

A free run for speculators

From the remarks of the acting Financial Secretary, Mr David Jeaffreson, in Legislative Council this week there is no doubt that the Government does realise that speculators are feeding the building boom and is not unhappy about it.

It also is ignoring the consequences of allowing this speculative boom to continue on the pretext that effective and acceptable measures of control are not easy to devise.

No form of control is easy to devise or apply but the Government would do well to give very much more careful study to the dangers of unchecked speculation than it has done so far.

For it is apparent that the Government has only viewed the boom in very basic and simplistic terms.

Mr Jeaffreson seemed to welcome the fact that speculation, by adding to demand, further stimulates supply of housing.

And the result is that the Commission of Rating and Valuation can credit 30,000 new private residential units this year and next, compared with the annual average of 19,000 over the last five years.

On the face of it, then, Hongkong will complete more housing units in the next two years than it has completed in the last three, and as there is no doubt that a demand exists by many people to own their own home, this trend is officially endorsed.

Yet the Government does not seem to have considered the effect this has in terms of financing the boom, the overheated state of the construction industry and the trend to ever higher labour costs, and finally the cost to the average home buyer.

More and more bank loans are going into what looks like an industry that cannot lose.

At the same time because of the hectic demand for construction, building costs are moving up faster than for many years past.

Prices of new homes are rising in many cases to ridiculous heights and the unchecked activities of speculators who have the resources and the means to jump in before the flats are offered on the market, are adding a thick padding to the ultimate price that the small buyer has to pay.

The result is that the genuine home buyer, whom all this activity is supposed to benefit, is having to pay higher and higher prices.

And for those who cannot afford to buy it means that rents continue to rise.

In the case of most families the present level of prices cannot be financed on the income of the breadwinner doing a single job. Either he or his wife has to look for additional work or cut corners elsewhere in his budget.

The high cost of bank loans even for the initial deposit is also taxing in the extreme.

It may well be argued that when costs rise above the ability of the people to afford these homes natural forces will come into play to bring prices down.

But it may well be asked whether we are not creating another massive speculative bubble of the kind that burst in March, 1973 in the share market.

A slump in the housing market will undercut the profits of speculators to some extent, but it will cause more damage to the construction industry and its workers, the owners who will be left with unsold apartments and ultimately the banks and finance houses who have over-extended themselves financing these projects.

The Government is being asked to curb speculation, not discourage home-ownership, and this means tackling those who go into housing for quick profits by taxing them heavily on resales within a period of, say, two or three years.