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Financialising public housing as an asset for retirement in Singapore

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In Singapore, more than 85% of the one million households living in public housing own a 99-year lease on their flat. This high rate of 'ownership' has been enabled by allowing leaseholders to make pre-retirement withdrawals from their social security savings accounts for monthly mortgage payments, with the expectation that the flat will eventually be monetised to fund the lease-owner's retirement. In order to meet future retirement needs, the market value of public flats, therefore, must necessarily increase, preferably exceeding annual inflation, in order to preserve the capital invested. This paper examines a number of consequences and contradictions resulting from a system built upon an inflationary regime in which economic security in later life depends on sustained house price inflation. Having encouraged the entire nation to invest their retirement savings in owner-occupied public housing, the public housing authority and government together now bear responsibilities for ensuring both steady increases in property values and establishing regulations for monetising them. Lease-owners are in turn pressured to find ways to enhance their capital investments in their flats by working around the rules and regulations of ownership. Over time, however, persistent house price inflation has begun to create affordability problems for new entrants to the public housing market. Subsequently, the positive contribution of the universal public housing programme to the political legitimacy of the incumbent government is being transformed into a 'burden'. Maintaining balance among the simultaneous and systemic contradictions with the public housing programme has thus become a constant preoccupation of the housing authority and the government.

Keywords: social housing; homeownership; redevelopment; Singapore

Introduction

> Their purchase constitutes a placement. . .The owner of a single-family dwelling. . .is there for life. . . That ego certainly lives better in its own property than in an anxious state within a lodging it could lose from one day to the next. (Henry Lefebvre, translated by Kristy Ross, *Fast Cars, Clean Bodies* (MIT Press, 1995) pp.107–108)

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The Housing and Development Board (HDB) was established in 1961, two years after Singapore was granted domestic self-government by the British colonial administration, to replace the woefully under-funded colonial housing authority, the Singapore Improvement Trust. The first fully elected legislature under the People's Action Party (PAP) mounted an aggressive building programme to fulfill its electioneering promise to improve the living conditions of the newly enfranchised citizens, who had been living in severely congested and unhygienic physical environment of either urban 'shop-house' rows or '*kampongs*', informal settlements of wooden houses with thatch-roofs. Started modestly with the construction of one-room rental flats, with shared kitchen and toilet facilities, the HDB began selling 99-year leasehold flats in high-rise housing blocks in 1964. By the end of the twentieth century, 90% of Singapore citizens and permanent residents lived in HDB estates, of which about 85% owned a 99-year lease on their residence; the remaining 10% of households reside in the private housing sector.

In a small island nation with a population which has passed the demographic transition point towards low fertility rate and aging population and practically universal homeownership, one would logically expect relatively low residential mobility and relatively high housing market stability. Yet, in the past decade, annually tens of thousands sold their public housing flats and acquired new ones; ranging between less than 24,000 to more than 39,000 units (see Table 1). Furthermore, prices for public housing flats have a tendency to inflate, with each peak higher than the previous price cycle, reflecting a very active housing market. Focusing on the public housing sector, this article will analyse the linkages between the high residential mobility and market activities and inflationary pressures on the costs of

Table 1. Number of resale flats by year.

FY	Resale transactions
2012/2013	23,579
2011/2012	24,331
2010/2011	30,061
2009/2010	39,320
2008/2009	28,551
2007/2008	29,612
2006/2007	29,034
2005/2006	31,123
2004/2005	35,018
2003/2004	33,245
2002/2003	35,355
Total	339,229

public housing flats that are systemically generated by the interactive effects of the transactional regulations that have transformed public housing flats into financial assets.

Universal public housing ownership

The extremely high rate of 99-year leasehold homeownership in Singapore is facilitated by a unique financing system. In lieu of the absence of a pension scheme in colonial Singapore, a mandatory tax-exempt social security savings fund, the Central Provident Fund (CPF), was instituted in 1955. Every wage earner is compelled to save a portion of the monthly wage with the CPF, with proportional contributions from the employers; the savings are in individualised accounts with no collectivisation and redistribution. Beginning with a 3% contribution from each party, the rate of contribution rose steadily in tandem with rapid economic development and rising income to a peak of 25% from each party, in the early 1980s. Equal contribution practice was disrupted by the mid-1980s recession. The employer's contribution was reduced as a means of cutting labour costs. Since then, contribution rates for both parties have fluctuated according to the general health of the national economy and the employer's contribution has been progressively reduced for older workers to a marginal rate for those above 60 (see Low & Aw, 1997).

In 1968, citizens were allowed to make pre-retirement withdrawal from their CPF savings to pay the down-payment and monthly mortgage of the 99-year lease on HDB flats. A closed loop of financial transactions was thus instituted. A portion of the wage of a would-be home-owner is deducted at income source as savings with the CPF; he/she buys a flat from HDB which holds the mortgage; the CPF pays on his/her behalf the monthly mortgage directly to the HDB, at a mortgage rate pegged at 0.5% higher than interest rate the CPF pays to his/her monthly savings. With high monthly savings rate and low interest rate, generally, the CPF savings would be sufficient to pay the monthly mortgage without additional cash outlay, especially for co-owning working couples. Ownership, therefore, does not affect the homeowner's normal consumption. Meanwhile, with decades of double-digit national economic growth and chronic labour shortage, there was no fear of unemployment and disruption in monthly CPF savings and, in turn, mortgage payment.

Transforming public housing into retirement asset

Until 1971, lease-owners who wished to dispose of their flats had to sell them back to HDB. Since then, after five years of residence, the lease-owner is permitted to sell the flat, known locally as a 'resale' flat, on the open market and either keeps the profit or uses the capital to repurchase a new subsidised flat from the HDB, creating a 'buy/sell/repurchase' cycle. Allowing the purchase of a second subsidised flat was meant to assist households with growing families who might need to upgrade to larger flats or to enable financially upwardly mobile families who wanted to improve their living conditions to do so. As Singapore was a developing economy with large family size and a young population, upgrading was a common phenomenon for the first 30 years of the public housing programme. Correspondingly, it filters down the older and smaller flats to either lower income groups who are new entrants into the housing market or to permanent residents who are ineligible for new subsidised flats directly from the HDB.

Obviously, in addition to enabling adjustment to the housing needs of a growing family, residential upgrading also opened up the opportunity for financial gain, as a bigger flat accrues greater capital gains. Sustained economic growth to its current high-income country status with a middle-class majority has coincided with the demographic transition in part because of the draconian 'two is enough' population policy. The total fertility rate began to fall in the late 1970s, household size has shrunk and the population is now rapidly aging. Under these new social conditions, logically residential upgrading for reason of changing family need would be displaced by other reasons, in which financial gains featured prominently.

The 'buy/sell/repurchase' cycle is highly dependent on the matching of the respective motivations of seller and buyer. The seller is motivated by immediate or deferred financial gains. The buyer is motivated by first, the fact that purchasing a resale flat by-passes the long waiting list for a new HDB flat and second, that resale flats are generally in estates within or in the immediate proximity of the city area, where all amenities and services are already developed – 'mature' estates – compared to new flats in new housing estates, which often remain lacking in facilities for a long period of time. The interests of sellers and buyers of resale flats are thus well dovetailed into each other. Reflecting the significance of financial consideration, the volume of resale flats (Table 1) tends to grow in tandem with the price gap between resale and new flats; 'the correlation between volume and the resale price-new price differential is 93%' (Edelstein & Lum, 2003, p. 348). The result is a very active 'resale' market; for example, more than 8000 units of resale flats were transacted in eight consecutive quarters till the end of 2009.[1]

As the 99-year public housing lease-ownership is built on pre-retirement withdrawals from CPF savings, the public housing flat is thus an 'asset' that holds a lease-owner's accumulated retirement capital. Over the length of a 20–25 year mortgage, the bulk of an individual's social security savings would have been drawn down, potentially leaving insufficient funds for the leaseholder's retirement years (Asher, 1991; Singapore Economic Review, 1986, pp. 51–55). Unsurprisingly, 1995 National Survey of Senior Citizens found that '48.8% cited their own house as their most important asset'; the public housing system has quietly become an 'asset-based social security system' (Chia, 2010; Ronald & Doling, 2010).

Strategies for value appreciation in public housing

If public housing as an asset is to fund the retirement needs of a nation of leaseholders, prices of HDB flats must, first and foremost, not be allowed to fall precipitously, impoverishing all present and future retirees. Furthermore, prices must minimally keep up with, but preferably be higher than, annual inflation in order to maintain equivalent dollar purchasing power of the invested sums. At the macroeconomic level, the scale of investment in public housing by ordinary citizens has become so wide and deep that serious falls in public housing prices would be both a national economic deflation and a political crisis for the ruling government, which has derived continuing electoral support from the public housing system (Chua, 1995, 1997). Having encouraged the entire nation to invest in public housing, of which it is both provider and regulator, it has become the responsibility of the government to ensure that the value of the investments is maintained, if not enhanced.

The prices of existing public housing flats are boosted by two government policies. First is the estate upgrading scheme. As an estate ages, the physical quality of the flats and the general estate environment deteriorates through wear and tear; flats in older estates unavoidably progressively lose their financial value. To counter this tendency, in 1990, the government established an 'estate upgrading scheme' of improving the flats, amenities and environment of older estates, to maintain their property values against successive generation of new and better designed flats and estates. The upgrading schemes were highly subsidised for citizens who pay between 10% and 20% of their share of the cost, but permanent residents have to bear the full cost.

Second, under growing scepticism that public housing flats were subsidised and that the government was profiting from the national housing programme, the HDB tried to make the housing subsidy 'transparent' by introducing a pricing formula for new flats. They were priced at 20% market discount from the prevailing prices of equivalent resale flats. This effectively shifted the prices of new flats from provision-base to market pricing. From hence, resale flats are permanently maintained at higher prices than new subsidised flats of equivalent size. Combining the effects of the three factors – location advantage, estate upgrading and pricing formula – the values of existing flats, and thus the investments of their leaseholders, were practically guaranteed.

Ironically, the 20% market discount formula for the pricing of new flats has introduced an unintended consequence – a vicious cycle of price inflation among HDB flats. Rising resale prices cause prices for new flats to rise; the increased price of new flats forms a floor for housing agents to increase the prices of resale flats; prices for both increase with each turn of the cycle (see Chua, 2003). As we shall see, this creates price inflation to the point where the 'affordability' of public housing becomes a public and political issue. Finally, there remains the fact that as an estate ages, the remaining lease on the flat is progressively shortened, thus reducing its market value. This is not a problem that upgrading has or can solve. It requires a more radical solution; namely, the demolition of older housing stock and resettlement of the affected households in new buildings.

Intensification of land use: en bloc demolition

Being a small island nation, there is a persistent pressure on state planners, including the HDB, to maximise the carrying capacity of every square inch of land. This pressure has intensified under global capitalism which is addicted to constant economic growth. For Singapore, due to its small population size, since the mid-1970s, there has been a constant importing of foreign labour from the region and beyond, to fuel its economic growth. The government periodically makes projections of the size of the total population needed to 'sustain' constant economic expansion. For example, in 2001, it was announced that the population had to be increased from 3.2 million to 5.5 million eventually but this was reached within a decade, with heavy immigration. Then, the projection was revised in 2011 to an eventual population of 6.3 million, when already one in four persons on the island is a non-Singaporean. [2] To accommodate the anticipated population increases, the land use plot ratio for the entire island was radically increased in 2001 (Urban Redevelopment Authority, 2001), potentially up to a multiple of three from existing density. This meant that the entire island was effectively rendered as being 'under' utilised and all existing settlements became targets for intensification of use and redevelopment.

Independently, however, the HDB had initiated what it calls the Selective En-bloc Redevelopment Scheme (SERS), in 1995. Selective housing estates, particularly those in the city and in its immediate vicinity, which were developed in the 1960s and 1970s, with housing blocks between 4 and 12 stories, have been targeted for redevelopment. Under SERS, new 30 to 40-storey blocks are first constructed in the vicinity of the blocks targeted for demolition. Affected households are relocated into these new blocks near their existing locations, without disrupting their routines in the residential neighbourhood. Financially, they are compensated at prevailing market prices for the old flats. With new flats priced at 20% discount, the cash compensation would be more than needed to finance the new flat with a new 99-year lease. Any remainder is profit for the affected household.

As leaseholders, the land on which their flats are built remained state land. As landowner, the state reserves the right to repossess the land by compensating the leaseholders. While the level of compensation may be subject to negotiation, the right to repossession is not. Since the introduction of SERS, about 350 blocks in 78 locations have been demolished.[3] In its exercise, the largest conducted so far, 3480 flats and shops in 31 blocks, some of which are more than 50 years old, are slated for demolition. However, given a brand new flat with a new 99-year lease, without disruption of everyday life and finally, profit in cash, unsurprisingly, few families affected by SERS have protested. Referring to this exercise, the Minister of

National Development said, 'With every new HDB town becoming more modern and better designed, there is a need to ensure that the older towns do not end up too far behind. They [affected households] will get a new modern flat with a fresh 99-year lease, with greenery on their doorstep, and panoramic views of the city and surrounding areas. I am sure they will find this attractive and exciting'. His sentiments were echoed by a 74-year-old resident, 'My neighbors and I are all really happy. Why wouldn't you want a new flat'. Those who lament having to move are comforted; saying 'at least we [long term neighbors] can all move together and won't be alone'. (All quotes from *The Straits Times*, 28 June 2014). For the government, SERS 'solves' the problem of declining value of flats with progressively shortening lease in old estates.

En bloc sales in the private sector

Although the primary focus of this paper is on the public housing sector, it is instructive to note that a parallel process of en bloc sales took place in the small private condominium sector. The greatly increased land use plot ratio unleashed a feeding frenzy among developers to buy up older condominium estates, especially those in the well-serviced locations, for intensified redevelopment (Table 2). As the developer profits from the increased plot ratio to construct more saleable space, it is willing to pay significantly higher prices for the existing housing units in the entire estate, hence, the en bloc sales. This translates into fortuitous windfall profits to the sitting homeowners of the affected condominium. Resistance to en bloc sale from homeowners who are affectively attached to their 'homes' has been undermined by

Table 2. Residential en bloc sales.

Year	No. of sales	Total value $
2003	8	$567.750.000
2004	17	$722.020.000
2005	38	$2.391.597.000
2006	81	$8.558.055.730
2007	136	$11.913.481.480
2008	6	$154.230.000
2009	6	$383.148.000
2010	37	$1.701.633.390
2011	50	$3.116.008.342
2012	28	$2.213.655.098
2013 Jan–May	3	$247.810.000

As of 7 June 2013
Source: Urban Redevelopment Authority, CBRE Research

government intervention: in the interests of achieving greater intensity of land use, it argued that the desire of the majority of homeowners to realise financial gains should not be held hostage by a minority who resist. A law was thus enacted to allow sale to proceed if 80% of the owners agree to sell the estate.

En bloc sales reflected the presence of multiple dwellings ownership among Singaporeans. In a developed economy with per capita median monthly income of more than Singapore $6000 (US$4600),[4] ownership of multiple properties among the top 15% of the income strata, where wealth is concentrated, should not be surprising. Especially since there is a readymade rental market for the private condominiums among expatriate professionals and managers of multinational corporations, with remuneration packages that generally include high-end condominium accommodation. However, although official statistics are not available, it would appear that most who sold their condominium units were selling their one and only residence, enticed by enhanced profits. Indirect evidence comes from the fact that en bloc sales subsided rapidly towards the end of the decade when homeowners discovered that, in a generalised rising market, the profit derived from the sale of their individual flat was frequently insufficient to purchase an 'equivalent' flat in the same neighbourhood and they ended up repurchasing a lower quality dwelling unit in a less desirable location than the one sold. Such financial realities resulted in the rapid cooling of the en bloc sale frenzy.

Rent seeking through public housing

Ownership of private condominiums is a privilege not restricted to homeowners in the private sector but also available to public housing leaseholders. Until the mid-1980s, leaseholders were not permitted to own additional properties. However, as the national wealth grew, the government gave in to intense pressure to allow leaseholders to invest in private property, if they continued to reside in their public housing flats. As of 2014, more than 45,000 own a private property, amounting to about 4% of total public housing households (Heng, 2014). Inevitably, the relaxation of ownership regulation was followed by relaxation of rental regulations. Since the early 2000s, with an increased influx of foreign labour, including individual young professionals who take up employment on local terms, the HDB has relaxed its rental regulations to permit homeowners to rent either rooms or the entire flat to these foreign workers. As of 2014, about 40,000 whole flats and 44,000 rooms in HDB estates were rented out, against approximately 900,000 homeowners.

Among the 40,000 who rent out entire flats, some are elderly people who have moved in with their adult children, an arrangement encouraged by the government. Many others, however, are those who have moved into another private property and become landlords of their former public housing flats. This practice involves the treatment of public housing as a private investment, something that the government had disallowed until 2003! Since then, the letting out of flats has become a focus of public debate, with objections becoming louder as the prices of resale flats have climbed. The holdings of the landlords reduce the supply of resale flats into the market, depriving first time home buyers of better access to resale flats. Others argue that allowing such landlordism in public housing is ‘commercialising a public good’, and could lead to increased inequality (Heng, 2014). However, the government chooses a pragmatic response, suggesting that among these landlords are retirees who need the rent as an income stream for living; of course, it does not release any statistics on the number of these cases. Nevertheless, it is consistent with the asset-based social security system. The relaxed rental regulation has effectively undermined another scheme for the monetisation of the public housing asset. It left a ‘lease-buy-back’ scheme in which a retired leaseholder can sell back to the HDB, all but 30 years of the remaining lease in return for a monthly income, with few takers.

To sum up thus far, what we have witnessed in Singapore is a radical transformation of subsidised public housing from a mode of social housing into one in which public housing lease-ownership is a path to wealth enhancement, in principle open to all Singaporeans. Over the years, prices of housing have increased steadily (Table 3). The aggregate effect of the price supporting public policies has meant that the government practically guarantees that public housing lease-ownership is a fail-safe investment, leading to a widely and correctly held belief among Singaporeans that the value of HDB flats will always be supported by the government for its own legitimacy. Indeed, there has only been one brief short dip of prices during the 2008 global recession (Phang, 2013, p. 82).

However, what drives the extraordinary public housing system is less the leaseholders’ greed to make money than their sense of financial (in)security for their retirement years. The overwhelming majority of leaseholders, which is also the overwhelming majority of Singaporeans, depends almost exclusively on ‘monetising’ their investment in public housing, their sole asset. This is in line with the government political, economic and social agenda. Prime Minister, Lee Hsien Loong reminds the citizens: ‘The house [public housing flat] in Singapore is also a

Table 3. Price range of new flats in Seng Kang new towns.

Year	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	July 2011
3-Room	89,000–110,000	96,000–117,000	94,000–148,000	100,000–143,000	120,000–162,000	116,000–171,000	157,000–189,000
4-Room	129,000–202,000	132-000–205,000	132,000–210,000	145,000–243,000	190,000–275,000	203,000–271,000	246,000–337,000
5-Room	171,000–259,000	159,000–231,000	168,000–227,000	–	290,000–367,000	281,000–352,000	298.000–421,000

Source: HDB Annual Reports, various years; http://www.hdb.gov.sg/fi10/fi10320p.nsf/w/AboutUsAnnualReports?OpenDocument#

major way for us to level up the less successful and to give them a valuable asset and a retirement nest egg' (*The Straits Times* 21 October 2011).

Affordability in doubt

The inexorable rise in prices for new and resale public housing flats came to the boil at around 2009, about 60 years after the programme was initiated. A series of developments brought the affordability of public housing into doubt, particularly for those who are first time purchasers.[5] First, until 2005, the HDB operated on building ahead of demand, trusting that demand will always be there. However, a series of economic recessions, starting with the 1997 Asian regional financial crisis, followed by the SARS epidemic in 2002–2003, created financial uncertainties among Singaporeans which led to a slowing down of public housing purchases and the HDB found itself holding 17,500 completed unsold flats at the end of 2002. It could not reduce the prices of the unsold flats without deflating the entire public housing market. Instead it radically reduced the supply of new flats. It slowed down construction and, more importantly, switched from building in anticipation of demand to build-to-order. Only when 70% of the block is presold would construction begin. The backlog was sold by 2005 but the construction slow-down continued.

Second, the above-mentioned relaxation of rental regulations encouraged existing leaseholders to rent out their flats for a live income stream instead of selling their flats, shrinking the supply of resale flats in the market. Meanwhile, competition for resale flats had intensified due to the massive inflow of immigrants to fuel national economic growth. Between 2005 and 2011, the population increased from 4 million to 5.1 million, of which one-quarter were immigrants, stressing all public services, including housing. The standing restriction on permanent residents to purchase only resale flats intensified competition for resale flats; in 2012, 20% of all resale flats were bought by permanent residents. The pressure on resale flats compounded the shortage of new flats supply from HDB and led inevitably to rapid price inflation of resale flats. The resale public housing price index rose 86% in six years. From 2005 to 2012, 'the media price of a resale five-room flat in Ang Mo Kio (a public housing estate) increased from $327,000 to $609,000. This increase of $282,000 is more than four times the median annual income of resident households (Phang, 2013, p. 81-82). With the 20% discount price formula, prices for new flats increased in tandem with the prices of resale flats. According to the Ministry of National Development, 'private home prices had surged 60% during the most recent market upswing that began in mid-2009', until mid-2013 (*The Straits Times* 1 July 2014). This hefty increase deterred the higher income public housing households from upgrading into the private sector, further reducing the supply of resale flats into the market. Thus the spiral of price increases in both the public and private housing sectors spins upwards.

External to the public housing system, like all economies affected by global capitalism where asset ownership accrues greater and speedier capital accumulation than wage labour, income inequality has been rising, reaching a Gini coefficient in excess of 0.5. Rising housing prices add to this inequality between homeowners and those who are renting or looking to enter the housing market for the first time. The top income decile continued to accumulate wealth, middle class income stagnated, while the bottom two income deciles experienced an absolute loss of income, for over a decade. With rising housing prices and stagnating incomes, the affordability of public housing to first time homeowners became a public issue, as part of the more general issue of rising living costs.

By 2009, perhaps in anticipation that this would become a political issue in the forthcoming 2011 general election, the government began to take small steps to cool the housing market. On the eve of the May election, it was urged to stop focusing on asset enhancement and return to '[t]he primary role of the Government is to provide affordable public housing' (*The Straits Times* 23 April 2011). Singaporeans, in general, are aware and understand well the need to balance the long-term financial interests of new entrants into the public housing market and those of existing leaseholders One letter to the local newsletter asks: 'How do we keep new HDB flat prices affordable, without impacting prices of resale HDB flats and private property prices' (*The Straits Times* 23 April 2011). The minor adjustments that the government made before the election was insufficient to quell the multiple discontents – influx of immigrants, competition for public services and rising costs of living, prominently including housing. The ruling party, the PAP, was delivered the worse election result in its history of more than 60 years in power; it lost 40% of the popular vote instead of the regular 25%–30% and seven seats in parliament instead of the usual one or two seats. Given that the promise of affordable public housing to all citizens has been absolutely fundamental to the legitimacy and longevity of the Party in government, more drastic measures had to be taken to regain the ground.

The incumbent Minister of National Development was replaced. The new Minister, Khaw Boon Wan's first act was to increase housing supply, from 9000 in 2009 to 25,000 for 2011; by 2014 more than 50,000 new housing units were pumped into the market. He also immediately delinked the prices of new flats from the resale flats, removing the inflationary 20% market discount formula, although the delinking was not made public until 1 February 2013, eight months after the general elections. Finally, he removed the practice of the HDB providing valuation for flats ahead of an actual resale transaction, for the purpose of mortgage calculation. This valuation had been taken as the base price from which the seller and buyer negotiate upwards for additional cash payment, locally called the Cash-over-Valuation (COV), which could add 5%–7% to the valuation (Table 4).

Of greater political symbolic significance are the constraints placed on permanent residents. Although they owned only 5% of the total public housing stock, their presence in the resale market has become a lightning-rod of public anger. In

Table 4. Cash over-valuation.

	3-Room	4-Room	5-Room	Executive	Overall
PropNex's median resale prices by flat types					
1Q11	$303,000	$390,000	$463,000	$545,569	
2Q11	$315,000	$405,000	$475,000	$574,500	
PropNex's median COV by flat types					
1Q11	$20,000	$22,000	$23,000	$30,000	$22,000
2Q11	$28,000	$33,000	$33,000	$45,000	$32,000
ERA's median resale prices by flat types					
April	$316,000	$400,000	$475,000	$560,000	$405,000
May	$318,000	$410,000	$478,000	$573,000	$415,000
June	$338,000	$418,000	$475,000	$535,000	$410,000
ERA's median COV by flat types					
April	$27,000	$30,000	$30,000	$45,000	$30,000
May	$30,000	$36,000	$37,000	$50,000	$35,000
June	$38,000	$40,000	$35,000	$55,000	$37,000

Source: PROPNEX, ERA; *The Straits Times*, Saturday, 2 July 2011

response to popular perceptions, a permanent resident is not permitted to purchase a resale flat for the first three years of residency; when purchasing a resale flat, he/she has to dispose of all other properties, including those in their country of origin, within six months of purchase, and finally, yearly instead of three-yearly permission to rent out the flat must be obtained and for a limit of five years, although as of mid-2012 when the restriction was introduced, only slightly more than 2000 flats were rented out. Considering the small percentage of permanent residents in the total public housing sector of nearly one million units, all these constraints have not greatly affected the housing market; they serve only to affect the perception of the citizens that 'undeserving' privileges for permanent residents have been removed (Chang, 2012).

In addition to the steps to bring down housing prices, the government provided additional cash grants to all first time public housing leaseholders with monthly income of up to S$6000, middle-income households. Those with a monthly income of less than S$1500 can receive up to S$60,000, which can be more than half of the price of a new two-bedroom public housing flat (*The Straits Times* 19 June 2013). At its most extreme, two low-income single persons applying jointly for a one-bedroom, one sitting room flat can receive up to S$60,000 grant for a flat priced at S$75,000 (*The Straits Times* 31 July 2013). The cost for these subsidies from 2005 to 2013 was S$1 billion.

The constraints imposed on the public housing sector unavoidably impacted on the 10%−15% private housing market. The two that have the greatest impact are, first, the imposition of additional stamp duty on property purchases; 15% levy on all foreigners, 5% on permanent residents buying their first flat and 7% on Singaporeans purchasing second and subsequent properties. When the costs of private condominiums are in the millions, these additional levies add up to very hefty sums, deterring property investments. Second, in 2013, to control the personal debt of Singaporeans, the credit of an individual should not exceed 60% of their monthly income. This includes loans on existing mortgages, cars and credit cards. Banks are not permitted to make loans beyond this total debt servicing ratio, thus severely limiting the level of mortgage loans available for property investment. The combined effect of these two regulations had a chilling effect on private condominium sales; sales in the first quarter of 2014 dropped more than 50% from the same period in the previous year (Ong, 2014).

By mid-2013, prices of all properties began to inch lower by an average of 1% every quarter for four consecutive quarters (*The Straits Times* 2 July 2014). For public housing, COV had all but disappeared and flats were beginning to be sold at below HDB valuations. According to the Minister of National Development, ‘(Being) led by the private sector (is like) a tail wagging the dog. We should be the price-setter, not be the price-follower… The social objective is to ensure home ownership and affordability’; his ultimate aim is to bring the prices of new flats to ‘about four times the annual median income of its applicants − 30% lower than the current 5.5 times’ (*The Straits Times* 13 April 2013). It would appear that the government has wrestled back control over the prices of the public housing sector and reoccupies its place as the ‘price-setter’ for the entire housing stock, for now.

Discussion and conclusion

A national public housing programme which provides affordable housing to all citizens was a ‘socialist’ commitment of the social democratic PAP in Singapore at its inception in government in the early 1960s. Unlike conventional public housing systems which provide rental housing, the Singapore government sold flats on a 99-year lease. Lease-ownership was made easy by allowing citizens to make pre-retirement withdrawals from the mandatory social security savings fund to pay for mortgage. The public housing flat is thus transformed into an ‘asset’ that holds the retirement capital of the owners. If ownership is to provide for the retirement years of the owner, then, its financial value must be preserved for the long haul. The value must perforce rise annually to at least keep up with inflation, preferably better. Having encouraged the entire nation to invest in their public housing flats, the government is obliged to bear the responsibility of ensuring the security of the investment. Administrative strategies and public policies have been introduced to support the rising price levels of existing public housing units, as lease-owners strategise with rules and regulations of public housing flats to improve their capital accumulation. The result is a spiral of rising public housing costs.

By 2008, after 60 years of steady increases, prices of public housing have risen to a point of being unaffordable to new entrants into the housing market. As the ruling government's political support and legitimacy has been built on the twin promise of affordable public housing for all citizens and public housing as an asset to meet retirement needs, it has to refrain from measures that would radically deflate the prices of existing flats. That would cause serious real and/or paper-losses among all existing public housing and, perhaps more importantly, jeopardise the ability of successive cohorts of retirees to fund their retirement years. In addition, it would entail a massive write-down of the nation's accumulated capital embedded in the million units of existing public housing flats. The political cost would be unbearable to the ruling government. Instead, it improved affordability by increasing the supply of new flats and by providing higher cash grants to first-time lease-owners. The result has been a small and tolerable lowering of values of existing flats and their resale prices and, in the process a decline in the entire housing market.

So far the government has chosen to deal with the problem of affordability by manipulating the prices of new flats and restraining inflationary and speculative property investments. Indeed, more radical and fundamental 'solutions' have been proposed and debated by local housing policy analysts. These include shortening of leases, pricing new flats on construction costs and, 'ring-fencing' all new flats from profit making when they are resold to another eligible household or even back to HDB (Phang, Lee, Cheong, Kok-Fai, & Wee, 2013; Tan, 2012). Without some fundamental changes being introduced into the national public housing system, the lowering of property prices is but a short-term measure. Indeed private developers were already calling for the removal of some of the constraints placed on property purchases after a 3.5% price decline in one year (Ong, 2014). The government did not say no but only pointed out that the prices had not fallen sufficiently to warrant the lifting of constraints; property analysts think the market can tolerate up to 10% decline before the government would need to act. There remains the much greater issue that the public housing system has to face in the not too distant future: In 2030, approximately 30% of the population will be past retirement age. The birthrate will continue to decline, and massive immigration is politically unpopular. In a mature capitalist economy that faces slower growth will the public housing lease-owners be able to recover their invested social security fund and live out their retirement years?

In all these pricing policies, little attention has been paid to the affective investment in the public housing flat as a permanent 'home'. The much atrophied concept of 'home' in turn has been re-appropriated by the ruling government. 'Make Singapore the Best Home' was the PAP's campaign slogan in the early 1990s. Home became a metaphor and interchangeable for the abstract or imagined 'nation' to instill a sense of national belonging so as to hold on to the loyalty of, particular of expatriated, Singaporeans as citizens. Sensing that Singapore could become no more than a 'hotel' for the well-educated Singaporeans who are globally marketable and mobile and would stay only when financial opportunities are rosy and abandon ship when conditions turned sour, the government began to encourage expatriate Singaporeans to develop emotional bonds with the nation, to remember that 'Singapore is home', wherever they may be. Finally, the equation of home with nation reprises the initial political motivation of encouraging HDB homeownership as a means of giving every citizen a tangible 'stake' in the nation, giving the conscripted male soldiers in a citizen army one reason to defend the nation while defending self-interest in one's property.

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Notes

1. http://www.asiaone.com/Business/My±Money/Property/Story/A1Story20110304-266515.html; accessed on 13 October 2011.
2. The 2011 White Paper on Population led to a pushback by the citizens who voted heavily against the PAP during the election that year, giving it only 60% of the total popular vote, the lowest support in the party's history.
3. Source http://www.hdb.gov.sg/fi10/fi10329p.nsf/w/eSERSCompleted?OpenDocument.
4. Department of Statistics Singapore (2012), *Key Household Income Trends, 2012*, p. 12.
5. The discussion in this section is drawn from Chua (2014).

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