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Property Values as a Function of Law and Policy

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Real estate values can be viewed as a function of law and policy. Using case law references, Hansard records, statutory instruments, and secondary literature, this paper articulates how the legal system impacts property values, in both expected and unexpected ways. While valuation is often viewed through the prism of real estate economics and finance, this paper highlights the reality that a more extended interpretation of understanding property valuation can be obtained by recognising that legal rules often impact asset values, sometimes in a surprising fashion. Recognising the links among law, policy, and property values is relevant to practitioners and policymakers alike.

Keywords

Law, policy, real estate values

1. Introduction

The study of real estate is multifaceted, encompassing a wide-range of fields including accounting, finance, economics, architecture, law, politics, construction technology and even geology (Mathewson and Ruckman, 1974). Collectively, these myriads of fields coalesce, culminating in a market price transaction for a particular lot, unit or parcel of land. Property valuation is the skilled estimation of this market price, or ‘the amount for which an asset... should exchange between a willing buyer and seller in an arm’s length transaction, after proper marketing and where the parties acted knowledgeably, prudently and without compulsion’ (SISV, 2022, p 35).

We know that tax and interest rates and the health of the economy all impact asset values. Perhaps what is less noticeable is that many of these factors have legal roots. Indeed, this paper argues that the legal rules and institutions significantly impact, both directly and indirectly, the value of real estate. The purpose of this paper is to articulate the interplay between the legal system (and specific legal rules) and property valuation. Highlighting these links is relevant to practitioners and policymakers alike, especially because legal rules and any subsequent changes in law may inadvertently impact property values, sometimes in unexpected or surprising ways. Indeed, accurately predicting how the real estate market will be impacted by changes in the law would be a powerful tool for any investor. The examples cited in this paper principally refer to Singapore, although many of the points made are *mutatis mutandis*, jurisdictionally agnostic.

Following this introduction, Part 2 outlines the general ways in which the legal system impacts property value while Part 3 gives specific, sometimes unexpected examples of this relationship. Part 4 concludes.

2. The legal system and real estate values

Property ownership can be defined as the greatest possible interest which a system of law recognises (Honoré, 1961, p. 123). Property rights are dependent of the laws of the jurisdiction the property is situated in, or its *lex situs*. Property prices are determined by the interaction of supply and demand in the market, with the price mechanism operating to return supply and demand to a state of equilibrium (Adams et al., 2005, p. 19). The capitalisation (cap) rate represents such interactions in a nutshell, and it is generally accepted that real estate asset quality and yields are negatively correlated. The concept of ‘quality’ not just refers to the physical attributes of the asset but perhaps more importantly, the legal rights that ownership brings about, and the robustness of such rights.

These rights are situated in the context of the wider legal system, and it would be surprising if Singapore’s most attractive traits – safety, security and an incorruptible government, do not have a positive impact on property values. Cap and discount rates are a function of the risk-free and expected growth rates, respectively. Low cap rates correspond to a high price-to-earnings ratio and suggest that the legal environment provides secure and predictable property rights and trustworthy enforcement of legal disputes. The Jones Lang LaSalle Global Real Estate Transparency Index 2022 (JLL Index) is a survey of 94 jurisdictions, and identifies twelve as highly transparent markets (Table 1).

Table 1 Juxtaposition of high transparency markets with Corruption Perceptions Index ranking

JLL Transparency Rank 2022	Market	Corruption Perceptions Index (CPI) Rank 2021
1	United Kingdom	11
2	United States	27
3	France	22
4	Australia	18
5	Canada	13 (joint)
6	Netherlands	8
7	Ireland	13 (joint)
8	Sweden	4
9	Germany	10
10	New Zealand	1
11	Belgium	18 (joint)
12	Japan	18 (joint)

In Table 1, I have listed the 12 ‘high’ transparency markets according to the JLL Index, juxtaposing them with the respective rank of each market under the Transparency International’s Corruption Perceptions Index 2021 (CPI). While the two rankings do not coincide perfectly, the twelve highly transparent markets pursuant to the JLL Index also score highly under the CPI, especially considering that the CPI surveys 180 jurisdictions.

A large proportion of the JLL Index components are related to laws and the legal system. Thus, the extent to which a market employs financial disclosure, corporate governance, regulation, security of property rights, fair compensation for compulsory purchase, enforceability of contracts and anti-money laundering rules contribute towards the composite score of the market (JLL, 2022). In analysing an earlier iteration of the JLL index, Devaney et al. (2019) find that more transparent markets tend to have lower cap rates. This is not unexpected since a sound legal system gives confidence to consumers and investors about

the future while a poor regulatory environment favours current consumption and hence higher discount and cap rates. As North (1991 pp. 97, 100) observes, wealth-maximising individuals find it more worthwhile to cooperate with others (and thus increase opportunities for collective gains) in a transparent environment where the sanctity of trade is protected. Similarly, Fennell (2010, p. 6) notes the importance of a transparent real estate market to ensure that buyers and sellers are on the same foot. Asset values benefit from the certainty and confidence afforded by a sound legal system. Indeed, more so than any specific legal rule, the legal system has the most profound effect on property values.

2.1 Public policy

It is critical to recognise the role that public policy plays in impacting property values. The place-specific nature of real estate means that its economic potential is ultimately dependent on policy processes (Adams et al., 2005, p. 239), and the performance of the real estate market has profound effects on the social and economic wellbeing of cities. Thus, policymakers often intervene to influence the property market, producing ‘household and business location decisions, property development and investment strategies (that) will all be shaped directly or indirectly by a myriad of policy initiatives’ (Adams et al., 2005, p. 3). Phang (2001) notes in the Singaporean context that ‘the boundaries within which the market is allowed to operate in the various housing sub-sectors are almost completely defined by planning and public policy’ (p. 443-4).

Law and policy are closely intertwined, with Silberman describing law as ‘the accumulated crystallization of prior policy choices’ (1990, p. 822). Wilson (2008) defines policy as ‘the actions, objectives and pronouncements of governments... and the steps they take to implement them...’ (p. 154). The word ‘policy’ is imprecise and can range from an indication of an overall objective a guiding principle or a specific action which will be taken to reach an objective (Wilson, 2008, p. 153). Policy direction should be recognised as inherently part of the legal system. Indeed, all the specific examples of enacted rules cited in the next section of the paper are driven by an underlying policy purpose. Thus, the broad policy goals of enhancing affordability, reducing the reliance of foreign manpower and urban rejuvenation have led to the enactment of an additional buyer’s stamp duty (ABSD) and other ‘cooling’ measures, foreign worker levies and laws related to compulsory acquisition and collective sales of strata property, respectively. In the next part of this paper, I discuss how such laws impact property values.

At other times, policy direction can be simply applied via administrative fiat without necessarily requiring the enactment of an underlying legal rule. An example of this would be the ethnic integration policy (EIP) of Singapore first implemented in 1989 (Dhanabalan, 1989), which as a directly applied policy devoid of a specific statutory provision, enjoys a degree of flexibility in its

application and is reviewed periodically (Ti, 2022a). Indeed, while Section 74 of the Housing and Development Act states that the Minister may make rules governing the terms and conditions for the sale of any flat, a survey of the subsidiary legislation shows that none of these relate to the EIP. As a form of compulsory ethnic integration which applies to the *allocation* of public flats in Singapore, the policy could be considered to be grounded in contract rather than regulation. In any case, the EIP is certainly impactful, affecting some 80 per cent of the country's residents, or 90 per cent of all Singapore citizens living in public flats. Enforced by the Housing Development Board (HDB) as a matter of administrative practice, this important policy ensures that the ethnic makeup of each block of public flats and each neighbourhood reflects, within a narrow band of allowance, the national proportion of the major ethnicities in Singapore. The EIP was adopted to prevent racial enclaves from forming and promotes the important goal of multiracial, national integration. When the EIP was first implemented as a policy, the Attorney-General advised the government that these measures were not contrary to constitutional rights (Dhanabalan, 1989). A former deputy prime minister of Singapore described the EIP as '(t)he most intrusive social policy in Singapore has turned out to be the most important one' (Shanmugaratnam, 2015). While public housing is subsidised to the same degree regardless of ethnicity when a flat is purchased from the HDB, buyers are permitted to sell their flats in the open market after a 'minimum occupation period' typically of 5 years. According to Hansard records, some ethnic minority owners have raised concerns that the EIP affects the price they can sell the flat in the open market given a smaller pool of potential buyers – once a flat has been allocated for a specific ethnicity, it can only be sold within that ethnic group. Thus, while the EIP is meant to prevent the possible assimilation of ethnic enclaves (Sim et al., 2003, p. 297), an unintended outcome of the policy is that it may restrict some potential transactions when the given racial quota is reached. Indeed, parliamentarians have acknowledged that the EIP may have an impact on the resale price of flats allocated to minorities (Wong, 2018b; Lee, 2021). Price discovery in relation to Singapore's private and public housing markets have been found to be bidirectional, with both markets providing information related to the value of each other (Ong and Sing, 2002). Accordingly, while the EIP is certainly to be lauded, there is value in determining potentially surprising impacts that any law or policy may have on the real estate market, given the ripple effects that may ensue.

3. Examples of laws impacting property values

Legal rules with the underlying purposes of promoting affordability and fostering urban rejuvenation intentionally, or at least knowingly, impact property values. Sometimes however, laws and policies may have unforeseen effects on the market, unrelated to the underlying policy purpose. Indeed, because the enactment of law is ministry-led, with policymakers having a

specific goal in mind when proposing rules, it would be surprising if some laws do not have unforeseen effects on the property market. Law-making is an art guided by science and only in theory that a large number of costless, fine-grained, empirically measured, factual and counterfactual analyses instantaneously determine laws that are most ideal for the flourishing of each generation of society. In this part of the paper, I seek to highlight non-exhaustively, some of the principal ways that specific legal rules may impact property value.

3.1 Rules ‘limiting’ property rights

In all legal systems, property rights are never absolute. In particular, the duty on the part of the owner to prevent harm to others is both a practical and necessary limitation of ownership (Ti, 2021). According to Gray (1994), ‘deep at the heart of the property concept lies a fusion of individual right and social responsibility’ (pp. 188-9). The purchase of a bundle of rights necessarily includes the acquisition of community-oriented obligations (*Gazza v New York State Department of Environmental Conservation*, 1997, p. 1039). Indeed, the obligation to do no harm has been extended as part of the burden of common citizenship as the ‘give and take of civil society frequently requires that the exercise of private rights should be restricted in the general public interest’ (*Keane and Naughton v An Bord Pleanála*, 1998, pp. 260-2). Thus, the concept of property in Gray and Gray (1998) on land that comprises ‘competing models of... property as a right and property as a responsibility’ (p. 18) provides justifications for compulsory purchase, environmental law restrictions, property torts, and other types of land use control imposed by the state.

In common law, *Bernstein of Leigh (Baron) v Skyviews and General Ltd* (1978) establishes the principle that rights over airspace extend only to a height ‘necessary for the ordinary use and enjoyment’ (p. 485) of the landowner. In other words, the surface owner does not have an absolute right to restrict other airspace users from utilising the column of air above his/her land. In relation to subterranean land, Section 9 of the *State Lands Act 1920* of Singapore sets aside 30 metres below the surface for the reasonable use and enjoyment of the landowner, thus compulsory acquisitions lower than that are not compensable. Assuming 30 metres allows the surface owner to construct approximately 8 – 10 stories below the surface, i.e. up to floor ‘B8’ or ‘B10’, then such restrictions are not unreasonable, given that it is practically impossible for landowners to exploit much value at such depths. Conversely, the South Australian (SA) government has taken a somewhat less generous approach. Amendments made in July 2020 to the *Land Acquisition Act 1969* (SA) allow the state to acquire ‘underground land’ without paying compensation, despite the fact that having a potentially shallow tunnel directly underneath’s one property is likely to have an adverse impact on its real estate value (Koutsantonis, 2019, p. 7711). The impact of rules which limit property rights is ultimately a matter of fact and degree. Generally however, rules which curtail property rights (whether through

tort, environmental law or land regulation) negatively impact property values. Sometimes however, an apparent curtailment of property rights – here conservation and the gazettement of good class bungalows is examined – reveals that the reality may sometimes be more nuanced.

3.1.1 Conservation status

Tan and Ti (2020) show that real estate premiums generally result from designating buildings with ‘conservation’ status in Singapore, despite the reduced building potential and increased maintenance costs of such properties. This may be due to the increased prestige of owning a rare asset, and the belief that the conserved property will be immune to compulsory acquisition (Tan and Ti, 2020). Evans (2004, p. 56) notes that whether property appreciates in value because it is accorded conservation status may depend on whether it is a single building chosen for conservation or one of many within a conservation area. For a single building chosen for conservation, as was the situation in the US Supreme Court decision of *Penn Central Transportation Co. v New York City* (1978), ‘the economic implications for the building would appear to be almost wholly negative’ given the owner’s inability to demolish, and the considerable restrictions on the ability to change, extend or otherwise alter the building (p. 140). While Evans (2004) acknowledges the increase in value from the explicit recognition of the building for architectural or historic importance, he opines that this effect is likely to be dwarfed by the loss of development potential (pp. 56–57). On the other hand, if the building is one of several within a conservation area, the negative effects are counterbalanced by the likely gain of some of their value from the character of the surrounding area. Evans (2004) states ‘the value of a property may be reduced by the owner’s inability to change it, but it is increased by the parallel inability of other, neighbouring property owners to change theirs. The net effect of the designation of a Conservation Area may therefore be to increase property values in the area’ (p. 57).

3.1.2 Landed dwellings and good class bungalows

Barring houses on the island of Sentosa, the Residential Property Act 1976 (RPA) restricts ownership of single dwelling or ‘landed’ homes to citizens of Singapore citizens. Permanent residents and entities with even a single non-citizen shareholder are regarded as foreigners for the purposes of the RPA, and even nationals of countries who have signed free trade agreements (FTAs) with Singapore, including those that allow Singapore citizens to buy landed dwellings in their jurisdiction, do not enjoy reciprocity (Lim, 2012, p. 90). As a statute, the RPA is extremely comprehensive, defining any lease to a non-citizen beyond seven years as a ‘sale’ and hence disallowed (s4(7)). Using a local nominee to hold landed property on trust for a non-citizen is explicitly prohibited, and any unconditional contract for the sale of land is void *ab initio* (*Cheng Mun Siah v. Tan Nam Sui*, 1979–1980). The RPA came into effect against the backdrop of sharp rises in the residential market in the early 1970s

(Barker, 1975, col. 1201). At the time, the stated purpose of the RPA was to ensure that middle-income Singapore citizens were able to purchase their own home (Barker, 1975, col. 1201). In *PP v. Intra Group (Holdings)* (1999), Yong CJ similarly held that the objective of the RPA was to limit speculation by foreigners in the residential market to keep housing affordable for Singapore citizens, with this achieved by prohibiting foreign ownership.

When the RPA was first enacted, private apartments were rare and public housing was limited to the lower income groups, which explains why the government wanted to reduce land speculation by foreign purchasers (Ti, 2022b). Today however, public flats house 80 per cent of Singapore's residents, including a sizeable portion of the upper-middle income groups. As foreigners are now generally limited to purchasing private apartments (unless exceptional ministerial permission is granted to them), it would have been fair to assume that one effect of the RPA is that it limits the price appreciation of landed dwellings.

A somewhat intriguing result however stems from the designation of 'good class bungalows' (GCB), the prime sub-category of landed dwellings in Singapore. Thirty-nine GCB areas (GCBAs) have been gazetted since 1980, with planning rules requiring GCBs to have a minimum lot size of 1400 square metres, with a site coverage that does not exceed 40 per cent and no higher than two stories. Intuitively, regulations that restrict the portioning of GCBs to the statutorily required minimum lot size that prevent higher density housing typologies from being built would have been thought to adversely impact property values. As landed dwellings, GCBs are restricted properties under the RPA and usually only purchased by Singapore citizens. The empirical evidence from 2001 to 2021 however shows that GCB prices have risen at a compounded annual growth rate (CAGR) of 7.5 per cent, more than double the CAGR of non-GCB landed and non-landed properties, which registered a CAGR of 3.7 and 3.3 per cent respectively (Cheong and Tan, 2021). The imposition of scarcity and the institutionalised labelling of GCBs as a status good thus evidently more than offset the developmental restrictions imposed onto GCBAs (Ti, 2022b). Somewhat surprisingly therefore, the intervention of the law with property can sometimes enhance value even where its effect appears to curtail or restrict property rights.

3.2 Planning law

Planning law 'carries with it the power to effect changes that will have strong and far-reaching implications on the population's distribution of wealth' (Chuang, 1998, col. 62). Planning law determines *what* and *how much* can be built on land, and is thus the primary driver of urban land value (Ti, 2019b, p. 135). Rights to land depend on the legal infrastructure which governs what can be done to and on land (Penner, 2020). In this respect, Euclidean zoning, development control and planning permission are regulated by the *Planning Act*

1998 while betterment tax, levied at approximately 70 per cent of any enhancements to land value, is governed by the recently enacted *Land Betterment Charge Act 2021*. While the impact that this aspect of planning law has on property values is explicit and patent, it is also interesting to note that letting one's residential property for short-term stays of less than three months constitutes as 'development' for which planning permission is required (Planning Act 1998, ss 3(3)(d), 12(1), Fourth Schedule). Essentially seen as a ban on short-term rentals, this is an example where the personal rights of owners give way to broader communitarian interests – as this effectively caps the income that can be generated by the property, this rule probably does not enhance property valuations. Planning law also encompasses rules which facilitate the efficient assembly of land. An overview of the compulsory acquisition and collective sale of strata property is therefore needed, as follows.

3.2.1 Compulsory Acquisition

As mentioned above, one of the composite factors taken into account by the JLL Index is whether a particular jurisdiction pays fair market compensation for compulsory acquisition. A market is deemed less transparent if the state fails to pay fair compensation in a timely fashion for land acquisitions. Prior to 2007, Singapore would not have fared well in this metric as market-price compensation for acquisitions was only made statutory in that year (Ti, 2019b). Historically, the statutory standard for compensation had been much lower, pegged to market prices at an earlier time. For instance, prior to the major upheaval of the *Land Acquisition Act* in 2007, acquisitions that occurred prior to 12 February 2007 (but on or after 18 January 1993) only attracted compensation of the market value of the land on 1 January 1995. The prevailing thinking then attributed most of the site's capital gains to the industry and development efforts by the state (Lee, 1964).

Given that Singapore now provides 'market value' compensation under Section 33(1)(a) of the *Land Acquisition Act 1966*, it is evident that this legislative change provides certainty to the market and thus reinforces property values as market participants would no longer need to discount property values to take into account the possibility of a below market-value acquisition.

3.2.2 Collective Sale of Strata Property

Section 4 of Singapore's *Land Titles (Strata) Act 1967* (LTSA) provides for the application of the Torrens registered title for strata property. With the exception of single-family landed homes, strata property typically comprises an apartment or condominium unit in a residential development, or individual strata shop or office units. Strata developments are favoured by developers as they can be sold 'off-plan' and hence enhance cash flow while reducing holding costs for developers. Under a strata scheme, each strata owner is owner absolute of his/her own unit while being an equitable tenant-in-common of the land on

which the building is constructed (Ti, 2020). Since 1999, the LTSA has facilitated the termination and consequential collective sale of developments without requiring unanimous consent – for developments at least 10 years old, 80 per cent of owners by share value and floor area may consent to have the development sold. This is not a uniquely Singaporean phenomenon – New South Wales (NSW) and Western Australia, Hong Kong Special Administrative Region, Dubai, Japan, New Zealand and several US states and Canadian provinces, among others, also permit non-unanimous collective sales of strata property (Ti, 2019a).

Collective sales and compulsory acquisitions are both urban planning tools which are meant to rejuvenate cities and increase land use efficiency and can be justified even when not all affected owners agree (Ti, 2020, p 1498). Thus, while compulsory acquisition is state-led, the collective sale of strata property is market-led, albeit statutorily state-facilitated. Strata owners are motivated by a collective sale when the development value of the site exceeds the sum of the market value of each unit. This occurs because planning parameters may have been enhanced over the years and there is potential to increase the gross floor area when a new building is constructed. In Singapore, obtaining between a 40 – 80 per cent premium above the market price of individual units is the typical market expectation (Ti, 2019a). Elsewhere, the premiums may be even higher. In the city of Vancouver in Canada, Harris (2016) points out that a developer offered to collectively purchase a strata complex called *Twelve Oaks* for C\$21.5 M (US\$16 M), almost twice the cumulative assessed value of the thirty strata lots (*Owners Strata Plan VR140 v Harrison*, 2016). In Epping, NSW, eight strata owners received A\$3.75 M (US\$2.55 M) each via a collective sale, more than three times what their apartments would have sold for individually, which was A\$1.2 M (Dominello, 2015).

Given that the collective sales of strata property give owners the opportunity to benefit from the redevelopment potential of the site without requiring unanimity, it stands to reason that the collective sale mechanism enhances strata property values.

3.3 Foreign worker levies

It is well known that the COVID-19 pandemic and the attendant supply chain disruptions have significantly increased construction costs globally. Changes in construction have real effects on housing market activity – in the North American context, Somerville (1999) determines that higher construction costs reduce construction activity and hence supply, thus pushing up the prices of built units. Somerville (1999) also finds that the share of construction costs for labour is approximately 35 per cent, with material costs constituting approximately 65 per cent (p. 44). It would be surprising if this generally identified relationship between construction costs and unit prices were not to apply in the Singapore context.

Pursuant to Section 11 of Singapore's *Employment of Foreign Manpower Act 1990*, a monetary levy in respect of foreign employees is charged. The intention of this pricing mechanism is 'to regulate the number of foreigners in Singapore' (Ministry of Manpower, 2022). The regulations set the maximum quota of foreigners that can be employed for every local employee, as well as imposing varying rates of the levy imposed. The construction sector in Singapore is heavily reliant on foreign labour – the current quota allows 7 foreign workers to be employed for every local employee (Ministry of Manpower, 2022). The levy imposed for foreign workers in the construction sector ranges from S\$300 to S\$950 (about US\$220 to US\$700) per month, depending on the nationality, education, and skill-level of the foreign worker (Ministry of Manpower, 2022). Foreign construction workers reportedly earn S\$800 (about US\$590) a month (Phua and Chew, 2020), meaning that the levy makes up on average, some 80 per cent of this basic wage.

It is uncertain how such levies ultimately impact property prices. Conceivably, as levies form part of labour costs and hence construction costs, property prices are bolstered, since developers may reduce construction activity as observed by Somerville (1999) in the North American context. On the other hand, it is also possible that developers knowing that construction costs are high, may moderate their bidding prices for land, as they are concerned that they may not be able pass on such additional costs to buyers. In other words, even if the foreign worker levies are removed, property prices may remain unaffected as developers can simply bid more aggressively for sites or increase their margin for profit. Thus, while it is clear that construction costs which include foreign worker levies impact property prices, a detailed empirical analysis on the subject is needed to determine the nature of this relationship.

3.4 Stamp Duties and Borrowing Limits

Since 2011, Singapore has introduced several rounds of 'cooling measures' meant to reduce speculation in residential property and prevent a housing bubble from forming. These include imposing more conservative housing loan-to-value (LTV) limits, total debt-servicing ratios (TDSRs), and ABSD for foreign purchasers of residential property, and Singapore citizens beyond the first property purchased, and the imposition of an 'anti-flipping' seller's stamp duty (SSD) imposed on residential and industrial properties bought within the first three years of purchase. These macroprudential policies seek to stabilise the financial system as a whole and have historically focused on the private residential property market, given its importance for household balance sheets and loan portfolios of banks (Monetary Authority of Singapore, 2021). Technically, the LTV and TDSR are not imposed by law, as the Monetary Authority of Singapore (MAS) simply directs all licensed financial institutions to limit the amount money that they are allowed to lend. The LTV and TDSR thus do not regulate private lending arrangements by non-licensed entities, such

as familial arrangements. For the vast majority of borrowers however, direction from the MAS has the effect of law. The compliance of banks and financial institutions with the direction for the LTV and TDSR is extremely high given the regulatory role that the MAS has in relation to license holders. In contrast, the ABSD and SSD are effected via the *Stamp Duties Act 1929* and by enhancing transaction costs, directly impact buyers and sellers.

The slew of ‘cooling measures’ targets both demand and supply factors given the upward market momentum in prices and transaction volumes over the years (Lee, 2022). These measures were underpinned by a clear policy intent to blunt the rise of property prices, and thus enhance affordability especially for first-time homeowners. Without the imposition of the cooling measures, borrowers may overstretch themselves in a low-interest rate environment, and any dip in value may result in exacerbating losses in a ‘hard landing.’ As a policy tool, the ‘cooling measures’ have been indicated to be effective in dampening foreign demand and reducing speculation (Khaw, 2013; Wong, 2018a). Collectively, these measures represent perhaps the most explicit example of laws enacted with the intentional aim of moderating property values.

The most recently announced cooling measures in September 2022 intended to ‘moderate demand and ensure resale flats remain affordable for flat buyers’ (Ministry of National Development, 2022) provide that private residential property owners who have sold their property must now wait 15 months before they are eligible to buy a public flat from the open market. Seniors aged 55 and older are not bound by this wait-out period provided that they move to a 4-room or smaller flat. Possible unintended repercussion may include driving up rents (and hence prices) or spiking demand for 4-room flats from seniors with deep pockets.

4. Conclusion

In highlighting that property values are a function of law and policy, this paper has articulated how the legal system impacts property values, in both expected and unexpected ways. This is by no means an exhaustive review. Interest rates, FTAs, property taxes pursuant to the Property Tax Act 1960, estate duties (outside the Singapore context), probates, the divisional of matrimonial assets, duty for landowners to provide lateral support, landlord and tenant rights, calculation of lease decay via Bala’s table, use of social security funds to buy residential property (Lum and Zhou, 2019), and real estate securitisation are among the other aspects directed by law, which have a rational, articulable nexus with property value. No doubt, there will be other areas as well. Notwithstanding, this paper has sought to highlight some of the key, and hopefully thought-provoking, institutional components of the real estate market which are underpinned by legal norms, and which influence property values.

Changes to the law and policy shifts distort the free market and sometimes impact property values unwittingly. We often think of the economic or financial elements impacting property values and perhaps reflect less on the reality that these elements in turn are shaped by laws and policies. It is thus hoped that this paper promotes a more expansive analysis of valuing real estate, and in this regard, has relevance to property owners, investors, and policymakers alike.

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