

Legislative Council Panel on Housing Home Ownership Scheme and Tenants Purchase Scheme

Purpose

This paper aims to provide the latest information on the Government's consideration of the proposals to relaunch the Home Ownership Scheme (HOS) and the Tenants Purchase Scheme (TPS).

Proposal to relaunch the HOS and TPS

2. The existing housing policy of the Government is to concentrate its resources on providing public rental housing (PRH) for families which cannot afford private rental housing. The Government stated its position on various occasions including at the Legislative Council Panel on Housing meeting on 22 October 2007, the Legislative Council meeting on 5 December 2007 and the Legislative Council Panel on Housing meeting on 7 January 2008. Regarding the proposal to relaunch the HOS, we consider that several considerations are relevant. They include whether there is a serious imbalance in the property market, whether there is a problem in the turnover of PRH and whether there is a public consensus to vary the existing housing policy. As for the TPS, we have to consider the adverse impact of such scheme to the supply of PRH flats and the management problems of TPS estates arising from mixed ownership.

3. We have been closely monitoring the information and data which may facilitate the consideration of the above factors. The latest information concerning the private property market and the supply and turnover of PRH flats are set out in the following paragraphs.

Development of property market

4. The Government has been closely monitoring the development of the private property market to assess whether the market is developing steadily. According to the latest information available on the prices of private domestic properties, as at the first quarter of 2008, the price index for flats with saleable areas between 40 to 69.9 m² is still 30% lower than that at the peak of 1997. Besides, as for the mortgage-to-household income ratio, assuming that a household with the median private domestic household income purchased a domestic unit of a saleable area of about 40 m² with a 70% loan-to-value ratio and a repayment period of 20 years, the mortgage-to-household income was 32% as at the first quarter of 2008, which is much lower than the 77% at the peak of 1997 and roughly similar to the 29% to 31% between 2005 and 2007.

As regards the number of transactions of middle-to-lower-priced flats, the number of transactions of middle and small-sized flats priced at less than two million dollars accounted for close to 60% of the total number of transactions on average since 2004. In general, the property market has been developing steadily and flats of various types and prices are still available in the residential property market.

Supply and turnover of PRH flats

5. According to the current five-year Public Housing Construction Programme of the Hong Kong Housing Authority (HA), the forecast average annual production of PRH is around 15,000 flats for the five-year period from 2008/09 to 2012/13. Recovered PRH flats are also an important source of public housing supply, accounting for about half of the PRH flats allocated by the HA on average each year. Over the past few years, there has been a steady number of recovered PRH flats, showing a certain degree of turnover of PRH flats. It is expected that there will be about 16,000 flats recovered per year in the coming five years. Given that there are over 110,000 applicants on the Waiting List for PRH, and based on the projection of about 2,000 to 3,000 registered new applicants every month, we consider that the existing PRH supply can meet the demand for the next five years.

Conclusion

6. The livelihood and housing needs of low-income families have always been the primary consideration of the Government in the formulation of housing policies. The existing housing policy seeks to minimise intervention in the operation of the property market and facilitate its steady development. It also allows the HA to concentrate its limited public resources on providing housing assistance to PRH tenants and over 110,000 needy applicants on the Waiting List and to balance the overall interest of different sectors in the community. To relaunch the HOS or the TPS will inevitably impact on the property market and will also divert resources from and affect the HA's ability in implementing the public housing programme. Therefore, we need to carefully consider the issue. The Government will continue to monitor the development of the property market and the turnover of PRH flats and listen to the views of the community on the relaunch of various subsidized home ownership schemes.