

Legislative Council Panel on Housing

Relaunching of Home Ownership Scheme and Tenants Purchase Scheme

Purpose

This paper briefs members on the Government's considerations and position on the proposals to relaunch the Home Ownership Scheme (HOS) and the Tenants Purchase Scheme (TPS).

Background

2. Under the repositioned subsidised housing policy in 2002, the objectives of the Government's housing policy are to provide public rental housing (PRH) to low-income families who cannot afford private rental housing, withdraw from playing the role of a property developer, cease the production and sale of subsidised sale flats, and minimise intervening in the market. Encouraging the public to purchase homes is no longer an objective of the Government's housing policy.

3. The Housing Authority (HA) has decided to offer about 16 000 surplus HOS flats for sale in a phased approach and in an orderly manner starting from 2007. In an effort to increase the transparency of market information and to allow ample time for prospective home-buyers to plan ahead, the HA announced the "Tentative Sales Programme of Surplus HOS Flats" in April 2006. Up to end December 2008, the HA has sold a total of 11 277 flats under the four phases of surplus HOS sales exercises in 2007 and 2008.

4. During the cessation of HOS production in the past few years, there were requests from some sectors of the community for the relaunch of the HOS, and at the same time there were views in support of the continuation of the policy to cease HOS production. The Government stated its position on several occasions at the respective meetings of the Legislative Council Panel on Housing on 22 October 2007, 7 January 2008 and 7 July 2008, and at the meeting of the Legislative Council on 5 December 2007. We consider that at least three considerations are relevant before we can proceed to explore whether HOS should be relaunched: first, whether there is a serious imbalance in the market making it difficult for the low and middle classes to purchase flats; second, whether the turnover of PRH flats is so low such that the waiting time for PRH has been seriously affected; and third, whether there is public consensus to revise the existing housing policy.

Development of property market

5. The Government has been closely monitoring the development of property market as well as the demand and supply of private residential properties. In general, the property market has been developing steadily in recent years, and there are flats of various types and prices available in the market. Our latest statistics also show that there is a steady supply of medium and small-sized flats, and their prices are affordable to the public.

6. As regards the transaction of middle-to-lower-priced private residential flats, there was a steady increase in the proportion of transactions of medium and small-sized residential flats priced at less than \$2 million vis-à-vis the total number of transactions over the past year, to 56% of the total number of transactions in the fourth quarter of 2008. The proportion of transactions of residential flats priced at less than \$2 million has remained at 54% on average since 2004.

7. Regarding the sale prices, as at the fourth quarter of 2008, the price index for flats with saleable areas between 40 and 69.9 m² had dropped by 17% from the recent high level in June 2008, and was 42% lower than that at the peak of 1997.

8. On the mortgage-to-household income ratio, assuming that a household of median private domestic household income purchased a residential flat of a saleable area of about 40 m² and arranged for a mortgage at 70% loan-to-value ratio and a repayment period of 20 years, the mortgage-to-household income ratio was 29% as at the third quarter of 2008, which was much lower than the mortgage-to-household income ratio of 77% at the peak of 1997.

Turnover of PRH flats

9. As regards the turnover of PRH flats, although production of HOS flats ceased in 2003 and the Home Assistance Loan Scheme terminated in 2004, the number of PRH flats returned voluntarily from sitting tenants or recovered from those who have purchased flats in the HOS secondary market has not been affected. It is estimated that about 16 000 PRH flats can be recovered every year on average in future. Given the current average waiting time for PRH of about 1.9 years and the forecast average annual production of about 15 000 new PRH flats in the next five years, the existing PRH turnover can help meet the target of maintaining the average waiting time at about 3 years.

Views of the Community

10. At present, the Government concentrates its resources on catering for the basic housing needs of families that cannot afford private rental housing. Assisting the public to achieve home ownership is no longer an objective of the Government's housing policy. There are divergent views in the community as to whether the existing Government policy should be revised and whether the HOS and/or the TPS should be resumed. Any type of subsidised home ownership scheme will impact on different sectors of the community and the economy as a whole. Such schemes will also divert resources from and affect the HA's ability in implementing the public rental housing programme. We must therefore carefully consider the views from various parties.

HOS and TPS

11. We consider that a decision on purchasing a property should be a matter of personal choice and affordability. The Government should not take up the role of a property developer and influence an individual's decision on home ownership which should be premised on affordability. We consider that this principle should be particularly adhered to at the time of financial turmoil and economic volatility. We therefore do not have any plans to relaunch the HOS.

12. As regards the relaunch of TPS, we should bear in mind that flats recovered from tenants are an important source of PRH supply. To meet the housing needs of more than 110 000 applicants on the Waiting List, the HA has to make effective use of its existing PRH stock for allocation. PRH flats, once sold to the tenants, will not be returned to the HA for re-allocation. This will inevitably lengthen the waiting time for PRH flats and undermine the ability of the HA to implement a sustainable public rental housing programme, and maintain the average waiting time at around three years.

13. In fact, PRH tenants who wish to purchase homes may still buy flats in the HOS or TPS secondary markets without the need to pay premium. At present, there are flats available in these two markets for PRH tenants who intend to purchase flats to choose from.

Sale of Surplus HOS Flats

14. The "Sale of Surplus HOS Flat Phase 4" was closed at the end of December 2008. About 60% of the flats under Phase 4 were sold, of which about 30% were sold to Green Form applicants and 70% to White Form applicants. The sales result, though not as good as that in the previous three phases, is within expectation. The sales result reflected the impact of the

financial turmoil on the market demand for HOS flats. Home-buyers were more cautious when applying for and purchasing HOS flats.

15. As mentioned earlier, we will take into account the sales result of Phase 4 and market development and consider how to flexibly adjust the timetable and number of flats for sale to dispose of the remaining 5 400 or so surplus HOS flats in early 2009. We are now analysing the sales result of Phase 4 and other relevant factors. We plan to further discuss the timetable and the number of flats for sale with Members of the Subsidised Housing Committee of the HA at its meeting in March 2009.

Conclusion

16. According to the repositioned housing policy in 2002, the role of the Government is to provide public rental housing to low-income families that cannot afford private rental housing. Intervention in the market should be minimised. Since the implementation of the policy, the market has been running smoothly and the property sector is making steady development. Any change to the policy will have far-reaching implications on the property market and the overall economy. Given the present volatile economic situation, we do not have any intention to change the existing subsidised housing policy. Nor do we have any plan to relaunch the HOS/TPS or any other type of home-ownership loan scheme. The Government will continue to closely monitor the development of the property market and the supply and demand situation of the private residential property sector. We will also continue to listen to the views of the community on the relaunch of various types of subsidised home ownership schemes.

Transport and Housing Bureau
January 2009