

Market Cooling Measures

Additional buyer's stamp duty to be imposed

■ Additional buyer's stamp duty imposed

The Singapore Government announced the imposition of Additional Buyer's Stamp Duty (ABSD) yesterday. With effect from 8th December 2011, foreign buyers and non-individuals will be subject to ABSD of 10% and PRs and Singaporeans who owns existing properties will be subject to ABSD of 3%. Detailed explanation of the ABSD can be found in Appendix 1 and 2.

Lower quantum of land sales programme for 1st half 2012

Concurrently, the Government also announced its 1st half 2012 GLS Programme which offer sites that could yield 7,000 homes in the Confirmed List (including 2,900 units of executive condominiums, see Appendix 3). While the quantum is large, it is within market expectations due to the strong take up of new launches in recent months. However, the ABSD have made the GLS programme less relevant because if market demand sharply deteriorates, then developers might not bid for sites. We might see more failed land tenders in the coming months which could reduce the impact from the additional supply that could have come from these sites.

Timing of the new measures is surprising

The Government has rationalised that Singapore remains very attractive for investment capital despite earlier rounds of cooling measures. If it is allowed to continue unabated, it could trigger a sharper correction in property prices later on and thus, the need to introduce additional measures now. In our opinion, the timing of these new measures are surprising as property prices growth have slowed in recent months and the deterioration of economic conditions and increased layoffs have negatively impacted investor demand in the secondary market in recent months.

Short term decline in volume and prices expected

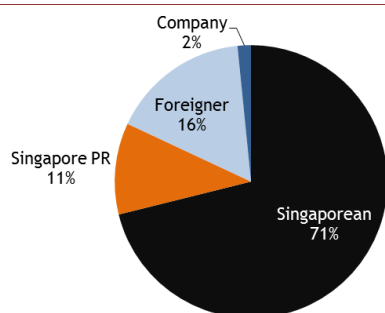
The measures will generate greater uncertainty in the market which means that transaction volumes are likely to fall. We also expect property prices to trend downwards in the coming months as the number of potential buyers is likely to reduce, thereby reducing the bargaining power of sellers. However, the longer term impact will still depend on the Singapore's immigration policy, the health of the rental market and housing loan rates.

Exhibit 1: ABSD

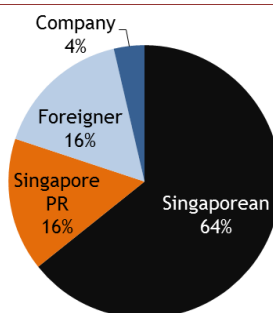
Entity	ABSD
Foreigners and non-individuals (corporate entities) buying any residential property	10%
PRs owning one and buying the second and subsequent residential property	3%
SCs owning two and buying the third and subsequent residential property	3%

Source: URA, OrangeTee Research

Composition of buyers, year to date : Primary market



Composition of buyers, year to date : Secondary market



Source: URA, OrangeTee Research

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Appendix 1

Details of ABSD

(Extracted from Press Release issued by the Ministry of Finance & Ministry of National Development dated 7th December 2011)

Rationale for imposing the ABSD

Mr Tharman Shanmugaratnam, Deputy Prime Minister and Minister for Finance, said, “We have always had open markets and must keep them that way. However, the reality is that investment flows into our property market are now larger than before, and unlikely to recede as long as interest rates remain low. The additional buyer’s stamp duty should help cool investment demand, and avoid the prospect of a major, destabilising correction further down the road.”

How are purchases by joint buyers classified?

For purchases made jointly by two or more parties (e.g. a Singaporean with a PR, or a PR with a foreigner), the higher applicable ABSD rate will be imposed. For example, if a citizen purchases a property with a foreigner, the ABSD of 10% will apply. In the case of a joint purchase by Singaporeans, who each already owns properties, the ABSD of 3% will apply as long as one of the purchasers already owns two properties.

What is considered as ownership?

A person is regarded as owning a property for the purpose of ABSD as long as he owns part of that property. Overseas properties will be excluded from the count of properties owned.

When is the effective date?

The measure will apply to a property purchase if the option for purchase is exercised or the agreement for transfer is executed, whichever is earlier, on or after 8 Dec 2011. Where no option for purchase is granted and only an agreement for transfer is executed, then the measure will apply to the agreement for transfer if it is executed on or after 8 Dec 2011.

Remission of ABSD will be given for options granted on or before 7 Dec 2011 and exercised within 3 weeks (i.e. on or before 28 Dec 2011) or the option validity period, whichever is the earlier.

Are purchasers of HDB properties affected?

Purchasers of HDB properties will not be affected by this measure. Only Singaporeans and Permanent Residents are eligible to be HDB flat lessees (i.e. own a flat). Existing residential property owners who buy an HDB flat or a new unit under the Design, Build and Sell Scheme (DBSS) or the Executive Condominium (EC) Housing Scheme will not be subject to the ABSD, since the existing flat/property will have to be disposed of as part of the conditions for the purchase of the HDB/DBSS flat or EC unit.

Note: Unless otherwise specified, any reference to “property” in the above typically refers to private residential property.

Appendix 2

Existing and Additional Buyer's Stamp Duty

(Based on Press Release issued by the Ministry of Finance & Ministry of National Development dated 7th December 2011)

Transaction	On and before 7 Dec 2011	On or after 8 Dec 2011	
	Existing BSD rates on the total purchase price or market value (whichever is higher)	Existing BSD rates on the total purchase price or market value (whichever is higher)	Additional BSD rates on the total purchase price or market value (whichever is higher)
Foreigners and non-individuals (corporate entities) buying any residential property	1% on first \$180,000 2% on next \$180,000 3% for the remainder	1% on first \$180,000 2% on next \$180,000 3% for the remainder	+10%
PRs owning one and buying the second and subsequent residential property			+3%
Singapore Citizens (SCs) owning two and buying the third and subsequent residential property			+3%
PRs buying the first residential property	1% on first \$180,000 2% on next \$180,000 3% for the remainder	No Change	NIL
SCs buying the first and/ or second residential property			

Example: Assume property purchase of \$1 million

	SCs buying first and/or second residential properties PRs buying first residential property	Foreigners and non-individuals	PRs owning one and buying the second and subsequent residential property	SCs owning two and buying the third and subsequent residential property
Existing buyer's stamp duty	\$24,600	\$24,600	\$24,600	\$24,600
Additional buyer's stamp duty	NIL	\$100,000	\$30,000	\$30,000
Total stamp duty on \$1 million purchase of residential property	\$24,600	\$124,600	\$54,600	\$54,600

Appendix 3

Government Land Sales Programme: 1st Half 2012

Sites in the Confirmed List

S/N	Location	Site Area (ha)	Proposed GPR	Estimated No. of Residential Units	Estimated No. of Hotel Rooms	Estimated Commercial (m2)	Estimated Launch Date	Sales Agent
Confirmed List								
Residential Sites								
1	Upper Serangoon View / Upper Serangoon Road (EC)	1.24	3.5	435	0	0	Jan-12	HDB
2	Hillview Avenue	1.26	2.8	370	0	0		URA
3	Fernvale Lane (EC)	2.2	3.5	770	0	0	Feb-12	HDB
4	Elias Road / Pasir Ris Drive 3	2.33	1.4	345	0	0		HDB
5	Punggol Central / Edgefield Plains (EC)(3)	1.32	3	395	0	0		HDB
6	Woodlands Avenue 5 / Woodlands Drive 16 (EC) (3)	2.58	2.8	720	0	0	Mar-12	HDB
7	Tampines Avenue 9 / Tampines Avenue 7 (EC)(3)	2.08	2.8	580	0	0		HDB
8	Tampines Avenue 10 / Tampines Avenue 1 (Parcel A) (3)	2.04	2.8	600	0	0		URA
9	Buangkok Drive / Sengkang Central	1.83	3	580	0	0	Apr-12	URA
10	Sengkang Square / Compassvale Drive	2.25	3	710	0	0		HDB
11	Pasir Ris Drive 3 / Pasir Ris Drive 10 (3)	2.25	2.1	495	0	0		URA
12	Upper Serangoon Road / Pheng Geck Avenue (Parcel B)	0.49	3.5	200	0	0	May-12	URA
13	Tanah Merah Kechil Road / Tanah Merah Kechil Link	1.4	2.8	415	0	0	Jun-12	URA
14	Bright Hill Drive (3)	1.3	2.8	405	0	0		HDB
Total for Confirmed List				7,020	0	0		

Source: URA, OrangeTee Research

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