

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

Survey on Buyers of Second-hand Home Ownership Scheme Flats 2009

PURPOSE

This paper presents the findings of the Survey on Buyers of Second-hand Home Ownership Scheme (HOS) Flats 2009.

BACKGROUND

2. The Survey on Buyers of Second-hand HOS Flats has been conducted regularly since 1997^{Note 1}. The objective of the survey is to collect statistical information on the socio-economic profiles of home buyers in the HOS second-hand market and their financial arrangements for the purchases. Accordingly, it covers only buyers of flats for own occupation. All Secondary Market (SM) buyers are included since without payment of premium they must use the HOS flats for own occupation. For Open Market (OM) buyers, those who purchase the flats for investment purposes, including letting, are excluded.

3. The 2009 round of survey covers SM and OM buyer in the two-year period from 1 April 2007 to 31 March 2009. The Survey was conducted by face-to-face interviews at the selected HOS flats. A sample of about 1 770 buyers was selected. Some 1 520 buyers were successfully enumerated during the period from October 2009 to December 2009, achieving a response rate of 86%.

INFORMATION

4. Members are invited to note the findings of the Survey on Buyers of Second-hand HOS Flats 2009 at **Annex**.

Note 1 The Survey was conducted annually from 1997 to 1999. Since 2001, it has been conducted biennially.

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SURVEY ON BUYERS OF SECOND-HAND HOS FLATS 2009

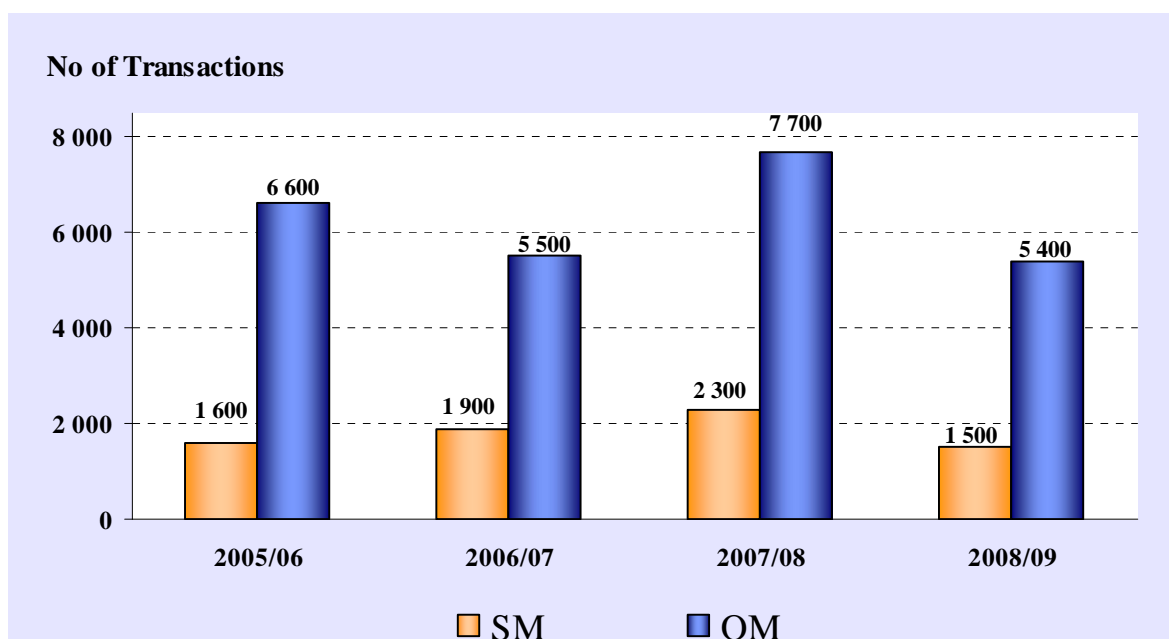
MAJOR SURVEY FINDINGS

INTRODUCTION

Second-hand HOS flats can be sold in the Secondary Market (SM), which was introduced in 1997 under the Secondary Market Scheme (SMS), to PRH tenants or Green Form Certificate holders without payment of premium to HA. At the same time, HOS flats with premium paid can also be sold in the open market (OM) to any buyers.

2. There were 2 300 transactions of HOS flats in SM in 2007/08 and 1 500 transactions in 2008/09, as compared to 1 600 and 1 900 transactions in 2005/06 and 2006/07 respectively. Similarly, the number of transactions in OM also fluctuated from year to year. It had increased from 5 500 in 2006/07 to 7 700 in 2007/08 before it dropped back to 5 400 in 2008/09. The average numbers of SM and OM transactions between the past four years from 2005/06 to 2008/09 were 1 800 and 6 300 respectively. **(Chart 1)**

Chart 1: Transactions of Second-hand HOS Flats in SM and OM



3. The average price of second-hand HOS flats transacted in SM increased by 15% from \$1.10 million to \$1.26 million between 2005/06 and 2008/09. For second-hand HOS flats transacted in OM, the average price increased by about 24% from \$1.13 million to \$1.4 million over the same period. During 2008/09, 94% of HOS flats transacted in SM and 90% in

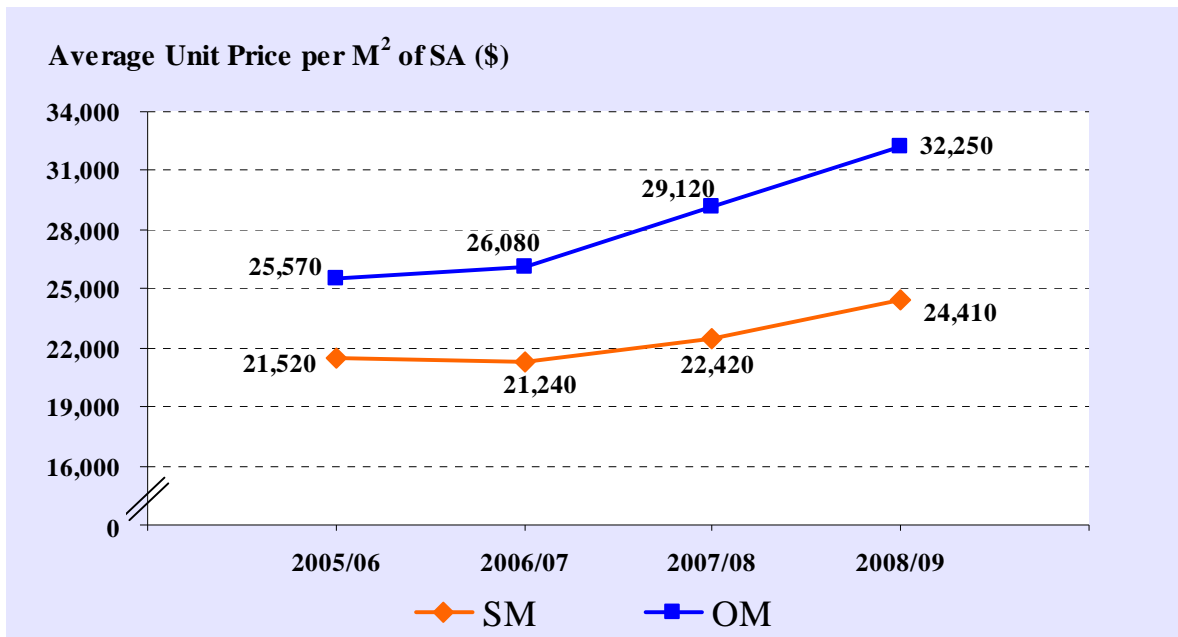
OM costed less than \$2 million. (Table 1)

Table 1: Distribution of HOS Flats Transacted in SM and OM by Flat Price

	2005/06	2006/07	2007/08	2008/09
<u>SM</u>				
Less than \$1Mn	44%	47%	41%	34%
\$1Mn to less than \$1.25Mn	20%	20%	21%	18%
\$1.25Mn to less than \$1.5Mn	19%	17%	18%	19%
\$1.5Mn to less than \$1.75Mn	12%	11%	12%	12%
\$1.75Mn to less than \$2Mn	4%	5%	6%	11%
\$2Mn or above	1%	1%	2%	6%
Total	100%	100%	100%	100%
Average Flat Price (\$Mn)	1.10	1.09	1.14	1.26
<u>OM</u>				
Less than \$1Mn	39%	38%	28%	20%
\$1Mn to less than \$1.25Mn	28%	29%	23%	18%
\$1.25Mn to less than \$1.5Mn	17%	17%	23%	23%
\$1.5Mn to less than \$1.75Mn	9%	9%	14%	18%
\$1.75Mn to less than \$2Mn	4%	4%	7%	10%
\$2Mn or above	3%	3%	5%	10%
Total	100%	100%	100%	100%
Average Flat Price (\$Mn)	1.13	1.13	1.27	1.40

4. In terms of average unit price per sq. m. of Saleable Area (SA), the price of HOS flats transacted in SM increased by 13% from \$21,520 in 2005/06 to \$24,410 in 2008/09 while that of HOS flats transacted in OM increased by 26% from \$25,570 to \$32,250 over the same period. (Chart 2)

Chart 2: Average Unit Price of HOS Flats Transacted in SM and OM (per M² of SA)



SURVEY FINDINGS

5. The Survey of Buyers of Second-hand HOS Flats 2009 covers buyers of second-hand HOS flats for own occupation during the two financial years from April 2007 to March 2009. Major findings of the survey are presented below, together with comparative findings of earlier survey for 2007¹ where appropriate.

¹ The 2007 Survey covered SM and OM buyers in the period from April 2005 to March 2007.

Characteristics of Second-hand HOS Flat Buyers

Age

6. SM HOS flat buyers were on average older. The median age of SM buyers during April 2007 to March 2009 was 45 as compared to 41 for OM buyers. (Chart 3 and Table 2)

Chart 3: Median Age of the Buyers of Second-hand HOS Flats in SM and OM

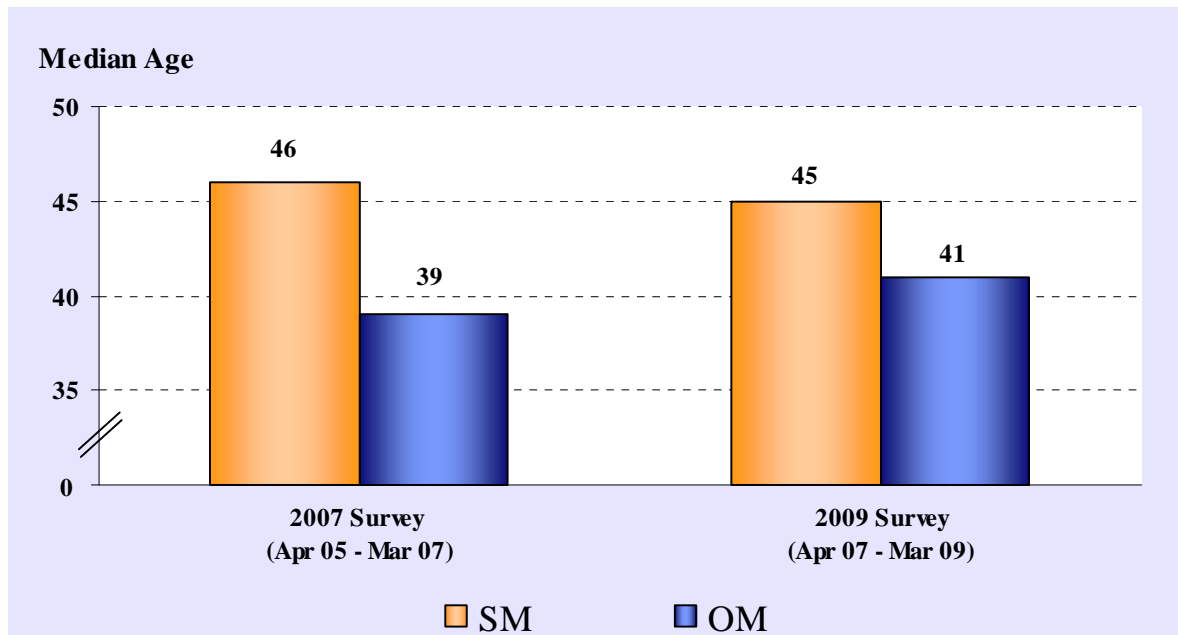


Table 2: Distribution of the Buyers of Second-hand HOS Flats by Age

Age	2007 Survey (Apr 05 – Mar 07)		2009 Survey (Apr 07 – Mar 09)	
	SM	OM	SM	OM
Below 30 years	10%	16%	10%	13%
30 to 39 years	22%	38%	23%	34%
40 to 49 years	29%	24%	30%	26%
50 to 59 years	17%	15%	17%	16%
60 or above years	22%	8%	20%	10%
Total	100%	100%	100%	100%
Median (years)	46	39	45	41

Household Size

7. The average household size of SM buyers during April 2007 to March 2009 was 3.2, whereas that of OM buyers was 2.7. While 27% of SM buyers belonged to one- or two-person households, almost half of OM buyers belonged to such small households (i.e. one- or two- person households). **(Table 3)**

Table 3: Distribution of the Buyers of Second-hand HOS Flats by Household Size

Household size	2007 Survey (Apr 05 – Mar 07)		2009 Survey (Apr 07 – Mar 09)	
	SM	OM	SM	OM
1 person	7%	11%	5%	12%
2 persons	24%	38%	23%	34%
3 persons	27%	27%	33%	28%
4 persons	28%	20%	26%	21%
5 persons or above	13%	5%	13%	4%
Total	100%	100%	100%	100%
Average (persons)	3.2	2.7	3.2	2.7

Household Income

8. On average, OM buyers had higher income. The median household income of OM buyers was \$25,000, as compared with \$23,800 for SM buyers. **(Table 4)**

Table 4: Distribution of the Buyers of Second-hand HOS Flats by Household Income

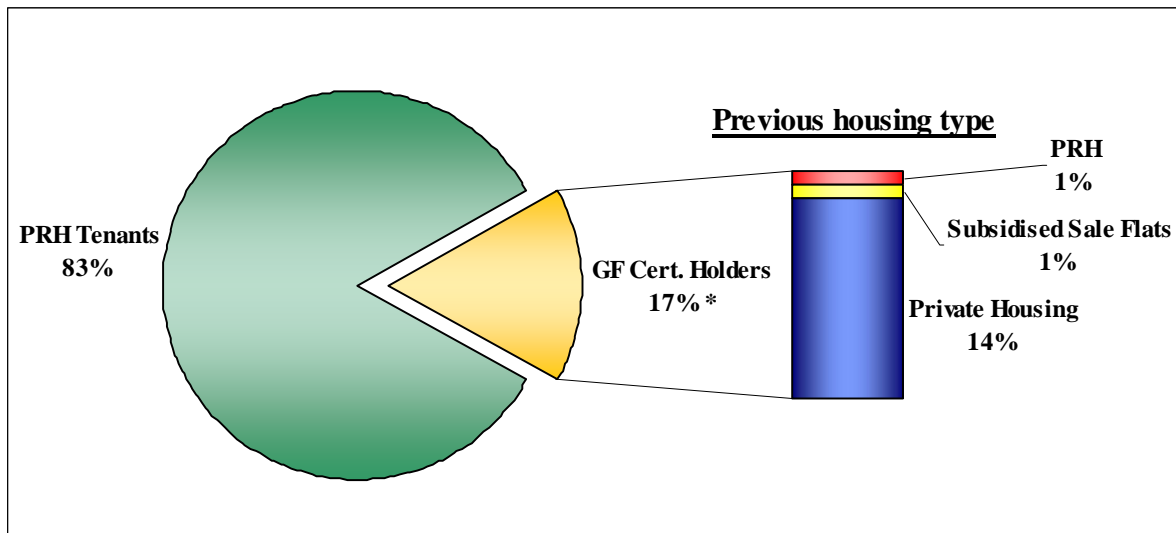
Monthly household income	2007 Survey (Apr 05 – Mar 07)		2009 Survey (Apr 07 – Mar 09)	
	SM	OM	SM	OM
Below \$10,000	11%	8%	8%	8%
\$10,000 to less than \$20,000	31%	20%	28%	19%
\$20,000 to less than \$30,000	29%	27%	27%	34%
\$30,000 to less than \$40,000	15%	20%	19%	19%
\$40,000 or above	14%	24%	17%	20%
Total	100%	100%	100%	100%
Median	\$21,000	\$26,800	\$23,800	\$25,000

Previous Living Conditions

Housing Type

9. Amongst SM buyers, 83% were PRH tenants, who needed to surrender their PRH flats with the purchase of the HOS flats. The remaining 17% SM buyers were GF Certificate holders² living in PRH, Subsidised Sale Flats or private housing. (Chart 4(a))

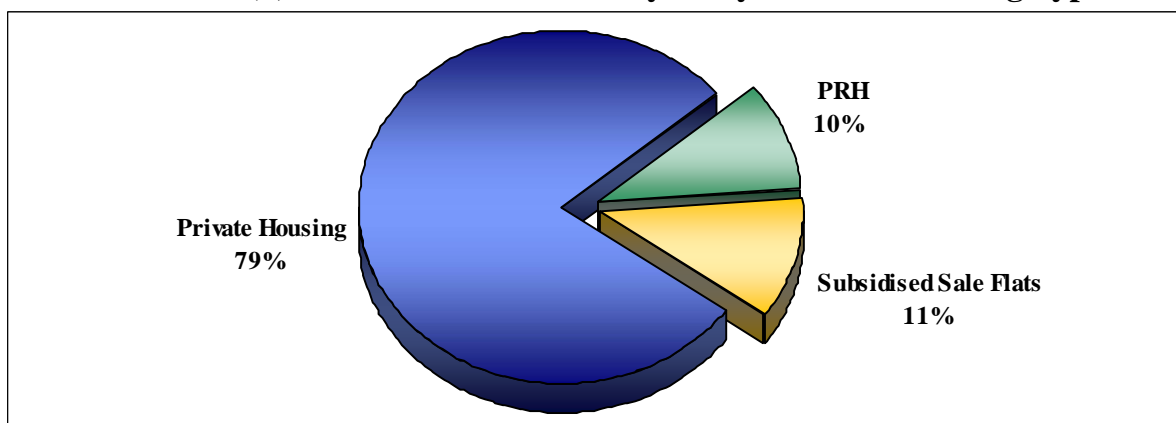
Chart 4(a): Distribution of SM Buyers by Previous Housing Type



*Details do not add up to the total due to rounding.

10. Almost four-fifth (79%) of OM buyers were previously living in private housing, while 10% of them were living in PRH and 11% in Subsidised Sale Flats. (Chart 4(b))

Chart 4(b): Distribution of OM Buyers by Previous Housing Type



² Green Form Certificate holders mainly include Waiting List applicants whose eligibility for PRH have been established and who are due for allocation of PRH flats within one year.

Length of PRH Residence of SM Buyers

11. For SM buyers who were PRH tenants, the average length of residence in PRH was 18 years. Over 40% of them had been living in PRH for 20 years or more. (Table 5)

Table 5: Distribution of SM Buyers by Length of PRH Residence

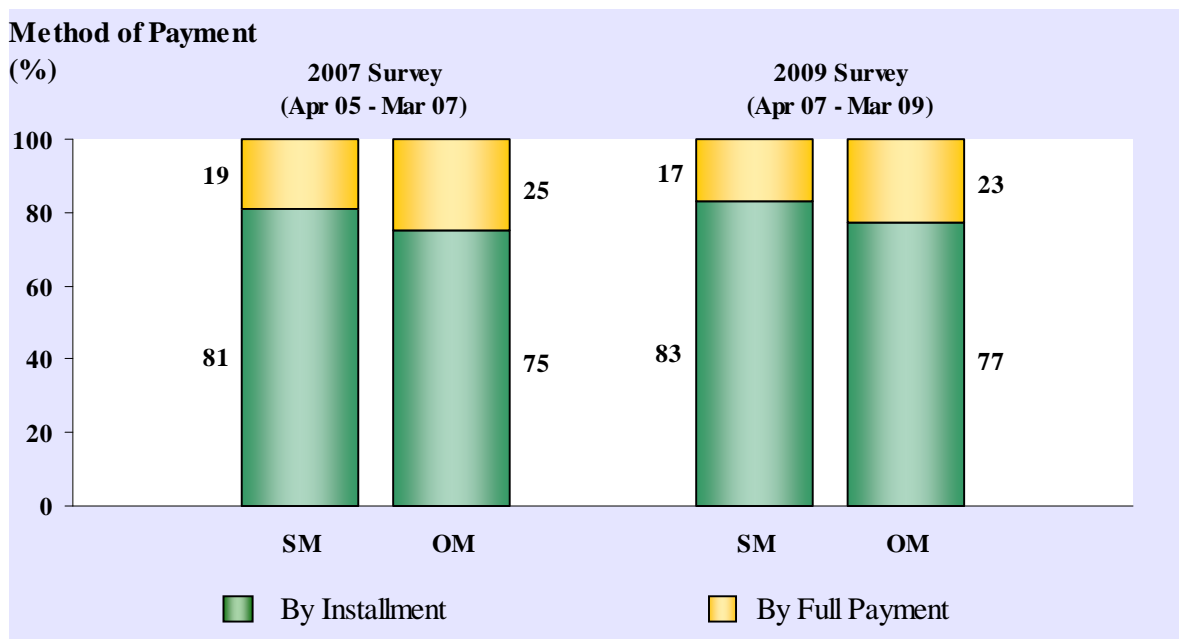
Length of PRH Residence	2007 Survey (Apr 05 – Mar 07)	2009 Survey (Apr 07 – Mar 09)
Below 5 years	14%	17%
5 to less than 10 years	12%	12%
10 to less than 15 years	17%	16%
15 to less than 20 years	10%	10%
20 to less than 25 years	15%	12%
25 to less than 30 years	10%	9%
30 years or above	22%	23%
Total	100%	100%
Average (years)	18	18

Financial Arrangement

Method of Payment

12. During April 2007 to March 2009, 23% of OM buyers purchased second-hand HOS flats by full payment as compared on 17% for SM buyers. (Chart 5)

Chart 5: Transactions of Second-hand HOS Flats by Method of Payment



Source of Funding for Down-payment or Flat Price

13. Regarding the sources of funding, majority of SM and OM buyers reported that they paid the flat price or down-payment out of savings. There were also significant proportions of both SM and OM buyers who got assistance from family members in the payment. (Table 6)

Table 6: Sources of Funding for Down-payment or Flat Price*

	Survey 2007 (Apr 05 – Mar 07)		Survey 2009 (Apr 07 – Mar 09)	
	SM	OM	SM	OM
Savings	83%	75%	93%	82%
Assistance from family members	47%	28%	38%	21%
Sold the old properties	3%	25%	2%	25%

*A maximum of two choices were allowed.

Mortgage Payment Period

14. The mortgage payment periods of SM and OM buyers remained relatively stable. For SM buyers, the average mortgage payment periods were about 14 years. For OM buyers, it was around 18 years to 19 years over the years. (Chart 6 and Table 7)

Chart 6: Average Mortgage Payment Period of Buyers of Second-hand HOS Flats in SM and OM

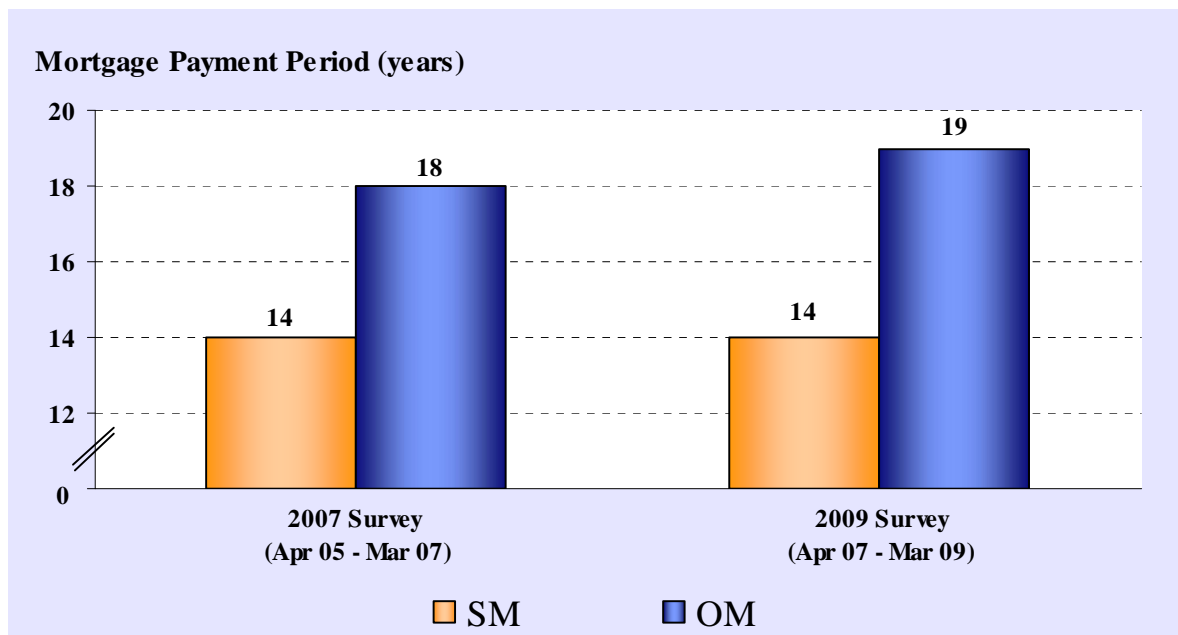


Table 7: Mortgage Payment Period for Buyers of Second-hand HOS Flats

Mortgage payment period	2007 Survey (Apr 05 – Mar 07)		2009 Survey (Apr 07 – Mar 09)	
	SM	OM	SM	OM
10 years or less	26%	20%	29%	13%
More than 10 years to 15 years	39%	18%	39%	23%
More than 15 years to 20 years	33%	39%	29%	42%
More than 20 years to 25 years	1%	16%	3%	16%
More than 25 years to 30 years	0%	7%	0%	7%
Total	100%	100%	100%	100%
Average (years)	14	18	14	19

Loan-to-price Ratio

15. SM buyers required more mortgage loan relative to flat price than OM buyers. On average SM buyers in April 2007 to March 2009 borrowed 75% of the flat price and OM buyers borrowed 71%. Indeed, 61% of SM buyers borrowed more than 70% of the flat price while only 43% of OM buyers did so. (Table 8)

Table 8: Loan-to-price ratio for Buyers of Second-hand HOS Flats

	2007 Survey (Apr 05 – Mar 07)		2009 Survey (Apr 07 – Mar 09)	
	SM	OM	SM	OM
70% or below	34%	46%	39%	57%
Above 70%	66%	54%	61%	43%
Total	100%	100%	100%	100%
Average	77%	73%	75%	71%

Mortgage-to-income Ratio

16. SM buyers generally paid a higher proportion of their income on mortgage payment. The median mortgage-to-income ratio for SM buyers in April 2007 to March 2009 was 26% and the ratio for OM buyers was 21%. The comparative figures for April 2005 to March 2007 were 29% and 22% respectively. (Chart 7 and Table 9)

Chart 7: Median Mortgage-to-income Ratio of Buyers of Second-hand HOS Flats in SM and OM

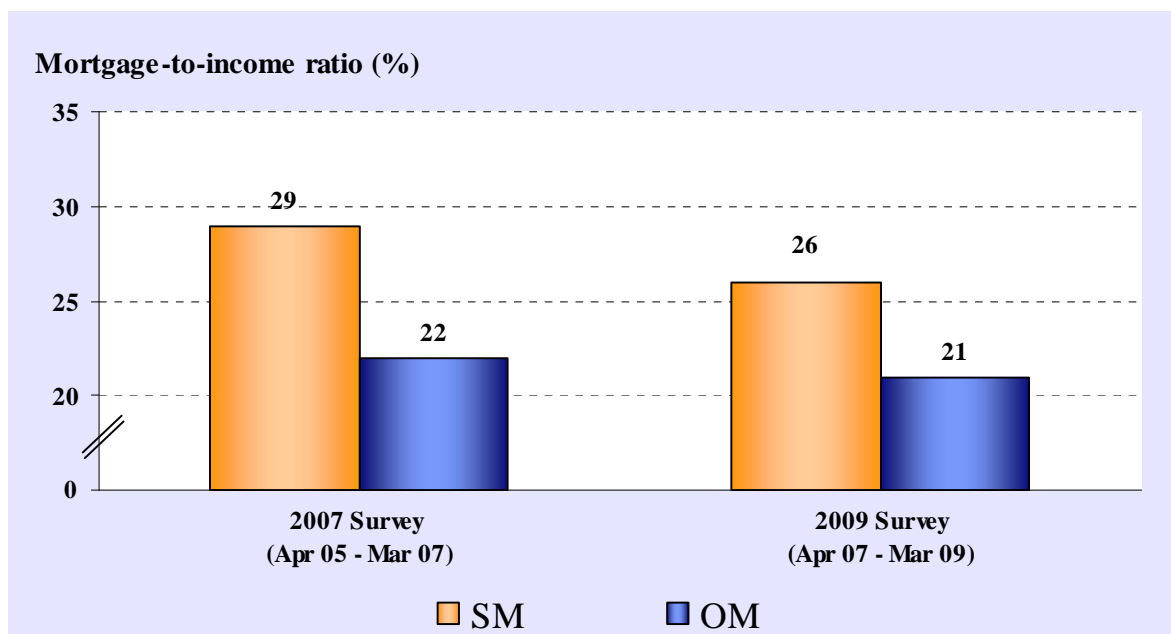


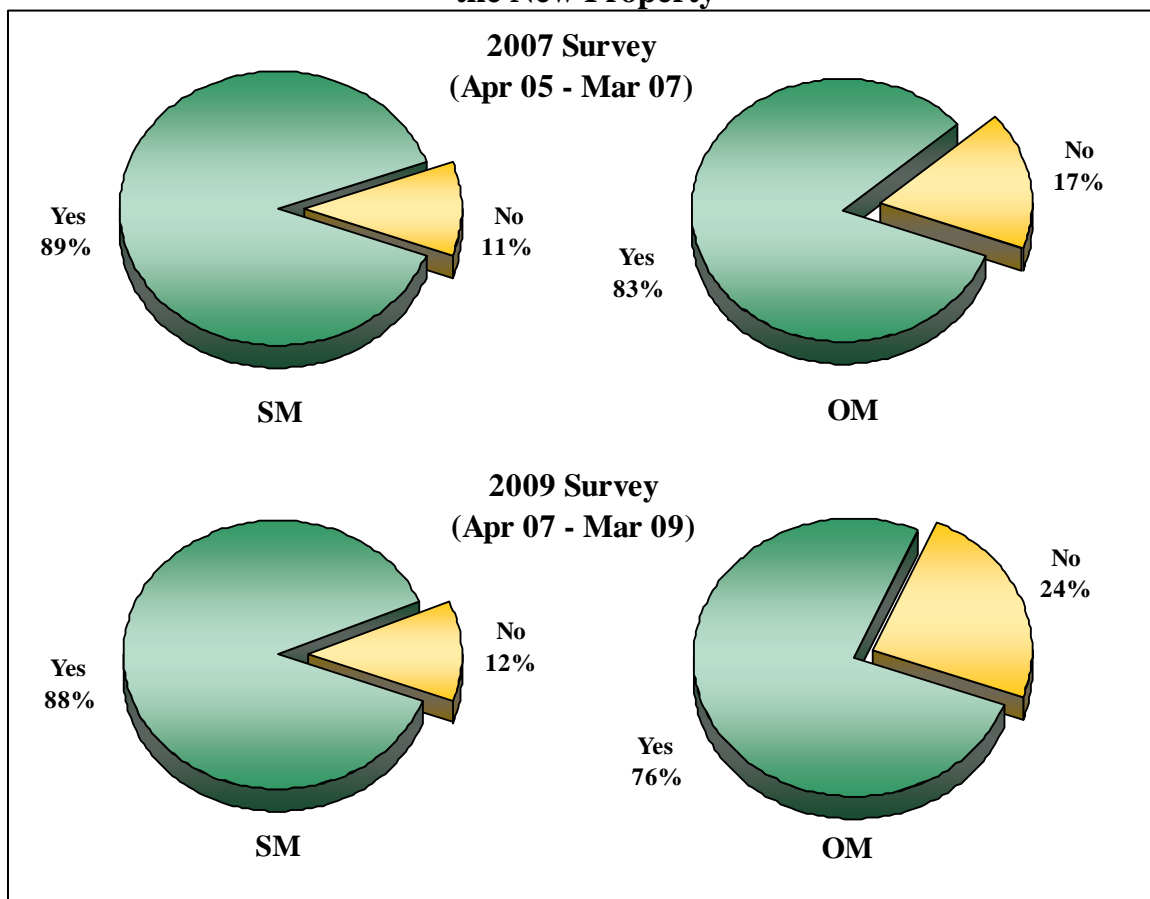
Table 9: Mortgage-to-income ratio for Buyers of Second-hand HOS Flats

	2007 Survey (Apr 05 – Mar 07)		2009 Survey (Apr 07 – Mar 09)	
	SM	OM	SM	OM
Below 20%	24%	42%	32%	46%
20% to less than 40%	48%	47%	46%	45%
40% or above	28%	11%	22%	8%
Total	100%	100%	100%	100%
Median	29%	22%	26%	21%

Expense on Renovation

17. About 90% of SM buyers had renovated their new flats and about 80% of OM buyers did so. (Chart 8)

Chart 8: Whether the Buyers of Second-hand HOS Flats have Renovated the New Property



18. Amongst those who had renovated their flats, about 90% spent less than 15% of the flat price on renovation. (Table 10)

Table 10: Renovation Expenses of SM and OM Buyers*

	2007 Survey (Apr 05 – Mar 07)		2009 Survey (Apr 07 – Mar 09)	
	SM	OM	SM	OM
Average expenditure	\$74,600	\$91,100	\$88,400	\$99,400
<u>Distribution by the ratio to flat price</u>				
Below 5%	45%	40%	38%	40%
5% to less than 10%	26%	29%	32%	31%
10% to less than 15%	16%	19%	18%	19%
15% to less than 20%	8%	9%	7%	7%
20% or above	4%	4%	4%	2%

Total	100%	100%	100%	100%
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* Refer to those buyers who had renovated their new flats.

Move-in Period

19. After taking over the flats, the median move-in period of SM and OM buyers were 1.3 and 1.5 months respectively. (Table 11)

Table 11: SM and OM Buyers by Move-in Period after Taking over the Properties

Move-in Period*	2009 Survey (Apr 07 – Mar 09)	
	SM	OM
Less than 1 month	27%	28%
1 to less than 2 months	44%	31%
2 to less than 3 months	21%	21%
3 to less than 4 months	5%	10%
4 months or above	4%	10%
Total	100%	100%
Median (months)	1.3	1.5

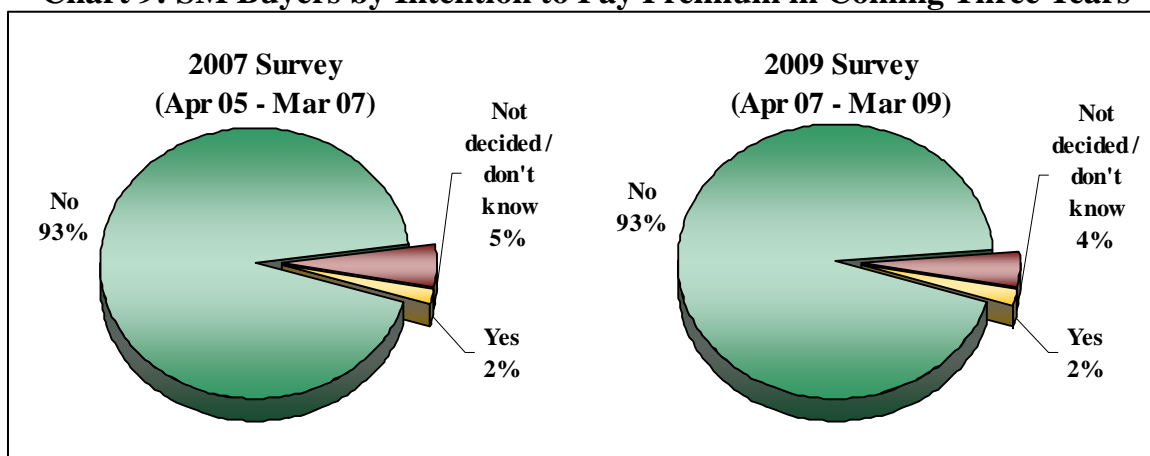
* New question in 2009 survey.

Future Housing Plan of Second-hand HOS Flat Buyers

Intention to Pay Premium

20. Very few SM buyers planned to pay premium in the coming three years. Only 2% of the SM buyers in April 2007 to March 2009 said that they intended to pay premium in the coming three years. (Chart 9)

Chart 9: SM Buyers by Intention to Pay Premium in Coming Three Years



Intention to Sell HOS Flats in Second-hand Market

21. Only 1% of SM buyers and 9% of OM buyers in April 2007 to March 2009 indicated that they would sell their second-hand HOS flats in the coming three years. **(Table 12)**

Table 12: SM and OM Buyers by Intention to Sell Their Flats in Coming Three Years

	2007 Survey (Apr 05 – Mar 07)		2009 Survey (Apr 07 – Mar 09)	
	SM	OM	SM	OM
Yes	2%	10%	1%	9%
No	94%	83%	93%	77%
Not decided / don't know	4%	8%	6%	14%
Total	100%	100%	100%	100%

SUMMARY

22. There were 2 300 transactions of HOS flats in SM in 2007/08 and 1 500 transactions in 2008/09. The number of transactions in OM stood at 7 700 in 2007/08 and 5 400 in 2008/09. **(Paragraph 2)**

23. During 2008/09, 94% of HOS flats transacted in SM and 90% in OM costed less than \$2 million. The average unit price per sq. m. of Saleable Area (SA) for HOS flats transacted in SM was \$24,410 in 2008/09 while for HOS flats transacted in OM the average unit price was \$32,250. **(Paragraphs 3 & 4)**

24. SM buyers were on average older and living in larger household as compared with OM buyers. **(Paragraphs 6 & 7)**

25. OM buyers had higher income as compared with SM buyers. **(Paragraph 8)**

26. Amongst SM buyers, 83% were PRH tenants, who needed to surrender their PRH flats with the purchase of the HOS flats. The remaining 17% were GF Certificate holders living in PRH, Subsidised Sale Flats or private housing. **(Paragraph 9)**

27. Almost four-fifth (79%) of OM buyers were living in private housing, while 10% were living in PRH and 11% in Subsidised Sale Flats

respectively. **(Paragraph 10)**

28. For SM buyers who were PRH tenants, the average length of residence in PRH was 18 years. **(Paragraph 11)**

29. About one-fifth of SM and OM buyers purchased second-hand HOS flats by full payment. **(Paragraph 12)**

30. The major source of funding for flat price and down-payment was “Saving”. “Assistance from family members” was another important source of funding. **(Paragraph 13)**

31. The mortgage payment periods of SM and OM buyers remained relatively stable. For SM buyers, the average mortgage payment periods were about 14 years. For OM buyers, it was around 18 to 19 years over the years. **(Paragraph 14)**

32. The average loan-to-price ratios of SM and OM buyers in April 2007 to March 2009 were 75% and 71% respectively. **(Paragraph 15)**

33. The median mortgage-to-income ratios of SM and OM buyers in April 2007 to March 2009 were 26% and 21% respectively. **(Paragraph 16)**

34. Majority of SM and OM buyers had renovated their new flats, and about 90% of them spent less than 15% of the flat price on renovation. The move-in period of SM and OM buyers were 1.3 and 1.5 months respectively. **(Paragraphs 17, 18 and 19)**

35. Only 2% of SM buyers said that they planned to pay premium in the coming three years. **(Paragraph 20)**

36. 1% of SM buyers and 9% of OM buyers reported that they would sell their second-hand HOS flats in the coming three years. **(Paragraph 21)**