

Section B

Chapter 1: Domestic Rent Policy

Characteristics of Domestic Rent

Rents of domestic lettings are inclusive of rates and have all along been maintained at a low level because of the provision of premium-free land and capital injections by the Government to the Housing Authority (HA). Rents are calculated on the basis of internal floor area (IFA). Apart from a few exceptions, rents per m² IFA are uniform for all units in the same block irrespective of floor level and orientation. Currently, the HA's housing stock of over 200 estates provides a broad range of flat types and rent levels for different groups of tenants.

Rent Adjustment Mechanism

The Housing (Amendment) Bill 2007 (the Amendment Bill) introduced the current rent adjustment mechanism to provide for upward or downward adjustment of public rental housing (PRH) rent according to the changes in the household income of PRH tenants. The Amendment Bill was passed by the Legislative Council in June 2007 and came into operation on 1 January 2008.

According to the Housing Ordinance (Cap. 283), the HA shall conduct a rent review every two years and vary the PRH rent according to the change in the income index between the first and second periods covered by the review. If the income index for the second period is higher than the income index for the first period by more than 0.1%, HA shall increase the relevant rent by the rate of the increase of the income index or 10%, whichever is less; and if the income index for the second period is lower than the income index for the first period by more than 0.1%, HA shall reduce the relevant rent by the rate of reduction of the income index.

To provide a starting point for the current rent adjustment mechanism to operate effectively, the HA reduced PRH rent by 11.6% in August 2007. The first rent review exercise under the current rent adjustment mechanism was conducted in 2010 with an upward adjustment of rent by 4.68% which took effect from 1 September 2010.

The second rent review exercise was conducted in 2012 with an increase in PRH rent at the cap of 10% with effect from 1 September 2012, notwithstanding an increase of 16.24% in the income index in the periods covered by the review.

The third rent review exercise was conducted in 2014 with an increase in PRH rent at the cap of 10% with effect from 1 September 2014, notwithstanding an increase of 19.27% in the income index in the periods covered by the review.

The fourth rent review exercise was conducted in 2016 with an increase in PRH rent at the cap of 10% with effect from 1 September 2016, notwithstanding an increase of 16.11% in the income index in the periods covered by the review.

The fifth rent review exercise was conducted in 2018 with an increase in PRH rent at the cap of 10% with effect from 1 September 2018, notwithstanding an increase of 11.59% in the income index in the periods covered by the review.

The sixth rent review exercise was conducted in 2020 with an upward adjustment of rent by 9.66% which took effect from 1 September 2020.

The seventh rent review exercise was conducted in 2022 with an upward adjustment of rent by 1.17% which took effect from 1 October 2022.

Rent Setting for New Estates

The HA conducts two rent fixing exercises annually to determine the rents for newly completed PRH estates. For rent setting purpose, the HA divides the territory into six broad districts. The rent of newly completed estates is fixed according to the "best rent" for each district, which is expressed in terms of dollars per m² of IFA and determined with reference to the location and comparable value of the estates concerned.

With the introduction of the current rent adjustment mechanism, the HA reduced the "best rent" for all districts by 11.6% with effect from August 2007. The same income index adopted under the current rent adjustment mechanism is also applied to determine the future adjustments of the "best rent" for newly completed PRH estates. Following the upward adjustment of rent under the seven rent review exercises in 2010, 2012, 2014, 2016, 2018, 2020 and 2022 respectively, the district best rent was also adjusted by the same magnitude.