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公共政策研究院  
PUBLIC POLICY INSTITUTE

# Homeownership and Youth Social Mobility

Mar 2023

Research • Advocate • Engage  
研究 • 倡議 • 推動



# Homeownership is an important milestone in life for youths



Cornerstone of family



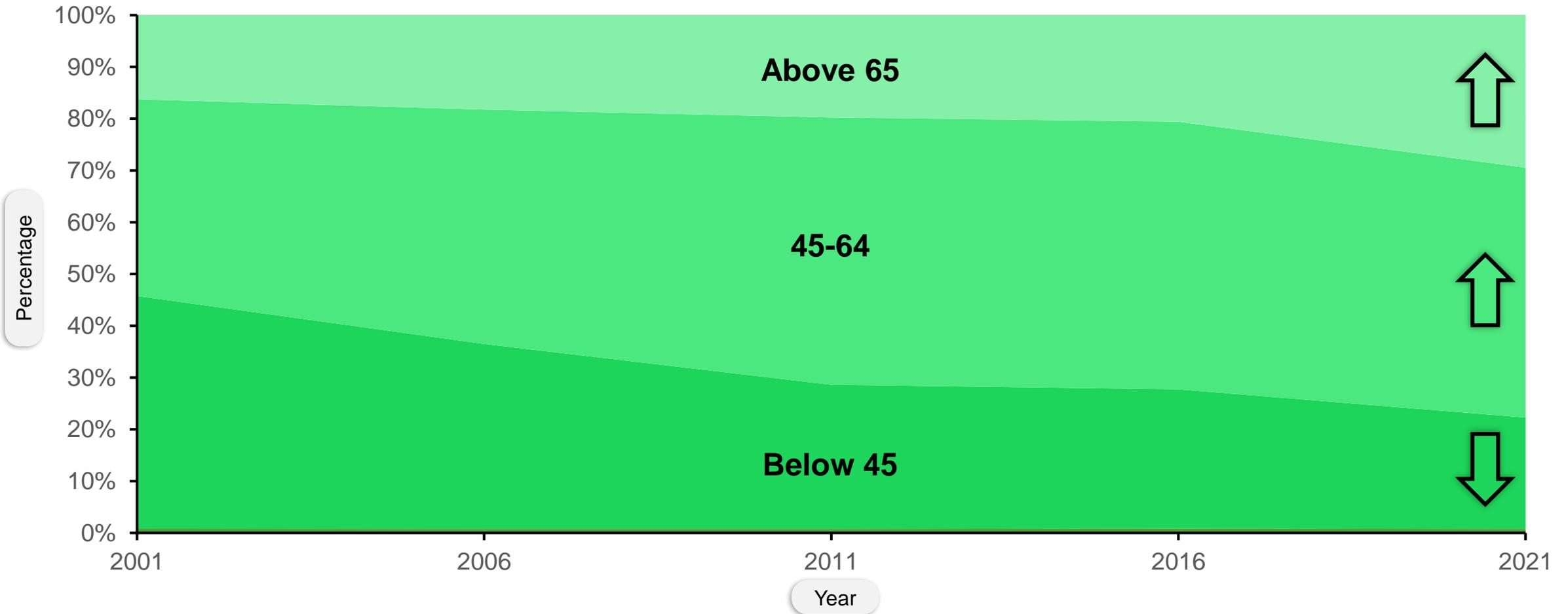
Landmark of  
upward social mobility



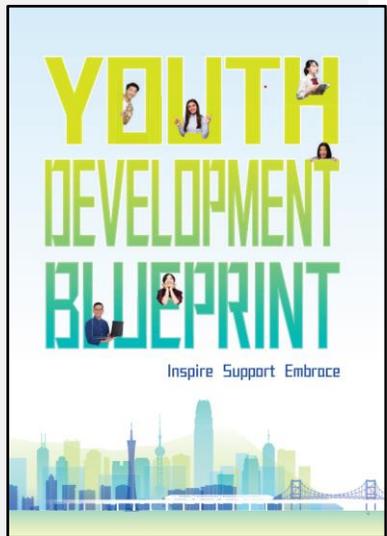
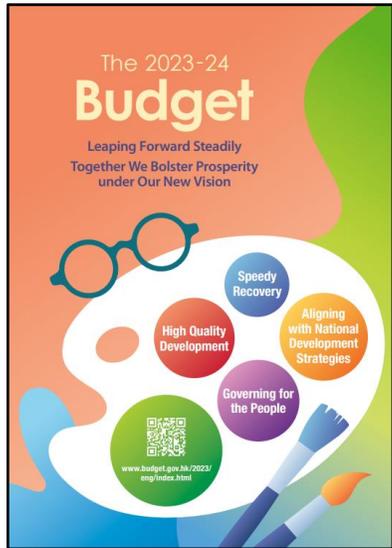
Financial protection  
from life adversity

# However, fewer youths could attain homeownership; owner-occupiers are predominantly mid-aged and seniors

## Age of household head of owner-occupiers



# Youth housing needs have been a focus in recent government policy announcements



## Starter Homes



More Starter Home projects to provide more affordable units

First Project: Yau Kom Tau, Tsuen Wan  
Expected number of units: ~1,000

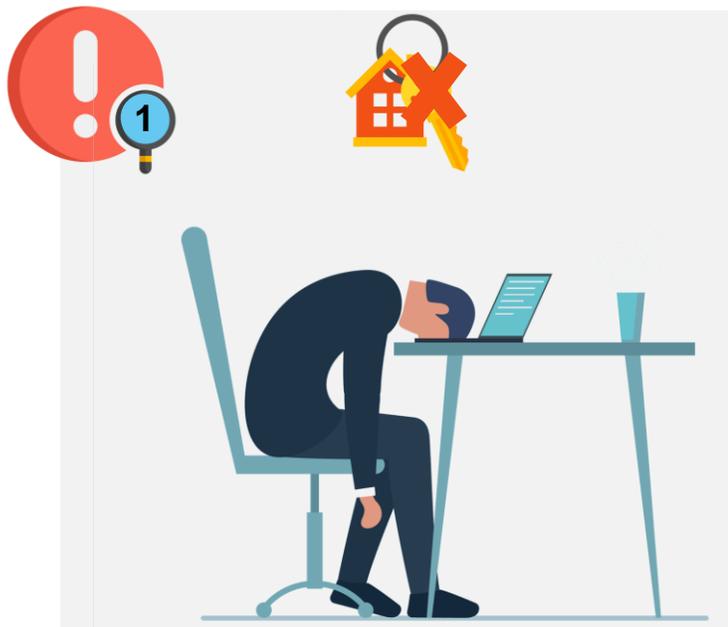
## Youth Hostel



Increase supply of youth hostel by 3,000 units in next five years

First Project: Tung Chung Area 106A  
Expected number of units: ~50

# Nevertheless, there are still critical pertinent issues affecting youth homeownership and social mobility



Despite having higher education and income level...

youths today face shrinking affordability and worsened social mobility as housing prices soared

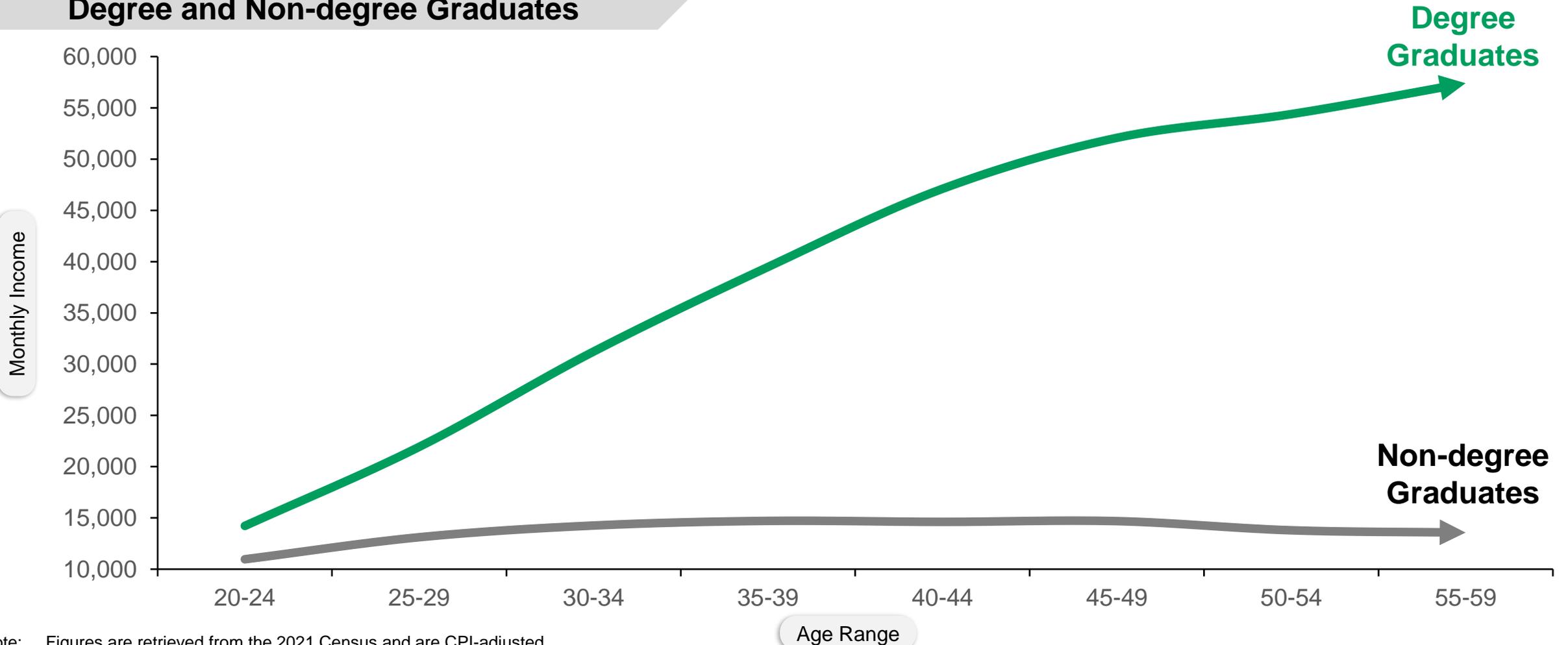


Despite offering an alternative for homeownership...

frustration brewed as youths are disadvantaged in the system of subsidised housing

# Higher education remains critical to improving one's income level

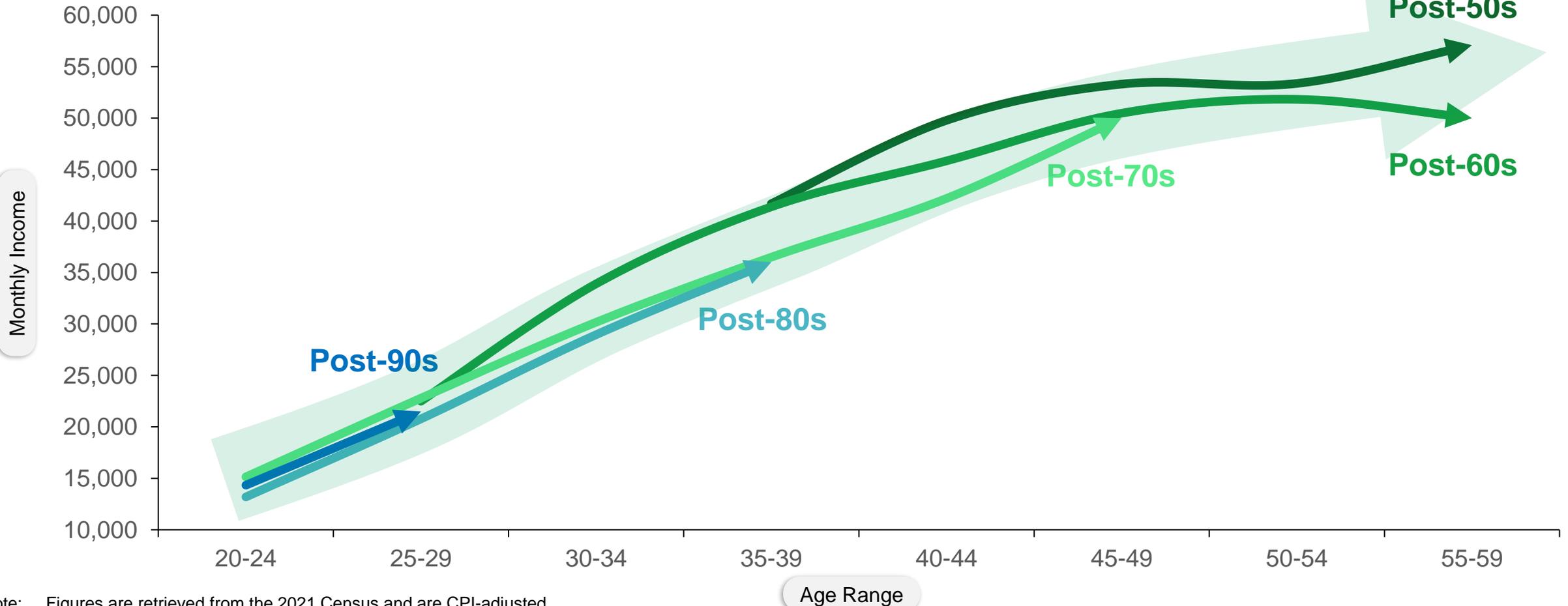
**Median Income,  
Degree and Non-degree Graduates**



Note: Figures are retrieved from the 2021 Census and are CPI-adjusted  
Source: Census and Statistics Department

# However, the income of each generation of degree graduates are stagnating or even falling vis-à-vis the earlier generation

Median Income,  
Degree Graduates (under Age 60)

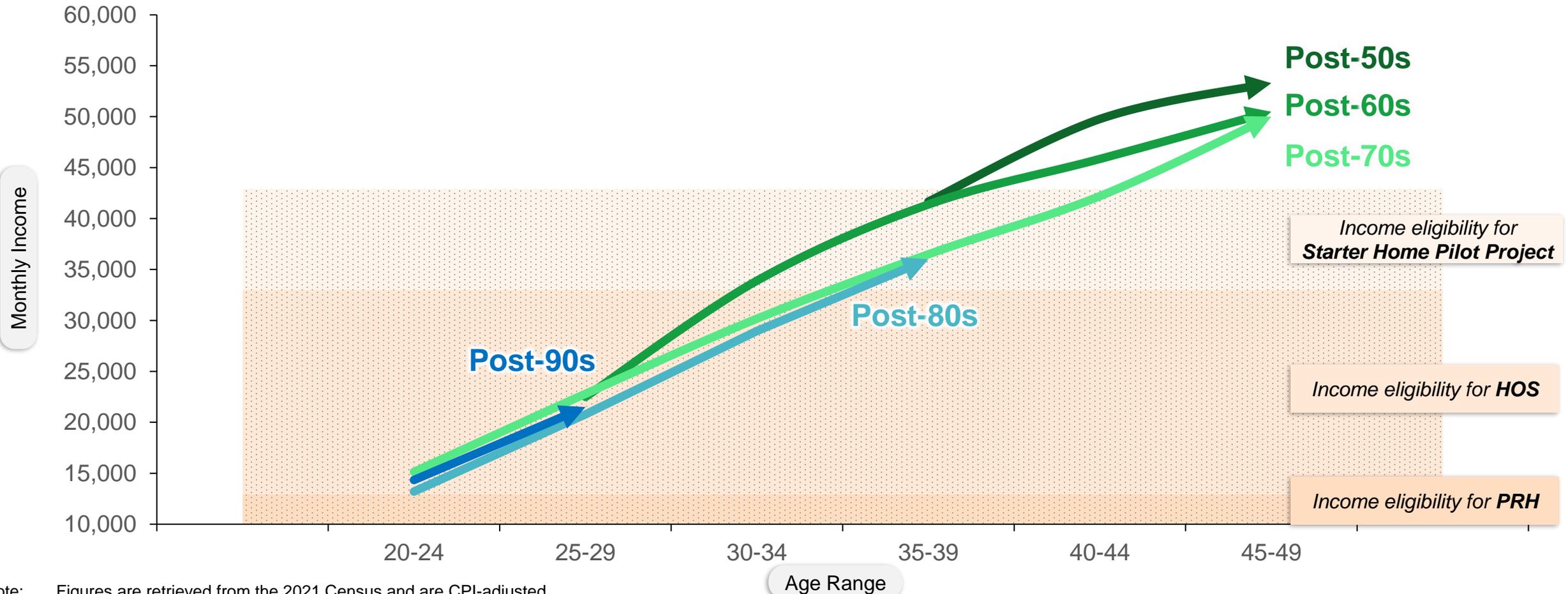


Note: Figures are retrieved from the 2021 Census and are CPI-adjusted  
Source: Census and Statistics Department

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# With their income levels limited to affording subsidised housing, the average degree graduate is falling into the “sandwich class”

## Median Income, Degree Graduates (under Age 50)



Note: Figures are retrieved from the 2021 Census and are CPI-adjusted  
Sources: Census and Statistics Department, Hong Kong Housing Authority, and Urban Renewal Authority

# Soaring housing prices vastly outstripped the income growth of degree graduates

## Change in Median Income, Degree Graduates (at Age 30-34)



In 2001  In 2021

Monthly Income (non-CPI adjusted)	\$25,000	\$30,000
Income change	+20%	
Housing price change (RVD territory-wide, all classes index)	+399%	

# Private homeownership has therefore become more difficult for degree graduates

## Change in Affordability, Degree Graduates (at Age 30-34)

Max. size of flat affordable by degree graduates



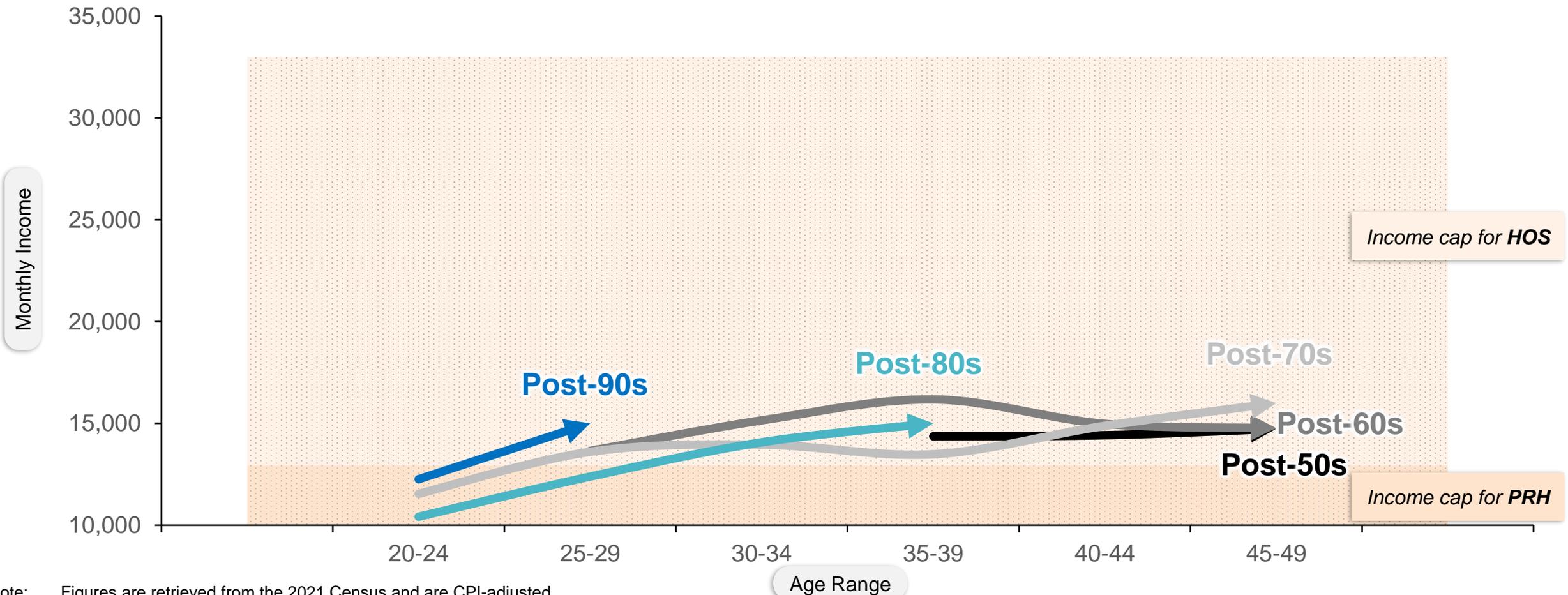
Year	New Territories	Kowloon	HK Island
In 2001	1,061 sq. ft.	1,027 sq. ft.	798 sq. ft.
In 2021	263 sq. ft.	244 sq. ft.	212 sq. ft.

Note: Maximum amount of affordability is calculated by assuming a contractual life of 30 years and a 90% Loan-to-value ratio; the interest rate is set in accordance with the prevailing mortgage arrangement at the time, that are 2.625% (P – 2.5%) and 3.125% (P – 2.75%) in 2001 and 2021, respectively. After calculating the maximum amount affordability of degree graduates, it is divided by the average per square foot price of Class A to E units recorded by the Rating and Valuation Department in order to calculate the maximum size of flat that degree graduates could afford

Sources: Census and Statistics Department, Rating and Valuation Department, Hong Kong Economic Times, and Hong Kong Monetary Authority

# Non-degree graduates are reliant on subsidised housing for homeownership and social mobility

**Median Income, Non-Degree Graduates (under Age 50)**



Note: Figures are retrieved from the 2021 Census and are CPI-adjusted  
 Sources: Census and Statistics Department, Hong Kong Housing Authority, and Urban Renewal Authority

# Relatively higher income growth of non-degree graduates still dwarfed in comparison to sky-rocketing housing prices

## Change in Median Income, Non-degree Graduates (at Age 30-34)



In 2001  In 2021

Monthly Income (non-CPI adjusted)	\$11,000	\$15,000
Income change	+36%	
Housing price change (RVD territory-wide, all classes index)	+399%	

# Private homeownership becomes a more distant goal for non-degree graduates

## Change in Affordability, Non-Degree Graduates (at Age 30-34)

Max. size of flat affordable by non-degree graduates



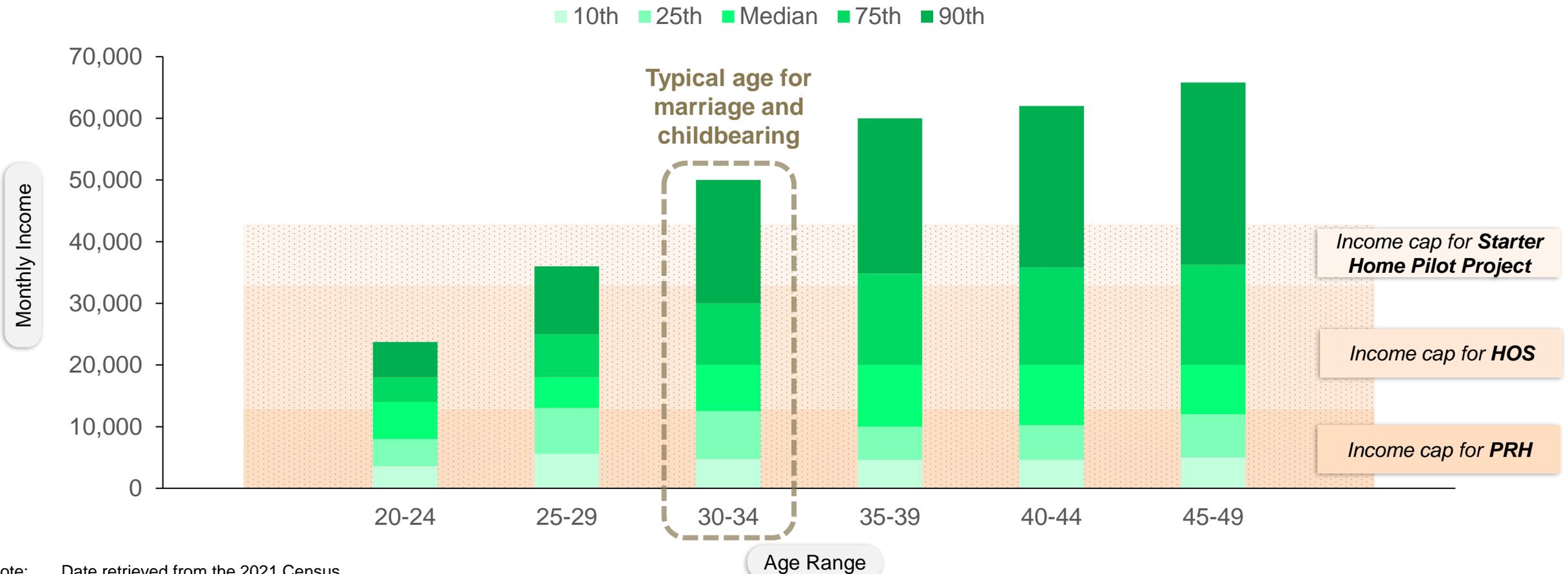
Year	New Territories	Kowloon	HK Island
In 2001	<b>548 sq. ft.</b>	<b>539 sq. ft.</b>	<b>435 sq. ft.</b>
In 2021	<b>131 sq. ft.</b>	<b>122 sq. ft.</b>	<b>106 sq. ft.</b>

Note: Maximum amount of affordability is calculated by assuming a contractual life of 30 years and a 90% Loan-to-value ratio; the interest rate is set in accordance with the prevailing mortgage arrangement at the time, that are 2.625% (P – 2.5%) and 3.125% (P – 2.75%) in 2001 and 2021, respectively. After calculating the maximum amount affordability of non-degree graduates, it is divided by the average per square foot price of Class A to E units recorded by the Rating and Valuation Department in order to calculate the maximum size of flat that non-degree graduates could afford

Sources: Census and Statistics Department, Rating and Valuation Department, Hong Kong Economic Times, and Hong Kong Monetary Authority

# Only a fraction of high-income youths aspiring to start a family would benefit from the Starter Homes

## Monthly income by age and percentile



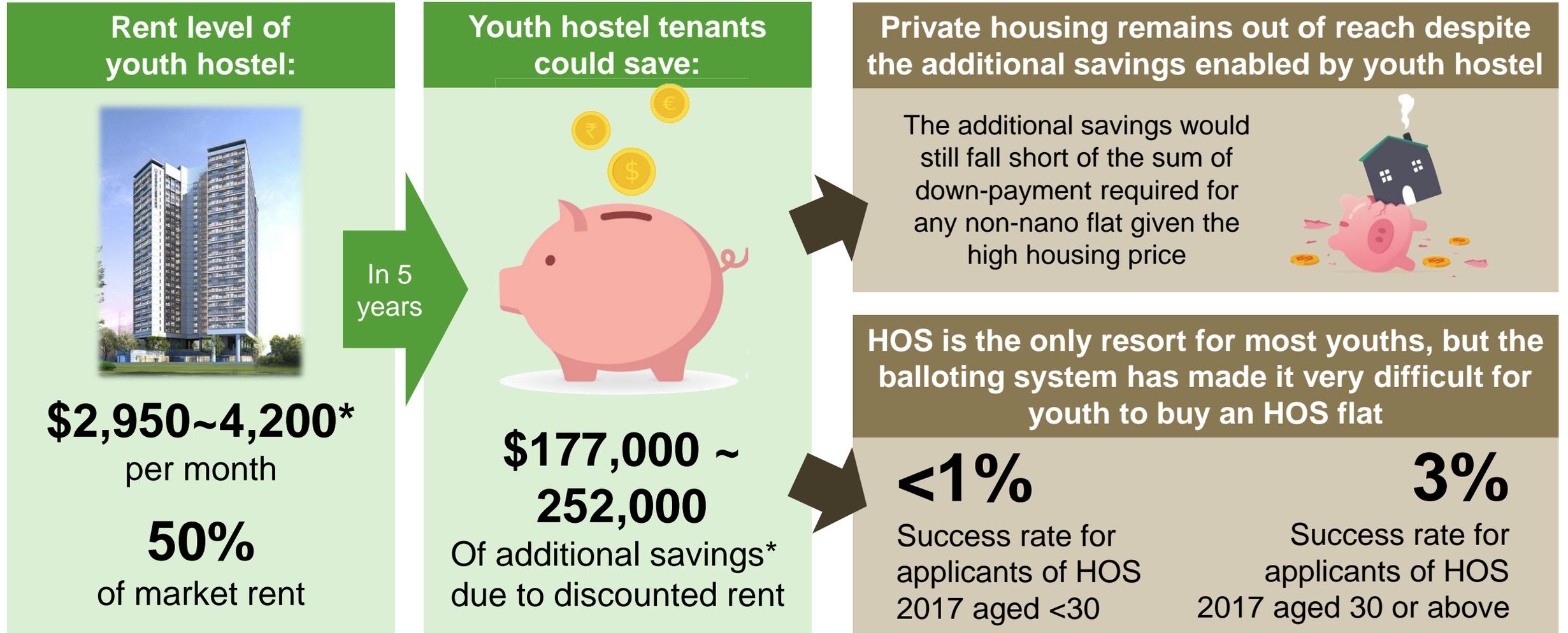
Note: Date retrieved from the 2021 Census

Median age at first marriage was 32.2 for bridegrooms and 30.6 for brides; Median age for first childbearing for women was 32.3

Sources: Census and Statistics Department, Hong Kong Housing Authority, Urban Renewal Authority, and Equal Opportunity Commission

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# Despite the additional savings, transitioning from the youth hostel to other parts of the housing ladder is problematic



Note: \*Referenced from Po Leung Kuk Youth Oasis that charges a rent at 50% of the market rent of nearby flats with similar sizes. The additional savings figure is estimated by calculating the rental difference

Sources: Po Leung Kuk, Legislative Council

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# Recommendation 1: Extend guarantee period for HOS resale flats

**Restrictive Mortgage Policy limits the options available to home buyers:**

HOS flats come with a **30-year** mortgage default guarantee period. This has a profound impact on the mortgage LTV<sup>^</sup> ratio of HOS resale flats...

**Sum of down-payment needed for a \$5M HOS flat, new and old:**

Buyers of new HOS units can apply for a mortgage with a **90% LTV ratio** even without stress test and income proof

HOS units with a long remaining guarantee period:

**\$0.5M** down-payment



**HOS resale flats by years of guarantee period remaining:**

<b>5-9 years</b>	<b>Expired</b>
80,800 (25%)	136,300 (42%)
<b>≥10 years</b>	<b>&lt;5 years</b>
33,400 (10%)	75,200 (23%)

But when the **guarantee period expires**, the outstanding loan **LTV ratio** would have to be **capped at 60%**

HOS units nearing the end of guarantee period:

**\$~2M** down-payment



**Newer HOS units are very sought after, while older HOS units are less wanted and are illiquid assets**

Note: <sup>^</sup>Loan-to-value ratio  
Sources: Legislative Council, Hong Kong Housing Authority

# Recommendation 2: Fully open-up the White Form Secondary Market to unlock more homeownership opportunities

## Under current system:



Selling and renting out subsidised flats with unpaid premium are difficult

Limited homeownership opportunities as the annual quota for White Form Secondary Market is restricted

# 4,500

Quota of White Form Secondary Market in 2020 and 2022

## Our proposal:

Subsidised flats could be traded and rent out



# 414,400

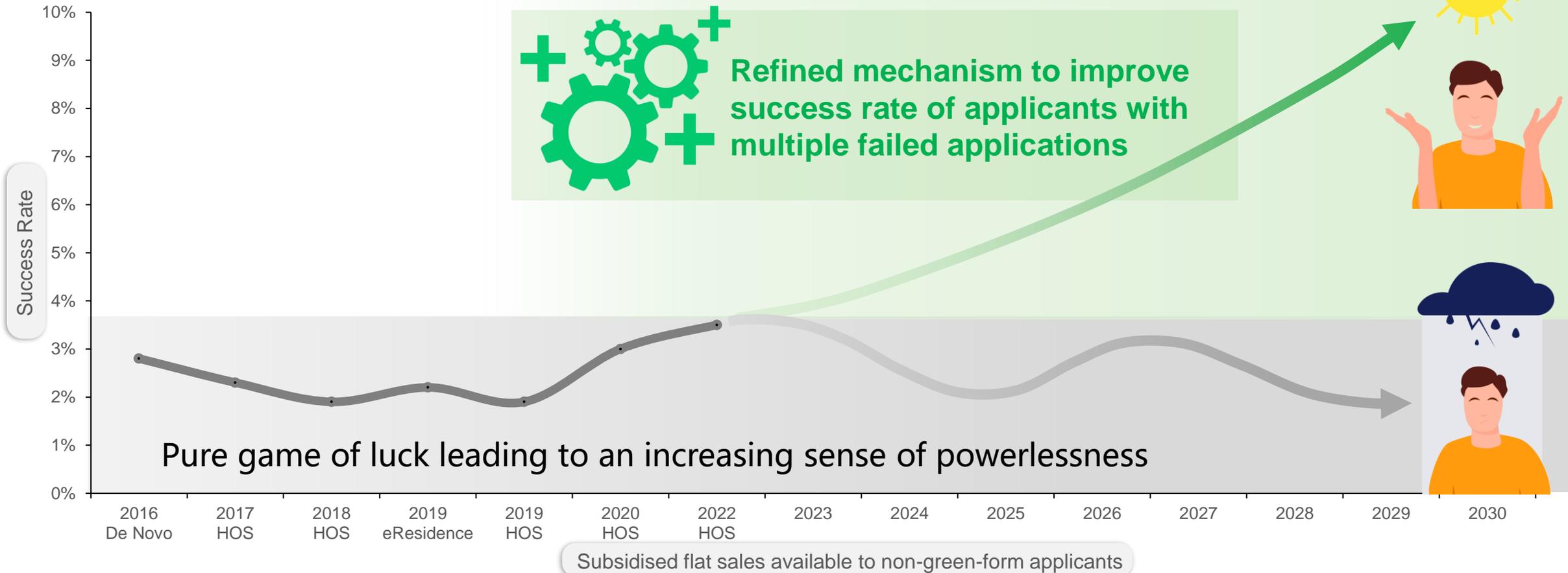
Units of subsidised flats with premium unpaid (as of 2021)

More units will become available to eligible White Form buyers in the fully opened-up secondary market

Note: Out of the 4,500 quotas, 4,050 are for family applicants and 450 are for one-person applicants  
Sources: Census and Statistics Department, Rating and Valuation Department

# Recommendation 3: Refine the balloting mechanism to bring new hopes

## Non-green-form applicant's success rate to purchase a subsidised flat



Note: Success rate is calculated by dividing the number of flats available to non-green-form applicants by the number of non-green-form applicants. The effects of the quotas for Priority Scheme for Families with Elderly Members, other nuclear family applicants and non-nuclear family applicants are not considered.

**Nonetheless, the long-term solution  
lies in increasing land and housing supply**





**Thank you**

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