

More Singapore developers looking to hike condo launch prices

About 71% of developers expect unit prices of new launches in the next 6 months to be moderately or substantially higher: poll

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HOMEBUYERS have to brace themselves for higher prices as about 71 per cent of developers expect unit prices of new launches in the next 6 months to be moderately or substantially higher, the results of a poll revealed.

The Q1 2022 survey showed that another 24 per cent expect new launch prices to maintain at the same price level, while only 5 per cent expect prices to be substantially lower.

That's according to the latest Real Estate Sentiment Index (RESI) published by the National University of Singapore Real Estate, which

represents the university's Department of Real Estate and its Institute of Real Estate and Urban Studies (IREUS).

In comparison, about 60 per cent of respondents had expected unit prices of new launches to be moderately or substantially higher in the Q4 2021 poll, while 35 per cent expected prices to remain the same.

In terms of future launches and sales, about 65 per cent of developers polled in the Q1 2022 survey expect moderately more units to be launched in the next 6 months, while some 15 per cent anticipate a moderately lower number.

Meanwhile, rising construction costs have joined rising inflation

and interest rates as the top 2 potential risk factors in the next 6 months for almost 95 per cent of senior executives in real estate companies.

The proportion of respondents indicating a slowdown in the global economy as a potential risk also increased the most compared to the previous quarter, rising from 44.7 per cent to 79.5 per cent.

Correspondingly, about 64 per cent of respondents highlighted tightening of financing and liquidity in the debt market as a potential risk, a slight decline compared to Q4 2021's 65.8 per cent. It stood at 32.6 per cent in Q3 2021.

Government intervention to cool the market as a potential risk



The Q1 2022 survey showed that another 24 per cent expect new launch prices to maintain at the same price level, while only 5 per cent expect prices to be substantially lower. PHOTO: BLOOMBERG

factor continued to decline, dropping from 39.5 per cent in the previous quarter to 25.6 per cent in Q1 2022. It was 62.8 per cent in Q3 2021.

The RESI study's composite sentiment index, a derived indicator for overall real estate market sentiment, improved after Singapore re-

opened its borders and further eased Covid-19 safe management measures, rising from 5.4 in Q4 2021 to 6.1 in Q1 2022.

"However, the rise in inflation could potentially be disruptive as costs of oil and other raw materials escalate," said IREUS deputy director Lee Nai Jia, adding that rising in-

terest rates will make mortgage loans and other forms of debt funding more onerous.

"Real estate has often been perceived as a good hedge against inflation. The positives from increased demand are likely to offset the negatives from the government measures and uncertainty."

Property tax hikes won't depress new launch prices, may hurt luxe home demand: NUS poll

Survey finds that some developers may try to buy more land in suburbs, lower price expectations for land bids

By **Fiona Lam**
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REAL estate honchos generally do not anticipate price cuts for new private home launches as a result of Singapore's upcoming property tax increases, though some developers may try to buy more land in the suburbs, according to a quarterly survey.

The poll findings also indicate that the tax hikes are likely to slow demand for luxury condominiums and landed properties, especially those in prime locations.

For its Q1 2022 survey, the National University of Singapore Real Estate (NUS+RE) sought the views of 39 senior executives in Singapore's real estate industry, including developers, on the impact of the tax hikes on the private residential market. NUS+RE represents the Institute of Real Estate and Urban Studies (IREUS) and the Department of Real Estate.

IREUS deputy director Lee Nai Jia told *The Business Times* that the higher property tax rates are unlikely to affect upgraders' aspirations of owning a private home, while the high-income homeowners are more likely to feel the pinch. "That said, the supply of high-end properties is inelastic, and prices are unlikely to budge correspondingly," he noted.

This February, Finance Minister Lawrence Wong announced in his Budget 2022 speech that the property tax rates for both non-owner occupied and owner-occupied residential properties will go up in 2 steps, starting from 2023.

Despite the impending hikes, about 85 per cent of the executives

surveyed expect housing developers to go ahead with their project launches as planned, and nearly half reckon that the prices at new launches will be kept the same.

However, the higher property tax rates may prompt developers to shift their land acquisition strategies, such as by acquiring more sites in the suburbs or outside central region (OCR) and lowering their price expectations for land bids, respondents said.

Dr Lee pointed out that property launches are likely to proceed as planned, in spite of the new measures, as developers remain subject to the 5-year additional buyer's stamp duty deadline.

"However, the competition for OCR sites should heat up, as the demand there is likely to be buttressed by strong upgrader demand," he added.

By market segment, the higher tax rates are unlikely to significantly affect demand for executive condominiums (ECs) and mass-market condominiums, based on the majority of the survey responses.

For ECs, which are a public-private housing hybrid, about 46.2 per cent of the property executives expect no impact on demand while another 46.2 per cent reckon the impact will be limited.

Slightly more than half of the respondents foresee a limited impact on demand for mass-market condominiums, and 38.5 per cent think there will not be any impact.

Only a minority of them indicated that the new property tax rates will permanently hit the EC and mass-market condominium segments.

In contrast, a bigger proportion



Roughly 4 in 10 of the executives expect a permanent dip in demand for high-end condominiums and landed homes, while more than half said there will be a limited impact. BT FILE PHOTO

of the executives anticipate a permanent dip in demand for high-end condominiums (41 per cent) and landed homes (38.5 per cent).

That said, more than half indicated that there will only be a limited impact on demand for both the landed and the luxury non-landed segments.

When it comes to land purchases, the higher property taxes may have just a limited impact on en bloc acquisitions and on government land sales sites, with some 51.3 per cent and 56.4 per cent of the respondents, respectively, selecting this option.

Fewer than a quarter of them stated that the tax hikes will have any permanent effect on land acquisitions.

By region, demand for private homes in Singapore's prime areas or core central region (CCR) could permanently fall as a result of the higher property tax rates, accord-

ing to more than half of the senior executives.

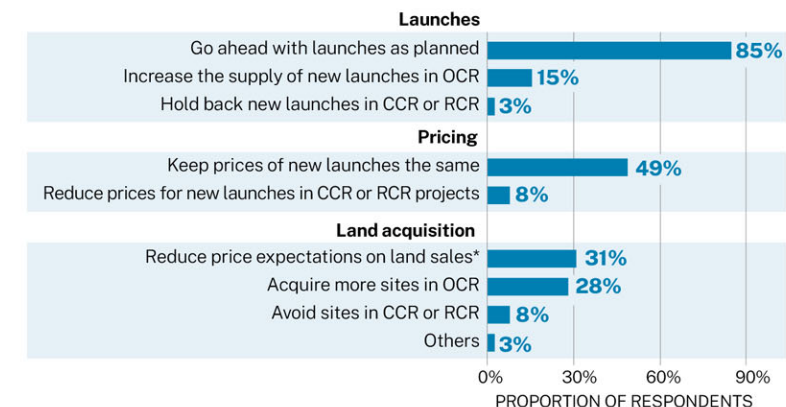
On the other hand, most of them think the impact will likely be limited for private residential properties located in the city fringe or rest of central region (RCR) and in the OCR. Fewer than a quarter of the respondents anticipate a permanent dent in demand in the RCR and OCR.

The property tax rate for non-owner occupied residential properties, including investment properties, will increase to 11-27 per cent from Jan 1, 2023, and then to 12-36 per cent from Jan 1, 2024. This is up from 10-20 per cent presently. High-end properties will see a steeper increase.

For owner-occupied homes, the rate will rise for the portion of the annual value in excess of S\$30,000, to 5-23 per cent from 2023 and 6-32 per cent from 2024, from the current 4-16 per cent.

Expectations of developers' strategies

How might housing developers react to the property tax hikes?

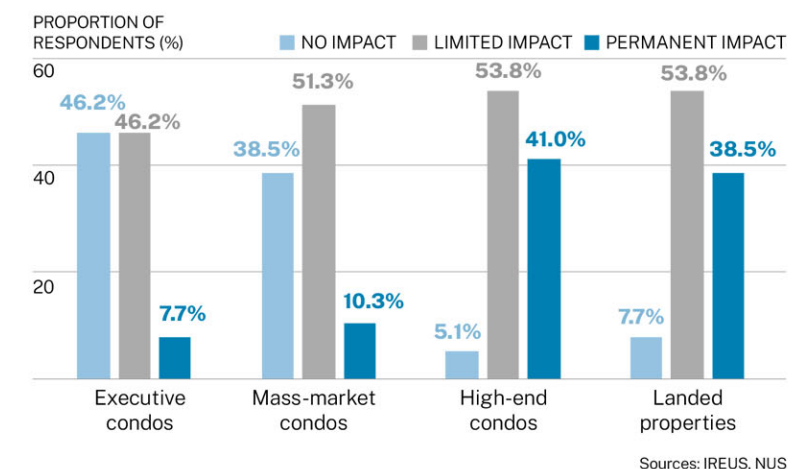


*Both en bloc sales and government land sales

Sources: IREUS, NUS

Potential hit

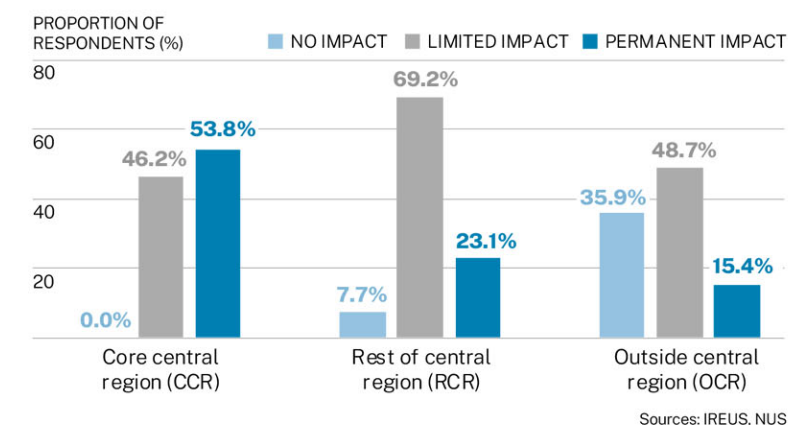
Most property execs expect some impact on demand for posh and landed homes



Sources: IREUS, NUS

By region

More than half predicted a permanent dent on demand for CCR private housing



Sources: IREUS, NUS