

# Private Residential Market

Real Estate Data Trend & Analytics



Q3 2022

Artist's Impression of Copen Grand

# Rental demand rebounds even as rents rose at the fastest pace since 2007

To promote sustainable conditions in the property market by moderating housing demand and ensuring prudent borrowing, the government introduced a slew of new property cooling measures on 30<sup>th</sup> September 2022.

Under the new rules, MAS will raise by 0.5%-point the medium-term interest rate floor used to compute the Total Debt Servicing Ratio (TDSR) for property loans. In addition, private home owners purchasing non-subsidised resale flats must observe a 15-month wait out period. The rules do not apply to seniors aged 55 and above who are moving from their private properties to a 4-room or smaller resale flat.

## Impact of new cooling measures

The announcement comes less than a year after the previous round of cooling measures implemented in December 2021. Last year, the Government tightened the TDSR to 55 per cent and increased the Additional Buyer's Stamp Duty (ABSD) for Singaporeans and Singapore Permanent Residents buying their second and subsequent properties.

The further tightening of the TDSR did not come as a surprise considering that the stress test interest rates would be breached soon as mortgage rates were climbing relentlessly. The fixed home rates offered by many banks have already breached 3.5 per cent, and floating rates are inching towards 3 per cent.

Both rates may hit 4 per cent by early 2023 as the U.S. federal reserve may continue to raise interest rates into next year to bring down the stubbornly high inflation.

The TDSR tightening may not have a major impact on the market, especially the luxury market. The adjustment is not big, and many buyers were already exercising prudence. Investors in the top wealth bracket have sufficient cash or capital to fund their property purchases even as loans are tightened. Some may redeploy funds from other investments to reduce their home loans.

Chart 1 Market summary

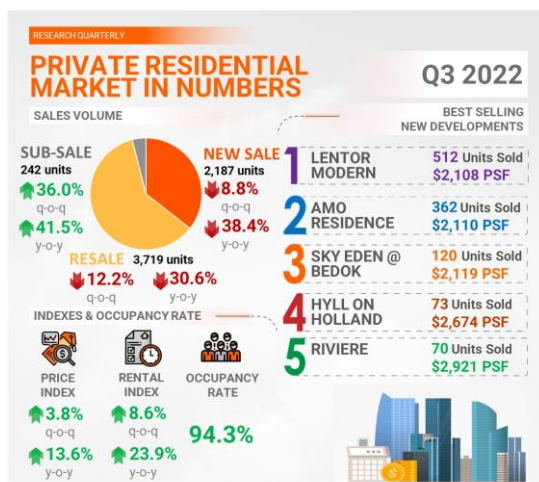


Table 1 Median price of non-landed homes

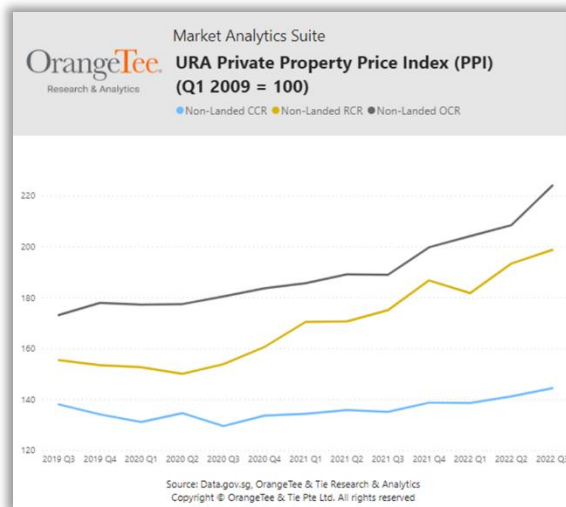
Market Segment	Type of Sale	Q2 2022	Q3 2022	Q-o-Q % change
<b>Overall</b>	<b>All</b>	<b>\$1,626</b>	<b>\$1,767</b>	<b>8.7%</b>
<b>CCR</b>	New Sale	\$2,751	\$2,811	2.2%
	Resale	\$1,989	\$2,044	2.7%
	Sub Sale	\$2,707	\$2,597	-4.1%
	<b>Overall</b>	<b>\$2,490</b>	<b>\$2,591</b>	<b>4.0%</b>
<b>RCR</b>	New Sale	\$2,263	\$2,437	7.7%
	Resale	\$1,586	\$1,620	2.1%
	Sub Sale	\$1,984	\$2,054	3.5%
	<b>Overall</b>	<b>\$1,985</b>	<b>\$1,806</b>	<b>-9.0%</b>
<b>OCR</b>	New Sale	\$1,774	\$2,094	18.0%
	Resale	\$1,252	\$1,284	2.6%
	Sub Sale	\$1,557	\$1,616	3.8%
	<b>Overall</b>	<b>\$1,349</b>	<b>\$1,599</b>	<b>18.5%</b>

Source: URA, OrangeTee & Tie Research & Analytics

As private homeowners face bigger hurdles in purchasing large HDB resale flats, the pool of resale flat buyers is likely to shrink. This may in turn cause HDB upgraders to take a longer time to sell their flats or receive smaller sales proceeds, impeding their ability to upgrade to private homes.

Some private homeowners who do not wish to wait 15 months will likely turn back to the private resale market. These buyers may look for cheaper resale condos in the suburbs or smaller condos in the city fringe.

**Chart 2 Prices rose across all market segments**



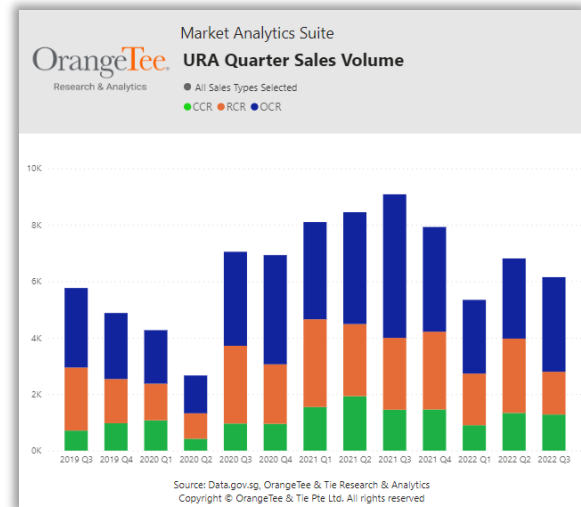
**Prices**

According to data from the Urban Redevelopment Authority (URA), the overall price index for private residential properties rose at a faster pace of 3.8 per cent quarter-on-quarter (q-o-q) in Q3 after rising 3.5 per cent in Q2, hitting a new record high last quarter (Chart 1). Prices increased by 8.2 per cent in the first three quarters of 2022, higher than the 5.3 per cent growth registered over the first nine months of 2021. Last quarter’s price growth was mainly driven by non-landed homes which rose by 4.4 per cent. Landed home prices increased by 1.6 per cent in the third quarter of this year.

By market segment, prices rose the most in the suburbs or Outside Central Region (OCR), by 7.5 per cent. This is the steepest quarterly increase since Q3 2009 at 16.1 per cent. Non-landed homes in the prime districts, or Core Central Region (CCR), rose by 2.3 per cent q-o-q while the city fringe, or Rest of Central Region (RCR), increased by 2.8 per cent (Chart 2).

The steep increase in OCR prices can be attributed to a spike in median prices of new non-landed homes last quarter, which rose by 18 per cent from S\$1,774 psf in Q2 2022 to a record median price for OCR at S\$2,094 psf in Q3 2022 (Table 1). Last quarter also saw more non-landed new sales in OCR, which jumped from 471 units in Q2 2022 to 1,237 units in Q3 2022. Therefore, the higher median prices coupled with a high volume of such transactions led to a significant increase in the overall index for OCR.

**Chart 3 Sales volume slipped 9.7 per cent**



According to URA Realis data, the high prices for the non-landed new homes in OCR were driven by a surge of new homes sold for at least S\$2,000 psf last quarter. A total of 939 new non-landed homes in OCR were transacted at a median price of at least S\$2,000 psf, 21 of which were above S\$2,400 psf.

Last quarter, the highest per square foot median price inked for a non-landed home in OCR was a 463 sqft freehold condominium sold for S\$2,556 psf at The Gazania in Serangoon, followed by a 732 sqft leasehold apartment transacted for S\$2,513 psf at Lentor Modern in Ang Mo Kio.

Projects with the highest number of non-landed new sales in OCR transacted at a median price of above S\$2,000 psf last quarter were Lentor Modern (S\$2,108 psf, 512 units), AMO Residence (S\$2,110 psf, 362 units) and Sky Eden@Bedok (S\$2,119 psf, 120 units).

**Sales volume**

Sales volume dipped last quarter on rising interest rates and higher prices. URA data shows overall sales declining by 9.7 per cent from 6,811 in Q2 2022 to 6,148 units in Q3 (Chart 3). The sales dip was observed for both new home sales and resales. New home sales excluding EC dipped by 8.8 per cent from 2,397 in Q2 2022 to 2,187 units Q3 2022, while resales slipped 12.2 per cent from 4,236 units to 3,719 units over the same period.



# LUXURY SEGMENT

Demand for luxury homes held relatively steady last quarter. According to URA Realis data, 1,265 private homes in CCR were sold in Q3 2022, slipping slightly by 2.7 per cent when compared to the 1300 units sold in Q2 2022 (Chart 4).

New home transactions (landed and non-landed) in CCR grew slightly by 1.2 per cent, from 573 units in Q2 2022 to 580 units in Q3 2022. Over the same period, resale transactions dipped by 6 per cent from 721 units to 678 units.

Prices of new sale and resale condos in CCR grew last quarter. The average price of new condos grew 2.6 per cent from S\$2,788 psf in Q2 2022 to S\$2,860 psf in Q3 2022. The average price of resale condos grew by 2.9 per cent from S\$2,085 psf to S\$2,145 psf over the same period (Chart 5).

In the absence of major new launches, many existing projects were able to sell their balance units over the last three months. The best-selling new condos in CCR were Hyll on Holland (73 units), Leedon Green (66 units), Perfect Ten (66 units), The Hyde (39 units) and Pullman Residences Newton (38 units) last quarter (Charts 6 and 7).

Chart 4 Demand for luxury homes held relatively steady

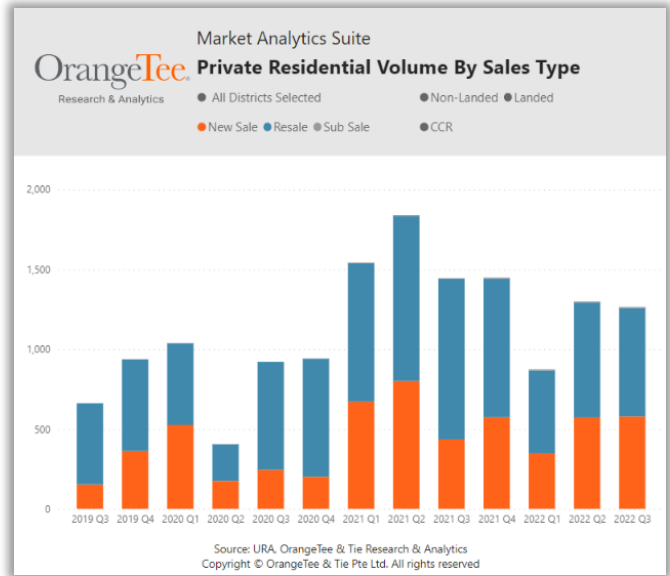


Chart 5 Prices of both new sale and resale condos rose last quarter

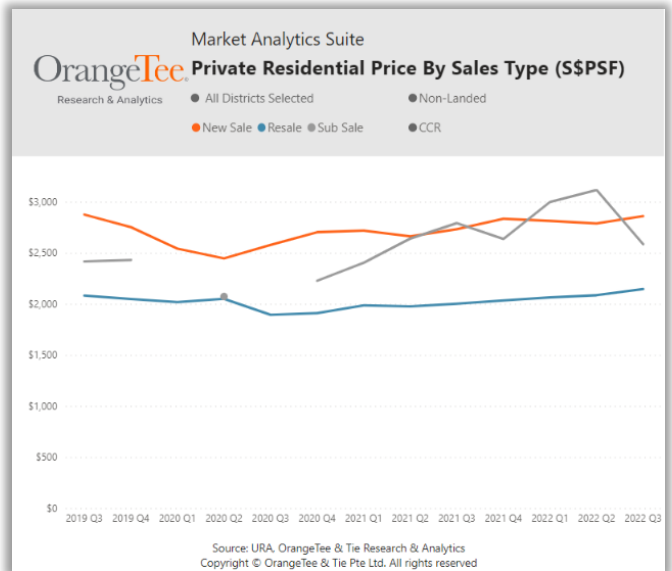


Chart 6 Best-selling new projects in CCR

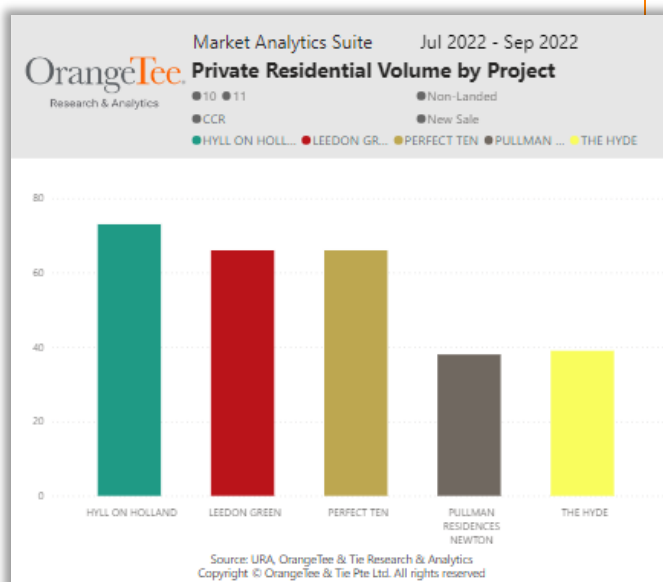
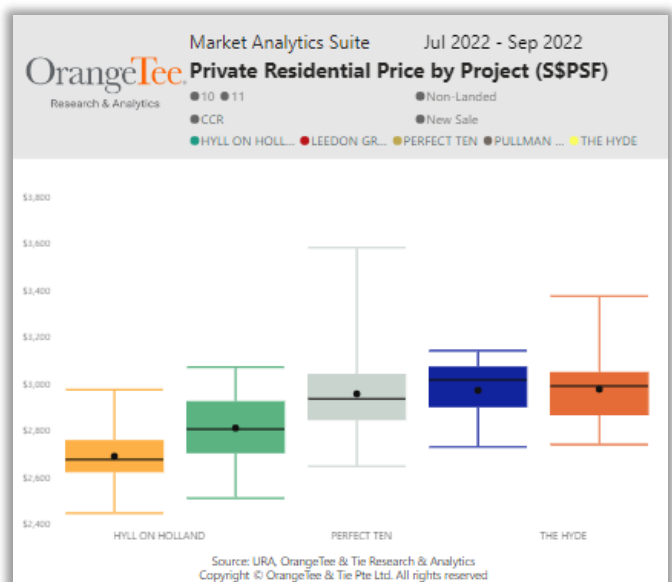
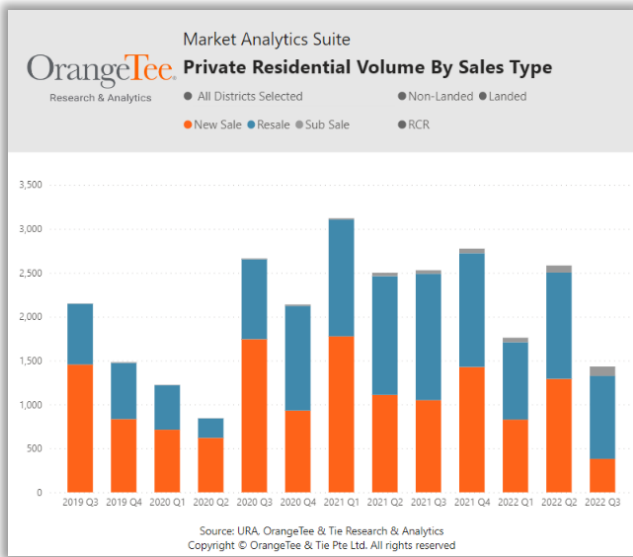


Chart 7 Best-selling new projects in CCR (\$\$psf)



**Chart 8 Private home sales in RCR dipped last quarter**



## MID-TIER SEGMENT

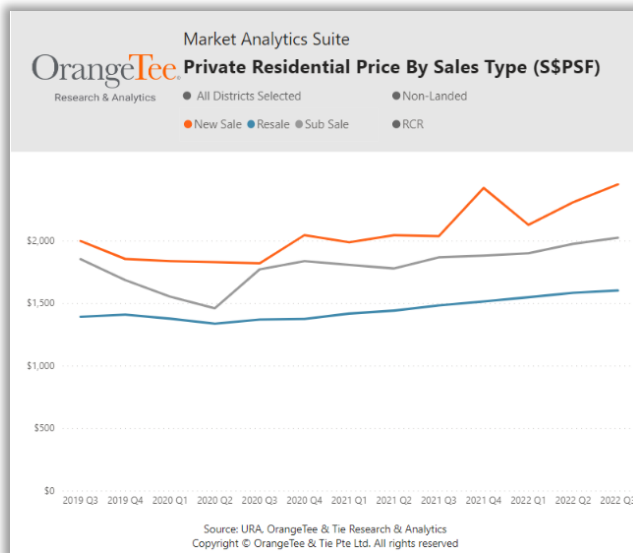
After the stellar sales in the second quarter, sales volume in the city fringe slipped last quarter. Based on URA Realis data, private home sales in RCR (excluding EC) dipped by 44.6 per cent from 2,583 units in Q2 2022 to 1,432 units in Q3 2022 (Chart 8).

Both new sale and resale volume decreased by 70.5 per cent from 1,293 units to 382 units, and by 22 per cent from 1,210 units to 944 units respectively over the same time period.

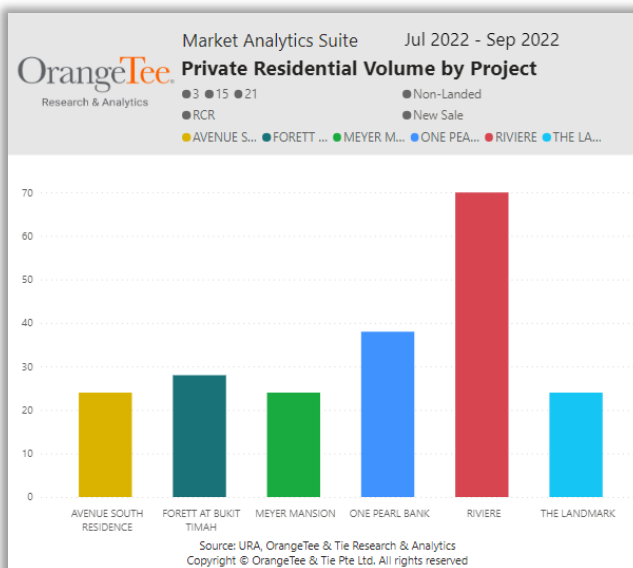
Despite a lack of new launches, prices continued to climb for both new sales and resale condos (excluding EC) in the RCR. The average price of new non-landed homes increased by 6.2 per cent from S\$2,306 psf in Q2 2022 to S\$2,449 psf in Q3 2022. Over the same period, resale prices rose 1.2 per cent from S\$1,581 psf to S\$1,600 psf (Chart 9).

Last quarter, the bestselling new projects in RCR were Riviere (70 units), followed by One Pearl Bank (38 units), Forett at Bukit Timah (28 units), Meyer Mansion (24 units), The Landmark (24 units), and Avenue South Residence (24 units) (Charts 10 and 11).

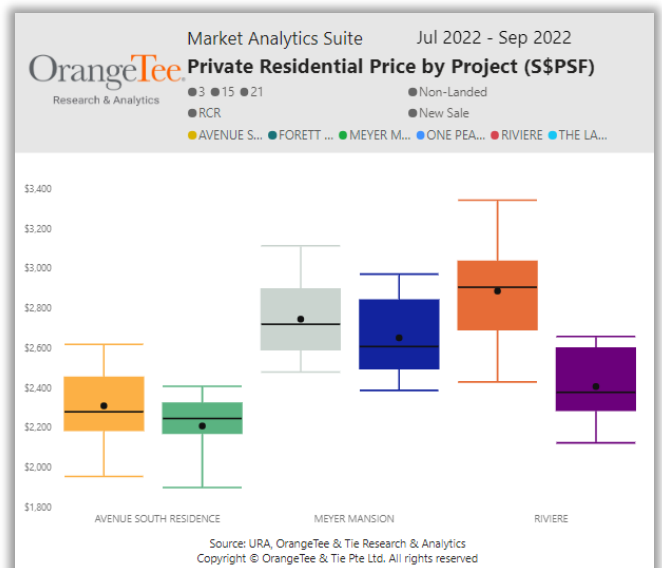
**Chart 9 Overall prices of RCR condos grew 6.2 per cent**



**Chart 10 Best-selling new projects in RCR**



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



# MASS MARKET SEGMENT

The market was driven by 3 major project launches – Lentor Modern, AMO Residence and Sky Eden@Bedok - last quarter. Based on URA Realis data, private home sales (excluding ECs) in the OCR grew by 13.3 per cent, from 2,813 private homes in Q2 2022 to 3,186 units in Q3 2022 (Chart 12).

New private home sales (landed and non-landed) spiked by 154.7 per cent growth from 488 units in Q2 2022 to 1,243 units in Q3 2022 after the launch of the three new projects. Resale transactions decreased by 17.4 per cent from 2,241 units to 1,852 units over the same period.

As the three project launches were sold at new benchmark prices, new condo (excluding ECs) prices surged by 14.9 per cent from S\$1,801 psf in Q2 2022 to S\$2,069 psf in Q3 2022. Prices of resale condos (excluding ECs), on the other hand rose only marginally by 2.1 per cent from S\$1,265 psf to S\$1,292 psf over the same period (Chart 13).

The bestselling new condos in OCR non-landed excluding ECs were Lentor Modern (512 units), AMO Residence (362 units), Sky Eden@Bedok (120 units), The Gazania (33 units), and The Watergardens at Canberra (28 units) (Charts 14 and 15).

Chart 12 Private home sales in OCR continued to increase

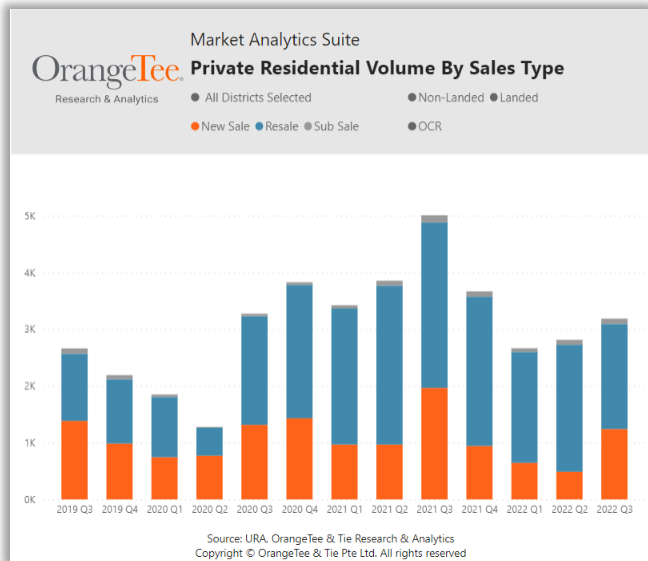


Chart 13 Prices rose for new and resale condos last quarter

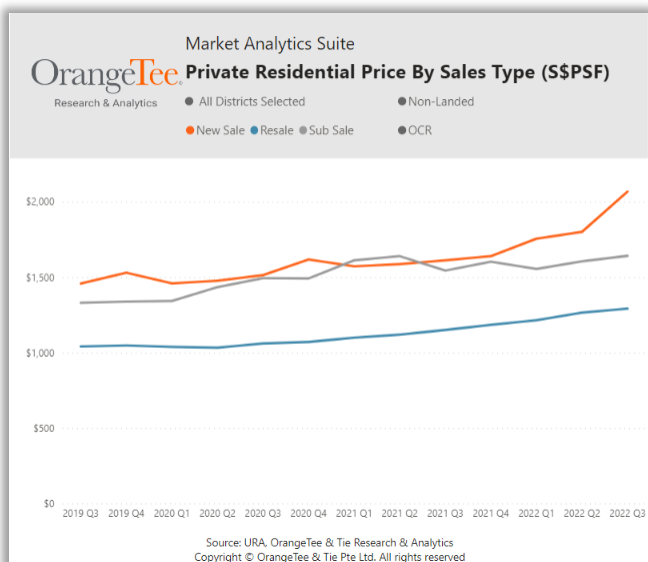


Chart 14 Best-selling new projects in OCR

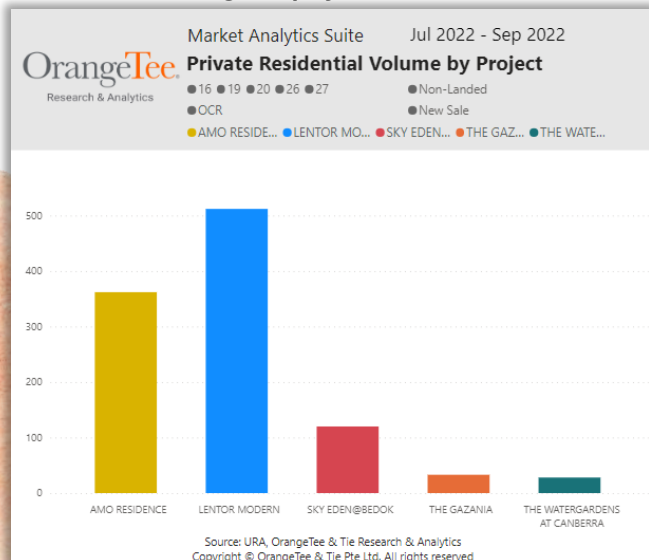
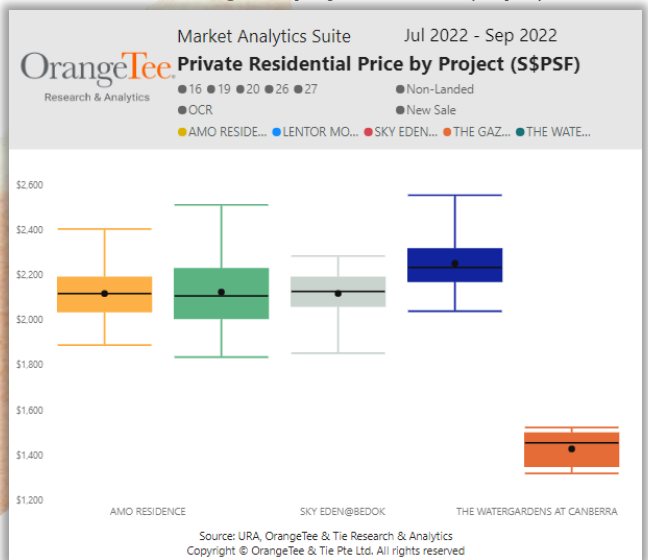


Chart 15 Best-selling new projects in OCR (\$\$psf)







Artist's Impression of Perfect Ten

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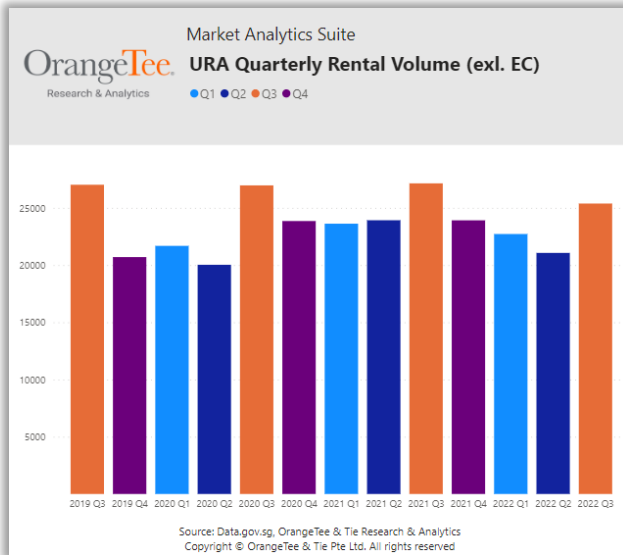
With more tenants signing longer lease tenures, we may expect overall leasing volume to fall further as fewer transactions will be recorded over time. The longer lease periods will also lead to fewer homes available for rental. With limited stock, there may not be a quick respite from surging rents.

~ Christine Sun

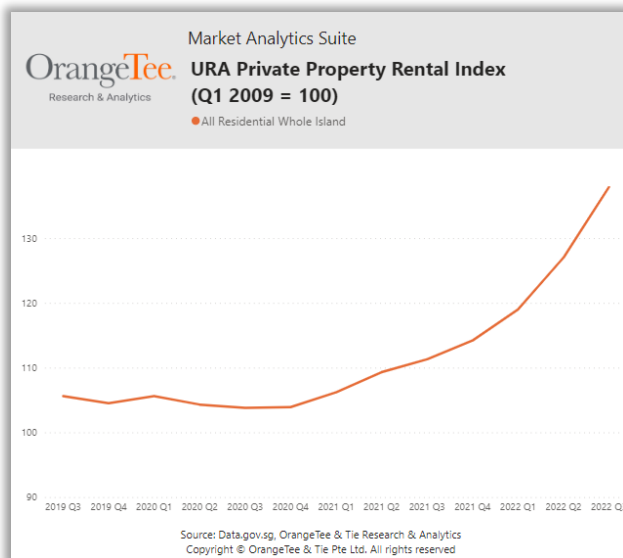


Artist's Impression of Lentor Modern

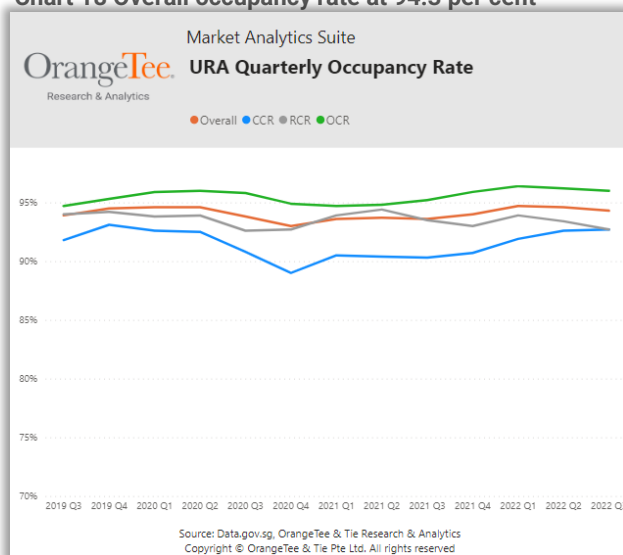
**Chart 16 Rental volume rebounded in Q3**



**Chart 17 Rents rose by 8.6 per cent q-o-q**



**Chart 18 Overall occupancy rate at 94.3 per cent**



## RENTAL

Tenant budgets are stretched to new limits last quarter as rents grew at their fastest quarterly pace since Q3 2007 (11.4 per cent). According to URA data, rents climbed faster by 8.6 per cent in the third quarter of this year to a new high, after rising 6.7 per cent in the second quarter of this year (Chart 17). Over the past nine months, rents rose by 20.8 per cent.

Even as rents increased, rental demand rebounded in Q3, increasing 20.5 per cent to 25,382 transactions from 21,068 units in Q2 2022 (Chart 16), while occupancy rates remained high at 94.3 per cent in Q3 2022 (Chart 18).

Rents are rising exponentially as many landlords have increased their asking rents above market value. With demand far outstripping supply and units readily snapped up by the highest bidder, many tenants acceded to paying the higher rents. Tenants are signing longer leases of up to three years to secure units and lock in better rates. Rising interest rates and rampant inflation exacerbated the situation as more landlords passed on their increased mortgage repayments and living costs to tenants. The escalating leasing costs are putting a squeeze on tenants' rental affordability. Some tenants have shifted to the HDB market since rents are much cheaper.

There may not be a quick respite from the surging rents. With more tenants signing longer lease tenures, we may expect the rental volume to fall further as fewer transactions will be recorded over time. The longer lease periods will also lead to fewer homes available for rental. Private homeowners buying unsubsidized HDB resale flats and are affected by the 15-month wait-out period will rent in the interim, thus intensifying rental demand. However, more homes may be completed next year, which may slow down the pace of rental price growth from mid-2023.



# OUTLOOK

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

Indicators	2019	2020	2021	Q2 2022	Q3 2022	Q1-Q3 2022	Projection for 2022	Projection for 2023
<b>Overall</b>								
URA Property Price Index (Price Change) (incl.EC)	2.7%	2.2%	10.6%	3.5%	3.8%	8.2%	9% to 11%	5% to 8%
Sales Volume (units)	19,150	20,909	33,557	6,811	6,148	18,302	21,000 to 22,500	19,000 to 22,500
<b>New Sale</b>								
Price Change	7.5%	0.8%	13.2%	10.8%	1.1%	4.3%	6% to 7%	5% to 8%
Sales Volume (units)	9,912	9,982	13,027	2,397	2,187	6,409	7,500 to 8,000	8,500 to 10,000
<b>Resale</b>								
Price Change	3.6%	-3.9%	5.7%	4.5%	3.5%	8.7%	9% to 10%	5% to 8%
Sales volume (units)	8,949	10,729	19,962	4,236	3,719	11,332	13,000 to 14,000	10,000 to 12,000
<b>Rental</b>								
URA Rental Index (Price Change) (incl. EC)	1.4%	-0.6%	9.9%	6.7%	8.6%	20.8%	26% to 29%	13% to 16%
Leasing volume (units)	93,960	92,537	98,605	21,068	25,382	69,169	91,000 to 95,000	85,000 to 90,000

Source: URA, OrangeTee & Tie Research & Analytics

The rapidly climbing interest rates, increased geopolitical tensions and recessionary risks worldwide are causing investors to lose confidence in equities and riskier assets. Some prefer to invest in real estate that is widely regarded as a safe-haven asset or a hedge against inflation.

Fundamentals like our strong household balance sheets, tight domestic labour market and sustained income growth will continue to prop up housing demand. While rising mortgage rates and prices are squeezing buyers, some will continue to purchase homes before interest rates rise further.

Price growth may continue after the new cooling measures. We raised our price projection to be between 9 and 11 per cent for the whole of this year. Around 21,000 to 22,500 private homes excluding EC may be sold in 2022.

More rate hikes from Fed could be on the cards as inflationary pressures may not ease anytime soon. If interest rates edge towards 4 per cent, the interest rates used for the computation of the TDSR may be revised again to possibly 4.5 per cent next year. At this rate, more buyers could be affected, and there may be a more significant pullback in housing demand.

For investors and landlords, surging rents are still cushioning the impact of higher mortgage payments now. If mortgage rates continue to soar and competition stiffens with more home completions next year, some landlords may face difficulty coping with the higher mortgage loans. The situation may worsen when property tax and cost of living increase further.

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