

Affordable housing: Singapore's experience

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Special Board Meeting

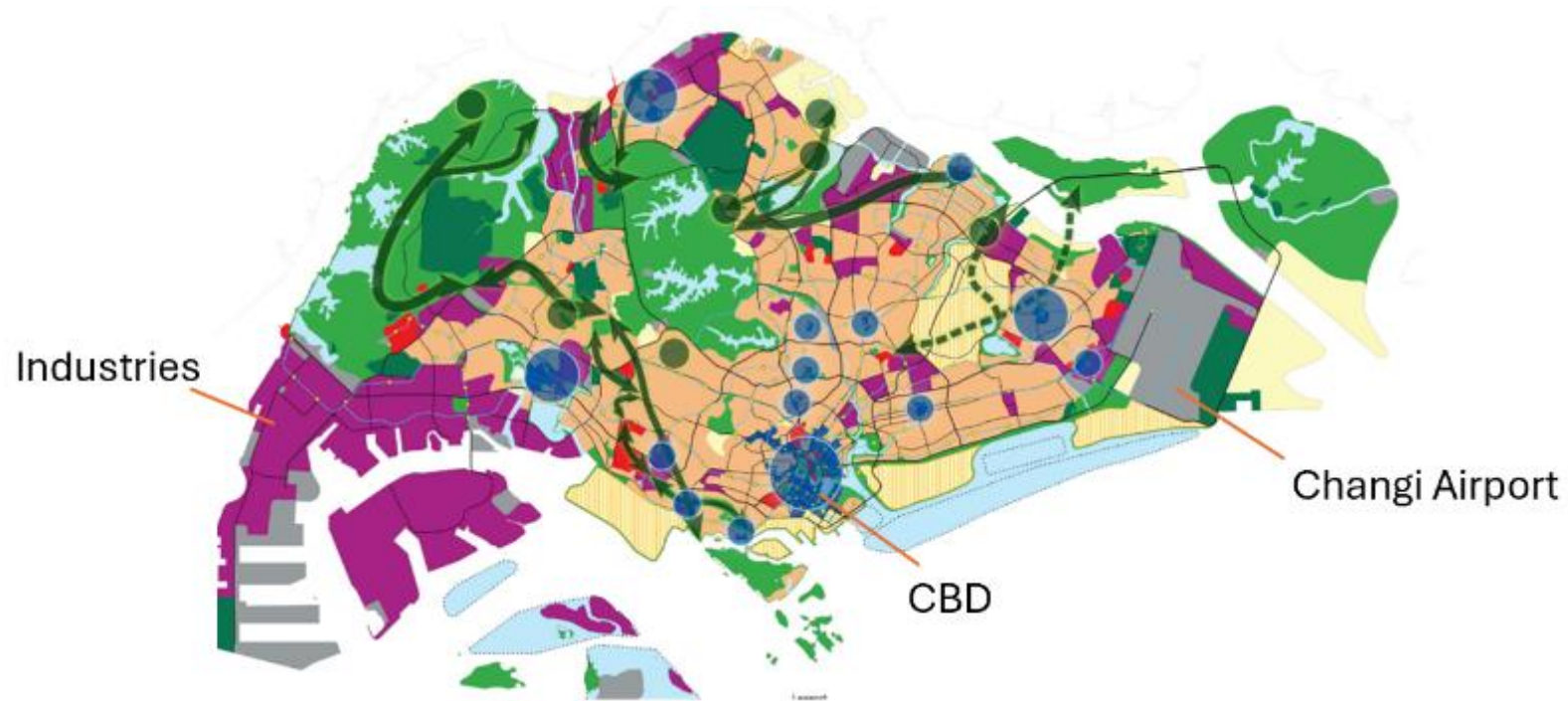
Sep 13, 2024

Outline

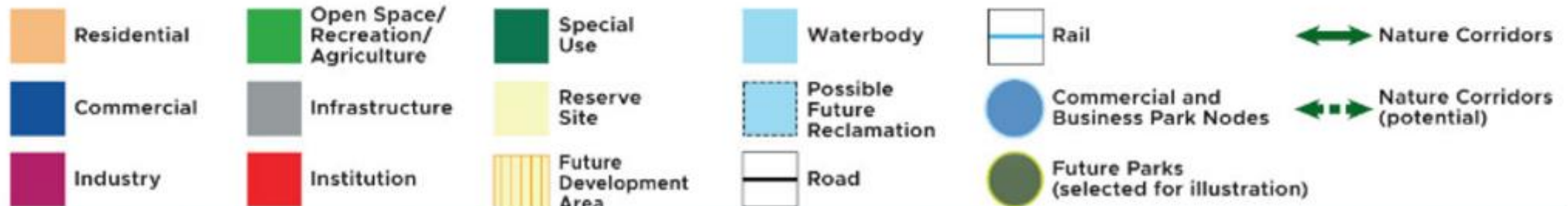
- **Background**
- **Land policies**
- **Housing framework**
- **Fiscal implications**
- **Leasehold system**

Exchange rate S\$1 ~ US\$0.77

Population 5.9 million, Land area 734 km²



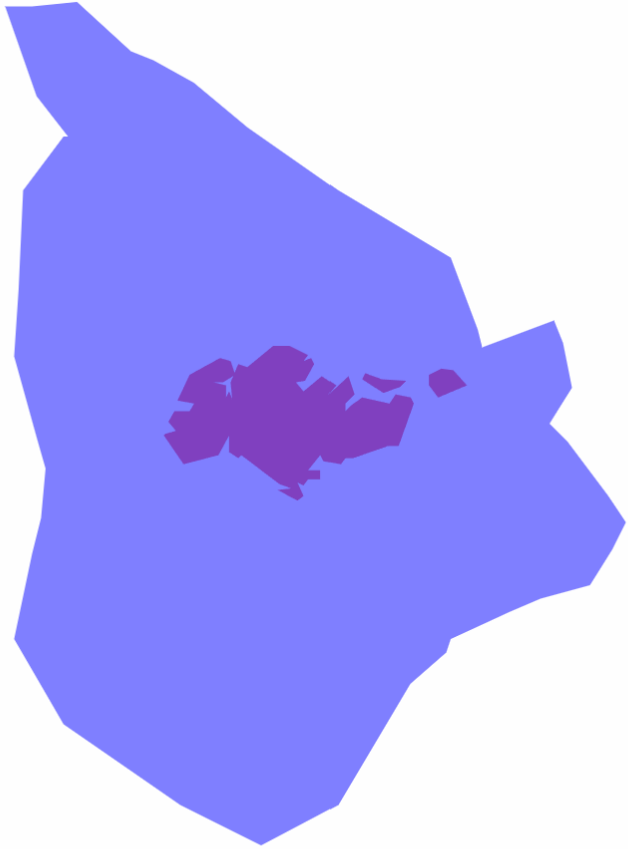
Legend:



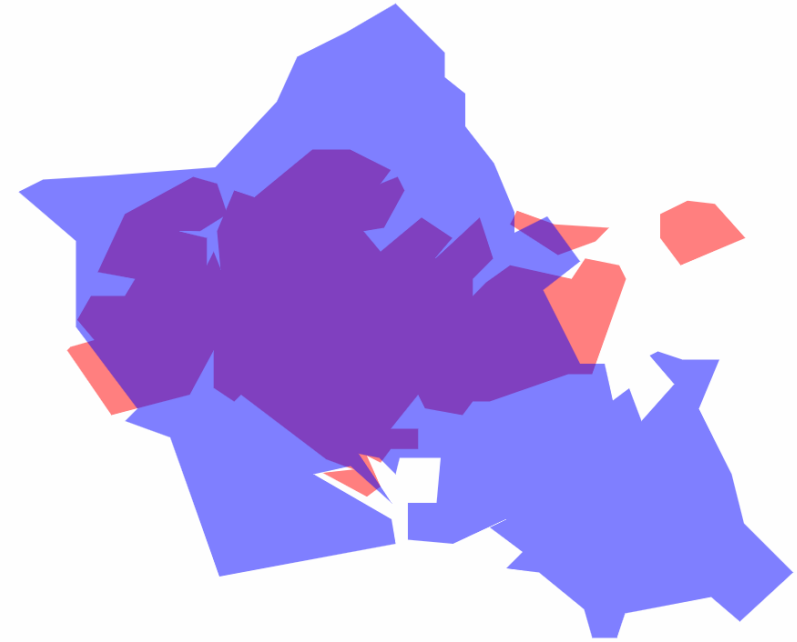
Source for image: URA

BACKGROUND

Hawaii Population 1.4 million, Land area 28,311 km²



Hawaii (island) is **15 times** as big as Singapore



Oahu (Hawaii) is **2.16 times** as big as Singapore

Source:

<https://mapfight.xyz/map/sg/#hawaii>

<https://mapfight.xyz/map/sg/#oahu>

Most common house type: HDB 4-room flat, 99-year lease, ~ 970 sq ft



Source for image: HDB

Punggol Town

Market price

~US\$ 486,000 per unit

~US\$ 500 psf

Listed price of new unit
(before grants)

~from US\$ 240,000 per unit

~from US\$ 247 psf

Average construction cost

~ US\$ 118,000 per unit

~ US\$ 131 psf

Homeownership rate ~ 90% for residents since 1990s



Tampines Town

Source for image: HDB

Housing & Development Board (HDB)

71% of housing units

94% sold, 6% rental

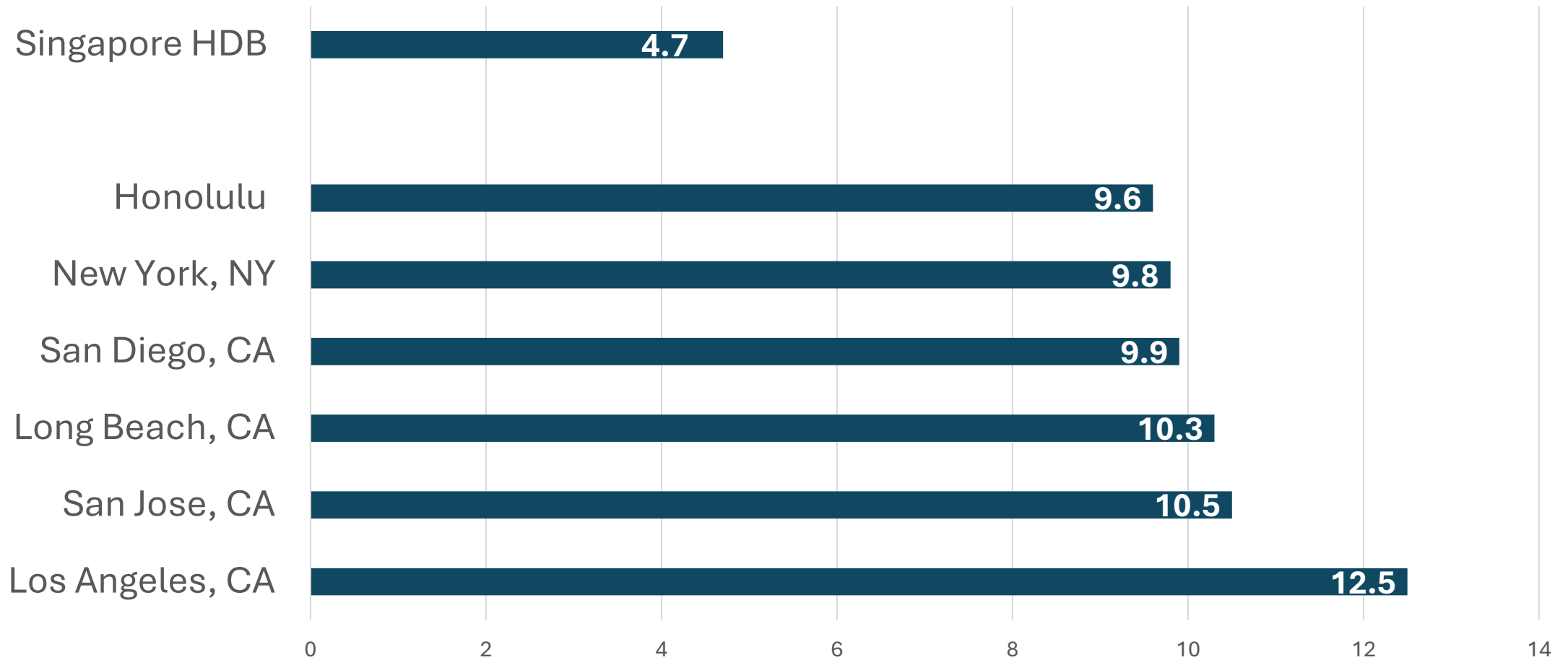
Established in 1960

Leasehold 99 years

Private high-rise **24%**
(fee-simple and **leasehold**)

Private landed **5%**
(mostly fee-simple)

House Price to Household Income Ratios 2022



Sources for data: Singapore: https://asia.uli.org/wp-content/uploads/2023/05/ULI-Home-Attainability-Index-report_-28-May-Finalised.pdf; US cities: <https://constructioncoverage.com/research/cities-with-highest-home-price-to-income-ratios>

Land Acquisition Act 1966

- Gives the state broad powers to acquire land for
 - (a) for any public purpose;
 - (b) by any person, corporation or statutory board, for any work or an undertaking which, in the opinion of the Minister, is of public benefit or of public utility or in the public interest; or
 - (c) for any residential, commercial or industrial purposes.
- Landowners cannot object to decisions
- Appeals on compensation to be made to Appeals Board and not to courts

> 90% State Land

| Year | % of total land |
|---------|-----------------|
| 1960 | 44% |
| 1965 | 49% |
| 1970 | 57% |
| 1975 | 66% |
| 1980 | 70% |
| 1985 | 76% |
| By 2005 | 90% |



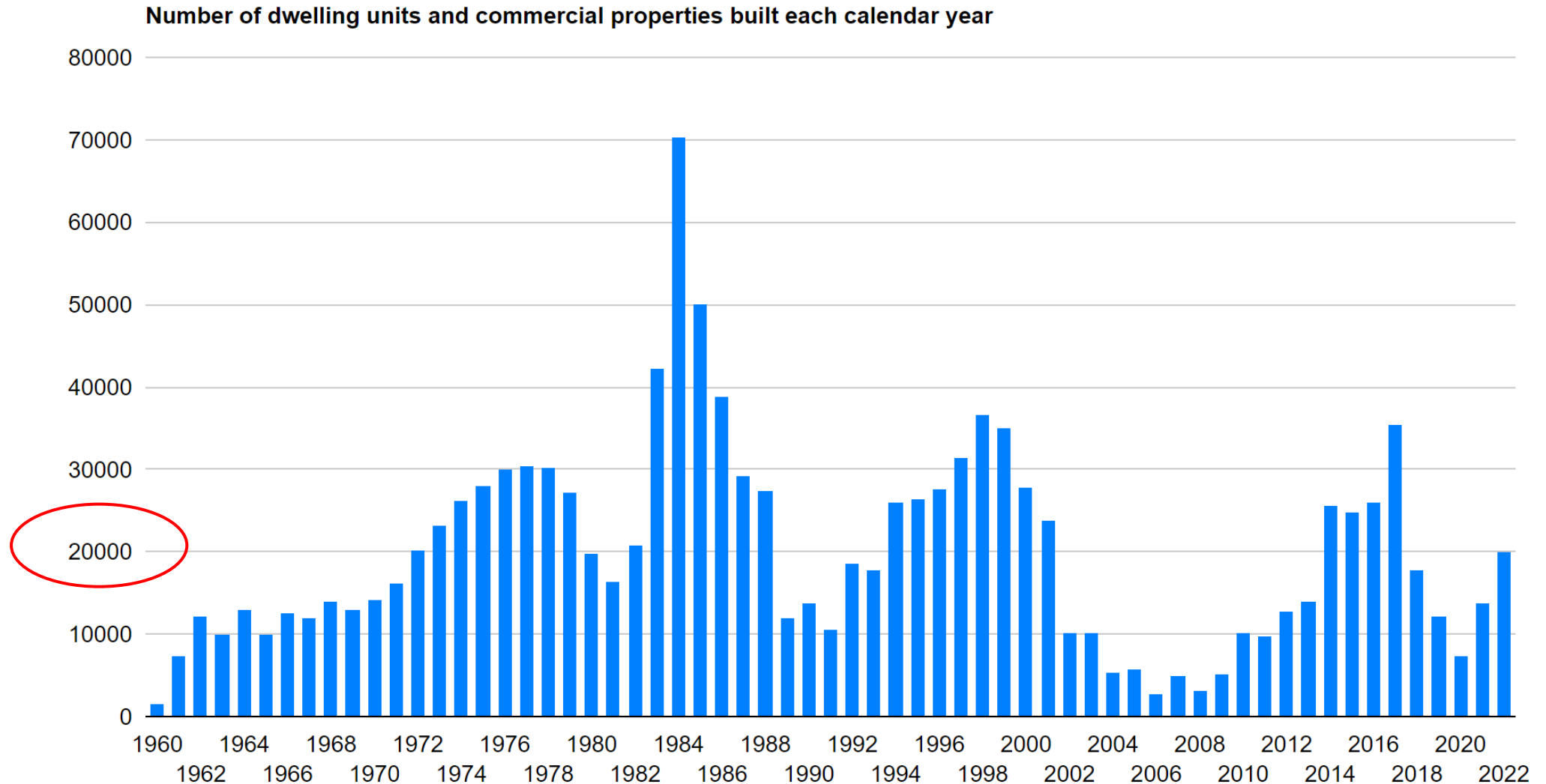
Reclaimed land has increased Singapore's land area by **> 25%** since independence

Source for image: <https://biblioasia.nlb.gov.sg/vol-13/issue-1/apr-jun-2017/land-from-sand/>

Land Use Planning

- 1958 Master Plan modelled after Greater London Plan of 1944
- 1959 Planning Act provided for Master Plan revision every 5 years,
& exemption of public sector projects
- 1964 Amendment to introduce Development Charge
(currently 70% of increment in land value)
- 1971 **Concept Plan** to guide long term land use
- 1990 Change in planning approach from passive updating to guidance on permissible land use and density for developments in Singapore.
- Long-Term Plan for next 50 years – reviewed regularly
- Master Plan for next 10 to 15 years- reviewed every 5 years

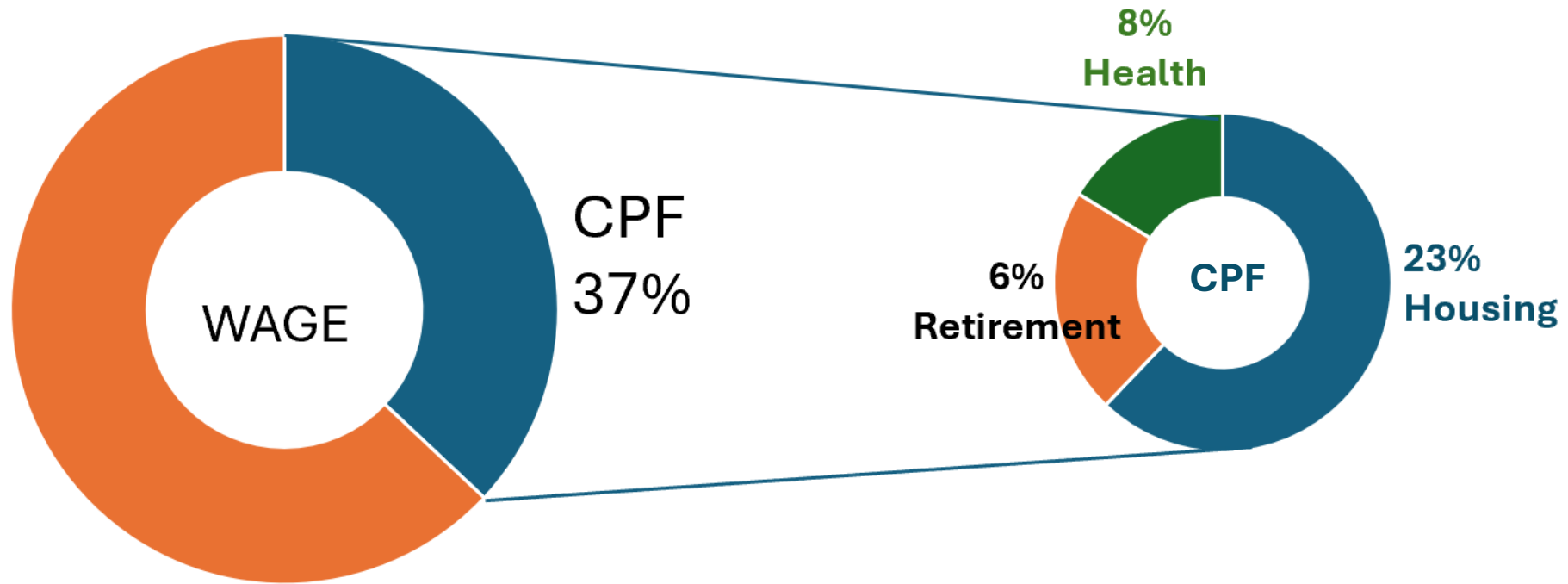
HDB building statistics



Source for chart: <https://www.teoalida.com/singapore/hdbstatistics/>

HOUSING

Mandatory CPF savings

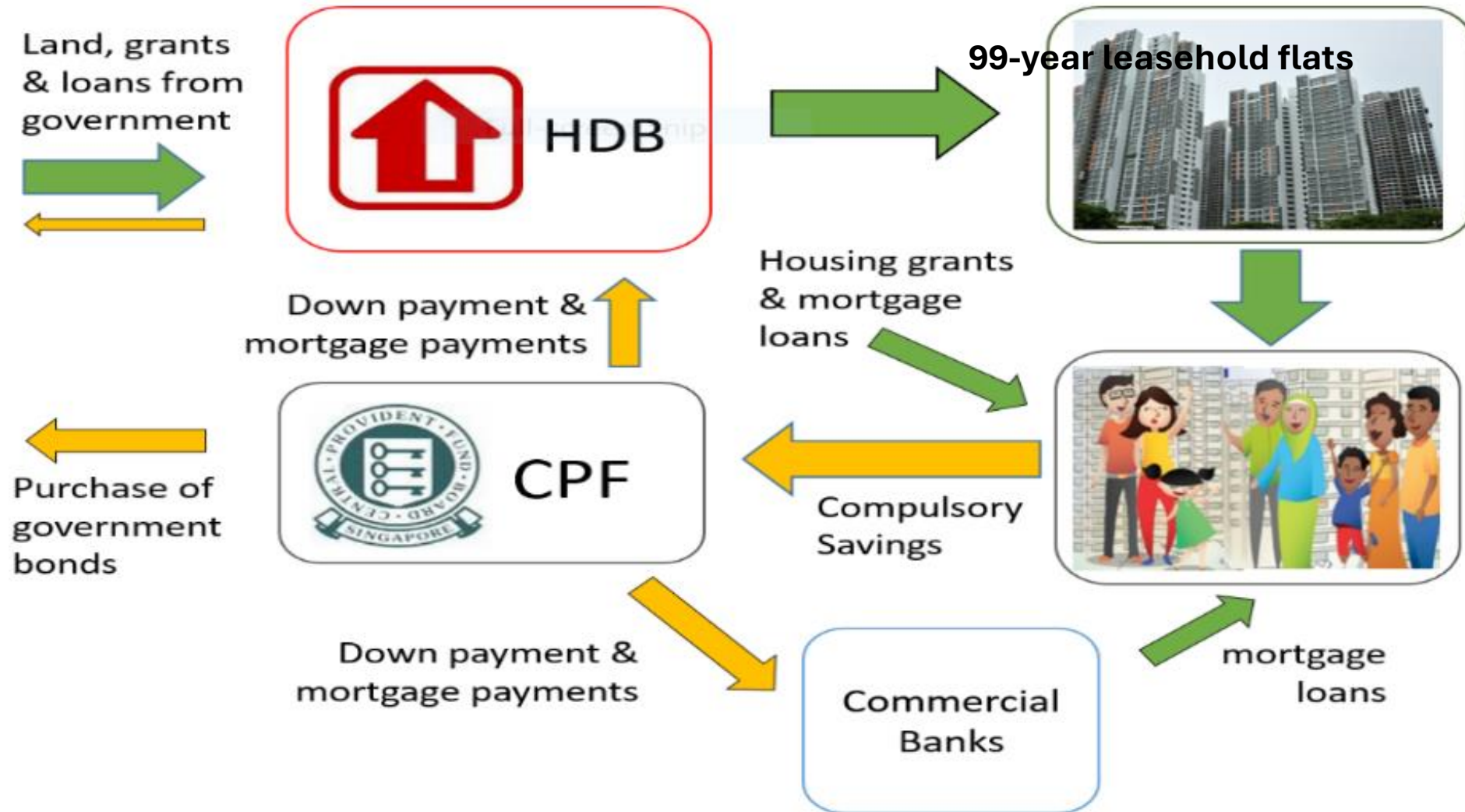


**2022 CPF
contributions:
6.5% of GDP**

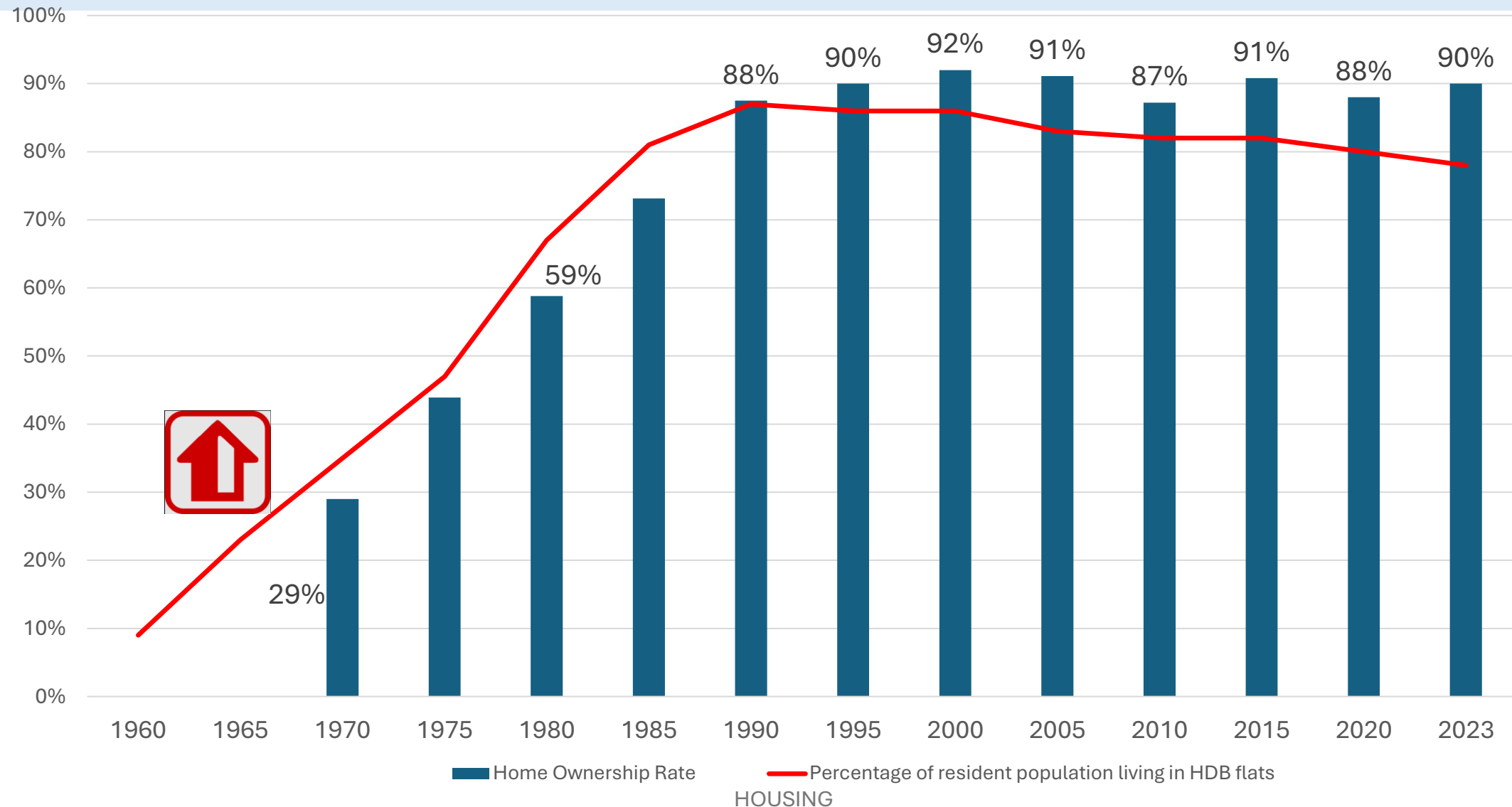
**2022 CPF withdrawals
for housing: 3.2% of GDP**

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Central Provident Fund savings for housing finance



Homeownership and HDB population



Pricing for affordability

| Flat Prices in February 2024 BTO Exercise | | | Sticker Prices S\$ | Net Prices S\$ | Market Prices S\$ |
|---|-------------------|-----------------|-------------------------------------|---------------------------------------|---|
| Town | Project | Flat Type | Selling Price (Excluding Grants) | Selling Price (Including Grants ^) | Transacted Prices of Resale Flats Nearby # |
| Punggol | Matilda Riverside | 2-room Flexi | From \$131,000 | From \$51,000 | \$325,000 - \$360,000 |
| | | 3-room | From \$242,000 | From \$167,000 | \$425,000 - \$455,000 |
| | | 4-room | From \$318,000 | From \$258,000 | \$530,000 - \$605,000 |
| | | 5-room | From \$464,000 | From \$419,000 | \$650,000 - \$745,000 |

^ For illustration purposes, the assumed **Housing Grant amounts** are:

- 2-room Flexi flat: \$80,000
- 3-room flat: \$75,000
- 4-room flat: \$60,000
- 5-room flat: \$45,000

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**Average discount
from market prices
~ US\$230,000 per
household**

Housing grants for first time homeowners S\$

(amounts effective from Aug 20, 2024)

Grants for **new and resale** HDB flats for 1st time homeowner households

| Household monthly income | Enhanced Housing Grant |
|--------------------------|------------------------|
| ≤\$1,500 | \$120,000 |
| \$1,501 - \$2,000 | \$110,000 |
| \$2,001 - \$2,500 | \$105,000 |
| \$2,501 - \$3,000 | \$95,000 |
| \$3,001 - \$3,500 | \$90,000 |
| \$3,501 - \$4,000 | \$80,000 |
| \$4,001 - \$4,500 | \$70,000 |
| \$4,501 - \$5,000 | \$65,000 |
| \$5,001 - \$5,500 | \$55,000 |
| \$5,501 - \$6,000 | \$50,000 |
| \$6,001 - \$6,500 | \$40,000 |
| \$6,501 - \$7,000 | \$30,000 |
| \$7,001 - \$7,500 | \$25,000 |
| \$7,501 - \$8,000 | \$20,000 |
| \$8,001 - \$8,500 | \$10,000 |
| \$8,501 - \$9,000 | \$5,000 |
| >\$9,000 | NA |

Buying a resale flat

Buying a 2- to 4-room resale flat:

- SC/ SC: \$80,000
- SC/ SPR: \$70,000

Buying a 5-room or bigger resale flat:

- SC/ SC: \$50,000
- SC/ SPR: \$40,000

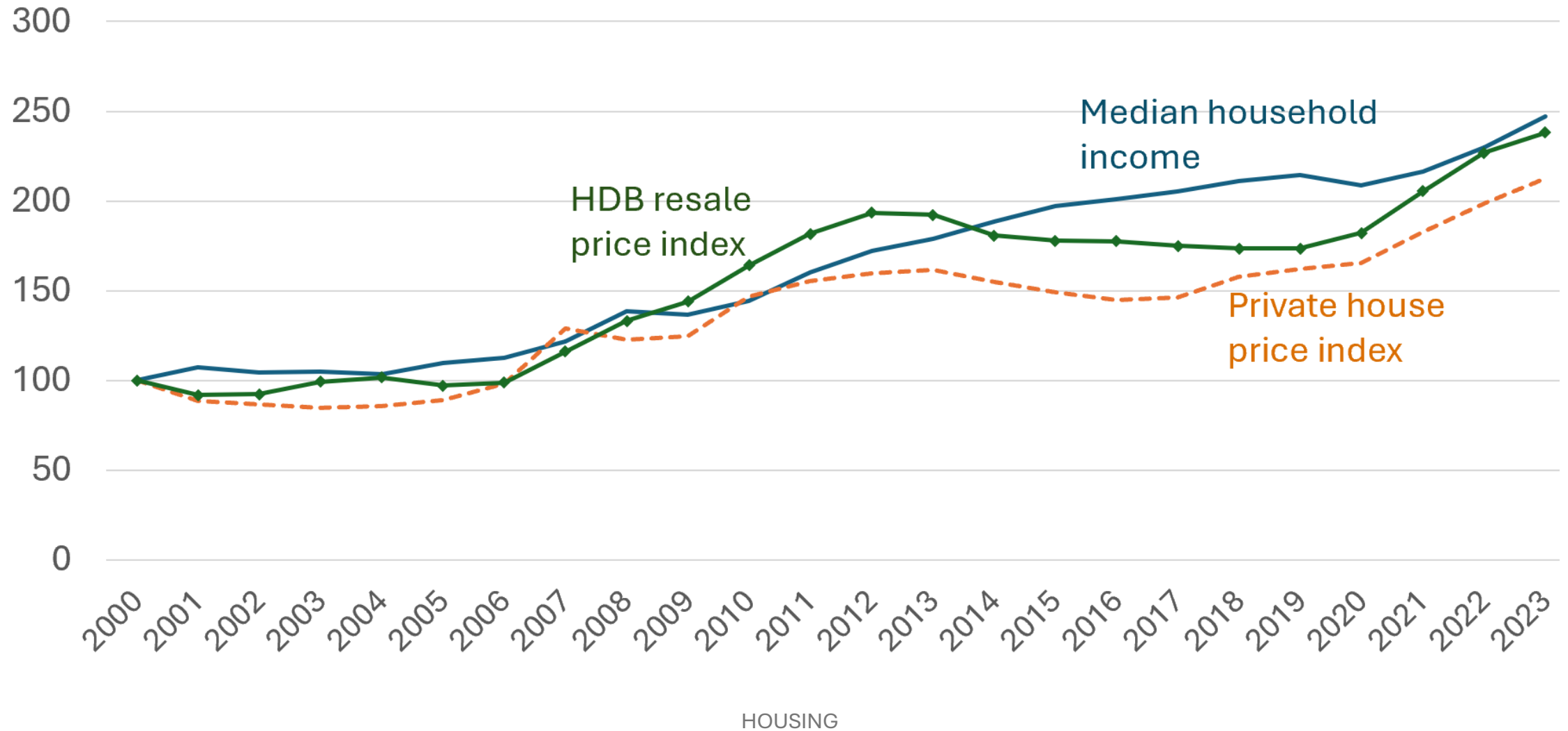
Proximity Housing Grant

- \$30,000 to live with your parents/ child
- \$20,000 to live near your parents/ child (within 4km)

Housing

HOUSING

Keeping house prices in line with incomes



Property market “cooling” measures

| Round | Date | Policy instrument | | | |
|-------|-------------|--|---|------------------------------------|-------------------|
| | | Changes to LTV ratio and TDSR caps, mortgage loan conditions | Increase in Buyer Stamp Duty (BSD) and ABSD | Changes to Seller Stamp Duty (SSD) | Other regulations |
| 1 | 14 Sep 2009 | √ | | | |
| 2 | 20 Feb 2010 | √ | | √ | |
| 3 | 30 Aug 2010 | √ | | √ | |
| 4 | 14 Jan 2011 | √ | | √ | |
| 5 | 8 Dec 2011 | | √ | | |
| 6 | 6 Oct 2012 | √ | | | |
| 7 | 12 Jan 2013 | √ | √ | | √ |
| 8 | 29 Jun 2013 | √ | | | |
| 9 | 27 Aug 2013 | √ | | | √ |
| 10 | 9 Dec 2013 | √ | | | √ |
| 11 | 11 Mar 2017 | * | √ | * | |
| 12 | 06 Jul 2018 | √ | √ | | |
| 13 | 16 Dec 2021 | √ | √ | | |
| 14 | 30 Sep 2022 | √ | | | √ |
| 15 | 15 Feb 2023 | | √ | | |
| 16 | 27 Apr 2023 | | √ | | |

Note: * denotes relaxation of measures. From 11 March 2017, seller stamp duty was reduced and TDSR cap ceased to apply to mortgage equity withdrawal loans with LTV ratio equal or below 50%.

Source: For details of policy changes, see SRX Property Portal at <https://www.srx.com.sg/cooling-measures>

Government Land (Leasehold) Sales

Government

- Release state lands sales program every 6 months
 - Confirmed list
 - Reserve list
- Regulate land development:
 - Detailed planning
 - Zoning regulations
 - Detailed sales conditions

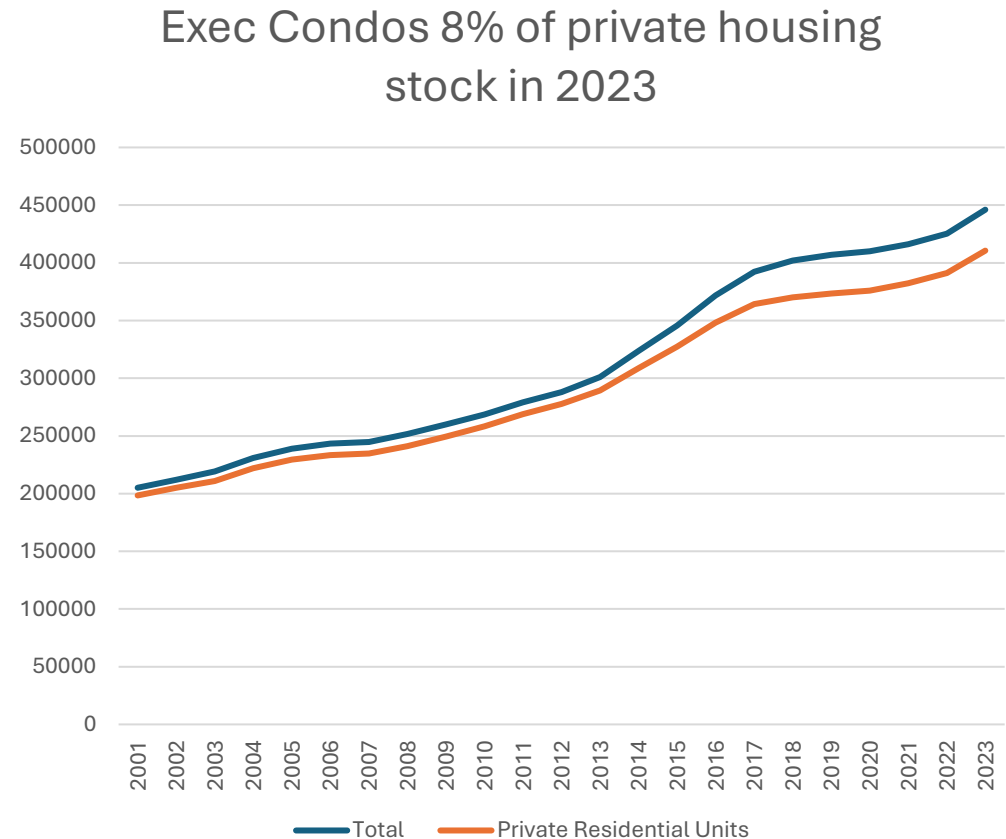


Private Developer

- Purchase state land through **bidding**
 - Commercial
 - **Residential**
 - Industrial
- Design and build developments while abiding by planning rules, regulations, and sales conditions

1996 Executive Condominium Scheme (~ PPP)

- Government land sales to private developer
- Household monthly income ceiling ~S\$16,000
- Minimum Occupation Period – 5 years
- 5th – 10th year: Buyer must be Singaporean or PR
- After 10th year, **considered private properties**



A cocktail of “takings” and “givings”

A. Housing Supply Interventions

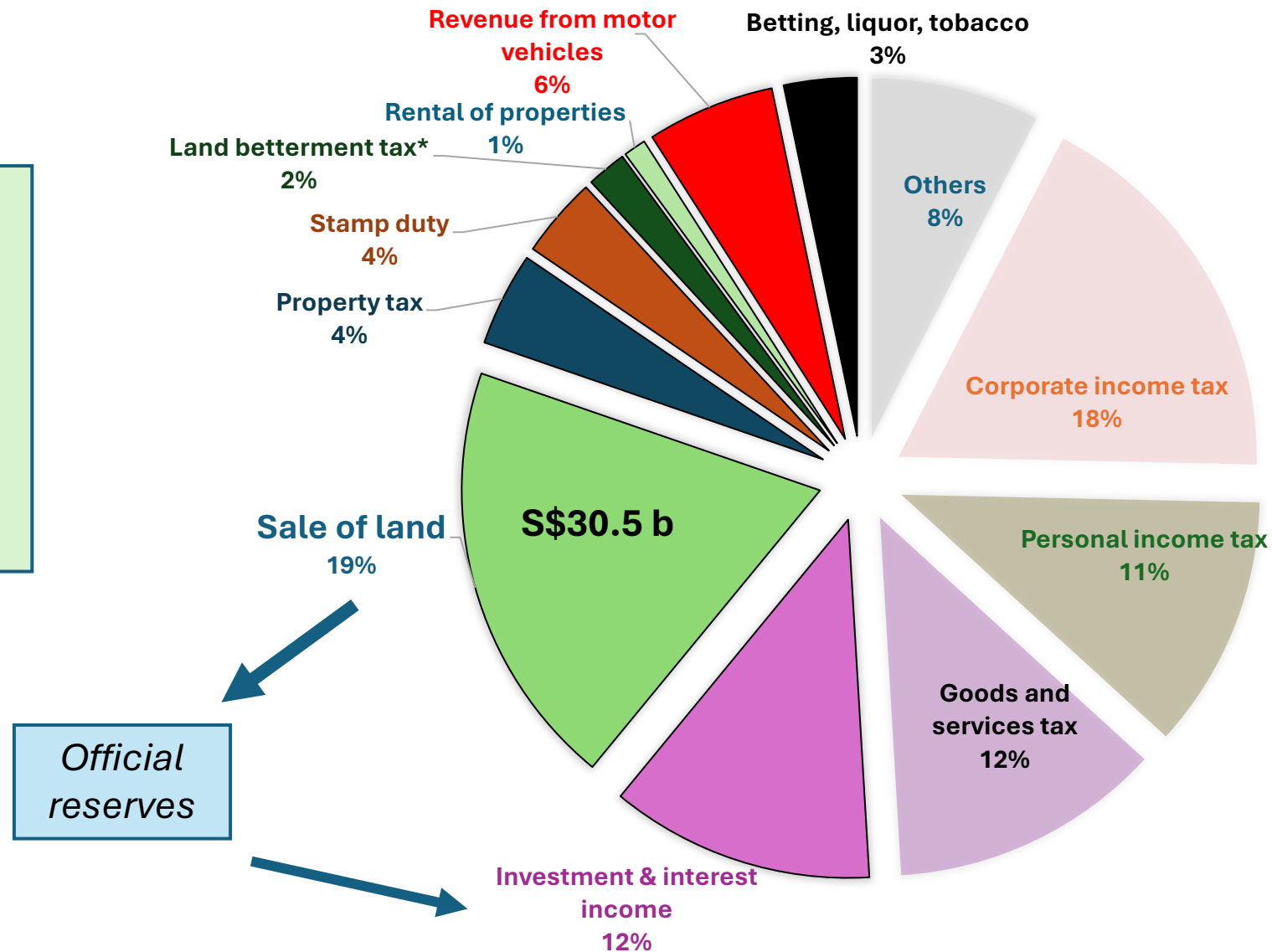
1. **Government land acquisition/reclamation**
2. **Land use planning**
3. **HDB (71%)**
 - provides rental housing (4%)
 - develops units for sale (67%)
 - regulates secondary market (resale HDB flats)
4. **Executive Condominium PPP Scheme (2%)**
5. **Private housing (27%)**
 - rent decontrol
 - land use Master Plan: up-zoning guidance
 - legislation to remove gridlock and incentivise redevelopment at higher density
 - transparent land **betterment tax** framework
 - government **land sales** for private housing

B. Housing Demand Interventions

1. **CPF savings for housing purchase**
2. **Market segmentation & regulation**
 - residency status (citizen, PR, foreigner)
 - household income
 - household profile (ethnicity, age, marital status)
 - location (prime, plus, standard)
3. **Macroprudential (anti-speculation) policies**
 - buyer stamp duty (1% - 6%)
 - additional **buyer stamp duty** (0% - 65%)
 - individual or entity
 - residency status
 - number of housing units owned by buyer
 - **seller stamp duty** (0% - 12%)
 - caps on LTV, DS and TDS ratios
4. **Progressive property taxes (0% -36%)**

Government revenue, est. FY2024

Revenues associated with “land value capture” & externalities: ~ 50% of total revenues, ~10% of GDP



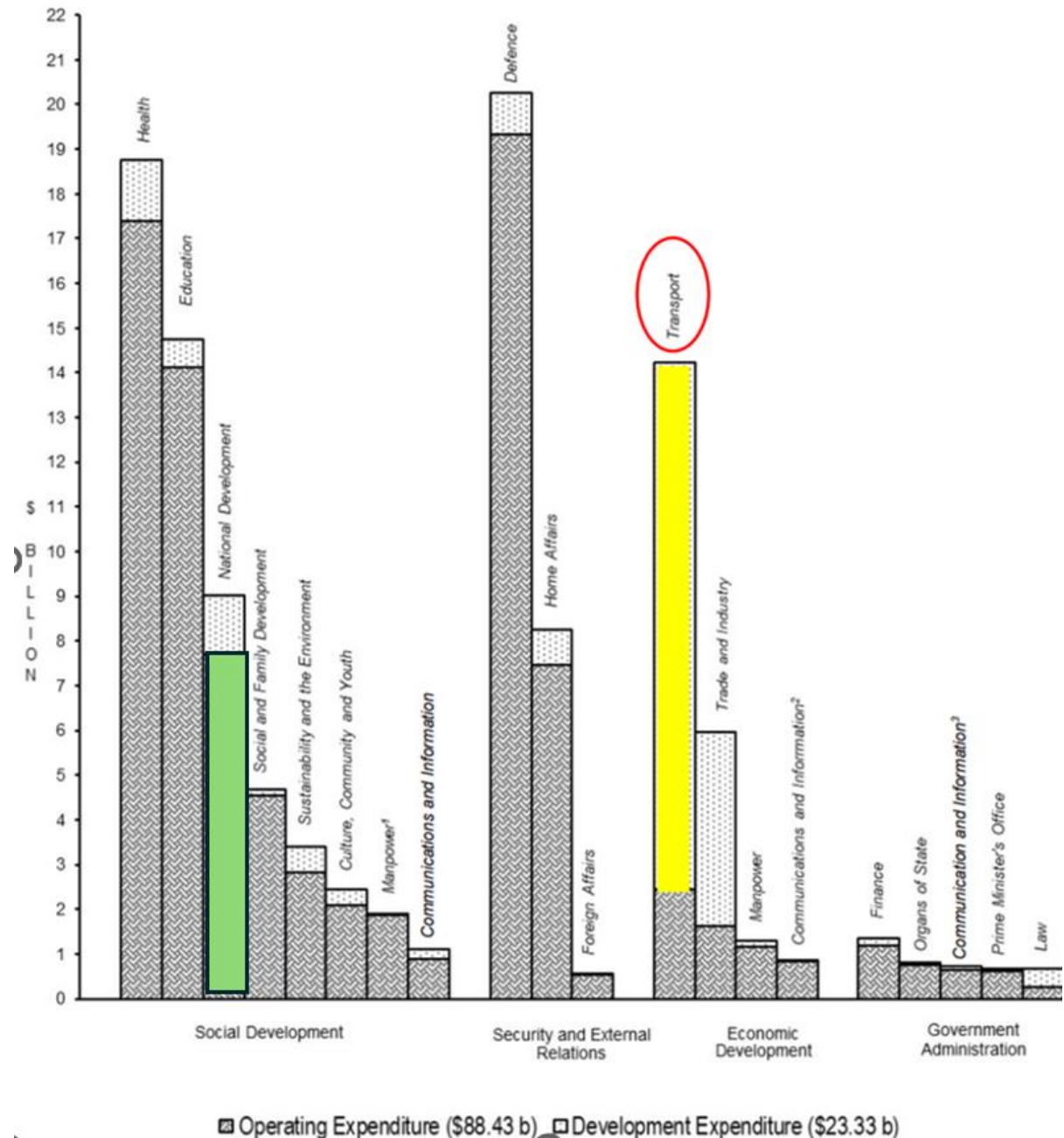
Government Expenditure for FY2024 by Sector and Ministry

Operating Expenditure for HOUSING is 5th largest item after defense, health, education, home affairs.

TRANSPORT Ministry allocated largest Development Expenditure amount of all ministries

Source for chart: Ministry of Finance

FISCAL



HDB's finances (US\$)

| | FY 2023/2024 |
|---|-----------------|
| Revenue from sales flats | \$4.5 b |
| Cost of sales flats | \$ 5.5 b |
| Loss on sales | \$ 1.0 b |
| HDB's manpower costs | \$ 516 m |
| HDB's deficit before government grant | \$5.2 b |
| Government grant received | \$5.1 b |
| Government financing loans to HDB (mortgages and upgrading) | \$31.5 b |
| Government grants to HDB as % of 2023 GDP | 0.98% |
| Payment to Singapore Land Authority for purchase of land | \$5.8 b |

Source: HDB's financial statements for year ended 31 March 2024 (conversion at S\$1 = US\$ 0.7676).

Lease expiry policy

- “99 years is a very long time....**After that, the flat returns to the state, the Government redevelops the land and builds new flats for future generations.** This is the only way to recycle the land and ensure that all our descendants can buy new BTO [HDB] flats of their own. If instead the Government had sold you the flat on freehold, that means in perpetuity. Sooner or later, we would run out of land to build new flats for future generations. The owners would pass their flats down to some of their descendants, many generations into the future. Those lucky enough to have a flat, they become flat owner. Those not lucky enough to inherit a property would get nothing. So, our society would split into property owners and those who cannot afford a property. I think that would be most unequal, and socially divisive. So, that is why 99-year leases are not just for HDB flats. In fact, for private housing also, the Government only sells land on 99-year leases.”

Prime Minister Lee Hsien Loong,
[National Day Rally Speech, 2018](#)

Prices: leasehold vs fee-simple

Sing and Sia (2021)

- 1995 to mid-2019 period, dataset of 156,500 private non-landed housing transactions (49% freehold, 51% leasehold)
- Freehold property sold at 10.4% higher on average per unit price than comparable leasehold properties, after controlling for property age, unit size, distance to MRT, CBD, etc.

Agarwal and Sing (2019)

- 1997 to 2017 period, dataset of 618,000 resale non-landed housing transactions (77% HDB, 11% private leasehold, 12% fee-simple)
- depreciation rates for the three housing types are very similar in the first 10 years
- after 10 years, private freehold residential properties depreciate at a slower rate relative to private leasehold residential properties and HDB flats.
- depreciation rates of private leasehold residential properties and HDB flats are similar to each other for up to 20 years.
- after 20 years, HDB flats depreciate much slower than the two classes of private residential properties.

Collective sales of private properties

- First sale in 1994
- Allows aged developments to be redeveloped, increasing supply of properties
- Rezoning and upzoning potential of plots publicized in each Master Plan review
- Market-driven and benefiting owners, developers, buyers
- Pre-1999: 100% consensus required
- From 1999: require at least 80% majority of owners (by share value). For developments < 10 years old, at least 90% majority.
- 2017: 31 deals for a total of US\$6.5 b
- 2018: 36 deals for a total of US\$7.9 b
- offers leasehold property owners exit option as lease runs down

Private housing collective sale process

1. Pro tempore committee set up to rally interest
 2. General meetings: Collective sales committee set up
 3. Engage property consultant, valuer and law firm to determine **reserve price, apportionment of sales proceeds** and draft **collective sales agreement**
 4. Voting takes place
 5. Property consultant handles sale by tender
 6. Applies to Strata Titles Boards for approval if there is no 100% consensus (within 12 months of Step 4)
 7. Enbloc sale concluded
- Developer pays Additional Buyer Stamp Duty (ABSD) at time of acquisition of residential land (ABSD remittable upon minimum proportion of units sold).
 - After acquisition, residential project must commence within 2 years and be completed within 5 years.
 - Developer applies for development permission. For leasehold development, **applies to top up lease to 99 years**. Pays betterment charge.

HDB's Selective Redevelopment Scheme (SERS)

1995-2024: 83 sites

Redevelopment of older HDB estates via compulsory acquisition

1. Announcement
2. Exhibition
3. Flat valuation
4. Owners meet with HDB official
5. Precinct survey
6. Compensation notice
7. Rehousing choice
8. New flat selection
9. Key collection
10. Moving out
11. Celebrating with neighbours

Source: [HDB](#)

Largest SERS project (2014)

Tanglin Halt: 31 blocks, 3,480 flats, about 200 market & hawker stalls, shops and eating houses, 7 commercial blocks



From Tanglin Halt (10 storeys) to Dawson (47 storeys)

HDB's Voluntary Early Redevelopment Scheme (VERS)

- Announced by the Prime Minister on 18 August 2018
- Voluntary scheme offered to selected precincts when they are aged 70 years or older

| | SERS | VERS |
|---|--|---|
| Mode of redevelopment | Compulsory; Home owners in chosen precincts have to participate in SERS | Voluntary; Home owners in precincts offered VERS will vote to decide if they want the Government to take back their flats before the lease runs out |
| Eligibility | Selected precincts with high redevelopment potential | Offered to selected precincts when flats are aged 70 or older |
| Terms of Offer (compensation, rehousing options and other benefits) | <p>Compensation based on market value of HDB flat at time of SERS announcement</p> <p>Homeowners can choose to purchase a new 99-year lease flat at a subsidised selling price at the designated replacement site</p> <p>SERS grant (up to \$30,000) to pay for replacement flat</p> <p>Other benefits such as reasonable expenses to move, concessions on resale levy or premium, and waiver of administrative fees</p> | Terms will be less generous than SERS. More details to come |

Singapore – case of how
strategic value capture and planning,
government supply of housing,
integrating housing with retirement savings,
careful regulation (and deregulation) of housing markets
have led to affordable housing,
enabling economic growth with equity