

SINGAPORE Q2 2022

Tighter financing conditions to cap home sales demand



General price trends

The residential overall price index rose by 3.5% qoq in 2Q 2022, accelerating from the 0.7% increase in the previous quarter. Prices of landed properties rose by 2.9% qoq in 2Q 2022, moderating from 4.2% increase in the previous quarter, while prices of non-landed properties rose by 3.6% in 2Q 2022, compared to a 0.3% decrease in the previous quarter.

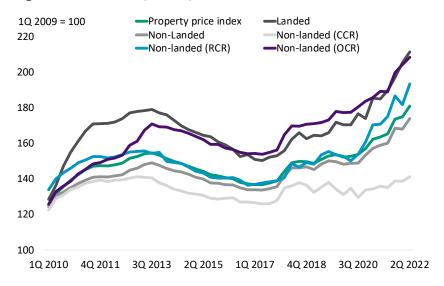
Within the non-landed segment, the largest price increase in 2Q 2022 was posted in the Rest of Central Region (RCR) at 6.4% qoq, followed by the Outside Central Region (OCR) at 2.1% qoq, and Core Central Region (CCR) at 1.9% qoq.

The large price increase in the non-landed properties in the RCR was due to the strong sales at LIV@MB and Piccadilly Grand. Both were launched at record median prices of \$2,410 psf and \$2,174 psf, respectively. Given the positive market fundamentals, we expect new pricing benchmarks to be set in the suburban segment going forward.

In 2Q 2022, both non-landed median price of unit size (500 sq ft to 700 sq ft) and (1,000 sq ft to 1,500 sq ft) saw the largest increases of 13.4% qoq and 8.8% qoq, respectively, due to low unsold inventory that pushed up pricing amid limited new project launches.

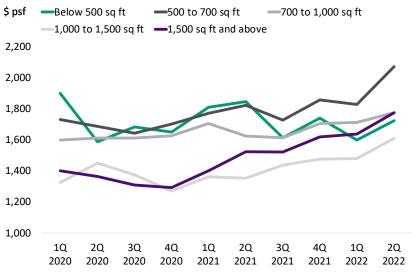
In addition, the non-landed median price of other unit sizes, (1,500 sq ft and above), (below 500 sq ft) and (700 sq ft to 1,000 sq ft) rose by 8.5% qoq, 7.8% qoq and 3.6% qoq, respectively.

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



Source: URA

Figure 2: Median \$psf by unit size



Source: URA, EDMUND TIE Research

Transaction volume

Overall transaction volume rose by 27.5% qoq in 2Q 2022 to 6,811 units, from 1Q 2022's 5,343 units, driven by new sales in CCR and RCR. The inflationary environment and lacklustre financial markets likely drove homebuyers to consider and seek out property as an effective hedge against inflation.

The primary market saw a larger increase of 31.3% qoq in transaction volume during the quarter, compared to the 25.5% qoq increase in the secondary market. In 2Q 2022, developers moved 2,397 residential units, compared to 1Q 2022's 1,825 units. There has been a revival of interest in earlier launched projects due to low unsold inventory in the market. Transaction volume in the secondary market rose by 25.5% qoq to 4,414 unit in 2Q 2022, driven by strong growth in CCR and RCR.

Total new sales volume rose by 31.3% qoq to 2,397 units. Total launched units in 2Q 2022 soared by 219% qoq to 1,956 units, driven by launches in the RCR (969 units). Hence, sales take-up rate fell to 123% in 2Q 2022, compared to 298% in the previous quarter. In 2Q 2022, total new sales volumes continued to outpace launch activity for the fifth consecutive quarters, driven by strong growth in CCR and RCR.

New sales volumes in CCR and RCR saw a sharp increase of 64% qoq, 53% qoq respectively, driven by strong pent-up demand for RCR projects like Liv@MB and Piccadilly Grand, and the continual easing of borders that helped re-inject foreign demand especially in the CCR.

Figure 3: Transaction volume of primary and secondary sales

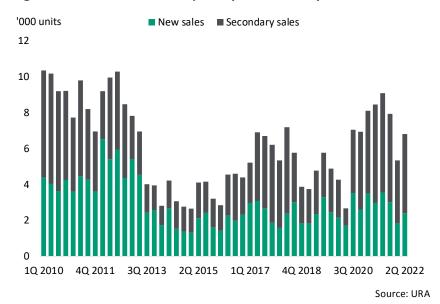
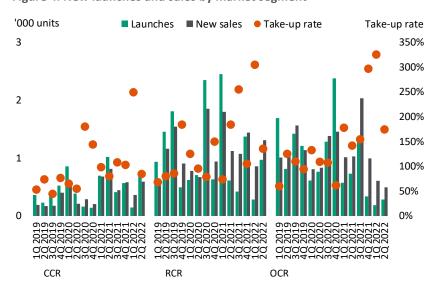


Figure 4: New launches and sales by market segment



Source: URA

For the OCR, new sales volume fell by 18% qoq at 496 units, however take-up rates remained healthy at 174% with low launches (285 units), soaking up previously launched inventory. Given the tight unsold inventory and sustained demand for suburban homes, we expect positive reception for upcoming OCR projects like Lentor Modern and Sky Eden@Bedok.

There were five new project launches in 2Q 2022 – Piccadilly Grand, LIV@MB, Atlassia, Baywind Residences and Spring Waters Villas. Notably, Piccadilly Grand moved 330 of the 350 units launched in as at 31 July 2022,

while LIV@MB moved 235 of the 250 units launched. In addition, AMO Residence in OCR was launched in July 2022, and moved 366 of the 372 units launched.

Table 1: New project launches in 2022 (data as at 31 July 2022)

Launch Month	Development	Location	Developer	Tenure	Total Units	Cumulative Units Launched to-date (31 Jul 22)	Cumulative Units Sold to-date (31 Jul 22)	Take-up rate %	Lowest \$ psf	Highest \$ psf
CCR										
Jan-22	Ikigai	Shrewsbury Road	Opulent Development Pte Ltd	Freehold	16	16	3	19%	\$2,121	\$2,189
					16	16	3	19%		
RCR										
Feb-22	Royal Hallmark	Haig Lane	H Homes Pte Ltd	Freehold	32	32	17	53%	\$1,728	\$2,212
May-22	Atlassia	Joo Chiat Place	K16 Place Pte Ltd	Freehold	31	31	18	58%	\$1,901	\$2,188
May-22	LIV@MB	Arthur Road	BSEL Development Pte Ltd	99 yrs from 23/11/2021	298	250	235	79%	\$2,079	\$2,854
May-22	Piccadilly Grand	Northumberland Road	Maximus Residential SG Pte Ltd/ Maximus Commercial SG Pte Ltd	99 yrs from 02/08/2021	407	350	330	81%	\$1,871	\$2,593
					768	663	600	78%		
OCR										
Jan-22	Belgravia Ace	Belgravia Drive	Fairview Developments Pte Ltd	Freehold	107	85	82	77%	\$1,012	\$1,127
Apr-22	Spring Waters Villas	Jalan Mata Ayer	South Island Mata Ayer Pte Ltd	999 years leasehold	6	6	1	17%	\$1,710	\$1,710
May-22	Baywind Residences	Lorong N Telok Kurau	Baywind Properties Pte Ltd	Freehold	24	24	12	50%	\$1,953	\$2,155
Jul-22	AMO Residence	Ang Mo Kio Rise	United Venture Development (2021) Pte Ltd	99 yrs from 30/08/2021	372	372	366	98%	\$1,890	\$2,406
					509	487	461	91%		
Total					1,293	1,166	1,064	82%		

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 2Q 2022 by unit size was for units between 1,000 sq ft and 1,500 sq ft at 35%, up from 32% in the previous quarter, driven by a preference for larger units by home buyers as hybrid work practices become the norm.

We have also observed a rising preference for smaller units as well, likely driven by affordability constraints due to rising prices and interest rates. During 2Q 2022, the share of units sized below 700 sq ft rose from 24.7% in 1Q 2022 to 29.4% in 2Q 2022. Given the rising pressures on affordability, we expect small units to remain as an essential element of the housing ecosystem.

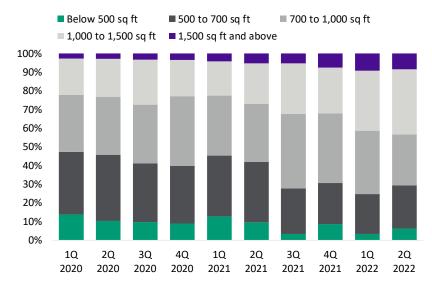
Consequently, the share for units sized between 700 sq ft and 1,000 sq ft fell to 27.3% in 2Q 2022, down from 34% in the previous quarter.

Home purchase quantums have risen in tandem with rising prices and a general preference for larger units, as hybrid work practices become the norm. The share of new non-landed units priced \$3mn and above rose from 13% in 1Q 2022 to 17% in 2Q 2022, while that in the \$2mn to \$3mn rose from 28% to 32%.

Conversely, the share of units with lower price quantum range in the two subsegments (below \$1mn, and \$1mn to \$1.5mn) saw a decline from 2% to 1% and 23% to 22%, respectively.

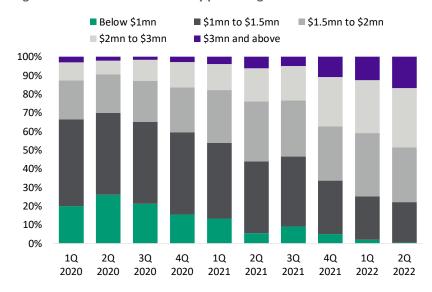
Compared to the start of the pandemic in 1Q 2020, transactions priced \$2mn and above have seen an increase in their share from 13% in 1Q 2020 to 49% in 2Q 2022, driven by rising unit property prices and a preference for larger units.

Figure 5: Non-landed new sales by unit size



Source: URA

Figure 6: Non-landed new sales by price range



Source: URA

The number of homes sold to foreigners doubled from 144 units in 1Q 2022 to 291 units in 2Q 2022. The share of homes sold to foreigners rose from 3.1% in 1Q 2022 to 4.9% in 2Q 2022 due to the continual easing of borders and the attraction of Singapore as a safe haven amid ongoing geopolitical and economic uncertainties.

The share of foreign demand rose in 2Q 2022 in all regions - CCR, RCR and OCR. Notably, CCR experienced the largest increase in foreign demand share from 8.8% in 1Q 2022 to 12.0% in 2Q 2022, as foreign demand gravitated towards the prime districts. RCR and OCR also saw an increase in

foreign demand share from 1Q 2022 to 2Q 2022, with 2.9% to 4.7% and 1.2% to 1.4% respectively.

The Americans overtook the Mainland Chinese in 2Q 2022, for two consecutive quarters, taking the top spot in foreign demand in all market segments – CCR, RCR and OCR. Meanwhile, the Mainland Chinese and Indonesians ranked a distant second and third in 2Q 2022. The primary reason is that buyers from the United States of America are exempted from paying any ABSD on the first residential property purchase in Singapore due to a free-trade agreement.

Table 2: Foreigner buyer profile by market segment

Nationality	1Q 2021	2Q 2022	qoq change	
CCR: % of all purchases by foreigners (non-PR)	8.8	12.0	3.2	
Top nationalities and % share of foreign purchases				
American	31.4	22.4	-9.0	
Mainland Chinese	20.0	15.4	-4.6	
Indonesian	5.7	11.9	6.2	
RCR: % of all purchases by foreigners (non-PR)	2.9	4.7	1.8	
Top nationalities and % share of foreign purchases				
American	29.2	19.1	-10.1	
Mainland Chinese	27.1	11.3	-15.8	
Hong Kong	0.0	3.5	3.5	
OCR: % of all purchases by foreigners (non-PR)	1.2	1.4	0.2	
Top nationalities and % share of foreign purchases				
American	26.9	30.3	3.4	
Mainland Chinese	38.5	15.2	-23.3	
Indonesia	3.8	9.1	5.3	

Source: URA REALIS

Outlook

Looking ahead, we expect new home sales to hold up in the coming months as labour market conditions remain tight. While the inflationary environment and lacklustre financial markets are likely to push homebuyers to consider and seek out property as an effective hedge against inflation, tighter financing conditions are likely to cap the strength of home sales. In addition, the continual sombre economic data points and forecasts are likely to help rein in unfettered demand.

On the back of rising interest rates and tighter financing conditions that are likely to cap the strength of home sales, primary sales activity for 2022 is likely to moderate to about 10,000 units, while private residential prices is projected to soften slightly to about 8% for the whole of this year, compared with 10.6% last year. This is on the back of rising interest rates and tighter financing conditions that is likely to cap the strength of home sales. Nonetheless, the overall market remains supported by a tight labour market, ongoing economic growth, and healthy demand-supply dynamics in the property market.

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