

Those million-dollar flats are outliers. Housing remains largely affordable

The grants and subsidies offered to first-time buyers of both BTO and resale flats keep public housing within the reach of Singaporeans.

Phang Sock Yong

Housing affordability is a fundamental issue across the world. Singapore is no exception. This is not surprising as basic shelter is one of the prerequisites of life.

Every now and then, however, one gets startled by reports about million-dollar flats changing hands in the HDB resale market. This kick-starts conversations about the affordability of housing in Singapore. Don't get distracted by such reports.

Exorbitantly priced resale flats in prime locations may make for great headlines, but it is important to maintain the correct perspective. These were resale flat transactions at prices well beyond the norm. Put simply, they relate to prices on the high end of the HDB resale market and do not have a direct bearing on housing affordability for the majority of Singaporeans.

Indeed, since the Housing Board was established in 1960, Singapore has developed one of the most successful publicly funded housing programmes in the world. This is no mere hyperbole. Despite our small land area, almost 90 per cent of Singapore's resident households

are home owners.

This outcome has been made possible by careful planning, HDB's building programme, efficient construction, pricing of new HDB flats, and the ability to utilise Central Provident Fund (CPF) savings to purchase housing.

THE ATTRACTION OF BTO FLATS

The majority of first-time home owners do not pay the market price of resale HDB flats but apply to the HDB for a Build-To-Order flat. BTO flats are priced at significant discounts from the resale prices of comparable flats. In addition, housing grants that are calibrated according to incomes allow households to buy their flat at further discounted prices.

The difference in prices can be vast. For example, a four-room HDB flat in Tampines has a resale price in the range of \$660,000 to \$770,000. But if we use the June 2024 launch of BTO flats in Tampines as an illustration, the "sticker" price (the listed selling price before housing grants) for a new four-room HDB flat starts at approximately \$445,000.

Assuming that the household concerned has a monthly income in the \$4,501 to \$5,000 range, with the recent enhancements to

grants, the applicants will be eligible for \$45,000 by way of the Enhanced CPF Housing Grant (EHG). This means they will pay just \$400,000 for the four-room flat. In other words, the BTO buyers enjoy a discount of between \$260,000 and \$370,000 on the resale price.

Across various HDB locations, first-time buyers can purchase a new BTO flat at an average discount from the resale market price of approximately \$300,000. This enables first-time buyers to purchase a BTO flat at prices substantially below resale prices of a comparable HDB flat. The HDB has also increased the supply of BTO flats in the past five years to better align with the increase in the number of resident households.

ARE RESEAL FLATS ALSO AFFORDABLE?

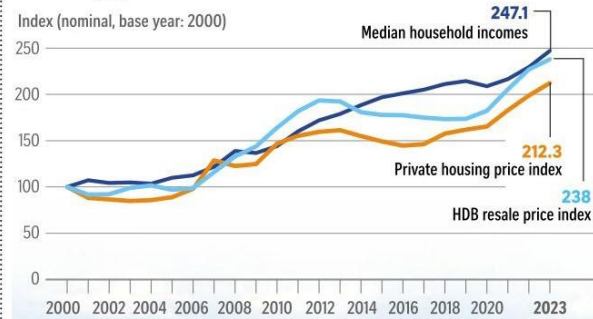
In the ordinary course of things, it would be financially wise and prudent for first-time buyers to avail themselves of the subsidised prices for BTO flats. However, for various reasons, some buyers prefer to purchase in the resale market. Are such homes too expensive for them?

It should be noted that first-time eligible buyers will be given a CPF housing grant of

June 2024 BTO exercise

Town	Project	Flat type	Selling price (excluding grants)	Selling price (including grants)	Transacted prices of resale flats nearby
Tampines	Tampines GreenTopaz	Two-room flexi	From \$152,000	From \$72,000	\$328,000 - \$388,000
		Four-room	From \$445,000	From \$400,000	\$660,000 - \$770,000
		Five-room	From \$589,000	From \$559,000	\$768,000 - \$935,000

Trends in resident household incomes and housing prices



Sources: Time series estimated from data available from websites of Department of Statistics, Urban Redevelopment Authority's Realis and HDB
PHOTO: HDB STRAITS TIMES GRAPHICS

\$80,000 in addition to other qualifying grants based on household incomes. There are also additional grants available to first-time buyers to encourage them to live with or near their parents.

So first-time buyers hoping to purchase a four-room resale flat in Tampines – the example cited above – would also get the \$65,000 EHG grant, plus another \$20,000 if the resale flat is

within 4km of either of their parents' home location. This works out to total grants of \$165,000 for those venturing into the resale market.

Although this grant amount is less than the BTO subsidies, such buyers do not have to endure the BTO ballot uncertainty and do not have to put up with a four- to five-year waiting time while the flat is being completed.

Of course, buyers must tailor

their housing budgets to their means. They need to factor in the possibility of unexpected events – such as interest rates going up – and realise they could face other expenses in the future – such as children's education and making financial provisions for their own retirement.

Coming back to the issue of exorbitantly priced resale flats, it is key to realise that these are outliers and one cannot draw conclusions for the mainstream from data on the periphery.

WHAT THE DATA SHOWS

When it comes to affordability, the core issue concerns the lot of the vast majority of buyers of HDB housing. And here the data shows us that, through government interventions and several rounds of cooling measures, housing price increases have kept pace with (and not exceeded) the growth in median household income. This can be seen from the chart which tracks the median household income and house price indexes for both HDB resale and private housing between 2000 and 2023.

The latest intervention mirrors a trend. The HDB resale price index increased by 4.2 per cent in the first half of 2024, likely exceeding the increase in median household income for the same period. The Government responded by implementing another round of cooling measures. It lowered the loan-to-value limit for HDB housing loans from 80 per cent to 75 per cent. At the same time, housing grants for lower-income households were increased, thus offsetting the impact of the increase in down payment on housing affordability.

Even flats in prime locations remain affordable to most households. To ensure this, the Government had offered higher subsidies combined with tougher resale restrictions in prime locations.

That is why isolated transactions with large resale prices do not make a housing winter. For all intents and purposes, the climate with regard to public housing in Singapore remains generally equable.

• The writer is the Celia Moh chair professor of economics at Singapore Management University.