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## The Consequences of Home Ownership in Post-Handover Hong Kong

Deborah Davis and Kin-man Chan

### **Introduction**

For almost a half century the Hong Kong government has shaped the core parameters of the housing market and played the decisive role in developing one of the most extensive public housing programs in the world. In the 17 years between 1954 and 1971, the percentage of the population living in public housing rose from less than 1% to over 40%, while the percentage in owner-occupied units remained steady at around 20%. (Choi and Chan: table 1; *The Other Hong Kong Report* 1988:236 ; Lui 1995:110) Then during the 1980s as refugee immigration from China slowed and Hong Kong's economy moved from low-skilled manufacturing into high end financial, insurance, and service industries , the government steered the increasing number of households with financial resources to purchase a home into the market.<sup>1</sup> As a result in the last two decades Hong Kong has become a society where the majority of residents are owner-occupiers. In 1971 only 18% of households lived in owner-occupied homes; by 1981 it had risen to 28%, by 1986 to 35% and by 1996 45% (Lui 1995:110; Census 1996: 36). In 1998 the government

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<sup>1</sup> However the 1990 Social Indicators survey indicated that the desire to own, and the decision to buy was primarily due to lack of good rental alternatives rather than a primary desire to own real estate. (Lee 1992: 59)

announced a goal of 70% owner-occupancy by 2007 (Zheng 1998)<sup>2</sup>, and by 2001, 55% had entered the property market. (see table 1)

Insert Table 1 about here

A full explanation for these rising levels of home ownership, however, is not simple. In part, ownership increased in response to economic growth and new financial opportunities. As disposable incomes rose and a booming real estate market delivered high rates of appreciation and substantial capital gains, former renters and children of public housing tenants acquired the financial resources and incentives to enter the property market. (La Grange and Pretorius 2000; Lee 1999:58) However, even as some economic stimuli promoted ownership, others –such as the worsening ratio of home price to income that rose from 6.0 to 15.0 between 1988 and 1997( Lee 1999: 66)-- made ownership increasingly less affordable. Thus, as others have argued, Hong Kong residents moved into the property market in a mixture of considerations. (Lui 1995; La Grange and Lee 1999; Lee:1999). For example, the government’s policy to enforce more stringent means- testing pushed some families out of public rentals. Other government policies to support interest free loans, low down payments, and subsidized land prices explicitly promoted ownership among the lower middle class . Some renters were motivated to buy in part to satisfy deeply entrenched cultural values, such as the pervasive “ home hunger” among the large immigrant, refugee population who valued a home of their own for psychic as much as financial reasons. (Davis and Chan 1999)

Less often discussed than explanations for increased home ownership --- but of equal value for understanding contemporary Hong Kong society--- are the consequences of ownership. In the Government’s 1987 Long Term Housing Policy it was assumed that

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<sup>2</sup> At the same time, however, polls showed that support for public housing among the general population remained high. In summer of 1998 350,000 households were in the queue, and even under more stringent means testing the government expected to disqualify only the 20% whose net assets were more than the cost of a five year rental of a 500 square foot flat at current rates. South China Morning Post Sept 8, 1998:1 .A 1997 survey of 516 residents between the age of 20 and 34, 55% answered that couples should

owners were more rooted in their communities than renters and that therefore increased levels of home ownership would strengthen sense of belonging and create greater loyalty in the run-up to 1997. And in fact, analyses of the data from the 1988 and 1990 Social Indicators Surveys supported the conclusion that owners were more satisfied with their housing and more likely to perceive themselves as upper or middle class than renters ( Lee, 1990 and 1992). Yet other, more recent, multi-variate analysis challenges the argument that ownership per se independently shapes opinions or attitudes. For example, using responses of 687 mainly middle-income respondents, La Grange and Yip (2001) concluded that income and educational differences accounted for all significant variation between renters and owners, and that ownership status was a spurious variable.

In this chapter, we draw on the 2001 Social Indicators Survey to continue and extend this previous discussion of the social consequences -- rather than the determinants--- of home ownership. Using this representative sample of Hong Kong society we first summarize similarities and differences between renters and owners on a wide variety of background and attitude measures and then use multi-variate models to demonstrate that home ownership does exert an independent impact on overall levels of satisfaction and on class identity. In our conclusion we discuss why future research should examine how tenancy status interacts with economic class and gender differences in creating, significant axes of social differentiation.

### **Descriptive Overview of Renters and Owners in the 2001 Survey**

In terms of the range and types of tenancy arrangements, respondents in the Social Indicators Survey closely matched those in the 2001 Hong Kong Census. Among our respondents, 48% rented, and 52% were home owners. Of those renting 74% lived in public flats owned by either the Hong Kong Housing Authority or the Housing Society. Only 2.3% rented quarters from their employers and 13.5% rented in the private market.

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purchase a flat before marriage and 42% said they had plans to purchase.(HK Federation

Among owners , 43% had bought their homes through various government schemes and 56.5% bought on the market (see tables 2 and 3)

Insert Tables 2 and 3 about here

In terms of such demographic attributes as age, length of residency in current home, size of household, length of residence in Hong Kong and citizenship, there were no significant differences between renters and owners. On average respondents were 44 years of age, had lived in their flats since 1992, had lived in Hong Kong 31 years, had 3.46 persons in their households, had given birth or adopted 1.71 children, and had no second citizenship or official residency. (see table 4) However, owners were significantly more likely to have been born in Hong Kong and to live currently with a spouse. Owners were also less likely to have been widowed or divorced (7.9% as opposed to 4.2%) .

As one would expect given the high cost of home ownership in Hong Kong, socio-economic distinctions between owners and renters were large and statistically significant. Owners were on average better educated, more likely to be professionals or managers, and reported higher household incomes. (see table 4) Moreover, when most respondents (66.6% ) in the 2001 survey expressed that it was “very important/important” and only 33.5% thought that “it doesn’t matter” to own a flat, among owners the percentage saying owning was important rose to 87% and those saying it was unimportant fell to 23%.

Insert Table 4 about here

### **Impact of Ownership on Attitudes**

Given the owners’ higher incomes, better jobs, more stable marital situation and the general belief in the importance of home ownership, we initially hypothesized that

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of Youth Groups)

owners would be more satisfied with their lives and more optimistic about their futures. Specifically we expected that owners would report higher levels of overall satisfaction, a stronger sense of belonging to Hong Kong, have fewer plans to emigrate and be more likely than renters to say they planned home purchases in the future. However, our respondents only partially confirmed these expectations. That is, while owners did report higher levels of global satisfaction with their life, their family and leisure, they were not more likely to plan future home purchases, reject emigration, or have higher sense of belonging to Hong Kong. (see table 5) One of the reasons is probably due to the recent economic downturn in Hong Kong particularly in the property market. In the present survey, 33.2% of respondents reported that the financial crisis had reduced their aspirations to buy flats while only 8.2% reported that it had raised their aspirations. Chi Square test shows that higher income group and owners are more negatively affected by the crisis in this issue. The survey also showed that 26% of respondents believed that the government housing policy after 1997 had reduced their aspirations to buy flats while only 8.1% reported that it had raised their aspirations. These answers indicate that both the financial crisis and housing policy have net negative impacts on home ownership with the former being more devastating.

Insert Table 5 about here

With this gloomy property market as backdrop, people may wonder the social significance of home ownership in today Hong Kong. As noted above, La Grange and Yip found that when they controlled for age and income, significant differences between the opinions of owners and renters disappeared. Thus they concluded that “the existence of an autonomous ‘tenure effect’ and prevailing assumptions about the precise impact of tenure on beliefs and behavior are at best arguable and at worst simply wrong” (La Grange and Yip 2001: 305). In our analysis of these 2001 survey results, it is not appropriate to engage extensively with these authors’ elegant and extensive argument

about the failure of tenancy to function as effective social capital. However, we will use the 2001 survey to demonstrate why it is premature to treat tenancy status as a spurious variable and why future research therefore should continue to test for the impact of tenancy status on individual opinions and behavior. In support of this argument we present three multi-variate analyses that estimate the effect of ownership on measures of satisfaction and self-reported class identity.

*Ownership and Satisfaction:*

To assess the impact on satisfaction, we use responses to one question about satisfaction with life in general ( question 7) and a second question about satisfaction with one's family life ( question 8). In terms of basic frequencies, both male and female owners reported higher levels of satisfaction than renters of either sex. (see table 6) Whereas only 29% of male renters and 40.5% of female renters reported being satisfied or very satisfied with their lives , 55 % of male owners and 78% of female owners gave these replies. When asked about satisfaction with their family life, male and female renters both increased their level of satisfaction to 62.5% and 66.4% respectively, but they still fell below the levels reported by owners.

Insert Table 6 about here

Because owners reported higher average incomes and because attitudes toward family vary across the life course, we estimated the effect of tenancy status controlling for household income, age as well as gender. In each case the dependent variable was an index of satisfaction that ranged from very dissatisfied (score of 1) to very satisfied (score of 5). Both models were significant and in each equation, ownership had an independent positive effect. (see Table 7) Thus in contrast to La Grange and Yip's study of Hong Kong identity, we find that home ownership has an independent and positive impact.

However, it is noteworthy that for global satisfaction, there are significant gender differences, a finding that indicates that social consequences for home ownership can not be presumed to be of the same intensity for both men and women. We will return to this point in the conclusion.

Insert table 7 around here

### *Ownership and Class Identity*

In the extensive debate on property ownership and class formation, there are two opposing views about the importance of home ownership. On one side are Peter Saunders and Manuel Castells who argue that owners and renters inhabit two distinct social class positions, and on the other, such scholars as Ray Forrest and Alan Murie who emphasize the larger mediating socio-economic parameters and cross cultural variation (See Lee 1999 for an excellent review of the literature). In this chapter we can not do justice to the complexity of the intellectual debates about class raised in this larger literature, but in order to place our results from the 2001 Social Indicators project in dialogue with these debates, we briefly summarize our analysis of self-reported class identify. (question 28). Table 8 displays the distribution of responses. Overall, male and female owners were less likely to identify as members of the lower class and more likely to see themselves as middle or upper class. However, among renters we also observe a pronounced gender gap, with male renters far more likely than female renters to identify as lower class. The absence of a parallel division among owners suggests that for men, property ownership status is a more central consideration in adopting a middle or upper-class identity than it is for women. We turn now to discussion of the multi-variate logistic regression results.

Insert table 8 around here

In this model (see table 9) the dependent variable is identification as lower class in contrast to all other class identities. Overall the model is significant, and after controlling for gender, age, and household income, the distinction between owners and renters remains robust. Thus our results indicate that being male, being older, and having lower income foster an identity as lower class, but that being a renter independently strengthens lower class identity. These results do not directly confirm conclusions about the polarization of capitalist societies along the lines of two property classes, but they do support the less global hypothesis about an independent effect for property tenure on individual perception of class position.

**Conclusion:**

As a result of deliberate government policy as well as broad economic and socio-cultural trends, home-ownership became the majority experience in Hong Kong between 1997 and 2001. Despite extremely unfavorable price :income ratios that made home ownership far less affordable than in Europe or North America (Lee 1999:66) ownership rates increased after 1997 and the government remains committed to further reducing its role as supplier of low cost rental housing and to pressing for further marketization<sup>3</sup>. Thus differences in the lives of renters and owners offers a valuable indicator of the changing character of Hong Kong society. Overall ownership is associated with higher incomes and managerial or professional employment. Thus our results confirm the widely held assumption that economic class largely determines type and value of property claims and that home ownership can be used as a proxy for higher social class. However, as our analysis of both satisfaction and class identity reveal, economic class and home ownership can each have independent effects. Or to speak in

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<sup>3</sup> On Nov. 13, 2003, the Hong Kong Government announced nine special measures to boost the property market. These measures include suspension of construction and sales of Home Ownership Scheme flats, the suspension of mixed development by Housing Society and property developers, and the suspension of sales of public rental housing. People are encouraged to purchase flats in market, as the government continues to subsidize lower income home buyers; anti-speculation measures are removed, and the tenancy ordinance will be reviewed to attract investors in property market. The ambitious plan of achieving 70%

conventional Weberian terms, ownership creates a social status that shapes personal opinions independent of an individual's financial resources. Our results on the independent effect of gender for the level of global satisfaction and class identity, however, go beyond the most conventional explanations and indicate that gender significantly mediates the impact of property ownership. Thus in sum, our results confirm the value of treating property claims as an independent variable and also indicate the need for subsequent research to evaluate the role of gender differences as much as those between economic and property classes.

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owner-occupancy by 2007 was indirectly withdrawn but the role of market in housing provision has become even more significant.

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for more info as needed)

## **TABLES**

**Table 1: Domestic Households by Tenure (% of population)**

Tenure	1981	1991	2001
Owner-Occupier	27.9%	42.6%	55%
Renters*	65.2%	53.0%	45%
Rent Free	2.5%	1.1%	NA
Provided by Employer	4.4%	3.3%	NA
Total	100%	100%	

\* includes sole-tenants, co-tenants, main tenants, and sub-tenants in both privately and publicly owned flats.

Sources: Lee (1992):56; HK 2001 Census ([www.info.gov.hk/hplb-h/eng/housei/hous\\_p1.htm](http://www.info.gov.hk/hplb-h/eng/housei/hous_p1.htm))

**Table 2: Residential Property Ownership (% of population )**

Ownership Type	1981	1991	2001
Public Rental	38.9%	40.5%	31.9%
Home Ownership estates	0.6%	7.5%	16.9%
Private (owners and renters)	51.2%	47.4%	49.0%
Temporary	8.5%	3.6%	1.1%
Institutions	0.8%	1.0%	1.2%
Total	100%	100%	100%

Sources: Lee (1992) :56; Hong Kong 2001 Census ([www.info.gov.hk/censtatd/fas/01c/cd0142001e](http://www.info.gov.hk/censtatd/fas/01c/cd0142001e))

**Table 3 Housing Tenancies among the 2001 Survey Respondents**

	Renters N=384	Owners N=413
New Housing Authority Flats	62.5%	
Old Housing Authority Flats	4.9%	
Government Low Cost and Interim Flats	1.0%	
Mark IV and V		1.9%
Housing Society Rental Flats	3.9%	
Housing Authority Purchase Scheme	8.1%	7.7%
Housing Authority Purchase in Private Sector		33.4%
Housing Society Purchase Schemes		2.2%
Private Residential Blocks	13.8%	56.5%
Village houses		0.2%
Staff Quarters	2.3%	
Total	100%	100%

**Table 4 Similarities and Differences Among 2001 Survey Respondents**

	Renters (N=384)	Owners (N= 413)	Owners (N=797)	Total Sample
<i>Demographics</i>				
Age	45.0 yrs		43.2 yrs	44.1 yrs
Years in Hong Kong	30.5 yrs		32.5 yrs	33.2 yrs
Persons in household	3.48	3.45	3.46	
Number of children	1.69	1.72	1.71	
Born in Hong Kong	51.3%	61.7%*		56.7%
Overseas citizenship/ Residency	5.7%	8.6%	7.2%	
% living with spouse				
Men	61%	73.5%*		67.6%
Women	57%	65.9%*		56.7%
<i>Socio-Economic Background:</i>				
Primary School or less				
Men	34.3%	17.4%*		25.5%
Women	41.4%	24.4%*		32.6%
% professional/manager job among men				
	23.5%	56.8%*		42.7%
Monthly Income of main breadwinner				
	13,468HKD	19,209HKD*	16,682 HKD	
% household income over 40,000 HKD				
	7.3%	23.4%*		15.5%

\* p<.05

**Table 5 Variation in Attitudes Among 2001 Respondents**

	Renters (N=384)	Owners (N= 413)	All Respondents (N=797)
Satisfied with My life	35.1%	57.1%*	46.6%
Satisfied with My family life	64.6%	80.5%*	72.8%
Satisfied with My leisure life	41.7%	50.4% *	46.3%
Plan to Emigrate	5.8%	7.8%	6.8%
Strong Sense of Belonging To HK	56.3%	57.6%	56.0%
Housing is a good investment	26.0%	21.0%	23.3%
Plan to Buy Property in Next 2 years	18.1%	17.4%	17.7%

\* p<.05

**Table 6 Percentage Satisfied or very Satisfied with their Lives**

		Renters	Owners	
Overall	Men	29.1%	55.1%	N=375
	Women	40.5%	58.8%	N=416
With family	Men	62.5%	83.0%	
	Women	66.4%	78.2%	
	N=	379	412	

**Table 7 OLS Regressions for Levels of Satisfaction Among 2001 Survey Respondents**

	Global Satisfaction	Family life
	Coefficients Beta (se)	
Household Income	0.074 *** (.012)	0.063*** (.010)
Female	0.164 ** (.061)	0.033 (.050)
Age	0.003 (.002)	-.002 (.002)
Owner	0.212** (.065)	.118* (.053)
Constant	2.463*** (0.161)	3.286*** (.133)
Adjusted R squared	.092 N=673	.095 N=670

\*\*\* p<.000, \*\* p<.01 \*, p<.05

**Table 8 Class Identity (% among property type)**

	Women		Men		
	Renters (N=188)	Owners (205)	Renters (174)	Owners (191)	Owners
Lower	28%	9%	42%	11%	
Middle-lower	32%	32%	12%	6%	
Middle	37%	55%	24%	44.5%	
Upper-middle	2%	4%	1%	6%	
Upper	0	0	1%	3%	

Chi square among women 26.592 df=4p<.000, among men 52.891 df=5 p<.000

**Table 9 Logistic Regression on Class Identify**

Identify as member of lower class

	B (se)	Wald	df	Significance
Female	-.572 (.213)	7.180	1	.007
Age	.022 (.007)	9.010	1	.003
Owner	-1.183 (.229)	26.631	1	.000
Household Income	-.251 (.044)	31.931	1	.000
Constant	.207 (.534)	.151	1	.698

N= 659

Model chi-square 134.489 df=4 sig p<.000

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