

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Home Ownership Committee

Survey on Applicants of Home Ownership Scheme (HOS) and Home Purchase Loan Scheme (HPLS) 2002

PURPOSE

This paper presents the findings of the Survey on Applicants of HOS and HPLS conducted in 2002.

BACKGROUND

2. To support policy formulation and reviews, a survey on the characteristics of HOS and HPLS applicants was first conducted in 1999. We have since then conducted an annual survey on the same subject to facilitate time-series analysis. This year's survey targeted at all eligible applicants for **HOS Phase 23A**¹ and for the **HPLS in 2001/2002**². A sample of 3 000 HOS and HPLS applicants was selected. Some 2 550 applicants were successfully interviewed, constituting a response rate of 85%.

ANALYSIS

3. Our analysis focuses on the following areas -
- (a) characteristics of the applicants;
 - (b) housing plans of the applicants; and
 - (c) characteristics of the singleton White Form (WF) applicants.

¹ According to the survey design, all eligible applicants of the most recent HOS sale exercise in the reference year would be the target population of the survey. Owing to the moratorium on HOS sale announced in September 2001, the latest HOS sale exercise in 2001/2002 was HOS Phase 23A launched in May 2001.

² Applicants for the HPLS in 2001/2002 refer to those applicants lodging applications during the period from 1.4.2001 to 31.3.2002. Applicants who lodged their applications after 31.3.2002 are excluded though the validity of the quota in 2001/2002 was extended beyond 31.3.2002.

4. To facilitate trend analysis, the relevant findings from the last survey conducted in 2001 are shown in brackets where appropriate. A brief trend analysis and a set of charts showing selected statistics from the surveys conducted in 1999, 2000, 2001 and 2002 are at **Annex** for reference.

SURVEY RESULTS

Characteristics of HOS and HPLS Applicants

(a) Overview

5. WF applicants constituted 74% of the HOS applications for Phase 23A. For HPLS in 2001/02, about 72% of the applicants were Green Form (GF) applicants. The higher proportion of GF applicants for HPLS could be attributed to the fact that the loan amount for GF applicants was significantly higher than that for WF applicants. In addition, GF applicants could make use of the loans to buy flats in the HOS secondary market. **(Table 1)**

Table 1: Distribution of eligible applicants by applicants' status

	HOS Phase 23A	HPLS 2001/02
WF	74% (80%)	28% (36%)
GF	26% (20%)	72% (64%)
Total	100%	100%

6. Of all the eligible applicants, slightly more than half of the WF applicants were singleton (1-P) applicants, whereas near 90% of the GF applicants were family applicants. Analysed by types of scheme applied, the majority of the HPLS WF applicants were family applicants while over 50% of the HOS WF applicants were singleton. This might be partly due to the fact that the HPLS subsidy or loan amount for singleton applicants was only equivalent to half of that for family applicants. **(Table 2)**

Table 2: Distribution of eligible applicants by applicants' status by household composition

	HOS Phase 23A			HPLS 2001/02			Overall		
	1-P	Family	Total	1-P³	Family	Total	1-P	Family	Total
WF	56% (59%)	44% (41%)	100%	29% (54%)	71% (46%)	100%	52% (57%)	48% (43%)	100%
GF	11% (8%)	89% (92%)	100%	11% (7%)	89% (93%)	100%	11% (7%)	89% (93%)	100%
Overall	44% (49%)	56% (51%)	100%	16% (24%)	84% (76%)	100%	36% (41%)	64% (59%)	100%

(b) *Socio-economic Characteristics*

7. In general, GF applicants were relatively older and had larger household size than WF applicants. Analysed by types of scheme applied, HPLS applicants generally had higher household income than the HOS applicants. A comparison of the socio-economic characteristics of HOS and HPLS applicants is summarized in the table below. **(Table 3)**

Table 3: Socio-economic characteristics

	HOS		HPLS	
	WF	GF	WF	GF
<u>Average age of applicants (years)</u>	31 (31)	50 (50)	32 (32)	45 (47)
<u>Average household size⁴ for application (persons)</u>				
All applicants	2.1 (1.7)	3.5 (3.4)	2.3 (1.7)	3.3 (3.4)
Excluding 1-P applicants	2.7 (2.6)	3.7 (3.6)	2.7 (2.5)	3.5 (3.5)
<u>Median monthly household income⁵</u>				
All applicants	\$14,000 (\$14,000)	\$17,000 (\$20,000)	\$15,200 (\$15,000)	\$20,000 (\$21,000)
Excluding 1-P applicants	\$18,500 (\$20,000)	\$18,000 (\$21,000)	\$19,000 (\$22,000)	\$20,000 (\$21,000)

³ The high proportion of HPLS WF singleton applicants in 2000/01 might partly be attributed to the fact that singleton applicants were allowed to apply for HPLS starting from 2000/01.

⁴ Household size is not necessarily equal to the number of household members in the application form. For successful applicants, household sizes refer to the number of household members living in the purchased flats.

⁵ Household income refers to income in May 2002 and May 2001 for 2001/02 and 2000/01 round of survey respectively, but not the income at the time of application. Furthermore, household income is not necessarily equal to total incomes of all household members in the application form. For successful applicants, household income refers to the total incomes of all household members living in the purchased flats.

(c) *Housing Conditions at the Time of Application*

8. Analysed by types of housing, about half of the WF applicants were living in public rental housing (PRH)⁶ or subsidized sale flats at the time of application. For GF applicants, the mean length of residence in PRH was 18 years. In general, WF applicants had larger household size and living space per person than GF applicants at the time of application. **(Table 4)**

Table 4: Housing conditions at the time of application

	HOS		HPLS	
	WF	GF	WF	GF
<u>Type of housing</u>				
Public Rental Housing	36% (36%)	89% (96%)	38% (34%)	83% (86%)
Subsidized Sale Flats	13% (19%)	* (1%)	13% (19%)	2% (2%)
Others	51% (45%)	11% (3%)	49% (47%)	15% (12%)
Total	100%	100%	100%	100%
<u>Type of tenure</u>				
Sole tenant	56% (51%)	95% (97%)	68% (58%)	93% (93%)
Owned by other household members	40% (43%)	3% (1%)	28% (34%)	4% (3%)
Others	4% (6%)	2% (2%)	4% (8%)	3% (4%)
Total	100%	100%	100%	100%
<u>Average living space per person</u>				
(m ² saleable area)	11.2 (11.3)	9.5 (9.9)	12.7 (13.2)	10.4 (10.8)
<u>Average household size (persons)</u>				
	4.5 (4.3)	3.8 (3.4)	3.9 (4.0)	3.6 (3.5)
<u>Length of residence in PRH for applicants who were living in PRH (years)</u>				
below 10	NA	17% (14%)	NA	20% (10%)
10 – less than 20	NA	37% (24%)	NA	35% (35%)
20 – less than 30	NA	30% (27%)	NA	32% (20%)
30 or above	NA	16% (35%)	NA	13% (35%)
Total	NA	100%	NA	100%
Average (years)	NA	18 (22)	NA	18 (22)

* less than 0.5%

⁶ PRH non-principal tenants could use WF to apply for various HA subsidized housing schemes. But, upon purchase of a flat under HA housing subsidized scheme, his/her name would be deleted from the tenancy.

Housing Plans of Applicants

(a) Reasons for Buying Properties

9. For GF applicants, the two most commonly cited reasons for buying properties were “to improve living standard” and “small size of current accommodation”. For WF applicants, the two main reasons were “aspiration for home ownership” and “to improve living standard”. It is interesting to note that more HPLS applicants (16%) than HOS applicants (4%) cited “the subsidized scheme was attractive” as their reasons. As far as considerations in selecting a flat are concerned, price and location were generally the two main factors that applicants would consider. HOS applicants indicated that they would wish to purchase a flat of, on average, around 50 m² saleable area with two to three bedrooms. Applicants’ housing aspiration statistics are summarized in the table below. **(Table 5)**

Table 5: Reasons for buying properties

	HOS		HPLS	
	WF	GF	WF	GF
<u>Major reasons for buying properties</u> <i>(multiple answers are allowed)</i>				
To improve living standard	40% (29%)	64% (52%)	34% (25%)	53% (42%)
Small size of current accommodation	31% (33%)	57% (55%)	25% (25%)	42% (52%)
Aspiration for home ownership	54% (44%)	31% (11%)	50% (48%)	23% (12%)
Increase in family members	22% (23%)	6% (5%)	26% (26%)	7% (5%)
Low flat price	11% (16%)	7% (8%)	19% (20%)	14% (9%)
The subsidized scheme was attractive	4% (3%)	4% (6%)	13% (8%)	17% (12%)
Poor quality of current accommodation	4% (2%)	15% (12%)	3% (3%)	12% (10%)
<u>Major considerations in selecting a flat</u> <i>(multiple answers are allowed)</i>				
Flat Price	73% (77%)	74% (69%)	78% (89%)	77% (77%)
Location	75% (73%)	74% (59%)	70% (81%)	66% (70%)
Transportation	47% (47%)	47% (47%)	49% (44%)	44% (36%)
Flat size	16% (16%)	19% (27%)	17% (23%)	20% (32%)
Orientation / floor level	19% (18%)	21% (24%)	8% (5%)	9% (13%)
Estate’s facilities	12% (13%)	10% (10%)	18% (7%)	14% (6%)
Quality of flat	6% (9%)	8% (9%)	12% (12%)	15% (14%)
<u>Average desired flat size of HOS flats</u> <u>(m² saleable area)</u>				
	51 (50)	54 (54)	NA (NA)	NA (NA)
<u>Average desired number of bedrooms of</u> <u>HOS flats (rooms)</u>				
	2.4 (2.4)	2.7 (2.7)	NA (NA)	NA (NA)

(b) *Preference Between HOS and HPLS*

10. Of the 26,000 eligible applicants of HOS Phase 23A and HPLS in 2001/02, 3% had applied for both schemes. For these applicants, a higher percentage of them (49% and 41% for WF and GF applicants respectively) preferred HPLS to HOS. For applicants who had applied for HOS only, about one-third of them were unaware of the details of HPLS. For applicants who had applied for HPLS only, the main reasons cited for not joining HOS were “wider choice” and “better quality flats in private sector”. For GF applicants, another reason for applying HPLS only was that they wanted to purchase flats in HOS secondary market. **(Table 6)**

Table 6: Preference between HOS and HPLS

<u>Preferred housing scheme for applicants who applied both schemes</u>	WF	GF
HPLS	49% (36%)	41% (44%)
HOS	41% (46%)	37% (37%)
No preference	10% (18%)	22% (19%)
Total	100%	100%
<u>Major reasons for applying for HOS only</u> <i>(multiple answers are allowed)</i>		
Prices of HOS flats were more attractive	50% (57%)	57% (59%)
Unaware of details of HPLS	37% (38%)	34% (29%)
Good interior design / practical design of HOS flats	19% (6%)	18% (5%)
Larger flat size of HOS flats	15% (3%)	18% (6%)
<u>Major reasons for applying for HPLS only</u> <i>(multiple answers are allowed)</i>		
HPLS provided a wider geographic choice	31% (36%)	41% (45%)
Flats in private sector were of better quality	37% (37%)	27% (26%)
Better management of private flats	21% (7%)	10% (6%)
Wanted to purchase flats in HOS secondary market	N.A.	20% (12%)
Prices of HOS flats were high / unreasonable	17% (11%)	19% (16%)
Prices of flat in private sector could better be preserved	19% (8%)	9% (10%)
HPLS provided more choices in terms of flat type	17% (14%)	14% (14%)
More flats available for selection	13% (5%)	13% (6%)

(c) *Affordability of Successful Applicants*

11. Most of the successful applicants purchased flats priced between \$1 million and \$1.5 millions. On average, they contributed around one-third of their income to repay the bank mortgage and HPLS loan. As regards the decoration costs for the flats purchased, the median decoration cost-to-price ratio ranged from 6.8% to 8.3%. A comparison of the affordability of HOS and HPLS successful applicants is summarized in the table below. **(Table 7)**

Table 7: Affordability of successful applicants

	HOS		HPLS	
	WF	GF	WF	GF
<u>Flat price (\$)</u>				
800,000 or below	6%	8%	15%	18%
800,001 – 1,000,000	20%	15%	29%	19%
-1,000,001 – 1,500,000	64%	53%	42%	39%
1,500,001 – 2,000,000	10%	24%	10%	14%
over 2,000,000	-	-	4%	10%
Total	100%	100%	100%	100%
Median	\$1.2M <i>(\$1.1M)</i>	\$1.3M <i>(\$1.2M)</i>	\$1.1M <i>(\$1.3M)</i>	\$1.2M <i>(\$1.3M)</i>
<u>Flat size (m² saleable area)</u>				
below 40	5%	4%	15%	6%
40 – less than 50	45%	25%	40%	19%
50 – less than 60	14%	24%	28%	24%
60 or above	36%	47%	17%	51%
Total	100%	100%	100%	100%
Average (m ² saleable area)	53 <i>(50)</i>	55 <i>(52)</i>	50 <i>(49)</i>	60 <i>(59)</i>
<u>Median downpayment</u>				
Including HPLS loan	NA <i>(NA)</i>	NA <i>(NA)</i>	\$410,000 <i>(\$550,000)</i>	\$660,000 <i>(\$830,000)</i>
Excluding HPLS loan	\$120,000 <i>(\$120,000)</i>	\$80,000 <i>(\$80,000)</i>	\$30,000 <i>(\$100,000)</i>	\$100,000 <i>(\$100,000)</i>
<u>Median downpayment-to-price ratio</u>				
Including HPLS loan	NA <i>(NA)</i>	NA <i>(NA)</i>	37% <i>(44%)</i>	55% <i>(70%)</i>
Excluding HPLS loan	10% <i>(10%)</i>	6% <i>(6%)</i>	4% <i>(10%)</i>	9% <i>(9%)</i>
<u>Median mortgage repayment</u> <u>(including HPLS loan repayment)</u>	\$5,200 <i>(\$6,500)</i>	\$6,000 <i>(\$7,000)</i>	\$6,300 <i>(\$7,900)</i>	\$6,700 <i>(\$7,200)</i>
<u>Median mortgage-to-income ratio</u> <u>(including HPLS loan repayment)</u>	31% <i>(33%)</i>	31% <i>(30%)</i>	36% <i>(40%)</i>	30% <i>(33%)</i>
<u>Median decoration cost-to-price ratio</u> <u>(including purchase of furniture)</u>	7.4%	8.3%	6.8%	6.8%

(d) *Future Housing Plans of Unsuccessful Applicants*

12. For the unsuccessful applicants, only 48% of them intended to buy a flat in the next two years. The majority of these potential flat buyers would apply for various subsidized home ownership schemes offered by Government. For unsuccessful applicants who did not intend to buy a flat in the next two years, the two major reasons for not buying any flat were “income had dropped / could not afford to buy a flat” and “currently unemployed / expecting dismissal”. **(Table 8)**

Table 8: Future housing plans of unsuccessful applicants

<u>Intention to buy a flat in the next two years</u>		
Yes	48%	(67%)
- <i>Would apply for the subsidized schemes</i>		
Yes	92%	(75%)
No	8%	(25%)
No	40%	(21%)
Not yet decided	12%	(12%)
Total	100%	
<u>Affordability measures for those who had intention to buy a flat under subsidized scheme in the next two years</u>		
Median affordable flat price	\$1.1M	(\$1.1M)
Median affordable downpayment	\$120,000	(\$110,000)
Median affordable mortgage repayment	\$5,300	(\$7,000)
<u>Major reasons for not intending to buy a flat in the next two years</u>		
<i>(multiple answers are allowed)</i>		
Income had dropped/could not afford to buy a flat	56%	(45%)
Currently unemployed/expecting dismissal	31%	(14%)
To avoid financial burden	17%	(19%)
Had already bought a flat	13%	(18%)
Expected decrease in flat price	11%	(3%)
Unreasonable flat price	7%	(13%)

Characteristics of the Singleton WF Applicants

13. Some 52% of all WF applicants were singletons. It is noteworthy that the majority of the singleton WF applicants were living with other family members at the time of application. Analysed by types of housing, a considerable portion was living in public rental housing or subsidized sale flats. A comparison of the characteristics of the singleton WF applicants of HOS and HPLS is summarized in the table below. **(Table 9)**

Table 9: Characteristics of the singleton WF applicants

	HOS	HPLS
<u>Median income</u> ⁷	\$12,000 (<i>\$12,000</i>)	\$10,000 (<i>\$12,000</i>)
<u>Average age (years)</u>	28 (<i>29</i>)	30 (<i>31</i>)
<u>Household size at the time of application</u>		
1p	3% (<i>7%</i>)	13% (<i>12%</i>)
2p or above	97% (<i>93%</i>)	87% (<i>88%</i>)
Total	100%	100%
<u>Type of housing at the time of application</u>		
Public Rental Housing	41% (<i>44%</i>)	47% (<i>38%</i>)
Subsidized Sale Flats	17% (<i>21%</i>)	18% (<i>20%</i>)
Others	42% (<i>35%</i>)	35% (<i>42%</i>)
Total	100%	100%
<u>Average living space per person at the time of application (m² saleable area per person)</u>	11.3 (<i>11.9</i>)	12.8 (<i>13.4</i>)
<u>Median price of flats purchased</u> (<i>for successful applicants</i>)	\$1.1M (<i>\$1.1M</i>)	\$1.0M (<i>\$1.1M</i>)
<u>Average size of flats purchased (m² saleable area)</u> (<i>for successful applicants</i>)	52 (<i>50</i>)	43 (<i>42</i>)
<u>Proportion of applicants with relatives' contribution</u> (<i>for successful applicants</i>)		
Downpayment	43% (<i>42%</i>)	26% (<i>25%</i>)
Mortgage repayment	22% (<i>30%</i>)	10% (<i>16%</i>)

SUMMARY OF MAIN FINDINGS

14. The main findings of the survey are summed up below -

- (a) the findings re-affirm the recent trend that the great majority of the applications for HOS (74%) came from WF applicants. HPLS was more attractive to GF applicants, with 72% of the total applications coming from GF applicants (**Table 1**);

⁷ Income refers to income in May 2002 and May 2001 for 2001/02 and 2000/01 round of survey respectively, but not the income at the time of application. Furthermore, income is not necessarily equal to income of the applicant. For successful applicants, income refers to the total incomes of all household members living in the purchased flats.

- (b) the majority of the HPLS WF applicants were family applicants while a larger proportion of the HOS WF applicants were singleton. This might be partly due to the fact that the HPLS subsidy or loan amount for singleton applicants was only equivalent to half of that for family applicants (**Table 2**);
- (c) HPLS applicants generally had higher household income than the HOS applicants (**Table 3**);
- (d) the main reasons for buying properties were different between GF and WF applicants. For GF applicants, the main reason was “to improve living standard”. For WF applicants, the main reason was “aspiration for home ownership”. A far greater proportion of HPLS applicants than HOS applicants cited attractiveness of the subsidized scheme as the main reason which had prompted them to buy properties (**Table 5**);
- (e) about 20% of the HPLS applicants who had not applied HOS cited that they wanted to purchase flats in the HOS secondary market (**Table 6**). This might also be one of the reasons accounting for the fact that HPLS was more popular among GF applicants (**Table 1**);
- (f) on average, applicants used around one-third of their income to repay the bank mortgage and HPLS loan (**Table 7**);
- (g) for unsuccessful applicants who did not intend to buy a flat in the next two years, the majority of them indicated that the reasons for not buying flats were their concern over job insecurity and lack of confidence in the property market (**Table 8**); and
- (h) the majority of the singleton WF applicants were living with other family members at the time of application. A considerable proportion of them was living in PRH or subsidized sale flat (**Table 9**).

ADVICE SOUGHT

15. This paper is issued for Members' information.

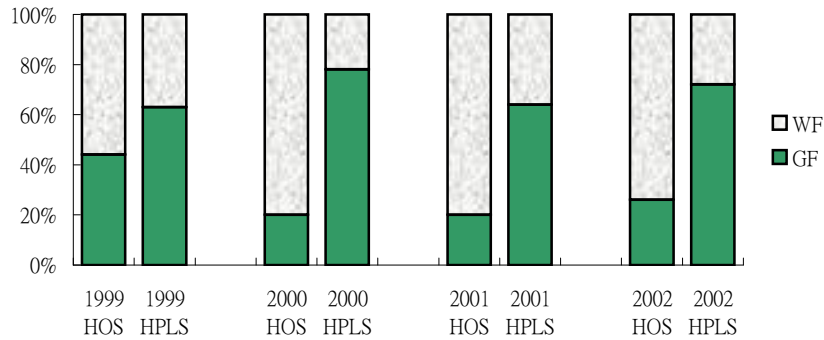
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Dennis MAK
Secretary, Home Ownership Committee
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File Ref. : HD 2153/1 V
Date : 10 February 2003

Historical Comparisons

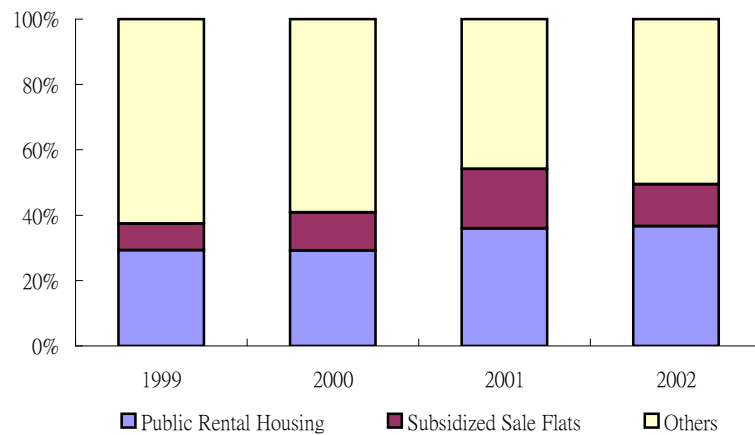
(A) Distribution by applicants' status



Observation:

In the past four years, HPLS was dominated by GF applicants whose share in HPLS applications maintained at a high level ranging from 63% to 78%. On the other hand, about three in four of the HOS applications were lodged by WF applicants over the past three years from 2000 to 2002. However, as noted in Chart(B) below, a considerable proportion of these WF applicants were actually residing in PRH.

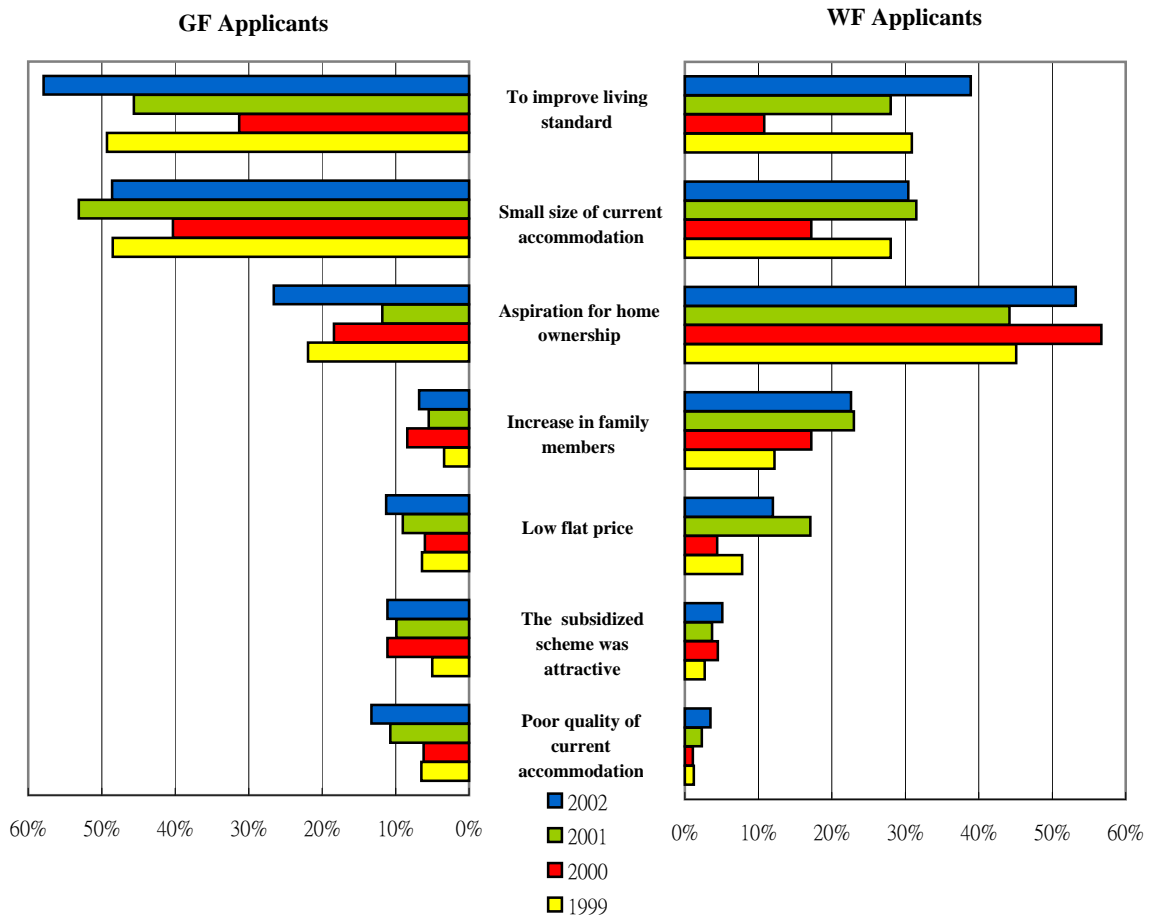
(B) Types of housing of WF applicants at the time of application



Observation:

A rising trend is observed in the proportion of applicants living in public rental housing at the time of application, from 29% in 1999 to 36% in 2002.

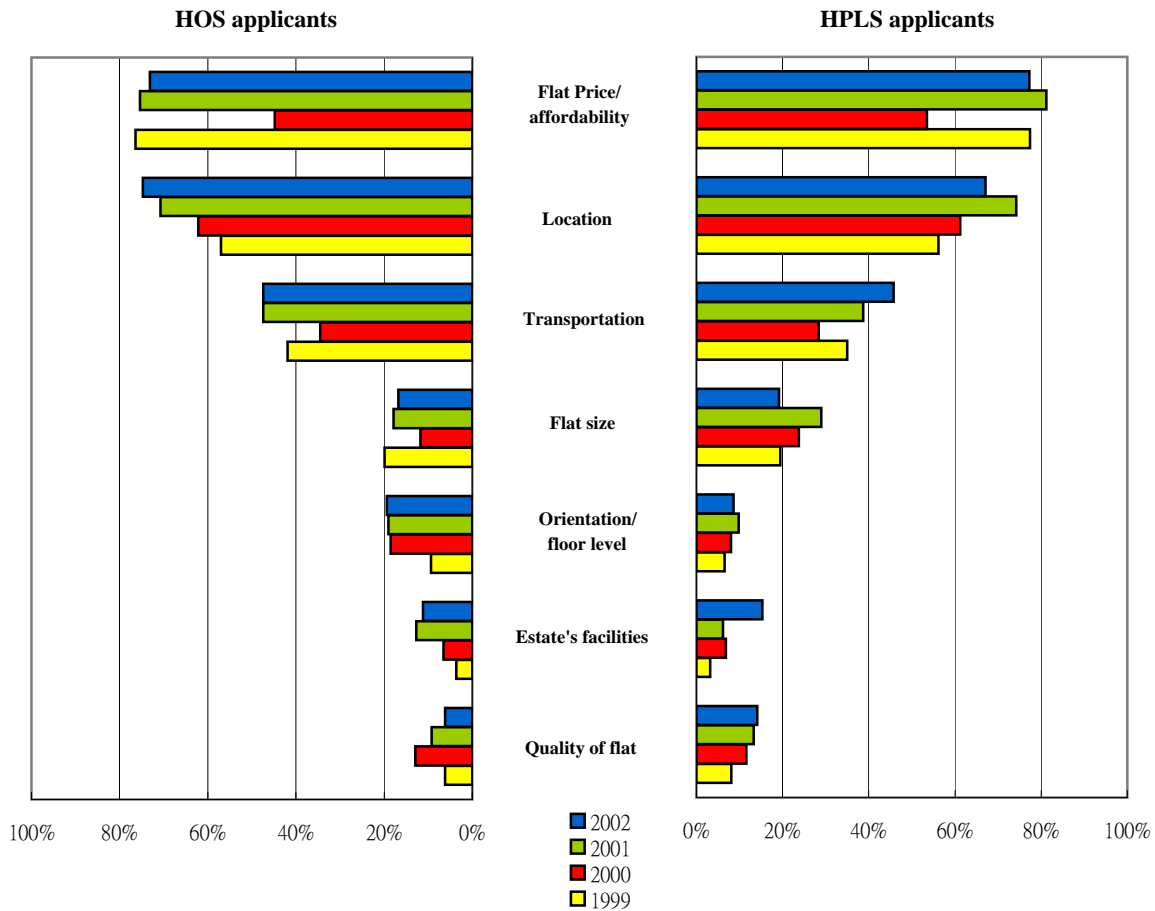
(C) Major reasons for buying properties



Observation:

The main reasons for buying properties were different between WF and GF applicants. For WF applicants, the main reason continued to be "aspiration for home ownership". For GF applicants, the two main reasons were "to improve living standard" and "small size of current accommodation".

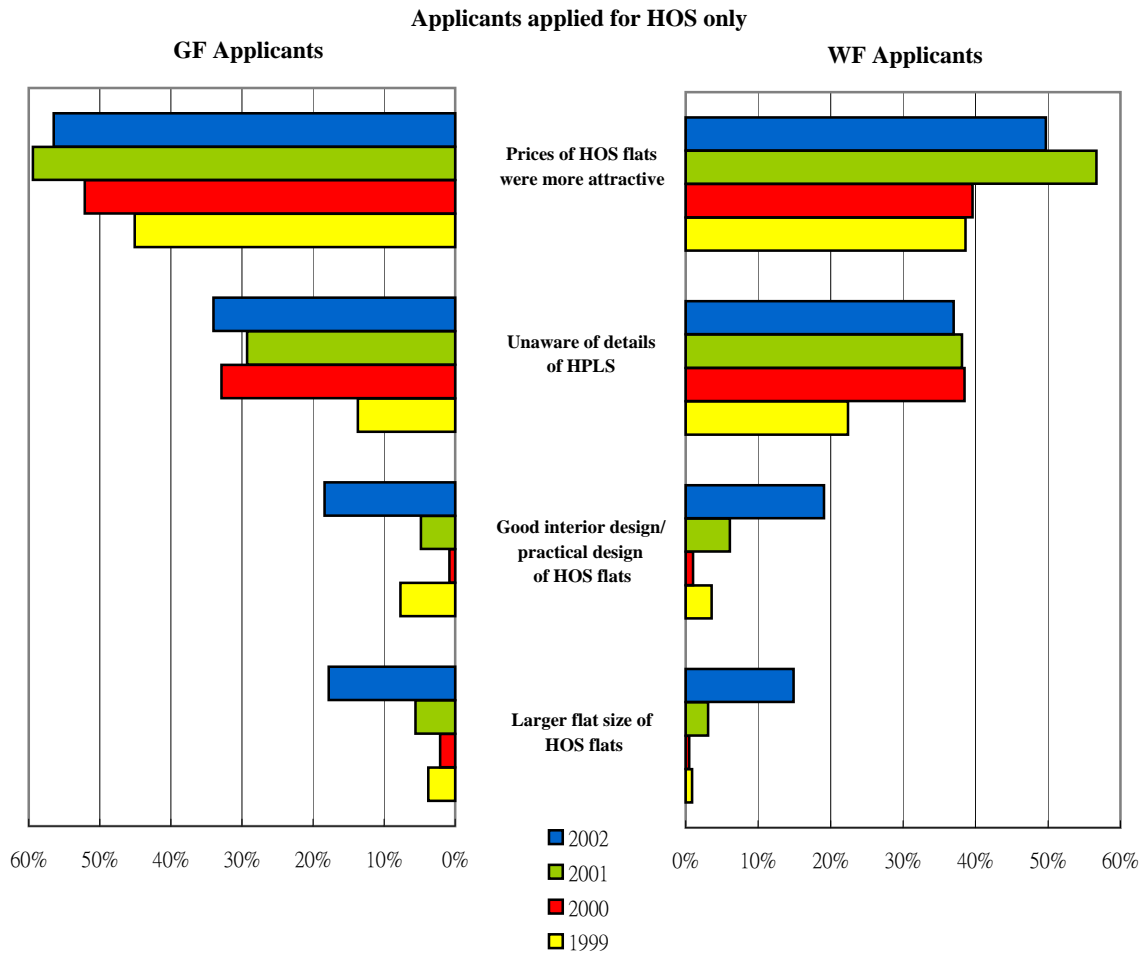
(D) Major considerations in selecting a flat



Observation:

The distribution of the major considerations in selecting a flat is broadly similar for the two groups of applicants. Over the past four years, "price" and "location" continued to be the two main factors that applicants would consider in selecting a flat, followed by "transportation". The proportion of applicants citing "transportation" as a major consideration was increasing, from 33% in 2000 to 47% in 2002. There was also a marked increase in the proportion of applicants who regarded "price" as a major consideration, from 47% in 2000 to 75% in 2002.

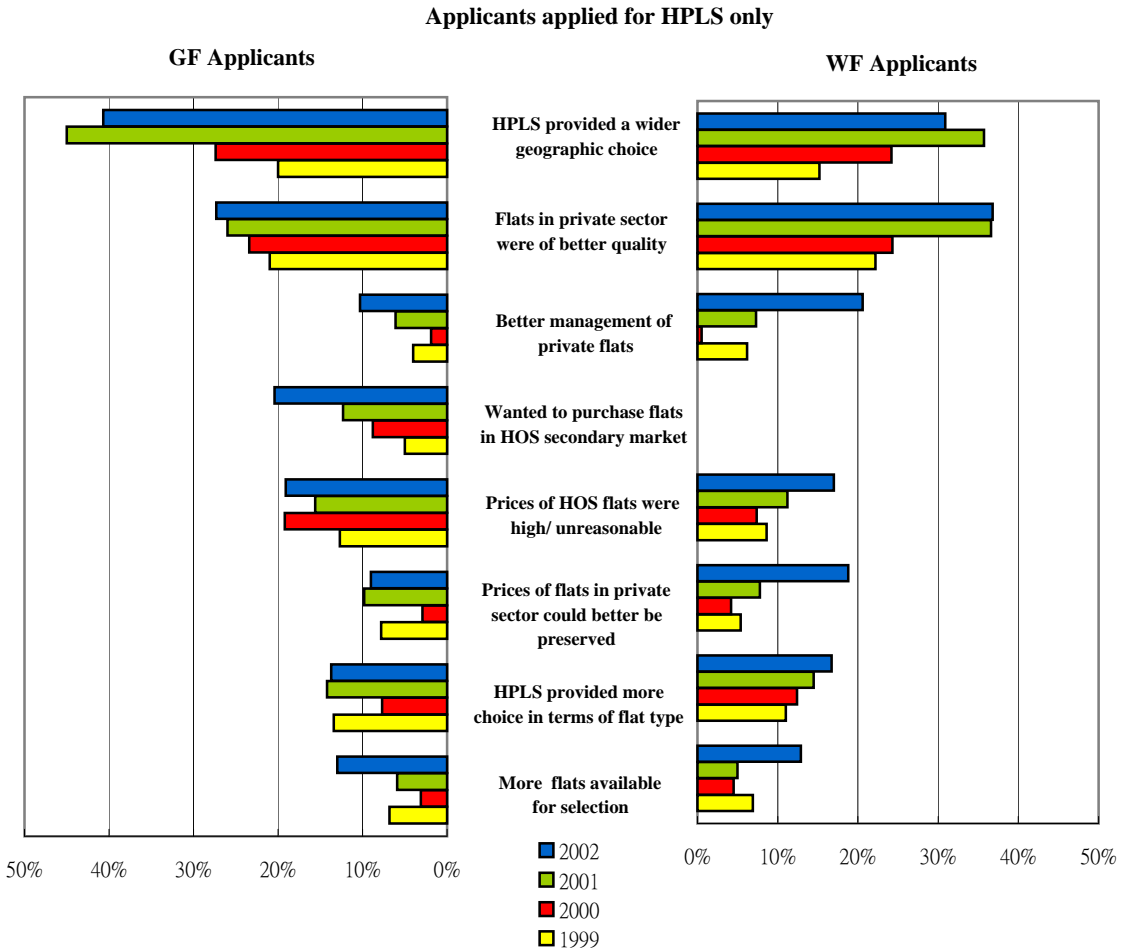
(E) Major reasons for applying for HOS only



Observation:

The most common reason for not applying for HPLS among the HOS applicants who had applied for HOS only was "prices of HOS flats were more attractive", though the proportion of applicants citing it dropped slightly from 57% in 2001 to 51% in 2002.

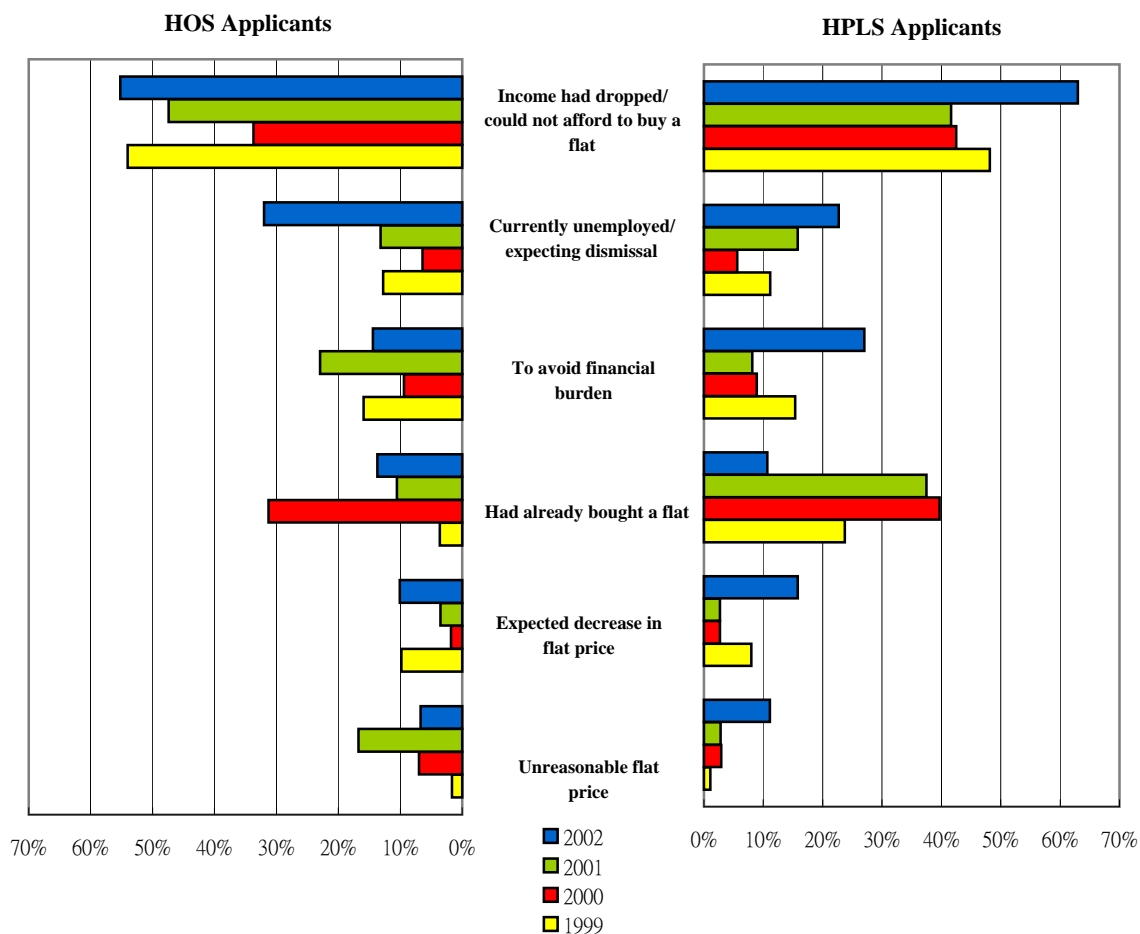
(F) Major reasons for applying for HPLS only



Observation:

More HPLS applicants were of the view that HPLS provided a wider geographic choice, the proportion increased significantly over the past four years, from 18% in 1999 to 38% in 2002. It is worth noting that the proportion of GF HPLS applicants wanting to purchase flats in HOS secondary market was surging, from 5% in 1999 to 20% in 2002.

(G) Major reasons for not intending to buy a flat in the next two years for unsuccessful applicants



Observation:

For unsuccessful applicants who did not intend to buy a flat in the next two years, the main reason for not to buy properties was "income had dropped/could not afford to buy a flat", the proportion rose from the lowest of 37% in 2000 to the highest of 56% in 2002. It is worth noting that about 40% of these applicants cited "they had already bought a flat" as the major reason in 2000 and 2001, the proportion declined significantly to 11% in 2002. On the contrary, the proportions of these applicants citing "currently unemployed/expecting dismissal", "to avoid financial burden", "expected decrease in flat price" and "unreasonable flat price" increased in 2002.