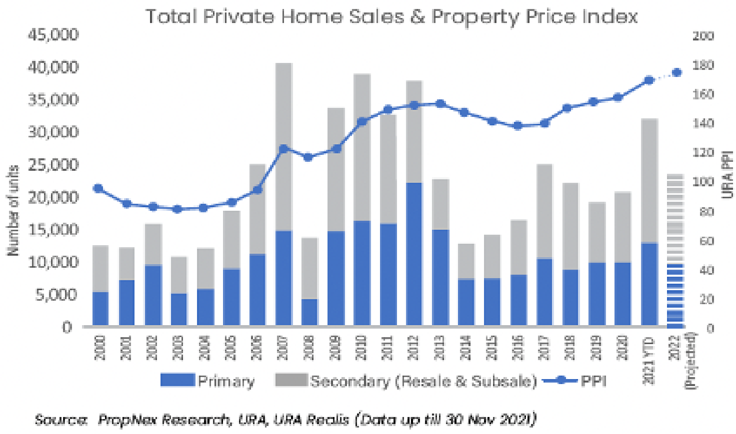
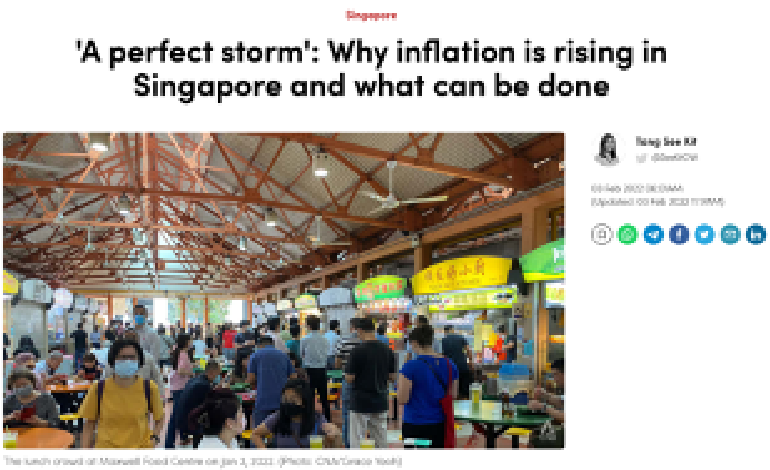
Is now the right time for a property purchase?| Latest GLS Prices| Upcoming launches

Is now the right time for a property purchase?



The perennial question of timing is one many are asking, with so many differing opinions, rumours, speculations -- how do we know if it's a right time to make a property decision, or if the concept of a right timing really exists? A simple answer is, if we look at the Property Price Index from the past 20 years, the best time to buy would have been 20 years ago. The next best time would then be—Now.

Why do we say that? Firstly, if we are expecting property prices to come down, there are too many factors indicating an uptick rather than a cooldown in prices. Households' median monthly income from work grew and even surpassed pre-Covid levels(1), disposable income has grown so much that debt as a percentage of cash & CPF has drastically been reduced from 55% in 2010 down to 36% at the end of 2021(2). This means affordability is stronger, and undeployed capital naturally flows into physical assets such as property, which brings us to our next point -- property being a hedge against inflation.



Over the course of the pandemic, governments worldwide have been printing money, injecting liquidity to salvage their respective economies which inevitably increases the supply of money in their nation. As this increased liquidity gets spent, prices of goods, services and assets go up.

While the amount spent on food or a haircut can't be recuperated, the amount we set aside on our property essentially acts as a savings plan which can be liquidated for various purposes as its value appreciates.

Property has traditionally worked as a hedge against inflation, can we take this opportunity before the full effects of inflation are being felt, to leverage on a growing asset supplementing our household income growth, creating a solid foundation for our future?

Latest GLS Prices

Latest GLS tenders see firm land prices

By Kalpana Rashiwala
kalpana@sph.com.sg
@KalpanaBT

Singapore

THE latest Government Land Sales (GLS) tenders for 2 99-year leasehold housing sites have drawn keen interest, reflecting developers' hunger for land in the suburbs following strong sales last year.

It also reflects their confidence that the segment will continue to post healthy demand from first-time homebuyers and HDB upgraders.

Improving sentiment

Provisional tender results

NO OF BIDS	TOP 3 BIDDERS	BID PRICE (S$M)	S$PSF PPR
7	**DAIRY FARM WALK (PRIVATE HOUSING)**		
	Sim Lian Land and Sim Lian Development	347.00	980.07
	UED Alpha *(United Engineers, part of Yanlord Land Group)* and Soilbuild Group	343.43	970.00
	CNQC-OS (3) *(Qingjian Realty)* and SNC Realty *(Santarli Group)*	337.89	954.33
9	**BUKIT BATOK WEST AVE 8 (EC)**		
	CNQC-OS (2) *(Qingjian Realty)* and SNC Realty *(Santarli Group)*	266.00	661.67
	Intrepid Investments and TID Residential *(both, Hong Leong Group S'pore)*	253.89	631.55
	Sing Holdings Residential, MCC Land (Singapore) and Cedar Investments *(private vehicle of Lee family of Sing Holdings)*	252.10	627.10

Note: Names of holding companies/parent companies in italics

Sources: URA, HDB, ACRA

The top bid for an executive condo (EC) housing site in Bukit Batok West Avenue 8 was S$661.67 per square foot per plot ratio (psf ppr), setting a new record price for EC land.

ECs are a public-private housing hybrid with initial buyer eligibility and resale conditions, which are completely lifted 10 years after the project has been completed.

The top bid, from a tie-up involving Qingjian Realty and Santarli Group, toppled the previous record for EC land price of S$658.93 psf ppr in July 2021 by the same consortium for an EC plot in Tampines Street 62.

The Bukit Batok land parcel, which is about 1 km from the Bukit Gombak MRT station, drew 9 bids at the tender closing on Tuesday (Mar 8, 2022).

The other site on offer, along Dairy Farm Walk and designated for private housing, drew 7 bids. The S$980.07 psf ppr top bid – by Sim Lian Land and Sim Lian Development – was just 1 per cent higher than the second highest bid of S$970 psf ppr from a tie-up between United Engineers' unit UED Alpha and Soilbuild Group.

Located about 700 m from Hillview MRT station on the Downtown Line, the 168,600 sq ft plot can yield about 385 housing units.

The winning margin for the Bukit Batok site was 4.8 per cent.

Observers note that the top bidders for both plots are part of groups that have their own construction arms – which probably gave them an edge over developers without a construction arm. An air of uncertainty continues to linger about construction costs, which have risen significantly in the past couple of years amid supply-chain disruptions and a labour shortage.

Edmund Tie's head of research and consulting, Lam Chern Woon, noted that the top 3 bids for the Dairy Farm site were within 3 per cent of each other. For the Bukit Batok EC plot, the top 3 bids were within 6 per cent of each other.

ERA Realty Network's head of research and consultancy, Nicholas Mak, noted that the EC market is expected to be less affected by the mid-December 2021 cooling measures as practically all buyers of new EC units are either first-time homebuyers or HDB upgraders.

Qingjian Realty said the proposed scheme for the Bukit Batok EC site is a 15-storey project with 360 residential units.

PropNex Realty's Wong Siew Ying projects the development's average selling price at about S$1,300 psf and above.

JLL's Ong Teck Hui, too, expects the selling price to be above current levels. Some 80 new EC units have been sold so far this year with prices averaging S$1,224 psf.

"A major factor contributing to the robust bidding for the subject site is the limited supply of new ECs on the market. Projects currently on the market are substantially sold, and there are only 3 EC projects in the launch pipeline," he added.

As for the new private residential project that will arise on the Dairy Farm Walk plot, CBRE's South-east Asia research head, Tricia Song, estimates the launch price could be S$1,800-1,900 psf. In the first 2 months of 2022, units at the neighbouring Dairy Farm Residences have sold at an average price of S$1,680 psf.

Summing up Tuesday's tender results, Colliers Singapore's research head, Catherine He, said: "The tenders closed with robust bids, reflecting still-strong developer interest for residential land in the suburbs, even post-cooling measures."

CBRE's Song noted that sentiment appears to have improved with more bids at the latest tenders, compared with the 4-8 bids received for the Lentor Hills Road and Jalan Tembusu private housing sites in January.

Recent land bids at Government Land Sales' sites in the Out of Central region areas have shown confidence in developers' underlying demand, as well as their appetite for land in our land scarce nation.

Source: The Business times

They also foresee the situation of insufficient land bank with limited supply left to work on their pipeline. The Executive Condominium (EC) site at Bukit Batok, with their winning bid at $661 psf ppr, stands at a new high for EC sites, which translates into selling prices of $1,300 psf and above, a pretty decent range considering average prices of ECs this year at $1,224 psf. This stands at a safe gap between private properties in the Out of Central area, making ECs still a considerably attractive option especially for HDB upgraders or families who have a requirement for space. Take for example the latest Dairy Farm plot, at their successful bid price of $980 psf ppr, selling prices are expected to be on average between $1,800 - 1,900 psf for next year's launch. This is easily $200psf higher than the average prices sold at the existing Dairy Farm Residences at $1,680 psf. Based on this, we foresee other attractive sites such as Pine Grove and Dunman Road fetching around the range of $1,200 psf ppr and above.

Upcoming launches

If our timeline permits and we want to avoid paying higher prices in the future, chances are hopping onto the existing launches would prove more beneficial as developers purchased these land parcels back when prices were still comparatively lower. A couple of launches we highlight for this year include the land parcels at Ang Mo Kio Avenue 1, Lentor Central, Slims Barracks Rise, Tanah Merah Kechil Link and Flynn Park. We will be focusing on Piccadilly Grand, next to Farrer Park MRT, as they are expected to launch in April 2022.

THE BUSINESS TIMES
BT businesstimes.com.sg
Tuesday, February 15, 2022
SINGAPORE PROPERTY: NEWS ANALYSIS

Do rising rents make Singapore homes ripe for investment?

In the 10-year period from Q4 2011 to Q4 2021, typical prime net yields fell from 2.49% to 1.87%: study

By Fiona Lam
fiolam@sph.com.sg
@FionaLamBT

Singapore

ON the face of it, the bullish outlook on leasing demand for Singapore residential property has ostensibly strengthened the value proposition for buying an additional home to collect rental income. But the reality is not so straightforward.

The new cooling measures' effects on rental supply and demand, as well as long-term trends in capital values and yields, are among factors to be contemplated.

For instance, could the hikes in stamp duties inadvertently bring about higher rental yield? A study in Canada suggests there is a possibility, as would-be homebuyers may switch to join the tenant pool.

Many investors in Singapore have also set their sights on selling for profit. In turn, they focus less on income.

Heightened leasing demand for homes has pushed some rents up to levels unseen in recent years. The Urban Redevelopment Authority's (URA) figures showed that rents of private homes jumped 9.9 per cent last year, reversing from the 0.6 per cent drop in 2020.

Lee Nai Jia, deputy director at the NUS Institute of Real Estate and Urban Studies, noted that rental yields for private residential properties in the city-state "are very low to begin with", hence most individuals purchase with capital appreciation in mind.

He has observed yields tending to hover at around 1 to 2 per cent for high-end condominiums and reaching just 3 to 4 per cent for mid-tier and mass-market condominiums.

Christine Yu, chief executive officer of International Property Advisor (IPA), told *The Business Times*: "To be honest, we are unsure why anyone will be buying in today's market for rental returns of less than 2 per cent per annum for freehold properties in Districts 9, 10 and 11."

Yields of new project launches that will be completed in 2 to 3 years' time might narrow by the time tenants move in, as buyers paid top dollar last year and rents there are "probably not going to move up much", she added.

To ascertain whether rising rents could continue to make investment for rental income viable, there is a need to analyse capital values, rents and yields over a longer time horizon. JLL Research data showed that in the 10-year period from Q4 2011 to Q4 2021, typical prime net yields fell from 2.49 per cent to 1.87 per cent.

Ong Teck Hui, JLL Singapore senior director of research and consultancy, said this came about as capital values appreciated while rents softened during the decade. "So while rental yields declined, investors may feel they were compensated by capital appreciation."

Investors often consider total returns, which comprise both rental yield and capital appreciation. "Investors tend to accept low net yields, of around 2 per cent or less, because they feel that capital appreciation could provide a higher upside in returns over the longer term," Ong said.

A slight yield expansion looks to be in store for 2022, as rents could rise more quickly than capital values, which are likely to record slower growth due to the latest property curbs, he added.

Lam Chern Woon, Edmund Tie's head of research and consulting, highlighted that the yield compression story has not been uniform across segments. For landed properties, prices in 2021 rose at a much faster pace of 13.1 per cent compared to the 4.6 per cent increase in rents. But prices and rents of non-landed homes exhibited similar growth, at 9.9 per cent and 11.2 per cent respectively.

Lam anticipates continued yield compression for landed properties in 2022, as their prices should continue to post fairly strong growth on the back of a scarcity of stock.

For non-landed homes, Edmund Tie's price growth expectations this year are more moderate relative to the strength of rental growth. "As a result, the financial case remains for investing in the non-landed segment, given the sanguine rental outlook," Lam said.

Yu reckons that if and when rising property prices are causing rental yields to shrink, investors will simply change tack to focus on capital gains instead of income; some will even sell their financial investments to buy property in such a scenario.

A preliminary research paper on Toronto's housing market found that an increase in transaction taxes led to more buy-to-let transactions by investors and fewer purchases for owner-occupation, partly as more individuals chose to rent to avoid paying higher transaction taxes. The paper was published in March 2021 by the Centre for Economic Performance at the London School of Economics and Political Science.

But Dr Lee said that for such an increase in buy-to-let transactions to take place, property prices must first drop significantly and thus boost the rent-to-price ratio or yield. That scenario may not happen in Singapore, as many individuals here still prefer to own their homes rather than rent.

For now, buy-to-let investors may prefer to wait on the sidelines to watch for any price declines in light of the cooling measures, before deciding whether to enter the market, he added.

Ong said Singapore's punitive additional buyer's stamp duty rates will deter acquisitions of subsequent residential property to earn rental income, which could translate into fewer investment purchases in the short term.

However, some units bought in the primary market would only be completed in about 5 years' time, so any decrease in investment purchases will not have an immediate impact in this segment, he added.

On the other hand, the supply of homes available for rent could see an uptick from another part of the market. Amid softer demand from buyers after the cooling measures, sellers may now find it tougher to achieve their asking prices. Some of these owners will thus decide to lease their units instead, given the favourable rental market, Ong said.

Christine Yu, of International Property Advisor reckons that if and when rising property prices are causing rental yields to shrink, investors will simply change tack to focus on capital gains instead of income; some will even sell their financial investments to buy property in such a scenario. BT FILE PHOTO

Robust demand

Rentals in Singapore are expected to sustain their upward momentum as more vaccinated travel lanes open. Moreover, the fresh cooling measures could prompt prospective homebuyers who urgently need accommodation to turn to the leasing market temporarily while they take more time to consider their purchases, Dr Lee said.

However, he also highlighted that an increase in supply – from the completion of new residences – may exert downward pressure on rents, especially when mega projects come to the market. About 11,449 private residential units are expected to be completed in 2022, followed by 17,184 units in 2023, URA said in October 2021.

Therefore, while rising rents will definitely appeal to investors, "the savvy ones will probably look at how the new completions impact the market and how prices recalibrate to the latest cooling measures", Dr Lee added.

A buoyant collective-sale market can also drive rental demand, given the replacement demand from displaced tenants and from unit owners seeking interim accommodation. For such a spillover to occur, there is usually a lag of a few months after a collective sale, Lam from Edmund Tie noted.

He thus expects Singapore's rental market in H1 2022 to be supported by the successful en bloc sales concluded in 2021. That said, there could be a bit of uncertainty down the road, depending on the state of the collective-sale market in the next few months following the cooling measures.

"On balance, the risks to rental demand appear to be tilted to the upside, as construction delays in the public and private housing markets are likely to propel to-be owners to the rental market," he said. "Local workers have also turned to renting rooms or units in a bid for more privacy and conduciveness amid the rising prevalence of hybrid work arrangements."

IPA's Yu does not foresee a big surge in rents in the coming years.

In her view, the outlook for a continued increase in rents "is at best murky" at this point. It remains unclear how many expatriates will actually relocate to Singapore, given the adoption of remote work and fierce global competition for talent.

"Some of the highly paid top talents such as data scientists, investment bankers and tech researchers are already citizens of the world," she said.

Source: The Business times

We foresee continued healthy take-up rates for these launches, noting the underlying demand and most buyers being genuine ones for own-stay or on their first property purchase hence unfazed by the recent cooling measures. This is coupled with compressed rental yields from investment properties leading investors hungry for yields seeking out capital gains from new launch properties, rather than existing resale properties.

If we were to wait for launches in 2023-2024 which will complete 2027-2028, developers are unlikely to sell cheaper than benchmark prices, as there is no motivation for developers who have land now to sell cheap, much less when prices are higher later, to sell anywhere lower than the current prices.

Conclusion

As scarcity of raw material is unlikely to cease, supply chain disruptions and higher building costs continue, we do not foresee property prices having significant drops in the foreseeable future. At the same time, please do not panic, as every individual or household has their respective timeline and timing the market tends to be riskier than entry at your comfortable level.

For medium to long term hold, we are just at the crossroads towards newer benchmark prices especially as we have depleted the supply of properties launched back in 2019-2020, even those launched late 2021 have limited supply left, such as Mori or Canninghill Piers. For those looking to exit in the short run, capture the low lying fruits while we are still able to.

If you have done your finances and are confident of your purchase and timeline, speak with us and we will be happy to discuss your options with you.

Kindest regards,
STL Properties

References
1: Extracted from The Business Times, Feb 15 2022: Resident employed households' median monthly work income surpasses pre-Covid levels
2. Figures extracted from Department of Statistics Singapore, contact us for more comprehensive charts

Singapore

'A perfect storm': Why inflation is rising in Singapore and what can be done

The lunch crowd at Maxwell Food Centre on Jan 3, 2022. (Photo: CNA/Grace Yeoh)

Tang See Kit
@SeeKitCNA

03 Feb 2022 06:01AM
(Updated: 03 Feb 2022 11:17AM)

SINGAPORE: Inflation is quickly emerging as a key challenge this year after hitting multi-year highs on the back of a "perfect storm" of external and domestic factors.

Latest official data showed Singapore's headline or overall inflation for December edged up to 4 per cent on a year-on-year basis from November's 3.8 per cent, hitting a near nine-year high.

Core inflation, which excludes accommodation and private transport, rose to 2.1 per cent on a year-on-year basis from 1.6 per cent in the previous month. This marked the indicator's highest reading since July 2014, according to Reuters.

The rapid rise in cost pressures came after a short spell of negative inflation in 2020 amid plunging demand during the COVID-19 pandemic.

The pick-up in inflation has spurred the Monetary Authority of Singapore (MAS) to make an unexpected inter-meeting policy move last week.

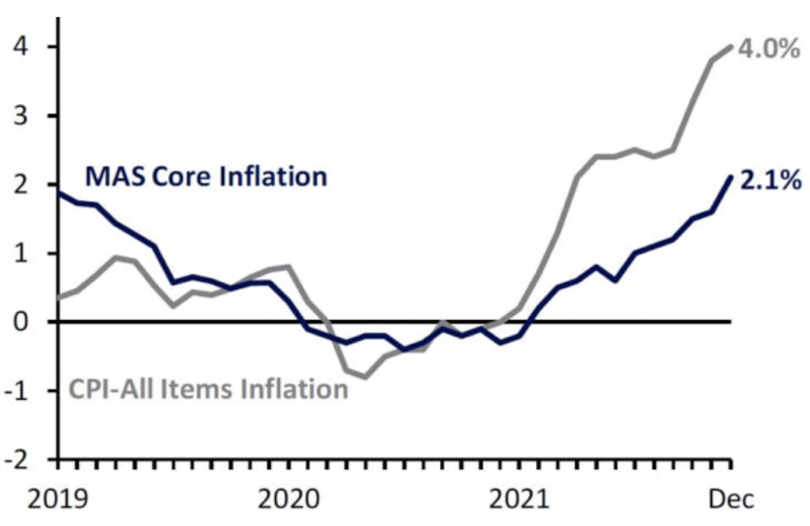
The central bank, which typically holds its policy meetings in April and October, said on Jan 25 it will "raise slightly" the rate of appreciation of the Sing dollar nominal effective exchange rate policy band.

Doing so effectively allows the Singapore dollar to appreciate, making imports cheaper and hence defending the purchasing power of Singapore consumers and businesses.

The MAS said its latest move "builds on the pre-emptive shift to an appreciating stance" in October last year when it also surprised markets by raising the slope of its policy band, and is "appropriate for ensuring medium-term price stability".

Rising prices in Singapore

	CPI-All items inflation	MAS core inflation
Jan 2021	0.2	-0.2
Feb 2021	0.7	0.2
Mar 2021	1.3	0.5
Apr 2021	2.1	0.6
May 2021	2.4	0.8
Jun 2021	2.4	0.6
Jul 2021	2.5	1
Aug 2021	2.4	1.1
Sep 2021	2.5	1.2
Oct 2021	3.2	1.5
Nov 2021	3.8	1.6
Dec 2021	4	2.1



(Graph: Monetary Authority of Singapore, Ministry of Trade and Industry)

WHAT'S INFLATION?

Simply put, inflation measures how much more expensive a set of goods and services has become over a certain period.

A moderate amount of inflation is generally seen as a sign of a healthy economy. This is because as the economy grows, demand for goods and services typically increases which in turn pushes prices higher.

It is also not surprising to see inflation overshooting after a recession, said DBS senior economist Irvin Seah, citing how prices similarly surged in 2011 as the Singapore economy roared back to life after the global financial crisis. All-items inflation hit as high as 5.7 per cent that year.

But too high an inflation will dilute consumers' purchasing power and erode corporate margins, while stirring instabilities in the economy.

"When you look at MAS' pre-emptive policy stance, it basically says that the main concern in the immediate run is that inflation becomes unhinged," said Singapore Management University's (SMU) assistant professor of finance Aurobindo Ghosh.

With inflation remaining on an upward trend in December and the "bigger threat" of interest rate hikes overseas such as in the United States, the MAS wants to "address inflation head on so that other channels of growth are kept open", he added.

In Singapore, overall headline inflation has historically averaged at about 2 per cent, noted Mr Seah.

"Our estimate for full-year inflation this year is 3.8 per cent, which is almost double the historical average. Such inflation level is definitely not healthy for long-term economic growth," he said.

WHAT'S DRIVING INFLATION?

A variety of global events has exerted upwards pressure on prices here given how Singapore is a small, open economy that imports most of its needs. These include the strong recovery in global growth and demand with the arrival of COVID-19 vaccines, a rally in oil and gas prices on the back of a supply crunch and recent geopolitical tensions, as well as pandemic-related disruptions to the world's supply chains.

Take the example of food. With Singapore importing more than 90 per cent of thefood consumed by its population, supply chain snarls – ranging from production hiccups at farms and factories, shortage of shipping containers to port closures due to COVID-19 – have driven up freight rates, adding to the cost of imports.

Extreme weather events, such as the recent spate of floods followed by warmer weather in Malaysia, have also fed into a steady rise in global food commodity prices.

Higher energy prices drive up food production costs too. Natural gas, for instance, is used to create ammonia which in turn is a key component in many fertilisers.

Other imported consumer goods, such as cars and home electronics, have also seen prices head north amid a global chip shortage since early 2021. The supply shock was in part due to unexpected pandemic-fuelled demand from certain industries like smartphones and PCs, alongside complex multinational supply chains and long lead times.

In its biannual macroeconomic review published in October last year, MAS noted that the chip shortages could last for another year, meaning that prices of consumer electronics will remain firm.

In tandem, domestic-led price pressures are building up.

A tight labour market, partly due to COVID-19 border curbs limiting foreign manpower inflows, has led to wage increases. This, in turn, drives up the prices of services here such as in the food and beverage sector.

Firm domestic demand continues to prop up the local property rental market and certificate of entitlement (COE) premiums, nudging up accommodation and transport inflation.

Latest data also showed that a steep increase in airfares and COVID-19 testing costs under the vaccinated travel lanes were major contributors to the inflation bump in December.

"It's kind of like a perfect storm with all these things happening at the same time," said Asst Prof Ghosh.

MAS has said it expects the factors driving up global and regional inflation last year to "remain in play for a period". Domestic inflation will be exposed to these external pressures, alongside the tight labour market, it added.

With that, core inflation is set to rise between 2 and 3 per cent this year, while headline inflation will go up between 2.5 and 3.5 per cent, according to revised estimates.

HOW THIS AFFECTS THE AVERAGE SINGAPOREAN

The jump in living costs inevitably heightens the pressure for the average man on the street.

According to the Department of Statistics Singapore, housing and utilities (24.8 per cent), food (21.1 per cent) and transport (17.1 per cent) account for the top three areas of expenditure for households here.

Of which, transport inflation shot up by 8.8 per cent last year, compared with a 0.7 drop in 2020. Private transport inflation was a major driver, up more than 11 per cent on the back of increases in car and motorcycle prices, and pump prices.

Inflation in housing and utilities rose 1.4 per cent in 2021, reversing a 0.3 per cent decline in the previous year.

Quarterly-reviewed tariffs have risen over the course of last year and they will go up again in the first quarter of this year, SP Group and City Energy have said.

The abrupt exit of several electricity retailers from the country's Open Electricity Market last year also left tens of thousands of households with bigger electricity bills as they were transferred back to grid operator SP Group. These households can choose to switch to another retailer, but rates have gone up across the board amid soaring electricity prices and fuel costs.

Food inflation, another major spending category, increased by 1.4 per cent in 2021.

Another area where households may feel some pain is in the repayment of loans, according to Associate Professor Yeo Wee Yong from the National University of Singapore Business School.

While monetary policy in Singapore is centred on the exchange rate, local interest rates are "not immune to changes in the overall economy" and may see upward pressure, he added.

Bank loan rates may also be affected by rate hikes overseas. As such, floating-rate loans, such as that found in most mortgage loans, could see upward adjustments.

"This coupled with increasing prices and hence living costs, as well as the impending Goods and Services Tax (GST) hike if it materialises, mean that households need to plan their budget more closely ahead," said Assoc Prof Yeo

HOW THIS AFFECTS BUSINESSES

Businesses that feel the heat from rising costs are likely those that do not have sizable market shares and are in highly competitive industries, said Mr Seah.

"When it's very competitive, you lose market share when you jack up prices," he added. "Unfortunately, many companies will have to absorb these price increases into their margins."

Several F&B operators told CNA that they have been reeling under rising costs on several fronts, such as food ingredients and wages. But their hands are tied when it comes to raising prices, for fear of losing diners while grappling with COVID-19 restrictions.

That said, inflation will eventually "hit everybody so the likelihood is that all companies will have to pass on the costs to consumers", said the DBS economist.

"Those that are more efficient, able to leverage technology and automation and hence be less reliant on labour, able to diversify their supply sources and keep costs low, will be the eventual winners," he added.

WHAT CAN BE DONE?

Economists are expecting further monetary policy tightening when the MAS meets for its scheduled review in April.

Apart from raising the slope of its policy band again to allow the Sing dollar to appreciate, the central bank may also change the mid-point of the band – a tool generally reserved for "drastic" situations – some analysts have predicted.

"The current pre-emptive move via the slope adjustment may not be sufficient to reduce imported inflation," said Maybank Research economists, who expect the central bank to do a "double tightening" move in April by re-centering its Sing dollar band and raise the slope for the third time.

Authorities have also moved to cool asset price inflation, noted SMU's Asst Prof Ghosh, pointing to the property cooling measures announced in December.

The Government has said that it has a "multi-pronged" strategy in place to tackle rising inflation.

This includes maintaining the competitiveness of Singapore's economy so as to keep creating good jobs that can bring sustainable wage growth for Singaporeans, said Minister of State for Trade and Industry Low Yen Ling in Parliament last month.

The Government is also diversifying its food import sources to reduce vulnerability to large price fluctuations globally, and ensure that food supply prices remain competitive, she added.

All eyes are also on the planned increase in GST.

Speaking in Parliament last month, Second Minister for Finance Indranee Rajah said the GST hike is not something that can be put off forever but its impact on Singaporeans can be delayed through policies such as the Assurance Package.

The S$6 billion package, first announced in Budget 2020, will help to stave off the impact of the GST hike by five years for the majority of Singaporeans and by 10 years for the lower-income, she said.

"Essentially, whatever the increase to the expenditure as a result of GST, the Assurance Package is designed to buffer them for that increase," Ms Indranee told Parliament.

"We will continue to look out for the low-income households and the majority of middle-income households."

Source: CNA/sk(cy)

Latest GLS tenders see firm land prices

By Kalpana Rashiwala
kalpana@sph.com.sg
@KalpanaBT

Singapore

THE latest Government Land Sales (GLS) tenders for 2 99-year leasehold housing sites have drawn keen interest, reflecting developers' hunger for land in the suburbs following strong sales last year.

It also reflects their confidence that the segment will continue to post healthy demand from first-time homebuyers and HDB upgraders.

The top bid for an executive condo (EC) housing site in Bukit Batok West Avenue 8 was S$661.67 per square foot per plot ratio (psf ppr), setting a new record price for EC land.

ECs are a public-private housing hybrid with initial buyer eligibility and resale conditions, which are completely lifted 10 years after the project has been completed.

The top bid, from a tie-up involving Qingjian Realty and Santarli Group, toppled the previous record for EC land price of S$658.93 psf ppr in July 2021 by the same consortium for an EC plot in Tampines Street 62.

The Bukit Batok land parcel, which is about 1 km from the Bukit Gombak MRT station, drew 9 bids at the tender closing on Tuesday (Mar 8, 2022).

The other site on offer, along Dairy Farm Walk and designated for private housing, drew 7 bids. The S$980.07 psf ppr top bid – by Sim Lian Land and Sim Lian Development – was just 1 per cent higher than the second highest bid of S$970 psf ppr from a tie-up between United Engineers' unit UED Alpha and Soilbuild Group.

Located about 700 m from Hillview MRT station on the Downtown Line, the 168,600 sq ft plot can yield about 385 housing units.

The winning margin for the Bukit Batok site was 4.8 per cent.

Observers note that the top bidders for both plots are part of groups that have their own construction arms – which probably gave them an edge over developers without a construction arm. An air of uncertainty continues to linger about construction costs, which have risen significantly in the past couple of years amid supply-chain disruptions and a labour shortage.

Edmund Tie's head of research and consulting, Lam Chern Woon, noted that the top 3 bids for the Dairy Farm site were within 3 per cent of each other. For the Bukit Batok EC plot, the top 3 bids were within 6 per cent of each other.

ERA Realty Network's head of research and consultancy, Nicholas Mak, noted that the EC market is expected to be less affected by the mid-December 2021 cooling measures as practically all buyers of new EC units are either first-time homebuyers or HDB upgraders.

Qingjian Realty said the proposed scheme for the Bukit Batok EC site is a 15-storey project with 360 residential units.

PropNex Realty's Wong Siew Ying projects the development's average selling price at about S$1,300 psf and above.

JLL's Ong Teck Hui, too, expects the selling price to be above current levels. Some 80 new EC units have been sold so far this year with prices averaging S$1,224 psf.

"A major factor contributing to the robust bidding for the subject site is the limited supply of new ECs on the market. Projects currently on the market are substantially sold, and there are only 3 EC projects in the launch pipeline," he added.

As for the new private residential project that will arise on the Dairy Farm Walk plot, CBRE's South-east Asia research head, Tricia Song, estimates the launch price could be S$1,800-1,900 psf. In the first 2 months of 2022, units at the neighbouring Dairy Farm Residences have sold at an average price of S$1,680 psf.

Summing up Tuesday's tender results, Colliers Singapore's research head, Catherine He, said: "The tenders closed with robust bids, reflecting still-strong developer interest for residential land in the suburbs, even post-cooling measures."

CBRE's Song noted that sentiment appears to have improved with more bids at the latest tenders, compared with the 4-8 bids received for the Lentor Hills Road and Jalan Tembusu private housing sites in January.

Improving sentiment

Provisional tender results

NO OF BIDS	TOP 3 BIDDERS	BID PRICE (S$M)	S$PSF PPR
7	**DAIRY FARM WALK (PRIVATE HOUSING)**		
	Sim Lian Land and Sim Lian Development	347.00	980.07
	UED Alpha *(United Engineers, part of Yanlord Land Group)* and Soilbuild Group	343.43	970.00
	CNQC-OS (3) *(Qingjian Realty)* and SNC Realty *(Santarli Group)*	337.89	954.33
9	**BUKIT BATOK WEST AVE 8 (EC)**		
	CNQC-OS (2) *(Qingjian Realty)* and SNC Realty *(Santarli Group)*	266.00	661.67
	Intrepid Investments and TID Residential *(both, Hong Leong Group S'pore)*	253.89	631.55
	Sing Holdings Residential, MCC Land (Singapore) and Cedar Investments *(private vehicle of Lee family of Sing Holdings)*	252.10	627.10

Note: Names of holding companies/parent companies in italics

Sources: URA, HDB, ACRA

THE BUSINESS TIMES

BT businesstimes.com.sg

Tuesday, February 15, 2022

SINGAPORE PROPERTY: NEWS ANALYSIS

Do rising rents make Singapore homes ripe for investment?

In the 10-year period from Q4 2011 to Q4 2021, typical prime net yields fell from 2.49% to 1.87%: study

By Fiona Lam
fiolam@sph.com.sg
@FionaLamBT

Singapore

ON the face of it, the bullish outlook on leasing demand for Singapore residential property has ostensibly strengthened the value proposition for buying an additional home to collect rental income. But the reality is not so straightforward.

The new cooling measures' effects on rental supply and demand, as well as long-term trends in capital values and yields, are among factors to be contemplated.

For instance, could the hikes in stamp duties inadvertently bring about higher rental yield? A study in Canada suggests there is a possibility, as would-be homebuyers may switch to join the tenant pool.

Many investors in Singapore have also set their sights on selling for profit. In turn, they focus less on income.

Heightened leasing demand for homes has pushed some rents up to levels unseen in recent years. The Urban Redevelopment Authority's (URA) figures showed that rents of private homes jumped 9.9 per cent last year, reversing from the 0.6 per cent drop in 2020.

Lee Nai Jia, deputy director at the NUS Institute of Real Estate and Urban Studies, noted that rental yields for private residential properties in the city-state "are very low to begin with", hence most individuals purchase with capital appreciation in mind.

He has observed yields tending to hover at around 1 to 2 per cent for high-end condominiums and reaching just 3 to 4 per cent for mid-tier and mass-market condominiums.

Christine Yu, chief executive officer of International Property Advisor (IPA), told *The Business Times*: "To be honest, we are unsure why anyone will be buying in today's market for rental returns of less than 2 per cent per annum for freehold properties in Districts 9, 10 and 11."

Yields of new project launches that will be completed in 2 to 3 years' time might narrow by the time tenants move in, as buyers paid top dollar last year and rents there are "probably not going to move up much", she added.

To ascertain whether rising rents could continue to make investment for rental income viable, there is a need to analyse capital values, rents and yields over a longer time horizon. JLL Research data showed that in the 10-year period from Q4 2011 to Q4 2021, typical prime net yields fell from 2.49 per cent to 1.87 per cent.

Ong Teck Hui, JLL Singapore senior director of research and consultancy, said this came about as capital values appreciated while rents softened during the decade. "So while rental yields declined, investors may feel they were compensated by capital appreciation."

Investors often consider total returns, which comprise both rental yield and capital appreciation. "Investors tend to accept low net yields, of around 2 per cent or less, because they feel that capital appreciation could provide a higher upside in returns over the longer term," Ong said.

A slight yield expansion looks to be in store for 2022, as rents could rise more quickly than capital values, which are likely to record slower growth due to the latest property curbs, he added.

Lam Chern Woon, Edmund Tie's head of research and consulting, highlighted that the yield compression story has not been uniform across segments. For landed properties, prices in 2021 rose at a much faster pace of 13.1 per cent compared to the 4.6 per cent increase in rents. But prices and rents of non-landed homes exhibited similar growth, at 9.9 per cent and 11.2 per cent respectively.

Lam anticipates continued yield compression for landed properties in 2022, as their prices should continue to post fairly strong growth on the back of a scarcity of stock.

For non-landed homes, Edmund Tie's price growth expectations this year are more moderate relative to the strength of rental growth. "As a result, the financial case remains for investing in the non-landed segment, given the sanguine rental outlook," Lam said.

Yu reckons that if and when rising property prices are causing rental yields to shrink, investors will simply change tack to focus on capital gains instead of income; some will even sell their financial investments to buy property in such a scenario.

A preliminary research paper on Toronto's housing market found that an increase in transaction taxes led to more buy-to-let transactions by investors and fewer purchases for owner-occupation, partly as more individuals chose to rent to avoid paying higher transaction taxes. The paper was published in March 2021 by the Centre for Economic Performance at the London School of Economics and Political Science.

But Dr Lee said that for such an increase in buy-to-let transactions to take place, property prices must first drop significantly and thus boost the rent-to-price ratio or yield. That scenario may not happen in Singapore, as many individuals here still prefer to own their homes rather than rent.

For now, buy-to-let investors may prefer to wait on the sidelines to watch for any price declines in light of the cooling measures, before deciding whether to enter the market, he added.

Ong said Singapore's punitive additional buyer's stamp duty rates will deter acquisitions of subsequent residential property to earn rental income, which could translate into fewer investment purchases in the short term.

However, some units bought in the primary market would only be completed in about 5 years' time, so any decrease in investment purchases will not have an immediate impact in this segment, he added.

On the other hand, the supply of homes available for rent could see an uptick from another part of the market. Amid softer demand from buyers after the cooling measures, sellers may now find it tougher to achieve their asking prices. Some of these owners will thus decide to lease their units instead, given the favourable rental market, Ong said.

Robust demand

Rentals in Singapore are expected to sustain their upward momentum as more vaccinated travel lanes open. Moreover, the fresh cooling measures could prompt prospective homebuyers who urgently need accommodation to turn to the leasing market temporarily while they take more time to consider their purchases, Dr Lee said.

However, he also highlighted that an increase in supply – from the completion of new residences – may exert downward pressure on rents, especially when mega projects come to the market. About 11,449 private residential units are expected to be completed in 2022, followed by 17,184 units in 2023, URA said in October 2021.

Therefore, while rising rents will definitely appeal to investors, "the savvy ones will probably look at how the new completions impact the market and how prices recalibrate to the latest cooling measures", Dr Lee added.

A buoyant collective-sale market can also drive rental demand, given the replacement demand from displaced tenants and from unit owners seeking interim accommodation. For such a spillover to occur, there is usually a lag of a few months after a collective sale, Lam from Edmund Tie noted.

He thus expects Singapore's rental market in H1 2022 to be supported by the successful en bloc sales concluded in 2021. That said, there could be a bit of uncertainty down the road, depending on the state of the collective-sale market in the next few months following the cooling measures.

"On balance, the risks to rental demand appear to be tilted to the upside, as construction delays in the public and private housing markets are likely to propel to-be owners to the rental market," he said. "Local workers have also turned to renting rooms or units in a bid for more privacy and conduciveness amid the rising prevalence of hybrid work arrangements."

IPA's Yu does not foresee a big surge in rents in the coming years.

In her view, the outlook for a continued increase in rents "is at best murky" at this point. It remains unclear how many expatriates will actually relocate to Singapore, given the adoption of remote work and fierce global competition for talent.

"Some of the highly paid top talents such as data scientists, investment bankers and tech researchers are already citizens of the world," she said.

Christine Yu, of International Property Advisor reckons that if and when rising property prices are causing rental yields to shrink, investors will simply change tack to focus on capital gains instead of income; some will even sell their financial investments to buy property in such a scenario. BT FILE PHOTO