BTO scheme led to early marriages but may also have contributed to more divorces: study

New book by NUS professors analyses the influence and consequences of economic decisions in Singapore

By Ry-Anne Lim
limmin@sph.com.sg

The researchers found that married BTO residents born to parents living in private residences have a sharp increase in their monthly credit card expenditure, especially when they first move into their new flats. PHOTO: BT FILE

THE Housing and Development Board's Build-to-Order (BTO) scheme may spur early marriages, but it may have also contributed to a higher propensity for divorce, a study by three National University of Singapore (NUS) professors showed.

According to research published in a newly released book, over the pre-2000 to post-2010 period, there were more marriages among women aged 25 to 29 and men aged 30 to 34. This coincides with the launch of the BTO scheme and its subsequent expansion, suggesting that more women in that age range chose to marry "to be competitive in the marriage market", while men did so and at a later age since they were more financially stable.

Correspondingly, divorce rates for women aged 30 to 34 rose from 4 to 7.2 per cent, and from 3.5 to 6.3 per cent for men aged 35 to 39.

The trend observed parallels the timeline of the BTO scheme with a five-year lag compared with the marriage patterns, wrote the authors of *Kiasunomics 3: Economic Insights for Everyday Life.*

The book is jointly written by Sumit Agarwal, professor of finance, economics and real estate at NUS; Ang Swee Hoon, associate professor of marketing at NUS Business School; and Sing Tien Foo, provost's chair professor of real estate at NUS Business School.

"One possible explanation for the increase in divorce rates is that the BTO scheme might have rushed marriage decisions, which increase the likelihood of subsequent marriages," the book said.

Under the BTO scheme, young Singaporeans engaged to be married and who meet the eligibility criteria can apply for a subsidised public flat. They are then required to solemnise their marriage within three months of collecting the keys to the flat.

The authors' research also found that married BTO residents born to parents living in private residences have a sharp increase in their monthly credit card expenditure, especially when they first move into their new flats.

This was much lower for those coming from "humble HDB roots". Their mortgage payments were also almost half of that being paid by those coming from private residences.

"It is likely that the trade-off between personal consumption and mortgage payment is more pronounced among married BTO residents who had a humble start with HDB homes, at least for the first few months of moving into BTO flats," explained the professors.

It is evident, they added, that the BTO scheme spurs early marriages, but "financial conditions of young couples may take a toll on the marriage, especially when there is less financial support from the family".

"Young couples... should ensure that they are marrying for the right reasons – for love and not for the sake of being eligible for a BTO flat," they noted.

The book, a third instalment of the authors' *Kiasunomics* series, explores economic trends and behaviours in Singapore, from the effect of the BTO scheme on marriages, to the relationship between climate change and property prices, and how money laundering affects property prices.

PHOTO: WORLD SCIENTIFIC PUBLISHING

Illicit wealth

A separate study, in the same book, on the Panama Papers – the leak of a legal firm's files on clients who stored assets in opaque offshore companies – found that illicit wealth that made its way into Singapore has artificially distorted property prices.

The analysis indicated that of the 100,000 private property transactions in Singapore between 1995 and 2018, over 2,300 involved buyers implicated by name in the Panama Papers.

These buyers tended to buy more expensive units, in terms of both unit price and absolute quantum, in "more strategic locations" that are closer to the Central Business District, said the authors.

Their average transaction was around S$1.8 million – around S$500,000 higher than the average transacted price paid by non-Panama-linked buyers.

Panama-linked individuals also paid, on average, a 3.7 per cent premium over valuation for properties. Singaporean buyers paid 3.4 per cent more on average, and foreigners, around 3.7 per cent more.

But even that is likely to be underestimated since not all buyers connected with "illicit activities" are captured in the Panama Papers, the professors highlighted.

These "Panama premiums" had some short-term neighbourhood spillover effect, mainly in "higher-end neighbourhoods" where property prices rose by 3.5 per cent after a Panama-linked transaction occurred nearby.

The same study discovered that around 17 per cent of Panama-linked transactions during the period 1995 to 2018 involved buyers who were real estate agents, more than double the number of agent buyers in non-Panama-linked transactions.

These agents purchased properties at a price that was 5.1 per cent lower than Panama-linked buyers who were not agents. "This discount not only neutralises the Panama premium but also brings down the purchase price further by almost 1 per cent," the authors wrote.

"Altogether, the findings suggested that real estate agents, as important gatekeepers of real estate transactions, were likely to be employed as straw buyers in property purchases," they said.

"Their knowledge and experience in the local property market could help circumvent the legislation and obtain larger returns by purchasing at discounted prices and re-selling at higher prices."

***Kiasunomics 3: Economic Insights for Everyday Life*, by Sumit Agarwal, professor of finance, economics and real estate at NUS; Ang Swee Hoon, associate professor of marketing at NUS Business School; and Sing Tien Foo, provost's chair professor of real estate at NUS Business School, is available for S$30.52 (paperback) at all major bookstores**