

Q2 2024

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All quiet on the private home front

“With more options on the market, homebuyers have become more selective and measured, with most adopting a wait-and-see posture on the sidelines. Sales volume is likely to remain subdued until such time when interest rates come down.”

NICHOLAS KEONG, HEAD, RESIDENTIAL & PRIVATE OFFICE

URA FLASH ESTIMATES

Overall sales activities in the non-landed residential market fell 6.3% q-o-q to 3,694 units in Q2 2024*, the fourth consecutive quarter from Q3 2023 when non-landed home sales started to record declines. The higher-for-longer interest rates continued to keep the market in a mood of tentativeness as homebuyers remained on the sidelines waiting for conditions to turn. The slowdown in overall sales activity also reined in price growth. According to flash estimates by the Urban Redevelopment Authority (URA), prices of non-landed private homes (excluding Executive Condominiums (ECs)) expanded by a marginal 0.9% q-o-q in Q2 2024**, slowing from the 1.0% q-o-q increase in the previous quarter. This resulted in a total increase of 1.9%** in the first half of 2024.

From the pandemic to post pandemic,

the primary market would regularly account for at least 1,000 non-landed home sales each quarter, except in Q4 2022 when the festive season resulted in fewer new launches and sales. However, the tentative mood was even more pronounced in Q2 2024, with only 663* units sold, a significant 41.8% q-o-q decline from the 1,140* sold in the previous quarter.

Meanwhile, there were 3,031 secondary transactions in Q2*, above the 2,803 non-landed sales recorded in Q1*, where buyers with more pressing housing needs have been turning their attention to the resale market so as to secure a home in comparatively less time.

CORE CENTRAL REGION (CCR)

In the CCR, non-landed home prices fell by 0.2% q-o-q in Q2 2024**, signaling that prices are plateauing given

197.9 (Q2 2024**)

Non-landed Private Residential Property Price Index (Flash Estimate)
0.9% ▲ Q-O-Q | 6.6% ▲ Y-O-Y

3,694 UNITS (Q2 2024*)

Total Non-landed Transaction Volume excluding ECs
6.3% ▼ Q-O-Q | 27.7% ▼ Y-O-Y

the hamstrung demand from foreign homebuyers due to the doubling of the Additional Buyer's Stamp Duty (ABSD) rate for this group of buyers, as well as the lack of prominent new launches to stir the interest of local homebuyers. As a result, new sales declined 22.6% q-o-q to 82 in Q2 2024* with the number of new non-landed homes sold in the CCR steadily dwindling after Q1 2023.

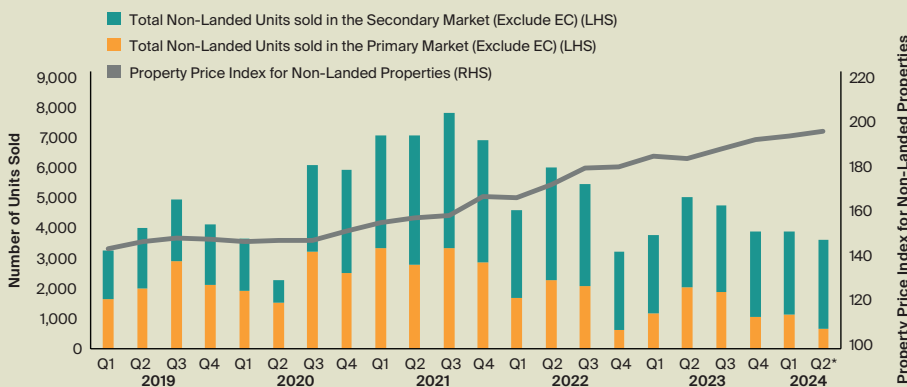
At the same time, secondary sales continued to form the bulk of overall transactions in the prime area, with 559 non-landed homes sold in Q2*, 8.8% higher than the previous quarter. This was also the third consecutive quarter with secondary sales in the CCR rising since Q4 2023. The higher proportion of secondary sales to primary ones in the CCR suggest some resilient underlying demand for these homes as homebuyers sought luxury product for their own occupation.

REST OF CENTRAL REGION (RCR)

Prices of non-landed homes in the RCR rose 2.2% q-o-q and 3.8% y-o-y in Q2 2024**. The price growth could be attributed to the launch of The Hill @ One-North that achieved a reported average price of S\$2,595 for the 43 units (or about 30%) sold on the launch weekend.

Total sales in the RCR moved up 6.5% q-o-q to 1,176* transactions, with the increase supported by secondary sales, gaining 11.9% q-o-q to 968* units. Meanwhile, new sales declined 13.0% q-o-q to 208 in Q2 2024*.

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 5 July 2024

OUTSIDE CENTRAL REGION (OCR)

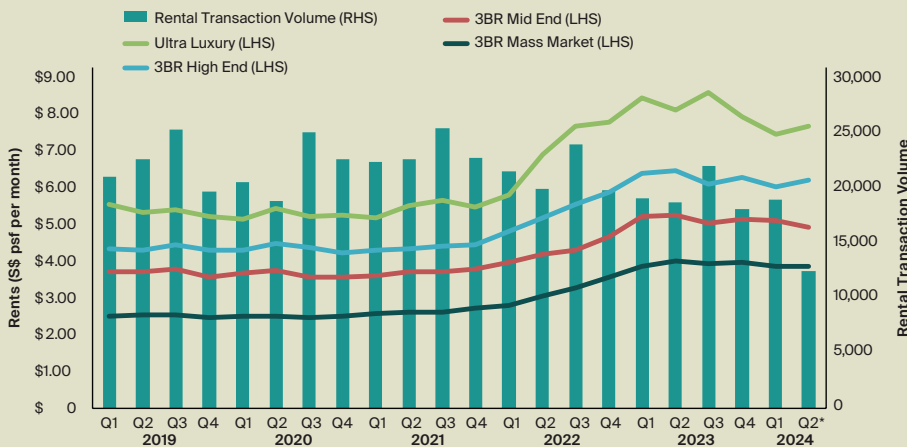
Non-landed home prices in the OCR moved up slightly by 0.3% q-o-q in Q2**, extending the marginal 0.2% q-o-q growth in the previous quarter, that brought about a total increase of 0.5%** between January and June 2024. Even though, there were some new boutique developments launched in the suburban areas, new sale transactions fell to 373 in Q2*, a 53.1% q-o-q drop from the previous quarter.

Despite total sales in the OCR dipping 15.4% q-o-q with 1,877* units, secondary sales posted a 5.6% q-o-q increase to 1,504 transactions in Q2 2024*.

RENTAL MOVEMENTS

Islandwide leasing contracts for non-landed private homes totalled 12,378 in April and May 2024, a marginal 0.1% increase when compared to January and February 2024, and 1.5% higher than the same period in 2023.

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



Source: URA Realis, Knight Frank Research
*Q2 2024 includes the number of transactions for April and May 2024 only (RHS-axis)

The rental market was observed to have diverged into a two-tier one, with rents in the mass market and mid-end segment declining between 1% and 3%. However, rents in the high-end and ultra luxury market segment rose by around 3%, suggesting stronger leasing demand for family-sized units in the higher end of the leasing market that has been weighed down by the lack of inventory. The resilient demand stemmed from affluent local families waiting for the completion of their landed homes currently undergoing reconstruction as well as foreign expatriates who leaned towards leasing against purchasing due to the prohibitive ABSD rate.

MARKET OUTLOOK

The market appears to be in a quiet phase after the completion of almost 20,000 units in 2023 as well as interest rates that look to be higher for longer for much of 2024. Homebuyers remain more selective, no longer showing the kind of urgency and fear-of-missing-out (FOMO) behaviour at showflats that was a feature of the market from the second half of 2020 to the first half of 2022. Buyers scouring the new home market will continue to take their time to identify the right project with

attributes that suit their lifestyle preferences. Prominent new launches that can spur market activity have also been lacking, against a backdrop of homebuyers on the sidelines who are reticent to commit to any purchase.

With secondary sales leading the market, Knight Frank expects overall private home sales volume to fall between 14,000 and 16,000 for the whole of 2024, down from the 15,000 to 18,000 units initially forecasted. In the new sale market, it is now more than likely that the projected total for 2024 will be between 4,000 and 6,000 units, substantially lower than the 7,000 and 9,000 primary transactions originally anticipated.

Nonetheless, private home prices are still expected to grow around 3% to 5% for the full year due to the prices at new launches that are a result of elevated land costs committed some 12 to 18 months ago, as well as prevailing high construction costs.

* based on data available as at 5 July 2024. Figures exclude Executive Condominiums (ECs).
**based on flash estimates announced on 1 July 2024.

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