The Singapore government announced on 13 Jan 2011 a further set of measures to curb speculation in the housing market. Will the new curbs be effective?

Summary of measures

The latest measures are to:

- Increase the holding period for imposition of Seller's Stamp Duty (SSD) from the current three years to four years;
- Raise the SSD rates to 16%, 12%, 8% and 4% of consideration for residential properties which are bought on or after 14 January 2011, and are sold in the first, second, third and fourth year of purchase respectively;{loadposition advert1}
- Lower the Loan-To-Value (LTV) limit to 50% on housing loans granted by financial institutions regulated by MAS for property purchasers who are not individuals1; and
- Lower the LTV limit on housing loans granted by financial institutions regulated by MAS from 70% to 60% for property purchasers who are individuals with one or more outstanding housing loans2 at the time of the new housing purchase;

The measures will take effect on 14 January 2011 and applies to private, HUDC, HDB and EC (executive condominium) properties.

Implications

The new announcement is mainly an extension of the previous round of cooling measures implemented in Aug 2010. While speculators, investors and developers would be obviously affected, so would genuine upgraders who have to finance a new home while it is under construction.

The new rules also seem designed to close a loophole which allowed speculators to purchase properties using a company, so as to get around the LTV for second homes under the names of individuals.

Executive Condominiums Least Impacted

At a prohibitive 16% SSD for properties sold within a year of purchase, the number of property transactions can be almost certainly be expected to decline in the next few months. Foreign buyers, who account for a large number of high-end home purchases, are likely to to hold back for fear of getting their funds tied down in Singapore property for up to 4 years. The market for executive condominiums, which have a larger proportion of local first-time home purchasers, would probably be least impacted.

Property Stocks Outlook

Among listed Singapore-focused developers, Hiap Hoe Limited continues to stand out, as it has relatively few units of unsold units on hand. Wheelock is also an interesting proposition for the same reason. While Sing Holdings is also compelling from a RNAV standpoint, the latest measures are most ominous as the developer just only successfully tendered for en-bloc sites at Robin Drive in Sep 2010 and have yet to launch the new development. Ho Bee is somewhat over-exposed to the luxury segment while Oxley's aggressive land acquisition strategy post-IPO now appears to work against it. Roxy-Pacific's large number of unsold shoebox units in Spottiswoode 18 would probably weigh heavily on its stock price in the short term.

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