

## **HDB chief: Pay the price of resale flat that commensurate with its lease**

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Another stake has just been driven into the heart of Asset Enhancement policy espoused by the People's Action Party government. In 2011, just before General Election, then National Development Minister [Mah Bow Tan told Singaporeans](#), "We're proud of the asset enhancement policy. (It) has given almost all Singaporeans a home of their own... that grows in value over time."

Yesterday (10 Apr), at a [forum organized by the Institute of Policy Studies](#) (IPS), HDB chief executive, Dr Cheong Koon Hean, suggested that home seekers should pay less for resale flats with shorter lease.

She told the audience, "You should buy a flat, as you say it commensurate with the lease. The price you pay should commensurate with the lease. As you should buy a flat that would last you a lifetime."

She echoed what the current National Development Minister Lawrence Wong said last year that the vast majority of flats will be returned to HDB when their 99-year lease run out without any compensation.

"As the leases run down, especially towards the tail-end, the flat prices will come down correspondingly," he said. "So buyers need to do their due diligence and be realistic when buying flats with short leases."

So, contrary to what PAP government had said earlier that the value of HDB flats would grow over time, Minister Wong and HDB Chief Dr Cheong are singing a different tune now.

### **HDB's 99-year lease calculated to last only 2 generations**

Dr Cheong's comments came at a time when the public has expressed concerns about the 99-year leasehold for HDB flats, likening it to a "ticking time-bomb".

Professor Chan Heng Chee, the moderator at the forum yesterday had asked Dr Cheong the question of "HDB leasehold". When Professor Chan said that "people are feeling anxious" about the 99-year-lease of HDB flats, Dr Cheong replied, "understandably".

Dr Cheong explained to the audience that her role as planner is to guide Singapore into the future – perhaps the next 100 or 200 years. She explained that the 99-year lease was calculated to last 2 generations, and that there are many ways to monetise the HDB flat.

There was a loud murmur from almost 500 attendees at the forum when Prof Chan mistakenly suggested that people who buy HDB flats with shorter leases don't lose money because the "person who buys a shorter lease will pay much less money". Prof Chan eventually stood corrected.

The following is the transcript recorded by [icompareloan.com](#) during Q&A when Dr Cheong advised people to pay the price of HDB flat that "should commensurate with the lease", that is, paying the price depending on how long a period the HDB lease would have left:

**Dr Cheong:** The leasehold question...let me see what was exactly asked.

**Prof Chan:** The right forum...the people are feeling anxious

**Dr Cheong:** Understandably...Let me put it in context, in the light of the lecture, I expect you to ask a question like that, when I talk about leasehold. I want everyone to understand Singapore's limitations. My interest as an architect planner is to bring Singapore into the future right? Singapore SG100...SG200. Given that you are small place, how do you ensure that we have facilities and housing for children, our grandchildren going into the future?

So, in a way the leasehold enables us to recover the land loan...so that is the overarching umbrella that we are thinking about. Now next step, HDB flats are sold at 99 years lease. In fact, HDB flats you get the full 99 years lease, unlike private developers. Did you better know that? If you don't know you better check.

99 years is meant for a home. And is enough for 2 generations. It lasts you for 2 generations. It's a long time. And for most people by the time you live in it – after one generation – in fact they can monetise the home. And there are many ways to monetise today right?

You can sell the larger flat and buy a smaller flat. I build a lot of smaller flats, which a lot of my elderly love. Because now they don't have to maintain such a big home. And with the money, it goes back to CPF...and you buy CPF life. So there are many ways to monetise. So, if they want to stay in their own home, they can do a lease buy back. I buy back some of the leases. And then they make sure you keep the leases that will last you the lifetime. The length of your life.

Another way of monetisation is people rent out rooms in their homes. And there are people who actually sell off and go and live with their children. Ok some of you may not want to live with your children, you can buy another smaller flat. So there are any ways of monetising within the period of the 99 years.

And you must remember that actually their children will go on to buy an affordable flat from me. Correct? Now how do you make sure they can buy back an affordable flat from me? Eventually you have to recycle the land. You understand? So, I am trying to paint that broader picture. And there are actually quite a lot of ways to continue to monetise. 99 years is a long time.

**Prof Chan:** Can I just ask a tag-on question. How many homeowners live in the same flats throughout their lives? Because surely they would have sold it to somebody else, made some money. Or, bought another apartment. Next person who buys a shorter lease will pay much less money. So it is not like they lose the money....(murmur from the crowd?)...They still pay a lot of money is it?...Now I am stirring the pot.

**Dr Cheong:** There is a mixture. There are a lot who live in their own flats and there are a lot who monetise it. You see Singaporeans move house a lot you know. compared to people in overseas cities. I don't have the statistics here, but I think quite a lot of people do sell and move on to something else.

So the point really is about making prudent choice. Prudent choice is very important. You should buy a flat, as you say it commensurate with the lease. The price you pay should commensurate with the lease. As you should buy a flat that would last you a lifetime. So, these are prudent choices that you probably need to make sure that you are making.

Apparently, Dr Cheong would be giving another talk on housing organized by IPS on 23 April. The details are as follow:

**Lecture III:** “Shaping The Future of Heartland Living”

**Date:** Monday, 23 April 2018

**Time:** 6.15 pm – 7.45 pm (Registration and Light Refreshments from 5.15 pm)

**Venue:** Auditorium, Shaw Foundation Alumni House, NUS

Register [here](#).