

Freehold still 'the preferred choice'

Study shows price gains for these homes outpace those with 99-year lease

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FREEHOLD home prices have proved more resilient in recent months than those of 99-year leasehold properties, according to a new report.

Crede Real Estate found that price gains for freehold condominiums and terraced homes have outpaced those for similar homes with 99-year leases since the third quarter of last year – a period marked by cooling measures and economic uncertainty.

For example, while prices of leasehold condos inched up by less than 1 per cent each quarter in the 15 months to Sept 30, freehold condos averaged quarterly rises of 2.2 per cent.

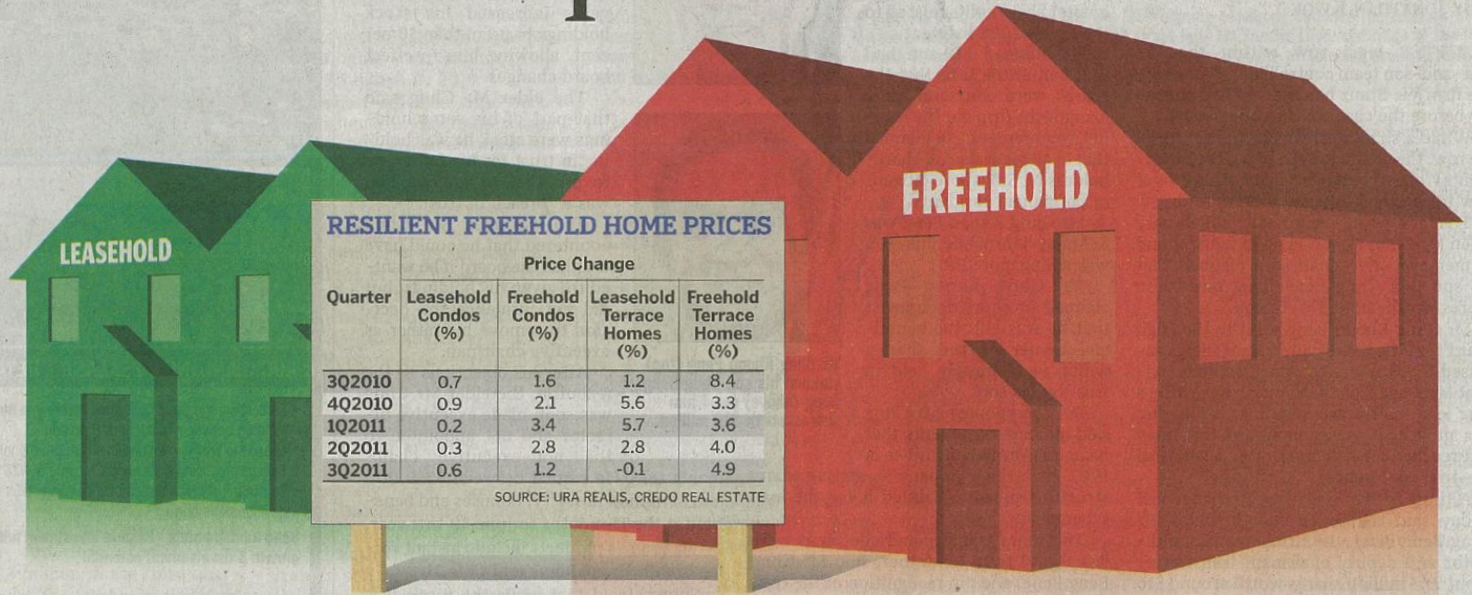
Freehold condo prices have rocketed 62 per cent in the past 10 years while leasehold condos appreciated 48 per cent in the same period, said Crede.

It is a similar story with landed homes.

While prices of leasehold terraced properties dipped 0.1 per cent in the three months to Sept 30 – the first contraction in at least 15 months – freehold terraced prices shot up 4.9 per cent.

Prices have soared 97 per cent for freehold terraces in the past 10 years compared with 52 per cent for leaseholds, the firm noted.

"Freehold or 999-year leasehold are the preferred tenure for many property buyers as many are concerned that the value of 99-year leasehold properties



may not appreciate well when the duration of the leasehold reduces," the report added.

But transaction volumes and price increases for all home segments have taken a hit since July last year as the market coped with two additional rounds of cooling measures following similar moves in September 2009 and February last year.

More recently, the financial market turmoil and uncertainties surrounding the euro zone crisis have further dampened home buying sentiments.

However, Crede's research and consultancy head, Mr Ong Teck Hui, noted that while buyers should go for freehold properties from a purely investment point of

view, 99-year leasehold homes will still be in demand.

"They still have a price advantage over freehold equivalents and many 99-year leasehold projects are located near amenities and transportation nodes," he added.

"These are crucial factors, especially for upgraders, for whom affordability and convenience rank high on their priorities. Such attributes can be found in sites in or near HDB estates which the Government puts out for tender on a regular basis under its land sales programme."

The report also noted that freehold and 999-year homes made up the lion's share of the new sales market from 2007 to 2009 – holding 61 per cent to 69 per cent of the market during that period.

This was due to the robust collective sale market in 2006 and 2007 which generated a strong supply in subsequent years.

But this trend has since turned with the Government pushing out a bumper supply of 99-year leasehold state land over the past year to meet demand.

Prices rocketed 18 per cent last year and have risen 6 per cent in the first nine months of this year.

Since last year, new 99-year leasehold homes – excluding executive condos – have made up the majority of new sales. They claimed a 60 per cent market share in the first nine months of the year, up from 50 per cent for all of last year.

Crede noted that after the market slumped during the global financial crisis, the collective sale market posted only a "modest recovery" last year and this year.

As a result, the net new supply of freehold or 999-year homes from sites sold en bloc since last year stands only at about 3,000 units.

This is dwarfed by the 16,000 to 17,000 99-year leasehold homes that are expected from government sale sites in the same period.

If the government land sales programme remains aggressive, supply of private units will continue being skewed towards 99-year leaseholds, it added.

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