Estimation of financial support for housing project: lesson from Singapore

Introduction:

Singapore is one of the few countries in the world to have successfully introduced and implemented a large-scale public housing programme, with universal provision of 99-year leasehold home ownership for all its citizens. The Housing and Development Board (HDB), the statutory board responsible for public housing in Singapore, has built nearly 1m high-rise dwellings. Of the 1.225m resident households (households headed by a Singapore citizen or permanent resident) in 2015, 80 percent resided in HDB-built flats. The home ownership rate for Singapore was 91 percent in 2015, while the home ownership rate within HDB dwellings was 92 percent.

Background:

Since the time of independence in 1965, public housing policy has been at the very core of the nation-building processes to promote a sense of belonging for its citizens. Prior to independence, the majority of the population lived in overcrowded pre-war rent controlled apartments lacking access to water and modern sanitation. Public housing built by the Singapore Improvement Trust (founded in 1927 by the British colonial government) housed only 8.8 percent of the population by 1959. Because of the chronic housing shortage, the government made it a priority to provide homes on a large scale.

Details of the Intervention:

In the 1960s, the government first established the Housing and Development Board (HDB) to replace the Singapore Improvement Trust in 1960 and then enacted the Land Acquisition Act 1966 for the acquisition of land for the development of public housing. Basic low-cost high-rise public rental flats were built to accommodate the households affected by slum clearance. In 1964, believing that home ownership would make the population feel that they had a stake in the future growth of Singapore, the government introduced a subsidized home ownership programme enabling residents to own a 99-year lease on their units. The HDB imposed a price cap on these units and offered loans to ensure home-owners paid less in monthly mortgage payments than they would have done in rent. In addition, housing grants were given to eligible households at the point of purchase. In 1968, the government expanded the role of the Central Provident Fund (CPF) as a vehicle for housing finance, which allowed Singapore citizens to use their CPF savings to buy HDB flats. The shift towards home ownership has implied that public housing was not associated with low-income housing but has instead become a mainstay for the entire citizen population.

Impact:

By the 1970s, the HDB-CPF housing framework worked effectively to channel resources into the public housing sector. By the 1980s, the housing shortage had been solved. In 1990, the HDB's housing stock increased rapidly to 574,443 units from 120,138 units in 1970, housing 87 percent of the resident population. The home ownership rate for the resident population increased to 88 percent from 29 percent in 1970. In the longer-run, especially in a Rurban context, high-rise accommodations may be beneficial. The use of housing finance and housing grants are also important lessons which can be replicated.

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Source: Royal Institution of Chartered Surveyors - RICS. (2019). International models for delivery of affordable housing in Asia. London.

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