Briefing
Residential sales

February 2017

Image: Kingsford Hillview Peak, Hillview Rise

SUMMARY

2017 may prove to be the year the private residential market finally revives.

- In Q4/2016, new launches reached a new high of 2,944 units, up 83.0% Quarter-on-Quarter (QoQ), while primary sales increased 44.5% from the previous quarter to 2,316 homes. However, existing home sales posted a steep 20.9% QoQ decline to 2,069 units.

- For the full year of 2016, new sales volume finished at their strongest pace since 2013, rising 7.2% over 2015 to 7,972 units. Over the same period, the secondary market logged another brisk year with a 25.9% Year-on-Year (YoY) growth to 8,406 homes, extending the 20.7% increase from the previous year.

- Data from the Urban Redevelopment Authority (URA) showed a 0.8% QoQ decline in the overall price index of non-landed private homes in Q4/2016. The basket of high-end non-landed homes tracked by Savills showed a 0.7% QoQ increase in Q4/2016 – extending the 0.2% growth from the previous quarter.

- As at Q4/2016, there is a total supply of 40,913 uncompleted private residential units in the pipeline, of which 14,826 homes are expected to reach completion in 2017 alone.

- We expect total transaction volumes in 2017 to be lower than 2016 due to fewer new project launches in the primary market and continued economic headwinds impacting secondary market sales. However, prices could still manage a marginal recovery as developers' higher land cost is passed through to buyers.

"With transactions increasing and price indices continuing to drift down it is possible that cooling measures could be too intense." Alan Cheong, Savills Research

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Market overview

The global economy is regaining its poise amid a myriad of geopolitical issues, the breaking down of trade agreements and fears of further interest rate increases. Despite an unexpected election result, the United States economy continues to gain momentum in 2016, with its third quarter gross domestic product (GDP) up an estimated 3.0%. The GDP in the Eurozone posted a 0.3% rise, which albeit sluggish, remains on the path to recovery. The Chinese government reported a GDP growth of 6.7% YoY in Q3 – unchanged from the previous three months – while Japan's GDP expanded by 2.2% YoY, helped by improving exports.

After a lacklustre third quarter, the Singapore economy surprised in last three months of the year to expand 2.9% YoY and achieve a full-year growth rate of 2.0% in 2016. In the fourth quarter, the pivotal manufacturing sector posted a robust 11.5% YoY expansion, alongside with non-oil domestic exports (NODX), which grew 9.4% in December.

Sales & launches

In Q4/2016, new launches reached 2,944 units, up 83.0% QoQ. With greater new supply, primary sales correspondingly increased 44.5% from the previous quarter to 2,316 homes. In October, the launch of two new suburban projects – Forest Woods in Serangoon (519 units) and The Alps Residences in Tampines (626 units) – was met by strong buying interest. In the first month of its launch, the projects sold 364 units and 334 units respectively.

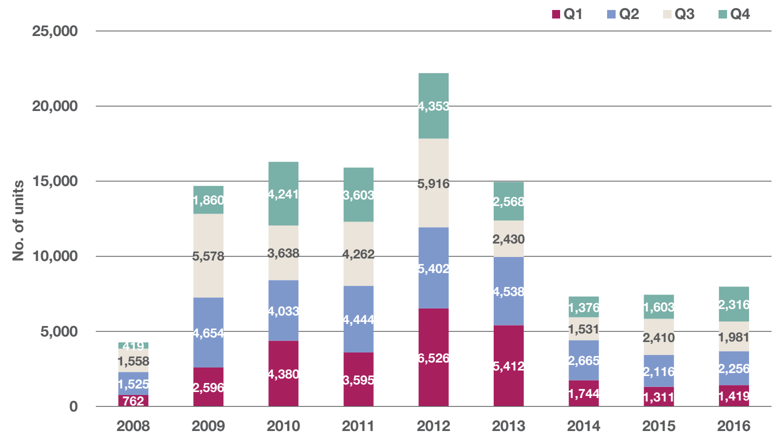
New sales volumes in 2016 finished at their strongest pace since 2013, rising 7.2% over 2015 to 7,972 units. One- and two-bedroom apartments continue to dominate the market due to their relative affordability as an investment product. There was also a strong revival of interest in the luxury segment as evidenced when sales transactions of new and existing homes increased 48.7% YoY to 2,764 units in 2016. This shows that even with a slow moving economy and all the cooling measures in place, there remains ample liquidity and pent-up demand in the market to drive enough sales to meet the supply from developers' uncompleted projects.

The last two major project launches in 2016 was Queens Peak at Dundee Road and Parc Riviera at West Coast Vale. Queens Peak is a 736-unit condominium that has one- to five-bedroom apartments and penthouses with sizes ranging from 431 sq ft to 4,768 sq ft. Queens Peak's location in the city fringe was a big draw to both owners and investors, who snapped up some 250 units over the first weekend of its launch for an average price of S$1,632 per sq ft. As at December 2016, 281 units have been sold – representing a take-up rate of 38.2% - with one- and two-bedders making up about 90.0% of the sales. Although Parc Riviera, a 752-unit condominium, saw relatively lower sales in the first week of launch, a rather healthy rate of sales have nevertheless been coming through for this project in the month of January of 2017.

In Q4/2016, sales of existing homes posted a steep 20.9% QoQ decline to 2,069 units. The reason for the sharp decline was sales in the previous quarter was propped up by developers' sales of the remaining units in delicensed projects, like OUE Twin Peaks and Ardmore Three. Nevertheless, the secondary market had a strong year in 2016 with a 25.9% YoY growth in residential sales to 8,406 homes, extending the 20.7% increase from the previous year.

GRAPH 1

Primary private home sales volumes, 2008-Q4/2016



Source: Urban Redevelopment Authority (URA), Savills Research & Consultancy

TABLE 1

Major new launches, Q4/2016

Project name	Location	Developer	Category*	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
Botanic @ Cluny Park	Cluny Park Road	Cluny Development Pte Ltd	CCR	6	16.7	1078
Forest Woods	Lorong Lew Lian	Serangoon Green Pte. Ltd.	OCR	519	73.6	1,176-1,529
Parc Riviera	West Coast Vale	El Development (West Coast) Pte. Ltd.	OCR	200	63.5	996-1,329
Queens Peak	Dundee Road	Hy Realty (Dundee) Pte Ltd	RCR	736	38.2	1,419-1,790
The Alps Residences	Tampines Street 86	Mcc Land (Tampines) Pte Ltd	OCR	626	57.5	980-1,208

Source: Savills Research & Consultancy
* CCR = Core Central Region; RCR = Rest of Central Region; OCR = Outside Central Region

Prices

Data from URA showed declines of 0.8% QoQ and 2.6% YoY in the overall price index of non-landed private homes in Q4/2016. By location, prices in the Core Central Region (CCR) increased 0.1% QoQ, while the Rest of Central Region (RCR) and Outside Central Region (OCR) posted declines of 2.0% and 0.6% respectively.

Correspondingly, the basket of high-end non-landed homes tracked by Savills showed a 0.7% QoQ increase in Q4/2016 – extending the 0.2% growth from the previous quarter. This represents a 0.7% rise YoY and a total decline of 7.1% from the previous peak in Q1/2013.

Future supply

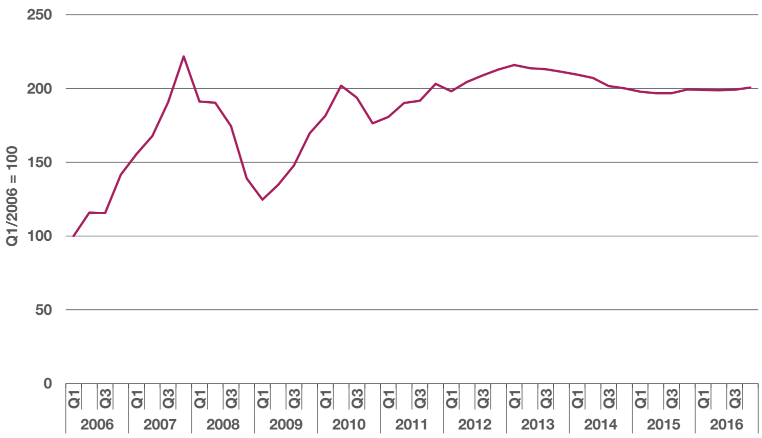
As at Q4/2016, there is a total supply of 40,913 uncompleted private residential units in the pipeline, of which 14,826 homes are expected to reach completion in 2017. Nevertheless, 53.4% or 21,842 of the total uncompleted stock have been sold. The majority of the uncompleted homes are located the OCR.

Kicking-off this year's new condominium launches is The Clement Canopy. This 99-year leasehold condominium is located in Clementi and comprises 505 units of two- to four-bedroom apartments across two 40-storey blocks. The unique feature of this project is that unlike most other launches in the past few years, The Clement Canopy has done away with one-bedroom apartments. The condominium's major selling point is its attractive location near educational institutions such as the National University of Singapore, NUS High School of Mathematics and Science and International Community School. It is slated for launch in the second half of February

In the mid-market segment, Park Place Residences in Paya Lebar Central is set to launch in March or April. The condominium offers 429 units in one- to three-bedroom configurations and is part of the upcoming Paya Lebar Quarter – an integrated development with three office towers and a retail mall. This residential component is located in a mixed use project and the developer, Lend Lease, is not subjected to payment of ABSD on the land if there remains unsold units after the stipulated date of completion for the entire development.

GRAPH 2

Savills high-end, non-landed home price index, Q1/2006–Q4/2016



Source: URA, Savills Research & Consultancy

TABLE 2

Major upcoming launches

Project name	Location	Developer	Category	District	Estimated total no. of units
12 on Shan	Shan Road	TA Realty Pte Ltd	RCR	12	78
3 Orchard By-The-Park	Orchard Boulevard	YTL Westwood Properties Pte Ltd	CCR	10	77
Condominium development (St. Thomas Walk)	St. Thomas Walk	Bukit Sembawang View Pte Ltd	CCR	9	250
Grandeur Park Residences	New Upper Changi Road/ Bedok South Avenue 3	CEL-Changi Pte Ltd	OCR	16	720
iNZ Residence	Choa Chu Kang Avenue 5	Qingjian Realty (Choa Chu Kang) Pte Ltd	OCR (EC)	23	497
Moulmein27	Moulmein Rise	27MR Pte Ltd	CCR	11	63
New Futura	Leonie Hill Road	City Sunshine Holdings Pte Ltd	CCR	9	124
Park Place Residences at PLQ	Paya Lebar Road/Sims Avenue	Roma Central Pte Ltd/Milano Central Pte Ltd/Verona Central Pte Ltd	RCR	14	429
Parksuites	Holland Grove Road	Kentish View Pte Ltd	CCR	10	119
The Clement Canopy	Clementi Avenue 1	United Venture Development (Clementi) Pte Ltd	OCR	5	505
Watercove	Wak Hassan Drive	Sembawang Estates Pte Ltd	OCR	27	80

Source: Savills Research & Consultancy

OUTLOOK

The prospects for the market

Barring any external shocks, 2017 may prove to be the year of revival for the private residential market.

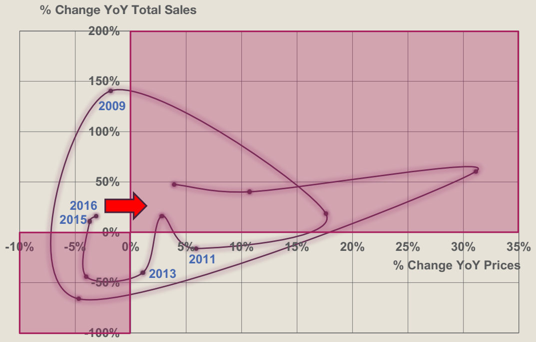
From URA's statistics, non-landed property prices have fallen 10.1% from its peak in Q3/2013 but in the face of sustained price declines, demand appears to be strengthening – especially in the luxury segment where total sales of new and existing houses in 2016 have improved 48.7% from the previous year. However, with the cooling measures in its current intensity and with no market shocks occurring, the market is showing signs of abnormal behaviour. Contrary to the well documented positive correlation between prices and transaction volumes, for 2015 and 2016, we saw two consecutive years where a negative relationship developed whereby transaction volumes rose significantly but yet URA's price index continued to slide. This is shown in the chart where ideally, the annual data points for price and volume changes should fall inside the red quadrants. Admittedly, there were periods where this relationship also broke down but for those years, it was because the market had been subjected to shocks. However, for 2015 and 2016, the private residential market was in no way subjected to any external duress and yet the data points fell outside the expected quadrants.

This could imply that the cooling measures are set at too intense a level and the market construct is distorted. This ties in with the belief amongst market watchers that the market today is a wholly different animal than it was 3 ½ years ago.

For 2017, we expect transaction volumes to be lower with primary sales numbers (excluding ECs) coming in at about 6,050 units, down 24%. This is because of the fall-off in the Government Land Sales (GLS) Programme in 2015 and 2016 which then translates to lesser new project launches this year. For the secondary market, we forecast sales of 7,500 units, down 10.8% YoY. The reason for a slower secondary market is that economic headwinds and the continuation of the cooling measures in its current form is restraining buying activity. Also, unlike 2016, developers this year have less projects to market based on alternative payment schemes in order to clear their inventory. However, price wise, if the developing negative correlation between transaction volumes is not addressed through a recalibration of the cooling measures, then prices could stabilise and mount a likelihood marginal increase of 1-2% YoY. If they are recalibrated, then volumes may increase, but we believe that both the slow pace of economic growth coupled with an uncertain job market will act as resistance to any V-shape price recovery and prices are still likely to stay within the positive 1-2% YoY range.

GRAPH 3

Percentage change in prices are normally positively correlated with transactions



Source: Savills Research & Consultancy

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