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Third Quarter Property Market Review

Crisis of an epic proportion

Or Opportunity of a Lifetime

Introduction

On 28 January 2008, I conducted the first 6-month market projection seminar at the HDB hub auditorium to a packed house. I titled the event: "Myth, reality, and Awkwardness of 2008 and my opening statements were as follows:

- We are at historic crossroads
- World order will shift, the rich may fall and the poor poorer
- We are near a crisis of an epic proportion
- We have no experience but the simplicity is familiar
- What we need is an Open Mind

Many agents who attended the seminar later asked me for the meaning of 'epic proportion'. At first, I had some difficulties answering the question off the cuff, but I did enough to say that it was something that would be very major and very bad. Three months after, Dr Tony Tan, Deputy Chairman of GIC, warned that the world might face the worst recession in 30 years. And that is equivalent to saying there will be a crisis of epic proportion. But I must straighten the record – that is, I said it first on 28 January 2008 in front of a packed auditorium.

It proved that I really deserve my lunch that day.

How to deal with the impending recession

Enough bragging and let us get back to serious work. Now that we know the crisis of epic proportion is going to hit town, how should we prepare ourselves as professional real estate agents, and the breadwinners to our family.

To begin with, let me say that we must be psychologically prepared that the population in the entire planet are going to be poorer than before. Some of the rich upper class will go down straight from the rich list to the bankruptcy list, starting with some top guns in many of the world's leading investment banks, hedge funds, insurance company and many other private financial institutions who just a year ago were living the high life.

At the time of writing this article I did not know if the US$700 billion rescue package will be approved by the House of Representatives. But even if it does, the world will still have to go through some months of painful readjustments and recuperation as new realities set in.

The crux of the matters is that over the past six years or so, the housing inflation had also inflated the values of many companies, such as banks and major institutions, and emboldened many property investors, Singapore's included. In short, the economy bubble was inflated out of proportion over the past years and it is still in the process of being put down to its correct size. In the process, spending will be curtailed, making the global economy look like an obese new recruit on his first day of Basic Military Training (BMT), trying to fit into a tight uniform. The moral of the story is: the fat boy needs to cut down the excess body fat very quickly by eating less and exercising more.

An old saying goes like this: "when US sneezes, Asia will have pneumonia". But in today's context, when the US has a tremor, Asia will have a tsunami. And as we are speaking, the sign of tsunami is ominous – the tide is receding and being sucked back into the sea, far away from the beach. There will be some moments

of stillness in the air before the high waves strike. This time round, none of the economic sectors anywhere in the world could be spared from the fallout. In short, we are in for a rough ride from now.

We have to be prepared for widespread poverty, even in the world leading economy such as the United States and some parts of Europe.

What does that mean to the property market in Singapore?

In the first place, I would like to stress that not all 'down trend' markets are bad market for real estate agents. Though prices may fall by 5% to 10% in the next six months, the transaction volume is a different matter altogether. As far as property transactions (including sales and rentals) are concerned, there are many signs that point to an active year ahead of us – as investors and home owners alike are adjusting to their new circumstances.

- More Sub-sales on the card

The record 18,000 sales of new home units achieved in 2007 and the 'not-too-bad' 11,147 sales of new home units in 2006 will combine to release thousands of completed new condos into the property market, starting from the early part of 2009 onwards.

More than 15,000 condo units are slated to be completed from the first quarter of 2009 onwards, with more than 8,000 units in the prime districts such as districts 9, 10 and 11; and another 4,400 units in the East Coast areas of districts 15 and 16. The rest of the thousands of new condo units will be scattered around the outlaying areas.

With banks tightening credit control, some of the property buyers who had purchased the properties on Deferred Payment Scheme might not be able to secure the financing and will have to dispose of the property in the sub-sale market.

Meaning of sub-sale

As long as the property sellers do not have the property title in their hands and need to notify the developers to issue a fresh Sale and Purchase (S&P) Agreement to the subsequent purchaser, the sale is considered a sub-sale.

When the property seller has the title in hand and is able to sign the Transfer Document and release the Title to the buyer upon legal completion, the sale is called Resale.

- More down-grading from condos to HDB flats

In fact, a 'down trend' market where some sellers are desperately trying to dispose of their units may be a good hunting ground for real estate agents of all shapes and sizes, whether rookies or veterans.

There may be more instances of condo owners wanting to downgrade to public flats due to the massive increase in costs of living in a condominium. With the new price hike in electrical tariffs from 1 October 2008 where average households will pay 21% more in utility bills, more 'middle income' households with a gross household income of between $5,000 and $10,000 with more than two 'financially dependent' children may have to adjust their lifestyle and spending habits – if they are living in a condominium.

This means that the HDB resale flat segment may experience a 'mini-boom' as it will become a 'buffer zone' in times of great 'economic adjustment'. I expect younger 5-room flats to experience an increase in activities since the 'middle income' may not be comfortable to relocate into an old heartland area. Newer HDB precincts may offer a lifestyle concept that appeals more to the middle income group. In other words, I expect the newer HDB precinct to become the growth area in the next nine months to one-and-a-half year. [See case study in HDB price trend later]

- **Cheaper prices lower risks**

In fact, from the list of 40 Best Selling Condos in Singapore in page 12 – 13 it is not difficult to detect the increased buying activities of mass market condominiums in the outlaying areas in the first half of the year, despite the fact that the US subprime mortgage crisis has already making regular headlines in the local newspapers.

The Best Selling Condo list has been dominated by transactions in Districts 5, 15, 16, 22 and 23 where the unit floor rate (i.e. per square feet price) are hovering from $700 to $1,200 for District 15 condos, and as low as between $400 and $600 for condos in Districts 22 and 23.

While the new home segment may take a hit in sales volume due to developer's pricing strategy, the sub-sale market is more responsive to the basic market forces of 'demand and supply'. As such, it is not surprising to see sub-sellers pricing their units on hand for 'cut-throat' prices that are lower than the developer's listed prices.

- **Agent's Market in the Great Singapore Sub-Sale**

This is in fact a piece of good news for new agents who were elbowed into the sideline during the bull-run of 2007 because they lacked the critical skills to out-fox their more experienced colleagues. But with the thousands of new condo units available for sale, there are many 'low hanging fruits' ripe for anyone's picking.

- **Back to basic for every agent**

For the thousands of experienced agents, everything is back to square one, which is the basic real estate marketing 101. When no buyers will jostle to throw the offer cheque at the listing agents, the agents will have to go back to the prospective buyers to elicit offers. And, on the other hand, to get the property sold quickly, the listing agents will need to convince the property sellers to align their asking prices with the market condition – simply by showing them the latest facts and figures. It's all what the agents have been taught at the classroom when they first entered the trade.

So, when everybody is starting from a clean slate again, the agents who stick to the basics will flourish. In such an agent's market, there will be no more short-cuts like during the 2007 bull-run. When an agent misses one step, or resorts to short-cuts, no offers will be forthcoming.

Real estate sale is now a fair game – you reap what you sow!

- **Market Update**

Property prices to drop by 20%?

Not this time, definitely

Some wishful buyers are hankering for the prices of their coveted properties to fall by more than 20% because of the looming global economic recession.

But the numbers do not add up to such a drastic drop in houses prices in Singapore – for at least the next six months. Here are some of the reasons why:

The rich lists have grown

There are three categories of wealthy individuals which are known as High Net Worth Individuals (HNWI).

- **Ultra rich – US$30 million per person**

The ultra rich are individuals with investible assets of at least US$30 million. In Singapore, there are 1,000 such individuals with total wealth of US$159 billion.

Across the Asia-Pacific region, the number of this category of HNWI rose 16.4% to 20,400 last year. The number may drop back a little but as Asia is not as badly hit as elsewhere in the world, the rich list is not expect to shrink by much.

- **The rich – US$1 million per person**

Next is the ordinary HNWI – individuals with at least US$1million in investible asset.

There are now 77,000 such wealthy Singaporeans, representing a growth of 15.3% annually, or 1.7% of the population. The total combined wealth of such individual Singaporeans grew by 18.4% to US$380 billion last year.

- **Emerging rich – US$750k to US$1 million per person**

Next level down the rung, the number of emerging high net worth individuals in Singapore also grew by 15% to 24,000 in 2007. Altogether, these people have a combined wealth of US$20 billion.

To be counted as an emerging HNWI, one must have at least US$750,000 to US$1 million in investible assets.

No doubt the asset growth of the ultra-rich in the region as well as in Singapore will slow down, it will not suddenly disappear. It may contract by 10% to 20% but the money need to be deployed somewhere for good returns, and the people working for the rich need to be put up somewhere when they trot the globe for investment opportunities. Granted, there will be some bad days at the office where there will be no sales but there is no reason for the property market to suddenly stop functioning altogether – there will be people jostling to get out and others trying to get in. The basic economics continue to function.

- **Singaporeans are all 'house proud'**

A recent report by Merrill Lynch and Capgemini found that the Singaporean HNWI have an average net worth of US$4.9 million, and it confirms that Singaporeans HNWI, regardless of their wealth, are indeed very 'house-proud'.

They put 25% of their wealth in real estate with the rest in alternative investments like structured products, hedge funds and currency.

Though the same report also stated that the Asian high net worth individuals are likely to turn to fixed-income securities which are less volatile in the near future, there is nothing to stop them from buying into Orchard Road if the investment returns become attractive.

The report points out that in the longer term, the region's wealth will continue to expand at 7.9% annually - higher than the 7.7% global rate.

Singapore population has grown

According to National Population Secretariat, Singapore now has 4.84 million people living in the island city. Out of whom 1.2 million are foreigners working and living here.

Among the 1.2 million non-residents, 757,000 of them are on work permits, 143,000 on employment or S passes, and 85,000 on student passes, according to the Ministry of Manpower. The Ministry also said that the number of non-residents has been rising significantly since 2004.

Likewise, the number of permanent residents (PRs) rose 6.5% this year to 478,200.

This is *THE* statistics that we badly needed in this market – it is indeed a shot in the arm. It means that we are not speaking in vacuum. There are people to fill those condos, and new flats that are coming onto the property market later on.

The size of the population underpins the growth in real estate prices, including rental prices. Barring any more financial disasters which result in these 1.2 million foreigners being recalled home, there is going to be strong tenant base to provide the cushion for any future correction in rental prices. Or to put it another way, rents will not crash, barring a major disaster – man-made or natural.

Total quantity of residential units

How many houses do we have in Singapore? I can assure you that the statistics is quite reassuring. Let's look at the numbers:

- *For public flats, there are about close to 900,000 HDB flats, of which about 30% are available for approved whole-flat subletting.*

- *For condo and apartments, there are about 180,000, spread over 3,000 private housing projects. This number will increase to around 220,000 by 2011, if all the planned developments are built on schedule, which we now know is unlikely due to delays in legal completion of many huge en bloc sale projects.*

- *For landed housing units, we have about 68,000 houses, out of which 25,000 are bungalows and the rest are semi-detached and terrace houses.*

This means that had the economic bubbles not burst in the United States and Europe, there will be an acute shortage of rental properties in Singapore. This time round the consequences of the global financial fallout may not be so sinister for Singapore, because barely six months ago this country was still grappling with problems of burgeoning house rents, and lack of places in international schools.

Granted that home rentals will ease and landlords will have to wait for a longer time for an expatriate willing to pay the extortionist's rents, but it is not all doom and gloom. At worse, we are going back to the 2006 situation where everything happened within reasons, and where nobody thought we were in an economic recession. The truth is that 2007 had made many people very greedy.

Taken together, we might have a difficult next few months when the entire global financial systems go through fundamental restructuring and major austerity drive, but the mid- to long-term prospect looks promising, especially for Singapore.

Investment is like F1 grand prix

Maybe we should look at a recent event for inspirations. The turmoil going on in the world now is like the Formula One night race – there

are always accidents, mistakes, crashes, unexpected twists and turns, disappointments and jubilations, and along the way, very loud noises. But isn't this why the crowd loves the race?

When it comes to property investments, it is like the F1 grand prix – so full of unexpected twists and turns, but ultimately the one who is able to take advantage of adversity will win the day.

All along, we in Singapore know the 'who's who' in the world, but they don't really know us. When the dust of the current financial crisis settles, Singapore will rebound and surge ahead faster than any regional countries; and with the F1 night grand prix being telecast 'live' all over the world, the world will get to know what Singapore is made of.

One does not get such a good opportunity to pick up a piece of the world's most coveted real estate in Singapore. Last year's prices were too high and too risky for wise investors to do that. Therefore, if there is no crash, those falling behind in the race have no chance to catch up and become the new champion.

This is really the opportunity of a lifetime.

- **Market Update**

How badly will the Landed Property Market be hit?

Let us not be alarmists

[Question]: How have the recent poor economic numbers translated into real estate figures as far as the landed property segment is concerned? Can we expect the same trend that happens in the new home segment happening in the landed property segment?

[Sam Gian]: Statistics don't lie. The number of landed property transactions has come down considerably from the final quarter of last year, after the US subprime mortgage crisis first reared its head. The brief period of sanity in the property market in general has been replaced by a pervasive sense of apprehension, in stark contrast to the buoyant mood in the first half of 2007 (see table in the opposite column).

Let us look at some numbers and see how much the landed property market has been affected by the on-goings in the global financial market.

The landed property market hit its peak in May 2007, with a very impressive sale figure of 778 a month. That is an awesome figure considering the fact that the largest HDB heartland estate, i.e. Jurong West, has a monthly total resale transaction of around 190 flats. So, the transaction figure of 778 is slightly more than four times the size of the resale flat transaction in the largest HDB estate in Singapore. But, the buying frenzy lasted only three months and transactions per month trickled down to 191 units by the December 2007.

- **Fewer bungalows sold by end 2007**

Among the landed housing types, secondary sale of detached houses came down faster than the other house types. At its peak, there were more than 100 detached houses sold in a month (e.g. 128 detached houses sold in May 2007), but by year end, the detached house transactions slide to a few tens in number.

Table [ ] – landed property transactions in 2007

2007	Detached	Semi-D	Terrace	Total
Jan	83	106	188	377
Feb	55	110	194	359
Mar	59	130	213	402
Apr	105	168	317	590
May	**128**	**211**	**439**	**778**
Jun	**106**	**213**	**374**	**693**
Jul	**123**	**184**	**382**	**689**
Aug	70	116	258	444
Sept	38	57	160	255
Oct	48	88	230	366
Nov	52	83	177	312
Dec	31	56	104	191

Table [ ] – landed property transactions in 2008 so far

2008	Detached	Semi-D	Terrace	Total
Jan	34	47	116	197
Feb	20	38	101	159
Mar	18	37	119	174
Apr	21	39	107	167
May	31	56	108	195
Jun	17	39	114	170
Jul	21	41	115	177
Aug	8	33	78	119
Sept	4	19	39	62

Not Right to compare with 2007 bull-run

However, it must be pointed out that it is incorrect to compare the transaction figures of landed properties of 2008 with 2007 as the latter was an exceptionally bullish year for the

real estate market in general. How often did we see audacious 'flipping' deals involving bungalows with the price tag of $9 million? It was not uncommon to see cheaper bungalows being sold in the sub-sale market for a $200,000 profit. Such was the speculative mood in the market where anything that could be put on the market, could be flipped instantly.

- **2008 should be compared with 2006**

A more realistic comparison should be with 2006 transaction figures. No one called 2006 a slump year; yet by comparison, 2008 looks much rosier than 2006. In truth, 2006 should be considered a year of upswings where the Singapore economy started to take shape after a long period of slump.

For example, if we use the period between May and August of 2006 to compare with the same period in 2008, one would find that more landed properties were transacted in the same period in 2008 (despite the fact that there are more sulking sellers this year).

The breakdowns are as follows:

- In the month of May: a total of **124** landed homes were sold in May 2006; and a total of **195** houses were sold in the May 2008. (That was 57% improvement or 71 more houses sold this year)

- In the month of June: a total of **89** houses were sold in June 2006; and a total of **170** houses were sold in June 2008. (That was 91% rise or 81 more houses sold this year)

- In the month of July: a total of **77** houses were sold in June 2006; and a total of **177** houses were sold in June 2008. (That was 130% jump or 100 more houses sold this year)

- In the month of August: a total of **105** landed homes were sold In August 2006; and a total of **119** houses were in August 2008. (That was 14% increase or 14 more houses sold this year).

Table [ ] Transactions of landed homes in 2006

2006	Detached	Semi-D	Terrace	Total
Jan	13	13	27	53
Feb	8	12	25	45
Mar	17	17	48	82
Apr	23	34	50	107
May	25	31	68	124
Jun	27	22	40	89
Jul	18	21	38	77
Aug	22	35	48	105
Sept	20	38	53	111
Oct	29	44	64	137
Nov	29	31	93	153
Dec	29	44	71	144

Prices have held steady so far

There is another indicator to gauge whether property investors are worse off today when compared to a similar period previously, i.e. the asset prices.

Let us look at the landed property market from the perspective of transacted prices to determine whether property sellers need to be alarmed or whether the buyers should pay more attention to attributes that will protect their investments from the major market shocks, such as the current financial market meltdown.

- **Comparing prices by land size**

The case study uses the approach of comparing comparables of similar land sizes to determine the general price trend.

Street Name	Land Area (sq ft)	Land Rate (psf)	Price	Contract Date (2008)
Maple Ave	4,779	**1,193**	5.7m	Jan
Coronation Drive	4,519	**1,095**	4.95m	Jul
Coronation Rd West	5,498	**1,028**	5.65m	Jan
Mt Sinai Lane	5,679	**1,101**	6.25m	Feb
Cypress Ave	5,211	**998**	5.2m	Feb
Duchess Ave	5,045	**1,160**	5.85m	Apr
Bt Timah Rd	6,041	**1,076**	6.5m	May
Mt Sinai Lane	7,717	**1,011**	7.8m	Jan
Mt Sinai Lane	7,934	**844**	6.7m	Jan

First Ave	10,696	**1,056**	11.3m	Feb

Swettenham Gr	15,817	**802**	12.68m	Jan
White Hse Park	15,081	**1,194**	18m	Feb
Jervoise Rd	15,070	**1,120**	16.88m	Feb
Swettenham Rd	15,501	**852**	13.2m	Apr
Chatsworth Rd	15,373	**1,200**	18.4m	May
Jervoise Rd	15,072	**1,028**	15.5m	May
Gallop Walk	15,218	**920**	14m	May
Queen Astrid Garden	15,677	**1,276**	20m	Jun

Old Holland Rd	16,927	**774**	13.1m	Feb
Old Holland Rd	16,524	**847**	13.99m	Apr
Swettenham Gr	16,158	**1,145**	18.5m	May
Wilby Rd	16,204	**833**	13.5m	Jun
Swettenham Gr	16,158	**519**	8.38m	Jun

At one glance, it is not difficult to tell that the unit land prices have not come down much over the past few months. However, it must be pointed out that there was only one bungalow transaction in July 2008 in District 10; and no bungalow transactions at all in District 10 in August 2008.

- **Landed home prices sustainable**

On the other hand, there are no compelling reasons for landed home prices to go below the 2006 price level. Prices will continue to hold firm while the number of transactions ease amidst more uncertainties in the near term. Here are some of the factors that will continue to help sustain landed home prices:

(1) The Singapore economy did perform exceptionally well in 2006 and 2007 periods after the economic restructuring; and Singapore had witnessed three consecutive years of very robust growths.

(2) Massive inflation has pushed up the prices of all commodities, including construction materials such as steels, sand, and labour costs. The prices of one property are often influenced by the prices of its substitutes. In this case, it will never cost cheaper than 2006 to build a house now and even in 2009 and beyond, given the many massive government projects that will commence construction from next year onwards. The Sports hub is one case in point.

(3) The supply of new sites for landed homes is drying up soon. There will be around 72,000 landed homes by 2011. The numbers are finite and as such, the prices will not fall easily.

- **No basis for comparison**

Let's look at other reasons why the performance of landed property segment cannot be compared with the non-landed property segment, especially the primary home market which looks set to get a nasty bash in the next six months to a year.

Future is bright for landed properties

Landed homes are different cattle of fish, so to speak. They are subject to different fundamentals having the scarce resources, i.e. land, to underpin their value. The profile of landed property owners is also different from condos and apartments.

- **Interests in D15 and D19 sustainable**

In times of great uncertainties such as now, more conservative home owners will take advantage of the general weakness in sentiment and prices to buy into neighbourhood of choice.

One example is the sustained demand for houses in District 15 and District 19 landed homes. In fact the transaction volumes of these two residential districts were strong in the first half of 2008, despite the global financial uncertainties (see statistics in the table below).

	Sale volume of landed home				
	D15	**% of total**	**D19**	**% of total**	**Total**
Jan	19	9.6%	40	20%	197
Feb	27	17.0%	24	15%	159
Mar	33	19.0%	25	14.4%	174
Apr	19	11.4%	37	22%	167
May	27	13.9%	42	21.5%	195
Jun	16	9.4%	49	28.8%	170
Jul	22	12.4%	47	26.6%	177
Aug	9	7.5%	25	21%	119

In fact, the transactions of landed home in District 19 consistently make up more than 20% of the overall landed home sale figure in Singapore.

- **Less speculative buying of landed homes**

Landed homes generally cost higher prices and require higher upfront cash payment in the purchase. As such, they are less vulnerable to speculative buying, though there were a number of isolated cases of 'flipping' of bungalows being spotted last year.

Due to the stability in buying behaviours and price trend, there should not be much fluctuation in landed home prices from this point on, unlike in the non-landed segment where some degree of speculative buying (many on Deferred Payment Scheme) had resulted in unrealistically high prices.

- **Ownership restrictions of landed homes in Singapore**

Permanent residents and foreigners not residing in Singapore have to obtain special approval to own a landed property for their own use. They can only own one landed property and are not allowed to rent out the property under any circumstances.

Conclusion

All said, it does not mean that the landed property segment will be totally insulated from the global financial turmoil that is raging in the US and Europe right now.

Quite the contrary, we may still see some isolated distress sales going on if the current financial crisis drags on. But even when that occurs, it will be more like a cyclical adjustment, according to the general economic climate, rather than a massive and panic sell-out that is very likely to occur in the condo segment next year.

- **Tips on Selling**

The Best Selling Condos in Singapore

All Districts

The reasons for researching into the Best Selling condos in Singapore is to assist real estate agents, especially new rookies, to identify the 'sure winners' in property sales. This is because a condo project that is sellable remains sellable for very many years. So, new agents do not need to reinvent the wheel by doing their own research. Then time can be better invested by doing more ground works.

The list that I have put up will help the agents to make informed decisions when they are considering whether or not to 'let go' of listings that are sapping their limited resources and energies.

In this uncertain period, the agents will do well if they know how to conserve their limited capitals and use precious time wisely.

A friend's house may be easy to sell last year; but the same house might not receive the kind of attention it received last year. While the friend remains highly motivated to sell the property, the few right questions for the agent to ask include:

(1) Would any buyer pay the price that the seller is asking, considering all the attributes of the property?

(2) Even if the property seller is willing to lower the asking price slightly, given the keen competition, is this condo a 'sure winner'?

If the condo that you are marketing is not in the following list, you may want to cancel the exclusive contract and let your competitors try their luck. Here are the statistics:

	Name	Lowest ($ psf)	Highest ($ psf)	Median ($ psf)
1	(1) The Sail	796	3,388	1,650
2	(2) Icon	631	2,140	967
3	(3) Queens	820	1,128	971
4	(3) Anchorage	425	1,258	979
5	(3) Metropolitan	682	1,187	880
6	(5) Blu Horizon	688	809	741
7	(5) Dover Parkview	413	918	801
8	(5) Varsity Park	345	842	681
9	(5) Heritage View	805	1,009	846
10	(9) Aspen Ht	1,124	1,580	1,264
11	(9) Parc Emily	706	1,460	1,200
12	(9) Watermark Robertson Quay	717	1,570	1,300
13	(10) The Grange	1,416	2,800	1,622
14	(11) Vutton	1,060	1,405	1,226

Besides condo projects in prime districts 1, 9, 10 and 11, the median prices for many projects have come down to sub-$1,000 psf level.

15	(15) Costa Rhu	499	1,212	1,008
16	(15) Cote D'Azure	705	1,121	911
17	(15)Riveredge	615	962	875
18	(15) The Belvedere	676	1,720	1,200
19	(15) Sea View	646	1,550	1,200
20	(15) Villa Marina	522	789	590
21	(16) Aquarius	492	929	597
22	(16) Bayshore Park	505	887	780
23	(16) Costa Del Sol	732	1,349	1.012
24	(16) The Bayshore	649	842	745

District 15 has become the new darling of home owners as the prices of Districts 9, 10 and 11 have gone out of reach to common people. For foreign investors, the high sale prices for properties in the prime districts have rendered the investment yield unattractive.

25	(19) Compass Height	480	720	590
26	(19) Kovan Melody	375	851	748
27	(19) Regentville	401	569	507
28	(19) Rio Vista	447	610	574
29	(19) Riverville Crest	437	582	528
30	(19) Sunglade	385	813	675
31	(21) Signature Park	617	894	806
32	(22) Parc Oasis	498	642	579
33	(22) Parc Vista	259	599	530
34	(23) Hillview Regency	568	921	658
35	(23) Mayspring	457	657	525
36	(23) Northvale	332	607	494
37	(23) Palm Gdn	441	574	498
38	(23) Regent Grove	341	556	490
39	(23) The Warren	303	614	564
40	(23) Regent Height	484	635	567

Prices of condos in outlaying areas have gone down to a level that is appealing to HDB flat owners. In the past few months, despite the financial turmoil, the secondary mass market home sales were more active compared with the mid-range and high-end markets.

- Market Update

HDB resale flats may benefit from the slump

Underlying demand is still strong

[Question]: Is the HDB resale market insulated from the on-going crisis? Or will it benefit from the likelihood of a horde of down-graders from the private condo?

[Sam Gian]: It is anybody's guess how the HDB resale market will react to the incoming recession from this point on. But, HDB resale prices have just received a boost from the recent market correction of the private property segment, and the down-grading trend may have started from beginning of the year.

I have done a case study on the HDB resale price trend and discovered that despite the bull-run in the private property segment in 2007, the HDB resale prices did not react much to the booming effect. But contrary, when the bull-run came to an abrupt halt in the fourth quarter of 2007, the HDB resale prices gained a hefty 10% to 15% from the end-2007 price point [see figures in bold in the tables below].

Let us now look at the historical price trend of five major HDB heartland estates over the past two years to determine whether there is a clear uptrend pattern in HDB resale prices.

Case study on Price trend of 3-room flats across the heartlands

Table [1] – Price trend of 3-room flats in the Central area - Bt Merah Estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	123	242	171
Jul 06	133	278	177
Jan 07	132	252	176
Jul 07	146	292	202
Jan 08	158	375	**225**
Jul 08	200	429	**260**

Table [2] – Price trend of 3-room flats in the Central area - Geylang / Eunos Estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	123	283.5	155
Jul 06	129	280	152
Jan 07	117	280	165
Jul 07	126.5	301	188
Jan 08	141	352	**199**
Jul 08	155	382	**226**

Table [3] - Price trend of 3-room flats in the North East area – Hougang estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	125	183.8	155
Jul 06	135	188	152
Jan 07	130	188	153
Jul 07	123	208	170
Jan 08	145	232	**190**
Jul 08	185	256	**210**

Table [4] - Price trend of 3-room flats in the North Western area – Choa Chu Kang estate

Period	Transacted prices ('000)		
	Lowest	Highest	Median
Jan 06	154	156	155
Jul 06	135	158	152
Jan 07	139	154	153
Jul 07	140	170	153
Jan 08	165	191	**178**
Jul 08	176	206	**195**

Table [5] - Price trend of 3-room flats in the North area – Woodlands estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	100	177	150
Jul 06	110	176	138
Jan 07	110	171	135
Jul 07	130	188	152
Jan 08	135	198.5	**160**
Jul 08	156	232.5	**178**

- **Finding of case study on 3-room flats**

Traditionally, the demand of 3-room flats often comes from wider and varied sources, including new citizens, newly married couples, lower income groups and retirees. In view of the impending economic recession, the demand is expected to remain strong for 3-room flats in general.

Case study on Price trend of 4-room flats across the heartlands

Table [6] – Price trend of 4-room flats in the Central area - Bt Merah Estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	203	390	303.5
Jul 06	228	430	320
Jan 07	230	423	348
Jul 07	252	490	380
Jan 08	288	540	**438**
Jul 08	262	560	**425**

Table [7] – Price trend of 4-room flats in the Central area – Geylang / Eunos Estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	162	350	268
Jul 06	178.5	345	252
Jan 07	188	378	282
Jul 07	215	408	340
Jan 08	223	460	**355**
Jul 08	205	515	**355**

Table [8] – Price trend of 4-room flats in the North East area – Hougang estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	140	250	210
Jul 06	168	272.5	223
Jan 07	178	278	235
Jul 07	180	300	233
Jan 08	170	347	**267.8**
Jul 08	205	420	**298**

Table [9] – Price trend of 4-room flats in the North Western area – Choa Chu Kang estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	155	288	220
Jul 06	180	293.888	226
Jan 07	171	299	227
Jul 07	155	300	231.888
Jan 08	190	339	**258**
Jul 08	235	378	**287**

Table [10] – Price trend of 4-room flats in the North area – Woodlands estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	155	257	218
Jul 06	150	255	217
Jan 07	160	263	220
Jul 07	166	278	226
Jan 08	178	308	**248**
Jul 08	176	333	**266**

- **Finding of case study on 4-room flats**

Apparently, the historical price trend of 4-room flats across the nation tells more or less the same story as the 3-room flats. Resale prices of 4-room flats in general had received a tremendous boost by the slumping of the private property market.

Case study on Price trend of 5-room and Executive flats across the heartlands

Table [11] – Price trend of 5-room flats in the Central area - Bt Merah Estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	330	490	362
Jul 06	252	505	420
Jan 07	320	531	446
Jul 07	350	565	465
Jan 08	445	680	**609**
Jul 08	477	678	**590**

Table [12] – Price trend of 5-room flats in the Central area – Geylang / Eunos Estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	284	475	355
Jul 06	265	489	375
Jan 07	278	482	405
Jul 07	257	535	430
Jan 08	320	750.888	**565**
Jul 08	415	655	**550**

Table [13] – Price trend of 5-room flats in the North East area – Hougang estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	215	378	285
Jul 06	240	355	285
Jan 07	236	390	302
Jul 07	256	432	318.5
Jan 08	250	460	**340**
Jul 08	280	460	**384**

Table [14] – Price trend of 5-room flats in the North Western area – Choa Chu Kang estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	183	333	275
Jul 06	215	337	270
Jan 07	235	363	280
Jul 07	215	355	285
Jan 08	239	445	**315**
Jul 08	255	465	**350**

Table [15] – Price trend of 5-room flats in the North area – Woodlands estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	229	324.5	275
Jul 06	208	298	271
Jan 07	227	308	272
Jul 07	228	315	279
Jan 08	200	356	**305**
Jul 08	263	378	**327**

Table [16] – Price trend of Executive flats in the Central area – Geylang / Eunos Estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	343	408	401
Jul 06	355	432	368
Jan 07	315	405	372
Jul 07	350	460	360
Jan 08	390	485	**402**
Jul 08	0	0	**0**

Table [17] - Price trend of Executive flats in the Central area – Hougang Estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	305	408	328
Jul 06	320	373	338
Jan 07	317	455	367
Jul 07	310	510	365
Jan 08	399	540	**445**
Jul 08	390	575	**478**

Table [18] – Price trend of Executive flats in the Central area – Choa Chu Kang Estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	312	375	342
Jul 06	310	535	365
Jan 07	293	383	328
Jul 07	315	450	350
Jan 08	307	450	**385**
Jul 08	340	520	**420**

Table [19] – Price trend of Executive flats in the Central area – Woodlands Estate

Period	Transacted prices ('000)		
	Lowest	**Highest**	**Median**
Jan 06	318	400	360
Jul 06	300	390	337
Jan 07	283	400	330
Jul 07	308	400	344
Jan 08	325	452	**368**
Jul 08	382	458	**410**

- **Finding of case study on larger flats**

The price increase of larger flats is more pronounced especially when compared to the same period last year. For example, while the percentage increase of the prices of 4-room flats in general was about 15% - 20% year-on-year; the percentage increase of the prices for larger flats was about 20% - 25%.

The massive price increases of larger flats may be due to the age-long 'middle-income squeeze' where the middle-income families, due to the current economic uncertainties, decide to move into larger flats rather than taking the financial risks of owning a private property.

If the trend continues in the next quarter, then this will be a piece of very good news for agents specialising in HDB resales.

- **Tips on Selling**

How to react to tough questions

I want to wait for prices to fall further

How to react to tough questions using the latest market information and knowledge

Part One: "I want to wait for the price to drop some more"

Customer	Tell me Sam, with the collapse of the global financial system, how can property prices not come down?
Agent	First thing first, sir. Before I answer this question, may I know whether you like the house?
Customer	Yes I do, but I think I will factor in the impending economic recession and massive job losses next year.
Agent	Actually your argument is quite interesting – you are saying because of recession and job losses the property prices will fall. But sir, did you consider the fact that even prices were to come down a little, NOT every project will suffer the same fate. Those projects which offer good view, are near to amenities such as MRT stations, and have a good neighbourhood will not suffer much because of the investment value.
Customer	But I am buying for my own use and I don't have to be worried about rental income.
Agent	I am not sure if this thinking is going to hurt you or help you in the long run. In fact, the overall value of a residential project, and therefore the individual units in that project, is determined by the amount of rents the neighouring units in the same project can fetch. May I ask you a question: "How much do you think the price of the units in this project will fall to? And how fast would that occur?
Customer	I think it is going to fall by easily 20%.
Agent	And how soon do you think it will happen?
Customer	By the end of next year.
Agent	May I know how you come up with the assumption of 20% drop in price?
Customer	From the way the crisis unfolds, the global economy might just shrink more than that.
Agent	In other words, Mr Buyer sir, you don't know for sure. May I provide you with the basic statistics for Singapore population of 4.8 million people and the number of houses we have in Singapore. And if you add two and two together, you would know that the basic component, which is, Rent, will not go down so drastically. [Agent shows the statistics contained in the article 'Property prices to fall by 20%' in page 5 of this magazine].
Customer	What has Rent got to do with the purchase price?
Agent	If rental prices in general stay at more or less the same level, but the sale prices drop, the investment yield of the property will increase, making the property a very attractive investment.

Yes, there has been a crisis of confidence and ignorant investors are just playing safe by observing the situation a little longer. Once they realise that rents are not going to fall so much, they will start to buy. And let me assure you Mr Buyer sir, many people will not even have a chance to view a good unit just like this one as they will be sold out very quickly.

Part Two: "How LOW will home prices go?"

Customer	Tell me Sam, how low do you think the property prices will drop to?
Agent	The price of a property is always influenced by the price of its substitutes. For example, if you are asking for $3 million for your semi-detached house in the East Coast area and the buyers complain that the price is too steep. What they will do next, if they are still keen, is to find a substitute property that he can redevelop on his own – hoping that it will be cheaper to do so. Do you agree with me, sir?
Customer	Yes, I supposed that will be a sensible thing to do so.
Agent	What if the prospective buyer needs to spend more than $350 per square foot to build a house because of the inflation in construction cost? Will the prospective buyer be able to afford the $1.05million construction cost? (Assuming he intends to build a semi-D of 3,000 sq ft in gross floor area, it will be 3,000 sq ft x $350 = $1.05 million). This means that even if the buyer is able to buy a substitute Semi-D house nearby that costs less than $2.5 million, it will be too costly for him to build his dream home on his own. Will the prospective buyer then settle for an existing semi-D at $3 million; or give up buying altogether?
Customers	What if the construction cost goes down because of the economic recession? Will it then bring down the sale prices of all the property on the market?
Agent	Yes, you are quite right that in the event of an economic recession, the construction costs may come down. But the massive inflation of the past one year has already pushed up the prices of most of the construction cost, including labour costs and any decrease in the construction costs will be offset by the earlier inflation. And don't forget that we import almost all the building materials and labours from overseas. By the way, real estate investments do involve a little calculated risk. First of all, you won't know when will be the lowest point. On the other hand, when the financial crisis is blown over, many people are going to lose out on the choice properties again, just like 2007. This is because once the buying frenzy returns; you won't get a chance to see this unit again.

- **Issue in the News**

No Exclusive Rights for Real Estate Agents?

Is there a CASE for it?

On 6 September 2008, the Consumer Association of Singapore (CASE) in a press interview said that 'buyers should avoid giving exclusive rights to real estate agents', in the context of discussing the scrapping of IEA's Commission Guideline for Real Estate Agents.

I agree with the statement by CASE insofar as it refers to incompetent agents but not on the merits of the Exclusive Agreement which is a common industry practice adopted by professional agents in most developed countries such as the US, UK, and Hong Kong.

When marketing of residential properties in Singapore is concerned, brokerage agreements come in the forms of 'open listing', 'sole agency' or 'exclusive right to sell'. In the meantime, home owners may decide to market their own home without the help of a professional real estate agent. Such property listings are called 'For Sale by Owners' (FSBOs).

Out of the three brokerage arrangements and FSBOs, only the 'Exclusive Right to Sell' offers mutual benefits to both the home owners and the marketing agents. The business risks involved in the 'Open Listing' and 'Sole Agency' arrangements are high as the marketing agents may not be able to recoup their capital investments in the event that the subject property is sold by someone else (may not even be an agent). Likewise, the opportunity costs for FSBOs and property owner who decides to grant only Open Listings to many agents are high; they may end up with common problems such as unqualified buyers and cheats.

- **Risky for both to adopt an 'Open Listing' arrangement**

Due to the business risks, agents working on 'Open Listing' arrangement are usually more cautious and will not spend as much as they would for an 'Exclusive Listing'. In the first place, there was no exclusive commitment from the home owners that the marketing agent will be rewarded for his investments.

In fact, it is quite common to see home sellers flirting with three or four marketing agents and making use of them to extract the best benefits for themselves, including making the agents provide exclusive transactional information from their respective agencies (which is not yet available to the public). Ultimately, only one of the three or four agents is able to close the deal, leaving the rest with 'fool's errands'.

- **Biggest losers are the owners in Open Listings**

But what the property owners granting 'Open Listing' do not know is that they are short-changing themselves with 'Open Listing' agents because, at the opposing end, all the prospective buyers are now given the opportunities to undercut the price effectively. In other words, while the sellers thought that they could make the 'Open Listing' agents fight among themselves, at the other end, any prospective buyers who read the many advertisements on the same property will now be able to 'trick' the property sellers into believing that the prices are dropping by giving all Open Listing agents one low offers after another.

In the meantime, buyers can also pick from among the competing agents one who is willing to quote a lower sale price to represent him in the negotiation. When this happens, the other competing agents will not be able to attract any high offers to come to them. This is because when the buyers sense that there are keen competitions among the agents, they will benefit from the healthy competition which has only one result, i.e. competitive price.

Let us ask ourselves whether the buyer will come up to the seller and say: "Okay, why not we both get rid of the agents and I will pay you a higher price for the house?" Or will the buyer say: "Why not you reduce your price since if I come to you directly, you don't have to pay any agent?" Let's not fool ourselves, every buyer wants a bargain.

- **Every man for himself in an 'arm's length transaction'**

It is very easy for everybody to forget the principles behind 'arm's length transactions' whereby both the sellers and buyers are not legally bound to tell the other party the true reasons of buying and selling.

In the capitalist system, even the Court of Law accepts the principle of INCENTIVEs and allow buyers to use a proxy (not referring to real estate agents) to conceal the true identity of the buyer and to press down the price.

- **Where to place the competition**

A simple economic principle dictates that when the competition is among seller's agents, the price becomes **competitive**. But when the competition is among prospective buyers (because they can only go through one exclusive agent), the sale price will remain strong because all interested parties must go through one agent.

Moreover, besides the competitive advantages an exclusive agent enjoys over the buyers, the exclusive agents has many duties and obligations to fulfil as a matter of covenants to the property seller, including giving a written commitment to excellent service and regular market updates.

- **More competent advice to the public**

The public should be reminded to verify with the candidates being considered for the exclusive agreement the following:

(1) **Do they have the credentials of a competent agent**, e.g. what kind of professional qualification they possess; how many transactions have they done in the neighbourhood etc.

(2) **Are they able to prove demonstrable skills on the spot?** Property seller should ask the candidates to do a 'show house' demonstration on the spot and see how skilful they are. Such as spontaneous demonstration of skills is the best gauge of the abilities of an individual agent.

(3) Do they have with them at least a generic **marketing plan to cover the exclusive period**?

If an agent cannot meet the above three requests, he or she clearly has no ground to ask for an exclusive agreement.

Important Note to Property Sellers –Clarify what CES stands for

If you are a property seller reading this article, be careful of agents who can only produce a Common Exam for Salespersons (CES) certificate.

According to the definition of Singapore Accredited Estate Agencies (SAEA), CES is for salespersons who do not intend to be an accredited agent but are helping an accredited agent with the marketing work. In other words, CES 'agents' are not real agents – they are only assisting an accredited agent.

Check with SAEA whether you should pay a CES agent the full commission if they come to you alone without any accredited agent with them. Also check what are the functions that a CES agent cannot perform as such agents are not fully trained as accredited agents.

The risks to the ignorant consumers are now significantly greater with this CES scheme because it is not easy for the consumers to verify the quality.

- **Policy Update**

Bay windows and planter boxes to be part of GFA

New rules to KICK in on 1 Dec 2008

Developers in Singapore have until the first day of December 2008 to include bay windows and planter boxes into the computation of the gross floor area (GFA) of residential developments.

In the past, bay windows and planter boxes were exempted from the computation of GFA for the following reasons:

(1) Bay windows were originally considered to be raised window ledges and not part of the floor slab. However, to be exempted they must not exceed width of 500 mm and must be raised at least 500 mm from the floor level).

(2) The objective of planter boxes is to encourage residents living in flats and condominiums to provide some vertical greenery to help create visual relief to the high-density living environment.

In fact, planter boxes are for the purpose of planting and cannot be converted to a balcony. In the past, the planter boxes are exempted from GFA computation if they did not exceed 1m in width and 500 mm in depth.

- **The abuses**

However, the Urban Redevelopment Authority (URA) has recently discovered that the exemptions had been abused by developers to mainly increase the saleable strata area, whereby planter boxes and bay windows were converted to extra living spaces, and the developers had been charging buyers for them.

The loophole has now been plugged and the developers stand to lose at least 5% in future earnings when bay windows and planter boxes are all considered in the GFA.

This article will provide the background knowledge to the concepts of strata space, GFA (and the computation), and why the matter is relevant to real estate agents.

- **Gross floor area (GFA)**

GFA is derived from multiplying the size of the land by its plot ratio*, e.g. when a piece of 15,000 sq feet land has a plot ratio of 1.4, it means the land owner can build up to 21,000 sq feet (15,000 sq ft x 1.4 plot ratio) of floor space. (* plot ratio of a site is the ratio of the gross floor area of a building(s) to its site area.

GFA represents the bulk and intensity of a development for the purposes of plot ratio control and computation of development charge. Using this GFA concept, the owners or developers can decide how much neutral areas they want to provide in their buildings.

For the purpose of computing development charge, all covered floor areas of a building, except otherwise exempted, and uncovered areas for commercial uses are deemed the gross floor area of the building.

In a typical condominium unit, the following floor areas are usually considered part of the GFA, including: balconies (which are open on

at least 2 sides), intermediate floor such as a loft, covered enclosed space (regardless of accessibility use or height), CD bomb shelters, walls and columns etc.

- **Strata space**

Strata space include space outside what has been defined as GFA, including the planter boxes, bay window, roof terrace, private enclosed space which are not covered and considered outdoor space. However, for many years, developers have been charging buyers for such outdoor space.

The floor area indicated in the Subsidiary Strata Certificate of Title (SSCT) refers to strata space and not GFA.

Relevance to real estate agents

Agents are often questioned by buyers why they are made to pay for voids, such as roof terrace, private enclosed space and planter boxes. In fact, in some new home projects, prospective buyers are provided with a list of GFA and non-GFA space to clearly explain to buyers what they are paying for. Basically, there are buyers who do not want to be 'short changed' by paying for strata-titled space that is not defined as part of a floor, usable space.

When the changes take effect on 1 December 2008, the developers will be contract bound to deliver exact gross floor area (GFA) with very little additional strata space (unless the units come with roof terrace or private enclosed space which are not included in the GFA computation).

- **Project Account Rules**

Moreover, in bad times when the developers need to provide huge discount to entice buyers, yet at the same time need to observe the reserved sale prices set by the bank under the Project Account Rules, the additional strata space made up by the planter boxes and bay windows can be now come in handy to 'double up' the discount given by the developers.

For example, a condo unit on sale has a strata space of 1,050 square feet being made up of GFA of 1,000 sq ft and an additional space of 50 sq ft from planter boxes and bay window; and assuming the developer set the original sale price at $1,050,000, which is $1,000 per square feet and at the same time giving a huge discount of 20% off the listed price, rounding down the final discounted sale price to $840,000.

On the other hand, the developer's bank has set a reserved price of $800 psf for that particular unit in the condo project.

Assuming after some negotiation, a buyer agrees to buy the condo unit at a net price of $800,000, which is now lower than the bank's reserved price. In the past, with the planter boxes and bay window excluded from the GFA computation, the developers could easily indicate to the bank that the buyer was only charged for the GFA of 1,000 sq ft and the additional strata space of 50 sq ft was provided to the buyer free of charge. In this case, the bank's reserved price would be met.

With the new rule on GFA, the developer would lose such flexibilities.

- **Help buyers to negotiate for better price**

With the market expected to be softer from now on, real estate agents will be able to help prospective buyers negotiate for a better price by deducting the additional strata space from the developers' asking prices.

- **Policy Update**

CPF Refund for property sellers aged 55 or older

Rules to change in January 2009

What does the rule change mean to real estate agents?

Real estate agents need to be careful when qualifying customers who are above 55 years of age. If the property sellers are cashing out of the market altogether, the new rule will affect them as they might need to refund more of the sale proceeds to their own Retirement Account (RA), thereby reducing the cash portion of the proceeds.

In a bad case scenario, the property sellers might end up having no cash proceeds after fulfilling the Minimum Sum requirements. In this case, the real estate agents need to advise them on the withdrawal of funds from their Special and Ordinary Accounts when they reach 55 years of age. [Please refer to Annex A below for detailed information on withdrawal from Ordinary and Special Accounts.]

What will be changed?

From 1 January 2009 onwards, CPF members aged 55 years and above who sell their properties must refund the CPF moneys used in buying the properties to make up the Minimum Sum. However, if the properties were bought without using any CPF savings, the new rule does not apply.

Right now, the existing rule requires property sellers aged 55 years and above who have pledged their properties as part of the Minimum Sum to refund the pledge amount with accrued interest.

Let's look at an example under the current CPF refund requirement.

Mr Mohad Ali is 58 years old and has already sold his flat.

Example of how much money Mr Ali has pledged to his own Minimum Sum and how much money he must return to his own CPF retirement account after selling his flat.

(a)	Mr Mohad Ali's Minimum Sum	$90,000
(b)	Balances in Retirement Account (excluding interest earned)	$30,000
(c)	HDB flat pledged plus the accrued interest on the pledge	$51,000 (The flat was pledged for $45,000 when Ali was 55 years old)
(d)	Principal CPF withdrawn for the flat plus the accrued interest	$100,000

If Mr Mohad Ali sells his HDB flat before 1 January 2009, he has to refund to his CPF Retirement Account (RA) the pledge amount plus accrued interest which is $51,000 ($45,000 original pledge plus accrued interest over the years).

However, if Mr Mohad Ali sells his HDB flat on or after 1 January 2009, he will have to refund to his CPF Retirement Account (RA) $60,000 (which is the shortfall between the Minimum

Sum of $90,000 and the balance in RA). By the way, Mr Mohad Ali has withdrawn $100,000 from his CPF account to pay for the mortgage instalments (principal plus interest) of his flat. If he had withdrawn lesser amount, the refund of sale proceeds is different.

Those who use lower CPF amount

Let us look at another example where a property buyer had withdrawn lesser amount from his CPF savings.

Mr Tan Ah Kow is 60 years old and he has sold his HDB flat. Mr Tan has used less CPF moneys for his flat, and has earlier pledged his flat for a lower amount.

(a)	Mr Mohad Ali's Minimum Sum	$80,000
(b)	Balances in Retirement Account (excluding interest earned)	$30,000
(c)	HDB flat pledged plus the accrued interest on the pledge	$39,000 (The flat was pledged for $33,000 when Tan was 55 years old)
(d)	Principal CPF withdrawn for the flat plus the accrued interest	$37,000

If Mr Tan sells his flat before 1 January 2009, he has to refund to his CPF Retirement Account (RA) the pledge amount plus accrued interest which is $39,000 ($33,000 original pledge plus accrued interest over the years).

However, if Mr Tan sells his flat on or after 1 January 2009, he only needs to refund $37,000 (which is [d]) to his RA. This because, unlike Mr Mohad Ali who has withdrawn $100,000, Mr Tan has only withdrawn $37,000 (including accrued interest) from his CPF to pay for the flat.

Exception

Property owners who reached the age of 55 before 1 July 1995 will not be affected by the change in the refund rules that will take effect from 1 January 2009.

Annex A – Withdrawal from Special and Ordinary Accounts at age 55 and beyond

The information below is reproduced from the official Central Provident Fund Board website.

If you reach 55 between 1 July 2008 and 31 December 2008, the following rules apply:

CPF Balance at age 55 (less Medisave Account balance)	**Amount which can be withdrawn**
$5,000 or less	The member can withdraw all his savings
$5,000 to $10,000	The member can withdraw $5,000 and set aside the remainder in his Retirement Account*.
$10,001 to $212,000	The member can withdraw 50% of the total balance in his Special and Ordinary Accounts. The remainder will be set aside in his Retirement Account.*
Above $212,000	The member can withdraw all his savings after setting aside the Minimum Sum of $106,000 (as at July 2008) and the prevailing

	Required Amount ($14,000 for 2008) in the Medisave Account.

*The Retirement Account is created when a member reaches age 55.

From 1 January 2009, members who reach 55 can only withdraw 40% of their Special and Ordinary Account balances, and then the remaining balances, if any, after they have met the CPF Minimum Sum and the Medisave Required Amount in the Medisave Account. This percentage of withdrawal will go down by 10% points each year.

Following shows the percentage of Ordinary and Special Account balances that you can withdraw at age 55.

Withdrawal of Special and Ordinary Account Balances at age 55

Until 31 Dec 2008	50%
1 January 2009	40%
1 January 2010	30%
1 January 2011	20%
1 January 2012	10%
From 1 January 2013	Only the Special and Ordinary Account balances after setting both the CPF Minimum Sum and Medisave Minimum Sum can be withdrawn

From 1 January 2013, members who reach 55 can withdraw their Special and Ordinary Account balances only after setting aside the CPF Minimum Sum and Medisave Minimum Sum. However, members can still withdraw the first $5,000 at age 55.

- **Skill Update**

The NINE Critical Selling Skills

Back to basics

[Question]: Sam, what advice do you give to new agents in the very challenging times ahead?

[Sam Gian]: Up the skill level. There is no running away from it. It's time for all of us to forget about 2007 and get back to basics. In the tough months ahead, what the agents need to strengthen is their selling skills that some might not even possess but yet manage to survive well in a bull-run market because buyers were driven by greed and fear of losing out. The buying behaviours were simply beyond reasonable causes.

Now that the economic bubble has burst and it is tough to get people to even leave their homes to view a property for sale, agent's skills got to be enhanced to make sure that the marketing activities do not stop.

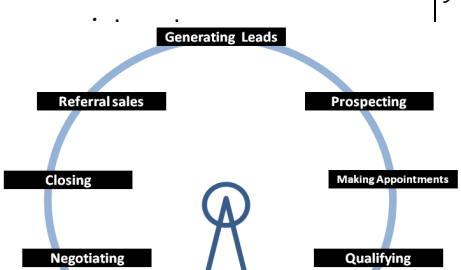
However, many relatively new agents (who thought that they have excelled in this business) actually do not know what 'selling skills' are all about, let alone knowing how to improve them. I would like to introduce a 'Do-it-yourself' (DIY) **Continuous and Incremental Self-improvement Kit** for agents to gauge their own professional development regularly and systematically.

The wonderful part of this Self-Improvement programme is that one can do it on their own.

- **Breakdown the Skill set into 9 components**

First of all, I have dissected the whole body of selling skills and break them down to nine components, each one by itself critical to the success of the rest. And the nine components include the following:

(1) Generating leads
(2) Prospecting
(3) Making listi
(4) Qualifying c
(5) Listing prese
(6) Pricing
(7) Negotiating
(8) Closing
(9) Referral sales



When one or many of the components is/are missing from the agent's personal sales system, he will not be able to function properly.

- **Self-assessment on Total Skill Package**

The first step of the DIY Kit is for the agents to do a self-assessment on their skill level. Only the individual agents know exactly how they feel when there are performing a certain aspect of their job, for example, are they 'comfortable' asking customers to buy at the early stages of the buying process etc. The agents taking the self-assessment should rate their own effectiveness on a scale of 1 to 10 – 1 being the worst and 10 the best.

- **Objectives of Self-assessment**

The objectives of the self-assessment are for the agents to ascertain for themselves, on a regular basis (1) How good they are; (2) Which areas they should improve; and (3) How they can improve themselves.

	Critical skill areas	1	2	3	4	5	6	7	8	9	10
1	Generating leads										
2	Prospecting										
3	Making Listing Appointments										
4	Qualifying customers										
5	Listing Presentation										
6	Negotiation										
7	Closing										
8	Pricing										
9	Referral sales and repeat business										

- **Interpretation of findings**

What do high scores in Skill Areas 6 to 8 and low scores in Skill Areas 1 to 5 means?

High score in (6) Negotiation (7) Closing, (8) pricing

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9	Referral sales and repeat business										

High scores in Skill Areas (6), (7) and (8) mean that the agents are always **out of listings**. When this happens, the agents will always find that they have **cash flow problems**.

On the other hand, what does high scores in Skill Areas (1) to (5) mean?

	Critical skill areas	1	2	3	4	5	6	7	8	9	10
1	Generating leads										
2	Prospecting										
3	Making Listing Appointments										
4	Qualifying customers										
5	Listing Presentation										
6	Negotiation										
7	Closing										
8	Pricing										
9	Referral sales and repeat business										

High score in Skills Areas (1) to (5)

It means that the agents are always **stuck with listings** and as such suffering from **high business costs**.

- **Improvements can be done**

After ascertaining the deficiencies, the agents should embark on a daily routine of Continuous and Incremental improvements on the skills areas, little by little.

Here are the steps towards greater excellence in professional selling:

- By first identifying the deficiencies
- Daily, incremental improvements (bit-by-bit)
- Wait for quantum leap when more skill departments are strengthened

- **Improvements are often exponential**

The agents will later find out to their own amazement that though the upgrading efforts are small though continuous, when sufficient improvements have been made to individual skill departments, the results are direct and exponential.

The agents will suddenly enjoy a quantum leap a few months later in their performance and results.