

## Legislative Council Panel on Housing

### Home Ownership Scheme and Tenants Purchase Scheme

#### Purpose

This paper sets out the Government's positions on the proposals to relaunch the Home Ownership Scheme (HOS) and the Tenants Purchase Scheme (TPS).

#### Proposal to relaunch the HOS

2. The Government has stated its position on the proposal to relaunch the HOS at the Legislative Council Panel on Housing meeting on 22 October 2007 and the Legislative Council meeting on 5 December 2007. It pointed out that three considerations were relevant as to whether HOS should be relaunched.

##### *(I) Market situation*

3. The first condition is whether a serious imbalance exists in the market and that property prices are at an extremely unreasonable level, making it difficult for the low and middle classes to purchase flats. During the period from 1997 to 2003, the cumulative reduction of property prices was over 60%. With the recovery of the local economy since 2003, property prices have been steadily picking up from the trough. In 2007, there were increases in both the number of transactions and the property prices. However, the overall property price level is still lower than that at the peak in 1997 by about 40%. Meanwhile, with improved employment situation and income growth following the economic recovery, the affordability of home buyers has been enhanced. In general, despite the rise in property prices in recent years, flats of various types and prices are still available in the residential property market. As far as middle to lower priced flats are concerned, the number of property transactions at less than two million dollars accounted for almost 60% of the total number of transactions in the past few years.

##### *(II) Turnover of Public Rental Housing (PRH) Flats*

4. The second condition is whether the turnover of PRH flats is so low such that the waiting time for PRH has been seriously affected. At present, PRH residents can purchase HOS flats in the secondary market without the need to pay premium. In fact, since the cessation of the production and sale of the HOS, there has been a steady rise in the number of PRH flats returned voluntarily from sitting residents or recovered from those who have purchased

flats in the HOS secondary market. Currently, about half of the PRH flats available for allocation each year are flats recovered from PRH residents. It shows that there is a certain degree of turnover of PRH flats under the existing system. Furthermore, the current average waiting time for PRH for general family applicants is around 1.9 years, which is within the pledge of maintaining the average waiting time at about 3 years.

### ***(III) Community consensus***

5. The third condition is whether there is a public consensus to revise the existing housing policy. The existing policy is to concentrate resources on to cater for the housing needs of families that cannot afford private rental housing. In fact, there were divergent views with the society on whether the Government should revise the existing policy and enter the market to build home ownership flats again. Such divergence is understandable, as any change in the existing housing policy will have far-reaching implications for different quarters of the community and the overall economy. We must therefore exercise prudence in our consideration of the matter. It is also noteworthy that, according to the findings of the Public Housing Recurrent Survey conducted by the Housing Authority (HA) in 2007, less than 5% of the PRH tenants were interested in buying the surplus HOS flats currently offered for sale.

### **Proposal to relaunch the TPS**

6. The TPS was introduced in early 1998 in the objective to assist the Government to achieve its policy objective of reaching a home ownership rate of 70% in ten years' time as set out in the 1997 Policy Address. However, under the repositioned housing policy, purchase of flats should be a matter of personal choice and affordability. It is therefore unnecessary for the Government to continue to keep the home ownership target. The HA ceased the TPS in 2005. The Administration does not have any plan at this stage to relaunch the Scheme. The major considerations are as follows.

#### ***(I) Supply of PRH flats***

7. The HA must concentrate its limited housing resources on catering for the needs of low income families that cannot afford private rental housing. There are currently more than 110 000 applicants on the Waiting List waiting for PRH allocation, with an average of 2 000 to 3 000 new applications received every month. On the supply side, recovered flats have all along been an important source of PRH flat supply, accounting for about half of the PRH flats allocated each year on average. According to the present forecast, only about 15 000 PRH flats will be produced annually in the next five years. The HA therefore has to make effective use of its existing PRH stock for allocation. PRH flats,

once sold to the tenants, will never be returned to the HA for re-allocation. This will inevitably undermine the ability of the HA to implement a sustainable public housing programme and maintain the average waiting time at around three years.

## ***(II) The Management of TPS Estates***

8. In addition, the HA has encountered many problems in the management of PRH flats in TPS estates. As in the case of private properties, a TPS estate has to be managed by its Owners' Corporation (OC) which decides on how the estate is to be managed. In some TPS estates, due to the lack of the OC's consent, the HA's estate management measures, such as the Marking Scheme for Estate Management Enforcement, cannot be implemented in the estate public areas. This has prevented the universal implementation of the HA's estate management policy. Consequently, tenants living in TPS estates and those living in PRH estates are subject to different management measures. This is not satisfactory.

9. In fact, PRH tenants can still purchase flats in the HOS or TPS secondary markets without paying premium. At present, there are a number of flats available in these two markets for PRH tenants intending to purchase flats to choose from.

## **Conclusion**

10. In formulating its housing policies, the Government has always been guided by the objective of safeguarding the overall interests of the community. In particular, the livelihood and housing needs of the low income families are the primary considerations of our housing policy. The re-positioned housing policy of 2002 minimises intervention in the operation of the property market and facilitates its steady development. It also allows the HA to concentrate its limited resources on providing housing assistance to PRH tenants and over 110 000 needy applicants on the Waiting List. To relaunch the HOS or the TPS will inevitably divert resources from and affect the HA's ability in implementing the public housing programme. We consider that the existing policy enables the most effective use of the limited housing resources and can best serve the overall interests of the community.