

Insights

HONG KONG SAR POLICY ADDRESS 2024

FOSTER PROGRESS IN HOUSING, ATTRACTING TALENT, ENHANCING CULTURE, TOURISM AND EDUCATION

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SUMMARY

The Policy Address 2024 of Hong Kong was delivered by the Chief Executive on 16 October 2024 (the “**Policy Address**”). Among a series of reforms aimed at rejuvenating the city’s economy and enhancing residents’ livelihood, the Government has introduced initiatives to address housing affordability issues, promoting integrated development of culture, sports, and tourism, and building Hong Kong into an international hub for high-calibre talents. We will focus on these keynote policies from the Policy Address and set out in this article a list of key highlights involving the real estate and infrastructure sectors.

REAL ESTATE

HOUSING SUPPLY AND LIVELIHOOD

The Government announced several measures to tackle the city’s pressing housing affordability issues.

Public housing supply goals: The Government is committed to increase public housing supply to reach 189,000 units over the next five years and complete an estimated 9,500 new Light Public Housing units by the following year, with approximately 30,000 units by 2027-2028. The policies are expected to reduce the current waiting time for subsidised rental housing from 5.5 years to 4.5 years by 2026-27. The Government will also launch the “Cherish Public Housing Resources Award Scheme” in January 2025 to combat tenancy abuse of public rental housing flats. Public rental housing flats recovered due to tenancy abuse will be reallocated to those in genuine need.

Regulation of subdivided units (“SDUs”): A new regime will be introduced to regulate the renting of the SDUs in residential buildings, seeking to improve living conditions for the low-income households currently residing in the SDUs. Substandard SDUs must be converted into “Basic

Housing Units” that meet legal requirements such as provision of windows, an individual toilet and a minimum floor area of 8 square metres. Existing SDU owners will be allowed to make necessary upgrades by a grace period before facing penalties for non-compliance of the new legislation.

Improvement of building safety and building management: In order to strengthen compliance with building regulations, the Government proposes to amend the Buildings Ordinance by 2026 to increase the scope of exempted works and minor works to pragmatically address the issue of illegal structures with minor and lower risks. Furthermore, the Government proposes to introduce a pilot scheme on “joint property management” next year with the goal to provide basic property management services by a single property management company for “three-nil”^[1] and aged buildings at reasonable cost.

Relaxation of mortgage lending restrictions: In order to revive the property market, the maximum loan-to-value ratio for residential properties will be relaxed to 70% of their value for all buyers, while the maximum debt servicing ratio will be adjusted to 50% from 40% for both residential and non-residential properties.

Accommodation for young people: To support young people to have their own living space, the Government announced a new measure to allocate young people an extra vote in the ballot for purchasing subsidised sales flats. The Government will also expand the Youth Hostel Scheme, which subsidises non-governmental organisations to convert hotels and guesthouses into affordable rental homes for young working residents. See also section on ““Study in Hong Kong” Brand” below on interaction between real estate measures and talent trawl initiatives.

LAND SUPPLY AND URBAN REDEVELOPMENT

Approximately 3,000 hectares of new land will be developed over the next decade (2025-2035). Notably, it is expected that around 1,700 hectares of new land will be situated in the Northern Metropolis and about 300 hectares in the Kau Yi Chau Artificial Islands. See also section on “Advancement of the Northern Metropolis and the Hong Kong-Shenzhen I&T Park in the Loop” below for further details on land grant development in the Northern Metropolis.

The Urban Renewal Authority is working on renewal master plans for areas in Tsuen Wan and Sham Shui Po, which are expected to be released in the second half of next year. Concurrently, the Development of Bureau (“DEVB”) is exploring the use of new land for large-scale urban redevelopment. In DEVB’s upcoming proposal (which will be issued in the first half of 2025), it is expected to make suggestions for cross-district plot ratio transfers and more rehousing estates.

The Government is keen on continuing with incentivising the conversion of older industrial buildings. The effective period of relaxation of waiver application requirement for existing industrial buildings was set to expire in January 2025, but is now announced to be extended to the end of 2027. The Government will continue to permit the plot ratio to be relaxed by up to 20%.

CONSTRUCTION, INFRASTRUCTURE AND DEVELOPMENT

CUTTING RED TAPE FOR LAND PRODUCTION

Following on from the [Policy Address 2023](#), the Government is committed to cutting more red tape and streamlining land development procedures.

The Government plans to:

- a. make better use of technology and industry resources to enhance speed and efficacy in inspection and vetting processes, e.g. the use of drones for inspection of external walls and unauthorised building works;
- b. explore means for reducing construction costs, based on the results of a strategic review on construction costs being conducted by DEVB, which may involve strategies relating to direct procurement, sourcing of materials and technology and review of building design standards; and
- c. speed up inter-department coordination in respect of land use and other approval processes for large-scale projects e.g. the Northern Metropolis and vetting of private developments by expanding the purview of the Development Projects Facilitation Office.

ALIGNMENT OF BUILDING STANDARDS WITH MAINLAND CHINA

The Building Technology Research Institute (“**BTRi**”), which was established by the Government in August 2024, will review and enhance Hong Kong’s existing building standards to bring them in line with overseas building standards and Guobiao. In doing so, the BTRi aims to spearhead innovation in the construction industry and promote the application of high-quality and cost-effective materials from Mainland China and overseas.

GREEN ENERGY DEVELOPMENT

The Government plans to set aside around HK\$750m (US\$96.6m) for the New Energy Transport Fund to (i) subsidise the taxi trade and franchised bus companies to purchase electric vehicles and (ii) subsidise the trials of hydrogen fuel cell electric heavy vehicles.

The Government will also promote the development of new energy by:

- a. setting a target for sustainable aviation fuel (“**SAF**”) consumption;
- b. developing sustainable supply chains for SAF and green maritime fuel in terms of fuel supply and demand, storage and bunkering; and
- c. promoting the use and regulation of low-carbon hydrogen energy.

TRANSPORT INFRASTRUCTURE

WORLD-LEADING AIRPORT CITY

The Government is committed to building a new world-leading landmark in the bay area among the Airport Island, the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port Artificial Island and Tung Chung East New Town, which will culminate in the expansion of the size of the Airport City by more than double. The expanded Airport City will see the introduction of Phase 2 of the AsiaWorld Expo, which is currently a popular destination for concert activities, a yacht bay, an imported fresh foods market and more public spaces. It is hoped that this will promote high-end commercial and tourist activities in the area.

The Government also plans to complete Phase 1 of the development of Hong Kong International Airport Dongguan Logistics Park by the end of 2025 and is planning ahead for Phase 2, which will reinforce Hong Kong's advantages in the air-cargo industry.

MAJOR TRANSPORT INFRASTRUCTURE DEVELOPMENT

The Government is implementing the Major Transport Infrastructure Development Blueprint for Hong Kong. Relevant projects include:

- a. Hung Shui Kiu Station – expected to commence construction this year for completion in 2030;
- b. Northern Link Main Line – expected to commence construction in 2025 for completion in 2034; and
- c. Cross-boundary railway projects, including Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu-Qianhai) and Northern Link Spur Line – currently progressing.

CULTURE, SPORTS AND TOURISM

PROMOTING DEVELOPMENT OF CULTURAL AND CREATIVE INDUSTRIES

The Culture, Sports and Tourism Bureau ("**CSTB**"), a bureau set up under the Chief Executive's term of office, plays an important role in promoting and integrating the development in the culture, creative, sports and tourism industries. Continuing on the initiative from the Policy Address 2023, the CSTB will release the Blueprint for Arts and Culture and Creative Industries Development this year having consulted the arts and cultural community in the past year. The newly restructured Cultural and Creative Industries Development Agency of the CSTB will also take a more proactive role in identifying external opportunities and incubating cultural and creative projects, including plans to facilitate more registration of creative products on the Asia IP Exchange Portal to promote transactions of cultural IP.

The West Kowloon Cultural District ("**WKCD**") is another focus of the Government in developing the arts and cultural aspects of the city. The WKCD Authority will be leading the establishment of an industry chain to drive cultural and creative tourism. Measures in the pipeline include organising

performing arts programmes and exhibitions curation and strengthening the arts trading ecosystem by building more storage, restoration and exhibition facilities.

HONG KONG AS A CENTRE FOR MEGA INTERNATIONAL SPORTS EVENTS

Kai Tak Sports Park will definitely be a new landmark in Hong Kong and is expected to commence operation in Q1 2025. The co-hosting of the 15th National Games with Guangdong and Macao next year would also put Hong Kong in an advantageous position in becoming a platform for international sports activities. To ensure a maximised synergy effect, the Government will also review the Hong Kong Stadium's redevelopment plan. It is hoped that sports could be promoted as an industry in Hong Kong with support for local athletes and sports facilities.

REVITALISATION OF THE TOURISM INDUSTRY

With all the unique resources in Hong Kong like the Victoria Harbour and outlying islands, the Government strives to develop the city into a premier tourism destination by various initiatives. For instance, island-hopping tours in Yan Chau Tong, and yacht tourism in the expansion area of Aberdeen Typhoon Shelter. The publication of the Blueprint for Hong Kong's Tourism Industry 2.0 by the CSTB later this year will give a more focused plan on the promotion of tourism in Hong Kong.

ADVANCEMENT OF THE NORTHERN METROPOLIS AND THE HONG KONG-SHENZHEN I&T PARK IN THE LOOP

Stemming from the Policy Address 2023 where the Government outlined the development agenda of the Northern Metropolis, it is expected to enter the maturity phase of development this year, in which the San Tin Technopole will offer the first batch of land to the market and the new Huanggang Port building is expected to be completed in the next five years. In order to speed up the development process in the Northern Metropolis, the Government will adopt a pilot scheme and grant sizeable land parcels to successful bidders for collective development. Three pilot sites have been identified, with sizes ranging from 10 to 20 hectares.

Also mentioned in the Policy Address 2023, the Government is eager to capitalise on the strength of "one river, two banks" and transform the Loop area into a world-class platform for R&D transformation and pilot production base with I&T resources. Hong Kong Park of Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone is the ongoing project by the Government in the Loop area and is formed by the Hong Kong Park and the Shenzhen Park, situating at opposite banks of the Shenzhen River. The Chief Executive will chair a Steering Committee and formulate strategies which will position the area into a crucial source of new quality productive forces for the country as a whole.

TRAWL FOR TALENT

REFORM OF TALENT ADMISSION REGIME

Following on from its introduction of a new talent admission regime in December 2022, the Government continues to focus on attracting and retaining talent in Hong Kong. The Government recognises that there is still projected to be a shortage of around 180,000 workers in Hong Kong over the next five years.

The Government plans to reform the existing talent admission regime by:

- a. expanding the scope of professions which are eligible for immigration facilitation under various visa/immigration schemes;
- b. expanding the list of universities under the Top Talent Pass Scheme (to a total of 198) and extending the validity period of the first visa obtained by high-income talent from two years to three years;
- c. attracting talents in specific skilled trades facing acute manpower shortage;
- d. proactively inviting top-notch talent to come to Hong Kong through the Quality Migrant Admission Scheme; and
- e. extending the pilot arrangements for graduates from the Greater Bay Area campuses of Hong Kong universities.

"STUDY IN HONG KONG" BRAND

The Government plans to build a "Study in Hong Kong" brand to transform Hong Kong into an international hub for post-secondary education.

As part of this strategy, the Government plans to:

- a. set up the Hong Kong Future Talent Scholarship Scheme for Advanced Studies in the next academic year to offer scholarships to up to 1,200 local students enrolling in designated postgraduate programmes;
- b. attract more overseas students (especially from the Association of Southeast Asian Nations (ASEAN) and other Belt and Road countries) by offering scholarships and other incentives;
- c. improve hostel facilities by converting hotels and other commercial buildings into student hostels; and
- d. earmark over 80 hectares of land for developing the Northern Metropolis University Town.

The Government will also establish the Committee on Education, Technology and Talents to promote the integrated development of education, technology and talents and to promote Hong Kong as an international hub for high-calibre talents.

CONCLUDING REMARKS

The title of the Policy Address, “Reform for Enhancing Development and Building Our Future Together” hints at the Government’s goal to adopt a more forward-looking mindset. It is encouraging to see new measures targeting younger generations, including improvement of younger individuals and families’ access to subsidised housing and new schemes for attracting students and talents from the Mainland China and overseas. The Policy Address also echoes and expands upon some existing initiatives such as development of the Northern Metropolis and easing of mortgage restrictions for the private property market. We certainly agree that, from a real estate perspective, issues such as land and housing supply and infrastructure would require long-term solutions and we look forward to seeing the Government’s continued efforts in these aspects.

[1] Building with no owners' corporation, no residents' organisation in any form, nor a property management company employed to manage it.

This article was co-written with Trainee Solicitors Eunice Wong, Queenie Tsang and Suelynn Lee.

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