

LCQ21: Data relating to housing

Following is a question by the Hon Chan Hak-kan and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (September 8):

Question:

Regarding the data relating to housing, will the Government inform this Council:

(1) given that the Hong Kong Monetary Authority (HKMA), in an effort to measure the effect of mortgage debt service burden on private consumption, estimated in 2018 the outstanding mortgage debt service ratios between 1985 and mid-2017 based on outstanding mortgage debt, whether the HKMA has made such estimates since then; if so, of the ratios since mid-2017;

(2) given that the Hong Kong Housing Authority made in 2018 two changes to the affordability test in the pricing mechanism for the Home Ownership Scheme (HOS), one of which being that in assessing affordability, the income limits for White Form applicants were replaced by the median monthly household income of non-owner occupier households (the median) as a point of reference, of the year in which the authorities began collecting the data on the median, and the monthly medians since the resumption of the sale exercise for newly built HOS flats in 2014;

(3) of the number of transactions of first-hand private residential properties in each of the past 10 years, with a breakdown according to the classification of residential units by unit floor area used by the Rating and Valuation Department in compiling its statistics; and

(4) given that the ownership transfer of residential properties between close relatives may be exempted from payment of the 15 per cent or doubled ad valorem stamp duty, of the number of such exemption cases in the past five years?

Reply:

President,

Having consulted the Financial Services and the Treasury Bureau, the Inland Revenue Department (IRD) and the Land Registry (LR), my reply to the question raised by the Hon Chan Hak-kan is as follows:

(1) The ratio of outstanding residential mortgage repayment to income of owner-occupier households, also known as the "outstanding mortgage debt service ratio" (OMDSR), is a hypothetical indicator used to gauge the housing affordability of households in general. It is estimated based on data on the outstanding mortgage loans, mortgage interest rate and maturity, as well as

household income. While the estimated OMDSR has increased moderately from 12.0 per cent in 2017 to 15.1 per cent in the first quarter of 2021, along with the modest growth in the outstanding mortgage loans and the fall in household income recently, the ratio was still much lower than the historical high of about 30 per cent in 1998.

The estimated annual average OMDSR from 2017 to 2021 are set out in Table 1.

(2) According to the Home Ownership Scheme (HOS)'s pricing mechanism which was revised in 2018, the discount applied to the assessed market values of the flats for sale is determined based on affordability. According to the revised mechanism, the selling prices of at least 75 per cent of the flats for sale are to be affordable to the non-owner occupier households earning the median monthly household income, assuming that they need to spend no more than 40 per cent of their monthly income on mortgage payment. The median monthly household income of non-owner occupier households so adopted is compiled based on data of monthly household income collected by the Census and Statistics Department (C&SD).

The pricing of HOS 2018 adopted the median monthly household income of non-owner occupier households from October to December 2017 in C&SD's General Household Survey (GHS), i.e. \$39,500 (net of Mandatory Provident Fund contributions), as a reference point to assess affordability. As for the pricing of HOS 2019 and HOS 2020, the median monthly household income of \$39,100 (from October to December 2018) and \$39,800 (from April to June 2020) in the GHS were adopted respectively. As the said pricing mechanism was adopted since 2018, the Government has not compiled the median monthly household income of non-owner occupier households before 2018.

(3) The Government does not have breakdowns of the number of agreements for sale and purchase (ASPs) of residential building units in the primary sale by floor area. According to information from the LR, the number of ASPs of residential building units in primary sales during the past ten years (2011-2020) are tabulated in Table 2.

(4) According to information from the IRD, in the past five financial years, the number of residential property transactions involving transfer between close relatives which were exempted from charging ad valorem stamp duty at Part 1 of Scale 1 rates (i.e. New Residential Stamp Duty at 15 per cent) or Part 2 of Scale 1 rates (i.e. Doubled Ad Valorem Stamp Duty) and were only subject to Scale 2 rates are tabulated in Table 3.