Executive condos still desirable despite rising prices: NUS survey
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Executive condos still desirable despite rising prices: NUS survey

But there are now growing concerns over their affordability

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AROUND four in five property players believe that executive condominiums (ECs) remain relevant and desirable despite growing prices, a survey conducted by the National University of Singapore's Institute of Real Estate and Urban Studies (Ireus) found.

This is mainly due to ECs' potential for capital gain and initial affordability, said Sing Tien Foo, the provost's chair professor of real estate at NUS Business School.

ECs, a public-private housing hybrid, have been seen as a golden ticket for the windfall profits that owners can net after selling it. Data tracked by Cushman & Wakefield shows EC transactions being the most profitable among other private properties since the first quarter of 2023, with units changing hands for double their original price.

ECs are typically priced up to 30 per cent lower than comparable private condos, despite being built by private developers. The catch is that new ECs are subject to more restrictive buying conditions, such as an income ceiling of S$16,000 a month, eligibility requirements, a minimum occupation period of five years, and a mortgage servicing ratio in addition to the total debt servicing ratio.

The properties are privatised 10 years after completion; thereafter units in the development can be sold to foreigners, increasing the potential demand pool.

But there are now growing concerns over the affordability of ECs, as the prices of new projects rise.

A market report by Singapore Realtors Inc in November found that the average price of newly launched ECs rose 24.1 per cent to S$1,460 per square foot (psf) in the first nine months of 2024, from 2021's S$1,176 psf. This was attributed to growing demand from young families and public housing upgraders, and its limited supply in the market.

About 55 per cent of HDB flat owners who took part in a PropNex survey in 2024 said that prices of new ECs were unaffordable or extremely unaffordable. The survey, which was published in August, polled nearly 1,250 respondents on their housing aspirations.

In the Ireus survey of property players, opinions were relatively evenly split with 52 per cent of respondents indicating that ECs were still affordable, while the remaining 48 per cent thought otherwise.

Some 78 per cent of respondents thought that "sandwiched households" earning below S$16,000 a month could potentially be priced out of the EC market.

Those polled pointed to higher land costs of plots sold under the Government Land Sales programme as the biggest driver of EC prices. Most recently in October, for example, Sim Lian set a new record for EC land with its offer of S$768 psf per plot ratio for a Tampines site.

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>
> **Sing Tien Foo, the provost's chair professor of real estate at NUS Business School**



Data tracked by Cushman & Wakefield shows EC transactions being the most profitable among other private properties since Q1 2023, with units changing hands for double their original price. PHOTO: BT FILE

Other major reasons include higher construction costs and labour costs, which tied with spillover from high private housing prices; strong demand by sandwiched households; and a limited supply of new ECs.

Prof Sing reckoned that the still-strong demand for ECs, even as prices continue to rise, indicate that consumers remain confident in the EC market. Recent project launches have seen robust sales take-up.

Novo Place EC in Tengah, for example, sold 286 units, or 57 per cent of its 504 units, at an average price of S$1,654 psf over its launch weekend in November.

"ECs have become the new entry-level private home," said one unnamed respondent in the survey.

Prof Sing added: "That being said, it may be time to relook at some of the restrictions set to ensure that ECs continue to stay accessible to its initial target group which is the 'sandwiched' strata of households."

To address affordability challenges, the majority of respondents said that the government could increase land sales for EC development, as well as supply more land in suburban areas at a lower price.

Around 41 per cent of respondents felt that maintaining the current income ceiling of S$16,000 a month would help curb inflationary pressures in the EC market.

The bulk of respondents surveyed thought that more land parcels should be sold for EC developments to improve the quality and availability of such homes.

Other ways to do so include keeping the minimum size of units to avoid too many small-sized ECs, as well as raising the income ceiling to allow more sandwiched households to afford ECs.

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