

## **Cooling Measures to ensure a stable and sustainable property markets**



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## Measures to maintain a stable and sustainable property market

*The government then opted to take on small, pre-emptive steps to prevent a bubble from forming rather than enforcing drastic measures when it is already formed. “If we take those drastic measures, then obviously the impact on buyers and the market generally will be more severe. So we decided to act now,” said Mr. Mah.*

In September 2009, the government removed the Interest-Only Loans and Interest Absorption Scheme to cool the property fever and to prevent any speculative bubble from forming. The government has also announced that it will resume land sales under the confirmed list of its land sales programme in H1 2010.

# Property Cooling measures in SINGAPORE

What are the new property cooling measures in Singapore?

1. Holding period for imposition of Seller's Stamp Duty (SSD) increased from three to four years.
2. SSD rates raised to 16 per cent, 12 per cent, 8 per cent and 4 per cent for homes bought today and thereafter and which are sold in the first, second, third and fourth year, respectively.
3. Loan-To-Value (LTV) limit lowered to 50% on housing loans for property purchasers who are not individuals.
4. LTV limit lowered from 70 per cent to 60 per cent for individual property purchasers with one or more outstanding housing loans.

# Effects of the cooling measures implemented

There were 4 rounds of property cooling measures:  
September 14th 2009, Feb 19th 2010, August 30th 2010 and January 14th 2011

MND COS 2011  
Fig 1



Fig 1: Property Price Index (Source MND)

MND COS 2011  
Fig 2

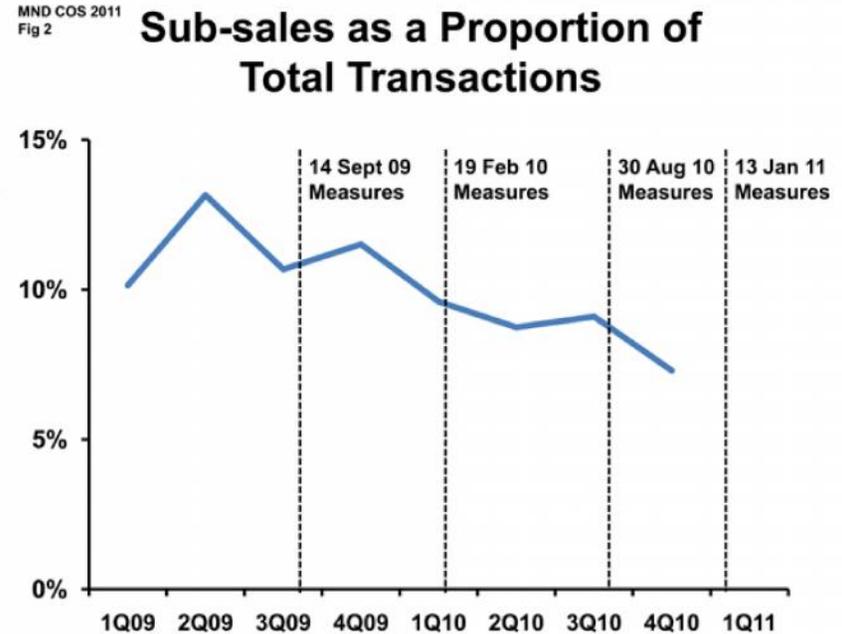


Fig 2: Sub-sales as a Proportion of Total Transactions (Source MND)

# Additional Property Cooling measures effective January 2013

The package of measures is the seventh round of property cooling measures introduced since 2009.

The measures, which will take effect on January 12, include higher buyer's stamp duty, tighter loan-to-value limits, higher minimum cash down payment for second and subsequent housing loans, as well as an introduction of seller's stamp duty for industrial properties.



# Additional Residential Property Cooling measures effective January 2013

- a) Additional Buyer's Stamp Duty (ABSD) rates will be:
  - i) Raised between five and seven percentage points across the board.
  - ii) Imposed on Permanent Residents (PRs) purchasing their first residential property and on Singaporeans purchasing their second residential property.
  
- b) Loan-to-Value limits on housing loans granted by financial institutions will be tightened for individuals who already have at least one outstanding loan, as well as to non-individuals such as companies.
  
- c) Besides tighter Loan-to-Value limits, the minimum cash down payment for individuals applying for a second or subsequent housing loan will also be raised from 10% to 25%.

# Additional Residential Property Cooling measures effective January 2013

The measures listed will not impact most Singaporeans buying their first home. Some concessions will also be extended to selected groups of buyers, such as married couples with at least one Singaporean spouse who are purchasing their second property and will sell their first residential property.

These new ABSDs and loan rules are significant, but they are temporary. They are being imposed to cool the market now, and will be reviewed in future depending on market conditions.

# Additional Public Housing Cooling measures effective January 2013

- a) Tighter eligibility for loans to buy HDB flats:
  - i) MAS will cap the Mortgage Servicing Ratio (MSR) for housing loans granted by financial institutions at 30% of a borrower's gross monthly income.
  - ii) For loans granted by HDB, the cap on the MSR will be lowered from 40% to 35%.
  
- b) PRs who own a HDB flat will be disallowed from subletting their whole flat.
  
- c) PRs who own a HDB flat must sell their flat within six months of purchasing a private residential property in Singapore.

# Additional Executive Condominium Cooling measures effective January 2013

The Government will introduce measures specific to new EC developments to ensure that ECs continue to serve as an affordable housing option for middle-income Singaporean families.

- a) The maximum strata floor area of new EC units will be capped at 160 square metres.
- b) Sales of new dual-key EC units will be restricted to multi-generational families only.
- c) Developers of future EC sale sites from the Government Land Sales programme will only be allowed to launch units for sale 15 months from the date of award of the sites or after the physical completion of foundation works, whichever is earlier.

# Additional Executive Condominium Cooling measures effective January 2013

d) Private enclosed spaces and private roof terraces will be treated as gross floor area (GFA). The GFA of such spaces in non-landed residential developments, including ECs, will be counted as part of the 'bonus' GFA of a residential development and subject to payment of charges. This is in line with the treatment of balconies under URA's current guidelines.

# Additional Industrial Property Cooling measures effective January 2013

Prices of industrial properties have doubled over the last three years, outpacing the increase in rentals. In addition, there has been increasing speculation in industrial properties: in 2011 and the first eleven months of 2012, about 15% and 18% respectively of all transactions of multiple-user factory space were resale transactions carried out within three years of purchase. This is significantly higher than the average of about 10% from 2006 to 2010.

The Government is introducing Seller's Stamp Duty (SSD) on industrial property to discourage short-term speculative activity which could distort the underlying prices of industrial properties and raise costs for businesses.

# Additional Industrial Property Cooling measures effective January 2013

- a) SSD at 15% if the property is sold in the first year of purchase, i.e. the property is held for one year or less from the date of purchase.
- b) SSD at 10% if the property is sold in the second year of purchase, i.e. the property is held for more than one year and up to two years from the date of purchase.
- c) SSD at 5% if the property is sold in the third year of purchase, i.e. the property is held for more than two years and up to three years from the date of purchase.

# Additional Buyer's Stamp Duty Rates

Citizenship	ABSD Rate on 1st Purchase	ABSD Rate on 2nd Purchase	ABSD Rate on 3rd & Subsequent Purchase
Singapore Citizens	Existing: NA Revised: NA	Existing: NA Revised: 7%	Existing: 3% Revised: 10%
Permanent Residents	Existing: NA Revised: 5%	Existing: 3% Revised: 10%	Existing: 3% Revised: 10%
Foreigners and nonindividuals (corporate entities)	Existing: 10% Revised: 15%	Existing: 10% Revised: 15%	Existing: 10% Revised: 15%

# Housing Loans

	1st Housing Loan	2nd Housing Loan	From 3rd Housing Loan
LTV Limit	<p><u>Existing Rules</u> 80%; or 60% if the loan tenure is more than 30 years or extends past age 65</p> <p><u>Revised Rules</u> No change</p>	<p><u>Existing Rules</u> 60%; or 40% if the loan tenure is more than 30 years or extends past age 65</p> <p><u>Revised Rules</u> 50%; or 30% if the loan tenure is more than 30 years or extends past age 65</p>	<p><u>Existing Rules</u> 60%; or 40% if the loan tenure is more than 30 years or extends past age 65</p> <p><u>Revised Rules</u> 40%; or 20% if the loan tenure is more than 30 years or extends past age 65</p>
Minimum Cash Down Payment	<p><u>Existing Rules</u> 5% (for LTV of 80%) 10% (for LTV of 60%)</p> <p><u>Revised Rules</u> No change</p>	<p><u>Existing Rules</u> 10%</p> <p><u>Revised Rules</u> 25%</p>	<p><u>Existing Rules</u> 10%</p> <p><u>Revised Rules</u> 25%</p>
Non-Individual Borrowers	<p><u>Existing LTV Limit</u> 40%</p> <p><u>Revised LTV Limit</u> 20%</p>		

# At A Glance

## ACROSS-THE-BOARD MEASURES

Having squeezed speculative demand out of residential market, the Government is now concerned over investment demand caused by unusually low interest rates.

### ALL RESIDENTIAL PROPERTY

- Additional Buyer's Stamp Duty to be raised across the board by between 5 and 7 percentage points.
- ABSD to be imposed on PRs buying their first residential property and on Singaporeans buying their second property.
- Loan to value limits on housing loans will be tightened by between 10 and 20 percentage points for individuals who already have at least one outstanding loan.
- Minimum cash down payment for individuals applying for a second or subsequent housing loan to be raised from 10% to 25%.

### PUBLIC HOUSING

- Tightening on the proportion of monthly income that can be used to service mortgages. The maximum proportion is now 30% for bank loans and 35% for HDB loans.
- PRs who own an HDB flat will be disallowed from subletting their whole flat.
- PRs who own an HDB flat must sell their flat after buying a private residential property in Singapore.

### EXECUTIVE CONDOMINIUMS

- No more super-sized penthouses as the maximum strata floor area of new units will be capped at 160 sq metres.
- Sales of new dual-key units will be restricted to multi-generational families.

### INDUSTRIAL PROPERTY

- Introduction of seller's stamp duty, ranging from 5% to 15%, for property sold within three years of purchase.

## AT A GLANCE

### Changes to financing

	1st housing loan	2nd	3rd onwards
<b>Loan-To-Value Limits</b>			
Existing rules	80% or 60%*	60% or 40%*	60% or 40%*
Revised rules	No change	50% or 30%*	40% or 20%*
<b>Minimum Cash Down Payment</b>			
Existing rules	5% (for LTV of 80%) 10% (for LTV of 60%)	10%	10%
Revised rules	No change	25%	25%
<b>Non-Individual Borrowers</b>			
Existing LTV limit	40%	40%	40%
Revised LTV limit	20%	20%	20%

\*If the loan tenure is more than 30 years or extends past age 65.

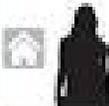
### Changes to additional buyer's stamp duty

	Rate on 1st purchase	2nd purchase	3rd & subsequent purchase
<b>Singapore citizens</b>			
Existing	N/A	N/A	3%
Revised	N/A	7%	10%
<b>Permanent residents</b>			
Existing	N/A	3%	3%
Revised	5%	10%	10%
<b>Foreigners and non-individuals**</b>			
Existing	10%	10%	10%
Revised	15%	15%	15%

\*\*Corporate entities

Sources: Ministry of Finance, Ministry of National Development, Monetary Authority of Singapore and Ministry of Trade & Industry

# How the key cooling measures affect buyers

How the key cooling measures will affect these buyers					
For a \$1 million property		Maximum loan amount*	Minimum cash downpayment	Additional buyer's stamp duty	Extra funds required
	Singaporean buying first home	<del>NO CHANGE</del> \$800,000 (80%)	<del>NO CHANGE</del> \$50,000 (5%)	<del>NO CHANGE</del> None	None
	Singaporean buying second property for investment; servicing first home loan	<del>\$600,000 (60%)</del> \$500,000 (50%)	<del>\$100,000 (10%)</del> \$250,000 (25%)	<del>None</del> \$70,000 (7%)	<b>\$320,000</b>
	Permanent Resident buying first home**	<del>NO CHANGE</del> \$800,000 (80%)	<del>NO CHANGE</del> \$50,000 (5%)	<del>None</del> \$50,000 (5%)	<b>\$50,000</b>

NOTE: \* Based on loan-to-value limits, and assuming the purchase price is the same as the valuation. Stricter conditions apply for all home loans if the tenure is longer than 30 years or extends past age 65.  
 \*\* Other changes will affect PRs. For instance, those who own an HDB flat can no longer sublet the entire flat. PRs must sell their HDB flat within six months of purchasing a private home in Singapore.

SOURCE: MINISTRY OF FINANCE, MINISTRY OF NATIONAL DEVELOPMENT, SECRETARY GENERAL'S OFFICE OF SINGAPORE AND MINISTRY OF TRADE & INDUSTRY | IT GRAPHICS

# Hong Kong Property Cooling measures

Analysts are expecting the new cooling measures imposed by the government in Hong Kong to have the same impact as similar stamp duty increases implemented in Singapore last December 2011.

The new measures include the increase of special stamp duties for properties re-sold within the first three years of its purchase and imposing an extra 15 percent transaction cost on non-local buyers and local and foreign companies.

# China Property Cooling measures

Faced with an overheated property market that could foment social unrest, the Chinese government has implemented a combination of measures in what some are calling a belated response. The impact, however, is reflected in sharply declining property sales in cities like Beijing and Shanghai, and developer reluctance to release projects into the market.



# Asia cooling measures here to stay

according to predictions published this week by Colliers International

The report, along with Colliers' Global Investor Sentiment Survey, also predicted that price inflation will pressure heated Asian real estate markets, the Japanese economy will improve and China will see rising demand for logistics.

It also predicted that industrial property investments in the US are expected to be a top target for commercial property investors.



# Asia cooling measures here to stay

according to predictions published this week by Colliers International

In its '21 predictions for 2013' White Paper, the consultancy highlighted that government measures that have recently been introduced to cool property markets in some parts of Asia are unlikely to be removed anytime soon.

The report noted: "In anticipation of currency appreciation and sustained capital flow into Asia, most of the restrictive residential market cooling measures will remain intact throughout 2013. Governments will stabilize markets to avoid social unrest caused by soaring residential prices.

# Thinking ahead

## *PROPERTY STABILITY*

Experts feels that it is too early to predict the impact of this cooling measures.

## *PROPERTY COOLED*

The steps include higher stamp duties and rules limiting buyers on how much they can borrow, in some cases as little as 20 per cent of the purchase price. The hard-hitting measures, most of which take effect today, cover the private and public residential markets, executive condominiums (ECs) and the industrial property sector.

The aim is to curb investor demand, reduce speculation in industrial property, be stricter on foreign buyers and increase lending limits to fend off over-borrowing amid rock-bottom interest rates.

## *PROPERTY STAGNANT*

Mr Tharman noted that some of the measures are temporary and will be reviewed "once markets cool and prices soften".

# Thinking ahead

## *WOULD PROBLEMS BE SOLVED?*

The general sentiment is that the problem is channelled to other aspects. Many analysts said it is one of the toughest cooling measures, with one head of a local bank saying it could be so drastic that it [would affect Singapore's GDP growth](#).

## *INFLATION, ECONOMIC THEORIES & VIEWS*

DBS chief executive officer Piyush Gupta said the property cooling measures unveiled have "a lot of teeth". Mr Gupta said the measures were a reflection of the [government willingness to trade off growth for social harmony and to rein in inflation](#).

Mr Gerard Teo, head of strategy and currency at Fullerton Fund Management, said that as the government moves to restructure the economy, the government's foreign worker policy has resulted in a lower supply of foreign workers in Singapore. He said there is a danger that as [wages increase, businesses may try to pass the increased costs to consumers](#). He reckoned that this could lead to [higher inflation](#).

# Company as a Property Holding Vehicle



## **SYNERGY AND SUPPORT**

With the strong interest and mind set of our groups of investors and buyers, we would be able to solidify our presence quickly as an “Integrated investment and niche development company” run and managed by Experienced and Shrewd Anchor Persons, with the necessary expertise and tools to advance the joint synergy and support of all Co-Investors.

## **INTEGRATED SOLUTIONS**

In our long years of property investments as an individual, it is not easy to grow and not easy to capitalize on good property lots available for sale, when you are constrained by limited funds and financing. Also, the big boys are strong and lurking everywhere.

Therefore, to simulate some strength and build into synergies and support for strength to take the competition, we have to garner our own small resources together and assemble a united front with some war chest of funds to co-own, co-build and co-work together. Also, as a group we can benefit from economies of scale and take advantage of better supplier pricing.

CREATE • BUILD • ENHANCE  
CO-DEVELOPING SINGAPORE LAND

*FOR MORE INFORMATION, PLEASE CONTACT PHYLLIS FONG*



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