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Improving the housing status quo

By Phang Sock Yong and David Lee

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THE Prime Minister's speech provides a broad brush assurance that the Government is working hard to improve the status quo in the housing sector.

On home ownership and upgrading, PM Lee Hsien Loong has reaffirmed the Government's objective to make home ownership more affordable for all first-time buyers, especially low-income earners, through increasing the amounts of targeted housing grant subsidies.

He spelt out the desired outcomes of housing affordability policy through his detailed matching of Housing Board flat type with household incomes. Also, the PM has continued to emphasise the dual role of housing as a social/consumption good as well as an investment asset.

Overall, we expect build-to-order HDB list prices to remain stable.

However, the actual prices paid by each household will deviate from the list price based on their household income.

Providing additional housing grants is an acknowledgement that housing prices have run ahead of wage growth, particularly for the lower income group.

Furthermore, the Government is introducing a new upgrading grant to help lower-income Singaporeans fulfil their upgrading plans.

On housing supply, the PM has also provided greater transparency with regard to future land supply via relocation of the Paya Lebar airbase and ports.

The plan to free up land in Paya Lebar and Tanjong Pagar will alleviate land scarcity concerns. He also mentioned the removal of building height restrictions (which means a potential revision in plot ratios) in the Paya Lebar area.

On balance, demand expectations are much stronger than supply expectations, especially leading up to 2016. This is a very bullish signal for investors, especially in the Paya Lebar and port areas, with the potential of increased plot ratios and lower noise levels.

These two plots potentially translate into two to three new town/downtown areas for Singapore.

Previously, announcements were made for three new town areas, namely Bidadari, Tampines North and Tengah. Thus, there is no lack of land supply for public and private housing in the core central region, rest of central region and outside central region planning areas in the foreseeable future.

The writers are professors with the Singapore Management University.