

## Baby steps to neutralize the effects of COVID-19 on the property market

**Nicholas Mak**

**Head of Department**  
Research & Consultancy

**ERA Realty Network Pte Ltd**  
229 Mountbatten Road #03-01  
Mountbatten Square  
Singapore 398007  
T : (65) 6226 2000

### Introduction

On 6 May 2020, the Singapore government announced some Temporary Relief Measures for the property sector due to the effects of the “Circuit breaker” to contain the spread of the Covid-19 coronavirus.

### What are the measures

According to the press release from MND (Ministry of National Development):

“The temporary relief measures, to be implemented with immediate effect, are:

(i) Extension of the Project Completion Period (PCP) by 6 months for residential, commercial and industrial development projects;

(ii) Extension of time by 6 months for the commencement and completion of residential development, and sale of housing units in residential development projects in relation to the remission of the Additional Buyer’s Stamp Duty (ABSD) for housing developers[1];

(iii) Extension of the PCP and/or disposal period by up to a total of 6 months for residential development projects under the Qualifying Certificate (QC) regime for foreign housing developers; and

(iv) Extension of time by 6 months for the sale of the first residential property in relation to the remission of ABSD for the second residential property purchased by a Singaporean married couple[2].”

## **What caused this**

The 8-week Circuit Breaker period and the lock-down in the foreign workers' dormitories had disrupted the development of real estate projects. There are an estimated 323,000 foreign workers in Singapore who live in purpose-built workers' dormitories. A large number of the workers in the Singapore construction industry are foreigners. Since 21 April, these foreign workers are confined to their dormitories to contain the spread of the coronavirus. As a result, many construction projects had grind to a halt.

Visits by the prospective buyers to inspect or view properties are an essential part of the homebuying process. Since the lockdown was implemented on 7 April, such visits are disallowed. As a result, it has disrupted real estate transactions for owners who wanted to sell their first residential property in order to get the ABSD remission.

## **Construction delayed**

The construction of development projects will be delayed due to COVID-19, with or without this latest temporary relief from the government. The lockdown of the foreign workers' dormitories and the disruption in the supply chain of construction materials will result in bottlenecks in the construction sector.

Therefore, the government is pre-empting the delay by allowing the Project Completion Period (PCP) for residential, commercial and industrial developments to be extended by 6 months, provided that the land was acquired on or before 1 June 2020, or the lease on the land was renewed by SLA on or before 1 June 2020.

In addition, housing developers are also given a 6-month extension to fulfil the conditions to obtain the Additional Buyer's Stamp Duty (ABSD) remission. Developers who wish to avoid paying ABSD on top of the price of the development land that they bought must complete the construction and sell all the housing units in the new development within a specified time frame[3]. The current ABSD payable by property companies is 25%.

According to the MND: To qualify for extension of the specified timeline for completion of residential development and sale of all housing units in a residential development project, both of the following conditions are to be met:

- (i) The land was purchased on or before 1 June 2020; and
- (ii) The original timeline for completion of the residential development and sale of all housing units in the development expired on or after 1 February 2020.

This relief measure is not meant to provide any advantage to developers at the expense of homebuyers. Many developers would have a financial incentive to complete the sales and construction of their development projects in the quickest possible time.

### **More time to find buyers**

For eligible Singaporean married couples who must sell their first residential property to get the ABSD remission on their second property, the 6-month extension will give them more time to find buyers for their first property. As a result, they would not be pressured to reduce prices sharply. This should prevent “fire sales” in the market.

According to the MND: “Under the temporary relief measures, the specified sale timeline for remission of ABSD paid on their second residential property for Singaporean married couples will be extended by 6 months.” They would however continue to be subject to the prevailing ABSD regime, albeit with an increase in the remission condition timelines.

According to the ABSD regime, a Singaporean married couple purchasing a second home jointly (meaning under the names of the couple only) has to sell their first residential property within a specific timeline to qualify for the remission of the ABSD paid on their second home.

For completed property, married couples have to sell the first property within 6 months after the date of purchase of the second home. If the second home is uncompleted at the time of purchase, the married couple must sell their first residential property within 6 months after the issue date of the Temporary Occupation Permit (“TOP”) or Certificate of Statutory Completion (“CSC”), whichever is the earlier.

Under the temporary relief measures, the specified sale timeline for remission of ABSD paid on their second home for Singaporean married couples will be extended to 1 year. To qualify for this extension, both of the following conditions are to be met:

- (i) The couple’s second residential property was jointly purchased on or before 1 June 2020; and
- (ii) The original timeline for sale of the first residential property expired on or after 1 February 2020.

The ABSD remission is only applicable to married couples whom at least one of the spouses is a Singapore citizen. Singles, or married couples whom neither of the spouses are Singapore citizen, will not qualify for the ABSD remission. Please refer to the Annex for more information on ABSD rates and remission details for married couples.

## **Within expectation**

It is expected that if the government were to ease the existing property cooling measures, they would just provide enough assistance to ease some of the pain or inconveniences caused by the 8-week lockdown. At this stage, it is unlikely that the government would want to cause any increase in property prices or surge in transactions. According to the official statistics, the private residential price index declined by only 1.0% quarter-on-quarter in 1Q 2020. The price decline is not steep enough to cause distress in the market. In the same 3-month period, developers sold 2,149 private housing units, which is quite a decent performance.

Therefore, the government may regard that the temporary measures, such as the extension of the ABSD deadlines, would be appropriate for now. It may be too much to expect them to reduce the ABSD rates, or ease the credit restrictions, such as increasing the Loan-to-Value (LTV) ratio, in the current environment.

### Conclusion

The 6-month ABSD extension should be enough in the meantime to neutralize the negative impact of the Circuit Breaker period. It is after all a “temporary relief measure”. It would not increase property transactions, nor reduce the downwards pressure on prices. Even after the Circuit Breaker is lifted, property transactions would still need another 1 to 2 weeks to regain the previous pace.

However, it also shows that the government is willing to provide some relief, no matter how temporary, for the real estate market. Should conditions in the property market worsen further, the government may step in again.

Note:

[1] Details on the remission of ABSD for housing developers are provided under the Stamp Duties (Housing Developers) (Remission of ABSD) Rules 2013 and the Stamp Duties (Non-Licensed Housing Developers) (Remission of ABSD) Rules 2015.

[2] Details on the remission of ABSD for a Singaporean married couple are provided under the Stamp Duties (Spouses) (Remission of ABSD) Rules 2013. A Singaporean married couple must include a Singapore Citizen.

[3] The specified timelines for commencement of housing development are 2 years from the purchase of the land for all housing developers. The specified timelines for completion of housing development and sale of housing units are 5 years from purchase of the land for licensed developers (those who construct more than 4 housing units), and 3 years from purchase of the land for non-licensed developers (those who construct no more than 4 housing units)

### ANNEX

Table 1: ABSD rates payable based on buyer’s residence status

Profile of buyer	Former ABSD Rates	New ABSD Rates
	On/after 12 Jan 2013 to 5 Jul 2018	On/after 6 Jul 2018
SC <sup>^</sup> buying 1st residential property	Not applicable	Not applicable
SC buying 2nd residential property	7%	12%
SC buying 3rd and subsequent residential property	10%	15%
SPR* buying 1st residential property	5%	5%
SPR* buying 2nd and subsequent residential property	10%	15%
Foreigners (FR) buying any residential property	15%	20%
Entities buying any residential property	15%	25%
		Plus additional 5% for housing developer** (non-remittable)

<sup>^</sup>SC refers to Singapore Citizens

\*SPR refers to Singapore Permanent Residents

\*\*Housing Developers refer to entities in the business of housing development (i.e. construction and sale of housing units) with respect to the subject property acquired. (Note: This definition of Housing Developer is the condensed version. You may refer to paragraph (1) of Article 3 to the Stamp Duties Act for the full definition.)

Source: Inland Revenue Authority of Singapore

**Table 2: Married couple who are both Singapore citizens**

No. of properties currently owned* by each spouse		Joint purchase of next residential property	No. of properties owned* by SC1 after co-purchase	No. of properties owned* by SC2 after co-purchase	ABSD rates		Refund of ABSD paid on purchase of second residential property
					On/after 12 Jan 2013 to 5 Jul 2018 (both dates inclusive)	On/after 6 Jul 2018	
<b>SC1</b>	<b>SC2</b>						
0	0	1	1	1	0%	0%	Not applicable
1	0		2	1	7%	12%	Only if the married couple disposes of the first property which they owned individually or co-owned.
1	1		2	2	7%	12%	
Co-owned 1			2	2	7%	12%	
2	0		3	1	10%	15%	Not available
Co-owned 2			3	3	10%	15%	

\*Properties owned include those owned wholly, or owned partially or jointly with others.

Source: Inland Revenue Authority of Singapore

**Table 3: Married couple who are Singapore citizen and Singapore permanent resident**

No. of properties currently owned* by each spouse		Joint purchase of next residential property	No. of properties owned* by SC1 after co-purchase	No. of properties owned* by SPR2 after co-purchase	ABSD rates		Refund of ABSD paid on purchase of second residential property
					On/after 12 Jan 2013 to 5 Jul 2018 (both dates inclusive)	On/after 6 Jul 2018	
<b>SC1</b>	<b>SPR2</b>						
0	0	1	1	1	0%#	0%#	Not applicable
1	0		2	1	7%	12%	Only if the married couple disposes of the first property which they owned individually or co-owned.
0	1		1	2	10%	15%	
1	1		2	2	10%	15%	
Co-owned 1			2	2	10%	15%	
2	0		3	1	10%	15%	Not available
Co-owned 2		3	3	10%	15%		

\*Properties owned include those owned wholly, or owned partially or jointly with others.

#Remitted ABSD of 5% (based on the buyer's profile with the highest ABSD rate). Your legal representative can apply for full ABSD remission via the e-Stamping Portal.

Source: Inland Revenue Authority of Singapore

**Table 4: Married couple who are Singapore citizen and Foreigner**

No. of properties currently owned* by each spouse		Joint purchase of next residential property	No. of properties owned* by SC1 after co-purchase	No. of properties owned* by FR2 after co-purchase	ABSD rates		Refund of ABSD paid on purchase of second residential property
					On/after 12 Jan 2013 to 5 Jul 2018 (both dates inclusive)	On/after 6 Jul 2018	
<b>SC1</b>	<b>FR2</b>						
0	0	1	1	1	0%#	0%#	Not applicable
1	0		2	1	15%	20%	Only if the married couple disposes of the first property which they owned individually or co-owned.
0	1		1	2	15%	20%	
1	1		2	2	15%	20%	
Co-owned 1			2	2	15%	20%	
2	0		3	1	15%	20%	Not available
Co-owned 2			3	3	15%	20%	

\*Properties owned include those owned wholly, or owned partially or jointly with others.

#Remitted ABSD of 15%/20% (based on the buyer's profile with the highest ABSD rate). Your legal representative can apply for full ABSD remission via the e-Stamping Portal.

Source: Inland Revenue Authority of Singapore

**Table 5: Married couple who are Singapore permanent resident and Foreigner**

On or after 12 Jan 2013, there is no remission of ABSD for married couples who are SPR-FR.

No. of properties currently owned* by each spouse		Joint purchase of next residential property	No. of properties owned* by SPR1 after co-purchase	No. of properties owned* by FR2 after co-purchase	ABSD rates	
					On/after 12 Jan 2013 to 5 Jul 2018 (both dates inclusive)	On/after 6 Jul 2018
<b>SPR1</b>	<b>FR2</b>					
0	0	1	1	1	15%	20%
1	0		2	1	15%	20%
0	1		1	2	15%	20%
1	1		2	2	15%	20%
Co-owned 1			2	2	15%	20%
2	0		3	1	15%	20%
Co-owned 2			3	3	15%	20%

\* Properties owned include those owned wholly, or owned partially or jointly with others.

Source: Inland Revenue Authority of Singapore

### Disclaimer

The information contained in this document is for general information purposes only and does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. This report is prepared by Research & Consultancy Department of ERA Realty Network Pte Ltd ("ERA"). This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person or parties without the prior written permission of ERA.

The information, views or opinions contained in this document ("Information") has been obtained or derived from sources believed by ERA to be reliable. However, ERA is not responsible for and makes no representation as to the accuracy or completeness of such sources or the Information and ERA accepts no liability whatsoever for any loss or damage arising from the use of or reliance in whole or in part on the Information. ERA and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of ERA and its connected persons are subject to change without notice. ERA reserves the right to act upon or use the Information at any time, including before its publication herein.

The recipient should not treat the contents of this document as advice relating to legal, taxation or investment matters. Any person or party interested in further pursuing the matters contained herein are advised to make their own independent investigations and verification of the Information and any other information such persons or parties may consider to be relevant or appropriate in the circumstances.

This document does not, nor is it intended to, constitute an offer or a solicitation to purchase or sell any asset or property, or to enter into any legal relations, nor an advice or a recommendation with respect to such asset or property.