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Savills Research
Singapore

Briefing
Residential Sales

April 2012

Image: Reflections at Keppel Bay

SUMMARY

Low interest rates and ample liquidity are causing new home sales to defy expectations.

- Singapore's economy grew by 1.6% on a year-on-year (YoY) basis, slowing from the 3.6% growth in the previous quarter.
- New home sales gathered pace with a record 6,682 units in Q1.
- The strong sales were fuelled by various forms of sweeteners from developers in their efforts to soften the effects of the Additional Buyer's Stamp Duty (ABSD).
- Home purchases by overseas buyers have been substantially reined-in, dipping 10 percentage points quarter-on-quarter (QoQ).
- Activity in the luxury market remained muted as overseas buyers retreated and developers held unsold inventory for lease.
- The pipeline supply (including executive condominiums [ECs]) reached about 100,000 units at the end of Q4/2011, 58% of which remains unsold.
- The private homes price index slipped 0.1% in Q1/2012, the first fall since Q2/2009 after nine consecutive quarters of decelerating price increases.

"Undaunted by new cooling measures and a gloomy economic outlook, primary home sales rocketed to a record high of 6,682 units in Q1, bearing testimony to the strength of underlying demand from first timers and Housing Development Board (HDB) upgraders."

Alan Cheong, Savills Research

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Market overview

While Europe is still floundering under its economic and financial woes, Asia remains resilient with strong wealth creation. Consequently, the influx of funds to the East is driving up Asian property markets and currencies. Nevertheless, given their large presence in Asia, an exacerbation of the European debt crisis and America's fiscal troubles could still reverberate in this region. Further, Asian economies face tough challenges to be able to maintain their high growth rates in 2012. Singapore, with its open economy, remains vulnerable to external shocks given its high dependence on offshore demand and overseas investment.

Based on advance estimates, Singapore's economy grew by 9.9% on a seasonally-adjusted QoQ annualised basis, a significant rise from the 2.5% contraction in Q4/2011. However, on a YoY basis, the economy grew by 1.6% slowing from the 3.6% growth in the previous quarter. Taking a more conservative stance, the MTI has predicted growth of between 1% and 3% for the full year of 2012. The first half of the year could see a sharper demand contraction as cost pressures increase with rising wage demands and more costly raw materials. However, the second half of the year may see a slight rebound in selected sectors as the global economy finds a firmer footing.

While the home-buying frenzy has dissipated in Hong Kong and in major parts of China after several rounds of tough cooling measures, the private residential market in Singapore appears to have shrugged off the gloomy economic outlook and the new property curbs implemented in December. New home sales reached a new high of 6,682 units in Q1/2012, surpassing even the full-year sales of 2000, 2003, 2004, and 2008. Including ECs, 8,251 units were sold.

Buying interest gathered pace in January this year with 2,077 new units transacted, three times the 670 units sold in December 2011 after the release of cooling measures earlier that month. New homes sales subsequently sky-rocketed to 3,142 units in February and 3,032 units in March, with the former being a monthly record high. This surge was driven largely by the mass-market segment, which accounted for about 85% of the total primary sales in Q1 this year. The robust home sales bore testimony to the strength of underlying demand from first timers and HDB upgraders.

The strong sales have also been fuelled by various forms of sweeteners which developers have dished out to entice buyers and counter the effects of the ABSD. Most recent project launches have offered buyers discounts of up to 20% from the listed price. These discounts come in various forms, ranging from stamp duty reimbursements, shopping vouchers and furnishing packages to early bird and vicinity discounts. Many innovative promotional packages were also offered such as free hotel stays, instant lucky dips, move-in party packages and loyalty discounts. Most of the discounts fully or partially offset the ABSD imposed on permanent residents and third-time home purchasers.

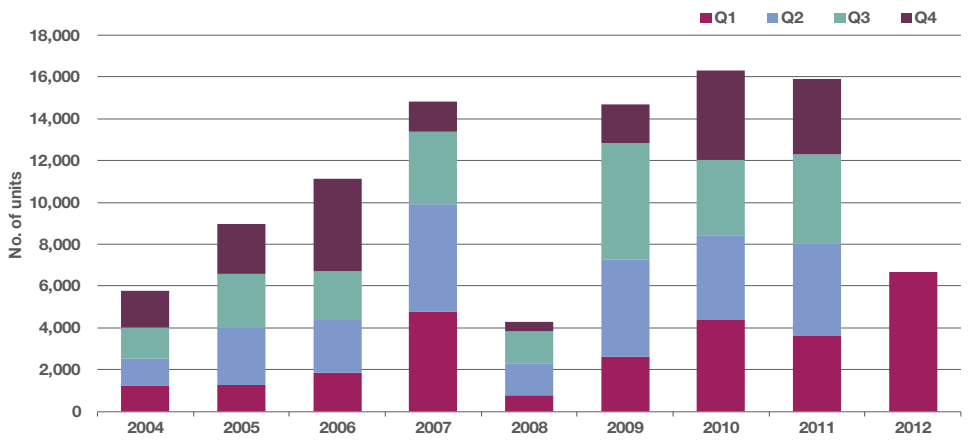
There were many major launches in the reviewed quarter which comprised large developments of more than 500 units in the outside of central region (OCR). Watertown in particular achieved an outstanding take-up given its retail mix and convenient location above the MRT station. The luxury market, however, remained inactive with just one major launch – the 180-unit 26 Newton in the core central region (CCR). Take-up for this project has been moderate.

Riding on the current positive buying sentiment, developers are expected to launch more projects in the coming months. Major launches in the OCR and rest of central region (RCR) in the second quarter include the 509-unit Sky Habitat at Bishan Street 15, the 416-unit Hillsta on Choa Chu Kang Road, the 416-unit Watercolours on Pasir Ris Drive 3, the 131-unit The Sorrento on West Coast Road, the 147-unit Riverbay on Mar Thoma Road, and the 124-unit Nottinghill Suites on Toh Tuck Road. Sales are also expected to remain firm for existing EC projects as the government has increased the quota of units allocated to second-time buyers from 5% to 30%.

There is also a line-up of possible launches in the CCR for the second quarter. They include the redevelopment of Leedon Heights by Guocoland Limited and UIC Building by United Industrial Corporation Limited. Other launches include a new residential development along Tanjong Rhu Road by Lakeview Investment Pte Ltd, and Eon Shenton, a mixed development at 70 Shenton Way. Eon Shenton comprises 123 residential units, 98 strata offices and 23 shop units.

GRAPH 1

Sales volume in the primary market (excluding ECs), Q1/2004–Q1/2012



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

Purchases by overseas buyers

As a result of the ABSD, purchases by overseas buyers dipped 10 percentage points from 32% in Q4/2011 to 22% in Q1/2012. These purchases were substantially reined-in as overseas buyers and corporate entities were subjected to the 10% ABSD. Purchases by local buyers, on the

other hand, rose from 66% in Q4/2011 to 77% in Q1/2012.

As the top end of the residential market has been typically driven by overseas buyers, activity in the luxury market remained muted in Q1/2012 with about 130 new luxury homes sold, constituting just 2% of total primary sales. Although sales performance has been lacklustre in the luxury segment, property developers do not seem to be in urgent need to clear stock. Most of these top-end developers have strong balance sheets and are able to hold onto their unsold inventory, keeping them for rent while waiting for prices to rebound.

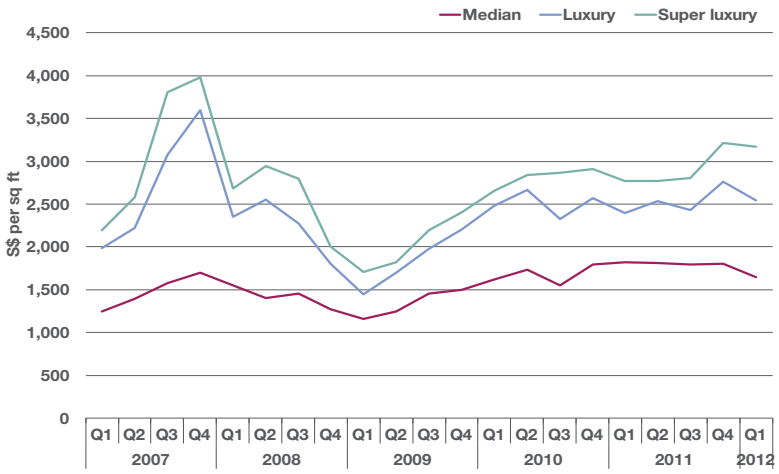
Prices

The median price of non-landed high-end homes was S$1,644 per sq ft in Q1/2012, a 9% drop QoQ and 10% below the five-year peak of S$1,823 per sq ft in Q1/2011. The median price of non-landed luxury properties was S$2,548 per sq ft, falling 8% QoQ. This is 29% lower than the five-year peak of S$3,594 per sq ft reached in Q4/2007. Median prices of super-luxury homes were more resilient, slipping by only 1% QoQ to S$3,169 per sq ft in Q1/2012, about 20% lower than the five-year peak of S$3,985 per sq ft in Q4/2007.

Based on the URA's flash estimate, the private homes price index

GRAPH 2

Average prices of high-end and super-luxury non-landed homes, 2000–Q1/2012



Source: Savills Research & Consultancy

TABLE 1

Major new launches, Q1/2012

Project name	Location	Category	Developer	Total units
Watertown	Punggol Central	OCR	Far East Organization, Frasers Centrepoint Homes, Sekisui House Ltd	992
Twin Waterfalls	Punggol Walk	OCR (EC)	Frasers Centrepoint Homes, Keong Hong Holdings Ltd	728
Bartley Residences	Lorong How Sun	OCR	Hong Leong Holdings Ltd, City Development Ltd, TID Pte Ltd	702
Parc Rosewood	Rosewood Drive	OCR	Fragrance Group Ltd, World Class Land Pte Ltd	689
Ripple Bay	Pasir Ris Link	OCR	MCL Land Pte Ltd	679
The Tampines Trilliant	Tampines Central 7	OCR (EC)	Sim Lian Group Ltd	670
Riversound Residence	Sengkang East Avenue	OCR	Qingjian Realty Pte Ltd	590
The Hillier	Hillview Rise	OCR	Far East Organization	528
Palm Isles	Flora Drive	OCR	Frasers Centrepoint Homes	429
The Rainforest	Choa Chu Kang Avenue 3	OCR (EC)	City Development Ltd	466
Seletar Park Residence	Seletar Road	OCR	Tuan Sing Holdings Ltd	276
Guillemard Edge	Lorong 28 Geylang	RCR	Macly Equity Pte Ltd	275
Casa Cambio	Lim Tua Tow Road	OCR	Urban Lofts Pte Ltd	198
Natura@Hillview	Hillview Terrace	OCR	Mequity Pte Ltd	193
26 Newton	Newton Road	CCR	Novelty Corp Pte Ltd	180
Cradels	Lorong Limau	RCR	Melrose Land Pte Ltd	125
18 Woodsville	Woodsville Close	RCR	SP Setia International (S) Pte Ltd	101

Source: URA, Savills Research & Consultancy

slipped 0.1% in Q1/2012, compared with a 0.2% increase in Q4/2011. This is the first fall into negative territory since Q2/2009 after nine consecutive quarters of decelerating price increases. Prices of non-landed private residential homes fell 0.9% in the CCR and 0.7% in the RCR during the reviewed quarter. In contrast, overall prices of homes in the OCR increased by 1.2%, double the 0.6% rise registered in Q4/2011 due to more launches in the OCR, with many breaching the S$1,000 per sq ft mark.

Supply and upcoming launches

From data released by the URA, the potential supply of new homes stood at 89,531 units at the end of Q4/2011. Including ECs, the total pipeline supply was 99,604 units. By location, 52% of the new homes will be located in the OCR, 25% in the RCR and 23% in the CCR.

Of the 99,604 new homes, 58% of the pipeline supply remained unsold and 18,600 of these units are launch-ready (with pre-requisites for sale). Given an annual absorption rate of between 12,000 and 15,000 units, it may take about four to five years to fully absorb the unsold units. With the bumper supply, buyers are faced with a plethora of home choices. New supply in the CCR, however, remained limited due to a lack of new launches in the pipeline.

OUTLOOK

The prospects for the market

Going forward, more developers are expected to fast-track their new project launches to ride on the current sales momentum. Monthly new sales (including ECs) are expected to hover between 2,500 and 2,800 units in the next quarter.

How new home sales will perform will depend on the number of new project launches in future. As price gaps narrow between the CCR and OCR, market interest for homes in the CCR may pick-up in the coming months. However, demand may be reined-in to a certain extent as home launches could be repressed, following the URA's recently released ruling which bars developers from amending share values of the residential development after commencement of sale.

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