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We cannot let HDB flats in good locations be enclaves for the rich

Thirty years since the mature and non-mature classification was created, the new Standard-Prime-Plus model reflects Singapore's public housing landscape better.

Sing Tien Foo

This week marked a significant shift in Singapore's public housing model, with the announcement of a new classification of new Build-To-Order (BTO) projects by Prime Minister Lee Hsien Loong at the National Day Rally.

The change might look cosmetic, with the implications initially obscured for most Singaporeans reading the news.

But the bold move will be far-reaching in recalibrating Singapore's public housing approach for a country that has now reached developed country status.

NOT ALL HDB HOMES ARE CREATED EQUAL TODAY

Since 1992, the Housing Board has used the mature and non-mature classifications to sort HDB estates into two categories and guide the allocation of new HDB homes.

Mature estates, which had limited land left for development, would see priority given to couples with older parents living nearby or newlyweds who were first-time applicants. Non-mature estates, which had huge tracts of land for further development, could be open to fulfil less urgent housing needs, including those of families who wanted to upgrade to a second, larger home. Two-room flexi BTO flats in non-mature estates were also subsequently opened to singles in 2013.

But this classification is less fit-for-purpose for two reasons.

First, when the categories were first employed, HDB had to manage a housing stock of only 613,600 units. Singapore today has a much wider spectrum of housing options.

Public housing has mushroomed to 1.09 million units as at 2022, with four-room and larger flats making up seven in 10 of all HDB homes.

The private residential market has expanded rapidly by more than sevenfold, surging from 32,400 units in 1992 to 237,500 units, and making up nearly 15 per cent of the total housing stock in Singapore.

Even then, the private market remains squarely out of reach to most Singaporeans. AMO Residence, a joint private residential project in Ang Mo Kio Rise, launched in July, broke the psychological $2,000 per square foot benchmark for housing in Singapore's Outside Central Region.

These trends underscore how both the public and private housing markets have evolved to support the rising aspirations of Singapore residents, and reflect the social mobility made possible by Singapore's strong economic fundamentals and impressive economic growth over the past three decades.

But the unfortunate consequence today is that some HDB flats, particularly larger homes located nearer the city, close to an MRT station or amenities including malls, eateries and popular schools, will be priced higher, putting them out of reach for ordinary Singaporeans.

Such BTOs also have a lottery effect, because many initial owners go on to sell them for a pretty penny after fulfilling their minimum occupation period (MOP).

MORE FAR-FLUNG HDB HOMES ARE BECOMING ATTRACTIVE

Second, Singapore has urbanised at an unprecedented pace.

In a monocentric city with only one centre, urban economists use the bid rent theory to explain the downward-sloping land price gradient from the city centre. In this model, land prices are invariably the highest in the city centre and then decrease somewhat linearly with distance.

But Singapore urban planners have deliberately sought to decentralise city-centre functions to multiple regional nodes, including Tampines and Changi in the east, Woodlands and Seletar in the north, and Jurong East in the west, to ease traffic congestion in the downtown Central Business District.

Time has now revealed the results. Greater islandwide connectivity has encouraged people to live away from the city centre.

This decentralisation strategy has been strengthened with the expansion of the MRT system since 1987, thus allowing for developments to be spread out from the city centre and land to be intensified accordingly. Commercial developments and amenities were decentralised outside central Singapore but concentrated near MRT stops in town centres around Singapore.

Little surprise then that HDB towns in the east of the island, Pasir Ris and Bedok, are now classified by HDB as mature estates.

More neighbourhoods are moving in this direction. Jurong West, which was once swampland, and the old fishing villages of Punggol, Sengkang and Yishun, as well as the plantation and wooded areas in Woodland, are today the most populous HDB estates that enjoy decent urban amenities. There could be significant variation in prices for HDB flats in such estates, given their sheer size and spread.

The new Plus classification is a game changer that will arrest social segregation and support a more balanced mix of families with different socioeconomic backgrounds living in the same neighbourhood.

NEW PUBLIC HOUSING ALLOCATION FOR A NEW SINGAPORE

This simple mature and non-mature estate categorisation has clearly reached the limits of its utility and cannot adequately continue to guide HDB allocation of homes, especially as an increasingly more affluent Singapore and the rising price of land puts more flats out of reach for lower- and middle-income families.

In this regard, PM Lee's announcement signalled a radical change to the HDB classification to align HDB pricing policies more closely so that locational and spatial attributes, which push up the prices of flats, do not run ahead of HDB's intent of keeping flats affordable and accessible to the broad middle of Singaporeans.

How will this help more Singaporeans afford them? HDB will continue to abide by market principles in the first instance, with Plus flats priced between the Standard and Prime categories of homes.

But more generous subsidies will be provided for the Plus flats to keep them affordable to more households. At the same time, tighter sales restrictions, including a 10-year MOP and subsidy recovery, will mitigate the lottery effect of such homes, taking dressing from the approach applied to the current prime location housing model.

There are scores of BTOs that could have benefited from this new approach. Queensway Canopy in the November 2022 BTO exercise and Rajah Summit in Kallang/Whampoa in the February 2023 BTO exercise, where four-room flats were priced at the upper range of $695,000 and $631,000 respectively before grants are examples of good centrally located HDB projects that would not qualify for the prime location housing model, yet would be good candidates for the new Plus category.

Apart from Central Weave in Ang Mo Kio mentioned at the National Day Rally, where five-room flats were going for as much as $877,000 during their August 2022 launch, a second category of Plus flats includes those outside central Singapore but with good amenities. These include the Bedok South Blossoms and Serangoon North Vista BTO launches in May 2023, where five-room flats were priced at $737,000 and $658,000, respectively.

Although many analysts have highlighted the problems around affordability, the issue is also one about access. Demand has not been lacklustre despite the high price tag. The Central Weave and

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Ensuring a fairer sharing of resources

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Serangoon North Vista BTO launches attracted about 7.4 times and 13.8 times more application rates by first-timers respectively. Every flat there allocated to a second-timer also saw more than 100 applicants.

GIVING THE BROAD MIDDLE A CONTINUED STAKE IN SINGAPORE

The new Plus classification is a game changer that will arrest social segregation and support a more balanced mix of families with different socioeconomic backgrounds living in the same neighbourhood.

First, it will prevent BTO blocks in great locations from turning into enclaves for high-income households. Like the Prime model when introduced, the enhanced subsidies will have significant implications for eligible but financially constrained families, who would otherwise be priced out altogether.

This is a shift in Singapore's housing compact, building on the prime location housing model. It gives low- and medium-income families a fair shot at these BTO flats of choice, instead of letting runaway prices rule these out entirely.

The tighter resale rules will also ensure fairer sharing of public resources. Those who receive additional subsidies when buying Plus flats must return part of the capital appreciation from their sale. This may help offset costs of the programme, as the subsidies recovered can be redistributed to other buyers to ensure public housing prices – whether Standard, Plus or Prime – remain affordable and sustainable for future generations.

With land scarcity in Singapore, more public housing supply in the future is expected to come from the redevelopment of land in good locations, including the Greater Southern Waterfront and the old Paya Lebar Air Base.

The Plus scheme will give more choices of flats for Singaporean households and ensure that Singapore will remain an inclusive society with a good mix of residents of different income groups living harmoniously in parts of the future city.

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