

For Review only

KU SWEE YONG

from the bestselling author of real estate books including
WEATHERING A PROPERTY DOWNTURN

PREPARING FOR A PROPERTY UPTURN

TRENDS AND PITFALLS
IN REAL ESTATE
INVESTMENTS



KU SWEE YONG

PREPARING FOR A PROPERTY UPTURN

Marshall Cavendish
Business



The property market goes through cycles, and an investor needs to understand market conditions for a balanced view on opportunities and risks. But how can one sift through the noise and formulate a clear strategy?

Respected market analyst and fifth-time author Ku Swee Yong looks at market trends, explains the impact of government policies and dispels common misconceptions. The lead articles delve into how Singapore's residential sector will be affected by the ageing population and the expiry of the 99-year lease of many HDB flats, and offer suggestions for the government's Concept Plan 2021. Others sketch out how the property landscape will be affected by changes in the retail scene, the adoption of FinTech, as well as the rise of co-working and co-living spaces.

Preparing for a Property Upturn provides an exciting overview of the current and future real estate issues. Whether you are seeking local or regional prospects, investors and market practitioners alike will benefit from perspectives which are backed by extensive data and research.

"In an environment where general consensus dictates collective behaviour, it's always good to get another perspective on the issues of the day. Ku Swee Yong's contrarian views on topical issues are always refreshing and revealing. As a panellist at STORM.SG events, his candid views have been eye-opening and engaging, making him a clear favourite among attendees. It's not just for effect. Swee Yong draws upon a wellspring of information to back his points.

Here, his fearless approach to calling a spade a spade ensures that you get a good understanding of issues so you can make more informed decisions. In an era when fake news comes at you from too many quarters, Swee Yong's brutal honesty is something that will give you a better understanding of the challenges ahead."

— Kannan Chandran
Publisher, STORM.SG Magazine

visit our website at:
www.marshallcavendish.com/genref



Reviews for *Preparing for a Property Upturn*

“In an environment where general consensus dictates collective behaviour, it’s always good to get another perspective on the issues of the day. Ku Swee Yong’s contrarian views on topical issues are always refreshing and revealing. As a panelist at STORM.SG events, his candid views have been eye-opening and engaging, making him a clear favourite among attendees.

It’s not just for effect. Swee Yong draws upon a wellspring of information to back his points.

Here, his fearless approach to calling a spade a spade, ensures that you get a good understanding of issues so you can make more informed decisions. In an era when fake news comes at you from too many quarters, Swee Yong’s brutal honesty is something that will give you a better understanding of the challenges ahead.

It’s a tough world, and it’s only going to get tougher. So, it’s time to toughen up. It’s better to have the bitter medicine than to be loaded with syrup (which might result in diabetes).”

— KANNAN CHANDRAN
Publisher, STORM.SG Magazine

“Singapore after celebrating its 50th nation building anniversary will face greater challenges in the next 50 years. Swee Yong’s new book “Preparing For A Property Upturn” is timely to address some of these issues. The book is packed with data analysis and considers issues such as demography, medical care, government policies and the need to move with new technologies; these are issues close to my heart.”

— LOW SOO HIOK
Investor and retired banker

“This book reaffirms the author’s standing as one of the great lucid thinkers of Asian real estate developments. His restless intellectualism dissects the most important macro-forces without fear, his eye for detail leaves no stone unturned. Most impressively, Swee Yong distils all that complexity into simple actionable steps, and delivers them in engagingly conversational prose. A genuine master in his element.”

— JEREMY SIM
Economist & Managing Partner, Aurora Media

“I have seen Swee Yong in action, providing advice to some of the wealthiest families in Asia, and I have always admired his in-depth analysis that delves into important details that few analysts ever recognise. Discussing excessive investments into aircon ledges and dissecting government data is something only Swee Yong is capable of. This book demonstrates the need for quality, smart research that is so lacking in today’s world of fast, catchy headlines.”

— JEFFERY SUNG
Senior director in a private bank

For Review only

PREPARING FOR A PROPERTY UPTURN

TRENDS AND PITFALLS
IN REAL ESTATE INVESTMENTS

KU SWEE YONG

© 2017 Ku Swee Yong

Published by Marshall Cavendish Business
An imprint of Marshall Cavendish International



All rights reserved

No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the copyright owner. Requests for permission should be addressed to the Publisher, Marshall Cavendish International (Asia) Private Limited, 1 New Industrial Road, Singapore 536196. Tel: (65) 6213 9300 E-mail: genref@sg.marshallcavendish.com Website: www.marshallcavendish.com/genref

The publisher makes no representation or warranties with respect to the contents of this book, and specifically disclaims any implied warranties or merchantability or fitness for any particular purpose, and shall in no event be liable for any loss of profit or any other commercial damage, including but not limited to special, incidental, consequential, or other damages.

Other Marshall Cavendish Offices:

Marshall Cavendish Corporation, 99 White Plains Road, Tarrytown NY 10591-9001, USA • Marshall Cavendish International (Thailand) Co Ltd, 253 Asoke, 12th Flr, Sukhumvit 21 Road, Klongtoey Nua, Wattana, Bangkok 10110, Thailand • Marshall Cavendish (Malaysia) Sdn Bhd, Times Subang, Lot 46, Subang Hi-Tech Industrial Park, Batu Tiga, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia

Marshall Cavendish is a registered trademark of Times Publishing Limited

National Library Board, Singapore Cataloguing-in-Publication Data

Name(s): Ku, Swee Yong.

Title: Preparing for a property upturn : trends and pitfalls in real estate investments / Ku Swee Yong.

Description: Singapore : Marshall Cavendish Business, [2017]

Identifier(s): OCN 1001516238 | ISBN 978-981-47-7991-3 (paperback)

Subject(s): LCSH: Real estate investment—Singapore. | Real estate investment—Singapore—Forecasting. | Real estate investment—Government policy—Singapore.

Classification: DDC 332.6324095957—dc23

Printed in Singapore by Markono Print Media Pte Ltd.

For Review only

“In a time of deceit, telling the truth is a revolutionary act.”

(A quote usually attributed to George Orwell,
but the exact source has not been determined.)

CONTENTS

Preface	9
---------	---

PART 1: Looking into Singapore's Future

1	Nearing the Edge of the Precipice: Ageing Population and the Housing Market	16
2	Facing the 99-Year Leasehold Chasm of Public Housing	29
3	Concept Plan 2021: What's Next for Singapore's Built Environment?	41
4	Makeshift Patching Will Not Fix Defects in the Singapore Property Market	55
5	Singaporeans Are Ageing Fast: Let's Get Planning	63
6	Recycling Tanglin Halt	68

PART 2: Observations on the Residential Market

7	Market Watchers Expecting Slashed Prices Will Be Waiting for Godot	76
8	The Case of Disappearing Households	79
9	No Lack of Space for 10 Million Population	84
10	Time to Take Action on Real Estate Policies	91
11	Drop in Private Housing Vacancy Rate Confounds	95
12	From Scarcity Comes Bargaining Power	100
13	Counting the Love for Aircon Ledges in Dollars	105
14	Helping First-Timer Families While Hindering Entrepreneurship	110

PART 3: Developments in the Commercial Market

15	Office Space: Where Do We Go From Here?	118
16	FinTech and the Decline of Office Sector	123
17	Retail Slump: When Will It Recover?	127
18	Retail Woes: Don't Blame the Landlords	134
19	Two Pills for Orchard Road's Ills	138

PART 4: From an Insider's Perspective

20	Hotspots: What's with All the Media Hype?	146
21	The Big Singapore Market Upgrade?	154
22	Exposing the Patterns of Dodgy Property Agents	168
23	Self-Service Potholes	174
24	Should I Set Up a Company to Buy Singapore Property?	180

PART 5: Venturing Further Afield

25	Ganbatte Japan!	186
26	Why Not Malaysia?	193
27	Focus on Regional Bread-and-Butter Housing Products	199
	About the Author	205

For Review only

PART 1



LOOKING INTO SINGAPORE'S FUTURE

1. **Nearing the Edge of the Precipice: Ageing Population and the Housing Market**

The article was co-authored with Jolene Ng Hui Yi and Soh Yun Yee, undergraduates from the Department of Real Estate, National University of Singapore.

Singapore citizens are ageing. We have rising life expectancy coupled with falling birth rates. Extrapolating the ageing trend points us to a few inevitabilities in the next 15 years:

- The demand for elderly healthcare will increase.
- The size of the Singaporean core workforce will reduce, resulting in a need for further automation, more foreign workers, or both.
- Baby boomers retiring from the workforce and passing away will lead to increased CPF withdrawals. However, there will be comparatively fewer young workers entering the workforce to contribute to CPF. The imbalance between funds redemption and funds contribution will likely lead to further amendments in CPF withdrawal limits and withdrawal ages.
- The retirement of about half a million baby boomers will cause some adjustments in the housing market. Some retirees will downsize or “right-size” their housing options, selling their larger homes to purchase or rent smaller homes while saving cash for retirement use (which may also affect consumption volumes and patterns).

- The passing on of the baby boomer generation will cause a seismic shift in the housing market due to a large increase in resale HDB flats.

The effects of our ageing population on housing prices are not yet prevalent today but are projected to be acute within the next 15 years. Let us take a deeper look into how the issue of our ageing population may affect the supply of HDB flats, against the backdrop of (a) a shrinking youth population, (b) a 90% home-ownership rate and (c) the current public housing policies.

International Academic Research

The effects of ageing population on the housing market of developed nations was discussed in a 2015 research article by Yumi Saita, Chihiro Shimizu and Tsutomu Watanabe from the Institute of Real Estate Studies (IRES), National University of Singapore, titled *Ageing and Real Estate Prices: Evidence from Japanese and U.S. Regional Data*. The study concluded that property prices are negatively correlated with old age dependency ratio, i.e. property prices will decline when there are proportionately more senior citizens than youths.

This school of thought has been around since as early as 1989, and it was initiated by Gregory Mankiw and David Weil from Harvard University. In an article titled *The Baby Boom, the Baby Bust, and the Housing Market*, the authors examined the impact of major demographic changes on the housing market in the United States. They suggested that housing demand growth will slow down over time as baby boomers grow older and the baby bust generation enters the housing purchase scene. Hence, housing prices are bound to decline over time due to the ageing population.

The research by Mankiw and Weil was well ahead of its time. Another paper published in *The Annals of the American Academy* in November 2009 by Dowell Myers and John Pitkin from the University of Southern California reached a similar conclusion. Myers and

Pitkin considered “the impacts of the sell-off of housing by the aging of the massive baby boom generation that is anticipated to take place beginning in 2020 and discuss whether the expected housing glut can be absorbed by a relatively smaller and less advantaged younger generation in the 2040s.”

Similarly, a publication in 2010 titled *Population Ageing and House Prices in Australia* by Ross Guest and Robyn Swift from Griffith University, Australia, also reached similar conclusions. It suggested that the ageing population in Australia may cause real housing prices to be lower than they would otherwise be, a difference of 3–20% between the year 2008 and 2050.

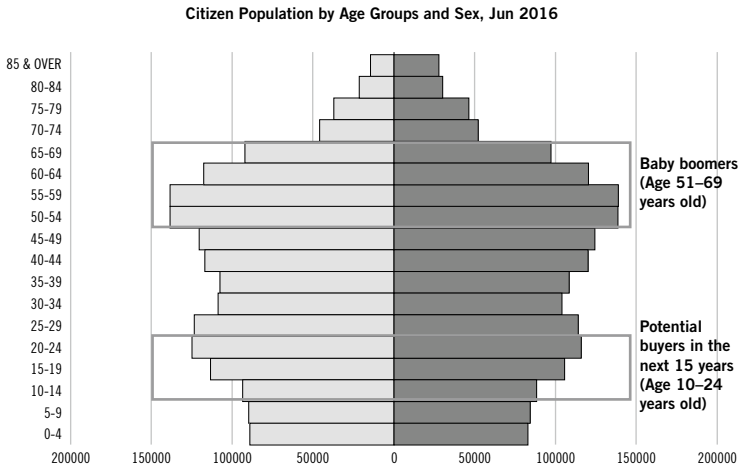
The Ageing Population and Increasing Death Rate

For Singapore, the Population White Paper published by the National Population and Talent Division in January 2013 had projected our old age support ratio to decline from 5.9 in 2012 to 2.1 in 2030. Old age support ratio is a measure that refers to the proportion of residents aged 20–64 (considered to be in their economically productive age) per resident aged 65 years and over (considered to be retired and therefore requires support from those who are economically active).

Singapore will not be spared from the pressures that an ageing population adds to our housing market. Furthermore, we believe that this issue should take on a higher concern for Singapore than Japan, the U.S. or Australia as the majority of our citizen population owns a HDB flat.

Death is inevitable. When Singaporean baby boomers pass away, their HDB flats may be inherited by their children. But we believe that for most cases, their children are not able to inherit the flats due to concurrent ownership of residential properties. Their flats will be sold in the resale market to other eligible buyers. The problems will not be severe if the supply of resale flats due to death can be absorbed by a sizable pool of demand from younger families.

Figure 1: Singapore Citizens' Population Pyramid 2016



Source: Singstat, IPA

Figure 2: Number of deaths of citizens aged 51 years and above today over the next 15 years

Year*	Total number of deaths of citizen in the baby boomers generation in each 5 year period*	Average number of deaths of citizens per year**
2017- 2021	132,148	26,430
2022- 2026	147,510	29,502
2027- 2031	165,761	33,152

*Analysis is done in intervals of five years as official sources only publish population numbers grouped in bands of five years.

**Calculated from Singapore resident death rate and citizen population numbers updated as of June 2016. As the authorities do not publish data on "citizen death rate", we approximated the resident death rate as the citizen death rate.

Source: Singstat, IPA

However, given the falling birth rates in the last 20 years, we predict that the future demand for resale HDB flats will be increasingly insufficient to absorb the escalating resale supply caused by the deaths of baby boomers.

To begin, let us examine the demographics of the citizen population in 2016. More than 25% of the citizen population¹ are post-war baby boomers, aged 51 to 69 years old today, who will retire from the workforce and enter their silver years by 2031². The baby boomers population accounts for the bulk of the citizen population, reflected by the large bulge in the population pyramid in Figure 1.

In 2016 alone, about 13,500 citizens aged 65 and over passed away.³ Over the next 15 years, there will be a gradual increase in the annual number of deaths of citizens from the baby boomers generation and older. From Figure 2, we see that the average number of deaths of citizens will increase from 26,430 per year between 2017 and 2021, to 29,502 per year between 2022 and 2026. The average numbers of deaths of citizens aged 65 and above will reach a high of 33,150 per year in 2031, about two and a half times the number in 2016.

Increase in Resale Flats due to Deaths of Owners

The HDB housing programme was ramped up quickly in the 1970s and 1980s to cater for the large population of baby boomers. HDB completed more than 550,000 flats in that period, i.e. about 27,500 flats per year (see Chapter 2). Supported by a major drive for home ownership and the use of CPF funds, the percentage of Singaporean families living in HDB flats shot up from 35% in 1970 to 87% in 1990.

We believe that the passing away of baby boomers will create a large supply of resale HDB flats, causing significant downward pressure on prices.

We made enquiries with HDB about the number of death-related-resale HDB flats in the past five years from 2012 to 2016. However, this statistic is not tracked. We also tried surveying property agents who are actively transacting HDB flats⁴ and asked if they have dealt with resale cases which were the result of beneficiaries having to sell the flat after their parents or siblings have passed away.

Our own estimate is that there are probably 200 to 500 of such cases every year in the last few years. However, since there is no

official data, we will assume that the number of HDB flats put up in the resale market resulting from death is negligible. The numbers are small today because while there are HDB owners passing away, most of them leave behind their spouses who continue to hold on to the HDB flats.

However, looking forward into the next 15 years, we estimate that the number should increase significantly in tandem with the rise in the number of baby boomer deaths (see Figure 2), to more than 8,000 cases per year in the five-year period of 2027–2031.

To put the numbers into perspective, the cumulative resale transactions for the past five years from 2012 to 2016 was a total of 102,755, that is, an average of 20,551 resale transactions per year.

Figure 3: Number of HDB flats projected to be released into the resale market due to death of owners in the next 15 years

Year*	Number of HDB flats released due to deaths in each 5-year-period*	Number of HDB flats released due to deaths per year in each period*
2012–2016	Negligible	Negligible
2017–2021	5,137	1,027
2022–2026	17,711	3,542
2027–2031	40,592	8,118

* Analysis is done in intervals of five years as Singstat only releases population numbers by age group in bands of five years.

**Number of HDB flats released takes into account resale supply resulting from death only

Source: Singstat, IPA

¹ Citizen population comprises people who hold Singapore citizenship; Resident population comprises Singapore citizens and Permanent Residents (PR); Total population comprises citizens, PR and non-residents or foreigners who are here for work, study or family reasons.

² “Retiree households” are defined as those comprising solely non-working persons aged 60 years and over. Note that old age support ratio uses 65 years of age while ‘retiree’ is defined from 60 years of age.

³ Calculated by applying the resident death rate on citizen population numbers published as of June 2016. There will be a slight discrepancy as “residents refer to citizens and PRs”. The authors were puzzled when informed by Singstat that “data on citizen death rates are not available”.

⁴ As property agents ourselves, and amongst our agent-partners, we know that there are transactions of death-related-resale flats. But perhaps due to a fear that the HDB flat might have to be sold at a discount to the market price, very few cases were identified as death-related-resale.

This implies that the average demand for resale flats, assuming that transactions are maintained at this level, is 20,551 a year. Death related cases, at 8,118 a year, will add about 40% to the resale supply! That degree of increase in supply will surely put significant pressure on resale prices.

While the number of new flats released by the HDB can be controlled, the supply of resale flats is something that policymakers have little control over. More senior citizens are bound to pass away in the next 15 years, resulting in a large supply of HDB flats for sale in the market.

Why Do Children of the Deceased Not Inherit the Flats?

To answer those questions, we have to look into the rules and regulations surrounding HDB “ownership”, or long-term-lease, in Singapore. Firstly, only Singapore citizens and Singapore PRs are eligible to own HDB flats. PRs are further restricted to purchase a HDB flat only after obtaining the PR status for three years or more. Secondly, in a transfer of HDB flat ownership, any individual already in possession of a HDB flat will not be eligible to inherit the flat of the deceased⁵ as HDB flat owners are not allowed to own two residential properties at one time. To own an inherited HDB flat, the existing residential property under the name of the proposed owner, regardless of private or public housing, must be disposed of within six months of inheriting the flat.

However, if certain eligibility conditions are met, a private residential owner may inherit a HDB flat provided the family lives in that HDB flat. Amongst the conditions are citizenship, family nucleus and whether the flat was a non-subsidised flat leased before 30 August 2010.⁶

We feel that the policies are getting complicated with many conditions and exceptions. Perhaps these policies on inheritance of flats might get even more complicated as Singaporeans age further. But for now, based on the existing policies, we estimate that there will not be sufficient families that can inherit HDB flats from

their deceased family members, so the resale supply will increase strongly.

Firstly, home ownership is already at 90% in Singapore, ranking us amongst the highest in the world. For the past 20 years, the home-ownership rate has been fluctuating around the 90% level, meaning that despite the government's push for higher home-ownership rates, we have reached a ceiling for the number of households who can afford to and who want to own their homes.

Secondly, 80% of Singapore households live in HDB flats. From the report HDB Key Statistics 2016 and SingStat's data we know that 92.2% of the roughly 1.0 million HDB flats are owned (on 99-year right-of-use lease term).

Add the above statistics together, and we can see that it is highly probable that children of the baby boomer generation are already owners of HDB flats. Under the current rules, when the baby boomers pass on, these children who already own HDB flats cannot inherit the flats and therefore, one of the flats will be available in the resale market.

When more than 8,000 *additional* flats per year are available in the resale market in 2031, will there be sufficient demand from young first-time buyers to support the volume?

Fewer and Fewer Young and New Families to Buy Flats

The worry looms as we see that the supply of resale HDB flats way surpasses demand. We first identify the younger population of aged 25 to 29 years old as the main drivers for housing demand in each five-year interval⁷ from today. Citizens in this age group have already built up some savings and are most likely to be seeking their matrimonial homes and embarking on family life. They will therefore

⁵ Provided that this individual is an immediate family member of the deceased, eg. spouse, parents, child, sibling.

⁶ Reference HDB website : <http://askhdb.hdb.gov.sg/Themes/HDB/Answers.aspx?MesId=15656392&From=Show&TOPV=YES&VMesID=4823244>

⁷ Citizens are grouped in age-cohorts of 5 years, analysis can only be best done based on 5-year-intervals instead of yearly intervals.

Figure 4: Total estimated number of citizens turning 25–29 years old in the years 2021, 2026 and 2031 based on the citizen population tree in 2016 shown in Figure 1.

Total estimated number of citizens entering the 25–29 years old age group					
Age Group \ Year	2016	2021	2026	2031	Increase in number of people entering the 25–29 years old age group after 2016 and into 2031: 642,877
10-14	181,745	-	-	-	
15-19	219,247	181,708	-	-	
20-24	242,395	219,107	181,663	-	
25-29	238,534	242,228	219,041	181,608	

**Calculated based on resident death rate and citizen population numbers updated as of June 2016. Does not take into account the number of new PRs and Singapore citizenships granted.*

Source: Singstat, IPA

form the fresh pool of demand for the resale flats, and new flats, each year.

However, the population numbers of these cohorts are way smaller than the baby boomers’.

It can be seen in Figure 4 that the number of Singapore citizens aged 25 to 29 will be shrinking over the next 15 years, consequently, the demand for HDB flats will be proportionately lower. Extrapolating the population tree and taking into account resident death rates, we estimate that the cohort size of Singapore citizens aged 25 to 29 will shrink from 238,534 in 2016 to 181,608 in 2031. Furthermore, between 2016 and 2031, there will be a total of 642,877 citizens who will grow into and beyond the 25 to 29 years’ home-buying age. However, not all citizens in that age group will purchase a resale HDB flat as they may also opt to purchase *new* HDB flats, private residential properties or executive condominiums.

In addition, of those who have the financial ability to purchase a HDB flat, only a proportion will be eligible. Under the rules and regulations, only married couples can purchase a HDB flat, while singles will only be eligible at the age of 35. Hence, considering the above points, the demand for resale HDB flats from citizens aged 25–29 will only be a fraction of their total population.

The decline in the number of younger citizens further hints at

an imbalance in supply and demand, which puts us at a danger of falling off a rocky cliff. As supply surges, we will simultaneously be met with a steepening drop in the number of younger citizens capable and eligible to absorb the available resale flats.

Increased Supply with Lower Demand as We Approach 2031

The pressure from additional death-related resale supply will build up over the next 10 to 15 years. At the same time, demand will reduce due to a shrinking youth population. The widening gap between supply and demand will lead to a decline in resale HDB values. Although we are unable to accurately forecast when the steepening decline of prices will begin, it is inevitable that HDB flat prices will drop over the next 15 years if economic conditions and housing policies remain the same.

And to compound the price decline: ageing HDB flats. The price declines of old HDB flats steepens from the point of 40 years' age and by 2030, more than 400,000 HDB flats will be older than 40 years, i.e. 400,000 flats will be left with leases of 59 years or less. The point about the price depreciation of old HDB flats will be elaborated in the next chapter.

How Do We Compare with Japan?

Japan's ageing population and its impact on housing prices are highlighted in the IRES paper. We may apply the same arguments to Singapore. However, our situation is far more challenging.

Home-ownership rate in Singapore at 90.9%⁸ is much higher than that in Japan at 61.9%⁹. In view of the policies restricting Singaporeans from owning two HDB flats and our very high rate of public housing ownership, it means that as more people pass away, more flats will be sold. On the other hand, Japan does not have any of these constraints.

⁸ This includes public and private housing. Reference: Population Trends 2016, SingStat.

⁹ Japan's home-ownership rate updated as of 2013. 2016 data is not available as it is computed every five years.

Furthermore, public housing in Japan is not owned by individuals but rented out and managed by a government agency known as the Urban Renaissance Agency. If a tenant passes away, the Japanese government simply lets out the home to another tenant. In Singapore, public housing accounts for 71.4% of the total residential stock and 92.2%¹⁰ of that are owned.

As HDB accounts for a large proportion of the total residential stock in Singapore, HDB housing prices form the low-end benchmark for private residential values. In other words, a decline in HDB housing prices will have an indirect impact on private residential values. This issue is not applicable to Japan.

Changes to Public Housing Policies Needed

So how do we counter the effects of the passing baby boomers pressuring down on our public housing values?

Firstly, it should be eminently clear now that current citizen population will not be enough to support the housing market in the long term. Therefore, allowing immigrants to become PRs and subsequently obtain citizenship status is important since only Singaporeans and PRs can purchase HDB flats. The population growth will absorb some of the resale HDB flat supply. However, to ensure that there will be a sustainable stream of immigrants, the economy must stay strong and Singapore must remain attractive with an abundance of well-paying jobs. This may not be an easy feat given the uncertainties in Singapore's ability to adapt to rapid technological changes and shifts in the global environment. This point will be further elaborated in the chapter discussing Singapore's concept plan for the next 50 years.

Secondly, we can loosen HDB ownership rules such as allowing ownership of two HDB flats instead of one and allow all newly minted PRs to purchase HDB flats. However, there is a downside to this move. While the excess supply will be purchased and owned, they do not necessarily mean that there will be occupants. Individuals owning two flats may rent one out for passive income, but if we are

unable to create many more jobs, finding a tenant will be an issue and the flats will be left vacant.

Thirdly, in death-related and inheritance resale cases, we suggest that the HDB offers family members an option where HDB takes possession of these flats at prevailing resale prices. Through this method, HDB can increase its stock of rental flats and offer the public more housing choices. This may increase the occupancy of flats while providing affordable rental flats for low-income families, including for three-room to five-room flats as opposed to mainly one-room or two-room flats today. Other rental schemes can also be further explored such as operating the excess flats as hostels if they are near to schools, short-term rentals, retirement housing, etc. However, this requires a large government budget to be set aside.

Lastly, HDB could consider limiting the supply of new flats. Extending the suggestion above, HDB could purchase the resale flat when its final owner-occupier has passed on, refurbish it and then sell it under the Sale of Balance Flats Scheme today.

Conclusion

The ageing population in Singapore will be no different to Japan's and other developed countries, except that we have the highest home-ownership rate amongst these countries.

It is not too early to start considering how the rapidly ageing population will cause home prices to decline. We are relatively certain that this issue will balloon in size within the next 15 years.

HDB resale prices will soon decline as the escalating supply of resale flats resulting from an increased number of citizens passing away and having to dispose of their HDB flats, and the decreasing number of younger residents who will be able to purchase them. The decline will be gradual but the speed will certainly accelerate as shown in the numbers in Figures 1, 2 and 3.

¹⁰ There around 1 million HDB flats in 2016 and more than 900,000 flats are "owned" by resident families, while the rest are retained by the HDB for renting to the lower income families.

Furthermore, as the 99-year lease tenure continues to shorten, value will depreciate, which will compound the price decline. We estimate that more than 400,000 HDB flats will have a remaining lease of less than 59 years by 2031, i.e. many of the resale flats will be old and of lower value. The increasing number of old flats will add pressure to push housing prices downwards.

However, there may still be light before the end of the tunnel if public awareness of this issue is improved. Senior citizens, whose children already own HDB flats, should be informed of the option to sell their flats before they pass away to avoid the urgency of sale. This will help ease selling pressures as we approach 2031 and decline in housing prices may be more gradual as a result.

Singapore had for a long time been basking in her uniqueness of having one of the highest home-ownership rates in the world today. It may be the time we rethink our housing policies and adjust our plans for the future.

Authors' Note

We recognise that HDB flats are not owned and are instead merely on long-term lease. But for the ease of comprehension in this article, we use terms such as “HDB owners” instead of “HDB lessees”.

ABOUT THE AUTHOR



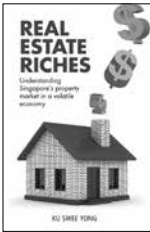
Ku Swee Yong is the CEO and Key Executive Officer of International Property Advisor Pte Ltd as well as a co-founder of HugProperty.com. From November 2013 to November 2016, he was concurrently the CEO of Century 21 Singapore. Prior to running his own practice, he was a Director in the Real Estate Centre of Expertise at Société Générale Private Banking, responsible for advising clients on real estate investments, the Director of Marketing and Business Development at Savills Singapore and the General Manager at Far East Organization's Indonesia office.

He holds an MBA in Marketing from University of Hull, UK, and completed his BSc in the Imperial College, University of London, UK and the Institut Louis Pasteur, Université de Strasbourg, France.

Swee Yong's opinion is regularly featured in the *Straits Times*, *Business Times*, 新明日报, 联合早报, *Channel NewsAsia*, *TODAY*, etc. He has published four books on the property market: *Real Estate Riches*, *Building Your Real Estate Riches*, *Real Estate Realities* and *Weathering a Property Downturn*.

He is among a rare few property agents who has been appointed as a part-time lecturer in both the Department of Real Estate in the National University of Singapore and the School of Design and Environment in Ngee Ann Polytechnic.

OTHER BOOKS BY THE AUTHOR

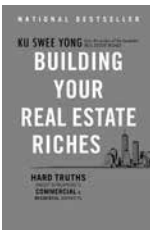


REAL ESTATE RICHES

*Understanding Singapore's Property Market
in a Volatile Economy*

ISBN 978-981-4346-51-1

If you're looking to buy a property in Singapore, whether to live in, lease out, or sell, this book is the essential guide to help you understand the property market and the factors that can affect your investment. The collection of articles presented address many common questions that real estate investors ask and give a succinct overview of the property landscape. They also clarify government policies, dispel common misconceptions and put into perspective the factors to consider when buying property. Commentaries provide further insights into the local property scene.

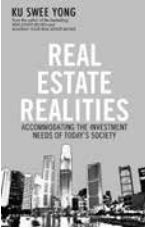


BUILDING YOUR REAL ESTATE RICHES

*Hard Truths about Singapore's Commercial
and Residential Markets*

ISBN 978-981-4382-06-9

Following the success of *Real Estate Riches*, property expert Ku Swee Yong offers another essential guide to help investors maximise their investment returns. Backed by solid research and astute observations, this book cuts through the haze of speculation and advertising clutter. Focusing on commercial, industrial and residential properties, the author reveals new insights in never-before-published data and addresses current issues faced by property investors through a collection of articles previously published in *TODAY*, *The Business Times* and *Forbes Indonesia* magazine.



REAL ESTATE REALITIES

*Accommodating the Investment
Needs of Today's Society*

ISBN 978-981-4516-39-6

Property expert Ku Swee Yong offers an updated essential guide to help investors protect their investment capital. This book cuts through the haze of speculation and advertising clutter and is backed by solid research and astute observations. While the focus is on Singapore's real estate, the author also shares his views on overseas markets such as UK, Japan, Australia, Cambodia and the Iskandar region of Johor. Readers will benefit from new insights in never-before-published data about Singapore's MasterPlan 2014.



WEATHERING A PROPERTY DOWNTURN

*Defensive Plays for
Real Estate Investors*

ISBN 978-981-4751-06-3

Ku Swee Yong's books have become valuable resources for property investors in Singapore over the past few years. In this book, he takes stock of the prolonged downturn and weak market conditions and offers useful defensive strategies in the face of supply gluts and weakening prices. The lead article warns of potential risks arising from an extremely high rate of home ownership in Singapore, followed by frank insights into local property segments. The book also includes illuminating coverage on some regional markets which he recommends investors to look into.