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# Real Estate 2024

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**Singapore: Law & Practice**

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WongPartnership LLP

**Singapore: Trends & Developments**

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# SINGAPORE



## Law and Practice

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## Contents

### 1. General p.7

- 1.1 Main Sources of Law p.7
- 1.2 Main Market Trends and Deals p.7
- 1.3 Proposals for Reform p.8

### 2. Sale and Purchase p.8

- 2.1 Categories of Property Rights p.8
- 2.2 Laws Applicable to Transfer of Title p.9
- 2.3 Effecting Lawful and Proper Transfer of Title p.9
- 2.4 Real Estate Due Diligence p.9
- 2.5 Typical Representations and Warranties p.9
- 2.6 Important Areas of Law for Investors p.10
- 2.7 Soil Pollution or Environmental Contamination p.10
- 2.8 Permitted Uses of Real Estate Under Zoning or Planning Law p.11
- 2.9 Condemnation, Expropriation or Compulsory Purchase p.11
- 2.10 Taxes Applicable to a Transaction p.11
- 2.11 Legal Restrictions on Foreign Investors p.13

### 3. Real Estate Finance p.13

- 3.1 Financing Acquisitions of Commercial Real Estate p.13
- 3.2 Typical Security Created by Commercial Investors p.13
- 3.3 Restrictions on Granting Security Over Real Estate to Foreign Lenders p.13
- 3.4 Taxes or Fees Relating to the Granting and Enforcement of Security p.13
- 3.5 Legal Requirements Before an Entity Can Give Valid Security p.13
- 3.6 Formalities When a Borrower Is in Default p.14
- 3.7 Subordinating Existing Debt to Newly Created Debt p.14
- 3.8 Lenders' Liability Under Environmental Laws p.15
- 3.9 Effects of a Borrower Becoming Insolvent p.15
- 3.10 Taxes on Loans p.15

## 4. Planning and Zoning p.15

- 4.1 Legislative and Governmental Controls Applicable to Strategic Planning and Zoning p.15
- 4.2 Legislative and Governmental Controls Applicable to Design, Appearance and Method of Construction p.15
- 4.3 Regulatory Authorities p.16
- 4.4 Obtaining Entitlements to Develop a New Project p.16
- 4.5 Right of Appeal Against an Authority's Decision p.16
- 4.6 Agreements With Local or Governmental Authorities p.17
- 4.7 Enforcement of Restrictions on Development and Designated Use p.17

## 5. Investment Vehicles p.17

- 5.1 Types of Entities Available to Investors to Hold Real Estate Assets p.17
- 5.2 Main Features and Tax Implications of the Constitution of Each Type of Entity p.17
- 5.3 REITs p.17
- 5.4 Minimum Capital Requirement p.18
- 5.5 Applicable Governance Requirements p.18
- 5.6 Annual Entity Maintenance and Accounting Compliance p.18

## 6. Commercial Leases p.18

- 6.1 Types of Arrangements Allowing the Use of Real Estate for a Limited Period of Time p.18
- 6.2 Types of Commercial Leases p.18
- 6.3 Regulation of Rents or Lease Terms p.18
- 6.4 Typical Terms of a Lease p.18
- 6.5 Rent Variation p.19
- 6.6 Determination of New Rent p.19
- 6.7 Payment of VAT p.19
- 6.8 Costs Payable by a Tenant at the Start of a Lease p.19
- 6.9 Payment of Maintenance and Repair p.19
- 6.10 Payment of Utilities and Telecommunications p.19
- 6.11 Insurance Issues p.19
- 6.12 Restrictions on the Use of Real Estate p.19
- 6.13 Tenant's Ability to Alter and Improve Real Estate p.19
- 6.14 Specific Regulations p.20
- 6.15 Effect of the Tenant's Insolvency p.20
- 6.16 Forms of Security to Protect Against a Failure of the Tenant to Meet Its Obligations p.20
- 6.17 Right to Occupy After Termination or Expiry of a Lease p.20
- 6.18 Right to Assign a Leasehold Interest p.20
- 6.19 Right to Terminate a Lease p.21
- 6.20 Registration Requirements p.21
- 6.21 Forced Eviction p.21
- 6.22 Termination by a Third Party p.21
- 6.23 Remedies/Damages for Breach p.21

## 7. Construction p.22

- 7.1 Common Structures Used to Price Construction Projects p.22
- 7.2 Assigning Responsibility for the Design and Construction of a Project p.22
- 7.3 Management of Construction Risk p.23
- 7.4 Management of Schedule-Related Risk p.24
- 7.5 Additional Forms of Security to Guarantee a Contractor's Performance p.24
- 7.6 Liens or Encumbrances in the Event of Non-payment p.25
- 7.7 Requirements Before Use or Inhabitation p.25

## 8. Tax p.25

- 8.1 VAT and Sales Tax p.25
- 8.2 Mitigation of Tax Liability p.25
- 8.3 Municipal Taxes p.25
- 8.4 Income Tax Withholding for Foreign Investors p.25
- 8.5 Tax Benefits p.26

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corporate real estate practice offers knowledge on acquisitions, divestments and financing arrangements, joint ventures, purposed build-to-suit projects, commercial leasing and extensive development projects. The firm advises major developers, landlords and tenants, investors, lenders and borrowers. Clients include high net worth individuals and family offices, foreign and local property funds, public listed and private real estate companies and funds, financiers, government-linked companies and statutory bodies.

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## 1. General

### 1.1 Main Sources of Law

The Singapore legal system is based on the English common law system. Singapore land law falls under two systems:

- the Registration of Deeds Act 1988, where lands are typically known as “unregistered land”; and
- the Land Titles Act 1993 or the Land Titles (Strata) Act 1967, where lands are registered and known as “registered land”.

The system of land registration for registered land is adopted from the Torrens system of land registration.

There is legislation governing areas specific to real estate, such as:

- permitted use (the Planning Act 1998);
- development and construction (the Building Control Act 1989);
- management of strata units in flats and buildings (the Building Maintenance and Strata Management Act 2004); and
- taxes relating to transactions involving real estate (the Stamp Duties Act 1929).

### 1.2 Main Market Trends and Deals

Demand in the housing market has remained resilient. To moderate investment demand and prioritise owner-occupation for locals, the government introduced higher rates of additional buyer's stamp duty for residential property purchases. The government also focused on ramping up public housing supply in 2023, and on delivering many construction projects that had been delayed by the COVID-19 pandemic. As such, the residential market showed signs of easing throughout 2023, with both public and

private housing experiencing overall slower price growth.

Against a backdrop of inflation, high interest rates and geopolitical tensions, there was some slowdown in the commercial real estate market in 2023, although office rents for Grade A office premises showed an increase from 2022 to 2023 and there were still large-scale transactions of commercial real estate.

Notable large private transactions in 2023 include:

- the SGD652.2 million acquisition of a 50% stake in the NEX suburban mall by Frasers Centrepoint Trust and Frasers Property Limited from Mercatus Co-operative, a unit of NTUC Enterprise;
- the SGD538 million en-bloc acquisition of a commercial building known as Shenton House by Shenton 101 Pte Ltd;
- the SGD525 million sale of Parkroyal Kitchen-er Hotel by UOL Group Limited to Worldwide Hotels Group;
- the SGD441 million acquisition of VisionCrest Commercial by a joint venture comprising TE Capital Partners, Metro Holdings and LaSalle Investment Management; and
- the SGD313.5 million joint acquisition of a logistics portfolio of five assets (at 21 Changi North Way, 6 Chin Bee Avenue, 4 and 6 Clementi Loop, 3 Pioneer Sector 3 and 30 Toh Guan Road, Singapore) by Hillhouse Capital from ESR-LOGOS REIT, representing Hillhouse Capital's first major industrial purchase in Singapore.

The government's imposition of higher additional buyer's stamp duty on residential properties has redirected some investor interest from residential to commercial assets. Asset classes such

as hospitality, co-living, retail and office properties remain popular. Notwithstanding rising inflation and increases in interest rates, there was sustained interest in industrial assets, spurred by demand from the logistics and advanced manufacturing sectors. In particular, with the advance of Industry 4.0, there is growing focus on warehouses, business parks and data centre facilities with improved automation, optimisation and energy efficiency, with many industry players choosing to upgrade existing older assets to suit these needs.

Apart from instruments and deeds registered or to be registered under the Land Titles Act 1993, the Land Titles (Strata) Act 1967 and the Registration of Deeds Act 1988, there is currently no explicit legislation in Singapore governing the use of digital instruments or “tokens” to transact real estate generally. Some “proptech” companies have used or offered blockchain platforms that enable investors to tap into funding for real estate, mainly for the purpose of raising funds or projects outside of Singapore.

In January 2023, the Singapore Land Authority (SLA) announced the appointment of a vendor for the development of the Digital Conveyancing Portal (DCP), which is scheduled to be completed by 2026. The DCP is intended to streamline the existing conveyancing process for public and private housing as well as commercial and industrial properties by providing a consolidated online platform, making such processes paperless and facilitating e-payments and digital document submissions. The DCP is expected to be implemented over three phases, with the first phase to be completed by the second quarter of 2024.

## 1.3 Proposals for Reform

The Code of Conduct for Leasing of Retail Premises (the Code of Conduct) was released in March 2021 and sets out guidelines on what constitutes fair practice in relation to tenancy agreements of qualifying retail premises. In an effort to facilitate compliance, the Code of Conduct includes a checklist template to accompany retail tenancy agreements and a step-by-step guide to file deviations. The objectives of the Code of Conduct are to have mandatory guidelines to guide landlords and tenants to a fair and balanced negotiation of tenancy agreements and to provide a governance framework for compliance and dispute resolution.

The Lease Agreements for Retail Premises Act 2023 (LARPA) came into effect on 1 February 2024, making it mandatory for all landlords and tenants of retail leases in Singapore to comply with the Code of Conduct. The LARPA also sets out a dispute resolution framework for parties to file complaints regarding non-compliance, and provides for the appointment of members of the Fair Tenancy Industry Committee and its specific functions, including the reviewing and updating of the Code of Conduct as well as the monitoring and promotion of compliance by landlords and tenants.

## 2. Sale and Purchase

### 2.1 Categories of Property Rights

Legal and equitable interests may be created in respect of property rights. Legal interests in relation to real estate include an estate in fee simple, a statutory land grant and a leasehold estate. Equitable interests include interests derived under an agreement in relation to land (eg, a purchaser’s rights under an agreement for



sale and purchase or a lessee's rights under an agreement for lease).

## 2.2 Laws Applicable to Transfer of Title

For the transfer of title of registered land, the transaction must be effected in a form prescribed under the Land Titles Act 1993 and registered with the Land Registry.

Under the Residential Property Act 1976, there are restrictions on foreign ownership of vacant land or landed residential property. Except for landed homes in Sentosa Cove (situated on Sentosa Island), where ownership by foreigners (who are not Singapore permanent residents) is generally allowed with approval, any purchase of landed residential property by a person who is not a Singapore citizen (including a Singapore permanent resident) is subject to the approval of the government. Subject to certain rules and conditions, foreign developers may acquire landed residential property to develop for sale. There is generally no law against a foreigner purchasing Singapore commercial property but, with effect from 20 July 2023, foreigners who intend to purchase land zoned as or property permitted for "Commercial & Residential" use may only do so with the approval of the government.

## 2.3 Effecting Lawful and Proper Transfer of Title

As noted in 2.2 **Laws Applicable to Transfer of Title**, transfers of title to registered land are effected by way of the registration of transfer instruments with the Land Registry. All transfers of registered land are recorded in the Land Register, administered by the Registrar of Titles. Title insurance is not common in Singapore, although in recent years it has been relied on in a number of transactions.

As safe management measures put in place for the COVID-19 pandemic have been lifted, there are now no prohibitions against physical meetings. Accordingly, the completion of documentation and the closing of real estate transactions have not been hampered.

## 2.4 Real Estate Due Diligence

Buyers usually carry out title searches, which can be conducted online. Where the land is unregistered, title must be deduced by inspection of the title documents. Buyers of large buildings will typically carry out a building audit and a technical inspection of the real estate (either internally or by the appointment of consultants) to ascertain the state, condition and structural soundness of the buildings, and encroachment surveys on the land. For industrial land, it is not uncommon for the buyer to carry out (or in some cases require the seller to carry out) an environmental study to determine whether there are any environmental contaminants on the land.

Buyers also carry out legal requisition searches with various government agencies and statutory bodies, which may reveal matters that affect the real estate (eg, notices of government action against the property, roads, drainage lines, reserves, railway lines or schemes, zoning and approved use).

Buyers will usually review sellers' documents relating to, inter alia, title, tenancy information (if applicable), services contracts and building warranties.

## 2.5 Typical Representations and Warranties

There is no legislation specifically requiring the provision of seller's warranties. Real estate is traditionally sold on an "as-is-where-is" basis – ie, the seller does not generally provide any

representations or warranties regarding the real estate.

Where commercial properties are large or transactions are complex, buyers will negotiate with sellers to provide warranties. The scope and extent of the warranties will depend largely on the bargaining power of the sellers and buyers. Typical seller warranties include the following:

- good title to the property;
- there being no outstanding notices from government agencies;
- related contracts being valid, binding and enforceable; and
- there being no breach of approved use.

The continuance of the COVID-19 pandemic did not result in any significant insistence by parties on new representations and warranties in transactions.

If there is a breach of a warranty, the buyer's remedies will be governed by the agreement negotiated between the seller and the buyer. It is typical in commercial real estate transactions for parties to agree on a timeframe for the expiry of the seller's liability and on a limit on the amounts that may be claimed against the seller for breach of its representations and warranties. As the requirements and bargaining positions of parties will vary between transactions, there is no customary timeframe for the expiry of seller's representations and warranties. Similarly, there is no standard cap on a seller's liability for breach, although in many transactions the cap on breach of warranty on title to the property may be an amount equivalent to the purchase consideration.

Representation and warranty insurances have been used in some transactions, but have not

always found favour with many parties, given the premiums to be incurred.

## 2.6 Important Areas of Law for Investors

An investor in real estate should consider:

- the laws governing the ownership of real estate (eg, prohibitions against foreigners purchasing "residential property" as defined under the Residential Property Act 1976 and terms and conditions that may be imposed where the approval of the state or a statutory board is required for a purchase and subsequent sale);
- the laws governing the usage (or proposed usage) of the real estate; and
- zoning requirements.

As a significant portion of land ownership in Singapore is derived under leases from the state or statutory boards, it is important to consider specific restrictions imposed under the terms of the relevant lease (eg, prevailing policy with respect to subletting caps and rights of first refusal granted to the lessor in the case of a subsequent sale). In addition, where an investor intends to purchase land for development, laws and regulations relating to rights of development and terms and conditions imposed on approvals granted for development should be considered. Taxation laws (eg, stamp duties imposed on purchases as well as subsequent sale and property tax) should also be taken into account.

## 2.7 Soil Pollution or Environmental Contamination

An owner or occupier will generally be liable for any pollution. Accordingly, a buyer will become responsible once they become the owner, even if they did not cause the pollution or contamination.

While the Environmental Protection and Management Act 1999 distinguishes between an owner and an occupier (including a lessee), in most circumstances both are liable in the event of pollution. There are also statutory presumptions where, in the case of a discharge of toxic substances or hazardous substances into water, it is presumed that the occupier is at fault.

## 2.8 Permitted Uses of Real Estate Under Zoning or Planning Law

A buyer can submit legal requisitions to the Urban Redevelopment Authority (URA), and the replies will indicate the prevailing master plan zoning of the land and the approved use.

Prior to the development of land, a developer must submit applications to the URA for planning approval. A buyer or developer may submit an outline application before making plans for the redevelopment of land. The outline application is a broad proposal to test the allowable land use, plot ratio, building height and building form on a development site.

## 2.9 Condemnation, Expropriation or Compulsory Purchase

The Land Acquisition Act 1966 allows the State to acquire land compulsorily where it is needed:

- for any public purposes;
- by any person, corporation or statutory board for any work or an undertaking that, in the opinion of the Minister for Law, is of public benefit or public utility, or is in the public interest; or
- for any residential, commercial or industrial purposes.

The acquisition process will commence with the publication of a notice of intended acquisition in the Government Gazette, after which the Col-

lector of Land Revenue will cause a notice to be published in major newspapers, and notices will be sent to persons interested in the real estate. Thereafter, the Collector of Land Revenue will, inter alia, ascertain the persons interested in the real estate and their rights thereto, and make an award of compensation, which must take into account the market value of the real estate compulsorily acquired.

The Collector of Land Revenue may then acquire or take possession of the real estate, upon making the award of compensation, by posting an appropriate notice.

Other than the Land Acquisition Act 1966, legislation such as the Street Works Act 1995 and the Sewerage and Drainage Act 1999 empowers statutory boards to enter private lands and take possession of or vest lands or part thereof for public purposes. Aggrieved owners may submit appeals according to the process set out in the relevant legislation.

## 2.10 Taxes Applicable to a Transaction Buyer's Stamp Duty

In a property purchase, the buyer is obliged to pay buyer's stamp duty (BSD) based on the acquisition price or market value of the property (whichever is higher). Since 15 February 2023, the top marginal BSD rates are 6% for residential properties and 5% for non-residential properties. For a mixed-use or mixed-zoning property, the BSD rates of up to 6% and 5% apply on residential and non-residential components respectively. The market value of residential and non-residential components can be determined by a professional valuer.

### Additional Buyer's Stamp Duty

Depending on the profile of the buyer, an additional buyer's stamp duty (ABSD) of between 5%

and 65% of the acquisition price or market value of the property (whichever is higher) is also payable for the purchase of residential property. In addition to the new 65% ABSD rate for entities, which came into effect on 27 April 2023, housing developers are also subject to an additional non-remittable ABSD rate of 5%, but a 35% rate may qualify for the remission of ABSD for the acquisition of residential property for development and sale, subject to certain terms and conditions.

In addition, with effect from 27 April 2023, acquisitions of residential property by a trustee to hold on trust are chargeable with ABSD (Trust) at the rate of 65%. While such ABSD (Trust) is payable upfront upon the transfer of residential property into a living trust, trustees may, within six months of the date of execution of the instrument, apply to the Inland Revenue Authority of Singapore (IRAS) for a refund based on the difference between the ABSD (Trust) rate of 65% and the ABSD rate corresponding to the profile of the beneficiary with the highest applicable ABSD rate.

## **Seller's Stamp Duty**

Seller's stamp duty (SSD) is payable by the seller for the disposal or sale of residential and industrial property if the property was sold within a period of up to three years after the acquisition thereof. Depending on the holding period of the property, the rate of SSD payable for the sale of industrial property ranges from 5% to 15% of the sale price or the market value of the property (whichever is higher), and the rate of SSD payable for the sale of residential property ranges from 4% to 12% of the sale price or the market value (whichever is higher).

Licensed housing developers are not required to pay SSD when selling residential units that they have developed.

Where there is a transfer of shares, stamp duty – typically borne by the buyer – is payable on the actual price or net asset value of the shares, whichever is higher. The rate is 0.2%, or SGD0.2 for every SGD100 (or part thereof). Exemptions may apply in certain circumstances (eg, transfers between associated companies).

## **Additional Conveyance Duty**

Where there is a transfer of equity interests in a property-holding entity (residential PHE) whose primary tangible assets, owned directly or indirectly, are residential properties in Singapore, additional conveyance duty (ACD) may be payable on the transfer.

The ACD regime applies to the acquisition and disposal of equity interests in a residential PHE by an entity that is considered a significant owner of the residential PHE, or that becomes one after the acquisition. Since 10 May 2022, transfers of equity interests in PHEs into living trusts will also attract ACD (Trust).

If applicable, ACD is imposed on both the buyer and the seller in a transaction. ACD for buyers can range up to 71% of the value of the equity interests transferred for transfer instruments executed on or after 27 April 2023. ACD is payable in addition to the prevailing stamp duty of 0.2% for the transfer of shares in companies (see above). ACD for sellers is 12% of the value of the equity interests transferred. Sellers are not exposed to ACD if the equity interests disposed have been held for more than three years.

The rates described above will similarly apply in the case of partial ownership transfers.

## **Goods and Services Tax**

The sale of non-residential real estate is subject to goods and services tax (GST), currently at

the rate of 9% with effect from 1 January 2024. The sale and purchase of residential property is exempt from GST.

## 2.11 Legal Restrictions on Foreign Investors

As mentioned in 2.2 Laws Applicable to Transfer of Title, the Residential Property Act 1976 sets out restrictions on foreign ownership of residential property in Singapore, but there are some exemptions. Non-Singaporeans and non-Singapore entities may acquire approved condominium units or flats. Subject to other rules, foreign developers may acquire residential property for the purpose of developing it for sale.

## 3. Real Estate Finance

### 3.1 Financing Acquisitions of Commercial Real Estate

Acquisitions of commercial real estate are traditionally financed by loans from banks and financial institutions. Notwithstanding interest generated by crowdfunding – and, in some cases, direct lending of debt funds, particularly to small and medium-sized enterprises – direct bank lending and corporate debt issuance remain the predominant sources of financing for large commercial acquisitions.

### 3.2 Typical Security Created by Commercial Investors

An investor (who is the borrower) will typically grant a mortgage on real estate to a lender or lenders.

Where separate title to real estate has been issued, an investor may provide security by way of a mortgage, which will be registered against the title in the land register.

Where separate title has not been issued, an investor may provide security by way of an assignment of rights under the relevant contract for sale (eg, a building agreement or a sale and purchase agreement in respect of real estate). The assignment of the contract will be executed together with a mortgage over real estate, which is executed in escrow and held by the lender until separate title to the real estate has been issued, when the mortgage is then registered.

### 3.3 Restrictions on Granting Security Over Real Estate to Foreign Lenders

Generally, Singapore companies are not restricted from providing security over real estate to foreign lenders, nor from making loan repayments to a foreign lender, and there are no exchange controls in Singapore. However, the title to some leasehold real estate may require the lenders or mortgagees to be financial institutions permitted under the laws of Singapore to lend to the borrower.

Financing in the context of the “lending of moneys” is a regulated activity subject to the jurisdiction of certain statutes. Express approval will have to be obtained if a foreign lender who is not licensed under the Banking Act 1970 or the Monetary Authority of Singapore Act 1970 engages in the lending of moneys.

### 3.4 Taxes or Fees Relating to the Granting and Enforcement of Security

Stamp duty is payable where security is created over real estate or shares, subject to a cap of SGD500. A registration fee is payable for the registration of the mortgage.

### 3.5 Legal Requirements Before an Entity Can Give Valid Security

Under the Companies Act 1967 (CA), a public company or a company whose holding company

or ultimate holding company is a public company is prohibited from directly or indirectly providing financial assistance in connection with the acquisition of shares in the company or shares in the holding company or ultimate holding company, including the provision of real estate assets as security.

With some exceptions, the CA also prohibits companies from giving security for loans, quasi-loans or credit transactions made to another company if the directors of the first company hold 20% or more of the total number of equity shares in the latter company.

The CA requires a director to “at all times act honestly and use reasonable diligence in the discharge of the duties of his office”. The directors of a company have to ensure there is a corporate benefit in providing any security over its real estate assets, particularly if the real estate assets are provided in a group borrowing context. Any exercise of the directors’ power to grant security outside of the director’s fiduciary duties may be subject to challenge by the liquidator and other creditors.

Title documents may contain restrictions with respect to giving security over real estate.

### 3.6 Formalities When a Borrower Is in Default

Generally, security over real estate can be enforced upon default by a borrower through the following methods:

- the appointment of a receiver;
- obtaining possession of the real estate (eg, by court order or by consent) and subsequently exercising the power of sale; or
- foreclosure.

Where the exercise of power of sale is in respect of real estate held under a lease issued by the JTC Corporation (JTC), the real estate can only be sold subject to the JTC’s prior consent and in accordance with the terms imposed. Some real estate held under a lease from a statutory board prohibits the security holder from exercising its right of foreclosure if said security holder is owned by a foreign government.

The time it takes to successfully enforce and realise on real estate security will vary depending on the type of real estate security, the mode of enforcement, whether any consents of any authority or third party will be required and whether there are any issues or objections raised by borrowers or other creditors.

In the case of registered land, the Land Titles Act 1993 confers priority according to the order in which security interests are registered.

The COVID-19 (Temporary Measures) Act 2020 was promulgated in 2020 following the COVID-19 pandemic, and provided temporary relief against the enforcement of legal action for certain “scheduled contracts” entered into or renewed before 25 March 2020. However, such moratorium on enforcement action is no longer applicable.

Foreclosure of mortgaged properties was not high in 2023 as safeguards on lending have been put in place to prevent borrowers from taking on too much debt.

### 3.7 Subordinating Existing Debt to Newly Created Debt

The usual methods of subordination are structural subordination and contractual subordination (ie, turnover subordination and subordination of rights of payment in the event of the debt-

or's insolvency). The efficacy of subordination arrangements remains open to question in Singapore, although it is likely that these arrangements will be upheld as long as the general body of unsecured creditors is not prejudiced thereby.

### 3.8 Lenders' Liability Under Environmental Laws

While the Environmental Protection and Management Act 1999 (EPMA) distinguishes between an owner and an occupier (including a lessee), in most circumstances both are liable in the event of pollution. There are also statutory presumptions under the EPMA, such as the presumption that the occupier is at fault where toxic substances or hazardous substances are discharged into water.

The definition of "occupier" under the EPMA is very broad and includes any "person in occupation of the premises or having the charge, management or control thereof". It may include a mortgagee who has taken possession of the real estate.

### 3.9 Effects of a Borrower Becoming Insolvent

Under the Companies Act 1967, a company granting security over real estate will be required to file a statement containing the particulars of the charge created with the Accounting and Corporate Regulatory Authority, if the charge is created in Singapore, within 30 days of the creation of the security. If this requirement is not met, the security is void against a liquidator and any creditor of the company.

Liquidators and judicial managers have the power to apply to court to set aside pre-liquidation transactions that are deemed to be at an undervalue or that constitute an unfair preference. Under the Insolvency, Restructuring and

Dissolution Act 2018, the claw-back period is three years for undervalue transactions and one year for transactions constituting an unfair preference, calculated backwards from the date of commencement of liquidation. Where an unfair preference was given to an associate of the company, the claw-back period extends to two years prior to the commencement of liquidation.

### 3.10 Taxes on Loans

As mentioned in 3.4 Taxes or Fees Relating to the Granting and Enforcement of Security, stamp duty is payable where security is created over real estate or shares, subject to a cap of SGD500, and a registration fee is payable for the registration of the mortgage.

## 4. Planning and Zoning

### 4.1 Legislative and Governmental Controls Applicable to Strategic Planning and Zoning

The URA administers the Planning Act 1998 and its subsidiary legislation. The Planning Act 1998 regulates the development of land in Singapore according to a master plan, which is a statutory land use plan renewed every five years. Development and building works in Singapore require the planning permission of the URA, except for minor development and building works that are exempt from the requirement for planning permission.

### 4.2 Legislative and Governmental Controls Applicable to Design, Appearance and Method of Construction

All building works require building plan approvals, except works (such as insignificant building works) that are exempt under the Building Control Act 1989 (BC Act). The approval process for building works is an ongoing process involving

engagement with the Building and Construction Authority via a qualified person (QP) – either an architect registered under the Architects Act 1991 or a professional engineer registered under the Professional Engineers Act 1991.

The requirements imposed will depend on the building works concerned and the building/area in which such works are to be carried out. The works should also fulfil the prime objective of safety, amenity and matters of public policy in general, as guided by the BC Act, its regulations and various codes. The BC Act also requires the licensing of builders, particularly those performing specialist works.

Approvals will also have to be obtained from other government authorities for compliance with requirements such as height restrictions, access to and from public roads, discharge of waste, sewerage or surface water, and fire safety.

### 4.3 Regulatory Authorities

The URA regulates the use of developments, through the Planning Act 1998 and subsidiary legislation. There are allocated permissible uses for each property type. The Building and Construction Authority is the principal agency that regulates developments in Singapore, through approvals of building plans.

The development of a parcel of real estate will have to comply with various pieces of legislation and regulations on different aspects, such as development planning and control, building and structural safety, fire safety, environmental control, utilities (water, electricity and gas supply) and workplace safety and health.

### 4.4 Obtaining Entitlements to Develop a New Project

The development application typically commences with the owner/developer appointing a QP. After the QP submits a development application to the URA for planning permission, the common types of planning permission that may be granted are provisional permission and a grant of written permission. Permissions may be unconditional or subject to such conditions as the URA deems fit, with reasons being given in writing. Conditions may include granting permission for a specified period and/or restrictions on the height, design, appearance or siting of buildings.

In addition, all building works require building plan approval, including the refurbishment of an existing building, except for those exempted under the BC Act.

There is no formal process for a third party (eg, a member of the public) to intervene in the planning permission process or the building plan approval process.

### 4.5 Right of Appeal Against an Authority's Decision

Where the URA rejects an application for planning permission, an appeal to the Minister for National Development may be made within 60 days of the date of notification of the decision.

Where any application made for the approval of plans of any building works is refused, or is granted by the Commissioner of Building Control subject to terms and conditions, an aggrieved applicant may appeal to the Minister for National Development against the decision within 14 days of being served with notice thereof.



## 4.6 Agreements With Local or Governmental Authorities

Generally, subject to obtaining the relevant permits/approvals, an owner/developer would be able to develop a project without any requirement to enter into additional agreements with the relevant authorities to facilitate the project. An owner/developer is at liberty to enter into a separate agreement with a utility supplier for the provision of utilities.

## 4.7 Enforcement of Restrictions on Development and Designated Use

In general, where there appears to be a breach of planning control, the relevant authority has the right to enter the real estate and to serve a notice on the owner or occupier requiring them, *inter alia*, to provide information relating to use of the real estate. Once a breach is ascertained, the relevant authority has the right to serve an enforcement notice, which may require, *inter alia*, the alteration, demolition or removal of any building or works. The possible penalties for non-compliance are fines and/or imprisonment.

## 5. Investment Vehicles

### 5.1 Types of Entities Available to Investors to Hold Real Estate Assets

Investment in real estate assets can be made by individuals, companies, partnerships (including limited liability partnerships), business trusts or REITs.

Generally, limited liability companies are considered to be the entities that best protect owners (shareholders) from personal liability while retaining the right to control the operations. They also provide an alternative to a direct asset sale by way of sale of their shares.

### 5.2 Main Features and Tax Implications of the Constitution of Each Type of Entity

There are no particular requirements to be included in the constitution of a company used to invest in real estate. Singapore companies used to invest in real estate will generally have the capacity and authority to acquire and deal with real estate as express objects in their constitution. Similarly, the deeds of trust constituting business trusts or REITs will provide for the capacity and authority to acquire and deal with real estate.

Companies and business trusts are subject to a corporate tax rate of 17%, and listed Singapore REITs may qualify for tax transparency treatment (see 5.3 REITs).

### 5.3 REITs

In both private and public forms, REITs are vehicles used for investment in Singapore real estate. Except for prohibitions on foreigners purchasing “residential property” as defined under the Residential Property Act 1976, there is no restriction on foreign investment in REITs.

Listed Singapore REITs may qualify for tax transparency treatment if they distribute at least 90% of their specified table income derived from Singapore real estate. Qualifying unit holders receiving distributions from such listed Singapore REITs will not be subject to Singapore withholding tax. In particular, qualifying unit holders who are individuals will be exempt from Singapore income tax on such distributions. Resident corporate unit holders will be subject to tax on such distributions at the corporate tax rate of 17%, while non-resident corporate unit holders will be subject to a final withholding tax rate of 10%.

## 5.4 Minimum Capital Requirement

There is no minimum capital required to set up a Singapore company. However, if a company intends to obtain a licence under the Housing Developers (Control and Licensing) Act 1965, it has to comply with the minimum paid-up capital requirements.

## 5.5 Applicable Governance Requirements

A company will have a sole director or a board of directors. The company must have at least one director who is ordinarily resident in Singapore. The business of the company must be managed by the directors, or under their direction or supervision, and the directors may exercise all the powers of a company, except any power that the Companies Act 1967 or the constitution of the company requires the company to exercise in a general meeting.

## 5.6 Annual Entity Maintenance and Accounting Compliance

Compliance costs will depend on the service provider(s) appointed.

## 6. Commercial Leases

### 6.1 Types of Arrangements Allowing the Use of Real Estate for a Limited Period of Time

Other than ownership of real estate, arrangements for the occupation and use of real estate include leases and licences. The law also recognises easements that grant limited rights (eg, right of way) and *profit à prendre*, which allows the right holder to take or use something on the land, such as the cutting down and removal of timber.

### 6.2 Types of Commercial Leases

Commercial leases can generally be divided according to their use – eg, office, retail and industrial leases.

### 6.3 Regulation of Rents or Lease Terms

The terms of a lease (including rent) are freely negotiable between the parties. However, a set of guidelines – namely the Code of Conduct for Leasing of Retail Premises (Code of Conduct) – was proposed by the Fair Tenancy Pro Tem Committee (which comprises key representatives from landlord and tenant communities, industry experts and academia) in 2021 to guide tenants and landlords of “qualifying retail premises” to ensure a fair and balanced position in negotiations of leases. Compliance with the Code of Conduct has been made mandatory under legislation for retail lease agreements that are entered into on or after 1 February 2024. Please refer to 1.3 Proposals for Reform.

### 6.4 Typical Terms of a Lease

There is no fixed duration for the length of a lease; it depends on the needs of the lessee and the agreement made between the lessor and lessee.

The tenant is typically responsible for the upkeep of the property and is required to maintain and repair the real estate, preserving it in good condition. The tenant’s failure to comply with this covenant will constitute a breach of a term of the lease, for which the landlord will be entitled to enter the premises to carry out necessary works and to recover the costs of so doing from the tenant.

Rent is typically payable monthly in advance.

No significant changes in lease terms have been issued by major landlords to deal with future

pandemic events, construction build-out or supply chain issues. However, in some negotiated leases, parties may provide for longer timeframes to cater for potential construction or supply chain delays.

## 6.5 Rent Variation

Whether the rent remains unchanged or is variable during the length of the lease term depends on the agreement between the lessor and lessee.

## 6.6 Determination of New Rent

The rent may be varied at a fixed rate or may be pegged to an index, such as the consumer price index or the prevailing market rent. The exact mechanism is up to the parties to negotiate.

## 6.7 Payment of VAT

GST is payable on rent, except in the case of leases of residential properties, which are exempt from GST.

## 6.8 Costs Payable by a Tenant at the Start of a Lease

The tenant usually pays the stamp duty chargeable on the lease and a security deposit as security against breach of terms of the lease. They may also be required to pay service charges or charges for the hire of furniture and fittings and the landlord's legal costs and/or administration fees.

## 6.9 Payment of Maintenance and Repair

Landlords are generally responsible for the costs of maintaining and repairing common areas shared by several tenants.

## 6.10 Payment of Utilities and Telecommunications

Tenants will arrange with and pay suppliers directly for the supply of utilities and telecom-

munications. If separate metering for utilities is not possible for the leased premises, or if the landlord is purchasing electricity in bulk for the entire property, the landlord will arrange for the supply of utilities to the leased premises and apportion the charges for utilities to the tenants.

## 6.11 Insurance Issues

The tenant will bear the cost of insuring the real estate that is the subject of a lease. A landlord will usually require the tenant to take up the policy in the joint names of the landlord and the tenant.

A public liability insurance policy is typically required to be taken up to cover claims arising from personal injury, death or property damage or loss. A tenant may also be required to insure all of their property at the leased premises against damage by fire and other risks, and to insure all plate-glass windows and doors of the leased premises for the full insurable value.

There is no clear data on whether tenants have claimed or been successful in claims against business interruption policies arising from the government-imposed "circuit breaker" in 2020 where "non-essential" business premises were ordered to be closed for more than a month.

## 6.12 Restrictions on the Use of Real Estate

The Planning Act 1998 permits various uses for various premises. Accordingly, in a lease, a landlord will stipulate the permitted use and require a tenant not to use the premises other than for the permitted use or the use approved by law.

## 6.13 Tenant's Ability to Alter and Improve Real Estate

Upon entry into a new lease, the landlord will commonly allow the tenant to undertake fitting-

out works during a prescribed fitting-out period, subject to compliance with conditions such as approval of plans for the fitting-out works. These conditions are sometimes set out in a handbook.

## 6.14 Specific Regulations

Specific regulations that apply to the different categories of real estate generally pertain to their uses. The landlord of commercial real estate approved for one use class may only lease premises for that use class. Similarly, a light industrial building cannot be utilised for general industrial use without prior approval for such change of use.

The Rental Waiver Framework (RWF) introduced as part of legislative relief measures in response to the COVID-19 pandemic came into force on 5 October 2021 and applied, subject to certain criteria, for the benefit of eligible small and medium-sized enterprises and specified non-profit organisations renting qualifying commercial properties. However, the period for the submission of applications under the RWF has now expired.

## 6.15 Effect of the Tenant's Insolvency

If the tenant becomes insolvent, leases will generally provide that the landlord will be entitled to terminate the lease and exercise the right of re-entry to the premises. Leases will also provide that the landlord is entitled to use the security deposit and apply it towards unpaid rent and other outstanding obligations.

Under insolvency legislation, there are limitations on the landlord's possible remedies in the event of the insolvency of the tenant. If bankruptcy or compulsory liquidation proceedings have commenced, legal proceedings against the tenant will require leave of court. A landlord will have to file a claim with the official assignee or

the liquidator for outstanding rents and monies owed under the lease. There may also be issues as to whether the landlord is entitled to use the security deposit, as the security deposit may be considered part of the tenant's assets to which all creditors are entitled.

## 6.16 Forms of Security to Protect Against a Failure of the Tenant to Meet Its Obligations

A landlord will collect a security deposit, payable by way of cash, banker's guarantee or both (and sometimes a parent-company guarantee), at the commencement of a lease to secure against non-performance or default on the part of the tenant with respect to its obligations under the lease.

## 6.17 Right to Occupy After Termination or Expiry of a Lease

If a tenant continues to occupy the real estate after the expiry or termination of a lease without the consent of the landlord, that would constitute a breach of the terms of the lease. Unless otherwise specified in the lease, a tenant remaining in the property after the termination of a lease will be chargeable with double rent (or double value). The landlord may also be entitled to claim for mesne profits.

To ensure the tenant vacates the leased premises on the date originally agreed, the landlord must clearly specify this in the lease; it must be expressed that the landlord does not consent to the tenant remaining in the property after the expiry or termination of the lease.

## 6.18 Right to Assign a Leasehold Interest

Leases in Singapore typically prohibit a tenant from assigning or sub-letting without the prior written consent of the landlord, which may be

given subject to terms and conditions. Conditions imposed for consent may range from a fee or levy payable to increased rents or a requirement for the sharing of profits from the sub-let rents.

## 6.19 Right to Terminate a Lease

Whilst a tenant would typically have minimal or no right to terminate the lease, the landlord would be able to terminate the lease and exercise the right of re-entry if any of the following occurs:

- non-payment of rent or other sums payable under the lease;
- breach of any term or condition of the lease;
- compulsory land acquisition by the authorities;
- major damage and destruction of the building in which the leased premises are comprised;
- insolvency of the tenant; or
- a prolonged force majeure event.

## 6.20 Registration Requirements

A lease of land for a period exceeding seven years shall be void under Singapore law unless it is made by deed in the English language. There is no formal requirement for the registration of leases, but a lease of registered land for a term exceeding seven years may be registered under the land registration system. A registration fee is payable by the party submitting the lease for registration.

## 6.21 Forced Eviction

A typical lease will provide for the landlord to determine the lease and exercise the right of re-entry in respect of the premises if any event of default on the part of the tenant occurs.

The Conveyancing and Law of Property Act 1886 (CLPA) governs the exercise of a land-

lord's right of forfeiture, including prescribing for notice requirements. Where the requirements are complied with, the landlord may then exercise its right of re-entry. Re-entry is usually effected by the issuance of a writ of possession (a process by which the landlord seeks from the court the right to serve an order requiring the tenant to leave the premises), but the landlord is entitled to effect peaceable re-entry and take possession of the property if the lease provides for it.

Upon the purported exercise by the landlord of a right to forfeit the lease, the tenant may apply to court for relief from forfeiture, pursuant to the CLPA. Specifically with regard to a situation where rent has not been paid, after the court has ordered the tenant to return possession to the landlord, the tenant has to pay the rent in arrears; if the tenant does so, the tenant may continue to hold on to the lease.

The total duration required before the landlord regains possession will depend largely on whether the statutory requirements have been complied with by the landlord, the complexity of the claim, whether the tenant seeks relief from the forfeiture and whether the tenant has paid outstanding rent prior to the landlord's possession.

## 6.22 Termination by a Third Party

As mentioned in 2.9 Condemnation, Expropriation or Compulsory Purchase, land may be compulsorily acquired. The length of the compulsory acquisition process will depend on the urgency with which the real estate is needed by the State or relevant agencies, and whether there are objections from the persons concerned.

## 6.23 Remedies/Damages for Breach

Where a tenant is in breach of the lease and such lease is terminated, while there is gener-

ally no restriction against the type of damages that a landlord may seek, a landlord would generally be under a duty to mitigate and minimise its losses in a claim for damages founded on the tenant's breach of the lease, and a landlord cannot recover more than the damages that the landlord would suffer or be entitled to as a result of such default and termination. Any legal action against the tenant must be brought in a court with the appropriate jurisdiction.

A landlord may also have recourse to other remedies prescribed under Singapore law. For example, pursuant to Section 28(4) of the Civil Law Act 1909, a landlord may charge the tenant double the amount of rent if the tenant holds over after the determination of the lease, until possession of the leased premises is given up by the tenant. In a situation where the rent is in arrears, the Distress Act 1934 affords the landlord the remedy of applying to the court for the issuance of a writ of distress, entitling the seizure and subsequent sale of movable property found at the leased premises, for the realisation and recovery of the rent due to the landlord.

A landlord also typically holds security deposit(s) furnished by the tenant, either in cash or guarantee (from a bank or insurance company), as security for the payment of rent, which may be enforced against in the event of non-payment of rent by the tenant.

## 7. Construction

### 7.1 Common Structures Used to Price Construction Projects

The two most common contractual models for pricing construction works are the "lump sum" contract and the "measurement" contract.

The lump sum contract is the most common form of construction contract and is used where the type and quantities of works are clearly defined. In this form of contract, the contractor is paid a lump-sum price for the works described in the contract. Subject to the conditions, the lump-sum price may be subject to change, due to the addition or omission of works, extensions of time resulting in increased costs and expenses, and/or agreed fluctuations in prices of materials, for example.

The measurement contract is used where the type and quantities of works are not clearly defined at the time a tender is called. In such a case, the contractor usually submits a schedule of rates (SOR) setting out the cost of each type of materials, parts and labour required for the works. Upon completion of the works, parties would carry out measurements, usually with the assistance of a quantity surveyor, to determine the types and quantities of materials, parts and labour incorporated into and expended for the works, and apply the rates stated in the SOR to determine the amount of payment due to the contractor.

### 7.2 Assigning Responsibility for the Design and Construction of a Project

Under the traditional contracting model, the employer (who is the owner of the project) will engage a third-party consultant (an architect in a building project, or an engineer in an engineering project) as the lead consultant responsible for the preparation and completion of the design. That lead consultant typically also oversees the development of the project, together with other consultants engaged by the employer, and acts as the contract administrator or superintending officer for the main construction contract. The lead consultant would also undertake the role of an independent certifier to certify payment,

assess claims by the contractor and certify the works done and, ultimately, the completion of the project, fairly and independently, notwithstanding having been appointed by the employer.

In such a model, the responsibility for design lies with the consultants; the contractor will only be responsible for the building works.

The employer will have direct contractual recourse to its directly appointed consultants for any deficiency in design, and against the main contractor for any delay or defects in the building works that are not design-related. The main contractor is responsible for the building works and is typically liable for any delay or any other default under the terms of the main construction contract arising out of its works, even if such delay is caused by a subcontractor. There are specific instances where an employer may wish to have direct rights against a specialist subcontractor (eg, in relation to water-proofing works) or a supplier (eg, in relation to the supply of certain fixtures). This would require the specialist subcontractor or supplier to extend a warranty in relation to those specialist works or material to the employer.

Alternatively, it is increasingly common for employers to enter into a “design and build” contract, where responsibility for design and construction lies solely with the main contractor. In this model, the employer provides a desired outcome and broad specifications for the project. As the single point of responsibility, the main contractor undertakes the obligations and risk of the design (through its employment of the relevant architects, engineers and consultants) and the construction of the project. In this model, the employer typically does not have direct contractual recourse against the architect and engineers who are appointed by the main

contractor, but would have recourse to the main contractor.

### 7.3 Management of Construction Risk

Contractors and specialist subcontractors are typically required to furnish undertakings and/or indemnities relating to specific works. Employers of large projects would commonly require a security deposit, in the form of a cash deposit or a performance bond. This provides the employer with some security in the event of non-performance by the contractor. Performance bonds typically secure about 5% to 10% of the value of the contract, and are usually valid up to the expiry of the defects liability period.

It is also common for performance bonds to be drafted as “on-demand” bonds, which would require the issuer of the performance bond to make payment to the beneficiary on demand, without enquiring into the beneficiary’s reasons for the demand. A restraint on payment under such bonds will only be allowed on limited grounds (eg, fraud or unconscionability), although unconscionability can be excluded as a ground for such restraint under the contract or in the performance bond.

In some cases, employers may also require a parent company guarantee from the contractor.

Payment mechanisms in the building contract are usually designed to provide payment for works that have already been done, rather than in advance. A contract administrator is often tasked with certifying that the works have been done, whilst reserving the right to require any rectification of defects, or to dispute any such works that fall short of the employer’s requirements. Furthermore, the employer usually reserves rights to have access to and inspect the works, or to request the opening up of the

works for inspection. The employer usually also incorporates a contractual right to require the main contractor to rectify defects in the works that might surface during a period of a year or 18 months from the date of completion (usually referred to as a maintenance period or defects liability period).

Typically, the employer would also have various contractual rights to terminate a construction contract in certain pre-agreed events (the bankruptcy of the contractor, failure to start works, failure to comply with material obligations under the contract, etc). The exercise of such rights is usually subject to strict compliance with the contractual provisions (eg, notice requirements and cure period).

Contractors are usually obliged to provide certification and warranties for certain types of works (eg, fire-rating certificates for doors, and water-proofing warranty to guarantee the watertightness of the roof and wet areas).

Insurance is also particularly crucial in building contracts for managing risks. The employer often requires contractors to procure contractors' all-risks insurance, public liability insurance and other insurances as may be prudent, having regard to the work. Employers usually require consultants to obtain professional indemnity insurance. Workers' compensation insurance is required to be taken out by all parties (including the employer and the contractor) by law under the Work Injury Compensation Act 2019 to compensate employees for any personal injury by accident.

## 7.4 Management of Schedule-Related Risk

Most building contracts will contain provisions allowing for extensions of time and providing for

the payment of liquidated damages by the contractor in the event of delay in the completion of the project. Allowance for valid grounds for extensions of time is crucial to prevent time from being set at large, where, for example, a delay is caused by the employer.

A liquidated damages clause gives the employer a remedy of receiving an agreed sum, usually accrued on a daily basis, based on a genuine pre-estimate of the loss in the event that there is a delay in the completion of the project. Contractors may negotiate a limitation of delay-related liability with the employer, or the exclusion of certain liabilities (eg, indirect and consequential losses).

If it appears that there is going to be a delay in the works, the employer's first course of action would usually be a request for the contractor to expedite its works. Depending on the form of contract used, the employer may also request that the contract administrator issues an instruction or direction to the contractor setting out the delay and requiring that the works be expedited. The contractor will not be allowed to claim any additional losses or expenses arising from a delay if the delay is not excusable under any ground for an extension of time. A claim for acceleration costs might be viable if it can be shown that the employer had expressly or constructively issued an instruction or direction for accelerative measures to be undertaken.

Where it is stated that time is of the essence in completing the contract, the employer may rely on this as a ground for terminating the contract.

## 7.5 Additional Forms of Security to Guarantee a Contractor's Performance

See 7.3 Management of Construction Risk.



## 7.6 Liens or Encumbrances in the Event of Non-payment

The contractor has no right under general law to impose a lien or otherwise encumber an immovable property in the event of non-payment.

However, a contractor has the statutory right under the Building and Construction Industry Security of Payment Act 2004 to a lien over unfixed goods supplied by the contractor that have not been paid for, if the contractor has obtained an adjudication determination in its favour under the Act and the amount determined thereunder has not been paid.

## 7.7 Requirements Before Use or Inhabitation

Under Singapore law, a development must comply with the statutory requirements stipulated under the BC Act and Building Control Regulations 2003, including the obtaining of all necessary clearances from the relevant government agencies (eg, the URA, Land Transport Authority, National Parks Board, Singapore Civil Defence Force, Public Utilities Board and National Environment Agency), before a Certificate of Statutory Completion (CSC) is issued to certify that the development is fit for occupation.

Alternatively, if the development has certain outstanding issues but has nonetheless fulfilled the requirements or clearances suitable for occupation, a Temporary Occupation Permit (TOP) may first be issued, allowing the development to be inhabited.

The application for the TOP or CSC is to be made by the QP to the Building and Construction Authority at a suitable stage upon completion of the works.

## 8. Tax

### 8.1 VAT and Sales Tax

Singapore currently imposes GST at the prevailing rate of 9% on all imports of goods and taxable supplies of goods and services made by a taxable person in the course or furtherance of carrying on a business.

A purchaser of non-residential real estate will be liable for payment of the GST unless the purchase is part of the transfer of a business as a going concern and the prescribed conditions for exemption are satisfied. However, supplies of residential property are exempt from GST.

### 8.2 Mitigation of Tax Liability

Subject to the fulfilment of conditions, the remission of stamp duty is available at law in a number of circumstances (eg, reconstruction of certain companies and transfers between certain associated companies). Under Section 33A of the Stamp Duties Act 1929, there is a general anti-avoidance rule that grants broad powers to the Commissioner of Stamp Duties to challenge any arrangement that reduces or avoids liability for stamp duty.

### 8.3 Municipal Taxes

Apart from GST and stamp duty, businesses owning immovable property are also subject to property tax at the rate of up to 10% on the annual value of the property.

### 8.4 Income Tax Withholding for Foreign Investors

Rental income is subject to income tax, which is payable by the landlord. The prevailing corporate tax rate is 17%. Where real estate is sold by a seller who is a property trader, gains are also subject to income tax. Where the seller is a property trader who is not resident in Singapore and

whose operations are carried on outside Singapore, such gains are subject to withholding tax at 15% of the consideration, but the seller may file a tax return to claim a deduction for allowable expenses. Where a seller is not a property trader, the gains are not subject to tax as there is no capital gains tax in Singapore.

## 8.5 Tax Benefits

Expenses incurred solely for producing the rental income and during the period of tenancy may be claimed as tax deductions. Depreciation of furnishings (eg, furniture, fixtures and electrical appliances) is not claimable.

## Trends and Developments

### Contributed by:

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**WongPartnership LLP** is an award-winning law firm and one of the largest in the country, with offices in China and Myanmar. It has affiliate offices in Abu Dhabi, Dubai, Indonesia, Malaysia and the Philippines, through member firms of the WPG regional law network, offering the expertise of more than 400 professionals to meet clients' needs. WongPartnership has one of the largest teams of real estate lawyers in the country, working on a diverse range of deals throughout the region, across different real estate investment products. The firm's

corporate real estate practice offers knowledge on acquisitions, divestments and financing arrangements, joint ventures, purposed build-to-suit projects, commercial leasing and extensive development projects. The firm advises major developers, landlords and tenants, investors, lenders and borrowers. Clients include high net worth individuals and family offices, foreign and local property funds, public listed and private real estate companies and funds, financiers, government-linked companies and statutory bodies.

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### Real Estate in Singapore: an Introduction

The introduction of higher rates of stamp duties payable by buyers for residential properties in the second quarter of 2023 curbed the jump in residential property prices in the first quarter of 2023. The rates of buyer's stamp duties were raised, with rates for residential properties rising up to 6% and rates for non-residential properties rising up to 5% of purchase consideration or market value.

The rates of additional buyer's stamp duties payable by buyers of residential properties on top of the existing buyer's stamp duties were also increased. For Singapore citizens buying their second residential property, the rate of additional buyer's stamp duty was raised from 17% to 20% of the purchase price or market value; for those purchasing their third and subsequent property, the rate increased from 25% to 30%. Entities and trusts buying residential property are now required to pay additional buyer's stamp duty at a rate of 65%, up from the previous rate of 35%. The greatest increase is for foreigners buying residential property, for whom additional buyer's stamp duty increased from 30% to 60%.

These increases in stamp duty rates were instituted to cool the continued rise and to discourage speculation in the residential market. Following the increase in buyer's stamp duty and additional buyer's stamp duty, the percentage of foreigners buying residential property has decreased. New private residential sales also dipped to a 15-year low.

Integrated mixed-use developments and projects located near amenities continued to garner interest. Public housing also saw a new framework, which classified public flats by location (eg, near city or town centres or transport nodes). New policies that will provide for more subsidies in public housing but with stricter sale conditions were introduced. Landed residential property prices, particularly in good class bungalow areas, continued to show a strong increase, given the scarcity of landed housing in Singapore.

Despite concerns about rising interest rates and uncertainty in macroeconomics, the commercial real estate sector was relatively buoyant in 2023, supported by several large-scale transactions, including the following:

- the SGD652.2 million acquisition of a 50% stake in the NEX suburban mall by Frasers Centrepoint Trust and Frasers Property Limited;
- the SGD538 million en-bloc acquisition of a commercial building known as Shenton House in the central business district, by Shenton 101 Pte Ltd; and
- the SGD525 million sale of Parkroyal Kitchen Hotel by Pan Pacific Hotels Group (a member of UOL Group Limited).

The prices and rent of industrial properties continued to rise in 2023, even though there was a decline in demand in certain segments. There was reduced growth in hi-tech and conventional industrial spaces, given a slowdown in tech demand and manufacturing exports. However, well-located industrial properties, particularly for logistics use and warehousing, showed sustained demand by third-party investors, given limits in new supply. This was highlighted in the SGD313.5 million acquisition of five logistics properties by Hillhouse Capital, representing Hillhouse Capital's first major industrial purchase in Singapore.

### *Smart Nation*

Singapore's efforts towards the development of a Smart Nation (an initiative to use technologies, networks and big data to provide tech-enabled solutions) continued apace with the announcement by the Singapore Land Authority of its appointment of a vendor for the development of the Digital Conveyancing Portal (DCP). The DCP is scheduled to be launched over different phases starting from the second quarter of 2024, and is expected to be fully developed and completed by 2026. The purpose of the DCP is to facilitate and streamline the conveyancing process and to reduce paperwork and physical documents. New digital practices will be put in place for the

sale and purchase of property transactions to benefit stakeholders and users.

### *Code of Conduct for Leasing of Retail Premises*

The Code of Conduct for Leasing of Retail Premises (Code of Conduct) was first released in 2021 and sets out guidelines for what constitutes fair practice in relation to tenancy agreements of qualifying retail premises. It includes a checklist template to accompany retail tenancy agreements.

The Code of Conduct has now been given force of law through the Lease Agreements for Retail Premises Act 2023 (LARPA), which was passed by Parliament on 3 August 2023 and came into effect on 1 February 2024. Under the LARPA, all landlords and tenants of retail premises must abide by leasing principles set out in the Code of Conduct. These include the prohibition on landlords from the pre-termination of tenancies unless on certain specific grounds, and from imposing a gross turnover rent component where specified rent has been exceeded.

In addition to a requirement for all landlords and tenants of qualifying retail premises to comply with the Code of Conduct, the LARPA also sets out a framework for dispute resolution to enable parties to file complaints about non-compliance. The Code of Conduct applies only to qualifying retail leases with a tenure of at least one year but does not apply to residential, office and industrial premises.

### *Green Plan*

2023 saw further developments and initiatives to the 2030 Green Plan first released by the Singapore government in February 2010, including the following.

- The launch of the first government land sales tender for the farming of mushrooms and fruited vegetables, intended to increase Singapore's food resilience and to provide greater choices of local produce.
- Master planning for the Lim Chu Kang area – this proposal is led by the Singapore Food Agency with the aim of optimising limited land and transforming the area into a hi-tech agri-food zone.
- By introducing the mandatory energy improvement regime, the Building and Construction Authority proposes to help certain existing buildings with poor energy performance to improve by requiring that these buildings undergo energy audits and implement measures to improve energy use intensity. This will enhance efforts to decarbonise the built ecosystem and serve to complement the existing requirements for new buildings to obtain and maintain green marks certification.
- A coastline-specific proposal to construct "Long Island", a new island out of reclaimed land, off the east coast of Singapore was unveiled. The proposed 800 hectares, decades-long project will host a reservoir and other residential and recreational spaces for coastal defence. As the city-east coast stretch of coastline includes the central business district as well as other important areas such as Changi Airport, the initiative to protect the east coast shoreline is to take precedence over other locales.

## *Conclusion*

Whilst the residential property market was somewhat dampened by the introduction of new cooling measures in the first quarter of 2023, interest in well-located residential and commercial properties remained strong. The industrial real estate market continued to see keen interest from investors.

Notwithstanding uncertainty in the world economic outlook, the Singapore real estate market remained resilient, with a number of sectors showing improvement in performance from the previous year. This is expected to grow in 2024. The continuance of efforts by major developers to integrate environmental, social and governance principles in business practices provides promise for sustainable future real estate.

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