

Trading activities in the private residential property markets of Hong Kong and Singapore

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Abstract

This article presents some stylised facts on trading activities in the private residential property markets of Hong Kong and Singapore in recent years. The transaction volumes of private residential property dropped notably after several rounds of demand-side management and macro-prudential measures were implemented by the two governments. Relevant stamp duty statistics indicated that various demand-side management measures have yielded their intended effects of reducing speculative, non-local and investment demand.

香港和新加坡私人住宅物業市場的交投情況

摘要

本文概述近年香港和新加坡私人住宅物業市場的交投情況。自兩地政府實施了多輪需求管理及宏觀審慎監管措施後，私人住宅物業的交投量顯著回落。相關印花稅數據顯示，各項需求管理措施已取得預期的成效，成功減少短期投機、非本地及投資需求。

The views and analysis expressed in this article are those of the author and do not necessarily represent the views of the Office of the Government Economist.

I. INTRODUCTION

1. The private residential property markets of Hong Kong and Singapore recovered swiftly after the global financial crisis in 2008, marked by a visible rebound in trading activities and a strong pick-up in property prices. Since late 2009, several rounds of demand-side management and macro-prudential measures were implemented by the two governments (including the monetary authorities) to cool the housing markets and forestall a build-up in bubble risks, and transaction volumes dropped notably thereafter. This article presents some stylised facts on the trading activities in the private residential property markets of Hong Kong and Singapore in recent years.

II. OVERALL SITUATION

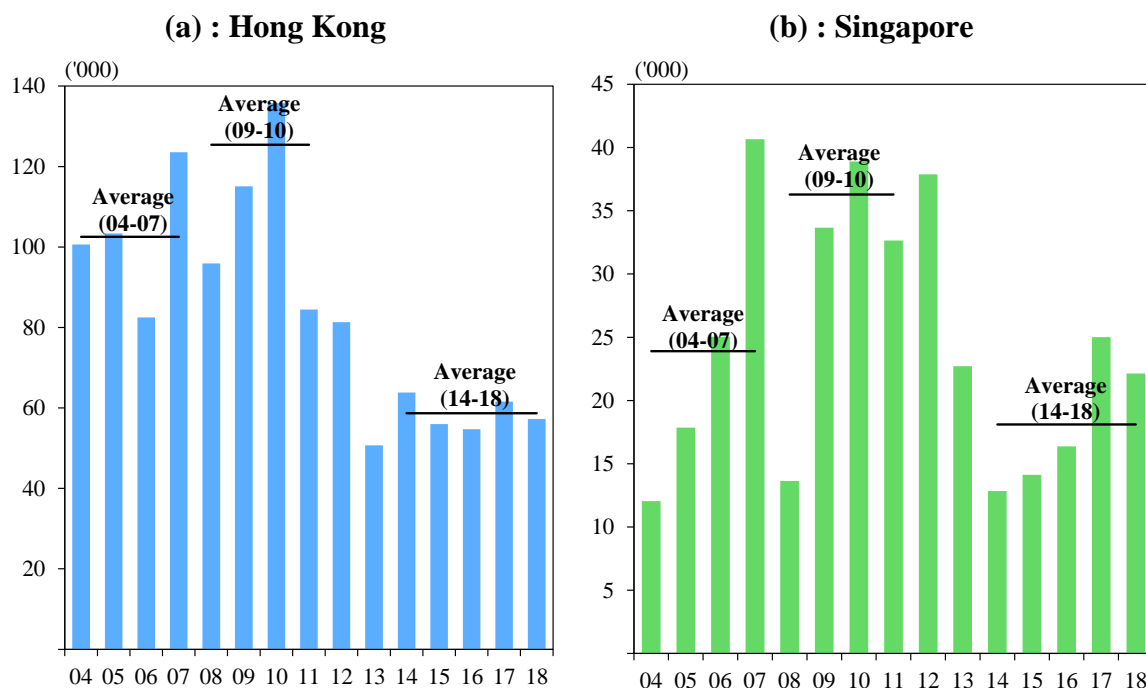
2. Trading activities in Hong Kong and Singapore have undergone noticeable gyrations in the past decade and a half. Having plunged in 2008 amid the global financial crisis, they rebounded visibly alongside a strong pick-up in property prices, supported by the ultra-low interest rate environment. Specifically, in Hong Kong, the number of sale and purchase agreements for residential property received by the Land Registry averaged 125 400 per annum during 2009-2010, 22% higher than the pre-crisis average of 102 500 per annum in 2004-2007. Over the same period, transactions in Singapore roughly averaged 36 300 cases per annum, 52% higher than the pre-crisis annual average of 23 900⁽¹⁾.

3. Yet the transaction volumes of private flats dropped notably after the implementation of demand-side management measures⁽²⁾ and macro-prudential measures for property mortgage loans to reduce speculative, non-local and investment demand, and to strengthen the resilience of banks and safeguard financial stability. In particular, transactions in Hong Kong plunged by 53% to 58 700 cases per annum in 2014-2018 from the annual average of 125 400 in 2009-2010, while that of Singapore also declined by a similar magnitude of 50% to 18 100 cases per annum over the same period (*Chart 1*).

(1) Private residential property transactions in Singapore comprise new sale, sub-sale and resale transactions. Prior to 2015, sub-sale and resale data were compiled based on the voluntary lodgement of caveats at the Singapore Land Authority, which accounted for about 80%-90% of all sub-sale and resale transactions. Since 2015, sub-sale and resale data are collated from records submitted to the Inland Revenue Authority of Singapore for stamp duty payments.

(2) In Hong Kong, the Special Stamp Duty was introduced in November 2010, followed by the Buyer's Stamp Duty in October 2012, the Doubled Ad Valorem Stamp Duty in February 2013 and the New Residential Stamp Duty in November 2016. Likewise, in Singapore, the Seller's Stamp Duty and the Additional Buyer's Stamp Duty were introduced in February 2010 and December 2011 respectively with subsequent revisions / enhancements. More details on the various measures are presented in part V of this article.

Chart 1 : Private residential property transactions in Hong Kong and Singapore dropped notably after the implementation of demand-side management and macro-prudential measures



Source: The Land Registry, Hong Kong.

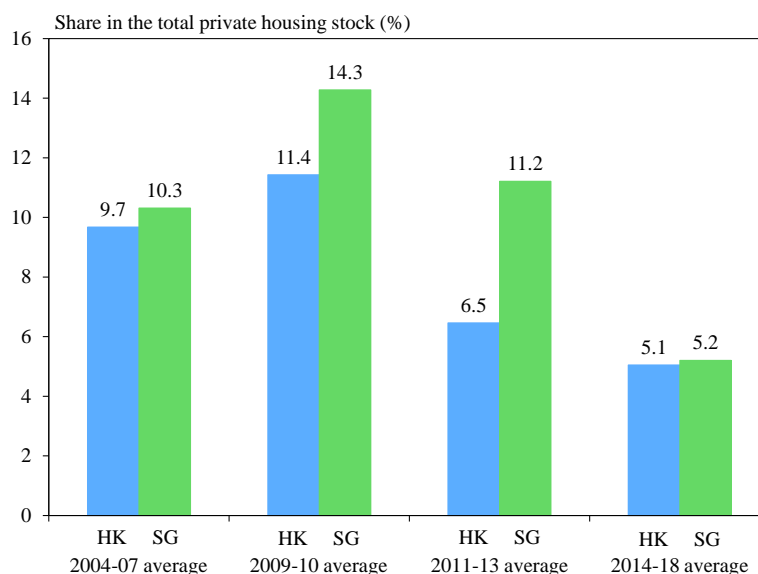
Source: Urban Redevelopment Authority, Singapore.

III. TURNOVER RATE

4. The turnover rates (i.e. the number of private residential property transactions relative to the private housing stock) in Hong Kong and Singapore followed broadly similar trends, notwithstanding the structural differences between the two residential property markets⁽³⁾. The turnover rates in Hong Kong and Singapore both averaged around 10% in the pre-crisis period of 2004-2007 and rose to 11% and 14% respectively during 2009-2010. They both fell alongside the notable drop in transactions after the implementation of demand-side management and macro-prudential measures, and averaged around 5% in 2014-2018 (*Chart 2*).

(3) Private housing accounted for around 56% of Hong Kong's total housing stock in terms of permanent living quarters, while private housing made up roughly over one-fourth of Singapore's total number of residential dwellings.

Chart 2 : Turnover rates in Hong Kong and Singapore followed broadly similar trends

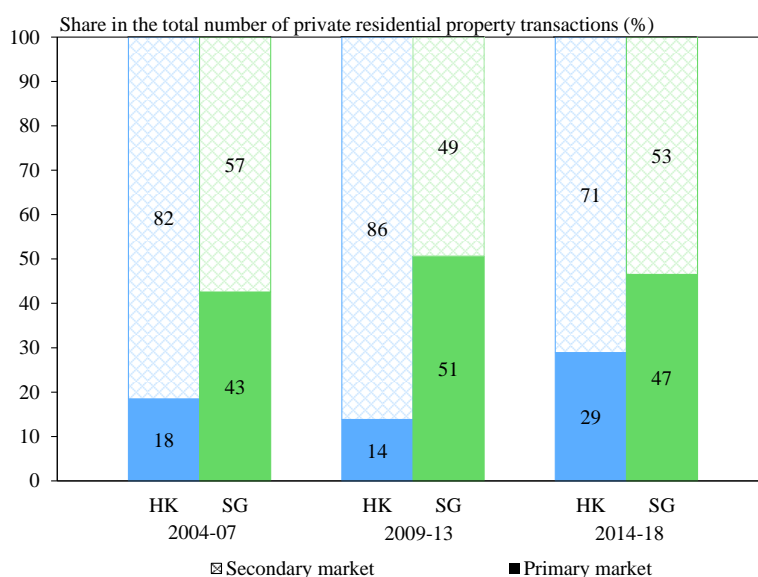


Sources: The Land Registry and Rating and Valuation Department, Hong Kong and Urban Redevelopment Authority, Singapore.

IV. PRIMARY AND SECONDARY SALES

5. Generally speaking, primary sales refer to first-hand sales from property developers, while secondary sales refer to sales from parties other than property developers. In Hong Kong, trading activities remained concentrated in the secondary market, notwithstanding the drop in overall transactions in recent years. Secondary market transactions accounted for around 71% of total transactions in 2014-2018, though somewhat lower than the shares of 82% in the pre-crisis period of 2004-2007 and 86% in 2009-2013. Meanwhile, the corresponding share for primary market transactions was 29% in 2014-2018, up visibly from 18% in 2004-2007 and 14% in 2009-2013, as developers paced up the launch of new projects in recent years. As for Singapore, transactions in the primary and secondary markets stayed quite balanced, comprising 47% and 53% of total transactions respectively in 2014-2018, broadly comparable to their shares in 2004-2007 and 2009-2013 (*Chart 3*).

Chart 3 : Trading activities in Hong Kong remained concentrated in the secondary market, while those in Singapore stayed quite balanced between the primary market and the secondary market



Sources: The Land Registry, Hong Kong and Urban Redevelopment Authority, Singapore.

V. SPECULATIVE ACTIVITIES, INVESTMENT DEMAND AND NON-LOCAL DEMAND

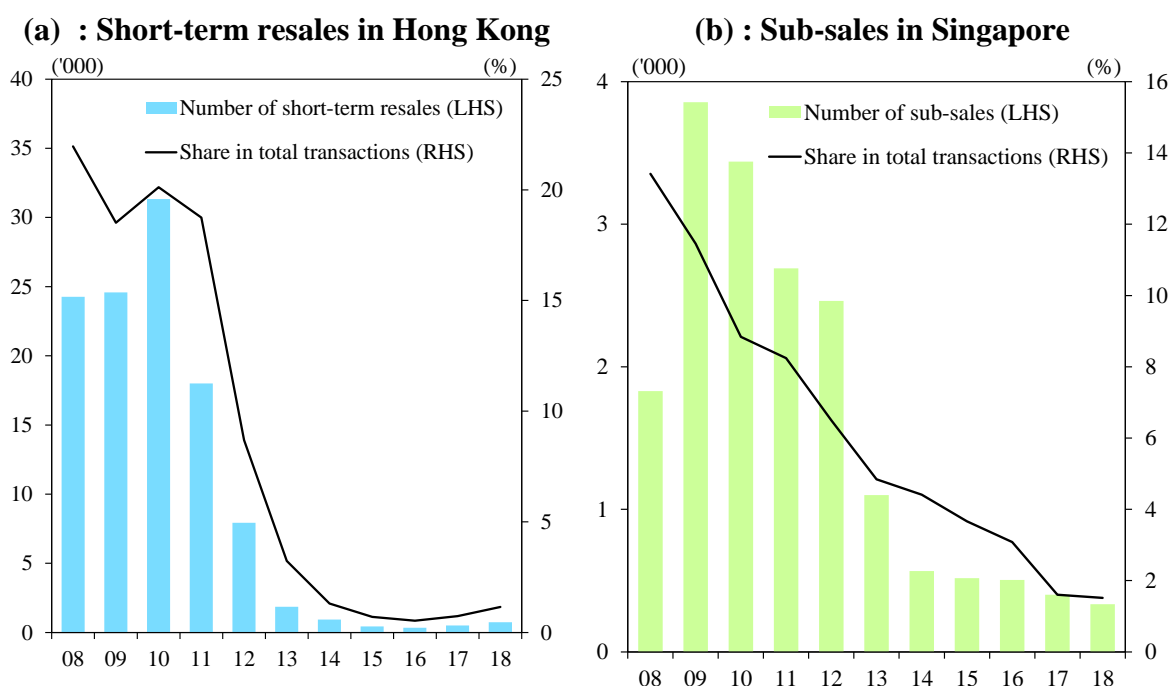
6. Various demand-side management measures were implemented in Hong Kong and Singapore between 2010 and 2018, which aimed at reducing speculative, non-local and investment demand by increasing the transaction costs of these activities (*Table 1*). These measures have yielded their intended results.

Table 1 : Various demand-side management measures implemented in Hong Kong and Singapore

| | Hong Kong | Singapore |
|---------------------------|---|---|
| Speculative demand | Special Stamp Duty (SSD) <ul style="list-style-type: none"> Introduced in November 2010 Enhanced in October 2012 | Seller's Stamp Duty <ul style="list-style-type: none"> Introduced in February 2010 Rates revised up in August 2010 Rates revised up in January 2011 Rates revised down in March 2017 |
| Investment demand | Doubled Ad Valorem Stamp Duty (DSD) <ul style="list-style-type: none"> Introduced in February 2013 New Residential Stamp Duty (NRSD) <ul style="list-style-type: none"> Introduced in November 2016 | Additional Buyer's Stamp Duty (ABSD) <ul style="list-style-type: none"> Introduced in December 2011 Expanded coverage with rates revised up in January 2013 Rates revised up in July 2018 |
| Non-local demand | Buyer's Stamp Duty (BSD) <ul style="list-style-type: none"> Introduced in October 2012 | |

7. In particular, speculative activities fell sharply in Hong Kong and Singapore, mainly due to the introduction of new stamp duties on short-term trading activities. In Hong Kong, short-term resales (comprising confirmor transactions and resales within 24 months after assignment) as a share of total transactions hovered between 0.5% - 1.3% in 2014-2018, significantly below their share of 20% in 2008-2009 before the introduction of the SSD. As for Singapore, sub-sales (i.e. resales of units purchased from a developer or a subsequent purchaser before completion), which are similar to confirmor transactions in Hong Kong, fell from 13% of total transactions in 2008 to around 2% in 2018 (*Chart 4*). The figures for short-term resales after assignment in Singapore, however, are not available.

Chart 4 : Speculative activities fell sharply in Hong Kong and Singapore



Source: Inland Revenue Department, Hong Kong. Source: Urban Redevelopment Authority, Singapore.

8. Investment demand and non-local demand also moderated in Hong Kong and Singapore. In Hong Kong, purchases subject to the NRSD, an indicator of investment activities, comprised around 11% of total transactions in 2017-2018, well below 29% in 2015 before the introduction of the NRSD. In addition, purchases by non-local individuals and non-local companies accounted for around 1% of total transactions in 2017-2018, much lower than 5% in 2010-2011 before the introduction of the BSD. As for Singapore, private residential property purchases subject to the ABSD as a share of total transactions had fallen over time, from around 48% in 2013-2014 to 41% in 2015-2017, after the coverage of the ABSD was expanded along with upward revision of the ABSD rates.

VI. CONCLUDING REMARKS

9. Some stylised facts on trading activities in the private residential property markets of Hong Kong and Singapore in recent years were presented in this article. The key observations are:

- Private residential property transactions in Hong Kong and Singapore dropped notably after the implementation of several rounds of demand-side management and macro-prudential measures by the authorities of the two places.
- The turnover rates in the private residential property markets of Hong Kong and Singapore (i.e. the number of transactions relative to the private housing stock) followed broadly similar trends.
- Notwithstanding the drop in overall transactions in recent years, trading activities in Hong Kong remained concentrated in the secondary market, while those in Singapore stayed quite balanced between the primary market and the secondary market.
- The various demand-side management measures implemented in Hong Kong and Singapore have yielded their intended results. Speculative activities fell sharply in the two markets, while investment demand and non-local demand also moderated.