Is public housing now seen more as a consumption good or investment good? And with all that has been said about an ‘asset bubble’, should we be worrying about an ‘expectations trap’ instead? Assistant Professor Eugene Tan and Associate Professor Sing Tien Foo give their take on what the changes augur.

HOUSING is not just what a typical Singaporean thinks of, it is also what he thinks with. Residential property, either public or private, is the single largest asset in the vast majority of Singaporean household portfolios. In turn, residential property also constitutes one of the largest financial assets in our economy. This means that what happens in the property market has an impact on social and political behaviour, social stability and the larger economy. Indeed, given that 85 per cent of Singaporeans live in 900,000 Housing Board flats, public housing prices intimately affect the private sector property market as well.

In announcing the latest suite of measures on Aug 30 to restrain the residential property market’s runaway exuberance, National Development Minister Mah Bow Tan duly acknowledged: “If you ask me whether it has got anything to do with the elections, the answer is ‘yes’. Everything has got to do with the elections.”

The raison d’etre of home ownership has evolved since the HDB’s establishment in 1960. As the basis of a stakeholder society, home ownership helped forge a sense of rootedness and nationhood. Affordable public housing is now regarded as a social right, a non-negotiable in Singapore’s social compact. Although universal home ownership remains a cornerstone of Singapore’s public housing policy and the social compact, there is no denying that this principle has become diluted over the years. It used to be that HDB flats were just roofs over heads. But since the mid-1980s, the Government and HDB flat owners have regarded the flats as possessing tangible pecuniary value that can be grown and monetised if need be. Various HDB upgrading programmes, awarded to precincts that strongly supported the ruling party at the ballot box, added to this wealth-seeking imperative. In the last two decades or so, HDB housing became regarded as tradable assets or investments. The property boom has further shifted the focus from ownership to a commoditisation of residential properties—a means by which quick profits can be churned.

Condominium living has become immortalised as one of the Scs (the others being cash, car, credit card and country club membership) integral to the Singapore Dream. The deep fear of being priced out of the dream property becoming rapidly unattainable, and the attempts to “speculatively invest” in property have contributed to the property boom and associated anxieties for both the housing haves and have-nots.

It seems that it is not enough to be a home owner. The desire to enhance and exploit the value of one’s property has grown in tandem with Singapore’s affluence. But it also means that the abiding self-interest in home equity—and increasing one’s wealth through the value of one’s home—is increasingly at odds with the fundamental of social equity, of what is fair and sustainable.

Concerned about the rising prices, better-off Singaporeans are acquiring additional properties to give their children a head start in life. This inter-generational transfer of wealth creates a strong potential for increased social stratification and inter-generational inequalities to persist.

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 the macro-econ omic fundamentals, housing has become a hot-button issue.

Prime Minister Lee Hsien Loong attempted to address this concern as part of the larger engagement over immigration, the overarching bugbear. Realising the risk of paper gain, the Government’s performance legitimacy could be at stake, the public housing sector will remain unchanged. In short, a Singaporean may feel richer because of the rise in property values, but that is a mere paper gain. This produces a “treadmill effect” in which the marginal utility of increased wealth declines. Realising that paper gain throws up the real question of whether a similar property can be bought at the same price. Probably not, since property prices have risen significantly in the last decade. This only feeds into the cycle of anxiety.

To compound matters, many prospective home owners born after independence know only a prosperous Singapore. Their housing expectations are higher than those of their parents. What happens when their dream homes do not materialise?

Seen in that light, the latest measures to right-size the housing aspirations are not surprising. Clearly, housing is inherently political in Singapore. How the People’s Action Party Government assures Singaporeans in their housing aspirations will also significantly affect the PAP Government’s performance legitimacy.

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