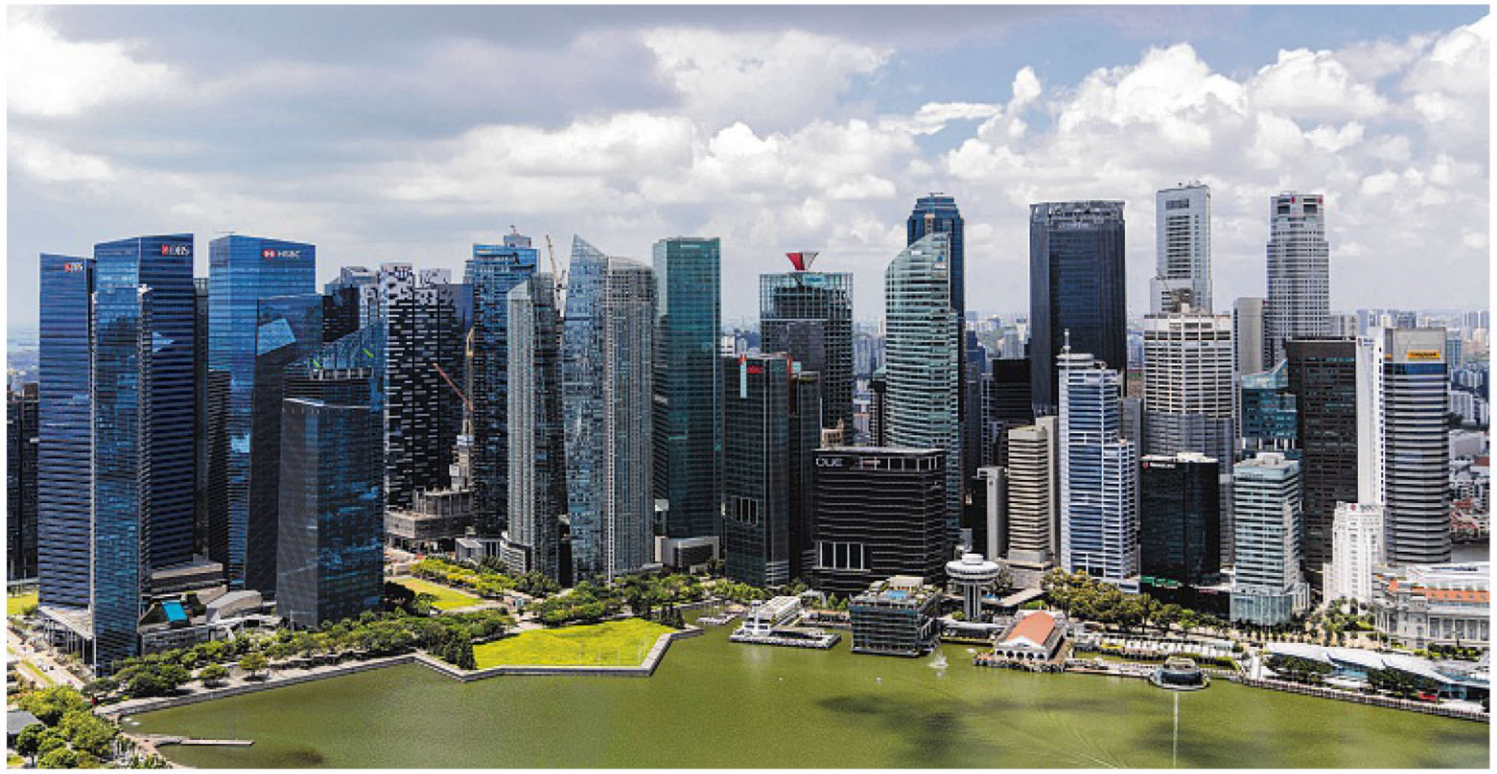
Source: *The Business Times*, p11
Date: 1 June 2023

Developers weigh deferring new launches, offering discounts after ABSD hike: NUS poll



About 70% of the poll's respondents expect residential property in the CCR to bear the brunt of the new measures. PHOTO: BT FILE

By Jessie Lim
ljessie@sph.com.sg

DEFERRING new launches, offering discounts and building smaller apartments are some possible strategies that real estate sector players expect to see as developers adjust to the increase in Additional Buyer's Stamp Duty (ABSD), a National University of Singapore (NUS) survey has found.

The survey, conducted by NUS Real Estate, sought the views of between 30 and 40 senior executives of real estate firms, of which there were about 20 developers. NUS Real Estate represents the Institute of Real Estate and Urban Studies and the Department of Real Estate.

Figures provided to *The Business Times* on Wednesday (May 31) showed that 53 per cent of the developers surveyed said the deferment of new launch projects was a possible strategy the industry may adopt.

About 41 per cent of developers surveyed felt that discounts of between 3 per cent and 5 per cent may be offered to offset the increase in ABSD for second-time Singaporean and permanent resident buyers.

Respondents were allowed to choose more than one option when asked to think of how developers may adjust their strategies.

Some 24 per cent of the developers polled considered building smaller apartments to increase the number of units that can be sold in a project.

About a quarter of the developers also chose to redesign luxury properties into mass-market homes to improve affordability as a possible change in strategy.

Less than one-fifth – 18 per cent – of those surveyed considered changes of use, such as converting residential developments into serviced apartments or co-living premises.

When asked to add their own predictions, one respondent said that developers will have to be more selective in acquiring land in prime districts, as such properties are likely to attract foreign interest.

Another mentioned that timing the launch of projects would be important, suggesting that strategic timing, good site and locational attributes were sufficient to attract demand, notwithstanding higher ABSD.

"The majority response to 'stick to their guns' suggests that developers here were still highly confident of Singapore's housing market and its robust appetite for new launches," said Provost's Chair Professor Sing Tien Foo of the Department of Real Estate.

In the survey, respondents were asked how they think various submarkets will be affected by the ABSD increase.

Nearly 80 per cent of respondents anticipated luxury non-landed homes will be significantly and adversely affected. About 70 per cent also felt that residential property in the Core Central Region (CCR) would bear the brunt of the new measures.

The number of non-landed luxury homes in the prime CCR bought by foreigners spiked by 123.9 per cent to 159 units in Q1, from 71 units last year, an Orange-Tee & Tie report published in May indicated.

Prof Sing said: "Though foreigners form only a minority of homebuyers here in Singapore, their willingness to fork out top dollar will drive up valuation, which may eventually cause property price inflation islandwide if left to the 'invisible hand' of the market."

He also noted that interest rate hikes and ongoing geopolitical tensions add substantial risks to people investing in private housing, especially those who are highly leveraged.

"Compared to other asset classes, property is highly illiquid, and in the event that macro risks trigger negative economic outcomes – such as recession and unemployment – investors might not be able to bail out in time even as prices spiral downwards."