Briefing
Residential sales

June 2018

Image: Highline Residences on Kim Tian Road

SUMMARY

Price growth accelerated and was felt mainly in the high-end and mass market segments.

- Developers released 921 uncompleted private residential units in the Jan-Mar period of 2018, a figure 5.0% higher than the 877 in Q4 last year.

- A total of 1,581 private residential units were sold in the primary market in Q1/2018, while the sales volume in the secondary market stood at 3,747 units.

- The luxury non-landed private residential segment has come to life in the last few months.

- The percentage of non-Singaporean buyers for non-landed private residential units improved for the second consecutive quarter in Q1/2018, up 1.5% from Q4 last year.

- The URA's price index of overall private residential properties posted a quarterly gain of 3.9% in Q1/2018. Similarly, the strong price rebound was found in the average price of the high-end, non-landed residential properties tracked by Savills, which went up 2.9% in Q1/2018.

- The pipeline supply of island-wide private residential properties increased significantly by some 9,033 units, from 43,054 in Q3/2017 to 52,087 in Q1/2018.

- In view of the strong Q1/2018 performance, we are revising our full year price forecast from 12%-15% to 15%-20%.

"The strong pickup in Q1/2018 prices can be explained by the high level of savings of the baby boomers and their expectations of future price increases." Alan Cheong, Savills Research

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Market overview

With the Chinese New Year (CNY) season falling within the first quarter of each year, it is traditionally a slow period for new launches in the private residential property market. This year, without exception, developers did not pick up the pace of new launches and released only 921 uncompleted private residential units in the Jan-Mar period of 2018. Nevertheless, this was still 5.0% higher than the 877 units launched in Q4 last year.

Six new projects were launched in the reviewed quarter, namely 8 Hullet at Hullet Road, Dyson Ritz at Dyson Road/Tan Sim Boh Road (landed), Fivenine at Lorong K Telok Kurau, Nim Collection at Nim Rise/ Nim Terrace (landed), Parksuites at Holland Grove Road and The Tapestry at Tampines Street 86. In total, these projects offered 591 units for sale, mainly consisting of 450 units from The Tapestry, 50 units at Parksuites and 44 units from 8 Hullet. The remaining 330 units are from previously launched projects, including Symphony Suites, Martin Modern, Artra, The Clement Canopy and Neem Tree.

In addition, for the first quarter, a few completed and licensed projects, such as Marina One Residences, Sims Urban Oasis, The Trilinq and Wallich Residence at Tanjong Pagar Centre, released some 140 units for sale.

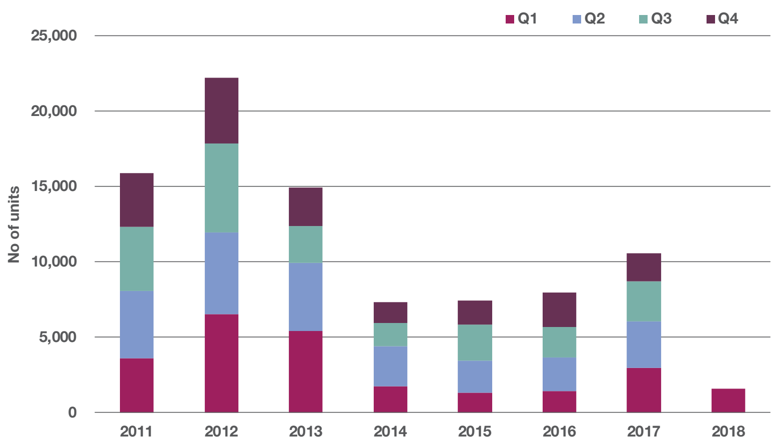
On the buy side, a total of 1,581 private residential units were sold in the primary market in Q1/2018, comprising 146 in the Core Central Region (CCR), 484 in the Rest of Central Region (RCR) and 951 in the Outside Central Region (OCR). Compared with the previous quarter, the transaction volume of new sales fell by 15.2%. The slowdown was not unexpected, mainly because of the CNY season and the absence of new launches, especially in February. Nevertheless, the take-up of private new homes in January and March was still considered healthy. For example, the market saw its best January sales volume - at 527 units - since 2014, which was also 38.0% higher than the 382 units recorded a year ago.

In the primary market, The Tapestry in Tampines, Queens Peak in Queenstown and Kingsford Waterbay at Upper Serangoon View emerged as the top-selling projects in Q1/2018, with 329, 85 and 84 units sold respectively. As the only major new launch in the reviewed quarter, City Developments Limited's (CDL) 861-unit condominium in Tampines, The Tapestry, sold 73.1% or 329 of the 450 units at a median price of S$1,408 per sq ft (psf). The 99-year leasehold project was launched in March and, in spite of its price which is much higher than other projects in the vicinity, such as The Alps Residences and The Santorini, was well received by the market, setting a new pricing benchmark for the Tampines area.

Sales volume in the secondary market in Q1/2018 eased off to 3,747 units, a 13.8% quarter-on-quarter (QoQ) drop. The quarterly decline was seen across all market segments, with the CCR decreasing

GRAPH 1

Primary private home sales volume, Q1/2011 – Q1/2018



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

TABLE 1

New launches, Q1/2018

Project name	Location	Developer	Locality	Total no. of units	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
8 Hullet	Hullet Road	Hullet Development Pte Ltd	CCR	44	44	34	3,350-3,564
Fivenine	Lorong K Telok Kurau	Macly K Pte Ltd	OCR	15	15	100	1,359-1,590
Nim Collection (landed)	Nim Rise/Nim Terrace	Singapore United Estates Pte Ltd	OCR	98	26	54	1,112-1,665
Parksuites	Holland Grove Road	Kentish View Pte Ltd	CCR	119	50	12	2,139-2,232
The Tapestry	Tampines Street 86	Bellevue Properties Pte Ltd	OCR	861	450	73	1,106-1,532

Source: URA, Savills Research & Consultancy the most at 23.3%, followed by 20.2% and 5.2% drops in the RCR and OCR respectively. Besides the impact of the CNY, the widening bid-ask gap due to sellers' increasing expectations also played a part in the declining transactions. In addition, the current collective sales frenzy has inspired some home owners to keep their units for enbloc sales, rather than selling to individual buyers. However, buying activity in the secondary market was still resilient, with the transaction volume not only rising 67.3% year-on-year (YoY) but recording its highest Q1 number since 2011.

Key market trends

The luxury non-landed private residential segment came to life in the last few months. According to caveats downloaded from the URA's Realis[1], 102 units priced at S$3,000 psf or more were sold in Q1/2018. This was the highest quarterly number since Q4/2007. About 40 of these units were from New Futura at Leonie Hill Road, while 8 Hullet, Gramercy Park at Grange Road and The Nassim at Nassim Hill also contributed 13, 12 and 11 units respectively.

In terms of price quantum, a total of 22 units worth at least S$10 million each were sold in Q1/2018. This is the second highest number recorded in the last nine years - since Q1/2009 - and only one less than the peak of 23 units in Q3/2010. The Nassim topped the list with ten units sold in Q1/2018, followed by three units at Leedon Residence at Leedon Hights and two units at Tomlinson Heights at Tomlinson Road.

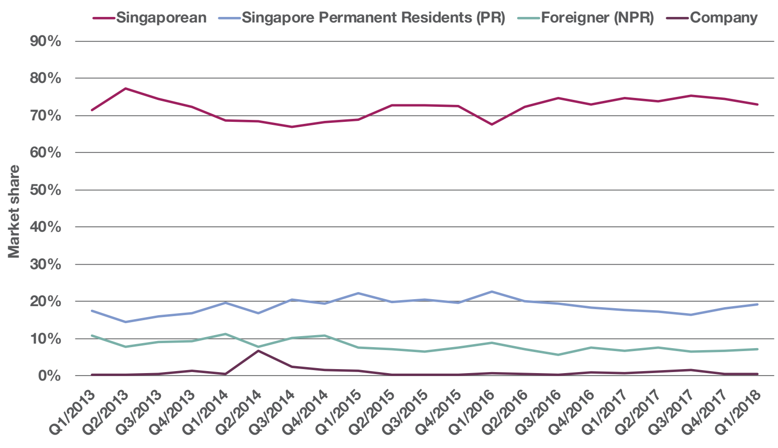
Driven by the improved performance in the high-end market, developers have shifted their buying interests to private enbloc sites in prime districts. In Q1/2018 alone, nine sites located in Districts 9 and 10 were acquired by developers through collective sales, surpassing the seven sites purchased for the whole of 2017.

A check of caveats for non-landed private residential units showed that

1 Downloaded from URA's Realis on 21 May 2018

GRAPH 2

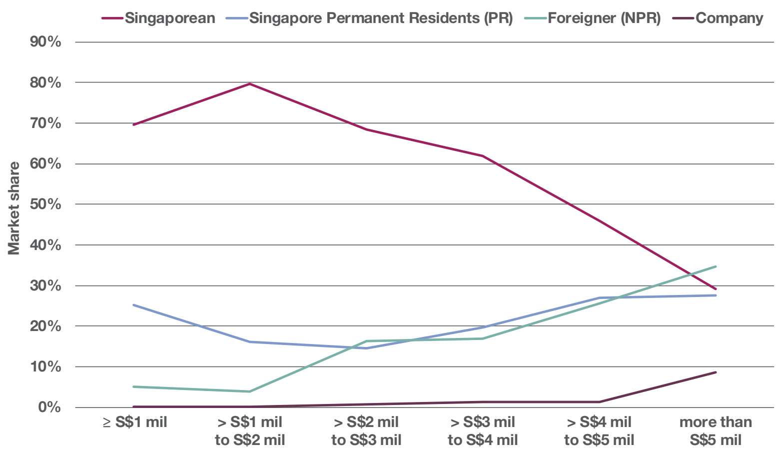
Market share for the sales of non-landed private residential units, Q1/2013 – Q1/2018



Source: URA, Savills Research & Consultancy

GRAPH 3

Market share for the sales of non-landed private residential units by price range, Q1/2018



Source: URA, Savills Research & Consultancy

Singaporean buyers bought 3,419 units in Q1/2018, accounting for 73.0% of the total transactions, while non-Singaporean buyers, including Permanent Residents (PRs) and foreigners, purchased 1,241 units with a market share of 26.5% in the same quarter. The remaining 0.6% or 26 units were acquired by companies.

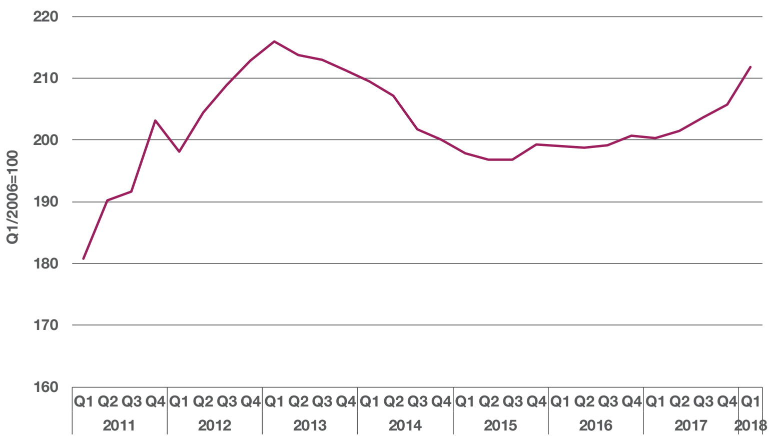
The percentage of non-Singaporean buyers in the market improved for the second consecutive quarter in Q1/2018, rising 1.5% from Q4 last year. Same as a quarter ago, buyers from China, Malaysia, India and Indonesia continued to top the list, and these four nationalities bought a total of 846 units. Together with the 153 units purchased by foreigners who did not specify their nationalities, these buyers have chalked up 80.5% of the total purchases by non-Singaporean buyers.

Non-Singaporean buyers continued to be more active in the primary market in Q1/2018. For Singapore PRs, the top projects on their purchase lists included The Tapestry, Park Botannia and Queens Peak, while foreigner buyers preferred Martin Modern, Highline Residences and Queens Peak.

Based on the transactions of non-landed private residential units in Q1/2018, there is an inverse correlation between Singaporean buyers' market share and a unit's price quantum. In contrast, the market share of non-Singaporean buyers, especially foreign buyers, increased along with the price quantum. The finding suggests that Singaporean buyers prefer non-landed units priced at no more than S$3 million each. One possible explanation is that beyond the S$3 million threshold, Singaporeans will seek the alternative of buying landed houses. Owing to the general rule that foreigners, with the exception of those on Sentosa Cove, cannot buy landed homes here, non-Singaporean buyers - particular those from China and Indonesia - continue to be the main overseas buyers for high-end and luxury units.

GRAPH 4

Savills high-end, non-landed home price index, Q1/2011 – Q1/2018



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

Prices

New launches in the first quarter of 2018 achieved significant premiums over comparable projects launched in recent years. Also, developers of previously launched projects have increased the prices for their remaining units. In the meantime, land prices paid by developers for the collective sale sites and Government Land Sale (GLS) sites have set new benchmarks in respective areas. All of these resulted in a broad-based price rebound in the reviewed quarter.

Therefore, according to the latest statistics released by the URA, the rate of change of the overall private residential property price index accelerated in Q1/2018, rising 3.9% QoQ. This was after modest increases of 0.8% in Q4/2017 and 0.7% in Q3/2017. The Q1 increase was the sharpest QoQ growth since Q2/2010, mostly driven by the strong performance of non-landed private residential properties in the CCR and OCR, with prices recording 5.5% and 5.6% gains QoQ respectively. In contrast, the prices of non-landed condominiums and private apartments in the city fringe or RCR and landed houses island-wide rose moderately from a quarter ago, at 1.2% and 1.9% respectively.

Similarly, the strong price rebound was found in the prices of the high-end, non-landed residential properties tracked by Savills. The average price of these high-end units went up 2.9% in Q1/2018. After a cumulative growth of 5.7% over four successive quarters since Q2/2017, the high-end average price stood at S$2,383 psf in Q1/2018, only 1.9% lower than the most recent peak, which occurred in Q1/2013.

Future supply

Due to the number of successful collective sales of private residential sites in the last few quarters, the pipeline supply of island-wide private residential properties has increased significantly by some 9,033 units, from 43,054 in Q3/2017 to 52,087 in Q1/2018. By sale status, only 16,816 units, or 32.3% of the pipeline supply, have been purchased; while the remaining 67.7%, or 35,271 units, remain unsold. The unsold stock has grown quickly, by 11,208 units or nearly 50% from Q3/2017 to Q1/2018.

However, despite this substantial unsold stock, the market remains quite optimistic due to the healthy take-up seen in recent new launches. And we will see a robust line-up of new launches by developers in the coming quarters so as to ride the market upswing.

TABLE 2

Major upcoming launches

Project name	Location	Developer	Locality	Total no. of units
3 Orchard By-The-Park	Orchard Boulevard	YTL Westwood Properties Pte Ltd	CCR	77
8 Saint Thomas	St. Thomas Walk	Bukit Sembawang View Pte Ltd	CCR	250
Affinity At Serangoon (formerly Serangoon Ville)	Serangoon North Avenue 1	Oxley Serangoon Pte Ltd	OCR	1,052
Amber 45	Amber Road	UOL Development (Amber) Pte Ltd	RCR	139
Daintree Residence	Toh Tuck Road	Setia (Bukit Timah) Pte Ltd	RCR	327
Jadescape (formerly Shunfu Ville)	Shunfu Road	Qingjian Realty (Marymount) Pte Ltd	RCR	1,204
Luxus Hills (landed)	Luxus Hill Avenue	Singapore United Estates Pte Ltd	OCR	117
Margaret Ville	Margaret Drive	MCL Land (Regency) Pte Ltd	RCR	309
Park Colonial	Woodleigh Lane	CEL Unique Development Pte Ltd	RCR	805
Rivercove Residences (EC)	Anchorvale Lane	Hoi Hup Sunway Sengkang Pte Ltd	OCR	628
Riverfront Residences (formerly Rio Casa)	Hougang Avenue 7	Rio Casa Venture Pte Ltd	OCR	1,472
South Beach Residences	Beach Road	South Beach Consortium Pte Ltd	CCR	190
Stirling Residences	Stirling Road	LN Development (Stirling) Pte Ltd	RCR	1,259
The Garden Residences	Serangoon North Avenue 1	Gardens Development Pte Ltd	OCR	613
The Tre Ver (formerly Raintree Gardens)	Potong Pasir Avenue 1	UVD (Projects) Pte Ltd	RCR	729
The Verandah Residences (formerly Lotus at Pasir Panjang)	Pasir Panjang Road	Oxley Amber Pte Ltd	RCR	170
The Woodleigh Residences	Upper Aljunied Road	Elara 1 Pte Ltd	RCR	667
Twin Vew	West Coast Vale	CSC Land Group (S) Pte Ltd	OCR	520

Source: URA, Savills Research & Consultancy

OUTLOOK

The prospects for the market

The strong recovery of the Singapore private residential market has taken many by surprise. To market observers, this recovery seems surreal because, unlike the previous market recovery in 2010 (post Global Financial Crisis), where the local economy rebounded by a strong 15.2% and the URA Property Price Index responded with only a 17.6% YoY increase, this time, even if we see the 2018 economic growth rate hit 4.5%, well above market consensus, it will pale in contrast to the previous recovery. Yet private residential prices in Q1/2018 have already risen 3.9% QoQ or an annualized rate of 16.5%.

So what is driving this sharp price recovery? To begin, we need to do some mental housecleaning. While it appears logical to associate GDP growth with most business sectors, for private residential properties, it can also turn out to be an archaic correlation. Visits to show flats leave a discerning observer with the impression that an increasing number of buyers at new launches are funded in part by their parents' i.e. baby boomers' money. This new engine of funding turns the economic correlation from a contemporaneous and/or forward-looking one to a multi-year, back-facing specification. Moving forward, until the day our ageing demography can no longer influence the market, housing demand may not necessarily be driven by traditional variables like interest rates, demographics and future economic performances. Rather, historical GDP growth rates will increasingly play a part. On top of that, theoretical investment function variables like interest rates, may, within bounds, lose their significance. The rearview mirror reflection of GDP represents the level of savings by the baby boomers. Therefore, unless we expand our frame of reference to include the past, we will continue to misread the market by ignoring the savings level of the population of potential buyers.

OUTLOOK

The prospects for the market

Now savings is savings; what then is encouraging people to buy and developers to invest? A simple ratio cuts the long story short:

$$\frac{\text{Future Launch Value of Private Residential Properties}}{\text{Current Value of Private Residential Properties}}$$

The ratio for Singapore real estate is a modification of what in economics is called Tobin's q. This ratio had been shown in economic research to exhibit a positive correlation to the level of investment. In other words, when the future market value of the physical asset (the numerator) is greater than its replacement cost, the impetus is for both individuals and companies to invest. Although we have not conducted any empirical testing to confirm this for the private residential market, it conforms to what our marketing specialists are witnessing on the ground. The concept of a Tobin's q for private residential properties is also clearly illustrated in the collective sales market when the ratio can be modified to:

$$\frac{\text{Future Sales Price of All Units on the Collective Sales Site less Construction Cost}}{\text{Current Value of Existing Units on the Collective Sales Site}}$$

A ratio >> 1 (>> means much greater) would start to whet the interest of some subsidiary proprietors to initiate a collective sale. This modified Tobin's q is actually what collective sale specialists have been using to identify developments or pitch for appointments without knowing it.

For this quarter's brief, we have touched on two alternative insights into the local private residential market, namely, the need to look at GDP backwards, and the ratio that encourages or discourages private residential investment. Without extending this field of analysis to other factors, by focusing on these two alone, we can almost decipher what the market outlook will be for the next twelve months. In the next few years, expect economic growth to be subdued compared to a decade ago while concerns about the ageing population increase. The manifestation of these issues may, however, for the medium term, be subjugated by the copious savings built up through the decades of high economic growth by the upper deciles of the households. This, together with the ingrained expectation for price appreciation, built up over many years of witnessing private property prices increase to record levels, are likely to goad those with the wherewithal to invest in real estate. The same goes for real estate developers whose balance sheets have become stronger over the decades and whose view of the long-term price appreciation of house prices gives them confidence to reinvest their capital.

On the strength of Q1/2018's strong 3.9% QoQ price increase, we are revising our forecast for 2018's private residential price growth from 12%-15% to 15%-20%.

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