INDUSTRY INSIGHT 1: LUXURY HOMES

Luxury homes flourish amidst renewed vigour from ultra-rich foreign buyers

Transactions are back to pre-2007 crisis levels as billionaires hedge for potential losses amidst uncertainties.

Wallich Residence’s triplex super penthouse for a record-breaking $73.8m to Sir James Dyson, UK’s richest man and founder of the British manufacturing name. Just two weeks later, Dyson purchased a hilltop Good Class Bungalow (GCB) with views of the Botanic Gardens for $41m.

A $114m buying spree done in a fortnight might look like an aberration were it not for a number of other breathtaking purchases, as seen by the sprawling 84,543 sqft GCB plot in the prestigious Nassim Road area that went for a record $230m ($2,721 psf). Whilst the buyer is reported to be trust company SG Casa, media has speculated that the buying party was Eduardo Saverin, Facebook’s co-founder. Dyson and Saverin are amongst the more prominent ultra-rich individuals looking to own one of their own luxury properties in Singapore, but they are not alone.

Foreigners bought over 254 private homes in April to June 2019, up by 46% from the 174 units made in Q1, Colliers’ latest figures showed. “We are still not back to the run-rate before the property curbs a year ago, but the numbers are recovering,” Song said.

April to June 2019 alone recorded 139 transactions for properties worth more than $3,000 psf—a number that has not been seen since 2007 before the Global Financial Crisis, according to Savills. Cushman and Wakefield also reported that foreigners bought 200 units priced at $4m and above between July 2018 when the cooling measures were first announced and up until June—a slightly better number than the 190 units transacted in the preceding period.

Stocking up for losses

For a time, foreigners stepped away from making property investments after the government imposed the cooling measures which increased the Additional Buyer’s Stamp Duty (ABSD) rates by 5 ppt to 20% for foreigners buying property in July 2018. Only 297 units were sold to foreigners from August to December 2018 compared to the 1,552 units sold in 2017.

This was reversed when sales of apartments priced more than $5m rose by 23.25% to 175 units in H1 2019 compared to the 142 transactions in H2 2018, according to Leong Boon Hoe, chief operating officer of List Sotheby’s International Realty (List SIR), Singapore. The growth in figures comes as no surprise as Singapore is the second-most preferred luxury residential market by ultra high net worth individuals (UHNWI) in APAC and counts amongst the top six globally. About 23% of Asian UHNWIs, or almost 2 in every 5, and 8% of Australasian UHNWIs said that they prefer to buy a home in the island-city, reported Knight Frank.
“That foreign UHNWIs are willing to pay a hefty duty to buy residential properties here would mean that the price of political serenity is worth more than the 20% duty,” said Alan Cheong, executive director of research and consultancy at Savills Singapore. “This correlation probably manifested itself when global and regional political tensions mount. Unlike the UHNWIs of the past who bought to preserve their capital, the recent group of UHNWIs are buying for personal and family security and peace of mind.”

But they aren’t lining up to buy properties in Singapore for its tranquility—they’re also bracing up for potential losses, especially affluent Chinese investors. “The strong interest from Chinese investors could be attributed to the stability of Singapore currency as a hedge against the impact of the US-China trade war on the Chinese yuan,” noted Sze Teck Lee, director and head of research for Huttons Asia. A notable number of affluent mainland Chinese are flocking to the city.

Of the Chinese’ total transactions located at the Core Central Region (CCR) in Q2, 22.6% were for new non-landed homes and 43% of home resales were worth at least $5m, said Orange Tee & Tie. This stability also plays favourably for foreigners’ work interests. “The rise of the technology, media and telecom (TMT) sector are attracting many companies to set up their HQ in Singapore and move their top talent here,” Huttons’ Lee added.

In fact, Dyson moved his headquarters from the UK to Singapore in the heat of Brexit blues, and also for business reasons, having embarked on an ambitious plan to build an electric vehicles for Singapore, with a launch set at 2021. More than 9 in 10 Hong Kong businesses echoed similar sentiments when they chose Singapore as their top choice to relocate operations and capital to, as revealed by a recent survey of the American Chamber of Commerce (AmCham) Singapore.

Homes as trophies
Rich foreigners aren’t just looking for any home though—they want iconic or trophy assets. “Housing demand from rich foreigners has become more selective,” said Christine Li, head of research at Cushman and Wakefield Singapore. “High net worth individuals usually buy homes in the traditional prime districts namely 9, 10 and 11. The exclusivity and prestige that are associated with such localities are often what HNWIs look for.”

Interest is concentrated in the CCR, with properties costing from $4m or $5m upwards. List SIR reported that of the 169 luxury transactions in the CCR, foreigners and PRs made up 70% of the buyers, compared to 66% and 61% in H2 2018 and H1 2018 respectively.

World class architects like Moshe Safdie, the man behind icons such as the Jewel Changi and MBS, are now turning their talents to more plebeian housing projects albeit with luxury price tags of $3,650 per square foot (psf). His Boulevard 88 project on Orchard doesn’t seem to have any problem finding buyers even with the lofty price talk, as it had already sold 78 out of its 164 units, with the latest purchase made in October.

Of the units sold, 36 were priced over $10m, including a penthouse priced at $5,125 psf or a whopping tag of $31m. “This is the highest psf price transacted since TwentyOne Angullia Park’s penthouse in June 2013 which sold for $5,560 psf (429.3m in total),” Tricia Song, Colliers International head of research for Singapore, told Singapore Business Review.

The 28-storey twin residential tower is reminiscent of Marina Bay Sands with its own Infinity Sky Pool and Sky Lounge. To seal that luxury home living for the price, units are furnished with wardrobes from Italian designer home furniture manufacturer Caccaro with Van Gogh accent marble, whilst the kitchen area is equipped with cabinetry from Italy’s Ernestomeda Icon series.

Armed with these features, the joint development between City Development Limited (CDL), Hong Leong Holdings and LEA Investments successfully bewitched its target market, according to Song. Boulevard 88 was also deemed the most in-demand high-end project in the first half of 2019 as it accounted for 65% or 50 of the 77 units sold above $5m, revealed Ong Choon Faih, CEO and head of research and consulting at Edmund Tie & Company (ETCo).

Boulevard 88 isn’t the only luxury project that had buyers abuzz, as New Futura, designed by Changi Airport 3 architect SOM, sold 113 of its 124 units at a median price of $3,470 psf. JLL Singapore senior director of research Ong Teck Hui noted that a 728 sqm penthouse fetched the highest price of $36.28m at $4,630 psf. The 36-storey residence boasts of an infinity lap pool, aqua beds, cabanas, and a dual level club house.

“They prefer the neighbourhood close to the Orchard Road shopping boulevard and the neighbourhood close to the Botanic Gardens,” said List SIRs Leong. “In the new prime districts, these will be Marina Bay, Tanjong Pagar and Beach Road which are in the Central Business District, and Keppel Bay and Sentosa Cove which are the waterfront locations.”

More new luxury projects near Orchard Road are expected to be launched in H2 2019 and may test the market with new benchmark prices, added Leong. Key projects to watch out for include EDEN by Hong Kong developer Swire Properties, which features private vertical landscape gardens, and Cuscaden Reserve, by a joint venture involving SC Global, Far East Consortium and New World Development.