SUMMARY

Refurbishment is becoming an increasing important real estate activity in Singapore. Buildings erected in the 1960s and 1970s to tackle the severe housing shortage and to meet national economic needs are now considered old and, in some cases, functionally obsolete. However, it is not possible to embark on the previous government policy of demolition and reconstruction.

Having examined existing legislation, it is noted that the laws in Singapore do provide a mechanism to address the problems of property maintenance and management. However, they are mainly passive in nature and do not set the minimum standard required. Owners who contemplate on the decision whether or not to refurbish their properties see no financial incentive under the existing legal and financial framework. In fact, in certain situation, there are disincentives to refurbishment. Some incentives used in other countries were also discussed.

This study recommends the introduction of a periodic report on the condition of buildings within a certain area so that the current state of
repair and maintenance is highlighted. Based on this report, owners would be asked to undertake certain refurbishment works.

Also, this study proposes certain incentives that could be considered. Particularly, a concessionary property tax rate or, alternatively, a rebate in property tax payable seems appropriate. When refurbishment means a material change of use to revitalise a functionally obsolete property, it is recommended that there should be a rebate in the quantum of development charge payable in cases where development charge is leviable.

If the recommendations are put into effect, owners would be compelled to regularly review the state of repairs and maintenance of their properties and undertake the minimum refurbishment works. Studies have shown that refurbishment increases the rental value of a property. By the capitalisation of rents, the property’s capital value also rises. Hence, property owners benefit from an appreciation in rental return and capital value. Society benefits from a well maintained, currently relevant and aesthetically pleasing built environment.