Singapore luxury home sales soar to new high

When the circuit-breaker measures were relaxed, sales of watches and jewellery turned the corner; the index sustained an uptrend starting June 2020 to approach 98.1 in March 2021, though it did not exceed 2019’s pre-pandemic levels.

Meanwhile, sales volumes of high-end homes in the first 9 months of 2021 have already outdone historic yearly highs, based on HDB’s analysis of caveats data from the Reals platform.

Lee Nai Jia, HDB deputy director, said the rise in sales stems from the relaxation of demand, a more positive outlook, and the confidence in the economy.

In January to September 2021, 1,279 units changed hands for over $10 million, roughly two-thirds more than the 780 sold in the first quarter of 2021.

This pickup in luxury home sales followed last year’s dip in activity at the height of the pandemic amid the circuit-breaker measures, similar to the watches and jewellery market. In 2020, there were 150 residential units purchased at more than $5 million, 20 units fewer than in 2018, Reals data showed.

Most of the high-end residences — 464 units or 88.2 percent — were purchased through the resale market in January to September 2021, while only 33 were new sales.

Detached houses, made up the bulk of luxury home transactions in the first 9 months this year, accounting for 176 units or 63.1 percent of total deals. Of these, 76 homes were located in the Bukit Timah planning area, and 21 were in the Tanglin planning area.

As for non-landed units priced above $10 million, the Orchard Road area topped the list with 19 units selling.

Dr Lee said: “Despite the slower economic growth and heightened uncertainty, more people are buying discretionary and luxury items, including real estate.”

While the initial spike in sales was likely due to pent-up demand after Covid-19 restrictions were lifted, the sustained growth in sales volumes suggests other drivers are also at play.

One factor was the creation of new wealth during the pandemic. “Individuals who benefited from the sharp increase in stock prices and alternative assets, such as cryptocurrencies, spent more,” Dr Lee pointed out.

CBRE’s head of research for Southeast Asia, Tricia Song, said the landed market, particularly Good Class Bungalows, has been boosted by fresh demand from domestic entrepreneurs and key executives, as well as continued demand from non-citizens.

The non-landed luxury market has been boosted by locals as well as some foreigners who see Singapore as a safe haven to deploy ample liquidity amid low interest rates, she added.

List Sotheby’s International Realty research director Han Huan Mei has observed work from home arrangements and lifestyle changes fuelling demand for luxury homes, as bigger living spaces have become necessary for the well-heeled. In addition, the number of affluent individuals has increased.

“Real estate assets are now considered as part of the tangible wealth held by these ultra-high-net-worth investors,” Han noted.

Dr Lee also said that part of the old wealth accumulated by the baby-boomer generation could be transferred to millennials, enabling the latter to make pricier purchases.

He expects buyer interest in posh homes to grow, although there are a few such properties on the market. “Hence, sales volumes will likely decline in 2022, but prices could increase due to scarcity,” he added.

Knight Frank Singapore’s research head Leonard Tay said in October that limited inventory and pent-up demand from wealthy foreigners were supporting prices of large luxury homes in prime areas.

Tay also noted early signs that Singapore’s attractiveness to foreign and local wealth was “beginning to translate into increased activity, supporting prices”.

CBRE’s Song foresees activity in the landed market slowing down into 2022, “as available stock dwindles and prices hit resistance”. On the other hand, the non-landed market could benefit from the reopening of borders and the return of foreign demand, leading to more buoyant volumes. “Overall, we expect further price appreciation in the luxury segment next year,” she said.

Meanwhile, Han expects “a gradual rise in foreign investors who value Singapore’s way of handling the pandemic, as well as the high-quality healthcare system”.

Source: The Business Times, p1 and p4
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