

More accurate picture of housing affordability needed, analysts say

Ng Jing Yng

TODAY, 4 January 2016

Public housing has remained largely affordable to most Singaporeans, thanks in part to changes made to housing grants to keep them in line with rising income levels, but property observers would like to see a more accurate picture of housing affordability.

In a media statement yesterday, the Housing and Development Board (HDB) pointed out that in 2014, first-time home buyers used less than a quarter of their monthly income on average to repay their housing loans, and the figure is below international affordability benchmarks of 30 to 35 per cent.

It added that in the same year, about 80 per cent of first-time new flat buyers were repaying their housing loans using their Central Provident Fund (CPF) savings and did not have to fork out cash.

Back in 2010, then-Minister for National Development Mah Bow Tan said in a commentary that the figure was “more than 80 per cent” of new flat buyers in the same scenario.

Observers in the property circuit told TODAY that what they would like to see from the authorities is more data, such as the number of years needed for households to pay off their flats, or the ratio of the flat’s price to household income tracked over a period of time. These would give a more accurate picture of housing affordability, they suggested.

In its update, the HDB elaborated on housing grants figures, noting that between 2006 and November 2015, it has given out S\$1.6 billion in Additional CPF Housing Grant (AHG).

In the same period, the HDB also disbursed S\$297.61 million in Special Housing Grant (SHG).

There were more than 13,000 of the AHG issued between 2011 and 2012, but this has fallen to about 9,800 cases in 2014.

In response to queries, the HDB said the decline between 2012 and 2014 could be attributed to rising household income levels resulting in ineligibility, the tapering of HDB flat supply and a drop in resale-flat transactions — along with property cooling measures.

For the SHG, there was an eight-fold increase in grants issued, from about 1,250 in 2013 to more than 10,000 in 2014.

This was because some of the home buyers who were no longer eligible for the AHG took up the SHG.

There was also the factor of raised income ceiling from S\$2,250 to S\$6,500 for families, and extending the SHG to first-timer families buying new four-room flats in non-mature estates.

Institutes of Policy Studies research fellow Christopher Gee, who studies housing policies, noted that while concerns over housing affordability prevalent four to five years ago have

dissipated because of income growth outpacing flat prices, there was still the issue of retirement adequacy to consider.

Suggesting that housing affordability be pegged to a maximum loan tenure of 20 years, he said this would allow half of an average person's working lifespan to be dedicated to building up retirement savings.

To measure affordability, chief executive Ku Swee Yong of realtor Century 21 proposed tracking the lower- to middle-income households, such as those with monthly household incomes of between S\$3,000 and S\$4,000, and the proportion of flat prices to their income over a period of time.

To improve housing affordability for this group, he suggested expanding the pool of rental HDB flats to include bigger flats, for example.

Mr Nicholas Mak, executive director of research and consultancy at SLP International, said there is a need for data on the number of years needed for a household to pay off their flat as an indicator of affordability.

With HDB flat prices rising in a matter of time because of increases in labour and construction costs, grants look to still be the way to go to ensure affordability, or there has to be overall productivity improvements in the economy to result in higher wage levels, he said.