

What is driving property buying in Singapore?

There is a recession but it would be hard to tell from the exuberance in the private residential property market.

Developers here sold 10,024 private housing units in 2020, surpassing the 9,912 units in 2019 by 1.1 per cent, preliminary URA figures showed. CGS-CIMB is projecting private home prices to stay flat or rise as much as 5 per cent for 2021.

Here are some factors driving the momentum for property buying in Singapore:

Foreign buying

Buying activity in Sentosa Cove's bungalow market has been getting busier in the past few months on the back of several demand drivers, including buyers from mainland China. List SIR's analysis of URA Realis caveats database showed that 13 Sentosa bungalows transacted for a total S\$195.66 million in 2020, up from just four deals adding up to S\$83.39 million in 2019.



HDB upgraders

Property watchers are expecting more HDB upgraders in the coming years, as more owners of new Housing & Development Board flats complete their minimum occupation period between 2020 and 2023. With this, they will likely move to matured public housing estates or private residential properties.



Uneven Covid-19 impact

Private-apartment ownerships and data on household income trends over the past decade show the rate at which people in the 61st-90th income deciles upgraded into condominiums outpaced those from the lower-income deciles.

While white-collar professionals could work from home during the shutdown, the nature of the work of many blue-collar workers required them to be present physically at the workplace and many lost their income and jobs when the authorities ordered the closure of all non-essential work premises, notwithstanding the support given by the government.

A DBS report in Oct showed that lower-income earners (S\$2,999 and below) made up about 49 per cent of DBS customers that saw a drop in salary. Within this group, about half saw their income fall by over 50 per cent.



Cheap debt

Given the collapse in benchmark rates, mortgage rates have fallen. Data from ValueChampion showed that the lowest Sibor-based rate as at Jan 14, 2021 was 1.25 per cent. In Nov, Citibank offered a sub-1 per cent mortgage rate to affluent clients taking a loan of at least S\$800,000.



Return of en bloc fever

Market watchers are anticipating a new en bloc cycle to start in 2021, as unsold residential units under development fell in Q3 2020 to 26,600 units, signalling undersupply in the primary market. The start of the previous en bloc cycle was in Q2 2016, when inventory fell to 23,000 units.

A "conservative" and "calibrated" release of residential supply under the first-half 2021 government land sales programme is also likely to drive interest in the en bloc market, property analysts said to The Business Times in December 2020.

