

Housing in Hong Kong, Singapore, Taiwan and South Korea: How different?

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Introduction

The four Asian Tigers, namely, Hong Kong, Singapore, Taiwan and South Korea, are often mistaken as economies with similar development strategies. Their economic development may have taken off around a similar period but their economic and social strategies and policies are markedly different, and housing is a case in point. In the following, the differences in government intervention in the housing sectors and housing conditions among the four Tigers are explored.

Government intervention: divergent models

Among the four Asian Tigers, the government of Singapore intervenes most heavily in the housing sector. It does not only build and provide housing to

84% of all households, it also provides mortgage loans at below-market interest rates to all public housing purchasers. Indirectly it further facilitates affordability by permitting its citizens to withdraw from the compulsory and high-contribution saving scheme, the Central Provident Fund, for downpayment and monthly mortgage loan repayment. It also vigorously implements a full home owning policy, with measures to stimulate home ownership and to suppress rental demand. Direct provision of housing (46% of households) is also of a large scale in Hong Kong, but not to the extent of that of Singapore. It nonetheless has no clear tenure policy except for a five-year period after 1997. The government provides public rental housing to 30% of the population, constituting the largest public rental sector among the four Tigers. Intervention in the private sector is also minimal, mainly limited to the anti-speculative measure at times of need. The long-held restriction on the loan-to-value ratio has also been relaxed indirectly through the insurance schemes. Although the government owns all land and is therefore the only



supplier of new land, the market principle is by and large adopted in land disposal, through the land application system.



In contrast to Singapore and Hong Kong, both South Korea and Taiwan have a much smaller public housing sectors, providing rental and owner-occupied housing to approximately 8% of all households. The provision of in-cash subsidies in the form of subsidized housing loans with below-market interest rates is of a greater scale in Taiwan (approximately 730,555 loans provided by 2000) than in South Korea. In the former, subsidized mortgage loans are provided to low income groups (even for the purchase of government housing), workers, civil servants, servicemen's dependents and indigenous people (Yip and Chang, 2003). In the latter, subsidized low-interest mortgage loans are provided by the government's National Housing Fund to selected builders, and the loans are assumed by home buyers at occupation (Park, 1998; Son *et al*, 2003). Nonetheless, in

order to restrict price appreciation due to the shortage problem, price control has been exercised in South Korea. A uniform price control was set regardless of unit size in 1977; but in 1985, unit size was factored in. Subsequently, construction costs became the major determinant of

price ceiling in 1989 (Kim and Kim, 2000; Son, *et al*, 2003). Also, until recently the South Korean government believed that land use and land supply controls were ways to combat speculation, and therefore the government had been in tight control of the zoning, development and supply of land in order to make housing affordable to the average households (Kim and Kim, 2000).

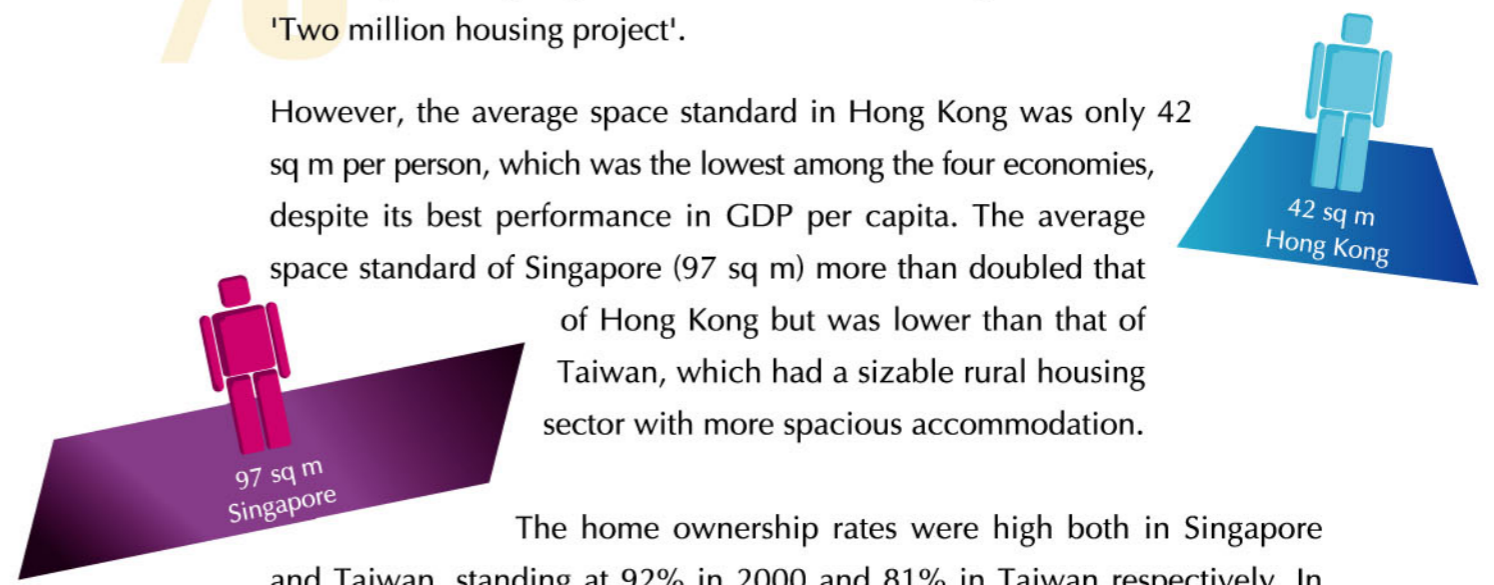
Housing conditions and performance: inevitable variations

Table 1 shows that the four Tigers, except South Korea, had no overall housing shortage as the supply ratios (i.e. the number of housing units against the number of households) were above 100%, with Singapore achieving as high as 116%. The shortage problem used to be acute in South Korea but it had significantly improved to 96% in 2000 owing to land reforms and the 'Two million housing project'.

However, the average space standard in Hong Kong was only 42 sq m per person, which was the lowest among the four economies, despite its best performance in GDP per capita. The average space standard of Singapore (97 sq m) more than doubled that of Hong Kong but was lower than that of Taiwan, which had a sizable rural housing sector with more spacious accommodation.

The home ownership rates were high both in Singapore and Taiwan, standing at 92% in 2000 and 81% in Taiwan respectively. In contrast, Hong Kong and South Korea had much lower home ownership rates, standing at 55% in 2001 and 59% in 1998 respectively.

The public rental sector was correspondingly very small in Singapore and Taiwan, standing at less than 7% and 3% respectively. However, while the public rental sector was large (32%) in Hong Kong, that in South Korea was very small - less than 8%.



price control

ratios



Nonetheless, there is a sizeable (30%) *jeonse* system in South Korea, which is a form of private rental housing, requiring tenants to make a deposit to about one-third of the housing price (Yoon, 2003). The price-to-income ratios in the private housing sector were all very high by international standards, ranged between 9 to 18.

However, in the sizable public housing sectors in Hong Kong and Singapore, the ratios dropped to 6 and 3 respectively. The housing conditions do not seem to have apparent relationship with economic performance, as measured by the per capita GDP/GNP. Hong Kong and Singapore had the highest GDP and the highest housing supply ratio, but other indicators do not follow a similar pattern.



Conclusions

Overall, the housing sector of Singapore, which received the most extensive and intensive government intervention, achieved the best performance among the four Tigers in terms of housing conditions. Taiwan's home ownership rates and space standards were also high but affordability seemed a bigger problem as most households had to seek housing services in the private sector where prices were high relative to income. There was a better affordability protection in Hong Kong as the public sector was larger and affordability was the major criterion in the determination of subsidy eligibility and the prices and rents of public housing. But home ownership and space standards were inferior in this former colonial city. South Korea's housing performance seemed to be less desirable except, perhaps, affordability protection with the price control, which nonetheless hampers supply. Thus, the comparison does demonstrate that there are significant differences in housing among the four Asian Tigers, both in terms of government interventions and housing conditions, which are closely related.

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Table1

Housing conditions of the four Asian Tigers

	Singapore	Hong Kong	South Korea	Taiwan
Population (Million) (2003)	4.2	7.4	48.3	22.6
Per capita GDP (USD\$ '000) (2002)	25.2	27.2	19.6	18.0
Number of Housing Units ('000)	1,031(2002)	2,333(2002)	11,472(2000) 1,916(Seoul)	6,471(2000)
Housing supply ratio (%)	116(2000)	102(2000)	96.2(2000)	About 100% (1.2 million surplus)
Owner-occupied housing (%)	92.3(2000)	55(2001)	59.2(1998)	81(1998)
Public rental housing (%)	2(2002)	31(2002)	8 (include public homeowners)	7.4(1989) (include public homeowners)
Average living area for each household (sq m)	97	42	n.a.	114

Sources: Chiu, 2005; The Hong Kong Housing Authority (Website: <http://www.housingauthority.gov.hk/en/aboutus/resources/figure>); Korea National Statistical Office, 2000 Population and Housing Census Report (website: http://www.nso.go.kr/eng/releases/e_spce00-4.shtml); Lee (2003); Ministry of the Interior, Construction & Planning Agency, Taiwan (website: <http://www.cpami.gov.tw/kch/statisty/qq8.html>); The World Bank (Website: <http://www.worldbank.org/data/>); Yoon (2003); and Yip and Chang (2003).