

Briefing Residential sales

September 2016



Image: Shunfu Ville, Shunfu Road

SUMMARY

As a sign of recovering demand, Singapore's primary sales market has started moving again.

■ Singapore's primary sales market has started to move again, with 140 more private homes sold in Q2/2016 compared with the same quarter in 2015. On a quarter-on-quarter (QoQ) basis, primary sales increased 59.0% to 2,256 homes in Q2/2016, reversing two quarters of consecutive declines.

■ Freehold developments The Asana and Gramercy Park made their debuts in April and May respectively, but Cairnhill Nine, for the second straight quarter, remains the strongest contender among new launches in the Core Central Region (CCR).

■ The basket of high-end, non-landed homes tracked by Savills continued to moderate in Q2/2016, with a marginal 0.1% QoQ decline to S\$2,236 per sq ft, in tandem with a 0.1% fall in the Urban Redevelopment Authority's (URA) price index for private homes island-wide.

■ Although island-wide prices of non-landed private homes showed a 0.1% fall, the URA statistics nevertheless point towards slower declines in the various regions.

■ In the coming months, projects that are expected to launch are mostly in the Outside Central Region (OCR), where an estimated 1,171 apartment and condominium units are in the pipeline.

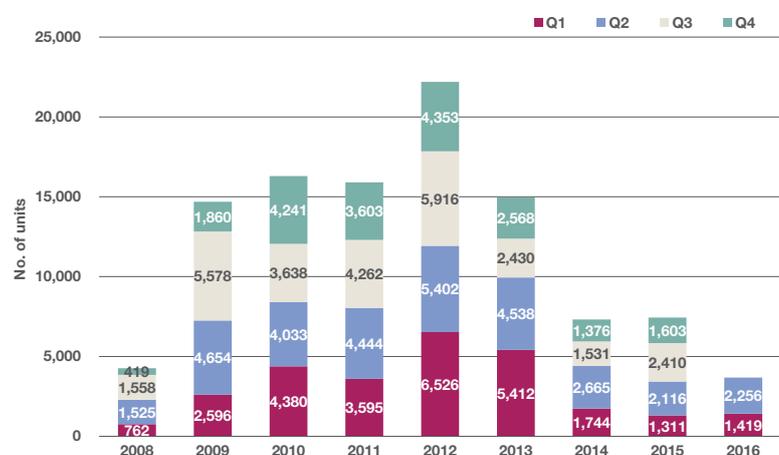
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 "We are likely to have moved into the next cycle of the market, which is characterised by slow price appreciation."
 Alan Cheong, Savills Research

→ Market overview

As we progress into the second half of 2016, economic headwinds have begun to be factored into expectations and their effect on private residential sales has started to fade. However, any prospects for drastic leaps in transaction volumes remains limited as the structural issues impact both the labour force and major industries like the banks, and oil and marine industries. The United States' economy grew by a slower than expected 1.1% year-on-year (YoY) in Q2/2016, which further supports the view that any increases in interest rates are off the table until probably December this year. The knock-on impact of Brexit and the stalling French economy caused the Eurozone to lose some economic momentum, with growth halving to 0.3% in the second quarter. Japan's GDP expanded by a paltry 0.2% YoY in Q2/2016, a dramatic slowdown from the 1.9% growth in the previous quarter. However, despite having slowed considerably, the Chinese economy still comes up top amongst the major economies, with a 6.7% YoY expansion in the second quarter.

Singapore's economy increased at an annual rate of 2.2% in Q2/2016, unchanged from the first quarter. At the sectoral level, manufacturing growth came in at 1.6% YoY, a number that surprised on the upside, given that weak non-oil domestic exports (NODX) had remained flat on a YoY basis in Q2/2016. Service-producing industries expanded 1.4% YoY - a pullback compared to the 3.2% from the same period last year.

GRAPH 1 Primary private home sales volumes, 2008-Q2/2016



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

Sales & launches

Developers launched 2,371 units in Q2/2016. This was 13.0% above what was recorded a year ago. On a QoQ basis, the increase was a sharp 148.8%. It is worth noting that over half of the units launched were in May, probably in anticipation of the mid-year school holidays which began in June.

Activity in the primary sales market started building up again, with 140 more private homes sold in Q2/2016 compared with the same quarter in 2015. On a QoQ basis, primary sales increased 59.0% to 2,256 homes in Q2/2016, reversing two quarters of consecutive declines.

Major new project launches in Q2/2016 released 1,093 units for sale in the market, a jump of 125.8% QoQ.

The Rest of Central Region (RCR) saw the largest share of new launches, with two new condominiums, Sturdee Residences (305 units) and GEM Residences (578 units) being launched in April and May respectively. GEM Residences was the top-selling private residence of Q2/2016, with 320 units sold, followed by Sturdee Residences which sold 170 units.

In the Core Central Region's District 10, freehold developments The Asana and Gramercy Park made their debuts in April and May respectively.

TABLE 1 Major new launches, Q2/2016

Project name	Location	Developer	Category*	Total no. of units launched	Take-up (%)	Price range (S\$ per sq ft)
Gem Residences	Lorong 5 Toa Payoh	GEM Homes Pte Ltd	RCR	578	55	1,264-1,544
Gramercy Park	Grange Road	Aston Properties Pte Ltd	CCR	30	57	2,246-2,849
Parc Life	Sembawang Crescent	Sembawang Residences Pte. Ltd.	OCR (EC)	628	13	706-856
Stars Of Kovan	Upper Serangoon Road	Kovan Treasure Pte. Ltd.	OCR	180	52	1,225-1,554
Sturdee Residences	Beatty Road	SL Capital (1) Pte Ltd	RCR	305	56	1,410-1,799
The Asana	Queens Road	Aurum Land (Private) Limited	CCR	10	40	2,062-2,685
The Visionaire	Canberra Drive	Qingjian Realty (Sembawang) Pte Ltd	OCR (EC)	632	31	720-867

Source: Savills Research & Consultancy

* CCR = Core Central Region; RCR = Rest of Central Region; OCR = Outside Central Region

→ Gramercy Park’s unit mix ranges from 2-bedroom+study to 4-bedroom configurations, with the former making up 11 of the 17 units that were sold. This project recorded an average price of S\$2,581 per sq ft in Q2/2016.

For the second consecutive quarter, Cairnhill Nine recorded the most sales among new launches in the CCR. After a strong take-up during its launch in March, buyers returned to the District 9 condominium, with 41 more units sold in the second quarter, 56.1% of which were 2-bedrooms and larger units. As of June 2016, the 268-unit Cairnhill Nine is 78% sold.

As a sign of recovering demand in the private residential market, secondary sales in Q2/2016 increased 60.6% QoQ to 2,294 units. While this can be attributed to a low base recorded the preceding quarter, sales are still 15.4% higher than over the same period last year; this was the first time since Q2/2013 that secondary sales crossed the 2,000 mark. On that note, transaction volumes in the CCR posted the highest QoQ jump of 85.5% to 604 units in Q2/2016, followed by increases of 60.7% in the RCR (633

units) and 49.1% in the OCR (1,057 units).

Prices

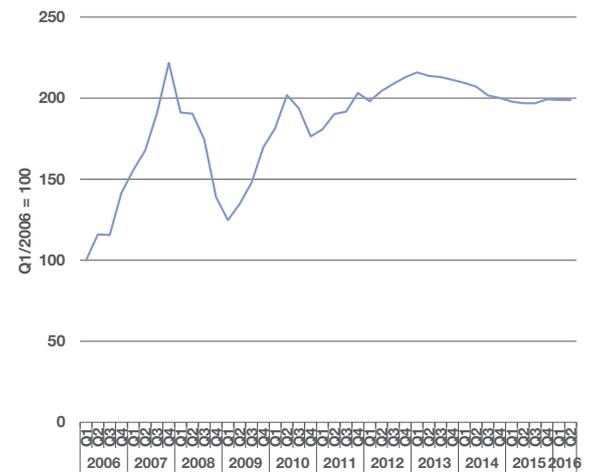
Although island-wide prices of non-landed private homes showed a 0.1% fall, URA statistics are showing that the major regions are starting to see prices stabilise. Following a 0.3% improvement in the previous quarter, prices in the CCR resumed climbing in the second quarter. Up until the first quarter of this year, the CCR had registered 11 straight quarters of price decline (between Q2/2013 and Q4/2015), with a 0.3% increase in Q2/2016. An inflexion point was also seen in the RCR where prices, after falling since Q1/2014, registered a 0.2% growth this quarter. Meanwhile, prices in the OCR continued on a downwards trajectory, falling 0.5% QoQ.

The basket of high-end, non-landed homes tracked by Savills continued to moderate in Q2/2016, registering a marginal 0.1% QoQ decline to S\$2,236 per sq ft. Nonetheless, on a YoY basis, there has been a 1.0% improvement in prices. This follows from the 0.6% YoY growth recorded in the first quarter.

Future supply

In the coming months, projects that are expected to launch are mostly in the OCR, where an estimated 1,171 apartment and condominium units are in the pipeline. Among them are Forest Woods and The Alps Residences. ■

GRAPH 2 Savills high-end, non-landed home price index, Q1/2006–Q2/2016



Source: URA, Savills Research & Consultancy

TABLE 2 Major upcoming launches (from September 2016 onwards)

Project name	Developer	Location	Category	District	Estimated total no. of units
12 on Shan	TA Realty Pte Ltd	Shan Road	RCR	12	78
Forest Woods	City Developments Pte Ltd	Lorong Liew Lian	OCR	19	519
Queens Peak	MCC Land	Dundee	RCR	3	645
The Alps Residences	MCC Land	Tampines Street 86	OCR	18	626
3 Orchard By-The-Park	YTL Westwood Properties Pte Ltd	Orchard Boulevard	CCR	10	77
70@Truro	Singiap Co Pte Ltd	Truro Road	RCR	8	24
A condominium development	Bukit Sembawang View Pte Ltd	St. Thomas Walk	CCR	9	250
Moulmein27	27MR Pte Ltd	Moulmein Rise	CCR	11	63
New Futura	City Sunshine Holdings Pte Ltd	Leonie Hill Road	CCR	9	124
Opal East	Inflo Health Sciences Pte Ltd	Lorong M Telok Kurau	RCR	15	8
Park 1 Suites	Park 1 Suites Pte Ltd	Lorong 40 Geylang	OCR	14	26
Parksuites	Kentish View Pte Ltd	Holland Grove Road	CCR	10	119
South Beach Residences	South Beach Consortium Pte Ltd	Beach Road	CCR	7	190

Source: Savills Research & Consultancy

OUTLOOK

The prospects for the market

Whilst there has been an improvement in sales on both the primary and secondary fronts, it is premature to expect that both prices and sales will adopt a V-shaped pattern of recovery. Stricter capital requirements and de-risking moves by financial institutions are continuing, which means that the employment situation in this sector is expected to be unstable. Also, with oil prices hovering in the US\$40–50 per barrel range, oil and marine companies are not gearing up for expansion, but trying to prevent themselves from going under. The sum of all these structural issues is piling on top of slowing global economic growth, all of which trickles down to the private residential sector.

The saving grace thus far has been the slew of cooling measures and Total Debt Servicing Ratio

(TDSR) framework, which froze demand from amongst those who could afford to buy. This group of potential buyers had believed that prices would fall significantly after the imposition of the TDSR. However, after 12 quarters of seeing prices hold up, this group is beginning to lose patience and re-start their commitment to purchase a private residential unit. This delay in purchasing de-phased the private residential property cycle with that of the economic cycle, which is probably why some market observers are confounded by the negative correlation between sales - which had picked up in Q2/2016 - and economic growth, which remains anaemic with the second half expected to slow to below 2% growth.

We believe that if the government land sales programme for private residential development (excluding Executive Condominiums) is kept at about 1,500 units for each half year,

monthly primary sales per month, excluding new launches in that particular month, should hover around 600 units. By early next year, this is expected to pull back towards 500 units as structural employment and economic issues start to weigh again. The Singapore private residential market is likely to have moved to the next cycle. However, this new cycle may see prices, using URA's Private Property Price Index as a measure, rise 4–6 % from Q2/2016 to Q4/2018. Given the stunted price profile for this next cycle, it will be difficult to discern if the market has actually turned the corner, which we believe it has, with Q2/2016 representing the start of the new phase.

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