

PROPNEX RESEARCH Q2 2023



RESIDENTIAL PROPERTY REPORT



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Private Residential Property Q2 2023

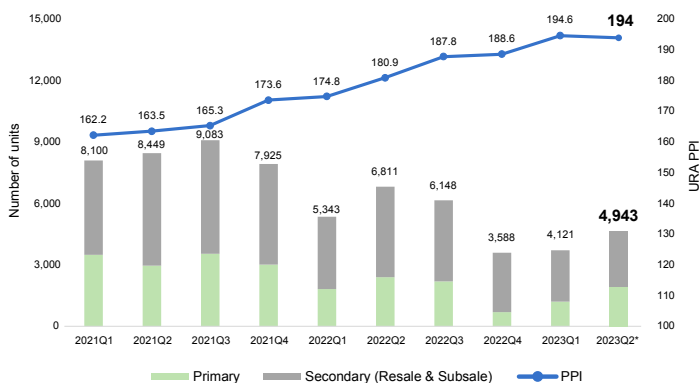
Overview

Signs point towards a more sustainable growth in the residential property market in Q2 2023, following the strong price increase in the past two years, after three rounds of cooling measures since December 2021, and the high interest rate environment has exerted some downward pressure on prices. According to flash estimates, private home prices have moderated across all segments in Q2 2023.

Prices

- URA's flash estimates showed that overall private home prices declined for the first time in three years in Q2 2023, snapping the 12-quarter long growth streak; prices fell by 0.4% QOQ – reversing the 3.3% QOQ increase in Q1. Private home prices were up by 2.9% from end-2022.
- The price increase in Q2 2023 was led by the landed homes segment, where values inched up by 0.1% QOQ, decelerating from the 5.9% increase in the previous quarter. Based on URA Realis caveat data, the average transacted unit price for semi-detached houses declined by 12% QOQ in Q2, while that of detached and terrace homes fell by 7.6% and 2.1% QOQ respectively.
- Prices of non-landed private homes fell by 0.5% QOQ in Q2 2023, mainly driven by the Rest of Central Region (RCR), where prices sank by 2.6% QOQ, reversing the 4.4% growth in Q1 2023. The decline comes after four consecutive quarters of healthy price gains in the RCR, and in spite of a number of new launches in the region – likely as a result of developers adopting more sensitive pricing strategies for new launches.

Total Private Home Sales & Property Price Index



Source: PropNex Research, URA (based on flash estimates in 3 July 2023), URA Realis (*Data up to 27 June 2023)

- In Q2 2023, there were four major new launches in the city fringe – Tembusu Grand, Blossoms by the Park, The Continuum, and The Reserve Residences – which helped to spur sales.
- Prices of non-landed homes in the Outside Central Region (OCR) rose by 1.2% QOQ in Q2 – easing from the 1.9% increase in Q1. The lack of new project launches in the OCR during the quarter, as well as limited unsold stock of new homes contributed to lower transaction volume, which put a drag on price growth.
- Core Central Region (CCR) non-landed home prices rose at a slower pace of 0.3% QOQ in Q2, compared to the 0.8% QOQ growth in Q1. There were no major new launches in the CCR in Q2, as developers continued to pare down on existing inventory, with prices generally holding steady amidst expectations that the hike in additional buyer's stamp duty (ABSD) rates could weigh on CCR home sales.

Transactions

- The new home sales segment grew after a muted performance in Q1. Preliminary figures showed that developers sold 2,096 new private homes (ex. EC) in Q2 – representing a 67% increase from the 1,256 units shifted in Q1 2023.
- The top selling project in Q2 was The Reserve Residences which sold 596 of its 732 units at an average unit price of \$2,492 psf (see Table 1).
- The RCR sub-market drove new home sales in Q2, making up about 75% of new homes sold, with four major launches during the quarter. The CCR and OCR sub-markets accounted for 20% and 5% of new sales, respectively. There were 2,619 private homes sold on the resale market in Q2 2023 (till 27 June) – down by 0.1% QOQ from Q1 2023, where 2,622 units were resold. The OCR sub-market led resale activity – 1,355 OCR resale homes were sold in Q2, representing 52% of the quarter's resale volume. Meanwhile, the portion of CCR resale transactions fell in Q2 (18%), compared to Q1 where CCR homes accounted for slightly over 21% of resales. The decline is likely due to the latest ABSD rate hikes which cooled foreigner and investor demand.
- Sub-sales, meanwhile, remained relatively low at 228 units, taking total private homes transactions to 4,943 units (including new sale and resale) in Q2 2023, based on caveat data.

Table 1: Top selling projects in Q2 2023*

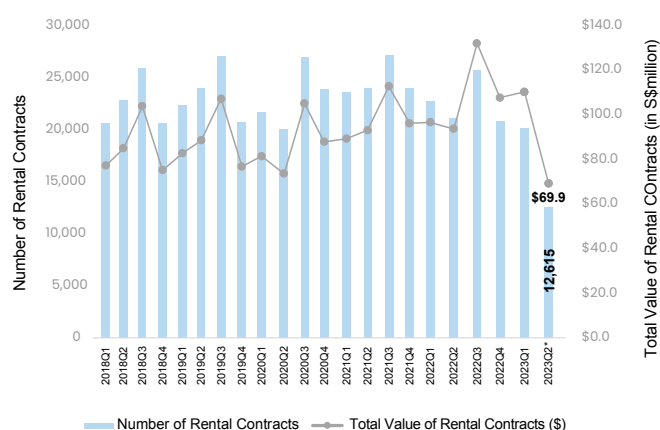
Project Name	Region	Units Sold in Q2 2023	Average Unit Price (\$PSF) in Q2 2023
THE RESERVE RESIDENCES	RCR	596	\$2,492
TEMBUSU GRAND	RCR	362	\$2,474
THE CONTINUUM	RCR	227	\$2,728
BLOSSOMS BY THE PARK	RCR	214	\$2,439
THE ATELIER	CCR	71	\$2,670

Source: PropNex Research, URA Realis (*Data up to 27 June 2023)

Private Home Leasing

- According to the URA rental index for all private residential properties (including ECs), home rentals had grown by 7.2% QOQ in Q1 2023, up by 33.4% YOY.
- The strong rental growth witnessed in 2022 up till the first quarter of 2023 appeared to have lost some momentum in Q2 2023.
- In May 2023, the median rentals of private homes eased to \$5.05 psf per month – after peaking in April 2023 at \$5.16 psf per month. That said, May's figures were still up by 27.8% YOY from the median rental of \$3.95 psf per month in May 2022.
- Rentals of private residential homes continued to slow in Q2 2023 owing to price resistance amongst tenants, with more occupants possibly seeking cheaper alternatives, including in the HDB leasing market amidst high rentals.
- 12,615 rental contracts, amounting to nearly \$70 million were signed in April and May this year, as compared to the same period last year where 13,938 contracts valued at \$60.9 million were signed.

Private Home Leasing Volume & Total Value (by quarter)



Source: PropNex Research, URA Realis (*Q2 2023 data up to May 2023 figures)

- A bumper crop of new private homes (over 17,000 units) is slated to be completed in 2023. With more upcoming supply completions, the leasing market could gradually tilt in favour of tenants – with rentals potentially plateauing in the second half of 2023.

Private Residential Market Outlook

The moderation in overall private home prices in Q2 2023 to -0.4% from 3.3% in Q1 should be met with some relief in the market, following much discussion on rising home prices. Given the muted economic growth – and some economists have flagged possible technical recession risk – a slower increase in home prices is also beneficial for the market, ensuring that prices do not run ahead of economic fundamentals.

The tightening of the ABSD measure from 27th April 2023, following two rounds of cooling measures earlier (Dec 2021 and Sep 2022), and the elevated interest rates are working through the market. Investment demand from foreigners appeared to have fallen as observed in caveat data, and the high interest rates are seen to be putting a drag on the resale private homes segment.

Buyers remain largely price sensitive, particularly after the cooling measures and as mortgage rates stayed high. Developers are mindful of these factors and are pricing units in tune with market sentiments.

Looking into Q3 2023, the new launch market will be more active, with several new launches lined up, including in the RCR and OCR which should be relatively well-received by buyers, especially in the OCR where the unsold stock is low. Projects lined up in Q3 include: The Myst, Lantor Hills Residences, Grand Dunman, Pinetree Hill, Lake Garden Residences, and TMW Maxwell. Buyers who have held back from purchasing due to the lack of suitable options, may find buying opportunities in the launches to come.

Given the boost in the supply of new launches this year, PropNex projects developers to sell 7,000 to 7,500 new units (ex. EC) in 2023 – higher than the 7,099 units shifted in 2022. Meanwhile, private resale volume could come in at 12,000 to 13,000 units – down from 14,026 units in 2022 – as the high interest rates and tight resale stock continue to weigh on sales. In view of the moderation in prices in Q2, PropNex expects private home prices to rise by 4% to 5% in 2023, barring any unforeseen events in the market.

HDB Resale Q2 2023

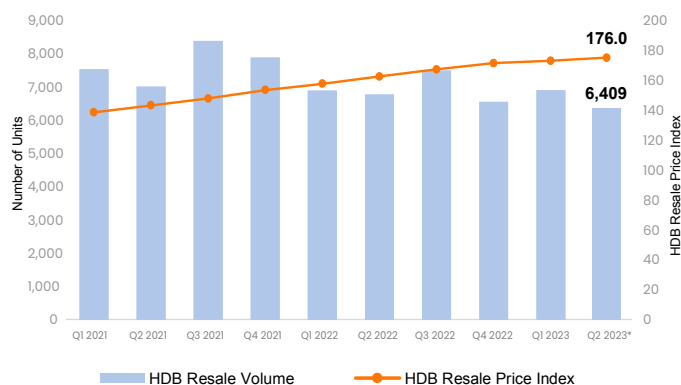
Overview

Following two years of double-digit price growth, the pace of increase in HDB resale prices have eased considerably in 2023, as price resistance sets in amongst buyers, and as the September 2022 cooling measures continue to impact the market. Q2's figures possibly indicate that the slower price increase in Q1 2023 was not a blip and that HDB resale prices are embarking on a more sustainable growth path, after the robust price growth in 2021 and 2022.

Transactions and Prices

- The flash estimates released by the HDB showed that resale prices rose by 1.4% QOQ in Q2, with an index reading of 176.0. Prices are up by 7.4% YOY from Q2 2022.
- It is the second consecutive quarter where the HDB resale price index grew at a rate below the 2% mark, following nine previous quarters where prices rose by more than 2% to 3% per quarter.
- Based on figures from HDB, 6,409 flats (data up till 29 June 2023) were resold in Q2 – down by about 8.2% from the 6,979 units sold in Q1. The transaction volume recorded in Q2 2023 is the lowest quarterly sales tally since Q2 2020 (3,426 resale flats), where sales were affected by the COVID-19 restrictions.
- Despite the cooling measures, the number of flats resold for at least \$1 million remained elevated. In Q2 2023, 105 resale HDB flats were sold for at least \$1 million, comparable to the 103 units transacted in the previous quarter.
- Of the 105 “million-dollar” HDB flats resold, 32 units were 4-room HDB flats, accounting for about 30.5% of Q2's million-dollar deals – markedly higher than the 12 4-room million-dollar resale transactions recorded in Q2 2022 (+167% YOY) and the 21 4-room million-dollar flats resold in Q1 2023 (+52.4% QOQ).
- Including the 103 units of “million-dollar” resale flats sold in Q1 2023, there were 208 such deals done in the first half of 2023, up from 166 units in the corresponding period in 2022.

HDB Resale Volume & HDB Resale Price Index



Source: PropNex Research, HDB, Data.gov.sg (*Price Index data based on flash estimate released on 3 July 2023, resale volume figures up to 29 June 2023)

HDB Resale Market Outlook

For the first half of 2023, PropNex estimates that more than 13,300 HDB resale flats have been sold. PropNex expects the overall demand for HDB resale flats to remain healthy in 2023, with the full year resale volume potentially exceeding 27,000 units.

Resale flat prices rose by 12.7% in 2021 and 10.4% in 2022, fuelled by healthy demand from buyers who sought larger homes and those who were concerned about completion delays in the construction of new flats amidst the Covid-19 pandemic.

The government's consistent efforts to ramp up BTO (build-to-order) new flat supply along with the price resistance on the part of prospective buyers, and the implementation cooling measures – including stricter HDB home loan requirements, and a 15-month wait out period for private home owners who wish to purchase an HDB resale flat after they have sold their private home – have led to a moderation in HDB resale prices. Meanwhile, some flat owners may be more flexible on asking prices as they are looking to sell their flat expeditiously after receiving keys to their new home. HDB flat upgraders may obtain a refund on the ABSD paid on their new home, if they sell their flat within 6 months of getting keys to their new residential property.

PropNex maintains its forecast for HDB resale prices, which are projected to grow by between 5% and 6% in 2023 – slowing substantially from the double-digit growth in the past two years.

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