

A flat to live in or for investment? Panellists weigh in on how Singapore balances the two objectives

The issue of home ownership was among the main topics at a panel discussion at the Institute of Policy Studies (IPS) 35th anniversary conference.

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SINGAPORE: Should Housing and Development Board (HDB) flats be allowed to be used as an investment?

This was one of the main topics during a panel discussion on housing at the Institute of Policy Studies (IPS) 35th anniversary conference on Monday (Jun 12).

During the panel, Associate Professor Walter Theseira from the Singapore University of Social Sciences' School of Business noted that housing was a favourable method of accumulating wealth among Singapore households, given the relatively low cost and risk involved.

Over the last 60 years, he said generations of Singaporeans have experienced a huge upgrade in the quality of housing, and enjoyed significant wealth accumulation through ownership of HDB flats and private property.

However, this has set up expectations which are not sustainable, he said.

"Singaporeans want affordable and accessible housing, but they want housing to be ... their aspiration to wealth accumulation," he said.

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“The government sees no reason to prevent flat prices from appreciating in line with general economic conditions, because the benefits accrue to home owners but we consider volatile price fluctuations to be undesirable,” she said.

“We need to minimise distortions, such as windfall effects and, very importantly, subsidies and grants must be at a level that Singaporean taxpayers can afford over the long term,” she added.

Rethinking Social Mobility

Addressing questions on how the government plans to balance aspirations of home ownership with those of social mobility, Ms Sim said the latter is a function of expectations that Singaporeans have developed over the years.

“If we were to define (social mobility) very rigidly in terms of, say, the floor area of the flat, I think this is something that does need to be revisited as Singapore matures,” she said.

“As we plan our towns better, as the amenities and the conveniences of living in different parts of Singapore, I think the differences are going to narrow over time.”

When asked whether the government will ever consider severing the link between investment and housing, she said: “We are in a period of heightened anxiety over prices and affordability and when we are very worried about prices, I think it’s quite natural to look for solutions that can bring prices down very quickly.”

She added: “I think this is the reason why people are a bit more receptive than usual to ideas that fundamentally question the model of public housing.”

Ms Sim pointed out that the paradox of wanting affordable and accessible housing but also using housing for wealth accumulation was not new, highlighting anxieties about housing prices and affordability dating back to 1996.

“Knowing that this paradox has been with us for many years, then I think when we analyse what’s happening, we have to ask ourselves is the system broken,” she said.

“If the system is broken, we have to fix it, we have to repair it. That’s very clear, and the government has an obligation to do that.

“But if it is something cyclical, and in this case, I think we are all very clear that we are in a crunch because of the inordinate delays caused by COVID-19 and also the impact that it has had on people,” she added.

“If this is cyclical in nature, then I think we also know what to do, which is we have to increase or make sure that supply goes in tandem with demand. That’s exactly what we’re doing. We’re starting to see the effects of that.”