

EYE ON ECONOMY

# Even with travel at a standstill, home purchases by foreigners improved after circuit breaker

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PRIVATE home purchases by foreign buyers picked up in the wake of the circuit breaker last year, even as travel curbs remained largely in place.

While this may appear counter-intuitive at first glance, it is not as improbable as it seems. These buyers could have transacted through Singapore-based proxies or taken the plunge after virtual viewings, according to NUS' Institute of Real Estate and Urban Studies (IREUS).

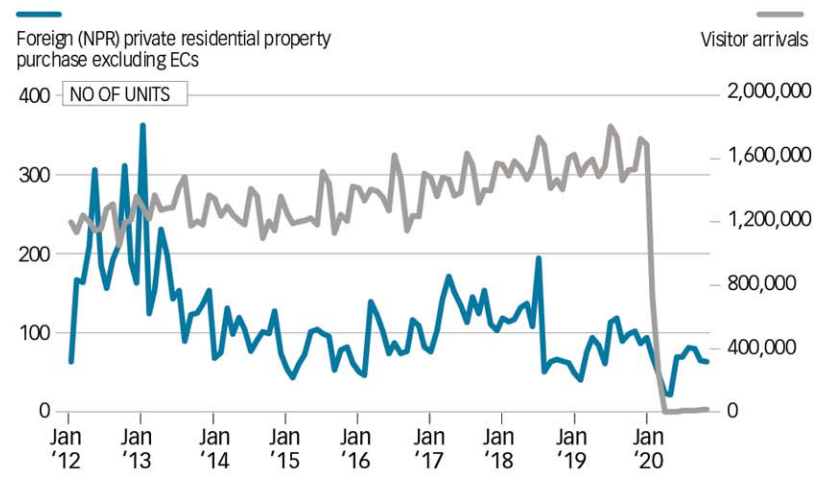
With border control measures effectively serving as a ban on short-term visitors, purchases by foreign buyers – or non-permanent residents (NPRs) – shrank to 23 and 22 units in April and May last year respectively, data collated by IREUS shows. Compared to a year ago, transactions had plunged from 94 units and 84 units respectively in April and May 2019.

But as Singapore emerged from the circuit breaker, the number of homes bought by NPRs rebounded to 69 units in June 2020 and peaked at 81 units in August, before averaging 64 units for the months of October and November. This took place even as travel curbs have yet to be lifted on a wide scale.

Transactions are still down year-on-year, but they have improved from the sharp pull-back seen in April and May when the circuit breaker was ongoing.

Properties in prime districts 9 and 10 held the most allure for NPRs, the data shows, pointing towards well-heeled buyers. District 9 saw 71 pur-

## NPR home purchases up post circuit breaker



Source: STB, URA REALIS (downloaded Jan 25, 2020), IREUS, NUS

chases between June and December 2020, while District 10 racked up 66 purchases. Other popular districts include districts 3 and 5, where 42 units and 44 units were transacted respectively.

Drilling down by nationality, the Chinese led purchases among NPRs with 142 units of the 500 or so transactions that took place between June and December 2020, according to IREUS. American NPRs were in second position with 75 units. At the same time, there were 174 buyers where the nationality was unspecified.

The rebound in NPR transactions despite the travel restrictions could be due to several reasons, said Lee Nai Jia, deputy director of IREUS.

One possibility is that the buyers had seen the properties prior to the

travel restrictions kicking in, but the circuit breaker resulted in a delay in the transaction process. Other reasons cited by Dr Lee include virtual viewings or transacting via Singapore-based proxies.

In contrast, the recovery in the tourism sector has, understandably, moved at a slower pace. Visitor volumes nosedived to around 750 arrivals in April last year after border measures were first implemented, plummeting from some 1.6 million travellers in the corresponding month in 2019. By December last year, the numbers had picked up but traveller volumes were a mere fraction of what they used to be, with some 24,010 visitors coming to the city-state that month. In comparison, Singapore received some 1.72 million

people in December 2019.

Dr Lee said "the relaxation of some restrictions under Phase 3 and the commencement of the vaccination programme is likely to spur further confidence in the Singapore market among NPR buyers".

"(Barring) external shocks or policy intervention, we expect more NPR buyers to enter the market as the travelling restrictions are lifted or a travel bubble is established between Singapore and other countries, especially China, Malaysia, Indonesia and India."

Once the travel curbs are relaxed, Dr Lee reckons that luxury homes, especially in the prime districts, could get a boost as it is likely the affluent foreign buyer who will make a beeline for Singapore.

Middle and upper-middle income foreign buyers may eschew Singapore and turn their focus to other markets, owing to the Additional Buyer's Stamp Duty (ABSD), he suggested.

During the last round of cooling measures in July 2018, the government hiked the ABSD payable by foreign buyers for residential property to a more punitive 20 per cent, up from 15 per cent previously.

Data collected by IREUS shows that there was an initial slump in the wake of the measures, with the number of homes bought by NPRs declining from 194 units in July 2018 to nearly a quarter of that – or 51 units – in August 2018.

Purchases began to pick up steam again between March 2019 and January 2020 as external factors such as the US-China trade war, Hong Kong protests and Brexit prompted foreign buyers to shift their attention to markets deemed safe havens like Singapore.