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Valuers call for COV data to be dropped

■ BY JESSICA CHEAM

THE body representing Singapore's property valuers has called for the removal of all official data on cash premiums paid for Housing Board resale flats.

The Singapore Institute of Surveyors and Valuers (SISV) said in a statement yesterday that it supported National Development Minister Khaw Boon Wan's decision to cease the release of data on cash over valuation (COV), and urged home buyers instead to "use market valuations as the basis for making home-buying decisions".

The COV is the amount a buyer pays over and above the valuation of an HDB resale flat. As it must be paid in cash, it has a significant impact on affordability and is used as a barometer of demand in the housing market.

The HDB, in its latest official quarterly statistics in July, ceased issuing data on overall COV paid for HDB resale flats.

Mr Khaw later told reporters that the figures could be misleading, so he took a "middle way" - by issuing median COV data by HDB towns and flat types, but with no overall figures.

"I think you overdo things by doing a simple averaging and declaring to the world that it's up or down. I think that's misleading the readers," he had said.

SISV president of valuation and general practice Lim Lan Yuan yesterday noted that when the Government first published COV data in 2007, its aim was to reassure buyers that the high COVs reported in the news were not the norm.

But today, such figures are being used by sellers as a basis for

asking for cash as a right in resale transactions, he said.

He added that professional valuers would have taken market conditions into consideration when determining the value of a flat - the COV should thus not be included in the price of a home.

He acknowledged that "overly anxious buyers" may feel pressured to pay a premium to clinch a deal, but this amount paid "under specific conditions" which does not fall within the definition of market value of a home should not be reported at all.

"Publishing such data may inadvertently endorse the practice of COV," he said.

Mr Khaw previously said he cannot abolish COV as this is determined on a "willing buyer, willing seller" basis and that banning it would lead to illegal, undeclared cash payments.

ERA Realty key executive Eugene Lim said sellers and buyers negotiate "with an irrational mindset" on COV these days, and not the actual selling price. He had urged the Government to convince buyers to think about the total sale price rather than COV.

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Discourage practice of COV, industry body urges in letter

SINGAPORE — Supporting National Development Minister Khaw Boon Wan's decision to stop releasing the median cash-over-valuation (COV) data, the industry body representing property valuers here has urged the authorities to go a step further and "discourage" the practice of paying COV.

The Singapore Institute of Surveyors and Valuers (SISV) cautioned yesterday — in a statement from its president (valuation and general practice) Lim Lan Yuan — that the practice will lead to a rapid rise in housing prices, encouraged by "exuberant sentiments ahead of economic fundamentals".

The SISV added: "As 'cash over valuations' arise from specific individual buying decisions and are not necessarily paid in all transactions, they should not be recognised as such in the market. We should discourage the practice of 'cash over valuations'.

The SISV reiterated that buyers and sellers should use market valuations or actual prices of recent transactions when negotiating the price of a HDB resale flat.

While median COV data — which had

been published by the HDB until recently — is now used by sellers as the basis for the right to ask for a cash amount in any resale transaction, the SISV said COVs should only be paid in isolated cases where the buyer is "overly-anxious" and feels pressured to pay a cash premium. The HDB stopped releasing such data in its most recent official quarterly statistics in July.

Professional valuations already take into account market conditions but if COVs are consistently paid it will be subsequently incorporated into market value of the flat pushing up prices, said the SISV.

It also noted that as housing loans are made on the basis of the market valuation of a property — without taking into account the COV — COVs may affect affordability for buyers as more cash will be required for the purchase.

Last month, Mr Khaw had noted on his Facebook page that abolishing COV and relying on a professional valuer to set the price of resale flats was tried "years ago". "COV then went underground as 'under counter cash payment'," he had noted.