

Q2 2023

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Highly anticipated launches support new price benchmarks

► “New private residential products continued to set new price benchmarks at launch. Local buyers with aspirations and financial resources will remain active at the upcoming new launches in remainder of 2023.”

NICHOLAS KEONG, HEAD, PRIVATE OFFICE

URA FLASH ESTIMATES

According to flash estimates by the Urban Redevelopment Authority (URA), prices of non-landed private homes (excluding Executive Condominiums (ECs)) fell 0.5% q-o-q in Q2 2023**, after four consecutive quarters of gains. It appeared that the latest cooling measures announced in April 2023 combined with rising interest rates that limited affordability reined in price growth of private homes, in a similar manner to Q1 2022 when measures announced in December 2021 led to a 0.3% q-o-q decline in the Non-landed Private Residential Price Index. Nevertheless, non-landed home prices rose 2.1% in the first six months of 2023**.

Even though the recent measures might have led residential investors to become price resistant and adopt a wait-and-see attitude from the sidelines before deciding on their next move, total sales in Q2 2023* grew 20.9% to 4,630 transactions from the 3,830 sales

recorded in Q1 2023*. This was fuelled by a series of new launches from April to June that was supported by demand from Singaporean and Permanent Resident buyers purchasing homes mostly for their own stay.

New sales rose 73.6% q-o-q to 2,080 transactions in Q2 2023*, with the increment largely attributed to the launch of new projects in May and June when 99-year leasehold projects in fringe and suburban locations chalked up significant sales at the first weekend of launch. However, in the secondary market, sales volume declined 3.1% q-o-q to 2,550 units in Q2 2023*, representing a 32.7% y-o-y drop when compared against the 3,788 resale transactions in Q2 2022*.

CORE CENTRAL REGION (CCR)

The total sales in the CCR decreased 19.3% q-o-q to 834 non-landed transactions in Q2 2023*, with new sales falling 20.2% q-o-q to 411 units and resale transactions shrinking 18.3% q-o-q to 423. The share

185.9

(Q2 2023**)

Non-landed Private Residential Property Price Index (Flash Estimate)
0.5% ▼ Q-O-Q | 6.9% ▲ Y-O-Y

4,630

UNITS (Q2 2023*)

Total Non-landed Transaction Volume excluding ECs
20.9% ▲ Q-O-Q | 24.2% ▼ Y-O-Y

of foreign homebuyers in this market segment declined from 15.7% in Q1 2023* to 12.0% in Q2 2023*, reflecting the impact of the doubling of Additional Buyer's Stamp Duty (ABSD) rate for this category of buyer, as these potential buyers reassessed their budgets and options.

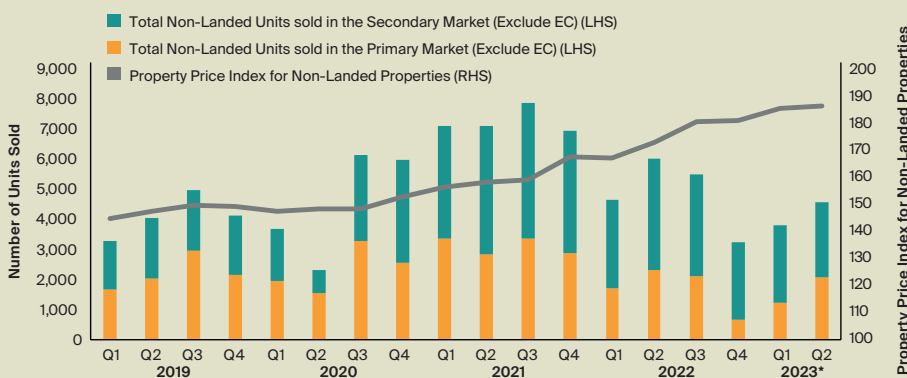
Despite the newly implemented cooling measures, more new non-landed homes were sold compared to the resale market, indicating the popularity of new product in the CCR despite the longer waiting period prior to completion. The demand and price premiums paid for new homes contributed to the 0.3% q-o-q price gain in the CCR during the quarter**.

REST OF CENTRAL REGION (RCR)

Non-landed home prices in the RCR fell 2.6% q-o-q in Q2 2023**. The fall in prices was surprising given that three high profile projects that included Blossoms By The Park, Tembusu Grand and The Reserve Residences, sold a substantial percentage of their total units upon the first weekend of launch. This could be due to the freehold Terra Hill being the major launch in the RCR in Q1 with an average selling price of over S\$2,650 psf, while the combination of three 99-year leasehold launches in Q2 had slightly lower average selling prices between S\$2,423 psf and S\$2,465 psf at launch.

Despite the decline in the price index, the RCR was the best performing segment in Q2 2023 with 2,421* non-landed transactions. Primary transaction volume rose more than six times to 1,575 non-landed residences while secondary sales increased 5.0% q-o-q to 846 transactions in Q2 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 7 July 2023

OUTSIDE CENTRAL REGION (OCR)

Among the three market segments, the OCR had a quieter quarter, with total sales shrinking 21.2% q-o-q to 1,375 sales in Q2 2023*. Primary sales fell 78.5% q-o-q to 94 units in Q2* as there were no new projects launched during the quarter. In tandem, secondary sales dropped 2.1% q-o-q to 1,281 non-landed homes transacted in Q2*.

Despite the lacklustre sales activity during the quarter, non-landed home prices in the OCR increased by a moderate 1.2% q-o-q in Q2 2023**.

RENTAL MOVEMENTS

Rental increases in the mass market, mid-end and high-end segments slowed to between 1% and 3% in Q2 2023, easing notably from the 9% to 12% increments recorded in Q1 2023. However, rents in the ultra luxury segment dropped almost 4% q-o-q in Q2 against the 9% gain in Q1. The slowdown in rental growth signalled resistance by tenants combined with the steady completion of new inventory. Even expatriates with accommodation allowances were reconsidering their leasing options as the cost of living in Singapore had grown exceptionally due to the modern city-state's safe haven reputation in a time of uncertainty.

as heightened construction costs.

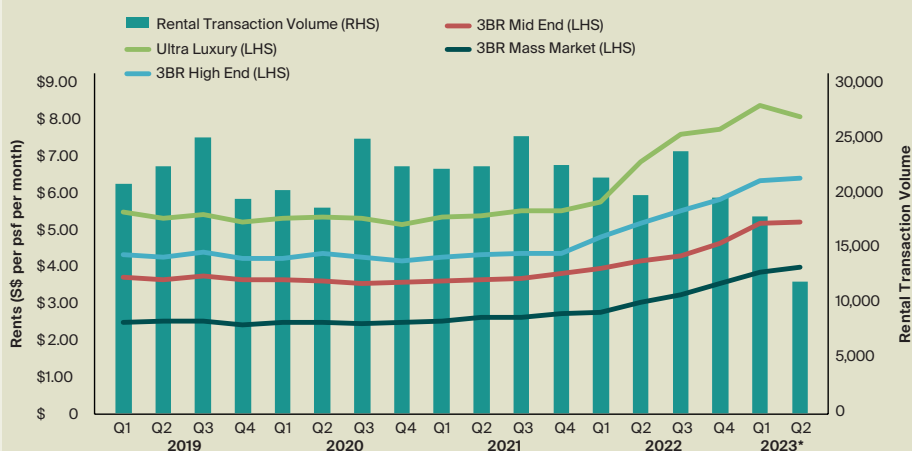
Demand for such units in the remaining months of 2023 will continue to be underpinned by homebuyers purchasing for their own occupation, as household balance sheets remain healthy. Many of these new families are also often backed by recycled capital from earlier generations of Singaporeans who had benefited from asset appreciation as Singapore progressed from a developing to a developed nation.

With overall private home prices increasing 2.9% in the first six months of 2023**, this is on track to fall within Knight Frank's projection of a more muted 3% to 5% price increase for the whole of 2023, which was less than the original projection of a 5% to 7% growth made at the end of 2022.

* based on data available as at 7 July 2023. Figures exclude Executive Condominiums (ECs).

**based on flash estimates announced on 3 July 2023.

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



Source: URA Realis, Knight Frank Research

*Q2 2023 includes the number of transactions for April and May 2023 only (RHS-axis)

Islandwide leasing contracts in Q2 2023 were at its lowest since the pandemic, with volume for non-landed private homes totalling 11,962 in April and May 2023, a 5.7% decrease when compared to January and February 2023, and 9.2% lower than the same period in 2022. With more homeowners expected to receive keys in the second half of the year, units currently occupied by interim renters would be released into available inventory resulting in further easing of rental increases in the remainder of the year.

MARKET OUTLOOK

With the possibility of a technical recession looming in the minds of homebuyers, private home prices are expected to grow in a more subdued fashion. While potential investors and foreign buyers might adopt a wait-and-see attitude, new units will likely be even more sought after than resale units, selling at new benchmark prices that reflect the land costs committed 12-18 months ago, as well

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