

香港特別行政區政府  
The Government of the Hong Kong Special Administrative Region

運輸及房屋局  
香港九龍何文田  
佛光街33號1座6樓



Transport and Housing Bureau  
6/F, Block 1, 33 Fat Kwong Street,  
Homantin, Kowloon, Hong Kong

本局檔號 Our Ref. HD/PS 9/2/1/231  
來函檔號 Your Ref.

電話 Tel No. 2761 5049  
圖文傳真 Fax No. 2761 7445

22 July 2011

Clerk to LegCo Panel on Housing  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong  
(Attn: Miss Becky Yu)

Dear Miss Yu,

**Legislative Council Panel on Housing  
Special Meeting on 8 April 2011  
Follow-up Action**

At the meeting of the Legislative Council Panel on Housing on 8 April 2011, Hon Lee Wing-tat raised a number of questions in respect to the "Overview of existing housing policy". The reply on the questions that are under our purview is appended below for Member's reference please.

**Private Residential Property Market Situation (Questions 1 to 9)**

The Government has been monitoring developments in the private residential property market closely and remains vigilant on the risks of a property bubble. The current property market situation is very unusual. Over the past year or so, the property market was vibrant primarily because of the abundant liquidity and the ultra-low interest rates over a considerable period of time. The Government has repeatedly reminded the public that an environment with abundant liquidity and ultra-low interest rates will not last forever, flat prices will not keep going up forever, and that people should be careful of the potential impact of increases in interest rate on the property market and should carefully assess the risks and their own financial ability when making a home purchase decision. Since last year, the Government has been responding to the

situation through the introduction of long, medium and short-term measures along four directions, including 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, with a view to ensuring the healthy and stable development of the property market.

The introduction of the Special Stamp Duty has been effective in curbing short-term speculative activities. According to the latest figures, there were only 97 subsale (i.e. confirmor) cases in May 2011, which was about 70% lower than the average of the first 11 months in 2010 (320 cases).

The residential price index of various flat classes in May 2011, as compared to the indices in May 2010, May 2009 and October 1997, is as follow –

Types of units	Price Indices			
	May 2011*	May 2010	May 2009	October 1997
Classes A&B flats (saleable area not exceeding 69.9 m <sup>2</sup> )	182.2	142.8	114.2	171.6
Classes C, D & E flats (Saleable area at 70m <sup>2</sup> or above)	207.8	170.2	136.5	180.5

\*Provisional figures

Source: Rating and Valuation Department

The residential rental index of various flat classes in May 2011, as compared to the indices in May 2010, May 2009 and October 1997, is as follow –

Types of units	Rental Indices			
	May 2011*	May 2010	May 2009	October 1997
Classes A&B flats (saleable area not exceeding 69.9 m <sup>2</sup> )	132.9	117.6	95.4	137.1
Classes C, D & E flats (Saleable area at 70m <sup>2</sup> or above)	134.2	120.4	96.9	144

\*Provisional figures

Source: Rating and Valuation Department

The number of Agreement for Sale and Purchase (ASPs) of private residential properties by consideration on a yearly basis from 2006 to May 2011 is as follow –

Year	Number of ASPs of private residential properties				
	Less than \$2M <sup>1</sup>	\$2M to less than \$3M <sup>1</sup>	\$3M to less than 5M <sup>1</sup>	\$5M to less than 10M <sup>1</sup>	10M or above <sup>1</sup>
2006	46 400	15 100	12 200	6 200	2 600
2007	65 900	21 400	18 500	11 100	6 700
2008	47 800	17 300	16 700	9 500	4 600
2009	53 700	21 800	22 200	10 700	6 700
2010	51 300	31 600	27 400	16 700	8 800
2011 <sup>2</sup>	11 000	11 900	11 900	8 100	3 300

Source: Rating and Valuation Department and the Land Registry.

- 1 The Land Registry categorizes the consideration in terms of less than \$2 million, \$2 million to less than \$3 million, \$3 million to less than \$5 million, \$5 million to less than \$10 million, and \$10 million or above.
- 2 Figures as at end of May 2011.

The Rating and Valuation Department (RVD) works out the home purchase affordability on the basis of median household income. The Mortgage-to-Income Ratio (MIR) assumes that private households with median household income buy a flat of 45m<sup>2</sup>, take out a 20-year mortgage loan at a 70% loan-to-value ratio and at an average mortgage rate.

The MIR from 2006 to 2011 are as follow –

Year (The figures are the annual average)	MIR (%)
2006	36.8
2007	37.4
2008	35.3
2009	35.9
2010	42.7 (The MIR in the fourth quarter in 2010 was 44.5)
2011	48.7 (First quarter in 2011)

Source: Rating and Valuation Department

The RVD provides free enquiry and mediatory services on tenancy matters to tenants and landlords. The number of those services provided by RVD in recent years is as below –

Year	No. of advisory services provided	No. of mediatory services provided
July 2004 – March 2005 (9 months)	About 135 000	149
April 2005 – March 2006	About 191 000	248
April 2006 – March 2007	About 170 000	296
April 2007 – March 2008	About 172 000	325
April 2008 – March 2009	About 201 000	261
April 2009 – March 2010	About 203 000	172
April 2010 – March 2011	About 220 000	190

Source: Rating and Valuation Department

### **My Home Purchase Plan (Questions 10 to 17)**

The Government announced in October 2010 that it would in collaboration with the Hong Kong Housing Society (HKHS) introduce “My Home Purchase Plan” (MHPP) which was premised on the concept of “rent-and-buy”. MHPP will effectively target at households which have home purchase plans and the ability to pay mortgages in the long run but which cannot immediately afford the down payment in the face of short-term property price fluctuations, and will provide a buffer to facilitate those households to save up over a period of time for home purchase.

Under MHPP, the Government will provide land for 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. MHPP tenants who purchase a MHPP flat at prevailing market price or a flat in the private market within a specified time frame 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. Also, MHPP helps increase the supply of “no-frills” small and medium sized private residential flats.

Our initial thinking is that the upper income limit for MHPP household applicants will be set at \$39,000 per month and the upper asset limit for them will be set at \$600,000. The upper income limit for singleton applicants will be set at \$23,000 per month and the upper asset limit for them will be set at \$300,000. Prior to inviting applications for pre-letting on

individual projects, HKHS will determine the income and asset limits taking into account the then market situation.

The majority of the quota under MHPP will be allocated to White Form applicants, and some quota will be allocated to public rental housing (PRH) tenants. The channel of traditional Home Ownership Scheme (HOS) in enabling Green Formers to move from PRH to home ownership is therefore preserved, and this also helps the turnover of PRH. Also, there will be a quota specifically for singleton applicants.

The first project will provide about 1 000 “no-frills” small to medium sized flats at Tsing Luk Street in Tsing Yi. There will not be any elaborated ancillary facilities in the development, such as extravagant club house or swimming pool, and the efficiency ratio of the units will be high. The rental and the prices of the flats will reflect the “no-frills” nature and age of the units, so they should not be seen as ordinary market values. The project will be completed by 2014, and applications for pre-letting will take place in 2012. HKHS will announce the application period and other details for the Tsing Luk Street project when the preparatory work is completed.

Under the existing loan and mortgage arrangements, potential home buyers may purchase a mortgage insurance under the Hong Kong Mortgage Corporation’s (HKMC) Mortgage Insurance Programme to obtain a mortgage from banks at 90% loan-to-value ratio to achieve their home purchase plan. Such arrangement will also be applicable to the MHPP units. Those who join the MHPP and are unable to save for 30% of the flat price as down payment may consider purchasing the mortgage insurance from the HKMC.

### **Supply of PRH (Questions 25 to 32)**

The Government’s subsidized housing policy is to provide PRH for low income families who cannot afford private rental accommodation, with a target of maintaining the Average Waiting Time of general Waiting List (WL) applicants at around three years. According to the latest Public Housing Construction Programme, we estimated that a total of 75 000 PRH flats will be completed during the coming five years from 2011/12 to 2015/16, i.e. an average of about 15 000 units per year. There will be a steady supply of newly completed flats in the Urban District in the next few years. From 2014/15 onwards, the majority of the new flats will be in the Extended Urban District and the New Territories. Location of the new production is at **Annex**.

As for flat recovery of PRH, it is affected by a number of factors and would vary from year to year. As such, we cannot foresee the number of flats to be recovered from 2011/12 to 2013/14. In the past few years, the number of PRH flats recovered remained at around 15 000 to 18 000 units per year. Flats were recovered due to a number of reasons including tenants' purchase of HOS flats, voluntary surrender, tenancy enforcement actions, etc.

As at March 2011, there were 152 400 applications on the WL. Among these applications, there were about 63 400 non-elderly one-person application under the Quota and Points System (QPS), and about 89 100 general WL applications (of which about 6 100 applications were elderly one-person applications). According to our administrative record, 20% of the non-elderly one-person application under the QPS were PRH residents. We have not asked applicants to supply details of their types of accommodation.

Under the WL income limit of 2011/12, the number of eligible non-owner occupied household in the private sector is calculated by matching the WL income limits with the household income distribution of the non-owner occupied households in the private sector from the Census and Statistics Department's General Household Survey of the fourth quarter in 2010. Those households with household income equal or below the income limits would be regarded as being eligible for PRH.

It is estimated that there are about 131 100 households with household income equal to or below the WL income limits for 2011/12. Among them, 43 400, 36 300 and 25 400 were 1-person, 2-person and 3-person households respectively. It should be noted that the figures above have not taken into account estimation on assets and some of the eligible non-owner occupied households in the private sector might be registered already on the WL for PRH. The above figures only indicate the situation in the fourth quarter of 2010. The number of non-owner occupied households in the private sector changes from time to time and so does the percentage eligible for PRH.

As at end March 2011, among the 63 400 QPS applicants on the WL, 29 100 applicants were aged below 30, 14 700 applicants aged 30 to 39, 11 700 applicants aged 40 to 49 and 7 900 applicants aged 50 or above.

Under the QPS, the relative priorities for PRH allocation to applicants are determined by the points the applicants received. Points are assigned to the applicants on the basis of their age at the time of submitting the PRH applications, the waiting time and whether they are PRH tenants. In general, the older the applicant and the longer the applicant has waited, the higher the number of points. The higher the number of points accumulated, the earlier an applicant will be offered a PRH flat. As the distribution of points of

applicants are different in different Districts, and there are differences in demand and supply of PRH flats in different Districts from time to time, the points required for rehousing will change from time to time. Besides, as new applicants with higher points may join the queue, the relative priority for allocation among applicants under QPS would change. Applicants with the same number of points may have different waiting time in different Districts. We are unable to estimate the waiting time of individual non-elderly one-person applicants.

The annual allocation quota under QPS, which is based on the average percentage of flats allocated to non-elderly one-person applicants in the decade before the introduction of QPS in 2005, is set at 8% of the total number of flats to be allocated to WL applicants in the year, subject to a ceiling of 2 000 flats. The overall supply of PRH flats for allocation to WL applicants can only be maintained at a certain level. If the quota for non-elderly one-person applicants is to be increased, it will reduce the number of flats available for allocation to other WL applicants, including family applicants and elderly applicants. Taking into account non-elderly one-person applicants who were allocated PRH flats through the Express Flat Allocation Scheme, the total number of flats allocated to non-elderly one-person applicants accounted for 15% of the allocations to WL applicants in 2010/11.

When the QPS was designed in 2005, there were deliberations on the factors for calculation of points, such as whether the applicant is a student, whether they are living with their family, their current living condition, level of income, etc. Views were diverse and these suggestions were not adopted. To help dwellers of bedspace apartments understand how to apply for PRH, officers from the Housing Department (HD) in January this year paid visits to and outreached through non-government organizations all licensed private bedspace apartments. Application forms and explanatory notes were distributed to residents to facilitate them to apply for PRH. Eligible non-elderly one-person applicants under the QPS can also join the Express Flat Allocation Scheme for earlier rehousing. Non-elderly one-person applicants with pressing housing needs may also apply for compassionate rehousing through the recommendations of the Social Welfare Department.

### **Revitalisation of HOS Secondary Market (Questions 33 to 34)**

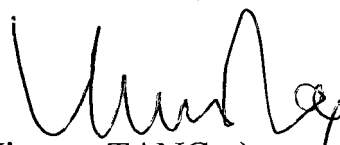
Under the HOS Secondary Market Scheme, HOS flat owners could sell their flats to sitting or prospective PRH tenants without premium payment. The objective of allowing the sitting PRH tenants and Green Form holders to participate in the HOS Secondary Market is to provide an avenue for

them to attain home ownership and at the same time vacate more PRH units for allocation to persons and families in genuine need.

The Housing Authority launched a number of measures in end 2010 to revitalize the secondary market of HOS, including Premium Loan Guarantee Scheme launched by the HKMC, extending the mortgage default guarantee period to 30 years, and streamlining the administrative arrangement and enhancing publicity. These measures have been in place for a relatively short period of time. We will continue to closely monitor their implementation.

As regards the proposal of allowing White Form applicants to purchase HOS flats with premium not yet paid in the Secondary Market, it is tantamount to using public money for subsidizing home ownership. There are issues such as whether the proposal can help those in genuine need, whether it is in line with the objective of setting up HOS Secondary Market, whether it is fair, who should be subsidized, and whether the supply of HOS flats can effectively match with the demand etc. All these issues would require careful consideration.

Yours sincerely,



( Vincent TANG )

for Secretary for Transport and Housing



## Production of PRH Flats in the Coming Five Years (2011/12 – 2015/2016)

Year of Completion / District <sup>#</sup>	Sub-District	Planned Flat Number
<b>2011/2012</b>		
Urban	Kowloon City	800
	Kwun Tong	3 500
	Sham Shui Po	5 600
	Wong Tai Sin	1 300
<b>Sub -Total</b>		<b>11 200</b>
<b>2012/2013</b>		
Urban	Kowloon City	7 900
	Kwun Tong	2 700
	Sham Shui Po	1 400
Extended Urban	Sha Tin	2 800
New Territories	Tuen Mun	1 000
<b>Sub -Total</b>		<b>15 800</b>
<b>2013/2014</b>		
Urban	Kowloon City	5 400
	Sham Shui Po	1 500
	Wong Tai Sin	1 000
Extended Urban	Kwai Tsing	2 400
	Sha Tin	3 000
	Sai Kung (Tseung Kwan O)	2 100
<b>Sub -Total</b>		<b>15 400</b>
<b>2014/2015</b>		
Urban	Kwun Tong	5 800
	Sham Shui Po	2 800
Extended Urban	Sha Tin	3 500
New Territories	North	1 300
	Yuen Long	4 900
<b>Sub -Total</b>		<b>18 300</b>
<b>2015/2016</b>		
Urban	Kwun Tong	4 500
	Sham Shui Po	400
Extended Urban	Sha Tin	4 500
	Islands (Tung Chung)	3 600
New Territories	Tai Po	500
	Yuen Long	1 600
<b>Sub -Total</b>		<b>15 100</b>
<b>Total</b>		<b>75 800</b>

(Based on the Public Housing Construction Programme as at March 2011)

<sup>#</sup>Extended Urban areas include Kwai Tsing, Tsuen Wan, Sha Tin (including Ma On Shan), Sai Kung (including Tseung Kwan O) and Tung Chung.