Rising COE prices freeze car purchases, so...

Rent a car instead

REPORTS: FOO JIE YING
fjoying@sph.com.sg

A t current certificate of entitlement (COE) premiums, logistics driver Mohamad Nawawi Reduan could not afford to buy a car.

He first started renting cars on a short-term basis, either over the weekend or for a few days.

But last year, he switched to leasing a Chevrolet Aveo long term.

“It is too expensive to own a car in Singapore. The COE is too high for me,” said the 24-year-old.

The monthly rent costs him $850, which is almost half his monthly income.

In the latest COE bidding results, released on Aug 23, the premium for cars of 1,600cc and below was $66,889.

The COE premium for cars of 1,600cc and above was $88,002.

At those prices, does it make sense to rent, as Mr Nawawi is doing?

Renting a Toyota Camry, instead of buying it, could save you $2,465 a year. (See other report.)

Just six years ago, a new Toyota Camry 2.4 would have cost you $81,988.

Now, you would have to shell out $177,988, inclusive of the COE and six months’ worth of road tax.

That’s about $26,465 a year in car loan, interest, insurance, and road tax to buy the car.

To rent? $20,000 a year, according to Motorway Car Rentals.

Leasing companies said that more cars are now out on long-term rents, which refers to any rental period of above six months.

“People see it as a short-term alternative. They are simply waiting for the COE prices to drop before they buy a car,” said Dr Park Byung Joon, who heads SIM University’s Master of Science in Urban Transport Management programme.

This was the case for Mr Mateen Kirmani, 29, who has lived in Singapore for the past 10 years and became a Singaporean four years ago.

He has been renting a car from Swish Car Rental Singapore from July last year, while hoping for the COE prices to dip.

“The high COE has artificially inflated the second-hand market,” the head of marketing at online retailer Zalora said. “This made it expensive even to buy a second-hand car,” he added.

“With the current situation in which the COE is so high, I will probably (opt for rental) if my car’s COE expires this year,” Dr Park said.

Dr Park drives a second-hand Hyundai Verna.

He bought it for $27,000 in February 2006, when the COE was priced at $10,284.

While the alternative of buying a second-hand car exists, Dr Park noted that renting a car is a “safer” option.

“For a second-hand car, it really depends on the condition of the car. At least for a rental car, you can get it replaced if there is anything wrong with it,” he said.

‘No strings attached’

Motorway Car Rentals marketing manager Steven Ng said: “There are no strings attached when you rent a car. The rental cost of a car includes everything – maintenance, insurance and road taxes.

“Once you return the car, you do not have to worry about resale, or about your car’s value depreciating due to market forces.”

But it is not a like-for-like comparison, said National University of Singapore transport researcher Lee Der-Horng.

“The cars that you rent from car rental companies are usually a few years old,” said Prof Lee.

He said that because of the age of the rental cars, it is likely they enjoyed lower COEs.

The New Paper called a number of car rental companies to check on business.

“The demand for renting a car is higher when the COE prices are high,” said Exclusive Limo & Car Rentals manager Johnny Lai.

But no matter how expensive it gets, there will always be a group of people who intend to buy instead of renting, said Mr Lai.

“These people will not be deterred by things like escalating COE prices,” said Mr Lai.

But for Mr Nawawi, he is still hopeful.

“I will most probably buy my own car once the COE drops,” he said.

Ultimately, I still wish to drive my own car.”