Impact of ABSD hike on housing market could go two ways

The cooling measures aimed at reining in a runaway private property market came at a time when global conditions could precipitate a hard landing.

Since the Covid-19 pandemic struck, the Singapore property market has defied gravity. Private residential prices have continued to rise at the same pace as in the pre-pandemic era, despite a global economic downturn of a similar scale.

However, the Housing and Development Board has announced that it will sell a record number of public housing flats this year, with the influx of new flats expected to curb price appreciation.

The Government has also introduced the worst ABSD hike in years, aiming to cool the market and prevent a speculative bubble.

**STIMULUS-HARBORING DEMAND AND SUPPLIER EFFECTS**

“We want to make this a pro-growth measure,” National Development Minister Desmond Lee said last Thursday, noting that the ABSD hike is the first in a series of measures to address the unreasonable property transactions in the first quarter of 2023, an increase from the 3.5 per cent to 4 per cent average in recent years.

Such a surge could pull down the housing market, as it is known to have a multiplier effect on the economy.

In response to the ABSD hike, many buyers are likely to look for cheaper alternatives, such as new public housing flats.

**SCENARIO 1: MARKET CENTRALLY LOCATED APARTMENTS MORE AFFORDABLE FOR LOCALS**

Still, the market could rally in price ways after this latest move. Many property owners and analysts are predicting that the impact will be small, given that buyers are likely to be hard hit.

For the first time in years, some property owners have decided to sell their flats, with prices dropping by as much as 10 per cent.

**SCENARIO 2: MARKET WITH RELATIVE LOW INCOME GROUPS**

The slight drop in prices could also provide a cushion for the relative low income groups. Many property owners have decided to lower their prices.

However, the ABSD hike could also deter some buyers from entering the market, as it is seen as a means to curb speculation.

In the months leading up to the ABSD hike, property transactions have skyrocketed, with prices rising by as much as 20 per cent.

**COMMUNICATION AND PUBLIC ATTENTION**

The ABSD hike was announced by the Ministry of National Development last Thursday, with the aim of cooling the market and preventing a speculative bubble.

The move has been met with mixed reactions, with some analysts predicting that it will only create a temporary lull in the market.

**IMPACT ON NEW PROJECT LAUNCHES**

Developers are expected to adjust their pricing strategies, with some potentially delaying the launch of new projects.

Some developers have already announced that they will be delaying the launch of new projects, with some estimating a delay of up to 6 months.

Others are expected to launch new projects at lower prices, with some estimating a price drop of up to 15 per cent.

**FUTURE PROJECTIONS**

The ABSD hike is expected to have a significant impact on the property market, with prices expected to drop by as much as 20 per cent.

However, some analysts believe that the market will recover in the next 12 months, with prices expected to rise by as much as 10 per cent.

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