

PROP NEX RESEARCH
Q1 2023

RESIDENTIAL PROPERTY REPORT



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Private Residential Property Q1 2023

Overview

Despite the cautious market sentiment, private home prices accelerated in Q1 2023, beating expectations. The recovery in new home sales in Q1 amid more launches, firm prices of new homes, steady sales at CCR projects as some buyers swooped in on value-buys, and stronger landed home prices have all contributed to the higher URA PPI in Q1 2023.

Prices

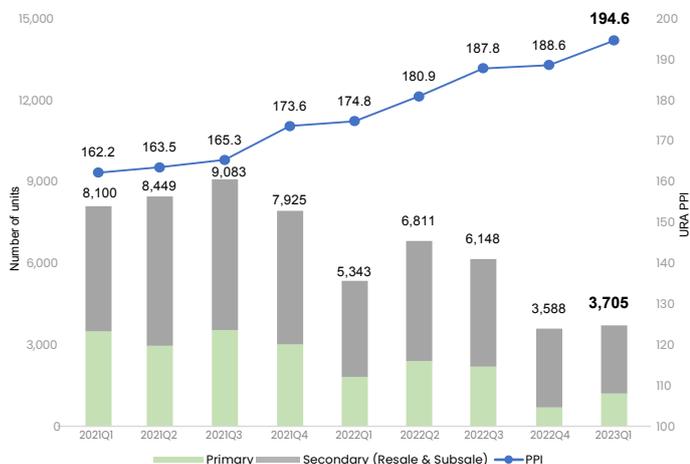
- URA's flash estimates showed that overall private home prices rose for the twelfth straight quarter in Q1 2023, growing by 3.2% QOQ – up significantly from the 0.4% growth in Q4. Private home prices are up by 11.3% from Q1 2022.
- The price increase in Q1 2023 was led by the landed homes segment, where values rose by 5.7% QOQ, accelerating from the 0.6% increase in the previous quarter. Based on URA Realis caveat data, the median transacted unit price for detached houses rose by 13% QOQ in Q1, while that of semi-detached and terrace homes rose by 9% and 5% QOQ respectively.
- Meanwhile prices of non-landed private homes grew by 2.5% QOQ in Q1 2023, mainly driven by the Rest of Central Region (RCR), where prices rose by 4% QOQ, building further from the 3.1% growth in Q4 2022.
- The price gains in the RCR was largely supported by the launch of Terra Hill in Pasir Panjang, which sold more than one-third of its total 270 units at an average price of \$2,663 psf in Q1.

- Prices of non-landed homes in the Outside Central Region (OCR) rose by 1.9% QOQ in Q1 – reversing the 2.6% decline in Q4. Mass market home prices received a boost from two new launches, Sceneca Residence and The Botany at Dairy Farm which achieved average prices of \$2,098 psf and \$2,066 psf, respectively.
- Core Central Region (CCR) non-landed home prices rose at a quicker pace of 1% QOQ in Q1, compared to the 0.7% QOQ growth in Q4 2022.
- Notably, several CCR new launch projects – such as Leedon Green, Hyll on Holland, Midtown Modern, Perfect Ten, and Pullman Residences Newton – posted higher median unit prices in Q1, with the price growth ranging between 1.9% and 6.6% QOQ.

Transactions

- The new sales segment staged a slight recovery with the launches in Q1. Preliminary figures showed that developers sold 1,197 new private homes (ex. EC) in Q1 – representing a 74% increase from the recent low of 690 units shifted in Q4 2022.
- The top selling project in Q1 was OCR new launch, The Botany at Dairy Farm which sold 182 of its 386 units at an average unit price of \$2,066 psf (see Table 1).
- Despite having no new major launches during the quarter, the CCR sub-market drove new home sales in Q1, making up about 42% of new homes sold. Meanwhile, the RCR and OCR sub-markets accounted for 21% and 37% of new sales, respectively.
- There were 2,350 private homes sold on the resale market (till 28 March) in Q1 2023 – down by 12.8% QOQ from Q4 2022, where 2,694 units were resold. The OCR sub-market led resale activity in Q1 – 1,224 OCR homes were sold in the resale market in Q1, representing 52% of the quarter's resale volume. Resale activity may pick up as more new completions enter the market this year.
- Sub-sales, meanwhile, remained relatively low at 158 units, taking total private home transactions to 3,705 units (including new sale and resale) in Q1 2023, based on caveat data.

Total Private Home Sales & Property Price Index



Source: PropNex Research, URA (*Price Index data based on flash estimate released on 3 Apr 2023), URA Realis (*data up to 28 March 2023)

Table 1: Top selling projects in Q1 2023*

Project Name	Region	Units Sold in Q4 2022	Average Unit Price (\$PSF) in Q1 2023
THE BOTANY AT DAIRY FARM	OCR	182	\$2,066
SCENECA RESIDENCE	OCR	159	\$2,098
TERRA HILL	RCR	97	\$2,663
PULLMAN RESIDENCES NEWTON	CCR	55	\$3,172
LEEDON GREEN	CCR	52	\$2,934

Source: PropNex Research, URA Realis (*Data up to 26 March 2023)

- A bumper crop of new private homes (over 17,000 units) is slated to be completed in 2023. With more supply entering the market and price resistance setting in amongst tenants, the strong rental growth is expected to plateau in 2023.

Private Residential Market Outlook

PropNex anticipates prices could see a more measured increase in the next few quarters as market uncertainties still linger. With the US Federal Reserve having announced a small rate hike of 0.25% in March and appearing to take a less assertive rhetoric on its monetary policy outlook amid banking turmoil in the US and Europe, the pace of rate hikes could start to slow. However, interest rates will remain elevated in the near-term.

Overall private home prices have been rising for six straight years from 2017 to 2022. In particular, private home prices grew more strongly in the last two years, at 8.6% in 2022 and 10.6% in 2021, as robust housing demand and a supply crunch fuelled price growth. With prices reaching new benchmarks, buyers are likely to take more time to deliberate on their home purchase decision.

On the upside, there are still genuine buyers in the market who are taking a long-term view on their property purchase and are looking beyond the current challenges. There are some 12,000 private residential units (incl. EC) in the supply pipeline that could be launched in 2023. Some upcoming projects include: Lantor Hills Residences, The Continuum, and The Reserve Residences. Buyers who have held back from purchasing due to the lack of suitable options, may find buying opportunities in the launches to come.

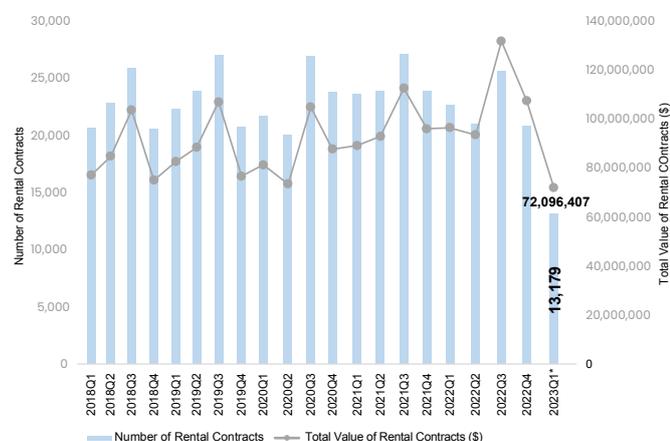
Private home sales will continue to be supported predominantly by Singaporean buyers, including HDB upgraders. As China pivots from its zero-Covid policy, demand from mainland Chinese buyers are expected to rise gradually in 2023 – particularly for new launches in the CCR and RCR.

Given the boost in the supply of new launches this year, PropNex projects developers to sell 8,000 to 9,000 new units (ex. EC) in 2023 – higher than the 7,099 units shifted in 2022. In view of the strong price growth in Q1 and steady supply of new launches, PropNex expects private home prices to rise by 6% to 8% in 2023, barring any unforeseen events in the market.

Private Home Leasing

- According to the URA rental index for all private residential properties (including ECs), home rentals had grown by 29.7% for the whole of 2022 since the end of 2021.
- Rentals continued to climb in Q1 2023, with median rentals reaching \$5.08 psf per month as of February 2023 – up 7.6% from the median rental of \$4.72 psf per month achieved in December 2022 and up by 36.6% YOY from the median rental of \$3.72 psf per month in February 2022.
- Leasing activity in the private residential market slowed in Q1 2023 owing to the declining supply of rental stock and more tenants seeking cheaper alternatives, including in the HDB leasing market amidst skyrocketing rentals.
- 13,179 rental contracts, amounting to over \$72 million were signed in January and February this year. Compared to the same period last year, where 15,132 contracts were signed, though at a smaller total value, worth \$63.7 million.

Private Home Leasing Volume & Total Value (by quarter)



Source: PropNex Research, URA Realis (*Q1 2023 data up to February 2023 figures)

HDB Resale Q1 2023

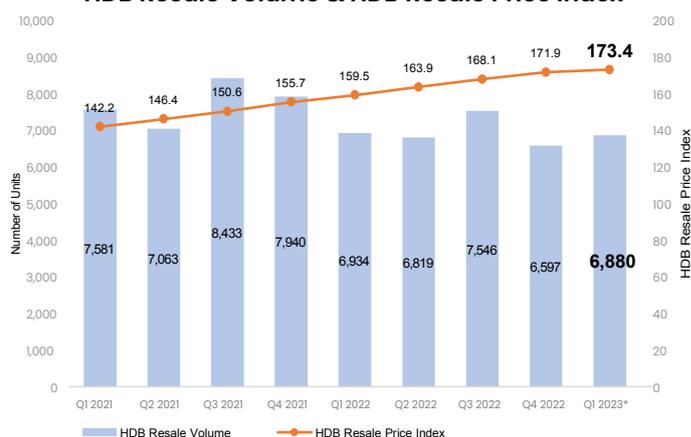
Overview

HDB resale prices got off to a slow start in Q1 2023. After two years of double digit price growth, HDB resale prices eased in Q1 2023 as price resistance sets in amongst buyers and the impact of cooling measures introduced in September 2022 continues to work through the market. The tightening of loan requirements – 3% interest rate floor and lowered LTV to 80% for HDB loans – and the 15-month wait-out period in September 2022's package of cooling measures led to a more subdued price growth in Q1.

Transactions and Prices

- The flash estimates released by the HDB showed that resale prices rose by 0.9% QOQ in Q1, with an index reading of 173.4. Prices are up by 8.7% YOY from Q1 2022.
- Based on figures from HDB, 6,880 flats were resold in Q1 – up by about 4.3% from the 6,597 units sold in Q4 2022, though it is slightly down (-0.8% YOY) from the 6,934 units sold in Q1 2022.
- Despite measures implemented to rein in the sales of million-dollar resale flats, their numbers remained elevated. In Q1 2023, 103 resale flats were resold for at least \$1 million, compared to 92 units in Q4 2022.
- Of the 103 million-dollar HDB flats sold, 21 units were 4-room HDB flats, accounting for about 20% of the Q1 million-dollar deals – markedly higher than the seven 4-room million-dollar resale transactions recorded in Q1 2022 (+200% YOY) and the 13 4-room million-dollar flats resold in Q4 2022 (+61.5% QOQ).
- The increasing number of 4-room million-dollar flats can possibly be attributed to the 15-month wait-out period, which restricts certain private residential home owners from purchasing 5-room or larger resale flats, after selling their private home. Some former private home owners – who are seniors – may have opted to buy 4-room resale flats instead, as an exemption to the rule allows them to do so. They may be willing to pay a tidy sum for choice flats, armed with cash following the sale of their private homes.

HDB Resale Volume & HDB Resale Price Index



Source: PropNex Research, HDB, Data.gov.sg (*Price Index data based on flash estimate released on 3 Apr 2023, resale volume figure up to 30 March 2023)

HDB Resale Market Outlook

PropNex expects the overall demand for HDB resale flats to remain healthy in 2023, with the full year resale volume potentially exceeding 28,000 units – higher than the 27,896 resold in 2022.

The demand will be underpinned by buyers who need move-in ready flats, and those who cannot purchase a BTO flat – such as Singapore Permanent Resident families and high-income singles. In addition, buyers who are seeking larger flats in mature estates, will likely look for options in the resale market, where units are more plentiful compared to BTO offerings.

In February 2023, the government had announced that it would increase the CPF Housing Grant amount for eligible first-timer buyers who can receive up to \$190,000 in grants to help fund their resale flat purchase. The more generous grant amount may encourage buyers to explore options in the resale market. Buyers of four-room and smaller flats will receive the most grants. Interest for these resale flat types are expected to pick up as buyers look to tap the higher grant amounts.

Despite the healthy underlying demand, resale prices are expected to grow at a more measured pace in 2023 amidst the high interest rate environment and price resistance amongst buyers. HDB resale prices are projected to grow by between 5% and 6% for the full year, moderating from the 10.4% growth achieved in 2022.

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