

PROPNEX RESEARCH Q3 2023 RESIDENTIAL PROPERTY REPORT



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Private Residential Property Q3 2023

Overview

Recent price trends indicate that the housing sector is still in a state of moderation, as the cooling measures work their way through the market amidst cautious sentiment and muted sales activity during the quarter. According to flash estimates, overall private home prices grew marginally in Q3 2023.

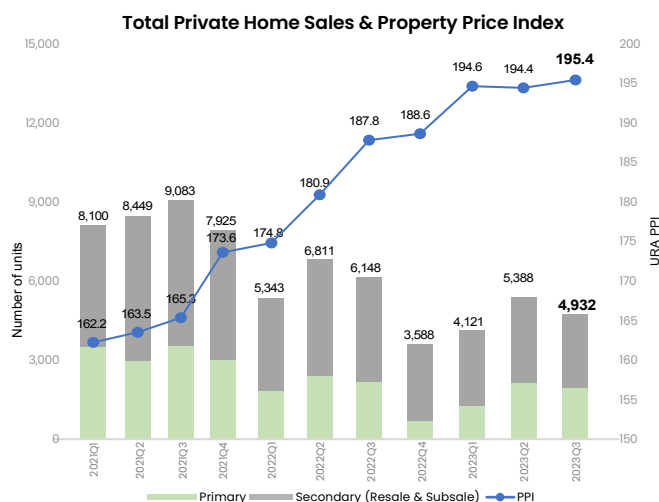
Prices

- URA's flash estimates showed that overall private home prices inched up in Q3 2023, reversing the price decline in the previous quarter; prices grew by 0.5% QOQ compared to the 0.2% QOQ decrease in Q2. Private home prices were up by 3.6% from end-2022.
- The price increase in Q3 2023 was led by the non-landed homes segment, where values grew by 2.1% QOQ, rebounding from the 0.6% slip in the previous quarter.
- Prices of non-landed private homes were mainly driven by the Outside Central Region (OCR) and Rest of Central Region (RCR) sub-markets, bolstered by fresh launches during the quarter.
- Non-landed home prices in the OCR grew by 5.1% QOQ, accelerating from the 1.2% QOQ growth in Q2. Four OCR private residential new launches were put on the market in Q3, namely Lantor Hills Residences, The Arden, The Lakegarden Residences, and The Myst which supported prices in this sub-market.
- Prices of non-landed homes in the RCR rose by 2.3% QOQ in Q3 – reversing the 2.5% decline in Q2. The uptick in prices in the RCR can be attributed to several fresh projects being launched in this sub-market in Q3, including Pinetree Hill, Grand Dunman, and TMW Maxwell.

- Core Central Region (CCR) non-landed homes was the only sub-market which saw a price decline, falling by 2.6% QOQ in Q3, extending the 0.1% dip in Q2. This is the first back-to-back quarterly decline in CCR home prices since Q4 2019 and Q1 2020. The CCR sub-market is expected to face more challenges as the punitive additional buyer's stamp duty (ABSD) rates on foreigners and investors curb price growth upside in the CCR.
- Prices of landed private homes fell by 4.9% QOQ in Q3 2023. This is the first quarterly decline in landed home prices in nine quarters, since the 0.3% QOQ drop in Q2 2021. The decrease in landed home prices can be attributed to the slower transaction volume, particularly that of pricier detached houses which saw transactions fall by about 32% QOQ in Q3. Based on URA Realis caveat data, the average unit price for detached houses declined by 8.3% QOQ in Q3, while that of semi-detached and terrace homes grew by 24.2% and 11.2% QOQ respectively.

Transactions

- Developers' sales lost some momentum in Q3 after a brief rebound in Q2. Based on preliminary figures from URA caveated data, it showed that developers sold 1,951 new private homes (ex. EC) in Q3 – representing a 8.3% decrease from the 2,127 units shifted in Q2 2023.
- The top selling project in Q3 was Grand Dunman which sold 580 of its 1,008 units at an average unit price of \$2,536 psf (see Table 1).
- The RCR sub-market drove new home sales in Q3, making up about 50% of new homes sold. The OCR and CCR sub-markets accounted for 37% and 13% of new sales, respectively.
- There were 2,691 private homes sold on the resale market in Q3 2023 – down by 9.6% QOQ from Q2 2023, where 2,976, units were resold. The OCR sub-market led resale activity – 1,433 OCR resale homes were sold in Q3, representing 53% of the quarter's resale volume.
- Sub-sales, meanwhile, remained relatively low at 290 units, taking total private homes transactions to 4,932 units (including new sale and resale) in Q3 2023, based on caveat data.



Source: PropNex Research, URA (*Price Index data based on flash estimate released on 2 Oct 2023), URA Realis

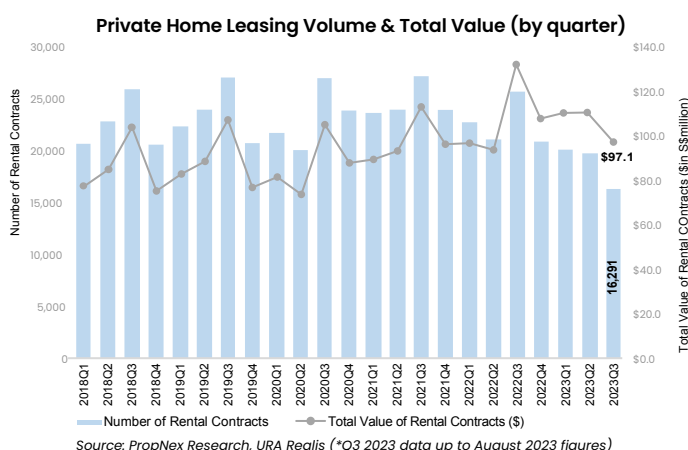
Table 1: Top selling projects in Q3 2023

Project Name	Region	Units Sold in Q3 2023	Average Unit Price (\$PSF) in Q3 2023
GRAND DUNMAN	RCR	580	\$2,536
LENTOR HILLS RESIDENCES	OCR	393	\$2,102
THE MYST	OCR	151	\$2,074
PINETREE HILL	RCR	147	\$2,373
THE LAKEGARDEN RESIDENCES	OCR	71	\$2,101

Source: PropNex Research, URA Realis

Private Home Leasing

- The private residential rental market has started to show signs of stability after the first nine months of 2023, providing some relief for tenants who have witnessed rentals hikes of nearly 30% in 2022.
- In August 2023, median rentals of private homes stabilised at \$5.05 psf per month – after peaking in April 2023 at \$5.16 psf per month. August's figures were up by 20% YOY from the median rental of \$4.21 psf per month in August 2022.
- Meanwhile, 16,291 rental contracts, amounting to nearly \$97 million were signed in July and August 2023 – down from 18,014 contracts signed in the same period in 2022, but rental value was higher than the \$92.1 million worth of contracts inked in the previous year.
- Rentals of private residential homes are expected to stabilise further going forward due to price resistance amongst tenants and more supply of homes entering the market upon completion.



- Based on data from the URA, over 7,300 new homes have been completed in the first half of the year. An estimated 11,800 units are expected to be completed in the second half of 2023, which could help to ease the upward pressure on rents. With more incoming supply, rentals are expected to continue to moderate over the next 6 months

Private Residential Market Outlook

The growth momentum in private home prices has slowed substantially in recent quarters, indicating the heightened sense of caution as developers, buyers and sellers parse market data to assess the impact of the cooling measures on housing demand. While private home prices posted a marginal growth in Q3, it is likely that prices will remain relatively muted going into Q4 due to slower sales.

Buyers are also taking a watch-and-wait approach on their property purchase amid more plentiful supply of new homes in the last few months. This has put a drag on sales which tend to be lower in Q3, in part due to the Hungry Ghost month (from mid-August to mid-September) where developers typically hold back on new launches.

With the cooling measures in place and higher –for-longer interest rates at play, coupled with some hesitation on the part of buyers, the market has also witnessed more restrained land tender participation from developers. Most buyers are monitoring these trends to gain more clarity on price movements before entering the market. Some buyers may be holding out for prices to correct which could lead to some mismatch in price expectations. However, chances of significant price cuts remain fairly low as developers have to contend with rising costs and are affected by the new rule on gross floor area definitions that will eat into their saleable space. We believe the private property market is still finding its footing after the latest slew of cooling measures over the last couple of years and will reach an equilibrium given time.

With some launches slated to come on in Q4 2023, private home prices may find some support. PropNex maintains its projections on developers' sales at 7,000 to 7,500 new units (ex. EC) in 2023 – slightly 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. For the full-year 2023, PropNex estimates that overall private home prices could climb by 4% to 5% – though it is looking likely to come in closer to the lower end of the projected range.

HDB Resale Q3 2023

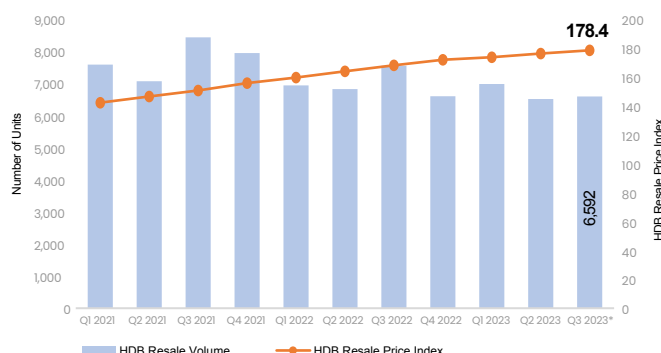
Overview

HDB resale prices maintained its slow march upwards in Q3 2023, even as price resistance continued to weigh on the growth momentum. After the robust price growth in 2021 and 2022, resale flat prices are plateauing and look to be on a more sustainable growth. Meanwhile, the ramping up of new Build-to-Order flat supply also provides buyers with more options.

Transactions and Prices

- The flash estimates released by the HDB showed that resale prices rose by 1.2% QOQ in Q3, with an index reading of 178.4. Prices are up by 6.1% YOY from Q3 2022.
- It is the third 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.
- In the first nine months of 2023, the HDB resale price index has climbed cumulatively by an estimated 3.8% – much slower than the 8% increase in 9M 2022, and 9% growth in 9M 2021.
- Based on figures from the HDB, 6,592 flats (data up till 28 September 2023) were resold in Q3 – up by about 1.2% from the 6,514 units sold in Q2. The sales volume witnessed in Q2 and Q3 suggest that the pent-up demand for housing has largely been sated. At the peak, the HDB resale market witnessed more than 7,000 resale flats being transacted per quarter in 2021.
- According to transaction data, the price growth in Q3 2023 was driven by 4-room flats, with the average price rising by 1.8% QOQ to over \$590,000 from \$579,740 in Q2. Meanwhile, the average price of 5-room flats rose by 0.6% QOQ, while that of executive flats climbed by 1.2% QOQ in Q3 2023.
- The number of flats resold for at least \$1 million remained elevated. In Q3 2023, 128 resale HDB flats were sold for at least \$1 million, higher compared to the 105 units transacted in Q2.
- Including the 103 and 105 units of “million-dollar” resale flats sold in Q1 and Q2, there were 336 such deals done in the first nine months of 2023, on track to surpass the record 369 units resold in the whole of 2022.

HDB Resale Volume & HDB Resale Price Index



Source: PropNex Research, HDB, Data.gov.sg (*Price Index data based on flash estimate released on 2 Oct 2023, resale volume figures up to 28 September 2023)

HDB Resale Market Outlook

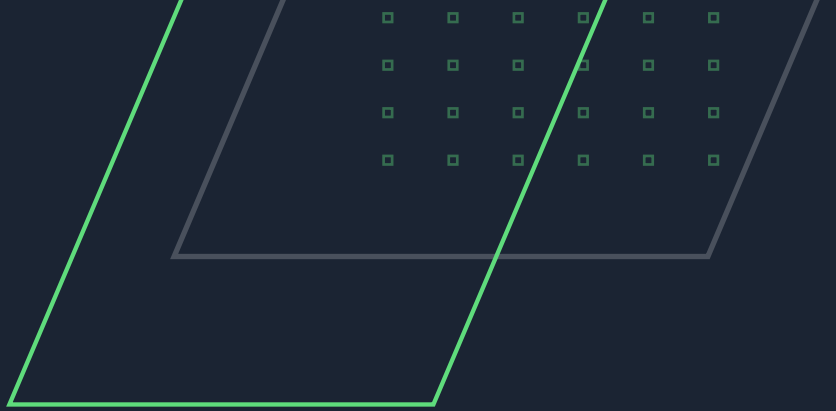
For the first nine months of 2023, PropNex estimates that more than 20,000 HDB resale flats have been sold. PropNex expects demand for HDB resale flats to remain healthy in 2023, with the full year resale volume potentially coming in slightly below its initial projection of 27,000 units.

With the HDB on track to launching more than 100,000 new BTO flats by 2025 and putting in considerable effort to reduce waiting times, more young couples have been drawn away from the resale market to apply for BTO flats, which are more affordably priced.

That said, demand for HDB resale flats should remain fairly resilient, which would continue to support HDB resale prices. The HDB resale market could also potentially benefit from recent policy changes, with the stricter non-selection rule for BTO exercises and the new reclassification framework for flats (where Plus and Prime flats will come with more stringent resale conditions) from 2H 2024 possibly channelling some buyers to the HDB resale market.

In recent quarters, there has been a gradual divergence in price trends for private homes and HDB resale flats, with HDB resale flat prices still posting growth, while that of private residential properties remaining relatively flat. If this trend persists, it could improve the affordability of private homes amongst HDB upgraders.

PropNex anticipate that HDB resale prices could grow by 5% to 6% in 2023, slowing substantially from the double digit growth of 10.4% in 2022, and the 12.7% increase in 2021.



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