

## Review of Waiting List Income and Asset Limits for 2014/15

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### Background

- The Housing Authority (HA) has put in place a Waiting List (WL) system through which low-income families who cannot afford to rent private accommodation may apply for public rental housing (PRH)
- The eligibility of PRH applicants is determined by way of the WL income and asset limits, which measure the total household income required to rent private accommodation comparable to PRH while also meeting other non-housing expenditure
- Households with income and asset below the prescribed limits are deemed to be unable to afford to rent private accommodation, and hence are eligible for PRH
- The limits are assessed annually to keep them in line with the prevailing socio-economic circumstances

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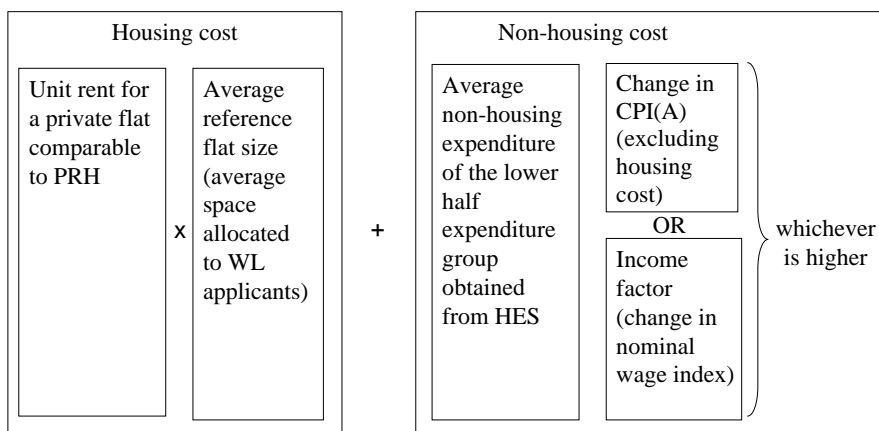
## Mechanism for the Review of Income Limits

- Under the established mechanism, the WL income limits are derived using a household expenditure approach, which consists of housing costs and non-housing costs, plus a contingency provision
- Housing costs measure the cost of renting a private flat comparable to PRH. This depends on the differential unit rents of private accommodation and reference flat sizes
- The non-housing cost is determined with reference to the latest Household Expenditure Survey (HES) conducted by the Census and Statistics Department (C&SD), with adjustments made according to the latest movement in the Consumer Price Index (CPI)(A) (excluding housing costs), or the change in the nominal wage index obtained through the Labour Earnings Survey (LES) conducted by C&SD as the income factor, whichever is higher
- The WL income limits for different household sizes are the respective sums of the above two major cost items, plus a 5% contingency provision

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## Mechanism for the Review of Income Limits (Cont'd)

$$\text{WL Income Limits} = \text{Household Expenditure} + \text{Contingency (5\% of Household Expenditure)}$$



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## Movements of key parameters over the year

Parameters	Review for 2013/14	Review for 2014/15
(a) Differential unit rents of private flats (per m <sup>2</sup> Internal Floor Area (IFA))	<u>4Q 2012</u>	<u>4Q 2013</u>
- 1-person	\$232	\$272
- 2-person	\$217	\$251
- Overall	\$214	\$248
(b) Reference flat size	<u>2009/10 – 2011/12</u>	<u>2010/11 – 2012/13</u>
- 1-person	15.7m <sup>2</sup>	15.3m <sup>2</sup>
- 2-person	22.4m <sup>2</sup>	22.4m <sup>2</sup>
- 3-person	30.4m <sup>2</sup>	29.9m <sup>2</sup>
- 4-person	37.1m <sup>2</sup>	36.3m <sup>2</sup>
	<u>4Q 2012</u>	<u>4Q 2013</u>
(c) Change in CPI(A) (excluding housing cost) as compared with the same quarter of previous year	+3.1%	+3.9%
(d) Change in nominal wage index as compared with the same quarter of previous year	<u>3Q 2012</u> +4.8%	<u>3Q 2013</u> +4.8%

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## Housing Costs

- Housing costs include rent payment, rates, Government rent and management fees required for a household to rent a private flat of comparable size to PRH
- The exact figure is obtained by multiplying the average space allocated to WL applicants in the past three years by a unit rent derived from a sample survey of private dwellings conducted by the C&SD
- For 1-person and 2-person households, the respective differential unit rent or the overall average unit rent, whichever is higher, is adopted in the calculation. For 3-person households or above, the overall average unit rent is adopted

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## Housing Costs (Cont'd)

- The overall private rent has increased since the last review in March 2013. As a result, the housing costs on average have increased by 14.5%

Housing costs	Review for 2013/14	Review for 2014/15	% change
- 1-person	\$3,642	\$4,162	+14.3%
- 2-person	\$4,861	\$5,622	+15.7%
- 3-person	\$6,506	\$7,415	+14.0%
- 4-person	\$7,939	\$9,002	+13.4%
- Overall			+14.5%

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## Non-housing Costs

- This year's review adopted the non-housing expenditure statistics from the latest HES (i.e. the 2009/10 HES) of the lower half expenditure group among tenant households in the private sector, excluding those households comprising solely of elderly or non-working members
- For the change in CPI(A) (excluding housing cost), the latest figure as at the fourth quarter of 2013 is +3.9%. As at the third quarter of 2013, the yearly change in nominal wage index (i.e. compared to the third quarter of 2012) was +4.8%
- As the yearly change in nominal wage index (i.e. compared to the third quarter of 2012) of +4.8% is higher than the annual change in CPI(A) (excluding housing cost) of +3.9% as at the fourth quarter of 2013, it is adopted for adjusting the non-housing expenditure obtained from the HES

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## Non-housing Costs (Cont'd)

- As a result, the non-housing costs would on average increase by 4.8%

Non-housing costs	Review for 2013/14	Review for 2014/15	% change
- 1-person	\$4,813	\$5,044	+4.8%
- 2-person	\$8,235	\$8,630	+4.8%
- 3-person	\$10,932	\$11,457	+4.8%
- 4-person	\$13,142	\$13,773	+4.8%
- Overall			+4.8%

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## Total Household Expenditure

- The total household expenditure is the sum of the housing costs and non-housing costs
- As compared to the last review in March 2013, the total household expenditure of all household sizes has increased, averaging at 8.4%. This is mainly due to an average increase of 14.5% in housing costs and an average increase of 4.8% in non-housing costs

Total household expenditure	Review for 2013/14	Review for 2014/15	% change
- 1-person	\$8,455	\$9,206	+8.9%
- 2-person	\$13,096	\$14,252	+8.8%
- 3-person	\$17,438	\$18,872	+8.2%
- 4-person	\$21,081	\$22,775	+8.0%
- Overall			+8.4%

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## Proposed WL Income Limits for 2014/15

- Together with a contingency provision of 5% of household expenditure, the proposed WL income limits for 2014/15 are tabulated below –

	<b>Existing WL income limits for 2013/14</b>	<b>Proposed WL income limits for 2014/15</b>	<b>% difference in income limits</b>
- 1-person	\$8,880 (\$9,347)	\$9,670 (\$10,179)	+8.9%
- 2-person	\$13,750 (\$14,474)	\$14,970 (\$15,758)	+8.9%
- 3-person	\$18,310 (\$19,274)	\$19,820 (\$20,863)	+8.2%
- 4-person	\$22,140 (\$23,305)	\$23,910 (\$25,168)	+8.0%
			(Overall: +8.4%)

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## Mechanism for the Review of Asset Limits

- Under the established mechanism, the WL asset limits are adjusted with reference to the movements in CPI(A) over the year
- In 2005, the HA's Subsidised Housing Committee (SHC) agreed to set the asset limits for elderly households at two times the limits for non-elderly applicants
- The HA's SHC further decided in 2006 that the asset limits for 2005/06 should be adopted as the basis for future annual adjustments with reference to the movements in CPI(A)

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## Key Parameter

- The movements of the key parameter (i.e. CPI(A)) over the year for the review of WL asset limits –

<b>Parameter</b>	<b>Review for 2013/14 <u>4Q 2012</u></b>	<b>Review for 2014/15 <u>4Q 2013</u></b>
Change in CPI(A) as compared with the same quarter of previous year	+4.2%	+4.4%

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## Proposed WL Asset Limits for 2014/15

- Using the established review mechanism, we propose an adjustment to the WL asset limits following the 4.4% increase in overall CPI(A). The proposed WL asset limits for 2014/15 are summarised below –

	<b>Existing WL asset limits for 2013/14</b>	<b>Proposed WL asset limits for 2014/15 (% difference in asset limits)</b>
- 1-person	\$212,000	\$221,000
- 2-person	\$286,000	\$299,000
- 3-person	\$374,000	\$390,000
- 4-person	\$436,000	\$455,000
		(Overall: +4.4%)

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## **For Members' Reference**

- Members are invited to note the outcome of the review, which will be considered by the SHC at its meeting on 24 March 2014