

# Feasibility Analysis of Real Estate of First-Tier Cities in Mainland China Following the Singapore Model

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**Abstract:** The real estate market is very important to Mainland China's economy. After the reform and opening up, the housing prices of the cities in Mainland China have been moving towards the Hong Kong model. After that, the Chinese government took various measures to regulate house prices. Singapore's real estate model makes every Singaporean have a home, and the house prices are relatively low. This is worthy of Mainland China's reference. Mainland China can learn from Singapore's real estate model, and the region can choose in the developed first-tier cities. Mainland China can ensure that residents in first-tier cities have homes in terms of housing leasing. Mainland China can introduce measures such as talent apartments and the right to rent and sell the same. This can not only protect the rights and interests of the population outside the first-tier cities, keep the talents, but also effectively control the house prices of the first-tier cities in Mainland China.

## 1. Introduction

As one of the pillars of our country's economy, real estate is not only the means of production of the factory, but also meets the residents' living needs. Therefore, the stability of house prices is very important for economic stability, industrial development and people's lives. The high price of real estate in Mainland China has caused a series of negative externalities. Mainland China's economic development is too dependent on the real estate industry, which has become the pillar of many regions in Mainland China, which leads to neglect of other industries, such as the development of the real economy. Moreover, high house prices lead to the exploitation of the consumption of low-income families. Most of the money of these families is invested in the real estate market, and the daily consumption of other aspects is reduced, which is not conducive to the stability of society.

Mainland China has taken a series of regulatory and restrictive measures to control the problem of high real estate prices. For example, only local registered residence personnel are eligible to buy houses in local areas, limit the number of houses purchased, and limit the second house loan ratio. The measures in the past have achieved some results. The growth of Mainland China's housing prices has slowed down, but the prices in the first-tier cities in Mainland China are still high. Mainland China, drawing on other countries, will take further measures to stabilize house prices. Mainland China real estate develops its business rapidly through the process of land acquisition, construction, sales and operation. With the population of first-tier cities increasing, land is becoming more and more limited, and Mainland China's house prices are rising, and gradually enter the Hong Kong model. Singapore is a successful practitioner of home ownership scheme. The housing ownership rate has reached more than 90%. Singapore sovereignty has solved the housing problem of the Singaporean people with high efficiency. The Singapore model has become one of the best models for public residential housing. It is beneficial for Mainland China to learn from the Singapore model.

## 2. The Benefits of the Singapore Model

“I want to build a society where the residents have their houses,” said former Singapore Prime Minister Lee Kuan Yew. He believes that residents have their own houses to make society more stable and promote economic development. The Singapore government has reduced the willingness

of non-registered residence buyers to purchase Singapore Property at a higher price. The non-Singapore registered residence is 1.75 times more expensive than the registered residence in Singapore to buy a house. Singapore's houses belong to Singaporeans. If Singapore's house prices rise, the wealth of Singaporeans will rise. This is the sharing of the national development dividend by the Singaporeans, which is conducive to social equity and stability.

Singapore is small in size and has a small population, which is one of the factors that can succeed in Singapore's model. "Every person has a house that will make society more stable," said Lee Kuan Yew, the former Singapore Prime Minister. Singapore citizens are allowed to buy HDB flats. The size of the HDB flats is closely related to the income of citizens and the number of family accommodation. Singapore government does not provide group housing for high-income people. Singapore has a good location for HDB flats and is located in the center of the city. Singapore has different types of HDB flats, such as middle-income apartment, executive condominium and private rental housing. Singapore's housing types are divided into government group housing and private property. The owner of private property has the land ownership, while the owner of government group house has only the right to use the land. The environment of private property is better than HDB flats, with large area and complete public facilities.

The Singapore government's HDB flats, restrict the development of the real estate market, prevent high prices, so that Singapore people have their own houses. Singapore is also building new rental housing to meet the needs of more people. Singapore has several government agencies that manage the real estate market, such as the Construction Authority, the Ministry of National Development and the National Park Administration. The housing development bureau is a non-profit institution. The Reconstruction Bureau is responsible for the reconstruction of old public houses. Mainland China also has projects for demolition and reconstruction of old houses. The land administration is responsible for land acquisition and management, similar to the Land Resources Bureau of Mainland China.

Singapore's housing provident fund system is successful. A good housing provident fund system can make Singapore people afford to buy houses, increase the cohesion of the Singaporean people, and make the people live and work in peace and work. Singapore has three quarters of the middle class. And 20 percent of the top-end houses belong to the richer people. Buying high-end homes requires higher prices and more taxes to help the poor in Singapore. The government subsidizes HDB flats, which makes the cost of buying and leasing HDB flats lower for the Singaporean people. Singapore group housing application is strict; applicants need to meet a lot of conditions. First, it must be a Singaporean citizen, 21 years old, selflessly owned property and family income below the specified amount. The Singapore government encourages young people to live with their parents, which can reduce the cost of buying and renting HDB flats.

### **3. Hong Kong Model and Its Differences from Singapore Model**

In 1997, Hong Kong economic crisis, the government land supply fluctuated, and the real estate industry was greatly affected. Hong Kong real estate is cyclical, generally speaking, rising, and occasionally there will be a small drop. The price of housing is affected by the supply and demand relationship. When the supply of houses is reduced and demand rises, house prices rise. Hong Kong adopts the method of land reclamation to expand land supply. Since the rapid growth of Shenzhen house prices to a higher level in 2015, Hong Kong and Shenzhen real estate have been substitutes for each other. Shenzhen house prices rose, and Hong Kong prices fell relatively.

With the inflow of foreign capital into Hong Kong, foreign real estate developers and investors squeezing local resources, the real estate price is getting higher and higher. Over the past decade, Hong Kong has relied on real estate to boost GDP and has relied too much on land finance. Real estate companies such as Li Ka Shing have a great control over the Hong Kong real estate market. A large real estate firm almost monopolizes the Hong Kong real estate market. Hong Kong real estate industry is a fierce business and funds flow rapidly. The real estate companies and the Hong Kong government are interdependent, and the high land price makes the house prices rise and increases the interests of the enterprises. The rising house prices in turn raise the price of land. In this way, the

government and real estate companies can achieve a win-win situation. The root cause of high house prices in Hong Kong is the government's high price policy and the lack of land supply. A large part of Hong Kong's land is used for greening. Many of the commercial centers are controlled by foreign countries, such as Taicheng Center, East Hong Kong Island Building and Berk Building. In Hong Kong, the flood of real estate speculators and investors is also one of the reasons for high prices. In recent years, more and more people have speculated on real estate in Mainland China, so it is the current policy of the mainland to regulate housing prices.

As a country with few people and a developed economy, Singapore has lower house prices than Hong Kong. The real estate model in Hong Kong is different from that of Singapore. First, in terms of land planning, Singapore uses a higher proportion of land for residential use. Hong Kong has a larger density of housing construction and a smaller per capita living area. Singapore has more strict management of the real estate market, and the government is more involved in the regulation of housing prices. Like Singapore, Hong Kong has HDB flats policy to meet the housing needs of low-income people. However, compared with Singapore's HDB flats, low rent housing in Hong Kong is relatively small and has a poor living environment.

#### **4. The Possibility of Mainland China Learning from the Singapore Model**

I think that new residents in the first-tier cities can choose to rent houses instead of buying houses as the transition stage to the first-tier cities. In cities with large populations and high housing prices and rent levels, the Chinese government reasonably determines the development objectives and annual plans of public rental housing from the actual situation, and effectively increases the physical supply of public rental housing. The construction of affordable housing and other affordable housing plays an important role in promoting the reform of the housing system, promoting housing consumption and improving the housing supply structure. Singapore allows land ownership transactions, with private land. On the contrary, Mainland China does not allow land transactions, only land use rights transactions.

It is difficult for Mainland China to promote the Singapore model on a large scale. Mainland China's real estate management is scattered and is managed separately by local governments and different organs and units. Singapore is managed centrally by the central government. Singapore's real estate mainly promotes people's livelihood and is not linked to the economy. Mainland China's real estate de finance, control of housing prices, “Houses are for living in and not for speculative investment” policy, and Singapore model has similar places. Moreover, Mainland China has constantly improved the laws and regulations on the development and circulation of real estate and further regulated the real estate market.

In the past decade, real estate has contributed a lot to the GDP of most cities in Mainland China, and it is the main industry of many cities. Some Chinese cities are increasingly dependent on land finance. This is not conducive to the improvement of the industrial structure and the impact on the real economy. At the same time, this leads to unfair distribution of wealth, which requires government macro-control. There is also a problem of land supply chaos. In order to achieve short-term achievements, government officials have caused disorder and lack of land supply. Real estate and registered residence, school status, making the real estate market increasingly hot. The housing security system in Mainland China, such as the housing provident fund system, is not sound enough. Like Singapore, Mainland China can establish a dedicated real estate management agency. What's more, the housing prices in Hong Kong and Shenzhen are basically unaffected by per capita income, but by the local GDP.

The real estate of Mainland China's first-tier cities is likely to turn to the Singapore model, and the Singapore model is beneficial to the first-tier cities in Mainland China. However, what is different from Singapore is that Mainland China has a wide territory and a large population and a large population flow. The population of cities moving from less developed to developed cities every year. The same HDB flats policy as Singapore is that Mainland China is not in line with Mainland China's national conditions. Nowadays, the prices of the developed cities in Mainland China are too high, and many people working in the first-tier cities can't afford to buy them locally.

However, in the less developed cities, the house prices are relatively low, and many residents living in the less developed cities have their own houses. Meanwhile, Mainland China's first-tier cities have a larger population registered residence. Mainland China's economic activities are concentrated in developed cities, and many talents want to move to the first-tier cities. If the foreign population is restricted to the first-tier cities, it will not be conducive to retaining talents. Mainland China should learn from Singapore HDB flats model in the first-tier cities in Mainland China, namely Beijing, Shanghai, Guangzhou and Shenzhen. However, Mainland China is not able to follow Hong Kong mode, so real estate will be completely marketable, otherwise the house price will be higher and higher.

## **5. Measures for Mainland China to Learn from the Singapore Model**

First, the Mainland Chinese government can build talent apartments on a larger scale by following the Singapore model in Mainland China's first-tier cities. Talent apartments are non-market oriented. The Chinese government can rent talent apartments to the population at a lower price and limit the lease term to about 10 years. When the time of leasing talent apartment ended, the person who makes enough down payment or above to buy a house in a first-tier city can buy commercial housing, while others can rent the house at the market price or leave first-tier cities.

Second, the same rights of lease and sale need to be implemented. Mainland China can make policies to ensure that local registered residents, whether buying or renting, enjoy equal treatment of public services and protects the rights and interests of tenants.

## **6. Conclusion**

In short, the reference of the first-tier cities in Mainland China to the Singapore model can be applied to housing leasing. Because the rent-sale ratio of the first-tier cities in Mainland China is too low, renting houses in the first-tier cities is the choice of many foreign population. The system of the same right of lease and sale and talent apartments can make talents have a house. At the same time, the price of first-tier cities is restricted, so that the foreign population can afford commercial housing. Then, Mainland China will vigorously promote balanced development in all regions of Mainland China, so that the population will not only flow into big cities and keep talents in the local areas. This is the Singapore model for Mainland China's first-tier cities real estate market reference.

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