

Remarks on
“Revisiting Housing”
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Lee Kuan Yew, in From Third World to First: The Singapore Story 1965-2000.

“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 believed this sense of ownership was vital for our new society which had no deep roots in a common historical experience.”



Today's Remarks

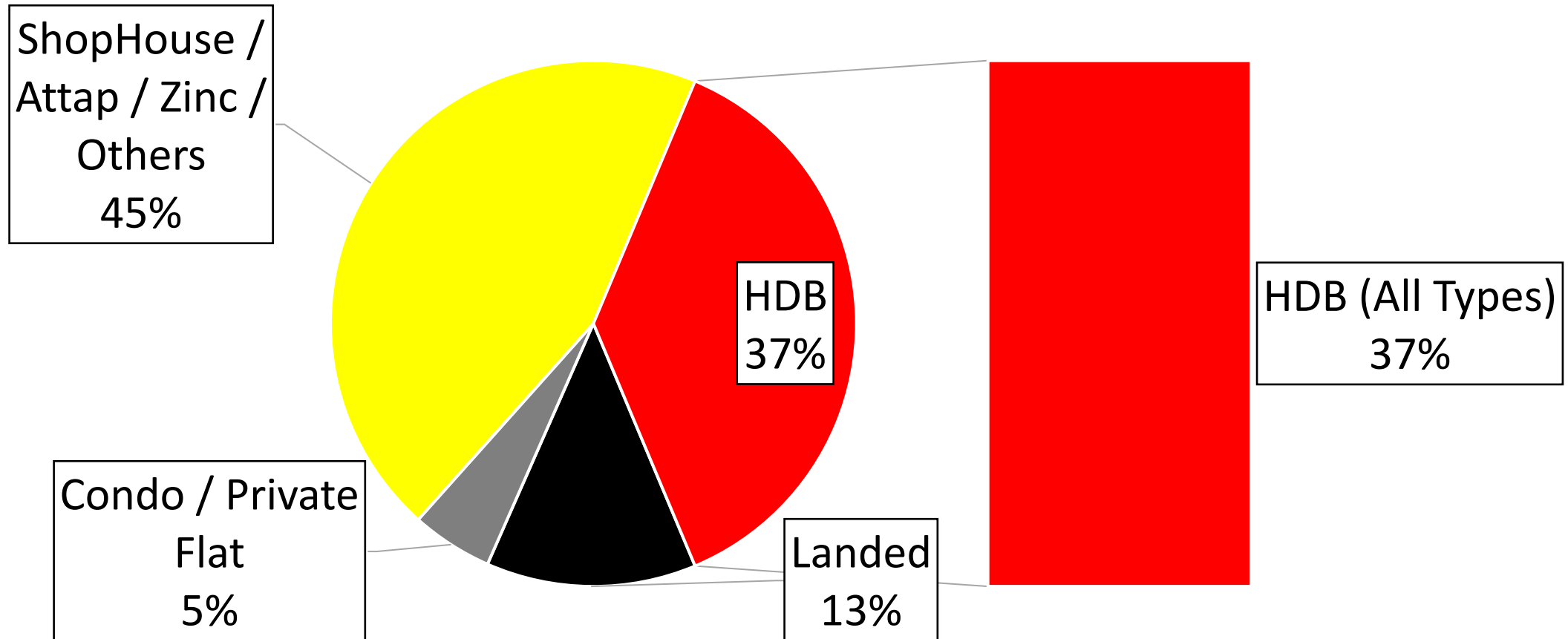
- I will outline how our shared historic experience of public housing has led to a paradox – we have a hugely successful, high quality, owner-occupied public housing programme, that is also often criticised by Singaporeans for failing to meet their expectations.
- To understand expectations, we need to understand the historic economic context of public housing.
- People rarely make judgments about their economic and social conditions in a vacuum.
- Research shows that even experts' decisions are affected by their personal historic experiences – central bank policymakers who have lived through high inflation tend to raise interest rates faster (Malmendier et al 2020).



I: Singapore's Housing Quality Journey, 1970-2020

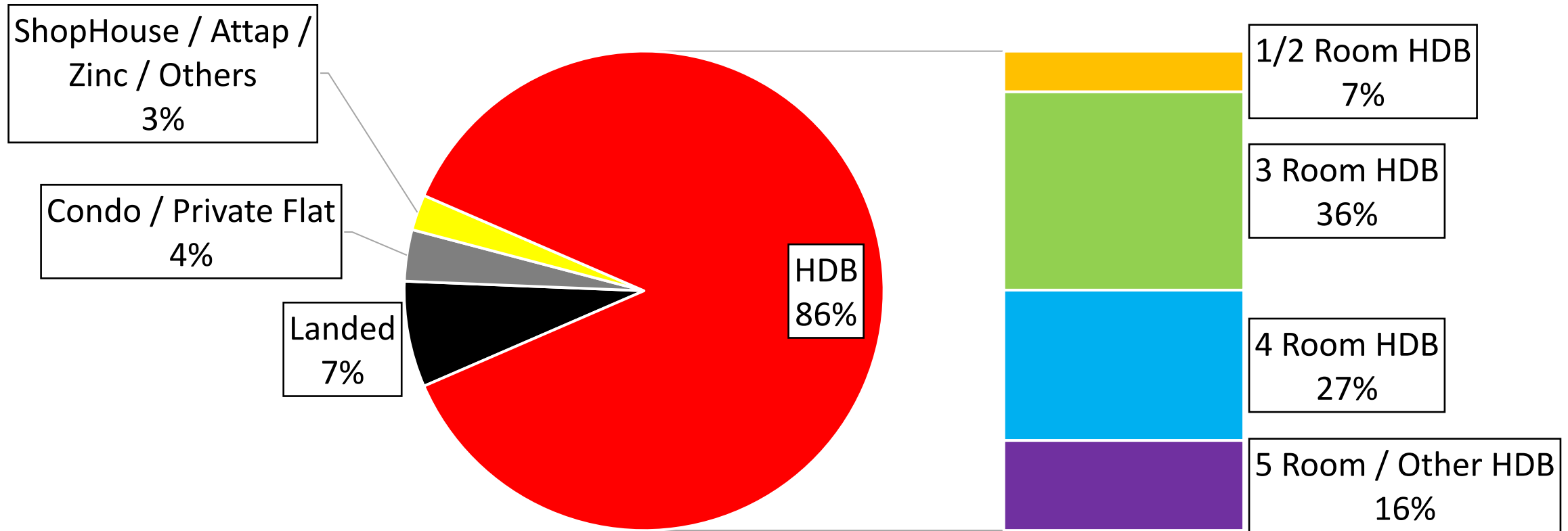
At independence, most Singaporeans lived in crowded, lower quality housing.

Housing Type Distribution in Singapore: 1970



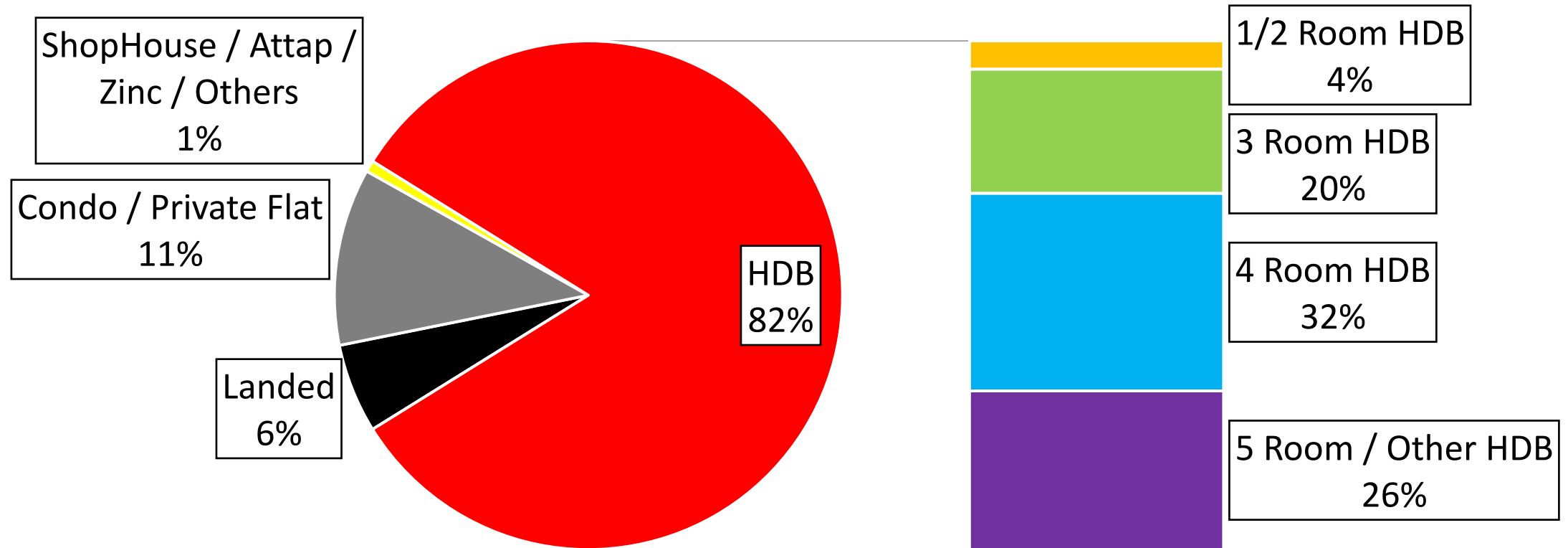
By 1990, rapid HDB development moved the majority of Singaporeans into modern HDB flats.

Housing Type Distribution in Singapore: 1990



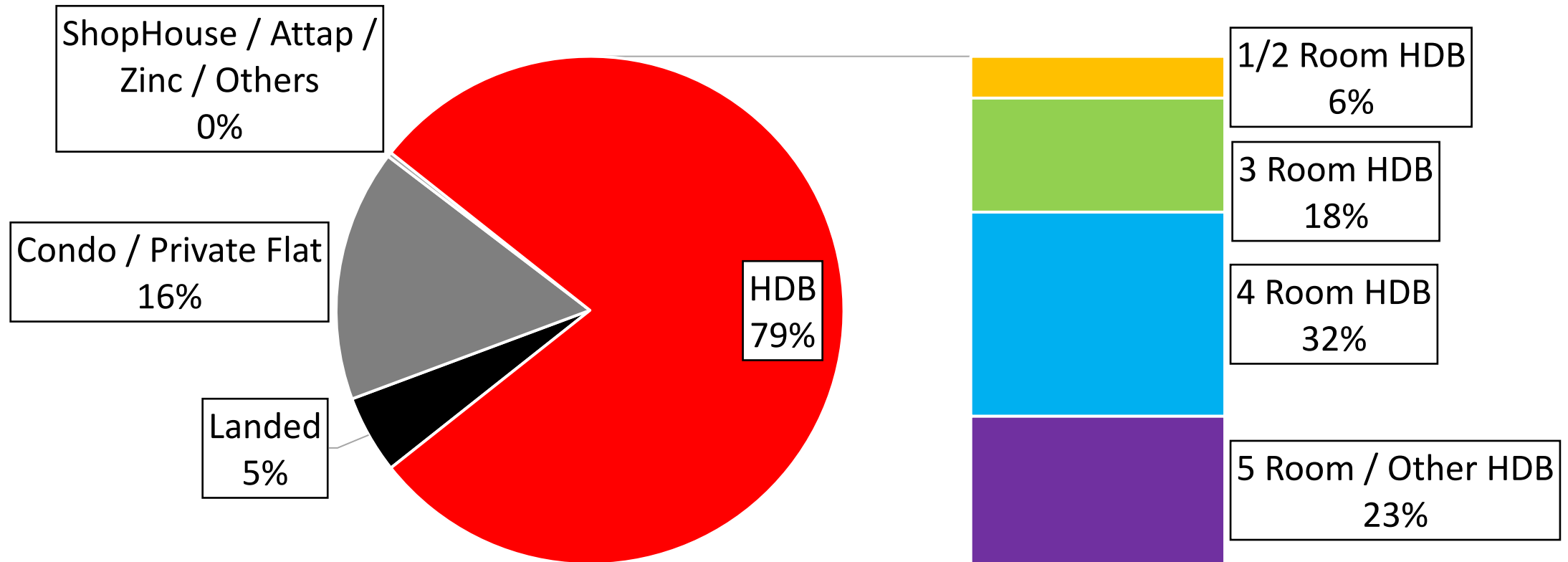
Throughout the 1990s-2000s, HDB households progressively upgraded to larger flats – and condominiums.

Housing Type Distribution in Singapore: 2010



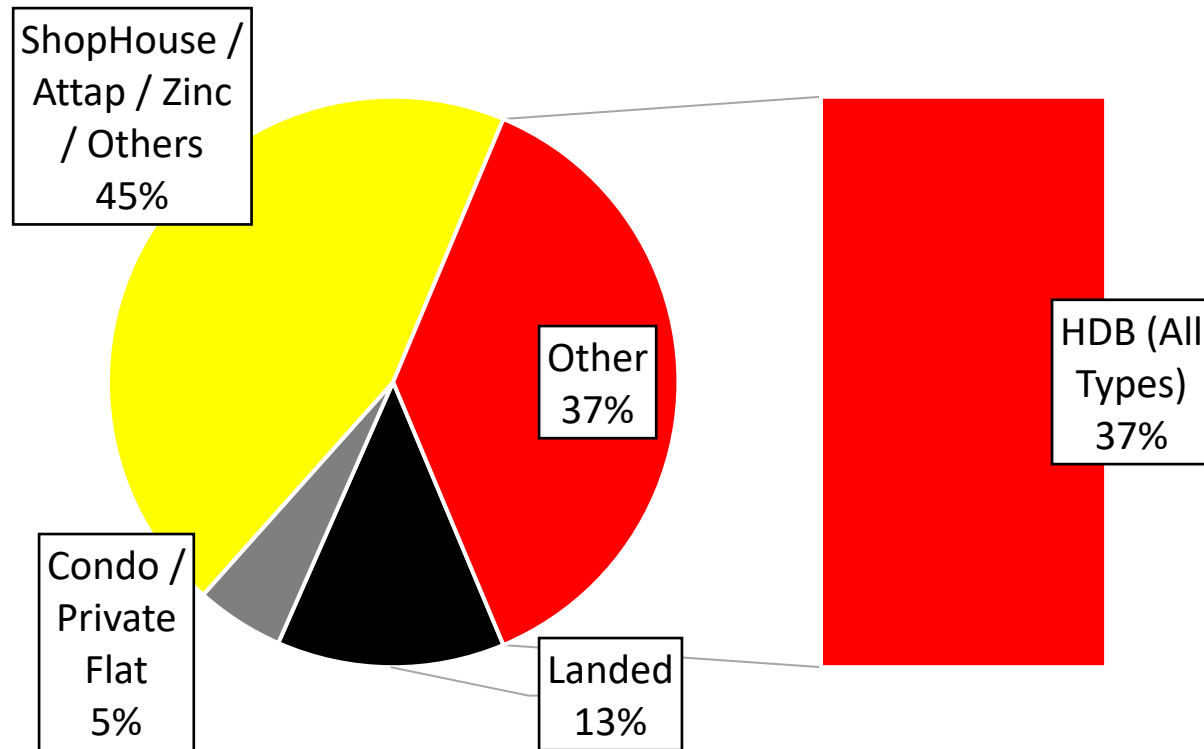
But by 2020, growth in the average physical size of HDB flats stalled, while upper income households increasingly turned to private property.

Housing Type Distribution in Singapore: 2020

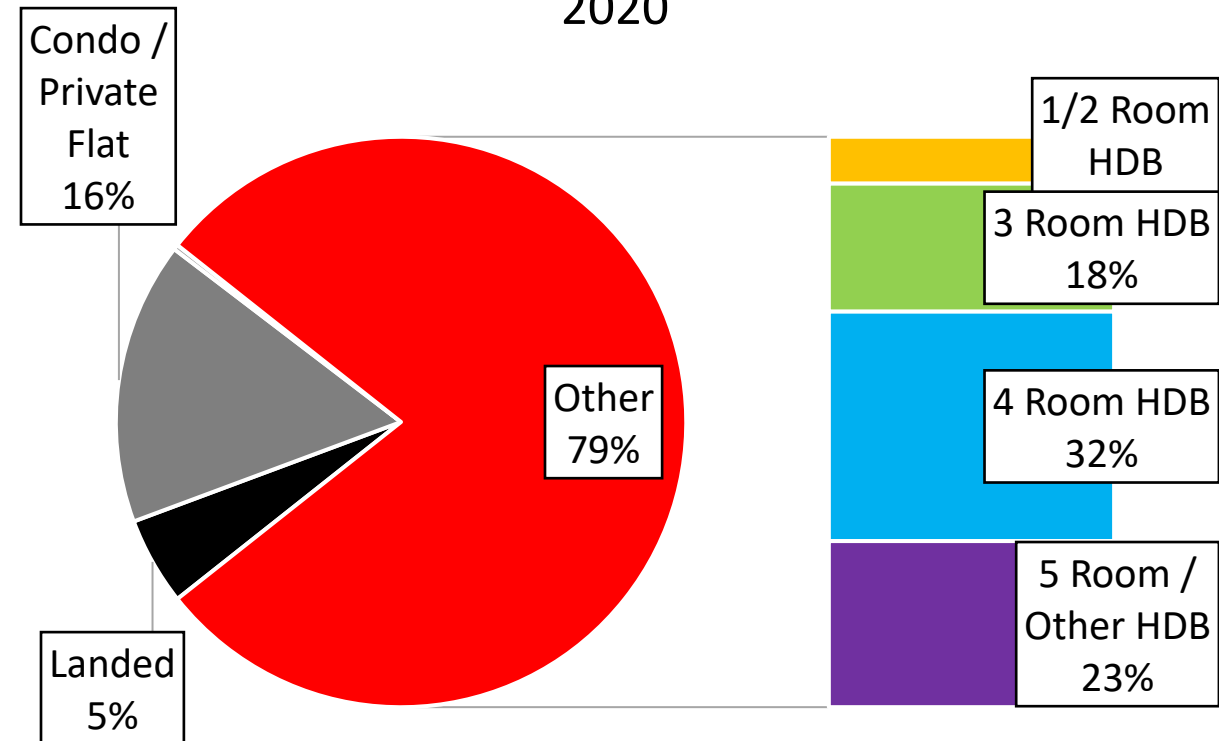


The lived experience of Singaporeans has been characterised by constant upgrading of housing quality and size – but is this sustainable for the middle class today?

Housing Type Distribution in Singapore:
1970



Housing Type Distribution in Singapore:
2020



An aerial photograph of a modern, high-rise residential complex in Singapore. The buildings are tall and grey, with many windows and balconies. In the center, there is a courtyard area with greenery, including trees and a paved walkway. The overall scene is a dense urban environment with a focus on modern architecture and integrated green spaces.

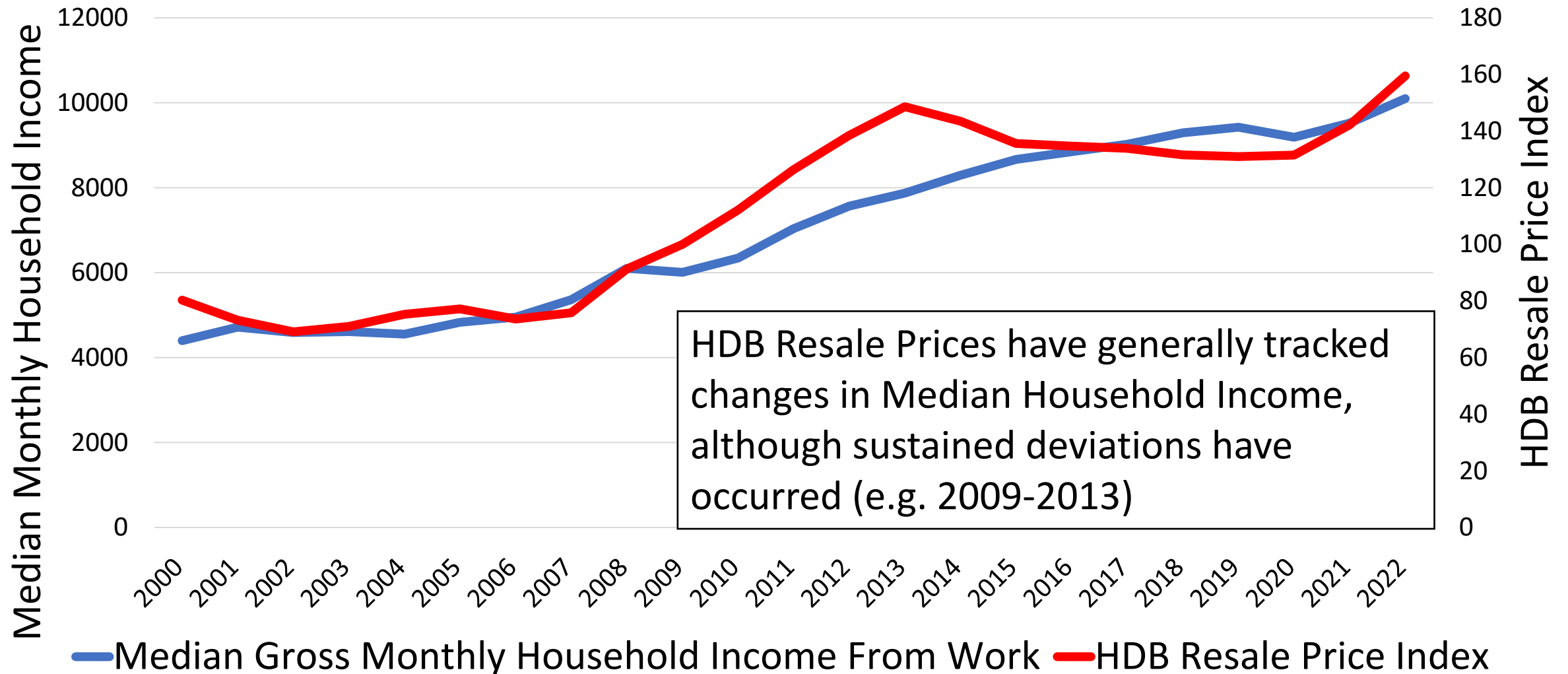
II: The Housing Wealth of the Singapore Middle Class

The Wealth of Singaporeans

- Singaporeans are by any international comparison extraordinarily wealthy.
 - The median Singapore adult held \$93,133 USD in wealth (Credit Suisse 2022).
 - The average person in Singapore held \$454,776 SGD in net worth (MAS / DOS Household Balance Sheets, 2022), of which \$180,000 SGD was in net residential property assets.
- The data is consistent with Singaporeans' popular belief that property investments are a key part of building wealth.
- 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 asset?

Median Gross Monthly Household Income vs HDB Resale Price Index, 2000 - 2022

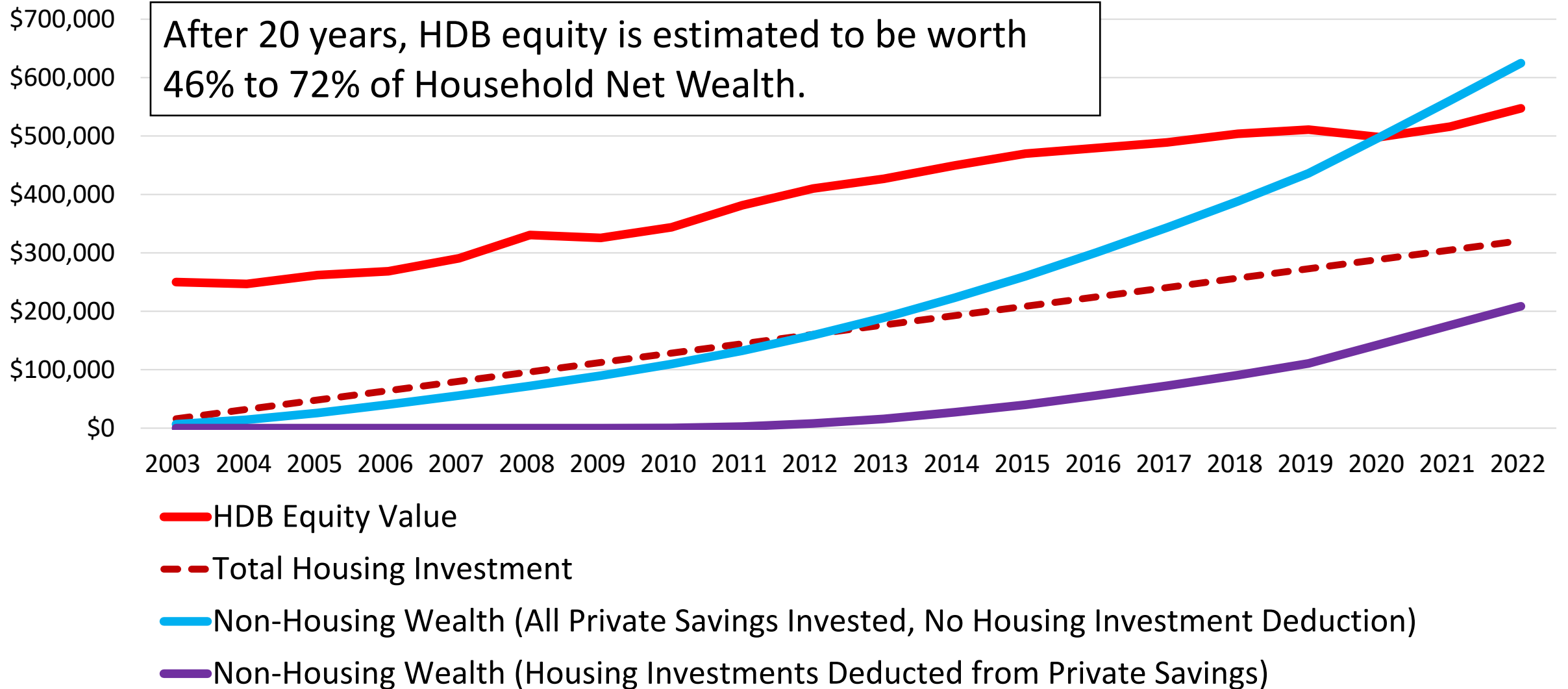
Source: Department of Statistics and HDB



Estimating the Wealth Share of HDB Assets for the Median Household, 2003-2022

- Panel data on household income and assets is not available to compute Singaporeans' historic housing wealth accumulation.
- Instead, I conducted a simulation exercise based on data from 2003-2022. In the simulation, the Median Household in 2003 buys the most expensive BTO HDB flat affordable (a 5-room flat priced at \$250,000), without grants or discounts.
 - Affordability is based on a 20-year loan at the 30% Mortgage Servicing Ratio and the HDB concessionary loan rate of 2.6% p.a.
- The simulated Median Household will enjoy wage growth according to the historic data, and will also invest at the private savings rate in a risk-free financial asset earning the standard CPF retirement account rate (4% p.a.).

Simulated HDB Equity Value and Non-Housing Wealth for the Median Household, 2003-2022



The Lived Experience of Housing Wealth

- My estimates of HDB equity at 42%-72% of household net worth compare to the Credit Suisse estimate of 42.3% of non-financial wealth, and MAS/DOS estimate of 43.6% as residential property assets (of all household assets).
- Why is housing so favourable for wealth accumulation?
- Housing investments allow high leverage at low cost; policymakers also frequently have an interest in stabilising the housing market (unlike other financial assets).
- The analysis is conservative, as households could increase leverage and HDB wealth further by (a) taking a longer duration mortgage (b) using HDB grants and discounts to buy a more expensive flat.
- Thus, it seems reasonable to argue the lived experience of Singapore households is one of significant and successful housing wealth accumulation.

The image is a split-screen composition. The left side shows a row of modern, dark-colored high-rise apartment buildings with a repetitive window pattern and green balconies. The right side shows a white, curved, multi-story public housing building with a red roof and blue window shutters. A yellow diamond-shaped sign with the number '79' is visible on the white building. The text 'III: Our Public Housing, Past, and Future' is overlaid in white on the center of the image.

III: Our Public Housing, Past, and Future

Should our Housing Past guide the Present?

- Over the last 60 years, generations of Singaporeans have:
 - Upgraded en masse into modern, high quality HDB flats from low-quality and informal housing (1960s-1990s);
 - Upgraded from smaller HDB flats to larger HDB flats and private property (1990s onward);
 - Enjoyed significant wealth accumulation through ownership of HDB flats and private property.
- However, these hugely successful lived experiences have arguably created unsustainable expectations and a fundamental contradiction:
- Singaporeans want affordable and accessible housing, but they also want housing to meet their aspirations for upgrading and wealth accumulation.
- Policy cannot meet both objectives simultaneously.
- Housing wealth today is also a source of structural inequality, and is hard to monetize for retirement.

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

- Policy may need to consider:
 - De-emphasising housing wealth accumulation, perhaps by reducing tax privileges for housing (e.g. high CPF contribution rates and CPF tax deductions) or taxing housing capital gains.
 - Shifting away from a capital purchase subsidy system, perhaps to a housing use subsidy system.
 - Broadening access to desirable public housing, even if it means shifting away from the model of ownership and investment.
- The PLH model already shows great promise in de-linking access to desirable public housing from investment and ownership.
- I would like to see a future of public housing where we see our flats as homes, not stores of wealth; where we value the stake in our communities as what bonds us as Singaporeans, rather than our hopes of capital gains.