

# Policy Watch Singapore

Residential Market: New Cooling Measures, December 2021

A Cushman & Wakefield Research Publication

**Singapore: On 15 December 2021, the government announced new property curbs to cool its housing market amid rising concern of “prices running ahead of economic fundamentals and increasing risk of a future destabilising correction”.**

## **A Potent Blend of Cooling Measures**

The government has announced new property curbs to cool the housing market. As of Q3 2021, private residential prices reached historical highs after running up for six consecutive months, gaining about 9% since Q2 2020.

The cooling measures introduced are one of the most aggressive yet. Notably, Additional Buyer Stamp Duties (ABSD) for non-entities have been increased by about 5% to 15% for certain buyer types (see figure 1). This is higher as compared to previous rounds, where the increases ranged from only 5% to 10%.

Additionally, the Total Debt Servicing Ratio (TDSR) has been tightened further from 60% to 55% as well as Loan-to-value ratios (LTV) for HDB loans have been reduced from 90% to 85%.

## **Broad-based Impact**

The new cooling measures impacts all segments of buyers with tighter loan curbs or/and higher upfront costs due to a tightening of TDSR and increase in ABSD. Singaporeans and PR buyers make up the bulk of demand with about 80% and 16% of total non-landed private residential transactions for 2021YTD.

First-time Singaporean and Permanent Resident (PR) private residential buyers were the least affected with ABSD rates remaining unchanged. However, the tightening of TDSR lowers buyers' affordability by about 10% (for first property purchase) based on our assumptions<sup>1</sup>.

The impact would be more keenly felt for property investors. Singaporean property buyers now face higher ABSD of 17%

and 25% for their 2<sup>nd</sup> and 3<sup>rd</sup> property purchase, respectively as compared to 12% and 15% previously. For PRs, they now have to pay 25% and 30% ABSD for their 2<sup>nd</sup> and 3<sup>rd</sup> private residential purchase from 15% previously. Coupled with TDSR tightening, investor demand is expected to cool significantly, due to potential higher upfront costs and tighter financing conditions.

## **Foreign Demand to Slow**

ABSD for foreigners was increased by 10% points to reach 30%. This was a significant increase, as compared to 5% points increase each time in the last two rounds of revisions. In our opinion, the increase in ABSD for foreigners seems a bit too punitive, given their limited impact as foreign purchases for non-landed private residential properties made up only 4% of demand for 2021YTD.

The Core Central Region (CCR) would see the bulk of the impact due to a higher proportion of foreign demand as compared to other regions. The percentage of foreign private non-landed purchases in CCR (high-end market) was 9% in 2021YTD, followed by 4% in Rest of Central Region (mid-tier market) and 2% in Outside Central Region (mass-market market).

The increase in ABSD would taper foreign buying demand, especially when borders' measures are gradually relaxed, leading to the return of overseas buyers. Foreigners' interest may be diverted to alternative asset classes such as shophouses or strata offices that do not face or have limited cooling measure risk.

## **Heightened Development Risks**

Developers now face significantly higher development risks given the increase in ABSD for entities, from 30% (25% remissible + 5% non-remissible) to 40% (35% remissible + 5% non-remissible). The higher ABSD rates coupled with ongoing construction uncertainties, and uncertain demand due to the new cooling measures, have increased development risks, especially for large-scale projects.

<sup>1</sup> LTV of 75% for first property purchase and other monthly debt obligations of S\$1,500 per month



**Wong Xian Yang**

Head of Research

Singapore

Tel: +65 6232 0885

xianyang.wong@cushwake.com

The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy. Copyright © 2021 Cushman & Wakefield. All rights reserved.

## **About Cushman & Wakefield**

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 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter

We could still see demand for well-located smaller sites at prime districts, where buyers' profiles tend to be very high net worth and hence may not be too impacted by higher ABSD. As developers need to ensure feasible profit margins, land prices are expected to moderate after factoring in higher costs and risks associated.

Given the increased risks for private residential development, some developers and investor demand could be diverted towards the commercial and industrial markets.

Interest in the CBD incentive scheme would also cool, given current challenges and risks in the hospitality and private residential markets.

However, amidst very low levels of unsold inventory, we expect developers to continue sourcing for land in both public and private platforms, albeit with a more cautious bidding behavior. En bloc activities are expected to slow, as developers become more selective and wait to see the impact on demand. Additionally, the supply of land from the Government Land Sales Programme has been increased and would compete with the en bloc market.

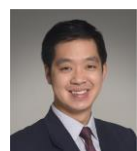
Developers are not expected to cut prices for existing launches as unsold inventory remains very limited.

### Price Growth Tapers Off

The latest slew of cooling measures is expected to have a calming effect on the market. Buyers and developers are expected to adopt a wait-and-see attitude to digest the new measures. Furthermore, Singapore's economic growth is expected to slow to around 3 to 5% in 2022 from around 7% in 2021.

On the other hand, market fundamentals remain unchanged, supply remains tight and underlying demand for private residential properties remains strong. Market volumes is expected to slow over the short term as demand accumulates on the sidelines due to lower affordability and higher upfront costs amid the new measures and strong underlying demand.

As such, we do not expect a sharp correction in prices. However, we lower our private residential price forecast for 2022 from 4%-6% to about 0-2%. Total sales (all sales) volumes could fall back to around 20,000 units in 2022 amidst a limited launch supply and cautious demand due to the latest slew of cooling measures.



**Wong Xian Yang**  
Head of Research  
Singapore  
Tel: +65 6232 0885  
xianyang.wong@cushwake.com

The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy. Copyright © 2021 Cushman & Wakefield. All rights reserved.

**Figure 1: Summary of New Cooling Measure Adjustments**

### 1. Higher Additional Buyers' Stamp Duty (ABSD) Rates

Types of buyers		Rates from 8 December 2011 to 11 January 2013	Rates from 12 January 2013 to 5 July 2018	Rates from 6 July 2018 to 15 December 2021	Rates on or after 16 December 2021
Singapore Citizens	First residential property	0%	0%	0%	0%
	Second residential property	0%	7% (+7%)	12% (+5%)	17% (+5%)
	Third and subsequent residential property	3% (+3%)	10% (+7%)	15% (+5%)	25% (+10%)
Permanent Residents	First residential property	0%	5% (+5%)	5%	5%
	Second residential property	3% (+3%)	10% (+7%)	15% (+5%)	25% (+10%)
	Third and subsequent residential property	3% (+3%)	10% (+7%)	15% (+5%)	30% (+15%)
Foreigners	Any residential property	10% (+10%)	15% (+5%)	20% (+5%)	30% (+10%)
Entities	Any residential property	10% (+10%)	15% (+5%)	25% (Plus additional 5% for housing developers (non-remittable)) (+15%)	35% (Plus additional 5% for housing developers (non-remittable)) (+10%)

### 2. Tightened Total Debt Servicing Ratio (TDSR) threshold from 60% to 55%

- Borrowers' total monthly loan repayment cannot exceed 55% of monthly income.
- TDSR threshold for refinancing existing property loans granted before 16 December 2021 remains at 60%.

### 3. Tightening of Loan-to-Value (LTV) limit for HDB-granted loans from 90% to 85%

- The maximum amount potential homebuyers can borrow from HDB is reduced.
- LTV limit for loans obtained from financial institutions to purchase HDB flats remains at 75%.

Source: IRAS, MAS, MND, Cushman & Wakefield

### About Cushman & Wakefield

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 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter