

## Surging Singapore home prices heighten bubble worries

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SINGAPORE: Singapore private home prices surged 15.9 percent in the third quarter from the previous quarter, the biggest jump this decade, government data showed on Thursday, Oct 1, highlighting fears about a property market bubble, according to Reuters.

Worries about dangerously inflated house prices in Asia being fanned by record low interest rates have led to speculation that countries including South Korea and Australia could move to tighten monetary policy.

Singapore last month acted to cool the property market by releasing more land and making it harder for home buyers to defer payments, but analysts said policymakers were likely to hold off on further steps for fear of derailing a still patchy economic recovery.

Singapore home prices started rising in Q2, analysts say, contrary to a 4.7 percent decline for that quarter shown in the Urban Redevelopment Authority's index, which is not seasonally adjusted. Huge crowds have been snapping up units at new residential launches in Singapore, with reports of buyers queuing for hours and leaving blank cheques with agents to secure properties.

"The numbers are backing up the anecdotal evidence we've seen -- if anything they are understating it," said Vishnu Varathan, an economist at 4CAST in Singapore.

"Policymakers will be acutely aware of the risks of tightening too fast...At this point I think they will wait and see."

Varathan and most economists expect the Monetary Authority of Singapore to keep policy neutral when it releases its half-year policy statement later this month. Singapore forecasts its economy will contract 4-6 percent in 2009 and sees a subdued recovery likely continuing in 2010.

Prices of government-built apartments, which house about 85 percent of Singaporeans, rose 3.2 percent in the third quarter from April-June, faster than the 1.4 percent gain in the second quarter, raising the floor for private home prices.

Some analysts think rising house prices in Singapore, Hong Kong and China are yet to peak, given a preference for property among investors and a faster-than-expected economic recovery.

But such strong price rises are unlikely to be sustained in the fourth quarter, when developers were seen releasing more projects and the government would open up more land for development, property analysts said.

Mohamed Ismail, CEO of PropNex, a firm of housing agents, said private home prices will likely moderate and show growth of 2-3 percent a quarter over the next 12 months as developers are wary of provoking further anti-speculation measures.

The preliminary Q3 data had little impact on property stocks, since it often lags actual price movements.

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Shares in Singapore's top property firm CapitaLand were little changed after the data, down 0.9 percent at S\$3.69 by 0647 GMT. But the stock has more than doubled since early March, outperforming the Singapore index's 74 percent gain. - Reuters