

The Legislative Council meeting on 4 November 2009

Motion on “Increasing the supply of medium and small-sized residential flats”

Progress Report

Purpose

At the Legislative Council meeting on 4 November 2009, the motion on “Increasing the supply of medium and small-sized residential flats” moved by the Hon LEE Wing-tat and amended by the Hon WONG Kwok-hing and the Hon James TO Kun-sun was carried. The wording of the motion carried is at **Annex**.

2. This report sets out the Administration’s position and the follow-up actions taken in respect of the aforementioned motion.

Suggestion on increasing land supply

3. As pointed out by the Chief Executive in his October 2009 Policy Address, the Government will closely monitor the market changes in the coming months and, when necessary, fine-tune the land supply arrangements. Any fine-tuning would be to achieve our policy objective to maintain a fair and stable operating environment for the private property market by ensuring adequate land supply. We will continue to listen and examine carefully various views received.

Suggestion on re-launching the Home Ownership Scheme

4. The Government’s existing housing policy is to focus resources on providing subsidized public rental housing (PRH) for low-income families who cannot afford private rental accommodation, with a view to meeting their housing needs. It is not the Government’s existing policy to encourage home ownership through the Home Ownership Scheme (HOS) or other means. Re-launching HOS, regardless of the number of HOS flats to be built, goes against the existing policy.

5. Land supply in Hong Kong is limited. The number of applicants on the PRH Waiting List has currently exceeded 120 000. Re-launching HOS will reduce the availability of land for PRH developments and therefore affect PRH flat production. There will be immense adverse implications on our objective of maintaining the average waiting time for PRH at about three years. In view of the above, we do not subscribe to the suggestion of re-launching HOS.

Suggestion on revitalizing the HOS secondary market

6. HOS flats in the secondary market are a huge potential source of medium and low-priced domestic flats. It is estimated that at the present value, among the 300 000 HOS flats in the territory, about 70% (i.e. around 220 000 flats) are priced below \$2 million. About 50 000 of those HOS flats priced below \$2 million had paid premium. The Government is exploring means to further revitalize the HOS market.

Suggestions to re-launch the Tenants Purchase Scheme

7 The objective of the Tenants Purchase Scheme (TPS), which was introduced by the Hong Kong Housing Authority (HA) in 1998, was to enable PRH tenants to buy their own rental flats at affordable prices, with a view to achieving the then policy target of having 70% home ownership in ten years. When conducting the comprehensive review on the housing policy in 2002, the Government decided that the long-term home ownership target should not be retained. In accordance with this policy, HA terminated the TPS after launching TPS Phase 6B in 2005. We have no intention to resume TPS due to the following considerations.

8. Firstly, our consideration is about the supply and turnover of PRH. Recovered PRH flats are an important source of PRH supply, as they on average account for about half of HA's annual PRH flat allocation. If PRH flats are to be sold to tenants, the sold flats will never be returned to HA for reallocation. This will unavoidably undermine the sustainability of HA's PRH programme and its capability in keeping the average waiting time at about three years.

9. The management of TPS estates is another key consideration. TPS estates are no longer under the sole ownership of HA. Mixed ownership has caused complications in the management of TPS estates. It is far from satisfactory that, very often, problems affecting PRH tenants in TPS estates cannot be resolved without the cooperation of the other individual owners. We still have to further explore measures to improve the management of TPS estates.

**Development Bureau
Transport and Housing Bureau
December 2009**

**Motion on
“Increasing the supply of medium and small-sized residential flats”
moved by Hon LEE Wing-tat
at the Legislative Council meeting
of 4 November 2009**

Motion as amended by Hon WONG Kwok-hing and Hon James TO Kun-sun

That, in view of the recent abnormal speculation and soaring prices in the property market of Hong Kong, which have affected local residents in acquiring their homes, this Council urges the Government, on the basis of ensuring that the supply of land for building public rental housing will not be reduced and the waiting time for public rental housing will be shortened, to take proactive and effective countermeasures, which include:

- (a) to immediately improve the Application List System by lowering the threshold for applying for the sale of sites and increasing the land supply in the Application List;
- (b) to proactively arrange for resumption of the sale of land by public auction;
- (c) whichever land sale measures mentioned above are to be adopted, the Government should give priority to exploring ways to increase the supply of land resources for building properties that meet the needs of the local sandwich class and grassroots to buy properties for self-occupation;
- (d) to resume building an appropriate number of Home Ownership Scheme (‘HOS’) flats;
- (e) to adopt proactive measures to revitalize the HOS secondary market; and
- (f) to re-launch the ‘Tenants Purchase Scheme’, so that public housing tenants can acquire their own homes;

so as to increase the supply of medium and small-sized residential flats to stabilize the property market, help the public purchase flats which are affordable to them and address the demand for housing.