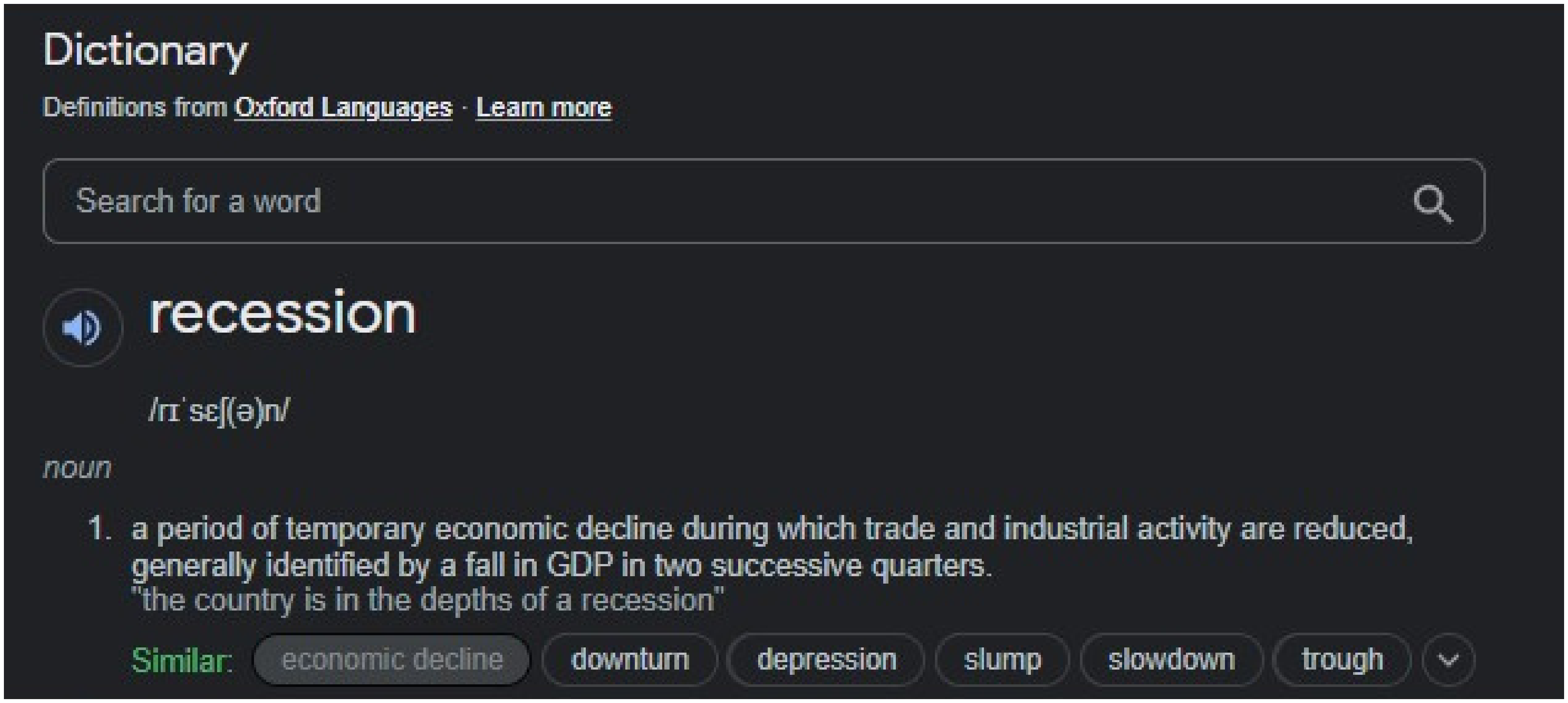

IS A RECESSION
LIKELY TO CAUSE
A PROPERTY
MARKET
CORRECTION?

The R Word

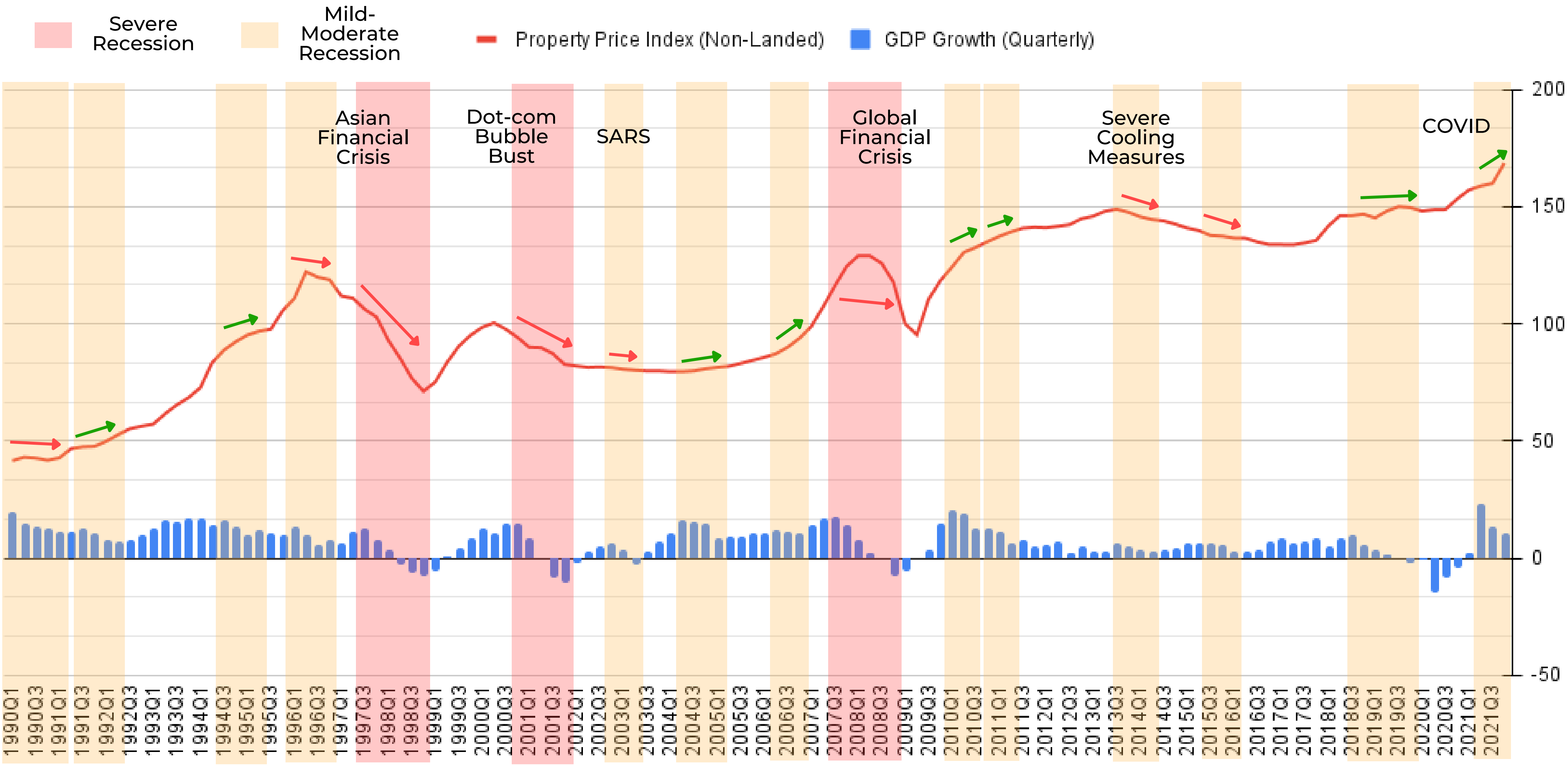
The alarm bells of a possible recession are ringing across the world as inflation, global conflict and supply chain issues, and rising interest rates bring about new fears for the global economy.

What is defined as a recession?

According to Oxford Languages, the world's leading dictionary publisher, it is a period of economic decline usually identified by **a fall in GDP in 2 successive quarters.**



Does a recession naturally equate to a property market correction?



Since 1990, where 2 or more successive quarterly declines in GDP occurred, there has been 8 out of 16 (50%) instances where the property market declined.

However, out of these 8 instances where market declined, the 3 most severe ones were due to major financial crises (Highlighted in red).

In the past few months, despite world leaders sounding the alarm bells for a possible recession, the general tone has stopped short of forecasting a major recession or a financial crisis.

If we look at the 5 instances of market declines due to a mild-moderate recession versus the 8 instances where market increased while GDP declined, a higher probability exists that we will continue to witness market growth even if a recession occurs.

Summary

Despite the events in the market in 1H2022, we re-iterate our research that all market correcting events bear the characteristics of bringing **sudden shocks** to the market.

In our view, current events such as recessionary fears, rising interest rates and monetary tightening policies, peaking levels of inflation and the Ukraine-Russia conflict are unfolding slowly, giving the market ample time to absorb shock waves and enable the powers that be to take pre-emptive measures.

In the event a recession occurs, we have no reasons yet to expect a major one that can cause property prices to correct sharply.

As such, we continue to hold a neutral to bullish outlook on the market at this date of writing due to the stronger holding power among Singapore property owners, higher barriers to entry keeping out weaker hands, a strong Sing Dollar, a healthy labour market, increasing labour and raw materials costs, low upcoming supply and still high property rental yields.

Dated: 8th June 2022