

Sale of Public Housing - Implications

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By Stephen Chung BS BBuildg(HKU) MS in Real Estate Development(MIT) ARICS AHKIS MAACE PQS RPS
Zeppelin Property Consultants Ltd - Phone(852)24016388 / 6619 Fax (852)24013084
Real Estate Development, Investment, Asset Management, Marketing, and Operational Analysis

There has been much discussion on the above lately. Some viewed the issue from a macro-social policy angle while others concentrated on the price levels and the maintenance costs. From a real estate viewpoint, the implications may be :

1. More Hong Kong savings / money will be sunk into real estate : assuming the purchasers-to-be are the “relatively well-off” (whether in terms of personal savings or earning power) among the public housing residents, this means that savings / money from this social-economic strata whose savings / money previously might have gone into bank deposit accounts / stocks and so on, i.e. more liquid forms of assets, will now be channelled into real estate, an illiquid form of assets. Hence, the future overall capacity of this social-economic strata to meet sudden unforeseen financial needs will be reduced (in return for potential gain in real estate). This also means an even larger percentage of the population will be affected by future ups and downs in the real estate cycle than before though the target to have more homeowners (70%) out of the population is in the making.

2. More public housing units will be required : as some of these relatively well-off residents who might be contemplating moving up the real estate ladder previously will very likely buy and stay in their own public rental units now, and assuming the waiting time pledge (for the needy to move into public housing) is to be maintained / improved, more public rental units will be required and at a faster pace.

3. Certain residential projects in China may have their potential pool of clientele reduced, especially those catering to the lower-budget market : quite a few purchasers of such projects come from the (Hong Kong) social-economic strata mentioned and their dream of becoming home-owners could only be realized through purchasing a unit in these projects (mostly in the rural parts or smaller townships in Guangdong Province) as Hong Kong prices were out of their reach. Now, with Hong Kong public housing being priced similarly (prices of such projects in China generally range from HK\$150,000 to around \$400,000 per unit/house), this motivation will be depleted.

4. A potential partial break in the real estate upgrading process : apart from projects in China, these residents were also the potential purchasers for the residential units built under the various publicly-assisted home-ownership schemes whose owners might in turn wish to upgrade to privately-built developments. Now, this chain reaction may be partially disrupted or slowed.