

Announcement of Moratorium on Home Ownership Scheme sales

Key points for reference

A. Principles

- ◆ Our existing housing policy balances the interests of different sections of the community.
- ◆ The Government is not going to:
 - offer a panacea for general economic problems of a global origin;
 - allow vested interests to determine its actions;
 - artificially depress or boost the property market; or
 - overturn its strategic housing policy, which continues to serve us well.
- ◆ However, we need to ensure our policy is responsive to short term problems.

B. Short-term problem: crowding out the private sector

- ◆ There is a significant overlap between the target group of the HOS and that of the private sector residential market. The overlap is growing as interest rates continue to fall. It is notable among families with incomes exceeding \$20,000 a month and in respect of flats being sold for under \$2.5 million. As a consequence, the heavily subsidised HOS has begun to crowd out private housing in a slow market.
- ◆ Short-term demand for new flats has fallen to about 20 000 units a year in the mass market. This coincides with a high level of flat completions in the private sector and by the Housing Authority expected in the two years 2001-02 to 2002-03.

C. Moratorium and related measures (now and until end June)

- ◆ We will introduce the following measures:
 - The Housing Authority will implement a **moratorium on all sales of**

HOS and PSPS flats until end June 2002. Over the same period, the Housing Authority will make available **additional home ownership loans** to eligible families **equal** to the **number of sale flats being put on hold.**

- The Housing Society will **suspend sales of Housing Society subsidised flats** over the same period.
 - The Government will **freeze the earmarking and allocation of new sites** for **HOS** development over the same period.
 - The Government will ensure that the **Housing Authority will not suffer a cash-flow problem** as a result of these measures; and
 - The Government and the Housing Authority will **explore means to prevent large numbers of Home Ownership flats from standing empty for a prolonged period.**
- ◆ **The ten month moratorium is necessary** for the Government and the Housing Authority to **address three longer-term issues.** They are: **the ratio between home ownership flats and loans; the eligibility criteria for public home ownership; and the system for allocating sites for HOS development.**

D. Long term issues

- ◆ *Ratio between home ownership flats and loans:* loans provide a wider choice to customers and offer a more flexible, market-friendly response to short-term changes in demand. Part of the review will therefore be to agree with HA a more radical cutback in HOS sales in the longer term. More loans will then be made available.
- ◆ Eligibility Criteria for Home Ownership Assistance. We will invite the HA to adjust its current income and asset limits for HOS flats to be more responsive to market forces.
- ◆ Site selection for HOS flats: we will develop a balanced set of criteria to guide future allocation of HOS sites.

E. After the moratorium (up to 2005-06) – the need for certainty

- ◆ The sale of HOS flats after the moratorium will not exceed 9,000 units a year up to 2005-06, subject always to the avoidance of any direct competition with the private property market.
- ◆ Thereafter, we expect more radical cuts as a result of the longer-term review.

- Ends -