

Dissecting foreign buying in Singapore homes, after three ABSD hikes

The ABSD blow landed heavily on foreign investors – here's how the numbers played out. BY HAN HUAN MEI

AS A key hub for Asian finance and trade, Singapore is an important destination for real estate investors. The Singapore residential market has enjoyed healthy support from global investors – both Singapore permanent residents (PRs) and foreigners – since 2009 with the opening of the two integrated resorts, Marina Bay Sands and Resort World Sentosa.

Foreign investors generally face no outright restrictions on the purchase and ownership of non-landed homes in Singapore. Still, global economic factors, external shocks, tax structures and regulations have a bearing on migration and wealth flows. The impact of Singapore's cooling measures is also significant, though they are government interventions to weed out speculative activity and to ensure sustainable price growth.

The measure which is directly aimed at foreign homebuyers is the Additional Buyer's Stamp Duty (ABSD), which was first introduced in 2011 at 10 per cent and raised to 15 per cent in 2013. Since 2018, there had been three rounds of revision of ABSD.

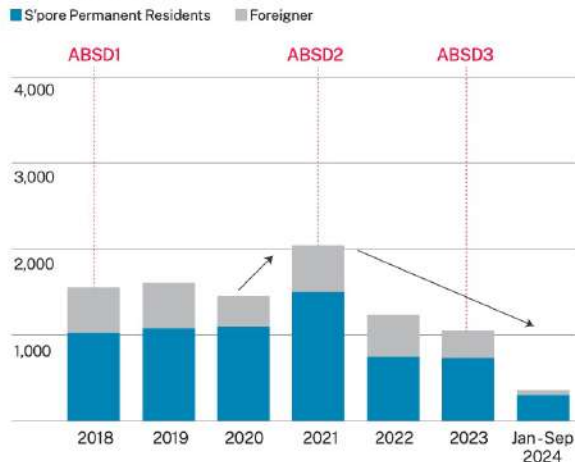
Based on URA data on new non-landed sales, after the ABSD for foreign buyers was raised by five percentage points to 20 per cent in July 2018, the number of properties bought by this group remained the same in 2019, but fell in 2020 when the Covid-19 pandemic struck.

The number of properties bought by PR buyers, who are subject to a much lower ABSD rate, remained steady at 1,000-2,000 for the three years from 2018 to 2020. In 2021, when Singapore implemented phased reopening after the national vaccination rate hit 80 per cent, there was a spike in properties purchased by both groups.

Sales of new homes took a beating following another hike in ABSD rates by five to ten percentage points at the end of 2021. The num-

Significant decline

New non-landed homes bought by foreigners and PRs, 2018-2024



ber of new properties purchased by PRs halved in 2022 while the fall in purchases by foreigners was more gradual.

Before the dust settled, the government raised ABSD rates again in April 2023. This time, the blow landed harder on foreign buyers as the rate was doubled to 60 per cent.

In addition, the government carried out a massive clean-up of money-laundering activities in August 2023 in which several high-end properties were involved. The exercise led to more stringent checks on foreign buyers and their sources of funds, which turned off some genuine investors. This resulted in a significant drop in the numbers for the first nine months of 2024, with only 56 new homes bought by foreigners and 306 bought by PRs.

In the period of 2018 to 2023, sales to foreign buyers made up 4 to 7 per cent of annual new sales

volume, while PRs made up 12-13 per cent. Between January and September 2024, the proportion of foreign buyers had fallen to 2 per cent,

while PR buyers slipped to 10 per cent.

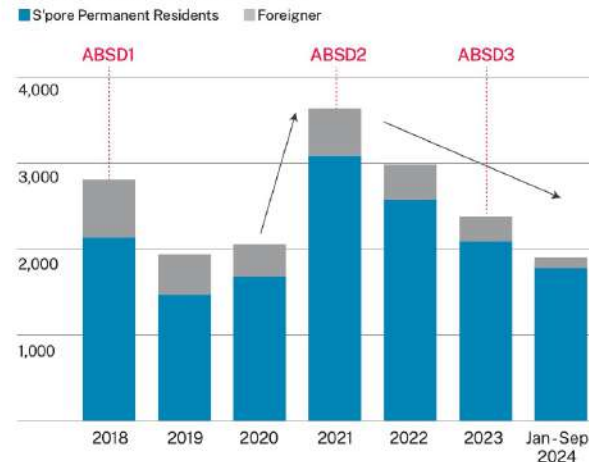
A similar pattern showed up in the resale market. An interesting observation is that the number of PRs who bought resale homes is much higher than those who bought new homes.

The reasons include the need for ready accommodation because they have found employment here; they have plans to base their families here; they are pursuing education here; or they are investing for legacy purposes.

As for foreign buyers, the number who bought new and resale homes fluctuated within the band of 300 to 600 units per year before it fell below 200 units in 2024.

Between 2018 and 2023, foreign buyers made up 3 per cent to 6 per cent of the annual resale volume, while PRs accounted for 19-21 per cent. In 2024 (Jan-Sep), the proportion of foreign buyers had fallen to 1.4 per cent, while PR buying made up 20 per cent of resale transactions.

Resale non-landed homes bought by foreigners and PRs, 2018-2024



SOURCE: MND, MOF, IRAS GRAPHIC: HYRIE RAHMAT, BT

The proportion of foreigners buying resale properties in the prime Core Central Region rose from 39 per cent in 2018, to 47 per cent in 2019, before reaching 56 per cent in 2024. PR buying went from 15 per cent in 2018 to 20 per cent in 2023, before falling to 17 per cent in 2024 (in the nine months to September).

Among suburban condos in the Outside Central Region, meanwhile, the opposite trend emerged - foreign buying fell from 28 per cent in 2018 to 16 per cent in 2024 (notably, prices in the OCR rose faster than in the CCR during the period). PR buyers maintained their roughly 50 per cent share between 2018 and 2024 with small dips in 2019 and 2023.

In the city fringe Rest of Central Region (RCR), foreign buying accounted for about a third of resale volume in 2018, rising to 35 per cent in 2019 then starting to fall until it reached 28 per cent in 2024.

The proportion of PR buyers, meanwhile, was 35-36 per cent

from 2018 to 2020 and then stayed at 31-32 per cent from 2021 to 2024.

Zooming in on buyers of luxury apartments – generally defined as high quality apartments located in the CCR priced from S\$5 million onwards – our analysis found that in 2018, around 63 per cent of buyers were foreigners and PRs and the remaining 37 per cent, Singaporeans.

After the first ABSD increase in 2018, 2019 saw a higher proportion of 67 per cent global investors, probably drawn to new projects like Boulevard 88 and Nouvel 18, and the fear that more cooling measures might be introduced.

True enough, when the second round of ABSD came about at the end of 2021, coupled with the ongoing impact of the pandemic, the proportion of global investors contracted to 59 per cent in the period 2020 to 2022.

Interestingly, the proportion bounced back to 62 per cent in 2023, before it dropped to 49 per

cent in the first three quarters of 2024.

Not all is lost despite the lower proportion of global investors in 2024. While official statistics are not available, we understand that there is a gradual rise in new PRs and newly-minted Singaporeans buying luxury homes, as they are not subject to the 60 per cent ABSD payable by foreigners.

Another group of global investors who are becoming more prominent are those who are allowed ABSD remission. Under Free Trade Agreements, nationals and PRs of Iceland, Liechtenstein, Norway and Switzerland as well as citizens of the United States will be given the same stamp duty treatment as Singapore citizens.

China nationals were the largest group of foreign buyers in the CCR until 2022, when nationals from the US took over the pole position. It is also noteworthy that buyers from Switzerland have attained a spot in the top five in 2021, 2023 and 2024. In the first nine months of 2024, out of the 83 foreign buyers, only 13 were not exempted from paying the 60 per cent ABSD.

Among Singapore PRs, the top three groups – from China, Malaysia and Indonesia – have remained unchanged over the period, with nationals from Australia, India and the UK in the next two positions.

That Singapore remains the most liveable city for Asian expatriates for 10th consecutive year speaks volumes.

Factors cited for the Republic's lasting appeal include access to great facilities, a low crime rate, good quality healthcare and education, as well as the presence of a large expat population.

Even with our small geographical area of 735 sq km, the government has been a good steward in planning and using our land resources to balance our needs of today with those in the future, to ensure that Singapore continues to remain relevant in a changing world.

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