

JOINT PRESS RELEASE

MEASURES TO ENSURE A STABLE AND SUSTAINABLE PROPERTY MARKET

1 Mr Mah Bow Tan, the Minister for National Development, announced today that the Government would take the following measures to ensure a stable and sustainable property market:

- a) Reinstatement of the Confirmed List for the 1st Half 2010 Government Land Sales (GLS) Programme.
- b) Removal of the Interest Absorption Scheme (IAS) and Interest-Only Housing Loans (IOL), with effect from today, i.e. 14 Sep 2009.
- c) Non-extension of the Jan 2009 Budget assistance measures for the property market when the measures expire.

Reinstating the Confirmed List in 1st Half 2010 GLS Programme

2 Demand for uncompleted private housing units has picked up strongly since Feb 2009. The 10,017 units sold by developers in the first seven months of 2009 had already exceeded the 4,260 units sold for the whole of 2008. In response to the strong demand from home-buyers, developers have triggered four sites to date this year from the Reserve List of the 2nd Half 2009 GLS Programme, which together could yield about 1,600 units.

- 3 The Government will reinstate the Confirmed List for the GLS Programme in the 1st Half of 2010. While there are still 16 residential sites in the current Reserve List that can be triggered for sale by developers, MND will also replenish the supply when drawing up the 1st Half 2010 Reserve List to meet possible increases in demand. MND will announce the details of the 1st Half 2010 GLS Programme towards the end of the year.

Interest Absorption Scheme (IAS) and Interest-Only Housing Loans (IOL)

- 4 The Monetary Authority of Singapore will disallow the IAS and IOL with immediate effect from today, i.e. 14 Sep 2009. This measure will apply to all private residential projects. The only exception will be uncompleted private residential projects where the units had already been offered for sale under the IAS before 14 Sep 2009. The IOL will be disallowed with immediate effect.
- 5 The IAS and IOL are currently offered to buyers of uncompleted private residential properties. These schemes could encourage property speculation in a buoyant market where prices are rising rapidly, as they are forms of housing loans that entirely eliminate or substantially lower regular installment payments for property purchasers in the first few years before the properties are completed i.e. issued Temporary Occupation Permit. Under the schemes, a property purchaser will not have to make any significant payment, apart from the upfront 10-20% down-payment, until the housing project is completed. Details of these schemes are in Annex 1.

- 6 Genuine home-buyers can continue to purchase private housing under the standard payment scheme. The removal of the Interest Absorption Scheme and Interest-Only Loans will also encourage prospective home-buyers to consider carefully their ability to afford the properties over the long term and not rush into any purchases. This will promote a more healthy and sustainable property market in the long-run.

Property-Related Budget 2009 Assistance Measures

- 7 A number of measures were announced in Budget 2009 in January this year to help stabilize the property market, in view of the sharp fall in demand and considerable uncertainty in the economic outlook at the time. Please see details in Annex 2. These measures provided developers greater flexibility to adjust supply in response to a property market downturn.
- 8 In view of the recent strong demand for private housing and improved conditions in the property market, the measures will not be extended when they expire. The measures are:
 - a) Allowing one-year extension of project completion period
 - b) Allowing re-assignment of Government Land Sale (GLS) sites and private land owned by foreign developers
 - c) Giving developers up to four years to dispose of all private residential units in the development
 - d) Allowing developers to rent out unsold private residential units for a maximum of four years
 - e) Allowing up to 2 years of property tax deferral for land under development

9 The first four measures will expire on 21 Jan 2010, and the last measure on 21 Jan 2011.

Issued by the Ministry of National Development, Ministry of Finance, Ministry of Law and Monetary Authority of Singapore

14 September 2009

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Interest Absorption Scheme and Interest-Only Housing Loans

1. The IAS is a housing loan payment scheme offered by a housing developer and his partner bank(s) to buyers of uncompleted housing units. The IAS allows purchasers who, after paying the upfront downpayment, to defer making any further installment payments until the units are completed, i.e. issued a Temporary Occupation Permit (TOP). The purchaser would take up a loan with the developer's partner bank to buy the property under the IAS. Prior to TOP, the bank will require only interest payments to be made on the loan and these payments will be paid by the developer. The borrower will start making regular installment payments on the loan only after TOP.
2. The IOL is a housing loan whereby the borrower makes only interest payments on the loan for a period of time, with no repayments of the loan principal. For uncompleted properties, the interest-only period could be from the inception of the IOL to TOP of the project. (If an IOL is offered under an IAS scheme, the developer pays the interest instead of the borrower in the interest-only period). Compared to payments under a standard payment scheme, installment payments under an IOL in the interest-only period are lower, but as the loan principal is not paid down during this period, subsequent installment payments may be higher when servicing of the principal resumes.

Details of the Budget 2009 Assistance Measures for the Property Market

(a) Allowing one-year extension of project completion period

- 1 The PCP of Government residential sale sites and private residential sites developed by Qualifying Certificate (QC) holders are currently specified as six years for most sites. This is to ensure that developments on Government residential sale sites are completed within a reasonable period after the land sale. Developers of Government residential sale sites are allowed to apply for an extension of the PCP subject to payment of an extension premium¹. The PCP for private residential projects undertaken by QC holders can also be extended subject to approval by the Controller of Residential Property in the Singapore Land Authority (SLA).

- 2 To give developers more flexibility to stage the construction and sale of their developments, developers of uncompleted Government residential sale sites awarded before 22 Jan 2009 are allowed to apply for a one-year extension of the PCP without having to pay an extension premium. This measure is applicable to all awarded Government residential sale sites if none of the residential units in the project has been sold. In the case of Government residential sale sites with some sold units, the PCP are only allowed to be extended up to the date of delivery of

¹ The extension premium is calculated based on a schedule of rates, which is eight per cent (of tendered land price) for the first year of extension, 16 per cent for the second year of extension and 24 per cent for the third and subsequent years. However, developers who have

vacant possession of the sold units as stipulated in the Sales & Purchase Agreement signed by the developer and the purchasers.

- 3 Similarly, QC holders as of 22 Jan 2009 undertaking existing private residential projects are allowed to apply for a one-year extension of the PCP or up to the date of delivery of vacant possession, whichever is earlier.
- 4 All applications for the extension of PCPs are to be made to the relevant Government agencies by 21 Jan 2010.

(b) Allowing re-assignment of Government Land Sale (GLS) sites and private land owned by foreign developers

- 5 A successful tenderer of a GLS site is required to retain a controlling interest of more than 50 per cent in the development. He is also not allowed to dispose of the land to a single purchaser before completion of the development, that is, before obtaining TOP of the development. QC holders are similarly not allowed to dispose of the private land or change the shareholding of the company without the prior written approval from the Controller of Residential Property. These restrictions are to ensure that such developers purchase the land for development and not for speculative trading.
- 6 As part of the assistance measures, successful tenderers of Government sale sites or QC holders can choose to re-assign

justifiable technical reasons can request for extension of PCP and these requests if approved by the Government, will be free of payment.

their projects to another company. The Government allows them to do so provided the transaction is not of a speculative nature.

- 7 Specifically, the successful tenderers of Government sale sites awarded before 22 Jan 2009 are allowed to:
 - a Dispose of the entire land, whether vacant or in the course of development, to a single party before TOP is obtained, or
 - b Dispose of all his shares in the company undertaking the development, provided that there is at least one party who holds more than 50 per cent of the shares in the new company.
- 8 The purchaser will have to take over from the successful tenderer all the obligations under the tender conditions or building agreement. Only one re-assignment will be allowed for each site and the purchaser taking over the land from the original successful tenderer will not be allowed to further re-assign the land.
- 9 For private land owned by QC holders as of 22 Jan 2009, they are similarly allowed to dispose of the land or all of his shares in the company. There will also be no further re-assignment.
- 10 All applications for re-assignment of Government sale sites are to be made to the relevant Government land sale agent. Applications by QC holders for the re-assignment of private land are to be made to the Controller of Residential Property, SLA. All applications are to be made by 21 Jan 2010.

(c) Giving QC holders up to four years (from date of issue of TOP) to dispose of all private residential units in the development

11 Foreign housing developers are required to seek approval and obtain QCs from the Controller of Residential Property before they can acquire and develop land for residential use. One of the conditions stipulated under the QC is that the developer is required to dispose of all residential units in the project within two years from the date of the issue of the TOP.

12 However, as part of the assistance measures, developers can apply to the Controller of Residential Property for an extension of the disposal period from two years to four years from the date of issue of TOP. This is to allow developers more time to dispose of these residential units. This measure is also extended to (i) all existing residential property developments which have been issued TOP and their disposal period have yet to expire as of 22 Jan 2009; and (ii) new developments which would be issued TOP between 22 Jan 2009 to 21 Jan 2010.

(d) Allowing QC holders to rent out unsold private residential units for a maximum of four years (from date of issue of TOP or the date of application, whichever is later)

13 Foreign housing developers are required under the QC to dispose of all residential units in their projects and are not allowed to rent out any unsold units.

14 To provide developers with greater flexibility in managing the unsold units in their projects and to minimise their costs of holding

on to these units, developers can seek approval from the Controller of Residential Property to rent out such unsold units for up to four years. This four-year period will commence from the project's TOP date (for projects which have yet to be issued TOP), or from the date of application (for projects which have already obtained TOP).

(e) Allowing up to 2 years of property tax deferral for land under development

15 To provide cash flow relief to developers to help them ride out the downturn, the government deferred property tax on land under development for all property types (not just residential, but also commercial, industrial and other properties) for up to 2 years. The deferral is granted to land sites with a valid Provisional Permission (PP) or Written Permission (WP) from URA. The property tax deferral took effect immediately on Budget Day, or from the date of PP/WP, whichever is later. It will lapse on:

- a. 21 Jan 2011,
- b. Upon TOP,
- c. Upon lapsing of WP/PP (i.e. if WP/PP is not renewed), or
- d. Transfer of the property, whichever is earliest.

This measure is scheduled to expire on 21 Jan 2011, and will be reviewed closer towards the expiry in Jan 2011 after taking into account the prevailing market situation then.