

Private Residential Market

Real Estate Data Trend & Analytics



Q1 2023

Artist Impression of The Reserve Residences

Prices hit an all-time high

Home prices hit an all-time high in the first quarter of this year. Prices rose across all market segments, especially in the city fringe area. Private home prices grew faster despite higher interest rates and spiralling inflation.

As prices showed signs of acceleration and resilient demand, new cooling measures were implemented on 27 April 2023 to promote a sustainable property market. Property curbs were aimed at curbing foreign and investor demand.

Prices

Private home prices rose at a faster pace of 3.3 per cent in the first quarter of 2023 than the previous quarter, according to the Q1 data released by the Urban Redevelopment Authority (URA). This is in stark contrast to the slight increment of 0.4 per cent in the last quarter of 2022 (Charts 1 & 2). Year-on-year, prices rose by 11.4 per cent last quarter.

Prices of non-landed private residential homes in the Rest of Central Region (RCR) or city fringe rose the fastest by 4.4 per cent in Q1 2023, compared to a 3.1 per cent increase in Q4 2022. Non-landed homes in the suburbs or the Outside Central Region (OCR) similarly increased by 1.9 per cent, reversing the 2.6 per cent decline registered in Q4 2022. Those in the prime districts, or Core Central Region (CCR), rose by 0.8 per cent after a 0.7 per cent growth in the preceding quarter (Chart 3).

Landed property prices surged by 5.9 per cent, the fastest quarterly growth since Q1 2021, when prices increased 6.7 per cent quarter-on-quarter (q-o-q).

Q1 2023's price increases were driven by an increased proportion of new home sales, and new homes are usually sold at higher prices than resales. According to URA data, new homes, excluding executive condominiums (ECs), constituted 30.5 per cent of total sales last quarter, up from 19.2 per cent in the preceding quarter.

Chart 1 Market summary



Table 1 Median price of non-landed homes

Market Segment	Type of Sale	Q4 2022	Q1 2023	Q-o-Q % change
Overall	All	\$1,645	\$1,872	13.8%
CCR	New Sale	\$2,898	\$2,920	0.8%
	Resale	\$2,077	\$2,120	2.1%
	Sub Sale	\$2,700	\$2,629	-2.6%
	Overall	\$2,589	\$2,664	2.9%
RCR	New Sale	\$2,523	\$2,650	5.0%
	Resale	\$1,637	\$1,658	1.3%
	Sub Sale	\$2,074	\$2,027	-2.3%
	Overall	\$1,776	\$1,851	4.2%
OCR	New Sale	\$2,038	\$2,073	1.7%
	Resale	\$1,295	\$1,319	1.8%
	Sub Sale	\$1,600	\$1,645	2.8%
	Overall	\$1,349	\$1,488	10.3%

Source: URA, OrangeTee & Tie Research & Analytics

Chart 2 Prices rose at a faster pace in Q1 2023



Source: Data.gov.sg, OrangeTee & Tie Research & Analytics
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Chart 3 Prices of condos in RCR rose the fastest

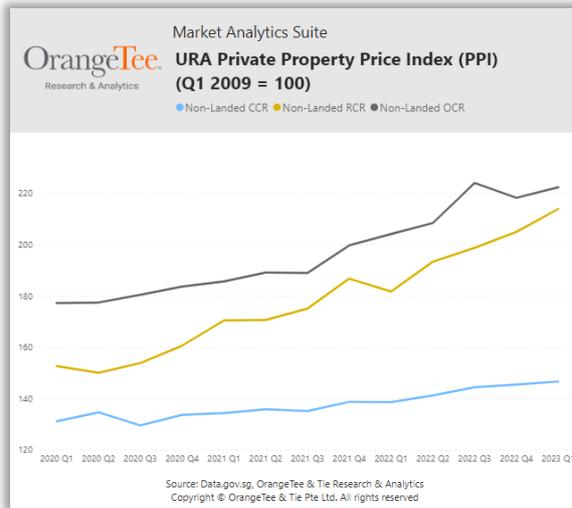


Chart 4 Sales volume rose 14.9 per cent q-o-q



Based on URA Realis records, pricier homes of at least S\$2 million constituted a higher proportion of total sales (excluding ECs and bulk deals of more than one unit) last quarter at 40 per cent, up from 37.7 per cent in Q4 2022.

Private homes of at least S\$5 million rose from 6.4 per cent in Q4 2022 to 7.2 per cent in Q1 2023. In terms of absolute numbers, 290 private homes were sold for at least S\$5 million last quarter, about 26.1 per cent more than the 230 transactions in Q4 2022.

Moreover, 28 landed properties and condominiums (excluding bulk deals) were sold for at least S\$15 million last quarter.

A 6,286 sqft new freehold condominium at Les Maisons Nassim was sold for S\$36 million or S\$5,727 psf in February this year. A sprawling 25,683 sqft bungalow at 61 Wilkinson Road was sold for S\$55.5 million or S\$2,161 psf in January.

Sales volume

Overall sales volume rebounded moderately last quarter. Sales activities picked up after September 2022's cooling measures, when borrowing criteria were made more stringent. More projects were also launched after the year-end holidays and Chinese New Year period.

According to URA quarterly data, overall sales excluding ECs rose by 14.9 per cent from 3,588 units in Q4 2022 to 4,121 units in Q1 2023. Although sales rebounded last quarter, they were lower than the number of units sold last year. Compared to Q1 2022, sales dipped by 22.9 per cent from 5,343 units. Last quarter's sales were below the quarterly average of 5,473 units in 2022.

Volumes picked up only moderately as falling housing affordability may have affected some buyers. Buyers face higher borrowing costs, tighter lending limits and soaring home prices. Further, inflation drove consumer prices broadly higher and buyers were generally more budget conscious.

Last quarter, slightly fewer resale homes were sold, which dipped by 2.7 per cent from 2,694 units in Q4 2022 to 2,622 units in Q1 2023. Conversely, new home sales, excluding ECs, surged by 82 per cent from 690 units in Q4 2022 to 1,256 units in the first quarter of this year.

The sales increase was driven by the launch of a few mid-sized projects such as The Botany at Dairy Farm, Sceneca Residence and Terra Hill. Demand for new homes may continue to recover as a number of projects are slated for launch in the coming months.

New Cooling Measures

The government announced increases in Additional Buyer's Stamp Duty (ABSD) rates to promote a sustainable property market effective from 27 April 2023.

Foreigner buyers are hardest hit as the ABSD will be doubled to 60 per cent for foreigners (non-permanent residents or NPR) buying any residential property.

Singaporeans buying their second residential property will pay an ABSD rate of 20 per cent, up from 17 per cent, while those buying their third and subsequent residential property will have to pay an increased rate of 30 per cent, up from 25 per cent.

PRs pay an ABSD of 30 per cent for their second residential property and 35 per cent for their third and subsequent residential property.

The new cooling measures may impact foreign buyers and some investors as the ABSD increases are highest for these categories of buyers.

Those buying their second properties may hold back temporarily as they have to pay higher ABSD. They may assess the market's reaction first. Others may take a backseat as they expect prices to moderate after the curbs.

First-time buyers who are Singaporeans will not be affected, as no ABSD will be imposed on their first private home purchase. They may continue to purchase homes, especially if they are in urgent need of housing or for owner-occupation.

'Freezing' Measures For Foreigners

The 'cooling measures' have turned into 'freezing measures' for foreign buyers (non-PRs) as ABSD has doubled for these buyers, and most will find the new rates high.

Many foreigners have already been affected by the previous hike, where ABSD was raised to 30 per cent on 16 December 2021.

INCREASE IN ABSD AND HOUSING SUPPLY TO PROMOTE A SUSTAINABLE PROPERTY MARKET

ABSD increase will pre-emptively dampen investment demand, and prioritise housing for locals buying for owner-occupation.

Significant increase in housing supply and upcoming home completions will ease pressures in housing and rental markets.

No change to ABSD for locals buying first residential property. This constitutes about 90% of private residential property transactions in 2022.

ADDITIONAL BUYER'S STAMP DUTY (ABSD)		RATES BEFORE 27 APR 2023	RATES ON OR AFTER 27 APR 2023
Singapore Citizens	First residential property	0%	0%
	Second residential property	17%	20%
	Third and subsequent residential property	25%	30%
Permanent Residents	First residential property	5%	5%
	Second residential property	25%	30%
	Third and subsequent residential property	30%	35%
Foreigners	Any residential property	30%	60%
Entities/Trustees	Any residential property	35%	65%
Housing Developers	Any residential property	35% + 5% ^{**}	35% + 5% ^{**}

*Housing developers may apply for remission of this ABSD, subject to conditions.
**This 5% will not be remitted, and is to be paid upfront upon purchase of residential property.

For more information, visit go.gov.sg/ABSD-27Apr

Since then, the number of condos bought by foreigners dipped by 16.5 per cent from 1,107 units in 2021 to 924 units in 2022. However, we noticed an increase in non-locals buying as PRs or new citizens in recent years, as the ABSD rates are lower for these categories of buyers. With the ABSD rate adjustments, we can expect purchases of non-PRs to drop further.

Foreigners (non-PR) tend to buy condos in the CCR or luxury segment. For instance, from Q1 2022 to Q1 2023, 54.9 per cent of their total condo purchases were in CCR, followed by 29 per cent in RCR and 16.1 per cent in OCR. Therefore, luxury home sales may experience more impact and a temporary pullback in demand from these buyers.

ABSD based on S\$2 million property

Residential Status	ABSD For 2nd Property (\$)	Change in ABSD (\$)
Singapore Citizens (SC)	\$400,000	\$60,000
Permanent Residents (PR)	\$600,000	\$100,000
Foreigners (NPR)	\$1,200,000	\$600,000

Source: OrangeTee & Tie Research & Analytics

Investor demand to moderate

For locals and PRs, investment demand may moderate slightly as the ABSD has been increased across the board for all buyers of second and subsequent homes. Local first-timer buyers who are not affected by the increased ABSD may continue to buy homes.

Although the ABSD for those buying through trusts have increased substantially, the impact on the market may not be significant as few deals are done through trust arrangement.

Why the measures seem more punitive

The global economy has been worsening, and there were more layoffs by MNCs. Singapore being an open economy, would be exposed to the macroeconomic uncertainties.

Unemployment rates may pick up if the global economy deteriorates, and mortgage defaults may increase. Therefore, buyers should remain prudent in their investments and avoid being overly leveraged.

There could also be more liquidity flowing from family offices as there have been some headline deals made by foreign buyers.

Further, with the reopening of China's borders, we expect more interest from Mainland Chinese buyers. Therefore, these measures are preemptive to slow down purchases from these buyers who may push property prices higher.

Positives and drawbacks

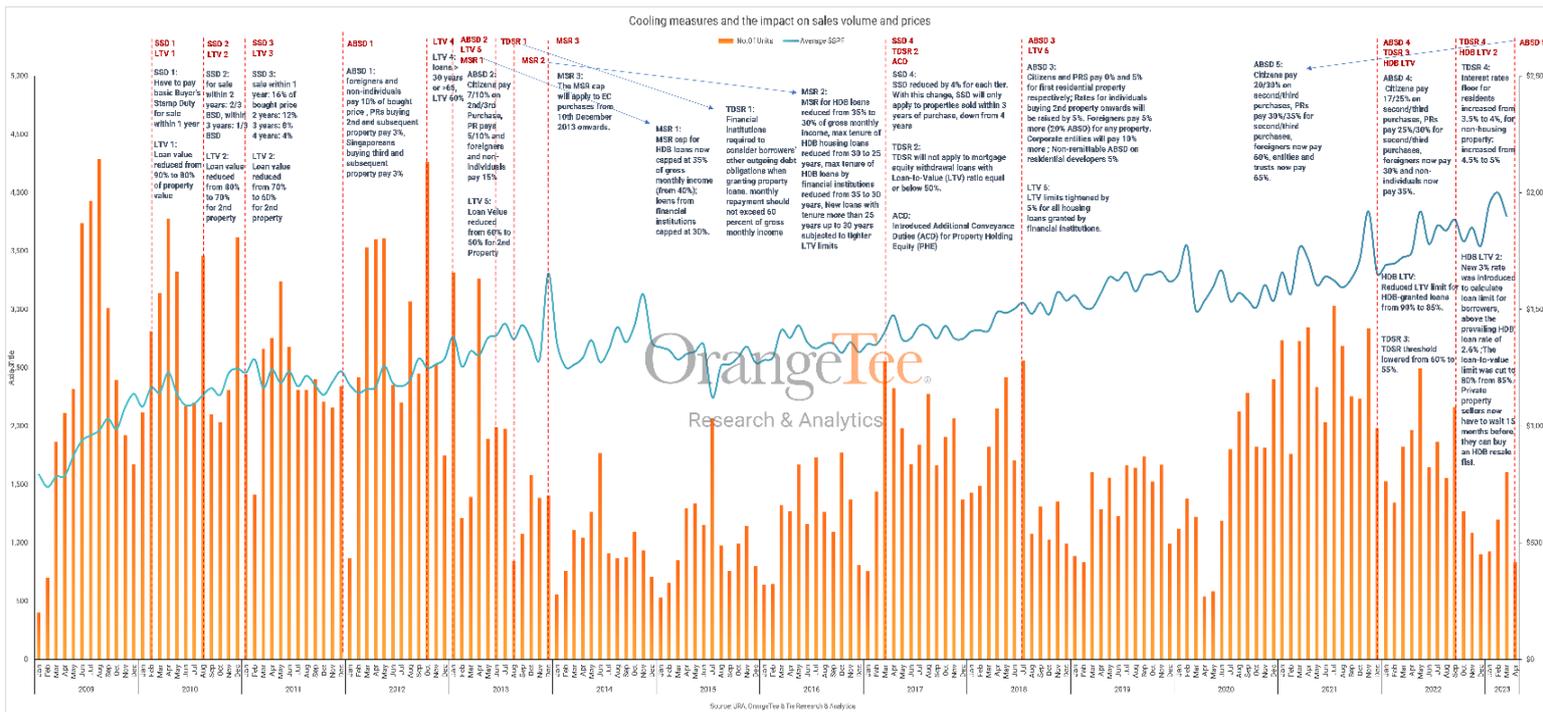
Our competitiveness as an investment hub could be affected. Some foreign investors and super-rich may divert their wealth to other countries.

Moreover, the increase in ABSD will reduce investment demand. In the long run, the number of homes bought for rental income may drop, further reducing the rental stock.

However, other asset classes may benefit as investors may divert their money to non-residential investments.

Prices of homes may still not drop significantly after the cooling measures as supply remains low in the market and sellers have holding power. Some sellers and developers may choose to withhold their sales and wait for a better opportunity to sell.

Summary of property cooling measures since 2010 (Download high-resolution image from <https://www.orangetee.com/Home/Researchv2>)



LUXURY SEGMENT

Demand for luxury homes rose in Q1 2023. According to URA Realis data, 1,085 private homes were sold in the CCR in Q1 2023, rising by 23.2 per cent compared to the 881 units sold in Q4 2022 (Chart 5).

Both new and resale transaction volumes for landed and non-landed properties increased last quarter. New sale volume in the CCR rose by 44.1 per cent from 376 units in Q4 2022 to 542 units in Q1 2023. Similarly, resale transactions increased 7.8 per cent from 499 units to 538 units over the same period.

Despite a lack of new launches, prices of new sale and resale condos in CCR grew last quarter. For new condos, there was a growth of 1.2 per cent from S\$2,923 psf in Q4 2022 to S\$2,958 psf in Q1 2023. Over the same period, prices grew 1.5 per cent from S\$2,169 psf to S\$2,201 psf for resale condos (Chart 6).

Last quarter's best-selling new condos in CCR were Leedon Green (55 units), Pullman Residences Newton (54 units), Perfect Ten (37 units), Hyll on Holland (37 units), and Klimt Cairnhill (36 units) (Charts 7 and 8).

Chart 5 Sales volume in CCR rebounded last quarter

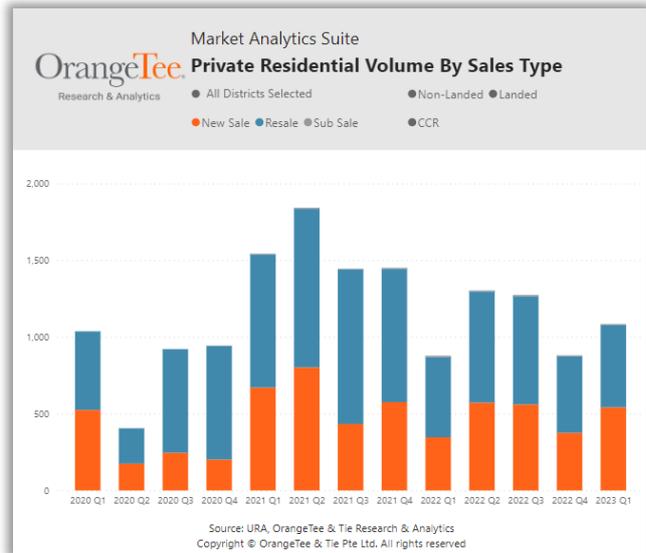


Chart 6 Prices of both new and resale condos rose last quarter

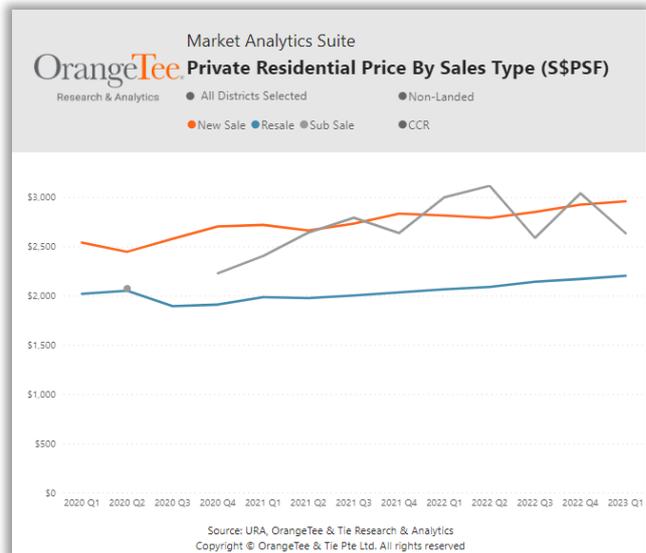


Chart 7 Best-selling new projects in CCR



Chart 8 Best-selling new projects in CCR (\$\$psf)

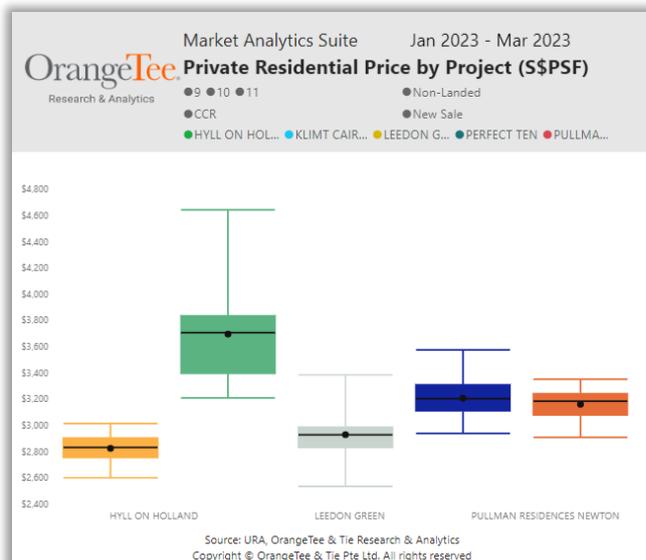


Chart 9 Private home sales in RCR grew last quarter

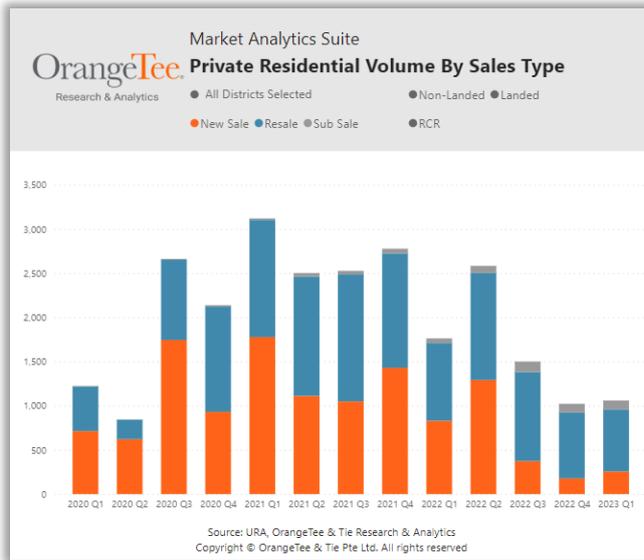


Chart 10 Prices grew for both new and resale condos

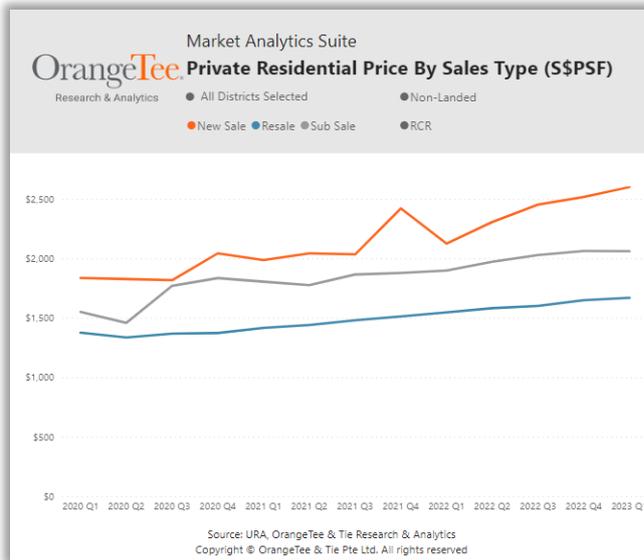
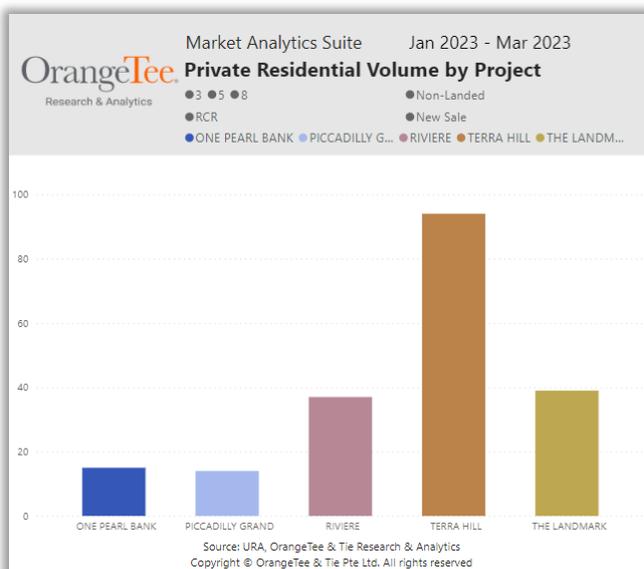


Chart 11 Best-selling new projects in RCR



MID-TIER SEGMENT

Sales volume in the city fringe increased slightly last quarter. Based on URA Realis data, private home sales in RCR (excluding ECs) rose by 3.6 per cent from 1,022 units in Q4 2022 to 1,059 units in Q1 2023 (Chart 9).

New sale volume (landed and non-landed excluding EC) increased by 44.6 per cent from 177 units to 256 units. On the other hand, resale volume dipped by 5.8 per cent from 747 units to 704 units over the same time period.

Prices continued climbing for new and resale condos (excluding EC) in the RCR. The average price of new non-landed homes increased by 3.3 per cent from S\$2,516 psf in Q4 2022 to S\$2,600 psf in Q1 2023. Over the same period, resale prices rose 1.2 per cent from S\$1,648 psf to S\$1,668 psf (Chart 9).

Last quarter's best-selling new projects in RCR were Terra Hill (94 units), The Landmark (39 units), Riviere (37 units), One Pearl Bank (15 units), and Piccadilly Grand (14 units) (Charts 11 and 12).

Chart 12 Best-selling new projects in RCR (\$\$psf)



MASS MARKET SEGMENT

Sales rose in the suburbs last quarter. Based on URA Realis data, private home sales (excluding ECs) in the OCR climbed by 10.6 per cent, from 1,698 private homes in Q4 2022 to 1,878 units in Q1 2023 (Chart 13).

New private home sales (landed and non-landed) spiked by 274.6 per cent growth from 122 units in Q4 2022 to 457 units in Q1 2023. Resale transactions decreased by 10.2 per cent from 1,495 units to 1,342 units over the same period.

Prices in the OCR grew slightly last quarter. Average new condo (excluding ECs) prices rose by 7.5 per cent from S\$1,928 psf in Q4 2022 to S\$2,073 psf in Q1 2023. Prices of resale condos (excluding ECs) grew by 1.9 per cent from S\$1,309 psf to S\$1,334 psf over the same period (Chart 14).

Last quarter's best-selling new condos (excluding ECs) in OCR were The Botany at Dairy Farm (184 units), Sceneca Residence (161 units), The Gazania (28 units), The Lilium (15 units), and Urban Treasures (14 units) (Charts 15 and 16).

Chart 13 Private home sales in OCR rose last quarter

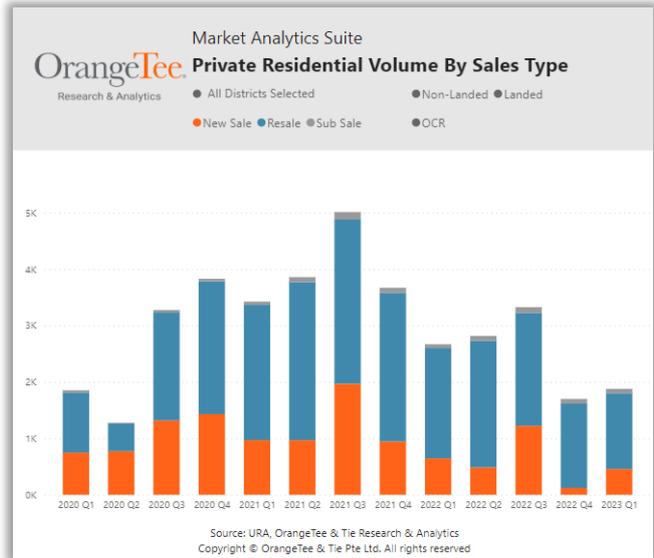


Chart 14 Prices grew for new and resale condos



Chart 15 Best-selling new projects in OCR

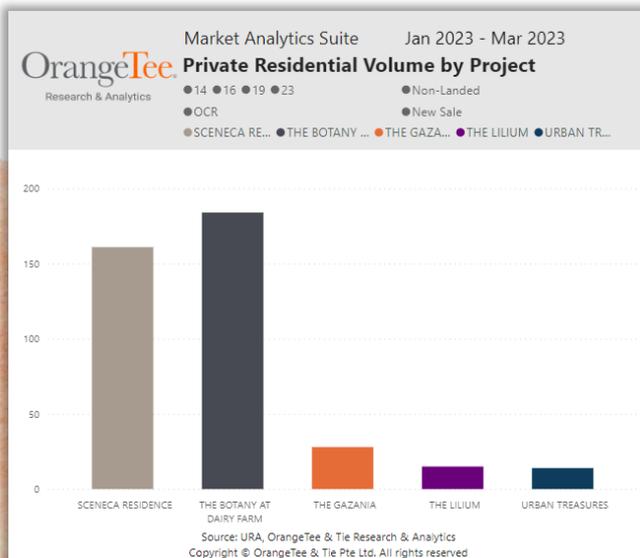


Chart 16 Best-selling new projects in OCR (\$\$psf)





Artist Impression of Newport Residences

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There are some silver linings on the horizon as rate hikes have slowed in recent months. As fears of bank contagion displace inflationary concerns, many economists expect the Fed to stop hiking interest rates. This spells good news to potential buyers as they will face less interest rate volatility and increased stability in borrowing costs.



Artist Impression of Tembusu Grand

Chart 17 Volume dipped for a second consecutive quarter

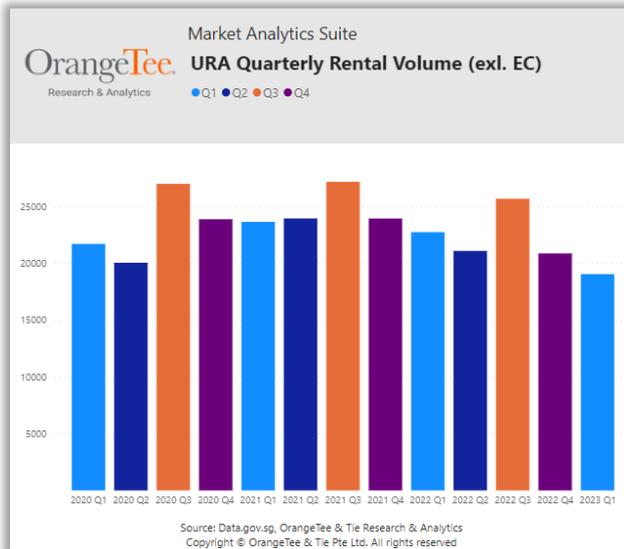


Chart 18 Rents climbed to an all-time high

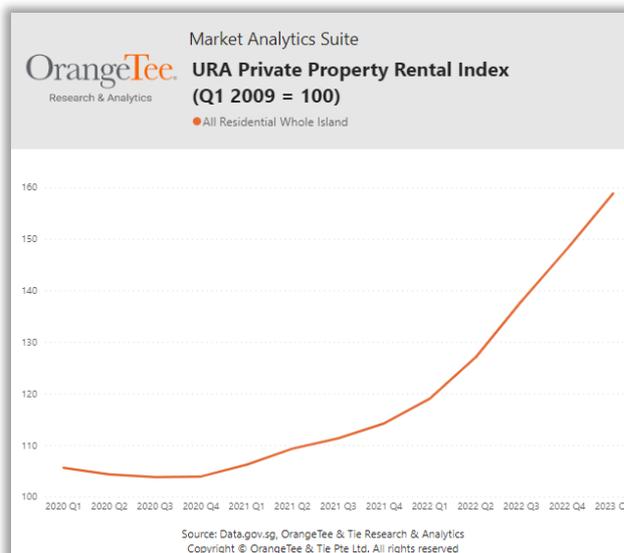
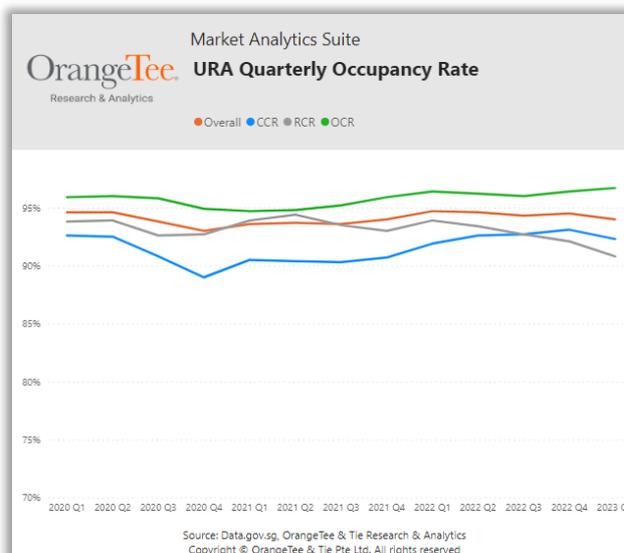


Chart 19 Overall occupancy rate dipped slightly to 94%



RENTAL

According to URA data, rents climbed to an all-time high in Q1 2023.

In the first quarter of this year, rents rose further by 7.2 per cent q-o-q, after surging 7.4 per cent in the fourth quarter of last year (Chart 18).

Rental volume dipped for a second consecutive quarter to 19,027 units in Q1 2023 (Chart 17).

With more completions, the vacancy rate rose to a five-quarter high. Nevertheless, occupancy rates remained robust, above 90 per cent at 94 per cent last quarter (Chart 19).

As rents continue to rise, the leasing market is experiencing a growing disparity in price expectations between landlords and tenants.

Many tenants are now facing the strain of rising rents and struggling to pay higher rents. On the other hand, landlords are factoring in higher inflation, mortgage repayments and property taxes in their lease negotiations.

Most landlords are unwilling to accept lower rents as mortgage payments have risen. Lease tenures are also getting longer and many landlords would want to lock in higher rents as they expect inflation to be sustained next year with another GST hike.

With more completions, rent prices may grow slower by around 13 to 16 per cent this year. About 85,000 to 90,000 homes may be leased in 2023.

OUTLOOK

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

Indicators	2019	2020	2021	2022	Q4 2022	Q1 2023	Projection for 2023
Overall							
URA Property Price Index (Price Change) (incl. EC)	2.7%	2.2%	10.6%	8.6%	0.4%	3.3%	4% to 7%
Sales Volume (units)	19,150	20,909	33,557	21,890	3,588	4,121	17,500 to 20,500
New Sale							
Average S\$PSF Price Change	7.5%	0.8%	13.2%	12.5%	13%	-3%	4% to 7%
Sales Volume (units)	9,912	9,982	13,027	7,099	690	1,256	7,000 to 8,000
Resale							
Average S\$PSF Price Change	3.6%	-3.9%	5.8%	8.7%	1.4%	2.9%	5% to 8%
Sales volume (units)	8,949	10,729	19,962	14,026	2,694	2,622	10,000 to 12,000
Rental							
URA Rental Index (Price Change) (incl. EC)	1.4%	-0.6%	9.9%	29.7%	7.4%	7.2%	13% to 16%
Leasing volume (units)	93,960	92,537	98,605	90,291	20,847	19,027	85,000 to 90,000

Source: URA, OrangeTee & Tie Research & Analytics

There are some silver linings on the horizon as rate hikes have slowed in recent months. Interest rates may peak in the first half of this year as the Federal Reserve (Fed) is considering a pause on hikes amid recessionary fears and more bank fallouts.

The fallout of a few big banks has prompted the Fed to slow the pace of rate hikes recently, by a quarter point in March. They believe that the banking industry stress could trigger a credit crunch in the US and have a significant ripple effect on the macroeconomy.

As fears of bank contagion displace inflationary concerns, many economists expect the Fed to stop hiking interest rates. This spells good news to potential buyers as they will face less interest rate volatility and increased stability in borrowing costs. If interest rates stabilise and ease from the second half of this year, more buyers may return to the market.

The banking crisis is not likely to affect our property market. Most homebuyers obtain housing loans from our local banks, and our banking system remains sound and resilient, according to the Monetary Authority of Singapore (MAS). Banks in Singapore are well-capitalised and conduct regular stress tests against interest rate and other risks.

The cooling measures may dampen some demand and this may allow time for more homes to be completed and housing supply to catch up. When there is better market equilibrium, prices are likely to stabilize. Price gains may slow down which will benefit first-timers and HDB upgraders buying their first private homes.

We have adjusted our price projections slightly lower from 5-8 per cent to 4-7 per cent for the whole of 2023.

Please contact us for research inquiries. For sales enquiries, please contact your preferred OrangeTee agents.



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