

'Lifetime Income and Housing Affordability in Singapore' by Tilak Abeysinghe and Jiaying Gu, Urban Studies

In this paper TILAK ABEYSINGHE (Economics) and Jiaying Gu deviate from conventional short-run indicators to develop an index that captures both short-run and long-run housing affordability.

Using data from the Singapore Department of Statistics the authors developed a methodology to compute the lifetime income of different birth cohorts. The lifetime income of each household was then divided into three quartiles. As income figures for the same household over time were unavailable, the authors came up with a regression model to extrapolate the missing figures. The results of their findings suggest not only a yawning real lifetime income inequality between households in the lowest and highest quartiles for cohorts born after 1975, but a fall in income for the former. Whereas the median group shows little signs of real income improvement after the Asian financial crisis.

The paper also deals with the Housing Affordability Index (HAI): the ratio of lifetime income to house price. An increasing HAI means improving affordability, with a HAI of one indicating lifetime income just adequate for payment of the property. The authors regard $HAI > 2.86$ ($= 1/0.35$) as the affordable range. But even households in the highest income quartile fall out of this range for private property during the mid-1990s and 2007 property boom. By contrast, HDB resale flats remain affordable even for the lowest quartile during the mid-1990s boom. Finally an adjusted HAI was composed to account for the HDB-upgrader effect.

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