
Updated!
Q: Is your property still growing in value?
Growth
Stagnation
Decline
3 STAGES OF A PROPERTY INVESTMENT LIFE CYCLE
& HOW TO IDENTIFY WHAT STAGE YOURS IS IN

3 STAGES OF A PROPERTY INVESTMENT LIFE CYCLE

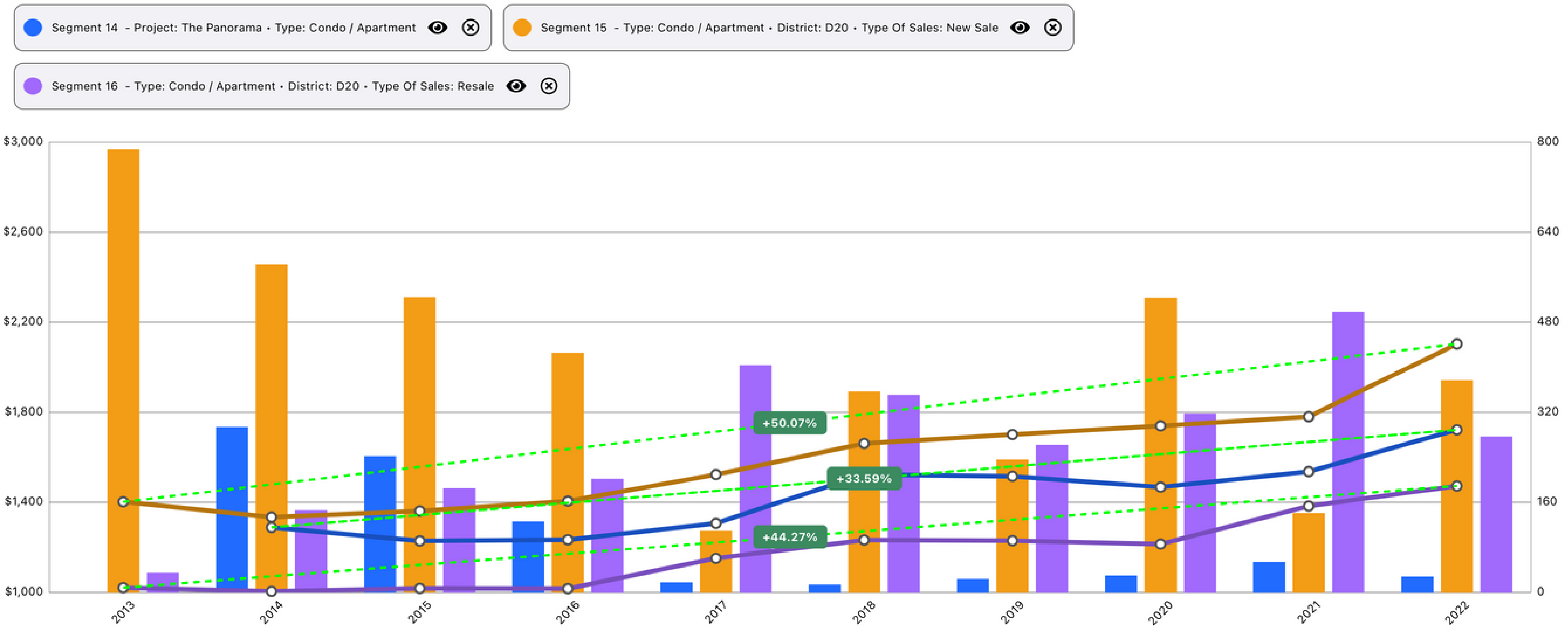
Property investments are traditionally considered 'passive' and safer in nature as compared to investments such as stocks and equities.

However, passive management does not mean that a 'buy and hold forever' strategy works for all types of properties and is automatically the best approach as value decays over time for leasehold properties.

Aside from Freehold (Or equivalent 999/9999 years leasehold) properties, the growth trajectory of 99 years leasehold properties generally fall into 3 stages:

Growth
Stagnation
Decline

Properties That Are Growing In Value
Example 1



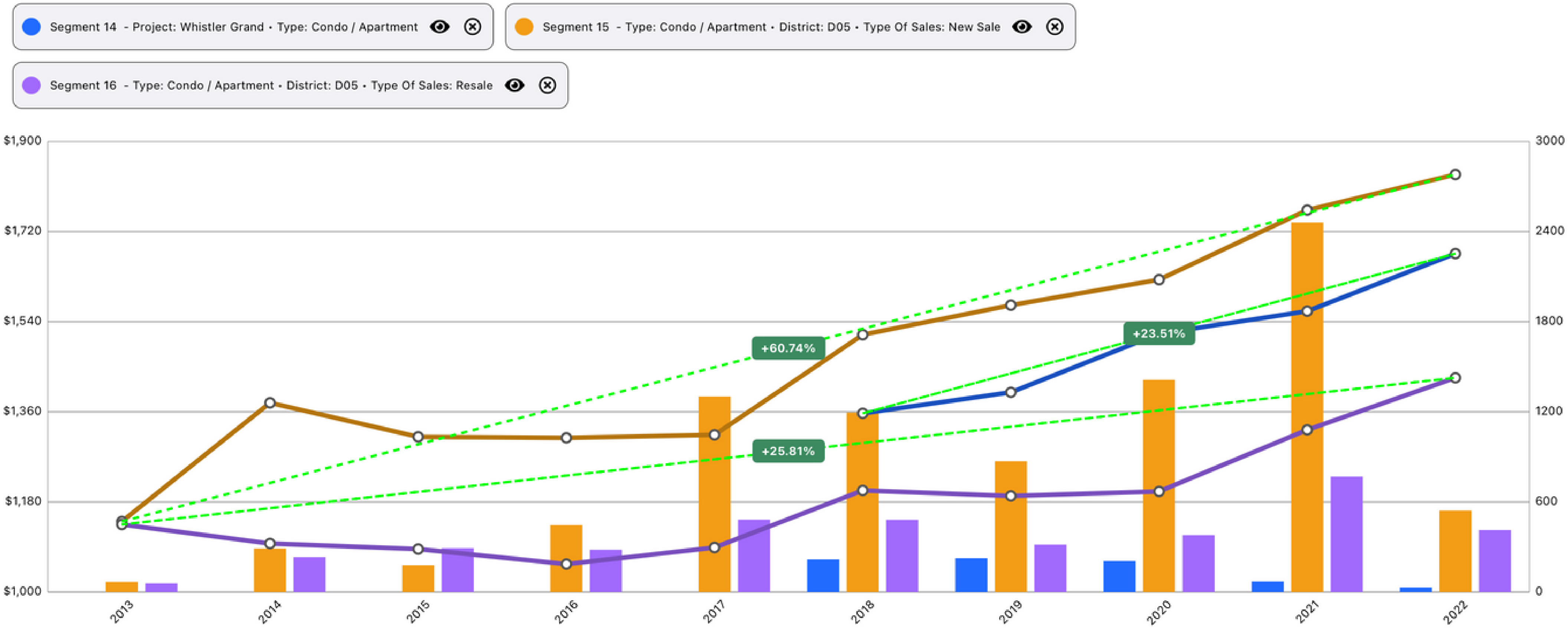
One simple way to identify the growth prospects of a property is to compare it against the price index of resale and new properties of the same tenure within the same district.

In the example above, we can see how over the past 10 years, The Panorama has performed relatively well (34%) vs the prices of other 99 years new (+50%) and resale (+44%) private condominiums in district 20.

(Note: COVID delays created artificial upward price pressures for typically stagnant projects which we foresee will normalize once COVID passes.)

*Figures rounded.

Properties That Are Growing In Value
Example 2

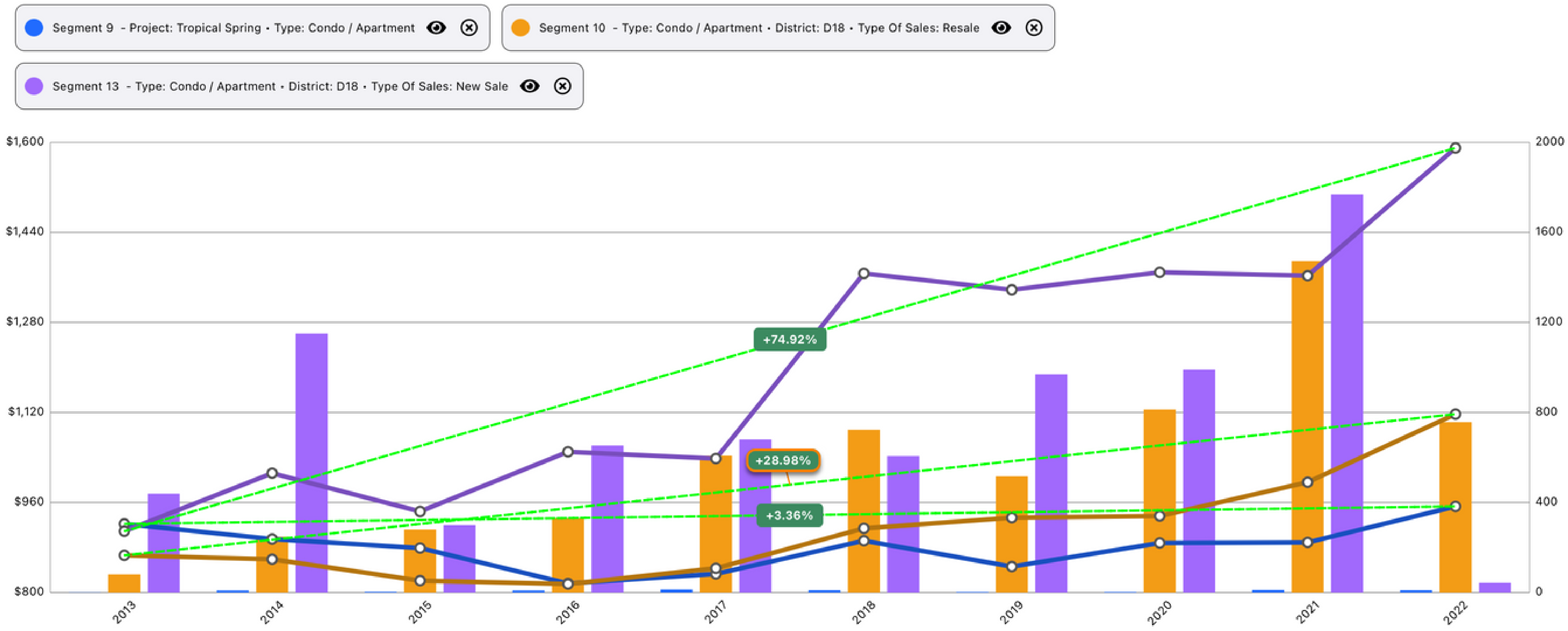


In the example above, we can see how Whistler Grand, despite being launched only 5 years ago, has performed relatively well (23.5%) against the price trends of other 99 years new (+61% over 10 years) and resale (+26% over 10 years) private condominiums in district 5.

(Note: COVID delays created artificial upward price pressures for typically stagnant projects which we foresee will normalize once COVID passes.)

*Figures rounded.

Property Facing Stagnation in Value
Example 3

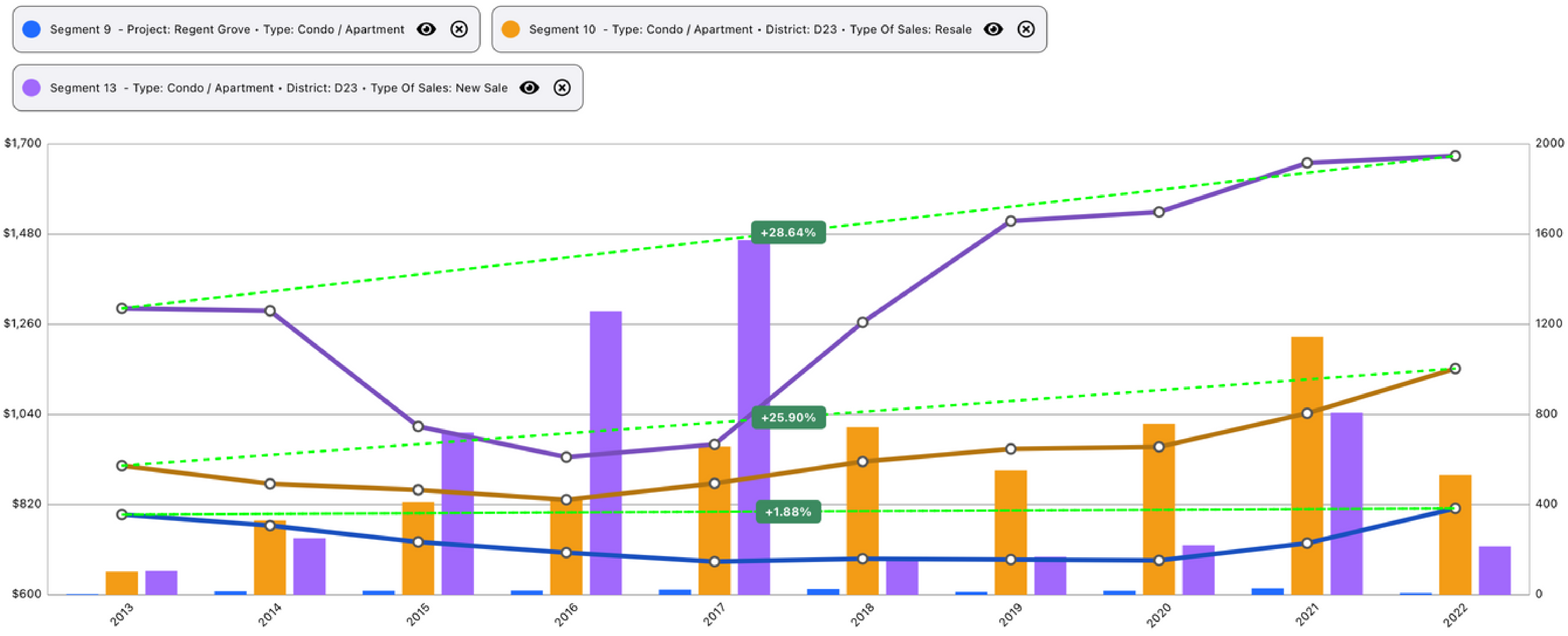


In this example, we can see how over the past 10 years, Tropical Spring has seen stagnation in value (+3.36%) vs the prices of other 99 years new (+75%) and resale (+29%) private condominiums in district 18.

(Note: COVID delays created artificial upward price pressures for typically stagnant projects which we foresee will normalize once COVID passes.)

*Figures rounded.

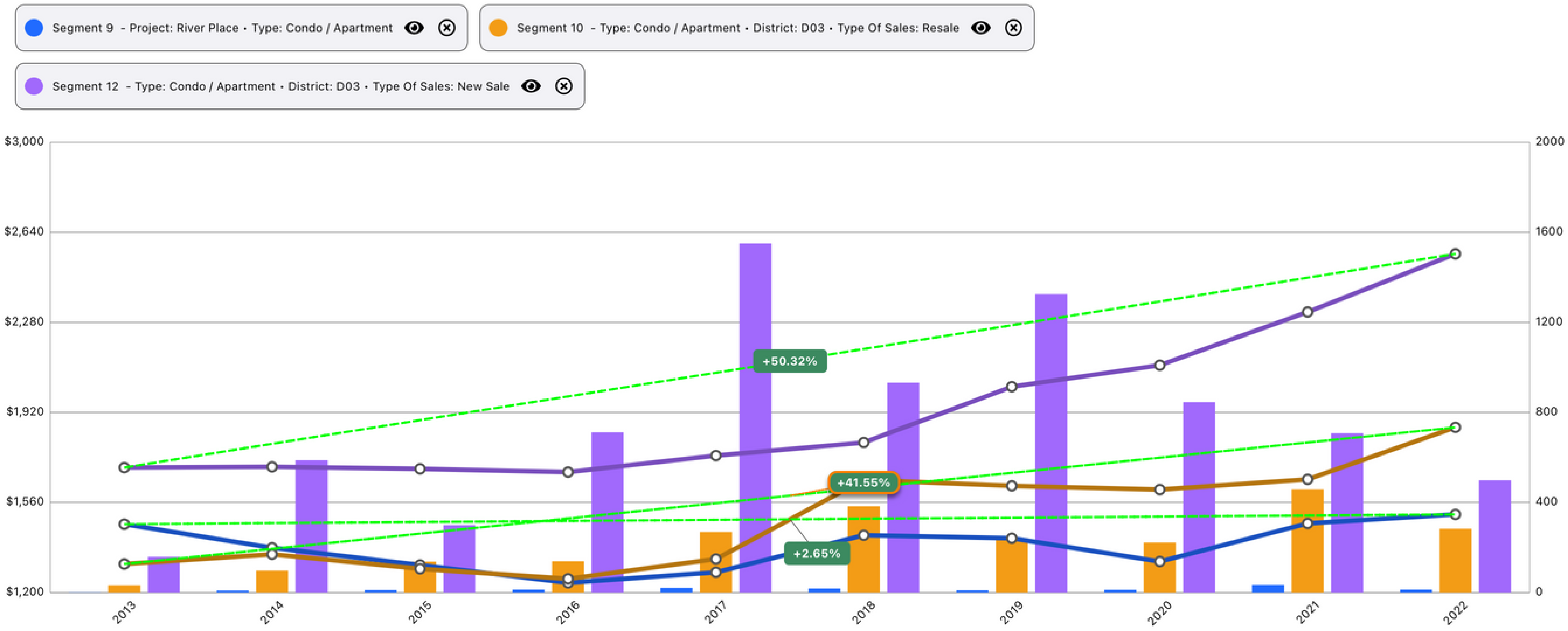
Property Facing Stagnation in Value
Example 4



In this example, we can see how over the past 10 years, Regent Grove has seen stagnation in value (+2%) vs the prices of other 99 years new (+29%) and resale (+26%) private condominiums in district 23.

(Note: COVID delays created artificial upward price pressures for typically stagnant projects which we foresee will normalize once COVID passes.)

*Figures rounded.



In this example, we can see how over the past 10 years, River Place has seen stagnation in value (+2.65%) vs the prices of other 99 years new (+50%) and resale (+41.5%) private condominiums in district 3.

(Note: COVID delays created artificial upward price pressures for typically stagnant projects which we foresee will normalize once COVID passes.)

*Figures rounded.

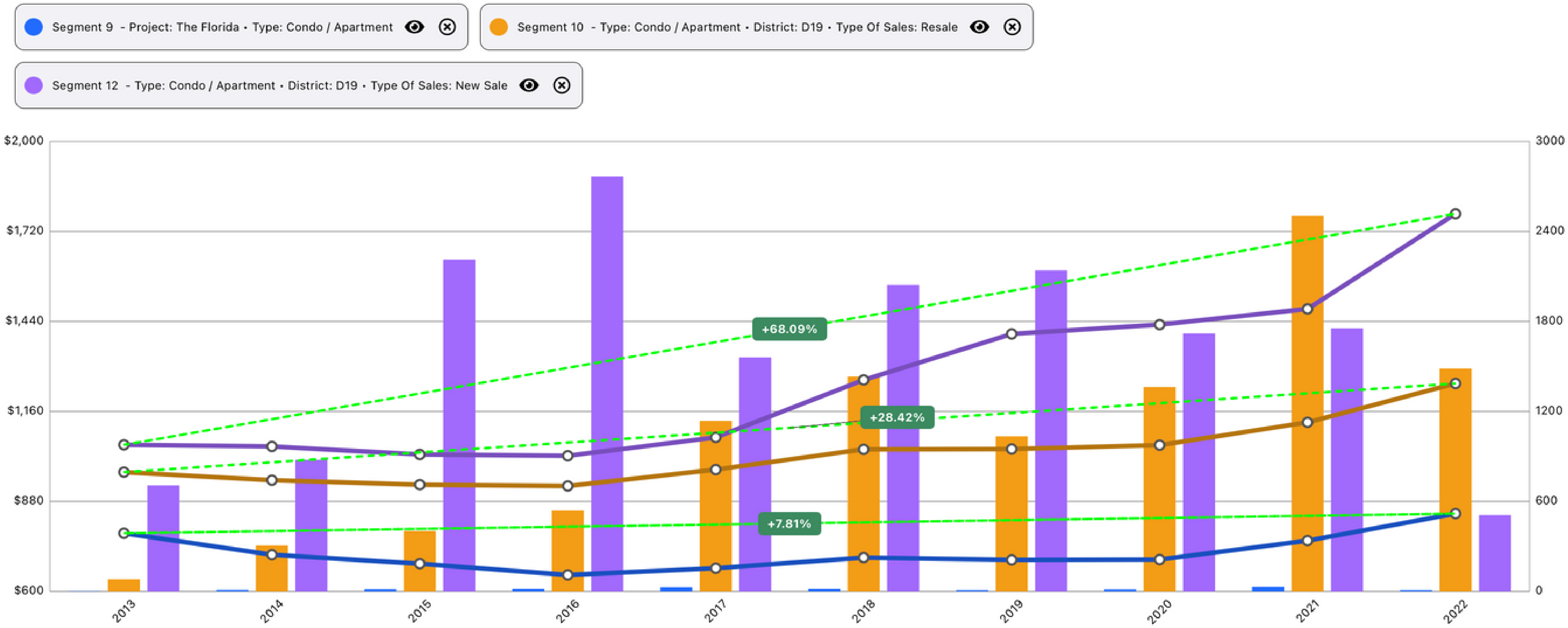
Property Facing Stagnation in Value
Example 6

In this example, we can see how over the past 10 years, Sunglade has seen stagnation in value (+5%) vs the prices of other 99 years new (+68%) and resale (+28%) private condominiums in district 19.

(Note: COVID delays created artificial upward price pressures for typically stagnant projects which we foresee will normalize once COVID passes.)

*Figures rounded.

Property Facing Stagnation in Value
Example 7

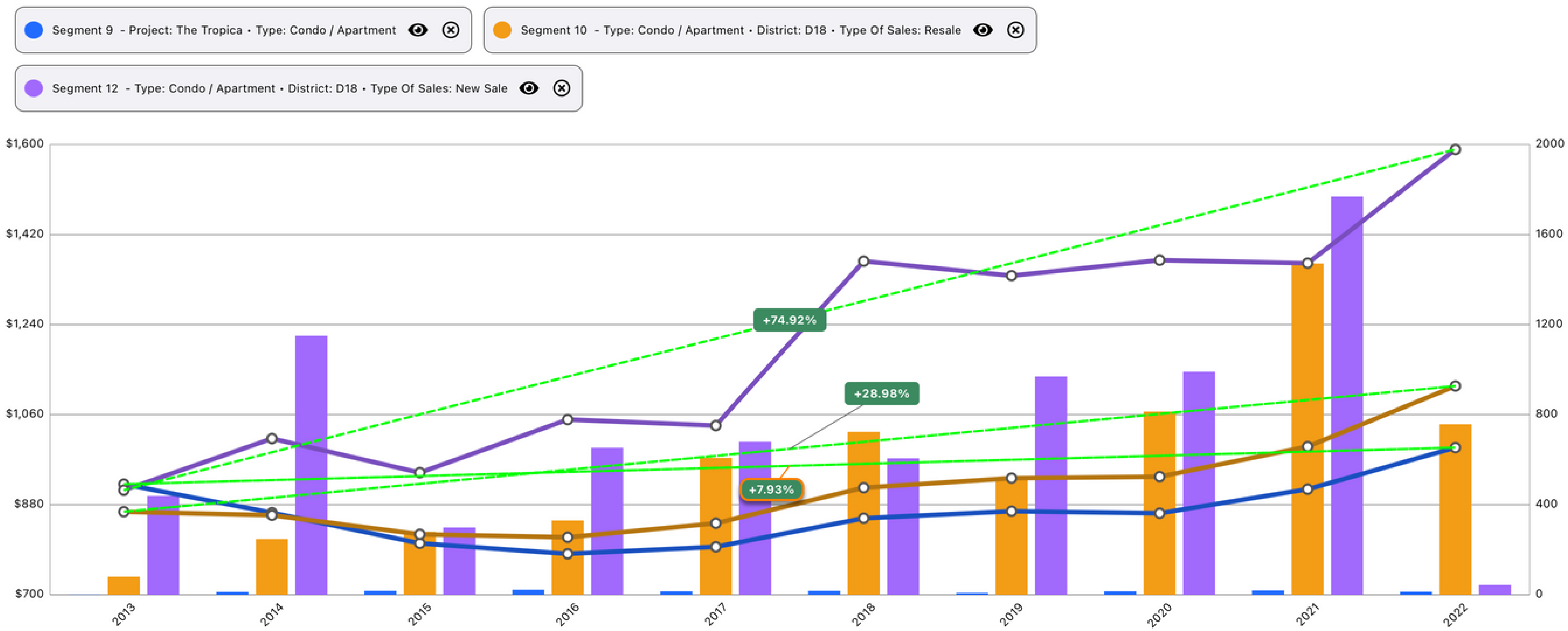


In this example, we can see how over the past 10 years, The Florida has seen stagnation in value (+7.8%) vs the prices of other 99 years new (+68%) and resale (+28%) private condominiums in district 19.

(Note: COVID delays created artificial upward price pressures for typically stagnant projects which we foresee will normalize once COVID passes.)

*Figures rounded.

Property Facing Stagnation in Value
Example 8

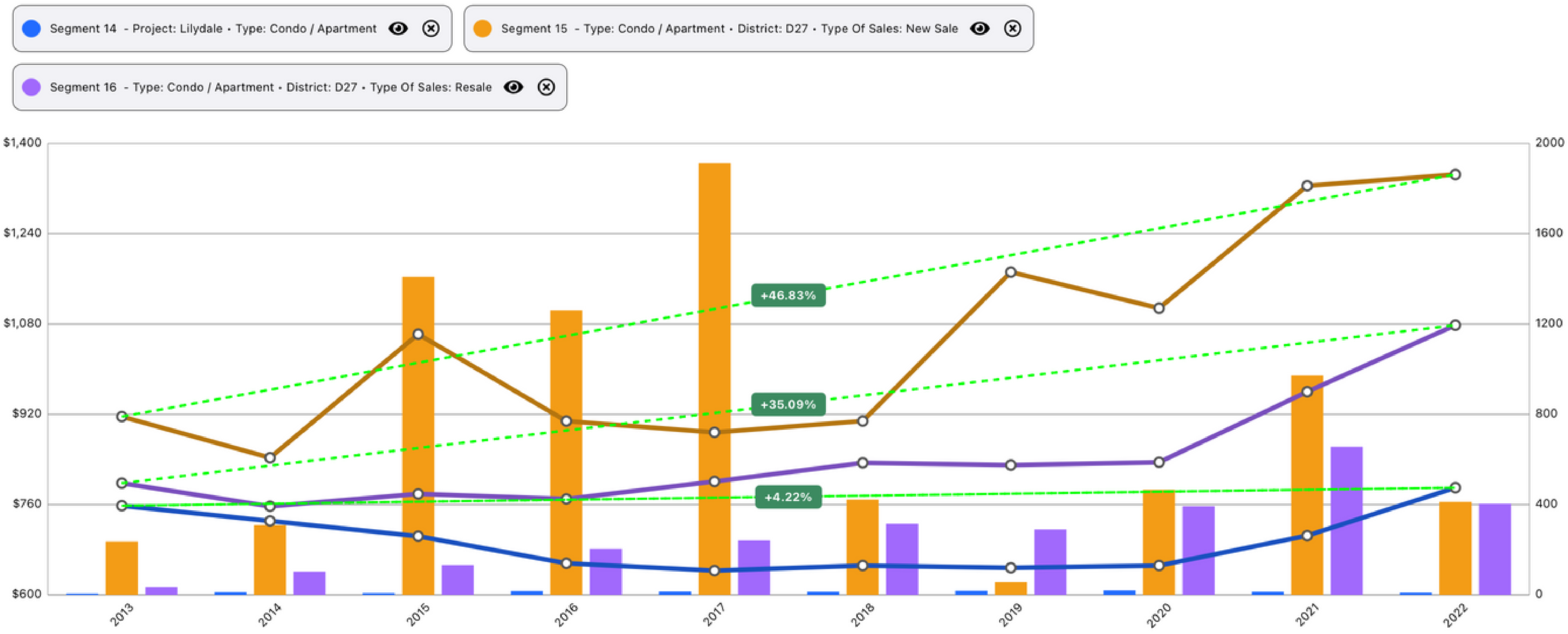


In this example, we can see how over the past 10 years, The Tropica has seen stagnation in value (+8%) vs the prices of other 99 years new (+75%) and resale (+29%) private condominiums in district 18.

(Note: COVID delays created artificial upward price pressures for typically stagnant projects which we foresee will normalize once COVID passes.)

*Figures rounded.

Property Facing Stagnation in Value
Example 9

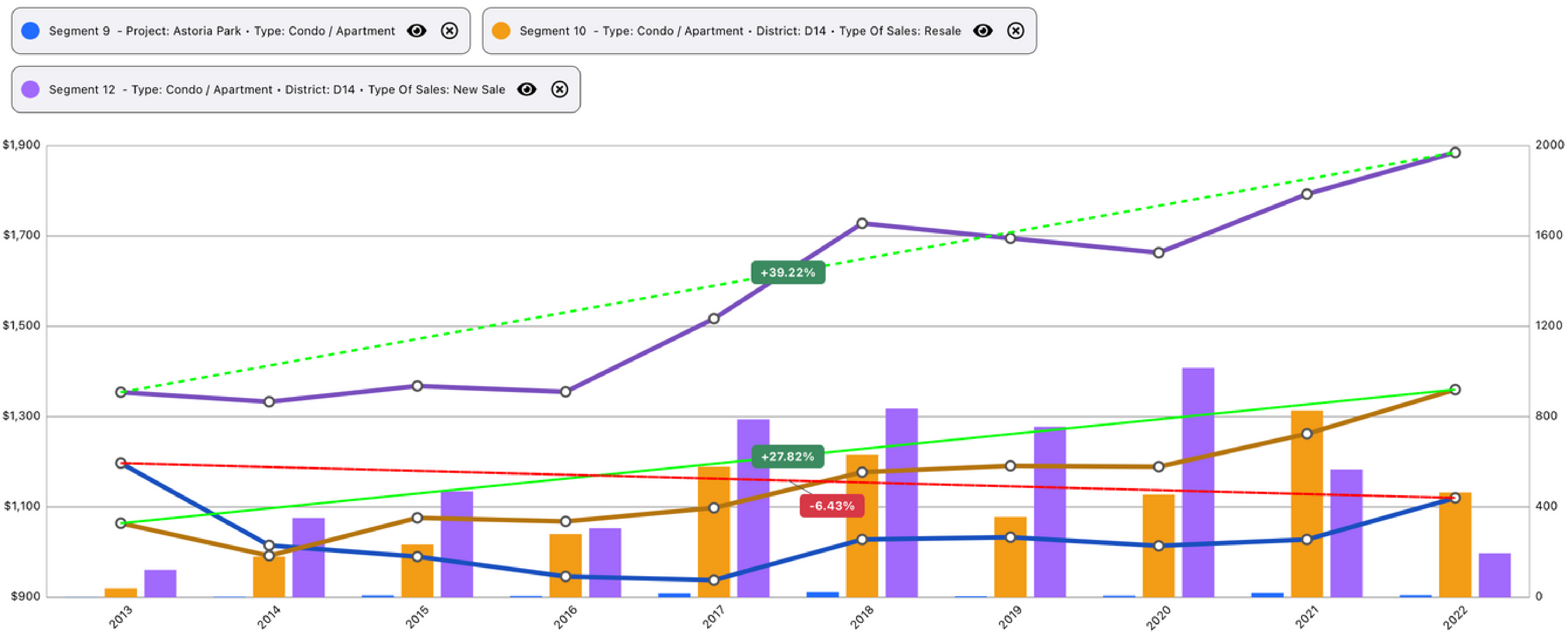


In this example, we can see how over the past 10 years, Lilydale has seen stagnation in value (+4%) vs the prices of other 99 years new (+47%) and resale (+35%) private condominiums in district 27.

(Note: COVID delays created artificial upward price pressures for typically stagnant projects which we foresee will normalize once COVID passes.)

*Figures rounded.

Property Facing Decline in Value
Example 10



In this example, over the past 10 years, Astoria Park has clearly underperformed (-6.43%) vs the prices of other 99 years new (+39%) and resale (+28%) private condominiums in district 14.

(Note: COVID delays created artificial upward price pressures for typically stagnant projects which we foresee will normalize once COVID passes.)

*Figures rounded.

Factors That Affect A Property's Growth Potential

Several factors can affect the growth rate of a property vs its surroundings and these are the main ones:

1. Number of units (Usually the larger the better)
2. Fairly or over priced at launch
3. Remaining tenure
4. Surrounding HDB upgraders demand
5. Rental yields (Growing/Stagnating/Declining)
6. Nearby amenities and/or transportation hubs
7. Condition and maintenance issues of the project
8. Regular or irregular layouts
9. Growth hotspots or the lack of (E.g. URA transformation plans, upcoming MRT stations, high number of upcoming GLS plots etc)
10. Enbloc potential

The more factors a property fulfills, the higher the likelihood that it will continue to appreciate in the longer term and vice versa.

In Summary

It is important that investors understand that 99 years leasehold properties require active management from time to time to 'recycle' profits and funds from stagnant and declining properties into higher profit potential ones especially seen in brand new or younger properties.

Although it can be argued that rental yields (If it's a tenanted unit) will still ultimately result in a gain for the property owner, it is better to seek both capital gains and rental yields as this compounds growth faster than just rent alone would.

This will allow an investor's portfolio to continue to out perform the general market and enjoy greater capital growth on their equity within the same period of time.