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Savills World Research
Singapore

Briefing
Residential sales

May 2015

Image: OUE Twin Peaks, Leonie Hill Road

SUMMARY

The residential sales market has got off to a slow start this year, but there are signs of revival in the secondary market as transaction volume in this segment has surged year-on-year.

- Economic activity in Singapore plodded along, with 2.1% year-on-year (YoY) growth in Q1/2015.

- Sales volume in the primary market eased another 4.7% quarter-on-quarter (QoQ) to 1,311 units, mainly due to the contraction in the Core Central Region (CCR). The secondary market also slowed by 2.9% QoQ to 1,344 units, showing an even proportion of deals in the primary and secondary market segments, unlike the recent past when primary sales dominated. On a YoY basis, secondary market transactions rose 25.5%.

- 1,189 uncompleted private residential units were launched in Q1/2015, the lowest since the 2008 Global Financial Crisis and 25.3% less than the preceding quarter.

- QoQ, both the Urban Redevelopment Authority's (URA) price index of non-landed private residential properties and the average price of Savills basket of high-end, non-landed homes slipped 1.1%.

- The recent easing of interest rates has allayed fears of further downsides in the property market. That said, the cooling measures, together with the Total Debt Servicing Ratio (TDSR) framework, will continue to suppress transaction volumes and prices.

"Whilst the general lull of activity continues, there are nascent signals that buyers are beginning to return to the secondary market."
Alan Cheong, Savills Research

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Market overview

Economies worldwide have largely underperformed in the first quarter of 2015. Asia's powerhouse, China, grew at its slowest rate for five years despite the government's effort in easing monetary policies, and Abenomics in Japan has yet to show results. The Eurozone may be the only region bearing positive news with its quantitative easing programme which is likely to stabilise its ailing economy, at least in the short term.

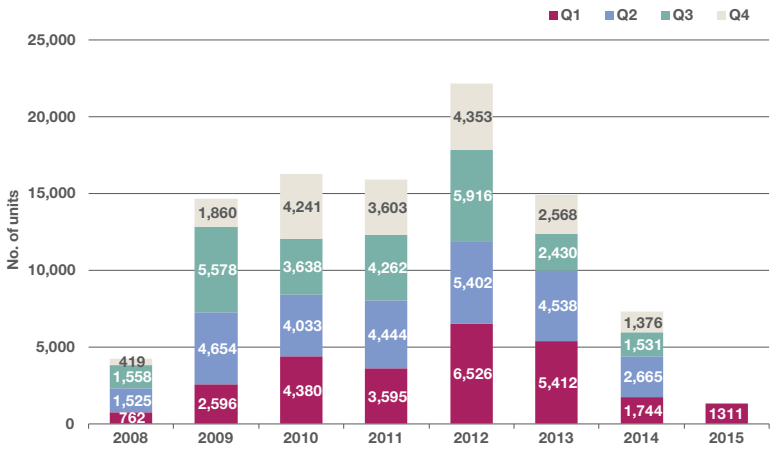
The spillover effects of the tepid global growth on Singapore's economy were unavoidable. Flash estimates indicated that growth of the Republic's gross domestic product in Q1/2015 eased to 2.1% YoY, unchanged from the preceding quarter but significantly lower than the 4.6% achieved in the same period in 2014. The three-month Sibor (a common benchmark for home loans) has risen sharply from 0.46% to 1.01% in just a quarter, due primarily to the strength of the USD versus the SGD. This has affected buying sentiments and delayed property purchases.

The transaction volume for private residential homes sold by developers continued to decline in Q1/2015, easing 4.7% QoQ and 24.8% YoY to 1,311 units. Although sales in the Rest of Central Region (RCR) and Outside Central Region (OCR) grew 40.5% and 33.0% QoQ respectively, the 82.9% contraction in the Core Central Region (CCR) reversed the island-wide growth trend. The absence of new launches in the CCR this quarter, after the launch of Marina One Residences in the preceding quarter, would have contributed to the considerable reduction.

Transaction volumes in the secondary market declined 2.9% to 1,344 units. However, compared on a YoY basis, the volume has improved significantly by 25.5%. The proportion of deals done in the primary and secondary markets has been rather even in the past three quarters (the secondary market averaged 50.3% in market share per quarter from Q3/2014 to Q1/2015) as compared to the earlier six quarters (2013 and 1H/2014) when primary market transactions were more dominant, averaging 64.2% per quarter. This indicates the greater price flexibility on the part of individual sellers in the secondary market compared to developers in the primary market.

GRAPH 1

Primary private home sales volumes, 2008-Q1/2015



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

TABLE 1

Major new launches, Q1/2015

S/No.	Project name	Developer	Location	Category*	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
1	Marine Blue	Ladyhill (Private) Ltd	Marine Parade Road	RCR	50	56.0	1,398-2,021
2	Symphony Suites	EL Development (Yishun) Pte Ltd	Yishun Close	OCR	180	49.4	947-1,100
3	The Amore	MKH (Punggol) Pte Ltd	Edgedale Plains	OCR (EC)	378	25.7	750-905
4	Sim Urban Oasis	Sims Urban Oasis Pte Ltd	Sims Drive	RCR	205	100.0	1,282-1,548
5	Kingsford Waterbay	Kingsford Property Development Pte Ltd	Upper Serangoon View	OCR	314	49.4	904-1,181

Source: Savills Research & Consultancy
* CCR = Core Central Region; RCR = Rest of Central Region; OCR = Outside Central Region

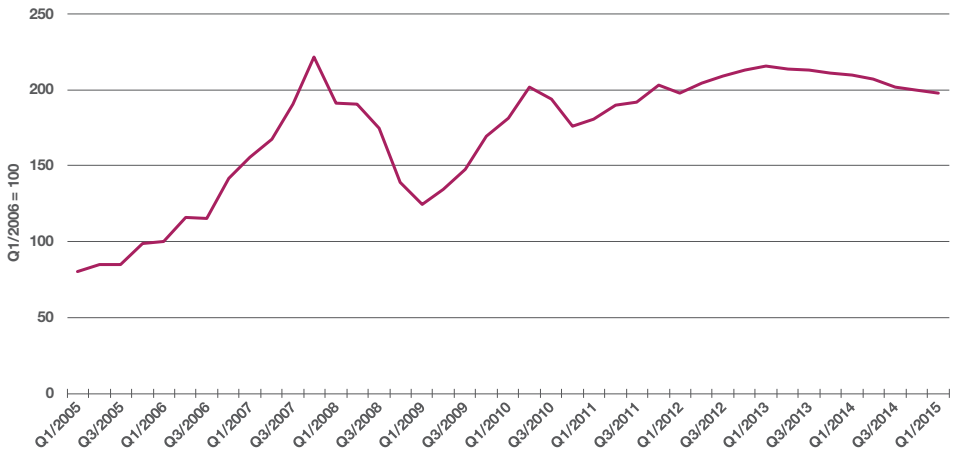
Seeing sluggish primary sales in recent quarters, developers have delayed launching new projects and also limited the number of units launched. Timing and pricing are critical to the success of any project launch and a good take-up at the initial launch will gain strong traction for the development's subsequent sales or phases. Consequently, only 1,189 uncompleted units were launched for sale in Q1/2015, the lowest since the 2008 Global Financial Crisis and 25.3% less than in the preceding quarter.

Prices

According to Q1/2015 URA statistics, the non-landed private residential property price index fell for the sixth consecutive quarter, with the latest quarterly decline of 1.1%. The steepest fall came from the RCR at 1.7% QoQ, followed by the OCR at 1.1% and the CCR with a slight 0.4% drop. Prices in the CCR have been declining at a slower rate over the past four quarters while the RCR and OCR prices have yet to follow suit. This could suggest that after suffering the greatest price fall since the implementation of the Additional Buyer's Stamp Duty, CCR prices have now reached a level that could entice buyers back to the market.

GRAPH 2

Savills high-end, non-landed home price index, Q1/2005-Q1/2015



Source: URA, Savills Research & Consultancy

Similarly, the average price of Savills basket of high-end, non-landed homes slipped for the eighth consecutive quarter to S$2,226 per sq ft, reflecting a drop of 1.1% QoQ and 5.5% YoY from the S$2,356 per sq ft recorded a year ago.

Future Supply

From the 1H/2015 Government Land Sales (GLS) Programme, the tender of a private residential site that can potentially yield 265 homes at Sturdee Road received a resounding response with a total of 16 bids. The winning bid worked out to about S$787 per sq ft per plot ratio. The strong interest and high price not seen in the preceding GLS tenders may be a harbinger of the return of developers' optimism. This first sale has set a positive tone for upcoming GLS sites and may consequently influence the pricing of future launches.

TABLE 2

Major upcoming launches

S/No.	Project name	Developer	Location	Category	District	Estimated total no. of units
1	Botanique at Bartley*	UOL Development (Bartley) Pte Ltd	Upper Paya Lebar Road	OCR	19	797
2	North Park Residences*	North Gem Development Pte Ltd	Yishun Central 1	OCR	27	920
3	ParkSuites	Kentish View Pte Ltd	Holland Grove Road	CCR	10	119
4	Pollen & Bleu	Singland Development (Farrer Drive) Pte Ltd	Farrer Drive	CCR	10	106
5	South Beach Residences	South Beach Consortium Pte Ltd	Beach Road	CCR	7	190
6	The Values	Anchorvale Residences Pte Ltd	Anchorvale Crescent	OCR (EC)	19	517
7	Victoria Park Villas	Athens Residential Development Pte Ltd	Coronation Road	CCR	10	109

Source: Savills Research & Consultancy
* Launched in April 2015.

OUTLOOK

The prospects for the market

On a brighter note, the three-month Sibor has eased from 1.01% to below 0.9%. This has alleviated fears that interest rates would rise sharply and put to rest talks that significantly higher borrowing costs will further stress the market. Those on the sidelines may now be more confident to commit. There are already some signs of that happening in the secondary market with transaction volumes increasing 25.5% when measured on a YoY basis. However, number wise, the increase is only about 273 units. Nevertheless, barring any changes to the current cooling measures and the TDSR framework, transaction volumes are expected to remain inert with prices to bias only slightly on the downside.

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