

Home ownership for all?

Singapore's plan to make it possible for every working family to buy their own home has become the envy of Hongkongers. Can home ownership become affordable to all in Hong Kong if we follow its example?

UNDER Singapore's generous plan, even families earning as little as the equivalent of HK\$6,000 a month will be able to afford to buy public housing.

Many are asking why Hong Kong cannot do the same. Let us take a look at the factors that have shaped the respective housing policies of the two countries.

Subsidised home buying

LIKE Hong Kong, Singapore has limited land area and a big population. For a long time, purchasing a home in Singapore has been beyond the reach of many.

But things are changing in the Lion City. In a recent public speech, Prime Minister Lee Hsien Loong (新加坡總理李顯龍) set out his government's new housing policies, which included subsidised home purchase for all working families, including those with a monthly income as low as S\$1,000 (about HK\$6,000).

These people can buy publicly-built homes, similar to Hong Kong's Home Ownership Scheme (居者有其屋計劃) flats, without a down payment.

Combating poverty

SINGAPORE families in the lowest 10 percent income bracket are making an average of S\$1,644. Currently those earning less than S\$1,500 are **eligible** for rental of public housing.

In other words, families earning S\$1,000 a month are among the poorest in the country, and Lee has promised home ownership is possible even for this group of citizens.

Lee said home ownership is "an important way to share the fruits of our progress with all Singaporeans and to level up the poor".

Helping low-income families to buy their home is also a way to combat poverty. Lower housing expense allows families to save for things like education and medical care.

Upon retirement, home owners need not worry about rental expenses, and might even re-mortgage the property for cash to support their post-working life.

Over 80 percent of the people in Singapore are living in publicly-built – or what is called HDB (Housing and Development Board) – housing, with 95 percent owning their flats.

In Hong Kong, close to half of the population is living in public or private rental housing and many cannot afford to buy a home. So why is home ownership not a problem in Singapore?



Future government plans

1. Reclamation

Singapore has reclaimed over 13,000 hectares of land in the past 30 years, about a quarter of its original size. Present plans call for the expansion of land area by another seven percent by 2030 for the provision of 700,000 residential units.

2. State-owned land

Over 80 percent of land in Singapore is state-owned. Apart from reclamation, the state had also been expanding its land reserve through resumption of private land cheaply under its Land Acquisition Act (收回土地法). Since 2007, Singapore has been compensating private owners in land resumptions at market rate.

3. Revising land use

The Singapore government will implement a series of measures to maximise the use of its land resources:

- Building high-rise and high-density housing
- Changing land use
- Urban renewal

Low-income buyers

THERE are a host of measures to help low-income families to buy their own home. Apart from mortgage loans and monthly mortgage payment subsidies, buyers may also draw from their Central Provident Fund account to finance home purchase and mortgage payment.

A Lease Buyback Scheme (LBS) (屋契回購計劃) allows elderly households to unlock their housing equity to meet their retirement needs. 💡

HK: a different situation

HOME ownership is affordable to all in Singapore because, unlike the developed market in Hong Kong, housing supply in the Lion City is controlled by the government.

In Hong Kong, private developers **dictate** the pace at which new homes are built and the time they are put on the market. Factors that make it difficult for Hong Kong to emulate Singapore's near-universal home ownership policy include:

1. High land price policy

Since colonial days, Hong Kong has had a high land price policy and relied on land sale for public revenue.

Under this policy, a sudden increase in low-price housing supply will crash the market, impacting on public revenue and people's livelihoods. That was the effect of former chief executive Tung Chee-hwa's "85,000 housing policy".

The move **wreaked havoc** on the supply-demand balance. Home prices went into free fall, leading to an economic depression. Jobless rates shot up and homes became negative assets.

2. Land and housing supply

Building a **massive** number of cheap homes requires land. Figures last year showed that the government's **meagre** land reserve fell far short of demand. Also, it is hard for the government to conduct reclamation or to take over private land due to our non-paternal government style.

3. Tax system and retirement fund

Singaporeans are allowed to use their retirement fund to pay for their homes; Hong Kong people cannot. Hong Kong's low-rate tax **regime** means we cannot afford to subsidise everyone in their home purchase.



Key ideas

Singapore is able to make home ownership affordable to almost everyone in the community. Hong Kong's unique set of circumstances, such as the high land price policy, **reliance** on land sale revenue and a private sector-led housing market is making it difficult for us to go the Singapore route.

Did you know?

There were about 2.6 million flats in Hong Kong as at end-March 2012. Of these, 761,000 were public rental flats, 391,000 subsidised sale flats and 1.447 million private flats, housing 30.6, 15.8 and 52.9 percent of Hong Kong's population respectively.


Critical questions

1. Do you want Hong Kong's property prices to come down so that everyone can afford to buy a home?
2. Would you think differently if you were the owner of a residential property?

References

1. Public consultation on long term housing strategy
www.thb.gov.hk/eng/policy/housing/policy/lths/index.htm
2. 60 years of public housing in Hong Kong
www.info.gov.hk/gia/general/201306/27/P201306270657.htm
3. Housing supply in Hong Kong
www.legco.gov.hk/yr12-13/english/sec/library/1213in20-e.pdf

Comparison of the housing situation in Singapore and Hong Kong

	Singapore		Hong Kong
Population	5.3 million		7.1 million
Total households	1.152 million		2.389 million
Land area	715.8 km2		1,104 km2
Median household income	S\$5,000 (2010 census)		HK\$20,500 (2011 census)
Public housing households (tenants and owners)	81.6% (95% owners, 5% tenants)		45.7%
Families owning a home	90%		52.1% (36.5% private housing, 15.9% public housing)