

LCQ3: Alienation of Home Ownership Scheme flats

Following is a question by the Hon Kwok Wai-keung and a reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (September 29):

Question:

Upon the expiry of the alienation restriction period of Home Ownership Scheme (HOS) flats, the owners concerned may sell their flats in the open market after paying a premium to the Hong Kong Housing Authority (HA), and they may also sell their flats in the HOS Secondary Market without paying a premium. On the other hand, the findings of a study released at the end of last year show that the transaction prices of second-hand HOS flats have risen by more than one-fold over the preceding seven years, representing a rate of increase higher than that in the private residential market during the same period. In addition, cases of record-breaking transaction prices in the HOS Secondary Market have frequently occurred in recent months. Regarding the alienation of HOS flats, will the Government inform this Council:

(1) of the respective numbers of applications received in each of the past five years by the HA from HOS flat owners for selling their flats in the HOS Secondary market in the first two years and within the period from the third to the fifth year upon purchase;

(2) whether the HA will formulate measures to prevent HOS flats from becoming a property investment tool, such as extending the validity period of the requirement under which flat owners may only sell their flats in the HOS Secondary Market at a price not higher than the purchase price from two to five years; and

(3) whether the HA will require that those HOS flats HA offers for sale in future may not be sold in the open market, so as to clearly segregate the subsidised housing market from the private residential market, and to prevent HOS flats from becoming a property investment tool; if so, of the details; if not, the reasons for that?

Reply:

President,

The Hong Kong Housing Authority (HA) introduced the Home Ownership Scheme (HOS) in 1978 to meet the home ownership needs of low- to middle-income families. To facilitate the circulation of subsidised sale flats (SSFs) and enrich the housing ladder, the HA introduced the HOS Secondary Market Scheme (the Secondary Market) in 1997, which enables SSF owners to sell their flats to Green Formers with premium unpaid. To further address the

home ownership aspirations of low-to middle-income families, the HA subsequently launched the White Form Secondary Market Scheme (WSM) to expand the scope of eligible buyers of the Secondary Market to include White Formers and regularised WSM in 2017.

In order to prevent SSF owners from speculating on SSFs to make gains in the short term, the HA also imposed alienation restrictions of HOS upon its introduction in 1978 and established the key principles for considering the duration of the restriction period: prevent speculative activities on the one hand, and avoid unduly undermining the attractiveness of the flats and lowering the applicants' desire to purchase on the other hand. Since the introduction of HOS in 1978, the HA has been reviewing and revising the relevant alienation restrictions as appropriate from time to time in accordance with the aforementioned principles.

My consolidated reply to the question raised by the Hon Kwok Wai-keung is as follows:

(1) Owners of HA's HOS flats who wish to re-sell their flats with premium unpaid in the Secondary Market must first apply for a Certificate of Availability for Sale (CAS) from the HA. In the past five years (i.e. from 2017 to end-June 2021), the HA has issued a total of around 12 600 CAS to HOS flat owners, of which 0 and around 240 were issued respectively in the first two years and from the third to the fifth year since the first assignment of the flat. HOS flat owners who have been issued with CAS may not necessarily put up their flats for sale. Members please refer to the Annex for details.

(2) and (3) The HA has been monitoring the property market closely, reviewing from time to time and revising the alienation restrictions of SSFs as appropriate. In late 2018, the HA further tightened the alienation restrictions of the newly launched SSFs, including HOS and Green Form Subsidised Home Ownership Scheme flats. For SSFs launched in 2019 and beyond, owners are only allowed to re-sell their flats in the open market upon payment of premium ten years after first assignment; and for the Secondary Market where payment of the premium is not necessary, owners may re-sell their flats to buyers specified by the HA at not more than the original price within the first two years since first assignment or at freely negotiated price from the third year onward since first assignment.

When the HA revised the alienation restrictions, it had already balanced the calls from the public for tightening the alienation restrictions and the need to enable circulation of SSFs in the market, especially in the Secondary Market.

For the open market, according to the prevailing alienation restrictions as mentioned above, owners can only re-sell their flats in the open market upon payment of premium from the eleventh year onward since first assignment, which is sufficient to prevent owners from making monetary gains through short-term speculative activities in the open market. If we impose further restrictions to prohibit sale in the open market and segregate the markets of SSFs and private residential flats completely, the supply of SSFs will be

adversely affected. Furthermore, that SSFs are sold at a discount of the assessed market value and owners are required to pay premium to lift the alienation restrictions is a well-established arrangement which is widely accepted by the society. It would be a major policy change if owners are barred from re-selling their flats in the open market, for which further discussion and consultation would be necessary. There is currently no public consensus on the relevant suggestion.

As for the Secondary Market, there were a total of around 8 000 transactions in the Secondary Market in the past five years, of which 0 and 133 transactions were made respectively in the first two years from first assignment and between the third to the fifth year from first assignment of the flat, accounting for only 1.6 per cent of total transactions. Thus, it is not common for SSF owners to sell their flats within the first five years of purchase. Hence, extending the restriction period of re-selling at not more than the original price in the Secondary Market from two years to five years will not have much effect on the number of transactions. On the contrary, further tightening the restrictions will inevitably reduce the supply of SSFs with premium unpaid in the Secondary Market, thereby driving up the prices in the Secondary Market. This will counteract the intention of curbing price increase, which goes against the objective of addressing the home ownership aspirations of low- to middle-income families.

We appreciate the Hon Kwok's question and goodwill. However, we appeal for your understanding that the Government has already given due consideration to the arrangement for the sale and alienation of SSFs, and has also addressed the calls from the society.

Thank you, President.