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Savills World Research
Singapore

Briefing
Residential sales

October 2012

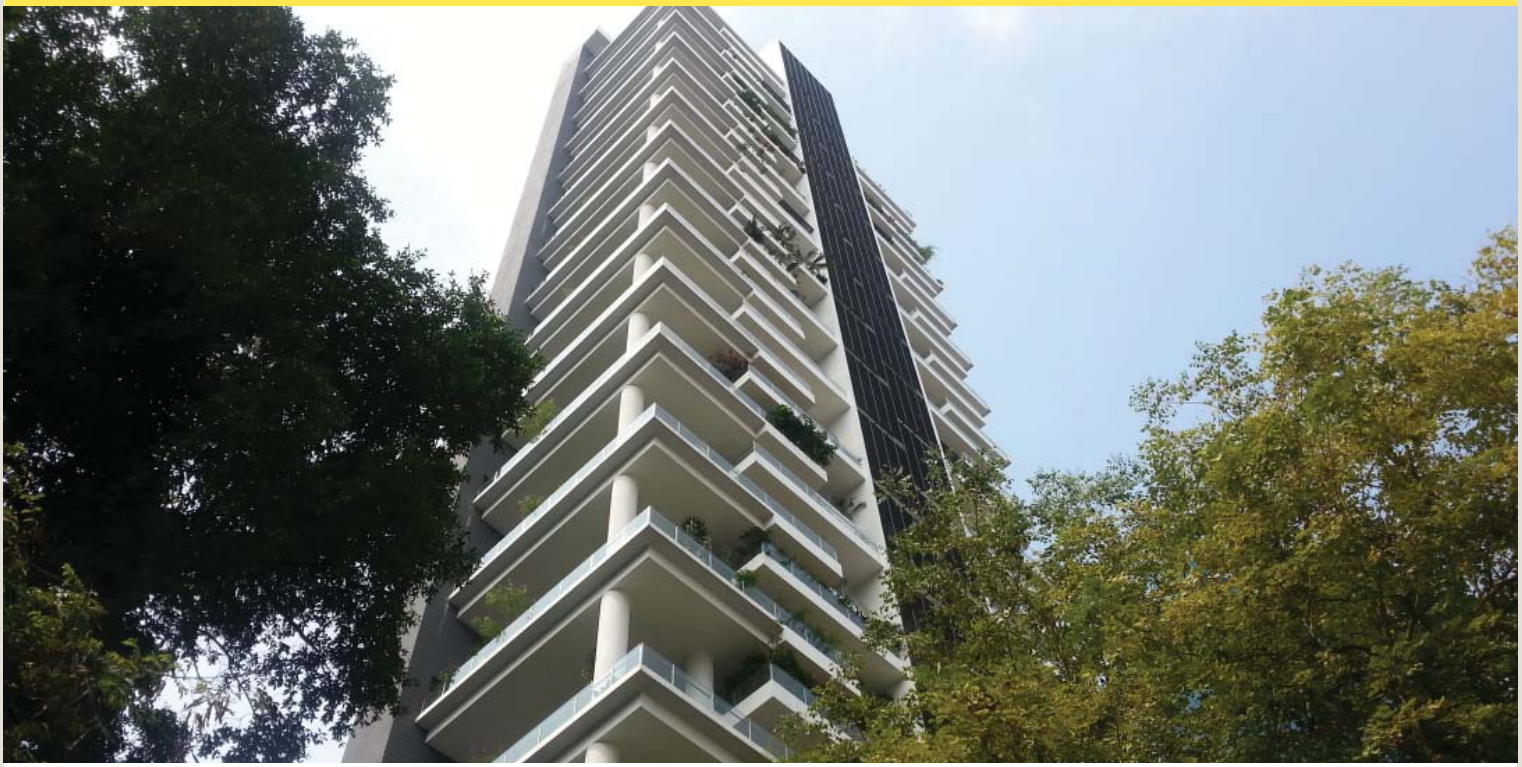

Image: Skypark

SUMMARY

The heat shield is still holding up.

- The latest round of quantitative easing (QE3) is expected to raise the prospect of further increases in property prices.
- The domestic economy looks less rosy as forecasters trimmed Singapore's GDP growth to 2.4% this year.
- The residential market continued to sizzle in July with 1,946 new home sales, a rise of 42% month-on-month (MoM).
- In the first eight months of this year alone, about 15,300 new properties were sold, close to the full-year total of 2011.
- The government has unveiled a new policy to curb the number of shoebox units in new residential developments.
- The median price of resale condominiums (condos) rose 4.0% quarter-on-quarter (QoQ), while new non-landed homes fell 11% QoQ in Q3.
- High-end home prices tracked by Savills rose 2% QoQ.
- Several major launches from huge government land sites may be on the cards within the next three months.

"The bulkheads of Singapore's housing market are still firm, at a time when global economies are being serially depth-charged by crisis after crisis, and we may in fact benefit from QE3."
Alan Cheong, Savills Research

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Market overview

In a bid to resuscitate the economy, the US Federal Reserve has again flooded the world with liquidity in its latest round of quantitative easing. The Federal Reserve intends to pump US$40 billion per month into their economy until a more sustainable job growth is achieved. The wave of capital has raised prospects for the property market here, as some of the hot money will likely flow into Singapore in the coming months.

While real estate in Singapore has been buoyed by domestic demand, the Additional Buyers' Stamp Duty has dented overseas purchases at the top end of the housing market in recent months. QE3 may propel overseas investors' interests here as they seek high-yielding properties in the mid- to high-end segments in the coming months. Such an increase in demand could mop-up the excess housing supply and boost Singapore property prices.

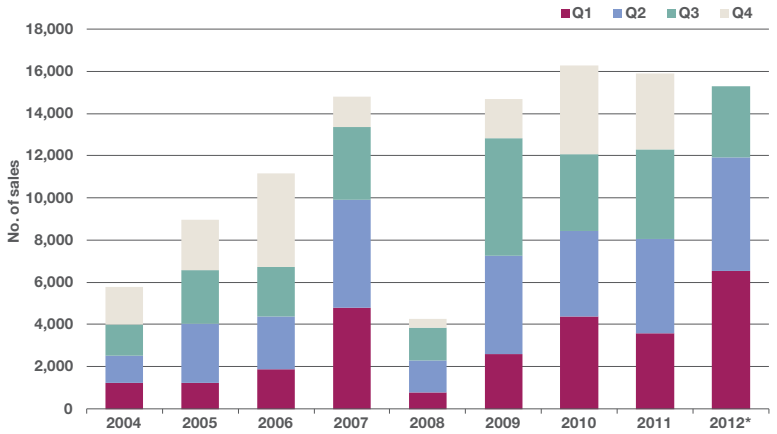
Meanwhile, the domestic economy looked less rosy as economists flagged risks of a technical recession as exports continued to dive in August. A poll conducted by the Monetary Authority of Singapore in mid-September has also indicated that most analysts expect grimmer prospects for Singapore's economy in Q3. Forecasters trimmed Singapore's GDP growth to 2.4% this year, below the median forecast of 3% in May. A slowdown in demand may also be seen for most key sectors, including the financial services, and wholesale and retail trade sectors in the following quarters.

The housing market in Singapore continues to be propped-up by strong domestic demand, mainly driven by developers' strategy of minting small affordable units and easy financing at record-low interest rates. The market sizzled in July with 1,946 new sales, jumping by a whopping 42% MoM. Including executive condominiums (ECs), primary home sales reached 2,070 units.

August, however, registered 1,421 (or 1,539 units including ECs) new sales. The fall is considered moderate as

GRAPH 1

Sales volume in the primary market (excluding ECs), 2004–Aug 2012



Source: Urban Redevelopment Authority (URA), Savills Research & Consultancy
* up to Aug 2012

TABLE 1

Major new launches, Q3/2012

Project name	Developer	Location	Category	Total units
Riversails	Allgreen Properties Ltd	Upper Serangoon Crescent	OCR	920
Eco	Far East Organization, Frasers Centrepoint Homes, Sekisui House Ltd	Bedok South	OCR	748
Parc Centros	Wee Hur Holdings Ltd	Punggol Central	OCR	618
V on Shenton	United Industrial Corporation Ltd	Shenton Way	CCR	510
Parc Olympia	Koh Brothers Group	Flora Drive	OCR	486
Heron Bay	CNH Investments Pte Ltd, Evia Real Estate, Ho Lee Group, See Hup Seng Ltd	Upper Serangoon Road	EC	394
Kovan Regency	Hoi Hup Realty Pte Ltd	Kovan Road/Simon Road	OCR	393
Leedon Residence	Guocoland Ltd	Leedon Heights	CCR	391
One Dunsun Residences	LVND Homes Pte Ltd	Jalan Dusan	RCR	154
The Line @ Tanjong Rhu	Lakeview Investments Pte Ltd	Tanjong Rhu Road	RCR	130
Haus@Serangoon Garden	City Development Ltd	Serangoon Garden Way	OCR	97
Naung Residence	Orion-Two Residential Pte Ltd	Jalan Naung	OCR	60
Gambir Ridge	Meadows Investment Pte Ltd	Gambir Walk	OCR	77

Source: URA, Savills Research & Consultancy
OCR = Outside of central region
RCR = Rest of central region
CCR = Core central region

there was a dearth of new launches and sales are traditionally slow during the Chinese hungry ghost festival.

The fifth round of property measures seems to be wearing-off after eight months. Overseas buyers, especially those from Malaysia, were steadily seen streaming back over the past weeks. New mass-market properties continue to attract droves of buyers with many projects chalking-up more than 50% take-up within the first month of launch, indicating that the increased housing supply has not dampened domestic demand.

In the first eight months of this year alone, about 15,300 new homes have been sold, a little short of the 15,904 units sold in 2011. This has also surpassed the full-year's sales of 2009 by 4%. Including ECs, the primary sales in the first eight months of 2012 (17,963 units) have surpassed the whole-year sales of 2005 through to 2010. At this rate, 2012 is poised to be another stellar year with a new record number of primary sales.

Government acts to curb shoebox units

The government has unveiled a new policy to curb the increasing number of shoebox apartment units. On 4 September 2012, the URA announced its guidelines on the maximum number of units that will be allowed for all new developments in the OCR. This is derived from a formula that is based on a prescribed average unit size of 70 sq m. In the more congested areas like Telok Kurau, Kovan, Joo Chiat and Jalan Eunos, the prescribed average unit size is 100 sq m.

Many welcomed the changes, as the supply of shoe box units – typically below 50 sq m – was expected to rise five-fold to 11,000 units by the end of 2015. The shoebox units have artificially pushed up the unit prices of new private apartments across the island in recent years. This would have inevitably increased population densities in many residential areas, putting a strain on infrastructure. Established developers who bought large sites through state tenders may be least affected, as most offer a wide range of unit sizes to cater to the different market needs.

However, smaller developers seeking to maximise their returns and recoup land costs by building more shoebox units, may see their profits affected by this new regulation. Bids for smaller en-bloc sites may become more subdued as developers will now have to factor-in lower per sq ft selling prices for the larger units.

Investors who bought shoebox units with the hope of earning handsome monthly rents of between S$2,000 and S$3,500 may find themselves in a bind as the completed supply of such homes is set to surge in three years' time. The market may be hit with a double whammy as the government continues to tighten Foreign Employment Policies and some international buyers return to the US and Europe after their economies show an improvement. Demand for shoebox apartments may also be retracted as the government is considering a move to allow singles to purchase built-to-order public housing flats directly from the Housing Development Board (HDB).

Prices

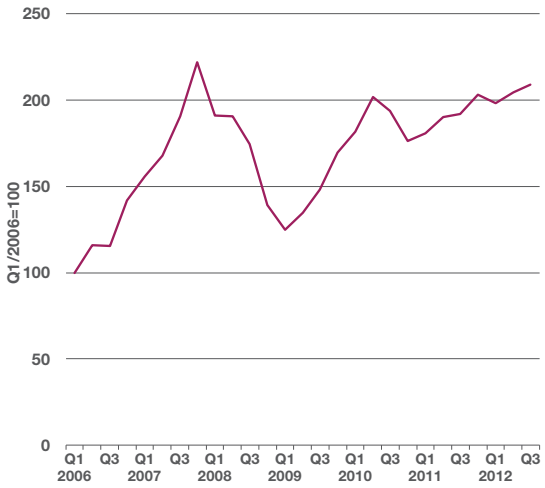
According to Savills data, the average unit price of luxury condos in Singapore was S$2,350 per sq ft in Q3/2012, a 2% rise QoQ from S$2,300 per sq ft, and a 9% increase year-on-year from S$2,156 per sq ft. Compared with the peak price of S$2,495 per sq ft in Q4/2007, prices are still 6% lower in Q3/2012.

According to data from the URA, the median price of resale condos rose 4.0% QoQ from S$1,020 per sq ft in Q2/2012 to S$1,061 per sq ft in Q3/2012. The median price for new condos, on the other hand, saw an 11% QoQ fall from S$1,149 per sq ft in Q2/2012 to S$1,025 per sq ft in Q3/2012.

The performance of landed houses in Singapore was quite similar to their non-landed counterparts. The third quarter saw a 6% QoQ rise to S$1,145 per sq ft for resale landed homes, while new sales saw a

GRAPH 2

Savills high-end non-landed home index, Q1/2006–Q3/2012



Source: Savills Research & Consultancy

TABLE 2

Potential launches within the next three months

Project name	Developer	Location	Category	Total units
The Topiary	Kheng Leong Group	Fernvale Lane	EC	700
Skies Miltonia	TG Development Pte Ltd	Miltonia Close	OCR	420
Waterbay	Qingjian Realty Pte Ltd	Punggol Central	EC	383
A condo development	Tuan Sing Holdings Ltd	Upper Serangoon Road/ Pheng Geck Avenue	RCR	350
A condo development	Unique Realty Pte Ltd	Macpherson Road	RCR	176
The Sorrento	Allgreen Properties Ltd	West Coast Road	OCR	131
Laurel Tree	Lerida Pte Ltd	Hillview Terrace	OCR	70

Source: URA, Savills Research & Consultancy

15% QoQ fall to S$1,148 per sq ft. The price correction for new homes in both landed and non-landed segments is not surprising after the recent run-up in prices of new homes, while resale prices are still trying to play catch-up. However, as underlying sentiment is still positive and QE3 has come into force, new home sale prices are likely to resume their upward trend in Q4/2012.

Upcoming launches

Several major launches from large government land sites may be on the cards as developers release more apartments and homes for sale within the next six months. They include the 383-unit EC project Waterbay by Qingjian Realty Pte Ltd, and the 700-unit EC project The Topiary by Kheng Leong Group. QE3 may also trigger the launch of luxury and mid-tier projects that have been held back since the global financial crisis.

OUTLOOK

The prospects for the market

Contrary to the popular belief that prices have stabilised in recent quarters, the cost of owning a new condo is still high. The possibility of upgrading to a new home is also slipping from the reach of many Singaporeans. For instance, many new suburban condos that were priced between S$700 and S$900 per sq ft pre-global financial crisis are now priced between S$1,000 and S$1,500 per sq ft in the resale market. Some popular units near MRT stations like Kovan and Serangoon are currently transacting at between S$1,300 and S$1,600 per sq ft. Most new suburban projects near MRT stations are launched at prices in excess of S$1,000 per sq ft. Increasing HDB resale prices have also helped raise the support levels for the private market.

Apart from its effectiveness in limiting speculative purchases, the property curbs may not have doused the strong buying sentiment nor subdued the rising prices. Anecdotally, many of the current homebuyers may be multi-home owners or beneficiaries from successful en-bloc deals. Some may also be savvy investors who took the plunge during the 2008 crisis and are reaping the rewards of their opportunistic buys.

With interest rates remaining low and more capital flowing in as a result of QE3, we are cautiously optimistic that property prices may be poised to trend higher, possibly rising up to 10% in the coming months. Astute international buyers are expected to seek value buys in the luxury segments.

The influx of such hot money usually precipitates into the formation of property bubbles. For Singapore, which has no capital controls, more cooling measures may be in store if the authorities wish to sterilise the excess liquidity entering the real estate sector and prevent a property bubble from forming.

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