

# New Initiatives on Housing

29 June 2018

# 1.1 Housing policy: Reiterating the four key elements

- Housing is not a simple commodity. It is one of the pillars of a caring and inclusive society. While respecting free market, the Government has an indispensable role to play in providing Hong Kong people with adequate accommodation
- We will focus on home ownership, and will strive to build a housing ladder to rekindle the home ownership hopes of families in different income brackets
- Based on the Long-term Housing Strategy, we will step up our effort in increasing housing supply
- When new supply is not yet available, we will strive to optimise the existing housing resources to help those inadequately housed

## 1.2 Progress made since the 2017 Policy Address

- Public housing : Continue to identify land for public housing development
- Green Form Subsidised Home Ownership Scheme (GSH) and White Form Secondary Market Scheme (WSM) : Regularised after review; to launch a new GSH project at Cheung Sha Wan (with over 2 500 units) and offer a quota of 2 500 for WSM this year
- Home Ownership Scheme (HOS) : The 2018 HOS sale exercise (covering 4 400 flats) is underway. Over 150 000 applications have been received
- Starter Homes (SH): Formulating the implementation framework after taking into account views expressed by the public
- Private housing: Continue to supply land through the Government's Land Sale Programme.

## 1.3 Increasing land supply while making the best use of existing land and housing resources

- Increasing land supply is the fundamental way to address inadequate housing supply
- The Task Force on Land Supply will make recommendations to the Government after the public engagement exercise
- Meanwhile, the Government will continue to make the best use of existing land and housing resources to increase the supply of adequate and affordable housing and encourage more timely supply of first-hand private flats

## 2.1 Six initiatives under three objectives

Objective	Initiative
(1) Making Subsidised Sale Flats (SSFs) more affordable	(1) Revising the pricing policy for SSFs
(2) Increasing supply of subsidised housing and enhancing support for transitional housing projects	(2) Inviting the Urban Renewal Authority (URA) to assign its project at Ma Tau Wai Road as an SH pilot project
	(3) Reallocating private housing sites for public housing
	(4) Setting up a task force to assist the community to take forward transitional housing projects; subsidising the costs of basic works with the \$1 billion set aside for facilitating the use of vacant government sites for non-profit-making purposes, the Community Care Fund, etc.
(3) Encouraging more timely supply of first-hand private flats	(5) Introducing “Special Rates” on vacant first-hand private residential units
	(6) Amending the Consent Scheme to improve sales practices

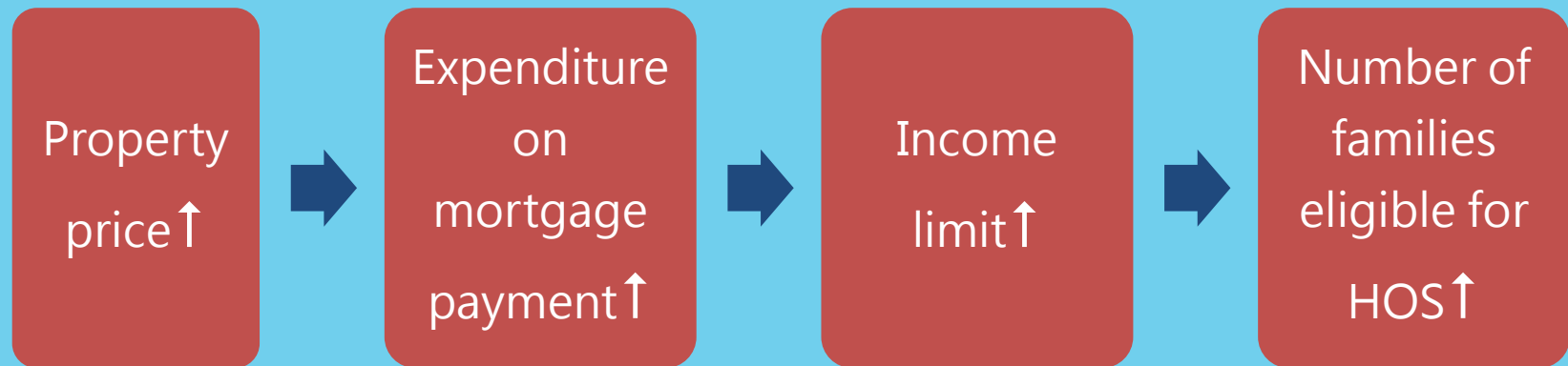
## 2.2 Initiative (1) : Revising the pricing policy for SSFs

- There is an opinion that the prices of HOS flats are too high and should be adjusted and delinked from the market prices
- Existing policy
  - (1) Priced at 70% of the “assessed market value” first
  - (2) Adjusted depending on whether the prices meet the affordability test to ensure:
    - (a) at least 50% of the flats are affordable to White Form (WF) family applicants (the income limit for families of two-or-more persons is \$57,000<sup>Note</sup>)
    - (b) affordable = need not use more than 40% of the above income limit on mortgage payments

Note: Net of Mandatory Provident Fund (MPF) contributions

## 2.3 Initiative (1) : Revising the pricing policy for SSFs (Cont'd)

- The income limit for WF families (\$57,000) is set with reference to their household expenditure (particularly their expenditure on mortgage payment). Therefore, if:



- This approach is fine for determining the eligibility for HOS.
- However, if the affordability test takes into account the income limit for WF families, the test will be indirectly affected by property prices, making the prices of HOS flats less affordable at a time of soaring property prices.

## 2.4 Initiative (1) : Revising the pricing policy for SSFs (Cont'd)

### Conclusion:

- **HOS**
  - **Revise the affordability test:**
    - ❖ use the median monthly household income of non-owner occupier households (around \$39,500<sup>Note</sup>) instead of the income limit for WF families (\$57,000) in the affordability test
    - ❖ ensure at least 75% of flats are affordable (up from 50%)
  - Use the 2018 HOS sale exercise as a test, the flats will be sold at 52% instead of the original 70% of the “assessed market value”
  - All other existing parameters remain unchanged, including the same discount rate in the pricing of all flats in the same HOS sale exercise and a discount rate of at least 30%.
  - **Under the new approach, the affordability test of the prices of HOS flats will no longer be linked to the market prices.**

Note : Figure in the fourth quarter of 2017, net of MPF contributions



## 2.5 Initiative (1) : Revising the pricing policy for SSFs (Cont'd)

- Prices of 2018 HOS flats

No. of flats	Saleable area	Assessed market value	Original price [70% of the value (30% discount under the existing mechanism)]	Adjusted price [ 52% of the value (48% under the new mechanism)]
4 431	278 – 631 ft <sup>2</sup>	\$12,401 / ft <sup>2</sup>	\$8,681 / ft <sup>2</sup>  <u>Price range</u> \$1.59m - \$6.3m  Average price \$3.6m	\$6,449 / ft <sup>2</sup>  <u>Price range</u> \$1.18m- \$4.68m  Average price \$2.68m

Note: The figures under "adjusted price" in the above table are calculated based on the average prices approved by the Housing Authority (HA) and the median monthly household income of non-owner occupier households in February 2018. The above prices are for illustrative purposes only. The actual prices will be based on the announcement of the relevant organisation for the sale of the flats.

## 2.6 Initiative (1) : Revising the pricing policy for SSFs (Cont'd)

### Further illustration

#### Example :

- An assumed 400 ft<sup>2</sup> flat at Kai Long Court in Kai Tak for sale in 2018
  - Market value assessed by HA: \$14,000/ft<sup>2</sup>(around 30% lower than first-hand private flats in the same district)
    - ❖ Priced at 70% of the value under the existing mechanism: it is \$9,800/ft<sup>2</sup> (affordable to over 50% of the applicants based on the monthly household income limit of \$57,000)
    - ❖ The problem is that not all HOS applicants will reach the monthly household income limit of \$57,000. As a result, the percentage of affordable flats has been overestimated and the prices of HOS flats are inevitably linked to the market prices
    - ❖ Under the new mechanism, the median monthly household income of non-owner occupier households (\$39,500) will be used and the percentage of affordable flats will be increased to 75%. The flat will be sold at 52% of the “assessed market value” , i.e. \$7,280/ft<sup>2</sup> and its price will drop from the original \$3.9m to \$2.9m

## 2.7 Initiative (1) : Revising the pricing policy for SSFs (Cont'd)

- **GSH**
  - a further discount of 10% from that decided for the preceding HOS sale exercise, making GSH even more affordable and attractive to PRH sitting tenants
  - providing another viable alternative to PRH applicants who are about to be allocated with a PRH flat <sup>Note 1</sup>
- **SH**
  - Targeting middle-class families with higher income <sup>Note2</sup>
  - 10%-20% less than that decided for the preceding HOS sale exercise

Note 1 : Applicants who have passed the eligibility vetting

Note 2 : The eligibility criteria will be explained in Initiative(2).

## 2.8 Initiative (1) : Revising the pricing policy for SSFs (Cont'd)

- Alienation restrictions for HOS and GSH
  - Tightening of the alienation restrictions will be considered in light of the new pricing mechanism
- Payment of premium
  - The prevailing policy remains unchanged. Under the new pricing mechanism, owners of HOS flats can sell their flats to eligible buyers (holders of Green Form certificates or eligible WSM applicants) in the HOS secondary market after a certain period of time without the payment of a premium. If the HOS flats are sold in open market, they have to pay HA a premium according to the discount at the time of sale (For example, the premium for a HOS flat sold in 2018 with a 48% discount will be 48% of the current market value)
- Time of implementation
  - The new pricing policy will be applicable to future SSFs
  - HA will be invited to consider whether to implement the new pricing policy in the 2018 HOS sale exercise

## 2.9 Initiative (2): Inviting URA to assign its project at Ma Tau Wai Road as an SH pilot project

- **Reasons**
  - There are still a lot of procedures to go through before the Anderson Road Site can be released to the market
  - A test on the attractiveness of SH among the target group should be conducted as soon as possible
- **URA's project at Ma Tau Wai Road**
  - Can provide 450 SH units
  - Around 260-507 ft<sup>2</sup>
  - It is expected that the pre-sale exercise can be launched in December 2018 the soonest and construction can be completed in the second quarter of 2019

## 2.10 Initiative (2): Inviting URA to assign its project at Ma Tau Wai Road as an SH pilot project (Cont'd)

- Major eligibility criteria:
  - Hong Kong residents who have resided in Hong Kong for seven years or more
  - Have never owned any residential property in Hong Kong
  - Income falls between the prevailing income limits for HOS and 30% higher than such limits
  - Asset should not exceed the limit of 30% above the prevailing asset limits for HOS and there is no lower limit

		Figures calculated with reference to the 2018 HOS sale exercise	
		One-person household applicant	Two-or-more-person household applicant
Lower income limit	\$1 higher than the HOS limit	\$28,501	\$57,001
Upper income limit	30% higher than the HOS limit	\$37,050	\$74,100
Upper asset limit	30% higher than the HOS limit	\$1,280,000	\$2,550,000

## 2.11 Initiative (2) : Inviting URA to assign its project at Ma Tau Wai Road as an SH pilot project (Cont'd)

- **Pricing**

- The affordability of eligible persons will be taken into account and a certain discount will be applied to the “assessed market value” of SH units in the sale exercise
- The discount will be 10%-20% lower than that decided for the preceding HOS exercise so as to maintain the positioning and relativity of different subsidised housing flats
- URA will determine the latest “assessed market value” and the actual discounted price of SH units according to the prevailing market situation before the pre-sale for the approval of the Government

## 2.12 Initiative (2) : Inviting URA to assign its non-joint venture project at Ma Tau Wai Road as an SH pilot project (Cont'd)

- According to the URA's latest assessment as at end-June 2018, the average "assessed market value" of the SH units of the Ma Tau Wai Road project is \$23, 500 per square feet (based on saleable area).
- With reference to the HOS launched in 2018 (with a discount rate of 48% according to the new pricing mechanism) , the discount for SH units of the Ma Tau Wai Road project should range from 28% to 38% (i.e. the units should be sold at 62 % to 72% of their market price).

	Ma Tau Wai Road SH pilot project	
"Assessed market value" as at end-June 2018 (based on average saleable area)	About \$23,500 /ft <sup>2</sup>	
Discounted price (based on average saleable area)	\$14,570/ ft <sup>2</sup> 62% of "assessed market value" (or a 38% discount)	\$16,920/ft <sup>2</sup> 72% of "assessed market value" (or a 28% discount)

Note : The price is for illustrative purposes only. The actual selling price is based on the announcement for the sale of the units by the organisation.



## 2.13 Initiative (2) : Inviting URA to assign its non-joint venture project at Ma Tau Wai Road as an SH pilot project (Cont'd)

- **Mortgage arrangement**
  - The Hong Kong Mortgage Corporation will provide mortgage insurance covering up to 90% of the property value under a special scheme for SH buyers
- **Alienation restrictions**
  - Restrictions will be more stringent than those for HOS
  - Owners will not be allowed to sell or let their units in the first five years after purchase; but they are allowed to sell or let their units in open market after payment of premium after the first five years
  - URA will not buy back any SH units
  - There is no such option as to sell the units to eligible persons in a secondary market without payment of premium

## 2.14 Initiative (3) : Reallocating private housing sites for public housing

- Reallocating private housing sites for public housing (whether for sale or rental will depend on the situation)

Year	Location	Number of sites	Number of units (estimated)
2018/19	Anderson Road Quarry	1	1 400
2019/20	Kai Tak	3	5 400
2020/21	Anderson Road Quarry	2	1 500
2021/22	Anderson Road Quarry	3	2 300
	Total	9	10 600

## 2.15 Initiative (4): Setting up a task force to facilitate the community initiatives of transitional housing

- A task force will be set up under the Transport and Housing Bureau to provide one-stop, coordinated support for community initiatives of transitional housing
- Initiatives for consideration include :

Initiatives	Progress
Community Housing Movement	<ul style="list-style-type: none"> <li>• It targets to provide 500 units, with 153 units already rolled out</li> </ul>
Constructing pre-fabricated modular housing on idle sites	<ul style="list-style-type: none"> <li>• Hong Kong Council of Social Service’s Modular Social Housing Scheme – Nam Cheong Street will provide 90 units</li> <li>• Processing three applications for constructing pre-fabricated modular housing on idle government sites</li> </ul>
Provision of financial assistance	<ul style="list-style-type: none"> <li>• Subsidising the costs of basic works with the \$1 billion set aside for facilitating the use of vacant government sites for non-profit-making purposes, the Community Care Fund, etc.</li> </ul>
Allowing owners of Hong Kong Housing Society’s subsidised housing with premium unpaid to let their flats	<ul style="list-style-type: none"> <li>• To be rolled out in Q3 2018</li> </ul>

## 2.16 Initiative (5): Introducing “Special Rates” on vacant first-hand private residential units

As at 31 March	Projected supply of first-hand residential properties for the coming 3 to 4 years	Unsold first-hand private residential units in completed projects (percentage to the then projected supply)
2013	67 000	4 000 (6%)
2014	72 000	6 000 (8%)
2015	78 000	6 000 (8%)
2016	92 000	6 000 (7%)
2017	96 000	8 000 (8%)
2018	96 000	9 000 (9%)

## 2.17 Initiative (5): Introducing “Special Rates” on vacant first-hand private residential unit (Cont'd)

Completion year	Unsold units in completed projects (as at 31 March 2018)
2011 - 2015	2 000
2016	1 000
2017	5 000
Q1 2018	1 000
Total	9 000

## **2.18 Initiative (5): Introducing “Special Rates” on vacant first-hand private residential unit (Cont'd)**

- **“Special Rates” will be introduced on vacant first-hand private residential units by amending the Rating Ordinance**
- **Owners (mainly developers) of first-hand private residential units with Occupation Permit issued for 12 months or more will be required to furnish annual returns to the Government on occupancy status of the units**
- **Units that have not been occupied or rented out for more than six months during the past 12 months will be considered as vacant and subject to “Special Rates”**
- **“Special Rates” will be collected by the RVD annually at two times (i.e. 200%) of the rateable value of the units concerned, which is roughly equal to 5% of the property value**
- **An Amendment Bill is planned to be introduced into the Legislative Council (LegCo) during the 2018-19 legislative year. The new measure will take effect after gazettal of the Amendment Ordinance following passage of the Amendment Bill at LegCo**

## 2.19 Initiative (6): Amending the Consent Scheme to improve sales practices

- Developers will be required to offer for sale no less than 20% of the residential units subject to the relevant pre-sale consent at each turn of sale, regardless of the sales method
- If unsold residential units are less than 20%, the developer has to offer for sale all remaining units in one go
- Developers failing to comply with the requirement for the first time will receive a warning from LandsD and need to provide explanation. Subsequent or repeated breach of the requirement will result in the pre-sale consent being cancelled without further warning
- The requirement will take immediate effect upon announcement, and apply to new pre-sale consent applications and applications currently being processed by LandsD

## 3.1 Conclusion

- Addressing the housing problem is the priority of the current-term Government, and the Government will spare no effort in increasing the supply of adequate and affordable housing to improve the living conditions of the people and rekindle their hope of home ownership
- Increasing land supply is the fundamental way to address the housing problem. We will announce the blueprint of identifying new land and releasing existing land for housing development
- The community is invited to actively take part in the public engagement exercise of the Task Force on Land Supply to contribute to the formulation of land supply strategy for Hong Kong