Report of the Study on Home Ownership Promotion Policy Development in Hong Kong: Statistics and Interpretations on Home Ownership Scheme and the Private Sector Participation Scheme

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October 2005

Acknowledgement

The work described in this Report was fully supported by a grant from City University of Hong Kong (Project No.: 9030994). The researcher would like to acknowledge the valuable assistance of Miss Becky S C Chan, the Project Research Assistant and the help offered by the Director of Housing / Permanent Secretary for Housing, Planning and Lands (Housing) and his staff in the Hong Kong Housing Authority.
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INTRODUCTION

1.1 General background to the project under investigation

A number of major home ownership promotion policies / programmes have been implemented since 1977. These include the Housing Authority Home Ownership Scheme (HAHOS or HOS) (1977); Private Sector Participation Scheme (PSPS) (1978); Home Purchase Loan Scheme (1988); Sandwich Class Housing Loan Scheme (1993) and Sandwich Class Housing Scheme (1996); Home Starter Loan Scheme (1998), Tenants Purchase Scheme (1998) and Home Assistance Loan Scheme (2003). Among these, the most significant programmes (in terms of the total number of households) are the Home Ownership Scheme (HOS) and the Private Sector Participation Scheme (PSPS). As at end of March 2004, a total stock of 325,556 HOS/PSPS flats were completed. This included 223,180 HAHOS flats (69%) and 100,136 PSPS flats (31%).

1.2 HOS and PSPS Background

The Home Ownership Scheme (HOS) and the supplementary Private Sector Participation Scheme (PSPS), introduced in the late 1970s, aim to provide flats for sale at prices well below market value to families not being able to afford private sector housing and to public housing tenants (who are not subject to HOS income limits).

Government allocated a total of $1,399 million in the first five years (1977-82) of its operation to the Home Ownership Fund as a revolving fund to support the Home Ownership Scheme capital projects. Proceeds from the sale of HOS flats were channelled back to the Fund for future HOS projects. Unlike public rental projects which were not required to pay a land premium, HOS owners had to bear the cost of land premium which were reflected in the price they paid for their purchase. The Housing Authority does not run HOS projects like other private developers seeking maximisation of profits.

The prices charged for the sale flats in Phase 1 (February 1978) to Phase 3A (March 1991), although they included an element of land premium, were about 75 percent of the comparable market dwellings and prices were still within the affordability of target families. As property prices increased by 30 percent in 1981 there was also impact on land premium. The mortgage interest rate had gone up to a record

level of 19.2 percent per annum in the fourth Quarter of 1981. In order to keep the HOS sale flats within the reach of its target recipients, government decided to waive the land premium charge of HOS flats from Phase 3B (February 1982) onwards. Instead, land development cost had to be paid and should be reflected in the prices of HOS flats.

The complementary scheme of the Home Ownership Scheme is termed Private Sector Participation Scheme. No additional finance was required as private developers would bear all capital costs including the payment for land premium through the tendering process for the right to develop the Private Sector Participation Scheme (PSPS). This scheme was attractive to some developers because they could make profits from selling the non-domestic premises of the same project. The Home Ownership Fund bears the financial responsibility for the payment of contingent liabilities if there are any mortgage defaults among purchasers of HOS or PSPS sale flats. As the sale had been very popular and proceeds from the sale of HOS / PSPS had been exceeding the costs of development, government stopped injecting cash into the Home Ownership Fund after the fifth year. In the nine-year period (1979/80 to 1987/88), a total of 84,000 HOS / PSPS flats were completed. Of these 72 percent were HOS flats and 28 percent were PSPS flats. The small cash injection ($1,399 million) into the revolving Home Ownership Fund had resulted in the production of over 84,000 public sale flats prompted the future expansion of HOS / PSPS projects and the change of the financial arrangements between the government and the Housing Authority in 1988. When the Home Ownership Fund stopped operating in April 1988, the cash injection of $1,399 million was also returned to the government. The success of the Home Ownership Scheme makes important financial contribution to the Housing Authority. Its success has enabled the Housing Authority to become financially self-supporting since 1992 and to generate sufficient funds to finance its large public housing production programme. The success and financial contribution from the HOS is considered by the government an essential element to the Housing Authority’s ability to maintain its services and fund an expanding housing.

Between 1977 and June 2002, a total number of 206,408 HOS flats and 97,824 PSPS flats were completed which have been providing affordable housing to one million people. As at end of March 2002, the forecast production of HOS / PSPS flats are 18,930 and 4,480 for the 3-year period of April 2002 to March 2005. However, the Secretary of Housing, Planning and Lands announced in November 2002 and the Hong Kong Housing Authority agreed that the production and sale of HOS / PSPS flats will cease indefinitely from 2003 onwards. Details on the change of forecast production will be outlined in later sections.
1.3 Account of the research work conducted

HOS / PSPS statistics have been scattered in various sections of the Hong Kong Housing Authority / Housing Department / Census and Statistics Department / Planning Department / Rating and Valuation Department / Real Estate Agencies. It would be useful for those academics, students, policy makers, journalists and general public interested in this important part of housing history to get access to the Research Report consisting of a comprehensive set of statistical data and analysis relating to HOS / PSPS. This will help them to understand the development through interpretation of these statistical data. A focussed effort to retrieve and compile statistical data from various sources is necessary. Principal Investigator has made attempts to retrieve data from various sources (Hong Kong Housing Authority, Housing Department, Planning Department, Census and Statistics Department, Rating and Valuation Department, real estate agencies, etc.) Documentary / library search of published statistics were conducted by the researcher. Many gaps have been filled with assistance from the concerned public authorities / organizations. The task of filling the gaps required strenuous effort of the researcher and his research support staff in stating and following-up the requests clearly to the concerned organizations. During the process, Hong Kong Housing Authority has provided much support. This small-scale research project made a successful attempt to provide a comprehensive set of statistical information charting the development of the HOS / PSPS (from its birth to its termination). Wherever appropriate, interpretations and explanations have been given while taking note of the change of statistical data over these twenty five years of HOS / PSPS history. Please refer to the details reported below.

1.4 Results of Study and the organization in this Research Report

This small-scale research project has generated a rich data bank on various aspects of the Home Ownership Scheme / Private Sector Participation Scheme. The framework developed on collecting information regarding the planning and production stage, sale stage, post-sale (consumption stage) and re-sale stage has proved to be useful in enhancing our understanding of the important developmental stages of this important public housing programme.

This research report is organized in accordance with the above-mentioned framework.
## Section 2

**Planning and Production Stage of HOS / PSPS**

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PLANNING AND PRODUCTION STAGE OF HOS/PSPS

2.1 Housing Policy and Production of HOS & PSPS

Introduction of HOS & PSPS

The Home Ownership Scheme (HOS), introduced in 1976, and the supplementary Private Sector Participation Scheme (PSPS), introduced in 1978, aimed to provide adequate flats for sale at prices well below market value to low-income or middle-income families. These families were not eligible to apply for Public Rental Housing (PRH) as their income exceeded the PRH Waiting List Income Limit but they were seen as not able to afford the increased cost of flats in the private market. On the other hand, the scheme also aimed to release the pressure on the demand of PRH by selling the HOS flats to the public housing tenants who were not subject to any income limit.

Summary

A total 325,556 HOS & PSPS flats (including surplus flats) had been produced from 1979/80 to 2003/04. This included 223,180 HOS flats (68.6%) and 100,136 PSPS flats (31.4%). On average, about 13,022 HOS & PSPS flats were produced annually in this 25-year period (8,927 HOS flats and 4,005 PSPS flats). The production peak was in 2000/01 (total number of 32,714 HOS/PSPS flats, or 23,542 HOS flats and 9,172 PSPS flats).

In 1979/80, the first project of HOS flats was completed with 2,439 HOS flats. This was the lowest annual production in the 25-year period. None of PSPS flats was built in this year as the first block of PSPS flats was still under the sale stage but the construction was not yet completed.

Chart 1 below shows the actual production of HOS & PSPS flats from 1979/80 to 2003/04.
From 1979/80 to 1998/99, HOS & PSPS flats accounted for an increasing proportion in the overall HA public housing annual production. As at the end of March 1999, 63.23% of the overall HA public housing production in 1998/99 were HOS & PSPS flats. The proportion increased by 8.35 times as compared to the production in 1979/80 (7.57%). However, the proportion dropped to 16.45% in 2001/02 after a series of reducing HOS & PSPS production policies were implemented.

The high level production in 1985/86 was a result of completion of PSPS flats including the largest PSPS court, Richland Garden. The production dropped dramatically in 1987/88. It was due to labour shortage in the construction industry and other construction constraints. With the introduction of greater mechanisation in production methods, the production began to rise from 1988/89.

As one of the major objectives of the 1987 Long Term Housing Strategy (LTHS) was about increasing the supply of both rental and HOS & PSPS flats, the annual production of HOS & PSPS increased after 1987/88. Between 1988/89 and 1993/94, the overall annual production of HOS & PSPS flats also increased. However, due to land allocation constraint and other problems such as planning constraints, the production dropped to 16.45% in 2001/02 after a series of reducing HOS & PSPS production policies were implemented.
limitations, traffic and environment concerns, etc, the number of HOS flats completed in 1994/95 dropped dramatically. No PSPS flat was produced in that year. The production rose again in 1995/96 and dropped in 1997/98. The main reason of decrease in production may be a result of land shortage and many HOS & PSPS flats were still under construction. The high level production of HOS & PSPS flats in 1998/99 and 2000/01 may be a result of LTHS and “85,000 housing policy”.

The production in 2001/02 was low as the government changed the housing policy. Later in November 2002, the government decided to cease the production and sales of HOS & PSPS flats. It put an end to the HOS/PSPS and only the surplus flats were produced in 2002/03 and 2003/04.

Production of HOS and PSPS flats from 1979/80 to 1986/87

In January 1980, the first block of HOS flats in Shun Chi Court (located in East Kowloon) was completed. By end of March, other blocks including Chun Man Court (located in Ho man Tin) were constructed and brought the actual production of HOS flats to 2,439.

The Private Sector Participation Scheme (a supplement of HOS) was first introduced in 1978. Two projects under the PSPS, Yau Tong Centre (506 flats) and Chi Lok Fa Yuen (1,000 flats), were offered for sale in November 1979. The construction of first PSPS court, Yau Tong Centre, was not completed until 23rd December 1980. Therefore, no production of PSPS flats was recorded in 1979/80. Forecast PSPS production statistics were not included in Public Housing Development Programme (PHDP) until December 1981.

The high record of application number for the first two projects of PSPS revealed not only the high number of households aspiring to become homeowner but also the success of the scheme. It may be the reason why the government decided to continue and expand the PSPS programme. It is noted the production of PSPS flats was increased by 23.5 times in 1985/86 (11,902 flats) as compared with the 1980/81 production (506 flats). Moreover, the forecast PSPS productions were also

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3 Financial years in government departments/public organizations start from 1 April and end on 31 March in the following year. There were 58,000 applications received for the first two projects of PSPS and all flats were sold out. Source: Hong Kong Housing Authority, 1979/80 Annual Report, Hong Kong: Hong Kong Housing Authority, P.58.
increased. According to the PHDP from December 1981 to December 1982, all forecast PSPS productions had the same result as the actual production for 1982/83 (760 flats). The reason why the forecast was so accurate was because there was only one project, the third project, Walton Estate comprising 760 flats in Chai Wan, was under construction and scheduled for completion in 1982. After that, the government decided to expand the PSPS programme and five sites were offered for tender by private developers. It was forecasted to produce about 5,620 to 7,040 PSPS flats in 1985/86 according to 1982 PHDP. Since the projects were still under construction in 1983/84, all the results of the forecast production of PSPS flats was 0 for that year. Therefore, no PSPS flat was produced in 1983/84.

For the forecasts done between March 1983 and March 1984, the forecast production of PSPS flats for 1985/86 ranged from 8,614 to 10,174, then it increased to 11,902 according to the 1984 September and December PHDP. It is noted that the production of PSPS increased by 15.7 times (compared with the production in 1982/83). It was because in addition to the completion of the five sites, the largest PSPS court, Richland Garden (offered for tender in 1983/84) and Taipo Plaza (offered for tender in 1984/85) were also completed in 1985/86.

New Pricing Policy introduced in 1981

In 1981, the price of HOS flats had increased as there were substantial rises in building costs, land costs (trebled) and mortgage interest rates (from 9% to 17%). In order to undertake the HOS programme at the price remained well below market level and within the means of the targeted family, a new pricing policy of excluding land value from the price of Home Ownership flats was introduced in October 1981. Under the new policy, the sale prices of both the HOS and PSPS flats would be lower and variation are also made to prices of flats in different schemes in different location. At that time, the target of the HOS & PSPS production was over 7,500 PSPS flats and 5,000 HOS flats in 1985/86.

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4 Hong Kong Housing Authority, 1981/82 Annual Report, Hong Kong: Hong Kong Housing Authority, P.60.
5 Hong Kong Housing Authority, 1982/83 Annual Report, Hong Kong: Hong Kong Housing Authority, P.74.
6 Hong Kong Housing Authority, 1983/84 Annual Report, Hong Kong: Hong Kong Housing Authority, P.78.
7 Hong Kong Housing Authority, 1984/85 Annual Report, Hong Kong: Hong Kong Housing Authority, P.72.
8 Hong Kong Housing Authority, 1981/82 Annual Report, Hong Kong: Hong Kong Housing Authority, p.55-58.
Why the production of HOS & PSPS dropped dramatically in 1987/88?

The production of overall HA public housing flats fell to 24,145 in 1987/88. Compared to a target of 40,000 and the previous actual production, the production dropped dramatically. The production of HOS & PSPS flats in 1987/88, 4,154 flats (3,370 HOS flats & 784 PSPS flats), dropped by 4.48 times as compared to that of 1985/86. It also failed to meet the target of well over 5,000 HOS & PSPS set in 1984/85. According to the Hong Kong Housing Authority 1987/88 Annual Report, the low production level was due to “a general labour shortage in the construction industry and due to specific difficulties faced by some of its contractors.” However, the problem was solved by introducing greater mechanisation in production methods and more standardization of components and fitting. Therefore, the production began to rise from 1988/89.

Increased production after 1987 LTHS

In April 1987, HK Government had carried out a review of its housing policies and published the “Long Term Housing Strategy”. According to the policy statement, one of the major housing policy objectives was “increase the opportunities for assisted home purchase”. It was forecasted that there might be “an over-provision of PRH, an under-provision of HOS/PSPS and under-utilisation of the private sector’s resources.”

In order to face the above issues and promote home ownership, the strategy was designed to expand the opportunities to buy HOS & PSPS flats for sitting PRH tenants, clearees, disaster victims and PRH Waiting List applicants (i.e. Green Form applicants). Moreover, it was expected that the mobility of sitting tenants would be increased and more PRH units would be released for re-allocation upon PRH Tenants’ purchase of HOS/PSPS flats.

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9 According to the Hong Kong Housing Authority 1984/85 Annual Report, the construction target for HOS & PSPS flats was set at well over 5,000 per year for 1985/86 and the next three-year.
10 Hong Kong Housing Authority, (1988), 1987/88 Annual Report, Hong Kong: Hong Kong Housing Authority.
12 Since Phase 7A (January 1985), the Green Form eligibility has been extended to Waiting list applicants, junior civil servants qualified under the Civil Servants quota, development clearees, disaster victims and residents of temporary housing, primary housing and cottage areas.
The strategy also targeted at increasing the production level of both PRH and HOS & PSPS flats. “As the amended strategy extends redevelopment to the older public housing estates, the total production commitment will be increased by about 125,000 flats, the majority of which will have to be provided through the public rental/HOS/PSPS programme.” “To meet the estimated demand, the production level for public rental/HOS/PSPS flats throughout the period to 2001 will have to average 40,000 units a year”.  

Production of HOS and PSPS flats between 1988/89 and 1993/94

Between 1987/88 and 1993/94, a total of 268,900 HA public housing flats was produced. Of that, there were 61,579 HOS & 38,088 PSPS flats. That means an average of 44,817 HA public housing flats including a total number of 16,611 HOS & PSPS flats were built annually in the period. It exceeded the original LTHS public sector housing production target of 40,000 units.

Moreover, the increase of the production might be a result of using greater mechanisation in construction methods and more standardisation of components and fitting. In 1989, the design of Harmony block was developed and applied in constructing HOS blocks. It might have enhanced the construction efficiency and quality (by saving more manpower and facilitating the management process as more building elements were fabricated off site and building components were standardised).

The actual production of all HA public housing flats as well as the HOS & PSPS flats were also increased from 1988/89 to 1993/94. During the period, the overall annual productions of all HA public housing flats were well over the target (40,000 units) except in 1991/92 and 1992/93. However, for HOS & PSPS flats, the production increased gradually from 10,946 units (6,300 HOS flats & 4,646 PSPS flats) in 1988/89 to 24,743 units in 1993/94 (14,973 HOS flats & 9,770 PSPS flats).


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14 Hong Kong Housing Authority, *1988/89 Annual Report*, Hong Kong: Hong Kong Housing Authority, p.8, pp. 30-32
The forecast production of HOS & PSPS flats for 1989/90 increased gradually from 6,360 to 22,320. Among that, the forecast production of HOS flats increased more than 8 times from 1,600 (PHDP March 1981) to 13,022 (PHDP December 1989). The forecast production of HOS & PSPS flats for 1991/92 increased gradually from the lowest estimation at 5,370 (PHDP December 1982) to the highest estimation at 14,782 (PHDP March 1989) and later dropped slightly to 14,528 (PHDP June 1991).

The forecast production of HOS & PSPS flats for 1992/93 increased more than 3 times when compared with the first forecast production (at 6,430 flats, PHDP June 1983) and with the last forecast (at 19,872 flats, PHDP December 1992). The forecast production of total number of HOS & PSPS flats for 1993/94 increased gradually from 3,280 (PHDP June 1984) to 24,743 (all PHDPs in 1993). Among that, the forecast production of HOS flats in December 1989 (18,692 units), increased 6.7 times when it is compared with the first forecast production at 2,800 units. For 1995/96, the forecast production of total number of HOS & PSPS flats was 11,927 flats according to PHDP March 1989. It reached the peak at 22,074 in PHDP December 1989. It dropped slightly afterwards but got back to 21,437 according to the PHDP December 1995.

Why the HOS production dropped dramatically in 1994/95

However, the HOS production dropped dramatically in 1994/95 and there was even none for PSPS flats. In 1993/94, the total number of HOS & PSPS production was 24,743 flats and then it dropped significantly to 4,004 in 1994/95 (20,739 flats less). No PSPS flat was produced and the percentage of HOS flats to overall production of all HA public housing flats was only 14.08%. For 1993/94, the proportion of HOS & PSPS flats to overall HA public housing production was 56%.

A mid-term review of the Long Term Housing Strategy was completed by the HKHA in October 1993. The 1993 LTHS assessment found that the original production targets could not meet the actual demand for housing. The estimated production of overall HA public housing flats for the period 1994/95 – 1997/98 was only about 34,000 flats a year. The PHDP March 1989 forecasted that the production of sales flats in 1994/95 would be 23,467 units. However, the actual

production was only 4,004 units. The production was so low as the Housing Authority had faced the problems of site shortage. Also, the past planning parameters limited the production efficiency. Furthermore, it was anticipated that more constraints would be decelerated the production level of public flat as “some of the sites already in the PHDP may slip out of the LTHS period due to traffic and environment concerns, or lack of public funding for the provision of infrastructural facilities.” It might be the reason why the annual production of overall HA public housing flats could not reach the target set in 1987 LTHS between 1994/95 and 1998/99.

On the other hand, in the period of 1994/95 - 1998/99, the annual production of HOS & PSPS flats ranged from 12,040 units (in 1997/98) to 19,328 (1995/96). The actual production level was less than the forecast production figures stated in the PHDP June 1993, 1994 and 1995 respectively (see Table 1). It seemed that the above constraints had not only affected the production of public rental housing flats but also the HOS & PSPS flats. According to “A White Paper on Long Term Housing Strategy in Hong Kong” (published in February 1998), the production of housing flats for 1997/98 and 1998/99 would not meet the target because of “historical reasons of land allocation”.16

16 Hong Kong Housing Authority (1998). Homes for Hong Kong People into the 21st Century – A White Paper on Long Term Housing Strategy in Hong Kong. Hong Kong: Hong Kong Housing Authority, p.5, Footnote 2.
Table 1: Forecast production and Actual production of HOS & PSPS flats from 1994/1995 to 1999/2000

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* Referring to the production number of flats according to the PHDP June editions of respective years

Production of HOS and PSPS flats from 1995/96 to 2000/01

The final report on the mid-term review of the Long Term Housing Strategy was published in June 1994. It stated that the supply of HA public housing should be increased to meet the housing demands. The HA had raised the production target. At the same time, it was planned to increase the proportion of the additional production of HOS & PSPS flats. “In order to meet the rising demand for assisted home purchase and to have a direct impact on property prices, a larger proportion of the additional production should be HOS & PSPS flats.”

Some recommendations about greater use of PSPS to develop environmentally sensitive sites were made and additional land supply might also be seen as conducive to the increase of the production of HOS & PSPS flats after 1994/95.

The HOS & PSPS production in 1995/1996 was 4.82 times of its previous year. 19,328 HOS & PSPS flats (14,868 HOS flats & 4,460 PSPS flats) were completed. Moreover, according to the 1995 PHDP, the forecast production for 1995/96 increased by around 43.2% and 34.6% when compared with 1993 PHDP and 1994 PHDP forecast production respectively.

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However, the actual production of HOS & PSPS flats dropped in 1996/97 (16,878 flats) and decreased further to 12,040 flats in 1997/98. The percentage of HOS & PSPS flats to overall production of all HA Public housing flats dropped to 40% in 1997/98. The forecast productions for 1997/98 were also decreased. According to the PHDP March 1996, the forecast production for 1997/98 was 11,748 flats. It decreased by around 52.9% as compared with 1995. There was even no PSPS produced in 1997/98.

According to the 1993 Mid-term Review of the LTHS, there were difficulties in obtaining sites for meeting the housing production target. “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.” Since many HOS & PSPS flats were still under construction before 1998/99, the production level was low. However, as more flats were completed in 1998/99 (total 18,020 HOS & PSPS flats), the production level HOS & PSPS flats increased dramatically when compared with that of previous year and the percentage of HOS & PSPS flats to overall production of all HA Public housing flats in 1998/99 reached the peak (63.23%). Due to slippage, the annual production of PSPS flats reached the highest level (at 14,700 flats).

Furthermore, the government published the Long Term Housing Strategy Review Consultative Document in January 1997. Expanding the Home Ownership Scheme in the next decade was the target set for meeting homeowner’s need. The production of HOS & PSPS flats would be increased as it was pledged to build 175,000 flats for sale over the period from April 1995 to March 2001.  

According to the speech of Chief Executive on celebrating the establishment of the HKSAR on 1 July 1997, it was stated that achieving a home ownership rate of 70% in ten years was one of the major goals. A production target of 85,000 flats a year for both public and private housing in the next ten years up to 2006/07 was announced (the “85,000 housing policy”). The total annual production for public sector would be 50,00019. The first Housing Policy Programme was then published and the objectives about “Help all households gain access to adequate and affordable

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housing, and to encourage home ownership in the community” were laid down by Housing Bureau (formerly known as Housing Branch before 1 July 1997).\textsuperscript{20}

In order to meet the housing production target, the Housing Bureau decided: (a) to increase the supply of land with supporting infrastructure; (b) better use of the resources of private sector; (c) to launch Tenants Purchase Scheme (TPS). The Housing Authority also planned to shift the housing production more to home ownership flats gradually\textsuperscript{21}.

Therefore, the production of HOS/PSPS flats increased dramatically in 2000/01. There were 32,714 HOS/PSPS flats (out of the total 89,002 HA public housing flats built). Among these, 23,542 HOS flats and 9,172 PSPS flats were completed. On the other hand, the Long Term Housing Strategy (LTHS) White Paper, published in February 1998, stated the demand for housing production would continue to rise for the period 1997/98 to 2006/07.\textsuperscript{22} It may have boosted the production of HOS & PSPS flats in 2000/01.

\textbf{Production of HOS and PSPS flats, 2001/02 to 2003/04}

The production of HOS & PSPS flats in 2001/02 decreased by 80% when compared with that of the last year. Only 5,080 HOS flats and 1,540 PSPS flats were completed in 2001/02. According to the PHDP, the forecast productions for 2001/02 also dropped gradually between June 1998 and 2001.

After the global economic crisis of 1997/98, Hong Kong people have been suffering from unfavourable economic condition. One of the major problems was a continuous reduction in residential property prices. The wealth of all homeowners was affected much and the price drop has led to general consumption depression and deflations in the economy. Property prices in 2000 decreased by 43% when compared with its peak in 1997. The government reviewed the housing policy in order to recover the HK economy and help lifting up the private residential property prices. That was the main reason of the reduction of HOS & PSPS flats production after 2000/01 and later caused the ceasing of the programme.

\textsuperscript{21} Hong Kong Housing Authority (1997). \textit{1996/97 Annual report}, Hong Kong: Hong Kong Housing Authority, p.11
\textsuperscript{22} Hong Kong Government (1998). \textit{Homes For Hong Kong People into the 21st Century – A White Paper on Long Term Housing Strategy in Hong Kong}. Hong Kong: Hong Kong Government, p.20
First of all, in January 2000, the government determined to decrease the production of HOS & PSPS flats by 21,000 for the four-year period from 2003/04. Some sites originally allocated for HOS & PSPS flats would be transferred to private residential development. Later in June 2000, the Housing Authority announced that 16,000 HOS flats would be transferred to public rental flats. A moratorium on the sale of HOS and PSPS flats for 6 months was also carried out. In July 2000, the Chief Executive also announced “the 85,000 housing policy”, one of the major housing targets set in 1997, was no longer existed.

On 3 September 2001, the Chief Secretary for Administration announced that another moratorium on the sale of HOS and PSPS flats would be implemented for 10 months until June 2003. Later, the Housing Authority decided to restrict the annual sales of HOS & PSPS flats at 9,000 units until the end of March 2006 and six HOS projects were identified for transfer to public rental housing. That further enhanced the reduction on forecast production. For example, the forecast production of HOS & PSPS flats for 2002/03 at June 1998 was 47,950 units, it decrease to 15,884 according to PHDP September 2000 and later dropped to 11,062 in PHDP March 2002.

The Government had resumed the sale of HOS & PSPS flats in July 2002 and decided to reduce the annual production of HOS & PSPS flats to 2,000 from 2006/07. Therefore, the forecast production for 2006/07 in 2002 dropped dramatically as compare with those forecast production stated in PHDP published

25 Hong Kong Government Information Centre (3 Sep 2001), Statement by the Chief Secretary, [Online], Hong Kong Government, Available from: http://www.info.gov.hk/gia/general/200109/03/0903236.htm [20 Oct 2004]
earlier. Moreover, there was no more forecast HOS data in PHDP June 2002 as the government planned to cease the HOS programme.

On 28 November 2002, as a response to Government Statement on Housing Policy (November 2002), the Housing Authority agreed to halt the production and sale of HOS & PSPS flats indefinitely from 2003 as the private property market prices gone down by over 60% from 1997. Moreover, only 50% HOS/PSPS flats put up for sale were sold in Phase 24A sale exercise of July 2002. The mortgage rate for purchasing property in private market was very low.\(^{29}\)

Since the government decided to cease the production and sale of HOS & PSPS flats from 2003, there was no more forecast production of additional HOS & PSPS flats from PHDP December 2002 except the surplus flats. The data about the actual production of HOS & PSPS flats for 2002/03 (10,742 flats) and 2003/04 (4,858 flats) were categorized as surplus flats.

In February 2004, an agreement was reached between the government and the developer of the Hunghom Peninsula PSPS project to allow the 2,470 flats to be sold as private flats in the open market so as to assist in solving the problem of surplus HOS/PSPS.\(^{30}\) Later, 2,920 HOS surplus flats were identified for conversion to public rental housing. In May 2004, the HA’s Subsidized Housing Committee endorsed the proposal to sell 4,304 surplus HOS flats to the Government for reprovisioning existing staff quarters.\(^{31}\) The remaining surplus flats would not be available for sale under HOS/PSPS before 2007.

In drafting HKHA’s financial forecast for the next few years, HKHA assumes that it will sell 2,000 HOS flats starting from 2007 to rise about HK$2.5 billion revenue each year.\(^{32}\)


\(^{32}\) Ng, Dennis (2005), Resume HOS flats sales now, authority urged. Hong Kong Standard, 7 March 2005.
2.2 Block Design of HOS & PSPS Courts

There are a total 189 HOS & PSPS courts in 252 projects. About one quarter (24.3%) of the total numbers of HOS & PSPS courts built in this 25-year period was developed by private developers (46 PSPS courts in 60 projects). For the other 143 HOS courts in 192 projects, the design of Cruciform (23.2%), including both New Cruciform (36 courts in 53 projects) and Old-Cruciform (8 courts in 9 projects), and Harmony (30 courts in 44 projects, including Rural Harmony projects) are dominated.

Chart 2: Distribution of HOS & PSPS Courts by Block Design

Among the other 9 courts having other designs, 1 court is Middle Income Housing Scheme project and the others are the HOS courts with mixed block designs. Chart 3 shows the distribution of HOS & PSPS courts by other block design.

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Chart 3: Distribution of HOS & PSPS Courts by Other Block Design

- **NCB & Concord**
  - 1 (3) [4,020]
  - 11.1%

- **Harmony & Concord**
  - 3 (7) [13,020]
  - 33.3%

- **MIHS**
  - 1 (1) [2,240]
  - 11.1%

- **Special**
  - 1 (1) [179]
  - 11.1%

- **Windmill & NCB**
  - 1 (2) [2,460]
  - 11.1%

- **Slab, Flexi 1&2**
  - 1 (1) [1,584]
  - 11.1%

- **Trident 2 & Windmill**
  - 1 (1) [2,192]
  - 11.1%

- **Special**
  - 1 (1) [179]
  - 11.1%

Note: Figure in ( ) was the number of Projects
Figure in / / and Italic was the number of Flats

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Design and Construction of HOS Courts

There are a total of 143 HOS Courts including 1 Middle Income Housing Scheme (MIHS) Court built in the 25-year period providing home for 216,676 families. Most of the HOS courts (31.0% of the total number of HOS courts) used the design of Cruciform, including both New Cruciform (36 Courts contain 48,530 flats) and Old-Cruciform (8 courts / 6,978 flats). About one fifth of the HOS courts (30 courts including 3 Rural Harmony courts) used the design of Harmony block which is the second frequently used HOS block design.

Of all 18 courts (12.7% of the total number of HOS courts) using Trident block design (20,560 flats), 9 courts used Trident Type IV (8,150 flats), 5 used Trident Type III (5,701 flats), 2 used Trident Type II (3,248 flats) and 2 used mixed Type III & Type IV (3,461 flats).

There are 13 courts, (9.2% of the total number of HOS courts) used the Flexi block design. 4 courts used Flexi Type I (3,296 flats), 4 courts used Flexi Type II (5,339 flats), 4 courts used Flexi Type III (4,432 flats), 5 projects were Flexi Type I mixed with Type II (6,380 flats).

The number of HOS courts used Concord block design and Non-standard block design are both 12. However there are 21,739 flats in the courts used Concord design but only 14,241 flats in courts of Non-standard design.

Chart 4 shows the distribution of HOS Courts by block design.

Among the 8 HOS courts having other block designs, 3 courts used both Concord and Harmony design (13,020 flats); 1 court used Slab mixed with Flexi Type I & Type II (1,584 flats); 1 court is Windmill blocks mixed with NCB blocks (2,460 flats) and another one was Windmill mixed with Trident Type II (2,192 court). The last one was special block design (179 flats). For details, please refer to Chart 5.
Chart 4: Distribution of HOS Courts by Block Design\textsuperscript{35}

- **New-Cruciform (NCB)**
  - 36 (48,530)
  - 25.4%

- **Old-Cruciform**
  - 8 (6,978)
  - 5.6%

- **Concord**
  - 12 (21,739)
  - 8.5%

- **Trident**
  - 18 (20,560)
  - 12.7%

- **Harmony & Rural**
  - 30 (48,414)
  - 21.1%

- **Flexi**
  - 13 (19,447)
  - 9.2%

- **Windmill**
  - 5 (11,072)
  - 3.5%

- **Non-standard**
  - 12 (14,241)
  - 8.5%

- **Others**
  - 8 (23,455)
  - 5.6%

- **Others**
  - 8 (23,455)
  - 5.6%

Note: Figure in ( ) was the number of Flats

Chart 5: Distribution of HOS Courts by Other Block Design\textsuperscript{36}

- **Special**
  - 1 (179)

- **Slab, Flexi 1&2**
  - 1 (1,584)

- **Trident 2 & Windmill**
  - 1 (2,192)

- **Windmill & NCB**
  - 1 (2,460)

- **Harmony & Concord**
  - 3 (13,020)

- **Harmony & NCB**
  - 1 (4,020)

Note: Figure in ( ) was the number of Flats


\textsuperscript{36} Ibid.
Non-standard Design

When HOS was first introduced, the government had set up a special construction team in Housing Department Construction Branch to handle the design work and construction. In the first phase of 6 schemes, consultants were appointed for 5 schemes. There was no specific type of design but it mainly aimed at “conform to strict specification of flat sizes and prices to meet the income limitations placed on applications”\(^{37}\). Those flats are Non-standard flats. These series of blocks could be found in the Phase 1 (blocks completed in between mid-1980 and mid-1981 such as Shun Chi Court in Kwun Tong, 2A, 2B, 8B, 11B, 14B (Po Hei Court completed on 24 September 1993) and Phase 14C (Kwai Hong Court completed on 15 June 1993). Picture 1 - 3 show some examples of the Non-Standard Block’s floor plans.

Picture 1: Floor plan and Flat plans of Non-Standard Block in Shun Chi Court\(^{38}\)

\(^{37}\) Hong Kong Housing Authority, *1977-78 Annual Report*, Hong Kong: Hong Kong Housing Authority, p.22.

The Housing department carried out reviews on the design of the HOS courts constantly according to the needs and aspirations of the residents and future purchasers. Further studies were also carried out on the standards used in preparing

the planning briefs for new courts. A wide range of different types of HOS block was offered for the purchasers to choose from not only about the sizes of flats but also the layout. On the other hand, the residents could enjoy better living standard in HOS courts that could be compared with some courts in the private market as management service, maintenance, supervision, care-taking and security were all provided in the HOS courts. The Housing Authority also targeted at providing good quality environment with emphasis on requirements for retail outlets, in-court recreational facilities and greenery of the HOS courts.

**Old-Cruciform Block**

Before 1981, the designs of HOS blocks were usually Old-Cruciform, Flexi Type I and Flexi Type II. The Old-Cruciform block was the oldest standard domestic Home Ownership block. There are less than 20 floors on each Old-Cruciform block with 8 flats each floor. Some of the Old-Cruciform blocks are connected. The first court completed in Old-Cruciform block design was Yue Sing Court in Shatin of Phase 2A on 16 June 1980 and the last one was Siu Shan Court in Tuen Mun of Phase 5A on 24 January 1984.

**Picture 4: Floor plan of Old Cruciform Block in Siu Shan Court**

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41 Siu Shan Court in Tuen Mun completed in 1984. 資料來源：美聯物業地產網站，「屯門兆山苑單位平面圖」。網址：
There are 3 types of Flexi Block. All blocks are crucial form of layout. The characteristics of Flexi Type I are two windows built in a pair of wing and two big windows with two smaller windows built in another pair of wing. Flexi Type II is more symmetrical. A pair of wing is flatter than another one. There are 8 flats on each floor in both Type I & II block. These blocks were introduced for sale in HOS Phase 3A in 1981. The first completed Flexi I blocks & Flexi II blocks (Hong Tin Court, Lam Tin) were completed on 26 February 1982 and (Yee Tsui Court, Chai Wan) on 18 December 1981 respectively. The last completed Flexi I & Flexi blocks can be found at Siu Hong Court Phase IV in Tuen Mun which was sold under Phase 6A and completed on 12 December 1984. This Court is a mixture of Flexi I & II in block design.

Flexi Block Type III block, an improved version of Flexi Type I & II, was first used at Yue On Court in Ap Lei Chau and Ka Tin Court in Shatin, which were completed in 1988. The last one was at Yin Lai Court, Lai King of Phase 12B on 20 November 1991. The layout of Flexi Type III is similar to Type II but the number of

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42 Siu Shan Court in Tuen Mun completed in 1984. 資料來源：美聯物業地產網站，「屯門兆山苑屋苑平面圖」。網址：
43 李錦文編(2002)，《居屋 村屋裝修攻略》，香港：思匯文化，頁 18。
storey in Type III block is greater\textsuperscript{44}. Picture 6 – 8 show the floor plans of 3 types of Flexi Block.

\textbf{Picture 6: Floor plan of Flexi Type I Block}\textsuperscript{45}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{flexi_type_i_block}
\end{figure}

\textbf{Picture 7: Floor plan of Flexi Type II Block}\textsuperscript{46}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{flexi_type_ii_block}
\end{figure}

\begin{thebibliography}{9}

\bibitem{hongtin} Hong Tin Court in Lam Tin completed in 1982. Source: Hong Kong Housing Authority (1980). \textit{1979/80 Annual Report}. Hong Kong: Hong Kong Housing Authority, p.59.

\end{thebibliography}
**Slab Block**

The only one Slab block is Wo Hang House in Cheung Wo Court, Kwun Tong sold under Phase 5B. This court was completed on 29 May 1984 and combined with 5 other Flexi I & Flexi II blocks. The shape of Slab block likes a long rectangular block but Wo Hang House has two Wings spread like Flexi block. There are 18 storeys in Wo Hang House with 12 flats on each floor.

**Picture 9: Floor plan & flat plan of Wo Hang House in building form of Slab**

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47 Ka Tin Court in Shatin completed in 1988. 資料來源：美聯物業地產網站，「沙田嘉田苑單位平面圖」。網址：


49 資料來源：香港雅虎網站(2004)。「祥和苑F座和亨閣物業圖則」。網址：
《http://hk.realestate.yahoo.com/house/10087/111248-fp-0.html》[2005年2月3日]
Windmill Block

Windmill design was endorsed by the Housing Authority in 1981 and started to use in the HOS project in Shatin in 1982 (Kwai Shing House in May Shing Court). The last Windmill design was used in Hong Wah Court, Lam Tin of Phase 8C on 1 April 1987. On top of widening the range of HOS flats for the purchasers, the Housing Authority also aimed at using this new design to reduce the costs of building HOS flat by about 12% and accelerate the construction efficiency. There were 4 wings on the Windmill block with 16 flats on each floor which was doubled from the standard domestic Home Ownership blocks at that time. Five different sizes of flats were offered to the purchasers ranged from 40.36m² to 51.95m². Moreover, the Windmill block of May Shing Court was also an experiment to establish future home purchasers’ preferences and give them more freedom in design by omitting the bedroom partitions from some of the flats on the block. Picture 10 shows the floor plan of Windmill block.

Picture 10: Floor plan and Flat plan of Windmill block

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Trident block

There are 4 types of Trident blocks. Trident blocks Type I, II and III were very popular in public housing design between 1985 and 1992. Trident IV was designed from the end of 1980s to early 1990s. Trident design was first used for constructing public rental blocks by the Housing Authority and later applied in HOS blocks. Some of the Trident HOS blocks were transferred from upgraded new public rental blocks so as to assist in meeting the forecast demand for HOS flats of the Long Term Housing Strategy published in 1987. Trident block Type I has never been used in HOS. At that time, those transferred Trident II blocks from rental housing to HOS were planned to put for sale exclusively to public housing tenants.\(^{52}\)

Construction of the Trident block is rotated round the three wings to facilitate prefabrication off-site, maximize mechanisation in construction methods and save labour resource. All rooms in the Trident blocks are fenestrated for better ventilation and lighting.\(^{53}\) Trident Type II blocks, with predominantly smaller size flats, were designed for smaller families.

The first Trident II block can be found at May Shing Court in Shatin which was sold under Phase 6A and completed on 12 April 1985. May Shing Court is a mixture of Trident 2 and Windmill in block design. Another 2 courts used this design are Ching Shing Court, Tsing Yi and Fung Shing Court, Shatin. These were completed on 14 April 1985 and sold under Phase 7A at the same time.

Picture 11 shows the floor plan of the first Trident Type II block in May Shing Court and Picture 12 shows the floor plan and flat plan of Trident Type III block.
Picture 11: Floor plan and Flat plan of Trident Type II block

Picture 12: Floor plan and Flat plan of Trident Type III block


**New Cruciform Block**

The New Cruciform block (NCB) was designed typically for use in HOS. It was introduced in 1984 and first completed at Lung Poon Court in Diamond Hill on 21 April 1987 and sold under Phase 8B. The last NCB can be found in Tak Keung Court, Lok Fu which was sold under Phase 21A and completed on 26 January 2001. NCB is a modification of the Old Cruciform and Flexi designs and frequently used for constructing Home Ownership blocks in later period.

The main features of the New Cruciform Block are as follows:
- A pair of wing is longer than another pair.
- three types of flat: 2-bedrooms flat of 37 m², and two types of 3-bedrooms flat of 52 m² and 59 m²;
- 10 flats per floor
- maximum of 40 domestic floors

![Picture 13: Floor plan and Flat plan of New Cruciform Block](image-url)

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57 Hong Kong Housing Authority, 1987/88 *Annual Report*, Hong Kong: Hong Kong Housing Authority, p.159
Harmony Block

The Long Term Housing Strategy published in 1987 also stimulated a review of the design of the HA’s domestic blocks. The LTHS 1987 had identified that the production of HA’s housing flats would be delayed by the intricate external pre-contract procedures, including planning, design of site formation and infrastructure. As it involved many government departments and authorities to deal with the matters, the lead times became longer. Therefore, it was recommended that “a critical review be undertaken to consider ways to reduce the lead time for sites under planning within the Department”\textsuperscript{58}.

Moreover, labour shortage in the construction industry in the late 1980s and early 1990s affected the construction of HOS & PSPS flats. Therefore, the HA decided to use more labour-saving method as well as enhance the construction efficiency and quality. The Harmony design block was then introduced in order to solve the above problems.

In the Harmony design, HKHA makes greater use of standardised and prefabricated components off site; more mechanized and less labour-intensive methods during constructing procedure. Standard flat layouts are used in three types of Harmony block designs in the building form of Cruciform (38 floors), Trident (36 floors) and Slab (26 floors).\textsuperscript{59} The Housing Authority also stated that this design “presents a remarkable design contribution to the housing programme in the 1990s, in keeping with the rising public aspirations for a better living environment”\textsuperscript{60}.

The flexibility in the flat mix was greater as it was an open-space design. The partitions of bedrooms and living rooms were omitted. It combined different mixes of one-bedroom, two-bedroom and three-bedroom flats. There is also one-bedroom unit (with partition) providing that the corner of the living room can be divided into another bedroom.

“Generally, there is a slight increase in the overall flat sizes, particularly the one-bedroom unit. Kitchens are larger, and the three-bedroom flat unit has a separate toilet. Public areas and the corridor access have also been upgraded with

\textsuperscript{58} Hong Kong Housing Authority (1993). A Report on the Mid-Term Review of the Long Term Housing Strategy. Hong Kong: Hong Kong Housing Authority, p.15.
\textsuperscript{59} 陳柯, 孫繼先 (1997),《建築師》第 76 期, 1997 年 7 月, 北京: 中國建築工業出版社, 頁 26。
\textsuperscript{60} Hong Kong Housing Authority, 1991-92 Annual Report, Hong Kong: Hong Kong Housing Authority, p.28.
exposed service pipes reduced to a minimum, security gate designs improved and finishes generally enhanced.”

The first three Harmony HOS blocks can be found at Tin Yau Court Phase I & Phase in Tin Shui Wai. These blocks were completed on 18 November 1992 at the same time but sold under Phase 13C and 14A respectively. The last Harmony HOS block can be found at Lai Yan Court at Lai Chi Kok. Lai Yan Court was sold under Phase 23A and completed on 31 August 2001. Picture 14-16 shows the designs of Harmony blocks in different building forms.

**Picture 14: Floor plan and Flat plan of Harmony I** 62 (Harmony design in the building form of Cruciform)

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61 Hong Kong Housing Authority, *1988-89 Annual Report*, Hong Kong: Hong Kong Housing Authority, p.32.
Picture 15: Floor plan and Flat plan Harmony II (Harmony design in the building form of Trident)

Picture 16: Floor plan and Flat plan Harmony III (Harmony design in the building form of Slab)

63 Ibid p.176.
64 Ibid p.177.
Rural Harmony Block

There is another kind of Harmony block, Rural Harmony, which was designed to integrate with the rural environment and hillside landscape. There are only 3 Rural Harmony HOS courts comprised of 7 blocks. They are Lung Yan Court and Lung Tak Court, located in Stanley, completed in December 1993 and May 2000 respectively and Peng Lai Court, located in Peng Chau, completed in August 1996. Picture 17 shows the floor plan of Lung Tak Court.

Picture 17: Floor Plan of Rural Harmony Block

Special Design Block

Only one HOS court used special design for standard domestic HO blocks. It is Lung Hing Court in Tai O completed on 24 March 1995. It was put for sale in March 1999 under Phase 20B. These 4 special HOS blocks comprised 178 flats were transferred from HA public rental blocks which were originally planned for rehousing people affected by the Tai O development. They were transferred to HOS units as the clearance scale had been largely reduced. 66 These blocks were designed

to combine with the landscape and low-density environment. There was only 4 to 6 storey on each block with 4 to 10 units each floor. Bedrooms and Living room partitions are omitted and the residents can have more freedom on refitting or redecorating the flat.

**Picture 18: Floor Plan of Special Block in Lung Hing Court**

**Concord Block**

The Concord block was developed in 1995 in order to meet the increasing homeowners’ aspirations on the quality of the HOS flats. A consultation on concord block was conducted and the related report was published in 1992. Modifications of the standard domestic blocks were made according to the public’s comments and combined with new construction methods.

The main features of the Concord Block are as follows:

- Larger flat sizes of 46 square metres for two-bedroom flats and 60 square metres for three-bedroom flats comparing with 37 to 40 square metres and 54 to 60 square metres in the current HOS blocks.
- Provision of ensuite bathroom to master bedroom in 3-bedroom flats with specially designed shower cubicle.
- Ample space in kitchen for latest electrical appliances.
- Forty percent more effective wall space to facilitate furniture layout.
- Linked ground floor lobbies with high quality finishes.
- Mail delivery room at ground floor for greater security.

Moreover, the quality of the finishes, fitting and decoration of the flat were better in order to discourage the purchasers to refitting or redecorating the flat.69 There were also decorative light fixtures and air-conditioning in the ground entrance hall. The modern and comfortable interiors design of the Concord is comparable to those in the private market. The first Concord design was used in building Tin Shing Court Phase 3 in Tin Shui Wai. It was completed on 21 September 1999 and sold under Phase 20B. The last concord block can be found at Lei On Court Stage 1 at Lam Tin. It was completed on 15 September 2002 and sold under 24A, the last phase of HOS project.

Picture 19: Floor Plan of Concord Block in Ching Wang Court70
Private Sector Participation Scheme (PSPS)

As a supplement to the HOS, PSPS was introduced in 1978. Under the scheme, the government offered sites for sale to real estate developers who would tender a premium for their development. The design of the PSPS block was not as standardized as the HOS and different private developers for different PSPS projects had their own specific designs. The developers just needed to follow the specific criteria on size and average sale price of the flats under the terms of the tender documents.

The first PSPS court was Yau Tong Centre completed in 1980. Then, the largest PSPS court, Richland Garden, comprised of 5,904 flats in 22 blocks was completed in 1985. Picture 20 shows the floor plan of Richland Garden.

Picture 20: Floor plan of Richland Garden (PSPS)\textsuperscript{71}

However, owners of the PSPS flats often expressed dissatisfaction with the quality of flats. The standard of fitting-out and workmanship were sources of dissatisfaction. In order to solve the problem and to meet the rising aspirations of the purchasers, the PSPS was reviewed in 1993 and improvement measures were

made to improve the design and fitting-out. The contractors were required to register the PSPS building under ISO 9000 and to provide structural guarantee for a period of five years.\textsuperscript{72}

In 1996, the Housing Department had conducted a review on HOS and paid a particular attention on “the quality assurance procedures adopted for design and construction”.\textsuperscript{73} A Report on the Review of Home Ownership Scheme was published in 1996 and laid down some recommendations to improve the design of the HOS & PSPS block and assure the quality.

In 2000, the Quality Housing Consultative Document was published. Recommendation was made to further improve the design and quality of PSPS flats. “For PSPS, we will recommend the Government requiring all PSPS developers to provide a 10-year structural safety guarantee for new projects to be tendered out in future. For existing and uncompleted PSPS developments, the HA will undertake structural repairs for and on behalf of owners if the PSPS developers fail to repair upon the legitimate demands from owners.”

We can find that the design and quality of the PSPS flats were much better in the latest year. For example, the Bauhinia Garden, completed in 2001, was the first PSPS project featuring intelligent home capability with broadband optic fiber pre-installed in every flat. It utilized high quality materials, fittings and finishes. The design was modern, high-tech and elegant. On top of grand main entrance on ground floor, all flats came with stylish and high quality decorations particularly in kitchen and bathroom. In addition to a variety of recreational facilities, there is a 25-meter outdoor swimming pool with an artificial waterfall and sun bathing area inside the court. With shopping arcade, kindergarten, parking building as well as the nearby community facilities, the court is self-subsistence. The improved facilities were all provided by the PSPS developers at its own cost. However, some critics misunderstood that HKHA spent public money to build high quality subsidised flats for sale to compete with private sector housing.

Picture 21 and 22 show the layout and floor plan of Bauhinia Garden.

\textsuperscript{72} Hong Kong Housing Authority (1996). \textit{Report on the Review of Home Ownership Scheme}. Hong Kong: Hong Kong Housing Authority, pp.36-39.

\textsuperscript{73} Hong Kong Housing Authority (1996). \textit{Report on the Review of Home Ownership Scheme}. Hong Kong: Hong Kong Housing Authority, pp.24-32, pp.36-39.
Picture 21: Layout of Bauhinia Garden (PSPS)\textsuperscript{74}

Picture 22: Floor plan of Bauhinia Garden (PSPS)\textsuperscript{75}

\textsuperscript{74} 資料來源：香港房屋委員會網頁 (1999 年)。「居者有其屋計劃第 22 期乙，將軍澳寶盈花園 - 屋苑佈局圖」。網址：\url{http://www.housingauthority.gov.hk/chi/hd/hos/22b/bauhinia/fp.htm} [2004 年 11 月 1 日]

\textsuperscript{75} 資料來源：香港房屋委員會網頁 (1999 年)。「居者有其屋計劃第 22 期乙，將軍澳寶盈花園 - 樓宇樣本平面圖」。網址：\url{http://www.housingauthority.gov.hk/chi/hd/hos/22b/bauhinia/fp.htm} [2004 年 11 月 1 日]
Others Block Design

*Middle Income Housing Scheme*

As a further complement to the PSPS, a Middle Income Housing Scheme (MIHS) was designed in 1981 to meet the aspirations of those families with incomes exceeding the limit for HOS and PSPS flats but unaffordable to purchase flats in the private market. In March 1983, 2,240 flats in 10 blocks of 30-storey residential buildings at Melody Garden were put on the market. However, since the MIHS was not as successful as the HOS and PSPS, the other 2 courts originally planned as MIHS were sold under the PSPS project later.

The developer of Melody Garden was the New World Development Co., Ltd and the design of blocks was not a specific type of block as HOS block.

*Picture 23: Floor plan of Melody Garden (MIHS)*

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**Basic Shell Flats and Fully-fitted Flats**

In March 2000, the HOC decided to offer the purchasers to choose from two kinds of fittings and provisions of HOS flats and the policy was approved in February 2001. "As there are differences in the standards of fittings and provisions between the two options, there will be differences in the value of the property." The Basic Shell Option provides the minimum fittings under the Building Regulations and the selling price is lower. The Fully-fitted Option adopts an upgraded standard for fittings and provisions inside the flats so that the price is higher. Moreover, the new pricing policy can also reduce wastage from redecoration works carried out by the new HOS flat owners.

According to the original schedule, a pilot scheme would be launched in three HOS projects with the first one in Tai Wo Hau, Phase 6 in early 2002. However, several months later in September 2001, the Chief Secretary for Administration announced that another moratorium on the sale of HOS and PSPS flats would be implemented for 10 months until end June 2003 (the first one was announced in June 2000 and implemented for 6 months).

However, on 28 November 2002, the Housing Authority agreed to halt the production and sale of the HOS & PSPS flats indefinitely from 2003 onwards. In November 2003, the HA further decided that unsold and returned HOS and PSPS flats would not be put up for sale in the form of subsidized housing before the end of 2006. Therefore, these flats were never sold under HOS.


Block Type used in HOS and its duration

The longest duration of the HOS block type being used for constructing HOS flats was New-Cruciform. It had been used for almost 14 years. The first court used this design is Lung Poon Court at Diamond Hill of Wong Tai Sin District (Phase 8B). It was completed on 21 April 1987. Then, it was used every year until 2001. The last court used New-Cruciform block design is Tak Keung Court at Lok Fu of Wong Tai Sin District (Phase 21A). It was completed on 26 January 2001.

The duration for using Non-standard Block design was also very long. It had been used for about 13 years. The first court used this design is Shun Chi Court at East Kowloon (Phase 1). It was completed on 12 June 1980. It was also used in Phase 2A (completed in 1980 and 1981), 2B (1981), 8B (1987), 11B (1990) and 14B (1993). The last court used this block design is Po Hei Court at Sham Shui Po. It was completed on 24 September 1993.

The shortest duration of the HOS block type being used for constructing HOS flats was Trident Type II. It was just used in Phase 6A and 7A and all 3 courts used this design were completed in April 1985. The first court of this design is May Shing Court at Shatin. It was completed on 12 April 1985. This court was a combination of Trident Type II Block with Windmill Block designs. The last 2 courts used this design were completed on the same date, 15 April 1985. They are Fung Shing Court at Shatin and Ching Shing Court at Tsing Yi (Phase 7A).

Observations

From viewing the change of HOS & PSPS block designs, we can see that the target on providing these units were changed from providing a living space for a specific group of people to promote a modern and higher quality of living. The policy reviews and the residents’ aspiration also had great effect on both HOS & PSPS block design. Moreover, some designs of the block were aiming at reducing the construction costs and enhancing the construction efficiency and quality, for example, Windmill, Harmony, etc. Some types were not originally designed for HOS but transferred from other HA’s housing blocks, e.g. Trident, Special Design.
2.3 Location of the HOS & PSPS Courts

Five periods are identified for the purpose of analysis of changes of HOS/PSPS location:

1. From Phase 1 (February 1978) to Phase 4A (June 1982), a smaller number of courts (26 projects) were put up for sale. There are 12 projects located in the New Territories, 9 in Kowloon and 5 in Hong Kong Island.

2. In the period between Phase 4B (January 1983) and Phase 9C (November 1987), the number of new projects (42) had increased by 1.6 times when compared with that in the previous period. Of that, 27 projects located in the New Territories and the number increased by 125%. However, the number of new projects located in Kowloon just increased by 1 and the number of projects located in Hong Kong Island remained the same for the two periods.

Chart 6: Location of the HOS & PSPS Projects in 5 periods

3. The number of projects in the period between Phase 10A and Phase 14C doubled when compared with the earlier period (Phase 4B to Phase 9C). Most of the HOS and PSPS Courts were built in the period between Phase

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10A (April 1988) and Phase 14C (December 1992). 85 projects out of the total 252 HOS & PSPS projects were launched for sale in this period. The number of projects located in Kowloon was nearly doubled (19) and the number of projects in the New Territories was increased by 2.2 times (from 27 projects to 60 projects). However, the number of projects located in Hong Kong Island was just increased by 1 when compared with the previous phase.

4. For the period between Phase 14D (January 1993) and Phase 19B (October 1997), the number of projects fell to 60 and the projects located in the New Territories even declined 2 times (30 projects). However, the number of projects located in Hong Kong Island has increased by 2.5 times (15 projects).

5. The number of projects dropped further to 39 in the period between Phase 19C (March 1998) and the last phase, Phase 24A, (July 2002). When compared with the previous period, the number of projects located in the New Territories (10 only) is only one-third of that of the earlier period; number of projects located in Hong Kong Island dropped from 15 to 7 (a decrease of 53.3%).

Overall speaking, most of the HOS & PSPS projects are located in the New Territories (149 projects or 59.1% of the total number of the projects). Of that, most of them are located in Shatin District (33 projects) and Tuen Mun (29 projects). Fewer projects are located in Island District (only 3 projects were built there). Since the second period (Phase 4B to Phase 9C), over half of HOS/PSPS projects were built in the New Territories as land were both cheaper and more available there.
There are 65 projects in Kowloon (25.8% of the total number of the projects). Most of them are located in Wong Tai Sin (30 projects) and Kwun Tong (24 projects). Fewer projects are located in Yau Tsim Mong and Kowloon City districts (there are only 2 projects in both of the districts respectively).

Fewest courts are located in Hong Kong Island (38 projects). 28 projects are located in Eastern District and 10 in Southern District. Of all courts located in Hong Kong Island, 15 of them (12 projects located in Eastern District and 3 in Southern District) were available for sale between Phase 14D (January 1993) and Phase 19B (October 1997).

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82 Ibid.
2.4 Size of HOS and PSPS Flats

Among the 4 size categories of HOS/PSPS flats (refer to Chart 8), most of the flats were built with saleable floor area at less than 40 m² in the period of 1987 and 1989. More than 40% of the flats were less than 40 m² in the financial year ending March 1987 (42%) and 1988 (40.1%). The proportion of this small size flats dropped afterwards and it never get back to 40% again.

The flats built with the saleable floor areas of 40 m² to 49.9 m² ranged from 30% - 35% among all the HOS/PSPS flats from 1987 to 2004. The change was not great as compare with other size categories. Generally, the proportion increased steadily from 34.0% (1987) to 35.2% (1991) and then declined gradually to 30.7% (2004). The proportion of the small size flats (< 40 m²) dropped greatly (from 32.5% of HOS/PSPS flats built in the year ending March 1992 to 21.6% in 2004).

In the years ending March 1992 and 1993, about one-third of HOS/PSPS flats were built with the saleable floor area (SFA) of 40 m² to 49.9 m² (34.8% in financial year ending March 1992 and 33.4% in 1993). However, the other two kinds of flat size were also common, 32.5% of the flats were less than 40 m² and 30.6% were between 50 m² and 59.9 m² in 1992. 31.5% of the flats were less than 40 m² and 33.2% were between 50 m² and 59.9 m² in 1993.

The proportion of the flats between 40 m² and 49.9 m² SFA also decreased gradually (from 34.8% of HOS/PSPS flats built in the year ending March 1992 to 30.7% in 2004). On the other hand, the proportion of the larger size flats increased 15%.

In between the year of 1987 to 1991, the proportion of HOS/PSPS flats size ranged from 50 m² to 59.9 m² was less than 30%. However, it increased continuously from 20.3% of all built in the year ending March 1987 to 42.2% in 1999. The proportion is more than 2 times of that in 1987. After that, it dropped slightly to 38.8% in 2004.

Since March 1994, more flats were built at saleable floor area of 50 m² to 59.9 m² (about 37% to 41.4% of all HOS/PSPS flats built). HOS/PSPS at saleable floor area 50 m² to 59.9 m² has become the typical flat size upon the introduction of

---

83 **Floor Area** of HA HOS / PSPS flats is expressed in saleable area which refers to area of a flat measured to the external face of the flat's enclosing walls and to the centre line of the flat's party walls.
Concord Block design in building Tin Shing Court Phase 3 in Tin Shui Wai. This was completed on 21 September 1999 and sold under Phase 20B, more flats were built with saleable floor area above 60 m².

From the year ending March 1987 to March 2004, the proportion of the HOS/PSPS flats built with 60 m² or over was less common, the proportion was always below 9%. It decreased continuously from 3.7% in 1987 to 1.8% in 1994. After that, it increased gradually to 8.9% in 2003 and remained the same in 2004.

Chart 8: Distribution of HA HOS/PSPS flats by saleable area from 1987 - 2004
(As at end March)

Source: Figures provided to Dr. K Y Lau by Housing Department in May 2005
2.5 Non-domestic Premises in HOS and PSPS Courts, 1994, 1999 and 2004

The number of shops in all HOS and PSPS Courts doubled from 209 in 1994 to 526 in 2004 while the provision of space nearly tripled from 24,271m² to 69,286m².

For the number of Shopstalls, it decreased from 136 in 1994 to 88 in 1999 and then rose to 95 in 2004. However, the provision of space increased by 10 times in 2004 as compared with the 1994 data in 1994. It increased from 1,318m² (1994) to 3,474 m² (1999) and then to 13,349m² (2004).

The number and the provision of space of other community facilities in all HOS and PSPS Courts almost doubled from 389 premises (56,348 m²) in 1994 to 593 premises (104,992m²) in 2004.

The total number of premises increased slightly from 734 in 1994 to 834 in 1999 and then rose by 45.6% to 1,214 in 2004. However, the provision of space of rose significantly by 2.3 times to 187,627m² in 2004 when compared with the figure of 1994.

Table 2 shows the details of non-domestic premises in all HOS and PSPS courts in 1994, 1999 and 2004.
Table 2: Number of Non-domestic Premises in All HOS & PSPS Courts (As at end March of 1994, 1999 & 2004)

<table>
<thead>
<tr>
<th>As at</th>
<th>Shops</th>
<th>Shopstalls</th>
<th>Other Community Facilities*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Shops</td>
<td>Provision of Space in M²</td>
<td>No. of Shopstalls</td>
<td>Provision of Space in M²</td>
</tr>
<tr>
<td>31 March 1994</td>
<td>209</td>
<td>24,271.00</td>
<td>136</td>
<td>1,318.00</td>
</tr>
<tr>
<td>31 March 1999</td>
<td>225</td>
<td>25,647.00</td>
<td>88</td>
<td>3,474.00</td>
</tr>
<tr>
<td>31 March 2004</td>
<td>526</td>
<td>69,286.00</td>
<td>95</td>
<td>13,349.00</td>
</tr>
</tbody>
</table>

* Including Educational, Welfare, Medical and Miscellaneous Premises.

Source: Information provided to Dr K Y Lau in July 2004 by Data Support Section, Divestment Sub-division of Housing Authority

Remarks by HKHA:

1. As the computer system was installed in 1993, figures before March 1994 are not available.
2. The no. of shops includes Government Lettings and other tenancies such as areas let for Automatic Teller Machines.
3. The no. of shops, shopstalls and community premises are the no. of tenancies, both let and vacant, in their corresponding category.
4. Medical facilities includes Physiotherapy Clinics, Medical Clinics, Dental Clinics, Chinese Medical Consultation Services, Chinese Medicine Clinics, Scan Diagnostic Centres and Medical Laboratories, etc.
5. Miscellaneous Premises includes Storerooms, Base Stations, Contractors' Offices, Mutual Aid Committee Offices, Showcases, etc.
6. Each Single Operator Shopping Center and Single Operator Market is counted as one shop / shopstall.
7. Since HA does not keep non-domestic data of PSPS, figures in PSPS are not included.
2.6 Car Parking Spaces in All HOS Courts

The number of monthly and part-time letting parking spaces in all HOS courts increased significantly from 1984 to 2004. It doubled from 5,801 in 1984 to 10,526 in 1989. The number increased in every 5 years is around 4,000 to 5,000 from 1984 to 1999. However, it increased significantly in 2004 (26,119 car parking spaces) as it rose by 42% as compared with the number in 1999. Moreover, it is 5 times of the figure in 1984.

For the number of hourly letting spaces, it increased slightly from 1989 to 2004. It increased by 59% in 2004 as compared to the number in 1989. On the other hand, the number of monthly and part-time letting parking spaces increased nearly 1.5 times in 2004 as compared to the figure in 1989.

In total, there were 19,685 car parking spaces in 1999. It increased by 42.5% in 2004 at 28,043.

![Chart 9: Number of Car Parking Spaces in All HOS Courts](image)

There are a total 27,670 car parking spaces for 155,659 flats in HOS courts (Figures in PSPS courts are excluded here). The ratio is 1:5.6. That is one car parking space for every 5.6 flats. Among that, Tin Shing Court, at Tin Shui Wai, is a court with greatest number of car parking spaces (1,469) as well as number of flats (6,580). In other words, for every 4.5 flats, there is one car-parking space.
The court with highest ratio is Lei On Court at Lam Tin. There is around 1 car parking space for 1.8 flats. On the other hand, the lowest ratio is recorded in Lung Tak Court at Stanley with only 1 car parking spaces for 140.6 flats.

The most frequent ratio of car parking spaces to number of flats is 1:5 followed by 2:9. There are 20 HOS providing 1 car parking space for 5 flats and 13 courts providing 2 car parking spaces for 9 flats. It is noted that the HOS/PSPS courts with high number of flats, it is more likely that there is better provision of car parking space.
## Section 3

### Sales Stage of HOS / PSPS

<table>
<thead>
<tr>
<th>Section</th>
<th>Theme</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
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<td>Allocation of HOS &amp; PSPS Flats between Green Form and White Form Applicants</td>
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<td>Number of Applications of HOS and PSPS Flat</td>
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<td>Percentage of HOS and PSPS flats sold upon first sale</td>
<td>65</td>
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<td>67</td>
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</tr>
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<td>HOS and PSPS Operating Accounts</td>
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<tr>
<td>3.10</td>
<td>Operating surplus / deficit of Home Ownership Assistance</td>
<td>85</td>
</tr>
</tbody>
</table>
SALES STAGE OF HOS/PSPS

3.1 Allocation of HOS & PSPS Flats between Green Form and White Form applicants

In the 7-year period between 1977/78 and 1983/84, HOS/PSPS flats sold to Green Form (GF) applicants was less than 50% except for 1978/79. In 1980/81 and 1981/82, White Form (WF) applicants took up about two-thirds of available HOS/PSPS flats. The split became 50:50 in 1984/85. After that, in the period between 1985/86 and 1999/2000, the proportion of the HOS/PSPS flats sold to Green Form applicants was increased and greater than that to the White Form Applicant. In 1996/97, 13,095 HOS/PSPS flats were sold to GF applicants while only 3,859 flats were sold to WF applicants. The ratio of successful GF and WF successful purchasers was 77:23. The share of HOS/PSPS flats by successful GF purchasers was highest in that year.

In 1997/98, there were 19,549 and 11,469 HOS/PSPS flats sold to GF and WF applicants respectively (the ratio is 63:37). The proportion for the flats sold to GF applicants decreased until 2002/03. It should be noted that the greatest number in terms of overall flats sold was also recorded in 1997/98. On the other hand, the lowest record was found in 2002/03. It was because the Housing Authority agreed to halt the production and sale of the HOS and PSPS flats indefinitely from 2003 onwards. Please refer to Chart 10 for the details of flats sold to GF and WF applicants respectively.

In 2000/01, the proportion of the flats sold to WF applicants was greater than GF applicants. More than 60% of the total number of HOS/PSPS flats was sold to WF applicants in the period from 2000/01 to 2002/03. In 2001/02, 4,249 HOS/PSPS flats were sold to WF applicants while only 1,869 flats were sold to GF applicants. The ratio of successful GF and WF successful purchasers was 3:7. It changed significantly when compared with the figure of 1996/97. Also, the percentage of successful GF purchasers was at the lowest point and on the contrary, it was the highest record for the WF purchasers.

From 1977/78 to 2002/03, 310,590 HOS and PSPS flats were sold. Of that, 176,716 flats were sold to GF applicants (56.9%) and 133,874 flats were sold to WF applicants (43.1%).
Chart 10: Comparison between the flat sold to GF and WF applicants

Source: Information provided to Dr K Y Lau, on 18 January 2002 and information extracted from Housing Authority Quarterly Statistical Report (March 2003), Table 2.6.
3.2 Number of Applications of HOS and PSPS Flat

Demand for and sales rate upon first sales excises of HOS/PSPS flats were persistently high for many years (till 1997). The number of applicants to the number of flats for sales is 9.8 for the period 1977/78 to 2002/03 (the period when HOS/PSPS were available for applications). At the peak (in 1979/80), the number of applicants to the number of flats for sales was 26.5. The number of applicants to the number of HOS/PSPS flats for sales dropped from 10 in 1996/97 to 2.1 in 2002/03.

Chart 11: Number of Applications over Number of HOS & PSPS Flat for sale
3.3 Eligibility Criteria of HOS & PSPS Applicants

Green Form Applicant

There were mainly 2 categories of HA HOS Green Form (GF) Applicants. First, the estate tenants of Housing Authority / Housing Society and the authorised occupants of Housing Authority's Temporary Housing Areas or Cottage Areas.

Second, the prospective public housing tenants whose eligibility has been established. They are consisted of a) Waiting List applicants; b) Clearees and disaster victims; and c) Junior civil servants applying under the Civil Service Quota.

Later, the GF applicants started to include prospective PRH tenants whose eligibility for PRH has been established under the Buy or Rent Option (BRO) Scheme in 2000/01\(^84\); staff of the Estate Assistant grade of the Housing Department who are holding a valid “Letter of Assurance” issued by the Housing Department in 2001/02\(^85\); and Rent Allowance for Elderly Scheme (RAES) recipients in 2002/03\(^86\).

White Form Applicant

The White Form Applicant of HOS/PSPS were the applicants living in private sector housing and the separate family units who wish to live apart from their present households in Housing Authority and Housing Society estates or Temporary Housing Areas and Cottage Areas managed by the Housing Authority.

From 1998/99, WF applicants included the Tenants Purchase Scheme (TPS) flat owners, within 10 years from the date of assignment of the TPS flat.

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\(^{84}\) Hong Kong Housing Authority. (2001). *Hong Kong Housing Authority 2000/2001 Annual Report*. Hong Kong: Hong Kong Housing Authority, Appendix 6B, p. 121.


Restrictions on the age of applicants, household size and length of residence for the GF and WF applicants

The restrictions on the age of applicants, household size and length of residence for the GF applicants were the same as the White Form (WF) applicant: there should be at least 2 related persons to apply for the HOS/PSPS flats and the applicants should be aged 21 or over and subject to the criteria that the applicant and at least one family member must be permanent residents and have lived in Hong Kong for at least 7 years.\(^{87}\) Later, effective from 1 October 1990, the applicant’s minimum age was changed to 18.

Starting from 1996/97, singleton GF applicants can purchase small flats at assigned HOS Court, for example, Tung Lam Court at Shau Kei Wan (Phase 18A) and Tin Lai Court at Tin Shui Wai (Phase 18C).\(^ {88}\) In 1997/98, one-person GF households can apply for the small flats in some Phase 19C courts or buy flats under the Secondary Market Scheme with salable area not more than 22m².\(^ {89}\) However, WF applicants are not eligible in Secondary Market Scheme of HOS/PSPS.

In order to enhance the opportunities and choices of singleton to acquire home ownership, the Housing Authority's Home Ownership Committee (HOC) approved in November 1999 that the WF singleton applicants can apply for the HOS/PSPS starting from HOS Phase 21B (December 1999). The monthly income and net asset limit for WF singleton applicants for HOS/PSPS is set at $15,500 and $350,000 respectively (half of those for families). They could buy a small flat, if they want to buy a flat with salable area up to 50m², their selection priority is placed after the family households.\(^ {90}\) Also, the restriction of the length of residence for the family member was cancelled in the same year but the residence requirement for applicant still applied.

Restrictions on income and asset limits for the GF and WF applicants

The WF applicants had to subject to the income and asset limits set for them. Moreover, no family member of the WF applicants may own any domestic property. On the other hand, the GF applicants were not subject to the above restrictions.

---


\(^{88}\) Hong Kong Housing Authority. (1997). *Hong Kong Housing Authority 1996/97 Annual Report*. Hong Kong: Hong Kong Housing Authority, Appendix 6B, p.159.


The successful GF applicants would just have to return their existing flats or public rental housing eligibility to the HA.

Starting from 1994/95, some HOS/PSPS applicants using Green Form by holding Green Form Certificates still have to meet the income limit and domestic property ownership restriction.\(^91\) Later in 1997/98, they were also required to meet the income limit, family composition, length of residence and domestic property ownership restrictions at the time of purchasing HOS/PSPS flats and family member of the applicants should not own any domestic property at any time within 24 months immediately prior to the date of application.\(^92\)

Starting from 1998/99, one-person GF households can apply for the assigned small flats in the Mortgage Subsidy Scheme (MSS) Project and TPS Phase 1 Estates. Also, the priority of the eligible ordinary GF and WF applicants will be upgraded if they opt to join the “Priority Scheme for Families with Elderly Members”.\(^93\) From 1999/2000, singleton applicants were allowed to buy a bigger HOS/PSPS flat though their selection priority is placed after the family households.\(^94\)

Prior to HOS Phase 20A (December 1998), there was no asset limit for the WF applicant. WF applicants just needed to satisfy the income and property tests, the assets other than domestic properties held by them would not be taken into account.

The HOS income limit (HOSIL) of HOS Phase 1 in February 1978 was HK$3,500. It was then increased to HK$5,000 in the next Phase launched in March 1980. It was the most significant growth in percentage when compared with the previous phase. The annual adjustment of HOS income and asset limits was made at the beginning of each year using latest available statistics, typically as of the third quarter of the previous year.

There was about HK$1,000 - HK$1,500 for every increase of HOSIL from 1978 to 1990. In April 1992, it increased by HK$4,000 (28.6%) to HK$18,000 when


compared to the income limit of the previous year. Also, in 1997, the income limit increased by HK$4,000 (15.4%) to HK$30,000.

The HOSIL reached the peak in 1998 (Phase 19C and 20A) at HK$33,000 and the eligibility net covered 94,900 households. The HA claimed that the adjustments was made in accordance to the consideration of the average household expenditures on food and necessities as well as housing costs including mortgage payment, management fee, etc.

In order to encourage families to live with their seniors, the new policies of Elderly Priority and Asset Limit was introduced in the same Year, effective from Phase 20A. According to the new policy, the priority was accorded to those applying for HOS/PSPS and with elderly members, so that ordinary green status will be upgraded to the third priority status whereas white form status be upgraded to ordinary green status.

For the asset limit introduced in November 1998 (effective from Phase 20A, December 1998), a limit of $700,000 was applied to WF applicants on top of the existing income and property-ownership tests already applicable to them.

The HOSIL dropped from HK$33,000 (1998/99) to HK$31,000 in April 1999 (effective from Phase 21A). The HA has freeze the asset limits for 1999/2000. The HA claimed that the reduction was taken because of “the unstable economic environment and the likely reaction from the public although a bigger downward adjustment has been recorded in the private property market in the past year.” It was estimated that 26.3% of non-owner-occupied households in the private sector would be eligible for the coming phase of HOS.

---

Having considered the HOS applicants' affordability to rent adequate accommodation and buy a reasonable flat respectively in the private sector, the HA decided to freeze the HOSIL and HOSAL for 2000/01 at the same level as 1999/00. The HA stated that they should reduced the HOSIL and HOSAL as the private rentals, property prices and non-housing costs were decreased. However, a further reduction might be unacceptable for the public and to applicants. Also, the HA decided to freeze the limits so as to allow more time to monitor the market changes. “As there are signs that the economy is recovering, further downward adjustments of property price and rental levels are slim whereas the sentiment on the property market's prospect is optimistic, freezing the limits is desirable to allow more time to monitor the market trend.”

In 2001, the HA reduced the HOSIL and HOSAL, effective from 1 April 2001, by 20% from HK$31,000 to HK$25,000 for families; and from HK$15,500 to HK$12,500 for singletons. The asset limit for families was be lowered by 14% (from HK$700,000 to HK$600,000); and from HK$350,000 to HK$300,000 for singletons. The HA claimed that the drop in housing expenditure of potential applicants with reference to the latest market conditions were the major factors induced the reduction. It was estimated that the eligible applicants will be dropped from 115,000 to 83,000 following the new HOSIL and HOSAL.

The “Review of the Mechanism for Setting the Waiting List and Home Ownership Scheme Income and Asset Limits” was carried out in February 2002 according to the Chief Secretary for Administration (CS)'s Statement on Housing delivered on 3 September 2001. This review was made due to the concerns about the overlap between the HOS and private residential market which might be caused by the formula to calculate the income and asset limits.

The applicants' non-housing expenditure, the prevailing property prices and mortgage rate became the core of the calculation of the income and asset limits for

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HOS. The HOS income limit was derived from a “household expenditure” approach which consists of housing costs\(^{102}\) and non-housing costs\(^{103}\). The HOS asset limit was set at a level for a household to finance the downpayment\(^{104}\), related transaction costs and decoration expenses for purchasing the flat.

Later in August 2002, the “Mid-year review of the HOS Income and Asset Limits”\(^{105}\) were undertaken. It was proposed that the income limit should be revised to HK$20,000 starting from 1 October 2002 according to the new "household expenditure" approach. The HA claimed that the revised income and asset limits were proposed as a result of the downward adjustments in the general price levels and average mortgage rate.

However, since the HA decided to cease HOS and PSPS for the next sale in 2003 in November 2002\(^{106}\), the revised income and asset limit had not been applied.

---

\(^{102}\) **Housing costs**: The monthly expenditure for owning a reference 10-year-old private flat of 40 sq m saleable area in the extended urban and N.T. area (the reference flat). It covers mortgage payment, Government rent, rates and management fees. Mortgage payment is worked out based on the assessed prevailing market value of the reference flat, with the assumption that 70% of the flat price will be mortgaged for a term of 25 years at the prevailing mortgage interest rate.

\(^{103}\) **Non-housing costs**: The average household expenditure of the middle one-third expenditure group of 4-person households amongst tenant households in the private sector.

\(^{104}\) The downpayment is assumed to be 30% of the flat price, whereas the other costs are assumed to be 11.25%.


Table 3: Income and Asset Limits for HA HOS White Form Applicants

<table>
<thead>
<tr>
<th>Effective date</th>
<th>Phase</th>
<th>Monthly income Limit</th>
<th>Net Asset Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>for Singles</td>
<td>for 2 Person or above Families</td>
</tr>
<tr>
<td>February 1978</td>
<td>1</td>
<td>N.A.</td>
<td>3,500</td>
</tr>
<tr>
<td>March 1980</td>
<td>2A</td>
<td>N.A.</td>
<td>5,000</td>
</tr>
<tr>
<td>March 1981</td>
<td>3A</td>
<td>N.A.</td>
<td>6,500</td>
</tr>
<tr>
<td>June 1984</td>
<td>6A</td>
<td>N.A.</td>
<td>7,500</td>
</tr>
<tr>
<td>May 1986</td>
<td>8B</td>
<td>N.A.</td>
<td>8,500</td>
</tr>
<tr>
<td>April 1989</td>
<td>11A</td>
<td>N.A.</td>
<td>10,000</td>
</tr>
<tr>
<td>April 1990</td>
<td>12A</td>
<td>N.A.</td>
<td>11,500</td>
</tr>
<tr>
<td>April 1991</td>
<td>13A</td>
<td>N.A.</td>
<td>14,000</td>
</tr>
<tr>
<td>April 1992</td>
<td>14A</td>
<td>N.A.</td>
<td>18,000</td>
</tr>
<tr>
<td>April 1993</td>
<td>15A</td>
<td>N.A.</td>
<td>20,000</td>
</tr>
<tr>
<td>April 1994</td>
<td>16A</td>
<td>N.A.</td>
<td>22,000</td>
</tr>
<tr>
<td>April 1995</td>
<td>17A</td>
<td>N.A.</td>
<td>25,000</td>
</tr>
<tr>
<td>April 1996</td>
<td>18A</td>
<td>N.A.</td>
<td>26,000</td>
</tr>
<tr>
<td>April 1997</td>
<td>19A</td>
<td>N.A.</td>
<td>30,000</td>
</tr>
<tr>
<td>April 1998</td>
<td>19C</td>
<td>N.A.</td>
<td>33,000</td>
</tr>
<tr>
<td>December 1998</td>
<td>20A</td>
<td>N.A.</td>
<td>33,000</td>
</tr>
<tr>
<td>April 1999</td>
<td>21A</td>
<td>N.A.</td>
<td>31,000</td>
</tr>
<tr>
<td>November 1999*</td>
<td>21B</td>
<td>15,500</td>
<td>31,000</td>
</tr>
<tr>
<td>April 2001*</td>
<td>23A</td>
<td>12,500</td>
<td>25,000 - 28,400</td>
</tr>
<tr>
<td>April 2002***</td>
<td>24A</td>
<td>10,500</td>
<td>21,000 - 25,000</td>
</tr>
<tr>
<td>October 2002***</td>
<td>CEASED</td>
<td>10,000</td>
<td>20,000 - 25,000</td>
</tr>
</tbody>
</table>

Note 1: Effective from HOS Phase 20A, an asset limit of $700,000 will be applied to White Form (WF) applicants on top of the existing income and property-ownership tests already applicable to them. ([http://www.housingauthority.gov.hk/en/aboutus/news/pressreleases/0,,2-0-2271,00.html](http://www.housingauthority.gov.hk/en/aboutus/news/pressreleases/0,,2-0-2271,00.html))

Note 2: White Form (WF) singleton applicants can apply for the HOS/Private Sector Participation Scheme (PSPS) starting from HOS Phase 21B.

Source:


*** Hong Kong Housing Authority Homepage - Press Release, HOS Income Limit Revised to $20,000 (Saturday, 31 August 2002), [Online], Available from: http://www.housingauthority.gov.hk/en/aboutus/news/pressreleases/0,,2-0-557,00.html
Table 4: Income and Asset Limits for HOS White Form Applicants (1999-2002)

<table>
<thead>
<tr>
<th>Effective date</th>
<th>NOV 1999*</th>
<th>APR 2001*</th>
<th>APR 2002**</th>
<th>OCT 2002***</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>21B</td>
<td>23A</td>
<td>24A</td>
<td>Ceased</td>
</tr>
<tr>
<td>For White Form Applicants</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singletons</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly income Limit (dollar)</td>
<td>15,500</td>
<td>12,500</td>
<td>10,500 (11,053)</td>
<td>10,000 (10,526)</td>
</tr>
<tr>
<td>Net Asset limit (dollar)</td>
<td>350,000</td>
<td>300,000</td>
<td>240,000</td>
<td>240,000</td>
</tr>
<tr>
<td>2-5 Person Families</td>
<td>NA</td>
<td>NA</td>
<td>21,000 (22,105)</td>
<td>20,000 (21,053)</td>
</tr>
<tr>
<td>2-6 Person Families</td>
<td>31,000</td>
<td>25,000</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>6-Person Families</td>
<td>NA</td>
<td>NA</td>
<td>21,000 (22,105)</td>
<td>20,000 (21,053)</td>
</tr>
<tr>
<td>7-Person Families</td>
<td>31,000</td>
<td>25,000</td>
<td>21,000 (22,105)</td>
<td>20,400 (21,474)</td>
</tr>
<tr>
<td>8-Person Families</td>
<td>31,000</td>
<td>25,000</td>
<td>21,600 (22,737)</td>
<td>21,600 (22,737)</td>
</tr>
<tr>
<td>9-Person Families</td>
<td>31,000</td>
<td>26,600</td>
<td>23,400 (24,632)</td>
<td>23,400 (24,632)</td>
</tr>
<tr>
<td>10-Person and above</td>
<td>31,000</td>
<td>28,400</td>
<td>25,000 (26,316)</td>
<td>25,000 (26,316)</td>
</tr>
</tbody>
</table>

Figures in ( ) denotes the effective income limits should a household be making 5% of its income under the Mandatory Provident Fund (MPF) Scheme as required by the law.

Source:


3.4 Percentage of HOS and PSPS flats sold upon first sale

From the first launch of HOS to the cease of the HOS/PSPS, most of the flats could be sold at 100% upon first sale for every year. There were only 10 phases in 7 years could not reach the 100% sale rate. They were recorded in 1983/84 (86.7%), 1984/85 (96.0%), 1992/93 (97.5%), 1995/96 (99.2%), 1998/99 (98.8%), 1999/00 (86.1%), 2001/02 (97.0%) and 2002/03 (55.5%). In total, from 1977/78 to 2002/03, there were 316,634 HOS & PSPS flats put up for sale and 310,590 flats were sold upon the first sale. The take-up rate in first sale exercise was 98.1%.

Among the records in those years which could not result in 100% first sold rate, the percentage was still very high. 4 of them could be round up in 100% and other 2 records were near 90%. Fewer flats were offered for sale and sold under Phase 24A. It was because of the prevailing uncertainties in the economy and the job market. As a result, potential home buyers were much more cautious in making a buying decision. Moreover, HA also pointed out that the Home Purchase Loan Scheme had affected the response to this phase as the potential buyers have more choice.107

Sale statistics also show that with the exception of Phase 24A in 2002/03, remaining flats not sold upon first sale were all sold in subsequent sale exercises. For the unsold flats of Phase 24A, the Subsidised Housing Committee of the Housing Authority endorsed Government’s proposal contained in statement of Housing Policy in November 2003. HKHA decided that the remaining HOS/PSPS flats would not be put up for sale in the form of subsidized housing before the end of 2006.108

For comparison between the number of flats for sale and number of flats sold upon first sale by year, please refer to Chart 12


Chart 12: Comparison of Number of HOS & PSPS Flats put for sale and sold upon first sale (1977/78 – 2002/03)

Source: Information provided by HKHA to Dr. Lau in July 2004
3.5 **Number of successful Green Form and White Form purchasers of HOS & PSPS Flats by Phase**

From Phase 1 (February 1978) to Phase 3A (March and December 1981), the ratio in selling HOS/PSPS flats to Green Form (GF) applicants and White Form (WF) applicants was around 50:50 to 45:55. There were 4,552 successful White Form purchasers of HOS Flats in phase 1, which was the second highest figure recorded in WF purchasers in terms of number but not for the proportion. The highest figure in terms of number of successful WF purchasers was recorded in phase 19C (August 1998), there were 5,323 successful WF purchasers that is 52.4% of the total number of purchasers of that phase.

The greatest proportion in selling HOS & PSPS flats to WF purchasers was recorded in Phase 3B (February 1982). 71.8% of 1,548 flats were sold to WF purchasers. On the other hand, only 437 flats were sold to GF purchasers. It was also the lowest proportion in selling flat to GF purchasers.

The ratios in selling flats between GF and WF purchasers was around 30:70 to 40:60 from Phase 3B to Phase 6B (October 1984) except Phase 5B (53:47). More flats were sold to WF purchasers in this period.

The ratio between successful GF and WF purchasers changed from 30:70 in phase 6B to around 82:18 in Phase 7A (January 1985) and then dropped to 40:60 in the next phase, 7B (March 1985).

From Phase 7C (July 1985) to 8B (May 1986), the ratio was maintained at 50:50. After that, the proportion of HOS/PSPS flats sold to GF purchaser was greater than WF purchasers until Phase 14D (January 1993). The ratio reached at around 66:34 in Phase 12A (April 1990) and lasted for the next two year until phase 14B (August 1992) except in Phase 12B and 12C.

All 668 HOS flats were sold to GF purchasers in Phase 14D (January 1993). In phase 18C (January 1997), only 849 (13.3%) out of total 6,390 flats were sold to WF purchasers.

In Phase 15A and 15B, the ratio was reversed. There were slightly more WF purchasers than GF purchasers. It was due to the Housing Authority’s deliberations.
on the housing needs of the sandwich class in 1992\textsuperscript{109}. According to “A Report on the Mid-term Review of The Long Term Housing Strategy (LTHS)” published in October 1993, it was proposed that the above quota allocation should be adjusted so as to increase the mobility of sitting tenants and recover more PRH flats for those in need. Therefore, the quota allocation has been increased to 67:33 between GF and WF applicants in Phase 15C.

Review of the HOS quota allocation was also an important part of the final report on the mid-term review of LTHS published in June 1994. It recommended that the quota at 67:33 between GF and WF applicants starting from Phase 16B (September 1994) should be maintained and subject to review after two year.\textsuperscript{110}

After that, the proportion of successful GF purchasers was greater than WF until Phase 21B, except Phase 19C (48:52). The greatest proportion in selling HOS & PSPS flats to GF purchasers was recorded in Phase 18C (January 1997). There were 4,459 successful GF purchasers, 88.3\% of total 5,505. On the other hand, only 592 successful WF purchasers, which is the lowest percentage of successful WF purchasers recorded.

The allocation dropped to 46:54 in Phase 21B and dropped further in the period between Phase 22A and 24A. It ranged from 30:70 to 34:63 in that period. This is a clear indication of the diminishing interest of GF applicants in HOS/PSPS purchase. The introduction of Tenants Purchase Scheme (sale of flats to sitting tenants at high-discount) for about 250,000 in the 10-year period (1998-2007) could be one major factor of tenants’ diminished interest in HOS/PSPS purchase. The serious substandard piling work discovered in some HOS courts in 2000/2001 is another factor affecting GF applicants’ interest in HOS/PSPS purchase.

\textsuperscript{109} Hong Kong Housing Authority (Oct 1993), \textit{A Report on the Mid-term Review of the Long Term Housing Strategy}, Hong Kong: Housing Authority, p.36.
\textsuperscript{110} Hong Kong Housing Authority (Jun 1994), \textit{Final Report on the Mid-term Review of the Long Term Housing Strategy}, Hong Kong: Housing Authority, pp.20, 21 & p.34.
3.6 Domestic units recovered in HA Rental Estates by Purchase of HOS/PSPS flats

From 1981/82 to 2003/04, 142,103 PRH flats in total were recovered by the Housing Authority (HA) after tenants had purchased HOS/PSPS flats. These flats were the returned flats from the successful GF applicants, estate tenants of HA or Housing Society. Home Purchase Loan Scheme and Home Assistance Loan Scheme commenced in 1988/89 and 2002/03 respectively. Under HPLS/HALS, 29,189 PRH flats in total were recovered in the period between 1990/91 and 2003/04. In the same 14-year period, the number of flats recovered by purchase of HOS/PSPS was 3.7 times of those by obtaining a loan under HPLS/HALS.

The number of flats recovered after HOS/PSPS purchase were above 6,700 annually in the period between 1981/82 and 2001/02. Of these, the highest number of flats recovered (15,733 flats) was recorded in 1993/94. In the next 3 years, the numbers were around 6,000 to 7,000. It rose up again in 1997/98 (11,097 flats) but decreased in subsequent years.

In 2002/03, the number decreased by 88.6% (753 flats) when compared with the previous year (6,588 flats in 2001/02). In 2003/04, the number of PRH flats recovered was just 4. It was because the HOS was ceased in 2003.

The number of flats recovered by purchase HOS/PSPS flats was always greater than those recovered by obtaining a loan under HPLS / HALS except 2002/03 and 2003/04. Chart 13 shows the comparison.

Chart 13: Domestic units recovered by HKHA after tenants purchased HOS/PSPS or used loan under HPLS/HALS (1981/82 – 2003/04)¹¹¹

¹¹¹ Sources: Information provided by Housing Authority to Dr K Y Lau on 31 March 2005.
3.7  Selling Prices of HOS and PSPS flats

The Government’s HOS policy is to sell the HOS & PSPS flats to eligible buyers on a below-market price basis. Chart 14 shows the approximate discount range of all HOS & PSPS projects at Main Phase.

Chart 14: Approximate Discount Range of HOS & PSPS projects at Main Phase

<table>
<thead>
<tr>
<th>Discount Range</th>
<th>Number of Projects</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-20% off</td>
<td>8 projects</td>
<td>3.2%</td>
</tr>
<tr>
<td>21-30% off</td>
<td>64 projects</td>
<td>25.3%</td>
</tr>
<tr>
<td>More than 50% off</td>
<td>13 projects</td>
<td>5.1%</td>
</tr>
<tr>
<td>Data N.A.</td>
<td>3 projects</td>
<td>1.2%</td>
</tr>
<tr>
<td>Less than 11% off</td>
<td>1 project</td>
<td>0.4%</td>
</tr>
<tr>
<td>31-40% off</td>
<td>82 projects</td>
<td>32.4%</td>
</tr>
</tbody>
</table>

Note 1: The discount rates of individual courts are only the approximate range of discount at main phase (not applicable to resale flats). Since the discount rates may vary for different flats, the median of the discount ranges was taken for categorization in the above chart.

Note 2: Data of Kwun Fai Court, under Mortgage Subsidy Scheme (MSS) is included in this chart but data of Buy or Rent Option (BRO) are not included.

Summary

Most of the HOS & PSPS projects (164 projects out of the total number of 253 projects, i.e. 64.8%) offered the discount range between 31% and 50%. About one quarter of the projects (64 projects) offered the discount range between 21% and 30%. 13 projects (5.1%) offered the discount range of about 50% below private market price and 8 projects offered it between 11% and 20% off assessed private market prices. Only 1 project, Melody Garden, the one and only Middle Income Housing Scheme (MIHS), offered the discount at 10% or less. It offered the discount rate at 7% which is the lowest record of all the HOS & PSPS projects. The highest

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112 Source: Data provided to Dr. K Y Lau by the Housing Authority in July 2004.
discount rate was offered in Phase 4A for Yuk Po Court at Shek Wu Hui. Its discount ranged from 54% to 57%.

**Selling Prices at Different Phases**

**Phase 1 to Phase 3A**

The flats were sold under full-cost recovery basis including land costs, construction expenses, administrative cost of the Housing Department, consultation fee and the interests of land cost, construction expenses. In this period, all discount rates were below 35% except for Chun Man Court, in Ho Man Tin. The discount rate of that court was 40% off the private market price. On the other hand, the price of Shan Tsui Court in Chai Wan was only 19% below the private market value.

**Phase 3B to Phase 17B**

By 1981, the cost of HOS flats had increased greatly as there were substantial rises in land and building costs and a rise in mortgage interest rates form 9% to 17%. The determination of the prices of HOS & PSPS flats was changed to base on affordability was used as a prime factor.

A new pricing policy of excluding land value from the price of Home Ownership flats was introduced in October 1981.\(^{113}\) The pricing methodology applied generally the same discount rate to the market value of all flats within the same phase of HOS sale. Variations and adjustments to the price and the discount rate were also made in different schemes in different location. Moreover, prices of HOS & PSPS flats were set with reference to the private market price in the similar location so that the attractiveness of the location of the court could be reflected.\(^{114}\) The discount from the market value of HOS & PSPS flats would be shown. For example\(^{115}:\)

\(^{113}\) Hong Kong Housing Authority, *1981/82 Annual Report*, Hong Kong: Hong Kong Housing Authority, pp.55-58.

\(^{114}\) Hong Kong Housing Authority (1996), *Report on the Review of Home Ownership Scheme*, Hong Kong: Hong Kong Housing Authority, pp.20-22.

\(^{115}\) 蔡育天，李百灝 (1992 年)，「香港房地產管理實務」，上海：上海人民出版社，頁 172。
Court A, B & C are put up for sale under the same phase. Court A locates in the less attractive or less convenient area. Court B is in a more attractive location and court C is in urban area with convenient accessibility. The assessed market prices of the flat in court A, B, C are $1,000 per sq. m, $1,200 per m² and $1,400 per m² respectively. According to the pricing policy,
- the selling price of the flat in court A = cost price of the flat;
- the price of the flat in court B = cost price of the flat × (1200 / 1000);
- the price of the flat in court C = cost price of the flat × (1400 / 1000).

There were 37 projects launched for sale from Phase 3B to Phase 8A. In the period, most of the projects (21 projects) offered at a flat discount rate (at below 30%). Among these, 4 projects (Tai Po Plaza, Richland Gardens, Greenwood Terrace and Melody Garden) were sold at the discount rate below 20%. The price of Melody Garden, the one and only court of MI HS, got only 7% off the private market price. It was the lowest record of discount rate in the period. 12 Projects offered the discount rate in the range of 30-40%. Only 4 projects offered the discount rate above 40%. The court recorded the highest discount rate within the period was Yuk Po Court (in Shek Wu Hui, Sheung Shui of Phase 4A). It was 54% to 57% off the private market price.

Some criteria were also set in determining the price, for example, the selling price should cover all the cost prices; the discount rate below market value should be set in a sensible way to reflect the Alienation Restriction\textsuperscript{116} of HOS & PSPS. Moreover, the objectives of providing HOS & PSPS flats for lower middle-income
\textsuperscript{116} Prior to 1997, the restriction was set as follows: (1) Resale to HA at original prices within first five years of ownership; (2) From sixth to tenth years - resale to HA at prevailing HOS prices. (3) After ten years - resale in the open market, subject to payment of premium proportionate to the original price discount at the time of purchase.

In June 1997, the HOS Secondary Market Scheme (HOSSMS) was established. It enables public housing tenants and Green Form Certificate holders to purchase flats sold under Home Ownership Scheme (HOS) / Private Sector Participation Scheme (PSPS) / Tenants Purchase Scheme (TPS) (hereinafter collectively referred to as HOS flats) with the date of first assignment from the third years onwards. For those HOS flats exceeds five years from the date of first assignment, flat owners can either sell the flats in HOS secondary market, or sell / rent / transfer the flats in the open market after paying premium to the HA and receiving the certificate for removal of alienation restrictions.

Starting from February 1999, the HOS Resale Restriction was further relaxed. Owners could sell their flats in the open market, subject to payment of a premium proportionate to the original discount, after five years from first assignment. This replaced the 10-year resale restriction rule. Owners could sell their flats, between two to five years of first assignment, under the secondary market or to the HA at assessed market value less the original discount. For those flats purchased within 2 years, they could be sold back to the HA at original purchase price.
groups and using HOS/PSPS to encourage better off public rental housing tenants to release their public rental flats were re-confirmed in the 1987 Long Term Housing Strategy (LTHS). Affordability of the potential purchasers was taken as a main factor to determine the price.

The prices of HOS/PSPS flats were usually set at a discount of about 30% below private market value except for the projects sold to specific target groups of buyers. Later, the discount was increased to 40% due to the rapid price increases in the private property market in 1991. Therefore, we can see that about half of all the HOS & PSPS projects sold under the period between Phase 8B to Phase 13A (applied in April 1991) offered the discount rates at below 30% and about half of the projects offered the discount rates from 30% to 39%; only 3 projects out of total 66 projects offered the discount rates over 40%. Starting from Phase 13B, most of the HOS/PSPS flats were sold at the discount over 40%. Between Phase 13B and 17B, 64.7% HOS/PSPS projects were sold with the discount rates at over 40%, 20 out of 68 projects offered the discount ranged from 31% to 40% and only 4 projects offered the discount ranged from 21% to 30%.

The pricing and programming of HOS & PSPS were also reviewed under the Mid-Term Review of the Long Term Housing Strategy (LTHS) in 1993. It was proposed that the HOS pricing and discount policies used at that time remained unchanged. Government still aimed at encouraging better-off tenants to move out of the public rental housing (PRH) to become homeowners so that the released flats could be allocated to other families. HOS/PSPS were also targeted at the middle income families in private sector who were neither eligible for PRH nor able to buy flats in private market. According to the report, “the public have generally found the present HOS pricing and discount levels acceptable.”

Although the HOS pricing and discount policies remained unchanged at that time, it was also stated that “the policies were subject to regular reviews in line with market conditions and changes in affordability.” Hence, the pricing and discount policies were subject to change in the later period.

118 Ibid.
Phase 18A to Phase 19B

In 1995, a comprehensive review of HOS & PSPS was undertaken and the report was published in April 1996\textsuperscript{119}. According to the report, the pricing and mortgage arrangements of the scheme were the major issues examined.

Fix-sum Discount

In that report, a new pricing methodology (to use a fix-sum discount approach instead of the average discount rate approach in pricing HOS flats) was proposed. In order to assist more lower-middle income families to become home owners through HOS/PSPS, the Home Ownership Committee (HOC) intended to widen the prices range of the flats for offering more choices to the purchasers and therefore decided to apply differential discount rates to the market value of the HOS/PSPS flats. A basic rate for each phase of HOS programme was set up. An example was illustrated in the Report on the Review of Home Ownership Scheme as follows:

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|}
\hline
                  & Full Market Value & Current Formula (at 45\% discount) & Fix Sum Discount at $919,000 & Percentage Discount \\
\hline
Urban 3740 flats & $2,202,000         & $1,211,000                         & $1,283,000                & 42\%            \\
Sub-urban 3040 flats & $2,036,000         & $1,120,000                         & $1,117,000                & 45\%            \\
N.T. 1350 flats   & $1,611,000         & $886,000                           & $692,000                  & 57\%            \\
Total 8130 flats  & $16,600M           & $9,130M                            & $9,130M                   &                  \\
\hline
\end{tabular}
\caption{Illustration – Phase 17A as Example}\textsuperscript{120}
\end{table}

“The effect would be achieved if a fix-sum discount is applied to all the flats within a particular phase of sale regardless of their market values. It would mean a small discount rate on the higher priced flats such as the larger flats and flats in the urban district, and a higher discount rate for the lower priced flats. This is also consistent with the spirit of providing equal level of subsidy to home buyers taking

\textsuperscript{119} Hong Kong Housing Authority (1996), \textit{Report on the Review of Home Ownership Scheme}, Hong Kong: Hong Kong Housing Authority
\textsuperscript{120} Hong Kong Housing Authority (1996), \textit{Report on the Review of Home Ownership Scheme}, Hong Kong: Hong Kong Housing Authority, p.52.
advantage of the Home Purchase Loan Scheme (HPLS).”…”The fix-sum discount per flat for each phase of sale is arrived at by computing the total dollar value of the discount for each phase (by multiplying the average discount rate with the total market value of all the flats of that particular phase) and divide it by the number of flats.”\(^{121}\)

However, according to the information provided by the Housing Authority, the difference between the discount rate off selling price from different location is not obvious from Phase 18A to 19B. In the period, most of the projects offered the discount rates at 45% or over. There is not much difference between the discount rate of the HOS/PSPS courts located in different locations that were sold in the same phase. For example, all 5 projects in Phase 18A offered the discount from 46% to 47%. It seemed that location had no effect on the percentage discount. However, for Phase 19B, the discount rate dropped. It ranged from 34% to 46%. Moreover, the discount for the HOS/PSPS court located in urban area was greater than those located in the New Territories: Charming Garden Phase II in Mongkok offered the discount ranged from 40% to 46% but Glorious Garden in Tuen Mun offered the discount ranged from 34% to 43%.

**Phase 19C to Phase 24 (the last Phase)**

**Flexible Discount System**

Before mid-1997, the price of the flats in the private market increased continuously due to the favourable market conditions. In order to take into account the market conditions and maintaining the HOS/PSPS purchasers’ affordability, the Housing Authority decided to set the selling prices of flats in Phases 19A and 19B at 50% of the assessed market value. Later, the financial turmoil induced a downward trend in the property market. To protect these effects on HOS sales, the Home Ownership Committee (HOC) of HKHA approved in February 1998 a flexible discount system of allowing 10% above or below the base rate to the HOS/PSPS purchasers.\(^ {122}\) Under the new arrangement, apart from setting a basic rate for each phase of HOS/PSP projects, the new system would “allow Green Form and White Form applicants to choose from two additional levels of discounts equivalent to 10%  

\(^{121}\) Hong Kong Housing Authority (1996), *Report on the Review of Home Ownership Scheme*, Hong Kong: Hong Kong Housing Authority, pp.20-22.  
\(^{122}\) Hong Kong Housing Authority, *1997/98 Annual Report*, Hong Kong: Hong Kong Housing Authority
The flexible discount options of 40%, 50% and 60% were started to offer to successful purchasers of Phase 19C on both new and resale flats under HOS. Most purchasers opted 60% discount option. For Phase 20A, flexible discounts of 35%, 40% and 45% on market value of HOS flats were offered and most purchasers opted 45% discount option. In that case, the potential buyers can choose a discount rate according to their affordability.

In the period between 20A and 22A, all the HOS/PSPS flats were sold at a discount at more than 40% off the market price. For Phase 23A, the HOC decided in March 2001 to set the selling price at a discount of 40% off the market value as the HOC considered that there was a mild drop in market value and a reduction in mortgage interest rate. Later, the discount rate dropped further to below 30% in Phase 24A because the assessed market value of HOS/PSPS flats dropped further and the mortgage interest rate reduced. Both resulted in improved affordability among HOS applicants and therefore the discount to assessed market value could be lowered to 30%.

**Pricing Policy reflects fittings and provisions**

In March 2000, the HOC decided to offer the purchasers to choose from two kinds of fittings and provisions of HOS flats and the policy was approved in February 2001. "As there are differences in the standards of fittings and provisions between the two options, there will be differences in the value of the property." The Basic Shell Option provides the minimum fittings under the Building Regulations and the selling price is lower. The Fully-fitted Option adopts an upgraded standard for fittings and provisions inside the flats so that the price is higher. Moreover, the new

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125 Information provided to Dr. K Y Lau by Housing Department in early 2005.


pricing policy can also reduce wastage from redecoration works carried out by the new HOS flat owners.

According to the original schedule, a pilot scheme would be launched in three HOS projects with the first one in Tai Wo Hau in early 2002. However, in September 2001, the Chief Secretary for Administration announced that another moratorium on the sale of HOS and PSPS flats would be implemented for 10 months until end June 2003\textsuperscript{129} (the first one was announced in June 2000).

Furthermore, on 28 November 2002, the Housing Authority agreed to halt the production of the HOS & PSPS flats indefinitely from 2003 onwards. In November 2003, the HA further decided that unsold and returned HOS and PSPS flats would not be put up for sale in the form of subsidized housing before the end of 2006.\textsuperscript{130} Therefore, this pricing policy has never been applied.

\textsuperscript{129} Hong Kong Government Information Centre (3 Sep 2001), \textit{Statement by the Chief Secretary}, [Online], Hong Kong Government, Available from: <http://www.info.gov.hk/gia/general/200109/03/0903236.htm> [20 Oct 2004]

\textsuperscript{130} Hong Kong Housing Authority (24 Dec 2003), Buy an HOS Flat, [Online], Hong Kong Housing Authority, Available from: <http://www.housingauthority.gov.hk/en/residential/shos/buyhosflat> [20 Dec 2004]
3.8 Affordability for Individual HOS/PSPS Projects, Phase 13A (March 1991) to Phase 24A (July 2002)

Author of this HOS/PSPS research project has provided a detailed account on the affordability of HOS/PSPS flats in his earlier publication. In the following section some of materials will be used to illustrate the affordability issues relating to HOS/PSPS.

The Housing Authority started to sell subsidised flats to public housing tenants and the private sector lower-middle income tenant households who cannot afford to buy reasonable accommodation in the private sector in 1978. It had been the government’s intention to encourage upward mobility of better-off public tenants to become home owners and to ensure a return flow of public rental flats; and on the other hand, to help those private sector tenant households whose incomes are too high for public rental housing but too low to afford to buy flats in the private sector.

To qualify for the Home Ownership Scheme (HOS) flats, applicants should have income below the prescribed HOS income limit. From November 1998 onwards, applicants should also meet the net asset limits requirement. An asset limit has been applied to White Form (WF) applicants on top of the then income and property-ownership tests already applicable to them.

The Housing Authority’s Home Ownership Committee decided in July 1991 that the income limit “should be based on the household income which after excluding the non-housing expenditure of the household, would be adequate to service a mortgage loan (i.e. housing expenditure) for a flat in the private sector.” In other words, households with income above the HOS income limit should be able to afford private housing and those with income below the HOS income limit should be helped to purchase subsidised sale flats.

The calculation of the Home Ownership Scheme Income Limit may offer insight on Housing Authority’s perception of housing affordability. The housing

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131 Lau, K Y (2001) *A Comparison of Indicators used in Measuring Housing Affordability in Hong Kong and their Validity*, Working Paper No. 2 / 2001, Department of Public and Social Administration, City University of Hong Kong

132 Hong Kong Housing Authority (1998) *Memorandum for the Home Ownership Committee and the Rental Housing Committee: Review of Waiting List Income Limits*, Hong Kong: Hong Kong Housing Authority.

133 Helping this group of people to purchase subsidized sale flats and to become home owners was much criticized after the 1997 Asian Financial Crisis as these families in fact could afford to rent reasonable accommodation in the private sector.
expenditure is based on a typical flat of 40 m\(^2\) saleable area (which is equivalent to 50 m\(^2\) gross area) and around 10 years old in the extended urban area and the New Territories. The projected price by the third quarter of 1998 is estimated to be $1,950,000 and the housing expenditure is estimated at $15,747 per month which covers monthly mortgage repayment (repayable in 25 years at 12% interest per annum), management fee, rates and Government rent. The non-housing expenditure (including food and other necessities) is based on the average of the middle third expenditure group of four-person tenant households in private housing of the 1994/95 Household Expenditure Survey (HES), projected up to the third quarter of 1998. The non-housing expenditure is estimated to be, taking into account the tax liability ($1,470), $17,050/month. Based on these housing and non-housing expenditure figures, it is proposed to set the HOS income limit at $33,000 per month for the 1998/99 financial year. The HOS income limits were lowered to $31,000 in April 1999 and to $25,000 in April 2001.

The asset limit, which refers to net asset value, is equivalent to the necessary downpayment (30% of the flat prices) and the associated transaction costs (about 11% of the flat prices) for acquiring a typical flat of 10-year old and 40 sq. meters saleable area in the extended urban area or in the New Territories. The limit will be reviewed annually in conjunction with the HOS Income Limit. Declarable items under the asset test include cash in hand, bank savings and fixed deposits, vehicles (private and commercial) and transferable vehicle licences, including taxi and public light bus licences. Since the asset limit refers to net asset value, outstanding mortgages, overdrafts and personal loans from approved financial institutions can be deducted. A net asset limit of $700,000 was applied to White Form (WF) applicants on top of the then income and property-ownership tests already applicable to them from November 1998. Such asset limit has been reduced to $600,000 from April 2001 onwards. To induce better-off tenants to move out from public rental flats, which are in turn used for allocation to the more needy groups, mean-test is not applied to sitting tenants or holders of Green Form certificates who are due for allocation of public rental flats.

Both income and asset limits are for households with two or more persons. From December 1999 onwards, single-person White Form applicants have been given opportunity to purchase HOS flats. The income and asset limits have been set at half of those of families. No explanation is given by the authority on whether such asset and income limits for HOS White Form single person applicants are appropriately set to reflect the affordability of those with means above these limits. Details of the updated change of income and asset limits for HOS/PSPS applicants have been
discussed in other section of this report and therefore will not be further elaborated here.

In pricing the HOS flats, the Hong Kong Housing Authority decided that the prices be set by applying a discount to the market values. The guideline discount is set at 30%, but it would be adjusted when special circumstances apply, e.g. a higher discount would be used during a period of rapidly rising property prices. Discounts of 50% were used because of the surge of house prices in 1997. Discount was further raised to 60% (given as an option among three discount rates: 40%, 50% and 60%) in Phase 19C (February 2005). Also, mortgage finance could be arranged up to 95%.

Although the Authority has provided quite a clear picture that the income limit for applicants is set at the level below which comparable flats in the private market would not be affordable to them, the pricing and the allocation methods of the HOS are by no means guided by the affordability of individual prospective buyers whose income may be much lower than the limit. As a matter of fact, it is not unusual to find successful White Form applicants with family income well below the HOS income limit to purchase HOS flats. Housing Authority statistics on HOS Phase 21B (1999) and Phases 22A and 22B (2000) show that about half of the successful White Form HOS purchasers are households with income less than two-third of the HOS income limit\(^{134}\). To make our understanding of the housing affordability of HOS purchasers more complete, we need to know the HOS pricing formula.

The HOS pricing formula, based on affordability, was introduced in 1982. Starting from Phase 13A in early 1991, the Median Mortgage to Income Ratio (MMIR) of 40% was adopted in the affordability test of HOS flats in each sales exercise. In the Report on the Review of HOS in 1996\(^{135}\), the MMIR of 40% was affirmed as a guiding principle in working for affordability. The guiding principles are, first, to ensure that the median mortgage-to-income ratio would not exceed 40% and, second, to ensure that 50% of the flats should be affordable to families within the HOSIL.

Regarding the first guiding principle, the Planning Department commissioned surveys completed in 1996 and 1999 both confirm that the MMIR do not exceed 40%

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\(^{134}\) Information provided to Dr K Y Lau by the HKHA.

\(^{135}\) Hong Kong Housing Authority (1996a) *Report on the Review of Home Ownership Schemes*, Hong Kong: Hong Kong Housing Authority, paragraphs 5.1 to 5.3.
-- MMIR are at 23% and 27% respectively. Even within the first two years after purchase, the MRIRs are at 32% as shown in both surveys.\textsuperscript{136}

Regarding the second guiding principle, it is noted that between March 1991 and July 2002, all HOS flats were priced at the levels within which at least 50% of the White Form applicants found them affordable. Since 1998, 95% to 100% of HOS flats were affordable among HOS White Form applicants (assuming that their household incomes are at the top of the HOS Income Limit). Those with household income lower than the top of the income limit may either opt for purchase of a smaller size HOS flat in non-urban area, leaving the higher-priced HOS flats to successful Green Form HOS purchasers who are not subject to any means test (the implication of no means test among Green Form HOS applicants is that they are better-off households and could afford HOS at higher prices. It is often the case that larger HOS flats at good urban locations are normally first sold out.

Information prior to Phase 13A was not available. Discussion presented below is therefore limited to HOS/PSPS Phase 13A and thereafter.

The overall affordability in each HOS/PSPS courts varies according to location and the price set for each phase and prices of these HOS/PSPS flats correlated positively to private sector housing prices. Generally speaking, a much smaller number of urban HOS/PSPS flats would be affordable to White Form applicants while a larger number (or in most cases, all) HOS/PSPS flats in the New Territories would be affordable to White Form applicants. For example, the income limit in Phase 13A (March 1991) was HK$14,000. The discount on assessed market value of HOS/PSPS flats was 32%. The overall affordability for the Phase was 57%. In other words it is estimated that 57% of flats on sales should be affordable to HOS/PSPS White Form applicants. However, in one of the Phase 13A (March 1991) courts located in the urban district, the affordability for this project was only 8% while the affordability for 2 projects located in the New Territories were 100%.\textsuperscript{137}

In Phase 22B (December 2000), three HOS/PSPS courts were put up for sale and prices were fixed at 44% off the assessed market value. The overall affordability of courts located in both urban district and New Territories were 100%. It is also observed that though HOS/PSPS income limits were lowered (from its peak


\textsuperscript{137} Information provided to Dr K Y Lau by the HKHA in September 2001.
at HK$33,000 for family) since Phase 21A (July 1999) and further lowered to $21,000 in Phase 24A (July 2002) for White Form applicants, the overall affordability was close to 100% or at 100%. It is also noted that when the HOS/PSPS income limits stood at its peak (at $33,000), the overall affordability was 100% in Phase 19C (February 1998) and Phase 20A (November 1998) and 98% in Phase 20B (February 1999).

Prices of HOS/PSPS flats were set at discount off assessed market value at 48%, 44%, 47%, 44%, 40% and 30% in Phases 21A, 21B, 22A, 22B, 23A and 24A respectively.
3.9 HOS and PSPS Operating Accounts


The total expenditures on these two schemes also increased steadily from HK$2,344 million in 1988/1989 to the highest record, HK$19,670 million in 1993/1994. Similarly, the total expenditure on HOS and PSPS in 1994/1995 was the lowest, which was HK$1,757 million. From 1995/1996 onwards to 1998/1999, the annual total expenditures were around HK$3,500 million to HK$6,600 million. However, the total expenditures suddenly boosted up in the following three years, ranged around HK$9,800 million to HK$12,820 million. The total expenditures decreased rapidly to HK$2,369 million and HK$1,220 million in 2002/2003 and 2003/2004 respectively.

The total operating account had recorded a deficit from the year of 1988/1989 to 1993/1994 except the year of 1989/1990. The main factor conducted the deficit was the Land Formation Costs. After that, the land cost at full market value was excluded and so the land formation cost decreased significantly. The annual operating accounts started to result in a surplus until 2002/2003. The deficit of the total operating account was mainly caused by the operating deficit in HOS. On the other hand, the operating account of PSPS resulted in surplus for every year. Since 1994/1995, the operating accounts of HOS surplus were also result in a surplus until 2002/2003.

Statistics show that in 1997/98, HOS/PSPS operating surplus (at $11,641 million, after paying exceptional items) was sufficient to pay for 78% of overall capital expenditure (total $14,851 million) of the HKHA. In 1998/99, even though HKHA capital expenditure was increased to $23,074 million, HOS/PSPS surplus (at $14,726 million) could be used to fund 64% of it. As Government reduced its HOS/PSPS sales and finally ceased all sales in 2003, the HOS/PSPS operating surplus dropped to $8,307 million in 1999/00 (could only fund 26% of all HA capital expenditure of that year), and to $725 million in 2002/03 (could only fund 8% of HA’s capital expenditure).
Chart 15: HOS Operating surplus/deficit by Year (after exceptional items)

Chart 16: PSPS Operating surplus/deficit by Year (after exceptional items)

Chart 17: Total Operating surplus/deficit of HOS & PSPS by Year (after exceptional items)

Source: Information provide by HKHA to Dr. K Y Lau in July 2004
3.10 Operating surplus/deficit of Home Ownership Assistance\textsuperscript{139}

In the period between 1997/98 and 2003/04, the operating Income reached the highest record at HK$28,603 million in 2000/01 (66\% of the overall income of the HA). It dropped substantially and recorded the lowest amount at HK$888 million in 2003/04 (6\% of the overall income). Chart 18 shows the income of Housing Authority from 1997/98 to 2003/04.

\textbf{Chart 18: Income of the Housing Authority}\textsuperscript{140}

\begin{center}
\begin{tikzpicture}
\begin{axis}[
    ybar, % specifies the bar chart type
    width=\textwidth, % sets the width of the plot
    height=0.5\textwidth, % sets the height of the plot
    xtick=data, % uses the symbolic x coords
    ytick={0,5000,10000,15000,20000,25000,30000,35000,40000,45000,50000}, % sets the y-axis ticks
    yticklabels={0,5000,10000,15000,20000,25000,30000,35000,40000,45000,50000}, % sets the y-axis tick labels
    ylabel=HK$ million, % sets the y-axis label
    xlabel=Year, % sets the x-axis label
    legend style={at={(0.5,0.85)}, anchor=north, legend columns=-1}, % sets the legend style
    ]

% Draw bars for each category
\end{axis}
\end{tikzpicture}
\end{center}


The decrease of the Home Ownership Assistance (HOA) income was mainly due to the Housing Authority announced that 16,000 HOS flats would be transferred to public rental flats in June 2000 and a moratorium on the sale of HOS and PSPS flats for 6 months was also carried out\textsuperscript{141}. Moreover, another moratorium was made on sale of HOS flats from September 2001 to June 2002. It affected the supply of HOS/PSPS flats so that the sales proceeds income decreased. Furthermore, on 28 November 2002, the Housing Authority agreed to halt the production and sale of the HOS & PSPS flats indefinitely from 2003. The suspension of sales of returned and unsold HOS flats until end-2006 further decreased HOA income. In November

\textsuperscript{139} Prior to the announcement of the cease of HA’s Home Ownership Scheme (HOS) in November 2002, the HOA operation mainly responsible for implementing the HOS/PSPS. After the HOS was ceased, the HOA operation focuses on implementing the Home Assistance Loan Scheme.

\textsuperscript{140} Illustrated according to the data of Financial Statements and Annual reports of the Housing Authority issued between 1997/98 and 2003/04.

2004, the HA approved that all the 2,010 flats of Kingsford Terrace, a former PSPS project purchased back by the HA, are to be offered for sale as HOS flats from 2007.

The expenditure of HOA was not the largest component of the overall expenditure except in the period between 1999/00 and 2001/02. The operating expenditure dropped significantly after reaching the highest record at HK$16,910 million in 2001/02. It dropped to the lowest at HK$2,290 million in 2003/04. The main factor caused the drop was government decision to cut the expenditure on HOA and reduce the production of HOS/PSPS flats.

**Chart 19: Expenditure of the Housing Authority**


On the other hand, when we compare the surplus of HOA with the overall operating surplus of the HA, the results were very similar from 1997/98 to 2000/01 (ranged from 92.4% to 99% of the overall HA surplus). It indicated that the overall surplus of HA relied heavily on the surplus of HOA. In 1998/99, the surplus of HOA reached the peak at HK$15,873 million (98.4% of the total surplus of HA). The surplus of HOA in 2001/02 dropped significantly when it is compared with the figure of previous year. It decreased by 73.7%. However, the surplus of HOA (HK$ 3,226 million) was first time greater than the total surplus of the HA (HK$ 2,532 million). In 2003/04, the operating account of HOA was resulted in a deficit and led to the operating deficit of the HA. The deficit of HOA (- HK$1,402 million) was 5 times of the total deficit of the HA (- HK$280 million).

Ibid.
Chart 20: Comparison between the Surplus/Deficit of HOA and the total surplus/deficit of the HA

Section 4

Post-sales (Consumption) Stage of HOS / PSPS

<table>
<thead>
<tr>
<th>Section</th>
<th>Theme</th>
<th>Page No.</th>
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<tr>
<td>4.1</td>
<td>Population of Sales Flats by Courts (as at Mid-1997 and Mid-2004)</td>
<td>89</td>
</tr>
<tr>
<td>4.2</td>
<td>Owner-occupied households in HOS and PSPS Courts, 1990-2003 (as at end of financial year)</td>
<td>92</td>
</tr>
<tr>
<td>4.3</td>
<td>Property Management Services of HOS and PSPS Courts</td>
<td>94</td>
</tr>
<tr>
<td>4.4</td>
<td>Mortgage to Income Ratio among HOS/PSPS owners</td>
<td>100</td>
</tr>
</tbody>
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4.1 Population\textsuperscript{143} of Sales Flats by Court (as at Mid-1997 & Mid-2004)

In mid-2004, there were total 190 HOS/PSPS Courts in 15 districts in of Hong Kong with 1,020,800 projected populations (no HOS/PSPS courts in Central & Western District, Tsuen Wan District and Wan Chai District). In comparison with the figure in mid-1997, the total population of HOS/PSPS courts in 2004 increased by 32.9%. Most of them were located in the 8 districts of the New Territories (110 courts, 57.9%). Fewest courts were located in the 2 districts of Hong Kong Island (32 courts, 16.8%). 48 HOS/PSPS courts were located in 5 districts of Kowloon (25.3%). For details, please refer to Chart 21.

\textbf{Chart 21: Distribution of HOS/PSPS Courts in 15 Districts (as at mid-2004)}

![Distribution of HOS/PSPS Courts in 15 Districts](chart21.png)

Source: Information provided by HKHA to Dr. KY Lau in September 2004

\textsuperscript{143} Mid-1997 population estimates and mid-2004 population projection are based on different definitions of population and are derived using different methodologies. Population in rental units located in HOS/PSPS/BRO/MSS Courts is excluded.
In 1997, there were 490,700 HOS/PSPS residents in the New Territories (66.3% of all residents in HOS/PSPS courts) while with only 92,800 residents in Hong Kong Island (12.5% of all). In 2004, there were 659,700 projected population in the New Territories (64.6% of all residents in HOS/PSPS courts); 230,300 (22.6% of all) in Kowloon HOS/PSPS courts and only 130,800 in Hong Kong Island (12.8% of all). In mid-2004, there were 158,800 residents (138,500 in 1997) in HOS/PSPS courts located in Shatin District, the district with largest HOS/PSPS population sizes among all 15 districts in both 1997 and 2004. The largest population growth was made in Sai Kung and Tseung Kwan O District with only 65,500 HOS/PSPS residents in 1997 but 120,000 in 2004 (an increase of 83.2%). For details, please refer to Chart 22 and 23.

The population in Kowloon HOS/PSPS courts in 2004 has increased by 47.1% when compared with the figure in 1997. Of that, Kwun Tong District shared the largest proportion of HOS/PSPS population while fewer residents are in Kowloon City District. The largest population growth was seen in Wong Tai Sin (increased by 63.8%) when compared with the figure in 1997.

In Hong Kong Island, the HOS/PSPS population has increased by 40.9% when compared with the number in 1997. More HOS/PSPS residents were living in Eastern District than in Southern District. However, the HOS/PSPS population growth in Eastern District (increased by 38.9%) was less than Southern District (increased by 47.9%).

Source: Information provided by HKHA to Dr. KY Lau in September 2004

Chart 23: Projected Population in HOS/PSPS Courts as at mid-2004

Source: Information provided by HKHA to Dr. KY Lau in September 2004
4.2 Owner-occupied households in HOS and PSPS Courts, 1990 – 2003 (As at end of financial Year)

We can see the increasing trends of the total numbers of owner-occupied households in Hong Kong as well as in HOS/PSPS Courts. The total number of owner-occupied households in Hong Kong increased significantly from 665,200 in 1990 to 1,156,800 in 2003. It increased by 73.9%. The number of owner-occupied household in HOS/PSPS Courts rose more dramatically. It doubled from 99,900 in 1990 to 205,500 in 1997. Then, it increased to 253,000 in 2003 (2.56 times of the figure in 1990).

The percentage of total number owner-occupied households in Hong Kong among total number of households in Hong Kong increased steadily from 42.8% in 1990 to 53.1% in 2003. It increased by about 1% year after year except for the year of 2000 (it increased by 3.4% when compared with the figure in 1999).

The proportion of HOS/PSPS owner-occupied households out of the total number of owner-occupied households in Hong Kong increased steadily from 15% in 1990 to 23.4% in 1995. Later, it reached the highest record in 2001 at 26.3%. The numerous home-ownership promotion measures have in effect boosted up home ownership rate in the public sector. After that, it started to decrease in 2002 at 22.8% and further went down to 21.9% in 2003. HOS flats with premium paid and tradable in open market are excluded from 2002 onwards. For comparison, please refer to Chart 24. The change of percentage among the years was not great, usually around 1% except for the year of 1994, 1998, 2001 and 2002. An increase of 3.6 percentage point in 1994 as 35,000 households became HOS/PSPS owner-occupied households during September 1993 and September 2004. In 2002, the percentage dropped by 3.5 percentage point when compared with the figure in 2001.
Chart 24: Comparison between the total number of owner-occupied households in Hong Kong and in HOS/PSPS Courts

<table>
<thead>
<tr>
<th>Year (As at end of Sept)</th>
<th>Thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1500</td>
</tr>
<tr>
<td>1991</td>
<td>1600</td>
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<tr>
<td>1992</td>
<td>1700</td>
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<td>2001</td>
<td>2600</td>
</tr>
<tr>
<td>2002</td>
<td>2700</td>
</tr>
<tr>
<td>2003</td>
<td>2800</td>
</tr>
</tbody>
</table>

Note: (1) From 2002 onwards HOS/PSPS/flats with premium paid and tradable in open market were excluded.

(2) Percentage shown on chart is the proportion of HOS/PSPS owner-occupied households out of the total number of owner-occupied households in Hong Kong.

Source: General Household Survey (Information provided to Dr K Y Lau in July 2004 by Housing Authority)
4.3 Property Management Services in HOS/PSPS courts

Part of this section is based on researcher’s earlier study on owner-occupiers’ involvement in managing public housing estates.\(^\text{144}\) It is updated and modified for inclusion for this study.

Apart from the provision of public rental housing to the low-income families, government implemented the Home Ownership Scheme in 1977. It was the first scheme to put the public sector housing for sale. The target was the better-off tenant of the public rental housing estates and the lower-middle income families who on the one hand, could not afford to buy their flats in the private market; and on the other hand, incomes were over the income limits stipulated in the public rental housing.

In the public sector rental housing estates, the Housing Department management staff carry out property management functions. Since the introduction of the public housing sales scheme (Home Ownership Scheme, HOS) in 1977, Housing Department staffs have continued to provide management services to owners. A special clause stipulated in the Government Lease and the Deed of Mutual Covenant (DMC) that Housing Department will only manage the sold estates for the first 12 months after intake. It also mentioned that sold HOS estates, like other sold estates in the private sector, should be classified as private properties so that the owners shall take up their responsibility in the estate management.

In 1986 a pilot scheme to contract out property management services of two HOS estates (Yue Shing Court and Shun Chi Court) to private management agents (PMAs) started and owners were encouraged to form owners' corporations to take over the management responsibilities from the Housing Department. From 1989 onwards, private management agents were appointed by the Housing Department to carry out management functions of all newly-completed HOS estates while Housing Department charged the owners to render supervision services on the work of private management agents.

Owners of most HOS estates only formed owners' committee to provide advice to the property management agents and were not interested to take over the supervision and control responsibilities from the Housing Department. To avoid HOS owners' 'over-reliance' on the Housing Department, it was decided to insert a new

\(^{144}\) Lau, K Y (2002) Report of Study on Owner-occupiers' Involvement in Managing Public Housing Estates, Department of Public & Social Administration, City University of Hong Kong.
clause in the Deed of Mutual Covenant (DMC) of new HOS estates completed after 1996 – in these HOS estates, the Housing Department would only provide supervision and control services on PMAs for a maximum of 12 months. As at mid 1999, out of 118 HOS estates, only 18 had formed owners' corporations. In order to push the owners to take up their responsibilities, penalty provisions were introduced in late July 1999.\footnote{HKHA (1999) \textit{HA to facilitate Owners’ Corporation Formation}, 29 July 1999 Press Release.} This is also seen as part of government’s housing privatization strategy – this researcher has named it “housing disengagement”.\footnote{Lau, K Y (2001) Housing Privatisation: Some Observations on Disengagement and Delimitation Strategies, \textit{Housing Express}, Hong Kong: Chartered Institute of Housing, November, pp.11-16}

If the owners fail to form owners' corporations within the stipulated 12-month period and request the Housing Department to continue its management service, a commercial rate on the supervision cost for the ensuing 12 months will be charged. The commercial rate will be based on 10\% of the monthly expenditure of each of the estates in lieu of the current lump sum supervision cost of $30.3 per flat per month. Where HOS owners have been paying the commercial rate for one year but still refuse to form an owners' corporation, the Housing Department, as a last resort, considers the relinquishment of the management rights and obligations under the DMC by assignment to a PMA.

Housing Department prepared a paper\footnote{Housing Department (1999) Legislative Council Panel on Housing Paper – Management Fees of Home Ownership Estates -- http://www.legco.gov.hk/yr98-99/english/panels/hg/papers/hg01025c.htm} for Legislative Councillors’ information in January 1999. In the paper, it introduced the criteria for fixing management fees for HOS estates managed by property management agents (PMAs) under the supervision of the Housing Authority (HA).

As at early 1999, under DMC, HOS estates managed by PMAs (appointed by HA) were supervised by Housing Department staff. To cover the administration overheads and staff costs incurred by Housing Department, a supervision cost\footnote{The supervision cost levied by the HA covers costs of supervisory management and maintenance staff, and administrative overheads of HA. It is determined on the basis of cost recovery. Only actual expenses incurred are charged and shared among flat owners. The HA adjusts supervision cost annually, having regard to actual expenses incurred in the current year and anticipated changes in spending pattern in the coming year. In early 1998, the HA froze the supervision cost for 1998/99 at the 1997/98 level. Subject to the decision of the Home Ownership Committee of HA, HA will maintain the level of supervision cost of $30.3 for each flat for 1999/2000.} was collected from flat owners.

According to this paper: “In accordance with Building Management Ordinance, the management fee of an HOS estate is fixed to defray the cost of
exercising the owners’ powers and duties under the respective DMC and to pay all outgoings arising from its proper management. In fixing the fee, the age, state of repair, and owners' management expectation of their estate are taken into account. Apart from recurrent operating expenses, the fee provides for a reserve for non-recurrent expenses like maintenance of equipment, slopes and buildings, and a saving for emergency use. As mentioned earlier, the management fee also includes the supervision cost charged by HA. A breakdown of the expenditure items of management fee is listed below:

Breakdown of the expenditure items of management fee

The expenditure items of management fee for HOS estates in early 1999 included:

a. Recurrent operating expenses
   - On-site court management staff of PMA
   - Building and security staff
   - Repairs and maintenance
   - Cleaning
   - Electricity
   - Water
   - Audit fee
   - Insurance
   - Stores, stationery and staff uniforms
   - Remuneration for PMA (including management fee, staffing & administration cost)
   - Miscellaneous

b. Transfer to maintenance and repairs fund (for planned maintenance of equipment, slopes and buildings)

c. Transfer to accumulated fund for emergency purpose (as a matter of policy, a saving of not less than three months the management fee level should always be kept for each HOS estate for good building management purpose.)

d. Housing Authority supervision cost."

Based on the Details of HOS/PSPS Flats in Previous Sales\textsuperscript{149}, it is noted that there were 143 HOS projects and 47 PSPS projects categorized for sales under Phase 1 (application date: February 1978) to Phase 17B (application date: November 1995). In mid 1999, out of 104 pre-Phase 18A HOS courts, only 11 had formed Owners Corporations (OCs) and accepted the ultimate property management responsibilities.

\textsuperscript{149} HKHA website:
As one HOS Court may have been sold under different phases [e.g. Fu Keung Court in Wong Tai Sin District was sold under Phase 11C (December 1989), 13A (April 1991), and Phase 14C (December 1992), three separate Owners’ Corporations have been formed], HOS/PSPS projects (each part of the HOS/PSPS sold under different phase is known as project in this report) are used instead of courts.

After government’s push for housing privatization (disengagement of property management services / ultimate responsibility be returned to Owners Corporations), the management responsibility of HOS projects sold before Phase 18A changed significantly. As at 1 April 2004 HOS projects under Property Management Agencies (PMAs) or / Property Services Companies (PSCs) has been reduced to 11. By April 2004, 16 PSPS Projects (and 1 Middle Income Housing Scheme project) were still under developer’s appointed property management agents’ services and 131 OCs have been formed in HOS projects and took back the ultimate property management supervision responsibility from the HA. Another 31 PSPS projects have also formed OC.

Among those 62 HOS / PSPS projects sold under Phase 18A and thereafter, 13 are PSPS projects by April 2004. Among these 13 PSPS projects, 8 have formed OCs and 5 still used developer’s appointed property management agents’ services. Among 49 HOS projects, 35 projects had formed OCs and 14 still used PMA/PSC. Given these, we can conclude that over 80% of HOS/PSPS are now under OCs’ management responsibilities.

Three examples are selected based on the lowest / median / highest management charges per square metre Gross as at 1 April 2004\textsuperscript{150}. Three courts (one in urban, one in sub-urban and one in New Territories) with similar number of flats are selected for comparison purpose. It is noted that management fees per square metre (Gross Floor Area) are reduced in two courts but increased in one Court between 1998/99 and 2004/05 (see Table 6 below). It is possible that Hong Tin Court (with three blocks) has a higher overhead cost per flat than that of the other two HOS courts as each has only one and two blocks respectively. Average management fee in Hong Tin Court has been always higher than the other two courts and was more than double of that in Ho Ming Court in 2004/05. The formation of OCs does not guarantee a reduced or lower management charge.

\textsuperscript{150} Information provided to Dr K Y Lau by the HKHA in mid July 2004.
### Table 6: Average Management Fee (HK$) per square metre Gross

<table>
<thead>
<tr>
<th>Name of HAHOS Court</th>
<th>Ho Ming</th>
<th>King Nga</th>
<th>Hong Tin</th>
</tr>
</thead>
<tbody>
<tr>
<td>District</td>
<td>Sub-urban – Tseung Kwan O</td>
<td>NT – Tai Po</td>
<td>Urban – Kwun Tong (Lam Tin)</td>
</tr>
<tr>
<td>No. of Blocks</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>No. of Flats</td>
<td>814</td>
<td>700</td>
<td>792</td>
</tr>
<tr>
<td>Flat Size: GFA (sq.m.)</td>
<td>46.6-64.9</td>
<td>47.8-76.8</td>
<td>43.3-59.4</td>
</tr>
<tr>
<td>Date of completion</td>
<td>Nov 1990 / Phase 11C</td>
<td>June 1992 / Phase 13B</td>
<td>Oct 1981 / Phase 3A</td>
</tr>
<tr>
<td>Management Responsibility as at 1.4.2004</td>
<td>Owners Corporation</td>
<td>Owners Corporation</td>
<td>Owners Corporation</td>
</tr>
<tr>
<td>Management Agent as at 1.4.2000</td>
<td>Shui On</td>
<td>Hsin Chong</td>
<td>Kai Shing</td>
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<tr>
<td>2004/05</td>
<td>HK$6.00</td>
<td>HK$8.84</td>
<td>HK$13.50</td>
</tr>
<tr>
<td>2000/01</td>
<td>HK$7.39</td>
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<td>HK$11.65</td>
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<tr>
<td>1998/99</td>
<td>HK$7.21</td>
<td>HK$9.36</td>
<td>HK$10.89</td>
</tr>
</tbody>
</table>

Source: Information provided to author by the HKHA.

As at 1 April 2004, there are a total of 252 HOS/PSPS projects. Out of these 252 HOS/PSPS projects, 205 owner corporations (OC) in HOS/PSPS projects were responsible for managing the courts (81% of the total number of HOS/PSPS projects). Property management agencies have been appointed by the OCs. 25 HOS/PSPS projects were provided by Property Managements Agents (PMA) and under the supervision of Housing Department\(^\text{151}\) and 22 projects were provided by the developers\(^\text{152}\). As at 1 April 2005, 5 more new OCs were set up in HOS/PSPS. The management services of 22 projects were provided by PMA and the other 20 projects were provided by the developers.

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\(^{151}\) Owner Corporations are yet to be formed in these HOS/PSPS projects.

\(^{152}\) Developer-appointed or associated property management companies have been providing property management services in these PSPS courts.
The information on monthly management fee is not released in 85 projects. The highest monthly management charge per M² is HK$15.3 (Hong Wah Court at Lam Tin, Phase 8B, with 1,680 flats in 3 blocks). The lowest charge per M² is HK$6 (Ho Ming Court, Phase 11C with 814 flats in 1 block; Kwong Ming Court, Phases 18B & 18C, with 3,648 flats in 6 blocks for stage I and 608 flats in 1 block for stage II). Among all the 167 projects with released data, the monthly management fees of 5 projects were offered in a range instead of a single amount. For those cases with a price range, e.g. $7.6 - $10 per M², the average value will be counted for analysis. The mean and median charges of the 167 projects are $9.35 and $9.18 respectively. Most of the projects charged the monthly management fee at the range from $8 to $9.99 (41.3% of 167 projects). For details, please refer to Chart 26.

Chart 26: Frequency distribution of the amount of monthly management charges of HOS/PSPS projects (as at 1 April 2004)
4.4 Mortgage to Income Ratio among HOS/PSPS owners

According to the ACNielsen 1996 survey, the Median Mortgage-to-Income Ratio (MMIR) was 33%. The MMIR was lower for those in public permanent housing (27%) than those in private permanent housing (36%). There is generally a negative association between MMIR and the number of years flats had been purchased. The longer the flats had been purchased the smaller the MMIR. For households who preferred buying a flat, the affordable MMIR was 40%, which was also higher than the current MMIR among current owners (33%). Households living in private housing could afford a greater MMIR (40%) than those living in public housing (35%).

According to a survey conducted by ACNielsen (1997) [the survey was carried out in 1996 and sponsored by the Planning Department], the median of maximum percentage of income considered appropriate for mortgage (affordable Median Mortgage-to-Income Ratio, or affordable MMIR) was 28% which was about eight percentage points higher than that for renting. In other words, aspiring home owners are prepared to spend more of their income on mortgage than on renting. Similarly, public rental households would expect to spend a lower percentage of their income for mortgage (MMIR was 22%) (Table 7). HOS/PSPS households considered a MMIR at 33% affordable and private housing households considered MMIR at 34% affordable. These considered MMIR levels are all higher than the existing MMIRs.

In 1999, Planning Department commissioned another consultant (MDR) to conduct a similar survey. Survey results were made public in 2000 (MDR, 2000).

Table 7 shows the results of the survey regarding existing MMIR and affordable MMIR.

---

153 Some part of this section is extracted from author’s earlier work: Lau, K Y (2001) A Comparison of Indicators used in Measuring Housing Affordability in Hong Kong and their Validity, Working Paper No. 2 / 2001, Department of Public and Social Administration, City University of Hong Kong.
Table 7: Existing MMIR and affordable MMIR as shown in 1996 and 1999 surveys

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Existing Median Mortgage-to-Income Ratio (%)</th>
<th>Affordable Median Mortgage-to-Income Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public rental housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HOS/PSPS</td>
<td>23</td>
<td>27*</td>
</tr>
<tr>
<td>Private housing</td>
<td>33</td>
<td>36</td>
</tr>
<tr>
<td>Overall</td>
<td>30</td>
<td>33</td>
</tr>
</tbody>
</table>


*1999 survey responses included all respondents from subsidised sale flats in HOS/PSPS, Tenants Purchase Scheme (TPS), and flats built under the Housing Society Flat-for-Sale Scheme (FSS).

**1999 survey affordable MMIR responses are from all respondents from public housing who preferred buying a flat with mortgage, in other words, figures are not restricted to those from HOS/PSPS.

Results of the two surveys show that in general public sector respondents paid a lower MMIR and could also afford a lower MMIR than their private sector counterparts. As the affordable MMIR is higher than the current MMIR, could financial institutions or private developers or housing authorities take this as indicator for price increase “because respondents could afford a higher MMIR”? It is worth noting that MMIR for all respondent groups in either public or private sector is an average figure. It fails to show the fact that the shorter the period of home purchase the higher is the MMIR. As revealed in the 1999 survey, MMIR of home owners on mortgage and purchased within the last five years were already higher than the average affordable MMIR. It is therefore inappropriate to make reference only to the overall affordable MMIR when making important decisions regarding housing development or home financing policies for prospective home owners.

Hong Kong Housing Authority’s papers on Household Profile in Public Housing contain socio-economic characteristics of Home Ownership Scheme (HOS) households. The latest available paper shows that Median Mortgage-to-income

---

Ratio (MMIR) in 1991/92 was 19%. In 1997/98, MMIR was increased to 25.9%. In 1999/00, it was further increased to 28%. The Median Monthly Mortgage Repayment among HOS mortgagors was HK$2,500 in 1991/92. It was increased to HK$6,000 and HK$7,000 in 1997/98 and 1999/00 respectively. Recurrent Survey 2000 also shows that 62.1% HOS households (and about 95% of the newly-rehoused HOS households who had moved to HOS for less than four years) had to pay mortgages. However in the Recurrent Survey 1999, only 63.7% of HOS owners (and about 92% of the newly-rehoused HOS households who had moved to HOS for less than four years) still had to pay mortgages for their homes. The proportion of subsidised sector owners-occupied households with mortgage as reflected in the Hong Kong 2001 Population Census (60.3% of all subsidised sector owners-occupied households [320,122]) is very similar to the figures quoted from the two Housing Department-commissioned Recurrent Surveys of 1999 and 2000. Comparatively speaking, the proportion of private sector owners-occupied households with mortgage [47.7% of all private sector owners-occupied households (719,878 households)] is smaller than that in the subsidised sector. Statistics of the General Household Surveys show that in 1991/92, median income of HOS households was HK$12,700, nearly a double when compare to the figures in 1986 (HK$7,100). It then increased to HK$21,100 in 1997/98 and slightly dropped to HK$20,700 in 1999/00.

According to the Recurrent Surveys conducted in 2002 and 2003, the MMIRs of the HOS households were 26.8% and 26.7% respectively. They dropped slightly when compare with the figures in 2000. However, for Survey 2003, the figures of households in HOS flats that can be traded in open market (OM) were separated from other HOS households. The MMIR of these households in HOS OM flats was 28.0%. The Median Monthly Mortgage Repayment among HOS mortgagors was HK$6,000 in 2002. It dropped to HK$5,500 in 2003 (HK$6,300 for households in HOS OM flats). The median income of HOS households was HK$20,600 and HK$18,200 (HK$20,000 for households in HOS OM flats) in 2002 and 2003 respectively.

Median Mortgage-to-income Ratio were based on Housing Department’s Recurrent Surveys. In the Recurrent Survey 2000, 1,200 HOS households were conducted in January and February 2000. Dr K Y Lau’s calculation based on Hong Kong 2001 Population Census information. Data was provided by HKHA extracted from GHS to Dr. K Y Lau in May 2005. Hong Kong Housing Authority (2003) The Public Housing Recurrent Survey 2002, SHC Paper 29/2003. Hong Kong: Housing Authority.
Section 5

Re-sale Stage (with buy-back options or sold to purchasers at Secondary or Open markets) of HOS / PSPS

<table>
<thead>
<tr>
<th>Section</th>
<th>Theme</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Number of HOS/PSPS flats subject to the Housing Authority Buy-back arrangement and actual number of buy back</td>
<td>104</td>
</tr>
<tr>
<td>5.2</td>
<td>HOS and PSPS flats sold in Secondary Market, 1997/98 to 2004/05</td>
<td>107</td>
</tr>
<tr>
<td>5.3</td>
<td>HOS and PSPS flats sold in the Open Market, January 2001 to March 2005</td>
<td>111</td>
</tr>
</tbody>
</table>
RE-SALE STAGE OF HOS / PSPS

5.1 Number of HOS/PSPS flats subject to the Housing Authority Buy-back arrangement and actual number of buy back

Statistics on buy-back of HOS / PSPS flats are only available from 1998/1999 onwards. In the period between 1998/99 and 2004/05, the Housing Authority (HA) received the largest number of applications for selling back their HOS/PSPS flats (3,421) in 1998/99. However, the number of flats actually sold back to HA in 1998/99 was just 1,541 (45% of the applications, the lowest percentage recorded in 7-year period). The number of applications in 1999/00 was just 36.5% of the record in previous year and the actual number of flats sold back to HA was 989 (79.3% of the applications). Prior to 2003/04, the number of flats sold back to HA varied from 63% to 69% of the applications. In 2003/04, the number of flats sold back to HA was greater than the number of applications as some were carried forward from previous years. (2,144 applications and 2,381 flats). Both of the number of applications received (368 applications) and actual number of flats (288 flats) sold back to HA dropped significantly in 2004/05. Chart 27 shows the details of the number of HOS/PSPS buy-back cases.

When we further examine the details about the number of HOS/PSPS buy-back cases by month, it was discovered that there was an upward trend of the number from April 1998 to February 1999. Then it dropped significantly until November 1999. It increased steadily from January to the second half year and dropped dramatically in December 2000. In 2001, the number of buy-back cases ranged from 40 to 84 per month. The number went up and down in 2002 and rose to 249 in December and 255 in January 2003. After it has reached its peak in August 2003 (398 buy-back cases), the number of buy-back cases decreased significantly and recorded in the lowest point in April 2004 (19 cases). In 2005, the total number of HOS/PSPS buy-back cases for the first 3 months is 64.
### HA/HD's Notes:

1. The statistics on buy-back of HOS / PSPS flats are only available from 1998/1999 onwards.
2. Immediately prior to the current Schedule to the Housing Ordinance that came into effect on 1.6.1999, the resale restriction period was 10 years from the date of first assignment. The buy-back price was the original price for flats within the initial 3 years and the price assessed at the prevailing HOS price level for flats within 4th - 10th year respectively. From 1.6.1999 onwards, the resale restriction period is 5 years from the date of first assignment. The buy-back price is the original price for flats within the initial 2 years and the price at assessed market value less the original discount for flats within 3rd - 5th year respectively.
3. No statistics on the reasons of buy-back application are available.
4. While due care has been exercised in compiling the figures provided, the Housing Authority / Housing Department is not responsible for the accuracy of the information.

HKHA/HD did not ask applicants why selling HOS/PSPS flats back to HKHA/HD. On average, less than 1,300 HOS/PSPS owners in total sold their flats to HKHA/HD per annum under the buy-back arrangement in this 7-year period (1998/99 - 2004/05). Out of these, on average, around 829 owners per annum sold their HOS/PSPS flats at original price. Since the total number of HOS/PSPS flats subjected to the sold back restrictions was not available for the year 1998/99, the comparison between the total/average number applications received or actual number of flats sold back to HKHA with the total number/average number of flats subjected to the sold back restrictions can not be made in this project. When comparing the figures by financial year, the greatest number of available HOS/PSPS flats subjected to sell at original price and assessed price restrictions, could be found in 2001/02 (107,986). In spite of the large amount of available flats, the ratio of actual total number of flats (760) sold to total number of flats subjected to the sold back restrictions was just 0.7%, representing the lowest ratio in the 7-year period.
On the other hand, more HOS/PSPS owners made use of this buy-back arrangement in 2002/03 and 2003/04 (1,533 cases and 1,928 cases respectively, representing 10.6% and 4.3% of total number of HOS/PSPS flats subject to restrictions on sold back at Original Price in 2002/03 and 2003/04 respectively) as the private property prices continued to fall in these 2 years. Selling back flats at original prices is more beneficial to these owners because if they eventually sold their flats within third to fifth year after purchase, what they could get is a much lower price than the original prices as the assessed market value of their HOS/PSPS had dropped significantly between 2000/01 to 2003/04. In 2004/05, however, the number of HOS/PSPS flats sold back to HKHA at original prices dropped significantly, it might due to less available flats can be sold back at original price as well as less applications received (58 successful cases, representing 4.3% of 1,363 HOS/PSPS flats subjected to restrictions on sold back at original price).

The average number of HOS/PSPS flats sold back to HKHA/HD at assessed market value less original discount for flats within third to fifth year is 459 per annum. But in 1998/99, there are 1,201 cases (2.4 times of average). A larger number of HOS/PSPS owners sold their flats within third to fifth year in 1998/99 could be a result of the poor economy and high unemployment rate after the 1997 Asian financial crisis. Also, only 350 applications for and 182 flats sold back to HA at assessed price in 2001/02, 0.4% of the total flats subjected to the restrictions on that category representing the lowest ratio in the 7-year period.

As at 31 October 2005, all HOS flats have expired the 2-year restriction period in October 2004 as HOS/PSPS sales ceased in early 2003. However, 31,831 flats under 22 HOS/PSPS projects are still subjected to the buy-back arrangement (within third to fifth years from the date of first assignment). These flats can be sold back to the HA by deducting the discount (fixed at time of purchase) from the flats prevailing assessed market value.
5.2 HOS and PSPS flats sold in Secondary Market, 1997/98 to 2004/05

According to the Hong Kong Housing Authority, “there are two secondhand HOS/PSPS markets, namely the open market (OM) and the secondary market (SM). The OM is opened to all parties provided that the original owners have paid the necessary premium to the Housing Authority after five years from the date of first assignment. With the introduction of the SM in mid-1997, HOS/PSPS owners can sell their flats to sitting or potential public rental housing (PRH) tenants without the payment of premium after two years from the date of first assignment.”

Following the relaxation of resale conditions for HOS/PSPS flats in June 1999, the tradable stock in both markets increased sharply.

Table 8: Tradable stock in Open Market and Secondary Market

<table>
<thead>
<tr>
<th>Year (as at end June)</th>
<th>Tradable stock in</th>
<th>Total HOS/PSPS flats</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OM*</td>
<td>SM</td>
</tr>
<tr>
<td>1997</td>
<td>78,400</td>
<td>153,200</td>
</tr>
<tr>
<td>1998</td>
<td>84,500</td>
<td>158,300</td>
</tr>
<tr>
<td>1999</td>
<td>180,800</td>
<td>189,900</td>
</tr>
<tr>
<td>2000</td>
<td>190,200</td>
<td>202,500</td>
</tr>
<tr>
<td>2001</td>
<td>208,500</td>
<td>215,100</td>
</tr>
</tbody>
</table>

Note: * The tradable stock in OM comprised -
(a) pre-HOS 3B flats;
(b) premium paid flats; and
(c) flats aged \( \geq 10 \) years (for 1997 and 1998) or flats aged \( \geq 5 \) years (from 1999 onwards).

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161 In June 1999, the re-sale restriction period for HOS/PSPS flats in the Open Market was shortened from 10 to 5 years, and that in the Secondary Market from 3 to 2 years.
The HOS Secondary Market Scheme (HOSSMS) was established in June 1997. Under this scheme, the HOS/PSPS flats owners can either sell the flats in HOS secondary market to public housing tenants and Green Form Certificate holders without payment of premium after two years from the date of first assignment. The scheme aimed at increasing the turnover of HOS flats as well as to improve the recovery rate of public rental housing flats so as to achieve better allocation of public housing to families in need.

“Transactions in the HOS Secondary Market are similar to that in the open market. The purchaser and the seller may negotiate the price freely and conclude the deal either directly or through an estate agent. Purchasers of flats in the HOS Secondary Market will assume the liability to pay the premium if they sell their flats at the open market in the future.”

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163 Ibid.
164 'First assignment' refers to the date of the first deed of assignment of a particular flat from the HA to a purchaser and, in the case of Private Sector Participation Scheme (PSPS) flats, from the developer to the purchaser nominated by the HA. However, since a small portion of PSPS flats have been previously purchased by the HA and then sold to purchasers, the date of first assignment also refers to the date of the first deed of assignment of the flat from the HA to the purchaser. (Source: HKHA).
As at the end of March 2005, a total number of 25,863 applications for purchase and 31,719 applications for HOS/PSPS sale in the secondary market were received. A total of 18,561 transactions were recorded. Since its first operation and up to the end of 2004/05, 15,008 PRH flats have been recovered for allocation to needy families upon sitting tenants’ purchase of secondary market HOS/PSPS flats. The greatest number of applications (4,737 application for purchase and 6,197 applications for sale) and transactions by year (3,494) were found in 1999/00. Among that, 3,023 PRH flats were recovered. The lowest figures were recorded in 1997/98 as the scheme only started in June 1997. There were 1,639 applications for purchase and 2,547 applications for sale received. Among the total number of 989 SMS transactions in 1997/98, 937 PRH flats were recovered.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Applications for Purchase</th>
<th>No. of Applications for Sale</th>
<th>No. of transactions Recorded</th>
<th>No. of PRH flats Recovered</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997/98</td>
<td>166</td>
<td>166</td>
<td>166</td>
<td>166</td>
</tr>
<tr>
<td>1998/99</td>
<td>352</td>
<td>287</td>
<td>352</td>
<td>352</td>
</tr>
<tr>
<td>1999/00</td>
<td>641</td>
<td>392</td>
<td>641</td>
<td>641</td>
</tr>
<tr>
<td>2000/01</td>
<td>346</td>
<td>217</td>
<td>346</td>
<td>346</td>
</tr>
<tr>
<td>2001/02</td>
<td>323</td>
<td>168</td>
<td>323</td>
<td>323</td>
</tr>
<tr>
<td>2002/03</td>
<td>342</td>
<td>187</td>
<td>342</td>
<td>342</td>
</tr>
<tr>
<td>2003/04</td>
<td>334</td>
<td>176</td>
<td>334</td>
<td>334</td>
</tr>
<tr>
<td>2004/05</td>
<td>304</td>
<td>166</td>
<td>304</td>
<td>304</td>
</tr>
</tbody>
</table>

Source: Information was provided to Dr. K Y Lau by Hong Kong Housing Authority in July 2004 and May 2005.

**Transaction in Secondary Market**

According to the Housing Authority, the secondary market has become much more active than before because Green Form Home Purchase Loan Scheme (HPLS) applicants have been allowed to purchase flats in the SM since August 1998. Also, the relaxation of resale restriction from three years to two years implemented from 1 June 1999 enhanced more GF applicants to purchase HOS flats under HOSSSMS. For the year of 1999/00, over 70% of the transactions in the secondary market were made with the loan facilities under HPLS. HA statistics show that the majority (98%) of the flat purchasers in the SM was HPLS recipients.\(^{166}\)

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\(^{166}\) Housing Authority (2002). “Memorandum for the Home Ownership Committee – Characteristics of
Table 9: Transaction in Secondary Market

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of transactions in Secondary Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 97 – June 98</td>
<td>1,100</td>
</tr>
<tr>
<td>July 98 – June 99</td>
<td>2,700</td>
</tr>
<tr>
<td>July 99 – June 00</td>
<td>3,400</td>
</tr>
<tr>
<td>July 00 – June 01</td>
<td>2,400</td>
</tr>
</tbody>
</table>

Note: Transactions refer to those cases having the assignments signed.

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Secondhand HOS/PSPS Flat Purchasers 2001”, HOC paper: 8/02. Hong Kong: Housing Authority.  
Ibid.
5.3 HOS and PSPS flats sold in the Open Market, January 2001 to March 2005

After five years from the date of first assignment\(^{168}\), HOS/PSPS flats owners can either sell the flats in HOS Secondary Market (SM), or in the Open Market (OM). The Open Market is opened to the public provided that the original HOS/PSPS flat owners have applied for premium assessment and then paid the premium\(^{169}\) to the HA. Later the original owner would receive the certificate for removal of alienation restrictions.

Prior to June 1999, the re-sale restriction period for HOS/PSPS flats in Open Market was 10 year. After the relaxation of the resale condition to 5 years, the tradable stock increased significantly.

“There HOS/PSPS flats in the OM comprise pre-phase 3B flats (about 17 300 flats) and those with premium paid. The proportion of premium paid flats rose steadily from 1% in 1993 to 17% in 1998. Following a major expansion in the tradable stock in 1999, the proportion of premium paid flats was held back at about 11% thereafter.”\(^{170}\)

<table>
<thead>
<tr>
<th>Year (as at end June)</th>
<th>Tradable stock in OM</th>
<th>Premium-paid flats</th>
<th>Proportion of premium paid flats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>26 500</td>
<td>146</td>
<td>1%</td>
</tr>
<tr>
<td>1994</td>
<td>37 700</td>
<td>1 131</td>
<td>3%</td>
</tr>
<tr>
<td>1995</td>
<td>54 000</td>
<td>2 400</td>
<td>4%</td>
</tr>
<tr>
<td>1996</td>
<td>67 200</td>
<td>6 059</td>
<td>9%</td>
</tr>
<tr>
<td>1997</td>
<td>78 400</td>
<td>10 279</td>
<td>13%</td>
</tr>
<tr>
<td>1998</td>
<td>84 500</td>
<td>14 619</td>
<td>17%</td>
</tr>
<tr>
<td>1999</td>
<td>180 800</td>
<td>16 804</td>
<td>9%</td>
</tr>
<tr>
<td>2000</td>
<td>190 200</td>
<td>20 113</td>
<td>11%</td>
</tr>
<tr>
<td>2001</td>
<td>208 500</td>
<td>22 634</td>
<td>11%</td>
</tr>
</tbody>
</table>

\(^{168}\) ‘First assignment’ does not refer to the completion date of an HOS court. For HOS flats, the date of first assignment refers to the date of the first deed of assignment of a particular flat from the HA to a purchaser and, in the case of Private Sector Participation Scheme (PSPS) flats, from the developer to the purchaser nominated by the HA. However, since a small portion of PSPS flats have been previously purchased by the HA and then sold to purchasers, the date of first assignment also refers to the date of the first deed of assignment of the flat from the HA to the purchaser. (Source: HKHA).

\(^{169}\) Premium of a flat is calculated by a formula stipulated in the schedule to the Housing Ordinance, proportional to the discount enjoyed at time of purchase.


\(^{171}\) Ibid.
The total number of HOS and PSPS flats sold in the Open Market by year from 2001 to 2003 was similar. It varied from 3,500 to 3,790. However, the number of HOS/PSPS flats sold in 2004 increased significantly to 5,840 (provisional figures). That is an increase of 54% over previous year. The total number of HOS/PSPS flats sold in the first three months of 2005 was 1,480.

The monthly average number of HOS and PSPS flats sold in the Open Market in 2001 (297 flats) and 2002 (292 flats) were similar. It increased slightly to 316 flats in 2003 and significantly to 487 flats (an increase of 67%) in 2004.

In 2001, more flats were sold in the open market in the mid-year while fewer flats in the early and end of the year. Fewer flats were sold in the second half of 2002. In the 4-year period, the lowest sale figure was recorded in 2002 in October and December (210 flats). In 2003, more flats were sold in the second half of the year and the sale figures started to increase to over 400 since October. In 2004, all monthly figures were near 400 flats or above. It even reached 640, the highest record, in November. Chart 31 shows the comparison for the figures recorded from 2001 to 2004.

\(^{172}\) Ibid.
Chart 31: Number of HOS & PSPS flats sold in the Open Market, January 2001 to May 2005

Source: Data were obtained from HA on 19 July 2004 and updated in February and May 2005
CONCLUDING REMARKS

The Housing Authority Home Ownership Scheme (HAHOS or HOS) and the Private Sector Participation Scheme (PSPS) have provided affordable home for over 325,000 families between 1979/80 and 2003/04. HOS/PSPS is regarded as the most important public policy measure promoting home ownership among low to middle-income households. The overall home ownership rate increased from 35% in 1983/84 to 55% in 2000/01. The increase in overall home ownership rate is largely due to the provision of HOS/PSPS (see Chart 32 below).

Chart 32: Home Ownership Rate in Hong Kong

![Home Ownership Rate Chart]


In this report, a number of features and changes of the HOS/PSPS are identified:

1. Production of HOS/PSPS increased as government decided to promote home ownership among low to middle-income households. Reduction or termination of HOS/PSPS supply is a response to the changes in the property market (prices dropped by 60% between late 1997 and 2002). Policy on HOS/PSPS is seen as part of the marco-economic policies – decision on reduction / termination of HOS/PSPS signifies a re-positioned housing policy. Government withdrawal from its public housing developer’s role aimed at restoring the public's confidence in the property market.
2. There is improvement of design of HOS/PSPS flats and estates over the years. The provision of Concord with ensuite bathroom to master bedroom in HOS 3-bedroom flats is a big step forward in HOS design. When this design was first developed in 1995, it was much publicized by the HKHA. As the first HOS Concord Design Estate was completed in September 1999, it has become a target of severe criticism. Together with the improved design in PSPS estate such as Bauhina Garden (sold and completed in early 2001, a project featuring intelligent home capability with broadband optic fiber pre-installed in every flat, fitted with high quality decorations in kitchen and bathroom and a 25-meter outdoor swimming pool), HOS/PSPS were seen by the developers as a threat to their survival.

3. Since March 1994, more flats were built at saleable floor area of 50 m² to 59.9 m² (about 37% to 41.4% of all HOS/PSPS flats built). HOS/PSPS at saleable floor area 50 m² to 59.9 m² has become the typical flat size upon the introduction of Concord Block design in building Tin Shing Court Phase 3 in Tin Shui Wai. The proportion of the small size flats (< 40 m²) dropped (from 42% of HOS/PSPS flats built in the year ending March 1987 to 21.6% in 2004).

4. HOS/PSPS is also seen as an important policy instrument to induce public tenants to leave the public rental housing. Prices were set at affordable level and sitting tenants were not required to go through income or assets tests and were given a higher priority and more quotas in HOS/PSPS flat selection. As a result, out of 310,590 HOS/PSPS flats sold between 1977/78 and 2002/03, 57% (176,716 flats) were sold to Green Form applicants (most of them were sitting tenants of public rental housing). Statistics for the period 1981/82 to 2003/04 show that the number of flats recovered after HOS/PSPS purchase were over 6,700 annually in the period between 1981/82 and 2001/02. Of these, the highest number of flats recovered (15,733 flats) was recorded in 1993/94. The number dropped in subsequent years. It was because the HOS sales were scaled down and finally ceased in 2003.

5. Target groups eligible for HOS/PSPS were also widened to include prospective public housing tenants (in 2000/01) and single Green Form applicants (since April 1996) and single White Form applicants (since
December 1999). On the other hand asset test was introduced to White Form applicants (since Phase 20A, November 1998) on top of the existing income and property-ownership tests already applicable to them. This is to safeguard the rational allocation of public housing resources. This measure enables the Housing Authority to focus its resources on those in genuine need and those who can have sufficient assets to finance home ownership in the private market on their own were barred from joining the schemes.

6. Demand for and sales rate upon first sales excises of HOS/PSPS flats were persistently high for many years (till 1997). The number of applicants to the number of flats for sales is 9.8 for the period 1977/78 to 2002/03 (the period when HOS/PSPS were available for applications). At the peak (in 1979/80), the number of applicants to the number of flats for sales was 26.5. The number of applicants to the number of HOS/PSPS flats for sales dropped from 11.3 in 1996/97 to 2.1 in 2002/03.

7. Demand for HOS/PSPS is not only reflected by the number of applicants over the number of flats available for sales. It is also reflected by the percentage of flats on sales actually sold to applicants upon the first sales exercises. In the 25 financial years (1977/78 to 2002/2003), 98% of about 316,600 HOS/PSPS flats were sold to successful applicants upon first sales exercises and the remaining two percent not sold were all sold out in subsequent sales exercises. Only in Phase 24A (July 2002) that out of 2,451 flats available for sales, 56% (1,361) were successfully sold to applicants. Senior housing official remarked that “the advantages and value of the HOS are gradually diminishing, so are its role and attractiveness.”

8. Prices of HOS/PSPS flats were set to ensure that they were affordable. The guiding principles were, first, to ensure that the median mortgage-to-income ratio would not exceed 40% and, second, to ensure that 50% of the flats should be affordable to families within the HOS Income Limit. Discount to assessed market value of HOS/PSPS flats will be adjusted (a higher discount would be applied when private property prices were high; a lower discount would be used when private property prices were low) to ensure affordability. Planning Department surveyed data and HKHA information on HOS/PSPS affordability ratios confirmed that guiding principles were followed.

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Proceeds from HOS/PSPS projects were the main source of revenue of Hong
Kong Housing Authority. Operating surplus from HOS/PSPS accounts was
sufficient to pay for a large part of HKHA overall capital expenditure (for the
funding of public housing building programme). Statistics show that in
1997/98, HOS/PSPS operating surplus (at $11,641 million, after paying
exceptional items) was sufficient to pay for 78% of overall capital expenditure
(total $ 14,851 million) of the HKHA. As Government reduced its
HOS/PSPS sales and finally ceased all sales in 2003, the HOS/PSPS operating
surplus dropped to $ 8,307 million in 1999/00 (could only fund 26% of all HA
capital expenditure of that year), and to $725 million in 2002/03 (could only
fund 8% of HA’s capital expenditure). There is an urgent need for HKHA to
find new way of funding its capital expenditure. Government’s renewed
commitment of allocating general revenue to fund the capital projects of
public rental housing should be actively explored.

The use of housing privatization strategy is not only restricted to inducing
public rental housing tenants to purchase public sales flats in the HOS/PSPS, it
has also involved a large-scale housing disengagement programme. Property
management services in both HOS/PSPS and Public Rental Housing Estates
were contracted out to private property management agents. In HOS, owners
were expected to take over the ultimate management responsibilities. In mid
1990s, only a smaller number of HOS courts were found with Owners
Corporation. In April 2005, 83% of HOS projects were found with Owners
Corporation (for comparison purpose, it is noted that 65% of PSPS projects
were found with Owners Corporation). Housing Department’s supervision
role on HOS estate is diminishing throughout these years.

The buy-back arrangement in the HOS/PSPS is a special feature providing
assurance to buyers. Given this, HOS/PSPS owners could sell the flats at
buy-back price to the HKHA. Immediately prior to the current Schedule to
the Housing Ordinance that came into effect on 1.6.1999, the resale restriction
period was 10 years from the date of first assignment. The buy-back price
was the original price for flats within the initial 3 years and the price assessed
at the prevailing HOS price level for flats within 4th - 10th year respectively.
From 1.6.1999 onwards, the resale restriction period is 5 years from the date
of first assignment. The buy-back price is the original price for flats within
the initial 2 years and the price at assessed market value less the original
discount for flats within 3rd - 5th year respectively. A larger number of HOS/PSPS owners sold their flats within third to fifth year in 1998/99 could be a result of the poor economy and high unemployment rate after the 1997 Asian financial crisis.

12. The active promotion of the HOS/PSPS secondhand markets is another housing privatization move. There are two secondhand HOS/PSPS markets, namely the open market (OM) and the secondary market (SM). The OM is opened to all parties provided that the original owners have paid the necessary premium to the Housing Authority after five years from the date of first assignment. With the introduction of the SM in mid-1997, HOS/PSPS owners can sell their flats to sitting or potential public rental housing (PRH) tenants without the payment of premium after two years from the date of first assignment. As Green Form Home Purchase Loan Scheme (HPLS) applicants have been allowed to purchase flats in the SM since mid-1998, the SM has become much more active than before. In fact, the majority (98%) of the flat purchasers in the SM was HPLS recipients. Up to March 2005, 18,561 transactions were recorded in the HOS/PSPS secondary market. Compared this with the tradable stock in the SM, this is only a small percentage. Assuming that those owners who have paid premium have traded their HOS/PSPS in the Open Market, as at end of June 2001, only 11% of all tradable stock in the Open Market have traded. In other words, a great majority of HOS/PSPS owners purchased HOS/PSPS flats for housing consumption (an emphasis on use value of the property) and many of them have not been traded in the Secondary Market or in the Open Market.

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