

A Study on Singapore's HDB System: A Model of Public Housing Policy

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Abstract: In the context of globalization and rapid economic development, housing issues have become an important factor affecting people's quality of life and social stability. Urbanization and industrialization have driven city population concentration, leading to rising land prices, soaring housing prices, and housing shortages. Housing issues are not only related to economic development but also to social harmony and stability. Governments of various countries have formulated diverse housing policies to ensure the housing needs of different income groups. In this context, this study primarily focuses on Singapore's Housing Development Board (HDB) system. By exploring the origins, development trajectory, and achievements of HDB policies, this study analyzes how the multi-tiered housing supply system meets the housing needs of different income groups and summarizes its successful experiences. The study will focus on key elements in the government's planning and design of public housing and its allocation mechanism to provide a reference for future housing policy formulation. Finally, the study will look ahead to the development direction of the HDB system and offer suggestions for improvement.

Keywords: Singapore, public housing provision, HDB flats.

1. Introduction

In the globalized and fast-developing economic context, many countries are paying attention to people's livelihood issues, especially housing problems. Housing is one of the primary factors affecting people's quality of life. Urbanization and industrialization have driven populations from rural and suburban areas to the city center, leading to an increase in urban density and consequently, rising land prices, soaring housing prices, and housing shortages [1]. The housing situation of a country not only reflects its economic development level but also reflects the degree of social harmony. Therefore, many countries are committed to ensuring social stability and improving people's living standards by addressing the housing issue, thereby promoting sustainable economic development. For example, Hong Kong has implemented public housing and housing subsidy schemes to provide low-income families and middle-income earners with affordable housing at low rental prices and low purchase prices, which is quite similar to Singapore's approach. Meanwhile, the United States provides housing security through the Section 8 program, which offers rental subsidies. China controls speculative demand by implementing a purchase restriction policy, aiming to lower housing prices. Japan, on the other hand, provides long-term fixed low-interest loans to middle-income families to reduce the financial risks for homebuyers. To meet the housing needs of people

from different income groups, the Singapore government has adopted a multi-tiered and staggered dual-track housing supply system, covering various types such as "subsidized housing - affordable HDB flats - premium HDB flats - private residential properties". It has creatively achieved a housing supply model where "middle and low-income groups rely on subsidies, and high-income groups rely on the market". The Housing and Development Board (HDB) is responsible for planning and building government HDB flats, mainly providing public housing for middle and low-income groups for purchase or rental. Commercialized private residential properties are mainly aimed at foreigners who cannot buy HDB flats and a small number of high-income Singapore citizens. Through this tiered supply system, Singapore has successfully maintained a housing ownership rate of over 90% [2]. This not only accelerated the development of Singapore's economy but also promoted social harmony and national unity. This study aims to delve deeper into Singapore's public housing system by analyzing its origins, development trajectory, and impact, summarizing its successes and facing problems. The paper is divided into four parts. The first part is an introduction. The second part provides an overview of Singapore's public housing system. The third part analyzes the key factors for the success of the system from three perspectives: government involvement, planning and design, and allocation mechanism. The fourth part concludes the paper and provides a look into the future development of the public housing system, offering suggestions for improvement.

2. An Overview of Singapore's Rental Housing System

2.1. Origin and Development History

In the mid-20th century, Singapore faced housing shortages and cramped living spaces after it was freed from British colonial rule. To address the housing shortage as soon as possible, the Singapore government enacted the Housing and Development Board Act and established the Housing & Development Board (HDB) to accelerate the construction of public housing. HDB expanded rapidly from 1960 onwards, launching large-scale public housing projects to meet the growing population's needs [3].

Between 1960 and 1963, HDB focused on solving the shortage of housing for low-income families and built many small-sized, low-rent flats, with the policy of "only renting, not selling". The flats were provided to low-income families with monthly household income below \$800. This solved the housing problem for 250,000 people nationwide, and the housing shortage was alleviated to some extent. However, the rate of home ownership was still low.

Between 1964 and 1970, Singapore launched the "Home for All" program, gradually shifting the mode of housing security from "encouraging renting" to "encouraging home ownership." The target group of housing security was extended from low-income families to middle-income families. Affordable housing units were sold to residents with monthly household incomes below SGD 1,000, at about one-third of the price of private housing units. By 1970, about 600,000 people, or 35% of the population, lived in HDB flats. The housing ownership rate reached 29% in 1970 [4].

In 1971, HDB further implemented the HDB housing sales program, significantly increasing the supply of larger HDB flats. By 1990, 87% of the population lived in HDB flats, and the homeownership rate reached 87.5%, effectively addressing the residents' housing needs.

Since 1991, the supply of HDB flats has expanded to middle-income families, and developers have been invited to build upgraded HDB flats. Meanwhile, old HDB flats have been upgraded. As a result, Singapore has now developed a multi-tiered housing system. The extremely low-income group can rent HDB subsidized flats, the middle-low-income group can purchase affordable HDB flats, and the high-income group can purchase private residential properties.

2.2. Core Elements

The success of Singapore's rental system relies on three core elements: the Central Provident Fund (CPF) system, government subsidies, and land policy. These elements have created a balanced and sustainable rental ecosystem that ensures affordable housing.

2.2.1. Central Provident Fund, CPF

In 1955, Singapore introduced the Central Provident Fund (CPF) Act, establishing the Central Provident Fund (CPF) system, initially designed for retirement savings. However, it was later expanded to cover areas such as housing and medical care. Employers and employees contribute funds to the CPF, currently at a rate of 17% and 20%, respectively [4]. These funds are not only used for homebuyers' loans but also support the government's public housing construction plans. Through the CPF, the government can provide low down payment, and low-interest housing loans to ensure that homebuyers have sufficient funds. The high interest rate of the CPF also ensures investment returns, supporting the balance of the housing finance system [5].

2.2.2. Government Subsidy

By providing rental subsidies to low-income families, the government ensures the affordability of renting. The public housing program in Singapore is specifically oriented toward families with lower incomes. These families typically cannot rent in the market, thus the Housing and Development Board (HDB) offers them rental choices at significantly lower prices than the market. The rent for low-income families can be as low as one-third or even less of the market rent. Furthermore, the government also provides numerous other forms of economic aid, such as rent reduction, short-term rental assistance, and emergency housing schemes, to assist those families in economic hardship.

2.2.3. Land Policy

In 1966, Singapore enacted the Land Acquisition Act, which stipulated that when there was a need for public interest or residential use, the government could forcibly acquire land for public ownership. In 1973, the Land Amendment Act further stipulated that the government had the power to adjust the price of land acquired. This allowed the government to acquire large amounts of land at low cost for public housing construction. The proportion of state-owned land increased from 44% in 1960 to nearly 90% in 2006. This greatly reduced the land cost of HDB flats and ensured that HDB could sell flats at far lower prices than private homes, meeting the housing needs of most families.

3. Analysis of the Success Factors of Singapore's Rental Housing System

Singapore's rental housing policy is one of the most representative public housing systems in the world, and its success is inseparable from the government's strong leadership, scientific planning and design, and efficient and fair allocation mechanisms. This article will analyze the key success factors of Singapore's rental housing mechanism from three aspects.

3.1. Government-led And Strongly Enforced.

The success of Singapore's public housing system is primarily due to the government's high level of leadership and efficient implementation. The Singapore government established the Housing and Development Board (HDB) to take full responsibility for the planning, construction, and management of public housing. The government not only controls the supply and pricing of HDB flats but also strictly regulates the housing price-to-income ratio to ensure it remains at a reasonable level. HDB

flats are usually sold at a discount of around 30% below market resale prices, ensuring the housing needs of lower- and middle-income families are met. For example, Singapore's Ministry of National Development proposed in 2013 that new HDB flats should be priced at around four times the median household income. In contrast, Tokyo's housing price-to-income ratio is as high as 13 times, New York's is 12 times, and London's is an astonishing 21 times.

Additionally, to curb speculation, the government strictly controls the resale market for HDB flats and imposes severe punishments for any violations. Since 1973, the new government has established strict exit mechanisms and conditions. First, each family can only own one HDB flat, and if they want to purchase a new one, they must sell their old one. Moreover, they can only buy two new flats in their lifetime. Second, if applicants provide false information, they may face a fine of up to S\$5,000 or six months in prison. Third, new HDB flats must meet a minimum residency requirement before they can be resold, and a certain period must elapse before the buyer can apply for a new flat again [6].

Unlike many other countries, Singapore views housing as a core issue in social development and the national economy and drives its implementation with long-term national policies. These strict measures ensure that housing policies are not affected by market fluctuations, and enhance the stability and long-term sustainability of the housing system. At the same time, the Singapore government's high level of control over land resources further ensures the controllability of housing prices and the smooth operation of the market. These policies not only improve the affordability of housing but also effectively prevent real estate speculation and maintain social stability and fairness.

3.2. The Scientific Approach to Planning and Design

Another key factor in the success of Singapore's rental housing system is scientific and rational planning and design. When designing public housing projects, HDB pays attention to the overall planning of the community, not only providing housing, but also reasonably laying out educational, medical, transportation, and commercial facilities in the same community to create a convenient and livable living environment [7].

Public housing in Singapore is designed and built using modular construction techniques and efficient construction processes, which not only reduces construction costs but also ensures high-quality construction. HDB also provides a variety of housing types based on demographic and family needs to meet the needs of different groups, including single individuals, small families, and multi-generational families. In addition, sustainable development concepts are integrated into housing design, such as adopting green building technologies and energy-saving equipment, which enhances the long-term livability of the community. At the same time, Singapore's public housing construction adheres to the principle of "building according to demand and ensuring sufficient supply." HDB usually opens applications before planning to build houses, and if the number of applicants reaches 65% to 70% of the planned total, the project will start. If the number of applicants is insufficient, the government will adjust the plan to avoid the situation of waiting in line.

Flexible supply mechanisms ensure efficient use of resources and reduce waiting times for applicants. Fine-tuned community planning enhances residents' quality of life and promotes social integration. Singapore has reduced social segregation by allowing people of different income groups to live in the same community, promoting inclusive and harmonious interpersonal relationships.

3.3. An Efficient and Fair Distribution Mechanism

Singapore's public housing system relies on an efficient and fair allocation mechanism to ensure that limited housing resources are allocated to those who truly need them. HDB has strict application criteria that screen applicants based on four factors: citizenship, private property status, income

ceiling, and family structure, to ensure that lower- and middle-income families and vulnerable groups have priority access.

For income ceiling, the application income ceiling for a three-room HDB flat is \$6,000 to \$12,000, and the ceiling for a four-room or more HDB flat and an EC (executive condominium) is \$12,000 to \$18,000 (for multi-generational families), while the ceiling for EC is \$14,000. For property restrictions, applicants and their families are not allowed to own private properties overseas or locally, and they cannot sell any properties within the past 30 months. For priority allocation, when allocating flats, HDB prioritizes first-time homebuyers, elderly families, and multi-generational families, among other special groups [8].

The Singapore government also ensures fairness and efficiency in policy implementation through a transparent and open allocation process. All application and quota information is made public, increasing the transparency of the allocation system. Furthermore, the government provides rental subsidies and housing loan assistance to low-income groups, enabling them to obtain housing at an affordable price. For families who cannot buy a home, the government provides long-term rental options, and adjusts policies based on economic changes, improving the inclusiveness and flexibility of the housing system.

4. Suggestion

To ensure the sustainability of the HDB system, the Singapore government could consider the following recommendations. First, optimizing the renovation and redevelopment of old HDB flats: by regularly updating and renovating old HDB flats, improving living conditions, and exploring urban renewal models, it can enhance land utilization efficiency. Second, strengthening green community construction. Further promoting sustainable architecture and green technologies to create a more environmentally friendly and energy-saving living environment for residents. Third, enhancing social inclusivity. Continuing to push policies for different income groups to live together and strengthening community cohesion to reduce social isolation. Fourth, increasing flexible housing policies: providing more flexible housing options for single people, the elderly, and immigrants to ensure policy inclusivity.

Looking ahead, Singapore's public housing system needs to continuously adapt to global and domestic trends while maintaining its existing advantages. With the advancement of technology and the changing needs of society, digital management and smart communities will be the new direction for the development of public housing in the future. At the same time, Singapore can continue to explore international cooperation and share its experience in public housing management to provide reference for public housing policies in other countries.

5. Conclusion

The Housing Scheme in Singapore, which serves as a model for public housing policies worldwide, has set a successful example globally by achieving its goals through government-led initiatives, scientific planning, and fair distribution mechanisms. Not only has Singapore effectively addressed the housing shortage issue in the urbanization process, but it has also achieved an ownership rate of over 90% for housing. This achievement has greatly improved the quality of life for residents, reduced income disparities, and promoted social stability and national unity. At the same time, the government has ensured the long-term affordability of housing and the stability of the market through land policies, CPF (Central Provident Fund) systems, and subsidy measures.

However, despite the significant success of the HDB policy, there are still several challenges ahead. For example, as the population ages and family structures change, Singapore needs to further optimize housing designs to cater to the needs of single individuals and multi-generational families.

Additionally, as land resources become increasingly scarce and the real estate market undergoes changes, how to balance the development of public housing and private residences will be an important subject for future policy adjustments.

Overall, Singapore's HDB policy demonstrates how effective government intervention in the housing sector can improve people's lives, promote social equity, and drive sustainable economic development. As long as policymakers continue to innovate in response to changing needs, the HDB model will continue to serve as a model for public housing in the future.

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