Brief Guide to Buying Private Residential Property in Singapore: Navigating the Option to Purchase Process

Conveyancing · https://help.law.com.sg/faq/brief-guide-to-buying-private-residential-property-singapore/

Pre-Purchase Research

- **Budget Planning**: Assess your budget, factoring in extra costs like stamp duties (BSD and ABSD) and legal fees.
- **Property Search**: Shortlist suitable properties and schedule visits for inspections.
- **Tenure**: Determine whether the property is leasehold or freehold. Consider purchasing a title search at this stage.
- **Tenanted or Vacant**: Ascertain if the property is sold with vacant possession or is subject to existing tenancy. If the latter, request and review the tenancy agreement, focusing on terms like rent, tenancy duration, deposit, and renewal options.

Negotiation of Purchase Price

- **Initial Offer**: Make an initial offer to the seller, and may involve using an offer to purchase, usually, typically prepared by the estate agent.
- **Counter-offers**: Negotiate until a mutual agreement on price and terms is reached. Ensure these terms are reflected in the draft Option to Purchase (OTP).

Reviewing the draft Option to Purchase (OTP)

- **Due Diligence**: Conduct initial due diligence on both the property and the seller.
- **Review OTP**: Examine the OTP's terms and conditions. Consult your conveyancing lawyer if needed.

- **Stakeholding Clause**: It's common to include a clause stating that the seller's lawyer will hold the balance deposit in a Conveyancing (CVY) account pending completion.
- **Option Period:** Typically, two (2) weeks, but can be longer or shorter subject to negotiation.
- **Completion Period:** Typically, eight (8) or ten (10) weeks from the date of exercise of OTP, but can be longer or shorter subject to negotiation.

Obtaining OTP in Exchange for Option Fee

- **Pay Option Fee**: Usually 1% of the purchase price.
- **Receive OTP**: In exchange for Option Fee, the seller grants you the OTP, which is usually valid for 14 days, but can be extended if agreed. You do not have any sign the OTP as this stage, but keep the original OTP.

Engaging a Conveyancing Lawyer

- **Select a Lawyer**: Choose a conveyancing lawyer who will conduct an Anti-Money Laundering (AML) check on you upon engagement. You should forward a copy of the OTP to your lawyer for his review.
- **Legal Advice**: Obtain advice on the OTP and the conveyancing process.

Conduct Legal Requisitions and Searches

- **Title Search**: Your lawyer conducts a title search to ensure the property is free from encumbrances.
- **Other Searches**: Additional checks include bankruptcy or winding-up searches on the seller, legal requisitions to government departments, and road line plans.

Exercising the OTP Before Expiry Date

- **Exercise OTP**: Sign the OTP at your client's office, and pay the remaining deposit, typically 4% of the purchase price. Your lawyer will advise you on the payments required, including stamp duties.
- **Caveat**: Upon exercise of the OTP, your lawyer lodges a caveat with the Singapore Land Authority to protect your interests as a purchaser.

Paying Buyer's Stamp Duty (BSD) and Additional Buyer's Stamp Duty (ABSD)

- **Calculate Duties**: Calculate the BSD and ABSD, if applicable.
- **Payment**: Pay these duties within 14 days of exercising the OTP.

Obtaining a Loan (if applicable)

- **Loan Application**: Apply for a housing loan if not paying in full cash. You may wish to check with the financing bank if the bank can be represented by your lawyer subject to minimal conflict of interests.
- **Loan Approval**: Secure loan approval and understand the terms.

Use of CPF Funds (if applicable)

- **CPF Application**: Apply to use your CPF funds for the lump sum payments, legal fees, and/or monthly installments, and application is usually through your conveyancing lawyer

Prepare for Completion

- **Documentation**: Both lawyers will coordinate on document preparation, including transfer instrument, completion accounts, and payment methods.
- **Signing of Documents**: You'll need to sign pertinent documents, such as the mortgage
- **Balance Payments**: Your lawyer will advise you on the remaining balance payments. If you're financing the purchase with a loan, the bank will typically require proof of payment for the cash difference before releasing the loan funds.

Completion

- **Final Inspection**: Conduct a final inspection of the property if permitted in OTP.
- **Completion**: Both lawyers will arrange for completion, usually at the seller's lawyer's office. The remaining purchase price is paid, and ownership is transferred.

Additional Steps

- **Home Insurance**: Secure home insurance before the completion date.
- **Utilities Setup**: Arrange for utilities to be set up in your name.

This guide may not be comprehensive, you should consult legal professionals for advice tailored to your specific situation.

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