

**For discussion  
on 2 March 2020**

**Legislative Council Panel on Housing**

**Review of the Income and Asset Limits  
for Public Rental Housing for 2020/21**

**Purpose**

This paper updates and seeks Members' views on the outcome of the review of the income and asset limits for public rental housing (PRH) for 2020/21.

**The Review**

2. The outcome of the review is set out in the Memorandum for the Hong Kong Housing Authority's Subsidised Housing Committee (SHC) at **Annex**. In gist, the proposed PRH income and asset limits for 2020/21 will increase by an average of 5.4% and 3.4% respectively over those for 2019/20.

3. We will consolidate Members' views for SHC's consideration when it discusses the review of income and asset limits for PRH for 2020/21 at its meeting on 10 March 2020.

**Transport and Housing Bureau  
February 2020**

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

**Review of the Income and Asset Limits  
for Public Rental Housing for 2020/21**

**PURPOSE**

This paper seeks Members' endorsement of the proposed income and asset limits for public rental housing (PRH) for 2020/21.

**RECOMMENDATION**

2. It is recommended that based on the established mechanism, the proposed PRH income and asset limits (as set out in paragraphs 11, 15 and **Annex B**) be adopted for 2020/21.

**BACKGROUND**

3. It is the Hong Kong Housing Authority (HA)'s objective to provide PRH to low-income families who cannot afford to rent private accommodation. The eligibility of PRH applicants is determined by, among others, the PRH income limit, which represents the household income needed to rent private accommodation comparable to PRH while also meeting other non-housing expenditure. Households with income and assets below the prescribed limits are deemed to be low-income families who are unable to afford renting private accommodation, and hence are eligible for PRH<sup>Note 1</sup>. The limits are assessed annually to keep them in line with the prevailing socio-economic circumstances.

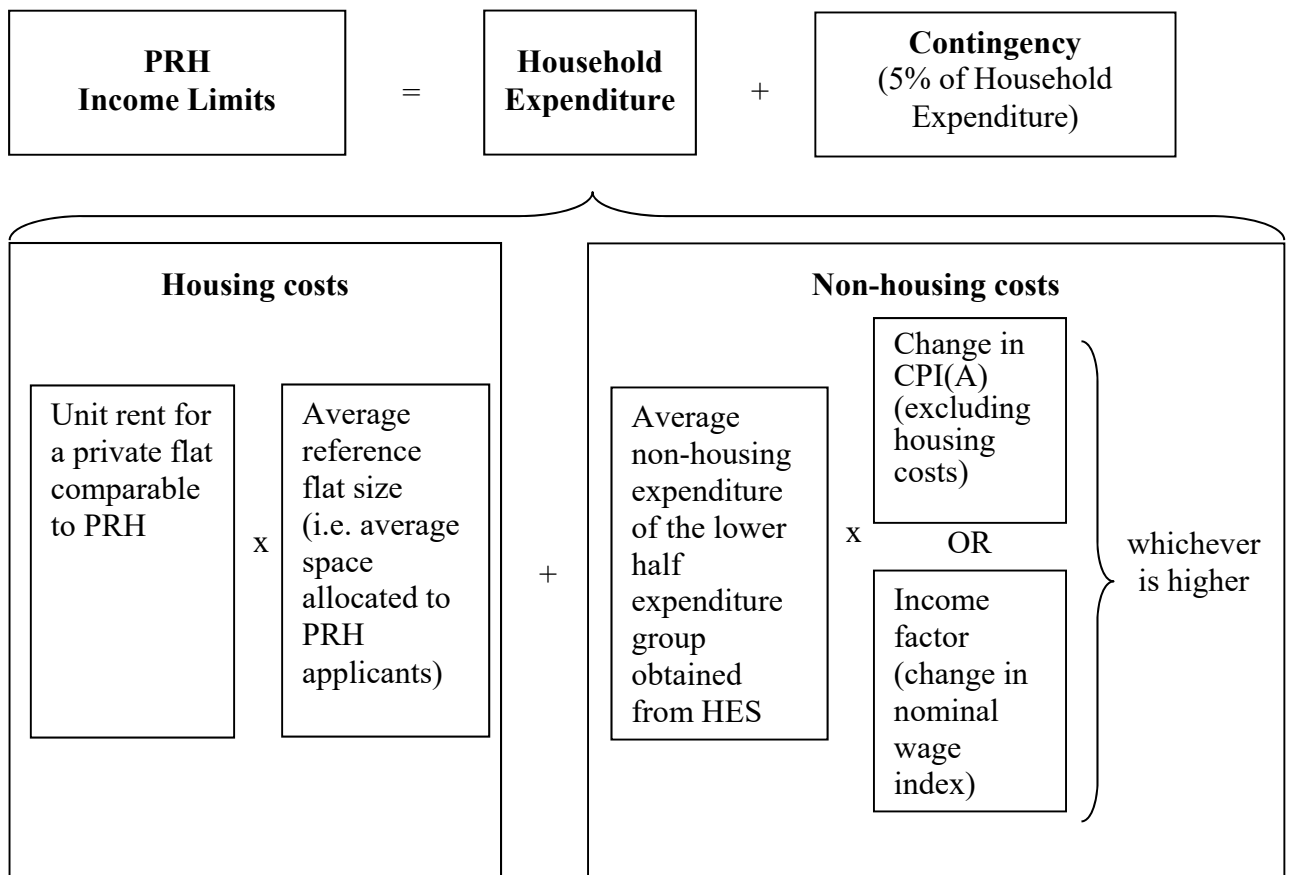
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Note 1 Applicants also need to meet other eligibility criteria for PRH (e.g. applicants and their family members must not possess any domestic properties in Hong Kong; at least half of the family members included in the application must have lived in Hong Kong for seven years and are still living in Hong Kong at the time of flat allocation, etc.)

## REVIEW OF THE INCOME LIMITS

### *Review mechanism*

4. Under the established mechanism, the PRH 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 costs of renting a private flat comparable to PRH, and these depend on the differential unit rents of private accommodation and reference flat sizes. The non-housing costs are determined with reference to the latest Household Expenditure Survey (HES) conducted by the Census and Statistics Department (C&SD), and adjusted by the latest movement in the Consumer Price Index (CPI)(A)(excluding housing costs), or the change in the nominal wage index as the income factor, whichever is higher. The PRH income limits for different household sizes are the respective sums of the above two major cost items, plus a 5% contingency provision <sup>Note 2</sup>. The mechanism is summarised in the following diagram –



Note 2 Following established practice, the PRH income limits are rounded to the nearest ten.

5. The movements of the key parameters over the past year in the review of PRH income limits are set out as follows –

**Table 1**

<b>Parameters</b>	<b>Review for 2019/20</b>	<b>Review for 2020/21</b>
	<u>4Q 2018</u>	<u>4Q 2019</u>
(a) Differential unit rents of private flats (per m <sup>2</sup> Internal Floor Area (IFA))		
- 1-person	\$360	\$407
- 2-person	\$351	\$367
- Overall	\$336	\$363
	<u>2015/16 – 2017/18</u>	<u>2016/17 – 2018/19</u>
(b) Reference flat size		
- 1-person	14.9 m <sup>2</sup>	14.9 m <sup>2</sup>
- 2-person	22.4 m <sup>2</sup>	22.3 m <sup>2</sup>
- 3-person	30.0 m <sup>2</sup>	30.2 m <sup>2</sup>
- 4-person	35.4 m <sup>2</sup>	35.6 m <sup>2</sup>
----- (Details of other household sizes are set out at <b>Annex A</b> )		
	<u>4Q 2018</u>	<u>4Q 2019</u>
(c) Change in CPI(A)(excluding housing cost) as compared with the same quarter of previous year	+2.4%	+3.8%
	<u>3Q 2018</u>	<u>3Q 2019</u>
(d) Change in nominal wage index as compared with the same quarter of previous year	+4.1%	+3.4%

(Details on the above parameters are provided under paragraphs 6 and 8 below.)

### ***Housing costs***

6. Under the established mechanism, housing costs are the costs required for a household to rent a private flat of comparable size to PRH. The exact figure is obtained by multiplying the reference flat size, i.e. average space (in terms of IFA) of flats allocated to PRH applicants in the past three years (as shown in Item (b) under Table 1 above), by a unit rent of private dwellings based on data from the Rent Survey regularly conducted by C&SD<sup>Note 3</sup> (as shown under Item (a) in Table 1 above). In calculating the housing costs of 1-person and 2-person households, the respective differential unit rent or the overall average unit rent, whichever is higher, is adopted. For households of three persons or above, the overall average unit rent is adopted<sup>Note 4</sup>.

7. Details of the housing costs derived are shown in Table 2 below –

**Table 2**

<b>Housing costs</b>	<b>Review for 2019/20</b>	<b>Review for 2020/21</b>	<b>% change</b>
- 1-person	\$5,364	\$6,064	+13.0%
- 2-person	\$7,862	\$8,184	+4.1%
- 3-person	\$10,080	\$10,963	+8.8%
- 4-person	\$11,894	\$12,923	+8.7%

(Details of other household sizes are set out at **Annex A**.)

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Note 3 Rent data are collected from households residing in private housing in the Rent Survey, which is a special topic enquiry in the General Household Survey conducted by C&SD. The Rent Survey data in the fourth quarter of 2019 are used in the current review.

Note 4 Prior to the review in 2002/03, in assessing the housing expenditure, a single unit rent was adopted irrespective of household size. When the then Rental Housing Committee reviewed the mechanism for setting the PRH income and asset limits at its meeting on 28 February 2002, it considered that in reality, small households (particularly the singletons) had to bear higher per unit rental costs than households with more members. Therefore, it was endorsed that differential unit rents for the respective household size should be adopted should they be higher than the overall average unit rent.

### *Non-housing costs*

8. Following the established mechanism, the non-housing expenditure statistics of the lower half expenditure group among tenant households in the private sector, excluding those households comprising solely elderly or non-working members, obtained from the latest HES <sup>Note 5</sup> are adopted. Adjustments are then made according to the latest movement in the 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 <sup>Note 6</sup>, whichever is higher. The yearly change in CPI(A)(excluding housing costs) as at the fourth quarter of 2019 is +3.8% (as shown under Item (c) of Table 1 above). The yearly change in nominal wage index as at the third quarter of 2019 <sup>Note 7</sup> is +3.4% (as shown under Item (d) of Table 1 above). As the yearly change in CPI(A)(excluding housing costs) (+3.8%) is higher than the yearly change in nominal wage index (+3.4%), the change in CPI(A)(excluding housing costs) is adopted to adjust the non-housing costs obtained from the HES.

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Note 5 This refers to the HES 2014/15 released in April 2016. C&SD conducts the HES once every five years to collect up-to-date information on the expenditure patterns of households in Hong Kong.

Note 6 At its meeting on 7 February 2013, the Subsidised Housing Committee (SHC) approved the refinement to the mechanism for reviewing the PRH income limits, whereby the change in nominal wage index was introduced as the income factor to reflect changes in income (including implementation and changes of the statutory minimum wage (SMW)) in a timely manner before the HES results are updated. Since the scope of SMW covers occupational groups at non-managerial/professional levels (e.g. technical, clerical, service workers and craftsmen) who are most likely to be the potential applicants for PRH, the change in nominal wage index was considered to be a suitable yardstick to gauge changes in income of the PRH target group and to reflect the impact of SMW on income.

Note 7 As the summary statistics of LES are presented in the Quarterly Report of Wage and Payroll Statistics published by C&SD in March, June, September and December each year, SHC agreed at its meeting on 7 February 2013 that a yearly comparison can be made by using figures published in December (i.e. the nominal wage index in the third quarter) to tie in with the established schedule of conducting the review of PRH income and asset limits for the new limits to come into effect on 1 April every year.

9. Details of the non-housing costs derived are shown in Table 3 below –

**Table 3**

<b>Non-housing costs</b>	<b>Review for 2019/20</b>	<b>Review for 2020/21</b>	<b>% change</b>
- 1-person	\$5,901	\$6,125	+3.8%
- 2-person	\$9,941	\$10,319	+3.8%
- 3-person	\$11,836	\$12,286	+3.8%
- 4-person	\$15,951	\$16,557	+3.8%

(Details of other household sizes are set out at **Annex A.**)

***Total household expenditure***

10. The total household expenditure, which is the sum of the housing costs and non-housing costs, is shown in Table 4 below –

**Table 4**

<b>Total household expenditure</b>	<b>Review for 2019/20</b>	<b>Review for 2020/21</b>	<b>% change</b>
- 1-person	\$11,265	\$12,189	+8.2%
- 2-person	\$17,803	\$18,503	+3.9%
- 3-person	\$21,916	\$23,249	+6.1%
- 4-person	\$27,845	\$29,480	+5.9%

(Details of other household sizes are set out at **Annex A.**)

***Proposed PRH income limits for 2020/21***

11. Based on the above factors and adding in a contingency provision of 5% of household expenditure, the PRH income limits for 2020/21 as calculated according to the established methodology are tabulated below –

**Table 5** <sup>Note 8</sup>

	<b>Existing PRH income limits for 2019/20</b>	<b>Proposed PRH income limits for 2020/21</b>	<b>% change</b>
- 1-person	\$11,830 (\$12,453)	\$12,800 (\$13,474)	+8.2%
- 2-person	\$18,690 (\$19,674)	\$19,430 (\$20,453)	+4.0%
- 3-person	\$23,010 (\$24,221)	\$24,410 (\$25,695)	+6.1 %
- 4-person	\$29,240 (\$30,779)	\$30,950 (\$32,579)	+5.8 %

(Details of other household sizes are set out at **Annex A**.)

(Overall: +5.4%)

12. If the above PRH income limits for 2020/21 are adopted, there will be on average an overall increase of 5.4% over the 2019/20 level. Detailed calculation of the proposed PRH income limits for 2020/21 is set out at **Annex A**. Details of the proposed PRH income limits for various household sizes are set out at **Annex B**.

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Note 8 Statutory contributions under the Mandatory Provident Fund (MPF) Scheme are deductible from a household's income when applying for PRH. In other words, the PRH income limits should apply to their household income net of MPF contributions. For households contributing 5% of their income under the MPF, the effective income limits inclusive of their statutory MPF contribution (= income limits ÷ 95%) are shown in brackets in the table.



## REVIEW OF THE ASSET LIMITS

### *Review mechanism*

13. Under the established mechanism, the PRH asset limits are adjusted with reference to the movements in CPI(A) over the year<sup>Note 9</sup>. In 2005, SHC agreed to set the asset limits for elderly households at two times the limits for non-elderly applicants. In 2006, SHC further endorsed 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).

### *Key parameter*

14. The movements of the key parameter (i.e. CPI(A)) over the year for the review of PRH asset limits are set out as follows –

**Table 6**

Parameter	Review for 2019/20	Review for 2020/21
	<u>4Q 2018</u>	<u>4Q 2019</u>
Change in CPI(A) as compared with the same quarter of previous year	+3.1%	+3.4%

### *Proposed PRH asset limits for 2020/21*

15. Using the established review mechanism, we propose an adjustment to the existing PRH asset limits following the 3.4% increase in overall CPI(A). The proposed PRH asset limits for 2020/21 are summarised below –

**Table 7**

	Existing PRH asset limits for 2019/20	Proposed PRH asset limits for 2020/21
- 1-person	\$257,000	\$266,000
- 2-person	\$348,000	\$360,000
- 3-person	\$454,000	\$469,000
- 4-person	\$530,000	\$548,000
		(Overall : +3.4%)

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Note 9 Following established practice, the PRH asset limits are rounded to the nearest thousand.

16. Details of the proposed PRH asset limits of various household sizes are set out at **Annex B**.

17. The proposed income and asset limits are generally higher than the existing levels, hence should theoretically cover more households. However, we are unable to estimate the number of additional households who will apply for PRH due to the new limits. Analysing only the income level based on the results of C&SD's General Household Survey as at the fourth quarter of 2019, some 158 900 non-owner occupier households living in private housing (31.1% of the total number of non-owner occupier households living in private housing) would meet the new income criterion. However, this number has included households who have already applied for PRH, as well as those who can meet the income criterion but not other eligibility criteria for PRH. Such criteria include the asset limits, domestic property ownership in Hong Kong, years of residence in Hong Kong, etc.

## **INCOME AND ASSET LIMITS UNDER THE “WELL-OFF TENANTS POLICIES”**

18. At present, under the Housing Subsidy Policy and Policy on Safeguarding Rational Allocation of Public Housing Resources (collectively known as “well-off tenants policies”), households who have resided in PRH for ten years are required to declare their income and assets biennially. Households who have resided in PRH for ten years or above with an income level exceeding the prescribed limits need to pay additional rent<sup>Note 10</sup>; those with income or assets exceeding the prescribed limits (i.e. exceeding five times and 100 times of the PRH income limits respectively), or with private domestic property ownership in Hong Kong, need to move out of PRH<sup>Note 11</sup>. The income and asset limits under the “well-off tenants policies” are multiples of PRH income limits and will be adjusted according to the revised PRH income limits every year.

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Note 10 Those with household income equivalent to two to three times of the PRH income limits are required to pay 1.5 times net rent plus rates. Those with household income equivalent to three to five times of the PRH income limits are required to pay double net rent plus rates.

Note 11 Under the existing policy, households exceeding the prescribed income or asset limits, or with private domestic property ownership in Hong Kong, are required to vacate their PRH flats within 12 months, during which double net rent plus rates or market rent, whichever is the higher, is charged.

19. If the proposed PRH income limits for 2020/21 are endorsed, the income and asset limits under the “well-off tenants policies” will be adjusted accordingly.

## **PUBLIC REACTION AND PUBLICITY**

20. It is expected that the review of PRH income and asset limits will attract media and public attention. We consider that as the proposed PRH income and asset limits for 2020/21 are the results of a well-established review mechanism and careful consideration, they should be generally acceptable to the public at large. A press release will be issued to announce the outcome of this review.

## **DISCUSSION**

21. At the SHC meeting to be held on 10 March 2020, Members will be invited to endorse the recommendation as set out in paragraph 2. In line with past practice, the Government aims to brief the Legislative Council Panel on Housing (the Panel) at its meeting on 2 March 2020 on the outcome of the review before the SHC meeting. We will submit a summary of the Panel’s views for Members’ consideration before the meeting on 10 March 2020.

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(Strategy Division)  
Date of Issue : 25 February 2020

## Proposed PRH Income Limits for 2020/21

### A. Housing expenditure

- Derived by multiplying the reference flat sizes by the corresponding unit rent
- The reference flat sizes refer to the average space (in terms of IFA) of the flats allocated to the PRH applicants from 2016/17 – 2018/19 <sup>Note 1</sup>
- Unit rents are derived from the rental levels of tenant households in private residential units according to C&SD's Rent Survey in the fourth quarter of 2019, covering those private flats with saleable area of 69.9m<sup>2</sup> or below and are adjusted to IFA basis.

Household Size	Unit Rent (\$/m <sup>2</sup> IFA)
1	407
2	367
<b>Overall Average</b>	<b>363</b>

### B. Non-housing expenditure

- Based on the expenditure patterns and levels of tenant households in private housing in the lower half expenditure group from the 2014/15 HES and adjusted by the change in CPI(A)(excluding housing costs) or the change in nominal wage index, whichever is higher.

### C. Details of proposed income limits

Household size	Reference flat sizes <sup>Note 1</sup> (m <sup>2</sup> , IFA)	Housing costs (\$)	Non-housing costs (\$)	Total household expenditure (\$)	Plus 5% contingency provision (\$)	Proposed income limits (\$)	Existing income limits (\$)	Change	
								(\$)	(%)
1-person	14.9	6,064	6,125	12,189	12,798	<b>12,800</b>	<b>11,830</b>	<b>970</b>	<b>+8.2</b>
2-person	22.3	8,184	10,319	18,503	19,428	<b>19,430</b>	<b>18,690</b>	<b>740</b>	<b>+4.0</b>
3-person	30.2	10,963	12,286	23,249	24,411	<b>24,410</b>	<b>23,010</b>	<b>1,400</b>	<b>+6.1</b>
4-person	35.6	12,923	16,557	29,480	30,954	<b>30,950</b>	<b>29,240</b>	<b>1,710</b>	<b>+5.8</b>
5-person	37.6	13,649	21,481	35,130	36,887	<b>36,890</b>	<b>35,280</b>	<b>1,610</b>	<b>+4.6</b>
6-person	44.4	16,117	22,774	38,891	40,836	<b>40,840</b>	<b>38,810</b>	<b>2,030</b>	<b>+5.2</b>
7-person	52.5	19,058	25,486	44,544	46,771	<b>46,770</b>	<b>44,550</b>	<b>2,220</b>	<b>+5.0</b>
8-person	60.0	21,780	28,041	49,821	52,312	<b>52,310</b>	<b>49,820</b>	<b>2,490</b>	<b>+5.0</b>
9-person	67.5	24,503	30,460	54,963	57,711	<b>57,710</b>	<b>54,940</b>	<b>2,770</b>	<b>+5.0</b>
10-person or above	75.0	27,225	32,758	59,983	62,982	<b>62,980</b>	<b>59,950</b>	<b>3,030</b>	<b>+5.1</b>
Average	-	-	-	-	-	-	-	-	<b>+5.4</b>
Number of non-owner occupier households living in private housing and meeting the proposed PRH income limits <sup>Note 2</sup>						No. of households		Change	
						Proposed income limits	Existing income limits	(no. of households)	(%)
1-person						46 300	44 000	2 300	+5.2%
2-person or above						112 600	105 900	6 700	+6.3%
<b>Total</b>						<b>158 900</b>	<b>149 900</b>	<b>9 000</b>	<b>+6.0%</b>
As a % of total number of non-owner occupier households living in private housing in Hong Kong <sup>Note 2</sup>						31.1%	29.4%		

- Note 1 Reference flat sizes for 1-person to 6-person households are the average size of PRH units actually allocated to these households in the past three years. For households of 7 persons or above, there will be very large fluctuations in the reference flat sizes since the number of cases in each of these household sizes is relatively small. Therefore, starting from 2016/17, the respective reference flat sizes for households of 7 persons or above are obtained by multiplying the average size per person (calculated by grouping all PRH allocations to these households in the past three years) by the relevant household sizes.
- Note 2 Those households with household income equal to or below the income limits would be regarded as being eligible for PRH. According to the results of C&SD's General Household Survey in the fourth quarter of 2019, the total number of non-owner occupier households (including those whose accommodation is provided by employers/relatives/friends) living in private housing is estimated to be around 510 400.

**Proposed PRH Income and Asset Limits for 2020/21**  
(as compared with 2019/20)

<b>Household Size</b>	<b>Existing PRH Income Limits for 2019/20*</b>	<b>Proposed PRH Income Limits for 2020/21*</b>	<b>Existing PRH Asset Limits for 2019/20^</b>	<b>Proposed PRH Asset Limits for 2020/21^</b>
1-person	\$11,830 (\$12,453)	\$12,800 (\$13,474)	\$257,000	\$266,000
2-person	\$18,690 (\$19,674)	\$19,430 (\$20,453)	\$348,000	\$360,000
3-person	\$23,010 (\$24,221)	\$24,410 (\$25,695)	\$454,000	\$469,000
4-person	\$29,240 (\$30,779)	\$30,950 (\$32,579)	\$530,000	\$548,000
5-person	\$35,280 (\$37,137)	\$36,890 (\$38,832)	\$589,000	\$609,000
6-person	\$38,810 (\$40,853)	\$40,840 (\$42,989)	\$637,000	\$659,000
7-person	\$44,550 (\$46,895)	\$46,770 (\$49,232)	\$680,000	\$703,000
8-person	\$49,820 (\$52,442)	\$52,310 (\$55,063)	\$713,000	\$737,000
9-person	\$54,940 (\$57,832)	\$57,710 (\$60,747)	\$788,000	\$815,000
10-person or above	\$59,950 (\$63,105)	\$62,980 (\$66,295)	\$849,000	\$878,000

\* Figures in brackets denote the effective income limits inclusive of the statutory MPF contribution for households contributing 5% of their income under MPF.

^ Asset limits for elderly households (i.e. households comprising solely elderly members) are set at two times of the limits for non-elderly applicants.