

# THE ULTIMATE GUIDE TO MAKING THE BEST PROPERTY DECISION IN 2023

FAQ



**701** 

Just sold my property to purchase the next unit. Dilema between Grand Dunman (brand new) with a longer waiting time vs a recent TOP condos (Parc Esta or Park Colonial). Preference is to be able to move in soon vs waiting 4-5 years, looking for the best development which can achieve a balance of capital appreciation vs balancing the waiting time. Which should be the better choice?

You can use our breakeven calculator, lease reset calculator, MOAT analysis to determine if Grand Dunman launch or recent TOP condo like Parc Esta is a better buy from entry price, project analysis, and costing perspective. As we have no context of the bedroom type and pricing you are exploring; it will be hard for us to give u an answer.

If the waiting time concern is due to high rental rates then the above breakeven calculator will be able to help you understand that rental cost is not the main factor for consideration.

We recommend coming down for a tailored consultation to help you analyse your directions. You can sign up **here**.

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## Would like to know if purchasing The Jovell at Flora Drive will be a wise choice?

Many properties across Singapore make an ideal home for different families. It would be difficult to tell if The Jovell is a wise choice for you without more information on your preferences and priorities. We recommend coming down for a tailored consultation to help you discover the choices you have on a more in-depth level. You can sign up **here**.

**#03** 

PROPERTY LIMBROTHERS

Hi, I have a property now with my wife. We are looking at new launches for 2nd property. Heard of the ABSD refund that is available for married couples. Since rental is high now, is it worth to pay the 20% ABSD on a new launch now and apply for refund after selling the 1st property once new launch TOP? Or should I sell then buy? Is decoupling still easy? My wife is a housewife.

ABSD refund is possible if you meet all eligibility conditions like at least one of you is citizen, you do not own any other properties other than your current joint property, and you are able to sell your first property within 6 months of TOP of the new launch. You can refer **here** by IRAS.

The first principal to decide if its better to pay ABSD or to sell and rent can only be determine if we run a financial simulation for you. if coming up with ABSD does not impact the property value that you can look at then it may makes sense for you to pay ABSD (assuming we can meet all refund conditions).

Decoupling is easy (HDB properties cannot be decoupled), what is important is to determine is if the current property still have room for growth. If it does not have much growth potenial or sentimental value then decouple may not be the best strategy. If your wife is a housewife, then additional strategies will need to be considered for a successful decoupling.

For in depth analysis of which path is best for you, its best that you come for consult session. You can sign up **here**.

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#### If 1 PR & 1 SC joint buy condo first property, stamp duty is 5% or can refund?

If the PR and SC is not married, 5% ABSD is payable upon purchase, you will not meet the refund criteria. If PR and SC is married buying your first home together, no ABSD is payable

FOS PROPERTY LIMBROTHERS

How do you compare remaining lease of old 99 years old condo with 70 years left vs new launches of 99 years leasehold? Is there still a chance to exit in 15 years with profit?

In terms of exiting with a profit when the lease is around 55 years left, the answer will be different for different locations/projects. What is most important is to select the property that fits your objectives (one of them seems to be profitability), is within prudent financial planning and meet your strategy of portfolio building. If you need a more in depth discussion, you can come for our complimentary 45 min consult. You can sign up **here**.





**706** 

Shouldn't we also factor in the fact that we start paying down our mortgage on a resale over the four years? VS new launch where we have been rent instead of paying down principal?

In our breakeven calculator, we compared the cost (interest, maintenace, tax, stamp duty, renovation) of buying a resale property for stay vs the cost (rental, lower interst, stampm duty) of buying a new launch and rent. Here we can conclude that buy resale to stay vs buy new launch and rent the costing is similar.

What is more important is to analyse whether the new launch or resale property will perform better in the next 5 years base on entry price, exit demand and project attributes. This will be the deciding factor for profitability.

Profitability will be the faster engine in the portfolio building when compared with savings from principal paid.



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#### Lease reset - What is the basis?

It is base on all leasehold properties will be \$0 value when the lease is zero. Usually PSF of a resale property will be lower than PSF of a new launch in the similar region because there is a lesser runway to end of lease. Using Lease Reset, we are able to tell if the resale property is indeed more value for money compared to a new launch or is the resale property's lower psf just part of lease difference compared with the new launch. If we see a big gap in psf after lease reset, then it points to the resale property potentially being a better buy. If we see a small gap in psf after lease reset, it points to the new launch potentially being a better buy. We have to combine with other analysis framework to arrive at the conclusion.

**708** 

## How do you do Comparison Analysis for an older freehold project vs new 99 leasehold launch?

We use the lease reset calculator for new launch to decide if the pricing is of good value or overprice. If its of good value, we can then compare with FH projects using our PLB Moat Analysis. Assuming both freehold and leasehold properties are good projects, what you should go for will depend on if you are at growth or consolidation stage of portfolio building; your time horizon in terms of holding period; as well as disparity between FH and LH project. For specific properties comparison, you can reach out to our consults team for the analysis. You can sign up **here**.

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## LIMBROTHERS

#### Do we also factor in inflation year-on-year as part of the cost?

Year-on-year inflation is typically not considered as a cost. However, we can use it as a way to measure inflation-adjusted returns to see how well your investment performed above the inflation level.

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Now that the low interest rate era is behind us, which means not only are mortgage rates rising, but the opportunity cost of money rises as well, what would you say is an attractive return for an investment property on an annualised basis?

It would be too early to say that low interest rates are gone for good. Sure, there may be a period of high interest rates such as the one we are experiencing now. What we observed is fix interest rates have started to come down over the last 6 months. Interest rates will likely normalised to two over percent rate once inflation is under control.

A good property annulised return will be 5% per year. If one is using full leverage of 75%, one will get around 15% compound annual growth rate on his money that he has downpay into the property which is an attractive return for many investors. While interest rates rise, we have also seen rental rates climb 30% in 2022. The rental collected will offset all the interest cost for a resale property. And interest rates are offset by effect of progressive payment for new launch property.

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Hi PLB, if single 37 years old, with monthly income of \$8,000, better buy HDB resale or condo resale/new launch? Objective: Own stay & capital appreciation

The best move will be dependent on not just your loan ability, but the amount you can downpay using your CPF OA and cash. When we are able to define the property value that we can consider, then are we able to decide which direction (new condo, resale condo, HDB) & strategy best meet yours goals. If you want a more in depth discussion, you can come for our complimentary 45 min consult. You can sign up **here**.



# 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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