



PropertyLimBrothers' Inaugural Webinar

THE SHIFT IN SINGAPORE'S REAL ESTATE MARKET 2023

FAQ



01

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There are some firesales happening in the markets reported in the papers, will there be more on the way?

Firesales in the market are very circumstantial and difficult to predict. This is especially true after the slew of cooling measures from 2009 to 2014. Even with the recent cooling measures, the holding power of new buyers should be even stronger than before, resulting in price stability. These firesales might be more common in high quantum condos or landed properties. It will be difficult to find a mass-market condo going for a steal, it will most likely be quickly snapped up by buyers waiting on the market or you may be outbid by other buyers who are willing to pay a higher price. If you are looking for an own-stay residential property, waiting for the right firesale property might lead you to wait too long and suffer higher entry prices down the road.

02

Will the recent tech layoffs affect holding power and affect prices/demand and supply?

The recent tech layoffs were huge headlines on the global news but have not affected Singapore's unemployment rate as of yet. Right now, Singapore's unemployment rate is the lowest in around 6 years and median income of full time workers is simultaneously increasing. It is very unlikely that these tech layoffs would affect the holding power of the overall market. Some individuals may be affected, but it is not so wide-spread that it affects property prices.

03

When will interest rates stop rising?

Interest rates are still projected to rise in 2023 based on the US Fed projections. The terminal rate is around 5.1% now, but may rise even further if inflation continues. The consensus at the moment is that interest rates will stop rising next year in 2024, if the inflation situation is under control. You can find out more about how the macroeconomic situation will affect Singapore's property market in our 2022Q4 report [here](#).

04

If I am buying a property now, should I go for a fixed or floating interest rate loan?

The question on fixed or floating rate for loans depends on your expectations of future interest rates. If you believe that interest rates will continue to rise over the next few years, it might be better to take a fixed rate loan. On the other hand, if you believe that interest rates will fall in the coming years, you might prefer a floating rate loan. Based on the Fed projections as of now, floating rate loans might be the preferred option for most home buyers. This is despite the fact that interest rates may continue to rise through 2023.

05

Will higher interest rates cause a drop in prices because owners can't stomach the higher interest payments?

The higher interest rates may lead to an increase in interest payments on the existing home loans for property owners, but this does not immediately mean that owners will sell below the market price. The short-term increase in interest payments will probably dip into savings and the wage increase rather than cause an immediate liquidation for most homeowners. It is unlikely that properties will experience a drop in prices, on average. There may be some fringe cases where this happens but it will probably not be a widespread phenomenon.

06

Will the property prices of more expensive units fall because of the new BSD rules?

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The more expensive properties may see fewer buyers because of the new BSD rules but not necessarily experience a fall in price due to the supply crunch. For example, the BSD for a \$4,000,000 property was \$144,600 previously. With the new rates after the 15th of Feb 2023, the new BSD amount totals to \$179,600 which means an additional \$35,000. The marginal difference of less than 1% is unlikely to see expensive units fall in price. This cost is likely to be absorbed by buyers. Because of this, less buyers might be interested in more expensive properties. The luxury segment may instead see a slow down in terms of the time to close a deal, or the transaction volume, rather than a price decline. You may read more about the new cooling measures in our article on the BSD changes [here](#).

07

Should multigenerational families buy a resale HDB instead of a condo now that higher BSD and interest rates will increase the cost of larger condos?

This depends on the preferences and needs of the family. In terms of both PSF and Quantum, resale HDB will be the more affordable option. However, the appreciation to the upside for resale HDB will be more muted in comparison to condos. Families would need to navigate this trade-off between affordability and capital appreciation. Ultimately, if it is a large multi-generational family, prioritising living space may help to improve the quality of life and reduce potential conflicts between household members. We should always remember that making money is not the only priority in buying a home, making sure family members are living comfortably should also be a top priority.

08

Will Resale HDB prices start to go up because of the increase in grants?

It is possible that the increase in grants may prompt some sellers to put up a higher price when selling their resale HDB. However, sellers do not have a monopoly on the supply of resale HDB, nor is it likely to see a coordinated attempt for sellers to push up prices. It is more likely that buyers would just go for reasonably priced alternatives within the same area. The result we see in the market may be a slight increase in resale HDB prices with a larger increase in transaction volume but it will be hard to distinguish whether the increase in price is due to the higher grants or just regular appreciation.

09

The property markets in the US and in China are not doing well now, will foreign investors start buying Singapore properties?

As China opens up and more international investors come to Singapore's shores, it is very likely that our real estate market will be attractive to these audiences. In comparison, our real estate market has been performing well due to cooling measures and limited supply. Prices are stable and climbing healthily. Foreign investors may be pulled towards commercial properties which do not incur ABSD, or the luxury segment.

If you would like to have more of your personal questions answered, you can read more of our articles [here](#). If you are more of a visual person, you can follow our [Nuggets On The Go \(NOTG\)](#) series on YouTube in the link [here](#). Alternatively, you can have a more personalised experience by speaking to our consultants. You can reach out to us directly [here](#).