OrangeTee
Research & Analytics

Private Residential Market

Real Estate Data Trend & Analytics

Artist Impression of The Botany at Dairy Farm

Q4 2022

Prices softening amid a weaker macroeconomic outlook

Prices of private homes are softening over the past few months. This is in line with a weaker macroeconomic projection for this year against a backdrop of rising mortgage rates and spiralling inflation.

Higher borrowing costs have lowered buyers' housing affordability while recent cooling measures reduced the borrowing limits of prospective buyers.

Prices

Private home prices rose at a marginal pace of 0.4 per cent in the fourth quarter of 2022 from the previous quarter, according to the Q4 data released by the Urban Redevelopment Authority (URA). This is in stark contrast to the 3.8 per cent increase in the July to September period.

For the whole of 2022, prices rose 8.6 per cent, lower than 10.6 per cent in 2021 but higher than 2.2 per cent in 2020 (Charts 1 & 2).

Prices of non-landed private residential properties in the suburbs or the Outside Central Region (OCR) decreased by 2.6 per cent in Q4 2022, compared to a 7.5 per cent increase in Q3. Conversely, non-landed homes in the Rest of Central Region (RCR) or city fringe increased by 3.1 per cent, compared to a 2.8 per cent increase in Q3. Non-landed homes in the prime districts, or Core Central Region (CCR), rose by 0.7 per cent after a 2.3 per cent increase in the preceding quarter (Chart 3).

Sales activities slowed dramatically during the year-end as many Singaporeans rushed to travel overseas since border controls were mostly removed worldwide this year. Developers have also held back launches during the holiday season, resulting in fewer new homes being sold last quarter.

Further, new cooling measures introduced in September 2022 reduced the borrowing limits of many buyers. HDB upgraders faced greater hurdles in upgrading to private housing as some took a longer time to offload their flats or find suitable buyers.

Chart 1 Market summary

Table 1 Median price of non-landed homes

Market Segment	Type of Sale	Q3 2022	Q4 2022	Q-o-Q % change
Overall	**All**	**$1,854**	**$1,664**	**-10.2%**
CCR	New Sale	$2,809	$2,899	**3.2%**
	Resale	$2,038	$2,077	**1.9%**
	Sub Sale	$2,608	$2,750	**5.5%**
	Overall	**$2,574**	**$2,608**	**1.3%**
RCR	New Sale	$2,453	$2,511	**2.4%**
	Resale	$1,614	$1,637	**1.4%**
	Sub Sale	$2,056	$2,077	**1.0%**
	Overall	**$1,796**	**$1,776**	**-1.1%**
OCR	New Sale	$2,092	$2,017	**-3.6%**
	Resale	$1,283	$1,295	**0.9%**
	Sub Sale	$1,612	$1,597	**-0.9%**
	Overall	**$1,563**	**$1,353**	**-13.4%**

Source: URA, OrangeTee & Tie Research & Analytics

Chart 2 Prices rose at a slower pace in Q4 2022

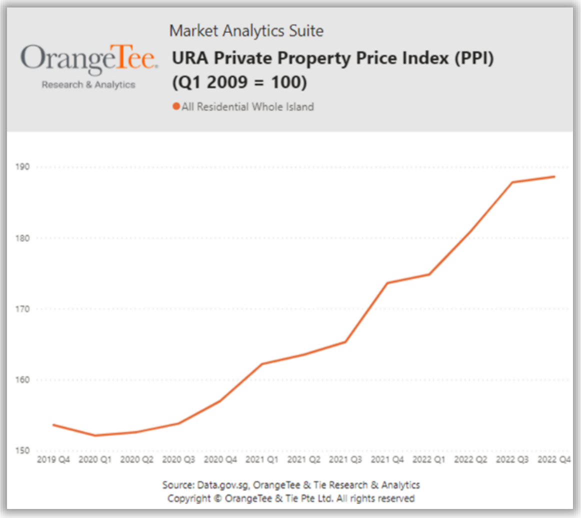


Chart 3 Prices of homes in CCR and RCR rose in Q4

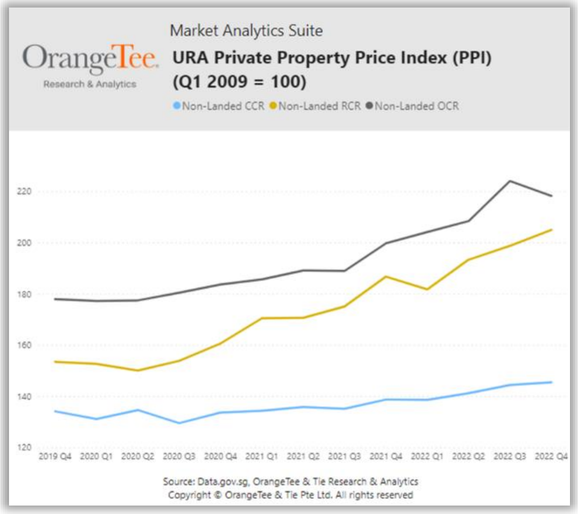
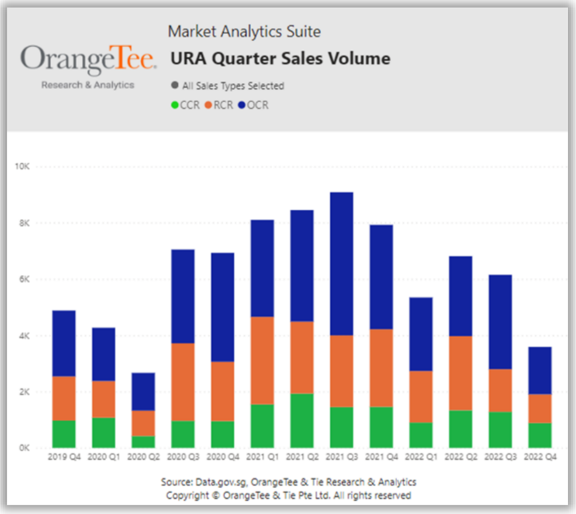


Chart 4 Sales volume slipped 41.6 per cent



Price softening in sync with global trends

The price decline is in sync with global trends where home prices have similarly slid in many countries like Canada, Sweden, New Zealand, and Britain. In October 2022, prices of new homes in China fell at the fastest pace in over seven years.

Home prices are taking a hit from rising interest rates globally. Central banks worldwide have hiked interest rates to tame inflation. Many countries are pushing up borrowing costs to guide their economies towards a soft landing.

Real estate will inevitably be affected as households tighten their belts, and rising interest rates hold back some potential buyers. Some governments, such as the one in South Korea, intervened to help homeowners struggling to cope with the increased mortgage repayments.

It is not surprising that some buyers in Singapore are starting to feel the impact of higher mortgage payments, considering how much interest rates have risen over the past year. However, most buyers can still service their loans now as they are not overleveraged since stringent property curbs are in place to ensure buyers remain prudent and our job growth is still healthy. Therefore, home values here are not facing as sharp a cooling as in many other countries.

Sales volume

Sales volume dipped last quarter as most buyers were on overseas vacation and sales activities slowdown during the seasonal holidays. Interest rate hikes, lack of launches during the year-end holidays and rising macroeconomic uncertainties have also dampened demand.

According to URA data, sales declined by 41.6 per cent from 6,148 units in Q3 to 3,588 units in Q4 2022 (Chart 4). The sales dip was observed for both new home sales and resales.

New home sales excluding EC dipped by 68.4 per cent from 2,187 units Q3 2022 to 690 in Q4 2022, while resales slipped 27.6 per cent from 3,719 units to 2,694 units over the same period.

Last quarter's 690 transactions were the lowest number of quarterly new homes sold since Q4 2008, when 419 units were transacted during the Global Financial Crisis.

For the whole of 2022, 21,890 total homes, excluding EC were sold. This is less than the 33,557 units transacted in 2021, but higher than the 19,150 units sold in 2019 and the 20,909 transacted in 2020. In 2022, 4,400 units were transacted in CCR, 7,000 units in RCR and 10,490 units in OCR.

LUXURY SEGMENT

Demand for luxury homes dipped in 2022. According to URA Realis data, 4,315 private homes were sold in the CCR in 2022, dropping slightly by 31.3 per cent compared to the 6,280 units sold in 2021 (Chart 5).

Both new and resale transaction volumes for landed and non-landed properties dipped last year. New sale volume in the CCR declined by 24.9 per cent from 2,482 units in 2021 to 1,864 units in 2022. Similarly, resale transactions declined 35.8 per cent from 3,778 units to 2,426 units over the same period.

Even as volume contracted, prices continued to grow. The average price of both new and resale condos increased last year. For new condos, there was a growth of 4.1 per cent from S$2,728 psf in 2021 to S$2,841 psf in 2022. Over the same period, prices grew 5.9 per cent from S$1,998 psf to S$2,116 psf for resale condos (Chart 6).

Last year's best-selling new condos in CCR were Leedon Green (190 units), Perfect Ten (166 units), The Avenir (138 units), Hyll on Holland (132 units), Kopar at Newton (112 units), and Haus on Handy (108 units) (Charts 7 and 8).

Chart 5 Sales volume in CCR dropped in 2022

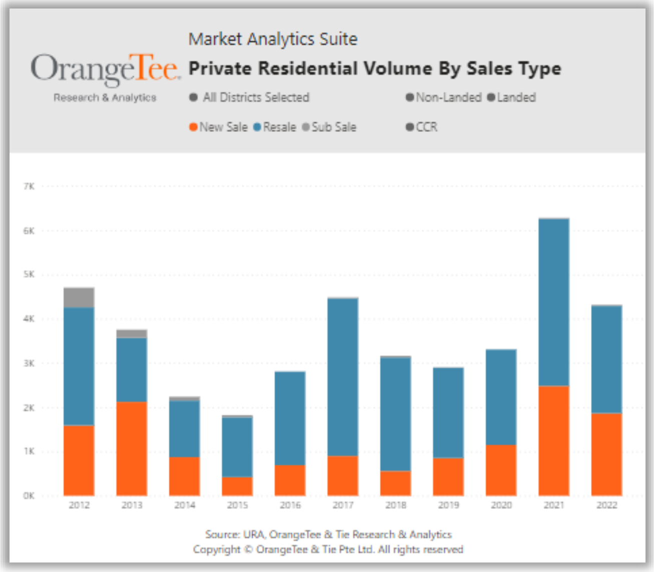


Chart 6 Prices of both new sale and resale condos rose last year

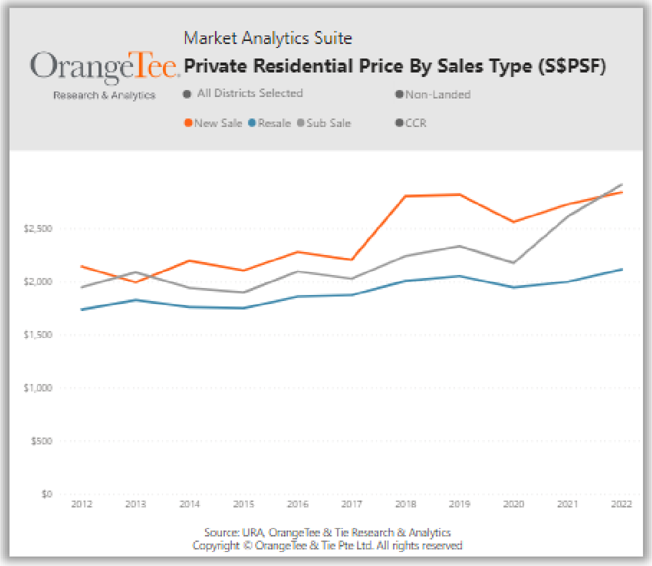


Chart 7 Best-selling new projects in CCR

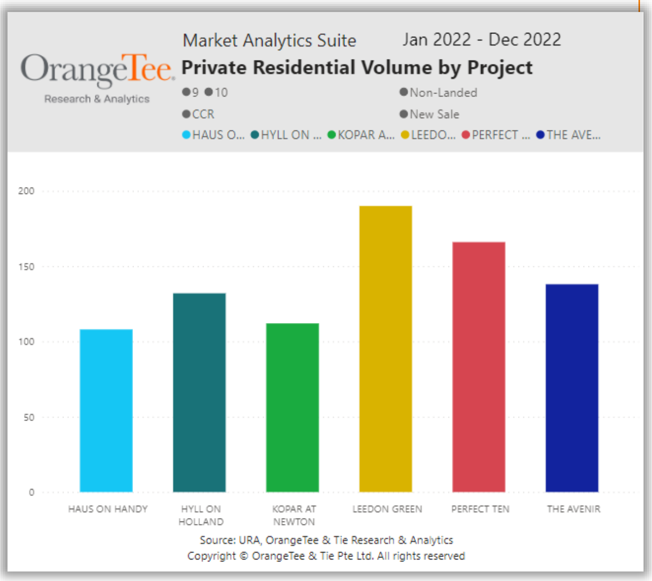


Chart 8 Best-selling new projects in CCR (S$psf)

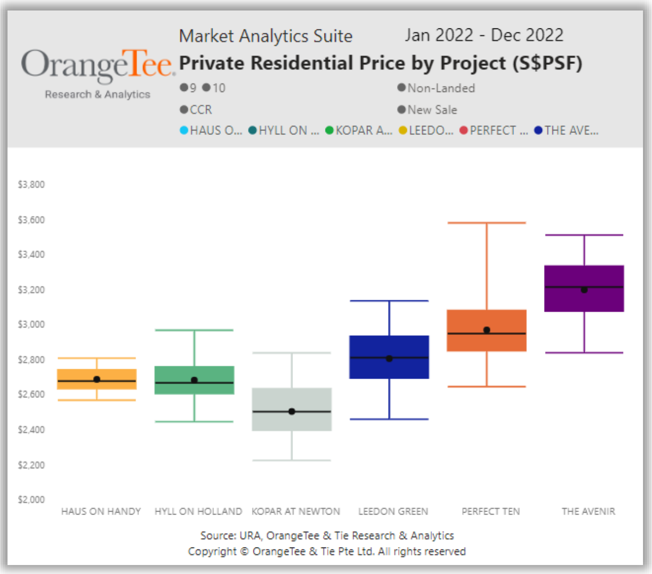


Chart 9 Private home sales in RCR dropped last year

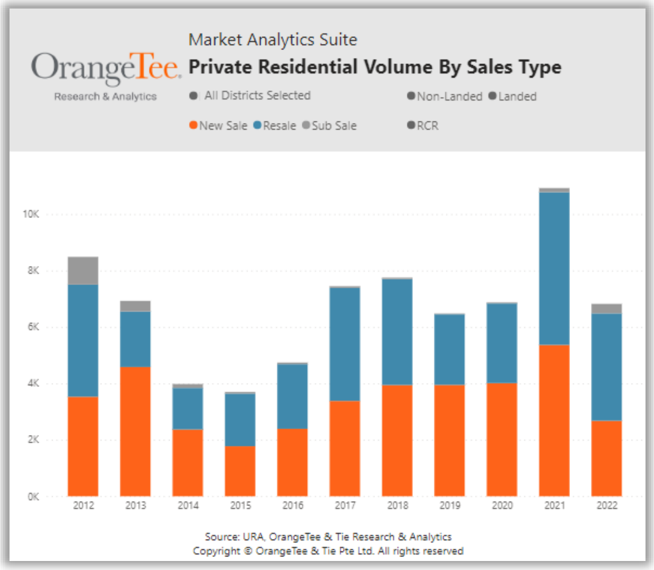
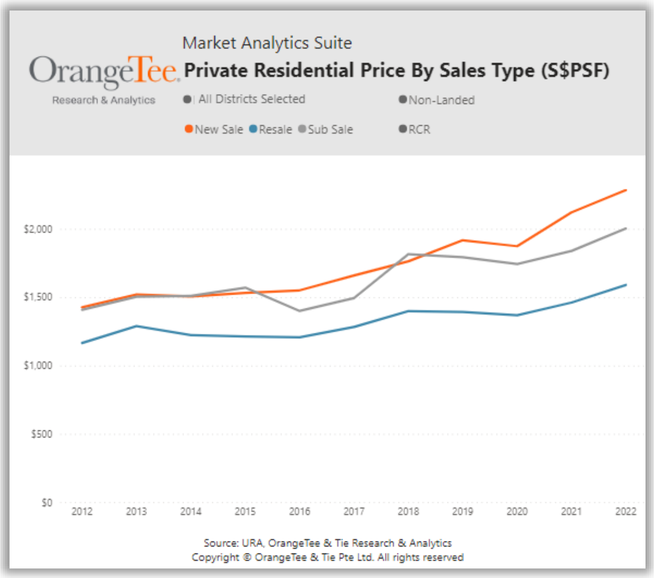


Chart 10 Prices grew across all sales types



MID-TIER SEGMENT

After record sales in 2021, sales volume in the city fringe plunged last year. Based on URA Realis data, private home sales in RCR (excluding ECs) dipped by 37.6 per cent from 10,923 units in 2021 to 6,818 units in 2022 (Chart 9).

New sales volume dropped as there was a lack of launches in 2022. Year-on-year, new sales declined 50.1 per cent from 5,365 units in 2021 to 2,676 units in 2022. Similarly, resale volume also fell 29.7 per cent from 5,412 units to 3,807 units over the same period.

However, a limited supply of housing units helped to push prices higher. The average price of new non-landed condos (excluding ECs) climbed 7.7 per cent from S$2,121 psf in 2021 to S$2,285 psf in 2022 (Chart 10). Over the same period, resale prices grew 8.8 per cent from S$1,462 psf to S$1,590 psf.

Last year's bestselling new projects in RCR were Normanton Park (375 units), Piccadilly Grand (344 units), Liv @ MB (248 units), Riviere (209 units), and One Pearl Bank (173 units) (Charts 11 and 12).

Chart 11 Best-selling new projects in RCR

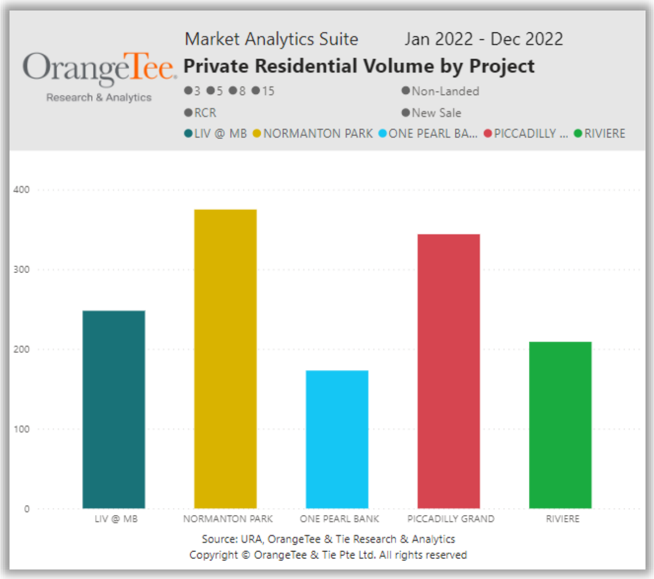
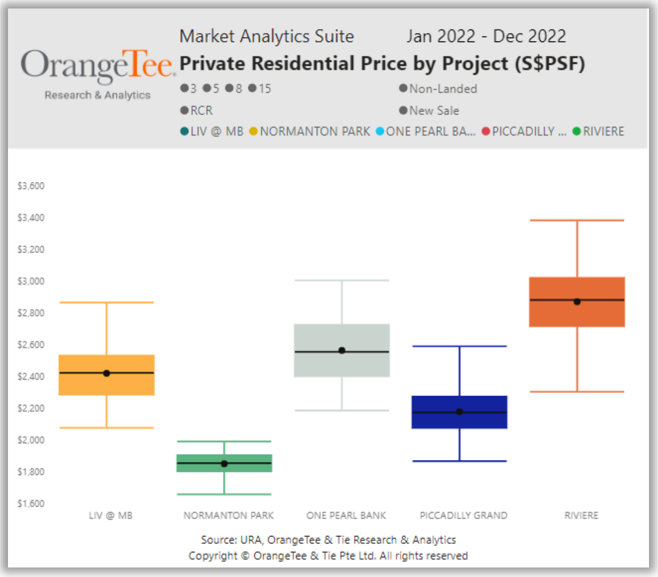


Chart 12 Best-selling new projects in RCR (S$psf)



MASS MARKET SEGMENT

Sales contracted in the mass-market region on the back of fewer project launches. Based on URA Realis data, private home sales (excluding ECs) in the OCR shrank by 35.1 per cent, from 15,959 private homes in 2021 to 10,361 units in 2022 (Chart 13).

New private home sales nearly halved last year, dropping 49 per cent from 4,853 units in 2021 to 2,477 units in 2022. Resale transactions decreased by 29.6 per cent, from 10,744 units to 7,566 units over the same period.

Prices grew last year, driven by new launches that were sold at new benchmark prices. Average new condo (excluding ECs) prices surged by 20.6 per cent from S$1,604 psf in 2021 to S$1,934 psf in 2022 (Chart 14).

Prices of resale condos (excluding ECs) also grew, albeit by a slower 11.2 per cent from S$1,140 psf to S$1,268 psf over the same period.

Last year's best-selling new condos (excluding ECs) in OCR were Lentor Modern (521 units), AMO Residence (367 units), The Florence Residences (173 units), The Gazania (151 units), and Sky Eden @ Bedok (122 units) (Charts 15 and 16).

Chart 13 Private home sales in OCR plunged last year

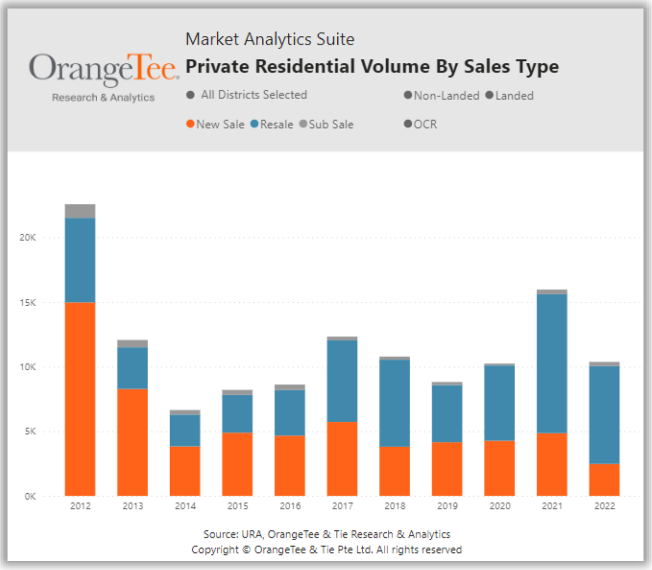


Chart 14 Prices rose for new and resale condos last quarter

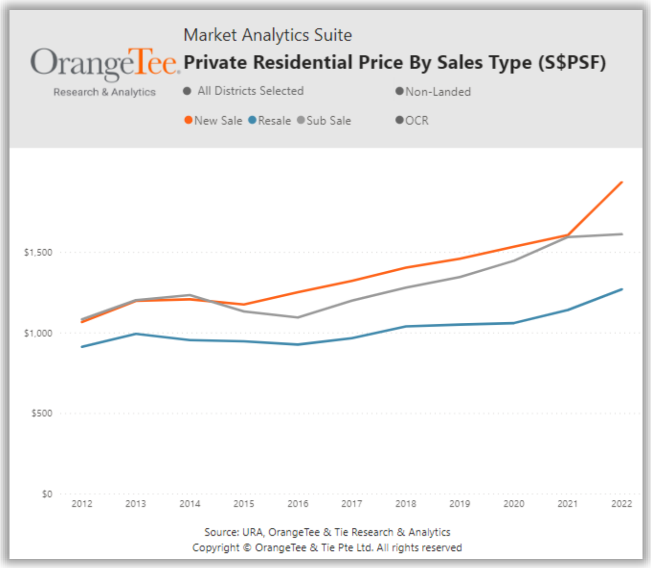


Chart 15 Best-selling new projects in OCR

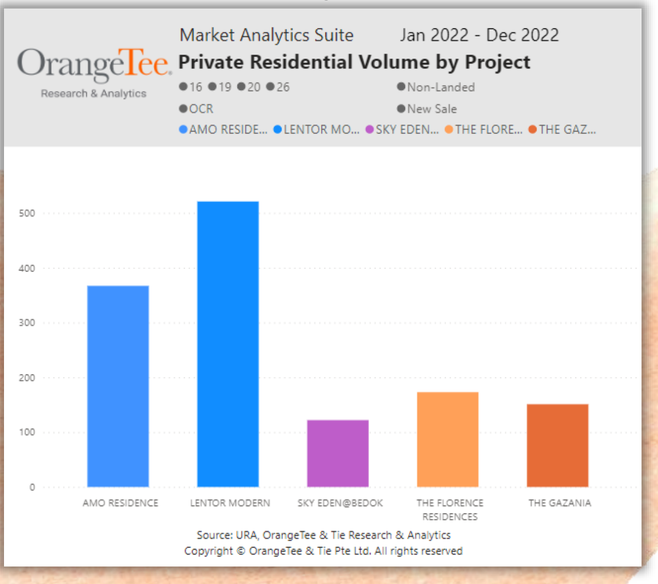
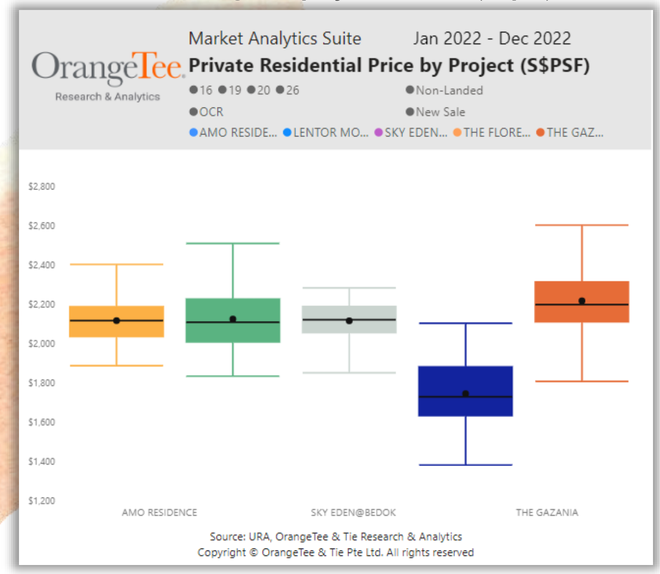


Chart 16 Best-selling new projects in OCR (S$psf)



Artist Impression of Haus on Handy

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It is not surprising that some buyers are starting to feel the impact of higher mortgage payments, considering how much interest rates have risen over the past year. However, buyers can still service their home loans in Singapore as they are not overleveraged.

Artist Impression of Tenet

Chart 17 Rental volume dipped in Q4

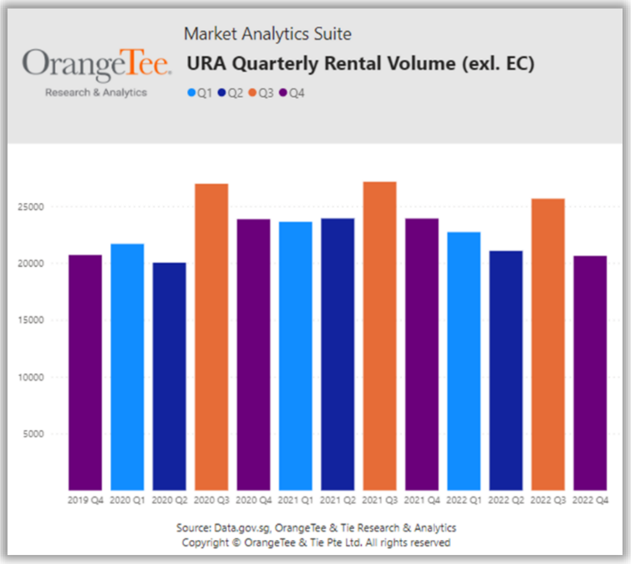


Chart 18 Rents rose by 7.4 per cent q-o-q

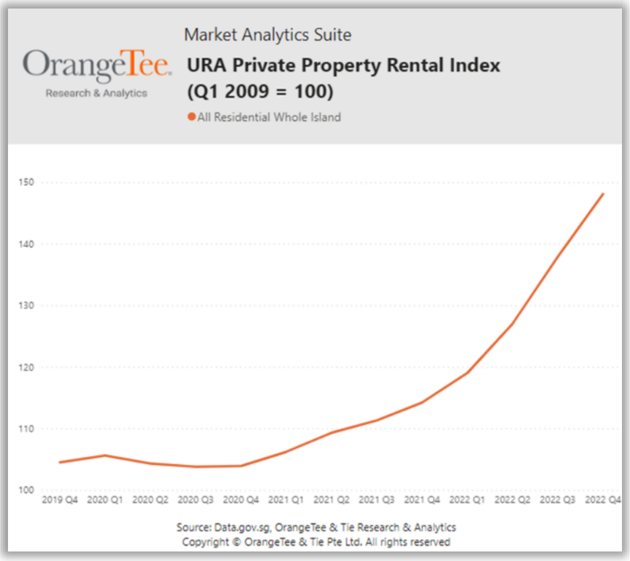
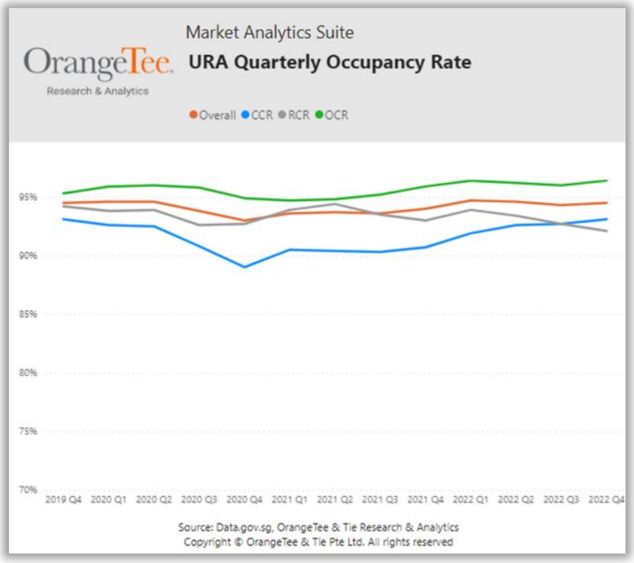


Chart 19 Overall occupancy rate increased slightly



RENTAL

The leasing market performed well last year as rents hit a record high. Rents continued to climb last quarter amid a shrinking housing stock and rising home prices. According to URA data, rents climbed by 7.4 per cent in the fourth quarter of this year to a new high, after rising 8.6 per cent in the third quarter (Chart 18). For the whole of 2022, rents rose by 29.7 per cent, the highest annual increase since 2007 when rents surged by 41.2 per cent.

Owing to the year-end holidays, rental demand slipped in Q4, dipping by 19.6 per cent to 20,627 transactions from 25,657 units in Q3 2022 (Chart 17). Occupancy rates stayed healthy at 94.5 per cent in Q4 2022 (Chart 19). For the whole of 2022, 90,071 homes were leased, less than the 98,605 units in 2021, 93,960 units in 2019 and 92,537 in 2020.

Rents have been rising continuously for over two years as demand outstrips supply. In 2023, there will be a significant ramp-up in housing supply, with 19,291 new private homes, including executive condominiums (EC), slated for completion. The bulk of new home completions will be in the suburbs or Outside of Central Region (OCR), with over 9,000 units, followed by the city fringe or the Rest of Central Region (RCR), with over 6,600 units, and the prime areas or Core Central Region (CCR) with about 2,500 units.

The increased housing supply may ease some rental pressures, especially in the suburbs and city fringe areas. There could be some relief in sight for HDB upgraders and Singaporeans who are renting as they wait for the completion of their new homes. There will be more housing options, and possibly an increased number of suburban homes offering affordable rents. We expect rents to rise at a slower pace of around 13 to 16 per cent this year.

OUTLOOK

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

Indicators	2019	2020	2021	Q4 2022	2022	Projection for 2023
Overall						
URA Property Price Index (Price Change) (incl.EC)	2.7%	2.2%	10.6%	0.4%	8.6%	5% to 8%
Sales Volume (units)	19,150	20,909	33,557	3,588	21,890	19,000 to 22,500
New Sale						
Price Change	7.5%	0.8%	13.2%	12.7%	12.5%	5% to 8%
Sales Volume (units)	9,912	9,982	13,027	690	7,099	8,500 to 10,000
Resale						
Price Change	3.6%	-3.9%	5.7%	1.6%	8.7%	5% to 8%
Sales volume (units)	8,949	10,729	19,962	2,694	14,026	10,000 to 12,000
Rental						
URA Rental Index (Price Change) (incl. EC)	1.4%	-0.6%	9.9%	7.4%	29.7%	13% to 16%
Leasing volume (units)	93,960	92,537	98,605	20,627	90,071	85,000 to 90,000

Source: URA, OrangeTee & Tie Research & Analytics

The property price index may well snap back up in the next quarter as sales activities are expected to pick up with the increased launches after the year-end lull. As many as 11,000 new homes from around 48 projects could be launched this year. An estimated 31.7 per cent or 3,612 units from 14 projects may be launched in OCR.

More private homes will be launched in prime locations and city fringe areas. Sales of such pricier homes may uplift the overall price index. 45.3 per cent or 5,155 units from 18 projects may be launched in RCR, while 23 per cent of 2,624 units from 16 projects may be launched in CCR.

Foreign investors will continue to be attracted by our strong and stable currency, which will help to preserve the value of their property investment in the long run.

The reopening of China's borders will likely see more Mainland Chinese buyers returning to Singapore.

Nevertheless, housing affordability will be a key concern to most buyers. We expect buyers to stay prudent this year, given the rising interest rates, inflationary pressures, and global economic uncertainties.

Interest rates may stay elevated as inflation is not expected to be transitory. Therefore, the net effect may see prices growing slower, between 5 and 8 per cent this year.

As more projects will be launched this year, new home sales are projected to rise to 8,500-10,000.

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