Title: A Tale of Two Markets: the Role of Fundamentals in Singapore Housing Prices
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Abstract:
Housing policy in Singapore is featured by distinguishing public housing and private housing, since only citizens and permanent residents can acquire government subsidized public housing. As a country that receives numerous immigrants every year, how does the growth of immigrants affect the price movements of both public and private housing? How much housing price growth over the past several decades in Singapore can be explained by fundamental factors, such as population growth, productivity boom, financial constraints and land supply policy? In this paper, we propose a dynamic general equilibrium model to address these issues. We divide total population into native workers and foreign immigrants, and immigrants can only buy private house while native worker can choose between both. The model is able to generate the mechanism that the growth of native workers and immigrants can affect both public and private housing prices. We calibrate the model to match some stylized economic facts in Singapore from 1960-2010. The calibrated model can account about 55 percent of private housing price growth from 1975-2010 and 66 percent of public housing price growth from 1990-2010 in Singapore. We further perform some decomposition exercises to evaluate the contributions of growth of immigrants, native workers and productivities to the housing price growth, respectively.