

Which is a better choice?

**SHOULD I BUY A
BRAND NEW
OR NEAR T.O.P
PROPERTY?**

Should I buy a brand new or near T.O.P property?

A common question among property buyers is whether going for a brand new launch with a 4-5 years waiting period or buying a subsale property (Or remaining developer units) that is nearer to TOP a better option.

Would it make a difference to the investment returns and what are the specific pros and cons of each route?

Let's examine both.

Brand New Launch Condominiums

Pros

- Higher capital growth potential.
- Entry price is lower and similar to most other buyers.
- Lower risk of price dipping below purchase price.
- Availability of choice units.
- Progressive payment doesn't require immediate full downpayment and mortgage instalments.
- Deferment of high interest rates impact (Current market)

Cons

- A longer waiting period.
- Will require a place to stay or rent meanwhile.
- Lack of rental returns for investors until TOP.

Subsale Units (Or remaining developer units near to TOP)

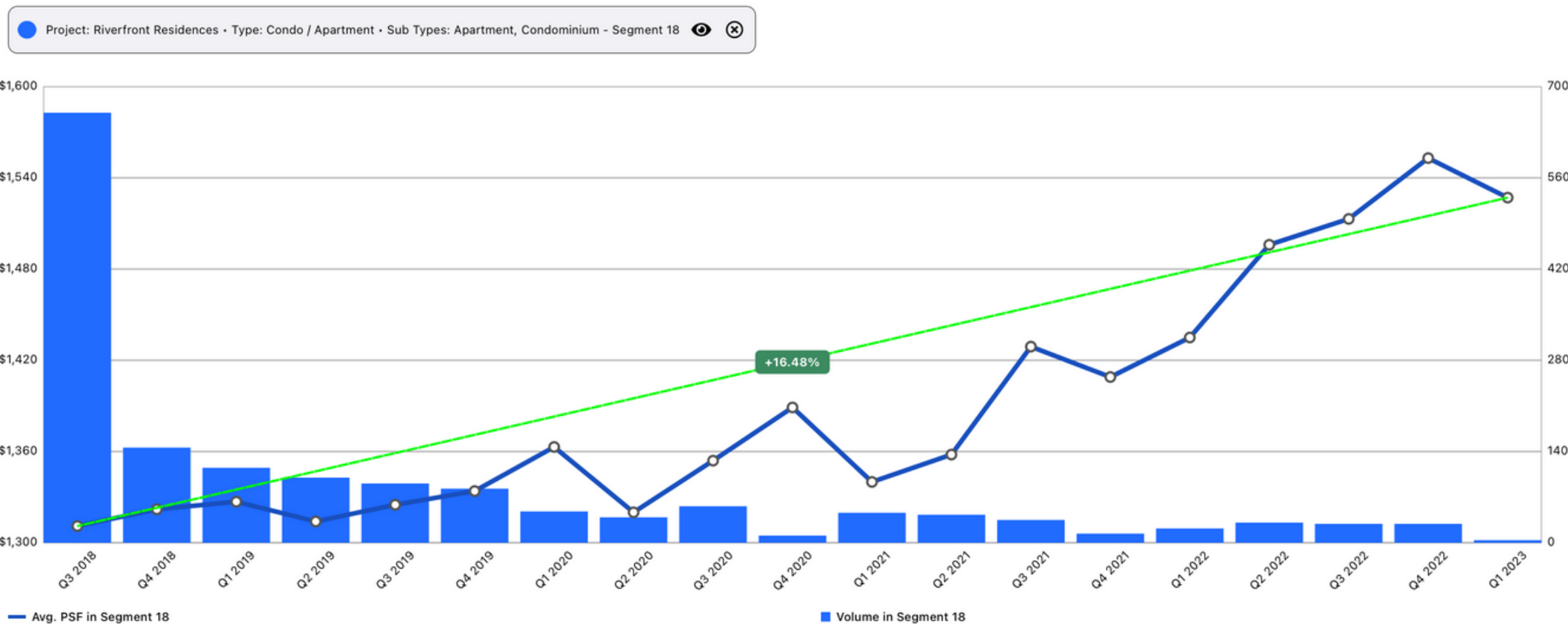
Pros

- Shorter/immediate waiting time to move in.
- Savings on rent can be significant.
- A seamless move may be possible for owners who are selling their present home and moving into the new one.
- Suitable for retiree investors who are looking for rental cashflow sooner.

Cons

- Usually higher in price as sub sale sellers would price in a profit.
- If they are remaining developer's units, prices would be marked up by TOP due to higher holding costs and profit loading towards the tail end of launch. (Example: Riverfront Residences)

Case Study: Riverfront Residences

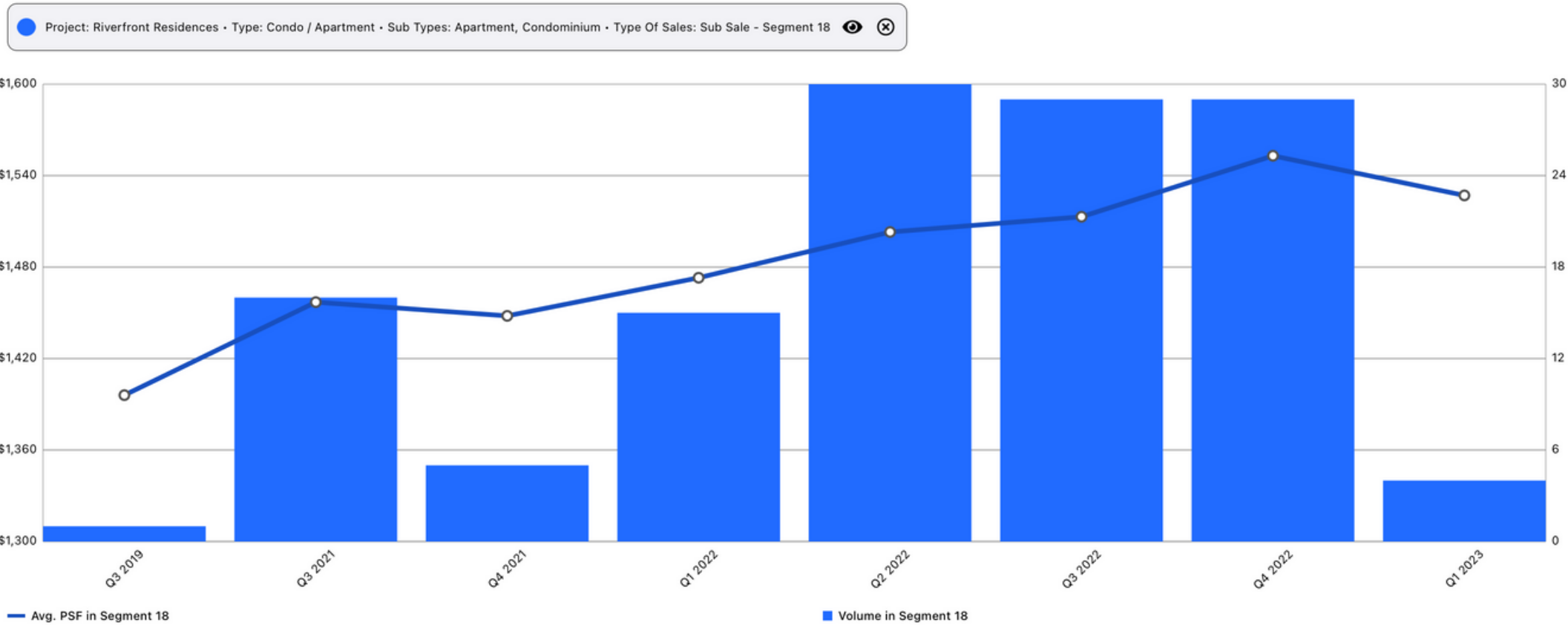


Many Riverfront Residences units were recently transacted at an average of \$1500psf.

The project was launched in 2018 at an average of \$1310psf.

Prices have appreciated by 4+% per annum since launch.

Subsales in Riverfront Residences



Many of the recently transacted units were sold to subsale buyers.

The sellers would have enjoyed an average profit of \$200psf or ~\$200K for a typical 3 bedder apartment in 4 years.

Assuming total down payments made of 40-50% (\$520-\$650K), an average Riverfront subseller would enjoy between 30-39% returns on equity.

In Summary

A subsale buyer would usually pay a higher premium compared to a new launch stage buyer.

In the example of Riverfront, subsale buyers paid 16% more in return for 4 years less waiting time.

While that may be a higher price to pay, and correspondingly lesser returns compared to launch stage buyers when they finally come around to selling it, some buyers might find it palatable if:

- *They are able to generate a higher ROE via other investment vehicles over the last 4 years.*
- *They manage to save more on rent than they would have gained from the capital appreciation.*
- *They need a place soonest and can't afford to wait.*

In conclusion, there are both pros and cons to buying at the new launch stage and at the near TOP stage. **A returns focused and less time pressured investor would usually do best with a new launch purchase** while a diametrically prioritized buyer would see his needs met with the latter.