

Briefing Residential sales

November 2015

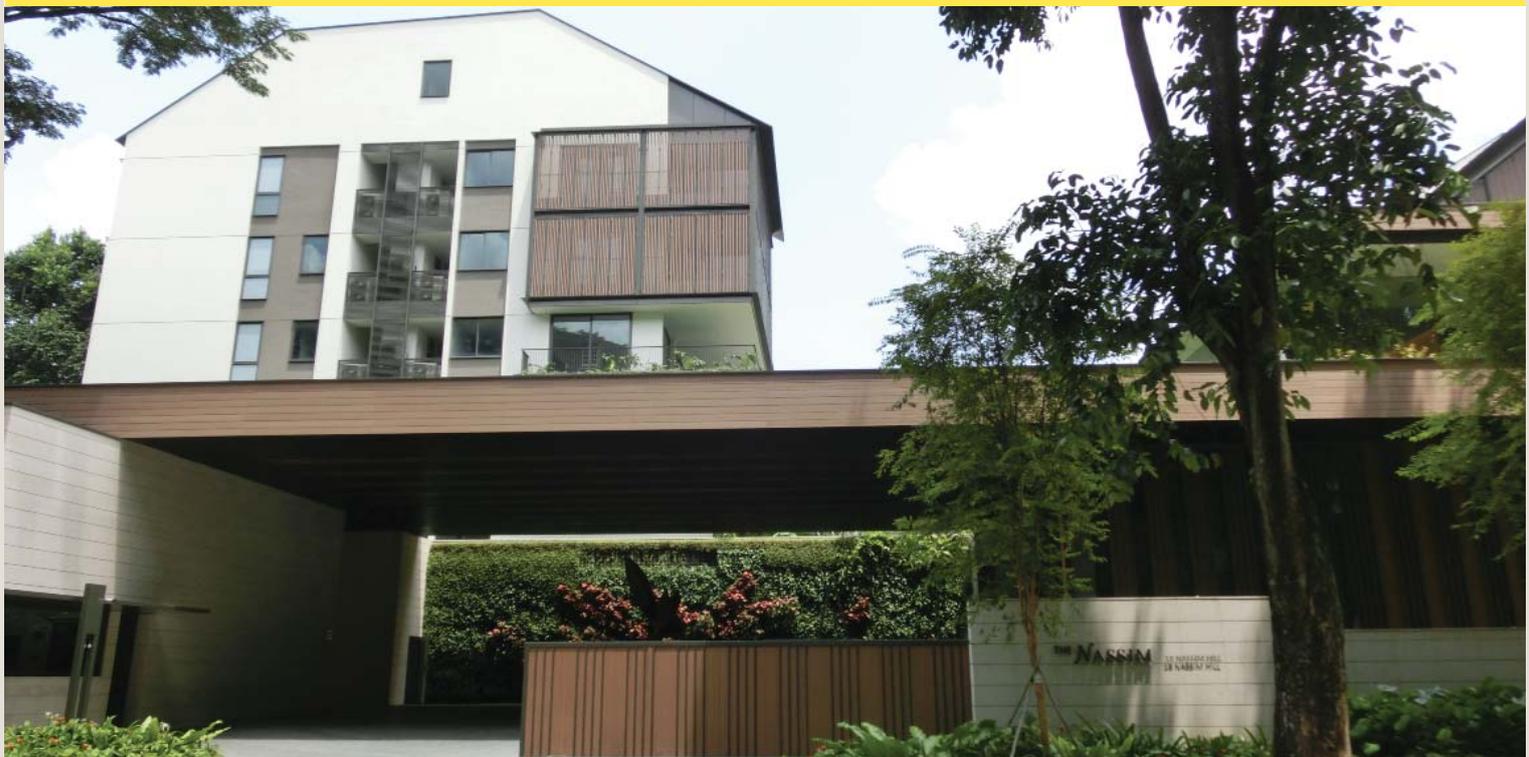


Image: The Nassim, Nassim Hill

SUMMARY

Project launches towards the end of the year should boost sales volumes in the primary market while value is beginning to emerge in the secondary market.

- Although narrowly having avoided a technical recession, Singapore's third quarter gross domestic product (GDP) grew by a sedentary 1.4% year-on-year (YoY).
 - Developers sold 2,410 private homes in Q3/2015, 13.9% more than in the preceding quarter. Sales from the Outside Central Region (OCR) were the main contributor to the growth with 2,076 homes sold. Nevertheless, the numbers are still low compared to 1H/2013 and the recovery in primary sales remains slow.
 - Sales in the secondary market rose 14.3% YoY to 1,749 units, the second highest since the implementation of the Total Debt Servicing Ratio (TDSR). With greater transaction volumes, prices are expected to moderate further but at a slower pace.
 - The Urban Redevelopment Authority's (URA) non-landed private residential price index dipped 1.5% quarter-on-quarter (QoQ) while the average price of high-end, non-landed homes tracked by Savills remained unchanged at S\$2,215 per sq ft.
 - Only four major projects are forecast to come into the market in the final quarter of 2015, bringing the total number of projects launched for the year to 21, much fewer than the 35 projects launched in 2014.
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- “Although transaction volumes have increased on a YoY basis, we are still far from levels seen in 1H/2013.”
- Alan Cheong, Savills Research
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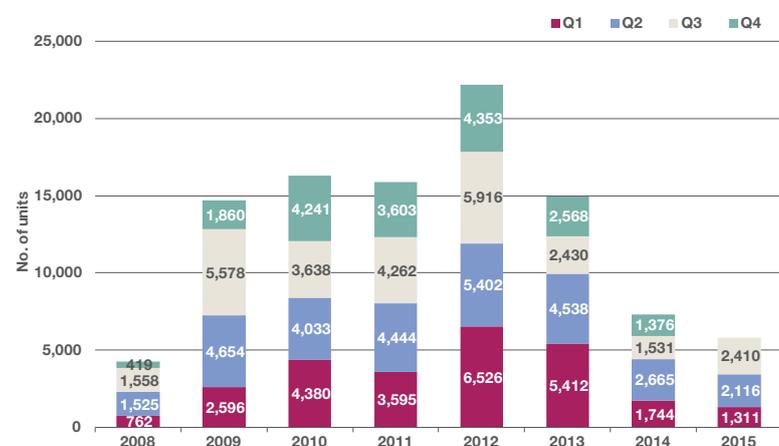
➔ **Market overview**

Major economies continued to experience turbulence in Q3/2015. China's GDP grew at a slower rate of 6.9% YoY in the quarter, partly due to weak global demand but also Beijing's realignment of its economic model from export driven to one which is more reliant on domestic consumption. China's slowdown spilled over to Japan and the Eurozone, mainly Germany, as exports to the world's second largest economy declined. However, the US and Europe are expected to offer glimmers of hope for the world economy as the quantitative easing (QE) programme in Europe has begun to work its way through the system with a pickup in bank lending to households and firms.

Flash estimates show that the Singapore economy grew by 1.4% YoY and 0.1% QoQ in Q3/2015, narrowly avoiding technical recession. Although September's non-oil domestic exports (NODX) managed to increase slightly by 0.3% YoY, ahead of economists' expectations this was not sufficient to overcome the slowdown in the manufacturing sector, which contracted 6.0% YoY due to tepid global demand.

On the political front, after a landslide victory by the ruling People's Action Party (PAP) in September's general election, expectations among developers were for an easing of some

GRAPH 1 **Primary private home sales volumes, 2008-Q3/2015**



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

of the cooling measures. However, as of the date writing, these expectations remain unfulfilled as the government wants to make homes more affordable and is also attempting to reduce levels of household debt.

On the property front, a total of 2,410 private homes were sold by developers across the island, registering growth of 13.9% QoQ and 57.4% YoY. As with the preceding quarter, the growth in sales came largely from OCR where 2,076 homes were sold, 24.4% more than Q2/2015. In the latter quarter, North

Park Residences and Botanique at Bartley were the main drivers of sales activity. However, sales in the Rest of Central Region (RCR) and Core Central Region (CCR) continued to show weakness. The mid-tier market (RCR) experienced a 23.2% QoQ decline in sales while the high-end sector (CCR) eased 29.2% QoQ to 109 units sold. Both sectors also recorded a decline on an annualised basis. The fall is due to a dearth of new launches in those areas and also a price mismatch between buyers and developers in the respective regions.

TABLE 1 **Major new launches, Q3/2015**

S/No.	Project name	Developer	Location	Category*	Total no. of units launched	Take-up (%)	Price range (S\$ per sq ft)
1	Adana @ Thomson	Fortune Properties Pte Ltd	Old Upper Thomson Road	OCR	74	41.9	1,554-1,689
2	High Park Residences	Fernvale Development Pte Ltd	Fernvale Road	OCR	1,376	90.5	765-1,261
3	Signature at Yishun	Gee-I Investments Pte Ltd	Yishun Street 51	OCR (EC)	525	17.7	705-867
4	Sol Acres	MCL Land (Brighton) Pte Ltd	Choa Chu Kang Grove	OCR (EC)	707	40.3	716-854
5	The Brownstone	Canvey Developments Pte Ltd	Canberra Drive	OCR (EC)	638	37.5	701-913
6	The Vales	Anchorvale Residences Pte Ltd	Anchorvale Crescent	OCR (EC)	517	21.7	704-892

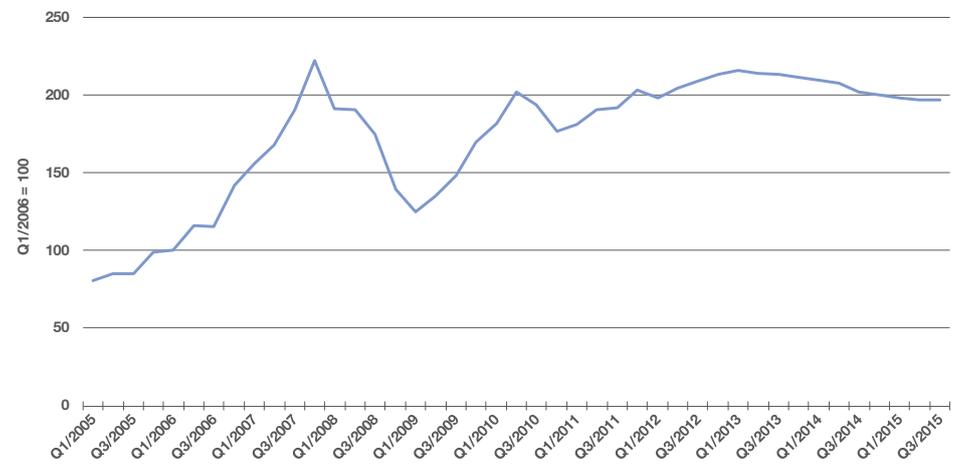
Source: Savills Research & Consultancy

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

→ The supply-led demand phenomenon for private new homes continued when for Q3/2015, developers put up 2,435 uncompleted homes for sale, 16.0% higher QoQ and 88.2% more YoY and demand followed suit. For example, High Park Residences, a large 1,376 private non-landed residential project on Fernvale Road was launched in the July to September quarter and received a strong take-up rate of 90.5% or 1,245 units by end-September. The underlying reason behind the success of its launch was its attractive prices on a dollar per square foot basis and an offering of smaller sized units which came with a lower price quantum. To show that demand chases supply, when we subtract High Park Residences from the sales figures, the numbers from the primary sales market for private residential sales remained tepid as sales and launch figures in Q3 were weaker than in previous quarters.

There are signs of optimism in the secondary sales market. Although sales in the third quarter moderated by 12.0% compared to the strong performance registered in Q2/2015 with 1,749 units sold, on a YoY basis, they rose by a strong 14.3% YoY. On this basis, it was the second strongest growth since the implementation of the TDSR in June 2013. This behavior was witnessed throughout the various

GRAPH 2 Savills high-end, non-landed home price index, Q1/2005-Q3/2015



Source: URA, Savills Research & Consultancy

regions (CCR, RCR and OCR) with the OCR registering the highest number of transactions in the resale market with 776 homes sold. The three consecutive quarters of YoY sales increases points to greater confidence building amongst buyers that value is emerging in the secondary market. Although transaction volumes have increased, they are still a far cry from levels seen in the period before TDSR and prices are expected to continue falling but at a reduced rate.

Prices

From the URA statistics, prices for non-landed private residential units have fallen again, with the latest quarter recording a decline of 1.5% QoQ and 4.3% YoY. Homes in the OCR fell 1.6% QoQ, registering the largest decline amongst the three regions for the second consecutive quarter. The recent surge in launches from the Executive Condominium (EC) market as well as the revision of the household income ceiling

TABLE 2 Major upcoming launches

S/No.	Project name	Developer	Location	Category	District	Estimated total no. of units
1	Principal Garden*	Secure Venture Development (Alexandra) Pte Ltd	Prince Charles Crescent	RCR	3	663
2	Thomson Impressions*	NS Property (Thomson) Pte Ltd	Lorong Puntong	RCR	20	288
3	The Criterion*	Island Glades Developments Pte Ltd	Yishun Street 51	OCR (EC)	27	505
4	The Andrew Residences**	MCC Land (Singapore) Pte Ltd	Meyappa Chettiar Road	RCR	13	731
5	Gramercy Park	Aston Properties Pte Ltd	Grange Road	CCR	10	174
6	Paterson Collection	Bukit Sembawang View Pte Ltd	Paterson Road	CCR	9	85
7	South Beach Residences	South Beach Consortium Pte Ltd	Beach Road	CCR	7	190
8	The Peak @ Cairnhill II	T G Development Pte Ltd / TEE Development Pte Ltd	Cairnhill Circle	CCR	9	60

Source: Savills Research & Consultancy

*Launched in October 2015

**Change of name for the development is pending approval

from S\$12,000 to S\$14,000 for EC applications has led some previously ineligible EC buyers to opt out of the private residential market in non-mature estates and take their place amongst EC applicants. Prices in the RCR eased 1.6% QoQ and for the CCR, for the second consecutive quarter, fell the least at 1.2% QoQ.

In Q3/2015, the average price of Savills basket of high-end, non-landed residential units remained unchanged at S\$2,215 per sq ft. In the quarter, we noted that developments such as Marina Bay Suites have shown a quarterly increase in prices, but the Orchard precinct continues to move southwards.

Future supply

Only four major projects are expected to come to market in Q4/2015 and these include Principal Garden, Thomson Impressions, The Andrew Residences** and The Criterion (EC). These new launches will refocus attention from the OCR in Q3 to the RCR in Q4. The Andrew Residences may have the upper hand as it is not only located next to the Potong Pasir MRT Station but also has the added cache of being a mixed retail development. Nevertheless, the take-up rate is still expected to be dependent on affordability, in particular the price quantum of the individual units.

Taking into account the four projects, we expect the total number of projects launched in 2015 to be 21, significantly below the 35 projects launched in 2014. In terms of the total number of units launched in the private residential market in 2015, we expect around 7,700 units, similar to the 7,753 private units launched in the preceding year.

Outlook

In his speech to the Economic Society of Singapore, the Prime Minister said that as Singapore becomes more developed, with land and labour constraints included, long term economic growth is expected to slow. In the immediate term, as major economies such as China decelerate, Singapore’s economy may grow below trend. The Monetary Authority of Singapore’s (MAS) decision to retain its modest appreciation of the Singapore dollar is likely to apply further brakes on the economy as the export sector will bear the brunt of this policy.

With the government’s unyielding focus on keeping housing affordable and lowering household indebtedness levels, they have made it clear that cooling measures will remain in place. This is despite the slowing economy and developer’s concern for the real estate sector as seen from Q3’s decline in the Future

Sentiment Index and Composite Sentiment Index (compiled by the Real Estate Developers’ Association of Singapore (Redas) and the Department of Real Estate at the National University of Singapore). However, although market sentiment remains soft, developers are still unlikely to lower prices and those who need to made adjustments to clear inventory may only do so marginally. The reason is two fold; high production costs; and holding power remains strong. Prices in the primary sales market are therefore expected to remain flat over the next 2 quarters.

On the other hand, the secondary market is expected to see further price moderation. This is particularly so in the OCR. The resale market is expected to behave this way because individual sellers have less bargaining power and at times when transaction volumes are relatively low, those who need to sell must be compelled to do so.

As for sales volume, when there is a flurry of new launches which are not unreasonably priced, sales should follow in tandem. In the secondary market, as prices have moderated more, value is beginning to emerge. This should increase the volume of transactions as buyers who have held back waiting for prices to fall begin to commit. ■

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