

Legislative Council Panel on Housing
An Overview of the Existing Housing Policy

Purpose

This paper sets out the Government's existing housing policy and the steps taken to ensure a stable and adequate supply of land for both public rental housing (PRH) and private residential flats.

Government's Housing Policy

2. The Government's housing policy is to provide PRH flats to low-income families who cannot afford private rental accommodation, with a target of maintaining the average waiting time (AWT) for the general PRH applicants at around three years. This is a firm commitment and has remained the cornerstone of our housing policy.

3. Beyond the provision of PRH, the Government will ensure a steady supply of land and a fair and stable operating environment to enable the healthy development of the private property market. The Government will continue to withdraw as far as possible from housing assistance programmes to minimize intervention in the market. We also work to enhance the transparency of sales information and fairness of transactions of first-hand private residential properties to safeguard consumers' rights. Moreover, to curb short-term speculative activities, the Government announced on 19 November 2010 a new package of measures including the proposed introduction of a Special Stamp Duty to ensure the healthy and stable development of the property market. Currently, we are working closely with the Bills Committee concerned to enable the necessary legislation to be enacted as soon as possible.

4. To ensure a stable and adequate supply of land for both PRH and private residential flats, including small and medium sized private units, the Financial Secretary chairs the "Steering Committee on Housing Land Supply" to coordinate the efforts of all departments concerned to ensure that issues relating to housing land will be dealt with as a matter of priority.

Public Housing

5. The Hong Kong Housing Authority (HA) has a five-year rolling Public Housing Construction Programme, with suitable adjustments made annually to the programme to respond to the latest demand and supply situation. In the

five-year period of 2011/12 – 2015/16, the total forecast production of PRH is about 75 000 flats, i.e. an average of about 15 000 per year. The HA estimates that this level of production, together with the recovered flats from the existing stock, would allow the Government to meet its policy objective of maintaining the AWT for general PRH applicants at around three years. At present, the AWT for general PRH applicants is two years. Following upward adjustment of Waiting List Income and Asset Limits on 1 April 2011, an additional 25 000 or so households will become eligible for public housing. The extent to which this may increase the pressure for more PRH will be monitored closely.

6. To obtain the required land for PRH production, the HA will continue to liaise closely with the relevant bureaux and Government departments to identify suitable land for public housing development in different parts of the territory. The HA will consider all sites, regardless of their size, for public housing development under the principle of optimal utilization of land resources to maintain cost-effective and sustainable development. Cleared public housing sites will be retained as far as possible for PRH development. The Government will also expedite the development of sites which are cleared, formed and zoned “residential” sites. The development potential of all available sites will be optimized to make more effective use of these precious land resources.

Private Housing

7. The Government is committed to ensuring the healthy and stable development of the residential property market. The Government has been monitoring the development of the private residential property market closely and remains vigilant on the risks of a property bubble. In February, April, August, October and November 2010, the Government introduced various measures in four areas to ensure the healthy and stable development of the property market. They include increasing land supply to tackle the problem at source, combating speculative activities, enhancing the transparency of property transactions, and preventing excessive expansion in mortgage lending. Measures have also been implemented to safeguard the reasonable rights of consumers, and strengthen the regulation of the sale of first-hand residential properties.

8. To ensure the healthy and stable development of the property market, the Government has set a target of making available land for an average of some 20 000 private residential flats per annum in the next 10 years. It is estimated that the land for private housing developments could provide about 35 000 flats in the coming year. The MTRCL is going to be an important source of supply of sites for residential developments. The sites at Nam Cheong, Tsuen Wan, Tai Wai, Tin Shui Wai and Tseung Kwan O are expected to provide an estimated

14 600 units. The Government has decided to sell five residential sites by tender this year, and will impose restrictions on flat size and minimum flat numbers in the conditions of sale for the production of about 3 000 small and medium-sized flats. The first site sold under this approach was sold in March 2011.

9. Apart from flats in the primary market, there is also a considerable supply in the secondary market. The average number of transactions per year in the secondary market in the last few years (2006-2010) were around 95 600 cases, representing around 86% of the total flat sales. As such, the secondary market constitutes a significant source of flat supply in particular for new home buyers, with flats available at a wide range of price levels. The Government will continue to closely monitor the demand and supply in the private residential property market to ensure a steady and sufficient land supply in the market.

Meeting the Aspiration for Home Ownership

10. The Government recognizes the importance of a stable home, and is fully aware of the people's wish to improve their quality of life and move up the social ladder through home ownership. Any form of subsidized home ownership will, however, only serve as a buffer. The long term solution is to tackle the problem at source by increasing land supply. In the face of short-term market fluctuations, the Government considers it appropriate to provide relief measures to potential home buyers who can afford to buy their own house in the long term to give them time to save up in order to realize their home purchase plan at their own pace.

My Home Purchase Plan

11. The Government in collaboration with the Hong Kong Housing Society (HKHS), will introduce My Home Purchase Plan (MHPP) premised on the concept of "rent-and-buy". The MHPP will effectively target at households with home purchase plans and the ability to pay mortgages in the long run, but who cannot immediately afford the down payment in the face of short-term property price fluctuations. The MHPP will allow such potential home buyers some time to save up for their home purchase. In addition, the MHPP will increase the supply of "no-frills" small and medium sized private residential flats.

12. Under the MHPP, the Government will provide land for the HKHS to build "no-frills" small and medium-sized flats for lease to eligible applicants at prevailing market rent. The tenancy period will be up to five years, within which the rent will not be adjusted. Within a specified time frame, MHPP tenants may purchase a MHPP flat at prevailing market price, or a flat in the

private market. Should they decide to purchase a flat in the prescribed period, they will receive a Purchase Subsidy equivalent to half of the net rental they have paid during the tenancy period, and may use it for part of the down payment on a flat in the MHPP or from the private sector.

13. The first MHPP project at Tsing Luk Street will provide about 1 000 small and medium-sized “no-frills” units. Our plan is to invite applications for pre-letting in 2012 and that the project will be completed in 2014. We are discussing with HKHS how to start the pre-letting exercise as soon as possible. The second MHPP project will be located at Sha Tin Area 36C, near Siu Lek Yuen. Depending on the flat sizes, about 700 small and medium-sized flats may be built on the site. The Government will work out with HKHS the implementation details for the Sha Tin project as soon as possible.

14. The Government has already earmarked sites in Tsing Yi, Sha Tin, Diamond Hill, Tai Po, Tuen Mun and other areas aiming for a total of some 5 000 flats to be built under MHPP. We will expedite the preparatory work as far as possible so that the projects can be implemented as early as possible.

Revitalization of Home Ownership Scheme (HOS) Secondary Market

15. At present, there are about 323 300 HOS units. Among these HOS units, 66 800 may be traded in the open market and another 256 500 are units with premium not yet paid. Among these HOS units, about 70% are located in Urban or Extended Urban area. Facilitating the turnover of such units can help increase the supply of small and medium sized residential units and cater for the low-end property market.

16. In 2010, the HA implemented a number of measures to revitalize the HOS Secondary Market, including extending the mortgage default guarantee period to 30 years for buyers of HOS units, streamlining the administrative arrangement and enhancing publicity, and implementing the Premium Loan Guarantee Scheme by the Hong Kong Mortgage Corporation to facilitate HOS owners to finance the premium payment. These measures have been in place for a relatively short period of time. We will closely monitor their implementation and effectiveness.

Summary

17. Overall, the Government aims to provide people that have different levels of affordability with various housing options for purchase or rental. The first level is PRH for low-income families who cannot afford private rental accommodation. Above PRH are the second-hand HOS flats in the HOS Secondary Market where HOS owners may sell their flats to Green Form

applicants without paying premium. The next levels are flats of lower prices (including HOS flats sold in the open market after payment of premium) in the private property market targeting the general public, and the MHPP flats. In the private property sector, residential flats at various market prices are also available in both the primary and secondary markets to satisfy the diverse demands of those who can afford private flats.

18. The Government will continue to ensure a stable and adequate supply of land for both PRH and private residential flats. The Government and the HA remain committed to maintaining the AWT for general PRH applicants at around three years. The Government will continue to closely monitor the development of the property market, and will take appropriate measures as and when necessary to ensure the stable and healthy development of the market.

19. Members are invited to note the contents of this paper.

Transport and Housing Bureau
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