

*in this issue >>>*

*What you need to know when buying a commercial property*

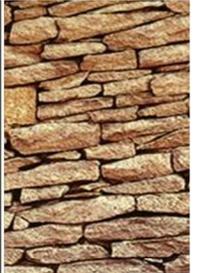


*Dec 19*

*Focus*

*On*

**Commercial Property**



*current topics >>>*

*Can foreigners buy commercial property in Singapore ?*

Singapore might be one of the most expensive places to buy property in Asia. Yet, it's also one of the best places in terms of foreign property ownership regulations.

Here, the government defines foreigners as persons or entities that are not:

- Singapore citizens
- Singapore companies
- Singapore limited liability partnership
- Singapore societies

As shown on the Singapore Land Authority's (SLA) website, foreigners have no issues to buy commercial property in Singapore

According to the Residential Act, you can freely buy the following property types, without seeking approval from the SLA:

- Shophouse (for commercial use)
- Industrial and commercial properties
- Hotel (registered under the provisions of the Hotels Act)

Thus, you're free to buy any kind of commercial property and generally treated in the same way as local.

## **Buying strata-titled Commercial property in Singapore**

Buying a unit in a condo (strata-title property) is a preferred option when foreigners invest in Southeast Asia. Why? Because condos come with a high standard and the buying process is (often) straight forward. At least if you work with reputable developers.

In addition, foreigners are only allowed to buy condos in many Asian countries.

However, not only condominiums come with strata-titles in Singapore.

In fact, you can buy commercial property with strata-titles as well. The concept is the same: you own a unit, share common areas and let someone maintain the whole building.

One misconception is that people believe that you need to buy the whole structure. But you rarely buy a whole condo building, right? Buying strata-titled commercial units can reduce your costs significantly

Buying strata-titled commercial units can reduce your costs significantly.



The benefits >>>

# Benefits of buying commercial property in Singapore



Understandably, there are both benefits and drawbacks when buying commercial property. First, let's have a look at some of the benefits when buying commercial property.

## **Additional Buyer's Stamp Duty (ABSD) for commercial property.**

If you buy commercial property, you're not subject to any ABSD. This can save you plenty of money, of course.

## **NO Seller's Stamp Duty (SSD) for commercial property.**

## **Goods and Services Tax (GST) for commercial property.**

If you buy commercial as an individual in Singapore, you need to pay GST of 7%

However, if you buy a property through a company, you can claim back the GST later. Thus, the GST can be avoided.

Just be sure to talk with the Inland Revenue Authority of Singapore (IRAS) beforehand, to know whether you'll be able to claim it back later.

## **Commercial property prices in Singapore.**

To many's surprise, commercial property is actually cheaper on average compared to residential property.

## **Rental yields for commercial property**

The commercial property market outperforms the residential property market in terms of rental yields. Here, rates average at around 5%, compared to 2% to 3% for residential property.

Just keep in mind that maintenance costs are higher for commercial property, something you should take into consideration.



property advice >>>

## What are the downsides of buying commercial property in Singapore

Understandably, there are some disadvantages of buying commercial property as well. Below I've listed some of the main drawbacks:

- Higher down payments required
- A more volatile market
- Higher utility costs (internet, electricity, maintenance, etc.)
- Banks can be more picky and take more factors into consideration before granting loans

### *Can I use CPF when buying commercial property?*

At the moment, you cannot use your CPF to finance a commercial property purchase.

### *How can I find commercial property in Singapore?*

The same as it goes with residential property, you can find commercial property through different listing sites. Real estate agencies are often involved in both residential and commercial property transactions, meaning that they have professionals on both sides.

The biggest site is probably Commercialguru, which is the equivalent to Propertyguru, used for residential property or [update.sg](http://update.sg) for developer sale

## *Real Estate agent commission*

Agent commissions usually land at 2-4%, depending on the property value



# Commercial property loans in Singapore

There are a number of banks that offer loans. However, the process and criteria are somewhat different compared to when applying for residential loans whatsoever.

This is not strange, as the commercial property market is more volatile, relying more on the economic climate.

A number of factors are taken into consideration here.

For example, what the estimated future value will be on the property, how you intend to use the property, the geographical location, how that specific industry is performing, and more.



Some of the biggest and most popular banks in Singapore are:

OCBC  
UOB  
DBS  
Maybank  
Citibank

I recommend that you contact each bank individually to see what loans they have to offer. They normally cover up to 80% of the property value.

Be prepared to present a waterproof business plan, get a decent credit score and prepare a number of other documents to prove your credibility.

You can also find information about interest rates offered by visiting [websites that have so called loan calculators](#).



## Buying commercial property through companies

*Commercial property transactions are often bugger compared to those in the residential property market. Therefore, it can make sense to acquire property through a company. Not only will you share the liability, but it will be easier to cope with financial outlay*

## Benefits when buying through a company

### Reduced Tax

Corporate taxes are lower than personal taxes in Singapore

If you buy commercial property through a company, you can claim back more money from direct and indirect expenses.

Even if you're subject to a Goods and Services Tax (GST) of 7% when buying commercial property, you're sometimes able to claim back the GST. This is not the case for individual buyers.

Be sure to talk with the Inland Revenue Authority of Singapore (IRAS) or a lawyer beforehand, to understand whether you'll be able to claim back the GST later.

### Transfer of ownership

The process of transferring commercial property is easier compared to if you would own it as an individual

### TDSR exemption

Individual buyers are subject to TDSR when buying commercial property

Established companies who can prove positive cash flows and good financial records can be exempt from the TDSR.

With that said, banks generally require that there are personal guarantors for the loans.

## Down payment for commercial property

Banks require a higher down payment compared to residential housing loans. The commercial market is more sensitive and volatile, it's simple as that.

As mentioned above, you normally need to pay at least 20% in down payment, as banks provide loans of up to 80% of the value.

*ask the experts >>>*

## Commercial property taxes in Singapore

### Annual property tax for commercial property

- A property tax is levied at 10% of the annual value. The annual value is calculated based on the yearly estimated rental income. You can [visit IRAS' website](#) to check

### Buyer's Stamp duty for commercial property

The rates are currently as follows:

- 1% of the first SGD \$180,000
- 2% of the second SGD\$180,000
- 3% of the remaining value

*There is No Capital gains tax for commercial property buy unless you trade or speculate on the property markmarket*



# Types of Commercial Property

You have a number of options if you decide to buy commercial property. Different regulations apply, something that we'll review in greater detail later. Let's have a look at some of the options you have when buying commercial property.

## Hotels and hostels

Singapore caters a large number of tourists and people going on business trips. Naturally, this drives the demand of hotels and hostels.

However, buying a hotel is a big financial undertaking and you also need to have the right permits and licenses in place.

For example, you need to submit a Certificate of Registration to the Hotels Licensing Board, in order to use the premises. You'll also need a Hotel-Keeper's License to manage the hotel.

Also, buying hotels is usually not the cheapest option on hand. Prices usually start in the millions and can range up to SGD 1 billion.

## Retail Property

Properties that go under the definition retail property include shopping malls, gyms, shop houses, restaurants and more.

These are often acquired through takeovers, hence the buyer doesn't open the business from scratch. Buying retail properties, such as shophouses, can truly pay off. First of all, these are not in a big supply.

At the same time, old shophouses are seen as a cultural heritage, not to be demolished.

Many of them are located in the central areas, for example, close to the Central Business District. Rents are often lower compared to newly built units in the vicinity.

Thus, buying and renovating a shop house can be a great option for smaller companies.

Not long ago, a Spanish tycoon paid an astonishing amount of SGD 22.1 million for a three-story conservation shophouse, located at 29 Stanley Street in the Central Business District (CBD).



## Industrial Property

Industrial properties can be everything from warehouses, factories and R&D facilities.

Worth mentioning is that industrial properties are more expensive in general and 60% of the floor area needs to be dedicated to industrial activities.

Industrial property are divided into two different categories:

B1: Used for light industry

B2: General industry

The main difference between the two is that properties that go under B2 need to have safety areas.

As you can hear by the names, properties under B1 are often used for warehousing or offices, while the latter is used for manufacturing, car repair garages and more.

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## *final*thoughts...

Commercial property has become increasingly popular in Singapore, especially since the government introduced its Additional Buyer's Stamp Duty (ABSD) for residential property, trying to cool down the market.



Buying commercial property brings you higher rental yields, averaging at around 5%. Even if the market is more volatile, the commercial property market is less crowded and offers more opportunities for investors.

One of the greatest benefits of buying commercial property is that taxes are either reduced or removed. You can also reduce taxes further by investing through a local company.

Just be sure to hire a credible real estate agent and solicitor that can guide you and help you through the buying process.

**coming soon >>>**

### *In The Next Issue*

*Local Property Guide*

*Determining Your Home's Value*

*Mortgage Rates 101*

*Downpayment Help for Young Buyers*

Developer Sale  
— Org —



**RAY  
SIM**

Mr Ray Sim, Project Director, our appointed Speaker & Trainer for Project Marketing in Cambodia and Singapore.

With over 10 years of experience in Projects Marketing and a record of closing more than 500 new projects units. His continuous effort & honed skill empowered him to be one of the Top Producers from 2007 till 2014.

Mr Ray is highly motivated, pro-active director who is capable of leading a team and working in parallel with leaders to meet clients goals in scope and on time. An organised, efficient individual with an enquiring mind who is able to integrate and work within a team or from their own initiative.

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