

# Shenzhen to use Hong Kong's public housing system as a model for retaining talent

The innovation hub plans to designate 300,000 new homes as affordable housing for “talent”, but analyst says the new policy may create unfairness

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The government of Shenzhen, southeast China's economic powerhouse which has the fastest growth in residential property prices worldwide, will try to “learn from Hong Kong's public housing system” in a bid to prevent the best talent from leaving the city.

The city is exploring ways to build a housing welfare system similar to that in Hong Kong, providing homes to people on middle and low incomes, the mainland-based 21st Century Business Herald reported, quoting unnamed officials at Shenzhen's housing planning authority.

A key feature of Shenzhen's proposed system is that a considerable proportion of the public housing provided would be specifically aimed at “talent”.

Shenzhen, the mainland's innovation hub, has become the centre of attention in China, held up by the authorities as a role model of economic transformation and wealth accumulation.

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Xu Hongcai, China Center for International Economic Exchanges

Many observers, however, have questioned the city's ability to attract and retain young talent - innovators, entrepreneurs and tech startups - as costs become increasingly unaffordable.

According to an official document issued jointly by the local authority and the Communist Party's Shenzhen commission at the end of July, in the next five years the city will build 400,000 property units as social housing, of which 300,000 will be earmarked to accommodate "talent".

A list of criteria for defining "talent" should be compiled, the document said, without stating who is responsible or giving a timeline for their introduction.

Xu Hongcai, deputy chief economist at the China Center for International Economic Exchanges in Beijing, said the policy might create "unfairness".

"It is pretty hard to define who is a talent and who is not, if the Shenzhen government's target is to retain individuals with innovation ability and entrepreneurship who are contributing to the success of this city," he said. "Because it is such a large group, the selection would be tougher than picking some research elites for universities' labs."

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Xu Hongcai, China Center for International Economic Exchanges

Property price in Shenzhen have surged 76 per cent since the start of 2015, and are now the second highest in the world behind San Jose in America's Silicon Valley, Longview Economics' CEO Chris Watling said during an interview with CNBC earlier this month.

The house price-to-income ratio is running at 70 times in Shenzhen, compared to around 16 times in London, he said.

Some of Shenzhen's technology companies have been feeling the pinch from the city's skyrocketing real estate costs. Telecommunications firms Huawei and ZTE have both reportedly relocated part of their manufacturing operations out of Shenzhen to regions with lower costs.

"Sizzling property price is adding pressure to both companies and individuals. It is indeed worrying for not only Shenzhen but also the Chinese economy, as in the short term it is hard to find a replacement if Shenzhen's vitality is killed by high property price," Xu said.

The government's official document said the increased land supply required for building social housing should account for no less than 60 per cent of the total new land supply annually, over the next five years.

Ma Xingrui, the party chief of Shenzhen's municipal government, recently said the city planned to set up a company with 100 billion yuan (HK\$116.28 billion) of capital, focused on solving the problem of housing talent, 21st Century Business Herald reported.

<http://www.scmp.com/business/article/2023744/shenzhen-use-hong-kongs-public-housing-system-model-retaining-talent>