
IS THE PROPERTY MARKET ENTERING INTO BEAR MARKET TERRITORY?
←95-104
WALL ST
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IS A BEAR MARKET ALSO ON THE CARDS FOR THE PROPERTY MARKET?

CNBC

The S&P 500 is now in an official bear market, according to S&P Dow Jones Indices

Since the modern S&P 500 index began in the late 1920s, the average bear market has translated into a 38% price decline lasting an average...

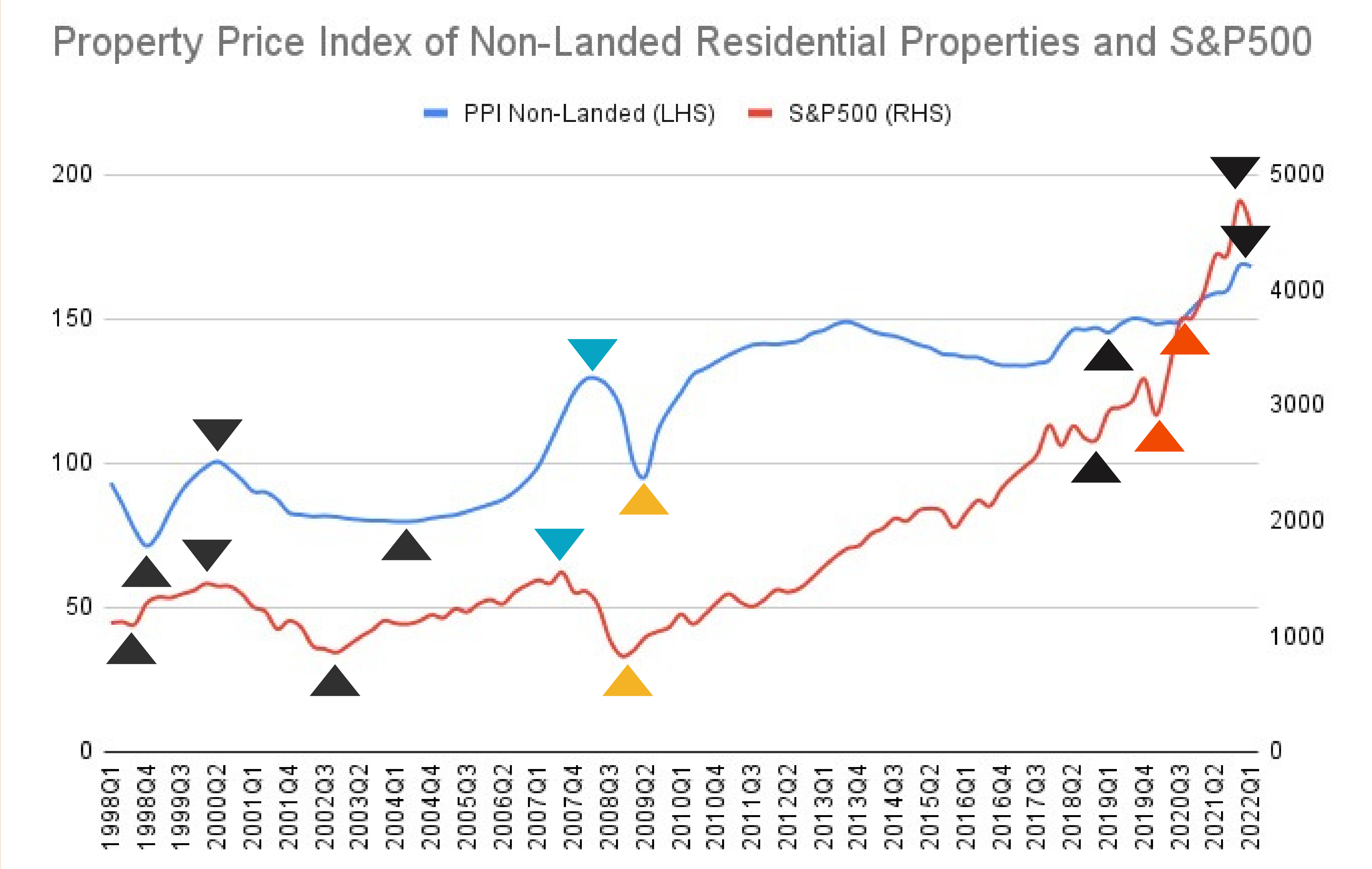
1 week ago

The S&P 500 index officially entered into bear market territory (>20% drop from the peak) on the 13th of June 2022.

As the most highly regarded barometer of how the largest 500 US corporations are performing, it has a high correlation to global market performances and our property market.

With such an event happening across the globe, is a property market correction on the cards any time soon?

Let's take a deeper look into historical trends.



As we can observe from past peak and bottoms in the S&P500 and the Non-Landed PPI, there is usually a time lapse of 1-2 quarters when a peak or bottom in the S&P500 corresponds to a similar event in our non-landed market. (Compare time lag between two of the same coloured arrows)

The recent stock market correction started from 4 Jan and in the recent quarter, we have seen our non-landed price index showing signs of easing.

Our overall non-landed market has experienced a 0.3% correction thus far vs a 22% correction in the stock market.

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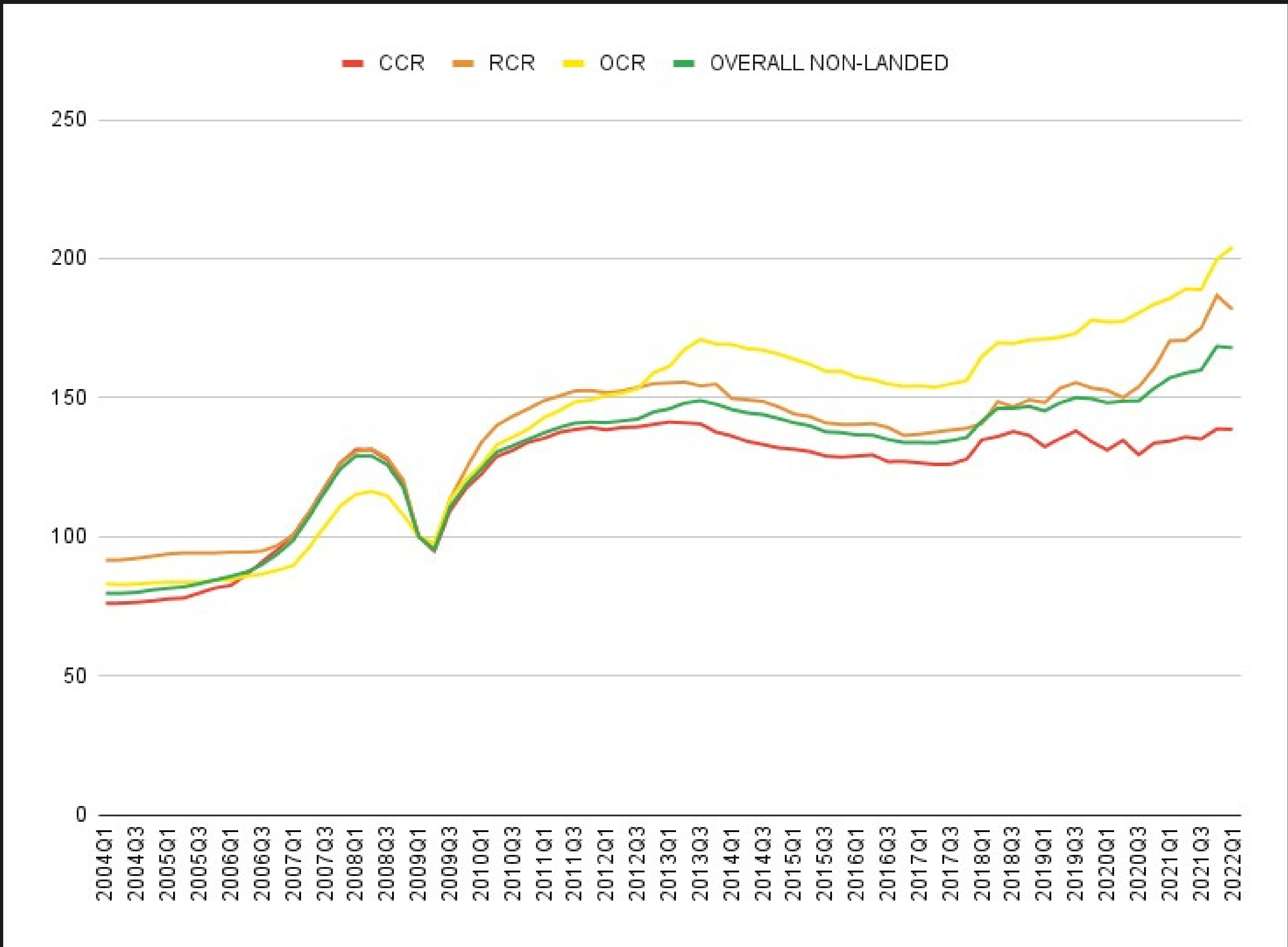
SEGMENT PERFORMANCE



However, the private market hasn't corrected uniformly.

The last quarter's largest correction came from the RCR region while the OCR region continued seeing price growth, while the CCR market was flattish.

This is in part due to the OCR market driven by genuine local upgraders demand amidst record high HDB prices.

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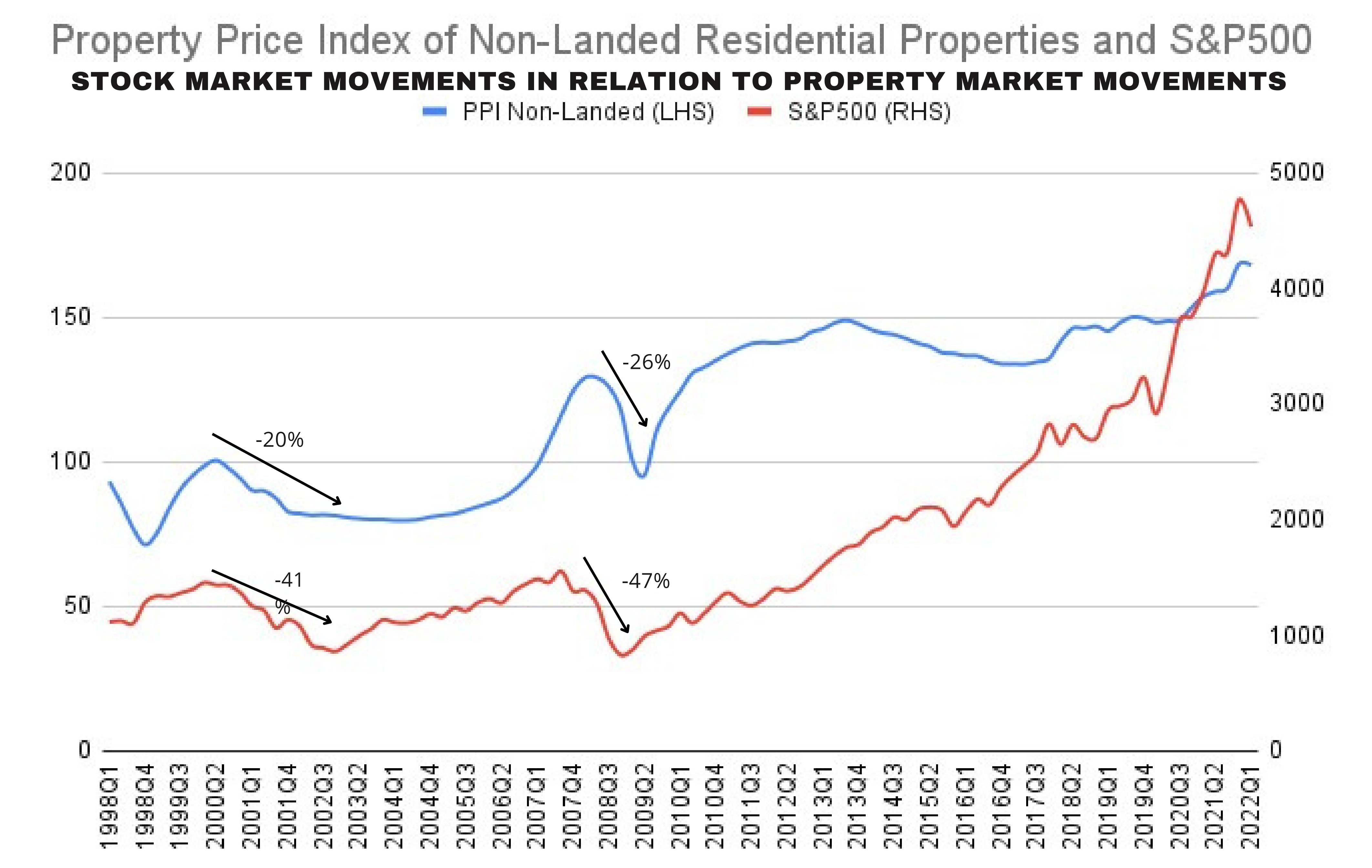

In the recent 2 market downturns which were triggered by the dot com bubble bust and subprime crisis, we witnessed how corrections in the financial markets were approximately 2x more than corrections in the property market.

Historically, every 2% decline in the stock market resulted in approx 1% decline in our property market. A ratio of almost 2:1.

*We have excluded the severe cooling measures of 2013 as it was an internally triggered policy side event not correlated to the global economy.

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THE BIG QUESTIONS TO ASK RIGHT NOW

The important questions investors are asking today are:

1.How much more and how soon will the US Fed raise interest rates in order to contain inflation?

2.If interest rate hikes alone cannot cool inflation, will the Fed continue raising them and risk facing an increasing level of unemployment, a double whammy situation?

There are no clear answers to these yet and it remains to be seen whether the stock market is reaching its bottom or has alot more room to correct and its subsequent effect on our property market.

At present, there are several factors creating clear upside pressures on property prices which are likely to prop up the market even if conditions worsen in the stock market.

1.System wide financial robustness due to the Total Debt Servicing Ratio
2.Lower Loan To Valuation limits
3.Record low inventory levels
4.Appetite of developers to replenish land banks
5.Appetite of investors seeking safe haven assets with lower volatility
6.Inflationary pressures on labour and raw materials
7.High rental yields

Hence, it is our view that even if a larger correction happens, we are likely to see a much shallower correction compared to the past.

To conclude, we continue to hold a neutral to bullish view on the property market as of 23rd June 2022.

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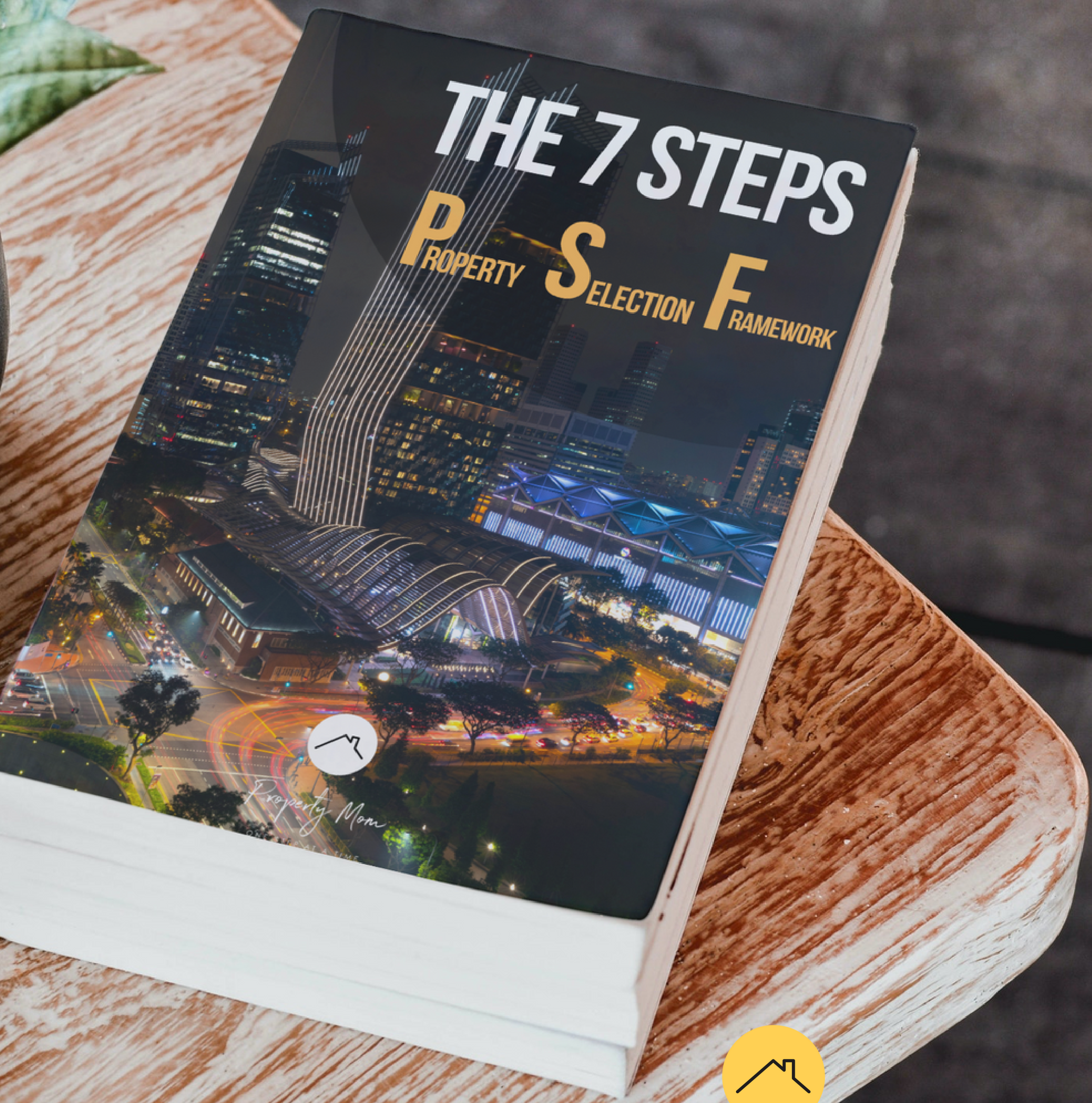

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