

Behind the rise of landed property values by Han Huan Mei and Nancy Tey

Demand for more living space has resulted in larger built-up areas, fuelling prices of new-build and rebuilt landed properties



An artist impression of new terrace houses at Grove Drive that are currently for sale. IMAGE: LISTSIR

TAKE a walk in any landed estate at Holland Road, Dunearn Road, Serangoon Gardens or Mountbatten Road, and you will see at least one or two newer houses that stick out, looming one or two storeys above the conventional double-storey landed homes on the same street.

These huge new houses (“two and a half storeys plus attic”) usually come with a spacious living area that encompasses dining space, large kitchens, five or more bedrooms with ensuite bathrooms, a helper’s room, a family area, and internal lift, and parking space for at least two cars. In the case of detached houses and Good Class Bungalows (GCBs), a basement level and swimming pool are often built in as well.

With an expansive rebuild, a new terrace house could have built-up area of 3,000-4,000 sq ft, compared to 1,800-2,000 sq ft of a conventional one. Similarly, new semi-detached and detached houses often have built-up areas that are double the more usual size.

For example, a new intermediate terrace house at Grove Drive with a land area of 1,695 sq ft and a generous built-up area of around 4,800 sq ft was sold for over S\$4,400 psf in August 2023. The two-storey-plus-mezzanine-and-attic property had five bedrooms, parking space for two cars and an internal lift. In comparison, an intermediate terrace house built in the late 1970s at 94 Grove Drive with land area of 2,009 sq ft was sold a year ago, in July 2022, for S\$5.1 million (S\$2,539 psf). At S\$4,400 psf, the new terrace house sold in 2023 fetched a premium of 73 per cent over the older property in the same neighbourhood.

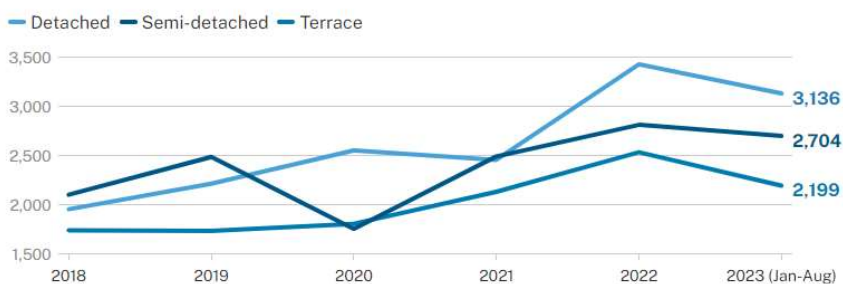
What makes up value in a landed home?

Caveats data from the URA shows the median price for transactions of new landed homes (including rebuilt and new-build properties) on the rise from 2018 to 2022, across detached, semi-detached and terrace houses.

But in 2023, from January to August, prices dipped slightly due to several factors such as lower sales volume, more transactions outside the prime districts and the sale of more 99-year leasehold homes. Out of the 28 new terrace house deals during the period, 22 caveats for 99-year leasehold units at Pollen Collection were lodged, priced at S\$2,100 psf on average, bringing the median price of new terrace houses down to S\$2,199 psf.

Among the three housing types, the median land price of new detached houses saw the biggest jump of 60 per cent from S\$1,959 psf in 2018, to S\$3,136 psf in 2023.

Median price (\$ psf) of new landed homes



SOURCE: URA REALIS, LIST SIR
GRAPHIC: BTVISUAL

The median land price of new semi-detached houses gained 28 per cent over the same period from S\$2,106 psf to S\$2,704 psf. For new terrace houses, land prices rose 26 per cent from S\$1,745 psf to S\$2,199 psf.

The significant rise in new house prices could be attributed to strong demand from locals, higher land prices due to limited supply and the higher cost of quality homes. Based on our observation, affluent locals – with some help from their parents – choose to invest in detached, semi-detached and terrace houses because they see them as a better asset to preserve value in the long term. New wealth coming from ultra-high-net-worth new citizens tends to be invested in new, or newer GCBs.

Looking more closely at the data for popular landed districts, we can see a different price dynamic emerging. Comparing prices of new freehold landed homes in districts 10, 11 and 15 in the period 2018 to 2020 against the period 2021 to 2023 year to August, prices of new terrace houses led with the biggest average increase of 41 per cent. This is mainly due to homeowners' desire to maximise land use and build multi-generational homes crafted with top-end specifications.

New freehold landed home prices in districts 10, 11 and 15

Housing type	Period	Land area (sq ft)	Price range	Price change
Terrace*	2018 to 2020	1,647 to 2,788	S\$4.50m to S\$5.30m	41%
	2021 to 2023***	1,621 to 3,594	S\$5.33m to S\$8.45m	
Semi-detached	2018 to 2020	2,164 to 4,548	S\$5.00m to S\$9.16m	20%
	2021 to 2023***	2,116 to 3,667	S\$5.00m to S\$12.00m	
Detached**	2018 to 2020	4,190 to 7,913	S\$7.10 to S\$15.50	13%
	2021 to 2023***	4,170 to 5,380	S\$8.80m to S\$16.74m	

Note: The following two transactions have been excluded:

*A new terrace house at Mount Rosie Road with a land area of 3,245 sq ft was sold for S\$12.35 million (S\$3,245 psf) in August 2022

A new bungalow at Cluny Hill with a land area of 14,844 sq ft was sold for S\$63.70 million (S\$4,291 psf) in April 2021 *January to August

SOURCE: URA REALIS, LIST SIR
GRAPHIC: BTVISUAL

“The redevelopment of a single house presents an extremely unique opportunity to intensify the land use without incurring land betterment costs. With increasing construction costs as well as the necessary downtime to implement redevelopment efforts, it is worth looking at the price over built-up area versus land size. We can safely say that a house with bigger built-up area hence greater potential use, is more valuable than one that sits on a similar sized plot with a smaller built-up area,” said Sebastian Soh, Principal of Meir Homes.

Considering these developments, the provision of built-up area in addition to land area in caveat data will be most useful to home buyers, sellers, valuers and bankers when using comparable properties to determine the true value of a landed home.

Design flexibility for landed housing

In February 2015, URA introduced a new set of envelope control guidelines to direct the redevelopment of landed houses. The rules were subsequently revised to allow greater flexibility for the design of spaces involving mezzanine floors and attic.

Never has the need for more living space been more acute than during the Covid-19 pandemic years of 2020 to early-2022. Mindsets changed towards both living and working environments, and a bigger living space combined with more private space ranked among top priorities.

Homebuyers are now more prepared to invest in a better and larger property, and some home in on older properties with the intention to redevelop bigger new homes. As the recent rapid rise in land and construction costs has become a concern, homeowners and developers with a desire to maximise habitable or saleable space task their architects to fully exploit the allowable parameters.

There is also what one veteran developer of landed homes who declined to be named refers to as the “built quality” of a landed home. “‘Built quality’ refers to the layout, the spaciousness, the functionality, workmanship and choice of materials for the house. The developer and architect need to have a good sense of these attributes in order to build a home that meet the needs of the dwellers. More importantly, with the built-up area already optimised, it should be a home that can last for a few generations,” he explained.

Outlook

The sales momentum of landed home transactions slowed down considerably in 2023, due to a confluence of factors such as risk of economic recession, the ongoing effects of the war in Ukraine, rising interest rates and inflation.

The latest hike in Additional Buyer’s Stamp Duty in April 2023 has also caused some potential buyers to hold back.

Up to the end of August 2023, only 819 caveats have been lodged for landed homes (new and resale). We expect the total sales volume for the whole year to be around 1,200 units, some 30 per cent lower than the sales volume in 2022. The URA price index for landed homes gained 7 per cent in the first half of 2023, after rising by 9.6 per cent in 2022 and 13.3 per cent in 2021. The uptrend is expected to continue, but at a slower pace, in the second half of 2023.

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