguna City and Sceneway Garden are the only large scale, estate-type housing development in Lam Tin. There was no evidence of keen competition as the two projects were developed by the same developer. The only source of competition came from the second hand Laguna City and Sceneway Garden flats. However, the owners in the secondary market also took the price set by the developer as a benchmark in determining their own asking prices. This shows that the pricing of flats in both the new and secondary markets is interdependent on each other.

## Annex 6: Market Behaviour of Developers

### PART B

33. The Consumer Council conducted 3 case studies of developments in Sha Tin, Tai Po and Yuen Long, to cover the period 1994 to mid 1996, i.e. a period of 18 months declining market. In these case studies, timing for public sale did not generally confront each other, despite the difference in products in terms of location, type of development and range of unit size (tables 4-6).

**Table 4: Pricing Strategy and Market Response - Sha Tin**

Date	Royal Ascot				Parc Royale				Pristine Villa			
	Block(s)	No. of unit	%Sold	Average Price p.s.f.	Block(s)	No. of unit	%Sold	Average Price p.s.f.	Block(s)	No. of unit	%Sold	Average Price p.s.f.
18/3/94									1-14	498	Consent to Sale	
16/7/94									2-7	163	80%	\$5,746
10/9/94									10-12	102	-	\$5,620
1/10/94									8-9,13	100	-	\$5,744
9/11/94									14	22	-	\$5,871
21/2/95	1-3,5-7	1,224	Consent to Sale									
1/3/95					1-3,5-12	640	Consent to Sale					
11/3/95	1-3,5-7	1,070	90%	\$5,074								
22/10/95					2,5,6,8,12	238	100%	\$4,150				
15/1/96					3	60	90%	\$4,300				
28/3/96	1-7 Duplex	16	-	\$5,790								
29/3/96	8-11	1,280	Consent to Sale									
13/4/96					9-10	120	-	\$5,123				
11/5/96	10-11	128	-	\$5,600								
11/5/96	10-11	512	-	\$5,600								
6/96	8-9	104	-	\$5,670								

Source: Hong Kong Property Journal, Lands Department, & information supplied by developers of Pristine Villa and Royal Ascot.

**Table 5: Pricing Strategy and Market Response - Tai Po**

Date	Parc Versailles				Classical Gardens				Serenity Park				Richwood Park			
	Block(s)	No. of Unit	% Sold	Average Price p.s.f.	Block(s)	No. of Unit	% Sold	Average Price p.s.f.	Block(s)	No. of Unit	% Sold	Average Price p.s.f.	Block(s)	No. of Unit	% Sold	Average Price p.s.f.
8/8/94									16-18	491	Consent to Sale					
21/10/94													1-16, A-H, J-K	217	Consent to Sale	
23/12/94													5,9,15	21	-	\$4,712
12/1/95					1-8	474	Consent to Sale									
22/1/95													2,10,16	27	-	\$4,240
4/3/95									16	50	100%	\$3,839				
18/3/95									18	50	100%	\$4,087	4,6,14	33	-	\$3,599
18/3/95									18	8	100%	\$4,087				
1/4/95									18	50	100%	\$4,150				
16/4/95									17	50	-	\$4,252				
29/4/95					1,2	108	80%	\$4,846								
6/7/95													2,7,9,12,16	53	-	\$13,571
11/7/95													1-7,10,14-16	86	-	\$3,422
26/7/95	1-20	420	Consent to Sale													
28/7/95														10	-	\$4,407
26/8/95					2,3	83	50%	\$4,075								
8/9/95	3-12	48	-	\$3,345												
8/9/95	3-12	96	-	\$3,345												
26/9/95	21-37	402	Consent to Sale													
24/11/95	22,26,29,30,33,34,36,37	60	-	\$3,507-3,504												
24/11/95	22,26,29,30,33,34,36,37	63	-													
2/2/96	2,9-12,14,16,25-28,28,31-32	128	-	\$3,825												
2/2/96	2,9,12,14,16,25-28,28,31-32	128	-	\$3,790												

Source: Hong Kong Property Journal, Lands Department.



Table 6: Pricing Strategy and Market Response - Yuen Long

Date	Palm Springs/Royal Palms				Kingswood Villas				Crystal Park				Bauhinia Garden			
	Block(s)	No. of Unit	% Sold	Average Price p.s.f.	Block(s)	No. of Unit	% Sold	Average Price p.s.f.	Block(s)	No. of Unit	% Sold	Average Price p.s.f.	Block(s)	No. of Unit	% Sold	Average Price p.s.f.
	Kingswood Court															
25/1/94					1-14	3,968		Consent to Sale								
	Palm Springs															
9/2/94	C	374		Consent to Sale												
5/3/94	C	92	100%	\$3,350-4,154												
5/3/94	C	95	100%	\$3,500-4,272												
12/3/94					1,2	238	100%	\$2,889								
19/3/94	C	50	100%	\$3,681-5,077	6	156	100%	\$3,136								
19/3/94					6	116	100%	\$3,277								
30/4/94	C	30		\$3,876-4,562												
27/9/94												1-3,5-10,11-12,15-16	232		Consent to Sale	
7/1/95													73	56%	\$2,527	
10/2/95									1,2	432		Consent to Sale				
12/4/95	C	48		\$2,878												
20/4/95	C	30		\$2,759												
22/4/95													2	20		\$2,600
9/6/95					3-5,7	1,088	90%	\$2,126								
18/6/95					10,13-14	800	100%	\$2,203								
1/7/95									2	68	100%	\$2,267				
1/7/95									2	108	100%	\$2,357				
21/7/95													5,7	48		\$2,276
22/7/95									1	68	90%	\$2,486				
22/7/95									1	40	90%	\$2,482				
13/8/95					12	32	100%	\$2,280								
13/8/95					12	240	100%	\$2,222								
2/9/95									1	98		\$2,540				
	Lynwood Court															
2/10/95					1-10	2,864		Consent to Sale								
17/11/95					4-5,7-8,16 & Duplex	50		\$2,508-2,840								
16/12/95					2	128	100%	\$2,283								
30/12/95					5	64	100%	\$2,300								
	Royal Palms															
4/1/96	A	224		Consent to Sale												
4/1/96	B	200		Consent to Sale												
20/1/96					3,8	144	100%	\$2,298								
27/1/96	A	74		\$2,395-2,843												
2/2/96					5	8		\$2,727								
8/2/96	B	50		\$2,468-2,937												
8/2/96	B	50		\$2,466-2,877												
12/2/96					7	80	100%	\$2,320								
30/3/96	B	50		\$2,478-3,034												
30/3/96	B	41		\$2,482-3,037												
2/4/96					9	48	100%	\$2,520								
2/4/96					9	104	100%	\$2,520								
12/4/96					9	40	100%	\$2,590								
18/4/96					Kingswood Court-Duplex	5		\$2,774-2,910								
19/5/96					1,6	56		\$2,712-\$2,770								

Source: Hong Kong Property Journal, Lands Department and information supplied by developer of Kingswood Villas and Palm Springs/Royal Palms.

## Annex 7: Slippage of Flats Production in 1996

1. In early 1996, the Government announced that the estimate of 27,272 housing units to be completed in 1996 was revised to 19,090 units, i.e., 30% lower than the original estimate. The 1996 forecast is the lowest level in more than 16 years and 35% lower than the historical 16-year average. It is a particular cause for concern in terms of availability of supply.

2. Figures from the Government show that the main cause of this shortfall is the slippage of production of 9 projects involving 10,400 units by five major developers. These projects are due to be completed in 1996, and have been rescheduled until the beginning of 1997.

3. The Consumer Council wrote to these five developers to find out the reasons for the slower than anticipated production rates. Three developers of projects involving about 6,500 units have responded to our enquires. Their responses are summarized below:

Developer (No. of developments)	No. of units involved	Reply from developer
A (3)	1,022 (605/377/40)	<ul style="list-style-type: none"> <li>pre-sale consents for the 3 development projects have not yet been issued<sup>1</sup> and the developer has not yet made any decision on the launch of these projects.<sup>2</sup></li> </ul>
B (2)	2,264  1,980	<ul style="list-style-type: none"> <li>for some technical reasons, the developer decided to completed one project in one phase in 1997.</li> <li>because of the difficulty in the foundation work due to the soil in the area, the completion of the other project will be deferred to the end of 1997 or even early 1998.</li> </ul>
C (2)	2,730 (2,064/666)	<ul style="list-style-type: none"> <li>no reply</li> </ul>
D (1)	1,120	<ul style="list-style-type: none"> <li>no reply</li> </ul>
E (1)	1,280	<ul style="list-style-type: none"> <li>the project will be completed on schedule in late 1996, when the developer expected to be granted the Occupation Permit.</li> </ul>
Total: 5 (9)	10,396	

Note:<sup>1</sup> Pre-sale consent is dependent on progress made in developing a project so it is unclear in this case whether failure to gain consent was a cause or effect of slippage in the estimated completion date.

<sup>2</sup> Based on the available information, two of these three development projects have already exceeded the completion dates prescribed in the building covenants in the land lease.

Source: Information provided by individual developers.

## Annex 8: Time gap between consent date and actual public sale date of residential developments

1. The Consumer Council has studied the time gap of developers put out their units for sale in the market after the issue of consent to sale. In the period January 1994 - April 1996 (i.e. 29 months), the Government issued consents for the presale of 57 residential developments involving 40,040 housing units.

2. We observed that the time gap between the time when the developers of the aforesaid residential developments received the consents to sale from the Government and the time when they put out their units for public sale was quite lengthy (Table 1). Only 7% of the cases were put out for sale within a month of the granting of the consent. On average, the time gap was about 120 days, and in five extreme cases, the time gap was over 540 days. The long period between sale and consent may distort the effective supply in the residential property market.

**Table 1: Time gap between consent date and actual public sale date of 57 residential developments**

Time Gap (No. of days)	A (No. of cases)	B (No. of cases)	A+B (No. of cases)
0-30	8	3	11
31-60	13	4	17
61-90	11	11	22
91-120	4	6	10
121-150	4	9	13
151-180	1	8	9
181-210	1	7	8
211-240	1	8	9
241-270	2	5	7
271-300	0	8	8
301-330	0	3	3
331-360	0	3	3
361-390	0	0	0
391-420	0	6	6
421-450	0	3	3
451-480	0	0	0
481-510	0	3	3
511-540	0	1	1
>540	0	5	5
Total no. of cases	45	93	138
No. of cases not put out for sale			21

Weighted average (No. of days)	59	191	123
Range (No. of days)	[15, 270]	[27,669]	[15,669]

Note: Time gap = Date of Consent to Sale - Public Sale Date

A - time gap between consent to sale and public sale of 1st batch of units

B - time gap between consent to sale and public sale of all the remaining batches of units

Sources: Hong Kong Property Journal, Lands Department.

## **Annex 9: Profitability of Developers - Case Studies**

### **Profits at project level**

1. A total of 13 residential developments by 9 developers were analysed by the HKPU. Table 1 summarises the developers' profit margins at individual project level.

2. It is observed that the profit margins for developments on public auction land were generally lower than for developments on land obtained by tender. It is probably due to the fact that land costs are normally lower if land were obtained through tenders, in particular through Letters A and B tenders. For those tendered sites, the estimated profit margins range from 77% to 364% of the total estimated development costs. On the other hand, the estimated profit margins are in the region of 6% to 109% for lots obtained through public auction.

3. It also seems that whether a property developer can realise a profit from his development depends very much on his business foresight. If land was acquired at a high price at the peak of the property market and sold during the recession, the developer would most probably suffer a substantial loss on his project. On the other hand, if he bought land at a low price when the market was uncertain or moving up from the trough and sold his development in a buoyant market, he would probably realise a significant profit. Most of this profit would be attributed to the increase in the value of land.

4. To sum up, it is observed that:

- (a) profit margins of development on land acquired by restrictive Letters A and B tenders tend to be greater than those from auctioned land.
- (b) developers' profits are mainly attributed to the appreciation in land values.

**Table 1: Profitability of developers at project level**

Development	Location	Developer	Development Period	Estimated Developer's Profit Margins <sup>1</sup>	Estimated Profit Attributed to Land Appreciation <sup>2</sup>
<b>Land acquired by Letters A and B Tenders</b>					
1.Well On Garden	Tseung Kwan O	Nan Fung	91 - 94	77% - 125%	46% - 52%
2.Finery Park	Tseung Kwan O	Henderson Land	91 - 94	159% - 196%	65% - 72%
3.Sunshine City	Ma On Shan	Henderson Land	89 - 95	128% - 320%	89% - 141%
4.Ma On Shan Centre	Ma On Shan	Nan Fung	90 - 93	102% - 364%	91% - 127%
<b>Land acquired by Cash Tender</b>					
5.Bayshore Towers	Ma On Shan	Cheung Kong	91 - 94	137% - 174%	77%
<b>Land acquired by Public Auction</b>					
6.Avon Park	Fanling	Sino	91 - 94	33% - 109%	14% - 76%
7.Harvest Garden	Tuen Mun	Hang Lung/Nan Fung	92 - 95	6%	0.03%
8.Emperor Height	Tsimshatsui	Emperor Group	93 - 96	54%	14%
9.Parc Oasis	Kowloon Tong	Wheelock Properties	91 - 94	45% - 68%	63%
10.Wing On Lodge	Happy Valley	Wing On Group	80 - 84	-37%	-32%
11.The Homestead	Prince Edward Road	Siu On	80 - 84	-69%	-45%
12.Cheerful Park	Fanling	Henderson Land	89 - 92	100%	45%
13.Goodrich Garden	Tuen Mun	Nan Fung	90 - 93	106%	89%

Note: 1. Working assumptions are given in Table 2.  
2. Estimated using raw data supplied by the Rating and Valuation Department.

**Table 2: Sales prices vis-à-vis developers' costs in the selected developments**

(unit: \$/ft<sup>2</sup>)

Development	Average Land Cost	Estimated Construction Costs	Estimated Total Cost* of Developer	Sales Price
1. Well On Garden	670	550	1569	2784 - 3534
2. Finery Park	505	550	1357	3883 - 3894
3. Sunshine City	571	550	1440	3291 - 6050
4. Ma On Shan Centre	646	550	1550	3104 - 5593
5. Bayshore Towers	897	550	1860	4400 - 5080
6. Avon Park	1255	550	2321	3096 - 4846
7. Harvest Garden	1511	550	2651	2796 - 2809
8. Emperor Height	3806	1100	6017	9230
9. Parc Oasis	2468	800	4203	6107 - 7049
10. Wing On Lodge	705	285	1467	930
11. The Homestead	1320	285	2378	740
12. Cheerful Park	386	550	1204	2406
13. Goodrick Garden	467	420	1141	2356

Note: \* Total cost included land, construction and finance costs.

Assumptions:

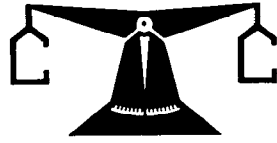
(a) Developments 1-7, 9-13 took 3 years to complete; development 8 took 2 years to complete.

(b) Construction (professional fees included) and finance costs:

- Developments 1-7, 12: the average construction cost was \$550 p.s.f. in 1994 (Davis Langdon & Seah); finance cost at 8.75% p.a.
- Development 8: the average construction cost was \$1100 p.s.f. in 1995 (Data supplied by the Emperor Group); finance cost at 10.75% p.a.
- Development 9: the average construction cost was \$800 p.s.f. in 1994 (Davis Langdon & Seah); finance cost at 8.75% p.a.
- Developments 10-11: the average construction cost was \$285 p.s.f. in 1984 (Rating and Valuation Department); finance cost at 14.0% p.a.
- Development 13: the average construction cost was \$420 p.s.f. in 1993 (Davis Langdon & Seah); finance cost at 8.75% p.a.

(c) Land cost:

- Developments 1-5: tender price.
- Developments 6-13: public auction price.



競爭政策研究報告撮要  
香港私人住宅物業市場  
“安得廣廈千萬間？”

香港消費者委員會出版  
一九九六年七月

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# 香港私人住宅樓宇市場研究報告

## 摘要

1. 房地產在香港一向很被看重，這是因為房屋作為市民居所，投資工具及政府收入來源等各方面都佔一個很重要的地位。現時，約有 45% 的家庭擁有自己的物業<sup>1</sup>，仍未自置居所的，也極期望可以做到。已自置居所者，不少也希望可以另覓新居，以期獲得更理想的居住環境及更寬敞的居住空間。
2. 自一九八零年代初期樓市低潮以後，住宅樓宇售價不斷上揚，漲幅遠超於一般人的入息增長幅度。由一九八五至九五年的十一年間，其中有十年的樓價處於上升的軌道，每年實際平均升幅(經減除通脹)達 11%<sup>2</sup>，超過通漲(甲類消費物價指數)。雖然樓價自九四年六月已有回落趨勢，但平均價仍高於九三年的水平(附件一)樓市經過十八個月的調整期，九六年首季，開始上升。九五年資料顯示，買樓供款的負擔佔一個普通家庭平均收入的 73%<sup>3</sup>(供款負擔比率)，遠遠超過銀行界批核個別按揭申請時，所考慮的最高供款負擔比率(40-50%)。到九六年首季，情況略有改善，但供款負擔比率仍達 64%(附件二)。因此，私人住宅樓宇的市場效率，成為消費者關注的焦點。

### 研究範圍

3. 本報告研究私人住宅樓宇物業市場，主要目的為：
  - (1) 評估私人住宅樓宇市場的競爭情況
  - (2) 研究市場內是否存有妨礙競爭的行為，使消費者受到影響；及
  - (3) 如有需要，提出政策建議，促進市場競爭和保障消費者利益

### 研究方法

4. 本報告根據香港理工大學建築及房地產學系的顧問小組的分析和本會研究編寫而成。
5. 理工大學與本會就研究工作的需要，曾與下列人士及 64 個團體接觸及商談，包括：政府政策科及部門，地產發展商、香港地產建設商會、公營機構、銀行和証券分析公司、律師、產業測計師、物業代理、建築師學會及測量師學會及其他團體等。

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<sup>1</sup> 統計署提供九五年資料；統計署房屋科在其長遠房屋策略檢討報告中估計九五年的業主自住單位比率為52%。

<sup>2</sup> 雖然在該段期間經歷多次經濟打擊，包括八七年的股災、八九年的天安門事件、九零至九一年的波斯灣戰爭、九一年的國商銀行倒閉以及一些銀行的短期危機等。附件一顯示八零年至九五年間住宅樓宇價格比對通漲率的增長。

<sup>3</sup> 政府估計數字。供款負擔比率是指每月樓宇按揭供款佔中位家庭收入的比率。見第一章第六段。



6. 研究的數據由個人、公司及政府提供。為求數據的準確，本會反覆核對從多個來源蒐集資料。來源資料的來源及應用的方法，見有關章節的註解。由於數據來源的局限，資料有時未能涵蓋整段研究期間<sup>4</sup>。
7. 研究盡量應用八零至九五年間的數據，這期間香港經歷了地產市道的起跌，亦渡過數段長時期的經濟興旺期和幾次的經濟和政治衝擊(見註 2)。限於資料來源，市場佔有率和市場行為的個案研究，僅能集中於近年的情況，即是分別從九一至九四年及從九零年至九五年中。本會亦盡量搜集截至九六年中的數據，以提供最新的市場資料。

## 市場結構

8. 私人住宅樓宇市場包括新樓和二手樓兩方面。後者的市場相較極為龐大，交易額亦相當可觀。在八五至九四年間，二手樓宇交易佔每年物業銷售量的六至七成<sup>5</sup>。但由於二手樓的業權分散，個別業主對市場的影響力，遠較蓋建新樓的地產發展商小得多。
9. 本港的新住宅市場非純由自由競爭力量支配，因為市場結構受以下兩大主要因素影響：
  - (1) 政府是新土地的獨家供應者，也是地產發展的監管者，因此政府對這個市場的影響，扮演著重要的角色；
  - (2) 私人物業發展，大部份集中在少數發展商身上。

## 政府的角色

10. 香港土地是稀有的資源，是政府收入的主要來源之一。九四/九五年間，政府從賣地方面的收益佔政府庫房總收入的 11%。政府決定新土地的供應量，也負責城市規劃和管理建設，甚至監管樓宇銷售方法。政府的房屋發展原則是：「提供充足土地，所需的基礎設施及促使私營機構投資於物業發展的經濟環境」<sup>6</sup>。同時提供健康的居住環境，和確保建築物的安全，並打擊過度投機炒賣。
11. 透過房屋委員會及房屋協會的建屋計劃，政府為半數以上的人口提供居所。如此規模的公共房屋，對私人地產市場有一定的影響。

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<sup>4</sup> 參閱第一章第十七段

<sup>5</sup> 根據理工大學顧問就土地註冊處私人房屋轉讓資料研究所得。

<sup>6</sup> 九四年六月政府土地供應和物業價格專責小組研究報告。

## 市場集中

12. 本會研究發現，一九九一年至九四年間，地產發展市場出現高度集中情況<sup>7</sup> (參閱附件三)：
  - (1) 70%新落成私人樓宇由七間大發展商興建
  - (2) 55%由四大發展商供應
  - (3) 有一發展商住宅單位供應量持續佔市場的25%
13. 高度市場集中不一定有問題，也不一定有違競爭。某程度上，市場集中可反映規模經濟所帶來的效率和地產商的成功經營策略，也可以顯示地產商對市場的信心，即使是在跌市期間。
14. 因此，需要繼續分析市場結構，以衡量其是否有「競爭威脅」(contestability)的存在。在一個具高度「競爭威脅」的市場，所有參與者均須作劇烈的競爭，使市場發揮高度效率，產品價格甚而接近成本。假若市場缺乏了競爭的威脅，新公司難以加入市場，在市場高度集中的情況下，可能出現濫用市場力量的潛在危險，例如，生產商有更多機會把產品的售價提高和從事違反市場競爭行為。當然，沒有市場可能達到「絕對競爭威脅」的程度(fully contestable)的。本報告研究這個市場現存「競爭威脅」的程度，和日後所可預見的「競爭威脅」。

## 市場是否存在「競爭的威脅」(Contestability)

15. 經濟學家 Demsetz, Baumol, Willig 和 Panzare<sup>8</sup>把市場「競爭威脅」定義為：
  - (1) 「自由」入市
  - (2) 退出時不費成本
  - (3) 新經營者能否迅速地加入市場競爭

## 入市和退出市場

16. 自由入市，意指新公司在加入市場時，毋須比業內其他經營者付出更高的額外成本。報告亦研究新公司是否會遇到其他較不利的因素。

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<sup>7</sup> 分析這段期間目的是反映目前的市場結構，而並非過往的情況。鑑於蒐集數據有困難，本會未能包括九五年的資料。地下鐵路公司在九一至九四年期間未有發展住宅樓宇，故不在分析之列。本會注意到，地鐵公司在過去十五年間共發展了三萬一千個住宅單位，相等於一年的私人地產商的建屋量。由於地鐵公司在機場鐵路沿線上蓋有建屋計劃，預料該公司在未來會形成強大的市場力量。不過，該公司各住宅建設計劃，均與其他地產商合作發展。在地鐵公司十三個興建共三萬一千個單位的發展計劃中，有九個發展計劃均與大型發展公司合作。(大型發展公司的市場佔有率最少為5%)

<sup>8</sup> 六八年四月出版的Journal of Law and Economics其中由Harold Demsetz發表的"Why Regulate Utilities?"一文。八二年在加州聖地牙哥由William J. Baumol, John C. Panzar, Robert D. Willig發表的"Contestable Markets and the Theory of Industry Structure"一文。

17. 在過去和現在，香港並沒有法律的障礙，阻止任何人士加入樓市成為地產發展商。不過，新經營者進入地產發展市場與原有大地產商競爭，卻存在以下不利因素：
- (1) 高昂的地價：香港地價高昂，九三至九五年間，具優秀潛質發展住宅物業的土地，每幅約二十至五十億元(附件四)<sup>9</sup>。八五年之前買入換地權益書和土地儲備的發展商，他們均有成本廉宜的土地，理論上，他們可以用較高的價錢向政府承投土地，其發展計劃的平均成本仍會較新經營者為低，這是新經營者的一個重要的障礙。有土地儲備的發展商以高價競投，後果是提高新發展商的入市成本。另一方面原有發展商持有的土地亦會升值；
  - (2) 高財務成本：經營者在安排財務信貸方面，所得的條件不能與有業績可循的大型發展商者相比。大地產商除可獲較低的貸款利息外，又可從其他財務安排如市場集資取得資金；
  - (3) 較弱的議價能力：大規模的發展商享有規模經濟，在聘用專業人士和承建商方面，擁有較大的議價能力；
  - (4) 購地途徑有限制：新經營者大多數倚賴政府每年有限的土地供應，手上沒有甲種及乙種換地權益書<sup>10</sup>的新發展商，未能參與某些土地投標。擁有土地儲備的大發展商又可維持一定程度的生產量(附件五)，不致受政府土地供應量的影響。
18. 有意見認為小規模發展商可組成集團，與大發展商競爭。這種做法在原則上似乎可行，但實際上，小型發展商可吸引業者合作的能力不大。況且，這些小集團若與大發展商組成的集團同時競投土地，也不易成功。
19. 外地公司一般只參與住宅市場一些外圍的發展，原因是它們對市場認識有限，缺乏本地良好的財務網絡，和可合作的承建商。此外，外地公司因祖家的地產市場的經驗、不同的評估風險方法或對香港前途有的顧慮等，未必會貿然進入市場。
20. 退出市場是否容易，主要是看是否可以收回龐大的購買土地成本。發展商欲退出市場時，能否在支付必須支出之後，把投入的資金帶走，端視當時市場的情況。

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<sup>9</sup> 九四/九五年和九五/九六年政府售地總收益分別為三百一十億元及四百五十億元。

<sup>10</sup> 政府批給換地權益書作為交換新界農地或建屋土地。部份發展商在七零年代和八零年代期間取得大量甲種及乙種換地權益書。

## 進入市場的速度

21. 由土地發展至建成樓宇需時約三至四年，因此新經營者不能在短期內加入或退出市場。

## 「市場威脅」的程度

22. 縱觀上述情況，地產市場不算屬於具高度「競爭威脅」的市場。在過去十年間，有若干大發展商改變經營策略，退出市場。市場不景亦淘汰了一些發展商。期間雖然有新經營者加入，但自八一年以來，沒有新的大型地產商打入市場(這是指有能力每年供應量達 5%或以上的新私人住宅樓宇發展商)。新經營者最大的入市障礙是有限的土地供應和高昂的地價。
23. 最近，投得地鐵公司九龍站物業發展第一期上蓋發展權的財團，包括來自新加坡和本地合夥人的投資，顯示外資公司需要與本地公司合作。至於市場結構會否因此而產生顯著的影響，仍屬未知之數。
24. 從研究資料顯示，市場結構自九五年以來，未有改變，在可見的將來，除了換地權益書的優先投標安排將有變更外(這是歷史遺留下來的承諾，將於九七年六月終止)，市場上出現大大加強市場競爭威脅的可能性亦不大。不過，一些大發展商參與發展機鐵沿線物業的發展，將須投入大量資金，它們在未來數年內對其他地區較小型物業發展計劃的興趣可能不大，這正好增加小型地產商建設其他地盤的機會。
25. 除此以外，市場的基本結構相信不會有多大改變：住宅土地的供應仍然緊張；發展商仍然持有約相當於總樓面面積七至八千萬平方呎的土地儲備(雖然有些地盤在發展住宅單位方面先要獲得政府批准)。大型發展商依然有獲得資金的方便之門。

## 來自非私營發展商方面的競爭

26. 來自新入市發展商方面的競爭壓力固然不大，另一方面，以提供基本住屋需求為主的公共房屋供應市場所形成的競爭壓力亦很小。政府津貼的住屋計劃，有多項資格限制，表示替代性只是單向，即公屋不能替代私人物業。政府鼓勵居者有其屋的政策增加市民對公營和私人住宅樓宇(買賣)的需求，而私人住宅在樓宇市場的比重不斷增加。

## 發展商的市場行為

27. 研究報告分析發展商的銷售策略、定價政策或其他市場行為，會否減少市場競爭和影響消費者利益。發展商有絕對自由決定其市場經營策略，但發展商選定的策略，自然是商業上最有利的策略，其實大大受到市場結構的影響。舉例來說，在土地供應充裕的市場，發展商的經營策略，肯定會與本港發展

商所採用的策略不盡相同，這是因為本港的土地供應是極有限制。又例如流動電話市場，由於入市的障礙很少，經常存在競爭威脅，隨時會有新製造商供應更廉宜及更先進的產品，所以流動電話經營商的市場行為與本港地產發商的行為自然有分別。這是因為本港的房地產市場有高度的入市障礙，況且，地產發展(建設樓宇)需要很長的生產時間。

28. 關於大發展商市場行為，我們就三個案作出研究。在九零年至九五年間，研究三個地區的新落成樓盤：將軍澳、馬鞍山、藍田(附件六 A)，我們發現以下情況：
  - (1) 樓盤的開售時間各不相疊
  - (2) 樓宇單位分成小批推出
29. 這種供應樓盤的方法，會減少消費者的選擇、推高了樓價、及減低消費者比較價格的機會。而且，在樓市興旺的時期，在某程度上，足令發展商影響市場的氣氛。據一些地產發展商稱，這些方法「實際上是發展商之間激烈競爭的結果」。但這種激烈的競爭最有可能是市場結構的結果(市場由少數參與者佔大比數的市場比率，又稱寡頭壟斷 oligopoly)，若是如此，這反映市場上的不完全競爭(imperfect market competition)，市場上缺乏「完全競爭」，並不符合消費者的最佳利益。
30. 另外三項個案研究，包括由九四年至九六年的 18 個月內(即樓市滑落后)，在大埔、元朗和沙田的樓盤(附件六 B)。不同樓盤的推出時間普遍亦有不同，即使樓盤的地區、類型和單位面積各異。樓宇單位亦分成小批推出。對發展商來說，這可以讓他們有機會測試市場的反應。但後果是供應量受到限制，是經濟學上「價格歧視」price discrimination 的一種，在高度競爭的市場不會出現。我們沒有資料顯示這類開售時間不相疊的情況，如何發生和有多普遍。
31. 從政府資料顯示，自九四年中樓市回落后，在一些情況下，大型發展商未能依預計竣工日期完成發展計劃<sup>11</sup>。例如，五大發展商原定於九六年完成共 10,400 個單位的九個建築計劃，已延至九七年初才完成，其中有兩個計劃，經已超過建築規約(building covenant)指定的落成日期<sup>12</sup> (附件七)。
32. 研究發現，由發展商持有的新落成樓宇單位的長期空置率(建成後兩年的單位)<sup>13</sup>較市場整體空置率為高 — 九五年的數字顯示該年新落成的單位，有 11%仍在發展商手中，而整體市場的樓宇總空置率為 4%。有些樓宇未能依發展商的價格出售。處於較為偏遠地區的樓盤比較少人問津，亦影響了銷售

<sup>11</sup> 根據差餉物業估價署提供的資料。報稱的竣工日期乃根據屋宇署資料，建築師與發展商的圖則及資料，及/或實地蒐集所得。

<sup>12</sup> 三個發展商(牽涉6,500住宅單位)回應本會的查詢，一位發展商說其兩個地盤分別因技術及地基問題而受影響。一名發展商稱其地盤將可依期完工。另一名發展商稱尚未取得政府的預售許可。備註：政府批准預售許可視乎樓宇的建築進度，究竟未取得預售許可和延期竣工，何者是因，何者是果，有待研究。

<sup>13</sup> 根據差餉物業估價署就新樓單位長期空置率走勢的季報普查資料。該署的普查樣本為17,300個新落成單位，九五年全部新落成單位為22,620個，整體市場樓宇的總數目為885,700個單位。

量。這些售價有時可能較二手市場的價格為低。在某些情況下，當有些樓盤售價顯著調低時，認購情形即時變得踴躍。如發展商願意減價或置業者不再觀望價格，決定入市的時候，這高空置率有可能降低。樓宇高空置率或樓價力求避免下調的情況，出現在高度競爭市場的機會不大。這情況，不符合置業者的利益。

33. 至於市場上樓宇單位供應量的問題，由九四年一月至九六年五月期間，經政府批出銷售樓花許可的住宅樓盤有五十七個，可提供的樓宇單位共四萬多個，但截至九六年五月，只有 40%在市面推出。其餘 60%的單位或是未曾推出，或留作內部認購。(受同意方案管制的樓盤，內部認購的單位數目限於全部單位的一成。)這種情況很少會在高度競爭的市場出現，因為若有高度競爭，發展商都會盡快把樓宇單位售出。
34. 本會又發現，在政府批出售樓許可後一個月內推出樓盤的，只有 7%。獲政府批准售樓與正式推出相距的時間，平均約為一百廿天，但有五個極端的例子，相距時間竟達五百四十天(附件八)。
35. 發展商明顯地配合市場氣氛來選定相對策。有時，他們會彼此激烈競爭，例如在競投土地方面，尤其是在市場處於升勢之時。有時甚至會發生興訟。這樣的情況或反映高度競爭的地產市場，同樣地，也可能是相互倚賴的寡頭壟斷市場的一種表現。
36. 雖然個案研究和上文所述的限制供應行為，可能減少了買樓人士的選擇機會和推高樓價，不過，這些行為從商業經營的角度來說，是精明之舉，並且，在香港的法律範疇下，這並不違法。發展商完全有自由決定何時推出樓盤，地產建設商亦表示「在自由的市場，發展商決定何時售樓與或是否把樓宇推出銷售，是一種商業決策」。又說：發展商一般希望能夠盡快把推出的單位沽清。但本會上述案例顯示，情況不一定如發展商的描述。地產建設商曾稱，在決定售樓策略時他們會事先考慮市場反應，對公司業績表現和股價的影響，以及當時市場的狀況等因素。
37. 香港土地稀少，加上新樓與二手樓市場明顯的分隔(下文討論)、造成對新樓的需求殷切，而新經營者入市又受到障礙。這些因素都足以解釋為何從大型發展商的觀點來看，他們所採取的市場策略是「正確」或最合乎商業經營的原則。假如新經營者易於打入市場，或有其他的競爭者可填補發展計劃的供應缺口，使市場具備威脅，發展商不容易維持現時所採用的策略。在當前的環境下，發展商的策略是誠實及合符商業原則的，但我們必須指出，他們可以這樣去做，全因為是現時的市場結構，讓發展商可以行使他們的市場力量。

## 發展商在市場的表現

38. 在八零年代初期，由於地產市道回落，地產市場的盈利回報並不明朗，有些發展商未能適應轉變而被淘汰。不過，地產商在八五至九五年間，業績極之可觀。四大發展商的盈利能力，遠勝股票市場的整體表現，這方面已經把巨額資金再投資於新土地方面計算在內。以個別樓盤的盈利能力來分析估計，在研究的五個個案、涉及十三個住宅樓盤中，以甲種及乙種換地權益書獲得土地的發展計劃收益特別高，相當於總估計發展成本的 77%至 364%(參閱附件九)<sup>14</sup>。在公開投標購入的土地上發展的計劃，估計所得邊際利潤在 6%至 109%之間。
39. 不過，據理工大學的個案研究顯示，有兩間規模較小的地產商，在樓市回落時(八零至八四年間)確又有 37%至 69%的虧損。買地方法，買地時間和樓盤完成時的市場環境，是決定發展商獲利程度的重要因素。

## 土地及房屋供應

40. 土地供應有限，是影響本港物業市場的一個決定性因素。

### 新土地供應

41. 政府謹慎控制新土地的供應，其中一個目的是為收益設想，同時，在九七年之前必需符合中英聯合聲明的規定。新土地多是屬於新填海區和新開發區。其供應步伐受到發展土地各種要求所限制，如交通運輸、提供基礎設施和環境改善等。政府自九四年公布「政府土地供應和物業價格專責小組研究報告」後，各部門已加緊協調，以期盡量提供更多土地以應需求。其他措施包括制訂一個土地供應量存貨清冊系統，和預留一年土地供應儲備，以應未能預計的外來需求。政府各部門已依計劃推行各建議，有關土地供應儲備建議，公眾尚未知道進展情況。
42. 從政府自八五年至九七年的土地分配數字顯示，住宅土地供應每年都不同，由 40 至 80 公頃不等。有充足的土地供應量，配合房屋需求才可以確保穩定的房屋供應(參閱第四章表一)。

### 重建發展用地

43. 香港的經濟模式已逐漸從製造業主導轉型為服務業主導，很多原在香港生產的廠房亦轉移到南中國，留下可供重建發展用地，可以考慮作發展住宅樓宇。雖然自九零年以來，三分之二的新建私人樓宇都屬重建發展計劃，但尚未全面發揮發展潛力，在觀塘和其他地區都有多幢工業大廈或地盤空置。土

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<sup>14</sup> 個案研究中以甲種及乙種換地權益書投標所得的土地成本，相當於樓宇單位價格的10-20%

地用途的限制、缺乏發展土地所需的基礎設施和環境改善、重建發展成本等，是充份發展這些地區必須克服的問題。

## 改變土地用途

44. 政府在闢拓新土地和審核改變土地用途需時，這也帶來進一步的限制。而私人住宅市場興建工程一般需要三至四年時間才可竣工，公共房屋則需時七年(包括地盤開拓工程在內)，故縱使增加了土地供應，樓房供應量的增長亦難以即時配合突然激增的樓宇需求。牽涉複雜的申請個案，有時甚至需時十年才完成。

## 房屋供應

45. 私人住宅樓宇的價格持續高企(相對平均收入而言)、長長的申請公共房屋輪候冊及冗長的輪候時間、以及新家庭組織速度等各因素，都足以顯示房屋供應遠遠未能滿足市場需求。由八零年至九五年的十六年間，私人樓宇供應量與政府預計供應量比較，其中有十二年低於預計的數字。預計及實際供應相差+9%至-35%之間。預計數字是據發展商的生產計劃和差餉物業估價署的評估。由於九五年、九六年和九七年的私人樓宇實際(或預計)供應量均較預期為低，意味在九八年至二零零一年間需要大大增加私人樓宇供應數量，才可補充不足之數，以實現政府在「長遠房屋策略」內設定的建屋目標及配合預計的需求量。在後半段時期，可能會有大量單位湧出的情況。
46. 供應量亦可能因發展商和炒家保留著若干物業，以致影響置業人士。「政府土地供應和物業價格專責小組研究報告」稱在九四年四月底，於九二年建成大型屋 的新樓宇單位，仍有 18%空置。小組認為這「無疑是屬囤積居奇的做法」，我們的研究發現，於九五年底有 14%新樓(約 2,500 個單位)在建成後兩年仍然空置(其中 11%由發展商持有(參閱第 32 段))。這些樓盤經已獲得政府批准發售。

## 市場分隔

47. 香港的物業市場明顯地有多層的分隔。基於樓齡、和物業座落的地區形成各自分隔的市場。一般消費者在考慮置業時多會優先選擇：
- (1) 新樓宇。(最好的例証就是雖然新樓單位佔房屋總數量的3-5%，但每年有近七成的按揭貸款是涉及樓齡在十年以下的物業)；或
  - (2) 市區樓宇。(九四年新界區的物業空置率為9.4%，整體的私人房屋空置率則為4.7%。)
48. 市場的分隔削弱了產品互相替代的能力，也限制了消費者的選擇，令第一手市場的樓宇(新樓宇)的需求更大。遇上物業市道向好，更形成新樓炒風熾熱，樓價風暴升至新的高峰時。市區新樓盤的售價亦成為較舊樓宇售價的指標。雖然全新樓宇和二手樓宇的售價似是互為影響，但由於後者的業權分散，而



大多數人又傾向選擇新樓，所以，縱然發展商佔整個樓宇市場的比率較小，但其發揮的影響力卻十分強大。

49. 融合分隔市場的主要障礙是：
- (1) 由於欠缺樓宇質素的驗證計劃和保養保證，影響了樓齡較高的住宅單位的轉讓潛力；
  - (2) 樓齡較高的住宅單位不易獲得按揭貸款；由八九年至九四年間，有七成按揭貸款是屬於樓齡十年以下的物業；
  - (3) 偏遠地區房屋單位的基礎設施計劃和交通運輸，未達消費者期望。
50. 市場分隔增加了新樓受重視的程度，相應地加強了發展商在香港地產市場的影響力。

## 建議

51. 研究顯示，本港新建住宅樓宇市場，並不存在高度的競爭，也缺乏了競爭的威脅。我們找出了一些妨礙競爭的因素，較顯著的有：土地供應短缺而且昂貴，此外，擁有土地儲備的發展商的優勢亦是重要的因素。但本會卻沒有發現發展商有互相串連的行動。我們認為他們所做的全都是順應當前市場結構的經營手法，衡量他們的成功和盈利能力的時候，亦要考慮市場的風險。不過，發展商在這市場結構下，採取這些經營方式，是否符合消費者的最佳利益，卻成疑問。
52. 雖然問題的癥結在於市場結構，但本會相信，要是為「改正」這局面，而要求政府採取激烈措施，即如類似美國政府把電訊業巨人的美國電話及電訊公司和美國鋼鐵拆細的做法，把大型發展商拆細，卻未必恰當。以香港的情況，就算拆細個別公司亦只能有限度地影響市場結構的基礎，且改善市場競爭效能卻有限。本會認為，應循以下途徑，致力促進競爭、改善市場的運作，和防止濫用市場力量，才是最佳的做法，這包括：
- (1) 促進市場結構的競爭性，減低入市障礙，增加新樓及二手樓市場的相互替代能力；
  - (2) 採取措施，制止防礙市場競爭的行為；
  - (3) 讓消費者有取得可靠資料的途徑。

## 改善市場結構的競爭性

### 建議一：

#### 減低新公司入市的障礙

53. 增加市場經營者的數目可以加強競爭，這樣有助於改善市場效率。我們認為政府應設法鼓勵新的地產發展商加入市場，一如在電訊市場引入新的競爭者。政府亦可有系統地考慮對地產市場有直接或間接影響的競爭政策。為此，本會促請政府採取以下行動：

## 檢討政府拍賣土地的大小規模

- (1) 考慮一些足以讓小型發展商有能力加入競投優秀地皮的方法。這是相對過往政府批出極大幅的土地而言。例如，政府批予地鐵公司發展機場鐵路沿線的土地由 4公頃至21公頃，所涉及的地盤面積很大、須動用很多資金，地鐵也要分期發展。因此，政府應檢討現時拍賣土地的大小規模，考慮提供多些面積大小「適中」的地盤，讓發展商興建住宅，這樣既可照顧到市民的期望，同時可容許多些公司參與發展。這做法需要政府採用更有想像力的行動及透過詳盡的規劃指引，使這些相連的地盤都可以有良好整合的環境及設施，一如一個大型的發展計劃。

## 改善發展機制的效率

- (2) 政府應分配更多資源，使無論屬規模大或小的住宅樓宇建設或重建計劃，都可獲得迅速處理及調協發展機制的協助。加快審批圖則和建築申請毋疑會增加私人樓宇生產率，但政府應監察發展商，在政府加快了審批效率後有沒有相應地在市場上推出樓宇單位。

## 開放更多機會予新競爭者

- (3) 開放更多機會予小型發展商，參與由政府或半官方機構的物業發展計劃，以培養他們扮演更重要的角色。例如私人參建居屋計劃及土地發展公司重建計劃等。舉例來說：
  - (i) 政府或公營機構，在可能情形下，應讓承建商或小型發展商參與一些發展計劃，以使他們取得更多經驗，以便日後承建較大型的計劃。同時政府亦須考慮各種鼓勵方法，如讓發展局在計劃管理、設計及發展程序方面等，有較大的自由度，以吸引他們去參與私人參與興建計劃。
  - (ii) 本會支持政府在其市區重建計劃文件(九六年六月發表)內提出的建議，加強土發公司的任務，注入更多資源，並把該公司的地位提升為市區重建委員會。這樣使升格後的土發公司，在發展建設計劃和選擇合夥人方面，有較大的自由度，毋須抵倚賴大型發展商提供資源。

## 建議二：

### 改善住宅用地供應

#### 54. 政府應：

- (1) 在闢拓新土地和重建發展用地方面作出妥善安排，確保土地的供應可以獲得持續；
- (2) 公佈出五年的賣地計劃，並盡量維持每年的供應量，這樣對倚靠政府供應土地為主的新發展商有特別的幫助。

56. 為發揮現有土地的最大用途，政府應：
- (1) 把更多舊工業用地重新區劃作住宅用途，以配合香港經濟轉型；
  - (2) 考慮或鼓勵商界投資，在改善環境及基礎設施上，以便可以更快把未充分利用的工業地盤興建住宅；
  - (3) 檢討分區發展大綱圖規限的最高發展地積比率，在環境和基礎設施的因素許可下，放寬限制。

### 建議三：

#### 平衡房屋的供求

57. 政府應檢討其預計樓宇供應量的方法，並與地產建設商會商議如何改善報導統計資料，讓政府即時得知發展商在工程進度方面的改變。
58. 政府應支持私人發展商土地發展，興建房屋的角色。政府須特別關注非因樓宇工程所引致發展計劃延遲的原因。例如：
- (1) 若因基本設施問題引起的，可考慮改由發展商負責提供建設，並加強運輸署、地政署、規劃署及屋宇署之間的合作。
  - (2) 有關於規劃和各種申請的批核，政府應確保有足夠資源去進行。例如設定服務承諾的時間規限，加強部門的內部合作，以及訂定快速、有效率和簡明的行政程度。政府已就進一步簡化更改批地契約和換地權的程序，作出顧問研究，本會相信這樣會帶來進一步的改善。
59. 最理想的情況是讓自由市場機制自行發揮力量，政府盡少插手。但是在樓宇的市場中，就算採納了以上各建議去改善自由市場的運作，仍不可能在短期內改善競爭情況。鑑於改變市場結構需要時間，而住屋的需求確又十分迫切，所以政府對發展商仍應有合理監管。
60. 政府在考慮土地供應有限和建設需時的因素後，應設法確保住宅樓宇的供應量能配合需求。為貫徹建築規約的精神，政府應：
- (1) 改善批地契約內的建築規約條款，訂明發展商在一定的時間內(但可給予最多有六個月寬限期)，在市場推出樓宇單位。這樣做法是為確保建成的樓宇單位一定會在市場供應，但政府上卻毋需指定銷售日期。這方面的安排，應在政府公開賣地和與發展商簽署協定時說明清楚。
  - (2) 注視發展商過往的表現。若發展商沒有足夠理由但又經常不依規約規定的日期在市場推出樓宇單位，政府再次審批該發展商的其他申請時，(例如在處理加快審批該公司新的建築計劃、或改變土地用途申請方面)，應同時考慮該發展商的過往表現。

61. 公共房屋供應方面：

- (1) 政府應確保提供二十四萬個公屋單位的建設目標能夠在九七年至二零零一年間穩步完成。若這預計的目標未能依期達到，肯定會相應影響私人樓宇的需求。
- (2) 本會歡迎政府宣布土發公司將會發展更多住宅樓宇。

建議四：

提高樓齡較高和較偏遠地區物業在市場的轉讓潛力

62. 當前急務是減低新舊樓市場的明顯分隔、改善樓齡較高物業的按揭安排，令消費者有更多選擇，促進競爭。要採取的行動包括：

(1) 增加市場對舊樓的信心：

- 銀行若對舊樓按揭有更大支持，會減低消費者對新、舊樓宇單位需求的不平衡情況；
- 消委會支持香港測量師學會建議的樓宇質素驗證計劃，以評估樓宇的品質；
- 消委會促請新樓發展商提供全面的建築保養保證 (building warranties)，使物業在落成後一段長時期仍有良好的轉讓潛力。

消委會又贊同政府引進強制規定建築物的檢驗計劃；予業主立案法團更大權力，改善樓宇的公用地方；及設立維修基金等。

(2) 樓宇按揭貸款

- 本會相信政府建議的按揭証券公司，有利於促進住宅樓宇按揭貸款市場發展。本會支持成立按揭証券公司，但政府必須在風險管理方面作適當安排，並讓樓齡較高的物業有較大機會獲得按揭貸款。
- 政府亦可同時考慮其他辦法，以鼓勵設立專門的樓宇按揭貸款公司，讓消費者有更多按揭機構選擇，使未能符合較嚴格的銀行按揭貸款規則、但又有意置業的人士，獲得財政上的支持。若按揭証券公司未能成立，市場上更需要有專門的樓宇按揭公司。

(3) 改善交通運輸設施

若能改善偏遠地區的交通及基礎設施，有助舒緩整體的房屋需求。本會建議政府改善較偏遠地區的運輸和基礎設施，增加消費者在這些地區置業的意欲。

## 引進措施，防止違反市場競爭的行為

### 建議五：

#### 訂立業界守則

63. 政府應盡快實行法律改革委員會的建議，規定無論屬「同意方案」及「不受同意方案管制」的樓花買賣，均須透露必要的資料。此外，政府應一視同仁，確保「不受同意方案管制」的樓盤亦同樣受防止投機炒賣措施的約制，避免因過度炒賣，扭曲市場的正常運作。事實上，消費者亦未必能夠分辨兩類方案樓盤的分別。
64. 政府應與地產建設商會合作，為私人住宅樓宇發展商訂立守則，讓消費者掌握較準確的資料：
  - (1) 售樓說明書必須有正確及充足的資料；
  - (2) 對「不受同意方案管制」的樓盤開賣方法，協定守則，例如地產建設商會就抽籤辦法訂定的細則；
  - (3) 劃一量度樓宇面積的方法，規定以實用面積而非建築面積為單位。

### 建議六：

#### 確保公平的市場競爭

65. 地產發展業和廣播業和電訊業不一樣，地產業並沒有任何法例或專定發牌條款規管經營者的公平競爭情況。本會認為香港需要公平競爭法例，而該法例將可適用於地產發展業，確保市場上不會出現有違反競爭的行為，例如劃一定價、合謀行動等，以保障經營者和消費者的權益。

## 提供可靠的市場資料

66. 消費者必須有充足的資料作理性的選擇，同時使市場有效率地運作。

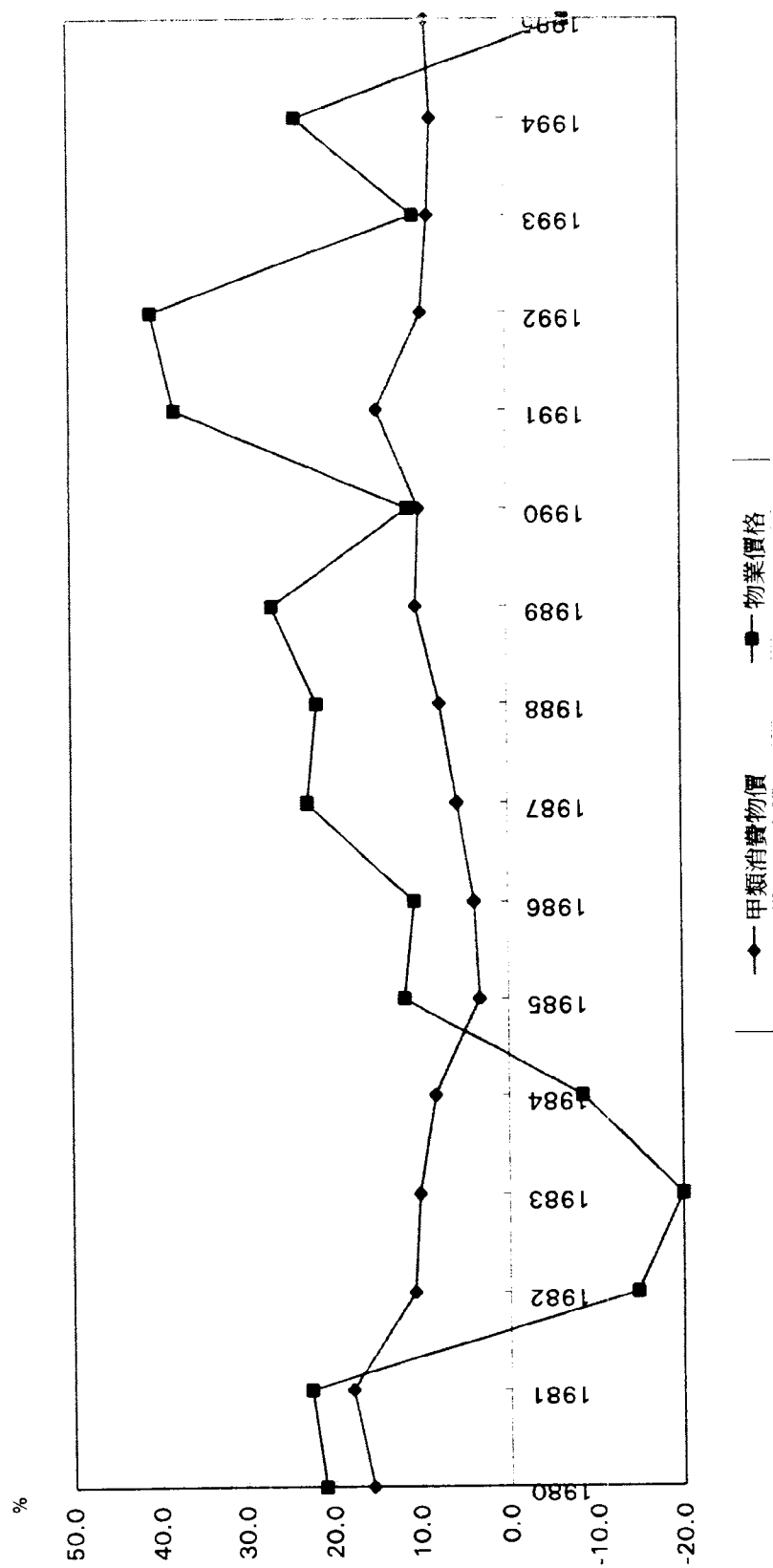
### 建議七：

#### 增加透明度

67. 「同意方案」的樓盤，發展商向政府申請預售的時候，應列明其銷售計劃，如每批銷售的單位數量和推出時間，並說明該些單位是否會公開發售，或供內部認購。發展商可以改變其銷售計劃，但須通知政府和公眾。這樣可方便政府預計房屋供應情況，有意置業人士亦可根據這些資料，慎作決定。如計劃有改變，發展商必須知會政府，但毋須取得批准。
68. 政府應研究如何讓市民取得更多的房屋資料。協助作出明智選擇，不致被市場傳聞困擾而無所適從。擬議的政府中央數據庫集中了政府各部門的資料，方便政府及時提供全面的地產市場分析資料。

69. 政府應確保各部門，處理涉及土地和地產發展方面的問題，能貫徹服務承諾，增加透明度，例如：定期發表各項地產發展計劃進度或延誤的資料。為配合政府開放的態度和精神，政府應把批准延長建築規約期限的理由公開。

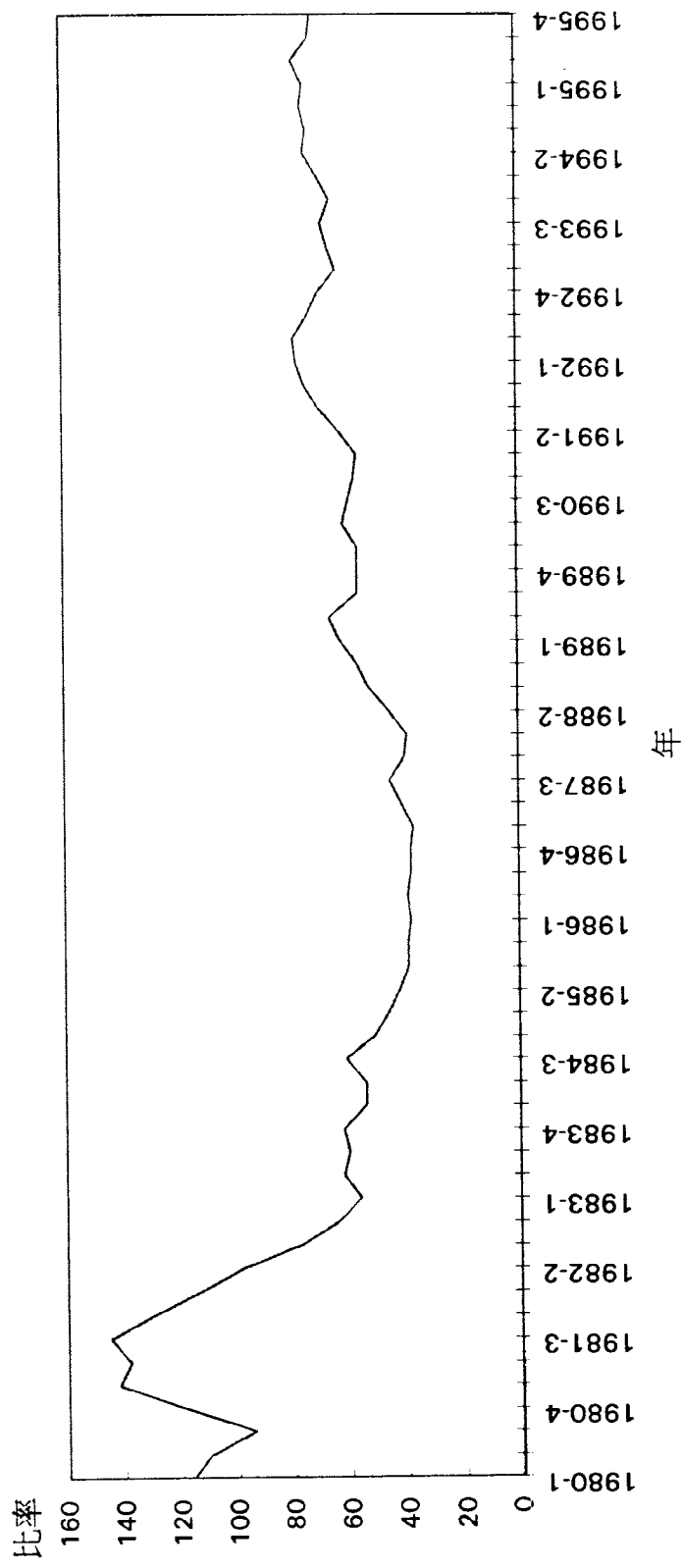
附件一：物業價格指數(所有類別)及消費物價指數(甲類)變動 - 按年增長率



資料來源：香港統計年刊

附件二：置業人士的供款負擔能力 - 每月樓宇按揭供款佔中位家庭收入的百分比

以購買一個面積四十平方米的住宅單位計算\*



註：\* 以七成按揭成數計算  
資料來源：財經事務科經濟分析組



## 附件三：新建房屋供應的市場集中情況

### 研究方法

1. 理工大學分析差餉物業估價署的入伙紙數字，經詳細分析，發現近年香港興建的房屋由十一間公司提供，其中九間為上市地產公司。這次的分析亦涵蓋所有由這些發展商附屬公司發展的建屋計劃<sup>1</sup>。

2. 若是一項合作發展的建屋計劃，個別發展商獲分配的單位數目是以其在該計劃的佔有率來按比例計算。倘發展商是與非地產發展機構合作建屋(即如地盤業主)，在此情況下，不會按比例分配，而是把全部建屋單位納入該發展商名下。

### 市場概況

3. 表1顯示，由九一年至九四年，上述十一間發展商合共建成的樓宇單位，佔每年私人房屋單位總數的60-80%。以住宅樓面面積計，他們所佔的相當於總樓面面積的63-89%。餘下的樓宇單位，相信是由其他外圍發展商所瓜分。

表1: 九一年至九四年十一間發展商的新樓宇單位的市場佔有率

發展商	1991	1992	1993	1994	1991-94
A	30%	30%	15%	28%	26%
B	12%	9%	11%	8%	10%
C	5%	7%	10%	16%	10%
D	10%	17%	3%	7%	9%
E	6%	4%	5%	11%	6%
F	2%	3%	4%	4%	3%
G	1%	0%	0%	0%	0%
H	0%	0%	0%	2%	1%
I	1%	3%	0%	1%	1%
J	3%	6%	3%	9%	5%
K	3%	5%	9%	0%	4%
合共	72%	82%	60%	86%	75%

4. 表1亦顯示，這十一位發展商的市場佔有率每年有別，視乎其建設計劃和生產策略而定。表2列出為首五名發展商的等級，並顯示這五名發展商每年興建的房屋佔去總供應量的51%-71%。在這51%-71%的供應量中有75%屬首三名發展商所有。若以住宅樓面面積計，該三名發展商的等級和市場佔有率亦大致相同。

<sup>1</sup> 地下鐵路公司在91-94年期間未有發展住宅樓宇，故不在分析之列。本會注意到，地鐵公司在過去十五年間共發展了三萬一千個住宅單位，相等於一年的私人地產商的建屋量。由於地鐵公司在機場鐵路沿線上蓋有建屋計劃，預料該公司在未來會形成強大的市場力量。不過，該公司各住宅建設計劃，均與其他地產商合作發展。在地鐵公司十三個興建共三萬一千個單位的發展計劃中，有九個發展計劃均與大型發展公司合作(大型發展公司的市場佔有率最少為5%)。

表2: 九一年至九四年首五間發展商新樓宇單位的市場佔有率

次序 (高至低)	1991	1992	1993	1994	1991-94 (平均數)
1	A	A	A	A	A
2	B	D	B	C	B
3	D	B	C	E	C
4	E	C	K	J	D
5	C	J	E	B	E
首五間發展商的 市場佔有率	61.5%	68.1%	51.0%	70.8%	60.3%
首三間發展商的 市場佔有率	51.1%	55.0%	37.0%	54.7%	45.2%

5. 很明顯，新建私人房屋供應高度集中於少數的發展商身上，尤其A、B、C三名發展商，過去四年來，一直名列私人房屋單位供應市場首五大發展商的名單之內。發展商A無論在住宅單位數目或樓面面積方面，都持續佔着榜首地位。過去四年有三年發展商A所建的總房屋單位每年均不少於28%，總住宅樓面面積計算，則為29%。雖然這些數字只有在九三年分別跌至15%及17%，但當時各大發展商的市場佔有率均告下跌。

根據樓宇單位面積計算的市場佔有率

6. 研究又探討這些地產商興建不同類別房屋的市場集中情況。房屋類型以差餉物業估價署的房屋單位大小分類為根據。

7. 表3分別列出探討所得的資料。一般來說，這十一位發展商在多種類型房屋供應方面，都有很高的市場佔有率，尤其是B類和C類房屋單位，即實用面積在40平方米至99.9平方米的單位。在九一年至九四年間，他們建設這兩類型房屋單位的合共市場佔有率持續高於所有類別房屋的總平均，數字由62%以至驚人的93%。

表3: 九一年至九四年各類房屋單位的市場集中情況

1991	A類	B類	C類	D類	E類	總平均
十一間大發展商市場佔有率	34%	78%	91%	63%	50%	72%
1992	A類	B類	C類	D類	E類	總平均
十一間大發展商市場佔有率	71%	92%	85%	49%	23%	82%
1993	A類	B類	C類	D類	E類	總平均
十一間大發展商市場佔有率	51%	62%	91%	48%	10%	60%
1994	A類	B類	C類	D類	E類	總平均
十一間大發展商市場佔有率	70%	92%	93%	87%	99%	86%
1991-94(平均數)	A類	B類	C類	D類	E類	總平均
十一間大發展商市場佔有率	59%	79%	91%	65%	50%	75%

附件四：1993-95年政府住宅用地拍賣結果

日期	樓宇編號	用途	位置	地區	地積面積 (平方米)	建築地盤最低 樓層面積 (平方米)	建築地盤最高 樓層面積 (平方米)	價格(百萬港幣)	估計單位 平均面積 (平方米)	估計單位數目*	估計樓宇總規模(大小)**	買家	發展商
12-Jan-93	NK1 6157	CR	Shung Lung St. & Yi Lun St.	Sun Po Kong	3093	3000	3093	\$706.00	60	600	大	Bright Success Inv. Ltd.	Men Fung Dev.
12-Jan-93	YL1 1035	R2	A. Coia's Rd.	Yuen Long	1395	5270	6270	\$360.00	163	163	小	Amazing Wave Inv. Ltd.	Empor Inc'l Holdings Ltd.
12-Jan-93	YLT 456	R2	Town Park Rd. North	Yuen Long	10320	18576	30960	\$345.00	100	310	小	Good Faith Ltd.	Sun Hung Kai Prop.
3-Feb-93	NK1 6160	CR	Lung Cheung Rd.	Diamond Hill	26080	96000	169700	\$3,650.00	50	3194	大	Chania Co. Ltd., Midson Co. Ltd., Westlake Co. Ltd., Bright Smart Ltd. & Excellent Base Ltd.	World Int'l. Wharf, HK Realty & Trust
30-Mar-93	STL 393	R1	Mt On Sheen Town Centre Area 100	Sha Tin	8450	2889	43151	\$980.00	65	684	大	Farmay Co. Ltd.	Sino
30-Mar-93	LOT 4284, DD124	CR	Hung Shui Lung	Yuen Long	1844	7100	103	\$155.00	65	103	小	Yuen Long Inv. Ltd.	Kerry Prop.
22-Jun-93	STL 96	CR	Mt Shu Path	Sha Tin	16320	5644	9740	\$605.00	100	170	小	Yuen Long Inv. Ltd.	Sino
9-Jul-93	YLT 486	R1	Town Park Rd. North	Yuen Long	10320	18576	30960	\$286.00	95	189	小	Mount City Ltd.	Sino
9-Jul-93	YLT 488	R1	Castle Peak Rd.	Yuen Long	2783	11000	19800	\$297.00	100	131	小	Fair Gain Ltd.	Sino
29-Nov-93	YLT 419	R2	Mt Tin Rd. Yuen Long	Yuen Long	4360	7830	13050	\$18.00	85	28	小	Ever Lead Ltd.	HK Kinco Holdings Ltd.
29-Nov-93	LOT 723, D04	NIND	Mt Wt. Lantau Island	Lantau Island	840	840	1980	\$3,940.00	85	28	小	Ming Investment	Sino, DBS, China Wah
15-Dec-93	NK1 6924	R2	Off Lung Ping Rd.	K'n.	43520	49140	67811	\$82.00	85	75	小	Active Benefit Ltd.	Ka Wah Prop.
15-Dec-93	P. C. LOT 861	CR	Peng Chau	Peng Chau Island	1945	4900	44378	\$2,140.00	85	654	大	Credit World Ltd.	Sino
1-Mar-94	YTL137	R2	Area 7, Tai Po	N.T.	18490	28626	44378	\$2,140.00	100	376	大	Lead Bright Ltd.	Hang Lung
1-Mar-94	NK1 1044	R2	10 Ma Tau Wai Rd. & Farm Rd.	K'n.	7099	22620	37600	\$850.00	100	1610	大	Great Profit Dev. Ltd.	Cheung Kong Sino
25-Mar-94	NK1 1263	R2	Area 4C, Town Man	Yuen Man	2877	18600	25994	\$2,040.00	85	1760	大	Microtron Ltd.	Kwong Sang Hung
25-Mar-94	YSL1178	R1	Fung Kuan St., Yuen Long	Yuen Long	20780	84112	108853	\$510.00	85	1180	小	Ching Hee Inv. Ltd.	HK Park View Group Ltd.
25-Mar-94	YSL1179	R1	Yuen Long	Yuen Long	8888	18000	282	\$190.00	85	1180	小	Yuen Long Inv. Ltd.	Yuen Long
28-Jul-94	YTL1179	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1180	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1181	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1182	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1183	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1184	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1185	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1186	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1187	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1188	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1189	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1190	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1191	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1192	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1193	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1194	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1195	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1196	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1197	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1198	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1199	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1200	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1201	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1202	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1203	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1204	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1205	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1206	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1207	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1208	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1209	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1210	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1211	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1212	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1213	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1214	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1215	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1216	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1217	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1218	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1219	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1220	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1221	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1222	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1223	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1224	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1225	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1226	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1227	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1228	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1229	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1230	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1231	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1232	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1233	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1234	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1235	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1236	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1237	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1238	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1239	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1240	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate
28-Jul-94	YTL1241	R2	Area 19, Luen Wo Hui	Yuen Long	2300	1141	19040	\$310.00	85	117	小	Admiral Inv. Ltd.	Peking Estate

附件五：地產發展商的土地儲備

1. 香港理工大學分別向兩間證券分析公司搜集有關資料，以估計發展商的土地儲備可建成的住宅樓面面積(表一及表二)。根據這些估計數字，本港的主要地產發展商在不需要填補土地儲備的情況下，仍然有足夠的土地儲備支持未來多年的住宅樓宇興建。

表一：主要地產發展商的土地儲備估計

發展商名稱	土地儲備(百萬平方呎)	香港(%)	九龍(%)	新界(%)
新鴻基	24.5	3	18	79
恒基	18.9	16	19	65
長江	17.1	10	34	56
新世界	6.7	33	15	52
恒隆	3.6	10	15	75
信和	3.1	0	45	55

資料來源：Lam (1995)，渣打証券研究有限公司。

表二：地產發展商土地儲備可建住宅樓面面積估計

發展商名稱	樓面面積(百萬平方呎)
新鴻基	27.3
恒基	21.2
新世界	16.2
長江	15.4
信和	4.4
恒隆	4.3

資料來源：怡富証券有限公司, 1994年。

2. 地產發展商擁有的土地儲備有部分是甲種及乙種換地權益書(表三)。這種權益書可使發展商投標新界某些官地權時，獲得很大方便。甲種及乙種換地權益書是取得發展某些新界官地的唯一方法。

表三：估計地產發展商持有的甲種及乙種換地權益書

發展商名稱	甲種及乙種換地權益書地盤面積(百萬平方呎)
新鴻基	16.0
新世界	14.0
恒基	12.3
長江	7.8
恒隆	0.7
信和	0.5

資料來源：怡富証券有限公司, 1994年。

## 附件六：發展商的市場行爲

### A 部

1. 香港理工大學研究顧問深入分析發展商的市場行爲，包括不同發展商在銷售價格及時間上是否存在競爭及競爭的情況。
2. 研究範圍爲四間發展商於九零至九五年中在將軍澳、馬鞍山、藍田發展的八個樓盤。在前兩地區有不同發展商的樓盤，可藉此探索在具潛在競爭的市場中，發展商的市場行爲。第三個研究地區只有一個大發展商的新樓盤，可反映由一個發展商佔大部分市場比率的情況。發展商均經由換地權益書及換地取得有關土地。

### 個案一：將軍澳

3. 這個案包括兩個住宅樓盤，分別是：
  - (a) 慧安園(南豐)
  - (b) 富麗花園(恒基)
4. 慧安園屬於將軍澳首個私人住宅樓宇發展計劃，第二個是富麗花園。兩處土地均是發展商於九一年以甲種及乙種換地權益書投標所得，毗鄰左右。兩個樓盤均是計劃用作興建大型屋邨，銷售日期相若。因此，發展商所訂的價格及市場策略值得研究。
5. 表 1 撮錄了上述兩個樓盤的銷售策略。兩個樓盤都已獲得銀行同意予個別買家貸款。南豐的慧安園是將軍澳第一個私人住宅樓盤計劃，緊接是恒基的富麗花園。

### 樓價

6. 發展商出售各單位的售價似是基於(1)同類樓宇在二手市場的成交價，及(2)競爭對手的訂價。
7. 由於慧安園是該地區最早出現的私人住宅樓盤，當時區內並沒有二手樓。爲了測試市場反應，南豐早在九三年三月初開售前，推出第一座的單位作內部認購，認購方式未有披露。但幾日間，二手樓價已升至每平方呎 2,500 元，證明市場反應理想。南豐參考此二手價來訂出公開發售的價格。

表 1: 價格策略及市場反應 - 將軍澳

日期	慧安園				富麗花園			
	座數	單位數目	首日售出單位(%)	平均每平方呎價格	座數	單位數目	首日售出單位(%)	平均每平方呎價格
4/3/93	1-4	1,280	獲批准出售					
18/3/93	3	320	100%	\$2,784				
11/5/93					1,2	688	獲批准出售	
30/5/93					1	120		\$3,170
11/7/93					2	60		\$3,666
11/7/93					2	40		\$3,666
11/9/93					1,2	128		\$3,685
2/10/93	4	169		\$3,526				
13/10/93					1,2	110		\$3,669
16/10/93	4	169		\$3,534				

9/11/93					1,2	103		\$3,676
9/12/93					1,2	100		\$3,671
9/2/94					1,2	68		\$4,228
7/3/94					1,2	55		\$5,642
28/5/94					1,2	52		\$5,542
19/8/94					1,2	108		\$4,700
20/10/94					1,2	105		\$4,460
26/11/94					1,2	97		\$4,445
24/12/94					1,2	96		\$4,448
23/1/95					1,2	93		\$4,152
23/3/95					1,2	76		\$4,211
1/5/95					1,2	73		\$4,021
27/11/95					1,2	44		\$3,759
11/1/96					1,2	28		\$3,675
5/2/96					1,2	18		\$3,987
30/5/96					1,2	6		\$4,618
26/6/96					1,2	5		\$4,856

資料來源：《香港地產》、地政署、及由富麗花園發展商提供樓盤資料。

8. 慧安園第三座合共 320 個單位於九三年三月十八日推出市場發售，平均售價每平方呎 2,784 元。市場反應理想，全部售罄；在二手市場的價格隨後攀升至每平方呎 3,100 元。
9. 恒基明顯是根據二手市場來訂定價格。該發展商於九三年五月三十日，公開發售富麗花園第一座 120 個單位，平均每平方呎售價 3,170 元，較慧安園首次售價高出 14%。120 個單位結果超額認購，發展商因而加推單位入市場，平均每平方呎售價升至 3,666 元。
- 10 恒基在九三年七月十一日，分兩次推出富麗花園第二座 100 個單位，平均每平方呎 3,666 元。市場吸納緩慢，結果只售出六成單位，當時正值樓市下調，亦適逢政府推出打擊樓宇炒賣活動計劃。
11. 南豐於九三年十月最後一次公開發售慧安園的單位，分兩次發售 338 個單位，平均每平方呎為 3,526 元和 3,534 元。

#### 出售時間

12. 這兩個樓盤的開售時間各不相疊，通常相差二至三個月，傾向輪流推出樓盤。
13. 研究顯示南豐和恒基獲政府批出預售樓花同意書，可分別於九三年三月四日及五月十一日，發售所有單位。獲准預售樓花後，發展商確實把樓宇單位分成小批推出，但不能確定他們是否曾協調發售的時間表，或這是他們考慮過競爭對手的行動後，獨立訂出的商業決策。這種供應方式有優點也有弱點。優點是：資金有限的置業人士可有機會認購兩個樓盤的單位。若有關樓盤十分受歡迎，這種做法可免銀行在短時間內凍結大量資金，及銀行之間先後有大量資金流動。缺點是：缺乏競爭令消費者少了選擇及面對更高的樓價。此外，這種情況也可能鼓勵「熱錢」流入，以及投機活動。

## 出售單位數目

14. 兩間發展商沒有公開發售所有單位。根據《香港地產》數據，慧安園 1,280 個單位中，只有 658 個(51%)公開發售；富麗花園 688 個單位中，僅 220 個(32%)曾公開發售。其餘單位由發展商經內部認購或其他途徑出售。
15. 發展商藉著內部認購減低積存的風險及測試市場的反應。內部認購人士的資料並非公開，顯然這些人士較公眾有優先購買權。有些內部認購單位在二手市場出現。慧安園第一座部分單位在二手市場的價格是每單位的原訂售價加 30,000 元。
16. 這些樓盤公開發售時，全部經由買家認購和電腦抽籤進行。發展商慣性採用的手法是把整個樓盤分為小批推出，取得理想的市場反應後，加推單位。發展商可通過限制市場上每次推出的樓宇單位供應量，令樓價有機會提高。

## 個案二：馬鞍山

17. 馬鞍山是新界區新近發展的新市鎮。個案研究了四個樓盤：
  - (a) 新港城(恒基) — 經甲種及乙種換地權益書
  - (b) 馬鞍山中心(南豐) — 經甲種及乙種換地權益書
  - (c) 海栢花園(長江) — 現金投標
  - (d) 雅典居(新鴻基及青年會合作) — 私人協議方式批地
18. 馬鞍山過去三年的新落成私人住宅樓宇供應主要來自上述四個樓盤。表 2 列出四個樓盤的獲准出售日期、平均每平方呎價格、單位數目及售出數目。

表 2: 價格策略及市場反應 - 馬鞍山

日期	新港城				馬鞍山中心				海栢花園				雅典居				
	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	
04/82	A,B	480	獲批准出售														
23/82	A	240		\$3,182													
14/82	C,D	480	獲批准出售														
14/82	C	240		\$3,311													
30/83	N,P,Q,R	828	獲批准出售														
30/83					1-4	1,048	獲批准出售										
19/83	N,Q	232		\$3,203													
7/83					2	280	70%	\$3,104									
15/83	P	232		\$3,345													
28/83	R	172		\$3,786													
7/7/83					3	128	80%	\$3,808									
23/7/83												1-10	1,184	獲批准出售			
31/7/83						120	-	\$3,814									
14/8/83												2,3,6,7,8	494	95%	\$4,457		
27/8/83					3	171	-	\$3,882									
4/9/83												9	104	80%	\$4,686		
8/1/84												1,4	100	80%	\$4,856		
8/1/84												1,4	58	80%	\$4,953		
23/1/84												9	52	95%	\$5,190		
23/1/84												9	48	95%	\$5,313		
12/84	E,H, J-M	2,256	獲批准出售														
30/84	J	106		\$4,707													





個單位以每平方呎 4,457 元開售，95%售出。在 93 年 3 月至 8 月期間，主要有新港城及馬鞍山中心推出的單位發售，兩者銷售時間沒有重疊，並且銷售價格也沒有受對手的樓盤價格影響向下調低，反而上升。隨著市場向上攀升，馬鞍山的樓盤價格亦於九四年三月至四月升至高峰。

21. 九四年三月，政府表示有意干預過熱的地產市場，地產市道便漸漸冷卻。恒基在九四年五月減價促銷，成功以每平方呎 5,048 元至 5,354 元賣出新港城 68 個單位。南豐把馬鞍山中心的售價減至每平方呎 4,710 元。在樓市淡靜時，為吸引置業人士入市，恒基進一步減價，但價格高於最初開盤時的水平。結果，在九四年八月至九月間，有 168 個新港城單位售出，售價每平方呎 4,608 元至 4,770 元。
22. 政府管制預售樓宇轉讓，長江的海栢花園首先被該規定所影響，當時海栢花園是區內最後一批新樓。九四年十月，海栢花園首批 422 個單位以平均價每平方呎 4,400 元售罄，售價接著逐漸提高，最後一批加推單位售價每平方呎 5,100 元。以當時頗為淡靜的市場環境來看，長江可說是成功地從區內其他主要發展商手中，爭取到相當數目的買家，賣出約 800 個單位(佔海栢花園 1,102 個單位的七成)。
23. 在這個案中，可見發展商在樓市淡靜時，會調低售價，其中以恒基的新港城和南豐的馬鞍山中心便出現這情況。兩者的市場推廣期相若，在消費者眼中亦是近似的代替品。長江的海栢花園較遲發售，但價錢卻較新港城吸引。例如海栢花園在九四年十月首批推出市場的售價是每平方呎 4,400 元，低於新港城於九四年九月廿五日發售的每平方呎 4,770 元。新鴻基的雅典居則似乎並沒有跟隨其他發展商，將價格下調，可能是因為其售樓對象乃豪宅買家之故，而其大部分的單位亦能在九四年初售出。

#### 出售時間

24. 香港理工大學觀察發現，市場會出現地產商輪流推出樓盤的情況，樓盤推出所相隔的時間平均有廿多天。而這些樓盤，如新港城和馬鞍山中心，其市場推銷期(如賣廣告)會有些微重疊，但實際推出發售的時間卻沒有重疊。
25. 在這個案中，所有地產商都是在遠早於樓宇公開發售日期前，取得政府的售樓同意書。可見他們均在發售物業前訂下了長遠的計劃。

#### 出售單位數目

26. 發展商沒有把物業的所有單位一次過推出市場，而是將單位分期發售，每期再分小批推出，測試市場反應。在是次研究期間，根據《香港地產》的資料，新港城售出約 45%的單位、馬鞍山中心 82%、海栢花園 72%、雅典居 76%，所有單位均是以登記認購及電腦抽籤售出。餘下的單位則是被發展商留起、內部認購或正在興建中。

#### 個案三：藍田

27. 藍田建有兩個大型私人屋邨，分別是麗港城和滙景花園，兩者的發展商都是長江。長江除獲得兩個屋邨本身的發展地盤外，亦購得鄰近的一些樓宇用地。通過計劃申請書及更改批地契約，長江把土地發展成私人屋邨。滙景乃地鐵上蓋物業。

#### 樓價

28. 麗港城在九零至九五年間，推出單位公開發售共十六次；滙景花園則在九零至九一年間推出單位公開發售共四次。新樓售價參考當時的二手市場價，通常較二手價略低。

## 出售時間

29. 麗港城在九零年五月首次公開發售。之後每隔兩、三或五個月便加推單位發售，至 92 年 6 月共十一次。接著兩年沒有單位推出。第四期則在九四年五月(兩次)、九月及九五年一月及五月公開發售。滙景花園在九零年十月開售，在十一月加推多次，每次加推相隔上一次加推的時間，少於十天。四個月後，滙景花園第四次公開發售，把剩餘單位沽清，單位售價比早期售出的上升不少。

表 3: 價格策略及市場反應 - 藍田

日期	麗港城				滙景花園			
	座數	單位數目	首日售出單位(%)	平均每平方呎價格	座數	單位數目	首日售出單位(%)	平均每平方呎價格
28/5/90	1-8, 13-17	2,800	獲批准出售					
18/5/90	1-6	1,296	90%	\$1,674				
21/8/90	7, 16	416	70%	\$1,732				
11/10/90	13	224	90%	\$1,756				
13/10/90	14, 15	448	90%	\$1,760				
24/10/90					1-17	4,112	獲批准出售	
30/10/90					3, 4, 10	768	-	\$1,626
8/11/90					6, 15	496	95%	\$1,641
15/11/90					2, 16	480	80%	\$1,677
8/1/91	24-31	1,704	獲批准出售					
25/1/91	25, 29	424	80%	\$1,686				
31/1/91	26, 30	424	80%	\$1,806				
8/3/91	24, 28	424	100%	\$1,944				
18/3/91	31	216	100%	\$2,128				
26/3/91					1, 7, 8, 9, 12, 14, 17	1,335	90%	\$2,425
12/7/91	32-38	1,504	獲批准出售					
5/8/91	17, 32, 35	632						
16/8/91	33, 37, 38	648	-	\$3,050				
16/6/92	9, 18	416	獲批准出售					
30/6/92	9, 18	416	-	\$4,018				
6/4/94	10-12, 19-23	1,648	獲批准出售					
14/5/94	10, 20	128	100%	\$6,115				
21/5/94	21	104	100%	\$6,285				
22/9/94	11, 19	208	75%	\$5,885				
14/1/95	19, 22	128	40%	\$5,384				
6/5/95	11, 19, 22	242	90%	\$5,301				

資料來源：《香港地產》、地政署、及由發展商提供的樓盤資料。

## 出售單位數目

30. 發展商並非一次過推出所有單位，而是分批出售。

## 市場競爭

31. 除了麗港城和滙景花園外，藍田便沒有其他大型屋邨式住宅樓宇發展。沒有任何證據顯示兩個屋邨之間有激烈的競爭。唯一的競爭來自兩者的二手樓。不過，二手樓業主反過來亦以當時新樓售價作為他們訂價的指標。這顯示一、二手市場的價格相互影響。

附件六：發展商的市場行爲

B 部

32. 消委會分別在沙田、大埔及元朗進行了三個個案研究，研究由九四年開始至九六年中，這正是十八個月的樓市下調期。在這些研究個案中，物業的地點、類型及單位面積雖不盡相同，但在發售時間方面，卻普遍沒有重疊。

表四：價格策略及市場反應 - 沙田

日期	駿景園				聚龍居				曉翠山莊			
	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格
18/3/94									1-14	498	獲批准出售	
16/7/94									2-7	163	80%	\$5,746
10/9/94									10-12	102	-	\$5,620
1/10/94									8-9,13	100	-	\$5,744
9/11/94									14	22	-	\$5,871
21/2/95	1-3,5-7	1,224	獲批准出售									
1/3/95					1-3,5-12	640	獲批准出售					
11/3/95	1-3,5-7	1,070	90%	\$5,074								
22/10/95					2,5,6,8,12	238	100%	\$4,150				
15/1/96					3	60	90%	\$4,300				
28/3/96	1-7 Duplex	18	-	\$5,790								
29/3/96	8-11	1,280	獲批准出售									
13/4/96					9-10	120	-	\$5,123				
11/5/96	10-11	128	-	\$5,600								
11/5/96	10-11	512	-	\$5,600								
6/96	8-9	104	-	\$5,670								

資料來源：《香港地產》、地政署、及由駿景園、曉翠山莊發展商提供的樓盤資料。

表五：價格策略及市場反應 - 大埔

日期	帝欣苑				新峰花園				太湖花園				嘉豐花園			
	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格
8/8/94									16-18	491	獲批准出售					
21/10/94													1-16, A-H, J-K	217	獲批准出售	
23/12/94													5, 9, 15	21	-	\$4,712
12/1/95					1-8	474	獲批准出售									
22/1/95													2, 10, 16	27	-	\$4,246
4/2/95									16	50	100%	\$3,839				
18/3/95									18	50	100%	\$4,087	4, 6, 14	33	-	\$3,596
18/3/95									18	8	100%	\$4,087				
1/4/95									18	50	100%	\$4,150				
15/4/95									17	50	-	\$4,252				
29/4/95					1, 2	108	80%	\$4,846								
6/7/95													2, 7, 9, 12, 16	53	-	\$3,571
11/7/95													1-7, 10, 14-16	86	-	\$3,422
26/7/95	1-20	420	獲批准出售													
28/7/95														10	-	\$4,497
26/8/95					2, 3	83	50%	\$4,075								
8/9/95	3-12	48	-	\$3,345												
8/9/95	3-12	96	-	\$3,345												
26/9/95	21-37	402	獲批准出售													
24/11/95	22, 26, 29, 30, 33, 34, 36, 37	60	-	\$3,507-3,504												
24/11/95	22, 26, 29, 30, 33, 34, 36, 37	63	-													
2/2/96	2, 9-12, 14, 16, 25-26, 28, 31-32	128	-	\$3,825												
2/2/96	2, 9, 12, 14, 16, 25-26, 28, 31-32	128	-	\$3,790												

資料來源：(香港地產)、地政署。

表六：價格策略及市場反應 - 元朗

日期	加州花園/加州豪園				嘉湖山莊				朗景台				紫翠花園			
	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格	座數	單位數目	首日售出單位 (%)	平均每平方呎價格
景湖居																
25/1/94					1-14	3,968		獲批准出售								
加州花園																
9/2/94	C	374		獲批准出售												
5/3/94	C	92	100%	\$3,350-4,154												
5/3/94	C	95	100%	\$3,500-4,272												
12/3/94					1,2	238	100%	\$2,889								
19/3/94	C	58	100%	\$3,681-5,077	6	156	100%	\$3,136								
19/3/94					6	116	100%	\$3,277								
30/4/94	C	30		\$3,876-4,562												
27/9/94												1-3, 5-10, 11-12, 15-16	232		獲批准出售	
7/1/95													73	56%	\$2,527	
10/2/95									1, 2	432		獲批准出售				
12/4/95	C	48		\$2,878												
20/4/95	C	30		\$2,759												
22/4/95													2	20		\$2,600
9/6/95					3-5, 7	1,088	90%	\$2,126								
18/6/95					10, 13-14	800	100%	\$2,203								
1/7/95									2	68	100%	\$2,267				
1/7/95									2	108	100%	\$2,357				
21/7/95													5, 7	48		\$2,276
22/7/95									1	68	90%	\$2,486				
22/7/95									1	40	90%	\$2,482				
13/8/95					12	32	100%	\$2,280								
13/8/95					12	240	100%	\$2,222								
2/9/95									1	98		\$2,540				
嘉湖居																
2/10/95					1-10	2,864		獲批准出售								
17/11/95					4-5, 7-8, 16 # Duplex	50		\$2,508-2,840								
16/12/95					2	128	100%	\$2,283								
30/12/95					5	64	100%	\$2,300								
加州豪園																
4/1/96	A	224		獲批准出售												
4/1/96	B	208		獲批准出售												
20/1/96					3, 8	144	100%	\$2,298								
27/1/96	A	74		\$2,395-2,843												
2/2/96					5	8		\$2,727								
8/2/96	B	50		\$2,468-2,937												
8/2/96	B	30		\$2,466-2,877												
12/2/96					7	80	100%	\$2,320								
30/3/96	B	50		\$2,478-3,034												
30/3/96	B	41		\$2,482-3,037												
2/4/96					9	48	100%	\$2,520								
2/4/96					9	104	100%	\$2,520								
12/4/96					9	40	100%	\$2,590								
18/4/96					景湖居 - 複式	5		\$2,774-2,910								
19/5/96					1, 6	56		\$2,712, \$2,770								

資料來源：《香港地產》、地政署、及由嘉湖山莊、加州花園/加州豪園發展商提供的樓盤資料。

附件七：一九九六年住宅樓宇延遲落成

1. 一九九六年初，政府宣布原來預計於一九九六年落成的單位，由原來的27,272個，調低為19,090個，下調了百分之三十。這個數字為十六年來最低，比最近十六年來平均落成單位數目，低百分之三十五。預計數字是據發展商的生產計劃和差餉物業估價署的評估而得。樓宇供應量較預期為低，意味在未來數年需要增加樓宇供應量。

2. 政府數據顯示，數字供應低於預期，主要是由於五個主要發展商所進行的九個大型計劃延遲落成，牽涉的單位數目約一萬零四百個，這些發展計劃原預計在一九九六年完成，但完成日期已全改為一九九七年初。

3. 為了解延遲落成的原因，消委會向這些發展商查詢原因，其中三個發展商(提供六千五百個單位)回覆如下：

發展商(發展項目數目)	涉及單位數目	發展商回應
A (3)	1,022 (605/377/40)	• 三個發展項目仍未獲得政府的預售同意書 <sup>1</sup> ，而發展商仍未決定發售日期。 <sup>2</sup>
B (2)	2,264  1,980	• 由於某些技術原因，發展商決定在一九九七年內不分階段將整個發展計劃完成。 • 由於地盤土質問題影響了地基工程的進行，計劃完成日期將延遲至一九九七年甚或至一九九八年初。
C (2)	2,730 (2,064/666)	• 沒有回覆
D (1)	1,120	• 沒有回覆
E (1)	1,280	• 計劃將如期在一九九六年尾完成，發展商預期屆時可獲入伙紙。
總數：5 (9)	10,396	

- 附註：
- <sup>1</sup> 政府發預售同意書是按樓宇的建築進度。究竟樓盤未取得預售同意書和延期竣工，何者是因，何者是果，有待研究。
  - <sup>2</sup> 根據所獲得的資料，其中兩個發展計劃，已過了批地契約內建築規約所列明的完成日期。

資料來源：發展商覆信。

附件八：住宅樓宇獲批預售日期及實際發售日期的時間差距

1. 消委會研究兩者時間差距。由一九九四年一月至一九九六年四月的廿九個月內，政府共對五十七個住宅發展計劃發出了預售同意書，涉及單位共40,040個。

2. 結果發現，上述住宅計劃，在獲發預售同意書後一段相當長的時間才推出發售(表一)。其中只有百分之七的個案能在一個月內將單位推出。平均時間差距為120日，其中五個極端例子，時間差距超過五百四十日。發售日期與預售同意書批出日期的長時間差距，可能會扭曲了住宅物業市場的供應及效率。

表一：五十七個住宅發展計劃的公開發售日期與同意預售日期的時間差距

時間差距 (日數)	A (個案數目)	B (個案數目)	A+B (個案數目)
0-30	8	3	11
31-60	13	4	17
61-90	11	11	22
91-120	4	6	10
121-150	4	9	13
151-180	1	8	9
181-210	1	7	8
211-240	1	8	9
241-270	2	5	7
271-300	0	8	8
301-330	0	3	3
331-360	0	3	3
361-390	0	0	0
391-420	0	6	6
421-450	0	3	3
451-480	0	0	0
481-510	0	3	3
511-540	0	1	1
>540	0	5	5
個案總數	45	93	138
未公開發售的個案數目			21

加權平均(日數)	59	191	123
最短及最長時間差距(日數)	[15, 270]	[27,669]	[15,669]

註：時間差距 = 預售同意書批出日期與公開發售日期的差距

A - 預售同意書批出日期與第一批單位的公開發售日期的時間差距

B - 預售同意書批出日期與其餘單位的公開發售日期的時間差距

資料來源：《香港地產》、地政署。

發展計劃的盈利 — 香港理工大學的分析

1. 表1分析九個發展商興建的十三個住宅樓盤資料。
2. 發展商從拍賣土地發展的樓盤所獲得的邊際利潤，大致上較在投標土地發展的樓盤為低。可能由於投標的地價一般較低，尤其是以甲種及乙種換地權益書參與投標。投標地盤的估計邊際利潤相當於估計總發展成本的77%至364%之間。另一方面，公開拍賣購得土地發展計劃的估計邊際利潤在6%至109%之間。
3. 地產發展商能否從土地發展中獲得盈利，甚需視乎其商業眼光。發展商若以高價購入土地，但在市道不景時推出樓盤，可能有大損失，相反，地產商若在市場不明朗或剛從低潮復甦時買入地皮，而在樓市蓬勃時賣出樓宇，便會有可觀的盈利。同時，發展商的資產會因地價的升值而增加。
4. 綜合以上各點，可歸納如下：
  - (a) 以甲種及乙種換地權益書獲得土地來發展的建設計劃，較以政府拍賣土地的發展建設計劃所得的估計收益為高。
  - (b) 因地價升值，發展商的資產會升值。

表1：地產發展商在個案研究樓宇的盈利能力

樓宇名稱	地區	發展商	發展時期	發展商邊際利潤估計	歸因於土地增值的利潤估計
以甲種及乙種換地權益書投標獲得的土地					
1. 慧安園 (Well On Garden)	將軍澳	南豐	91 - 94	77% - 125%	46% - 52%
2. 富麗花園(Finery Park)	將軍澳	恒基	91 - 94	159% - 196%	65% - 72%
3. 新港城 (Sunshine City)	馬鞍山	恒基	89 - 95	128% - 320%	89% - 141%
4. 馬鞍山中心 (Ma On Shan Centre)	馬鞍山	南豐	90 - 93	102% - 364%	91% - 127%
以現金投標獲得的土地					
5. 海栢花園 (Bayshore Towers)	馬鞍山	長江	91 - 94	137% - 174%	77%
以公開拍賣形式獲得的土地					
6. 碧湖花園 (Avon Park)	粉嶺	信和	91 - 94	33% - 109%	14% - 76%
7. 恒豐園 (Harvest Garden)	屯門	恒隆/南豐	92 - 95	6%	0.03%
8. 御景台 (Emperor Height)	尖沙咀	英皇集團	93 - 96	54%	14%
9. 又一居 (Parc Oasis)	九龍塘	會德豐	91 - 94	45% - 68%	63%
10. (Wing On Lodge)	跑馬地	永安集團	80 - 84	-37%	-32%
11. (The Homestead)	太子道	瑞安	80 - 84	-69%	-45%
12. 欣翠花園 (Cheerful Park)	粉嶺	恒基	89 - 92	100%	45%
13. (Goodrich Garden)	屯門	南豐	90 - 93	106%	89%

註： 1. 表二列出各項計算設定。  
2. 估計數字是以差餉物業估價署所提供的數據計算。



表二：比較個案研究樓宇的售價及地產發展商的興建成本

(單位：每平方呎價格\$)

樓宇	平均土地成本	期內建築成本	估計樓宇總成本	樓宇售價
1.慧安園 (Well On Garden)	670	550	1569	2784 - 3534
2.富麗花園(Finery Park)	505	550	1357	3883 - 3894
3.新港城(Sunshine City)	571	550	1440	3291 - 6050
4.馬鞍山中心 (Ma On Shan Centre)	646	550	1550	3104 - 5593
5.海栢花園(Bayshore Towers)	897	550	1860	4400 - 5080
6.碧湖花園 (Avon Park)	1255	550	2321	3096 - 4846
7.恒豐園 (Harvest Garden)	1511	550	2651	2796 - 2809
8.御景台 (Emperor Height)	3806	1100	6017	9230
9.又一居 (Parc Oasis)	2468	800	4203	6107 - 7049
10.(Wing On Lodge)	705	285	1467	930
11.(The Homestead)	1320	285	2378	740
12.欣翠花園(Cheerful Park)	386	550	1204	2406
13.(Goodrich Garden)	467	420	1141	2356

註： 總成本包括土地、建築及資金成本

計算設定：

(a) 樓宇#1-7,#9-13需3年建成；樓宇#8需2年建成。

(b) 建築(包括則師等專業費用)及資金成本：

- 樓宇#1-7及#12：1994年平均建築成本每平方呎約\$550(資料由Davis Langdon & Seah提供)；資金成本以年利率8.75%計算。
- 樓宇#8：1995年平均建築成本每平方呎約\$1100(資料由英皇集團提供)；資金成本以年利率10.75%計算。
- 樓宇#9：1994年平均建築成本每平方呎約\$800(資料由Davis Langdon & Seah提供)；資金成本以年利率8.75%計算。
- 樓宇#10-11：1984年平均建築成本每平方呎約\$285(資料由差餉物業估價署提供)；資金成本以年利率14.0%計算。
- 樓宇#13：1993年平均建築成本每平方呎約\$420(資料由Davis Langdon & Seah提供)；資金成本以年利率8.75%計算。

(c) 土地成本：

- 樓宇#1-5：按投標價計算
- 樓宇#6-13：按公開拍賣價計算