

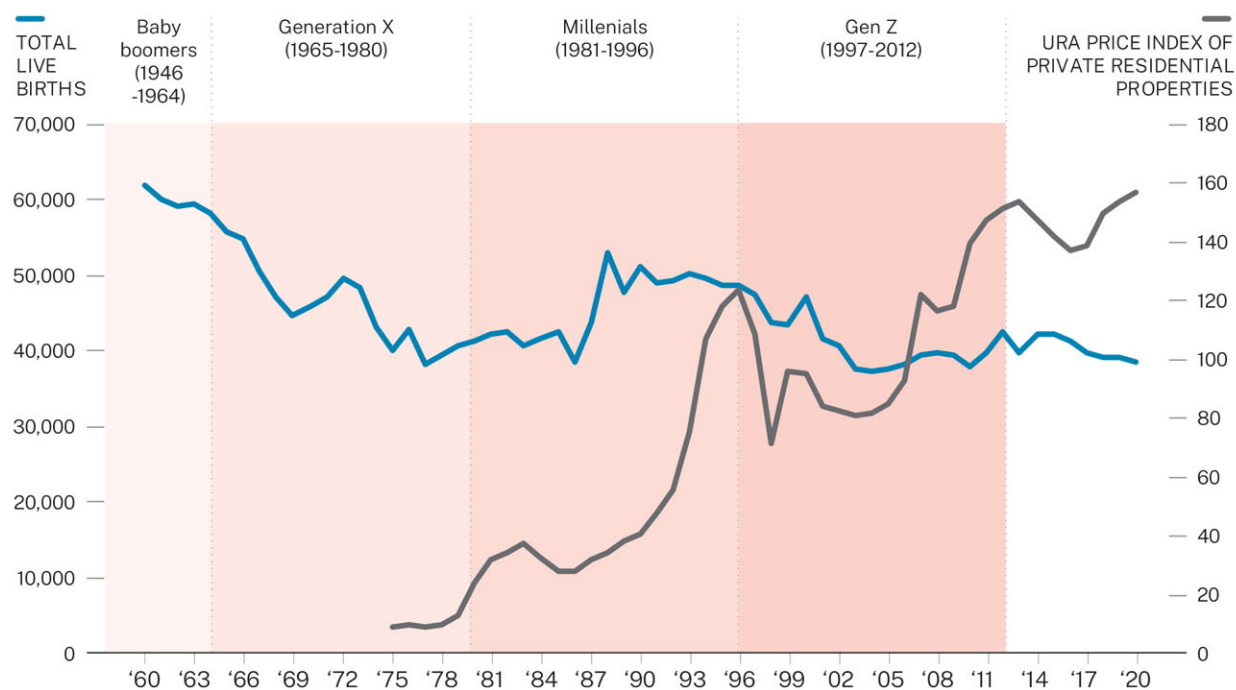
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Singapore home prices buoyant as demographics support demand

LONG-TERM demographic and population trends could underlie increases in private residential demand and prices, even as low interest rates, a strong HDB resale market and concerns of supply constraints remain at play. The NUS Institute of Real Estate and Urban Studies (IREUS) looks at the trajectory of private housing demand across several decades, through a demographic lens. **BY FIONA LAM**

The baby-boomer generation - born between 1946 and 1964 - has played a key role in driving Singapore's housing market since entering their home-buying years in the 1980s. But as they now progressively exit the residential segment and the economy, and with the number of live births steadily declining since 1998, demographically driven demand for housing may start to slow, says IREUS deputy director Lee Nai Jia. Countries with rapidly ageing populations such as

Japan have seen their residential sectors go into a "winter" mode. Still, this "real estate winter" may not come to pass in Singapore if the shrinking household size, as a result of the growing number of singles, leads to greater demand for housing. That may offset any softening from the drop in populations of future cohorts, Dr Lee says. In addition, if Singapore remains a thriving economy attracting global and local talent, demand for homes ought to stay robust.



Baby boomers

Between 1979 and 1983, Singapore's private housing prices rose. The first batch of the baby-boomer generation likely boosted demand in those years, assuming the median age of homebuyers is around 30 to 35 years old, Dr Lee says. Although home prices back then were much lower than present levels, the jump in 1980 was still a shade above 88 per cent.

The next run-up in prices of private residential properties lasted from 1987 to 1996. That coincided with the period when individuals who were born in the mid-1950s to 1961 turned 30 to 35 and entered the housing market.

That cohort was a large one. Live births from 1956 to 1960 averaged about 61,877 per year. In 1958, the number of births had risen to a peak of 62,495, according to the late Professor Saw Swee-Hock's analysis of fertility trends.

Besides the demographically fuelled demand from these baby boomers, the generation also drove the economy forward. The resultant greater purchasing power further reinforced housing price increases. From Q4 1987 to Q4 1996, the accumulated growth in prices was nearly 343 per cent.

Gen X and middle-aged baby boomers

After the Asian financial crisis, home prices largely kept steady from Q4 2001 to Q4 2005. "While economic forces and external events were at play, the drop in new housing demand from the Generation X cohort (born 1965-1980) did not cause prices to fall," Dr Lee says.

Prices began to rebound in 2006. The global financial crisis in 2007-2009 stalled the climb for only 2 years.

"Robust domestic economic growth, aided by the Chinese economy's rapid expansion at the time contributed to the price increase, but the baby boomers also played an important role in amplifying the effect," Dr Lee says.

By then, baby boomers were in their 40s to 60s, but were still willing to pay for quality living. A significant proportion were also home owners by 2006, and thus could benefit from the housing price appreciation. Many reinvested their increased wealth in real estate.

"The higher demand also triggered a wave of en bloc sales from 2006 to 2007, reinforcing the wealth of baby boomers and raising demand for homes," Dr Lee notes.

The buoyant residential sector subsequently led to the government imposing cooling measures from 2009 to 2018 to prevent the market from overheating.

Millennials

The entry of Gen Y or millennials - born in the 1980s till around 1996 - into the housing market could underpin the strong demand today, offsetting any dip in demand from baby boomers moving into their retirement years.

The annual average number of live births from 1988 to 1997 was 49,461, more than the previous decade's average of 41,296.

"This cohort was likely to benefit from the transfer of wealth accumulated by their parents, enabling them to purchase private properties at an early stage of their lives and careers," Dr Lee says.

Separately, the uptrend in prices of HDB flats and private homes after the circuit-breaker measures were relaxed further grew baby boomers' wealth. Some reinvested their wealth gains with their millennial children while others downsized their own properties to help millennials get their first homes, Dr Lee notes.