HKGCC

Hong Kong General Chamber of Commerce
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The Honourable John Tsang, GBM, JP
Financial Secretary
25/F Central Government Offices
2 Tim Mei Avenue
Tamar, Hong Kong

Dear Financial Secretary,

Government's Measures to Address the Overheated Property Market

The Hong Kong General Chamber of Commerce is pleased to submit its views on the recent government measures on stamp duties to address the overheated property market.

We would like the Government to clarify the underlying objectives of the measures. What the Government intends to achieve with the measures should be clearly expressed to allow for assessment on the effectiveness of the measures for an exit plan at a certain period of time.

Like the Government, we are also concerned that soaring property prices may put home ownership out of reach of ordinary citizens. Nonetheless, we expect the Government to conduct proper regulatory and economic impact assessments before introducing measures to address the housing issue so that our international stature and competitiveness will not be damaged.

The Chamber is greatly concerned about the possibility of a knock-on effect of shifting investment interest to commercial and retail premises which are already suffering from very tight supply. The recent sharp increase in both sales activity and prices of residential parking spaces may well be the first manifestation of such effect. There has also been a significant increase in sales activity of commercial, retail and industrial properties since the Government's measures have been put in place. Forcing liquidity into other property sectors may artificially raise the costs of doing business in Hong Kong and damage our competitiveness. The stamp duty measures may also drive prospective home buyers who would have preferred to own their own homes into the rental market, pushing up rentals and supporting higher property prices.

The measures have been considered by some as discriminatory to non-permanent residents who may have the genuine needs to invest and purchase homes in Hong Kong. Local companies which acquire properties to generate long-term rental income will also be seriously affected. The demarcation against overseas buyers may jeopardize the international reputation of Hong Kong as an open and free market economy which has all along welcomed normal and legitimate business operations and investment activities.

As such, the effect of the measures has been wide-ranging. Not only individual home buyers and renters are affected, but companies seeking return from long-term property investment, enterprises purchasing staff quarters, and developers acquiring old properties for renovation, upgrading and redevelopment. Property funds, overseas investors, banks and property agencies are also victims of these policies.

It will never be too late to modify the measures by striking a balance between the needs and interests of various stakeholders. We strongly urge that the Government should consider inserting a sunset clause so that the measures will be phased out over time, and carving out the measures to cater to legitimate corporate investors seeking rental return. Exemptions should also be granted to investors who acquire properties for upgrading and renovation, with the object of improving Hong Kong's housing stock, which as we all know, is often in bad state of repair.

Addressing an issue without conducting any holistic impact analysis has the potential to generate market confusion and spur speculation against the objective of market stabilization. To ease the imbalanced situation in the housing market, the Government should produce a comprehensive residential land supply roadmap, laying out detailed supply for housing uses in the long, medium and near terms. Such a transparent and predictable land and housing supply plan should help stabilise housing sales and purchase activities and keep prices stable.

Yours sincerely,

C K Chow
Chairman