Abstract

Rent arrears management is not just the sending out of reminder notices to the delinquent tenants to pay up the rent on time. A good management strategy and clear policies must be clearly defined and set out for the staff to follow.

Although the primary function of the Housing & Development Board (HDB) is to provide housing, HDB also build commercial shops in order to provide a total living environment. The management of these commercial premises has given rise to several problems for the HDB, especially the problem of rent collection. The problem was so acute that in July 1989, HDB tenants owed $43.7 millions in arrears.

There were many factors which contributed to this problem. There was no central control or monitoring system to track the arrears level. Operating departments were left mainly on their own to monitor and ensure that the arrears level was within manageable limits. Policies and guidelines were not clear. They were generally phrased and the officers were left to interpret them on their own. No penalties or late interest charges were levied on the delinquent tenants for late payments. Any action taken was usually long drawn and time consuming.

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However, with the setting up of the Commercial Properties Section, the situation has improved. A rent arrears monitoring system has also been set up by the HDB. Penalties are now being imposed on those tenants that are late in their rent payments. The arrears level has seen a drop since all these measures have been taken by the HDB.

But, comparing the arrears level between that of HDB and the private sector, much more can be done by HDB to reduce the arrears level in the HDB commercial shops. The dissertation aims to examine the HDB’s management strategy and policies with regard to the management of rent arrears so that more effective solutions can be recommended.

In the study, it was established that the number of properties managed by each officer was too excessive. This has hampered the effective control and management of the officers concerned. The penalties imposed by the HDB on the late payers were also not substantial enough to cause a deterrent effect. Many of the tenants have thus used the money meant for paying the rent to pay for something else.

The study has thus highlighted that the HDB’s management strategy has to be reviewed and clearer policies and guidelines laid down for the staff to follow. More emphasis should be placed on tenant selection, trade mix and rental charges. Policies such as the time frame for rent recovery must be clearly laid down. The amount of penalty or late charges to be imposed have to be increased. Outside interference by third parties, ie appeals by third person should not be entertained as far as possible.

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