September 2012

Introduction

This is an unbiased step-by-step guide on buying a property in Singapore. We have no commercial interest involved with any of the recommendations in this guide apart from enticing you to use our site (which is free). We do not pretend that this guide is exhaustive, so do your own research on top of reading this.

There are basically 3 types of properties in Singapore:

- Private apartments/condominium, the main difference between them being the availability and variety of amenities. The lease terms of those properties can be freehold, 999 years, or 99 years.
- Landed properties, sub-categorized in terraced house, semi-detached house, detached house, bungalow, and shop house. The lease terms of those properties can be freehold, 999 years, or 99 years.
- HDB flats, public developments built and maintained by the Housing and Development Board (HDB). The lease term is 99 years. The HDB also builds Executive Condominiums (EC) designed to fill the gap in the market between HDB flats and private condominiums.

Step 1 – Are you ready to buy?

Motivations behind buying a property can be diverse, but you should really think through why you want to buy a property. Do you want to be your own landlord? Are you looking for a way to invest your money? We recommend that you check out this list of pros and cons to help you clarify your motivations.

Next question to answer is: are you eligible?

If you are Singaporean, well, you can buy any residential property. Bear in mind that restrictions apply to HDB flats. You may check the official website of the HDB for more information.

If you are a foreigner, you are eligible to buy private apartments (condos/apartments in buildings of 6 stories or more) but not HDB flats or landed properties. However, if you are holding the PR (Permanent Residency) status, you may buy HDB flats from the resale market (i.e. second hand units). Note that you may be eligible to purchase landed properties if you get prior approval from the Singapore Land Authority (SLA).

Finally, are your finances ready? Most (let's say normal) people cannot afford to buy a property in cash. You will need to borrow from the bank. In Singapore, banks have to follow the rules set up by the Monetary Authority of Singapore (MAS) regarding lending. These rules are changed without prior notice. At the time of writing, you may:

- Borrow up to 80% of the purchase price or valuation price, whichever is lower **if you do not have any other outstanding loan**. If you are a foreigner without PR status, some banks might cap at 70% or even 60%.
- If you have one or more outstanding loans, you may borrow up to 60% of the purchase price or valuation price, whichever is lower.

The sum you cannot loan can either come from your personal savings or from your CPF ordinary account (only Singaporeans and PRs have CPF accounts). Note that some caps apply. For more information on how to use your CPF account, you may check the official CPF website.

There are fees and commissions involved in a property transaction: agent's commission (usually none for private properties and 1% for HDB flats), the stamp duties and legal fees. All those fees represent around 3% of the purchase price or valuation price, whichever is higher (note that the bank loans are based on the lower of the two prices whereas the fees are based on the higher). Since December 2011, an extra buyer stamp duty has been introduced: 10% of the purchase price or valuation price, whichever is higher for foreigners, 3% for PRs buying a second home, and 3% for Singapore citizens buying a third home.

You may check this website that has a good summary of the Singapore property cooling measures.

Finally, you should factor in the various taxes linked to properties. Every owner has to pay the property tax. Depending on your situation, you may get a tax rebate (e.g. own stay) or pay additional taxes (e.g. foreigner who is not living in Singapore). You may consult the official website of the IRAS for more information.

If you intend to buy a HDB flat, you have to fill out the Resale Checklist for Buyers.

Step 2 – Start your search

First, you should refine your search.

What is your budget: given the requirements on loans and the fees highlighted above, compute what you can afford. Be careful: you might severely regret buying a property over your budget! To be safe, your installments on your loan should not represent more than a third of your monthly income.

What is your objective: Investment or own stay?

If you are investing, some districts are safer than others. The prime districts are the CBD area (D01), Sentosa (D04), D09, D10, and D11.

If you want to live in your new property, ranking these criteria from the most important to the least important might help:

- Close proximity to public transportation
- Close proximity to work (of course, this one is subject to change)

- Amenities: what do you really need? Of course, the amenities will affect the price of a property and do not forget that you will have to pay a maintenance fee every quarter.
- Type of property: according to your eligibility (see step 1) and your needs, you may choose a preferred property type.
- If you opt for private apartments, which lease term do you prefer? You should be aware that banks are usually reluctant to lend if there are less than 60 years left on the building lease.
- Car park: do you need parking space?
- View from the apartment
- Apartment orientation
- Number of bedrooms
- Size: new developments tend to be much smaller than old ones. Be careful when buying on a floor plan.

Then you should decide whether you want to use the services of a real estate agent or not. The agent should ask you for your search criteria and propose you to visit properties that fit. Note that it is not really recommended to use more than one agent as you will end up visiting the same properties twice. You should also discuss the agent commission from the beginning so there are no surprises when you finalize your purchase. If you do not want to use an agent, well, we are here to help you find the perfect match!

Step 3 – Short listing

While viewing, take careful attention to details like leaks, cracks, floor condition, etc…

Check the last transacted prices from the Urban Redevelopment Authority (URA) website.

After viewing a few (or a lot of) properties, you should shortlist your 2 or 3 favorites. At this stage, you should start contacting banks to get in-principle approval on your loan. Banks will tell you the required paperwork you have to provide and will give you in-principle approval for a given property within a few days.

Once you get in-principle approval, you can make an offer on your favorite property.

You should also appoint a solicitor who will take care of legal matters linked to your purchase. Banks usually subsidize legal fees, so if you want to benefit from this, check with your preferred bank if your preferred solicitor is approved.

Step 4 – It's time to buy!

If the seller accepts your offer, he (or his agent or solicitor) will then start the sale process, which basically consists in transferring the Property Title from the seller (well, his bank) to you (well, your bank).

Option To Purchase (OTP) agreement

You will pay 1% of the agreed purchase price to get the Option To Purchase agreement.

We recommend paying caution to the following points:

- Percentage of purchase amount to be paid to continue the process (usually 4% or 9%);
- Completion date: check that the date suits you;
- Final inspection before handover of the keys: it's recommended to agree on this point so you can make sure that everything is in order and that any items promised by the seller are there.

This document will give you 14 days of exclusivity during which you can decide to go on or not with the purchase. At this point, your solicitor should check if the seller is not bankrupt and has the right to sell the property. If you do want to proceed, you (or your solicitor) will have to return the agreement to the seller along with 4% or 9% (depending on the agreement) of the purchase price. If you do not exercise your option within 14 days, your 1% payment will be forfeited.

An alternative to the Option to Purchase is called the Offer to Purchase. The Offer to Purchase is drafted by your agent or solicitor and describes more or less the same conditions than the Option to Purchase.

Your solicitor should take care of everything from this point. He/she will coordinate with your bank for the loan and the CPF board if applicable. Note that within 14 days of exercising the Option to Purchase, you are required to pay the stamp duties to IRAS. The whole process takes between 8 and 10 weeks (depending on what has been agreed in the Option to Purchase).

Step 5 – Handover of the keys and final inspection

If you have agreed to a final inspection, check that everything is in order (fixtures and fittings, appliances, furniture, etc…). This is your last chance.

Congratulations, it's now time to enjoy your new home!