



THE ART OF REAL ESTATE INVESTMENT

ANALYSING
NEWLY TOP VS NEW LAUNCH CONDOS VS RESALE CONDOS
FOR LONG-TERM APPRECIATION POTENTIAL

FAQ



PROPERTY LIM BROTHERS

LANDED CONVENTION

20 / 05 / 2023

11AM - 6PM

Forming only 5% of Singapore's entire housing supply, landed homes in Singapore remains the asset class with one of the strongest store of value. Today, the landed segment is an exclusive and valuable asset, with land scarcity driving up demand and price.

Join PropertyLimBrothers, along with more than 15+ landed developers and brand partners in a one of a kind Landed Convention. Witness firsthand the available stock of landed properties in Singapore and discuss with experts the data-driven investment strategies to navigate the landed landscape.



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01

Would an integrated development, specifically, the reserve residence, be a good investment?

The Reserve Residences in Beauty World is one of the more eye catching new launches on the market this year. To just sum up the pros and cons, this integrated development is within walking distance to Beauty World MRT, has access to popular green spaces, and have decent potential for future appreciation as there will be future amenity developments in the area. However, the project is flanked by major roads and expressways which may have potentially higher noise levels. There is also a limited choice of nearby primary schools and the entry price for this project will be higher due to the integrated nature and high accessibility. For more information, you can read our article [here](#) or join us for the complimentary consult to see if this property makes sense for your personal property journey.

02

Do you think Piccadilly Grand has capital appreciation potential in the future?

Piccadilly Grand was a rather popular project last year and did well in its launch. The close proximity to Farrer Park MRT in the RCR improves its connectivity to the city centre. While the new launch was priced competitively, the location has good growth potential. However, the capital appreciation trend will likely be different based on the size of the units and the relative scarcity of those sizes when compared to the immediate surroundings. For more information, you can read our article [here](#) or join us for the complimentary consult to give you insight on your future exit plan with this project.

03

Punggol or Woodlands area has higher capital appreciation potential for condo projects?

Generally speaking for resale condominiums, the Woodlands and Punggol area have comparable capital appreciation levels in the post-pandemic era. In terms of potential for even further gains, Woodlands will benefit from having a lower average psf, and have the advantage of the disparity gap. However, Punggol has benefitted from new launch condos over the past few years, which has helped to push up price. Whether either planning area does better will depend on the influx of new launches in the future as well as how the market reacts to the lease decay of the specific projects you are looking at. You may refer to our 2022 Q4 report [here](#) for a more detailed explanation or read our 2023 Q1 report which will be coming out in May.

04

Why do 26 to 40 years old resale perform significantly better than the others despite the depleting lease?

There are two primary reasons for this trend. First, it is the disparity effect. As newer condominium projects get launched at higher prices, and resale projects appreciate, some buyers may get priced out of higher quantum projects and as a result purchase more affordable condominiums. This will push up the prices of more affordable properties as well. Second, it is a technical reason of how capital appreciation is calculated. By taking the capital gains divided by the starting price (average psf in both cases), the lower the starting price, the higher the capital appreciation will be when expressed as a percentage because of the smaller denominator. It is due to these two factors that we observe older resale condos perform better. Surprisingly, the negative effects of lease decay is mitigated as appreciation has a larger magnitude of effect.

05

What factor contributed to the higher % increase for resales (>26)? and is this margin based on resale within the 4 years window?

As explained earlier, the higher capital appreciation for older resale condos is largely due to the disparity effect and the lower average psf of older condos. This margin is based off the 4 years window for each time frame we have covered.

06

What about lease decay? Wouldn't it kick in on the 21 year mark?

As explained earlier, the negative effects of lease decay is of a lower magnitude than the positive effects of capital appreciation. As a result, we get a net positive effect on price as observed.

07

How would plenty of HDB supply at Punggol affect condo price there? Would it decrease the condo demand?

Contrary to conventional logic, the higher supply of HDB flats actually increases the demand of Condominium projects. This is because they are catering to different segments of Singapore's property market. HDB upgraders are couples who sell their HDBs and purchase condominiums. This demographic is the key driving force of Condominium demand. Thus, with more supply of HDB flats in the area, the number of HDB upgraders in the area is also higher. Of course, this is premised on the familiarity effect, which is that people choose to live in the same neighbourhood over long periods of time due to familiarity and proximity to family. Aside from these reasons, larger clusters of residential properties also have more amenities and schools available nearby, which will serve to boost the demand for Condos as well. These are just a few of the reasons why Condo demand may benefit from a higher supply of HDBs in the same area.

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08

What does this mean? We should buy >26 years and older properties in the east? Or that when we buy and sell is more important? How do we know whether the next few years will be more like 2014-2018 or 2018-2022?

The webinar does not give buy or sell recommendations. The information we have shared is to let participants know how the markets have performed over the years and gain more knowledge on the trends in the market. It is not advisable to time the market as property has a long holding period to not incur Seller's Stamp Duty. In order to have insight on what actions to take, we need to be in tune with both macro shifts in the market as well as a clear understanding of personal goals when it comes to owning property.

09

Does this mean 26-40 leasehold category but the surrounding has a lot of new launch it will create greater price disparity hence it will create greater capital gain?

The understanding and logic behind it is correct. However, there are a few conditions that also need to be met for the potential of capital appreciation to have a higher chance of being realised. First, it is the size of the disparity gap, and whether this gap is due to fundamental differences in the location between the old and new condo. If there is no strong fundamental differences, then the state of the older condo would still have to be sufficiently good for prospective buyers to be interested in that project. Next, you will also need to be aware of the other resale projects that are aged between older and new condominiums. The supply of middle-tier resale condos (by age) will affect how much demand the older condos will get.

10

Do you think the stamp duty instead of increasing, will it decrease?

It is difficult to speculate on regulatory policies. More likely than not, market participants are expecting more cooling measures rather than cooling measures being removed. As the government's goal is to ensure price stability in the property markets, it is unlikely that they will take a policy stance that increases speculation in the property markets.

11

Do people buying into property, typically try to spot for older units, in the hopes that it will enbloc?

Yes, there are some people that may want to speculate for en bloc gains. However, this strategy is highly risky as it involves timing not only the market but also the en bloc itself. In order to not incur Seller's Stamp Duty, new buyers would need to have owned the condo for at least 3 years. Thus, it is a high risk endeavor and not advisable to do so. Especially not if its your only property.

12

If resale >26 perform the best and I have a holding period of 5 years, I should look at 11-25 years ?

The insights we have shared are based on averages across the different regions in Singapore. Within each region, there may be significant variation in terms of the condominiums that manage to clock capital gains and those that don't. As you are searching for condominiums in the middle age band or the older age band, it is advisable to pick one with a higher potential for capital appreciation based on location and disparity analysis of the immediate area. If you need personalised advice on this matter, you may discuss more with us at the complimentary consultation.

Is it fair to compare enbloc returns in these charts? Because it's a class-action sale versus the rest with are single-action single-user transactions. The class-action/ collective component adds a layer of risk not seen with single-user transactions. Thanks.

Not all of the older condominiums sales are en blocs. A good sum of them are from individual sales. As a matter of fact, the amount of transactions from en blocs in the property market has been substantially lower in recent years. Arguably, the hey-day of en blocs are over due to the much higher asking prices. You can see from the chart here that total en bloc transaction have fallen dramatically from the 2018 highs.



Does PLB have integrated project data? How is the trend and can we know land parcel will be mark by URA. Example Sky view (bedok point converted) and Sceneca (Tanah Merah)?

The data that we use is from URA's REALIS database supplemented with other macro data from government and third party sources. For land zoning marked by URA, the information is publicly available [here](#) at URA SPACE. If you wish to discuss the specific performance and prospects of certain condominiums, you may discuss more with us at the complimentary consultation.

15

How about resale condo price in the Keppel area with the development of the Greater Southern Waterfront?

Presently, resale condo prices in the Keppel area does have good capital appreciation potential based on the state of future developments in the area and speculation. However, with the development of the Greater Southern Waterfront, we will need more information on the future supply of residential units in the area as well as the location of key amenities. With additional information to be released in the future, we will have a much clearer picture of how resale condos in the Keppel area may or may not benefit from the future developments.

16

But 2020-2022 are unique years due to boom in property market right? Price increase is crazy. If just based on steady market situation, the increase/decrease should not be so steep?

Yes, that is a keen observation. The post-pandemic boom in the property market has accelerated the price increase of residential properties. Technically in a "steady" and ideal market, prices increase in a more stable and sustainable fashion, which is the aim and hopes of market regulators and some market participants. However, there are many macro shifts in the globe and local demand and supply changes that have caused significant market movement in Singapore's property market in recent times.

**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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