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Investors skewing property market

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Several days ago, Premier Lin Chuan (林全) said that the government has no plans to intervene in the property market, adding that its priority is to stabilize property prices, as continued price increases and dramatic decreases would be damaging.

However, the government was happy to introduce some reforms to stimulate the housing market, he said, for example through social housing programs, the rental sector or housing loans.

Given this, it is worth looking closer at the whether the policy actually holds water.

Saying the government feels that continued intervention at this point would be inappropriate is essentially a rejection of the failings of current property market policy, and a recognition that something needs to be done. It also seems to betray the fact that the government is none too clear on the distinction between "government intervention" and a "healthy market."

In the past, businesses and the media have tried to simplify housing policy by neatly dividing it into two categories — government intervention and government support — to the extent that they have come to regard the former as being part of the supportive policies essential for creating a healthy, robust property market.

This has masked the fact that the government only seems to be concentrating on short-term interventionist or supportive housing policies, and neglecting the establishment of a self-regulating housing market system for the long term. The upshot of this is that the government has merely responded to fluctuations in the market and continued its established policy, perpetuating the regime of vacillating between the two approaches. This has prevented it from dealing with the fundamental problems in the market.

It is also a matter of perspective. In the eyes of investors and those in the real-estate industry, much of the current raft of policies — such as adjustments to the integrated housing and land tax, taxes on land speculation, house tax, or land value tax; restrictions on mortgage investment levels or interest rate increases; local government checks on old buildings or setting land price levels; or even insisting on the provision of information on the actual price of transactions, or levying fines for the provision of inaccurate information — are interventionist.

However, for academics or members of the public, these policies are aimed at promoting a healthy, robust property market. Surely, any concrete policy is interventionist in nature.

Everyone has their own opinions about whether the government should stop pursuing interventionist policies and what policies should be regarded as such. There are some who say that the government should adopt a laissez-faire approach and let the market regulate itself, with particular regard to its wish that property prices remain stable — after all this would only result in the maintenance of today’s price levels, which many consider to be unreasonable. To allow them to remain at current levels would be to distort the market.

On the other hand, if ending interventionist policies is aimed at establishing a more reasonable market in the long term, this might avoid market crashes or the creation of uncontrolled price volatility.

These would include improvements in the way prices for pre-sold and rental properties are registered; more accurate and transparent information on housing market supply and demand and sales; adequate rewards and disincentives for the real-estate sector; and rights guarantees for people buying or renting property. All of these measures would ensure that the property market mechanism works as it should, and that property-price fluctuations would be kept in check organically and without the need for further government intervention.

Taiwan differs from many European countries and Singapore, Hong Kong and even China, where the state has a lot of influence over the property market. In Taiwan, the market is left largely to its own devices, with the government, for the most part, keeping a distance.

How the government chooses to bolster the property market has a considerable bearing on the success of that market. At present, a considerable proportion of government resources allocated to property, including personnel, budget, land and laws and directives are tied up with the construction and provision of 200,000 units of social housing within eight years. The resources available for mortgages or the small amount of rental subsidies available to assist the housing market are negligible. Those allocated to guarantees of, or improvements in, the quality of housing, are nominal at best.

Provisions such as these are clearly inadequate in the face of the challenges concerning the property market that we are now facing. The government should now prioritize a review of how its property policy resources are allocated.

The most egregious problem with the property market at the moment is the fact that property is seen as a product to invest in, rather than a place in which people can build a home for themselves. The extreme commodification of housing has affected its very nature of being a place to live and this has introduced imbalance into the market.

When Lin announced that the government would stop intervening in the market he should have also said that it is against the commodification of property. This would have ensured that the government’s housing policy would not have been distorted, and that there is some consensus on the allocation of resources.

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Translated by Paul Cooper

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