The Driving Forces Behind The Recent Housing Market Development In Hong Kong

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Abstract
By examining the driving forces behind the recent housing market development in Hong Kong, this paper offers an explanation for the effects of the “Capital Investment Entrant Scheme”, movements in the exchange rate between HKD and RMB, and the expectations of new completion of residential units on the prices of different classes. Induced by record-low mortgage rates and decreasing amount of new dwelling units completion, housing prices in Hong Kong surged to a record high level recently. To test the equilibrium price of housing, co-integration tests will be used to identify whether there is housing bubble in recent property market. The last section will discuss current policies to curb speculation and to check housing price inflation. The discussions will focus on effectiveness of the special stamp duty and whether housing prices index futures would be a good alternative to the special stamp duty to curb speculation.

ALL ARE WELCOME