

Q4 2023

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Private home market cooled by end-2023

► “The incoming supply of private homes would lead to softer price growth in 2024. Nevertheless, prices in the new launch market will remain elevated due to committed land and construction costs. This might result in two-tier pricing with the gap between the primary and secondary market widening.”

NICHOLAS KEONG, HEAD, RESIDENTIAL & PRIVATE OFFICE

URA FLASH ESTIMATES

Based on flash estimates by the Urban Redevelopment Authority (URA), prices of non-landed private homes (excluding Executive Condominiums (ECs)) rose 6.5% in 2023**, easing from the 9.9% and 8.1% price expansion registered in 2021 and 2022 respectively. More new units were completed returning balance to the undersupplied market of the last two years, and as such prices grew by a more moderate 2.2% q-o-q in Q4 2023**.

The muted sentiment since Q3 2023 continued to prevail in the residential market as sale transactions for non-landed private homes dropped 25.0% q-o-q to 3,622 in Q4 2023*. The lower transaction volume was expected due to the holiday period, with many developers generally holding off new launches in the last month of the year. For the entire year 2023, the total transaction volume was 17,389*.

New sales volume contracted 43.2% q-o-q with 1,086 units sold, and sales in

the secondary market declined 13.1% q-o-q with 2,536 transactions recorded in Q4 2023*. With interest rates expected to fall only from the second half of 2024, some homebuyers are adopting a watch-and-wait posture until more certainty prevails in the borrowing rate environment.

CORE CENTRAL REGION (CCR)

Watten House was the sole launch in the CCR during the quarter, with 61% (109 units) out of the 180 units sold. However, the brisk sales at this project did not provide any significant uplift in the CCR, as new sales decreased 13.0% q-o-q to 214 units and resale volume shrank 5.2% to 422, bringing the total transactions to 636 in Q4*.

Prices of non-landed homes in the CCR rebounded in Q4 2023, expanding 4.2% q-o-q**, after two consecutive quarters of negative growth from Q2 2023. On a yearly basis, prices grew 2.1%** , easing from the 4.8% in the

194.0 (Q4 2023**)

Non-landed Private Residential Property Price Index (Flash Estimate)
2.2% ▲ Q-O-Q | 6.5% ▲ Y-O-Y

3,622 UNITS (Q4 2023*)
17,389 UNITS (2023)

Total Non-landed Transaction Volume excluding ECs
25.0% ▼ Q-O-Q | 11.1% ▲ Y-O-Y

previous year as sellers lowered expectations on price premium and with foreign buyers generally not participating due to the doubling of the Additional Buyer's Stamp Duty rate.

In the year ahead, prime non-landed home prices are unlikely to grow in any significant fashion as buyers are not exhibiting the same urgency as in the past few years. Given the current slowdown in this market segment, price movement is expected to be flat between -1% and 2% in 2024, most likely at the negative end of the range.

REST OF CENTRAL REGION (RCR)

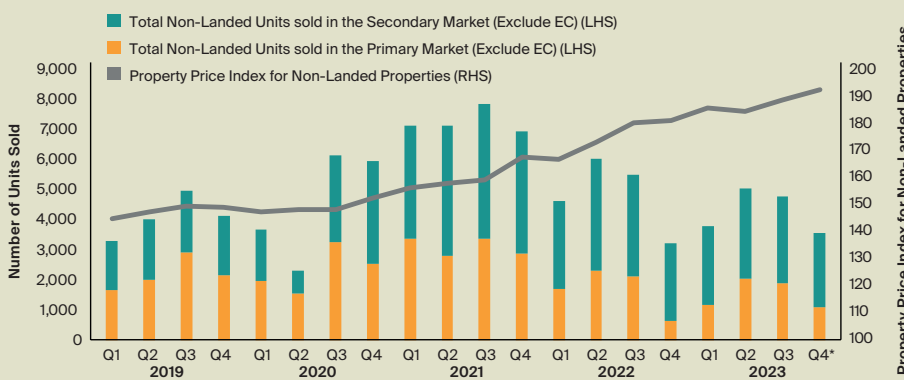
Prices of non-landed homes in the RCR increased 2.7% in 2023**, easing from the 9.7% gain in 2022. Although prices decreased 1.2% in Q4 2023**, the price growth throughout the year was supported by new launches that included Grand Dunman, The Continuum and The Reserve Residences, setting new price benchmarks in their respective neighbourhoods. The combined launches offered more choices to homebuyers in 2023 than in the previous year, with the introduction of new product in diverse areas supplying the demands of buyers and mellowing price expansion.

Sales in both the primary and secondary markets fell 75.8% q-o-q and 14.5% q-o-q respectively in Q4 2023*, with 233 and 794 sales, bringing overall sale transactions in the RCR to 1,027 units.

OUTSIDE CENTRAL REGION (OCR)

The OCR was the best performing market segment for the year, surpassing the others in price growth and sales volume. Prices rose 13.8% in 2023**,

Exhibit 1: Total Non-Landed Units Sold in the Primary and Secondary Markets, and the URA Property Price Index for Non-Landed Properties



Source: URA Realis, Knight Frank Research, *based on data available as at 9 January 2024

the first double-digit annual growth recorded since 2010 when prices increased 15.0%. On a quarterly basis, prices expanded 4.6%***, easing from the 5.5% q-o-q gain in the previous quarter. New price benchmarks set by newly launched suburban condominiums since the pandemic might have pushed some homebuyers to the limits of their price envelope, given the higher borrowing costs in 2023. As such, buyers purchasing for self-occupation have turned to Executive Condominiums for more affordable options.

Despite new launches such as J'den in Jurong East and Hillock Green at Lentor Central, new sales in the OCR declined 9.0% to 639 in Q4 2023*. Overall sales decreased 12.8% q-o-q to 1,959 units in Q4 2023*, with secondary sales decreasing 14.6% q-o-q to 1,320 transactions*. J'den was the top selling project in Q4 2023, demonstrating that homebuyers remain drawn to attractive projects with a compelling growth narrative, even if there is a premium in prices.

RENTAL MOVEMENTS

Islandwide leasing contracts for non-landed private homes totalled 11,358 in October and November 2023, a decrease of 26.7% when compared to July and August 2023, and 10.7% lower than the same period in 2022.

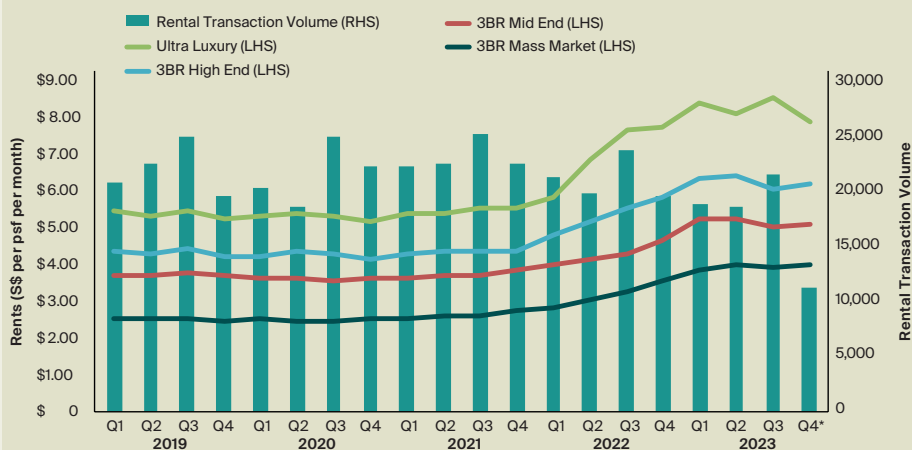
savvy investors familiar with Singapore's private residential scene, will remain nimble, on the lookout for residential opportunities in popular areas where new supply has been limited, creating bursts of buyer activity despite the prevailing cooling measures and elevated interest rates. However, with growing expectations of interest rate cuts, some potential homebuyers might decide to wait until the cost of borrowing comes down before purchasing homes.

Demand for private housing is likely to be conservative in 2024 with new sales ranging between 7,000 and 9,000. There might be 15,000 to 18,000 private home sales overall for the whole year 2024, with private home prices projected to grow by a more moderate 3% to 5%, against the 6.7%** increase in 2023.

* based on data available as at 9 January 2024. Figures exclude Executive Condominiums (ECs).

**based on flash estimates announced on 2 January 2024.

Exhibit 2: Average Rents and Rental Transaction Volume of Non-Landed Private Residential Properties (excluding EC)



Source: URA Realis, Knight Frank Research

*Q4 2023 includes the number of transactions for October and November 2023 only (RHS-axis)

Rental rates across the mass market, mid-end and high-end segments moved up around 2% in Q4 2023, readjusting from the 2% to 6% drop recorded in Q3 2023. Meanwhile, rents in the ultra luxury segment declined by 8% against the 5% gain in Q3. The return of construction schedules to normalcy led to more private and public flats completed throughout the year, and this in turn caused more tenants to exit the leasing market.

MARKET OUTLOOK

With growing supply steadily catching up and perhaps outpacing demand for rental homes sometime in 2024, rents in the leasing market is expected to decrease between 5% and 7% in the year ahead.

In 2024, some 20 new projects from awarded Government Land Sales (GLS) can possibly launch to bring about 10,000 new units to the market. Experienced and

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