

# Briefing Residential sales

December 2012



Image: Alexis

## SUMMARY

Too strong a momentum to stop.

- Preliminary estimates showed a 0.3% GDP growth year-on-year (YoY), lower than the 2.5% increase in the preceding quarter.
- A record-breaking 19,792 new homes were sold over the last ten months, surpassing the historical record of 16,292 for the whole of 2010.
- Buyers may snap-up more than 4,000 executive condominiums (ECs) by year-end, creating a new record.
- Overseas purchases continued to be weighed down by the Additional Buyers' Stamp Duty (ABSD).
- Shoebox demand declined in Q4 to a three-year low.
- The government released new guidelines on home-loan restrictions.
- The average price of luxury condos in Singapore posted a second quarterly rise in Q4<sup>1</sup>.
- Prices of landed houses increased faster than condos this year.
- In 2013, mass-market, non-landed property prices could rise by 10% to

15%, while luxury properties may rise by 3% to 5%.

"Sharply rising land costs, strong developer balance sheets and low interest rates should all conspire to make 2013 another halcyon year for the industry."

Alan Cheong, Savills Research

<sup>1</sup> All Q4 data is based on the first half of the reviewed quarter only.

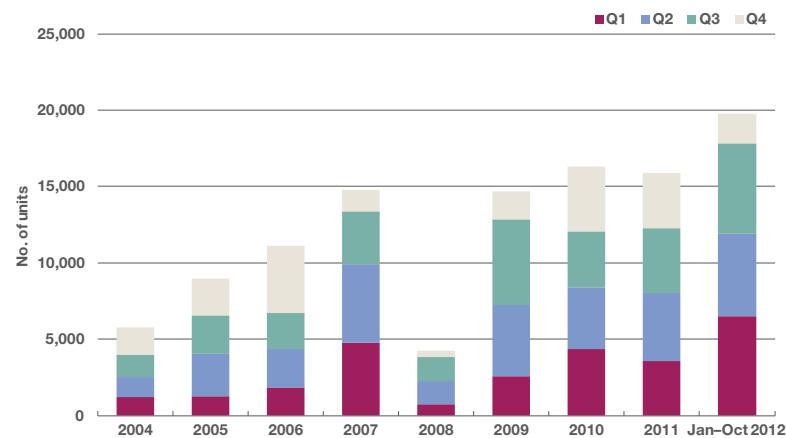
## Market overview

The debt crisis unfolding in the eurozone and the fiscal cutbacks in the US continued to weigh down businesses across the globe. Worries over a spasmodic recovery and more European nations teetering on the brink of bankruptcy have caused rippling effects in various Asian economies. Singapore has not been spared as its economy fared worse in Q3 this year. Preliminary estimates released by the Ministry of Trade and Industry (MTI) showed just 0.3% YoY growth, slower than the 2.5% increase in the preceding quarter.

The pullback in growth momentum stemmed largely from a decline in manufacturing and wholesale trade, caused by weaker external demand from some advanced economies that were restrained by continued household deleveraging and fiscal consolidations. The finance and insurance sector similarly contracted following a slowdown in business and management consultancy activities, and sluggish forex trading and insurance.

As the global economy continues to be clouded with uncertainties, Singapore's economy is expected to remain subdued for the rest of the year. MTI has put Singapore's GDP growth forecast to around 1.5% for 2012 and

**GRAPH 1**  
**Sales volume in the primary market (excluding ECs), 2004–Oct 2012**



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

from 1.0% to 3.0% for 2013. Should the situation in Europe worsen next year, Singapore's economic growth could slow further.

In contrast, the property market in Singapore is booming. Despite a looming supply of new homes and after various rounds of property curbs, the market has been surprisingly resilient both in terms of new home demand and price levels. Over the last ten months alone, 19,792 new homes were sold, smashing the previous

record of 16,292 transactions in 2010 by a wide margin of 21% or 3,500 new homes.

EC buyers, who were less perturbed by the cooling measures, snapped-up 3,493 new ECs in the first ten months of this year. With three more ECs – Citylife, The Topiary and Forestville – launching before year-end, 2012 will see another record-setting number of new ECs being sold, possibly over 4,000 units, surpassing the 3,935 ECs sold in 2010 and 2011 combined.

**TABLE 1**  
**Major new and expected launches, Q4/2012**

Project name	Developer	Location	Category	Total units
Trilling	IOI Properties BHD	Jalan Lempeng	OCR	750
The Topiary	Kheng Leong Group, Qingjian Realty Pte Ltd	Fernvale Lane	EC	700
Forestville	Hao Yuan Investments Pte Ltd	Woodlands Avenue 5	EC	653
Kingsford@Hillview Peak	Kingsford Development Pte Ltd	Hillview Avenue	OCR	534
Citylife@Tampines	Singxpress Land, Amara Holdings Ltd, Kay Lim Realty Pte Ltd	Tampines Avenue 9/7	EC	514
Echelon	City Developments Ltd	Alexandra Road	RCR	508
Eco Sanctuary	SP Setia BHD Group	Chestnut Avenue	OCR	483
Skies Miltonia	TG Development Pte Ltd	Miltonia Close	OCR	420
Heron Bay	CNH Investments Pte Ltd, Evia Real Estate, Ho Lee Group, See Hup Seng Ltd	Upper Serangoon View	EC	394
Waterbay	Qingjian Realty Pte Ltd	Edgefield Plains	EC	383
Spottiswoode Suites	Lian Beng Group Ltd, Centurion Properties Pte Ltd	Spottiswoode Park Road	RCR	183
Skygreen	Unique Realty Pte Ltd	Macpherson Road	RCR	176
Village@Pasir Panjang	Selangor Dredging BHD	Pasir Panjang Road	RCR	148

Source: URA, Savills Research & Consultancy

OCR = Outside of central region; RCR = Rest of central region

Purchases made by overseas buyers continued to be weighed down by the ABSD. Although purchases by non-permanent residents crept up from 360 units in Q1/2012 to 511 in Q3/2012, the percentage of purchases made by non-permanent residents remained low at 7% in Q3 and 6% in the first half of Q4. This was significantly lower than the 20% recorded in Q4 last year.

The percentage of private homes bought by Singaporeans remained high at 77% in the first half of Q4/2012, while purchases made by permanent residents remained steady at 15% over the same period.

## Decline in new shoebox home sales

Shoebox demand has finally seen a decline this year. With a strata area of less than 500 sq ft, shoebox units were highly sought-after for their affordable price quantum and attractive rental potential. The proportion of these shoebox units to total new condo sales has fallen from a three-year peak of 21% in Q3/2011 to a low of 7% in Q4 this year. This is also below the three-year average of 14%.

In fact, a decline has been observed since Q2 and Q3, where the proportion of new shoebox home sales fell from 20% in Q1 to 14% in Q2 and then to 13% in Q3. For units in the range of 500 sq ft to 750 sq ft, sales similarly fell from 32% in Q1 to 22% in Q2 and 17% in Q3. The downtrend could be due to lesser shoebox units being built. There has also been an increase in demand for larger-sized units in tandem with the growth in wealth here.

As expected, the government rolled out a slew of new policies to curb the increasing demand for shoebox apartments. The policies were put in place as a result of island-wide prices artificially being pushed up by these smaller units and more strain being placed on infrastructure from an increased population density in many residential areas. The URA now requires developers to build homes with a prescribed average unit size of 70 sq m, or 100 sq m in more congested areas like Telok Kurau, Kovan, Joo Chiat and Jalan Eunos. As such, more developers have increased the sizes of small-format units such that the proportion of homes sized between 500 sq ft and 750 sq ft (approximately 70 sq m) rose five percentage points in Q4 this year.

The new measures will curb the growing number of shoebox units,

which could in turn heighten median prices of these small-format homes. Island-wide, prices of shoebox condos sized below 500 sq ft have already risen for three consecutive quarters, to a high of S\$1,474 per sq ft in Q4. This translates to increases of 6% quarter-on-quarter (QoQ) and 10% YoY. Condos sized between 500 sq ft and 750 sq ft also saw two consecutive quarterly rises before slipping marginally by 1% to S\$1,343 per sq ft in Q4/2012 from the recent increase in supply.

## Curbs on housing mortgages

Following the curbs on shoebox units in September, the government released another property measure in October to restrict all home-loan tenures to a maximum of 35 years. Home buyers with an outstanding loan and who now require another housing loan which extends past their retirement age of 65 can only borrow up to 40% of a property's value, with the rest being payable by cash. Alternatively, buyers could take shorter loans if they do not wish to pay a larger amount upfront. This new measure comes hot on the heels of banks offering longer loan tenures and an increasing number of buyers leveraging themselves beyond the usual 25 to 29 years. The Monetary Authority of Singapore has warned that more households in Singapore have increased their borrowing compared with last year. Given a low interest-rate environment and ample liquidity flowing into Singapore, especially following the latest phase of quantitative easing, the property curbs are deemed necessary to deter buyers, especially older purchasers, from overstretching their finances in more than one property investment.

With shorter loan tenures, the new rule has the effect of increasing interest rates and the monthly cash payment for home buyers. The higher monthly instalment may erode the monthly rental received from these investment properties, thus trimming some demand from second- and third-home purchasers.

### Prices

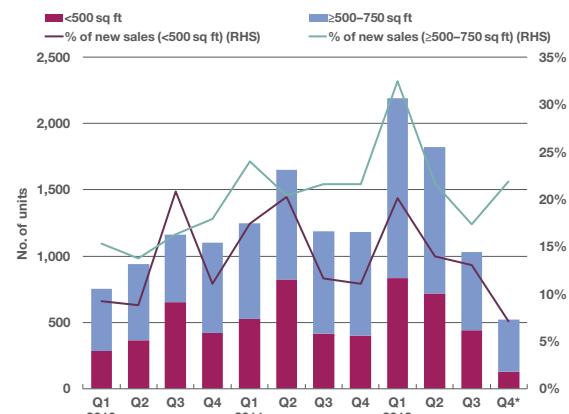
According to Savills data, the average unit price of luxury condos in Singapore posted a second quarterly rise of 2% QoQ from S\$2,350 per sq ft to S\$2,395 per sq ft in Q4/2012. For the full year of 2012, luxury condo prices have risen 5% from S\$2,286 per sq ft in Q4/2011, but are still 4% lower

than the peak price of S\$2,495 per sq ft in Q4/2007.

According to data from the URA, the median price of resale condos rose 5.0% QoQ from S\$1,062 per sq ft to S\$1,115 per sq ft in Q4/2012, and 15% YoY from S\$971 per sq ft. The median price for new condos saw a larger increase of 13% QoQ from S\$1,076 per sq ft to S\$1,221 per sq ft in Q4/2012. On a YoY basis, prices rose 10% from S\$1,106 per sq ft. Prices of new condos in the city fringe rose 5% QoQ to S\$1,462 per sq ft, while resales in the same region rose 7% QoQ to S\$1,223 per sq ft. In the suburban areas, new homes saw a 23% QoQ leap from S\$925 per sq ft in Q3 to S\$1,137 per sq ft in Q4. Resales in the suburban areas posted a smaller increase of 4% QoQ to S\$937 per sq ft. ■

GRAPH 2

## Non-landed new shoebox home sales, Q1/2010–Q4/2012

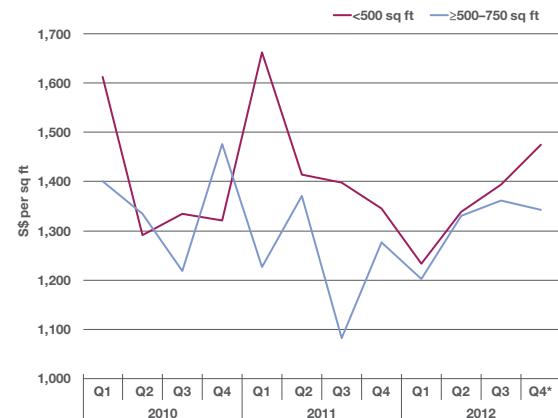


Source: URA, Savills Research & Consultancy

\*All Q4 data is based on the first half of the reviewed quarter only.

GRAPH 3

## Median prices of non-landed new shoebox homes, Q1/2010–Q4/2012



Source: URA, Savills Research & Consultancy

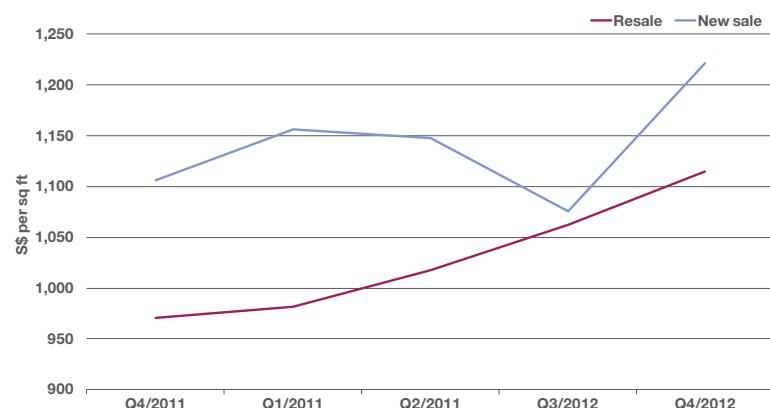
\*All Q4 data is based on the first half of the reviewed quarter only.

## GRAPH 4

**Savills high-end non-landed home index, Q1/2000–Q4/2012**

Source: Savills Research &amp; Consultancy

## GRAPH 5

**Island-wide median price of condos, Q4/2011–Q4/2012**

Source: URA, Savills Research &amp; Consultancy

**OUTLOOK****The prospects for the market**

Quantitative easing in the US should see liquidity flowing into Asian economies like Singapore in search of a safe haven and currency appreciation. Coupled with rock-bottom interest rates that are likely to remain low next year, some fresh external demand could be anticipated.

However, this may be offset by local buying fatigue from the many new launches over the past years and increasing home completions. Barring further property measures, total primary sales may hover between 16,000 and 18,000 units in 2013, less than this year's likely record of 23,000 to 24,000 units. Due to a significant run-up in private condo prices, ECs will remain an attractive long-term investment asset, with demand probably surpassing that of 2012.

Overall property prices are poised to trend higher with rising land costs, increasing by up to 10% next year. Mass-market home prices are likely to see the steepest rise of between 10% and 15%. Astute buyers will continue to seek good buys in the luxury segment as prices here are still lower than those in Hong Kong. This could possibly push prices up by 3% to 5%, surpassing their last peak in 2007.

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