

SINGAPORE

Robust housing demand but rising prices could weigh on affordability



General price trends

The residential market exhibited stellar resilience in the second year of a global pandemic that has yet to be effectively controlled. The robust spate of take-up in the primary market and dwindling inventory have provided confidence to developers and a sense of urgency in the market. Overall private property prices rose for the seventh consecutive quarter in 4Q 2021 amid sustained demand and ended the year 10.6% higher than a year ago. The landed segment saw more buoyant price growth of 13.3% while the non-landed segment saw prices rising by 9.8% in 2021. Nonetheless, nonlanded prices rose at a faster clip of 5.3% gog in 4Q 2021, compared to 3.9% for the landed segment.

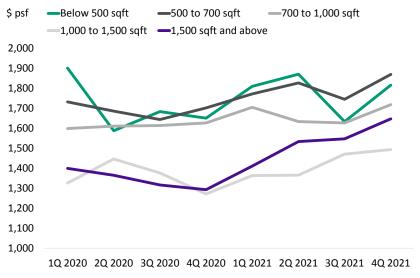
All non-landed market segments recorded an acceleration in price growth or reversal of declines during the quarter. The strongest price growth of 6.7% qoq was posted in the Rest of Central Region (RCR), followed by the Outside Central Region (OCR, 5.7%). The Core Central Region (CCR) also saw positive price growth of 2.7% qoq in the quarter, following a 0.5% decline in the previous quarter. The RCR outperformed the other segments for the second consecutive year as buyers favoured locations in the city fringe which struck a balance between proximity to the city and affordability.

Figure 1: All residential, landed, and non-landed PPI



The trajectory of non-landed median prices by unit size points to a catch-up in prices of smaller units in 4Q 2021. (Figure 2). This was likely due to the affordable quantum of small units. In particular, the median psf price of units below 500 sqft dipped below that of units sized between 500-700 sqft in the previous quarter. This pricing anomaly was short-lived and units below 500 sqft saw their median prices rise by 11.2% qoq in 4Q 2021. Although homes of all size types saw price growth during the quarter, the category of homes sized between 1,000 to 1,500 sqft recorded the lowest median price growth of just 1.6% qoq.

Figure 2: Median \$psf by unit size



Source: URA, EDMUND TIE Research

Transaction volume

Overall transaction volumes dipped in 4Q 2021 by 12.7% gog to 7,925 units from 3Q 2021's 9,083 units. This was the result of the tight viewing restrictions during the Stabilisation Phase which lasted almost two months, the easing of borders which led some families to venture abroad and return via the VTL schemes, as well as a pullback in activity on the back of rising prices. The primary market saw a somewhat larger decline of 15.0% gog in transaction volumes during the quarter compared with 11.3% for the secondary market. In 2021, developers moved 13,027 residential units, a solid increase from 2020's 9982 units, amid a strong economic rebound, abundant liquidity, and the fact that certain sectors of the economy have fared relatively better. Consequently, primary sales volumes rose by 30% to a eight-year high last year while the secondary market saw a near doubling in transaction volumes to hit a decade-high.

In 4Q 2021, new sales volumes continue to outpace launch activity. Both the CCR and RCR saw growth in new sales volumes of 32% qoq and 35% qoq respectively. The sales increase in the CCR is in line with the 39% increase in launched units in the market segment. Despite the tripling of launched units in the RCR, the sales take-up rate remained above 100%. For the OCR, although launched units fell by 75%, primary sales declined by only 51%, and take-up rates remained at close to 300%, soaking up previously launched inventory.

Figure 3: Transaction volume of primary and secondary sales

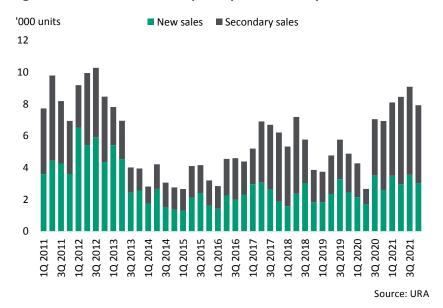
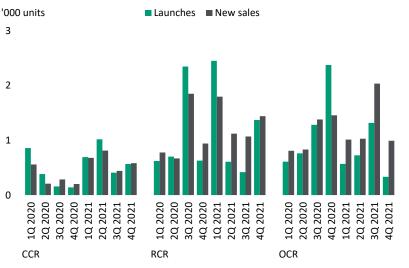


Figure 4: Non-landed new launches and sales by market segment



Source: URA

Some new project launches contributed to developer sales in 4Q 2021. Notably, CanningHill Piers moved 587 units in the RCR, while The Commodore in the OCR moved 173 units. In contrast, Perfect Ten in the CCR sold only 11 units as it was launched in the immediate wake of the cooling measures. The bulk of the remaining

sales activity in the quarter was contributed by sales of units at previously launched projects, mostly in the RCR and OCR, such as Normanton Park (251 units), Dairy Farm Residences (160 units), Jervois Mansion (101 units), The Florence Residences (90 units) and The Woodleigh Residences (81 units).

Table 1: Significant non-landed new project launches (data as at 15 Oct 21)

Month	Development	Location	Developer	Tenure	Total Units	Launched	Sold	Take-up % (Sold/ Launched)	Lowest \$ psf	Highest \$ psf
CCR										
Mar	MIDTOWN MODERN	TAN QUEE LAN ST	GuocoLand Ltd	99 years	558	500	405	81.0	2,299	4,213
Mar	THE ATELIER	MAKEWAY AVE	Bukit Sembawang Land Pte Ltd	Freehold	120	20	8	40.0	2,530	3,040
Apr	GRANGE 1866	GRANGE ROAD	Grange 1866 Pte Ltd	Freehold	60	60	8	13.3	2,674	2,794
Apr	IRWELL HILL RESIDENCES	IRWELL HILL	CDL Perseus Pte Ltd	99 years	540	420	409	97.4	2,460	4,123
Apr	PEAK RESIDENCE	THOMSON ROAD	TSRC Novena Pte Ltd	Freehold	90	90	10	11.1	2,344	2,846
May	LES MAISONS NASSIM	NASSIM ROAD	Shun Tak Holdings Ltd	Freehold	14	4	4	100.0	5,672	6,210
May	ONE BERNAM	BERNAM ST	HY-MCC (Bernam) Pte Ltd	99 years	351	100	89	89.0	2,223	2,955
May	PARK NOVA	TOMLINSON ROAD	Shun Tak Holdings Ltd	Freehold	54	54	33	61.1	4,540	5,838
Aug	KLIMT CAIRNHILL	CAIRNHILL ROAD	Glopeak Development Pte Ltd	Freehold	138	138	3	2.2	3,818	5,309
Sep	JERVOIS MANSION	JERVOIS ROAD	Kimen Realty Pte Ltd	Freehold	130	105	102	97.1	2,171	2,916
Nov	CAIRNHILL 16	CAIRNHILL RISE	Tsky Cairnhill Pte Ltd	Freehold	39	14	-	0.0	-	-
Dec	PERFECT TEN	BUKIT TIMAH ROAD	Japura Development Pte Ltd	Freehold	230	50	11	22.0	3,102	3,504
					2,324	1,555	1,082	69.6		
RCR										
Jan	NORMANTON PARK	NORMANTON PARK	Kingsford Development Pte Ltd	99 years	1,862	1,862	1,492	80.1	1,455	2,024
Jan	THE REEF AT KING'S DOCK	HARBOURFRONT AVE	Keppel Land Ltd	99 years	429	400	382	95.5	1,995	2,831
Apr	ONE-NORTH EDEN	SLIM BARRACKS RISE	One North Development Pte Ltd	99 years	165	165	163	98.8	1,779	2,257
Sep	BARTLEY VUE	JALAN BUNGA RAMPAI	Wee Hur (Bartley) Pte Ltd	99 years	115	115	30	26.1	1,741	2,021
Nov	CANNINGHILL PIERS	CLARKE QUAY	DBS Trustee Limited/ Legend Commercial Trustee Pte Ltd/ Legend Quay Pte Ltd	99 years	697	696	576	82.8	2,541	5,360
Dec	MORI	GUILLEMARD ROAD	RL East Pte Ltd	Freehold	137	100	71	71.0	1,619	2,106
Dec	ZYANYA	LORONG 25A GEYLANG	NNB 8 Development Pte Ltd	Freehold	34	34	2	5.9	1,798	1,999
					3,439	3,372	2,716	80.5		
OCR		LODONG LTELOK	Distinct He (TV)							
Feb	J@63	LORONG J TELOK KURAU	Distinct Home (TKJ) Pte Ltd	Freehold	14	14	14	100.0	1,332	1,725
Jul	PASIR RIS 8	PASIR RIS DRIVE	Allgreen Properties & Kerry Properties	99 years	487	487	429	88.1	1,411	2,092
Aug	THE WATERGARDENS AT CANBERRA	CANBERRA DRIVE	UOL Group Ltd, Kheng Leong, & Singland	99 years	448	336	330	98.2	1,232	1,579
Nov	THE COMMODORE	CANBERRA DRIVE	JBE (Canberra) Pte Ltd	99 years	219	219	164	74.9	1,289	1,670
					1,168	1,056	937	88.7		
Total					2,322	2,098	1,860	88.7		

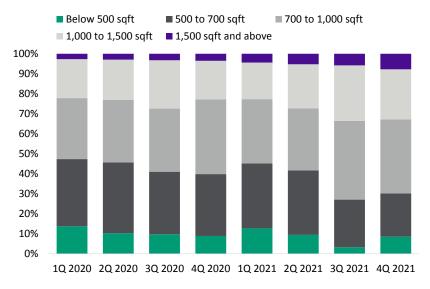
Source: URA, EDMUND TIE Research

Trends in unit size, price range and foreign buyer profile

In the non-landed primary market, the highest proportion of transactions in 4Q 2021 by unit size was for units between 700 and 1,000 sqft at 37%, down from 39.4% in the previous quarter. Another category that saw a decline in proportion of transaction was the 1,000-1,500 sqft segment whose share fell from 27.8% to 25.0%. The 500-700 sqft segment also saw a decline in the proportion of transaction. During the quarter, the increase in transaction share was recorded in the ends of the size spectrum, namely units below 500 sqft (from 3.3% to 8.5%) and units sized 1,500 sqft and above (from 5.8% to 7.8%).

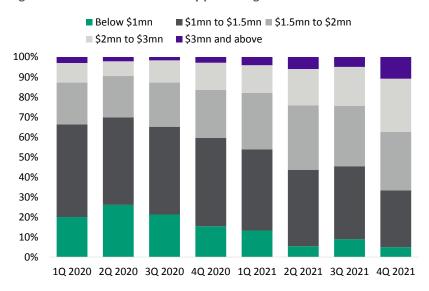
Despite the revival in smaller units in 4Q 2021, the share of units priced below \$1 mn declined to 4.9% from 9.0% in the previous quarter. Similarly, the share of transactions in the next pricing category (\$1 mn to \$1.5 mn) also fell by 8% pts to 28.4%. This was likely due to the sharp escalation in psf pricing of smaller units as noted above. The share of transactions priced \$2 mn and above rose by 13% pts from 24.4% to 37.4%, with robust increases seen in the two subsegments (\$2 mn to \$3 mn, and \$3 mn and above). Compared to the start of the pandemic in 1Q 2020, transactions priced \$2mn and above have seen a tripling in their share from 12.8% in 1Q 2020 to 37.4% in 4Q 2021, driven by rising unit property prices and a preference for larger units.

Figure 5: Non-landed new sales by unit size



Source: URA

Figure 6: Non-landed new sales by price range



Source: URA

Foreign demand held steady in 4Q 2021; the number of homes sold to non-PR foreigners dipped marginally to 257 units from 266 units in 3Q 2021. However, the share of homes sold to foreigners rose from 3.4% in 3Q 2021 to 4.3% in 4Q 2021. The increase in foreign demand share occurred in the RCR; from 2.8% in 3Q 2021 to 4.1% in 4Q 2021. The share of foreign demand held steady in the CCR and OCR at 10.5% and 1.7% respectively.

The Mainland Chinese accounted for the bulk of foreign demand in each of the three market segments in 4Q 2021 and for the whole year as well. Within the CCR, the Mainland Chinese and the Americans took the top two spots and accounted for a third of transactions in 4Q 2021 with the Indonesians following in a distant third. In the OCR, the Indians overtook the Americans to take second spot. The profile of foreign buyers in the RCR was much more diversified in 4Q 2021; the top five nationalities accounted for less than 20% of foreign demand in the quarter, as compared to 45% in 3Q 2021. The likely possibility would be that the tripling of launched units in the RCR, coupled with the border easings attracted interest from a wider variety of foreign buyers into this market segment.

Table 2: Foreigner buyer profile by market segment

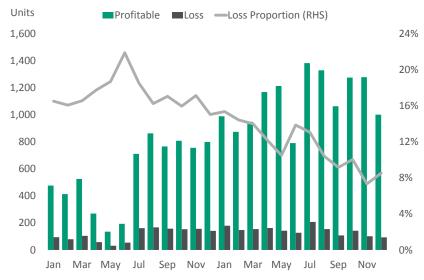
Nationality	3Q 2021	4Q 2021	qoq change 0.0	
CCR: % of all transactions by foreigners (non-PR)	10.5	10.5		
Top nationalities and % share of foreign purchases				
Mainland Chinese	20.8	21.7	0.9	
American	14.6	11.7	-2.9	
Indonesian	6.2	7.5	1.3	
RCR: % of all transactions by foreigners (non-PR)	2.8	4.1	1.3	
Top nationalities and % share of foreign purchases				
Mainland Chinese	26.6	8.5	-18.1	
American	17.2	4.3	-12.9	
OCR: % of all transactions by foreigners (non-PR)	1.7	1.7	0.0	
Top nationalities and % share of foreign purchases				
Mainland Chinese	27.8	27.9	0.1	
Indian	8.3	20.9	12.6	
American	12.5	7.0	-5.5	

Source: URA

Resale profitability

The loss-making share of transactions for the overall market (landed and non-landed) fell further from 11.0% in 3Q 2021 to 8.6% in 4Q 2021, although this belies volatility across the individual months within the quarter. The trend was similar for the non-landed segment. For the whole of 2021, the loss-making share for the overall market was 11.4%, a sharp easing from the elevated 16.8% in 2020 when the economy contracted by 5.4%. As the economy moderates towards trend growth in 2022 and as support measures are gradually phased out, we expect more dislocations in various sectors of the economy which could lead more homeowners to offload their properties in a distressed state. However, the positive fundamentals and pricing trajectory of the housing market will also help to ease market distress. On balance, we expect some volatility in the months ahead but expect a healthy level of loss-making share of 11-12% for 2022.

Figure 7: Profit and loss-making non-landed transactions from Jan 2021 to Jun 2021



Source: URA, EDMUND TIE Research

Outlook

Looking ahead, in light of a return to trend economic growth this year from a high base and in the immediate wake of the cooling measures, we expect some caution from developers and homebuyers. Given the low unsold stock, developers will continue to retain pricing power, although we do expect launch and sales volumes to ease this year.

The fundamentals of the housing market remain sound in terms of genuine first-time homebuying demand and affordability, but the rising number of Omicron cases is a case of concern. Homebuyers will continue to favour larger units, although affordability constraints would mean that smaller units remain an essential element of the housing ecosystem. As we adjust towards an endemic Covid, buying interest will likely pivot towards the prime segment which lost some share to the suburban segment in the last two years.

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