

# Research Brief

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## Socioeconomic implications of home ownership for Hong Kong

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*Home ownership ratio in Hong Kong fell to a 20-year low of 49.8% in 2019, after a nearly four-fold upsurge in flat prices in 15 years. In spite of a modest rebound to 51.2% in late 2020, it is still far below the 60% mark seen in affluent economies. Home ownership has visible social benefits, such as stronger civic participation and socioeconomic stability.*

*The share of younger persons aged below 35 heading owner-occupied families has plunged from 22.1% to 7.6% in 23 years, dampened by severe land shortage and worsening affordability. During 2009-2019, renters accounted for the largest growth in households by tenure of accommodation, contrasted against the period of 1997-2008 when owner-occupiers registered the largest corresponding growth. This has knock-on implications for social mobility.*

*Two-thirds of local home owners had fully repaid the mortgage loans in 2016 and they can afford acquiring additional flats either as second homes for their children or for investment purpose. This may have implications for wealth distribution across generations.*

*Annual average completions of private housing is targeted at only 12 900 units in the next decade, fewer than the actual outturn of 13 500 units during 2010-2019. Raising local home ownership ratio is likely to remain challenging in the medium to the longer term.*

*The subject of housing and land supply fall within the policy areas of the Panel on Housing and Panel on Development respectively.*

### 1. Introduction

1.1 Home ownership is a multi-faceted milestone in modern society, signifying a ticket to middle class, a landmark of upward mobility and financial protection from life adversity. It also helps nurture a sense of belonging to community and foster socio-political stability. Yet just half of households live in their owned homes in Hong Kong. In the face of easing home ownership ratio from 54% to 51% after a nearly four-fold upsurge in flat prices during 2004-2019, some commentators observe that there are widespread frustrations in the community especially amongst the younger generation. The Government is aware that housing is "the crux of the many problems" and it could jeopardize "long-term prosperity and stability".<sup>1</sup> Many academics go further to argue that the "sense of hopelessness" created by rocket high flat price is one of the latent causes of social instability in recent years.<sup>2</sup>

<sup>1</sup> GovHK (2020).

<sup>2</sup> One academic study pinpoints "poverty, high housing price and high cost of living" as one of the 10 "pre-existing fuels" before the outbreak of social incident in June 2019, whereas another one highlights the role of "asset ownership" in shaping political preferences of Hong Kong people. They also suggest that housing issues give rise to "localism" and "populism" in recent years. See Shek (2020), Wong and Wan (2018), Our Hong Kong Foundation (2020a) and Purbrick (2019).

1.2 This Research Brief begins with an overview of global studies on social benefits on home ownership, followed by an account of trend development of home ownership ratio in Hong Kong during 1997-2019. It then discusses changing profile of home owners and concludes with implications of owner-occupation for Hong Kong society.

## 2. Global studies on social benefits of home ownership

2.1 ***Home ownership means a lot to families***, including intangible benefits like physical safety, personal space and emotional stability.<sup>3</sup> On tangible benefits, not only housing assets can shield families from financial adversity in life (e.g. ill health and unemployment), they can also provide an important source of wealth accumulation. Taking the United States ("US") as an illustration, the median net worth of a home-owning family was US\$255,000 (HK\$2.0 million) in 2019, 40 times that of only US\$6,300 (HK\$49 400) for renters.<sup>4</sup> As home assets account for half (47%) of the net worth of the former group, home ownership lies "at the heart of American Dream" and is "a key to upward mobility" in the US.<sup>5</sup>

2.2 ***Home ownership has spillover benefits to the wider community as well.***<sup>6</sup> *First*, given that home purchase is one of the biggest family decisions, buyers have stronger incentives to maintain community ties in the longer term. For instance, US home owners mostly in private housing lived in their current homes for a median duration of 13 years in 2018, far more than just two years for renters.<sup>7</sup> *Secondly*, home owners are keener to maintain the neighbourhood in good order, resulting in better security and environment. *Thirdly*, reflecting their stronger civic participation, home owners are more enthusiastic voters. In the US Presidential Election in 2016, the voter turnout rate of home owners was 67%, much higher than renters (49%).<sup>8</sup> For local mayoral election, the differential in voting likelihood was about 20 percentage points.<sup>9</sup> *Fourthly*, a study report of the Organisation for Economic Co-operation and Development ("OECD") points out that those places with higher home ownership ratio tend to have more equal wealth distribution than those with lower ratio, as home assets are the most common form of assets held by citizens.<sup>10</sup>

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<sup>3</sup> Parliament of Australia (2008).

<sup>4</sup> Board of Governors of the Federal Reserve System (2020).

<sup>5</sup> White House (2001).

<sup>6</sup> Freddie Mac (2018) and Forbes (2016).

<sup>7</sup> Parliament of Australia (2008) and Rosen Consulting Group (2020).

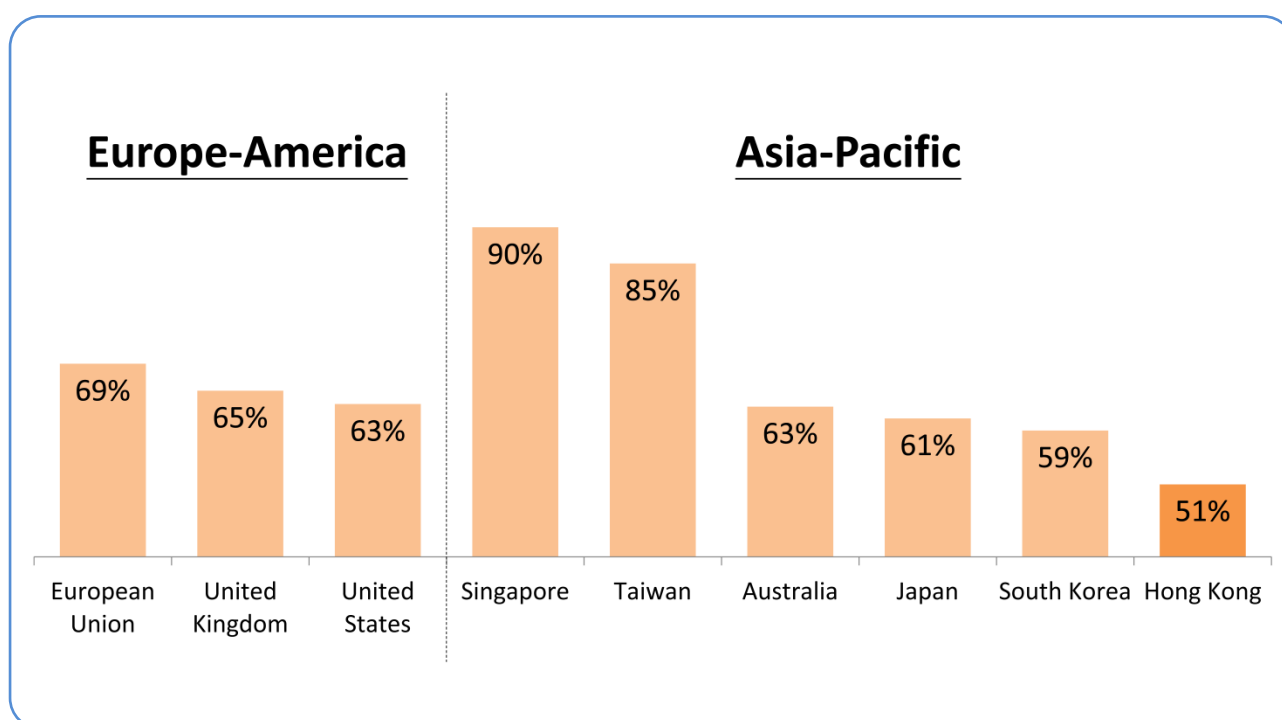
<sup>8</sup> Forbes (2018).

<sup>9</sup> Jiang (2018).

<sup>10</sup> Organisation for Economic Co-operation and Development (2018).

2.3 As a matter of fact, home ownership ratio stands at a high level amongst affluent economies, generally exceeding 60% (**Figure 1**). These include the US (63%) and the average value for 27 member states of the European Union (69%). For the neighbouring economies in Asia-Pacific, the home ownership ratio also hovers around this level, including South Korea (59%), Japan (61%), Australia (63%), Taiwan (85%) and Singapore (90%). They are all higher than the respective ratio of 51% for Hong Kong.

**Figure 1 – Home ownership ratio in selected advanced places in 2018-2020**



Note: Figures are the latest available figures.

Data source: Organisation for Economic Co-operation and Development.

### 3. Recent policy developments on home ownership in Hong Kong

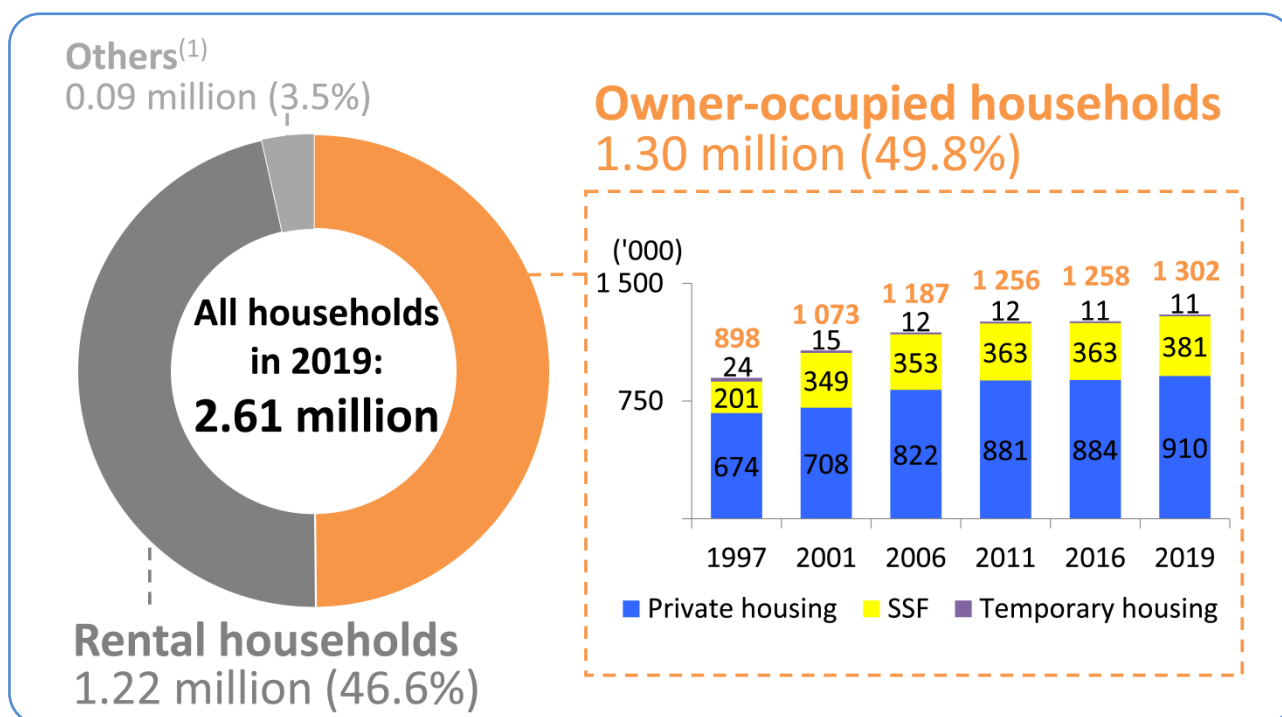
#### 3.1 *There are two major categories of home owners in Hong Kong.*<sup>11</sup>

First and foremost are some 910 000 owner-occupiers in private permanent housing, taking up seven-tenths of the overall home owners in 2019 (**Figure 2**). The rest are 381 000 owner-occupiers in subsidised sale flats ("SSF") built on land granted by the Government at nominal or concessionary premium and sold at discounted prices to eligible buyers. Most (96%) of these SSF units were built by

<sup>11</sup> Home owners are households owning the flats they live in. On top of private permanent housing and SSF, there are also 11 000 owners in temporary housing, but they took up less than 1% of the total in 2019.

the Housing Authority ("HA"), with the rest by the Hong Kong Housing Society ("HKHS") and Urban Renewal Authority.<sup>12</sup> For those SSF flats freely transferable in the secondary market upon full payment of market premium by owners, they are re-categorized as private housing, however.<sup>13</sup>

**Figure 2 – Home owners by type of housing in Hong Kong, 1997-2019**



Note: (1) "Others" includes accommodation provided by employers and rent-free accommodation.  
Data source: Census and Statistics Department.

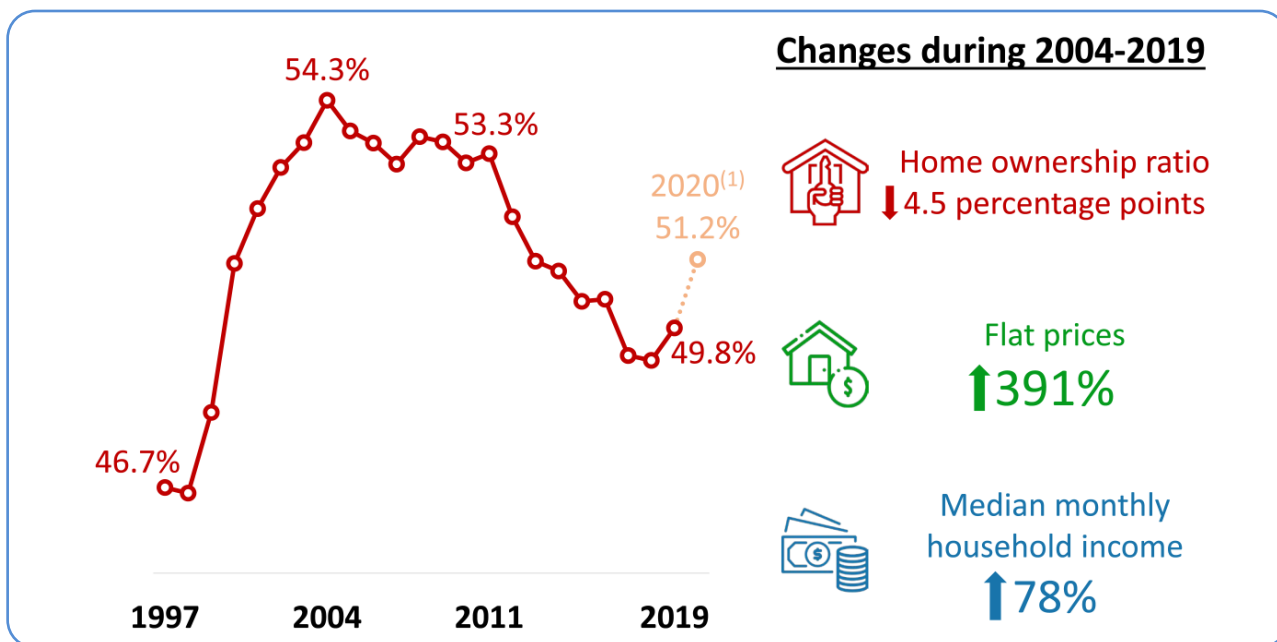
**3.2 Home ownership ratio in Hong Kong displays an inverted U-shape over the past 23 years.** After an upsurge from 46.7% to a peak of 54.3% during 1997-2004, the ratio then plateaued around the 53% level till 2011, but eased back to only 49.8% in 2019 and 51.2% in the fourth quarter of 2020 (**Figure 3**). As detailed data for the full year of 2020 is not yet available, subsequent analysis is based on data up to end-2019 only. To a considerable extent, changes in local home ownership ratio can be attributable to a number of macroeconomic variables (e.g. flat prices, mortgage rate and financing policy, stamp duties, household income

<sup>12</sup> SSF units provided by HA include flats under (a) Home Ownership Scheme ("HOS"), Private Sector Participation Scheme and Middle Income Housing Scheme; (b) Green Form Subsidised HOS; (c) Buy or Rent Option Scheme and Mortgage Subsidy Scheme; and (d) flats sold under the Tenants Purchase Scheme. SSF units offered by HKHS cover (a) Flat for Sale Scheme; (b) Sandwich Class Housing Scheme; and (c) Subsidised Sale Flats Projects.

<sup>13</sup> Based on HA statistics, some 78 000 SSF units have been re-classified as private housing after payment of market premium during 2002-2020, about one-fifth of the stock of SSF completed before 2020.

and unemployment rate) and demographic variables (e.g. marriages, divorces, immigration, population growth and formation of new households). As macroeconomic analysis of these determinants is well-researched and documented elsewhere, this brief will not go into it.<sup>14</sup>

**Figure 3 – Home ownership ratio, household income and flat prices, 1997-2019**



Note: (1) Figure for the fourth quarter of 2020 only, as data for the full year of 2020 is not yet available.  
 Data sources: Census and Statistics Department and Rating and Valuation Department.

3.3 Instead, this brief focuses on policy factors. In a nutshell, the trajectory of local home ownership ratio during 1997-2019 can be subdivided into the following three sub-periods, responding to changing market fundamentals and adjustments in land and housing policies of the Government:

- (a) **Rising ratio to a peak of 54.3% amidst ample supply in 2004:**  
 In July 1997, the Government made significant pledges in its housing policy, such as (i) increasing substantially overall flat supply to at least 85 000 units each year; (ii) achieving overall home ownership ratio to 70% by 2007; and (iii) allowing sitting tenants of selected estates of public rental housing ("PRH") to buy their PRH flats upon the launch of Tenant Purchase Scheme ("TPS").<sup>15</sup>

<sup>14</sup> Leung and Tang (2020), Wong and Man (2018), Jayantha and Oladinrin (2019), Hong Kong Monetary Authority (2017) and Legislative Council Secretariat (2013a-b).

<sup>15</sup> TPS was launched in 1998 with a view to promoting home ownership, allowing sitting tenants of 184 000 flats in 39 selected PRH estates to purchase their PRH units at a discount through six phases. During 1998-2004, a total of 91 000 TPS flats were sold, representing three-fifths of SSF flats sold during the period. See Legislative Council Secretariat (2020).

Total completions of housing flats averaged at some 62 300 units each year during 1997-2004. This abundance in supply, coupled with a 52% plunge in flat prices triggered by the Asian Financial Crisis, created a rare and golden opportunity for first-time buyers to purchase owner-occupied flats. Incremental growth of 264 400 home owners during 1997-2004 was evenly distributed, with half in private housing and another half in SSF. Home ownership ratio thus climbed to a record high of 54.3% in 2004 (**Figure 4**);

- (b) **Plateauing around 53% amidst a hiatus in new land formation before 2011:** In an attempt to restore the imbalance in the housing market, the Government repositioned its housing policy in November 2002, tightening land and housing supply.<sup>16</sup> Major measures included (i) discarding a numerical target on home ownership; (ii) stopping land auctions and making supply of new land conditional on demand from developers till 2010; (iii) scaling back development of new land through reclamation and site formation; (iv) ceasing construction of SSF indefinitely; and (v) halting TPS.<sup>17</sup>

Total housing completions thus plunged by 57% to an annual average of 26 700 units during 2005-2011. Propelled by economic recovery and in anticipation of impending housing shortage, flat prices rebounded sharply by 133% during 2005-2011. There were just 94 000 additional home owners in this period, with most (91%) of them living in private housing, upon cessation of TPS and SSF projects. Nevertheless, home ownership ratio stayed at a high level around 53% during 2005-2011, upon steady absorption of vacant flats in the earlier years; and

- (c) **Falling ratio to just 50% in 2019:** In the wake of public concerns, the Government began to shore up housing supply in 2010. Measures included (i) resuming HOS and sale of SSF; (ii) developing new land and building a land reserve; and (iii) setting up a Task Force on Land Supply in September 2017 to explore means to increase land supply. However, these measures seem to be insufficient to meet the demand, given a long lead time of at least 11-14 years just for planning and development of new land and another 3-5 years for erection of buildings.<sup>18</sup> The adverse impacts of hiatus in formation of new land during 2002-2011 are still felt nowadays.

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<sup>16</sup> GovHK (2002).

<sup>17</sup> Development Bureau (2017).

<sup>18</sup> Development Bureau (2017) and Task Force on Land Supply (2018a).

Total housing supply averaged at just 29 500 units per annum during 2011-2019. As flat prices doubled (up by 110%) again, home ownership ratio slid to a 20-year low of 49.8% in 2019. There were only 45 700 new home owners in this period, with three-fifths of them residing in private housing and the rest in SSF segment.

**Figure 4 – Key housing indicators for three sub-periods during 1997-2019**

	<u>1997-2004</u>	<u>2005-2011</u>	<u>2012-2019</u>
 <b>New land supply<sup>(1)</sup> (hectares)</b>	<b>1 090</b>	<b>160</b>	<b>250</b>
 <b>Annual new supply of flats<sup>(2)</sup></b>	<b>62 300</b>	<b>26 700</b>	<b>29 500</b>
 <b>Cumulative change in flat prices</b>	<b>↓ 52%</b>	<b>↑ 133%</b>	<b>↑ 110%</b>
 <b>Additional home owners</b>	<b>264 400</b>	<b>94 000</b>	<b>45 700</b>
 <b>Home ownership ratio at end-period</b>	<b>54.3%</b>	<b>53.3%</b>	<b>49.8%</b>

Notes: (1) Sum of newly formed land and newly reclaimed land. Figures represent periods for 2000-2005, 2006-2010 and 2011-2015 respectively.

(2) Sum of average annual completions of PRH flats, SSF and private residential flats.

Data sources: Census and Statistics Department, Rating and Valuation Department and Development Bureau.

3.4 Apart from the land and housing policies, the eight rounds of tightening in mortgage financing policy by the Hong Kong Monetary Authority ("HKMA") for prudent risk management between October 2009 and May 2017 also created hurdles for home buyers, especially the first-time buyers. Before policy relaxation in October 2019, first-time buyers of small-sized flat (with an area of 40 m<sup>2</sup> and estimated worth of HK\$6.5 million) needed HK\$2.6 million for 40% down payment in 2019, as the flat price exceeded the eligibility limit for 80%-90% mortgage lending under the Mortgage Insurance Programme ("MIP") by then.<sup>19</sup> For a median household with a monthly income of HK\$28,500 managed to save half of the

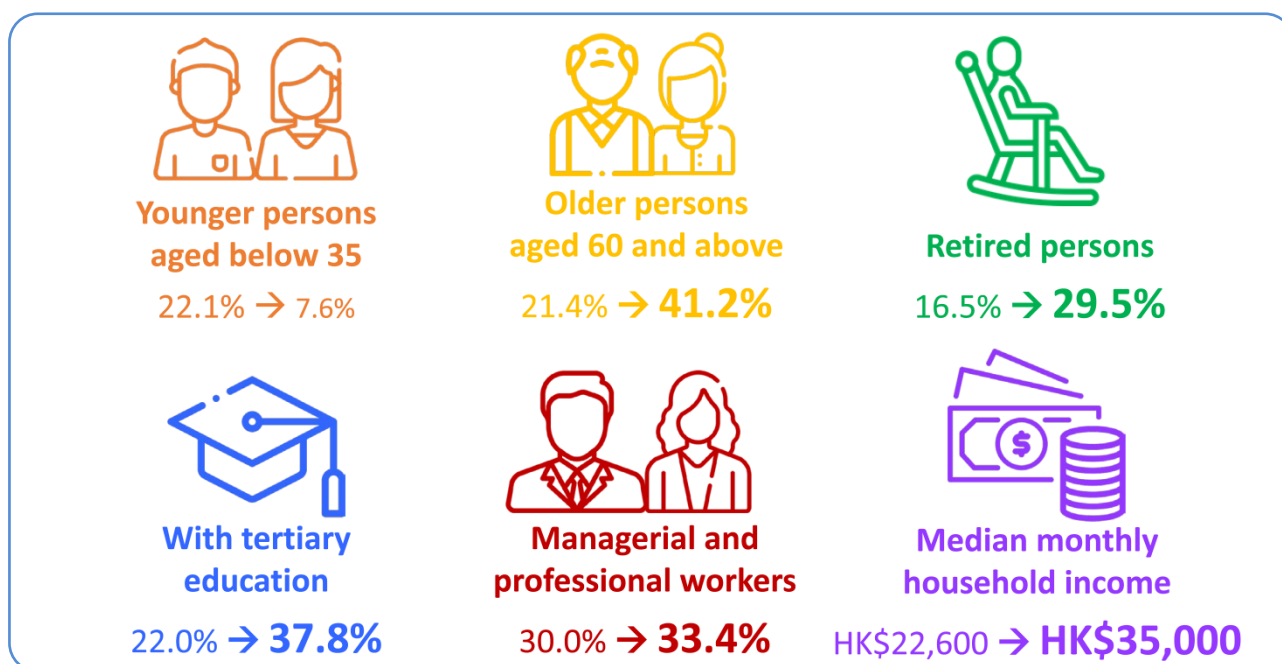
<sup>19</sup> Based on statistics of the Government, the average price for a small-sized flat across the territory was HK\$161,800/m<sup>2</sup> in 2019. The maximum property value eligible for 80%-90% mortgage lending was HK\$4.5 million for first-time home buyers before relaxation of MIP on 16 October 2019, but it was raised to HK\$8-9 million after relaxation.

income, it took 15 years to accumulate down payment. Even after lowering the down payment requirement to 10% for such a flat after the relaxation of MIP in October 2019, the same thrifty median family still needs to save four years to meet the requirement. There is thus a shared concern in the community that "down payment constraints restrict access to homeownership".<sup>20</sup>

#### 4. Changing socioeconomic profile of local home owners

4.1 Given that the local population is broadly divided into two halves in terms of home ownership, the socioeconomic profile of home owners merits an analysis. Using household heads as a proxy and based on tailor-made statistics compiled by the Census and Statistics Department ("C&SD"), the following salient features are noted (**Figure 5**):<sup>21</sup>

**Figure 5 – Changes in the profile of heads of home-owning families, 1997-2019**



Note: Figures represent the respective proportion in all household heads of owner-occupiers in Hong Kong. Data source: Census and Statistics Department.

<sup>20</sup> Jayantha and Oladinrin (2019).

<sup>21</sup> As there are no dedicated statistics on flat owners in Hong Kong, this section is based on statistics on heads of owner-occupied families compiled by C&SD. While such heads may not necessarily be the persons owning the titles of such flats, they make major decisions of the families.



- (a) **Skewed age distribution of home owners towards older persons:** In 1997, younger persons aged below 35 stood a better chance to be home owners. There were 198 100 such younger persons heading home-owning families, accounting for 22.1% of the aggregate owner-occupiers. However, the respective figures plunged to only 98 200 and 7.6% in 2019, dampened by worsening housing affordability and reportedly leading to frustrations amongst the younger generation.<sup>22</sup> According to another survey, the average age of first-time home buyers was procrastinated to 44 in 2019;<sup>23</sup>

By contrast, older persons aged 60 and above heading home-owning families more than doubled from 192 100 to 536 000 during 1997-2019, along with a rise in their proportion in the total from 21.4% and 41.2%. While this reflects life cycle of wealth accumulation and the ageing trend in society, it also arouses concerns over social mobility;

- (b) **Retired persons holding a larger trunk of owner-occupied flats:** In line with this age profile, 29.5% or 383 900 heads of home-owning families were retired persons in 2019, broadly doubled the corresponding figures of 16.5% and 147 500 in 1997. For elderly households without working income, home assets offer retirement protection. Under the Reverse Mortgage Programme ("RMP") launched by the Hong Kong Mortgage Corporation ("HKMC") in 2011, retired persons aged 55 and above can mortgage the owner-occupied flats for fixed income flows throughout the lifetime. However, it seems that very few retired persons have made use of RMP, with fewer than 4 500 RMP applications altogether after nine years of implementation by end-2020;<sup>24</sup>
- (c) **Better-educated amongst home owners:** In line with expectations, household heads of owner-occupied flats are better-educated, with the proportion with tertiary education standing at a high level of 37.8% in 2019, far above that of 25.1% for renters (**Figure 6**). Relative to the respective figures of 22.0% and 13.5% in 1997, the gap between these two groups of household heads has widened moderately over the past 23 years; and







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<sup>22</sup> Shek (2020) and 新論壇 (2020).

<sup>23</sup> Squarefoot.com.hk (2019).

<sup>24</sup> Hong Kong Mortgage Corporation (2020a-b).

**Figure 6 – Characteristics of household heads of home owners and renters in 2019**

	<u>Home owners</u>	<u>Renters<sup>(1)</sup></u>
 <b>Younger persons aged below 35</b>	<b>7.6%</b>	<b>12.7%</b>
 <b>Older persons aged 60 and above</b>	<b>41.2%</b>	<b>36.4%</b>
 <b>Retired persons</b>	<b>29.5%</b>	<b>24.7%</b>
 <b>With tertiary education</b>	<b>37.8%</b>	<b>25.1%</b>
 <b>Managerial and professional workers</b>	<b>33.4%</b>	<b>21.6%</b>
 <b>Median monthly household income</b>	<b>\$35,000</b>	<b>\$23,000</b>

Notes: (1) Statistics refers to non-home owners, predominantly renters.

(2) Figures represent the respective proportion in all home owners and non-home owners.

Data source: Census and Statistics Department.

**(d) Engaging in higher-end occupations and earning higher income:**

For those household heads of home owners still in workforce, one-third (33.4%) of them were engaged in managerial and professional occupations in 2019, much more than just one-fifth (21.6%) amongst renters.

As such, the median monthly employment earnings of home owners were HK\$25,000 in 2019, 39% more than that of HK\$18,000 for renters. Including other income sources, the median household income of home owners was likewise higher at HK\$35,000 per month in 2019, 52% more than that of HK\$23,000 for renters.

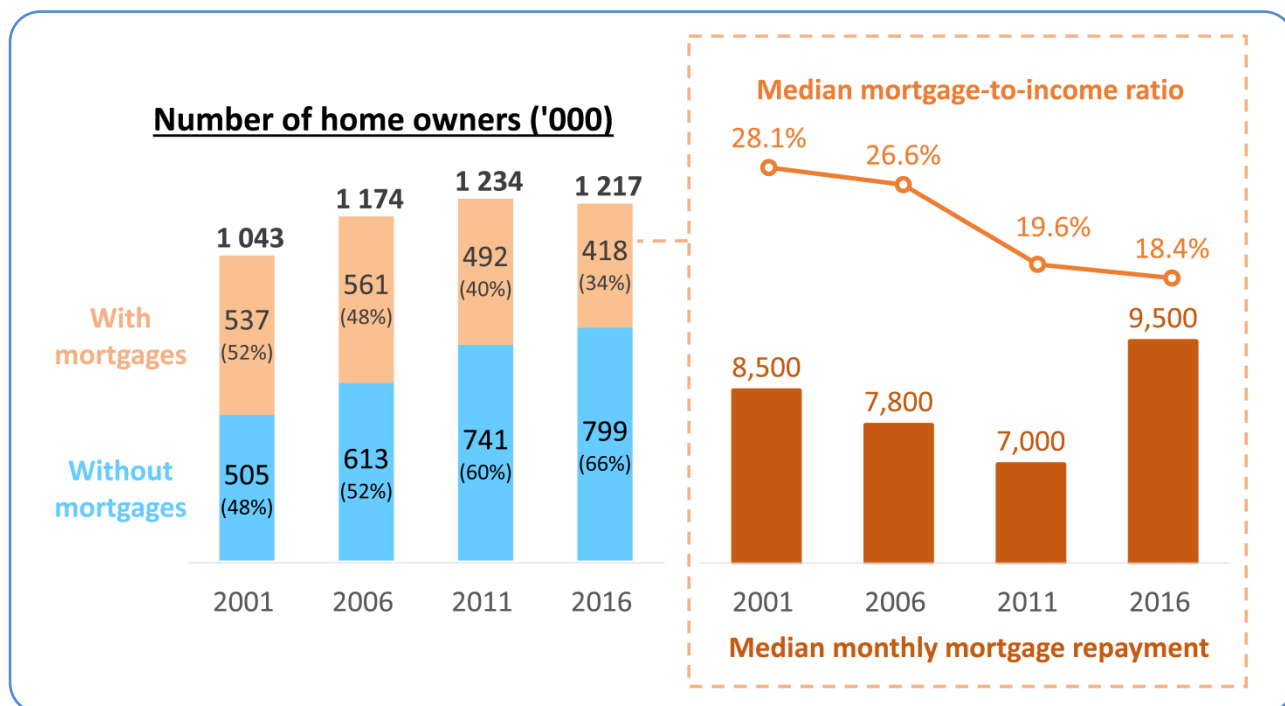
4.2 There are public concerns over mortgage debts borne by home owners, as the average duration of new mortgage loan contracts is lengthened to 27 years by now.<sup>25</sup> Yet the latest population by-census results depict a more benign picture. Amongst the 1.2 million home owners in 2016, two-thirds (65.7%) of them had already paid off the mortgage debts, improving progressively from the respective figures of 48.5% in 2001, 52.2% in 2006 and 60.1% in 2011 (**Figure 7**).<sup>26</sup> While annual average rise in family income by 2.5% may enable economically active

<sup>25</sup> Hong Kong Monetary Authority (2021).

<sup>26</sup> Census and Statistics Department (2021).

households to pay off the mortgage debt earlier, it appears that the 391% escalation in flat prices in just 15 years should also give home owners much financial leeway on how and when to settle mortgage debts.<sup>27</sup>

**Figure 7 – Key indicators on mortgage debt of owner-occupiers, 2001-2016**



Data source: Census and Statistics Department.

4.3 For the rest of one-third of flat owners still bearing mortgage loans, the median value of monthly mortgage repayment was HK\$9,500 in 2016, representing 18.4% of their median monthly household income, down from 28.1% in 2001. In face of soaring flat prices, new home owners generally need a longer repayment period in their mortgage agreements, with the median duration of outstanding mortgage repayment lengthening from 11 years in 2006 to 12 years in 2011, and further to 15 years in 2016.<sup>28</sup>

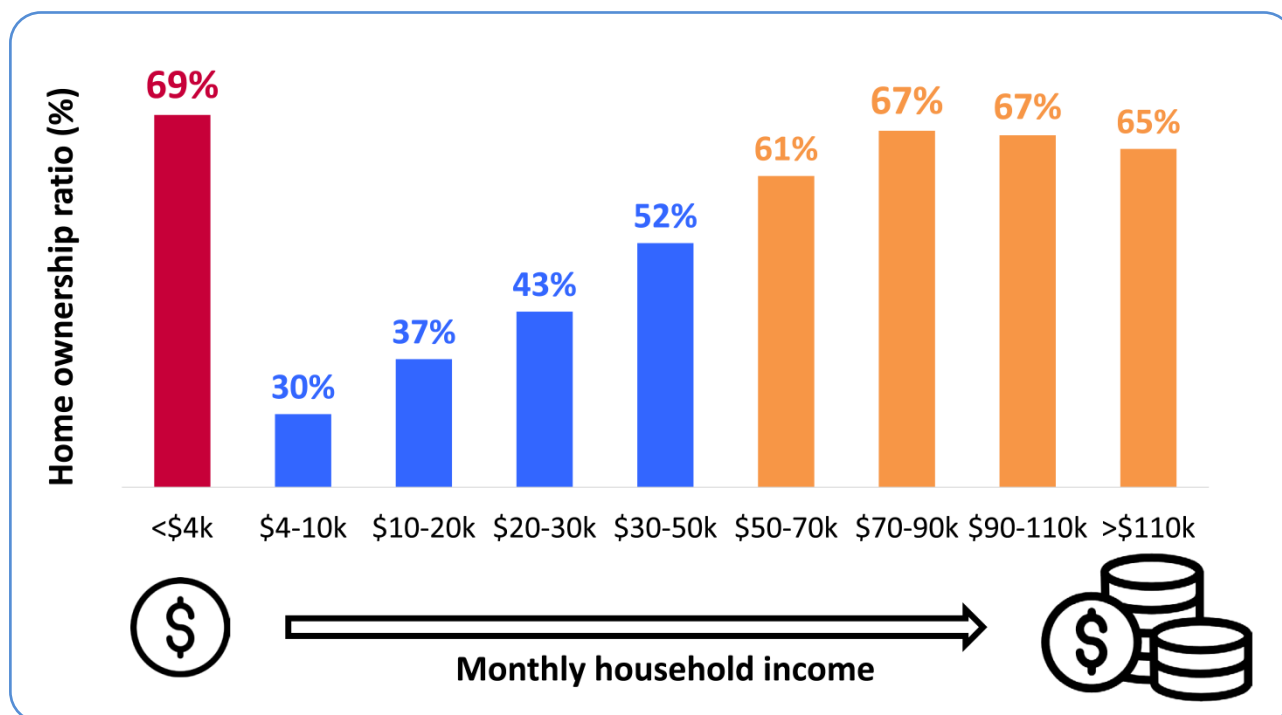
4.4 Analyzed by income distribution, those households with the least monthly income of HK\$4,000 or below registered the highest home ownership ratio, at 69% in 2019 (**Figure 8**). This may come as a surprise to many readers, but it echoes the aforementioned findings that two-fifths of owner-occupiers are actually headed by older persons aged 60 and above. Families with highest monthly income of at least HK\$50,000 came next, with such a ratio generally exceeding 60%. For other

<sup>27</sup> 信報月刊 (2020).

<sup>28</sup> Census and Statistics Department (2021).

income groups lying between these two extremes, the ratio tends to vary positively with income, within a range of 30% for those with monthly income of HK\$4,000-HK\$10,000 and 52% for those with HK\$30,000-HK\$50,000.

**Figure 8 – Distribution of home owners by monthly household income in 2019**



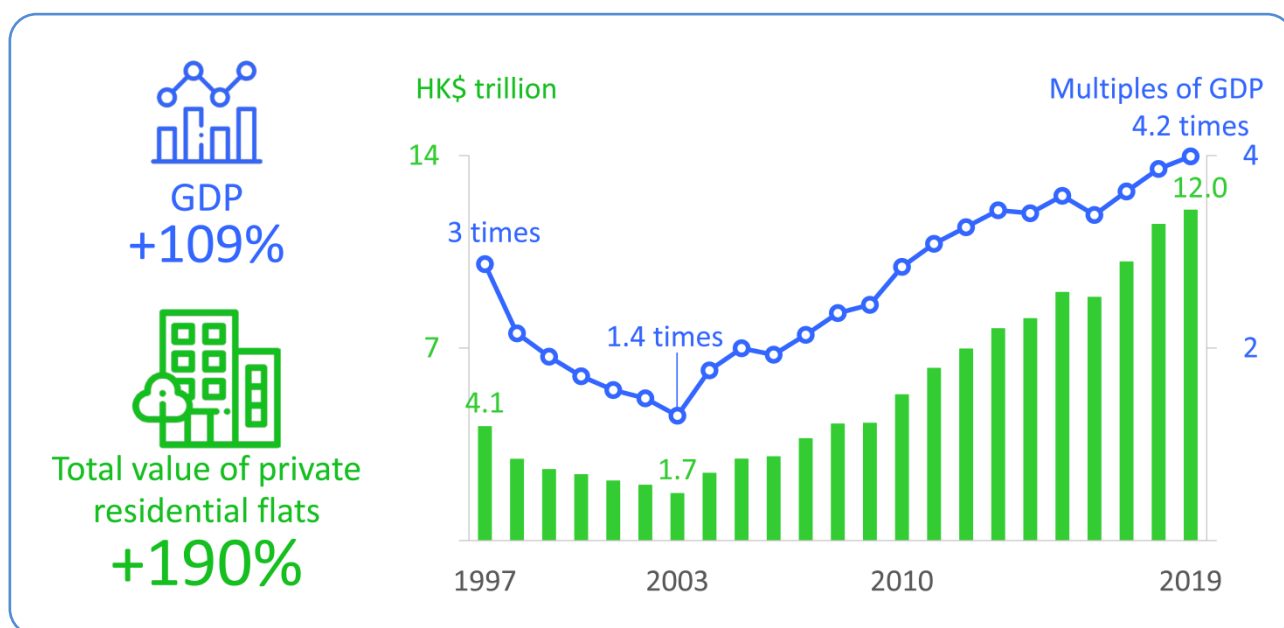
Data source: Census and Statistics Department.

## 5. Socioeconomic implications for Hong Kong

5.1 In the light of continued buoyancy in the housing market, owner-occupied flats have become an important source of wealth for better-off families. Based on the statistics of the Rating and Valuation Department ("R&VD"), it is crudely estimated that the market value of private residential properties in Hong Kong has tripled to around HK\$12 trillion during 1997-2019, outpacing the 109% growth in Gross Domestic Product ("GDP") (**Figure 9**). In 2019, overall private residential properties in Hong Kong were worth about four times of GDP, much higher than the respective figure of 1.6 times in the US.<sup>29</sup> The wealth effect arising from changes in flat prices in turn could have significant implications for local consumption and GDP.

<sup>29</sup> The total value of residential properties in the US was estimated at US\$33.6 trillion (HK\$263.2 trillion) in 2019, equivalent to 157% of its GDP. See Zillow (2019) and Hong Kong Monetary Authority (2001).

**Figure 9 – Estimated value<sup>(1)</sup> of private residential flats in Hong Kong, 1997-2019**



Note: (1) Figures refer to gross market value, regardless of the value of outstanding mortgage debts.  
Data source: Rating and Valuation Department.

5.2 The aforementioned socioeconomic profile of local home owners gives rise to the following implications for the Hong Kong society:

- (a) **Home owners in good financial shape:** Two-thirds of home owners have repaid the mortgage loans with strong balance sheets. This is in stark contrast to the bleak situation in mid-2003, with 106 000 mortgage loans (22% of the total) suffering from negative equity problem (i.e. the outstanding value of a mortgage loan higher than the market price of a flat).<sup>30</sup>

On the back of sizable capital gains, many existing home owners can afford acquiring additional flats, either as second homes (e.g. for their relatives) or for investment (e.g. leasing out for rental income). According to a recent survey conducted by a property agency, 26% of respondents indicating an interest to buy residential flats in 2021 are investors;<sup>31</sup>

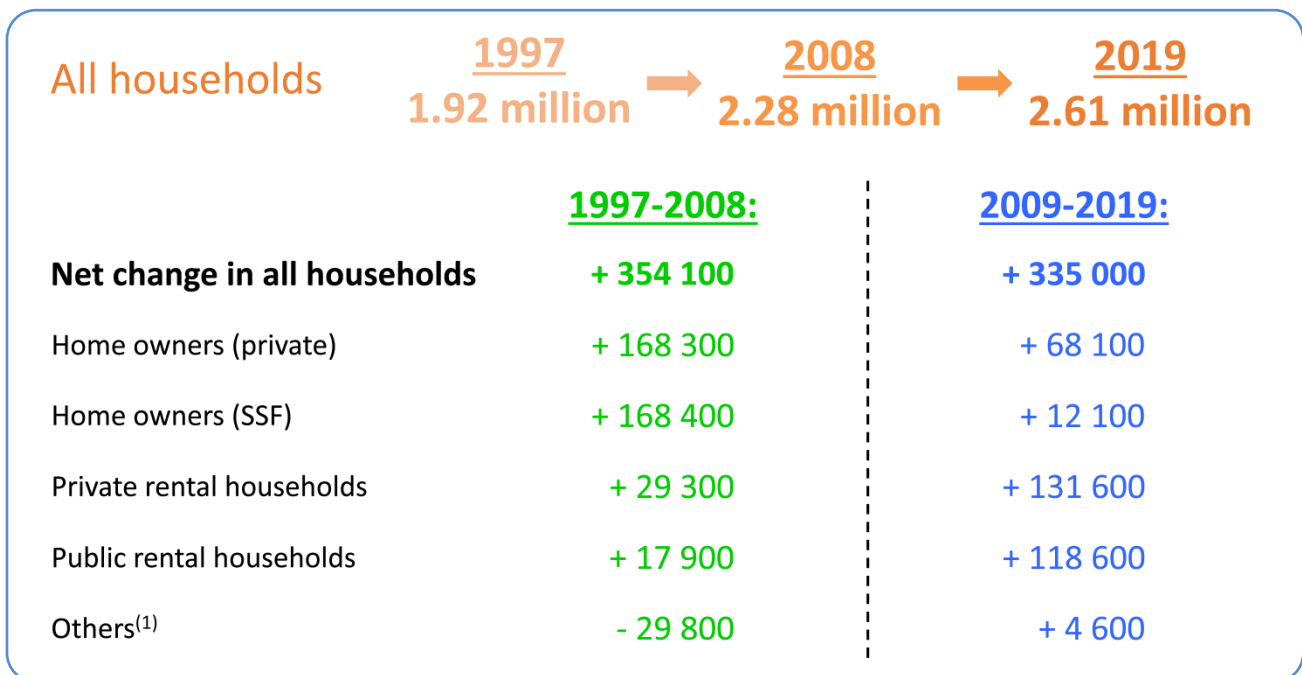
<sup>30</sup> Hong Kong Monetary Authority (2004).

<sup>31</sup> While 40% of prospective flat purchasers in the same survey are existing home owners for changing flats, 34% are first-time buyers. See 明報 (2020).

- (b) **Substantial growth in households living in rental flats in recent years:** There is a big contrast in the landscape of tenure of accommodation for households over the past 23 years, taking into account effects of (i) tenure of newly formed households; and (ii) changed tenure status of existing households. For the earlier period between 1997 and 2008, the stock of households increased by a total of 354 100 (**Figure 10**). During this period, owner-occupiers went up substantially by 336 700, while renters grew by just 47 200. As discussed earlier, abundant supply and affordable flat prices should be key contributory factors.

For the recent period during 2009-2019, the number of households grew by 335 000, while owner-occupiers increased by just 80 200. On the other hand, households renting flats either in public or private housing surged by 250 200 (including 92 700 subdivided flats with poorer living conditions);<sup>32</sup>

**Figure 10 – Net change in households by tenure of accommodation, 1997-2019**



Note: (1) "Others" includes accommodation provided by employers or rent-free, as well as temporary housing.  
Data source: Census and Statistics Department.

<sup>32</sup> Census and Statistics Department (2018).

- (c) **Equity concerns on wealth distribution:** Income distribution in Hong Kong in terms of Gini coefficient has widened to 0.539 in 2016, amongst the highest in the world. However, a recent study shows that wealth distribution could be much more uneven than income distribution. Taking OECD as an illustration, while the top 10% of the income distribution can get hold of 24% of total income only, "the wealthiest 10% of households" holds "52% of total net wealth".<sup>33</sup>

While there is no such wealth data in Hong Kong, it can be expected that the situation should be broadly similar to these advanced places. A recent survey shows that four-fifths of the assets of local affluent people (with net worth over HK\$10 million) are held in the form of properties.<sup>34</sup> A local economist also points out that the wealth of flat owners in Hong Kong is about 30 times that of renters, broadly comparable to the US figure discussed in Section 2,<sup>35</sup>

The widening gap between "haves" and "have-nots" can also be seen in **Figure 10** above, as net changes in the ownership titles of residential flats during 2009-2019 were mostly acquired by investors or landlords for leasing to tenants, not for owner-occupation. While the average tenant households may also save hard to buy flats, they could easily be priced out from the market with just working income;

- (d) **Slowing social mobility across generations:** There are also growing concerns that the aforementioned inequality in wealth distribution may carry forward to the next generation. A couple of surveys show that local parents are inclined to financially support their children to buy flats. For instance, HA indicated that 22% of SSF buyers had parental support in paying down payment in 2017.<sup>36</sup> Another survey showed that some 70% of local parents were willing to assist their children to buy a home, with half of them even prepared to remortgage their own homes for the purpose.<sup>37</sup> As such parental support from owner-occupiers tend to be greater than renters, there

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<sup>33</sup> Organisation for Economic Co-operation and Development (2018).

<sup>34</sup> According to an annual survey conducted by a commercial bank, there were some 504 000 Hong Kong people (8.4% of local population) with net worth over HK\$10 million in May 2020. Four-fifths (78%) of the wealth was held in the form of properties, and a majority of which are presumably owner-occupied flats. For the rest of 22% of wealth, it was held mostly in the form of cash, deposits, stocks and bonds. See Citibank (2020) and Credit Suisse (2020).

<sup>35</sup> 信報月刊 (2020).

<sup>36</sup> Housing Authority (2018).

<sup>37</sup> AIA (2017) and 明報 (2020).

are concerns over implications of such wealth transfer for social mobility across generations over time;<sup>38</sup> and

- (e) **Retirement protection for asset-owning retirees:** As discussed above, 536 000 older persons aged 60 and above live in owner-occupied flats, yet their financial situation seems to be not as good as expected. Based on the latest Poverty Report, 112 000 of the asset-owning elderly lived below the poverty line in 2019 (equivalent to one-fifth of older persons living in owner-occupied flats), with the median value of their homes estimated at HK\$5.2 million. There are different views on the financial situation of these owner-occupied retirees. While the Government regards this as a limitation of the "analytical framework of the poverty line", some commentators take this as inadequate retirement protection.<sup>39</sup>

## 6. Outlook for the medium to longer term

6.1 A recent study released at end-2020 reiterates the difficulties faced by fresh university graduates in owner-occupation.<sup>40</sup> To assist the younger generation to become first-time home owners, there is strong advocacy in the community to increase land and housing supply. As seen in the aforementioned episode during 1997-2004, home ownership can expand noticeably when flat prices come down to more affordable levels on the back of more ample supply of new housing coming on stream.

6.2 Looking forward, it is still challenging to raise the home ownership ratio in the medium to longer term. In the latest progress report of the Long Term Housing Strategy published in December 2020, the average annual production target for private housing will remain tight at 12 900 units in the next decade till 2030-2031, after revision of the split ratio between public/private housing from 60:40 to 70:30 in 2018. It is even fewer than the actual outturn of about 13 500 units recorded in the last decade (**Figure 11**). Although annual production target for SSF will be raised from 2 100 units to 9 100 units in the next decade, overall housing supply for sale is still considered to be too few, compared to the strong housing demand.

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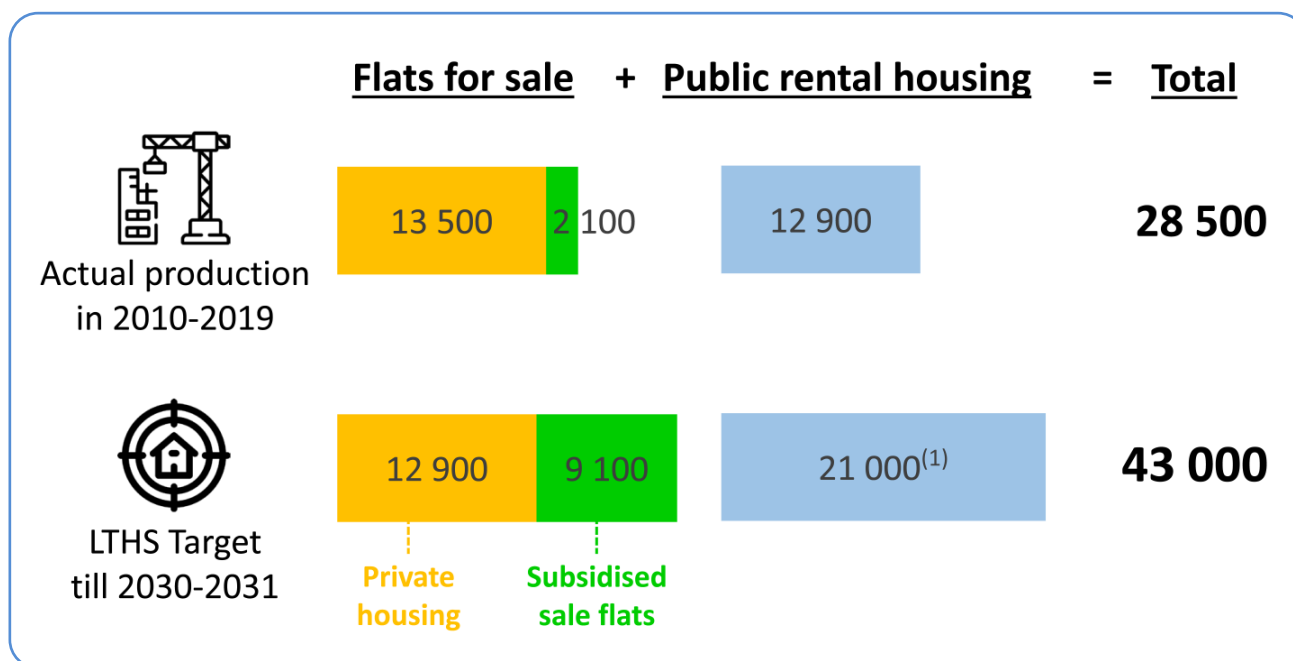
<sup>38</sup> Organisation for Economic Co-operation and Development (2019).

<sup>39</sup> These elderly people are classified as "income-poor, owning property of certain value" in the report. See Office of the Government Economist (2020) and 香港 01 (2019).

<sup>40</sup> 新論壇 (2020).



**Figure 11 – Average annual supply of flats during 2010-2019 and LTHS target till 2030**



Note: (1) Including Green Form HOS flats.

Data sources: Transport and Housing Bureau and Census and Statistics Department.

6.3 In December 2018, the Task Force on Land Supply recommended eight supply-side solutions to address the severe land shortage problem in Hong Kong. They included (a) expediting brownfield development; (b) developing private agricultural land; (c) assigning part of the Fanling Golf Course for housing development; and (d) expediting studies on reclamation of some 1 000 hectares of land in the longer term under the Lantau Tomorrow Vision ("LTV").<sup>41</sup> The Government takes on board all recommendations and the Chief Executive also reports progress in her Policy Address in 2020.<sup>42</sup> On 4 December 2020, the Finance Committee approved a funding request of HK\$550 million to conduct feasibility studies over artificial islands under the Lantau Tomorrow Vision. Home ownership will only improve significantly over time when such supply-side solutions bear fruit.

<sup>41</sup> Task force on Land Supply (2018b).

<sup>42</sup> GovHK (2020).

## 7. Observations

7.1 The following observations can be made from the above analysis:

- (a) **Home ownership ratio falling to 51.2% in Hong Kong:** Local home ownership ratio fell from a peak of 54.3% in 2004 to a 20-year low of 49.8% in 2019, dampened by the 391% upsurge in flat prices in 15 years as well as a hiatus of formation of new land before 2011. In spite of a modest rebound to 51.2% in late 2020, this is far below the 60% mark seen in affluent economies;
- (b) **Social benefits of home ownership:** Home ownership means a lot to families (e.g. physical safety, personal space, emotional stability, upward social mobility and wealth accumulation). It also has significant spillover benefits to the wider community in terms of sense of belonging, civic awareness, voting propensity and equity in wealth distribution. It is thus a multi-faceted milestone in modern society;
- (c) **Younger persons finding it difficult to become home owners:** Younger persons aged below 35 used to account for 22.1% of overall heads of home-owning families in 1997, but they plummeted by two-thirds to only 7.6% in 2019. They are priced out from the market, as their working income lags far behind the escalation in asset prices. Reportedly, worsening housing affordability has led to frustrations in the younger generation;
- (d) **110 000 home-owning elderly living below poverty line:** About 41% of household heads of home owners were older persons aged 60 and above in 2019, doubled the corresponding figure of 21% in 1997. However, the latest Poverty Report shows that some 112 000 asset-owning elderly families lived below the poverty line in 2019, whereas there was just a stock of 4 500 applications for reverse mortgage by end-2020. While the Government sees this as a limitation of the "analytical framework of the poverty line", others take this as inadequate retirement protection;
- (e) **Two-thirds of home owners having paid off the mortgage loans:** Local home owners are in sound financial position, with 66% fully repaid the mortgage loans in 2016, in stark contrast to the bleak situation in mid-2003 when 22% of overall mortgage loans suffered from negative equity. These financially sound home owners can have much

stronger purchasing power to acquire additional flats, either as second homes for their children or for leasing out to earn rental income. This in turn would have implications for wealth distribution across generations;

- (f) **Substantial growth in households living in rental flats in recent years:** The landscape of accommodation tenure distribution of households has changed significantly. While owner-occupiers accounted for largest growth in household number during 1997-2008, renters in either public or private housing (including sub-divided flats) registered the largest corresponding growth during 2009-2019; and
- (g) **Challenging outlook on home ownership:** In the latest progress report of the Long Term Housing Strategy published in December 2020, the average annual production target for private housing will remain tight at 12 900 units in the next decade till 2030-2031, fewer than the actual outturn of about 13 500 units during 2010-2019. In spite of larger target supply of SSF, raising home ownership ratio to a higher level is likely to remain challenging in the medium to longer term.

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