

**Legislative Council Panel on Housing**  
**Disposal of Surplus Home Ownership Scheme Flats**

**Purpose**

This paper updates Members on the disposal of surplus Home Ownership Scheme (HOS) flats.

**Background**

2. To restore the balance of supply and demand in the property market and to address the then serious overlapping between the private property market and the subsidised housing market, the Government announced the repositioned housing policy in November 2002. A series of market stabilisation measures were introduced, including cessation of the production and sale of HOS flats. These measures are taking effects and the public and investors have regained confidence in the property market. Statistics indicate that the number of residential property transactions in 2004 has increased by 41% as compared with 2003, while the number of negative equity cases has reduced from the peak of some 105 700 cases in June 2003 to 19 200 cases in December 2004.

3. On the other hand, the Housing Authority has been formulating different market-friendly ways to put the surplus HOS and Private Sector Participation Scheme flats into alternative uses. We updated Members on the arrangements for and progress in disposing of the surplus HOS flats at the Panel meetings on 18 March 2003, 3 November 2003, 7 June 2004, 5 July 2004 and 6 December 2004 respectively. The following set out the latest position.

**Disposal Arrangements**

4. Due to lease restrictions, returned and unsold flats in existing HOS courts can only be sold under HOS. To give a clear signal of our determination to minimise intervention in the property market, in October 2003 we announced that these returned and unsold HOS flats will not be offered for sale as subsidised housing before the end of 2006. When the appropriate time for their sale comes, they will be sold to Green Form applicants.

5. As regards surplus flats in new HOS developments, the majority have been transferred to public rental housing, including the 2 920 HOS flats converted in 2004. These flats have been allocated to sitting tenants who wish to move to larger flats or to other districts, and large families on the Waiting List for public rental housing. Apart from conversion to rental units, the Housing Authority has also sold 4 304 flats to the Government for use as departmental quarters for the disciplined services. The flats have been handed over to the Government for fitting-out work, which is currently in progress. The aim is to start resident intake around mid-2005. Through transfer to public rental housing and conversion to Government staff quarters, most of the surplus flats in new HOS developments have been put to other beneficial uses.

### **Latest position**

6. As at 28 February 2005, there are 5 050 surplus flats which have never been put up for sale. In addition, there are 5 392 returned flats in different HOS courts and 6 082 unsold flats in existing HOS courts.

7. The Housing Authority will continue to consider the best use of the remaining flats in new HOS developments which have never been offered for sale. A few educational institutions have indicated interest in the surplus flats lately and approached us to explore the feasibility of their proposals. The Housing Authority maintains an open mind and will consider any practicable options. If no better disposal arrangement comes up eventually, this last remaining stock can be considered for sale under HOS together with the other returned and unsold flats.

8. In preparing its recent financial forecasts, the Housing Authority assumed the sale of 2 000 unsold and returned HOS flats in each year from 2007/08 onwards. Nonetheless, it should be noted that the figures were adopted for budgetary purpose only to enable the Housing Authority to project its financial position in the coming few years, and by no means represent the actual arrangement for flat sale after 2006. Details of the sales arrangements for the surplus HOS flats will be drawn up in future after deliberations of the Housing Authority.

9. Recently, there have been suggestions that sales of surplus HOS flats should resume before 2007. Notwithstanding signs of the property market regaining vitality, it is incumbent upon the Government to maintain the integrity of the housing policy. Indeed, we note that the community's views on this issue are rather diverse. While some may welcome sale of subsidised flats in view of a booming market, many are concerned about the impact of early sale on the stability of the market. In the interest of consistent implementation of the re-positioned housing policy which is taking root, it must be reiterated that the decision that the surplus HOS flats will not be offered for sale before the end of 2006 remains unchanged. At the same time, we will monitor the market situation closely. Should there are drastic changes in the market, we will consider appropriate measures to meet the changing circumstances of the society. Our current intention is to consult the Housing Authority in the latter part of 2006 on the quantity and arrangements for the resumption of sales of surplus HOS flats.

Housing, Planning and Lands Bureau  
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