

Should One Buy A Freehold Or 99 Years Leasehold Property In Singapore?

The debate between buying a Freehold versus a 99-year Leasehold property is a classic dilemma for property buyers in Singapore. With land being one of the state's most scarce and tightly regulated resources, understanding the mechanics of these two tenure types is crucial.

While the gut instinct for many is to “buy freehold and own it forever,” the financial reality in Singapore’s dynamic real estate market is far more nuanced. Here is an honest, numbers-driven breakdown to help you decide which path aligns with your goals.

1. The Core Differences: Absolute Ownership vs. Time-Limited Right

Before diving into the financials, it helps to understand exactly what you are paying for.

- **Freehold:** In theory, you own the property and the land it sits on indefinitely. It can be passed down through generations without the fear of the title expiring.
- **99-Year Leasehold:** You own the property for a fixed duration of 99 years. At the end of the lease, the land legally reverts back to the State (Singapore Government) without compensation, and the building's value effectively drops to zero.

The En Bloc Catch: "Indefinite" ownership of a freehold condo is often a myth in Singapore. If a developer makes a lucrative collective sale (En Bloc) offer and a majority of your neighbors agree to sell, your freehold property can be sold out from under you.

2. The Price Premium: The "Freehold Tax"

Freehold properties command a premium. On average, a brand-new freehold condo will cost 15% to 20% more than a comparable 99-year leasehold condo in the exact same location.

If you have a fixed budget of S\$2 million, here is how that premium alters your buying power:

Feature	99-Year Leasehold	Freehold
Purchase Price	S\$2,000,000	S\$2,000,000
Price Per Square Foot (PSF)	~S\$2,000	~S\$2,400
Estimated Unit Size	~1,000 sq ft (Comfortable 3-Bedroom)	~833 sq ft (Compact 2-Bedroom)

The Takeaway: Choosing freehold means paying more, sacrificing physical space or accepting a less premium location to stay within the same budget.

3. The Lifecycle and "Bala's Curve"

To understand how these properties age financially, Singaporean investors rely on a tool known as Bala's Curve. This is a table used by the Singapore Land Authority to determine the value of a leasehold land relative to a freehold land.

- **The Golden Window (Years 0 to 20):** During the first 20 years of a leasehold property's life, its value behaves almost identically to a freehold property. It appreciates based on market demand, MRT updates, and neighborhood transformations.
- **The Cliff (Year 40+):** Once a leasehold property crosses the 30- to 40-year mark, its value begins to plateau or decline relative to freehold.
- **The Financing Restrictions (Year 60+):** When a leasehold property has less than 60 years remaining, the Central Provident Fund (CPF) restricts how much retirement savings buyers can use to purchase it, and banks tighten loan-to-value limits. This drastically shrinks the pool of future buyers, causing prices to stagnate.

Freehold properties are immune to this lease decay. A 50-year-old freehold building still holds immense value because a developer can buy it, tear it down, and build a brand-new skyscraper on it.

4. Rental Yields: The Leasehold Advantage

If your primary goal is generating passive rental income, leasehold is almost always the winner.

Tenants do not care about the master title of the land; they care about the infinity pool, the proximity to the MRT station, and the interior decor. Because leasehold properties are cheaper to buy but fetch identical rental rates to neighboring freehold properties, their rental yield ($\text{Annual Rental Income} \div \text{Purchase Price}$) is mathematically higher.

Which One Should You Buy?

There is no single "right" answer, but your choice should align cleanly with your timeline and lifestyle goals.

Buy Freehold If:

- You are buying a legacy: You want a multi-generational home to pass down to your children and grandchildren without worrying about a ticking clock.
- You plan to hold for 20+ years: You want a safe haven that preserves capital and acts as a hedge against inflation over decades.
- You want en bloc potential: You are banking on a future developer buying out the entire estate at a massive premium when the land value spikes.

Buy 99-Year Leasehold If:

- You are a first-time homebuyer or upgrading: You want more square footage, a better location (e.g., right next to an MRT station), or premium amenities for your dollar today.

- Your investment horizon is short (5 to 15 years): You plan to sell the property after it appreciates during its "Golden Window" and exit before lease decay kicks in.
- You are an income-focused investor: You want to maximize your immediate monthly rental yields rather than long-term capital preservation.

Have you spotted a specific new launch condo layout you like, or are you trying to decide between a few different residential districts in Singapore right now?