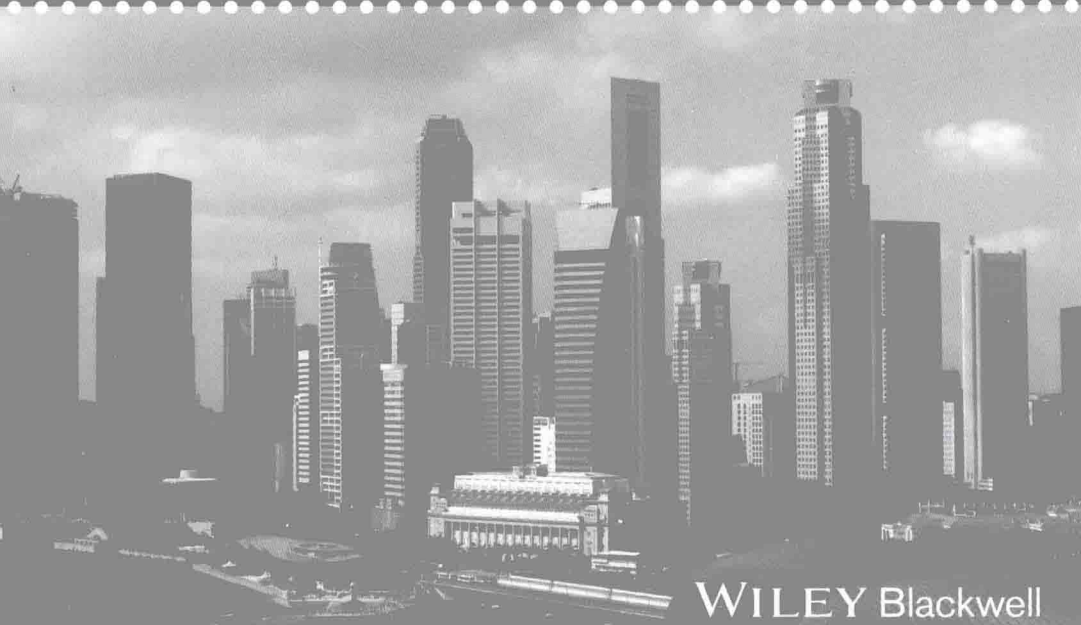


URBAN LAND RENT

Singapore as a **P**roperty **S**tate

Anne Haila



WILEY Blackwell

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List of Abbreviations

ASEAN	Association of Southeast Asian Nations
CMIO	Chinese, Malays, Indians and Others,
CPF	Central Provident Fund
DBS	Development Bank of Singapore
DBSS	Design, Built and Sell Scheme
EDB	Economic Development Board
GIC	Government Invest Corporation
GLC	Government-linked company
HUDC	Housing and Urban Development Company
JTC	Jurong Town Corporation
HDB	Housing Development Board
MAS	Monetary Authority of Singapore
MND	Ministry of National Development
MTI	Ministry of Trade and Industry
NTUC	National Trade Union Congress
NUS	National University of Singapore
PAP	People's Action Party

PSA	Port of Singapore Authority
REDAS	Real Estate Developers' Association of Singapore
REIT	Real Estate Investment Trust
SGX	Singapore Exchange
SIT	Singapore Improvement Trust
SLA	Singapore Land Authority
SWF	Sovereign Wealth Fund
URA	Urban Redevelopment Authority

Glossary

Absolute rent the conditions are the barriers landownership makes to urban development (speculation, withholding, hoarding and land banking increasing the price of land).

Actual rent is the rent from the present use.

Capitalization rate property earnings divided by the property value.

Density rent the condition is the vertical mobilisation of land (the use of land is intensified, the density and plot ratio increased).

Derivative rent the yield from land titles that are securitised, packaged together with mortgages, and traded on the market as a financial instrument.

Development charge a payment that developers need to pay when they increase the building density or change the land use.

Differential rent the conditions are different qualities of land, for example location.

Economic rent earnings from productive factors in excess of the minimum payment needed to keep that factor in its present use.

Extension rent the condition is the horizontal mobilisation of land (extending land use, subdivisions, suburbanisation).

Extensive margin the last piece of land taken into use when land use is extended.

Financial assets money, securities, bonds, shares.

Financialisation a growing influence of financial markets in the economy. The yield of real estate compared to the yield of other investment options and financial institutions owning REITs.

Fiscal rent public revenue from the use of state or municipality land.

Global rent connected to global real estate investment flows.

Intensive margin the last piece of land taken into use when the use of land is intensified (vertical mobilisation, increasing the plot ratio).

Land rent paid to the landowner for the use of land. It represents a social relation, and is a basis for social control and power.

Manipulated rent a payment received because of special privileges through political rent-seeking due to lobbying, bribery, favourable tax treatments and subsidies.

Margin of transference the last piece of land taken into use when the use of the land is changed.

Monopoly rent the conditions are monopoly price and excess demand.

Physical assets land, buildings, equipment.

Potential rent the rent from an alternative use of land.

Real estate security a paper asset consisting of real property.

Rent gap the difference between actual and potential rent.

Rent-seeking (*political*) the use of resources to obtain, through political process, special privileges.

Yield the income from a security related to its price.

Preface

This book is about the difference that land makes. Land matters, yet it is all too often ignored in contemporary economic and social theories. Surprisingly, land and real estate are even ignored in disciplines that are supposed to take land seriously. Contemporary studies of architecture and town planning overlook real estate issues, although the garden-city builders and early modernists criticised land speculation and proposed reforming the land development processes that were producing cities. Land matters in the sense of an area and location, but land occupied by people matters also because land tenure makes land development processes social, political and cultural processes.

In contrast to some earlier approaches to the issues of land – like Allen Scott's urban land nexus, David Harvey's production of the built environment and John Logan and Harvey Molotch's political economy of place – I am interested in forms of landownership (private, collective, common, shared, state and municipal) and the use, management and revenue of land. I am not interested in land as a physical thing or land use as a planning problem. Nor I am interested in the landed society of the eighteenth century in which landowners had economic, social and political power. Rather, what intrigues me are the institutions and actors, landownership forms and social relations in which land is embedded. Land in this study is not another name for nature, to paraphrase Karl Polanyi ([1944] 2001), but a social relation affected by laws and customs. Land is used and owned, its ownership is justified with stories, and people are emotionally attached to land. Every now and then land ownership and land use become a social problem as their forms and policies are debated, fought over, and transformed.

The theory of land rent explains the relationship between the use and price of land, and is a significant part of this book. It is an old economic theory that has sometimes been at the core of economics; at other times few economists have taken any interest in it. The theory of land rent, however, is an amazingly persistent one. Like the title character in Virginia Woolf's novel *Orlando*, it wanders through centuries and takes on different disguises. Rent theory started its journey in the eighteenth century, reached maturity in the nineteenth century and has since been applied to various questions, ranging from the price of corn and taxes to house prices and the construction industry. Land rent theory continues to live because it explains essential relations between labour, capital and land.

The theory of land rent was originally developed in connection to agriculture. This book, however, is not about agriculture or rural land, but about urban land. The aim of this inquiry is to elaborate urban land rent theory from its agricultural origins to explain contemporary problems of urban real estate. Because this is an urban studies book, it needs a real city as its object of research. The city that is used as a case to apply, test and elaborate land rent theory is the city-state of Singapore.

For two years in the 1990s, I taught urban economics at the National University of Singapore. I had moved there from Los Angeles (UCLA) where I had gone to analyse global real estate investments (especially by the Japanese) after finishing my PhD on land rent theory in Helsinki. Finland was about to join the European Union, and the EU demanded that Finland open its real estate market for foreign investors. I thought Los Angeles was a good place to study global real estate investments, and I arrived there in 1993 (one year after the riots), just in time to discover that big Japanese investors were reconsidering their investments in Los Angeles.

Soon after moving to Singapore, I began to think of the city as a laboratory for testing land rent theory. Singapore is a city-state, without rural landowners and rural land interests. Land is under government ownership and is leased at auctions. Despite this, Singaporean development companies are global actors. Paradoxes seemed to abound, and from the beginning several things puzzled me. I read advertisements of properties being sold in Australia and London in the local newspaper, *The Straits Times*, and I could not understand why Singaporeans would buy properties there. Such advertisements in Finnish newspapers would have made no sense. I read stories about the 'property lobby' and was unable to comprehend what this might be. Slowly I solved these puzzles, thanks to the theory of land rent.

Urban scholars have debated whether any particular city can be a representative, typical, ideal or exemplary case (Brenner 2003). I am not