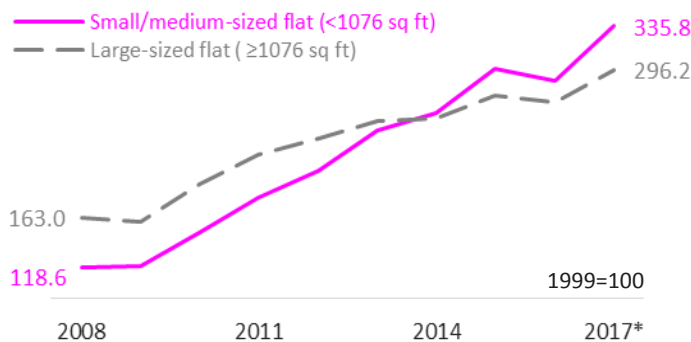




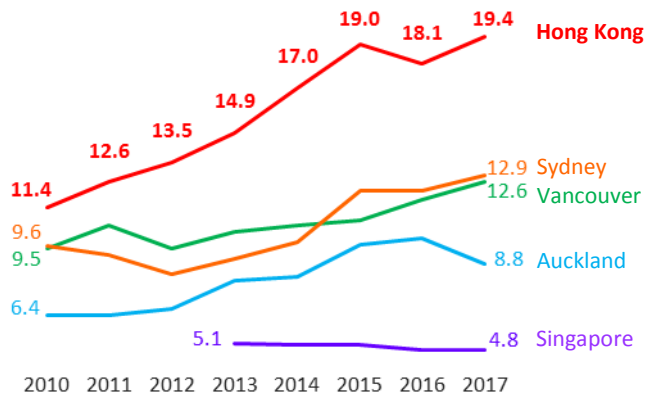
Housing affordability

Figure 1 – Price indices of private domestic premises, 2008-2017



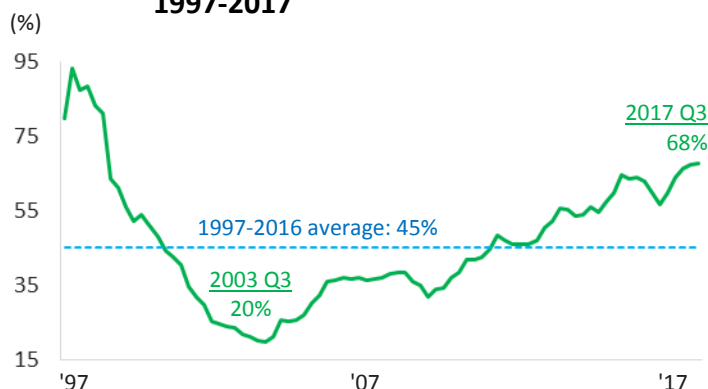
Note: (*) Provisional figures.

Figure 2 – Median multiple⁺ in selected cities, 2010-2017



Note: (+) "Median multiple", i.e. median house price divided by gross annual median household income, is used to compare housing affordability between different cities. The higher the "median multiple" value, the less affordable a house is relative to income.

Figure 3 – Home purchase affordability ratio[^], 1997-2017



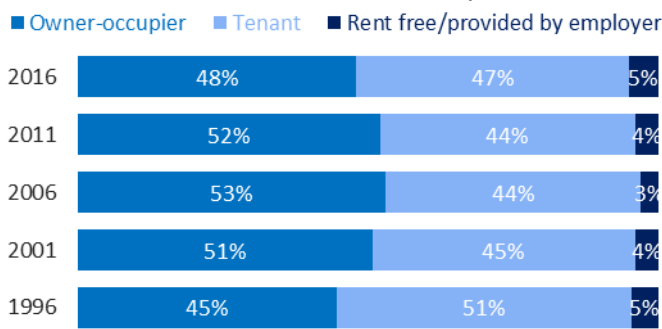
Note: (^) The ratio of mortgage payment for a 484 sq ft flat (assuming 70% loan-to-value ratio and tenor of 20 years) to median income of households, excluding those living in public housing.

Highlights

- Tight demand-supply balance, combined with the ultra-low interest rate environment and fuelled further by influx of capital, has boosted the residential property prices successively in recent years. Small and medium-sized flat prices almost tripled over the last decade (+183%), faster than that of larger flats (+82%) (Figure 1).
- Amid the rising residential property market, Hong Kong has been ranked for eight consecutive years by an international survey as the least affordable city to buy a home globally. In 2017, an average Hong Kong household needed to save about 19 years of income to afford an average-priced flat in the territory (Figure 2). This ratio was four times that of Singapore and some 50% higher than that of Sydney, the second-least affordable city in the survey.
- Locally, the surge in flat prices has outpaced income growth over the past years. For example, the average flat price for a small residential unit in New Territories surged by 223% during the last decade, while the median monthly household income increased by 43% over the period. The divergent trend between flat prices and income growth resulted in the deterioration of the home purchase affordability ratio from a low of 20% in the third quarter of 2003 to 68% in the third quarter of 2017, which was much higher than the long-term average of 45% over 1997-2016 (Figure 3).

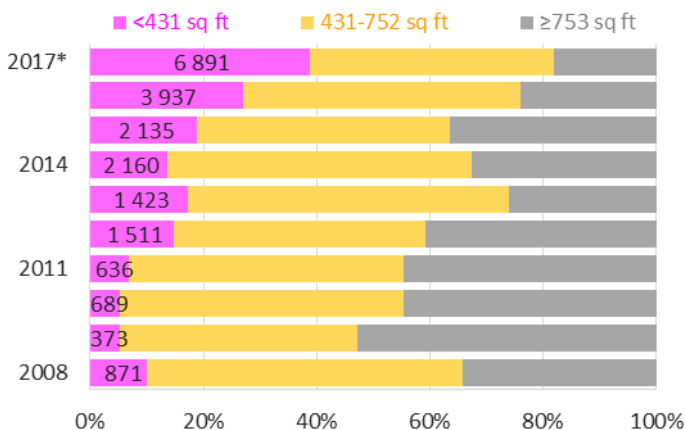
Housing affordability (cont'd)

Figure 4 – Distribution of domestic households by tenure of accommodation, 1996-2016[#]



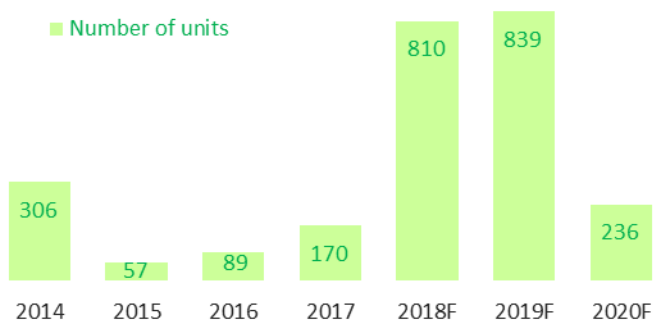
Note: (#) Percentages may not add up to 100% due to rounding.

Figure 5 – Completions of private domestic units by size, 2008-2017



Note: (*) Provisional figures.

Figure 6 – Completions and forecasts of "nano flats", 2014-2020



Highlights

- Probably reflecting the deteriorating home purchase affordability and the ensuing difficulty in home ownership, the proportion of owner-occupiers in private residential flats has reversed its uptrend to downtrend in recent years (**Figure 4**). In contrast, the proportion of tenant households renting their accommodation increased.
- The residential units built by private developers have become increasingly smaller as affordability of prospective buyers decreases. Small flats with less down payment required are particularly attractive to many first-time home buyers, particularly the young ones. Added to this, flats valued at HK\$4 million or below are eligible for a maximum loan-to-value ratio of 90% for qualified first-time home buyers. Reflecting the above trend, the number of newly completed small-sized flats with saleable areas of less than 431 sq ft has increased visibly since 2012 and reached 6 891 in 2017 (**Figure 5**).
- Recently, developers have been marketing even smaller flats with the release of the so-called "nano flats" with a saleable area of less than 200 sq ft onto the market. According to a global property agency, the new supply of "nano flats" will amount to an average of 628 units per year in 2018-2020, up from 156 units per year in 2014-2017 (**Figure 6**).

Data sources: Latest figures from Rating and Valuation Department, Demographia, Third Quarter Economic Report 2017, Census and Statistics Department and Jones Lang LaSalle, IP, Inc.

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