How Hong Kong can reimagine its greatest asset: people's homes

Abstract: Hong Kong's fiscal crisis is structural, driven by the collapse of land sale and stamp duty revenues alongside rising ageing-related spending. Short-term austerity and higher debt risk undermining competitiveness without fixing the problem. This article argues that selling public rental housing units to existing tenants offers a better alternative than tax hikes or spending cuts. Monetising public housing could generate substantial revenue, reduce welfare traps, promote home ownership and labour participation, and fund long-term investment, helping restore social mobility and economic vitality.

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The city badly needs new revenue sources, and selling public housing units to tenants offers a better solution than painful cuts or new taxes.

Hong Kong's public finances are crumbling. For decades, the city's fiscal health relied heavily on land sales. Between 2012 and 2022, land sales contributed an average of 14 per cent of government revenue. However, in 2024-25, land sales plunged to just 1 per cent of revenue, or about HK$6.6 billion (US$848 million), a stark contrast to the average of HK$77.9 billion for the preceding decade. At the same time, stamp duty revenues have also fallen off. A revival of these revenues is unlikely in the near term.

Meanwhile, public spending continues to rise. Healthcare and pension costs – fuelled by a rapidly ageing population with more than 30 per cent of residents aged 65 or older by 2035 – are expected to balloon. Financial Secretary Paul Chan Mo-po's recent budget is aimed at plugging immediate gaps, with measures including salary freezes and headcount cuts in the civil service, reductions in university funding and issuing HK$150 billion to HK$195 billion in bonds each year over the next five years.

These measures provide short-term relief but risk mortgaging Hong Kong's future while doing little to fix the city's underlying structural problems. Borrowing could push public debt to 12 to 16 per cent of gross domestic product, while austerity threatens the city's competitiveness. As the world enters a new wave of technological and industrial transformation, governments worldwide are increasing investment in strategic fields. Education funding is needed to build talent pipelines and university-driven innovation. Competitive salaries are necessary for maintaining public service quality and attracting foreign investment. The city needs to raise new revenue, but how? Some have suggested taxes on goods and services, value added or capital gains – topics long considered taboo in a city widely known for its low taxes. However, these would also undermine Hong Kong's competitiveness.

A potential answer lies in one of Hong Kong's underutilised assets: its 850,000 public rental units, which house about a third of its population. Selling these units to tenants could generate transformative revenue. Even at a 25 per cent discount o\ the market price – which is roughly

HK$2 million per unit – a decade-long sell-o\ could yield up to HK$1.3 trillion, which is enough to cover more than 14 years of the current deficit of HK$87.2 billion.

This approach echoes the United Kingdom's "right to buy" scheme, which empowered millions of tenants. Starting in the 1980s, about 2 million social housing units were sold through the programme, which boosted home ownership and injected vitality into stagnant housing markets. Right-to-buy receipts also generated £47 billion (US$61.6 billion) in revenue for the Treasury.

Enacting such a policy in Hong Kong would bring several benefits. First, it would empower residents for whom home ownership remains out of reach. Selling public units at an affordable rate would provide a stepping stone to home ownership without sacrificing subsidies, allowing residents to build equity and improve financial stability. Ownership also enables greater mobility, allowing households to upgrade their living conditions.

Second, it would reduce welfare traps. Low rents currently disincentivise upward economic movement. Income limits for public housing discourage many tenants from seeking higher-paying jobs. Ownership eliminates this barrier and incentivises asset-building and entrepreneurship.

Third, it would fuel growth. Revenue could be reinvested in infrastructure, education and population expansion, which are critical for maintaining Hong Kong's role as a global hub amid China's continued rise as an innovative superpower.

Shifting focus to building ownership homes, rather than subsidised rental housing, could further bolster the city's finances. New public ownership flats cost about HK$1.1 million to build but sell at an average of about HK$4 million on the open market. Even if sold at a 25 per cent discount, building 50,000 ownership units annually would generate HK$92.5 billion each year. By contrast, building rental housing is a pure drain on public coffers. They cost HK$970,000 per unit and are leased at only HK$2,000 per month. Even without factoring in maintenance, it takes about 40 years to recoup construction costs.

Expanding the sale of subsidised ownership housing would not only refill Hong Kong's coffers, it could also help solve the city's acute shortage of affordable homes – a crisis that has stifled economic growth and social stability for far too long. By repairing the broken housing ladder and alleviating the logjam in the rental market, a reformed fiscal model could revitalise upward social mobility and increase Hong Kong's attractiveness to international talent.

Hong Kong's fiscal woes stem from structural shifts, not cyclical dips. Reliance on land sales is untenable, and austerity and debt are unsustainable.

By monetising public housing, the city can avert austerity, invest in growth drivers and foster social mobility.

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This strategy isn't just fiscally prudent – it's a catalyst for renewal. As global competition intensifies, Hong Kong must choose between short-term patchwork or visionary reform. The latter begins with reimagining its greatest asset: people's homes.

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