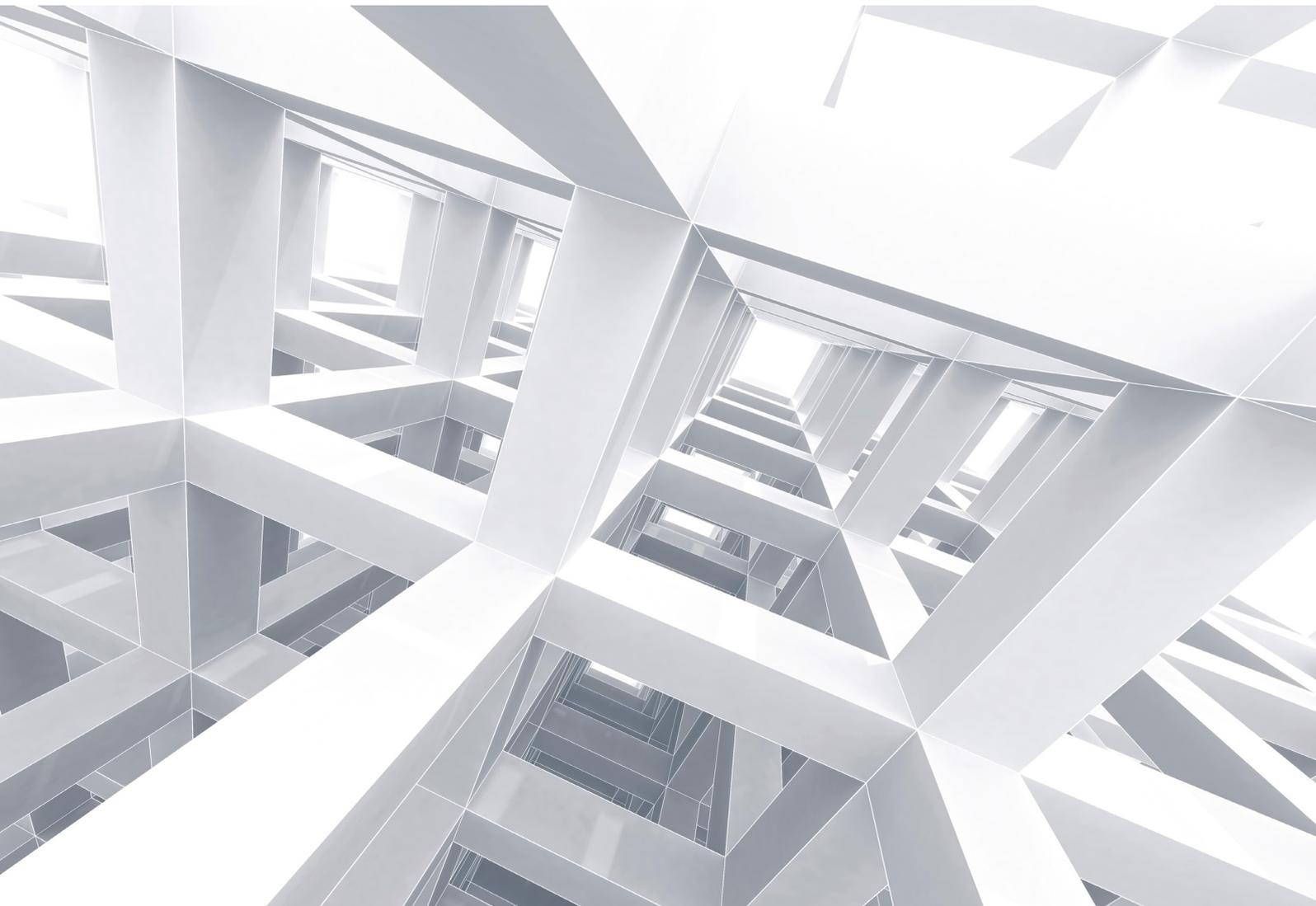




*RICS professional standards and guidance, Singapore*

**RICS Valuation – Global  
Standards 2017 jurisdiction  
guide: Singapore**

1st edition, May 2019



# RICS Valuation – Global Standards 2017 jurisdiction guide: Singapore

RICS jurisdiction guide

1st edition, May 2019



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# RICS jurisdiction guides

Since its first publication in 1976, the *RICS Valuation – Global Standards 2017*, generally known as the ‘Red Book’, has set standards for property valuation that are designed to ensure consistency, objectivity and transparency in the valuation process. The primary aim of these standards has always been to sustain public confidence and trust in a valuation undertaken by a member of RICS or a valuer working for an RICS regulated firm.

Over the past 40 years the Red Book has become global in its application, reflecting the growing internationalisation of the property market and its clients’ requirement for worldwide consistency of standards. A Red Book-compliant valuation is consistent with the International Valuation Standards (IVS) and it is augmented in a growing number of markets by national supplements, which provide guidance designed to ensure that a Red Book-compliant valuation also meets local legal requirements, regulations and practice.

The global Red Book and, where they apply, the national supplements are written primarily for valuers. By contrast, jurisdiction guides will be of use especially to property owners and professionals who are involved in the valuation process, either by commissioning a valuation or by providing advice in relation to its outcome. Owners and their advisers do not usually need to know the full detail of the valuation process and the regulations that govern it (which are set out in the Red Book), but their understanding of the outcome of the valuation is likely to benefit from a better understanding of the key factors that will influence a valuer, and thus the value of the property.

These factors include:

- legislation governing the holding and valuation of real estate
- ownership structures
- lease terms
- planning regulations and development control
- taxation affecting real estate and
- valuation regulations, standards and the application of the Red Book.

These factors will vary significantly between one country and another. Jurisdiction guides therefore aim to examine each factor in its local context and to highlight those that are likely to have a significant impact on the valuation of a property located in the country concerned.

It is important to emphasise that jurisdiction guides are designed to provide a short overview of what in many cases and countries is a complex situation. They have been prepared by RICS and based on information from a variety of sources. The content of this jurisdiction guide is for general guidance only, and the reader is advised not to act on it without consulting an appropriately qualified and experienced professional.

## Document status defined

The following table shows the categories of RICS professional content and their definitions.

### Publications status

Type of document	Definition
<i>RICS Rules of Conduct for Members and RICS Rules of Conduct for Firms</i>	These Rules set out the standards of professional conduct and practice expected of members and firms registered for regulation by RICS.
International standard	High-level standard developed in collaboration with other relevant bodies.
RICS professional statement (PS)	Mandatory requirements for RICS members and RICS regulated firms.
RICS guidance note (GN)	A document that provides users with recommendations or an approach for accepted good practice as followed by competent and conscientious practitioners.
RICS code of practice (CoP)	A document developed in collaboration with other professional bodies and stakeholders that will have the status of a professional statement or guidance note.
RICS jurisdiction guide	This provides relevant local market information associated with an RICS international standard or RICS professional statement. This will include local legislation, associations and professional bodies as well as any other useful information that will help a user understand the local requirements connected with the standard or statement. This is not guidance or best practice material, but rather information to support adoption and implementation of the standard or statement locally.

# 1 Background

Singapore is an important trading and financial services centre in the Asia-Pacific region and globally. Despite having a relatively small size and population, it has a large and well-established real estate market. It was ranked 13th in the **MSCI Real Estate Market Size 2017** survey, with a total value of US\$157 billion.

Singapore is recognised as one of the most open and corruption-free economies in the world. It was ranked 12th in the **JLL Global Real Estate Transparency Index 2018**.

## 2 Legislation

### 2.1 Principal laws governing real estate

Land law in Singapore is based on English law, because the country was governed by the UK prior to its independence in 1965. This position was confirmed by the Application of English Law Act 1993. In general, therefore, English law principles prevail, subject to modifications to allow for local conditions and customs.

Principles of land ownership were set out in the *State Lands Act 1886* (SLA) and continue to apply, though the Act has been subject to some subsequent amendment.

Development control and planning is governed by the *Planning Act 1998*.

### 2.2 Types of ownership

All land ultimately belongs to the state, but unencumbered rights in perpetuity (as well as other grants of land) can be made. The SLA makes provision for six types of ownership:

- Estate in fee simple. This is the highest category of ownership, where the owner has the full rights to possess and dispose of their property. It is relatively rare in Singapore.
- Estate in perpetuity. This is similar to an estate in fee simple, except it may be subject to covenants and conditions (e.g. payment of rent).
- Life estate. This type of ownership is held for the duration of the life of the owner.
- Lease under the SLA. This type of lease offers the rights to possess and use property for a limited period of time, subject to the terms and conditions of the lease. Terms are typically 99 or 999 years.
- Temporary occupation licences. These have some features in common with leases under the SLA, but they do not constitute a tenancy or convey exclusive rights to possession.
- State tenancy agreements. These are limited to three years.

In addition, the following types of ownership exist:

- Strata titles are granted under the terms of the *Land Titles (Strata) Act 1967* (as amended) for buildings capable of being divided into separate ownerships. A management corporation has to be created to control and maintain the common parts.
- Occupational leases may be granted by owners of the interests listed in the preceding list, subject to the terms of the relevant interest. Prior written approval may be required.
- Licences, easements and restrictive covenants provide grants of rights over land that are less than an interest in the land.

## 2.3 Registration

Land registration in Singapore has been compulsory since the 1960s. The *Land Titles (Amendment) Act 2001* is the current statute. Title records are held by the Singapore Land Titles Registry. The **Singapore Land Authority** issues and, in effect, guarantees land titles.

## 2.4 Development control

Development control is governed by the *Planning Act 1998*. All development or subdivision of land requires approval under the Act.

The **Urban Redevelopment Authority** (URA) is the statutory body responsible for setting and implementing planning policies. Strategic planning is covered in the concept plan, which is reviewed every ten years. Master plans implement the concept plan by delineating zoning and permissible uses of land. They are published every five years. All changes of use and developments require permission from the URA.

## 2.5 Commercial leases

Typical terms for office leases are as follows:

- Term: usually three to five years.
- Breaks: not usually granted.
- Rent: payable monthly or quarterly in advance.
- Rent escalation: usually no rent escalation during lease term.
- Statutory rent control: none.
- Payment for operating expenses: all rents include a service charge for specified services, including building management, repairs, air conditioning and maintenance of building and common areas.
- Assignment and subletting: rare.
- Termination: most leases include a right to renewal for a further term.

Most shops are located in purpose-built shopping centres. Lease terms are similar to those for offices, with the following exceptions:

- Rent: turnover rents, where a proportion of rent paid is calculated as a percentage of sales turnover, are common.
- Rent escalation: rents are typically adjusted to market level every three years for longer leases.
- Payment for operating expenses: where gross rent (inclusive of the landlord's operating expenses) is not charged, a service charge will be made to cover these costs.

## 2.6 Residential leases

Apartment leases are typically granted for terms of one to two years and may be on a furnished or partially furnished basis. A 'diplomatic clause' may be negotiable to end the lease early if an expatriate's employment contract is terminated before the end of the lease. Maintenance fees will be charged in addition to the rent to cover a due proportion

of the landlord's costs of maintaining the property and providing the services. The tenant is responsible for internal repairs (usually up to an agreed maximum) and for utilities costs, etc. Singapore has no legislation relating to security of tenure or rent control.

## 2.7 Property measurement

*International Property Measurement Standards* (IPMS) for Office Buildings, Residential Buildings and Industrial Buildings were published in 2014, 2016 and 2018 respectively. RICS members must adopt IPMS in line with the RICS professional statement **RICS property measurement** (2nd edition). RICS members are expected to advise their client or employer on the benefits of using IPMS, unless there is a significant reason for departure. It is accepted that in some circumstances IPMS may not be suitable. If IPMS are not to be used, RICS members must document the reasons for departure.

IPMS for other asset types will be published in due course. In the interim all RICS members must follow *RICS property measurement* (2nd edition) Section 1 *Application of the professional statement*. In some instances other measurement standards can be used, such as the RICS guidance note **Code of measuring practice** (6th edition), providing the reason for departure is stated.

In Singapore, the construction floor area (defined by the URA) equates to IPMS 1. For letting and valuation purposes, offices are measured on a net lettable area (NLA) basis, which includes their 'carpetable' area (i.e. the area available to use as offices) and structural columns. Corridor space may or may not be included. Retail NLA is similar but includes toilet areas used exclusively for the retail unit. For residential property, the saleable area includes balconies and terraces and is usually measured to the centreline of dividing walls.

Floor areas are expressed in square feet.

## 3 Taxation

### 3.1 Goods and services tax (GST)

GST (similar to European value-added tax, or VAT) is payable on gross rent by the tenant. Commercial property transactions are standard-rated, but residential property is exempt.

### 3.2 Stamp duty (real estate transfer tax)

Stamp duty is paid by the purchaser on the sale or mortgage of real estate, or on the sale of shares in real estate, and by the tenant when a lease is granted.

For residential and industrial property, seller's stamp duty (SSD) is also payable, with rates varying depending on the period of ownership. SSD does not apply to residential property acquired before 20 February 2010 and industrial property acquired before 12 January 2013. Residential properties acquired between 14 March 2011 and 10 March 2017 are subject to SSD if sold within four years. Residential properties acquired after 11 March 2017 are subject to SSD if sold within three years.

### 3.3 Property tax

Owners of commercial and industrial property are subject to tax based on the property's annual value. Property tax is also payable on residential property, and its rate is based on the assessed annual value and depends on whether the property is owner-occupied or let.

### 3.4 Other taxes

Corporation tax is chargeable on income over a threshold that can be varied by the government. Capital gains tax does not exist in Singapore.

If URA permission for development or change of use of a property results in an increase in its value, a development charge will be levied based on location and floor area.

## 4 Regulation and standards

### 4.1 Regulation of valuation professionals

Real estate valuations have to be carried out by a Licensed Appraiser. To become licensed, applicants need to hold an approved degree, have at least two years' relevant experience and be a member of the **Singapore Institute of Surveyors and Valuers (SISV)**. Licences are issued by the Inland Revenue Authority of Singapore in accordance with the Appraisers Act 1906 (as amended).

### 4.2 Membership organisation

The SISV is the principal membership organisation for valuers in Singapore. Members are required to have completed an approved academic course and to have achieved an appropriate level of practical experience for membership.

The SISV publishes valuation standards to which its members have to adhere. It also publishes practice guidelines on specific valuation topics.

### 4.3 National valuation standards

The SISV's *Valuation Standards and Practice Guidelines* are the national valuation standards.

### 4.4 International standards

The two recognised global standards for valuation are:

- **International Valuation Standards (IVS)**: these are published by the International Valuation Standards Council (IVSC), which comprises about 100 member organisations dedicated to setting generic global standards for valuation practice and valuation professionals. SISV is a member of the IVSC.
- **RICS Valuation – Global Standards 2017 (the Red Book)**: this sets out global standards for valuations undertaken by RICS members and RICS regulated firms. It adopts and applies the IVS and imposes certain additional requirements, with particular reference to ethics, competency, objectivity and disclosures.

# 5 Application of the RICS Valuation – Global Standards 2017 in Singapore

## 5.1 User’s perspective

### Global standards:

- The Red Book is written to ensure that valuation assignments undertaken by RICS members and RICS regulated firms (see PS1 sections 1 and 2) are fully in accordance with the IVS.
- The Red Book complements the IVS by providing detailed guidance and specific requirements regarding the practical implementation of the IVS.
- All valuations provided in writing by RICS members and RICS regulated firms must comply with the requirements of the Red Book. Valuers must be suitably trained and have appropriate qualifications and adequate experience for the task.
- Valuers must be independent, objective and transparent in their approach.
- The adoption of the Red Book ensures consistency of approach and aids understanding of the valuation process and the value reported.
- A Red Book-compliant valuation must provide clarity regarding terms of engagement, basis of value (including any assumptions or material considerations taken into account) and reporting.

### National supplements:

National supplements (sometimes referred to as national chapters) to the Red Book are published by RICS in a growing number of countries to ensure compliance with local legal requirements, regulations and practice.

## 5.2 Red Book – implementation in Singapore

### 5.2.1 Red Book application in the context of Singaporean legislation

The Red Book is written from an international perspective, in accordance with the IVS. It expressly recognises (in PS 1 section 4) that in individual jurisdictions, compliance with specific statutory, regulatory or other authoritative requirements is necessary, and doing so does not preclude a valuation from being declared as performed in accordance with the Red Book.

The benefits of RICS global standards for valuation, and the fact that RICS-qualified valuers have to comply with the institution’s professional quality standards, mean that Red Book-compliant valuations are frequently required in Singapore, especially by corporations that own property in more than one jurisdiction. To comply with local legislation, Red Book-compliant valuations have to be countersigned by an SISV member if the RICS valuer is not also a Singapore Licensed Valuer and member of SISV.

### 5.2.2 The Red Book national supplement for Singapore

This publication is currently being prepared.



## Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

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