

# The three-level problem with fake \$2 million HDB flat listings



One of the two listings on PropertyGuru in April of HDB flats for \$2 million each was a Design, Build and Sell Scheme flat at The Peak@Toa Payoh. One must not rule out the possibility that the \$2 million listings were planted decoys, says the writer. ST PHOTO: KUA CHEE SIONG

sharp increase in the number of million-dollar flats sold in the resale market, from fewer than 50 in 2017 to more than 450 in 2023, has created jitters among aspiring young home owners and their parents.

These million-dollar flats still constitute a small fraction of less than 1 per cent of the total of 179,340 resale transactions since 2017. But this proportion is growing. Already, 280 million-dollar flats were sold in the first five months of 2024, or 2.75 per cent by the number of resale transactions, three of which were above \$1.5 million.

More such million-dollar flats will emerge as the Singapore economy continues to grow and attract more liquidity, and incomes rise. The question is not the direction of the arrow, but the gradient of this rise and whether government intervention is needed to ensure the housing market does not run amok.

## A QUICK FIX

Like clockwork, however, the mechanics are at work, tweaking the gears and adding a new part to the Singapore public housing machine. The introduction of a new resale flat listing (RFL) portal in mid-May suggests efforts are under way to temper inclinations to hike price listings to generate hype and anchor expectations.

The problem today is that commercial portals are unregulated and platform companies like 99.co and PropertyGuru are left to their own devices. The result? "Dummy" \$2 million listings and even duplicative spam where agents put multiple listings of the same units in a bid to drown out competing listings and make it harder for prospective buyers to find suitable alternatives.

The new RFL portal fixes this by screening listing prices by taking reference from past transactions of comparable flats to ensure sellers do not use price signals to distort the market or mislead potential buyers.

It also offers a platform for flat owners to list their flats and facilitate a "do-it-yourself" sale of HDB flats, eliminating the need for an agent altogether and potentially reducing the transaction costs of selling a flat, where commission fees can come up to 2 per cent of the price.

The potential the portal holds should not be underestimated. Potential enhancements with features to book viewing appointments or allow sellers and buyers to complete their transactions online can disintermediate the industry of real estate agents.

## THE SECOND PROBLEM: WHY SOME HDB FLATS GET SO EXPENSIVE SO QUICKLY

But can the authorities tackle the deeper problem of why so many HDB flats are reaching million-dollar prices and slow their growth? Arguably, they already have.

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Increases in the housing market price index must be kept sustainable in order to ensure affordability and housing mobility for young Singaporeans.



Sing Tien Foo

Singapore is an engineered state, a machine comprising many gears that allow it to hum along in a troubled world where economics have been upended.

When a problem arises, public policymakers carefully examine each part of this machine. Like meticulous mechanics, they prod and poke, until they can diagnose the issue. They then reach into their toolbox to fashion the needed component – a small bolt, a new part or maybe a tightening of an existing gear.

Nowhere is this clearer than in the realm of public housing, where most citizens reside, despite the country having one of the world's highest incomes per capita.

During the pandemic, the Government ramped up construction to counter delays in the completion of Build-To-Order (BTO) projects owing to a labour crunch and supply chain disruptions.

Years back, to counter concerns over decaying leases, a new Voluntary Early Development Scheme was announced to give home owners assurances of social security.

More recently, the authorities also implemented measures to stop picky first-time buyers who reject offers from hogging the BTO queue. Singles were given access to more options. Subsidies

were also relooked as prices ticked upwards.

## UNREALISTIC LISTINGS CAN POISON THE WELL

Despite all these moves, however, unease hangs over whether young Singaporeans can continue to buy their own homes, triggered by occasional headlines of record-breaking sales.

This time around, it wasn't a transaction but twin listings on PropertyGuru of HDB flats for \$2 million each in April that riled people up – one a Design, Build and Sell Scheme flat at The Peak@Toa Payoh, the other a merger of two adjacent five-room flats in Sengkang.

The problem is less about whether a \$2 million asking price is realistic. This grossly inflated figure clearly isn't. A comparable flat in the same Toa Payoh development transacted at \$1.569 million in January 2024. Recent transactions from comparable sales in the area don't come close to \$2 million. Likely for this reason, both listings were swiftly removed after the Council for Estate Agencies raised these with

the real estate agency.

A \$2 million price tag also unhelpfully narrows the market for the seller by putting it out of reach for average residents. A sale at that price would incur a monthly debt service of \$7,900, assuming a 25-year loan, and a loan-to-value ratio of 75 per cent with an annual 4 per cent interest rate. Only a prospective buyer with a monthly income of \$21,178 could purchase the flat comfortably at the recommended debt servicing ratio ceiling of 30 per cent.

The bigger problem is whether such sky-high price listings, if left unaddressed, can poison the well water by normalising \$2 million asking prices for HDB flats, thereby creating false hope for home owners that HDB flats can command millions and inducing others to similarly set unrealistically high prices.

On the sell side, marketing professionals know that the first price people encounter can have an anchoring effect, as it becomes a reference point informing subsequent judgment of what constitutes a reasonable resale price for an HDB flat. Such

deceptive techniques could be used to boost sales and influence the behaviour of home buyers.

While investigations are ongoing and the property agents must prove that they had no intent to mislead buyers, one must not rule out the possibility that the \$2 million listings were planted decoys. Such a high anchor price creates perceptions of quality and value. Its psychological effect is to enhance the appeal of every other flat in the same development or with a similar size with a price tag of \$1.9 million or lower.

## THE FIRST PROBLEM: BAD AGENTS

The news of the \$2 million listings underscores the opacity of the HDB resale market, and how real estate agents have filled the void to become not only powerful middlemen but also predatory price setters who are able to exploit information gaps in the market to tilt negotiations to their client's advantage and personal gain.

Yet, deception also preys on an element of truth. While the \$2 million listing may be unreal, the

## Rounds of intervention have slowed price growth

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The new public housing classifications of Prime, Plus and Standard flats will make HDB flats located downtown or in mature estates with good transport networks and amenities more affordable. Stricter rules, including a 10-year minimum occupation period and a clawback of subsidies in a resale, also mitigate speculation from driving up demand and, consequently, prices.

Both Prime and Plus housing locations overlap with the areas where most of the million-dollar resale flats were sold in the resale market. Take, for example, the February 2024 round of BTO exercises, where flats at Tanglin Halt Courtyard in Queenstown were classified as Prime location housing. Four-room flats were priced between \$565,000 and \$720,000 before HDB grants – relatively low compared with the resale prices of comparable flats in the same area of between

\$848,888 and \$1,000,000.

Hence, this new classification should slow the growth of million-dollar flats in the medium term. Without such intervention, HDB homes in Plus and Prime locations will likely be dominated by private housing, with more Singapore families in the broad middle pushed farther away from MRT stations and the city centre. The housing market would become less inclusive, with greater societal stratification and geographical segregation of families by income brackets.

### THE THIRD PROBLEM: PRIVATE DEMAND

The third factor driving up prices in the HDB resale market is external demand – from rich foreigners and cash-flushed home owners who have sold their private residential homes and want to buy a well-located HDB flat.

The private and public resale housing prices are highly

### Rising number of \$1m HDB flats sold in resale market

| Year         | Number of resale transactions | Number of \$1m HDB flat transactions |
|--------------|-------------------------------|--------------------------------------|
| 2017         | 20,509                        | 46 (0.22%)                           |
| 2018         | 21,561                        | 71 (0.33%)                           |
| 2019         | 22,186                        | 64 (0.29%)                           |
| 2020         | 23,333                        | 82 (0.35%)                           |
| 2021         | 29,087                        | 259 (0.89%)                          |
| 2022         | 26,720                        | 369 (1.38%)                          |
| 2023         | 25,760                        | 469 (1.82%)                          |
| 2024         | 10,184                        | 280 (2.75%)                          |
| <b>Total</b> | <b>179,340</b>                | <b>1,640 (0.91%)</b>                 |

NOTE: • 2024 figures are up to May.

• Numbers in brackets denote percentage of total HDB resale transactions.

Source: HOUSING BOARD STRAITS TIMES GRAPHICS

dependent on each other. Price increases in one easily spill into the other. After the Covid-19 circuit breaker was lifted in June

2020, resale HDB housing prices surged 33.7 per cent between the second quarter of 2020 and the first quarter of 2024, with private

non-landed housing prices growing similarly by 28.5 per cent over the same period.

The authorities intervened in September 2022 to dampen demand by imposing a 15-month wait-out period for private home owners who have sold their homes before they can buy a resale HDB flat.

Thereafter, in February 2023, the Government increased the CPF Housing Grant from \$50,000 to \$80,000 to help first-time buyers in the resale HDB market, recognising that the impact of high resale prices would be felt keenly by families who need a home urgently and cannot wait for a BTO flat. Together with the enhanced CPF Housing Grant and the Proximity Housing Grant, eligible families can receive up to \$190,000 when buying a resale flat for the first time.

To further cool demand in the private residential market, the Government also slapped a 60 per cent additional buyer's stamp duty (ABSD) on private non-landed property purchases by foreigners in April 2023. This hefty ABSD effectively creates a two-tier market where foreigners must pay substantially more for private homes without driving up prices for Singapore home owners.

In the same vein, investment demand by Singapore citizens and permanent residents was also curbed with an increase in ABSD on a second residential property to 20 per cent and 30 per cent respectively in the same announcement.

These rounds of intervention effectively slowed price growth. Private non-landed housing price increases moderated from 8 per cent in 2022 to 6.5 per cent in 2023. In tandem, resale HDB housing price increases slowed down from 10 per cent in 2022 to 4.9 per cent in 2023.

Overheating in the residential market caused by excessive price increases can have deleterious effects. Calibrating this machine from time to time to ensure home ownership remains a reachable goal for the broad middle group of Singaporeans is necessary when affordable and accessible high-quality housing is a key part of the social compact.

The mechanic's job will never be done.

• Sing Tien Foo is the Provost's Chair Professor at the Department of Real Estate at NUS Business School, National University of Singapore. Views are those of the author and do not represent those of NUS and its affiliates.