

**Number of Public Rental Housing (PRH) flats recovered****(In response to para. 8 of the notes of meeting of 2 February 2009)**

<b>Year</b>	<b>Number of flats recovered from tenants who purchased first-hand HOS/Private Sector Participation Scheme (PSPS)</b>	<b>Number of flats recovered from tenants who purchased second-hand HOS/PSPS</b>	<b>Number of flats recovered from other sources<sup>1</sup></b>
2004	0	-- <sup>2</sup>	13 871
2005	0	1 200	16 524
2006	0	1 299	14 620
2007	1 394 <sup>3</sup>	2 153	13 048
2008	2 821 <sup>3</sup>	1 375	14 620

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1 Including PRH recovered from voluntary surrender and various types of transfers etc. As tenants are not required to reveal to the Department the reason for their voluntary surrender of PRH flats, we do not have the breakdown for the number of cases where tenants surrendered their flats as a result of purchase in the private property market.

2 We do not have the detailed breakdown for 2004 or before.

3 Sale of surplus HOS flats.

**Summary of Sale Prices of the Sale of Surplus HOS Flats Phase 4**  
**(In response to para. 10 of the notes of meeting of 2 February 2009)**

	<b>No. of Flats</b>	<b>Saleable Area</b> (m <sup>2</sup> )	<b>Sale Prices</b> (\$ / flat)	<b>Sales Rate</b> (%)
Tung Tao Court Stage II (Blocks A & D), Shau Kei Wan	640	37.2 – 61.9	1 154 700 – 2 910 500	All sold
King Hin Court, Wong Tai Sin	344	37.0 – 63.0	874 300 to 2 355 400	All sold
Kam Fung Court Blocks H & J, Ma On Shan	1 284	39.2 – 62.0	885 400 to 1 870 900	51%
Tin Fu Court, Tin Shui Wai	877	47.0 – 60.4	572 000 to 1 011 100	24%
Scattered flats in 11 courts <sup>#</sup>	76	19.8 – 61.6	450 100 to 2 390 700	All sold
<b>Total :</b>	<b>3 221</b>			<b>60%</b>

<sup>#</sup> Tung Tao Court Stage I in Shau Kei Wan, Kwun Hei Court in Ho Man Tin, Ka Keung Court and Kingsford Terrace in Wong Tai Sin, Lei On Court in Lam Tin, Beverly Garden and On Ning Garden in Tseung Kwan O, Yu Chui Court in Shatin, Kam Fung Court in Ma On Shan, Ching Wang Court in Tsing Yi, and Lai Yan Court in Lai Chi Kok.

## **THE HONG KONG HOUSING AUTHORITY**

### **Memorandum for the Subsidised Housing Committee**

#### **Sale of Surplus Home Ownership Scheme Flats**

#### **PURPOSE**

To seek Members' approval to the programme for the sale of surplus Home Ownership Scheme (HOS) flats under Phase 5.

#### **BACKGROUND**

2. In January 2006, Members approved vide Paper No. SHC 6/2006 the sale of some 16 600 surplus HOS flats in phases from 2007 onwards, and endorsed the guiding principles for the sale of surplus HOS flats which are to : (i) launch all the surplus flats for sale as soon as possible from 2007, hence resolving the legacy issue once and for all; (ii) safeguard the interests of the Housing Authority (HA); (iii) minimise the impact on the private residential property market as far as practicable; and (iv) put up the surplus flats for sale from 2007 in two phases per year with around 2 000 to 3 000 flats per phase and keep in view any drastic changes in circumstances that may warrant adjustment to the sales programme.

3. A "Tentative Sales Programme of Surplus HOS Flats" was announced in April 2006 to enhance market transparency and facilitate forward planning by prospective purchasers. So far, the HA has completed four sale phases and sold a total of 11 277 flats up to end 2008. According to the tentative sales programme, Phases 5 and 6 should take place from 2009 onwards.

4. At the meeting of 2 January 2009, Members expressed views on the sale of the remaining surplus HOS flats. Members were generally of the view that HA should continue to sell the remaining surplus HOS flats despite uncertainties in the local economy. However, careful considerations should be taken in determining the time of launching future phases and the number of flats to be put up for sale. Some Members considered it necessary to shorten the lead time between approval of flat pricing and the launch date of sale. Some expressed that the existing pricing mechanism which had all along been adopted for the sale of surplus HOS flats should be maintained for consistency. There were suggestions to reduce the number of flats offered for sale in the next phase and to formulate a comprehensive plan for disposal of the remaining flats. A few Members suggested selling the scattered flats first and putting in place a flexible arrangement to sell such flats, such as putting up the scattered flats at the HOS Sales Unit for walk-in purchasers or engaging estate agents to assist in the sale.

## **APPLICATION AND SALES RESULTS**

5. Application and sales statistics for Phases 1 to 4 are summarised in **Annex 1**. Both the number of applications received and the number of flats sold in Phase 4 are the lowest when compared to the first three phases. Lower application and sales rates in Phase 4 reflect that people are more cautious in purchasing their own homes when the economic conditions are uncertain.

6. There was a substantial drop in applications (by 50% or so) and in the number of flats purchased (by 70% or so) by Green Form (GF) applicants in Phase 4 when compared to previous phases. This suggests that GF applicants, mostly living in public rental housing units and hence generally have less imminent housing needs, are more inclined to adopt a “wait and see” attitude on flat purchase, as compared to White Form (WF) applicants.

## **PROPOSED TIMETABLE AND SALES PROGRAMME**

7. Including the number of flats left unsold in Phase 4, we have a remaining stock of about 5 500 surplus HOS flats, of which around 40% are in urban areas. Having regard to the sales result of Phase 4 and against the backdrop of a worldwide economic downturn with a recession in the local

economy in 2009 looking increasingly inevitable, we consider it prudent to take a more conservative approach in launching the sale of the remaining surplus HOS flats.

8. As the economic outlook is uncertain and the unemployment rate is expected to be on the rise, people are very cautious in making decisions on home purchase. We consider it necessary to adjust the timetable and the number of flats to be offered for sale in future phases so that more people who have the intention and are eligible to buy the surplus HOS flats would be allowed to make their decisions at the appropriate time. While it is difficult to predict when the economy will recover, market analysts are generally of the view that the conditions would become clearer towards the end of 2009. Having considered the guiding principles for the sale of surplus HOS flats as set out in paragraph 2 and Members' views in paragraph 4, we propose to reduce the number of flats for sale under Phase 5 to some 1 400 flats and set the launch in the fourth quarter of 2009. In proposing the timetable and sales programme for Phase 5, as shown in **Annex 2**, we have balanced the considerations of continuing the sale of surplus HOS flats, safeguarding the interests of the HA, minimising impact on the private residential property market and giving sufficient advance notice to interested purchasers for forward planning. In any case, a lead time of about six months is normally required for the preparatory works such as pre-sale defects rectification works.

9. The remaining 4 000 plus flats listed in **Annex 3** are tentatively planned for sale in two phases from 2010 onwards after Phase 5. We will formulate detailed proposals on the sales programmes having regard to the sales result of Phase 5 and the market conditions at the time, and will submit proposals in due course for Members' consideration.

10. Our practice has been that the selling price of HOS flats, once approved, will remain unchanged until the end of the sales phase notwithstanding the movement of the property prices during the period. This practice should continue for Phase 5 and subsequent sales phases in order to provide certainty to the prospective purchasers. However, we will further streamline procedures in order to make the process more compact. As set out in Annex 2, for Phase 5, we plan to submit pricing proposals for Members' consideration in October, and to begin the sales process two weeks thereafter (instead of the usual four weeks) via inviting applications. We will also commence the flat selection process two weeks earlier than usual.

11. In the context of formulating the sales programme for Phase 5, we have carefully examined the idea of setting up a walk-in centre for selling the scattered flats separately and throughout the year. Members may wish to note that this idea had in fact been previously examined and considered not practicable. The considerations, as mentioned in Paper No. SHC 27/2006, were that should a walk-in centre be set up, the mode of sale would be made on a “first-come-first-served” basis, making it difficult to sell flats according to the planned GF/WF split and priority order. The walk-in mode would also give rise to operational difficulties such as in maintaining order at the centre and in vetting the eligibility of the walk-in purchasers. Furthermore, it might not be cost effective to launch the flats for sale at a walk-in centre throughout the year, as abortive work would be involved as re-touching up of the flats and re-assessment of price would need to be performed from time to time for flats which remained unsold after some time.

12. The considerations as set out above are still valid and the existing arrangement of including some scattered flats flexibly in the sale phases of major HOS courts has proved to be efficient and cost effective in the past four phases. There are no strong reasons to support any changes at this juncture. That said, we envisage there will likely be left-over flats after all the phases of sale are completed. Nearer the time, we may wish to revisit the alternative disposal methods (which include setting up of a ‘walk-in’ centre for continuous sale or engaging estate agents for disposal) to find the most suitable method(s) to assist us to dispose of these remaining flats.

## **FINANCIAL, STAFFING AND IT IMPLICATIONS**

13. Comparing with the approved Proposed Budget, the proposed sales programme and timetable for Phase 5 would result in differences to the estimated cash inflow and estimated surplus for 2009/10 onwards which will be reflected in the Revised Budget. The formulation of the timetable and sales programme does not give rise to additional staffing or IT implications.

## **LEGAL IMPLICATIONS**

14. There are no legal implications.

## **PUBLIC REACTION AND PUBLICITY**

15. The timetable and programme for the sale of surplus HOS flats will arouse the interests of the general public and interested parties such as the real estate sector. A press statement will be issued after the meeting. The sales programme of Phase 5 will be announced to the public to facilitate forward planning of interested purchasers and it will be publicised through different channels of the Department.

## **DECLASSIFICATION**

16. We recommend that this paper be declassified upon Members' approval of the recommendation in paragraph 17 below. The paper will be made available to the public at HA homepage, the Department's library and through the Departmental Access to Information Officer if it is declassified.

## **DISCUSSION**

17. At the meeting on 27 March 2009, Members will be invited to –
- (a) endorse the proposed timetable and sales programme for Phase 5 at **Annex 2** (paragraph 8); and
  - (b) declassify this paper (paragraph 16).

Miss Cindy CHAN  
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**Application and Sales Statistics  
for Surplus HOS Flats Phases 1 to 4**

Application Date	<b>Phase 1</b> <b><u>1/2007</u></b>	<b>Phase 2</b> <b><u>8/2007</u></b>	<b>Phase 3</b> <b><u>2/2008</u></b>	<b>Phase 4</b> <b><u>9/2008</u></b>
Flats for Sale	3,632	3,271	3,634	3,221
HA+{HS}	3,056+{576}	3,255+{16}	3,052+{582}	3,221+{0}

**(A) Application**

GF Applicants	4,216 (30%)	4,870 (34%)	5,751 (23%)	2,396 (22%)
WF Applicants	9,807 (70%)	9,513 (66%)	19,127 (77%)	8,566 (78%)
<b>Total</b>	<b>14,023</b>	<b>14,383</b>	<b>24,878</b>	<b>10,962</b>
Subscription Rate	3.9 times	4.4 times	6.8 times	3.4 times

**(B) Sales**

Flats Sold to GF Applicants	1,596 (44%)	1,837 (56%)	2,034 (56%)	530 (28%)
Flats Sold to WF Applicants	2,032 (56%)	1,434 (44%)	1,599 (44%)	1,389 (72%)
<b>Total Flats Sold</b>	<b>3,628</b>	<b>3,271</b>	<b>3,633*</b>	<b>1,919</b>
HA+{HS}	3,052+{576}	3,255+{16}	3,051+{582}	1,919+{0}
(% Sold)	(99.9%)	(100%)	(100%)	(59.6%)

HA: Hong Kong Housing Authority  
 HS: Hong Kong Housing Society  
 GF: Green Form  
 WF: White Form

\* One flat was withheld from sale due to repairs requirement discovered during flat selection period.



## Sale of Surplus HOS Flats – Phase 5

### Proposed Timetable

Key Activities	Tentative Dates
<b>To seek SHC's approval on flat pricing and sales related matters</b>	<b>October 2009</b>
<b>To invite applications (2 weeks)</b>	<b>October/November 2009</b>
<b>Balloting of applications</b>	<b>November/December 2009</b>
<b>Flat selection</b>	<b>December 2009 to February 2010</b>

### Proposed Sales Programme

District	Project (major courts with *)	Number of Units available for Sale		
		Unsold Courts / Blocks	Scattered Flats	Total
Kwun Tong	<b>Yau Chui Court *</b>	370		<b>370</b>
Wong Tai Sin	Grand View Garden		38	
	Ying Fuk Court		48	
		<b>Sub-total :</b>		<b>86</b>
Tseung Kwan O	Kwong Ming Court		100	
	Po Ming Court		42	
		<b>Sub-total :</b>		<b>142</b>
Sha Tin	Kam Tai Court		404	<b>404</b>
Tin Shui Wai	Tin Fu Court		378	<b>378</b>
North	King Shing Court		13	<b>13</b>
<b>Total for Phase 5 :</b>		<b>370</b>	<b>1,023</b>	<b>1,393</b>

**List of Remaining Surplus HOS Flats  
(excluding Phase 5)**

District	Projects (major courts with *)	Number of Units Available for Sale
Kwun Tong	<b>Yau Chui Court *</b>	1,110
Sha Tin	<b>Kam Fung Court *</b>	640
Tin Shui Wai	<b>Tin Chung Court *</b> , Tin Fu Court	1,293
Hong Kong East & South	Aldrich Garden, Tung Tao Court, Broadview Court, Hung Fuk Court, Lung Tak Court, Ocean Court	177
Wong Tai Sin	Choi Fung Court, Fung Lai Court, Ka Keung Court, King Hin Court, Rhythm Garden, Tak Keung Court, Tsz Oi Court, Tsz On Court	420
Kwai Tsing	Ching Wang Court, Lai Yan Court	12
Tseung Kwan O	Beverly Garden, Choi Ming Court, Fu Ning Garden, Tong Ming Court	271
North	Cheong Shing Court, Ka Shing Court, Wing Fai Centre, Yung Shing Court	116
Islands	Lung Hin Court, Peng Lai Court, Yu Tung Court	34
<b>Total :</b>		<b>4,073</b>