

THE Return of Chinese Buyers





Introduction

China announced on 26 December 2022 that it will reopen its borders and remove quarantine rules from 8 January 2023.

This led to a surge in searches on travel and airline websites. According to a report on CNBC, the list of Top Ten destinations include Japan, Thailand, South Korea, the U.S., Singapore, Malaysia, Australia, the U.K., Macao and Hong Kong.

In-bound travel to China will likely surge as well. Many overseas Chinese are keen to reunite with their family over the upcoming Lunar New Year after not seeing them for three years.

The Chinese are one of the top buyers of residential properties in many countries and cities. Some of the countries and cities in the Asia Pacific region popular with Chinese buyers are Australia, Hong Kong, Malaysia, New Zealand, Singapore and Thailand.

With the removal of travel restrictions, the question now is will they come to Singapore.



Interest Rate

3.0019% 3-month SORA Rate as of
9 Jan 2023



Headline Inflation

+6.7% YoY in November 2022



Property Prices

+8.4% YoY in 2022

Singapore's property market has benefited from the inflow of capital from foreign buyers including Chinese.

The number of purchases of non-landed homes by Chinese foreigners reached a peak of 1,637 in 2011. But with the property market showing signs of overheating, the Singapore Government introduced cooling measures on 8 December 2011 where foreigners are required to pay an Additional Buyer's Stamp Duty (ABSD) of 10% on their residential property purchase.

That cooled the market with a significant drop in purchases by both locals and foreigners. Purchases by Chinese foreigners plunged by 62.2% year-on-year (YoY) to 618 units in 2012.

The ABSD for foreigners was raised to 15% in 2013. Buying interest by Chinese foreigners slid 38.6% YoY to 390 units in 2014.

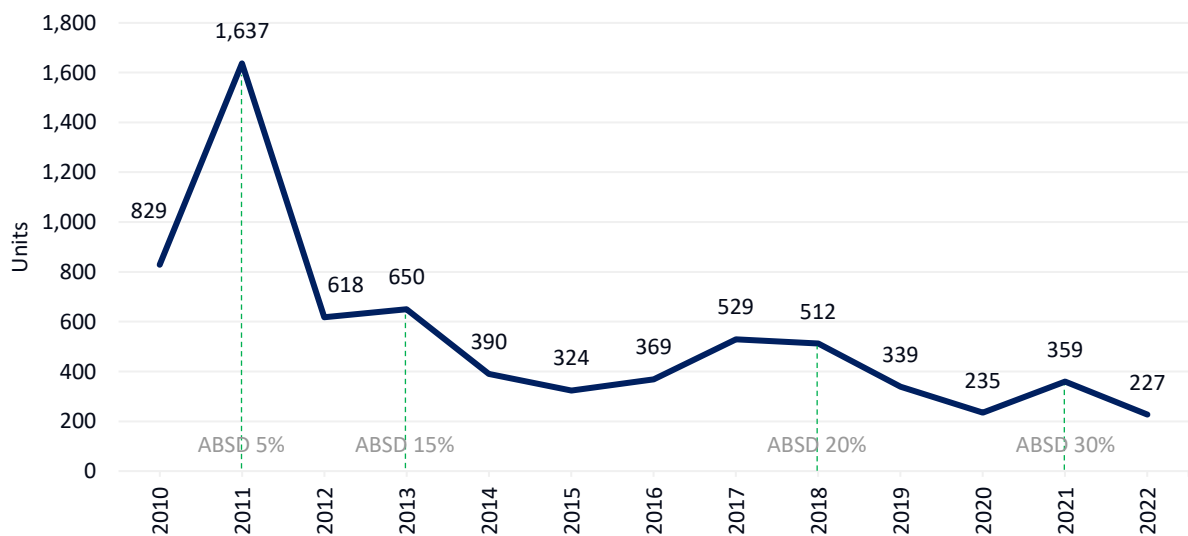
With the property market staying flattish for the next few years, there were no fresh cooling measures.

As demand in the property market returned in 2017, prices climbed at an unsustainable pace prompting more cooling measures. The ABSD for foreigners buying residential properties was increased to 20% in 2018. The number of units bought by Chinese foreigners went down by 33.8% YoY to 339 in 2019.

The Covid-19 pandemic which ravaged the world and altered work arrangements pushed many people to seek their own personal space. Buying demand for homes spiked in 2021 and the Government had to step in with more measures to cool the property market. The ABSD for foreigners buying residential properties was raised again to 30%.

Despite the 30% ABSD, a Chinese national was reported to have purchased 20 units in CanningHill Piers in 2Q 2022. Based on caveats, the total quantum worked out to \$87.6 million and the average price achieved was \$2,773 psf.

Figure 1: Number of non-landed residential homes bought by Chinese foreigners (New Sale and Resale)



Source: URA, Huttons Research as of 10 January 2023

The Top 10 projects favoured by foreigners in 2022 are listed in Table 1.

Table 1: Top 10 projects favoured by foreigners in 2022

Project	Units	Project	Sales
CanningHill Piers	51	Pullman Residences Newton	18
Rivière	49	Leedon Green	16
The Avenir	42	Midtown Modern	16
Perfect Ten	25	One Holland Village Residences	14
Irwell Hill Residences	20	Sloane Residences	12
One Pearl Bank	20	The Hyde	12
Haus on Handy	19		

Source: URA, Huttons Research as of 10 January 2023

Gradual increase expected

Based on past trends, it may take up to 2 years after a cooling measure before purchases by Chinese foreigners return to norm.

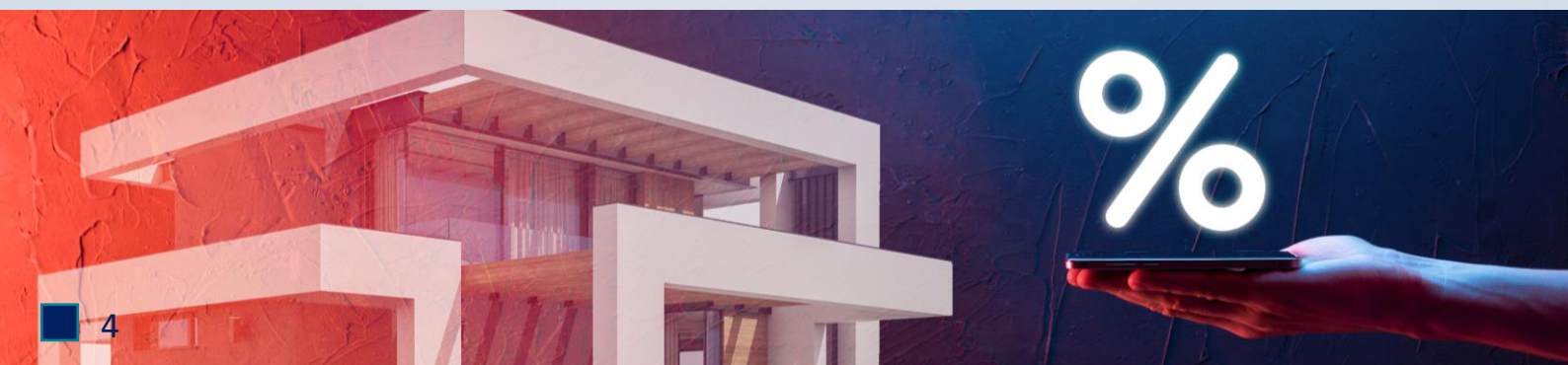
Singapore is one of the most pro-neutral countries in the world and has a reputation for being a safe haven in uncertainties which is favoured by investors. There is keen interest among Chinese corporates to set up operations in Singapore. This will have spillover effects on other segments of the property market.

The International Monetary Fund (IMF) predicts that housing markets from Hong Kong to Malaysia are set to decline in 2023. Singapore is probably the only city in the Asia Pacific region where property prices are forecasted to grow in 2023 on the back of low unsold supply. Foreigners might switch their focus to Singapore.

As of 3Q 2022, the number of unsold units in the market stands at 15,777. This is about 12,000 units below the 10-year average of 27,767 unsold units. This adds upward pressure on prices.

Nevertheless buying sentiments are expected to remain cautious. Economic uncertainties and the prohibitive 30% ABSD will likely cap demand.

Expect a gradual increase in demand, not a surge.



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