Singapore housing deemed relatively affordable in APAC | How rate hikes impact property buyers | More demand pouring into Singapore | Prime Freehold Resale homes at new leasehold suburban prices

Spore housing deemed relatively affordable in APAC

Saturday, August 27, 2022 THE BUSINESS TIMES

BT businesstimes.com.sg

Singapore housing deemed 'relatively affordable' in Asia-Pacific: report

Urban Land Institute's findings are derived from data on housing and household income for Singapore and 28 cities in China, Japan, Australia and South Korea

By Vivienne Tay
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SINGAPORE is the only gateway city in the Asia-Pacific region where housing is deemed relatively affordable and attainable, a new report has found.

This is when compared to the most populous cities in the region, said the Urban Land Institute (ULI) in its first home attainability index report. The non-profit education and research institute gathered data on housing and household income for Singapore and 28 cities in China, Japan, Australia and South Korea.

The Republic has the highest home-ownership rate of nearly 90 per cent, due to the low cost of Housing Development Board (HDB) units, which have a median price of US$379,283. Private homes with a median price of US$1.13 million represent less than 20 per cent of the total housing stock.

That being said, Singapore's non-HDB homes are the most expensive to rent in the region with a median monthly rent of US$2,046. This is followed by US$1,895 for Sydney houses.

When measured on a rent-to-income ratio basis, Hong Kong is the most expensive city for rental, with monthly rent representing about 50 per cent of median household income. This is unsurprising given Hong Kong's reputation for being the world's most expensive city, ULI said.

However, the deeply subsidised public rental housing – which comprises a third of the total housing stock – provides inexpensive options for renters.

Hong Kong is also the most expensive city in the region to purchase a home, with a median home price of US$1.27 million. The data only took into account private-sector homes, which represent half of the total housing stock in Hong Kong.

ULI noted that local private housing prices have surged by 6 times since 2003, with a 150 per cent jump in rent. The typical down payment for a mortgage in Hong Kong also stands at around 40 per cent, the highest in Asia-Pacific.

Hong Kong's homeownership rate stands at 48.6 per cent, on par with Seoul. Japan has the lowest homeownership rate at 37 per cent, while Chinese cities have a homeownership rate ranging between 70 and 80 per cent.

On a median housing price to median household income basis, Shenzhen is the least affordable city for home purchases, mainly due to the limited new supply of commercial housing, coupled with the city's rapid population growth, ULI noted.

The Republic has the highest homeownership rate of nearly 90%, due to the low cost of HDB units, which have a median price of US$379,283. PHOTO: ST FILE

Source: The Business times

While Singapore continues to grow economically as a country, our private homes have become the most expensive to rent in the region with a median monthly rent of US$2046.

However, with also the highest home ownership rate of nearly 90%, we want to find out if these home owners are in a financially sound position on the back of interest rate hikes and uncertainty in the financial markets.

THE STRAITS TIMES

Wednesday, August 31, 2022

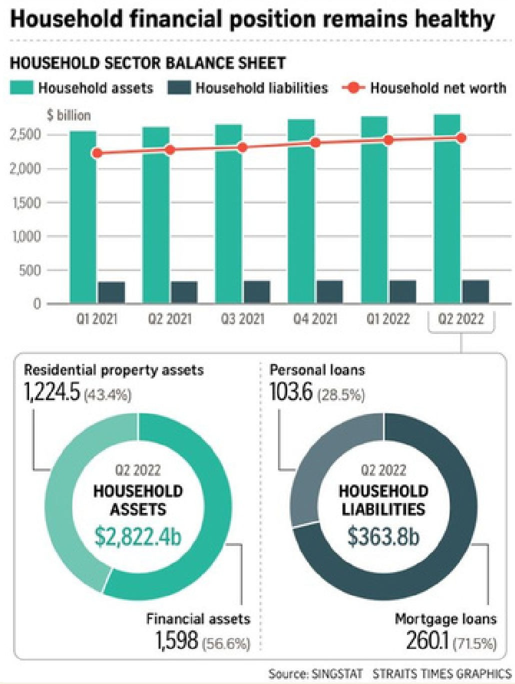
S'pore households financially healthy despite rising inflation

Chor Khieng Yuit
Senior Business Correspondent

last year, a home buyer could borrow only up to the amount where his total monthly debt repayments is 55 per cent of his gross monthly income.

Source: The Straits times

Based on the Median Total Debt Servicing Ratio (TDSR) at 43% for new mortgages over the past year, households do not usually maximise their loans of 55%.



As such, the financial position of Singapore households have remained healthy so far, and will be able to weather downturns in the economy if any. Assets far exceed liabilities, and residential property assets also made up less than half of total household assets, which includes deposits, shares, life insurance and CPF funds.

How rate hikes impact property buyers


THE STRAITS TIMES

Sunday Aug 21, 2022

How rate hikes will impact property buyers

Impact is marginal for those buying HDB flats or new private homes, but others may feel the pinch more

While we expect interest rate hikes to be short-lived rather than for the long-term, we analyse the impact they would have on the housing market, so as to ride through this effectively. For HDBs, HDB loans may start to look more attractive now since fixed-rate bank mortgages have risen above HDB's 2.6% loan rate.

Source: The Straits times

For owners of new launch properties in the progressive stage of payments, they may not feel the sharp rise in monthly mortgages as loan size tends to be smaller especially during the earlier stages of construction. However, owners who have received their keys to a new launch property may start to feel the pinch as loan size increases and monthly mortgage payments may be higher than previously projected.

We have done up some charts for you in the Annexes below, to identify the effect on affordability if the Monetary of Singapore were to revise their stress-test interest rate from 3.5 to 4 or 4.5%.

Effect of MAS' stress test rate of 3.5/4/4.5% on Affordability ($10k household income)

Age	30	35	40	45	50
Loan Tenure 75%	30	30	25	20	15
Income	$10,000	$10,000	$10,000	$10,000	$10,000
TDSR 55%	$5,500	$5,500	$5,500	$5,500	$5,500
	Max Price	**Max Price**	**Max Price**	**Max Price**	**Max Price**
MAS 3.5%	$1,633,097	$1,633,097	$1,464,840	$1,264,456	$1,025,810
MAS 4.0%	$1,536,049	$1,536,049	$1,389,318	$1,210,160	$991,409
MAS 4.5%	$1,447,315	$1,447,315	$1,319,342	$1,159,147	$958,614

Annex 1: Affordability based on $10k monthly household income

Effect of MAS' stress test rate of 3.5/4/4.5% on Affordability ($15k household income)					
Age	30	35	40	45	50
Loan Tenure 75%	30	30	25	20	15
Income	$15,000	$15,000	$15,000	$15,000	$15,000
TDSR 55%	$8,250	$8,250	$8,250	$8,250	$8,250
	Max Price	**Max Price**	**Max Price**	**Max Price**	**Max Price**
MAS 3.5%	$2,449,645	$2,449,645	$2,197,260	$1,896,683	$1,538,714
MAS 4.0%	$2,304,074	$2,304,074	$2,083,977	$1,815,240	$1,487,114
MAS 4.5%	$2,170,973	$2,170,973	$1,979,014	$1,738,720	$1,437,921

Annex 2: Affordability based on $15k monthly household income

Effect of MAS' stress test rate of 3.5/4/4.5% on Affordability ($20k household income)					
Age	30	35	40	45	50
Loan Tenure 75%	30	30	25	20	15
Income	$20,000	$20,000	$20,000	$20,000	$20,000
TDSR 55%	$11,000	$11,000	$11,000	$11,000	$11,000
	Max Price	**Max Price**	**Max Price**	**Max Price**	**Max Price**
MAS 3.5%	$3,266,193	$3,266,193	$2,929,680	$2,528,911	$2,051,619
MAS 4.0%	$3,072,098	$3,072,098	$2,778,636	$2,420,321	$1,982,818
MAS 4.5%	$2,894,630	$2,894,630	$2,638,685	$2,318,293	$1,917,228

Annex 3: Affordability based on $20k monthly household income

More demand for homes pouring into Singapore

Tuesday, August 30, 2022

THE STRAITS TIMES

New work pass from Jan 1 aims to attract top talent

$30,000 monthly pay among criteria; other changes planned for work pass framework

Sue-Ann Tan
Business Correspondent
and Tay Hong Yi

A new work pass – the Overseas Networks and Expertise Pass – will be open for applications from Jan 1 next year, to attract top talent across all sectors.

Applicants will need to earn a fixed monthly salary of $30,000 and above, which is comparable to the top 5 per cent of Employment Pass (EP) holders.

This is among several initiatives to strengthen Singapore's position as a global talent hub, said Manpower Minister Tan See Leng yesterday.

Other changes planned include updated job advertising requirements under the Fair Consideration Framework, and adjustments to the existing EP scheme.

The aim is to allow businesses to respond quickly to their operational needs, so that they can compete more effectively as Singapore and the world emerge from the Covid-19 pandemic, said Dr Tan at a media briefing.

He added: "We are making targeted enhancements to our work pass framework, to better attract top talent and experienced tech professionals in areas of skills shortages."

Dr Tan noted that as countries emerge from the pandemic, amid economic and geopolitical uncertainties, some are turning inwards, while others are going out of their way to compete for global talent.

"In this climate, we need to be clear about where Singapore stands. We cannot leave any room for investors to doubt or have questions as to whether Singapore remains open," he said.

To roll out the new plans that will cover four areas, the Ministry of Manpower (MOM) will work with the Ministry of Trade and Industry and Ministry of Communications and Information.

First, the new pass will grant pass holders the flexibility to concurrently start, operate and work for multiple companies in Singapore at any one time.

This is unlike the typical EP, which is tied to the specific job that the pass holder is doing.

The new pass is also valid for five years – longer than the typical EP, which lasts two or three years.

Pass holders can also sponsor dependants, and their spouses will be allowed to work, upon obtaining a Letter of Consent.

Individuals with "outstanding achievements" across arts and culture, sports, science and technology, and research and academia can also qualify, even if they may not meet the salary criterion, Dr Tan said.

Apart from the new pass, there will be changes to the existing EP scheme from Sept 1 next year.

A new benchmark will be introduced and pegged to the top 10 per cent of pass holders, such that this group will be exempt from Fair Consideration Framework job advertising requirements or the upcoming Complementarity Assessment Framework (Compass).

Compass is a points-based framework that evaluates EP applicants based on a holistic set of individual and firm-related attributes. It will apply to new applicants from Sept 1 next year.

To help companies respond to business needs, from Sept 1 this year, the Fair Consideration Framework job advertising duration will be cut from 28 days to 14 days.

This means a job vacancy needs to be advertised for only 14 days before a company can hire an EP holder.

The processing time for EP applicants will also be hastened, from about three weeks now for 85 per cent of online applications, to within 10 business days.

Finally, MOM will offer the option of a five-year EP to experienced professionals filling specific tech occupations on the Compass Shortage Occupation List – a list that is still being compiled based on input from the industry, trade associations and other partners.

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SEE THE BIG STORY • A4

Source: The Straits Times

While we expect 2023 to have a fresh supply of over 19,000 completed units coming into the market with mega projects such as Normanton Park or Treasure at Tampines, there was hope that this might cool down the rental market a little.

However, with Singapore continuing to attract top talent from across the globe through introduction of new work passes, this hope might be dashed and rentals may continue to stay high in our vibrant economy. The new Employment Pass (EP) also lasts for five years, longer than the typical two or three year EPs.

Prime Freehold Resale homes at new leasehold suburban prices

Now, since the latest Out of Central AMO Residence saw average transacted prices of $2100 psf, and soon to launch Lentor Modern expected to transact higher, we broaden our search to look for properties still at a good value being aware of the market gap.

THE BUSINESS TIMES

BT businesstimes.com.sg

Friday, August 26, 2022

Prime freehold resale homes now available at new leasehold suburban prices

Gap in median unit prices between resale freehold CCR and new 99-year leasehold OCR units has been narrowing since 2021, notes analyst

By Corinne Kerk
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AN ADVERTISEMENT for a resale condominium unit shouts: "Freehold selling at leasehold price!" Another says: "S$2,064 psf for a district 9 freehold project that's less than 9 years old." Yet another simply states: "Cheaper than 99-year leasehold."

The properties above share a few common traits: They are prime district freehold, non-landed homes; and their asking (and trans-

Table 1: Examples of prime district freehold resale unit asking prices (mid-Aug)

PROJECT	DISTRICT	SIZE (SQ FT)	NUMBER OF BEDROOMS	ASKING PRICE (S$PSF)
Sophia Residence	9	797	2	2,008
Starlight Suites	9	850	2	1,999
Loft @ Nathan	10	904	2	1,858
Verdure @ Holland Park	10	1,066	2	2,064
Miro	11	1,245	2	1,992
Cube 8	11	1,421	3	2,006

Source: PropertyGuru

Table 2: Median unit price (S$psf) OCR vs CCR

	OCR (NEW SALE, 99-YEAR LEASEHOLD)	CCR (RESALE, FREEHOLD)	PREMIUM OF CCR OVER OCR (%)
Q1 2021	1,373	1,882	37.1
Q2 2021	1,469	1,950	32.7
Q3 2021	1,529	1,969	28.8
Q4 2021	1,555	1,980	27.3
Q1 2022	1,624	2,042	25.7
Q2 2022	1,627	2,054	26.2
Q3 2022 (up till Aug 8)	2,081	2,154	3.5

Source: URA REALIS, Colliers

Up, up and away?

Huttons Asia senior director of research Lee Sze Teck noted that 40.6 per cent of new launch transactions in the OCR cost S$2 million or more in July 2022, compared with 9.9 per cent in August 2021.

His analysis of caveats shows 80 per cent of buyers with an HDB address were purchasing properties valued at up to S$2 million, while 80 per cent of those with a private address were purchasing at up to S$2.5 million.

"This shows that properties up to S$2 million are well within the means of buyers," he said, adding that the proportion of homes valued at up to S$2 million may be between 40 and 50 per cent in future.

However, analysts also point out that AMO Residence was fairly unique in that it has been a long time since a new condo was launched in Ang Mo Kio – a mature estate with popular schools and

Source: The Business Times

For Freehold resale properties at the Core Central Region or just at the city fringe, we still notice properties hovering within the $2000 psf range, some even lower.

While getting into a new property has its allure, we don't discount the fact that for resale properties with healthy attributes supporting its price floor, a safe entry point can still be found with potential for growth over the long run.

At the end of the day, we strongly advocate detailed planning, thorough analysis of attributes through an in-depth discussion on the market outlook, comparisons between various property types and most importantly, understanding your own needs and concerns.

Have a discussion on your property goals with us today!

Kindest regards,
STL Properties

Saturday, August 27, 2022
THE BUSINESS TIMES
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businesstimes.com.sg

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S'pore households financially healthy despite rising inflation

Chor Khieng Yuit
Senior Business Correspondent

The financial position of Singapore households has remained healthy in the second quarter of this year despite rising inflation and recession concerns, data from the Department of Statistics released yesterday showed.

Household liabilities grew 5 per cent year on year in the second quarter, down from 6 per cent growth in the first quarter. This is due to a lower take-up of mortgages and personal loans.

For the second quarter, household liabilities totalled $363.8 billion, with mortgage loans making up 71.5 per cent of total liabilities and personal loans taking up the remaining 28.5 per cent of total liabilities.

Economists look at such data to gauge whether households have borrowed too much, especially as headwinds from rising rates and a global recession loom.

For now, said Mr Song Seng Wun, economist from CIMB Private Banking, most households will be able to weather a potential downturn in the economy.

"Policymakers have been pre-emptive in ensuring households do not overextend themselves during the years that borrowing costs are cheap," he said.

For example, from December last year, a home buyer could borrow only up to the amount where his total monthly debt repayments is 55 per cent of his gross monthly income.

Senior Minister and Coordinating Minister for Social Policies Tharman Shanmugaratnam said in a reply to a parliamentary question earlier this month that the median total debt servicing ratio was 43 per cent for new mortgages over the past year.

This means households' total monthly debt repayments make up 43 per cent of gross monthly income, below the threshold of 55 per cent.

While Singapore households also continue to have more assets than debt in aggregate, asset growth slowed from 6.9 per cent year on year in the first quarter to 4 per cent in the second quarter.

For the second quarter, financial assets, which include deposits, shares, life insurance and funds from the Central Provident Fund, made up 56.6 per cent of total household assets.

Residential property assets made up the remaining 43.4 per cent.

Total household net worth, which is defined as assets minus liabilities, was $2.46 trillion in the second quarter, growing by 7.7 per cent from the same period a year ago.

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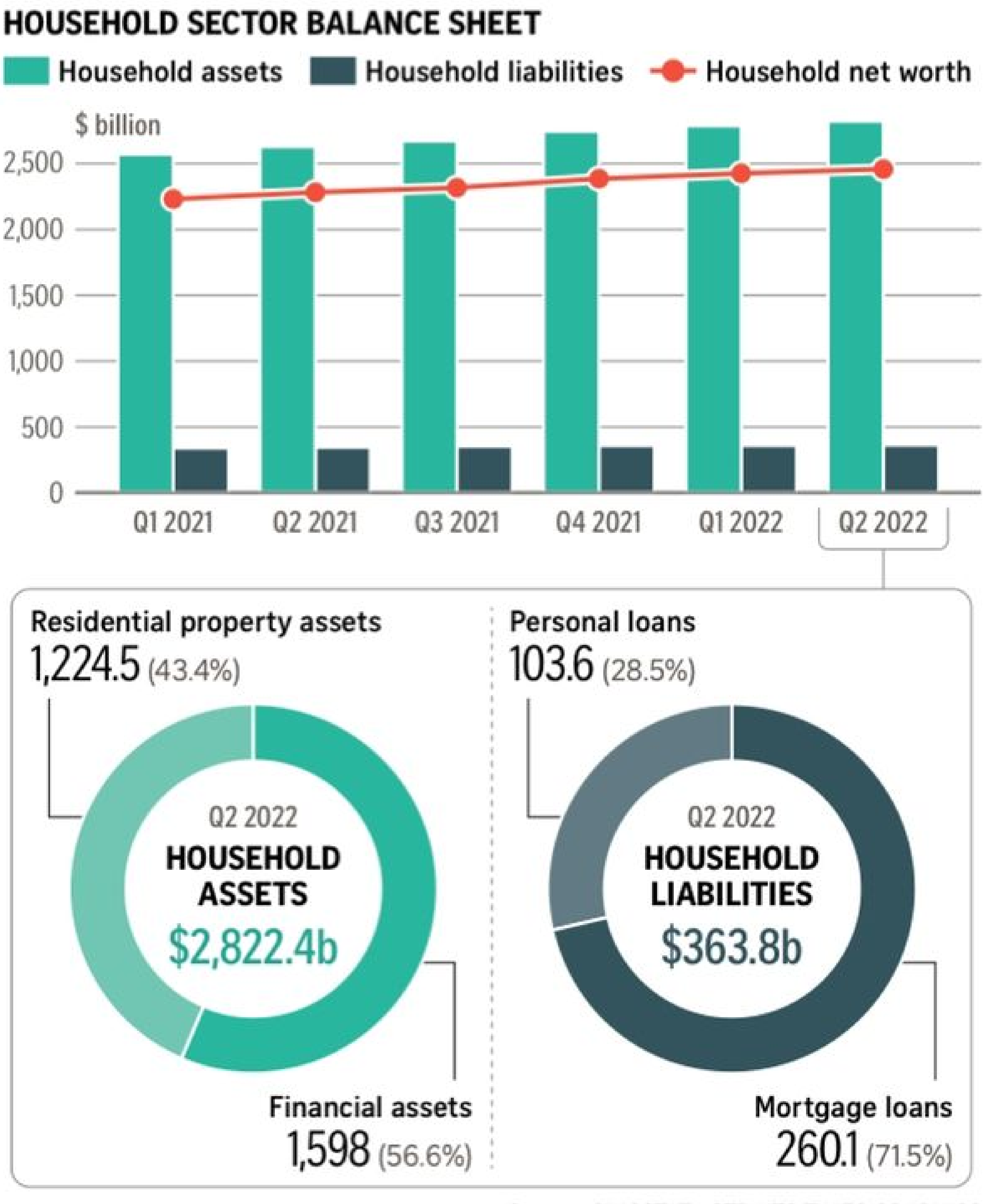
Household financial position remains healthy



Source: SINGSTAT STRAITS TIMES GRAPHICS

THE STRAITS TIMES

Sunday Aug 21, 2022

How rate hikes will impact property buyers

Impact is marginal for those buying HDB flats or new private homes, but others may feel the pinch more

Christine Sun

Singapore's property market may withstand the interest rate impact better than those in many other countries, says the writer. Speculative activities are low and there are safeguards to ensure most borrowers are not overleveraged. ST PHOTO: LIM YAOHUI

Our median mortgage rates have almost doubled over the past six months. As more rate hikes are on the cards, how will our residential market be affected? Which market segment is likely to be impacted? Will home prices fall when interest rates rise?

MARGINAL IMPACT ON THE CURRENT HOUSING MARKET

Over the past two months, we have seen a sudden surge of buyers into the market to lock in the home loan rates before they climb higher. Home buyers now face higher borrowing costs and those who take a maximum housing loan or hold multiple properties with an unstable income may be most affected. Home buyers who own a single unit, especially those with dual incomes, may be the least affected.

All borrowers must adhere to the total debt servicing ratio (TDSR) ruling, whereby the threshold for property loans uses a stringent 3.5 per cent interest rate computation. Since the fixed-rate packages offered by some banks have already gone past 3 per cent per annum and a few banks have suspended their fixed-rate loan packages entirely, many buyers have now opted for a floating-rate loan package.

The floating loan rates are pegged to the three-month compounded Singapore Overnight Rate Average (Sora) plus a margin of 0.8 to 1 per cent. The three-month compounded Sora rate was around 1.3 per cent early this month, which translates to approximately a 2.1 to 2.3 per cent floating loan rate. This floating loan rate is still below the 2.5 per cent in the second quarter of 2019, the highest interest rate recorded over the past 10 years. How will the rate hikes impact the different market segments?

HDB RESALE AND BTO PROJECTS

More first-time borrowers may take up an HDB loan since many fixed-rate bank mortgages have risen above the 2.6 per cent HDB loan rate. This rate has not changed since 1999.

For borrowers who have already applied for a private loan and are ineligible to take an HDB loan, the current interest rate increase may still be manageable since the loan quantum for flats is usually not big.

For instance, the median price of a resale flat is around $500,000. The monthly instalment on a 30-year loan term and 75 per cent loan-to-value (LTV) ratio increases by around $138 a month if the interest rate rises from 2.3 per cent ($1,443 a month) to 3 per cent ($1,581 a month). For a $300,000 Build-To-Order (BTO) flat purchase, the monthly increase is only around $83 a month.

NEW HOME SALES

Interest rate hikes similarly may not have a significant impact on new home sales. Home buyers may not immediately feel the increase in monthly instalments due to the progressive payment schedule for new-launch private properties, and home loans tend to be smaller in the initial repayment period.

For a new property purchase, buyers pay the first 20 per cent through cash and Central Provident Fund savings. The bank loan or first interest repayment starts six months later, while the second and third repayments occur about one year and 1½ years later.

For a $1.5 million private condo unit with a loan tenure of 25 years and 75 per cent LTV, borrowers face a marginal increase of $27 a month for the first scheduled payment, followed by $80 and $106 a month more for the subsequent two payments if interest rates increase from 2.3 per cent to 3 per cent.

Borrowers may experience a monthly increase of about $318 a month when the project obtains its temporary occupation permit (TOP) around three to four years later. By that period, the borrowing climate may have changed. Home owners can refinance their packages or lease out their units to offset the higher monthly mortgages.

OTHER PRIVATE HOMES

As the interest rate rises, mortgages will increase in tandem with a more significant loan quantum.

The monthly instalment for a $1 million private property on a 25-year loan tenure and 75 per cent LTV rises by $267 a month from $3,290 to $3,557 monthly when rates move from 2.3 per cent to 3 per cent. For a $3 million purchase under the same loan tenure and LTV, the increment spikes by $801 a month from $9,869 to $10,670 monthly for the same interest rate increase.

Therefore, we may expect more borrowers to refinance or pay down their loans, especially for mid-range or pricier properties. Although restructuring loans or early loan redemption can come with a penalty fee, some borrowers may still find it cheaper to pay the fees compared with the monthly mortgage increase.

The super luxury market may not be as affected on the upper end of the housing spectrum since affluent buyers may not need a housing loan. Others can raise finances by rebalancing their investment portfolio and reallocating funds to mitigate the impact of the higher borrowing costs.

WHEN WILL RATE HIKES HURT

The interest rate impact may be more keenly felt when rates move above 3.5 per cent, the interest rate used for the TDSR calculation. According to a study by the Institute of Real Estate and Urban Studies at the National University of Singapore, if mortgage rates move beyond 3.8 per cent, the housing affordability for first-time home owners in the top 30th income percentile may be affected. Most may not be able to afford a new private property on a 25-year loan tenure.

Their affordability threshold for private resale homes will similarly be breached when interest rates rise to around 4.6 per cent. If they take a 20-year loan tenure, the threshold slides to 2.5 per cent for new private homes and 3.5 per cent for resale homes.

Buyers' housing affordability may also be affected when the TDSR computation is revised. When interest rates inch towards 3.5 per cent, the TDSR computation may be tightened, which will adversely impact the purchasing power of all borrowers.

For instance, if the TDSR calculation uses a 4 per cent interest rate, the maximum loan for borrowers with a $10,000 household income on a 30-year loan tenure will be reduced from $1.23 million to $1.15 million. Therefore, a buyer can purchase a property only up to a value of $1.53 million instead of $1.63 million without an additional cash outlay.

If the rates are revised to 4.5 per cent, the maximum loan quantum will drop to $1.09 million, and the maximum purchase price will be $1.45 million. Therefore, with lower borrowing power, buyers will have to settle for a smaller unit or incur greater cash outlay if the TDSR is tightened.

Nevertheless, our property market may withstand the interest rate impact better than those in many other countries. Speculative activities are low, and many safeguards are in place to ensure most borrowers are not overleveraged. Moreover, the aggressive rate hikes are likely to be temporary. Interest rates may revert to normalcy once inflation comes under control.

For buyers who purchase properties for investment, the rental income can offset the mortgage increases after TOP since rents have been on an uptrend in recent years.

• The writer is senior vice-president (research and analytics) at OrangeTee & Tie.

New work pass from Jan 1 aims to attract top talent

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and Tay Hong Yi

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Starlight Suites	9	850	2	1,999
Loft @ Nathan	10	904	2	1,858
Verdure @ Holland Park	10	1,066	2	2,064
Miro	11	1,245	2	1,992
Cube 8	11	1,421	3	2,006

Source: PropertyGuru

Table 2: Median unit price (S$psf) OCR vs CCR

	OCR (NEW SALE, 99-YEAR LEASEHOLD)	CCR (RESALE, FREEHOLD)	PREMIUM OF CCR OVER OCR (%)
Q1 2021	1,373	1,882	37.1
Q2 2021	1,469	1,950	32.7
Q3 2021	1,529	1,969	28.8
Q4 2021	1,555	1,980	27.3
Q1 2022	1,624	2,042	25.7
Q2 2022	1,627	2,054	26.2
Q3 2022 (up till Aug 8)	2,081	2,154	3.5

Source: URA REALIS, Colliers

AN ADVERTISEMENT for a resale condominium unit shouts: "Freehold selling at leasehold price!" Another says: "S$2,064 psf for a district 9 freehold project that's less than 9 years old." Yet another simply states: "Cheaper than 99-year leasehold."

The properties above share a few common traits: They are prime district freehold, non-landed homes; and their asking (and transacted) prices are lower than the median selling price for the new 99-year leasehold AMO Residence project in Ang Mo Kio of S$2,110 per square foot (psf).

AMO Residence sold over 98 per cent of its 372 units by the first day of its launch on Jul 23, with 1 of its 3 penthouses transacting at an eye-watering S$6 million or S$2,406 psf.

Checks by *The Business Times* (BT) on Singapore's largest property portal, PropertyGuru, found about 2 dozen projects in prime districts 9, 10 and 11 that are going for less.

The search criteria were for freehold or 999-year leasehold resale condominium units that received their Temporary Occupation Permit no more than 10 years ago, at sizes of between 500 and 1,500 square feet (sq ft) each, and asking less than S$2,100 psf.

A cross-check was also done to ensure that the asking prices reflect transacted prices.

BT's search showed properties available in the Core Central Region (CCR) that could cost less than new leasehold properties in the Outside Central Region (OCR).

A freehold 797 sq ft 2-bedder Sophia Residence unit in District 9 could be had for S$1.6 million.

A 1,066 sq ft 2-bedder unit at Verdure @ Holland Park in District 10 could sell for S$2.2 million and a 1,421 sq ft 3-bedder Cube 8 home on a high floor in District 11 could be yours for just under S$2.9 million.

There are even more affordable freehold homes in the prime districts if older condominiums were included.

The lure of OCR new launches

Why are buyers snapping up 99-year leasehold properties in the OCR at higher or comparable psf prices?

Analysts BT spoke to mostly cited familiarity with suburban locations and proximity to children's schools and elderly parents as key reasons, especially for Housing Development Board (HDB) upgraders who want to remain in certain neighbourhoods.

The progressive payment scheme for new launches also allows buyers to spread out their payments over the construction period, said Catherine He, Colliers' director and head of research. For a resale unit, payments are made upfront and the mortgage kicks in immediately.

BT's search showed properties available in the Core Central Region (CCR) that could cost less than new leasehold properties in the Outside Central Region (OCR).

Moreover, buying a new launch unit allows the buyer to ride long-term price uptrends.

"By the time the project is completed, it would likely fetch a higher price if market conditions are stable," said He.

"Furthermore, as homes take about 3 years to complete, the Seller's Stamp Duty (SSD) period would have been fulfilled and buyers can lock in profits without (paying) SSD if they choose to sell."

The progressive payment scheme also helps young couples cross the Total Debt Servicing Ratio (TDSR) hurdle, which limits a mortgagor's overall debt obligations to 55 per cent of income.

One industry observer says the couple can pay an option fee to buy a new launch unit, and only secure a loan when construction starts and progress payments begin.

At that point, they can sell, say, a 1 per cent interest in the property to their parents, who – assuming this is not their first property – will pay a manageable Additional Buyer's Stamp Duty for this minority stake.

The couple, together with their parents, will then apply for financing. This way, their income for TDSR computation will go up, and they can afford a larger loan.

Also, there are buyers who are only keen on new homes, as opposed to a resale unit where renovation costs and time will likely be incurred.

Other reasons have more to do with marketing firepower.

"For any new launch, developers will mobilise 3 of the largest agencies, who will have more than 60 per cent of agents in Singapore, offering huge coverage and network," said ERA Realty's head of research and consultancy, Nicholas Mak.

Marketing resources – videos, infographics and marketing collateral – also flood social media, such that someone searching online for property will see the new project everywhere and be diverted there.

Agents are incentivised to sell new launch units as developers pay commissions of 2 per cent upwards, versus the 1 per cent typical of resale properties.

Another reason is that some buyers are unaware that CCR options within their budget are available.

And even if they are aware, the process to find a suitable resale unit takes longer and more legwork, and may not yield a home on, say, a desired floor or preferred facing.

Up, up and away?

Huttons Asia senior director of research Lee Sze Teck noted that 40.6 per cent of new launch transactions in the OCR cost S$2 million or more in July 2022, compared with 9.9 per cent in August 2021.

His analysis of caveats shows 80 per cent of buyers with an HDB address were purchasing properties valued at up to S$2 million, while 80 per cent of those with a private address were purchasing at up to S$2.5 million.

"This shows that properties up to S$2 million are well within the means of buyers," he said, adding that the proportion of homes valued at up to S$2 million may be between 40 and 50 per cent in future.

However, analysts also point out that AMO Residence was fairly unique in that it has been a long time since a new condo was launched in Ang Mo Kio – a mature estate with popular schools and other amenities, which has strong housing demand.

"So we have to be careful before we say that going forward, all condos in OCR will cost above S$2,100 psf," said Mak.

Christine Sun, OrangeTee & Tie's senior vice-president of research & analytics, noted that although 195 new OCR units cost at least S$2 million in July, they made up 23.9 per cent of total non-landed OCR sales.

Ferreting out gems

As demand has gravitated towards mass market properties due to attractive new launches, Colliers' He observed that the gap in median unit prices between resale freehold CCR and new 99-year leasehold OCR units has been narrowing since 2021 (see Table 2).

"As such, there might be more value and upside in the high-end segment, in addition to a lack of new supply in the CCR," she said.

Eyes will now turn to the upcoming suburban launches of GuocoLand's Lentor Modern and Frasers Property's Sky Eden@Bedok to see if AMO Residence's success can be replicated.

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Private rents to rise further but recession could dampen 'super bull cycle': Savills

Rental increases are likely to continue well into 2023 with a 5% on-year rise, according to the property consultancy's research arm

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Only 2 of the top 5 non-landed projects with the most leasing transactions in Q2 were in the Core Central Region, noted Savills.
PHOTO: BLOOMBERG

WITH private residential rents in Singapore already up by 11.7 per cent for the first half of the year, Savills Research is raising its year-on-year growth forecast for all of 2022 to 15-20 per cent, from 10-15 per cent previously.

Rental increases are likely to continue well into 2023 with a 5 per cent on-year rise, added the research arm of property consultancy Savills.

The higher projection comes after the Urban Redevelopment Authority rental index for private residential properties surged 6.7 per cent on quarter in the second quarter of 2022, on the back of rental demand growth and tight completions resulting from construction delays.

Savills believes this "unabated" rise in private residential rents is not without risks. For instance, high rents could prompt companies to reduce their number of foreign hires or relocate them to work remotely from resort hubs. This could in turn lead to a reduction in rental demand and affect rental prices adversely.

"Although the central scenario is for rents to continue barrelling up, global recessionary conditions could dampen the super bull cycle," said Savills Singapore's executive director of research Alan Cheong.

Notably, only 2 of the top 5 non-landed projects with the most leasing transactions in Q2 were in the Core Central Region (CCR). The remaining were in the Rest of Central Region (RCR) and Outside Central Region (OCR).

According to the research house, the significant drop in CCR leasing volume was due to the "paucity of suitable accommodation for well-heeled expatriates". As a result of not being granted their preferred accommodation, some expatriates are believed by Savills to have rescheduled their relocation to Singapore or now temporarily live in serviced apartments here.

"The relative slower decline in transaction volume in the mid and mass market segments is signalling that those with budgets that could, in 2021, rent an apartment in the CCR are now living farther afield from the central locations," said the research house.

Savills also observed that most private units which were leased out for the quarter comprised smaller 1 and 2-bedroom units.

For the high-end, non-landed private residential projects tracked by the research house, it noted a 7.6 per cent quarter-on-quarter increase to S$4.79 per square foot (psf) – the highest since Q1 2014, when rents reached S$4.84 psf.

"The dearth of significant completions islandwide have allowed landlords to dictate rents. This is more pronounced in the prime districts," observed Savills.