

Policy Watch Singapore

Residential Market: New Cooling Measures September 2022

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On 30 September 2022, the Government implemented an additional set of cooling measures in the property market to ensure prudent borrowing and cool demand amidst rising interest rates.

Tightened Loan Limits and New Wait-Out Period

The latest measures aim to pre-emptively manage the impact of interest rates on the property market and moderate the rise in HDB resale prices. These measures would bolster resilience in the market as interest rates will likely stay on the upward trend with a hawkish US Fed stance. Singapore's market interest rates are correlated to global economic conditions and interest rates given the city's open economy and monetary policy.

Broadly, financing criteria for property loans from financial institutions and HDB housing loans have been tightened. The medium-term interest rate floor used to compute the Mortgage Service Ratio (MSR) and Total Debt Servicing Ratio (TDSR) has been increased by 0.5% points across the board for residential and non-residential property (See Appendix 1 for more details). The Loan-to-value ratio for HDB housing loans has also been reduced.

Besides loan curbs, the government is putting in place a wait-out period of 15 months (from disposal of property) for private residential property owners (PPO) or ex-PPO's who wish to buy an unsubsidised HDB resale flat. This is a temporary measure which will be reviewed.

Strain on Buyer Affordability

Although these fresh measures have implications for both the residential and non-residential property market, we expect the impact on the housing market to be larger with financial institutions being typically more cautious in the non-residential property market.

Based on our assumptions below, buyers across various income buckets would see their affordability (maximum property value that a household can afford) decline by about 6% when they take up bank loans for a residential property (HDB and private). For buyers taking up a loan from HDB,

they have to cough up more cash due to lower LTV limits (see appendix 2 for more details).

Given resilient underlying housing demand, the new loan curbs could shift demand towards the more affordable market segments.

For example, some prospective buyers who were previously looking for condos in the city fringe may now set their sights on suburban condos with lower prices. Some first-time buyers in the private property market could towards the HDB resale market. Such movements could accordingly support resale HDB prices and suburban private home prices.

The new wait-out period for PPOs would temporarily deter second-timer demand from the private market to enter the HDB resale market. However, this could further boost the rental demand further as ex-PPO would need to rent while waiting for the wait-out period to end and dispose their property. For those who choose not to wait, they may turn towards the private resale market.

Impact on HDB and Private Residential Market

The new measures should increase market frictions and slow resale HDB price growth. However, given resilient underlying housing demand, low unemployment rates and an anticipated shift in demand from the private property market, HDB resale price growth could remain positive in Q4 2022, albeit at a much slower pace than previous quarters.

For the private property market, the recent loan curbs add to the overhang of cooling measures and economic uncertainties. Demand for private housing is expected to fall and impede price growth amidst dampened affordability and heightened price levels. HDB upgrader demand would fall due to a slowdown in HDB resale price growth. The private residential market may see a knee jerk reaction in Q4 2022 and price growth could be flat as it assesses the impact of the new measures against the prospect of an economic recession.



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Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and approximately 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Appendix 1: Tightened Financing Criteria for Housing Loans

		Residential		Non-Residential	
		After	Before	After	Before
Financial Institution Loans (Private and HDB)	Medium term interest rate* floor	MSR 4.0%	MSR 3.5%		
		TDSR 4.0%	TDSR 3.5%	TDSR 5.0%	TDSR 4.5%
HDB Housing Loans		MSR 3%	-		
	Loan-to-value ratio	LTV 80%	LTV 85%		

Key: Mortgage Servicing Ratio (MSR), Total Debt Servicing Ratio (TDSR), Loan-to-Value (LTV) limit

*The higher floor or thereafter interest rate, which is the highest possible interest rate applicable during the tenure of a property loan, excluding introductory or promotional rates.

Appendix 2: Affordability Analysis for HDB Flats

Assumptions: Bank loan, no other property loan, loan tenure of 30 years, LTV at 75%, MSR at 30%

Household Income (S\$)	4,000	5,000	6,000	7,000	8,000	9,000	10,000
Before Max Property Price (3.5% interest rate floor)*	\$356,312	\$445,390	\$534,468	\$623,546	\$712,624	\$801,702	\$890,780
After Max Property Price (4.0% interest rate floor)*	\$335,138	\$418,922	\$502,707	\$586,491	\$670,276	\$754,060	\$837,845
% Change	-6%	-6%	-6%	-6%	-6%	-6%	-6%

Source: Cushman & Wakefield Research
*Excluding grants

Appendix 3: Affordability Analysis for Private Properties

Assumptions: No other debt obligation, loan tenure of 30 years, LTV at 75%, TDSR at 55%

Household Income (S\$)	10,000	11,000	12,000	13,000	14,000	15,000	16,000
Before Max Property Price (3.5% interest rate floor)	\$1,633,097	\$1,796,406	\$1,959,716	\$2,123,026	\$2,286,335	\$2,449,645	\$2,612,954
After Max Property Price (4.0% interest rate floor)	\$1,536,049	\$1,689,654	\$1,843,259	\$1,996,864	\$2,150,469	\$2,304,074	\$2,457,679
% Change	-6%	-6%	-6%	-6%	-6%	-6%	-6%

Source: Cushman & Wakefield Research

More information [here](#)



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