



Singapore

City Overview and Residential Buyer Guide

2018 Edition





Singapore Market Overview

Despite its lack of natural resources and limited land area, Singapore has not only survived the early years of postcolonial independence, but has thrived, moving from being a low-income country to a high-income one. It's accomplished this through pragmatism and an unrelenting focus on being both politically neutral and economically relevant.

Singapore's appeal comes from political stability, a well-defined rule of law, world-class air and sea infrastructure, sound labour relations and global connectivity. Its location enables access to the vast 650-million population of South-East Asia, and you can fly to many parts of Australasia in under eight hours.

The country's diverse economy focuses on manufacturing and services, a strong currency and well-regarded political leadership. In recent years, there's been a real emphasis on entrepreneurship to drive the next phase of growth, with an increasing number of tech start-ups and capital providers creating a growing ecosystem

for innovation to thrive. The urban landscape is also diversifying, with new shops, restaurants and entertainment to enjoy.

Against this backdrop, Singapore ranks among the top destinations for investors in local residential property, as highlighted by Knight Frank's City Wealth Index 2018. Singapore's residential property sector has grown in size and variety. There are approximately 1.1 million public housing (HDB) units and 370,000 private dwelling units, collectively housing a total population of 5.6 million residents.

There are also hybrid units, known as Executive Condominiums (ECs), built by private developers who bid for the sites by open tender. The ECs are sold according to public housing eligibility criteria such as income ceiling, family unit and minimum period of residence.

The private housing market in Singapore offers a variety of lifestyle options, ranging from city to suburban living, high-rise housing to landed homes, and it caters well for young working professionals as well as families.

Most condominiums in Singapore are well-equipped with facilities such as gyms, swimming pools, barbecue pits, playgrounds and 24-hour security. Landed residential properties are also available for lease, but may not have such facilities.

For foreign investors and expatriates relocating to Singapore, prime residential districts 9, 10 and 11 are among the top choices. These districts are attractive because of their close proximity to the Orchard Road shopping belt, the famous international and local schools, and Holland Village and Dempsey Hill – retail and restaurant areas loved by expatriates and locals alike.

The Marina Bay, Shenton Way and Tanjong Pagar areas of the Central Business District (CBD) have also grown in popularity, as the government has enhanced and promoted the CBD as a place in which to live, work and play. In Sentosa, an island around 20 minutes' drive from the CBD, a number of luxury condominiums and landed homes have been completed over the past few years.

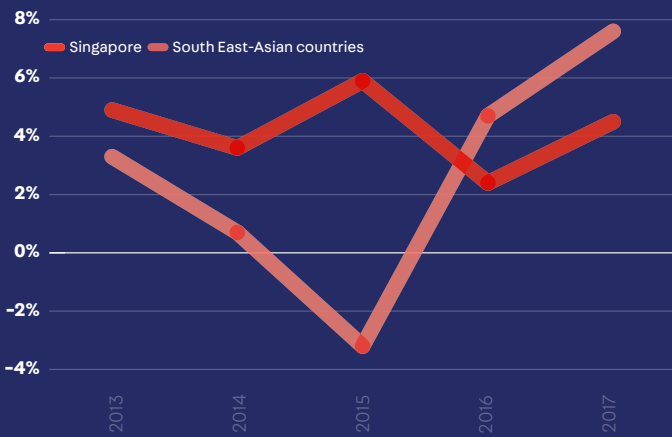
Key Facts

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Below we highlight some of the key economic trends in Singapore over the past five years, including GDP growth and number of households.

GDP Growth

Nominal GDP growth for Singapore and South-East Asian countries, annual percentage change



Source: Knight Frank Research, Macrobond, Singstat, IMF

Singapore's economy has seen steady growth. Its average annual growth of 4.3% over the past five years is above the average of 2.6% across all South-East Asian economies over the same period.

Unemployment Rate

The unemployment rate for Singapore, May 2018

2.0%

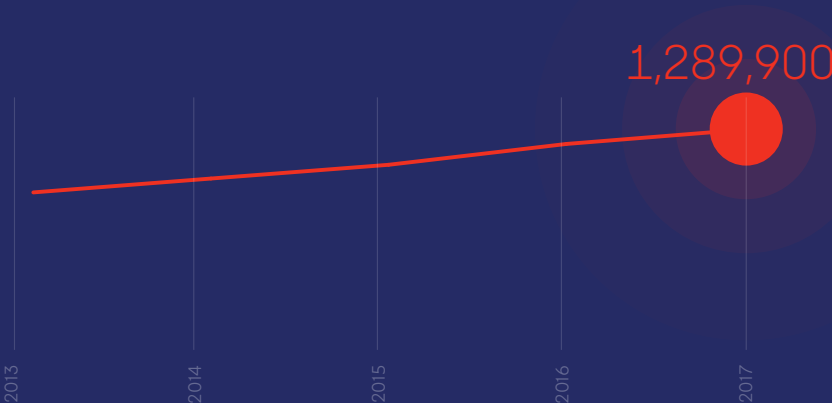
Unemployment in Singapore has been very steady – not going more than 0.3% either side of 2% since 2009. The current unemployment rate is 2%, the lowest level in a year (it was 1.9% in March 2017).

Source: Singapore Ministry of Manpower

Demand Rising

Number of households in Singapore

The number of households in the Singapore area has grown by 12% over the past five years.



Source: Knight Frank Research, Singstat

Inflation Rate

The inflation rate for Singapore, May 2018

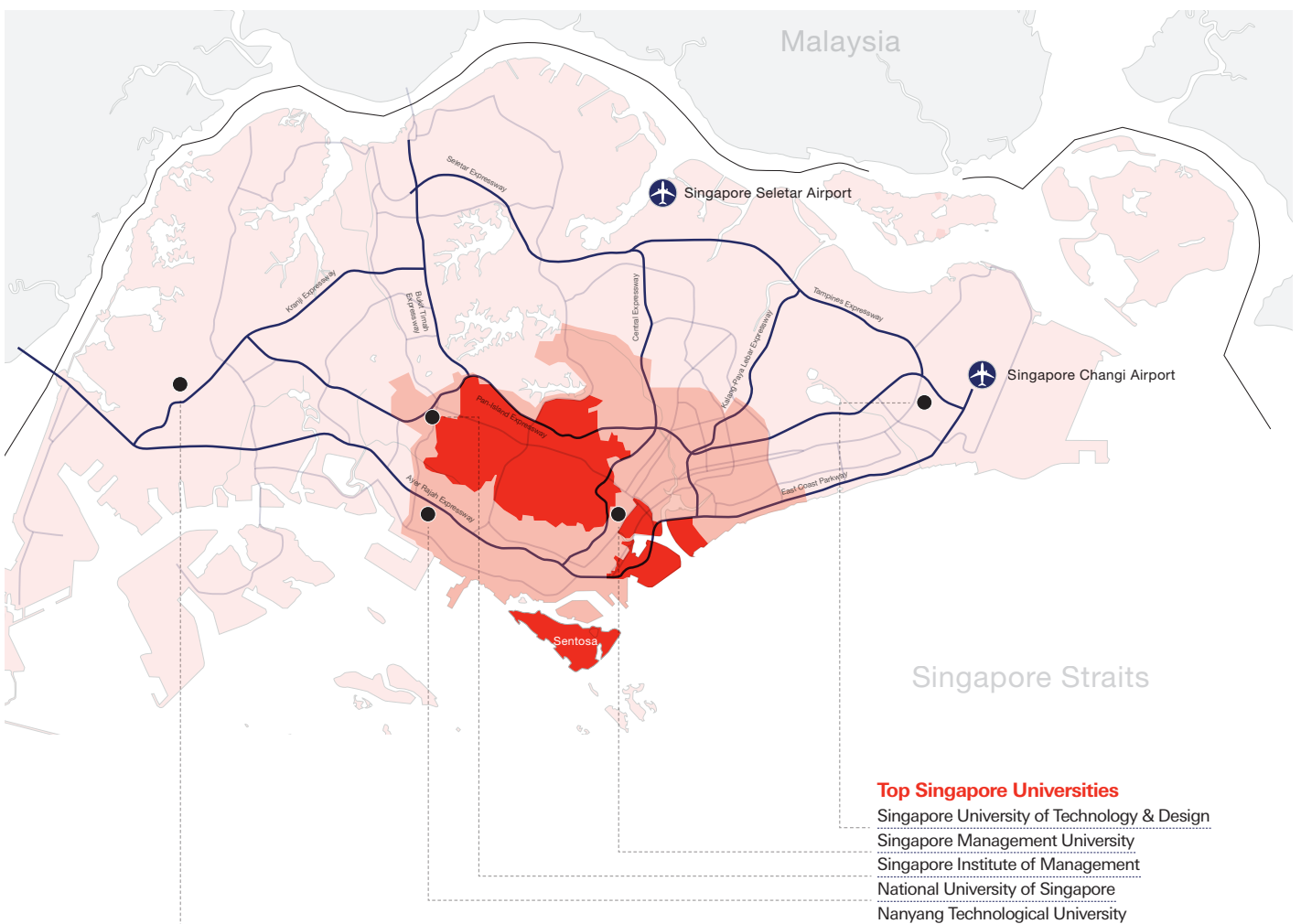
0.4%

Inflation, which stood at 0.4% in May 2018, has remained positive and largely below 1% since November 2016. While 0.4% represents an increase on the previous two months, it is below the 0.6% seen in 2017.

Source: Singstat

Singapore in Context

This map of the country shows where the major airports and selected established universities are situated as well as a breakdown of the residential regions.



Core Central Region

The Core Central Region's (CCR) most notable areas include districts 9, 10 and 11, the Downtown Core Planning Area, and Sentosa.

The most expensive homes in Singapore are located in the CCR due to its proximity to the CBD and the main shopping belt at Orchard Road. The region also attracts the most foreign homebuyers.

Rest of Central Region

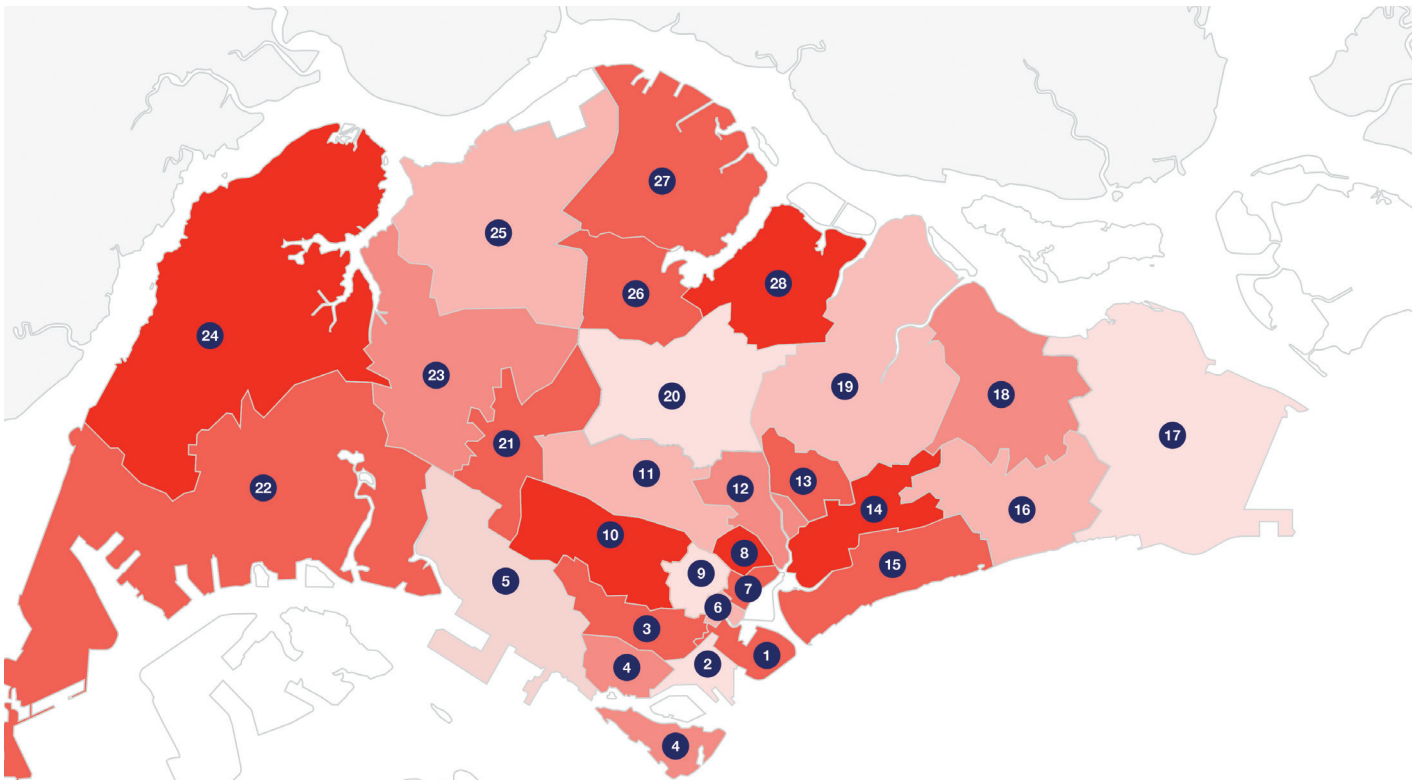
The Rest of Central Region (RCR) encompasses all the planning areas at the fringe of the CBD. This includes Marine Parade, Toa Payoh, Bukit Merah, Kallang, Queenstown, Novena, Bishan and Geylang. Most of these estates are established and have a unique cultural identity. They are popular among Singaporeans and foreigners in the upper-middle income group.

Outside Central Region

The Outside Central Region (OCR) comprises the planning regions beyond the Central Regions. Most of the non-landed private housing is targeted at Singaporean buyers looking for larger properties. Having said that, some of the sea-facing landed homes at Pasir Ris and Sembawang are popular among wealthier households.

Singapore Residential Districts

An overview of the residential districts in Singapore.



District 1 Raffles Place, Cecil, Marina, People's Park

District 2 Anson, Tanjong Pagar

District 3 Queenstown, Tiong Bahru

District 4 Telok Blangah, Harbourfront, Sentosa

District 5 Pasir Panjang, Hong Leong Garden, Clementi New Town

District 6 High Street, Beach Road

District 7 Middle Road, Golden Mile

District 8 Little India

District 9 Orchard, Cairnhill, River Valley

District 10 Ardmore, Bukit Timah, Holland Road, Tanglin

District 11 Watten Estate, Novena

District 12 Balestier, Toa Payoh, Serangoon

District 13 Macpherson, Braddell

District 14 Geylang, Eunos, Paya Lebar

District 15 Katong, Joo Chiat, Amber Road

District 16 Bedok, Upper East Coast, Eastwood, Kew Drive

District 17 Loyang, Changi

District 18 Tampines, Pasir Ris

District 19 Serangoon Garden, Hougang, Ponggol

District 20 Bishan, Ang Mo Kio

District 21 Upper Bukit Timah, Clementi Park, Ulu Pandan

District 22 Jurong

District 23 Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang

District 24 Lim Chu Kang, Tengah

District 25 Kranji, Woodgrove

District 26 Upper Thomson, Springleaf

District 27 Yishun, Sembawang

District 28 Seletar

How to Buy*

An overview of the legal process involved when buying property in Singapore.

There are different restrictions and processes involved for the different property types available in Singapore. Below we outline the restrictions that foreign buyers face, as well as the process.

Public Housing (HDB) Flats

HDB flats are subsidised public housing. Foreigners are generally not eligible to purchase these, although there are exceptions under the following circumstances:

To purchase a new HDB flat:

- At least one Singaporean citizen in the family nucleus

To purchase a flat on the resale market:

- At least one Singaporean citizen in the family nucleus
- At least two Singapore permanent residents in the family nucleus, or engaged to be married

Foreigners may only purchase Executive Condominiums (ECs) on the open market from the 11th year after completion of the EC project when it is privatised.

Private Properties

Under the Residential Property Act of 1973, a foreign person cannot acquire or purchase "restricted" residential property unless they obtain prior approval of the Minister of Law. "Restricted" property includes:

- Vacant residential land
- Landed property i.e. detached land, semi-detached house, terrace house (including linked house or townhouse)
- Landed property in strata developments that are not approved condominium developments under the Planning Act

However, a foreign person is not restricted from acquiring the following:

- Apartments
- Any unit in an approved condominium development under the Planning Act
- A leasehold estate in restricted residential property for a term not exceeding seven years, including any further term that may be granted by way of an option for renewal

Since August 2004, foreigners have been allowed to purchase landed properties on Sentosa Cove. Such overseas purchases are further facilitated by the absence of any minimum occupation period imposed on the foreign buyer. Nevertheless, such purchases would be subject to restrictions – the property must be owner-occupied and the overseas homebuyer is only allowed to own one restricted residential property at any one time in Singapore. These foreign homebuyers also have to seek approval from the Land Dealings (Approval) Unit of Singapore Land Authority for their Sentosa Cove purchases, although the process is quicker compared with conventional approvals.

Payment Terms

Payment terms vary depending on whether you are purchasing directly from a developer or from private individual owners; below we explain how.

Private individual sale

Event	Payment to be made	Time frame for payment
Issue of Option to Purchase	Booking fee, usually 1% of the purchase price	Upon issuance of the Option
Upon exercising Option to Purchase	Deposit, usually 4% of the purchase price	Within two weeks from issue of Option to Purchase
Completion of purchase, seller hands keys over to purchaser	Remaining 95% of the purchase price	Six to eight weeks from the time the Option is exercised

Developer sale progressive payment

Event	Payment to be made	Time frame for payment
Issue of Option to Purchase	5% of the purchase price	Upon issuance of the Option
Exercising the Option or signing of the Sales & Purchase agreement	15% of the purchase price	Signing of the Sales & Purchase agreement, or within eight weeks from the date the Option to Purchase is granted, whichever is later
Progressive payment upon completion of the various stages of construction works	Remaining 80% (split into several payments of 5% - 25% of the purchase price)	Upon completion of the various stages of construction works

Property Tax in Singapore^{*}

Buyers' Stamp Duty

From 6 July 2018 onwards, foreigners who want to acquire a residential property in Singapore have to pay an Additional Buyer's Stamp Duty (ABSD) of 20% on the higher of the total purchase price or market valuation. This ABSD comes on top of the standard Buyer's Stamp Duty (BSD). The BSD is imposed on the higher of the total purchase price or market valuation. A quick summary of the ABSD and BSD is shown in the table below.

Profile of Buyer	BSD Rates	ABSD Rates (on or after 6 July 2018)
Foreigner buying residential property		20%
Singapore PR buying first residential property	1% of the first S\$180,000	5%
Singapore PR buying second and subsequent residential property	2% of the next S\$180,000	15%
Singapore citizen buying first residential property	3% of the next S\$640,000	Nil
Singapore citizen buying second residential property	4% on the remaining amount	12%
Singapore citizen buying third+ residential property		15%

Source: Inland Revenue Authority of Singapore (IRAS)

Nationals and permanent residents of Switzerland, Liechtenstein, Norway and Iceland, as well as nationals of the United States of America fall within the scopes of the respective Free Trade Agreements (FTAs), and will be accorded the same treatment as Singapore citizens.

Sellers' Stamp Duty

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

Additional Conveyance Duty for Property Holding Entities

As of 11 March 2017, there are Additional Conveyance Duty (ACD) applied if you are buying or selling shares or units ("equity interests") in property-holding entities (PHEs) that own significant interest in primarily residential properties in Singapore.

Note: The views expressed in this article are based on regulatory requirements as at 25 July 2018.

^{*}This section provides general information issued from publicly available sources. It is not intended to provide any form of tax or legal advice. You should not rely on this for such advice. Neither The Hongkong and Shanghai Banking Corporation Limited ("HSBC") nor Knight Frank LLP provides tax advice. You are advised to seek independent legal and tax advice.

Property Tax

Properties are also taxed on an ownership basis. Property tax is calculated by applying the prevailing property tax rate on the Annual Value (AV) of the property. The AV is estimated based on market rentals of similar or comparable properties. With effect from 1 January 2015, the following rates of property tax are payable:

Tax Rates for Property Ownership in Singapore

Annual Value (S\$)	Owner-Occupier Tax Rates Effective 1 January 2015
First 8,000	0%
Next 47,000	4%
Next 5,000	6%
Next 10,000	6%
Next 15,000	8%
Next 15,000	10%
Next 15,000	12%
Next 15,000	14%
AV in excess of 130,000	16%

Source: Inland Revenue Authority of Singapore (IRAS)

There is currently no capital gains tax in Singapore.

Loans

As at June 2013, Singapore's Central Bank, the Monetary Authority of Singapore (MAS) introduced a Total Debt Servicing Ratio (TDSR) framework, with a refinement of Loan-to-Value (LTV) rules on 11 March 2017. The debt servicing framework applies to borrowers, both foreign and Singapore nationals, seeking to take property loans or credit facilities secured by property from any bank in Singapore.

The details of the new framework are as follows:

Framework	Requirements	Details
Total Debt Servicing Ratio (TDSR)	Overview	<ul style="list-style-type: none"> The TDSR, given by the formula below, cannot exceed 60% $\frac{\text{Monthly total debt obligation} \times 100\%}{\text{Gross monthly income}}$ Applies to borrowers who are applying for credit or re-financing facilities for the purchase of property or where the facility is otherwise secured by property Covers properties in and outside of Singapore Does not apply to mortgage equity withdrawal loans with Loan-to-Value (LTV) ratio equal to or below 50%
	Monthly total debt obligations	<ul style="list-style-type: none"> Take into consideration borrowers' outstanding property and non-property debt obligations when computing monthly total debt obligations
	Gross monthly income	<ul style="list-style-type: none"> Gross monthly income excluding Central Provident Fund (CPF) employer contribution 30% 'haircut' for variable income, e.g. bonuses, commissions, allowances, rental
Application of Loan-to-Value Limits	Mortgagor of property loans	<ul style="list-style-type: none"> Borrowers named on a property loan are also to be the mortgagors of the residential property for which the loan is taken
	Income-weighted average age for loan tenure provision	<ul style="list-style-type: none"> Borrowers are subject to TDSR assessment. In the case of joint borrowers, the income-weighted average age of borrowers will be used when applying the rules on loan tenure

Source: Monetary Authority of Singapore, Knight Frank Research

Next Steps

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