A STUDY OF HOUSING AFFORDABILITY IN RELATION TO ECONOMIC DEVELOPMENT IN HONG KONG

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Abstract
Hong Kong is one of the most densely populated urban environments in the world. Under its laissez faire free economy, the government dominates the supply of land. The government has applied different measures to ensure affordability in public housing, in rent setting as well as various subsidised-ownership programmes. Starting from minimal intervention towards privatisation, Hong Kong has adopted several measures to obtain a sustainable affordable housing environment along with its economic development, which can be a unique reference for housing provision of other developing countries. The prime intent of this paper is to investigate Hong Kong’s public housing policy towards affordability, in relation to various stages of economic development. This paper examines selected aspects of economic development in relation to affordable housing provision and its influence on households’ affordability. This paper investigates the role of GDP, inflation rate, housing price and households’ income on housing affordability and tries to identify the relationship between affordability and those economic indicators. The study suggests that housing price, income and inflation rate plays a dominant role on affordability rather than GDP.

Keywords
Affordability, public housing development, economic development, Hong Kong

INTRODUCTION

Hong Kong is one of the most densely populated urban environments in the world (Hong Kong, 2000)1. As a result of the landscape, the limited land supply, high land prices, and the location inclination of the populace, the most concentrated form of housing development in high rise construction has been adopted. Since the 1970s, rent setting at affordable level has been imposed to take care of the lower income group tenants’ affordability in housing. The government has financed the construction of over 1.3 million domestic units under public rental housing (PRH) and various subsidised-ownership programmes, which now accommodate about half of the population in Hong Kong (Mostafa et al, 2003; Hui et al, 2003). The production of affordable housing in the last 50 years by the Hong Kong government through the Housing Authority has demonstrated a successful case. The lower income group and the middle income group people benefit from heavily subsidised public housing, which can be used as a valuable reference for housing provision for other developing countries.

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