

Singapore Dream?

Today's home buyer is tomorrow's upgrader. Recent cooling measures make it easier for first-time buyers to get on the housing ladder, but harder for them to climb up. What does it mean for the Singapore Dream? And how will it affect the income divide?

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The Singapore Dream, or one version of it, used to go like this: Buy a Housing Board flat and live there for a few years. Then, sell it for fat proceeds and upgrade to a private property. When the children have grown up and moved out, cash out and move back into an HDB flat to live out the golden years.

But with property prices spiralling in a red-hot market, pushing the stepping stone to that dream out of reach for most, it became untenable for the Government not to step in to cool things down.

And so it did with new rules to curb speculation and over-leveraging on Aug 30.

But while these measures might work to rein in runaway prices, they have also made property buying and selling more conditional and complicated for existing and future home owners.

If you own a resale flat, you can no longer buy private property within the first five years of the purchase. When you do so after five years, you will have to put a higher down payment if your first loan is not all paid up. And when you move into an HDB flat again, you can no longer bequeath your private property to your children or rent it out for income.

Meanwhile, permanent residents will have to part with any property they own in their homeland in order to buy an HDB resale flat.

The many people affected by the changes have made their dismay heard loud and clear. Given that property gains play a big part in generating wealth here, the measures have left many middle-class aspirants wondering: Is the Singapore Dream slipping away?

Not so mobile now?

Because, to be sure, the Singapore Dream is not found in the HDB flat, but in how fast you can move out of it. For Institute of Policy Studies' (IPS) senior research fellow Gillian Koh, the dream, 'in its materialist interpretation, is about opportunities to strive through sheer dint of hard work, or enterprise to move out of this public housing space'.

It is a dream encapsulated in the notion of upward mobility, and oiled in the past by the largely steady rise in HDB flat values as well as the HDB's former policy of giving second subsidised loans only to flat owners trading in their home for a bigger one.

It is also driven by the regime governing HDB flats which, before the recent clampdown on speculation, were seen as a safe asset class with relatively high rental yields and an almost sure-fire chance of appreciating in value some years down the road.

New HDB flats are off limits to investors; the safe haven of starter families shielded from competition from private property owners and, to some extent, cash-rich second-time buyers.

The waters are muddied somewhat when it comes to resale flats. What is ostensibly public housing was - until recent changes - traded very much like private property. Practically any Singaporean or permanent resident family could buy resale flats as long as they planned to live in them. The buyers could also rent them out after a minimum period, which before the recent changes stood at just three years. Also, at one point, certain buyers needed to live in the flats for only one year before flipping them for profit.

But such relaxed rules came with costs.

If the private housing market was a gentrified game of golf among the cash-rich bigger boys, the HDB resale market was the equivalent of the high school rugby scrum where one and all scrambled for the prize. Here, foreign nationals eyeing affordable accommodation, Singaporean private property owners, and singles disqualified from new flats jostled with anxious couples looking for matrimonial homes they could move into quickly.

And it was a brisk, bruising, high-stakes game. While the private housing market, buoyed by cheap credit and the recovering economy, surged 38.2 per cent in the year leading up to June, the HDB resale price index climbed 15 per cent in the same period. More significantly, the median resale cash-over-valuation amount - which hits buyers directly in the pocket because it cannot be paid for with loans - grew 10 times from \$3,000 to \$30,000.

The brewing bubble caused an outcry, with the loudest voices coming from soon-to-wed couples worried that their dream homes were getting out of reach.

Yet the market hardly wavered in its climb, even as the HDB flooded the market with new flats, raised the minimum occupation period for resale flats, and reduced the quantum of subsidised loans it was giving to those receiving it for the second time.

The private market was even more unstoppable, surging ahead despite two previous rounds of cooling measures, which included the imposition of a seller's stamp duty, of about 3 per cent, if a home was sold within one year.

That was, until Aug 30.

It is not clear to what extent home prices will drop after the changes, but experts agree that this is the hardest-hitting lot of measures yet.

For house hunters like bank executive Alex Teo, 28, who balked at a \$100,000 cash over valuation in the asking price for a four-room Marine Parade flat he viewed recently, the measures are a welcome relief. He tells The Straits Times: 'Perhaps now I can get a better-quality flat with the budget I have.'

Yet, at the same time, he is wary of the rules that will bind him once he crosses that threshold to become a flat owner.

'The new rules make it quite tedious for people who want to change homes. It looks like the Government is trying to tell everyone - your first home should be your dream home.'

Going back to basics

For now, the Government had decidedly cast its lot with those at the first stage of the housing life cycle.

However, today's home buyer is tomorrow's upgrader. According to the latest HDB Sample Household Survey, the average married head of household lived in his previous home for just about 10 years.

This constant churn in the housing market makes it difficult to ease newcomers onto the property ladder without impacting everybody else down the line.

Political observers note that the measures were also timed to take the wind out of opposition criticism of Singapore's housing policies before the upcoming general election.

Singapore Management University's assistant professor of law Eugene Tan says: 'Fixing the runaway property market is an attempt to ensure that housing does not become a liability to the People's Action Party Government with the general election looming.'

It does not help that housing is intimately connected to immigration - another current hot-button topic. Since new immigrants are perceived to have chased up property prices, managing the housing issue would make Singaporeans more receptive to immigrants, Mr Tan says.

Or so the Government hopes.

But, mostly, observers say that the Government's latest stance on HDB flats is unavoidable and necessary, given that the HDB was set up 50 years ago to provide affordable housing to Singaporeans.

IPS' Dr Koh says: 'The Government has now gritted its teeth to reinstate the fundamental principle of HDB public housing.' Given the HDB's basic mandate, Dr Koh says that Singaporeans should not expect the state to 'make it possible for people to leap into that private market'.

Even those adversely affected by the changes have conceded that the principle is fair. Advertising and marketing consultant Tay Tatt Cheng, 59, for example, moved to Melbourne about eight years ago, but has been eyeing a resale HDB flat for his son - who is about to start his national service here. He has backed away from the idea now that the rules require him to sell his Australian properties in order to qualify for a resale flat.

He says: 'What was done is not wrong. The purpose of the HDB is to provide affordable housing for as many people as possible... It's housing for the deserving.'

In any case, the Singapore Government is not alone in its efforts to cool the overheating housing market. The mortgage loan ceiling in Hong Kong, where housing prices gained by 10 per cent from January to August, was last month lowered from 70 per cent to 60 per cent for properties worth HK\$12 million (S\$2.1 million) and above.

The wider concern, everyone recognises, is potential damage that can be inflicted on the economy when interest rates rise, mortgage defaults pile up and property values plunge.

Widening the divide?

With the latest changes, the line has been drawn clearly between the HDB and private property markets. Not since 1989, when the HDB first let private property owners and permanent residents into the HDB resale market, has the division been made so stark.

The onerous rules for private property owners now make buying resale flats a rather unpalatable option, unless they are genuine downgraders.

The new rules have also raised several questions.

Firstly, will they close or widen the income divide? For the majority of HDB flat owners, who rely on financing to invest in other properties, the days of easy gains are probably over. But not so for the well-off, who have enough cash to scoop up private property deals, regardless of financing rules.

National University of Singapore sociologist Tan Ern Ser says that if the changes have no impact on the rich, it 'would mean a wider divide between the rich on one side, and the middle class and the rest on the other side'.

Secondly, will the changes hasten the exit of some permanent residents? Buying resale flats is widely seen as the most affordable housing option for them, because housing costs can be paid for with Central Provident Fund savings instead of hard cash.

Now confronted with the condition of having to sell their properties back home - and possibly making their relatives there homeless in the process - they now have to think seriously about whether Singapore is attractive enough for them to stay in, for the long term.

And, finally, will the rules be changed further down the road? Those with long-enough memories will recall a time when some new HDB flats were sold as resale flats in the not-so-distant 2005 - and thus available to singles and permanent residents. Subletting rules were also relaxed in 2003 and 2007, before being tightened on Aug 30.

Given the Government's penchant for the pragmatic, the latest rules are, as usual, not set in stone.

Some wonder: If resale flat prices drop too steeply and there are enough vociferous older flat owners worried about their retirement nest eggs, will private property owners be welcomed onto the HDB resale scene again some day?

Or will the latest changes perhaps lay the groundwork for a new appreciation of housing - one that is not tied to hopes of windfalls - but as a home, a shelter, and a basic human need?

The Singapore Dream will take some time to readjust itself to new storylines. But until then, Aug 30, 2010, will be remembered as the day the HDB returned to its roots as a housing provider for starter families.



State not obliged to help people go private

DR GILLIAN KOH,
senior research fellow at
the Institute of Policy Studies

"The Singapore Dream, in its materialist interpretation, is about opportunities to strive through sheer dint of hard work or enterprise to move OUT of this public housing space; it is not to be found in the Housing Board flat but outside of it. And yet, the HDB does concede room for executive condominiums, and now design, build and sell scheme flats, for the yuppies. And while we know that the sale of a flat might provide a good downpayment for a private apartment, the HDB is not obliged, its role isn't to help people upgrade to

private housing in the first instance. The housing policy has to make sense and be sustainable in its own right.

"We must draw a line between the state and the market. The private property development sector must have its space too. Citizens should not expect the state to make it possible for people to leap into that private market.

"Choices have to be made. They will be uncomfortable, but if citizens and foreign residents wish to gain access to public housing, it is not unreasonable that they meet some conditions. The social compact is clear, it is a reasonable and reasoned position and it leaves a lot of room for the private sector to thrive."



Keeping the dream alive

DR TAN ERN SER, associate professor of sociology at the National University of Singapore, who studied the Singapore Dream for his masters thesis in the early 1980s

"There are three levels of motivation for home ownership: as a comfortable dwelling place, as a prestige symbol, and as an investment.

"To keep the Singapore Dream alive, we need to keep housing as a decent dwelling place affordable for all citizens and housing as a prestige symbol still doable for the middle class. I guess this beats the situation in some countries, where palatial homes stick out like a sore thumb in

the midst of slums.

"Given that the three levels of motivation for home ownership affect Singaporeans differently, I would expect that policy contradictions will always be present. The challenge is to find an optimal balance.

"The bottom line is that Singaporeans want to live the Dream, and if the goal posts are perceived as always shifting, it would lead to anxiety and frustration. This is something we need to manage.

"Can we count on Singaporeans to learn contentment, even while they continue to count on Singapore to facilitate their achieving the Singapore Dream?"