

COMMENTARY

Home matters: Right-sizing Singaporeans' housing aspirations

Obsession with maximising and unlocking home equity has resulted in an 'expectations trap'. BY EUGENE K B TAN

WHEN Parliament reconvenes on Apr 10 for its second session, the Government will lay out its priorities, policies, and programmes for the rest of its parliamentary term which will conclude in late August 2025.

Parliament has a full agenda ahead having to deal with concerns such as costs of living, strengthening the worker training and placement ecosystem, and rejuvenating the post-pandemic economy. There are longer-term challenges including revitalising the social compact for a fairer and more just society, population and immigration, and enhancing Singapore's sovereignty as geopolitical tensions rise.

One urgent issue that the Government will have to grapple with is the concern with public housing affordability and accessibility. In February, Parliament had debated two separate motions on it, which reflected Singaporeans' abiding interest in it.

Thinking of and with property

Beyond tackling demand and supply issues in public housing, is there an urgent imperative to right-size Singaporeans' housing aspirations? What might the consequences be should housing prices continue to race ahead of wage increases?

The raison d'être of home ownership has evolved since the Housing and Development Board's (HDB) establishment in 1960. As the basis of a stakeholder society, home ownership has helped forge a sense of rootedness and nationhood. Affordable public housing is now regarded as a social right, a cornerstone and non-negotiable in Singapore's nation-building and social compact.

Singapore's much vaunted universal home ownership is necessary to sustain Singapore's social compact, currently being refreshed through the Forward Singapore engagement exercise.

Yet, the obsession with maximising and unlocking home equity has resulted in an "expectations trap" for existing and aspiring homeowners, and the real possibility of a "performance gap" by the Government.

The reality is that housing is not just what an average Singaporean thinks of, it is also what he thinks with. As the single largest asset for most Singaporeans, how the residential property market moves engages and excites many of us in more ways than one.

One's home is often thought of in instrumental terms including being close to the children's future primary schools, the potential upside for profit-making should the property be sold, and as a proxy indicator of social standing.

What happens in the property market impacts upon individual and collective behaviour (financial, social and political), social stability, and the larger economy.

Indeed, given that 80 per cent of Singaporeans live in more than one million HDB flats across the island, the availability of flats and their prices intimately affect the non-public property market as well.

What are Singaporeans' expectations of housing as nurtured through the evolution of Singapore's public housing system?

At a minimum, prospective homeowners desire affordable and quality public housing. And furthermore, relying on the asset enhancement mantra, that their properties steadily increase in value.

Indeed, homeowners have become accustomed to healthy and



With 80 per cent of Singaporeans living in more than one million HDB flats, the availability of flats and their prices intimately affect the non-public property market as well. PHOTO: BT FILE

regular property value increases.

They also expect to move from public to private housing, from an apartment to a landed property. Within a creeping culture of ostentatious materialism and affluent consumerism, these expectations of privatised pleasures of a public good are increasingly not easy to fulfil.

Regular measures by the Government to restrain the residential property market's exuberance are not only keeping the property market on an even keel, but are also about ensuring housing affordability and accessibility do not become weighty political issues.

It has everything to do with the Government's performance legitimacy and that, in turn, means it is an issue that voters will think of and think with when they vote.

Asset enhancement or rent-seeking?

Although universal home ownership remains integral to Singapore's public housing policy and the social compact, this principle has been re-interpreted over the years.

In the mid-1980s onwards, from being roofs over heads, the Government and HDB homeowners regarded flats as possessing tangible pecuniary value that can be grown and monetised.

This wealth-seeking tendency means that one's home is seen more as a tradeable asset or investment rather than the more functional quality of a roof over one's head.

The property booms have further shifted the focus from ownership to a commoditisation of residential properties – a means by which quick profits can be churned.

However, a corollary to this rent-seeking mentality is the deep fear of being priced out and one's dream property becoming increasingly unattainable.

This has led to attempts to speculate in the property market, further undercutting the intrinsic value of universal home ownership as real estate tycoons, developers, and real estate agents consistently talk up the market.

The widespread desire to enhance and exploit the value of one's property has grown in tandem with Singapore's affluence. Singaporeans are increasingly thinking with property as they assess how well-off they are and whether they are climbing the social ladder.

In some quarters, it is said, tongue-in-cheek, that the best gift for one's children is no longer providing the best education possible but rather to help finance their housing dreams in order to give them a tangible head start in life.

This undue focus on the home as a tradable asset has given rise to a spiral of ever-growing expectations. And with housing prices out of sync with macroeconomic fundamentals, housing is not only a hot-button issue but one that regularly causes much angst, anger and anxiety.

This abiding self-interest in increasing one's wealth through the value of one's home is increasingly at odds with the fundamental of housing a nation in a city-state.

This is not new, but the need to adjust mindsets is critical. The Government attempted to address this concern as part of the larger engagement over immigration after the 2011 general election, when this was an election issue.

Rising property prices and the sense of over-crowding in Singapore had been attributed to the rapid influx of new immigrants and foreign workers in the preceding decade.

Prime Minister Lee Hsien Loong then committed to ensuring an adequate supply of affordable flats and a slew of measures to maintain a "stable and sustainable property market".

To the Government's credit, the housing concerns were largely dealt with by 2015. But the pandemic in the last three years has badly affected the completion of Build-To-Order flats. With the economy revving up, and with it the rent-seeking mindset, this has stoked the embers of public anxiety over the residential property market.

Back to basics

Is it possible to recalibrate the expectations of Singaporeans by re-emphasising home ownership and temper the nascent housing envy? The expectations bubble of internally contradictory aspirations of affordable housing and generous increases to the value of one's residential property needs to be deflated.

Moreover, economic prosperity is not pre-ordained, especially when Singapore's economy is so influenced by external economic forces and the capricious global environment seems destined to more uncertainty, volatility and disruptions.

The coincidence of the performance gap (of the Government keeping up with expectations of homeowners) and the trap of ever spiralling expectations in the housing market will be too much to bear for all stakeholders.

Notwithstanding the rise in absolute value in home equity across all residential properties, the relative wealth positions for most Singaporeans remain unchanged. In short, a Singaporean may feel richer because of the rise in property values. But that is largely a mere paper gain.

As homeowners sell their residential properties, the profits will be inadequate to fund their rising housing expectations in an over-exuberant market.

Put starkly, realising that paper gain throws up the real question of whether a similar property can be bought at the same price, and that the purchase of a more expensive property to realise the upgrading aspiration adds to the financial outlay.

This "treadmill effect", in which the purchase of a property to replace the one sold, often adds to financial burdens and possibly feeds into the cycle of housing anxiety.

To compound matters, younger homeowners born after independence only know of a prosperous Singapore. Their housing expectations are probably higher than those of their parents.

If they grew up in a HDB flat, progress might be seen in terms of their owning a condominium apartment or a landed property. But this rising expectation will be hard to meet on a large scale in land-scarce Singapore.

Looking ahead, the reality of leases decay – as flats built in the 1960s and 1970s run down their 99-year leases – will increasingly bite harder. This sobering reality will have to be adjusted to as well even as older Singaporeans hope to leave their residential property to their children.

How the Government assures and sustains Singaporeans in their housing aspirations will matter immensely when Parliament reconvenes. This is easier said than done. If we are to avoid an arms race in housing, there is no alternative to a return to the basics of universal home ownership.

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