

Public Housing in Singapore: Examining Fundamental Shifts

Introduction

Public housing is a critical and inescapable part of Singapore's physical, social and political landscape. Today, about 82% of Singaporeans¹ live in flats built by the Housing and Development Board (HDB)—a statistic that is uniquely Singaporean.

Having provided mass housing that is generally acknowledged to be of good quality and affordable for many, Singapore's public housing system has been cited as a remarkable success. In 2010, HDB won the UN-Habitat Scroll of Honour for "providing one of Asia's and the world's greenest, cleanest and most socially conscious housing programmes".²

But despite its seeming success in the first fifty years since it was established, public housing has become a bone of contention for many Singaporeans, especially in the years leading up to Singapore's 2011 General Election (GE2011).³ Then, the People's Action Party (PAP) suffered its lowest winning margin since independence—a result that reflected public unhappiness with a variety of issues, including rising housing prices.

Since GE2011, the government has been busy adjusting public housing policies to address public dissatisfaction. Are these changes enough to address public concerns, or are more fundamental reforms needed? This case seeks to examine this question.

This case is presented in three sections. It first traces Singapore's public housing programme from its inception till today, unpacking its core policy objectives and the key policy levers. The case then reviews the challenges that have cropped up in recent years, and the policy adjustments implemented in response. In the final section, different policy alternatives are laid out and their feasibility in Singapore's context assessed.

Section 1: History of Public Housing

During the colonial period, Singapore's housing was concentrated in ethnic-based districts within the city centre, around the Singapore River. Housing in these enclaves primarily took the form of shophouses where multiple families lived in confined, often dangerous and unsanitary spaces. Housing in the outskirts comprised traditional kampungs⁴ with farmland, and the large estates of wealthy Europeans and locals.

¹ Department of Statistics, "Singapore: Latest Data", http://www.singstat.gov.sg/statistics/latest_data.html#18 (accessed 23 June 2014)

² HDB Press Release "HDB receives UN-Habitat Scroll of Honour Award 2010 on World Habitat Day" Oct 4 2010, <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/4838AD31FCDB3BB8482577B2002F6590?OpenDocument> (accessed 23 June 2014)

³ Kenneth Paul Tan "Singapore in 2011: A "New Normal" in Politics?" *Asian Survey* 52, no. 1 (2012): 220-226.

⁴ Kampung is a Malay word that refers to the traditional village communities in which the majority of Singaporeans resided in.

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By the 1920s, the poor and increasingly crowded living conditions in downtown Singapore prompted the British colonial government to establish the Singapore Improvement Trust (SIT). The SIT, a statutory board, was designated as Singapore's town planning authority, and it undertook road construction and general improvement works within the city. In 1932, the SIT's authority was expanded to include the provision of low-cost houses and apartments for those in lower income groups.⁵

Over the span of 23 years, the SIT constructed a total of 23,000 residential units⁶, which proved insufficient in light of the baby boom of the early 1950s. The SIT was dissolved in 1959 and the Housing and Development Board (HDB) was established in 1960⁷, with a mandate to embark on a far more aggressive public housing building programme. Its primary objective was to provide affordable housing for the masses, not just for the poor.

This was achieved in the beginning by providing Singaporeans with affordable rental housing.⁸ However, as Singapore and Singaporeans grew more affluent, HDB's focus shifted towards promoting home ownership, achieving a higher quality living environment, and fulfilling residents' aspirations. (Refer to **Annex 1** for details of the changes over the years.)

Home Ownership for the People Scheme

The cornerstone of Singapore's current philosophy towards public housing lies in the Home Ownership Scheme, introduced by the government in 1964. The Scheme established a link between affordable housing and home ownership. Consequently, in Singapore affordable housing has become synonymous with flats that one can buy directly from the Government at 99-year leaseholds, or through HDB resale markets.

Policy Objectives of the Home Ownership Scheme

Singapore's public housing policies are shaped by several tenets.

1. 'Skin in the Game' : Anchoring Stability

Most Singaporeans in the 1960s were first generation immigrants who had moved to Singapore in search of a better life, and who did not feel a strong sense of belonging to the newly independent Singapore. Therefore, the government sought to establish a population that had a firm stake in the country that would vote responsibly and contribute to political stability, identify with the country's long-term interests, and be willing to defend it. Providing home ownership was seen as a way to achieve this nation-building goal.

In the words of then Prime Minister, Lee Kuan Yew,

My primary preoccupation was to give every citizen a stake in the country and its future. I wanted a home-owning society. I had seen the contrast between the blocks of low-cost rental apartments, badly misused and poorly maintained, and those of house-proud owners, and was convinced that if every family owned its home, the country would be more stable... I had seen how voters in capital cities always tended to vote against the government of the day and was determined that our householders should become homeowners; otherwise we would not have political stability. My other important motive was to give all parents whose sons would have to do national service

⁵ Singapore Improvement Trust, *The Work of the Singapore Improvement Trust, 1927-1947* (1948).

⁶ Remarks by Mr. Peter Ho, Chairman of the Urban Redevelopment Authority, Urban Redevelopment Authority, Sept 18 2013, <http://www.ura.gov.sg/uol/media-room/speeches/2013/sep/pr13-58.aspx> (accessed June 23 2014)

⁷ Hui Heng Tan, Sock-Yong Phang, *The Singapore Experience in Public Housing* (Times Academic Press, 1992)

⁸ Wong, Aline Kan, and Stephen Hua Kuo Yeh, *Housing a nation: 25 years of public housing in Singapore*, (Brook House Pub, 1985).

a stake in the Singapore their sons had to defend. If the soldier's family did not own their home, he would soon conclude he would be fighting to protect the properties of the wealthy. I believed this sense of ownership was vital for our new society which had no deep roots in a common historical experience.⁹

Given this strong push for home-ownership, as little as 5.7 per cent of HDB's housing stock today consists of rental units, and only Singapore citizens and permanent residents with very low total household incomes (i.e. S\$1,500 per month and below) are allowed to rent these units from HDB at highly subsidised rates.¹⁰

2. Affordability for All

While Singapore is by no means a welfare state, and its safety nets have been designed to be a 'last resort, not a first resort'¹¹, its approach to housing is quite different. Fairly generous and broad-based public housing subsidies are provided to ensure affordability, and therefore wide-spread home-ownership. Housing, along with education and healthcare, are sectors where the government's provision of subsidies is enjoyed by a largest proportion of the society¹², as opposed to being narrowly targeted at the poor.

To maintain the link between affordable homes and home ownership in land-scarce Singapore, the HDB sells new public housing units at below market prices.¹³ When the policy was first introduced, to make ownership more desirable than renting, HDB priced homes such that those with incomes below \$800 would be able to purchase an apartment and incur monthly mortgage payments lower than the prevailing rental price for a similar unit.¹⁴

Today, the price of a new HDB apartment is calculated based on the cost of construction and land cost less a discount rate. The exact formula for the calculation is not available in the public domain.

Along with the subsidy that is factored into the sale price, the government also provides additional grants that can be used for the initial payment or to reduce the mortgage loan for the flat purchase. This takes the form of Additional and Special CPF housing grants for lower and middle-income Singaporeans purchasing their first homes. The subsidy schedule for these grants has become more progressive in recent years. Additionally, a Step-Up CPF Housing Grant was introduced in August 2013 to help families in subsidised 2-room flats in the non-mature estates upgrade to 3-room standard flats in non-mature estates.¹⁵ (Refer to **Annex 2** for an overview of the HDB grants and subsidies.)

Prior to 1994, purchase grants were only available to those who purchased new apartments directly from the HDB. This was changed in 1994, and two basic grants that could be used to offset the purchase price were made available to those who purchased a resale apartment: a general lump sum grant and an additional grant for those who purchased an apartment near their parent's home. The grants were deposited into the purchasers' CPF accounts upon approval of the purchase of the resale

⁹ Lee Kuan Yew, *From Third World to First: The Singapore Story 1965-2000* (Singapore Press Holdings, 2000)

¹⁰ David Reisman "Housing and superannuation: social security in Singapore" *International Journal of Social Economics*, Vol. 34 No. 3, 2007, pp. 159-187

¹¹ Prime Minister Lee Hsien Loong, "Budget Speech 2005", http://app.mof.gov.sg/singapore_budget_archives.aspx (accessed June 23 2014)

¹² Ministry of Social and Family Development, "Multiple Lines of Assistance", <http://app.msf.gov.sg/Assistance/MultipleLinesofAssistance.aspx> (accessed June 23 2014)

¹³ HDB InfoWEB, Top FAQs, "I hear that property prices are going up. Can I still afford an HDB flat?" <http://askhdb.hdb.gov.sg/Themes/HDB/Answers.aspx?MesId=9565386&From=Show&TOPV=YES&VMesID=4425993>, (accessed June 04 2014)

¹⁴ Hui Heng Tan, Sock-Yong Phang

¹⁵ Housing Development Board, "CPF Housing Grant"

<http://www.hdb.gov.sg/fi10/fi10321p.nsf/w/BuyingNewFlatStepUpGrant?OpenDocument> (accessed June 04 2014)

apartment.¹⁶ Fearing that beneficiaries may seek to monetise these various housing subsidies immediately, the government introduced the minimum occupation period and a debarment period.

- a. *Minimum Occupation Period (MOP)*: To minimise the use of HDB units as investment vehicles and tools for property speculators, HDB legislated a Minimum Occupation Period (MOP) during which the flat owner is unable to sell or rent his apartment. He or she is, however, allowed to sublet a room within the apartment. The MOP was originally set at 3 years but was increased to 5 years in 1973 and has remained since.¹⁷
- b. *Debarment and Resale Levies*: To prevent the exploitation of the HDB subsidies by second time applicants, the HDB introduced a debarment period. During that period, a household who had already received one round of public housing subsidies would not be allowed to apply for public housing during the debarment period. Up to 1975 the debarment period was for one year. In 1975 it was increased to two and the half years. This was eventually replaced by a resale levy based on flat type, first introduced in 1982,¹⁸ and revised in 2006.¹⁹ Today, the resale levy ranges from \$15,000 to \$50,000.

3. Financial Security and Retirement Adequacy

With more than 80% of the population owning a HDB flat, housing is an important asset and potential source of retirement funds for those who choose to put their money into property, rather than keep it as liquid savings.²⁰

Recognising this, the government, in the 1990s, shifted its focus towards the *enhancement* of housing assets through various upgrading schemes. (Refer to **Annex 3** for details of the various upgrading schemes.) This enhancement in asset value was intended to distribute the fruits of economic growth, improve HDB living conditions and increase household wealth through property price appreciation.²¹

To meet the needs of an ageing population, the government has, in recent years, established different schemes aimed at allowing elderly households to monetise their housing asset.²² These include **sub-letting** part of, or the entire, apartment, **down-sizing** to a smaller apartment or moving in to live with family members²³, or selling part of the flat's lease back to HDB for cash via the **Lease Buyback Scheme (LBS)**.²⁴

The LBS is a monetisation option available to those aged above 63 and residing in a 3 room or smaller HDB apartment. Under the LBS, the elderly home owner sells part of their flat lease to HDB

¹⁶ Phang, Sock-Yong. "Housing policy, wealth formation and the Singapore economy." *Housing Studies* 16, no. 4 (2001): 443-459.

¹⁷ Phang, Sock-Yong. "The Singapore model of housing and the welfare state." *Housing and the New Welfare State : Perspectives from East Asia and Europe. Research Collection School Of Economics.*(2007), http://ink.library.smu.edu.sg/soe_research/596 (accessed June 23 2014)

¹⁸ Ibid.

¹⁹ HDB InfoWEB, Resale Levy, <http://www.hdb.gov.sg/fi10/fi10322p.nsf/w/SellFlatResalelevy?OpenDocument> (accessed June 25 2014)

²⁰ Shanmugaratnam, Tharman, "Committee of Supply (Speech 1)", Parliament of Singapore, 5 Mar 2012

²¹ Ho, David Kim Hin, Eddie Chi-man Hui, and Muhammad Faishal Bin Ibrahim. "Asset value enhancement of Singapore's public housing main upgrading programme (MUP) policy: A real option analysis approach." *Urban Studies* 46, no. 11 (2009): 2329-2361.

²² "Singapore Budget 2014: Reverse mortgages for elderly HDB flat owners being seriously studied: Khaw", *The Straits Times*, 10 Mar 2014

²³ An eligible elderly household who chooses to top-up their CPF Retirement Accounts (RA) with proceeds from right-sizing and join CPF LIFE - See more at: <http://business.asiaone.com/news/news/singapore-budget-2014-reverse-mortgages-elderly-hdb-flat-owners-being-seriously-studied#sthash.Cw1rLGTn.dpuf>

²⁴ Ibid.

and retains a 30 year lease. The proceeds from sale are used to purchase a CPF LIFE annuity plan which will provide the elderly home owner a monthly income for life.²⁵

4. Meeting Aspirations: Improving quality and variety

As Singapore's population grew more affluent in the 1980s, people started having higher expectations of public housing. In response, HDB began to construct homes with higher quality fittings, and sought to improve the design and layout of the neighbourhood and common facilities. The government also embarked on an ambitious upgrading programme to rejuvenate older estates. (Details of changes in **Annex 1**.)

The HDB also began to diversify and provide 'aspirational housing' options – the Design Build and Sell Scheme (DBSS) and Executive Condominiums (ECs).

The DBSS was introduced to cater to the aspirations of a more affluent society. Under the DBSS, the HDB would sell land to private developers who would design, build and sell HDB apartments. The terms of the sale were similar to standard HDB units except that the pricing was not directly set by the HDB but by the private developer. Units built under the DBSS generally had better quality fittings in their units and more amenities in the common spaces.

In 1995, the HDB launched the EC scheme which was meant to provide private housing at affordable prices to the upper-middle income group. ECs were designed, constructed and sold by private developers. These developers would be able to buy the land for construction directly from the government. The buyers of ECs were entitled to housing grants similar to that offered to the buyers of regular units. ECs were to be privatised after 10 years, allowing their owners to sell them freely in the open market. The monthly income ceiling for the direct purchase for ECs currently stands at \$12,000, \$2,000 more than the ceiling for standard HDB flats.

5. Promoting Strong Family Ties and Social Integration

- a. **Pro-family ties:** HDB apartments were initially only available to Singaporeans who constituted a family nucleus to promote the creation of families in Singapore. This scheme was further enhanced through various subsidies and priorities granted to families, particularly those with children. The HDB was also used to encourage families that could afford it, to have three or more children through increased priority in the application for larger apartments. Families were also given additional subsidies if they were to purchase a home near either of their parents.

In 1991, single Singaporeans above the age of 35 were allowed to purchase a HDB flat from the resale market. In 2013, this scheme was extended to the purchase of new, subsidised apartments directly from the HDB, to address the concerns of single Singaporeans being priced out of the resale and private property market.²⁶

- b. **Ethnic Integration:** During the 1950s and 1960s Singapore experienced a number of racially motivated riots. The government decided that Singapore's diverse ethnic composition had to be carefully integrated if the nation were to achieve its social and economic goals. Housing was viewed as an effective tool through which this policy objective could be achieved.²⁷

²⁵ HDB InfoWEB, Maximise your finances with your flat, <http://www.hdb.gov.sg/fi10/fi10325p.nsf/w/MaxFinancesOverviewLeaseBuyback?OpenDocument> (accessed June 25 2014)

²⁶ Lee Hsien Loong, "Prime Minister Lee Hsien Loong's National Day Rally 2012 (Speech In English)", *Prime Minister's Office*, http://www.pmo.gov.sg/content/pmosite/mediacentre/speechesinterviews/primeminister/2012/August/prime_minister_leehsienloongnationaldayrally2012speechinenglish.html#.U4vZUSjb72M (accessed June 2 2014)

²⁷ Sim, Loo Lee, Shi Ming Yu, and Sun Sheng Han. "Public housing and ethnic integration in Singapore." *Habitat International* 27, no. 2 (2003): 293-307.

Although only officially implemented in 1989, the Ethnic Integration Policy (EIP)'s origins can be traced back to the 1970s, where the HDB allocated new apartments in a manner that would give a 'good distribution of races' to different new towns.²⁸ HDB blocks and estates had clearly defined racial quotas, which meant that in any estate and in any block there would be a diversity of ethnic groups more or less reflecting the composition of ethnic groups in the country. This quota is also enforced in the secondary resale market.

- c. Socioeconomic integration:** Different sizes of HDB flats are intended to cater for different income groups. For instance, the less well-off typically occupy two or three-room flats while middle class Singaporeans typically reside in four or five-room flats. By design, each HDB block offers a mix of flat types, in order to achieve a reasonable socioeconomic mix.²⁹

Key Policy Levers

1. Land Acquisition Act

To achieve its goal of (near) universal home ownership, the government had to own sufficient land to be able to construct the necessary number of HDB apartments. To do so, the Land Acquisition Act (LAA) was enacted in 1966, empowering the government, through agencies of the state such as the HDB, to acquire land for any public purpose.³⁰ This included the construction of HDB apartment blocks. An amendment to the LAA in 1973 further enhanced the government's land acquisition powers, as it allowed the government to acquire land 'at the market value as of Nov 30, 1973 or the date of the gazette notification whichever was lower'.³¹ From 2007 onwards, the state used current market value as the primary basis for compensation.³²

2. CPF and Home Financing

Having acquired sufficient land to construct flats, the government had to now ensure the population, still relatively poor in the mid-1960s, would have the financial ability to purchase a HDB apartment. To address this issue, the government utilised the Central Provident Fund (CPF). The CPF was originally established by the colonial government in 1955 as a compulsory retirement savings plan for employees. Both employers and employees contribute to the fund. As it was meant to be a retirement fund, the bulk of the money could only be withdrawn at 55 (the retirement age in 1955).³³

In 1968, the government enacted legislation that allowed for the use of CPF funds to finance the purchase of HDB apartments.³⁴ This policy was coupled with the 1964 Home Ownership Scheme to encourage Singaporeans to purchase, rather than to rent, a home. This legislation is viewed by some commentators as the crucial ingredient in explaining the government's success in promoting home ownership in Singapore. Allowing for the use of CPF funds minimised the cash outlay needed to purchase a HDB apartment. CPF savings can be used to pay for the down payment of an apartment

²⁸ Kyunghwan Kim, Sock-Yong Phang, "Singapore's Housing Policies, 1960-2013", KDI School & World Bank Institute, <https://www.kdevelopedia.org/mnt/idas/asset/2013/11/19/DOC/PDF/04201311190129109073270.pdf> (Accessed June 23 2014)

²⁹ Yap Chin Beng, "Homes for a Nation — Public Housing in Singapore" *Ethos*, Issue 2, April 2007, <https://www.cscollge.gov.sg/Knowledge/ethos/Issue%202%20Apr%202007/Pages/Homes-for-a-Nation-Public-Housing-in-Singapore.aspx> (accessed June 4 2014)

³⁰ Chua, Beng-Huat. "Not depoliticized but ideologically successful: the public housing programme in Singapore." *International Journal of Urban and Regional Research* 15, no. 1 (1991): 24-41.

³¹ Kyunghwan Kim, Sock-Yong Phang

³² Centre for Liveable Cities, "Urban Systems Studies: Land Acquisition and Resettlement: Securing Resources for Development", 2014, http://www.clc.gov.sg/documents/uss/USS_Land_Acquisition_and_Resettlement.pdf (accessed June 04 2014)

³³ Kyunghwan Kim, Sock-Yong Phang

³⁴ Edelstein, Robert H., and Sau Kim Lum. "House prices, wealth effects, and the Singapore macro economy." *Journal of Housing Economics* 13, no. 4 (2004): 342-367.

and also to service the monthly mortgage payments. The use of CPF funds to purchase private properties was allowed in 1981.³⁵

3. Resale Market

Up till 1971, there was no resale market for HDB apartments. If an owner wished to sell his apartment he had to do so directly to the HDB. The HDB would purchase the apartment at ‘the original purchase price in addition to the depreciated cost of improvements’.³⁶

In 1971, the HDB created a resale market for its apartments. Owners were able to sell their units at market price to buyers of their choice if they had fulfilled the minimum occupation period.³⁷ Only citizens who did not own any other residential property, had a minimum household size of two persons forming a ‘family unit’, and with household incomes below a stipulated income ceiling, were eligible to purchase new or resale HDB flats.

In 1989, the income ceiling restriction was removed from HDB resale flats; the resale market was also opened to permanent residents as well as private property owners. HDB flat-owners could now also invest in private sector built dwellings. Single citizens above the age of 35 have also been allowed to purchase HDB resale apartments since 1991³⁸.

4. Build-To-Order Scheme

Up till 2002, HDB apartments were sold under the Registration for Flats System (RFS). Under this scheme, applicants would register for a unit in their desired location and be allocated an apartment based on availability – effectively a queue system where applicants were allocated apartments that were either under construction or that had been completed. However, when the housing market plummeted in 1997 due to the Asian Financial Crisis, demand dried up and 20,000 flats were left without takers. HDB was criticised for over-estimating the demand and for wasting public resources as these unsold flats stood empty.³⁹ At the same time, it proved politically untenable to reduce the prices of the unsold flats as similar units in the same block or neighbourhood may have been sold earlier at higher prices. In 2001 the RFS was suspended and all applicants were diverted to the Build to Order (BTO) program.⁴⁰ Under the BTO programme the construction of blocks does not commence till a sufficient number of units are sold. As the current BTO programme is demand-led, applicants typically wait for about four years for their apartments to be constructed.

Section 2: Contemporary Challenges

The Home Ownership Scheme has been around for half a century. This section examines the effects of the scheme, and details the recent policy shifts in response to emerging challenges.

1. Matching Housing Demand

In 1960, HDB had a total housing stock of 120,138 units. This figure rose rapidly and as of 2013 stood at 933,367.

However, the implementation of the BTO system, coupled with a determination not to repeat the mistakes of oversupply in the 1990s, resulted in a slower growth of the housing stock. (See **Exhibit**

³⁵ Kyunghwan Kim, Sock-Yong Phang

³⁶ Ibid

³⁷ Wong, Aline Kan, Stephen Hua Kuo Yeh

³⁸ Phang Sock-Yong, (2007)

³⁹ “Budget: Head T - Ministry of National Development” *Parliament of Singapore*, 28 Feb 2008, http://sprs.parl.gov.sg/search/topic.jsp?currentTopicID=00002942-WA¤tPubID=00004755-WA&topicKey=00004755-WA.00002942-WA_1%2B%2B (accessed June 3 2014)

⁴⁰ Singapore Infopedia, “Housing and Development Board (HDB)”, http://eresources.nlb.gov.sg/infopedia/articles/SIP_1589_2009-10-26.html (accessed June 23 2014)

1.) From 2002 to 2010, 10,000 flats or fewer were built each year—a low number that eventually led to a backlog of unmet demand.⁴¹

Minister of National Development, Khaw Boon Wan aimed to address this unhappiness by ramping up the supply of new units. In a blog post in October 2011, he highlighted the government’s aim to meet the housing demand of first time applicants.⁴² From 2011 to 2013, HDB ramped up their building programme, churning out an average of 26,000 flats a year to clear its backlog⁴³—a large jump from the 30,000 new dwelling units built between 2006 and 2010.⁴⁴

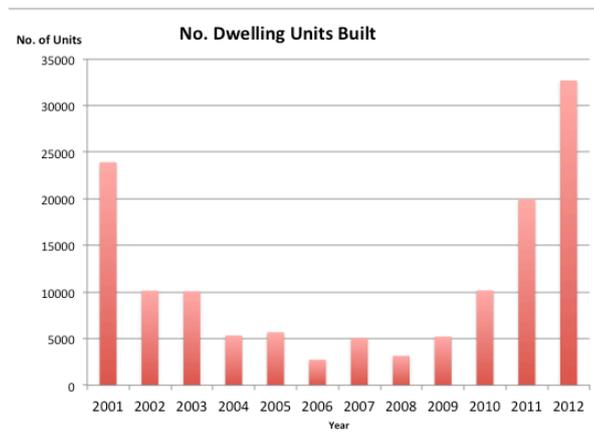


Exhibit 1: Number of HDB Dwelling Units Built Per Year. Source: HDB Annual Reports 2006-2013, <http://www.hdb.gov.sg/fi10/fi10320p.nsf/w/AboutUsAnnualReports?OpenDocument>

2. Affordability

There are two distinct markets that affect the affordability of HDB apartments: the direct purchase BTO market and the resale market.

Resale Market: Prices of resale units are set by market forces. The government does not directly intervene in the setting of prices in the resale market. **Exhibit 2** plots the change in the resale price index over time. The chart also shows a correlation between the prices of private properties and HDB apartments.

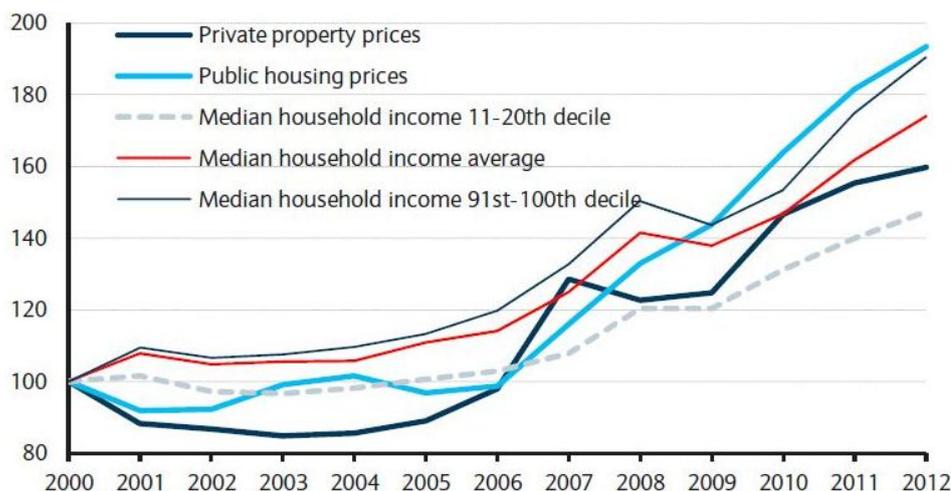


Exhibit 2: Source: Department of Statistics, Barclays Research

The affordability of public housing was a hot button issue in GE2011.⁴⁵ As the government liberalised its immigration policies to address Singapore’s low total fertility rate (TFR), the increase in population, among other factors, led to a rapid increase in housing prices. Escalating housing

⁴¹ Janice Heng, “Reining in the runaway housing market” *The Straits Times*, May 10, 2014, <http://www.stproperty.sg/articles-property/singapore-property-news/reining-in-the-runaway-housing-market/a/164048> (accessed June 5 2014)

⁴² Light at End of the Tunnel, Housing Matters, MND, <http://mndsingapore.wordpress.com/2011/10/03/light-at-end-of-tunnel/>

⁴³ Khaw Boon Wan, “2013: A Productive Year” *Housing Matters*, Dec 30 2013, <http://mndsingapore.wordpress.com/2013/12/30/2013-a-productive-year/>

⁴⁴ HDB, “HDB Annual Report 2012/13: Key Statistics”, <http://www10.hdb.gov.sg/eBook/AR2013/keystatistics.html> (accessed June 4 2014)

⁴⁵ Jessica Cheam, “Staying Cool in the Hot Seat”, *The Straits Times*, June 3 2013

prices made public housing increasingly inaccessible to many young Singaporeans. Their concerns are summarised in the findings of the Singapore Centre for Applied and Policy Economics⁴⁶:

For young HDB resale home buyers the main problem with rising house prices is housing accessibility, not so much long-run affordability. For example, a 4-room HDB resale flat in expensive areas is inaccessible to income groups below the 30th percentile. Even the 2-room and 3-room HDB apartments in low-priced areas like Yishun and Woodlands are inaccessible to low income groups below the 20th percentile. It should be noted that the estimated savings by age 29 for low income groups appear too optimistic. This means that the accessibility problem may be more severe than what our estimates indicate.

In particular, the high ‘cash over valuations’ (COV), which refers to a cash premium that buyers pay in excess of the valuation of an HDB flat, became a political hot potato as new records made news headlines. The median COV reached a peak of \$36,000 in mid-2011, while prime areas like Marine Parade saw COVs hitting \$95,000 in 2011.⁴⁷

To ‘cool’ the property market, the government, through the Ministry of Finance (MOF) and the Monetary Authority of Singapore (MAS) intervened to implement various prudential and regulatory measures, such as the introduction of higher stamp duties for sellers who sold their properties in the first three years, an additional buyer’s stamp duty on the purchase of the second and subsequent properties, and the imposition of a total debt servicing ratio on borrowers. These measures were driven by the intention of cooling the demand for property in Singapore. (The details are summarised in **Annex 4**.)

The impact of these measures was eventually felt in early 2014: resale prices of HDB flats in April 2014 were 5% lower than the same period the year before⁴⁸

In 2014, Minister Khaw also announced changes to the resale processes which shifted negotiations over price away from COVs. Firstly, HDB announced that it will publish daily prices of resale transactions as soon as they are registered, instead of fortnightly after the resale transactions are approved. Secondly, HDB will only accept valuation requests from resale flat buyers after the buyers have been granted an Option to Purchase (OTP) by the seller.⁴⁹ These changes were aimed at getting flat buyers and sellers to negotiate based on recently transacted prices, rather than base their negotiations off COVs, which had become a point of public contention.

BTOs: Up till 2011, HDB had adopted a market-based approach in the pricing of new flats. The price of resale flats transacted within the same neighbourhood was factored into the calculation. As presented earlier, the exact formula by which HDB prices apartments in the direct purchase market is not made known to the public; what is known is that apartments are sold at building cost and land cost less a discount. How large the discount is – and therefore how large the size of the implicit subsidy by government – is not known. This opacity has led some to speculate that there is in fact no government subsidy, and the government has even profited from the sale of HDB flats.

Such an impression was reinforced by the fact that the market-based approach to pricing had resulted in escalating new flat prices as the resale market started climbing upwards in 2007. In response, in

⁴⁶ Singapore Centre for Applied and Policy Economics, “Recent trends in Housing Accessibility and Affordability”, <http://www.fas.nus.edu.sg/ecs/scape/recenttrend.html> (accessed June 23 2014)

⁴⁷ Jessica Cheam, “Resale flat market hots up again”, *The Straits Times*, Jul 23 2011, <http://www.stproperty.sg/articles-property/singapore-property-news/resale-flat-market-hots-up-again/a/17118> (accessed June 5 2014)

⁴⁸ “HDB Resale Prices Dip”, *The Business Times*, May 9 2014, <http://www.stproperty.sg/articles-property/singapore-property-news/hdb-resale-flat-prices-dip-02-in-april/a/163979> (accessed June 23 2014)

⁴⁹ MND Press Release “A Stable Housing Market, Better Homes for All” Mar 10 2014, <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/A656E10CAFBB81948257C9700243AC0?OpenDocument> (accessed June 05 2014)

2011, the government decided to change the long-standing BTO pricing model to ‘delink’ new flat prices from the resale market and hold them steady by varying the discounts offered to new flat buyers.⁵⁰ Thus, even as the resale market continued to rise from 2011 to 2013, the government had to fork out larger subsidies to buyers in order to hold BTO prices steady.⁵¹ Minister Khaw during the 2013 Committee of Supply debate stated, "We have stopped BTO prices from rising [...] We can now pause and see what else we can do to bring BTO prices in non-mature estates to say, around 4 years of salary as it was before the current property cycle started."⁵²

3. *Retirement Adequacy*

As discussed earlier, an important means of retirement funding for Singaporeans is the savings in their CPF account. With the high levels of home ownership and with many homeowners using their CPF savings to finance the purchase of their home, retirement adequacy and home ownership have become closely intertwined in Singapore’s context.

While housing represent an asset that can be monetised to finance an older person’s retirement, older Singaporeans have generally been quite reluctant to monetise their flats via HDB’s schemes, preferring instead to age in their own homes and also to leave their flats to their children.⁵³ To date, the take-up rates of HDB’s monetisation schemes remain rather low.⁵⁴ Given that Singaporeans hold an estimated 75-80% of their net retirement wealth in property,⁵⁵ Singaporeans’ reluctance to liquidate their flats might leave them “asset rich but cash poor” in old age.

In March 2014, MND announced plans to review enhancements to existing options, as well as study reverse mortgage as another option.⁵⁶

4. *Meeting Aspirations*

HDB’s attempts to provide more choice and variety for buyers through the introduction of the DBSS and EC schemes proved somewhat controversial and problematic. During the 2013 Singapore Conversation, participants who expressed discomfort with the EC scheme articulated their view that the Government should focus on providing basic housing for the majority of the population, and that luxury housing in gated communities should be left to the private market to provide. Furthermore, as EC buyers benefited from generous subsidies in addition to huge capital gains, they feared the scheme could widen the wealth gap.⁵⁷ Similarly, other respondents reflected that the DBSS flats

⁵⁰ Robin Chan, ‘BTO prices delinked by ‘varying discounts to first-timers’, Feb 6 2013, <http://www.stproperty.sg/articles-property/singapore-property-news/bto-prices-delinked-by-varying-discounts-to-first-timers/a/103982> (accessed June 4 2014)

⁵¹ Rachel Chang, “New HDB flats to become cheaper” *The Straits Times*, Mar 11 2013 <http://news.asiaone.com/News/Latest%2BNews/Singapore/Story/A1Story20130310-407509.html> (accessed June 5 2014)

⁵² “Plans to Bring BTO Prices to around 4 years of salary: Khaw Boon Wan” *Asiaone*, March 9 2013, <http://news.asiaone.com/print/News/Latest%2BNews/Singapore/Story/A1Story20130309-407428.html> (accessed June 23 2014)

⁵³ HDB “Public Housing in Singapore: Well-Being of Communities, Families and the Elderly, HDB Sample Survey 2008”, 2008, 157, [http://www.hdb.gov.sg/fi10/fi10297p.nsf/ImageView/Survey2008/\\$file/Monogram+2+Lores_R1.pdf](http://www.hdb.gov.sg/fi10/fi10297p.nsf/ImageView/Survey2008/$file/Monogram+2+Lores_R1.pdf) (accessed June 5 2014)

⁵⁴ “Elderly not ready to leave flats for Silver Housing Bonus” *Asia One*, Feb 20 2012, <http://news.asiaone.com/News/Latest+News/Singapore/Story/A1Story20120220-329015.html>, and MND “Written Answer by Ministry of National Development on Silver Housing Bonus”, <http://app.mnd.gov.sg/Newsroom/NewsPage.aspx?ID=4506&category=Parliamentary%20Q%20&%20A&year=2013&RA1=&RA2=&RA3=> (both accessed June 4 2014)

⁵⁵ David Reisman

⁵⁶ MND Press Release “A Stable Housing Market, Better Homes for All” Mar 10 2014, <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/A656E10CAFBB81948257C9700243AC0?OpenDocument> (accessed June 05 2014)

⁵⁷ Ibid.

created an additional social ‘class’ distinction within the public housing spectrum⁵⁸, which was not desirable given public housing’s ostensible objective as a social leveller.

Since DBSS apartments were priced and sold by private developers, the HDB was unable to affect their prices. This led to a public outcry in 2011 when units in certain DBSS developments were priced at over \$800,000. In 2011 the HDB suspended the sale of land for the construction of DBSS projects.⁵⁹

5. *Social Integration*

Under HDB’s EIP every town today has a representation of the various ethnicities more or less reflecting their respective proportions nationally.

While policy-makers maintain that the EIP is important to maintain harmonious relationships between different races in Singapore, others criticise the scheme for being unfair. According to an anonymous contributor to an online portal for local socio-political topics, “because of the ethnic quota, I am only allowed to sell my flat to non-Chinese. This means that I have to ignore a majority of potential buyers. There are many Chinese buyers but despite needing the money from my flat, I am still unable to sell it.”⁶⁰

Section 3: Possible Policy Alternatives

To improve the provision of public housing, policy makers could consider the following alternatives.

1. *Create More Buffer in Supply*

As one of the reasons for the spike in housing prices was an insufficient supply of housing to cater for the population increase, a sensible solution would be to modify the current approach of building *just enough* to meet perceived demand, to avoid similar situations from arising in the future. Former HDB CEO, Liu Thai Ker, for instance has suggested that there could be a marginal oversupply to keep prices in check.⁶¹

On the other hand, setting aside a stock of unsold and unused flats can be seen as a waste of public money. In 1997, HDB was criticised for precisely that, when the Asian Financial Crisis hit, demand for housing shrank, and HDB was left with 20,000 unsold flats.⁶² Furthermore, it is not easy to accurately predict demand for housing—as evidenced from the recent undersupply under the BTO scheme and past incidences of oversupply of housing units under the RFS scheme.

2. *Restructure HDB Pricing and Resale Scheme*

Besides supply side interventions, there have also been calls for an overhaul of the HDB pricing and resale scheme.

⁵⁸ Ibid.

⁵⁹ Channel News Asia, “MND in no hurry to complete its review on DBSS for HDB flats”, September 11 2011

⁶⁰ Frustrated HDB Owner. “The Ethnic Integration Policy is freezing my assets, preventing me from selling my flat.” *The Real Singapore: Voices of Average Singaporeans*, Dec 8 2013. <http://therealsingapore.com/content/ethnic-integration-policy-freezing-my-assets-preventing-me-selling-my-flat> (accessed June 23 2014)

⁶¹ “Go back to basics to make housing affordable: ex—HDB CEO”, *Channel News Asia*, March 22 2013, <http://news.xin.msn.com/en/singapore/go-back-to-basics-to-make-housing-affordable-ex—hdb-ceo> (accessed March 3 2014)

⁶² “Budget: Head T - Ministry of National Development” *Parliament of Singapore*, Feb 28 2008, http://sprs.parl.gov.sg/search/topic.jsp?currentTopicID=00002942-WA¤tPubID=00004755-WA&topicKey=00004755-WA.00002942-WA_1%2B%2B (accessed June 3 2014)

- i. **Price BTO flats without land cost:** A suggestion mooted by the Social Democratic Party (SDP), an opposition party, is for the creation of a non-market segment that would sell flats at building cost only. Economist from the Institute of Policy Studies (IPS), Dr Tan Meng Wah also supported the approach of selling new flats at cost based prices minus land value.

The obvious cost to the state of excluding land value from flat prices would be a sizeable reduction in revenues collected, which would otherwise flow back into Singapore's national reserves. Singapore's national reserves are intended to provide a financial buffer that can be utilised in times of crisis, and also provide a stream of investment income for the government's annual budget.⁶³ If the full value of the land is not recognised and paid for, this would represent a draw-down on Singapore's national reserves. While the government could choose to make up for the draw on reserves, this would have to be financed by current revenues. In other words, taxpayers would have to bear the costs of not charging land costs to the buyers of these non-market HDB flats. Furthermore, ignoring the price of land when developing public housing would be an inaccurate account of the full costs of development, which should include public investments to make land developable (e.g. introduction of road, rail or sewerage links).⁶⁴

- ii. **Taking a 'non-market' approach (e.g. Sell flats back to HDB):** Should BTO flats be sold with larger subsidises, or without land cost, measures would have to be put in place to prevent home owners from re-selling their highly-subsidised units on the resale market to enjoy windfall capital gains.

To address this, SDP's proposal included a requirement that 'non-market' flats can only be sold back to the HDB. Similarly, when suggesting that all new BTO flats be priced at four times the salary of the household, CEO of real estate agency International Property Advisor Pte Ltd Mr Ku Swee Yong, argued that sale of these flats should be coupled with the requirement to sell flats back to the HDB.⁶⁵ In 2013, the Minister for National Development indicated that ideas for HDB flat owners to sell their flat back to the HDB at original price with some interest were reasonable ones that could be considered.⁶⁶

However, if the HDB were to buy back all BTO units, it would effectively become the biggest buyer in the housing sector, in addition to being the largest developer and seller. To do so would require large financial resources from the state. Furthermore, pre-determined resale prices would not reflect current market prices or current demand conditions (which may have changed from the time the prices were first set) and would likely create a distorted, inefficient allocation of resources. A 'non-market' approach could also create a mobility problem for owners of 'non-market' flats if HDB market resale prices proved to be higher than the non-market, pre-determined price.⁶⁷ Finally, flat buyers in the non-market segment will also not have the opportunity to enjoy the benefits of appreciating housing prices, undermining one of

⁶³ MOF website, "Our Nation's Reserves" <http://app.mof.gov.sg/reserves.aspx> and "Second Reading Speech for Constitution of Republic of Singapore (Amendment) Bill 2008, Minister Tharman Shanmugaratnam" "http://app.mof.gov.sg/data/cmsresource/Parliament/2ndReading_ConstitutionAmendment_2008.pdf (accessed Jan 27 2014)

⁶⁴ HDB "Since the Government owns State land, why can't HDB acquire land at a cheaper price, so that flat prices can be lowered?" *HDB Speaks, Sep 6 2012*, <http://www.hdbspeaks.sg/fi10/fi10336p.nsf/cc/CostofLand?OpenDocument> (accessed March 3 2014)

⁶⁵ Ku Swee Yong, "Re-examining the basis for public housing: shelter or asset", *IPS Commons*, <http://www.ipscommons.sg/index.php/categories/economics/135-re-examining-the-basis-for-public-housing-shelter-or-asset> (accessed March 3 2014)

⁶⁶ Poon Chian Hui "Khaw shares ideas to lower prices of HDB flats", *The Straits Times*, Mar 13 2013, <http://news.asiaone.com/News/Latest%2BNews/Singapore/Story/A1Story20130311-407860/2.html> (accessed March 3 2014)

⁶⁷ Phang Sock Yang et al, "Housing policies in Singapore: Evaluation of recent proposals and recommendations for reform" *Paper presented at the Singapore Economic Review Conference 2013 Singapore, 6-8 August 2013*.

the key objectives of the public housing – that of giving Singaporeans an asset that should appreciate in value over time.

IPS' Dr Tan offered a variant to this approach: 'cost-based' BTO flats could still be put on the resale market after a minimum holding period. In this scenario, HDB would have the first right to reclaim the pre-determined land value from any capital gains from the sale. Should the capital gains be less than the land-value, the shortfall will be borne by HDB. This approach would allow flats to be priced affordably upfront, similar to the SDP's proposal, while still providing opportunities for home-owners to reap some (potential) gains from capital appreciation.⁶⁸

iii. Shortening Leases: Another commonly suggested proposal to reduce upfront flat prices was through the shortening of leases for BTO flats. In 2011, Conrad Raj, editor-at-large of the *Today* newspaper, made a pitch for HDB to sell flats with shorter leases, arguing that if HDB apartments were offered on 66-year leases, they should theoretically go for a third less. He also cited examples of other cities and countries (e.g. Hong Kong, China) where leases could be as short as 50 years without causing perceptible damage to the market.

Prof Hui Weng Tat, an economist, made a similar suggestion in 2012, arguing that housing prices would be unsustainable as long as home-owners were allowed to seek profits from selling their homes. Shorter leases, which would limit owners' prospects of reselling their flat, would also help scale back the quest for asset enhancement and enhance the affordability of new flats.⁶⁹

3. *Shift away from a 'flat-as-asset' model*

A commonly suggested change to Singapore's public housing was for it to be detached from asset appreciation and retirement financing goals. Experts like Prof Hui and Dr Tan argue that HDB flats, and housing more generally, should be treated more as consumption goods, rather than as investments, and that the profit motive should be removed from home purchasing decisions. Doing so would help keep prices of resale flats lower and more affordable for the next generation of buyers. It would also remove the overreliance on housing as an asset to finance retirement needs, which can be an indirect and uncertain, as house prices are not guaranteed to rise in perpetuity.⁷⁰

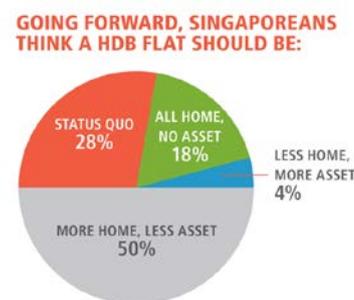


Exhibit 3: Findings from MND's poll, 2013⁴³

Furthermore, a 2013 poll conducted by the Ministry of National Development (MND) revealed that a majority of respondents indicated a desire for their HDB flats to be treated 'more like a home, less like an asset'.⁷¹ (See **Exhibit 3**.)

Nevertheless, the proposal to treat HDB flats more as consumption goods is not without its complications. Some argue that, in a largely home-owning society like Singapore, housing is inevitably the most important asset of many households. Increases in home prices due to economic

⁶⁸ Tan Meng Wah, "Equity and Sustainability in Public Housing Pricing", *IPS Commons*, 2013 <http://www.ipsccommons.sg/index.php/categories/economics/121-equity-and-sustainability-in-public-housing-pricing-> (accessed March 3 2014)

⁶⁹ Basu, Rahad. "Retire on CPF Savings? Think again." *The Straits Times*, 21 March 2012, <http://newshub.nus.edu.sg/news/1203/PDF/RETIRE-st-21mar-pA11.pdf> (accessed March 3 2014)

⁷⁰ Donald Low, "Rethinking Singapore's Housing Policies", *IPS Commons*, <http://www.ipsccommons.sg/index.php/categories/economics/140-rethinking-singapores-housing-policies> (accessed March 3 2014).

⁷¹ "Reflections of Our Singapore Conversation", *Reach.gov.sg*, pg. 32, http://www.reach.gov.sg/Portals/0/Microsite/osc/OSC_Reflection.pdf (accessed June 3 2014)

growth, investment and population growth would therefore benefit a majority of Singaporeans. Instead of wholly discarding the goal of asset appreciation, they argue that policymakers should focus on maintaining an ‘optimal rate of house price appreciation’ that is pegged to some measure of income growth, through policy levers such as more fine-grained tracking of housing affordability for different groups, cooling measures such as those recently applied, and supply side adjustments.⁷²

4. *Shift away from a home-ownership centric model*

Going beyond decoupling housing from the goal of asset-enhancement, one could also examine the fundamental assumption that home-ownership is in itself a desired outcome, and whether Singapore’s public housing scheme should move towards a model of providing affordable rental housing, which is common in Europe.

Policymakers’ reasons for encouraging home ownership are numerous. First, doing so fulfils people’s aspirations. Surveys from different countries—England, Switzerland⁷³, the U.S⁷⁴ etc.—often revealed that the majority of respondents wished to own their homes. Home ownership is also seen as a means to spread wealth, since home owners should, in principle, be able to tap on the growth of their property value to finance consumption goods and their retirement needs. To governments faced with the growing pressures of ageing populations and expected public funding shortfalls, home-ownership can act as a form of ‘asset-based welfare’, functioning as a substitute for a public pension or cash transfers.⁷⁵ Furthermore, an ‘asset-based’ approach to providing welfare may be deemed superior to other forms of transfers, as it compels poorer households to accept more responsibility for their own needs.⁷⁶

Other social benefits of home ownership include generating greater community and civic participation. in local politics, in groups and organisations,⁷⁷ and ensuring better living conditions as owners have been demonstrated to have a greater propensity to look after their properties and neighbourhoods in order to maintain the value of their assets.⁷⁸ Homeowners also show greater commitment to jobs as well as to the families. However, various academics have highlighted the current lack of clarity whether many of these benefits are outcomes of owner-occupation as opposed to self-selection by better-off and inherently more stable households.

On the other side of the ledger, home-ownership is not without its detractors. Robert Shiller, a Nobel Prize winning economist, contends that policies encouraging home ownership could reinforce tendencies to over-invest in a property, leading to speculative asset bubbles which can be highly destabilising when the bubbles burst, as experienced in 2007 and 2008.⁷⁹

Furthermore, studies have also shown that lower income home-owners tend to be more adversely affected by the impact of property market cycles. This is because poorer households would tend to

⁷²Phang Sock Yang et al,

⁷³ Robert Shiller, “Owning a home isn’t always a virtue”, *The New York Times*, July 13 2013, http://www.nytimes.com/2013/07/14/business/owning-a-home-isnt-always-a-virtue.html?ref=business&_r=0

⁷⁴ “News Release: Homeownership Aspiration Remains Strong Among Americans”, Fannie Mae website, Dec 9 2010, <http://www.fanniemae.com/portal/about-us/media/corporate-news/2010/5247.html> (accessed June 3 2014)

⁷⁵ Richard Ronald and Marja Elsinga, “Beyond home ownership: an overview”, *Beyond Home Ownership: Housing, Welfare and Society*, (Routledge, 2012) pp.11-12

⁷⁶ Christine Whitehead, “Owner-Occupation in an increasing uncertain world”, in *Beyond Home Ownership: Housing, Welfare and Society*, ed. Richard Ronald and Marja Elsinga (Routledge, 2012) pp.111-112

⁷⁷ Denise DiPasquale, Rikard Forslid and Edward L. Glaeser, ‘Incentives and Social Capital: Are Homeowners Better Citizens?’ *Journal of Urban Economics*, 1999,

⁷⁸ Christine Whitehead, pp. 114, and James McCabe, “Are Homeowners Better Citizens? Homeownership and Community Participation in the United States”, *Social Forces*, Volume 91, Number 3, March 2013, pp. 929-954

⁷⁹ Robert Shiller,

purchase properties that are in less popular, and thus comparatively more affordable, neighbourhoods. These are in turn likely to lose more value during downturns, compared to properties in more desirable, well-off neighbourhoods.⁸⁰ Rather than enhance social equity, policies aimed at promoting home ownership might actually exacerbate existing inequalities.

Policymakers' expectations that households are able to manage their own housing equity rationally and utilise it for their retirement and welfare purposes have also been shown to be overly optimistic. Instead of adopting prudent use of housing equity in times of need, households typically tapped into their household equity to enhance *current* consumption, make further speculative investments in housing or increase their debt servicing on the naïve belief that house prices would always rise.⁸¹ Relying on home ownership to provide 'asset-based welfare' may thus be both inefficient and inequitable, not to mention the fact that home ownership as a means of providing welfare does not help the poor who cannot afford their own homes.

Encouraging home ownership has also been shown to generate a large demand for homes, which in turn translated into increasingly higher home prices and deteriorating affordability for younger households trying to enter the market.⁸² This trend contributes to a phenomenon observed in both Southern European and East Asian societies, where a decline in fertility rates is associated with high home ownership, suggesting that high and rising home prices discourages child-bearing. Studies have also observed that in societies where owning a home is widely expected, couples view purchasing a home as a necessary rite of passage before starting a family. As a result, when home ownership becomes harder to achieve due to rising prices, child-bearing is often delayed or shelved indefinitely.⁸³ This finding has a particular salience in Singapore's context given its challenges over the years of trying to raise the total fertility rate.

5. *Create a more mixed landscape of affordable housing*

In Singapore, affordable housing is wholly funded, built and administered by the government. In other countries, there is often a variety of players involved in the provision of social housing.⁸⁴ These range from local authorities, public companies, to non-profit or limited-profit associations and companies, cooperatives and, in some cases, even private, for-profit developers and investors.⁸⁵

Financing models also vary significantly across countries. Often, social housing projects are funded from a variety of different sources: standard bank loans, public grants and loans, funds from housing organisations and sometimes also tenants' contributions. Such a mixed approach is typically adopted when housing providers find it difficult to fund housing projects completely. To ease the financing burden and incentivise construction by private sector entities, many governments offer grants and tax privileges⁸⁶ to providers. (See **Annex 5** for examples.)

⁸⁰ Richard Ronald and Marja Elsinga, pp. 34

⁸¹ Richard Ronald and Marja Elsinga, pp. 15

⁸² In New Zealand, owner-occupation among the 25-44 year olds declined by 44 percent between 1991 and 2000.

Similarly in Japan, the proportion of young homeowners has been declining since the 1980s. Source: Richard Ronald and Marja Elsinga, pp. 18

⁸³ Ronald and Marja Elsinga, pp. 20

⁸⁴ Generally, social housing refers to affordable dwellings, which are allocated by administrative means rather than pure market mechanism, and are usually provided either directly by municipal governments or independent providers. While social housing is usually equated to social rental, it can also include the provision of affordable dwellings for sale to households for ownership. Source: CECODHAS Housing Europe's Observatory, Brussels, *Housing Europe Review 2012*, Oct 2011, pg. 22-23 www.housingeurope.eu/file/38/download (accessed June 23 2014)

⁸⁵ CECODHAS, pp. 26

⁸⁶ Tax privileges are given in the form of income and investment deductions, depreciation allowances, reduced sales and property taxes, exemptions from capital gains tax etc. CECODHAS, pp. 27

The government also works through the private sector via mechanisms like inclusionary housing programmes. Inclusionary housing refers to the practice of utilising land use regulations to create affordable housing and increase social inclusion by requiring developers of commercially motivated residential developments to set aside a small portion⁸⁷ of their units for households unable to afford housing in the open market. Alternatively, developers can choose to pay a fee to a local housing trust or donate land in lieu of providing units.⁸⁸

Inclusionary housing has been adopted by many other countries in recent years, including the UK, Ireland, Spain, France, Malaysia and the Netherlands. The popularity of inclusionary housing is partly a reaction to problems of social isolation created by the segregated public housing projects popular in many developed countries in the 1950s and 60s. Inclusionary housing provides planners with a mechanism to actively inject greater social mix into socio-economically or ethnically segregated areas, and avoid creating social housing precincts that morph into segregated ghettos.⁸⁹

The rise of inclusionary housing can also be seen as part of an overall shift towards privatisation and deregulation of private sector participation in social housing and development. Since the 1990s, many European countries have taken steps to reduce direct involvement in the provision of social housing. Policy shifts towards privatisation, such as inclusionary housing, allow governments to circumvent budgetary constraints for the provision of affordable housing as they can now turn to the market for production.⁹⁰

However, there have been mixed reviews about the effectiveness of these initiatives. Surveys and studies of residents' perceptions reveal concerns that affordable housing residents would be a source of antisocial behaviour that would adversely affect the market value of units. Some residents also resented the fact that others were being subsidised to live in similar properties.⁹¹ As for how well inclusionary housing has improved the overall social wellbeing of its inhabitants, research is currently too scant to be conclusive.⁹²

Critics of inclusionary housing schemes also argue that it is unfair that landowners have to bear the costs of providing affordable housing. Rather, society as a whole should be responsible for improving social welfare, and should therefore pay for affordable housing through taxation. Another disadvantage of inclusionary housing is that it ties social housing provision to the provision of market housing. In times of economic crisis, where private construction is low, it may not be possible to cater sufficiently to the higher demand for social housing.⁹³

Case Questions for discussion:

You are a consultant for HDB who has been tasked to recommend additional ways to improve public housing provision in Singapore. When drawing up your proposal, you will be asked to explain how your recommendations will affect the affordability of flats, Singaporeans' retirement adequacy, the financial viability of your proposal, its potential impact on social objectives of inclusivity and meeting aspirations, as well as the likely public response to your proposals.

⁸⁷ This ranges from 10 to 20 percent in the US, 30 percent in both Spain and Malaysia, though for the latter, only around 14 percent is actually allocated. Source: *Inclusionary Housing in International Perspective, 2012*

⁸⁸ Nico Calavita & Alan Mallach, *Inclusionary housing in international perspective: affordable housing, social inclusion, and land value recapture*, (Lincoln Institute of Land Policy, 2010) pp. 1

⁸⁹ Edwin Buitelaar and George De Kam, "The Emergence of Inclusionary Housing: Continuity and Change in the Provision of land for social housing in the Netherlands" *Housing, Theory and Society*, 20:1, 56-74, 28 Jul 2011

⁹⁰ Nico Calavita & Alan Mallach, pp. 3-4

⁹¹ Sarah Monk, "England: Affordable Housing Through the Planning System: The Role of Section 106" in *Inclusionary Housing in International Perspective*, ed. Nico Calavita and Alan Mallach, (Lincoln Institute of Land Policy, 2010) pp. 156-157

⁹² Nico Calavita & Alan Mallach, pp. 380

⁹³ Edwin Buitelaar and George De Kam

You may wish to focus on the following questions:

- a) How can HDB improve its ability to better match demand and supply of public housing? For instance, should there be more built-in buffer in supply to cater to unanticipated spikes in demand?
- b) Are the recent measures to lower BTO and resale home prices sufficient and sustainable? What are some of the potential problematic areas, and how would you address them?
- c) Should HDB move away from the 'flat-as-asset' model? What are the measures that could be taken if it were to start treating housing more as a consumption good, rather than an investment, and what are the implications of doing so?
- d) In view of Singapore's rapidly ageing population, what would you propose to help more Singaporeans monetise their housing assets over and above whatever has already been done?
- e) Singapore's housing policies strongly prioritise home-ownership over rental. Should Singapore consider scaling down the proportion of home-ownership and instead create a larger rental market? What are the potential advantages and challenges of doing so?
- f) In Singapore, provision of public housing is much more streamlined compared to many other countries. Funding for public housing comes primarily from government coffers and individual homeowners, with little private sector involvement or funding. Are there advantages to diversifying approaches to social housing or adopting different financing models? What could be the potential downsides of engaging the private sector/not-for-profit developers in the provision of affordable housing? Does Singapore have a sufficiently large domestic mass market sector for multiple players?

Phases of Housing Policy in Singapore 1960 – 2011

1960 – 1970: The Nuts and Bolts of Public Housing

1960 – HDB was established to provide affordable housing for all Singaporeans.

At its inception, the primary focus of the HDB was to provide hygienic, safe and sanitary housing to alleviate the chronic housing shortage on the island.⁹⁴ In the beginning the focus was on the construction of basic one and two room rental units. In later years the HDB began to construct three room units for purchase. These formative years were also used as a test bed by the HDB to gauge the public's acceptance of high-rise and high-density living⁹⁵.

1964 – The Home Ownership Scheme (HOS) was launched to enable those in lower income groups to own their own homes.

1968 – CPF Approved Housing Scheme was launched, which allowed for CPF savings to be utilised for the purchase of HDB apartments under the HOS.

1970 – 1980: Market Liberalisation

1971 – A resale market for owners of HOS apartments was created. HDB shifted its focus away from the construction of smaller rental units to larger units for purchase. HDB also focused on the 'refinement of physical planning and design standards, as well as the introduction of estate management services'⁹⁶.

1979 – Restrictions on the resale of HOS flats were eased to enable owners to upgrade to a second new HDB flat as well as to create mobility within the residential sector.

1980 – 1990: The Soft Touch

1981 – CPF funds could now be used for the private housing mortgage payments.

1989 – Permanent Residents were allowed to purchase resale flats. The income ceiling for the purchase of resale flats was abolished.

By the 1980s, Singapore's changing demographic - the outcome of falling birth rates since the 1960s - led to a scaling down of the building of new HDB units. This allowed the HDB to shift its focus from the provision of supply towards more intangible issues. An increased emphasis was placed on the living environment of HDB townships. This shift was seen in the creation of more green spaces, the emphasis on the development of an identifiable character for the townships and a focus on integrated communal living spaces.⁹⁷

1990 – 2000: Meeting Aspirations

1994 – CPF housing grants were introduced to facilitate demand side housing subsidies for resale flats.

1995 – Executive Condominiums were launched to provide private housing at affordable prices to the upper middle income group.

⁹⁴ Tony Tan Keng Joo, Tai-Chee Wong, *Public Housing in Singapore: A Sustainable Housing Form and Development, Spatial Planning for a Sustainable Singapore.* (Springer Science + Business Media)

⁹⁵ Wong, Aline Kan, and Stephen Hua Kuo Yeh. *Housing a nation: 25 years of public housing in Singapore.* Brook House Pub, 1985.

⁹⁶ Tony Tan Keng Joo, Tai-Chee Wong, *Public Housing in Singapore: A Sustainable Housing Form and Development, Spatial Planning for a Sustainable Singapore.* (Springer Science + Business Media)

⁹⁷ Eng, Teo Siew. "Character and identity in Singapore new towns: Planner and resident perspectives." *Habitat International* 20, no. 2 (1996): 279-294.

By the 1990s, the government had undertaken an ambitious upgrading programme for existing HDB estates. The government of the day viewed HDB apartments as an asset and potential source of retirement security. These programmes were undertaken with the goal of achieving asset enhancement for HDB owners⁹⁸.

By the 1990s, 88% of the resident population were homeowners and 87% of the population resided in HDB dwellings. These figures rose to 92% and 86% respectively in 2000. These figures are clear indications of the government's success in achieving its goal of near universal home ownership.

2000 – 2011: Supply Side Policies

Up till 2002, HDB apartments were sold under the registration for apartments system (RFS). Under this scheme, applicants would register for a unit in their desired location and be allocated an apartment based on availability - a queue system where applicants were allocated apartments that were either under construction or that had been completed.

Under this system the HDB had, by 2002, a large reserve of more than 17,500 unsold units⁹⁹.

In 2002 the RFS was suspended and all applicants were diverted to the Build to Order (BTO) program¹⁰⁰. Under the BTO program the construction of blocks does not commence till a sufficient number of units were sold. The BTO program is still utilised.

As the BTO program was demand led, applicants had to wait around 4 years for their apartments to be constructed. The BTO program also eliminated the supply buffer that was present under the RFS. This led to a supply crunch, which was exacerbated by the rapid growth of Singapore's population during the same period, largely due to liberalised immigration policies.

⁹⁸ Ho, David Kim Hin, Eddie Chi-man Hui, and Muhammad Faishal Bin Ibrahim. "Asset value enhancement of Singapore's public housing main upgrading programme (MUP) policy: A real option analysis approach." *Urban Studies* 46, no. 11 (2009): 2329-2361.

⁹⁹ Kyunghwan Kim, Sock-Yong Phang, *Singapore's Housing Policies, 1960-2013*

¹⁰⁰ Singapore Infopedia, Housing and Development Board (HDB), http://eresources.nlb.gov.sg/infopedia/articles/SIP_1589_2009-10-26.html

CPF Housing Grants¹⁰¹

1. Additional CPF Housing Grant

The Additional CPF Housing Grant (AHG) Scheme is meant to help lower-income citizen families with a steady household income to buy their first subsidised home. At least one of the applicants must have worked continuously for 12 months prior to the flat application and remain employed at the point of flat application. The AHG amount is graduated according to income brackets, in favour of lower income households. It can be used to offset the purchase price of a new flat, resale flat or DBSS flat. It is an additional subsidy over and above the regular subsidy and CPF Housing Grant that new and resale flat buyers receive respectively.

Eligible first-timers can use the AHG amount (up to \$40,000) to offset the purchase price of a new HDB flat which is sold at a subsidised price.

The table below shows the amount of grant pegged to each income band.

Average Monthly Household Income	Enhanced Additional CPF Housing Grant (from 6 Feb 09)
\$1,500 or less	\$40,000
\$1,501 - \$2,000	\$35,000
\$2,001 - \$2,500	\$30,000
\$2,501 - \$3,000	\$25,000
\$3,001 - \$3,500	\$20,000
\$3,501 - \$4,000	\$15,000
\$4,001 - \$4,500	\$10,000
\$4,501 - \$5,000	\$5,000

A similar grant scheme, with a separate set of grant criteria, is available for singles aged 35 and above.

2. Special CPF Housing Grant

The Special CPF Housing grant benefits middle-income household buying up to 4-room flats. Together with the other housing subsidies, it will enable more low and middle-income families to own their first flats which they can sustain over the long-term. The table below shows the amount of grant that is pegged to each income band.

Average Monthly Household Income	Special CPF Housing Grant
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¹⁰¹ Please refer to HDB's website for more details on the various grants.

<http://www.hdb.gov.sg/fi10/fi10321p.nsf/w/BuyingNewFlatCPFHousingGrant?OpenDocument>

(from July 2013)	
Up to \$5,000	\$20,000
\$5,001 - \$5,500	\$15,000
\$5,501 - \$6,000	\$10,000
\$6,001 - \$6,500	\$5,000

A similar grant scheme, with a separate set of grant criteria, is available for singles aged 35 and above.

3. Step-Up CPF Housing Grant

The Step-Up CPF Housing Grant was introduced in August 2013. It is meant to help families in subsidised 2-room flats in the non-mature estates upgrade to 3-room standard flats in non-mature estates.

Eligible 2-room flat owners can use the Step-Up CPF Housing Grant of \$15,000 to offset the purchase price of a new 3-room flat.

HDB Upgrading Programmes

1. Selective En bloc Redevelopment Scheme (SERS)
 - Launched in August 1995
 - Old estates with high redevelopment potential identified
 - Government acquired flats by compensating flat owners the prevailing market price plus removal expenses
 - Flat owners guaranteed new replacement flat priced below the market value
 - Old blocks demolished and new higher density developments built
2. Main Upgrading Programme (MUP)
 - Launched in 1989 to enhance the overall living environment of the estate
 - Residents offered a standard package comprising improvements in the precinct, in the block and within the flat
 - Option of space adding item i.e. extra bathroom, balcony or kitchens extension
 - Proceed only if 75% of Singapore Citizen eligible households vote in favour of upgrading
3. Home Improvement Programme
 - Replaced the MUP since August 2007
 - Essential improvements include replacement of waste pipes, repair of structural cracks and ceiling leaks as well as upgrading of electrical supply which are fully funded by the government
 - Residents may opt for improvement works such as replacement of entrance door, grille gate and refuse hopper as well as upgrading of toilets at highly subsidised cost (cost is tiered according to flat type, i.e. residents in larger units pay a higher share of the cost)
4. Lift Upgrading Programme (LUP)
 - Launched in 2001 to provide direct lift access, where feasible to existing HDB blocks without 100% direct lift access
 - Proceed only if 75% of Singapore Citizen eligible households vote in favour of upgrading
5. Interim Upgrading Programme (IUP) and IUP Plus
 - Launched in 1993
 - Provided pedestrian covered link ways, repainting of blocks and new letter boxes
 - Fully funded by the government
 - Combined with LUP as IUP Plus
6. Neighbourhood Renewal Programme
 - Replaced the IUP Plus in August 2007
 - Focus on block and neighbourhood improvements
 - All cost borne by the government and implemented by the town councils
 - Proceed if at least 75% of the eligible flat owners in the neighbourhood indicate their support

Government Measures Affecting the Property Sector (2011 - 2013)	
Jan 11	The holding period for seller stamp duty was increased to four years and seller stamp duty rate was increase to 16%, 12%, 8%, and 4% for properties sold in the first, second, third and fourth year respectively. For borrowers with existing housing loan(s), their loan to value ratio (LTV) was lowered to 60%.
Dec 11	Additional buyer stamp duty was imposed. Singapore citizens buying their third and subsequent residential properties had to pay 3%. Permanent residents (PRs) buying their second and subsequent properties had to pay 3% and foreigners buying residential properties had to pay 10%.
Oct 12	The MAS imposed a 35 year tenure restriction for housing loans on new residential properties. The LTV ratio was lowered to 60% for borrowers without any existing housing loan(s) where the loan tenures exceeded 30-years or extended beyond the borrowers' retirement age of 65 years. The LTV ratio was lowered to 40% for borrowers with existing housing loan(s) where the loan tenures exceeded 30-years or extended beyond the borrowers' retirement age of 65 years.
Jan 13	Buyer stamp duty was increased. Citizens buying their second residential property have to pay 7% and those buying their third and subsequent residential properties 10%. PRs buying their first residential property were required to pay 5% and those buying their second and subsequent residential properties 10% , while foreigners were required to pay 15% for the purchase of any residential property. The LTV ratio was lowered to 50% and 40% for borrowers applying for their second and third or subsequent housing loan respectively, where the loan tenure does not exceed 30-year or does not extend beyond the borrowers retirement age of 65 years. Where the tenure exceeds 30-year or the borrowers retirement age of 65, the LTV ratios were lowered to 30% and 20% for their second and third or subsequent housing loan respectively. The minimum cash component for down payments was also raised to 25% from 10% for buyers taking their second or subsequent housing loans.
Jun 13	MAS introduced the Total Debt Servicing Ratio (TDSR) for homebuyers. The TDSR is the total monthly debt service as a percentage of the borrower's income and is capped at 60%. In computation of the TDSR, financial institutions would have to take into account the monthly repayment for the property loan that the borrower is applying for, plus the monthly repayments on all other outstanding property and non-property debt obligations of the borrower.
Aug 13	As of 27th August 2013, PRs will have to wait three years from the receipt of their PR status before they are eligible to purchase a resale HDB unit

Social Housing Frameworks in Other Countries

Many countries have established social housing programmes, which provide affordable dwellings that are allocated by administrative means rather than pure market mechanism, and which are usually provided either directly by municipal governments or independent providers. While social housing is usually equated to social rental, it can also include the provision of affordable dwellings for sale to households for ownership.¹⁰²

Differing Functions of Social Housing

Social housing programmes can differ enormously in scope of coverage. In some countries, social housing is open to almost all citizens, and serves both a market-regulating function as well as a means to help improve social mix in residential areas. In other, more targeted systems, social housing is made available only to households for whom the market is deemed unable to provide adequate housing to. Eligibility to social housing schemes also range widely-- some are based on income means-testing, while others look at prioritising the most vulnerable households based on a defined criteria of needs¹⁰³.

These differences in the depth and breadth of coverage of social housing programmes point to the differing functions attributed to the sector, broadly classified as follows¹⁰⁴:

- a. **Social housing as an ‘ambulance service’:** Countries like the US, Canada and Australia, which are characterised by relatively weak social security systems and high levels of poverty and inequality, have in place only a small-scale provision of affordable housing. These schemes tend to be of a temporary nature to tide over an ‘emergency’ needs and tend to have stringent eligibility restricted to only very low income households, or to those with specific vulnerabilities (e.g. disabilities). Furthermore, eligibility can be withdrawn once incomes rise above the income limit, or when fixed term tenancies expire. When these occur, households would be directed towards the private sector.
- b. **Social housing as a ‘safety net’:** The UK’s social rented housing sector is seen as a safety net that prevents post-rent incomes from falling below a basic minimum income. Allocation of social housing prioritises those who are deemed as in the greatest need of housing¹⁰⁵ and most vulnerable, such as the homeless. While there is technically no universally enforced income limit on eligibility for social rented housing in the UK, lowest income deciles are heavily over-represented. Up till 2011¹⁰⁶, tenures had to be granted as open-ended, life-time tenures that allowed the tenant to remain in social housing indefinitely.

¹⁰² CECODHAS Housing Europe’s Observatory, Brussels, *Housing Europe Review 2012*, Oct 2011, pg. 22-23
http://www.housingeurope.eu/www.housingeurope.eu/uploads/file/HER%202012%20EN%20web2_1.pdf

¹⁰³ Ibid

¹⁰⁴ Fitzpatrick & Stephens, *The future of social housing*, 2008, pg 32-35

¹⁰⁵ Allocation of social housing in the UK is typically carried out using a point system, or banding system, to prioritise allocation based on the needs of the applicants, which include medical needs, environmental health conditions of existing accommodations, social factors etc. Source: Reeves, pg 30-31)

¹⁰⁶ In 2011, the Localism Act was passed, which allowed social landlords to grant tenancies for a fixed length of time, with the minimum length being two years in exceptional circumstances, and five years or more as the norm. The rationale for this change is to give social landlords more flexibility to manage their homes, to improve effectiveness and fairness. The previous policy of requiring life-time tenancies was seen as overly rigid, and allowed those who no longer needed social housing to continue living there, which created overly long waiting lists for those in need.

Sources: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5959/1896534.pdf ;
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8512/1775577.pdf

- c. **Social housing serving a wider affordability function:** In countries like the Netherlands, Sweden and Germany with relatively lower levels of poverty and with social security systems that emphasise contributory social insurance benefits, social housing tends to serve a wider spectrum of society. Eligibility criteria tend to be broad enough to permit allocations fairly high up the income scale. For instance, in Germany, almost 40 percent of households are eligible for social housing. In Sweden, no income limit is drawn, while in the Netherlands, there is a cap of 33,000 euros annual income—which approximately 43 percent of all Dutch households fall under.¹⁰⁷

Social housing, in its form as an ‘ambulance service’ or ‘safety net’ has a downside of potentially leading to concentrated, segregated areas of poverty and worklessness. When allocation of housing is contingent on dire needs, social housing tends to become a destination for officially recognised homeless and destitute¹⁰⁸, as those relatively better-off exit the social housing sector. The impact of concentrated poverty has been demonstrated through various research studies to have compounding neighbourhood effects that future entrench residents in poverty. For instance, poor neighbourhoods tend to have constrained, tight-knit and inward-looking social bonds, and lack the more diffuse, ‘bridging’ type of social capital that helps people access and obtain better opportunities. Isolation in poor areas also leads to a levelling down of aspirations and expectations.¹⁰⁹

On the other hand, the tendency to marginalise the poorer and more vulnerable groups exists even in social housing systems that perform an ‘affordability function. For instance, in the Netherlands, the neediest households who are prioritised for fastest access to housing tend to be directed to cheaper, lower quality housing. In both Denmark and Sweden, the poorer tenants tend to be housed in newer but less popular social rented estates on the fringes of the city, while wealthier tenants occupy housing in more popular central areas.

(B) Funding and Provision Arrangements

Besides, and partially because of, the differing objectives undergirding social housing programmes, approaches to provision and financing also differ widely. Unlike in Singapore, where public housing is wholly funded, built and administered by the government, there are often a variety of players involved in the provision of social housing in other countries. These range from local authorities, public companies to non-profit or limited-profit associations and companies, cooperatives and, in some cases, even private, for-profit developers and investors.¹¹⁰ (**Table below** summarises)

An example where there is a mix of different players in the social housing market is England, where housing associations are the main providers of social housing, supplying 54% of the social housing stock. Local authorities manage the bulk of the rest. In addition, profit-making companies have, since 2008, been allowed to develop, manage and own social housing.

In contrast, in Germany, social rental housing, which constitutes 5% of the total housing stock, is undertaken wholly by the private sector. The institutional non-profit sector was dissolved in 1989 and municipalities’ assets were transferred to private market-oriented owners. Today, providers of subsidised housing include municipal housing companies, cooperatives, private landlords, commercial developers and investors with a variety of shareholders.

¹⁰⁷ Hugo Priemus, “Renting in the United States: A Dutch Perspective”, *Cityscape*, Vol 13, July 2011, http://www.huduser.org/periodicals/cityscape/vol13num2/cityscape_july2011_renting_us.pdf

¹⁰⁸ Keith Kintrea, “Social housing and spatial segregation” *The Future of Social Housing*, pg 71.

¹⁰⁹ Keith Kintrea, pg 72, and Michael Woolcock and Deepa Narayan, “Social Capital: Implications for Development Theory, Research, and Policy” World Bank Research Observer, 2000.

¹¹⁰ CECODHAS, Pg. 26

Table 1: Types of Social Housing Providers in the E.U (2012)

COUNTRY	TYPE OF PROVIDER(S)					
	CENTRAL GOVERNMENT	LOCAL AUTHORITY	INDEPENDENT PUBLIC BODY/ PUBLICLY OWNED COMPANY	CO-OPERATIVE	OTHER PRIVATE NON-PROFIT	PRIVATE FOR-PROFIT
Austria		X	X	X	X	X
Belgium		X	X		X	
Denmark		X		X	X	
Finland			X		X	
France			X	X	X	
Germany						X**
Greece			X			
Hungary		X				
Ireland		X		X	X	
Italy		X	X	X	X	X
Luxemburg		X	X			
Netherlands					X	
Spain		X	X	X		X
Sweden****						
United Kingdom		X	X	X	X	X*

* = can apply for funding to provide social housing within certain funding schemes
 ** = they also include municipal companies, which are considered as part of the private sector
 *** = depending on the definition used
 **** = there is officially no 'social housing' in Sweden, despite the existence of a municipal publicly owned sector, cooperative housing in the form of tenant ownership, and a system of negotiated rent setting for the whole rental sector

Source: CECODHAS Housing Europe, 2012 Housing Europe Review, pg. 26

The Netherlands, which has Europe's largest share of social housing¹¹¹, offers an alternative example of a social housing model with minimal government intervention. All public housing in the Netherlands is currently provided by not-for-profit housing associations. Since the 1980s, the Dutch housing associations have established increasing independence from government, both administratively and financially. While the government previously provided state funding to housing associations, they are today required to use their equity or build market-rate housing to cross-subsidise the provision of social-rented housing.¹¹² These associations are also responsible for purchasing land at market prices from property developers, farmers or other landowners, rather than at fixed rates from the government.

To ease the financing burden and incentivise construction by private sector entities, many governments offer grants and tax privileges¹¹³ to providers.

For example, in Germany, the government allocates public funding (e.g. in the form of tax privileges) to housing providers in exchange for the use of a dwelling for social purposes on a temporary basis¹¹⁴. In countries like as Luxemburg, Italy and Austria, land is offered at discounted rates to social housing providers.¹¹⁵ In Hong Kong, where all land is state-owned, the government grants land without a premium to the Housing Authority—the self-funded, statutory board responsible for planning and implementation of public housing.¹¹⁶ In contrast, no public funding is provided for social housing in the Netherlands. However, the state provides guarantees as the last resort, to not-for-profit housing associations.¹¹⁷

¹¹¹ In 2009, 33% of the Netherlands' housing stock is social-rented housing. Edwin Buitelaar and George De Kam, "The Emergence of Inclusionary Housing: Continuity and Change in the Provision of land for social housing in the Netherlands" *Housing, Theory and Society*, 20:1, 56-74, 28 Jul 2011

¹¹² Ibid,

¹¹³ Tax privileges are given in the form of income and investment deductions, depreciation allowances, reduced sales and property taxes, exemptions from capital gains tax etc. CECODHAS, p.g 27

¹¹⁴ CECODHAS, pg. 53

¹¹⁵ CECODHAS, pg. 27

¹¹⁶ Eddie C. M. Hui and Francis Wong, "The Hong Kong Housing Authority and its Financial Arrangement over the Past 50 Years", 2004 <http://www.housingauthority.gov.hk/hdw/ihc/pdf/thkhafa.pdf>

¹¹⁷ CECODHAS, pg 28