



THE **PERSPECTIVE**

SINGAPORE **PRIME RESIDENTIAL**
REAL ESTATE MARKET REPORT

Introduction

The Singapore high-end residential property market is a creature that is often seen but seldom heard. It is often seen as most Singaporeans would associate it with real estate that is located near the very visible Orchard Road shopping belt. But it is seldom heard in the sense that most people may not fully understand the dynamics of this market segment.

In the evening of 5 July 2018, the Singapore government surprised the market by announcing a fresh round of cooling measures to rein in rising home prices and developers' land acquisitions. The measures included higher Additional Buyer's Stamp Duty (ABSD) and tighter loan requirements. The new measures would take effect on the next day. This report aims to study the effects of the cooling measures on the buying demand of high-end residential real estate.

Methodology, Terminology, Source Of Data

In this report, the high-end or prime residential property market shall be based on non-landed housing in District 9, 10, 11, Sentosa Cove and Downtown Core. Together, these locations are commonly referred to as the Core Central Region (CCR).

Landed housing shall be excluded in this study because non-Singaporeans or foreigners, are restricted from buying and owning such properties. However, foreigners are not restricted from buying private non-landed residential properties, such as condominiums and apartments. Hence, in order to analyse the demand for prime real estate where all the buyers are on a level playing field, only private non-landed residential real estate are included in the study. In this study, foreigners refer to non-Singaporeans, including those who have permanent residence status in Singapore and those who do not.

In order to study the effects of the July 2018 cooling measures, the number of transacted private non-landed residential property units in two time periods of equal lengths are analysed. The first time period is from January 2017 to June 2018, which is the 18 months before the introduction of the cooling measures in early July 2018. The second time period is the 18 months after the implementation of the cooling measures, specifically from July 2018 to December 2019.

The transaction volume is based on the number of private non-landed dwelling units transacted. The analysis will exclude properties that were acquired in collective sales or enbloc sales. Executive condominiums (EC) are also excluded in the analysis because they are a type of hybrid private-public housing and foreigners are excluded from buying EC that are less than 10 years old. The real estate data from URA Realis is obtained on 13 January 2020. The adjustments to ABSD rates for residential property are listed below.

Table 1: Adjustments to ABSD rates for residential property

	Rates on or before 5 July 2018	Rates on or after 6 July 2018
SCs buying first residential property	0%	0% (No change)
SCs buying second residential property	7%	12%
SCs buying third and subsequent residential property	10%	15%
SPRs buying first residential property	5%	5% (No change)
SPRs buying second and subsequent residential property	10%	15%
Foreigners buying any residential property	15%	20%
Companies buying any residential property	15%	15%
		Plus additional 5% for developers

Source: Inland Revenue Authority of Singapore

Non-landed Private Residential Property Market

The cooling measures adversely affected home-buying demand, leading to a fall in the transaction of private housing units nationwide. In the 18-month period from January 2017 to June 2018, 32,866 non-landed private residential units were transacted in the primary and secondary markets. In the 18 months after the implementation of the market curbs, from July 2018 to December 2019, the transaction volume dropped by 23.1% to 25,270 non-landed units.

The high-end residential property market was more susceptible to the latest market curbs. In the 18-month period after the implementation of the July 2018 cooling measures, the transaction volume contracted 36.0% to 3,740 housing units from 5,847 units in the previous corresponding period. The rate of decline of the sales volume in the CCR was greater than the 23.1% decrease in volume nationwide. Hence, the market share of high-end non-landed housing transactions also dropped from 17.8% of all the non-landed private housing units transacted nationwide in the 18 months before the latest market curbs to 14.8% in the correspond period after the implementation of the curbs.

As the tax burden of the cooling measures is different for Singaporeans and foreigners, the impact on the homebuying demand of these two groups of buyers also differs.

Nationwide Impact of Cooling Measures on Local and Foreign Demand

Typically, about one-third to one-fifth of the transacted private housing units in Singapore are bought by non-Singaporeans. The level of foreign participation in the Singapore private residential real estate market wax and wane according to the market climate and government intervention. In the 3-year period from January 2017 to December 2019, 23.1% of the 58,000 private non-landed housing units transacted nationwide were bought by foreigners.

As high-end real estate is beyond the reach of most Singaporeans, the proportion of private residential properties bought by foreigners is usually higher in the luxury market segment compared to the nationwide average. For example, in the past three years, 31.9% of the transacted private non-landed residential properties in the CCR were acquired by foreign individuals, compared to 23.1% nationwide.

Table 2: Nationwide number of private non-landed residential property units acquired before and after cooling measures

No. of private non-landed housing units bought by:	18 months before market curbs (Jan-2017 to Jun-2018)	18 months before market curbs (Jan-2017 to Jun-2018)	% change
Singaporeans	24,621	19,763	-19.7%
Foreigners	7,990	5,431	-32.0%
Companies	255	74	-71.0%
Unspecified status of buyer	0	2	NA
TOTAL	32,866	25,270	-23.1%

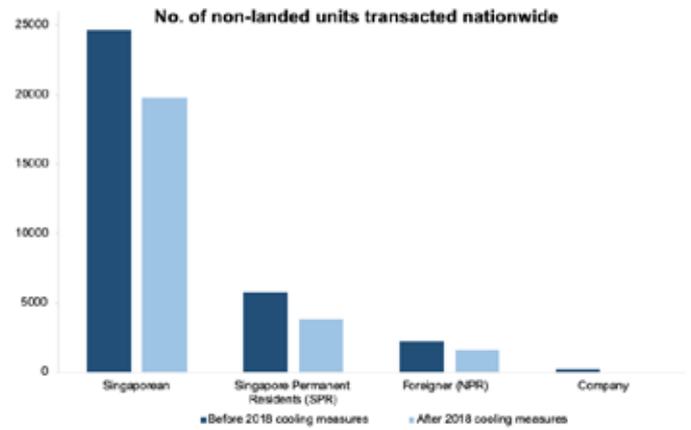
Source: URA, ERA Research & Consultancy

The cooling measures introduced in July 2018 adversely affected foreign demand for residential real estate more than local demand in the overall market. Singaporeans bought 19,763 private non-landed housing units nationwide in the 18 months following the implementation of the latest market curbs, 19.7% lower than the transacted volume in the corresponding period before the cooling measures. At the same time, the total number of private non-landed housing units bought by foreigners fell by a steeper 32.0% nationwide to 5,431 units.

Companies or non-individual entities staged the largest retreat from the private residential property market after the implementation of the market curbs. The number of non-landed housing units bought by companies plunged by 71.0% in the 18 months after mid-2018 compared to the preceding 18 months.

This sharp drop was due to the large increase in the Additional Buyer's Stamp Duty (ABSD) payable by companies or non-individual entities in the latest cooling measures. After 5 July 2018, a company or non-individual entity that purchases residential real estate is required to pay the ABSD that amounts to 25% of the price of the real estate, which is significantly higher than the 15% ABSD before the adjustment of the market curbs.

Chart 1: No. of nationwide non-landed units bought before & after cooling measures



Source: URA, ERA Research & Consultancy

Effects of Cooling Measures on Local and Foreign Demand For Luxury Homes

In the luxury residential real estate market, foreign buying demand was more resilient than local demand in the face of the latest cooling measures. In the 18 months after the introduction of the July 2018 market curbs, the number of non-landed housing units in the CCR purchased by foreigners decreased by 29.6% to 1,264 units, compared to the corresponding period before the latest curbs.

Table 3: Number of CCR private non-landed residential property units acquired before and after cooling measures

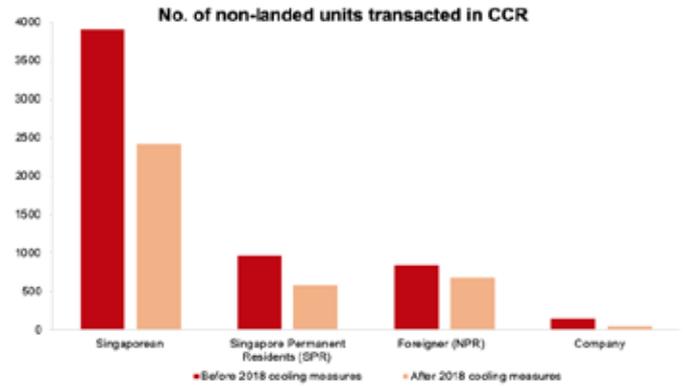
No. of CCR private non-landed housing units bought by:	18 months before market curbs (Jan-2017 to Jun-2018)	18 months after market curbs (July-2018 to Dec-2019)	% change
Singaporeans	3,909	2,427	-37.9%
Foreigners	1,796	1,264	-29.6%
Companies	142	49	-65.5%
TOTAL	5,847	3,740	-36.0%

Source: URA, ERA Research & Consultancy

However, Singaporeans bought 2,427 non-landed housing units in the CCR in the 18 months after the implementation of the recent market curbs, which was 37.9% fewer than the transaction volume in the 18 months before mid-2018.

Hence, the retreat by Singaporeans in the high-end residential property market was bigger than the contraction of foreign demand after the 2018 market curbs. This could be because some of the foreign buyers who were willing to pay the higher ABSD to purchase Singapore residential properties were high net worth individuals (HNWI) who were only interested to acquire luxury homes.

Chart 2: No. of CCR non-landed units bought before & after cooling measures



Source: URA, ERA Research & Consultancy

How The Buyers From Different Countries React

It is not surprising that most foreigners reduce or hold back their purchase of residential real estate in Singapore after the introduction of the 2018 market curbs. Foreign buyers from 44 countries reduced the number of prime real estate units acquired in the CCR after mid-2018.

Table 4: Buying demand by different nationalities after the cooling measures

Description	No. of nationalities
No. of nationalities that increased the No. of CCR non-landed units purchased after the 2018 cooling measures	7
No. of nationalities* that decreased the No. of CCR non-landed units purchased after the 2018 cooling measures	44

*Note: The nationalities include Singapore
Source: URA, ERA Research & Consultancy

Interestingly, the citizens from seven countries increased their purchases of prime residential real estate in Singapore after the cooling measure were implemented in mid-2018. Three of the seven countries offer financial services that could label the countries as tax havens.

The biggest increase in terms of the number of units acquired, were by Cambodians who bought 17 non-landed housing units in the CCR in the 18 months after mid-2018, which was a 112.5% increase over the corresponding period.

Table 5: Nationalities that increased their purchases of prime properties after cooling measures

No. of CCR private non-landed housing units bought by:	No. of CCR units bought (18 months before market curbs; Jan-2017 to Jun-2018)	No. of CCR units bought (18 months after market curbs; July 2018 to Dec 2019)	% change
Cambodia	8	17	112.5%
Vanuatu	5	13	160.0%
Cyprus	7	10	42.9%
Dominica	1	5	400.0%
Thailand	3	4	33.3%
Denmark	1	3	200.0%
Spain	1	2	100.0%

Source: URA, ERA Research & Consultancy

Taiwanese and Hong Kong Citizens Toppled Indian Buyers As Fifth Biggest Group of Foreign Buyers

Generally, among the buyers of prime residential real estate in Singapore, the ranking of the foreign nationalities that made up the five biggest groups of buyers remained largely unchanged. China, Malaysia, Indonesia and the USA were the 4 largest group of buyers of high-end residential real estate in Singapore before and after the July 2018 market curbs. Singaporean citizens have always been the largest group of buyers of luxury homes in Singapore, even after the 2018 cooling measures.

Among the foreign buyers of non-landed homes located in the CCR, China maintained its pole position as Chinese citizens remained as the largest group of foreign homebuyers before and after the 2018 cooling measures, even though the Chinese bought 29.8% fewer prime housing units. Malaysia and Indonesia swapped places as Malaysia dropped one slot from being the second biggest group of foreign buyers to the third place after mid-2018. Malaysians bought 101 non-landed housing units in the CCR from June 2018 to December 2019, a staggering 61.3% drop compared to the previous corresponding period.

At the same time, the number of prime non-landed residential units purchased by Indonesians decreased by a relatively smaller 28.7% from mid-2018 to end-2019. As a result, they notched up one rank to the second highest position among the foreign buyers.

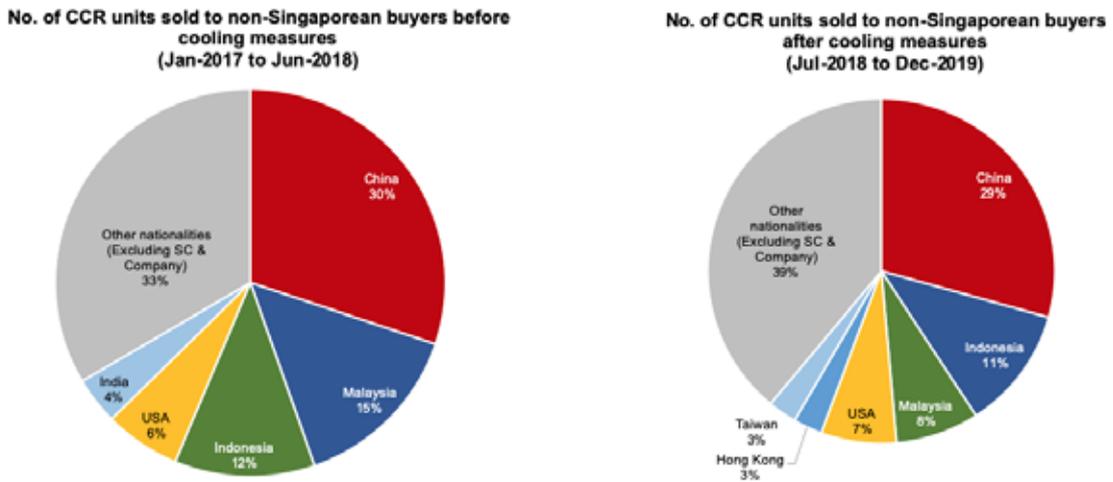
Table 6: The 5 biggest groups of foreign buyers of prime residential property in Singapore

18 months before market curbs (Jan 2017 to Jun 2018)		18 months after market curbs (July 2018 to Dec 2019)	
Nationalities	No. of units transacted	Nationalities	No. of units transacted
China	541	China	380
Malaysia	261	Indonesia	149
Indonesia	209	Malaysia	101
USA	113	USA	91
India	71	Taiwan	35
		Hong Kong	35

Source: URA, ERA Research & Consultancy

Like the Chinese, the Americans maintained their ranking after the 2018 cooling measures. After buying 19.5% fewer prime housing units under the new market curbs, the American buyers still remained as the fourth largest group of foreign buyers.

Figure 1: Number of high-end non-landed properties sold to non-Singaporean buyers before and after cooling measures



Source: URA, ERA Research & Consultancy

Before the 2018 cooling measures, real estate buyers from India were the fifth biggest group of foreign buyers of luxury residential properties in Singapore. In the 18 months after mid-2018, however, they beat a surprisingly rapid retreat from the high-end housing market and were toppled from the fifth to the tenth position by buyers from Taiwan and Hong Kong.

The number of prime housing units bought by Indian citizens tumbled by a significant 62.0% to just 27 units, while Taiwanese buyers bought 35 dwelling units in the CCR and so did those from Hong Kong in the one-and-a-half-year period after the latest market curbs were implemented.

Conclusion

The latest property market curbs introduced in July 2018 adversely affected the demand for private residential real estate in Singapore. Foreign buying demand in the high-end residential market weathered the cooling measures better than foreign demand in the rest of the real estate market, illustrating that the underlying demand for prime real estate from foreign homebuyers were still relatively healthy.

In the past five years, the high-end residential market segment contributed only a fraction of the supply of in the primary market. From 2014 to 2019, about 7% of the total number of private housing units launched for sale were located in the CCR.

A significant supply of around 20 new prime residential projects with an estimated 4,200 units are expected to be launched in 2020. The property market will continue to face the challenges posed by the existing cooling measures. Foreign demand will play an important role in the success of these high-end property launches.

Nicholas Mak

Head of Research & Consultancy

ERA Realty Network Pte Ltd

Estate Agent Licence No: L3002382K

ERA APAC Centre 450 Lorong 6 Toa Payoh Singapore 319394

T : (65) 6226 2000

www.era.com.sg

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