

THE HONG KONG HOUSING AUTHORITY

Memorandum for the Subsidised Housing Committee

Survey on Buyers of Second-hand Home Ownership Scheme Flats 2007

PURPOSE

This paper presents the findings of the Survey on Buyers of Second-hand Home Ownership Scheme (HOS) Flats 2007.

BACKGROUND

2. To support on-going policy formulation and reviews, the Survey on Buyers of Second-hand HOS Flats has been conducted regularly since 1997^{Note 1}. The 2007 round of survey covers buyers^{Note 2} of second-hand HOS flats in the Open Market (OM) and Secondary Market (SM) between 1 April 2005 to 31 March 2007.

3. The survey was conducted by face-to-face interviews at the selected HOS flats. A sample of about 1 800 buyers was selected. Some 1 500 buyers^{Note 3} were successfully enumerated during the period from 6 September 2007 to 2 November 2007, achieving a response rate of 86%.

Note 1 : The Survey on Buyers of Second-hand HOS Flats was conducted annually from 1997 to 1999. Since 2001, it has been conducted biennially.

Note 2 : For the HOS OM, transactions refer to those cases having the agreements for sale and purchase registered in the Land Registry (LR) (transaction date refers to the date of delivery). This treatment is in line with the counting method adopted in LR for residential property transactions. For the HOS SM, transactions refer to those cases having the Letters of Nomination (LN) secured as recorded in HA's administrative record (transaction date refers to the date of LN issued).

Note 3 : Only buyers who purchased the flats for own occupation were covered in the Survey. 806 SM buyers and 694 OM buyers were subsequently enumerated.

INFORMATION

4. Members are invited to note the findings of the Survey on Buyers
----- of Second-hand HOS Flats 2007 at **Appendix**.

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**FINDINGS OF SURVEY
ON BUYERS OF SECOND-HAND HOS FLATS 2007**

OVERVIEW

The number of transactions in HOS OM reached 6 600 in 2005/06 and 5 500 in 2006/07 respectively. Transactions in the HOS SM stood at 1 600 and 1 900 in 2005/06 and 2006/07 respectively.

Table 1: Transactions of HOS Flats in SM and OM (2001/02 – 2006/07)

Financial Year	OM	SM
2001/02	3 700	2 900
2002/03	3 300	2 200
2003/04	4 400	2 300
2004/05	5 900	1 800
2005/06	6 600	1 600
2006/07	5 500	1 900

2. The average price for HOS flats transacted in SM increased by 9% from \$1.00 million in 2001/02 to \$1.09 million in 2006/07. For HOS flats transacted in OM, the average price increased by 12% from \$1.01 million to \$1.13 million over the same period.

Table 2: Flat Price of HOS Flats Transacted in SM and OM, 2001/02 – 2006/07

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Transacted flat price in SM						
Less than \$0.75Mn	19%	29%	45%	26%	18%	22%
\$0.75Mn to less than \$1Mn	35%	37%	32%	30%	27%	24%
\$1Mn to less than \$1.25Mn	28%	23%	16%	25%	20%	20%
\$1.25Mn to less than \$1.5Mn	14%	9%	6%	12%	19%	17%
\$1.5Mn or above	5%	2%	1%	7%	16%	17%
Total	100%	100%	100%	100%	100%	100%
Average	\$1.00Mn	\$0.90Mn	\$0.81Mn	\$0.98Mn	\$1.10Mn	\$1.09Mn
Transacted flat price in OM						
Less than \$0.75Mn	20%	31%	46%	22%	15%	14%
\$0.75Mn to less than \$1Mn	30%	34%	33%	32%	24%	24%
\$1Mn to less than \$1.25Mn	28%	23%	15%	24%	28%	29%
\$1.25Mn to less than \$1.5Mn	14%	9%	5%	14%	17%	17%
\$1.5Mn or above	7%	3%	1%	8%	16%	16%
Total	100%	100%	100%	100%	100%	100%
Average	\$1.01Mn	\$0.90Mn	\$0.80Mn	\$1.01Mn	\$1.13Mn	\$1.13Mn

MAJOR SURVEY FINDINGS ^{Note 1}***Characteristics of Second-hand HOS Flat Buyers***

3. The average age of both SM buyers and OM buyers had been increasing steadily over the past years. The average age of SM buyers had risen from 44 years in Jul 01 – Mar 03 to 50 years in Apr 05 – Mar 07. The average age of OM buyers had risen from 38 years in Jul 01 – Mar 03 to 42 years in Apr 05 – Mar 07. Buyers in HOS OM were younger as compared with their counterparts in HOS SM.

Note 1 : Results of earlier surveys, namely the 2003 Survey and the 2005 Survey, are also presented for comparison purpose wherever appropriate.

4. 31% of the OM flat buyers had attained tertiary education, comparing with 16% for SM buyers. The average household size for HOS OM buyers was only 2.7, comparing with 3.2 for HOS SM buyers.

5. The median household income of SM buyers had increased slightly from \$20,000 in Apr 03 – Mar 05 to \$21,000 in Apr 05 – Mar 07. On the other hand, the median household income of OM buyers had increased from \$21,700 to \$26,800, or by 23.5%, over the same period.

Table 3: Characteristics of Buyers of Second-hand HOS Flats

	Jul 01 – Mar 03		Apr 03 – Mar 05		Apr 05 – Mar 07	
	SM	OM	SM	OM	SM	OM
Age (years)						
Below 30	12%	24%	11%	20%	10%	16%
30 to 39	27%	34%	24%	33%	22%	38%
40 to 49	33%	25%	28%	28%	29%	24%
50 to 59	20%	13%	23%	15%	17%	15%
60 or above	9%	3%	14%	4%	22%	8%
Total	100%	100%	100%	100%	100%	100%
Average	44	38	46	40	50	42
Household size						
1 person	7%	14%	5%	10%	7%	11%
2 persons	17%	34%	18%	35%	24%	38%
3 persons	30%	24%	32%	30%	27%	27%
4 persons	35%	22%	33%	19%	28%	20%
5 persons or above	11%	6%	11%	7%	13%	5%
Total	100%	100%	100%	100%	100%	100%
Average	3.3	2.7	3.3	2.8	3.2	2.7
Educational attainment^(a)						
No schooling / kindergarten / unknown			4%	1%	9%	2%
Primary school			21%	9%	18%	6%
Lower secondary			22%	16%	21%	15%
Upper secondary/matriculation or equivalent			42%	55%	36%	47%
Tertiary			11%	19%	16%	31%
Total			100%	100%	100%	100%
Monthly household income						
Below \$10,000	11%	11%	9%	7%	11%	8%
\$10,000 to less than \$20,000	39%	42%	39%	33%	31%	20%
\$20,000 to less than \$30,000	32%	27%	33%	37%	29%	27%
\$30,000 to less than \$40,000	12%	12%	14%	15%	15%	20%
\$40,000 or above	6%	8%	5%	9%	14%	24%
Total	100%	100%	100%	100%	100%	100%
Median	\$19,800	\$19,000	\$20,000	\$21,700	\$21,000	\$26,800

(a) New question since survey for 2005.

Previous Living Conditions

6. Amongst the SM buyers in Apr 05 – Mar 07, 86% had been living in PRH and 13% in private housing previously. In contrast, only 13% of OM buyers were former PRH residents and 19% had been living in Subsidised Sale Flats and 69% in private housing. For both SM and OM buyers in Apr 05 – Mar 07 who were former PRH residents, their average length of residence in PRH was about 18 years.

7. The proportion of OM buyers who were former PRH residents had decreased from 23% in Jul 01 – Mar 03 to 13% in Apr 05 – Mar 07.

8. Regarding the disposal of previous flats, 40% of the OM buyers in Apr 05 – Mar 07 had their flats occupied by other family members, 30% sold the flats and 22% returned the flats to the owners. In comparison, the majority (90% or about 3 200) of the SM buyers returned their flats to the owners ^{Note 2} and 7% of them had their flats occupied by other family members.

Table 4: Previous Living Conditions of Buyers of Second-hand HOS Flats

	Jul 01 – Mar 03		Apr 03 – Mar 05		Apr 05 – Mar 07	
	SM	OM	SM	OM	SM	OM
Previous housing type						
Public rental housing	81%	23%	83%	21%	86%	13%
Subsidised sale flats	5%	18%	1%	25%	1%	19%
Private permanent housing	14%	58%	15%	53%	11%	67%
Others ^(a)	1%	1%	1%	1%	2%	2%
Total	100%	100%	100%	100%	100%	100%
Previous tenure						
Owner-occupiers	7%	44%	6%	55%	5%	64%
Sole tenants	91%	52%	92%	44%	93%	33%
Others ^(b)	2%	4%	2%	1%	2%	4%
Total	100%	100%	100%	100%	100%	100%
Length of residence in PRH (for those living in PRH only)						
Below 10 years	23%	17%	24%	8%	26%	13%
10 to less than 15 years	17%	18%	18%	35%	17%	12%
15 to less than 20 years	20%	18%	16%	18%	10%	26%
20 to less than 30 years	25%	40%	28%	24%	25%	37%
30 years or above	15%	8%	14%	14%	22%	12%
Total	100%	100%	100%	100%	100%	100%
Average	17	17	17	18	18	18

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Note 2 : SM buyers who were PRH tenants were required to surrender their PRH units to the Housing Authority.

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	Jul 01 – Mar 03		Apr 03 – Mar 05		Apr 05 – Mar 07	
	SM	OM	SM	OM	SM	OM
Disposal of previous flats						
Occupied by other family members	8%	41%	12%	46%	7%	40%
Returned to owner	90%	34%	86%	28%	90%	22%
Sold	1%	15%	1%	20%	1%	30%
Others ^(c)	1%	10%	2%	7%	2%	9%
Total	100%	100%	100%	100%	100%	100%

(a) Others include roof-top structures, non-domestic housing, places outside HK and vessels etc.

(b) Others include “co-tenant/subletting”, “rent-free” and “provided by employers”.

(c) Others include “occasional use”, “letting”, “left vacant”, and “occupied by other persons”.

Reasons of Purchasing Second-hand HOS Flats

9. For SM buyers, the mostly cited reason for purchasing second-hand HOS flats was “Small flat size of previous flats” and the next two major reasons were “Aspiration for home ownership” and “Improve living conditions / better financial conditions”. The OM buyers said that “Aspiration for home ownership” was the most important reason for purchasing second-hand HOS flats, and the next two important reasons were “Small flat size of previous flats” and “Improve living conditions / better financial conditions”.

10. When asked of the major considerations in purchasing their flats, both OM and SM buyers said that their major concerns were “Flat price”, “Location” and “Transportation”.

Table 5: Reasons of Purchasing Second-hand HOS Flats

	Jul 01 – Mar 03		Apr 03 – Mar 05		Apr 05 – Mar 07	
	SM	OM	SM	OM	SM	OM
Reasons of purchasing second-hand HOS flats^(a)						
Small flat size of previous flat	52%	37%	50%	38%	37%	28%
Aspiration for home ownership	40%	47%	48%	59%	36%	46%
Improve living conditions / better financial conditions	47%	26%	45%	31%	35%	24%
Live closer to relatives	8%	5%	7%	13%	11%	13%
Poor quality of previous flat	7%	5%	15%	8%	10%	4%
Unreasonable rent of previous flat / Do not want to pay high rent	7%	4%	11%	6%	9%	6%
Increase in family members	4%	13%	5%	17%	6%	16%

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	Jul 01 – Mar 03		Apr 03 – Mar 05		Apr 05 – Mar 07	
	SM	OM	SM	OM	SM	OM
Major considerations in purchasing second-hand HOS flats^(a)						
Flat price	73%	74%	82%	82%	61%	66%
Location	69%	73%	73%	68%	58%	61%
Transportation	42%	44%	52%	45%	40%	44%
Flat size	22%	19%	22%	25%	17%	22%
Orientation / Floor level of the flat	9%	6%	8%	10%	12%	12%
Facilities	6%	5%	9%	9%	7%	9%

(a) A maximum of three choices were allowed.

Reasons for Not Purchasing TPS Flats

11. About 6% of HOS SM buyers used to live in TPS estates. Most of them did not purchase TPS flats because they considered the flats were too small. About seventy per cent (71%) of them cited “Small flat size” as their reason for not purchasing TPS flats.

Table 6: Reasons for Not Purchasing TPS Flats, Apr 05 – Mar 07

Reasons for not purchasing TPS Flats^(a) <i>(for those SM buyers used to live in TPS estate only)</i>	SM
Small flat size	71%
Poor quality	24%
Undesirable flat / estate / district	22%
Improve living conditions	20%
Do not want to live in PRH anymore	8%
Do not know the date of sale	6%

(a) A maximum of three choices were allowed.

Reasons for Not Purchasing Private Domestic Flats

12. Among the SM buyers and OM buyers, the two mostly cited reasons for purchasing second-hand HOS flats but not private flats were “Lower flat price” and “Cannot afford private flats”. Also, 72% of OM buyers in Apr 05 – Mar 07 had cited “Lower flat price” as the major reason for purchasing second-hand HOS flats instead of private flats.

Table 7: Reasons for Not Purchasing Private Domestic Flats

Reason ^(a)	Jul 01 – Mar 03		Apr 03 – Mar 05		Apr 05 – Mar 07	
	SM	OM	SM	OM	SM	OM
Lower flat price	86%	80%	84%	79%	78%	72%
Cannot afford private flats	39%	32%	67%	49%	47%	31%
Larger flat size	12%	14%	15%	24%	9%	21%
Lower down-payment	11%	4%	7%	4%	8%	4%
Better flat layout	10%	15%	11%	21%	4%	17%
Nice surrounding area	5%	8%	8%	18%	4%	13%

(a) A maximum of three choices were allowed.

Preference between HOS flats in SM and OM

13. More than 90% of SM buyers indicated that they did not purchase second-hand HOS flats in OM because the flat price in SM was lower or they were not required to pay premium when buying HOS flats in SM. For OM buyers, some 70% of them said that they were not qualified to purchase HOS flats in SM.

Table 8a: Reasons of SM Buyers for not purchasing HOS flats in OM

Reason ^(a)	Apr 03 – Mar 05	Apr 05 – Mar 07
Lower flat price / no need to pay premium	91%	91%
Suitable location	34%	13%
Lower down-payment	14%	12%
Suitable flat	15%	6%
Lower building age	9%	4%
Convenient transportation	10%	4%

(a) A maximum of three reasons were allowed.

Table 8b: Reasons of OM Buyers for not purchasing HOS flats in SM

Reason ^(a)	Apr 03 – Mar 05	Apr 05 – Mar 07
Not qualified	67%	71%
Suitable location	22%	15%
Suitable flat	11%	12%
More reasonable flat price	16%	10%
No need to pay premium in future	11%	8%
Convenient transportation	7%	4%
Want to retain PRH flat	9%	4%

(a) A maximum of three reasons were allowed.

Financial Arrangement

14. The proportions of SM and OM buyers purchasing second-hand HOS flats by full payment had increased over the years. For SM buyers, it had increased from 1% in Jul 01 – Mar 03 to 19% Apr 05 – Mar 07. For OM buyers, it had increased from 11% to 25% over the same period.

15. Regarding the sources of funding, majority of SM and OM buyers said that they could provide the funding through saving. Some 47% of SM buyers got financial assistance from family members. For OM buyers, 28% of them got financial assistance from family members, and some 25% repaid flat price or down-payment by proceeds from disposal of other flats.

Table 9: Financial Arrangement for Purchasing Second-hand HOS Flats

	Jul 01 – Mar 03		Apr 03 – Mar 05		Apr 05 – Mar 07	
	SM	OM	SM	OM	SM	OM
Method of payment						
By installment	99%	89%	96%	85%	81%	75%
By full payment	1%	11%	4%	15%	19%	25%
Total	100%	100%	100%	100%	100%	100%
Sources of funding for down-payment or flat price^(a)						
Savings					83%	75%
Assistance from family members					47%	28%
Sold the old properties					3%	25%

(a) New question since survey 2007. A maximum of two choices were allowed.

16. Regarding mortgage arrangements, the average mortgage payment periods for SM and OM buyers in Apr 05 to Mar 07 were 14 years and 18 years respectively. On the other hand, the proportion of OM buyers repaying their mortgage in 25 years or more increased from 9% in Apr 03 to Mar 05 to 21% in Apr 05 to Mar 07.

17. For SM buyers, the average loan-to-price ratio decreased from 86% in Jul 01 – Mar 03 to 77% in Apr 05 – Mar 07. For OM buyers, the average ratio decreased from 78% to 73% over the same period.

18. For SM buyers, the average down-payment increased from \$131,000 in Jul 01 – Mar 03 to \$257,000 in Apr 05 – Mar 07, or by 96%. For OM buyers, the down-payment increased by 58% over the same period.

19. The median mortgage-to-income ratios of SM and OM buyers in Apr 05 – Mar 07 were 29% and 22% respectively, as compared to 20% for both types of buyers in the Apr 03 – Mar 05.

Table 10: Mortgage Arrangement for Buyers of Second-hand HOS Flats

	Jul 01 – Mar 03		Apr 03 – Mar 05		Apr 05 – Mar 07	
	SM	OM	SM	OM	SM	OM
Mortgage payment period (years)						
Below 10	13%	5%	19%	5%	11%	4%
10 to less than 15	43%	20%	36%	22%	35%	20%
15 to less than 20	10%	25%	25%	28%	40%	17%
20 to less than 25	33%	43%	19%	36%	13%	38%
25 or above	1%	8%	1%	9%	1%	21%
Total	100%	100%	100%	100%	100%	100%
Average	15	17	13	17	14	18
Down-payment paid						
Below \$100,000	61%	33%	46%	25%	29%	14%
\$100,000 to less than \$200,000	15%	18%	19%	23%	24%	16%
\$200,000 to less than \$300,000	7%	18%	12%	18%	11%	16%
\$300,000 to less than \$500,000	12%	20%	15%	25%	18%	33%
\$500,000 or above	5%	11%	8%	9%	19%	21%
Total	100%	100%	100%	100%	100%	100%
Average	\$131,000	\$213,000	\$180,000	\$231,000	\$257,000	\$337,000
Loan-to-price ratio^(a)						
70% or below	17%	39%	26%	42%	36%	52%
71% to 90%	30%	32%	38%	40%	39%	35%
91% or above	53%	29%	36%	19%	25%	12%
Total	100%	100%	100%	100%	100%	100%
Average	86%	78%	80%	76%	77%	73%

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	Jul 01 – Mar 03		Apr 03 – Mar 05		Apr 05 – Mar 07	
	SM	OM	SM	OM	SM	OM
Mortgage-to-income ratio^(b)						
Below 20%	32%	36%	49%	48%	24%	42%
20% to less than 40%	48%	51%	38%	45%	48%	47%
40% or above	20%	12%	13%	7%	28%	11%
Total	100%	100%	100%	100%	100%	100%
Median	24%	24%	20%	20%	29%	22%

(a) Figures for survey for 2003 and 2005 include government loans borrowed by buyers from subsidised loan schemes (i.e. HPLS/HALS). All subsidised loan scheme was terminated in July 2004.

(b) Figures for survey for 2003 and 2005 refer to the payment of bank loan and, where applicable, the payment of government loan; but excludes government mortgage subsidy.

Expense on Renovation, Conveyance and Mortgage Deed

20. Almost nine-tenth (89%) of SM buyers in Apr 05 – Mar 07 had renovated their new flats and 83% of OM buyers did so. Also, about 90% of such SM and OM buyers spent less than 15% of flat price on renovation.

Table 11: Expense on Renovation, Conveyance and Mortgage Deed, Apr 05 – Mar 07

	SM	OM
Whether have renovated the new property		
Yes	89%	83%
No	11%	17%
Total	100%	100%
Renovation expense (for those who have renovated their new property)		
Average expenditure	\$74,600	\$91,100
Distribution by the ratio to flat price		
Below 5%	45%	40%
5% to less than 10%	26%	29%
10% to less than 15%	16%	19%
15% to less than 20%	8%	9%
20% or above	4%	4%
Total	100%	100%

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	SM	OM
Expense on conveyance and mortgage deed		
Below \$3,000	4%	4%
\$3,000 to less than \$5,000	29%	34%
\$5,000 to less than \$7,000	48%	47%
\$7,000 to less than \$10,000	14%	10%
\$10,000 or above	6%	6%
Total	100%	100%
Average	\$5,800	\$5,700

Future Housing Plan of Second-hand HOS Flat Buyers

21. 93% of the SM buyers said that they had no intention to pay premium in the coming three years. Also, 2% of SM buyers and 10% of OM buyers indicated that they would sell their second-hand HOS flats in the coming three years.

Table 12: Future Housing Plan of Second-hand HOS Flat Buyers, Apr 05 – Mar 07

	SM	OM
Intention to pay premium in coming three years^(a)		
Yes	2%	
No	93%	
Not decided / don't know	5%	
Total	100%	
Intention to sell Second-hand HOS Flats in coming three years		
Yes	2%	10%
No	94%	83%
Not decided / don't know	4%	8%
Total	100%	100%

(a) Include SM buyers only.

SUMMARY OF SURVEY FINDINGS

22. The median household income of SM buyers had increased by 5% from \$20,000 in Apr 03 – Mar 05 to \$21,000 in Apr 05 – Mar 07. On the other hand, the median household income of OM buyers had increased from \$21,700 to \$26,800, or by 23.5%, over the same period. **(Paragraph 5)**

23. The proportion of OM buyers who were former PRH residents had decreased from 23% in Jul 01 – Mar 03 to 13% in Apr 05 – Mar 07. **(Paragraph 7)**
24. The three mostly cited reasons for purchasing second-hand HOS flats were “Aspiration for home ownership”, “Small flat size of previous flats” and “Improve living condition / better financial condition”. **(Paragraph 9)**
25. 72% of OM buyers in Apr 05 – Mar 07 cited “Lower flat price” as the major reason for purchasing second-hand HOS flats instead of private flats. **(Paragraph 12)**
26. The proportions of SM and OM buyers purchasing second-hand HOS flats by full payment had increased from 1% and 11% in Jul 01 – Mar 03 to 19% and 25% in Apr 05 – Mar 07 respectively. **(Paragraph 14)**
27. The median mortgage-to-income ratios of SM and OM buyers in Apr 05 – Mar 07 were 29% and 22% respectively, as compared to 20% for both types of buyers in the Apr 03 – Mar 05. **(Paragraph 19)**
28. More than nine-tenth (93%) of SM buyers said that they had no intention to pay premium in the coming three years. **(Paragraph 21)**