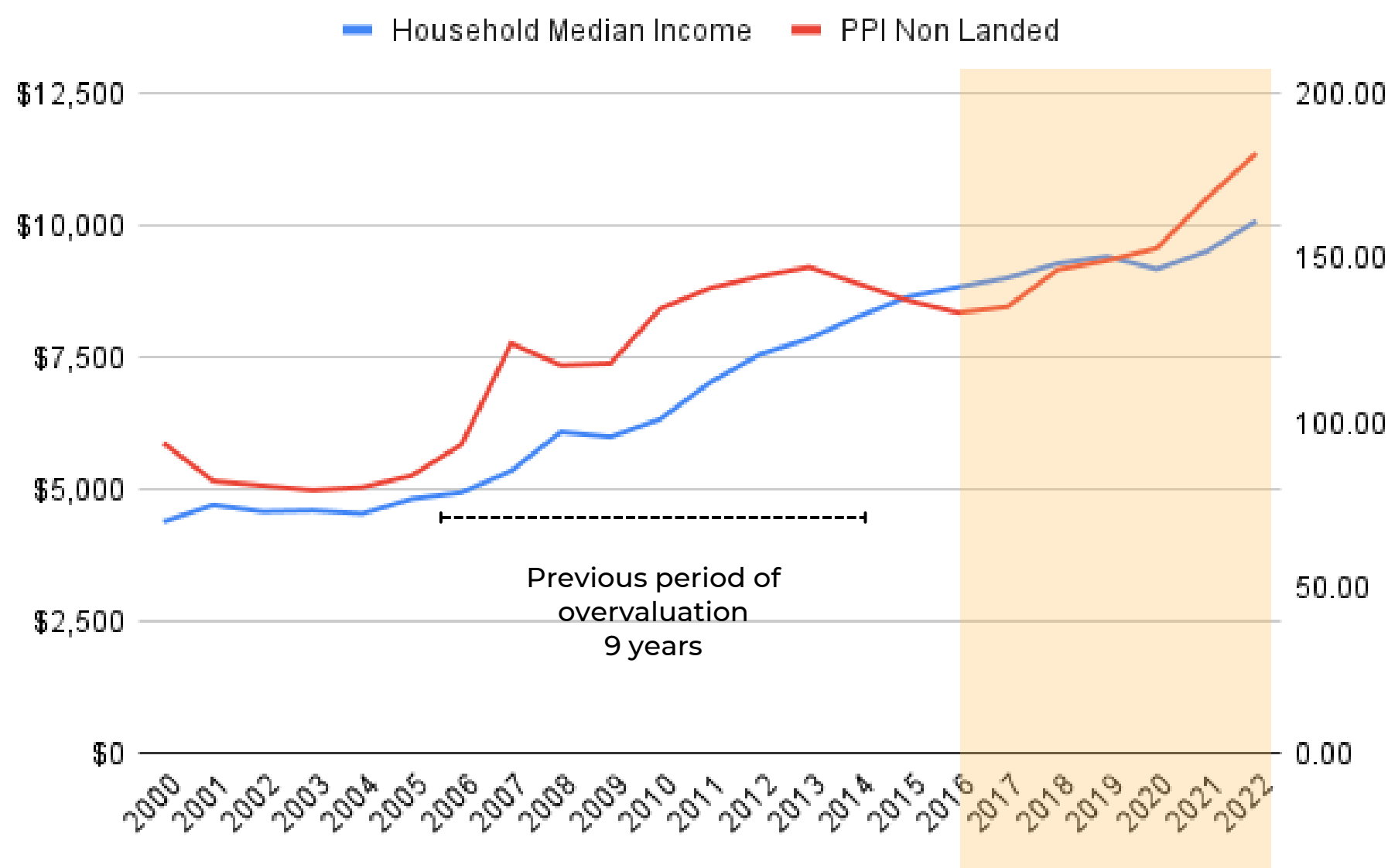




**ARE SINGAPORE
PROPERTIES
OVERPRICED OR
FAIRLY VALUED
TODAY?**

Median Household Income vs PPI (Non-Landed)

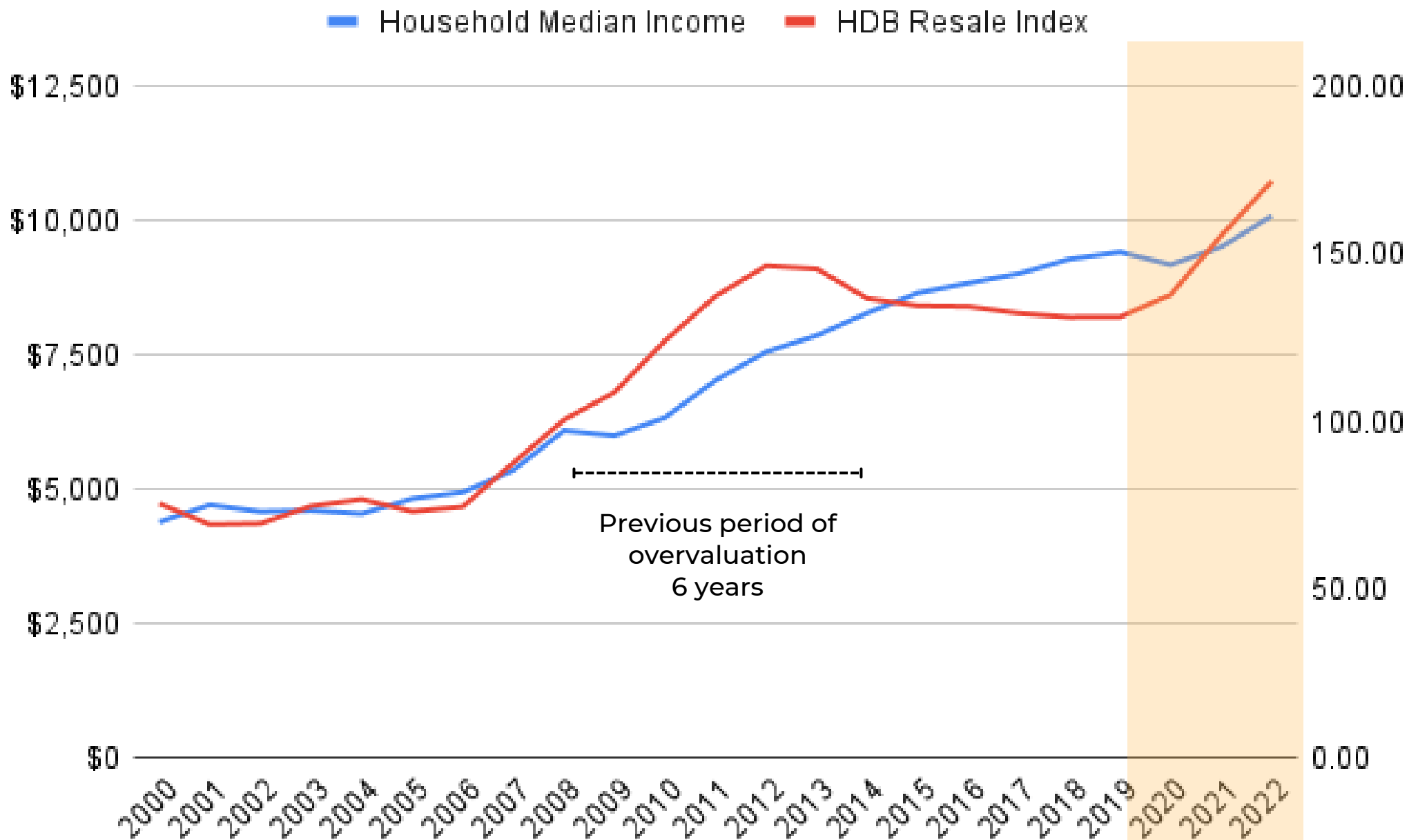


Since the start of the bull run in 2017, private home prices (non-landed) have enjoyed a steeper growth trend compared to household median income.

The last bull market with a similar situation where the property market grew more than incomes was in 2006 and lasted till incomes finally caught up in 2015.

From this graph alone, we can see that current prices are slightly overvalued, which necessitates the recent cooling measures to allow property price growth to slow down and incomes to catch up.

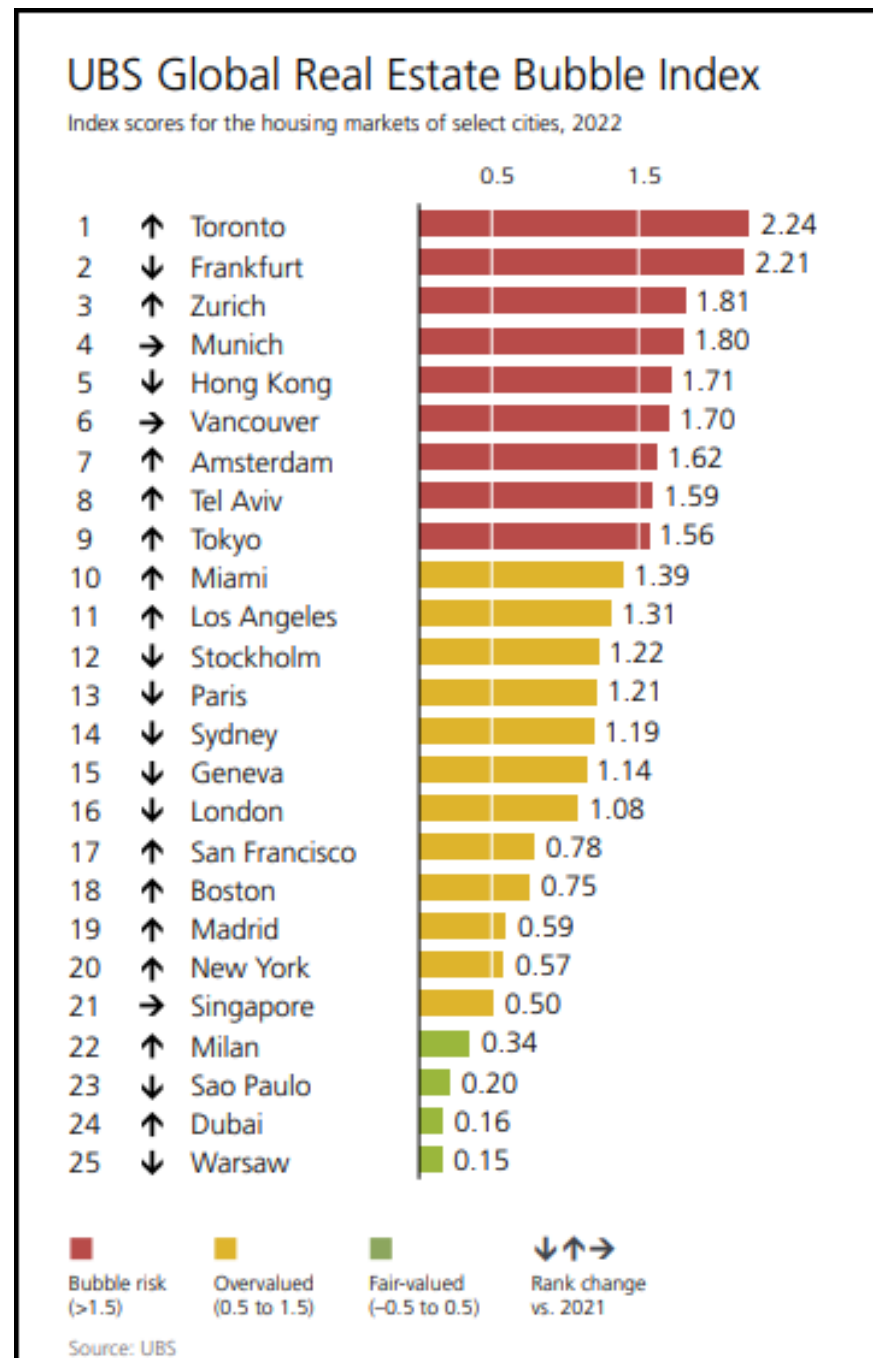
Median Household Income vs HDB Resale Index



The private market is not alone as we can see that HDB prices have likewise shot up at a steeper gradient compared to median household incomes since 2020.

Take note that overvalued periods can last many years and does not mean a correction is imminent.

UBS Global Real Estate Bubble Index (Oct 2022)



To further reinforce our findings, in the latest version of UBS Global Real Estate Bubble Index, Singapore was measured as being slightly overvalued but also among the least overvalued country among global financial centres - London, New York, Zurich, Hong Kong and Tokyo.

UBS Visual Map Of Real Estate Bubble Risk Index



Source: UBS

Quote from UBS report:

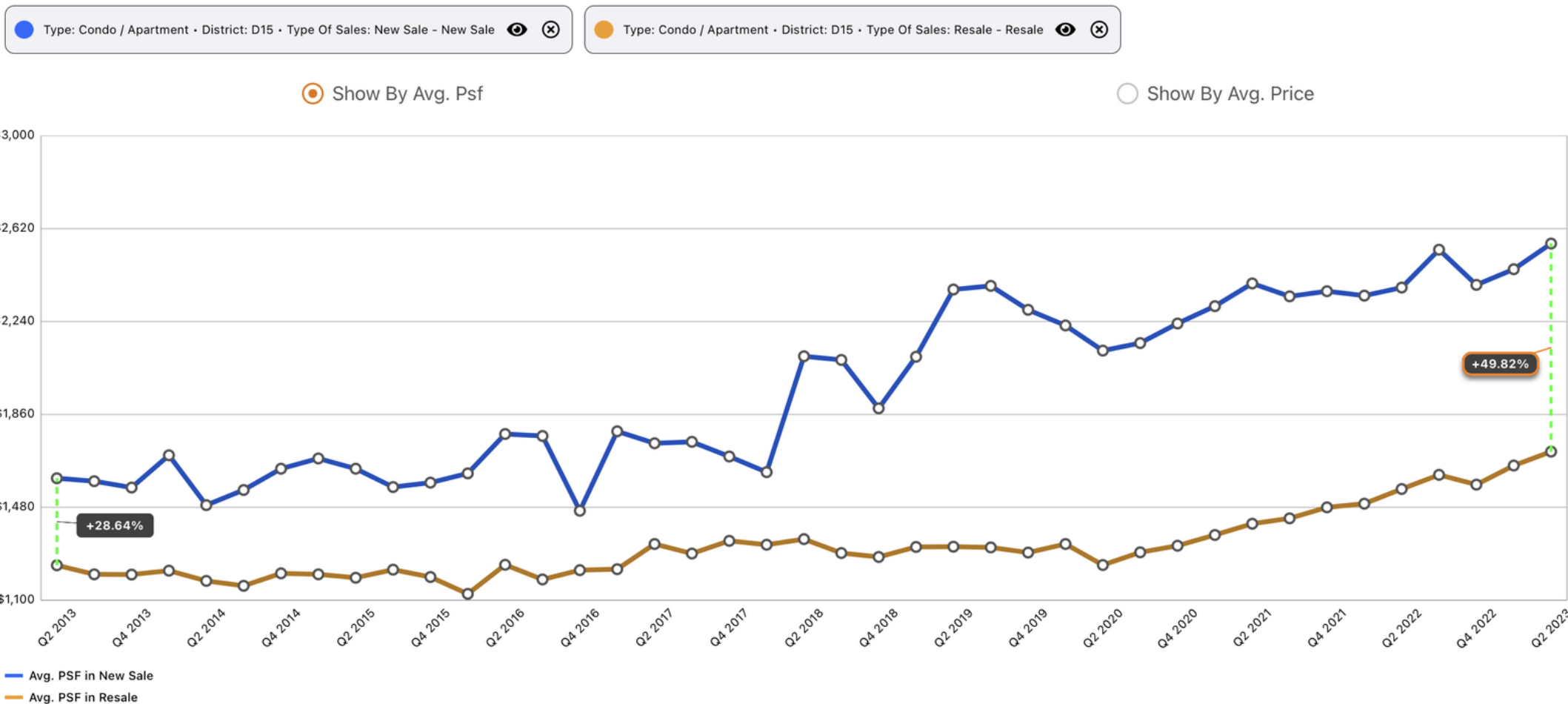
"Given the lack of housing speculation and continued foreign demand growth, a price correction in nominal terms is unlikely in the short run."



Diving deeper:

**Are New Homes Overvalued
Compared To Resale
Homes?**

District 15 - 10 Years Price Analysis (By Price Per Square Foot)

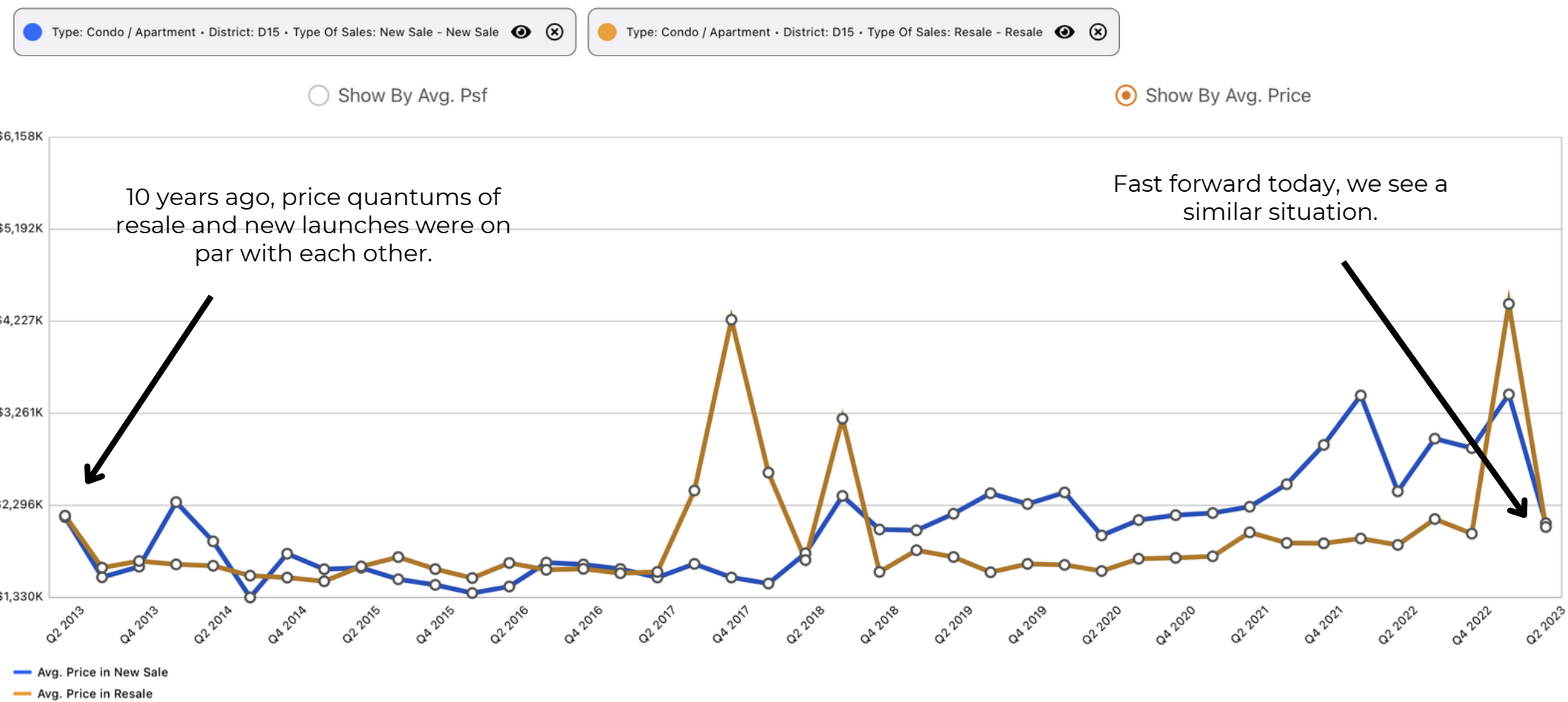


If we are purely looking at price per square foot, the gap between new and resale homes in D15 was 28.64% 10 years ago vs 49.82% today.

At first glance, it appears that resale homes are a much better deal today. However, this is an incomplete picture.

The reason why is, after TDSR's implementation 10 years ago, it put a stricter cap on the maximum loan for all buyers that was based on the absolute price quantum and since then, this factor has played an equally important factor in any buyer's consideration.

District 15 - 10 Years Price Analysis (By Price Quantum)



Hence, if we were to look at the average price quantum of both resale and new homes in District 15 today, we will find that they are on par as they were a decade ago.

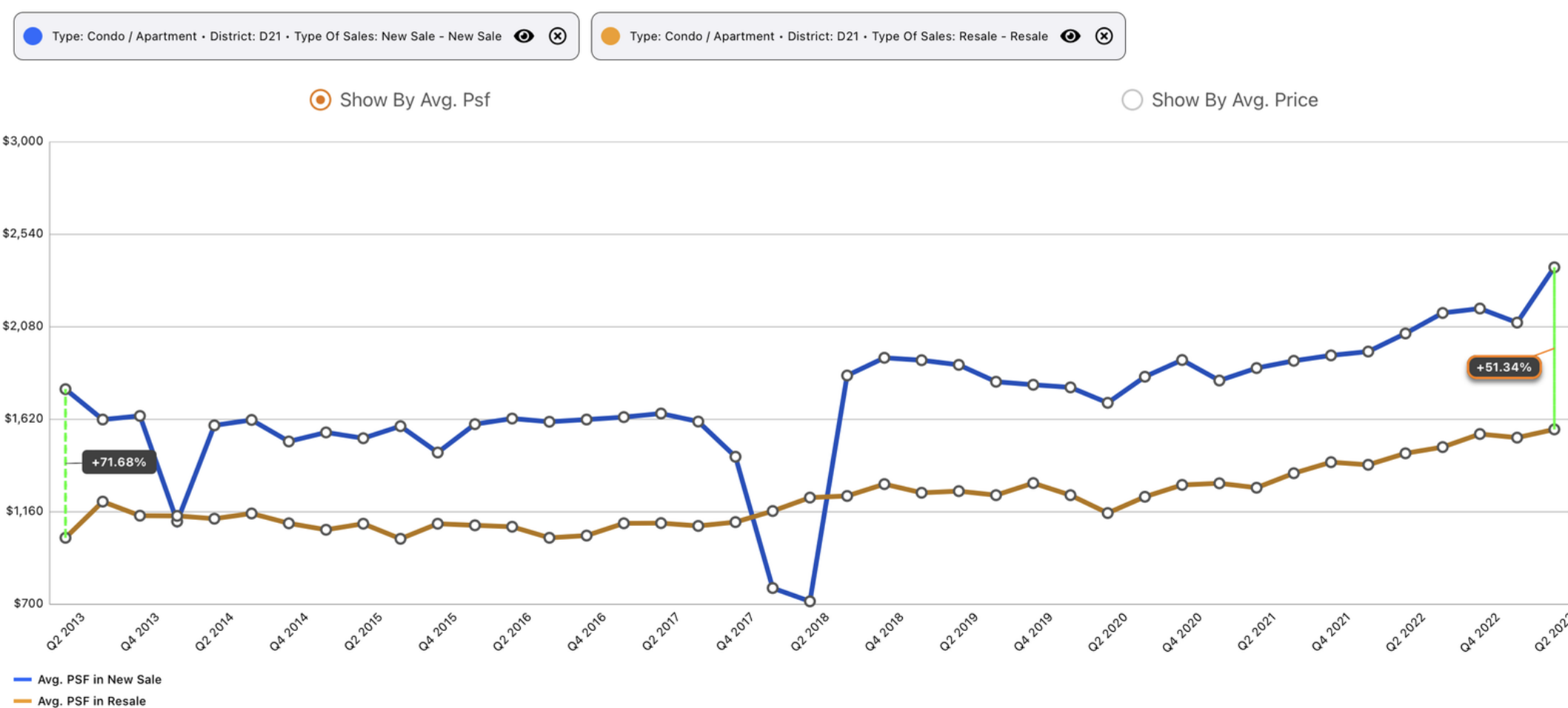
Although new launches have crept up in prices, so have resale homes.

Buyers today and of 10 years ago, hence are facing the same choices of going for brand new homes (Although smaller) at almost the same price quantum as resale homes.

Are District 15 new launches considered fairly valued then?

Yes, if we look at prices holistically and not just at PSF. This could explain why recent D15 launches have seen high take up rates.

District 21 - 10 Years Price Analysis (By Price Per Square Foot)

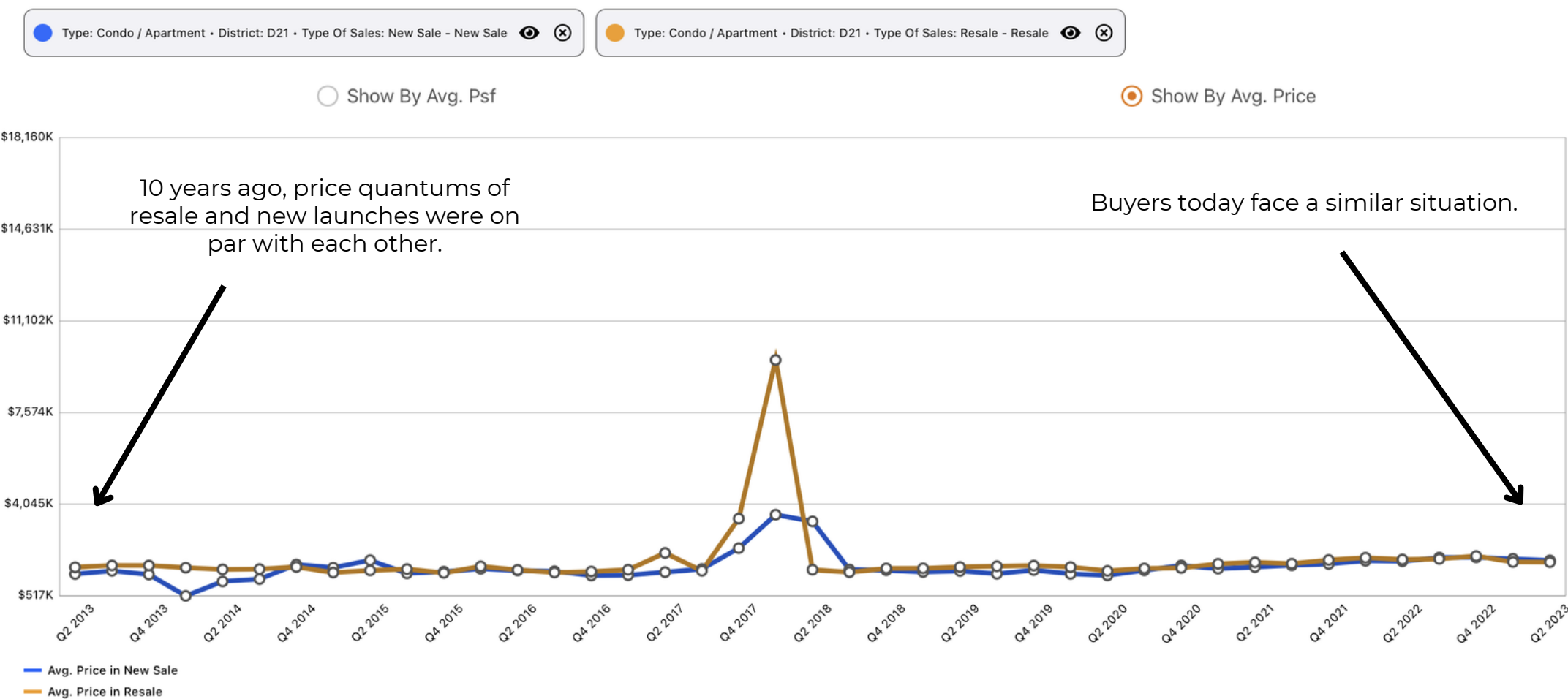


For District 21, where there are several new launches, we can observe that the average new to resale price premium was 72% 10 years ago vs 51% today.

From a purely PSF stand point, there appears to be a better deal in the new launch market since the price premium has narrowed.

Now, let's take a look at their average price quantums too.

District 21 - 10 Years Price Analysis (By Price Quantum)



Similarly, we can see that average price quantum of resale and new homes in District 21 are almost on par today and a decade ago.

There remains value to be found in new properties as they are not overpriced compared to resale market choices and buyers would be doing themselves justice to compare both new and resale choices before making a decision.

Summary

Although the Singapore property market is currently in overvalued territory, it is a slight one and risks of a correction are low.

As seen in previous bull markets where property price outran incomes, this 'overvalued' situation can last for many years and may not signal an imminent bear market.

It is our opinion that there remain good buys in today's market for buyers to find value in - although it will be wise to avoid new launches where both the price quantum and price per square foot are significantly wider between new and resale homes.

Property investors are encouraged not to base their buying decisions solely on per square foot comparisons but to look holistically at the price quantum, remaining tenure, growth hot spots, potential rental yields and upside etc.

As family sizes shrink and acceptance of smaller homes have increased with smaller HDB flats and private homes, new launches are a market still deserving of attention.