

**Box 3****Plan to enhance the soundness of the housing market: progress and effectiveness**

The housing market plays an important role in a country's economic development, since it possesses industrial relevance and has a locomotive effect on the economy. In order to ensure the soundness of the housing market and maintain justice and fairness within society, the government formulated the Plan to Enhance the Soundness of the Housing Market in April 2010, in accordance with the four principles of "tailoring measures to the needs of localities and populations," "acting moderately but effectively," "stressing soundness and stability," and "pursuing social equity." Targeting the six issues of "balancing the supply and demand of housing in the Taipei metropolitan region," "helping low- and mid-income earners and salaried employees increase their ability to purchase (or rent) a house," "improving housing information transparency," "enhancing risk management for real estate loans," "enhancing social fairness," and "taking relevant complementary measures," the government has offered 21 principles for dealing with the problems encompassed, and suggested other practical measures for relevant authorities and local governments to actively implement.

**1. Progress of the Plan**

The plan has now been implemented for 3 years, and part of the mechanisms prescribed have been implemented or promoted, thus leading to a gradual stabilization of the housing market. Below is a table succinctly describing the methods outlined in the plan and the progress made (Table B3.1).

**Table B3.1: Progress of the Plan to Enhance the Soundness of the Housing Market**

<b>Issues</b>	<b>Contents and progress of implementation</b>
Balancing the supply and demand of housing in the Taipei metropolitan area	<ol style="list-style-type: none"> <li>1. Planning the development of affordable houses in the areas of Airport Linkou A7 Station and Banqiao, where 3,960 and 4,455 housing units, respectively, will be constructed.</li> <li>2. Selecting 5 bases around metropolitan areas including Wanhua and Songshan Districts in Taipei City, Sanchong and Zhonghe in New Taipei City, etc., and constructing 1,661 units of social housing.</li> </ol>
Helping low- and mid-income earners and salaried employees increase their ability to purchase (or rent) a home	<ol style="list-style-type: none"> <li>1. Implementing the "Plan for the Consolidation of Resources for Housing Subsidy" for mid- and low-income households. From its initiation in 2007 to the end of 2012, a total of 226,000 households received rental subsidies, house purchase assistance and mortgage interest subsidies for the purpose of home refurbishment.</li> <li>2. Implementing the "Plan for Government Housing Subsidies for the Youth." From its initiation in 2009 to 22 February 2013, rental subsidies were offered to around 33,000 households, and interest subsidies were allocated to around 67,000 households, in total aiding 100,000 households.</li> </ol>

Improving housing information transparency	<ol style="list-style-type: none"> <li>1. Setting up the Real Estate Information Platform to collect and consolidate real estate information for the public.</li> <li>2. Requiring the Joint Credit Information Center to provide seasonal reports including information such as contract value of house transactions, etc. for the Ministry of the Interior to make public on its housing Net website.</li> <li>3. Modifying the law to set up a property transaction price registration system and establishing a data warehouse that allows the public to inquire about the related information via the Internet.</li> <li>4. Releasing different templates of real estate contracts for public reference, and announcing the application of standard form contracts for pre-sale real estate transactions.</li> </ol>
Enhancing risk management for real estate loans	<ol style="list-style-type: none"> <li>1. From June 2010 onwards, the CBC has gradually taken targeted macroprudential measures on land collateralized loans and housing loans in specific areas and high-value housing loans.</li> <li>2. The FSC introduced several measures to supervise the real estate lending risks of banks, including raising the risk weight from 45% to 100% for new loans collateralized by non-owner-occupied houses.</li> <li>3. The two authorities reinforced the inspection of real estate-related loans in accordance with the above mechanisms.</li> </ol>
Enhancing social fairness	<ol style="list-style-type: none"> <li>1. Reviewing the suitability of house taxes and land taxes, such as verifying the current value of the house, limiting the applicability of land value tax exemption, and abolishing the regulation of temporary exemption for vacant lot tax.</li> <li>2. Implementing the Specifically Selected Goods and Services Tax from 1 June 2011 onwards to cool down the overheating housing market.</li> </ol>
Taking relevant complementary measures	<ol style="list-style-type: none"> <li>1. Stipulating the regulations regarding superficies on state-owned and non-public-use land to strengthen the development of the land.</li> <li>2. Temporarily ceasing the auction of state-owned land in prime areas of Taipei City.</li> <li>3. Enacting the Housing Act, which was implemented from 30 December 2012.</li> <li>4. Raising the incentive for private investment to promote the private sector to participate in the construction of public infrastructure, the six emerging industries and budding ICT industries. This would not only help improve industrial development and provide job opportunities in areas surrounding these industrial hubs, but could also galvanize the soundness of the housing market in neighboring districts.</li> </ol>

Sources: Council for Economic Planning and Development and Control Yuan.

## ***2. Effects of Implementation***

Since the enactment of the Plan to Enhance the Soundness of the Housing Market, part of the mechanisms have already shown promising results, for example:

- (1) Since the CBC and the FSC undertook the measures to control the risk of real estate loans, the ratio of new loans, with collateral located in specific areas (Taipei City and 13 districts in New Taipei City), to total new loans has dropped from 64.37% pre-regulation in June 2010 to 48.02% in March 2013. The loan-to-value (LTV) ratio also dropped from 63.97% pre-regulation in July 2010 to 56.82% in April 2013.

- (2) After the Ministry of Finance implemented the Specifically Selected Goods and Services Tax from June 2011, the number of building ownership transfers for transaction during June 2011 to May 2012 dropped 22.12% relative to the previous counterpart period (from June 2010 to May 2011). Of them, the number of transfers in Taipei City and New Taipei City significantly dropped 33.34% and 34.96%, respectively. It illustrated that the policy has effectively tempered speculation in the housing market.
- (3) From October 2012 onwards, transaction prices of real estate should be registered in a data warehouse run by the government and disclosed to the public. This has increased the transparency of real estate transaction information, thus decreasing the differentiation of anticipated prices between buyers and sellers and, in turn, increased the effectiveness of the real estate market.