THE VISIBLE HAND IN HOUSING MARKET:
SINGAPORE’S HOUSING MODEL AND ITS IMPLICATIONS ON HONG KONG

By

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Abstract

Some scholars believe that there exists a distinctive East Asian model of integrating social welfare and economic development, as witnessed in the four “Asian Tigers”, that sets itself apart from the “three worlds of capitalism” (liberal, conservative, social democratic) suggested by Esping-Anderson. Specifically, Singapore and Hong Kong, despite being bastions of laissez-faire policies, have some of the world’s largest government-backed public housing markets, with 81% and 46% of residents residing in public housing respectively. Yet, Singapore is seen as a model for housing policymaking while Hong Kong remains the most unaffordable housing market in the world for 9 consecutive years. This paper discusses the housing outcomes of these two cities and their seemingly similar yet diverging housing policies, exploring what implications the Singapore model has on East Asian cities such as Hong Kong.

Disciplines:

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A. Introduction

Similarities Between Hong Kong and Singapore

Hong Kong and Singapore are both renowned for their economic models of free market: with strong rule of law, transparency of government and export-oriented economies. They are also quite comparable as they are similar in level of development, size, similar in geographical location (island-states located only 2500km apart) and influenced by similar cultures from China. Regarding housing, both cities face problems of scarcity of land as well as high population density.

Both cities are also regarded as “property states” (Haila, 2000), which apart from reinforcing fairness in the comparison of the two cities, this theory also provides important context to explain the government attention this particular sector garners.

Firstly, real estate in these two small city-states contribute significantly to the economy. In fact, Hong Kong and Singapore has the highest percentages of stock market capitalization on solely property and construction stocks in their exchanges (30% and 13% respectively, with the US, Malaysia, UK and Japan all under 10%) (Walker and Flanagan, 1991). It is worth noting that with globalization, the existence of mobile capital precisely enabled the development of the immobile real estate assets in these two open economies. Moreover, the Singaporean government spent 28% of all gross fixed capital formation on “residential buildings” in 2015, accounting for over 7% of GDP.

Secondly, apart from the economy, real estate also forms a significant portion of national wealth due to public land ownership, a legacy left behind by the British Crown in these colonies. Public land ownership grants the government ability to subsidize and in turn encourage certain types of land use (e.g. housing), as well as to prevent speculation by internalizing the increased value of undeveloped land. This results in some of the largest population percentages living in public housing in Hong Kong and Singapore, around 40%
and 80% respectively. Housing also contributes greatly to personal wealth, for example in Singapore, an average of 40% of households’ net worth comes from home equity (Yearbook of Statistics Singapore, 2016), which is much greater than that of the US (14%).

Thus, the nature of these city-states as property states enable a fair comparison between the two’s housing policies in the following paper.

**Housing Affordability in Hong Kong and Singapore**

The idea of “superstar cities” (Gyourko, et al, 2013) describes cities where in the long run, house price growth is higher relatively to the increase in housing supply. Such high increases in demand relative to supply eventually worsens housing affordability and crowds out low-income families. As a result, such affordability problem often call for government intervention.

Despite similar macroeconomic and land characteristics, the two cities diverge in housing market characteristics, especially in affordability. According to *Dermographia International Housing Affordability Survey*, Hong Kong has been the least affordable housing market among 92 sampled housing markets for 9 years in a row, with a mean multiple of over 20.5 while Singapore enjoys a much lower multiple of 4.6. Moreover, 44% of Hong Kong’s population lives in public housing, while that of Singapore is a staggering 81%.
Research Questions

Main research question: Singapore’s housing policy is often referred to as a model, but how applicable is it to other city-states such as Hong Kong?

This paper is motivated by two conundrums. The first one is how Singapore and Hong Kong have such large government-backed public housing markets despite being bastions of the free market (Chiu, 2010). The second is how the two seemingly similar housing model led to drastically different housing outcomes. Specifically, Singapore is regarded as “the model” for housing policies resulting in exceptionally high home ownership rates and high-quality housing. On the contrary, Hong Kong is notorious for its housing shortage and unaffordability. Thus, the overarching goal of this paper is to discuss the implications the Singapore model has on Hong Kong and whether it is replicable.

This overarching question is further broken down into:

Section I: How is housing provided to the population in Singapore and how is it different from the Hong Kong model?
After examining an overall macroeconomic and demographic background of the two cities. This section will focus on examining the housing policy of Singapore, such as overall strategies in allocating housing between public and private estates, home ownership rates, prices and affordability. This section aims to set a stage for the future analyses on what led to such vast differences in housing outcomes.

**Section II: What are the specific mechanisms that led to the differences in the two housing systems? How feasible is it for Hong Kong to mimic that of Singapore?**

This section examines the two cities’ development policies, from land and city planning, to public housing policy to housing financing. Key differences between the two cities will be highlighted and whether Hong Kong has the necessary political economy to mimic Singapore’s model will be discussed.

**Contribution**

**Literary Contribution**

Given the current literature, this paper hopes to shed further light on the subject using 2 new angles.

Firstly, this paper focuses on developed economies in Asia. Much of the past literature has been conducted on developing countries, motivated by democratization of governments and urbanization in developing countries (Mayo, 1980; Buckley, 2005; Appiah, 2007). Much of the policies discussed, such as removing squatter settlements, enforcing tenure security, removing rent controls, developing housing finance institutions etc. have limited relevance to mature, developed economies. Moreover, much of the focus has been placed on Western countries such as Europe and the US (Hannel, 2018; Elsinga and
Wassenberg, 2014), primarily under the context of post-world wars. Given the growing importance of Asian economies, rise of the urban poor and their unique culture and history different from the West, the examination of housing policies in Asia would add value to the overall understanding of the subject.

Secondly, past literature have focused on either on one single country or city (Nourse, 1963) or focused on cross-country analyses using large samples of countries, such as the first cross-country econometric study in the field by Burns and Grebler (1977), or studies published by the World Economic Forum (2019) or OECD (2016). This paper aims to use case studies on two economies that are similar in size, geographical location and degree of economic freedom to compare and contrast their housing market policies and their successes. This provides a comparison perspective that the former approach cannot achieve, yet is able to take a more focused approach than the latter approach to examine more in-depth how specific history and culture shape housing policies.

Target Audience and Significance

This paper aims to synthesize a breadth and diversity of data and sources, ranging from official statistics and reports from the respective housing departments for an official perspective, journal articles from an academic perspective as well as commentaries and news articles for a public opinion perspective. Through laying an overview of the differences between the two markets and policies, as well as the applicability of the Singaporean model to other economies, this paper hopes to lay foundational groundwork towards further research into each of the areas (e.g. land policy, housing finance etc.) to inform policymakers of Hong Kong and other Asian countries of the considerations regarding mimicking the Singaporean model. Moreover, it hopes to shed light on discussions regarding which areas of the economy calls for government intervention and which areas do not, and reflect upon to what extent different societies allow the role of the government in alleviating housing affordability.
B. Background

Macroeconomic Background

Both cities experienced tremendous growth in the past decades. Back in 1965, both cities’ GDP per capita were around 500USD, similar to South America. In the 1990s, it already reached 20,000USD, surpassing South Korea, Israel etc. In 2015, Hong Kong has caught up with US’s GDP per capita and Singapore has surpassed it.

When Singapore gained independence from the Federation of Malaysia in 1965, her economic circumstances were dire: there was limited resources and had to rely on imports of food, energy and even water. (Perry, 2017) More importantly, unemployment rate stood at 9%, which was worsened when the British government withdrew its trooped from Singapore, leaving many more unemployed. Similarly, during this time, Hong Kong had suffered a severe trade slowdown due the downward economic spiral China experienced after the civil war between the Kuomintang and the Communist Party. Hong Kong also still relied on China for imports of food and water.

The turning point for these two economies came during the post-war industrialization. Singapore changed its economic structure from import-substitution to export-led industrialization and attracted a lot of FDI from global multinational corporations to spur industrial growth, specialization in high value-added electronics, petrochemicals and precision engineering. (Sugimoto, 2010) At the same time, Hong Kong also utilized its position as a British port when embargoes were placed on China, and saw a burgeoning export industry focusing on clothing, electronics, plastic. One key difference between Singapore and Hong Kong is the degree of government-led development. In Singapore, the government played a heavy role in developing industrial land and infrastructure, reformed labor laws to promote industrial peace and encouraged education in technical skills. However, the Hong Kong government did not engage in active industrial planning firstly due
to its laissez-faire policy, secondly because the government was preoccupied with the social spending that was required for the large influx of immigrants and refugee fleeing the civil war in the Mainland. Thus, Hong Kong did not follow the typical Asian model like Singapore’s of state-led industrialization or relying on the dominance of foreign firms.

After the recession Singapore experienced in 1985, the government promoted innovation and liberalized sectors such as finance, telecommunications and utilities, leading to the rise of modern services such as account, law, consultancy, finance, IT and even casino entertainment. Hong Kong also saw factories move back to China in the same period due to the reform and opening of the Chinese economy, thus, turning to developing commercial and financial services. (Yang, 2012)

Source: World Bank

Inequality and housing

Singapore has an overall lower Gini coefficient compared to Hong Kong, and there are more differences between the cities than its Gini coefficient.

Singapore has always prided herself I being a meritocratic society with high social mobility. However, apart from the usual social division based on class, Singapore also sees social division based on race (Straits Times, 2016). Singapore is only 76.2% Chinese, with 15% malays and 7.4% ethnic Indians. Hong Kong, on the other hand, is 92% Chinese. Racial
identity in Singapore is closely tied with class, with a higher percentage of ethnic Chinese in private housing estates and “elite” schools. Prime Minister Lee Hsien Loong also stated that “The issues of mitigating income inequality, ensuring social mobility and enhancing social integration are critical.”, indicating how important social integration is among race and class to achieve equality (Straits Times, 2020). However, Singapore has managed to bring down the Gini coefficient from its last peak of 0.482 in 2007 to 0.36 (Channel News Asia, 2020) through heavy investments in human capital and skills as well as an increasingly progressive tax and transfer system. However, wealth inequality remains serious, as the top 1% and 10% of wealth holders own 20% and 60% of total wealth consecutively, which hasn’t changed much since this data has first been collected 30 years ago.

Hong Kong on the other hand, saw its Gini Coefficient reach its highest level in 45 years in 2016, with 1 in 5 residents living below the poverty line. For example, the wealthiest 10% earns 44 more times than the poorest 10% (Census and Statistics Dept, 2016). This inequality is largely manifested in the housing sector, with many poor and elderly can only afford to live in small cubicles or subdivided flats (Oxfam, 2016). Despite the government’s policies to tackle poverty, the lack of inheritance, dividend and capital-gains taxes have continued to add wealth for the tycoons. (Reuters, 2017)

Source: Oxfam
Urbanization and density

According to the World Bank, both Hong Kong and Singapore are categorized as having 100% urban population as a share of total population. Hong Kong was once 87.7% in 1970s when some households still depended on agriculture, although Singapore since independence was already 100% urbanized.

Population growth has steadily increased in 1960s. In Singapore, most of the pre-WWII population growth was due to immigration, where the city draws in large numbers of migrant workers from Malaysia, China, Bangladesh, India supported by its fledging colonial economy. As Singapore became industrialized in 1980s, the state’s nonresident population grew rapidly again, with most male workers are low-wage manual labor population and female workers working in a domestic setting, with a nonresident population taking up 25.8% of its population. Migrant laborers do not qualify for HDB public housing in Singapore, thus, most of them live in dormitories built in partnership with government, usually in converted industrial spaces or old factories, or shophouses and construction sites, with many concerns about structural safety. (City Lab, 2015)

Hong Kong has taken in many refugee population after the KMT-CCP Civil War in China. During the handover to Chinese rule in 1997, Hong Kong established a one-way permit system allowing mainland Chinese citizens to settle in Hong Kong if they have immediate families that are permanent Hong Kong residents. Since 1997, this scheme has brought in 879,000 mainland Chinese, contributing greatly to its population growth.
Regarding density, Singapore has around 2/3 of Hong Kong’s population with ½ of the land mass. As a result, total population density of Singapore is higher than that of Hong Kong in total, and the two countries are rated the most densely populated in the world.

*Source: World Bank*

![Population Chart](chart.png)

*Figure 8  Population Densities across Countries (People per Square Kilometers of Land)*

*Source: CIA World Factbook (2012)*
However, it is worth noting that 75% of Hong Kong land is made up of semi-rural area or country parks. As a result, looking at urban extent density, in 2015, Hong Kong’s figure is 350 persons/hectare, more than double that of Singapore’s 127. (Atlas of Urban Expansion, 2015)

C. Housing Market

Distribution

According to Singapore Housing & Department Board (HDB) 2019 Annual Report, 81% of the Singapore resident population now live in HDB public flats in the fiscal year 2018/2019. When the public housing scheme was first introduced in 1960, this number was
only 9%, and has maintained a level around 80% since 1980s. Currently, the resident population in HDB flats is around 3.2 million with cumulatively 1,180,438 HDB dwelling units built since the 1960s. Aside from HDB flats, 13% live in private sector condominiums and 6% live in landed homes and less than 1% live in low-quality units.

In Hong Kong, the relative distribution between public and private housing has remained stable in the past few years, with 3.3 million living in public housing, comprising of 44.7% of the total population, much lower than that of Singapore.

Source: Housing Authority (HK), Housing & Development Board (SG)
Homeownership rates

Singapore has one of the highest home ownership rates in the world, standing at a current 91.7%, while that of Hong Kong has been around 50% and decreasing slightly every year.

![Home Ownership Rates Graph]

*Source: Housing Authority (HK), Housing & Development Board (SG)*

The reason for the difference is due to the nature of public housing in the two cities. Up till now, more than 80% of Singapore’s public flats are sold with a 99-year lease below market value to its residents. On the contrary, rental housing makes up over 60% of all public housing, with the rest being “subsidized sale flats”. The ongoing trend is that the proportion of sold public housing is decreasing in Hong Kong and increasing in Singapore. It is worth noting that this trend in public housing cannot fully explain the changes in homeownership rates because there’s a sizeable private rental market as many turn to renting due to unaffordable home purchase prices.
House Prices

As seen in the graph below, the two house price indices followed a similar trajectory prior to 2010 (base year) and after the Asian Financial Crisis, and has since diverged, with Singapore house prices (data includes both public and private transactions) remaining relatively stable and Hong Kong’s housing prices nearly doubled.
Looking at nominal price indices between Singapore’s private and public houses, it can be observed that public housing price movements are relatively less volatile compared to private houses, which helps explain Singapore’s overall price stability compared to Hong Kong’s housing market.

In Singapore, new HDB public flats were sold to users at subsidized prices and can be resold at market prices after reaching minimum occupancy period (MOP). Tu and Wong (2002) found that public housing policies (e.g. imposition of stamp duties, CPF grants etc)
influence housing prices more than macroeconomic factors (e.g. GDP per capita, unemployment rates). Thus, given the higher degree of control the government has on the overall housing market as compared to Hong Kong, the Singaporean government has been able to maintain stable house prices.

Moreover, in Singapore, there are many restrictions on public housing purchases, such as citizenship requirements, minimum occupancy periods etc. which reduces speculative activities. Although Hong Kong has instituted cooling measure such as “Hong Kong Land for Hong Kong People”, cutting allowable loans and taxing vacant flats, the Hong Kong government cannot regulate its private market as harsh as Singapore does with its public housing market in order to uphold its laissez-faire policy. For example, Singapore bans all resale of public housing flats within a 5 year occupancy period, while Hong Kong can only charge higher stamp duties for resale of properties within 3 years.

Hong Kong also has a large private rental market, but rental yields have been falling in the past 2 decades due to the aforementioned rise in property prices. Hong Kong is not just a typical market because its real estate market is a place where the rice park assets in the form of apartments for diversification and safe-guard, causing its lower rental yields. Moreover, the HKD is pegged to USD, thus the interest rate generally follows that of the US, thus, the yield trend also mimics that of the downward trend of the US Treasury Yield Rate in the past decades.

The figure below shows the yields of houses of different sizes (Class A to E from small-sized to large-sized units). Large units have the lowest yield of only 2%. During the Asian Financial Crisis in 1997-1998 and SARS in 2003, Class A yields because owners were forced to sell their larger property at distressed prices and demand was concentrated in small-sized units for survival as they were cheaper.
The graph below further shows how rent increases have not caught up with price increases.

**Price to income ratio**

With a median household income of $300,000HKD in Hong Kong, the median cost of home is more than $5.4 million HKD, making the price-to-income ratio 18.1, which is much higher than Demographia’s “severely unaffordable” threshold of 5.1. On the contrary, Singapore’s price-to-income ratio stands at 4.6 only. Moreover, the price-to-income ratio relative to the long-term average has increased a lot more in Hong Kong than it did in Singapore.
From the figure below, it can be observed that median annual incomes can purchase a larger flat in Singapore than it can in Hong Kong, but both significantly lower than that in Japan.

In Hong Kong, in the past decade, housing prices have increased 153% inflation-adjusted while real incomes have been relatively stagnant. Currently, an apartment of less than 200 square feet can cost as high as $500,000. Many attribute the unaffordability to extreme forces of supply and demand, due to severe land restrictions outlined by the Basic Law in Hong Kong despite growing population demand coming from the Mainland and
speculative activities. (HUD, 2016) Some also point to the land premium charges levied by the government or the existence of a real estate hegemony of a few large developers pushing out competition and monopolizing the market. In Hong Kong, due to the long wait times and lack of availability of affordable housing, 200,000 people live in subdivided flats commonly referred to as “coffin homes”. (Business Insider, 2020)

In contrast, in Singapore, 83% of the 10% of the lowest income households own a home, and this figure stands at 87% for the bottom 20 per cent of households (Channel News Asia, 2018). Moreover, the government has been enhancing subsidies for home ownership with new schemes such as Additional CPF Housing Grant (AHG) and Special SPC Housing Grant (SHG) which allows means-tested lower-income families to receive larger grants. Thus, in reality, the affordability in Singapore is even better than the price-to-income ratios reflect.

D. Land Policy

Land policies in Singapore and Hong Kong are relatively comparable due to the two city’s previous identity as a British colony. Both cities retained simplified versions of the property law in Britain under the historic feudal system.

Public Land Ownership

In Singapore, the government is a significant land-owner due to the property left behind by the British colonial administration as well as the military after 1971. Similarly, the Hong Kong government also owns all the land on Hong Kong Island and Kowloon, as well as the primary leaseholder of New Territories until 2047 according to the 1997 Sino-British Joint Declaration.
One key difference between the two land policies is the government’s ability to reclaim land. The Singaporean government, in an effort to develop public housing, instated a set of efficient land acquisition laws that gave the government power to expropriate land for development or redevelopment as long as it is for a “public purpose or work of public benefit”. For example, the Land Acquisition Act in 1966, which was later amended to allow the government to acquire private land and compensate the previous owners at below market value, as well as the Control Premises Act (1968). Thus, apart from military training grounds, public open spaces or government buildings, the government also owns the land mass from public housing estates, industrial estates, urban renewal etc. (Motha and Yuen, 1999) The state’s autonomy in Singapore meant that policies do not have to be subordinated to the organized interests in society (e.g. landowners, property developers, laborers, businesses). The key is the state is competent and citizens saw an improvement in living standards, not just in housing, thus, citizens hold a 82.9% satisfaction rate of the government, as opposed to an OECD average of 68.4% (OECD, 2017). High public trust helped the Singapore government to reclaim land with little judicial disputes. As a result, state ownership of land increased drastically throughout the years, reaching 90% as of now and planning to add around 9% by 2030.

![State Ownership of Land in Singapore](image-url)
Source: OECD

In contrast, in Hong Kong, although such reclamation of land is not illegal, it’s very rare. The Basic Law allows the Land Development Corporation of Hong Kong to reclaim land from private owners at market prices, but need to demonstrate “no undue detriment” to the interests of landowners, making the efficacy of the law very limited. For example, early 2019, the Hong Kong government proposed a “Lantau Tomorrow Vision” plan by reclaiming 17000 hectares of land to provide 400,000 homes (of which 70% will be public housing). However, this was met with great public discontent from different interests groups such as environmentalists, fishermen, developers etc. In general, low public trust also caused many skepticism regarding the government’s explanations on the severity of environmental impacts, cost of filling material etc. Up till now, the controversial project is still seeking approval from Legislative Council Finance Committee.

Singapore’s land policy is often referred to as the epitome of Lee Kuan Yew’s populist authoritarian image. Apart from the Land Acquisition Act, T.J.S George (1973) also described how “fires of convenience” were used to make slum areas available for redevelopment. However, during the time, Hong Kong was still under colonial rule, and heavily influenced by the laissez-faire philosophy of the Financial Secretary from 1961-1971 John Cowperthwaite, who was careful not to infringe the rights of citizens (e.g. private property right) in order to protect its colonial rule. To this day, many still see the Singaporean model as “property rights were taken away and then returned in another form”, as private property was taken and transformed into HDB units in return that were sufficiently attractive. (Wong, 2015)
The Leasing Model and Public Revenue

Under extensive public land ownership, private developers participate in the development process through a leasehold system. Land is allocated to developers through auctions, with leases ranging from 15 to 999 years. From the government’s perspective, the benefits of this system lies in allowing governments to subsidize certain land use (e.g. industrial use during 1980s or public housing), but also allows the government to capture the increase in land value.

In the case of Hong Kong, some scholars point to the over-reliance on land receipts (e.g. land premiums, property taxes, profit taxes from developers, stamp duties). This model can be traced back to the colonial times of the “high land price policy” (HLPP), which many scholars criticize for leading to high housing prices. This method was regarded as the most cost-effective method to capture land value during colonial times. (Poon, 2011)

Figure 10a Components of Government Revenue

![Graph showing components of government revenue]

Source: Census and Statistics Department, Hong Kong SAR Government.

Specifically, the government follows a slow-paced plan of selling land lease rights and charges the highest land premiums through the highest bidders in land auctions. During 1970s, land revenue (e.g. land premiums, annual rents and property tax) consists of 33% of
government budgets, if including profit taxes from developers and taxes on mortgage portfolio profits, land-related revenue percentage goes up to 45%. To this day, land premiums alone still contribute around 20% of total public revenue.

Another intended benefit of the leasehold system is to prevent any one developer from monopolizing the market by hoarding large land reserves. However, in the case of Hong Kong, it has prevented a monopoly, but failed to prevent an oligopoly. In fact, as an Goldman Sachs analyst opined, Cheung Kong, one of Hong Kong’s largest developers, have enough land “that will ensure it does not have to rely on government land auctions” (South China Morning Post, 18 October 1999). The larger the real estate developers, the likely they can win the bids in land auctions. As a result, citizens have to shoulder the burden of the high land costs, creating a “hidden tax”. As the hegemony of real estate developers gets institutionalized for the past 30 years, they not only yield power over the economy but also over politics, forming a very influential interest group for lobbying purposes. This made policies such as harsher levies on capital gains, wealth and dividend taxes, and in particular land hoarding taxes extremely difficult.

Real estate tycoons also exist in Singapore, as 9 of the top 20 richest Singaporeans are involved in the property business. However, as contrary to Hong Kong where planning and development powers are more fragmented, the HDB has central power to plan and develop flats for housing as the department is provided with land, funds, legal powers and the support of the state. Thus, the profit-seeking impact from private developers is diminished. (Haila, 2015)

Land Reviews

City planning is conducted in Singapore through Urban Redevelopment Authority (URA), similar to Hong Kong’s Planning Department. The URA have two plans: A Concept Plan that outlines a long-term development vision for the next 40-50 years and a Master Plan
which acts as a land use blueprint for the next 10-15 years and are implemented at the regional level. Hong Kong also has an Outline Zoning Plan, but the difference lies in that URA actively reviews its plans to forecast land demand. For example, URA collects data as well as coordinate with Economic Development Board to ensure adequate land for future development. The only current land use forecast in Hong Kong is the “Hong Kong 2030 Plus”, published in 2016, which is 15 years ahead. Thus, instead of playing “catch-up”, as head of land research at Our Hong Kong Foundation described it, Hong Kong should take more pre-emptive measures like Singapore to periodically review overall land supply and demand situations. (SCMP, 2015)

E. The Public Housing Origin Story

Singapore’s origin story

Overtime, Singapore has liberalized its public housing policies. In 1971, flat owners are allowed to sell their flats for the first time; In 1990, the government opened up the public housing market to permanent residents (non-citizens) and removed restrictions previously based on buyers in the resale market such as household income ceilings. However, to fully understand the many policies and eventual housing outcomes of the Singapore housing market, it is necessary to retrace back to its initial stages to understand the motivations and political justifications behind this scheme.

Before Singapore’s independence, the housing situation was dire. There was serious shortage of housing due to a rapidly growing immigration population as well as post-war baby boom, leading to around 30% of the population living in slums and squatter housing (Wong, 1985). In 1957, for example, 500,000 residents were in need of accommodation and 400,000 of them needed relocation from the overcrowded city center. At that time, the
most direct and efficient method to improve the situation was to provide public housing for those living in slums. Before the establishment of the HDB in 1960, public housing was provided by the Singapore Improvement Trust (SIT), which was set up by the British colonial government. However, only 23,000 public houses were built in 32 years. Thus, when the independent government of Singapore was elected, the HDB was established with the objective to plan, design and develop affordable public housing enough to house the entire nation.

Economically, apart from a shortage of housing, the pre-independence period also saw high unemployment rates as well as an informal labor force with irregular employment and unstable income. Thus, home ownership played an instrumental role in encouraging workers to seek out formal stable employment and maintain discipline in earning monthly wages to pay their mortgage.

Politically, the government’s housing scheme is also important to legitimize the rule of the People’s Action Party in the early days. On one hand, PAP consistently improved citizens’ material life, especially in providing stable affordable housing, to enhance people’s confidence. As Chua (1997) puts it, “the public housing program is a foundation stone on which the PAP builds its legitimacy among Singaporeans.” For example, given a 0.47 Gini Coefficient, Lee Hsien Long stated that “the house in Singapore is a major way for us to level up the less successful and to give them a valuable asset and a retirement nest egg.” Public housing is central in Singapore’s “asset-based social security system” (Ronald, 2010) and the success of the scheme is a source of pride and legitimacy for the party.

On the other hand, PAP knows that homeowners have an incentive to protect their property value thus are inclined to be more conservative politically and lean towards maintaining the status quo (i.e. supporting the ruling party). There was evidence that during election times, candidates threatened to withhold funds for upgrading public houses if public
housing residents don’t vote for the party (Chua, 2000). Thus, public housing is an important tool to maintain PAP’s political power.

Socially, the public housing scheme was also meant to facilitate nation-building. Singapore is a multi-racial society and social integration of citizens of different class and race was a priority for the Singapore government, especially when it first gained independence. Lee Kuan Yew pointed out in 2000 that the Confucian Doctrine of encouraging a collective consciousness across class and race drove many of the PAP’s policies. While scholars often point to issues of social exclusion, marginalization and concentrated poverty in public housing schemes in other economies (Wachter and Schill, 1995), the public housing scheme in Singapore was intended for the opposite. In fact, public housing was often referred to as “the common bond for all” in government documents (Mah, 2005) and public housing estates are configured to facilitate “empowerment and inclusion” and to prevent the formation of ethnic ghettos. Specifically, the Ethnic Integration Policy ensures each block of housing unit is sold to families from ethnicities that’s comparable to the national average demographic to avoid racial segregation or ethnic enclaves. Moreover, there’s also quotas on permanent residents, with a cap of 5% of the households per block. Public housing is a very important tool for the government to harmonize multi-racial societies, as the government would have no power over private housing estates.

Most importantly, Singapore’s housing policies were specifically designed to favor home ownership. It was aimed to offer affordable housing on a near universal basis through subsidizing home ownership for the vast majority. Thus, the HDB units were initially priced such that buying was a more attractive option than renting, which will be elaborated further on.
Hong Kong’s Origin story

Hong Kong during its colonial times also faced immense housing challenges due to the influx of millions of refugees from China pursuing safety, stability and economic opportunities in Hong Kong after the Civil War. The population in Hong Kong was only 600,000 in 1945 and it grew to 2.5 million in 1955 and 5.4 million by 1986. (Tsang, 2004). In 1972, 46% of total population lived in squatter huts or temporary housing.

The origin story of Hong Kong’s public housing started when a fire swept through a squatter settlement in Shek Kip Mei, destroying 53,000 homes. It was only then did the colonial governor Alexander Grantham launch a public housing program, first intended to house the immigrant population living there in “multi storey buildings”, leading to the Shek Kip Mei Low-cost Housing Estate with standardized structures that were fire-and flood-resistant. (Smart, 2006).

Following the fire, the Urban Council was tasked with finding permanent solutions to the housing crisis and prevent such incidents from happening again. Affordable housing in Hong Kong started off with a hybrid private-public system, because the Hong Kong Housing Authority (HKHA) was first established as a semi-independent authority, which was formed by the government as well as a private organization called Hong Kong Housing Society (HKHS). Hong Kong Housing Society obtained low-interest loans from the government and land granted at concessionary prices to build self-contained homes for families in need.

The two entities separated in the 1970s, with HKHS specializing in building “Home Ownership Scheme” for-sale flats and homes under the “Sandwich Class Housing Scheme” while HKHA, now an entirely public organization, focusing on Public Rental Housing. Thus, there is a shift of focus from rental flats to sale flats as seen below.
Key Differences in Hong Kong and Singapore’s Origin Story

Home Ownership

Firstly, Singapore’s housing policies were initially intended to bolster home ownership while that of Hong Kong was not. In 1964, Lee Kwan Yew rationalized that “a high homeownership rate would lend social and political stability to Singapore (Yuen, 2007). Back then as most of Singapore’s population were made up of migrants, the public housing scheme was aimed to foster a sense of rootedness, which was essential for stability. Lee’s vision for building Singapore is a “fair, not welfare society”, and to achieve that, the government had to make possible a “home-owning society” so that every one has a stake in its country’s future. Singapore explicitly favoured home ownership over apartment rental because the HDB allowed low income families (with incomes below $800) to make a monthly payment towards owning the flat which was lower than the market price of rental flats. Thus, HDB discontinued 3-room rental flats in 1982, as it made more financial sense to
purchase the flats given the subsidies, and they could use their Central Provident Fund savings to pay for it instead of pay rents in cash.

However, in Hong Kong, when the idea of public housing was established in 1973, the objective was to provide the people with “satisfactory accommodation”, thus started off with mainly rental flats. As seen from the table and graph below, the government has always prioritized public rental housing over home ownership schemes, and the percentage of ownership in private housing (red line) is significantly higher than that in public housing (green line).

### Table 2: Hong Kong Housing Authority Housing Production

<table>
<thead>
<tr>
<th>Year</th>
<th>Public Rental Housing</th>
<th>Interim Housing</th>
<th>Home Ownership Scheme or Private Sector Participation Scheme</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980/81</td>
<td>26,769</td>
<td></td>
<td>10,178</td>
<td>36,947</td>
</tr>
<tr>
<td>1981/82</td>
<td>31,346</td>
<td></td>
<td>4,399</td>
<td>35,745</td>
</tr>
<tr>
<td>1982/83</td>
<td>27,879</td>
<td></td>
<td>8,268</td>
<td>36,147</td>
</tr>
<tr>
<td>1983/84</td>
<td>28,564</td>
<td></td>
<td>10,117</td>
<td>38,681</td>
</tr>
<tr>
<td>1984/85</td>
<td>26,354</td>
<td></td>
<td>11,576</td>
<td>37,930</td>
</tr>
<tr>
<td>1985/86</td>
<td>29,386</td>
<td></td>
<td>18,590</td>
<td>47,976</td>
</tr>
<tr>
<td>1986/87</td>
<td>27,073</td>
<td></td>
<td>13,178</td>
<td>40,251</td>
</tr>
<tr>
<td>1987/88</td>
<td>19,991</td>
<td></td>
<td>5,380</td>
<td>25,371</td>
</tr>
<tr>
<td>1988/89</td>
<td>39,518</td>
<td></td>
<td>10,946</td>
<td>50,464</td>
</tr>
<tr>
<td>1989/90</td>
<td>33,910</td>
<td></td>
<td>19,546</td>
<td>53,456</td>
</tr>
<tr>
<td>1990/91</td>
<td>32,619</td>
<td></td>
<td>15,612</td>
<td>48,231</td>
</tr>
<tr>
<td>1991/92</td>
<td>21,190</td>
<td></td>
<td>13,698</td>
<td>34,888</td>
</tr>
<tr>
<td>1992/93</td>
<td>22,148</td>
<td></td>
<td>15,322</td>
<td>37,470</td>
</tr>
<tr>
<td>1993/94</td>
<td>19,848</td>
<td></td>
<td>24,743</td>
<td>44,591</td>
</tr>
<tr>
<td>1994/95</td>
<td>24,440</td>
<td></td>
<td>4,004</td>
<td>28,444</td>
</tr>
<tr>
<td>1995/96</td>
<td>14,559</td>
<td></td>
<td>19,328</td>
<td>33,887</td>
</tr>
<tr>
<td>1996/97</td>
<td>14,946</td>
<td></td>
<td>16,878</td>
<td>31,824</td>
</tr>
<tr>
<td>1997/98</td>
<td>17,917</td>
<td>144</td>
<td>12,040</td>
<td>30,101</td>
</tr>
<tr>
<td>1998/99</td>
<td>9,759</td>
<td>720</td>
<td>18,020</td>
<td>28,499</td>
</tr>
<tr>
<td>1999/00</td>
<td>31,806</td>
<td>120</td>
<td>16,558</td>
<td>48,484</td>
</tr>
</tbody>
</table>

Concentration of Powers

The second difference is that, HDB holds comprehensive powers across planning, development and construction, while relevant powers are more fragmented in Hong Kong. Singapore’s HDB takes on responsibility for all aspects of housing, including planning, development, design, building and maintenance. The process is streamlined and efficient, for example, the HDB could take many considerations in mind when planning the estates, such as infrastructure, city planning, industrialization objectives, avoidance of ethnic enclaves, asset inflation etc. (SCMP, 2019) HDB also reports directly to a centralized Ministry of National Development, which handles all land-use planning, public housing, land development, conservation and redevelopments.

However, in Hong Kong, the planning and development powers are fragmented into different autonomous department (e.g. Planning Department, Housing Authority, Lands Department) without a single strategic planning unit to coordinate. As a result, “there is bureaucratic discretion, micro-powers at the individual level and elastic conditions for land speculation” (Curthbert, 1991). Even public housing management is divided into two entities,
the government-owned Housing Authority (HKHA) responsible for mainly rental housing, and the nongovernment-owned Housing Society (HKHS) responsible for Home Ownership Scheme (HOS) public housing, however since 2012 when the government slowed down the sale and construction of HOS housing, the role of HKHS has been left rather idle. There has been much debate in society over the awkward and unclear role, and the overlapping responsibilities between the two entities. The idea of dissolving the HKHS was met with great opposition in the Legislative Council, but without a clearly-defined role, the existence of the two entities will work against the effective allocation of public resources. (Hong Kong Economic Journal, 2010) One suggestion is for HKHS to act as a de facto “testing laboratory” for the government by exploring different form of experimental housing projects (e.g. tailor for elderly, more environmentally-friendly etc.).

F. Public Housing Systems

Quick Facts

<table>
<thead>
<tr>
<th></th>
<th>Singapore</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td>% living in public housing</td>
<td>85</td>
<td>46.2</td>
</tr>
<tr>
<td>Owner occupancy rate in public housing</td>
<td>76</td>
<td>17.1</td>
</tr>
<tr>
<td>Average living space per person</td>
<td>270 sqft</td>
<td>170 sqft</td>
</tr>
<tr>
<td>Wait time for public housing</td>
<td>2.5</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Apart from a larger living space per person in Singapore, Singapore public housing has also been long praised for its quality. For example, its most famous public estate is the
Pinnacle at Duxton, which is the tallest public housing project in the world, and one of the longest sky gardens too. It’s made up of 7 50-food skyscrapers connected by sky bridges and features many amenities such as gyms, gardens and day-care centers.

Hong Kong’s waiting time is also significantly lower than that of Singapore’s. The federation of Public Housing Estates said it expects waiting times to soon exceed six years. However, Federation of Trade Unions lawmaker Kwok Wai-keung claimed that the official number is an underestimate because it only takes into account people who eventually was allocated housing. As seen from the table below, the supply of public rental housing flats is extremely insufficient to meet the number of applications.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Public Rental Housing Applications</th>
<th>New Public Rental Housing Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000/2001</td>
<td>108,400</td>
<td>46,756</td>
</tr>
<tr>
<td>2001/2002</td>
<td>86,400</td>
<td>29,817</td>
</tr>
<tr>
<td>2002/2003</td>
<td>91,900</td>
<td>20,390</td>
</tr>
<tr>
<td>2003/2004</td>
<td>91,000</td>
<td>15,148</td>
</tr>
<tr>
<td>2004/2005</td>
<td>91,400</td>
<td>24,682</td>
</tr>
<tr>
<td>2005/2006</td>
<td>97,400</td>
<td>17,153</td>
</tr>
<tr>
<td>2006/2007</td>
<td>107,300</td>
<td>7,192</td>
</tr>
<tr>
<td>2007/2008</td>
<td>111,600</td>
<td>13,726</td>
</tr>
<tr>
<td>2008/2009</td>
<td>114,400</td>
<td>19,050</td>
</tr>
<tr>
<td>2009/2010</td>
<td>129,100</td>
<td>15,389</td>
</tr>
<tr>
<td>2010/2011</td>
<td>152,400</td>
<td>13,672</td>
</tr>
<tr>
<td>2011/2012</td>
<td>189,000</td>
<td>11,186</td>
</tr>
<tr>
<td>2012/2013</td>
<td>229,000</td>
<td>13,114</td>
</tr>
</tbody>
</table>

However, the most important difference between the two public housing programs is not the quality, size or waiting time, but the degree of homeownership. As previously mentioned, Singaporean public housing are mostly “sold” in the form of 99 years lease, and rental flats are only for those who cannot afford even the cheapest forms of public housing despite financial support. On the contrary, Hong Kong public housing is 63% Public Rental Housing scheme (PRH), the rest are mostly Home Ownership Scheme (which provides an avenue for better-off PRH tenants to purchase the flat at subsidized prices).

Hong Kong’s 17.1% owner occupancy rate is significantly lower than that of Singapore. In 1997, Hong Kong’s first-term chief executive Tung Chee-hwa tried to
implement the “85,000 plan” by building 85,000 housing units per year and plan to reach a 70% home ownership rate in 10 years and reduce the wait time for public housing to 3 years. However, the Asian financial crisis hit and property prices fell sharply. Tung succumbed to public pressure, especially criticism from property developers, and scrapped the plan. In 2018, then-Chief Executive Leung Chun-ying claimed that Hong Kong would “not have a housing crisis if Tung had stuck to his goals”. (SCMP, 2018)

Right to Resell

Not only are Singapore’s public housing mostly owner-occupied, but there is also a vibrant secondary market. Since March 1971, existing HDB flat owners are allowed to sell their flats on the open housing market to any eligible buyer after meeting a minimum occupation period (MOP) of usually 5 years. The size of this public resale market is significant: it is 5 times that of the private housing market, and the volume annually transacted is around 5% of existing public housing stock. Below are some key differences between the primary and secondary public housing markets (HDB, 2018/2019; Tu, 2002):

<table>
<thead>
<tr>
<th>Aspects</th>
<th>New Public Housing</th>
<th>Public Resale Housing (secondary market)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Housing prices</strong></td>
<td>Heavily subsidized</td>
<td>Market prices (no government intervention except grants for first-time buyers)</td>
</tr>
<tr>
<td>Prices*</td>
<td>S$200,000 to S$250,000</td>
<td>S$300,000 to S$500,000</td>
</tr>
<tr>
<td><strong>Constraints</strong></td>
<td>Long queue for application; successful applicants have to wait several years while the flats are being built; applicants are</td>
<td>No income ceiling for buyers; pricing based on market transactions; MOP of 2.5 years before resale</td>
</tr>
</tbody>
</table>
subject to household income ceiling and a MOP of 5 years before resale

* average prices for 110 sq. metres HDB flats

The “buy/sell/repurchase” cycle was initially enacted to further fulfil the government’s social democratic promise to encourage home ownership and allow citizens to “upgrade” to larger flats as family sizes grow. Yet, the neoliberal idea of housing as an asset and the materialization of profits were already embedded (Chua, 2013). In general, Singapore’s public housing market is open to individual capital for the consumption of space, but remains limited in the production of space. Prices of resell flats are determined by market forces, but behaviour is still under heavy regulations due to strict eligibility requirements (e.g. buyer still face restrictions of marital status, citizenship etc.). This feature is seen by scholars as an integration of neoliberal and developmental ideals (Wang, 2012).

This system has also evolved a lot over the decades. Starting 1989, permanent residents could also own HDB flats, not just citizens. Since 1991, unmarried individuals aged 35 and above could purchase three-room or smaller flats. As household income rose and expectations grew, the HDB has also began building better homes with better materials, better neighbourhood facilities and more refined designs. There have also been many upgrading schemes not only to improve the living environment, but also to enhance the HDB flats so household wealth can grow through property price appreciation.

Regarding price appreciation, Chia (2017) discovered a correlation coefficient of 0.95 between public and private housing prices in the period 1990-2015. We can see that with a secondary resale market, public housing prices are not immune to business cycles and market speculations. However, the government still has more leeway to combat price inflations in public housing than in private housing. For example, in 2010, the Singapore government lengthened the MOP requirement for resale flats to prevent overheating of the property
market. Moreover, Chia (2017) also identified fundamental drivers in housing prices in the long run. For example, the growth in resident population drives up demand for both public and private housing, while the growth of non-residents reduces residents’ affordability to pay for down-payment of private housing.

Moreover, the idea of asset appreciation is central to HDB’s housing scheme, which is unlike other public housing schemes in the world. As the years progressed, public housing in Singapore no longer carries the “social housing” or “affordable housing for the poor” connotation as it does in other economies. On the contrary, public housing in Singapore is highly commodified and marketed as a symbol of “stakeholding”, “privilege” and “status” (Vasoo, 2001). The idea of a “housing ladder” is embedded in Singapore’s public housing scheme as the government often encourages homeowners to resell and upgrade, and the government often buybacks dwellings to redevelop. Although in no way does the government encourage speculation, HDB flats actually appreciated two to threefold in value since early 1990s, enabling many homeowners to capitalize on their first HDB flats. It is essential to understand what public housing entails in Singapore and how it is different from other economies.

Inherently, it is difficult for Hong Kong to also create a resell market as of now. HDB unit owners are *bona fide* homeowners and are able to reap the full benefits of the subsidy on
the land premium and enjoy the full appreciation in value over time. However, Hong Kong HOS unit owners are only quasi-homeowners. Upon acquiring the flat, the applicant only pays the government the cost of construction, but does not own the property until he/she pays the land premium determined by the market value. In fact, 78% of them haven’t completed payment of this premium, simply because they are unaffordable to the vast majority of the occupants. This way, the flats are unavailable for sale in the open market for most of the applicants’ lifetime, rendering a secondary market impossible and applicants unable to achieve full home ownership nor upgrade or move out to accommodate life events (e.g. have children etc.). Some scholars suggest unlocking the value of the land through transferring them to the occupant at discounts they can afford, since the land occupied by PRH and HOS have effectively no alternative use anyways. Moreover, the government won’t be losing out much because as of now, hardly any such revenues are collected because most households cannot afford and thus cannot settle the unpaid land premiums on their units. (Wong, 2015)

Another key difficulty facing HK residents from the lack of homeownership in public rental flats is the possibility of eviction. If one of the household members receive an increment breaching the salary ceiling, the household risks being evicted. However, they might not be able to afford private housing yet not to mention a 30%-40% down payment for purchase of private housing. Thus, they would likely seek lower paying jobs to avoid breaching the income ceiling, creating a vicious cycle.

Housing Financing Mechanism

Another unique feature of the Singapore housing policy is the reliance on Central Provident Fund (CPF) to finance home ownership. CPF was established by the British colonial government as an institution for retirement savings, requiring only 5% of monthly salary in 1955. As of now, typically the employer pays 16% and the employee pays 20%.
Despite the initial intention for retirement savings, the Singapore government has since expanded this institution to support other social development activities, such as education, healthcare and most importantly, housing (Vasoo, 2001). As CPF is an individual saving account, this mechanism prompts the elderly to be self-reliant and shift the burden of care away from next generation or the state (as there is no collectivization or redistribution of national savings).

The HDB-CPF Scheme to finance housing using CPF was first introduced in 1968, where citizens can withdraw their CPF savings pre-retirement for down payments and mortgage payments for HDB flats. In fact, Chua (2013) described how “it is no exaggeration that every household tries to withdraw up to the maximum sum permitted to pay for housing”, which shows how instrumental the CPF scheme is in financing home ownership. However, this raised concerns about overconsumption of housing services as well as the depletion of citizens’ CPF funds that were meant for retirement (Asher, 1991). The government responds by suggesting retirees can liquidate their public house ownerships to fund retirement life. Early in 1986, merely 2 decades after the scheme was launched, the Singapore Economic Review raised their scepticism about this option. Scholars in the review pointed mainly to the uncertainty of prices upon liquidation given real estate price movements, decline in value due to depreciation of housing as well as possible surplus of flats in the long run caused by the government’s population control policies. However, Chua (2013) argued how the government has been spending billions of dollars to maintain the quality of HDB estates and sustains demand for resale market by restricting immigrants with permanent resident cards to only purchase resale flats. Most importantly, a unique feature of Singapore’s case is how citizens know the government relies on the success of its public housing for legitimacy of their rule, thus, believe that the value of their flats will be supported by the government.
This scheme is hard to be replicated in Hong Kong. The Hong Kong pension scheme is called Mandatory Provident Fund, with a mandatory contribution of 10% (5% from both employer and employee) and only withdrawable upon retirement (cannot be used for housing, medical costs etc. like the CPF). Because of such low contribution rates versus Singapore’s 36%, even if Hong Kong citizens are allowed to use the savings for housing, it would barely help. However, much resistance has been seen on society against increasing the mandatory contribution rate, as many sees it as “paternalistic”. In fact, the follow graph shows how despite Singapore having a higher GDP, Hong Kong has higher personal consumption expenditure. (SCMP, 2016)

G. Conclusion

The Singaporean model of housing has long been regarded as a role model for Asian countries and abroad. There are definitely areas to learn from, such as its “think ahead, think again and think across” philosophy that allowed the founding fathers to pre-emptively solve the housing crisis and adapt to changes in following years. However, using Hong Kong as an example, despite the superficial similarities between the two cities, this paper has brought out many key differences between the two cities in terms of policies and political culture to
showcase how context-specific the Singaporean model is and how limited its applicability is to other countries.

Firstly, political culture plays a key role. Essentially, the development of public housing in Singapore is a mass project of land reform and wealth distribution, that is unimaginable in a society like Hong Kong. It is not to say that the Singaporean model is not at all market-oriented, especially given such a vibrant secondary market for its public housing. Thus, the argument of government intervention vs. neoliberalism is more nuanced in this case than it seems. Moreover, political organization also affects political culture, such as how in Hong Kong planning, development and housing powers are dispersed among departments, while it’s centrally controlled in Singapore. Other cultural factors also influence the success of the Singaporean model, such as how willing citizens are to contribute 36% of their income into the provident fund, or whether there is a stigma on public housing as it does in Hong Kong.

Another important factor is timing. Hong Kong, having already nearly 50 years into its current housing policy, will find it very difficult to deploy the Singaporean model. If Hong Kong implements a subsidized purchase schemes, only the 46% of Hong Kong citizens can benefit. After these public rental houses are transferred to them and allowed to be traded in a secondary market after a minimum occupancy period, prices would have sky-rocketed and previous public housing applicants who are eligible but in the 5-year waiting pipeline as well as future generations will not be able to get into the market. By then, there won’t even be public rental flats remotely enough for them.

The Singaporean model certainly have areas of merit, but its applicability is rather limited for a mature and already-developed market such as Hong Kong.
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