Foreign flavour

As more foreigners invest in Singapore's private residential property, Indians are a growing percentage

Room with a view... upmarket condos like Reflections at Keppel Bay (above) have drawn many Indian investors, many of whom are based in Singapore. PHOTO: KEPPEL LAND

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FOREIGNERS have been part of Singapore's private residential property market for as long as one can remember.

Malaysians, by virtue of geographical proximity, familiarity with Singapore and the fact that many work here as permanent residents (PR), have been active investors in the residential property market.

Indonesians too have invested in residential property here but for different reasons. Many have business dealings with Singapore and come here regularly. Others enrol their children in Singapore schools while others are drawn by the local healthcare services.

A major factor driving Indonesians to invest in Singapore is their perception of Singapore as a safe haven for their wealth. One can easily understand the concerns of Indonesian investors by just recalling the volatility of the 1998 riots in Indonesia following the Asian financial crisis.

Hong Kong investors used to be more active in Singapore's property market in the years leading to 1997 when Hong Kong had to revert back to China. In those years, the political uncertainty in the colony led many to emigrate or invest overseas.

In the last decade, new trends have appeared among foreigners in Singapore's private residential market. China and India began to emerge as the new Asian economic powerhouses. During the recent global financial crisis, while most Asian countries languished with low or negative GDP growth rates, China powered ahead with 9.6 per cent growth in 2008 and 9.1 per cent in 2009. India managed 6.3 per cent and 5.7 per cent for the two respective years. (In comparison, Singapore's GDP plummeted to 1.9 per cent in 2008 and -1.3 per cent in 2009).

The 2010 Asia Pacific Wealth Report (Capgemini/Merrill Lynch) reported China's high net worth individuals' (HNWI) wealth as US$2,347 billion in 2009, second only to Japan's US$3,892 billion in Asia. India was fourth with US$477 billion (see table on the right).

That report also explained that Asia-Pacific HNWIs preferred to invest in real estate and in markets that they are familiar with. China's HNWIs are said to especially favour residential real estate which accounts for 70 per cent of all their real estate holdings. Therefore, it is not surprising to see the wealth of the Chinese and Indians finding their way into Singapore's residential property market.

The last decade also saw demographic changes arising from the attraction of foreign talent as well as other workers into Singapore, including Chinese and Indians. Between 2000 and 2010, the number of PRs rose from 288,000 to 540,000.

Foreign buyer profile

In 2000, PRs and foreigners accounted for 13 per cent of total private residential transactions (based on URA Realis/caveats lodged). Ten years later, in 2010, their share of transactions stood at 25 per cent.

In 2000, Indonesians and Malaysians were the dominant groups, making up 67 per cent of all foreign purchasers. At that time, Chinese and Indian buyers accounted for only 3.6 per cent and 2.8 per cent of foreign purchasers respectively. Last year, 72 per cent of purchases by PRs and foreigners were attributable to Malaysians (22.7 per cent), Chinese (19.3), Indonesians (18.3) and Indians (12.1).

As you can see, the percentage of Chinese and Indian buyers has grown dramatically in the last 10 years. Accounting for only 58 transactions in 2000, the number of Chinese buyers swelled to 1,695 in 2010. During that period, Indian buyers rose from 45 to 1,064.

Preferred locations

In 2000, prime districts 9, 10 and 11 were already popular locations with foreign buyers which accounted for 20 per cent of transactions. The other areas popular with foreigners were districts 3 (Alexandra/Queenstown), 15 (East Coast), 16 (Upper East Coast), 21 (Bukit Timah) and 23 (Upper Bukit Timah/Hillview /Bukit Batok).

Although the Malaysians were the largest group of foreign buyers, only 19 per cent bought into the prime districts while fair numbers chose districts 15, 16, 21 and 23. On the other hand, the Indonesians were focused on the prime districts where 39 per cent of them purchased. Their next preferred areas were districts 3 and 15.

By 2010, the scene had changed with generally more market activity involving PRs and foreigners. In that year, they accounted for 34 per cent of all prime district transactions. They were also attracted to districts 3 and 4, accounting for 38 per cent and 39 per cent of transactions respectively. This trend is due to the arrival of new developments such as Sentosa Cove which provided new opportunities for buyers. While districts 15 and 16 had their traditional following, district 18 (Pasir Ris/Tampines) also featured more prominently, probably as an extension of the popular Upper East Coast enclave.

The pattern of buying among the top four foreign nationalities differed. Indonesians were still strongly centred on the prime districts with 46 per cent of them buying there while district 15 appeared as the next preferred location. District 15 was the top choice for Malaysians, Chinese and Indians with some of them gravitating towards the prime districts as well.

Popular price ranges

Residential properties within the $1 million price range were popular among Malaysian, Chinese and Indian buyers. About half of the buyers from these nationalities transacted within this price range in 2010 while roughly a quarter bought properties worth $1 million to $1.5 million and another quarter in the $1.5 million to $5 million range.

On the other hand, Indonesians saw half their purchases in the $1.5 million to $5 million range with relatively lower activity level in the lower price ranges. In 2010, 33 per cent of transactions in the upper-end market of above $5 million were attributable to foreigners: Of the 96 purchases above $5 million, 23 were by Indians.

Future trends

As Singapore becomes more successful as a global city, it has gained international prominence and attracted the attention of investors. It was rated the top real estate investment destination in Asia in a survey by Urban Land Institute and PricewaterhouseCoopers, as reported in the Emerging Trends In Real Estate Asia Pacific 2011 publication.

Rapidly rising prices in the last 1½ years have resulted in the Government imposing a series of measures (including those on Jan 14) to avert an asset bubble. While the cooling measures may have the short- to medium-term effect of moderating the residential property market, investors remain confident of longer term prospects. They recognise the strong fundamentals underpinning Singapore's economy and its ability to benefit from a booming Asia.

Therefore we can expect to see sustained interest in Singapore's residential property market from foreign buyers. Indian buyers will remain a dominant group among foreign purchasers as India's economy flourishes. As more Indian talent arrives on Singapore's shores for work, they too will soon see the merits in investing in Singapore's residential property market.

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Distribution of Asia-Pacific HNWI Wealth 2009 (by market)

Country	US$ billion	% share
Japan	3,892	40.3%
China	2,347	24.3%
Australia	519	5.4%
India	477	4.9%
Hong Kong	379	3.9%
Singapore	369	3.8%
South Korea	340	3.5%
Taiwan	264	2.7%
Thailand	232	2.4%
Indonesia	80	0.8%
Other markets	749	11.6%

Source: Asia-Pacific Wealth Report 2010 by Capgemini/Merrill Lynch