Savills World Research
Singapore

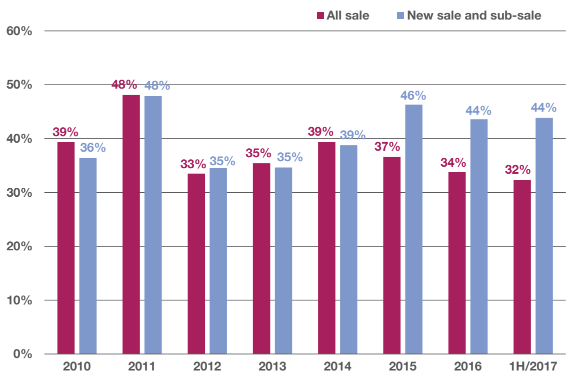
Asian Cities Report
Singapore Residential

2H 2017

savills.com.hk/research

GRAPH 1

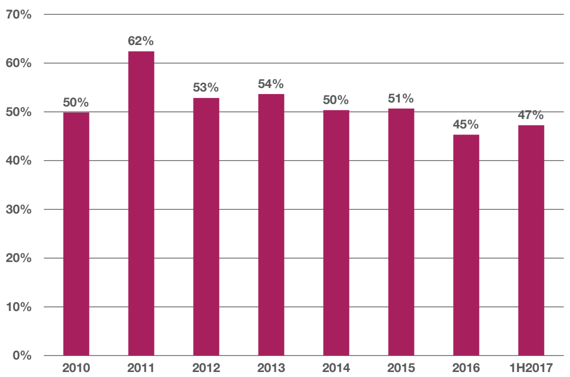
Non-Singaporean transactions, 2010–1H/2017



Source: URA, Savills Research & Consultancy

GRAPH 2

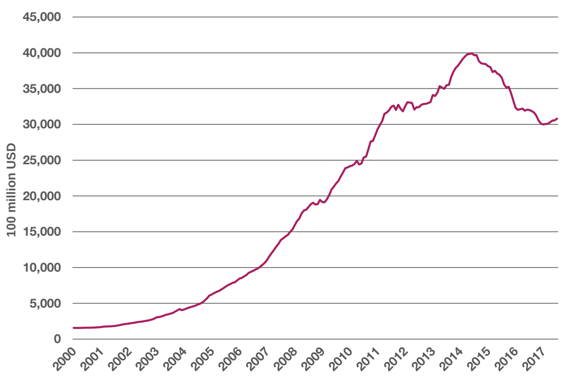
Non-Singaporean transactions for units priced >=S$3 million, 2010–1H/2017



Source: URA, Savills Research & Consultancy

GRAPH 3

China's foreign reserves, Jan 2000–Jul 2017



Source: PBOC

Luxury condominiums – what are the top overseas buyers up to of late?

Following the termination of the Financial Investor Scheme (FIS) in Singapore in April 2012, high end residential sales have been in decline. The FIS provided investors with an alternative route to gain Singapore Permanent Residency (PR) status and as such created demand for high-end real estate.

However, since 2016, there has been a gradual improvement in the number of overseas nationals buying into non-landed private residential properties in the Core Central Region (CCR). Although numbers have improved, there has been a downward shift in percentage terms regarding transactions for new and secondary sales. Conversely, new and sub-sale market sectors have witnessed growth since 2012. Yet the data appears to suggest a lack of commitment by overseas nationals as peak percentages achieved in 2011 or 2015 could not be repeated (See Graph 1).

Sales percentages within higher priced quantum brackets, S$3 million or more, also declined (See Graph 2).

Primarily the dip in overseas national demand was triggered by the removal of the FIS program in 2012, but recent exogenous policy measures, within the APAC region, have narrowed the market further. Such measures include China adopting an aggressive stance to curb the outflow of foreign exchange (FX) in 2014 (see Graph 3) and Indonesian authorities implementing a tax amnesty period for their nationals to declare and remit funds back. The weakening of the Malaysian Ringgit to the Singapore dollar has further compounded the investment decline by Malaysians. (See Graph 4)

The decline in China's FX reserves coincided with rising Chinese corporate purchases in key gateway cities. Similarly, the non-landed CCR segment of the market also saw buying levels increase. As a contrast, the year-on-year (YoY) percentage change in purchases by overseas nationals (excluding Chinese, Indonesians Malaysians) underperformed that of the entire Chinese demand for 2015 and 2016. Results for Indonesian and Malaysian purchases are unclear.

The differential in performance of Indonesians and Malaysians, compared to other nationalities and to non-Singaporeans in general, suggests that each of them are affected by their own set of considerations. However, any analysis of the proposed correlation between the increased policy measures in other countries and overseas nationals buying property becomes less clear due to two factors. Firstly, the data on overseas purchases is not clear enough as the URA statistics defining foreign purchases include Singapore Permanent Residents (PRs). This would include PRs from those countries who are either working in Singapore or just holding the immigration status without spending the majority of their time in the country. However, by confining analysis to just the CCR, it can be assumed that PRs who have purchased in this market segment are ultra-high net worth.

Secondly, for projects that are sold off-plan by developers, there is a possibility that the nationality of the overseas buyer has been omitted from the paperwork. Evidence of this was seen at the project Cairnhill Nine and the 221 units sold in 2016. Many agents believed that Indonesians made up a significant proportion of buyers.

However, for the entire district nine, where Cairnhill Nine is located, only 54 new sales were made by Indonesians. Therefore if we use this assumption to include other new projects with transactions in 2016, then the number of Indonesian sales assigned to Cairnhill Nine is likely to be much less. Even if all 54 Indonesian buyers in District nine last year were concentrated on Cairnhill Nine, it would mean a 24% constitution. Local property agents believe this figure to

be significantly higher.
Regarding primary sales, if the statistics for one nationality is understated, then the same assumption could apply to all nationalities and the ranking of overseas buyers by nationality would still be somewhat consistent.

Given that the Chinese, Indonesians and Malaysians have been consistently ranked as the top three buyers by nationality for non-landed CCR properties, consideration must be given to the future profile of this segment in terms of demand (See Graph 6.).

Chinese buyers

Since Q4/2016, the Chinese authorities have introduced a plethora of restrictions to stem the flow of FX. As a result, it is now extremely difficult to remit money from China for the purposes of buying real estate anywhere in the world. While there has been a sharp rise in the number of Chinese buying non-landed residential properties in the CCR, it is the case that unless policy changes are incited by Beijing, numbers will start to diminish. Going forward it is expected that there may still be some activity in large quantum deals, eg penthouses, but Chinese buyers will not be one of the most prominent overseas nationalities purchasing within the CCR segment.

Indonesians

Following the closure of the tax amnesty program on 31st March 2017, Indonesians may continue to be more circumspect about acquiring real estate in Singapore. Demand is expected to be low at approximately 200 units per annum. This is a fraction of the activity from ten years ago, which peaked at 1,387 units. With the Singapore Government's 'Know Your Customer' regulations now being enforced for real estate transactions, demand is expected to be further dampened.

Malaysians

It is generally accepted that Malaysians do not invest in Singapore luxury real estate as it is considered too expensive compared to that in London and major cities in Australia. The weakening of the Malaysian Ringgit coupled with the Additional Buyers Stamp Duty (ASBD) rate of 15% in Singapore has also deterred investors.

Conclusion

As regional economies take proactive actions to stablise their fiscal collections and monetary assets, the topology of overseas demand for our CCR residential market continues to change. Demand from the local market remains stable therefore developers will need to consider affordability if they wish to target local buyers.

To revive overseas demand, the key to this may be a reduction in ASBD as otherwise the inventory of large units built under legacy conditions of the period surrounding the Global Financial Crisis will remain. However, plans for future development of CCR properties is encouraging and that coupled with the Government's Land Sales program for key sites will ensure that locals buyers remain keen.

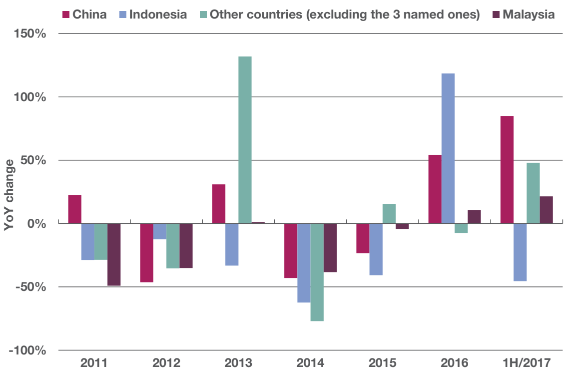
GRAPH 4

Weakening Malaysian currency against the Singapore dollar, Jan 2010–Jun 2017

Source: MAS

GRAPH 5

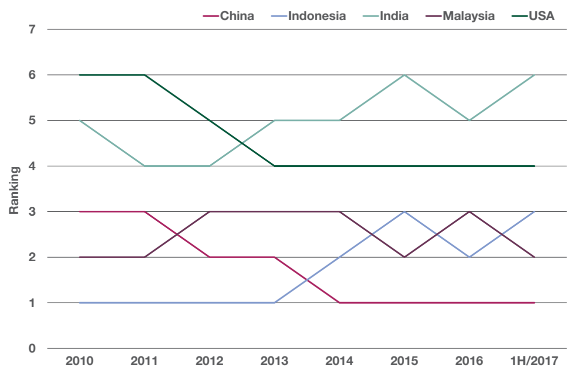
CCR non-landed transactions by overseas nationals (YoY change), 2011–1H/2017



Source: URA, Savills Research & Consultancy

GRAPH 6

Ranking amongst top overseas buyers by nationality - CCR non-landed, 2010–1H/2017



Source: URA, Savills Research & Consultancy

ASIA PACIFIC HEADQUARTERS

23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4400 Fax: (852) 2868 4386

ASIA PACIFIC EXECUTIVE COMMITTEE

CEO, Greater China
Contact: Raymond Lee E-mail: rlee@savills.com.hk

Executive Chairman, Asia Pacific
Contact: Robert McKellar E-mail: rmckellar@savills.asia

CEO, South East Asia
Contact: Christopher Marriott E-mail: cjmarriott@savills.asia

CEO, Asia Pacific (Ex Greater China)
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

COO & CFO, Asia Pacific
Contact: Tim Robinson E-mail: tbrobinson@savills.asia

CEO, Australia & New Zealand
Contact: Paul Craig E-mail: pcraig@savills.com.au

HONG KONG SAR

Savills (Hong Kong) Limited
23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4534 Fax: (852) 3007 2458
Contact: Raymond Lee E-mail: rlee@savills.com.hk
EA Co. Licence: C-002450

Savills Valuation and Professional Services Limited
23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2840 4806 Fax: (852) 3007 4523
Contact: Charles Chan E-mail: ccchan@savills.com.hk
EA Co. Licence: C-023750

Savills Property Management Holdings Limited
805-13 Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2534 1688 Fax: (852) 2508 1883
Contact: Johnnie Chan E-mail: jckchan@savills.com.hk
EA Co. Licence: C-002993

Savills Guardian (Holdings) Limited
7/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2512 1838 Fax: (852) 2887 3698
Contact: Peter Ho E-mail: peterho@savillsguardian.com.hk
EA Co. Licence: C-004089

MACAU SAR

Savills - Macau
Savills (Macau) Limited
Suite 1309-10, 13/F Macau Landmark,
555 Avenida da Amizade, Macau
Tel: (853) 8506 6288 Fax: (853) 2878 1805
Contact: Franco Liu E-mail: fliu@savills.com.mo

CHINA

Savills - Shanghai
25/F Two ICC, 288 South Shaanxi Road,
Shanghai 200031, China
Tel: (86) 21 6391 6688 Fax: (86) 21 6391 6699
Contact: Siu Wing Chu
E-mail: siuwing.chu@savills.com.cn

Savills - Beijing
2101 East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, China
Tel: (86) 10 5925 2288 Fax: (86) 10 5925 2299
Contact: Billy Chau E-mail: billy.chau@savills.com.cn
Offices in Chengdu, Chongqing, Dalian, Guangzhou, Hangzhou, Nanjing, Qingdao, Shenyang, Shenzhen, Tianjin, Xiamen, Xi'an and Zhuhai

ASIA

Savills - Indonesia
PT Savills Consultants Indonesia
Panin Tower – Senayan City, 16th Floor, Unit C
Jl. Asia Afrika Lot. 19, Jakarta 10270, Indonesia
Tel: +62 (21) 293 293 80 Fax: +62 (21) 293 293 81
Contact: Craig Williams Email: craig.williams@savills.co.id

Savills - Japan
Savills Japan Co., Ltd
15/F Yurakucho ITOCiA , 2-7-1 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan
Tel: (81) 03 6777 5150 Fax: (81) 3 6777 5105
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

Savills - Korea
Savills Korea
13/F Seoul Finance Center, 136 Sejong-daero
Jung-gu, Seoul 04520, Korea
Tel: (82) 2 2124 4201 Fax: (82) 2 2124 4188
Contact: K.D. Jeon E-mail: kdjeon@savills.co.kr

Savills - Malaysia
Savills (Malaysia) Sdn Bhd
Level 9, Menara Milenium, Jalan Damanlela, Bukit Damansara
50490 Kuala Lumpur, Malaysia
Tel:+603 2092 5955
Contact: Christopher Boyd
Email: chris.boyd@savills.com.my

Savills - Singapore
Savills (Singapore) Pte Ltd.
30 Cecil Street, #20-03 Prudential Tower, Singapore 049712
Tel: (65) 6836 6888 Fax: (65) 6836 2668
Contact: Christopher Marriott E-mail: cjmarriott@savills.asia

Savills - Taiwan
Savills (Taiwan) Limited
21/F Cathay Landmark, No.68, Sec. 5, Zhongxiao E. Road
Xinyi District, Taipei City 110, Taiwan
Tel: (886) 2 8789 5828 Fax: (886) 2 8789 5929
Contact: Cynthia Chu E-mail: cchu@savills.com.tw
Office in Taichung

Savills - Thailand
Savills (Thailand) Limited
26/F Abdulrahim Place, 990 Rama IV Road
Silom, Bangrak, Bangkok 10500, Thailand
Tel: (66) 2 636 0300 Fax: (66) 2 636 0339
Contact: Robert Collins E-mail: rcollins@savills.co.th

Savills - Vietnam
Savills Vietnam Ltd. Co.
18/F, Ruby Tower, 81-85 Ham Nghi Street
District 1, Ho Chi Minh City, Vietnam
Tel: (84) 28 3823 9205 Fax: (84) 28 3823 4571
Contact: Neil MacGregor
E-mail: nmacgregor@savills.com.vn
Offices in Danang, Hanoi and Ho Chi Minh City

INDIA

Savills - Bangalore
31/16 Loyola Layout, Victoria Road, Bangalore 560047 India
Tel: (91) 95351 29604
Contact: Bryan Kidd Email : bkidd@savills.in
Offices in Gurgaon and Mumbai

AUSTRALIA

Savills - Sydney
Savills (Aust) Pty Ltd.
Level 25, 1 Farrer Place, Sydney, Australia NSW 2000
Tel: (61) 2 8215 8830 Fax: (61) 2 8215 8899
Contact: Simon Fenn E-mail: sfenn@savills.com.au

Savills - Melbourne
Level 48, 80 Collins Street, Melbourne VIC 3000
Tel: (61) 3 8686 8000 Fax: (61) 3 8686 8088
Contact: Stuart Fox E-mail: sfox@savills.com.au
Offices in Adelaide, Brisbane, Canberra, Gold Coast, Notting Hill, Parramatta, Perth and Sunshine Coast

NEW ZEALAND

Savills - New Zealand
Level 6, 41 Shortland Street, Auckland NZ 1010
Tel: (64) 9 951 5911
Contact: Paddy Callesen E-mail: pcallesen@savills.co.nz
Offices in Auckland and Christchurch

THE AMERICAS

Savills – New York
Savills Studley, 399 Park Avenue, 11th Floor,
New York, NY 10022
Tel: (1) 212 326 8610 Fax: (1) 212 326 1034
Contact: Mitchell Steir
E-mail: msteir@savills-studley.com
Offices across Canada, the Caribbean, Colombia, Mexico and the United States

UNITED KINGDOM, EUROPE, THE MIDDLE EAST AND AFRICA

Savills - Europe
Savills, 33 Margaret Street, London W1G 0JD
Tel: (44) 207 499 8644 Fax: (44) 207 495 3773
Contact: Mark Ridley E-mail: mridley@savills.com
Offices across Austria, Bahrain, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Guernsey, Hungary, Ireland, Italy, Jersey, Luxembourg, Monaco, Netherlands, Norway, Poland, Portugal, Qatar, Russia, South Africa, Spain, Sweden, Switzerland, UAE and the United Kingdom

Savills, the international real estate advisor established in the UK since 1855 with a network of over 700 offices and associates globally.