

# Luxury Impasse

+1.1%

GDP Growth Y-o-Y (2023)

3.7%

3M SORA (Dec 2023)

\$2,417 psf

GCB Price (2023)

\$2,247 psf

Sentosa Cove Bungalows (2023)

\$3,417 psf

Luxury Apartment Price (2023)

Note: CBRE Research, Singstat, ABS

## Executive Summary

- In H2 2023, 9 GCBs worth \$202.05 mil were transacted, a 64.9% decline from the \$575.27 mil across 14 GCBs sold in H1 2023. This brought 2023's full-year tally to 23 GCBs, a historic low since data was available from 1996.
- Market sentiment was further undermined by an ongoing money laundering crackdown. At the same time, after prices soared some 70% over the past three years, buyers are baulking at high asking prices.
- If interest rates start easing and the economy recovers strongly in H2 2024, the price gap between buyers and sellers could narrow and GCB market activity could pick up.
- Amid economic weakness, a protracted rate hike cycle and recent cooling measures, Sentosa Cove property sales continued to soften in H2 2023. 9 Sentosa Cove bungalows worth \$175.05 mil were sold in 2023, a 48.2% y-o-y decline from the \$337.70 mil across 18 bungalows in 2022, and the lowest since 2019.
- 155 luxury apartment units with a total transaction value of \$1.544 bn were sold in 2023, down from 223 units worth \$2.182 bn in 2022, and the lowest since 2020. Average prices still rose 2.2%, on limited premium stock.
- In the near term, sentiment remains soft due to economic uncertainties, cooling measures and the ongoing money-laundering investigations. In the longer term, Singapore's strong fundamentals as a business hub should continue to draw investors looking for a safe haven to the luxury residential market.

TABLE 1: Selected Luxury Transactions in H2 2023

Location/Property	Type	Land/Floor Area (sq. ft.)	Price (\$mil)
Goodwood Residence	Penthouse	10,710	32.00
46 Chee Hoon Avenue	GCB	11,064	26.70
20 Third Avenue	GCB	14,576	26.50
17 Cassia Drive	GCB	11,071	25.30
12 Namly Hill	GCB	11,087	25.20
24 Lakeshore View	Bungalow	8,401	22.00
Bishopsgate Residences	Apt	6,082	22.00
Nassim Jade	Apt	5,748	15.20
Watten House	Apt	3,545	14.50
2 Pearl Island	Bungalow	6,555	13.66

Source: URA, CBRE Research, Mar 2024

## Good Class Bungalows (GCB)

### Historic low GCB sales on deteriorating sentiment and price resistance

In H2 2023, 9 GCBs worth \$202.05 mil were transacted, a 64.9% decline from the \$575.27 mil across 14 GCBs sold in H1 2023. Year-on-year, this was also about a third of the \$613.45 mil across 18 GCBs transacted in H2 2022. This brought 2023's full-year tally to 23 GCBs, a historic low since data was available from 1996. By transaction value, 2023's \$777.32 mil was about half of the \$1.365 bn across 47 GCBs in 2022, and the lowest since 2015's \$714.78 mil across 33 GCBs. Already hit by global economic uncertainties and rising interest rates, market sentiment was further undermined by an ongoing money laundering crackdown involving a group of Chinese buyers since Aug 2023. At the same time, after prices soared some 70% over the past three years, buyers are baulking at high asking prices.

### Prices normalised in H2 2023 and were higher for the full year

Following the Fangiono family's purchase of Nassim Road bungalows at a record land rate of \$4,500 psf in H1 2023, average GCB prices normalised in H2 2023, falling 25.4% h-o-h from \$2,631 psf in H1 2023 to \$1,963 psf. Overall prices for the whole of 2023 grew 23.8% y-o-y from \$1,952 psf in 2022 to \$2,417 psf. Despite lower volumes, prices still grew, supported by the above landmark transaction and as sellers held firm on asking prices.

### GCB rents moderated in H2 2023

Realis data showed median rents for detached houses in GCB Areas moderated in H2 2023, tracking islandwide bungalow rents lower. Similarly, URA's landed rental index fell 4.1% q-o-q in Q4 2023, ending a 78% run-up since Q3 2020. GCB rents first surged in 2022, driven by higher demand from UHNW foreigners willing to pay a premium to rent a spacious residence to accommodate their lifestyles. With the money-laundering crackdown and slowdown in the general leasing market, GCB owners have become more realistic on asking rents.

### Market activity could pick up in H2 2024

Recently, property tax bills for high-value properties have risen significantly due to higher Annual Values as well as higher tax rates. This could lead some owners to put their GCBs for sale. If interest rates start easing and the economy recovers strongly in H2 2024, the price gap between buyers and sellers could narrow and market activity could pick up. In the long term, the continued attractiveness and exclusivity of GCBs as status symbols and assets for wealth perseverance would support demand and prices.

FIGURE 1: GCB Sales Activity

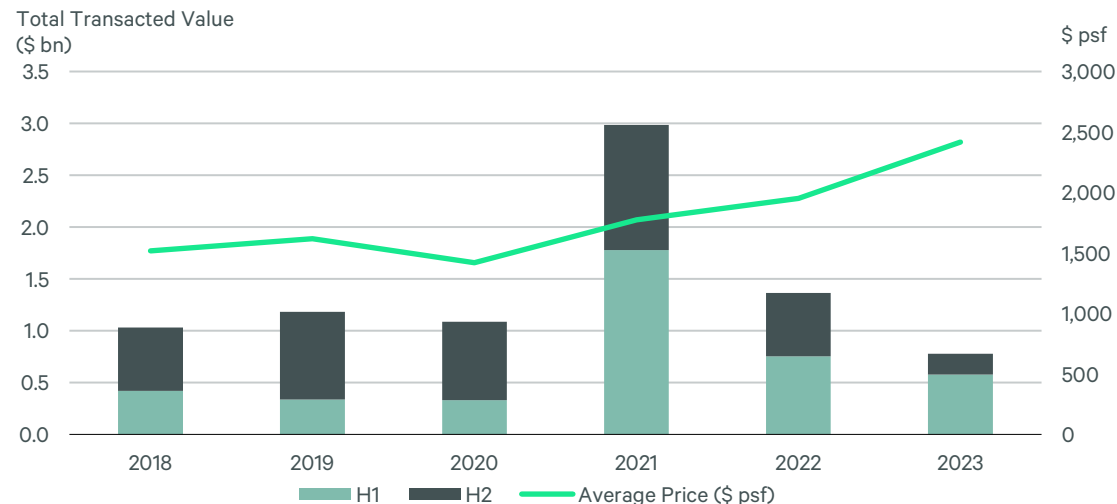
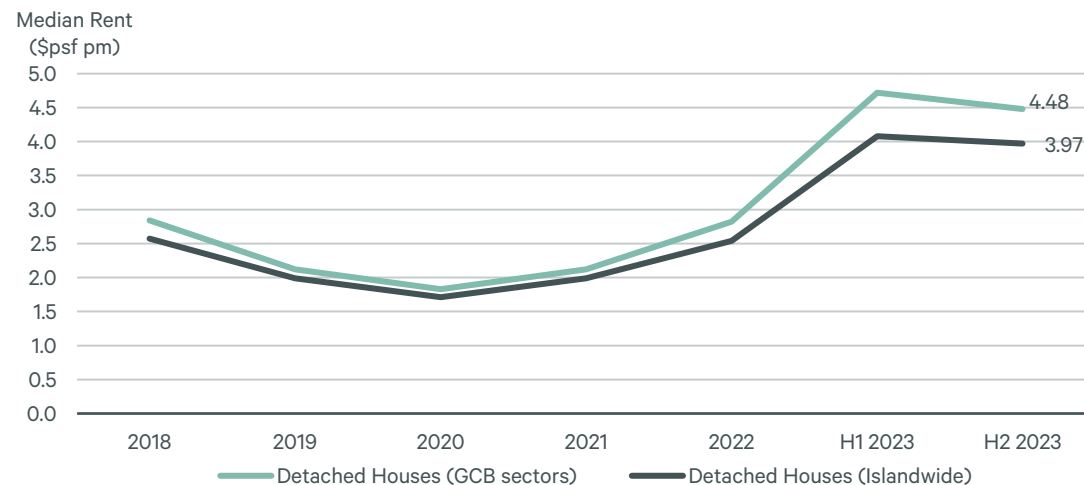


FIGURE 2: Median rents of GCBs and Detached Houses



Source: URA, CBRE Research, Mar 2024

## Sentosa Cove

### Sentosa Cove sales continued to soften in tandem with mainland luxury home demand

Amid economic weakness, a protracted rate hike cycle and recent cooling measures, Sentosa Cove property sales continued to soften in H2 2023, mirroring the slowdown observed in mainland luxury home market.

2 Sentosa Cove bungalows worth \$35.66 mil were sold in H2 2023. This was a 74.4% h-o-h fall from H1 2023's transaction value of \$139.39 mil when 7 bungalows changed hands. For the full year, 9 Sentosa Cove bungalows worth \$175.05 mil were sold in 2023, a 48.2% y-o-y decline from the \$337.70 mil across 18 bungalows in 2022, and the lowest since 2019. Despite the slowdown in transactions, prices remained resilient, with average prices tracking higher by 15.8% y-o-y from \$1,940 psf in 2022 to \$2,247 psf in 2023.

For Sentosa condominiums, 34 units amounting to \$139.53 mil were transacted in H2 2023, a 45.7% h-o-h slowdown from the \$256.76 mil across 51 units sold in H1 2023 as recent cooling measures took a toll on foreigner demand. For the full-year, 85 units with a total value of \$396.29 mil were transacted in 2023, slowing from the \$517.42 mil across 114 apartments in 2022. Average unit price of Sentosa condominiums in 2023 was \$1,992 psf, a 2.9% y-o-y increase from 2022 (\$1,936 psf).

## Luxury Apartments

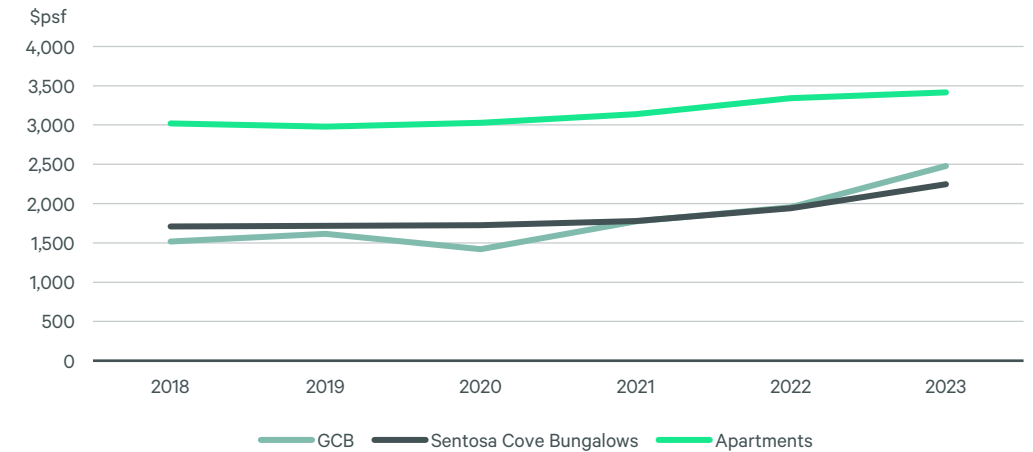
### Luxury apartment sales slowed on cooling measures

63 luxury apartment units with a total transaction value of \$579.65 mil changed hands in H2 2023, slowing from the 92 units amounting to \$964.67 mil recorded in H1 2023. CBRE Research notes that luxury apartment sales saw an uptick q-o-q in Q4 2023, boosted by healthy demand at new launch *Watten House* (180 units) which sold 102 units at an average price of \$3,230 psf during its private launch in Nov 2023. H2 2023 volumes, however, were still lower than H1 2023 following the doubling of ABSD levied on foreigner buyers to 60%. As a result, 155 luxury apartment units with a total transaction value of \$1.544 bn were sold in 2023, down from 223 units worth \$2.182 bn in 2022, and the lowest since 2020. Based on CBRE Research's basket of freehold luxury projects, average luxury apartment prices rose 2.2% to \$3,417 psf in 2023 from \$3,343 psf in 2022, supported by limited premium stock.

### Market activity for luxury apartments could pick up in H2 2024

In the near term, sentiment remains soft due to economic uncertainties, cooling measures and the ongoing money-laundering investigations. In the longer term, Singapore's strong fundamentals as a business hub should continue to draw investors looking for a safe haven to park their wealth. This ought to underpin the luxury home demand once interest rates level off and the economy recovers more strongly in H2 2024.

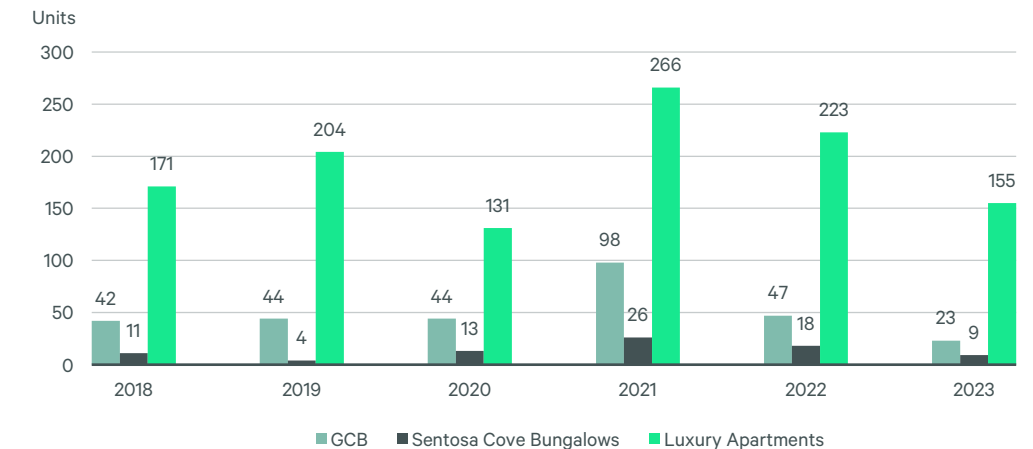
FIGURE 3: Average Luxury Residential Prices



Source: URA, CBRE Research, Mar 2024

Note: Apartment prices are based on a basket of freehold properties in D9 and 10.

FIGURE 4: Luxury Sales Volume



Source: URA, CBRE Research, Mar 2024

Note: Apartments in Core Central Region (CCR) that are larger than 2,000 sq ft and sold for \$2,500 psf and above were adopted as a proxy for luxury apartments.

## Singapore Residential

### Linda Chern

Head of Residential Services, Singapore  
linda.chern@cbre.com

## Singapore Research

### Tricia Song

Head of Research, SEA  
tricia.song@cbre.com

### Gerald Tan

Senior Analyst  
gerald.tan@cbre.com

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