



Executive Summary

- I. Increasing housing supply is the long-term solution to Hong Kong's housing problem. In the short term, a more effective approach lies in revamping our current public housing model.
- II. As it is, Hong Kong's public housing, far from being cost-effective, has failed to address residents' needs. Mobility among public rental housing (PRH) tenants has remained low. Even after changing jobs, receiving a promotion, getting married, or having to take care of grandchildren or elderly parents, unless they voluntarily give up their housing units and rent subsidy, there is simply no way for them to move to another unit that suits their need better. The resources mismatch resulting from this rigid system is such that for every \$1 subsidized by taxpayers, \$0.25 to \$0.39 of public money goes to waste.
- III. Over the last few decades, trapped in the public housing system, the increasingly impoverished tenants and growing numbers of elderly PRH tenants units have been hard pressed to gain wealth or unlikely to find the incentive to wean themselves off Government assistance. Coupled with an ageing population, this will put an ever-heavier welfare burden on the Government.
- IV. Recent years have seen the rising prices and rents of private housing far outstripping the increase in median income, making homeownership well beyond the means of the general public. Sub-divided units (SDUs) have become ever more common, testifying to the increasingly abject living conditions. As the local community is divided into the "haves" and the "have-nots", social conflict has intensified, making effective governance even more of a challenge.
- V. The three future objectives of housing policy are as follows:
 - i) **Home ownership first, wealth gains later:** Enabling citizens to gain wealth through subsidized homeownership.
 - ii) **Enhanced efficiency and better use of resources:** Increasing the value of public housing units through gradual marketization and recovering part of property prices to ease the long-term strain on housing and welfare expenditures; and
 - iii) **Less polarization and a more unified Hong Kong:** Bridging the gap between the haves and the have-nots, building a harmonious society, and unifying Hong Kong by helping aspiring home owners to realize their dreams.

VI. The Subsidized Homeownership Scheme proposes that, in future, all new public housing should be geared towards satisfying demand for homeownership, and that Rent-to-buy arrangements should be used as a stopgap measure before homeownership is affordable.

i.) Subsidized-sale units are sold to eligible households at a preferential price.

ii.) Rent-and-Buy units are available to new PRH tenants for renting before they have the means to buy the units at affordable prices below market value. Such units can always be bought at a preferential price throughout the tenancy and the prices will not be subject to market adjustments. After living in this kind of unit for a period of time, a tenant can choose to buy it. Even if they choose not to buy the unit, they can still continue to rent it. In the long run, more and more tenants of such units are likely to become home owners.

VII. The Government will, through guaranteed mortgage, help low-income families to buy units sold under the Scheme and enjoy 90% to 95% mortgage. This will serve to satisfy their financing needs.

VIII. The greatest advantage of the Scheme over Home Ownership Scheme (HOS) and the previous Tenants Purchase Scheme (TPS) lies in the fact that premium payment arrangement is easier with the proposed scheme. This will provide a stronger incentive for owners to make premium payment, thus facilitating unit circulation and enhancing market efficiency. Four methods are proposed in the following for public discussion:

i.) Zero premium payment: In other words, all subsidized by the government.

ii.) Discounted premium in year of occupation: Suppose the premium in year of occupation is \$2 million, with 20% discount rate, the discounted premium is 80% of \$2 million, which is \$1.6 million. Whenever premium payment is pursued it will be proceeded according to this price and the amount will not vary with market changes.

iii.) Either premium in year of occupation or market premium: If property prices rise, the owner will only need to pay the premium in year of occupation. If property prices enter a downward trend, the premium payment will be equal to the market premium. This arrangement allows the premium to be capped at the original level.

iv.) Either the average premium or market premium: If property prices rise, the owner will pay the average premium over the years of occupation. If property prices enter a downward trend, the premium payment will be equal to the market premium.

IX. The Subsidized Homeownership Scheme has the following advantages:

i.) Enabling eligible members of the public to choose to rent or buy their units, giving them the flexibility in exercising their rights to meet their housing needs;

ii.) Rebuilding the housing ladder by offering preferential prices and incentives to help home owners to move up the housing ladder one step at a time.

iii.) Enhancing market efficiency, unlocking the full value of public housing units, and minimizing public housing resource mismatch;

iv.) Alleviating conflict between "those with property" and "those without property", harmonizing society, and unifying Hong Kong;

v.) Recovering part of public housing costs, easing financial pressure on the Hong Kong Housing Authority (HA); and

vi.) Utilizing public resources more effectively and helping the general public to gain wealth in preparation for the challenge of an ageing population.

X. The Scheme is aimed at facilitating utilization of public resources and making good use of limited supplies. This will also enable members of the public to be home owners, thus enhancing their quality of life and redressing social problems.