

IPS 35th Anniversary Conference: Revisitings
Panel 2: Revisiting Housing

By King Yu Yen and Rachel Ng

In light of new threats and old constraints, this conference aimed to revisit public policy and societal discussions that would be critical to our national interests. Titled “Revisitings”, it examined the key issues that would affect Singapore’s social and economic survival as a global city-state and discussed the ways in which the Singapore model could be adapted to better address changing realities.

This panel featured Senior Minister of State for National Development and Foreign Affairs Ms Sim Ann; Associate Professor Walter Theseira from the Singapore University of Social Sciences; and Professor Sing Tien Foo, Provost’s Chair Professor from the Department of Real Estate at the National University of Singapore (NUS). The ensuing Q&A session was moderated by Associate Professor Ho Kong Chong, Head of Urban Studies at Yale-NUS College, NUS.

The housing conundrum

Ms Sim Ann began with a broad overview of how Singapore’s housing policy has responded to changes in economic conditions, housing demands and housing aspirations of its citizens.

She described her experience hosting a delegation of visiting MPs from the UK. One of their comments encapsulated a perennial conundrum in housing markets: keeping cities attractive with good jobs and economic prospects, while still providing affordable homes. Restrictions on the purchase and sale of housing are necessary to balance these objectives, she noted.

Singapore’s public housing policy: Providing affordable homes

Ms Sim reaffirmed the importance of providing affordable homes for Singaporeans through the government’s public housing programme. Its aims are two-fold. First, to provide home ownership to give all a stake in the country. Second, to provide the option of monetising their flat, through sale, rental or taking part in the Lease Buyback Scheme. This allows homeowners to realise the market value of their property, especially for those who are no longer economically active.

Singapore’s answer to the housing conundrum is two-pronged: government subsidies and grants to ensure access to affordable housing, and an active resale market. The ratio of

median home price to median annual income — also known as the home price income and mortgage servicing ratio — has generally remained at around four to five times and 25% or less, respectively.

The government remains responsive to changing housing aspirations and conditions. Allocation of new flats is now decided through the Build-to-Order (BTO) system. HDB has constantly improved built quality, infrastructure and amenities in the heartlands. It has also catered to those whose incomes are higher but find private housing out of reach, such as through the former HUDC scheme and Executive Condominiums (ECs).

Concerns over housing prices

Ms Sim attributed anxieties about housing prices to various factors, including global inflation, geopolitical conflict and the impact of the COVID-19 pandemic. Recently introduced cooling measures in the local housing market have yet to take full effect.

She listed possible policy tools that could be used to address housing affordability:

1. Limiting demand or liquidity. The government has done this by adjusting the loan-to-value ratio and credit assessment floor in terms of interest rate assumptions.
2. Questioning the basis of valuation, especially that of land. Ms Sim did not elaborate at length because, over the years, the government has explained why land cost cannot be at zero.
3. Reviewing the balance between housing as a consumption good and as a form of investment, such as restrictions on resale and various forms of monetisation.

Public housing is primarily for owner-occupation

Ms Sim reiterated that home ownership remains the key focus of public housing. However, she acknowledged that flexibility is also a feature of home ownership, such as using flats as home offices and ability to monetise through renting or subletting, and participating in the resale market. She affirmed HDB's commitment to closely monitoring volatile price fluctuations and discouraging speculation. This includes investigating claims of BTO flats being sold in violation of the Minimum Occupation Period (MOP) and tightening rules on non-selection of BTO from August 2023.

What we are revisiting

Ms Sim went on to speak about some policy parameters that the Government has been reconsidering.

Addressing windfall effects and stratification

The windfall effect arises when eligible home buyers who are lucky enough to obtain particularly sought-after units, sell them in the open market after the MOP, and realise large financial gains. This causes unhappiness among other eligible home buyers who did not manage to obtain such units in the first place. It also motivates even more people to apply for flats in highly desirable locations, even if they do not really need one. Another concern is of

highly valued HDB neighbourhoods stratifying along income lines — otherwise known as gentrification — once the units start to change hands in the open market when MOP ends.

The recently introduced Prime Location Housing (PLH) model seeks to address these issues in various ways — including a longer MOP; restrictions on who the owner can sell the unit on to subsequently; and also recovery of the additional subsidy required to price the new flats within the reach of more buyers.

New housing typologies

As the economy and lifestyles evolve, housing aspirations have changed, especially in tandem with an ageing population.

The Community Care Apartments (CCA) introduced in 2021 are designed to meet seniors' needs, with senior-friendly design and fittings inside the flat, and communal spaces for seniors to participate in social activities and interact with their neighbours.

With the greater demand for housing from singles, the government has also started engaging singles, among other groups like first-timers and seniors, to hear their views and aspirations on housing, through MND's "Housing Conversations with Singaporeans".

Classification of estates

The classification of estates into "mature" or "non-mature" has policy implications. Eligibility conditions and allocation policies for new flats, such as the proportion of flats that we prioritise for first-timer families, are currently tied to this classification.

However, the difference between these two categories is not always very clear. Some locations within non-mature estates feature amenities and connectivity that are as good as older town centres. On the other hand, some locations within the boundaries of mature estates may be less attractive because of site-specific characteristics. Thus, the government is rethinking the relevance of this classification and is studying how this will impact various policies.

Addressing immediate concerns

Ms Sim also announced measures that the government would undertake or are undertaking to address the impact of delayed BTO projects, meeting the strong demand for public housing and high rental prices.

The supply of flats under the Parenthood Provisional Housing Scheme (PPHS) will be doubled this year to provide temporary housing to families awaiting the completion of their new homes. While HDB had met its target of increasing the PPHS flat supply from 800 units in 2021 to 1,800 in 2023, it has plans to add an additional 2,000 units over the next two years.

HDB will also consider strategies to maximise the available pool of PPHS flats, such as flat sharing in larger units.

Singapore's housing quality journey, 1970–2020

Associate Professor Walter Theseira's presentation analysed Singapore's housing quality journey over the last 50 years. Rapid HDB development relocated most Singaporeans into modern HDB flats by 1990. Thereafter, households progressively upgraded to larger flats and private condominiums. However, by 2020, the growth in the average physical size of HDB flats had slowed and upper income households increasingly turned to private property. Singaporeans have been able to experience constant upgrading of housing quality and size, but it is uncertain if this is sustainable for the middle class today.

The housing wealth of the Singapore middle class

By international comparisons, Singaporeans are extraordinarily wealthy and widely believe that property investments are a key part of wealth accumulation. But what are Singaporeans' lived experiences of HDB as an asset and store of wealth? What are Singaporeans likely to expect out of their HDB housing assets?

Assoc Prof Theseira calculated the proportion of HDB assets to total wealth based on data from 2003–2020. HDB assets were estimated to make up 42–72% of a household's total wealth. Historically, housing has given high returns or been a lucrative investment in the long run as housing is constantly in demand, scarce and appreciating in Singapore. Housing investments allow high leverage at low cost and policymakers often have an interest in stabilising the housing market (unlike other financial assets). The lived experience of housing wealth of Singaporean households has thus been one of significant and successful housing accumulation.

Our public housing, past and future

Housing had been a profitable and preferred method of wealth accumulation among Singaporeans households, given its relative low cost and risks involved. Singaporeans have been able to constantly upgrade in terms of quality and size of housing and wealth accumulation through public and private home ownership. However, this has set up a dilemma, where public housing is expected to fulfil two conflicting objectives: (1) affordable and accessible housing; and (2) wealth accumulation. Assoc Prof Theseira also pointed out that such wealth accumulation via housing is a growing source of inequality and is very difficult to monetise for retirement.

Revisiting housing: Towards de-linking housing, a stake in our community, and investment?

Assoc Prof Theseira put out some considerations for policymakers. He argued that housing as consumption and housing and investment has to be delinked, such as through reducing tax privileges for housing (e.g., high CPF contribution rates and CPF tax deductions) or taxing housing capital gains. He suggested shifting away from a capital purchase subsidy system to subsidising the use of housing and broadening access to desirable public housing in prime areas.

While he acknowledged that the PLH model was a step in the right direction, he said more needs to be done. He called for public housing to place stakes in communities, rather than in the hope of achieving capital gains.

Revisiting housing: The dilemmas of different age cohorts

Professor Sing Tien Foo discussed how Singapore's public housing policy differs from that of other countries as Singapore seeks to meet the housing needs of 80% of the population as opposed to only the low-income. He remarked that given the different expectations and preferences within the majority of the population who live in public housing, there are tensions between these different concerns, and these tensions pose a dilemma for policymakers.

Prof Sing went on to analyse how different age groups have different housing needs. For the younger cohort aged 25 to 45 years old, who are likely to be first-time applicants for public housing, Prof Sing observed that affordability and access to public housing would be the main concerns. For the middle-aged cohort aged 45 to 65 years old, who are likely to be homeowners, he noted that preserving the value of their flat would be the main concern. Thus, flat prices create a tension between the younger cohort that has not obtained their flat and the middle-aged cohort that already own their flats. He also stated that even as the younger cohort obtains their flat, they will likely compare their situation to that of the generation before them, questioning whether their flat value would increase at the same rate as their parents' and why their parents' flats are bigger than theirs. On the other hand, for the elderly cohort of retirees aged 65 years and older, Prof Sing shared that their concerns are on balancing their retirement needs and wanting to bequest their assets to the next generation.

Regarding the concerns of housing affordability, Prof Sing posited that resale flat price increases have kept pace with median household income (including CPF savings) growth. He also stated that the BTO scheme has helped many young couples own a flat, and the home price income ratio has remained at four to five times in Singapore, compared to over 35 times in Shanghai and 26 times in Hong Kong.

Regarding the issue of housing value appreciation, Prof Sing said that the flat values of the younger generation in the lowest 60th percentile have grown more than that of their parents'. Thus, there has been strong upward mobility in housing wealth for the lowest 60th percentile of the population. He also showed that there is persistent housing wealth for the higher-income, and it is those in the middle-income that are worse off compared to their parents.

Regarding the issue of housing value depreciation as HDB flats reach the end of their lease, Prof Sing said the relationship between HDB flat prices and their age is complicated by the implementation of home upgrading and neighbourhood renewal programmes. He noted that HDB flats above 30 years old depreciate less than private non-landed housing. He said the government is looking into schemes such as Selective En bloc Redevelopment Scheme (SERS) and Voluntary Early Redevelopment Scheme (VERS) to address concerns regarding HDB flat decaying leases.

Prof Sing also briefly discussed some trends between buyer age and building age, resale prices and buyer age, as well as whether buyers make rational choices in their housing consumption. He noted that the higher prices for resale flats reflect buyers' lower perception of risk in housing investment returns, even though mature flats have decaying leases.

Question-and-answer session

Q: How do we balance the use of housing consumption for upward social mobility versus keeping the home-ownership intent for HDB flats?

A: Prof Sing replied that the housing price growth in Singapore is driven by strong economic growth, thus we have seen some social mobility in the form of the 60th percentile having their flat values growing more than that of their parents. He said that the pricing of HDB flats relative to their lease duration is key. Assoc Prof Theseira stated that in the early decades after Singapore's independence, it was possible to achieve access to home ownership and social mobility through housing appreciation; but achieving these goals have become increasingly difficult with the lack of surplus land to convert to public housing. He also warned against having a conception of social mobility that inevitably involves levelling up because housing and land are limited resources; it may be more helpful to ask how we can give everybody adequate, affordable and good quality housing that meets their needs well. Ms Sim reiterated that home ownership and owner-occupation remain a core focus of the HDB, and she concurred with the two professors that the definition of social mobility in terms of improvement through different generations may vary based on expectations — for example, the floor area of the flat.

Q: Singapore is becoming an international hub, which means that not only are foreigners coming into our country, but our young people are also moving out. A lot of young people do not want to get married or have children, and if public housing is inaccessible to singles below 35 years of age, singles who are not able to afford private housing may choose to leave Singapore. Can we look at longer-term leases for younger singles, such as co-living or co-working?

A: Ms Sim responded that there is a private rental market and although the rentals have been high since the COVID-19 pandemic, the rental pressures are going to ease. She also questioned if the government should subsidise rental for individuals and families who might not be facing financial difficulties. Ms Sim reiterated that the government has been prioritising providing grants for home ownership for eligible Singaporeans and subsidising rental for the low-income. She acknowledged the aspirations of singles and explained that the government has over the years expanded the types of resale flats that singles can purchase once they are 35 years old. Assoc Prof Theseira acknowledged that Singapore's public housing policy structurally favours traditional families, but whether this encourages fertility remains a question. He noted that it is worth rethinking our public housing subsidy systems, but he cautioned against deprioritising families with children.

Q: While we do not have residential ethnic enclaves in Singapore, the combination of public housing for locals and high immigration has meant that we have very different areas that are predominantly inhabited by foreigners and locals. Are there plans to implement policies that encourage more mixing between locals and foreigners?

A: Ms Sim responded that the state does not stop foreigners from occupying HDB flats when they rent on the open market, but HDB focuses on providing subsidies to help Singaporeans own their HDB flats. Prof Sing added that while the government cannot stop foreigners from buying prime location private housing, HDB has the PLH model to provide Singaporeans with some access to waterfront and city-centre locations and reduce segregation at the neighbourhood level. Assoc Prof Theseira noted that our policy for foreigners to become permanent residents and citizens is extremely selective, thus foreigners tend to have higher

income and live in private housing. He also pointed to increasing segregation even amongst locals, citing how there is clear ethnic distribution in private housing as shown in the 2020 census.

Q: How can we sever the link between public housing and investment?

A: Citing a parliamentary debate that took place in 1996, Ms Sim acknowledged that the same criticisms about the accessibility and affordability of public housing have been raised for many years. Nevertheless, she said that if people were unable to buy flats then, we would not have been able to maintain high home ownership rates, and she credited HDB for improving the quality of housing and neighbourhood amenities over the years. She said it is natural for humans to want to buy the best that they can afford and people may thus overlook other more affordable options. Given the upward trend of housing prices and household incomes, homeowners may come to see that the flat they purchase is affordable in hindsight, she noted. She concluded that the government has an obligation to repair the system if it is broken, but as the rise in housing prices is cyclical and due to the inordinate delays caused by the COVID-19 pandemic, the government is making sure that the housing supply grows in tandem with demand.

[King Yu Yen](#) and [Rachel Ng](#) are Research Assistants at the Institute of Policy Studies.

IPS is grateful to the following organisations for their support of IPS:



BGC Group Pte Ltd
BinjaiTree
Building and Construction Authority
Changi Airport Group
City Developments Limited
EnGro Corporation Limited
Institute of Technical Education
Keppel Corporation

Khong Guan Biscuit Factory (S) Pte Ltd
KPMG Services Pte. Ltd.
LinkedIn
Maritime and Port Authority of Singapore
Monetary Authority of Singapore
Nanyang Polytechnic
National University of Singapore
OUE Limited

PSA International
Sentosa Development Corporation
Shangri-La Hotel Limited
Singapore Polytechnic
Singapore Pools (Private) Limited
Surbana Jurong
Thakral Group
Zuellig Initiatives Philanthropiques

If you have comments or feedback, please email ips.update@nus.edu.sg



© Copyright 2023 National University of Singapore. All Rights Reserved.

You are welcome to reproduce this material for non-commercial purposes and please ensure you cite the source when doing so.