

HAS SINGAPORE PROPERTY PRICE PEAK IN 2022?



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Table of Contents

- 3** What is Interest Rate?
How does Interest Rate affect inflation in Singapore?
- 4** How does Interest Rate affect inflation in Singapore?
- 6** Singapore tightens monetary policy to regulate property prices.
- 8** S\$NEER SGD trade-weighted basket of currencies
- 10** Can Singaporeans' income afford higher property price?
- 12** Singapore Property Boom? Game on.

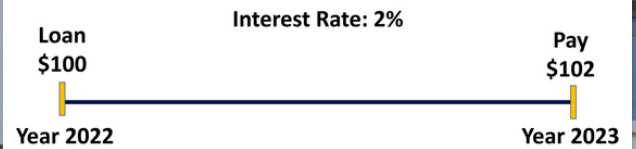
WHAT IS INTEREST RATE?



MODERN STYLE



LIVING ROOM



Interest is the measurement of the value of time

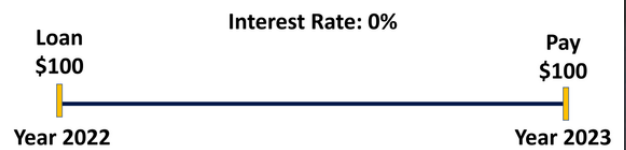
Interest rate is the amount a borrower is charged by a lender and this results from a percentage of the principal (the loaned amount). The interest rate on a loan usually recorded annually is the annual percentage rate (APR). Therefore interest rate's value is measured over time.

With lower interest, consumers are typically motivated to take up a heightened amount of loans.

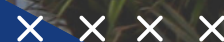
With regulated interest rates, there will be significant increment in loan payables for longer terms.



BACKYARD



Encourage to take up More Loan





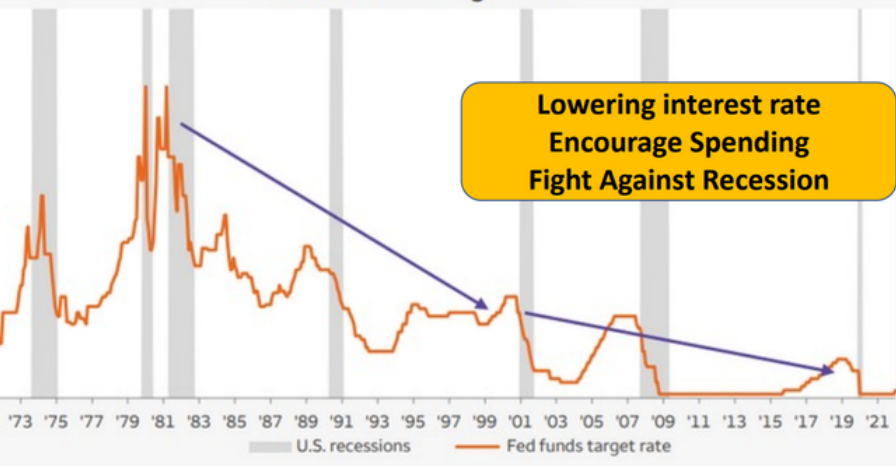
According to the MAS Monetary Policy Statement generated in July 2022, “MAS Core Inflation is now projected to be between 3.0–4.0% in 2022, up from the earlier forecast of 2.5–3.5%. As car and accommodation cost increases are also likely to remain firm, CPI-All Items inflation is expected to come in at 5.0–6.0%, higher than the earlier forecast range of 4.5–5.5%”.

HOW DOES INTEREST RATE AFFECT INFLATION IN SINGAPORE?

With lower interest rate, loans are stimulated in Singapore for purchase of properties and this is directly impactful to encourage spending.

With an increase in demand of properties, we see measures taken up by the government to regulate inflation and potentially rising property prices.

Federal funds target rate



**Lowering interest rate
Encourage Spending
Fight Against Recession**

DID YOU KNOW

Bloomberg and Wells Fargo Investment Institute. Monthly data from March 1, 1971 to March 31, 2022. For illustrative purposes only. Fed = Federal Reserve.

Private property values climbed

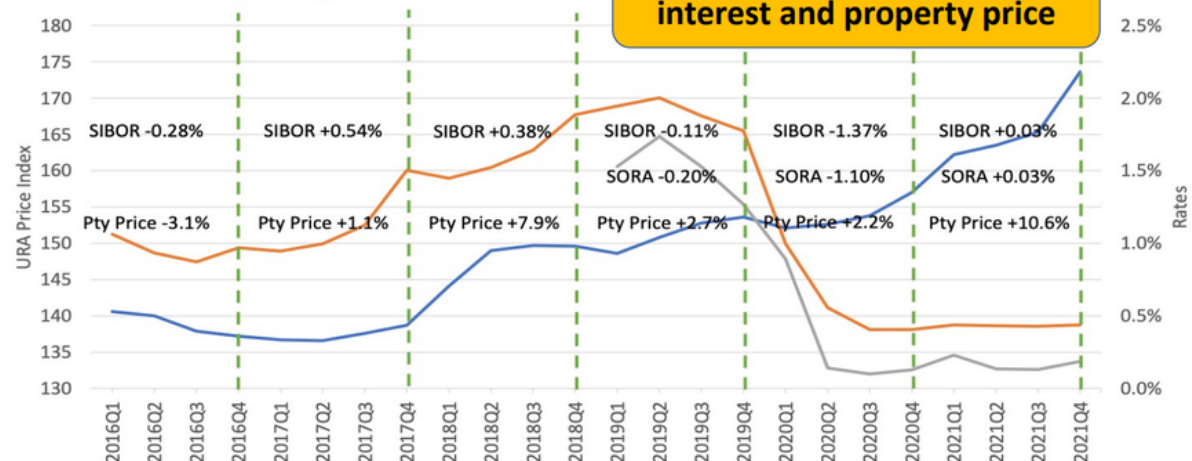
3.2%

in the three months ending June 2022

Source: Bloomberg Asia

URA All Property Price Index

No correlations between interest and property price



SINGAPORE

Unlike most other countries, Singapore has adopted the use of the exchange rate rather than the interest rate as the instrument of monetary policy. The choice of the exchange rate is predicated on the Singapore economy's small size and its high degree of openness to trade and capital flows.

Monetary policy tightens to regulate property prices.



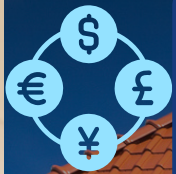


Monetary Policies, Singapore.

The MAS announced in July 2022 that it would re-center the mid-point of the exchange rate policy band known as the Nominal Effective Exchange Rate. It was mentioned that there would be no difference in the slope and width of the band.

“This policy move, building on previous tightening moves, should help slow the momentum of inflation and ensure medium-term price stability,” the MAS said in a statement this year.

July 31, 2022



S\$NEER SGD trade-weighted basket of currencies



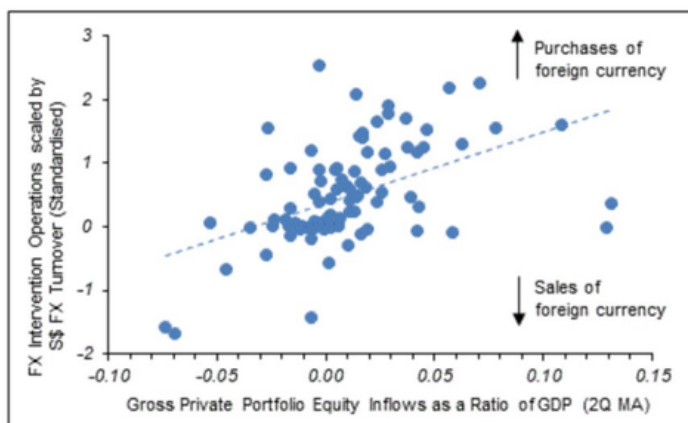
MAS's monetary policy implementation ensures that the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER)—which is MAS' intermediate target of monetary policy—is kept within the boundaries of the policy band.

How Does MAS Monetary Policy Works?

Monetary Authority
of Singapore



Manage Monetary Policy
through Exchange Rate



Against a trade-weighted basket of currencies

For the recent 3 months, the S\$NEER has broadly appreciated in the upper half of the policy band. The 3-month Singapore Interbank Offered Rate (SIBOR) rose to 1.9% from 1.1% in April this year, while the 3-month compounded Singapore Overnight Rate Average (SORA) increased 0.7% to 1.0%.

Singapore Currency with Malaysian Ringgit

SGD to MYR Chart

1 SGD = 3.18124 MYR Jun 27, 2022, 08:39 UTC

Singapore Dollar to Malaysian Ringgit

12H 1D 1W 1M 1Y 2Y 5Y 10Y



2.8%

SGD to MYR Chart

1 SGD = 3.18125 MYR Jun 27, 2022, 08:41 UTC

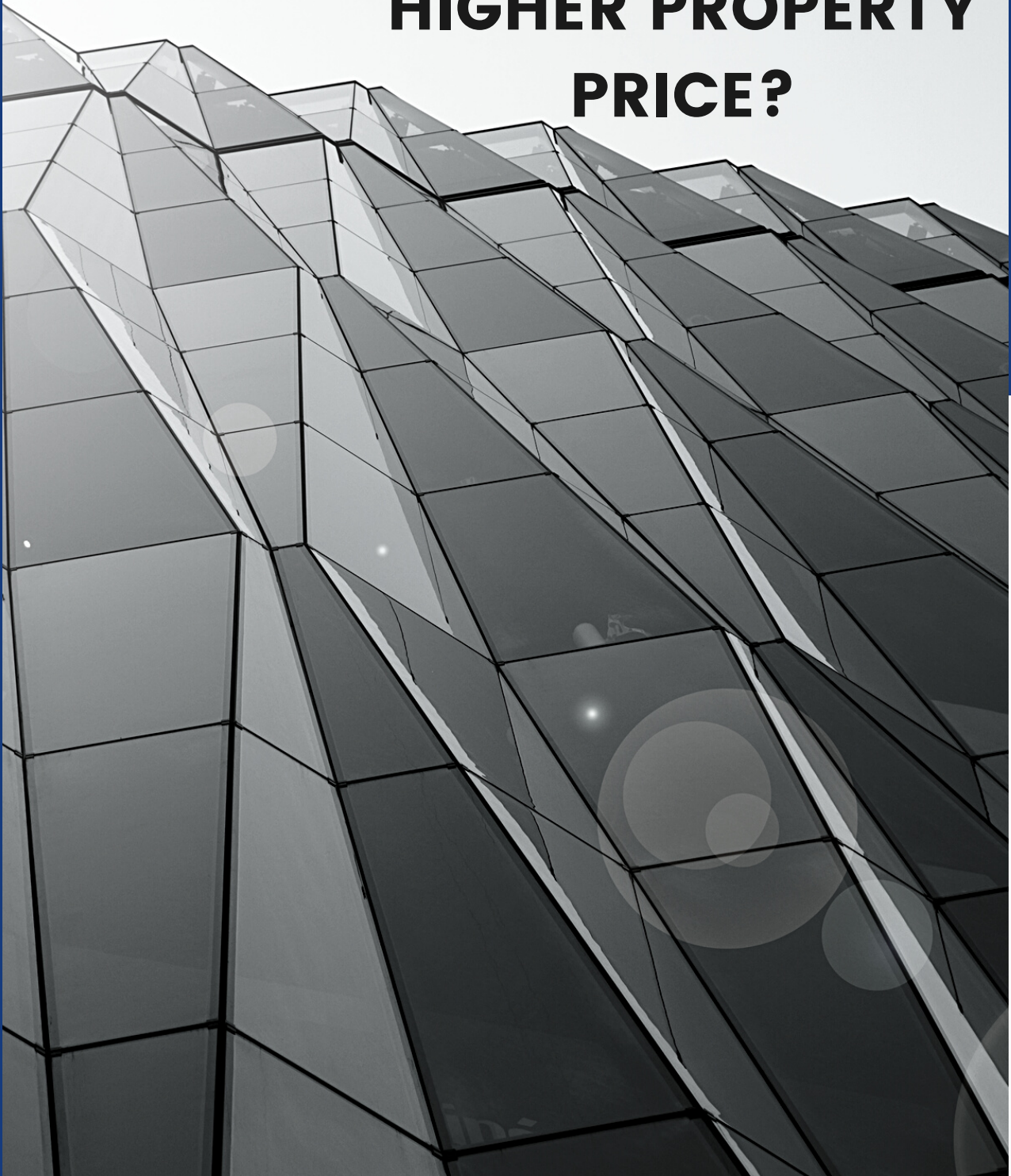
Singapore Dollar to Malaysian Ringgit

12H 1D 1W 1M 1Y 2Y 5Y 10Y



26.7%

**CAN SINGAPOREANS'
INCOME AFFORD
HIGHER PROPERTY
PRICE?**



Can Singapore tie thru this rising interest rate

Rising Costs of Raw Material and Labour Means Singapore House Prices Are Higher

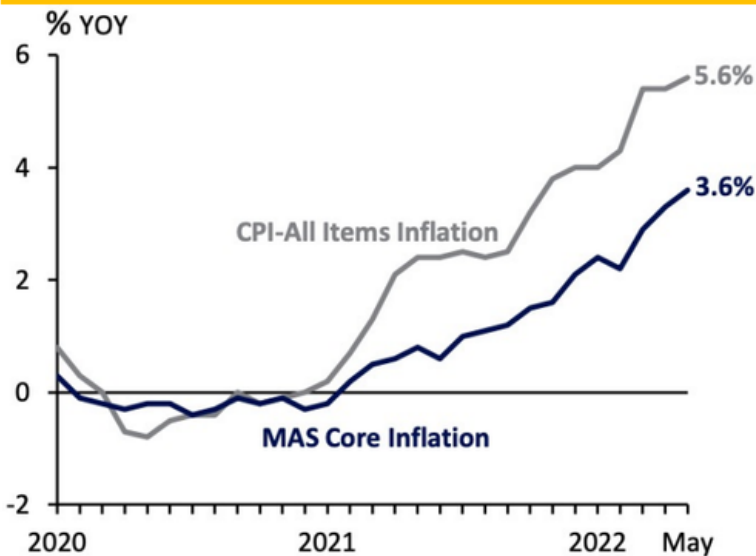
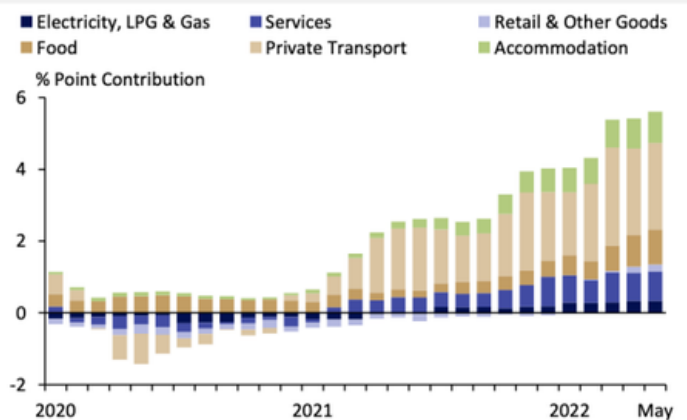


Chart 2: % Point Contribution to Year-on-year CPI-All Items Inflation



* Private transport and accommodation are excluded from the MAS Core Inflation measure.
Source: MAS, MTI estimates



today



New private homes to cost up to S\$2,900 psf on average by 2030: DBS report

Housing prices are growing at a pace surpassing income growth. From 2001 to 2020, BTO flat prices (at the upper range) of 4-room and 5-room units have gone up by 2.4 times from \$208,250 to \$496,760, on average, whereas the median income of employed residents has increased by 1.95 times from \$4,716 to \$9,189 over the same period according to the data from Department of Statistics.

In order to make housing affordable, the government has included cooling measures such as increased Additional Buyer's Stamp Duty (ABSD) rates and tightened the Total Debt Servicing Ratio (TDSR) threshold.

SINGAPORE PROPERTY BOOM? GAME ON.



Has the price peak? Will it ever?

With the Asian financial hub inflation rate to be the highest in 14 years, it is rather impossible to see a decline in property prices. With an overall rise in the cost of living and the economic recession's threat, we do not see a decline in demand in Singapore despite the increase in overall property price. This could be due to the highly regulated interest rates as a result of Monetary Policies implemented. Projection of gradual growth is still happening till the end of 2022 and expected to be the case till 2030.

Average \$PSF

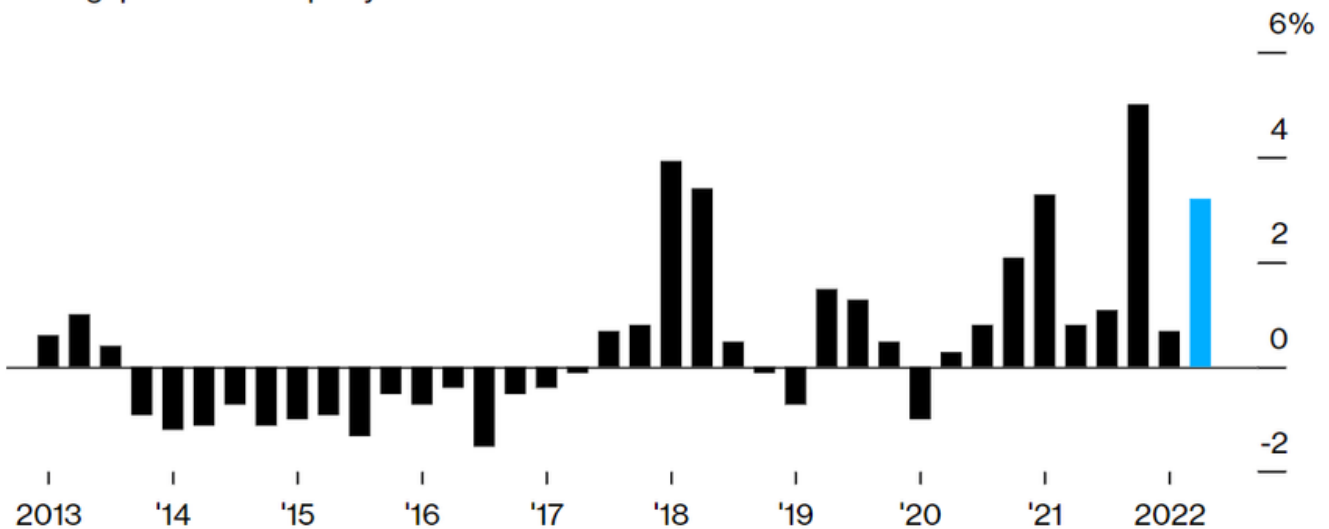


Singapore home price growth accelerates in the second quarter of 2022

Huge Leap

Singapore home price growth accelerates in the second quarter of 2022

■ Singapore URA Property Price Index



Source: Urban Redevelopment Authority

As we observe a trend of key household income on the rise, similar to that of 2021, the likelihood of a slide in property demand and prices in the near future is low.

In 2021, after adjusting for inflation, households in the first nine deciles have real income rise of 0.6 to 5.5%.

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