

Hong Kong's middle class priced out of the housing market

Lina Vyas says the Hong Kong government must do more to help the middle class buy homes, starting with easing up on mortgage restrictions

PUBLISHED : Monday, 02 June, 2014, 8:13pm

UPDATED : Tuesday, 03 June, 2014, 1:33am



Where can the middle class afford to buy a home today in Hong Kong? Photo: Felix Wong

Housing has been a vital source of stress for most middle-class Hong Kong residents. No doubt, the government has repeatedly introduced cooling measures to ease the property market, but it seems that the sandwich class is being overlooked.

The supply of housing is on the rise, but it caters mainly to the high- and low-income citizens: the focus has been on public rental housing and high-end accommodation, and the government has been rightly criticised for favouring property tycoons. There is a gap in the supply of middle-class housing.

Housing is an important government policy area, comparable with education and medical care. But while all Hongkongers receive subsidised care in public hospitals and free basic education,

only those on lower incomes have access to subsidised housing. The middle class gets little help from the government, yet many cannot afford private housing on their own.

Buying a home is expensive in Hong Kong. Even very small apartments cost a fortune, and the first-time buyer is required to pay 30-50 per cent of the price as down payment.

The Hong Kong Mortgage Corporation (HKMC) offers mortgage insurance that allows the first-time buyers to pay just 10 per cent of the down payment. However, only prospective buyers of a property priced at no more than HK\$4 million - down from HK\$6 million previously - are eligible for the scheme.

The average cost of apartments ranges between HK\$10,000 to HK\$15,000 per square foot, and if a family with children and a domestic helper targets a three-bedroom apartment, they require HK\$2.5 million or more in cash to buy a home. They often cannot avail themselves of the mortgage help as the ceiling set is extremely low. The ceiling of the HKMC should be increased, and this could be more focused to meeting the needs of the middle class.

The government has recently loosened conditions for the double stamp duty, allowing families who want to move into a bigger home more time to sell their existing flat. This is a welcome move, but the first priority should have been given to people in queue for their first apartment and those living in rented apartments where the soaring rents are consuming large shares of their income.

Where can the middle class afford to buy a home today in Hong Kong? Affordability has worsened in the past few years, as home prices have climbed faster than incomes.

An added problem is that with the rising construction costs and labour shortages, it is getting increasingly challenging for property developers to keep housing affordable. The situation is expected to get worse over the next few years.

People have lost many years waiting for an affordable way of living. Thus, the government must take immediate action to address the housing problems of middle-income families by at least easing up on mortgage restrictions for them.

Home ownership can be regarded as a kind of welfare (or at least a kind of merit goods) in Hong Kong. Since housing is a kind of welfare or merit goods, the government should open up its access to all permanent residents.

Dr Lina Vyas is an assistant professor in the Department of Asian and Policy Studies at the Hong Kong Institute of Education

This article appeared in the South China Morning Post print edition as Priced out

