

LCQ19: Subsidised sale housing flats

Following is a question by the Hon Leung Man-kwong and a written reply by the Secretary for Housing, Ms Winnie Ho, in the Legislative Council today (June 12):

Question:

In June last year, the Housing Bureau announced the sale of flats under the Private Subsidised Sale Flat – Pilot Scheme (the Pilot Scheme) at 65 per cent of market value, and that the applicant eligibility criteria would follow those (including income and asset limits) adopted under the prevailing Home Ownership Scheme (HOS) and housing policy. On the other hand, Hemma Amber, a Subsidised Sale Flats (SSF) Project launched by the Hong Kong Housing Society (HKHS) in November last year, has also adopted the relevant income and asset limits for HOS as its applicant eligibility criteria, with a discount rate the same as that of HOS 2023. However, it has been reported that as pointed out by some analyses, the prices of the flats of Hemma Amber are higher than those of HOS 2023 flats in the same district, and the gap between the income limits for and flat prices of Hemma Amber is comparatively wide. As a result, only some of the flats are within applicants' choice on the premise that they have met the stressed debt-to-income ratio for mortgage loans with a loan-to-value ratio of 90 per cent, thus affecting their chance of successfully acquiring a flat. In this connection, will the Government inform this Council:

(1) whether it knows if the authorities have set calculation criteria for the (i) discount rates and (ii) applicants' income and asset limits in respect of various kinds of subsidised sale housing projects (including the Tenants Purchase Scheme, the Green Form Subsidised Home Ownership Scheme, HOS, the Pilot Scheme, the Starter Homes Pilot Scheme for Hong Kong Residents and the SSF Projects of HKHS), so as to ensure affordability of applicants in purchasing the flats;

(2) whether it knows if the authorities have reviewed whether the sale prices of the flats under the projects mentioned in (1) are commensurate with the affordability of applicants in a timely manner; if so, of the specific details; if not, the reasons for that; and

(3) given that the discount rates of some of the projects mentioned in (1) are comparable (e.g. HOS and the Pilot Scheme), whether the Government has plans to conduct a review on these projects and study the merger of them; if so, of the specific details; if not, the reasons for that?

Reply:

President,

The Government has all along been striving to enrich the housing ladder in response to the home ownership aspirations of households with different

incomes. To ensure subsidised sale flats (SSFs) are affordable for applicants and to facilitate them to move upwards along the housing ladder, there are specific calculation mechanisms for setting the price as well as for the income and asset limits for applicants of different types of SSFs. In response to the various parts of the question raised by the Hon Leung Man-kwong, our reply is as follows:

(1) to (2) Pricing Mechanism

To make Home Ownership Scheme (HOS) flats more affordable to target households, the Government revised the pricing mechanism of SSFs in 2018 so that HOS flat prices are delinked from the price of the private property market and revised to be based on the affordability of applicants. Under the revised pricing mechanism, at least 75 per cent of the flats for sale can allow non-owner occupier households earning the median monthly household income to spend no more than 40 per cent of their monthly income on mortgage payment. For SSF projects of the Hong Kong Housing Society (HKHS), HKHS will formulate the proposed sale price by drawing reference from factors including the discount rate of the preceding HOS sale exercise, market situations as well as affordability of the applicants.

The pricing of other schemes of SSFs is benchmarked against the sale price of HOS. For Private Subsidised Sale Flat – Pilot Scheme (private SSFs), drawing reference from the average discount rates adopted in different HOS sale exercises since the resumption of HOS sale in 2014, the discount rate for the sale price of private SSFs is fixed at 35 per cent of the market price (i.e. the units are sold at 65 per cent of the market price). The discount of the Green Form Subsidised Home Ownership Scheme is 10 per cent more than that determined for the preceding HOS sale exercise. As for Starter Homes for Hong Kong Residents (SH) projects, given that their purpose is to help persons who are not eligible for HOS and yet cannot afford private housing meet their home ownership aspirations, and that the relevant units will be sold at a price lower than the market price, the discount rate concerned will be 10 per cent to 20 per cent lower than that of the preceding HOS sale exercise of the Hong Kong Housing Authority (HA), in order to maintain the relativity among different rungs along the housing ladder.

Tenants Purchase Scheme (TPS) allows tenants of public rental housing to buy the flats they currently rent at affordable prices. The list price of TPS flats is set by reference to the adjusted replacement cost. As at June 2024, the discounts of the unsold TPS flats range from 79 per cent to 84 per cent of assessed market values, i.e. for sale at 16 per cent to 21 per cent of assessed market values.

Income and Asset Limits

To ensure that our limited public housing resources are made available only to those in genuine need, White Form (WF) applicants must meet the income and asset limits to be eligible to purchase various SSFs. In setting the income and asset limits, HA has thoroughly considered the applicants' affordability and reviews the limits before each "Sale of HOS Flats" sale exercise. In setting the income limit, it adopts a household expenditure

approach, which comprises both housing expenditure (including the mortgage payment, and rates, Government rent and management fee needed to purchase the reference flat) and non-housing expenditure, plus a 5 per cent contingency. The asset limit is derived from the amount of expenditure required to finance the down payment for acquiring the reference flat, the related transaction costs (including stamp duty and estate agent's commission), and decoration expenses.

On the other hand, as SH projects are positioned as a rung above HOS but below private housing, and their discount rate is lower than that for HOS (meaning their sale price is higher), the applicants should have income falling between the income limits for WF applicants for HOS and 30 per cent above such limits, and assets not exceeding 30 per cent above the HOS asset limits for WF applicants.

(3) Among various types of subsidised housing, as private SSFs and HOS/HKHS's SSFs are on the same rung of the housing ladder, the two of them have similar discount rates. The eligibility criteria (including income and asset limits) and alienation restrictions for private SSFs will also largely follow those under the prevailing HOS and housing policy. However, the main difference between the two is that HOS/SSFs are developed by HA/HKHS, whereas private SSFs are developed and sold by private developers. This is to enhance the overall construction capacity, save time required for development, and unleash the development potential of private land. We consider that HOS and private SSFs will complement each other in enriching the design and variety of SSFs and providing more choices for buyers. There is therefore no need for consolidation.

As mentioned above, there are different discount rates and eligibility criteria for different levels of SSFs, which can address the home ownership aspirations of households with different incomes. We consider that the current housing ladder has pragmatically responded to the home ownership needs of different people. We will continue to review whether there is room for enhancement of the housing ladder having regard to various factors such as the development of the property market and the home ownership aspirations of various members of the public.