

## JOINT PRESS RELEASE (EMBARGOED TILL 5.30PM, 19 FEB 2010)

### MEASURES TO ENSURE A STABLE AND SUSTAINABLE PROPERTY MARKET

- 1 The Government announced today the following measures to ensure a stable and sustainable property market:
  - a) Introducing a Seller's Stamp Duty (SSD) on all residential properties and residential lands that are bought after today and sold within 1 year from the date of purchase<sup>1</sup> ; and
  - b) Lowering the Loan-to-Value (LTV) limit to 80% for all housing loans provided by financial institutions regulated by the Monetary Authority of Singapore (MAS)

The measures will take effect on 20 February 2010.

- 2 In September last year, the Government introduced a set of measures<sup>2</sup> to temper the exuberance in the private residential market. The Government has continued to monitor the property market closely. While the September 2009 measures helped to cool the property market, there are recent signs that it is starting to heat up again.
- 3 Demand for private housing units has spiked sharply in January this year. The number of units sold by developers in January was triple that in December 2009 and was the highest monthly total since September 2009. Prices have also increased sharply in the second half of 2009, at a faster rate compared to previous rebounds from the troughs of property cycles, and the price increase has continued in January. Mortgage lending has also increased steadily by around 12% year-on-year through 2009.
- 4 While the current level of speculative activity in the market is still lower than what it was at the height of the property market boom,

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<sup>1</sup> For example, if a property is bought on 15<sup>th</sup> March 2010 and sold within 12 months, i.e. on or before 14<sup>th</sup> March 2011, SSD will apply.

<sup>2</sup> The measures were the removal of the Interest Absorption Scheme and Interest-Only housing loans, resumption of the Confirmed List under the Government Land Sales Programme in 1<sup>st</sup> Half of 2010, and non-extension of property-related measures announced as part of Budget 2009 which expired in January 2010.

and overall price levels are below the previous peak, there is a risk that the market could overheat in the next few months, fuelled by low global interest rates and positive sentiments associated with the economic recovery.

- 5 Any excessive exuberance will make the property market vulnerable to the continuing risks in the global economy. Should growth turn out weaker than expected, property buyers and speculators could face capital losses as the market corrects. Conversely, if the recovery stays on course, interest rates will eventually rise and drive up financing costs with severe implications for those who have overextended themselves.
- 6 Therefore, the Government has decided to introduce calibrated measures now to temper sentiments and pre-empt a property bubble from forming. We will tighten the supply of credit to the housing market to encourage greater financial prudence among property purchasers. The Government prefers to take small steps early, rather than be forced to impose more drastic measures after a bubble has formed.
- 7 The Government will continue to monitor the property market closely and will introduce additional measures if required later, to promote a stable and sustainable property market.

### **Seller's Stamp Duty (SSD) on Residential Properties Sold within 1 Year**

- 8 The SSD will be levied on sellers of residential properties and lands<sup>3</sup> bought on or after 20 Feb 2010, and sold within one year from the date of purchase<sup>4</sup>. Properties bought before 20 Feb 2010 will not be subject to the SSD.
- 9 The objective of this new tax measure is to discourage short-term speculative activity that could distort underlying prices. It is not targeted at the purchase of properties for owner-occupation or longer term investment.

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<sup>3</sup> The SSD will apply to the transfer or disposal of interest (including sale and gifts) of residential lands and residential units (whether completed or uncompleted).

<sup>4</sup> The date of purchase for computation of the holding period for SSD shall be the date when a buyer (i.e. Buyer A) **exercises** the option to purchase the property, or signs the sale and purchase agreement, whichever is earlier. The date of resale of the property shall be the date when the subsequent buyer (i.e. Buyer B) **exercises** the option to purchase the property from Buyer A, or signs the sale and purchase agreement, whichever is earlier.

- 10 The SSD will be applied at the standard ad valorem stamp duty rates<sup>5</sup> for the conveyance, assignment or transfer of property.
- 11 The SSD will not be applicable to HDB flats as they are already subject to a minimum occupation period of at least one year<sup>6</sup>.
- 12 IRAS will be releasing an e-tax guide on the circumstances under which SSD will apply and the procedures for paying SSD. The e-tax guide will be available at [www.iras.gov.sg](http://www.iras.gov.sg). Taxpayers with enquiries may call IRAS at 6351 3697 or 6351 3698. The telephone lines will be opened till 6.30 pm on 19 February 2010 and from 8.30am to 1.00 pm on 20 February 2010.

### **Lowering Loan-To-Value (LTV) Limit to 80% for Housing Loans**

- 13 The LTV limit will be lowered from 90% to 80% for all housing loans provided by financial institutions regulated by the MAS. The 80% LTV limit will apply to all housing loans granted by financial institutions for private residential properties, Executive Condominiums, HUDC flats and HDB flats (including those under the Design, Build and Sell Scheme, or DBSS flats).<sup>7</sup>
- 14 Loans granted by HDB for HDB flats (including DBSS flats) will still have an LTV cap of 90%. This is because HDB flats are already subject to other criteria to prevent speculation and encourage financial prudence e.g. minimum owner occupation period and restriction on ownership to one flat per household. HDB loans are offered to only eligible first-time flat buyers or second-timers who are upgrading. They are required to utilise all of their CPF Ordinary Account balance before HDB loans will be granted. This is in line with HDB's home ownership policy of helping eligible buyers, especially first-time buyers, purchase public housing in a financially prudent manner.
- 15 Financial institutions' lending standards have remained prudent. Currently, less than 10% of housing loans are granted at LTVs

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<sup>5</sup> 1% for the first \$180,000 of the consideration, 2% for the next \$180,000, and 3% for the balance.

<sup>6</sup> Executive Condominiums and HUDC flats that are purchased on the resale market are not subject to the minimum occupation period, and SSD will therefore apply to them.

<sup>7</sup> The 80% LTV limit will apply to transactions where the date on which the option to purchase (OTP) was **granted** falls on or after 20 February 2010; or if there is no OTP, where the date of the sale and purchase agreement falls on or after 20 February 2010. For the avoidance of doubt, the date of purchase for the lowering of the LTV is the date the OTP is granted; while the date of purchase for the levying of the SSD is the date the OTP is exercised.

greater than 80%, although there are signs that more housing loans are originating at higher LTV bands. In line with the objective of ensuring a stable and sustainable property market, lowering the LTV limit sends a clear signal to the financial institutions to maintain credit standards, and encourages greater financial prudence among property purchasers.

### **Adequate Supply in the Pipeline**

- 16 The Government will also continue to ensure that there is adequate supply of housing to meet demand. Sites that can yield 10,550 private housing units have already made available in the Confirmed and Reserve List of the Government Land Sales (GLS) Programme in the 1<sup>st</sup> Half of 2010. This is the highest supply quantum in the history of the GLS Programme.
- 17 In addition, the Government placed 8 residential sites, including 2 Executive Condominium sites, which can potentially yield about 2,900 units on the Confirmed List. This was close to the highest ever potential supply of about 3,000 units (in the 2<sup>nd</sup> Half 2007 GLS Programme) from the GLS Confirmed List, since the Reserve List / Confirmed List system started in 2001. If necessary, the Government would inject more supply in the 2nd half 2010 GLS Programme.
- 18 Apart from the supply from the GLS Programme, there were also 60,476 uncompleted units of private housing from projects in the pipeline as at 4Q2009. Of these, 34,234 units were available or could be made available for sale. These comprised units that had been launched for sale by developers, units that had pre-requisite conditions<sup>8</sup> for sale and which could be launched for sale immediately, as well as units with planning approvals for which pre-requisite conditions for sale could be obtained quickly from the Government and made available for sale.<sup>9</sup>

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<sup>8</sup> Refer to private residential developments with Housing Developer Licence and Building Plan Approval. Under the Housing Developer (Control and Licensing) Act, a sale licence must be obtained for a project with more than 4 units, if the developer intends to sell uncompleted residential units in the development. However, the sale of the residential units can only commence with the approval of the building plans of the development.

<sup>9</sup> Refer to uncompleted private residential developments without pre-requisites for sale but with Written Permission or Planning Permission granted. The sale licences could be obtained within 5 working days and building plan approvals could be obtained within 7 working days from the date of application for cases where clearances from various technical agencies are obtained and relevant documents are in order during formal submissions.

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and Monetary Authority of Singapore**

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