



Although the [Dawson Built-to-Order \(BTO\) housing development by HDB has been over-subscribed](#), a common peeve among home-seekers is that the project is estimated to be completed for delivery in 2016 at the earliest.

One of the original objectives for the BTO scheme is to better match supply with demand and avoid the repeat of the glut of empty flats of the past. However, with an increase in demand in recent years due to a rapidly growing population, a strong economy and low-interest rates, the BTO scheme can't seem to keep up with demand.

Even if applicants beat the odds and succeed in getting a unit at Dawson in the ballot, they would need to find elsewhere to live in the interim 6 years. Such a long lead-time has even been cited as a reason for couples who are postponing plans to have children.

A Chinese article in "MyPaper" on 22 Dec 2009 compared the pros and cons of various options newly-wed couples have of dealing with the wait, including temporarily buying a resale flat, renting a flat and living with their parents.

The article highlighted several pertinent points with regard to couples buying a resale flat before taking possession of their BTO flats.

1. Rules on Double Ownership and Restriction on Sale

Under HDB rules, a married couple cannot hold more than one HDB flat simultaneously. Therefore, a couple who owns a resale flat must sell that flat before taking possession of the new BTO flat. This rule has a few complications, because if a resale flat has been purchased

via a HDB Concessionary Loan, it cannot be sold within the first 2.5 years. If a CPF Housing Grant has been used, the bar on sale rises to 5 years. Therefore, if a BTO unit is expected to be completed in less than five years, a couple would not be able take a housing grant for the purchase of their first flat, without flouting the rules.

2. HDB Concessionary Loan

A little-known rule also exist for the HDB Concessionary Loan, which is that a couple is only entitled to the loan only twice. If a couple uses the loan for both the temporary resale flat and then the BTO flat, they would have consumed both their chances.

3. Housing Grant and Resale Levy

A couple who applies for the housing grant from HDB to purchase the first flat will be subject to a Resale Levy, if the flat is sold just before another subsidized flat (such as a BTO) is purchased. Furthermore, the Housing Grant cannot be used to offset the "Cash Over Valuation" portion of a resale's flat transacted price. Furthermore, since the BTO is a direct sale by HDB, a housing grant will not be available.

4. Down Payments

Even though BTO flats are typically completed 3 to 6 years after allocation, a down payment of 5% (if at least one spouse of a couple is under 30 years of age) or 10% (if otherwise) is due within 4 months of signing on the purchase, with the rest due by completion. If a couple decides to buy a resale flat in the meantime, they effectively have to fork out the down payments upfront for 2 flats.

5. Commissions and Fees

The purchase and sale of flats involve numerous fees such as legal fees, stamp duties (3% of

purchase price) and agent's commission (1% of sale price). Buying one flat after another raises such expenses.

Conclusion

With the long wait involved in BTOs, it may actually make more financial sense to get a resale flat instead.