

Part I

SO YOU WANT TO OWN A HOME OF YOUR OWN, DO YOU ?

For the average family man, anywhere in the world, it is highly unlikely that he will be able to calculate the running costs of owning a home at today's prices and, further, trying to calculate a financial projection with regard to owning his home, say five years down the road, would be way over his head.

In Hongkong, this is especially true – and in spades.

But every family man dreams of being able to have a home of his own because he has been taught that renting a home is throwing money away and/or it only makes the rich man even richer.

What most people do not seem to realise – until it is too late – is that bricks and mortar are, very often, illiquid assets.

When times are difficult, it is the '*little*' man, who has invested nearly all of his savings into his home, who turns out to be among the biggest of losers.

The family man, who brings his wife to see a new, prospective home, is subject, more often than not, in being influenced by his wife's initial excitement, predicated by impulse rather than weighing the pros and cons of owning a home as opposed to renting one.

The Hongkong Government of today seems to be intent on building tens of thousands of homes for those who, for the most part, can ill afford a flat of their own.

If anything, the Hongkong Government could be criticised for the gross error in its planning in promoting, surreptitiously, and/or by innuendo, that everybody should be entitled to own their own home.

As with that newly married man whose wife is expecting their first child, while it would be nice to secure a home for this little expanding family, the question of being able to find the wherewithal to accommodate the ever-increasing running costs, meeting the interest charges on the debt load, owed to the bread-winner's bank, periodic renovation costs and occasional furniture additions to the family home, these burdens, all of which are associated with owning a home rather than renting one, and, at the same time, saving some money for those guaranteed unexpected crises, is never analysed, objectively.

The above considerations are rarely given careful thought because it is a forgone conclusion that all will pan out in the end.

Only too often, the worst financial scenario for the recently married couple is never envisaged – sadly ... until it is thrust upon the couple.

Then, it is far too late.

The impulse-buy syndrome takes precedence, far too often, when the newly married wife, eyes wide open as she visualises how her new home will look after she takes over, turns to her husband with a smile, spreading from ear to ear, a smile that could melt an iceberg: It says it, all.

Once that down payment on the new home has been made, the painters have finished putting colour on the interior walls of the new home, the new furniture is in place and the all-important kitchen is shining like a proverbial new penny, and a party is held in order to show off the new home, it will be defended with every ounce of strength that the family can muster and, if the economy turns south and the equity on the new home falls too low too quickly, the probability is high that that family will end up the biggest of all losers.

The banks may lose some money, but the little family has lost nearly everything.

And the Hongkong Government is quite likely to be blamed, one way or another, for the little family's financial ruin.

The new home will end up on the books of the mortgagee and the mortgagor will still have a debt to repay to the bank.

And, once again, the little family will be looking for a home to rent, their dreams, having been truly shattered.

One would have thought that the many recorded incidences of housing bubbles in many parts of the world, bubbles that eventually have burst, leaving many a family, in many cases, destitute, would have been lessons for governments to take serious note.

The People's Republic of China, certainly, realised the prospects of a housing bubble, being formed, last year, and ordered its banks to put the brakes on lending to its citizens that appeared to be unable, long term, to honour the financial commitments, associated with owning a home.

The Government of The United States of America, to this day, rues the situation that it witnessed when prices of homes peaked in early 2006, then, started to decline, throughout the remainder of 2006, and continued to decline in 2007, reaching new lows in 2012.

The 2006 housing bubble that burst in the US is credited, today, for the recession that followed in its wake.

The largest drop in the price of homes in the US was recorded on December 30, 2008.

A massive credit crisis followed the bursting of the US housing bubble; its effects are still being felt.

Fanning The Flames

One would think that the more-recent annals of boom and bust in housing markets would have made prospective home-owners cautious about incurring debts of the kind, associated with funding the initial cost of owning a home.

But that is not the case.

Everybody is greedy and all governments, directly or indirectly, promote greed. That is the essence of a market economy.

When, however, governments start to fan the flames of greed among the lower-to-middle-income sectors of a society by suggesting that it is the right of every family to own a home, without cautioning that that right should be concomitant with the ability of would-be home-owners to honour the financial obligations that go hand-in-glove with such ownership, then, it must be said that that government is irresponsible.

It is playing with fire.

Stretching a family budget too far – as happened in the US in 2006 and 2007 – is the formula for financial chaos.

The Government of Hongkong, today, appears to acting in the manner of a doctor, suggesting to his patient to eat more vegetables and fruit in order to reduce his weight as a matter of urgency and, then, in the next breath, extolling the virtues of eating kau yuk () at a certain Wanchai restaurant where the pieces of fatty pork cubes are the juiciest and, therefore, the tastiest.

**Part II of this series will be published on
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