

Mortgage rates likely to remain high, households cautioned to practice financial prudence: Sim Ann

Sim shared that HDB has increased the supply of Parenthood Provisional Housing Scheme (PPHS) flats.

Hannah Martens

Mothership, June 12, 2023

Sim shared that HDB has increased the supply of Parenthood Provisional Housing Scheme (PPHS) flats.

Senior Minister of State for National Development Sim Ann said that with mortgage rates likely to remain high, households should exercise financial prudence.

Sim was speaking on the topic about revisiting public housing in Singapore, and was addressing windfall effects and stratification at the Institute of Policy Studies 35th anniversary conference on Jun. 12, 2023.

She emphasised that the government sees no reason to prevent flat prices from appreciating in line with general economic conditions — because the benefits accrue to homeowners.

However, the government recognises that volatile price changes in HDB (Housing Development Board) flats are detrimental and will discourage speculation.

She added that HDB is working towards minimising distortions, such as windfall effects, and ensuring that subsidies and grants will be at a level that Singaporeans taxpayers can afford over the long term.

She also noted the concerns on the likelihood for highly valued HDB neighbourhoods to stratify along income lines.

HDB flat should be used primarily as a home

Sim said that public housing is focused on owner-occupation.

She said that this means using the HDB flat primarily as a home.

However, Sim added that there is also flexibility, which is part and parcel of ownership. For example, she pointed out that HDB has relaxed the rules on using flats as home offices.

She highlighted that many HDB homeowners have come to view the ability to monetise their flats as an important element of ownership — renting out rooms or subletting their flats, or participating in the resale market.

Strengthening owner-occupation intent keeps neighbourhoods inclusive

Sim explained how the Prime Location Housing (PLH) scheme helped to address home buyers purchasing sought-after units and selling them on the market after the Minimum Occupation Period (MOP) for financial gains, where it could lead to Housing Development Board (HDB) neighbourhoods to stratify along income lines.

With a longer MOP, restrictions on who the owner can sell the unit to and the recovery of additional subsidies to price new flats to make them more accessible, these measures under the PLH model add to existing restrictions on resale.

"We felt it was important to make these changes to strengthen the owner-occupation intent of public housing and help keep neighbourhoods as inclusive as possible," Sim said.

Concerns over housing prices

Sim acknowledged heightened anxieties amongst Singaporeans regarding housing affordability, citing global inflation, geopolitical conflict and tensions, and uncertain economic outlook as reasons for these anxieties.

She pointed out that Covid-19 caused construction delays, leading to short-term housing shortages and a sharp rise in resale prices and rents.

Sim added that the government is working on these immediate concerns by having HDB ramp up BTO supply by launching up to 100,000 flats from 2021 to 2025, including more flats with shorter waiting times.

She added that as of May 2023, HDB has successfully delivered over 60% of the delayed BTO projects over the last two years.

Sim said that after the most recent May 2023 BTO launch, the median first-timer application rates for 3-room or larger flats had returned closer to pre-pandemic levels, and HDB resale prices also saw their smallest increase last quarter in more than two years.

Helping young homebuyers who find rental prices daunting

Sim pointed out that the government notes the concerns of younger homebuyers who urgently need interim housing before their BTO flats are ready and are daunted by the current state of the rental market.

She shared that HDB has increased the supply of Parenthood Provisional Housing Scheme (PPHS) flats from 800 units in 2021 to 1,800 in 2023.

Sim added that the HDB has already achieved the target, and will in fact supply close to 2,000 PPHS flats by the end of 2023.

Sim recognises that the supply of such flats is still limited, and the government is studying ways to maximise further the available pool of PPHS flats.

Caution financial prudence

Sim reiterated that Singapore is entering a new phase of nation-building, amidst a broader economic environment that remains extremely uncertain.

She pointed out that analysts say the global economy may experience a shallow downturn in the coming quarters,

However, Sim warned that the broader economic environment remains "extremely uncertain".

She said, "Mortgage rates are likely to stay elevated for some time. We, therefore, encourage households to exercise financial prudence. Being core to the Singapore way of life, our public housing policy will need to be revisited and adjusted regularly."