Superstition and housing prices in Singapore

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Can superstition about numbers affect housing prices?
Some Chinese believe that the number eight is auspicious, whereas
the number four is inauspicious because in the Chinese language,
they are homophones for the words “prosperity” and “death”,
respectively.

Can this superstition about numbers affect housing prices? As
for all, in economic theory, homo
economicus (economic man) is
supposed to be rational. Supersti-
tion, however, is synonymous
with delusion, misconception, a
false notion or irrational belief.

Considering how expensive
housing is in Singapore, people
have very good incentives to con-
sider their purchase carefully and
avoid foolish decisions that can
cost them dearly.

Furthermore, being a multi-
cultural and multicultural society,
clearly not everyone in Singapore
subscribes to superstitious beliefs
about numbers four and eight.

It turns out, however, that su-
perstition about numbers does af-
fect housing prices.

Suppose you are buying a prop-
erty. You are not superstitious
about numbers but you also be-
lieve that some other people are.
Should you demand a discount on
an apartment with unit number
ending with four?

Recent research suggests that
the answer is yes. This is perfectly
rational, because in the event that
you need to resell your apart-
ment, you may encounter a super-
stitious buyer who will demand a
discount.

Even if the future buyer turns
out to be rational and non-
superstitious, he still has a good reason
to demand a discount from you be-
cause he shares your worry about
the prospect of future resale. So if
you do not get the apartment at
a discount, you may end up losing
money.

As a result, even a non-
superstitious and perfectly rational buy-
er will demand a discount for an
apartment with unit number end-
ing with four. In other words, ra-
tional buyers may have an incen-
tive to mimic the behaviour of su-
perstitious buyers.

When we examine all private
condominium transactions in Sin-
gapore between January 1995 and
April 2011, we find that new apart-
ments that were completed and
sold before the units were ready
for occupancy, we also find signifi-
cant price discounts for units
whose number ends with four.

These price differentials tend
to persist in the resale market.
Consequently, the rate of return
from buying an apartment with
unit number ending with four is
even higher than the rate of return
from buying any other apart-
ment. In other words, buying an
apartment with unit number end-
ing with four is no more lucrative
than buying apartments with oth-
er unit numbers.

The discount associated with
number four seems to be insensi-
tive to the share of ethnic Chinese
and the share of older residents
currently in the neighbourhood –
people who are presumably more
likely to be affected by Chinese su-
perstition about numbers. This
suggests that beliefs about future
prospective buyers are important.

Most importantly, for incom-
pleted units that were bought and
sold before the units were ready
for occupancy, we also find signifi-
cant price discounts for units
whose number ends with four.

Because these buyers bought
and sold the apartments while
they were still in construction,
they never occupied the apart-
ments they bought. Many of these
buyers are likely to be property in-
vestors or speculators who had re-
sale rather than personal use in
mind when they bought the units.

That they also demand a discount
on these units suggests that be-
iefs about future resale are what
drive the price discount.

The following quote from
former prime minister Lee Kuan
Yew succinctly captures the story
we are telling: “I’m a pragmatic,
practical fellow... I’m not supersti-
tious about numbers. But if you
have a house which other people
think has disadvantaged fengshui
and numbers, when you buy it,
you must consider that when you
resell. So again it’s a practical con-
sideration. Not that I’m interest-
ed in it. But if I buy that, I must
get a low price because when I sell
it I will get a low price.”

Is it possible for people to learn
over time that superstition about
numbers is not supported by real-
ity? Perhaps. But there is also good
evidence that people exhibit con-
firmation bias. This refers to the
tendency of people to favour infor-
mation that confirms their beliefs.

This bias could result from peo-
ple gathering or remembering in-
formation selectively or inter-
preting it in a biased way. People tend
to remember the one person who
suffers misfortune after moving
into an address with an inauspi-
cious number, but not the many
who do not.

Stories of good or bad fortune
that seem to reaffirm supersti-
tions about numbers also make
sensational headlines. And people
who judge the likelihood that a su-
perstition about numbers is in
fact true and supported by real-
world events are also more likely
to remember those headlines
through a memory short cut
known as the availability heuris-
tic. This suggests that learning
may do little to eradicate supersti-
tions about numbers.

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