S’pore parents’ housing type could show how kids will fare

Inter-generational housing wealth mobility also differs across regions, says NUS study

New research by the National University of Singapore (NUS) has found that the type of housing owned by Singaporean parents can be a good predictor of the next generation’s economic status.

According to the study, children from grassroots families, defined as those with parents in the bottom 60 per cent, end up in housing that is more valuable than that of their parents. That is mainly due to Singapore schools being located close to Housing Board towns.

In contrast, children from middle-income families – parents in the 60th to 80th percentiles – have housing types that are worse than the ones that their parents lived in. This could be because government subsidies motivate them to buy more affordable public housing.

Another reason is that such children who grow up in suburban or non-mature HDB towns might find it harder to buy homes in neighbourhoods with high-quality public schools, which tend to be in pricier, more central locations.

Meanwhile, the value of homes owned by children born to the wealthiest 20 per cent of families are closest to their parents’ housing and wealth levels – partially KEY INDICATOR FOR PREDICTIONS

Housing wealth is the largest component of a Singaporean’s overall wealth, so understanding inter-generational wealth mobility is key to predicting how younger Singaporeans will fare in the future.

PROFESSOR SUMIT AGARWAL, a member of the NUS research team that combed data from housing transactions between 1995 and last year.

due to the lack of wealth redistribution policies and low tax rates.

Still, such children end up worse off in absolute terms because there is less room for them to surpass their parents.

The research team, comprising Professor Sumit Agarwal and Associate Professor Qian Wenlan from NUS Business School, and Associate Professor Sing Tien Foo and Assistant Professor Yi Fan from the real estate department, combed data from housing transactions between 1995 and last year.

They then compared these transactions to relevant demographic data to draw their inferences.

The study also showed that inter-generational housing wealth mobility differs across regions, due to local policies and neighbourhood characteristics.

For example, upward movements are concentrated in new towns such as Punggol, Pasir Ris and Jurong West, where there tends to be more new and subsidised HDB flat launches.

In addition, the Proximity Housing Grant, which provides additional subsidies to encourage children to live near their parents, has enabled them to climb up the housing wealth ladder, the researchers noted.

Children who grow up in HDB estates are also more likely to upgrade to higher-value homes. This is because public housing, especially for first-time buyers, is heavily subsidised by the Government, which gives such home owners a head start, the study pointed out.

The researchers also said the relative high quality of public schools is one reason why Singapore has more ease of mobility among lower-tiered households, compared with other countries.

Prof Agarwal said: “Housing wealth is the largest component of a Singaporean’s overall wealth, so understanding inter-generational wealth mobility is key to predicting how younger Singaporeans will fare in the future.”