

LCQ14: Regulating the sale of first-hand private residential properties

Following is a question by the Hon Dennis Kwok and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (March 27):

Question:

On June 29 last year, the Government announced six new initiatives on housing. Two of such initiatives are: (i) proposed introduction of Special Rates on vacant first-hand private residential units by amending the Rating Ordinance (Cap. 116), and (ii) amending, with immediate effect, the Lands Department Consent Scheme by requiring developers to offer for sale no less than 20 per cent of the total number of residential units subject to the relevant pre-sale consent at each round of sale. In this connection, will the Government inform this Council:

(1) of the legislative timetable for amending Cap. 116;

(2) whether it will determine the levels of Special Rates by an incremental scale based on the length of the vacant period of first-hand private residential units; if not, of the reasons for that;

(3) of the number of pre-sale consents granted to residential projects by the Lands Department (LandsD) since the initiative of amending the Consent Scheme took effect, and set out in a table the following information by project name: (i) street number, (ii) total number of residential units, (iii) date of application for pre-sale consent, (iv) date of granting pre-sale consent, and (v) scheduled completion date of the project;

(4) whether it knows the detailed arrangements for the first three rounds of sale of uncompleted residential units under each residential project mentioned in (3) (set out in tables of the same format as the table below);

Name of residential project:			
Sales arrangements	First round	Second round	Third round
Total number of residential units subject to pre-sale consent (T)			
Number of units offered for sale (A)			
Percentage of A in T			

Among A: number and percentage of units offered for public sale			
Among A: number and percentage of units offered for sale by tender			

Among A: numbers and percentages of units offered for sale respectively through the following means			
Public sale in both of the first and second rounds	Not applicable		Not applicable
Public sale in the first round, but sale by tender in the second round	Not applicable		Not applicable
Sale by tender in the first round, but public sale in the second round	Not applicable		Not applicable
Sale by tender in both of the first and second rounds	Not applicable		Not applicable
Public sale in all three rounds	Not applicable	Not applicable	
Public sale in the first and second rounds, but sale by tender in third round	Not applicable	Not applicable	
Public sale in the first and third rounds, but sale by tender in second round	Not applicable	Not applicable	
Public sale in the first round, but sale by tender in the second and third rounds	Not applicable	Not applicable	
Sale by tender in the first round, but public sale in the second and third rounds	Not applicable	Not applicable	
Sale by tender in the first and third rounds, but public sale in second round	Not applicable	Not applicable	
Sale by tender in the first and second rounds, but public sale in the third round	Not applicable	Not applicable	
Sale by tender in all three rounds	Not applicable	Not applicable	

(5) as it has been reported that the arrangement for the first three rounds of sale of uncompleted residential units of a residential development was as follows: while about 150 units were offered for sale at each round, only 55 and seven units were newly offered for sale at the second and third rounds of

sale respectively, all three rounds of sale involved only about 30 per cent of the total number of residential units subject to the pre-sale consent, whether the Government has studied if such practice of unit selling is contrary to the policy intent of the initiative of amending the Consent Scheme; if it has studied and the outcome is in the affirmative, of the follow-up actions; if the study outcome is in the negative, the reasons for that;

(6) whether it will stipulate that developers must not offer for sale by tender the units of those residential projects of a certain scale; if so, of the details and the timetable; if not, the reasons for that;

(7) whether it will stipulate the proportions or minimum numbers of units that are offered for public sale and for sale by tender at each round of sale; if so, of the details and the timetable; if not, the reasons for that; and

(8) whether it will stipulate the maximum number of times for which a unit may be repeatedly offered for sale by tender; if so, of the details and the timetable; if not, the reasons for that?

Reply:

President,

With reference to the information provided by the Lands Department (LandsD) and the Sales of First-hand Residential Properties Authority, I set out my reply to various parts of the question raised by the Hon Dennis Kwok as follows:

(1) The Chief Executive announced on June 29, 2018 the proposed introduction of "Special Rates" on vacant first-hand private residential units, with a view to encouraging more timely supply of first-hand private residential units in the market. The Government proposes to amend the Rating Ordinance (Cap. 116) to require developers of first-hand private residential units with occupation permit issued for 12 months or more to furnish annual returns to the Government on the status of these units. Developers of first-hand units that have not been rented out for more than six months in the past 12 months have to pay "Special Rates". "Special Rates" will be collected by the Rating and Valuation Department annually at two times (i.e. 200 per cent) of the rateable value of the units concerned. The Government is now listening to the views of the Members of the Legislative Council (LegCo) and various sectors in the community. At the same time, the Government is preparing the Rating (Amendment) Bill and plans to introduce the Amendment Bill into LegCo within 2018-19 legislative session.

(2) The objective of "Special Rates" is to encourage developers to sell or rent out first-hand private residential units in completed projects within a reasonable period of time. We believe that a uniform yet forceful tax rate is conducive to achieving this objective. This will also be easier to understand and to administer as compared with progressive tax rates.

Our initial proposal is that developers who have rented out their first-hand units for more than six months in the past 12 months are not required to pay the "Special Rates". In other words, depending on whether the units have been rented out or not, developers holding first-hand units may not necessarily need to pay "Special Rates" in a row for several years (for instance, they may only have to pay "Special Rates" on the first year, the fourth year and the sixth year.) Under such circumstances, charging "Special Rates" based on progressive tax rates may render the regime too complicated and difficult to administer.

(3) To improve market transparency and enhance consumer protection, the Chief Executive announced on June 29, 2018 that the Government would amend the Consent Scheme, requiring developers to offer for sale no less than 20 per cent of the total number of residential units subject to the relevant pre-sale consent at each turn of sale, regardless of the sales method (including public sale, tender and auction). If the remaining unsold residential units are less than 20 per cent, the developer has to offer for sale all remaining units in one go. The new requirement has come into effect on the date of announcement and applies to pre-sale consent applications being processed by LandsD at that time and all new applications received after that date.

As at February 28, LandsD has issued pre-sale consents for a total of 30 residential development projects since the implementation of the new requirement. The relevant information is at Annex 1. Of this total, 19 of the development projects have already been launched for sale. Statistics on their sales arrangements are at Annex 2. We do not have cumulative statistics on the first three rounds of sales arrangements for each project with a breakdown by sales method.

(4) Developers may suspend the sale of some residential units due to changes in the sales conditions, and provide documents indicating that a certain sales arrangement is no longer valid. Developers may re-launch the sale of these units at a later juncture and issue new sales arrangements accordingly. Irrespective of the circumstances, under the 20 per cent new requirement, each sales arrangement (including those under which units are offered for sale by way of both public sale and tender, as well as those newly issued due to changes in the sales condition) issued by the developer has to cover at least 20 per cent of the total number of the residential units (or depending on the situation, all remaining unsold units).

(5) According to the Residential Properties (First-hand Sales) Ordinance (Cap. 621) (the Ordinance), if the vendors offer to sell first-hand residential properties by way of tender, they are not required to make available the price lists. However, they still have to comply with other requirements as prescribed in the Ordinance, including making available sales brochures, documents containing information of sales arrangements and registers of transactions (RT). In the RT, the vendors must set out information including the dates of provisional agreement for sale and purchase / agreement for sale and purchase, the transaction price and the terms of payment (including any discount on the price as well as any gift, financial advantage or benefit made available in connection with the

purchase), etc. The vendors have to make available the RT at the place where the sale is to take place and also an electronic copy of the RT on the website designated for the development projects and the Sales of First-hand Residential Properties Electronic Platform for public perusal. We believe that the above requirements will help ensure the transparency and fairness in the sales of first-hand residential properties and enhance consumer protection.

(6) The Government will continue to monitor the sale of first-hand private residential properties. We currently have no intention to stipulate under the Consent Scheme the number or proportion of units, or the number of times a particular unit, can be offered for sale by way of tender by the developers.