

# Market in minutes

## More million-dollar executive condominiums

October 2012

Are we overstretching the affordability threshold of young buyers?

### A S\$1.61 million price tag for an EC?

Singapore, one of the world's most feverish real estate markets, has just seen another record deal being inked. An EC in Yishun was sold for a whopping S\$1.61 million in August this year, bagging the record for the highest-priced new EC. According to data from the Urban Redevelopment Authority (URA), this unit, priced at S\$595 per sq ft, is a four-bedroom, double-storey dual-key penthouse at 1 Canberra, sprawling over 2,713-sq ft. The project was launched by MCC Land (Singapore) Private Limited in May this year.

Over 300 new ECs have been transacted above S\$1 million thus far, half of which were sold in the first eight months of this year. A growing number of young, affluent buyers seem to be snagging bigger and more luxurious penthouses or sky suites. The rising trend for such luxurious buys could have been triggered by rock-bottom interest rates, rising incomes and many EC buyers escaping unscathed from the latest rounds of property curbs. The growing number of resale Housing Development Board (HDB) flats being sold at ever-increasing prices has also deepened the pockets of many HDB upgraders who now have more to spend on their next

property, which inevitably would be an EC.

However, is this trend sustainable since most buyers are now more price-conscious amid a waning global economy and inflationary pressures? Are more EC buyers overstretching themselves as prices continue to breach the S\$1 million mark?

### More million-dollar ECs in the market

While the average price quantum for all new ECs was S\$822,000 in Q2/2012, more EC units have breached the S\$1 million dollar mark in recent months. Since the re-launch of EC developments in Q4/2010, there were 343 caveats of new sales above S\$1 million. Of this number, more than half were sealed this year, and close to 100 units of which were transacted in Q2/2012. These 100 units constitute about 10% of all new EC sales for that quarter, jumping significantly from just ten transactions year-on-year.

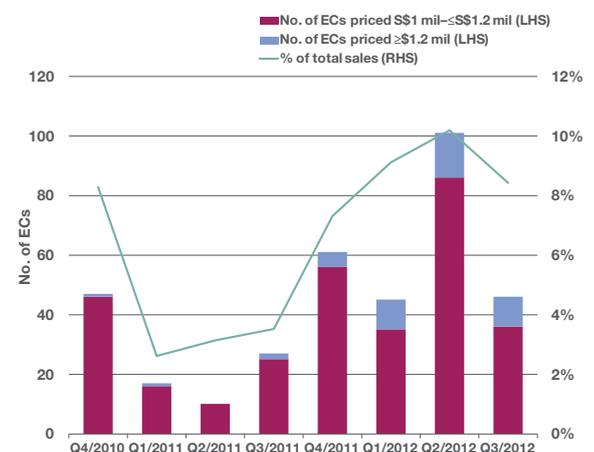
Apart from the priciest S\$1.61 million 1 Canberra EC, two sky suites spanning 2,476 sq ft and 2,433 sq ft at The Rainforest were transacted at S\$1.58 million (S\$637 per sq ft) and S\$1.56 million (S\$640 per sq

\*These are homes introduced to cater to Singaporeans, who can afford more than an HDB flat but find private property to be out of their reach. ECs are comparable in design and facilities to private condominiums as they are developed and sold by private developers. However, the first owners have to fulfill the five-year minimum occupation period (MOP) from the date of issue of the Temporary Occupation Permit. ECs are privatised after ten years. The applicants would need to be at least Singapore Citizens or Singapore Citizen + Singapore Permanent Residents. They must form a family nucleus, in line with those expected of the Public Housing Scheme and their household incomes should not exceed S\$12,000 per month.

## SUMMARY

- A large executive condominium (EC)<sup>#</sup> was sold for a record price of S\$1.61 million in August 2012, while a smaller unit was sold at a record S\$941 per sq ft.
- More ECs are now selling for above S\$1 million, half of which were transacted this year.
- There is a growing demand for luxurious and large-sized ECs.
- In the face of an increasing supply of suburban private condominiums and the likelihood of interest rates rising in the future, it would bode well for buyers to be cautious when purchasing million-dollar ECs.

GRAPH 1  
Number of new EC homes transacted for S\$1 million and above, Q4/2010–Q3/2012\*



Source: URA, Savills Research & Consultancy

\*Caveats not to full quarter.

→ ft) respectively in February 2012. Another 16 ECs from The Tampines Trilliant, Riverpac Residence, Arc at Tampines, Watercolours and Esparina Residences were sold for S\$1.3 million and above. These units have all breached the previous record of S\$1.1 million paid for a new 2,486-sq ft EC at Pinevale in December 1997.

The spaciousness offered by the ECs priced above S\$1.3 million, often ranging from 1,900 sq ft to 2,700 sq ft, may have been a major attraction. Some were penthouses or sky suites which command unobstructed views, have large roof terraces, spacious balconies, four bedrooms and private Jacuzzis. Others were dual-key units which come with an attached studio and a separate entrance.

As part of the sales proposition, the attached studio has been touted as a home-office or space to house long-staying guests/relatives, and more increasingly as a source of rental income. If the authorities take the view that leasing the studio, which shares the same strata title as the main unit, akin to leasing a bedroom of a flat, the owner is able to rent out the studio without

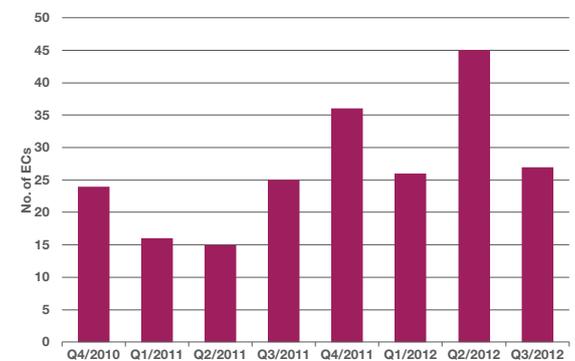
contravening the three- or five-year minimum occupation period set by the HDB. Many new owners will find this advantageous as they can immediately lease out the studio upon completion and use the monthly rental to offset their existing mortgage instalment payments. This could spur more young couples to buy such apartments.

### New EC home hits a record unit price

A new 958-sq ft EC at Arc at Tampines was sold for a record unit price of S\$941 per sq ft in February 2012. Two other units of 1,012 sq ft and 1,001 sq ft at The Tampines Trilliant were sold for S\$888 per sq ft and S\$886 per sq ft respectively in April this year.

The number of ECs priced at S\$800 per sq ft and above has also jumped significantly to 215 units in the first three quarters of this year, from 19 units in 2011 and 13 units in 2010. Similarly, those priced between S\$750 per sq ft and S\$800 per sq ft doubled from 261 units in 2010 and 204 units in 2011, to 499 units in the first three quarters of this year. The average unit price of all new ECs reached an historical high of S\$731 per sq ft in Q3 this year.

GRAPH 2 **Number of new EC homes above 1,600 sq ft (strata area), Q4/2010–Q3/2012\***



Source: URA, Savills Research & Consultancy  
\*Caveats not to full quarter.

GRAPH 3 **Average unit price of all new EC homes and number of ECs sold above S\$750 per sq ft, Q4/2010–Q3/2012\***



Source: URA, Savills Research & Consultancy  
\*Caveats not to full quarter.

TABLE 1 **Most expensive new ECs transacted, 1998–2012**

Project name	Type	Area (sq ft)	Transacted price (\$)	Unit price (\$ per sq ft)	Quarter
1 Canberra	Dual-key penthouse	2,713	1,614,750	595	Q3/2012
The Rainforest	Sky suite	2,476	1,576,000	637	Q1/2012
The Rainforest	Sky suite	2,433	1,556,000	640	Q1/2012
1 Canberra	Dual-key penthouse	2,540	1,538,750	606	Q3/2012
1 Canberra	Penthouse	2,347	1,537,520	655	Q2/2012
The Rainforest	Sky suite	2,260	1,477,000	653	Q1/2012
The Rainforest	Sky suite	2,067	1,456,000	705	Q3/2012
Watercolours	Penthouse	2,282	1,433,200	628	Q3/2012
The Tampines Trilliant	Penthouse	2,465	1,425,000	578	Q1/2012
The Tampines Trilliant	Penthouse	2,465	1,384,000	561	Q1/2012
The Tampines Trilliant	Penthouse	2,465	1,378,000	559	Q3/2012
The Tampines Trilliant	Penthouse	2,465	1,378,000	559	Q2/2012
The Rainforest	Sky suite	1,981	1,377,000	695	Q1/2012
The Tampines Trilliant	Penthouse	2,465	1,362,000	553	Q1/2012
The Rainforest	Sky suite	1,905	1,356,000	712	Q2/2012
Riverparc Residence	Penthouse	2,433	1,322,000	543	Q4/2011
Arc at Tampines	Penthouse	2,077	1,318,900	635	Q4/2011
The Rainforest	Penthouse	2,056	1,312,000	638	Q2/2012
Esparina Residences	Penthouse	2,583	1,300,000	503	Q4/2010

Source: URA, Savills Research & Consultancy

TABLE 2  
**Selected private condos above 2,000 sq ft transacted in 2012**

Project name	Area (sq ft)	Transacted price (S\$)	Unit price (S\$ per sq ft)	Date
River Isles	2,045	1,236,760	605	2 Jul 2012
River Isles	2,045	1,236,760	605	28 Jun 2012
Flo Residence	2,067	1,238,000	599	19 Jul 2012
Riversound Residence	2,120	1,248,000	589	1 Aug 2012
River Isles	2,045	1,249,255	611	16 Jul 2012
River Isles	2,088	1,254,400	601	2 Jul 2012
River Isles	2,045	1,261,870	617	12 Jul 2012
Flo Residence	2,067	1,274,250	617	8 Jun 2012
River Isles	2,013	1,284,030	638	3 Jul 2012
Riversound Residence	2,120	1,346,520	635	6 Aug 2012
Riversound Residence	2,120	1,355,000	639	12 Mar 2012
Parc Olympia	2,164	1,453,200	672	5 Sep 2012
Ripple Bay	2,024	1,526,862	755	3 May 2012
Parc Rosewood	2,250	1,538,000	684	7 Sep 2012

Source: URA, Savills Research & Consultancy

## → Alternatives

Are there other value buys within the million-dollar budget? According to URA data, more than 30 large-sized (above 2,000 sq ft and below S\$1.60 million) new condos were sold this year. For instance, a 2,045-sq ft unit at River Isles went for S\$1.24 million (S\$605 per sq ft) in July 2012, while a 2,067-sq ft unit at Flo Residence was sold for S\$1.24 million (S\$599 per sq ft) in the same month.

Others can be found at Riversound Residence, Ripple Bay, Parc Rosewood and Parc Olympia, all of which are new condos within an emerging new town in the suburbs.

Although these new private condominiums offer a smaller floor space than some of the million-dollar ECs, they do not have any selling or leasing restrictions. Buyers of ECs, for instance, need to fulfill a five- or ten-year MOP before the unit can be sold to a permanent resident or an overseas buyer respectively. Given a three- to four-year construction period, an EC buyer will have a holding period of at least eight to nine years before he can cash-in on his asset.

## Are more EC buyers stretching beyond their affordability?

With escalating home prices and condos being sold at a blistering pace, the government has taken new steps to restrict all new home loans to a maximum of 35 years. While the impact on EC home purchases is likely to be limited, the growing demand for pricier EC homes may raise some red flags.

For instance, if a 35-year-old couple purchases an EC penthouse for S\$1.3 million, their monthly repayment based on a 30-year loan and an 80% loan-to-value (LTV) ratio, would be S\$3,600 given a 1.5% interest rate. As there is a S\$12,000 income ceiling prerequisite for all EC buyers, the recommended monthly repayment is S\$3,600 per month based on a 30% loan to gross income ratio. Assuming the couple utilises both their maximum Central Provident Fund monthly contributions in their ordinary accounts which amount to about S\$2,300 to pay for their mortgage instalments, they would still incur a S\$1,300 cash top-up per month. If interest rates rise to between 3% and 4%, the monthly mortgage instalment is estimated to

be between S\$4,400 and S\$5,000, amounting to a possible monthly cash top-up of S\$2,100 to S\$2,700.

Although incomes may have risen by then, and while interest rates do not increase exponentially overnight, would their finances be overstretched, especially if they have children, elderly parents to care for and other big ticket expenses like car instalments and insurance premiums to pay?

On closer inspection, based on the S\$12,000 income limit, a purchase of over S\$1.1 million may begin to stretch the buyers' wallets once interest rates rise above 3%, while buyers of ECs priced below S\$1 million would be in the 'safe zone' even if interest rates were to climb to 4%.

## Conclusion

As the supply of ECs and mass-market condominiums increase in the suburban market and the price gap narrows, the rising competition will affect EC prices. Given the above scenario, buyers may have to exercise more prudence in their purchase of EC units priced above S\$1 million due to the risk of interest rates rising and the weakening global economy. ■

**TABLE 3**  
**Estimated monthly mortgage based on varying borrowing sums and interest rates**

List price of EC (loan amount – assume 80% LTV ratio, 30-year loan) (S\$)	1.50%	2.0%	2.50%	Likely future scenario			4.50%	5.0%
				3.0%	3.50%	4.0%		
800,000 (640,000)	S\$2,200	S\$2,400	S\$2,500	<b>S\$2,700</b>	<b>S\$2,900</b>	<b>S\$3,000</b>	S\$3,200	S\$3,400
900,000 (720,000)	S\$2,500	S\$2,700	S\$2,800	<b>S\$3,000</b>	<b>S\$3,200</b>	<b>S\$3,400</b>	S\$3,600	<b>S\$3,900</b>
1 mil (800,000)	S\$2,800	S\$3,000	S\$3,200	<b>S\$3,400</b>	<b>S\$3,600</b>	<b>S\$3,800</b>	<b>S\$4,000</b>	<b>S\$4,300</b>
1.1 mil (880,000)	S\$3,000	S\$3,300	S\$3,500	<b>S\$3,700</b>	<b>S\$4,000</b>	<b>S\$4,200</b>	<b>S\$4,500</b>	<b>S\$4,700</b>
1.2 mil (960,000)	S\$3,300	S\$3,500	<b>S\$3,800</b>	<b>S\$4,000</b>	<b>S\$4,300</b>	<b>S\$4,600</b>	<b>S\$4,900</b>	<b>S\$5,200</b>
1.3 mil (1.04 mil)	S\$3,600	<b>S\$3,800</b>	<b>S\$4,100</b>	<b>S\$4,400</b>	<b>S\$4,700</b>	<b>S\$5,000</b>	<b>S\$5,300</b>	<b>S\$5,600</b>
1.4 mil (1.12 mil)	<b>S\$3,900</b>	<b>S\$4,100</b>	<b>S\$4,400</b>	<b>S\$4,700</b>	<b>S\$5,000</b>	<b>S\$5,300</b>	<b>S\$5,700</b>	<b>S\$6,000</b>
1.5 mil (1.2 mil)	<b>S\$4,100</b>	<b>S\$4,400</b>	<b>S\$4,700</b>	<b>S\$5,100</b>	<b>S\$5,400</b>	<b>S\$5,700</b>	<b>S\$6,000</b>	<b>S\$6,400</b>
1.6 mil (1.28 mil)	<b>S\$4,400</b>	<b>S\$4,700</b>	<b>S\$5,100</b>	<b>S\$5,400</b>	<b>S\$5,700</b>	<b>S\$6,100</b>	<b>S\$6,500</b>	<b>S\$6,900</b>

Source: Savills Research & Consultancy  
 Red – exceeds recommended 30% loan to income ratio for a gross household income of S\$12,000.  
 For the purposes of illustration, the above calculation does not take into account the reducing principal sum in the later part of the loan period. The values are estimated using a major bank mortgage calculator.

**TABLE 4**  
**Estimated monthly cash top-up**

List price of EC (loan amount – assume 80% LTV ratio, 30-year loan) (S\$)	1.50%	2.0%	2.50%	Likely future scenario			4.50%	5.0%
				3.0%	3.50%	4.0%		
800,000 (640,000)		S\$100	S\$200	<b>S\$400</b>	<b>S\$600</b>	<b>S\$800</b>	S\$900	S\$1,100
900,000 (720,000)	S\$200	S\$400	S\$500	<b>S\$700</b>	<b>S\$900</b>	<b>S\$1,100</b>	S\$1,300	<b>S\$1,600</b>
1 mil (800,000)	S\$500	S\$700	S\$900	<b>S\$1,000</b>	<b>S\$1,300</b>	<b>S\$1,500</b>	<b>S\$1,700</b>	<b>S\$2,000</b>
1.1 mil (880,000)	S\$700	S\$1,000	S\$1,200	<b>S\$1,400</b>	<b>S\$1,700</b>	<b>S\$1,900</b>	<b>S\$2,200</b>	<b>S\$2,400</b>
1.2 mil (960,000)	S\$1,000	S\$1,200	<b>S\$1,500</b>	<b>S\$1,700</b>	<b>S\$2,000</b>	<b>S\$2,300</b>	<b>S\$2,600</b>	<b>S\$2,900</b>
1.3 mil (1.04 mil)	S\$1,300	<b>S\$1,500</b>	<b>S\$1,800</b>	<b>S\$2,100</b>	<b>S\$2,400</b>	<b>S\$2,700</b>	<b>S\$3,000</b>	<b>S\$3,300</b>
1.4 mil (1.12 mil)	<b>S\$1,600</b>	<b>S\$1,800</b>	<b>S\$2,100</b>	<b>S\$2,400</b>	<b>S\$2,700</b>	<b>S\$3,000</b>	<b>S\$3,400</b>	<b>S\$3,700</b>
1.5 mil (1.2 mil)	<b>S\$1,800</b>	<b>S\$2,100</b>	<b>S\$2,400</b>	<b>S\$2,800</b>	<b>S\$3,100</b>	<b>S\$3,400</b>	<b>S\$3,800</b>	<b>S\$4,100</b>
1.6 mil (1.28 mil)	<b>S\$2,100</b>	<b>S\$2,400</b>	<b>S\$2,800</b>	<b>S\$3,100</b>	<b>S\$3,400</b>	<b>S\$3,800</b>	<b>S\$4,200</b>	<b>S\$4,600</b>

Source: Savills Research & Consultancy  
 Red – exceeds recommended 30% loan to income ratio.

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