

# Policy Watch Singapore

## Pre-emptive Measures to Cool the Residential Market

A Cushman & Wakefield Research Publication

### Additional Buyer's Stamp Duty (ABSD) Rates Increased for the Fifth Time

To pre-emptively cool off residential property demand amidst renewed interest from local and foreign investors, the Government has raised ABSD for foreigners, 2<sup>nd</sup> /3<sup>rd</sup> timer Singaporeans and Permanent Residents. The adjusted ABSD rates, summarized in the following table, will take effect on April 27.

**Table 1: ABSD Rates**

Buyer Profile	Residential Sector only	Current Rates*	Rates on or after 27 April 2023*
Singapore Citizens	First property	0%	0% (no change)
	Second property	17%	20% ↑
	Third and subsequent property	25%	30% ↑
Permanent Residents	First property	5%	5% (no change)
	Second property	25%	30% ↑
	Third and subsequent property	30%	35% ↑
Foreigners	Any property	30%	60% ↑
Entities	Any property	35%	65% ↑
Housing Developers	Any property	35% (remittable) + 5% (non-remittable)	35% (remittable) + 5% (non-remittable) (no change)

\*ABSD is calculated on purchase price or market value of property whichever is higher

Over the short term, the overall market volumes could take a breather, as the market absorbs the latest cooling measures. Some buyers might wait on the sidelines in anticipation of a price correction.

### Prices could continue to Grow

The latest measures would not affect the bulk of owner



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occupier demand whom are the dominant source of property demand in Singapore. Singapore citizens and permanent residents buying their first properties are estimated to constitute about 90% of residential property transactions (based on 2022 transactions) according to data from the Ministry of National Development.

As such, we remain cautiously optimistic that private residential prices may still end 2023 on a positive note, with overall prices ending at 2%-5% higher compared to 2022. Price growth would be supported by resilient underlying demand, fueled by local aspirations to upgrade to a private property, stable jobs market, rising HDB resale prices and heightened construction costs. However, the increasing weight of cooling measures and higher levels of new private residential completions would deter some buying demand and ease rental growth.

### Cooling off Rising Foreigner Demand

Amidst stable Singapore property outlook and a re-opening of China, foreigner demand has started to increase in 2023.

Typically, the Core Central Region (CCR) attracts a larger proportion of foreign buyer demand as compared to the Rest of Central Region (RCR) and Outside Central Region (OCR). From 2021 to 2022, the average proportion of foreign demand over total non-landed transactions for the CCR, RCR and OCR was about 10%, 4% and 2% respectively.

In Q1 2023, the proportion of foreign demand and absolute numbers of foreign purchases in the CCR grew. CCR foreign demand proportion rose to around 22.9% in Q1 2023 with total volumes reaching about 161 units, from 131 units in Q4 2022 (see chart 2 and 3).

While Q1 2023 data is not final, the top 3 foreign buyer profiles (excluding foreign un-specified) for the CCR are from China, USA and Indonesia. The volume of transactions from Chinese and US buyers have increased in Q1 2023 compared to Q4 2022. Under current free trade agreements, buyers from the USA do not have to pay

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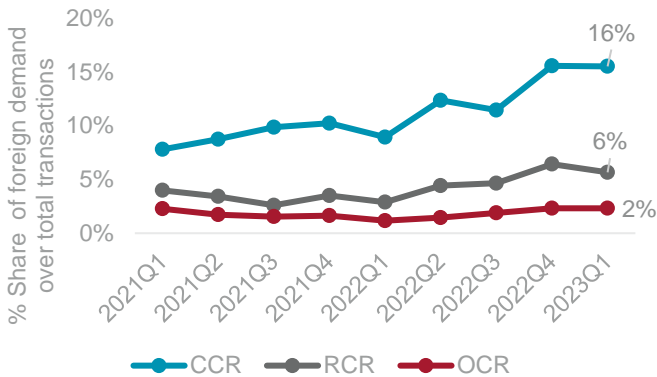
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ABSD for their first property purchase.

Notably, while foreign demand has started to rise, it still represents less than 6.3% of total non-landed volumes in Q1 2023.

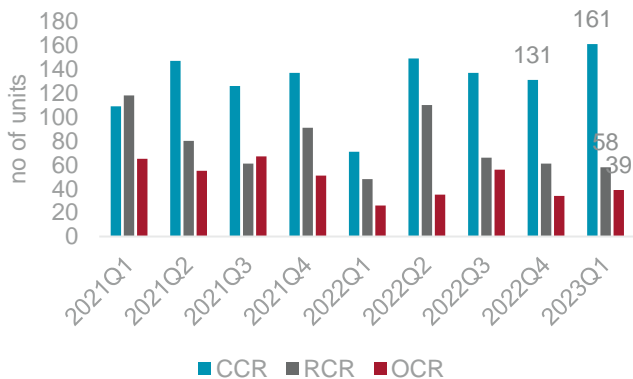
In sum, the RCR and OCR markets could see limited impact due to their limited exposure to foreign demand. We anticipate a larger impact for the CCR given their larger foreigner demand pool.

**Chart 2: Percentage of Foreign Demand by Region**



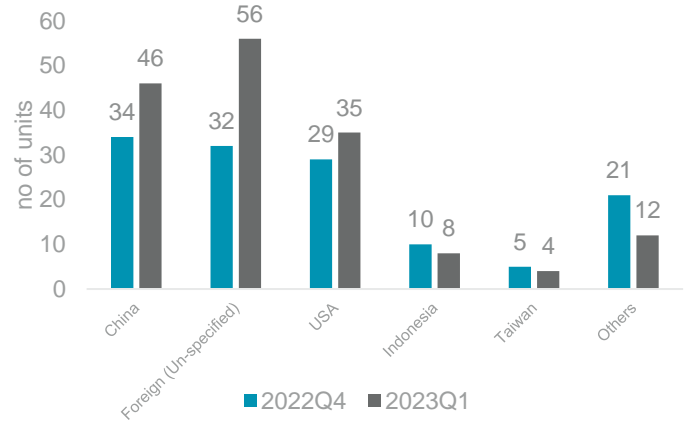
Source: URA, Cushman & Wakefield Research

**Chart 3: Absolute Volumes of Foreign Demand by Region**



Source: URA, Cushman & Wakefield Research

**Chart 4: CCR Foreign Buyer Profile by Country**



Source: URA, Cushman & Wakefield Research

**Investment Demand to Gravitate towards the Commercial and Industrial Market**

While private residential rents should remain on an uptrend (at a moderated pace), the sharp ABSD hike coupled with the recent increase in Buyer's Stamp Duty (BSD) would greatly diminish potential investment returns for a foreign investor or an entity.

Investment demand may gravitate towards the commercial and industrial markets that are relatively unaffected by new cooling measures. The interest could rise for bite-sized investments such as small commercial buildings, strata offices, shophouses and longer tenure industrial units.



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