

Are property curbs looming?

THE government has signalled that it is watching the property market closely amid rising prices in a pandemic. This has ignited speculation that more cooling measures may be on the cards. *The Business Times* breaks down the chatter from property consultants, developers, agencies and analysts on the possible policy changes. **By FIONA LAM**



SUGGESTIONS

Extend the minimum occupation period (MOP)



Impose minimum size for each dwelling unit, or increase the minimum average unit size for each project



Impose a capital gains tax, or increase the additional buyer's stamp duty (ABSD)



Lower borrowing limits such as loan-to-value (LTV), total debt servicing ratio (TDSR) or mortgage servicing ratio (MSR), or shorten mortgage tenures

Extend five-year deadline for developers

Regulate agents' commissions



Increase government land supply



FOR

- Five-year MOP for HDB flats and executive condominiums could be extended for prime estates to reduce the "lottery" effect.
- Upgraders buying properties after their first homes' MOP was one reason for the robust sales last year. An estimated 30,169 HDB flats reached MOP in 2019, followed by 24,163 in 2020. A bumper crop of some 25,530 HDB flats will reach MOP in 2021.

- Fewer shoebox units with high psf prices; buyers drawn to low quantum units will not be as quick to buy.
- Developers will rethink their land bids and temper further price hikes. Bigger condo apartments will remain affordable on a psf basis, allowing more households to live and work from home comfortably.
- This rule could be extended to HDB flats too.

- Generally, the gains derived from the sale of a property in Singapore are not taxable at the moment; a tax could discourage flipping. Taxing profits will also curb exuberance from investors and upgraders.
- Higher ABSD may counter the impact of ample liquidity and low interest rates, especially if applied to just investors and foreigners, and encourage financial prudence.

- Ultra-low interest rates and thus cheaper mortgages were a key driving force of asset price inflation. Tighter borrowing limits and shorter loan tenures will target this, especially if applied to just investors and foreigners, as well as second and subsequent properties.

- Giving developers more time to complete and sell all units on a site so they qualify for ABSD remission will encourage them to space out their launches, reduce the "fear of missing out" among buyers, and slow new sales.

- Capping commissions or requiring developers to declare how much they pay agents could rein in incentives for agents to move units, and improve market transparency.
- It may curb the practice of some agents offering kickbacks to buyers from their high commissions of up to 10%.

- The dwindling supply of new private homes and ECs could revive the en bloc frenzy, which may see aggressive land bids that later translate into higher price quantum for new units. Increasing land supply via government land sales (GLS) could help prevent the en bloc market from heating up.

AGAINST

- An extended MOP for all estates may be too harsh, as five years is long enough for some young families to outgrow their starter homes.
- This measure may shift some demand towards private properties, where there is no MOP.
- Any cooling effect on private housing and resale HDB flats will be observed only in the medium term.

- Even if psf prices fall, overall quantum will likely rise again for bigger homes, making them less affordable for lower-income households.
- Developers may not set a lower psf price for larger units either, as construction and land costs remain high. Buying activity may be suppressed only until the populace saves up enough to afford larger units.
- The ideal minimum amount of space is subjective. This may constrain future supply in the local area too, driving up prices in the long run.

- Taxing capital gains or increasing ABSD will likely further curb foreign inflows into Singapore, affecting the city-state's position as a financial and investment hub, and shift capital to other competitive regimes. Given the existing ABSD, imposing a capital gains tax could be overkill.
- A capital gains tax will make it harder for genuine upgraders to afford their next homes.

- Some buyers will have to use more of their liquid assets to buy properties, leaving them vulnerable to risks. A broad-brush approach that affects all buyers, including first-time homeowners, is not recommended.

- This will not deter developers from pricing end-product units higher, and may encourage them to bid for more land. Some developers may delay launches to make it look like there is a dearth of new units to drive prices higher.

- The competitive nature of the agency business has kept the majority of commissions at 1-3%. Higher commissions can be justified where the units are harder to sell.
- Regulations in this space could be tough to monitor and enforce.

- The government cut the number of confirmed GLS sites for H2 2019 amid a dip in demand and a large supply then. A glut could return if too much land is released. In January 2021, URA said supply in the pipeline "will sufficiently cater to the housing needs of the population when completed over the next few years".
- Developers that want freehold or 999-year leasehold sites and prime district locations could still choose the collective-sale route, as GLS residential plots generally have 99-year leasehold tenures and are in mass-market areas.