

Will Foreigners Continue To Buy Properties In Singapore After The ABSD Hikes?



New property cooling measures were imposed on 27 April 2023 as property prices showed renewed signs of acceleration amid resilient demand. The Additional Buyer's Stamp Duty (ABSD) rates were raised, and cooling measures have turned into 'freezing measures' for foreign buyers who now pay 60 per cent ABSD. Why is there a need to hike ABSD for foreigners? Will the new ABSD rates deter foreign buyers in the long term? Which market segments could be most or least affected?

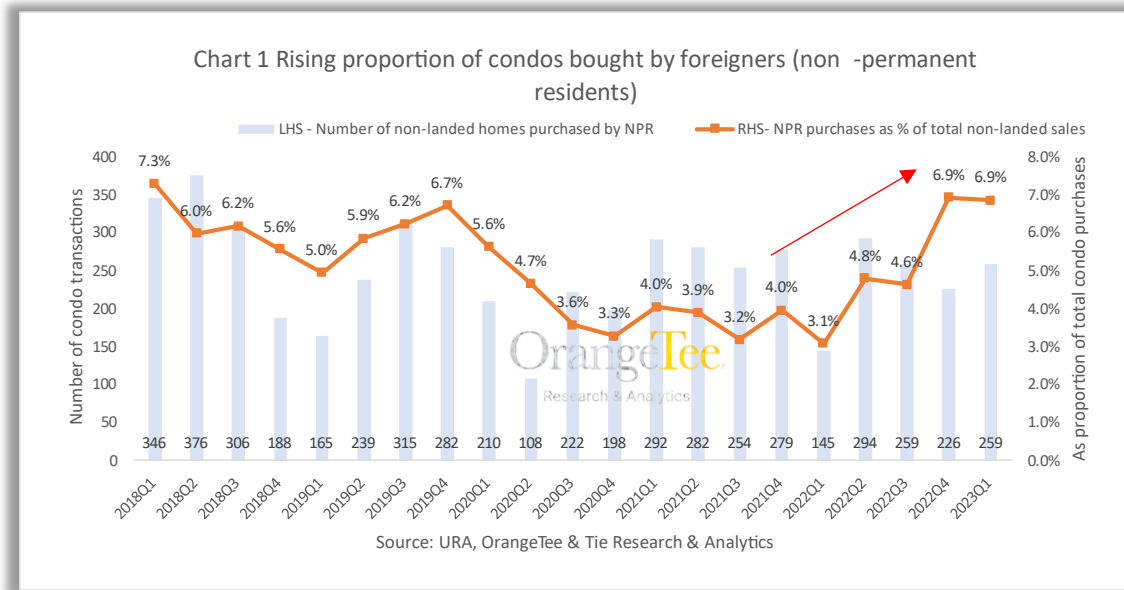
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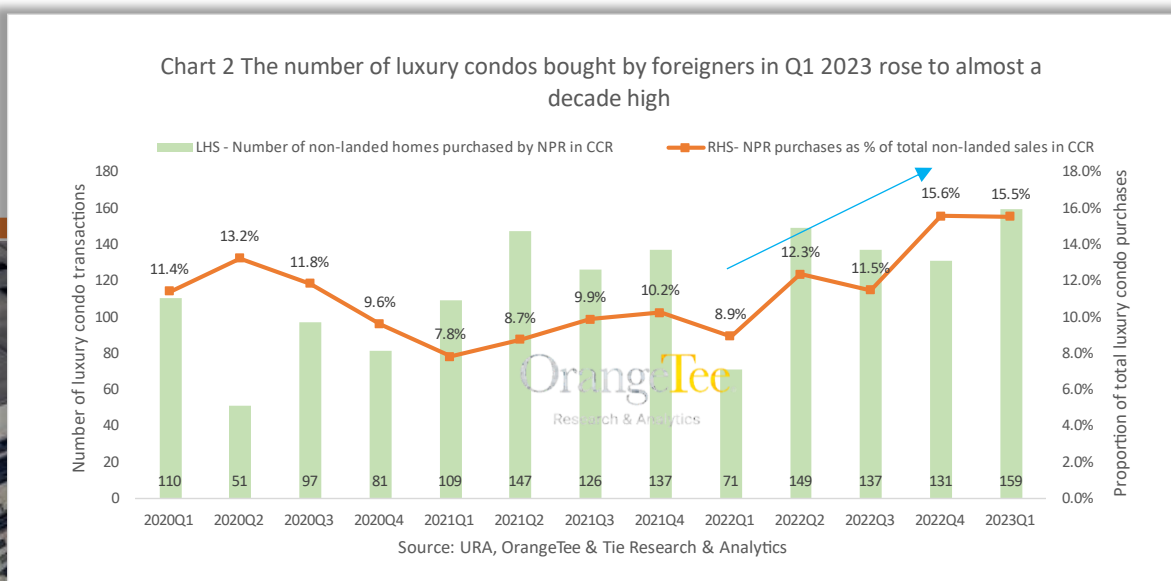
Uncovering Trends Through Data Analytics+

Why is there a need to curb foreign purchases?

The proportion of foreign purchases has risen over the past year and reached a five-year high. Based on URA Realis data downloaded on 15 May 2023, the number of non-landed homes excluding executive condominiums bought by foreigners or non-permanent residents (NPR), rose from 3.1 per cent in Q1 2022 to 6.9 per cent in Q1 2023 (Chart 1). This is the highest proportion of foreign purchases since Q1 2018 (7.3 per cent). In absolute terms, foreigners purchased 259 condos in Q1 2023, up 14.6 per cent from 226 units in Q4 2022, and above the five-year quarterly average of 249 units from Q1 2018 to Q4 2022.



The number of luxury condos bought by foreigners rose to almost a decade high. Even after ABSD was raised to 30 per cent for non-PRs in December 2021, the number of non-landed luxury homes in the Core Central Region (CCR) bought by foreigners spiked 123.9 per cent from 71 units in Q1 2022 to 159 units in Q1 2023. This is the highest quarterly sales since Q4 2013 when 161 units were transacted (Chart 2). In terms of proportion, 15.5 per cent of luxury condos in CCR were bought by foreigners in the first quarter of this year, up from 8.9 per cent in Q1 2022.



Which market segments may be least or most affected?

Chart 3 New cooling measures

INCREASE IN ABSD AND HOUSING SUPPLY TO PROMOTE A SUSTAINABLE PROPERTY MARKET

ABSD increase will pre-emptively dampen investment demand, and prioritise housing for locals buying for owner-occupation.

Significant increase in housing supply and upcoming home completions will ease pressures in housing and rental markets.

No change to ABSD for locals buying first residential property. This constitutes about 90% of private residential property transactions in 2022.

ADDITIONAL BUYER'S STAMP DUTY (ABSD)		RATES BEFORE 27 APR 2023	RATES ON OR AFTER 27 APR 2023
Singapore Citizens	First residential property	0%	0%
	Second residential property	17%	20%
	Third and subsequent residential property	29%	30%
Permanent Residents	First residential property	5%	5%
	Second residential property	29%	30%
	Third and subsequent residential property	30%	35%
Foreigners	Any residential property	30%	60%
Entities/Trustees	Any residential property	35%	65%
Housing Developers	Any residential property	35% + 5%**	35% + 5%**

*Housing developers may apply for remission of this ABSD, subject to conditions.
**This 5% will not be remitted, and is to be paid upfront upon purchase of residential property.

For more information, visit go.gov.sg/ABSD-27Apr

Mainland Chinese buyers could be most affected as they constituted the highest number of foreign buyers and PRs (Chart 4). Buyers (PR and non-PR) from China purchased 316 non-landed homes, followed by buyers from Malaysia (159 units), India (115 units), the USA (73 units) and Indonesia (45 units) in Q1 2023.

In the luxury segment or CCR, Mainland Chinese buyers bought 111 luxury condos last quarter, constituting about 10.8 per cent of total 1,025 luxury condo sales. This is up from 43 units or 5.4 per cent (of 795 units) in Q1 2022.

Table 1 Non-landed transactions by price range (Q1 2022 to Q1 2023)

Residential Status	<S\$2M	S\$2M to less than S\$5M	\$5M to less than S\$10M	S\$10M and above
Company	0.1% (24 units)	0.3% (18 units)	2.3% (15 units)	2.0% (2 units)
Foreigner (NPR)	2.3% (375 units)	8.3% (547 units)	33.2% (218 units)	43.9% (43 units)
Singapore Permanent Residents (PR)	19.0% (3,062 units)	14.8% (973 units)	24.2% (159 units)	35.7% (35 units)
Singaporean	78.5% (12,620 units)	76.6% (5,043 units)	40.3% (265 units)	18.4% (18 units)
Total	100.0% (16,081 units)	100.0% (6,581 units)	100.0% (657 units)	100.0% (98 units)

Source: URA, OrangeTee & Tie Research & Analytics

Some luxury purchases may be affected. Condos at higher price tags could be most affected, especially those priced above S\$5 million. Foreigners constituted the highest proportion of buyers at 43.9 per cent for condos transacted for at least S\$10 million from Q1 2022 to Q1 2023 (Table 1). This is followed by condos transacted at S\$5 million to less than S\$10 million, as 33.2 per cent of such condos were bought by foreigners.

Purchases below S\$5 million may be the least affected. The majority of condos below S\$5 million were bought by Singaporeans (Table 1) and most of them pay lesser or no ABSD (Chart 3). Most of these homes are in the suburbs, and smaller condos in the city fringes. Therefore, Singaporeans, especially first-timers, who do not need to pay ABSD may continue to purchase homes in the coming months, especially if they are in urgent need of housing or for owner-occupation.

Chart 4 Top foreign buyers & PRs of private non-landed homes

	2019	2020	2021	2022	Q1 2023
1	China	China	China	China	China
2	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia
3	India	India	India	India	India
4	Indonesia	Indonesia	Indonesia	USA	USA
5	USA	USA	USA	Indonesia	Indonesia
6	UK	UK	UK	Taiwan	Taiwan
7	Taiwan	Australia	Korea	UK	UK
8	Australia	Korea	Australia	Australia	Myanmar
9	Korea	Taiwan	Taiwan	Myanmar	Australia
10	Hong Kong	France	Canada	Korea	Philippines

More buying properties as PRs?

The proportion of PRs buying condos rose from 18 per cent in Q1 2022 to 20.1 per cent in Q1 2023 (Chart 5). In absolute terms, PRs purchased 758 condos in Q1 2023, lower than the 845 units in Q1 2022. Previously, PRs who bought their first property paid 5 per cent ABSD vis-à-vis 30 per cent for non-PRs. After April's cooling measures, the ABSD remain at 5 per cent for PRs, whereas non-PRs pay 60 per cent. The big ABSD disparity may prompt more foreigners to buy properties as PRs or new citizens if they are eligible and intend to stay for the long term. If this happens, the proportion of PR purchases may rise further.

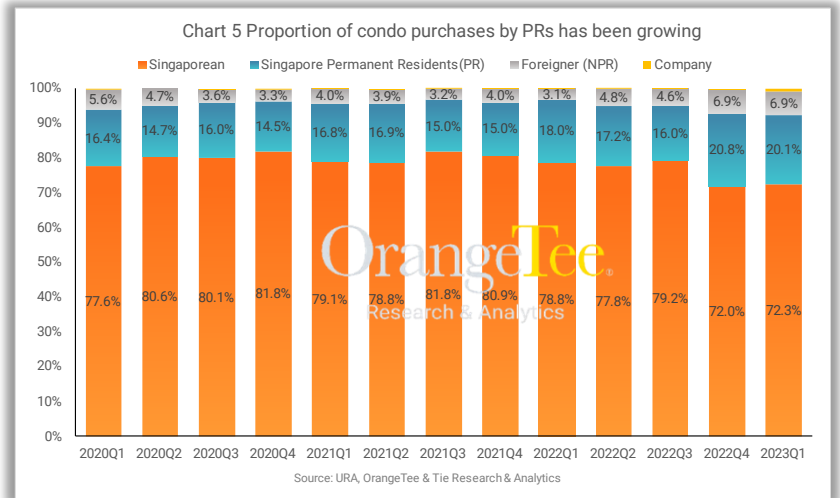
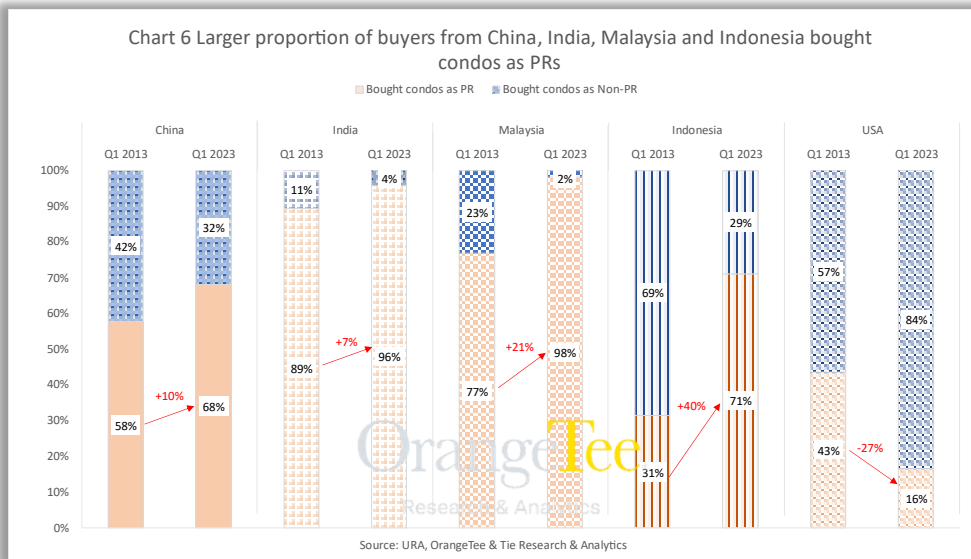


Chart 6 Larger proportion of buyers from China, India, Malaysia and Indonesia bought condos as PRs



More buyers from China and Indonesia may purchase condos as PRs or new citizens. As a higher proportion of buyers from China (32%) and Indonesia (29%) purchased condos as non-PRs in Q1 2023, they could be more affected by the increased ABSD (Chart 6). More of such buyers may purchase properties as PRs or new citizens in future. There is less impact on Indian (4% as NPR, 96% as PR) and Malaysian buyers (2% as NPR, 98% as PR) as most purchase condos as PRs. Although most US buyers are non-PRs (84%), there will be little impact as they are accorded the same stamp duty treatment as Singaporeans under the free trade agreements.

Looking Ahead

The cooling measures may not affect buyers' perception of Singapore as one of the best places for property investment. Our solid economic fundamentals remain, and our properties will continue to be well-regarded as safe-haven assets. Some high-net-worth individuals may continue to park their wealth here as luxury properties are pricey in many other cities. Others may switch to buying non-residential properties. Foreigners who take up citizenship or are eligible to be PRs may likely buy properties through these residential statuses as they pay lesser ABSD. Most buyers, like Singaporeans and first-timers, who are less affected, may continue to buy private properties, especially if they have urgent housing needs or intend to own only one private property.

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