

16th Annual Demographia International Housing Affordability Survey

Rating Middle-Income Housing Affordability
(2020 Edition: Data from 3rd Quarter 2019)

INTRODUCTION: *FOCUS ON SINGAPORE*

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Background

Over the six decades since Singapore achieved its independence, it has transitioned from a comparatively poor nation to one of the most affluent in the world. In 1960, Singapore’s gross domestic product per capita was one-seventh that of the United States, according to the [Maddison Historical Statistics](#). Today, according to the World Bank, Singapore’s GDP per capita is [third highest among world sovereign nations](#) (only Qatar and Luxembourg are higher), and obviously higher than that of any nation covered by the *Demographia International Housing Affordability Survey*. Singapore’s enabling of broad home ownership has been an important element in its economic advance.

Present at the Creation: Singapore’s Housing Crisis

In 1960, the new nation faced a dire housing situation. Most households lived in “unhygienic slums and crowded squatter settlements.” According to the 1947 British Colony of Singapore government [Housing Committee Report](#), Singapore had one of the world’s worst slums, calling it “a disgrace to a civilized community.” Solving the problem would be a daunting task.

Singapore’s Unequaled Housing Challenge

No major metropolitan area in the high-income world faces the housing affordability challenge of Singapore. Singapore’s six million people live on a fully developed island nation so small that it could fit into one-half of Tokyo Bay. As a result, Singapore lacks the “supply vent” of low-cost suburban or exurban land that moderates house prices across an urban area. Further, Singapore is by far the most densely populated sovereign nation outside the microstate of Monaco. Indeed, Singapore is approximately 75 percent as dense as the *core city* of New York and 50 percent more dense than London (GLA).

Singapore’s topographics and international barriers constitute, in effect, a rigid and inflexible urban containment boundary. Nature and international boundaries preclude its elimination or reform.



Inside an urban containment boundary, effective land management is necessary to maintain housing affordability, because [demand tends to exceed supply](#). Singapore has effectively managed its scarce land supply and established a market that produces middle-income housing affordability. According to the 2018 [UBS Global Real Estate Bubble Index](#), “there has been no difference between house price and income growth in Singapore over the last 30 years.”

This contrasts with the most severely unaffordable markets in, for example, Australia, Canada and the United States, where middle-income households have been largely priced out of the median price housing by spiraling cost increases. This is despite their plentiful supplies of developable land. (Sections 3.1, 3.2, 3.8 and 4).

Prioritizing Home Ownership and Housing Affordability

Singapore established the Housing and Development Board (HDB) in 1960 to solve the problem. In the early years, HDB focused on producing rental housing. This was and remains the emphasis of many subsidized low-income housing programs around the world. But the HDB vision was not confined to subsidized housing. The [1964 HDB Annual Report](#) expressed the intention to:

...encourage a property-owning democracy in Singapore and to enable Singapore citizens in the lower middle income group to own their own homes.

HDB has viewed home ownership as important to maintaining social stability and building neighbourhoods. Home ownership was also favoured because it encouraged a work ethic among households, which was necessary to save for and maintain their homes. Singapore considers home ownership as the “cornerstone” of the HDB program.

By 1968, the government began to allow purchasers to access funds from their social security (Central Provident Fund) accounts both for down payments and to assist in servicing their mortgages.

More recently (2006):

... the Additional CPF Housing Grant Scheme was introduced to help lower income families own their first homes. Since then, other grants have been put in place and enhanced from time to time to help home buyers afford HDB flats. With these measures, buyers would need to use less than a quarter of their monthly household income to pay for the mortgage instalment of their first flat, a figure lower than the international benchmarks for affordable housing.

HDB housing is referred to locally as “public housing,” yet unlike other public housing programs, HDB houses are owned (under 99 year leases) by purchasers who are able to sell their units after five years of occupancy. The primary market is new houses, which are built and sold by HDB. The secondary market is sales by home owners who may have purchased their houses from HDB or



from other owners. New houses are sold at subsidized prices, which makes the nation’s mainstream housing market accessible to lower income households.

Including lower income households in the middle-income HDB housing market avoids the social stigma that has often been observed in nations where lower-income housing estates are separate from the middle-class market. This is particularly important in Singapore, whose citizens have among the most diverse origins in the world.

Results

HDB has supplied more than 1,000,000 homes in Singapore, 9 in 10 of which are owner occupied. As a result, Singapore has one of the highest home ownership rates in the world.

The after-grant [price](#) for averaged sized new houses ([approximately 90 square meters or 970 square feet](#)) was 3.3 times the median household income.

Fundamentals of HDB Strategy

To successfully meet its goals, HDB adopted a housing strategy with three “crucial fundamentals:”

***The concept of a sole agency:** A sole agency in charge of public housing enabled more effective resource planning and allocation. This concept made it possible to secure the land, raw materials, and manpower for large-scale construction to optimise results and achieve economies of scale.*

***A total approach to housing:** By adopting a total approach covering planning and design, land assembly, development and rejuvenation, the housing task was carried out as a seamless whole – through allocation, management, and maintenance.*

***Strong government support:** Support from the government in the form of political and financial commitment, complemented by legislation, helped put early public housing on the right track quickly, which made housing the nation that much smoother and fruitful a journey.*

Social Objectives

HDB also seeks to achieve social objectives through its policies, such as to:

***Promote progressivity** by giving a higher grant amount to the lower income.*

***Promote family formation** by providing bigger grant amounts for families than for singles*

***Promote mutual care and support** by encouraging families to live with or close to their parents or children*



In addition, the Singapore government “heavily invests” in upgrading and renewal of HDB neighborhoods. This helps to “forestall urban decay” in older areas and allows home owners of all income levels a quality living environment comparable to newer neighborhoods.

The Singapore Model: Lessons

Singapore’s success is particularly notable in light of the international threat to the middle-income standard of living, as described by the Organisation for Economic Cooperation and Development (OECD) in [Under Pressure: The Squeezed Middle-Class](#). Noting that the middle-class costs of living risen much faster than incomes, OECD indicates that “Housing has been the main driver of rising middle-class expenditure” (Section 4).

For over one-half century Singapore has enabled lower income to upper middle-income households to own their own homes. An important key to Singapore’s success lies in its recognition of the value of home ownership to households and to the nation.

Moreover, according to HDB, the program “is widely understood to have supported the country’s overall economic, social, and political stability.”

The lesson of Singapore for the world is not so much the intricacies of its housing market design. Rather, it is that Singapore pro-actively and successfully prioritized affordable home ownership for its citizens, and developed means to accomplish that objective based upon its unique conditions.

No metropolitan area is the same as Singapore. Yet, virtually every metropolitan area has the ability to facilitate housing affordability by prioritizing the issue and implementing measures to produce the intended policy outcomes (sometimes this requires multiple governments acting cooperatively). Intentions are not enough --- they must be converted into tangible results. Singapore’s success is in *facilitating* results consistent with intentions, that are both meaningful and routinely evaluated.

The net effect of Singapore’s housing policy is “[to improve outcomes for people](#),” which Paul C. Cheshire, Max Nathan and Henry G. Overman of the London School of Economics have called the “ultimate objective of urban policy.”

Note: This Introduction relies on Internet and academic sources and information from the [Housing and Development Board](#) (HDB) of Singapore.



Highlights from Previous Introductions to the *Demographia International Housing Affordability Survey*

	<p>Alain Bertaud, New York University</p>	<p>An already high or increasing Price-Income Ratio (PIR) should immediately signal to urban managers that they should take urgent correcting action after conducting a detailed diagnosis that would explain the high PIR figure.</p> <p>We know that unaffordable housing causes a lot of hardship for households that do not yet own their home, in particular, the youngest ones.</p> <p>High housing prices misallocate resources toward real estate at the expense of the rest of the economy.</p> <p>The tradeoff between housing standards, like housing sizes, densities, lot sizes, and location are always better left to the decision of the consumer, and not the whim of the regulator</p> <p><u>The main objective of the planner should be to maintain mobility and housing affordability</u></p>
<p>Formerly The World Bank</p> <p>(#15: 2019)</p>		
		
<p>Felipe Carrozi, Paul Cheshire and Christian Hilbur</p> <p>London School of Economics</p> <p>(#14 2018)</p>		
<p>Apart from the median multiple being simple and useful, it is also the only measure out there for purposes of international comparison.</p> <p>... the first paradox of housing 'affordability': housing is both an asset and a good providing a flow of housing services – a place to live. The interests of house owners do not align with those of would be house owners. Rising house prices relative to incomes pit the old against the young and the rich against the poor.</p> <p>... focusing on high and low-income groups within housing markets suggests, not surprisingly, that housing is most unaffordable for the lower income groups even though they buy cheaper houses</p>		
	<p>Oliver Hartwich, Executive Director, The New Zealand</p>	<p>We should not accept extreme price levels in our housing markets. High house prices are not a sign of city's success but a sign of failure to deliver the housing that its citizens need.</p> <p>Fortunately, the media are waking up to the realisation that housing and land supply matters. The most powerful infographic of 2016 was produced by The Wall Street Journal. It showed what happened to house prices in US cities that had expanded their residential areas between 1980 and 2010 – and those that had not. As was to be expected, greater land supply went hand in hand with lower price increases.</p>
<p>(#13: 2017)</p>		
	<p>Senator Bob Day, AO, Senate of Australia</p>	<p>The distortion in the housing market... resulting from the supply-demand imbalance is enormous ... and affects every other area of a country's economy. New home owners pay a much higher percentage of their income on house payments than they should.</p> <p>However, the real culprit ... was the refusal of ... governments ... to provide an adequate and affordable supply of land for new housing stock to meet demand. ... the "scarcity" that drove up land prices is wholly contrived - it is a matter of political choice, not geographic reality. It is the product of restrictions imposed through planning regulation and zoning.</p>
<p>(#12: 2016)</p>		



	<p><u>Dr. Shlomo Angel,</u> <u>New York University</u></p> <p>(#11: 2015)</p>	<p>We all understand what it means to prepare adequate lands for urban expansion, enough land to accommodate both residences and workplaces, so as to ensure that land—and particularly residential land—remains affordable for all. Unfortunately, municipalities of many rapidly growing cities often underestimate the amount of land needed to accommodate urban expansion. In the minority of cases where expansion is effectively contained by draconian laws, it typically results in land supply bottlenecks that render housing unaffordable to the great majority of residents.</p>
	<p><u>Alain Bertaud,</u> <u>New York University</u></p> <p>(#10: 2014)</p>	<p>It is time for planners to abandon abstract objectives and to focus their efforts on two measurable outcomes that have always mattered since the growth of large cities during the 19th century’s industrial revolution: workers’ spatial mobility and housing affordability.</p> <p>As a city develops, nothing is more important than maintaining mobility and housing affordability. Mobility takes two forms: first, the ability to travel in less than an hour from one part of a city to another; and second, the ability to trade dwellings easily with low transactions costs.</p>
	<p><u>Hon. Bill English,</u> <u>Deputy Prime Minister, New Zealand</u> <i>Later Prime Minister (2016-2017)</i></p> <p>(#9: 2013)</p>	<p>Housing affordability is complex in the detail – governments intervene in many ways – but is conceptually simple. It costs too much +and takes too long to build a house in New Zealand. Land has been made artificially scarce by regulation that locks up land for development. This regulation has made land supply unresponsive to demand.</p>
	<p><u>Robert Bruegmann,</u> <u>PhD, University of Illinois, Chicago</u></p> <p>(#8: 2012)</p>	<p>... I think it is fair to say that a growing number of people who have looked at the figures have tended to agree that a good many well-meaning policies involving housing may be pushing up prices to such an extent that the negative side-effects are more harmful than the problems the policies were intended to correct.</p>
	<p><u>Joel Kotkin,</u> <u>Chapman University</u></p> <p>(#7: 2011)</p>	<p>Although usually thought of as “progressive” in the English speaking world, the addiction to “smart growth” can more readily be seen as socially “regressive”. In contrast to the traditional policies of left of center governments that promoted the expansion of ownership and access to the suburban “dream” for the middle class, today regressive “progressives” actually advocate the closing off of such options for potential homeowners.</p>
	<p><u>Dr. Tony Recsei,</u> <u>Save Our Suburbs, Sydney</u></p> <p>(#6: 2010)</p>	<p>During the 18th century, especially after the industrial revolution, rural dwellers desperate to make a living streamed into the cities, converting many areas into overcrowded slums. However, as the new economic order began to generate wealth, standards of living improved, allowing an increase in personal living space.</p> <p>Unless we are vigilant, high-density zealots will do their best to reverse centuries of gains and drive us back towards a Dickensian gloom.</p>



	<p>Dr. Shlomo Angel, New York University</p> <p>(#5: 2009)</p>	<p>For cities to expand outward at their current pace — to accommodate their growing populations or the increased demand for space resulting from higher incomes — the supply of land must not be artificially constrained.</p> <p>The more stringent the restrictions, the less is the housing market able to respond to increased demand, and the more likely house prices are to increase. And when residential land is very difficult to come by, housing becomes unaffordable.</p>	
	<p>Dr. Donald Brash, Former Governor, Reserve Bank of New Zealand</p> <p>(#4: 2008)</p>	<p>...the affordability of housing is overwhelmingly a function of just one thing, the extent to which governments place artificial restrictions on the supply of residential land.</p> <p>Australia is perhaps the least densely populated major country in the world, but state governments there have contrived to drive land prices in major urban areas to very high levels, with the result that in that country housing in major state capitals has become severely unaffordable...</p>	
<p>2007: 3rd Edition</p>		<p>2006: 2nd Edition</p>	<p>2005: 1st Edition</p>



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