



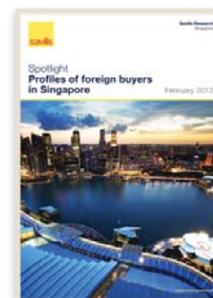
Savills Research
Singapore

Spotlight Profiles of foreign buyers in Singapore

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Examining the differences in purchasing power and preferences of foreign buyers.

Background

Buoyed by strong immigration and robust economic fundamentals, Singapore remained an attractive investment destination among foreigners (permanent and non-permanent residents) on the back of the ongoing global economic turmoil. In 2011, foreigners purchased 31% of private homes¹. This is an historical high, having grown more than two-fold from ten years ago.

The top four foreign buyers in 2011 were mainland Chinese (28% of all foreign purchases), Malaysians (20%), Indonesians (18%) and Indians (12%). Mainland Chinese bought the most private homes in the outside of central region (OCR) (31% of all foreign purchases in the OCR) followed by Malaysians (22%). Mainland Chinese were also the top buyers in the rest of central region (RCR) (27% of all foreign purchases in the RCR), followed by Malaysians (20%). In the CCR, Indonesians (30% of all foreign purchases in the CCR) and mainland Chinese (20%) were the top foreign buyers.

These four groups of foreign buyers were also found to have varying purchasing powers and their investment preferences have changed over the years. More particularly, their buying behaviour will likely be impacted by the new property measures implemented on 8 December 2011, although in differing degrees.

Indonesian buyers

Among the top four groups of foreign buyers, Indonesians had the largest budgets. In 2011, Indonesians bought

homes in the CCR which averaged between S\$1.5 million and S\$4 million, with the bulk of purchases ranging from S\$2 million to S\$3 million. A further 522 units or 66% of their transactions in the CCR were above S\$2 million, while 11% were above S\$5 million. They paid between S\$500,000 and S\$3 million for homes in the RCR and between S\$500,000 and S\$1.5 million for homes in the OCR.

As much as 79% of their total purchases were above S\$1 million, indicating that Indonesian buyers were relatively less active in purchasing small-format or “Mickey Mouse” homes, which are typically priced below S\$1 million.

However, compared with the last property peak in 2007, the proportion of home purchases in the CCR dipped 24 percentage points last year. Conversely, the proportion of homes in the OCR and RCR rose 19 and 5 percentage points respectively over the same period. This may indicate →

SUMMARY

An overview of this document

- Private home sales to foreigners reached an historical high as mainland Chinese, Indonesians, Malaysians and Indians remained top buyers in 2011.
- Indonesian buyers generally had larger budgets than other foreign buyers.
- Although mainland Chinese were the top foreign buyers in 2011, Indonesians still dominate the core central region (CCR).
- As the percentage of Malaysian buyers rose, their budgets also increased over the years.
- The profile of Indian buyers mirrored that of Malaysians.
- The new property measure in the form of an Additional Buyer's Stamp Duty (ABSD) is expected to have a varying impact on different groups of foreign buyers.

TABLE 1
Estimated purchasing budget of the top foreign buyers, 2007 and 2011

Buyer	CCR			RCR			OCR		
	2007	2011		2007	2011		2007	2011	
Mainland Chinese	NA*	>S\$1 mil to S\$3 mil	NA	>S\$500,000 to S\$1.5 mil	>S\$500,000 to S\$4 mil	↑	>S\$500,000 to S\$1 mil	>S\$500,000 to S\$2 mil	↑
Malaysian	>S\$500,000 to S\$3 mil	>S\$1 mil to S\$2 mil	↑	>S\$500,000 to S\$1.5 mil	>S\$500,000 to S\$2 mil	↑	<S\$500,000 to S\$1.5 mil	>S\$500,000 to S\$1.5 mil	↔
Indonesian	>S\$500,000	>S\$1.5 mil to S\$4mil	↑	>S\$500,000 to S\$3 mil	>S\$500,000 to S\$3 mil	↔	>S\$500,000 to S\$1.5 mil	>S\$500,000 to S\$1.5 mil	↔
Indian	NA*	NA*	NA	>S\$500,000 to S\$1.5 mil	>S\$1 mil to S\$2 mil	↑	>S\$500,000 to S\$1.5 mil	>S\$500,000 to S\$1.5 mil	↔

¹ All private home purchases exclude executive condominiums (ECs) and en-bloc purchases. All data downloaded from URA Realis on 30 January 2012.

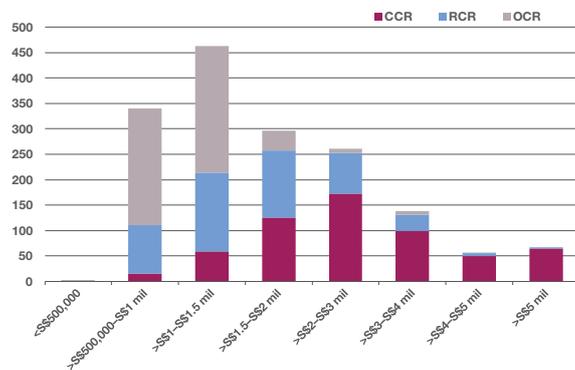
Source: Urban Redevelopment Authority (URA), Savills Research & Consultancy
* No estimates provided for categories with less than 60 transactions.

TABLE 2
Top three popular districts (in ranking order), 2007 and 2011

Top four foreign groups	2007	2011
Mainland Chinese	15, 16, 19	14, 15, 16
Malaysian	15, 10, 9	19, 15, 14
Indonesian	9, 10, 15	9, 15, 10 & 11*
Indian	15, 10, 18	18, 15, 16

Source: URA, Savills Research & Consultancy
* Districts 10 and 11 are equal third in ranking.

GRAPH 1
Indonesian buyers, 2011



Source: URA, Savills Research & Consultancy

➔ that more Indonesians have shifted their buying interest beyond the city centre due to a reduced affordability threshold as home prices continue to rise. Consequently, district 15 located in the city fringe (RCR) has gained more popularity and moved up one position from 2007 to become the second most popular district among Indonesians last year. Districts 9, 10 and 11 which comprise the retail and entertainment hub of the city-state, covering areas like Orchard Road, Cairnhill, River Valley, Bukit Timah, Holland Road and Tanglin, helmed the first and third equal spots respectively.

Mainland Chinese buyers

Mainland Chinese buyers bought more than 2,550 private homes last year, tripling the number of transactions recorded in 2007. The bulk of these homes were located in the OCR (55%), followed by the CCR (15%) and RCR (30%). Districts 14, 15 and 16 were most popular among mainland Chinese in

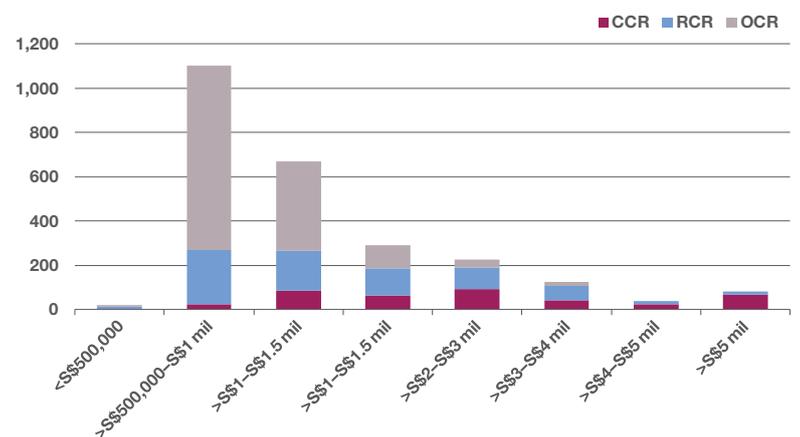
2011. These districts, which cover the eastern part of Singapore from Geylang, Eunos, Katong, Joo Chiat, Amber Road and Upper East Coast to Bedok, are popular for renowned schools and eateries. Proximity to the beach, airport and the CBD is an additional draw.

As well as the surge in the number of mainland Chinese buyers in recent years, their purchasing power seems to have increased since 2007. For instance, their budgets for homes in the RCR rose from between S\$500,000 and S\$1.5 million in 2007 to between S\$500,000 and S\$4 million in 2011. Similarly, their budgets for homes in the OCR rose from between S\$500,000 and S\$1 million in 2007 to between S\$500,000 and S\$2 million in 2011.

Despite having higher budgets, mainland Chinese were still buying more smaller-format homes than other foreign buyers. In 2011, almost half of their purchases (44%), or 1,120 units, were priced below S\$1 million. This was considerably more than the 926 units bought by Malaysians and 453 bought by Indians.

The number of high net worth Chinese buyers is also growing. Surpassing the Indonesians, mainland Chinese bought 469 homes priced above S\$2 million last year. Mainland Chinese purchases above S\$5 million have also increased from 27 in 2007 to 81 in 2011, surpassing the 67 transactions inked by Indonesians last year.

GRAPH 2
Mainland Chinese buyers, 2011



Source: URA, Savills Research & Consultancy

Malaysian buyers

As the percentage of Malaysian buyers rose 4% from 2007 to 2011, their budgets also increased over the same period. For instance, their purchases in the RCR rose from between S\$500,000 and S\$1.5 million in 2007 to between S\$500,000 and S\$2 million in 2011. Similarly, their budgets rose beyond S\$500,000 to between S\$500,000 and S\$1.5 million in the OCR in 2011.

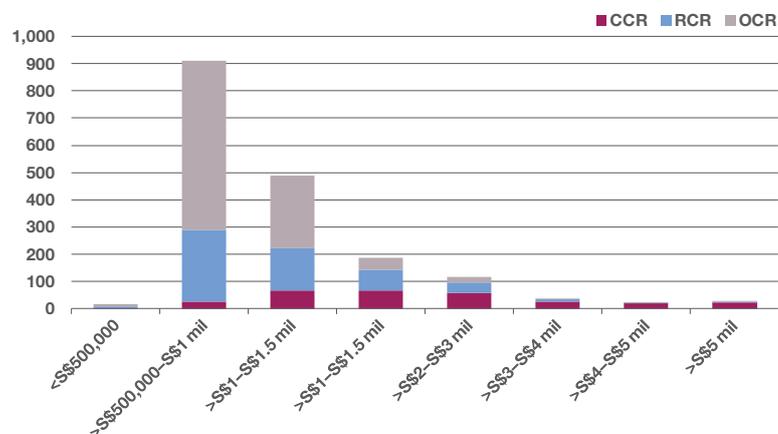
The most popular district among Malaysian buyers in 2011 was district 19, which covers Serangoon Garden, Hougang and Punggol. The growing popularity of this district could be attributed to more new homes which were launched in the area in recent years. Districts 15 and 14 were the second and third most popular districts. In contrast, districts 15, 10 and 9 (in ranking order) were most popular among Malaysians in 2007.

Indian buyers

The profile of Indian buyers mirrored that of Malaysians with the bulk of their purchases being homes in the OCR (66%), followed by the RCR (25%) and CCR (9%). Their budgets were also similar to Malaysians last year, averaging between S\$1 million and S\$2 million for homes located in the RCR and between S\$500,000 and S\$1.5 million for homes in the OCR.

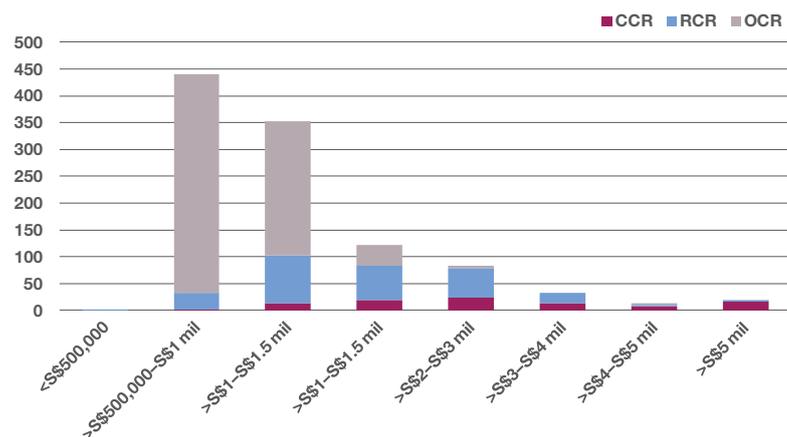
In 2011, Indian buyers bought 1,092 homes, about the same as 2007 (1,114 units). The most popular districts among Indians have shifted from 15, 10 and 18 to 18, 15 and 16 in ranking order. District 18 has grown

GRAPH 3
Malaysian buyers, 2011



Source: URA, Savills Research & Consultancy

GRAPH 4
Indian buyers, 2011



Source: URA, Savills Research & Consultancy

in popularity as more condominiums have sprouted in Tampines and Pasir Ris. Hence, there are now more Indians residing in the eastern part of Singapore, possibly due to many Indian IT professionals working in the Changi Business Park.

Implementation of the ABSD

To curb excessive property investment demand from the abundant flow of liquidity in the region, the Singapore government released a slew of new property measures in December 2011. This fifth round of property measures centered around the ABSD, where non-permanent residents and companies are required to pay an additional 10% stamp duty on the purchase price or market value of a property, while permanent residents

are required to pay an additional 3% on their second and subsequent home purchases. The existing buyers' and sellers' stamp duties still apply.

Any short-term gains would potentially be creamed off by the 10% ABSD and the existing Seller's Stamp Duty. The new curbs are expected to cool foreigner home demand in a market which is still reeling from the growing uncertainties in the eurozone. ■

Impact of the ABSD and outlook

The prospects for the market

As foreigners made up 43% of all prime home sales last year, the luxury segment is anticipated to be the hardest hit by the ABSD. There could be a significant retreat by the Indonesians as they formed the bulk of buyers in the luxury segment. Some mainland Chinese buyers may also shift their interest towards cheaper residential homes. Anecdotally, more mainland Chinese investors were seen scouting for alternative properties in the US of late, while some Indonesian buyers were observed to be sniffing-out home bargains in Europe.

Well-heeled investors who still regard Singapore as one of the top investment destinations in Asia may be less deterred by the additional 10% outlay as they are relatively less price elastic. Mainland Chinese and Indonesian buyers in the 'over S\$5 million purchase' category are likely to continue to dominate the super-luxury market.

Similarly, suburban homes are less likely to see huge demand shifts as foreigners made up only 27% of mass-market home purchases in 2011. Although non-permanent residents are slapped with a 10% ABSD, many owner occupiers may still proceed with their purchases as they have aspirations to own a home in the long run. Some may use the ABSD as a bargaining chip to ask for more discounts from developers. Permanent residents are unlikely to be affected as most developers are willing to absorb the 3% ABSD.

In contrast, demand for small-format homes may see a more muted interest as these short-term investors may be more sensitive to the ABSD. Mainland Chinese, who form the bulk of foreign buyers in this category, may switch to alternative investments such as strata-titled offices, and retail or industrial units, while those with smaller budgets and immediate housing needs could switch to renting an apartment instead.

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