

## Asia Property: Cooling Measures Latest In Singapore...

The combination of loose monetary policy and strong growth recovery in Asia are the key drivers for capital inflows into the region, helping to push up asset prices in the key Asian cities. Private property prices in Singapore and Hong Kong have risen by 11.2% and 8.1% respectively in the first half of the year, despite cooling measures since late-2009. This has prompted governments to remain watchful over the developments in the real estate market.

On 13 August, the HKMA lowered the loan-to-value (LTV) ratio to 60% (from 70%) for residential properties valued at HKD12 mn or more with immediate effect. Previously, the 60% was applicable to homes above HKD20 mn. Shortly today, the Singapore government announced a slew of measures to further cool the domestic property market. The measures today follows earlier moves in February and March when the government imposed 3% sellers' stamp duty on properties sold within a year and extended HDB resale flats' holding period to 3 years from 1 year.

### **Latest measures in Singapore to maintain a stable and sustainable property market... 30 Aug 2010.** Details on [www.mnd.gov.sg](http://www.mnd.gov.sg).

The Government announced today the following measures to maintain a stable and sustainable property market:

- a. Increase the holding period for imposition of Seller's Stamp Duty (SSD) from the current one year to three years.
- b. For property buyers who already have one or more outstanding housing loans at the time of the new housing purchase:
  - i. Increase the minimum cash payment from 5% to 10% of the valuation limit; and
  - ii. Decrease the Loan-to-Value (LTV) limit for housing loans granted by financial institutions regulated by MAS to these buyers from the current 80% to 70%.

The measures will take immediate effect on 30 August 2010.

### **On the HDB segment, details on [www.hdb.gov.sg](http://www.hdb.gov.sg),**

This press release provides details of the measures to:

- (a) Allow households earning between \$8,000 and \$10,000, to buy new DBSS flats with a \$30,000 CPF Housing Grant;
- (b) Increase the supply of new flats, Design, Build and Sell Scheme (DBSS) flats, and Executive Condominiums (EC);
- (c) Shorten the completion time of Build-To-Order (BTO) flats;
- (d) Increase the Minimum Occupation Period (MOP) for non-subsidised flats to 5 years; and
- (e) Disallow concurrent ownership of both HDB flats and private residential properties within the MOP.

While lower LTV, increased holding period for Sellers' Stamp Duty (SSD) and higher minimum cash payment appear to have taken the centre-stage, the slew of measures in our opinion were clearly targeted at reducing speculative elements in the public housing market (or HDB) -- which form the backbone of housing for Singaporeans (around 80% of resident population lives in HDB units). The most stringent of which is the increase in the Minimum Occupation Period (MOP) for non-subsidised flats to 5 years (further from 3 years in March measures), which is similar to the requirement for subsidised flats. In addition, private property owners who purchase a resale HDB flat are required to sell their private homes within 6 months from the date of purchase of the HDB flat.

Taken together, the moves today should help to address concerns over the sharp increase in HDB resale prices. Mass market private home segment should moderate, given the lower LTV for second property (for those with an existing housing loan) and longer holding period for re-sale HDB (from 3 to 5 years now). However, the latter measure can also be read in another way, i.e. the longer holding period for resale HDB might be positive for mass market properties if the constraint turns home buyers towards the private segment. But that proportion is likely to be small for first-time home buyers. At the high-end segment, however, as said previously, it will continue to be determined by demand and supply conditions in the international markets, and foreigners' participation in the Singapore property market.

### Summary Of Measures Since 2009

South Korea	
Jul 2009	Loan-To-Value (LTV) ratios tightened to 50% in Seoul and metropolitan area.
Aug 2009	To accelerate public homes project and to provide 1.5mn homes for the next 10 years.
Sep 2009	Debt-to-income ratio regulation expanded to the Seoul metropolitan area (previously only Gangnam) for mortgage loans exceeding 50 million won, which requires that the total mortgage cannot exceed 50% of a borrower's annual income in Seoul and 60% of income in the Incheon and Gyeonggi Province.
Hong Kong	
Oct 2009	(1) Loan-to-value ratio for properties valued at more than HK\$20m lowered to 60% from 70%; (2) HKMC fixed tenure for mortgage rate increased to as long as 10 year fixed rate @ 3.8% for qualifying mortgages
Nov 2009	3 new policies governing developers' presale procedures aimed at improving the transparency of the primary property market.
Feb 2010	Budget 2010: Increase land for residential projects and raise the transaction tax on homes worth >HK\$20mn to 4.25% from 3.75%.
Mar 2010	Govt plans to sell around 4,000 of its subsidised apartments under the Home Ownership Scheme and will also put on sale 374 subsidised apartments under its Sandwich Class Housing Scheme (23% discount to mkt px for monthly household income < HK\$39,000).
Aug 2010	(1) Lower loan-to-value ratio of 60% (from 70%) for residential properties valued at HKD12 mn or more with effect from 13 Aug. Previously, the 60% was applicable to homes above HKD20 mn. Furthermore, the ratio will be applicable to homes which are not occupied by the owners; (2) deposit forfeit for purchase cancellations raised to 10% from 5%; (3) increase housing supply; (4) limit on debt servicing ratios at 50% from 50-60% previously.
Malaysia	
Oct 2009	The government has proposed in its Budget to tax gains from the disposal of real property at 5% from 1 January 2010. This will be limited to those sold within 5 years of purchase.

China	
Apr 2009	CBRC reiterated second-home mortgage policy: requirement of minimum 40% down payment and mortgage rate at >1.1x PBoC benchmark lending rate.
May 2009	News on trial implementation of property tax in Shenzhen which was subsequently written into city's next 3-yr plan.
Dec 2009	(1) Land costs to be paid up within one year of land grant; (2) downpayment on land sales $\geq$ 50% of total land cost; (3) developers with land payment in arrears will not be allowed to participate in further land sales.
Jan 2010	Raise RRR by 50 bps to 16% for large banks and 14% for small banks from 18 Jan. In Guangzhou, enforce rule that developers pay a fee equal to 20% of land price on idle land, unless the delay is out of developers' control.
Feb 2010	Several measures in Beijing: (1) foreigners allowed to buy a residential property after staying in the city for at least one year; (2) monitor land sales, including land parcel must be <200,000 sqm, downpayment $\geq$ 50%; (3) enhance transparency and info flow of the sector.
Apr 2010	For 1st home buyers, the downpayment > 30% if the purchased unit has GFA > 90sqm. As for 2nd home buyers, the downpayment $\geq$ 50%, and the mortgage rate $\geq$ 1.1 times the best lending rate.
Aug 2010	Underlining the government's concerns of strong property prices, it was reported that China's CBRC requires more stringent stress tests conducted by local banks, with the inclusion of a worst-case scenario whereby property prices were assumed to fall 50-60%. Previous stress tests assumed only 30% drop in property prices. Banks are also required to stress test loans to industries related housing such as steel, cement, construction, materials. Many Chinese banks reported less-than-1% of NPL ratio to home buyers, but halving of housing prices could push up the ratio by another 1-2%pts, according to media reports in Aug, citing banking sources. The regulators also reminded lenders that some developers may run out of cash in stressed scenarios, according to media reports. Outstanding loans to property developers and home buyers stood at RMB8.71tn (USD1.28tn) at end-June, or 18% of overall loan books, based on statistics from the Chinese central bank.
Singapore	
Sep 2009	(1) reinstating the Confirmed List for the 1H10 Government Land Sales Programme; (2) immediate removal of the Interest Absorption Scheme (IAS) and Interest-Only Housing loans; (3) Budget 2009 Budget assistance measures for the property market will not be extended
Feb 2010	(1) 3% sellers' stamp duty on property sold within a year; (2) lower loan-to-value ratio to 80% from 90%.
Mar 2010	HDB resale flats' holding period extended to 3 years from 1 year. Limits on the number of public flats in each block and neighbourhood that can be sold to PRs and citizen-PR couple will have to pay a \$10,000 premium for new flats launched by the HDB.
Aug 2010	(1) LTV ratios reduced from 80% to 70% for the second and subsequent private residential property loans; (2) increase in the minimum cash downpayment from 5% to 10% of the valuation limit for property purchasers who have one or more outstanding housing loan; and (3) increase in the holding period for sellers' stamp duty from the current 1 year to 3 years.  Measures effective 30 Aug 2010.  <b>HDB's latest initiatives:</b>  (1) Allow households earning between \$8,000 and \$10,000, to buy new DBSS flats with a \$30,000 CPF Housing Grant; (2) increase the supply of new flats, Design, Build and Sell Scheme (DBSS) flats, and Executive Condominiums (EC); (3) shorten the completion time of Build-To-Order (BTO) flats; (4) increase the Minimum Occupation Period (MOP) for non-subsidised flats to 5 years from 3 years; and (e) disallow concurrent ownership of both HDB flats and private residential properties within the MOP.
Source: Various Newswires	

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