

## LCQ4: Subsidised sale housing

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 (April 6):

Question:

Some studies have pointed out that, among the subsidised sale housing (including Home Ownership Scheme and Green Form Subsidised Home Ownership Scheme) flats put up for sale by the Government in recent years, some have been resold not only in as soon as the third year from first assignment but also at a resale premium of over 100 per cent. Regarding subsidised sale housing, will the Government inform this Council:

- (1) whether it will consider prohibiting the resale of newly completed subsidised sale housing flats in the open market upon payment of premium, with a view to differentiating between private housing and subsidised sale housing markets, and imposing revenue sharing on owners who have earned considerable profits from the resale of such flats, so as to send a clear message to society that subsidised sale housing is not for speculation;
- (2) given the very wide gap between the supply of and demand for subsidised sale housing, whether the Government will revise the supply mechanism of such flats, such as adjusting the supply this year by drawing reference from the number of oversubscription of such flats last year, and at the same time formulate as soon as possible measures to invite private developers to participate in the construction of such housing, so as to increase the supply; and
- (3) in order to make the prices of subsidised sale housing affordable for families with limited income, whether the Government will enhance the mortgage arrangements applicable to subsidised sale housing, including exploring the feasibility of introducing progressive payment mortgage; if so, of the details and timetable; if not, the reasons for that?

Reply:

President,

My reply to the Hon KWOK Wai-keung's question is as follows:

(1) In order to effectively curb short-term speculative activities, the Hong Kong Housing Authority (HA) endorsed on January 6, 2022 to tighten the alienation restrictions of Home Ownership Scheme (HOS) and Green Form Subsidised Home Ownership Scheme (GSH) flats, starting from the Sale of HOS Flats 2022 (HOS 2022) and the Sale of GSH Flats 2022. The period where the owners can only sell at not more than the original price in the Secondary Market with premium unpaid will be lengthened from the first two years since first assignment to the first five years since first assignment; while the restriction period for sale in the open market after payment of premium will

be lengthened from the first 10 years since first assignment to the first 15 years since first assignment.

Under the aforementioned revised alienation restrictions for HOS and GSH flats, owners cannot pay premium and sell their flats in the open market within the first 15 years since first assignment, which is sufficient to prevent owners from making short-term speculative gain in the open market, and to reinforce the message that subsidised sale flats (SSFs) are for self-occupation. We believe that allowing HOS and GSH flat owners to sell their flats after the restriction period can, on the one hand, facilitate the circulation of second-hand SSFs, which increases supply in the market; and, on the other hand, provide opportunities for owners on the housing ladder to move on to private property market.

As for sharing part of the profits which the owners make, since the purpose of putting in place alienation restrictions is to prevent owners from profiteering by speculating on SSFs, the appropriate approach is to put in place suitable alienation restrictions instead of sharing part of owners' profits. In fact, in the past five years (i.e. from 2017 to 2021), among the around 15 000 transactions of HOS and GSH flats in the open market, there were only in total around 90 transactions that were first resale transactions made within 15 years from first assignment, accounting for only around 0.6 per cent of the total open market transactions. In other words, most of the public purchases HOS and GSH for self-occupation.

(2) As far as supply of SSFs is concerned, when the HA considers the number of flats to be put up for sale and the timing of each sale exercise, relevant factors will be considered, including the sale response of each sale exercise, property market situation, and the progress of the construction of individual development and preparation of sale-related tasks, etc. The HA will put up for sale a total of around 13 600 HOS and GSH flats in 2022. In HOS 2022, the application of which just closed, the HA will put up for sale around 9 000 flats, which is the highest number of flats since the resumption of HOS sale in 2014.

As for inviting the private sector to participate in the construction of public housing, to cope with the anticipated increase in housing production in the future, the HA will adopt a new "Design-and-Build" procurement model in suitable projects. Under the new procurement model, contractors will undertake design and construction in a bundle so that the HA can leverage on the resources and expertise of the construction sector in enhancing the entire construction workflow, and focus more on the planning, co-ordination and supervision of public housing developments given limited manpower resources. The first "Design-and-Build" project, involving about 4 330 flats, will be tendered out in June this year. It will be followed by another "Design-and-Build" project of about 2 350 flats which will be tendered out in December.

(3) As for the proposal to introduce progressive mortgage for the HA's SSFs, the objective of the relevant proposal is to alleviate home owners' mortgage repayment burden at the early stage of home ownership through progressive mortgage repayment. After purchasing the flats, as the family income

increases, the buyers increase the monthly repayment progressively. In other words, at the early stage of home ownership, the monthly mortgage repayment amount will be less than that under the mortgage plan which is widely adopted currently where monthly repayment amount is fixed; while at the later stage of the repayment period, home owners' mortgage burden will increase gradually.

The HA has always been open to suggestions that can help low- to middle-income families achieve home ownership. Progressive mortgage provides an additional option for home owners, allowing them to choose a mortgage plan in accordance with their individual needs. Moreover, the HA notes the proposal raised by certain organisations and will consider the extent to which progressive mortgage may affect its finance and cash flow as a result of the delayed receipt of part of its flat sale proceeds, the legal issues pertaining to the title of the properties, and how to deal with the situations where owners have financial difficulties during the repayment period, etc. We will keep in view the implementation details of the proposal closely, and liaise with the relevant stakeholders, including banks, financial institutions, and financial regulatory bodies, so as to explore the feasibility for the HA to adopt the proposal.

Thank you, President.