Singapore Research

Residential

Knight Frank

Q3 2024 | knightfrank.com.sg/research

Interest rate cuts to jolt the residential market into more activity

196.7 (Q3 2024**)

Non-landed Private Residential Property Price Index (Flash Estimate)
0.3% ▼ Q-O-Q | 3.6% ▲ Y-O-Y

3,930 UNITS (Q3 2024*)

Total Non-landed Transaction Volume excluding ECs
9.9% ▼ Q-O-Q | 18.6% ▼ Y-O-Y

“The interest rate cut could signal the end of a long night of buyer indecision, motivating those waiting on the sidelines into a purchase. Nonetheless, the impact on sales volume is unlikely to be instantaneous.”

NICHOLAS KEONG, HEAD, RESIDENTIAL & 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)) decreased by a marginal 0.3% q-o-q in Q3 2024**, a contrast to the 0.6% q-o-q increase in the previous quarter. In the first nine months of the year, non-landed home prices grew 1.3%**, and 3.6% y-o-y**.

Overall sales in the non-landed residential market fell 9.9% q-o-q to 3,930 units in Q3 2024*. On a yearly basis, non-landed home sales declined 18.6%, and this fall was greater than the 13.4% y-o-y decrease in Q3 2023* when 4,830 sales were transacted. Even though sales momentum in the same period a year ago was selective and tentative, buyer reticence grew more pronounced for most of 2024.

Despite newly launched projects from July to September 2024 being few, new sales grew 48.0% q-o-q to 1,033*. The bulk of the new sales comprised units being made available for sale in phases from projects that were already launched. At the same time, homebuyers looking for new homes remained cautious and would only purchase a new home that checked off most of the boxes in their lifestyle list. Otherwise, the majority of buyers continued to sit on the fence held back by high interest rates. In Q3 2024*, there were 2,897 secondary transactions *, a 20.9% q-o-q and a 1.0% y-o-y decline.

CORE CENTRAL REGION (CCR)

Non-landed home transactions in the CCR remained lacklustre, with 526 in Q3 2024*, a 27.5% fall from the previous quarter. New sale transactions fell 39.8% q-o-q to 53 in Q3*, the sixth consecutive quarter since Q2 2023 when new sales started to decline, and the second consecutive quarter with less than 100 units transacted. While the fall in transactions was due to the lack of new projects launched in the region, it was the doubling of the Additional Buyer’s Stamp Duty (ABSD) rate for foreign homebuyers from end-April 2023 that put in place a key roadblock, effectively quelling foreign homebuyer demand in Singapore. In the same period, secondary sales decreased 25.9% q-o-q to 473 in Q3*.

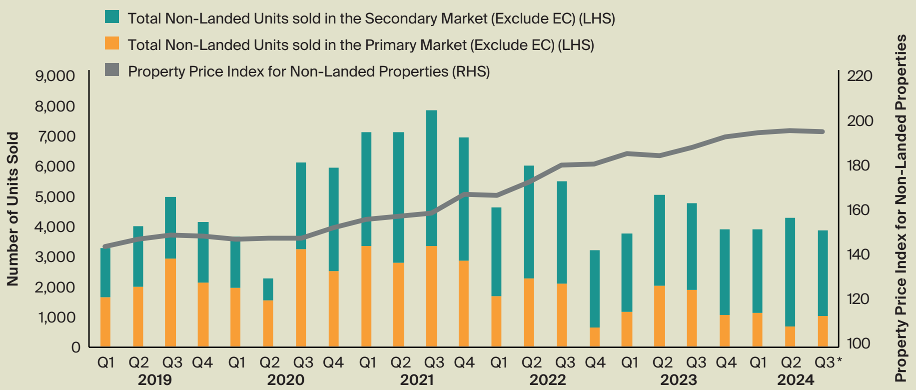
The poor transaction volume also resulted in non-landed home prices in the CCR falling 1.5% q-o-q in Q3 2023**. On a yearly basis, prices grew 5.5%**.

REST OF CENTRAL REGION (RCR)

Prices of non-landed homes in the RCR increased 0.2% q-o-q and 1.3% y-o-y in Q3 2024**. Newly launched project, 8@BT, defied the prevailing mood in the private residential market to achieve a reported average price of S$2,719 psf for the 83 units (or about 53%) sold on the launch weekend. This also contributed to a 44.2% q-o-q increase to 333 new sales in Q3* and provided some underlying evidence that despite the current quiet market conditions, there are buyers with the means as well as the hunger to trigger a purchase.

Although new sales increased in the RCR, the total transaction volume decreased 10.1% q-o-q to 1,252* units, with the decrease largely attributed to the decline in secondary sales which fell 20.9% q-o-q to 919*.

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 1 October 2024

OUTSIDE CENTRAL REGION (OCR)

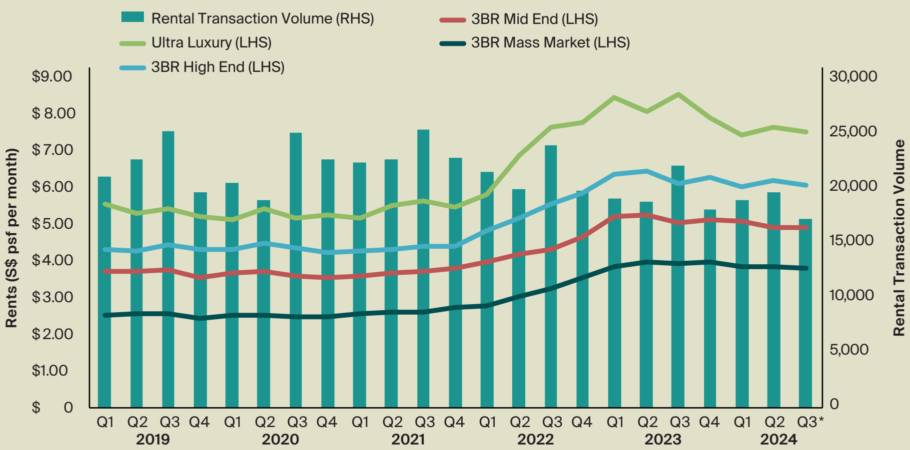
There were two new projects, Kassia and Sora, that launched in the OCR during the quarter. Kassia achieved a median selling price of S$2,049 psf for the 154 units (or about 56%) sold in August, capturing the interest of the buyers due to competitive pricing coupled with a freehold tenure. Freehold project launches have generally been limited in the OCR. This led to new sale transactions jumping 70.7% q-o-q to 647 in Q3*, a rebound from the 51.9% q-o-q decline in Q2*.

However, the increase in new sales was unable to move the sentiment in suburban areas with total sales dipping 4.0% q-o-q with 2,152* units. Meanwhile, secondary sales posted a 19.2% q-o-q decrease to 1,505 transactions in Q3 2024*.

RENTAL MOVEMENTS

Islandwide leasing contracts for non-landed private homes totalled 17,121 in July and August 2024, a 35.8% increase when compared to April and May 2024, and 10.4% higher than the same period in 2023. The increase in transaction volume was partly a function of falling rents, with an increasing shift in the balance of power to tenants after over 22,000 new homes were completed in the past 18 months.

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



Source: URA Realis, Knight Frank Research
*Q3 2024 includes the number of transactions for July and August 2024 only (RHS-axis)

Rents fell across all market segments between 1% and 2%. Smaller units of one- and two-bedroom types, which are more proliferate, were observed to be under the most pressure where landlords had to adjust their rental expectations in order to continue to keep these units occupied. However, rents at family-sized units with three- and four-bedrooms generally remained supported due to the smaller available inventory.

MARKET OUTLOOK

The announcement of a 50-basis point interest rate cut in September 2024 by the US central bank could prove to be the shot-in-the-arm needed to move the private residential market. Notwithstanding that the effects of the interest rate cut are not likely to be immediate, but will mostly be felt from next year onwards, this might just be the impetus to tip homebuyers who are presently sitting on the fence into a purchase, especially those buying for their own occupation.

With the mood tentative and selective among homebuyers for most of 2024, transaction momentum in the past nine months of the year is on track to fall between Knight Frank's expectations of 14,000 and 16,000 units. With the number of new sales likely to be about 4,000 units, 2024 could have the poorest showing since 2008 (4,264 new sales) during the Global Financial Crisis. It is now probable that private home prices will likely end the year gravitating towards the lower end of Knight Frank's 3% to 5% projection, with growth due to the prices at new launches that are a function of land costs committed some 12 to 18 months ago and high construction costs.

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

Recent Publications

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