

## Singapore: Property Measures To Dampen Foreign Interest

The Singapore government yesterday announced more property measures to curb property prices, aimed more specifically at foreigners' purchases and investment properties. An additional buyer's stamp duty (over and above the current Buyer's Stamp Duty) will be imposed on for the following purchases and will take effect on 8 Dec 2011:

- a) Foreigners and non-individuals (corporate entities) buying any residential property will pay an additional stamp duty of 10%;
- b) Permanent Residents (PRs) owning one and buying the second and subsequent residential property will pay an additional stamp duty of 3%
- c) Singapore Citizens (Singaporeans) owning two and buying the third and subsequent residential property will pay an additional stamp duty of 3%.

The existing Buyer's Stamp Duty on property purchases are: 1% on first \$180,000 of property price, 2% on the next \$180,000 and 3% for the remainder.

Prices of private residential properties have continued to rise, although at a slower rate in the last two quarters. Overall residential prices still rose +1.3%QoQ in 3Q compared to 2.0% in 2Q. Prices are now 13% above the peak in 2Q1996 and 16% above the more recent peak in 2Q2008.

### Market Reaction

As at 11.55am, the FSSTI was down 1.6%, led by the drop in financial and property counters. FTSE ST Financials was down 2.3% while FTSE ST Real Estate Holding and Development dropped 4.3%. Property and banking stocks are expected to be weighed down by the new measures in the near term.

### Comparison To The Seller Stamp Duty

The seller stamp duty was increased for private homes, in 14 January 2011 up to 16%, 12%, 8% and 4%, respectively, for properties sold in the first, second, third and fourth year after acquisition. The seller stamp duty was implemented to lengthen the holding period, which impacted the secondary market, but the new rules are seen to be targeting the primary market (developer sales) by raising the entry barrier for purchases.

### Implications

The move came as a surprise given the current economic slowdown, in which we expected property prices to moderate anyway. The latest measures are expected to see appetite for properties as investment significantly curbed, especially from foreigners. With foreigners accounting for much of the high-end market, this segment will bear the brunt of the latest measure, rather than the mass market. Generally, taken together with the potential oversupply situation, where 14,100 units will come onstream under the 1H12 Government Land Sales (GLS) Programme, this will further dampen sentiment and property prices. Demand for private residential properties in the primary market averaged around 15,490 units per annum in the last two years (2009-2010) and 9,777 units per annum in the last 10 years.

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