

Competency Unit 1.1: Real Estate Market and Submarkets

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1. Real Estate as an Investment Vs Real Estate Investment Trust (R.E.I.Ts) and Property Stocks

Real estate is a “product” to be sold and purchased but it is different from anything else due to the several unique characteristics that affect its value as compared to other investment alternatives. We shall discuss these characteristics in two broad perspectives, the physical and economical.

1.1 Physical characteristics

The physical characteristics of land represent its heterogeneous, immobility, indestructible and indivisibility nature:

➤ **Heterogeneous (Uniqueness)**

This simply points out that no two properties are the same. Two pieces of land may be very similar, but every single parcel is different geographically because each parcel is located in a different spot. For example, two units of semi-detached houses stand right next to each other, even they are of the same design, they are said to be unique individually, as they are of opposite layout, the view of the two might be also be different, one could be facing green, whereas the other faces the highway.

➤ **Immobile (Cannot be moved away)**

Land cannot be moved; therefore, it is immobile. Even when soil is removed from the ground, the geographic location of the earth's surface will always remain. It is important to note that it is this physical characteristic that makes locations of property one of the most important influences to the value of such real estate.

The immobility nature of real estate also makes registration of lands, legal description of property location and taxation of real estate more systematic.

➤ **Indestructible (durability)**

The indestructibility of land simply means that it is durable and cannot be destroyed easily. Houses on may be demolished and rebuilt but the land remains, that is why, when we transact landed property, we are actually dealing with the value of the land instead of the value of the physical built-up of the houses. This is the main reason why land or real estate remains as one of the soundest investments.

This characteristic is especially significant in the land scarce Singapore, the major part of the supply of property comes from redevelopment of existing property and a minor part comes from the newly developed ones.

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➤ **Indivisible**

Generally real estate cannot be broken up into parts like stocks and shares and be sold separately, except if the size of land is very large or by means of rental whereby rooms in an apartment can be separately rented out, real estate does not allow a unit to be broken up into smaller units for disposal.

1.2 Economic characteristics

The economic characteristics that influence value are scarcity, improvements, permanence and area preference.

➤ **Scarcity**

Scarcity is especially relevant in the land scarce country like Singapore. The supply of land is closely monitored by the state, and we cannot have infinite parcels of land for real estate development.

➤ **Improvement**

Improvements, such as buildings on one parcel of land may have an effect on the value of neighboring parcels or the entire community. If a large shopping centre is built in a certain neighbourhood, the value of living there will probably increase because of the introduction of jobs and activities. This value would impact on neighbouring communities, thus increasing value in some ways to the real estate in these areas.

➤ **Permanence**

Permanence has to do with the infrastructure. As buildings, houses or other structures are demolished, the infrastructure, such as sewers, drainage, electricity, and water remain intact. Permanence effects real estate, or the type of infrastructure. If you buy a piece of land in an area with no utilities, drainage or paved streets, it will most likely be worth less than a parcel of land that has this infrastructure intact and developed.

➤ **Area Preference**

While it sounds cliché, location is one of the important aspects of real estate investments; a piece of real estate can perform very differently among countries, regions, cities and even within the same city. These regional differences need to be considered when making an investment, because the selection of which market to invest in has as large an impact on the eventual returns as the choice of property within the market.

Area preference refers to the choices of the people in any given area. This is usually referred to by most people when they talk about real estate as, "location, location, location." The location of a preferred area, for whatever reasons, is what makes values of properties higher.

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On the other hand, the location of a not so preferred area, for whatever reason, is what makes the values of properties less. A similar size condominium in District 9, 10 or 11 will definitely worth more than one that is located at District 23.

➤ **High Cost of Transaction**

Real estate has high transaction costs due to its complex procedure. Several parties like the real estate salespersons, solicitors, valuers, respective government authorities, financial institutions and taxation are usually involved. As such vendors and buyers of real estate tend to bear higher cost of transaction as compare to other forms of financial investment.

On purchases, there are solicitors' fees; requisition with relevant authorities and title search, buyers' stamp duty, agents' fee (if applicable) and many other costs that can raise the effective purchase price well beyond the price the seller will actually receive.

On sales, a brokerage fee is usually required for the property to be properly exposed to the market by real estate professionals, sellers' stamp duty (if applicable), solicitors' fees etc. Due to the high costs of "trading" real estate, longer holding periods are common for real estate investment and speculative trading is rarer than for stocks.

➤ **Long Transaction Time**

The average transaction time from the marketing to the completion of a resale property whether private or HDB housing vary from four to six months. As for properties under construction, purchasers may have to wait for farther projected completion date.

➤ **Management**

As real estate is "tangible" asset, it needs to be managed and maintained in a hands-on manner. Aging and "rundown" problems coupled with neglect in maintenance can affect the value of the properties. It is important to manage, maintain or even upgrade the general condition of the properties to enhance their market worth.

➤ **Illiquidity**

With the exception of Real Estate Investment Trust (REITs), no public exchange exists for the trading of real estate. This makes real estate more difficult to sell because deals take longer time to be transacted and they cannot be liquidated within a short period of time. There can be a substantial lag between the time one decides to sell a property and when it is actually sold - usually a couple months at least.

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➤ **Inelasticity in Supply**

Property is supply inelastic in the short term unlike other forms of investment. The “stock” of real estate cannot be ready within a short period of time even if there is a great demand as they need considerable time to build and be transacted. This inelasticity is even more noticeable in Singapore as our supply of land is limited. In order for someone to sell his property, he in turn needs to find another as replacement for own occupation.

➤ **Government Intervention**

In the land scarce country like Singapore, the government has to maximize the usage of land, thus having strict policies in term of land use, legislations and its frequent intervention of the real estate market is unavoidable.

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Investors who wish to get some real estate exposure can either invest directly into owning real estate, or through holding shares of real estate investment trusts (REITs). Both options have their pros and cons. Here are some of them.

1.3 Characteristics of REITs

➤ **Diversification**

Most people are not going to be able to branch out much further than a single-family home and a small multi-family home. However, one can easily invest in a diverse pool of properties through different types of REITs. For example, SoilBuild Business Space REIT operates a combination of business parks and industrial buildings while Fraser Centrepoint Trust owns shopping malls.

➤ **Low Starting Cost**

It doesn't take much money to get started in REIT investing as compared to spending years scraping together a down payment for a property. If one has some small savings lying around, he can easily invest in a shopping mall he visits often such as SuntecREIT.

➤ **Liquidity**

REITs are listed on the stock exchange which means that one can buy and sell them throughout the trading day. It is easier to buy and sell a REIT than it is to buy and sell a property.

➤ **Professional Management**

Other than occasionally checking on one's investment, no substantial maintenance or effort is required to hold a REIT. REITs allow investors the opportunity to have their properties managed by a professional real estate team.

➤ **Transparency and Flexibility**

Information of the REITs is easily accessible due to their public listed status. Moreover, REITs in Singapore are required to distribute at least 90% of taxable income each year to enjoy tax exempt status by IRAS (subject to certain conditions) – making them good income investment vehicles.

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1.4 Characteristics of Property Stocks

➤ **Low Starting Cost**

Just like R.E.I.Ts, it doesn't take much money to get started investing into property stocks as compared to spending years scraping together a down payment for a property. If one has some small savings lying around, he can also opt to invest by buying shares in the ownership of public listed developers or investment holding companies.

➤ **Liquidity**

Since property stocks are listed on the stock exchange which means that one can buy and sell them throughout the trading day. It is easier to buy and sell a share than it is to buy and sell a property.

➤ **Background understanding**

Investing in real estate stocks requires one to do homework as what is done when buying a property, and be vigilant to the overall market sentiment and economic well-being. Investors also need to assess management capability, understand the companies' focus, the direction of housing prices, macroeconomic demand and the effects of government policies.

➤ **Return on investment**

Stock shareholders receive income from their investments through dividends, which are made from a company's profits. However, some stocks do not pay dividends unlike REITs have strict guidelines on dividends. At least 90 percent of a REIT's taxable income must be distributed in dividends as mentioned in CE1.3.

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1.5 Advantages of Property Investment

➤ **Tangible**

Real property is tangible! One can visit his “investment”, speak with his tenants, and show it off to his family and friends. He can see it and touch it. A result of this attribute is that one has a certain degree of physical control over his investment - if something is wrong with it, he can try fixing it.

➤ **Security of income and capital**

One of the beneficial features of real estate is that it produces relatively consistent total returns that are a hybrid of income and capital growth. In that sense, real estate has a coupon-paying bond-like component in that it pays a regular, steady income stream, e.g. monthly rental received, and it has a stock-like component in that its value has a propensity to fluctuate. The income return from real estate is directly linked to the rent payments received from tenants, minus the costs of operating the property and outgoing mortgage/financing payments.

The majority of the volatility in real estate returns comes from the capital appreciation component of returns. Income returns tend to be fairly stable, and capital returns fluctuate more.

➤ **Hedge against inflation**

Property is a good hedge against inflation in that its value rises as fast as or even faster than the general price level period of inflation.

➤ **Pride in Ownership**

Property ownership in land scarce Singapore provides a sense of security as well as social status.

➤ **Physical usage and enjoyment**

Many properties are bought for the investor’s own use and enjoyment. Owners derive satisfaction and benefits through using the properties at the same time saving on the rental payments they would otherwise have to make on comparable properties. In addition, there is possible capital appreciation over time even they are enjoying the properties themselves.

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2.1 What is a real estate market?

A market in general is a medium that allows buyers and sellers of a specific good or service to interact in order to facilitate an exchange. The price that individuals pay during the transaction may be determined by a number of factors, but price is often determined by the forces of supply and demand.

Markets do not necessarily need to be a physical meeting place; they can take the form of a formal, well-defined physical place such as a stock exchange, or an informal and non-physical place such as the real estate market.

In the real estate market, the interaction of the sellers and buyers decides the prices in which they agree to conclude their deals. Same as other markets, real estate prices are also determined by the interaction between the forces of demand and supply as reflected in the interest of the buyers and sellers directly or facilitated by the real estate agents.

Price mechanism is the outcome of the free play of market forces of demand and supply. The interaction of demand and supply as formation of price is central to the functioning of the market and this price mechanism helps to allocate the economic resources, which in this case, refers to properties.

2.2 Function of real estate market

One may refer the real estate market as the mechanism by which real estate goods and services are exchanged. The primary purpose of the real estate market is to allocate a scarce commodity, which is property comprising land, buildings, real estate interests or rights associated with the physical ownership of the property.

The price mechanism is the tool which helps to allocate the property. A fall in price of a particular type of property will encourage developers to delay completion or building of such properties. Likewise, an increase in price will encourage developers to push for the completion or building of such properties although the high price may deter buyers from buying this type of property.

As changes in property prices will affect the supply and demand of property, the changes in supply and demand indicated through the property market will also affect the price in which sellers or buyers are prepared to pay. The market is often determined by the person who offers the highest price for a property type.

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2.3 Characteristics of real estate market

Real estate market possesses some unique characteristics which makes it different from other commodities such as stocks and shares. These characteristics include the following:

➤ **No central market**

There is no central market for real estate transactions. Most properties available for sale are advertised in the newspapers and multiple listing systems, or through the activities of the estate agents. In view of the lack of a physically defined market, there are in existence sub-markets for different types of property and for different geographical areas.

➤ **Data inefficiency / Inefficient market**

An inefficient market is not necessarily a bad thing. It just means that information asymmetry exists among participants in the market, allowing greater profits to be made by those with special information, expertise or resources. In the real estate markets, information is king, and can allow an investor to see profit opportunities that might otherwise not have presented themselves.

As real estate is heterogeneous and located in different geographical areas, information on real estate transactions is often difficult to come by. However, in Singapore, there is now an increasing stream of information about property transactions provided by the authorities such as the URA and the HDB as well as some private services providers, making property information much more easily accessible.

➤ **Imperfect market structure**

Properties are not frequently traded as compared to stocks and shares. In addition, properties are not homogeneous and are different in view of their immobility. There are also fewer participants involved in the sale or purchase of properties because of the high capital sum involved. This led to an imperfect market structure and competition. Due to the lack of a physically defined market for real estate like other types of investment, for example the stock market or the Foreign Exchange, most of the real properties are transacted through activities created by estate salesperson, developers or vendors and buyers themselves.

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3. Classification of properties in Singapore

Singapore is land scarce island state with growing population; the state has to “fight” for more space by building higher buildings to optimize the use of land.

The Department of Statistics (DOS), in its Population Trends 2013 report said the country's total population stood at 5.4 million as at end June 2013. An estimated 82% of Singapore residents are living in “public housing” (known as flats) built and managed by Housing and Development Board (HDB). The rest of the population live in private properties either landed or non-landed.

For easy understanding, we shall classify the property market into, private and public residential; commercial and industrial respectively.

3.1 Residential properties

Residential properties in Singapore can be divided into two main categories: Private and public.

3.1.1 Private residential properties

Private residential properties can be further divided into either landed or non-landed:

➤ Landed housings

They are low-rise/low density residential development in various landed housing forms in Singapore. They are categorised according to the following:

(a) Land title

- (i) detached house (bungalow);
- (ii) semi-detached house;
- (iii) terrace house I or II.

(b) Strata title (No condominium status allowed)

- (i) strata detached houses (bungalows);
- (ii) strata semi-detached houses;
- (iii) strata terrace houses;
- (iv) mixed strata landed housing.

Landed housings whether land-titled or strata-titled, their tenure can be of freehold, or leasehold of from 99 to 9999-years. As land is scarce in Singapore, we can expect landed properties with large plots to be extremely expensive - especially those in the “preferred districts”. Following are some forms of landed properties commonly seen in Singapore:

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✓ Good class bungalows (GCB)

They can be found in 39 Good Class Bungalow Areas in Singapore where lands are designated for the development of good class bungalows only. Minimum plot size of a GCB must be at least 1400 square metres or 15,069.6 square feet and the width of the land must be of at least 18.5 metres wide. They are standalone house of maximum two storey heights commonly come with tall perimeter walls and private pool, garden and garage. The following are the 39 GCB areas:

1	Belmont Park	21	Gallop Road / Woollerton Park
2	Bin Tong Park	22	Garlick Avenue
3	Binjai Park	23	Holland Park
4	Brizay Park	24	Holland Rise
5	Bukit Sedap	25	Kilburn Estate
6	Bukit Tunggul	26	King Albert Park
7	Caldecott Hill	27	Leedon Park
8	Camden Park	28	Maryland Estate
9	Chatsworth Park	29	Nassim Road
10	Chee Hoon	30	Oei Tong Ham Park
11	Chestnut Avenue	31	Queen Astrid Park
12	Cluny Hill	32	Raffles Park
13	Cluny Park	33	Rebecca Park
14	Cornwall Gardens	34	Ridley Park
15	Dalvey Estate	35	Ridout Park
16	Eng Neo Avenue	36	Swiss Club Road
17	Ewart Park	37	Victoria Park
18	First / Third	38	Windsor Park
19	Ford Avenue	39	White House Park
20	Fourth / Sixth		

✓ Detached houses

Also known as “Bungalows”, they are single, double storey or higher storey’s houses standing on their own boundary with no common wall shared with neighbours. To qualify as a bungalow, the property must have a land size of at least 400 square metres or 4,305.6 square feet with plot width of at least 10 metres. They can be found in exclusive bungalow areas, or mixed landed housing areas.

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- ✓ **Semi-detached houses**

They are a pair of adjoining houses joined by a common boundary wall which rises from the ground to the roof. Each of the pair is considered a separated property with individual land title from the other. To qualify as a semi-detached house, the plot size of each side of the semi-detached must be at least 200 square metres or 2,152.8 square feet and minimum plot width of 8 metres. They can be found at designated semi-detached or mixed landed housing areas.
- ✓ **Terrace houses**

A terrace house is a unit in a row of similar houses built above ground level joined by a common boundary. Though joined, each house has its own side walls (even they are shared with their immediate neighbours), boundary walls and own roofs. Similar to semi-detached and bungalows, terrace houses have their individual land title. Minimum plot size of a unit of terrace house is 150 square metres or 1,614.6 square feet for Terrace House I and 80 square metres or 861.12 square feet for Terrace House II. As for plot width, a minimum of 6 metres for intermediate terraces and 8 metres for corner terraces.
- ✓ **Town houses**

A residential building designed as a single dwelling unit with ground contact and forming part of a row of not less than three residential units. All units have undivided share of the common properties such as access roads, garden (if any).

Town houses are strata-titled properties which means owners of these houses own the airspace exclusively and have to share the use of land and common properties collectively with other owners. However, even they are of strata-title, they are classified as “Restricted Properties” because of their housing form and special approval has to be granted for foreigners’ ownership.
- ✓ **Cluster houses**

Cluster houses are strata-titled houses built from ground similar to those of town houses. They are built similar to a condominium project in landed housing form instead of apartments. All cluster houses in the same project share common areas and recreational facilities, and other common properties through undivided shares in the land. These common areas and properties are run and managed by Management Corporation Strata Title (MCST) just like condominiums.

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Foreigners' purchase of cluster housing is also subjected to the approval from Land Dealings (Approval) Unit (LDAU) of the Singapore Land Authority (SLA).

➤ **Non-landed properties**

Private non-landed properties are strata-titled with tenure of freehold, or leasehold of from 99 to 9999-years similar to the landed ones. They can be sub-divided into two broad categories:

✓ **Condominiums**

Condominiums are generally high-rise residential developments with minimum site area of 4,000 square metres or 43,056 square feet that usually come with recreational facilities such as a swimming pool, gymnasium, BBQ area, multi-purpose function hall and so on.

Condominiums form the bulk of medium to high density housing in Singapore. There is usually more generous provision of communal and recreational facilities in condominium flats. The communal facilities are under the common ownership of the residents and are provided for their enjoyment. The residential units are only allowed strata subdivision.

In larger sites, the building height of condominium flats may vary among the various blocks of flats. The development could comprise a mix of 4-storey low-rise blocks and high-rise blocks of 30 storeys and above subject to the allowable height limit. For small sites, there could be only space for one apartment block up to the allowable height, but with generous provision of communal and recreational facilities.

Owners of individual units enjoy exclusive ownership of subdivided airspace or "vertical lots" for dwelling from a big parcel of land. The Land Titles (Strata) Act provides for separate Strata title to be issued to each separated residential unit known as Subsidiary Strata Certificate of Title (SSCT).

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✓ **Apartments**

In Singapore although private apartments are widely available, good apartments are not that easy to find. The difference between a private apartment and a condominium is the lack of facilities such as a gym, swimming pool, tennis courts and 24 hours security on duty etc. However, some have added an average gym and small swimming pool as improvements but cannot compare to that of a condominium. Apartments generally have limited parking lots and 24/7 CCTV monitored auto gate instead of 24 hours security.

Apartments are classified as strata-titled properties like those of condominiums. A Management Corporation owns and manages the common areas. Depending on the size, location and area, private apartments come with different price tags and can be found in varying sizes and designs. Apartments are generally more affordable and easier on the pocket due to their lack of recreational facilities.

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3.1.2 Public residential properties

Public housing in Singapore may begin in the 1930s with the housing schemes undertaken by the Singapore Improvement Trust (SIT), the predecessor of the Housing and Development Board (HDB). HDB replaced SIT as the national housing authority in 1960 and is now the sole provider of public housing in Singapore. It is estimated 82% of Singapore's resident population now live in public housing, that is, flats managed by HDB.

The majority of public housing estates are self-contained communities with not only the essential facilities to meet the residents' basic needs but also various community amenities such as schools and recreational facilities. The larger estates are called new towns.

Most public flats are sold units, a result of the government's conscious effort to build a nation of homeowners in the belief that home ownership would promote a sense of nationalism by giving Singaporeans a bigger stake in their country. At the end of March 2008, 95% of public flats were owner-occupied, with the rest being rental flats. The government encourages ownership of public flats by providing concessionary home loans and housing grants and by allowing Central Provident Fund (CPF) savings to be used to finance home purchases, subject to some conditions. These incentives are available for purchases of both new and resale flats. In addition, new flats offered directly by HDB are sold at subsidized prices. However, only those who meet HDB's eligibility criteria are allowed to buy public flats, including new units sold by private developers (under HDB's design, build and sell scheme) and resale flats.

Whereas the emphasis of the early building programmes was on meeting the population's basic need for proper shelter, there is now an emphasis on quality that extends beyond the design of the flats to the surrounding living environment, as evidenced by efforts to improve the landscape architecture and enhance the visual identity of housing estates and to provide better amenities for the residents. Furthermore, upgrading works are carried out under various estate renewal programmes to prevent physical decay and obsolescence and to enhance the residents' living environment.

Public housing units are generally sold on a 99-year lease term for owner occupation either directly or in the resale market to eligible Singapore Citizens or Singapore citizens' families. Singapore Permanent Residents or households are not allowed to purchase public housing directly from HDB but are allowed to make their purchase of public housing in the resale market upon satisfaction of prescribed rules and policies.

➤ **Housing Development Board (HDB) Flats**

There are eight categories of HDB flats: one-room flats, two-room flats, three-room flats, four-room flats, five-room flats, executive flats (including executive apartments and maisonettes), studio apartments (reserved for Singaporeans who are at least 55 years old) and HUDC flats.

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Studio apartments, one and two-room flats are among the smallest with floor areas of less than 50m²; five-room, executive and HUDC flats are the largest with floor areas exceeding 100m². The size and layout of new flats are guided by standard design plans, with some degree of variation.

The standard design plans for new flats have been updated over the years to cater to the changing expectations and preferences of buyers. For example, three-room flats did not have a bathroom attached to the master bedroom until the 1970s, and executive flats were launched in the 1980s in response to the desire for bigger flats while the elderly-friendly studio apartments were introduced only in 1997. These changes reflect the broader shift in the focus of public housing programmes from quantity to quality.

➤ **Executive condominiums**

Executive Condominiums (ECs) were introduced to cater to Singaporeans, especially young graduates and professionals who can afford more than an HDB flat but find private property to be out of their reach. ECs are comparable in design and facilities to private condominiums as they are developed and sold by the private developers.

Even ECs are developed and sold by private developers, they are considered subsidized housing and can only be bought if certain criteria similar to those of purchasing a HDB flat.

“Owners” would have to fulfill a Minimum Occupation Period (MOP) of five (05) years before they are allowed to dispose their properties. After five years, owners can sell their units to only Singapore Citizens and/or Singapore Permanent Residents (SPRs), and after 10 years they can sell to even foreigners. Upon selling an EC owner must wait 30 months before buying any flat direct from HDB but no restriction to buying one in the resale market.

➤ **Design, Build and Sell Scheme (DBSS)**

DBSS flats are public housing built and marketed by private developers whereby the characteristics of public housing must be maintained. Nonetheless, the designs of flats are unlike traditional flats, they come with balcony, bay window, timber flooring and built-in wardrobes in bedrooms, kitchen with built in cabinet, a yard and other interior finishes typical of private condominiums.

The private developers will undertake the entire development from planning, design, and construction, to the sale of the flats directly to eligible buyers whom have to satisfy the public housing rules.

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3.2 Commercial and industrial properties

As properties in the commercial and industrial realm are often more specialized, more thought, ground research and a reliable professional should be enlisted in such investment choice.

Unlike residential investments that can see huge capital gains within a short period, the investment returns of these properties are often based on rental yield and are less easy to speculate with short period of time as they often require a longer-term perspective.

Commercial and industrial properties are business premises; they tend to be more sensitive to economic cycles and are hence more volatile, particularly in a down market. In the event of a recession, for example, the industrial or commercial space might be vacated as business go under or pull out of Singapore, while the investor is left paying off the mortgage.

Risks such as market volatility, higher borrowing costs and thin trading volumes for such properties that could hinder investment attempts should also be factored into purchase decisions.

According to Urban Redevelopment Authority (URA), the common commercial and industrial properties can be classified in the following:

➤ **Office**

Means a building or premises used as a place of business and for conducting administrative work which includes a bank, but does not include a shop.

Examples: Finance Office, Bank, Insurance Company, Stock Exchange, Real Estate Housing Agency, Contractors, Transport Office, Professional/ Consultant/ Architect/ Engineer/ Lawyer / Accountant, Advertising, Political Party Office, Employment Agency, Secretarial Services, Astrologers/ Palmists, Security Office, Research & Marketing office etc

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➤ **Shops**

Means a building or premises used for the carrying on of any trade or business where the primary purpose is the sale of goods or foodstuff by retail or the provision of services; and includes a building used as a furniture shop, department store, pawnshop, dispensary, medical clinic, dental clinic, beauty salon, ticket agency, travel agency, confectionery or take-away food shop*,

Examples of retail shops

Departmental store, Supermarket, Provision shop, Minimart, Fashion boutiques, Florist, Gift shop, Electrical appliances / equipment, Computers & Accessories, Chinese medical hall, Furniture shop, Home Furnishings & Textile shop, Stationery, Aquarium, Shops selling takeaway food and drinks/beverages with no consumption on the premises.

Examples of shops that provide services

Barber Shop, Beauty Salon, Hairdressing Salon, Photo Studio, Tailor Shop, Foot Reflexology, Chinese Physician/ Acupuncturist, Medical Clinic, Dental Clinic, Receiving Agency, Launderette (collection of goods to be washed/ cleaned elsewhere), Money Changer and Travel/Ticket Agency.

➤ **Restaurant**

Means a building used for the carrying on of any trade or business where the primary purpose is the sale of foodstuff for consumption on the premises without performance of live music or live entertainment; and includes a coffee shop, eating house, snack bar, cafeteria or food court, but does not include a canteen, bar or pub.

Examples: Fast-food Restaurant, Food court, Coffee Shop, Eating-House, Snack- bar, Teahouse, Cafeteria.

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➤ **Industrial properties**

Industrial units are the more affordable investment option as their unit prices are generally between \$250 psf and \$500 psf, with many small units of below \$1 million available for sale. Their shorter leases - at 30 or 60 years - must be taken into consideration when comparing prices.

• **Light Industrial buildings**

Means an industrial building in which the processes carried on or the machinery installed are such as can be installed in any residential area without detriment to the amenity of the area by reason of noise, vibration, smell, fumes, smoke, soot, ash, dust or grit; and includes a building used for any industrial use which is classified as "light industry" by the Director of Environmental Pollution Control;

Examples: Manufacture of made-up textile goods (except wearing apparel) without dyeing, bleaching and/ or other finishing operations). Servicing and refilling of fire extinguishers. Packing and bottling of medicinal herbs and medicated oil etc.

• **General industrial buildings**

Means an industrial building other than a light industrial building or special industrial building; and includes a building used for any industrial use which is classified as "general industry" by the Director of Environmental Pollution Control.

Examples: Vehicle / motorcycles repair and servicing, Sales & installation of tyres & batteries or car accessories. Food manufacturing & catering; Manufacture of furniture & fixtures; musical instruments, wooden & cane containers & small cane wares; Repair and maintenance of engines, motor and mechanical pumps. Blending of detergents and cleaning preparations, perfumes, hair-care products, cosmetics and other toilet preparations etc.

Competency Unit 1.1: Real Estate Market and Submarkets

- **Special industrial buildings**
Means an industrial building in which the processes carried on are dangerous or offensive; and include a building used for any industrial use which is classified as "special industry" by the Director of Environmental Pollution Control.
- **Warehouses**
Means a building (excluding any land occupied therewith) where storage is the principal use and where no business is transacted other than incidentally to such storage.

Please refer to the annex for a full list of the classification for reference purpose

Competency Unit 1.1: Real Estate Market and Submarkets

4. Factors affecting real estate market

As mentioned, the real estate market operates in the mechanism by which properties are bought and sold, and the prices of properties are very much determined by the supply and demand of properties, external environment, government policies and intervention as well as the overall economic situation.

Supply and demand are the most basic economic principle in which the real estate market is either positively or negatively affected by the availability of the properties. Consequently, if there is a high demand for a certain type of properties that is in low supply, the price of these properties will escalate due to market conditions that will support a higher price. However, if there is low demand for the properties that is in high supply, the price of these properties will decrease due to market conditions that are influenced by the high availability of such properties.

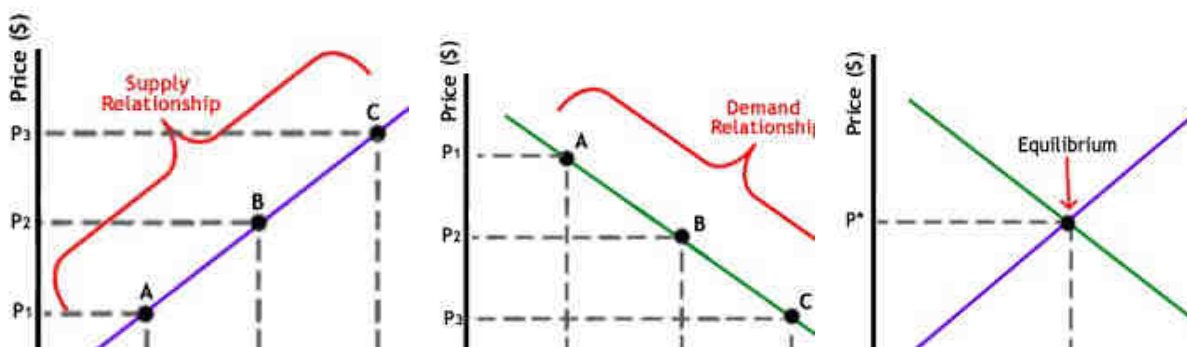
During sellers' markets, properties sell quickly and sellers have a lot of pricing power. As a result, prices rise more rapidly than at other times. On the other hand, during buyers' markets, properties may sit on the market for a while before selling, so sellers become more flexible and may even drop their prices.

Prices of properties will continue to be adjusted either upward or downward until the point of equilibrium is met where the supply equals to the demand:

(Sellers' market) Low supply + high demand = higher price

(Buyers' market) High supply + low demand = lower price

(Stable market) Supply = demand = stable price



Competency Unit 1.1: Real Estate Market and Submarkets

4.1 Factors affecting supply

There are three main sources of real estate supply:

➤ **Supply of vacant sites**

The supply of vacant sites is very much controlled by the government through land released by Urban Redevelopment Authority (URA), Housing Development Board (HDB) or JTC Corporation (JTC).

Vacant sites can also be acquired by private developers through collective sales of old development which is known as “En-bloc” sales.

➤ **Supply of existing properties (stocks)**

The resale market or secondary market is the main source of “ready” properties, where owners sell their existing properties to ready purchasers. However, the supply of such stock is relatively fixed in the short term due to the inelasticity nature of the real estate market.

➤ **Supply of new properties**

These are new properties built and marketed by developers and the amount of supply is affected by the intensity of development allowed on a particular site and the type of use that can be put on the site.

Competency Unit 1.1: Real Estate Market and Submarkets

4.2 Macro Factors affecting demand

The macro factors affecting the demand for property are generally classified into the following three categories: Political/institutional, social and economic factors.

4.2.1 Political and institutional factors

The demand for properties is also very directly linked to the legislation, executive and judicial framework that govern the real estate market. Changes to housing policy, enactment of new laws will bring changes to the demand for property. For example, the introduction of Sellers' stamp duty (SSD) and Additional Buyer's Stamp Duty (ABSD) resulted in a decline of the demand of residential properties.

➤ Policies of the State

The government strives to develop the country to be business hub, building an extremely strong reputation. With the focus on being a developed technological powerhouse, Singapore's property value surged up over the past few decades, especially concerning the areas that are considered 'prime district', such as Marina Bay and Orchard Road.

The government has also been exploring the use of other policies to manage the housing price cycle, like the recent reinstatement of the Government Land Sales (GLS), and replenish the supply of Reserved List sites in the GLS (refer to land development in Singapore), thus increasing the land area for private sector demand.

➤ Housing policy

A major goal of Singapore's government is to promote home-ownership. The government has been able to increase the home ownership rate from 27% in 1970 to the current level of around 91%. This is done through the help of HDB, URA, MAS and the CPF. More than 80% of Singaporeans live in HDB flats. The aim of the government is to maintain a steady and healthy property market where price movements are supported by economic fundamentals.

➤ Regional security

Taking into account the security and safety Singapore boasts of, many foreigners also opted to move to Singapore, this once again, is accounted for the increase in population and in turn the increase in the demand for the local amenities, in this case, property and estate. Singapore's status of being a very safe and secure city also attracted foreign investments into the country. As many foreigners would put it, Singapore is a place where they can walk safely in the streets in the middle of the night without worry too much of their safety.

Competency Unit 1.1: Real Estate Market and Submarkets

4.2.2 Social and demographic factors

Changes in demographic patterns, household formation and family size have significant effect on the demand of real estate especially the residential properties. The purchasing power of homeowners will determine the kind of properties in demand and the price they are willing to pay.

Other attribute like changes in lifestyle, social status, values and preferences will also affect the demand of properties in terms of the type, design and size of those properties.

➤ **Population Demographic**

The drop in the number of marriages also resulted in the number of singles above 35 years old to purchase more properties. As the population gets affluent and educated, starting a family is not a priority compared to the career. In that case, more estates are sold to singles, causing even further demand, and that would spur an increase in the pricing of the product.

➤ **Inflow of immigrants**

As accessibility increases globally, there is a huge thrust in the number of immigrations all over the world. We can consider that as people move more, Singapore is definitely one of the pit stops or even destinations people would like to have. The global effects of technology have made migration much easier and in turn cause an influx in the number of foreigners in Singapore.

Over the decades, the increase in population is not attributed to the locals' reproduction but the huge intake of foreigners. This has caused a higher level of competition for the resources locally. The real estate market is definitely affected. Higher demands have resulted in higher costs over the years, naturally.

With more people on the country, the land space constraints have also been an issue. As a result, purchasing a residential property on the tiny island is much costlier compared to the earlier days.

Competency Unit 1.1: Real Estate Market and Submarkets

4.2.3 Economic Factors

➤ **General economy**

The general economic performance and the well-being of the country are the most direct influence to the demand and values of real estate. Better economic performance boosts the confident levels of consumers and investors thus drives the demand of real estate upwards.

Rising incomes enable people to spend more on buying properties for own stay or for investment. However, if the economy goes into a recession and unemployment rises, the demand for properties would fall significantly.

➤ **Regional economy**

The region also makes a huge impact the standard of living in Singapore, and also in turn causes increase in the prices of real estate. Singapore is arguably the most established financially, technologically, and probably one of the 'First World Country' in the South-East Asia region. With a developed country status label on them, it is easy to say that property is definitely much costlier compared to the neighbouring countries.

Being the most 'appealing' in the safe region, it is logical that the cost of living is considered high and the real estate will also be considered expensive.

➤ **Economical focus of the state**

Since its shift from the focus of manufacturing to service industry, Singapore has seen a huge influx of foreign skilled workers come into the scene. With that, they bring in more financial power, more contribution to the economy, further spiraling up the living standards of Singapore. The recent opening of the two Integrated Resorts has also drawn in even more foreign expats, and this contributed to the stiff competition for resources. The properties in 'prime areas' are densely populated by expats due to their financial muscle, thus drives up the demand and the costs of real estate.

Competency Unit 1.1: Real Estate Market and Submarkets

4.3 Micro Factors affecting demand

➤ **Location**

Location is the key factor for buyers to consider before making their decision to buy or rent. For dwelling, a location within walking distance to school, market, shopping mall, bus stop, MRT station offer convenience and time saving.

➤ **Tenure**

Tenure is a very important factor that will affect the value of a property which will affect the demand. Property with tenure of freehold status has a premium over leasehold, all else being equal.

➤ **Age of property**

A newer property may be of more demand than the older or more run-down property as buyers will have to factor in the renovation cost, and also the maintenance cost.

Surrounding environment and amenities

➤ **Height & View**

The height of a property is applicable more for a tall building such as a condominium. Generally, the higher the floor, the more demanded because of the commanding view.

➤ **Size, shape & orientation of property**

The shape of a lot affects the value of the lot. Generally, properties with odd or irregular shapes are less preferred due to their inefficient use of indoor floor space.

Orientation refers to the direction of the property facing. Generally, buyers in Singapore do not favour west facing because of the hot afternoon sun. Pool view, greenery and sea view units are generally more demanded than their neighbour without such view.

➤ **Layout & design**

The design and quality of the fixtures including the layout of a property may have an impact on the overall demand.

Competency Unit 1.1: Real Estate Market and Submarkets

5. Function of sub-markets in real estate

From the classification of properties earlier, we can see that there are different sub-markets in the entire real estate market namely the residential, the commercial and the industrial. Each of these markets has its own special features and function contributing directly into the well-being of nation building and the overall economy of Singapore. Estate agents specializing in these markets will need to have an appreciation of the various important features which have an impact on their values and rentals.

➤ **The residential market.**

The residential sector comprises the predominant public housing market, which includes the resale HDB flats markets and the smaller private housing market.

The private housing market comprises of condominiums, which are not subjected to foreign ownership control, and the landed property (bungalows, semi-detached and terrace houses), which are subject to ownership restriction.

As some 82% of the population stay in HDB flats, the HDB resale market constitutes an important force.

➤ **The commercial market.**

✓ **Offices**

This market dominated by the prime office buildings in the Raffles Place area, many of which are under single ownerships. There are very few strata-titled office developments where individual office units are available for sale.

The proposed Business and Financial Centre in the Marina Bay will, in the future, be a major commercial development in Singapore.

✓ **Retail market**

The retail market comprises of the prime shopping complexes downtown (i.e. those in Orchard Road and Marina city areas) and those in the suburban areas near the various MRT stations. In addition, there are also some smaller shopping complexes built by the HDB at HDB new towns or neighbourhood centres. A few of the private retail malls are currently within the portfolio of properties under real estate investment trusts.

Competency Unit 1.1: Real Estate Market and Submarkets

➤ **The Industrial market**

The industrial market is predominantly under the influence of the JTC in Jurong although there are some pockets of industrial lands and buildings under private ownership in the Kallang and MacPherson areas.

Some of the industrial developments are high-tech ones' catering for the knowledge-based industries. A major industrial development is located in the One-north, which is a concept providing a conducive 24/7 living and working environment for knowledge-based industries such as biomedical, information communications and media industries.

Competency Unit 1.1: Real Estate Market and Submarkets

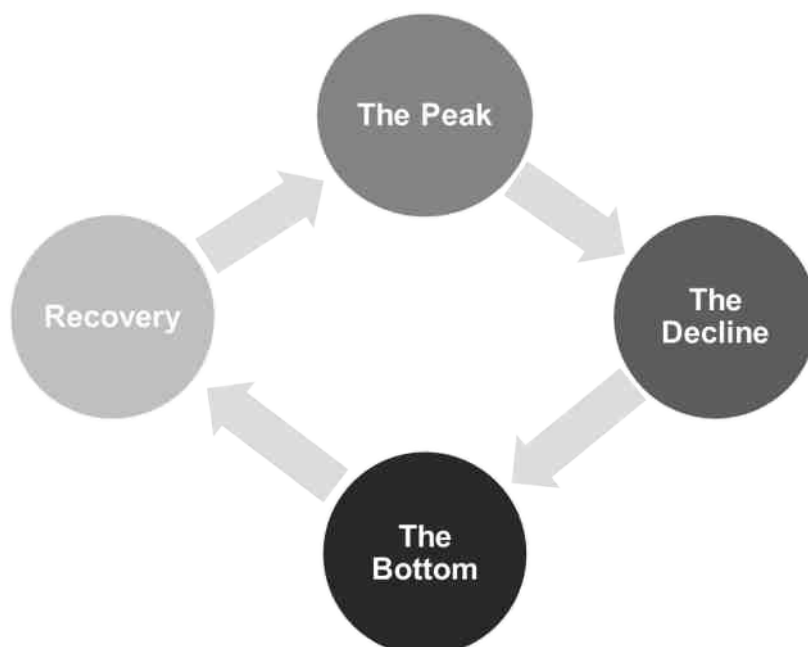
6. The real estate cycles

Real estate cycles have been a significant underlying reason for the financial successes and failures of real estate investments throughout history. Cycles are a major determinant of success or failure because of their pervasive and dynamic impacts on real estate returns, risks and investment values over time; impacts that should not be ignored or over-simplified.

Because of this recognition, as well as a growing industry focus on real estate as a distinct asset class that deserves increased portfolio allocations, investors and portfolio managers are placing increased emphasis on the strategic and decision-making implications of real estate cycle theory and analysis.

The fluctuations in the general level of real estate activities measured by the changes in their pricing and volume transacted whether sale or rent of property forms the real estate cycle which follows a wave like motion similar to those of business cycle. These changes in activities are greatly influence by the overall economic well-being of the country and also other factors discussed earlier.

While each cycle is unique in duration and intensity, each appears to have some regularity in a cyclical movement starting from a lower turning point (the bottom) and goes through a period of expansion (recovery), activity builds up and reaches an upper turning point (the peak) and enters into a period of declination (recession).



Competency Unit 1.1: Real Estate Market and Submarkets

➤ **Peak / Boom / Expansion**

The cycle will reach its peak when the economy is in its full swing where people are enjoying more prosperity which in turn translated into greater demand for bigger or better housing, more foreign investors and locals with “spare disposable income” started investing into properties for monetary gain.

The supplies of properties are high and the overall market sentiment is buoyant with high projection and expectations of returns in investment. The price of properties will continue to rise as the demand far surpasses supply. This increase in prices sometime can be two or three times more the projected economic growth rate resulting into inflation or in worst scenario the forming of real estate “bubble”.

➤ **Decline**

The market will start to cool off when inflation starts to set in and consumers start to realise that the price increase cannot be met with the economic growth rate. More supply of properties being introduced into the market by developers and more speculative owners trying to take profit by offering their possessions, the demand will eventually be satisfied resulting into a decrease in volume transacted and price value. As economic adjustment or recessions cast their shadows, consumers or investors may prefer to “wait and see” rather than committing to “big ticket” investment like properties.

➤ **The Bottom / Recession / Trough**

At this phase of the cycle, there is a high level of vacancy with excess supply of properties. Prices are low as consumers’ confidence in the future of economy is uncertain. Consumers and businesses are reluctant to commit long term borrowing and investing wary that the recession might be worsen resulting to higher incidence of mortgage sale.

Competency Unit 1.1: Real Estate Market and Submarkets

➤ **Recovery / Upswing**

With the improvement of economic conditions, and better consumers' confidence, real estate activities begin to beef up as more investors and consumers seeing the potential for market recovery and believe that it is the "right time" to re-enter the market.

The upswing of the real estate market is boost by the return in business confidence, increases in bank lending with low interest rates, lower unemployment rate and eventually rising wages and property values.

7. **Statistics of the Real Estate Market**

Statistics are important tools to indicate if the real estate market is at its bottom of the crash and whether the recovery has started or not. Homeowners, property developers, investors and real estate professionals alike have been watching local and national housing markets very closely. Both URA and HDB have been releasing relevant statistics on quarterly basis, particularly the following indicators of market health and what's to come:

➤ **URA Statistics on private properties**

➤ **On Comparison**

- ✓ Comparison of Property Price Index between two quarters
- ✓ Comparison of Property Price Index between two consecutive years
- ✓ Comparison of Rental Index between two consecutive quarters
- ✓ Comparison of Rental Index for between two consecutive years

➤ **On Price Indices**

- ✓ Price indices of Non-Landed Properties by Locality and Completion Status.
- ✓ Rental Indices of Non-Landed Properties by Locality
- ✓ Median Rentals and Vacancy of Office and Shop Space

➤ **On Charting**

- ✓ Chart of property Price Index by Type of Property
- ✓ Chart of Residential Property Price Index by Type

Competency Unit 1.1: Real Estate Market and Submarkets

- **On Supplies**
 - ✓ Number of Unsold Private Residential Units from Projects with Planning Approvals
 - ✓ Number of Unsold Private Residential Units from Projects with Planning Approvals by Market Segment
 - ✓ Number of Uncompleted Private Residential Units Launched in the Quarter by Market Segment
 - ✓ Number of Private Residential Units Sold in the Quarter by Market Segment
 - ✓ Number of New Sale, Sub-Sale and Resale Transactions for Private Residential Units by Market Segment
 - ✓ Stock & Vacancy and Supply in the Pipeline as at End of the Quarter
 - ✓ Supply in the Pipeline by Development Status and Expected Year of Completion as at End of the Quarter
 - ✓ Number of Executive Condominium Units Launched and Sold in the Quarter
 - ✓ Sale Position of Executive Condominium Units with Pre-Requisites for Sale as at End of Quarter

- **HDB Statistics on public housing**
 - **On HDB Resale Market**
 - ✓ Price Index of HDB Resale Flats
 - ✓ Median Resale Prices by Town and Flat Type, for Resale Cases Registered of the Quarter
 - ✓ Number of Resale Applications Registered by Flat Type
 - ✓ Median Cash-Over-Valuation (COV) by Town and Flat Type, for Resale Cases Registered of the Quarter
 - ✓ Monthly Resale Flat Prices
 - **On HDB Rental Market**
 - ✓ Median Subletting Rents by Town and Flat Type, for Sublet Applications Approved of the Quarter
 - ✓ Number of Subletting Approvals by Flat Type
 - **On upcoming public housing sale launch for ECs and DBSS**

Competency Unit 1.1: Real Estate Market and Submarkets

Different Regions in Singapore

The private residential property market in Singapore is divided into 3 geographical market segments: There is Core Central Region (CCR) – orange-colored area, the Rest of Central Region (RCR) – grey-colored area and the Outside Central Region (OCR) – white-colored area. Kindly refer to the map below.

Core Central Region (CCR)

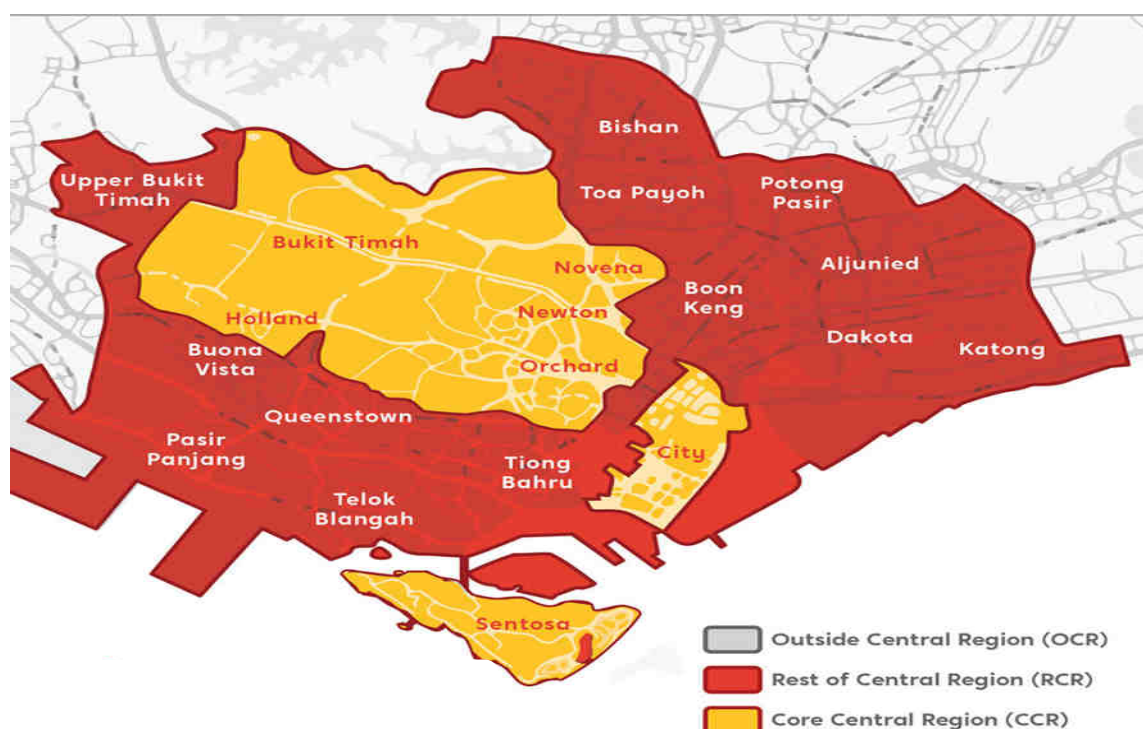
– CCR consists of real estate in the postal District 9, 10, 11, Downtown Core and Sentosa.

Rest of Central Region (RCR)

– The area within the Central Region but outside postal district 9, 10, 11, Downtown Core and Sentosa (the Core Central Region)

Outside Central Region (OCR)

– The remaining 16 district in the 4 regions such as the West, East, North and North-East Regions.



Source: Property Guru

Competency Unit 1.1: Real Estate Market and Submarkets

8. Conversion of the old district number into the new 6-digits postal code

Background understanding

Singapore was originally divided into 28 postal districts in 1950, with a number being allocated to each district, for example, the Orchard Road area was in District 9.

For example: 277 Orchard Road Singapore 9.

This was superseded by a new four-digit system in 1979, with the last two digits representing a sector in each district. There were in total 81 sectors.

For example: 277 Orchard Road Singapore 0923

On 1 September 1995, this was replaced by a six-digit system, in which every building was given its unique postcode, the first two digits of which represented the old sector, i.e. 23.

For example: 277 Orchard Road Singapore 238858

Although the old districts are no longer used by Singapore Post, they are still widely used to refer to locations of properties for sale or rent

6-Digit Postal Code

The 6-digit postal code is made up of the sector code and the delivery point. The sector is represented by the first two numbers of the postal code. The remaining four numbers define the delivery point within the sector.

For example:

56 Tanglin Road Singapore 247964

24 is the sector code; 7964 is the delivery point, i.e. house or building.

For Housing & Development Board (HDB) residential blocks, the block number is included in the postal code.

For example :

Blk 335 Smith Street, Singapore 050335

HDB residential blocks with the same number in the same postal sector are differentiated by their postal codes as follows:

For example:

Blk 110 Simei Street 1, Singapore 520110

Blk 110 Tampines Street 11, Singapore 521110

The postal codes for private residential, commercial and industrial houses and buildings are assigned based on the alphabetical sequence of the street names in each sector.

Competency Unit 1.1: Real Estate Market and Submarkets

This means that the codes for a particular postal sector have been assigned first to houses and buildings located along street names beginning with 'A', followed by 'B' and so on. The postal codes for such properties do not contain the corresponding house or building numbers included in the postal code. HDB industrial and commercial blocks also use this system.

To confirm old postal district classification

- Log on to SingPost online
http://www.singpost.com.sg/quick_services/index.htm
- Take the first 2 digits of the 6-digit postal code and compare to the list below in Table.

Postal District	Postal Sector (1 st 2 digits of 6-digit postal codes)	General Location
01	01, 02, 03, 04, 05, 06	Raffles Place, Cecil, Marina, People's Park
02	07, 08	Anson, Tanjong Pagar
03	14, 15, 16	Queenstown, Tiong Bahru
04	09, 10	Telok Blangah, Harbourfront
05	11, 12, 13	Pasir Panjang, Hong Leong Garden, Clementi
06	17	High Street, Beach Road (part)
07	18, 19	Middle Road, Golden Mile
08	20, 21	Little India
09	22, 23	Orchard, Cairnhill, River Valley
10	24, 25, 26, 27	Ardmore, Bukit Timah, Holland Road, Tanglin
11	28, 29, 30	Watten Estate, Novena, Thomson
12	31, 32, 33	Balestier, Toa Payoh, Serangoon
13	34, 35, 36, 37	Macpherson, Braddell
14	38, 39, 40, 41	Geylang, Eunos
15	42, 43, 44, 45	Katong, Joo Chiat, Amber Road
16	46, 47, 48	Bedok, Upper East Coast, Eastwood, Kew Drive
17	49, 50, 81	Loyang, Changi
18	51, 52	Tampines, Pasir Ris
19	53, 54, 55, 82	Serangoon Garden, Hougang, Ponggol
20	56, 57	Bishan, Ang Mo Kio
21	58, 59	Upper Bukit Timah, Clementi Park, Ulu Pandan
22	60, 61, 62, 63, 64	Jurong
23	65, 66, 67, 68	Hillview, Dairy Farm, Bukit Panjang, Choa Chu Kang
24	69, 70, 71	Lim Chu Kang, Tengah
25	72, 73	Kranji, Woodgrove
26	77, 78	Upper Thomson, Springleaf
27	75, 76	Yishun, Sembawang
28	79, 80	Seletar

Competency Unit 1.2: Real Estate Market Players and Government Intervention

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Competency Unit 1.2: Real Estate Market Players and Government Intervention

1. Knowing the Market Players in Various Property Sectors

In Singapore, the property market is driven by five major groups of players. They are government agencies, developers, property agencies, banks and end users.

1.1 Government ministries and agencies

The government ministries and agencies in Singapore shape policy changes that can significantly affect sentiment in the property market and hence affect real estate prices.

The ministries coordinate policies to control or support property prices depending on their view of the level of speculation and asset price stability. For example, a broad round of property measures that affected the new and resale HDB market, taxes and bank lending was jointly announced by the Ministry of Finance (MOF), Ministry of National Development (MND) and Monetary Authority of Singapore.

While the ministries come up with the big picture policies, the statutory boards under the ministries are generally responsible for issuing the detailed guidelines and implementing policies.

The key statutory boards include:

➤ **Urban Redevelopment Authority (URA)**

The URA is a statutory board under the MND, and the national land use planning authority. It prepares medium and long term strategic and local plans for land use in Singapore, and helps to implement them. At the macro level, the URA controls residential development in Singapore via use of the plot ratio and building height. At the micro level, it develops guidelines on housing type and form. It also publishes updates on the private property market including price indices and individual transactions.

➤ **Singapore Land Authority (SLA)**

The SLA is a statutory board under the Ministry of Law focused on land resource optimization. In its developmental role, it oversees government land sales, leases, management of state land and buildings, acquisitions and allocation, developing and marketing land-related information and maintaining the national land information database. In its regulatory role, it acts as the national land registration authority and manages and maintains the national land survey system.

➤ **Building and Construction Authority (BCA)**

The BCA is a statutory board under the MND whose role is to provide guidelines for buildings, structures and infrastructure so as to “shape a safe, high quality, sustainable and friendly built environment.”

Competency Unit 1.2: Real Estate Market Players and Government Intervention

➤ **Housing Development Board (HDB)**

The HDB is a statutory board under the MND and the public housing authority. Its mission is to provide affordable quality homes for Singaporeans by planning and developing vibrant public housing towns with great amenities and cohesive communities. It also publishes statistics on the public housing market including a quarterly Resale Price Index.

1.2 Developers

The basic role of the real estate developer is to convert land into a completed property and lease or sell it. To do so they have to manage a range of activities: buy land, finance the deal, work with architects to design the project, obtain approvals from the government, engage a construction company to build and work with agencies to market and sell the property.

Developers bid for land that the government has put up for tender or purchase from private owners thru en-bloc sales. They need to constantly buy land to maintain their land bank, the pipeline of projects that they have under development. Prominent property developers in Singapore include Capitaland, Centrepont, Far East Organization, City Development Limited, GuocoLand, Keppel Land, Wheelock Properties, Allgreen Properties, Ho Bee and SC Global.

1.3 Property Agencies

Property agencies and agents are businesses or people that brokerage the selling, renting or management of property. They act as the intermediary (“middleman”) between the buyer and seller and take a commission for any successful matches.

Commission fees are not related in Singapore however typically in Singapore property agents will charge a commission of 1-2% to the seller of a private property, and 1% to the buyer and 2% to the seller for HDB flat transactions.

There are an estimated 28,397 property agents and 1,286 agencies in Singapore as at 01 Jan 2017. Some property agents are full-time professionals while others are just moonlighting as part-timers. The large agencies include, PropNet, ERA, Orange-Tee & Tie, DTZ, Knight Frank and C&H Properties. There are also many of the agencies are one or two-man operations.

For a long time, the reputation of the industry was tarnished by the actions of a small group of unprofessional real estate agents, with many calling for greater government regulation. Hence, the government introduced the Estate Agent Act and set up a new statutory board called the Council for Estate Agencies (CEA) that regulate agents and the agencies on September 15th 2010

Competency Unit 1.2: Real Estate Market Players and Government Intervention

1.4 Banks

Banks provide money to fund the property projects of real estate developers, and extend mortgages to qualified buyers so they can purchase a property. Their aim is to make a “spread” (the difference between the interest rates they charge to lend money, and the rates they pay for your deposits), and minimize the risk of any losses (e.g. from people defaulting on their loans).

The top local banks in Singapore include DBS, UOB and OCBC. The active foreign banks include HSBC, Citibank and Maybank, amongst many others.

1.5 End users

End users purchase property either for their own staying or for investment to hedge against inflation, rental income, capital appreciation etc. There were also “speculator” buyers who “flip” property for a quick profit. In recent years there was an increase in oversea funds buying up large investment residential as well as commercial property.

Together these five players drive the functioning of the property market. The government sets guidelines and provides land for development. Developers buy land and transform it into property. Agencies and their salespersons help to market and sell this property; banks provide the funding to end users to own property.

Competency Unit 1.2: Real Estate Market Players and Government Intervention

2. Government intervention and control

Land in Singapore is a scarce resource and there are competing public and private needs. Obviously, the government needs a fair amount of land for public infrastructure and housing, to that extent there are legislation which allows the government to intervene directly in the supply of land. The prime example is the Land Acquisition Act which would allow the government to acquire land compulsorily for public benefit.

The need for land is not the only reason for government intervention. In recent years the government can be seen to intervene in the property market for more sophisticated economic and social reasons.

A list of examples can be given to demonstrate in recent years, since 2009, our government; MAS and MND jointly announced and implemented seven (7) rounds of cooling measures. This is a clear indication that the government wants to see a stable, healthy market, where prices are generally moving in tandem with the fundamentals of the economy.

- **Housing and development board (HDB)**
 - ✓ Revised MOP to 5 years regardless of loan types.
 - ✓ PR family need 3 years waiting period before allowed to purchase HDB resale flat.
 - ✓ PR owners are disallowed to sublet out HDB flat.
 - ✓ Raised monthly household income to \$14,000
 - ✓ Increased to build flat ahead of demand, ramp up supply of BTO flats.
- **Urban Redevelopment Authority of Singapore (URA)**
 - ✓ Boosted land supply significantly under the confirmed and reserve list.
 - ✓ Make revision to Development Charges (DC) to the respective types of property accordingly to market demand.
- **Monetary Authority of Singapore (MAS)**
 - ✓ Abolished deferred payment scheme.
 - ✓ Reduce loan-to-value (LTV) ratio limit on housing loan
 - ✓ Introduce Additional buyer's stamp duty
 - ✓ Introduce Seller's stamp duty for Residential and Industrial property.
 - ✓ Introduce Mortgage Servicing Ratio (MSR)
 - ✓ Introduce Total Debt Servicing Ratio (TDSR)

While the above are some of the policies implemented, they are not cast in stone. As we have witness before, when the property market is stabilizing or experiencing a drastic slow down, the government consider the public interest and will remove some of them.

Competency Unit 1.2: Real Estate Market Players and Government Intervention

3. Role and Functions of Various Relevant Government Agencies relating to Property Transaction

3.1 The Housing and Development Board (HDB)

The HDB was set up in 1960 as a statutory board of the Ministry of National Development. Its functions have evolved from originally providing low-cost public housing and management services to building affordable homes of high quality in integrated environments that meet modern lifestyle needs. As some 82% of the population now lives in HDB flats, the HDB is an important statutory board that will influence the property prices of the resale HDB flats. An estate agent who specializes in HDB resale flats should attempt to understand and keep up with the constant changes in HDB policies. One of the important recent changes in housing policy is that HDB has disallowed Singapore Permanent Resident (SPR) flat owners to sublet their flat.

3.2 The Urban Redevelopment Authority (URA)

The URA was originally formed to take charge of the redevelopment of the urban areas of Singapore. One of the schemes adopted to encourage development is the Sale of Sites Scheme where generous property tax concessions and other benefits were given. URA is now Singapore's national land use planning authority. It is responsible for the preparing long-term strategic plan as well as detailed local area plans for the physical development of Singapore. An estate agent and their salespersons should be familiar with the basic concepts in land use and development control which have implications on property prices.

3.3 The JTC Corporation (JTC)

JTC Corporation (JTC) set up in 1968, is Singapore's leading industrial developer and manager of industrial facilities and specialized parks. It plays an important role in the industrial development and growth of Singapore. Its involvement includes provision of the following types of industrial property:

- ✓ Prepared industrial land – for custom built facilities on 30 or 60 years lease
- ✓ Ready-built factories – designed for light and clean industries.
- ✓ Start-up space – providing a range of start-up spaces for technopreneurs
- ✓ Specialised parks – catering to the needs of industries with very specific facility or locational requirements such as wafer fabrication parks, business parks and biomedical parks.

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3.4 The Singapore Land Authority (SLA)

The Singapore Land Authority (SLA) came into operation on 1 June 2001 and combines the various departments under the Ministry of Law, such as the Singapore Land Registry, the Land Dealings (Approval) Unit, the Land Office, the Survey Department and the Land System Support Unit. The principal functions of SLA are as follow:

- ✓ To optimise land resources;
- ✓ To administer land registration system;
- ✓ To administer the cadastral survey system;
- ✓ To administer the integrated spatial reference database and land information system and facilitate the exchange of such information between the government, institutions and the private sector;
- ✓ To act as the government's agent in land acquisition, management and administration of state land, allocation and disposal of state land, and the assessment, collection and recovery of any premium rent, royalty etc related to state land; and
- ✓ To advise the government on state land matters.

3.5 The Building and Construction Authority (BCA)

The BCA was formed on 1 April 1999 as a result of a merger between the former Construction Industry Development Board (CIDB) and the Building Control Division (BCD) of the Public Works Department. Its functions include:

- ✓ Approval of building and structural plan;
- ✓ Building inspections for the grant of Temporary Occupation Permits (TOPs) and Certificate of Statutory Completion (CSCs);
- ✓ Processing of share value applications;
- ✓ Licensing for displays of advertisement signboard, banners etc;
- ✓ Issuance of lift certificates;
- ✓ Processing of applications for assistance schemes to local contractors such as Local Enterprise Technical Assistance, Investment Allowance etc;
- ✓ Management of the Construction Quality Assessment System and
- ✓ ISO 9000/ISO 14000 certification.

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3.6 The Central Provident Fund Board (CPF Board)

The CPF Board was constituted in 1955 under the Central Provident Act; the CPF Board is tasked with the important duty of looking after its members' compulsory savings to ensure they could support themselves with dignity in retirement.

The CPF Board introduced the Public Housing Scheme (PHS) in 1968, in line with the government's home ownership policy, allowed Singaporeans to use their CPF savings to buy flats built by the Housing and Development Board (HDB). In 1975, the Middle-Income Housing Scheme was introduced to enable middle-income Singaporeans to buy HUDC flats with their CPF savings.

With the housing needs of the low and middle income groups of citizens taken care of under several public housing schemes, the CPF Board rolled out the Approved Residential Properties Scheme (ARPS) (now known as the Private Properties Scheme) in 1981 to allow its members to purchase private residential properties, the Home Protection Insurance Scheme (HPIS) was also introduced in the same year to enable members to use their CPF savings to pay for mortgage reducing insurance for HDB, HUDC, JTC and Ministry of Defense flats.

The CPF Board manages the following main property financial schemes:

- ✓ Public Housing Scheme
- ✓ Home Protection Scheme
- ✓ Private Properties Scheme
- ✓ Non-Residential Properties Scheme (the scheme ceased on 1 July 2006. The CPF Board will not accept any applications under the scheme from 1 July 2006. Members who are already using CPF to service the housing loan for their non-residential properties before 1 July 2006 are not affected by the policy change)

3.7 The Land and Transport Authority (LTA)

Established in 1995, the Land Transport Authority (LTA) is responsible for the planning, developing, implementing and managing all public and private transport infrastructure, system and policies in Singapore.

Competency Unit 1.2: Real Estate Market Players and Government Intervention

3.8 The Monetary Authority of Singapore (MAS)

As Singapore's central bank, the Monetary Authority of Singapore (MAS) promotes sustained, non-inflationary economic growth through appropriate monetary policy formulation and close macroeconomic surveillance of emerging trends and potential vulnerabilities. It manages Singapore's exchange rate, foreign reserves and liquidity in the banking sector.

MAS is also an integrated supervisor overseeing all financial institutions in Singapore -- banks, insurers, capital market intermediaries, financial advisors, and the stock exchange. With its mandate to foster a sound and progressive financial services sector in Singapore, MAS also helps shape Singapore's financial industry by promoting a strong corporate governance framework and close adherence to international accounting standards. In addition, it spearheads retail investor education.

MAS ensure that Singapore's financial industry remains vibrant, dynamic and competitive by working closely with other government agencies and financial institutions to develop and promote Singapore as a regional and international financial centre.

3.9 The Inland Revenue Authority of Singapore (IRAS)

IRAS was incorporated on 1 September 1992 to act as an agent for the government to access, collect and enforce payment of taxes. Among the various functions, IRAS is responsible for administering the Property Tax Act, Goods and Services Tax Act, and Stamp Duties Act which have relevance to real estate.

- ✓ Property tax is imposed on owners of properties based on the market rental values of the properties.
- ✓ The Goods and Services tax is a tax on consumption when money is spent on goods or services including imports.
- ✓ Stamp duty is imposed on commercial and legal documents relating to stock and shares and immovable property.

An estate agent and salespersons would need to be familiar with the basic principles relating to the assessment of property tax, GST and Stamp duty.