Singapore – August 2019

MARKET IN MINUTES

*Savills Research*

# Residential Sales

savills

3 Orchard By-The-Park

## Prices eke out marginal gains

Price growth in the reviewed quarter suggests that the market has stabilised one year after the revised property cooling measures came into force in July 2018.

- Developers released 2,502 uncompleted private homes for sale in Q2/2019, representing a fall of 16.3% from the previous quarter.
- In spite of a decline in new launches island-wide, overall new home sales in the April-June quarter rose 27.9% quarter-on-quarter (QoQ) to 2,350 units.
- The secondary market also showed encouraging results with 2,416 private residential units changing hands in Q2, 26.8% higher than the previous quarter.
- A total of 137 non-landed private homes, with a unit price of at least S$3,000 per sq ft (psf), found buyers in the reviewed quarter. This marked the highest number since Q4/2007.
- At the end of Q2/2019, a total of 33,673 uncompleted private residential units (excluding executive condominiums) with planning approvals remained unsold.
- Coming into the second half of 2019, developers are expected to go full steam ahead with their launches to capitalise on the positive sentiments towards private residential properties.

"Paying high commissions is the talisman warding off the fallout from tumultuous global and regional events."

ALAN CHEONG, SAVILLS RESEARCH

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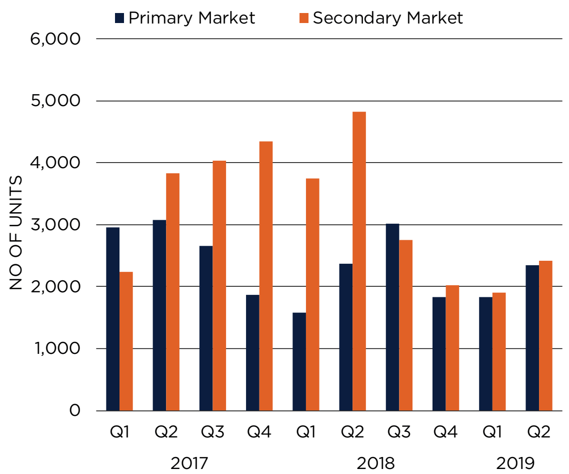
**GRAPH 1: Sales Volume Of Private Residential Units, Q1/2017 to Q2/2019**




**Source** URA, Savills Research & Consultancy

## MARKET OVERVIEW

Amid souring economic conditions, developers did not slow down their launches in the second quarter, with 16 new private residential projects rolled out for sale to the public. This represents an increase of 23.1% from the 13 projects recorded in the previous quarter. It is also one of the highest quarterly numbers since Q4/2013. Among these projects, eight are located in the Rest of Central Region (RCR), followed by four each in the Core Central Region (CCR) and Outside Central Region (OCR), respectively.

However, mostly due to the lack of large-scale projects, Q2's 16 newly launched developments released a total of only 1,417 uncompleted private residential units for sale, down 2.9% from the 1,459 units in 13 projects a quarter ago. In addition, given economic uncertainty and ample competitors in the market, a majority of developers have carefully paced their launches so as to test not only market acceptance to the benchmark prices set by their respective projects but also potential buyers' purchasing power. Together with another 1,085 units from previously launched projects, developers in total released 2,502 uncompleted private homes in Q2/2019. This was 16.3% lower than a quarter ago, but still 2.7% higher compared with the same period in 2018.

By number of launched units, the top five projects in Q2/2019 were Parc Komo at Upper Changi Road North, The Woodleigh Residences at Bidadari Park Avenue, Sky Everton at Everton Road, Amber Park at Amber Gardens and Stirling Residences at Stirling Road.

In contrast to the decline seen in the launch of uncompleted private residential properties island-wide, new home sales overall in the April-June quarter rose 27.9% QoQ to 2,350 units. The best-selling projects in the primary market include: Treasure At Tampines, Amber Park, The Florence Residences, The Tre Ver and Sky Everton.

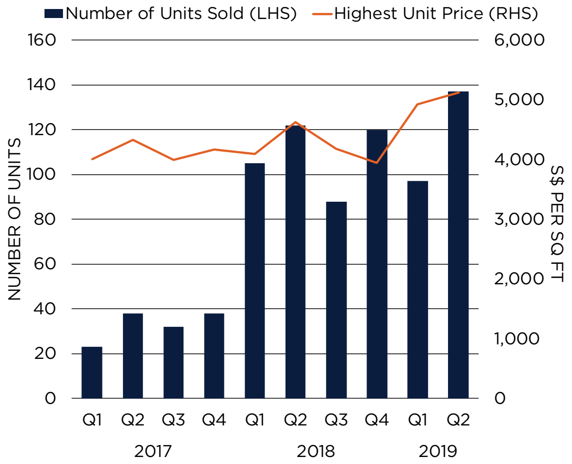
Although take-up rates for most of the new launches in Q2 remained low, some projects, such as Amber Park, Park Komo and Sky Everton, experienced healthy take-up rates

**TABLE 1: New Launches, Q2/2019**

| PROJECT NAME | LOCATION | DEVELOPER | LOCALITY | TOTAL NO. OF UNITS | TOTAL NO. OF UNITS SOLD BY Q2/2019 | TAKE-UP (%) | PRICE RANGE (S$ PSF) |
|---|---|---|---|---|---|---|---|
| Amber Park | Amber Gardens | Aquarius Properties Pte Ltd | RCR | 592 | 157 | 26.5% | 2,263-2,708 |
| Coastline Residences | Amber Road | SL Capital (3) Pte Ltd | RCR | 144 | 13 | 9.0% | 2,404-2,840 |
| Juniper Hill | Ewe Boon Road | Allgreen Properties Limited | CCR | 115 | 6 | 5.2% | 2,703-2,901 |
| Lattice One | Seraya Crescent | TEE Development Pte Ltd | OCR | 48 | 19 | 39.6% | 1,560-1,834 |
| Mayfair Modern | Rifle Range Road | Citrine Property Pte Ltd | RCR | 171 | 24 | 14.0% | 1,799-2,161 |
| Mayfair Modern | Meyer Road | Secure Venture Development (NO.1) Pte Ltd | RCR | 56 | 5 | 8.9% | 2,561-2,700 |
| Olloi | Lorong 101 Changi | K16 Development Pte Ltd | RCR | 34 | 5 | 14.7% | 1,626-1,721 |
| Parc Komo | Upper Changi Road North | CEL Real Estate Development Pte Ltd | OCR | 276 | 105 | 38.0% | 1,389-1,744 |
| Riviere | Jiak Kim Street | Frasers Property Quayside Pte Ltd | RCR | 455 | 32 | 7.0% | 2,720-3,305 |
| Seraya Residences | Seraya Lane | Macly 33 Pte Ltd | RCR | 17 | 1 | 5.9% | 1,663 |
| Sky Everton | Everton Road | SL Capital (6) Pte Ltd | RCR | 262 | 134 | 51.1% | 2,053-2,895 |
| Sloane Residences | Balmoral Road | TSky Balmoral Pte Ltd | CCR | 52 | 4 | 7.7% | 2,766-2,985 |
| The Gazania | How Sun Drive | Singhaiyi Huajiang Sun Pte Ltd | OCR | 250 | 23 | 9.2% | 1,799-2,285 |
| The Hyde | Balmoral Road | Aurum Land | CCR | 117 | 4 | 3.4% | 2,801-3,213 |
| The Lilium | How Sun Road | SingHaiyi Huajiang Amber Pte Ltd | OCR | 80 | 2 | 2.5% | 1,946-2,142 |
| Wilshire Residences | Farrer Road | TE2KS-RH Pte Ltd | CCR | 85 | 5 | 5.9% | 2,594-2,692 |

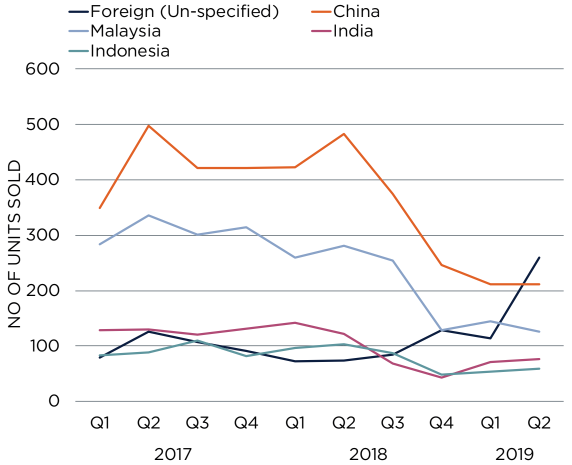
**Source** URA, Savills Research & Consultancy

**GRAPH 2: Sales of Non-Landed Residential Units With Unit Price ≥S$3,000 Psf, Q1/2007 to Q2/2019**



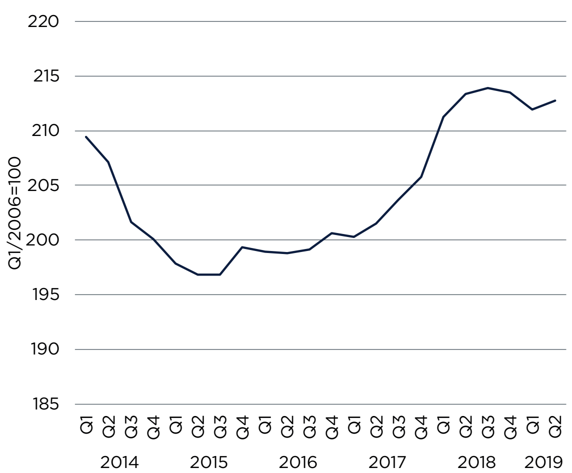

**Source** URA, Savills Research & Consultancy

**GRAPH 3: Sales Volume Of Non-Landed Private Private Residential Units By Nationality, Q1/2017 to Q2/2019**




**Source** URA, Savills Research & Consultancy

**GRAPH 4: Savills High-End, Non-Landed Home Price Index, Q1/2014 to Q2/2019**




**Source** Savills Research & Consultancy

between 38.0% and 51.1%. Regardless of the relatively high prices set by these projects in the vicinity, the freehold tenure could be the main attribute enticing buyers. In the meantime, a few previously launched projects recorded higher sales volume in Q2 compared to a quarter ago. Notably, the average Q2 selling prices for some of these projects strengthened from a quarter ago. Therefore, setting aside developers' proactive marketing efforts, the growth in transactions pointed to improving buying sentiment despite a backdrop of global and local uncertainty.

During the quarter under review, the secondary market also showed encouraging results with 2,416 private residential units changing hands. After three consecutive quarters of decline beginning in Q3/2018, sales volume was notably 26.8% higher than the 1,905 recorded in the previous quarter. Growth was witnessed across the board. By location, the RCR enjoyed the highest uptick of 32.1% QoQ, followed by 25.8% QoQ in the OCR and 22.9% QoQ in the CCR.

Buying activity in the high-end market segment revived over the last few months. A total of 137 non-landed private homes with a unit price of at least S$3,000 psf found buyers in the second quarter of 2019. This marked the highest sales number since Q4/2007. With cooling measures still in place, the active sales in this segment, in particular those super luxury units worth at least S$10 million each, surprised the market to some extent. In addition, the highest unit price rose to S$5,125 psf, which was achieved by a penthouse at the freehold Boulevard 88 in June. The resurgence in purchases of Singapore luxury homes could be linked to the recent political unrest in Hong Kong as well as ongoing US-China trade tensions.

For non-landed private residential units, Singaporeans continued to take the lion's share in Q2 and accounted for 77.9% of the total sales in the reviewed quarter. The market share of locals dipped by 0.3 of a percentage point (ppt) QoQ. Compared with the preceding quarter, the proportion of Singapore Permanent Residents (PR) and companies also dropped moderately by 0.4 and 0.1 of a ppt, respectively. In contrast, the market share of foreigners (non-PR) inched up 0.8 of a ppt to 5.9% in Q2, reversing two straight quarters of decline.

Interestingly, foreigners who did not specify their nationalities topped the overseas charts for the first time in history. They purchased a total of 260 non-landed private residential properties in Q2/2019, representing a sharp increase of 128.1% QoQ. Following that, buyers from China, Malaysia, India and Indonesia remained at the top of the list. In contrast to Q2's overall increasing transaction volume, the number of units bought by Chinese buyers dipped by 0.5% QoQ. This does not quite square with feedback from agents on the ground who opined that Chinese nationals were active in the market. We believe that a high proportion of the un-specified foreigner category could be from China.

## PRICES

Based on the latest statistics by URA, the price index of island-wide private residential properties turned upward in Q2/2019 with a 1.5% increase QoQ. This has not only offset the cumulative declines in the previous two quarters but has anchored the index at a record level.

Contrasted with landed houses, which saw a 0.1% QoQ dip, prices for private apartments and condominiums were resilient with a 2.0% QoQ increase, and in turn lifted the index to a record level in the quarter. By market segment, non-landed properties in the RCR went up 3.5% QoQ, followed by 2.3% QoQ in the CCR and 0.4% QoQ in the OCR.

Similarly, the average price of high-end, non-landed homes tracked by Savills inched up 0.4% QoQ to S$2,394 psf in Q2/2019, versus a 0.7% drop in the previous quarter.

Although the URA price index has hit a record high, as we consider the collective readings from Q3/2018 to Q2/2019, we are of the view that its volatility on the upside has been significantly reduced. Prices went up in Q2/2018 due to the launch of new projects on land that had been purchased at record levels by developers. In addition, due to the current geopolitical and trade tensions, the return of foreigners' buying interest for high-end properties also played a part.

## FUTURE SUPPLY

At the end of Q2/2019, URA data showed a total of 50,674 uncompleted private residential units [excluding executive condominiums (ECs)] with planning approvals. This is 2,610 units or 4.9% less than three months ago, and of these, 33,673 or 66.5% remained unsold, compared with 36,839 units in the previous quarter. Based on the historical take-up of 8,418 units per annum from 2014 to 2018, this unsold stock will take about four years to absorb.

In June 2019, the URA announced the second half of the 2019 Government Land Sales (GLS) programme. Compared with the 2,025 private residential units offered under the Confirmed List for the first half of 2019, the for-sale supply was reduced to 1,715 units generated from five sites (including one EC site). This move is in line with government efforts to stabilise the market.

Coming into the second half of 2019, developers' new launches are expected to go full steam ahead in order to ride on the improving market momentum. Table 2 shows the possible major upcoming launches from Q3/2019 onwards.

**TABLE 2: Major Upcoming Launches From Q3/2019***

| PROJECT NAME | LOCATION | DEVELOPER | LOCALITY | TOTAL NO. OF UNITS |
|---|---|---|---|---|
| 19 Nassim | Nassim Hill | Parksville Development Pte Ltd | CCR | 101 |
| Amber Sea | Amber Gardens | Urban Park Pte Ltd | RCR | 132 |
| Avenue South Residence | Silat Avenue | United Venture Development (Silat) Pte Ltd | RCR | 1,074 |
| Bideford Hills | Bideford Road | SC Aetas Holdings Pte Ltd | CCR | 168 |
| Condominium development (former Brookvale Park) | Sunset Way | Hoi Hup Sunway Clementi Pte Ltd | RCR | 648 |
| Condominium development (former Katong Park Towers) | Arthur Road | BSEL Development Pte Ltd | RCR | 290 |
| Condominium development (former Pacific Mansion) | River Valley Close | Carmel Development Pte Ltd | CCR | 376 |
| Condominium development (former Tulip Garden) | Farrer Road/Holland Road/ Leedon Heights | Asia Radiant Pte Ltd | CCR | 672 |
| Condominium development | Sims Drive | Hong Leong Holdings and City Developments Ltd | OCR | 560 |
| Cuscaden Reserve | Cuscaden Road | Cuscaden Homes Pte Ltd | CCR | 192 |
| Dairy Farm Residences | Dairy Farm Road | UE Dairy Farm Pte Ltd | OCR | 460 |
| Haus on Handy | Handy Road | CDL Regulus Pte Ltd | CCR | 188 |
| Hylle On Holland | Holland Hill/Holland Road/ Queensway | FEC Skypark Pte Ltd | CCR | 321 |
| Meyer Mansion | Meyer Road | First Meyer Development Pte Ltd | RCR | 200 |
| Midtown Bay | Beach Road | GLL Prosper Pte Ltd/GLL Thrive Pte Ltd | CCR | 209 |
| Midwood | Hillview Rise | Hillview Rise Development Pte Ltd | RCR | 564 |
| One Holland Village | Holland Road | Commons Residential Pte Ltd/Commons SR Trustee Pte Ltd/Commons Commercial Trustee Pte Ltd | CCR | 559 |
| One Pearl Bank | Pearl Bank | Areca Investment Pte Ltd | RCR | 774 |
| Parc Clematis | Clementi Avenue 6/ Jalan Lempeng | Sing-Haiyi Gold Pte Ltd | OCR | 1,468 |
| Residential apartments (former Goodluck Garden) | Toh Tuck Road | Qingjian Perennial (Bukit Timah) Pte Ltd | RCR | 669 |
| Sengkang Grand Residences | Sengkang Central | Siena Residential Development Pte Ltd/ Siena Trustee Pte Ltd | OCR | 680 |
| Royalgreen | Anamalai Avenue/Bukit Timah Road/Lily Avenue | Sky Top Investments Pte Ltd | CCR | 285 |
| The Antares | Mattar Road | FSKH Development Pte Ltd | RCR | 265 |
| Uptown @ Farrer | Perumal Road | Perumal Development Pte Ltd | RCR | 116 |
| Urban Treasures | Jalan Eunos | Fragrance Treasures Pte Ltd | OCR | 237 |
| Van Holland | Holland Road | KBD Holland Pte Ltd | CCR | 70 |
| Verdale | De Souza Avenue | C&C (JJK) Pte Ltd | OCR | 258 |
| Verticus | Jalan Kemaman | SB (Kemamam) Development Pte Ltd | RCR | 162 |
| View At Kismis | Lorong Kismis | Roxy-TE2 Development Pte Ltd | RCR | 186 |

**Source** URA, Savills Research & Consultancy
*Expected launch dates are subject to change. This list is not exhaustive.

## OUTLOOK

### Revolving Reasons Affecting Initial Launch Take-Up Rates

Cooling measures aside, for the period 2H/2018, the key factor motivating sales has been the launch of appropriately priced new projects in locations that have not seen new project launches for a while. Other factors, such as interest rates, trade war and economic concerns, etc. were not top-ranked as the reasons for driving sales up or down. Coming into Q1/2019, while new-sales volumes increased in conjunction with the greater number of launches, resale transactions fell. However, although overall new-sales numbers increased, the sales rate for the initial calendar month of a launch fell. For this first part, we shall only look at the new-sales rate for the first month of initial launch. The factors that caused this decline during initial launch has in our view varied over time, starting from 6 July 2018.

While the Pricing factor remained the top driver of initial take-up rates in 2H/2018 and Q1/2019, the other factors shifted amongst themselves. Interest Rates, ranked second in 2H/2018, moved down to fourth position in Q1/2019. Commission rates in 2H/2018 were ranked fourth amongst the five factors, but come Q1/2019, had moved to the second spot. And new launched Supply shifted from fifth position to third.

In Q2/2019, new sales at projects launched a month or about six months ago started to roar back to life. This was attributed to sharply increased sales commissions, which overcame buying inertia due to the rapidly slowing economy. (Singapore's Non-Oil Domestic Exports in May fell 15.9% year-on-year (YoY) and for June, exports fell 17.3%—the largest decline since February 2013. The latest statistics mark four consecutive months of double-digit declines.)

Keeping the same ranking assigned to the factors in 2H/2018, we have the following two-line notation for Q1/2019 and Q2/2019.

The explanation is this. Moving from Q1 to Q2/2019, the Pricing factor dropped one position while Commission rates, which were ranked fourth in 2H/2018, moved to the top. Supply of new launches held steady at third spot while the Economy and Interest Rates factors swapped positions. The fear of interest rates rising has now given way to a relief at falling interest rates.

The below shows that as we moved from 2H/2018 to Q2/2019, sales drivers took on different rankings.

For Q1/2019, the take-up in initial launches was slow, but began to improve in Q2/2019. Our data showed that by the end of the calendar month in which a project was initially launched, sales as a percentage of total number of units in a development had improved marginally from 11.6% to 13.4%. The improvement was due to a few sites—Amber Park, Parc Komo (both launched in May) and Sky Everton (launched in June)—registering strong sales by the end of the calendar month of launch. These projects achieved 26.1%, 28.6% and 40% initial weekend launch sales rates, respectively.

The Commission factor may or may not retain its top position in the coming quarters, but we believe that it will still be circling around the top two spots. Given the rapidly slowing economy and rising unemployment levels, the likelihood of the Economy factor moving to second or even pole position is increasing. It is not that the Economy factor is not important at present; it is only because liquidity in the system has thus far supressed its rise in the rankings. However, there is potentially the threat that the onset of the Chinese Seventh Month Ghost Festival on 1 August may derail the initial sales momentum when new projects are launched in September. This is because, without the continued release of real estate launch news, the market may be inundated with negative economic news—so much so that sentiments may waver in September.

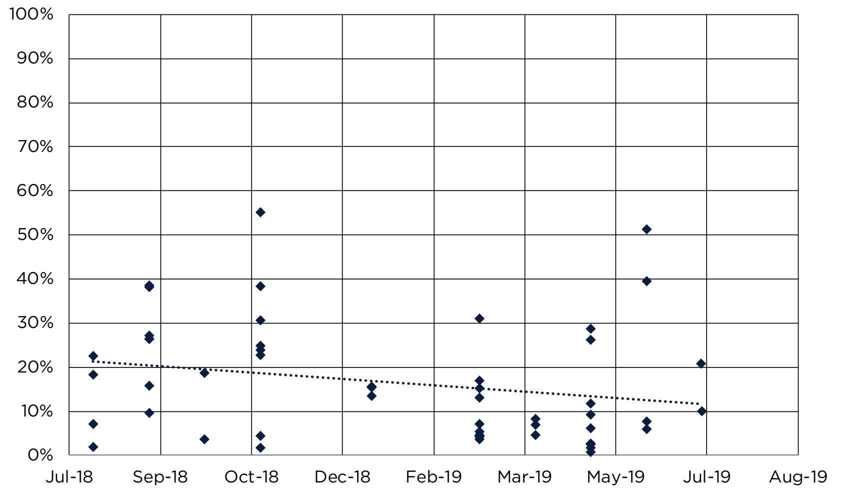
Presently, concerns over runaway commission rates are on the rise. While such fears are understandable, when we expand our horizon to include the global economy and how it is precariously perched, keeping commissions elevated (or even higher) is a risk worth taking. Increasing cross winds buffeting the global trade-finance-economic network may attempt to elevate other factors like Economy, Supply and Pricing to displace Commissions as the top impact driver. Should that happen, it would not only slow the velocity of transactions but also lower market sentiments. For instance, on the economic front, the concerns building up are rapidly overwhelming our ability to get a handle on potential outcomes. Aside from the US-China trade war, there is the issue of China's continued economic slowdown, sans trade war, and the continued influence of disruptive businesses on traditional ones. On the political front, the current issues are not easily resolved.

Come end-August, we will have to see whether the market recharged itself after the Seventh Month or if it downshifted a gear. Our view is that despite a month of negative news from the economic and business fronts, the interest for buying private homes will still be there. However, we also believe that demand may be directed towards locations that have not seen new launches in the past few years. New sales may benefit but resales may not enjoy the same level of interest. Nevertheless, at this juncture, there is still enough buffer time before many projects reach the ABSD remission dateline. And even if developers pay, many are under the previous 15% scheme. So, if average transaction volumes fall further, new launch prices are still primed to go up. This is because, for the coming batch of launches, many have even higher break-even prices. Developers will have to sell at record prices in relation to previously launched but uncompleted developments in the respective vicinities.

| | Most Important Factor | | | | Least Important |
|---|---|---|---|---|---|
| Rank | 1 | 2 | 3 | 4 | 5 |
| 2H/2018 | Pricing | Interest Rates | Economy | Commission | Supply |
| Q1/2019 | Pricing | Commission | Supply | Interest Rates | Economy |

| | Most Important Factor | | | | Least Important |
|---|---|---|---|---|---|
| Q1/2019 | Pricing | Commission | Supply | Interest Rates | Economy |
| Q2/2019 | Commission | Pricing | Supply | Economy | Interest Rates |

**GRAPH 5: Initial Calendar Launch Month-end Closing Take-up Rates**




**Source** Savills Research & Consultancy