

# GUIDE TO BUYING PROPERTY IN SINGAPORE







## CONTENTS

Buying in Singapore	3
Purchasing private property in Singapore	4
Interest rates	6
Stamp duty and legal fee	7
Property tax	8
Additional buyer's stamp duty	9
Renting a home in Singapore	10
Contacts	12





## BUYING IN SINGAPORE

*The residential market in Singapore is very diverse and offers a variety of lifestyle options ranging from city living to suburban living; high-rise housing to landed homes; plenty of choices catering to young working professionals as well as families.*

*Most of the condominiums in Singapore are equipped with facilities such as gyms, swimming pools, barbecue pits, playgrounds and 24-hour security. Landed residential properties are also*

*available for lease. Expatriates staying in landed properties usually choose to join recreational clubs to socialise and for the facilities which are not available in landed homes.*

*There are no restrictions to foreign ownership of condominiums. However, purchase of landed properties by a foreigner (individual or company) is subject to written permission from the Land Dealings Approval Unit.*

*Prime residential districts of 9, 10 and 11 remain the top choices for foreign investors and expatriates relocated to Singapore. Attraction in these districts include the prime shopping belt of*

*Orchard Road; famous international schools and local schools; Holland Village and Dempsey which are the favourite F&B enclaves for both expatriate and locals alike.*

*Over the years the Marina Bay, Shenton and Tanjong Pagar areas, which are located within the Central Business Districts (CBD), have grown in popularity largely due to government initiatives in enhancing the attractiveness of the CBD as a live, work and play area. The last few years also saw the completion of a number of luxury condominiums and un-gated landed homes situated in Sentosa, an island approximately 20 minutes' drive from the CBD.*



# PURCHASING PRIVATE PROPERTY IN SINGAPORE

## Loans

As at June 2013, the Monetary Authority of Singapore (MAS) introduced Total Debt Servicing Ratio (TDSR) framework and Refinement of LTV Rules. The debt servicing framework applies to property loans for Singapore & overseas residential/non-residential properties.

The details of the new framework are as follows:

FRAMEWORK	REQUIREMENTS	DETAILS
<b>Total Debt Servicing Ratio (TDSR)</b>	<b>Overview</b>	<ul style="list-style-type: none"> <li>Up to a maximum of 60% TDSR for all property loan borrowers</li> <li>Apply to both new loans and re-financing loans, residential and non-residential property loans</li> <li>Cover properties in and outside of Singapore</li> </ul>
	<b>Monthly Total Debt Obligations</b>	<ul style="list-style-type: none"> <li>Take into consideration borrowers' outstanding property and non-property debt obligations when computing monthly total debt obligations</li> <li>Apply a specified medium-term interest rate of 3.5 per cent for housing loans and 4.5 per cent for non-residential property loan, or the prevailing market interest rate, whichever is higher, to the property loan that the borrower is applying for when calculating the TDSR</li> </ul>
	<b>Gross Monthly Income</b>	<ul style="list-style-type: none"> <li>Gross monthly income excluding CPF employer contribution</li> <li>30% 'haircut' for variable income, e.g. bonuses, commissions, allowances, rental.</li> <li>Can include certain eligible financial assets, subject to haircuts and an amortisation schedule over 48 months for conversion into "income streams"</li> </ul>
	<b>Exemption</b>	<ul style="list-style-type: none"> <li>Re-financing loan by borrowers who is owner occupier and:               <ul style="list-style-type: none"> <li>The OTP was granted prior to 29 June 2013</li> <li>The residential property is the only property owned by the borrower</li> <li>No other outstanding property loan in the borrower's name</li> </ul> </li> <li>Bridging loans, under which any balance outstanding shall be repaid within six months, are exempted from the TDSR requirements</li> <li>Exclude monthly repayment of existing residential property loans when computing the TDSR for the HDB flat or EC purchase to be bought directly from developer</li> </ul>



FRAMEWORK	REQUIREMENTS	DETAILS
<b>Application of Loan-to-Value Limits</b>	<b>Mortgagor of property loans</b>	<ul style="list-style-type: none"> <li>♦ Borrowers named on a property loan to also be the mortgagors of the residential property for which the loan is taken</li> <li>♦ Borrowers are subject to TDSR assessment</li> </ul>
	<b>Guarantor of property loans</b>	<ul style="list-style-type: none"> <li>♦ “Guarantors” who are standing guarantee for borrowers otherwise assessed by FIs at the point of application for the housing loan not to meet the TDSR threshold for a property loan to be brought in as co-borrowers</li> </ul>
	<b>Income-weighted average age for loan tenure provision</b>	<ul style="list-style-type: none"> <li>♦ In case of joint borrowers, use the income-weighted average age of borrowers when applying the rules on loan tenure.</li> </ul>

Source: Knight Frank Research







## INTEREST RATES

There are two types of interest rates being offered by banks — floating rates and fixed rates.

However, banks may offer a mixture of floating and fixed rates for different situations. There is usually a minimum loan period of 3 years i.e. a penalty will be imposed on early redemption.

Interest rates and mortgage packages vary from bank to bank. If you are buying the property under a company's name, the interest rate will be approximately 0.5 per cent to 1 per cent higher per annum (depending on the loan amount, market conditions and rates offered by different banks), compared to buying under a personal name.

### Payment Terms

Payment terms vary between purchasing from developers or from private individual owners as shown below:

### Purchase of Private Properties from Housing Developers

Developers normally offer progressive payment schemes following the stages of construction.





## PURCHASE OF PRIVATE PROPERTIES FROM INDIVIDUAL OWNERS- PRIVATE TREATY

<b>Option to Purchase</b>	<b>New Sale Property</b>	5% of purchase price	Option given immediately
	<b>Subsale/Resale Property</b>	1% of purchase price	Option given immediately
<b>Upon exercising option to purchase</b>	<b>New Sale Property</b>	15% of purchase price (this amount is usually held by solicitor as stakeholders)	8 weeks later from option to purchase
	<b>Subsale/Resale Property</b>	4 or 9% of purchase price (this amount is usually held by solicitor as stakeholders)	2 weeks later from option to purchase
<b>Completion date</b>	<b>New Sale Property</b>	80% of the purchase price	8 - 10 weeks later
	<b>Subsale/Resale Property</b>	95 or 90% of the purchase price	8 - 10 weeks later

## STAMP DUTY &amp; LEGAL FEE

The cost of stamp duty is chargeable by the government and is payable within 14 days of the date of agreement/ contract. The structure of the stamp duty payable is shown in the table:

SEGMENTS OF PURCHASE PRICE PAYABLE	PAYABLE
<b>Every S\$100 of the first S\$180,000</b>	S\$1
<b>Every S\$100 of the next S\$180,000</b>	S\$2
<b>Every S\$100 of the remainder</b>	S\$3





## PROPERTY TAX

The Government announced the introduction of progressive property tax rates for all residential properties from 1 January 2014 and 1 January 2015. The revised property tax structure will be phased in over two years starting from 1 January 2014.

ANNUAL VALUE (S\$)	PROGRESSIVE TAX RATES FOR OWNER-OCCUPIED HOMES FROM 1 JANUARY 2014 (%)	PROGRESSIVE TAX RATES FOR OWNER-OCCUPIED HOMES FROM 1 JANUARY 2015 (%)
First 8,000	0%	0%
Next 47,000	4%	4%
Next 5,000	5%	6%
Next 10,000	6%	6%
Next 15,000	7%	8%
Next 15,000	9%	10%
Next 15,000	11%	12%
Next 15,000	13%	14%
Excess of 130,000	15%	16%

**Source:** IRAS



### Capital Gains Tax

There is no capital gains tax in Singapore. However, when a person is deemed by the authorities to be trading in properties then the gains from the sale of property in Singapore is considered taxable income.

### Sellers' Stamp Duty Tax

In the governments' attempt to move towards a stable market, any residential properties purchased on or after 14th January 2011, are subject to a sellers' stamp duty. Residential properties which are sold within the first, second, third and fourth year from the date of acquisition are subject to a 16 per cent, 12 per cent, 8 per cent and 4 per cent stamp duty tax respectively.

## ADDITIONAL BUYERS' STAMP DUTY

Foreigners and non-individuals (corporate entities) buying any residential property will pay an Additional Buyer's Stamp Duty (ABSD) of 15 per cent on their residential property purchases.

The ABSD will be imposed over and above the current Buyer's Stamp Duty, and will apply to the purchase price or market value of the property, whichever is higher.

Foreigners of the following nationalities who fall within the scope of the respective Free Trade Agreements (FTAs) will be accorded with the same treatment as Singapore Citizens where they will only pay an ABSD of 7 per cent for their second residential property in Singapore and 10 per cent of their third and subsequent residential properties in Singapore.

- Nationals and Permanent Residents of Switzerland, Liechtenstein, Norway, Iceland and
- Nationals of United States of America

### Maintenance Fees

Maintenance fees depend on the size of the property and vary between different developments. Maintenance fees are usually payable on a quarterly basis to the corporation set up to manage the specific property. For new projects, maintenance fees will only be incurred upon completion.

### Limitations on Loan to Value (LTV) Ratio

In January 2013, MAS lowered the LTV limits for housing loans to individuals with one outstanding housing loan from 60% to 50%, and to individuals with two or more outstanding housing loans from 60% to 40%. Loans with longer tenure faced even tighter LTV limits. The LTV limit for housing loans to non-individuals was also reduced to 20%

### Restrictions on Foreign Ownership

Since 19 July 2005, the Singapore government has revised the Residential Property Act (RPA) rules to allow foreigners to purchase apartments or condominiums without the need to obtain prior approval.

However, foreigners who wish to buy landed property will still need to obtain prior approval from relevant authorities.

### Purchase of Property at Sentosa Cove

Foreigners are eligible to own a landed residential property at Sentosa Cove.

However, they will need to obtain a fast track approval from Singapore's Land Dealings (Approval) Unit (LDU), which will take about 2 days from the date of application.

The Sentosa Cove landed property must be owner-occupied and leasing is not allowed. The successful applicant is only allowed to own one restricted residential property in Singapore and can purchase up to 15,000 square feet of land.

The foreign purchaser can sell the property without staying in the property as compared to foreign purchasers of property on the Singapore mainland who have to stay a minimum of 3 years.





# RENTING A HOME IN SINGAPORE

## Lease Period

The lease period for residential units in Singapore is usually two years with an option to renew.

The rent for the initial lease term is usually fixed and will be renegotiated at prevailing market rates when option to renew is exercised. Leases for the duration of one year period are occasionally available.

A diplomatic (or break lease) clause is included in the lease and is exercisable after 12 months of a 2 year lease. For lease periods of 1 year, landlords prefer not to have a diplomatic clause although in certain cases, it is possible to negotiate for a 6 month diplomatic clause.

For pre-termination of the lease, the tenant is required to give two months' notice or pay two months in lieu to the landlord.

## Rental

The rental is usually quoted as gross rental which comprises the rent, maintenance fee and fixtures & fittings. The market standard for fixtures & fittings includes a fully fitted kitchen (hood, hob, fridge, washer, dryer and oven.

Microwave and dishwasher are optional), lights, curtains, wardrobes and water heater. The inclusion of soft furnishings is subject to negotiation. Rent is usually paid on a monthly basis and GST (7 per cent) is payable by the tenant if the landlord is GST registered.

## Security Deposit

Gross rent of two months is payable by the tenant to the landlord upon endorsement of the Tenancy Agreement.

This is refundable (interest free) to the tenant upon termination of the lease and is subject to due performance of the terms and conditions of the lease by the tenant.

A banker's guarantee is not acceptable.

## Stamp Duty

Stamp duty is payable by the tenant. Details of the Stamp Duty are as follows:

LEASE / TENANCY	RATES
<b>a) Where annual rent does not exceed \$1,000</b>	Exempted
<b>(b) Where annual rent exceeds \$1,000, Stamp Duty is based on the contractual rent or market rent, whichever is higher</b>	
<b>For every \$250 or part thereof of the average annual rent for lease term:</b>	
<b>Up to 1 year</b>	\$1.00
<b>More than 1 year and up to 3 years</b>	\$2.00
<b>More than 3 years or for an indefinite term</b>	\$4.00

Source: IRAS

## Legal Fee

It is advisable for the tenants to engage a lawyer to advise them on all legal matters pertaining to the tenancy agreement and the cost is borne by the tenant.

## Utilities

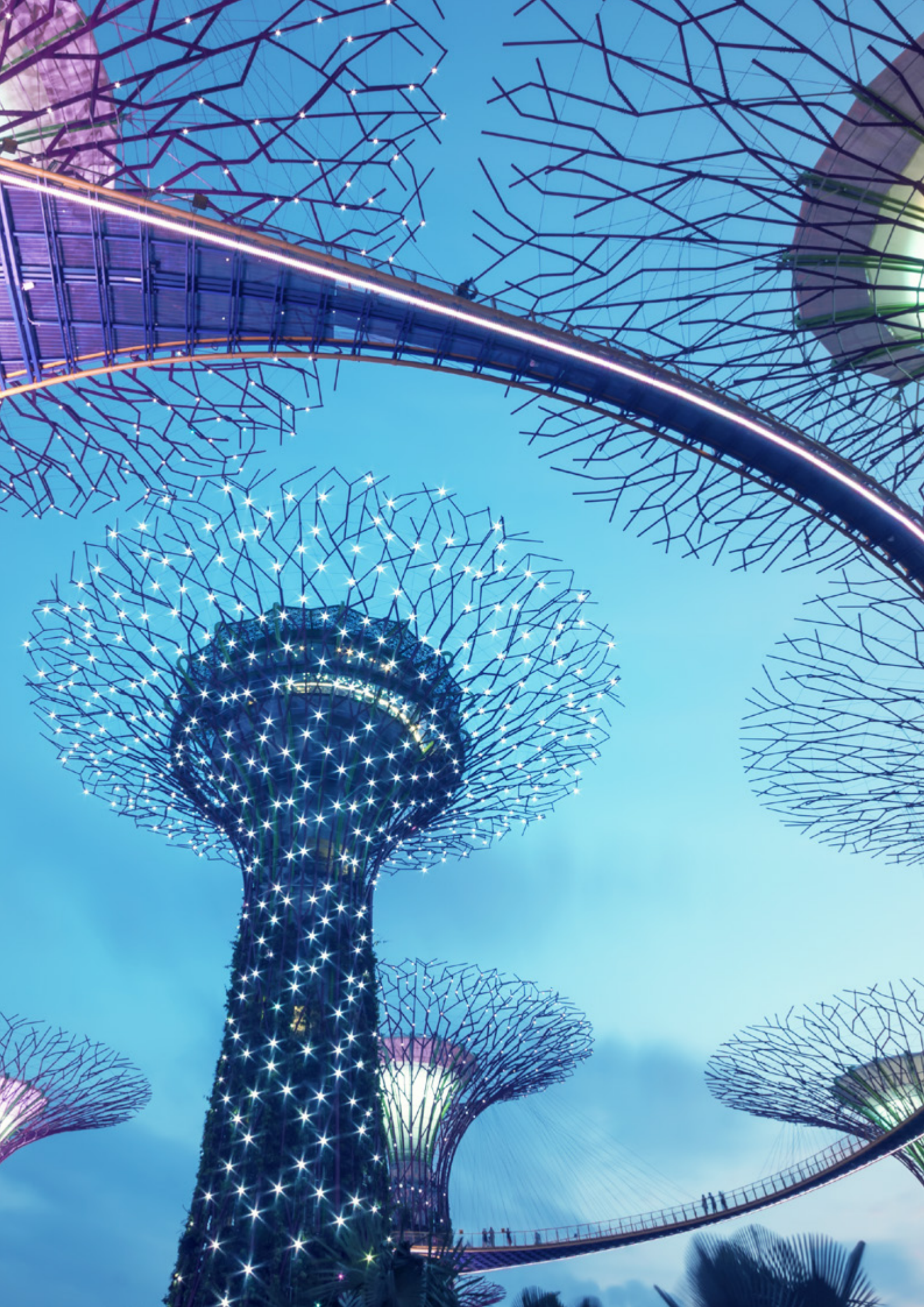
Utility charges such as electricity, water and gas are borne by the tenant. The service provider for these utilities is SP Services.

## Carpark

Most residential developments have provision for car parking. However, some mixed residential developments with retail/office may have limited car parking space available for residents.









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