Private Residential Market

Real Estate Data Trend & Analytics

Artist's Impression of Rivière

Q1 2022

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Future price growth may be influenced by cost-pushed factors

After running full steam last year, the property market frenzy fizzled out last quarter as prices of private homes grew at a slower pace and sales volume dipped.

A confluence of factors may have softened prices, including new property curbs introduced in December and slower sales during the Chinese New Year lull. The market slowdown was followed by a new wave of inflationary pressures and supply chain disruptions caused by the Russia-Ukraine conflict. The impact of the war reverberated across the world, triggering turmoil in global financial markets and sparking trade fiction.

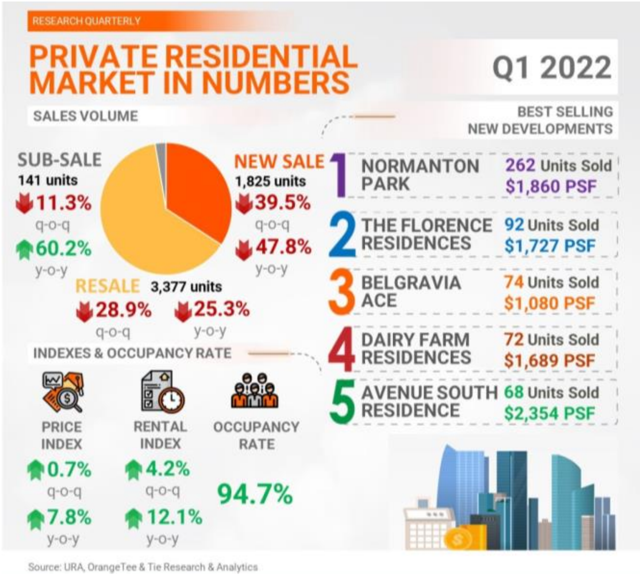
Prices

According to data from the Urban Redevelopment Authority (URA), the overall price index for private residential properties climbed at a much slower rate last quarter. The pace of price increase slowed down dramatically to 0.7 per cent quarter on quarter in Q1 2022 after cooling measures were imposed and macroeconomic uncertainties impacted market sentiment (Chart 1). Last quarter's price growth was the slowest price increment since Q2 2020 when prices rose by 0.3 per cent.

Non-landed prices dipped by 0.3 per cent last quarter, falling for the first time since Q1 2020. By market segment, prices dipped the most in the city fringe, or Rest of Central Region (RCR), by 2.7 per cent, followed by non-landed homes in the prime districts, or Core Central Region (CCR) which slipped by 0.1 per cent (Chart 2).

The suburbs, or Outside of Central Region (OCR) posted gains of 2.2 per cent. Prices of condos continued to rise despite the cooling measures as demand continues to outstrip supply. New home supply is lacking in the suburban areas as there are very few mega launches in OCR this year and the total unsold stock of launched projects continue to decline steadily every month. Mass market home buyers or HDB upgraders are not as adversely affected by the cooling measures as most do not own multiple properties.

Chart 1 Market summary



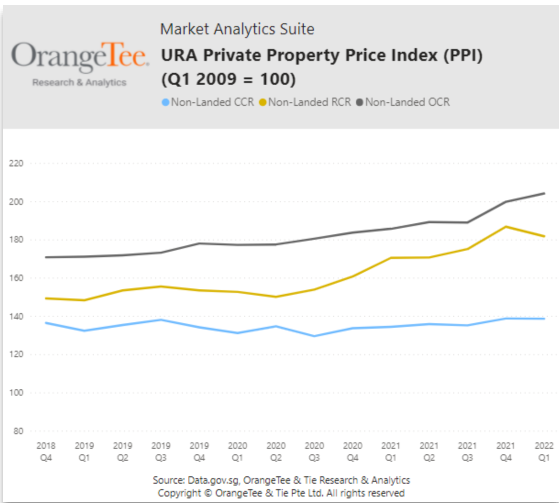
Source: URA, OrangeTee & Tie Research & Analytics

Table 1 Average price of non-landed homes

Market Segment	Type of Sale	Q4 2021	Q1 2022	Q-o-Q % change
Overall	**All**	**$1,780**	**$1,717**	**-3.5%**
CCR	New Sale	$2,833	$2,810	**-0.8%**
	Resale	$2,033	$2,061	**1.4%**
	Sub Sale	$2,698	$3,069	**13.7%**
	Overall	**$2,375**	**$2,412**	**1.5%**
RCR	New Sale	$2,420	$2,126	**-12.2%**
	Resale	$1,512	$1,544	**2.1%**
	Sub Sale	$1,878	$1,899	**1.1%**
	Overall	**$2,009**	**$1,853**	**-7.8%**
OCR	New Sale	$1,640	$1,715	**4.6%**
	Resale	$1,184	$1,215	**2.6%**
	Sub Sale	$1,603	$1,558	**-2.8%**
	Overall	**$1,334**	**$1,349**	**1.2%**

Source: URA, OrangeTee & Tie Research & Analytics

Chart 2 Prices continued to rise in OCR



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Confluence of factors

A cumulation of events may have led to the market slowdown starting from new property curbs introduced in December 2021 to cool the property market and tamper housing demand. The new property cooling measures include raising the additional buyers' stamp duty (ABSD) rates and tightening the total debt servicing ratio (TDSR).

The price decrease could be attributed to the cooling measures which seem to have a greater impact on investors and foreign buyers. For instance, Singaporeans buying a third property and PRs purchasing a second property will experience a 10-percentage point increase in ABSD, a steeper rise than the 5-percentage point adjustment during the last round of cooling measures in 2018.

Second, market activities slowed down during the Chinese New Year lull when developers held back launches. The resale market clocked lower sales since fewer house visits were allowed. Sellers had to observe strict safe management measures that were put in place to slow the flare-ups of the Omicron virus.

Third, geopolitical uncertainties and sanctions from the Russia-Ukraine war resulted in massive supply chain disruptions. Global inflation rates surged as the cost of food, energy and metals raced higher

To alleviate inflationary pressures, the Federal Reserve made its first-interest rate increase in more than three years. Interest rates were raised from near zero to a range of between 0.25 per cent and 0.5 per cent, representing a hike of 25 basis point. The US Fed plans 6 more hikes this year.

Singapore's domestic interest rates are influenced by global market movements, especially by the US. Mortgage rates here could be raised 3 times this year by 25 basis points each time, according to a poll conducted among mortgage advisers.

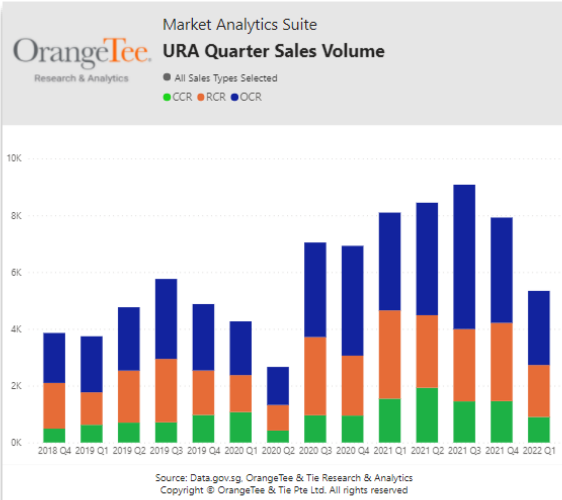
In light of the global uncertainties and policy changes, some investors took a temporary backseat to assess the likely outcome of these challenges and reviewed their investment strategies.

Many investors were grappling with two overarching challenges – higher ABSD rates imposed on buyers holding multiple properties and rising interest rates that may erode their rental income.

Some prospective buyers seized the opportunity to negotiate and get better-selling price. Deals took longer to close and price increment slowed in some areas.

Sales Volume

Chart 3 Sales volume dipped last quarter



Sales volume fell by double digits last quarter. According to URA data, 5,343 private homes excluding EC were sold in Q1 2021, a 32.6 per cent drop from the 7,925 units transacted in Q4 2021 (Chart 3). This is the first-time sales transaction fell below 6,000 units since Q2 2020 when 2,664 transactions were inked during the circuit breaker period.

The sales decline was observed across all sales types. New home sales excluding EC fell by 39.5 per cent from 3,018 units in Q4 2021 to 1,825 units in Q1 2022, resales dipped from 4,748 units to 3,377 units over the same period, while subsale declined 11.3 per cent. Last quarter's new sales number was at its lowest level since Q2 2020 (1,713 units).

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LUXURY SEGMENT

After reaching record highs last year, luxury home sales decreased last quarter. According to URA Realis data, 855 private homes in CCR were sold last quarter, decreasing 40.8 per cent from 1,444 units sold Q4 2021 (Chart 4). New home sales dipped by 36.8 per cent to 361 units in Q1 2022 from 571 units in Q4 2021, while resale volume dropped more significantly by 43.7 per cent to 489 units from 868 units over the same period.

Prices for new luxury condos dropped marginally, while resale condos fared better as prices rose slightly. The average price of new condos decreased 0.8 percent from S$2,833 psf in Q4 2021 to S$2,810 psf in Q1 2022. Over the same period, the average price for resale condos grew 1.4 per cent from S$2,033 psf to S$2,061 psf (Chart 5).

Last quarter, the best-selling new condos in CCR were Leedon Green (46 units), The Avenir (37 units), Kopar at Newton (37 units), Fourth Avenue Residences (33 units) and Royalgreen (19 units) (Charts 6 and 7).

The most popular resale condos were Marina One Residences (16 units), D'Leedon (11 units), The Sail @ Marina Bay (9 units), and Soleil @ Sinaran (9 units).

Chart 4 Private home sales in CCR declined last quarter

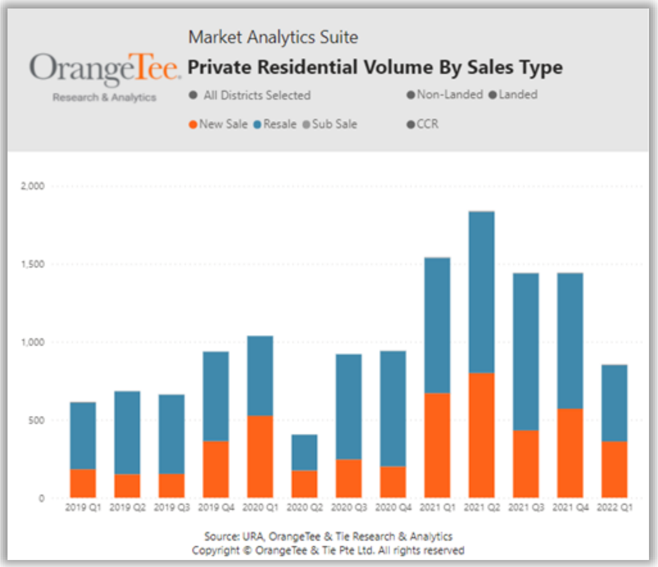

Chart 5 Prices of resale condos rose last quarter

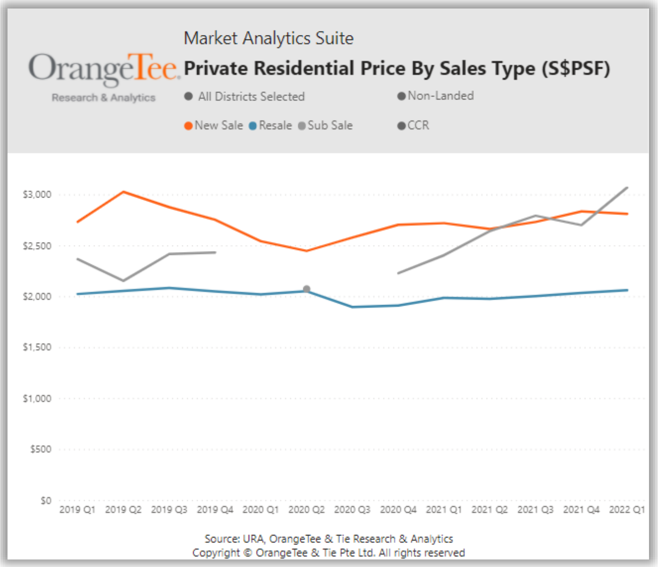

Chart 6 Best-selling new projects in CCR

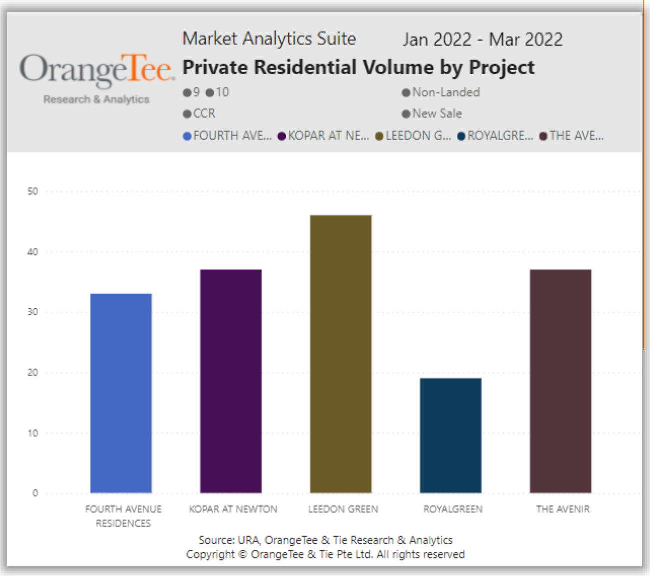

Chart 7 Best-selling new projects in CCR (S$psf)

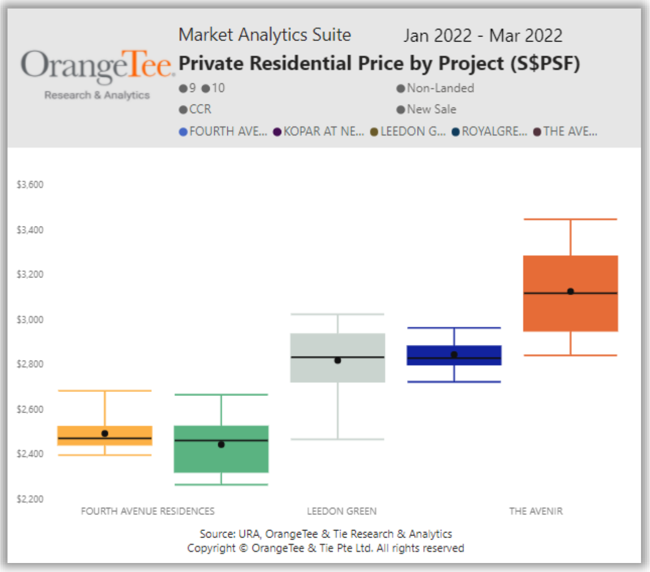

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Chart 8 Private home sales in RCR dipped last quarter

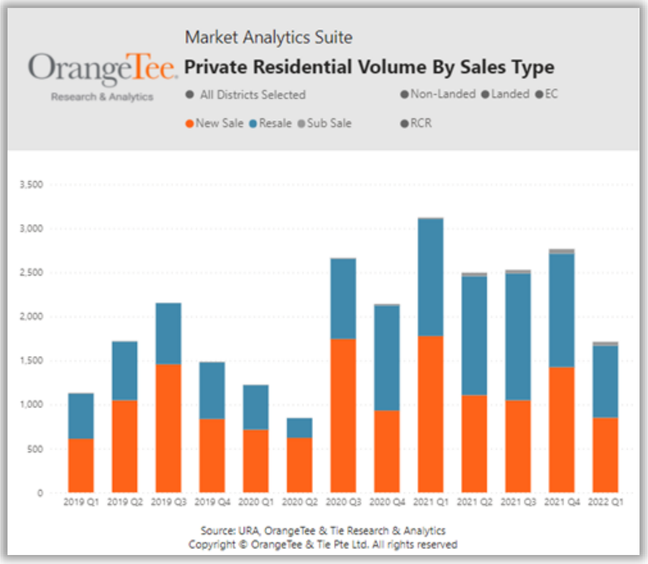
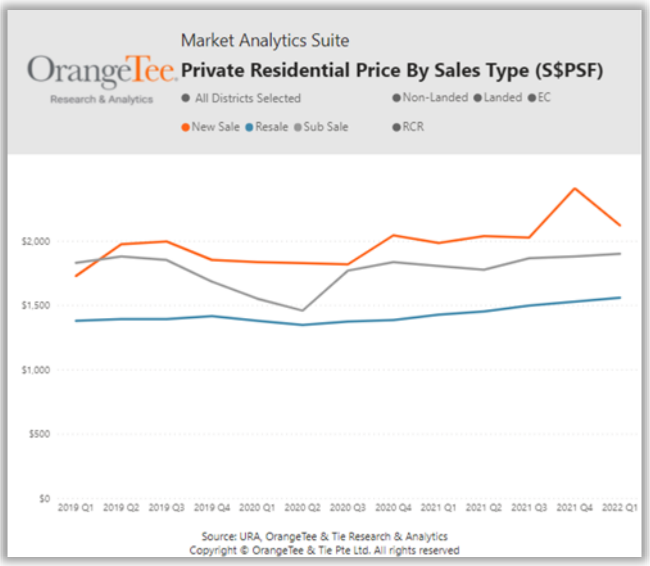


Chart 9 Prices of resale RCR condos remain resilient



MID-TIER SEGMENT

Based on URA Realis data, private home sales in RCR excluding ECs dropped by 38.2 per cent from 2,765 units in Q4 2021 to 1,710 units in Q1 2022 (Chart 8). New sale transactions dipped 40.3 per cent from 1,424 units in Q4 2021 to 850 units in Q1 2022. Over the same period, resale volume similarly dipped by 36.7 per cent from 1,289 units to 816 units.

The average price for new non-landed homes (excluding ECs) in the mid-tier segment registered a decline of 12.1 per cent from S$2,420 psf in Q4 2021 to S$2,126 psf in Q1 2022 (Chart 9). However, the average price psf in Q4 2021 could have been an outlier, uplifted with the launch of CanningHill Piers which sold 573 units for an average of S$2,936 psf that quarter. On the other hand, the prices of resale condos (excluding ECs) increased marginally by 2.1 per cent from S$1,512 psf in Q4 2021 to S$1,544 psf in Q1 2022.

Last quarter, the best-selling new projects were Normanton Park (261 units at an average price of S$1,862 psf), Avenue South Residence (68 units, S$2,354 psf), One Pearl Bank (55 units, S$2512 psf), The Woodleigh Residences (53 units, S$2,167 psf), and Verdale (52 units, S$1,833 psf) (Charts 10 and 11).

Chart 10 Best-selling new projects in RCR

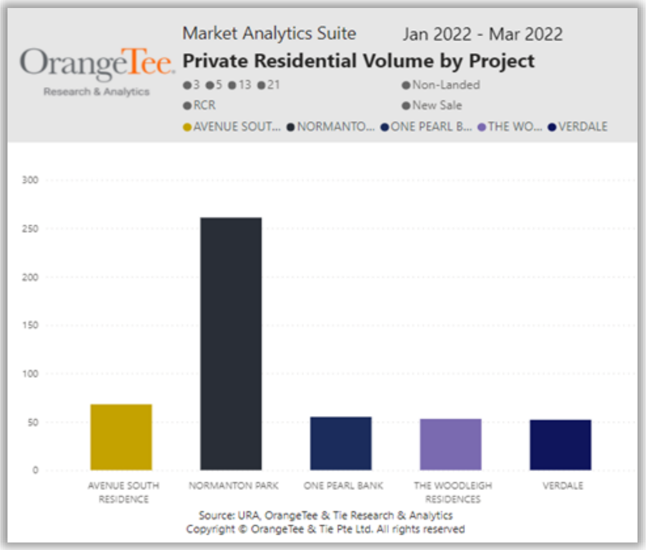
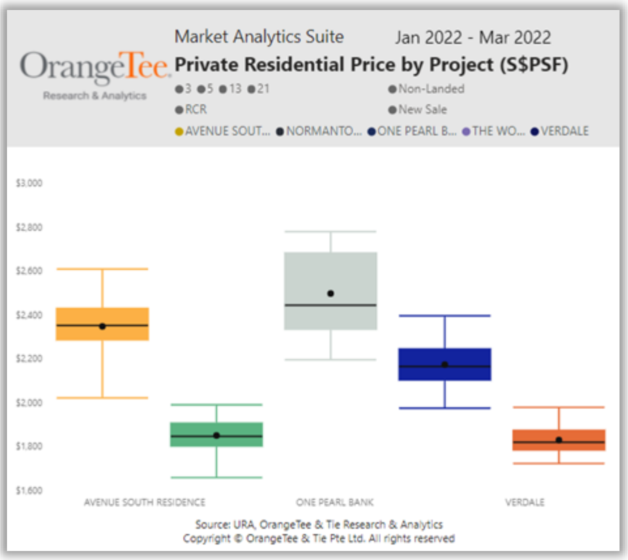


Chart 11 Best-selling new projects in RCR (S$psf)



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MASS MARKET SEGMENT

Private home sales similarly fell in the mass market region. Based on URA Realis data, 2,467 units (excluding ECs) were transacted in OCR last quarter, decreasing 32.7 per cent from 3,667 units sold in Q4 2021 (Chart 12).

Resale transactions continued to form the bulk of OCR homes sold even as sales fell across the board. New sales formed 24.6 per cent of all transactions with 608 units, while resale volume was 73.2 per cent of total sales at 1,807 units.

Prices for both new and resale condos rose despite a fall in volumes. Prices for new condos (excluding ECs) grew 4.6 per cent from S$1,640 psf in Q4 2021 to S$1,715 in Q1 2022. For resale condos, prices rose 2.6 per cent from S$1,184 psf to S$1,215 psf over the same time period (Chart 13).

The top selling OCR non-landed projects excluding ECs last quarter were The Florence Residences (92 units), Dairy Farm Residences (72 units), Ki Residences at Brookvale (47 units), Midwood (46 units), and Sengkang Grand Residences (27 units).

Among new non-landed transactions excluding ECs, larger units (1,200 sqft and larger) made up a bigger proportion of sales in recent quarters. The proportion has been growing from 9.4 per cent in Q1 2020 to 17.7 per cent in Q1 2021 to 26.6 per cent last quarter (Chart 14).

Chart 12 Private home sales in OCR declined last quarter

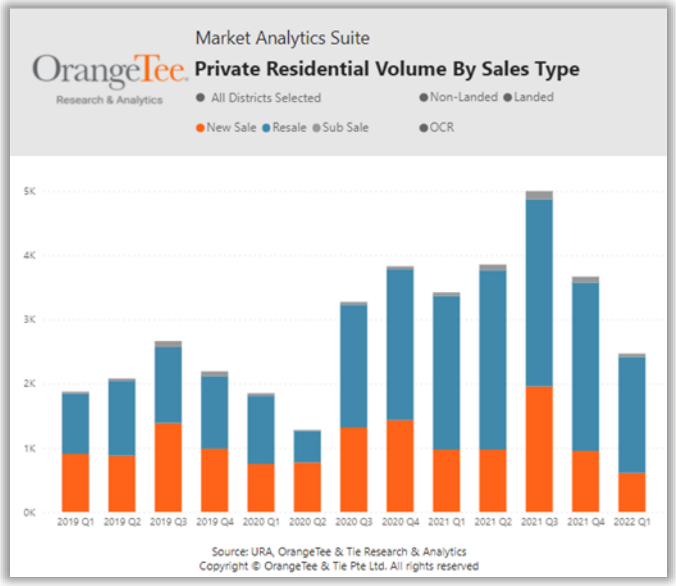


Chart 13 Prices rose for both new and resale condos last quarter

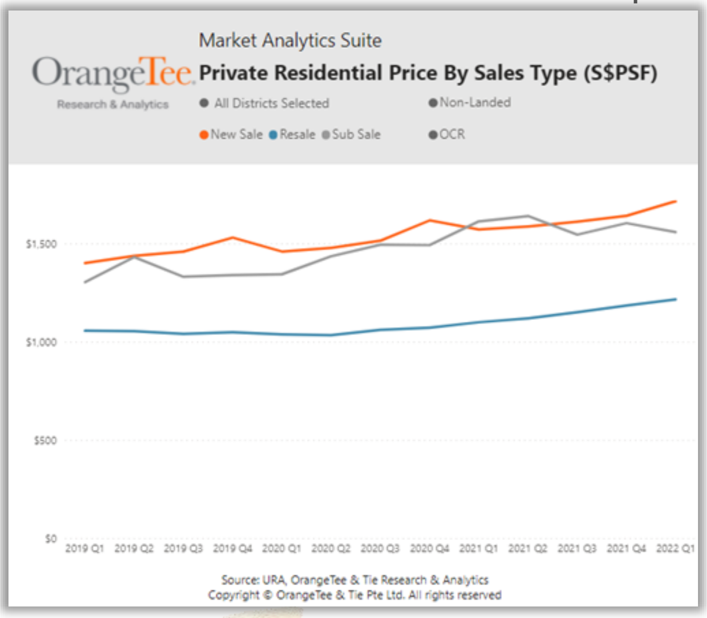
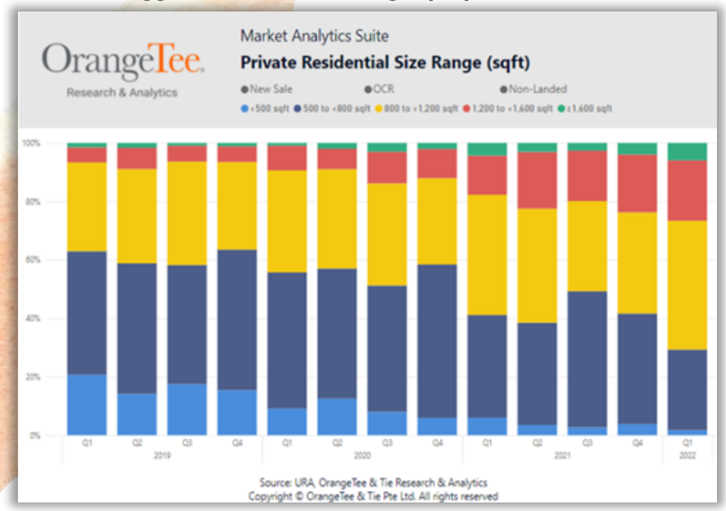


Chart 14 Bigger units formed a larger proportion of new sales



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Artist’s Impression of Liv@MB

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Looming uncertainties may benefit the real estate market as investors shift their focus back to defensive asset classes like properties.

Some may regard real estate as a good hedge against inflation as property values tend to appreciate over time.

~ Christine Sun

Artist’s Impression of Fourth Avenue Residences

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Chart 15 Rental volume dipped 7.2 per cent q-o-q

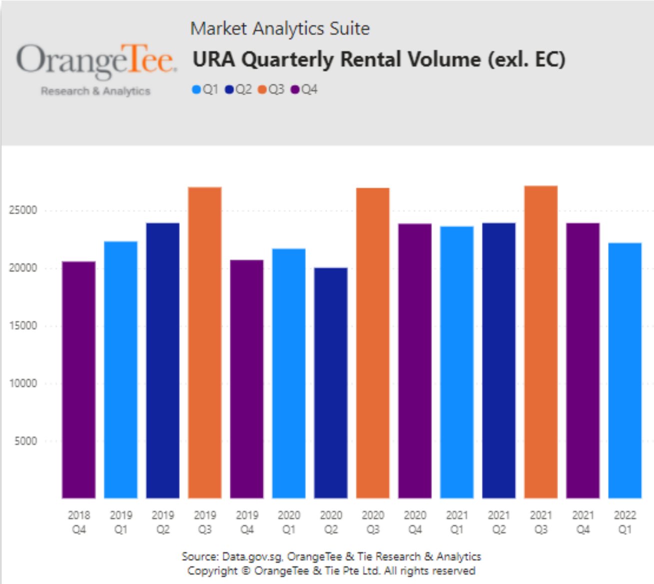


Chart 16 Rents rose by 4.2 per cent q-o-q

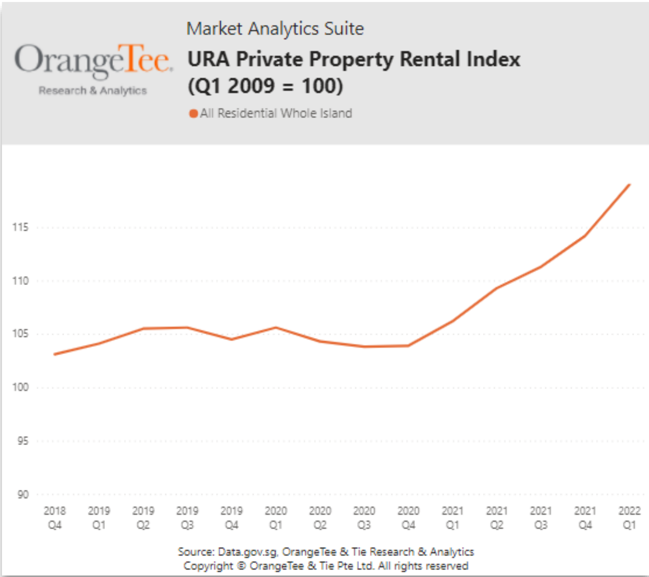
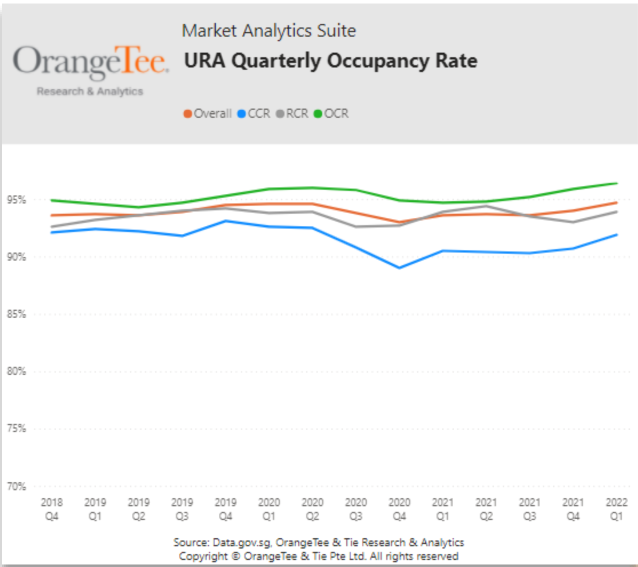


Chart 17 Overall occupancy rate at 94.7 per cent



RENTAL

Rental demand slipped last quarter on rising rents. According to URA data, rental volume excluding EC dipped by 7.2 per cent q-o-q from 23,915 units in Q4 2021 to 22,188 units in Q1 2022 (Chart 15). Rents rose further by 4.2 per cent last quarter (Chart 16) while occupancy rates remained healthy at 94.7 per cent in Q1 2022 (Chart 17).

A few forces may be driving rents higher. Rents have been rising in some locations as a result of a shrinking rental stock and a lack of new home supply. Some private home owners sold their units as resale prices have been on the rise. New completions were also unable to keep pace with housing demand.

Many would-be homebuyers who were priced out of the market or were affected by new cooling measures turned to the rental market. They are boosting rental demand and pushing rents higher. Some first-timers could also be renting in the interim while they wait for the completion of their new homes.

Moving forward, inflation and rising costs such as higher maintenance charges, climbing interest rates and higher property taxes may also have a snowball effect on rents, as landlords pass on the costs to their tenants. Therefore, rents may continue to climb if inflationary pressures escalate in the coming months.

More Malaysians are expected to head home as safe management measures are further lifted. We are expecting more work pass holders to return, which may drive rental demand higher especially in areas near the causeway. The northern region like Yishun, Sembawang and Woodlands, and the western part of Singapore like Jurong may be popular too.

We estimate that rents may rise faster around 8 to 11 per cent this year. Overall leasing volume may reach about 95,000- to 100,000-units in 2022.

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NATIONALITY

The recent cooling measures could have deterred some foreigners from purchasing homes in Singapore, leading to a decline in the number of non-landed homes bought last quarter.

Based on URA Realis data, the number of non-landed homes bought by foreigners dropped by 47.3 per cent from 279 units in Q4 2021 to 147 units in Q1 2022 (Chart 18). However, purchases by PRs declined at a slower rate by 21.8 per cent from 1,059 units to 828 units over the same period

After the implementation of cooling measures, foreigners have to pay 30 per cent of the property price as ABSD tax, which is an additional 10 percentage points from the previous rate of 20 per cent. This tax increase might have caused foreigners to reconsider purchasing property in Singapore.

The proportion of condos bought by PRs increased last quarter, from 15 per cent in Q4 2021 to 18.2 per cent in last quarter (Chart 19). Meanwhile, the proportion of homes bought by foreigners decreased slightly from 4 per cent to 3.2 per cent.

Last quarter, the largest group of foreign buyers were from Mainland China, who purchased 244 non-landed homes. Following that were buyers from Malaysia (176 units), and India (128 units). USA buyers (49 units) also over took Indonesia (42 units) to become the fourth position (Chart 20).

Chart 18 Decrease in PRs and foreign buyers

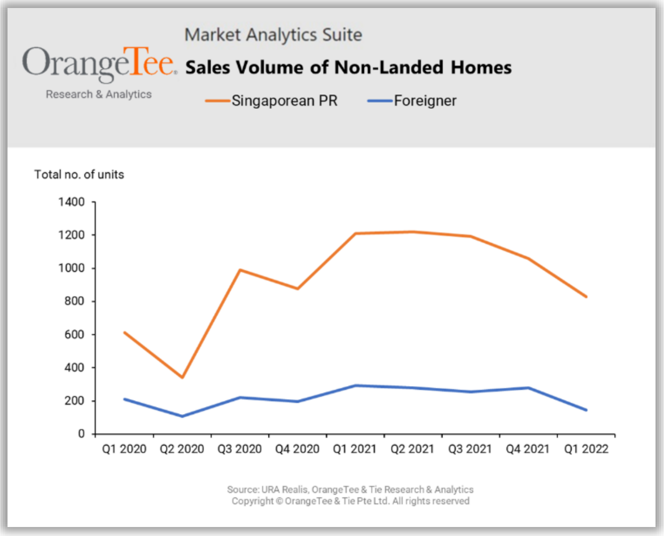


Chart 19 Proportion held relatively steady across buyer groups

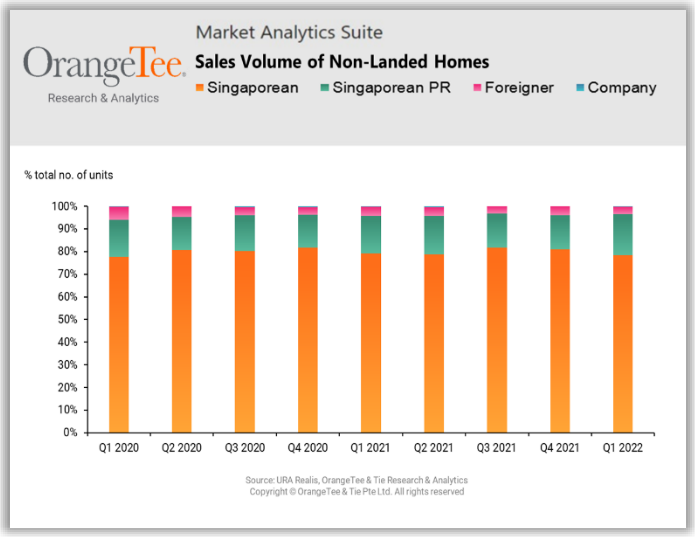
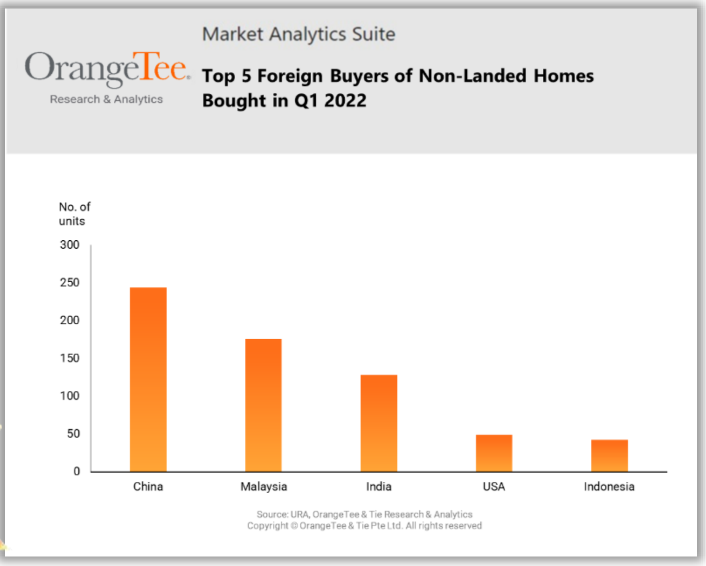


Chart 20 Mainland Chinese remain the top foreign buyer



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OUTLOOK

Private Residential Market Projection (landed and non-landed exclude EC)

Indicators	2018	2019	2020	2021	Q1 2022	Projection for 2022
URA Property Price Index (Price Change) (incl.EC)	7.9%	2.7%	2.2%	10.6%	0.7%	0% to 3%
Sales Volume (units)	22,139	19,150	20,909	33,557	5,343	23,500 to 26,500
New Sale (excl. EC)						
Price Change	10.8%	7.5%	0.8%	13.2%	2.6%	3% to 6%
Sales Volume (units)	8,795	9,912	9,982	13,027	1,825	9,000 to 10,000
Resale (excl. EC)						
Price Change	2.7%	3.6%	-3.9%	5.8%	3.4%	3% to 6%
Sales volume (units)	13,009	8,949	10,729	19,962	3,377	15,000 to 17,000
Rental						
URA Rental Index (Price Change) (incl. EC)	0.6%	1.4%	-0.6%	9.9%	4.2%	8% to 11%
Leasing volume (units)	89,904	93,960	92,537	98,179	22,188	95,000 to 100,000

Source: URA, OrangeTee & Tie Research & Analytics

Despite the macroeconomic uncertainties, there are some silver linings on the horizon. Resident employment rate remains high and has risen above pre-pandemic levels. Singapore's economy is expected to grow further this year by 3 to 5 per cent. A strong labour market and growing economy bode well for the real estate market as borrowers defaulting on mortgages will be low despite the volatile market conditions.

The government has announced a further easing of restrictions which includes raising the capacity limits for events and increasing group size gatherings. Show flat and house visits are expected to rise which will give a major boost to the sector. The resale and rental markets will also benefit from the easing of restrictions since employment will be expanding across many sectors and more workers return in the coming months.

Cost pressures may play a more significant role in determining the trajectory of future home prices in the coming months. The property market may start shifting from a 'demand-driven' to 'cost-driven' price growth. A snarled supply chain and shortage of building materials have already taken a heavy toll on the construction sector. Escalating energy, steel, raw material and shipping costs may drive the prices of construction projects higher. Prices of homes may increase on rising costs.

To combat rising inflation, interest rates will be raised this year. Some buyers may rush into the market to lock in home loans before they climb higher. Looming uncertainties may benefit the real estate market as investors shift their focus back to defensive asset classes like properties. Others regard real estate as a good hedge against inflation as property values tend to appreciate over time.

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