

Landlord and Tenant (Consolidation) Ordinance
Survey of Part I Rent Controlled Tenancies

Executive Summary

There are now some 465 wholly let Part I premises. The number of households involved is 772 and some 2 053 people are affected by the controls.

2. The average controlled rent is \$2,378 pm which represents 49.3% of the prevailing market rent (PMR). The average rent for a bedspace is \$369 pm representing 73.8% of the PMR.

3. The average household income is \$10,667 pm and on average the rent represents 16.4% of income. For bedspaces and single rooms the ratios are only 9.0% and 12.9% respectively.

4. Some 117 tenancies are expected to be renewed under Part IV in 1997 and face an average increase in rent of 27.8%. Had they remained under Part I the increase would have been 16.9%.

Introduction

5. In order to monitor the operation of the Landlord and Tenant (Consolidation) Ordinance, the Commissioner of Rating and Valuation conducted in April and May this year a comprehensive survey of all Part I tenancies. A similar survey of affected households was conducted in 1992. In the present survey, a total of 644 requisition forms were issued and 510, i.e. 79.2% were returned. Requisition forms/questionnaires were then sent to the tenants and the

particulars obtained supplemented by telephone calls and site visits. The information garnered has been tabulated in this report. Specimens of the requisition form and questionnaire together with a synopsis of the methodology applied to the survey are attached at the Annex. Please note that it is recommended that the statistics on household incomes be treated with caution since there may be some under-reporting.

Commentary

6. The survey findings for Part I tenancies and sub-tenancies are analysed at Tables 1-13. The following salient facts may be identified:

- (a) There are now some 465 wholly let Part I premises with the heaviest concentrations in Mong Kok, Wan Chai, Cheung Chau, Cheung Sha Wan and Wong Tai Sin (Table 1).
- (b) The overall average controlled rent is \$2,378 which represents 49.3% of the average prevailing market rent of \$4,826 pm (Table 1).
- (c) If the old (not increased within 30 months) and low (less than 75% of the minimum permitted rent) rents are excluded the average controlled rent reaches 80.1% of the average prevailing market rent (Tables 1A and 2A).
- (d) The average size of the controlled premises is 65.6 m² with some 70% being small flats having an area under 70m² (Table 2).
- (e) Some 25% of the flats contain more than one household and the average number of households per flat is 1.6 (Table 3).

- (f) The number of households affected is around 772. They have an average of 2.7 persons per household, thus establishing that some 2 053 are affected by the controls (Tables 4 and 5).

[Note-Additionally it is estimated that there are approximately 70 households comprising 180 people living in premises which are let directly by landlords in respect of part of a flat.]

- (g) A breakdown of household size by accommodation types is given in Table 6. Some 57% are 1 or 2 person households and only 16% have more than 4 persons.
- (h) An age profile of household members is set out in Table 7 which demonstrates that around 70% of households have at least one member in the age range of 15-59. Only 13% of the households are comprised entirely of members aged 70 and over.
- (i) The rental range for different types of accommodation is set out in Table 8. It shows that the average rent of a bedspace is \$369 pm. Some 73% of such occupiers pay less than \$400 pm and only 3% over \$1,000 pm.
- (j) In Table 9, a breakdown of the ratios of controlled rents to prevailing market rents by different types of accommodation is set out. The average ratio is 52.5%. In addition to the 100 resident principal tenants, there are around 327 households living in subdivided accommodation and their controlled rents represent a slightly higher proportion of the market rent.

- (k) The overall average household income of Part I controlled tenants is \$10,667 pm with half earning \$8,000 pm or more. Those comprising persons aged 60 or over have an average income of \$5,722 pm and only 12.4% of the households have an income of less than \$4,000 pm (Tables 10 and 11).

- (l) Sole tenants of flats have an average household income of \$14,428 pm and pay on average only 15.5% of their incomes on rent (Part IV tenants pay about 30%). Bedspaces and single room tenants pay only 9.0% and 12.9% respectively (Tables 12 and 13).

Projection

7. The number of controlled tenancies is falling as a result of demolition, repossession of owners, etc. It is estimated that the number of controlled premises at 31 December 1996 when Part I expires will be around 420. These premises would still be protected by the residual provisions of Part I notwithstanding its expiry for a period of one year from the last increase in rent. However, by January 1998 the majority should be excluded.

8. A projection of the rent increase likely to be faced by tenants in 1997 and 1998 is provided at Table 14. In the analysis, those old and low rents mentioned in paragraph 6(c) are excluded as they are unlikely to be increased to the permitted level. Rents due for increase in 1996 are assumed to have been increased to the level permitted by the Ordinance. Furthermore it is assumed that the annual increase in market rental level would be around 10% (Table 15 shows the domestic rental indices since 1981).

9. In 1997, the average rent increase would be around \$1,168 pm or 27.8% of the average controlled rent for the 117 wholly-let premises that are due for transfer to Part IV. It should be remembered however that rents would have increased anyway had the premises remained under Part I. Compared to the rent that would have been payable under the existing rent increase mechanism, the concerned tenants will only be paying an additional sum of \$456 pm or 10.9% in rent in 1997.

Rating and Valuation Department
July 1996

Landlord and Tenant (Consolidation) Ordinance

Survey of Part II Rent Controlled Tenancies

Executive Summary

There are now some 18 997 wholly let Part II premises. The number of households involved is 24 455 and nearly 74 000 people are affected by the controls.

2. The average controlled rent is \$5 277 pm which represents 72% of the prevailing market rent (PMR). The average rent for a bedspace is \$429 pm representing 75% of the PMR.
3. The average household income is \$15 166 pm and on average the rent represents 27.7% of income. For bedspaces and single rooms the ratios are only 8.2% and 17.1% respectively.
4. Some 5 169 tenancies are expected to be renewed under Part IV in 1997 and face an average increase in rent of 43.7%. Had they remained under Part II the increase would have been 33.8%.

Introduction

5. In order to monitor the operation of the Landlord and Tenant (Consolidation) Ordinance, the Commissioner of Rating and Valuation conducted, in April and May this year, a comprehensive survey of all Part II tenancies. A total of 25 070 requisition forms were issued and 20 683, i.e. 82.5% were returned. Random samples on about one-eighth of the Part II premises were selected for detailed investigation. Requisition forms/questionnaires were then sent to the tenants and the particulars obtained

supplemented by telephone calls and site visits. The information garnered has been tabulated in this report. Specimens of the requisition form and questionnaire together with a synopsis of the methodology applied to the survey are attached at the Annex. Please note that it is recommended that the statistics on household incomes be treated with caution since there may be some under-reporting.

Commentary

6. The survey findings for Part II tenancies and sub-tenancies are analysed in Tables 1-13. The following salient facts can be identified:

- (a) There are now some 18 997 wholly let Part II premises with the heaviest concentrations in Yau Ma Tei, Wan Chai, Cheung Sha Wan, Mong Kok, Hung Hom and North Point (Table 1).
- (b) The overall average controlled rent is \$5 277 which represents 72% of the average prevailing market rent of \$7 325 pm (Table 1).
- (c) If the old (not increased within 30 months) and low (less than 75% of the minimum permitted rent) rents are excluded the average controlled rent reaches 80.4% of the average prevailing market rent (Tables 1A and 2A).
- (d) The average size of the controlled premises is 54.4 m² with some 84% being small flats having an area under 70 m² (Table 2).
- (e) Some 35% of the flats contain more than one household and the average number of households per flat is 2 (Table 3). However

excluding all Part IV households within these Part II flats the average number is 1.3 (Table 3A).

[Note - there are a substantial number of Part IV sub-tenancies found in Part II controlled premises.]

- (f) In Table 3 all households irrespective of their status, whether protected under Part II or Part IV, are captured. The total number of households is 38 824. Deducting 24 455 Part II households (Table 4), the number of Part IV households found in this survey (being all Part IV sub-tenants) is 14 369.

- (g) The number of households affected is 24 455. They have an average of three persons per household, thus establishing that some 74 000 are affected by the controls (Tables 4 and 5).
[Note - Additionally it is estimated that there are approximately 2 000 households comprising 4 000 people living in premises which are let directly by landlords in respect of part of a flat.]

- (h) A breakdown of household size by accommodation types is given in Table 6. Nearly half are 1 or 2 person households and only 20% have more than 4 persons.

- (i) An age profile of household members is set out in Table 7 which demonstrates that around 75% of households have at least one member in the age range of 15-59. Only 10% of the households are comprised entirely of members aged 70 and over.

- (j) The rental range for different types of accommodation is set out in Table 8. It shows that the average rent of a bedspace is \$429 pm.

Some 70% of such occupiers pay less than \$500 pm and virtually none over \$1 000 pm.

- (k) In Table 9, a breakdown of the ratios of controlled rents to prevailing market rents by different types of accommodation is set out. The average ratio is 72%, coincidentally the same as for whole flats (Table 1). In addition to the 5 888 resident principal tenants, there are around 6 450 households living in sub-divided accommodation and their controlled rents represent a slightly higher proportion of the market rent.
- (l) The overall average household income of Part II controlled tenants is \$15 166 pm with 62% earning \$10 000 pm or more. Those comprising persons aged 60 or over have an average income of \$9 157 pm and only 4.2% of the households have an income of less than \$4 000 pm (Tables 10 and 11).
- (m) Sole tenants of flats have an average household income of \$20 248 pm and pay on average 26.9% of their incomes on rent (Part IV tenants pay about 30%). Bedspaces and single room tenants pay only 8.2% and 17.1% respectively (Tables 12 and 13).

Projection

7. The number of controlled tenancies is falling as a result of demolition, repossession by owners, fresh lettings at market rents etc. Analysis of wholly-let controlled premises over the years since 1990 indicates an annual shrinkage of around 15% (Table 14). It is estimated that the number of controlled premises at 31 December 1996 when Part II expires will be around 17 000. The projected figure for January 1998 shows that 6 500 premises would

still be protected by the residual provisions of Part II despite its expiry. However, by January 1999 the majority should be excluded.

8. A projection of the rent increases likely to be faced by tenants in 1997, 1998 and 1999 is provided at Table 15. In the analysis, those old and low rents mentioned in paragraph 6(c) are excluded as they are unlikely to be increased to the permitted level. Rents due for increase in 1996 are assumed to have been increased to the level permitted by the Ordinance. Furthermore it is assumed that the annual increase in market rental level would be around 10% (Table 16 shows the domestic rental indices since 1981).

9. In 1997, the average rent increase will be around \$2 529 pm or 43.7% of the average controlled rent for the 5 169 wholly-let premises that are due for transfer to Part IV. In 1998, the increase will be \$2 295 pm or 36.1% of the controlled rent and 6 195 premises will be affected. It should be remembered however that rents would have increased anyway had the premises remained under Part II. Compared to the rent that would have been payable under the existing rent increase mechanism, the concerned tenants will only be paying an additional sum of \$573 pm or 9.9% in rent in 1997 and \$456 pm or 7.2%, in 1998.

Rating and Valuation Department

July 1996

Table 13

Percentage Distribution of Households by Type of Accommodation and Rent to Income Ratio

Type of <u>Accommodation Rented</u>	<u>No. of Households</u>	R e n t t o I n c o m e R a t i o								<u>Overall</u> %	<u>Average Ratio</u> %	
		<u>Below 5.0 %</u> %	<u>5.0 % - 9.9 %</u> %	<u>10.0 % - 14.9 %</u> %	<u>15.0 % - 19.9 %</u> %	<u>20.0 % - 24.9 %</u> %	<u>25.0 % - 29.9 %</u> %	<u>30.0 % - 39.9 %</u> %	<u>40 % and over</u> %			
(Percentage Share within Each Type)												
Flat *	- Sole Tenant	9 369	0.8	3.3	7.7	10.8	9.1	12.3	20.4	35.6	100.0	26.3
	- Principal Tenant	4 096	0.3	----	2.4	3.1	7.2	9.3	20.1	57.6	100.0	40.4
	Total :	13 465	0.7	2.3	6.1	8.4	8.5	11.4	20.3	42.3	100.0	29.2
Bedroom		3 411	----	5.5	12.1	15.7	26.8	12.0	19.8	8.1	100.0	22.1
Bedspace		826	0.4	13.6	31.2	16.1	20.7	5.7	5.0	7.3	100.0	15.2
Cockloft		150	15.3	28.0	8.0	18.0	8.7	13.3	8.7	----	100.0	10.6
Others #		159	----	----	6.9	24.5	11.3	10.1	26.4	20.8	100.0	25.3
Overall		18 011	0.7	3.6	8.4	10.4	12.6	11.2	19.5	33.6	100.0	28.5

Notes : * Flat exclude those let to absentee principal tenants.

Others include a combination of sub-divided accommodation such as a bedroom plus a living room.

Projection of Rent Increases - Part II Expires on 31.12.98

Year	Magnitude of Rent Increase	No. of Tenancies	Average Controlled Rent	Average Prevailing Market Rent (PMR)	Average New Rent	Average Increase		Average Increase had Part II Remained	
						\$	%	\$	%
1999 (PMR -10%)	Nil Increase	3 481	6 897	5 771	6 897	----	----	----	----
	Below 20%	1 235	6 113	6 672	6 672	559	9.1	559	9.1
	20 - 24.9%	109	6 358	7 797	7 797	1 439	22.6	1 272	20.0
	25 - 29.9%	92	7 300	9 233	9 233	1 933	26.5	1 460	20.0
	30 - 39.9%	82	4 908	6 636	6 636	1 728	35.2	982	20.0
	40 - 49.9%	40	9 958	14 330	14 330	4 372	43.9	1 992	20.0
	50% or above	0	----	----	----	----	----	----	----
	Rent Increased Cases	1 558	6 246	7 097	7 097	361	13.8	231	11.6
2000 (PMR +0%)	Nil Increase	6 177	6 906	5 996	6 906	----	----	----	----
	Below 20%	1 059	6 906	7 307	7 307	401	5.8	401	5.8
	20 - 24.9%	122	6 908	8 491	8 491	1 583	22.9	1 382	20.0
	25 - 29.9%	80	6 068	7 673	7 673	1 605	26.5	1 214	20.0
	30 - 39.9%	119	4 366	5 917	5 917	1 551	35.5	873	20.0
	40 - 49.9%	94	6 337	9 222	9 222	2 885	45.5	1 267	20.0
	50% or above	30	10 038	15 277	15 277	5 239	52.2	2 184	21.8
	Rent Increased Cases	1 504	6 688	7 592	7 592	904	13.5	651	9.7
2001 (PMR +5%)	Nil Increase	4 507	6 933	6 177	6 933	----	----	----	----
	Below 20%	1 967	6 954	7 237	7 237	283	4.1	353	5.1
	20 - 24.9%	0	----	----	----	----	----	----	----
	25 - 29.9%	0	----	----	----	----	----	----	----
	30 - 39.9%	0	----	----	----	----	----	----	----
	40 - 49.9%	0	----	----	----	----	----	----	----
	50% or above	0	----	----	----	----	----	----	----
	Rent Increased Cases	1 967	6 954	7 237	7 237	283	4.1	353	5.1

- Notes :
1. Part II will expire on 31.12.1998 and all new rents will be allowed to be increased to prevailing market rent (PMR) level in 1999 for those with rents last increased in 1997, and in 2000 for those last increased in 1998.
 2. PMR's are shown at time of increase.
 3. Annual shrinkage allowed.
 4. Controlled rents due for an increase in 1998 are assumed to have been increased to the level permitted by the Ordinance.
 5. Old (not increased within 30 months) and low (less than 75% of the minimum permitted rent) rents are excluded.
 6. Market assumption : -
 - PMR's drop by 30% in 1998;
 - drop by 10% in 1999;
 - level off in 2000; and
 - rise by 5% in 2001.

PART II CONTROLLED TENANCIES

Percentage Distribution of Households by Type of Accommodation and Controlled Rent to Prevailing Market Rent Ratio

<u>Type of Accommodation Rented</u>	<u>No. of Households</u>	<u>Controlled Rent to PMR Ratio</u>						<u>Overall</u>	<u>Average Ratio</u>
		<u>Below 50%</u>	<u>50% - 59%</u>	<u>60% - 69%</u>	<u>70% - 79%</u>	<u>80% - 89%</u>	<u>90% and over</u>		
		%	%	%	%	%	%	%	%
		(Percentage Share within Each Type)							
Flat *									
- Sole Tenant	9 369	5.3	3.9	8.8	17.7	29.3	35.0	100.0	81.3
- Principal Tenant	4 096	3.4	3.4	7.0	15.2	26.9	44.1	100.0	85.8
Total :	13 465	4.7	3.8	8.3	16.9	28.6	37.7	100.0	82.6
Bedroom	3 411	4.3	3.5	8.7	13.3	13.5	56.7	100.0	91.0
Bedspace	826	3.8	1.9	2.8	12.2	10.2	69.1	100.0	89.2
Cockloft	150	---	---	---	8.7	8.7	82.6	100.0	95.0
Others #	159	1.3	---	18.2	14.5	11.9	54.1	100.0	93.9
Overall	18 011	4.5	3.6	8.1	15.9	24.6	43.3	100.0	83.1

Notes : * Flats exclude those let to absentee principal tenants.

Others include a combination of sub-divided accommodation such as a bedroom plus a living room.