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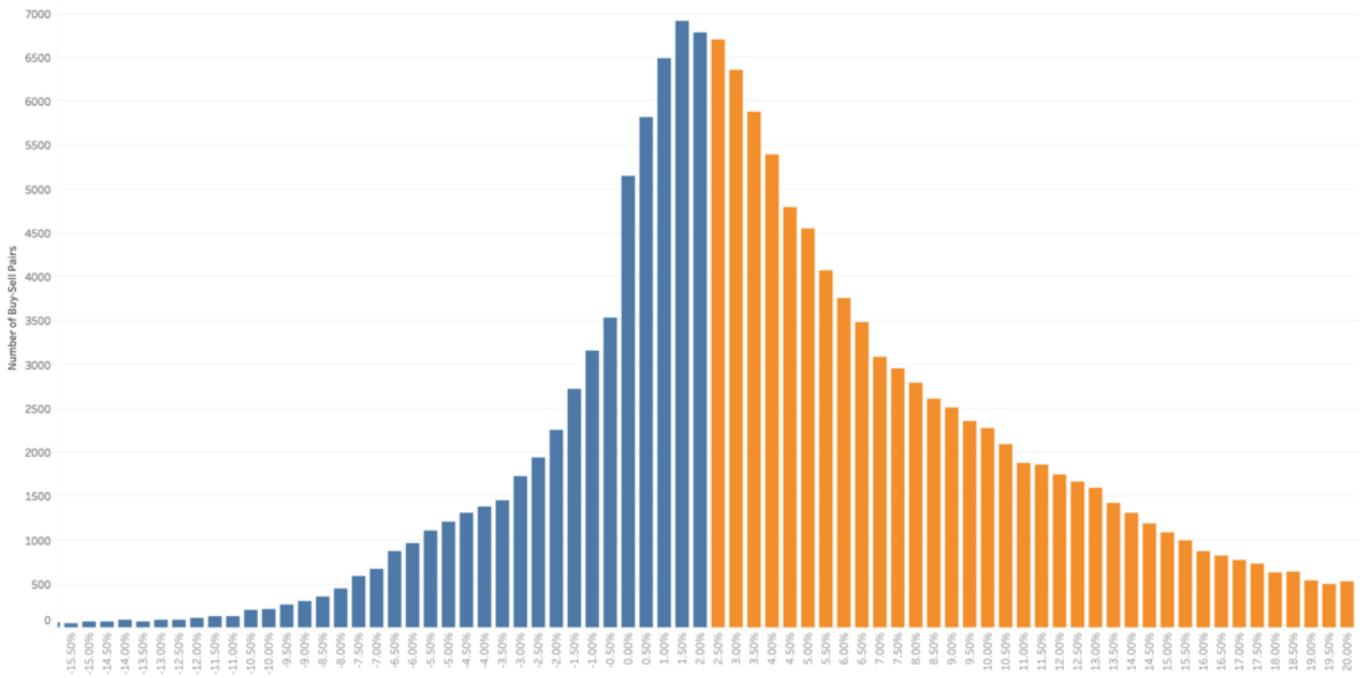
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UrbanZoom Publish Study Of Investment Returns From Every Condo Transaction In Singapore Over Past 2 Decades

Annualized returns found to beat CPF rate half the time across 20 years span while median holding periods rose to longest on record at 8.2 years.

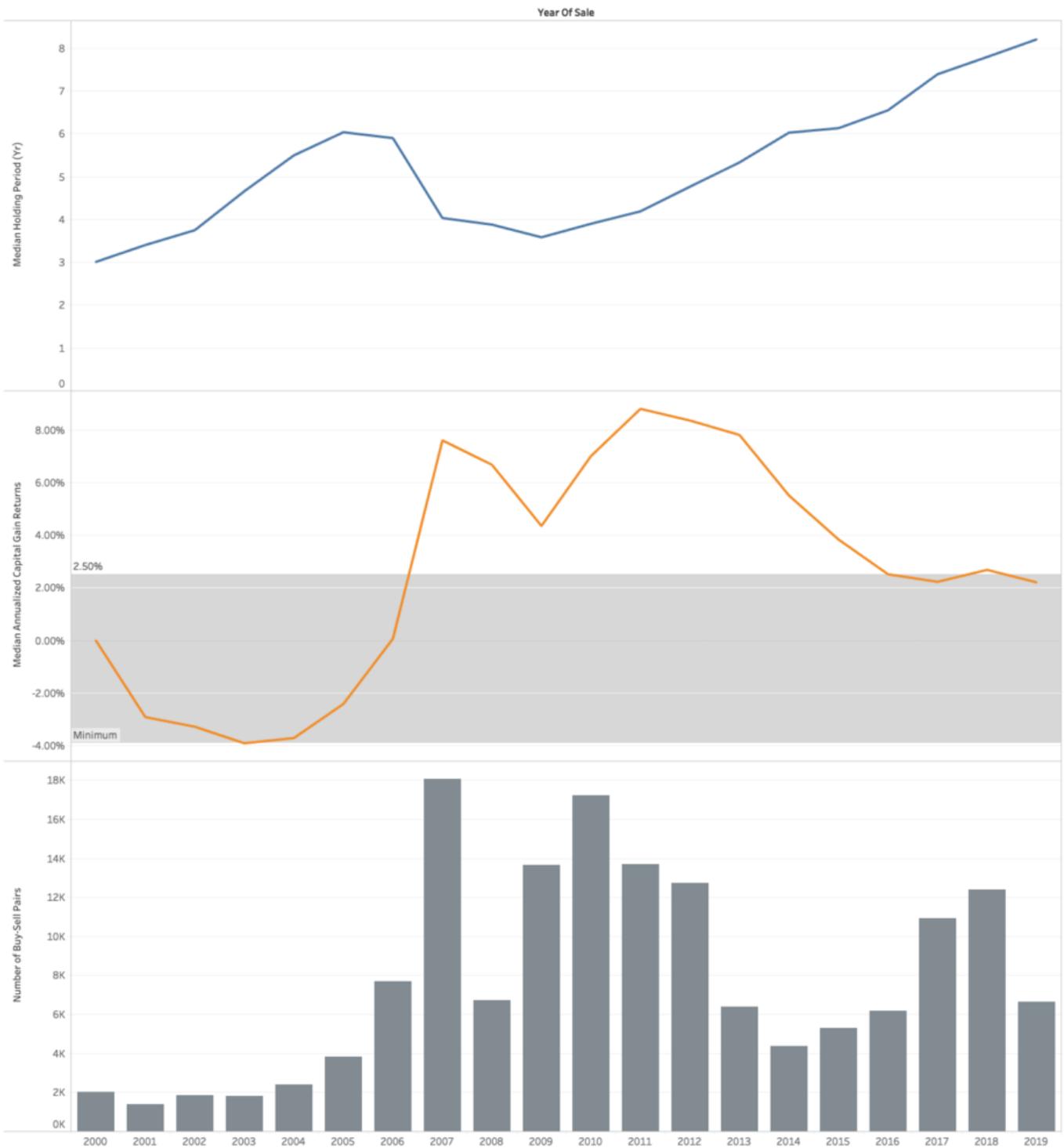
UrbanZoom, an AI-focused property analytics startup based in Singapore, has published a study on investment returns for condo property in Singapore. Based on more than 470k transactions filed as caveats since 1995, UrbanZoom found more than 160k pairs of buy-sell sequences across 110k individual condo units.

"Since we know the original purchase price, the subsequent sale price and the transaction timings, we can calculate the annualized returns for any given buy-sell transaction pairs. Coupled with our AI and data know-how, we believe this study represents one of the most complete analysis of both realized and unrealized returns from private property transactions in Singapore." explains Michael Cho, founder of UrbanZoom.



Caption: Distribution of annualized returns (based on capital gains alone) across 2 decades of buy-sell transaction pairs below and above 2.5% p.a. (ie. CPF OA Interest Rate)

Realized Returns Trending Downwards & Longest Holding Period On Record



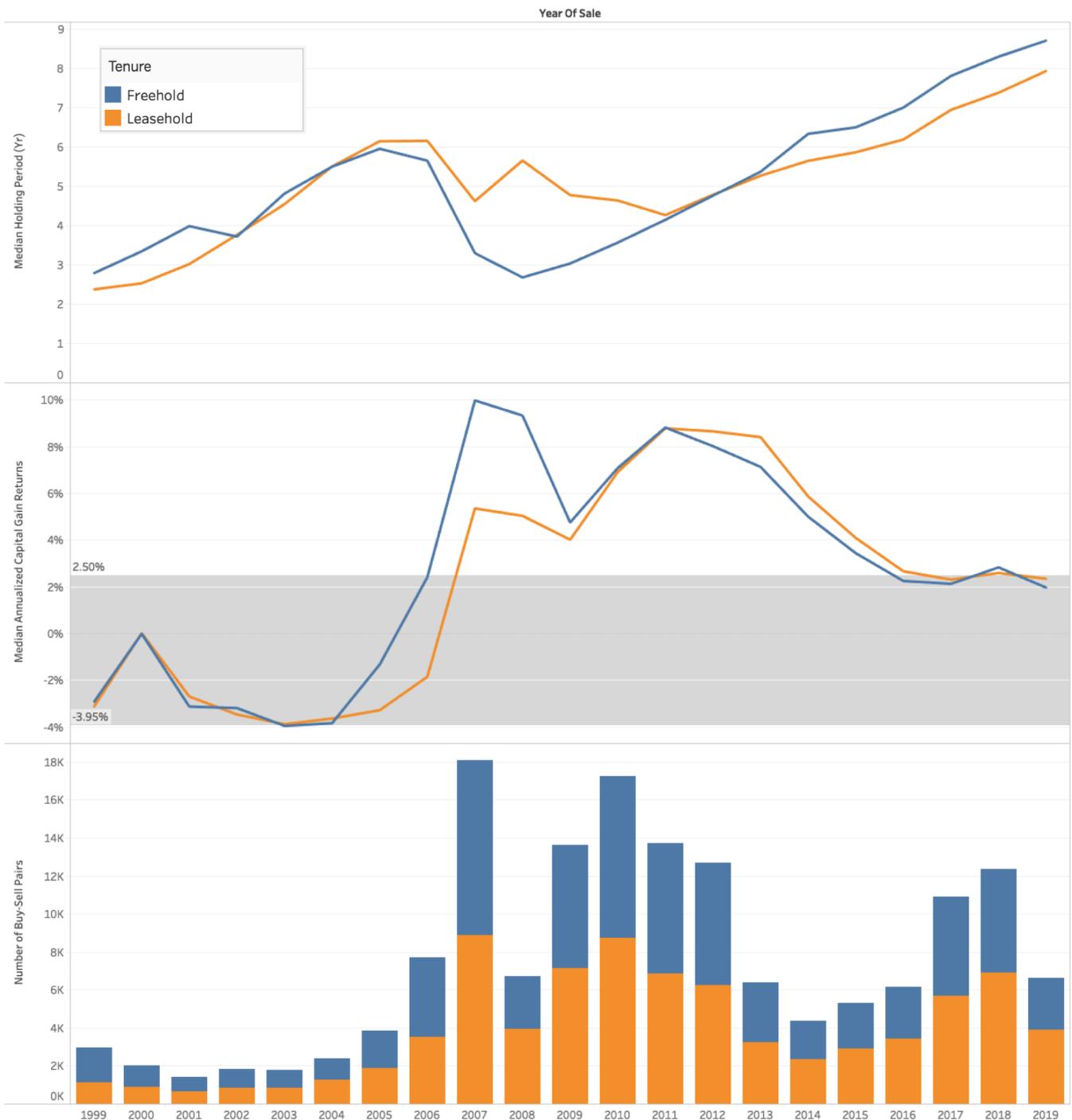
Caption: Rising holding period and mediocre returns in recent years

The study found that the median holding period has been on the rise, registering its longest on record at 8.2 years in 2019 from a low of 3.6 years in 2009.

Median annualized returns have also drifted downwards in recent years, with only the 9-year period between 2007 and 2015 as well as 2018 managing to beat the minimum interest rate from CPF Ordinary Account (2.5% p.a.). Overall, 63% of home sellers achieve returns above 2.5% over the past 2 decades while 83% of them at least break-even on their original purchase.

For simplicity, this study does not factor in transaction-related costs such as taxes, legal fees, agents commissions, etc. Therefore, the returns calculation represents a best-case scenario.

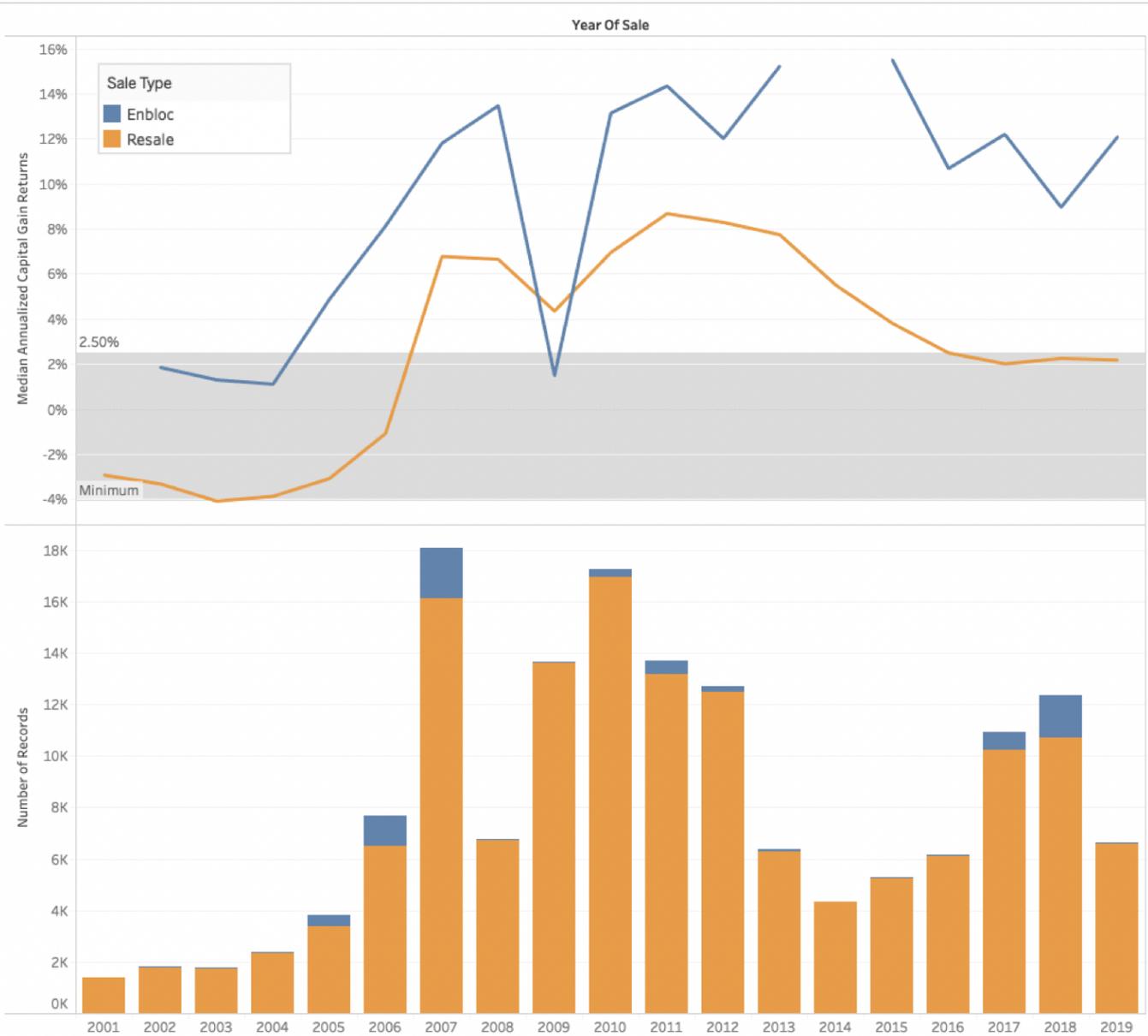
Freehold & Leasehold Properties Provide Similar Returns



Caption: Leasehold and freehold condo returns broadly in synch except 2005-2008 period

"We found that returns between freehold and leasehold condos are largely in synch throughout the 2-decades, except for a brief period during 2005-2008 where freehold outperforms leasehold, possibly magnified by a lower holding period of ~3 years versus leasehold's ~5 years." adds Michael Cho.

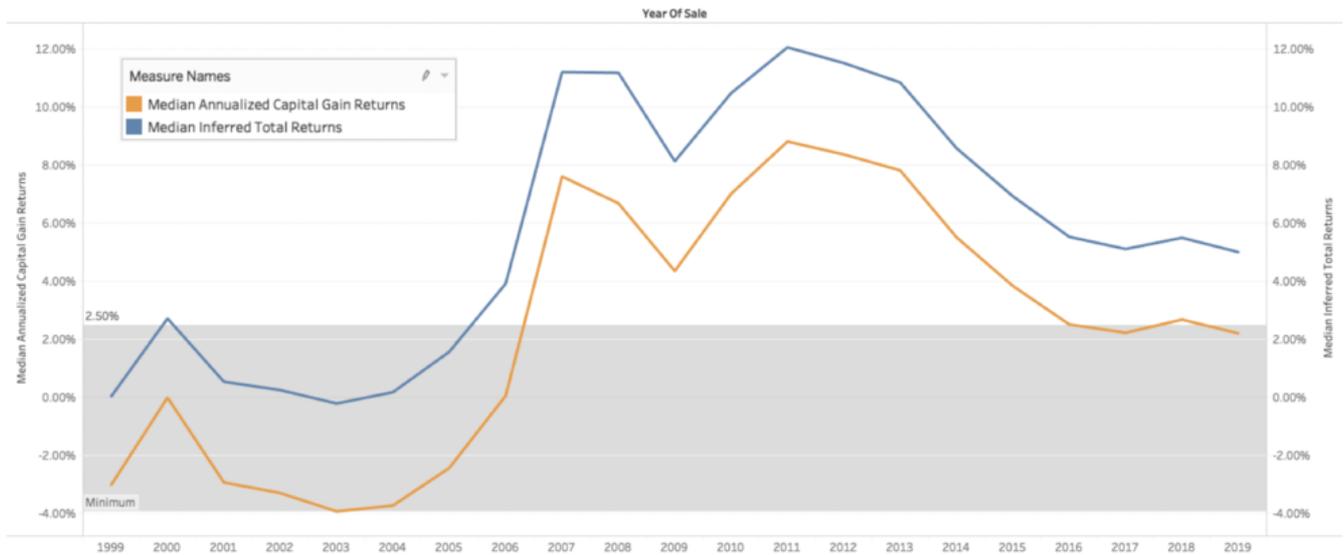
Enbloc Sellers Achieve Significant Returns



Caption: Enbloc returns significantly outperforms returns from typical resale transactions

"For the lucky few whose projects are successfully enbloc, we noticed significant outperformance in returns, registering 5%-10% p.a. improvement compared to typical resale transactions. However, enbloc transactions still represent just a fraction of the overall market with some years with little or no enbloc activities at all." comments Michael Cho.

Rental Yield Uplift On Total Returns



Caption: Total returns sees ~3% uplift in most years after factoring in rental contributions

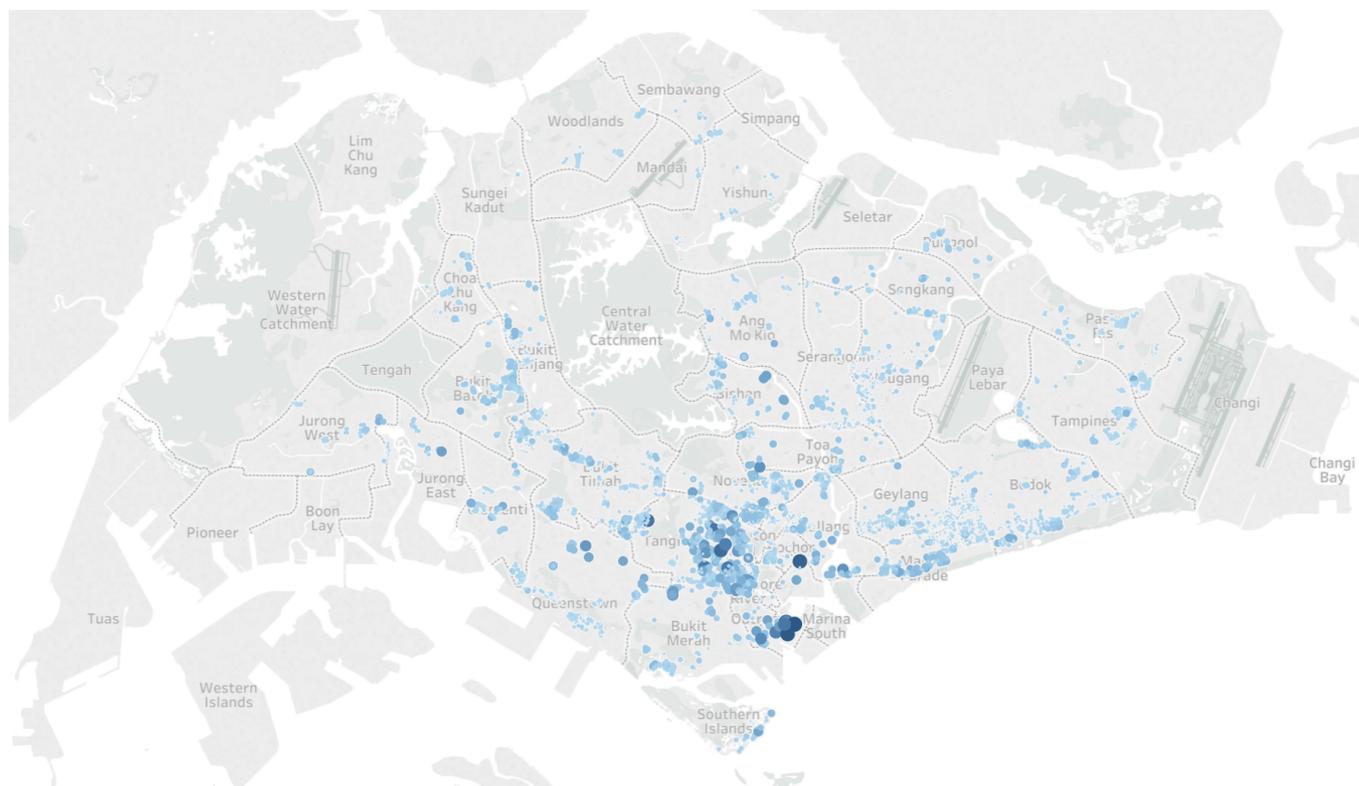
By utilizing its AI prediction technologies, UrbanZoom is able to infer rental contributions (with median error rates of ~5%) for every condo unit, thereby creating a measure of annualized total returns by combining both capital gain returns and rental yield.

"For property investors who are able to rent out their condo units, they should see a roughly 3% uplift in their total returns, assuming they are able to lease out the property without any vacancy breaks during their holding period. This means that for such investors, their total returns would comfortably beat CPF rates in most years other than the 1999-2005 period." adds Michael Cho.

Majority Of Condo Owners Sitting On Capital Gains

"It'd be fair to assume that there's an inherent upward selection bias in realized returns analysis since most home sellers will be reluctant to sell at a loss. As such, we thought it'd be interesting to investigate the unrealized returns all home owners stand to gain if they sell at current valuations." elaborates Michael Cho.

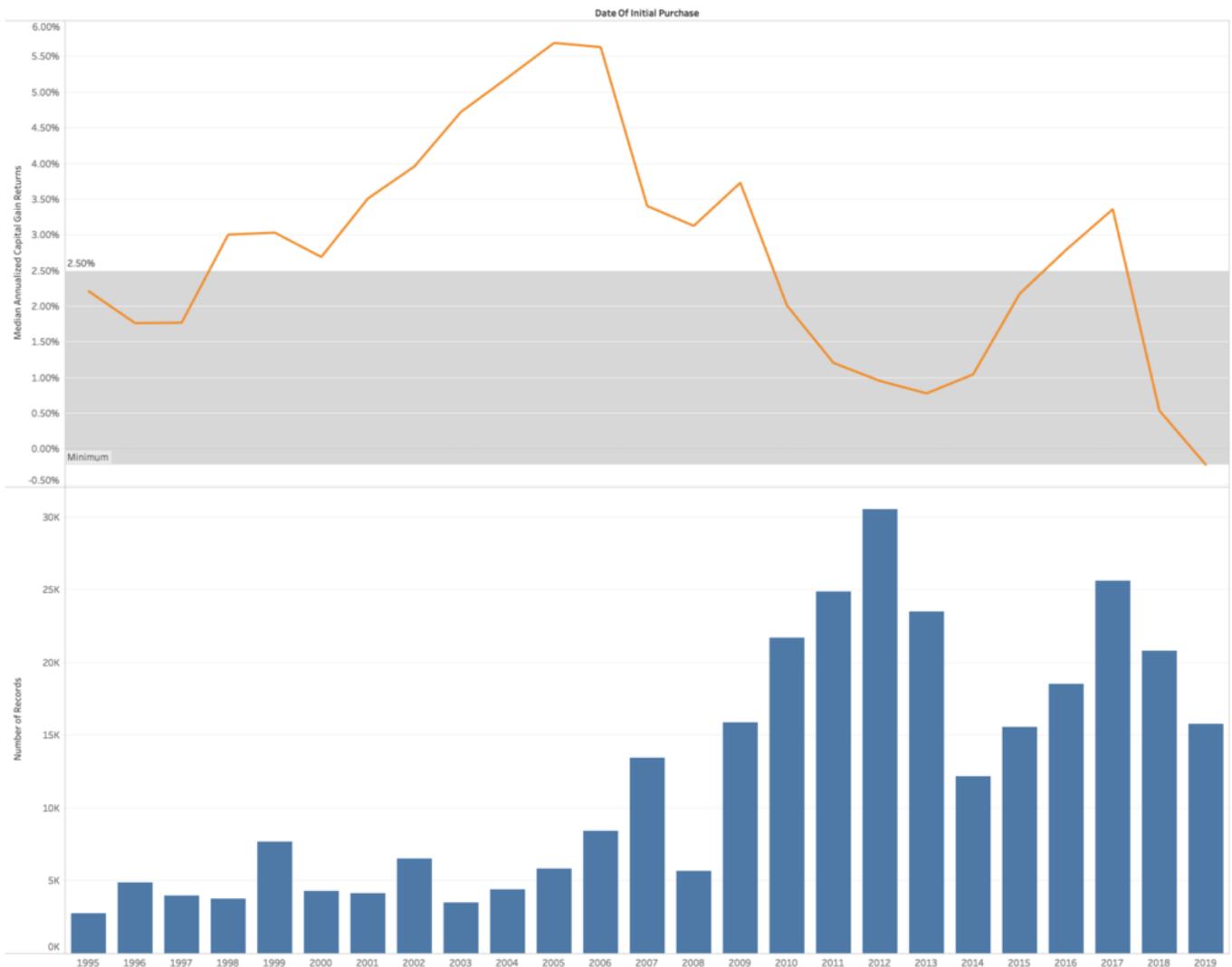
By leveraging on UrbanZoom's auto-valuation tool, ZoomValue (currently used by various banks and startups with a median error of less than 3%), UrbanZoom is able to generate current valuations across over 300k individual condo units with known prior transaction records. As such, unrealized gains/losses can be computed assuming the condo owners sell today at current valuations.



Caption: Distribution of ZoomValues across more than 300k condo units

"We found that while 82% of the condo owners are sitting on capital gains, only 44% of them will be expected to generate an annualized return greater than 2.5% p.a. or the CPF rate, with most of them having purchased their units before 2008." explains Michael Cho.

In terms of specific condo projects, Treasure Crest, Wandervale, Inz Residence are among some of the sizable projects whose home owners are sitting on annualized capital gains of roughly 10%.



Caption: Expected annualized returns (vs year of original home purchase) if sold at current valuation

Full Report For Investment Professionals

A full version of this study will be made available subsequently for enterprise customers such as institutional investors, bank analysts and other real estate professionals.

"We hope our study demonstrates how a bottom-up, big-data approach can provide concrete data points and complement the traditional analysis paradigm which often lean more on macro factors." explains Michael Cho.

"Finally, while some may be disappointed by the returns numbers, it's important to remember that we've presented mostly "median" numbers here. If you were to look at say the top 10th percentile, these sellers still make a handsome return, even in difficult years. Clearly, smart timing, when guided by well-informed advice from top professionals, could still make the difference in beating the market." concludes Michael Cho.

ABOUT URBANZOOM

UrbanZoom is an AI-enabled research tool for home buyers, sellers, landlords and tenants in Singapore.

We are a team of data scientists and real estate professionals who are passionate about bringing full information transparency and actionable insights to the housing market.

We believe in empowering the man on the street so that he can be free of misinformation and fear when he's about to commit to one of the biggest financial decisions of his lifetime.

For more on our team's philosophy, take a look at our blog post [here](#).

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