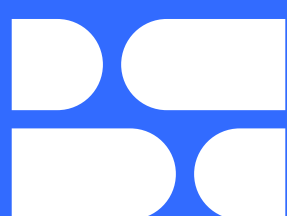




MAKING THE RIGHT MOVE

A Comprehensive Approach to
Upgrading from HDB to Condo
in 2023/2024

FAQ

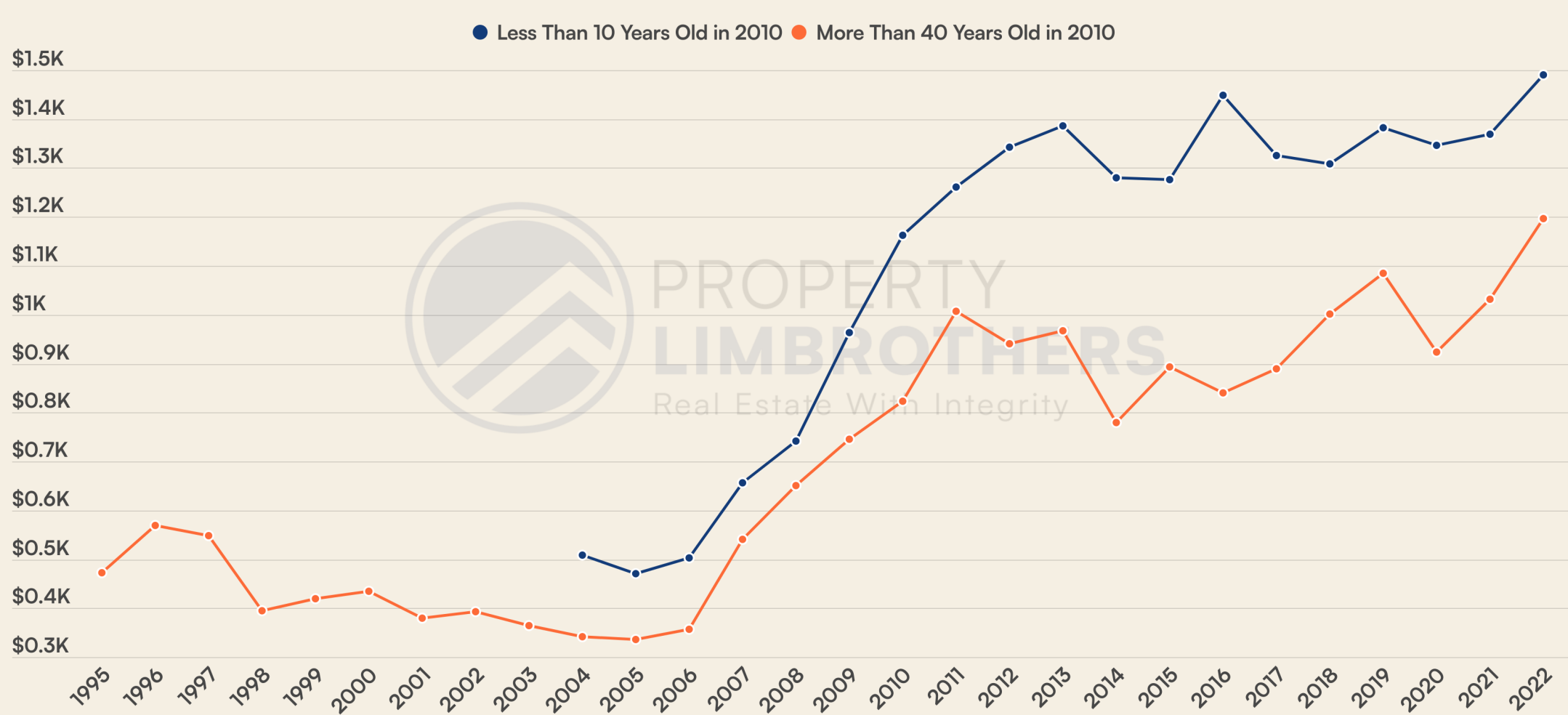


01

If the property does not appreciate, the decay lease would have affect the valuation?

In theory, according to Bala's curve below, lease decay will reduce the value of the property over time and at the end of the lease, the property value will be \$0. However, we still observed leasehold properties appreciating mainly due to the appreciation of land prices these properties sits on outpacing the lease decay. We compare two groups of properties which are 99-year leasehold resale condominiums and apartments, group 1 consists of properties aged less than 10 years in 2010 and group 2 consists of properties aged more than 40 years in 2010. As of 2023, group 1 properties are at most 22 years old and group 2 properties are at least 54 years old. From 2010 to 2023, the younger group 1 properties went from an average PSF of \$1,163.00 to \$1,491.30 (an increase of 28.2%). In contrast, older group 2 properties went from an average PSF of \$823.20 to \$1,197.40 (an increase of 45.5%). This shows that properties prices can still go up despite the lease decay. However, we will need to take note that all leasehold properties will eventually reach a tipping point (due to CPF and loan restrictions) and prices will go to zero at the end of lease.

Price Comparison between Older and Newer Leasehold Condos



02

Can you share what are the ways to extract the value without selling?

There are two common ways of extracting value without selling a property. One is to turn it into an income generating asset through rental contracts. This method gives about a rental yield of 2-4.5% for a private property depending on its location. Another way that property owners can extract value (from their private properties) is through home equity loans. This is where people get a loan by using their home equity as a collateral. The amount of obtainable loan will depend on the current market value; the amount of equity in the property as well as the loan ability of the borrower. The equity loan facility is only available to private properties and it is not available to HDBs.

03

What are your thoughts on buying 99 years condo that is in their 30s year old period? Will there still be appreciation? How about boutique?

A condo that is more than 30 years into its lease still has the potential to appreciate. Its price appreciation potential will be dependent on supply and demand factors; location attributes; transformation in the area. We still observe older condos appreciate due to the combined effects of appreciation of land prices; cost-push inflation driving up construction cost of newer condos and demand-pull inflation from consumers preferring affordable units. It is important to know when to exit for an older condo to avoid its eventual depreciation to zero at the end of lease. When will depreciation start to happen as a result of lease decay will be different for each property. We still observe price growth in boutique projects. However the price growth is generally slower than a bigger sized project with similar location attributes. This is mainly due to lesser number of transactions happening in a boutique project. It is important to note that not all properties appreciate in prices over time.

04

My HDB only MOP in end 2023. Should I wait till 2024 onwards before buying a condo?

You can only enter into an option to purchase to purchase a private property after you have reach your minimum occupancy period of your HDB. However, it is not too early to understand your financial situation; loan ability and consider the different routes you can take for your property portfolio. Should you keep or sell your HDB? If you were to sell your HDB, should you go for 1 big condo or 2 smaller condos?

05

Is it possible to still own a HDB and buy a condo? My wife and I have the current HDB CPF loan under both our names. We stay in a central mature HDB estate.

It is possible to own a HDB and buy a condo, if you fulfil the regulatory requirements. Only Singapore Citizens will have the privilege of purchasing a private property while owning an HDB flat after fulfilling the MOP. However, do note that in this situation, you will have to pay a 17% ABSD if either party decides to purchase a private property. Your Loan-To-Value Ratio for the next purchase will be lowered to 45% of the property value instead of 75% if you choose to sell your HDB or paid up the outstanding loan in your HDB. It would be advisable to consider other alternatives for you to own 2 properties without keeping your HDB for tax savings; better position to leverage on loans and your current home equity to build a bigger portfolio value.

06

Singapore property market outlook with more interest rate hike upcoming?

High interest rates have a bearish effect on the property market, especially when the Fed rate goes beyond 5%. However, land supply via GLS and En Blocs in addition to cooling measures have a strong effect on the property market as well. Given the current situation of the SVB bank run and strain on the financial banking system in the US, it is now uncertain if the Fed will continue to raise rates or do a surprise rate cut. Singapore's property market may take time to digest all these macro information. The market outlook would likely be stable prices with decline in transaction volume.

07

If my HDB hasn't MOP, I should just wait till MOP before deciding on condo hor?

It is never too early to begin the education process and understand the property market. This is probably the largest asset most people buy in their lives, and is not a decision that should be made in a short span of time. Taking the time from now till the end of the MOP can help you prepare yourself for a good move for your next property to make sure you don't get buyer's remorse if you made the decision hastily. Do take note that you can only pull the trigger to purchase a condo after you have fulfill your minimum occupancy period.

**THANK YOU FOR TAKING PART IN OUR PLB WEBINAR
AND WE HOPE YOU HAD AN INSIGHTFUL TIME.**

If you would like to have more of your personal questions answered, you can read more of our articles [here](#). If you are more of a visual person, you can follow our [Nuggets On The Go \(NOTG\)](#) series on YouTube in the link [here](#). Alternatively, you can have a more personalised experience by speaking to our consultants. You can reach out to us directly [here](#).

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