Looking back at H1 2022| Return of Foreign Buyers | Opportunities in H2 2022

Looking back at H1 2022

Felt like you missed the boat back in the first half of 2022 and property prices are no longer where they were at? Let's have a review of some events that took place last quarter.

First off we had two sizeable new launches in the Rest of Central Region (RCR) this quarter pointing to a healthy demand taking up the declining supply of properties especially in the Out of Central Region (OCR) and RCR. Piccadilly Grand at Farrer Park saw a take-up rate of 77% on its launch day with average prices of about $2150 psf, a new benchmark for the district.

Monday, May 23, 2022

THE BUSINESS TIMES

BT businesstimes.com.sg

Bukit Sembawang's Liv @ MB sells over 75% on launch weekend

Over 90 per cent of buyers were Singaporeans residing in the immediate neighbourhood

By Claudia Chong
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BUKIT Sembawang Estates' condominium project Liv @ MB in the Mountbatten area has sold more than 75 per cent of its 298 units, at an average selling price of S$2,387 per square foot (psf), Bukit Sembawang said in a press statement.

Over 90 per cent of buyers were Singaporeans residing in the immediate neighbourhood, Bukit Sembawang said on Sunday (May 22).

Located on Arthur Road, Liv @ MB is a 99-year-leasehold project with units spread across 4 blocks. It sits on 140,000 sq ft of land – with 80 per cent dedicated to recreational facilities and lush landscaping – and is a 3-minute walk from the future Katong Park MRT.

The project opened for preview on May 6, with indicative prices ranging from S$1.08 million for a 1-bedroom unit to S$3.63 million for a 4-bedroom deluxe one.

Earlier indicated prices ranged from S$2,190 psf for 1-bedroom units (from 495 sq ft), S$2,292 psf for 2-bedroom units (from 624 sq ft) and S$2,288 psf for 2-bedroom deluxe (from 753 sq ft) to S$2,080 psf for 3-bedroom units (from 1,119 sq ft).

The 4-bedders start from the 12th floor, with earlier indicated pricing ranging from S$2,233 psf (from 1,518 sq ft) to S$2,177 psf for the deluxe version (from 1,668 sq ft).

Huttons Asia CEO Mark Yip said: "Another major project launch in 2022 has achieved more than 70 per cent sales on launch day. This is truly remarkable against the backdrop of cooling measures in December 2021, rising interest rates, rising inflation and global uncertainties."

Yip noted that the attractive entry price from S$2,080 psf further sweetens the deal for buyers. "Regardless of government interventions in the housing segment, the market believes that today's pricing is acceptable as construction costs have risen considerably," he added.

Piccadilly Grand, the first major private residential development to come on the market since cooling measures were introduced, sold 77 per cent of units during its launch weekend earlier this month. The joint residential project by City Developments Limited and MCL Land recorded an average selling price of S$2,150 psf.

Lee Sze Teck, senior director of research at Huttons, said: "We foresee the positive sentiments from Piccadilly Grand and LIV@MB to spillover to other project launches in the months ahead."

Located on Arthur Road, Liv @ MB is a 99-year-leasehold project with units spread across 4 blocks. It sits on 140,000 sq ft and is a 3-minute walk from the future Katong Park MRT. BUKIT SEMBAWANG ESTATES

Source: The Business times

This also set the tone for Liv@MB, located within the Mountbatten Road enclave, with the upcoming Katong Part MRT station within a 4 minute walk. A 75% take-up rate on its launch day at average prices of $2,387 psf shows underlying strength in the demand, though taking into consideration new unsold units in District 15 at just less than 100 units prior to the launch of Liv@MB.

It does seem buyers are easily accepting the range of above $2,100 psf for RCR projects, although still sensitive to quantum, with larger units still left on the market primarily due to affordability. Looking at median prices of the top 10 best selling projects below, we see existing properties priced at a sweet spot within or below this range are quickly being snapped up.

Top 10 Best-Selling Private Residential Projects (Ex. ECs) in April 2022

S/N	Project	Region	Units Sold in April	Median Price in April ($PSF)
1	NORMANTON PARK	RCR	52	$1,861
2	RIVIERE	RCR	35	$2,779
3	ONE PEARL BANK	RCR	29	$2,557
4	MEYER MANSION	RCR	24	$2,620
	THE FLORENCE RESIDENCES	OCR	24	$1,717
5	THE AVENIR	CCR	23	$3,227
6	FOURTH AVENUE RESIDENCES	CCR	21	$2,500
7	VERTICUS	RCR	20	$2,149
8	AVENUE SOUTH RESIDENCE	RCR	19	$2,301
	THE WATERGARDENS AT CANBERRA	OCR	19	$1,449
9	IRWELL HILL RESIDENCES	CCR	18	$2,817
	THE WOODLEIGH RESIDENCES	RCR	18	$2,186
10	LEEDON GREEN	CCR	17	$2,761

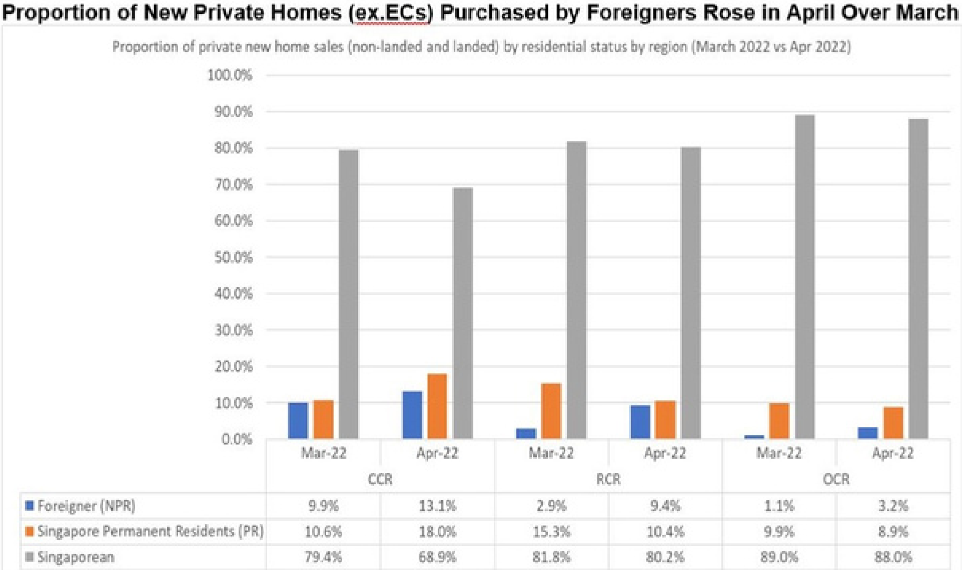
Source: PropNex Research, URA

As developers see their inventories coming down, projects that have launched for a period of time are likely to calibrate their prices upwards to match other new launches. Just based on the 10 best-selling projects above, only 3 of them are still priced below the $2,000 psf mark. We foresee this supply being wiped out in a matter of months.

Return of Foreign Buyers

While local buyers made up 90% of both Liv@MB and Piccadilly Grand's buyers, we notice foreign investors returning to our property market especially over the later part of Q2 2022.

Proportion of New Private Homes (ex.ECs) Purchased by Foreigners Rose in April Over March



Source: PropNex Research, URA Realis (retrieved on 17 May 2022)

Return of Foreign Buyers

From the charts we see foreigners made up the highest proportion in the Core Central Region (CCR) areas and there was a stark increase from March to April in foreign purchasers especially in the CCR and RCR. It is evident despite the increase in ABSD to 30% on foreigners, they are still confident of real estate in Singapore over the longer run, considering the nation a safe haven with political stability and security allowing their assets to be protected.

We forecast the trend of foreign purchasers remaining high as borders have opened up and due to the resumption of travel especially for China. This, coupled with the recent tightening of conditions for family offices making Singapore more attractive to some high net worth individuals (HMWIs) due to a boost in confidence as a fast-growing and maturing family office landscape. These foreign investors are likely to zoom in on the existing supply of CCR units, especially those that have completed or soon to be completed.

Opportunities in H2 2022

Now, where do we look for opportunities at this time? We know supply is low in the OCR and RCR where properties are largely owner occupied, but in the CCR, prices have yet to rise significantly as units there may take a longer time to move due to the higher quantum. However, as the gap between CCR and RCR narrows, the central region starts to look increasingly attractive before the market normalizes and foreign investors swoop in on these deals.

SINGAPORE PROPERTY

Price gap between RCR and CCR homes narrows in March

By Lisa Kriwangko
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THE price gap between new homes in the prime areas of Singapore and those outside of them continued to narrow in March, suggesting that there could be buying opportunities for those seeking properties in Districts 9, 10 and 11.

Median transaction prices for non-landed new private homes in the RCR and outside of central region (OCR) grew 4.8 per cent month on month to S$1.86 million, and 5.7 per cent to S$1.75 million, respectively. Meanwhile, that of the CCR (which includes Districts 9, 10, 11 and parts of 1, 2, 4, 6 and 7) fell by 4.9 per cent to S$2.24 million, ac-

that the number of purchases by foreign buyers has been low since December's cooling measures, and expects this to remain muted in the near future.

That said, Tay noted that while some foreign buyers might be deterred by the recently increased Additional Buyer's Stamp Duty (ABSD), others might still be interested in purchasing luxury homes in the CCR as prices have not seen much uptick.

"Given the amount of anecdotal interest and enquiries from potential foreign homebuyers, and the fact that the global pandemic has created a premium on stability in an uncertain world, the globally mobile wealthy may still be prepared

The gap in median transaction prices between CCR and RCR homes has narrowed from 32.6 per cent in February to 20.3 per cent in March, says Wong Siew Ying of PropNex Realty. BT FILE PHOTO

Opportunities in H2 2022

Depending on your citizenship, as a Singaporean or PR going into CCR, compared with your foreign neighbours paying that 30% ABSD, you can be pretty sure you're shielded by any significant price drops if you enter at a safe entry price, after considering your own financial situation.

If the CCR quantum is too much of a stretch, perhaps considering a smaller unit, lower floor level to reduce your psf in the CCR, may serve as a helpful stepping stone to upgrading plans down the years.

While we can't offer a one size fits all solution, a quick guide is if we are looking at a lower psf, the existing inventory in the market may serve your needs. If we are particular about specific locations, some of the new launches second half of this year may be exciting for you. Our top picks in terms of location with sizeable number of units include Slim Barracks Rise at One-North, Flynn Park at Pasir Panjang, Sceneca Residence at Tanah Merah and AMO Residence at Ang Mo Kio Avenue 1.

Conclusion

When we look at the supply and demand factors in real estate and the likely financial trends such as inflation in the coming years, those holding on to a property tend to be in a better position with a safety net. There are still others who feel their property may not be performing as well, or feel a need to allocate a larger proportion of funds to property as a hedge against inflation.

As everyone's circumstances are different, the resale market may also be a place for bargain hunting or if specific considerations such as schools are part of the requirement. Have a chat with us and we'll be happy to share our thoughts with you!

Kindest regards,
STL Properties

References
1: https://www.businesstimes.com.sg/real-estate/piccadilly-grand-sells-77-of-units-at-average-s2150-psf-on-launch-weekend

THE BUSINESS TIMES

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Wednesday, June 01, 2022

SINGAPORE PROPERTY

Prices of mass market property launches could hit record high as developers face cost contraints

Land, construction and materials costs have risen while the number of unsold units have dwindled

By Nisha Ramchandani
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ELEVATED costs and limited inventory could result in new benchmark prices in the private residential market this year, with the average price of some suburban project launches seen trending close to, or crossing, the S$2,000 per square foot (psf) mark.

Land, construction and materials costs have risen even as the number of unsold units have dwindled, especially in the Outside Central Region (OCR) or suburbs. Rising interest rates will also translate to higher financing costs for developers. Wong Siew Ying, head of research and content at PropNex Realty, said: "We do anticipate suburban condo launches to see new benchmark prices, given the elevated land cost which is a big component of selling price."

PropNex Research expects the average price of OCR launches to range from S$1,900 psf to S$2,300 psf. Core Central Region (CCR) launches could see prices averaging S$2,800 to S$2,900 psf and above, while average prices for Rest of Central Region (RCR) launches could range from S$2,400 to S$2,700 psf.

Contracts director of Uniso-n Construction, Goh Boo Kui, told *The Business Times* that construction costs have generally spiked 20-30 per cent from pre-pandemic times, owing to labour and material costs. Transport costs have also increased. Kenneth Loo, executive director of Straits Construction, puts construction costs for a suburban condo with 400-500 units at above S$400 psf of gross floor area (GFA) presently, depending on the finishings. This is up from S$250-300 psf prior to the pandemic.

Demand, meanwhile, is being supported by buyers who are flush with liquidity, said Lee Nai Jia, deputy director at the National University of Singapore's Institute of Real Estate and Urban Studies (IREUS). Dr Lee added, however, that projects will need unique attributes to achieve new benchmarks, such as being part of an integrated development, being close to an MRT station or being situated in a mature estate with a lack of new launches. They could also be in areas where the HDB prices surpass those in new estates.

Going by PropNex estimates, 99-year-leasehold AMO Residence at Ang Mo Kio Ave 1, being jointly developed by UOL Group, Singapore Land Group and Kheng Leong, could register an average selling price of S$2,000 to S$2,100 psf.

GuocoLand's 99-year-leasehold Lentor Modern, a private residential project with commercial space on the ground floor, could see an average selling price of S$2,100 to S$2,200 psf. Both projects are expected to be launched in the third quarter of 2022.

The 268-unit Sceneca Residence, part of a mixed-used development along Tanah Merah Kechil Link, could clock S$1,900 to S$2,000 psf when it launches in the second half of 2022. The project is being developed by MCC Land (Singapore), The Place Holdings and Ekovest Development.

Analysts are mixed on whether such prices for suburban projects will face resistance from buyers. ERA's head of research & consultancy, Nicholas Mak, said the increase in property prices are is due to cost-push inflation, as opposed to being demand-led. "Some buyers may be priced out of the market," he noted. Dr Lee of IREUS, too, reckoned that some buyers may bow out but said those who can afford to take the plunge may do so for fear of being priced out down the road: "These buyers are taking centre stage, and we should see more of such behaviour."

OrangeTee & Tie's chief executive Steven Tan suggested that some buyers may turn to real estate assets as an inflation hedge, while others may want to lock in interest rates before they rise further. Tan also noted that inventory in the OCR is very low, which means buyers who are keen on new launches have limited choice. "If affordability is a concern, they still have to go for OCR. Many people may not be eligible for executive condominiums."

According to ERA's Mak, the number of launched and unsold private housing units for sale in the OCR stood at just 726 units in April. This was lower than the launched and unsold stock of 1,541 units in the CCR and 821 units in the RCR. And with prices on an upward trend in the OCR, this could prompt pricing in other regions to follow suit. "Pricing for the RCR and CCR would creep up," Dr Lee of IREUS said. OrangeTee & Tie's Tan also expects a chain effect.

An OrangeTee report noted that upcoming launches in the RCR could start from S$2,200 psf. It highlighted that many new city fringe condos at Queenstown, Potong Pasir and Eunos were launched at an average price of around S$1,800 psf, prior to the pandemic.

PropNex's Wong, however, expects CCR prices to stay "relatively stable", given substantial unsold inventory in the CCR vis-a-vis the RCR and OCR. She added: "The recent healthy sales at Piccadilly Grand and Liv@MB launches – both in the RCR – at an average price of S$2,150 psf and S$2,387 psf, respectively, indicate that there are buyers still willing to pick up units at over S$2,000 psf on average."

Average unit prices of new, non-landed home sales

NEW SALE (NON-LANDED ONLY)	CCR	RCR	OCR
		S$	
2017	2,206	1,660	1,320
2018	2,806	1,764	1,402
2019	2,817	1,918	1,458
2020	2,560	1,874	1,532
2021	2,728	2,122	1,604
2022*	2,817	2,209	1,747

*Data up to May 22, 2022

Source: PropNex research, URA Realis

For almost 95 per cent of senior executives in real estate firms, rising construction costs have joined increasing inflation and interest rates as the top two potential risk factors in the next six months, according to the Real Estate Sentiment Index survey published by the National University of Singapore Real Estate. ST PHOTO: KUA CHEE SIONG

More developers here expect prices of new launches to rise: Poll

71% expect unit prices in the next six months to be moderately or substantially higher

Home buyers may have to brace themselves for more expensive private homes from new launches as about 71 per cent of developers expect their unit prices in the next six months to be moderately or substantially higher, the results of a poll revealed.

That compares with about 60 per cent in the same poll three months ago.

The Real Estate Sentiment Index (Resi) survey is published by the National University of Singapore Real Estate, which represents the university's Department of Real Estate and its Institute of Real Estate and Urban Studies (Ireus).

Their latest first-quarter survey also showed that 24 per cent of developers expect new launch prices to remain at the same price level, while only 5 per cent expect prices to be substantially lower.

In last year's fourth-quarter poll, 35 per cent expected prices to remain the same.

In terms of future launches and sales, about 65 per cent of developers polled in this year's first-quarter survey expect moderately more units to be launched in the next six months, while some 15 per cent anticipate a moderately lower number.

Meanwhile, rising construction costs have joined rising inflation and interest rates as the top two potential risk factors in the next six months for almost 95 per cent of senior executives in real estate companies.

Government intervention to cool the market as a potential risk factor continued to decline, dropping to 25.6 per cent in the first quarter of this year from 39.5 per cent in the preceding quarter. It was 62.8 per cent in the third quarter of last year.

The proportion of respondents indicating a slowdown in the global economy as a potential risk also increased the most compared with the previous quarter, rising from 44.7 per cent to 79.5 per cent.

Correspondingly, about 64 per cent of respondents highlighted the tightening of financing and liquidity in the debt market as a potential risk, a slight decline compared with the fourth-quarter's 65.8 per cent. It stood at 32.6 per cent in the third quarter of last year.

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The Resi study's composite sentiment index, a derived indicator for overall real estate market sentiment, improved after Singapore reopened its borders and further eased Covid-19 safe management measures, rising from 5.4 in the fourth quarter of last year to 6.1 in the first quarter of this year.

"However, the rise in inflation could potentially be disruptive as costs of oil and other raw materials escalate," said Ireus deputy director Lee Nai Jia, adding that rising interest rates will make mortgage loans and other forms of debt funding more onerous.

"Real estate has often been perceived as a good hedge against inflation.

"The positives from increased demand are likely to offset the negatives from the government measures and uncertainty."

THE BUSINESS TIMES

Monday, May 23, 2022
THE BUSINESS TIMES
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businesstimes.com.sg

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THE BUSINESS TIMES

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businesstimes.com.sg

Thursday, May 12, 2022

SINGAPORE PROPERTY

Foreign buyers return to property market in April, after Q1 pullback

By Nisha Ramchandani
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AS quarantine-free travel returns, private home purchases by foreign buyers are expected to gradually gain momentum, although analysts also flagged headwinds such as economic uncertainties and currency fluctuations as factors to watch.

According to data collated by OrangeTee & Tie, non-landed private home purchases by foreign buyers nearly halved after a fresh round of property cooling measures were unveiled in December, from 277 units in Q4 2021 to 146 units in Q1 2022. As part of the measures to cool the red-hot property market, foreign buyers now have to pay a 30 per cent Additional Buyer's Stamp Duty (ABSD), up sharply from 20 per cent previously.

OrangeTee's senior vice-president (research & analytics), Christine Sun, said: "Some buyers may have been deterred by the higher taxes and bigger cash outlay."

Nicholas Mak, ERA's head of research & consultancy, pointed to other factors which also contributed to the pullback in transaction volumes, namely geopolitical tensions, rising interest rates and a dearth of major launches.

Meanwhile, Lam Chern Woon, head of research & consultancy at Edmund Tie, cited the Omicron outbreak which spiked in January and February before easing.

But the data also showed a pick up in transactions by foreign buyers in April as Singapore relaxed pandemic-linked measures, including border curbs. 93 non-landed private homes were bought in April by foreigners, jumping from 51 units in March and pipping the monthly average of 83 transactions from January 2021 to March 2022. The data includes both the primary and secondary market.

For instance, Frasers Property's Rivière at Jiak Kim St saw sales more than quadruple from 8 units in March to 35 units in April, Lam highlighted. Foreigners scooped up 11 units in April, and zero in March. "With the ABSD rate hike, some foreigners could also be adjusting their purchases towards the Rest of Central Region (RCR) to fit their budget," said Lam.

With interest rates heading north, Edmund Tie has also observed an increase in the proportion of American buyers among foreign buyers, some of whom are newly minted American citizens from other countries. Thanks to a Free Trade Agreement, US nationals are accorded the same stamp duty treatment as Singapore citizens.

Mak, however, cautioned that it was too soon to tell if the bump in transaction volumes by foreign buyers would be a sustained one as he reckons more time is needed for foreign buyers to digest the cooling measures before they return.

Mak went on to add: "Non-Permanent Residents (PRs) working here are waiting for their PR status to be approved before buying private properties. (They) find the ABSD too high. "

In particular, the data showed there was an uptick in buyers from Malaysia - potentially due to the reopening of the Causeway - and India in March and April, versus January and April. In terms of volume however, buyers from China maintained their lead among foreign buyers with 79 units transacted in April. This was followed by buyers from Malaysia, India, the United States (US) and Indonesia.

By market segment, non-landed homes purchased by foreign buyers in Q1 2022 were predominantly located in the Core Central Region (CCR) as such buyers typically prefer luxury homes. Trans-

Continued on Page 2

THE BUSINESS TIMES

BT businesstimes.com.sg

Tuesday, April 19, 2022

SINGAPORE PROPERTY

Price gap between RCR and CCR homes narrows in March

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The gap in median transaction prices between CCR and RCR homes has narrowed from 32.6 per cent in February to 20.3 per cent in March, says Wong Siew Ying of PropNex Realty. BT FILE PHOTO

THE price gap between new homes in the prime areas of Singapore and those outside of them continued to narrow in March, suggesting that there could be buying opportunities for those seeking properties in Districts 9, 10 and 11.

Median transaction prices for non-landed new private homes in the RCR and outside of central region (OCR) grew 4.8 per cent month on month to S$1.86 million, and 5.7 per cent to S$1.75 million, respectively. Meanwhile, that of the CCR (which includes Districts 9, 10, 11 and parts of 1, 2, 4, 6 and 7) fell by 4.9 per cent to S$2.24 million, according to Wong Siew Ying, head of research and content at PropNex Realty.

She added that the gap in median transaction prices between CCR and RCR homes has narrowed from 32.6 per cent in February to 20.3 per cent in March.

"With the cooling measures exerting more pressure on the CCR, prices of CCR units may remain soft, while RCR projects could see values inch up as unsold stock gets pared down or when new launches come on the market at benchmark prices. This narrowing of the price gap could present buying opportunities in CCR projects," she said.

Leonard Tay, head of research at Knight Frank, added that the CCR makes up the largest proportion of unsold units, representing about 49 per cent of the combined "launched and unsold" and "ready to launch" units across all market segments.

The slower take-up of CCR units might also be due to lower volumes of foreign buyers. OrangeTee & Tie senior vice-president of research and analytics Christine Sun noted that the number of purchases by foreign buyers has been low since December's cooling measures, and expects this to remain muted in the near future.

That said, Tay noted that while some foreign buyers might be deterred by the recently increased Additional Buyer's Stamp Duty (ABSD), others might still be interested in purchasing luxury homes in the CCR as prices have not seen much uptick.

"Given the amount of anecdotal interest and enquiries from potential foreign homebuyers, and the fact that the global pandemic has created a premium on stability in an uncertain world, the globally mobile wealthy may still be prepared to pay the 30 per cent ABSD as a premium for entry into Singapore's prime residential market."

He added that owner-occupiers, which will make up the bulk of home buyers in 2022, are generally unaffected by the ABSD.

"In Q2 2022, underlying fundamental buyer demand is expected to re-establish itself, especially when a substantially-sized project that captures the public imagination is launched," Tay said.

> "Given the amount of anecdotal interest and enquiries from potential foreign homebuyers, and the fact that the global pandemic has created a premium on stability, ... the globally mobile wealthy may still be prepared to pay the 30 per cent ABSD."
>
> **Leonard Tay, head of research at Knight Frank**

Despite the slow start to 2022, Tay expects pent-up demand and increased launches to drive sales this year.

For example, the 616-unit North Gaia EC at Yishun saw over 3,500 visitors during its preview weekend on Apr 9 and 10, an indicator of pent-up demand for homes in the area.

Property consultants also expect to see healthy demand for Piccadilly Grand, which provides direct access to Farrer Park MRT. Scheduled to launch on May 7, the 407-unit project will offer 1 to 5-bedroom units.

According to real estate agents, Piccadilly Grand's 1 and 2-bedroom flats have an estimated indicative price of between S$2,150 per square foot (psf) and S$2,400 psf. Meanwhile, its 3 to 5-bedders are expected to average at about S$2,000 psf.

Sun added that the upward adjustment of mortgage rates might spur some on-the-fence buyers to lock in home loans before they climb higher.

"A steep hike in borrowing rates may price some upgraders out of the market," she said.

The uptrend was seen last month, with 654 new private homes sold in March, climbing 20.7 per cent from 542 units in February.

The growth came as the Lunar New Year seasonal lull passed and safe-management measures were eased. Monday's (Apr 18) data from the Urban Redevelopment Authority (URA) came in marginally higher than consultants' estimated 651 units, published by *The Business Times* on Apr 11.

Including executive condominiums (ECs), which are a public-private housing hybrid, sales reached 702 units, a 22.3 per cent rise month on month.

That said, the lack of new major launches "continued to weigh on new home sales", said PropNex's Wong. Comparing year on year, last month's sales were down 48.9 per cent from 1,373 units transacted in March 2021. Last month also saw just 309 units launched for sale, compared to the 959 new homes launched in the same period last year.

Most of the sales excluding ECs last month were in the rest of central region (RCR) (48.9 per cent), followed by the outside of central region (OCR) (27.7 per cent) and core central region (CCR) (23.4 per cent).

Despite lower CCR transactions, a freehold 1,121 square metre (sqm) unit at Les Maisons Nassim commanded the highest non-landed price last month at S$59.77 million. This is also the second-priciest new non-landed transaction (excluding bulk purchases) since 1995, Sun noted. The most expensive unit was a 1,122 sqm new condominium transacted for S$75 million in October 2021 at the same project.

"More condominiums were sold at higher price tags because there were more launches in the RCR and CCR in recent months. These homes tend to be sold at higher prices compared to the suburbs. Prices of homes have also been creeping up over the past year, driven by a shortage of supply," Sun added.