

# In Singapore, a great shift is happening in notions of home and commute

The expansion of public transport has reshaped housing. Likewise, changes in housing policy can mitigate the need for private transport.



Sing Tien Foo

A home and a car are the two most expensive purchases many Singaporeans will ever make.

For decades, a home was the priority. Proximity to school, grandparents and amenities, as well as affordability, accessibility and location, were the key determinants of decisions by aspiring home owners.

A car was a secondary decision. After getting a home, families would determine if they needed a vehicle to get to work and to ferry children or elderly parents.

Families, particularly multi-generational ones or those living with members of the extended family, tended to opt for more spacious homes in the suburbs and had at least one car.

The majority of those living in the dense city centre – mostly singles or more well-off families – decided otherwise, preferring to eschew commuting and channel their savings to more expensive and typically smaller homes. They also hoped to reap higher profits from potentially steeper capital appreciation.

## A GREAT DIVERGENCE IN HOUSING

Today, the great divergence in housing prices unsurprisingly reflects a premium on proximity to the city centre.

Newly launched private condominium apartments in the core central region (CCR) and the rest of the central region, or RCR, sold for an average of \$2,960 per sq ft (psf) and \$2,567 psf, respectively, in the first 10 months of 2023. Comparable projects in the outside central region (OCR) sold for \$2,222 psf on average.

Housing Board Build-To-Order (BTO) flats remain an attractive option to qualifying buyers priced out of the private market, but even there, the price gap between homes in mature and non-mature estates has widened significantly over the years.

In the October 2023 exercise, a four-room BTO flat in Tengah went for as much as \$418,000. Comparable four-room flats at

Verandah@Kallang and Tanglin Halt Cascadia were priced at \$675,000 and \$702,000, respectively, before grants and subsidies. Still, BTO flats were cheaper than private condominium apartments in the CCR, selling for about a quarter less.

This growing housing price gap – between private and public, and between homes closer to the city centre and those farther out – effectively entrenches inequality. Without government intervention, middle- and lower-income groups would be progressively pushed to the outer fringes of Singapore as land prices downtown rise.

## DARKENED VISIONS OF THE METROPOLIS HOME

Worse, this model where households trade off housing costs against commuting has come under new strain.

Car ownership has become almost prohibitively expensive, with shocks to the certificate of entitlement (COE) system resulting in record highs in 2023. COE prices started at around \$3,376 in May 1990, when the system was first implemented; in October 2023, premiums for the Open category shot up to a staggering \$158,004.

While swift action to increase the COE supply to moderate prices appears effective, judging by the drop in premiums in most categories in the November and December bidding exercises, the surge in COE prices has underscored the vulnerability of cash-strapped couples who need a car.

Four in 10 resident households owned a car about a decade ago. Today, that figure has fallen to about one in three.

Exorbitantly high car ownership costs have also coincided with stubbornly high private housing prices in the city centre. Take Canninghill Piers, a luxury condominium that came under the spotlight following a recent money laundering probe. Priced at \$3,000 psf, three-bedroom apartments there for a typical nuclear family cost more than \$3 million.

High prices in the luxury private condo market have spilt over to the OCR suburbs.

Apartments at AMO Residence, a private development in Ang Mo Kio, sold for more than \$2,000 psf in July 2022.



The recent policy shifts in housing and transport recognise the pain points experienced by the broad middle of Singapore households and strike a better balance between resident housing and commuting needs, while safeguarding Singapore's greenfield land for future generations, says the writer. ST PHOTO: KUA CHEE SIONG

Sandwiched families whose monthly household incomes exceed \$14,000 and do not qualify for a BTO flat may struggle to afford both private housing in the suburbs and a car, despite being prepared to commute longer distances to workplaces in the city centre.

## A BUTTERFLY EFFECT

The picture I see, however, is less bleak. The butterfly effect is the idea that small, initially unnoticed changes, like a butterfly flapping its wings, can lead to big changes with huge ramifications.

Over the years, there has been a gradual reordering in the vision of home and commute, driven by the slow but steady expansion of the public transport system, accelerating urbanisation and the decentralisation of the Central Business District (CBD).

The decision to go ahead with the MRT project in 1982, estimated at \$5.2 billion – the equivalent of one-fifth of Singapore's gross domestic product at the time – set in motion the vast changes seen today.

By 1990, the North-South and East-West lines were up and

running. In 2013, the Land Transport Authority (LTA) announced plans to double the track length of the rail network from 178km to 360km by 2030. By then, eight in 10 households will live within a 10-minute walking distance of an MRT station.

Six years later, LTA, in its Land Transport Master Plan 2040, revealed a vision of a world-class transport network to create "a 45-minute city and 20-minute towns" for Singapore, referring to the targets for how long it should take most residents to commute to work and reach their town centres, respectively.

An extensive public transport system with seamlessly integrated bus, taxi and train services would also negate the need for private cars, freeing up land otherwise needed for more expressways and roads. But the question remains: Will people give up their cars and switch to public transport?

My research with researcher Fangzhou Dai of the National University of Singapore and Professor Mi Diao of Shanghai's Tongji University, which looks at transport patterns by people living within 500m of Circle Line stations, offers clues.

Those living near a Circle Line MRT station saw their use of the MRT increase by 6.4 per cent after the Circle Line opened, while their use of a private car dropped by 6.7 per cent compared with a control group of residents living beyond 500m but within 1km of a Circle Line station.

This transition was admittedly arduous and often unpleasant, but the result is clear: People had less need for a car if they had an MRT station within walking distance.

## A HOUSING SHAKE-UP

The expansion of the MRT system has also reshaped the housing market.

Owners of some homes saw their valuations rise steeply. Research shows significant variations in wealth effects as resale prices of private apartments and HDB flats within 600m of MRT stations increased sharply with the opening of a new station.

As the network of MRT and LRT transit lines grew more extensive in Singapore over the years, big variations in home prices became evident within the

same housing estate. MRT stations provided convenience of connectivity and attracted more amenities such as markets, schools and parks.

These butterfly effects would eventually herald the end of an old public housing construct in Singapore – that of mature versus non-mature estates.

At the same time, decades of rapid economic and population growth pushed up disposable incomes. This fuelled a private housing boom, with spillover effects for the resale public housing market.

In the two decades between 2002 and 2022, the median private non-landed property sale price increased by nearly 2.4 times from \$677,000 to \$1.61 million. Similarly, the median prices for four- and five-room resale HDB flats increased by 2.2 times from \$255,000 to \$565,000.

Offering affordable BTO flats to middle- and low-income households provided a ballast against surging resale prices. However, basing BTO prices on market values of comparable resale homes could lead to public housing in good locations becoming the reserve of the rich.

This divergence in housing prices, especially in precincts close to MRT stations, may have been the trigger in the Government's recent reclassification of HDB towns. The new Prime and Plus housing categories for BTOs introduced over the past year will cover downtown locations and many housing estates near MRT stations.

New restrictions for this class of homes aim to prevent speculation and direct more subsidies to enable families of all

socio-economic brackets to live in such homes. More importantly, the 10-year minimum occupation period requirement imposed on Plus and Prime housing will keep families in the same estates longer, allowing them to build strong bonds and cohesive communities.

In turn, urban planners hope locating the broad middle of Singaporean households near transport hubs with strong last-mile connectivity will mitigate the national demand for private cars and strengthen support for Singapore's zero vehicle-growth policy.

## MORE CHOICES

Even so, families with children and elderly parents may still prefer to live farther away from the Plus and Prime locations and channel savings from housing expenses towards private cars. They may prioritise the benefits of taking their families to parks, gardens, zoos and shopping malls over the ease of a daily commute from home to workplaces via MRT.

Recognising that people should have some choice may have led the Government to tweak its COE policy to bring forward COE supply from projected years of low demand to cool prices.

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## *Realities shaping our choices are linked*

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But the overall direction remains unchanged. In plans announced in 2022 for future car-lite towns with strong last-mile connectivity, including Ulu Pandan, Mount Pleasant, Tengah and the Greater Southern Waterfront, as well as Pearl's Hill and Tanjong Rhu, HDB and LTA have cut carpark provisions. These car-lite precincts add to the five car-lite commercial areas: Kampong Bugis, Marina South, Jurong Lake District, Bayshore and Woodlands North, gazetted in 2018.

Roads already occupy 12 per cent of land in Singapore today. Spaces freed up can be converted into more public facilities and lush greenery.

The shake-up in housing will benefit another national long-term plan to bring residential homes back to the CBD while intensifying land use around MRT stations. The aim is threefold: to spread people out across Singapore, decentralise commercial and employment activities, and mitigate the need for extensive commuting.

### **THE CHANGING METROPOLIS HOME**

Singaporeans tend to see housing and transport as two distinctive decisions, but the realities shaping our choices are complex and interconnected.

Sometimes, the longer-term antidote to a transport issue of high COE prices may be tweaks to public housing policy to negate the need for a car, instead of an overhaul of the COE system. Time is needed to allow change to permeate and avoid destabilising this system, which provides Singapore home owners with steadily appreciating residential property assets and a transport system free of congestion.

The recent policy shifts in housing and transport recognise the pain points experienced by the broad middle of Singapore households and strike a better balance between resident housing and commuting needs, while safeguarding Singapore's greenfield land for future generations.

If all goes to plan, in a decade, Singapore should see a higher density of families living in the central area and enjoying the sunset in the Marina Bay in the evenings, and more professionals working near their homes outside the CBD.

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