



MASS- MARKET CONDO PRICES AND DEMAND

Supported By Firm
Market Fundamentals

INTRO- DUCTION

Mass-market condominiums are the most common type of private housing transacted, making up about half of number of condominiums sold in Singapore. Hence, this market segment has a significant influence on the price trend and market dynamics of the rest of the private housing market.

In this report, mass-market condominiums refers to all types of private residential non-landed properties (excluding Executive Condominium) located in the Outside of Central Region (OCR). These condominiums are typically gated developments with facilities such as private security, car park, landscaping, swimming pool, gymnasium and other recreational facilities.



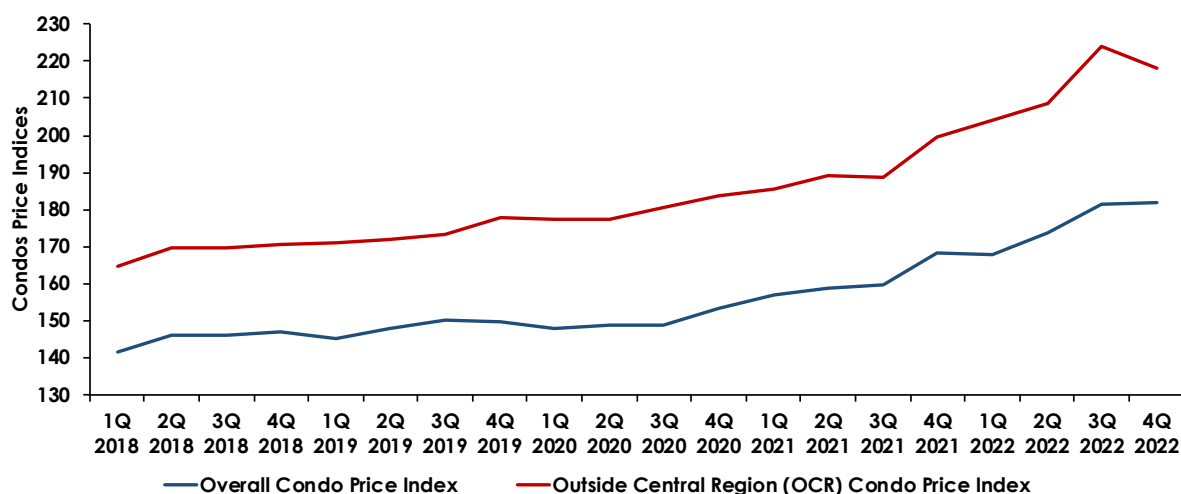
PRICE TREND OF MASS-MARKET CONDOMINIUMS

After declining for about four years from 2013 to 2017, the prices of private housing started to recover in 3Q 2017. In the past five years, the OCR private non-landed residential property price index increased by 39.8%, faster than the 34.3% growth rate of the islandwide private non-landed housing price index. The OCR condominium price expansion was especially robust from late 2021 to 3Q 2022, which was partly fuelled by the steady growth of HDB resale prices.

Some HDB flat owners profit from the growing prices of public housing by selling their flats to upgrade to private residential properties. In the past three years, the HDB resale housing price index increased by a healthy 30.7%. The real estate preferred by most HDB upgraders is the mass-market condominium.

However, the recent cooling measures introduced by the government in September 2022 deflated the growth momentum of OCR condominium prices, leading to a 2.6% quarter-on-quarter (qoq) contraction in the OCR non-landed housing price index in 4Q 2022.

Graph A: Price index of islandwide and OCR non-landed residential condominiums (excluding EC)



Source: URA, ERA Research and Consultancy

RENTAL TREND OF MASS-MARKET CONDOMINIUMS

Over the past five years, the rentals of non-landed residential properties increased even faster than prices. The overall private non-landed housing rental index expanded by 45.2% from 4Q 2017 to 4Q 2022, faster than the 34.3% rise in the price index of such properties.

The fastest rate of increase is that of the rental index of non-landed housing in the OCR at 55.9% over the past five years. This has been a boon for suburban condominium landlords and a bane for tenants.

The current state of the leasing market has also contributed to the demand for residential properties among investors to capitalize on the high rental rates.

Table 1: Rate of change of property price and rental indices from 4Q2017 to 4Q2022

	Price index	Rental index
Overall private residential property	36.0%	44.5%
Landed housing	41.3%	32.7%
Non-landed housing, islandwide	34.3%	45.2%
CCR non-landed housing	13.8%	39.2%
RCR non-landed housing	47.5%	47.0%
OCR non-landed housing	39.8%	55.9%

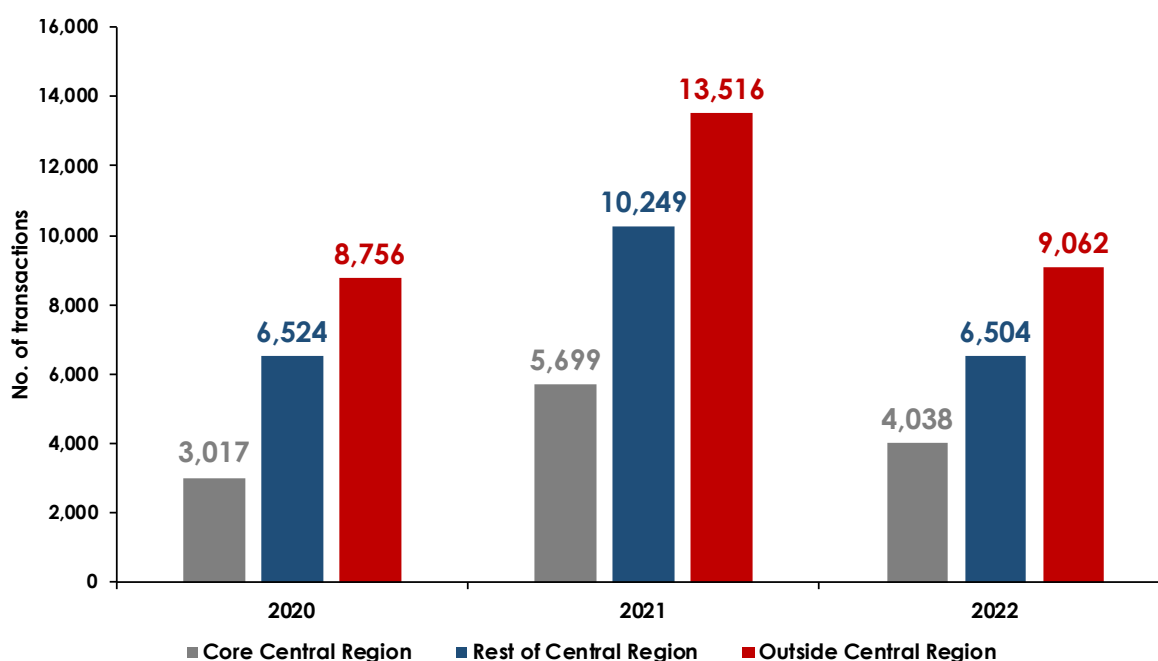
Source: URA, ERA Research and Consultancy

MARKET SIZE OF MASS-MARKET CONDOMINIUMS

Among the three private non-landed property market segments, the mass-market segment is consistently the largest sector in the past 19 years in terms of the number of housing units transacted. This is mainly because the OCR is the largest of the three market segments geographically, comprising of four of the five regions in Singapore. The Core Central Region (CCR) and RCR occupy the Central Region, while the OCR consists of the other four regions, resulting in the OCR occupying the largest land area.

In addition, the majority of the residential development sites sold by the government in the past decade are located in the OCR. The government is the biggest seller of development land. Many of the larger condominium projects with more than 300 units each, are built on Government Land Sales (GLS) sites located in the suburbs. As a result, there are more suburban condominium units transacted.

Graph B: Transaction volume based on market segments over the last three years



Source: URA, ERA Research and Consultancy

WHO ARE BUYING MASS-MARKET CONDOMINIUMS?

Most HDB upgraders tend to gravitate towards purchasing suburban condominiums, rather than private housing in the other segments. Based on private housing transactions in 2022, the prime CCR market has the smallest proportion of buyers with HDB address at 17.8%. While the proportion of buyers with HDB addresses buying condominiums in the RCR is higher at 33.2%.

Forty-five percent of the buyers of mass-market condominiums are HDB upgraders, which means that more than half of the buyers of condominiums in the OCR already live in private housing. This dispels the common misconception that HDB upgraders make up the majority of the buyers of private housing in the OCR.

The key reason why HDB upgraders prefer mass-market condominiums is that they are the most affordable type of private housing. The transacted prices of a typical 3-bedroom unit in 2022 in the primary market ranges from \$1.23 million to \$2.6 million. In terms of per square foot, the prices of such condominium units vary between \$1,200 psf and \$2,323 psf, while the prices of condominium units of similar sizes in the CCR and RCR ranges from \$1,633 psf to \$3,830 psf.

In addition, some buyers with HDB addresses may prefer to move to a condominium in the same or nearby HDB town due to a sense of familiarity with their neighbours and environment. This could be observed in the strong take-up rate of new launches in the OCR market last year.

Table 2: Source of demand for private housing in the three market segments

	CCR	RCR	OCR
Homebuyer's Address Indicator	% of CCR non-landed units bought	% of RCR non-landed units bought	% of OCR non-landed units bought
Buyers with HDB address	17.8%	33.2%	45.0%
Buyers with private address	82.2%	66.8%	55.0%
Total	100.0%	100.0%	100.0%

Source: URA, ERA Research and Consultancy



CONCLUSION

Mass-market condominiums serve to meet the upgrading aspirations of HDB flat owners. The demand and prices of such condominiums are supported by firm market fundamentals such as the demand from HDB upgraders and investors that is fuelled by rising HDB resale prices and median household income.

About 30 to 40 private housing projects are expected to be launched in 2023. An estimated 30% of the private residential units in these developments are located in the OCR. This could satisfy the demand for new private housing in the OCR without resulting in a glut.

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