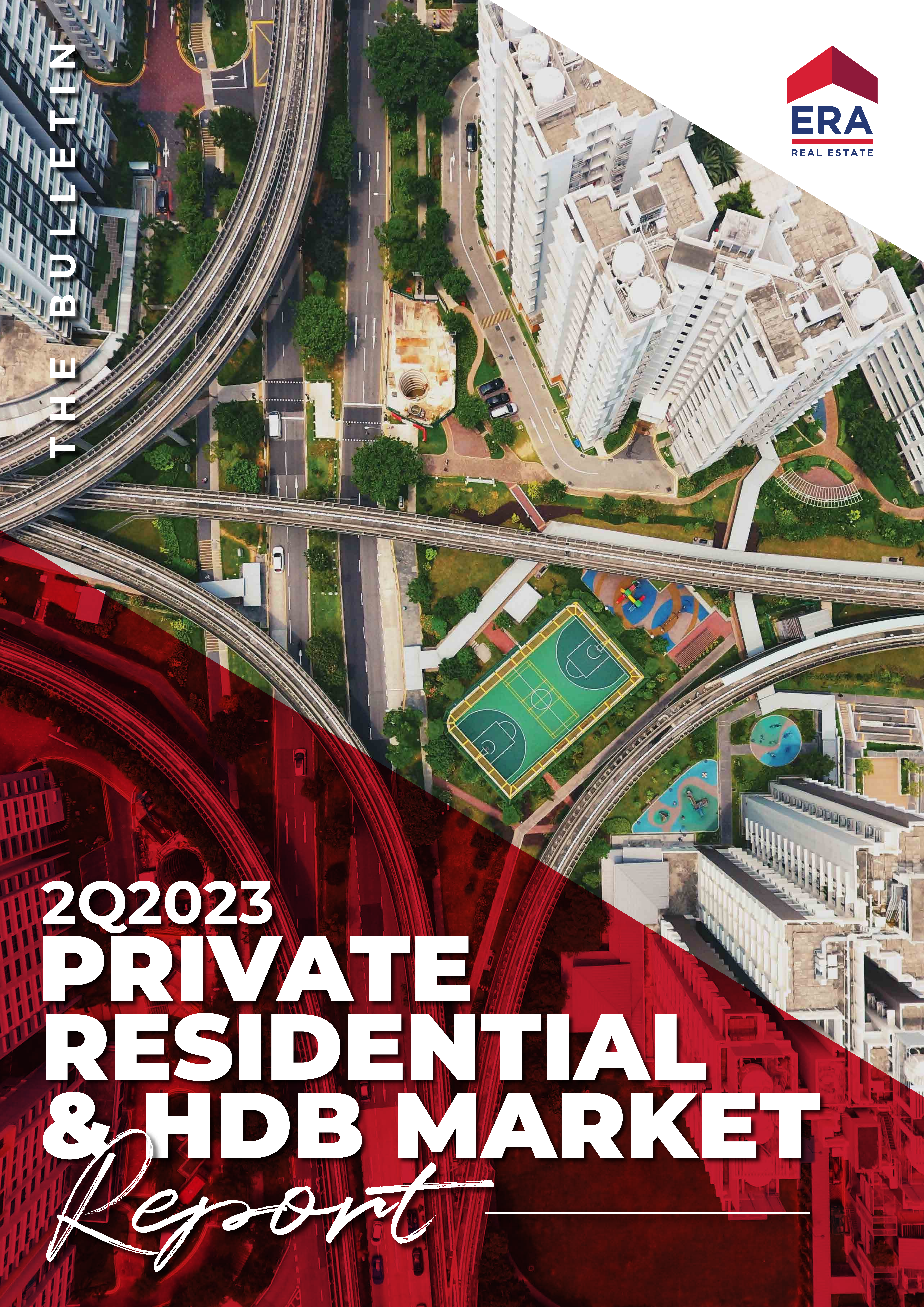


THE BULLETIN

ERA REAL ESTATE

2Q2023 PRIVATE RESIDENTIAL & HDB MARKET Report

2Q2023
PRIVATE RESIDENTIAL MARKET

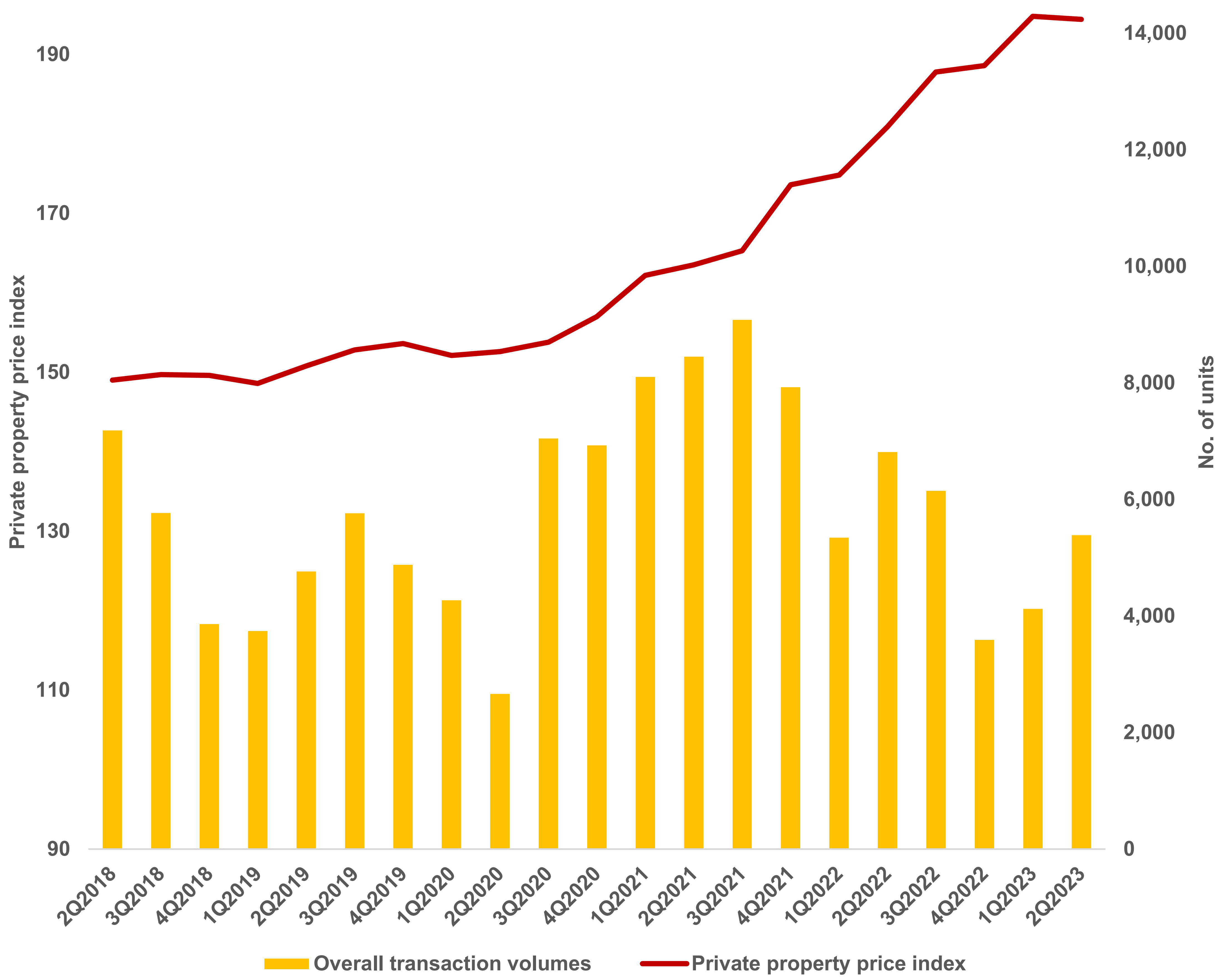
Overview

According to the quarterly statistics published by URA on Jul 28, private residential property prices witnessed a marginal decline by 0.2% quarter-on-quarter (q-o-q) in 2Q2023, a reversal from the 3.3% increase in the previous quarter. The decline broke a streak of 12 consecutive quarters of growth in property prices and registered the lowest y-o-y price increase over the past two years.

Even though transaction volumes have been picking up mainly driven by four new launches in the city fringe, the 5,388 units transacted in 2Q2023 were still 15.2% lower than the previous 12 quarters' average.

These indicators suggest that the property market could be beginning to exhibit signs of moderation after three rounds of cooling measures since December 2021 amidst a high interest rate environment.

Chart: Private property price index and overall transaction volumes



Source: URA, ERA Research & Market Intelligence

Non-Landed Residential Market

Prices of all non-landed homes experienced a slight 0.6% q-o-q decline, mainly driven by a 2.5% q-o-q price drop in the Rest of Central Region (RCR).

Outside Central Region (OCR) had the most robust non-landed price growth among the three regions, experiencing a healthy increase of 1.2% q-o-q. This growth was primarily driven by the resale market, where median prices saw a significant rise of 3.9% q-o-q, to $1,370 psf. Interestingly, the OCR market exhibited the highest price gap of 48.3% between new sales and resales compared to the other two regions. This significant price difference has resulted in a stronger shift in demand towards the resale market in the OCR region.

Signs indicating a moderation in CCR property prices after the April 2023 cooling measures were evident in 2Q2023. Primarily targeted on Foreign buyers, the 0.1% q-o-q decline is unlikely to be a mere blip but rather reflects a genuine moderation as more Foreign buyers held off on purchasing CCR properties. The number of CCR homes purchased by Foreign buyers fell to approximately 100 in 2Q2023, compared to 163 in the previous quarter.

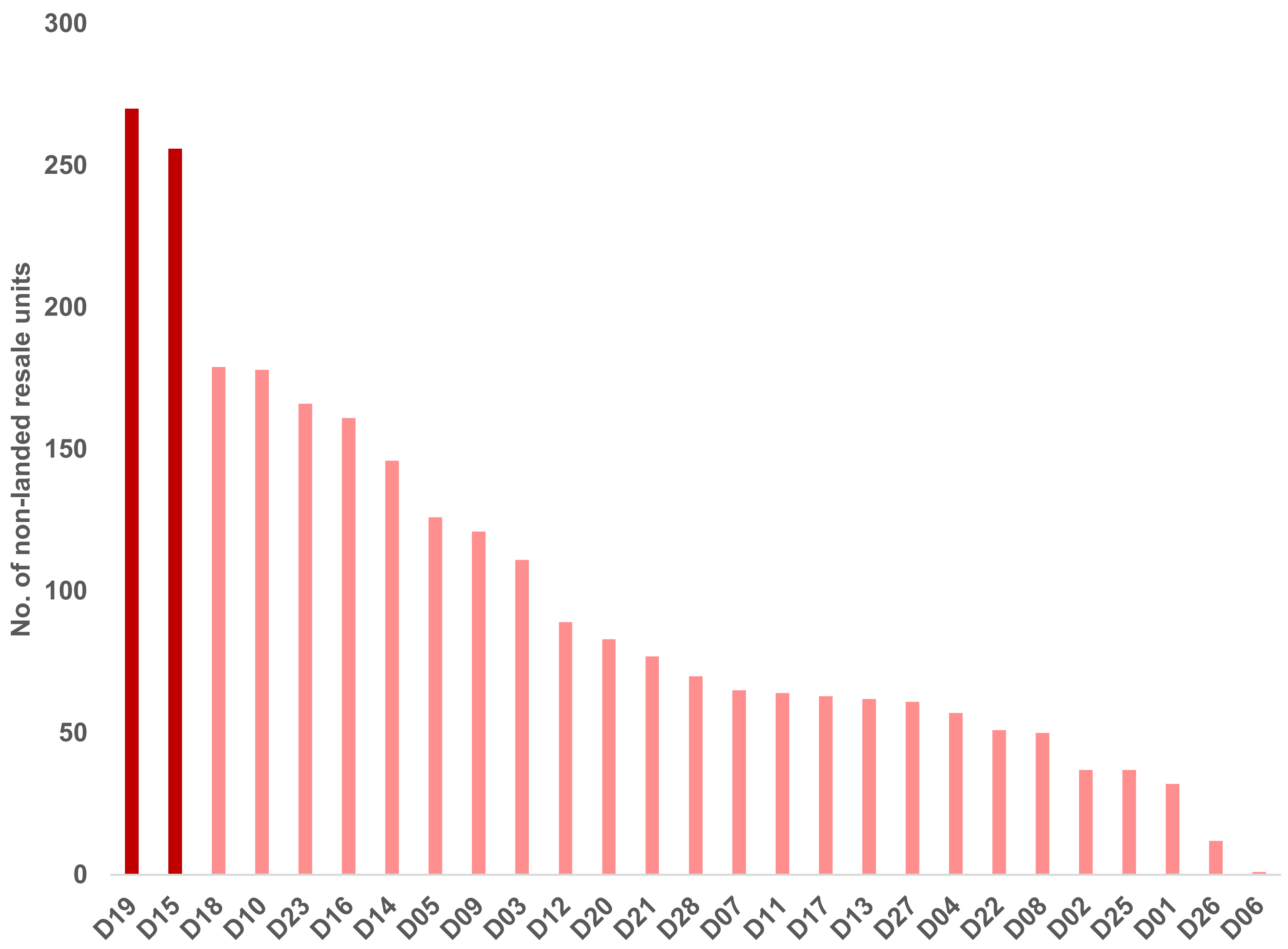
However, the CCR market is expected to remain resilient as more locals continue to enter the market. Despite a lack of major new launches in the CCR, the narrowing price gap between homes in prime areas and those located in the city fringe has further strengthened the appeal of CCR properties to potential buyers.

Districts with Most Non-Landed Resale Transactions

In 2Q2023, the non-landed resale market witnessed 2,625 transactions—an impressive 25.5% higher than the new sales market. Notably, 54.1% of these transactions fell within the price range of $1 million to just under $2 million.

The most sought-after districts in terms of resale transactions were Districts 19 and 15, recording more than 250 units each.

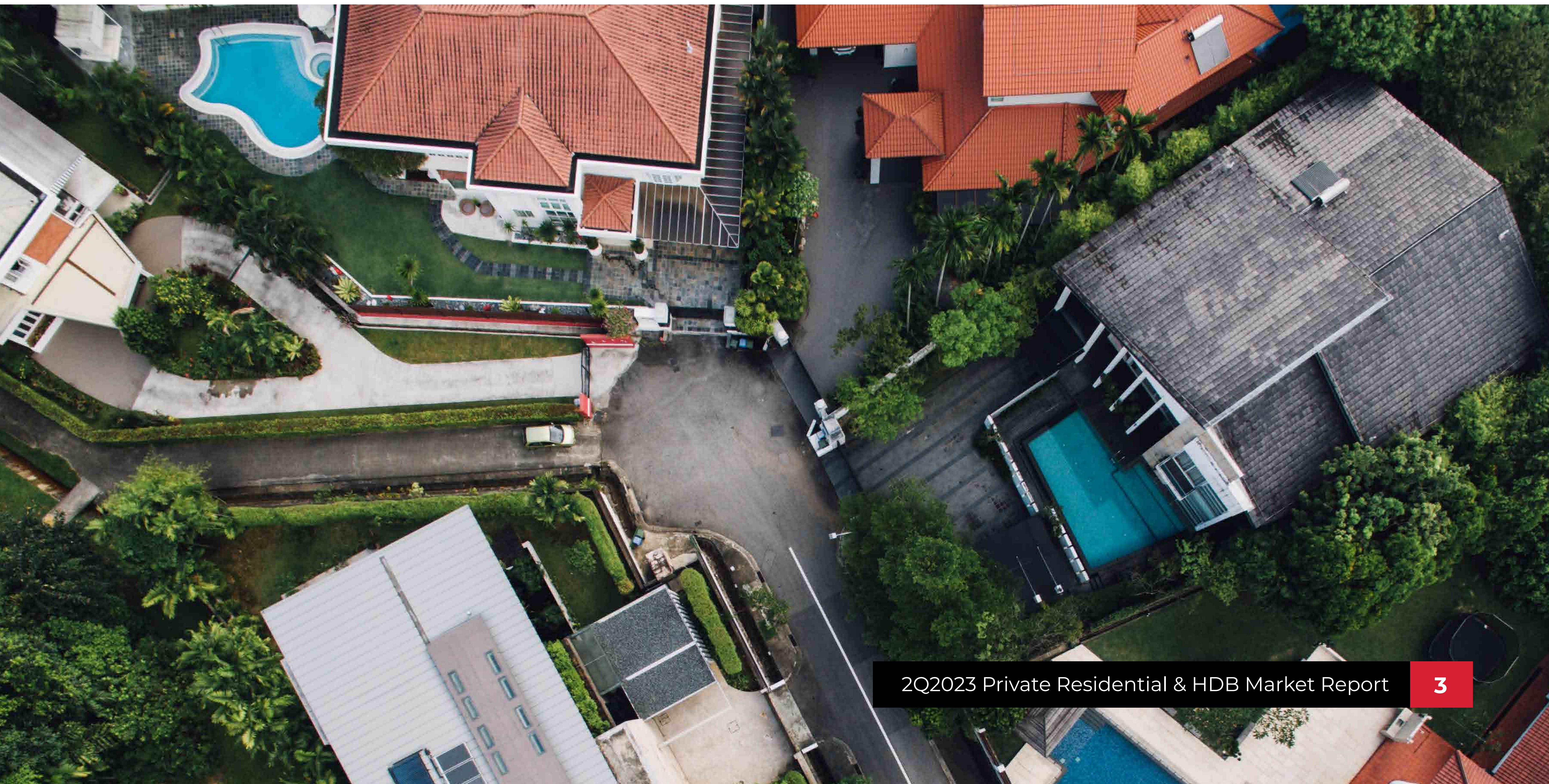
Chart: Non-landed resale transactions by Districts in 2Q2023



Source: URA, ERA Research & Market Intelligence

Landed Homes

Landed property prices grew 1.1% q-o-q, reflecting resilience in this market. As the most prestigious asset class known for its high quantum deals and rare status, sellers are not willing to cut price while buyers are cautious with their spending. As a result, prices for landed homes rose but transaction volumes dropped 11.7% q-o-q, with only 286 homes being sold.



Private Residential Rental Market

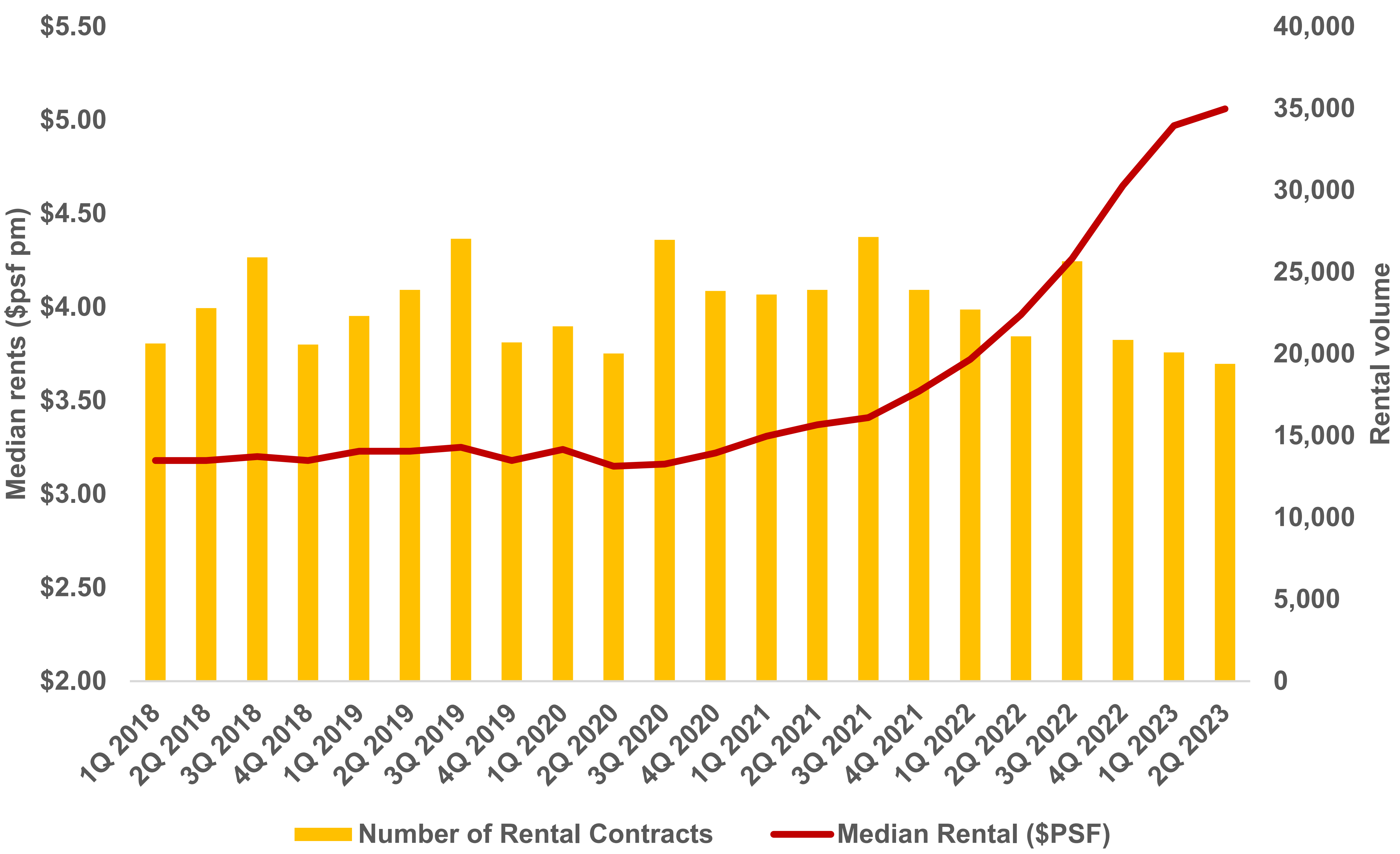
After 6 consecutive quarters of exponential growth between 4Q2021 and 1Q2023, growth in median rents for private residential properties have finally moderated to 1.8% qoq in 2Q2023, marking the first time overall rents have surpassed the $5 psf mark.

In 2Q 2023, rental contracts have returned to levels last seen in 4Q2017, falling below the 20,000 mark. The total number of rental contracts for this quarter reached 19,396, the lowest figure recorded since 4Q2017, which saw 19,281 rental transactions.

The decline in rental volume can be attributed to a mismatch in rental pricing expectations between landlords and tenants. Some landlords, influenced by their neighbors' sky-high rents in the past few quarters, have set new and lofty expectations, and are unwilling to compromise despite subdued rental demand. This has led to a reduction in rental volumes as potential tenants are put off by such high rents.

Another factor impacting the rental market is the significant volume of condominiums attaining their Temporary Occupation Permit (TOP) in 2023. According to URA, approximately 19,291 units, including Executive Condominiums (EC), are projected to be ready for occupancy this year. This anticipated increase in supply may potentially alleviate pressures on the local rental market, offering more options for prospective tenants.

Chart: Private property rents and overall rental volumes



Source: URA, ERA Research & Market Intelligence

OUTLOOK

With the implementation of the April 2023 Property cooling measures, which entailed doubling the Additional Buyer's Stamp Duty (ABSD) from 30% to 60% for foreigners and the removal of the "Commercial & Residential" zone from SLA's list of land use zones to align with the intent of the Residential Property Act, we anticipate a greater proportion of local demand in the private residential market.

In the coming months, prospective buyers will have a plethora of properties to consider, with 4,625 new launch units scheduled to be introduced. Notable projects in the CCR include TMW Maxwell and Orchard Sophia, while OCR will see the launch of The Shorefront, The Lakegarden Residences, and The Arden. The slowing growth in SORA rates as well as the decline in fixed rates for home loans are also expected to fuel activity in the property market. Consequently, overall activity is likely to witness an upswing in both the primary and secondary markets.

We expect developers to sell 7,000 to 8,000 units for the whole of 2023. Last year, developers sold 7,099 units (excluding EC). It is expected to meet this target as the number of new sales in 2023 up to date (July) is already at 4,717 units.

Even though resale volumes for the first half of 2023 already stood at 5,598 units, we expect sales to reach 10,000 to 11,000 units for the whole year amidst a high interest rate environment.

ERA predicts that private home prices will experience a rise of 4% to 5% in 2023, assuming no unforeseen events affecting the market.

2Q2023
HDB RESALE MARKET

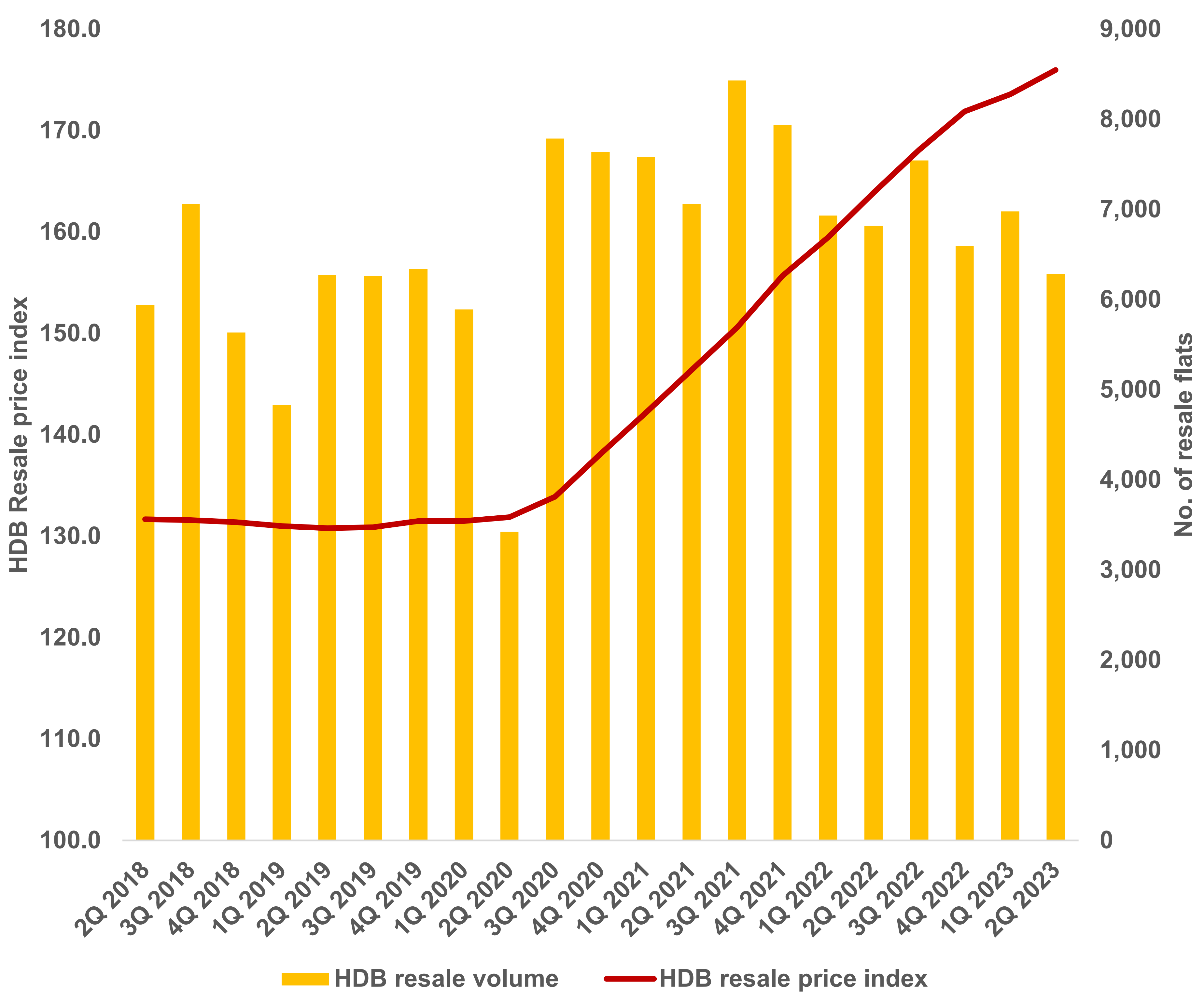
Overview

Mirroring the decline in private residential prices, HDB resale prices experienced a modest uptick of 1.5% q-o-q in 2Q2023. Nevertheless, this growth rate remains below the average quarterly increase of 2.5% observed in 2022, indicating a moderation in HDB resale prices since the implementation of cooling measures in September 2022.

HDB resale volumes also fell 6.7% q-o-q with 6,514 flats transacted. This decline comes after a 5.8% growth in the previous quarter and marks the lowest level recorded since the Covid-19 'Circuit Breaker' in 2Q2020 when only 3,426 flats were sold.

2Q's figures suggest that the slower price increase observed in the first quarter was not an isolated event. Instead, it points towards a shift towards a more sustainable growth trajectory for HDB resale prices following the robust price surges experienced in 2022.

Chart: HDB resale price index and overall resale volumes



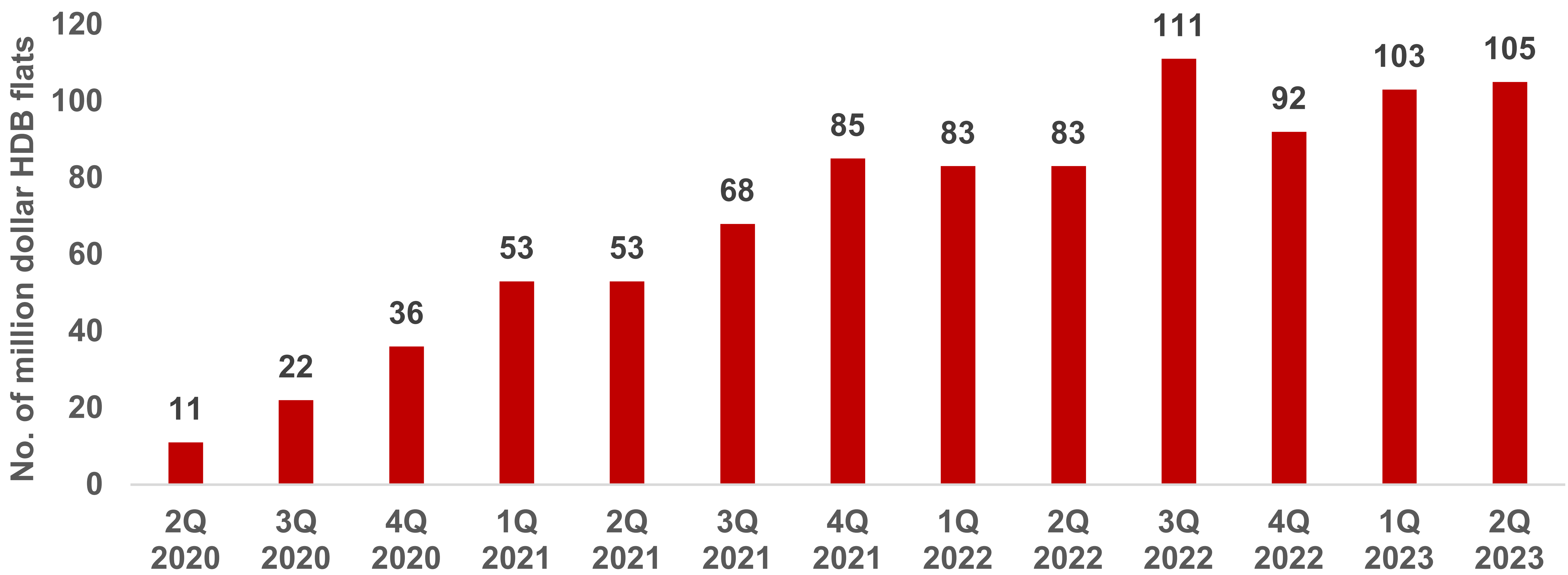
Source: HDB, ERA Research & Market Intelligence

Resilient Prices but Dampened Resale Volumes

The number of HDB flats which crossed the million-dollar mark continued to exceed 100 in 2Q2023, reflecting the price expectations of HDB sellers pushing prices to new heights. Potential buyers are discouraged by these soaring prices. As a result, the decline in overall transaction volumes reflected buyer unwillingness to participate in a seller's market. For example, three years ago, the median price of 4-room HDB resale flats in Geylang were $427,500 (2Q2020). In 2Q2023, the median price of these flats shot up by almost 55% to $661,000.

The drop in HDB resale volumes can also be attributed to several factors. The lack of OCR condo launches and Executive Condominiums (EC) launches has discouraged existing HDB homeowners from selling their properties to upgrade to these new developments. Furthermore, the implementation of a 15-month cool-off period for private property downgraders has also played a role in reducing HDB resale activity. This rule means that condo downgraders must wait until the beginning of 2024 before they can purchase an HDB flat, causing a delay in market transactions.

Chart: HDB resale price index and overall resale volumes



Source: HDB, ERA Research & Market Intelligence

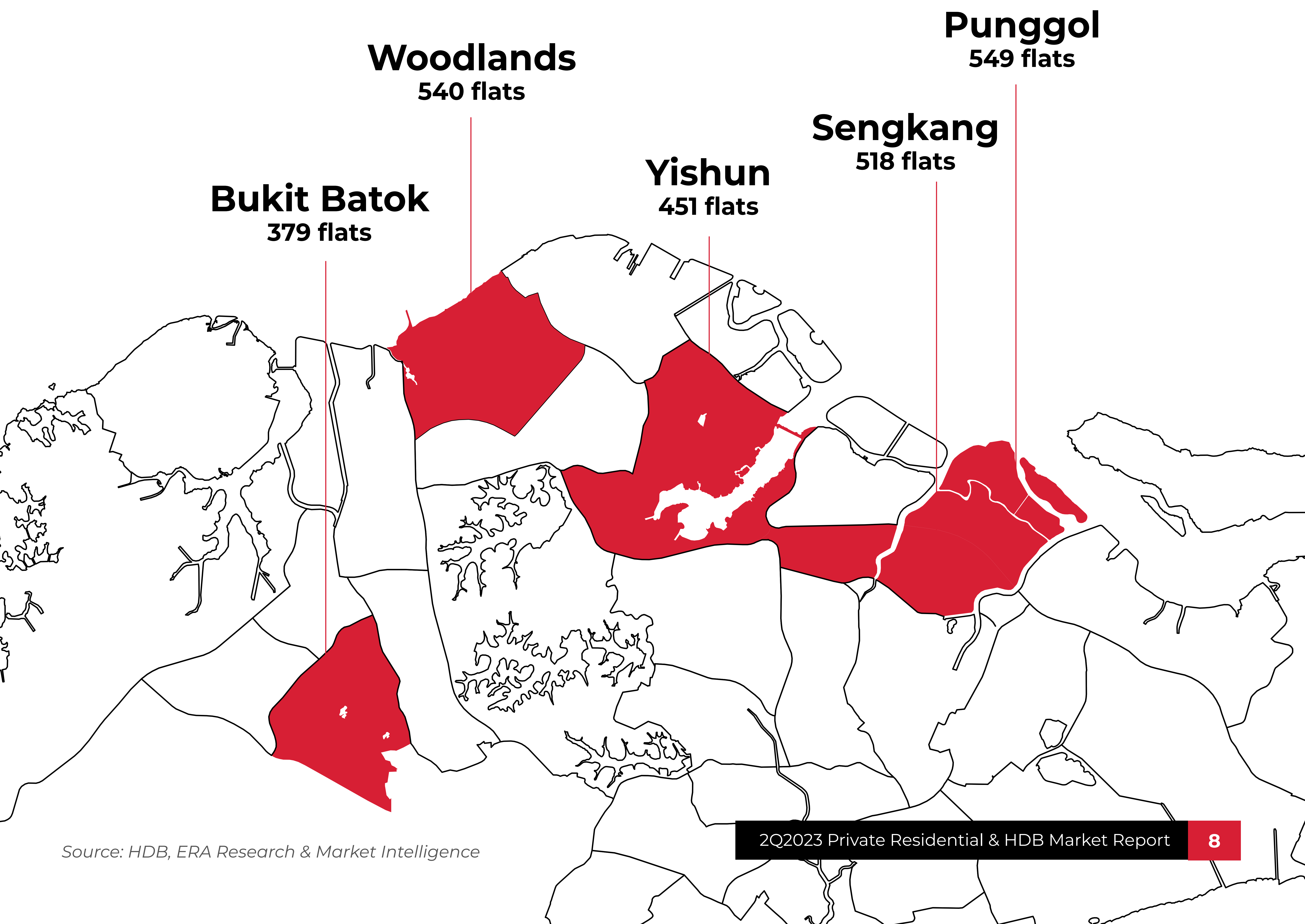
Increase in Proportion of 4-room Flats Hitting The Million-dollar Mark

There was a notable increase in the proportion of 4-room resale HDB flats hitting the million-dollar mark. The figure rose from 20.4% in 1Q 2023 to 30.5% in 2Q 2023. However, 5-room HDB resale flats continued to maintain their position as the majority, accounting for 43.7% and 42.9% of flats hitting the million-dollar mark in 1Q 2023 and 2Q 2023, respectively.

HDB Towns With Most Resale Transactions

The top 5 HDB towns with the most resale transactions are Punggol, Woodlands, Sengkang, Yishun, and Bukit Batok. These towns combined already constitute 38.8% of all resale transactions. Among these 5 towns, the most expensive and cheapest flats are found in Bukit Batok – an executive flat priced at $1,088,000, and a 2-room flat at $294,000.

Map: Top 5 towns with most HDB resale transactions



Source: HDB, ERA Research & Market Intelligence

OUTLOOK

Looking ahead, the HDB resale market is expected to stabilize, primarily driven by the government's plan to release up to 13,000 BTO flats in the second half of 2023. The upcoming 6,700 BTO units in August, located in attractive areas such as Kallang Whampoa and Queenstown are likely to divert the demand of both first-time and second-time buyers away from the resale market.

HDB resale volumes hit 13,493 flats in the first half of 2023. We expect the overall demand for HDB resale flats to remain healthy as more homeowners demonstrate flexibility in their asking prices. ERA predicts resale volume to be 26,000 to 27,000 flats for the whole of 2023.

The introduction of new suburban condo and EC launches in the near future will maintain HDB resale prices at a relatively high level, as some individuals aspire to kickstart their asset progression journey. As a result, we forecast HDB resale prices to grow sustainably between 5% and 6% as the dynamic interplay of pull and push forces between buyers and sellers continues to influence the market.

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