



By [iCompareLoan Editorial Team](#)

To Rollback Or Not? : Conflicting Assessments of Property Market Regulations



It seems the property market isn't doing as well as investors hoped it would. Analysts have remarked that the real estate industry is currently slowing down, becoming quite challenging for both developers and buyers.

This of course is the result of the series of cooling measures initiated by the Singapore government in the past few years. There have been a total of seven new regulations concerning the issuance of housing loans and the purchase of property, curbing the market as a whole.

The most commonly criticized regulation is the Total Debt Servicing Ratio, or TDSR, which was first introduced a year ago. Not intended to be a cooling measure, the TDSR was implemented to keep buyers from acquiring debts they are unable to pay, placing stricter approvals for home loans. In effect, people's ability to purchase property has been greatly limited. The TDSR has actually been the most significant factor in slowing down the property market.

Aside from the TDSR, the Additional Buyer's Stamp Duty, or ABSD, has also substantially diminished the demand. It imposes a tax of 7 percent for locals buying a second property, 5 percent on PRs buying a first property, and 15 percent for foreigners. This hikes up buyer's expenses, thus making it less attractive for them to buy property.

According to the preliminary findings of the Urban Redevelopment Authority, the sales of freshly-launched homes dropped 52 percent so far this year, compared to the same time last year. The private company Knight Frank concurs with the decrease, placing the number at 55 percent.

[Join us](#) | [Login for Financial Advisors](#) |

SMS us at +65 – 9782 - 8606

Home Loan | Commercial Loan | Refinance Loan | *Financial Planning | *Insurance



Observed and Foreseen Effects – Conflicting Views

A year after the TDSR was introduced, analysts and key players of the industry have been observing its effects. On one hand, experts realize some positive results. For instance, these regulations prevent speculators from making imprudent purchases. It is believed that this led to a decrease in prices and more market stability. On the other hand, some believe that the same regulations have been detrimental.

An experienced leader in the real estate industry, Mr. Kwek Leng Beng, recently had much to say about it. Mr Kwek is the executive chairman of the Hong Leong Group and City Developments, reputable brands in Singapore real estate. He claims that the TDSR and the other regulations may be doing more harm than good. He is particularly concerned that Singapore may eventually lose its status as one of the world's finest investment locations. This is of course a matter of concern, as real estate is a considerable aspect of the country's economy.

Mr. Kwek points out that though the Singapore government hopes to attract more foreign buyers, foreigners have now chosen to invest in properties in Australia, the UK, and the US instead. This is despite the fact that these locations involve higher risks. For Singapore, that means a loss of investors – and investors' dollars – that may not be easily regained in the future.

This leaves developers on uncertain ground. Some have devised strategies to earn back their investment, such as re-launching their properties at discounted prices. The slow movement in the industry has also forced real estate companies to look to other enterprises. A number have in fact turned to marketing properties outside Singapore like in Indonesia.

As per the URA, prices of non-landed homes have decreased by 1.1 percent just last quarter. Overall, the price index for residential properties has lessened by a mere 3.3 percent this year. This isn't much, considering the 60 percent upsurge in 2009.

The URA's data in the regional sub-index shows different trends in each segment. For instance, sales of residential properties in the CBD have dropped by 1.5 percent last quarter, reaching numbers similar to those of three years ago, and even to those of 2008 just before prices tumbled due to the financial crisis. At the same time, prices for private properties have hardly moved.

Meanwhile, suburban homes fell only by less than 1 percent.

Frank Knight's research reveals that CBD home prices dipped by 2.5 percent and suburban condos



went down by 1.2 percent since mid-2011. At the same time, suburban residential property prices went up by 15.1 percent.

Despite the slight change, Mr. Kwek's statements are still greatly valid, since the URA's preliminary estimates might not completely represent the situation. For instance, there might be some severe slumps in particular areas of the property market. There might even be some distinct differences with the final report, which will be released sometime toward the end of July.

Suburban homes are less affected since they are favored by live-in owners, rather than by foreign investors. In addition, as the government wants to continue to provide affordable homes for the locals, it would naturally prompt policies that will cause suburb prices to decrease.

Frank Knight's research head, Ms. Alice Tan, reports that the high demand for land combined with the low supply led to bidding wars that jacked up the prices. This is especially true in the past 3 years, and since foreign investors have entered the scene. As an effect, low-interest mass-market homes became more popular

Jones Lang LaSalle's National Director of Research and Consultancy, Mr. Ong Teck Hui, notes that the mass-market segment has grown more rapidly than all the others since 2011. As it is, luxury addresses and mid-tier developments have not done as well, and will continue to suffer. The more upscale projects tend to have more unsold units, and their developers have no choice but to wait until the cooling measures can be adjusted.

Opinions and Recommendations

Some experts fear that the sluggishness may continue, if no adjustments will be made to the regulations. Others claim a crash is unlikely – though it may happen when rental prices suddenly drop and homeowners won't afford to pay their home loans. Mr. Kwek calls for a re-evaluation of the government regulations relating to property sales, so as to determine whether these are really necessary, or even beneficial. As Singapore's economy depends greatly on the real estate industry, it's a must to strengthen the property market.

It also has to be considered whether buyers and developers think current prices are reasonable or not. Many are hoping for a rollback of the TDSR and the ABSD, as well as a significant adjustment to property prices.



According to analysts, Singaporeans will be more eager to buy homes if prices were to drop by around 10 percent. The market can still remain robust even if prices decrease by 2 percent every quarter, and may even survive a ten percent drop. However, it must be remembered that 50,000 new homes will be completed within the next 24 months. This upcoming surge may lead to lesser rentals, and private home owners will likely need to up their game for leasing their units.

Nonetheless, the Ministry of National Development claims that this isn't the right time for a rollback. It's important to keep the property market stable and sustainable. Although sales have lessened in the past two quarters, prices are still generally steady. According to the MND, a rollback will lead to a sudden upsurge in demand and an increase in prices. Deputy PM and Finance Minister Tharman Shanmugaratnam, in his budget speech earlier this year, also noted that now isn't the right time to withdraw the regulations.

The government prefers to be cautious now that interest rates are low. At any rate, Singaporeans are still generally willing to buy properties. The MND may only ease the regulations when prices drop to 10 percent or over.

Market analysts agree that a rollback isn't the right move. They believe the TDSR should remain as is, to eliminate unwise borrowing and lending. This will of course improve the economy in the long run.

For the ABSD meanwhile, experts say it doesn't have to be removed altogether. It may be wiser to simply modify the quantum to make properties more affordable. This will help enliven the property market, yet still keep the requirements strict enough to discourage imprudent borrowers.

Clearly, there are many factors to contemplate in this matter, and there won't be a quick solution that addresses all the concerns. And though these cooling measures have placed limitations on buyers and developers, they must be appreciated for their positive effects, such as how they have led everyone to make better decisions in investing in property. Of course the government's ultimate goal in imposing these regulations is to attain a stable, dependable property market – which is also what developers and buyers desire.



Home Loan | Commercial Loan | Refinance Loan | *Financial Planning
<http://www.iCompareLoan.com/>
+65 – 9782 – 8606

For advice on a new loan, go [here](#).

For refinancing advice, go [here](#).

Read more articles at

PropertyBuyer.com.sg/articles

SingaporeHomeLoan.net/blog/

iCompareLoan.com/resources/category/faq/

[Join us](#) | [Login for Financial Advisors](#) |

SMS us at +65 – 9782 - 8606

Home Loan | Commercial Loan | Refinance Loan | *Financial Planning | *Insurance



Home Loan | Commercial Loan | Refinance Loan | *Financial Planning
<http://www.iCompareLoan.com/>
+65 – 9782 – 8606

About www.iCompareLoan.com Mortgage Consultants

iCompareLoan Mortgage Consultants is a research focused independent mortgage broker. We emphasize a consultative approach where we match our client's financial situation with the best fit mortgage loan, not simply a cheap loan.

Paul Ho is the editor of www.PropertyBuyer.com.sg, www.iCompareloan.com and www.SingaporeHomeLoan.net and he holds a Masters of Business Administration from a reputable university. He is passionate about helping people enhance their wealth through financial literacy and in making money work harder for them.

Email: sales@iCompareLoan.com

Tel: 6100 – 0608

SMS: 9782 – 8606

For agents, mortgage brokers and financial advisors, subscribe to the [Home Loan Report™](#) at iCompareLoan and impress your clients with detailed home loan analyses which facilitate property buying and selling.

Copyright ® - All articles are the copyright of www.iCompareLoan.com and CoreConcept Systems Pte Ltd and the company reserves full rights to use, reuse in any form or in any media including rights of attribution and credits of articles.

[Join us](#) | [Login for Financial Advisors](#) |

SMS us at +65 – 9782 - 8606

Home Loan | Commercial Loan | Refinance Loan | *Financial Planning | *Insurance