AFFORDABLE HOUSING FINANCING AND DELIVERY IN SINGAPORE

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“Constructing and Financing Affordable Housing across Asia”
2nd – 3rd April 2019
Population density: 7,804 persons per km²

Total: 5.64 million
Residents: 3.99 million

Land area: 724.2 km²

Source: DOS (as at 2018)
Singapore had budget surpluses in most years since 1988.

Key Economic Profile - 2018

- GDP: USD$361.05 billion
- Per Capita: USD$64,030
- Inflation: +0.4%
- Unemployment: 2.2%

GDP per capita (US$)

Source: DOS (as at 2018)
Government & Legislation

- Centralised, Single level of Government
  - Address issues based on national-level considerations
  - High degree of coordination amongst Agencies

- Political Stability
  - Enable continuity in policy implementation
  - Facilitate implementation of necessary policies, even if unpopular
  - Work closely with people towards a shared purpose

Key Legislation

- Housing & Development Act
- Land Acquisition Act
- Central Provident Fund (Amendment) Act 1968
HDB formed to address housing shortage

1960:

- HDB built 50,000 flats within 5 years
- Housing shortage resolved within 10 years
- Sole Agency, Multiple Roles

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Land Acquisition

- **1920**: Land Acquisition Ordinance

**1966**:

- Replaced with Land Acquisition Act
- Complemented by resettlement policies
  - Enabled resettlement of squatters
  - Freed-up vast tracts of land for public use at low cost

General view of the earthworks at the Bukit Ho Swee fire site

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Home Ownership Model

1964: INTRODUCTION OF “HOME OWNERSHIP FOR THE PEOPLE” SCHEME

“My primary preoccupation was to give every citizen a stake in the country and its future... if every family owned its home, the country would be more stable... I believed this sense of ownership was vital for our new society...”

~ Mr Lee Kuan Yew
Founding Prime Minister of Singapore
Encourage better maintenance

Provide a stake in the country

Build strong work ethics

Promote rootedness and a sense of belonging

Provide an asset and a store of value
Majority Live In HDB Flats

1964
23% of resident population live in HDB flats

2018
81% of resident population live in HDB flats

1,449,411 units – 100%

PUBLIC HOUSING
1,047,350 – 72%
PRIVATE HOUSING
402,061 – 28%

Source: HDB Annual Report 2017/18 (Key Statistics), URA press release (4Q 2018)
**Overview of Public Housing**

**Public Housing Structure**

**New Flats** (from HDB)

- **Primary target group:**
  - First-time citizen home buyers

- **Mechanism**
  - Build-to-Order (BTO) system;
  - flexibility in location & timing
  - Subsidised price

**Resale Flats**

- **Open to wider pool:**
  - High income earners
  - Citizen home buyers
  - Permanent residents
  - Private property owners*

- **Mechanism**
  - Price negotiated between buyer and seller

* Subject to disposal of private property within 6 months after resale flat purchase.
Eligibility Conditions & Policies

NEW FLATS
BOUGHT DIRECT FROM HDB

Eligibility Criteria
• Singapore citizens
• Families (aged 21 and above) / singles (aged 35 and above)
• Household monthly income not more than S$12,000 (family) / S$6,000 (single)
• Not own private residential property

Owner Occupation
• One flat per household
• No resale or renting out during first 5 years of ownership

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Affordable & Accessible Homes

SUFFICIENT SUPPLY
New flats in different sizes and locations

SUBSIDIES & GRANTS
Generous subsidies & concessionary housing loans

FINANCIAL PRUDENCE
Generous subsidies & concessionary housing loans
New Flat Supply

Year 2018 Build-To-Order Flat Supply: 15,800 units

Sufficient supply

Good Geographical Spread

Wide Range of Flat Types

Delivering Affordable and Accessible Homes
A Home for Every Family

RENTAL FLATS

2-room Flat
36-45 sqm

3-room Flat
65 sqm

4-room Flat
90 sqm

5-room Flat

EXEC CONDOS

3Gen Flat

PRIVATE PROPERTY

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Delivering Affordable and Accessible Homes
Subsidies and Grants

NEW FLATS
(Sold at a discount)

RESALE FLATS
(market price)

Special CPF Housing Grant
($5,000 to $40,000, tiered by income)

CPF Housing Grant
($40,000 or $50,000) +

Proximity Housing Grant
($20,000 or $30,000)

Additional CPF Housing Grant
($5,000 to $40,000, tiered by income)

Concessionary Loan @ 2.6%*

* Pegged at 0.1% above CPF Ordinary Account interest rate

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Delivering Affordable and Accessible Homes
Encourage Financial Prudence

- Introduced credit assessment in Apr 1997 to instil financial prudence
- Buyers obtain an HDB Loan Eligibility Letter (HLE), or a Letter of Offer from financial institutions, before they commit to buy a flat
  - To facilitate budgeting for flat purchase
  - To encourage “buying within your means”

Mortgage Financing Conditions for Borrowers

- Mortgage servicing ratio / Total Debt-Servicing Ratio caps
- Maximum loan tenure
- Maximum loan-to-value
Central Provident Fund

Singapore’s social security savings plan

Employee’s contribution

employers contribution

CPF savings

Special Account

Medisave Account

Ordinary Account

For old age and investment in retirement-related financial product

For hospitalisation expenses and approved medical insurance

For buying a home, paying for CPF insurance, investment and education

Employee’s contribution: 20%

Employer’s contribution: 17%

CPF Savings:

6% Special Account

8% Medisave Account

23% Ordinary Account

* Singapore Citizen, 35 years and below, earning more than $1,500
**Minimal Cash Outlay**

**Time For Accumulation of Downpayment**
- Most First-timer households can save for the downpayment in CPF **within 3 years**

**Mortgage Servicing Ratio (MSR)**
- Ratio of monthly mortgage instalment to household income

<table>
<thead>
<tr>
<th>Flat Type</th>
<th>New Flat Price in 2018</th>
<th>Housing Grants</th>
<th>Net Price (Less Grants)</th>
<th>Applicants’ Median H/H Income</th>
<th>Monthly Mortgage Instalment</th>
<th>MSR</th>
<th>Instalment Payable By Cash</th>
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</thead>
<tbody>
<tr>
<td>2-room</td>
<td>$122,000</td>
<td>$75,000</td>
<td>$40,000</td>
<td>$1,800</td>
<td>$158</td>
<td>9%</td>
<td>$0</td>
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<tr>
<td>3-room</td>
<td>$202,000</td>
<td>$65,000</td>
<td>$131,000</td>
<td>$2,700</td>
<td>$530</td>
<td>20%</td>
<td>$0</td>
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<tr>
<td>4-room</td>
<td>$306,000</td>
<td>$45,000</td>
<td>$251,000</td>
<td>$4,900</td>
<td>$1,046</td>
<td>21%</td>
<td>$0</td>
</tr>
<tr>
<td>5-room</td>
<td>$405,000</td>
<td>$0</td>
<td>$377,000</td>
<td>$6,800</td>
<td>$1,654</td>
<td>24%</td>
<td>$90</td>
</tr>
</tbody>
</table>

**Mortgage instalment**
- Less than a quarter of monthly household income
- Pay using monthly CPF contribution with minimal cash top-up
- Below international benchmark of affordable housing (30-35%)
Town Planning

Concept Plan [reviewed 10 yearly]
- Strategic, integrated long term land use & transport plan guiding Singapore’s development over **50 years**
- Population Projections

Master Plan [reviewed 5 yearly]
- Statutory and medium term; guiding over **10 – 15 years**
- Permissible land use and densities

HDB Town Plan
- Comprehensive Town Plans with self-sufficient amenities & integrated with transport; optimize land

Tengah New Town

Great Places for the Community

1. Neighbourhood Centre
2. Schools
3. Facilities
4. Sports Centre
5. Town Centre

Neighbourhood Centres

Integrated Developments
Design and Construction

• Active role in managing design and construction
• Construction carried out by private sector contractors, procured through open tenders
• Evolution of design and building technology over the years
Flats Built Over The Years

Source: HDB Annual Report FY 2017/18
Estate Renewal Strategy

- Bring older HDB estates closer to standards of newer ones
- Maintain functionality and liveability of HDB estates
Cohesive Communities

Multi-racial
Multi-cultural Society

High-rise
High-density living

Social harmony and integration is key

Conscious effort to build social cohesiveness

Physical Design
Public Housing Policies
Community Building
Funding of Public Housing

- **Financing of Capital Expenditure**
  - Bond issuance
  - Government loans

- **Financing of Mortgage Loans to Flat Purchasers**
  - Government loans

- **Financing of Annual Net deficits**
  - Government grant

1. Housing Development Loan/Mortgage Financing Loan/Grant to cover annual deficit
2. Repayment
3. Bonds/Bank Loan
4. Repayment
5. Payment of flat purchase and monthly mortgage repayment using Central Provident Fund (CPF) savings/cash
6. Mortgage Loan (eligible buyers)
7. Capital Expenditure
8. Sales Proceeds
Over the Years

1950s

Punggol Waterway Terrace

1960s

The Pinnacle@Duxton

1980s

2000s

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Conclusion

Forward-looking, responsive policies with focus on Home-ownership

Access to Land and Long-term land use planning

Financing through use of Central Provident Fund (CPF)

Continuous renewal and rejuvenation

Key Success Factors

Strong commitment from government
Challenges

- Continuing economic growth and full employment
- Prioritising of programmes as resources are limited
- Meeting the needs of changing demographics, e.g. ageing population
- Ensuring a stable and sustainable public housing market
- Ensuring housing remains affordable to both Government and the people
Thank You