

**Memorandum for the Subsidised Housing Committee of
the Hong Kong Housing Authority**

Enhancing the Arrangement of Subsidised Sale Flats

PURPOSE

This paper seeks Members' approval of enhancing the arrangement of the subsidised sale flats (SSF).

RECOMMENDATIONS

2. Members are recommended to approve the following –
 - (a) From the next White Form Secondary Market Scheme (WSM) exercise (WSM 2024), to increase the WSM quota by 1 500, all of which will be allocated to young family applicants and young one-person applicants aged below 40; and the arrangements of WSM 2024 (paragraphs 8 to 16);
 - (b) From the next Home Ownership Scheme (HOS) sale exercise, to allocate an extra ballot number to young family applicants and young one-person applicants aged below 40 with White Form (WF) status (paragraphs 19 to 23);
 - (c) From the next Green Form Subsidised Home Ownership Scheme (GSH) and HOS sale exercises, to allocate an extra ballot number to applicants who failed to purchase an SSF in the last two consecutive sale exercises of the same type of SSF (paragraphs 24 to 25);
 - (d) declassifying the paper after the meeting (paragraph 34).

BACKGROUND

3. Housing is an issue of great public concern. The government has been responding to the home ownership aspirations of families with different income levels by providing various types of SSF. To further enhance the housing ladder, the Chief Executive announced a series of measures in the 2024 Policy Address, including –

- (a) adjusting the ratio between Public Rental Housing (PRH) (including GSH units) and other SSF – The Housing Authority (HA) is reviewing public housing projects to be completed in the middle or near the end of the next decade, with an aim to gradually adjust the ratio between PRH and other SSF from the current 70:30 to 60:40;
- (b) increasing the chance of applicants who have made repeated attempts to purchase SSF – Starting from the next GSH and HOS sale exercises, an extra ballot number will be allocated to applicants who failed to purchase an SSF in the last two consecutive sale exercises of the same type of SSF; and
- (c) expediting the circulation of PRH units – HA will tighten up the Well-off Tenants Policies, so that public resources are appropriately allocated to applicants in need. Meanwhile, the ratio between Green Form and WF in respect of HOS flats will be revised from 40:60 to 50:50 to encourage more PRH tenants to buy HOS flats.

4. The government places great importance on helping young people to achieve home ownership. Therefore, in the 2024 Policy Address, a series of measures were also announced to assist young people in purchasing flats, which include allocating an extra ballot number to young family applicants and young one-person applicants aged below 40 with WF status for the purchase of HOS flats from the next HOS sale exercise onwards. Starting from the next WSM exercise, the WSM quota will increase by 1 500, all of which will be allocated to young family applicants and young one-person applicants aged below 40.

5. We propose that the measure in paragraphs 3(b) and 4 above be implemented in the following directions.

Secondary Market of SSF

WSM

6. To address the home ownership aspirations of WF applicants, HA regularised WSM in November 2017, allowing applicants eligible for WF status to purchase SSF with premium not yet paid in the Secondary Market, subject to an annual quota. WSM 2018 was launched in March 2018 with a quota of 2 500, which was increased to 3 000 in WSM 2019, and 4 500 in WSM 2020. The quota for both WSM 2022 and WSM 2023 remained at 4 500, including 4 050 for family applicants and 450 for one-person applicants.

7. As at November 2024, about 12 000 applicants eligible for WF status had achieved home ownership through WSM. The over-subscription rate for WSM quotas remained as more than 16 times and the average quota utilisation rate stayed at around 50% in recent WSM exercises. A summary of WSM 2020, WSM 2022 and WSM 2023 is set out below –

	WSM 2020	WSM 2022	WSM 2023
Total Number of Applications	117 000	117 000	78 000
Total Number of Quota	4 500	4 500	4 500
Over-subscription Rate for Quotas	25 times	25 times	16 times
Quota Utilisation Rate	55%	51%	39% (as at 30 November 2024) ^{Note 1}

Note 1 We expect the utilisation rate will go up when more successful applicants of WSM 2023 complete their transactions in the coming months.

Arrangements of WSM 2024

Annual Quota and Allocation Ratio

8. HA has implemented the relaxation of mortgage default guarantee arrangements in respect of SSF in the Secondary Market from 1 March 2024. From March to November 2024, the number of SSF transactions in the Secondary Market was around 3 800, with an average of around 420 transactions per month. The figure has nearly doubled comparing to the average of around 230 transactions per month in the preceding 12 months (i.e. March 2023 to February 2024). Meanwhile, we observed that around 80% of applicants and successful buyers were young people aged below 40 in recent WSM exercises.

Introducing Youth Scheme (WSM)

9. In view of this, we consider appropriate to introduce the Youth Scheme (WSM) by increasing the quota for WSM 2024 by 1 500 to 6 000. All of the 1 500 additional quotas will be allocated to young applicants aged below 40, while the remaining 4 500 will be ordinary quotas. The allocation ratio for family and one-person applicants will be kept at 9:1, which includes 4 050 ordinary quotas allocated to family applicants and 450 ordinary quotas allocated to one-person applicants. The additional quotas of the Youth Scheme (WSM) include 1 350 quotas allocated to young family applicants and 150 quotas allocated to young one-person applicants.

10. The relevant eligibility criteria for HOS 2024, including the income and asset limits of HOS 2024, as well as restrictions on domestic property ownership in Hong Kong, etc. will continue to be applicable to WSM 2024.

11. The person who opts to join the Youth Scheme (WSM) must be the applicant of WSM 2024. The young applicant must have reached the age of 18 on the closing date of application and must be below the age of 40 on the commencement date of application of WSM 2024. If the young applicant is allocated a quota of WSM 2024 (regardless of whether the quota allocated to him/her is under 4 500 ordinary quotas or 1 500 additional quotas of the Youth Scheme (WSM)), the young applicant must become an owner or a joint owner of the purchased flat (regardless of whether the adult family member listed in the application form is young people or not). Except for permanent departure, death or other compassionate reasons recommended by the Director of Social Welfare, the name of the young applicant cannot be deleted from the record of owners kept by the Housing Department (HD) and the Hong Kong Housing Society (HKHS) in future.

12. After balloting of WSM 2024 in the second quarter of 2025, we will issue Approval Letters^{Note 2} to those eligible applicants who passed the vetting, according to the quota and their priority sequence determined by the ballot result. The ordinary quotas will be allocated to 4 500 eligible applicants who have higher priority (regardless of whether the applicants have opted to join or not to join the Youth Scheme (WSM)), and then the additional quotas will be allocated to 1 500 eligible applicants who have opted to join the Youth Scheme (WSM) according to the subsequent priority sequence.

Note 2 The Approval Letter certifies the applicant's eligibility to apply the Certificate of Eligibility to Purchase (CEP) for the HOS Secondary Market from HA and/or Flat-for-Sale Scheme (FFSS) Secondary Market from the HKHS within a specified period (the validity period is one year). Holders of the CEP may enter into a Provisional Agreement for Sale and Purchase for the purchase of one flat in the HOS Secondary Market/FFSS Secondary Market within the validity period of the certificate.

Alienation Restrictions for WSM Buyers

13. Alienation restrictions approved by Members at the meeting on 15 March 2019 will continue to apply to WSM 2024 ^{Note 3}.

Application Arrangement

14. We will continue to provide online application services (including e-application, e-payment and e-notification) in addition to the paper submission channels (paper form, either in person or by post) in WSM 2024.

Tentative Timing

15. Application for WSM 2024 is anticipated to commence in Q1 2025. The tentative timing of the key activities of WSM 2024 is as follows –

Activities	Tentative Timing
Commencement of application	Q1 2025
Ballot	Q2 2025
Issue Approval Letters to eligible applicants of WSM 2024 to apply for CEP	Q3/Q4 2025

Note 3 Apart from the alienation restrictions applicable to the relevant SSFs, WSM buyers are also subject to additional alienation restrictions. SHC approved on 15 March 2019 (Paper No. SHC 16/2019) the following alienation restrictions for WSM –

- (a) re-affirm that a WSM buyer who has purchased a flat in the Secondary Market is not allowed to sell the flat in the Secondary Market within the first two years of the transaction **except** –
- (b) if the flat purchased by a WSM buyer is a flat first sold under HOS 2019 or subsequent sale exercises, then the WSM buyer may sell the flat in the Secondary Market in the first two years of transaction under special circumstances and with the prior approval of the Director of Housing. Such special circumstances include, but are not limited to, bankruptcy, a significant drop in household income resulting in difficulties in making mortgage repayment, etc.

Application Fees

16. Applicants will be required to pay a one-off and non-refundable fee upon application of WSM 2024. To recover HA's cost for processing the applications, we propose to set the application fee at \$250 for WSM 2024.

SSF sold in primary market

Prevailing Sales Arrangements of SSF

17. As for the sale of SSF ^{Note 4} in sales exercises, the flat selection order of applicants is determined by application categories, balloting results and quota allocation. According to the prevailing arrangements, PRH/Interim Housing clearer family applicants have the highest priority for flat selection, followed by family applicants (who are not clearers) and one-person applicants ^{Note 5}. Among the family applicants, nuclear families with elderly member and/or newborn babies will go first, followed by other nuclear families, and lastly non-nuclear families ^{Note 6}. The flat selection order of applicants within the same category will be determined by the sequence of the last two digits of their application numbers according to the ballot results ^{Note 7}. Each applicant will be accorded with one ballot number.

18. In terms of quota allocation, 90% of flats put up for sale are allocated to family applicants while 10% are allocated to one-person applicants. Also, 40% of flats put up for sale are reserved for family applicants under the "Priority Scheme for Families with Elderly Members" and "Families with Newborns Flat Selection Priority Scheme". These arrangements are endorsed by HA's Subsidised Housing Committee (SHC) every time before the launch of a sale exercise.

Note 4 Including HOS and GSH flats.

Note 5 One-person applicants affected by the clearance of PRH/Interim Housing will have priority over other one-person applicants.

Note 6 The differentiation of nuclear and non-nuclear families is applicable to WF family applicants only.

Note 7 In case the last two digits of the application numbers within the category are the same, the priority order will be randomly generated by the computer.

Introduction of Youth Scheme (HOS)

19. The Housing Bureau has all along been encouraging young people to move up the housing ladder and does not advocate for youth reliance on PRH. However, owing to the insufficient and uneven land supply in the past, many young people still face difficulties in home ownership. For low-and middle-income young people and young families, SSF serves as the first step towards home ownership.

Eligibility

20. With reference to the past sales figures of the HOS, taking HOS 2023 as an example, approximately 65% of the applicants were young people aged 40 or below, while nearly 50% of successful buyers were also in this age group. This highlights the particularly strong demand for home ownership among youth. To facilitate upward mobility of young people, we propose to introduce the Youth Scheme (HOS). Starting from next HOS sale exercise, to allocate an extra ballot number to young family applicants and young one-person applicants with WF status. Based on the figures of HOS 2023, assuming all factors (including the number of applicants and their age) remain unchanged, the allocation of an extra ballot number would increase the success rate of young family applicants with WF status by approximately 40% and that of young one-person applicants by about 10%.

Implementation date

21. Taking into account the preparatory work required for the implementation of the Scheme, such as formulating detailed operational arrangements, enhancing existing computer systems and revising application documents, etc., we propose that the relevant arrangements shall come into effect starting from the next HOS sale exercise.

Other issues

22. To ensure that the young people will continue to own their flat in the future, the person who joins the Youth Scheme (HOS) must be the “applicant”. The young applicant must have reached the age of 18 on the closing date of application and must be below the age of 40 on the commencement date of application of the respective sale scheme. Subsequently, the young applicant must become an owner or a joint owner of the purchased flat (regardless of whether the adult family member listed in the application form is young people or not). Except for permanent departure, death or other compassionate reasons recommended by the Director of Social Welfare, the name of the young applicant cannot be deleted from the record of owners kept by HD in future.

23. To prevent from the circumstance of double benefits, the Youth Scheme (HOS) is not applicable to those young family applicants with WF status who join the “Priority Scheme for Families with Elderly Members” and/or “Families with Newborns Flat Selection Priority Scheme”.

Allocation of an extra ballot number to applicants who have made repeated attempts

Eligibility

24. The objective of SSF is to assist low- and middle-income families to achieve home ownership. However, with reference to the figures of HOS 2023, nearly 60% of applicants had previously applied for previous HOS sale exercises but were unsuccessful in purchasing a unit. In light of this, to improve their chances of success, we propose allocating an extra ballot number to applicants who failed to purchase an SSF in the last two consecutive sale exercises of the same type of SSF. HOS and GSH will be conducted separately. With reference to the HOS 2023 figures, assuming all factors (including the number of applicants, their age, and etc.) remain unchanged, the success rate for applicants who have made repeated attempts after receiving an extra ballot number is expected to increase by approximately 60%.

Implementation date

25. Taking into account the preparatory work required for the implementation of the Scheme, such as formulating detailed operational arrangements, enhancing existing computer systems and revising application documents, etc., we propose that the relevant arrangements shall come into effect starting from the next HOS and GSH sale exercises.

Way Forward

26. Subject to Members' endorsement, as mentioned in paragraphs 9, 21 and 25 above, we will increase the quotas of WSM by 1 500 for the Youth Scheme (WSM) in Q1 2025; allocate an extra ballot number to young family applicants and young one-person applications with WF status starting from the next HOS sale exercise; and allocate an extra ballot number to applicants who have made repeated attempts starting from the next HOS and GSH sale exercises respectively.

FINANCIAL AND STAFF IMPLICATIONS

27. We expect that the operating cost for processing the respective Schemes will be recovered from the application fees.

28. There will be additional manpower requirement for the preparation of publicity materials. We will engage specialised contractors to assist and make use of supplementary workforce (i.e. body-shopped personnel and HA term staff) to cope with the additional workload if required.

INFORMATION TECHNOLOGY IMPLICATIONS

29. We will enhance the existing computer systems related to the operation of SSF to cater for the launch of the respective schemes.

LEGAL IMPLICATIONS

30. There is no legal implication.

PUBLIC REACTION AND PUBLICITY

31. The series of measures announced in the 2024 Policy Address have garnered widespread public support, with initiatives to assist young people in purchasing SSF consistently ranking among the top three policy measures in various Policy Address satisfaction surveys. We anticipate that the proposed measures and specific arrangements outlined above will be well received by eligible applicants. Upon Members' approval of the recommendations in paragraph 2, a press release on the relevant arrangements will be issued. Another press release on the application details of WSM 2024 will be issued prior to its commencement. Dedicated webpages will be launched and relevant information will be updated to HA's Facebook and Instagram as promotion.

32. Regarding the increase of quota for the WSM, some opined that HA should fully open the WSM market and abolish the quota system. However, fully opening the WSM market could result in a significant surge in demand, and thereby driving up the price of flats in HOS Secondary Market and affecting the home ownership opportunities of low- and middle-income families. We will continue to monitor the transaction trends and quota utilisation in the HOS Secondary Market and make adjustments to the quota as necessary.

33. Regarding the allocation of an extra ballot number to young applicants with WF status, some opined that this measure may not significantly enhance young people's home ownership opportunities and suggested setting up designated quotas for youth. However, setting up designated quotas for young applicants could significantly reduce the chances for other applicants in purchasing a unit. After balancing various factors, we consider allocating an extra ballot number to young applicants is a more appropriate approach. It is important to recognise that the measures to enhance the housing ladder are interconnected and form a comprehensive strategy. Firstly, we adjust the ratio between PRH and other SSF, with an aim to adjust the ratio between PRH (including GSH units) and other SSF from the current 70:30 to 60:40 over the period. On the other hand, we continuously enhance speed, quantity, quality and efficiency in housing supply, the problem of back-loaded PRH supply has started to turn around. With a significant increase in the overall supply of public housing and a higher proportion of SSF, the number of SSF will continue to grow, thereby creating more opportunities for young people to achieve home ownership.

DECLASSIFICATION

34. We recommend that this paper be declassified after meeting. The paper will be made available to the public at the HA homepage, HD's library and through the Departmental Access to Information Officer if it is declassified.

DISCUSSION

35. At the meeting to be held on 14 January 2025, Members will be invited to endorse the recommendations as set out in paragraph 2 above.

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