

## Chapter 11

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# Housing

*The Government ensures that all those who cannot afford private rental accommodation have access to subsidised public rental housing. Rents are set at affordable levels. During the year, new legislation was passed to provide a more flexible framework that allows both upward and downward adjustment of rents according to changes in tenants' household income. The new law will come into effect on January 1, 2008.*

In December 2007, the total housing stock in Hong Kong amounted to 2 483 700 flats, comprising 711 300 public rental housing flats<sup>1</sup>, 397 900 subsidised home ownership flats and 1 374 500 flats in the private sector. About 30 per cent of Hong Kong's population live in public rental housing flats with another 18 per cent in subsidised home ownership flats.

### Housing Policy

The Statement on Housing Policy announced by the then Secretary for Housing, Planning and Lands in 2002 set out the following three major guiding principles of the Government's housing policy:

- the focus of the Government's subsidised housing policy should be on the provision of assistance to low-income families who cannot afford private rental accommodation;
- the Government should minimise its intervention in the private property market; and
- the Government should maintain a fair and stable operating environment for the private property market by ensuring adequate land supply and the provision of an efficient supporting infrastructure.

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<sup>1</sup> Including public rental housing and interim housing flats operated by the Hong Kong Housing Authority and rental flats operated by the Hong Kong Housing Society.

Pursuant to the Government's policy, the primary role of the Hong Kong Housing Authority (HKHA)<sup>2</sup> is to provide subsidised public rental housing to those who cannot afford private rental accommodation. It has withdrawn from the provision of home ownership assistance scheme and divested itself of its 180 retail and car parking facilities through the listing of The Link Real Estate Investment Trust in November 2005.

## **Institutional Framework**

Following the reorganisation of the Government Secretariat's policy bureaux on July 1, 2007, the Secretary for Transport and Housing (STH) replaced the Secretary for Housing, Planning and Lands to become the Principal Official responsible for all housing matters as well as Chairman of the HKHA. The STH is assisted by the Permanent Secretary for Transport and Housing (Housing), who also assumes the office of the Director of Housing and heads the Housing Department.

The Housing Department has both policy and operational responsibilities for providing public rental housing and assessing eligibility for public housing assistance. It also provides secretariat and executive support to the HKHA and its committees. The Housing Branch of the Transport and Housing Bureau monitors developments in the private housing market and oversees policy matters relating to the regulation of estate agents.

## **Public Rental Housing**

The Government ensures that all those who cannot afford private rental accommodation have access to subsidised public rental housing. It is committed to maintaining an average waiting time for public rental housing at around three years. The HKHA has put in place a rolling public rental housing construction programme and the actual housing production will be adjusted regularly to take into account factors such as demand and tenancy turnover.

At present, about 2 046 900 people, or 30 per cent of Hong Kong's population, live in the public rental housing estates of the HKHA and the Hong Kong Housing Society (HKHS)<sup>3</sup>. The HKHA's revised estimate of expenditure on housing in 2007-08 was \$14.8 billion, accounting for approximately 5.8 per cent of public expenditure. At end-2007, there were 110 800 households on the HKHA's public rental housing waiting list and their average waiting time was about 1.9 years.

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<sup>2</sup> The HKHA, established in 1973, is a statutory body responsible for implementing the majority of Hong Kong's public housing programmes. The HKHA provides public rental housing to low-income families who cannot afford private rental accommodation. It also runs interim housing and transit centres to provide temporary accommodation to families facing short-term problems in finding suitable accommodation.

<sup>3</sup> The HKHS is an independent, not-for-profit organisation established in 1948. It provides subsidised housing to specific target groups at affordable rents.

### *Rent Policy*

It is the HKHA's long-established policy to set public rental housing rents at affordable levels. At present, rents are inclusive of rates, management and maintenance costs, and range from \$220 to \$3,370 with an average rent of \$1,320 per month.

In January 2007, the Government introduced the Housing (Amendment) Bill 2007 into the Legislative Council to replace the statutory cap of 10 per cent median rent-to-income ratio in the Housing Ordinance with a new rent adjustment arrangement for the HKHA's public rental housing. The bill was passed by the Legislative Council in June 2007, and the new mechanism will come into effect on January 1, 2008. The new income-based rent adjustment mechanism, which provides for both upward and downward rent adjustments according to changes in tenants' household income, is a more flexible framework that matches more closely tenants' affordability and helps promote the long-term sustainability of the public rental housing programme.

### *Rent Assistance*

The Rent Assistance Scheme was introduced by the HKHA in 1992 to provide assistance to public housing tenants facing temporary financial hardship. Eligible tenants are offered a 25 per cent or a 50 per cent rent cut. To assist more needy families, the HKHA revised the scheme in October 2002 and the eligibility criteria for elderly tenants were relaxed. Tenants affected by redevelopment are also eligible for rent assistance immediately upon being rehoused. In March 2006, the HKHA further relaxed the eligibility criteria for non-elderly public housing tenants so that they may have benefits similar to those enjoyed by their elderly counterparts. These eligible households are entitled to a 25 per cent rent reduction. At the same time, the rent-to-income ratio threshold was lowered and the three-year residence criterion for households in older blocks was also lifted.

The criteria for rent-to-income ratio and income threshold were revised further to make the assistance more readily available to needy tenants. They went into effect in August. Meanwhile, the requirement for families living in newer blocks to be in residence there for three years before applying for rent assistance has been reduced to two years. Furthermore, the requirement for non-elderly tenants of older blocks to move to cheaper accommodation was waived, giving them the same concession afforded to their elderly counterparts. As at the end of 2007, some 43 300 households had benefited from the scheme.

### *Provision of Alternative Counter Collection Channels for Rent Payment*

In the past, tenants of public rental housing estates paid their monthly rents through autopay, by phone, automatic teller machines or at estate shroff offices. From March, tenants were able even to pay at convenience stores as well. These are open round-the-clock. The collection service was further extended to the Customer Service Centres at Mass Transit Railway stations in May.

### *Better-off Tenants*

Better-off tenants are required to pay higher rents. At the end of December, there were 22 400 households paying higher rents. The subsidy saved under these policies amounted to some \$221 million in 2007. In addition, tenants who had lived in these estates for more than 10 years with household incomes and assets exceeding the prescribed limits, or who chose not to declare their household assets, are required to move out. During the year, 1 120 better-off tenants including 794 households who acquired their own flats under the various subsidised home ownership schemes, returned their public rental housing flats to the HKHA.

### *Redevelopment*

In 2007, some 1 800 families living in housing blocks at Wong Chuk Hang and Lower Ngau Tau Kok (II) Estates which were due for redevelopment, were rehoused. Since the launching of the HKHA's Comprehensive Redevelopment Programme in 1988, 559 housing blocks have been redeveloped and the living conditions of some 188 300 households have been improved.

### *Estate Clearance*

In March 2006, the HKHA announced the clearance of So Uk Estate in two phases. The rehousing of Phase 1 tenants will be completed in April 2009 and Phase 2 tenants in April 2012, involving a total of 13 400 people from 5 000 families. During 2007, some 270 families (including both Phase 1 and Phase 2 tenants) were rehoused.

### *Sustainable Public Housing Stock*

To ensure the sustainable development of public housing resources, the HKHA introduced the Total Maintenance Scheme in 2006, an innovative and proactive approach to good maintenance. Inspection Ambassadors carry out flat inspections and make arrangements on the spot for minor repairs or improvements to the flat. The scheme also provides for a flat-to-flat maintenance database, strengthening of research and development in building diagnostic methodology, maintenance technology, and a maintenance hotline. To help tenants to keep their flats in good order, guidelines are displayed in posters and literature along the education path at Tai Wo Hau Estate and in mobile booths in other estates to publicise the maintenance programme. By the end of 2007, some 80 000 flats in 18 public rental housing estates had been inspected, and maintenance work carried out on flats that needed it.

The HKHA made good progress in implementing the Comprehensive Structural Investigation Programme for 40-plus or about 40 years old estates to make sure they are structurally sound and economically sustainable. Inspections were completed on six estates by the end of the year. One estate needed to be cleared while improvements for the other five estates were required. The work is being carried out to prolong the life of these estates by at least 15 years.

The HKHA has an ongoing Estate Improvement Programme for providing quality service and a good living environment for their tenants. This includes providing

facilities for the visually impaired, installing additional lifts, improving lighting, and providing leisure and other user-friendly facilities.

### *Allocation*

In 2007, 24 878 public rental housing flats were let by the HKHA and the HKHS to different categories of applicants. The number comprised 6 176 new flats and 18 702 refurbished flats. Of these, 60 per cent were let to applicants on the public rental housing waiting list, 6.7 per cent to tenants affected by the HKHA's Comprehensive Redevelopment Programme, 0.4 per cent to families affected by estate clearances, 2.3 per cent to junior civil servants, 22.1 per cent to sitting tenants for transfers (including overcrowding relief), and the remainder to victims of fire and natural disasters, compassionate cases recommended by the Social Welfare Department and other categories of applicants.

For ordinary applicants, flats are allocated to them according to their registration number and their choice of districts. For non-elderly, single-person applicants, allocation is based on a quota and points system in which priorities are determined by the applicant's age, waiting time and whether the applicant is already a public rental housing tenant. All applicants are required to meet the residence requirement in Hong Kong and to undergo a means test and a domestic property test. To speed up the letting of some less popular flats, the HKHA launched an Express Flat Allocation Scheme under which all these flats were pooled at regular intervals for selection by all eligible applicants on the waiting list. During the year, 3 586 households were rehoused under this scheme.

The HKHA also offers accommodation to people whose illegal squatter or rooftop homes have to be cleared by the Government, provided they meet certain stipulated conditions. A total of 220 people, made homeless by squatter and rooftop clearances, were rehoused by the HKHA in 2007.

## **Home Ownership**

### *Sale of Subsidised Flats*

Since 1978, more than 452 100<sup>4</sup> subsidised sale flats have been sold to eligible households at discounted prices under the Government's various subsidised home ownership schemes such as the Home Ownership Scheme (HOS)/the Private Sector Participation Scheme (PSPS) and the Tenants Purchase Scheme (TPS) run by the HKHA. In accordance with the Government's current housing policy, the HKHA has been concentrating its resources on assisting low income families that cannot afford private rental accommodation. It ended the TPS after the sale of Phase 6, terminated the PSPS and halted production and sale of HOS flats in 2003.

To dispose of the remaining HOS flats numbering some 16 600, the HKHA formulated a sales plan in 2006, under which all HOS flats were to be put up for sale

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<sup>4</sup> Including flats sold by the HKHS. Of the 452 100 flats sold since 1978, 60 600 flats can be traded in the open market as at end-December 2007. These flats are not counted as subsidised sale flats under the current definition.

in phases over a period of three years, starting from 2007 with between 2 000 and 3 000 flats to be put on sale in each phase. This phased disposal programme avoids the sale of a large number of flats in one batch, and minimises possible impact on the private residential market. The first two sale phases, involving 6 900 flats (including 600 HKHS flats), were launched smoothly in 2007.

### **Housing for Groups in Special Need**

The Chief Executive pledged in his Policy Address that the family would be promoted as a core social value and that the elderly would be given special care. HKHA policies on the allocation and management of public rental housing conform with that aim.

An elderly person who prefers to live alone can apply for a public rental housing flat under the Single Elderly Persons Priority Scheme. In end-2007, the average waiting time for public rental housing for single elderly applicants was 1.3 years. Two or more elderly people, willing to live together, may apply under the Elderly Persons Priority Scheme. Applicants opting for flats in the New Territories would normally be given them within two years.

There are two priority schemes designed to encourage families to live with, and to take care of their elderly relatives, in public rental housing estates. Applicants who choose to live with their elderly parents or dependent relatives under one roof or who prefer to live near to their elderly parents or relatives and are prepared to move into estates not located in urban areas can have their waiting time shortened.

### **Housing Supply**

A total of 17 900 residential units, of which 10 500 were private sector homes (excluding village houses) and 7 400 public housing flats, were completed in 2007.

#### *Supporting Infrastructure*

The infrastructure for supporting housing development is provided in a programmed and structured manner. To avoid delays in housing development caused by a lack of infrastructural facilities, the Government has adopted a fast-track approach to address possible problems. At present, there are 13 such projects in different stages of implementation. Their estimated combined cost of about \$5.6 billion has been approved.

### **Private Sector Housing**

#### *Private Residential Property Market*

There was a steady growth in the number of transactions in both the primary and secondary private residential property market in the first nine months of 2007, compared to the more significant growth in the last three months of the year, which was triggered by the cuts in mortgage interest rates. The number of registered transactions in 2007 was 123 600. Compared to the year before, the residential price index at the end of 2007 was up by 24 per cent, whereas the overall rental index at the end of 2007 was 15 per cent up on 2006.

### *Estate Agents*

The Estate Agents Authority (EAA) is an independent statutory body responsible for licensing and regulating estate agents. Under the Estate Agents Ordinance and the Estate Agents (Licensing) Regulation, all estate agents are required to have a licence to practise.

Two other sets of regulations – the Estate Agents Practice (General Duties and Hong Kong Residential Properties) Regulation and the Estate Agents (Determination of Commission Disputes) Regulation – also govern the industry. The former relates to the conduct, duties and practice of licensed estate agents. The latter prescribes rules and procedures for the EAA to mediate in disputes between estate agents and their clients over commissions and fees. There is also the Estate Agents (Registration of Determination and Appeal) Regulation which prescribes the procedural rules for lodging appeals to the District Court against EAA decisions.

### *Sale of Uncompleted Residential Properties*

Developers of private residential units may apply for consent from the Director of Lands to put up units for sale before completion. The Real Estate Developers Association of Hong Kong (REDA) has set up a self-regulatory system under which guidelines were issued requiring its members to provide sufficient and accurate information in their price lists and sale brochures for prospective buyers. The guidelines are reviewed regularly. In 2007, REDA issued improved guidelines requiring developers to disclose in price list saleable area of units, as well as the area of other facilities, such as the balcony, bay window, utility platform, etc. REDA, the Government, the Consumer Council and the EAA work closely to maintain the smooth operation of the self-regulatory system and to make improvements to it when necessary.

### *Websites*

Transport and Housing Bureau: [www.thb.gov.hk](http://www.thb.gov.hk)

Hong Kong Housing Authority/Housing Department:  
[www.housingauthority.gov.hk](http://www.housingauthority.gov.hk)

Hong Kong Housing Society: [www.hkhs.com](http://www.hkhs.com)