

Memorandum for the Hong Kong Housing Authority

**Hong Kong Housing Authority's 2024/25 Budget
2025/26 Proposed Budget and
2026/27 to 2028/29 Financial Forecasts**

PURPOSE

This paper seeks Members' endorsement on the 2025/26 Proposed Budget of the Hong Kong Housing Authority (HA).

RECOMMENDATION

2. Members are invited to **endorse** the 2025/26 Proposed Budget of HA at **Annex** for submission to the Chief Executive (CE) for approval.

3. Members are also invited to **note** the revised 2024/25 Budget and the Financial Forecasts for the period from 2026/27 to 2028/29 ("Financial Forecasts").

BACKGROUND

4. Section 4(3) of the Housing Ordinance (Cap. 283) stipulates that HA should submit to CE for approval of a programme of its proposed activities, and estimates of the income and expenditure of HA for the next financial year. Regarding the latter, it is established practice for us to formulate a five-year budgets and financial forecasts (“Budgets and Financial Forecasts”) of HA on an annual basis, covering –

- (a) the current financial year’s revised Budget estimates;
- (b) the Budget estimates for the next financial year; and
- (c) financial forecasts for the subsequent three years.

The Finance Committee (FC) discussed and endorsed the HA’s 2025/26 Proposed Budget at its meeting on 9 January 2025. After HA’s endorsement at its meeting on 17 January 2025, the 2025/26 Proposed Budget will be submitted together with HA’s 2025/26 Corporate Plan, to CE for approval.

5. As at 30 September 2024 (viz. the bases of preparing the budget estimates), HA provided subsidised housing and related support facilities comprising the following –

- (a) 831 920 units under 195 Public Rental Housing (PRH) estates;
- (b) 309 800 m² retail premises;
- (c) 34 500 parking spaces;
- (d) 80 200 m² factory premises; and
- (e) 1 374 500 m² welfare and other non-domestic premises.

BUDGET BASES AND ASSUMPTIONS

6. As in the past, we have made reference to the Government's updated rates of price change (as at July 2024) for estimating the various cost items for the purpose of budgeting and forecasting for the period from 2025/26 to 2028/29, with appropriate adjustments to individual items having regard to the prevailing market and economic conditions. The following price level adjustments are adopted solely as budget assumptions (details at Section II of **Annex**) –

Expenditure

Annual Price Increase for 2025/26 to 2028/29

Recurrent Expenditure

Personal Emoluments	3.5%
Maintenance & Minor Improvements	4.5%
Cleansing & Security ^{Note 1}	3.5%
Other Recurrent Expenditure	2.5%

Capital Expenditure

Construction Expenditure	4.5%
Improvement Works	4.5%
Computer Expenditure	2.0%

7. In line with past practice, we have adopted the September 2024 Housing Construction Programme (HCP) at **Annex** as the basis for the annual construction expenditure estimates.

Note 1 The annual increase for cleansing and security services represents the projected year-on-year price change for budgetary purpose only.

Income

8. To reflect more accurately the adjustments to PRH rental, which is reviewed on a biennial basis as stipulated under the Housing Ordinance, we have adopted the assumption of an increase of 6.94% in both 2026 and 2028 for budgetary purpose. No doubt this is different from the more conservative assumption of no rental increase adopted in the past HA's Budgets and Financial Forecasts.

9. The following average year-on-year rental growth rates are adopted for the Commercial Operation –

	2025/26	2026/27	2027/28 to 2028/29
Average Year-on-year Rental Growth Rate (p.a.) ^{Note 2}			
(a) Shops and Shopstalls	-6.0%	-3.0%	0%
(b) Factory Estates	1.0%	1.0%	1.0%
(c) Welfare Premises ^{Note 3}	0%	0%	0%
(d) Carparks	Note 4	2.0%	2.0%

Note 2 The assumed average year-on-year rental growth rates are adopted for budgetary purpose only. The actual rental growth will be subject to the actual rental achieved in tenancy renewal and / or new lettings in the respective financial years.

Note 3 Welfare premises are let at concessionary rent which is currently charged at \$62/m² per month and valid for three years with effect from 1 April 2022. Pending the next review on 1 April 2025 to be conducted, no change to the existing rate is assumed in this budgetary exercise.

Note 4 In respect of carparks charges, the 2025/26 Proposed Budget is based on the revised fees and charges effective from 1 January 2025, not a budget assumption.

10. The sales for Home Ownership Scheme (HOS) and Green Form Subsidised Home Ownership Scheme (GSH) flats, and the premium payment will be based on the following –

- (a) pre-sale around 24 months before building completion;
- (b) the selling rate of first sale at 98% and the remaining 2% to be sold in the subsequent sales exercise;
- (c) the discount rate for sale of HOS and GSH flats at 30% and 40% of the assessed market values respectively ^{Note 5};
- (d) the general selling price inflation adjustment at 2.5% p.a.; and
- (e) opting rate for premium payment for –
 - (i) HOS/GSH/Private Sector Participation Scheme (PSPS)/ Buy or Rent Option (BRO) flats at 0.22% p.a.; and
 - (ii) Tenants Purchase Scheme (TPS) flats at 0.04%. p.a.

It should be noted the pricing of HOS/GSH is not linked to the construction cost of Subsidised Sale Flat (SSF) projects.

11. As for HA's fund management operation, an investment return of 3.7% p.a. on funds balance is adopted from 2024/25 (remaining period) to 2028/29. From past experience, this is subject to changes especially in a highly volatile financial market. Given the objectives of HA's fund management are to preserve capital while seeking a reasonable return in the long run, we consider this assumed rate of investment return is reasonable for budgetary purpose.

12. It should be emphasised that the above are adopted for budgetary purpose only. The actual price changes and business parameters will be subject to the outcome of tendering results, assessments/reviews to be conducted and approved by HA, its relevant committees or delegated authorities as appropriate.

Note 5 For sale of HOS flats, the discount rate in the Sale of HOS Flats 2024 is assumed as the discount rate applicable throughout the budget and forecast period; and for sale of GSH flats, the discount rate at 10% more than that of the HOS sale is assumed throughout the budget and forecast period.

2024/25 AND 2025/26 BUDGETS

Consolidated Operating Account

13. The revised 2024/25 Budget (both for recurrent and capital expenditures) does not exceed the provision in the original Budget. The consolidated operating account for 2024/25 and 2025/26 Budgets as set out in Section I of the **Annex** are highlighted in Table 1 below –

Table 1 – Summary of Consolidated Operating Account (in \$M)				
	2023/24	2024/25 (Original)	2024/25 (Revised)	2025/26
<u>Surplus/(Deficit)</u>				
Rental Housing	778	(1,167)	401	661
Commercial	1,055	1,539	1,254	1,368
Home Ownership Assistance	11,144	2,231	7,590	13,389
Consolidated Operating Account	12,977	2,603	9,245	15,418

14. The operating accounts of HA in 2024/25 shows higher-than-projected surplus under the Rental Housing and Home Ownership Assistance operations against the original Budget estimates. Details are set out in paragraphs 15 to 24 below. It should be noted that the small surplus of PRH operation in 2024/25 is due largely to the rent increase under the 2024 Rent Review against a no rental increase assumption in preparing the original 2024/25 Budget.

Rental Housing

15. The Rental Housing Operating Account covers the allocation, management and maintenance of domestic rental properties of HA. **The recurrent expenditure of rental housing business, serving more than 830 000 residential units, is the second large expenditure item on HA's accounts.** The operating results from 2023/24 to 2025/26 are summarised in Table 2 below –

Table 2 – Rental Housing Operating Account (in \$M)				
	2023/24	2024/25 (Original)	2024/25 (Revised)	2025/26
Income	21,558	23,131	23,285	25,837
Expenditure	(20,780)	(24,298)	(22,884)	(25,176)
Net Income/(Loss)	778	(1,167)	401	661

16. The revised estimate for 2024/25 indicates a net income of \$401M in PRH operation, as compared to an estimated loss of \$1,167M in the original Budget. This is mainly due to the 10% rent increase under the 2024 Rent Review. The additional income from such a rent increase is estimated to be around \$576M, taking into account the special concession to waive the extra rent payable from October to December 2024, except for well-off tenants. This small surplus only represents less than 2% of the total operating cost of PRH operation in 2024/25.

17. The operating account for 2025/26 is projected to generate a net income of \$661M (or 2.63% of the corresponding operating cost), mainly due to full-year effect of the 2024 rent increase.

18. The net income under Rental Housing Operating Account in 2024/25 and in future years' estimates should not be taken as an indication of financial self-sufficiency for managing our PRH estates. This Operating Account does not include the capital expenditure required for undertaking larger scale improvement works to existing PRH estates. They include lift modernization (to replace 470 lifts which aged over 25 years over a five-year period), implementation of Fire Safety (Building) Ordinance (to enclose the ventilation fans and windows of all units facing the corridor with fireproof panels, replace or add fire doors on fire escape stairs, and erect fire walls) for 477 blocks in 64 PRH estates and redecoration of existing estates (to repair and re-paint external building walls, resurface roads/pavement and replace utilities like water pipes within the estate areas). Given our ageing PRH estates, the capital expenditure in this regard will continue to rise in the years ahead (see paragraph 26 below).

Commercial

19. The Commercial Operating Account covers the management and operation of the commercial properties of HA. HA's property portfolio can be broadly categorised into retail premises, carparking spaces, factory premises and welfare / community premises. The operating account from 2023/24 to 2025/26 are highlighted in Table 3 below –

Table 3 – Commercial Operating Account (in \$M)				
	2023/24	2024/25 (Original)	2024/25 (Revised)	2025/26
Income	3,250	4,027	3,650	3,961
Expenditure	(2,195)	(2,488)	(2,396)	(2,593)
Net Income ^{Note 6}	1,055	1,539	1,254	1,368

20. The lower income from HA's retail facilities is not unexpected, with the overall vacancy rate rising to 3.98% as at end-October 2024, as compared with only 2.46% about a year ago. During the year, HA launched a Well-Being-Start-Up programme, under which 10 shop premises in HA's shopping centres were offered 7 months rent-free for young people to trial their business plans. This helps leverage the vitality and innovative ideas of young people and brings mutual benefits to both residents and commercial tenants in terms of choice of products and shopping experiences.

21. The net income in 2025/26 is estimated to be \$1,368M, which is lower than the original 2024/25 Budget by \$171M (or -11%), mainly due to the latest weak retail market environment. HA will continue to review its retail facilities from time to time and enhance existing retail facilities, including refining the trade mix and shop layout of shopping centres, increasing the number of parking spaces where practicable, providing additional signage and improving shopping facilities, with a view to optimising the business potential and shopping environment of retail facilities. Under the current circumstances, the Commercial operation is budgeted to generate a net income of around \$1.4B per annum in the coming few years.

Note 6 The overall profits arising from the operation of non-domestic facilities need to be shared equally between HA and the Government and distributed to the Government in the form of dividend each year.

Home Ownership Assistance

22. The Home Ownership Assistance Operating Account covers the development, monitoring and review of measures to assist the low to middle-income families to achieve home ownership through various subsidised housing schemes. **Income from SSF (including HOS/GSH/TPS flats and the alienation premium from HOS, GSH and TPS flats) is another major income source for HA**, and the level of income from SSF fluctuates year by year depending on the number of SSF assignments completed^{Note 7}. The net income from 2023/24 to 2025/26 are highlighted in Table 4 below –

Table 4 – Home Ownership Assistance Operating Account (in \$M)				
	2023/24	2024/25 (Original)	2024/25 (Revised)	2025/26
Income ^{Note 8}	22,285	5,966	16,680	28,072
Expenditure ^{Note 9}	(11,141)	(3,735)	(9,090)	(14,683)
Net Income	11,144	2,231	7,590	13,389

23. The higher revised income estimate for 2024/25 as compared with the original Budget is mainly due to the earlier completion of some 4 400 flats with the original assignments completion scheduled for 2025/26. Such income was booked in 2024/25 instead of 2025/26.

24. Taking into account the above and the completion dates of the concerned SSF projects, the net income for the Home Ownership Assistance Operating Account for 2025/26 is estimated to be \$13,389M. This is higher than that of 2024/25 (i.e. 9 900 HOS/GSH flats in 2025/26 as compared with 5 900 HOS / GSH flats in 2024/25).

Note 7 Income from sale of SSF is recognised upon signing of the Deed of Assignment.

Note 8 This includes other income from alienation premium, sale of remaining TPS flats and repurchased flats, etc.

Note 9 This includes land costs of the domestic elements of SSF which are charged at 35% of the development costs of the flats.

Funds Management Account

25. Based on an investment return assumption of 3.7% p.a. on HA's fund balance (mainly in three asset classes, namely, placements with the Exchange Fund, time-deposits and global and Hong Kong equity), the net income is estimated to be \$2,415M in 2025/26.

Capital Expenditure

26. The above consolidated operating accounts cover only recurrent expenditure of HA, not the capital expenditure which comprises mainly construction works for Public Housing Development (PHD) projects, larger scale improvement works to existing PRH estates and IT system development projects. HA's capital expenditure for the period from 2023/24 to 2025/26 is highlighted in Table 5 below –

Table 5 – Capital Expenditure (in \$M)				
	2023/24	2024/25 (Original)	2024/25 (Revised)	2025/26
Construction Expenditure ^{Note 10}	20,116	29,686	28,016	31,782
Improvement Works	799	1,027	970	803
Computer systems and equipment, other equipment and motor vehicles	173	257	175	444
Total:	21,088	30,970	29,161	33,029

27. **Construction expenditure for HA's PHD programme remains the largest expenditure item**, accounting for over 95% of the total capital expenditure and about 50% of HA's total expenditure. The lower construction expenditure in 2024/25 (Revised) is due to construction programme adjustments for some works contracts. The capital expenditure is estimated to rise to \$33,029M in 2025/26. The annual construction expenditure will continue to rise sharply beyond 2025/26 as we enter the peak spending period of public housing production programme.

Note 10 Construction expenditure are for HA projects and Government non-reimbursable projects but excluding those for Government-funded projects.

FINANCIAL FORECAST

28. Based on the 2024/25 Budget (Revised) and the 2025/26 Proposed Budget in paragraphs 13 to 24 above, HA's consolidated account for the period from 2024/25 to 2028/29 are set out in Table 6 below –

Table 6 – Consolidated Account for the period from 2024/25 to 2028/29 (in \$M)					
	Budgets		Financial Forecasts		
	2024/25 (Revised)	2025/26	2026/27	2027/28	2028/29
Operating Accounts					
Rental Housing	401	661	585	1,010	1,013
Commercial	1,254	1,368	1,376	1,438	1,424
Home Ownership Assistance	7,590	13,389	13,845	6,183	16,015
Consolidated Operating Surplus	9,245	15,418	15,806	8,631	18,452
Funds Management Account Surplus	2,657	2,415	2,438	1,969	1,384
Consolidated Account ^{Note 11}	11,432	17,313	17,754	10,222	19,526

29. The above operating accounts only cover the recurrent operation of HA's portfolio, including income from the sale of SSF, but not HA's construction expenditure for meeting the public housing supply target of 308 000 units for the 10-year period up to 2033/34 under the Long Term Housing Strategy (LTHS) ^{Note 12}.

Note 11 This includes the Agency Account and the non-operating income from the Urban Renewal Authority for the rental flats allocated to affected tenants.

Note 12 This includes the production of both HA and the Hong Kong Housing Society in meeting the 10-year public housing supply target of 308 000 units.

30. The estimated annual construction expenditure up to 2028/29 is set out in Table 7 below –

Table 7 – Construction Expenditure for the period from 2024/25 to 2028/29 (in \$M)					
	Budgets		Financial Forecasts		
	2024/25 (Revised)	2025/26	2026/27	2027/28	2028/29
Construction Expenditure ^{Note 13}	28,016	31,782	39,474	44,197	48,563

31. The latest financial forecasts in Table 7 only reflect the financial commitments for the production of 129 100 units. The annual construction expenditure will rise significantly from \$28B in 2024/25 to \$39B in 2026/27 and further to \$49B in 2028/29, or an increase by 41% and 73% respectively. Apart from an increase in the number and scale of PHD projects, this is also due partly to the continuous rise in the costs of construction works.

32. To meet the construction expenditure under HA's PHD programme and the forecast demand under LTHS, the construction expenditure will continue to rise beyond 2028/29. It should also be noted that due to difficult site constraints (e.g. complex underground geological conditions, congested sites with limited access, etc.) of some housing sites, HA will face further challenges in coping with the high development costs for individual projects, and this may give rise to upward adjustments of individual project cost estimates. We will review critically the design and programme plan of PHD projects in the pipeline with an aim to contain the project costs as well as adopt new construction methods and technologies such as Design-and-Build (D&B) and Modular Integrated Construction ("MiC").

33. Amidst the tight financial situation, we have looked into the pricing mechanism for SSF, which is the major revenue source for HA. The Government revised the pricing mechanism of SSF in 2018 so that HOS flat prices are delinked from the price of the private property market and revised to be based on the affordability of applicants, under which at least 75% of the flats for sale can allow non-owner occupier households earning the median monthly household income to spend no more than 40% of their monthly income on mortgage payment. The prices of SSF is hence not linked to construction costs. For the period from 2019/20 to 2023/24, the average net income from selling a HOS flat was roughly two times of the construction cost of a PRH unit. With a view to enhancing HA's finance for building more public housing and providing the

Note 13 This includes payments to contractors, in-house supervision and administration costs.

public with more home ownership opportunities, we will revamp the distribution of public housing supply and actively review public housing projects to be completed in the middle or near the end of the coming ten years (i.e. from 2025/26 to 2034/35), with an aim to gradually adjust the ratio between PRH / GSH and other SSF from the current ratio of 7:3 to 6:4. Given the rising trend in construction cost, we will probably need a higher net income from selling HOS flats to finance building PRH units, notwithstanding the increased ratio of SSF in the longer term. We will also carry out a comprehensive cost review exercise to identify all possible cost saving items for our future new construction projects.

34. As a result, the level of Cash and Investment (C&I) Balance of HA will drop to just around \$40B by the end of March 2029. The projected Cash and Investment Balance (at year-end) is set out in Table 8 below –

Table 8 – C&I Balance at year-end (in \$M)					
	Budgets		Financial Forecasts		
	2024/25 (Revised)	2025/26	2026/27	2027/28	2028/29
C&I Balance (at year-end)	65,751	68,144	71,080	43,623	40,249

In terms of daily operational needs, the C&I Balance should be maintained at a certain level to meet the general liquidity/working capital requirement of HA, say, three to six months of estate management expenditure and contract payments for construction contracts at any one time.

35. HA has also stepped-up measures to combat against abuse of PRH, together with the increase in supply of SSF, both would bring in more refurbished PRH units, as another source for flat allocation apart from new builds.

FINANCIAL AND STAFFING IMPLICATIONS

36. The financial and staffing implications have been incorporated in the proposed Budgets and Financial Forecasts.

INFORMATION TECHNOLOGY AND LEGAL IMPLICATIONS

37. The proposed Budgets and Financial Forecasts do not carry any information technology or legal implication.

NEXT STEPS

38. Subject to Members' endorsement, we will submit the 2025/26 Proposed Budget to CE for approval. The 2024/25 Revised Budget and the Financial Forecasts will form part of the submission.

CONSULTATION

39. The relevant business committees had endorsed the Budgets for individual businesses under their purview. FC endorsed the proposed HA's Budgets at its meeting on 9 January 2025.

PUBLIC REACTION

40. Given the top priority accorded by this term of Government to the housing policy area, and with the coverage of the housing initiatives in the 2024 Policy Address, the public and the media will likely be interested in HA's financial position, in particular its C&I Balance in the budget and forecast period and whether HA has sufficient financial resources to meet the public housing supply target in the long run.

PUBLICITY

41. A press release on the 2025/26 Corporate Plan and the Budgets and Financial Forecasts will be issued after HA's endorsement.

DISCUSSION

42. This paper is issued for discussion at the HA meeting to be held on 17 January 2025.

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HONG KONG HOUSING AUTHORITY

Proposed Budgets and Financial Forecasts

for

2024/25 - 2028/29

(Budget Pack)

Hong Kong Housing Authority
Proposed Budgets and Financial Forecasts

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HONG KONG HOUSING AUTHORITY

CONSOLIDATED OPERATING ACCOUNT

Section 1.1

	2023/24	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Recurrent income							
Rental - domestic	21,466	23,017	23,189	25,741	26,917	28,139	29,640
Rental - commercial	3,073	3,854	3,470	3,784	3,958	4,188	4,456
Other income	269	287	276	273	278	284	292
Sub-total	24,808	27,158	26,935	29,798	31,153	32,611	34,388
Subsidised Sale Flats income							
Home Ownership Scheme / Green Form Subsidised Home Ownership Scheme	20,870	3,972	14,913	26,234	28,866	13,509	32,626
Tenants Purchase Scheme	431	666	659	694	711	729	747
Sale of repurchased flats	14	16	12	13	13	13	14
Alienation premium	838	1,190	963	991	1,020	1,045	1,075
Other income	132	122	133	140	146	162	171
Sub-total	22,285	5,966	16,680	28,072	30,756	15,458	34,633
TOTAL INCOME	47,093	33,124	43,615	57,870	61,909	48,069	69,021
EXPENDITURE							
Recurrent expenditure							
Personal emoluments	4,404	5,061	4,802	5,213	5,432	5,675	5,932
Government rent and rates	1,731	3,016	2,397	3,046	3,080	3,118	3,172
Maintenance and improvements	4,796	5,321	5,260	5,739	6,093	6,063	6,384
Other recurrent expenditure	6,884	7,961	7,499	8,156	8,577	8,970	9,391
Depreciation and amortisation	5,517	5,840	5,734	6,061	6,490	6,811	7,568
Share of corporate supervision and support services expenses	276	325	306	338	347	357	366
Government non-reimbursable items	37	43	39	38	41	39	41
Sub-total	23,645	27,567	26,037	28,591	30,060	31,033	32,854
Subsidised Sale Flats expenditure							
Construction cost and overheads	7,668	2,108	6,106	10,170	11,793	6,130	13,023
Land cost	2,703	767	2,165	3,592	4,159	2,178	4,592
Cost of repurchased flats sold	2	1	1	1	1	1	1
Other expenditure	98	78	61	98	90	96	99
Sub-total	10,471	2,954	8,333	13,861	16,043	8,405	17,715
TOTAL EXPENDITURE	34,116	30,521	34,370	42,452	46,103	39,438	50,569
CONSOLIDATED OPERATING ACCOUNT SURPLUS	12,977	2,603	9,245	15,418	15,806	8,631	18,452

HONG KONG HOUSING AUTHORITY

RENTAL HOUSING OPERATING ACCOUNT

Section 1.1.1

	2023/24	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Rental	21,466	23,017	23,189	25,741	26,917	28,139	29,640
Other income	92	114	96	96	95	95	95
TOTAL INCOME	<u>21,558</u>	<u>23,131</u>	<u>23,285</u>	<u>25,837</u>	<u>27,012</u>	<u>28,234</u>	<u>29,735</u>
EXPENDITURE							
Personal emoluments	3,519	4,035	3,824	4,151	4,327	4,523	4,723
Government rent and rates	1,531	2,786	2,179	2,810	2,836	2,864	2,907
Maintenance and improvements	4,556	5,057	5,001	5,470	5,812	5,767	6,067
Other recurrent expenditure	5,930	6,865	6,426	6,995	7,345	7,665	8,006
Depreciation and amortisation	5,029	5,302	5,216	5,487	5,837	6,127	6,734
Share of corporate supervision and support services expenses	215	253	238	263	270	278	285
TOTAL EXPENDITURE	<u>20,780</u>	<u>24,298</u>	<u>22,884</u>	<u>25,176</u>	<u>26,427</u>	<u>27,224</u>	<u>28,722</u>
OPERATING SURPLUS / (DEFICIT)	<u>778</u>	<u>(1,167)</u>	<u>401</u>	<u>661</u>	<u>585</u>	<u>1,010</u>	<u>1,013</u>

HONG KONG HOUSING AUTHORITY

COMMERCIAL OPERATING ACCOUNT

Section 1.1.2

	2023/24	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Rental	3,073	3,854	3,470	3,784	3,958	4,188	4,456
Other income	177	173	180	177	183	189	197
TOTAL INCOME	<u>3,250</u>	<u>4,027</u>	<u>3,650</u>	<u>3,961</u>	<u>4,141</u>	<u>4,377</u>	<u>4,653</u>
EXPENDITURE							
Personal emoluments	404	476	443	481	500	528	554
Government rent and rates	200	230	218	236	244	254	265
Maintenance and improvements	228	249	247	256	268	283	303
Other recurrent expenditure	847	961	937	1,014	1,081	1,152	1,229
Depreciation and amortisation	452	497	483	536	598	648	801
Share of corporate supervision and support services expenses	27	32	29	32	33	35	36
Government non-reimbursable items	37	43	39	38	41	39	41
TOTAL EXPENDITURE	<u>2,195</u>	<u>2,488</u>	<u>2,396</u>	<u>2,593</u>	<u>2,765</u>	<u>2,939</u>	<u>3,229</u>
OPERATING SURPLUS	<u>1,055</u>	<u>1,539</u>	<u>1,254</u>	<u>1,368</u>	<u>1,376</u>	<u>1,438</u>	<u>1,424</u>

HONG KONG HOUSING AUTHORITY

HOME OWNERSHIP ASSISTANCE OPERATING ACCOUNT

Section 1.1.3

	2023/24	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Subsidised Sale Flats income							
Home Ownership Scheme / Green Form Subsidised Home Ownership Scheme	20,870	3,972	14,913	26,234	28,866	13,509	32,626
Tenants Purchase Scheme	431	666	659	694	711	729	747
Sale of repurchased flats	14	16	12	13	13	13	14
Alienation premium	838	1,190	963	991	1,020	1,045	1,075
Other income	132	122	133	140	146	162	171
TOTAL INCOME	22,285	5,966	16,680	28,072	30,756	15,458	34,633
EXPENDITURE							
Recurrent expenditure							
Personal emoluments	481	550	535	581	605	624	655
Maintenance and improvements	12	15	12	13	13	13	14
Other recurrent expenditure	107	135	136	147	151	153	156
Depreciation and amortisation	36	41	35	38	55	36	33
Share of corporate supervision and support services expenses	34	40	39	43	44	44	45
Sub-total	670	781	757	822	868	870	903
Subsidised Sale Flats expenditure							
Construction cost and overheads	7,668	2,108	6,106	10,170	11,793	6,130	13,023
Land cost	2,703	767	2,165	3,592	4,159	2,178	4,592
Cost of repurchased flats sold	2	1	1	1	1	1	1
Other expenditure	98	78	61	98	90	96	99
Sub-total	10,471	2,954	8,333	13,861	16,043	8,405	17,715
TOTAL EXPENDITURE	11,141	3,735	9,090	14,683	16,911	9,275	18,618
OPERATING SURPLUS	11,144	2,231	7,590	13,389	13,845	6,183	16,015

HONG KONG HOUSING AUTHORITY

FUNDS MANAGEMENT ACCOUNT

Section 1.2

	2023/24	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Investment income	3,922	2,200	2,728	2,488	2,513	2,044	1,447
EXPENDITURE							
Personal emoluments	15	17	16	18	19	18	19
Other recurrent expenditure	49	52	54	54	55	56	43
Share of corporate supervision and support services expenses	1	1	1	1	1	1	1
	<u>65</u>	<u>70</u>	<u>71</u>	<u>73</u>	<u>75</u>	<u>75</u>	<u>63</u>
SURPLUS	<u><u>3,857</u></u>	<u><u>2,130</u></u>	<u><u>2,657</u></u>	<u><u>2,415</u></u>	<u><u>2,438</u></u>	<u><u>1,969</u></u>	<u><u>1,384</u></u>

HONG KONG HOUSING AUTHORITY

AGENCY ACCOUNT

Section 1.3

	2023/24	2024/25	2024/25	2025/26			
	Actual	Approved Budget	Revised Budget	Proposed Budget	2026/27	2027/28	2028/29
	\$M	\$M	\$M	\$M	Forecast	Forecast	Forecast
					\$M	\$M	\$M
INCOME							
Supervision fee and on-cost	312	430	393	447	511	617	681
Amount reimbursed by Government	580	635	659	713	556	524	462
Managers' remuneration	85	85	83	83	83	83	83
TOTAL INCOME	977	1,150	1,135	1,243	1,150	1,224	1,226
EXPENDITURE							
Personal emoluments	771	853	843	810	800	784	747
Other recurrent expenditure	123	165	192	322	186	156	132
Share of corporate supervision and support services expenses	20	12	21	23	24	24	25
TOTAL EXPENDITURE	914	1,030	1,056	1,155	1,010	964	904
	63	120	79	88	140	260	322
AMOUNT PENDING REFUND	(30)	-	-	-	-	-	-
SURPLUS	33	120	79	88	140	260	322

HONG KONG HOUSING AUTHORITY

CONSOLIDATED APPROPRIATION ACCOUNT

Section 1.4

		2023/24	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29
	Reference	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
		\$M	\$M	\$M	\$M	\$M	\$M	\$M
Consolidated Operating Account surplus / (deficit)								
Rental housing	S. 1.1.1	778	(1,167)	401	661	585	1,010	1,013
Commercial	S. 1.1.2	1,055	1,539	1,254	1,368	1,376	1,438	1,424
Home ownership assistance	S. 1.1.3	11,144	2,231	7,590	13,389	13,845	6,183	16,015
Sub-total		12,977	2,603	9,245	15,418	15,806	8,631	18,452
Net non-operating income ^{Note 1}		44	45	78	76	58	81	80
		13,021	2,648	9,323	15,494	15,864	8,712	18,532
Funds management account surplus	S. 1.2	3,857	2,130	2,657	2,415	2,438	1,969	1,384
Agency account surplus	S. 1.3	33	120	79	88	140	260	322
SURPLUS FOR THE YEAR		16,911	4,898	12,059	17,997	18,442	10,941	20,238
Distribution:								
Dividend to the Government for the year		527	771	627	684	688	719	712
SURPLUS FOR THE YEAR AFTER DISTRIBUTION		16,384	4,127	11,432	17,313	17,754	10,222	19,526

Note 1

It includes mainly income from the Urban Renewal Authority for the rental flats allocated to affected tenants.

HONG KONG HOUSING AUTHORITY

CAPITAL EXPENDITURE

					Section 1.5		
<u>Reference</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>
	<u>Actual</u>	<u>Approved</u>	<u>Revised</u>	<u>Proposed</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>	<u>\$M</u>
1. Construction expenditure for HA projects							
- Construction expenditure <u>before</u> in-house supervision and administration costs	17,454	26,663	24,956	28,464	35,982	40,685	44,861
- In-house supervision and administration costs	2,662	3,023	3,060	3,318	3,492	3,512	3,702
Subtotal (1)	S.1.5.1	<u>20,116</u>	<u>29,686</u>	<u>28,016</u>	<u>39,474</u>	<u>44,197</u>	<u>48,563</u>
2. Improvement works							
- Improvement works <u>before</u> in-house supervision and administration costs	740	958	904	736	758	785	820
- In-house supervision and administration costs	59	69	66	67	72	76	80
Subtotal (2)		<u>799</u>	<u>1,027</u>	<u>970</u>	<u>830</u>	<u>861</u>	<u>900</u>
3. Computer systems and equipment, other equipment and motor vehicles							
- Computer systems and equipment, other equipment and motor vehicles <u>before</u> in-house supervision and administration costs	172	255	174	443	462	288	278
- In-house supervision and administration costs	1	2	1	1	1	1	1
Subtotal (3)		<u>173</u>	<u>257</u>	<u>175</u>	<u>463</u>	<u>289</u>	<u>279</u>
Total (1) + (2) + (3)		<u>21,088</u>	<u>30,970</u>	<u>29,161</u>	<u>40,767</u>	<u>45,347</u>	<u>49,742</u>

HONG KONG HOUSING AUTHORITY

CONSTRUCTION EXPENDITURE

					Section 1.5.1		
	2023/24	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29
Reference	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<u>Construction expenditure before in-house supervision and administration costs</u>							
1. Housing Authority (HA) projects							
(a) Public rental housing / Green Form Subsidised Home Ownership Scheme	10,362	15,535	14,418	17,357	21,531	21,653	22,514
(b) Other subsidised sale flats	5,344	8,079	7,818	7,529	9,816	13,520	16,321
(c) Commercial centres	520	747	589	924	1,230	1,447	1,870
(d) Carparks	1,090	1,921	1,697	2,121	2,757	3,363	3,611
(e) Welfare	104	181	278	320	522	591	472
(f) Other HA projects	34	197	155	213	123	111	73
Sub-total (1)	17,454	26,660	24,955	28,464	35,979	40,685	44,861
2. Government non-reimbursable projects	Note 1	3	1	Note 1	3	Note 1	Note 1
Sub-total (1) + (2)	17,454	26,663	24,956	28,464	35,982	40,685	44,861
<u>In-house supervision and administration costs</u>							
3. In-house supervision and administration costs by businesses							
(a) Public rental housing / Green Form Subsidised Home Ownership Scheme	1,610	1,772	1,757	2,026	2,081	1,867	1,929
(b) Other subsidised sale flats	764	909	960	869	955	1,158	1,265
(c) Commercial facilities (Commercial centres, carparks and welfare)	269	325	323	398	444	477	502
(d) Other HA projects	19	17	20	25	12	10	6
(e) Government non-reimbursable projects	Note 1	-	-	-	-	-	-
Sub-total (3)	2,662	3,023	3,060	3,318	3,492	3,512	3,702
Sub-total for HA projects (1) + (2) + (3)	S.1.5 20,116	29,686	28,016	31,782	39,474	44,197	48,563
4. Government-funded projects	970	1,939	1,601	2,011	2,532	3,459	4,012
Total (1) + (2) + (3) + (4)	21,086	31,625	29,617	33,793	42,006	47,656	52,575

Note 1

Less than \$1M.

HONG KONG HOUSING AUTHORITY

Budget Bases and Assumptions

Section 2.1

INCOME

		Annual Increase (%)		
		2025/26 Proposed Budget	2026/27 Forecast	2027/28 to 2028/29 Forecasts
(i) Rental Income				
Domestic properties				
- For both existing and new flats (% increase p.a.)		Biennial rent increase of 6.94% in October 2026 and October 2028		
Commercial / non-domestic properties ^{Note 1}				
- Shops and shopstalls	Average year-on-year rental growth rate (p.a.)	-6.00%	-3.00%	0.00%
- Carparks		Note 2	2.00%	2.00%
- Factory Estates		1.00%	1.00%	1.00%
- Welfare premises		0.00%	0.00%	0.00%
(ii) Income from Subsidised Sale Flats operations				
- Subsidised sale flats ^{Note 3}				
• Selling price inflation adjustment (% increase p.a. based on the price level of 2024/25)		2.5%	2.5%	2.5%
• Discount rate for HOS flats		30.0%	30.0%	30.0%
• Discount rate for GSH flats		40.0%	40.0%	40.0%
- Annual opting rate for premium payment				
• HOS, GSH, Private Sector Participation Scheme & Buy or Rent Option Scheme flats		0.22%	0.22%	0.22%
• Tenants Purchase Scheme flats		0.04%	0.04%	0.04%
(iii) Investment income (p.a.)				
- Percentage on fund balance		3.70%	3.70%	3.70%

Note 1

The assumed average year-on-year rental growth rates are adopted for budgetary purpose only. The actual rental growth will be subject to the actual rental achieved in tenancy renewal and / or new lettings in the respective financial years.

Note 2

In respect of carparks, the Commercial Properties Committee (CPC) approved to increase the monthly carpark charges for private car parking spaces by \$160 (for covered spaces) / \$140 (for open spaces), light goods vehicle parking spaces by \$190 (for covered spaces) / \$170 (for open spaces), coach / bus parking spaces by \$200 (for covered spaces) / \$180 (for open spaces) and motor car parking spaces by \$60 (for covered spaces) / \$50 (for open spaces); and increase the hourly carpark charges by \$1, Day Pass charges by \$10 and 24-hour Pass charges by \$20 with effect from 1 January 2025.

Note 3

Home Ownership Scheme (HOS) / Green Form Subsidised Home Ownership Scheme (GSH) flats will be offered for pre-sale around 24 months before building completion, and the selling rate of first sale is 98% and the remaining 2% will be sold in the subsequent sale exercise.

HONG KONG HOUSING AUTHORITY

Budget Bases and Assumptions

Section 2.2

COST - PRICE LEVEL ADJUSTMENT

	Annual Increase (%)	
	2025/26 Proposed Budget	From 2026/27 Onwards
(i) Recurrent expenditure		
- Personal emoluments	3.50%	3.50%
- Maintenance and minor improvements	4.50%	4.50%
- Cleansing and security	3.50%	3.50%
- Other recurrent expenditure	2.50%	2.50%
(ii) Capital expenditure		
- Construction expenditure ^{Note 1}	4.50%	4.50%
- Improvement works	4.50%	4.50%
- Computer expenditure	2.00%	2.00%

Note 1

The assumed annual price increase rates for construction expenditure are set with reference to the Government's updated rates of price change for estimation of public sector building and construction cost.

HONG KONG HOUSING AUTHORITY

HOUSING PRODUCTION FORECAST ^{Note 1}

Section 2.3

Year	PRH / GSH	Other SSFs	Total
2023/24 (Actual)	<u>11 854</u>	<u>248</u>	<u>12 102</u>
2024/25	17 977	11 329	29 306
2025/26	15 509	8 178	23 687
2026/27	15 453	3 216	18 669
2027/28	18 634	9 842	28 476
2028/29	<u>21 760</u>	<u>7 226</u>	<u>28 986</u>
5-year Total	<u>89 333</u>	<u>39 791</u>	<u>129 124</u>

Note 1

The Housing Production Forecast is based on the September 2024 Housing Construction Programme (HCP).

HONG KONG HOUSING AUTHORITY

STATEMENT OF CHANGES IN CASH AND INVESTMENT BALANCE

Section 3.1

	2023/24	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
RECEIPTS							
Recurrent receipts							
Rental - domestic	21,481	23,017	23,189	25,742	26,917	28,138	29,640
- commercial	3,125	4,091	3,738	3,882	4,014	4,223	4,464
Other recurrent receipts	1,660	2,733	2,347	2,808	3,398	4,439	5,063
Amount reimbursed by Government for Head 62	579	634	658	712	555	522	462
Sub-total	26,845	30,475	29,932	33,144	34,884	37,322	39,629
Subsidised Sale Flats receipts							
Home Ownership Scheme / Green Form Subsidised Home Ownership Scheme	21,155	4,616	14,933	26,188	35,241	9,957	32,816
Tenants Purchase Scheme	438	666	659	694	711	729	747
Sale of repurchased flats	14	16	12	13	13	13	14
Alienation premium	838	1,190	963	991	1,020	1,045	1,075
Other receipts	94	102	113	114	114	115	115
Sub-total	22,539	6,590	16,680	28,000	37,099	11,859	34,767
Net repayments for housing loans	2	-	-	-	-	-	-
Other non-recurrent receipts	95	45	78	76	58	81	80
TOTAL RECEIPTS	49,481	37,110	46,690	61,220	72,041	49,262	74,476
PAYMENTS							
Recurrent payments							
Personal emoluments	7,589	8,487	8,179	8,906	9,162	9,392	9,610
Government rent and rates	1,734	3,020	2,401	3,050	3,084	3,122	3,177
Maintenance and improvements	4,787	5,398	5,336	5,814	6,090	5,986	6,216
Other recurrent payments	6,998	8,272	7,809	8,496	8,819	9,086	9,373
Payment for Head 62	515	608	634	686	528	494	434
Sub-total	21,623	25,785	24,359	26,952	27,683	28,080	28,810
Non-recurrent payments							
Construction	18,553	28,554	26,414	30,171	38,281	43,714	47,169
- HA projects	17,594	26,615	24,813	28,160	35,749	40,255	43,157
- Government-funded projects	959	1,939	1,601	2,011	2,532	3,459	4,012
Land cost	1,357	2,688	2,656	2,104	3,552	5,068	1,307
Improvement works	611	958	825	783	763	724	813
Computer systems and equipment, other equipment and motor vehicles	78	255	174	443	462	288	278
Other non-recurrent payments	58	28	28	30	50	30	78
Purchase of returned flats	1	4	3	3	2	2	2
Other subsidised sale flats payments	59	78	72	97	89	93	96
Sub-total	20,717	32,565	30,172	33,631	43,199	49,919	49,743
TOTAL PAYMENTS	42,340	58,350	54,531	60,583	70,882	77,999	78,553
CASH INFLOW / (OUTFLOW) BEFORE APPROPRIATION AND INVESTMENT INCOME	7,141	(21,240)	(7,841)	637	1,159	(28,737)	(4,077)
Less:							
Dividend paid to the Government	479	771	722	684	688	719	712
NET CASH INFLOW / (OUTFLOW) BEFORE INVESTMENT INCOME	6,662	(22,011)	(8,563)	(47)	471	(29,456)	(4,789)
Net investment gain	3,729	2,155	2,680	2,440	2,465	1,999	1,415
NET CASH INFLOW / (OUTFLOW) AFTER INVESTMENT INCOME	10,391	(19,856)	(5,883)	2,393	2,936	(27,457)	(3,374)
OPENING CASH AND INVESTMENT BALANCE	61,243	69,735	71,634	65,751	68,144	71,080	43,623
CLOSING CASH AND INVESTMENT BALANCE	71,634	49,879	65,751	68,144	71,080	43,623	40,249

HONG KONG HOUSING AUTHORITY

DEVELOPMENT FUND

Section 3.2

	2024/25 Approved Budget \$M	2024/25 Revised Budget \$M	2025/26 Proposed Budget \$M	2026/27 Forecast \$M	2027/28 Forecast \$M
OPENING CASH AND INVESTMENT BALANCE AS AT 1 APRIL	69,735	71,634	65,751	68,144	71,080
Add:					
Increase / (Decrease) for the year	(19,856)	(5,883)	2,393	2,936	(27,457)
FORECAST CLOSING CASH AND INVESTMENT BALANCE AS AT 31 MARCH	49,879	65,751	68,144	71,080	43,623
Less:					
Cash retained for liquidity					
- 3 month's recurrent payments	6,598	6,567	6,789	6,897	7,094
Capital expenditure (except for improvement)	16,090	14,302	18,106	20,272	21,718
HCWF - Improvement account	2,000	2,000	2,000	2,000	2,000
Outstanding payments to the Government					
- Land cost	765	2,104	3,552	5,068	1,307
- Dividend	940	684	688	719	712
	1,705	2,788	4,240	5,787	2,019
	<u>26,393</u>	<u>25,657</u>	<u>31,135</u>	<u>34,956</u>	<u>32,831</u>
CASH AND INVESTMENT AVAILABLE FOR DEVELOPMENT FUND	23,486	40,094	37,009	36,124	10,792
Less:					
OPENING BALANCE OF DEVELOPMENT FUND	44,547	44,547	40,094	37,009	36,124
TRANSFER TO ACCUMULATED SURPLUS	<u>(21,061)</u>	<u>(4,453)</u>	<u>(3,085)</u>	<u>(885)</u>	<u>(25,332)</u>