

Legislative Council Panel on Housing

Home Ownership Scheme

Purpose

In response to Members' concerns expressed at the Panel meeting on 2 December 2002, we provide in this paper the rationale for our decision to cease indefinitely the production and sale of Home Ownership Scheme flats.

Background

2. In his statement on 13 November 2002, the Secretary for Housing, Planning and Lands clarified Government's housing objectives and strategies, and put forward nine measures. He also set out that our housing policy is now premised on the following three broad principles -

- (a) the focus of Government's subsidized housing policy should be on the provision of assistance to low-income families who cannot afford private rental accommodation;
- (b) Government should minimize its intervention in the private property market; and
- (c) Government should maintain a fair and stable operating environment for the private property market by ensuring adequate land supply and provision of efficient supporting infrastructure.

Re-positioning of our Housing Policy

3. Given the significant changes undergone in the economy and property market over the past few years, we believe that home ownership should essentially be a matter of personal choice and affordability. Government's future role should focus on the provision of adequate supply of land to meet market demand and provision of affordable rental housing to low-income families. We should therefore withdraw from our previous role as direct housing provider and refrain from competing with the private residential market.

4. Against the above wider picture, the Government has decided to cease the production and sale of Home Ownership Scheme flats indefinitely from 2003 onwards, except for the unsold and returned flats which would be sold to Green Form applicants. Low-income families intending to buy their own homes will be offered loans through a new scheme.

Home Ownership Scheme versus Home Assistance Loan Scheme

5. We believe that the decision to cease the production and sale of Home Ownership Scheme flats would address the present overlapping between these subsidized flats and private residential market and that together with other measures put forward as a package would reduce the current gross imbalance between demand and supply in the residential property market.

6. Moreover, following the cessation of production and sale of Home Ownership Scheme flats, the Housing Authority would from January 2003 offer interest-free loans through the new Home Assistance Loan Scheme to help eligible families to buy their own homes. Compared with the conventional “bricks and mortar” approach, housing loans are more flexible and cost-effective. To the applicants, housing loan provides much wider choices in terms of location, size and price of flat. Whilst the eligibility criteria (i.e. income and asset limits) and the amount of loan are all subject to periodical review to reflect the changing market situation, the Housing Authority can also adjust the annual loan quota according to the actual demand in response to possible challenges posed by mismatch between demand and supply.

7. Notwithstanding that the indefinite cessation of production of Home Ownership Scheme flats, there are currently about 290 000 flats in the secondary market of Home Ownership Scheme/Private Sector Participation Scheme and Tenants Purchase Scheme for possible sale to public housing tenants. These flats will continue to serve as an alternative source of subsidized sale flats to public housing tenants.

8. It should also be noted that public housing tenants who have been granted loans under the Home Assistance Loan Scheme or purchased flats in the secondary market of Home Ownership Scheme/Private Sector Participation Scheme are required to surrender their rental flats to the Housing Authority. This will enable the recovery of public rental flats for reallocation to needy families even after the cessation of sale of Home Ownership Scheme flats.

9. We firmly believe that a clear, comprehensive and coherent housing strategy is instrumental in restoring public's confidence in the residential property market. We have decided to indefinitely cease production and sale of Home Ownership Scheme flats and launch the new Home Assistance Loan Scheme. A clear message on their implementation is essential to the success of the new housing policies.

Housing Department
December 2002