Residential Sales

16 May 2011

"The market took a breather after the latest round of property curbs amid a deluge of supply and global economic uncertainty."

Image: The Marq on Paterson Hill

- Singapore's economic growth accelerated by 8.5% year-on-year.
- The manufacturing sector expanded by 80.2% quarter-on-quarter.
- After a slew of negative macroeconomic news and stringent property measures, residential demand dipped across most market segments.
- The number of launched but unsold units rose to a historical high, indicating that housing supply has outstripped demand.
- Buyers turned to smaller units for their greater affordability.
- Slower price increases were seen for a sixth consecutive quarter.
- Non-landed luxury home prices tracked by Savills held steady in the reviewed quarter.
- Demand for mass market homes are likely to remain robust in the coming months.

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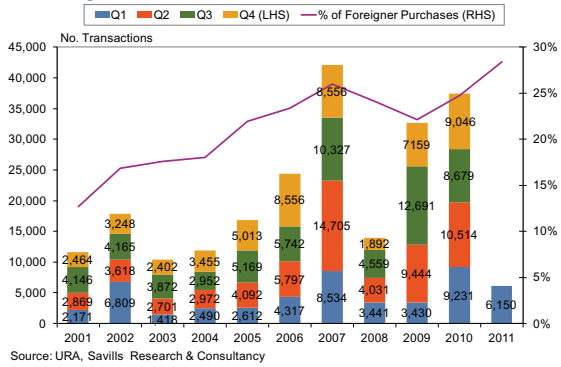
Market Overview

Based on advance estimates, Singapore's growth paced ahead by 8.5% year-on-year. The expansion was unexpected following a year in which the country experienced one of the highest growth rates (14.5%) in the world. On a seasonally adjusted quarter-on-quarter annualised basis, overall GDP grew by 23.5% in Q1/2011.

The manufacturing sector, driven mainly by the electronics and precision engineering cluster, grew by 80.2% quarter-on-quarter as a result of increased investment from foreigners. This was followed by the construction and the services-producing industries (14.5% and 8.4% respectively) which saw a surge in public housing construction contracts and increased commercial bank lending activities, respectively.

In contrast, the residential property sector took a breather this quarter. The market faced a number of global economic uncertainties, from the growing political turmoil in the Middle East and Japan's earthquake, tsunamis and nuclear crises to fears of a global interest rate hike. Market sentiment was further dampened by the government's dual-pronged strategy of increasing land supply and implementing tougher property measures.

Total transactions and purchases made by foreigners, 2001 – Q1/2011



Source: URA, Savills Research & Consultancy

As a result, demand in the primary residential market decreased by 15% quarter-on-quarter. Similarly, based on the Urban Redevelopment Authority's (URA) record of caveats, the secondary market also experienced a 25% quarter-on-quarter dip, reflecting the widespread slowdown in buying across market segments.

Impact of recent property measures

Singapore implemented its fourth round of property measures in January this year. The measures included raising the Seller's Stamp Duty and lowering the loan-to-value limit for subsequent purchases.

In the immediate aftermath, primary sales dipped by 21% quarter-on-quarter in February as demand moderated across most new project launches. However, sales rebounded, surging by 25% in the subsequent month and more developers were seen pushing out their launches to capture the unexpected buying interest.

Although demand was robust in March, the strong sales numbers did not appear to be representative of the entire market. A larger number of affordable small units were sold in March, which can be said to have contributed to the rise in sales numbers. Demand was notably more subdued for larger-sized luxury homes.

Furthermore, fewer new developments sold more than half of their launched units during the first month. Only a few projects, comprised mainly of small-format units such as the Loft@Holland, Loft@Stevens, Spottiswoode18 and Palmera East, sold more than 80% of their newly launched units. This is in stark contrast to the demand seen in Q3/2010 when most new launches sold at least 70% of their units within the first month.

As a result, the total number of launched but unsold units rose steadily to a historical high of 5,171 units (including executive condominiums) in March, indicating that supply has outstripped demand.

While selected market segments saw some buyers streaming back into the market, overall market sentiment remained cautious. Some local buyers seemed to have retreated from the market momentarily. The proportion of foreign buyers (including permanent residents) for all non-landed home purchases has therefore risen from 23 to 28% this quarter.

Residential Sales

Selected new launches, Q1/2011

Project Name	Developer	Location	Category	Total Units
Austville Residences	United Engineers Ltd	Sengkang East Avenue	OCR (EC)	540
Waterfront Isle	Frasers Centrepoint Homes and Far East Organization	Bedok Reservoir Road	OCR	561
H20 Residences	City Developments Ltd	Sengkang West Avenue	OCR	521
Canberra Residences	MCC Land Pte Ltd	Canberra Drive	OCR	320
My Manhattan	CEL Development Pte Ltd	Simei Street 3	OCR	301
Suites @ East Coast	Fragrance Properties Pte Ltd	Upper East Coast Road	OCR	116
Isuites @ Palm	I Development Pte Ltd	Glasgow Road	OCR	64
Skysuites @ Anson	Arcadia Development Pte Ltd	Enggor Street	RCR	360
Spottiswoode 18	Roxy Land Pte Ltd	Spottiswoode Park Road	RCR	251
Skysuites 17	EL Development Pte Ltd	Jalan Rajah	RCR	155
Questa @ Dunman	Hoi Hup Realty Pte Ltd	Dunman Road	RCR	122
38 I Suites	Sustained Land Pte Ltd	Ipoh Lane	RCR	120
The Cape	Far East Organization	Amber Road	RCR	76
La Fleur	Teambuild Properties Pte Ltd	Lorong 26 Geylang Road	RCR	58
Melosa	Ecco Properties Pte Ltd	Lorong 28 Geyland Road	RCR	54
Harbour Suites	Goldhill Land Pte Ltd	Kampong Bahru Road	RCR	44
Devonshire Residences	Oxley Holdings Ltd	Devonshire Road	CCR	84
Loft @ Stevens	Oxley Holdings Ltd	Stevens Road	CCR	44
Loft @ Holland	Oxley Holdings Ltd	Holland Road	CCR	41

Source: URA, Savills Research & Consultancy

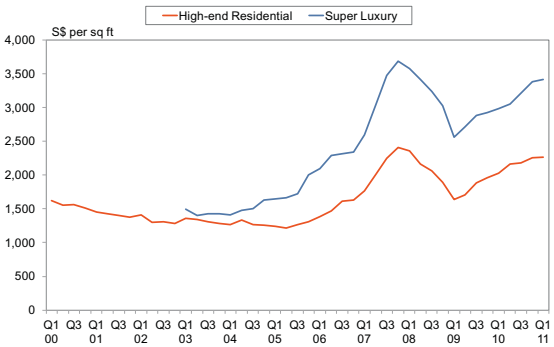
Prices

According to the URA, the island-wide price index of all private residential properties rose by 2.2% in Q1/2011, showing that the pace of increase has moderated marginally from 2.7% in Q4/2010. This reflects a sixth consecutive quarterly slowdown, possibly due to the government's tightening measures and the global economic uncertainties.

By region, prices of non-landed private residential properties rose by 1.1% in the Core Central Region (CCR), by 2.0% in the Rest of Central Region (RCR) and 3.1% Outside Central Region (OCR) in Q1/2011. Prices of homes in the RCR and OCR rose faster than in the previous quarter, probably as a result of more small-sized homes being sold this quarter which typically achieve a higher price per sq ft.

According to Savills data, the average price of non-landed high-end private homes held steady at S$2,269 per sq ft in Q1, increasing marginally by 0.5% quarter-on-quarter from S$2,258 per sq ft in Q4/2010. Similarly, the average super luxury residential price rose marginally by 1% quarter-on-quarter from S$3,383 per sq ft in Q4/2010 to S$3,417 per sq ft.

Average prices of high-end and super luxury non-landed residential, 2000 – Q1/2011



Source: Savills Research & Consultancy

As a result, the price gap between the current and previous peak in Q4/2007 is gradually closing with high-end and super luxury home prices being just 5.9% and 7.2% from their peak levels.

Supply

Due to the bumper supply of sites from the recent government land sales programme, a record number of 80,172 private residential units are in the pipeline as at Q1/2011. This supply includes new and redevelopment projects with provisional or written permission and projects which have yet to obtain development approval. This supply is poised to rise further as more land parcels are slated to be sold in the coming months.

Of the total pipeline supply, 45,551 units are unsold, reflecting a four-year housing supply based on an average absorption rate of between 10,000 and 12,000 homes a year.

Residential Sales

Outlook

With more mass market launches coming on stream, the fresh infusion of housing would bring more attractively priced units onto the market. These could sustain interest from home owners and persuade mid-tier investors to switch markets.

As such, demand for mass market homes can be expected to remain robust in the coming months. Overall monthly residential sales will likely stabilise at between 1,200 and 1,500 units. Prices will hold steady, rising possibly by 1 to 3% in the next quarter.

Interest in luxury homes could well be sustained in the longer term as the supply of land within this market segment is limited. Well-located luxury homes with good product offerings may continue to command premium prices.

More overseas investors may also divert their investments here as the strong Singapore dollar can help them hedge against any fluctuations in the global exchange rate.

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