HKFEI Research Report

Anchoring Talent in Northern Metropolis

A Four-Pillar Policy Package to Anchor Young Households in Hong Kong's New Economic Engine

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Key Findings and Recommendations

The Northern Metropolis (NM) is Hong Kong's largest development programme. Its success will depend on whether residents, especially young working households, are willing to move and settle there. Since mid-2014, Hong Kong's population aged 18 to 39 has fallen by around 324,800. Retaining this generation will directly affect whether NM can become a genuine new economic engine.

Subsidised homeownership has historically helped populate new towns and anchor young families. HOS supply is now improving, and oversubscription has fallen sharply, but the cash deposit remains a binding barrier for many young White Form buyers.

The barrier: White Form buyers usually need a 10% cash down payment, compared with 5% for Green Form buyers. For a HK$2.5 million NM HOS flat, this means HK$250,000 rather than HK$125,000, adding roughly two years of saving at HK$5,000 per month.

The proposal: HKFEI proposes a four-pillar NM settlement package:

1. **Buyable**: reduce the White Form youth down payment in designated NM HOS projects from 10% to 5%;
2. **Available**: progressively rebalance the NM public housing mix from an approximate PRH:HOS ratio of 6:4 toward a 5:5 benchmark;
3. **Winnable**: introduce cumulative ballot weighting for NM-oriented young households;
4. **Liveable**: improve unit size and family-suitable design.

Using 2021 Census microdata, HKFEI estimates that there are around 250,100 eligible households related to young White Form applicants. Under broad scenario assumptions, young household demand for NM HOS is around 10,000 to 40,000 households. Relative to likely early NM White Form HOS supply, this demand scale should be sufficient to absorb initial supply.

Reducing the down payment does not require a new cash subsidy or loan scheme. It can operate through existing Housing Authority, bank and HKMC mechanisms. The four measures can also be implemented through existing HOS sales, mortgage-insurance, public housing planning, ballot and annual review mechanisms, with parameters adjusted after each NM HOS sales exercise.

Content

1. The Northern Metropolis Challenge: How to Attract Residents to Settle

Northern Metropolis (NM) is the largest spatial development programme Hong Kong has undertaken since the new town era. The NM Action Agenda (2023) envisions approximately 500,000 new housing units across multiple development areas, with hundreds of billions of dollars in committed infrastructure, including the Northern Link rail extension, the San Tin Technopole innovation hub, the Hung Shui Kiu new town centre, and extensive transport and community facilities.

But construction alone does not make a metropolis. Infrastructure investment only pays for itself if people actually move there. The government faces a fundamental population challenge: how to attract residents, especially the young working families who will form the backbone of new communities to a region that is still under construction and far from the established urban core.

Hong Kong has learned this lesson before. The early experience of Tin Shui Wai offers a cautionary tale. Built rapidly in the late 1990s as a dormitory estate without adequate community infrastructure or employment, it became synonymous with social isolation and economic deprivation. Tung Chung's early years followed a similar pattern, i.e. residents arrived before jobs, schools, and services were in place. The difference between a successful new town (Sha Tin, Tseung Kwan O) and a struggling one was not the quality of construction but the quality of early community formation: whether the first wave of residents included employed families with long time horizons who would put down roots, participate in the workforce, and anchor demand for schools, retail, and services.

The Long Term Housing Strategy 2025 sets a ten-year housing supply target of 420,000 units for 2026/27 to 2035/36, of which 294,000 units, or 70%, are public housing. A significant number of public housing units will be located in NM development areas:

- Kwu Tung North / Fanling North: the Hong Kong Housing Society HOS project Hemma Fab (聚然) has already been launched under HOS 2025.
- Yuen Long South: the Housing Authority HOS project Wui Hei Court (匯熙苑) is expected to be completed in 2026-27.
- Hung Shui Kiu / Ha Tsuen: nearly 25,000 public housing units are expected to be completed in phases between 2031/32 and 2032/33.

If policy focuses only on the number of units built, without a clear settlement strategy, NM may repeat some of the early problems seen in past new town development.

To make NM succeed, Hong Kong must attract young professionals to become among its first residents and give them reasons to stay for the long term. If new development areas are convenient, well-served and perceived as liveable, this will help support early HOS sales and gradually build vibrant communities.

This paper does not propose a general supply-expansion package. It proposes a package specifically designed to encourage young people to move to NM, by adjusting the existing down-payment threshold, housing mix, ballot weighting and unit design.

2. Subsidised Homeownership as the Growth Engine

2.1 Young Talent Is Being Lost to the Housing Problem

According to Census and Statistics Department data, the population aged 18–39 fell from 2.055 million in mid-2014 to 1.730 million in mid-2025 — a loss of 324,800 young adults, excluding foreign domestic helpers. Among people aged 20–39, the labour force shrank by roughly 250,200 (~16.6%) between 2018 and 2025, with 2022 recording the largest single-year drop (72,400 workers) since records began in 1985.

A 2024 survey by the CUHK Hong Kong Institute of Asia-Pacific Studies found that around one in three respondents would emigrate if circumstances allowed, citing economic prospects (23.8%), living environment (12.5%) and housing cost (10.5%) among the main reasons. The government has launched the Top Talent Pass Scheme, which had attracted over 90,000 arrivals by end-2025. Importing talent is necessary, but it cannot replace the local young workforce. Hong Kong's social cohesion, community identity and institutional knowledge still depend on young people who grew up here choosing to stay, build careers and start families.

2.2 Housing Is Central to the Retention Problem

For working families in Hong Kong, homeownership has long been a key route. to wealth accumulation and financial security. Owning a home provides financial security, supports family formation, and strengthens residents' sense of belonging to society. Without a realistic housing ladder, young people lack the financial means to improve their living conditions and find it hard to make a long-term commitment to Hong Kong's development.

Hong Kong's past experience shows that subsidised homeownership can serve as the population engine for new towns. Between 1985 and 2002, the Government built an average of 64,848 housing units per year, while the average White Form HOS ballot success rate reached 17%. The overall homeownership rate rose from 34% to 54%, with almost all of the increase driven by subsidised sale housing. New towns such as Sha Tin, Ma On Shan and Tseung Kwan O were gradually built by young families who became homeowners through HOS.

After the repositioning of housing policy in 2002, this engine stalled. Between 2002 and 2024, housing completions fell to an average of 30,894 units per year. HOS production was suspended entirely between 2002 and 2016. The White Form ballot success rate also dropped sharply to around 3%.

The impact on the younger generation is clearly reflected in 【Table 1】on the following page. The age of 30 to 39 should normally be an important life stage for leaving the parental home and forming an independent household. Yet among this age group, the shares of private homeowners and subsidised sale homeowners fell by 7.9 and 6.2 percentage points respectively. More young adults instead live with their parents or in private rental housing. This suggests that the traditional upward pathway from renting, to applying for subsidised sale housing, to homeownership has become less stable.

2.3 Subsidised sale housing supply is improving

HOS oversubscription ratios have fallen significantly. Between 2016 and 2022, the average HOS oversubscription ratio was around 40 times. By 2024, it had fallen sharply to around 15 times. At the same time, the White Form success rate rose from about 1.8% in the same period to 5.5%. These changes suggest that subsidised sale housing supply and the access opportunity for White Form applicants are gradually improving.

HOS 2025 will provide more than 8,300 new units, up from 7,132 in 2024. The youth quota under the White Form Secondary Market Scheme has also been increased from 1,500 to 2,000. From HOS 2025 onward, the Green Form and White Form allocation ratio has been improved to 50:50. Since HOS 2024, the Government has also introduced an additional ballot-number mechanism, giving young people and repeat unsuccessful applicants a second ballot opportunity.

These improvements deserve recognition, but they mainly address the odds of getting into the ballot. For many young people and first-time-buyer families, even a successful ballot may still run into a more practical constraint: being unable to afford the down payment.

【Table 1】Housing tenure trends among Hong Kong residents aged 30-39, 1985-2023

Indicator (aged 30-39)	2002	2023	Changes
Private Owner	31.3%	23.4%	-7.9 p.p.
Public Owner	12.4%	6.2%	-6.2 p.p.
Private Renter	15.8%	20.0%	+4.2 p.p.
Public Renter	13.7%	9.9%	-3.8 p.p.
Living with Parents	26.7%	40.5%	+13.8 p.p.

Source: Huang, Ngau and Wong (2026), Housing Affordability and Homeownership in Hong Kong, 1985–2023, Hong Kong Economic Policy Green Paper.

3. The Down Payment as the Main Barrier for Young White Form Buyers

The Federation of Trade Unions deserves credit for putting the down-payment problem on the policy agenda with its *Youth Home Ownership Saving Scheme proposal* on October 2024, backed by original survey research and policy analysis. That proposal also made clear that the down payment is not a peripheral issue in youth homeownership, but the core obstacle. This paper builds on that foundation and goes further, setting out a concrete package that can be piloted first in NM.

For most White Form HOS applicants, personal savings are the main source of funds for the mortgage down payment. Housing Authority survey statistics show that 94% of applicants relied on personal savings, while 44% also received support from family or friends. Across successive survey rounds, personal savings have consistently been the dominant source of down-payment funds, never falling below 80%.

White Form HOS applicants also rely heavily on high loan-to-value mortgages. The same survey found that the average loan-to-value ratio among applicants was 87%, suggesting that many applicants have limited funds available for the down payment and therefore need a high borrowing ratio to purchase an HOS unit.

【Table 2】shows a clear gap between the down-payment thresholds faced by White Form and Green Form buyers. For a HK$2.5 million HOS unit, a White Form buyer needs HK$250,000 under the 10% down-payment requirement. By contrast, a Green Form buyer needs only a 5% down payment, or HK$125,000. The difference is onefold. At a saving rate of HK$5,000 per month, a White Form buyer needs around 4.2 years to save enough for the down payment, while a Green Form buyer needs only around 2.1 years.

Recent government measures do help young buyers: extra ballot numbers raise the chance of success in the draw, and the WSM youth quota widens the pool of available flats. But neither measure reduces the amount of cash a buyer must prepare at the moment of signing. For many young people, the hardest part is not necessarily the monthly mortgage payment, but whether they can immediately produce a down payment of more than HK$100,000, or even several hundred thousand dollars, after winning the ballot.

The down-payment problem is not unique to Hong Kong. Internationally, cash deposits are widely recognised as a major barrier for first-time buyers. The United Kingdom's Help to Buy, Australia's Home Guarantee Scheme and Singapore's CPF housing grants all address the same problem: helping young buyers bridge the gap between mortgage access and upfront cash requirements.

【Table 2】Down-payment amount and saving time for White Form and Green Form buyers purchasing a HK$2.5 million HOS unit

Buyer type	Down payment	Down-payment amount	Months to save	Years to save
White Form	10%	HK$ 250,000	50 months	4.2 years
Green Form	5%	HK$125,000	25 months	2.1 years
Difference (White Form – Green Form)	5%	HK$125,000	25 months	2.1 years

Source: HKFEI; saving time estimated at HK$5,000 monthly savings.

4. Four Pillars: Buyable, Available, Winnable and Liveable

NM faces more than a housing construction problem. The question is how to ensure that new communities quickly become places where people live, stay and form families. If early residents are merely relocated passively, rather than actively choosing to live and buy homes in the district, NM will struggle to become a genuine new metropolis.

HKFEI therefore proposes a targeted four-pillar policy package for future NM HOS sales:

- **Buyable**: young White Form applicants must be able to meet the down payment. The down-payment requirement should therefore be reduced from 10% to 5%.
- **Available**: NM must have enough subsidised sale housing supply for the homeownership pathway to be meaningful. The PRH:subsidised-sale ratio should therefore be progressively rebalanced from around 6:4 toward 5:5.
- **Winnable**: applicants who actively choose to buy in NM and fit the NM development strategy should have improved ballot chances through cumulative ballot weighting.
- **Liveable**: unit size and design should support long-term residence, rather than only short-term entry onto the housing ladder.

Taken together, this is a settlement package designed specifically for NM. It does not create a new housing category, a new cash subsidy or a new administrative body. It only adjusts existing HOS, mortgage-insurance, public housing planning, ballot and project-design mechanisms. The objective is clear: to attract young households to buy, move into and stay in NM over the long term.

Buyable: reduce the young White Form down payment from 10% to 5%

HKFEI proposes extending the availability of 95% mortgage loans to eligible White Form applicants aged 18 to 39 who purchase first-sale HOS or subsidised-sale units in designated NM development projects. In other words, eligible White Form buyers would need to pay only a 5% down payment instead of 10%. For a HK$2.5 million HOS unit, the down payment would fall from HK$250,000 to HK$125,000.

This is the core of the package. The inability to save enough for the down payment is the biggest difficulty for many young applicants. The problem is often not that they have no capacity to service a mortgage at all, but that while paying rent or contributing to household expenses, they cannot accumulate a large lump sum within a short period.

Proposed eligibility

- Hong Kong permanent residents;
- aged 18 to 39;
- meeting White Form HOS income and asset limits;
- having never owned a residential property; and
- purchasing a first-sale subsidised-sale unit in a designated NM development area.

Proposed mechanism

The arrangement can operate through existing HOS sales and mortgage-insurance mechanisms. Applicants would apply through the normal HOS process. If successful in the ballot and if they select a unit in a designated NM development project, they could apply for a 95% mortgage loan subject to normal bank approval and mortgage-insurance requirements.

This proposal is not equivalent to a 95% mortgage in the private market. HOS prices are sold at a substantial discount to assessed market value, usually by 30% to 40%. A 95% mortgage on the subsidised sale price translates into a much lower effective loan-to-value ratio against market value, creating a significant safety buffer that reduces fiscal and credit risk.

Rationale

Green Form buyers can currently obtain 95% mortgages mainly because they surrender a PRH unit after purchasing an HOS flat. The rationale for the NM youth arrangement is different, but it also rests on a clear exchange: young White Form buyers receive a lower down-payment requirement on the condition that they put down roots in a strategic Government development area.

The two exchanges are not identical. Green Form buyers return a public asset. NM young buyers bring what a new development area needs most in its early stage: residential demand and community formation. This is not a general preference but a measure serving a clear public-policy objective. NM infrastructure investment is already under way. Attracting young working households to live there will help convert that investment into a functioning community, rather than simply a housing supply location.

Available: rebalance the NM PRH:HOS ratio from 6:4 toward 5:5

HKFEI proposes that future NM public housing sites should progressively rebalance the ratio between PRH and subsidised sale housing from the current approximate 6:4 ratio toward a 5:5 planning benchmark.

This should be an NM planning benchmark, not a rigid territory-wide rule. The purpose is not to weaken support for low-income households, but to ensure that NM has enough subsidised ownership supply to support young households in settling, staying and forming a more balanced community mix.

Mechanism

In the current public housing supply pattern, PRH supply substantially exceeds subsidised sale housing supply. When the average PRH waiting time once reached 6.1 years and rental need was especially urgent, this emphasis on PRH was understandable. However, as the average waiting time has fallen to 4.7 years, NM should not be viewed only as a rehousing project. More importantly, it is a new economic engine. That requires a more balanced housing mix and a clearer subsidised ownership pathway for young working households who can service a mortgage but cannot enter the private market.

HKFEI therefore recommends that in designated NM development areas, future public housing planning should move toward a more balanced mix. The 5:5 benchmark should be implemented in phases through future NM land allocation and reviewed regularly with reference to PRH waiting-time pressure, HOS sales performance, flat-selection outcomes and NM infrastructure delivery progress.

Rationale

NM is not only a housing supply programme. Its long-term role is to serve as Hong Kong's new economic engine, with innovation and technology, professional services, logistics and cross-boundary activities as its development base.

If NM public housing is too heavily tilted toward PRH, this may help meet rehousing and rental needs, but it may not be enough to support a new economic community centred on innovation and technology, professional services and cross-boundary activity. By contrast, a larger supply of HOS and subsidised sale housing can attract young households who are able to service a mortgage but are excluded by the private market's entry threshold.

This supply-mix adjustment would also strengthen the other policy measures. If NM HOS supply is too small, reducing the down payment, improving ballot chances and enhancing liveability will have limited effect. Rebalancing the PRH:HOS ratio toward 5:5 ensures that buyer-side support is matched by sufficient homeownership supply.

The proposal should be implemented prudently and transparently. It is not a withdrawal of support for PRH. It is an NM-specific planning adjustment designed to support a more balanced community structure and rebuild the subsidised homeownership ladder.

This arrangement does not replace the existing HOS ballot system. It makes a limited adjustment within the existing system to give applicants who better fit NM's target settlement group a higher chance of access.

Winnable: introduce cumulative ballot weighting

HKFEI proposes introducing cumulative ballot weighting to reflect more precisely the relationship between NM's target population and NM HOS.

The current system already provides additional ballot numbers for young applicants and for applicants who have been unsuccessful twice. However, the policy objective of NM HOS is not merely general homeownership support. It is to attract young people to settle, work and form families in NM. The ballot weighting should therefore respond more directly to this policy objective.

Mechanism

【Table 3】 sets out HKFEI's proposed cumulative ballot-weighting arrangement. Building on the existing system, the proposal would provide an additional ballot number for young applicantswho select designated NM HOS projects. If one spouse in an applicant household is aged 18 to 39, the household would also receive an additional ballot number, increasing the

【Table 3】Proposed cumulative ballot-weighting arrangement

Applicant attribute	Current arrangement	HKFEI recommendation
At least one applicant aged 18-39	+1 ballot number	Maintain +1 ballot number
Selects a designated NM HOS project	/	+1 ballot number
Married couple with one spouse aged 18-39	/	+1 ballot number
Unsuccessful in two consecutive NM HOS ballots	+1 ballot number after two consecutive unsuccessful applications	Maintain +1 ballot number
Cap on cumulative additional ballot numbers	/	Up to +3 additional ballot numbers

Note: Additional ballot numbers increase the chance of entering the flat-selection process. They do not guarantee a successful ballot or the ability to purchase a unit.

likelihood that young couples and households forming families can settle in NM.

To avoid over-tilting the system, the additional ballot numbers should be capped. HKFEI proposes that each applicant should receive no more than three additional ballot numbers, even if multiple conditions are met. This would improve the access chance of target groups while avoiding the complete crowding out of other applicants and maintaining fairness.

For example, a young married couple applying for a designated NM HOS project would receive the basic ballot number, plus one youth number, one NM-choice number and one married-couple number. If the same household also qualifies as a repeat unsuccessful applicant, the total number of additional ballot numbers would still be capped at three. In other words, eligible applicants could receive one basic number plus up to three additional numbers, for a maximum of four ballot numbers in total.

Households with a newborn baby should continue to benefit from the existing "families with newborn babies" mechanism where applicable. HKFEI does not recommend creating a separate NM-specific additional ballot number for newborn babies, to avoid duplication with existing arrangements.

Rationale

The purpose of ballot weighting is not to exclude other applicants, but to align limited HOS opportunities more closely with NM's population strategy. Young applicants, young couples, applicants who continue to choose NM but have repeatedly failed in the ballot, and households actively choosing NM are all more consistent with the objective of early community formation.

The mechanism also builds on existing administrative logic. Hong Kong's subsidised housing allocation already reflects policy objectives through ballot rules, quotas and priority arrangements. Setting a cap keeps the system simple, fair and easy to explain, while offering practical incentives for young households targeting NM.

The weighting parameters should be reviewed after each NM HOS sales exercise. If oversubscription, flat-selection outcomes or fairness indicators show that the arrangement is too weak or too strong, parameters should be adjusted according to actual circumstances.

Liveable: increase unit size and family-friendly design

If successful applicants can only purchase units that are too small to support long-term residence, the effects of lowering the down payment, increasing supply and improving ballot chances will be weakened. HKFEI therefore recommends clearer planning benchmarks for future NM HOS developments:

- Subject to site and project conditions, raise the minimum saleable-area benchmark by about 38%, from around 26 sq metres (about 280 sq ft) to around 36 sq metres (about 388 sq ft).
- Increase the share of two-bedroom-or-larger units in future NM HOS projects to around 40%.

These requirements should operate as planning benchmarks rather than rigid statutory quotas, preserving flexibility in light of site conditions, costs, project financial viability and actual demand.

Rationale

NM is positioned as a long-term settlement and economic development platform. Its HOS supply should therefore not focus only on entry affordability, but also on whether households can form families and stay. Young households need more than units they can afford to buy; they need homes that can remain suitable as life stages change.

If NM HOS consists mainly of very small units, policy may help applicants enter the market but may not support long-term settlement. More family-suitable units would increase the likelihood that young households remain in NM after marriage, childbirth or changes in household needs

5. Target Population, Demand Scale and Expected Impact

Section 4 sets out the four policy pillars. This section addresses a practical question: are there enough young White Form eligible households in Hong Kong to make the package meaningful? And among them, how many may actually choose NM?

The answer is clear. The relevant eligible household base is about 250,000 households. If 20% to 40% apply for HOS, and 20% to 40% of them are willing to choose NM projects under the proposal, potential NM homeownership demand would be around 10,000 to 40,000 households.

5.1 Target groups

The target group of this proposal is not simply an expanded pool of beneficiaries. It is focused on supporting young households most likely to settle, work and form families in NM. Specifically:

- Young one-person applicants can provide early labour-force and residential demand for the new development area, but they often face insufficient down-payment funds and limited ballot chances.
- Young couples or households forming families may have longer-term settlement needs, use local services and support community formation. They therefore need support on down payment, unit size and suitable unit supply.
- Young married households without children have stronger medium-term settlement potential and may gradually form families after moving in. They therefore need down-payment support and the supply of two-bedroom-or-larger units.

The four policy measures directly respond to these barriers: lower down payment makes NM HOS buyable; a more balanced public housing mix makes ownership supply more available; cumulative ballot weighting makes access more winnable; and better unit design makes long-term residence more liveable.

5.2 Around 250,000 young White Form eligible households

Based on the 2021 Population Census 5% microdata sample, HKFEI estimates that there are around 250,100 eligible young households aged 18 to 39. This is not a prediction of actual application numbers. It is a broad eligibility base for measuring potential demand for NM HOS.

The estimate consists of three main components. First, around 74,900 core family households are calculated directly at the household level and assessed by household income. Second, around 31,400 one-person households are calculated directly as single applicants and assessed by individual income. Third, around 143,700 adult children living with parents are converted by age-specific hous-hold-formation rates, reflecting that some adult children may form independent households and potential homeownership demand in the future.

This figure should be treated as a rough indicator, not an actual headcount or application statistic. The estimate is based on 2021 data, and Hong Kong's population, labour market, migration patterns and housing market expectations have changed since then. Microdata also cannot fully capture asset limits, past property ownership records or how applicants would actually form application households. Detailed calculations are provided in Appendix E.

5.3 NM demand is around 10,000 to 40,000 households

After estimating the overall eligible household base, this study further estimates potential demand for NM HOS. Not all eligible young households will apply for HOS. Among applicants, not all will regard NM as an ideal place to live. It is therefore necessary to introduce demand conversion rates to translate the broad eligibility base into a potential demand estimate closer to the policy scenario.

This study uses two assumptions for scenario analysis. First, 20% to 40% of eligible young White Form households are assumed to actively apply for HOS under the proposal. Second, 20% to 40% of potential applicants are assumed to be willing to choose designated NM HOS projects. In formula terms:

- NM HOS demand = eligible young White Form households x assumed application rate x assumed NM acceptance rate

Under the low-demand scenario, both the assumed application rate and NM acceptance rate are 20%, giving an overall demand conversion rate of 4% and estimated NM HOS demand of around 10,000 households. Under the high-demand scenario, both assumptions are 40%, giving a conversion rate of 16% and estimated demand of around 40,000 households.

5.4 NM HOS demand is sufficient to absorb early NM HOS supply

The results suggest that NM demand is broadly sufficient relative to likely early NM HOS supply. Based on current public housing supply assumptions, if 50% of NM HOS supply is allocated to White Form buyers and 25% to 40% of White Form NM HOS buyers are eligible young households under the proposal, the early NM phase, from 2027 to 2029, would provide around 2,200 NM HOS units per year. This would directly benefit around 550 to 880 young households per year.

Even in the later growth period with higher supply, the number of young households directly benefiting from NM HOS each year would remain limited. Compared with the earlier estimated potential NM HOS demand of 10,000 to 40,000 households, early and growth-stage annual supply would not fully absorb relevant demand. This suggests that the proposal is unlikely to create excessive short-term pressure on early NM HOS supply. Instead, given limited supply, policy design should more precisely identify and support young households most likely to settle, work and form families in NM.

5.5 Main effect of the package

【Table 4】 on the following page further shows that even after lowering the down-payment requirement, young White Form buyers still face monthly repayment constraints. For a HK$2.5 million HOS unit, assuming a 95% mortgage, a 30-year repayment period and a 3.5% mortgage rate, the monthly repayment is around HK$10,665.

In repayment-capacity terms, the proposal is more favourable to young couples or dual-income households. If monthly household income is HK$45,000, the same repayment amount represents only about 23.7% of income, making repayment more manageable.

By contrast, even if a single young applicant can meet the down payment, monthly repayment pressure remains higher. If monthly income is HK$22,500, the repayment-to-income ratio reaches 47.4%, close to a prudent lending threshold. This shows that the main effect of lowering the down-payment requirement is to help young White Form buyers cross the one-off cash threshold. For single young applicants in particular, mortgage approval, repayment-to-income ratio and future income stability remain important constraints on actual home purchase.

The expected impact can be summarised in four ways. First, the package halves the cash down-payment requirement for eligible young White Form buyers in designated NM HOS projects. Second, a more balanced NM public housing mix gives ownership supply more scale certainty. Third, cumulative ballot weighting improves access chances for applicants who fit NM's settlement objective. Fourth, the package can channel part of young household demand to NM and increase the likelihood that successful applicants put down roots.

This package cannot solve every youth-retention or population problem. It is constrained by NM HOS supply. Its greater value is that, at a critical stage of NM development, it can turn future HOS sales into a credible, affordable and achievable settlement pathway for young households.

【Table 4】Repayment-to-income estimates for young White Form buyers under different income scenarios

Scenario	Monthly repayment	Repayment-to-income ratio	Assessment
Single applicant (median income: HK$22,500)	~HK$10,665	47.4%	High; close to prudent lending threshold
Young couple household (dual median income: HK$45,000)	~HK$10,665	23.7%	Relatively manageable
Single applicant (75th percentile income: HK$29,200)	~HK$10,665	36.5%	Affordable but still pressured

Note: Assumes a HK$2.5 million flat price, 95% mortgage, 30-year repayment period and 3.5% interest rate. The repayment-to-income ratio is monthly repayment divided by monthly household income.

6. Policy Risks, Mitigation Measures and Design Considerations

6.1 Financial risk overview

A nominal 95% mortgage on an HOS unit should not be directly compared with a 95% mortgage in the private market, because HOS units are sold at a 30% to 40% discount to assessed market value. For example, if a unit has an assessed market value of HK$4.5 million and is sold at a 40% discount, the sale price is HK$2.7 million. A 95% mortgage on that sale price would be HK$2.565 million, or about 57% of market value. In other words, from the first day of purchase, the borrower has a buffer equivalent to around 43% of market value.

【Table 5】shows the risk assessment under different property-price shock scenarios. From a prudential perspective, the effective loan-to-value ratio is far lower than the surface figure. This means that even under significant market stress, most borrowers would remain in positive equity. If property prices fall by 30%, the effective loan-to-value ratio would still be around 81%. Only when prices fall by more than 43%, approaching the extreme 1997-2003 period when residential prices fell by around 61% from peak to trough, would borrowers enter negative equity on a market-value basis.

Even if prices fall far enough to create negative equity, the likelihood of strategic default remains low. HOS units are subject to resale restrictions and cannot be freely sold during the restriction period. If borrowers stop paying, they lose not only their 5% cash down payment but also the embedded discount of 30% to 40% of market value, worth around HK$1.35 million to HK$1.8 million at current prices. Rational borrowers generally would not give up this value lightly. In addition, HOS mortgage payments are often lower than comparable private rents, reducing the incentive to default due to cash-flow pressure.

【Table 5】Risk assessment under different property-price decline scenarios

Market price shock	Effective loan-to-value ratio	Negative equity?	Estimated default rate
0% (baseline)	57%	No	~0.20%
-10%	63%	No	~0.25%
-20%	71%	No	~0.40%
-30%	81%	No	~0.70%
-43% (threshold)	100%	Yes	~1.00%

Note: Assessed market value is HK$4.5 million; HOS discount is 40%; nominal loan-to-value ratio is 95%; initial loan is HK$2.565 million. Default rates are calibrated with reference to HKMA delinquency data and Housing Authority mortgage guarantee loss records (SHC 26/2023). See Appendix D for methodology.

The Housing Authority, as mortgage guarantor, bears the residual risk. Its track record over the past 39 years is relatively stable. Around 4,500 default cases generated total losses of HK$991 million, against a guaranteed loan portfolio of HK$86.7 billion. Average annual losses were around HK$25 million, with more than 90% of losses occurring during the 13 years from 1997/98 to 2009/10. Under the proposal, even using conservative assumptions of a cumulative default rate of 5% and a loss-given-default rate of 20%, expected annual guarantee claims would remain at the level of tens of millions of Hong Kong dollars, which is manageable relative to Housing Authority reserves and policy benefits. Appendix D provides the detailed scenario model.

Lower deposit requirements may also raise concerns about adverse selection and moral hazard. Under the HOS system, however, both risks are partly moderated by existing design. Income ceilings and asset limits already confine participation to a defined middle-income range, reducing the likelihood that applicants are high-risk borrowers. As for moral hazard, the embedded 30–40% market-value discount itself creates a strong incentive to keep paying: an owner in difficulty who defaults loses not a small cash deposit but a subsidy worth about HK$1.35–1.8 million. These design features reduce, but cannot completely eliminate the risks which is why a phased, pilot-based rollout remains prudent.

6.2 Demand inflation and the housing mix

A major risk is that if buyer-side support is increased while NM HOS supply does not expand in parallel, competition may intensify. This is why the second recommendation is to progressively rebalance the NM public housing mix from an approximate 6:4 PRH:HOS ratio toward a 5:5 benchmark. This does not replace PRH need with subsidised homeownership. It prevents a strategically important development area from being too heavily skewed toward PRH. If NM HOS supply remains too small, the 5% down-payment measure and ballot weighting may simply intensify competition for limited units. Policy might improve the access chance of some applicants, but it may not substantially expand the homeownership pathway for young households.

The 5:5 benchmark should therefore be treated as a medium-term planning safeguard and introduced in phases through future NM land allocation. The Government can regularly review it according to PRH waiting-time pressure, HOS sales performance, project demand and flat-selection outcomes. If sales are weaker than expected, the benchmark can be adjusted. If demand is strong, the benchmark can provide clearer supply support for expanding NM youth homeownership measures.

6.3 Fairness and distributional concerns

Restricting 95% mortgage treatment to young White Form buyers purchasing designated NM units may raise concerns among White Form applicants in other districts, who still face a 10% down-payment requirement. This is a political and distributional issue, especially if the package is understood as a preference for one group rather than as a policy tool serving district development objectives.

The more appropriate response is to define the scheme clearly as a targeted first-stage measure. The rationale for the lower down-payment arrangement is not arbitrary. It serves a specific public-policy objective: encouraging early household formation and population settlement in NM. From this perspective, the location requirement is not an incidental restriction; it is the core of the policy. The Government should also state clearly that if the pilot performs well, it may consider extending similar arrangements to other HOS developments in the future, reducing the risk that the scheme is seen as a permanent preference for one district.

6.4 Trade-off between unit size and supply

Increasing the minimum saleable area and the share of two-bedroom-or-larger units may reduce the total number of units that can be provided. HKFEI considers that society must be clear about the objective and accept the trade-off.

The objective of NM HOS should not be to maximise unit numbers alone. If the policy goal is to attract young households with long-term settlement potential, unit quality and size are also important.

If a project mainly provides very small units, short-term entry numbers may increase, but long-term retention capacity may weaken. This would also reduce NM's attractiveness to married couples and households likely to form families in the future.

6.5 Annual review and adjustment

This proposal should be integrated into the Housing Authority's existing annual review cycle for HOS pricing, sales arrangements and allocation rules.

This is an important safeguard. The policy does not need to become a permanent fixed rule. Parameters can be reviewed and adjusted before each annual HOS sales exercise according to the latest data.

Key annual review indicators should include:

- the share of NM HOS applications;
- the share of applicants aged 18 to 39;
- the share of married applicants or applicants forming families;
- purchase rates after successful ballot;
- rates of refusal or withdrawal from flat selection;
- average down-payment and mortgage burden;
- unit-size selection patterns; and
- mortgage delinquency and guarantee risk.

In addition to annual operational reviews, the Government should consider a five-year sunset review. After five years, the policy can be continued, adjusted, expanded or withdrawn according to take-up, financial risk, settlement outcomes and NM development needs.

6.6 Concern over housing price increases

A common objection to any policy that lowers the down-payment threshold is that it may push up prices and leave buyers no better off. This concern has some basis in the private housing market, where prices are determined by the marginal buyer's willingness to pay. But the HOS system is different.

HOS prices are set administratively by the Housing Authority, using assessed market value with a fixed discount, currently 30% to 40%, together with affordability adjustments based on household income. Prices are not determined by the marginal bids of HOS applicants and do not rise because of higher subscription. Lowering the down payment requirement therefore changes the upfront cash threshold; by design, it does not push up HOS sale prices.

The remaining concern is whether stronger HOS demand may spill over into prices of comparable private units. Two design features limit this risk. First, the scheme is geographically confined to designated NM development projects, which have lower direct comparability with the existing private market, while the Government continues to play an important role through HOS supply and pricing. Second, HOS resale restrictions keep units circulating within the secondary market for a substantial period, reducing the possibility that short-term subsidies are captured and transmitted into open-market prices. The annual review proposed in Section 6.5 should monitor assessed market-value parameters and subscription ratios. If unexpected feedback effects arise, they can be addressed through the standard pricing formula and sales arrangements, rather than by suspending the entire scheme immediately.

7. Conclusion

The Northern Metropolis will shape the urban space of Hong Kong's next generation. Its success depends not only on the quality of buildings and infrastructure, but on whether it can form stable, vibrant communities whose residents are willing to stay for the long term. Young working households are the ideal early settlers. But they need both a reason to move to NM and the capacity to make a homeownership and settlement commitment.

This proposal addresses both at once, making NM HOS "**buyable**, **available**, **winnable** and **liveable**" for young White Form households: cutting the down payment from 10% to 5% makes NM HOS buyable; a more balanced PRH-to-HOS supply mix gives the ownership pathway greater assurance of scale; cumulative ballot weighting gives young households aligned with NM settlement objectives a better chance in the draw; and better unit sizes and family-friendly design give residents the conditions to form families and stay for the long term.

The window for shaping the first resident mix of NM is short and narrowing. Population intake in Kwu Tung North and Fanling North begins in 2026. The first NM HOS sales cycle targets 2027. Supply in Hung Shui Kiu and the wider NM will gradually increase between 2028 and 2032. The composition of the first residents will be set during this window. Once development areas are occupied, the early resident structure will influence community development for a generation.

Hong Kong cannot wait until the tenure structure and population mix of these communities are already formed before trying to attract young owner-occupier households. Acting during the 2026-2027 HOS cycle is therefore not just a routine policy refinement; it is a critical decision point. The four policy adjustments proposed in this paper can be implemented within the Housing Authority's existing rule-making powers. They do not require legislative change, new legislation or a major new budget item, and they may be implemented in time for the relevant decision window. The cost of action has been defined and quantified in Section 6.1. The cost of inaction may be that NM fails to attract young households to settle in its early stage, weakening a key pillar of NM development.

Appendix A: Detailed Affordability Calculations

This appendix explains the calculation methods used in this paper for down payment, monthly repayment and saving time. The estimates are intended to compare the entry threshold and ongoing repayment pressure faced by young White Form buyers under different down-payment requirements. They are not intended to predict whether individual applicants will ultimately obtain mortgage approval.

The central comparison is between the existing 10% down-payment requirement for White Form buyers and the proposed 5% requirement. Because the down payment normally has to be paid from cash savings, for many young applicants it is not merely a percentage of the flat price. It is the practical threshold that determines whether they can complete the purchase immediately after winning the ballot.

【Table 6】shows that across different HOS sale prices, reducing the down-payment requirement for young White Form buyers from 10% to 5% significantly reduces the amount of cash required at entry. For a HK$2.5 million unit, the 10% down payment is HK$250,000, while the 5% down payment is HK$125,000, a difference of HK$125,000. If unit prices are higher, the amount of down-payment saving also increases accordingly.

【Table 6】Down-payment requirements and monthly repayments under 5% and 10% down-payment scenarios by HOS sale price

Sale price	10% down payment	5% down payment	Cash saving required	Monthly repayment (95% mortgage)	Monthly repayment (90% mortgage)
HK$1,700,000	HK$170,000	HK$85,000	HK$85,000	HK$7,253	HK$6,871
HK$2,000,000	HK$200,000	HK$100,000	HK$100,000	HK$8,532	HK$8,083
HK$2,500,000	HK$250,000	HK$125,000	HK$125,000	HK$10,665	HK$10,104
HK$2,700,000	HK$270,000	HK$135,000	HK$135,000	HK$11,518	HK$10,912
HK$3,500,000	HK$350,000	HK$175,000	HK$175,000	HK$14,931	HK$14,146

Note: Assumes a mortgage interest rate of 3.5% and a 30-year repayment period. Monthly repayments are estimated using a standard equal-instalment repayment formula. The 95% and 90% mortgage scenarios calculate the loan amount as 95% and 90% of the sale price respectively. The cash saving required is the difference between 10% and 5% down payments. Estimates exclude mortgage insurance premium, stamp duty, legal fees, rates, management fees, renovation, maintenance and other transaction costs, and are for scenario comparison only.

For monthly repayments, 【Table 6】 also compares estimated repayments under 95% and 90% mortgages. The paper assumes a mortgage interest rate of 3.5%, a 30-year repayment period and a standard equal-instalment repayment formula. The results show that lowering the down-payment ratio increases the loan amount, but the monthly repayment increase is relatively limited. For a HK$2.5 million unit, the estimated monthly repayment is around HK$10,665 under a 95% mortgage and around HK$10,104 under a 90% mortgage, a difference of around HK$561. In other words, the main policy effect of the proposal is to reduce the immediate cash down payment required at signing, rather than to significantly change the monthly repayment burden.

【Table 7】 further shows how lowering the down-payment ratio affects saving time. For a HK$2.5 million unit, if a buyer can save HK$5,000 per month, accumulating a 10% down payment would take around 50 months, or 4.2 years. If the requirement is reduced to 5%, the required time falls to around 25 months, or 2.1 years, saving about 25 months. If monthly saving capacity is lower, the time saved becomes even more significant. This shows that lowering the down-payment requirement does not simply increase purchasing power. It shortens the distance between a young buyer's intention to buy and actual ability to enter the market.

It should be emphasised that the estimates in this appendix exclude mortgage insurance premium, stamp duty, legal fees, rates, management fees, renovation, maintenance, insurance and other transaction costs. Actual repayment capacity will also depend on bank approval, mortgage-insurance requirements, income stability, household expenses and interest-rate changes. The figures should therefore be read as policy-scenario comparisons, not as financial advice or precise affordability assessments for individual buyers.

【Table 7】 Saving time required to accumulate 5% and 10% down payments under different monthly saving rates

Monthly saving rate	Time to save 10%	Time to save 5%	Time saved
HK$3,000 per month	83 months (6.9 years)	42 months (3.5 years)	41 months (3.4 years)
HK$5,000 per month	50 months (4.2 years)	25 months (2.1 years)	25 months (2.1 years)
HK$8,000 per month	31 months (2.6 years)	16 months (1.3 years)	15 months (1.3 years)

Note: Saving time is calculated by dividing the required down-payment amount by monthly savings, using a HK$2.5 million HOS unit as the benchmark. The 10% and 5% down payments are HK$250,000 and HK$125,000 respectively. Time saved refers to the difference between the time required to save a 10% down payment and a 5% down payment. The estimates assume a fixed monthly saving amount and exclude income growth, changes in rent, family support, investment returns and other one-off expenses.

Appendix B: NM Development Timeline and Supply Projections

This appendix summarises the timing of relevant housing and public housing supply in NM, in order to assess the possible impact of this paper's proposals at different stages of development. Because NM development involves multiple districts, projects and infrastructure timelines, actual supply arrangements may change due to construction progress, land delivery, planning adjustments and sales arrangements.

【Table 8】sets out key NM housing supply indicators and the NM HOS supply estimates used in this paper. According to the Northern Metropolis Action Agenda 2023, NM will provide around 500,000 new housing units. The Long Term Housing Strategy 2025 sets a ten-year housing supply target of 420,000 units for 2026/27 to 2035/36, of which 294,000 units are public housing, representing about 70% of overall supply. The five-year forecast includes about 59,900 subsidised sale units, showing that subsidised ownership remains an important component of public housing supply.

On this basis, this paper divides NM HOS supply into two broad phases. The first is 2027 to 2029. Based on currently visible NM HOS and subsidised sale housing project timelines, early-stage NM HOS supply is estimated at around 2,200 units per year. The second is 2030 to 2031. As more NM public housing projects are gradually completed, annual NM HOS supply is estimated to rise to around 5,350 units.

【Table 8】NM public housing supply and NM HOS supply estimates

Indicator	Figure	Source
Total planned NM housing units	~500,000	Northern Metropolis Action Agenda 2023
Ten-year housing supply target (2026/27-2035/36)	420,000	Long Term Housing Strategy 2025
Public housing share	294,000 (70%)	Long Term Housing Strategy 2025
Private housing	126,000 (30%)	Long Term Housing Strategy 2025
Subsidised sale housing (five-year forecast)	59,900	Long Term Housing Strategy 2025
NM HOS supply (2027-2029)	~2,200	Public Housing Projects for 2025/26 and 2026/27 to 2030/31
NM HOS supply (2030-2031)	~5,350	Public Housing Projects for 2025/26 and 2026/27 to 2030/31

Source: Housing Bureau, Development Bureau, Northern Metropolis Action Agenda 2023, Long Term Housing Strategy 2025, HA and HKHS project information; HKFEI compilation and estimates.

These supply estimates provide the basis for the demand and beneficiary calculations in the main text. If White Form buyers account for 50% of NM HOS supply, and 25% to 40% of them are eligible young households, around 550 to 880 young households would directly benefit per year during the early stage. In the growth stage, the annual number of directly benefiting young households would rise to around 1,340 to 2,140.

In other words, even when NM HOS supply increases during the growth stage, the number of young households directly benefiting each year remains limited. Compared with the estimated potential NM young White Form demand of 10,000 to 40,000 households, early and growth-stage annual supply would not fully absorb relevant demand. This suggests that the proposal is unlikely to create excessive short-term pressure on early NM HOS supply. Instead, with limited supply, policy design should identify and support more precisely the young households most likely to settle, work and form families in NM.

The supply estimates in this appendix also support the second recommendation of this paper: that the NM public housing mix should gradually shift from the current PRH-heavy ratio toward a more balanced PRH and subsidised-sale ratio.

As NM development is still progressing, if project completion timelines, unit numbers, Green Form/White Form ratios, HOS pricing, sales arrangements or infrastructure delivery schedules change substantially, the beneficiary estimates in this paper should be updated accordingly.

Appendix C: International Comparisons

This appendix briefly compares first-home buyer support measures previously or currently used in the United Kingdom, Australia and Singapore, to show that helping young or first-time buyers overcome the down-payment threshold is not unique to Hong Kong. Housing markets, mortgage systems, land systems and public finance arrangements differ significantly across jurisdictions, and these policies cannot be directly transplanted to Hong Kong. Nevertheless, they reflect a common policy logic: when first-time buyers have some repayment capacity but cannot accumulate enough down payment in a short period, governments can use limited loans, guarantees, subsidies or savings support to lower the entry threshold.

【Table 9】 sets out three representative international cases. The United Kingdom's Help to Buy scheme used government equity loans to help buyers purchase new-build homes with lower deposits. Australia's Home Guarantee Scheme uses government guarantees to allow eligible buyers to purchase with lower deposits and avoid mortgage insurance. Singapore's CPF Housing Grants use direct grants and the CPF system to support first-time households purchasing subsidised housing.

The relevance for Hong Kong is not that these models should be copied. Rather, they confirm that the down-payment threshold itself can be addressed through public policy. Compared with equity loans in the United Kingdom, government

【Table 9】International first-home buyer support measures and policy implications for Hong Kong

Scheme	Country	Mechanism	Scale	Relevance to HK
Help to Buy Equity Loan	UK (2013–2023)	Government 20% equity loan (40% in London), interest-free for 5 years, repaid at sale	380,000+ households helped	Directly comparable equity loan model; large scale demonstrates feasibility
Home Guarante e Scheme	Australia (2020–present)	Government guarantees the 15% gap between buyer's 5% deposit and 20% LTV threshold, eliminating mortgage insurance	~60,000 places/year	Closest to our LTV reduction proposal; government as guarantor, not lender
CPF Housing Grant	Singapore	Cash grants of S$5,000–80,000 for first-time buyers of HDB flats, funded from CPF	Universal for eligible buyers	Direct grant model; well-established but requires CPF-like infrastructure

Notes: International schemes are presented for reference. Each operates within a different regulatory, fiscal, and housing market context.

guarantees in Australia or direct grants in Singapore, this paper's proposed 5% down-payment arrangement for young NM White Form buyers is more limited. It does not require a new cash subsidy or alternative loan scheme. It makes a limited adjustment within the existing HOS, mortgage-insurance and Housing Authority guarantee systems, targeted at designated NM projects and eligible young buyers.

International experience therefore supports the basic direction of this paper. If the policy objective is to help young households with stable income but insufficient down-payment savings enter the subsidised homeownership ladder, policy tools should not focus only on increasing ballot chances. They should also address the cash barrier after a successful ballot. Hong Kong has an advantage because HOS already includes discounted pricing, resale restrictions and mortgage guarantee mechanisms. With clear eligibility limits, project boundaries and risk monitoring, a lower down-payment arrangement can become a targeted, controllable and pilot-style youth settlement tool.

Appendix D: Risk Methodology Note

This appendix explains how this paper assesses the potential financial risk of the 5% down-payment arrangement. The estimates are not a default-rate forecasting model.

Scenario calibration

First, the paper uses Hong Kong's past housing-market downturns as stress-scenario references. During the 1997-2003 property-market adjustment, residential prices fell by around 61% from peak to trough, one of the most severe down cycles in Hong Kong's residential market. Residential mortgage delinquency also rose significantly during the same period, reaching around 1.43% in April 2001 before gradually falling. In recent years, residential mortgage delinquency has remained at a low level, indicating relatively stable overall mortgage credit performance. This historical experience is used as a reference for setting stress scenarios and default probabilities.

Second, the paper refers to the Housing Authority's historical experience as guarantor for subsidised sale housing mortgages. According to HA data, between 1984/85 and 2022/23, around 45,000 default cases resulted in the HA paying around HK$991 million in shortfall payments to mortgage banks. As of March 2023, the outstanding guaranteed mortgage portfolio was about HK$86.7 billion, involving around 66,250 loans, with average annual losses of around HK$25 million.

Fiscal contingent liability estimate

This appendix assumes that eligible young White Form buyers take out 95% mortgages and uses a loan amount of HK$2.565 million per unit as the benchmark. If 5,000 units benefit each year, total loan exposure would be around HK$12.8 billion. Potential annual claims are then estimated by applying assumed default probabilities and loss-given-default rates under different scenarios.

【Table 10】 sets out three simplified scenarios. In the baseline scenario, assuming no significant price shock, the default probability is 0.20% and the loss-given-default rate is 15%, giving estimated annual claims of around HK$3.8 million, or about 0.03% of insured loan exposure. In the severe scenario, assuming a 30% property-price fall, the default probability rises to 0.70% and the loss-given-default rate is 20%, giving estimated annual claims of around HK$18.0 million, or about 0.14% of insured exposure. In the extreme scenario, assuming a 43% price fall, close to the negative-equity threshold, the default probability

【Table 10】Estimated Housing Authority guarantee risk under different stress scenarios

Scenario	Default probability	Loss-given-default rate	Annual claim (HK$m))	Share of insured exposure
Baseline (no shock)	0.20%	15%	~3.8	~0.03%
Severe (-30%)	0.70%	20%	~18.0	~0.14%
Extreme (-43%)	1.00%	20%	~25.7	~0.20%

Source: Hong Kong Monetary Authority, Housing Authority and HKFEI compilation and estimates.

rises to 1.00% and the loss-given-default rate is 20%, giving estimated annual claims of around HK$25.7 million, or about 0.20% of insured exposure.

These estimates show that even under relatively severe stress scenarios, potential guarantee claims would broadly remain at the level of tens of millions of Hong Kong dollars, comparable with the HA's past mortgage-guarantee loss scale. This does not mean the proposal has no risk. It means that under HOS discounted pricing, resale restrictions, income and asset checks, bank mortgage approval and the HA's existing guarantee mechanism, there is some risk buffer and the risk can be managed through phased implementation and regular review.

The appendix uses a simplified scenario method and does not fully model interest-rate increases, unemployment changes, household income declines, early repayment, refinancing, resale restrictions or different household behavioural responses. The figures in the table should therefore be treated as indicative risk magnitudes rather than precise forecasts. If the policy is formally implemented, the Government and relevant institutions should establish a continuous monitoring mechanism to track delinquency rates, default rates, claim amounts, applicant income changes and NM HOS resale conditions, and adjust eligibility, quotas and mortgage arrangements according to actual risk.

Appendix E: Eligible Household Demand Estimation Method

Overview and formula

This appendix explains the method used in Section 5.2 to estimate the number of young White Form HOS eligible households and the demand range. The purpose is not to predict actual application numbers in any single sales exercise, but to provide a broad planning estimate of the potential demand base for designated NM HOS projects.

The eligible household estimate is derived from the 2021 Population Census 5% microdata sample, using three types of applicant household estimates. The demand range is then calculated using two simple scenario assumptions: an application rate of 20% to 40% and an NM acceptance rate of 20% to 40%.

Step 1: Define the eligible young White Form household pool

The method first identifies people aged 18 to 39 who have lived in Hong Kong for at least seven years, are not live-in domestic helpers, drivers or gardeners, are not owners, and are not heads of PRH or interim housing households. Income eligibility is then applied after classifying relevant household types.

- Category A covers existing core family households. These households are counted directly at the household level and assessed against the White Form family income limit.
- Category B covers one-person households and unrelated persons. These individuals are counted directly as single-applicant households and assessed against the White Form one-person income limit.
- Category C covers unmarried adult children living with parents and other relevant adults in related-family households. These individuals are converted into households using age-specific household-formation rates. One-person household formation is assessed by individual income, while multi-person household formation is assessed by household income.

【Table 11】Young White Form eligible household base for residents aged 18-39

Component	Calculation method	Estimated eligible households
Core family households	Direct household count; household income test	~74,900
One-person households	Direct single-applicant household count; individual income test	~31,400
Adult children living with parents	Converted using age-specific household-formation rates	~143,700
Total eligible households	A + B + C	~250,100

Note: The estimate is based on the 2021 Population Census 5% microdata sample and filters by age 18-39, Hong Kong permanent resident status, non-ownership and White Form income eligibility. Core family households and one-person households are calculated directly at the household level. Adult children living with parents are converted into potential households using age-specific household-formation rates. The estimate cannot fully capture asset limits, past property ownership records, family support, application willingness or actual application combinations, and should be treated only as an estimate of the potential demand base.

Applying this method to the 2021 Population Census 5% sample and weighting by 20 times produces the estimates shown in【Table 11】an eligible household pool of about 250,100 households, including around 74,900 Category A core family households, 31,400 Category B direct single-applicant households and 143,700 Category C converted households based on household-formation rates.

This estimate responds to a policy question about White Form eligible households related to people aged 18 to 39. It should not be interpreted as actual application numbers or as a precise statistic.

Step 2: Apply a simple demand range

This report uses a simple demand range rather than a detailed behavioural model. It assumes that 20% to 40% of the estimated eligible young White Form household pool would actively apply for HOS under the proposal, and that 20% to 40% of those potential applicants would be willing to choose designated NM projects. The overall demand conversion rate is therefore 4% to 16% of the eligible household pool.
Both assumptions are for planning purposes only. The application rate is not an observed youth-specific application rate. The NM acceptance rate is not a prediction of actual project choice in any single sales exercise. Applying the combined 4% to 16% range to the eligible household pool of around 250,100 households produces NM HOS demand of about 10,000 to 40,000 households.

Three caveats should be noted. First, the Census-based eligible household pool uses 2021 data, and population, migration, labour-market and housing-market conditions have changed since then. Second, microdata cannot fully include all HOS eligibility criteria, including asset limits and past property ownership records. Third, the estimate cannot observe how eligible individuals would actually apply, for example individually, with a spouse or with other family members.

Step 3: Estimate NM HOS demand

【Table 12】shows that in the low-demand scenario, if 20% of eligible young White Form households apply for HOS and 20% of applicants are willing to choose NM projects, the combined demand conversion rate is 4% and estimated NM HOS demand

【Table 12】Scenario estimates of potential NM HOS demand

Scenario	Application and NM acceptance assumptions	Combined demand conversion rate	Estimated NM HOS demand
Low	20% application rate x 20% NM acceptance rate	4%	~10,000 households
Medium	30% application rate x 30% NM acceptance rate	9%	~22,500 households
High	40% application rate x 40% NM acceptance rate	16%	~40,000 households

Note: NM HOS demand is estimated as "eligible young White Form households x assumed application rate x assumed NM acceptance rate". The eligible young White Form household base uses the Table 11 estimate of about 250,100 households. The application rate and NM acceptance rate are scenario assumptions, not actual application rates or forecasts. The figures are intended to indicate potential demand scale under different policy scenarios.

is around 10,000 households. In the medium-demand scenario, if both rates are 30%, the combined conversion rate is 9% and estimated demand is around 22,500 households. In the high-demand scenario, if both rates are 40%, the combined conversion rate is 16% and estimated demand is around 40,000 households.

The results suggest that even under relatively conservative assumptions, there may still be around 10,000 young White Form households with potential demand for NM HOS. If application willingness and NM acceptance are higher, the demand scale may rise to around 40,000 households.

Limitations

Census microdata cannot fully include all HOS eligibility criteria, especially asset limits, past property ownership records, household application composition and detailed administrative eligibility checks.

The estimate is based on the 2021 Population Census. Since then, Hong Kong's youth population, labour force, migration patterns, income, housing preferences and HOS market conditions may have changed. The results should therefore be read as a rough Census-based planning proxy, not a definitive current administrative statistic.

The method estimates eligible households related to people aged 18 to 39. It is closer to HOS application logic than a simple headcount, but it cannot determine whether individual persons would actually apply alone, with a spouse or with other family members.

The Category C estimate depends on age-specific household-formation rates. These rates approximate the tendency to form households, but they may not fully capture the actual behaviour of young adults living with parents or other relatives and meeting income eligibility criteria.

The application rate and NM acceptance rate are scenario assumptions. They should be updated once actual take-up and project-selection data are available from designated NM HOS sales.

Reference

[1] Development Bureau, *Northern Metropolis Action Agenda* (2023); HKSAR Government, *The 2026–27 Budget*. Used for the scale and strategic context of Northern Metropolis development, including the broad housing and infrastructure framework.

[2] Huang, Ngau and Wong (2026), Housing Affordability and Homeownership in Hong Kong, 1985–2023, Hong Kong Economic Policy Green Paper. Used for the historical discussion of Hong Kong's homeownership trajectory, including the rise in the homeownership rate from the mid-1980s to 2002 and the role of subsidised homeownership in that increase.

[3] Hong Kong Housing Authority, *Annual Report 2024/25*; Housing Authority materials on HOS 2024 and HOS 2025. Used for recent HOS supply figures, including the statement that HOS 2025 will offer over 8,300 flats, up from 7,132 in 2024, and for recent oversubscription trends discussed in the paper.

[4] Hong Kong Housing Authority ballot and sales statistics, various years. Used for the paper's historical discussion of White Form HOS lottery probabilities, including the statement that White Form success rates were much higher in the earlier period and have since fallen sharply.

[5] Hong Kong Federation of Trade Unions (October 2024), **青年未來置業儲蓄計劃建議書**. Used for the discussion of the down-payment barrier as a first-order obstacle to youth homeownership and for the reference to FTU's policy contribution to this agenda.

[6] Hong Kong Housing Authority, current Home Ownership Scheme eligibility rules. Used for the White Form income and asset limits cited in the proposal, including the current monthly income limits and asset caps for single and household applicants.

[7] Hong Kong Housing Authority. (2023) *Memorandum for the Subsidised Housing Committee of the Hong Kong Housing Authority Mortgage Arrangements for Subsidised Sale Flats.*

[8] HKSAR Government housing and Northern Metropolis planning materials, including Long Term Housing Strategy Annual Progress Report 2025 and related policy documents. Used for the paper's discussion of the 10-year housing target of 420,000 units for 2026/27–2035/36, of which 294,000 are public housing, and for the broad timing of NM population intake and housing delivery.

[9] Census and Statistics Department, 2021 Population Census 5% Sample Dataset and User Guide; Census and Statistics Department, related household statistics. Used for the three-category applicant-household estimate, household composition variables, headship-rate construction, and the discussion of co-residence patterns and housing outcomes among younger adults.

[10] Census and Statistics Department, population and labour force statistics. Used for the paper's discussion of the decline in the young adult population and labour force, including the figures cited in the body text on the population aged 18–39 and the labour force aged 20–39, excluding foreign domestic helpers.

[11] Chinese University of Hong Kong, Institute of Asia-Pacific Studies (2024) public opinion survey. Used for the statement that around one in three respondents would emigrate if they could, and for the cited push factors including economic prospects, living conditions, and housing cost.

[12] HKSAR Government / Immigration Department materials on the Top Talent Pass Scheme. Used for the statement in the main text that the scheme brought in over 90,000 arrivals by end-2025.