

Market in minutes

The evolving nature of our private housing market

March 2012

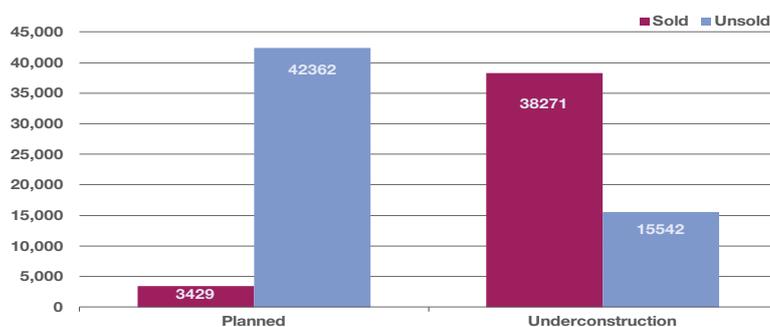
The rise of Suburbia. Singapore's new class of living.

Introduction

As rock-bottom interest rates and pent up demand continue to drive new property home prices, the government has ramped up housing supply over the past two years to stem market exuberance and mitigate the risk of an asset price bubble forming.

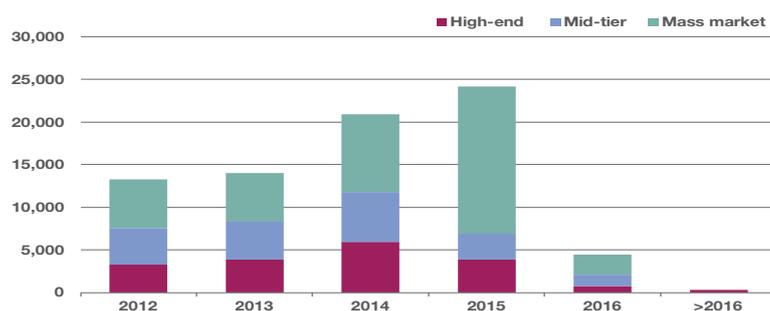
According to data released by the Urban Redevelopment Authority (URA), potential supply of 89,531 new homes had been released into the market by the end of Q4/2011. Including executive condominiums (ECs), the total pipeline supply has reached 99,604 units.

GRAPH 1
Sales status of planned, completed and projects under construction as of Q4/2011



Source: URA, Savills Research & Consultancy

GRAPH 2
Future supply of private residential units (excluding ECs), 2012-2016



Source: URA, Savills Research & Consultancy

SUMMARY

- A potential supply of over 89,000 new private homes has been released into the market
- Pasir Ris has the highest number of new private homes, followed by Bedok and Hougang
- The build-up in housing stock is expected to fast track the formation of new housing clusters such as Punggol, Sengkang, Yishun, Pasir Ris and Sembawang
- Punggol and Sengkang may see the highest capital appreciation among the new housing clusters as more amenities are completed and regional hubs takeoff

Of the pipeline supply, 54% is under construction while the rest is still under planning.

In terms of location, 52% of the home supply (excluding ECs) is located in the OCR, 25% in the rest of central region and 23% in the core central region. The proportion of new supply in OCR is poised to grow as the government releases more land parcels under the government land sales programme.

42% of the pipeline supply had been sold at the end of Q4/2011. Of the 58,000 units of unsold supply, about 18,600 units or 37 projects (assuming 500 units per project on average) are launch-ready (with pre-requisites for sale), and abundant housing options will therefore be available for buyers in the coming months.

➔ **Pasir Ris has the highest number of new private homes in Singapore**

In Q4/2011, the largest home supply came from Pasir Ris (7,294 units) and Bedok (6,949 units), followed by Hougang (5,122 units). Including current stock, Bedok remains the top planning area with the highest number of private homes in Singapore (39,647 units), followed by Bukit Timah (28,889 units), Serangoon (18,915 units), Hougang (17,662 units) and Novena (17,703 units).

In Pasir Ris, new launches include The Palette (892 units), NV residences (642 units), Hedges Park Condominium (501 units), Seastrand (473 units), The Gale (329 units) and The Belysa (315 units). There are 4,079 units yet to be launched including Palm Isle (429 units) and Ripple Bay (714 units). Pasir Ris planning area should continue to draw keen interest as it is close to mature towns such as Bedok and Tampines, as well as Changi beach, the airport and Downtown East eateries.

In Bedok, as many as 50 new developments are being / have been launched. Some of these major developments include Waterfront - Gold, Isle, Waves, Key (1,764 units), euHabitat (748 units), Bedok Residences (583 units), Archipelago (577 units) and Vacanza @ East (473 units). There are also many smaller developments comprising small-format units located in the Telok Kurau area.

The construction of more MRT lines, new shopping centres and ample amenities in Marine Parade/ Bedok as well as sea and reservoir views should continue to attract housing demand in the Bedok planning area. This is despite a rising number of private homes being completed there.

In Hougang, the largest private home launch is The Minton (1,145 units), followed by Boathouse Residences (493 units), Parc Vera (452 units) and Terrasse (414 units). Three major developments comprising 360 units on Tampines Road, 200 units on Upper

Serangoon Road and 928 units of Riversails are expected to be launched this year.

Inventory build-up fast tracks formation of new housing clusters

The build-up in housing supply is expected to fast track the formation of new towns and communities in many suburban areas. During the previous 2007 property boom, homes launched in the city fringe areas such as Novena, Balestier, Geylang, West Coast and Telok Kurau sold well due to their affordable price tags. The numerous small-format units which promise high rental yields have also lured investors. Today, these areas have developed their own private communities with the completion of these housing projects.

Currently, suburban planning areas like Bedok (Reservoir), Punggol and Pasir Ris are becoming increasingly popular among buyers as more amenities and infrastructure come on stream. Rising prices of new homes in the city fringes have shifted demand to the suburban areas. Hence, the release of more private land parcels in emerging towns like Punggol, Sengkang and Pasir Ris should whet the appetites of HDB up-graders living in these areas.

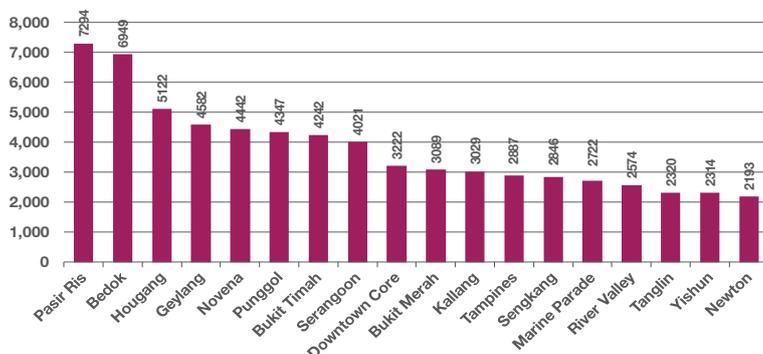
New housing clusters

Compared with stock in Q4/2011, Punggol records the largest increase in private homes (where no private condominiums had been built previously), followed by Downtown Core (93%), Sengkang (89%), Pasir Ris (81%), Yishun (68%) and Sembawang (63%). Suburban planning areas currently have the largest increase in home supply.

In Punggol, the spike in new housing units came from the huge supply of GLS sites which spawned developments like Watertown (992 units) and A Treasure Trove (882 units). In Sengkang, major launches include The Luxurie (622 units), Riversound Residence (590 units) and H2O Residences (521 units).

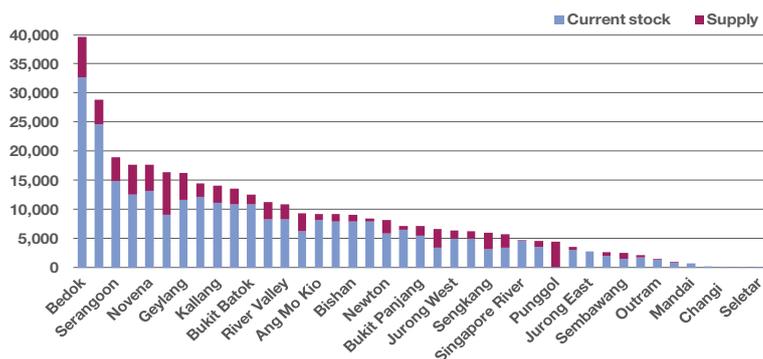
Together with Sengkang, Punggol has repositioned itself as a vibrant new town for young executives aspiring to own private homes within reasonable budgets, such as ECs. In fact, more than 3,600 EC units have been launched in these two planning areas alone from Twin Waterfalls (728 units), ➔

GRAPH 3 **New private home supply (>than 2,000 units), Q4/2011**



Source: URA, Savills Research & Consultancy

GRAPH 4 **Private stock and supply, Q4/2011**



Source: URA, Savills Research & Consultancy

Prive (680 units), RiverParc Residence (504 units), Esparina Residences (573 units), Austville Residences (540 units) and Riversound Residence (590 units). As the government has lifted the qualifying income ceiling and raised the allocated units to 30% for second-time owners, many of these ECs have attracted a large number of buyers, despite their prices being at an historical high.

In Yishun, major launches included Eight Courtyards (654 units), The Estuary (608 units), The Miltonia Residences (410 units), The Canopy (406 units) and The Springside (253 units). In Sembawang, the only two major launches were The Nautical (435 units) and Canberra Residences (320 units). Notwithstanding the limited amenities and being far from the city centre, sales have been fairly brisk for these two planning areas because selling prices have remained relatively attractive.

Investment potential

According to data from the URA, median home prices in the Pasir Ris and Yishun planning areas rose by 9% year-on-year to S\$888 per sq ft and S\$823 per sq ft respectively in 2011. Median prices of non-landed private homes in Punggol, Sengkang and Sembawang (excluding ECs) were \$918 per sqft, S\$971 per sqft and S\$824 per sqft respectively. There were no transactions recorded in 2010 for these three planning areas.

TABLE 1 **Median prices of new sales (excluding ECs), 2010–2011**

Planning area	Median price in 2010 (S\$ per sq ft)	Median price in 2011 (S\$ per sq ft)	% change	Expected price change in 1-2 years
Pasir Ris	817	888	+9%	+5% to 8%
Yishun	758	823	+9%	+3% to 5%
Punggol	NA	918	NA	+10% to 15%
Sengkang	NA	971	NA	+5% to 10%
Sembawang	NA	824	NA	+3% to 5%

Source: Savills Research & Consultancy

Being a new township with many amenities in the making, like a golf driving range, a 4.2 km manmade waterway and promenade, country club and a future sports complex, Punggol and Sengkang may have the highest capital appreciation potential among the five emerging planning areas. We expect prices of new condominiums to breach the S\$1,000 per sq ft-mark within the next two years, possibly rising by about 10% to 15% in Punggol and 5% to 10% in Sengkang.

Boosted by the official opening of the new Rolls Royce manufacturing, assembly, test and training centre at the Seletar Aerospace Park (which aims to position Singapore as the regional hub for the aerospace industry), the rental potential for

private homes in Yishun, Punggol and Sengkang is expected to be high. For instance, rents could rise by between 5% and 10% when the aerospace park becomes operational.

For Pasir Ris, new home prices could rise by 5% to 8% over the next two years as new facilities and amenities are expected to be provided with more projects being completed within the next three to four years. Being near Changi Business Park and airport, homes in Pasir Ris may see rental rises of between 5% and 10%. ■

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