

# Briefing Residential sales

August 2015

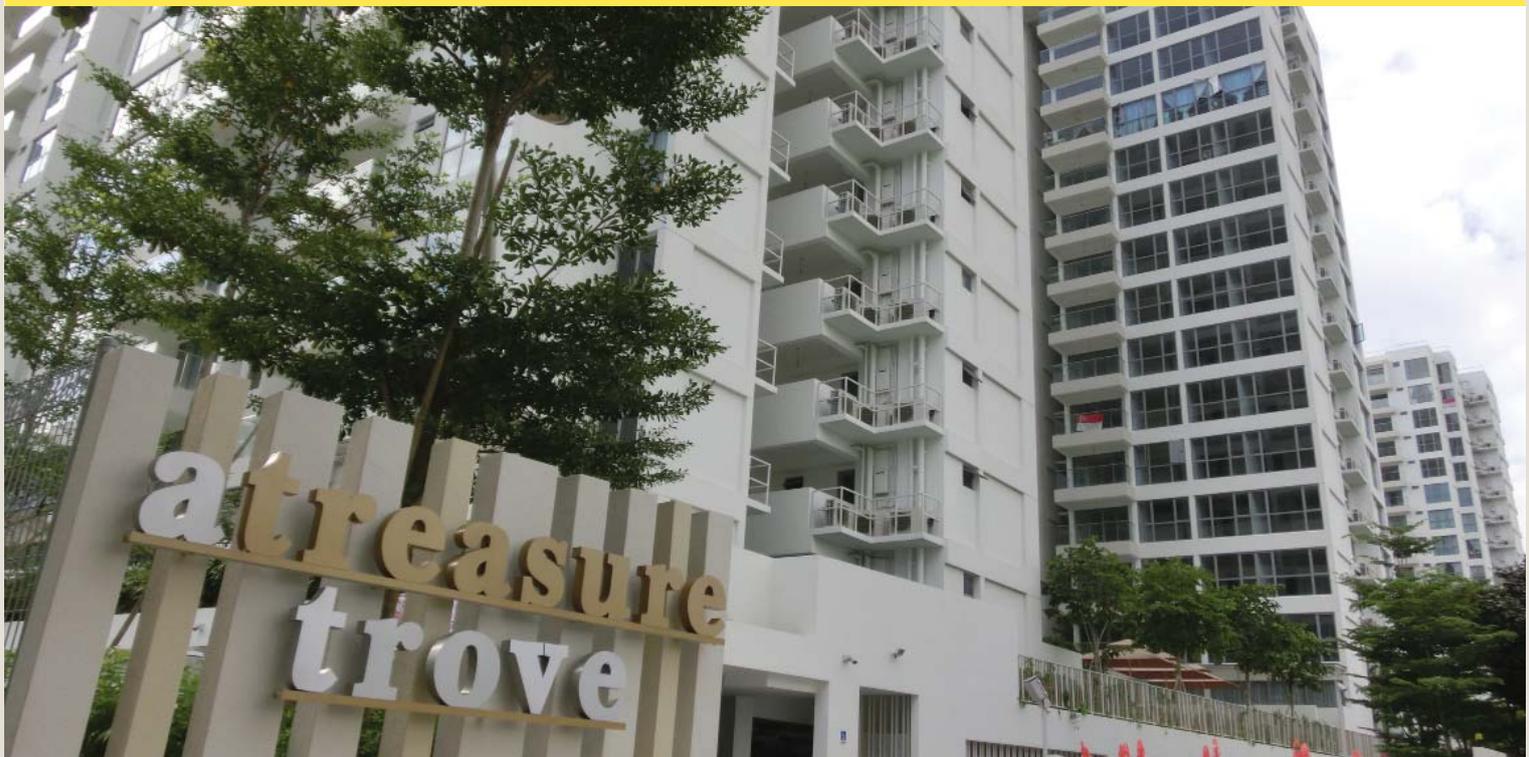


Image: A Treasure Trove, Punggol Walk

## SUMMARY

Prices continue to creep south, but transaction volumes strengthen.

- Singapore's economy continues to slow in the second quarter, registering a 1.8% year-on-year (YoY) growth.
- Developer home sales surged 61.4% quarter-on-quarter (QoQ) but declined 20.6% YoY, with the increase coming mainly from two new launches in the Outside Central Region (OCR). Transaction volume in the secondary market continues to strengthen, by 47.9% QoQ and 28.6% YoY.
- The number of uncompleted private homes launched increased 76.5% QoQ to 2,099 units, largely from projects like Botanique at Bartley and North Park Residences.
- The Urban Redevelopment Authority's (URA) non-landed private residential price index dipped 0.8% QoQ while the average price of high-end, non-landed homes tracked by Savills slipped 0.5%.
- Prices for new launches are expected to remain firm with some mild upside pressures; resale prices are expected to remain soft. With buyers having sat out the market for the past two years since the implementation of the TDSR framework, their store of liquid assets have increased significantly and this frozen liquidity is beginning to thaw and flow to smaller units in RCR and OCR developments.

“Although buyers are returning, having given up hope of a significant price correction, transaction volumes need to increase much further to clear the backlog of unsold inventory.”

Alan Cheong, Savills Research

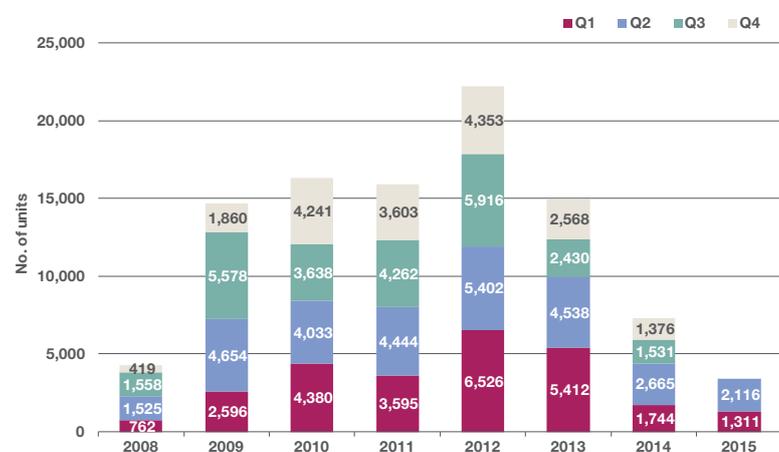
➔ **Market overview**

Although the major global economies continue to face uncertain times ahead, some clarity is beginning to emerge. For example, having embarked on a roadmap to restructuring its economy, China's gross domestic product (GDP) is showing signs of stabilising at a lower growth trajectory, manifested in Q1/2015 when its economy grew 7.0% YoY, the slowest in nearly six years. This continued through in the second quarter when its GDP also grew by 7.0%. The International Monetary Fund (IMF) reported that recovery in the Eurozone is "on track" despite the turmoil caused by Greece's debt levels, while the US economy is expected to expand in Q2, with the unemployment rate having fallen to 5.3% in June – the lowest in over seven years.

Singapore's economy grew 1.8% YoY in Q2/2015, slower than the 2.8% YoY seen in the previous quarter. The principal cause of the slowdown is the persistent weakness in the manufacturing sector, while the trade-oriented services sector also declined significantly. However, non-oil domestic exports (NODX) rebounded with a 4.7% YoY growth in June, which resulted in an upward revision of Q2's economic growth flash estimate of 1.7% YoY.

Developers sold 2,116 private residential units island-wide, a welcome improvement of 61.4% QoQ

GRAPH 1 **Primary private home sales volumes, 2008-Q2/2015**



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

even though it was still 20.6% lower YoY. This was mainly attributable to the strong sales in the Outside Central Region (OCR) where 1,669 homes were sold, a 117.9% QoQ increase. Market activity in the OCR accelerated in Q2/2015 due to the success of two newly-launched projects – North Park Residences and Botanique at Bartley – which together sold a total of 964 units amid the weak market sentiment. Although not as significant, the number of units sold in the Core Central Region (CCR) almost doubled to 154 units. In contrast the Rest of Central Region (RCR) recorded a

fall in transaction volumes of 37.0% to 293 units. Thus, on the whole, demand for private residential homes in the primary market is not out of the woods yet, as evidenced by the negative YoY growth.

The secondary market, however, is witnessing signs of recovery, as 1,988 private properties changed hands in Q2, growing 47.9% QoQ and 28.6% YoY, making Q2 the most active quarter since the implementation of the Total Debt Servicing Ratio in Jun 2013. Sales volume increased on a quarterly basis across all geographic regions (CCR,

TABLE 1 **Major new launches, Q2/2015**

S/No.	Project name	Developer	Location	Category*	Total no. of units launched	Take-up (%)	Price range (\$\$ per sq ft)
1	Botanique at Bartley	UOL Development (Bartley) Pte Ltd	Upper Paya Lebar Road	OCR	500	80.6	1,049-1,394
2	Hilbre 28	Development 72 Pte Ltd	Hillside Drive	OCR	10	60.0	1,027-1,546
3	Neem Tree	Aylesbury Pte Ltd	Jalan Kemaman	RCR	24	41.7	1,572-1,669
4	North Park Residences	North Gem Development Pte Ltd	Yishun Central 1	OCR	600	93.5	1,044-1,572
5	Pollen & Bleu	Singland Development (Farrer Drive) Pte Ltd	Farrer Drive	OCR	28	39.3	1,765-2,104
6	Westwood Residences	KBD Westwood Pte Ltd	Westwood Avenue	OCR (EC)	480	28.5	713-902

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

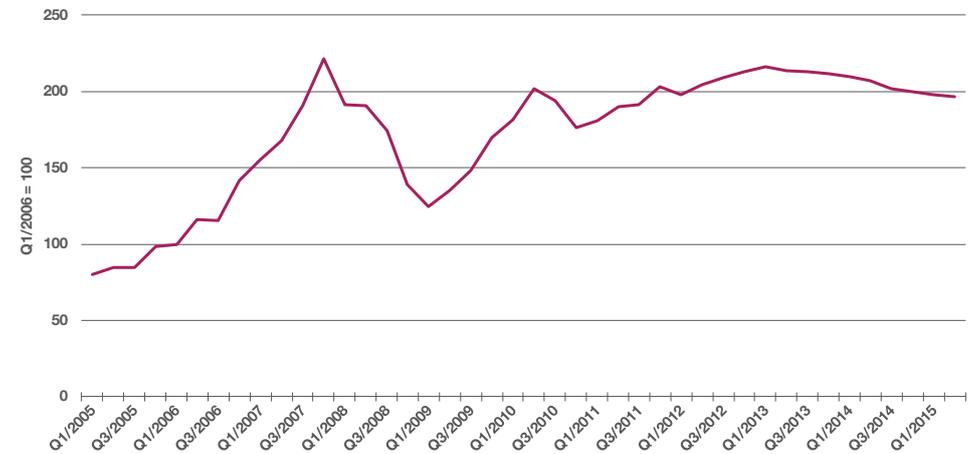
→ RCR and OCR) and market segments (resale and subsale markets). That said, the increase in transaction volume in the secondary market does not infer that prices have risen. On the contrary, it indicates a certain level of stability as buyers return to the market where sellers have become more flexible in their asking prices.

Developers have also launched more units in Q2/2015. 2,099 uncompleted units were launched, an increase of 76.5% QoQ. Although the number of new projects launched has not increased from the last quarter, the projects launched this quarter are larger and hence the number of units launched is significantly higher QoQ. The two largest projects are the Botanique at Bartley and North Park Residences which cumulatively offered 1,100 units. By way of comparison, Q1's largest, Sims Urban Oasis and Kingsford Waterbay, launched only 514 units between them. It should be noted that the total number of units in the latter two developments is 27.5% more than the combined total (1,717 units) for Botanique at Bartley and North Park Residences. The higher launch figures reflect the developers' confidence in their pricing strategy and product.

**Prices**

The Q2/2015 URA statistics revealed that the non-landed, private

**GRAPH 2 Savills high-end, non-landed home price index, Q1/2005-Q2/2015**



Source: URA, Savills Research & Consultancy

residential property index fell 0.8% QoQ, its seventh consecutive quarterly decline. Amongst the three regions, the CCR and RCR experienced the lowest price fall of 0.6% (CCR for the second successive quarter), while the OCR registered a steeper decrease of 1.1%. Over the past six quarters, RCR's performance was the most volatile. The price volatility may affect market confidence as property investors are traditionally more risk-averse.

Similarly, Savills basket of high-end, non-landed homes recorded a 0.5% QoQ dip to S\$2,215 per sq ft. The current price level is 8.8% below the peak of S\$2,429 per sq ft achieved in Q1/2013.

**Future Supply**

The Executive Condominium (EC) market is expected to see more launches in 2H/2015 as large projects such as Sol Acres are expected to enter the market. However, with 31.9% out of 6,990 uncompleted EC units

**TABLE 2 Major upcoming launches**

S/No.	Project name	Developer	Location	Category	District	Estimated total no. of units
1	High Park Residences*	Fernvale Development Pte Ltd	Fernvale Road	OCR	28	1,390
2	The Brownstone*	Canvey Developments Pte Ltd	Canberra Drive	OCR (EC)	27	638
3	The Vales*	Anchorvale Residences Pte Ltd	Anchorvale Crescent	OCR (EC)	19	517
4	Sol Acres	MCL Land (Brighton) Pte Ltd	Choa Chu Kang Grove	OCR (EC)	23	1,327
5	Signature at Yishun	Gee-I Investments Pte Ltd	Yishun Street 51	OCR (EC)	27	525
6	South Beach Residences	South Beach Consortium Pte Ltd	Beach Road	CCR	7	190
7	Gramercy Park	Aston Properties Pte Ltd	Grange Road	CCR	10	174

Source: Savills Research & Consultancy  
\* Launched in July 2015.

launched left unsold, competition among developers will be even stronger, which will be to the buyers' benefit.

Looking into the private residential market (excluding ECs), launches of new projects may remain subdued as developers still hold a cautious outlook on Singapore's private residential market for 2H/2015. However, such sentiments may make some developers take an opposite tack to launch a phase of their project by taking advantage of the relatively low competition in the market at prices that yield them an acceptable profit margin demand vis-a-vis buyer's affordability.

### Outlook

The property cooling measures, as well as the Total Debt Servicing Ratio (TDSR) framework, have both slowed and deferred sales. As it has been two years since the implementation of the TDSR framework, liquid assets continue to accumulate amongst households and during this waiting out period, prices have remained relatively firm. This means that affordability has increased with an increasing number of buyers now having the wherewithal to overcome some of the measures. With the General Election expected to be held before the year ends, developers will also be trying to delay launches, hoping that the authorities will loosen some measures that have gripped the

property market. Buyers, on the other hand, have a different expectation, harbouring the hope that prices will fall further and hence they are in a wait-and-see stance. Unfortunately, with their store of equity rising, further disappointment brought on by not seeing prices falling significantly may induce those sitting on the fence to make impulsive decisions and commit to a purchase.

The high take-up for projects launched recently, like North Park Residences and High Park Residences, point to a thawing out effect. Therefore, notwithstanding a recent comment by K. Shanmugam, Minister for Foreign Affairs and Law, regarding the false correlation between property cooling measures and general elections, more buyers may begin to return to the market as their affordability level will have increased while their patience has run out waiting for prices to decline further or measures to be relaxed.

Nevertheless, the expected increase in take-up of new projects does not necessarily mean that normality has returned to the market, because the broad brush measures have merely made the smaller units more affordable to local buyers whereas larger units and those with a high price quantum, mainly those projects in the CCR, are not selling fast enough to clear off the unsold inventory. Adopting

CCR's average monthly sales for the period January to May 2015, and assuming that there will be no further Government Land Sales (GLS), it will take about 12 years to clear the inventory of unsold units in projects under development now. For the RCR and OCR, given that the GLS programme is usually focused on these regions, the time to clear the stock of present and future unsold units will be more than 12 years. Therefore, even if island-wide take-up rates double, it will take well over five years to sell down the inventory. Lowering prices further would not be a panacea to increase demand because much of the unsold stock are larger units, which, because of the larger price quantum and the various cooling measures, are beyond the reach of many locals and permanent residents.

Regardless of whether the measures are relaxed or not, we believe that new sale prices will remain firm and may even exhibit some upside bias. It is in the secondary market that prices will remain under pressure as individuals selling their properties lack the clout to make their unit stand out among the sea of similar units in the secondary market. The only tool that they have is the price. Consequently, the secondary market is expected to gain buying momentum as this is where buyers can actually sense a noticeable price correction. ■

## Please contact us for further information

### Savills Singapore



**Christopher J Marriott**  
CEO  
Southeast Asia  
+65 6415 3888  
cjmarriott@savills.asia



**Phylcia Ang**  
Executive Director  
Residential Sales  
+65 6415 3277  
pang@savills.com.sg



**Jacqueline Wong**  
Senior Director  
Residential Leasing  
+65 6415 3878  
jacqueline.wong@savills.com.sg



**Alan Cheong**  
Senior Director  
Singapore  
+65 6415 3641  
alan.cheong@savills.com.sg



**Simon Smith**  
Senior Director  
Asia Pacific  
+852 2842 4573  
ssmith@savills.com.hk

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