

**A REPORT ON THE MID-TERM REVIEW OF THE LONG TERM HOUSING STRATEGY**  
**THE HONG KONG HOUSING AUTHORITY**  
**OCTOBER 1993**

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**ABBREVIATIONS**

Abbreviations used in this report are as follows -

CRP	Comprehensive Redevelopment Programme
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DC	Development Committee
DPC	Development Progress Committee
FGLCH	Former Government Low Cost Housing
FHA	Former Housing Authority
FMV	Full Market Value
HATMIS	Housing Applications & Tenancies Management Information System
HOS	Home Ownership Scheme
HOSIL	Home Ownership Scheme Income Limit
HPLS	Home Purchase Loan Scheme
IFA	Internal Floor Area
LTHS	Long Term Housing Strategy
MRIR	Median Rent - To - Income Ratio
NHA	New Housing Authority
ORB	Option To Rent Or Buy Scheme
PHDP	Public Housing Development Programme
PRH	Public Rental Housing
PSPS	Private Sector Participation Scheme
SA	Saleable Area
SFSTS	Sale of Flats To Sitting Tenants Scheme
THA	Temporary Housing Area
WLIL	Waiting List Income Limit

## CHAPTER I INTRODUCTION

1.1 At its meeting in May 1993, the Development Committee (DC) noted the results of the 1993 assessment of housing demand and supply under the Long Term Housing Strategy (LTHS) as compared to those of the previous year. Members of DC also took note of the policy areas that needed to be addressed arising from the 1993 LTHS assessment. It was agreed that pending further discussion of these policy areas, no changes to the Public Housing Development Programme (PHDP) targets should be recommended to the Housing Authority (HA) at that stage. This was discussed by Members at the HA meeting on 1 July 1993.

1.2 The 1993 assessment found that under present production targets, there would still be an outstanding demand for housing from 19 000 inadequately housed households. Before making any adjustment to the PHDP targets, the following policy issues need to be examined on a comprehensive basis for further consideration by DC and HA -

- a) the priority in flat allocation between adequately housed households and those inadequately housed;

- b) the priority between satisfying public rental and Home Ownership Scheme (HOS) demand;
- c) the priority between various rehousing categories, i.e. Waiting List, Redevelopment and Clearance;
- d) the priority between families and single-person and two-person households;
- e) the means of assisting more existing tenants to purchase HOS flats; and
- f) the means of making the Home Purchase Loan Scheme (HPLS) more attractive.

1.3 Most of the above policy areas would have a bearing on, and are much affected by future housing supply. They would also affect the production required and consequently the practicability of raising further the production target. These and other related policy issues as well as their implications were considered by the DC at its meeting in October 1993. Its findings and recommendations are discussed in the following chapters. Members of the HA are invited to endorse the general direction outlined in the summary of recommendations in Chapter 10, after which relevant Committees will be invited to study individual policy areas in detail.

## **CHAPTER 2 PROBLEMS AND DIFFICULTIES**

2.1 Following the 1993 assessment of demand and supply of housing under the LTHS, a number of concerns have emerged. It will take longer time to meet the outstanding demand from those inadequately housed under current programmes and policies. We therefore need to review the problems and difficulties we have encountered so far. Proposed policy options to address them are discussed in the following chapters.

### **OBJECTIVES OF THE LTHS**

2.2 The LTHS, promulgated in 1987, has been in operation for six years. The strategy aims at providing adequate housing at an affordable price or rent to all households; achieving efficient and equitable use of resources by ensuring a household's benefit from housing subsidy is in relation to its need; promoting home ownership and mobility of sitting tenants; and redeveloping sub-standard older public housing estates.

2.3 The broad policy objectives have been translated into several mission statements to which the Government has publicly committed. They are -

- a) clearance of the Waiting List backlog;
- b) achieving an overall home ownership rate close to 60% by 1997; and
- c) clearance of all urban squatters on government land by 1996, and three-quarters of existing Temporary Housing Area (THA) population by 1997.

The Authority, being the principal implementing agent of the Strategy, will need to bear these in mind and endeavour to fulfil our mission. It is also high time we took stock of progress and development.

### **ACHIEVEMENTS**

2.4 Very good progress has been made in providing social anchorage to the community through the provision of new homes. Between 1985/86 and 1992/93, a total of 612 000 new flats were produced by the public and private sectors, comfortably exceeding the original production target of 605 600 set in 1987. The public sector alone constructed 350 000 units. There have also been significant improvements in residential living conditions in both public and private housing as a result of new construction, redevelopment and urban renewal. Under current clearance and redevelopment programmes, our worst THAs, urban squatters and most non-self-contained units in the public sector will have gone almost completely by 1997. The vast improvements to public housing estates through continued upgrading and improvement programmes have made housing conditions generally much more satisfactory.

## PROBLEMS AND DIFFICULTIES

### Problem One: Allocation of Housing Resources

#### a) Estimated Demand

2.5 Based on the 1993 assessment, it is estimated that 610 000 families will still be in need of housing from now on up to the turn of the century (see Appendix 1). Discounting the hard-core squatters in the N.T. and those inadequately housed in the private sector not coming forward, the effective demand for public and private housing is assessed to be 527 000 flats. Nevertheless, the most worrying sign comes from the growth of households in inadequate private housing, which is expected to increase from 105 000 in 1992/93 to 119 000 by 1997/98, and then fall to around 89 000 by 2000/01. Among these, the number of households assumed to be not coming forward will rise from 66 000 to 79 000 and then decrease to 61 000 correspondingly as shown in Table 1.

**TABLE 1**

**Estimated stock of households in inadequate private housing at the beginning of year based on the 1993 LTHS assessment**

	<b>Total No. of</b>	<b>Households Not</b>
<b>Year</b>	<b>Households</b>	<b>Coming Forward</b>
1992/93	105000	66000
1993/94	108000	66000
1994/95	112000	71000
1995/96	117000	76000
1996/97	120000	79000
1997/98	119000	79000
1998/99	112000	76000
1999/2000	99000	68000
2000/01	89000	61000

#### b) Allocation Policy

2.6 Many of these needy families in the private sector are still on the Waiting List, awaiting their turn for subsidised rental housing. Based on current programmes and allocation policies, about 14 000 flats can be set aside each year for allocation to Waiting List applicants, some of which are allocated to those inadequately housed in the private sector, with the remaining quota being allotted to General Waiting List applicants from THAs, squatter areas and sitting tenants.

2.7 Under current policy, priority for the allocation of Public Rental Housing (PRH) is accorded to tenants affected by redevelopment and clearance. In the next three years, our scheduled redevelopment and clearance will absorb about 24 000 flats a year. So far, these tenants and residents have taken up the greatest share of the housing cake as shown in the flat consumption pattern in Appendix II. Based on the current five-year Comprehensive Redevelopment Programme (CRP), THA and squatter clearance programmes, and the assumption of an effective demand from the 'purified' Waiting List, the average total demand for PRH from various categories will be about 39 100 flats, against the forecast average supply of 35 800 flats for allocation each year in the next five years (1993/94 - 1997/98) (see Appendix III).

#### c) Shortfall

2.8 The consequential position is that we have at least a total shortfall of 16 600 rental flats in the next five years. The shortage of flats will mean prolonged waiting time for those on the Waiting List since they are hitherto accorded a lower priority in the housing allocation even though their need for rehousing may be no less urgent than the committed categories.

2.9 In addition, we must not forget that the registered number on the General Waiting List does not truly reflect the real demand for public housing from the private sector. As seen in Table 1, many inadequately housed families have not yet come forward for one reason or another, but insufficient supply of PRH flats in the right location is a main contributory factor. This means suppressed demand to a certain extent.

#### d) Estimated Supply

2.10 Public housing production is limited. According to the June PHDP, only about 34 000 rental and sales flats a year have been programmed for the period 1994/95 - 1997/98 (see Table 2). This compares not so favourably with an average of 44 000 flats a year between 1985/86 and 1992/93. Shortage is particularly acute in respect of new one-person (1p) and two-person (2p) units if we maintain our current allocation standards. The production trough in the next few years has been a concern.

**TABLE 2**  
**Programmed Production (1993/94 - 2000/01) Superscript**

	Public	Public	Total
Year	Rental	Sales	
	Number * (%)	Number * (%)	Number (%)
1993/94	23900(49%)	25300(51%)	49200(100%)
1994/95	23700(69%)	10800(31%)	34500(100%)
1995/96	15800(47%)	17700(53%)	33500(100%)
1996/97	17800(50%)	18000(50%)	35800(100%)
1997/98	17900(55%)	14400(45%)	32300(100%)
1998/99	20900(44%)	26300(56%)	47200(100%)
99/2000	30800(55%)	25100(45%)	55900(100%)
2000/01	22800(41%)	32600(59%)	55400(100%)

#Referring to the number of flats completed according to the June PHDP

\* Rounded to nearest 100

#### e) Anticipated Programming Problems

2.11 We have experienced difficulties in obtaining sites for meeting the current production targets. The 49 hectares recently agreed by the Administration to be allocated for public housing development will yield about 29 000 more

flats, but the new flats will not be coming on stream before 1998/99 under current planning parameters. There are also signs that some of the sites already in the PHDP may slip out of the LTHS period due to traffic and environmental concerns, or lack of public funding for the provision of infrastructural facilities.

2.12 It seems that one of the solutions to our commitment of clearing the Waiting List backlog for rental housing by 1997/98 lies in a readjustment of the priorities for allocating housing resources.

2.13 Chapter 3 sets out our latest flat production and land supply situation for the remainder of the LTHS period and recommends a way forward.

f) Quality of Current Stock

2.14 Let us first look at our stock position. Over 96% of the Authority's rental housing stock of 650 000 units are self-contained. Given the huge stock of rental flats, with an average age of 13 years, we should try to contain the current stock size but this will only be possible if we can dampen rental demand and improve the mobility of our sitting tenants.

2.15 There are about 30 000 non-self-contained flats, representing 4% of our stock, which will be replaced in the next eight years under the CRP. This implies that much of our future redevelopment is largely for qualitative, environmental and planning gain since the housing units involved already have basic, adequate facilities. In terms of priority in the consumption of housing resources, it is arguable whether demand from this category should come before the inadequately housed in the private sector.

2.16 Chapter 4 sets out the current commitments under the CRP and a proposed approach to review the programme.

**Problem Two: Slow Mobility of PRH Tenants to Home Ownership**

a) Slower Home Ownership Growth Rate

2.17 In his 1992 Policy Address, the Governor gave an undertaking that the Territory's home ownership rate should rise close to 60% by 1997, of which 15% would come from the public sector. There are signs that the home ownership rate in respect of the public sector will increase at a slower pace in the years ahead. The latest projection already shows an overall drop of 1% against the target of 49% by April 1993. This is attributable partly to Government's decision not to support the Sale of Flats to Sitting Tenants Scheme (SFSTS), in effect reducing the public sector rate by 1.4%. The projection has been accordingly revised downwards. Our current projection is that by 1997, only 54% (as opposed to 57%) will be able to own their homes. Some urgent corrective action is thus required to put us on track.

2.18 The changes to the forecast are explained in detail in Chapter 5.

b) Preference for Rental Housing

2.19 Past experience shows that a high proportion of tenants affected by redevelopment have indicated a strong preference for rental flats even though some can well afford Home Ownership Scheme (HOS) flats. They are also given priority in HOS allocation. We have seen however a very low take-up of home ownership flats by clearerees: between 4% to 9% in the past three years.

**TABLE 3**  
**Percentage of clearerees opted for HOS/PSPS**

Year	THA/	PRH	Total
	Squatter Area *	Redevelopment	
1990/91	9%	10%	9%
1991/92	1%	7%	4%

1992/93	1%	10%	8%
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\*Including Kowloon Walled City clearance

### c) Changes to the Housing Scene

2.20 Our housing programme has so far brought about significant improvements to the quality of housing, living conditions and well-being of the tenants. In recent years, public housing tenants have enjoyed comparable living conditions to their counterparts in private housing, and fare much better than those living in inadequate private housing. This is borne out by several statistical indicators.

2.21 The median monthly income of PRH households is \$9,500, compared to \$11,000 for Hong Kong as a whole. The median rent-to-income ratio (MRIR) of public renters has been maintained at about 7 - 8% in the period 1987 - 1993. The MRIR for New Housing Authority estates has declined from 10% to 8% over the same period. For the higher income group (those with income above the median household income), the MRIR is very low, at 5%. The flat size of PRH housing stock has registered a 12% increase in the past five years, thanks to the redevelopment programme which pulls down smaller flats and rebuilds larger ones under a new block design. As a result, the overall living space per person has increased from 6sq.m to 7.2sq.m, i.e. by some 20%. PRH households living in new flats enjoy an even larger living area of 9.2sq.m per person.

2.22 Compared with the PRH tenants, some households with comparable income levels in private sector housing are less fortunate. There are about 273 000 non-owner-occupier households in private permanent and temporary housing. Their MRIR has risen from 18% in 1987 to 23% in 1993. Households with income below the Waiting List Income Limit (WLIL) has a much higher RIR of 33.3% but their median living density is only 7.4sq.m per person. About 52% of these households live in old tenement buildings over 25 years old, while 68% are inadequately housed in non-self-contained, shared or temporary units. For the owner-occupier households in private permanent housing, the median mortgage to income ratio is 28%, much higher than the 18% for HOS/PSPS (Private Sector Participation Scheme) households.

### d) Ownership of Private Properties

2.23 There is little argument that the well-being of PRH tenants on the whole has improved considerably over the years. We now note that some of them are able to invest in properties in the private housing market. According to a search of the Land Registry records with regard to 1 360 permanent living quarters, about 13% of PRH tenants (74 000 households) own private domestic properties, accounting for 12% of all private properties owned by local individuals. This means at least 74 000 flats since some of them own more than one property. Another analysis of 2 000 actual transactions in the private housing market shows that 24% of these purchases were made by PRH tenants in the period October 1992 - March 1993. A case study in North Point Estate reveals that 18% of tenants own private domestic properties in the urban area alone. Some one-third of them own more than one property. Chapter 6 explains these findings in greater detail.

2.24 The above phenomenon has grown to such proportions that we should begin asking ourselves whether our subsidised housing is provided only to those in need.

### e) Housing Preference

2.25 The LTHS envisages growing home ownership trend in line with growing affluence and increased demand. There is no doubt about our growing affluence over the past seven years, nor a deterioration in the affordability of our HOS/PSPS flats. We must therefore reconsider the rental/sales ratio in the public sector production, bearing in mind that there will always be a demand for rental housing for low-income families and the aspiration for home ownership for those tenants who can afford to do so.

2.26 The new Harmony design offers a good opportunity to switch to home ownership but prospective tenants' preference for rental housing must be made to change.

## f) Subsidy and Need

2.27 Here lies the crux of the problem. Public housing was originally intended for the lower income groups in genuine need of subsidised accommodation. Our housing programme which works towards improving the living conditions of the families rehoused has brought about not only stability, but also stagnation on the part of the sitting tenants. Many of them are content with the existing accommodation, given the high building standard, security of tenure, low and stable rent, convenient locations, as well as favourable inheritance rules. Furthermore, rising HOS prices in the last few years compared to fairly stable new rents and continued price increases in the private sector have also prompted many to stay put in rental housing when they are given the choice. The housing subsidy policy which has been largely watered down will have limited impact on encouraging better-off tenants to trade up to home ownership. Many redevelopment tenants feel that they would have everything to gain and nothing to lose by remaining as PRH tenants, knowing well that they can remain in low-rent flats in the best locations with much improved living environment upon redevelopment. Thus they have very little incentive to move out of PRH flats via the HOS route, even though they have a guaranteed chance of success in the ballot.

2.28 This inertia has become a concern, as reflected in the under-utilisation or abuse of rental uses for various purposes.

2.29 If nothing is done to reverse the trend, the overall home ownership rate in the public sector will continue to grow slowly, while those PRH tenants who can well afford purchasing will stay put at the expense of families in genuine need of rental housing. It is therefore imperative that (a) the mobility of sitting tenants be made to improve; and (b) public rental demand be transferred to other channels such as home purchase.

2.30 In this connection, we should bear in mind that when the Executive Council considered the submissions on reviving the SFSTS and modifications to the housing subsidy policy, the Authority had been asked to consider other alternatives to increase home ownership among sitting tenants and to encourage better-off tenants to move out of their heavily subsidised flats. We have also been asked by ExCo to encourage PRH tenants who own private residential properties and those who abuse their tenancies to move out of public housing.

### **Problem Three: Failure of the Home Purchase Loan Scheme (HPLS)**

2.31 The original LTHS assumed that 102 500 private sector flats would be taken up via the HPLS during the period 1988/89 - 2000/01. However, response to the Scheme so far has fallen short of expectation for a variety of reasons. In particular, rising property prices in the last two years and the continued tightening up of mortgage lending ratio have made our home purchase loan less attractive because other costs such as downpayment, conveyancing and legal charges etc. will remain high.

2.32 The quota for 1993/94 has been set at 1 000 to reflect an expected low take-up rate. This implies the original LTHS target is no longer attainable. The 1993 LTHS review has reduced the assumed take-up to 15 800 for the whole strategy period, i.e. only 15% of the original target.

2.33 Recently, the Administration has introduced a sandwich class housing scheme which offers eligible households with income between \$20,001 - \$40,000 a non-taxable home purchase loan of a maximum of \$500,000 repayable at an interest rate of 2% per annum. By comparison, our home purchase loan of \$200,000 (or a monthly subsidy of \$2,600 for 36 months) is on the low side even though our clientele's income is lower than that of the sandwich class. There is thus a need to enhance the HPLS in terms of the loan amount and quota, in view of -

- i) the important role of the HPLS for clearing the outstanding demand for home purchase under the LTHS;
- (ii) the need to encourage more sitting and prospective tenants to buy flats in the private sector, thereby releasing more rental units; and
- (iii) the HPLS being the cheapest form of subsidised housing compared to public rental and HOS.

## **THE WAY FORWARD**

2.34 We have to consider options and new initiative to address these problems, to put us back on track in meeting the various competing demands for housing resources in light of changing socioeconomic circumstances and community aspirations. In Chapter 7, a package of proposals has been put forward for the HA Members' consideration

### **.CHAPTER 3**

## **LAND SUPPLY POSITION AND ANTICIPATED CHANGES TO THE PUBLIC HOUSING DEVELOPMENT PROGRAMME**

3.1 This Chapter examines the current land supply position and anticipated changes to the Public Housing Development Programme (PHDP); and recommends a way forward.

### **BACKGROUND**

3.2 Recent progress reports to the DC on the implementation of the LTHS have highlighted two major problems affecting the PHDP, namely the shortfall in land supply and the bunching of production towards the final years of the LTHS period. The concentration of production at the end of the period is attributable to a combination of factors: delays to projects due to difficult site conditions or clearance problems (e.g. Tiu Keng Leng), and deliberate deferment of production to take advantage of greater development potential after the relocation of the Kai Tak Airport and the associated height restrictions.

3.3 The DC was informed in June that there was an improvement in the land shortfall as a result of the inclusion of new sites amounting to 49 hectares. Their production was streamlined to spread the production over the last three years of the programme.

3.4 The DC also noted the constraints and implementational problems affecting both the new and other programmed sites. A note of caution was then sounded to the effect that changes to either production levels or timing were anticipated.

3.5 Now that more detailed investigations of the new sites has been completed, a less promising picture is beginning to emerge.

### **CURRENT POSITION**

3.6 At the June review, the deficit against LTHS target and safety margin (which amounted to 9 000 flats) was about 9 100 flats. The equivalent land requirement was 15 hectares.

3.7 The September review of the PHDP is now in progress but preliminary indications from an analysis of sites unrelated to our own redevelopment are that some 12 300 flats will be lost from the LTHS period. There are also clear signs that the bunching of production at the end of the period will be exacerbated. This is illustrated in the bar chart at Appendix IV as Scenario A. Should the clearance of Tiu Keng Leng be further delayed, an additional 19 100 flats could slip out of the Strategy period, which is shown as Scenario B in the bar chart, i.e. a potential total loss of 31 400 flats.

3.8 The land shortfalls arising from Scenarios A and B are 32.5 and 59 hectares respectively.

### **FACTORS CONTRIBUTING TO DELAYS**

#### **a) Affected Sites**

3.9 The sites affecting the anticipated supply scenarios comprise the seven sites agreed by the Development Progress Committee (DPC) in June, four sites already in the PHDP and the Tiu Keng Leng and related Tseung Kwan O Town Centre sites.

3.10 The production for these sites in the June PHDP was originally programmed as follows -

### **TABLE 4**

## Production

Year of completion	Seven New Sites	Four Existing Sites	Tiu Keng Leng Sites	Total
1998/99	13700	3500	-----	17200
1999/2000	12900	1500	5550	19950
2000/01	4000	8300	13550	25850

### b) Transportation

3.11 We had originally aimed to programme the seven new sites as early as possible to avoid exacerbating the bunching effect. This objective was constrained however by the requirement to develop the sites in Tin Shui Wai and Tuen Mun in line with the completion date of Route 3. This means we had to programme over 30 000 flats between February 1999 to March 2001. Another 3 500 flats in Tuen Mun are similarly constrained.

### c) Lead Times

3.12 Housing production for all sites depends on external pre-contract procedures (such as planning, land acquisition and design of site formation and infrastructure) which involve a number of Government departments and authorities. In practice, these procedural matters and lead time requirements constitute the principal constraint on development. A number of activities are involved, which are sequential in nature, e.g. planning studies precede layout plan preparation on which rezoning is based. They may also be inter-dependent: site formation and infrastructure designs for example, necessitate an approved layout plan as a starting point.

3.13 The sites likely to be delayed by this type of problem amount to 26 500 flats, with 5 400 flats slipping out of the LTHS period.

### d) Clearance/Resumption

3.14 Land acquisition procedures are another factor causing delay to projects. Two sites will be deferred beyond 2001 because of the lead time required for resumption. Parts of Tung Chung Area 30/ 31 have already slipped out of the PHDP for similar reasons. The Tiu Keng Leng and Tseung Kwan O Town Centre sites are at risk of slipping outside the LTHS period if clearance cannot be effected as originally planned.

### e) Environmental Constraints

3.15 Environmental constraints have been the direct cause of delay to only one site so far, but could cause problems to two others. The implications of these constraints on the programme are not only a matter of timing but also on production.

### f) Funding

3.16 Funding for either site formation or infrastructure provision appears not to be a critical factor affecting site availability, but could develop into a problem if other programming constraints are removed.

### g) Infrastructure

3.17 The timing for the provision of infrastructure also affects several sites. Due to the timing of completion, it may mean that we may not be able to bring production forward rather than being a cause of delay.

3.18 A revised production scenario is shown below -

**TABLE 5 Production**

Year of Completion	Seven New Sites	Four Existing Sites	Tiu Keng Leng Sites	Total
1998/99	5600	3500	----	9100
1999/2000	5400	----	----	5400
2000/01	17100	----	----	17100
post 2001	2500	9800	19100	31400

This shows how the PHDP could possibly lose over 31 000 flats as a result of all the problems discussed above, which is the basis for Scenario B in Appendix IV.

### **SCOPE FOR REDRESSING THE PROBLEMS**

3.19 Consideration of the new sites at the Development Progress Committee confirmed that an advancement of production in the North-West before Route 3 was not acceptable. Most of the sites in question are subject to other constraints such as infrastructure provision and village clearance. There may be some scope to adjust the programme for individual sites. This possibility will be vigorously pursued in the months ahead.

3.20 The major constraints of planning/design lead times and land acquisition processes are governed by problems relating both to resources within various departments and to the actual procedures, particularly where public consultation and statutory rights of objection are involved. A concerted effort by all departments to reconsider priorities, redeploy resources and conduct some activities in parallel could reduce some of the time required, but the scope for any significant advancement appears rather limited.

3.21 These external 'front-end' lead times can vary and examples range from 6 months for a simple layout plan to 44 months (12 months for layout plan and 32 months for resumption). Departmental pre-contract procedures can take between 37 and 44 months. Added to the standard building period of 29 months, the overall lead time for a project can range from 6 to 10 years. Given that there are only 7 and a half years until the end of the LTHS period, the scope for advancing any of the projects under consideration will depend on reducing the time-table for any of these three steps. We propose to critically examine these lead times in more detail later.

### **CONCLUSION**

3.22 Based on the above assessment, it is concluded that unless some concerted efforts are made, the flat supply situation is likely to resemble Scenario B. It should also be pointed out that other sites in the PHDP are also at risk of slippage due to the factors described earlier.

3.23 The anticipated production levels in Scenario B are summarised below, compared with the LTHS targets and the June PHDP.

**TABLE 6 PUBLIC HOUSING PRODUCTION**

Period	Target*	PHDP(June 1993)	Anticipated
		(No. of flats)	
1993/94-1997/98	208200	185258	186584
	(41640)	(37050)	(37300)

1989/99-2000/01	135000	158396	126475
	(45000)	(52800)	(42150)
Total	343200	343654	313059
	(42900)	(42950)	(39100)

\* Without safety margin

( ) Annual average

If the Housing Society's contribution of 21 686 flats is deducted, the anticipated annual average production by the Housing Authority amounts to 36 400 over the next eight years.

## RECOMMENDATION

3.24 In view of the constraints and problems identified in this Chapter, we recommend the following course of action -

a) a critical review be undertaken to consider ways to reduce the lead time for sites under planning within the Department;

b) an appraisal be made on building density on existing sites to increase flat production without additional land;

c) we seek Government's assistance in expediting the external procedures so that land for public housing can be ready for development as soon as possible; and

d) we need Government's support for more land to meet our outstanding demand and a new

commitment to provide more housing for the elderly, particularly smaller sites in the urban area. We should also consider increasing production under the PSPS since production lead time for this type of project is normally much shorter.

## CHAPTER 4

### A PROPOSED APPROACH TO ADJUSTING THE COMPREHENSIVE REDEVELOPMENT PROGRAMME PURPOSE

In view of the likely shortage in housing supply to meet all objectives under the Long Term Housing Strategy, adjustment to the priorities for allocating housing resources will be required. The purpose of this Chapter is to seek Members' endorsement to an approach in reviewing the Comprehensive Redevelopment Programme (CRP), one of the major rehousing categories in flat consumption, with a view to adjusting the programme.

## BACKGROUND

4.2 When the Long Term Housing Strategy was promulgated in 1987, it was considered that on both social and financial grounds most of the older public housing estates should be redeveloped to provide a good quality environment with a well-balanced housing mix. The redevelopment programme would take due consideration of the conditions of the individual blocks and estates concerned. Upon redevelopment, it would be possible to use the

redeveloped sites for new housing but with improved space standard and layouts, additional sites would also be required to rehouse those affected.

4.3 In reviewing the CRP, we therefore need to examine the following -

- the flats to be consumed for rehousing purposes;
- the flats to be demolished representing a loss in the housing stock; and
- the flats to be built back on the same site representing a source of new supply.

4.4 Underlying this balance of flat gains and loss is the more fundamental question of the need to redevelop on the basis of improving the living conditions and environment of the tenants, and the cost effectiveness in upkeep the buildings.

### **Rehousing Requirement**

4.5 The Comprehensive Redevelopment Programme as at end June 1993 would require an estimated 109 200 flats from 1993/94 to 2000/01, or an average of 13 650 flats per year for rehousing purposes.

4.6 The estimated number of households affected and the annual flat requirements are shown in Appendix V.

4.7 Assuming an annual average of 39 100 new flats to be produced from 1993/94 - 2000/01, and 16 500

vacated flats to be released by existing tenants, the CRP would consume about 25% of the total supply (Note

1), but would consume about one-third of the rental flats available for allocation each year in the next five years.

### **Flats to be Demolished**

4.8 After the tenants are rehoused, the flats are demolished for build back or other uses in the redevelopment process. A total of 161 081 units will be demolished in the CRP from 1993/94 to the end of the programme (see Appendix VI). Of this total, 129 648 are self-contained which could possibly be re-used upon refurbishment, and 31 433 are non-self-contained.

### **Rebuild Potential**

4.9 It should be pointed out that redevelopment sites constitute a major source of land supply for public housing. The PHDP as at end-June 1993 shows a production of 104 881 flats coming from redevelopment, representing 33.5% of the total production between 1993/94 and 2000/01. The current five-year clearance programme would generate new flat supply up to the end of the Strategy Period. Appendix VII gives an analysis of the production from redevelopment sites in the last five-year period (1996/97 - 2000/01). Hence, any disruption of the current five-year programme will lead to a reduction in new flat production in the later years.

4.10 For sites not in the current five-year programme, their build-back production would mostly fall in the post-2001 period. There is therefore much more scope for adjustment if we intend to meet the other LTHS objective of clearing the Waiting List earlier rather than later.

4.11 In overall terms, redevelopment generally results in a reduction in the number of flats. Since the beginning of the Mark I/II redevelopment programme, 122 347 flats have been demolished. The flats being built or already completed on these sites total 102 456, i.e. 84% of the original stock. Appendix VIII shows that under the remainder of the CRP, 161 000 existing flats will be replaced by 112 600 new flats, i.e. only about 70% of the existing stock.

4.12 These comparisons must be viewed with caution however. The redeveloped sites comply

with up-to-date standards in terms of building density, open space and community facilities which all take up land. In addition, parts of some sites are scheduled to be returned to Government for other uses such as District Open Space in accordance with Metroplan objectives. In fact, these non-domestic and 'release' phases account for 30 of the 98 phases in the programme, most of which are being scheduled at the end of the programme to maximise an early build back.

4.13 It should also be noted that the average size of flat in the redevelopment blocks is about 20sq.m whereas that of our New Housing Authority (NHA) flats is 32sq.m (as at March 1993). Hence, although the number of flats rebuilt on the redevelopment sites is less than the number of flats demolished, the redevelopment programme should result in an increase of domestic floor space. Appendix V also shows that the number of flats required to rehouse the existing tenants is considerably less than the number of flats demolished. This shows that some larger households are occupying more than one flat in older estates. If the number of flats to be rebuilt on cleared sites is compared with the number of households needed to be cleared, the difference is much less.

### **Need for Redevelopment**

4.14 Of the 161 000 units to be demolished, 31 400 are non-self-contained flats which are sub-standard housing(Appendix VI). It would be difficult to retain these or to prolong their use. In the formulation of the CRP, particular attention is given to the structural conditions of the blocks, the general living environment, the availability of rehousing resources and the build-back potential of the sites. This explains why some self-contained flats in Mark IV to VI and Former Government Low Cost Housing estates are cleared at the same time as the non-self-contained flats. The above factors are important in any review of the redevelopment programme.

### **REVIEW**

4.15 In our current review of the Comprehensive Redevelopment Programme, we propose to adopt the following approach:

#### **The Five-year Redevelopment Programme from 1993/94 to 1997/98**

4.16 The programme has been announced publicly and the households affected have been advised of the year they are likely to be cleared. Although there is a proviso in the announcement that the programme is subject to availability of resources, and may therefore be adjusted from time to time, it would upset the tenants' expectations if we change the programme too drastically. It would also affect the build-back production in the subsequent years. It is, therefore, proposed that the five-year programme should be left largely intact.

4.17 The current five-year programme should still be reviewed to see if adjustments in rehousing arrangements are required in order to smooth out the rehousing operations. Where there are competing need for rehousing resources, some slight deferment to the redevelopment programme of some estates may have to be made if -

- the blocks are in good conditions;
- redevelopment of that particular phase is not critical to the overall estate development;
- the build back has no direct impact on future redevelopment phases; and
- reasonable alternative rehousing arrangement can be identified.

#### **Redevelopment Programme for 1998/99 - 2000/01**

4.18 Since the housing conditions and environment of individual housing estates are different and the circumstances leading to the timing of their redevelopment vary, each redevelopment project should be examined on its own merit. It is, however, considered that clearance should proceed as originally scheduled where -

- a) projects involve non-self-contained blocks or blocks in poor conditions; or

b) no local rehousing resources would become available if the current planned reception resources were released for other rehousing categories.

For projects without these constraints, we propose that the clearance programme should be reviewed or slowed down if necessary in light of the anticipated tight housing supply.

### **Need for Demolition upon Evacuation**

4.19 We consider that clearance does not necessarily mean that demolition of the vacated blocks should follow immediately. A decision to demolish a particular housing block should have regard to whether it -

a) is in sound structural conditions;

b) occupies sites of strategic importance in the redevelopment process. (For example, commercial centres serving the whole estate, build-back necessary to maintain the momentum of redevelopment).

4.20 It is proposed that, where rehousing should proceed to tie in with reception resources planned, for blocks which are in sound conditions and not occupying sites of strategic importance, refurbishment should be carried out after existing tenants have vacated their flats. This would not lead to a reduction in the existing housing stock; and could become, in essence, an additional source of supply. This course of action would, however, impact on the housing production in the post-2001 period. As we already have a number of new sites which would be producing flats beyond 2001, including valuable sites like the ex-Kai Tak Airport, the public housing production programme for the post-2001 period could be reviewed at a later date.

4.21 Upon refurbishment, the blocks should be kept for at least another five years before demolition is contemplated. We already have an example of this approach when we decided to retain Tung Tau Block 22 upon evacuation.

4.22 The proposed approach does not represent a deviation from the LTHS. Rather it is an adjustment of the programme to tally with resources available and conditions of the block. The CRP would continue to proceed. Refurbishment is only an attempt to optimize the use of housing resources where structural conditions of the blocks permit. The above approach will have the beneficial effect of producing more flats for use by certain rehousing categories whose housing needs we have not been able to meet within a certain time frame.

### **ACTION**

4.23 If the above approach is agreeable, the Department will examine individual redevelopment projects accordingly, assess the implications and submit the findings to relevant committee for consideration. According to the preliminary findings, the reprogramming of the CRP is expected to yield an additional flat supply of about 8 900 flats in 1994/95 - 1997/98, although a loss of around 5 500 flats will follow in the remaining years of the LTHS period, resulting in a total net increase in flat supply of 3 400 flats.

### **RECOMMENDATION**

4.24 Members of the HA are requested to advise on whether the recommended approach (paras. 4.16 to 4.22) should be used as a guideline in the forthcoming review of the CRP. This is summarised as follows -

a) the five-year programme already announced should be left largely intact but minor adjustments may be required to smooth out rehousing operations or to accommodate competing demand where resources become a problem;

b) the CRP beyond 1997/98 should be examined on a project basis to see if some rehousing operations need to be reprogrammed in view of limited housing resources;

c) the blocks to be evacuated under the CRP should be re-examined to see if some could be retained and refurbished upon evacuation to provide an additional source of supply.

## **CHAPTER 5 REVIEW OF HOME OWNERSHIP TRENDS**

5.1 The Housing Department carried out a study on owner occupation trends in 1991 which, among other things, projected the future owner occupation trend up to 2001. This chapter reviews the recent home ownership trends and in the light of these, puts forward a revised projection.

### **TRENDS OF OWNER OCCUPATION RATE**

#### **Past Trend**

5.2 It can be seen in Chart 1 that Hong Kong's owner occupation rate rose rapidly, from 32% in 1982/83 to 44% in 1988/89 and, after a short pause, increased to 47% in 1992/93.

5.3 There is a difference between the private and public sectors trends. In the private sector (Chart 1), the owner occupation rate rose rapidly between 1982/83 (54%) and 1988/89 (70%). The increase then slowed down in 1989/90 - 1992/93, when the owner occupation rate increased by only 1% point to 71 % in four years. This is probably attributable to the rapid rises in flat prices during this period (Chart 2), rendering some flats less affordable to prospective owner-occupiers (Chart 3).

5.4 The trend in respect of the owner occupation rate for the public sector is, however, entirely different. The owner occupation rate rose rapidly - and uninterrupted - from 5% in 1982/83 to 20% in 1992/93 (Chart 1).







Note: Calculation is based on the assumption of 90% loan for a 40sq. m (saleable floor area) flats with a mortgage period of 20 years.

## **Future Trend**

5.5 According to the projection in 1991, the overall owner occupation rate would rise to 57% by 1997, and the corresponding rates in respect of the private and public sectors were 81% and 31% respectively. Based on the latest trends in the demand for owner occupation and production figures, projections of owner occupation rates up to 2001 have been revised (Appendix IX). Chart 4 compares the new projected owner occupation rate for the private sector with that made in 1991. The new projection for 1997 is expected to be 78%, lower than the 1991 projection of 81%. This reflects the recent trend of the owner occupation rate and the reduction of Home Purchase Loan Scheme quota from 3 000 to 1 000 per annum.



5.6 The owner occupation rate for the public sector is also projected to be lower than the previous one (27% vs. 31%) due to Government's decision not to support the Sale of Flats to Sitting Tenants Scheme and the slippage of Home Ownership Scheme production (Chart 5 and Chart 6).

5.7 As a result, it is projected that the overall rate will be 54%, which is lower than the previous projection of 57% (Chart 7) by 3% points.





5.8 The Government has made the commitment to achieve an overall home ownership rate close to 60% by 1997, of which 15% will be contributed by the public sector. This undertaking is being closely monitored.

5.9 As a result of the downward revision of the projection of owner occupation rate, the projection of the contribution by the public sector has been accordingly revised (Chart 8 & Chart 9).



## NEED TO INCREASE HOME OWNERSHIP WITHIN THE PUBLIC SECTOR

5.10 Rental vs. HOS Production. The above analysis points to the need to boost the HOS/PSPS production beyond the level presently envisaged. However, it is not possible to increase HOS production at short notice. We are also aware that there are strong pressures for us to increase the PRH ratio in the public sector production.

5.11 Preference for Rental Housing. The reasons are believed to be due to clearerees' preference to (and insistence on) being allocated a rental flat rather than taking part in HOS ballot (where they have an almost guaranteed chance of success). Based on administrative records, the percentage of clearerees taking up home ownership has been very low as shown in Table 3 in Chapter 2.

5.12 Adjustments to production. As a result, PRH/sales ratio has been adjusted in favour of rental

production in the last few LTHS reviews, as follows - **TABLE 7**

	1990 review	1991 review	1992 review
	PRH/Sales	PRH/Sales	PRH/Sales
I. Second Development Period	56:44	49.5:50.5	52:48*
(1991/92-1995/96)			
II. Third Development Period	29:71	40.6:59.4	49:51
(1996/97-2000/01)			
III. Whole Strategy	50:50	45:55	50:50
Period			

RH/sales ratio refers to production in the remainder of the Second Development Period, i.e. 1992/93 - 1995/96

## WAY FORWARD

5.13 As we explained earlier, there are good policy reasons to increase the home ownership rate within the public sector such as social anchorage, a greater sense of belonging, less management commitment etc. We thus need to consider new initiatives to channel rental demand within the public sector to home ownership, particularly in respect of those who can afford to do so in the years to come.

## RECOMMENDATION

5.14 It is recommended that as a principal agent for implementing the LTHS, we should make conscious efforts to increase the public sector's contribution to Hong Kong's home ownership rate. **CHAPTER 6 OWNERSHIP OF PRIVATE DOMESTIC PROPERTIES BY TENANTS OF PUBLIC RENTAL HOUSING** 6.1 This chapter provides a statistical description of the ownership of private domestic properties by Public Rental Housing (PRH) tenants. It is based on data derived from a survey conducted by the Housing Department in November 1992. The survey covers a random sample of about 1 360 permanent living quarters representing all the permanent living quarters in the private sector in Hong Kong. In July 1993, we matched the sampled living quarters with the Land Registry records to identify the name and identity card number of the owners. Information on whether a flat is owned by a PRH tenant, an authorised person of a public housing tenancy, was then established by further matching the owners with Housing Department's computerised tenancy records.

## FINDINGS

**(A) Size**

6.2 It is estimated that about 13% of PRH tenants own private domestic properties (i.e. 74 000 out of 580 000 households) (Note 2). The flats they own account for 11% of all private domestic properties (Chart 10), or 12% of all private domestic properties owned by local individuals (Note 3).



6.3 An independent estimate has been made for the ownership of private domestic properties by tenants in North Point Estate and the results point to the high ownership rate for PRH tenants in some estates. According to a search of the Land Registry records for all the tenants in this estate, initial analysis reveals that 18% of the total own private domestic properties in the urban areas alone, i.e. Hong Kong Island, Kowloon and New Kowloon. It is worth noting that some one-third of these households own more than one property and a small number even own up to five properties in the urban areas alone.

6.4 It is interesting to note that the trend to own private properties is increasing rapidly. As shown in Chart 11, more than 80% of the tenants involved have owned their flats for less than 10 years, implying a four-fold increase in property ownership in the last 10 years, much higher than the increase in PRH tenants (45%) in the same period. Secondly, while PRH tenants account for only 12% of all private properties owned by local individuals, statistics of an independent exercise show that PRH tenants account for as much as 24% (Chart 12) of all purchases of private flats by local individuals in the period October 1992 - March 1993 (see separate analysis at Appendix X showing the extent of PRH tenants' participation in private property transactions over a six-month period). Finally, an examination of the published results of a recent balloting exercise for Villa Athena - an up-market private development where the cheapest flat costs more than \$3.3M - reveals that as much as 15% of the first 500 applicants on the ballot are PRH tenants.





## **(B) Household Characteristics**

6.5 On the whole, PRH households owning private domestic properties are large families. The average authorized household size is 4.9 persons (Chart 13), with 4.6 grown-ups. The corresponding figures for PRH households as a whole are 4.1 persons and 3.3 persons respectively.



6.6 Eighty-four per cent of the occupied private flats owned by them are owner-occupied, with the remaining 16% being rented out. It can therefore be deduced that there is some absenteeism in PRH, and that the de facto household size is likely to be considerably smaller than the authorized household size quoted above. Other evidence also points to the presence of absenteeism. For example, according to our Recurrent Survey (August, 1992) conducted by the Department, as many as 18% of the PRH households had some registered members not currently living in the flat.

6.7 The main tenants are on average 61 years old, compared with the PRH average of 54 years.

They have, on average, been PRH residents for 16 years, compared with the overall average of 12 years

(Chart 14).



6.8 As can be seen in Chart 15, the tenants of the older Former Housing Authority (FHA), Former Government Low Cost Housing (FGLCH) and Mark-type flats account for 41% of the PRH owners, larger than their share of PRH household stock (30%). This points to a higher than average property ownership rate for tenants in these older flats, due no doubt to the fact that there are more adult members in these households (4.6 persons), and therefore the need for additional living space is correspondingly greater.



6.9 As for the New Housing Authority (NHA) tenants, they account for 59% of the PRH owners, less than their share of PRH household stock (70%). This implies a rate of property ownership slightly lower than average. The interesting point is, however, not that the property ownership rate among NHA tenants is lower than that for tenants in older blocks, but that it is higher than one would expect. The common perception is that NHA flats are quite new and their tenants are not expected to have saved enough to own flats. It is noted, however, that amongst the NHA owners of private property, many (20%) have lived in PRH for more than 15 years. It is likely that many of these owners have moved into newer housing as a result of redevelopment not long ago.

6.10 Double rent households account for 35% of the households owning private flats, more than their share (10%) in the total number of PRH households.

6.11 About 20% of private flats are registered in the name of the main tenant. The other 80% are in the names of other members of the family, of which 52% are in the names of sons/daughters/sons-in-law/daughters-in-law (Chart 16).

**(C) Property Characteristics**

6.12 Most of the flats owned by PRH tenants are slightly smaller, the average size being 51sq.m, compared with the overall average of about 55sq.m (Chart 17). The average age of the flats is 14 years compared with the overall average of 16 years. Fifty-seven percent of the flats owned are in the urban areas, while the remaining 43% are in the New Territories.

## **IMPLICATIONS**

6.13 The analysis above shows that a significant proportion of the PRH tenants own flats in the private sector. This shows a growing degree of affluence, even among what is commonly believed to be the 'low-income' sector of our society. The study will be useful for tackling property ownership among sitting tenants which the Authority has been asked to pursue, and the related issues of absenteeism, HOS policy on admission in relation to Green Form applicants, and inheritance rule etc. Finally, the study highlights the fact that many of our PRH tenants could afford to own flats even when prices were generally believed to be on the high side, since they could have taken the HPLS in the purchase. They have in the event chosen not to do so in order to remain in public rental housing.

## **THE WAY FORWARD**

6.14 The above findings in relation to the current phenomenon of property ownership among PRH tenants were released following the DC meeting in October 1993 in view of public interest and the need to solicit public views on the issue, which is understandably controversial. The Authority, the Department and the community at large will need time to think this through carefully in the months ahead as to what needs to be done to tackle this problem.

**CHAPTER 7 PROPOSALS FOR ADJUSTING REHOUSING PRIORITIES AND INCREASING HOME OWNERSHIP**  
7.1 This Chapter explores the prospects of adjusting rental demand and proposes ways to encourage greater home ownership take-up by prospective tenants. The aim is to solve the problems identified in Chapter 2 by a package of proposals.

## **BACKGROUND**

7.2 In the previous chapters, we explained the problems we have encountered. It seems that whatever proposals we develop, it should aim to -

- a) readjust priorities in the allocation of public housing resources;
- b) distribute housing subsidy in relation to need;
- c) improve the mobility of sitting tenants, particularly those affected by redevelopment; and
- d) transfer a proportion of public rental demand to home ownership.

7.3 Since rental housing is the most heavily subsidised form of public housing, it makes economic sense to confine eligibility to only those families which cannot otherwise afford other forms of assisted housing (such as HPLS, HOS/PSPS and ORB).

7.4 Ideally, eligibility for rental housing should be confined to households which cannot be expected to afford home purchase. We realise it is easier said than done, but we must not lose sight of the fact that there are definite advantages in containing the overall size of the rental stock because of the attendant maintenance and management commitments. On the other hand, we have always recognised rental demand as part of our housing commitment. The question really is whether some of this demand should be channelled to home ownership.

7.5 In this context, the current Harmony design is already sufficiently attractive to make good permanent homes. In terms of quality, they are much better than the Trident III/IVs which we had in the past transferred from rental to HOS for programming or cash flow reasons. Transferred Harmony blocks had proved popular with prospective purchasers.

## **APPROACH**

7.6 Having considered various factors, we have come to the conclusion that we need to increase

the turn-round of flats within the existing stock by encouraging greater social mobility among better-off sitting tenants. It is proposed that a new approach be adopted. This will involve moving those better-off tenants who are unwilling to move out of PRH by imposing stricter terms on tenancy and tenancy control. Members are assured that this approach will have no material effect on low income families who will need to rely on rental housing irrespective of whether they are affected by redevelopment or clearance.

7.7 We recognise that a punitive approach on its own will not work. We must also offer a doorway for them to move to assisted home ownership which is attractive enough so that it will not be seen as an inferior deal. We should also offer CRP tenants, carees and prospective tenants, an opportunity to buy as and when their turn for rehousing is due.

7.8 We will therefore need to reassess our programmes for assisted home purchase and identify areas which can comfortably fit in with the gaps. We propose to examine this doorway concept from different angles, as follows -

### **(A) HOS**

#### **i) Pricing and Programming**

7.9 Our financial viability relies much on HOS/PSPS income. The public have generally found the present HOS pricing and discount levels acceptable. It is proposed that the present HOS pricing policy should continue since:

a) we still wish to entice better-off tenants (without income limits as well as those paying additional rent) to move out of public rental housing; and

b) families in the private sector (White Form) within a certain income range below the HOSIL who can well afford our HOS.

7.10 In other words, there should be no change to the present HOS pricing and discount policies which are subject to regular reviews in line with market conditions and changes in affordability. Nor is there a need to amend the HOS/PSPS production already programmed. At the DC meeting in October 1993, the Department undertook to consider whether the external finishes and common areas in current HOS blocks (both Harmony and Cruciform) should be slightly upgraded to enhance its appeal and justify their price differential with the cheaper version (paras. 7.13 and 7.14).

#### **ii) Flat Selection**

7.11 There is however a need to rationalise flat selection by giving small households a lower

priority in buying large HOS flats. We need to consider whether we should impose an additional flat selection rule on successful applicants (irrespective of Green or White status).

### **(B) Option to Rent or Buy (ORB) Scheme**

7.12 The main thrust of our package comes from expanding the ORB Scheme, i.e. by transferring more our new rental production to home ownership. The following proposals are worth considering -

#### **i) Designation**

7.13 We propose that more prospective tenants should be given the opportunity to buy. More blocks should be designated within a completed development for sale so that the rental flats are really reserved for those in genuine need. The transferred blocks may be designated as HOS Type II flats whereas the present HOS may be renamed Type I.

#### **ii) Pricing**

7.14 As at July 1993, the Full Market Value (FMV) of an HOS Type II flat, which is of a non-upgraded Harmony rental design, is \$28,050 per sq.m, \$37,400 per sq.m and \$44,200 per sq.m Saleable Area (SA) in the New Territories, extended urban area and urban area respectively. Recent HOS sales show that most of the flats on sale are not affordable to households with income marginally exceeding the WLIL but below the HOSIL (the 'sandwich within the sandwich' group). In order to induce better-off tenants to home ownership, it is proposed that Type II flats should be given a price differential from normal HOS Type I flats.

7.15 The average selling prices of Type II flats should be attractive enough to make prospective tenants think twice about insisting on rental housing when they are involuntarily moved or when their rehousing turn is due. As a result of the transfer, the scale of which has yet to be decided, there will be fewer new rental flats for letting but the Authority's stock of vacant flats, all properly refurbished, will be able to take on those who wish to remain in the urban areas at lower rents. It is worth pointing out that this will not affect the chances of rehousing for those whose turn is due in any event.

7.16 Prior to Phase 15A, the split in the allocation of HOS Type I flats between Green and White Form applicants was 66:34. It has been reshuffled to 50:50 as a result of the Authority's deliberations on the housing needs of the sandwich class last year. It is proposed that the quota be adjusted once again in favour of the Green Form applicants as part of the measures to promote mobility of sitting tenants and increase the stock of vacant flats for operational use.

### iii) Allocation

7.17 Type II flats can be targetted at CRP tenants, squatter and THA carees and prospective Waiting List applicants due for flat allocation, but not to sitting tenants generally (see also 7.20). There is a need for a more favourable offer to CRP tenants and carees since they are being displaced by involuntary action and deprived of the hitherto automatic access to new rental flats in the best locations. To be effective, the offer should be one-off only, and the decision to buy must be taken within a certain period. Those who insist on rental housing may be rehoused to casual vacancies in less popular locations, subjected to stricter tenancy control or different rates of rent increase. There will however be difficulties in persuading the privileged CRP tenants to accept what they perceive as an erosion of their present rehousing 'right'.

7.18 Families in lower incomes applying under the White Form category will also benefit from a Type II Scheme. This will mean we will be able to effectively close much of the affordability gap.

7.19 It is proposed that sitting tenants not affected by any redevelopment should be debarred from buying Type II flats so as to discourage CRP tenants from opting to remain in PRH and try their luck with purchasing Type II flats at a later date. They are in no way being put at a disadvantage. The offer of Type II flats to carees would, in any event, increase sitting tenants' chances of buying Type I flats, which are affordable to them. An expanded Type I quota for the Green Form holders, as suggested in para. 7.16, will further improve their success rate.

7.20 It has been argued that sitting tenants should not be completely denied of the chance to buy Type II flats. It is proposed that they will be given a lower priority and only on condition that their housing conditions justify an upgrade on their own accord (say, with a prescribed length of residence or in certain block types only).

### iv) Effects on Home Ownership Rate

7.21 Assuming that half of our rental flats scheduled for production from 1994/95 onwards were turned into ORB flats, then the public sector home ownership rate would be back on track in line with our previous forecasts as follows

**-TABLE 8**

Year	Revised Target (%)		Type II Introduced	
	Overall	Public	Overall	Public
1994/95	51	11	54	13
1995/96	52	12	56	14
1996/97	54	13	57	15

7.22 The overall home ownership rate is expected to rise to 64%, with the public sector contributing 19% by 2000/01. Clearly, the number of blocks to be transferred is dependent on a number of factors. The above scenario is for illustration only.

#### v) Financial Implications

7.23 Given the wide range of factors which would impact on the likely financial consequences of such a scheme, i.e. flat type, size and numbers, timing, locations, selling prices, financing arrangements etc., it is perhaps not worthwhile at this stage to carry out what may be regarded as basically academic calculations. However, as the scheme is progressed and as these factors become more certain, the projected financial consequences can be produced.

### (C) Enhanced HPLS

7.24 It is proposed that the HPLS loan be increased to a level sufficient to cover, say, about 20% of the purchase price. In order to recover more public rental flats from Green Form applicants, it is proposed to set a higher quota, and possibly a 2:1 split between Green and White Form applicants. This proposal is covered in Chapter 8.

### (D) Disincentives

#### i) Tenancy Enforcement

7.25 Although there are no confirmed statistics, practices of non-occupation, subletting and non-domestic use of public rental flats do exist. There are established procedures governing flat inspection and checking of tenancies. They include detection of tenancy irregularities through door-to-door rent collection, routine patrol, home visits, checks on utility consumption, flat-to-flat inspection once every 18 months, and investigation of complaints etc. If a tenant is found to be in breach of tenancy conditions, he will be persuaded to surrender the flat voluntarily or else served with a notice-to-quit. Although these actions are both time consuming and resource intensive, they must be pursued vigorously in order to rectify these irregularities.

7.26 There is also a need to take more vigorous action and give higher priority to the task of tackling abuses through stricter tenancy enforcement. A dedicated investigation team has been set up in Central Kowloon district on a trial basis since June 1993 to carry out investigations into cases suspected of tenancy abuse. Subject to the review of the trial scheme, it is proposed that similar task forces be redeployed in all districts to intensify flat inspection and tenancy enforcement. Neighbours are encouraged to report such abuses through greater publicity efforts. We should aim to recover as many units as we possibly can in addition to voluntary surrender, at least for the next few years. If this can be achieved, the additional supply will be most helpful in meeting the Waiting List demand and THA/Squatter clearances.

#### ii) Tenancy Control

7.27 If we wish to introduce policies which result in tenants being required to move out of rental housing, on account of income or property ownership, it will be politically difficult to alter existing tenancies. Restrictions on property ownership, in the context of the existing tenancy agreements, can however be considered, to be built upon our housing subsidy and rent policies. Those who own properties may have their tenancy terminated or be charged market rent within a prescribed period.

7.28 As regards new tenancy agreement, provisions which reflect our policy objectives will need to be included.

7.29 We need to seek legal advice on how best to tighten tenancy control in the context of the existing and new tenancy agreements. Action is being taken to clarify the legal points involved.

## EFFECTS ON THE WAITING LIST

7.30 One of the major objectives in this review is to fulfil the commitment of clearing the Waiting List backlog. It is therefore useful to look at the likely benefits of the package of proposals on the Waiting List applicants.

7.31 As a general point, the proposals will, to a certain extent, generate additional supply of rental units for the Waiting List by channelling some of the rental demand to home ownership, mainly from those who can afford to do so. The PRH pool of flats available for letting is thereby increased as existing and new flats are released after sitting and prospective tenants move to home ownership. It must be pointed out that the number of additional PRH flats available for allocation depends very much on the timing and scale of the transfer, which have yet to be decided by the relevant policy committees.

7.32 The following assessment is based on very crude assumptions for illustrative purposes only, and is in no way intended to pre-empt the committees' decisions.

7.33 The proposed expansion of the ORB Scheme (i.e. HOS Type II) should not have much material effect on the Waiting List, since the scheme operates on the transfer of programmed rental supply to HOS Type II. Some households due for allocation (i.e. CRP tenants, carees, prospective Waiting List applicants) will still be consuming the same pool of rental supply, albeit by way of home purchase. There are thus no additional rental flats available for reallocation to those lower down on the Waiting List. However, we will be able to achieve the other policy objective of increasing the home ownership rate within the public sector which is also worthwhile.

7.34 As regards the reshuffle in HOS Type I quota in favour of the Green Form, the proposal will divert sitting and prospective tenants' rental demand to HOS Type I, making way for more eligible Waiting List applicants to move into PRH. Assuming that the ratio in the allocation of HOS Type I flats for Green Form and White Form applicants is readjusted from the present 50:50 to a different ratio, the likely effect over the next seven years (1994/95 - 2000/01) will be as follows -

		Additional Flats
Ratio between	Difference with	Becoming Available
Green and White	Current (%)	for Waiting List
50:50(current)	-	-
60:40	10%	14500
66:34	16%	23200
(Pre Ph.14 D)		
70:30	20%	29000

\*HOS production of 144 900 (as at June 1993) x assumed %

It is worth pointing out that a revised quota allocation in favour of Green Form applicants will naturally impact on the chances of White Form applicants (i.e. those earning less than \$20,000 p.m.) in purchasing HOS Type I flats.

7.35 Based on past experience, about half of the HPLS quota is consumed by Green Form applicants. In the current financial year, the HPLS quota is set at 1 000, of which about 500 will be taken up by Green Form applicants. Assuming that the quota be expanded to 3 000, with 2 000 for Green Form and 1 000 for White Form, 1 500 more sitting and prospective tenants per year will move out of PRH upon taking up the loan. Consequently, an additional supply of 10 500 PRH flats will be made available for the Waiting List over the next seven years.

7.36 As a result of the reshuffle of HOS Type I quota and the enhancement of the HPLS, there will be a net addition to the rental pool in the next seven years. Subject to these estimates being accepted, we are confident that all of these flats will benefit the Waiting List because we have already set aside reception resources to meet the demand from redevelopment and clearance under current programmes.

7.37 The additional supply will be further increased as the Department strengthens its tenancy enforcement and as tenancy controls are introduced, but it is too early to quantify the gain from these sources at this stage.

7.38 Furthermore, if the proposed approach to review the CRP under Chapter 4 is agreed, it should be possible to retain some blocks in sound conditions on evacuation of existing tenants. These blocks will be refurbished and allocated to Waiting List and other categories. The possible additional supply of about 8 900 flats between 1994/95 and 1997/98 (para. 4.23) arising from this review has yet to be ascertained and agreed at a later stage.

## **RECOMMENDATIONS**

7.39 It is recommended that we should take positive steps to address the problems and difficulties

identified in Chapters 2, 3 and 4 along the lines of a package of proposals described in paragraphs 7.9 -7.29 of this chapter.

## **CHAPTER 8 REVIEW OF THE HOME PURCHASE LOAN SCHEME**

8.1 Chapter 2 outlines the failure of the HPLS to fulfil the objectives under the LTHS. It is proposed in Chapter 7 that a new approach be adopted to address the problems arising from the 1993 assessment of housing demand and supply under the LTHS. The enhancement of the HPLS is one of the measures to attract more sitting tenants who can afford private sector flats to move out. If successful, this scheme is helpful to increasing the overall home ownership rate in the Territory.

## **PUBLIC RENTAL FLAT SUPPLY**

8.2 The Housing Authority is faced with a shortage of public rental flats to meet the demand from the Waiting List backlog. Undoubtedly, the long term solution must lie in building more flats, but there is an urgent need to increase the turn-round of flats within the existing stock in order to allay the imminent problem of shortage in flat supply.

8.3 The transfer of rental to HOS Type II flats and the expansion of HOS quota for Green Form holders are mainly aimed at increasing the social mobility of sitting tenants and raising the home ownership rate in respect of the public sector. These measures, if implemented, are no more than a reshuffle of public housing resources, be it rental or HOS, among sitting and prospective tenants. Without additional supply of flats, the rehousing opportunities of those households still awaiting their turn for rental housing may remain almost the same. On the other hand, the HPLS, if successfully revamped, can increase the overall public rental flat supply through the recovery of casual vacancies from sitting tenants who take up the loan. By optimising the use of private sector resources, the scheme can 'enlarge' the supply of rental flats without consuming any public housing units available for sale. In this way, rehousing of clearances and Waiting List applicants can be brought forward.

## **SUBSIDY AND NEED**

8.4 When the Authority considered the modifications to the Housing Subsidy Policy, it was

suggested that the HPLS loan amount be raised substantially and the quota expanded to encourage

better-off sitting tenants to vacate their heavily subsidised rental flats. It was envisaged that if the HPLS were made more attractive, more sitting and prospective tenants who could afford private sector flats would go for the loan option. We would then be able to achieve a more efficient and equitable use of resources and relate more the value of subsidy with the degree of need.

## HOME OWNERSHIP OPPORTUNITIES

8.5 It has been pointed out in previous sections that every possible means should be explored to bring the Territory's home ownership rate back on track. In addition to the increase in supply of sales flats within the public sector, the HPLS provides an extra channel for sitting tenants to upgrade to home ownership. It also diverts some of the demand for HOS flats from eligible White Form applicants to the private sector.

## THE PROPOSAL

8.6 In view of the above reasons, it is proposed that the HPLS loan amount and quota be enhanced to encourage take-up.

## CONSIDERATIONS FOR ENHANCEMENT

### Loan Amount

#### a) Need for an Increase

8.7 Table 9 gives an overall picture of the achievements of the HPLS since its inception in 1988/89. Response to the scheme was fair, with about 3 000 loans granted each year up to 1990/91. Since then the scheme had lost much of its appeal when prices of private sector residential flats began to rise to a level beyond the reach of many middle and lower income families. Coupled with the mortgage to valuation ceiling of 70% adopted by the major banks, many purchasers have found it hard to make the downpayment, plus conveyancing fees and stamp duty. Obviously, the adjustment to the loan amount has not kept pace with rising property prices. Last year saw the increase of the loan from \$130,000 to \$150,000, which was still barely attractive enough to make prospective purchasers opt for the loan.

**TABLE 9**  
**Operation of the HPLS**

Year	Loan	Annual	Quota	PRH Flat
	Amount	Quota	Consumed	Recovered*
1988/89	\$70,000	2500	557	501
1989/90	\$110,000	6000	3022	1627
1990/91	\$130,000	3000	2935	1610
1991/92	\$130,000	3500	1042	508
1992/93	\$150,000	1500	269	129
1993/94	\$200,000	1000	331+	134+
	Total:	17500	8127	4492

\* in respect of sitting tenants who took out the loan

+ up to 13.10.93

8.8 The only way to make the scheme more appealing is to make a realistic upward revision to the loan amount. The Home Ownership Committee recognised this and in the 1993/94 review raised the amount by 33% to \$200,000 and the non-repayable monthly subsidy to \$2,600 for 36 months. This has produced some positive results: 331 loans and monthly subsidies have been granted in the past six months, exceeding the total number granted in 1992/93. It is expected that the quota of 1 000 set for 1993/94 will be fully consumed. There is thus good potential to improve the take-up of the scheme provided that the loan amount is raised.

#### b) Sandwich Class Housing Scheme

8.9 As an interim measure prior to the completion of purpose-built home ownership flats for the sandwich class households, the Administration has implemented a loan scheme similar to the HPLS. A non-taxable home purchase loan of up to 20% of the flat price or a maximum of \$500,000 whichever is the lower, are granted to eligible sandwich class households with income between \$20,001 - \$40,000. The loan is intended for covering part of the downpayment of a flat of less than \$3 million on the market (primary or secondary). The successful purchasers will be required to repay the loan plus interest at 2% per annum, starting from the fourth year upon the execution of the Loan Agreement with the Housing Society, by 120 equal installments. This short term home purchase assistance scheme is aimed at benefiting at least 3 000 families in the next three years.

8.10 In comparison, the Authority's HPLS is less generous and the problem of disparity arises. The

income of White Form applicants eligible for the HPLS is below \$20,000, lower than that of the sandwich class. Yet their need for home purchase assistance is definitely no less urgent. There are now very good political arguments to make the HPLS at least comparable to Government's scheme.

8.11 Notwithstanding the above, attention should be given to the type and value of flats bought by the beneficiaries of the HPLS when determining the appropriate loan amount. There may not be a real need for the loan to be increased to \$500,000, the ceiling for the sandwich class loan scheme under which successful applicants can buy a private sector flat of up to \$3 million. By comparison, records show that flats bought by applicants under the HPLS are at the lower end of the market. Among the 264 loans granted in 1992/93 (the other five were refinancing cases), 49% were spent on the purchase of flats priced at below \$1 million and another 33% between \$1 million and \$1.4 million. This is attributable to the fact that purchasers using the HPLS loan are inclined to buy older flats (up to 15 years of age) in less popular locations.

8.12 A typical flat of 40sq.m (saleable) in the extended urban area costs about \$1.65 million. The

current HPLS loan of \$200,000 can only cover 12% of the flat price. To put it on a par with the

sandwich class housing scheme, it is necessary that the HPLS loan amount be raised to a level sufficient to cover a larger part of the flat price.

#### c) Relative Cost of Subsidy

8.13 Table 10 shows the estimated cost of housing subsidy in respect of public rental flat, HOS flat and HPLS. Past reviews have indicated that the HPLS was the cheapest form of subsidised housing compared with public rental and HOS mainly because the levels of loan and monthly subsidy have been kept low. The cost of housing subsidy increases in line with the loan amount as unlike public rental or HOS flats, the HPLS does not yield return from rent or sales receipt. Therefore, when revising the loan and monthly subsidy to an attractive level, due regard should be given to the relative cost of subsidy under different types of assisted housing.

**TABLE 10**  
**Estimated Cost of Housing Subsidy(as at September 1993)**

Types	Total 'Cost' to HKG/HA (\$)	Recipients' Perceived value of Subsidy(\$)
Public rental flat	37,000	1,088,000
HOS flat	-650,000	766,000
PSPS flat	-601,000	790,000
HOS transfer flat	-530,000	645,000
HPLS loan amount		
\$200,000	83,700	127,000
\$300,000	125,000	190,000
\$330,000	138,100	209,000
\$350,000	146,500	222,000
\$400,000	167,300	253,000
\$450,000	188,300	285,000
\$500,000	209,300	316,000

Note: (1) Assuming 55sq.m. (Gross Floor Area) per flat

(2) Figure with (-) denotes net proceeds

(3) 'Cost' includes estimated land premium

### Quota

8.14 In order to benefit more households, it is proposed that the quota for the HPLS be expanded, having regard to the fact that any positive move to increase take-up of private sector flats will have some inflationary effect on private sector prices. However, given that the scheme can be expanded, reduced or terminated within a short time in response to market conditions, the release of the loan can be adjusted. Since purchasers are allowed to buy private sector flats of up to 15 years of age, the additional demand and the resulting pressure on property prices generally are still small against the total new supply and vacant flats in the existing stock.

8.15 As regards the split of quota between Green Form and White Form applicants, a ratio of 2:1 is proposed. A larger share should be given to sitting and prospective tenants so as to improve their mobility towards home ownership and release more rental units for reallocation to the more needy. This is also in line with the Executive Council's recommendation to explore possible ways, other than the Sale of Flats to Sitting Tenants Scheme, of increasing home ownership among public housing tenants. It is envisaged that the take-up among Green Form applicants will be good as

borne out by the fact that they consumed 50% - 60% of the HPLS quota in the past four years. Also, many of the sitting tenants who have already bought private residential properties have taken advantage of the scheme to refinance their flats and have surrendered their rental units as a result. Of the 140 HPLS loans granted to Green Form holders in 1992/93, 99 were refinancing cases. There is a need to allow a larger HPLS quota for Green Form applicants to provide for the refinancing applications.

## **EFFECTS ON THE PROPERTY MARKET**

8.16 As noted in para. 8.14, an expanded HPLS may have some inflationary effect on private sector prices. However, the precise effect is difficult to assess since prices in the property market are influenced by the inter-play of various factors at any one time. The pressure of an enhanced HPLS on property prices will need to be taken into account in consideration of detailed proposals to be drawn up by the Home Ownership Committee later on. It is interesting to note that based on comments from estate agents and developers, the Government's interim loan scheme for sandwich class households has no real effect on private sector prices which are dictated by market sentiments and the banks' lending policies.

## **FINANCIAL IMPLICATIONS**

8.17 The impact on the Authority's finances cannot be reasonably forecast at this stage since the amount and quota have yet to be decided and these will have a consequential effect on the split between loan and monthly subsidy. However, it is proposed that if an enhanced HPLS is supported, it should be implemented through a rolling fund.

## **RECOMMENDATION**

8.18 It is recommended that as a general direction, the HPLS be enhanced by increasing the amount of loan and monthly subsidy as well as the quota, subject to an assessment of the effects on the property market and the financial implications.

## **CHAPTER 9**

### **AN OVERVIEW OF PUBLIC HOUSING FOR THE ELDERLY**

9.1 This Chapter discusses the various housing arrangements for the elderly in public housing

estates and the proposal to set up an ad hoc committee to consider ways and means to assist the elderly who are in need of subsidised housing.

## **BACKGROUND**

9.2 According to the mid-1993 Population Projections by the Census and Statistics Department, there are 790 000 persons aged 60 and above in Hong Kong. Of these, about 320 000 are living in public rental housing and the majority of them (77%) are living together with one or more younger family members. The remaining 23% either live alone or with another one or two elderly persons. According to the latest statistics, the elderly population in public rental housing increased by an average of 5% per year over the past ten years as compared to the territory-wide increase of 3% per year over the same period. The fast elderly population growth in public housing estates is partly attributable to the various priority housing schemes for elderly persons.

9.3 Of those living in substandard accommodation in the private sector, about 30 000 are in receipt of income below the Waiting List Income Limit, including both the current registered Waiting List applicants and those not registered. This group forms the potential demand for public housing.

9.4 In a recent study on the single person elderly households in the private sector conducted by the Department, it has been revealed that 76% of these households are not employed. Those who are working are mostly service or sales workers and their median income is as low as \$1,500 per month. As to their accommodation, a large percentage of them are living in shared accommodation and the degree of sharing is on average 4 households per flat. It can be seen that these elderly households are in the greatest need of subsidised housing.

## **POLICY OBJECTIVES**

9.5 The Authority is concerned about the housing problems of the elderly and has followed the government policy objective in respect of the provision of services for the elderly which has been defined in the 1982 Programme Plan on Services for the Elderly as follows -

"The broad objective is to promote the well being of the elderly in all aspects of their living, by providing services that will enable them to remain members of the community for as long as possible and, to the extent necessary, to provide residential care suited to the varying needs of the elderly."

To realise this objective, the Authority has made available vacant premises on its estates to voluntary agencies or the government to run various welfare facilities and other amenities for the elderly. Special housing allocation policies as described in the following paragraphs have also been in force to give priority to the elderly or to families who are willing to take care of their elderly members.

## **VARIOUS HOUSING ARRANGEMENTS FOR THE ELDERLY**

### **Elderly Housing Schemes in Public Housing**

9.6 Public housing is provided for the elderly on a priority basis through one of the following

avenues:

#### a) Elderly Persons Priority Scheme

9.7 Two or more related or unrelated elderly persons who agree to live together may apply for rehousing under this scheme at the age of 58 or above. Allocation of public housing can normally be made within two years after registration subject to fulfillment of the prevailing eligibility criteria. The scheme not only makes good and economic use of existing accommodation but also fosters mutual care and support among the elderly sharers. It also enables them to lead independent lives within the community. Since the implementation of the scheme in 1979, 8 708 cases have been successfully rehoused. Of the remaining 4 816 applications, 730 have waited for over two years because of their insistence on rehousing in districts of their choice, mostly in urban areas where vacancies are in great demand. These applicants have been given at least one housing offer.

#### b) Single Persons Waiting List

9.8 A Single Persons Waiting List was opened in January 1985 for single persons who have attained the age of 21 or over. As at 30 September 1993, there were 21 300 applicants on the list, of whom some 4 200 were elderly persons. Owing to the limited supply of single person flats, priority is given to the rehousing of elderly single persons. If they are willing to accept sheltered housing or single person flats in extended urban areas and in the New Territories (including those with shared toilet and kitchen facilities), they can be rehoused within two years from registration. Since 1985, 2 964 elderly single persons have been rehoused through the Waiting List.

#### c) Compassionate Rehousing

9.9 Elderly persons who, in addition to housing need, are faced with social or medical problems may qualify for compassionate rehousing as recommended by the Social Welfare Department. A quota of 1 500 flats has been set aside for this purpose for 1993/94. The quota can be adjusted to cope with needy cases.

#### d) Families with Elderly Persons Priority Scheme

9.10 Under this scheme which commenced in 1982, families awaiting rehousing together with their elderly parents or dependent relatives will have their housing allocation advanced by two years, subject to fulfillment of the prevailing eligibility criteria. The family must be a nuclear unit with at least one elderly parent or dependent relative who has attained the age of 60 or over and who, at the time of investigation, is living with or dependent on the applicant's

family. Under this scheme, care is provided to the elderly by the family within an extended family setting. As at 31 August 1993, 6 129 families have benefited from the scheme.

#### e) Special Scheme for Families with Elderly Persons

9.11 A special scheme was established in 1990 whereby young families can apply with their elderly parents or dependent relatives for two separate units in the same block in new towns. So far, 12 applicants have made use of this scheme.

#### f) Enhancement Schemes for Sitting Tenants

9.12 The following enhancement schemes for sitting tenants are to encourage families to live with elderly relatives.

##### i) Additions

Young families in new towns are encouraged to add elderly parents or relatives from other public housing estates or private sector to their households, and to apply for transfer to larger flats in new towns. Similarly, elderly parents or relatives in new towns may also add their children or close relatives in urban public housing estates and be allowed subsequently to apply for transfer to larger flats in new towns. Not many applications under this arrangement have been received. So far, 42 families successfully applied for additions and transferred to bigger flats.

##### ii) External Transfer

Elderly persons in urban estates are allowed to join their children or close relatives in estates in new towns and to occupy separate flats subject to availability of resources. Likewise, young families in urban estates are allowed to transfer to New Territories estates to look after their elderly parents or close relatives. Thirty-nine families have been transferred from urban estates to join their relatives in estates in new towns and 12 of them have been allocated additional flats.

### Rehousing through Redevelopment and Clearance

9.13 A substantial number of elderly single persons is involved in the clearance of temporary housing areas and squatter areas and redevelopment of older estates. Since 1990, elderly single persons rehoused through the clearance and redevelopment programmes are as follows -

**TABLE 11**

Year	Redevelopment	Clearance
1990	970	1280
1991	1240	890
1992	1500	690
June 1993	870	280
Total:	4580	3140

### Sheltered Housing for the Elderly

9.14 Since 1985, the Authority has undertaken the provision and management of sheltered housing for the able-bodied elderly with warden service in new public housing estates. The first sheltered housing project was opened in November 1987 in Heng On Estate, providing accommodation for 145 elderly persons. Up to the end of September 1993, 16 sheltered housing projects are in operation providing places for 2 168 elderly persons. In the next five years, 15 new projects will be completed offering 2 100 additional places. With the introduction of cleaning service and the organisation of recreational and social activities for the residents, this scheme has become increasingly popular.

Elderly persons on the Waiting List who opt for sheltered housing will be rehoused within two years.

### **Hostels for the Elderly**

9.15 This residential service is provided by voluntary agencies for elderly persons. Hostel occupants are required to be physically and mentally healthy, fully capable of taking care of personal hygiene, and able to manage shopping, laundry, cooking and other daily chores. Up to 1989 when the provision of such hostels discontinued, there were 37 hostels in public housing estates for about 3 700 elderly persons. With the increasing senility of the hostel occupants, six hostels have been converted to home cum care-and-attention units.

### **Home cum Care-and-Attention Units**

9.16 This type of residential institution combines the services of a home for the aged and a care and attention unit. The home section provides services such as meals, heavy laundry, daily cleaning, medical consultation escorts, limited assistance in personal care and social and recreational programmes. The care-and-attention section provides general care for old people whose requirement for nursing care does not exceed two and a half hours per week. Each home cum care-and-attention unit has 150 places; 100 in the home section and 50 in the care-and-attention section. Provision is planned on the basis of one institution for each estate or group of estates of 6 000 flats or a total population of 25 000. Since 1989, 22 such homes have been established and will be followed by 12 additional homes in the next five years.

## **AREAS OF CONCERN**

9.17 In spite of the efforts made by the Authority in the past years, housing for the elderly is still a growing problem in the society. The following are particular areas of concern:

### **a) Elderly Single Persons Affected by Clearance and Redevelopment Programmes**

Due to the Comprehensive Redevelopment Programme and the Authority's commitment to clearing all urban squatters by 1996 and most of the THAs by 1997, there will be an increased demand for public rental housing from elderly single persons affected by the clearance and redevelopment programmes in the coming five years. It is estimated that 10 040 flats will be required to meet the demand from this group of elderly persons (detailed breakdown is shown at Appendix XI).

### **b) Elderly Persons Living in Private Accommodation**

As mentioned in paragraph 9.8 above, there are 4 200 elderly single persons currently registered on the Waiting List. Out of these 4 200 elderly persons, some 3200 are living in the private sector but this only constitutes a small proportion of the elderly population who are inadequately housed in the private sector. The displacement of elderly tenants by redevelopment of private properties also needs to be addressed. Although the Authority has set up Housing Information Centres in the older urban areas of Wan Chai and Mongkok to reach out to these tenants, no priority in allocation of public rental flats could be made to them. In addition, according to a survey conducted by the City and New Territories Administration in 1991, there were about 180 bedspace apartments accommodating about 4 000 lodgers of whom about 35% (1 400 persons) were elderly persons. Very few (7%) of these lodgers are on the Waiting List. Inevitably, the proposed licensing scheme to regulate the fire and structural safety standards of these apartments, once introduced, would require some of them to reduce their occupancy level, thereby displacing some lodgers from the apartments.

### **c) Supply of Public Housing for the Elderly**

The estimated supply of public rental housing to elderly single person in the form of sheltered housing, hostels and public rental flats in the next five years is given in Appendix XII. It can be seen that supply could hardly meet the projected demand from elderly persons in the various categories and those living in the private sector. Moreover, given the unwillingness on the part of the elderly persons to move away from a familiar environment (mostly in the urban areas) to new towns where most of our supplies are provided, consideration has to be given to increasing the supply of

urban public housing. In other words, the locational 'mis-match' of supply and demand would be more acute and the Waiting List could hardly be shortened if the applicants refuse to move to non-urban areas. From the social point of view, it is undesirable to cause dislocation by uprooting the elderly persons from a familiar environment when their physical conditions is deteriorating. More urban sites for public housing will be needed.

#### d) Continuum of Service for the Elderly

In view of the increasing age and growing fragility of the elderly living in public housing estates, it is necessary to provide multi-faceted and life-cycle-related facilities as a continuum service to the elderly.

### **GOVERNOR'S POLICY ADDRESS 1993**

9.18 In his policy address on 6 October 1993, the Governor announced a series of measures to improve the provision of services and shelters for the elderly. The Authority was specifically asked to see what can be done to provide accommodation specially designed to meet the needs of the elderly and their families and to come forward with proposals -

- a) To clear the backlog of around 4 000 elderly single people on the waiting list by 1997;
- b) To give priority to the elderly who apply for public housing from now on; and
- c) to tackle urgently the much larger problem of some 27 000 elderly men and women who are not on the Waiting List at all but who have all but resigned themselves to sub-standard accommodation.

### **THE WAY FORWARD**

9.19 With an ageing population in Hong Kong, housing for the elderly has become a complex and growing problem. To tackle this issue and to respond to the Governor's request, an overall review of the provision of housing for the elderly in public housing needs to be carried out. It is therefore proposed that an ad hoc committee of the Authority should be set up to study the following -

- a) to find out the extent of the housing problem faced by the elderly in the private sector including those displaced by redevelopment and those living in bedspace apartments;
- b) to review the effective demand of elderly applicants on the Waiting List including those living in public housing;
- c) to explore the feasibility of providing suitable types of accommodation for the elderly in the urban areas in addition to current provision; and
- d) to consider the types of accommodation to be provided to meet the changing and varying needs of the elderly population having regard to the special requirements for these persons in terms of safety, facilities, management, etc.

9.20 If approved, the Department will ensure that the Ad Hoc Committee's work will not duplicate or conflict with that of a new committee to be set up under the Government's Health and Welfare Branch which examines much broader issues.

## **CHAPTER 10**

### **A SUMMARY OF RECOMMENDATIONS**

10.1 This Chapter summarises the recommendations in Chapters 3 to 9 to assist Members of the HA in focusing on the issues to be addressed.

### **ADVICE SOUGHT**

10.2 Arising from a mid-term review of the LTHS, it is recommended that Members of the HA

endorse a way forward covered in the previous Chapters, as follows -

**(A) On Land Supply** (para. 3.24 of Chapter 3)

- a) a critical review be undertaken to consider ways to reduce the lead time for sites under planning within the Department;
- b) an appraisal be made on building density on existing sites to increase flat production without additional land;
- c) we seek Government's assistance in expediting the external procedures so that land for public housing can be ready for development as soon as possible; and
- d) we need Government's support for more land to meet our outstanding demand and a new commitment to provide more housing for the elderly, particularly smaller sites in the urban area. We should also consider increasing production under the PSPS since production lead time for this type of project is normally much shorter.

**(B) On the CRP** (paras. 4.16 to 4.22 of Chapter 4)

- a) the five-year programme already announced should be left largely intact but minor adjustments may be required to smooth out the rehousing operations or to accommodate competing demand where resources become a problem;
- b) the CRP beyond 1997/98 be examined on a project basis to see if some rehousing operations need to be reprogrammed in view of limited housing resources; and
- c) the blocks to be evacuated under the CRP should be re-examined to see if some could be retained and refurbished upon evacuation to provide an additional source of supply.

**(C) On Adjusting Rehousing Priorities and Increasing Home Ownership**(Chapter 7)

We should make conscious efforts to increase the public sector's contribution to Hong Kong's home ownership rate. We need to increase the turn-round of flats within the existing stock by encouraging greater social mobility among better off sitting tenants. On this, we propose to adopt a new approach by making moving to home ownership easier and remaining in rental housing less attractive for those households whom we consider have the means to do so (paras. 7.6 and 7.7). More specifically, we should -

- a) continue with our HOS/PSPS production already programmed, with some possible adjustment to the flat selection process (paras. 7.9 - 7.11);
- b) transfer more new rental blocks to home ownership, i.e. an expansion of our current Option to Rent or Buy Scheme. On this, we propose to designate these flats as HOS Type II, with price differential from normal HOS/PSPS flats (HOS Type I). These may be sold to certain categories of applicants who are required to move (by redevelopment and clearance) and those whose turn for rental housing is due (paras. 7.13 - 7.16). We also propose to increase the opportunity of sitting tenants to buy Type I flats (para. 7.16). The cheaper sales flats will be offered to those eligible on an one-off basis to avoid a circuitous route to home ownership via rental housing for an indefinite period (paras. 7.17 - 7.19). Sitting tenants will not be completely denied of the chance to buy Type II flats but will be given a lower priority (para. 7.20).
- c) step up tenancy enforcement relating to non-occupation, subletting and non-domestic use by deployment of task forces and encourage reporting of any abuses of tenancies by neighbours (paras. 7.25 - 7.26).
- d) take a fresh look at tenancy control with a view to encourage better-off tenants to move out, on account of income or private property ownership, to be built upon our housing subsidy and rent policies (para. 7.27).

**(D) On HPLS** (para. 8.18 of Chapter 8)

We endorse in principle the general direction of enhancing the HPLS by increasing the amount of loan and monthly

subsidy as well as the quota, subject to an assessment of the effects on the property market and the financial implications.

### **(E) Housing for the Elderly** (para. 9.19 of Chapter 9)

We propose to set up an ad hoc committee to ascertain the size of the housing problem in both the public and private sectors; to consider the need to construct suitable types of accommodation in the urban area in addition to current planned provision; and to recommend the types of accommodation to be provided to meet the changing and varying needs of the elderly population, having regard to the special requirements for these persons in terms of safety, facility, management etc.

10.3 The recommendations put before Members of the HA are tantamount to an adjustment to our broad policy direction at the strategic level. Subject to the HA Members' endorsement in principle, individual policy committees will be tasked to develop specific proposals for implementation, in the course of which the public will be consulted. The major final proposals as recommended by relevant committees will be submitted to the Authority.

## **FINANCIAL AND STAFFING IMPLICATIONS**

10.4 As stated above in para. 7.23 the financial consequences of the proposal to increase the sales portion of our new production will be dependent on the scale, timing, pricing etc. of the Type II flats. An increase in the HPLS, in the amount and quota, will also have financial implications, the impact of which may be slightly different if a rolling fund is created for this purpose. These implications will need to be carefully assessed as the factors involved become more certain.

Note 1 : The 25% of the total supply refers to the average percentage of flats to be consumed by the CRP per year in the next eight years while in the approved quota for 1993/94, 31% of flats will be allocated to tenants affected by redevelopment.

Note 2: By comparison, out of a total of registered owners of HOS/PSPS flats, 17% or 27 000 households also own private domestic properties.

Note 3: The estimate is based on a sample of 1 360 private permanent living quarters drawn from a complete register of all private permanent living quarters in Hong Kong. The sampling error of the estimate is 2%. Thus, there is a 95% chance that the true percentage of PRH tenants owning private flats will fall between 11% and 15%. The estimate is therefore sufficiently precise for the purpose in hand. Information collected in the survey is kept strictly confidential. This means, amongst other things, that only statistical summaries are used in the analysis and data relating to individuals are not disclosed.

## **Appendix IBREAKDOWN OF POTENTIAL DEMAND**

<b>Potential Demand</b>	<b>No. of Households*</b>
	(1993/94 - 2000/01)
<b>(A) Inadequately Housed</b>	
i) squatter/THA/CA	86000
ii) in private housing	108000
iii) redevelopment of non-self contained public housing	<u>24000</u>
Sub-total of (A)	<u>218000</u>
<b>(B) Self-contained Housing to be Redeveloped</b>	

i) public rental	103000
ii) private sector	<u>29000</u>
Sub-total of (B)	<u>132000</u>
(C) Newly Formed Households	260000
Total of (A) + (B) + (C)	<u>610000</u>
<b>Effective Demand</b>	527000
Households Accommodated with New Supply	508000
<b>Outstanding Demand</b>	
(A) Inadequately Housed	19000
(B) Adequately Housed	49000

\*Based on the 1993 assessment of housing demand and supply under the LTHS net of 1992/93 supply and administrative records as at 31.3.93.

#### Appendix IIFLAT ALLOCATION (1991/92 - 1993/94)

<b>(A) Rental</b>			
	1991/92	1992/93	1993/94*
	(%)	(%)	(%)
1) Redevelopment	32	28	31
2) THA clearance and re-use	5	3	13
3) Squatter clearance	17	11	15
4) Waiting List	37	44	31
5) Miscellaneous	9	<u>14</u>	<u>10</u>
	<u>100</u>	<u>100</u>	<u>100</u>
*Approved quota			
<b>(B) Sales (HOS/PSPS)</b>			
	1991/92	1992/93	1993/94*
	(%)	(%)	(%)
1) Priority Green	11	9	-
(Redevelopment/clearance)			
2) Ordinary Green	56	56	50%

(Sitting & prospective tenants)			
3) White (in private housing)	<u>33</u>	<u>35</u>	<u>50%</u>
	<u>100</u>	<u>100</u>	<u>100%</u>

\* Approved quota

### Appendix III

#### SUPPLY AND DEMAND OF PUBLIC RENTAL FLATS FOR THE PERIOD FROM 1993/94 TO 1997/98

SUPPLY	1993/94	1995/96	1995/96	1996/97	1997/98	Average
New Supply*	23466	23738	14176	17160	17914	19290
Vacated Flats	<u>21500</u>	<u>23150</u>	<u>12050</u>	<u>13350</u>	<u>12650</u>	<u>16500</u>
Total	45000	46900	26200	30500	30600	35800
(rounded to nearest 100)						
<b>DEMAND</b>						
Redevelopment	13000	12700	10600	11900	11900	12000
Clearance	12000	10500	10500	4000	4000	8200
Waiting List	14000	14000	14000	14000	14000	14000
Junior Civil	1300	1300	1300	1300	1300	1300
Servants						
Compassionate	2000	2000	2000	2000	2000	2000
& Emergency						
Others	<u>2200</u>	<u>1500</u>	<u>1500</u>	<u>1500</u>	<u>1500</u>	<u>1600</u>
Total (rounded to nearest 100)	44500	42000	39900	34700	34700	39100
						<b>Cumulative</b>
						<b>Total</b>
<b>BALANCE</b>	+500	+4900	-13700	-4200	-4100	-16600

\* In respect of the flats available for allocation, including flats brought forward from the previous year.



## Appendix IV

## Appendix V

### COMPREHENSIVE REDEVELOPMENT PROGRAMMEHOUSEHOLDS AFFECTED BY CRP

Year of Housing	Households Affected			
	Non-self-contained Mark III FGLCH(NSC)	Self-contained Mark IV to VI,CB FGLCH(NSC)	Total	Estimated Flat Requirement
1993/94	1700	9043	10743	11407
1994/95	2594	9928	12522	12659
1995/96	1072	11236	12308	12361
1996/97	4261	7243	11504	11632
1997/98	1843	5196	7039	7087
1998/99	2665	8948	11613	11690
1999/2000	7244	17956	25200	25145
2000/01	2667	14507	17174	17181
Sub-total	24046	84057	108103	109162

Post-2001	0	17797	17797	19966
Total	24046	101854	125900	129128

**Appendix VI****COMPREHENSIVE REDEVELOPMENT PROGRAMME FLATS TO BE DEMOLISHED**

Year	Non-self-contained Mark III FGLCH(NSC)	Self-contained Mark IV to VI ,CB FGLCH (SC)	Total
1993/94	3162	15178	18340
1994/95	3111	12409	15520
1995/96	1580	13782	15362
1996/97	5002	9310	14312
1997/98	2639	6458	9097
1998/99	3660	12190	15850
1999/2000	8980	20796	29776
2000/01	3299	17681	20980
Sub-total	31433	107804	139237
Post-2001	0	21804	21844
Total	31433	129648	161081

**Appendix VII****PRODUCTION FROM REDEVELOPMENT SITES**

1996/97-2000/01

	26422	from sites already cleared
74190 (106.7 hectares )	18778	from sites formally announced, awaiting clearance
	26632	from sites in Five-year Programme
	2358	from sited not in Five-year Programme

Post-2000/01

	4924	from sites in Five-year Programme
53113 (76.4 hectares)	48189	from sites not in Five-year Programme

**Appendix VIII****COMPREHENSIVE REDEVELOPMENT PROGRAMME- REHOUSING REQUIREMENT, DEMOLITION AND REBUILD PRODUCTION**

Year of Rehousing	Estimated Flat Requirement	Flats Demolished	Flats Rebuilt* on Cleared Sites
1993/94	11407	18340	17546
1994/95	12659	15520	10877
1995/96	12361	15362	14328
1996/97	11632	14312	10768
1997/98	7078	9097	7762
1998/99	11690	15850	10769
1999/2000	25145	29776	19562
2000/01	17181	20980	7437
Sub-total	109162	139237	99049
Post-total	19966	21844	13595
Total	129128	161081	112644

\* This data refers to the flats eventually rebuilt on the sites cleared in that year, not to the number of flats completed in that year.

**Appendix IX****NUMBER & PERCENTAGE OF OWNER OCCUPIED UNITS IN PUBLIC AND PRIVATE PERMANENT HOUSING**

	Public housing			Private permanent housing		
Year	Total stock as at end of the year	Owner-occupied units as at end of the year	% of owner-occupied units to total stock	Total stock as at end of the year	Owner-occupied units as at end of the year	% of owner-occupied units to total stock
	(1)	(2)	(3)=(2)/(1)*100	(4)	(5)	(6)=(5)/(4)*100
1982/83	531000	26000	5	664000	359000	54
1983/84	569000	36000	6	686000	384000	56
1984/85	602000	48000	8	710000	405000	57
1985/86	639000	67000	10	744000	439000	59
1986/87	660000	81000	12	776000	497000	64
1987/88	682000	86000	13	810000	543000	67
1988/89	719000	98000	14	839000	587000	70
1989/90	769000	118000	15	873000	61000	70
1990/91	797000	130000	16	891000	633000	71
1991/92	824000	142000	17	930000	670000	72
1992/93	838000	166000	20	958000	682000	71
1993/94	863000	186000	21	981000	718000	73
1994/95	888000	204000	23	1011000	756000	75
1995/96	913000	222000	24	1038000	791000	76
1996/97	949000	249000	26	1065000	826000	78
1997/98	993000	278000	28	1092000	862000	79
1998/99	1026000	301000	29	1118000	898000	80
1999/2000	1045000	325000	31	1169000	970000	83
2000/01	1060000	348000	33	1169000	970000	83

	Public & private permanent housing				
Year	Total stock as at end of the year	Total owner-occupied units as at end of the year	% of owner-occupied units to total stock		
			Public	Private	Total

	(7)=(1)+(4)	(8)=(2)+(5)	(9)=(2)+(5)	(10)=(5)/(7)	(11)=(8)/(7)
1982/83	1195000	385000	2	30	32
1983/84	1255000	420000	3	31	33
1984/85	1312000	435000	4	31	35
1985/86	1383000	506000	5	32	37
1986/87	1436000	578000	6	35	40
1987/88	1492000	629000	6	36	42
1988/89	1558000	685000	6	38	44
1989/90	1642000	729000	7	37	44
1990/91	1688000	763000	8	37	45
1991/92	1754000	813000	8	38	46
1992/93	1796000	848000	9	38	47
1993/94	1844000	904000	10	39	49
1994/95	1899000	960000	11	40	51
1995/96	1951000	1013000	11	41	52
1996/97	2015000	1076000	12	41	53
1997/98	2085000	1140000	13	41	55
1998/99	2144000	1199000	14	42	56
1999/2000	2189000	1258000	15	43	57
2000/01	2229000	1318000	16	44	59

## Assumptions:

- (i) The housing demand and supply are based on the 1993 LTHS Review
- (ii) Sale of existing flats to sitting tenants = 0 and Option to Rent or Buy Scheme = 1200 flats
- (iii) Percentage of owner-occupied units of newly completed private flat is assumed to be the average of those from 1982/83 to 1992/93 (85%)
- (iv) Percentage of units transferred from rental to owner-occupied is assumed to be the average of those from 1982/83 to 1992/93 (1.0%)
- (v) 13000 flats for the sandwich class from now to 1997

## Appendix x

**TRANSACTIONS OF PRIVATE DOMESTIC PROPERTIES AND PUBLIC HOUSING TENANTS' PARTICIPATION**

This exercise analyses the salient features of private domestic flats purchased in the six-month period from October

1992 to March 1993, with particular reference to the participation of Public Rental Housing (PRH) tenants in these activities.

## **BACKGROUND**

2. The Housing Authority is charged with the responsibility of providing subsidised housing to households which cannot afford private housing and rehousing those affected by clearances. Although public and private housing are targeted at different groups of household, there is an inevitable interface between the two. It is therefore desirable for the HA to monitor the activities of the private property market and assess their likely impact on its own programmes.

3. This paper describes the salient features of transactions in private domestic flats (Note 1) between the last quarter of 1992 and the first quarter of 1993, based on a random sample of 2 000 transactions provided by the Rating & Valuation Department. In the course of the analysis, emphasis is put on the extent of participation by PRH tenants in these transactions. It also describes the characteristics of PRH tenants who made the purchases, and of the properties involved.

### **(A) Overview**

#### **Size (Note 2)**

4. The average size of flats purchased during the period was 54sq.m, measured in terms of saleable area. As can be seen in Chart 1, small flats accounted for 41% of the transactions, medium flats 42%, medium large flats 11% and large flats 6%, roughly in proportion to their relative share of the total stock.

Note 1: Excluding uncompleted flats. HOS/PSPS flats, except those freely transferrable in the private property market, are also excluded.

Note 2: Small flats - less than 40sq.m

Medium flats - 40sq.m to 69.9sq.m

Medium large flats - 70sq.m to 99.9sq.m

Large flats - 100sq.m and over



## Age

5. The average age of the flats purchased during the period was 14 years, compared to 16 years for the Territory as a whole. There appears to be more activity amongst newer flats. Chart 2 shows that transactions in flats built after 1980 accounted for 56% of the total, and those built after 1985 accounted for 35%, significantly more than their shares in total stock which are 49% and 31% respectively. Transactions in older flats, particularly those above 30 years old, are less active. The level of activity for older flats - some 9% of the flats purchased were built before 1965 - was nevertheless a little higher than one would expect, having regard to the difficulty in securing a mortgage for these properties.



## **Value**

6. The majority (69%) of the flats purchased cost less than \$2M, while flats costing more than \$4M accounted for only 7% of the total (Chart 3).



7. It is interesting to note that about one quarter (26%) of the flats purchased were relatively inexpensive, costing less than \$1M, which incidentally should be affordable to prospective HPLS applicants. The average cost of these private flats is \$0.8M. They are, on average, 34sq.m and 19 years old, located mainly in Shum Shui Po, Mong Kok, Kwun Tong, Tuen Mun and Yuen Long.

### **Purchasers**

8. Thirteen percent of the flats were purchased by companies and 1% was purchased by individuals holding foreign passports. The remaining 86% were bought by local individuals. The company/foreign purchasers appeared to prefer slightly older flats, as the average age of the flats they purchased was 16 years old, slightly higher than that for local individuals (14 years) (Chart 4).

9. Company purchases accounted for 38% of the market for large and medium large flats. Also, the flats companies

purchased averaged 91sq. m, compared with 48sq.m for local individuals (Chart 5). As a result, the average outlay for a flat purchased by the companies/foreign individual was \$3.7M, compared with \$1.6M for local individuals (Chart 3).

(B) Participation of PRH tenants

10. Purchases of private flats by public rental housing tenants accounted for 24% of all transactions involving local individuals (Chart 6). As public rental households make up about 40% of all Hong Kong households and account for one-fifth of the top 20% of households in Hong Kong in terms of income, these statistics do show that many of our PRH tenants could afford to own flats even when prices were generally believed to be on the high side.



11. About 1% of these PRH households purchased more than one flat, while 12% purchased a flat jointly with another PRH households, probably because two persons in public housing would soon be married.

12. Household characteristics (Note 3). Chart 7 shows that most of the public rental households involved in the purchases were large. The average size was 5.2 persons, of which 4.8 persons were grown-ups. The corresponding figures for PRH households as a whole were 4.1 persons and 3.3 persons. They tended to live in more congested accommodation, where their median living density was 6.6 m<sup>2</sup> per person (Note 4), compared with 7.8 m<sup>2</sup> per person for overall PRH households.



13. In general, they had lived in PRH for a long time (average 16 years) (Chart 8), so their household heads were also older, averaging 58 years of age. The flats in which they were living were, however, only 9 years old on average for New Housing Authority households, implying that many of them were affected by redevelopment only a few years ago (see Chart 9).

14. Chart 9 shows that most of these PRH tenants were from NHA(60%) and Mark-type flats (16%), mainly located in Kowloon area (57%). The purchasers living in olders flats (Mark-type flats, FHA and FGLCH ) made up 40% of the total , more than their share (27%) in the total number of PRH households. This over-representation was probably due to the fact that most of their children were grown-ups, and thus required additional living space.

Note 3: Figures on household characteristics are derived from HATMIS data.

Note 4: In this paper, size of private sector flats is measured in terms of saleable area, while that of PRH flat is measured in terms of Internal Floor Area (IFA). The two measures are roughly equal.

15. Double-rent households accounted for 30% of the purchases, more than their share (10%) in the total number of

PRH households. This shows that double-rent households, being better-off, are keen to move towards home purchase.

16. Only about 11% of the purchasers were in the name of the main tenant. The other 89% were members other than the household head, mostly sons/ daughters/ sons-in-law (69%) and spouses (14%) (Chart 10). As a result, the majority of the purchasers (71%) were between 25 to 39 years of age (Chart 11).



### **Flat characteristics**

17. Most of the flats purchased were small and less expensive. The average size was 40.7 m<sup>2</sup>, compared with the overall average of 54 m<sup>2</sup> for all transactions (see para. 4). The average cost was HK\$1.3 M, as against the overall average of HK\$ 1.9M (see para. 6).

18. The flats purchased by PRH tenants were quite new, average age being 11 years compared with the overall average of 14 years. They were mainly in the New Territories (43%) and Kowloon (47 %).

19. As can be seen in Chart 12, most of the purchasers preferred a flat near their home (61% for Hong Kong purchasers, 68% for Kowloon purchasers and 76% for New Territories purchasers). This apart, the most popular choice was the New Territories, where prices were generally lower. This phenomenon does imply that the New Territories were not that unacceptable in housing terms to PRH tenants since they were prepared to pay market prices for them (while remaining in rental housing).

