



## Case Study

How a HDB upgrader couple own 2 properties  
and still have \$250,000 in cash reserves

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- **Are you a HDB owner wondering how HDB owners can buy private property?**
- **How to buy more than one property?**
- **Is property investment still possible after all the cooling measures?**
- **Is it better to keep your HDB and rent it out if you buy a private property?**
- **Are you thinking of selling your HDB flat but not sure what to buy next, is it better to buy a condo or another HDB?**

**Let's dive into a real life case study that will clarify some of those doubts.**

## CASE STUDY OF CATHY & VINCENT

Vincent & Cathy own a HDB 5-room flat in the Bendemeer Rd area which is currently worth about \$950,000. They each have about \$100,000 each in the CPF ordinary account.

They would like me to help them buy a 1 bedroom condo in the vicinity for investment while they continue to live in their HDB flat.



### How to maximise their property portfolio:

This is how I worked out the sums for them.

If they were to take this opportunity to **sell their HDB flat at current high prices because it has just reached the 5 year MOP**, they will be able to **own 2 condos** which have proven to have bigger increase in prices than HDB properties. Besides they are still in their mid thirties and have increasing earning capacity. They will probably be working for at least another 25 years.

This will be a safe and low risk way of investing in properties because they will have **\$249,000 in CASH** reserves after owning the 2 new condos.

Let's go through the 2 scenarios here.

# Option 1-Keep the HDB flat & buy the 1 bedder condo



Assuming that the 1 bedroom condo is \$650,000. As they have an existing loan, the maximum that they can loan for the next property is only 50% according to MAS regulations.

This is the amounts that they have to fork out.

- |                         |             |
|-------------------------|-------------|
| 1)25% Cash              | : \$162,500 |
| 2)25% CPF               | :\$162,500  |
| 3)7% ABSD               | :\$45,500   |
| 4)Amount of loan is 50% | :\$325,000  |

Even if they have savings in cash of about \$200,000, they can barely only cover items 1)& 3) .

They each have about \$100,000 in their CPF account and they can only utilise \$20,000 each as \$80,000 have to be kept as a minimum sum and cannot be touched. This is because they have already utilised CPF for their HDB flat. If they want to use their CPF ordinary account to buy the second property, they each have to set aside \$80,000.

Presuming they utilise \$40,000 in total from their CPF ordinary account, There is still a shortfall of about \$122,500 (Item 2 \$162,500 less \$40,000)

**Disadvantage:**

- 1) They have \$550,000 locked in their HDB flat which they cannot use**
- 2) They have to make sure that they have at \$80,000 min sum in their CPF before they can use the rest towards payment of the 2nd property**
- 3) They have to spend \$200,000 of their savings and this will leave them with little reserves to buffer against any change in the property market.**

## Option 2-Cash out the HDB flat & buy 2 condos



**If they were to sell their HDB which has greatly appreciated in price, they will take back:**

Sale price of HDB= \$950,000 (presuming cash take back is \$430,000 & CPF returned to both account is \$65,000 each)

Outstanding loan : \$400,000

Return back to CPF: \$130,000

**Cash proceeds after sale of property : \$950,000 less \$400,000 less \$130,000  
= \$420,000**

**Vincent will have \$210,000 cash in hand**

**Cathy will have \$210,000 cash in hand**

**Total CPF in Vincent's account = \$165,000** (\$100,000 from OA & \$65,000 from sale of house)

**Total CPF in Cathy's account = \$165,000** (\$100,000 from OA & \$65,000 from sale of house)

**Total cash + CPF = \$750,000**

Savings in hand = \$80,000

**Total funds at their disposal = \$750,000**

With the equity of \$750,000 in hand, **they can comfortably afford**

- 1) to upgrade to a 3 room condo in the city fringe PLUS
- 2) buy another new launch 1 or 2 bedroom condo solely for investment

**Calculation for buying of Condo 1 (in Vincent's name)**

Cost of 3 bedder in Bendemeer/Paya Lebar area : \$1,150,000

5% cash is \$ 57,500

15% CPF \$ 172,500

3 % Buyers Stamp Duties : \$29,100

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Total CPF avail in his account: \$65,000 (from sale) + \$100,000 from Ordinary Account

= \$165,000

Less Stamp Duties (3%-\$5400) = \$29,100

Less 15% of sale price = \$172,500

**\*Amount of cash to make up shortfall in CPF= \$165,000 less \$29,100 less \$172,500  
= \$36,600**

**Based on Vincent's income of \$6,900 he is eligible to loan \$920,000**

Amount of loan : \$920,000

Monthly Instalment \$3,309

Interest rate: 1.8%

Loan Tenure : 30 years

Monthly Income: \$6900

Age : 35

**Cash in hand from sale : \$210,000**

Less 5% for purchase - \$ 57,500

Less \* cash to make up shortfall in CPF : \$36,000

**Cash leftover from buying and selling: \$116,500**

**This is enough to cover 3 years worth of monthly mortgage instalments. This is a very safe buffer and he will definitely be well equipped to protect against any crisis like loss of income.**

**Calculation for buying of Condo 2 (in Cathy's name)**

Cost of 2 bedroom condo : \$830,000

5% cash is \$ 41,500

15% CPF \$ 124,500

3 % Buyers Stamp Duties : \$19,500

Total CPF avail in Cathy' account: \$65,000 (from sale) + \$100,000 from Ordinary Account

= \$165,000

Less Stamp Duties (3%-\$5400) = \$19,500

Less 15% of sale price = \$124,500

**Positive Balance in CPF in account = \$21,000**

Based on Cathy' income of \$5,000, she is eligible to take a of loan : \$664,000

Monthly Instalment \$2,388

Interest rate: 1.8%

Loan Tenure : 30 years

Monthly Income: \$5000

Age : 35

**Cash in hand from sale : \$210,000**

Less 5% for purchase - \$ \$ 41,500

Less \* cash to make up shortfall in CPF : \$36,000

**Cash leftover from buying and selling: \$132,500**

**This is enough to cover 4 years & 6 months of instalments. This is a very safe buffer and she will definitely be well equipped to protect against anycrisis like loss of job.**

**Emergency Savings \$102,500**

If the rules are further tightened to lesser the amount of loan that one can take from today's 60%(Total Debt Servicing Ratio), they may not be able to take loans of the above amounts.

**In summary the advantages of cashing out on their HDB is:**

- 1) Instead of owning 1 HDB for own stay and buy 1 condo for investment, they can pamper themselves to **upgrade to a condo for own stay and also own a 999 leasehold 2 bedder at city** fringe which they too can move into if they so wish.
- 2) **They don't have to pay 7% ABSD** as they are buying 1 property each and not a second property in joint names
- 3) They are riding on the capital appreciation of 2 properties instead of only 1 property
- 4) They can still **keep their cash savings of \$249,000 for rainy days** or another commercial property

**If you would like to know more about how this can work for you and all your available options, please contact me**



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