

New HDB prime housing model



Michelle Ng

At a forum some years ago, a student highlighted Marina Bay Sands as a Singapore icon that is “not really a place for all Singaporeans” because of the high cost involved in enjoying it.

In response, then National Development Minister Lawrence Wong said the Government was looking into building public housing in prime areas like the upcoming Greater Southern Waterfront, to ensure the city is accessible to all.

Singapore cannot be stratified or exclusive, he said at the 2016 event. “You cannot have a person living in a three-room flat or an HDB flat saying: ‘This is not accessible to me, this is a city that’s only for the elites, and it’s not for me.’”

However, one key concern needed to be addressed – how to mitigate the “lottery effect” when owners sell their prime location flats and make a handsome profit, as seen in 2014 when the minimum occupancy period for flats at The Pinnacle@Duxton project lapsed.

Earlier this week, the Government announced a new prime location public housing (PLH) model, along with the first prime Housing Board (HDB) project to come under stricter conditions.

Buyers of future HDB flats built in central locations will have to live in their homes for at least 10 years before they can sell them – to a limited pool of resale buyers on the open market.

Additional subsidies that are factored into flat prices when they are launched as Build-To-Order (BTO) flats will be clawed back by the Government via a percentage of the flat’s resale price.

The exact percentage of the subsidy clawback will be announced at the launch at each HDB project under the PLH model, starting with a BTO project in Rochor that will be launched next month.

Prime locations refer to the city centre in central Singapore and the future Greater Southern Waterfront. Some of the HDB towns and estates immediately surrounding the city centre may qualify, depending on site attributes.

The announcement comes after almost a year of public consultations, which saw more than 7,500 Singaporeans contributing ideas and suggestions to keep new HDB flats in prime locations affordable, accessible and inclusive.

It also comes on the back of a buoyant HDB resale market which saw overall flat prices hitting a record high in the third quarter of this year, sparking concerns about home affordability.

Yesterday, National Development Minister Desmond Lee explained that the PLH model is a “proactive strategy, and the commitment of resources to counteract the powerful social and economic forces that tend invisibly to drive cities towards stratification and fragmentation”.

“We want to build public housing in prime locations like the city centre so that these areas do not become exclusive neighbourhoods that only the well-to-do can enjoy. Left to the forces of economics in the free market, that’s what’s likely to happen and we’ve seen this in many cities around the world,” said Mr Lee in his speech at the Singapore Economic Policy Forum.

WILL IT CURB THE ‘LOTTERY EFFECT’?

Sociologists and property analysts say the PLH model may, to a certain extent, help curb the “lottery effect” and any speculative wealth gain through flipping or renting out of the prime HDB flats.

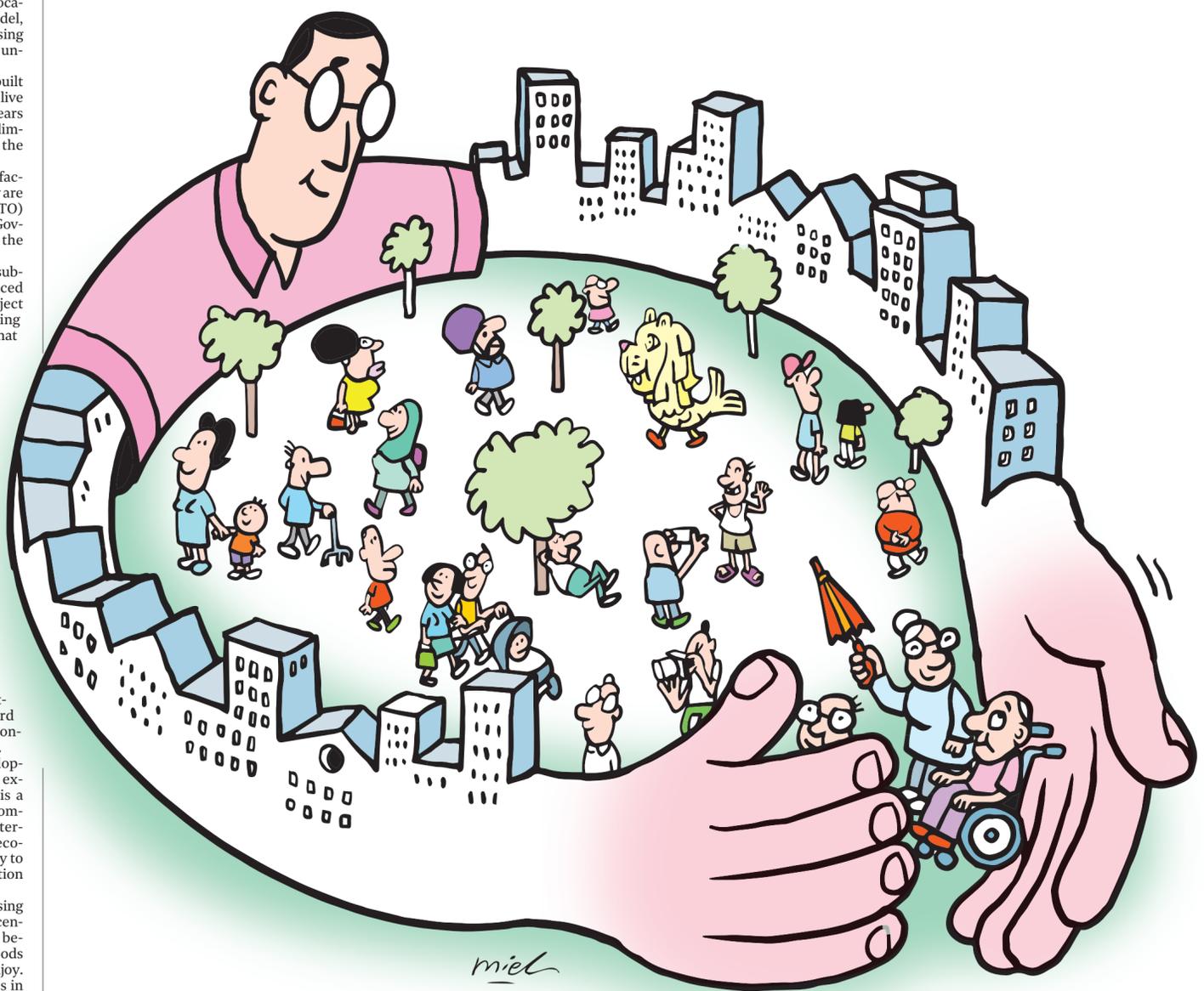
For example, owners cannot rent out the entire unit at any point in time, which is “clearly discouraging those going in for a quick buck”, said Singapore University of Social Sciences (SUSS) associate professor Leong Chan-Hoong.

However, as the numbers of such prime area flats will be small at this current stage, it would be premature to judge the effectiveness of this in curbing the lottery effect in the long run, said Prof Leong.

He suggested it could be timely to study the possibility of applying the PLH model to existing HDB flats in sought-after locations such as Marine Parade, Queenstown and Toa Payoh where “property prices defy economic logic”.

Making the city accessible to all

A new model for public housing in prime locations was unveiled earlier this week, with tighter measures aimed at addressing the ‘lottery effect’ of such homes. How effective will this model be in making these HDB flats more accessible and inclusive? What impact will it have on Singapore’s social fabric and the resale market? *Insight* reports.



The park connector at HDB estate My Waterway@Punggol. Earlier this week, the Government announced a new prime location public housing model with stricter conditions. ST PHOTO: KUA CHEE SIONG

“It’s the idea of normalising a differentiated and calibrated approach to ensure that public housing remains affordable and within reach of the general population, especially for flats that could appreciate in value in the years to come. The PLH model could be a teaser of what’s to come,” said Prof Leong.

Mr Lee had said that, for now, prime areas under the PLH model will be “kept tight” to core central Singapore and does not include estates like Toa Payoh and Bishan.

LOWERING BARRIERS TO ENTRY FOR PRIME PROPERTY

SUSS associate professor Walter Theseira said the broader social issue that the new model aims to address is letting Singaporeans “feel that they have a stake in all parts of our island”.

The model also serves to lower the entry barrier to public housing in prime areas by widening the income band of those who can afford it, he said.

“What the model is really designed to do is to ensure that Singaporeans who are not coming into the public housing market with existing wealth still have a chance to do so, and to dampen the use of public housing as a speculative investment asset,” he said.

“The whole point is to reduce the chance that people can move up the wealth ladder simply by the accident of winning the BTO lottery to buy a heavily subsidised prime area unit.”

However, there are limitations to using housing policies to address social and wealth inequality issues, some analysts note.

“You can certainly ensure that Singaporeans across broad income groups have got access to good quality housing in all parts of the island through policy. But it would, I think, be unwise to rely on public housing policy as a way of addressing inequality in wealth, especially

MIXED INCOMES continued on A19