

Coveting Singapore's public housing system

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Singapore's public housing system is often touted as a model for other countries

The island nation houses more than 80% of its residents in public housing. It's building eco-friendly apartment buildings that have green roofs and that use recycled water. Instead of renting the public housing units, Singaporeans can also become quasi-homeowners, buying 99-year leases on the properties that they can later sell at market prices.

But as the economy here has recovered from the 2008 recession, public housing prices have skyrocketed. High prices are making it hard for some of the very residents for whom Singapore's public housing was intended to buy a flat on the resale market.

"Housing is a basic need," says Sinapan Samydorai, director of ASEAN Affairs for the Think Centre, a human rights group in Singapore. "If you make it too expensive, they'll find it tough to afford even if they work long hours."

From the end of 2007 through last year, Singapore's public housing resale price index soared more than 40%.

The median price for a four-room apartment rose at the same rate during that time, from \$215,000 to nearly \$304,000. The actual rise, however, is "more dramatic," because public housing flats are smaller today than in the past, says Kenneth Jeyaretnam, secretary-general of the Reform Party, a liberal free-market party.

Critics blame the price increases partly on the government's inability to keep up with demand for public flats as Singapore's foreign population surges.

The government is the largest landowner in Singapore, meaning "it determine(s) the market value of the flats depending on how much land it releases and the amount of flats it builds," says Jeyaretnam. From 2007 to 2009, residential housing flats increased by less than 5,000, while the overall population climbed nearly 400,000, according to government data.

The government has ramped up construction of public housing. But the "root problems" haven't been addressed, according to Jeyaretnam, namely that the country has too many people and not enough housing.

The government is also enacting measures to stabilize public housing prices, such as lengthening the minimum occupancy period before flats can be resold.

Even so, "Whenever the government is involved, people think it didn't do enough," says Loh Swee Heng, deputy director of resale at the Housing & Development Board (HDB), which oversees Singapore's 900,000 public housing units. "The market sets the price, and they want us to intervene. "People are asking for the same thing — (housing that's) cheaper, better, faster," he adds.

No 'instant flats'

Singapore's public housing system has changed dramatically since HDB was set up in 1960, a year after Singapore became a self-governing nation under the British.

To address an acute housing shortage, HDB built additional flats in planned communities with playgrounds and markets.

To encourage homeownership, the government also provided loans and allowed residents to use contributions to the Central Provident Fund — Singapore's mandatory retirement savings plan — toward the purchase of a long-term lease.

HDB is now building environmentally friendly housing that it expects will appeal to Singaporeans while conserving energy and lowering costs. At the Treelodge@Punggol, a dormitorylike complex of 712 apartments covering seven city blocks, solar panels generate electricity for the common areas. Recycled rainwater is used for irrigation. And a "green roof" — where vegetation will be grown — could lower the building's temperature by 16 degrees, says Ng Bingrong, an HDB senior executive engineer.

These units, like most others within Singapore's housing system, are for sale rather than for rent. Also, unlike other parts of the world, public housing is not just for low-income people but for middle- and upper-middle-income families, says Yu Shi-Ming, head of the real estate department at the National University of Singapore.

Not everyone qualifies, though. To buy a long-term lease on a three-room flat, for instance, you have to be a Singapore citizen, be at least 21 years old and, in many cases, have monthly household income of no more than about \$6,300.

Other rules also apply: Buyers can't own any private residential property. For new flats, they generally must be married. For resale flats, if they're single, they must be over the age of 35.

Pushed into resale market

Perhaps the most onerous aspect of Singapore's public housing process, however, is the wait. Residents who apply for a 99-year lease on a new flat must wait an average of three to four years to get it. The waiting period is lengthy enough that prospective home buyers may be compelled to turn to the higher-priced resale market.

On the resale market, buyers generally aren't subject to a waiting period or income requirements. But they must be Singapore citizens or permanent residents who are at least 21. Buyers must also meet the requirements of Singapore's Ethnic Integration Policy — which sets quotas for Chinese and Malaysians, among others, in public housing as a way to promote a balanced ethnic mix — in addition to a quota imposed on non-Malaysian permanent residents.

The problem, critics say, is that these policies could skew public housing prices. If owners can't resell their flats to the highest bidder because an ethnic quota has been reached, they might have to settle for a lower price. On the flip side, flats may go for a higher price if the neighborhood is highly desirable and members of an ethnic group get into a bidding war for the limited number of slots.

The ethnic quota has been reached in only 14% of HDB's housing, according to Mohamad Maliki Bin Osman, the parliamentary secretary to Singapore's minister for national development, during a government hearing in September 2010. Also, quotas aren't the "only factor that affects resale prices," he said.

Even so, the surging real estate market has put some pockets of public housing out of reach for Singapore residents like taxi driver Joshua Santhira, 51.

"I can find a flat, but at a price I can't pay," says Santhira, who wants to upgrade to a three-bedroom flat from his two-bedroom unit in Singapore's Yishun area, 20 minutes outside the city.