

# Briefing Residential sales

October 2014



Image: Sophia Residence

## SUMMARY

Moderate price declines over the past four quarters is testament to the resilience of the private residential property market.

- According to advance estimates, the Singapore economy expanded 2.4% in the third quarter year-on-year (YoY).

- In Q3/2014, there were only 1,294 new private residential units launched, 54.5% lower than the 2,843 units launched in Q2.

- The number of new private residential units sold fell by 40.1% quarter-on-quarter (QoQ) from 2,665 units in Q2 to 1,531 in Q3.

- According to the Urban Redevelopment Authority's (URA) quarterly statistics for Q3/2014, the

private residential property price index slipped marginally by 0.7% QoQ. The average prices of high-end non-landed homes tracked by Savills posted another quarter of decline, easing by 2.6% QoQ to S\$2,269 per sq ft.

- The supply of new private residential units at the end of Q3/2014 stands at 79,364, of which about 4,336 units will be completed by the end of this year and 20,824 units by end 2015.

- With the price indices falling at a snail's pace, the market fear is that the prevailing cooling measures may continue to be in force for an extended period.

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 "Against the grain of conventional thinking, the residential market is holding firm with developers' high production costs being the price floor and the building of reserves by potential buyers who have yet to commit."  
 Alan Cheong, Savills Research  
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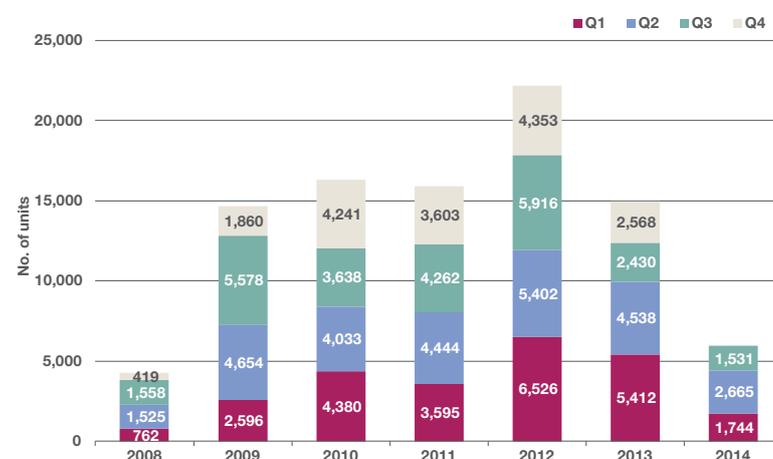
➔ **Market overview**

According to advance estimates, the Singapore economy expanded 2.4% in the third quarter this year from a year ago. Manufacturing and construction sectors grew marginally by 1.4% YoY each, while the services-producing industries posted a stronger growth of 2.9% YoY. Growth came mainly from the finance and insurance sector and business services sector.

On a quarterly basis, economic growth was flat. As with the economy, the private property market was also sluggish. The quarter under review saw slow sales activities in the primary market. The lacklustre market may have been a result of fewer units launched for sale.

In Q3/2014, there were only 1,294 new private residential units launched, less than half of the 2,843 units launched last quarter. Of this number, only 780 units were from new projects. This was a drop of 63.8% from the 2,152 units from new projects launched in Q2. Evidently, developers were more focused on clearing the units in their existing projects than introducing new projects. In fact, no new residential project was launched in August which saw only re-launches of previous projects. A possible reason could be that the Hungry Ghost Festival fell on 21 out of 31 days in August.

GRAPH 1 **Primary private home sales volumes, 2008–Q3/2014**



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

This has always been a traditionally quiet time for the property market when developers avoid launching new projects because superstitious buyers consider it inauspicious to buy property during this period.

According to URA's statistics for the third quarter of 2014, the number of new private residential units<sup>1</sup> sold fell by 42.6% QoQ, to 1,531 units from 2,665 in Q2. Major projects launched in Q3 included City Gate, Highline Residences and Seventy Saint Patrick's, which achieved take-up rates

<sup>1</sup> Excluding Executive Condominium (EC) units.

of 59.3% (89 out of 150 units), 88.8% (142 out of 160 units) and 78.6% (110 out of 140 units) respectively within their first month of launch. Given the lacklustre market, these projects performed well, bearing out current sentiments in the market that buyers are not only sensitive to competitive pricing but are also very selective. One of the reasons these projects sold well could be their proximity to an MRT station. The high take-up rate at Highline Residences came as no surprise, with the main contributing factor being the pent-up demand for new private housing in that area,

TABLE 1 **Major new launches, Q3/2014**

S/No.	Project name	Developer	Location	Category*	Total no. of units launched	Take-up (%)	Price range (\$\$ per sq ft)
1	BIJOU	JU-I Properties Pte Ltd	Pasir Panjang Road/ Jalan Mat Jambol	RCR	120	9.2	1,878-2,253
2	City Gate	World Class Land & Fragrance Group	Beach Road	RCR	150	75.3	1,529-2,226
3	Forte Suites	Forte Development Pte. Ltd.	Mergui Road/ Rangoon Road	RCR	106	16.0	1,622-1,885
4	Highline Residences	Harvestland Development Pte Ltd	Kim Tian Road	RCR	160	88.8	1,599-2,245
5	Robin Residences	Sing Holdings (Robin) Pte Ltd	Robin Road	CCR	55	38.2	1,941-2,450
6	Seventy Saint Patrick's	UOL Development (St Patrick) Pte Ltd	St. Patrick's Road	OCR	140	78.6	1,400-1,795
7	The Citron Residences	Goodland Assets Pte Ltd	Marne Road	RCR	49	81.6	1,400-1,835

Source: Savills Research & Consultancy

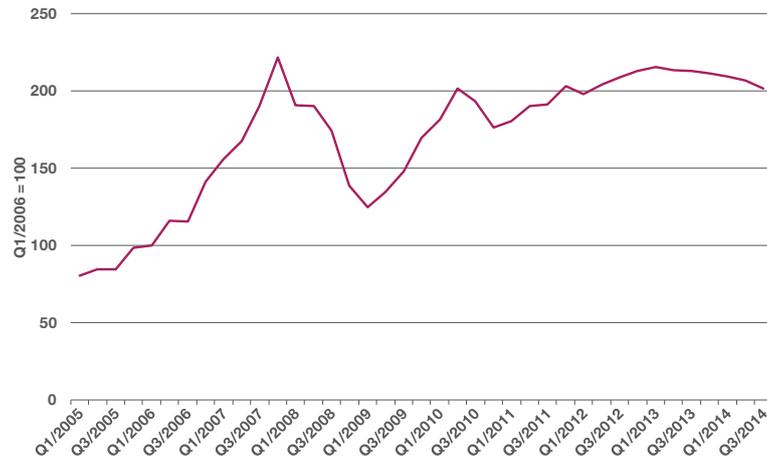
\* CCR = Core Central Region; RCR = Rest of Central Region; OCR = Outside Central Region

→ given the absence of any new private residential projects in the last seven years. Hence it can be seen that there is still strong underlying demand even as buyers' credit becomes limited under the current Total Debt Servicing Ratio (TDSR) framework.

Transaction volumes in the secondary market remained relatively flat in the third quarter. URA's statistics showed that there were 1,424 transactions between July and September this year, compared with 1,547 transactions in Q2/2014, a drop of 8.0% QoQ. It should be noted, however, that Q2 registered a high quarterly growth of 35.9%. Hence it can be said that the secondary market has maintained some form of stability thus far, especially since it was also 10.4% lower than the 1,589 transactions recorded in the same period of last year when the TDSR was first implemented.

The relatively stable transaction volumes in the secondary market could reflect the healthy financial standing of home owners. Even as the number of mortgagee sales has increased marginally at property auctions this year, the majority of home owners have displayed strong holding power.

GRAPH 2 Savills high-end, non-landed home price index, Q1/2005–Q3/2014



Source: URA, Savills Research & Consultancy

**Prices**

According to the URA's quarterly statistics for Q3/2014, the private residential property price index slipped marginally by 0.7% QoQ, compared to the 1.0% fall registered in Q2/2014. This is the fourth continuous quarter of price decrease, registering a total decline of 3.9% over this time period.

Prices of landed and non-landed homes fell 1.8% and 0.4% respectively in Q3. Non-landed private homes in

the Core Central Region (CCR) saw the largest drop with prices dipping by 0.8%, lesser than the 1.5% drop in the previous quarter. Likewise, prices in the Rest of Central Region (RCR) and Outside Central Region (OCR) slipped marginally, by 0.4% and 0.3% respectively compared to their respective decreases of 0.4% and 0.9% in Q2.

Similarly, average prices of high-end, non-landed homes tracked by Savills

TABLE 2 Major upcoming launches in the next six months

S/No.	Project name	Developer	Location	Category	District	Estimated total no. of units
1	Marina One*	MS Commercial Pte Ltd/MS Residential 1 Pte Ltd/MS Residential 2 Pte Ltd	Marina Way/Straits View	CCR	1	1,042
2	Marine Blue	Ladyhill Pte Ltd	Marine Parade Road	RCR	15	124
3	Pollen & Bleu	Singland Development (Farrer Drive) Pte Ltd	Farrer Drive	CCR	10	106
4	Sophia Hills	Hoi Hup Sunway Pte Ltd	Mount Sophia	CCR	9	493
5	South Beach Residences	South Beach Consortium Pte Ltd	Beach Road	CCR	7	190
6	Victoria Park Villas	Athens Residential Development Pte Ltd	Coronation Road	CCR	10	109
7	Bellewoods*	Qingjian Realty (Woodlands) Pte Ltd	Woodlands Avenue 5/ Woodlands Avenue 6	OCR (EC)	25	561
8	Lake Life*	Lakehomes Pte Ltd	Yuan Ching Road/Tao Ching Road	OCR(EC)	22	546
9	Bellewaters*	Qingjian Realty (Anchorvale) Pte Ltd	Anchorvale Crescent	OCR (EC)	19	651

Source: Savills Research & Consultancy  
\*Launched in Oct 2014.

posted another quarter of descent, easing by 2.6% QoQ to S\$2,269 per sq ft. This is the sixth consecutive decline since Q1/2013, falling by a total of 6.8% in that time from the high of S\$2,429 per sq ft.

**Future supply**

The supply of new private residential units at the end of Q3/2014 stands at 79,364, of which about 4,336 units will be completed by the end of this year and 20,824 units by end 2015. 574 units, or 13.2% of the number of units that will be completed by the end of 2014, are still not sold.

According to URA's data on private residential units sold by developers<sup>2</sup>, the total number of new homes which have been launched but have yet to find buyers is 6,685 units. There are 2,969 units in OCR (44.4% of the total) while the CCR and RCR

have 1,716 units (25.7%) and 2,000 units (29.9%) respectively. Hence for the rest of the year, other than EC developments, no major projects are expected to be launched in the OCR. CCR and RCR, on the other hand, will be seeing some project launches in the next few months. These include Marine Blue at Marine Parade Road, Pollen & Bleu at Farrer Road and Sophia Hills at Mount Sophia. The highly anticipated Marina One Residences was finally launched in early October. 372 units were released and 300 units sold within a week, a strong 80% take-up rate. Many of the purchasers were reported to have bought multiple units. ■

<sup>2</sup> Downloaded on 15 October 2014

**OUTLOOK**

**The prospects for the market**

The Singapore economy continues to face headwinds from the lacklustre global economy, geopolitical risks both in Asia and Europe, as well as its own restructuring efforts. The private property market is expected to remain sluggish as a result of these factors acting in tandem with the cooling measures and TDSR. With the price indices falling at a snail's pace, the market fear is that the prevailing cooling measures may continue to be in force for an extended period. Even as the decline in prices slows, the transactional famine is expected to persist. On the other hand, given the lag in sales transactions, the cash reserves of potential buyers are slowly building up from each salary cheque received, plus bonuses and salary rises earned. This potentially bright spark could mean that for 2015, although transaction volumes may be lower than pre-TDSR, it may not be as tepid as many are presently expecting.

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