Briefing
Residential sales

August 2017

Image: Sky Vue at Bishan Street 15

SUMMARY

Sales in both primary and secondary markets picked up in Q2.

- For the period Apr-Jun 2017, developers launched for sale a total of 2,011 private residential homes (excluding executive condominiums (ECs)), a 3.2% quarter-on-quarter (QoQ) increase.

- In the reviewed quarter, buyers snapped up 3,077 new private residential units in Q2/2017, the highest recorded since Q2/2013. Likewise for the secondary market, the transaction volume increased 70.9% QoQ, with 3,828 units changing hands.

- Non-Singaporean buyers, including permanent residents (PRs) and foreigners, purchased 1,455 non-landed residential units in Q2/2017, marking a 24.6% growth from a quarter ago. Buyers from China, Malaysia, India and Indonesia continued to dominate the market.

- Data from the URA showed a marginal decline of 0.1% QoQ in the price index for non-landed private homes island-wide in Q2/2017.

- Based on Savills basket of high-end non-landed projects, the average price inched up 0.6% QoQ in Q2/2017, reversing the marginal decline of 0.2% in the previous quarter.

"When a large batch of new projects is launched in 2018, it will come as a rude awakening to those who hold onto the belief that prices are languishing." Alan Cheong, Savills Research

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Market overview

For the period of Apr-Jun 2017, developers launched a total of 2,011 private residential homes (excluding ECs) for sale, representing a 3.2% increase from the 1,949 units in the previous quarter. Among these, 787 units, or 39.1%, are from five projects that were newly launched in the reviewed quarter. They are Seaside Residences (560 units), Artra (153 units), The Brooks I & II (28 units), Park 1 Suites (26 units) and Watercove (20 units). Limited land parcels awarded under the Government Land Sales (GLS) programme since the second half of 2015, together with depleting developers' land banks, have constrained the number of new launches. In the meantime, riding on the gradual recovery of market sentiments, developers also released more units in their previously-launched projects. Some 1,224 units from such projects, including Kingsford Waterbay, The Clement Canopy, Hillion Residences, Principal Garden and Sims Urban Oasis, were offered for sale in Q2/2017. This is 74.4% higher than Q1's 702 units.

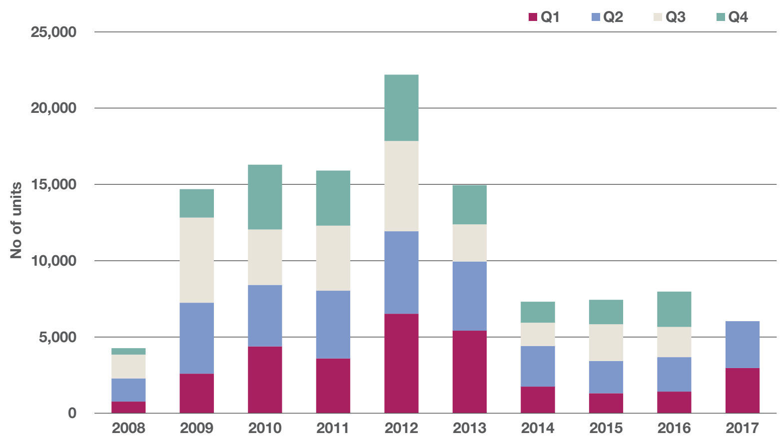
Demand for new private residential units was brisk in Q2/2017. In spite of a slowdown in June due to school holidays, buyers snapped up 3,077 units in total, up 3.9% QoQ and 36.4% year-on-year (YoY). This is the highest level recorded since Q2/2013, just before the total debt servicing ratio (TDSR) framework was introduced in late-June that year.

On a quarterly basis, new sales of private residential homes in both the Core Central Region (CCR) and Rest of Central Region (RCR) showed significant growth in Q2/2017. Developers moved 159 CCR units in the reviewed quarter, up 26.2% from the 126 in Q1. Although there were no new launches, the high-end market continued to gather buying momentum for the second consecutive quarter. In the RCR, the so-called mid-tier market, 1,130 units were taken up in Q2/2017, increasing 26.7% from a quarter ago. A few projects in the Commonwealth/Redhill area, including Commonwealth Towers, Artra, Principal Garden and Queens Peak, are amongst the top performing projects. In May, a joint venture of two Chinese developers, Logan Property and Nanshan Group, submitted S$1.003 billion for a 227,215-sq ft GLS private residential site in Stirling Road. The top bid translates to a land price of about S$1,051 per sq ft per plot ratio (psf ppr), the highest ever in this area. A concern about higher prices for the future project developed on the Stirling Road site may have made buyers decide to purchase units in these projects in the neighbourhood now, before the new development launches.

On the other hand, for the Outside Central Region (OCR), primary sales saw a decline of 8.0% QoQ to 1,788 units in Q2/2017. We believe the reason for this decline was that there was only one major new launch in this market segment for the reviewed quarter. In terms of new sales, the OCR still had the largest market share (58.1%) in Q2. The top-selling project is the 841-unit Seaside Residences. Located near the upcoming Siglap MRT station,

GRAPH 1

Primary private home sales volume, Q1/2008–Q2/2017



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

TABLE 1

Major new launches, Q2/2017

Project name	Location	Developer	Locality*	Total no. of units	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
Artra	Alexandra View	FEC Skyline Pte Ltd	RCR	400		38	1,467-1,928
Park 1 Suites	Lorong 40 Geylang	Park 1 Suites Pte Ltd	RCR	26		8	1,444-1,461
Seaside Residences	Siglap Line	East Vue Pte Ltd	OCR	841		54	1,421-2,012
The Brooks I & II	Springside Walk/ Springside Green	Kallang Development (Pte) Ltd	OCR	61		20	1,098-1,368
Watercove (strata-landed)	Wak Hassan Drive	Sembawang Estates (Pte) Ltd	OCR	80		24	649-815

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

and having sea views, the project has received strong interest from buyers, with 452 units, or 80.7% of the 560 released units, having been sold since its launch in late April.

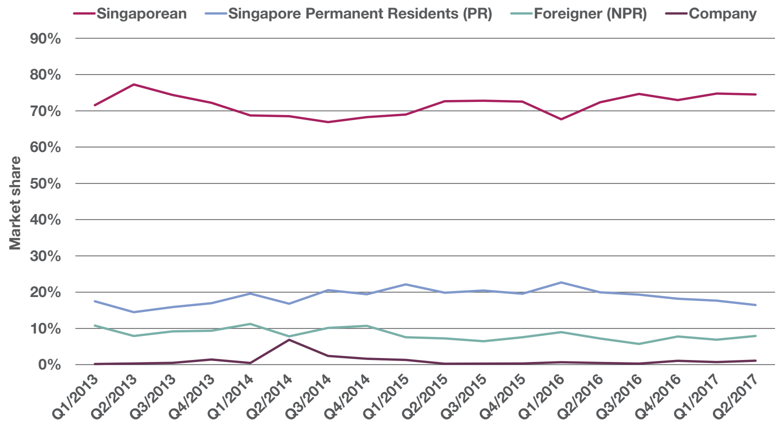
Similar to the developments in the primary market, secondary sales also rose, with a total of 3,828 units changing hands in Q2/2017. This is a sharp 70.9% quarterly increase, and is also the highest record since Q4/2012, when 4,111 units found new owners. By market segment, sales volume on a quarterly basis showed the biggest rise of 73.3% in the RCR, followed by the OCR (71.3%) and the CCR (67.8%). The strong showing in the secondary market reinforced the view that buying sentiments for private residential properties could have already bottomed out. In view of potential higher sale prices driven by aggressive bids that developers paid for both GLS sites and en-bloc sites from the private sector in recent months, buyers who have been sitting on the fence in the last few years have decided to jump onto the bandwagon in order not to miss current price levels.

From the analysis of caveats[1], non-Singaporean buyers, including PRs and foreigners, purchased 1,455 non-landed residential units in Q2/2017, marking a 24.6% increase from a quarter ago. Buyers from China, Malaysia, India and Indonesia continued to dominate the market, taking up 388, 268, 121 and 74 units, respectively. In addition, there were 313 non-landed homes that were acquired by foreigners that did not specify their nationalities.

In terms of market share, Singaporean buyers accounted for 74.5% of the total sales of non-landed residential properties (excluding en-bloc sales) in Q2, down 0.2 of a percentage point (ppt) from the previous quarter. Similarly, Singapore PRs made up 16.5% of the total buyers, down 1.2 ppts QoQ. This is the sixth successive quarter of decline. In contrast, compared with Q1, the market share for foreigners and companies increased by 1.0 ppt and 0.4 of a ppt, respectively. In spite of the hefty 15% ABSD, both foreigners and corporate buyers have returned, augmenting the view that the market is recovering, as activity for this group of buyers has been a useful barometer for the market price cycles.

GRAPH 2

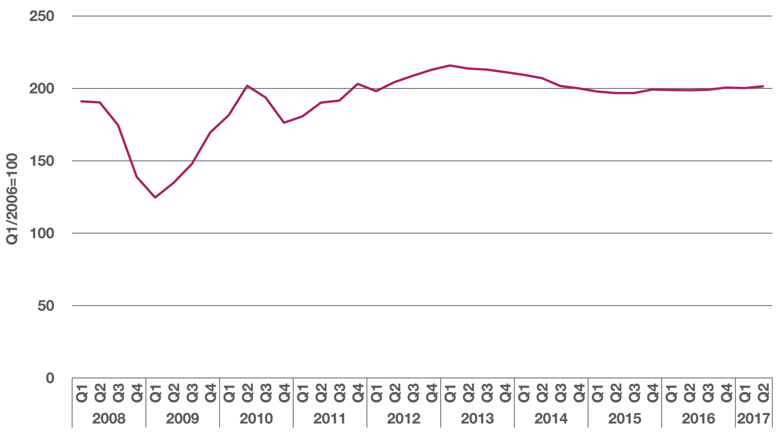
Market share for the sales of non-landed private residential units, Q1/2013–Q2/2017



Source: URA, Savills Research & Consultancy

GRAPH 3

Savills high-end, non-landed home price index, Q1/2008–Q2/2017



Source: Savills Research & Consultancy

Prices

The URA private residential price index showed a marginal decline of 0.1% QoQ for non-landed private homes island-wide in Q2/2017. Prices in the RCR continued their upward trend for the second quarter in Q2/2017, registering a 0.6% growth QoQ. However, the increase was offset by the price declines in both the CCR and OCR, at 0.5% QoQ and 0.3% QoQ, respectively. Notwithstanding the mixed performance among various market segments, the overall prices for private non-landed homes are expected to reach the bottom of the property cycle soon, supported by recent buoyant sales activity.

Based on Savills basket of high-end, non-landed projects, the average price inched up 0.6% QoQ to S$2,267 per sq ft in Q2/2017, reversing the marginal decline of 0.2% in the previous quarter. Compared with the same period of 2016, the price has risen by 1.4%. The on-the-ground view from our agents also confirmed the price recovery, along with reviving buying activities.

Future supply

As of Q2/2017, URA statistics showed that there were 44,664 new

1 Downloaded from URA's Realis on 2 August 2017

private homes awaiting completion. Of these, 29,791 units (66.7%) are under construction, whilst 14,873 units (33.3%) are at the planning stage. By sale status, about 54.5%, or 24,326 units, remained unsold.

In spite of developers' strong appetite for residential land, excluding ECs, the government has only released land for an estimated 2,025 private residential units on the confirmed list for the second half of 2017's GLS programme. This is 13.1% lower than the 2,330-unit supply in 1H/2017. In the meantime, the 2H/2017 reserve list offers a total of 5,285 private residential units from ten sites, a moderate 2.9% increase from the 5,135 in the first half of 2017.

On the other hand, there was a revival in the collective sales of private residential sites in the first seven months of 2017. Six en-bloc sales were sealed: One Tree Hill Gardens near Orchard Road; Rio Casa at Hougang Avenue 7; Eunosville at Sims Avenue; The Albracca at Meyer Place; Serangoon Ville at Serangoon North Avenue 1; and the mixed-use development Goh & Goh Building on Upper Bukit Timah Road. Encouraged by these deals, several projects, such as Tampines Court, Florence Regency, Normanton Park Condominium, Villa D'Este and Dunearn Court, have been either put up for sale or are in the midst of having a collective sale committee set up. Other than being engaged in collective sales, developers are also active in acquiring land plots from individuals or companies. Consequently, in the next two to three years, new developments from successful sales in the private sector, especially those en-bloc privatised HUDC estates, will release a few thousand new units to the market.

TABLE 2

Major upcoming launches

Project name	Location	Developer	Locality	Total no. of units
Condominium development	St. Thomas Walk	Bukit Sembawang View Pte Ltd	CCR	250
Condominium development	Tampines Avenue 10	City Developments Ltd	OCR	861
Hundred Palms Residences (EC)	Yio Chu Kang Road	Hoi Hup Realty Pte Ltd	OCR	531
Kandis Residence	Jalan Kandis	Dillenia Land Pte Ltd	OCR	130
Le Quest	Bukit Batok East Avenue 6	Qingjian Realty (BBC) Pte Ltd/Qingjian Realty (BBR) Pte Ltd	OCR	516
Martin Modern	Martin Place	First Bedok Land Pte Ltd	CRC	450
Moulmein27	Moulmein Rise	27MR Pte Ltd	CCR	63
New Futura	Leonie Hill Road	City Sunshine Holdings Pte Ltd	CRC	124
Parksuites	Holland Grove Road	Kentish View Pte Ltd	CCR	119

Source: URA, Savills Research & Consultancy

OUTLOOK

The prospects for the market

We are predicting transaction volumes to rise substantially in 2017. Primary sales numbers are now forecast to rise to around 12,000 units. On the secondary sale front, we may ultimately end the year with about 11,000 unit sales. Although economic growth is moderate and the job market remains weak, the pent up demand is coming from those who had waited on the sidelines for prices to collapse. It is not known how deep this pool of buyers is, but it is likely to be substantial. Their impatience is drawing them back into the fray. With developers bidding at higher and higher levels for recent GLS sites, the cost of production is rising, and when these new projects come to market in mid-2018, sale prices are likely to face cost-push pressures.

Given the slew of successful collective sales from large developments, there exists the potential for a spike in migratory demand, as owners of these developments find alternative abodes once they hand over their units to the en-bloc buyer. Although many are likely to "downgrade" to public flats to lock in the cash portion of their windfall, they are still likely to displace the existing public housing flat dweller, who will then transit to another housing type. As the launch and completion of most of the new developments that arise from the collective sales sites will be from Q2/2018 onwards, the timing

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The prospects for the market

mismatch may ultimately tunnel its way through to the private end of the residential market. Since 2016, over 1,600 residential units have been taken off the market via collective sales, not an insubstantial number, creating additional demand in the short-term for both purchase and rent.

The residential real estate market engine is very complex, and some of the factors that make the market not easily amendable to analysis include the lag in the physical supply, the ability to market off-plan i.e. sell forward, the need to recycle capital by developers partially creating the conditions for land cost-push pressures, spatial dynamics involved in the land bidding process, policy controls, and the list goes on. However, as complex as it may be, there still has to be an opinion of where the market will be by end-Q2/2018. Well, with the same policy actions in place for the next two quarters, for the real estate practitioner, enough momentum has been building since mid-2016 for them to experience improving sales volumes, both primary and secondary sale prices, and rents, at least for the CCR and RCR.

In the meantime, complacency amongst some buyers still waiting on the sidelines, believing that prices are still languishing, could set up the stage where they start tripping over themselves when the batch of projects slated for launch in 2018 sequentially comes, with landmark pricing for the projects' respective locations.

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