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HOUSING POLICIES IN SINGAPORE: EVALUATION OF RECENT PROPOSALS AND RECOMMENDATIONS FOR REFORM*

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The Singapore housing market is unusual in its high homeownership rate, the dominance of HDB housing, and the extensive intervention of the government in regulating housing supply and demand in both the HDB and private housing sectors. Recent rapid population increases in a low interest rate and high global liquidity environment has resulted in accelerated house prices increases in Singapore. Earlier this year, the government launched “Our Singapore Conversation” of which discussion on housing policies constitutes one major component. This “conversation” comes in the wake of several consecutive rounds of measures to stabilize housing prices using various instruments. This paper evaluates the main policy changes proposed and makes recommendations for housing market reforms: (i) the government need to clarify goals of housing policies and make available more detailed data on the foreign component of our population for better analysis of housing markets; (ii) the housing supply regime should target an overall effective vacancy rate that encompasses both the Housing and Development Board (HDB) and private sector; (iii) policy makers need to monitor carefully excess demand indicators for housing in addition to housing affordability indicators over the entire spectrum of incomes and household types; (iv) housing REITs should be established to provide an alternative investment option as well as to develop an efficient and affordable rental sector; and (v) in addition to macroprudential measures, owner-occupancy requirements and fiscal measures such as stamp duties and property taxes could be further utilized to reduce the foreign demand for Singapore housing and real estate.

Keywords: Singapore; Housing Policies; Housing Reform; HDB; REITs.

JEL Classification: R21, R31, R38

1. Introduction

The Singapore housing market is unusual in its high homeownership rate (90% for resident households), the dominance of HDB housing (77% of housing stock at end 2011) and the extensive intervention of the government in regulating housing supply and demand in both the HDB and private housing sectors. In 2012, the total population of Singapore was 5.312 million, of which 62% were citizens, 10% were permanent residents (PRs) and 28% were

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foreigners. Recent rapid population increases in a low interest rate and high global liquidity environment in the post Global Financial Crisis period has resulted in accelerated house prices increases in Singapore. This has given rise to concerns about housing bubbles as well as the affordability of homeownership for first time home buyers.

Earlier this year, the government launched “Our Singapore Conversation” of which discussion on housing policies constitutes one major component. This “conversation” comes in the wake of several consecutive rounds of measures to stabilize housing prices using various instruments (see [Lee et al., 2013](#) for evaluation of the effectiveness of these measures). Section 2 of this paper evaluates a number of the recent policy proposals; and Section 3 contains our recommendations for housing market reforms and policy issues that need to be addressed. Section 4 concludes.

2. Evaluation of Recent Proposals for Reform

In the past year, there have been numerous proposals for housing policy changes from all quarters, both major in scope as well as suggestions for minor tweaks. In Table 1, we have categorized the numerous proposals into the following:

- (A) objectives of housing policies;
- (B) housing supply regime;
- (C) homeownership affordability;
- (D) rental sector; and
- (E) foreign demand for Singapore real estate.

In this section, we evaluate the various proposals and provide our views on these five areas of housing policy.

2.1. Objectives of housing policies

There have been many calls to review the existing housing system. Dr Liu Thai Ker (the former CEO of the HDB and Urban Redevelopment Authority), made a call for public housing “to return to the basics” — “minimum frills”, “not emulate condominiums”, and “keep housing prices affordable” in terms of matching of households’ incomes to selling prices and flat sizes (Liu, 2013). We find his views on the objectives of public housing to be insightful, cogent and very reasonable.

Consistent with Liu’s “minimum frills” approach, we recommend that the Design, Build and Sell Scheme and Executive Condominium (EC) Scheme be phased out. The social, income and racial integration brought about by the HDB sector is one of the most important justification for subsidizing HDB housing. It will be easier for the government to stop supplying ECs if the HDB income ceiling is simultaneously raised to \$12,000. There should not be a cut back of government land sales, but the land intended for ECs should be released for HDB and mass market condominiums instead.

Other commentators have made more controversial proposals. Hui (2012) has called for “a move away from promoting property as an investment to using property primarily for

consumption purposes.” Low (2013) is of the view that “the government should discard its implicit but long-standing goal of asset appreciation and end its reliance on housing as a *de facto* form of retirement funding.” Ku (2013) advocates a return to pre-1971 rules when HDB flats were not allowed to be sold for profits as well as not allowing HDB flat owners to invest in private housing. These sentiments are reflective of those who feel that capital gains and investment returns made by HDB flat owners and/or flat owners are somewhat unjustified.

We are of the view that a balanced approach toward HDB property is appropriate. Singapore’s housing policy has enabled 90% of the resident population to become homeowners. This has allowed a majority of households to benefit from the growth of Singapore. While asset appreciation was not the objective of public housing in the 1960s and 1970s, capital gains that have accrued to HDB flat owners, as Singapore made the transition “from third world to first,” have resulted in land rents being more widely distributed across the population than would be the case if homeownership had not been so widespread. Although by its very nature, this distribution may not satisfy traditional public finance norms of equity and savvy real estate investors have profited tremendously, the fact does remain that a majority of Singaporeans have benefited from an “unexpected windfall” from homeownership. Recent schemes introduced by the government or downsizing have allowed households to monetize this housing wealth through prudent and careful planning.

However, this magnitude of windfall is unsustainable especially if financed by the next generation of homeowners paying much higher housing prices. The HDB’s recent delinking of Build-To-Order (BTO) prices from market prices to make homeownership affordable for first time homeowners is an explicit acknowledgment of this problem (Khaw, 2013c). The issue therefore is not whether HDB housing should be an asset. In a home-owning society, it is the most important asset of many households. Economic growth and demand from new comers and investors drive up the price of an asset that the majority of Singaporeans hold. The investment income from land sales revenue and development charges that accrues to the government can be utilized to help finance the subsidies to the Singaporean first time homeowners to ensure housing affordability.

The question we should ask and which no doubt policy makers grapple with is the following: “*what is the optimal rate of house price appreciation given that this price appreciation also generates costs to society as well?*” Previously, average or median price-to-income ratios (PIRs) have been used as housing affordability policy targets for subsidized HDB segments according to flat size (Phang, 2010). However, the Gini coefficient has worsened over time and the changes in the distribution of household incomes have had implications for housing affordability that are not well captured by simple measures of PIRs for HDB flat segments. Housing policy now needs to be much more “micro” in order to track and address housing affordability and accessibility issues for the whole distribution of citizen households as well as for other groups in Singapore. Moreover, even if policy makers manage to reign in expectations of long-term house price increase to be at a rate in line with some measure of income growth rate, expectations of future income growth and future housing price increases are capitalized into present asset values and the challenge remains as to how to manage investment and speculative demand for real estate. In addition to the recent cooling measures which mitigate demand, the other crucial policy is the housing supply regime.

2.2. Housing supply regime

The Singapore housing supply regime is to a very large extent determined by policy. The HDB's decisions to increase supply or withdraw units from the market determine HDB stock of housing. In the private housing sector, planning approvals and government land sales determine to a large extent the new supply of housing each year. Many other commentators have highlighted the gap between population and housing stock growth rates as one of the main reasons for the recent rapid housing price escalation.

Liu (2013) has suggested that one way to keep market prices in check is for “supply to match demand”, and that it might not be a bad idea to “over-supply marginally”. We find this suggestion to be most perceptive and reflective of his deep understanding of real estate market operations. A normal well-functioning real estate market has a “natural” vacancy rate, rather similar in concept to the natural unemployment rate in labor markets. The vacancy rate provides some short-term buffer against sharp increases and decreases in prices. Although there are no official figures on HDB vacancy rate, the general perception is that it is very low, certainly well below the vacancy rate in the private housing sector, and possibly close to zero. This market disequilibrium is reflective of the small rental segment and the excess demand for BTO flats and shows up as high rental yields in the HDB sector.

2.3. Homeownership affordability

In addition to housing supply, there have been many suggestions on how to restructure the HDB pricing and resale system in order to make homeownership more affordable for first time buyers. In November 2012, the Singapore Democratic Party (SDP) proposed a non-market segment, priced at building costs only but with the requirement to sell back to the HDB. The rationale underlying this proposal is that housing should not be a means of investment for capital gains. The SDP proposal for a non-market segment is supported by Ku (2013) who has proposed not only a segment, but all new BTO flats be “priced at four times salary of the household with the requirement to sell flats back to the HDB only after the minimum occupation period, at price that is pegged to inflation and GPP growth.” In a similar vein, Tan (2013) has proposed new flats be sold at costs based prices minus land value, with the HDB “claiming the pre-determined land value from the capital gain” when the homeowner sells his flat. “In the event if the capital gain is less than the land value, the shortfall will be borne by the HDB.”

Other proposals to reduce the value of the HDB flat so as to make it more affordable include extending the minimum occupation period, the HDB to reduce the term of mortgage loans in its computation of the debt-service ratio from 30 years to 15–20 years, and for the HDB to shorten the leases for BTO flats. These other proposals and suggestions by Gee and Lum (2013), Minister Khaw (2013a and 2013b), Raj (2011) and Tan (2011) are listed in Table 1.

Many of the above proposals represent a movement away from market norms of pricing and resource allocation for the HDB sector, with the justification of improving housing price affordability. Retreating to the non-market policies of the 1960s and 1970s involves

Table 1. Recent Specific Housing Policy Proposals

(A) Objectives of Housing Policies

- Liu (2013): “back to basics — provide affordable no frills housing”
- Low (2013): “discard goal of asset appreciation and reliance on housing as retirement funding”
- Hui (2012): “primarily consumption rather than investment”
- Ku (2013): “shelter or asset?”
- Khaw (2013b): “review executive condominium scheme”

(B) Housing Supply Regime

- Liu (2013): “supply of housing should match demand; not a bad idea to over-supply marginally”
- Phang (2013): “planners need to monitor housing shortage closely”

(C) Homeownership Affordability

- Tan (2013): “cost-based pricing: land cost announced but omitted, payment deferred to time of resale”
- Ku (2013): “limit new BTO applicants to choosing flats priced at four times salary, *sell flats back to HDB only* after the minimum occupation period, at price that is pegged to inflation and GDP growth”
- SDP (2012): “create non-open market (NOM) segment: price at cost of building minus land cost, *sell back to HDB only*”
- Khaw (2013a): “extend minimum occupation period, sell back to HDB only”
- Gee and Lum (2013): “reduce term of mortgage loan in computation of DSR to 15–20 years”
- Hui (2012), Tan (2011), Raj (2011), Khaw (2013a): “shorten leases for BTO flats”

(D) Rental Sector

- Phang (2013): “grow rental housing sector through REITs”
- Low (2013): “ensure affordable rental market”
- Ku (2013): “HDB flat owners should not be allowed to retain their HDB flats for subletting after buying private homes”

(E) Foreign Demand for Singapore Real Estate

- Phang (2013): “more restrictions on PR and foreign buyers and progressive property taxes for non-citizen owners”
-

trade-offs and require careful consideration of effects. The following are some of the potential costs involved:

- (i) The homeownership affordability problem affects new entrants and households wishing to upgrade — a smaller proportion of the population as compared to existing owners. In making changes to the existing system, there is a need to avoid making changes which could potentially have adverse impacts on housing asset values and retirement wealth of a majority of the population. Policy makers should aim to stabilize housing prices and not bring about a sudden decline in prices.

- (ii) The proposals for a segment of new BTO flats to be sold back to the HDB (SDP, 2012), or for all new BTO flats to be eventually sold back to the HDB (Ku, 2013) at some pre-determined price or with shortfall to be borne by the HDB (Tan, 2013) introduce a number of issues. If market prices for housing appreciate at rates higher than pre-determined prices, homeowners in this new segment will be unable to benefit as much from this asset appreciation — one of the primary benefits of Singapore’s homeownership program. New entrants at the point of entry will then have to make a decision as to which segment of the market would yield better returns in the long run. If expectations are for higher rates of house price appreciation in the market segment, the preferred option would be to enter the market segment, with the non-market segment viewed as an “inferior” investment vehicle. This would cause prices in the HDB resale market to appreciate even more. If sentiments are less certain, the pre-determined price of the non-market segment provides a floor and is effectively a put option on the housing price, which could create a moral hazard problem leading to over-consumption and over-investment.
- (iii) Moreover, in a situation where HDB market resale prices are higher than the non-market pre-determined price, households opting for the non-market segment may face a mobility problem when the minimum occupation period is over. The gap between the pre-determined price and market prices may render the household with no viable options in the resale market. Phang (1992) using 1981 household data, showed that HDB restrictions prevailing then led to considerable distortions in housing tenure, consumption and location decisions, such that the value of the consumer surplus derived from the housing stock had been less than achievable from a freer market. In particular, commuting distances and commuting times were significantly higher as compared to private housing residents. As such, the desire to impose a cap on investment returns on subsidized HDB housing by introducing restrictions can result in increased housing market inefficiencies and increases in commuting costs.
- (iv) Proposals for flats to be sold back to the HDB at pre-determined prices will be extremely challenging to implement in practice. In addition to being the biggest developer, the HDB will need to tie up financial resources to become the biggest buyer (and seller) in the housing sector. Housing is a multi-dimensional product and homeowners pour varying amounts into investment in housing quality. Locational prices of various attributes would also have shifted in the interim between launch and resale. The proposed pre-determined prices upon resale to the HDB will thus not be reflective of market prices or reflect variations in market demand. If an entire segment of the housing sector is subject to non-market prices as proposed, the valuable role that market prices play in the allocation of resources would have been sacrificed in the process. This is reminiscent of the inefficiencies of socialist cities during an era when land and housing markets were not allowed to operate (Bertaud and Renaud, 1995).

2.4. Rental sector

The affordable rental segment of Singapore’s housing market has been marginalized by the deliberate and long standing policy bias towards homeownership. Phang (2013) advocates

establishing overcrowding standards in the HDB social rental housing sector as well as integration of rental units within HDB BTO blocks which will allow for greater social integration. The current high market rental yield for HDB flats is an indication that there is a need to expand the affordable rental sector. Phang also proposed the establishment of housing Real Estate Investment Trusts (REITs) to help cater to the rental housing needs of an increasing number of PRs and foreigners in Singapore as well as Singaporean households in transition. We will expand on the proposal for housing REITs in Section 3.

Consistent with Phang, Low views the “single-minded obsession with home ownership” as quite anachronistic given the country’s global city ambitions and advocates that the housing policies offer a greater variety of options to meet the increasing diverse needs of the population.

Going against the above proposals for the supply of more affordable rental units, Ku suggests that HDB owners who purchase private homes should not be allowed to retain their HDB flats for subletting (Ku’s proposal represents a reversion to pre-1989 HDB restrictions). Ku’s suggestion is understandable given the current shortage of HDB flats. However, we are of the view that there is an equally pressing shortage of affordable rental flats. The solution lies on the supply side and not in increasing supply of resale flats at the expense of withdrawal of rental units.

2.5. Foreign demand for Singapore real estate

The upward trend in Singapore real estate prices has made housing a most attractive investment asset as compared to other asset classes. This is due, in part, to the scarcity of land in Singapore. In the past two decades, based on price indices, the returns on both private housing and HDB resale flat sectors have out-performed the stock exchange’s Straits Times Index on a risk adjusted basis (see Tables 2(A) and 2(B)). Leverage in real estate and SGD appreciation further magnify the returns. The superior performance of the HDB sector is based on the resale price index alone and does not include the added benefits of generous subsidies, attractive rental yields (6% to 8%) or imputed income from owner-occupancy.

The attractive returns on housing investment relative to other assets have drawn the attention of both local and foreign investors. Given the importance of housing market stability for both housing affordability and macro-financial stability, Phang (2013) proposed that the government further tighten regulations on property investment by foreigners. Although PRs and foreigners are restricted in the market segments they can purchase housing in, their transactions at the high end margin can set prices and move markets. Phang suggested gradual phasing in of policies (similar to those in Australia) where PRs, foreign companies and foreigners who are employed in Singapore are allowed (and only with permission) to purchase housing (in the apartments/condominiums sector) for owner-occupancy only. For existing PRs and foreigners who are multiple property owners, property tax rates for second and subsequent properties could be raised. These suggestions will be elaborated upon in the next section.

Table 2. (A) Risk-Adjusted Return Ratio (Nominal) and (B) Risk-Adjusted Return Ratio (Real)

		(A)		
		Average Nominal Return*	Standard Deviation	Risk-Adjusted Return Ratio
1990–1999	Private housing	12.1	23.2	0.52
	HDB resale	15.2	25.9	0.59
	STI	12.2	35.3	0.35
2000–2012	Private housing	4.1	10.8	0.38
	HDB resale	5.1	8.1	0.63
	STI	6.0	29.5	0.20

		(B)		
		Average Real Return*	Standard Deviation	Risk-Adjusted Return Ratio
1990–1999	Private housing	10.1	22.7	0.45
	HDB resale	13.3	25.7	0.52
	STI	10.3	35.7	0.29
2000–2012	Private housing	1.9	10.9	0.18
	HDB resale	3.0	7.1	0.42
	STI	3.9	30.5	0.13

*Based on price index only.

Note: Gross rental yields for HDB flats are in the range of 6% to 8%.

Source: Phang (2013).

3. Recommendations

This section contains our recommendations for changes to housing policies.

3.1. Policy objectives

The housing market in Singapore is one that is heavily policy driven — both from the supply side as well as the demand side. The objectives of intervention and desired goals need to be clearly specified by the policy makers. The macroprudential objective of minimizing excessive housing asset price volatility should continue to rank high on the list.

For better tracking of demand for housing and housing markets that is required for policy intervention and market analysis, there is a need for the government to provide more data especially on the foreign population residing in Singapore. The proportion of PRs and foreigners residing in Singapore has increased significantly over the past decade and currently comprise more than one third of the population. Although annual data on the total number of PRs and foreigners in Singapore is available, the characteristics of the foreign population such as tenure and housing choice, occupations, household size distribution, age, wages, etc. which impact on housing demand continue to be unavailable to the public.

Official data provided on incomes, the labor force, households and housing, and population census continue to be for the resident population only which provides an incomplete picture of housing demand.

The aging population in Singapore has resulted in an increase in the proportion of Central Provident Fund (CPF) withdrawal for retirement and the extent to which these CPF funds are ploughed back to the property market is a concern. Although the recent measures made by the Monetary Authority of Singapore to restrict residential mortgage loan tenure, loan-to-value and total debt-service ratios can curtail such purchases, ongoing public education on topics such as investment risk profiling, retirement cash flow planning and liquidity risks inherent in real estate investments may also be useful.

3.2. Housing supply regime

We agree with Liu's suggestion on the merits of "over-supplying marginally". Doing so will reduce the gap between BTO and resale HDB prices, reducing investment demand in the process (as was the case in the early 2000s). However, we recognize that achieving this and moving toward a permanent state of "over-supplying marginally" will require changes to HDB's current build-to-order regime. We suggest the housing supply regime should be one where the overall vacancy rate (both HDB and private sector) of $x\%$ becomes a policy target.

3.3. Housing affordability

The housing supply regime needs to ensure affordability of housing types for the entire total population taking into account different income profiles, household sizes and family types. It is not sufficient therefore to measure and target housing affordability using averages or medians values of PIR and Debt-Service Ratios. Policy makers need to carefully monitor excess demand indicators for all distinct housing segments, housing affordability indicators for first time buyers, as well as rental affordability indicators for different diverse groups in Singapore. The recently announced delinking of BTO prices from HDB resale prices (Khaw, 2013c), together with more calibrated housing grants, allow for better targeting of housing subsidies. HDB studios with 30-year leases as well as the Lease Buyback scheme are housing market segments that have been recently introduced. In addition, a shared equity ownership scheme, which will allow for sharing of asset appreciation, could be considered.

3.4. Rental housing

As a city-state with more than one third of its population comprising foreigners, there is a pressing need to develop an affordable rental housing segment. Currently, Singapore residential REITs have not been listed as rental yields in the private rental housing sector comprising mostly high end housing units have been low. The higher rental yields in the highly regulated and limited HDB market rental segment is indicative of the shortage of affordable rental housing options. Yet, there is strong demand for investment in Singapore

residential assets and strong demand for affordable rental units. Restrictions in the lower and middle income housing market — the HDB sector — however constitute an effective barrier to housing investment where it is most needed.

The REIT sector for retail, commercial and industrial properties in Singapore is already well established. We propose that a private REIT consisting of HDB residential and commercial units be established. A proportion of new units developed by the HDB can be sold to this REIT for rental. The REIT will be an active participant in rental and lease back market in the HDB sector. REIT shares can be sold to Singaporean CPF members in units of SGD1, with the HDB or approved banks as financier and a HDB subsidiary as the REIT manager (with some form of rental adjustment regulation to ensure that rental increases are managed and not fully market driven). The tax free rental income can be transferred back to Singaporean CPF REIT holders (see Figure 1 for a typical REIT structure).

The advantages of such a REIT are several and include the following:

- (i) More affordable housing: A housing REIT will create more affordable rental housing options for lower and middle income households. This will exert downward pressure on rents in the private segment thus helping to reduce both local and foreign investment demand. The REIT can also be a co-owner in a shared-equity-ownership housing scheme and help to make homeownership more affordable.
- (ii) Investment alternative: The REIT can provide higher rental yields for shareholders due to the tax free dividends that are align with market rental yields. This will help to reduce housing investment demand as an instrument for hedging asset price inflation. The REIT will also require smaller outlays for investing in housing. This will allow households to better optimize on their asset allocation instead of being constrained to invest in “shoebox” units or owner-occupiers owning a unit that is in excess of their consumption needs.

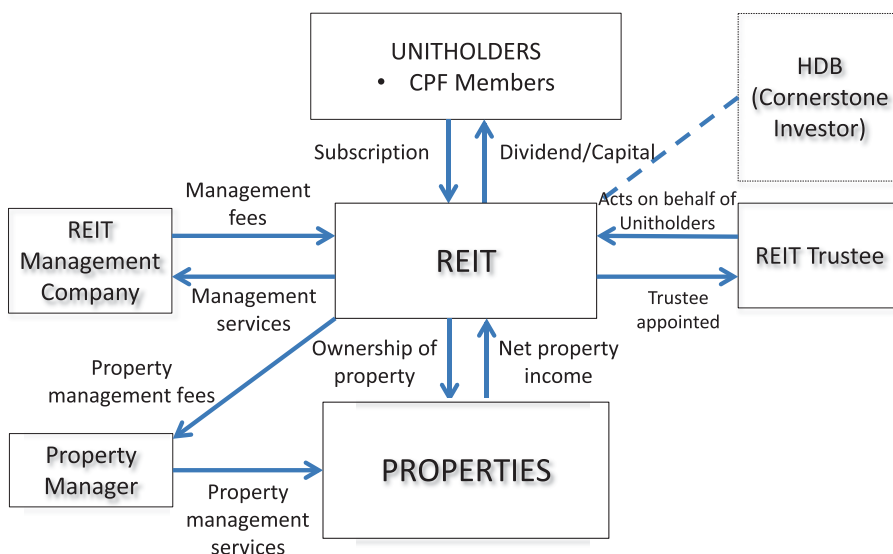
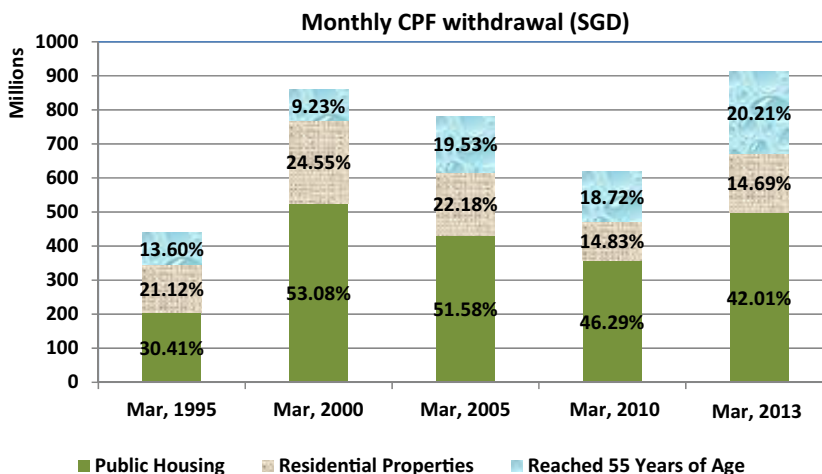


Figure 1. Typical REIT Structure



Source: CEIC global database.

Figure 2. Withdrawals from the CPF by Purpose

- (iii) Retirement planning: With an aging population, such a REIT arrangement would facilitate elderly households to invest as well as monetize their housing assets in more optimal ways. Figure 2 shows monthly CPF withdrawals by members who reached the age of 55 had increased to 20% of withdrawals in March 2013. The amount withdrawn each year is currently in excess of S\$2 billion and will continue to increase over time as the population ages. The REIT will provide another investment option for those making the withdrawals as they may otherwise invest in private residential properties or other more risky assets or schemes. The REIT can facilitate retirement planning through homeowners selling their HDB unit to the REIT but remaining as an owner of the REIT to neutralize the rental payment.
- (iv) Source of financing: The REIT can also act as a source of financing for the HDB Lease Buy Back Scheme. It can also provide the financing for a shared-ownership housing scheme and also reduce the fiscal burden of targeting vacancy rates in the HDB housing sector.

In implementation, policy makers may consider wealth distribution issues that may include allowing Singaporeans to supplement their CPF accounts to purchase the REIT shares to enjoy the tax-free rental income.

3.5. Foreign demand for housing

We propose further restrictions on housing ownership and investments by PRs and foreigners. As a small open city-state with only 700 sq km of land, discriminatory policies are necessary for property market stability, and in order for housing to be affordable for residents and for business rentals to remain competitive. From a macroprudential standpoint, there is a strong justification for sheltering the real estate sector from the large and potentially destabilizing foreign capital flows that result from the policies of foreign

governments. Moreover, there is a clear domestic bias for real estate investment as compared to other asset classes due to the importance of local knowledge in the real estate investment decision.

We therefore suggest the following additional measures:

- The gradual phasing in of policies where foreigners who are employed in Singapore are allowed (and only with permission) to purchase housing (in the apartments/condominiums sector) for owner-occupancy only. Australia as well as governments across Asia including China, India, Indonesia, Vietnam, Hong Kong and Thailand have in place curbs or restrictions on overseas buyers (see [Ong, 2013](#)). These countries imposed policies to make it more costly for foreign ownership or restrict foreign buyers to a specified segment of the housing market. Also, some countries attempt to reduce liquidity for the foreigner-sector of the real estate market (such as selling back only to citizens) but with no outright ban of foreign investment.
- The property tax could be used as an instrument to discourage foreign as well as multiple-unit residential ownership. Possibilities include the removal of owner-occupancy property tax concessions for foreigners and progressive property tax structure for multiple unit owners who are PRs and foreigners.
- The additional seller stamp duty could be levied on HDB and private transactions involving foreigners regardless of the length of the holding period.

The above policies will also serve to encourage PRs and foreigners to become citizens in order to enjoy the tax benefits of citizenship. There have been constraints on the application of fiscal instruments that discriminate against foreigners from two of the 18 Free Trade Agreements that are currently in force.¹ We thus recommend that for housing, financial sector and macroeconomic stability reasons, the real estate sector be excluded from future Free Trade Associations (FTAs) and from future tax and cross-border investment agreements relating to the Asean Economic Community.

4. Summary and Conclusion

In conclusion, we view the current “Our Singapore Conversation” on housing policies as most timely. The housing market has been in a severe state of disequilibrium arising from unexpected housing shortage in a supply constrained market with a subsidized sector. This has caused market prices to appreciate across the board with the need for several rounds of market cooling measures. To restore market equilibrium and for longer term housing price stability with growth, we have made the following recommendations: (i) the government need to clarify goals of housing policies and make available more detailed data on the foreign component of our population for better analysis of housing markets; (ii) the housing supply regime should target an overall effective vacancy rate that encompasses

¹ Under the Singapore–European FTA, nationals and PRs of Iceland, Liechtenstein, Norway and Switzerland, and under the USA–Singapore FTA, nationals of USA are accorded the same treatment as Singapore citizens for stamp duties on property purchases.

both the HDB and private sector; (iii) policy makers need to monitor carefully excess demand indicators for housing in addition to housing affordability indicators over the entire spectrum of incomes, housing and household types; (iv) housing REITs should be established to provide an alternative investment option and to develop an efficient and affordable rental sector; and (v) in the interest of housing market stability and housing affordability, in addition to macroprudential measures, owner-occupancy requirements and fiscal measures such as stamp duties and property taxes should be further utilized to reduce the foreign demand for Singapore housing and real estate.

The above recommendations take into account the needs of citizens, PRs, foreigners as well as businesses for affordable homeownership and rental housing options. They also provide an alternative real estate investment option as well as incentives for PRs and foreigners who invest in real estate in Singapore to become citizens. We recognize that these recommendations may, in the short term, not be welcomed by investors and business segments which derive considerable benefits from continued real estate price appreciation and foreign demand for Singapore properties. However, if the market is stable with a sustainable growth in prices for the long run, there is a good reason for them to support these recommendations which will contribute to sustainable higher risk-adjusted-returns as these returns are achieved with lower volatility.

Finally, given the challenges of policy intervention in a complex system, the implementation of measures will need to be carefully calibrated and timed so as not to destabilize the market.

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