Housing Consumption of Assisted Home Ownership

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Abstract
The Hong Kong government has significantly adopted a “bricks and mortar” approach to addressing both housing shortages and home ownership. Due to downpayment constraint, many middle-low income households have not systematically availed themselves of opportunities to buy homes, despite the fact that they have relatively high incomes, and could have afforded it to a greater extent than it occurred. The government has, since 1978, developed its low cost home ownership initiatives - the Home Ownership Scheme (HOS). This has, on one hand, encouraged the large-scale transfer through transfer from the public rented sector to home ownership. On the other, it has assisted people at the margins into home ownership.

This paper first reviews the HOS and home ownership in Hong Kong and the international context. We analyse factors that affect housing consumption of HOS, highlighting the effects of household background characteristics. Our results indicate that housing consumption by HOS buyers is quite sensitive to income class. We also find that household size yields demand and substitution effects on housing consumption. However, the difference in housing consumption level between the HOS buyers from the public and private housing sectors is insignificance.

Keywords
home ownership, income elasticity, price elasticity, housing consumption, Hong Kong

Introduction
The public housing programme, first commenced in 1953, has been regarded as one of the paramount factors contributing to Hong Kong’s social stability and economic prosperity. The Hong Kong Housing Authority (HA) is an independent statutory body that was set up in 1973 to carry out the public housing programme. Over the years, the Authority has been producing housing for nearly half the population of Hong Kong. In 2003, a total of more than 150,000 families, or some 16% of the population in private sector, were on the Waiting List for public rental housing.1

The government sets home ownership as its main policy objective (Hong Kong Government, 2002). Home ownership is traditionally considered to have “intrinsic value”.? The value of home ownership is viewed as lying in attributes such as individual control, permanency, social status, happiness, and well-being as well as providing benefits as an investment good (Burns, 1988; Megbolougbe and Linneman, 1993; Saunders, 1990). However, Public Housing is always at the forefront of social controversy. Under the public housing scheme, households tend to consume less housing than their counterparts in the private sector with similar income and demographic characteristics.2 The vast majority of public housing residents lack the incentives