Even the bottom 20 per cent of households here have over $138,000 of assets in their Housing Board Flats, thanks to the home-ownership policy. But are these HDB flats really gold for the cash-strapped? How useful is that valuable HDB flat, if such wealth cannot be unlocked?

Lydia Lim and Aaron Low report

POT OF GOLD FOR THE POOR?

The current system is “obstructed”, he says. “The average Singaporean spends 20 to 30 years building up the equity is his HDB flat through monthly mortgage payments. Why do we have to hold onto lockstep investments like this? The mechanics of the system mean it is just not possible to sell the property. This is not rocket science — the innovation is simple and the individual needs to be made a ‘buyer’ to be a ‘seller’.”

He means that after the sale, the flat owner gets the money in one lump sum instead of a steady stream of repayments spread out over a period of say, 10 to 20 years. One change that has helped HDB owners to free their wealth has been the introduction of societal rules in March this year.

Now, those who have paid off their mortgages can sell their entire home after living there for five years, and those with outstanding loans for 10 years can sell their homes. But this only helps families who have alternative accommodation. Those who do not have that one choice — downsizing.

In some cases, these do not pay off HDB rules, such as one requiring them to have lived in the flat for at least five years before selling. New escalator owner Amy Khoo says the small levy is just another minor obstacle. HDB owners who want to downsize may have to pay up to 25 per cent of the sale price of their old flat to buy another subsidised flat.

So why should the policy be revised? Mr Khoo says that “whoever downsizes would still lose a huge chunk of their sale proceeds.”

No wealth effect

With these HDB rules in place, it is hardly surprising that Singaporean homeowners do not seem to be richer when the value of their homes go up.

This is quite unlike home owners in other developed countries. As property prices rise, homeowners benefit by increasing their equity stakes. In Singapore, the HDB does not allow homeowners to do this. It is, however, an option available to the Land and Housing Board. For example, homeowners can easily convert their HDB equity into cash by taking out loans from the bank.

In contrast, the scenario is the United States and Australia, where many people get to use their homes as collateral to get more money out of their homes. Many Singaporeans may need to think more about how they can convert their home equity into cash for spending.

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