Briefing
Residential sales

August 2018

Image: 8 Saint Thomas at Saint Thomas Walk

SUMMARY

Sales volumes picked up in Q2 despite increasing prices.

■ New launches of private homes, excluding executive condominiums (ECs), rose 164.6% quarter-on-quarter (QoQ) to 2,437 units in Q2.

■ The number of private homes that developers sold in Q2/2018, about 2,366 units, was 49.7% higher than the preceding quarter. In the secondary market, the transaction volume of private homes also jumped 28.6% QoQ to 4,820 units, the highest level since Q2/2011.

■ Based on caveats registered in Q2/2018, a total of 4,801 non-landed private residential units were purchased by Singaporean buyers, up 38.7% QoQ. The market share of this group of buyers also rose by 4.4 percentage points (ppts) QoQ to 77.4%, the highest since Q1/2012.

■ A check of caveats for new sales of non-landed private residential units showed that some 3,178 units or 85.4% of the total units sold in the first half of 2018 were priced below S$2.0 million each.

■ The Urban Redevelopment Authority's (URA) island-wide private residential price index continued to rise for the fourth straight quarter, in Q2/2018, although the quarterly growth rate moderated slightly. A similar pattern was found in the prices of high-end non-landed residential properties tracked by Savills.

■ Prices for the 2H/2018 batch of launches are re-vectored to end-2019, thereby slowing the price increase for 2018 from 15% - 20% year-on-year (YoY) to 10% - 12%.

"The latest cooling measures did not lead to a dip in market sentiment and have prolonged the previously anticipated sharp price increase."
Alan Cheong, Savills Research

MCI (P) No. 115/03/2018
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Market overview

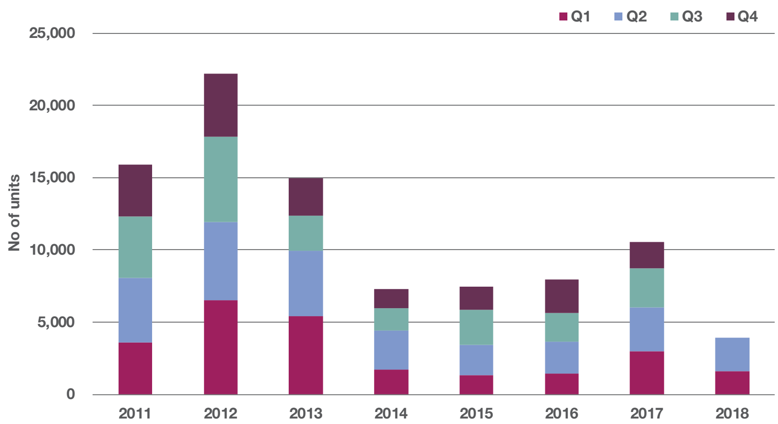
After a quiet first quarter, developers increased their new launches in Q2/2018. However, the pace was below market expectations. Most developers tried to avoid launching their projects during the school holidays in June. They also continued to hold back new launches in order to ride along with the general price increase. Overall, according to the URA's latest data, a total of 2,437 private homes, excluding ECs, were released for sale, up a sharp 164.6% from the 921 units released a quarter ago.

By market segment, the number of newly-launched private homes in the Rest of Central Region (RCR) and Outside Central Region (OCR) experienced strong growth in the reviewed quarter, posting a quarterly increase of 690.3% and 129.3% respectively. Six out of the 13 new projects launched in Q2 were in the RCR or the mid-tier market segment. These included The Verandah Residences, Margaret Ville, Amber 45, Sixteeen35 Residences, Harbour View Gardens and 33 Residences. In total, these projects released 552 units for sale. In addition, Park Place Residences at PLQ also rolled out 212 units in its Phase Two launch. In the OCR, five new developments were launched for sale. They are Twin Vew, Affinity At Serangoon, The Garden Residences, Sea Pavilion Residences and Cayman Residences (landed), accounting for 1,019 units, or nearly 42% of Q2's total new launches. Meanwhile, a few previously launched projects, such as Parc Botannia, Le Quest and Seaside Residences, released substantial units to sale. In contrast, developers launched only 114 private residential units in the high-end market segment or the Core Central Region (CCR), with those properties mainly coming from two new projects – One Draycott and 120 Grange. This number was 28.8% lower than the 160 units offered in the previous quarter.

With more launches, the number of private homes that developers sold in Q2/2018 was 2,366 units, 49.7% higher than the 1,581 units they moved in the preceding quarter. Underpinned by increasing launches and buoyant buying interests, the sales volume in the primary market was up across all market segments. The OCR continued to dominate sales with 1,283 units sold, accounting for 54.2% of new homes sold in Q2 and rising by 34.9% QoQ; while the RCR posted the highest growth of 91.1% QoQ with 925 units sold. Sales in the CCR also went up 8.2% QoQ to 158 units in Q2, regardless of less launches during the same period. Among the top sellers in Q2 were Twin Vew, Park Place Residences at PLQ, The Verandah Residences, The Tapestry and Margaret Ville, all of which contributed

GRAPH 1

Primary private home sales volume, Q1/2011 – Q2/2018



Source: URA, Savills Research & Consultancy

TABLE 1

Major new launches, Q2/2018

Project name	Location	Developer	Locality	Total no. of units	Total no. of units launched	Take-up (%)	Price range (S$ per sq ft)
120 Grange	Grange Road	RH Orchard Pte Ltd	CCR	56	50	84	2,982-3,386
Affinity At Serangoon	Serangoon North Avenue 1	Oxley Serangoon Pte Ltd	OCR	1,052	300	35.7	1,127-1,797
Amber 45	Amber Road	UOL Development (Amber) Pte Ltd	RCR	139	100	86	2,076-2,573
Harbour View Gardens	Pasir Panjang Road	RH Developments Pte Ltd	RCR	57	57	87.7	1,673-1,857
Margaret Ville	Margaret Drive	MCL Land (Regency) Pte Ltd	RCR	309	138	87.7	1,708-2,195
One Draycott	Draycott Park	Champsworth Development Pte Ltd	CCR	64	64	1.6	2,599
Rivercove Residences (EC)	Anchorvale Lane	Hoi Hup Sunway Sengkang Pte Ltd	OCR	628	628	99.8	900-1,086
Sixteen35 Residences	Lorong 35 Geylang	Oxley Opal Pte Ltd	RCR	60	60	83.3	1,422-1,669
The Garden Residences	Serangoon North View	Gardens Development Pte Ltd	OCR	613	156	41.0	1,423-1,770
The Verandah Residences	Pasir Panjang Road	Oxley Amber Pte Ltd	RCR	170	170	100	1,530-1,998
Twin Vew	West Coast Vale	CSC Land Group (S) Pte Ltd	OCR	520	520	86.5	1,214-1,726

Source: URA, Savills Research & Consultancy a total of 1,068 units, accounting for 45.1% of total new private homes sold.

For most of the new projects launched in the reviewed quarter, especially those released in April and May, their take-up rates were good, with over 80% of the units launched sold by end-June. However, the sales performance for new launches in June was less impressive. For example, Affinity At Serangoon moved 107 units (35.7% of the 300 units launched), and The Garden Residences sold 64 units (41.0% of 156 units launched). Setting aside school holidays as a factor, the competition between these two projects, which are near each other in Serangoon North and launched at the same time, could be the reason why they undercut demand from each other.

In the secondary market, transaction volumes of private homes, excluding ECs, jumped 28.6% QoQ to 4,820 units, the highest since Q2/2011, when 5,348 units were sold. Across the island, sales picked up in all sectors, with the CCR, RCR and OCR recording QoQ volume increases of 22.1%, 36.9% and 26.8% respectively. In view of the swift price acceleration in new projects, buyers have widened their sights to include the resale market, where the pace of price increases has been more modest. In addition, demand may also be driven up by owners who have successfully sold units in the recent collective sales market and are looking for replacement homes.

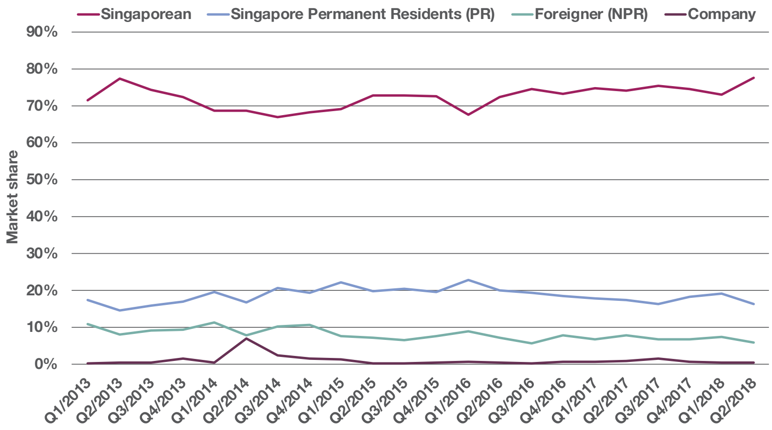
Key market trends

Based on caveats lodged in Q2/2018, a total of 4,801 non-landed private residential unit purchases were by Singaporean buyers, up 38.7% QoQ. Compared with the preceding quarter, the market share of this group of buyers also rose by 4.4 ppts QoQ to 77.4%, the highest since Q1/2012. By a unit's price quantum, except for the price range from S$4-5 million, transaction volumes across other price ranges all increased substantially on a quarterly basis, led by a 59.1% rise for units priced in the range of S$3-4 million and 48.1% for units priced in the range of S$1-2 million.

Overseas nationals, including Singapore Permanent Residents (PRs) and foreigners, bought 1,377 non-landed private residential properties.

GRAPH 2

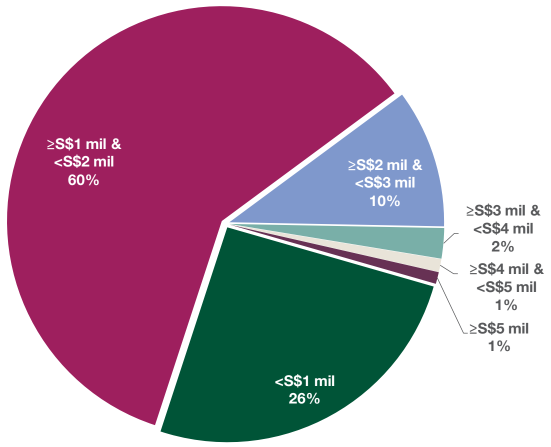
Market share of sales of non-landed private residential units, Q1/2013 – Q2/2018



Source: URA, Savills Research & Consultancy

GRAPH 3

New sales of non-landed private residential units by price range, 1H/2018



Source: URA, Savills Research & Consultancy

Although overall transaction volumes picked up, the market share of overseas nationals fell by 4.3 ppts to 22.2%. Buyers from China, Malaysia, India and Indonesia continued to top the list with a total transaction volume of 912 units. Together with the 146 units purchased by foreigners who did not specify their nationalities, these buyers have acquired 1,058 units, accounting for 76.8% of total purchases by non-Singaporean buyers.

In the primary market, breaking up the unit price quantum reveals the sweet spot where buyers gravitate. A check of caveats for new sales of non-landed private residential units showed that some 3,178 units or 85.4% of the total units sold in the first half of 2018 were priced below S$2.0 million each. This percentage comprises 952 units (25.6%) worth no more than S$1.0 million each and 2,226 units (59.8%) with prices ranging from S$1.0 million to S$2.0 million (exclusive).

Prices

The URA's price index showed that in Q2/2018 island-wide private residential prices continued to rise for the fourth straight quarter. However, the quarterly growth rate moderated slightly to 3.4% from the 3.9% increase in the preceding quarter, which may suggest some resistance to high prices, especially in the high-end market segment. Therefore, price growth has started to decelerate.

The quarterly price increase was led by landed homes, which rose 4.1%, up from Q1's 1.9%. For condominiums and private apartments, overall prices climbed 3.2% QoQ, slower than the 4.4% recorded in Q1; per segment, CCR, RCR and OCR recorded rises of 0.9%, 5.6% and 3.0% QoQ respectively.

A similar pattern was found in the prices of high-end non-landed residential properties tracked by Savills, with the quarterly price increase slowing from Q1's 2.7% to Q2's 1.0%. As of Q2/2018, the average price of these high-end units was S$2,400 per sq ft, 1.2% off the previous peak of S$2,429 per sq ft in Q1/2013.

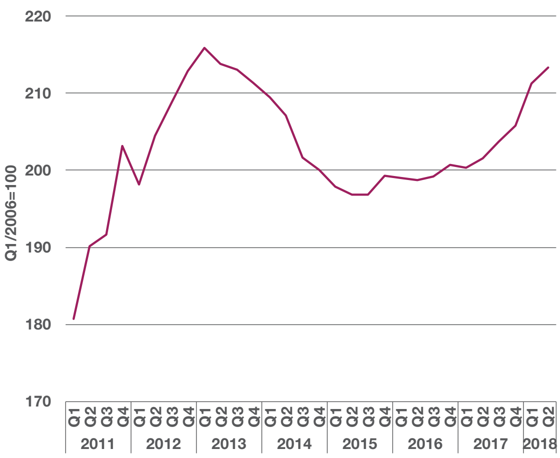
Future supply

By end Q2/2018, the stock of unsold private residential units had increased substantially. According to the URA's statistics, a total of 26,961 uncompleted private homes (excluding ECs) in the pipeline with planning approvals remained unsold, up 2,750 units or 11.4% from the 24,193 units as at the end of Q1.

On top of that, there is a potential supply of 19,500 units (including ECs) from both Government Land Sales (GLS) sites and awarded en-bloc sale sites that have not been granted planning approval yet. They comprise about 8,400 units from awarded GLS sites and Confirmed List sites that have not been awarded yet, and about 11,100 units from awarded en-bloc sale sites.

GRAPH 4

Savills high-end, non-landed home price index, Q1/2011 – Q2/2018



Source: Savills Research & Consultancy

TABLE 2

Major upcoming launches, Q2/2018

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
Daintree Residence	Toh Tuck Road	Setia (Bukit Timah) Pte Ltd	RCR	327
Jadescape	Shunfu Road	Qingjian Realty (Marymount) Pte Ltd	RCR	1,204
Luxus Hills (landed)	Luxus Hill Avenue	Singapore United Estates Pte Ltd	OCR	117
Mayfair Gardens	Rifle Range Road	Citrine Property Pte Ltd	RCR	386
Parc Esta	Sims Avenue	MCL Land (Everbright) Pte Ltd	RCR	1,399
Park Colonial	Woodleigh Lane	CEL Unique Development Pte Ltd	RCR	805
Parkwood Collection	Lorong 1 Realty Park/Hougang Avenue 2/ Upper Serangoon Road	Fantasia (Park) Pte Ltd	OCR	53
Riverfront Residences	Hougang Avenue 7	Rio Casa Venture Pte Ltd	OCR	1,472
Stirling Residences	Stirling Road	LN Development (Stirling) Pte Ltd	RCR	1,259
The Jovell	Flora Drive	Tripartite Developers Pte Ltd	OCR	428
The Tre Ver	Potong Pasir Avenue 1	UVD (Projects) Pte Ltd	RCR	729
The Woodleigh Residences	Upper Aljunied Road	Elara 1 Pte Ltd	RCR	667
Treasures At Tampines	Tampines Street 11	Sim Lian (Treasure) Pte Ltd	OCR	2,225
Uptown @ Farrer	Perumal Road	Perumal Development Pte Ltd	RCR	356
Whistler Grand	West Coast Vale	CDL Pegasus Pte Ltd	OCR	718

Source: URA, Savills Research & Consultancy

OUTLOOK

The prospects for the market

The Ministry of Finance, Ministry of National Development, and Monetary Authority of Singapore jointly announced fresh property market curbs in early July. With immediate effect from 6 July 2018, except for citizens and permanent residents buying their first residential property, the Additional Buyer's Stamp Duty (ABSD) rates were raised by five ppts for all individuals and ten ppts for entities. For developers, ABSD was raised from 15% to 30%, including 5% that is non-remittable. In addition, mortgage loan-to-value ratios were lowered five ppts, for example, 75% for a borrower with no outstanding housing loan for the purchase of another residential property.

All of these measures, however, do not render our commentary of the first sale and price performance obsolete, and they do have relevancy in the analysis of what comes next after 5 July 2018.

The increase in sales volume and prices since Q3/2017 has been partly due to recovering market sentiment. Using the URA's property price index (PPI) as the measure, although the index fell 11.6% from Q3/2013 to Q2/2017 and then made a strong 9.1% clawback in just four quarters from Q2/2017 to Q2/2018, the recovery has to be taken in the context of another factor. From Q3/2013 to Q4/2017, while the PPI fell 11.3%, household incomes of the top 30 percentile were rising simultaneously, a cumulative increase of 15-18%. Bonuses were also paid out for this top 30 percentile in the years 2014, 2015, 2016 and 2017, raising household balance sheets further. Adding the PPI decline to the rise in household income of this group, and excluding bonuses or other windfalls, we find that by end-2017, housing affordability had improved by about 25%. Therefore, the "sharp" recovery must be seen in context of the even "sharper" increase in affordability levels, and one cannot attribute the rise solely to improving sentiment or the formation of a bubble.

Moving on to 2018, for the first half of this year, prices rose 7.4%. Even if we subtract this from the 25% private housing affordability gains, private properties are still about 17% more affordable than they were in Q3/2013. So what we can say about the recent price and sales run up is that it is a recovery triggered by improving sentiment and fundamentally backed by vastly higher household incomes and balance sheet levels.

The continuation of sales at Park Colonial, Riverfront Residences and Stirling Residences (launched on the eve of the cooling measures) from 6 July onwards provided empirical evidence that this time round, the measures had a different impact compared with 30 June 2013 when the TDSR framework was implemented. Back then, in the months after June, post-weekend launch sales (that is sales after the first weekend launch) dried up.

For an analysis of the current cooling measures, we can look to the launch of The Tre Ver. Although prices were set below earlier expectations, they are nevertheless higher than our hedonic model output for Q2/2018 (and so excludes Park Colonial). The relatively healthy take-up of 19% on the first weekend of launch in early-August, and the continuing post-launch sales, even in the midst of the "Hungry Ghost month", opens up the opportunity for us to contrast this with The Glades (September 2013). The Glades was the first launch of a major project after the maiden imposition of the TDSR framework in June 2013. Both projects, fortunately for us, offer an almost one-to-one correspondence of the total number of units. The Tre Ver has 726 units while The Glades has 729. From URA's Realis, we have the following statistics shown in Table 3.

Even without the complete August month data, The Tre Ver has already outsold The Glades, partially showing that there are one or more causal factors inducing buyers to commit. We believe that one (stress) of them is affordability/monetary ability. (A more robust analysis would require adjustments made for comparative pricing – as in whether The Glades

TABLE 3
Sales rate of some projects in the launch month

Project name	Month launched	Units sold in the launch month	Total units in the project	Sales rate in the launch month
The Glades	Sep 2013	89	726	12.3%
The Tre Ver	Aug 2018	155*	729	21.3%

Source: URA, Savills Research & Consultancy
Note: *Caveats captured were up to 19 August 2018 (downloaded on 27 August 2018).

OUTLOOK

The prospects for the market

and The Tre Ver were over/under-priced for their respective project attributes. However, we will leave this as an exercise for the more academically inclined.)

We had expected further cooling measures but the timing of the latest one was unexpected. In other words, the latest event is a known unknown. With current affordability levels much higher than they were in 2013, a known unknown is less shocking than an unknown unknown. Combined with the markets' adaptive abilities (i.e. these measures were a reprise of earlier measures), the measures did not induce a tear in the fabric of buyers' expectations.

Nevertheless, in the immediate future, the sales volume of private residential properties is likely to be lower than anticipated (because we do not know what the sales volume in the month of launch would have been if, say, The Tre Ver had launched in an environment without measures – it could very well have been lower than 21.3%, if launch prices were much higher), as most second-home buyers and foreign buyers will be priced out due to higher ABSD rates or will adopt a 'wait-and-see' attitude in the near term. We do not expect home prices to fall, and even if they do, it will not be a significant drop. Our central view is that steep price increases in the near term will be deferred. Owing to the high land prices paid by developers for recent GLS sites and en-bloc sale sites, launch prices of some future developments may still set benchmarks in the vicinity but lower than what they had expected. In our view, the original price increase forecast for 2H/2018 (stress) is now re-vectored, with growth in the second half of this year slowing to 1.5-2.5% QoQ and the increase carrying over to 2019. In other words, the original price increase forecast for the 2H/2018 batch of launches will fall within the area bounded by the red arrows. This concept is shown in Graph 5.

GRAPH 5

New pricing vectors for the 2H/2018

Source: Savills Research & Consultancy

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