Effects of cooling measures | Interest rates | Tackling inequality | HDB BTO supply higher than pre-covid

Effects of cooling measures

We have had a good month or more to monitor some sentiments after the cooling measures were announced mid-December 2021, and the healthy numbers we have seen thus far indicates the underlying demand for existing supply.


Friday, February 11, 2022

THE BU

New private home sales hold steady in January in spite of cooling measures: analysts

Source: The Business Times

Many buyers were unfazed by the latest cooling measures as demand from Singaporeans and PRs owning their first property still remains high. Highest proportion of sales, as we expected, fell within the $1.5 - 2mil range, although we notice the $2 - 3mil range following closely in the second place. Based on new price tags for launches this year, we foresee this range taking up a larger proportion of units sold from this year.


THE BUSINESS TIMES

BT businesstimes.com.sg

Thursday, February 10, 2022

BT Infographics

Buying property after cooling measures: FOMO or wait and see?

FROM a capital appreciation perspective, is it wiser to bide your time amid new cooling measures, or act on the "fear of missing out" (FOMO) and rush to snap up properties? In its analysis of historical sales data, the Institute of Real Estate and Urban Studies (IREUS) found that properties purchased 2 years after a round of cooling measures tended to achieve stronger capital appreciation than those acquired in the same year the measures were implemented. BY FIONA LAM

Source: The Business Times

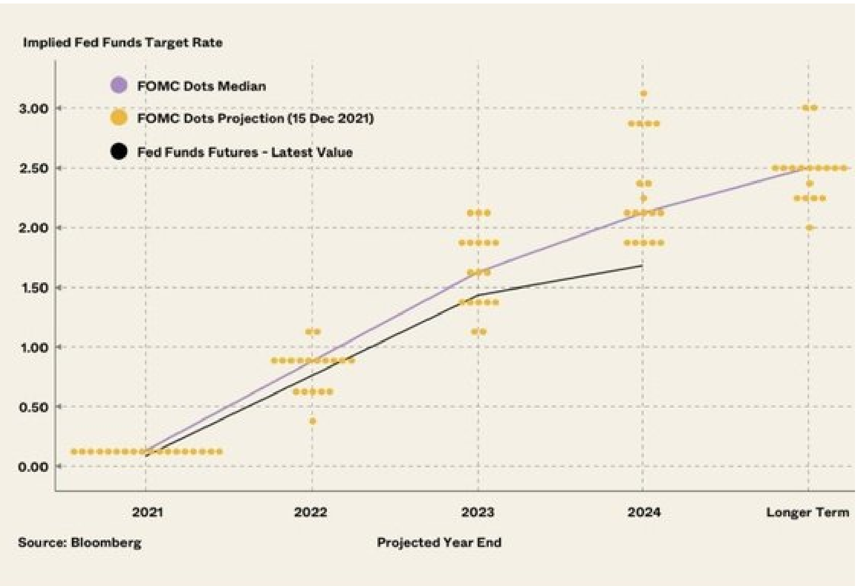
So, is this the right time to take the plunge if we have been waiting on the side, or would the decision be based on a fear of missing out? Well, we usually need to understand more about your goals and needs to make such a call, but let's track some performances back in the past. Decades ago in 1996-1998, making a property purchase a year or two after the introduction of cooling measures did provide a better return than those who bought right after the measures were announced. However, we have since had numerous rounds of cooling measures which have stabilised the property market much more such that property investors' horizons have become much longer, buyers are more prudent and less speculative.

Year	Q-on-Q change	
2017 Q3	0.7%	
2017 Q4	0.8%	9.3%
2018 Q1	3.9%	
2018 Q2	3.4%	
2018 Q3	0.5%	
2018 Q4	-0.1%	-0.8%
2019 Q1	-0.7%	
2019 Q2	1.5%	
2019 Q3	1.3%	3.3%
2019 Q4	0.5%	
2020 Q1	-1.0%	-1%
2020 Q2	0.3%	
2020 Q3	0.8%	3.2%
2020 Q4	2.1%	
2021 Q1	3.3%	
2021 Q2	0.8%	10.6%
2021 Q3	1.1%	
2021 Q4	5%	

Hence we saw in 2018 after cooling measures then were implemented, there were two quarters of price declines before they moved up quickly thereafter. We can see the opportunity presented itself in the period of uncertainty just after the cooling measures. The situation now is also a little different as we look to the years ahead where supply of new launches are not just drastically lower than in the years after 2018, land bid prices have also been making new highs with OCR bids easily above the $1k psf mark.

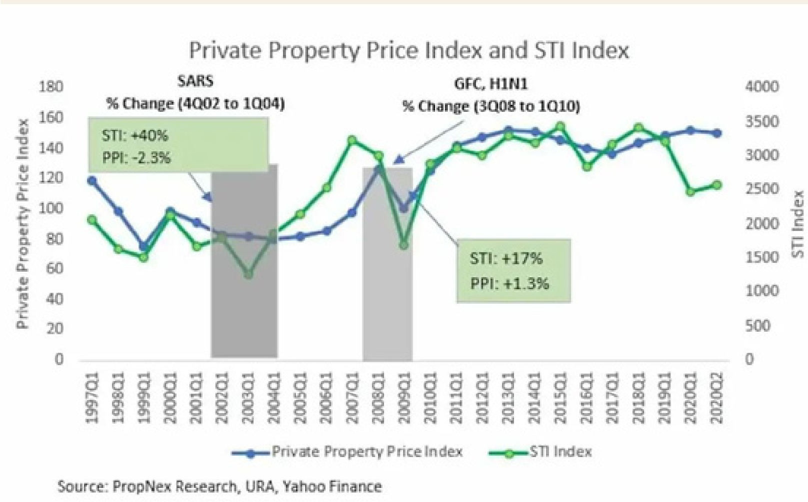
Quarter on Quarter change from 2017
Source: URA

Interest rates



As Singapore's domestic interest rates are largely influenced by the Fed's, we have to be prepared in the event of a hike in interest rates, as it is expected to move up gradually. While banks have been pricing in these expectations, borrowers are not facing the full impact yet.

Depending on your goals, you may decide to opt for a fixed or floating rate. While we tend to lean toward fixed rates in expectation of increased interest rates, floating rates may make sense for those looking to sell their properties within 1-2 years or some who are expecting significant amounts of funds to come in such as the sale of an asset or concluding of a large business deal, as floating rates may include waivers of penalty fees.



Will rising interest rates be detrimental to the property market then? If we look back decades ago, yes, prices were negatively correlated with high interest rates in 1998, but interestingly went up in 2006-2007 when interest rates went up to 3%, contrary to what most people think.

Based on the supply shortages we have moving forward, higher land bid prices and construction costs, coupled with most buyers being first time Singaporean and PRs with a genuine need for their own-stay, we believe the property price index is unlikely to be affected by the upcoming interest rate hikes, unless the hikes are done abruptly and sharply in an unsustainable manner, which we highly doubt.

Effects of cooling measures


THE BUSINESS TIMES
BT businesstimes.com.sg
Tuesday, February 08, 2022

THE LEVEL GROUND

Cooling measures won't stop wealth creation through owning homes but do combat inequality

While the investment case for private homes is not broken, it is much weakened by slowed price increases and raised transaction costs

LESLIE YEE
lyee@sph.com.sg

FINANCIAL inequality can stem from disparity in wages and wealth among people. Tools to combat the former can include raising wages of lower-wage workers, curbing excessive pay of top management, and ensuring progressiveness in income tax.

Measures to curb wealth inequality can range from levying taxes on

risking a destabilising correction later on.

Do the cooling measures help combat wealth inequality? Options exist for citizens and PRs to avoid paying the higher ABSD rates. Couples who are citizens or PRs can buy 2 homes under separate names. A citizen couple can buy a bungalow each in a Good Class Bungalow (GCB) area under separate names as the first home of each partner without incurring ABSD.

Citizen couples who jointly own a private home can restructure the ownership of the said home such that ownership is under one partner's name with the other partner free to buy another home without incurring ABSD. In such a case, BSD of around 3 to 4 per cent is payable on the share of the property that is being transferred.

Citizen couples can also buy

With the new ABSD rates, a citizen who wants to put tens of millions of dollars into homes in Singapore may be driven now to put this sum into 1 or 2 properties, rather than 3 or more units. BT FILE PHOTO

Private homes

Selected key indicators (Q4 2021)

Price index vs Q3 2021	Up 5.0%
Price index vs Q4 2020	Up 10.6%
Rental index vs Q3 2021	Up 2.6%
Rental index vs Q4 2020	Up 9.9%
Vacancy rate (excluding exec condos) at period end	6.0%

Compiled by BT based on data from the Urban Redevelopment Authority

ing the investment case of homes via slowing the pace of increase in home prices.

Higher ABSD rates will likely cause some foreigners and local investors to stop looking at homes here and shift their focus elsewhere – be it to overseas property, non-residential property here, or other investment instruments.

The government is ramping up

find ways to get around paying higher ABSD rates, wealthy locals may find other investment options besides Singapore homes to be more compelling. Could a preference for building wealth through homes be replaced by more money going into local or international equities and bonds, or new asset classes such as cryptocurrencies?

The jury is out as to whether

Source: The Business times

In the long run, we feel the added cooling measures do indeed help stabilize the market, allowing new entrants -- younger Singaporeans and PRs to own their first property. While the wealthy may be unfazed by higher transaction costs, in the short run, they may hold onto their existing property portfolio, especially if they are freehold in nature, if the switch up to a new or different property incurs too high of a transaction cost for them. Hence we notice sellers in the freehold resale market, especially in the Core Central region, being sticky about their prices, asking for prices above valuation, or deciding to withdraw their sale, especially if the ownership is PR or foreign based.

HDB BTO supply higher than pre-covid

Now, when we talk about tackling inequality, it is important to note that HDB resale prices have been climbing for 19 months in a row, which begs the question – aren't HDBs supposed to be public housing, providing us with a roof over our heads? How can the government allow HDB prices to run wild without any curbs?

Friday, February 11, 2022 THE BUSINESS TIMES

BT businesstimes.com.sg

HDB resale prices climb for 19th straight month in January: SRX, 99.co

By Michelle Zhu
michellezhu@sph.com.sg
@MichZhuBT

Singapore

PRICES of HDB resale flats continued their upward trajectory in January 2022 to book gains for the 19th straight month on the back of broad-based growth across all flat types as well as mature and non-mature estates.

According to flash figures from 99.co and SRX Property released on Thursday (Feb 10), January resale prices grew 1.1 per cent from the previous month and 12.9 per cent from the year before.

Some 2,442 HDB resale transactions took place during the month, representing a 0.6 per cent increase from the previous month and down 2.4 per cent on-year.

Four-room flats accounted for the largest proportion of HDB resale transactions at 42 per cent, followed by 5-room (25.8 per cent) and 3-room flats (23.9 per cent). These flat types also contributed significantly to the overall price increase with prices growing by 13.1 per cent, 13.2 per cent and 14.7 per cent, respectively.

About 1.1 per cent of total resale volume for the month comprised 27 resale flats which went for at least S$1 million in January 2022. This was down from December 2021, when 36 such units were transacted.

Notably, 4 of the latest million-dollar-plus flats sold were located in Bishan, while 6 were in Queenstown. Median resale prices for these areas in the month stood at S$680,000 and S$670,000, respectively.

The highest-transacted price was S$1,338,888 for a 5-room DBSS (design, build and sell scheme) unit at Natura Loft (Bishan).

Within non-mature estates alone, an executive apartment unit at Woodlands Street 41 achieved the highest transacted price of S$910,000.

In view of the latest January 2022 data, real estate market experts appear generally sanguine on the impact of recent cooling measures on Singapore's HDB resale market.

Christine Sun, OrangeTee & Tie's senior vice-president of research and analytics, believes the effect of cooling measures imposed since Dec 16, 2021 have been "minimal" on the public housing segment given how demand for resale flats appears to remain relatively healthy in January 2022.

Some 2,442 HDB resale transactions took place during the month, representing a 0.6 per cent increase from the previous month and down 2.4 per cent on-year.
BT FILE PHOTO

In an emailed-statement on Thursday, Sun noted a trend of continued and steep price increases for 4-room flats, which usually form the bulk of resale transactions. She believes the rising prices of this flat type may have impacted many households.

"As 31,325 flats will be reaching MOP (minimum occupation period) this year, the highest number on record, we may expect more owners to put up their units for sale this year. Owing to the huge supply increase, there could be some downward pressure on prices for certain estates this year," said Sun.

PropNex's head of research Wong Siew Ying expects the HDB resale market to remain resilient, as first-time Singaporean home buyers remain relatively unaffected by the latest property curbs.

"The reduction in loan-to-value limit for HDB loans to 85 per cent is not expected to significantly impact buying demand as many Singaporean households have ample savings. In addition, some buyers have also been opting to finance their property purchase with private bank loans where interest rates are currently lower than that of HDB loans," observed Wong.

"That said, the tightened LTV limit for HDB loans may encourage buyers to be more prudent and right-size their flat purchase, while HDB resale price growth will likely be more measured, with sellers mindful of price sensitive buyers."

In her view, a ramp-up in build-to-order (BTO) supply this year may not immediately temper demand for HDB resale units in the market – especially for buyers who are not eligible to purchase BTO flats or those with pressing housing needs.

Impending interest rate hikes and rising inflation may however introduce pressure on resale prices and rein in buying sentiment, she said. PropNex is expecting overall HDB resale prices to climb at a slower pace of 6 to 8 per cent in 2022, compared to the 12.7 per cent increase in 2021.

Meanwhile, ERA Singapore forecasts a 4 to 8 per cent expansion of the official HDB resale price index. Nicholas Mak, its head of research and consultancy, believes an increased supply of BTO flats in 2022 and possibly 2023 could draw some demand from the HDB resale market and slow down the current pace of growth in prices.

Source: The Business Times

We first have to note that this upward trend may not be sustainable in the long run, and is more of an anomaly rather than a norm. Firstly, we are pretty sure the main aim for HDBs is to keep them affordable for the mass market and to fulfil the goal of property ownership in our nation, which is what we are quite proud of too. Hence, a large supply has been introduced to cater to the high demand. In fact for this year, 31,325 flats will be reaching their Minimum Occupation Period (MOP), the highest number on record.

Bearing in mind a longer waiting time for BTO flats to be constructed, the need for bigger space and new HDB flats transacted that may raise the overall HDB resale price index, we note that once this MOP supply comes into the market, prices are expected to normalize or face some downward pressure in the following years.

Whether the purchase process is due to a fear of missing out or a genuine need, speak with us to understand abit more about understanding the emotional aspect to real estate, and you can assess whether this move is manageable after proper financial assessment, risk mitigation and downside protection.

In the meantime, stay safe, and have a great February!

Kindest regards,
STL Properties

Friday, February 11, 2022

THE BUSINESS TIMES

BT businesstimes.com.sg

New private home sales hold steady in January in spite of cooling measures: analysts

Analysts estimate that developers sold 639 new private homes last month, a 1.7% dip from December 2021

By Lisa Kriwangko
klisa@sph.com.sg
@klisa_BT

Singapore

DEMAND for new homes held steady in January in spite of new cooling measures introduced last year. Based on caveats lodged, analysts estimated that developers sold 639 new private homes last month, a marginal 1.7 per cent dip from December 2021's 650 units.

Compared to the previous year, the latest estimates are 60.9 per cent lower than the 1,633 units sold in January 2021. That said, OrangeTee & Tie senior vice-president of research and analytics Christine Sun noted that the January 2021's high volume was "an anomaly". Figures were boosted by the launch of the 1,862-unit mega project Normanton Park, which moved 645 units that month.

"In contrast, there was only one launch last month, the 107-unit Belgravia Ace," she said.

Sun added that from 2014 to 2020, total new home sales for the month of January ranged between 324 and 620 units.

Huttons Asia senior director (research) Lee Sze Teck added: "The sales volume in January 2022 is comparable to December 2021, despite there being 1 launch in January compared to 3 launches in December."

Including executive condominiums (ECs), new home sales dipped by 4.7 per cent to 685 units in January 2022.

Nicholas Mak, ERA Realty's head of research and consultancy, said: "The sales volumes in December 2021 and January 2022 are expected to be lower than previous months in 2021 partly due to the impact of the latest cooling measures and partly due to the festive lull period in December and January. However, it is encouraging to see that the sales in January did not contract drastically compared to the preceding month."

Best sellers

The top-performing project including ECs by sales volume last month was Normanton Park, which sold 93 units last month. This is higher than the 73 units of the same project transacted in December 2021.

It is followed by freehold strata landed housing project Belgravia Ace, which moved 77 of its 85 units released over its launch weekend on Jan 22 and 23.

"The excellent sales seen at Belgravia Ace signifies that there is ample liquidity in the market, and that the profile of buyers in the market now is predominantly first timers so the cooling measures do not affect them. It also sends a message that buyers are not waiting for the dust to settle before entering the market as they recognise a perfect opportunity to buy when others are uncertain," Lee said.

Price ranges

Based on transaction prices, the biggest proportion of new private homes sold excluding ECs again came from the S$1.5 million to S$2 million bracket, which made up 28.2 per cent of December's total new sales involving landed and non-landed properties. This was closely followed by homes in the S$2 million to S$3 million range, which accounted for 26.1 per cent of the volume.

Sales by region

Based on market segments, 43.3 per cent of last month's sales were in the rest of central region (RCR), while a close 41.3 per cent was from the outside of central region (OCR).

Meanwhile, the core central region (CCR) made up 15.3 per cent of the month's sales with 98 units transacted. This is lower than the 134 units transacted in December last year.

That said, Lee noted that after adjusting for new launches in December (Mori, Zyanya, Perfect Ten) and January (Belgravia Ace), all of which are located in the CCR, last month's CCR sales "remain steady and unaffected by the cooling measures".

January's best selling projects

PROJECT NAME	NO OF UNITS SOLD	MEDIAN UNIT PRICE S$PSF
Normanton Park	93	1,841
Belgravia Ace	77	1,080
The Woodleigh Residences	33	2,156
Dairy Farm Residences	32	1,684
The Florence Residences	26	1,760
Provence Residence	20	1,223
Midwood	20	1,789
Parc Greenwich	20	1,195
Amber Park	18	2,449
Verdale	16	1,787
Canninghill Piers	15	2,910
Avenue South Residence	12	2,315
Sengkang Grand Residences	12	1,740
Leedon Green	12	2,770

Note: Includes ECs

Sources: URA, OrangeTee & Tie Research & Analytics

Sales by region

MARKET SEGMENT	NO OF UNITS	% OF TOTAL NEW SALES
CCR	98	15.3
RCR	277	43.3
OCR	264	41.3

Note: Excludes ECs

Sources: URA, OrangeTee & Tie Research & Analytics

Transaction prices

PRICE RANGE (S$)	NO OF UNITS SOLD	AS % OF TOTAL NEW SALES
<800,000	1	0.2
800,000-<1m	15	2.3
1m-<1.5m	119	18.6
1.5m-<2m	180	28.2
2m-<3m	167	26.1
3m-<5m	135	21.1
5m-<10m	21	3.3
≥10m	1	0.2

Note: Excludes ECs

Sources: URA, OrangeTee & Tie Research & Analytics

THE BUSINESS TIMES

BT businesstimes.com.sg

Thursday, February 10, 2022

BT Infographics

Buying property after cooling measures: FOMO or wait and see?

FROM a capital appreciation perspective, is it wiser to bide your time amid new cooling measures, or act on the "fear of missing out" (FOMO) and rush to snap up properties? In its analysis of historical sales data, the Institute of Real Estate and Urban Studies (IREUS) found that properties purchased 2 years after a round of cooling measures tended to achieve stronger capital appreciation than those acquired in the same year the measures were implemented. **BY FIONA LAM**

IREUS at the National University of Singapore tracked homes that were purchased around 1996 and 2013 - the years when earlier cooling measures had the most lasting impact on the market - using data on caveats lodged. It then assessed how the properties performed over time, based on longitudinal data.

In the wake of any new property curbs, sales volumes typically come down as most buyers adopt a wait-and-see approach, and that may lead to a decline in housing prices.

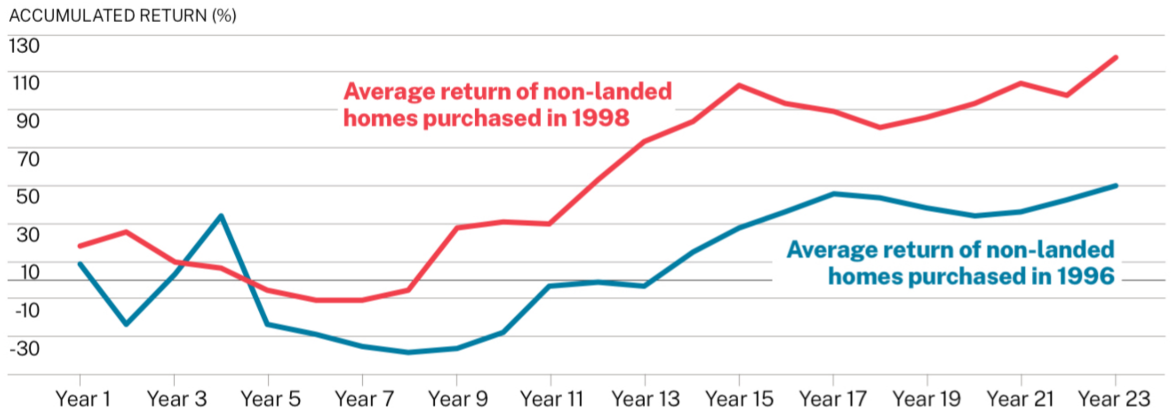
But this time round, after the Dec 16, 2021 measures, strong demand from upgraders, concerns over delays in the delivery of Build-to-Order flats, and the time lag in increasing supply via the government land sales imply that bullish market conditions may persist, said IREUS deputy director Lee Nai Jia.

It comes as first-time homebuyers and those who are upgrading, right-sizing or doing lateral moves are largely unaffected by the latest measures.

Buyers who had purchased residential properties in the earlier months of 2021, before the fresh curbs, may therefore be able to avoid lacklustre or negative returns, provided the market does not correct amid the heightened uncertainty in the global economy, he said.

1996 vs 1998

Wait-and-see wins



When it came to capital appreciation, buyers who waited 2 years after the introduction of cooling measures to make their purchases did "significantly better" than those who bought during the year when the market had peaked and the new measures were rolled out in response, IREUS found.

By and large, non-landed private residential properties bought in 1996 had a worse showing than those bought in 1998, over the same investment horizon of 23 years, between 1997 and 2021.

The average accumulated return was consistently higher for homes acquired in 1998, compared to those purchased in 1996.

Also, barring a sudden uptick in the 4th year or 2000, the average accumulated return of properties bought in 1996 turned positive only in the 14th year, or 2010.

In comparison, the return of properties bought in 1998 stayed in negative territory for just 4 years, and even doubled in value by the 15th year.

Likelihood of losses

	HOMES BOUGHT IN 1996	HOMES BOUGHT IN 1998
Total no. of transactions from 1999 to 2021	14,028	8,473
No. of transactions with negative returns	5,023	1,660
Proportion of transactions with negative returns	35.8%	19.6%

Going by the number of properties achieving negative returns, the likelihood of incurring losses after an extended investment horizon - from 1999 to 2021, in this case - was lower for homes that were purchased after cooling measures. About 20 per cent of homes bought in 1998 lost money, compared to the higher 36 per cent of those purchased in 1996.

"It is also interesting to note that many buyers who purchased in 1996 flipped their residences, and exited during the sharp market rebound in 1999," Dr Lee said.

2013 vs 2015

Average accumulated returns (%)

	HOMES BOUGHT IN 2013	HOMES BOUGHT IN 2015
Year 1	5.2	3.4
Year 2	-0.8	2.9
Year 3	2.8	15.1
Year 4	1.4	16.2
Year 5	5.6	11.2
Year 6	3.7	14.7

The 2013 property curbs came at the peak of the market, and were the seventh package of measures within 3 years to reign in surging buying sentiment.

Higher returns also accrued to buyers who acquired properties 2 years after the 2013 cooling measures. The average accumulated returns of these assets were above 10 per cent in the third to sixth years, whereas those of homes purchased in 2013 never exceeded 10 per cent.

Holding power

	PROPERTIES BOUGHT IN 2013		PROPERTIES BOUGHT IN 2015	
	NO. OF TRANSACTIONS WITH NEGATIVE RETURNS	NO. OF TRANSACTIONS WITH POSITIVE RETURNS	NO. OF TRANSACTIONS WITH NEGATIVE RETURNS	NO. OF TRANSACTIONS WITH POSITIVE RETURNS
Year 1	6	5	4	2
Year 2	28	15	7	15
Year 3		70	5	62
Year 4	202	312	23	337
Year 5	243	656	87	478
Year 6	205	416	96	820

The average return of properties purchased in 2013 was positive in the first year. IREUS attributed this to the lack of transactions as most owners had stronger holding power, unlike in 1996, and preferred to wait instead of selling at a loss. On the other hand, those who purchased in 1996 had faced greater pressure to sell because they were subsequently grappling with the crippling effects of the Asian financial crisis.

2018 and Covid-19

With the additional buyer's stamp duty (ABSD) and other measures in place, most buyers' investment horizons had become longer than before by the time the 2018 package of cooling measures kicked in. The low interest rate environment and the recovery of the rental market also enabled owners to enjoy more holding power.

"Buyers have likely learnt from their experience that they need to hold their assets for a longer time to break even. Hence, most are not in a haste to sell unless circumstances, such as divorce or job loss, forced them to do so," Dr Lee said.

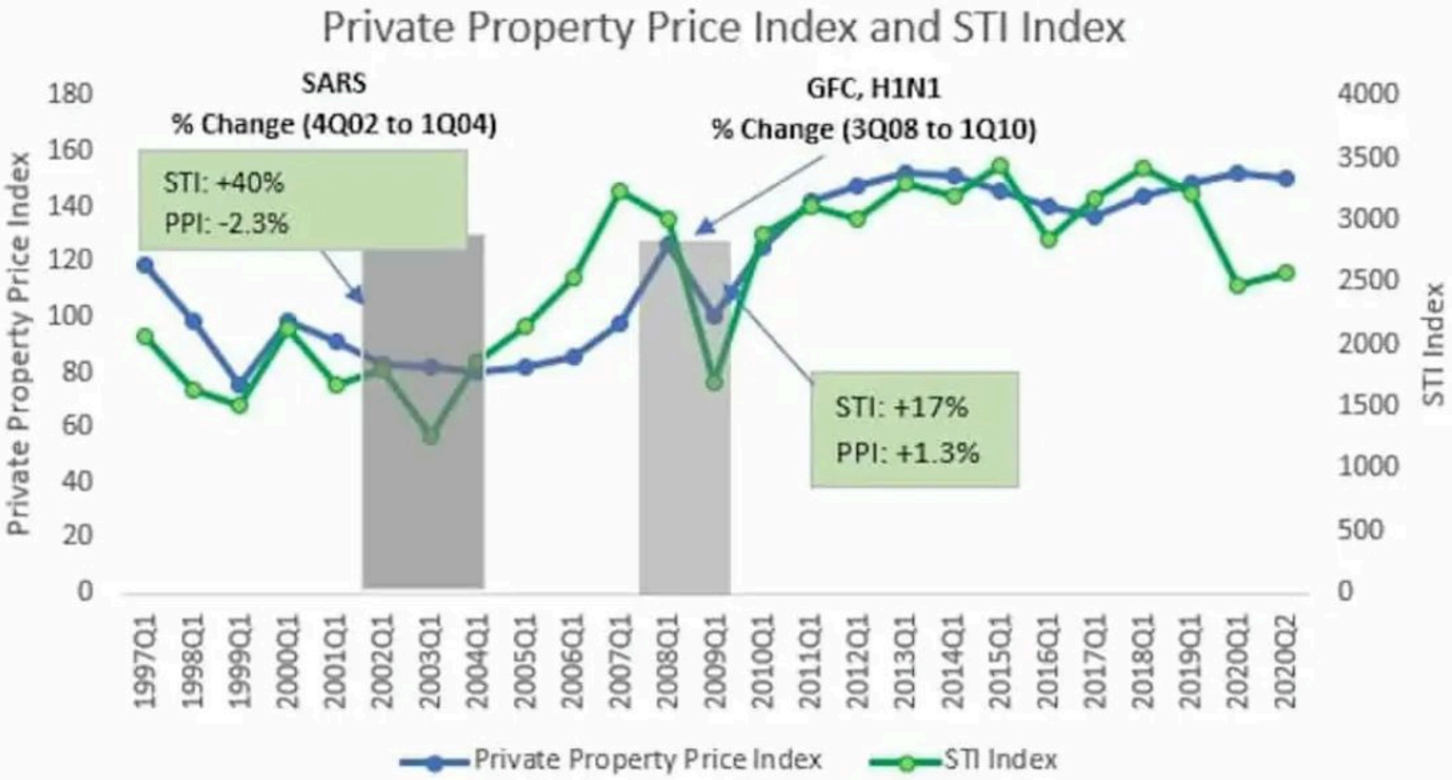
The unprecedented Covid-19 pandemic also turned out to benefit buyers who had paid high prices for properties in 2018. The increase in demand due to a confluence of factors - such as the need for larger spaces for remote working, new wealth created through cryptocurrency investments, demographic-driven demand and construction delays - fuelled price surges for homes.

In addition, a number of these buyers from 2018 have passed the three-year mark on their purchases and thus could sell their properties without incurring seller's stamp duty. As a result, nearly 90 per cent of the owners who transacted made a profit, Dr Lee noted.

"However, the profits likely accrued more to the owners with only 1 residential property, as the prohibitive ABSD for the second and subsequent properties would have, to some extent, eroded the profits for multi-property owners," he said.

Sources: URA Realis, IREUS

Implied Fed Funds Target Rate
FOMC Dots Median
FOMC Dots Projection (15 Dec 2021)
Fed Funds Futures - Latest Value
3.00
2.50
2.00
1.50
1.00
0.50
0.00
2021
2022
2023
2024
Longer Term
Source: Bloomberg
Projected Year End



Source: PropNex Research, URA, Yahoo Finance

THE BUSINESS TIMES

BT businesstimes.com.sg

Tuesday, February 08, 2022

THE LEVEL GROUND

Cooling measures won't stop wealth creation through owning homes but do combat inequality

While the investment case for private homes is not broken, it is much weakened by slowed price increases and raised transaction costs

LESLIE YEE
lyee@sph.com.sg

FINANCIAL inequality can stem from disparity in wages and wealth among people. Tools to combat the former can include raising wages of lower-wage workers, curbing excessive pay of top management, and ensuring progressiveness in income tax.

Measures to curb wealth inequality can range from levying taxes on business, capital gains, inheritance and property, as well as schemes to help the less well-off own their homes and invest to build retirement nest eggs.

Private-home owners here pay recurrent property taxes as well as stamp duties on transactions that include buyer's stamp duty (BSD) and additional buyer's stamp duty (ABSD).

Effective Dec 16, 2021, property cooling measures that kicked in included higher ABSD rates of between 5 to 15 percentage points for individuals and entities buying homes here except for Singapore citizens and permanent residents (PR) buying their first home.

The property cooling measures aim to promote a stable and sustainable property market where home prices do not run ahead of economic fundamentals, thereby risking a destabilising correction later on.

Do the cooling measures help combat wealth inequality? Options exist for citizens and PRs to avoid paying the higher ABSD rates. Couples who are citizens or PRs can buy 2 homes under separate names. A citizen couple can buy a bungalow each in a Good Class Bungalow (GCB) area under separate names as the first home of each partner without incurring ABSD.

Citizen couples who jointly own a private home can restructure the ownership of the said home such that ownership is under one partner's name with the other partner free to buy another home without incurring ABSD. In such a case, BSD of around 3 to 4 per cent is payable on the share of the property that is being transferred.

Citizen couples can also buy homes for their citizen children who are below the age of 21 using trusts. If a citizen child does not own another home, the transaction incurs no ABSD. Such purchases have to be funded without the help of a home loan, which need not be a deal breaker for the wealthy. Moreover, a property held in trust for a child can be used to earn rental income.

In short, there are still ways for wealthy citizens and PRs to add to their holding of homes without incurring more ABSD despite the cooling measures.

Owning multiple homes

The property cooling measures do not stop rich locals or foreigners from buying multiple homes here so long as they are willing to pay the high transaction costs.

No cap applies to the number of homes an individual can own. This is akin to the ownership of private cars here, where one can own a fleet of cars so long as one pays for the certificates of entitlement.

With the new ABSD rates, a citizen who wants to put tens of millions of dollars into homes in Singapore may be driven now to put this sum into 1 or 2 properties, rather than 3 or more units. BT FILE PHOTO

The wealthy can still build up portfolios of homes here, including those with freehold tenure, for wealth preservation and handing over to the next generation.

Indeed, might the higher ABSD rates snuff out aspirations of the merely well-off of investing in homes here – but not those of the very well-off?

The rich, who already own multiple homes, are unaffected by the cooling measures. Owners of multiple homes may simply be disinclined to rejig portfolios due to the high transaction costs.

The cooling measures also do not directly raise the costs of owning high-end properties such as bungalows in GCB areas or ultra-luxury condominium units.

With the new ABSD rates, a citizen who wants to put tens of millions of dollars into homes in Singapore may be driven now to put this sum into 1 or 2 properties, rather than 3 or more units.

The rich could own fewer homes but each home may be larger in size and more opulent. The building of fancy mansions on land and in the air, boasting copious amounts of living space, super pricey materials and eye-popping fittings, need not slow down following the cooling measures.

Weaker investment case

Nonetheless, the property cooling measures do help combat wealth inequality by raising transaction costs for some who are buying homes for investment and weakening the investment case of homes via slowing the pace of increase in home prices.

Private homes

Selected key indicators (Q4 2021)

Price index vs Q3 2021	**Up 5.0%**
Price index vs Q4 2020	**Up 10.6%**
Rental index vs Q3 2021	**Up 2.6%**
Rental index vs Q4 2020	**Up 9.9%**
Vacancy rate (excluding exec condos) at period end	**6.0%**

Compiled by BT based on data from the Urban Redevelopment Authority

Higher ABSD rates will likely cause some foreigners and local investors to stop looking at homes here and shift their focus elsewhere – be it to overseas property, non-residential property here, or other investment instruments.

The government is ramping up supply of both private and public housing units, which should help address the demand-supply situation. Moreover, the government's actions show it will be proactive in keeping home prices in check and signal that homes are meant for living rather than investing.

Wealth creation from owning homes is still possible as home prices should rise over time if the economy grows, income levels rise, infrastructure improves, and Singapore continues to be a safe haven.

However, with the cooling measures, growing wealth through owning homes becomes less attractive as it will be more difficult to build up holdings of homes and price increases may be more muted.

While the investment case for private homes is not broken, it is much weakened. Even if they can find ways to get around paying higher ABSD rates, wealthy locals may find other investment options besides Singapore homes to be more compelling. Could a preference for building wealth through homes be replaced by more money going into local or international equities and bonds, or new asset classes such as cryptocurrencies?

The jury is out as to whether more should be done to combat wealth inequality and whether private homes should carry an even bigger burden in this battle.

If there is a need to up the ante in fighting wealth inequality, more targeted measures aimed at bungalows in GCB areas or homes with values above a certain threshold can be rolled out.

Meanwhile, building more Housing Development Board (HDB) flats including in prime areas, ensuring HDB flats in prime areas are affordable and improving HDB estates will make housing less of a flashpoint among different socio-economic groups.

Invariably, the amount of money that people can make from home ownership will vary. Let us hope we strike the right balance between homes as instruments that preserve wealth and exacerbate inequality.

THE BUSINESS TIMES

BT businesstimes.com.sg

HDB resale prices climb for 19th straight month in January: SRX, 99.co

By Michelle Zhu
michellezhu@sph.com.sg
@MichZhuBT

Singapore

PRICES of HDB resale flats continued their upward trajectory in January 2022 to book gains for the 19th straight month on the back of broad-based growth across all flat types as well as mature and non-mature estates.

According to flash figures from 99.co and SRX Property released on Thursday (Feb 10), January resale prices grew 1.1 per cent from the previous month and 12.9 per cent from the year before.

Some 2,442 HDB resale transactions took place during the month, representing a 0.6 per cent increase from the previous month and down 2.4 per cent on-year.

Four-room flats accounted for the largest proportion of HDB resale transactions at 42 per cent, followed by 5-room (25.8 per cent) and 3-room flats (23.9 per cent). These flat types also contributed significantly to the overall price increase with prices growing by 13.1 per cent, 13.2 per cent and 14.7 per cent, respectively.

About 1.1 per cent of total resale volume for the month comprised 27 resale flats which went for at least S$1 million in January 2022. This was down from December 2021, when 36 such units were transacted.

Notably, 4 of the latest million-dollar-plus flats sold were located in Bishan, while 6 were in Queenstown. Median resale prices for these areas in the month stood at S$680,000 and S$670,000, respectively.

The highest-transacted price was S$1,338,888 for a 5-room DBSS (design, build and sell scheme) unit at Natura Loft (Bishan).

Within non-mature estates alone, an executive apartment unit at Woodlands Street 41 achieved the highest transacted price of S$910,000.

In view of the latest January 2022 data, real estate market experts appear generally sanguine on the impact of recent cooling measures on Singapore's HDB resale market.

Christine Sun, OrangeTee & Tie's senior vice-president of research and analytics, believes the effect of cooling measures imposed since Dec 16, 2021 have been "minimal" on the public housing segment given how demand for resale flats appears to remain relatively healthy in January 2022.

Some 2,442 HDB resale transactions took place during the month, representing a 0.6 per cent increase from the previous month and down 2.4 per cent on-year.
BT FILE PHOTO

In an emailed-statement on Thursday, Sun noted a trend of continued and steep price increases for 4-room flats, which usually form the bulk of resale transactions. She believes the rising prices of this flat type may have impacted many households.

"As 31,325 flats will be reaching MOP (minimum occupation period) this year, the highest number on record, we may expect more owners to put up their units for sale this year. Owing to the huge supply increase, there could be some downward pressure on prices for certain estates this year," said Sun.

PropNex's head of research Wong Siew Ying expects the HDB resale market to remain resilient, as first-time Singaporean home buyers remain relatively unaffected by the latest property curbs.

"The reduction in loan-to-value limit for HDB loans to 85 per cent is not expected to significantly impact buying demand as many Singaporean households have ample savings. In addition, some buyers have also been opting to finance their property purchase with private bank loans where interest rates are currently lower than that of HDB loans," observed Wong.

"That said, the tightened LTV limit for HDB loans may encourage buyers to be more prudent and right-size their flat purchase, while HDB resale price growth will likely be more measured, with sellers mindful of price sensitive buyers."

In her view, a ramp-up in build-to-order (BTO) supply this year may not immediately temper demand for HDB resale units in the market – especially for buyers who are not eligible to purchase BTO flats or those with pressing housing needs.

Impending interest rate hikes and rising inflation may however introduce pressure on resale prices and rein in buying sentiment, she said. PropNex is expecting overall HDB resale prices to climb at a slower pace of 6 to 8 per cent in 2022, compared to the 12.7 per cent increase in 2021.

Meanwhile, ERA Singapore forecasts a 4 to 8 per cent expansion of the official HDB resale price index. Nicholas Mak, its head of research and consultancy, believes an increased supply of BTO flats in 2022 and possibly 2023 could draw some demand from the HDB resale market and slow down the current pace of growth in prices.